

# What Does Brexit Mean to San Diego and the World?

Hot Topics Seminar  
September 27, 2016

# Panel Participants



Steve Austin  
Managing Partner  
Swenson Advisors, LLP



Don Mitchell  
Managing Principal  
Cresa San Diego



Richard Cant  
Regional Director  
Dezan Shira & Associates



Rohit Kapur  
Manager  
Dezan Shira & Associates (India)

# What Does Brexit Mean?

It is a word that has become used as a shorthand way of saying the UK leaving the EU - merging the words **Britain** and **exit** to get Brexit

## What Happened?

A referendum - a vote in which everyone (or nearly everyone) of voting age can take part - was held on June 23, 2016, to decide whether the UK should leave or remain in the European Union. “Leave” won by 52% to 48%. The referendum turnout was 71.8% (with more than 30 million people voting)

Since the “Brexit” on June 23...

‘Brexit means Brexit,  
and we’re going to  
make a success of it.’

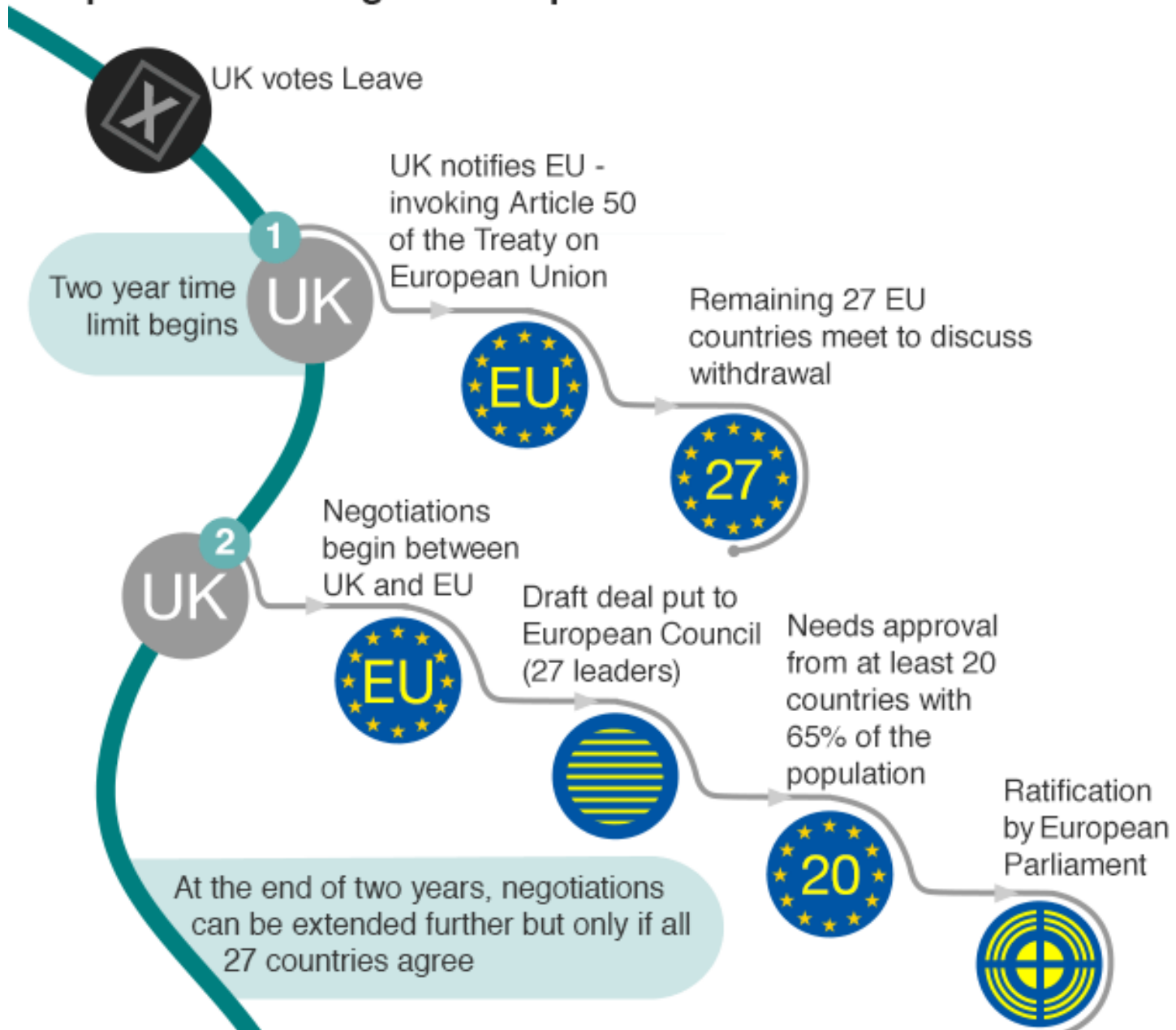
-Theresa May

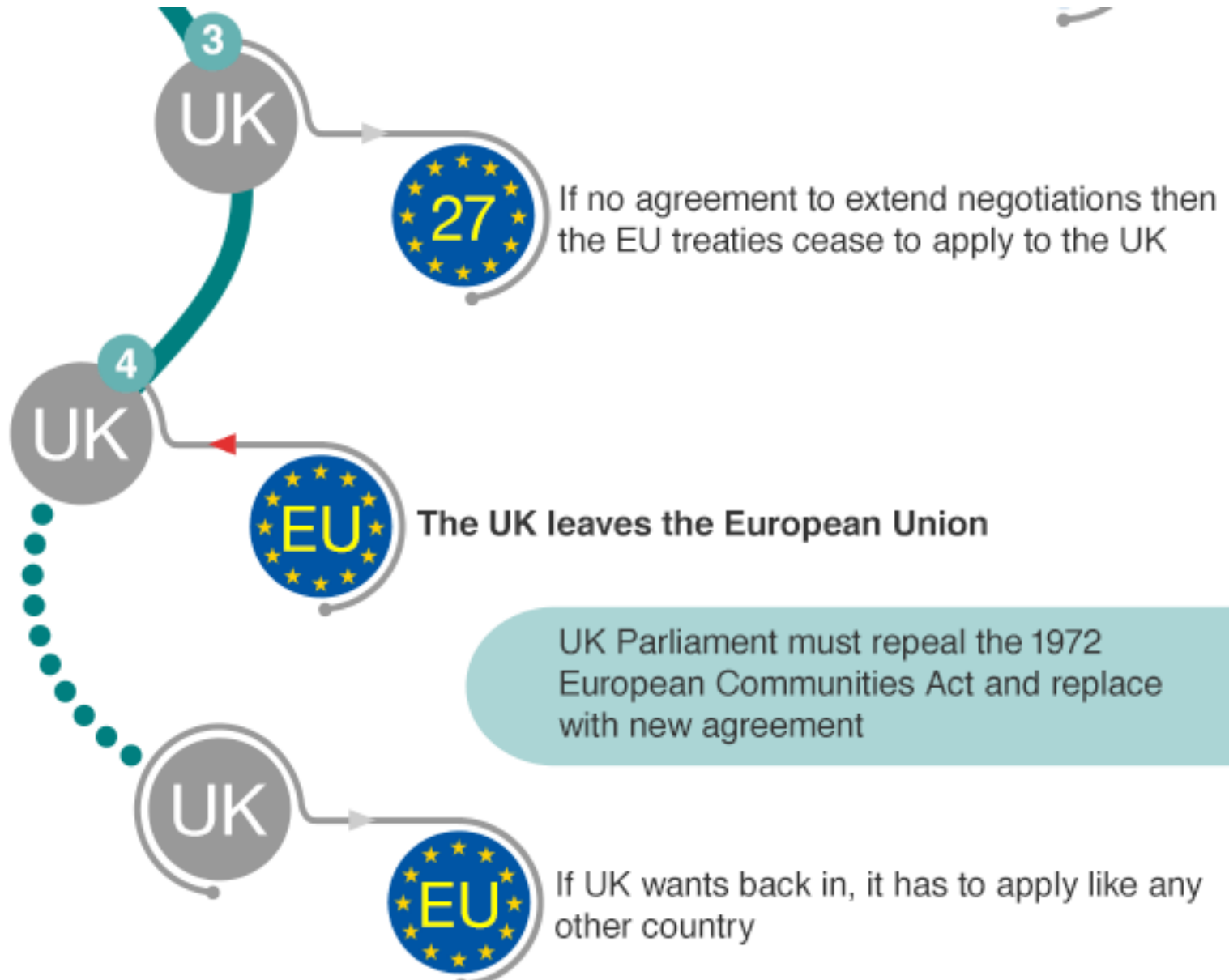


New leader of Britain’s  
Conservative Party  
replaced David Cameron  
as Prime Minister on July 13

