Webinar

ULI Europe and PwC Emerging Trends in Real Estate 2023 Webinar 20 years of Emerging Trends

Date: November 30, 2022

00:00:04 --> 00:00:10:	So good afternoon, everybody. My name's Angus Johnson. Welcome to
00:00:10 --> 00:00:15:	welcome to the ULI Europe and PwC emerging trends in
00:00:15 --> 00:00:17:	real estate 22023 webinar.
00:00:19 --> 00:00:22:	Today we're going to be looking at 20 years of
00:00:22 --> 00:00:25:	emerging trends and that's going to be a journey both
00:00:25 --> 00:00:29:	looking at what's happened in the past but actually focusing
00:00:29 --> 00:00:31:	more in the future. And to help us with that
00:00:31 --> 00:00:34:	we're going to hear from Sophie Chick from the UI
00:00:34 --> 00:00:37:	who's going to run us through that part of the
00:00:37 --> 00:00:40:	survey that that that that's dealt with this 20 year
00:00:40 --> 00:00:43:	agenda. And then following that I'm going to host a
00:00:43 --> 00:00:47:	panel with with Juliette Morgan, SG consultancy director from Gensler
00:00:48 --> 00:00:50:	NASA Hussain founder and partner at Brookland.
00:00:51 --> 00:00:54:	And Duncan Owen, CEO of Immobel Capital Partners.
00:00:55 --> 00:00:57:	So with that in mind, I'll hand over to Sophie.
00:00:57 --> 00:00:58:	Sophie, over to you.
00:01:02 --> 00:01:05:	Thank you Angus and hello to everyone. Thank you so
00:01:06 --> 00:01:09:	much for joining us today. So as you've just heard
00:01:09 --> 00:01:13:	you know we're we're having a look and and celebrating
00:01:13 --> 00:01:16:	20 years of of emerging trends in Europe and I
00:01:16 --> 00:01:19:	should just say that to put this to put this
00:01:19 --> 00:01:23:	section of the report together with which sits within our
00:01:23 --> 00:01:27:	main report for for emerging trends and this year we
00:01:27 --> 00:01:30:	were really lucky to have input from a nearly 1000
00:01:30 --> 00:01:32:	people across the industry.
00:01:32 --> 00:01:36:	In the form of having a survey done, various interviews,
00:01:36 --> 00:01:39:	roundtables and we asked experts both within the industry

and

00:01:39 --> 00:01:42: outside the industry and we we also made sure that

00:01:43 --> 00:01:46: we included the views of the different generations. So we've

00:01:46 --> 00:01:50: got views particularly on the future coming from everyone from

00:01:50 --> 00:01:53: students, young leaders all the way up to people with

00:01:53 --> 00:01:56: their with more experience. So I just want to start

00:01:57 --> 00:01:59: by having a quick look back because I think it

00:01:59 --> 00:02:02: is really interesting when you take a step back.

00:02:02 --> 00:02:06: And just have a look at how much things have

00:02:06 --> 00:02:09: changed in quite a relatively short space of time and

00:02:09 --> 00:02:13: picking out some of the the quotes that we saw

00:02:13 --> 00:02:16: in some of the older editions of emerging trends have

00:02:16 --> 00:02:20: really illustrated that. So we had back in 2006 we

00:02:20 --> 00:02:23: had to the one of the findings from a survey

00:02:23 --> 00:02:28: question was actually a though mixed-use developments were sort of

00:02:28 --> 00:02:32: gaining in popularity still we still had the majority of

00:02:32 --> 00:02:33: people being wary.

00:02:33 --> 00:02:37: Of doing mixed-use development. And then a year later in

00:02:37 --> 00:02:40: 2007, one of the findings was that when asked about

00:02:40 --> 00:02:45: a new European sustainability legislation, the majority of the respondents

00:02:45 --> 00:02:49: and the industry didn't know anything about it, didn't really

00:02:49 --> 00:02:53: care and felt that green buildings were just a marketing

00:02:53 --> 00:02:56: ploy. So it's very encouraging to see that we have

00:02:56 --> 00:02:59: a we have moved on quite a lot since then,

00:02:59 --> 00:03:02: but I would also say that actually in some aspects

00:03:02 --> 00:03:03: there hasn't been.

00:03:03 --> 00:03:06: Has much changed. So right the way back in our

00:03:06 --> 00:03:10: first report that we did that was an outlook for

00:03:10 --> 00:03:14: 2004, someone said that we're still building things in the

00:03:14 --> 00:03:16: way that we did 30 years ago and to some

00:03:16 --> 00:03:18: extent that's still true today.

00:03:20 --> 00:03:23: One of the things that we asked in our survey

00:03:23 --> 00:03:26: was having a look back again historically at what the

00:03:26 --> 00:03:30: biggest impacts have been on the real estate industry over

00:03:30 --> 00:03:33: the past 20 years. And you can see the results

00:03:33 --> 00:03:36: here. The biggest impact was deemed to be the low

00:03:36 --> 00:03:40: interest rate environment we've had and quantitative easing. The second

00:03:40 --> 00:03:43: was the impact of the global financial crisis. And and

00:03:44 --> 00:03:47: looking at our report from 2009, someone likened this to

00:03:47 --> 00:03:50: the fall of Rome, although they said that this time.
00:03:50 --> 00:03:55: The Barbarians were already through the gate, so the importance
00:03:55 --> 00:03:58: of the GFC really can't be understated. We then have
00:03:58 --> 00:04:02: use of technology, urbanization, and the rise of ESG coming
00:04:02 --> 00:04:03: in 5th place.
00:04:05 --> 00:04:08: So to try and break this report down, and we
00:04:08 --> 00:04:10: did it so that we could.
00:04:11 --> 00:04:15: Break it into six different categories with capital markets on
00:04:15 --> 00:04:19: the path to net zero, taking on greater responsibility, customer
00:04:19 --> 00:04:23: service, real estate as a product and cities and placemaking
00:04:23 --> 00:04:26: and what I'm going to do. This obviously covers a
00:04:26 --> 00:04:29: huge range of material. I'm just going to give you
00:04:29 --> 00:04:33: a quick highlights from each of these topics. So starting
00:04:33 --> 00:04:36: with capital markets and it really is amazing to see
00:04:36 --> 00:04:40: the evolution of the industry that's happened over this. Over
00:04:40 --> 00:04:41: that that two decade long.
00:04:41 --> 00:04:45: It's gone from a relatively opaque industry to one that
00:04:45 --> 00:04:49: is really integral to the financial markets and the availability
00:04:49 --> 00:04:52: of data, being able to benchmark and track performance has
00:04:52 --> 00:04:54: been really important there.
00:04:55 --> 00:05:00: Just to illustrate how much the industry has grown since
00:05:00 --> 00:05:04: then and we have since the GFC that European listed
00:05:04 --> 00:05:09: real estate has grown from 174 billion to 441 billion
00:05:09 --> 00:05:13: and in the non listed sector we've seen funds expand
00:05:13 --> 00:05:18: from 45 to 536 vehicles according to INREV. So huge
00:05:18 --> 00:05:19: growth there.
00:05:20 --> 00:05:23: We just talked about the GFC having a a big
00:05:23 --> 00:05:26: impact on the market and of course one of its
00:05:26 --> 00:05:30: legacies has been this change in lending philosophy. So we
00:05:30 --> 00:05:34: saw banks draw back, become much more conservative and that
00:05:34 --> 00:05:38: hasn't changed and in in its way Cora alongside that
00:05:38 --> 00:05:40: we also see when saw a new breed of lender
00:05:40 --> 00:05:45: entering the market and they're likely to continue to influence
00:05:45 --> 00:05:46: the market going forward.
00:05:47 --> 00:05:52: We're also seeing where global capital is deployed is increasingly
00:05:52 --> 00:05:56: being influenced and will continue to be influenced by disruptive
00:05:56 --> 00:06:00: forces such as geopolitical events that in many cases are
00:06:00 --> 00:06:02: quite hard to predict.

00:06:04 --> 00:06:07: Now when we look back over the past 20 years,
00:06:07 --> 00:06:10: we saw that ESG came in fifth place in terms
00:06:11 --> 00:06:14: of the most influential factor for real estate. If we
00:06:14 --> 00:06:18: look forward over the next 20 years, it's a very
00:06:18 --> 00:06:22: different picture. You can see here the most influential factor
00:06:22 --> 00:06:26: is expected to be the SG agenda followed by climate
00:06:26 --> 00:06:30: change and decarbonization coming in 5th place. So it really
00:06:30 --> 00:06:33: is widely acknowledged that the.
00:06:33 --> 00:06:37: The industry accepts and and knows that this change needs
00:06:37 --> 00:06:41: to happen. We know our responsibility, but it should not
00:06:41 --> 00:06:44: be understated. The challenge that faces us as we look
00:06:44 --> 00:06:47: ahead and some of the key themes that came out
00:06:47 --> 00:06:51: of these are the reports and insights from the industry
00:06:51 --> 00:06:55: are the refurbishment of existing buildings and embodied carbon are
00:06:55 --> 00:06:58: two of the greatest challenges that we need to meet
00:06:58 --> 00:07:01: and they will have an impact on value.
00:07:02 --> 00:07:05: There's a vast capital expenditure that is needed.
00:07:06 --> 00:07:09: Regulation is actually going to be really important, and what
00:07:09 --> 00:07:12: I found interesting is that this seems to be really
00:07:12 --> 00:07:16: welcomed by the industry, particularly when we spoke to the
00:07:16 --> 00:07:17: younger generations.
00:07:18 --> 00:07:21: Post technology has a part to play, and we're already
00:07:21 --> 00:07:24: seeing some of that. In the case of smart buildings
00:07:24 --> 00:07:28: or green building, material and other technology will emerge.
00:07:29 --> 00:07:32: And finally, as the world warms and continues to warm
00:07:32 --> 00:07:36: and climate resilience and adaptation are going to be critical
00:07:36 --> 00:07:40: to combat those physical risks, and we're likely to see
00:07:40 --> 00:07:43: more emphasis placed on biodiversity.
00:07:46 --> 00:07:49: Another key theme that was really interesting that came out
00:07:49 --> 00:07:52: when we were looking ahead and what was going to
00:07:52 --> 00:07:56: make the most successful real estate going forward is this
00:07:56 --> 00:08:00: idea of the industry taking on greater responsibility and responsible
00:08:00 --> 00:08:03: capitalism was there was a key theme and I think
00:08:03 --> 00:08:06: this chart here illustrates it. We asked what's going to
00:08:06 --> 00:08:11: be important for this successful organizational transformation of the real
00:08:11 --> 00:08:14: estate industry over the next 20 years and the top
00:08:14 --> 00:08:16: 2 answers are running an environmentally.
00:08:16 --> 00:08:23: Socially responsible business and creating social impact alongside financial returns.
00:08:23 --> 00:08:28: And this isn't just about decarbonization. This is thinking

