

19 July 2020

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AN INTRODUCTION TO CONSULTING HAUS LLC

INTRODUCTION

Consulting HAUS LLC (“CH”) prides itself on providing the highest quality services to businesses and their owners to support them in increasing and creating value. The team has a wealth of experience working alongside companies and entrepreneurs alike to create and execute various strategic initiatives to help ensure that future targets are met. We view ourselves as your partners, rather than service providers, and are here to support you throughout the business life-cycle.

CONSULTING HAUS LLC’S REAL ESTATE DIVISION

Over the past few years, our leadership team has supported clients to identify real estate opportunities across Europe and the US, assess the risk-reward profile and provide support during the acquisition process.

In consideration of the level of interest in UK real estate projects, CH recently welcomed Qais Saleh as head of UK Real Estate. Qais is fully FCA approved and has been investing in real estate on behalf of family offices since 2006 in the GCC, Europe and the US. Since 2013, Qais has been UK based and has deployed over £100 million in UK investment properties across various asset classes. Qais has also successfully deployed capital across Europe with the most notable project being a €300m greenfield project in Scandinavia that achieved a 35% IRR.

In the event you are considering to invest in the UK real estate market and would like any support, please do not hesitate to contact a member of our team.



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THE OPPORTUNITY

THERE ARE TWO MAIN INVESTMENT STRATEGIES TO CONSIDER IN THE CURRENT MARKET; YIELD FOCUS AND VALUE FOCUS...



YIELD FOCUS:

Acquire yielding assets at good entry yield and *competitive debt LTV/interest profile*, collect net yield for few years and sell upon yield compression for capital gain. Unlevered *IRR 6-8%*, *levered IRR 9-12% net of fees*.

ATTRACTIVE YIELDING ASSET PROFILES

- Logistics warehousing near major transport arteries.
- Suburban retail parks with the right tenant mix.
- Regional (not London) city center flexi office setups.
- Industrial estates, multi-lets or single tenant with strong tenant profile.
- Regional office parks with good tenant and term profile.



VALUE FOCUS:

Acquire a *distressed asset with impaired current cashflow* profile, restructure tenancies if needed, refinance, and sell once stabilized. *IRR will exceed 15%*. May have to enter with little or no debt and then restructure the debt once stabilised.

