

M&G REAL ESTATE: 'UK PROPERTY REMAINS ATTRACTIVE POST-BREXIT'

- *Limited falls expected in capital values in the short-term*
- *Property remains a compelling asset class on a long-term basis*

LONDON, 04 October 2016 – The latest UK real estate market outlook published by M&G Real Estate, one of the UK's largest property investors, predicts that uncertainty during Brexit negotiations could cause limited, short term falls in capital values – but that declines should remain restrained given expectations of a relatively subdued, but by no means dismal, economic outlook.

While the early post-referendum landscape has been characterised by an element of panic, and the property market has by no means been the exception, M&G Real Estate reports that short-term volatility may open up some attractive investment opportunities in property markets where pricing has recently been overstretched – such as in central London.

Meanwhile, other more defensive sectors – such as private rented residential and long lease property – will continue to offer attractive income streams for pension funds and other institutional investors.

The outlook states that the UK property market is now in a much stronger position to withstand any short-term economic or political uncertainty than it was during the global financial crisis eight years ago.

M&G Real Estate believes that occupier markets also offer comfort – a lack of supply characterises many locations, with the UK having experienced seven consecutive years of construction running below its historic average level, lending support to rents in the short-term particularly in more prime locations.

It also points to anecdotal evidence which suggests that a number of overseas institutions are already looking to take advantage of the recent depreciation of sterling. Indeed, Brexit appears to largely be a domestic concern, with overseas investors continuing to target the UK and viewing London as a global safe haven.

The outlook predicts that the market will see a short, sharp – but not catastrophic – adjustment in pricing as investors build an uncertainty premium into the property market.

Overall, M&G Real Estate anticipates that the cumulative post-referendum decline in average capital values may amount to little more than 10% – and, helped by income, the market is expected to see a resumption in positive returns as soon as 2017.



Richard Gwilliam, Head of Property Research, M&G Real Estate, comments: “We expect uncertainty during the Brexit negotiations to cause limited falls in capital values in the short term and commercial property remains a compelling asset class on a long-term basis.”

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For further information please contact:

Drew McNeill (Redwood Consulting)

Tel: 020 7828 5553

Email: drew@redwoodconsulting.co.uk

Notes to Editors:

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M&G is the investment arm of Prudential Plc in the UK, Europe and Asia. For more information, please visit www.mandg.com/realestate

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