about
00:08:28 --> 00:08:33: issues such as loneliness and aging, population inequality and society.
00:08:33 --> 00:08:37: Things that real estate can and actually should.
00:08:37 --> 00:08:40: Be having an impact and and working out how we
00:08:40 --> 00:08:42: can tackle them.
00:08:44 --> 00:08:47: Our 4th topic is customer service. And actually it's been
00:08:47 --> 00:08:51: really interesting to see the evolution in terms of the
00:08:51 --> 00:08:54: focus from the industry from landlords going to tenants and
00:08:54 --> 00:08:59: occupiers. And they're more recently focusing on customers. And we've
00:08:59 --> 00:09:02: seen companies and and we look forward and we think
00:09:02 --> 00:09:05: the most successful companies are going to be those that
00:09:05 --> 00:09:09: look beyond just the physical real estate and now look
00:09:09 --> 00:09:12: at the spaces as service and designing it around the
00:09:12 --> 00:09:14: needs of the occupiers that they want to.
00:09:14 --> 00:09:18: Attract and this may well mean that you see broadened
00:09:18 --> 00:09:23: business models and that are able to provide design, development,
00:09:23 --> 00:09:26: management and operational services.
00:09:28 --> 00:09:32: Reputation and brand will be key and diversity in real
00:09:32 --> 00:09:36: estate and hiring outside traditional skill sets are going to
00:09:36 --> 00:09:40: be really important in terms of being able to meet
00:09:40 --> 00:09:44: that customer service that is needed for the future.
00:09:46 --> 00:09:49: When we look at real estate as a product, it
00:09:49 --> 00:09:53: is really noticeable that we've seen an absolute explosion in
00:09:53 --> 00:09:55: the number of products that that we look at a
00:09:55 --> 00:09:59: number of different sectors. And I think a really nice
00:09:59 --> 00:10:01: way to illustrate this is when we have a look
00:10:01 --> 00:10:06: at our emerging trends rankings for development and investment prospects
00:10:06 --> 00:10:09: and have a look at the different sectors, we can
00:10:09 --> 00:10:12: see how that's changed. So back in 2004, the prospects
00:10:12 --> 00:10:16: for 2004, we looked at 8 different sectors. Interesting to
00:10:16 --> 00:10:17: note retail on top.
00:10:18 --> 00:10:22: By 2008 that had expanded to 10, but by 2016
00:10:22 --> 00:10:27: that had almost doubled and we were at 19 different
00:10:27 --> 00:10:32: sectors. Noticeable that residential has gone from just one.
00:10:33 --> 00:10:36: And before the GFC and we're now looking at a
00:10:36 --> 00:10:40: whole number of different residential sectors and the most recent
00:10:40 --> 00:10:44: outlook that we did that we published in this report
00:10:44 --> 00:10:48: is for 2023. And the top investment and development sectors

00:10:48 --> 00:10:51: are there's 27 in total and the top being those
00:10:52 --> 00:10:57: alternative perhaps more niche sectors like new energy infrastructure and
00:10:57 --> 00:11:00: also a huge number of of residential sectors in that
00:11:00 --> 00:11:03: top half of the table as well.
00:11:03 --> 00:11:06: And I think if we look forward, what's going to
00:11:06 --> 00:11:09: be really interesting is to see how the industry manages
00:11:09 --> 00:11:12: the blurring of lines between these different sectors.
00:11:15 --> 00:11:21: Finally for me we have cities and placemaking, so.
00:11:22 --> 00:11:25: This the key theme that came out here was making
00:11:25 --> 00:11:28: cities a better place to live and focusing on social
00:11:28 --> 00:11:32: inclusion. And we've already seen a number of concepts emerged
00:11:32 --> 00:11:36: that are going to try and help with this, things
00:11:36 --> 00:11:39: like the 15 minute cities or smart cities, and we
00:11:39 --> 00:11:42: expect to see more coming through in this space.
00:11:44 --> 00:11:48: WhatsApp perhaps more radical is is when we were looking
00:11:48 --> 00:11:51: forward 20 years we had a number of people talk
00:11:51 --> 00:11:56: about the idea of self-sufficient neighbourhoods in urban locations that
00:11:56 --> 00:11:59: are producing their own food, their own energy. If this
00:11:59 --> 00:12:03: sounds a little bit like we're going back in the
00:12:03 --> 00:12:07: past it's it's not. We're still talking about things that
00:12:07 --> 00:12:12: are designed and management by technology, sophisticated adaptive AI sort
00:12:12 --> 00:12:14: of managing and and designing.
00:12:14 --> 00:12:17: These locations. So I think on on that note, it's
00:12:17 --> 00:12:21: a nice place to stop to think about where we
00:12:21 --> 00:12:24: might be living and how we might be living in
00:12:24 --> 00:12:27: 20 years from now. And I just want to say
00:12:27 --> 00:12:31: thank you so much to everyone who contributed to this
00:12:31 --> 00:12:35: report. We really can't do it without you. And the
00:12:35 --> 00:12:39: full report is available on both UI and PWC's website
00:12:39 --> 00:12:43: if you're interested in having a further look at that,
00:12:43 --> 00:12:44: but to get more.
00:12:44 --> 00:12:47: Insight to some of the topics that I've just covered.
00:12:47 --> 00:12:49: I'm going to pass you back to Angus and the
00:12:49 --> 00:12:51: rest of the panel. Thank you.
00:12:53 --> 00:12:56: OK. Thank you, Sophie. If I can ask my fellow
00:12:56 --> 00:12:59: panelist to to join in as well just while they're
00:12:59 --> 00:13:00: doing that.
00:13:01 --> 00:13:04: But this is an interactive session, so you should have
00:13:04 --> 00:13:06: on your screen a chat option.

00:13:07 --> 00:13:11: Which which will give you the.
00:13:24 --> 00:13:28: OK. Can everyone hear me? I'm sorry about that. Yes,
00:13:28 --> 00:13:31: it just just while everyone's joining, so.
00:13:32 --> 00:13:35: We have a chat option here on the on the
00:13:35 --> 00:13:39: screen. So, so anyone who wants to to ask a
00:13:39 --> 00:13:43: question, just just type it into the chat and it'll
00:13:43 --> 00:13:45: come up, I'll be able to see it and I
00:13:46 --> 00:13:50: will introduce it into the mix, right. So. So let's,
00:13:50 --> 00:13:51: let's get started.
00:13:52 --> 00:13:55: I thought, I thought we might might start as is
00:13:55 --> 00:13:58: is just sort of taking a really big picture look
00:13:58 --> 00:14:00: at what we've seen in the last.
00:14:00 --> 00:14:03: 20 years and and and sort of try to reflect
00:14:03 --> 00:14:06: on on sort of how that makes us think about
00:14:06 --> 00:14:09: the 20 years to come if you like. I mean
00:14:09 --> 00:14:12: it feels to me that that we've seen a number
00:14:12 --> 00:14:16: of of of you know quite quite extraordinary things happen.
00:14:18 --> 00:14:21: And obviously we had the GFC we had the the
00:14:21 --> 00:14:25: the the quantitative easing and and sort of the cheap
00:14:25 --> 00:14:28: money that followed that that came up on the on
00:14:28 --> 00:14:32: the on the report we've we've also seen a a
00:14:32 --> 00:14:36: huge advance in technology you know I was checking earlier
00:14:36 --> 00:14:40: it it's actually the first smartphone and I think we
00:14:40 --> 00:14:44: probably would we accept that we measure the real rise
00:14:44 --> 00:14:48: of technology from the introduction of the smartphone.
00:14:48 --> 00:14:51: First smartphone was the iPhone. It was introduced in June
00:14:52 --> 00:14:55: 2007, which really doesn't feel that long ago, the way
00:14:55 --> 00:14:57: I look at it. But you think about the extraordinary
00:14:57 --> 00:15:01: change that that's that that's wrought since. But, you know,
00:15:01 --> 00:15:04: we've had the, the, the GFC, which was an extraordinary
00:15:04 --> 00:15:07: event. We've had a pandemic, which was an extraordinary event.
00:15:07 --> 00:15:10: We've now got a land war in Europe, which is
00:15:10 --> 00:15:13: another extraordinary event, all of which I think, you know,
00:15:13 --> 00:15:16: if you'd asked two or three years before those things
00:15:16 --> 00:15:18: happened, do you think that would happen?
00:15:18 --> 00:15:20: As people would have said, no.
00:15:20 --> 00:15:21: But they have happened.
00:15:22 --> 00:15:25: So I guess my first question to the to the
00:15:25 --> 00:15:28: to kick around with the panelists is.
00:15:29 --> 00:15:32: Whilst it's hard to predict what the next sort of
00:15:32 --> 00:15:33: crisis would be.

