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Can New York Benefit From Brexit?

New York real estate may become even more attractive now

The One World Trade Center towers over the other buildings of the Manhattan skyline viewed from the New York Harbor during sunset on Feb. 10, 2015.

After Brexit, London may no longer be a popular city for Chinese and Middle Eastern billionaires who seek to park their wealth in penthouses. Especially in the luxury residential race, New York can push ahead and top the charts in terms of real estate investment.

Brexit is not good news for real estate investors and developers in the U.K. Although nothing will change until 2018, the U.K. property market will suffer from prolonged uncertainty, according to industry experts.

"It is little early to see what the effects would be," said Shaun Osher, founder and CEO of CORE, a real estate firm in New York. "But it may have a positive effect on New York City, which is considered the number one safe haven."

According to Osher, New York is not a speculative market like some other major cities and it is one of the strongest global investments, which has historically outperformed most markets.

“New York real estate would definitely become a more attractive option for a lot of foreign buyers,” said Sofia Song, executive vice president of data & research at Douglas Elliman Real Estate. “It is especially appealing to the buyers in countries whose currencies are pegged to the U.S. dollar, like the United Arab Emirates and Qatar.”

London has always been an alternative to New York but the introduction of a 3 percent stamp duty surcharge on second homes in the U.K. in April has already weighed down investor interest, according to Song. “And now Brexit has added an immeasurable level of uncertainty to the market,” she said.

Union flag banners hang across a street near the Houses of Parliament in central London on June 25, 2016.

Despite uncertainties, the falling pound will make the U.K. real estate market very attractive to overseas investors, who look for bargain hunting. Particularly London’s luxury property market would become a much more attractive investment, according to Song.

“With the U.S. interest rates remaining low, and economists predicting an impending recession in the U.K., the immediate impact could definitely be a much-heightened interest for the New York real estate,” said Aleksandra Scepanovic, founder and managing director of Ideal Properties. “However, if the pound continues to slide the New York properties could become less attractive due to their rising prices and the pound losing value against the dollar.”

Some experts fear a severe initial correction in the U.K. property market. That is why U.K. house builders and real estate firms deeply rooted in the English economy took a big hit with the Brexit vote.

The country's four major housebuilders, Taylor Wimpey, Persimmon, Barratt, and Berkeley, have lost as much as 30 percent of their value since the referendum on June 23. About 6.5 billion pounds ($8.7 billion) has been wiped off their market values.

London focused real estate agent Foxtons issued a profit warning on June 27. The company's shares dropped 23 percent after it warned that its 2016 revenues and profits would be significantly lower than last year. The company expects a "significant uncertainty" in the London residential markets caused by the Brexit.

In May, Chancellor George Osborne warned that property values would be affected if Britain voted to leave the European Union. He projected the immediate economic shock would cause house prices to fall between 10 percent and 18 percent by 2018.

"Whenever there is an unforeseen or unexpected political or social change in any city, people become very cautious but I think in the long term London will remain a solid contender in the global economy," Osher said.