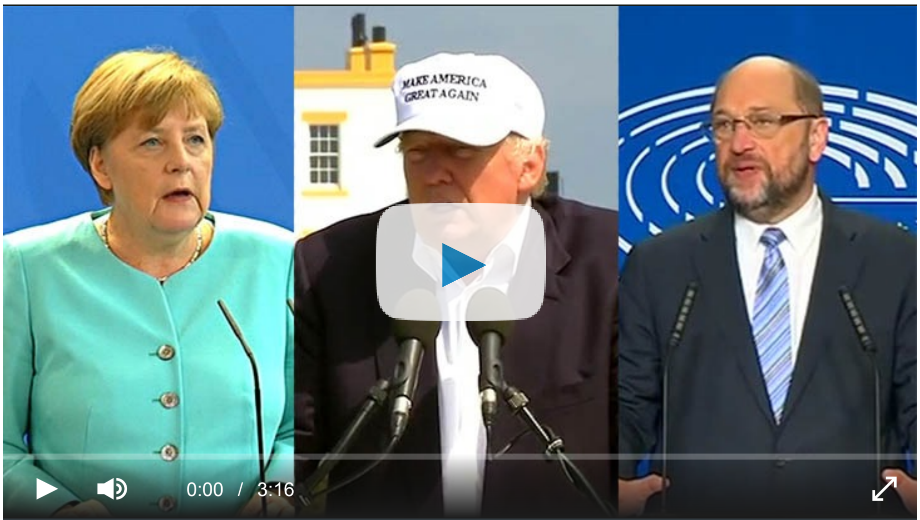
Jun 24 2016 at 5:57 PM | Updated Jun 24 2016 at 6:08 PM

Save article | Print Reprints & permissions

Australian property will shake despite lower for longer rates after Brexit vote



Brexit: The world reacts

by **Robert Harley, Nick Lenaghan and & Su-Lin Tan**

Commercial property will suffer in the short term as business and investor sentiment shakes after the Brexit vote – but in the medium term the sector should benefit from a global interest rates that will certainly be lower for longer.

In the residential sector, high end homes could be more affected than other sectors,with Melbourne-based The Secret Agent forecasting subdued auction results as high end participants sit on their hands to see what happens.

Specific investors with an exposure to the UK will take an extra hit.

Westfield Corporation, which has 27 per cent of its assets in the UK, was the worst affected of the leading Australian Real Estate Investment Trusts (REITs) falling 4.8 per cent on Friday – enough for CLSA analyst Sholto Maconochie to call it oversold.

Related articles

Cycling, tourism designs win architecture gongs

Sydney Chinese property expo a sellout

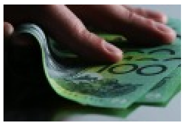
Brexit: UK property values likely to fall

Rural land deals hit $17.5 billion high

Chinese consortium still keen on Kidman

Latest Stories

Markets will lose interest in Brexit
0 min ago



11 things to do to become a millionaire by 30
1 min ago

UK adrift in political vaccuum after Brexit
30 mins ago

Turnbull urges calm after Brexit

Goodman Group, which has only 11 per cent of its business in the UK, dropped just 1.9 per cent.

Overall the leading property index, the S&P/ASX 200 A-REIT index fell 1.95 per cent on Friday compared with a 3.1 per cent fall on the broader S&P/ASX 200 which reflects the less volatile nature of the real estate sector.

Before the vote, Credit Suisse equities strategist, Hasan Tevfik, had nominated the A-REITS, specifically the domestic focused Mirvac, Stockland and Scentre, as one of the sectors least affected by vote to leave.

SG Hiscock' fund manager Grant Berry said Brexit would cause volatility across the markets but that the A-REITs would hold up better given the defensive characteristics, their domestic focus and the rally in the bond market.

Brexit brings a new day to commercial property. **Leigh Henningham**

Folkestone Maxim Asset Management managing director, Winston Sammut warned that the volatility could last, at the very least, the rest of 2016 because of the uncertainty in the global economy but that lower interest rates would support the A-REITs over the medium to longer term.

Resolution Capital director Andrew Parsons said that Brexit would have few winners. "Australia's relative stability will be viewed positively but fears of a slow down in trade globally will now have to be assuaged," he said.

The national director of research at Cushman & Wakefield, John Sears, said Brexit would be characterised by volatility as critical dates approached rather than GFC style collapse.

The Secret Agent's Paul Osborne said commercial sales would slow as sophisticated investors assessed the impact on their investments and as credit conditions tightened.

One question is whether the global money will head for Australian stability or take advantage of the collapse of the pound.

JLL's national director in international capital in China Darren Xia said Brexit and the devaluation of the pound would not impact China's investments in Australian property.

"Chinese interests in the UK are in core commercial assets with strong yields and tax incentives and in Australia, lifestyle assets which is mostly residential property," he said. These two strategies do not mix and would not change even if the currency exchange changes, he said.

with Larry Schlesinger