Currency fluctuations pulling US investors into joining the overseas interest in UK real estate

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Three months after the triggering of Article 50 and the beginning of the UK's formal extrication from the European Union, there are still more questions than answers that arise from Brexit.

The implications and nature of the UK's exit from the EU remain unclear and shrouded in uncertainty – it's a subject that UK politicians seem keen not to talk about in anything but the vaguest terms during the current General Election campaign - but what is abundantly clear is that Brexit's impact on Sterling has made UK assets, and particularly real estate, attractive to overseas investors, including those from the US.

Asian investors are taking advantage of Sterling's 30-year low to buy up prime London office and retail space – since the start of 2017, Ogier has advised Hong Kong-based CC Land on the purchase of the Leadenhall Building (known as the Cheesegrater) for £1.15 billion (thought to have been the second largest single asset sale in London's history), and other recent Chinese purchases include Société Generale's London headquarters, Ryder Court in Mayfair and Moor Place in the City of London.

Qatar (through its various investment arms), already one of London's biggest landlords, with stakes in Canary Wharf and the Shard, has recently committed to a further £5 billion of investment in the UK, including real estate.

The overseas investment trend does not end at the M25, or even at Britain's shores.

Ogier has also advised Luxembourg-based Corestate Capital Holding SA on the £48 million purchase of the iconic Liver Building in Liverpool in 2017. Figures for 2016 show that overseas investors poured £5.8 billion into UK real estate outside the capital over the course of the year, with Liverpool, Manchester and Edinburgh all attracting investors.

That money is not just coming from investors from the east – US investors are also looking at the

UK market, emboldened by the currency fluctuations since the referendum result almost a year ago.

That interest is more focused on the Build-to-Rent (BTR) sector than high value commercial office space – an area that is all the more interesting given what appears to be an oversupply of commercial office space in London, with Deloitte's report last month pointing to high levels of construction activity (the highest, in fact, for more than a decade) despite low levels of actual lettings.

Three of the biggest players in the US BTR market – which is more established and mature than the BTR sector in the UK – are circling. It has been reported that California investment management firm Pimco is planning to put up to £300 million from its BRAVO III fund into UK real estate, while US pension fund USAA is planning on a similar investment. Lincoln Property Company, the sixth-biggest multi-family housing provider in the US, has a member of staff now based in London to help to secure deals.

These transactions demonstrate that braver overseas investors are putting their capital to work in the UK – not just because favourable exchange rates offer immediate value but also because uncertainty is likely to remain for the foreseeable future and investors realise that they can't afford to just "wait and see".

As the progress of the formal Brexit negotiations crystallise the current uncertainty, and as the resolution of the next Greek debt repayment date (July) and elections in Germany (September) and the Czech Republic (October) offer a clearer direction to the future of the continent, the trend of acquisitions of UK real estate assets by overseas investors – and particularly those from the US - is a key one to watch.

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