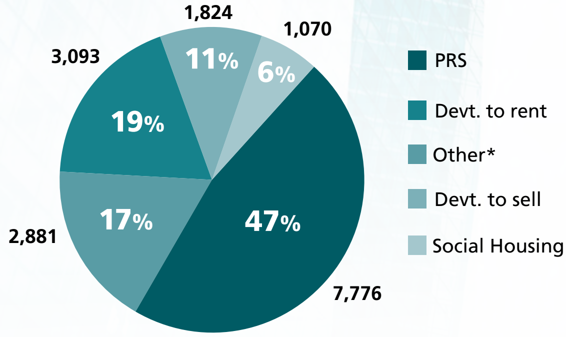
IPF Research Programme

At A Glance
DECEMBER 2018

UK Residential Institutional Investment Survey 2018

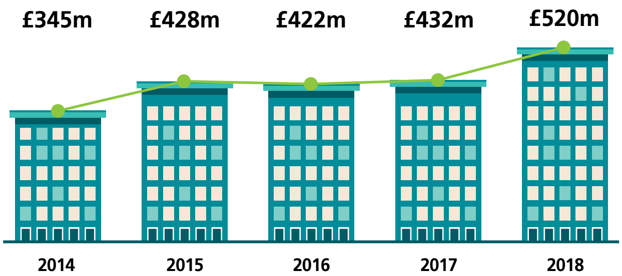
Current Investment

Investment by Asset Type (£m)

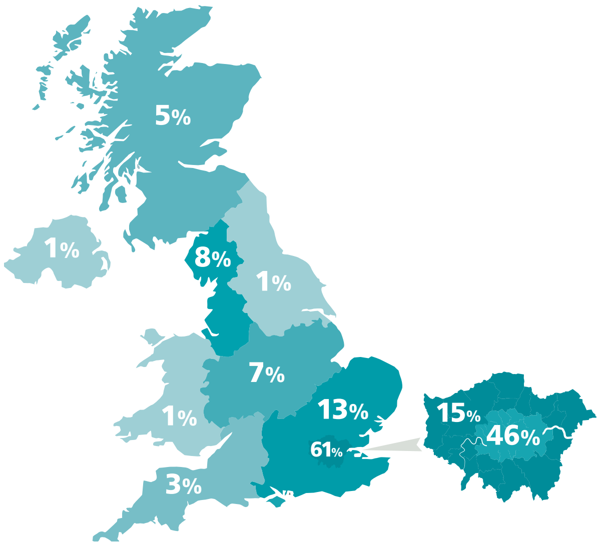


*Other includes ground rents, student accommodation, retirement and care homes

Average Holding per Investor



Geographic Distribution



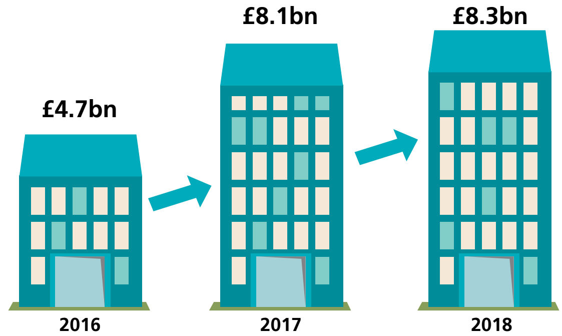
Future Intentions

Investment Intentions next 12 months

(2017 responses in brackets)

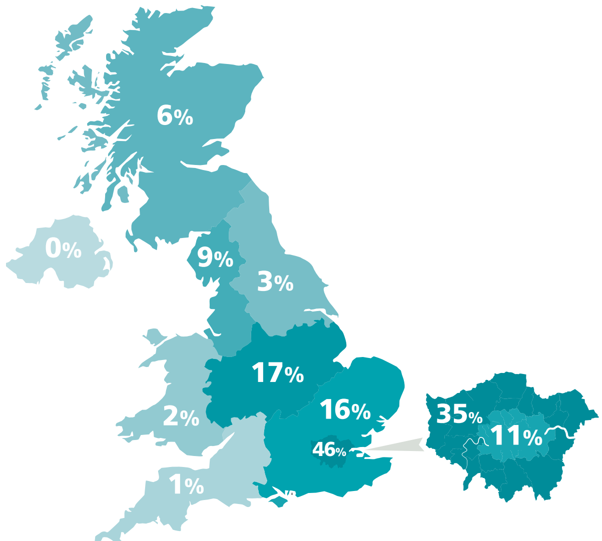
65%	(80%)	↑
18%	(9%)	=
6%	(7%)	↓
12%	(4%)	???

Investment Intentions next 12 Months*



*Net intentions, including current non-investors

Geographic Intentions



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Key Points

- 48 parties completed the survey, including 34 investors in the UK residential sector. Contributors own or manage investments worth in excess of £8.2 trillion[1] globally, with UK real estate comprising c.3% (£246 billion).
- 32 contributors provided data on £16.6 billion of UK residential investments, representing 8.6% of their total UK real estate assets. The average holding is £520 million, a 20% increase on the 2017 average.
- PRS (private rented sector) continues to be the most common form of investment, representing just under half of the total. Development either for retention (as investment stock) or for market sales accounts for a further third.
- Just under 50% of assets covered by the survey are located in central London (Zones 1-3). A further 15% is situated in Zones 4-6 and another 13% in the South East (which includes East Anglia).
- Returns profile remains the principal reason for investing, although it is not as dominant a choice compared to 2017. Stability of income continues to be the second most important criterion. Residential's defensive qualities appear to have become a more compelling reason to invest in the sector in the last year.
- Of the 14 contributors that do not currently invest in UK residential, the primary reasons given are unattractive pricing and the low-income yield offered by the sector.
- Some two-thirds (65%) of residential investors intend to increase their exposure over the next 12 months, compared to 80% in the 2017 survey, as well as three non-residential investors.
- A net £8.3 billion is earmarked for investment in the next year, with the majority likely to be channelled through development for investment stock (£4.7 billion) and the purchase of existing (and newly completed) residential for private (market) rental (£2.7 billion).
- London's outer zones (4-6) is the most popular destination for investment, with a target allocation of up to £2 billion, followed by £1 billion each for the South East (inc. East Anglia) and the Midlands.
- Two-thirds of investors intend to work with the public sector in the next three years, primarily to access sites owned by these organisations for development and long-term retention for rental purposes.

[1] Excludes three major investors not disclosing relevant data.

Acknowledgement

The IPF thanks all those participants in the 2018 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.

The IPF Research Programme is funded by a cross-section of businesses, representing key market participants. The IPF gratefully acknowledges the support of the following organisations: