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London rivals struggle to prepare for Brexit fallout

Businesses seeking to abandon the UK face limited alternatives for office space, writes *Judith Evans*

"Welcome to FrankfurtRheinMain," declares a website set up by the German region, which went live after the UK voted to leave the EU. It offers a 24-hour UK-based hotline for companies thinking of opening an office in the area.

Frankfurt is one of several major European cities to have launched a charm offensive since the June referendum, aiming to lure businesses — especially financial services — that are reassessing their UK presence after the Brexit vote. Paris's financial regulator is offering fast-track registration; Dublin has caught the eye of one of the continent's largest stock exchanges, Bats Europe, as a possible location for a second headquarters.

Red carpets are being rolled out all over Europe. But cities seeking to attract large departments of blue-chip businesses must also provide something more practical: office space.

Matthew Fitzgerald, head of European tenant representation at Savills, says that immediately after the Brexit vote in June, phones began ringing at his company with a series of requests for data — office rents in Dublin, living costs in Frankfurt, property taxes in Paris.

"A lot of heads of real estate at banks received directives from the top: 'If we had to do an emergency move, what is it going to cost us?'" he says.

In some respects, the answers were reassuring. Occupying an office in another European city is generally far cheaper than in London: top-grade office space in the UK capital costs $243 per square foot per year, including rent, service charges and taxes, while a square foot in Paris is $90 a year and, in Dublin, $76, Savills says. Frankfurt and Amsterdam come in even cheaper, at $55 and $53 respectively.

Relocation, relocation, relocation: Frankfurt's skyline — Getty Images/Thomas Lohnes

But this does not tell the whole story. No other European city can rival London's prime office stock, built up thanks to its position as the continent's main financial centre. Vacancy rates across the continent's major cities, meanwhile, are at their lowest rates for a decade, while developers — still bruised from the debt-fuelled building boom that preceded the 2008 financial crisis — have been slower to construct new office buildings, leading to a shortage of space.

When it comes to potential relocations, the UK's financial sector is a particular focus, because both overseas and UK companies make use of "passporting" rights under the EU's single market to sell products into other EU countries. If passporting ends, investment banks such as Morgan Stanley say they will move parts of their London operations on to the continent. Other groups have said they may shift operations pre-emptively as Brexit negotiations will take at least two years.

> Heads of real estate at banks received directives: 'If we do an emergency move, what is it going to cost us?'

Should a bank seek office space immediately for 2,000 people in the central business district of a European city, they would currently find eight options in Paris, all in La Défense in the west central area of the city, according to Savills research.

In Frankfurt, five such spaces are currently available, while another one to three are expected to come on the market in the next two years.

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Inside

Building up and tearing Dublin down

Redevelopment

Old central bank site will test the revival in demand from a new wave of tenants, says *Vincent Boland*

On the block: Ireland's central bank building on Dame Street
Aidan Crawley/Bloomberg

It is one of the most eye-catching buildings in Dublin and it has loomed over the downtown area for 40 years. Now the Central Bank of Ireland building in Dame Street is up for sale: the institution is moving its operations to a new building in the city's financial district on the banks of the river Liffey.

The Dame Street premises are the latest financial sector offices to be put on the market in recent years, as Ireland's banking and insurance industries have adjusted to the country's painful financial crash between 2008 and 2010.

Some of the buildings built in the good times are being redeveloped to meet a surge in demand for commercial space, as the city's economy recovers after years of recession. A range of tech companies including Facebook, eBay and Google have established European headquarters in Dublin.

Indications that the city's commercial property market has rebounded from its long downturn include demolition for new construction projects on Molesworth Street and in the docklands area, where Dublin's financial sector is concentrated. There was no new office building in Dublin between 2008 and 2014, according to market participants; demand for space crashed in 2009, as Ireland's financial institutions tottered during the global financial crisis. Now, though, office take-up is back to levels last seen in 2008, before the crash. "It's pretty much where it was before," says Thomas Carthy, executive director of office sales and lettings at BNP Paribas Real Estate in Ireland.

A lot of technology companies do not necessarily want the 'corporate look' of an anonymous office block

The central bank's relocation will leave behind a building that has divided opinion in Dublin since it was completed in the late 1970s. Architects and modernists love the hulking and rather aggressive presence of architect Sam Stephenson's masterpiece.

Mr Stephenson, who died in 2006, loved to tweak the noses of the Irish establishment with his outsized designs, which paid little respect to Dublin's mostly Georgian and Victorian city centre. Perhaps for that reason, the eight-floor tower standing on one of the city's main commercial thoroughfares has never won the affection of Dubliners.

For more utilitarian reasons, securing a sale of the Dame Street bank building could be tough. The cramped city-centre location suffers low ceilings and a relatively dark interior, despite wraparound windows.

As Dublin's office market ticks up, the site's impending sale and redevelopment raise a particular question: can buildings that were designed for one purpose — in this case, for a traditional central bank — be adapted to meet the needs of Ireland's recovering, tech-focused, economy?

The task facing the building's new owners will be to make this classic 1970s office block fit for a 21st century economy. When the central bank moved into the address in 1979, Dublin was a European backwater, with a financial sector that barely merited the description. Now the city is a leading European centre, not just for tech companies, but also businesses dealing with fund administration, aircraft leasing and insurance.

