Welcome to this webinar.
From Frankfurt today from wherever you attend.
This is, I think, one of the most interested, interesting webinars. You will be able to attend because the ULI PwC study is not only one of the most interesting ones of our industry, but this one in particular.
It was carried out during the summer and thus already contains the first lockdown experiences.
So it should be probably the most up-to-date and relevant sentiment indicator in the industry,
and in my opinion, maybe even beyond.
I have been in the industry for many many years and was lucky enough to spend this Corona times in a gap year which I used to do what I really was inspired to do charity and found together with a friend tiny be tiny,
is an art project which thinks about new ways of living and working in the future.
So with that. I would like to introduce you.
To our agenda for today.
One is we start with the presentation of the studies.
This will be presented to us by Lisette and Gareth.
Lisette van Doorn.
All know her chief Executive officer of ULI and Gareth
Director of PwC UK followed by a panel discussion with a very interesting crowd.
With that I would like to hand over to Lisette and to Gareth to give us 15 minutes heads up.
Insights and key findings of the study.

good afternoon everyone.

I'm Gareth Lewis from PwC.

real estate based here in the UK and I'm the

PwC lead for the emerging trends in real estate survey

for Europe and globally.

And on behalf of PwC I'd like to add my

personal thanks to Lisette and the ULI team for another

successful collaboration to produce the report.

There's been some changes and challenges in the process

but

we got there and I also like to thank the

author,

team and. And all the participants in this survey and

and the panelists here today.

So this year's report emerging trends in real estate is

entitled an uncertain impact,

and it reflects the views of close to 1000 individuals

who completed surveys were interviewed or took part in a

roundtable meetings across Europe.

As Barbara said, the interviews and surveys was conducted

between

July and September,

appeared when investment activity held up surprisingly well

and and

there was,

you could say is still a more positive view around

potentially avoiding COVID-19 second wave,

but with the current situation with continuing business,

travel and travel restrictions, it's fair to say there's a

cautious outlook for the coming year.

The industry leaders we canvas for Emerging Trends Europe

This year also acknowledged that we're experiencing two

shifts which

are as one of our interviewees put it.

Not on the same wavelength a cyclical downturn put along

Surfside,

a long term structural change to real estate,

and many feel this is really shaking.

Our long held views around the risk and return profile

of real estate.

If we could have the next next slide,
So we tried to capture the mood for the 2021 in these five key themes. First of all, business interruption and economic distress. Secondly, operational impact and acceleration of the shift to real estate as an operational asset class. Thirdly, Pandemic picks the impact of the pandemic on return prospects for the property sectors for the city divisions. The impact on city rankings and prospects for 2021 and finally we spent quite a bit of time looking at. Social climbing this the impact the role of impact investing in the industry and more broadly, ESG. But with the outcome of Brexit, the US election and trade wars, this is all added to the uncertainty in the market. So hence the title for this year's report and little. Despite from this uncertainty is predicted in 2021, although there's a clear mood of caution. We were also surprised that the positive outlook that many held on a purely cyclical basis, many drew reassurance from the pent up capital looking for yield, continued low interest rates. The absence of a late cycle development boom and the consequences are of this or that broadly. European real estate supply and demand is seen to remain broadly. In balance next slide please. So first of all, business interrupted this year. Survey shows a decline in business confidence for 2021 with almost half of respondents expecting a fall in profits last year when the industry was in late cycle mode. 2/3 of survey respondents were bracing themselves for a downturn. Now, with the shock to the system from economic and business continuity issues and a sharp recession in 2020, twenty 90% of respondents are understandably concerned about economic growth in 2021. 40% expect Global and European ethnic economic growth to get worse over the next five years. Return expectations have been scaled down over successive
emerging trends, surveys and this year 46% of respondents are targeting lower returns compared to last year and nearly 2/3 anticipate less than 10% risk adjusted returns in 2021. Overall industry leaders expect there to be less equity and debt available in 2021, but that's clearly coming from a very high base. Nearly half the respondents think that the amount of debt available for new investments and refinancing will fall this year compared to a fifth who expected a decrease this last year. But on the positive side, strength of demand for real estate is such that more than half of survey respondents expect to be net buyers of real estate. In 2021, investment managers refer to capital raise pre tank pandemic that needs to be deployed. Next slide, please. So where is that equity coming from? I mentioned the pent up capital, but as we come to the end of the pipeline of pre-COVID-19 deals, what about the future deals pipeline? Well, normal ways of doing business continue to be disrupted. The physical limitations that COVID-19 imposes on business are influencing investor expectations, and it's looking likely that domestic investors will play a much greater role in Europe in 2021. European capital is the only source where more survey participants say there will be an increase in equity flows compared to with those that thought the same last year, and we certainly picked up a lot of caution over deal sourcing with travel restrictions and further lockdowns. Although the fast adoption of technologies has started to support due diligence, a big issue is the inability of overseas investors to visit a property in Europe before buying it.
So for 2021 conditions look like their favour domestic buyers, managers of multi country footprints and larger property markets with sufficient critical mass to have teams on the ground. And I think also playing into this domestic focuses is the likelihood that many investors will see ample opportunities emerging in 2021 originating from their own domestic markets without having to venture overseas. Next slide.

