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Gulf investment in UK real estate set to increase, predicts BLME

New research from Bank of London and The Middle East (BLME) reveals pandemic restrictions had little impact on real estate investment from Gulf Corporation Council (GCC) countries into the UK. Based on in-depth interviews with experts from real estate services companies holding more than £60 billion AUM, the Bank predicts that real estate investment from the Gulf nationals will continue to grow, post-pandemic.

In BLME's new report, *Built to Last: Why Gulf investment in UK real estate will endure and expand*, experts cite three key reasons for this growth: the UK's unique cultural characteristics; its regulatory and legal framework; and strong regional growth outside of London.

Half of those interviewed identified the UK's 'cultural capital' as an enticing draw. British institutions such as the Premier League and the Royal Family weigh heavily on investment decisions, along with its leading educational establishments and internationally spoken language.

With interest rate rises set to impact on UK-based investors' appetites, there is likely to be plenty of opportunity for international investors, with their sights set on the UK. Sectors which experienced low levels of appetite during the pandemic in particular look set for a bounce back, with prime City of London office yields now at 3.75%. The same sector in the region is offering even higher returns – at 4.75%.¹

Anna Barratt, Director, Real Estate Finance, Bank of London and The Middle East, says: "From our experience providing commercial real estate financing solutions to Gulf-based clients, it's clear that in a global economy defined by inflationary pressures, supply-chain disruption and interest rate rises, investors continue to view UK property as a 'safe haven' for their capital.

Many of the affluent Gulf-based investors we work with continue to choose London for stability and wealth preservation. During the pandemic, and amid increasing geopolitical uncertainty, this became an even bigger driver of investment decisions.

However, we are now seeing investors look more towards the North and Midlands instead. The levelling up agenda, improving regional infrastructure, and increasing cultural and transport links between the regions and the Gulf have all contributed to driving interest among GCC investors. And as regional investments now offer the prospect of stronger returns, this is an appetite which we expect to increase."

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Built to Last: Why Gulf investment in UK real estate will endure and expand can be accessed online here: <https://www.blme.com/media/1968/built-to-last-why-gulf-investment-in-uk-real-estate-will-endure-and-expand-final.pdf>

¹ Savills' UK Regional Office Investment Market Watch, published in March 2022

About BLME

BLME is an independent Sharia'a compliant bank based in London. Led by a management team that brings together a combination of experienced international bankers and leading experts in Islamic finance, BLME has three key business areas: Wealth Management solutions, Commercial Real Estate Finance, and savings products.

BLME is authorised by the PRA and regulated by the FCA and PRA. For more information, please visit our website www.blme.com.