James Nugent, chairman of Lisney, the selling agent for the central bank building, says the first problem with many old office blocks coming on to the Dublin market is how dated they are. "They are either functionally obsolescent or economically obsolescent and sometimes it can be more advantageous to knock them down and build something else," he says.

This has happened in nearby Molesworth Street, where at least two late 20th-century blocks have been demolished in recent months to make way for new office construction.

It is unlikely that the central bank building will be demolished, given its prominence, the difficulty of replacing it and the likely asking price — around €65m for the tower. There are two additional buildings nearby in the package, which is likely to bring the total value of the central bank sale to around €80m.

"It wouldn't make sense to knock it down, because the height will be very difficult to replicate," Mr Nugent says. In any case, he adds, a lot of prospective new tenants in the tech sector are perfectly comfortable moving into converted buildings.

In the past few weeks, the wearable technology group Fitbit established its European headquarters in part of a converted 1970s office block — also designed by Stephenson. "Tech companies are likely to have a look at the central bank building — it's in a very busy area," Mr Nugent says.

Mr Carthy of BNP Paribas says the key concern for businesses clients in Dublin is location within the city. Even if the building does not meet a client's immediate needs, it can be retrofitted. In any case, he says, a lot of technology companies do not necessarily want the "corporate look" of a sleek and modern but rather an anonymous office block.

"There is a lot of competition for staff, and these companies go to great lengths to fit out the buildings to attract and retain those people," Mr Carthy says. "If the building is in the right place, it will be in demand."

Warsaw developers restore city's history

Regeneration

The few remaining pre-war buildings in Poland's capital are being rescued from dereliction, says *Zosia Wasik*

Prozna Street — a mere 160m in length — has connected the cosmopolitan centre of Warsaw and the Jewish enclave of Grzybow since the 19th century. Once, it pulsated with tradesmen's stalls, craftsmen's workshops and well-known restaurants.

Then, with the second world war, came disaster: Prozna Street was inside the Warsaw ghetto and just a few of its tenement buildings survived the German man bombardment. After the war was over they were left derelict.

Today, Prozna epitomises what is happening to many historic sites in Warsaw. On one side of the street, a private investor has renovated two of the old apartment buildings. On the other, a similar building is close to collapse, as disputes over its ownership and other legal complications prevent it from being sold.

After decades of neglect, developers have started to see the value of breathing new life into Warsaw's old buildings. But opportunities are limited in spite of the commercial rewards. Around 84 per cent of the city on the west bank of the Vistula river was destroyed in a Nazi campaign to raze the city to the ground, so there is little historic building stock that can be renovated.

"Because there are so few old buildings and Warsaw prizes them, they become more prestigious. So, if you can succeed in gaining ownership of a well-located older building which has good structure, converting it to another use is probably a very good business," says John Banka, a partner at Colliers International, the real estate company.

However, the ownership of many pre-war buildings is often disputed. After the fall of communism, in the 1990s, a process of reprivatisation began, but it has been slow and controversial.

For many years, the problem could be ignored by pursuing alternative developments, as there was so much empty space in Warsaw that developers did not have to invest in old buildings. "Warsaw had a big supply of unbuilt ground or lots with industrial buildings which were easy to replace with modern architecture. Developers focused on executing their projects from scratch," says Mateusz Polkowski, associate director at property consultants JLL.

But after several successful renovation projects, such as the shopping malls Stary Browar in Poznan or Manufaktura in Lodz, developers are keen to invest money in finding new uses for old properties. "[Those successes] showed that a company can make a commercial success out of it. They have encouraged other investors in the last five to 10 years," says Wojciech Poplawski of OP Architekten, the main architect of the Prozna project.

Even if renovation is usually more expensive, complicated and time consuming than creating a new building from scratch, the rents renovated buildings attract are also higher. "Economics has to be right — there has to be a good balance of beauty, function and location," says Mr Banka.

The redevelopment of the Praga Koneser Centre, a complex of residential, office, and retail spaces located on the premises of a former vodka factory, had to receive 21 planning approvals from city authorities that oversee historic sites. Michal Skotnicki, chief executive of BBI Developments, the centre's main investor, says that a company normally only needs a single consent to begin construction on a modern building. But the complications are worth it for the rental prices the building can command, says Mr Skotnicki: "Tenants appreciate the fact that Koneser is a monument and they are willing to pay more. These are unique things." The development has managed to attract such blue-chip tenants as Google and Marriott Hotel.

Another example is Koszyki Market Hall, an old site in the centre of Warsaw that is being turned into an important gastronomic destination in the capital. "This is our flagship project . . . to rebuild an old, destroyed, burnt building which used to function as a market for general use," says Krzysztof Widawski, who runs the hall. "We want to be a socially responsible developer which makes projects for ordinary people."

84%	21
The percentage of west Warsaw destroyed in the second world war	The number of planning consents needed for work on historic sites

Germany grapples with refugee housing demand

Crisis planning

The migrant influx is further straining a market where demand outstrips supply, says *Serge Debrebant*

Cool reception: an Iranian refugee hangs out washing in Clausnitz, a village in eastern Germany — John MacDougall/AFP/Getty Images

In August last year, at the height of Europe's refugee crisis, German actor Til Schweiger announced plans to build a "model home for asylum seekers".