So that the second theme we’ve captured is around operational impact. Next slide, please.

Like all industries, real Estates being subject to a huge upheaval as a result of the global pandemic and its economic repercussions, and if there is a common theme, it’s that the crisis is an accelerator of existing trends in the way the industry approaches the investment and management of real estate.

Survey respondents recognize that the pandemic is posing immediate challenges to the security of income from offices and retail, whilst also accelerating long term trends that are disrupting these two core sectors of real estate.

COVID-19 and the widespread problems around non payment of rent have encouraged increasing numbers investors to look beyond real Estates beyond real Estates and this can be seen reflected in that number of the response is shown in this chart, ranging from the future role of technology.

In business operations, health and well being and the changing future relationship between landlord and tenant.
The third key theme we picked up is the impact on return prospects for the different property sectors you have the next slide please.

This slide shows the emerging trends.

Top ten sectors for overall return prospects for 2021.

The flight to safety for many investors looks likely to involve investment into sectors related to technology.

So the residential dominance of 2020 has been taken over by technology.

The two leading property types in the sector rankings are logistics and data centers.

Both will benefit from the increased pace of digitalization across Europe, which is seen as a positive trend reinforced by COVID-19.

As in previous years, rental housing is scored well and interviewees talk about the resilience of its income during 2020, but with the caveat that it could come under pressure as economies continue to struggle and unemployment rises.

But unlike previous years, not all of the sectors are in favor.

Student housing is falling down the rankings, although many interviews believe this may be a temporary dip in sentiment and there's a similar debate existing around how quickly the current distress in hotels where occupancy fell to pretty much zero overnight. And remain subdued, can be reversed. Right now they are clearly out of favor,

coming second from the bottom in the rankings.

And the future work and how it affects the office sector.

Arguably the biggest, most fascinating unknowns in real estate at the moment,

and I'll pause there and hand over to Lisette who's going to discuss that and the remaining key themes.

Thanks a lot Gareth,

for the introduction. Really interesting.

For those of you that don't know me,
I'm Lisette van Doorn and I'm the chief executive of the Urban Land Institute in Europe. I also want to thank PwC and many of the people who have participated to this year's survey, because ultimately this is based on your views and we're so happy that yet again, we've established another record with the number of respondents to this year's Survey and interviews with almost reaching 1000.

