

OPTIONS FOR BREXIT: COMMERCIAL REAL ESTATE

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The comments are the views of the speaker rather than CBRE.



LOST

CONFUSED

UNSURE

UNCLEAR

PERPLEXED

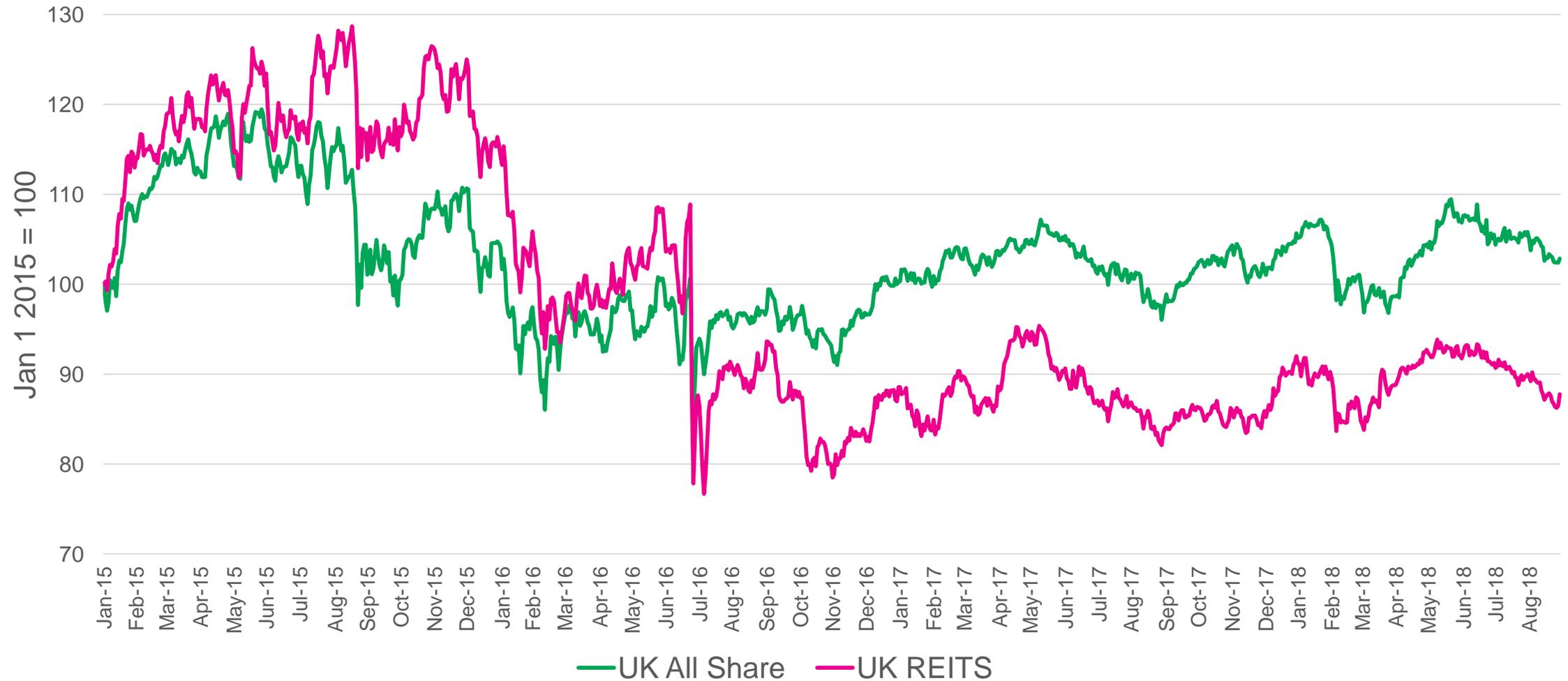
