Webinar

Global Emerging Trends in Real Estate (EMEA & Americas)

Date: March 27, 2024

00:00:00 --> 00:00:03:	24 So just a couple of words.
00:00:03 --> 00:00:10:	First, when I started university back in the early 1990s
00:00:10 --> 00:00:16:	and the German treasury yields the Bund, the 10 year
00:00:16 --> 00:00:21:	Bund was at 6%, the US treasury was at 8%.
00:00:22 --> 00:00:27:	The US was clearly the only geopolitical power and political
00:00:27 --> 00:00:31:	risk in the developed world was almost absent.
00:00:32 --> 00:00:38:	China, short after, started negotiating its access to the World
00:00:38 --> 00:00:43:	Trade Organization and since then, throughout all of my career,
00:00:43 --> 00:00:47:	which is not that long, only 25 years, we had
00:00:47 --> 00:00:48:	it really good.
00:00:49 --> 00:00:56:	From those levels of interest rates, by 2020 interest rates
00:00:56 --> 00:01:01:	went almost to 0, a constant, broadly a constant fall
00:01:02 --> 00:01:03:	in Europe.
00:01:04 --> 00:01:07:	The Eurozone had, you know, only one currency.
00:01:07 --> 00:01:12:	So currency risk was pretty much gone within the Eurozone.
00:01:12 --> 00:01:17:	And in real estate investment, in order not to achieve
00:01:17 --> 00:01:22:	very good performance, you had to make many mistakes.
00:01:23 --> 00:01:28:	Political risk, as I said, was completely absent.
00:01:30 --> 00:01:33:	Now that doesn't mean that it all was rosy and
00:01:33 --> 00:01:33:	green.
00:01:34 --> 00:01:37:	So we had our little hiccups, one called the global
00:01:38 --> 00:01:42:	financial crisis, which followed by a very nasty euro crisis.
00:01:42 --> 00:01:45:	You had wars in the Middle East, in North Africa,
00:01:45 --> 00:01:47:	in Africa and in all the places.
00:01:47 --> 00:01:51:	And you have some economic instability in certain places.
00:01:51 --> 00:01:54:	Some countries, like Argentina defaulted on its debt.
00:01:55 --> 00:01:59:	But things are changing, and the emerging trends in real
00:01:59 --> 00:02:03:	estate is reflecting these changes that are going on right

00:02:04 --> 00:02:04: now.
00:02:05 --> 00:02:09: First, there's been a great reset in real estate prices
00:02:09 --> 00:02:12: due to the rise in interest rates.
00:02:13 --> 00:02:16: There's been also a substantial fall in liquidity, as we
00:02:16 --> 00:02:18: will hear in a second.
00:02:19 --> 00:02:24: There's also been big political change from predictability.
00:02:24 --> 00:02:28: We've gone into a world of unpredictability.
00:02:30 --> 00:02:33: We could have Russia invade Ukraine.
00:02:33 --> 00:02:36: We have a war in the Middle East.
00:02:36 --> 00:02:40: We have rebels attacking merchant ships in the Gulf of
00:02:41 --> 00:02:43: Aden, disrupting global trade.
00:02:43 --> 00:02:47: We have much higher energy prices, everything else constant.
00:02:48 --> 00:02:50: So politics have changed.
00:02:52 --> 00:02:54: We also have a technological change.
00:02:54 --> 00:02:59: So this webinar is possible because of a big technological
00:02:59 --> 00:03:04: leap that has facilitated hybrid working and seminars.
00:03:04 --> 00:03:08: Some of them have become webinars and this has big
00:03:08 --> 00:03:11: implications for real estate.
00:03:12 --> 00:03:16: We've also, we've also pledged to decarbonize and to make
00:03:16 --> 00:03:21: all the investments required to severely decarbonize and that we
00:03:21 --> 00:03:25: have big implications for which assets are sellable and which
00:03:25 --> 00:03:27: assets are not.
00:03:28 --> 00:03:33: So how will all these changes affect our industry and
00:03:33 --> 00:03:39: more importantly, how do they, how will they affect investment
00:03:39 --> 00:03:40: decisions?
00:03:41 --> 00:03:44: So in this webinar, I have the honour of being
00:03:44 --> 00:03:49: of moderating a panel of three very important decision makers
00:03:49 --> 00:03:53: in the industry who will hopefully cast a little bit
00:03:53 --> 00:03:57: of light of how they are thinking about all these
00:03:57 --> 00:04:00: changes that are going on around us.
00:04:01 --> 00:04:04: So let me introduce you later on, but you know,
00:04:04 --> 00:04:06: just a quick glimpse.
00:04:06 --> 00:04:10: So Lisette Van Dorn, she's the CACEO of ULI Europe.
00:04:11 --> 00:04:16: Mark Gabe, who is the CEO of LaSalle Investment Management.
00:04:16 --> 00:04:19: I don't know whether it's called LaSalle Investment Management anymore,
00:04:19 --> 00:04:21: but that's how I grew up knowing it as.
00:04:21 --> 00:04:24: So you know, that's how I will die calling it

00:04:24 --> 00:04:24: anyway.
00:04:25 --> 00:04:29: And then we have Dennis Lopez, who is the CEO
00:04:29 --> 00:04:30: of Quadrial.
00:04:31 --> 00:04:36: But before the panel, we will have Gareth Lewis, who's
00:04:36 --> 00:04:42: the director of PwC real estate lead advisory team, who
00:04:42 --> 00:04:47: will present to us the key highlights and the key
00:04:48 --> 00:04:51: results from this year's survey.
00:04:51 --> 00:04:54: So let me welcome Gareth Lewis, who is on the
00:04:54 --> 00:04:55: screen right now.
00:04:56 --> 00:04:57: Gareth, over to you.
00:04:59 --> 00:05:02: Thank you very much, Jose for the introduction.
00:05:02 --> 00:05:04: Good morning, good afternoon, everyone.
00:05:04 --> 00:05:08: Wherever you are and welcome to this launch webinar for
00:05:08 --> 00:05:12: the emerging trends in real estate, global outlook brought to
00:05:12 --> 00:05:14: you by the ULI and PwC.
00:05:14 --> 00:05:16: It's really good to see so many of you registering
00:05:16 --> 00:05:17: today.
00:05:17 --> 00:05:18: So thank you for doing that.
00:05:18 --> 00:05:21: As Jose said, I'm Gareth Lewis from the Pill estate
00:05:21 --> 00:05:24: Real Estate Lead Advisory practice.
00:05:24 --> 00:05:27: And the first thing I'd like to do on behalf
00:05:27 --> 00:05:29: of PwC is to to thank the ULI for their
00:05:29 --> 00:05:34: collaboration for the all three regional emerging trends reports published
00:05:35 --> 00:05:37: at the back end of last year as well As
00:05:37 --> 00:05:42: for the latest, the latest collaboration for this global edition.
00:05:43 --> 00:05:44: Next slide please.
00:05:47 --> 00:05:51: The Emerging Trends in Real Estate Global report is a
00:05:51 --> 00:05:54: joint publication by PwC and the ULI and it brings
00:05:54 --> 00:05:57: together the findings of the three regional reports I mentioned
00:05:57 --> 00:05:59: published at the end of 2023.
00:06:00 --> 00:06:03: So it reflects the views of thousands of senior real
00:06:03 --> 00:06:07: estate professionals and that research is undertaken via a survey,
00:06:07 --> 00:06:10: round tables and interviews and it's seen as a key
00:06:10 --> 00:06:13: indicator of sentiment in the real in real estate investment
00:06:13 --> 00:06:15: and development trends.
00:06:15 --> 00:06:18: And this global report was supplemented with recent interviews on
00:06:18 --> 00:06:20: the outlook for the year ahead.
00:06:20 --> 00:06:22: So the plan for this session is, is for me
00:06:22 --> 00:06:25: to give you the brief highlights of the global report,
00:06:25 --> 00:06:28: as Jose said and then I'll hand back to Jose

00:06:28 --> 00:06:31: who will introduce the panel and and moderate the discussion.
00:06:32 --> 00:06:34: So on to the the highlights of the report.
00:06:34 --> 00:06:38: The senior industry players we spoke to for this global
00:06:38 --> 00:06:42: edition of of Emerging Trends believe there's a good prospect
00:06:42 --> 00:06:46: of renewed investment activity on the back end of greater
00:06:46 --> 00:06:49: clarity on monetary policy in the US, Europe and Asia
00:06:49 --> 00:06:50: Pacific.
00:06:50 --> 00:06:53: And the hope is that buyers and sellers are starting
00:06:53 --> 00:06:56: to become reconciled to an elevated interest rate environment and
00:06:56 --> 00:07:00: will therefore find that middle ground on pricing that's that's
00:07:00 --> 00:07:02: been so elusive over the the past two years.
00:07:02 --> 00:07:05: But what is complicated in the picture is, is the
00:07:05 --> 00:07:08: fact that many real estate investors are are grappling with
00:07:08 --> 00:07:12: some of the more fundamental challenges around the industry's role
00:07:12 --> 00:07:14: in society and in making buildings fit for purpose in
00:07:14 --> 00:07:17: what is an uncertain current and future environment.
00:07:18 --> 00:07:19: Next slide, please.
00:07:23 --> 00:07:26: So with alignment on pricing comes the belief that real
00:07:26 --> 00:07:30: estate can recover from one of the worst investment downturns
00:07:30 --> 00:07:31: in in recent years.
00:07:31 --> 00:07:35: As Jose said, were there any upswing in activities expected
00:07:35 --> 00:07:38: to be much more evident in 2025 than in 2024?
00:07:38 --> 00:07:41: And if there is to be an improvement in investment
00:07:41 --> 00:07:43: markets in 2024, it's going to come from a very
00:07:43 --> 00:07:44: low base.
00:07:44 --> 00:07:49: And as this slide shows, global transaction activity in 2023
00:07:49 --> 00:07:51: slumped to its lowest level since 2012.
00:07:52 --> 00:07:58: The latest data from MFCI shows that transactions involving income
00:07:58 --> 00:08:02: producing real estate fell by 48% in 2023 to 615
00:08:02 --> 00:08:06: billion, which is a 17% for on the 2022 total.
00:08:06 --> 00:08:10: Nowhere has escaped that slowdown, although the MSCI figures show
00:08:10 --> 00:08:12: that some of the major markets in Asia have been
00:08:12 --> 00:08:15: have shown more resilience than in Europe and North America
00:08:15 --> 00:08:17: and they continue to do so according to those we
00:08:17 --> 00:08:19: spoke to for this report.
00:08:20 --> 00:08:24: So whilst it's whilst it still feels like a transition

00:08:24 --> 00:08:27: period in the capital markets, there are signals that the

00:08:27 --> 00:08:30: market is waking up, but there's still a fair degree

00:08:30 --> 00:08:34: of caution in in real estate and diversification of risk

00:08:34 --> 00:08:37: by both market and sector will be critically important.

