

M&G REAL ESTATE: 'UK PROPERTY REMAINS ATTRACTIVE POST-BREXIT'

- *Limited falls expected in capital values in the short-term*
- *Property remains a compelling asset class on a long-term basis*

LONDON, 04 October 2016 – The latest UK real estate market outlook published by M&G Real Estate, one of the UK's largest property investors, predicts that uncertainty during Brexit negotiations could cause limited, short term falls in capital values – but that declines should remain restrained given expectations of a relatively subdued, but by no means dismal, economic outlook.

While the early post-referendum landscape has been characterised by an element of panic, and the property market has by no means been the exception, M&G Real Estate reports that short-term volatility may open up some attractive investment opportunities in property markets where pricing has recently been overstretched – such as in central London.

Meanwhile, other more defensive sectors – such as private rented residential and long lease property – will continue to offer attractive income streams for pension funds and other institutional investors.

The outlook states that the UK property market is now in a much stronger position to withstand any short-term economic or political uncertainty than it was during the global financial crisis eight years ago.

M&G Real Estate believes that occupier markets also offer comfort – a lack of supply characterises many locations, with the UK having experienced seven consecutive years of construction running below its historic average level, lending support to rents in the short-term particularly in more prime locations.

It also points to anecdotal evidence which suggests that a number of overseas institutions are already looking to take advantage of the recent depreciation of sterling. Indeed, Brexit appears to largely be a domestic concern, with overseas investors continuing to target the UK and viewing London as a global safe haven.

The outlook predicts that the market will see a short, sharp – but not catastrophic – adjustment in pricing as investors build an uncertainty premium into the property market.

Overall, M&G Real Estate anticipates that the cumulative post-referendum decline in average capital values may amount to little more than 10% – and, helped by income, the market is expected to see a resumption in positive returns as soon as 2017.

Richard Gwilliam, Head of Property Research, M&G Real Estate, comments: “We expect uncertainty during the Brexit negotiations to cause limited falls in capital values in the short term and commercial property remains a compelling asset class on a long-term basis.”

- ENDS -

For further information please contact:

Drew McNeill (Redwood Consulting)

Tel: 020 7828 5553

Email: drew@redwoodconsulting.co.uk

Notes to Editors:

About M&G Real Estate

M&G Real Estate is the real estate fund management arm of M&G and is one of the top 25 real estate fund managers in the world by assets under management, with over £25 billion invested in a broad spread of properties across Europe, North America and the Asia Pacific region (as of 30 June 2016). M&G Real Estate has a sector leading approach to responsible property management, and is committed to assessing and improving the sustainability performance of funds under management.

M&G is the investment arm of Prudential Plc in the UK, Europe and Asia. For more information, please visit www.mandg.com/realestate

About M&G

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. At 30 June 2016 the firm manages over £255 billion of assets through a wide range of investment strategies across equities, bonds, property and multi asset.

This press release reflects the authors' present opinions reflecting current market conditions; are subject to change without notice; and involve a number of assumptions which may not prove valid. It has been written for informational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product. Past performance is not a guide to future performance.

The services and products provided by M&G Investment Management Limited are available only to investors who come within the category of the Professional Client as defined in the Financial Conduct Authority's Handbook. They are not available to individual investors, who should not rely on this communication. Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although M&G does not accept liability for the accuracy of the contents.

M&G Real Estate is a business name of M&G Investment Management Limited and is used by other companies within the Prudential Group. M&G Investment Management Limited is registered in England and Wales under number 936683 with its registered office at Laurence Pountney Hill, London EC4R 0HH. M&G Investment Management Limited is authorised and regulated by the Financial Conduct Authority. M&G Real Estate Limited is registered in England and Wales under number 3852763 with its registered office at Laurence Pountney Hill, London EC4R 0HH.