

# The Real eState with Peter Bill

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*Scared of Brexit? Invest in warehouses, health centres and hotels until it becomes clear what leaving the EU will bring.*



Surgeries, sheds and spots for travellers to sleep. Maybe stick to these three property investment classes while Britain navigates Brexit? On 20 September I was brought up short by BBC business editor, Simon Jack. He was minutes from giving a speech to the British Council of Offices. He asked about the state of the office market. I stammered something about the sector "being in the doldrums" due to an uncertain post-EU future. What I should have said is "I haven't a clue, nor has anyone else".

On 9 October Primary Health Properties demonstrated the rude health of healthcare, purchasing its 305th surgery, taking gross assets to £1.32bn, up from £100m in 2004. Clues to the solid state of the industrial market came on 11 October from quizzing Andrew Jones, the cordial, clear-minded boss of LondonMetric at a bacon-roll breakfast hosted by Carter Jonas. The following morning an interrogation of foreign bankers for PropertyEU seminar on hotels found them very happy with a Brexit-weakened pound.

There are two questions to ask about PHP, which is run with brio and efficiency by Harry Hyman, a 61-year old opera buff with a double-first from Cambridge who founded the business in 1994. Granted, it took until 2004 for PHP to take off. But why have so few other property companies moved into a business where the buildings are new, the leases long, the tenants respectable and the rents effectively paid by government? The second question only Harry can answer: how many times have you rebuffed takeover?

There appears to be no economic or political downside to this sub-set of the healthcare market. In 2015 healthcare outperformed all other property classes, showing total returns of 7.9%. Health centres did even better, at 9.3%. Like students, doctors are moving en masse into better quarters. An epochal change is well underway in both markets, with only one difference: scattered locations and smaller lot sizes in healthcare continue to discourage bigger investors. Note to others: PHP surgeries only serve 3.2m patients.

The second epochal change is happening in the warehouse market. Sheds are sexy again, just as they were in the 1930s when the A-road estates blossomed to cope with the wider movement of goods. Today the shift is towards sheds positioned to move goods directly to your doorstep. Andrew Jones left British Land as retail director in 2010. Since then he has built a business holding £1.5bn of assets, the majority industrial.

Brexit is bliss for hotel investors. Continental investors and lenders dominated the audience at the PropertyEU event. The takeaway? Money is shifting from Turkey (bad) to Greece (now good again). The cheap pound has made the UK cheap and there is now more overseas money chasing deals than there are deals to be done. But not quite so much money chasing deals that involve building the hotel first.

Peter Bill

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