00:08:39 --> 00:08:39: Next slide please.

00:08:43 --> 00:08:47: Given that all three regional additions of emerging trends identify

00:08:47 --> 00:08:51: identified interest rate movements as the top industry concern as

00:08:51 --> 00:08:54: you can see here, it is understandable that some clarity

00:08:54 --> 00:08:57: on monetary policy since the turn of the year has

00:08:57 --> 00:09:00: brought a measure of relief interviews for this global report.

00:09:00 --> 00:09:03: Note that as one interview put it, a change of

00:09:03 --> 00:09:07: tone towards the asset class, albeit from a more more

00:09:07 --> 00:09:10: more positive in the US and Asia than in Europe.

00:09:10 --> 00:09:15: Industry leaders across all three regions acknowledge that the geopolitical

00:09:15 --> 00:09:18: backdrop to investment is fought with uncertainty and may yet

00:09:18 --> 00:09:21: override the stability on inflation and interest rates.

00:09:22 --> 00:09:24: The wars in Ukraine and Gaza, as well as the

00:09:24 --> 00:09:27: the 60 plus elections due to be held around the

00:09:27 --> 00:09:30: world in 2024, including and perhaps most importantly the US

00:09:30 --> 00:09:33: elections are all weighing on that sentiment.

00:09:34 --> 00:09:37: And this is already a period of daunting challenges for

00:09:37 --> 00:09:40: the industry, not least with the colossal amount of real

00:09:40 --> 00:09:43: estate debt that needs to be refinanced this year and

00:09:43 --> 00:09:43: next.

00:09:44 --> 00:09:46: $1.2 trillion U.S.

00:09:46 --> 00:09:50: dollars in the US alone and the deployment of so-called

00:09:50 --> 00:09:53: rescue capital will clearly be a big part of the

00:09:53 --> 00:09:55: global narrative in 2024.

00:09:56 --> 00:09:56: Next slide please.

00:10:00 --> 00:10:03: Though the industry has been in in wait and see

00:10:03 --> 00:10:05: mode over the past two years because of the short

00:10:05 --> 00:10:08: term cyclical forces many are looking to the the long

00:10:08 --> 00:10:11: term and all three editions of emerging trends reveal that

00:10:12 --> 00:10:15: many of the more progressive players have been using this

00:10:15 --> 00:10:18: time to challenge long held assumptions about market dynamics, pricing

00:10:19 --> 00:10:19: and risks.

00:10:20 --> 00:10:22: And the clear message is that the driver of investor

00:10:22 --> 00:10:26: and occupied behaviour is no longer about the traditional property

00:10:26 --> 00:10:29: sectors but increasingly centred around the 3DS.

00:10:29 --> 00:10:33: The demographics, digitalisation and and decarbonisation and the 3DS are

00:10:33 --> 00:10:39: reinforcing the investment case for diversification across alternative real estate

00:10:39 --> 00:10:43: sectors, most notably perhaps another D data centres which is

00:10:43 --> 00:10:47: only likely to accelerate under the influence of increasing demand

00:10:47 --> 00:10:48: for generative AI.

00:10:50 --> 00:10:54: And it's also no coincidence that industry concerns around housing

00:10:54 --> 00:10:58: affordability, highlighted again in all three regional additions of emerging

00:10:58 --> 00:11:02: trends, are translating into a far greater investor intention on

00:11:02 --> 00:11:05: an increasingly diverse range of living sub sectors.

00:11:07 --> 00:11:10: Tough market conditions made slow progress on ESD compliance this

00:11:10 --> 00:11:11: year.

00:11:11 --> 00:11:14: But there's also a strong belief that the green agenda

00:11:14 --> 00:11:17: is a genuine new force for change in real estate.

00:11:17 --> 00:11:21: And many are clearly seeing that decarbonisation, thematic approach to

00:11:21 --> 00:11:25: real estate as an opportunity rather than just an obligation

00:11:25 --> 00:11:28: that that is and and will continue to drive capital

00:11:28 --> 00:11:29: flows.

00:11:29 --> 00:11:32: And our interview suggests that this is going to open

00:11:32 --> 00:11:34: up a whole new world of real estate products which

00:11:34 --> 00:11:36: overlap between real estate and infrastructure.

00:11:38 --> 00:11:42: The transition to a much more diverse operational and complex

00:11:42 --> 00:11:43: real estate market.

00:11:43 --> 00:11:46: Together with you, you could say the ongoing relatively relative

00:11:46 --> 00:11:50: decline in traditional real estate sectors and indeed the merging

00:11:50 --> 00:11:53: of real estate and infrastructure has been a feature, but

00:11:53 --> 00:11:54: for quite some time.

00:11:54 --> 00:11:56: And you could say it's a trend that has been

00:11:56 --> 00:11:59: happening in plain sight to the extent that its significance

00:11:59 --> 00:12:00: can sometimes be missed.

00:12:02 --> 00:12:02: Next slide please.

00:12:06 --> 00:12:09: And as as Jose referred to the the great reset

00:12:09 --> 00:12:13: as the the US and Canadian editions of Emerging Trends
00:12:13 --> 00:12:16: described, it goes well beyond the industry adapting to a
00:12:16 --> 00:12:19: new era of higher for longer interest rates.
00:12:20 --> 00:12:22: It's it's the opportunity for a radical rethink of what
00:12:22 --> 00:12:25: will make real estate fit for purpose in the long
00:12:25 --> 00:12:25: term.
00:12:26 --> 00:12:28: And cutting across all of this are the changing demands
00:12:28 --> 00:12:29: of the occupier.
00:12:29 --> 00:12:32: Another part of the same equation you could say, which
00:12:32 --> 00:12:35: has been a key theme over recent years, is how
00:12:35 --> 00:12:38: do you create income growth when that comfort blanket of
00:12:38 --> 00:12:40: yield compression is no longer guaranteed.
00:12:41 --> 00:12:45: And this is driving greater sophistication of the end product,
00:12:45 --> 00:12:48: for instance, enabling the shift into operational real estate and
00:12:48 --> 00:12:50: latterly the push towards Co location.
00:12:51 --> 00:12:54: Contrasting uses on the same sites such as industrial and
00:12:54 --> 00:12:54: housing.
00:12:55 --> 00:12:59: Occupied occupied drip and change is also arguably often unfolding
00:12:59 --> 00:13:03: gradually in plain sight, but it invariably ends up with
00:13:03 --> 00:13:07: significant consequences across all sectors, requiring a rethink of delivery
00:13:07 --> 00:13:09: models for real estate.
00:13:09 --> 00:13:12: And examples of this are everywhere from the impact of
00:13:12 --> 00:13:16: e-commerce and retail, the impact of dispersed hybrid work on
00:13:16 --> 00:13:19: the office sector and robotics on the logistics sector.
00:13:20 --> 00:13:23: And these are all historic examples, largely linked to technology.
00:13:24 --> 00:13:29: And looking forward you can envisage similarly significant changes driven
00:13:29 --> 00:13:32: by artificial intelligence and of course decarbonisation.
00:13:34 --> 00:13:36: And with that in mind, our research has sought to
00:13:36 --> 00:13:39: consider how the industry can work more closely with occupiers
00:13:40 --> 00:13:42: and other industries in the creation of a a real
00:13:42 --> 00:13:45: estate ecosystem that can pave the way for buildings to
00:13:45 --> 00:13:47: be fit for purpose over the coming decade.
00:13:48 --> 00:13:51: And the interviews suggest that the relationship between building owners
00:13:51 --> 00:13:54: and occupiers will need to become much more entwined and
00:13:54 --> 00:13:56: much more of a partnership.
00:13:56 --> 00:14:00: And the expectation is for far greater collaboration, dialogue