As Garrett already pointed out, the future of offices has become the big unknown not only affected by the cyclical downturn, obviously, which results in a strong cost. Focus of corporate occupiers, but far more important has become the question. How will the future of remote work look an? We've seen two extremes coming through where one camp seems to think that we don't need offices anymore in the future and the other one thinks that no nothing will change. To speak of it, well, obviously we think the truth will lie somewhere in the middle, but for the moment it's still very unclear where exactly that will that will end up. And what we're seeing there is that is basically stalling investment demand because first players want to see where that ends up, and with another lock down. And just started across Europe, that seems to take much longer going forward. What we do know is that flexibility is the keyword for all the stakeholders involved for employees who want to have the flexibility to work at least some time from home or another place. Very convenient for corporate occupiers who may want a core. Office headquarters to express corporate culture to retain and attract talent,
and then a flexible shell may be around that, either based on coworking space or other spaces to respond to demand. There will be an increased focus on health and well-being and the quality of space paradoxically has become far more important than before it seems. That because there is less time in the office, the time spent as the office has to be in a much hard, higher quality space. So what we don't know yet is whether the decline in demand will be balanced out by the increase in space per person there still so much factors pointing to maybe hired amount of space versus lowered amount of space that we don't know where this will end up. And also don't know what the impact on valuations and use our next slide please. And this brings us down to the preferences for the different cities across Europe. Next slide, please. And maybe not surprisingly, that was also a very strong risk of focus that we've seen there. As Gareth already shown in the in the sector preferences as well with the German cities as we also saw the years before taking the best positions almost in the top ten with all four German cities included in the top 10 Berlin, again at a steady number one position. And this is very much driven through the two by the low risk that Germany has had already over the last couple of years when investors started to prepare for a downturn, but also because Germany was felt to having been able to manage through the pandemic as one of the best in Europe over the over the past couple of months, and also where transactions were still seen happening. But what we've also seen is that. The biggest markets in Europe, the Mega Cities, London and Paris came out fairly well and that has been marked very much driven by a long term value perspective. London, mostly because of the the hits it already took,
anticipating Brexit more or less, where the pricing levels for
some of the other more interesting cities in Europe,
have become very competitive, and then investors say whatever might
happen immediately post Brexit,
we see. Definitely long-term value in London and Paris,
similar to your last year set to profit from the
Grand Paris project as well as the Olympics coming up
in 2024.
So big infrastructure investments where investors in real estate think
they can profit from and then we have 1/3 category
or more smaller cities like Amsterdam,
Vienna and Dublin just outside of the top 10.
Who seem to profit more from being more accessible?
Active transport and cities where the mix of sector prospects
is seen as really positive,
higher quality of life. Vienna,
having managed through the crisis fairly well,
And that is also playing out in the top 10
next slide,
please.
Now we come to the last major theme and as
many of you know that maybe are familiar with emerging
trends every year in the 4th chapter we cover
a special topic. And we had already decided on that
topic being around impact investing and obviously that trend.
Please go to the next slide please.
That trend has been even further accelerated by COVID-19.
This graph shows the social political issues in 2021,
and what we've actually seen as people are concerned about
many things far more than we've seen in previous years,
with only a few jumping out.
But among those is also an increased concern for inequality
and affordability issues in particular.
With social inequality having risen from 50%.
And last year to a much higher percentage.
This year, and I think it's important to say that
COVID-19 has accelerated that focus on especially social issues beyond
environmental far more rapidly.
Next slide, please. What is driving this focus on impact
And actually we see a couple of common trends across society, not necessarily linked to real estate with investors, and so consumers being far more socially aware. And far more focused on. A local living local buying and more much more strict about who they will buy from, what companies and which not. We see the same happening. Those consumers are employees at the same time, so with the. Ongoing war for talent. They choose the companies they want to work for and those that work for that need to have a social needs besides the financial purpose and those people also have pensions or building our pensions, and they're putting more pressure on the pension funds to also look at the social angle when they invest and that is something that has now also reached the real estate industry. Next slide, please. But then we asked how the real estate industry can make the greatest difference to impact investing the focus by large seems to be still on the sustainability impact and the environmental impact the industry can make on the built environment. It's the real impact on social elements like designing places that take well being and mental health into account, or a greater focus. On delivering social infrastructure? Are there as well, but only about 1/3, while the reducing the environmental impact is still receiving 2/3. So what's going on there that's still the real focus on social impact seems to be more limited. Next slide, please. So how do we move forward? And this slide also clearly shows that a lot is still needed to attract more capital to impact investing, and it's a lot related to transparency definitions and data. First of all, to better understand the risk return profile which majority thinks is important, better ability to measure impact. It's about data, it's about definitions.
It's about metrics and also the definitions also.

Given by about half of the responses as being important, so there's still a lot of work to do,

and the key question we asked was about.

Is impact investing just about specific products or is it much more about?

An integral approach to social impact.

In an integral part of often of an investment strategy, everyone seems to agree on the latter,

but for the moment we see a lot of focus on individual funds.

And it it's interesting that there's an analogy with how we approach sustainability investing about 15/20 years ago when we started off with green fonts,

which has now been become an integral part of any investment strategy and any investment in any asset.

So this seems to be to trajectory.

There's only a lot of work that still needed to be done.

Thank you very much, Barbara.

Oh here we go. Wow,

that's more food for thought and we have asked for.

I would say yeah so if I if I try before we jump into the into the panel discussion,

yeah just to to get an impression of what you just have presented.

And thank you so much for this deep inside here.

Yeah then you you kind of feel like.

So this is a big shift into something very big unknown.

Yeah, and I think that's the perfect topic for our panel discussion,

which I would like to introduce to you now,

especially panelists we have with us.

Anne Kavanagh CIO from PATRIZIA AG, and I think most of you know her very well since very long time

in the industry and very deep into many things we have with us. Sara Lucas, CEO of Grosvenor.

Welcome and we have with us.
Jesper Bo Hansen, managing director at Catella corporate finance.

I'm sure we will have lots of interesting thoughts and I would also ask all the attendees from wherever you attend to ask as many questions as you like. You have a chat function here and I will try to include as many questions as I can.

And please don't be shy, yeah, that just enrichens our panel discussion here.

With that I would like to jump directly into the discussion.

With all the uncertainty around.

With all the uncertainty in the business environment you have seen already on some of these slides and you will see much more in the study as such, especially with one element which frightened me a bit because the business confidence shrank by 100% and the expectation about business profitability.

Decreased even three times, so almost 44% of all the participants see a sharp decrease in business.