00:15:34 --> 00:15:38: Is there anything that we can learn from what's happened
00:15:38 --> 00:15:41: in the last 20 years that would help us do
00:15:41 --> 00:15:42: you think in terms of?
00:15:43 --> 00:15:46: Of resilience in in, in the face of crises.
00:15:47 --> 00:15:48: To come.
00:15:49 --> 00:15:52: Because I think what the last 20 years probably tells
00:15:52 --> 00:15:54: us is that there will be.
00:15:54 --> 00:15:56: I don't know what they are necessarily, but we can
00:15:56 --> 00:15:58: talk about that, but I think they're probably will be.
00:16:00 --> 00:16:03: Who wants to? Who wants to start? Duncan, why don't
00:16:04 --> 00:16:07: you have, why don't you have first shot at that?
00:16:08 --> 00:16:13: Gosh, yeah, it's a big topic and I think.
00:16:14 --> 00:16:17: First of all, what a good presentation that was. That
00:16:17 --> 00:16:20: was a really good whistle stop tour of 30,000 feet
00:16:20 --> 00:16:23: of what's happened in the last couple of decades.
00:16:25 --> 00:16:28: In order to answer the question, Angus, I'd probably.
00:16:28 --> 00:16:32: Just take one step back briefly because listening to the
00:16:33 --> 00:16:36: presentation, it feels like we're almost in a in a
00:16:36 --> 00:16:41: fourth phase of real estate and real estate investing over
00:16:41 --> 00:16:44: the cicada the last 20 years and I've maybe been
00:16:44 --> 00:16:46: unkind to my profession.
00:16:46 --> 00:16:47: But.
00:16:47 --> 00:16:50: 20 years or more ago, it seemed that.
00:16:51 --> 00:16:54: We just bought buildings, let them on long leases, waited
00:16:54 --> 00:16:56: for the lease to run to the end and then
00:16:56 --> 00:16:57: sold them as a lower price.
00:16:58 --> 00:17:01: And that moved into a slightly more proactive approach where
00:17:01 --> 00:17:04: you would hear the terms where people would buy a
00:17:04 --> 00:17:07: building their fix it, whatever that meant. They might be.
00:17:07 --> 00:17:10: The might be the occupation, it might be the fabric
00:17:10 --> 00:17:12: of the building and then they'd sell it.
00:17:12 --> 00:17:15: That was often the mantra of a as you went
00:17:15 --> 00:17:19: sort of through the 2000s up to the financial crisis.
00:17:19 --> 00:17:22: Post the financial crisis, I think we moved into a
00:17:22 --> 00:17:26: theme based investment criteria and there were some mega themes
00:17:26 --> 00:17:29: people often used to talk about. I did when I
00:17:29 --> 00:17:32: was introduced, we used to talk a lot about the
00:17:32 --> 00:17:36: rapid urbanization, the fact that the world's population was going
00:17:36 --> 00:17:39: from 50 to 75% living in urban cities and at
00:17:39 --> 00:17:41: the same time it was going from 6 to 7

00:17:41 --> 00:17:43: to 8 billion and on to 10.

00:17:44 --> 00:17:47: Obviously the population was was aging and so the demographic

00:17:47 --> 00:17:50: changes were huge and what we're doing and investment there

00:17:50 --> 00:17:52: was a big consequence on what we needed in new

00:17:52 --> 00:17:55: infrastructure and power and how we're going to get power.

00:17:55 --> 00:17:56: We're seeing that now.

00:17:57 --> 00:18:00: The technological revolution was amazing in every way from from

00:18:00 --> 00:18:04: mobile phones, communications, the fact that were there. There's now

00:18:04 --> 00:18:07: more than 10 billion mobile phone devices. The fact that.

00:18:08 --> 00:18:11: There is now twice as much data existing as there

00:18:11 --> 00:18:14: was two years ago globally. From where does that all

00:18:14 --> 00:18:17: get stored? What happens? And there was this ship from

00:18:17 --> 00:18:19: the West to the east and I think what's taken

00:18:20 --> 00:18:22: over from those themes, which is sort of the answer

00:18:23 --> 00:18:25: about the future as well as what we've learned.

00:18:26 --> 00:18:28: Is people want more flexibility?

00:18:29 --> 00:18:31: They want the real estate to be more operation focused,

00:18:32 --> 00:18:32: customer focused.

00:18:33 --> 00:18:35: And they now need it to be green. And you

00:18:35 --> 00:18:37: need what we call 4S is you need buildings and

00:18:37 --> 00:18:41: strategically important that are smart buildings, sustainable and safe.

00:18:42 --> 00:18:44: And you and they're all all those points are intrinsically

00:18:44 --> 00:18:45: linked.

00:18:46 --> 00:18:49: So it's almost the fourth phase which is really focused

00:18:49 --> 00:18:53: on ESG and flexibility and everything that goes with that

00:18:53 --> 00:18:56: about amenities, social and the built in roles.

00:18:57 --> 00:18:59: So if you look back and answering your question, I

00:18:59 --> 00:19:02: think the key thing we've learned is we don't learn

00:19:02 --> 00:19:05: from Alice's and. And by that I mean the first,

00:19:05 --> 00:19:07: the first, the, the main point, the easiest point.

00:19:08 --> 00:19:13: Is the fall in capital values and the instability and

00:19:13 --> 00:19:16: the capital system that we have now.

00:19:17 --> 00:19:19: Is an echo and I would argue with still the

00:19:20 --> 00:19:24: consequence of the financial crisis. We're 14 years further on

00:19:24 --> 00:19:28: with quantity easing, the resultant inflation and the resultant capital

00:19:28 --> 00:19:31: crisis in that we are beginning to try and take

00:19:31 --> 00:19:35: ourselves off the drug of quantitative easing and we can't

00:19:35 --> 00:19:39: really afford to do that and that's having an impact
00:19:39 --> 00:19:42: on it all but the very most productive and most
00:19:42 --> 00:19:45: efficient economies. And what that means is it has a
00:19:45 --> 00:19:46: huge impact.
00:19:47 --> 00:19:49: And how it should be behaving as investors?
00:19:49 --> 00:19:54: And requiring the Council to work more smartly with decarbonization,
00:19:54 --> 00:19:57: having a pathway to net zero is essential. And we've
00:19:57 --> 00:20:00: got to learn from those lessons, getting back to my
00:20:00 --> 00:20:03: point. And we've got to have more flexibility and more
00:20:03 --> 00:20:07: of an operational approach. So I'm sort of answering two
00:20:07 --> 00:20:09: questions in one, forgive me, but.
00:20:10 --> 00:20:12: Part One is we've got to learn from the previous
00:20:13 --> 00:20:16: lessons and the evidence suggests we have them. And Part
00:20:16 --> 00:20:18: 2 is we're in this sort of fourth phase over
00:20:18 --> 00:20:22: 20 years, which is all about green, having sustainable strategies
00:20:22 --> 00:20:26: and being more flexible. So we actually deliver more occupies
00:20:26 --> 00:20:29: once and we've really got to learn those lessons.
00:20:33 --> 00:20:34: Still only using this.
00:20:35 --> 00:20:38: Mute, it keeps putting me on mute, right. It's quite
00:20:38 --> 00:20:41: disappointing. But the, the, the, the, I think, I think
00:20:41 --> 00:20:44: maybe the that what I take from that answer though
00:20:44 --> 00:20:47: which I think is, is fair is that you know
00:20:47 --> 00:20:50: we've spent the last 20 years somewhat reliant on yield
00:20:50 --> 00:20:51: compression.
00:20:53 --> 00:20:57: And and really the answer going forward is going to
00:20:57 --> 00:21:00: have to be to be more focused on value creation
00:21:00 --> 00:21:04: through asset management and that maybe that that in and
00:21:04 --> 00:21:08: of itself would make the industry more resilient against against
00:21:08 --> 00:21:12: shocks that might come through. I mean I guess a
00:21:12 --> 00:21:15: if I was going to guess that what might be
00:21:15 --> 00:21:15: a.
00:21:17 --> 00:21:20: A surprise crisis that might come around and hit us
00:21:20 --> 00:21:23: but but which we ought to be expecting anyway. You
00:21:23 --> 00:21:26: know, it it could well be a climate based thing,
00:21:26 --> 00:21:28: you know, a a so-called green swan.
00:21:29 --> 00:21:34: Events, you know, a Pakistan style floods through Europe that
00:21:34 --> 00:21:38: makes half the built environment uninsurable a you know a
00:21:38 --> 00:21:42: a series of heat waves if you like, which mean

00:21:42 --> 00:21:47: that that the UK basic building structure which you know,
00:21:47 --> 00:21:51: without wanting to sound too glib about it, I think
00:21:51 --> 00:21:55: it could be defined as keeping the rain out and
00:21:55 --> 00:21:56: the heat in.
00:21:57 --> 00:21:59: You know, we would have to deal with a situation
00:21:59 --> 00:22:02: where where there's not enough water and you're you're trying
00:22:02 --> 00:22:03: to keep the heat out.
00:22:04 --> 00:22:08: I mean, Juliet, I know you've you've thought about some
00:22:08 --> 00:22:11: of these things. Are we, do you think we're underpricing
00:22:11 --> 00:22:14: the risk of that? Do you think we have any
00:22:14 --> 00:22:17: conception of of of of what of what that sort
00:22:17 --> 00:22:18: of crisis might look like?
00:22:20 --> 00:22:23: I think this conversation shows that we think it's a
00:22:23 --> 00:22:27: future event and actually anybody looking at some data would
00:22:27 --> 00:22:30: realise that parts of London were underwater last year in
00:22:30 --> 00:22:35: the previous year. That there are very substantially valuable assets
00:22:35 --> 00:22:38: that have been impacted by flood in this country. A
00:22:38 --> 00:22:42: commercial assets and residential three years ago just bringing it
00:22:42 --> 00:22:45: to Europe, I think the on the registry of of
00:22:45 --> 00:22:49: most impacted countries by value was Germany through massive flooding.
00:22:50 --> 00:22:52: And then we saw you know a Green swan event,
00:22:52 --> 00:22:55: a fire in London because of 40 degree heat last
00:22:55 --> 00:22:58: year. So the fact that we're even talking about this
00:22:58 --> 00:23:03: as something that's happening in the future at some unquantifiable
00:23:03 --> 00:23:06: date suggests to me that we've, we've not embraced the
00:23:06 --> 00:23:09: fact that it's, it's not happening in the future, it's
00:23:09 --> 00:23:13: happening now. So has that fed through to pricing and
00:23:13 --> 00:23:16: I suspect it hasn't partly because valuation is driven off,
00:23:16 --> 00:23:19: annual valuation cycles are not CFD disclosures.
00:23:20 --> 00:23:22: And and if you look at climate mapping, then most
00:23:22 --> 00:23:25: of London would be underwater. So if you, if you
00:23:25 --> 00:23:28: look at the value of all of London's assets and
00:23:28 --> 00:23:31: that tells you a lot about whether we're priced in
00:23:31 --> 00:23:33: that risk or not, it may well have started to
00:23:33 --> 00:23:36: flow through to insurance premiums. But I I think you
00:23:36 --> 00:23:39: mentioned a really important word which is a word that
00:23:39 --> 00:23:42: hasn't come up very much in in the report. So