CNN

# Steps to UK leaving the European Union



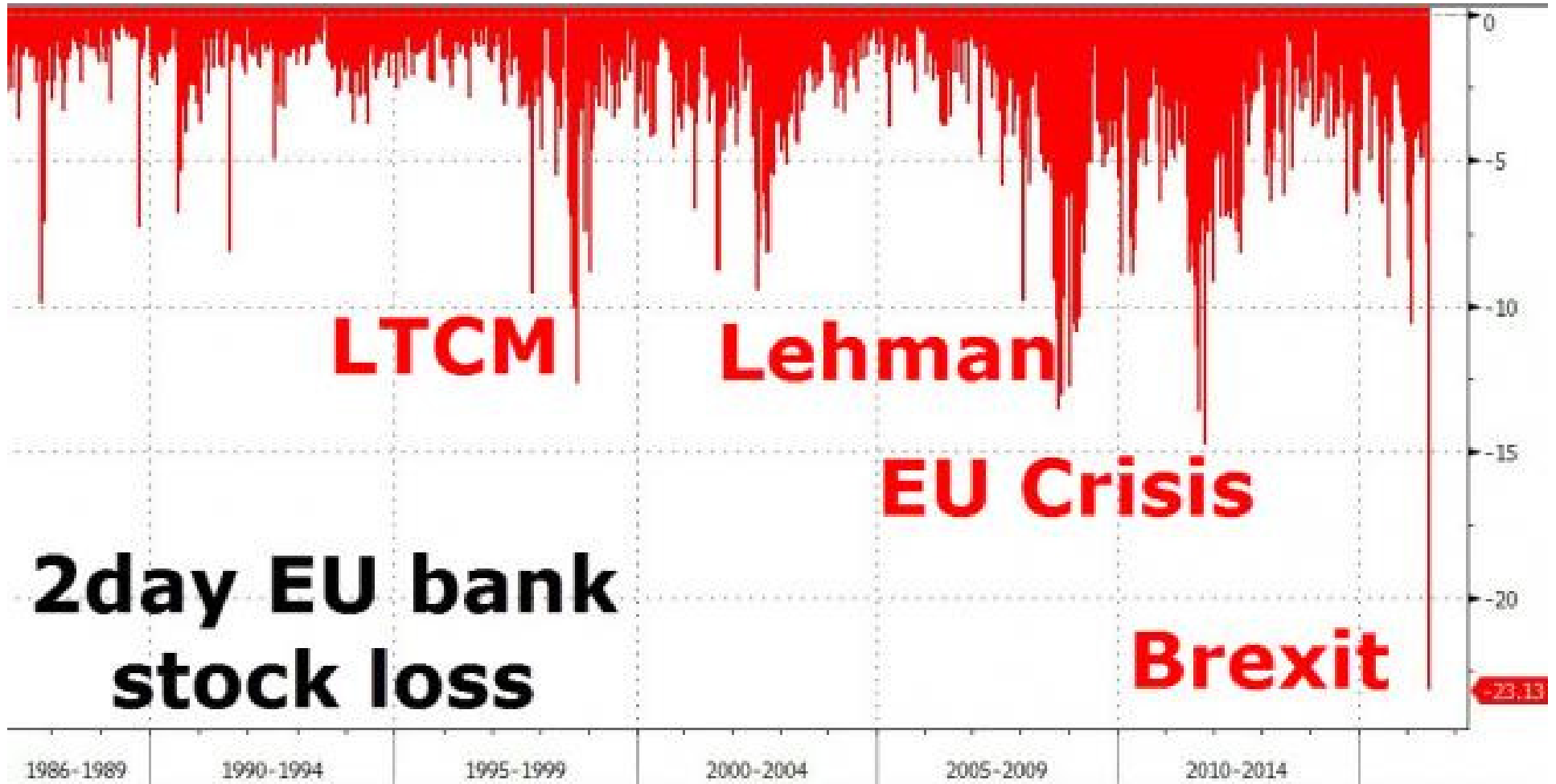


**The process to take the UK out of the European Union starts with invoking Article 50 and will take at least two years from that point.**

BBC

# Brexit Costs Investors \$2 Trillion, the Worst One Day Drop Ever

CNBC | 6-26-16



# What Brexit Means for California

UT | 6-26-16

California could be standing in harm's way if there's economic upheaval caused by Britain's vote to leave the EU.

The questions facing California companies doing business with Britain is whether the weaker pound and other fallout from the vote will slow British economic growth and make California's US dollar-denominated exports too expensive, thus reducing trade.





## What Brexit Means for California, Cont.

- 1,145 UK-owned stores, offices, and other establishments in Southern California alone that employ nearly 55,000 workers
- UK was second only to China among foreign visitors in CA in 2014, with 686,000 UK visitors spending about \$905 million in the state (Visit California Trade Group)

# UK to Open Investment Office in San Diego

SDBJ | 9-8-16