DISORIENTED

BEWILDERED

OVERVIEW

1. Does Brexit matter?
2. What are the possible outcomes?
3. The CBRE House View
4. Alternative outcomes

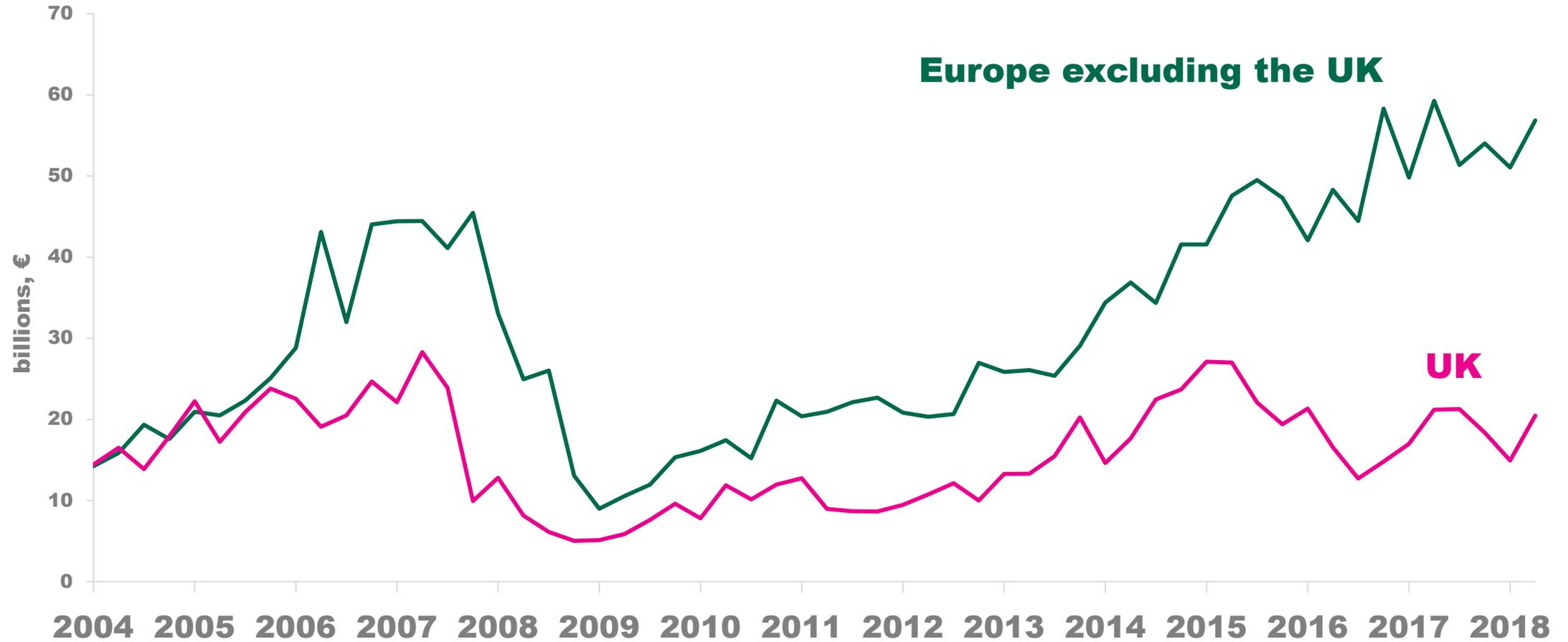
UK EQUITY PRICES (MEASURED IN EUROS)