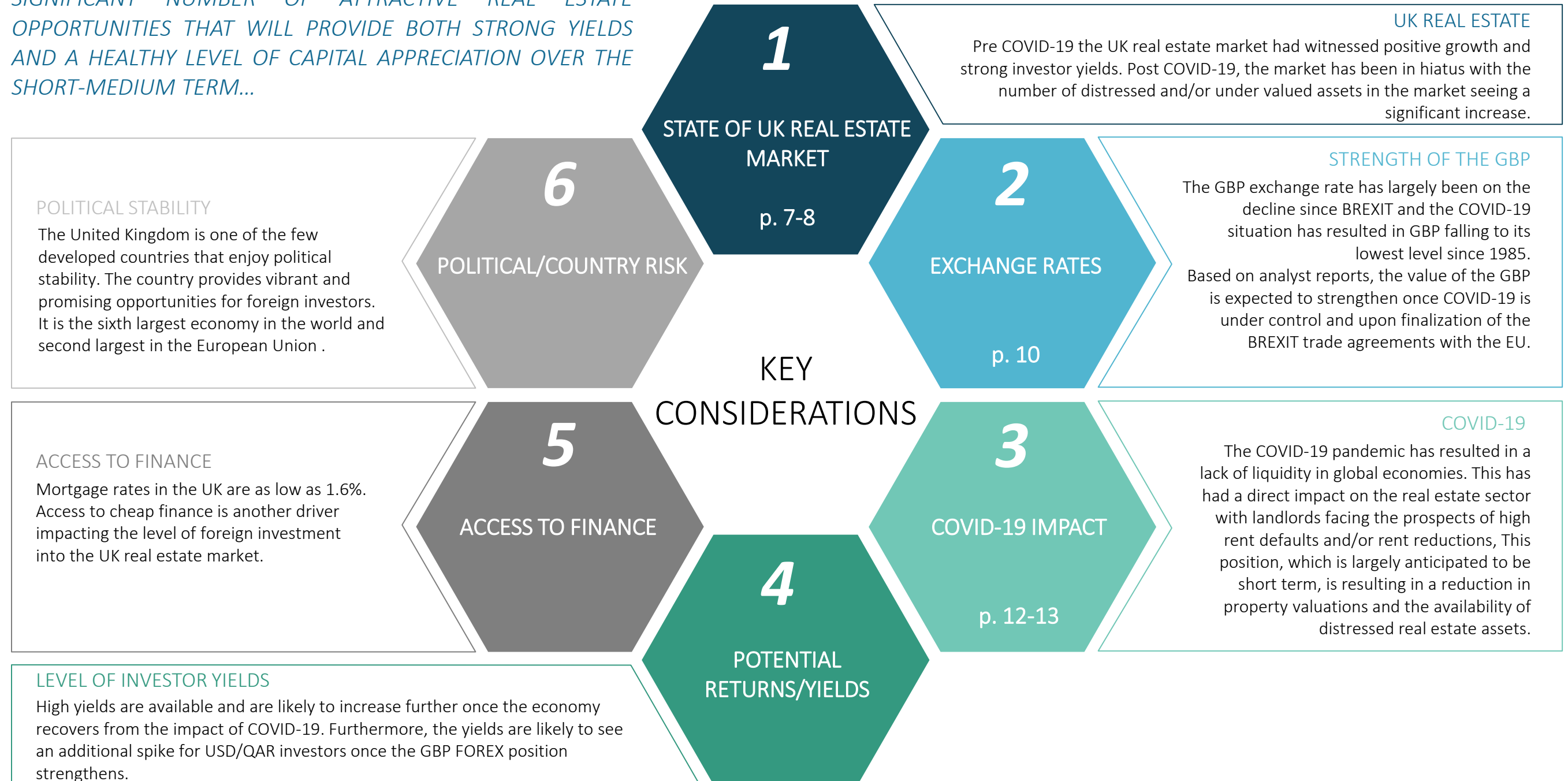
ATTRACTIVE VALUE PROPERTIES PROFILES

- Distressed West End mixed use retail/office buildings.
- Distressed Student housing outside London.
- Distressed value hotels (3-star and similar) outside London.
- Distressed multi-tenant office parks M25/M4 corridor.
- Distressed regional retail parks.
- Distressed newly finished residential block sales direct from developers, London and home counties.
- Distressed regional multi-family rental properties.

THE OPPORTUNITY

USD/QAR INVESTORS CAN TAKE ADVANTAGE OF A WEAK POUND, LOW INTEREST RATES AND AMPLE DISTRESSED/UNDER VALUED REAL ESTATE OPPORTUNITIES...

...THE SUDDEN MARKET DOWNTURN HAS GIVEN RISE TO A SIGNIFICANT NUMBER OF ATTRACTIVE REAL ESTATE OPPORTUNITIES THAT WILL PROVIDE BOTH STRONG YIELDS AND A HEALTHY LEVEL OF CAPITAL APPRECIATION OVER THE SHORT-MEDIUM TERM...



