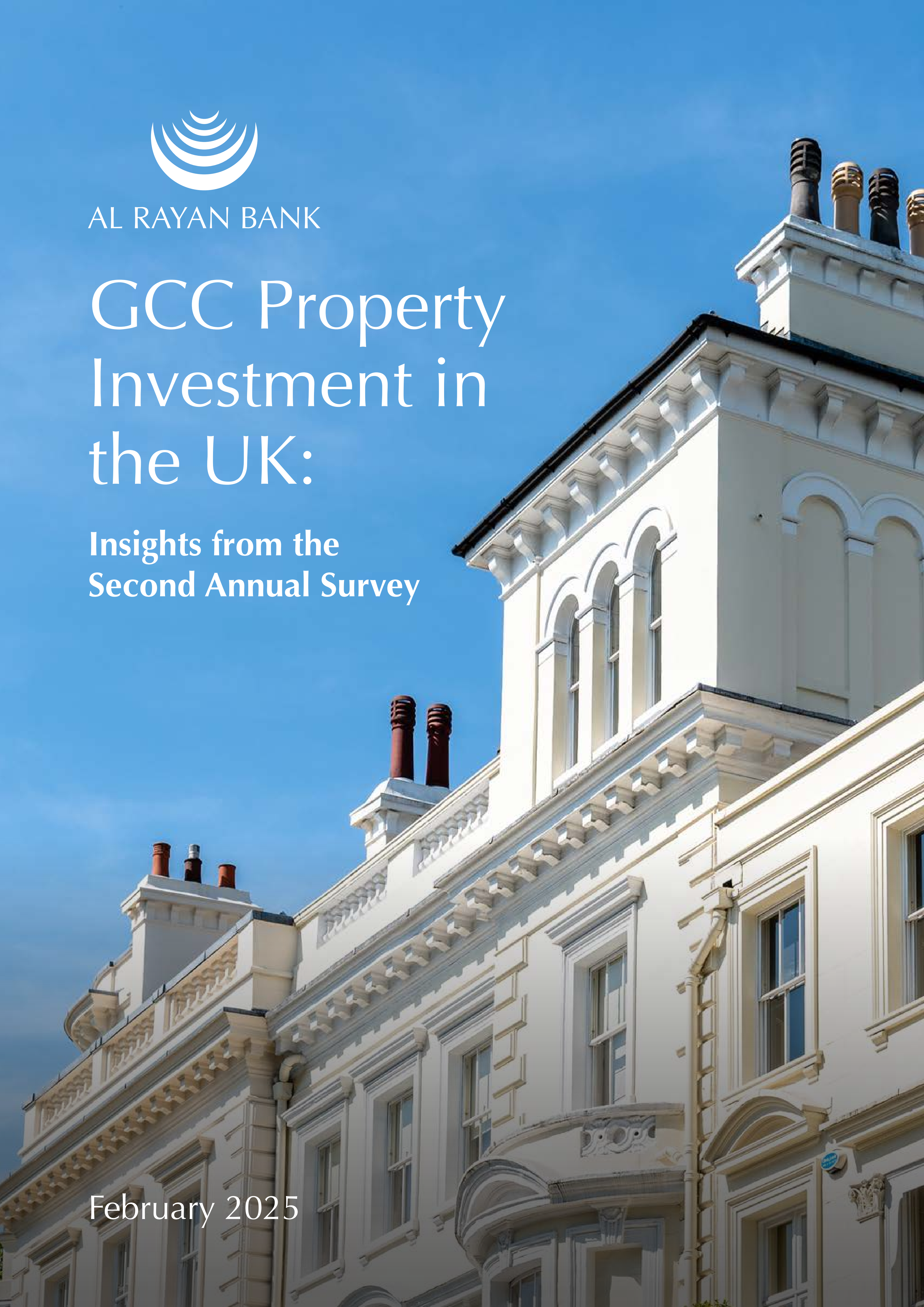

AL RAYAN BANK

GCC Property Investment in the UK:

Insights from the Second Annual Survey

February 2025

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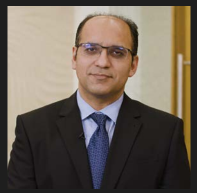
Strength and stability; The compelling case for UK real estate



Maisam Fazal
Chief Commercial Officer, Al Rayan Bank

Welcome to Al Rayan Bank's second annual survey of Gulf Cooperation Council (GCC) property investors.

