

# Payne in EG: The Five Investment Trends Reshaping the CRE Landscape

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PRACTICES Real Estate, International

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Haynes Boone Partner [Mark Payne](#) authored an article for *EG* as the U.K. real estate market is undergoing a period of significant transformation.

Read an excerpt below.

The UK real estate market is undergoing a period of significant transformation, influenced by a variety of factors. Traditional sectors such as office and retail continue to face challenges, while new opportunities are emerging.

The rise of the private credit markets, shifts in investor focus towards alternative sectors and the ongoing distress in certain overseas markets are reshaping the landscape. London continues to be at the forefront of many international investors' lists as a target for investment, and the growing demand for data centre sites highlights the dynamic nature of the market.

## Debt

The main bank lenders are finding it difficult to compete with the rise of the private credit market. This is because the private credit market is not affected by the extensive regulations imposed on the banks, which has created a two-tier market. This enables private credit lenders to offer more favourable lending deals to borrowers than the traditional banks are able to. Ironically, many of the large deals now done by the private credit market rely on back-to-back lending by the traditional lending banks, which are able to do this type of lending with fewer restrictions than if they were lending the money directly themselves.

Many equity investors, such as sovereign wealth funds and pension funds, have allocated capital to lending as the returns are better. The increasing amounts of capital secured on real estate by the unregulated private credit market ought to be a source of concern to regulators. On the other hand, there is a strong argument that the banking sector has been over-regulated in an over-reaction to the great financial crisis, making the European banks less competitive than the US banks and the private credit sector. More intelligent regulation is surely needed to create greater equilibrium in the lending market.

## 2. Self-storage and build-to-rent

With some of the mainstays of the traditional real estate market, such as offices and retail, proving less attractive to investors in recent times, many have been looking at alternative sectors. An interesting angle pursued by some is sectors which have developed to maturity in the US and Canada, but which are relatively undeveloped in the UK. Two key examples of this are build-to-rent (BTR) and self-storage, both of which generally require experienced operators. The limited number of experienced players in these sectors are in demand from potential investors. With land prices too high and significant construction cost rises, very few sites for BTR developments have been commercially viable in the past two years, but there is a greater realism in the pricing of land at present and more willingness to "take the pain", resulting in good opportunities for viable

development for skilled developers in this field. Expect to see more joint ventures between investors and developer/ operators in both these sectors.

To read the full article from *EG*, click [here](#).