United Kingdom plans to open an office in San Diego as part of an expansion intended to boost its investment opportunities and trade with the US

San Diego will be among three new offices (Minneapolis and Raleigh, NC) in US cities chosen “because of their economic productivity and well-established research and development institutions,” according to a news release from the British government.

# Balance Sheet – Storm Clouds

FT | 7-2-16

The Pound's fall of some 10% since Brexit is bad for many, beneficial for others

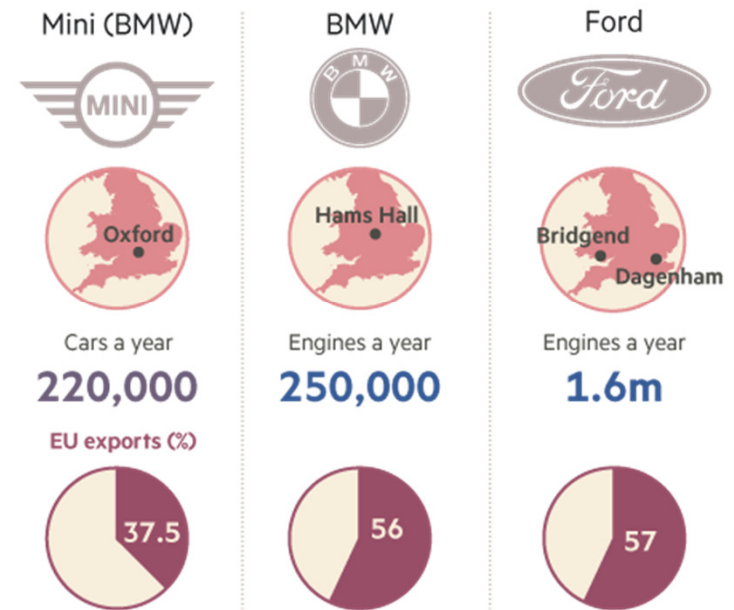
WINNERS	LOSERS
<b>UK exporters</b> – Sterling's slide makes goods more competitive	<b>UK economy</b> – confidence in the economy has taken a blow, willingness of investors come under strain
<b>UK tourism</b> – cheaper pound is a boost for the summer season. Cheaper for foreign visitors and entice Brits 'staycations'	<b>Banks</b> – shares were pummeled
<b>Hedge fund</b> – hedge funds that sat on their hands in the run-up are now piling into bets against the pound and UK company shares	<b>Car drivers</b> – petrol is going up, UK is net importer of oil making it more expensive
	<b>Housebuilders</b> – house prices likely to fall
	<b>Yen, Euro</b> – Japan is hurting because of the higher yen and the Euro is down