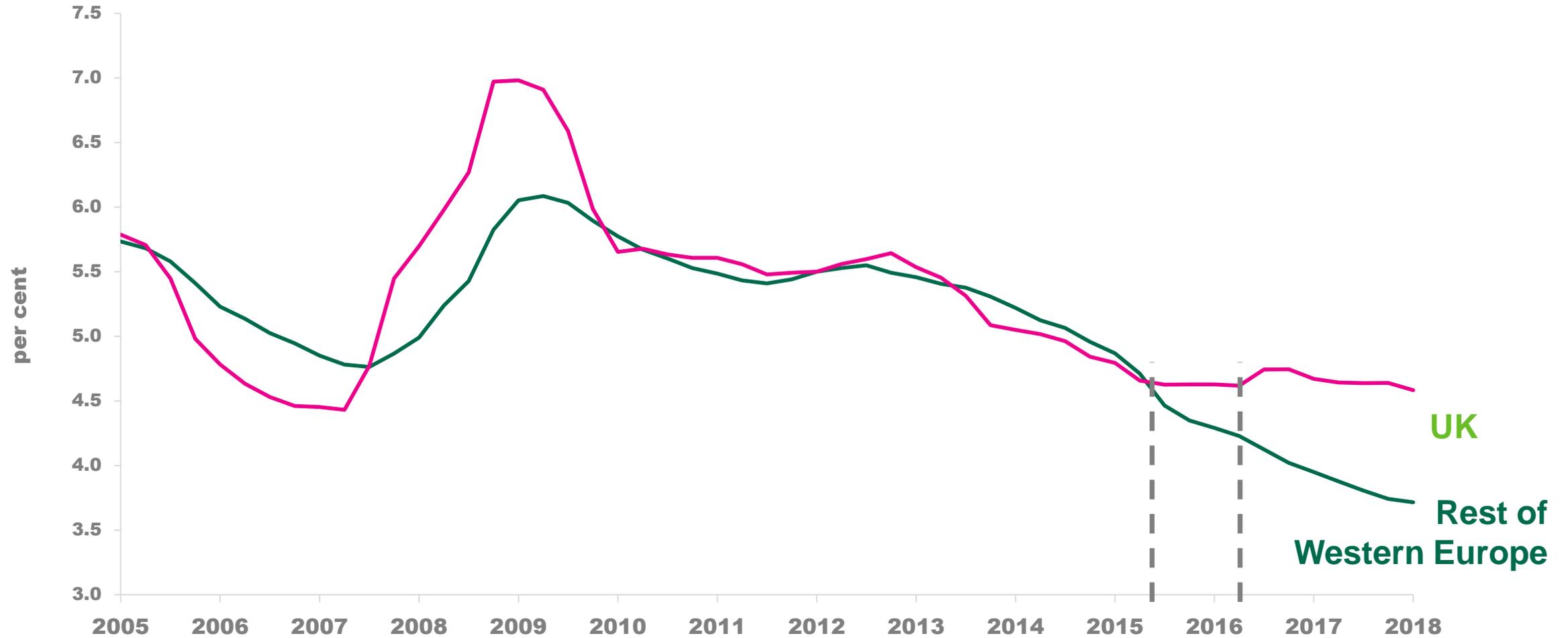
UK EQUITY PRICES: REITS RELATIVE TO “ALL SHARE”



EUROPEAN INVESTMENT SALES €BN SEASONALLY ADJUSTED

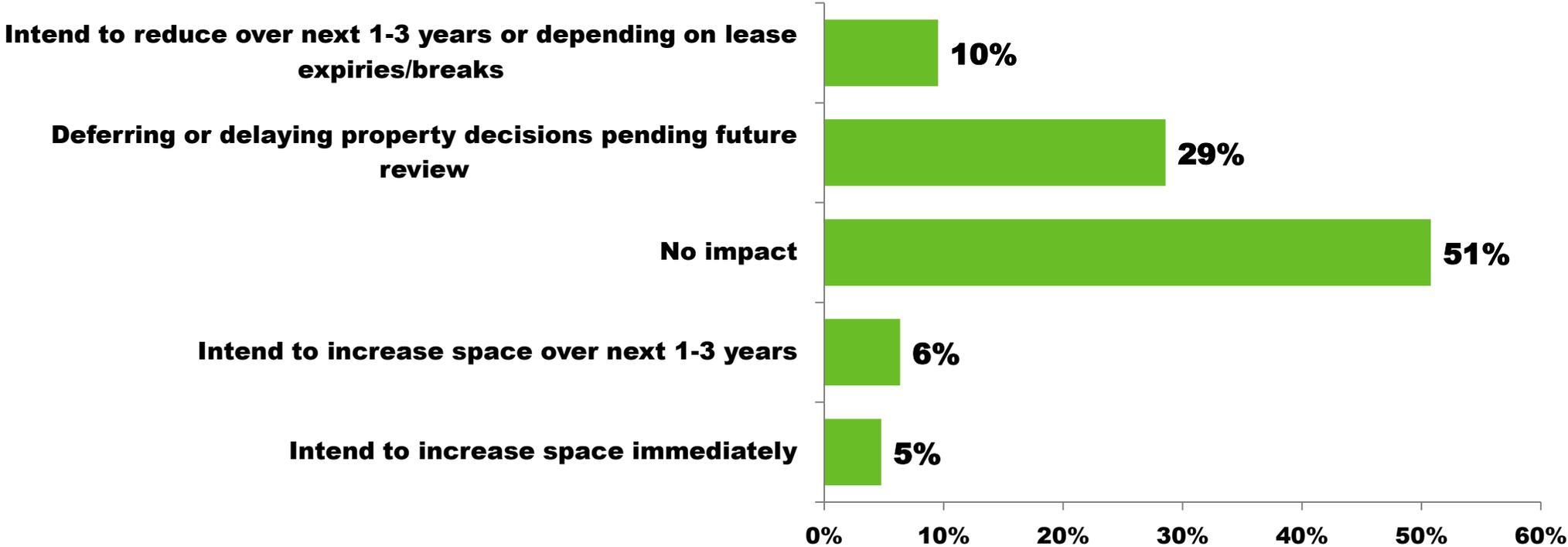


EUROPEAN OFFICE YIELDS - UK PRICING NOW ATTRACTIVE?



