

BREXIT BOOM PERSISTS

18 MONTHS AFTER REFERENDUM

- Chinese buying inquiries are 43.2% higher than they were at the time of the referendum.
- The weak Pound Sterling is a primary driver of increased demand.
- The average property inquiry price in London has increased in 2017 to US\$767,000 (£573,000).
- We expect buying to remain at similar levels throughout 2018.



Introduction

The post-Brexit referendum boom in Chinese property buying inquiries persists even now, 18 months after the vote of 23 June 2016. Chinese U.K. property buying inquiries are still 43.2% higher than they were at the time of the referendum.

“Specifically, that means that in the third quarter of 2017, Chinese property buyers made 43% more buying inquiries for UK property than they did in the second quarter of 2016, the period that encompassed the referendum,” said Carrie Law, CEO of Juwai.com.

“At the time of the referendum, we said that the plummeting British Pound would be a primary driver of

Chinese property investment in the UK. The lightweight Pound is still a key motivator of Chinese investment.

“The Pound Sterling has only regained about two-tenths of a percent in value from the low point it hit in the week or so after the referendum. On July 7, 2016, the Pound dropped to 8.6 Renminbi. Today when I checked it was at 8.8.

“ **Chinese buyers now find that—due to the low Sterling—they can buy UK property for about 10% less.** ”

TOP COUNTRIES FOR CHINESE BUYERS (2017 Q1-Q3)

- 1 United States
- 2 Australia
- 3 Canada
- 4 Thailand
- 5 New Zealand
- 6 **United Kingdom**
- 7 Malaysia
- 8 Germany
- 9 Spain
- 10 Greece

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Source: Juwai IQ data 2017 Q1-Q3 Juwai.com

TOP UK CITIES FOR CHINESE BUYERS (2017 Q1-Q3)



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Average Price Rises

Chinese buyers in the UK are bucking the global trend towards lower-priced property. Around the world and in part as a result of capital controls, Chinese buyers are shifting towards markets and listings that are less expensive on average than last year. But in the UK, the opposite is happening. Average prices in the UK are rising.

Globally, the average inquiry price for Chinese real estate buyers was 19% lower in the first half of 2017 than it was in the same period the year before. In 2016 the median Chinese buyer inquiry price in London was £514,000 (US\$687,000). This year, the average inquiry price is £573,000 (US\$767,000). This median is 18% higher than the average London sales price of £472,000. It is also significantly lower than the Chinese median transaction price, although Juwai.com does not yet have that data for release.

Ms. Law said, "For Chinese, the UK has enduring appeal as a long-time global business and cultural leader. Education is an important driver that motivates 16% of Chinese buyer UK inquiries. The UK is the gateway to Europe, has strong economic ties to China, and offers the prospects of stable investments with positive returns."

QUARTERLY CHINESE BUYER INQUIRY GROWTH, COMPARED TO YEAR EARLIER

2016 Q3	+160.3%
2016 Q4	+191%
2017 Q1	+63.5%
2017 Q2	+96.4%
2017 Q3	+47.7%

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Source: Juwai IQ data 2017 Q1-Q3 Juwai.com

Capital Controls

China's regimen of capital controls has been very successful at protecting the economy and currency without making it impossible for everyday Chinese families to purchase property in places like London.

The government has even felt able to start relaxing some of the restrictions. In September, the Chinese government relaxed two restrictions that affect offshore trading of the Yuan. This does not have a direct impact on real estate investment. What it does show is that future reductions in capital controls are likely to be implemented at a controlled pace, and that process would lead to more property buying.

"Today, China's foreign reserves are up, the Yuan is stronger, and the outflow of money has been reduced. The government has achieved what most people thought was impossible," said Ms. Law.



Forecast

Major consumer research last month found that a majority of Chinese investors intend to increase their offshore investments and that real estate is their favorite category. About 58% of very wealthy Chinese investors intend to increase their offshore investments in the coming

two years. About 64% of investors who are merely wealthy expect to increase their offshore investments by 2020.

As to the long-term outlook for Chinese investment in the UK, we expect investment flows to remain relatively high in the coming quarters.