00:23:42 --> 00:23:45: we're talking a lot about ESG as an industry. We're
00:23:45 --> 00:23:49: not talking as much about adaptation and resilience. It's entirely
00:23:49 --> 00:23:51: likely that we breached 1 1/2 degrees.
00:23:51 --> 00:23:54: This summer. So if the tell 12 key indicators we
00:23:54 --> 00:23:58: breached 6 and and there isn't a moment there's not
00:23:58 --> 00:24:02: a an identifiable experience that that kicks in when when
00:24:02 --> 00:24:05: the feedback leaks happen that we can say that was
00:24:05 --> 00:24:09: the moment. So this isn't a kind of green trajectory
00:24:09 --> 00:24:13: towards net zero that neatly goes to 203040 or 50
00:24:13 --> 00:24:16: that will conveniently have greens ones that kick in at
00:24:17 --> 00:24:20: a time that we're ready we need to be having
00:24:20 --> 00:24:21: an adaptation and.
00:24:21 --> 00:24:24: Brilliance, conversation at the same time as an ESG agenda
00:24:24 --> 00:24:27: in order to learn from the the sins of the
00:24:27 --> 00:24:27: past.
00:24:28 --> 00:24:31: So here's the thing, right? If you look back at
00:24:31 --> 00:24:34: those reports going back to to 22,000 and three in
00:24:35 --> 00:24:39: about 2006 and 2007, there were, you know, Cassandras out
00:24:39 --> 00:24:43: there basically. And there they were talked about in the
00:24:43 --> 00:24:47: report talking about this markets getting overheated. There's a real
00:24:47 --> 00:24:51: bubble happening here. This could be a problem.
00:24:52 --> 00:24:54: But we don't listen to it until it happens.
00:24:57 --> 00:25:01: And then it's and then it's but then it's obviously
00:25:01 --> 00:25:02: too late. So I.
00:25:02 --> 00:25:05: It it does strike me as something that that, that,
00:25:05 --> 00:25:08: you know, if we're going to learn anything from what
00:25:08 --> 00:25:09: happened in the last 20 years.
00:25:10 --> 00:25:14: That we need to take more notice of those signposts.
00:25:14 --> 00:25:16: I think we know they're there, but the issue would
00:25:16 --> 00:25:17: appear to be urgency.
00:25:20 --> 00:25:23: But that and that, and that's the same, you know,
00:25:23 --> 00:25:25: I, I know it's a, it's a different crisis, it's
00:25:25 --> 00:25:28: a different scale of crisis. It's a potentially vastly bigger
00:25:28 --> 00:25:29: one.
00:25:30 --> 00:25:33: But but what you're saying is is is flagging the
00:25:33 --> 00:25:36: same things that if we look back as historians at
00:25:36 --> 00:25:39: what happened before the GFC you know you can see
00:25:40 --> 00:25:42: the same points. I mean NASA from a, you know
00:25:42 --> 00:25:45: you've got a you've got some views on on from
00:25:45 --> 00:25:48: a from a lending perspective do you think.

00:25:49 --> 00:25:52: Do you think lenders do you think capital markets are
00:25:52 --> 00:25:54: starting to price any of this risk in is it,
00:25:54 --> 00:25:57: is it is it even featuring as a consideration?
00:26:00 --> 00:26:03: I mean, it's definitely a risk that lenders in the
00:26:03 --> 00:26:05: capital markets are cognisant off.
00:26:06 --> 00:26:09: I think rather than pricing in that risk.
00:26:10 --> 00:26:14: It's more a question of trying to incentivize more sustainability
00:26:14 --> 00:26:15: than debt.
00:26:17 --> 00:26:21: So you do see a lot of lenders now establish
00:26:21 --> 00:26:27: sustainability debt programs where they try to give preferred access
00:26:27 --> 00:26:32: to to debt capital for full sustainable loans and they
00:26:32 --> 00:26:37: try to offer reduced economics for sustainable debt.
00:26:39 --> 00:26:42: Hard to interrupt, but I guess in a sense I
00:26:42 --> 00:26:45: think what the point Juliet's making is that.
00:26:47 --> 00:26:50: Making sure that going forward buildings are more sustainable in
00:26:50 --> 00:26:53: terms of their of their carbon footprint for example, is
00:26:53 --> 00:26:55: important because if we're going to get on top of
00:26:55 --> 00:26:57: this problem, we're going to have to do that, but
00:26:57 --> 00:26:58: actually.
00:26:59 --> 00:27:01: The risk of of a, of a, of a, of
00:27:01 --> 00:27:05: a, of a major climate style event has already arrived.
00:27:05 --> 00:27:08: We've, we've, we've allowed the situation to develop to a
00:27:08 --> 00:27:12: point where regardless of what we might do with the
00:27:12 --> 00:27:16: built environment going forward, we would have to accept that
00:27:16 --> 00:27:19: there is an increased risk of a of a sort
00:27:19 --> 00:27:22: of a climate driven you know change that that is
00:27:22 --> 00:27:25: going to have that impact. Is that fair, Juliet, if
00:27:25 --> 00:27:26: I have I.
00:27:29 --> 00:27:32: It's not uniform, it's not, it's not all assets, but
00:27:32 --> 00:27:35: you know, there were shopping centres in East London that
00:27:35 --> 00:27:37: were underwater in August last year, which is a a
00:27:37 --> 00:27:41: month that you wouldn't necessarily have expected and you wouldn't
00:27:41 --> 00:27:43: necessarily have expected it to be a a shopping centre
00:27:44 --> 00:27:45: in East London, so.
00:27:46 --> 00:27:49: It it. My point is that it it's it's sudden,
00:27:49 --> 00:27:53: it's unexpected, it's random. It's not necessarily where we imagine
00:27:53 --> 00:27:56: it's going to be, but it also isn't uniform.
00:28:00 --> 00:28:05: Right. Well, that's a nice way to start isn't it?

00:28:05 --> 00:28:08: But actually I I think it's I think it is
00:28:08 --> 00:28:12: highly relevant and I, I, I, I my sense is
00:28:12 --> 00:28:15: that we have historically mispriced.
00:28:16 --> 00:28:20: Unlikely risks you know in in this game and I
00:28:20 --> 00:28:23: I might I I sense we might be heading down
00:28:23 --> 00:28:27: the same the same pathway with this but let's let's
00:28:27 --> 00:28:31: move to a slightly more positive note I guess in
00:28:31 --> 00:28:34: this which is that you know, we now we now
00:28:34 --> 00:28:39: own a situation I think where there is widespread acceptance
00:28:39 --> 00:28:43: of the need to readapt to reimagine the built environment,
00:28:43 --> 00:28:47: certainly certainly in the West, I think that's the case.
00:28:48 --> 00:28:51: And that's a that's a combination of things. I mean
00:28:52 --> 00:28:54: it's very largely the the sort of the the net
00:28:54 --> 00:28:58: zero type gender making buildings greener. But it's also recognizing
00:28:58 --> 00:29:02: that we've particularly post pandemic you know we've got changing
00:29:02 --> 00:29:06: expectations from people about what they want the built environment
00:29:06 --> 00:29:09: to deliver for them, how they want to use it.
00:29:09 --> 00:29:13: There's a growing realization as the report shows around the
00:29:13 --> 00:29:15: the need for more focus on the US side of
00:29:15 --> 00:29:17: the SG that that you know we, we.
00:29:18 --> 00:29:20: That we're more cognizant of the impact of the built
00:29:21 --> 00:29:24: environments on the on the communities that immediately surround it,
00:29:24 --> 00:29:27: et cetera and all of those sorts of things.
00:29:28 --> 00:29:30: I mean, actually when you when you look at it,
00:29:31 --> 00:29:33: I mean I, I saw a figure the other day
00:29:33 --> 00:29:37: that that estimated that the total global value of developed
00:29:37 --> 00:29:40: real estate on the planet is something in the order
00:29:40 --> 00:29:42: of 300 trillion U.S. dollars.
00:29:43 --> 00:29:44: Now.
00:29:45 --> 00:29:47: Even if only a portion of that needs to be
00:29:47 --> 00:29:50: worked on, in terms of what I've just discussed and
00:29:50 --> 00:29:53: expect, it's quite a big portion. I mean, that's a
00:29:53 --> 00:29:55: Herculean task by any description.
00:29:57 --> 00:30:00: So and a lot of that is going to fall
00:30:00 --> 00:30:03: to the real estate industry because that's what we do.
00:30:05 --> 00:30:08: So Duncan, do you think the industry is ready for
00:30:09 --> 00:30:09: it?
00:30:13 --> 00:30:16: Probably not on the balance of odds, I don't think
00:30:17 --> 00:30:21: it's really for Juliet point recognize the scale of the

00:30:21 --> 00:30:24: issue and as normal you get a degree of denial
00:30:24 --> 00:30:29: and then possibly even anger management to cure before you
00:30:29 --> 00:30:32: get the solution. So if you just take I mean
00:30:32 --> 00:30:36: what what ever got that the partners and most focused
00:30:36 --> 00:30:36: on.
00:30:37 --> 00:30:43: Is is is stranded brown officers to green officers in
00:30:43 --> 00:30:47: in yeah, in good environments, good senses.
00:30:49 --> 00:30:52: On average, in the main big levels, they're now in
00:30:52 --> 00:30:53: European cities.
00:30:54 --> 00:30:58: With the UK being included in the Europe, only about
00:30:59 --> 00:31:03: 10% to stock actually even meets the basic legal requirements
00:31:04 --> 00:31:09: that the local authorities governments are saying as a minimum.
00:31:10 --> 00:31:12: In 2027 and then in 2013.
00:31:14 --> 00:31:17: Now if you ask the average office owner.
00:31:19 --> 00:31:22: Do they have the equivalent of the sinking funds?
00:31:23 --> 00:31:27: To pay for that retrofit and improvement and do they
00:31:27 --> 00:31:30: have the skill sets to execute it?
00:31:31 --> 00:31:35: Do they understand the time scales for that and that
00:31:35 --> 00:31:40: it will be physically? There are some exemptions, but it
00:31:40 --> 00:31:44: will be illegal to let an office property that doesn't
00:31:44 --> 00:31:48: meet those requirements in between 2020 seven 2013.
00:31:50 --> 00:31:55: It's interesting that I think increasingly from the other end
00:31:55 --> 00:31:56: of the lens.
00:31:57 --> 00:32:02: Users, consumers, occupiers are seeing evidence of recognizing that, and
00:32:02 --> 00:32:06: that's partly because maybe some of them are being put
00:32:06 --> 00:32:11: under some pressure for good pressure. What they've promised to
00:32:11 --> 00:32:17: stakeholders, shareholders, their employees, their talents, their customers, their clients
00:32:17 --> 00:32:20: is all creating significant pressure.
00:32:21 --> 00:32:22: All.
00:32:23 --> 00:32:26: The owners to recognize that they need these, they they
00:32:26 --> 00:32:30: need to remedy these. But on average we think for
00:32:30 --> 00:32:35: good prime offices in London, Paris, Berlin, etcetera, etcetera, etcetera.
00:32:36 --> 00:32:40: The cost of remedial retrofitting, not burning carbon and demolishing
00:32:40 --> 00:32:44: it and building a new one. And we know demolishing
00:32:44 --> 00:32:47: and rebuilding is equivalent to about 50 years use of
00:32:47 --> 00:32:48: that office.