OCCUPIERS INITIAL RESPONSE

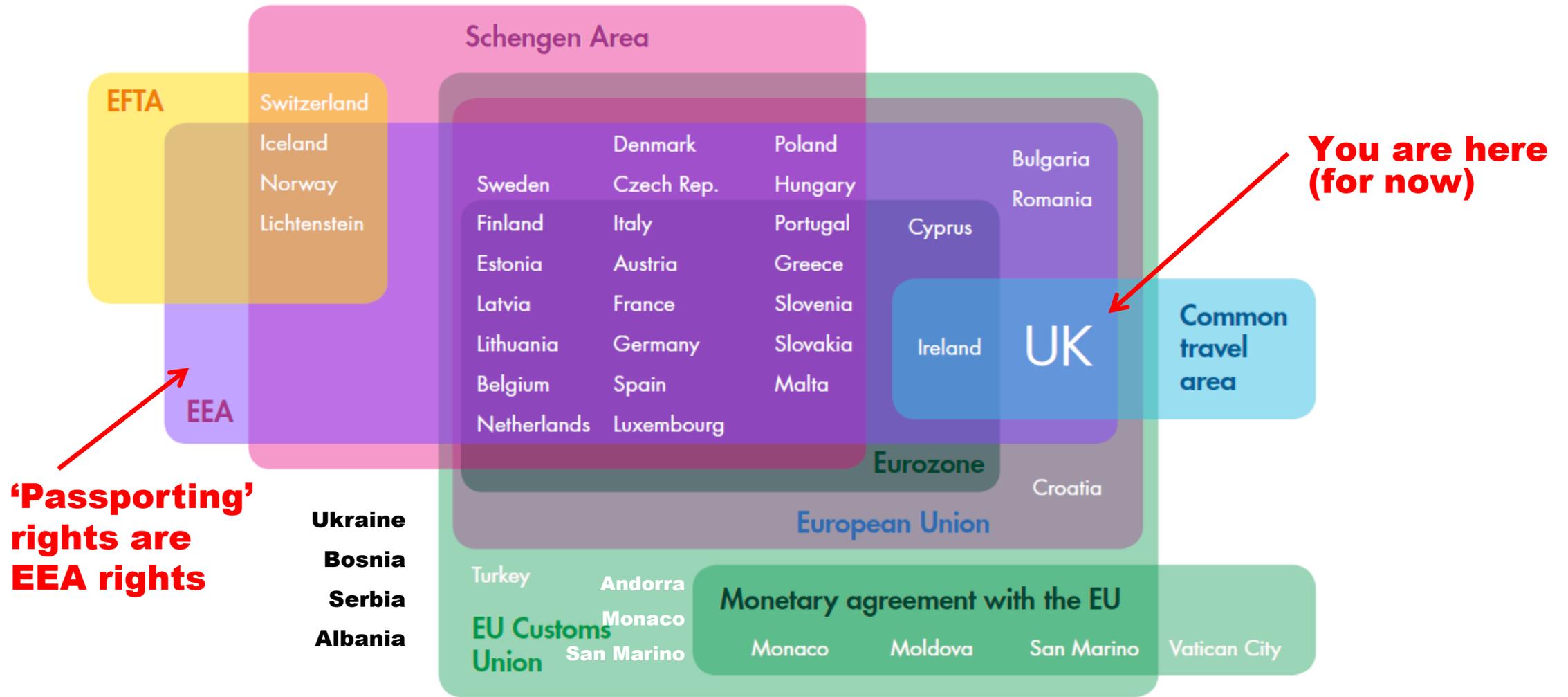
What impact do you expect the UK's decision to leave the EU will have on your operational portfolio?



