

**EXPERT OPINION****London's Investment Returns Continue To Appeal to Dollar Funds Despite Economic Uncertainty**

Compelling Reasons for US Investors to Target the UK Remain



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2022 was a stellar year for American capital entering the London real estate market. A slump in the UK pound saw increased opportunities with hungry dollar funds and investors putting large amounts of money into London real estate and we are predicting similar outcomes for the year ahead.

Cross-border investment into properties in London stacked up to £12.4 billion (\$15 billion) in 2022 according to data compiled by MSCI and more than a quarter came from US investors, who capitalised on a strong dollar.

A number of US investors believe the UK supply demand economics are some of the best in the world – the top-tier educational system, finance and tech districts, world-class restaurants and hotels all add to its appeal – but the development pipeline has never been slimmer. There is a real passion from the US to create and deliver good quality homes and spaces for people.

Land availability in US versus the UK also makes it a compelling long investment, especially with growing build-to-rent market and shortage of affordable homes being delivered.

Mayfair Private Office advised on over £150 million investment alone from US funds in 2022 and we expect more of the same this year, with a range of investment opportunities across all corners of the capital.

In the prime Central London market investors are attracted to prestige of location but we have also seen an increased appetite for residential schemes, retail and commercial acquisitions in emerging locations with excellent transport links.

Last year alone we acquired Porchester Terrace for circa £50 million on behalf of UK luxury developer CIT and Oaktree Capital and this year we are about to complete on a 140-unit new build tower in south London on behalf of a US fund for in excess of £35 million. We also acquired some mixed-use office buildings in Kings Cross, for £20 million where rents have been pushed on almost 100% since purchase.

It's true that the political uncertainty experienced last year did cool investment from some overseas regions, but the gains on the currency rates were too good to miss out on for many dollar-pegged funds. Currency is not the sole driver for investment – the long-term returns that London assets can offer is also a major factor for investment funds, individuals and family offices.

We have seen confidence remaining strong after some setbacks in the form of major geopolitical and domestic policy changes last year brought about by the war in Ukraine and Liz Truss' disastrous mini Budget. Globally, inflation remains a key challenge for companies and investors, but this is starting to decelerate which should encourage funds to enter the market.

Some of the funds we are speaking to see 2023 as the potential buying opportunity of a decade as UK developers respond to inflationary environment, high interest rates and the end of the government support help-to-buy scheme.

Over one-third of all new homes delivered last year were on HTB, so with this programme now over we will need to rely on the private rental sector to pick up the slack and help deliver homes to the market.

Last year we saw the creation of a market dominated, to a large extent, by dollar-denominated buyers. Wealthy investors are now looking at London with a long-term view and funds remain bullish on the capital's outlook; the feeling is it will bounce back strongly as it always has. Investors are attracted to the heritage the city has to offer. We anticipate London's ongoing appeal as a destination for global investors and a weaker pound will keep overseas investment healthy in 2023.

Cameron Smith, co-founder at Mayfair Private Office

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