Rich Shift Property Investment Focus After Brexit

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Leif Simon made his original fortune investing in Chicago real estate some 20 years ago, but these days he’s concerned about the impact Brexit will have on his holdings in Europe.

“London is a financial center and has always been a strong market, but if banks start leaving the U.K. and look to Paris, Dublin and Frankfurt as a replacement, then those markets will see a boost from the transition of jobs,” Simon told *Private Wealth*.

The 48-year-old international real estate investor owns properties in Paris and on the Croatian coast as well as multiple burial plots in England, but he’s more concerned about the value of his rental property in Lagos, in the Algarve region of southern Portugal, because many Brits vacation there.

“There could be an exodus of British tourists and expatriates out of Portugal because they may not have as much freedom of movement,” Simon said.

As members of the EU, British citizens don't need residency permits and freely travel throughout Europe. That presumably would change once the U.K. exits the EU.

Simon isn't the only property investor worried about how his assets will be impacted by the victory of the Leave faction in last month's Brexit referendum.

“There are other issues related to Brexit that are fueling the outflow from the U.K., which have to do with visa requirements and new taxes on foreigners,” said Edward Mermelstein, a Manhattan-based international real estate attorney who represents international high-net-worth investors, world leaders, Russian oligarchs and Chinese billionaires in private equity, commercial and residential real estate transactions.

Overall, Brexit has left many ultra-high-net-worth families and individuals in a quandary.

“This divorce will take time and at more junctions people will react to news items and other sell-offs will happen,” said Kashif A. Ahmed, a financial planner and president of American Private Wealth in Woburn, Mass.

Low-cost airlines that offer flights around Europe are expected to shut down routes to smaller cities if they experience a decrease in travelers.

Companies like EasyJet and Ryanair have provided working and middle-class Europeans with a cheap and easy way to travel for their vacations and as a result many have acquired rental properties in second-tier cities like Basel, Bari, Toulouse and Sofia.

However, if the U.K. is no longer part of the European Union, then Europe’s open-skies law permitting these discount airlines to fly freely to smaller cities may no longer apply to British citizens.

"Real estate markets in these smaller European cities could bottom out because traveling will no longer be cheap," Simon said.

As a result of the uncertainty, some rich investors are poised to sell before the other shoe drops.

“There’s anticipated property sales taking place in London, Dubai and to a lesser degree in Moscow because any perceived instability shifts the ultra-high-net-worth individual’s interest away from one region to another,” Mermelstein told *Private Wealth*.

Among financial centers, Brexit leaves behind a gaping global hole.

“What was once a competitor to Hong Kong, Frankfurt, New York and San Francisco is no longer,” Mermelstein said. “Brexit is shining a bright light on New York City and the U.S. as a safe investment alternative, which is a comfort for those already living and doing business in Manhattan.”

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