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Brodwin: London Will Be Fine

NEW YORK CITY—However, in the near term FTI Consulting's Jahn Brodwin has succinct advice for US clients who own commercial real estate in London: "Sit tight."

By Paul Bubny

NEW YORK CITY—**Jahn Brodwin** has guided some $5 billion of UK commercial property transactions in recent years. That sum is all the more remarkable when, as the senior managing director at **FTI Consulting** tells GlobeSt.com, properties don't go on the market in London all that often. Against that backdrop, he would question recent reports that there has been a slowdown in that city's investment sales market, even prior to the shock of the UK electorate's decision to leave the European Union. However, Brodwin does see some near-term implications of the so-called **Brexit** vote, although in the long term, London will prevail, as will property owners there with patience.

"When there are trades in London, the prices are steep, steeper than in New York and they have been for as long as I can remember. In certain areas, like higher-end residential, New York may have taken over. But historically, London properties don't trade as frequently and rapidly as properties in New York. The market there has never been as liquid; there's a lot of very long-term real estate holders and there are land leases on London properties that go for 300 years. People may say the London market is slow now, but it has never been robust. Some of my clients have bought properties where the last time they traded hands was, well, never. The owners' ancestors built them.

"With regard to Brexit, I think there was a big knee-jerk reaction. We certainly saw it here in US markets, where the Dow Jones dropped by about 600 or 700 points the day the vote became known. What they don't tell you is that the markets were up 300 points the week before, in anticipation of a positive vote. So net-net, it was a 300-point move, and now we're higher than we were the week before the vote. That just shows how sensitive the markets are to uncertainty. People in the EU, more so than in the UK, were nervous and came over here and buoyed the market up to what may be a new high watermark.

"On a long-term basis, I think the London market is going to be fine. There's a lot of talk about having to identify a new financial center within the EU, and that's probably true. We can all speculate about where it's going to be—France? Germany?—but nobody has to make that decision today. It's going to take London at least two years to come out of the EU. Many would argue that London and New York are the two financial centers of the world; now we'll have three. I don't think we're going to take one away; we're going to add one.

London's City district, arguably one of two global financial capitals.

"I'd be more worried about the EU than about Great Britain. Britain does have a couple of challenges ahead; there's a chance that they will end up losing Northern Ireland and Scotland. I think we will see a pause; if we're talking about Americans owning property in the UK, the advice is very simple: sit tight. If you want to sell, there are people willing to buy. The problem is, there probably won't be that many people willing to sell. Those who are investors probably aren't going to sell until the currency recovers. Your losses are on paper until you sell. Once you sell, then they're real.

"Just like in the United States, which bounced back after the vote, the UK currency will bounce back, although it may take a couple of years until there's a little more certainty and the trade agreements are drafted and better understood. But again, two years is really not a long time, so I feel bad for those whose capital structure will require them to sell in the very near term. The rest who have patience and working capital will be just fine."

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