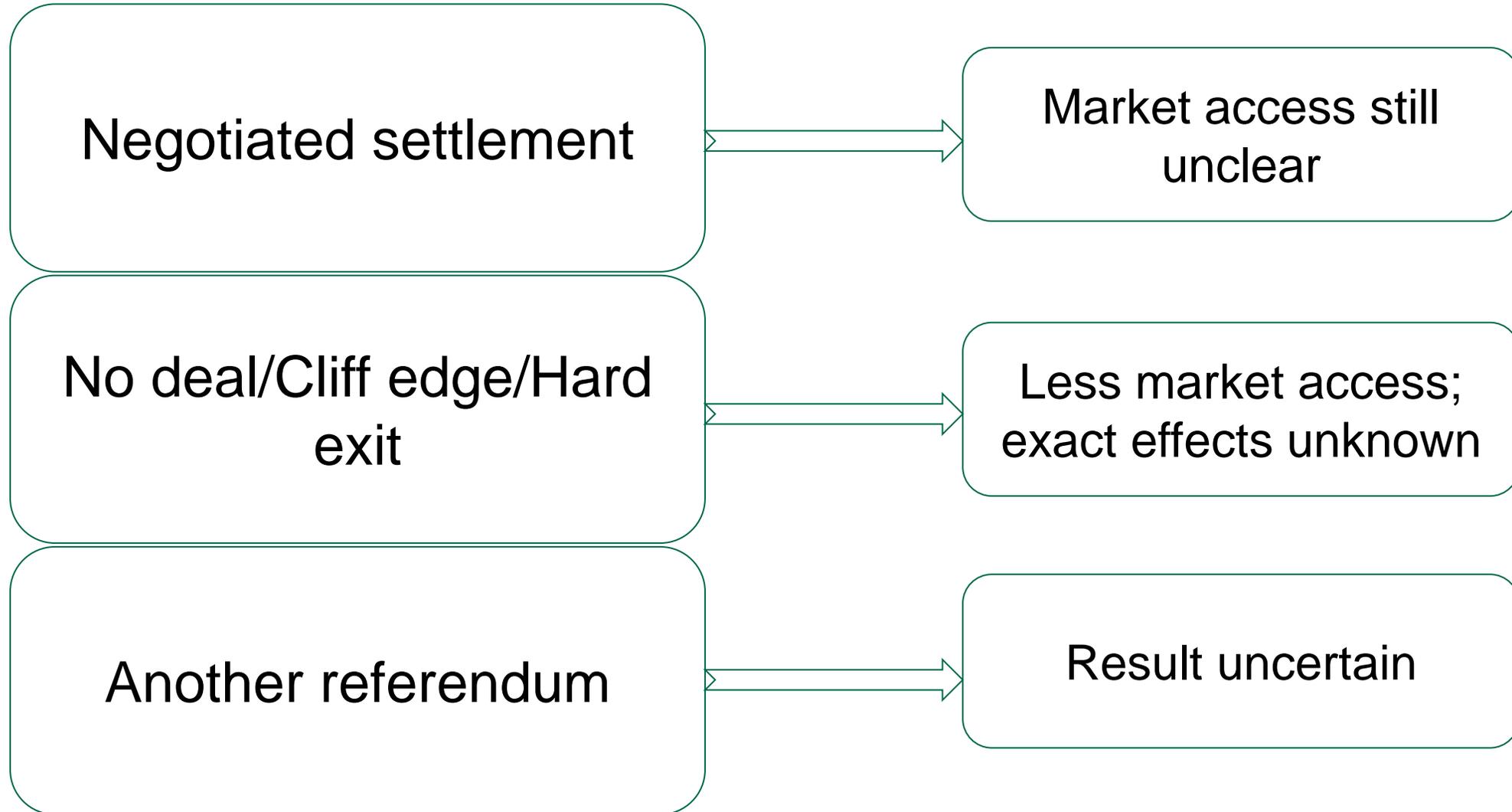


OPTIONS FOR BREXIT

WHAT 'OUT' MEANS FOR TRADE AND MIGRATION



WHAT ARE THE OPTIONS?