We're sharing the intelligence we have gathered here to help keep investors informed at a time when activity remains resilient, and the wider economy continues its recovery.

The housing market is only likely to strengthen further against a backdrop of gradually falling Bank of England base rates and a resurgence in confidence among buyers, particularly over the medium to long term.

While some investors may have been biding their time after Britain voted in a new government, as the dust settles after the first Labour budget for 14 years, clarity has now emerged.

Policy changes to VAT, Capital Gains Tax and Stamp Duty will undoubtedly inform and impact investor decision making, but the UK property market remains an enticing investment opportunity.

Average UK house price growth rebounded to 1% in the 12 months to September 2024, after a 0.9% drop in the previous period[1].

At the same time, rents in London and across the UK have seen near record rises during this year, supporting a buoyant buy-to-let market.

And GCC economies continue to show great strength against a backdrop of regional conflict, with growth rising from 0.5 percent in 2023 to 1.9 percent in 2024[2].

While there is undoubtedly global competition from destinations including Hong Kong, Tokyo, New York, Paris and Monaco, confidence in the long-term potential of the UK is born out in this report, which compiles the views of 150 experienced, high net worth investors from Qatar, Saudi Arabia and the United Arab Emirates.

An unprecedented 100% of those surveyed plan on making new UK property investments, or increasing existing investments, over the next five years.

We hope this report provides you an informative view into the intentions of GCC investors when it comes to UK property.

An end to uncertainty: Investors see opportunity in abundance

The UK, and London in particular, enjoys longstanding links with the countries in the GCC and its appeal remains undimmed.

It's loved for its climate, cuisine, culture, connectivity and cosmopolitan outlook.

And the capital remains a top target for international investors, thanks to its relative political stability, economic strength and transparent legal system.

But before we delve into this year's investor survey data, let's provide some context.

UK base rates are now on a downward trajectory and the Bank of England has signalled that rate cuts will continue through 2025, albeit gradually.

This year has also seen the introduction of visa-free travel for GCC nationals.

But the incoming government has also announced a range of revenue-raising policies that are relevant to GCC property investors.

Capital Gains Tax, charged on commercial property sales, was also increased from 20% to 24% for overseas higher rate taxpayers.

However, the rate on residential property sales remains unchanged at 24% and the UK retains the lowest capital gains tax rate of any European G7 economy.

Perhaps the most pertinent is the increase to the rate of Stamp Duty paid by people buying a second home from 3% to 5% above the standard residential rates, while the rate paid by overseas buyers buying homes for more than £500,000 has also gone up from 15% to 17%.

That also applies to buy-to-let properties, though there are exemptions and reliefs for some new zero carbon homes.

And we can speculate that higher Stamp Duty could discourage some property investment, reducing the supply of rental properties and leading to higher rents, especially in high-demand areas like London.

Loving London

While these new policies will undoubtedly inform investor's decision making, the UK property market remains a resilient and stable investment opportunity.

100%

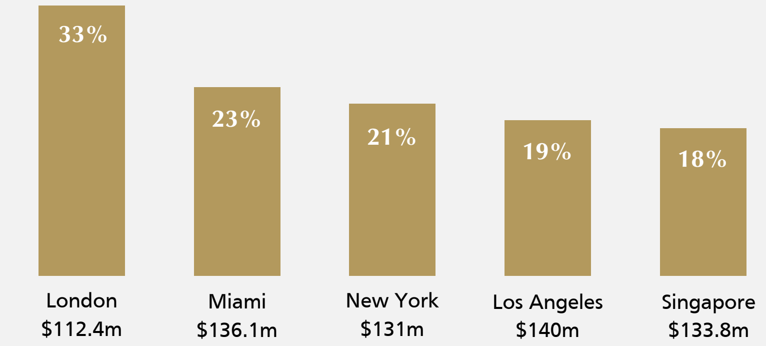
plan to make new investments, or increase existing investments in the UK property market in the next five years