His project caused a storm of rage on social media, but Mr Schweiger, best known internationally for playing the villain in Quentin Tarantino's film *Inglourious Basterds*, stood up to his xenophobic critics. He wanted to send a signal of political support for refugees and, indirectly, for German chancellor Angela Merkel's "welcome culture".

In the weeks that followed, details of the ill-conceived project emerged. One of Mr Schweiger's friends had bought a former barracks in a small town in Lower Saxony from the German army. The businessman had no experience converting military buildings into civilian housing, or working with state authorities and other agencies on building accommodation centres for refugees. The barracks were contaminated with asbestos and other toxins. The project was later quietly cancelled.

The episode highlights a problem far beyond the failed ambitions of one movie star and his aborted development plan — where and how to house Germany's refugees, an estimated 900,000 of whom entered the country last year.

Following the surge in numbers of refugees late last summer, some municipalities set up tent cities; others created temporary housing out of former army barracks, municipal gyms or even the abandoned shops left empty by bankrupt home-improvement chains Praktiker and Max Bahr.

These offer temporary solutions. But refugees need permanent homes, particularly those whose applications for asylum are accepted — an estimated 480,000 applied in 2015. The forecast is for 670,000 this year. In Germany, the supply of housing was running far behind demand in many areas before the influx occurred.

According to Michael Voigtländer, a professor at the Cologne Institute of Economic Research, 248,000 new apartment units were under construction in 2015 — but total demand was 366,700 units.

He estimates that average demand over the next four years could be as much as 380,000 apartments annually, based on a predicted influx of 500,000 refugees a year. In recent months, numbers have dropped significantly — down to about 14,000 new refugees per month — though Mr Voigtländer thinks that the respite might be temporary and that numbers could spike again.

There is another problem, too, in planning the distribution of new housing stock: "Refugees tend to move to big cities such as Berlin, Hamburg and Frankfurt, where the housing markets are even tighter," Mr Voigtländer says. Economic migrants from southern and eastern Europe also prefer bigger cities where they can easily find work in Germany's booming economy.

Building activity has not kept up with demand for new housing in Germany for years. In Berlin, projected yearly demand until 2020 is 26,500 apartments per year; but in 2014, only 8,700 were built.

Even Germans who are sympathetic to the refugees' plight sometimes flinch at competing with even more people for limited housing stock. The idea that new or converted buildings might eventually be left free for native-born Germans, assuming significant numbers of refugees ultimately return to their homelands, offers limited comfort.

Housing has been created out of former army barracks, municipal gyms and even abandoned shops

One hope is that the large influx of asylum seekers could at least draw much-needed investment into the residential property sector.

Most big, listed property companies are already providing housing for refugees. LEG Immobilien, Germany's third-biggest real estate company by market capitalisation, houses refugees in 1,830 of its 130,000 apartments.

Vonovia, the biggest housing association in Germany and the only DAX-listed property company, does not disclose the number of its apartments that are used to house refugees. But, commenting after a panel discussion at the Expo Real trade fair in Munich this month, Rolf Buch, Vonovia's chief executive, said he recognised that companies like his have a social responsibility to fulfil. "In the long term, the main task is the integration [of newcomers to Germany] in residential areas," he said.

As for building with refugees in mind, the task has often fallen to small property developers. And yet, during the panel discussion, Mr Buch argued that big groups should also see their role in part as providers of cheap housing — for refugees and other tenants. He suggested that prefabricated housing units could help to meet demand in big cities, with low building costs of €1,800 per square metre or less.

This year, Vonovia plans to start a pilot project in Bochum, in the Ruhr Valley. It will build an apartment complex with 14 units, within the €1,800 pricing limit. But an immediate surge in building rates seems unlikely. Vonovia complains that building in Germany remains constrained by a large number of regulations that slow down the development process and increase the costs of new apartments.

For years, construction rates for social housing in Germany have been low. Henriette Reker, the mayor of Cologne, complained at Expo Real that her city had trouble finding investors for social housing.

Fortunately, Ms Reker said, officials are starting to react: "The Bundesland [local federal state] has started programmes to finance building with no interest — at zero cost, so to speak," she told the event. "And that's the only way to attract investors."

London rivals struggle to prepare for Brexit fallout

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Madrid, Dublin and Amsterdam each offer a single option, and in Amsterdam that building is still under development. "I am sure the number would be reduced further if we were to define specific requirements with a bank," says Mr Fitzgerald. Any of these options would require a 10-year lease agreement, he added, making them unsuitable for short-term arrangements.

More spaces are available if a company is only looking to relocate 1,000 staff: in Paris, for example, some 16 deals for offices of this size have been done in the past two years. The French capital has the largest overall office stock of any European capital outside London, and a vacancy rate of 7 per cent compared with London rents varying between 3.2 and 5.2 per cent across the West End, City and Canary Wharf.

