

Trump, Fink and the case for UK real estate

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The UK has reason to be quietly confident about the years ahead



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With president Trump marking six months in office, it is clear his administration is going to reshape investor intentions and deployment in a way unthought of before his election.

After initial bullishness on US equities, the intense market volatility in the wake of Trump's "Liberation Day" tariff announcements back in April led to a fundamental reassessment of investor preferences, at both geographic and asset class levels.

At Delancey, we believe that UK real estate is likely to emerge as a favoured geography-asset class combination, thanks to a mix of sector-specific tailwinds,

a perception of relative stability, and an increasingly positive macro-narrative.

The big picture

After years of concern about weak economic growth, productivity and the absence of a mega-cap tech sector, Europe is now seen as a critical source of diversification for investors with global portfolios.

Meanwhile, real assets – namely property and infrastructure – are being increasingly recognised for their defensive and inflation-hedging qualities, as well as lower correlation with public markets.

This reappraisal of the role of real estate within institutional portfolios marks a dramatic shift from the pre-Covid-19 era, when the asset class was favoured as a fixed-income alternative by bond market “refugees” hunting for yield.

“If politics and policy continue to align with investor strategies, it could usher in a new era of investment”

This hunt was driven by central banks in developed economies pursuing a loose monetary policy in the form of ultra-low interest rates and quantitative easing. This in turn artificially suppressed yields from sovereign debt instruments such as UK gilts and US treasuries, the safe-haven investments that provide the benchmark risk-free rate.

The rapid unwinding of central banks’ loose monetary policy in the face of soaring inflation post-pandemic led to a sharp repricing of property.

While painful for the industry at the time, this rebasing of values has created an attractive entry point that has enhanced the overall appeal of the asset class – especially in the UK.



Trump's tariffs have led to a fundamental reassessment of investor preferences

Of all European countries, the UK has the most liquid and transparent real estate market, enabled by the strength and depth of our capital markets, which are underpinned by London's status as a leading financial centre.

The liquidity of the sector has enabled a faster correction and recovery in some sectors relative to peers, such as France and Germany. This helps explain why, in recent investor surveys by INREV, CBRE and others, the UK tops investors' wish lists for cross-border real estate investment.

Recent MSCI data reveals UK investment volumes exceeding those in other major European economies – even though volumes are down across all markets.

Quiet optimism

Beyond rebased property values, there are other powerful fundamentals positioning the UK as an attractive investment destination for international investors: a convenient time zone, trustworthy legal system, and globally important economy.

More importantly, after years of upheaval we have political stability in the form of a Labour majority government. While not perfect, it has recognised the built environment is critical to realising its broader economic growth ambitions, as shown by the pro-development planning and infrastructure bill making its way through parliament.

This was underlined in a roundtable we hosted recently with some of the UK's leading institutional investors. We heard there is a growing appetite to invest in UK real assets, provided the policy and political environment could be stable and predictable, and if unnecessary investment barriers which add risk were removed. It was a message that the UK government representatives at the event seemed to understand.

If politics and policy continue to align with investor strategies, it could usher in a new era of investment.



Delancey and Aware Super bought 20 Manchester Square as their first joint acquisition

Also important is the geopolitical position of the UK itself. Putting the debate around Brexit itself aside, an independent trade policy can be advantageous in an era of deglobalisation, especially when contrasted against president Trump's reported Anglophilia and view of the European Union as a competitor to the United States.

The make-up of the UK economy – the only G7 country where services form more than 50% of exports – is also beneficial. This means we are less vulnerable to protectionist trade policies that are focused on manufactured goods and raw materials.

It is too early to talk of UK exceptionalism. While some economic data surprised on the upside, there are signs of a softening labour market and worsening consumer and business sentiment. The government's fiscal headroom remains narrow, while demands for developers to deliver homes to set timeframes reveal an unfortunate misunderstanding of the realities of our market.

“Also important is the geopolitical position of the UK itself”

But there is good reason to be quietly optimistic about the UK, and many of the challenges just detailed are faced also by our peers. And if you think this is a UK specialist fund manager talking up its book, perhaps you can believe Blackrock’s Larry Fink, who says he is reassured by the current government’s pro-growth position and is buying up UK assets.

Even if Fink is less comforted by the lack of available office space in London, that’s another opportunity, and one we are capitalising on through our partnership with Aware Super – another investor that recognises UK real estate as a compelling investment choice to diversify their investment programme and achieve strong risk-adjusted returns for their members.