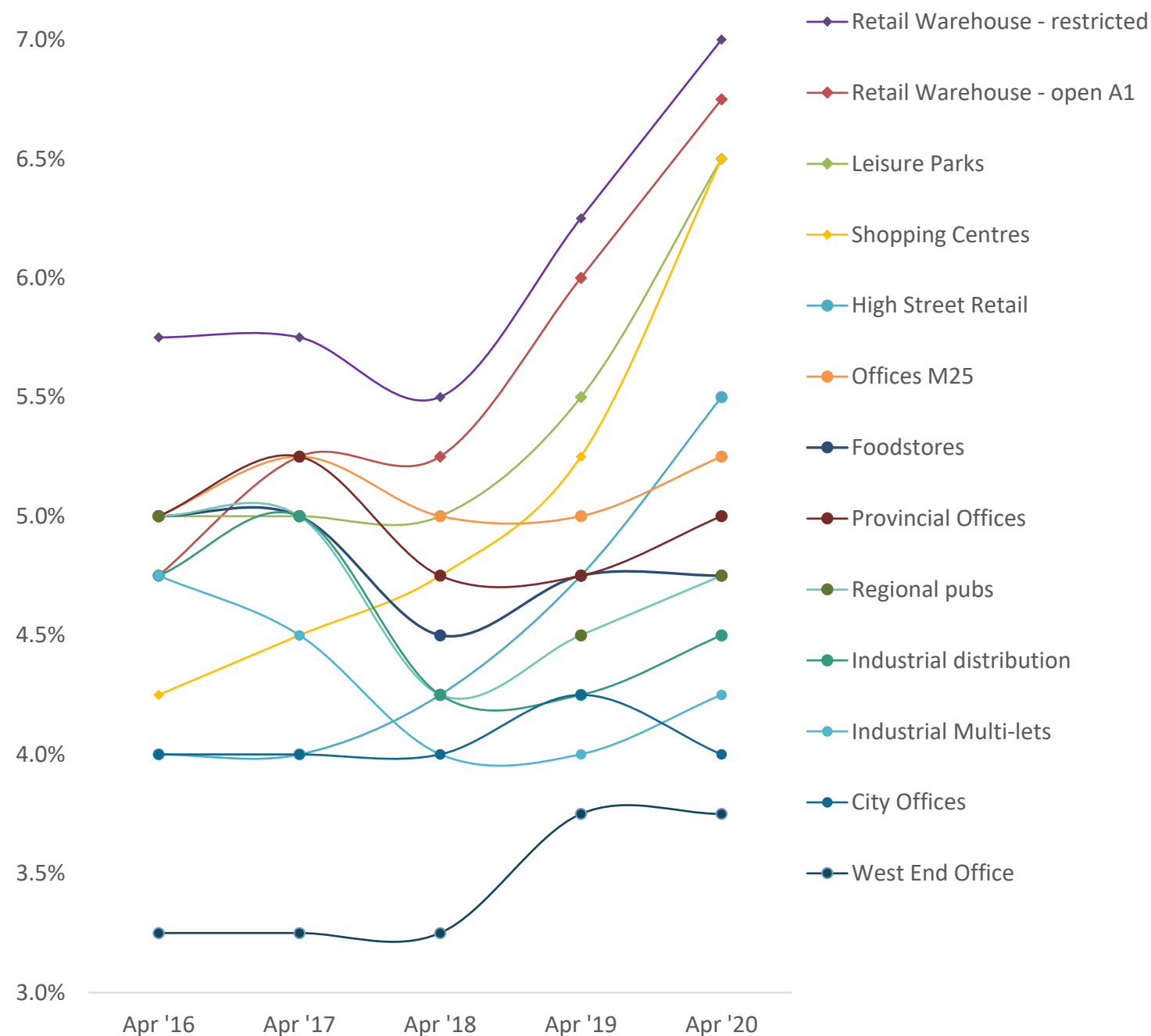


SECTION 2

UK REAL ESTATE MARKET

DRIVEN BY THE RECENT FALL IN PRICES, THE AVERAGE REAL ESTATE YIELD STOOD AT 5.31% DURING APRIL 2020, ITS HIGHEST LEVEL SINCE OCTOBER 2013...

UK COMMERCIAL PRIME YIELDS (2016 TO 2020)



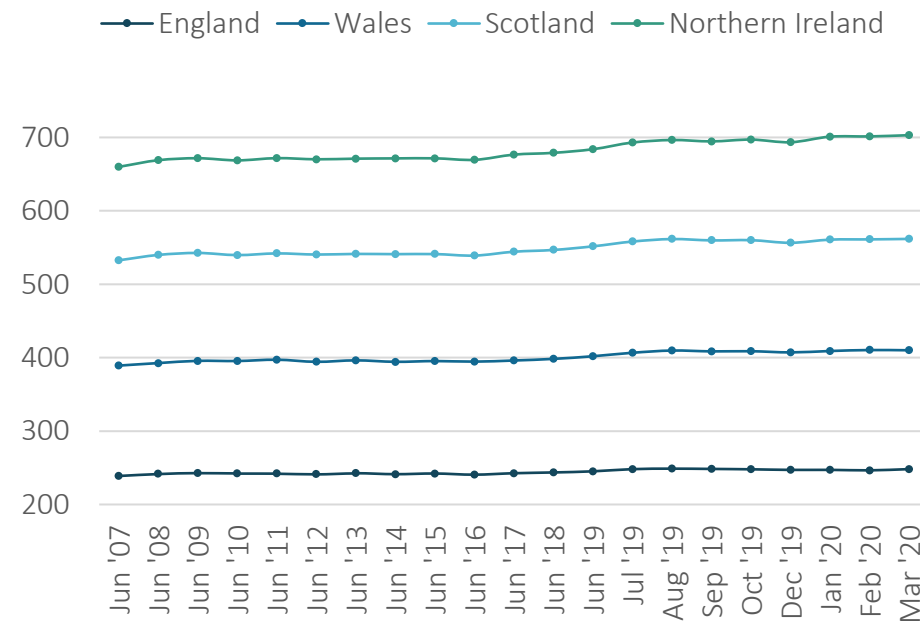
Source: Savills

OBSERVATIONS

- As lockdown continues, the UK commercial investment market is largely on hiatus. Transactions are still occurring, but for units that were in advanced stages of negotiation before lockdown. This is reflected in transaction volumes of £808m for the month of April 2020.
 - While some sectors such as logistics and warehousing are continuing their outward trajectory, yields will stabilize for sectors where the occupier fundamentals remain strong.
 - As lockdown conditions are relaxed, liquidity is likely to return for prime units as potential buyers are better able to validate their assumptions on voids and rental growth. Yields are expected to improve as prices fall further
- Office:** Markets pause as corporate sentiment weakens. However, despite unprecedented market disruption, the tight supply landscape and a general flight to quality will mean that headline rents hold firm despite the fall in transactional activity.
 - Retail:** Retailers are not anticipating a return to “normalized” trading levels until mid of 2021. From investment point of view, stores with larger floorplates are likely to be given priority. Broad pecking order would be warehouses, retail, high street followed by shopping centers (with Leisure last of all).
 - Logistics and warehousing:** A surge in online grocery shopping during the outbreak could be more permanent, which will further increase demand for logistics space. Understandably, the yields are likely to be higher in this space

