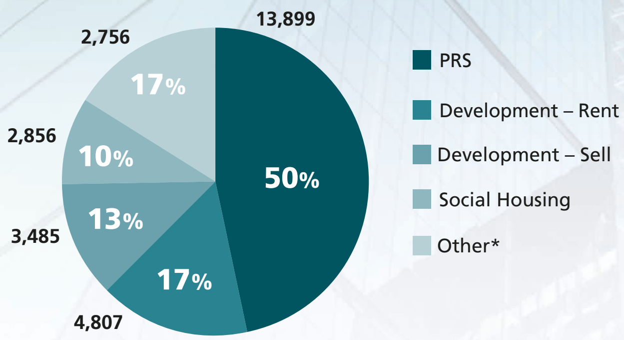
RESEARCH

At A Glance
DECEMBER 2019

UK Residential Institutional Investment Survey 2019

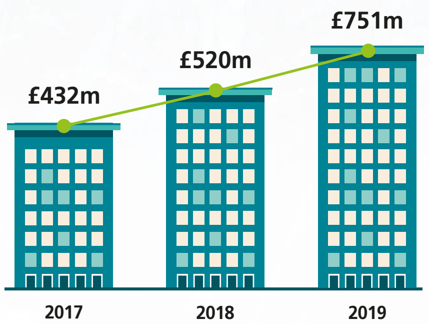
Current Investment

Investment by Asset Type £m

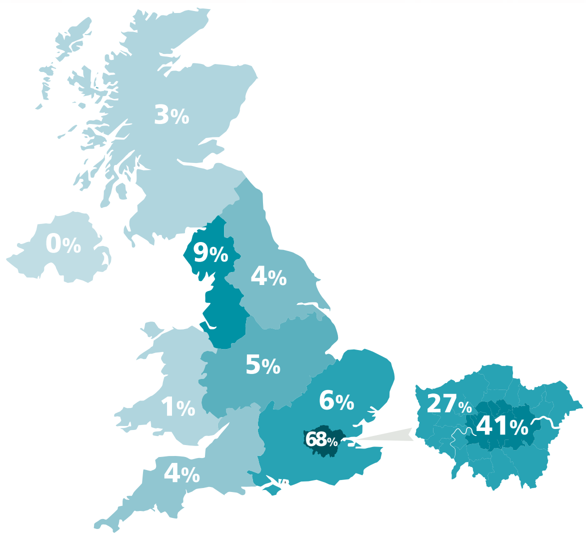


*Other includes ground rents, retirement and care homes.

Average Holding per Investor



Investment by Geography

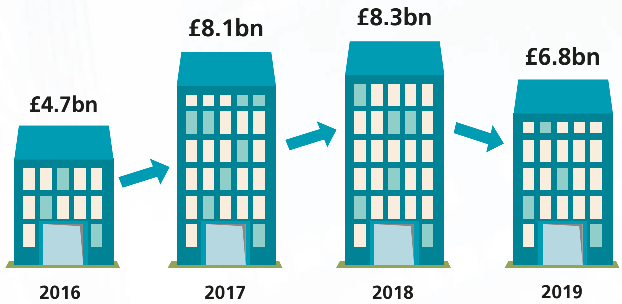


Future Intentions

Investment Intentions next 12 months
(Proportion of Respondents)

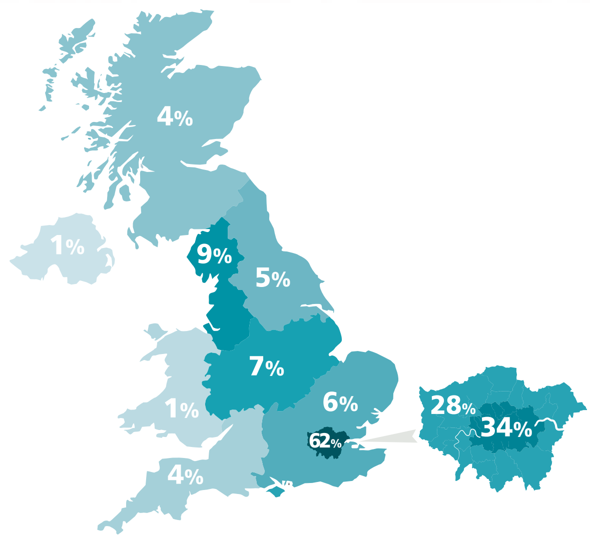
63% ↑
13% =
11% ↓
13% ???

Investment Intentions next 12 Months*



*Net intentions, including current non-investors

Investment Intentions by Geography



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Key Points

- Respondents to the 2019 survey own or manage global investments worth in excess of £9.9tn, of which UK real estate contributes £227bn (c.2% of all assets). There were 48 respondents to the survey, of which 38 have exposure to UK residential.
- The overall value of the UK residential exposure of the 37 respondents providing data is £27.8bn, a substantial uplift compared to 2018 survey (£16.6bn). This increase was mainly from three significant residential investors joining the survey this year combined with a £2.6bn increase in the value of residential portfolios of 2018 respondents.
- Residential investment accounts for 13.5% of UK real estate exposure, the highest percentage since the survey began. The average holding of respondents with residential exposure is £751m, again substantially higher than the 2018 result.
- The private rental sector (PRS) remains the most popular means of investing in the sector and represents a half of total investment. Development for either investment stock or market sales accounts for under a third. There has also been a significant increase in sub-market rent/social housing to around 10% of total residential exposure.
- Returns profile remains the key motivation for investing in residential, closely followed by its stability of income. Development potential, residential's defensive qualities, stability of capital values and inflation-matching ability were ranked some way behind.
- Ten of the contributors to the 2019 survey do not invest in UK residential. Their primary reasons for not investing are low income yields, political risk and unattractive pricing, with political risk cited by more non-investors than in previous years.
- London accounts for just under 70% of current residential exposure, with 41% in central London (Zones 1-3) and a further 27% in outer London (Zones 4-6). However, the focus for future investment is away from central London, where net disinvestment is expected.
- Sixty-three percent of residential investors state that they intend to increase their exposure to UK residential over the next 12 months, in line with the 2018 survey (65%) but behind the 2017 results (80%). Half of the 10 non-investors stated that they are considering exposure to the sector in the next year.
- A total net figure of £6.8bn has been assigned for residential investment over the next year, the majority of which is for build to rent/development land for investment stock (£3.6bn) and the purchase of existing residential for private (market) rent (£2bn).
- While only a quarter of investors have worked with the UK public sector in the last three years, two-thirds intend to collaborate with them in the future, with the main objective to access land sites, owned by these organisations, to develop and retain residential units for rental purposes.

Acknowledgement
The IPF thanks all those participants in the 2019 survey for contributing data and opinions. Organisations that consented to be named appear in the full report. Click **here** to download the full report from the IPF website.

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