With that, I would like to ask our panelists here to explain a little bit from their side of the business how they interpret this study in the context of the uncertainty and how do they themselves? How do you scope with that?

In your companies with that and maybe I start with Sara here because I think you are in one of the sectors which have not been mentioned yet and that's retail. But nevertheless suffering a lot.

Yes indeed. Now I'm not solely in retail Fortunately, but we do have a a large retail component.

So yes, I mean, I think certainly the rejection of business confidences.

Is absolutely normal and I would be probably more worried if it was the reverse because I think we have to be realistic about what we're entering and we all felt that we're entering a period that was going to be more difficult in any event, and that's just been exacerbated by covid.

But I think I think it's important to look for opportunities.

There are always opportunities when they were,
when they were downturns, and so they were going to be constraints around the business that we can do.

They're going to be debt constraints, and they're going to be as when the points highlighted in the in the study.

The ability to actually source deals is going to be. Is going to be an issue for many people, but I do think we have a lot of strong domestic markets with a lot of volume in them, so there are still things to be done. And if I can come onto you point about retail and how we're dealing with this.

I do see the retail asset classes one where there is quite a lot of opportunity. We haven't talked about it so far, but it's clearly the factor that's been repriced the hardest because there's been repriced the hardest. I think there are definite went out levels of capital value in certain instances which allow us to do repositioning, repurposing work that we wouldn't have been able to do in the past,

now clearly getting to this stage has been very painful, but but I think it's it's now time to sort of look forward and see what we can do positively with that. Opportunity and another linking into the social value question.

At the end, I do think there is an opportunity for retail to pay a big part in contributing to the strengthening of communities. Quite different from the U.S.? Think where a lot of sensors are are out of town.

A lot of European centres are embedded in their local cities and towns. Lot of urban centres and they are. They have the possibility to sort of open open up really into the into the surroundings, so turn their backs on the communities, open out into them and and use partial reduction in retail floor space where it's no longer viable or or wanted to create other uses that are that are.

