

Evaluation of Brexit impact

THINK OF THE REAL REAL ESTATE MARKET

A conference given by Colliers International at the recent Mipim show in Cannes was partially, in principal, on the subject of the impact of Brexit on the European real estate market. But the presenters, Walter Boettcher - UK Chief Economist, Director of research and forecast - and Damian Harrington -Head of EMEA Research-, invited those present to see the much wider picture. It is within this same logic that the main Belgian market, Brussels, can be seen both in its own right and as part of the European whole.

The opening remarks were that the European markets look relatively stable, and that even if 2017 has got off to a slowish start in terms of investment, the signs are that the year may even match the excellent results of 2016. Colliers believes that there are extremely powerful long term trends, and that these are going to more than offset short term issues such as Brexit. There has already been a substantial drop in the value of the pound sterling, the presenters went on to say, and this probably indicates that the Brexit effect has already been factored in to the markets too. So although there will be some knee-jerk reaction when things actually start to happen, there is unlikely to be a major structural change. And in any case, the 15% drop in the pound is no more of a change than can be seen in most normal cycles, from time to time.

Doom and gloom

Looking at the wider European picture, despite all the doom and gloom, up to now, around 50% of the major European markets are performing better than last year, and 50% of them worse. Belgium is (just) on the down side. And in the UK, take-up increased in the six major cities outside of London in 2016, with London suffering slightly. Vacancy in most major European cities, including Brussels, is under 10%, which Colliers considers to be natural, and should allow for rises in rental levels.

Moving on to the much bigger picture, and taking us outside of our 'real estate' silo, Colliers' experts were able to point out what really matters, and what will impact the market. It is all about demographics, jobs and disposable income, the entire real estate market is subser-

“What really matters, and what will impact the market is all about demographics, jobs and disposable income, the entire real estate market is subservient to this.”

vient to this. As part of this element comes the attractiveness of places to live from different viewpoints: is housing affordable, is it a good place to live, is the cost of living reasonable...?

Outflow of jobs

And on top of all this, where the location decisions of companies are concerned, comes the most crucial factor: the requirement for the right talent to do the job. This is why Brexit will not produce the mass outflow of jobs – 230,000 has even been mentioned – because the other European cities imply do not have enough talent to fill these jobs, and the British employees will not necessarily want to move abroad. So Colliers believes that a realistic figure for the outflow (there will obviously be some), is around 10,000.



Walter Boettcher

And, it goes without saying, if these jobs are not moving out of London (the only British city to be affected in any meaningful way), they are not moving into anywhere else. The Colliers experts even went as far as to say – and this goes contrary to what the politicians are always telling us – that companies are not looking for the place with the best transport links, but with the best available talent. And returning to Brexit, it will be this and the outcome of the talks in terms of the functioning of trade, which will have an impact on real estate markets.

Attractiveness of Belgium

Moving back to Brussels and Belgium, finally, there is good news and bad news. The good news, says Colliers, is that according to their own multi-criteria calculating model, Belgium comes 12th out of 30 in terms of the most attractive countries in which to invest. The bad news, however, comes in very stark terms, and makes us consider the repercussions of what has always been considered to be the fundamental reason for the stability of the Brussels office market – the presence of the European institutions: “Brussels is a European Union city which does not have a workforce suited to the modern economy”. And this economy (with its technology) itself is changing so fast...

Food for thought indeed. Suddenly it appears that having a super-ecological building with a metro station underneath may not be the key to successful real estate after all. It's not about the buildings so much as the availability of the right people to go into them.

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