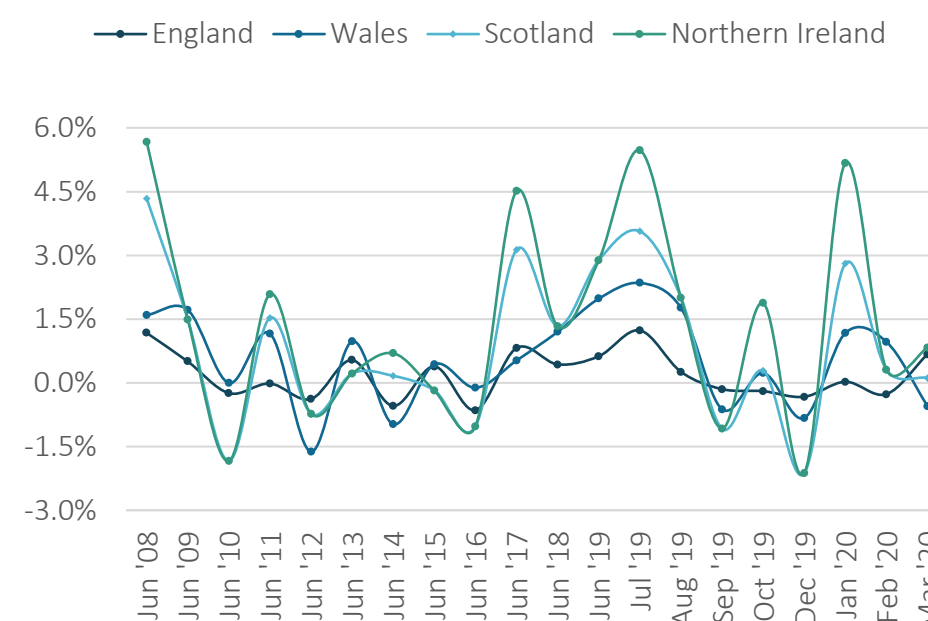
DESPITE A POSITIVE START TO THE YEAR FOR RESIDENTIAL REAL ESTATE, THE COVID-19 PANDEMIC HAS RESULTED IN WHAT IS LIKELY TO BE A TEMPORARY DOWNTURN...

AVERAGE HOUSE PRICES IN THE UK (£'000)



Source: Office for National Statistics (UK)

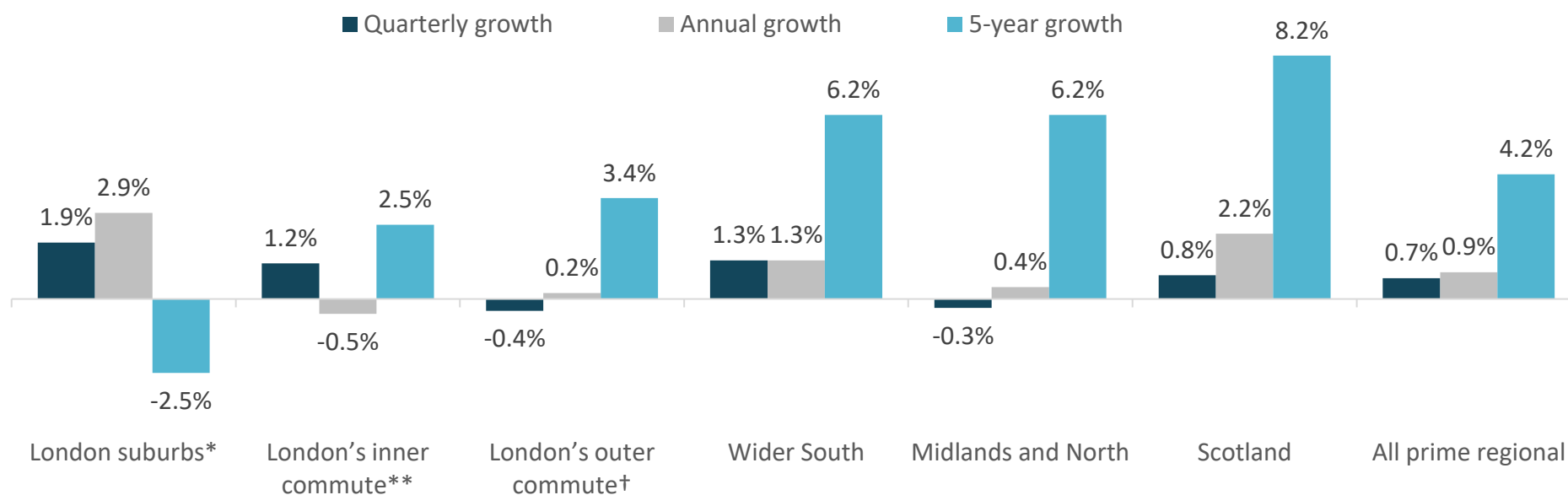
Y-O-Y GROWTH IN HOUSE PRICES IN THE UK (%)



OVERVIEW

- Until the middle of March 2020, it had been an encouraging start to the year, with prime values increasing 0.9% year-on-year. Key highlights are as follows:
 - At 2.9%, the strongest regional annual growth was in London's suburbs as improved sentiment in the capital fed out into its surrounds.
 - The markets within an hour of London remained broadly flat. Annual growth in Scotland remained consistently strong at 2.2%, primarily driven by the hotspots of Edinburgh and Glasgow.
- The government's measures to prevent the spread of COVID-19 has stifled activity in the housing market.
- With estate agents still closed in April and May 2020, key activity indicators remain entrenched in negative territory.
- Furthermore, near term expectations suggest that the subdued set of conditions are likely to persist in the until August 2020, though sentiment over the twelve-month horizon is less negative.