Providing different services to the community,
so I'll give you an example. Just quick example. In Sweden we have a lot of our Swedish shopping centers have are in communities where there's a lot of growth in population and the local. Authorities just cannot afford to provide the educational, cultural, social health facilities that they need to service that population going forward. So there is a there is a public private partnership there to do to bring in some of those uses into the centers until tie them back in and strengthen the communities. And I think it's a. It's a win win situation in terms of providing investors with a with a solid income for most institutional quality tenant, which is what everybody wants today and that underpinning then the retail element which we focused on a smaller area. Now it sounds quite simple. Why was it like that is clearly not as simple as that? It's complicated there a lot of hurdles to get everybody do feel I do feel there are things to be done, and perhaps this period of less frenetic activity will allow us to focus on what we really need to do with our buildings. Our existing buildings to sort of create buildings of the feature on the Re purposing. We will definitely get back because I have questions on that, but you're mentioning of the Swedish retail malls I think is the perfect bridge to move on to Jesper with. I'm sure has the most insight on the Nordic markets of all of us here. So how do you expect? Interpret this study for from your side. And what would you see as the real impact coming in the Nordic markets? Well, thank you Barbara. Yes I I've been following this Nordic market now since 30 years or 25 years and cause this very important survey from ULI has always been
very interesting and and once again thanks to ULI, PwC and especially all the industry leaders giving this very good substance. I think from a business perspective, I think we have always taken the view that ultimately the real estate sector reflects the underlying macro trends, and I think clearly. The theme of uncertainty is totally natural and what we saw from this survey that. 90% of all people participating say we either very concerned or concerned on the macro situation and this comes following ten years of strong recovery from the financial crisis. So we have seen growth. We have seen healthy macro fundamentals, especially across the Nordics. We have seen very strong markets, so All in all. Investors in the real estate sector being now increasingly concerned on the investment sentiment in real estate sector is not a surprise. If you look to the numbers, we have less people concerned on the real estate sector that we have on the other line, macro fundamentals. So All in all, I still believe there's a healthy focus and interest in the industry and we clearly see a shift from short term opportunistic investors. Into more, more long-term megatrends, investors, and I think. Everybody realises that now we will be facing probably more, tapping into the healthy solid trends more than than chasing high did their IRA investment schemes. So I think there's a healthy shift from short term profit to more long term trends, and I think looking at the Nordics I think, which we've shown acquired high degree of sort of and then. Resilience I think we are having the benefit of mostly truly rated economies across the Nordic. So in general the governments has been very well equipped to deal with recession risk and and I think we've
seen some of the.
And I think they all been managing both financially, but also politically extremely well through the pandemic situation.
So All in all, the Nordics has been probably a little bit safe haven for for many people and we still see everyday new long-term investors putting more and more attention to the Nordics. And I think shows that from a long term perspective we are here to stay.
We had very busy markets.
I think the Nordics has developed over the last 10 years as sort of the fourth real estate investment market in Europe.
We all know UK. We all know Germany had a lot of attention that later years and we also overseeing France, being sort of a very important market.
But over the last 10 years I think the Nordics has established itself as a real market.
We saw 45 billion euros of transaction in the Nordic markets last year.
Record high and and I think even though we had a huge set back in investment volume in the future like everyone else,
I was wishing it very strong.
We rebound in in the market and that we see more and more long term and money coming to the market.
But this shows also from my perspective, a little bit.
How we all respond to the COVID-19 situation.
I think we are very much focused on the more sort of geopolitical risk in a different in a different way,
and I think the Nordics.
It's All in all responds very well to the challenges of social responsibility.
The whole sustainability issue, which is, as we will see from this survey.
More less. The number one key issue and if we look to the Nordic and the structure we have,
I think we are not just like the very big cities and we are small to medium size cities we have. We have a lot of focus on quality living. We're not driven by these giant cities and urbanization trends, so all in all, we probably a little bit ahead of the global make of trends of being sustainable, being green, being focused on quality of living. There's even a survey saying that the Danes are the most happy people in the world. I don't know whether that's true. So, all in all, we're doing well, but we all concerned and we should be. Of course we should be. And all in all, I think also reflection from any global investors that we are safe. Haven as a flight to quality, but we probably all have to lower our expectation on in terms of returns coming from 10 years of of booming markets. Well, yes, thank you so much. It's a little bit like small is beautiful. So we're back to that. And on the other side, I think we have to thank you for your optimistic plans. Yeah in this situation, but you mentioned one very important aspect and that is that real estate is still comfortable. Nice within our today's world. Yeah, and that leads me to an because I would also like to ask the same question to Ann about how you scope with that because and you are working for a company who was definitely known for extraordinary growth in the last year. So how do you digest that? And how do you see the future coming along? From your perspective.
Yeah I I would say it.
You know if I look at our house view and the business discussion.
So I mean I think that you know this study and the emerging trends mirrors.
You know many of the themes that we've been discussing internally and I I was interested in,
yes, was summary. It's the Nordics because suddenly you know our view is that COVID-19 will be a recession trigger is a trend accelerator and it's also a major paradigm.
shifter. And I think one of the things we see in terms of the recession is that some countries like Germany, the Nordics CEE we believe will bounce back faster than others which will experience so much deeper and a slower recovery.
And, you know, I would include southern Europe, the UK and France all in that second bracket. So what we're seeing is a bit of a North South divide and I include, you know, the UK in in the Southern Divide and partly because of Brexit. So I think it you know what we're staying is is major shifts.
I think what we're also seeing is a change in the investment cycle from late to a new cycle. Um, and you know, alongside the trend accelerators, the major shifts we're seeing, potentially in retail in officers which have always dominated investing.
You know what we're seeing is a period of great change,
and I think if you look at that from an investing perspective,
great periods of great change always bring terrific opportunities or
with risks.
But if you look at the industry there wasn't that much development that took place.
We haven't seen a lot of shifts in re Purposing real estate stock since the GFC.
You know there was some development but not on a major major scale. And of course what we're now seeing is such paradigm shifts in occupational trends and habits, and the way people want to live to work to play.

That the real estate industry, if it's to stay relevant, has to respond to those trends and to participate, and that will bring tremendous opportunities. And I think you know, we see a major major shift to some of the mega trends that will continue.

You know we'll be there irrespective of COVID-19 you know we've been working through demographic changes, urbanization, the rise of tech and digital ESG. Much increasing importance. And if you look at a lot of those trends, they will continue, you know and be sustainable over the next 5/10 years.

But I think you know what it what will be required is major changes. In re Purposing repositioning of assets. To meet the new occupational demands and what we are seeing in conjunction with that.

As you said, is major major shifts in allocation to real assets. So you know, I don't see that there will be a shortage of equity. I'm in the market. We're seeing considerable shifts of capital into the real real asset sector. An and therefore I think in a it will be for the, for the.