95%

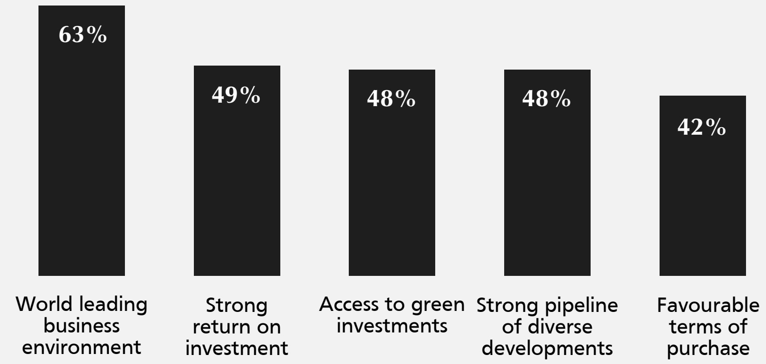
are confident that the UK property market represents a strong investment opportunity over the next five years

Top five most popular locations for property investment in the last 12 months

(Percentage of respondents who invested and average amount invested)



Top five reasons why London is an attractive property market to invest in



The buy-to-let market, in particular, continues to attract strong interest amid attractive rental yields.

Of the investors we surveyed for this report, 98% have invested in UK property in the last five years, while a third (33%) invested in London property in just the last year.

They invested an average $112.45m, compared with $90.79m in the previous year, an uplift of almost a quarter (24%).

In the last 12 months, London has been the most popular property investment target of all the international cities we surveyed, ahead of Miami (23%), New York (21%), Paris (19%) and Los Angeles (19%).

However, looking at investment intentions for the year ahead, Hong Kong comes top (29%), followed by Monaco (27%), Tokyo (26%), New York (25%) and Paris (25%).

This likely reflects short-term uncertainty about the content of the October budget given respondents were surveyed in the days leading up to the fiscal event, when speculation was at its peak).

Still, one in five (21%) still hold plans to invest in London property in the next 12 months.

A unanimous verdict

And longer-term indicators of confidence in the UK remain stronger than ever.

Almost all (99%) say the UK property market is attractive, up from 89% last year, with a decisive 95% expressing confidence that the UK property market is a strong investment opportunity for the next five years.

Accordingly, when we asked investors if they were planning on making new investments, or increasing existing investments in the UK property market during that time, 100% said yes.

And they plan to invest an average $92m, compared with $69.14m this time last year – a 33% year-on-year increase.

We asked investors what had influenced their decision to invest in UK property, the most popular answer remains plans to relocate to the UK or have the option of living here.

However, this has fallen from 72% to 53%, perhaps reflecting uncertainties around Government policy, which have now been clarified.

But it's notable that investors seem to be able to see through any short-term political instability; 93% still say their confidence in UK property as an investment opportunity had increased in the last year.

It seems clear that the prospect of capital appreciation, combined with near-record rental incomes, increasingly attractive financing arrangements and the relative strength of GCC currencies all adds up for investors.

Investment opportunities: In the capital and across the country

We've seen that the investment appeal of UK property is still strong, especially for those with an eye on the medium and long term.

And we know that the capital will always hold a particular attraction for people from the GCC, both because of the lifestyle that is achievable here and because it is considered an investment that delivers safe returns.

However, while the lure of London remains strong, this year's survey shows that investors are also looking further afield for opportunities to deploy capital.

And they are diversifying in investment locations when it comes to the capital too.

While Central London remains the prime target for 43% of investors, this is down from 55% in last year's survey.

At the same time, other areas have seen growing interest, including East London (37%, up from 32%), West London (38%, up from 31%), Greater London (40%, up from 31%) and North London (32%, up from 28%).

Only South London has seen interest fall (21%, down from 24%).

And it's clear that London has a broad appeal.

Those planning to invest in the capital are attracted by the world-leading business environment (63%), strong return on investment (49%) and access to green investments (48%).

They also flagged the city's strong pipeline of diverse developments (48%), favourable terms of purchase (42%) and how investing also provides an opportunity to live in the city (38%).

Real estate in the regions

As in last year's survey, investment intentions reflect the potential of regional property markets too.

Regional economies are gathering momentum, generating employment opportunities that have attracted buyers away from the capital to locations where properties are more affordable.

As such, property price growth in cities including Manchester, Glasgow, Liverpool and Leeds has outperformed London in the last year[3].