PRIME REGIONAL PRICE MOVEMENTS FOR RESIDENTIAL PROPERTIES (APRIL 2020)



Source: Seavills, | Note: *Within the M25 **Within a 30-minute commute †Within a one-hour commute.



SECTION 3

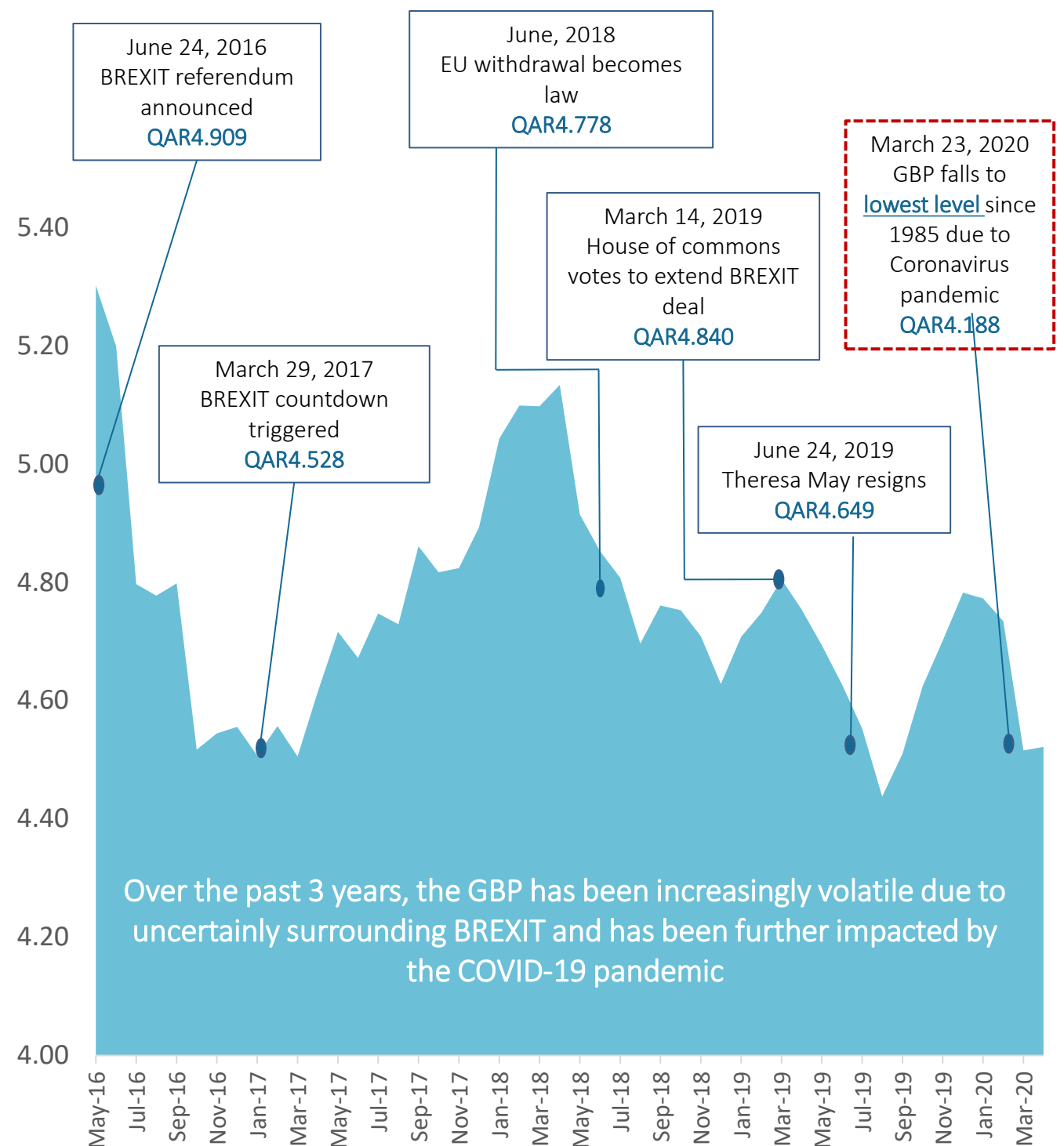
GBP CURRENCY POSITION

BREXIT HAS CAUSED THE GBP TO DEPRECIATE SIGNIFICANTLY AGAINST THE USD (WHICH IS LINKED TO THE QAR), REACHING RECORD LOWS IN COMPARISON TO HISTORICAL RATES...

OVERVIEW

- Following the announcement of BREXIT in 2016, the uncertainties around the UK's future relationship with the EU continues to be heavily reflected in the strength of the GBP.
- Fast forward to 2020 and the UK has still not finalized any trade deals with EU and the strength of the pound remains significantly lower than the pre-BREXIT rates. This, coupled with the impact of COVID-19 saw the pound reach its lowest exchange rate against the Qatari Riyal since 1985 at QAR4.18/1GBP.
- The future outlook of the GBP remains uncertain in the short term however, there is a clear correlation between progress with BREXIT negotiations and the strength of the GBP. Once the UK finalizes its trade deals with the EU, the strength of the pound is likely to increase. In addition, it is likely that the value of the GBP will regain the COVID-19 related losses once the COVID-19 situation has been overcome. Based on current information, it is reasonable to conclude that the value of the GBP will witness material gains over the medium term.
- The weak GBP makes investments in the UK an attractive option for USD/QAR investors for the following reasons:
 - Asset purchases are cheaper;
 - For investors who took advantage of the favorable exchange rates, they will realize an immediate uplift in the level of USD/QAR yields as the GBP regains value.
 - Selling assets once the GBP recovers will likely result in material FOREX gains which will be realized in addition to any capital appreciation.