Teams in the business that have got the right skills and and you said I heard I think I heard Lisette or in the presentation also say that local skills will be really important. You know, having teams on the ground that are close to the markets that understand the markets and that can respond to trends quickly will also become important. As operations become much more key and the Inter
connectivity

00:40:16 --> 00:40:17: has taken diggie.
00:40:17 --> 00:40:21: And I think what we will see is the operating
00:40:21 --> 00:40:26: platforms become much more important than they've been
and brand
00:40:26 --> 00:40:31: will become super important as Occupiers will want to work
00:40:31 --> 00:40:32: with.
00:40:32 --> 00:40:37: Effectively, the landlord or the operator of choice and it
00:40:38 --> 00:40:40: will bring massive opportunities,
00:40:40 --> 00:40:43: but there will be risks too,
00:40:43 --> 00:40:48: so you you just mentioned the opportunities and the skill
00:40:48 --> 00:40:49: set needed.
00:40:49 --> 00:40:53: I think that leads. That's a perfect timing for a
00:40:53 --> 00:40:57: question we got from our attendees here,
00:40:57 --> 00:41:01: and the question was what advice would you give to
00:41:01 --> 00:41:03: a real estate graduate?
00:41:03 --> 00:41:07: That look forward to entering the stock market.
00:41:07 --> 00:41:10: It's a very smart question,
00:41:10 --> 00:41:13: so maybe let's start with Sara again.
00:41:13 --> 00:41:17: What would be your advice very briefly?
00:41:19 --> 00:41:23: Well, I think make sure you got good digital skills
00:41:23 --> 00:41:27: is probably coming back on the previous question I think
00:41:27 --> 00:41:28: I think.
00:41:28 --> 00:41:31: Perhaps perhaps enter the job market without the sort of
00:41:31 --> 00:41:33: usual structured view that we used to have with you.
00:41:33 --> 00:41:36: Either you know you're an investment surveyor,
00:41:36 --> 00:41:37: where you're you're an agent,
00:41:37 --> 00:41:40: or your value, and I think I think it's going
00:41:40 --> 00:41:41: to require different skills.
00:41:41 --> 00:41:44: That's going quite a lot more imagination and ability to
00:41:44 --> 00:41:46: look at things differently,
00:41:46 --> 00:41:48: so I think if I was entering the job market
00:41:48 --> 00:41:48: now,
00:41:48 --> 00:41:51: I'd be looking for companies who are really getting ahead
00:41:51 --> 00:41:53: of some of those new trends,
00:41:53 --> 00:41:55: because that's where the future is.
00:41:55 --> 00:41:57: So I'd be going for the the people who are
00:41:57 --> 00:41:58: out there in the front.
00:41:58 --> 00:42:01: Might even be tempted to look at some of the
00:42:01 --> 00:42:05: top tech companies and see it depends what you're interested
00:42:05 --> 00:42:05: in.
Tech is because the combination of a public company and a survey might be. Might be an interesting choice, but probably not. Go with the standards. I think if I was entering the market today, I think that's a very wise recommendation. Yeah, to get some fresh ideas and fresh blood into the industry to think beyond the normal. The normal of our day-to-day business. Well, yes, then let's move on to the next urgent questions. We talked already about. It's a paradigm shift, but what? What does that mean really? So my question popping up here when I see all these outcomes of this study is we see a lot of accelerators of existing trends. But if we think long that yeah, is there anything or any additional changes? Which we will see due to COVID-19 and what are these kind of additional factors which are here to stay now? Jesper, may I just? Let you jump into this. It's not an issue one, but the maybe the fear factor. I don't know what it is, but I think there is a new dimension to risk discussions and and I think the the word and and the highlight of this. This emerging trend report is is, as mentioned, uncertainty and I think there is a different faction in the discussions that people are increasingly concerned on their well being and even on their health, which is something. For me properly, totally knew. I mean can we travel? When will the new pandemic be around and all that stuff? And I think we're all human beings and we all know investments are driven by. Investor sentiment, so maybe there is a fear factor which are here to stay. I don't know. I think we're back from a number
of wars and even in Europe we have seen quite a lot of uncertainty previously. But we have lived through now quite many years where the personal well being has only gone one way and that's up. I think the overall demographic situation in Europe has improved. We have. Come together as one Europe. And but I think the COVID-19 had shown the fragile situation and the need for staying together in these global. Entities like The Who organisations and I think whenever there's a crisis, everybody seems to be turning to their own problems and dealing with their local problems. And we have a lot of. I wouldn't mention the Trump word, but there's a lot of uncertainty which goes way beyond return of investment, and I think it will also have an impact on our industry. I don't know how. I don't know where it will end, but in the short term perspective, I think it's something that at least comes up in quite many discussions. Even when you talk investments. Yeah. Thank thank you for. I, I think that you mentioned a few things and the one word which we calls in my head is fear. Here was never a good advice, so I think that's a big big danger for everyone. And I learned in the past that you kind of have different approaches how to scope with here one is to try to be more rational and the other one is to just talk with more people and people you would normally not talk to. So to share things. So maybe we start with another really large trend. We see one of the top trends we saw in the study,
which is indeed ESG or even still more focused,

which I found a bit that fits surprising for the top trends.