00:32:51 --> 00:32:53: It's about 20% of value. There are instances where you
00:32:53 --> 00:32:56: can point to it being more. There are instance instances
00:32:56 --> 00:32:58: where you can point to it being less.
00:32:59 --> 00:33:04: But it respects what's happening in the micro environment that
00:33:04 --> 00:33:05: means value.
00:33:06 --> 00:33:11: Obsolescence of the that and the impact on the value
00:33:11 --> 00:33:14: is probably approaching 20% on average.
00:33:15 --> 00:33:17: If people take it seriously.
00:33:17 --> 00:33:21: Now is that widely recognized node, I'm certain it's not
00:33:21 --> 00:33:25: a set of Saturn that year end valuation meetings this
00:33:25 --> 00:33:28: year to know it is not being matched. I know
00:33:28 --> 00:33:31: there is some, there's a lot of information out there
00:33:31 --> 00:33:34: that leads to confusion and some of it is the
00:33:35 --> 00:33:38: cost of financing. You know we do debt from NASA
00:33:38 --> 00:33:41: will tell us it's going to cost us three times
00:33:41 --> 00:33:44: what it would have cost us in the summer if
00:33:44 --> 00:33:47: it's possible. Does all all manner of other things.
00:33:47 --> 00:33:52: Affecting value but the biggest and most permanent is the
00:33:52 --> 00:33:57: need to rectify the carbon footprints and sustainability building so
00:33:57 --> 00:34:00: it's fit for purpose for the occupiers.
00:34:01 --> 00:34:04: And you can then read that across to all the
00:34:04 --> 00:34:09: other sectors, especially residential. Many people spend 80% of their
00:34:09 --> 00:34:13: lives where they sleep and where they work in offices
00:34:13 --> 00:34:16: and a residential lot so that they are too acute,
00:34:16 --> 00:34:20: acute sectors that are in real need of rectifying recognition
00:34:20 --> 00:34:24: and then rectification. So I don't think it is. I
00:34:24 --> 00:34:27: think it's coming in a rush. But again to Julia's
00:34:27 --> 00:34:29: point, it's here and now.
00:34:30 --> 00:34:33: Because if you're an occupier, you're not going to commit
00:34:33 --> 00:34:36: even for two or three years, let alone 10 to
00:34:36 --> 00:34:39: 15 years to occupy a premises that doesn't meet these
00:34:40 --> 00:34:43: requirements. Because it's not fair on your staff. It doesn't.
00:34:43 --> 00:34:47: It's not fair on your clients and your customers and
00:34:47 --> 00:34:50: for for all of those reasons, it's not fair on
00:34:50 --> 00:34:53: the environment and and and the next generation so.
00:34:54 --> 00:34:57: Stop, I don't think it is recognized and that there
00:34:57 --> 00:35:00: is still a final thing I'd say on there is
00:35:00 --> 00:35:04: there is still witness with several investors that we're meeting,
00:35:04 --> 00:35:04: get it?
00:35:05 --> 00:35:10: But equally there is a difference between intellectual

acknowledgement of
00:35:10 --> 00:35:11: the issue.
00:35:12 --> 00:35:16: And then you see an in totally different emotional response
00:35:16 --> 00:35:17: to it.
00:35:18 --> 00:35:23: People will say, yes, that's right, Duncan, it'll take 20%
00:35:23 --> 00:35:26: of the value of the office to get it to.
00:35:26 --> 00:35:30: But that's not the case for my office.
00:35:30 --> 00:35:31: No.
00:35:31 --> 00:35:32: And that's the.
00:35:32 --> 00:35:35: Issue. No, no, nobody likes to spend money to stand
00:35:35 --> 00:35:36: still.
00:35:38 --> 00:35:39: I mean NASA.
00:35:41 --> 00:35:44: You know if you take what what Duncan's just said
00:35:44 --> 00:35:48: as as a reasonable estimate of an all and I
00:35:48 --> 00:35:51: think the 20% number is, is, is, is, is one
00:35:51 --> 00:35:54: I've I've I've heard before as well. I mean that
00:35:54 --> 00:35:57: implies an enormous investment of capital.
00:35:58 --> 00:36:01: I mean just just putting aside the practicalities of it
00:36:01 --> 00:36:03: not come back to that in a in in a
00:36:03 --> 00:36:06: moment, but but do you think, do you think that
00:36:06 --> 00:36:09: that capital markets in their various forms as they and
00:36:09 --> 00:36:11: debt markets as they, as they, as they look really
00:36:11 --> 00:36:14: do you think that there's anything like?
00:36:15 --> 00:36:18: That amount that that capital available to to finance this.
00:36:20 --> 00:36:20: I think.
00:36:21 --> 00:36:25: I think probably not right now, and it depends.
00:36:26 --> 00:36:29: How that debt is distributed over a number of years
00:36:29 --> 00:36:30: as well, right?
00:36:31 --> 00:36:35: I mean, I think, I think what's interesting, if you
00:36:35 --> 00:36:38: look at the UI survey and you, you look at
00:36:38 --> 00:36:41: where suburban officers rank.
00:36:41 --> 00:36:47: In relation to potential investment performance, they ranked 27th out
00:36:47 --> 00:36:51: of 27th asset assets, right. So I think the market
00:36:51 --> 00:36:55: understands and appreciates the issue and I think the fact
00:36:55 --> 00:36:56: that.
00:36:57 --> 00:37:02: European governments introducing minimum PC requirements or in the process
00:37:02 --> 00:37:06: of doing so, forces both both borrowers and lenders to
00:37:07 --> 00:37:10: start tackling the issue. I think one thing that the
00:37:10 --> 00:37:14: global financial crisis did for us it it it it,
00:37:14 --> 00:37:19: it stressed the importance of having the most diversified form

00:37:19 --> 00:37:22: of of of of of sources of debt. Right. So
00:37:22 --> 00:37:25: we do now benefit from far more diversity in debt
00:37:25 --> 00:37:27: than we than we ever have.
00:37:27 --> 00:37:32: Across Europe and in recent years most most sort of
00:37:32 --> 00:37:38: financings of transitional assets or repositioning of assets in particular
00:37:38 --> 00:37:42: offices have been funded by debt funds and and debt
00:37:42 --> 00:37:47: funds have the requisite risk appetite to fund those sorts
00:37:47 --> 00:37:52: of transactions. They are growing in scale and size and
00:37:52 --> 00:37:56: and and and probably best place to tackle this issue.
00:37:57 --> 00:38:01: And hopefully when the capital markets return, we can also
00:38:01 --> 00:38:04: tap into CRC Los where where debt funds are able
00:38:04 --> 00:38:07: to actually raise additional capital.
00:38:08 --> 00:38:12: Charmed beyond the LP capital that they have to try
00:38:12 --> 00:38:15: and to try and tackle this issue and there are,
00:38:15 --> 00:38:18: there are a number of schemes out there for sustainable
00:38:18 --> 00:38:22: debt, but in I mean they're they're tiny in terms
00:38:22 --> 00:38:25: of the scale of the problem right now. So, so
00:38:25 --> 00:38:26: there's still a lot to do.
00:38:29 --> 00:38:31: I mean, Juliet, I I think you've probably done a
00:38:32 --> 00:38:33: bit of work looking at the.
00:38:34 --> 00:38:37: You know, the reality of, of, of of trying to
00:38:37 --> 00:38:41: execute this, this change. I mean maybe you're assuming that
00:38:41 --> 00:38:45: we've got the money and and that's not clear either,
00:38:45 --> 00:38:48: is it? Is it actually possible to be done in
00:38:48 --> 00:38:50: any sort of reasonable time frame?
00:38:51 --> 00:38:53: Yeah, it is. I just want if I answer that
00:38:53 --> 00:38:55: in a second, I want to go back to your
00:38:56 --> 00:38:59: previous question. Your previous question related to social value and
00:38:59 --> 00:39:02: and I'm not entirely sure that we answered the social
00:39:02 --> 00:39:05: value aspect of the conversation. So if if you're willing,
00:39:05 --> 00:39:08: I'm just spend a second, please do. Is it possible
00:39:08 --> 00:39:11: because it forms part of it? Is it possible conversation?
00:39:11 --> 00:39:14: Yeah. Social value reporting is is one of the harder
00:39:14 --> 00:39:16: aspects to measure. So the reason, the reason why we're
00:39:17 --> 00:39:19: all talking about SG is because you know, going back
00:39:19 --> 00:39:21: to 20 years it was CSR, Now it's SG.
00:39:21 --> 00:39:25: And there are rumblings of conversations around the world. I've
00:39:25 --> 00:39:28: just come back from America where people are saying is
00:39:28 --> 00:39:29: it even going to be SG or is it gonna

