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COMMENT Brexit opens up opportunities for continental Europe

In Comment 11:37, 27 June 2016 By Judi Seebus 298 Views



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The UK vote to exit the EU has only losers, according to Jeppe de Boer, founding partner of Masterdam, an Amsterdam-based real estate corporate finance advisor. But some continental European cities may benefit from the ensuing period of uncertainty and disarray, he argues in a commentary for PropertyEU.

It's hard to believe, but it's true. The Brits have done what no sensible person would have thought possible. By voting for Brexit, they have scored a goal of great historic significance. Rarely have global economists and business people been so unified: Brexit forms a huge risk for the UK economy. The OECD estimates that British households will be \$3,200 worse off by 2020 as a result of Brexit.

This British example is likely to strengthen comparable geo-political self-

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mutilation tendencies in other countries. Throughout the western world, we have seen how populists with nationalistic and reactionary ideas have succeeded in getting the support of an increasingly large portion of the electorate. Donald Trump in the US, Marie Le Pen in France, Boris Johnson in the UK and Geert Wilders in the Netherlands have cleverly preyed on the uncertainties, fears and nostalgia of greying and badly-informed voters.

New status quo is permanent uncertainty

Since the collapse of Lehman Brothers in 2008, international real estate investors have become used to this new world of increased geo-political uncertainty. They have become somewhat ambivalent about short-term events but more significantly, they have become less interested in international investment and more risk-averse.

It now seems unthinkable that IPOs of Russian or Indian developers could have counted on a warm reception in 2007. Emerging markets are out, core economies are in. Speculative developments are avoided as much as possible, liquid listed real estate giants were trading at all-time highs shortly before the Brexit vote.

This new world has only losers. The risk-averse herd behaviour of professional investors leads to lower returns and more concentrated risks. That is disastrous for our savings and pensions. At the same time, global economic recovery is failing to get under way due to lack of investment in areas where it is most needed: infrastructure, sustainable energy but also housing and urban development. This lack of growth is not only an economic problem. Lack of growth also leads to even more of the social and political problems that professional investors like to steer clear of.

A silver lining

In addition to the negative impact of Brexit, countries like the Netherlands may also reap a few benefits. Those who know their history know that Amsterdam's golden age as a trading hub in the 17th century was ushered in to some extent by the Spanish blockade of the port of Antwerp from 1584. Trade and talent shifted from Antwerp to the Dutch capital. Brexit could lead to a comparable shift in activity and talent to EU countries like the Netherlands as well as Ireland, Luxemburg, Germany and Switzerland. This will lead to growing demand for commercial real estate as well as housing.

This additional demand will only be good news if investors, developers and municipalities are ready for action. The impact in terms of potential immigration by people working in the UK could be enormous. At present, some three million foreign EU citizens live in the UK and this number is expected to grow by nearly 200,000 this year. Even a small shift could lead to overheated residential markets. This could be avoided by anticipating the demand and creating extra building capacity, which would lead to growth in employment and more attractive urban environments. But a lot of money would be needed.

This brings us back to the position of professional investors. In this new world professional real estate investors must learn that their social responsibility extends beyond green buildings or socially responsible real estate. As the manager of our pensions, they can determine whether our savings are directed to areas where they are really needed: urban development and housing. In today's uncertain world, this requires vision, boldness and leadership.

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