KEY MOVEMENTS IN THE GBP EXCHANGE RATE (2016-2020)





SECTION 4

IMPACT OF COVID-19

REAL ESTATE PRICES ARE EXPECTED TO DECLINE DRAMATICALLY DURING THE REST OF 2020, HOWEVER, LIKELY TO START TO REGAIN MOMENTUM BY THE START OF 2021...

OVERVIEW

- The volume of 2020 property sales was expected to witness year-on-year growth as compared to 2019. The first part of 2020 saw the highest level of mortgage approvals for six years. This reflected improved confidence after the decisive election win and reduced Brexit uncertainty. This momentum was expected to continue but was abruptly interrupted by the global COVID-19 pandemic. A recent survey conducted by RICS showed negative sales expectations throughout the rest of 2020. During the lockdown, the number of completed transactions have significantly reduced with many being deferred largely as a result of liquidity being absorbed to fight the impacts of COVID-19.
- The number of completed transactions are forecast to fall dramatically during the year, finishing at 40% lower than 2019. Sales are expected to pick up during the course of 2021 and return to pre COVID-19 trends by 2022 as macro economic factors normalize.
- Due to the increasing need for liquidity, commercial and residential pricing is expected to witness a short-term reduction between Q2 2020 and Q1 2021 with a consensus expectation of between 5% and 15%.

COVID 19 TIMELINE OF EVENTS

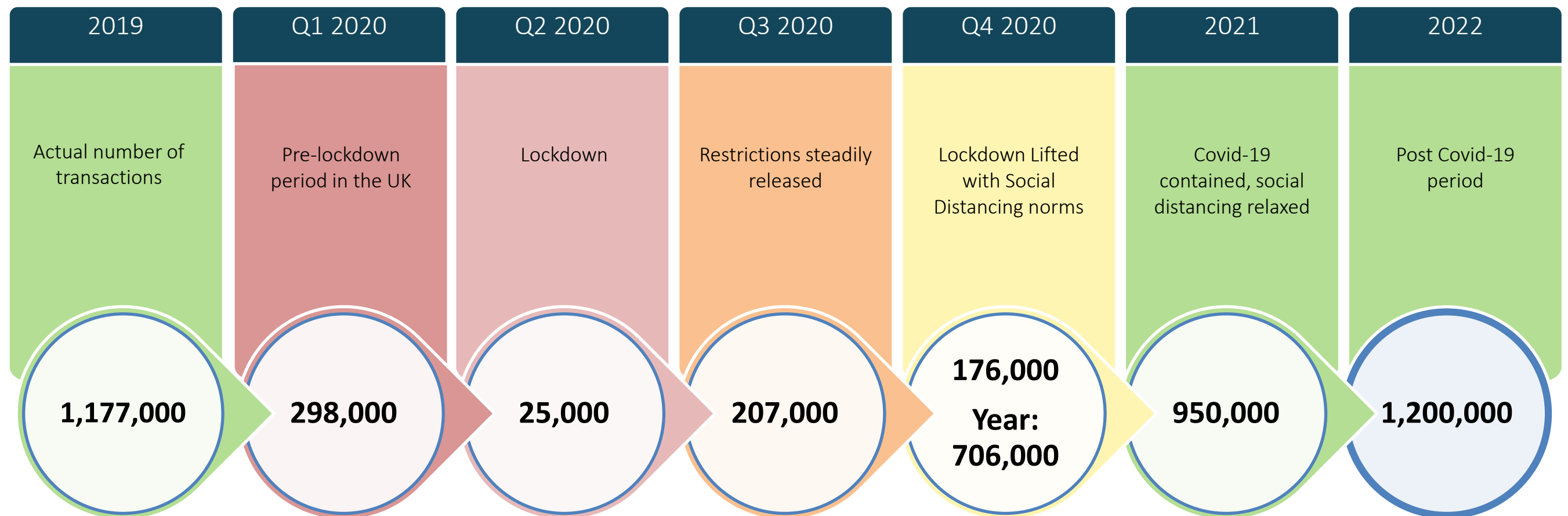
	PHASE 1 JAN - FEB	PHASE 2 MAR – MID APR	PHASE 3 MID APR - MAY	PHASE 4 JUN – SEP	PHASE 5 OCT – DEC	PHASE 6 H1 – 2021	PHASE 7 H2 – 2021
COVID-19 STATE	Pre-lockdown period in the UK	Lockdown	Lockdown	Restrictions steadily released	Lockdown Lifted	Covid-19 contained, social distancing relaxed	Post Covid-19 period
ECONOMIC STATE	Unemployment at a record low	Collapse in consumer confidence	Employees furloughed	Sharp fall in GDP in Q2	Economic growth improving	Economy continues to grow Unemployment peaks	Economy back to full strength
PROPERTY MARKET IN THE UK	Strong market and positive start to the year	Very few sales able to progress Zoopla estimate 370,000 on hold	Lenders adapting, desk-based valuations Applicant levels picking up	Some sales put on hold during lockdown will likely progress	Needs driven demand arrives to the market	Activity picks up with more sales progressing	Sales return to trend
PROPERTY VALUES ON THE DECLINE							RECOVERY