00:39:30 --> 00:39:32: become something else, right. So there there's kind of a
00:39:33 --> 00:39:35: mood out there that it isn't here to stay. I
00:39:35 --> 00:39:37: would, I was also at COP 27. And I can
00:39:37 --> 00:39:40: absolutely tell you that having looked at things like Mark
00:39:40 --> 00:39:43: Carney, G fans initiative and what's going on across, you
00:39:43 --> 00:39:46: know, European changes in regulation and North American changes in
00:39:47 --> 00:39:49: regulation in terms of financial disclosure.
00:39:49 --> 00:39:52: The the way in which investors are assessing projects is
00:39:52 --> 00:39:55: changing. And of course it's on Capitol Valley, but it's
00:39:55 --> 00:39:59: also on environmental and social impact. Environmental we know we
00:39:59 --> 00:40:02: can measure the greenhouse gases, we can measure the embodied
00:40:02 --> 00:40:05: and operational carbon. We can look at air quality. So
00:40:05 --> 00:40:06: the E is quite measurable.
00:40:07 --> 00:40:09: The US is a little bit harder because the US
00:40:09 --> 00:40:11: has been used as a kind of shorthand for the
00:40:11 --> 00:40:14: people in the building. Is it, is it well, has
00:40:14 --> 00:40:16: it got good air quality? Does it encourage health and
00:40:16 --> 00:40:19: Wellness and fitness and and all those good things that
00:40:19 --> 00:40:22: happen inside the building. The shift now seems to be
00:40:22 --> 00:40:24: and this is where the change in mindset and is
00:40:24 --> 00:40:27: it achievable comes from. How do I demonstrate that this
00:40:27 --> 00:40:29: asset is contributing to the community around it in a
00:40:29 --> 00:40:33: way that's transparent and measurable? And there's a few ways
00:40:33 --> 00:40:35: of doing that. One is you can you can apply
00:40:35 --> 00:40:37: an economic metric to it. The other is.
00:40:37 --> 00:40:39: You can do it in in softer ways, but is
00:40:39 --> 00:40:43: it things like access to jobs, access to community space,
00:40:43 --> 00:40:46: access to, you know, social funds or charitable funds that
00:40:46 --> 00:40:50: are distributed in that local area? Did it improve air
00:40:50 --> 00:40:53: quality in a climate event? Can the Community access call
00:40:53 --> 00:40:56: for heat or or safe spaces? Is it designed for
00:40:56 --> 00:41:01: equity, inclusion, diversity, mobility issues? So there's a whole range
00:41:01 --> 00:41:04: of ways that an asset manager, investor, developer, owner and
00:41:04 --> 00:41:08: operator can look at contributing to the community.
00:41:08 --> 00:41:11: It's beyond just the users of the building, which brings
00:41:11 --> 00:41:12: us to how do we do that?
00:41:13 --> 00:41:15: We if you take a hierarchy we we we worked

00:41:15 --> 00:41:17: a thing called a 10 point plan for a net
00:41:17 --> 00:41:20: zero building. So you you basically say right can I
00:41:20 --> 00:41:23: retain a building step one, use what you've got, don't
00:41:23 --> 00:41:26: knock it down, don't start new unless you absolutely have
00:41:26 --> 00:41:29: to. So the first hurdle is can I retain it
00:41:29 --> 00:41:32: and refurbish it. If you look at what's happened less
00:41:32 --> 00:41:34: in the UK but but you know one of the
00:41:34 --> 00:41:37: things that I think we're at risk of missing in
00:41:37 --> 00:41:40: this conversation is that post pandemic working has changed and
00:41:40 --> 00:41:43: so occupancy of offices and density of occupancy of your
00:41:43 --> 00:41:44: offices and usage.
00:41:44 --> 00:41:47: Has changed. We don't entirely know what that looks like
00:41:47 --> 00:41:50: yet, but we do know it means hybrid working, and
00:41:50 --> 00:41:53: it means that the potential to convert office to residential
00:41:53 --> 00:41:56: within city centres to recover value is something that we're
00:41:56 --> 00:41:59: collectively going to have to look at. And that has
00:41:59 --> 00:42:02: a planning implication. It has a value implication, it has
00:42:02 --> 00:42:05: a social usage implication, it reactivates streets. It does all
00:42:05 --> 00:42:08: of those things. So can we refurbish it? Can we
00:42:08 --> 00:42:10: mix use within the building and do that in a
00:42:10 --> 00:42:13: way that that stacks up from a capital perspective? How
00:42:13 --> 00:42:15: do we do that with the lowest?
00:42:15 --> 00:42:18: Embodied carbon possible with it, you know.
00:42:20 --> 00:42:23: A friendly concrete recycled steel biomaterials on fit out. How
00:42:23 --> 00:42:25: do you get the life cycle carbon analysis on that
00:42:25 --> 00:42:28: building down as low as it can possibly be because
00:42:28 --> 00:42:31: that becomes the investable proposition and how do you dial
00:42:31 --> 00:42:33: up the social impact to the people outside of the
00:42:33 --> 00:42:36: building and inside the building and do there were things
00:42:36 --> 00:42:39: that you know we're talking about net zero conversation other
00:42:39 --> 00:42:42: people are talking about regenerative. So there there is I
00:42:42 --> 00:42:46: think there's a movement in language that's happening in these
00:42:46 --> 00:42:49: conversations that I've got clients asking for nature based solutions
00:42:49 --> 00:42:50: biodiversity and.
00:42:50 --> 00:42:54: Again designing with nature. And so this isn't about how
00:42:54 --> 00:42:57: do I decarbonise the world's worth of trillions of dollars
00:42:57 --> 00:43:00: of of standing built stock this is how do I
00:43:00 --> 00:43:03: design that with nature in a way that creates equity
00:43:03 --> 00:43:05: for humans planet and.
00:43:05 --> 00:43:05: Asset.

00:43:07 --> 00:43:08: Long answer.
00:43:09 --> 00:43:11: No, look I think that's.
00:43:12 --> 00:43:15: I think that's going to be right. You know, it's
00:43:15 --> 00:43:17: got to be the direction that that this goes in.
00:43:17 --> 00:43:20: I suppose the, the, the sort of the very practical
00:43:20 --> 00:43:22: issue though here also is you can do all of
00:43:22 --> 00:43:25: that. You can, you can do all that thinking, you
00:43:25 --> 00:43:27: can do all that planning, you know, you can come
00:43:27 --> 00:43:28: up with those solutions.
00:43:29 --> 00:43:31: But you know, in an environment where.
00:43:32 --> 00:43:35: Put bluntly it's you know, you're lucky if you can
00:43:35 --> 00:43:38: get a plumber to come to your house to fix
00:43:38 --> 00:43:40: your boiler, you know in the in in sort of
00:43:40 --> 00:43:42: a A3 to four week. I mean my, my concern
00:43:42 --> 00:43:45: would be that that the construction industry and I think
00:43:45 --> 00:43:48: we've got to view the construction industry as part of
00:43:48 --> 00:43:51: the conversation here. You know, it's got a huge job
00:43:51 --> 00:43:54: in front of it in terms of scaling itself up
00:43:54 --> 00:43:55: to actually deliver.
00:43:56 --> 00:43:59: You know those those those outcomes I think.
00:43:59 --> 00:44:02: Um, I mean look. All of which I think leads
00:44:02 --> 00:44:05: me to to to some of my next point here,
00:44:05 --> 00:44:06: which is that?
00:44:07 --> 00:44:11: You know, we're all, I think, in agreement that there's
00:44:11 --> 00:44:14: huge challenges in front of us here on the built
00:44:14 --> 00:44:18: environment that the real estate industry, you know, is, is
00:44:18 --> 00:44:21: bound to to be, you know, a sort of leader
00:44:21 --> 00:44:24: in all of this, but I'm not sure that.
00:44:25 --> 00:44:27: Well, I think one of the things that real estate
00:44:27 --> 00:44:30: is you're going to have to think about here is
00:44:30 --> 00:44:32: how it positions itself in society.
00:44:33 --> 00:44:36: You know what it's brand is and and the the
00:44:36 --> 00:44:40: degree to which it can, it can get positive support
00:44:40 --> 00:44:45: from society, from governments et cetera. You know on, on
00:44:45 --> 00:44:48: this journey because my my feeling is that you know
00:44:49 --> 00:44:52: we're starting from a not very good place on that.
00:44:52 --> 00:44:53: Front.
00:44:55 --> 00:44:58: You know that, that, that for all that.
00:44:59 --> 00:45:02: Everybody on the planet, except a few people, hermits living
00:45:02 --> 00:45:06: in caves somewhere, you know, interacts with the built environment
00:45:06 --> 00:45:07: every day.

00:45:08 --> 00:45:12: But has no real conception of who built that building,
00:45:12 --> 00:45:15: who owns that building, you know what was the process
00:45:15 --> 00:45:18: that led to its, it's its creation et cetera in
00:45:18 --> 00:45:21: a way that you know, they would have different views
00:45:21 --> 00:45:24: I guess in terms of the car that they drive
00:45:24 --> 00:45:27: or the, you know the food that they eat et
00:45:27 --> 00:45:30: cetera. These industries have been I think much better you
00:45:30 --> 00:45:34: know at at at sort of positioning themselves. I mean
00:45:34 --> 00:45:36: is that something that you think?
00:45:38 --> 00:45:41: That the industry needs to fix.
00:45:43 --> 00:45:46: It it it it's brand and its reputation with the
00:45:46 --> 00:45:49: with the public at large and and with governments in
00:45:49 --> 00:45:50: particular.
00:45:52 --> 00:45:52: Duncan.
00:45:54 --> 00:45:55: Probably.
00:45:56 --> 00:46:00: So I think it's very difficult to to be generous,
00:46:00 --> 00:46:04: but I think there is some significant improvement and there
00:46:04 --> 00:46:08: is a a real awareness and acknowledgement that if the
00:46:08 --> 00:46:11: built in Brown alone towns and cities are depending on
00:46:11 --> 00:46:15: which numbers you use and the various 40 to 50%
00:46:15 --> 00:46:15: of the.
00:46:16 --> 00:46:20: Carbon footprints, you've got to start there and that affects
00:46:21 --> 00:46:23: the industry and everybody working in it.
00:46:25 --> 00:46:28: I think the questions that that you need to ask
00:46:28 --> 00:46:32: yourself that make that easier is, is this is sort
00:46:32 --> 00:46:35: of basic sort of business MBA stuff, but it's very
00:46:35 --> 00:46:39: applicable to the real estate industry that people start with
00:46:39 --> 00:46:41: what they do and what it is and what the
00:46:41 --> 00:46:44: product is and what the building is.
00:46:45 --> 00:46:49: If you start with why you're doing it, and then
00:46:49 --> 00:46:53: how are you doing it? The right what or the
00:46:53 --> 00:46:58: right product comes out and there are many really strong,
00:46:58 --> 00:47:03: almost eternal, but really strong brands who produce very good
00:47:03 --> 00:47:05: goods and services.
00:47:06 --> 00:47:11: That may only be marginally better than competition, but people
00:47:11 --> 00:47:16: buy them because that entity articulates why it's doing it.
00:47:17 --> 00:47:20: A guide for real estate is is you know there
00:47:20 --> 00:47:23: there is a win, win. But why you're doing, why
00:47:23 --> 00:47:27: you're developing, why you're investing, why you're retrofitting if the
00:47:27 --> 00:47:31: answer can be that to improve the working environment or

