

## The Lull before the Storm

Is Brexit going to be the tsunami which hits the UK commercial property market? We have seen signs that foreign investors since Brexit have started to move away from the UK commercial property market. Maybe this is a good thing given the calls London is continuing to heat up and the government recently brought in legislation requiring foreign companies to declare ownership when purchasing UK property.

Global investment funds, such as Henderson, Aberdeen and M&G, have closed their commercial property funds and placed gate keepers to slow down further withdrawals from commercial property funds such that longer notice will now be required.

Mark Carney has been trying to create a port of safe haven for the UK economy by hinting strongly that interest rates will decrease. This is a two-pronged approach which is coupled with the change to the limit on cash held by UK banks as part of their capital funding requirements. It is hoped that by relaxing the funding requirement for UK banks, they will use this cash to lend out to businesses rather than hold onto cash when interest rates are hovering on negative territory.

It is also hoped that basic monetary rules will apply to the fall in the pound and manufacturers will be encouraged to expand exports as foreign customers will get more value for their money. However, there is no doubt inflation is going to increase over the next few months given that oil is priced in dollars. The only concern is whether this increase in inflation will cause the UK consumer to "catch a cold" as a result of the Brexit tsunami and lead into uncertainty in the UK housing market which in turn will have an impact on the high street. Unless of course because of the weak pound, tourists pick up the slack left by the UK consumer but this effect will not be felt throughout the whole of the UK.