# Brexit Steers UK Cars Into Unknown Territory

FT | 7-14-16

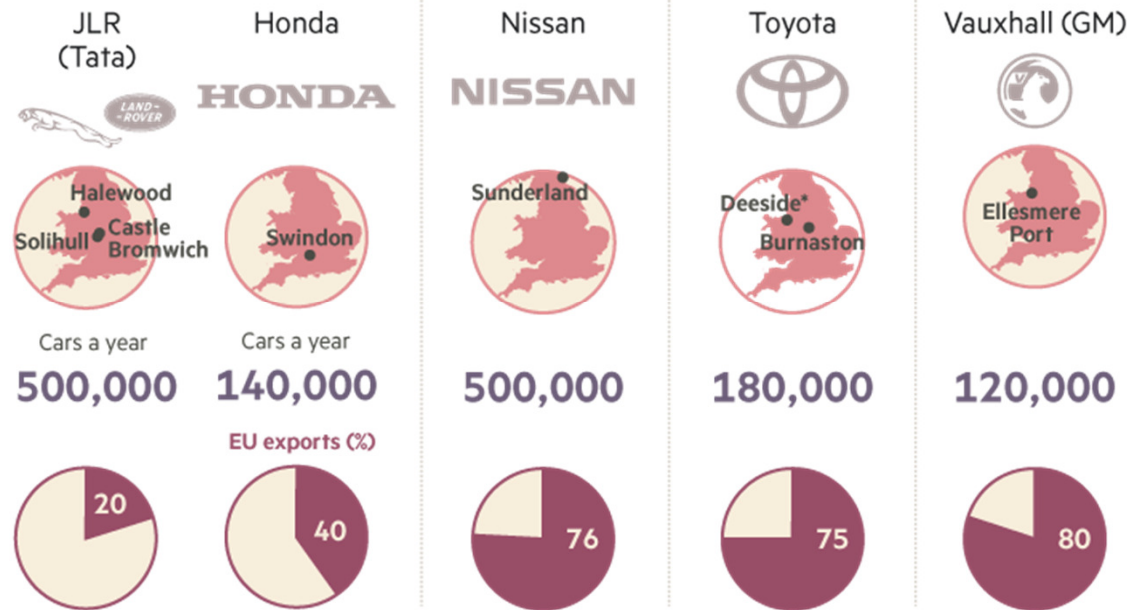
## Plants run by Nissan, Honda and Toyota most at risk of closure after UK leaves EU, says new report

Overseas carmakers' UK plants



Sources: FT research; companies

Overseas carmakers' UK plants



FT Sources: FT research; companies

\* engine plant

FT

# Brexit Dims London Allure

Wall Street Journal | 9-12-16

After the UK voted to quit the EU, London's position as a global financial talent magnet is in the spotlight

Brexit opens up a realm of unknowns, including whether current European workers will be granted visas to stay in the UK...

About 10% of the 360,000 workers in the City of London finance district are non-British EU citizens (2011 census)

On July 29, Barclays PLC warned in an earnings release that Brexit could hinder its ability to tap the EU's "talent pool"

# Brexit Will Start UK Recession

FT | 7-15-16

BlackRock chief, Larry Fink, warns growth will be wiped out while uncertainty persists



2 percentage points Fink expects Brexit will take off UK GDP, cutting growth to “plus or minus half of one per cent” and putting the country into recession

3% fall in revenue in the second quarter, as clients hide money in banks

# An Experiment Full of Risk

FT | 8-24-16



The vote to leave the EU has prompted anxiety among scientists, who worry their work may not continue to receive adequate funding

15.5% proportion of EU science support that goes to the UK, it contributes 12% of the total EU budget

£1bn potential annual loss of research funds from EU, according to Digital Science, a consultancy