and
00:14:00 --> 00:14:02: interaction in these business relationships.
00:14:03 --> 00:14:05: And there's a lot to play for for landlords if
00:14:05 --> 00:14:08: landlords considered true partnerships with occupiers.
00:14:08 --> 00:14:12: And think about the the challenges beyond the physical building
00:14:12 --> 00:14:15: in an office context this this is about the needs
00:14:15 --> 00:14:18: of the workforce and in in the context of logistics
00:14:18 --> 00:14:21: and retail sectors, such an approach could extend beyond single
00:14:21 --> 00:14:25: locations to the wider needs including energy uses and storage
00:14:25 --> 00:14:27: of the the supply chain and customers.
00:14:28 --> 00:14:29: Next slide please.
00:14:35 --> 00:14:38: So to conclude and before I hand back to Jose
00:14:38 --> 00:14:42: for the panel, the the real estate industry is clearly
00:14:42 --> 00:14:43: still in transition.
00:14:44 --> 00:14:48: There's still some gap between buyers and sellers expectations and
00:14:48 --> 00:14:52: still this ever present difficult to manage threat from geopolitical
00:14:52 --> 00:14:56: events in particular, but also lots of inpatient capital and
00:14:56 --> 00:14:59: some evidence and expectation of a ramp up in transaction
00:14:59 --> 00:15:00: activity.
00:15:00 --> 00:15:03: And the real estate industry is being buffeted by structural
00:15:03 --> 00:15:07: changes and the megatrends of digitalization, urbanization and climate change.
00:15:08 --> 00:15:10: And that great reset as we mentioned may require that
00:15:10 --> 00:15:14: real estate businesses no longer simply view themselves as owners
00:15:14 --> 00:15:17: of physical assets whereby the needs of the end customer
00:15:17 --> 00:15:20: represent a risk to be reduced through long leases or
00:15:20 --> 00:15:21: transferred to other parties.
00:15:22 --> 00:15:25: So I think that's quite a change in mindset and
00:15:25 --> 00:15:28: the resistance to change here or possibly the inability to
00:15:28 --> 00:15:32: change is is reflected in PW PW CS latest global
00:15:32 --> 00:15:35: CEO survey which found that 45% of CEO surveyed were
00:15:35 --> 00:15:39: not confident that their companies would survive more than 10
00:15:39 --> 00:15:41: years on the current path.
00:15:41 --> 00:15:43: So Jose, I think that's quite a lot to to
00:15:43 --> 00:15:45: think about there and I look forward to hearing that
00:15:45 --> 00:15:46: the views of the panel.
00:15:46 --> 00:15:48: So with that, I'll hand over to you Jose.

00:15:49 --> 00:15:49: Thank you.
00:15:50 --> 00:15:52: Well, thank you very much, Gareth.
00:15:52 --> 00:15:54: That was a brilliant presentation.
00:15:54 --> 00:15:55: Thank you.
00:15:55 --> 00:15:59: And as I said earlier, so let me reintroduce my
00:16:00 --> 00:16:05: eminent panelist, Lisette Van Dorn, CEO of ULI Europe, Mark
00:16:05 --> 00:16:10: Abez, CEO of Lim and Dennis Lopez, CEO of Quadrial.
00:16:10 --> 00:16:11: I'm going to start with Mark.
00:16:11 --> 00:16:13: Mark, Is this still called Lim?
00:16:15 --> 00:16:18: No that that that is the name we got rid
00:16:18 --> 00:16:18: of Jose.
00:16:18 --> 00:16:19: So thank.
00:16:19 --> 00:16:19: You.
00:16:19 --> 00:16:22: Finding everyone that we just we really go by LaSalle
00:16:22 --> 00:16:25: now or or the proper LaSalle Investment management.
00:16:25 --> 00:16:27: I'm glad we can get that out of the way.
00:16:28 --> 00:16:28: There we go.
00:16:28 --> 00:16:31: I will, I will probably die, saying Lim.
00:16:31 --> 00:16:33: But yeah, that's what that that's what habit makes.
00:16:34 --> 00:16:37: So you've got to stick it up more on people's
00:16:37 --> 00:16:40: minds, including mine, which is is sometimes a bit a
00:16:40 --> 00:16:42: bit stubborn anyway.
00:16:42 --> 00:16:45: So we heard a lot of things.
00:16:45 --> 00:16:47: Now I can see that there is a question on
00:16:47 --> 00:16:50: the question board and I promise that we will address
00:16:50 --> 00:16:50: that question.
00:16:50 --> 00:16:51: I have read it.
00:16:51 --> 00:16:53: It's related to data centres.
00:16:53 --> 00:16:55: I promise we will address it.
00:16:55 --> 00:16:58: So, so, but let me start with the big picture
00:16:59 --> 00:16:59: here.
00:16:59 --> 00:17:04: So Gareth mentioned that particularly in Asia, a number of
00:17:04 --> 00:17:07: industry leaders have mentioned geopolitics.
00:17:07 --> 00:17:10: I have mentioned geopolitics in my introduction.
00:17:10 --> 00:17:14: But is this just noise, Lisette?
00:17:15 --> 00:17:16: Do you think this is just noise or this is
00:17:16 --> 00:17:18: a structural change in the world?
00:17:20 --> 00:17:24: I certainly don't think it is noise and I think
00:17:24 --> 00:17:28: what we're seeing often in obviously it's something not just
00:17:29 --> 00:17:34: affecting real estate, so it's also affecting our broader societies
00:17:34 --> 00:17:36: and all other asset classes I think.

00:17:36 --> 00:17:40: But for real estate as a long term asset class,
00:17:40 --> 00:17:45: I I think it does have impact and quite significantly
00:17:45 --> 00:17:48: and I think even in the run up to elections
00:17:49 --> 00:17:53: generally not a lot happens and politicians are busier with
00:17:54 --> 00:17:58: campaigning and and other things than with policy making or
00:17:59 --> 00:18:01: creating visions etcetera.
00:18:02 --> 00:18:06: So and then so that's not even knowing what comes
00:18:06 --> 00:18:09: out of it and then sort of based on where
00:18:09 --> 00:18:14: we seen elections going and where we see the different
00:18:14 --> 00:18:18: candidates, if it may lead to more short term practice,
00:18:18 --> 00:18:22: yeah, I wouldn't want to call it vision.
00:18:22 --> 00:18:23: Yeah, in the.
00:18:23 --> 00:18:24: Policy making.
00:18:24 --> 00:18:25: Yes, exactly.
00:18:25 --> 00:18:26: Whatever that may mean.
00:18:26 --> 00:18:28: Or lack of policy making.
00:18:28 --> 00:18:28: Maybe even.
00:18:28 --> 00:18:29: Or lack thereof.
00:18:30 --> 00:18:30: Exactly.
00:18:30 --> 00:18:34: And that is something I think that for real estate
00:18:34 --> 00:18:36: we need long term perspectives.
00:18:37 --> 00:18:41: Yeah, so Dennis and so obviously the the year of
00:18:41 --> 00:18:44: election, so as Lisa has said it will, it will
00:18:44 --> 00:18:47: lead to a bit of short term decision making by
00:18:47 --> 00:18:48: authorities.
00:18:48 --> 00:18:49: I think that makes sense.
00:18:49 --> 00:18:53: But in terms of the global big picture geopolitical change
00:18:54 --> 00:18:57: from, you know, the US being the leader to a
00:18:57 --> 00:19:00: world in which a number of medium sized powers are
00:19:01 --> 00:19:05: flexing the muscles, does that affect your decision making?
00:19:08 --> 00:19:09: Yeah, it does.
00:19:09 --> 00:19:12: I think we, we have less confidence in investing in
00:19:12 --> 00:19:16: certain markets because of that and frankly have pulled back.
00:19:16 --> 00:19:19: So I think one of our key premises is that
00:19:19 --> 00:19:25: to invest in countries where there's stability, where there's transparency,
00:19:26 --> 00:19:30: where there's rule of law, we we've seen that autocratic
00:19:30 --> 00:19:36: politicians have increased and and frankly we don't feel comfortable
00:19:36 --> 00:19:41: investing in countries where we don't think there's a real
00:19:41 --> 00:19:42: rule of law.
00:19:42 --> 00:19:45: So absolutely it's caused us to pull back and thinking

00:19:45 --> 00:19:48: about you know, components of the emerging markets we want

00:19:48 --> 00:19:50: to invest in and components of the world we want

00:19:50 --> 00:19:51: to invest in.

00:19:51 --> 00:19:54: Frankly too, when we, you know look back historically over

00:19:54 --> 00:19:57: our performance, you know we don't make any more money

00:19:57 --> 00:19:58: in these countries.

00:19:58 --> 00:20:01: Typically it takes longer to do things there.

00:20:01 --> 00:20:04: So on a return on investment perspective, you know you

00:20:04 --> 00:20:05: don't make more money.

00:20:07 --> 00:20:10: So if you're basically taking more risks, you can, you

00:20:10 --> 00:20:14: can make the same returns in countries with less risk.

00:20:15 --> 00:20:16: Why would you do it?

00:20:16 --> 00:20:16: And we don't.

00:20:17 --> 00:20:17: OK.

00:20:18 --> 00:20:21: So Mark, so, so, so, so clearly a number of

00:20:21 --> 00:20:25: emerging markets without the right rule of law are you

00:20:25 --> 00:20:29: know in in Dennis's book, you know high risk countries

00:20:29 --> 00:20:33: that don't offer extra risk, extra return for the risk

00:20:33 --> 00:20:34: that they're taking.

00:20:34 --> 00:20:37: Is that the view you take and is, is that

00:20:37 --> 00:20:40: different now than what we would have been 10 years

00:20:40 --> 00:20:42: ago and particularly you were based in?

00:20:42 --> 00:20:44: You are based in Hong Kong I believe.

00:20:44 --> 00:20:46: So you have a lot of Asia experience and you've

00:20:46 --> 00:20:50: probably invested in investment markets in emerging markets in Asia.

00:20:51 --> 00:20:53: We we did 10 years ago.

00:20:53 --> 00:20:56: I I I would say our experience is similar to

00:20:57 --> 00:20:59: how Dennis summarized it.

00:20:59 --> 00:21:01: So I would agree with him and that way I'll

00:21:01 --> 00:21:03: be able to keep my answer super short on the

00:21:03 --> 00:21:03: on this topic.