THE CBRE HOUSE VIEW

WE STILL THINK THAT BREXIT WILL BE A CLASSIC EUROPEAN COMPROMISE

| | ‘Muddle through (House View)’ | ‘UK excluded’ |
|------------------------|---|--|
| Is there an agreement? | Yes | No |
| Date of Brexit | 4 years from A50 notice | 2 years from A50 notice |
| Migration | <ul style="list-style-type: none"> • Low-skill controls • Existing residents unaffected • Benefits caps? | <ul style="list-style-type: none"> • Points-based system • ‘tit for tat’ on existing residents |
| Trade | <ul style="list-style-type: none"> • ‘EEA minus’ • passporting | <ul style="list-style-type: none"> • WTO rules • no passporting |

First published 2016

CONCLUSION: IT'LL BE A LONG GOODBYE

The industry will be living with uncertainty for a few years after the referendum

Brexit will take 5 years to achieve

The result will be a 'soft exit' compromise

Immigration takes political priority

Market access sacrifices will be made

State of global economy may matter more

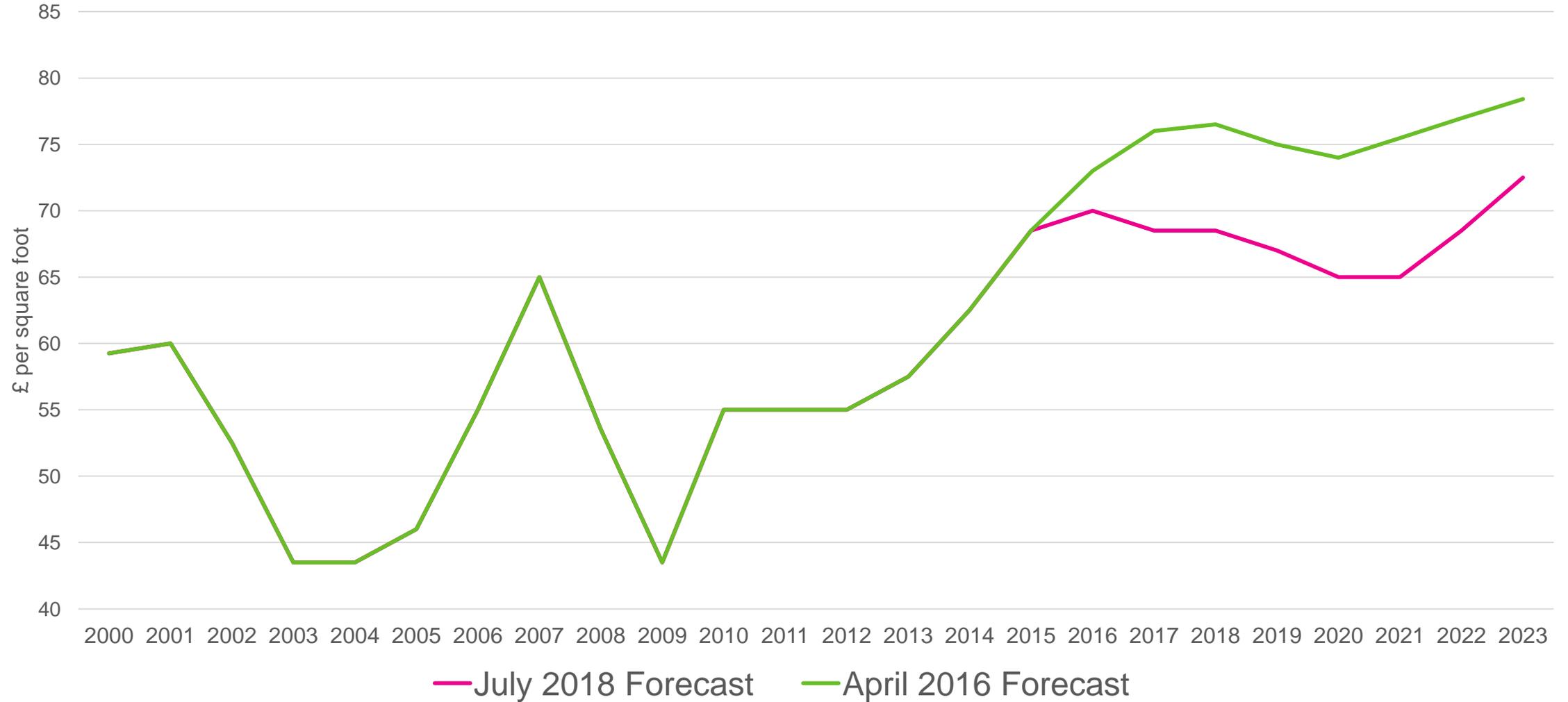
Weak growth not no growth

There will be a mild repricing

Contagion is unlikely (of any sort)