MARKET RECOVERY IS LINKED TO THE PERIOD OF THE PANDEMIC AND THE PACE AT WHICH THE ECONOMY RECOVERS COUPLED WITH THE RATE AT WHICH INVESTOR CONFIDENCE RETURNS...

OVERVIEW

- As restrictions start to lift, some stalled sales are expected to resume and progress to completion in Q3 2020, however, not all will progress as many purchasers have experienced a loss of liquidity. Sales volumes in Q4 are likely to reflect wider economic concerns and estimated to be 40% lower than prior year.
- Compared to the global financial crisis, the actual volume reduction in sales in 2020 is likely to dip below the 2009 trough. Assuming no secondary infection and double-dip economic downturn, sales should begin to pick up steadily in 2021 before returning to trend levels in 2022.
- Opportunistic purchasers are expected to seek to take advantage of the period of inevitably reduced liquidity.

COVID 19: ESTIMATED TRANSACTION TIMELINE OF HOUSING PROPERTY*



*gives an indication of overall real estate market activity



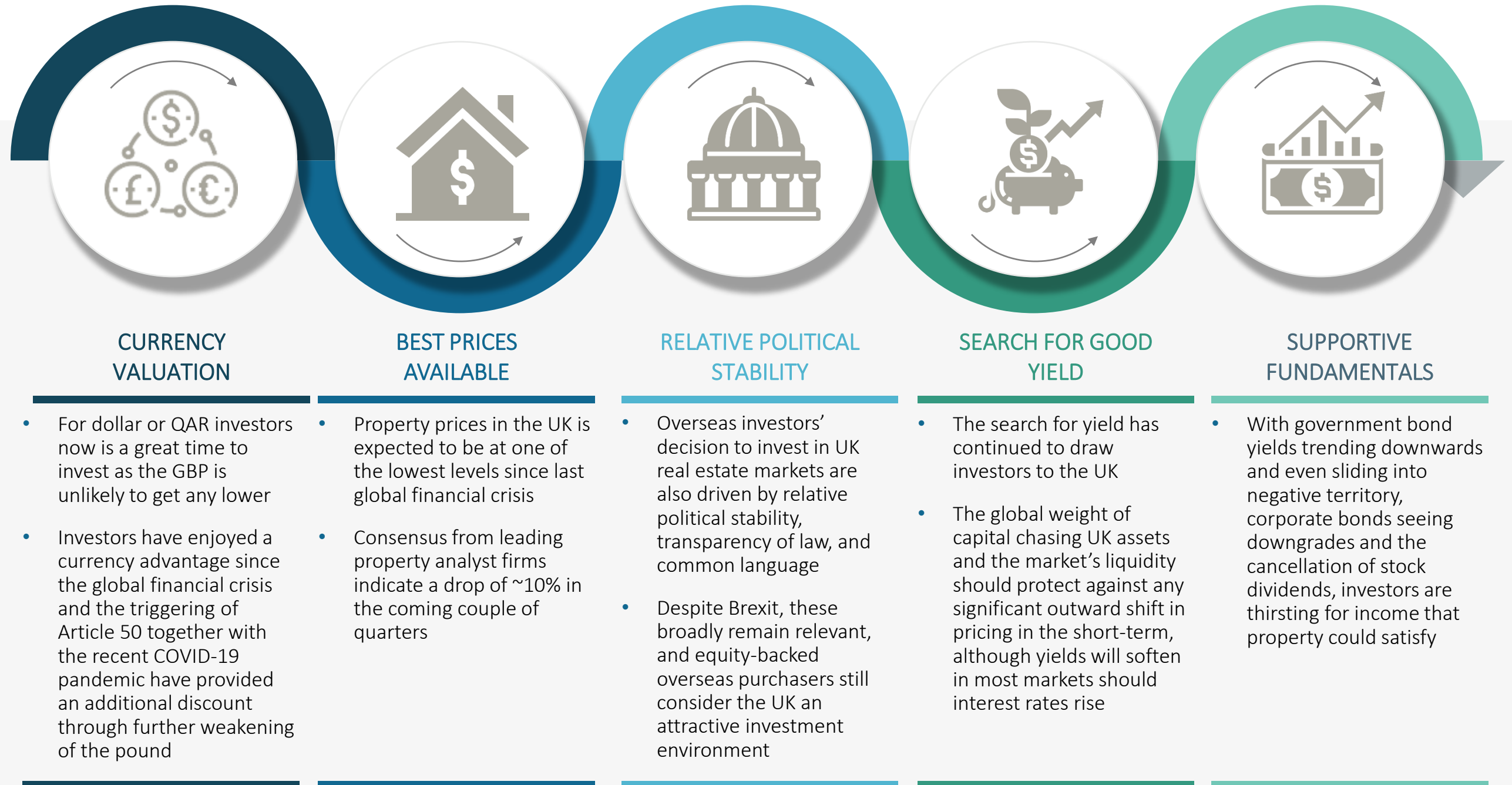
SECTION 5

CONCLUSIONS

CONCLUSIONS

SINCE THE WEAKENING OF THE GBP, OVERSEAS PURCHASERS HAVE ACCOUNTED FOR SIGNIFICANT AMOUNT OF THE CAPITAL INVESTED IN UK REAL ESTATE...