00:21:03 --> 00:21:06: But the the other way to sort of say it

00:21:06 --> 00:21:11: is, there's no question there's increased volatility in the world.

00:21:11 --> 00:21:14: And I I'd say we've been surprised how the market

00:21:14 --> 00:21:17: over the last couple years has sort of absorbed that

00:21:17 --> 00:21:20: volatility when when you think about it.

00:21:20 --> 00:21:22: And the only thing that the catalyst for change was

00:21:22 --> 00:21:25: the change in the interest rate regime which everybody, I

00:21:25 --> 00:21:27: think everyone in our industry assumed was going to happen

00:21:27 --> 00:21:28: at some, some point.

00:21:29 --> 00:21:32: So the issue I think going forward for real estate
00:21:32 --> 00:21:35: investors and you sort of touched about this in the
00:21:35 --> 00:21:39: opening of this of this panel is just there's clearly
00:21:39 --> 00:21:42: increased volatility and so how are you going to price
00:21:42 --> 00:21:42: that?
00:21:43 --> 00:21:45: And so Dennis kind of gave an example of how
00:21:45 --> 00:21:48: he sort of pricing that type of volatility by by
00:21:48 --> 00:21:50: shifting in investments into different markets.
00:21:50 --> 00:21:54: But I think that's the thematic that we're thinking about
00:21:54 --> 00:21:57: is how do you price this volatility that's almost, it
00:21:58 --> 00:22:01: seems very difficult to price like how do you handicap
00:22:01 --> 00:22:02: the next full event?
00:22:03 --> 00:22:05: Well, I think that, yeah, this takes me to to
00:22:05 --> 00:22:07: to a point which I was planning to address a
00:22:07 --> 00:22:10: little bit later, but you know given that you've mentioned
00:22:10 --> 00:22:11: it, I'll address it now.
00:22:12 --> 00:22:16: So obviously we are in a different interest rate environment
00:22:16 --> 00:22:19: that we've been used to over the last, you know,
00:22:19 --> 00:22:21: since the global financial crisis.
00:22:23 --> 00:22:25: Inflation is now higher than it used to be.
00:22:25 --> 00:22:28: But we don't know whether interest rates have reached the
00:22:28 --> 00:22:28: peak.
00:22:28 --> 00:22:33: We don't know whether inflation has stabilized and a number
00:22:33 --> 00:22:37: of sectors are changing quite substantially.
00:22:37 --> 00:22:40: So going back to you Mark, so so first of
00:22:40 --> 00:22:44: all just before going into the theoretical question into of
00:22:44 --> 00:22:48: is real estate fairly priced, Is there anything that you
00:22:48 --> 00:22:53: would say is definitely not fairly priced right now that
00:22:53 --> 00:22:56: is too expensive for the risk and you're not allowed
00:22:56 --> 00:23:00: to give the same answer as Dennis on you know
00:23:00 --> 00:23:02: certain emerging markets?
00:23:05 --> 00:23:08: What do I think it's, it's to expect, Well, look
00:23:08 --> 00:23:11: we we have, we have an internal fair, fair market
00:23:11 --> 00:23:15: value model and there's definitely some sectors that look expensive
00:23:16 --> 00:23:18: based on on a forward look and based on what
00:23:18 --> 00:23:20: assumptions you want to use.
00:23:20 --> 00:23:24: And the and the assumptions are basically some spread over
00:23:24 --> 00:23:27: over corporates, right, to kind of mimic a a benchmark
00:23:27 --> 00:23:29: 'cause you have to have a a benchmark.
00:23:30 --> 00:23:33: I think with within that there probably are some areas
00:23:33 --> 00:23:36: that we think are not fairly valued.

00:23:36 --> 00:23:39: I'd probably put some parts of the industrial market and
00:23:39 --> 00:23:41: I put data centers in that bracket.
00:23:41 --> 00:23:44: So if you want two very kind of specific assets,
00:23:44 --> 00:23:45: I'll go with that.
00:23:45 --> 00:23:46: I mean it's all real estate people.
00:23:46 --> 00:23:49: You know, we don't like to get pinned down to
00:23:49 --> 00:23:52: certain assets in certain markets, right, Because everything's a relative
00:23:52 --> 00:23:55: value argument in our world, but I'll give you those
00:23:55 --> 00:23:55: too.
00:23:55 --> 00:23:57: Oh wow, brilliant.
00:23:57 --> 00:23:59: OK, so data centers, well, I have to now go
00:23:59 --> 00:24:00: into the.
00:24:01 --> 00:24:04: The data centers was one of the highlights of what
00:24:04 --> 00:24:08: certain industry, what a number of industry leaders in the
00:24:08 --> 00:24:13: report have highlighted as favourites, but just saying that it's
00:24:13 --> 00:24:14: not fairly priced.
00:24:14 --> 00:24:16: So why is it not fairly priced, Mark?
00:24:16 --> 00:24:19: I mean again that's going to break down into certain,
00:24:19 --> 00:24:22: you know, certain markets and certain dynamics.
00:24:22 --> 00:24:26: I mean I I just think it's pretty natural when
00:24:26 --> 00:24:29: when a sector is sort of crowned the next you
00:24:29 --> 00:24:34: know, emerging sector, you're gonna have a flight of capital
00:24:34 --> 00:24:34: to that.
00:24:34 --> 00:24:37: When you have a flight of capital to that, you're
00:24:37 --> 00:24:37: gonna have supply.
00:24:38 --> 00:24:41: When you when you've got supply put aside the business
00:24:41 --> 00:24:43: model that is underlying that and and sort of the
00:24:44 --> 00:24:47: monopolistic you know power of the tenants, right, you're gonna
00:24:47 --> 00:24:50: run into some fundamental issues down the the road.
00:24:50 --> 00:24:54: So I wouldn't say it's any more scientific than kind
00:24:54 --> 00:24:57: of going you know contrarian to where the capital's going
00:24:57 --> 00:24:58: at the moment.
00:24:58 --> 00:25:01: You got to say that, that there aren't gonna be
00:25:01 --> 00:25:02: good deals in that sector.
00:25:02 --> 00:25:04: There will be good deals in that sector, but you
00:25:04 --> 00:25:06: know, we're talking generalities.
00:25:06 --> 00:25:08: OK, OK, fair enough.
00:25:08 --> 00:25:10: So Lisette, question for you.
00:25:10 --> 00:25:14: So actually this here's a question in the question board
00:25:14 --> 00:25:18: from Duke Zirka and I'm really sorry if I mispronounced

00:25:18 --> 00:25:19: your name.
00:25:19 --> 00:25:24: So data centres have a problem, they consume a lot
00:25:24 --> 00:25:25: of energy.
00:25:26 --> 00:25:30: So in your if you as an investor have pledged
00:25:30 --> 00:25:35: to decarbonize and you buy a data an existing data
00:25:35 --> 00:25:39: centre that might, that might create some issues.
00:25:40 --> 00:25:41: But not just that.
00:25:41 --> 00:25:44: I mean the rising energy cost might contribute to inflation
00:25:44 --> 00:25:47: in general, but let's let's keep it in in on
00:25:47 --> 00:25:49: the first part of the question.
00:25:49 --> 00:25:53: So does that pose an issue you think data centres
00:25:53 --> 00:25:57: in, in terms of decarmonisation and therefore will that be
00:25:57 --> 00:26:02: a backlash of investor demand for data centres in your
00:26:02 --> 00:26:02: opinion?
00:26:05 --> 00:26:09: Well they're clearly opposing factors that we've seen and and
00:26:09 --> 00:26:12: and that's often it is quite interesting.
00:26:12 --> 00:26:15: On the one hand, we kind of use more and
00:26:15 --> 00:26:18: more data and it needs to be faster and more
00:26:18 --> 00:26:19: secure and locally stored.
00:26:19 --> 00:26:25: And we want videos, everything as individuals but also as
00:26:25 --> 00:26:26: companies.
00:26:26 --> 00:26:29: And then we haven't even spoken about AI and the
00:26:29 --> 00:26:31: potential impact of that.
00:26:31 --> 00:26:35: That massively increased the need for data centres And then
00:26:35 --> 00:26:39: coming closer and closer to cities where we've seen similar
00:26:39 --> 00:26:43: trends as we saw with logistics probably 15 years ago.
00:26:43 --> 00:26:46: First, we put them far away and they've come closer
00:26:47 --> 00:26:50: and closer again and more tailored and smaller etcetera.
00:26:50 --> 00:26:52: And we're seeing the same with data centers.
00:26:52 --> 00:26:57: And then at the same time, obviously there's the huge
00:26:57 --> 00:27:02: resource claim, not only energy but also water to cool
00:27:02 --> 00:27:02: them.
00:27:03 --> 00:27:06: So in that sense that those need to be married
00:27:06 --> 00:27:11: and often we've seen cities, for example, in the Netherlands
00:27:11 --> 00:27:13: putting a total ban on data centers.
00:27:13 --> 00:27:15: Dublin has done the same.
00:27:15 --> 00:27:17: That's obviously not the solution.
00:27:18 --> 00:27:21: So we need to find a way to work this
00:27:21 --> 00:27:25: out in terms of whether it's they become their own
00:27:25 --> 00:27:26: energy generators.
00:27:26 --> 00:27:30: We see things coming with nuclear energy and I'm not
00:27:30 --> 00:27:34: the expert in that, but just banning them is definitely