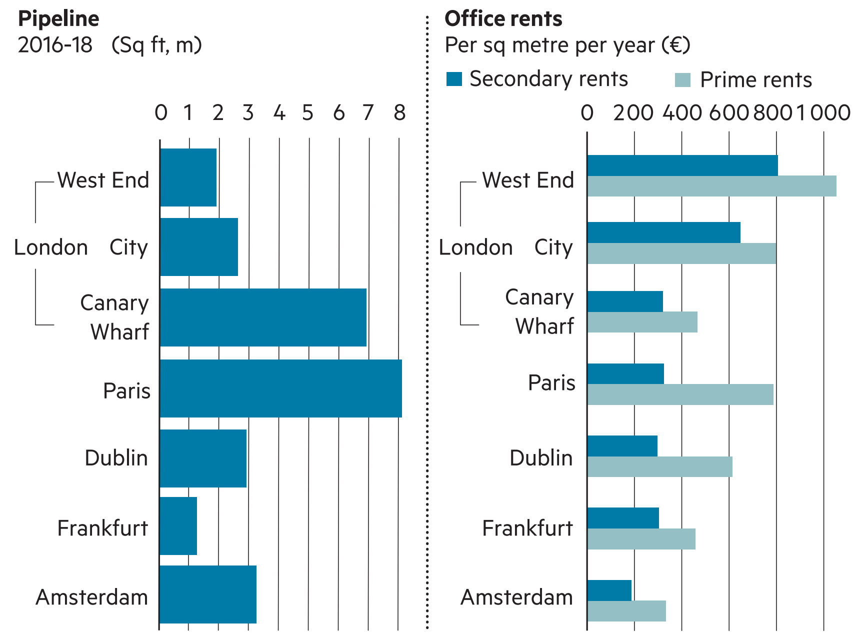
If companies take action to move to another European jurisdiction, that could spur new office development, but only if they are prepared to sign pre-let agreements on new space, agents say.

Dublin, with its proximity to London, low corporation tax, links with the US and English-speaking population, has been a particular focus of interest, says Mr Fitzgerald. Nick Coveney, director of business space at Colliers in Dublin, says he is working with a London-based boutique financial consultancy looking to set up a base in the city ahead of Brexit negotiations to secure their EU foothold. "They want the absolute premier office space in Dublin," he says.

Companies are assessing other factors beyond property: rates of corporate and other tax, salaries, regulation, the ease of recruiting workers and the potential or otherwise to persuade senior staff to relocate to a given city.

Housing for staff is another concern: "In Dublin we have a shortage of very high-end housing within a relatively easy commute of the city," says Marie Hunt, executive director for Ireland at the property advisers CBRE. "A lot of work is going into improving that, but there isn't sufficient housing today."

Comparison of new supply and rent levels across key north European locations



FT graphic Source: Savills

High housing costs will result in pressures on salaries and allowances paid out by companies. In Dublin, Amsterdam and Brussels, 90 per cent of the total cost of relocating new workers to the cities can be taken up by subsidising their initial housing arrangements, according to Savills.

Despite the initial flurry of inquiries, most companies are waiting to find out at least the parameters of Brexit negotiations before proceeding, agents say. "Most people are doing their homework now and will make decisions over the next two years," says Ms Hunt.

For those that do move staff, no consensus destination has emerged so far, says Mr Fitzgerald. "Given that there is still no obvious successor to London, it's likely that it could take several years to see a financial of cluster of a similar scale. It would be fair assumption for banks to spread their workforce given business requirements."

Italy sells off lighthouses to help balance the books

State sell-offs Pressure on public finances has generated opportunities to develop historic buildings for tourism, writes *Hannah Roberts*

Romantics seeking a unique investment property in a secluded location with uninterrupted sea views need look no further. The Italian state is accepting bids on a remarkable portfolio of coastal properties: its historic lighthouses.

In an effort to reduce Italy's crippling public debt, private investors are to be given leases of up to 50 years on the properties, in exchange for converting them into luxury resorts or boutique hotels.

Twenty working lighthouses and coastal towers are up for tender, with bids accepted until December 19. Their secluded positions on little-inhabited islands or rocky promontories are part of the appeal. A more practical consideration is that the properties come with permission for redevelopment as hotels, restaurants or cultural centres.

They include the 19th century Spignon lighthouse at the mouth of the port of Malamocco in the Venice lagoon. The 15m lighthouse stands on a tiny islet.

On the island of Ponza, a weekend destination popular with wealthy Romans, the Guardia lighthouse — comprising a square-based tower and the former lighthouse keeper's premises — stands on a cliff 100m above the Tyrrhenian Sea, part of the Mediterranean.

Nine properties are available on Sicily and nearby islands, including Capo Faro lighthouse on Salina, the setting for the 1994 Michael Radford film *Il Postino*.

The nightly ritual of the lighthouses' rotating beams will continue under new ownership. The lights were largely automated in the 1980s, says Marcello Monti of the Italian defence ministry's Defence Services agency, which is co-ordinating the sale with the State Property Agency. "The lantern itself will be retained by the Navy," he adds, "while the tenant will effectively lease what was once the lighthouse keeper's house."

The bidding process will favour those who propose a touristic or community use, according to the State Property Agency. This will account for 60 per cent of the weighting in the assessment of bids, with the financial offer making up the remainder.