First published 2016

CITY OF LONDON: PRIME OFFICE RENTS





ALTERNATIVE OUTCOMES

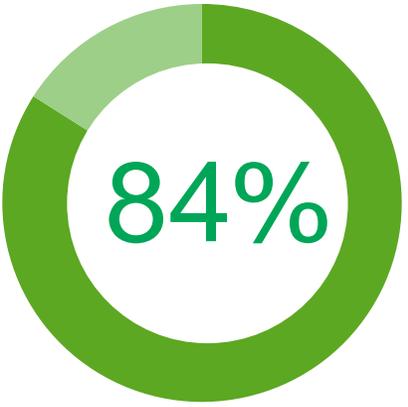
THE IMPACT OF THE UK'S EXIT FROM THE EU ON THE UK-BASED FINANCIAL SERVICES SECTOR



WHAT MAKES THE UK ATTRACTIVE TO FINANCIAL SERVICES?



Quality of life, diversity, culture and language



Stability and transparency of political, legal and regulatory environment



Education



Access to European market



Stability of social climate



UK's domestic market

Source: EY UK financial services attractiveness survey, September 2015 (158 respondents)

IMPACT ON UK FINANCIAL SERVICES EMPLOYMENT WILL DEPEND ON ACCESS TO SINGLE MARKET

High access

Low access



**3-4,000 jobs
(<1%)**