00:27:34 --> 00:27:36: not the solution.
00:27:36 --> 00:27:40: Where we also see collocation, there are examples I think
00:27:40 --> 00:27:44: they're even in the report where the heat of the
00:27:44 --> 00:27:47: data center was used to heat a pool nearby.
00:27:47 --> 00:27:50: So you I think we need to think about more
00:27:50 --> 00:27:56: integrated solutions and work together public, private sector and different
00:27:56 --> 00:28:02: other stakeholders, energy providers to find solutions for that.
00:28:03 --> 00:28:04: OK.
00:28:04 --> 00:28:04: OK.
00:28:04 --> 00:28:05: Well, thank you.
00:28:05 --> 00:28:08: So I'm, I'm not going to keep dwelling on data
00:28:08 --> 00:28:12: centres, but I'm going to go back to technology and
00:28:12 --> 00:28:15: the change in the real estate industry.
00:28:15 --> 00:28:19: So one of the key things that technology, I think
00:28:19 --> 00:28:21: you've mentioned it Lisette.
00:28:21 --> 00:28:24: So one of the things that technology has has has
00:28:24 --> 00:28:28: created is is created the demise of retail and the
00:28:28 --> 00:28:32: rise of logistics, the potential demise of offices and the
00:28:32 --> 00:28:34: rise of data centre.
00:28:34 --> 00:28:37: So this probably means that real estate portfolios are going
00:28:37 --> 00:28:40: to look very different 10 years from now.
00:28:40 --> 00:28:41: So question for Dennis.
00:28:41 --> 00:28:44: If you have a time machine, assuming you have an
00:28:44 --> 00:28:48: imaginary time machine and you looked at the real estate
00:28:48 --> 00:28:51: industry 10 years from now and the composition of real
00:28:51 --> 00:28:54: estate portfolios, what do you think you would see?
00:28:56 --> 00:28:56: OK.
00:28:56 --> 00:28:59: Well just taking a quick look back on The Time
00:28:59 --> 00:29:02: Machine, you know back when the Reed industry in the
00:29:02 --> 00:29:05: US was started, 55% of the market cap was in
00:29:05 --> 00:29:06: retail and office.
00:29:07 --> 00:29:10: Today the market cap of data centers is larger than
00:29:10 --> 00:29:14: retail and office combined in retail and office are probably
00:29:14 --> 00:29:15: around 2025% Max.
00:29:15 --> 00:29:16: So.
00:29:16 --> 00:29:20: So I think one of the things that's very, very
00:29:20 --> 00:29:23: clear is that real estate like all the other industries
00:29:23 --> 00:29:25: is changing its dynamic.
00:29:25 --> 00:29:28: I mean things that were what you would invest in,
00:29:28 --> 00:29:31: you know and there were rules of you know like
00:29:32 --> 00:29:33: you know regional malls.

00:29:33 --> 00:29:35: I'm not saying regional malls are bad, but I'm saying
00:29:36 --> 00:29:38: that the way that people think thought about them 20
00:29:38 --> 00:29:40: years ago versus today is very, very different.
00:29:41 --> 00:29:44: So then answering your question in terms of looking forward,
00:29:44 --> 00:29:47: look, I think I think what what what are really
00:29:47 --> 00:29:51: interesting are areas where we have long term growth as
00:29:51 --> 00:29:53: an institutional investor.
00:29:53 --> 00:29:56: We have a hard time playing just tactical plays.
00:29:57 --> 00:29:59: You know right now there's a lot of discussion on
00:29:59 --> 00:30:01: let's say office to residential.
00:30:01 --> 00:30:04: We don't really feel like that's a 10 year investment
00:30:04 --> 00:30:07: thesis for us, but but we do have themes that
00:30:07 --> 00:30:08: we think are longer term.
00:30:08 --> 00:30:11: So what are the themes longer term that could impact
00:30:12 --> 00:30:12: portfolios?
00:30:12 --> 00:30:15: Well, the obvious one that people have been talking about
00:30:15 --> 00:30:18: is living affordable housing is a problem everywhere in the
00:30:18 --> 00:30:20: world and it's going to be a problem everywhere in
00:30:20 --> 00:30:21: the world for the next decade.
00:30:21 --> 00:30:25: So I think, you know, having portfolios that tap into
00:30:25 --> 00:30:29: that fundamental growth, fundamental need over a very long term.
00:30:29 --> 00:30:31: So I think living's going to continue to be a
00:30:31 --> 00:30:33: huge part of the portfolio.
00:30:35 --> 00:30:38: You know, I I do think you know technology, you
00:30:38 --> 00:30:41: know I, I take Mark's point on data centers.
00:30:41 --> 00:30:44: But frankly if you're developing data centers versus just buying
00:30:44 --> 00:30:47: them, the economics right now are very different.
00:30:47 --> 00:30:50: If you can buy an unzoned land, if you can
00:30:50 --> 00:30:52: bring power to a site, if you can build a
00:30:52 --> 00:30:56: data center, you know the the opportunities right now are
00:30:56 --> 00:30:57: are tremendous.
00:30:57 --> 00:31:00: But one of the things that we've kind of done
00:31:00 --> 00:31:02: is we've said look what's real estate?
00:31:02 --> 00:31:05: You know we we kind of say that real estate
00:31:05 --> 00:31:09: are physical structures that support economic activity And to have
00:31:09 --> 00:31:12: a broader view of it and that opens your mind
00:31:13 --> 00:31:16: to many other different sectors like we've seen you know,
00:31:17 --> 00:31:21: self storage, manufactured housing, you know, studios, cell powers, you
00:31:22 --> 00:31:25: know, things we're looking at now are you know battery

00:31:25 --> 00:31:29: farms basically where you can store energy at those time
00:31:29 --> 00:31:34: periods when let's say non fossil fuel providers electricity are
00:31:34 --> 00:31:37: producing power but it can't be used or when the
00:31:37 --> 00:31:40: power is very low and then bring it back when
00:31:40 --> 00:31:41: it's hot.
00:31:41 --> 00:31:44: So I I think things are gonna change dramatically and
00:31:44 --> 00:31:49: these historical relationships on the traditional sectors particularly office and
00:31:49 --> 00:31:52: retail, they're not going away, they're very important sectors.
00:31:52 --> 00:31:56: But you know in some countries, certainly the US, you
00:31:56 --> 00:31:59: know both retail and office were overbuilt and there's a
00:31:59 --> 00:32:04: reduction in demand for that over building and they're adjusting
00:32:04 --> 00:32:07: I think as as many of the retails probably made
00:32:07 --> 00:32:08: most of that adjustments.
00:32:08 --> 00:32:10: But you know, so I think I think going to
00:32:10 --> 00:32:13: be open your mind for many different types of investments
00:32:13 --> 00:32:15: in real estate and it'll be very operational.
00:32:16 --> 00:32:19: So, so basically you see that 10 years from now
00:32:19 --> 00:32:24: the real estate portfolios will be far more diversified, many
00:32:24 --> 00:32:29: more sectors and therefore we would have to create within
00:32:29 --> 00:32:32: our industry a different level of expertise.
00:32:32 --> 00:32:36: But before going into that, I'd like to ask Mark,
00:32:36 --> 00:32:39: So this probably has some geographical variations.
00:32:40 --> 00:32:43: So it's not the same in the US where obvious
00:32:43 --> 00:32:46: and retail were overbuilt to a very, very large extent
00:32:46 --> 00:32:48: as Dennis has said as in Asia.
00:32:49 --> 00:32:51: So could could, could you comment on that a little
00:32:51 --> 00:32:51: bit?
00:32:53 --> 00:32:55: Jose, I'm just going to agree with Dennis again and
00:32:55 --> 00:32:55: just call.
00:32:55 --> 00:32:55: It.
00:32:55 --> 00:32:56: Oh no.
00:32:59 --> 00:33:01: I think and look I think the difference, the difference
00:33:01 --> 00:33:03: is you're talking about in portfolio construction.
00:33:03 --> 00:33:06: I mean I agree with the thematic that we were
00:33:06 --> 00:33:10: an industry where retail and office dominated and it dominated
00:33:10 --> 00:33:12: for a simple reason.
00:33:12 --> 00:33:15: It's it's what the market provided #1 and and #2
00:33:15 --> 00:33:19: you could get significant amounts of capital out in an
00:33:19 --> 00:33:20: efficient way.
00:33:20 --> 00:33:23: And I think that's a that's another issue for for