Sebastian Cortese, a management consultant, won the bid for the Murro di Porco lighthouse in Syracuse, Sicily, with a plan to open a six-room hotel, wedding venue, theatre and therapy centre for disabled and terminally ill people. The 29-year-old beat six other applicants.

Mr Cortese, who plans to call his resort Beacon Hope, grew up watching the lighthouse's beam from the window of his parents' home in Syracuse. "I won the bid because I know this place, so my proposal was made to measure," he says. His mother became sick during the bidding process, giving him the idea to create a space where the terminally unwell could enjoy spending time by the sea.

Shining example: the Capo Murro di Porco lighthouse is planned as a hotel and therapy centre — Getty Images/AWL Images RM

"The challenge is to have luxury with a social conscience," says Mr Cortese, who hopes to open the venture in 2018. "If I can help another family who are suffering to find some happiness in desperate times, I will be doing right by my mother's memory."

He anticipates that there may be the opportunity to buy or renew at the end of his lease, in 50 years. "But I'll be 80 then, maybe I'll be happy to retire."

Foreign investors are welcome to apply, says Mr Monti. A German company, Floatel, which specialises in the restoration of lighthouses in Spain and Germany, won the bid for the Punta Imperatore lighthouse on the island of Ischia, in an earlier phase of the state sell-off last year.

Buyers must have experience in the tourism sector. They must visit the site in person so they know what they are getting into, Mr Monti says. "We hope they will take the lighthouses back to their former splendour," he adds.

> Sought-after locations on little-inhabited islands and rocky promontories are part of the appeal

International investors are already returning to Italy, according to Emanuele Serafini of the Italian Trade Agency in London. "There's a lot of interest in Italian real estate at the moment, especially publicly-owned assets," he says.

Mr Serafini adds that some members of the international community in London have money to spend, having been discouraged from investing elsewhere by geopolitical instability and because much investment into the UK is on hold after June's Brexit vote. Italian tax reforms have given international investors more confidence — 2015 was a bumper year for foreign investment in the country, he says.

There are already some successful examples of lighthouse restorations. The 19th century Capo Spartivento lighthouse on a cliff in Sardinia was one of 20 ordered by Victor Emmanuel II of Savoy, whose initials are wrought in iron above the entrance.

Now a luxurious boutique hotel available for weddings, teambuilding events and as a film location, it may serve as a beacon to show the way for the new lighthouse keepers.

Top cities Tax tourism and the fallout from Brexit undermine London's appeal, says *Hugo Greenhalgh*

Super-rich consider their continental options

Rising demand: Monaco is 'expecting a bounce' after Brexit, according to one specialist adviser
Tatyana Tomsickova / Alamy Stock Photo

The die was cast on June 23. As the British public voted marginally in favour of exiting the EU, questions began to swirl around the City as to whether London's status as the centre for global wealthy was now under threat. Could Brexit provoke an exodus of the super-rich?

Recent studies suggest that such fears have some foundation. A report published in September by KPMG stated that three-quarters of the 100 chief executives surveyed were considering moving their company headquarters, or at least some of their operations, out of the UK in the wake of the Brexit vote.

Separate research from DHR International, the recruitment company, suggested that British executives could look to Frankfurt and Paris rather than London following the June referendum.

So if the wealthy are leaving, where exactly are they going? And if they are looking for better tax deals — or simply somewhere else to live in Europe — what are the factors that could lure them from the UK's capital?

Both Monaco and Switzerland — traditional havens for the wealthy fleeing punitive domestic tax rates — are "expecting a bounce", says Hugh Wade-Jones, managing director of Enness Private Clients, a mortgage broker for the super-rich.

"The guys that leave will be 'tax tourists'," he says. And beyond the tax considerations are two equally important factors: security and sun.

Wealthy individuals and families are buying elsewhere — Lisbon and Berlin, for example — for investment purposes. The majority, however, are looking to live somewhere where their family is safe and where it does not rain — or at least not as much as in the UK — Mr Wade-Jones says.

While Monaco may tick many boxes, it is also expensive, with prices listed on one property website ranging from €1.7m up to €12.9m — and this is for one- or two-bedroom flats. "It's attractive, it's got good tax breaks but it's very expensive and it's crowded," adds Tim Walford-Fitzgerald, private client adviser at accountants HW Fisher.

On the other hand, Switzerland offers a range of tax breaks to non-residents including the *forfait* system, which allows wealthy foreigners to avoid paying income and wealth taxes, instead negotiating a lump sum with the individual cantons.

The referendum vote has already had a market impact. Property prices in the UK have dropped in real terms for many international buyers by as much as 15 per cent following the fall in the value of the pound in the wake of Brexit.

For UK residents with sterling assets looking to move elsewhere, there has been a corresponding increase in the amount of money they will now have to pay for non-UK properties.

But the wealthy are still prepared to pay. For example, UK buyers looking for exclusive homes in Italy are considering spending an average of €3.4m, according to LuxuryEstate.com, a website covering the sector. For properties around Taormina in Sicily, Portofino and Capri, three popular resorts, budgets stretch to €10m, the website reports.

Helen Green, director of private banking at Hambros Bank, suggests that many investors will be looking to rent initially, rather than to buy. She cites the example of one client who is aiming to relocate to Spain before the end of the year. "He's now going to rent for the first year," she says.