00:47:31 --> 00:47:33: to improve the built environment.
00:47:34 --> 00:47:35: Umm.
00:47:36 --> 00:47:38: How you go about that and what you end up
00:47:38 --> 00:47:41: with can be a win. Win. It doesn't mean to
00:47:41 --> 00:47:44: be to to to depress with two hands. And we
00:47:44 --> 00:47:47: all know it will. It will ultimately improve returns because
00:47:47 --> 00:47:48: you'll make.
00:47:49 --> 00:47:52: And problems that people want to occupy and have a
00:47:52 --> 00:47:56: higher value as a consequences, basic fundamentals, this yield thing
00:47:56 --> 00:48:00: goes up and down. We've all got very little control
00:48:00 --> 00:48:03: and influence over that. We've got lots of control and
00:48:03 --> 00:48:08: influence over creating the best environment possible, which makes more
00:48:08 --> 00:48:12: people want to occupy our investments than other people's, which
00:48:12 --> 00:48:14: makes them more viable. So I think that is a
00:48:15 --> 00:48:17: way of trying to deal with the the stigma of
00:48:17 --> 00:48:18: the industry.
00:48:19 --> 00:48:21: On there, I don't really want to mention them, but
00:48:21 --> 00:48:24: there are one or two brands that have different their
00:48:24 --> 00:48:26: vote strong emotions but Apple for example.
00:48:27 --> 00:48:30: Do explain very well why they're doing it and the
00:48:30 --> 00:48:33: way they're doing it in style and and and actually
00:48:33 --> 00:48:37: I would argue I'm sure people in Apple would dispute
00:48:37 --> 00:48:40: this that the, the, the the maybe even how they
00:48:40 --> 00:48:43: are producing it and what what their product is, it
00:48:43 --> 00:48:47: might look a bit better. It's very subjective. There's not
00:48:47 --> 00:48:50: demonstrably different to a Hewlett Packard like a laptop for
00:48:51 --> 00:48:54: example. So what is the difference? Well maybe you could
00:48:54 --> 00:48:57: argue customers and users are using Apple because of.
00:48:58 --> 00:49:01: Why they say they're in business, and I think that
00:49:01 --> 00:49:05: we could probably learn something by way of one example
00:49:05 --> 00:49:08: from that from how we approach the real estate industry
00:49:08 --> 00:49:09: going forwards.
00:49:10 --> 00:49:13: But it does seem to me that that you know,
00:49:13 --> 00:49:18: you can draw a parallel with the development of vaccines
00:49:18 --> 00:49:20: for in the in the pandemic.
00:49:21 --> 00:49:24: You know the, the, the, the governments had the the
00:49:24 --> 00:49:26: money and the will and and the you know the
00:49:26 --> 00:49:29: the the various drug companies had the the sort of
00:49:29 --> 00:49:32: the skills and the ideas that they developed and and
00:49:32 --> 00:49:35: sort of one got behind the other to sort of

00:49:35 --> 00:49:38: drive that forward. I mean you you'd like to think
00:49:38 --> 00:49:41: would that there was the potential for similar sorts of
00:49:41 --> 00:49:45: arrangements you know between governments and the industry to find
00:49:45 --> 00:49:48: solutions to various problems that Juliet was.
00:49:49 --> 00:49:52: Was was outlining, but I mean I, you know my,
00:49:52 --> 00:49:55: my somewhat jaundiced view of what went on in the
00:49:55 --> 00:49:58: pandemic was was that the, you know, the real estate
00:49:58 --> 00:50:01: industry was just sort of lent on to you know
00:50:01 --> 00:50:04: to support its its client base and was probably the
00:50:04 --> 00:50:08: only industry that didn't get you know direct financial support
00:50:08 --> 00:50:11: from the government for doing that. But I mean Juliet,
00:50:11 --> 00:50:14: what, what what's your thoughts there?
00:50:16 --> 00:50:17: I'm.
00:50:19 --> 00:50:19: I think.
00:50:20 --> 00:50:23: Brand value is built on trust and the real estate
00:50:23 --> 00:50:25: industry, we didn't use the word faceless but I think
00:50:25 --> 00:50:28: I think you were sort of touching at it, but
00:50:28 --> 00:50:31: there isn't a good understanding of who owns operates assets
00:50:31 --> 00:50:34: and there's also a perception that it's incredibly wealthy. So
00:50:35 --> 00:50:37: whilst whilst there may be a perception that it was
00:50:37 --> 00:50:41: an under supported industry in the pandemic, I think there's
00:50:41 --> 00:50:43: a lot of people that would have really struggled with
00:50:43 --> 00:50:47: the idea that landlords and reeds were receiving financial help
00:50:47 --> 00:50:49: during that environment and so.
00:50:50 --> 00:50:53: Taking this out of a conversation about privilege or or
00:50:53 --> 00:50:57: relative wealth and asking the question, what's a customer gonna
00:50:57 --> 00:51:00: look to us to produce? They're going to look to
00:51:00 --> 00:51:05: us to produce social equity and environmental outcomes, because that's
00:51:05 --> 00:51:07: what they're now reporting on so.
00:51:08 --> 00:51:10: I don't. I don't see.
00:51:11 --> 00:51:14: They're kind of you know industry I've I've just been
00:51:14 --> 00:51:18: at cop companies were kept away from governments whilst agreements
00:51:19 --> 00:51:22: were being made and yet capital lives within companies and
00:51:22 --> 00:51:26: companies can make decisions and deploy capital to to get
00:51:26 --> 00:51:29: on board with an agenda and and so often the
00:51:29 --> 00:51:33: conversation is government ought to legislate for this mandate it

00:51:33 --> 00:51:34: make me do it.
00:51:35 --> 00:51:39: And and yet the the the the capacity to actually
00:51:39 --> 00:51:42: deal with things lives in the boardrooms and it lives
00:51:42 --> 00:51:46: on the annual reports and it lives within the in
00:51:46 --> 00:51:50: the sustainability reports. So maybe that's a long way of
00:51:50 --> 00:51:54: saying I'm not sure that we necessarily deserved the pandemic
00:51:54 --> 00:51:57: style cooperation to to fix the big COVID problem. I
00:51:57 --> 00:52:00: think the onus sits on us as an industry. It
00:52:00 --> 00:52:04: was, it was made very personal to me. Someone said
00:52:04 --> 00:52:05: if if 40% of emissions.
00:52:06 --> 00:52:09: Are leading to 40% of climate deaths or climate migrants.
00:52:09 --> 00:52:11: That's four in 10 belong to ulot.
00:52:12 --> 00:52:15: And and then it gets real, right. So I don't
00:52:15 --> 00:52:18: need government to tell me that we should get on
00:52:18 --> 00:52:21: with it. It's abundantly clear that we should get on
00:52:21 --> 00:52:23: with it and and the capital to do that and
00:52:23 --> 00:52:26: the will to do that and the ability to execute
00:52:26 --> 00:52:28: against that, loosen the boardrooms.
00:52:31 --> 00:52:33: Yeah, although, although I I.
00:52:35 --> 00:52:38: My sense is that that the scale of this problem
00:52:38 --> 00:52:41: is, is going to be such that it's not going
00:52:41 --> 00:52:44: to be enough that the real estate industry by itself
00:52:44 --> 00:52:47: thinks it needs to get on with it. You know
00:52:47 --> 00:52:50: it. It's it's going to need, it's going to need
00:52:50 --> 00:52:52: all the help it can get.
00:52:53 --> 00:52:55: It shouldn't wait for government to.
00:52:55 --> 00:52:57: Mandate no agreed but but it's not going to get
00:52:57 --> 00:53:01: help with the reputation that it's currently got which goes
00:53:01 --> 00:53:03: back to your point about trust I think so I
00:53:03 --> 00:53:05: you know I just feel that that's a that's a
00:53:06 --> 00:53:07: that's a major issue coming to.
00:53:09 --> 00:53:11: A question has come up on the Q&A which I
00:53:11 --> 00:53:14: think sort of leads us neatly in into the the.
00:53:14 --> 00:53:16: The next part of this is.
00:53:17 --> 00:53:20: Does the industry have the skill set currently to retrofit
00:53:20 --> 00:53:23: the existing old stock and if not what can we
00:53:23 --> 00:53:25: do to to bridge the skill gap. I mean I
00:53:25 --> 00:53:28: think the I'd like to sort of broaden that out
00:53:28 --> 00:53:31: a little bit because I think at the beginning of
00:53:31 --> 00:53:34: all this Duncan was talking about you know the the
00:53:34 --> 00:53:36: sort of the move towards.