00:33:23 --> 00:33:26: global investors in terms of getting enough of a of
00:33:26 --> 00:33:30: an allocation deployment into a sector where it's meaningful to
00:33:30 --> 00:33:32: your portfolio composition.
00:33:33 --> 00:33:37: But in terms of the differences, you know outside of
00:33:37 --> 00:33:41: the USI would say the specialized sectors are all having
00:33:42 --> 00:33:45: the same kind of day in Asia and in Europe.
00:33:45 --> 00:33:48: I think that could be you'll see a higher percentage
00:33:48 --> 00:33:52: of office and retail composition in in Europe and Asia,
00:33:52 --> 00:33:55: you know for for obvious obvious reasons.
00:33:55 --> 00:33:59: So you know it, it's just, it's just how do
00:33:59 --> 00:34:01: you want to build your portfolio.
00:34:02 --> 00:34:05: And for me, what we've been thinking about is, is
00:34:05 --> 00:34:10: really going forward, how do you price volatility because even
00:34:10 --> 00:34:13: this shift to emerging sectors and even if you have
00:34:13 --> 00:34:17: to access it via development, right, you're taking a different
00:34:17 --> 00:34:21: level of risk, different level of volatility and are you
00:34:21 --> 00:34:25: getting paid to take that relative to alternatives?
00:34:25 --> 00:34:28: But as industry leaders, right, so I'm going to go
00:34:28 --> 00:34:29: back to Dennis now.
00:34:29 --> 00:34:32: So see as an industry leader how does how do
00:34:32 --> 00:34:35: you well actually this question applies more to you Mark
00:34:35 --> 00:34:39: as an industry leader, how would your hiring decisions be
00:34:39 --> 00:34:42: affected but what you have just said?
00:34:44 --> 00:34:46: I look, I think there's going to, there's going to
00:34:46 --> 00:34:49: be a new set of skills that are definitely needed
00:34:49 --> 00:34:50: in in our industry.
00:34:51 --> 00:34:54: You know as you know, we're sort of in we're
00:34:54 --> 00:34:55: sort of an older industry.
00:34:55 --> 00:34:57: We sort of stick around for a long time.
00:34:57 --> 00:34:59: I I don't know if that's a reflection of of
00:34:59 --> 00:35:02: the asset type or or the fact that we don't
00:35:02 --> 00:35:05: besides for securities don't really trade on a screen and
00:35:05 --> 00:35:06: so it takes a long time.
00:35:06 --> 00:35:08: So you know old people like myself we we have,
00:35:08 --> 00:35:11: we have time to think about what the next decision.
00:35:12 --> 00:35:14: So I think the skill set's going to change.
00:35:14 --> 00:35:15: The expertise is going to change.
00:35:15 --> 00:35:18: I think you're going to have to be you know
00:35:18 --> 00:35:19: technologically more savvy.
00:35:19 --> 00:35:21: I think that means you're probably going to have to
00:35:21 --> 00:35:22: be younger at the end of the day.

00:35:22 --> 00:35:26: But I think more importantly and I think hopefully Dennis
00:35:26 --> 00:35:29: would agree with me, it's more about alignment in any
00:35:29 --> 00:35:30: of these things.
00:35:30 --> 00:35:34: And I think what will will probably change more is,
00:35:34 --> 00:35:38: is the alignment between operators and investors.
00:35:38 --> 00:35:41: And you've already seen some of those trends in the
00:35:41 --> 00:35:45: industry with Co ownership in in in operating platforms or
00:35:45 --> 00:35:47: or a lot of investors like Co and a portion
00:35:47 --> 00:35:49: of operating part platform.
00:35:49 --> 00:35:52: So I I see kind of convergence in in alignment.
00:35:52 --> 00:35:52: Is it?
00:35:52 --> 00:35:54: Is it bigger thematic than the?
00:35:54 --> 00:35:58: Skills, you do see vertical integration basically within the industry
00:35:59 --> 00:36:01: which so or a degree of vertical integration.
00:36:02 --> 00:36:05: I mean again it's the you know if you're a
00:36:05 --> 00:36:08: general partner it's the best way to to generate a
00:36:08 --> 00:36:13: profit if you're vertically integrated and if you're a long
00:36:13 --> 00:36:16: term investor, it's the best way to develop and own
00:36:17 --> 00:36:20: long term the assets that you want with avoiding market
00:36:21 --> 00:36:23: dynamics or market pricing.
00:36:23 --> 00:36:26: So that you know, vertical model I think makes, you
00:36:26 --> 00:36:28: know makes a makes a lot of sense and and
00:36:28 --> 00:36:30: it's already out there.
00:36:30 --> 00:36:33: I don't think I'm saying anything, anything new.
00:36:33 --> 00:36:34: I just think you'll have an acceleration of that.
00:36:34 --> 00:36:37: That's 'cause you go into the niche, the the niche
00:36:37 --> 00:36:38: sector.
00:36:38 --> 00:36:40: So you you said.
00:36:40 --> 00:36:40: That.
00:36:40 --> 00:36:41: Jose NS agree.
00:36:41 --> 00:36:42: Dennis agree.
00:36:42 --> 00:36:42: Oh my God, Dennis.
00:36:42 --> 00:36:43: I just like it.
00:36:43 --> 00:36:45: I would just like to say one thing.
00:36:45 --> 00:36:47: I agree with a lot what Mark said, but I
00:36:47 --> 00:36:49: disagree strongly with one point he made.
00:36:49 --> 00:36:51: There is a role for all guys like me and
00:36:51 --> 00:36:54: him for the continued future, I think in the real
00:36:54 --> 00:36:54: estate industry.
00:36:54 --> 00:36:56: So other than that, Mark, I think you hit a
00:36:56 --> 00:36:57: problem.

00:36:57 --> 00:36:57: OK.
00:36:57 --> 00:36:57: That's good.
00:36:57 --> 00:36:57: All right.
00:36:58 --> 00:37:00: You guys have the wisdom, right?
00:37:02 --> 00:37:05: You have the wisdom to discern what is fashion and
00:37:05 --> 00:37:05: what is.
00:37:05 --> 00:37:06: There you go.
00:37:06 --> 00:37:06: But.
00:37:06 --> 00:37:07: That means we.
00:37:07 --> 00:37:07: Also have.
00:37:07 --> 00:37:07: A.
00:37:08 --> 00:37:09: We also have a bias.
00:37:11 --> 00:37:12: Completely true.
00:37:12 --> 00:37:14: So they said they wanted to ask you, so as
00:37:14 --> 00:37:17: members of the ULI, the kind of questions that you
00:37:17 --> 00:37:17: get.
00:37:19 --> 00:37:22: So do you get a lot more inquiries about operational
00:37:22 --> 00:37:25: real estate and how does how has the ULI membership
00:37:25 --> 00:37:29: and the ULI emphasis changed let's say over the last
00:37:29 --> 00:37:32: 10 years in regards to that area of operational real
00:37:32 --> 00:37:32: estate?
00:37:34 --> 00:37:37: Well, definitely we get a lot more questions and actually
00:37:37 --> 00:37:40: we're in the process of setting up at least in
00:37:40 --> 00:37:42: Europe and I think we have it already in the
00:37:42 --> 00:37:43: Americas.
00:37:44 --> 00:37:48: Specific product councils focus more on the operator side.
00:37:49 --> 00:37:54: And obviously it's it's still interesting because in some areas
00:37:54 --> 00:37:59: you see far more specialized operators emerging, for example residential,
00:37:59 --> 00:38:03: in some other areas like offices, it's still some, some
00:38:03 --> 00:38:07: of the bigger managers try to develop their own concept
00:38:07 --> 00:38:09: or work with the operator.
00:38:09 --> 00:38:12: And obviously we see still more issues on the operate
00:38:12 --> 00:38:14: side, at least in, in some cases.
00:38:15 --> 00:38:19: So it's definitely in a very important topic and we've
00:38:19 --> 00:38:23: looked at that also for the global report, more from
00:38:23 --> 00:38:27: the occupier side in what do they want from the
00:38:27 --> 00:38:30: real estate or the landlord if you will.
00:38:30 --> 00:38:33: And then you also see much more of a request
00:38:33 --> 00:38:37: for not surprising, I think it's a lot of open
00:38:37 --> 00:38:40: doors you could say, but the industry is still on
00:38:40 --> 00:38:42: a journey to provide.

00:38:42 --> 00:38:42: That.
00:38:43 --> 00:38:49: Much more flexibility, much more partnership services, so from the
00:38:49 --> 00:38:54: bricks and mortar it is changing to a service model
00:38:54 --> 00:39:00: and I and obviously that requires operations to be able
00:39:00 --> 00:39:01: to fulfil that.
00:39:02 --> 00:39:03: Where we come from?
00:39:04 --> 00:39:04: Yeah.
00:39:04 --> 00:39:08: So basically the the hotelization of real estate seems to
00:39:08 --> 00:39:12: be happening and seems to be happening at speed.
00:39:13 --> 00:39:13: I want you now to move.
00:39:13 --> 00:39:16: There is a, there is a question here that I
00:39:16 --> 00:39:18: find very interesting and intriguing.
00:39:18 --> 00:39:21: So clearly we said the real estate portfolios will be
00:39:21 --> 00:39:24: more varied, but I assume even though no one has
00:39:24 --> 00:39:27: said it that the logistics industrial sectors would be a
00:39:28 --> 00:39:28: big part of it.
00:39:29 --> 00:39:33: So there is here, here's a question from Juan Gallardo
00:39:33 --> 00:39:38: who's saying, but AI and robots are already changing the
00:39:38 --> 00:39:39: logistics industry.
00:39:41 --> 00:39:44: So how do you see in terms of investment decisions,
00:39:45 --> 00:39:48: the fact that there are robots and there is AI
00:39:48 --> 00:39:53: already in, you know, governing the supply chain and affecting
00:39:53 --> 00:39:55: probably locational decisions?
00:39:55 --> 00:39:56: How do you see that?
00:39:57 --> 00:39:59: That's a question for Dennis.
00:39:59 --> 00:39:59: There we go.
00:40:00 --> 00:40:01: That's a difficult one.
00:40:02 --> 00:40:02: Yeah.
00:40:02 --> 00:40:03: OK.
00:40:03 --> 00:40:05: So look at, you know, it's here.
00:40:05 --> 00:40:06: It's not like coming.
00:40:06 --> 00:40:11: We've invested in several of these major logistics facilities that
00:40:11 --> 00:40:13: Amazon has built.
00:40:13 --> 00:40:16: You know six story facilities that are basically where you
00:40:17 --> 00:40:21: have automated picking of all the different items that you're
00:40:21 --> 00:40:24: sending and then packaging and sending out.
00:40:24 --> 00:40:27: So it it's here now, look I I think it's
00:40:27 --> 00:40:32: it's it's a development of taking jobs that some people
00:40:32 --> 00:40:34: don't want to do.
00:40:34 --> 00:40:37: It's a development of not having the staffing to be