Yet while fears remain over what the UK's wealthiest residents will do, for the time being many are waiting to see what the fallout of Brexit will be.

We haven't really seen a huge amount of activity," says Ms Green. "What was interesting is that in the run-up to the vote, a lot of clients who are Europe-based were quite keen to stay in [the EU], while those who were further afield were keen for us to leave."

Rule changes for expats and non-doms

The rules were tightened in 2013 for Britons wishing to live and work abroad and become ineligible to pay UK taxes.

At the most basic level, this means those wishing to pay no tax can remain in the UK for only 90 days and work only 30 of these. Those who have been in the country for more than 183 days in any one tax year are automatically deemed by HM Revenue & Customs to be residents.

The government has tried to crack down on those who have left the UK but are still deemed to have "connections" there, whether family, a main property or — in the case of Robert Gaines-Cooper, who fought and lost a lengthy battle with HMRC — a classic car collection.

The ruling was eagerly awaited by many in the legal and accountancy professions who were concerned that it would open the floodgates to HMRC chasing British tax exiles for backdated taxes. Those seeking to move abroad must now demonstrate a "distinct break" from the UK rather than relying on the day-counting rules. These forms of connections could reduce the number of days allowable in the UK down to as few as 15.

The government has also tightened the rules for resident non-doms — those whose principal residence is deemed to be abroad and are therefore not subject to UK tax on their foreign earnings. From April 2017, people who have been resident in the UK for 15 of the past 20 years will now be liable for UK taxes on their worldwide income.

Hugo Greenhalgh

Contributors

Judith Evans
Property correspondent

Vincent Boland
Ireland correspondent

Serge Debrebant
Freelance contributor

Zosia Wasik
Warsaw researcher and contributor

Hugo Greenhalgh
Wealth correspondent

Simon Gray
Freelance contributor

Hannah Roberts
Freelance contributor

Edwin Heathcote
Architecture and design critic

Michael Kavanagh
Commissioning editor

Steven Bird
Designer

Alan Knox
Picture editor

Paul McCallum
Graphics

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Visa vistas: hillside view of apartment in Mijas, Spain
David Ramos/Getty Images

Britons join queue for 'golden visa' route to EU

Pay to stay Fear over Brexit has reignited interest in backdoor ways of securing residency in Europe, says *Hannah Roberts*

When Theresa May dismissed those who see themselves as citizens of the world as "citizens of nowhere" earlier this month, the UK's prime minister ignored a growing transborder community that wishes to work in Barcelona, weekend in Paris and educate their children in British schools and colleges.

Since June's referendum vote for Brexit, many Britons have been casting around for a European ancestor to guarantee the continued flexibility afforded by an EU passport. But for those without a granddad from Galway or nonna from Naples there is another existing path to EU residency or citizenship — through property investment.

Following the 2008 global downturn, southern European countries including Portugal, Spain, Greece, Cyprus and Malta set up schemes to attract much-needed investment by offering "golden visas" through investment in real estate. Prices start from as little as €250,000 in Greece. Although the terms for Britons who want to continue living or working in the EU have yet to be negotiated, some who wish to maintain their freedom of movement are already exploring the options.

Paul Williams, chief executive of investor visa specialists La Vida, reports a number of "panicked" inquiries from Britons who want to ensure they have a foothold in the EU after Brexit. At Henley & Partners, the largest agency offering "citizenship planning", visits from the UK to their website surged ninefold in the month following the referendum year-on-year, according to vice-chairman Andrew Taylor.

There are currently two options for non-EU citizens: residency, typically for those who want to live in the country, or citizenship, usually for those who want to remain in their home country, says Taylor. EU passports are available through property investment only in Cyprus or Malta, with demand driven by investors looking to protect their assets from global uncertainty, he adds. Such investments are often an insurance policy for those who live in a country with an uncertain political outlook.

Passports and residency permits have long been on offer from Caribbean countries, usually through donations. But the European visa investment programme has been "a game changer", according to Mr Williams. "International businessmen travel frequently but don't want to waste time in a visa queue. They see property as an investment, with residency as a bonus, or the other way around."

Mr Williams says he typically steers clients looking for visa-free EU travel, rather than a passport, towards Portugal because of the lower cost. A holiday home costing €500,000 provides residency and citizenship can be applied for after six years. The scheme has already proved popular with about 4,000 successful applicants since it began in 2012. Most are from China, where residency rights abroad are more attractive because the government will not allow dual citizenship.

The drawback is that the permit allows the holder to live and work only in Portugal and applicants may find it harder than they think to qualify for full citizenship. The applicant must speak Portuguese at the level of an eight-year-old and show evidence of integration.

Spain introduced basic residency investment visas in 2013 based on the same outlay, but there was little interest until last year when they were expanded to include the right to work and to allow the wider family to benefit. Ten years of residency are required before applicants can request citizenship.

Greece is the cheapest option for residency, requiring only a €250,000 investment in property. However, there is still the risk that Greece could default and return to the drachma, which would decimate the value of its property.