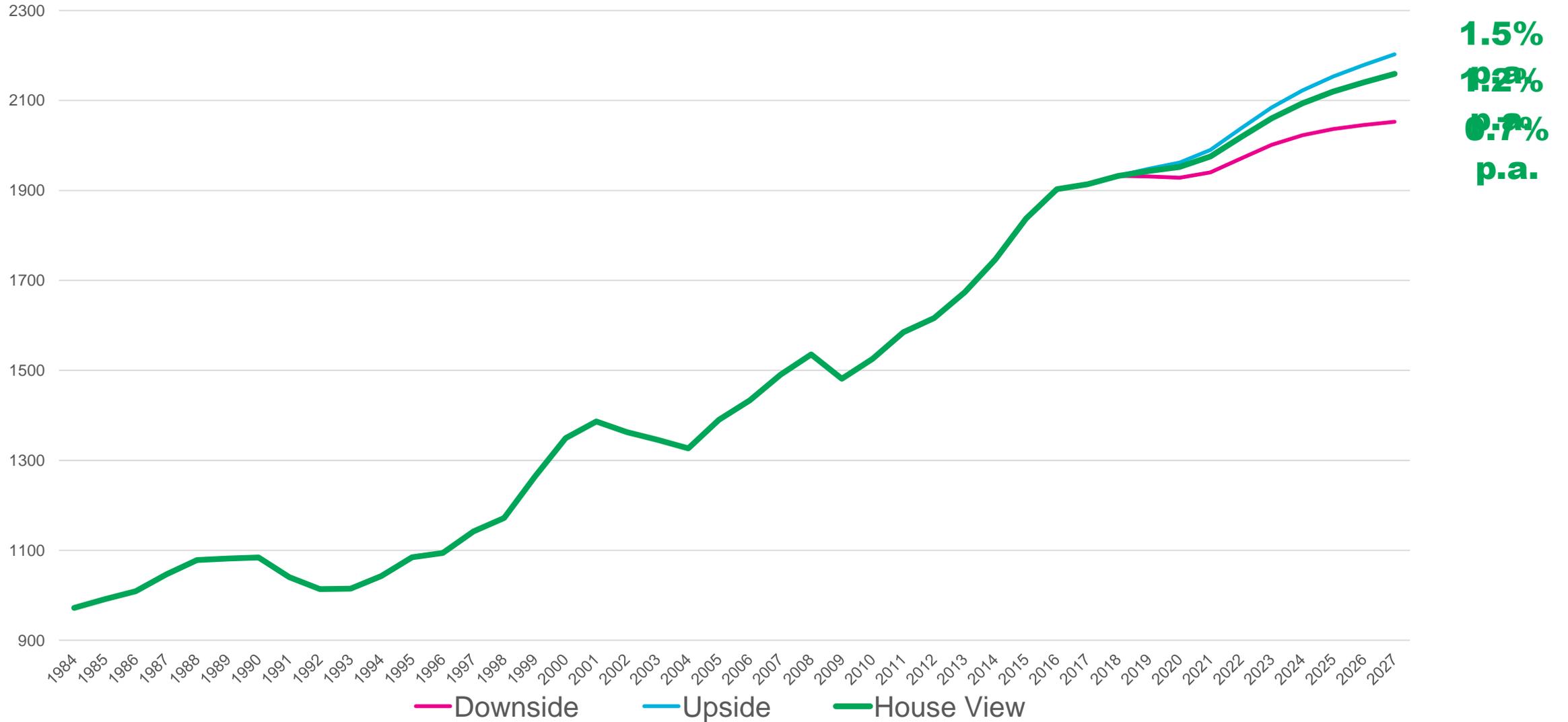
+

**31-35,000
c.3%**

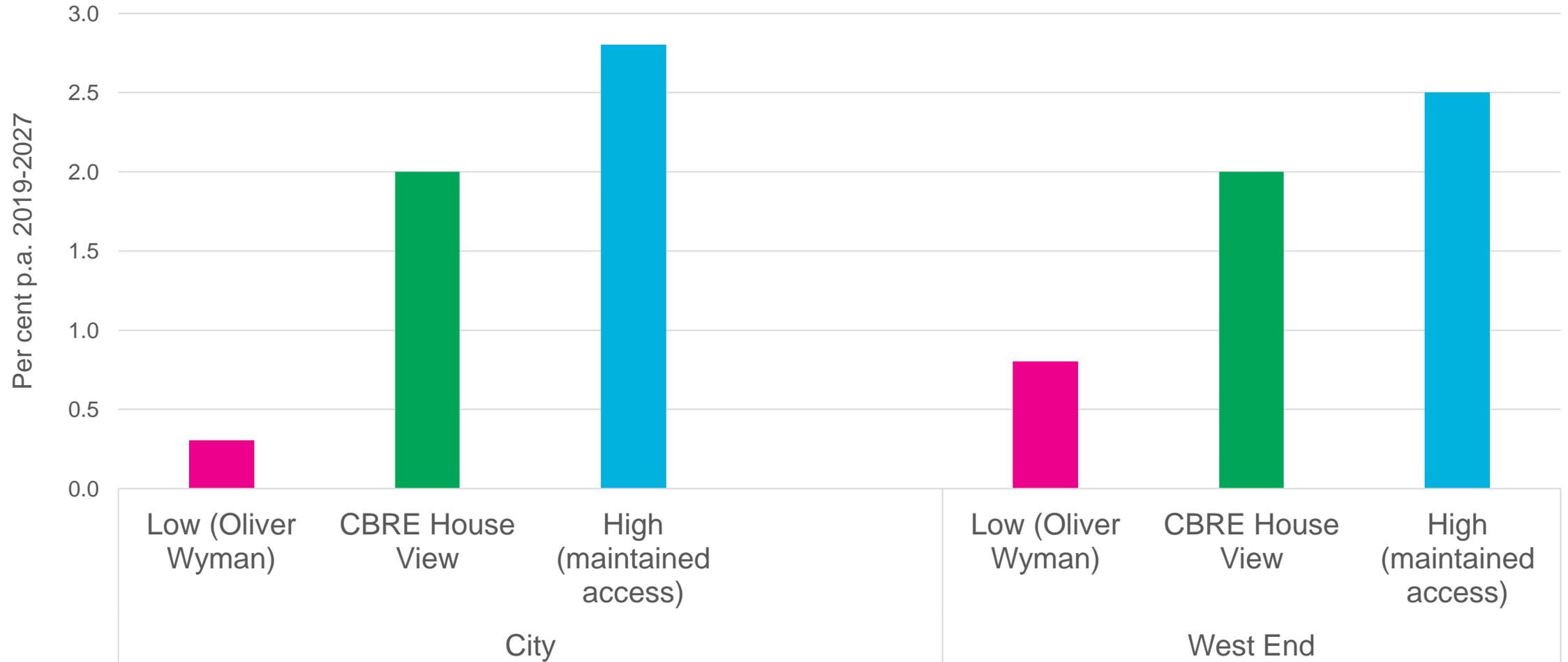
**Risk of up to 40,000 job
losses through weakening
of ecosystem**

+ multiplier effects

FIG.5 SCENARIOS FOR OFFICE-BASED* EMPLOYMENT IN LONDON



PRIME OFFICES: RENTAL GROWTH SCENARIOS



SUMMARY

- Outcome still unknown even at this late stage
- A lot of noise but little information
- CBRE House View is still for a negotiated settlement
- Brexit has already had an impact but there could be a bounce back with the right deal
- “Low access” for financial services will cause the most damage but London is about more than financial services



Thank you for listening

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