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LONDON: Commuters heading into the City of London walk in the rain across London Bridge in front of the Shard skyscraper in central London yesterday. —AFP

Gulf appetite for UK property strong

Brexit vote unlikely to dampen interest in real estate

DUBAI: Harrods, the Savoy, the Shard - London property has long been a magnet for Gulf investors and Britain's vote to leave the European Union is unlikely to dampen their interest, analysts say. In fact, the Brexit vote could even see a surge in activity as wealthy Gulf buyers look to take advantage of the dramatic fall in the value of the pound. Attracted to London property as both a sure-fire investment and for the cachet of ownership, Gulf investors have invested billions of their oil windfalls into British real estate.

CNBC Arabiya television recently reported that total Gulf investments in Britain amounted to about $200 billion, of which $45 billion was in real estate. And Britain accounts for 40 percent of all Gulf investments in European property, it said. Monica Malik, chief economist at Abu Dhabi Commercial bank, said that with so much invested it would take more than the Brexit vote to shake Gulf confidence in the London property market. "In the near term, there will be a sentiment of cautiousness but we do not expect a marked sell-off," she said. "A knee-jerk reaction or panic is unlikely," she said. "Property in the UK is very attractive and has been a well-performing asset class. The underlying foreign demand is expected to remain strong once the uncertainties subside."

Top British assets held by Gulf owners include a 50 percent stake in London's legendary Savoy hotel controlled by Qatar. The gas-rich state also owns the Shard skyscraper in central London and the Harrods department store. A part of London has been dubbed the "Qatar Quarter" because so much property has been bought by the country's investors. The London-based Rokstone estate agent estimated earlier this year that Qataris now own property worth more than one billion pounds in London's poshest area, Mayfair.

'Even More Attractive'

"Qatar is one of the most high-profile investors in London, snapping up landmarks," said M R Raghu, head of research at the Kuwait Financial Centre (MARKAZ). The royal families of the United Arab Emirates are also known to hold prestigious assets in the British capital. "Investors from the UAE accounted for more than 20 percent of buy-to-let property sales in the UK in 2015," Raghu said. Ownership levels are so high, Raghu warned, that a crash in British real estate would have a "huge impact" on Gulf investors. But for now analysts expect to see even more buying of London property from investors in the six-nation Gulf Cooperation Council, where currencies are mostly pegged to the US dollar. "The fall in the value of sterling could make the UK an even more attractive place for GCC nationals to invest in London property," said Gulf expert Neil Partrick. The Brexit vote "has weakened the pound and it will make property cheaper for investors" from countries where currencies are tied to the dollar, said Dana Salbak, an associate partner at the Knight Frank property consultancy. "What we are seeing now, and we expect to see over the next couple of months, is that this activity (buying property) will pick up and they will start securing their purchases," she said. For Damian Wild, editor of weekly British property magazine Estates Gazette, "the medium-term story remains strong" because with the weakened pound "there is certainly a currency play to be had". Qatar, for example, is "heavily invested in London for the long-term and, short-term matters aside, there's no reason why that shouldn't continue," he said. And while Gulf investors have bought significant property assets elsewhere especially the Qataris in Paris - Partrick said London would continue to hold a special place.

There is a "historical and linguistic familiarity" with Britain in the Gulf, where most GCC countries are former British protectorates, English is the de facto second language and sizable communities of British expatriates live and work. —AFP

Brexit vote hits pound and markets

LONDON: Britain's vote to leave the European Union sent new shockwaves through financial markets yesterday, despite efforts by the country's leaders to end the deep political and economic uncertainty unleashed by the decision. Finance minister George Osborne said the British economy was strong enough to cope with the volatility caused by Thursday's referendum, the biggest blow since World War Two to the European goal of forging greater unity. But the pound later sank to its lowest level against the US for 31 years and British shares continued the fall that began last week when Britons confounded expectations by voting to end 43 years of EU membership.

Chinese Premier Li Keqiang said uncertainties over the global economy had heightened and called for a "united, stable EU, and a stable, prosperous Britain". But with the ruling Conservatives looking for a new leader after Prime Minister David Cameron's resignation on Friday and lawmakers from the opposition Labour party stepping up a rebellion against their leader, Britain sank deeper into political and economic turmoil. "There's no political leadership in the UK right when markets need the reassurance of direction," said Luke Hickmore of Aberdeen Asset Management, expressing the view of many in the City of London financial centre.