While some visas are only offered to non-EU citizens, applications for Cyprus and Malta passports are already open to Britons. Of the two, Cyprus is the simplest and fastest, according to Arthur Sarkisian, a director at consultants Astons. Malta takes longer — up to two years — and is stricter over background checks, says Mr Sarkisian. Malta also demands official residency for 12 months and a non-refundable donation of €650,000. But since its scheme began in 2014, it has sold 1,200-1,400 citizenships, according to Henley & Partners.

Typically, clients looking for residency buy a two-bedroom apartment in a restored historic building in central Lisbon or Madrid, says Mr Williams. Prices in Portugal are still below their peak of 2007, but the market bottomed out about 18 months ago, he says.

For some, the preferred option will be to wait and see, hoping Britain will be in a similar position post-Brexit to Norway or Switzerland, whose citizens are able to travel and work freely in the EU under reciprocal arrangements. Others may want to secure access through acquiring properties in the sun, as a contingency against the harsher outcomes of a "hard" Brexit.

Paris and beyond Signs of recovery in the capital are not reflected everywhere, reports *Simon Gray*

French market revives, but poorer regions trail behind

The French residential real estate market remains a paradox. Low interest rates are driving a surge of sales, as high as the market has seen in nearly a decade, yet until recently prices remained depressed after several years of decline.

The most recent figures, compiled from notaries' reporting, show that on average prices fell by 0.4 per cent in the second quarter of this year.

Look more closely and the picture is more complex. The region around Paris has seen modest but consistent price growth so far this year. The Côte d'Azur continues to boom, but the market is lacklustre across most of France's recently renamed neighbouring sunbelt region of Occitanie, stretching from the Rhône Valley to Toulouse.

Since the beginning of the year, residential property activity in the capital region has seen a resurgence, according to Sébastien Lorrain, head of Paris residential at property advisers CBRE.

He attributes the upturn to a combination of low prices and interest rates, coupled with a modest improvement in economic confidence.

"Since the end of the summer we have seen a major return of purchasers to the market," he says. "Prices have fallen by around 7 per cent over the past five years and interest rates are at a historic low. There is also an overhang of potential supply after years of low transaction numbers, as well as improved consumer morale."

> 'Since the end of the summer, we have seen a major return of buyers to the market'

Some patterns are clear, however. Prices vary considerably, from an average of €5,000 per square metre in the Paris suburbs to €3,500 in other cities, according to CBRE.

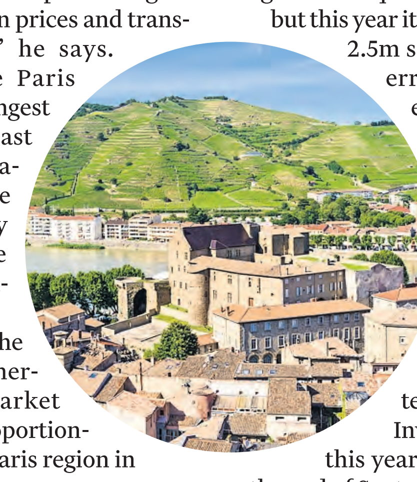
There is no indication yet that the upturn has reached the economically depressed areas of northern and eastern France, where prices have continued to fall during the first half of the year. Neither has the patchy revival spread to the country's underpopulated interior, where the biggest concentrations of empty homes are to be found.

According to national statistics office Insee, at the end of last year some 2.88m mostly privately owned houses and apartments were empty — 8.2 per cent of the country's total housing stock. This represents an increase of nearly a million from 10 years earlier.

Across swaths of central France the proportion of vacant properties exceeds 10 per cent of the total. But Mr Lorrain says the vacancy figures should not be overemphasised, pointing out that they are driven mostly by the continuing exodus from France's small towns and villages to bigger cities, where demand has consequently been buoyed.

Cyril Robert, head of research for France at property agency Knight Frank, says the upturn is particularly strong for new-build property. He says construction has been boosted by government tax measures to encourage real estate investment, which is helping to remedy a shortage of accommodation in fast-growing areas.

"You can see the impact of regional economic factors in prices and transaction volumes," he says. "Apart from the Paris region, this is strongest along the west coast and the Mediterranean, areas that are more economically dynamic and are seeing strong population growth."



Capital market: activity and prices in Paris are rising, while regions such as the Ardèche (right) lag behind
Getty Images/Robert Harding World Imagery

Mr Robert says the state of the commercial property market reflects the disproportionate weight of the Paris region in the national economy.

Even major regional centres such as Lyon, Bordeaux and Marseille make up a relatively small part of the overall market, he notes.

Prime property, Mr Robert adds, has been considered a safe haven by investors since the 2008 financial crisis. By contrast, there has been much less investment in the refurbishment of older buildings.

The Paris region accounts for some 55m sq m of commercial property space and had a vacancy rate of just 6.5 per cent at the end of the third quarter, according to Aurélie Lemoine, head of research for France for CBRE.

"This year there has been take-up of 1.7m sq m in the Paris region, which represents a modest recovery from last year," she says.

"However, there is not a significant net absorption because job creation remains low. Volumes are growing, while rents have remained stable over the past year."

Ms Lemoine says central Paris is faring better, with slight upward pressure on commercial rents as a result of a lower vacancy rate of about 4 per cent. This pressure is not yet feeding through into higher headline rents for clients. As the market improves, landlords are not having to offer the same enticements, such as rent holidays, as they did when rental prices were falling.