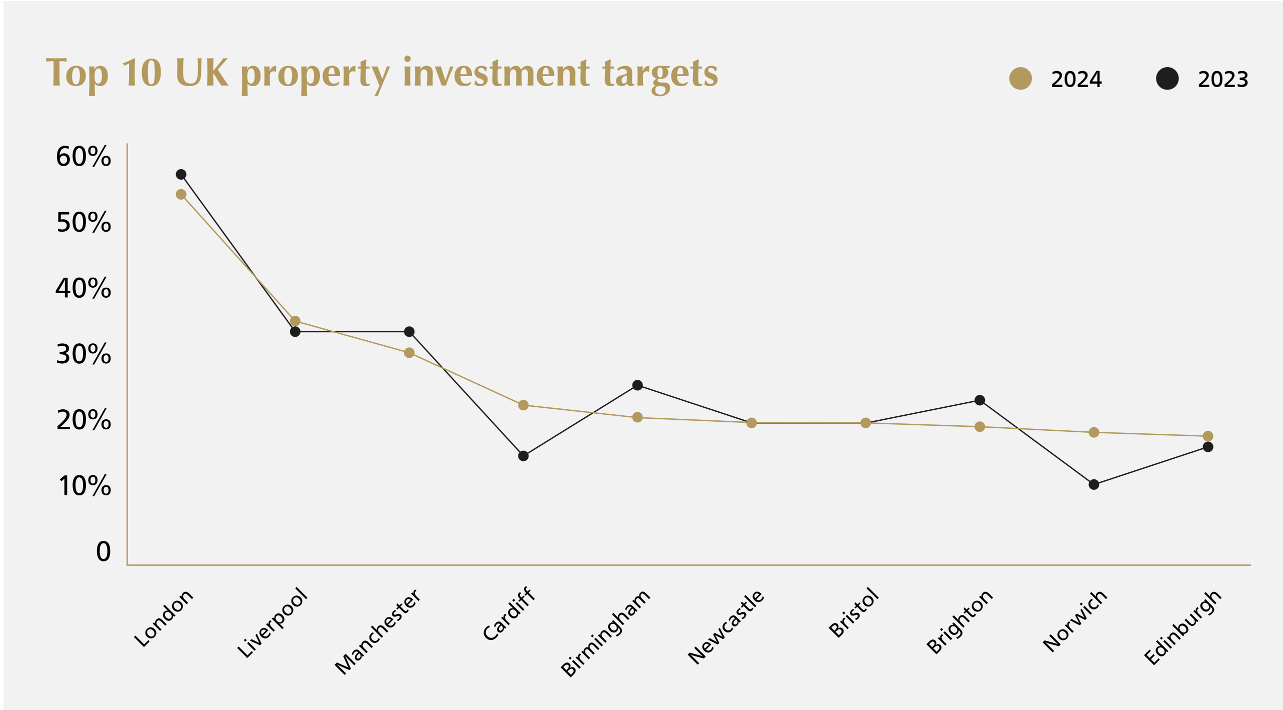
Many of UK cities also have prestigious universities that support large student populations, both from the UK and overseas.

Indeed, in the 2022/23 academic year, more than 30,000 students from GCC countries were studying at UK universities[4].

So, while London has seen a slight drop in popularity as an investment target, from 56% to 54%, other cities have seen growing interest, including Norwich (up from 10% to 17%) and Cardiff (up from 17% to 21%).

Whatever the location, the type of property respondents are planning to invest in remains mixed.

Three in five (59%) are targeting residential apartments (unchanged), 56% commercial office space (up from 52%), 47% residential housing (down from 49%) and 46% mixed-use developments (up from 40%).



Duly diligent

The diversity of investment targets reflects how GCC investors are increasingly sophisticated and well-informed in their decision making; only 1% don't do any due diligence before investing.

While they are gathering intelligence from a broad range of sources, they are increasingly turning to their banks, finance partners and brokers (57%, up from 46%) to inform their investments.

Diligent investors are also conducting research in the media (57%, up from 38%), estate agents (55%, down from 56%), independent online research (49%, up from 44%) and family and friends (46%, up from 45%).

It's heartening to see respondents taking advice and undertaking their own research to inform their investments.

As an experienced provider of Sharia compliant real estate financing, we hope the data in this report can support investors' decision making and our real estate experts are always available to answer any further questions they may have.

The green property premium

We know that the GCC shares the global community's vision of environmentally responsible and socially conscious sustainable development.