Although Cameron is staying on until October as a caretaker, he refused to start formal moves immediately to pull Britain out of the EU. This prompted many European leaders to demand quicker action by Britain, the EU's second largest economy after Germany before the vote. "France like Germany says Britain has voted for Brexit. It should be implemented quickly. We cannot remain in an uncertain and indefinite situation," French finance minister Michel Sapin said on France 2 television.

Guenther Oettinger, a German member of the EU's executive European Commission, also issued a warning. "Every day of uncertainty prevents investors from putting their funds into Britain, and also other European markets," he told Deutschlandfunk radio. "Cameron and his party will cause damage if they wait until October." German Chancellor Angela Merkel has taken a softer line, underlining the need to continue a positive trade relationship with Britain, a big market for German carmakers and other manufacturers. But a Merkel ally, Volker Kauder, made clear the exit negotiations would not be easy. "There will be no special treatment, there will be no gifts," Kauder, who leads Merkel's conservatives in parliament, told ARD television.

Financial Markets' Misjudgement

Financial markets misjudged the referendum, betting on the status quo despite abundant signs that the vote would be close. When reality dawned, the reaction was brutal. Sterling fell as much as 11 percent against the dollar on Friday for its worst day in modern history, while $2.8 trillion was wiped off the value of world stocks - the biggest daily loss ever. That trumped even the Lehman Brothers bankruptcy during the 2008 financial crisis and the Black Monday stock market crash of 1987, according to Standard & Poor's Dow Jones Indices.

LONDON: Union flags are attached between buildings along Oxford Street in central London yesterday. — AFP

Osborne tried to ease investors' concerns in his first public comments since the referendum. He said he was working closely with the Bank of England and officials in other leading economies for the sake of stability as Britain reshapes its relationship with the EU. "Our economy is about as strong as it could be to confront the challenge our country now faces," he told reporters at the Treasury. "It is inevitable after Thursday's vote that Britain's economy is going to have to adjust to the new situation we find ourselves in." Boris Johnson, a leading proponent of a Brexit and likely contender to replace Prime Minister David Cameron who resigned on Friday, praised Osborne for saying "some reassuring things to the markets." The former London mayor said outside his home in north London that it was now clear "people's pensions are safe, the pound is stable, markets are stable. I think that is all very good news". But financial markets took a different view, with sterling sliding yesterday, shedding more than 3 percent against the dollar to $1.3221.

The yield on British 10-year government bonds fell below one percent for the first time due to investors betting that the vote would trigger a Bank of England interest rate cut aimed at steading the economy. Many economists have cut economic growth forecasts for Britain, with Goldman Sachs expecting a mild recession within a year. But the risks affect economies far beyond Britain. "Against the backdrop of globalisation, it's impossible for each country to talk about its own development discarding the world economic environment," China's Li told the World Economic Forum in the city of Tianjin.

Japanese Prime Minister Shinzo Abe instructed his finance minister to watch currency markets "ever more closely" and take steps if necessary. At the weekend, the policy chief of Abe's LDP party held open the possibility of currency intervention to weaken the yen and temper "speculative, violent moves".

Divided Parties

The referendum has revealed social as well as economic stresses in divided Britain. Immigration emerged as one of the main themes of the referendum campaign, with those who backed a British exit saying the EU had allowed uncontrolled numbers of migrants to arrive from eastern Europe. Police said offensive leaflets targeting Poles had been distributed in Huntingdon, central England, and graffiti had been daubed on a Polish cultural centre in central London on Sunday, three days after the vote.

According to a local newspaper, the Cambridge News, the leaflets said: "Leave the EU/No more Polish vermin" in English and Polish. The Polish embassy in London said it was shocked by the "recent incidents of xenophobic abuse directed against the Polish community and other UK residents of migrant heritage". With Britain now facing uncertainty over how its trade relationship with the EU will unfold, Johnson tried to calm fears by writing in the Daily Telegraph newspaper that there would be continued free trade and access to the single market.— Reuters