It's still the environmental priorities,

so I would have hoped for more S so the social aspect indeed,

as a top trend, but it is emerging that that that for sure you can see it throughout.

The issues, but at the other another one is fast track technology and I think fast tech technology is something

which server you just mentioned as an advice to the new ones into the industry.

Yeah, so how? How do you see technology impacting our business in the future?

Maybe from both sides? We have one element in the buildings as such,

but we also have the impact of course on.

The the companies are such because with the remote working,

yeah we will see big shifts in how.

How do we work in the future?

So how? How do you see that Sara 'cause you mentioned it?

The tech part first? Yes,

I think I will have my.

My first thought was around the was actually on the not the operational business but the operation of our own companies.

But that's clearly very important and technology has helped us hugely in the last six to nine months.

I think it's probably worked better than all of us thought it was going to.

And it will continue to change,

and there will probably be certain aspects of our or

what people do today that will will diminish over the next few years.

They'll be certain elements of the of the more routine work that will that will reduce,

but then that leaves space for more imaginative work and and more creative solutions to to property going forward.

And I think one of the trends that was highlighted
in the report is towards operational.
More sort of operational model where they are the least
standard lease structure than normal relationships that we've
we've been
with for so long between London tenant are are going
to breakdown and we will go towards a more flexible
arrangement with different types of remuneration and in order
for
that to happen there is a whole whole raft of
of technological advances that we need around data
so we know how to bill tenants for for rent
if we're not on a standard lease contract.
Around operating buildings around. Understanding the
occupation requirements of tenants
and them understanding their own operation requirements
and adjusting buildings
management to deal with that,
many of those things are already already in place in
an out there already,
ready to go and sometimes being used.
So I think if we look at business as a
service rather than also publishes a service rather than just
sort of real estate,
then in order to provide that service we're going to
need a lot of technological tools to help us do
that.
And we're not. I don't think that many property companies
are very up to speed on those technological tools at
the moment,
so.
It's something that we need to develop very quickly,
because if we don't do it within the real estate
industry,
somebody outside it will do it for us in the
same way they seen in other sectors.
So I think it's important at all levels it as
it is in virtually every area of our lives today
digital.
We're not going to escape it in real estate.
It will have an impact.
Yeah yeah, that for sure.
Well, with that, let's spend the last 10 minutes of
our panel discussion more hands on in the in the
sectors.
Under real estate as such,
we also have two questions coming from that with respect
to the data centers.
I will ask them in a minute,
but if we look into what Lisette and Gareth have
presented to us and in the study,
we have a table, we have many tables but one
years the sector prospects in 20 in 2021.
And if you look at that you will see that
somehow our real estate world is turned upside down.
It starts with the most favorite sectors.
As Lisette mentioned. data center logistics,
life science, then industrial healthcare,
private residential, affordable housing and so on.
And then on number 21 we have suburb offices and
22 retail parks and so on.
So it's really our world upside down,
yeah?
How how into question associated to that I I would
put that on Anne.
Because you are a big player.
Also in offices of course,
but with this new shift in the in the trend,
you know the questions we have here is regarding data
center.
So what would you invest in data centers in that
case?
Is there a preference for very large hyperscale or other
smaller edge centers?
That's question number one and the other one is.
Let me see or they just disappeared,
so we'll start with that one.
Yeah, with that question on how do you see?
How do you see this upside down world in asset
in sectors basically in in real estate for the future?
Will you adjust your portfolio to that in the future?
Well, I I would say that you know,
I think there's a lot of adjustment taking place.
And I mean you know what we've seen is the
major major shift in the last few years.
Two beds in sheds.
We are heavily invested in both and,
you know very very strongly invested in the living sector
in its broadest sense.
And and I mean that certainly has been extremely defensive
throughout this crisis.
And you know, we have really strong conviction about that
sector going forward.
An you know we're also heavily invested in the logistics
sector.
In my previous world, I have invested in datacenters.
It's not a big part of our current portfolio,
it's something that we're spending time researching and
analyzing.
I think it is. That is one of the major
trends we will see coming out of this crisis.
They will undoubtedly be a great to shift towards investing
in that sector,
but I think one of the things I was interested
to pick up on when we were talking about some
of the major shifts.
I think you know, one of the major shifts we're
seeing and it comes out in the report also is
a big shift about you know the lack of equality
and in society Ann,
and I think that's something that investors are very,
very keen. You know to address and I think you
know that will be a big part of the the
S in the ESG and and you know if you
look at some of the trends that are playing out
in in the living sector,
you know we've got 80,000,000 households that are
overburdened in
Europe by housing costs.
And so, you know,
I think some of these things will really start to
be addressed coming out of this crisis,
because I think that there's a real requirement by investors
to want to make an impact.
And there are some real challenges and issues in society
that need to be addressed,
and I think that's what we're seeing playing out in
Some of the politics and we've seen this rising inequality between the haves and the have-nots. And it's been absolutely emphasized during this crisis and say,

I, you know, I think that's a big trend that we will see changes in and more investment into making an impact and addressing the affordability issue in housing. And also social exclusion. You know, one of the some of the research that we've been doing is also 75 million households in Europe. You know feeling socially isolated?