00:40:37 --> 00:40:39: able to fulfill these jobs.
00:40:39 --> 00:40:41: I don't think it's a negative at all.
00:40:41 --> 00:40:44: In fact actually one of the things too it can
00:40:44 --> 00:40:47: be you know when this kind of goes back to
00:40:47 --> 00:40:51: more operational, if you look in cold storage, we're investor
00:40:51 --> 00:40:54: in a very large cold storage company And and this
00:40:54 --> 00:40:58: company actually takes the goods at the entrance of the
00:40:58 --> 00:41:02: facility and manages the goods movement and storage in the
00:41:02 --> 00:41:05: facilities and then brings them back out to the tenants
00:41:05 --> 00:41:06: afterwards.
00:41:07 --> 00:41:09: Maybe that could happen in dry storage too, I don't
00:41:09 --> 00:41:09: know.
00:41:09 --> 00:41:12: So I think it's just it's an evolution of where
00:41:12 --> 00:41:13: things are going.
00:41:14 --> 00:41:18: And and then you know in in that particular situation,
00:41:18 --> 00:41:21: the landlord is actually owning a lot of the automated
00:41:21 --> 00:41:25: facilities that are allowing them to do what they're doing.
00:41:25 --> 00:41:27: So they're not investing just in the core and shell,
00:41:27 --> 00:41:29: they're investing in the equipment as well too.
00:41:29 --> 00:41:32: So it really kind of goes to this concept of
00:41:32 --> 00:41:35: more operational focus on real estate going away from the
00:41:35 --> 00:41:38: traditional, you know, lease a building for 10 years and
00:41:39 --> 00:41:41: kind of not pay attention to it, but you got
00:41:41 --> 00:41:43: to pay attention to it every single day.
00:41:44 --> 00:41:45: Yeah, I think that the.
00:41:45 --> 00:41:49: What's going to be required to outperform going forward?
00:41:49 --> 00:41:50: Yeah.
00:41:50 --> 00:41:53: And I think that there is something else as well
00:41:53 --> 00:41:56: that you know that we generally as as an industry
00:41:56 --> 00:41:59: or the the landlord part of the industry, we've been
00:41:59 --> 00:42:02: just you we we rent a location and then we
00:42:02 --> 00:42:03: forget about it.
00:42:03 --> 00:42:06: And I think that that world is going to finish
00:42:07 --> 00:42:10: as well to make an example like in Japan in
00:42:10 --> 00:42:14: the logistics sector, the level of services in order to
00:42:14 --> 00:42:19: attract employees into logistics facilities, it's a totally different level
00:42:20 --> 00:42:23: to the level of services that you get in, in
00:42:23 --> 00:42:25: Europe or in the US, right.
00:42:25 --> 00:42:28: You get, you get a great cafes, you get a
00:42:28 --> 00:42:29: crash.
00:42:29 --> 00:42:31: So you know, so it's a it's a totally people

00:42:31 --> 00:42:34: talk about well-being in real estate and then they they
00:42:34 --> 00:42:36: tend to think about white collar workers.
00:42:37 --> 00:42:41: But in Japan they've gone pass that concept and applied
00:42:42 --> 00:42:43: it to blue colours.
00:42:44 --> 00:42:47: Now I want to go back to the real estate
00:42:47 --> 00:42:49: cycle and interest rates.
00:42:49 --> 00:42:53: So I've got a great question here from Ross.
00:42:53 --> 00:42:58: Bright White was talking about the funding gap that there
00:42:58 --> 00:43:01: is in real estate at the moment.
00:43:03 --> 00:43:07: We've seen a number of developers going under in places
00:43:07 --> 00:43:08: like Germany.
00:43:09 --> 00:43:13: When Silicon Valley Bank went under, there was a big,
00:43:13 --> 00:43:17: there was a big concern about US regional banks and
00:43:17 --> 00:43:19: the commercial real estate portfolios.
00:43:20 --> 00:43:21: So do you want to comment on that?
00:43:21 --> 00:43:25: How do you see this and do you think that
00:43:25 --> 00:43:27: a second downturn is about to happen?
00:43:28 --> 00:43:31: Let me start with you, Mark.
00:43:33 --> 00:43:36: So I I think it's market knowledge that there is
00:43:36 --> 00:43:36: a funding gap.
00:43:36 --> 00:43:40: I mean it's probably in the trillions globally depending on
00:43:40 --> 00:43:43: how how you want to look at it by sector
00:43:43 --> 00:43:44: or or by country.
00:43:44 --> 00:43:46: I think it you know it will get failed.
00:43:46 --> 00:43:48: It just it just takes time.
00:43:48 --> 00:43:53: It's part of the repricing, the repricing that that's happening.
00:43:53 --> 00:43:56: Does it lead to a broader kind of repricing in
00:43:56 --> 00:43:58: in in the industry.
00:43:59 --> 00:44:02: I think our view at the moment it doesn't and
00:44:02 --> 00:44:05: and the reason is the markets has just become a
00:44:05 --> 00:44:09: lot more you know less connected to some degree although
00:44:09 --> 00:44:12: we are all all connected by something by rates, but
00:44:12 --> 00:44:17: you're seeing divergent in in returns and outlooks between different
00:44:17 --> 00:44:19: sectors, different countries etcetera.
00:44:20 --> 00:44:24: So that this kind of dispersion I think hopefully keeps
00:44:24 --> 00:44:30: away a cascading effect, a valuation going down everywhere regardless
00:44:30 --> 00:44:32: of what it is at the moment.
00:44:32 --> 00:44:36: The market really feels like it's holding on you know
00:44:36 --> 00:44:38: to certain asset values.
00:44:38 --> 00:44:41: Having said that, I mean I think we fully expect
00:44:41 --> 00:44:45: in the office sector as more transactions take place right,

00:44:46 --> 00:44:50: you'll see that pull down certain indexes across the board
00:44:50 --> 00:44:53: and then it'll just depend on what percentage in your
00:44:53 --> 00:44:56: portfolio right is is linked to that.
00:44:56 --> 00:45:00: So I we still think we have little ways to
00:45:00 --> 00:45:01: go here, right.
00:45:01 --> 00:45:04: I I we don't think this is turning in terms
00:45:04 --> 00:45:08: of a of a cycle, but there are definitely some
00:45:08 --> 00:45:09: bright spots within.
00:45:09 --> 00:45:12: Within it, OK, so there are bright spots and there
00:45:12 --> 00:45:15: will be, there will be pain to be felt but
00:45:15 --> 00:45:18: you think that the pain so so but they would
00:45:18 --> 00:45:19: be pain to to to be felt.
00:45:20 --> 00:45:23: Look, I look honestly I honestly, I don't really know.
00:45:23 --> 00:45:26: But I think what the market is telling you, well
00:45:26 --> 00:45:30: the market is telling you is that we've we've become
00:45:30 --> 00:45:33: a lot more dispersed to some degree in terms of
00:45:33 --> 00:45:38: the connectivity between certain asset classes and certain markets.
00:45:38 --> 00:45:41: And that makes sense to me because you know if
00:45:42 --> 00:45:45: everything moved in tandem one way or the other like
00:45:45 --> 00:45:49: it did in the the financial crisis, that's kind of
00:45:49 --> 00:45:51: a boring market, right.
00:45:51 --> 00:45:53: If everything was going to go down, everything was going
00:45:53 --> 00:45:54: to go up, right?
00:45:54 --> 00:45:55: I mean, who?
00:45:55 --> 00:45:57: Who wants to go to a casino and just lose
00:45:57 --> 00:45:59: every single hand in a row?
00:45:59 --> 00:46:01: And conversely, who wants to go and win every single
00:46:01 --> 00:46:01: hand?
00:46:02 --> 00:46:03: You could say you might want to win.
00:46:03 --> 00:46:03: I would.
00:46:04 --> 00:46:06: Actually like to have my it's.
00:46:06 --> 00:46:06: It's.
00:46:07 --> 00:46:08: It's it's the ending all the time.
00:46:08 --> 00:46:08: Exactly.
00:46:08 --> 00:46:08: I'm sure.
00:46:08 --> 00:46:11: I'm sure that Denny's wants a market where everything's gone
00:46:11 --> 00:46:14: down so that he can take advantage of it, right?
00:46:15 --> 00:46:19: So I I I think I think because it's dispersed,
00:46:19 --> 00:46:24: because it's less linked, because there's a lot of capital
00:46:24 --> 00:46:29: still in the world, you're seeing a much slower play