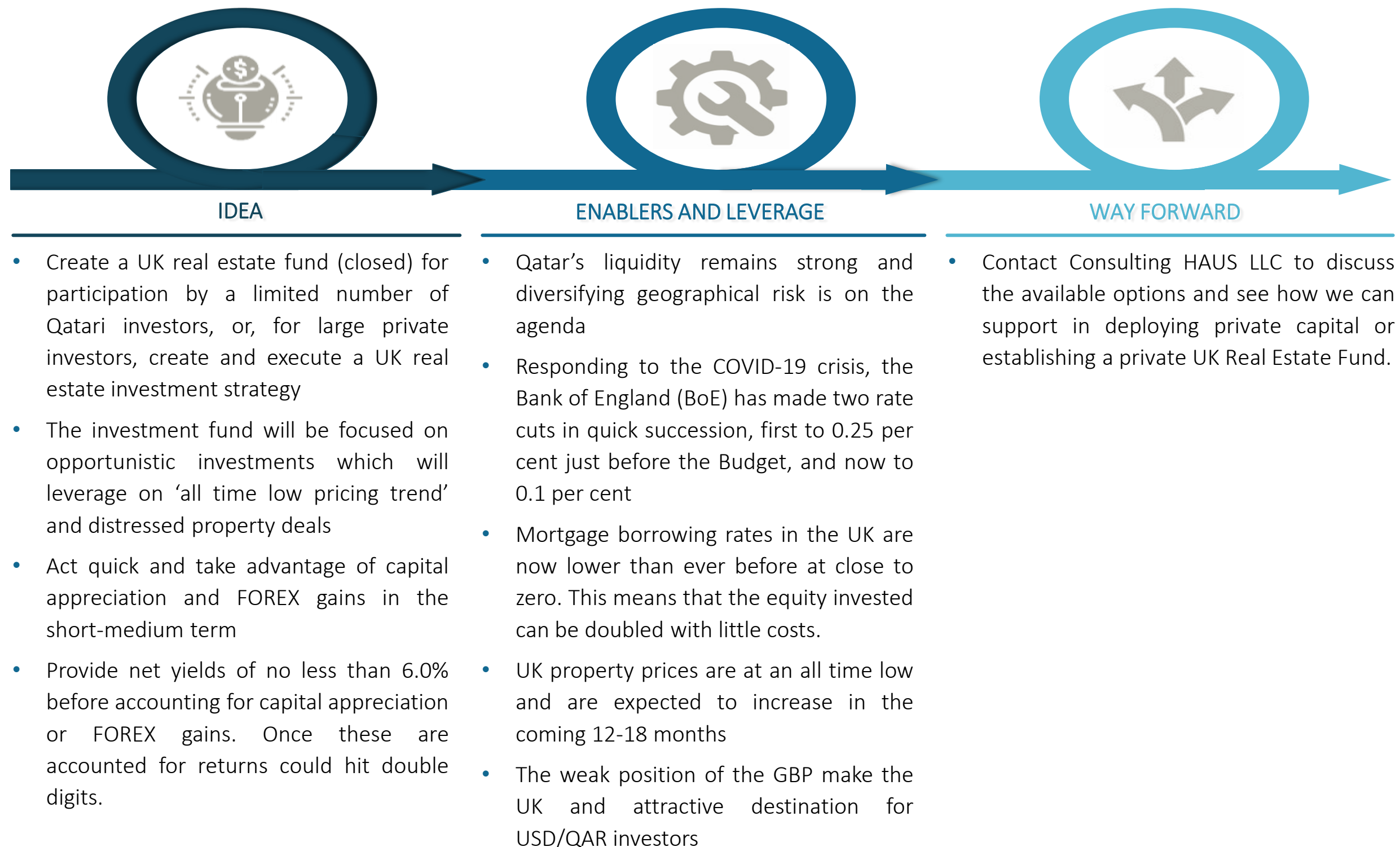
WHY IS NOW THE RIGHT TIME TO INVEST IN UK REAL ESTATE?



CONCLUSIONS

EUROPEAN FOCUSED PROPERTY FUNDS RAISED \$13.2B BETWEEN 1 APRIL 2020 AND 28 MAY 2020, THE HIGHEST QUARTERLY VOLUME SEEN SINCE Q4 2017 WITH ONE MONTH OF THE QUARTER REMAINING...

OUR PROPOSAL



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