You know, I think Community users and building sustainable communities in our portfolios is also going to be a really strong response to the crisis. So that that means that you see a lot of need to in the future.

Do not only analyze the individual property as such, but also the integration within the environment and in the society in general, which would be up perfect in the future? Yeah, because that that gives huge opportunity everyone that would basically lead us back to a very well almost. Looking old-fashioned win win situation.

Yeah, at the end if it if it turns out that way, yeah, indeed, well, that's that's, and that's very inspiring. Thought about what what the challenges could, how the challenges could turn into something really good for the future and the the big question mark I saw in this study about ESG in general.

Is that a lot of our. Industry colleagues seem to still ask the questions. Does it really pay off if I just make it that bluntly? OK, so how? Maybe maybe I turn that question over to Jesper?

Yeah yeah, how? How do you see that? Because you know the the Nordics have always been on
the forefront of good society and being a good citizen?
Yeah, So what? What could you tell from your experience to the rest of Europe?
To overcome that hurdle that is really put off, yeah.
Well, normally we we are in the RR driven environment, not in politics. But I fully share with Anne inequality, social responsibility and even the whole essence of ULI being the responsible use of land has climbed up in investor sentiment. It also climbed up in the political environment and we saw what happened in Berlin with the mayor and we saw what happened in in in many other markets. The risk of political interference in our industry has increased. We also saw it from this survey that attention to the interaction between the private sector in the public sector has increased, and I think it's a topic we need to take into consideration and I think it would have a huge impact in in capital allocations, not only in terms of markets but also in terms of asset classes.
So I think. We want to be responsible and I think in the longer run it will pay off to be in line with general trends even through avoid and prevent political political interference. I think the worst you can do if if you invest in real estate and suddenly the politicians decide that affordable housing needs to be in this way, shape and form, then we're back to machines that we don't want to interfere in our business.
And that's a huge risk for the industry. So I think it will pay off. And I think it's top of mind for everyone who's allocating and investing in in the industry.
Yeah. Getting involved with the message, right?
Involved is also true for real estate, as such will, so we're all getting much more operational,
so that would be definitely one of the aspects here,
but, but in all all sectors and we are nearing our end and we have some more questions here.
One of the more hands on questions I see here is,
do you think the yields in residential will go down?
Think that there's definitely pressure,
that certainly there's pressure to find secure income,
and there is very little secure income at the moment
over one of the areas that I think everybody is sure will be needed,
and what is relatively little evolution in terms of people's needs is housing.
So even if there is going to be a bit,
there's going to be pressure.
I think probably regulatory pressure on rents in some countries quite likely.
Even so, it's still going to provide a very strong.
If low income, and so I think for that reason it is possible they are already very low,
but I think it is possible they will go lower.
Yes yeah, OK, well I think we're running out of time,
so I would like to end this session with the top trends,
the top trends, summary, ESG Fast tracking technology.
A different world. How to approach property as such and upside down ranking of what we have seen before and one element which I would definitely like to share with you. One outcome of the study as a top trend is diversity matters and I think today we are a really great example for that.
With only one guy on our panel no, two, sorry.
Are you on the panel discussion, so that's that's also right?
Thank you, yeah, thank you all for this.
Very intense and inspiring discussion.
With that I would like to ask everyone attending to
01:00:31 --> 01:00:35: take just two minutes to fill in the survey so
01:00:35 --> 01:00:39: that we know what we can improve and I would
01:00:39 --> 01:00:44: also like to point your attention to the upcoming digital
01:00:44 --> 01:00:46: program of ULI Europe.
01:00:46 --> 01:00:49: There are two very interesting.
01:00:49 --> 01:00:54: Webinar coming up. Also answering some more of the
questions
01:00:54 --> 01:00:57: I have seen and which we have now not been
01:00:58 --> 01:00:59: able to answer.
01:00:59 --> 01:01:03: I will try to answer some of these questions with
01:01:03 --> 01:01:05: the help of my panelist,
01:01:05 --> 01:01:09: colleagues inviting. If we have your you have your identity
01:01:09 --> 01:01:13: then then we'll do that and otherwise thank you all
01:01:13 --> 01:01:16: and I wish you a good remaining week.
01:01:16 --> 01:01:19: Bye bye thank you thank you.