And it's clear that property investors from the region are aligned with this objective too.

To that end, sustainable buildings represent an opportunity for investors to diversify their investment portfolios and enhance their Environmental, Social and Governance (ESG) credentials.

And almost half of those we surveyed (48%) said it was access to green investments that made London's property market such an attractive prospect, almost as many as the 49% who cited strong investment returns.

But, as well as being responsible, going green is also a sound commercial strategy.

The UK Government provides a Stamp Duty exemption on new zero-carbon homes (including flats) under £500,000, while homes over £500,000 have their Stamp Duty bill reduced by £15,000.

However, the criteria is strict; to qualify you must provide evidence of zero carbon emissions from energy use in the home over the course of a year.

There is also a wealth of evidence showing that both residential and commercial buildings with higher energy efficiency ratings attract a 'green premium', commanding higher rents and sale prices.

Supporting sustainability

And this is clearly influencing investors' decision making.

Three in five (60%) of those we surveyed said a building's sustainability credentials significantly influenced their decision making when investing in property, with only 1% saying it is not at all important.

And sustainability is increasingly influencing decisions around finance too.

To that end, almost all respondents (98%) say environmental concerns are important when choosing a finance partner for their investments, up from 91% last year.

As a Sharia-compliant bank, Al Rayan has an unwavering commitment to ethical banking, which is rooted in the principles of Islamic finance.

Our ESG strategy informs all our operations, decision-making processes and interactions with stakeholders, with agreed metrics that mean we can accurately monitor our progress and effectively hold ourselves to account.

Reflecting your values

We are already operationally carbon neutral, partnering with Carbon Neutral Britain to calculate and offset all our carbon emissions.

And we make sure all the residential property investments we help finance comply with Energy Performance Certificate criteria.

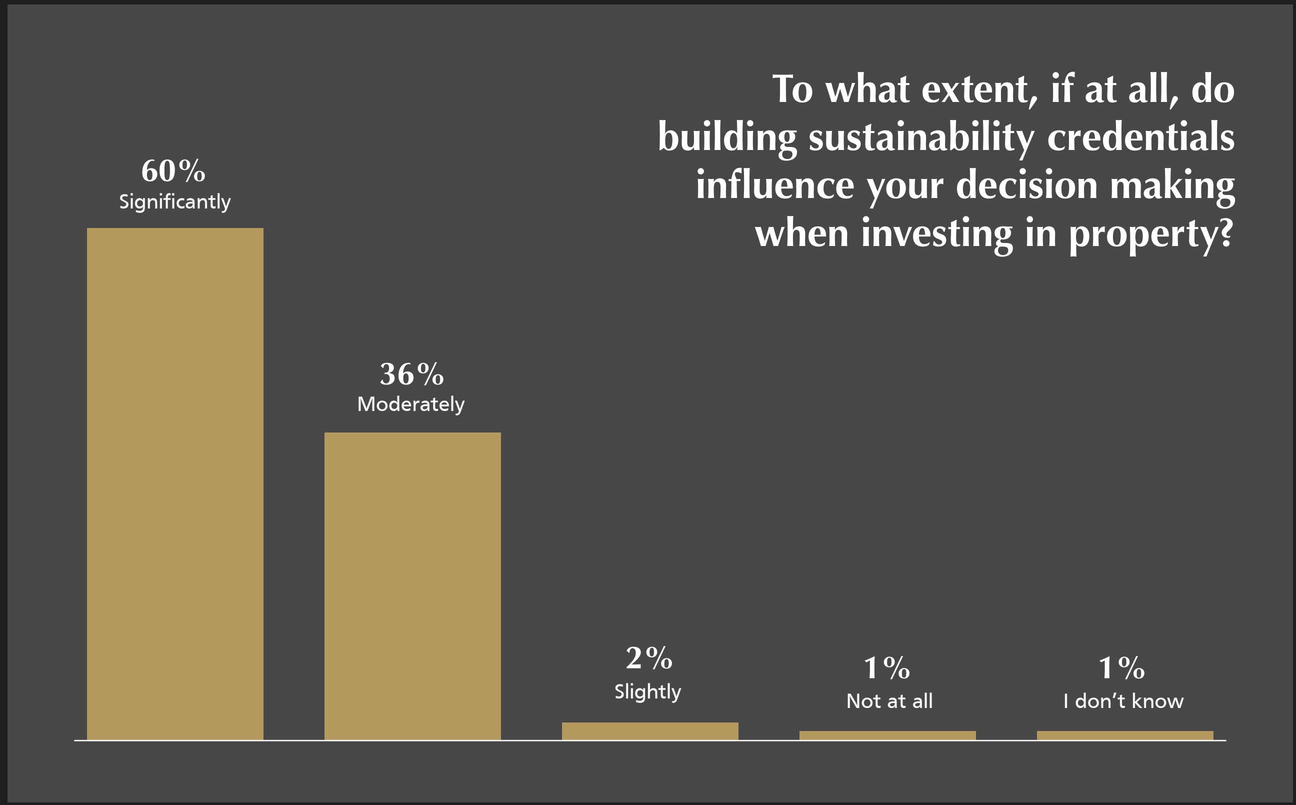
Our survey also found that 93% of investors said a specific 'green' finance offer would make them more likely to choose a finance partner, and we are on the same page. This year we were proud to have launched a new 36-month Fixed Term Deposit in association with our official charity partner Educate a Child International, the UK-based charity with a vision to ensure that every child has access to quality education.