Lack of availability of prime commercial space in the centre of Paris is prompting companies such as IT businesses to look at areas outside the more fashionable central business districts such as Étoile. Ms Lemoine says that, over the coming year, demand will increase in the western areas of the city that offer cheaper rents and good transport connections.

Annual take-up in the Île de France region that surrounds Paris has averaged 2.2m sq m over the past 10 years, but this year it could reach as much as 2.5m sq m, according to Thierry Laroue-Pont, chief executive of BNP Paribas Real Estate.

"There is a flight to quality on the part of the biggest occupiers, who tend to be looking for a smaller but more efficient and higher-quality space with better services," he says.

Investment in the market this year totalled €18.4bn as of the end of September, and BNP Paribas Real Estate estimates that the year-end figure may reach €26bn to €28bn.

This is slightly lower than last year's €32bn, but Mr Laroue-Pont says the drop is the result of scarcity in the market rather than declining interest among investors.

He sees continuing appetite among global investors for France as well as Europe in general.

"With Treasury bill rates at a historic low, even with yield compression on prime city offices in Europe, the difference remains attractive for investors, and they also appreciate the diversity of assets as well as the maturity and transparency of the market," he says.

The pleasure of buildings that bring cities to life

COMMENT

Edwin Heathcote

Architecture as expressive sculpture can create a landscape of isolated objects — and, when designers prize self-expression over urban coherence, the approach can create alienating instead of accommodating cities.

Yet clients, including city leaders, still demand landmarks — architecture as branding to distinguish themselves from their competitors, who are all demanding similar landmarks across the globe.

One architectural practice stands out as consistently managing to mesh the competing demands of visibility and practicality in its designs. An opera house in Hamburg, an office and cultural foundation in Milan, a blockbuster cultural institution in London — each project is transforming the city in which it is built.

The architects are Herzog & De Meuron and they have achieved something quite remarkable — an architecture of surprise, but one which manages to insinuate itself into the city.

If most global "starchitects" develop a house style, a recognisable aesthetic that makes it easier to both sell and execute their work, Herzog & De Meuron has consistently refused that route and instead seem to start each project anew, shedding prejudices and accumulated baggage to start again. The results can be seen in a flurry of new buildings either just opened or about to launch.

One building, perhaps more than any of the others, has come to define its host city in all its ambition — and its failures. Rising out of an unremarkable brick warehouse in the Hamburg Docks, the Elbphilharmonie has become Germany's most notorious cultural building. At €789m, it has come in over three times its original budget and seven years late. Yet the building soars from the docks and redefines them as a destination.

In retaining the old cocoa warehouse at its base, the architects made their job far more difficult yet the choice has allowed them to stitch this strange building into the fabric of the city, transforming one kind of commercial infrastructure into another and putting forward the suggestion that culture is the new lifeblood of the docks. It was a feat the practice managed in London too, transforming the one-time Bankside Power Station into Tate Modern's new powerhouse of art. In the process, they used the existing fabric, complete with its scars and history inscribed in the brick and concrete of the original structures, and embraced them, imparting a kind of legitimacy on to the new buildings.

One lump or two? Visitors view the interior of the Tate Modern's Switch House extension, designed by Herzog & De Meuron — Charlie Bibby

> Herzog & De Meuron bring a particular European sensibility to the most unexpected sites

Elsewhere, they have managed to reinterpret the forms of the city to create startling new architectural languages that are both futuristic and archetypal.

A new commercial building in Milan will house Microsoft's local headquarters, alongside a cultural foundation for the revered publisher Feltrinelli: a single, long block riven by a split to express the division between commerce and culture. It is a dreamlike take on the 19th-century city blocks.

In their home city of Basel, meanwhile, they have built an archive, a curious concrete bunker topped by apartments above. The ensemble echoes their astonishing Schaulager — a new art storage facility not far away, which blurs the lines between warehouse and gallery, contrasting its industrial scale with the intimacy of an encounter with the artwork.

In each case, Herzog & De Meuron has succeeded through an assiduous adherence to accommodating a little of the chaos of the city, with a very Swiss precision in its aesthetic execution. These are not single-use structures but buildings that acknowledge the richness and complexity of their environs.

Tate's new Switch House extension might appear to be a gallery, but it is in reality an education centre, a public viewing platform and a bastion of culture that stands up to the scale of the neighbouring residential towers, conceived as assets as much as housing.

Similarly, the Elbphilharmonie is crowned by a hotel, so that a building which might otherwise only come to life around performances becomes a 24-hour tower in which culture and commerce are bound together.

This approach is clearly visible in the architects' work on a building on the corner of Lincoln Road in Miami.

The concrete multistorey garage is one of those typically-American structures often blamed for killing the street. But, to Herzog & De Meuron, the car park should be not an obstacle but a part of the local landscape. The garage has been designed as a powerful landmark with space for boutiques, bars and nightclubs. It is now an indispensable part of the city's scene, and has transformed dead space into a public destination.

The architects bring a particular European sensibility to the most unexpected sites. Theirs is a civic city, in which buildings might accommodate more than what they have been designed for. It is an acknowledgment that a building is not finished when it is complete — but that its life only starts when it begins to be used and becomes part of the city.