00:53:37 --> 00:53:40: More sort of operationalised version of of of of Real
00:53:41 --> 00:53:44: Estate, you know and and and more a more value
00:53:44 --> 00:53:46: add by what we what we do with it and
00:53:46 --> 00:53:49: I'm I'm just interested in in what we think this
00:53:49 --> 00:53:51: means in terms of.
00:53:52 --> 00:53:53: What a.
00:53:53 --> 00:53:56: What are real estate investment management, if I can describe
00:53:56 --> 00:53:59: it that way, organization is going to look like going
00:53:59 --> 00:54:00: forward.
00:54:00 --> 00:54:01: You know the.
00:54:02 --> 00:54:05: The sorts of people and the sorts of skills that
00:54:05 --> 00:54:09: have traditionally been in it, you know, and and and
00:54:09 --> 00:54:12: and what we think that's going to look like going
00:54:12 --> 00:54:12: forward.
00:54:14 --> 00:54:17: I mean NASA you've you know Brooklyn's is is is,
00:54:17 --> 00:54:21: is, is, is relatively new in the in the special
00:54:21 --> 00:54:23: case but what's your thoughts on that.
00:54:26 --> 00:54:26: So.
00:54:28 --> 00:54:30: I think what I'd say is probably since around 2015,
00:54:31 --> 00:54:34: the vast majority of our business has been on alternative
00:54:34 --> 00:54:34: assets and and.
00:54:35 --> 00:54:38: The vast majority of those have involved operating assets.
00:54:39 --> 00:54:43: So there's been a a dramatic shift mainly mainly driven
00:54:43 --> 00:54:46: by the fact that that interest rates were so low
00:54:46 --> 00:54:49: and there was so much equity in the market and
00:54:50 --> 00:54:54: investors chasing returns had to look at alternative asset classes.
00:54:54 --> 00:54:59: So there's been there's been this dramatic shift to alternative
00:54:59 --> 00:55:03: assets and and alternative assets in specialized industries and those
00:55:04 --> 00:55:08: industries involved a lot more operating operating risk, right.
00:55:08 --> 00:55:13: And in taking that that operating risk you move away
00:55:13 --> 00:55:18: from the traditional asset manager, property manager model and it's
00:55:18 --> 00:55:23: and it's much more sort of service service orientated. You
00:55:23 --> 00:55:27: move away from long term contracted lease income and you
00:55:27 --> 00:55:32: move towards and assessing whether an operating business can create
00:55:33 --> 00:55:39: secure and sustainable income through through shorter term contracts etcetera.
00:55:39 --> 00:55:43: And therefore it becomes more of a service, they become
00:55:43 --> 00:55:48: more service LED businesses, which means that the focus

then
00:55:48 --> 00:55:52: shifts more towards you know, customer service guest.
00:55:53 --> 00:55:58: Guest relations brand how you brand the management team becomes
00:55:58 --> 00:56:01: much, much more fundamental.
00:56:02 --> 00:56:05: To, to, to, you know, to to the online business.
00:56:06 --> 00:56:07: And and and.
00:56:08 --> 00:56:11: Instead of outsourcing a lot of services, many real estate
00:56:11 --> 00:56:16: investors end up providing those services themselves. Repair, Maintenance FM,
00:56:16 --> 00:56:17: they may provide utilities.
00:56:19 --> 00:56:22: Etcetera. So, so, so, so, so.
00:56:23 --> 00:56:24: The nature of.
00:56:25 --> 00:56:28: Really say teams is is changing and and the way
00:56:28 --> 00:56:31: in which lenders have to underwrite that risk is that
00:56:31 --> 00:56:34: has as fundamentally changed. But we do benefit from the
00:56:34 --> 00:56:37: fact that we we do not have very diverse sources
00:56:37 --> 00:56:39: of debt and a lot of that debt is also
00:56:40 --> 00:56:43: financed through the leverage finance market and the corporate bond
00:56:43 --> 00:56:46: markets. You know a lot of rats actually raise their
00:56:46 --> 00:56:50: capital not through, not through state finance but actually through
00:56:50 --> 00:56:54: the corporate bond markets. So there are there's an abundance
00:56:54 --> 00:56:55: in terms of supply.
00:56:55 --> 00:56:59: Dead capital to fund that type of operating risk. And
00:56:59 --> 00:57:03: depending on where real estate value falls out, it either
00:57:03 --> 00:57:06: says in the real estate finance markets or it goes
00:57:06 --> 00:57:08: into the leveraged finance market.
00:57:10 --> 00:57:14: Yeah, OK. I mean Duncan, you know you, you you've
00:57:14 --> 00:57:17: recently moved, moved organizations and and and I guess this
00:57:18 --> 00:57:21: would be something that you'll be thinking about I mean.
00:57:24 --> 00:57:26: We must be looking, must we at at, at, at
00:57:26 --> 00:57:28: a, at a, at a very different sort of landscape
00:57:28 --> 00:57:30: in terms of the people that you would have working
00:57:30 --> 00:57:32: for you going forward, I would imagine.
00:57:33 --> 00:57:33: Yeah.
00:57:34 --> 00:57:34: Yes.
00:57:36 --> 00:57:38: Well, I mean, there are.
00:57:39 --> 00:57:42: The old way of being a fund manager and being
00:57:42 --> 00:57:43: the capital allocator.

00:57:44 --> 00:57:45: Is probably over.
00:57:47 --> 00:57:50: I do. About Capital Partners, we've got a, we would
00:57:50 --> 00:57:54: call in jargon an integrated team. So there are people
00:57:54 --> 00:57:59: like me who come from traditional investment backgrounds, they're asset
00:57:59 --> 00:58:04: managers, was development skills, was development management skills, was leasing
00:58:04 --> 00:58:07: skills and it's totally integrated and that.
00:58:08 --> 00:58:12: I believe leads to better outcomes for the occupiers because
00:58:12 --> 00:58:16: you're in more you're in control of the various constituent
00:58:16 --> 00:58:20: parts that have value, whether you want a green outcome
00:58:20 --> 00:58:24: or you're focusing on the social outcome and the amenities.
00:58:25 --> 00:58:28: And I think that's really important to have that understanding
00:58:28 --> 00:58:31: you can't do everything for everybody and hence that's why
00:58:31 --> 00:58:33: you know at the moment we're we're very focused in
00:58:34 --> 00:58:36: Brown to green officers and making sure that happens, but
00:58:36 --> 00:58:37: I don't think.
00:58:38 --> 00:58:41: We use best in class. We we we use we
00:58:41 --> 00:58:42: use best in class.
00:58:44 --> 00:58:48: Consultants and advisers, but I mean we're a very diverse
00:58:48 --> 00:58:52: group. There are five senior people in it, three of
00:58:52 --> 00:58:56: them are women. I'm the only, they're Englishman in the
00:58:56 --> 00:58:59: company, but we're based in London. So it's quite an
00:59:00 --> 00:59:03: interesting, a lot of things go into being.
00:59:03 --> 00:59:09: And having that totally integrated service and it's not diversity
00:59:09 --> 00:59:13: for the sake of it, it's different skill sets. Yes.
00:59:13 --> 00:59:16: Yeah, yeah. It leads to in our case, a lot
00:59:17 --> 00:59:20: of diversity in in both in terms of of.
00:59:21 --> 00:59:24: Male and female ratios, but in terms of other, in
00:59:24 --> 00:59:28: terms of skill sets and backgrounds whether something comes through
00:59:28 --> 00:59:32: development background or something comes from finance structuring background or
00:59:33 --> 00:59:36: an investment background or as I said leasing and actually
00:59:36 --> 00:59:39: into into into dealing with with with the occupiers. And
00:59:39 --> 00:59:42: all of that is because the design and procurement of
00:59:42 --> 00:59:45: buildings to add most value has to be different for
00:59:45 --> 00:59:49: the reasons we've been discussing here for reduction of carbon.
00:59:49 --> 00:59:53: Etcetera, but also then how you procure the services. I
00:59:53 --> 00:59:56: sit on a board with another company, very well known
00:59:56 --> 01:00:00: office reads who are flexible office operator and you learn
01:00:00 --> 01:00:04: so much from dealing with these these world class

professionals
01:00:04 --> 01:00:07: and we've learned you know data that you can have
01:00:07 --> 01:00:11: in your offices from having a smart building and the
01:00:11 --> 01:00:14: efficiency of use it. Yes, it reduces carbon and power
01:00:14 --> 01:00:17: usage but actually it also leads to a much better
01:00:17 --> 01:00:20: service and it's not rocket science.
01:00:20 --> 01:00:23: Yeah, some sectors hospitals have been doing it for 20
01:00:23 --> 01:00:27: years. They know where there's empty hospital bed. Why don't
01:00:27 --> 01:00:31: you know where there's empty workstation or free or or
01:00:31 --> 01:00:33: or or a free office for meeting space or a
01:00:33 --> 01:00:37: free amenity that's available now by the minute. Why don't
01:00:37 --> 01:00:40: you have the monitors in in you should have and
01:00:40 --> 01:00:44: it leads also to very good outcomes for the environment
01:00:44 --> 01:00:47: because you don't air condition and heat and light and
01:00:47 --> 01:00:49: office that's not been used.
01:00:50 --> 01:00:53: Because you know it's not being used and within reason
01:00:54 --> 01:00:58: you can really have an intelligent building management system. So
01:00:58 --> 01:01:01: yes the the short answer is the investment managers of
01:01:02 --> 01:01:05: the model or people like him without the partners which
01:01:05 --> 01:01:08: are founded all of 11 months ago, is you have
01:01:08 --> 01:01:12: to be vertically integrated. You have to have those skill
01:01:12 --> 01:01:16: sets that provide a good service, the totalization as people
01:01:16 --> 01:01:20: call it real estate, but you also need those building.
01:01:20 --> 01:01:22: Operate and to make your buildings world class and everything
01:01:22 --> 01:01:24: that that means part of the service.
01:01:25 --> 01:01:28: OK. Well that's, that's probably kind of where we started
01:01:28 --> 01:01:30: and probably a good place to to to sort of
01:01:30 --> 01:01:33: finish as well because I mean sadly we have run
01:01:33 --> 01:01:34: out of time.
01:01:35 --> 01:01:39: If I could just thank the panelists, Juliette Duncan, NASA
01:01:39 --> 01:01:42: for your for your time and for your for your
01:01:42 --> 01:01:44: comments and insights.
01:01:46 --> 01:01:48: And I think there is a.
01:01:49 --> 01:01:52: Here we go, another slide. Yep, we we absolutely at
01:01:52 --> 01:01:56: the URL. I would value your feedback in terms of
01:01:56 --> 01:01:59: all this. So there's a there's a poll that you
01:01:59 --> 01:02:02: can that you can answer. It would be. It would
01:02:02 --> 01:02:04: be great to have that feedback.
01:02:05 --> 01:02:10: And I believe there is another slide coming up which
01:02:10 --> 01:02:13: is going to show a number of events that will

01:02:13 --> 01:02:17: be available through the UI in the future.
01:02:18 --> 01:02:21: So with that, I will, I will thank you again
01:02:22 --> 01:02:25: to the to the panelists and thank you all for
01:02:25 --> 01:02:26: joining us. Goodbye.