00:46:29 --> 00:46:31: in terms of this repricing.
00:46:31 --> 00:46:35: But the repricing is fundamentally healthy is our view.
00:46:36 --> 00:46:37: It's absolutely healthy.
00:46:37 --> 00:46:41: I think that your point about the real estate being
00:46:41 --> 00:46:44: fairly priced, real estate needs to reprise.
00:46:44 --> 00:46:47: It's reprised a lot, but in some cases it needs
00:46:47 --> 00:46:48: to reprise more.
00:46:50 --> 00:46:53: Now the question now is Denny's.
00:46:53 --> 00:46:54: That's a question for you.
00:46:54 --> 00:46:57: So that issue of the funding gap and the potential
00:46:57 --> 00:47:00: risks, do you think this is systemic in the same
00:47:01 --> 00:47:03: way as it was in the in the global financial
00:47:03 --> 00:47:06: crisis or do you think that as Mark has said
00:47:06 --> 00:47:07: is pockets?
00:47:08 --> 00:47:10: Yeah, No, it's not systemic.
00:47:10 --> 00:47:11: Look at in the in the GFC.
00:47:11 --> 00:47:13: No, I don't think so.
00:47:13 --> 00:47:16: And the GFC, you know you've got these define thirty
00:47:16 --> 00:47:19: large financial institutions globally.
00:47:19 --> 00:47:22: When they get in trouble, the entire financial system gets
00:47:22 --> 00:47:24: in trouble and they were in trouble back in the
00:47:24 --> 00:47:24: GFC.
00:47:24 --> 00:47:26: It was a really scary time period.
00:47:27 --> 00:47:31: This isn't that those those top 30 institutions are fine.
00:47:32 --> 00:47:34: Their exposure to real estate's limited.
00:47:34 --> 00:47:36: You do have in the US some of the regional
00:47:36 --> 00:47:39: banks, I think in Europe obviously you know some of
00:47:39 --> 00:47:40: the German banks.
00:47:40 --> 00:47:43: So there are issues but but it's not systemic at
00:47:43 --> 00:47:46: all and in fact you know I would also argue
00:47:46 --> 00:47:48: too in terms of the funding gap, you know the,
00:47:48 --> 00:47:52: you know the private funds are stepping into to fill
00:47:52 --> 00:47:54: these gaps you know and you know and and they're
00:47:55 --> 00:47:58: very attractive pricing and very attractive risk too.
00:47:58 --> 00:47:58: So.
00:47:59 --> 00:48:01: So I think the capitals there for it and you
00:48:01 --> 00:48:04: know once again going back to being old guys, we've
00:48:04 --> 00:48:06: seen this a couple of times right.
00:48:06 --> 00:48:09: The same charts that show huge amounts of refinancing back
00:48:09 --> 00:48:11: in the GFC all the way back to the savings
00:48:11 --> 00:48:12: and loan crisis.

00:48:13 --> 00:48:15: For those of you who remember that it's the same
00:48:15 --> 00:48:18: charts all the time and and you know the banks
00:48:18 --> 00:48:19: don't want the assets back.
00:48:19 --> 00:48:22: So they either roll over the loans and if the
00:48:22 --> 00:48:26: existing equity holders can stomach it, you know they, they
00:48:26 --> 00:48:31: they accept you know very expensive financing from other sources
00:48:31 --> 00:48:34: or frankly sometimes they give up the property so.
00:48:35 --> 00:48:39: So a colleague of mine, basically I was asking that
00:48:39 --> 00:48:42: question to a colleague of mine and he was saying
00:48:42 --> 00:48:46: that so, so central banks and regulators, they tend to
00:48:46 --> 00:48:48: think about the last crisis.
00:48:48 --> 00:48:51: And as it happened, the last crisis was a banking
00:48:51 --> 00:48:51: crisis.
00:48:52 --> 00:48:54: So if there is an issue with banks now, so
00:48:54 --> 00:48:58: be sure that central banks and regulators are all over
00:48:58 --> 00:49:01: it to bail them out should they need to.
00:49:01 --> 00:49:04: So, Lizette, you want to say something, Go ahead.
00:49:04 --> 00:49:05: Yeah.
00:49:05 --> 00:49:08: I wanted to comment also more from maybe a climate
00:49:08 --> 00:49:12: change and bringing in more some of the more structural
00:49:12 --> 00:49:15: elements that I think need to be dealt with and
00:49:15 --> 00:49:17: might not be priced in yet.
00:49:18 --> 00:49:22: So some pricing repricing there is needed to and in
00:49:22 --> 00:49:27: some ways and and Mark alluded to differences between sectors.
00:49:27 --> 00:49:30: I think it's also you see a lot of difference
00:49:30 --> 00:49:34: within sectors where offices again might be the best example.
00:49:34 --> 00:49:36: We're on our own hand.
00:49:36 --> 00:49:42: There's not enough supply for what tenants really wants when
00:49:42 --> 00:49:46: it's net 0 amenities, health and well-being.
00:49:47 --> 00:49:50: And then there's a huge amount of stock where a
00:49:50 --> 00:49:51: lot of work is needed.
00:49:51 --> 00:49:55: And especially because we see more and more tendency to
00:49:55 --> 00:49:59: focus on reuse this reusing existing which is a huge
00:49:59 --> 00:50:02: task in Europe, probably more than so than in the
00:50:02 --> 00:50:03: other regions.
00:50:04 --> 00:50:08: And and that is something that we need repricing for
00:50:08 --> 00:50:11: that to happen and a little bit of distress might
00:50:11 --> 00:50:15: be even helpful to speed up that process because sometimes
00:50:15 --> 00:50:19: in some countries Europe has not been especially on the

00:50:19 --> 00:50:21: continent the quickest to reprice.
00:50:21 --> 00:50:24: So I think it can also help and unlock the
00:50:24 --> 00:50:26: opportunity there is completely.
00:50:26 --> 00:50:28: Completely, yeah.
00:50:28 --> 00:50:29: I think I totally agree with you.
00:50:29 --> 00:50:32: I think that on that, yeah.
00:50:32 --> 00:50:35: On that topic, I think, I think I mean you're
00:50:35 --> 00:50:38: right that the market in, in the industry should be
00:50:38 --> 00:50:43: hopeful that the repricing provides opportunities for kind of the
00:50:43 --> 00:50:46: decarbonize it and show that there's a financial return to
00:50:47 --> 00:50:50: it, right, which it's it's sort of unfortunate, right, that
00:50:50 --> 00:50:54: you've got to print the financial return at first in
00:50:54 --> 00:50:57: order to get the money right, to be able to
00:50:57 --> 00:50:57: decarbonize.
00:50:57 --> 00:51:00: So that that little cycle there is always difficult to
00:51:01 --> 00:51:01: play.
00:51:01 --> 00:51:05: I mean I think the bigger question for the industry,
00:51:05 --> 00:51:09: when you, when you think about climate risk, do you
00:51:09 --> 00:51:13: really believe it's a tail risk, right, that can create
00:51:13 --> 00:51:16: major or even existential damage to the planet if you
00:51:16 --> 00:51:20: do as a real estate investor and owner, right.
00:51:20 --> 00:51:23: You have to take out some insurance against that and
00:51:23 --> 00:51:28: unfortunately there isn't any insurance against that kind of situation.
00:51:28 --> 00:51:32: So what are you going to do about it?
00:51:32 --> 00:51:34: And so when we talked to a lot of our
00:51:34 --> 00:51:37: investors, we try to position it like like that in
00:51:37 --> 00:51:40: terms of trying to accelerate that that story because you
00:51:41 --> 00:51:43: have to put it in that tail risk bucket.
00:51:43 --> 00:51:47: And especially for an industry that's so long duration oriented,
00:51:47 --> 00:51:51: it doesn't make any sense to me that we don't,
00:51:51 --> 00:51:55: we don't think about hedging tail risks and there's there's
00:51:55 --> 00:51:59: other ones beyond just beyond just climate, but it's just
00:51:59 --> 00:52:01: not even in discussions.
00:52:01 --> 00:52:03: So this is one that I think can be.
00:52:04 --> 00:52:04: Yeah, yeah.
00:52:05 --> 00:52:05: OK.
00:52:06 --> 00:52:07: So we are running out of time.
00:52:07 --> 00:52:09: But I'm just going to ask you, you you all
00:52:09 --> 00:52:12: have just 30 seconds to ask literally, because otherwise I'm
00:52:12 --> 00:52:13: going to be in trouble.

00:52:13 --> 00:52:16: So is there a future for offices?
00:52:17 --> 00:52:19: So you've got 30 seconds, is office is going to
00:52:19 --> 00:52:21: go the same way as retail went?
00:52:21 --> 00:52:23: You have 30 seconds, Dennis.
00:52:25 --> 00:52:25: Yeah, absolutely.
00:52:25 --> 00:52:27: There's the future for offices.
00:52:27 --> 00:52:30: It's just been overbuilt and and frankly you need newer
00:52:30 --> 00:52:33: product that kind of fits today's requirements and needs.
00:52:33 --> 00:52:35: But yeah, absolutely it's not going away.
00:52:35 --> 00:52:35: It's just less.
00:52:36 --> 00:52:37: Thank you, Lisette.
00:52:38 --> 00:52:39: Yeah, I totally agree.
00:52:40 --> 00:52:43: And I don't think we should underestimate how much more
00:52:43 --> 00:52:45: space per person we want to use.
00:52:45 --> 00:52:49: And maybe coming in less and but in a totally
00:52:49 --> 00:52:53: different format than I think we've seen before.
00:52:53 --> 00:52:55: Thank you and Mark.
00:52:56 --> 00:52:57: Yes, I mean there's a future.
00:52:57 --> 00:53:00: I think the, the, the, the Riddle for me is
00:53:00 --> 00:53:03: which I've never been able to figure out in every
00:53:03 --> 00:53:06: market where when the market was good occupancies were high,
00:53:07 --> 00:53:10: you know all these positive indicators, why were the tenants
00:53:10 --> 00:53:13: getting such great deals over and over again in terms
00:53:14 --> 00:53:15: of TIS and free rent.
00:53:15 --> 00:53:17: I mean none of that really kind of you know,
00:53:17 --> 00:53:19: crossed in my mind.
00:53:19 --> 00:53:22: So I think there's some operational changes in in relationship
00:53:23 --> 00:53:26: changes that need to happen to make the space a
00:53:26 --> 00:53:29: lot more viable and basically less volatile from a cash
00:53:29 --> 00:53:32: flow perspective then there's a life for it.
00:53:32 --> 00:53:33: OK.
00:53:33 --> 00:53:34: So less and different.
00:53:35 --> 00:53:36: Thank you so much.
00:53:36 --> 00:53:38: I think that with this I want to thank the
00:53:38 --> 00:53:42: panellist Dennis Lisette, Mark, for this very lively conversation.

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