The Deposit has a 4.5% expected profit rate, and we will contribute an amount equal to 0.1% of the balances in every account to support a project supporting education for vulnerable children in Malawi.

It's all part of our ongoing strategy to reflect the values we know our customers hold dear as we continue to work together to have a positive impact on the world.

98%

say environmental concerns are important when choosing a finance partner for their investments



A special relationship

Maisam Fazal
Chief Commercial Officer, Al Rayan Bank

The year since our last UK Property Profile has been nothing if not eventful.

But, even through times like these, the special relationship between the UK and the GCC remains as strong as ever.

Visitors from the Gulf make a unique cultural and economic contribution to our nation, and they will always be warmly welcomed here.

At the same time, the UK provides an opportunity to invest in an environment characterised by consistency, transparency and prosperity.

Al Rayan Bank has had an outstanding 2024. The bank wrapped up the year with an impressive pre-tax profit of £23.5 million*, a testament to its strategic vision and robust operations. This better than forecast achievement was largely fueled by a record-breaking surge in Commercial Property Finance, generated record drawdowns of over by £0.5 billion, reaching a balance sheet £1.18 billion by year-end.

In line with its strategy, the Bank's overall gross financing asset book saw a significant increase, climbing by £200 million to reach £2.10 billion in 2024, up from £1.90 billion the previous year.

Commercial property financing sits at the heart of our commercial strategy and we are ambitious to accelerate growth in residential, with an eye on higher-margin assets and work with GCC high-net worth customers.

We have established professional networks, from finance to legal, that support a stress-free investing experience.

And we have a track record of consistently delivering an attractive return on investment.

It's why we continue to welcome back visitors and investors from the Gulf, year after year.

Where else but the UK can deliver that blend of the traditional and the ultra-modern, luxury and diversity, liberty and security?

And it is a country where the real estate opportunities continue to compete with anywhere in the world.

At such an auspicious time, we are happy to share our advice and experience if you would like to discuss any potential investment, so please do reach out to us.

Al Rayan has been a valued partner to GCC investors for two decades now, arranging everything from Sharia-compliant commercial property finance to instant access savings accounts, including digital banking.

We have the commercial strength, the integrity and the ethical values that you need in a banking partner, and we look forward to working with you.

* Unaudited and subject to change

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2. https://www.worldbank.org/en/news/press-release/2024/10/16/modest-growth-forecast-for-economies-in-the-middle-east-and-north-africa-amid-rising-uncertainty
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4. https://www.hesa.ac.uk/data-and-analysis/students/where-from#non-uk

Methodology

This report surveyed 150 individuals with an average net worth of $13 million operating from Qatar, Saudi Arabia, and the United Arab Emirates. They were asked 18 questions to provide an overview of the property investment appetite of the GCC market and what opportunities are being considered across the UK.

Respondents reported on past and future investment activity in London, Hong Kong, Singapore, New York, Los Angeles, Miami, Tokyo, Shanghai, Paris, Zurich, Monaco, Tel Aviv, Sydney and Melbourne.

This research was undertaken by Censuswide between 25 -31 October 2024. All data was captured anonymously.

Contacts

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