

# Webinar

## Global Emerging Trends in Real Estate (EMEA & Americas)

Date: March 27, 2024

00:00:00 --> 00:00:03: 24 So just a couple of words.

00:00:03 --> 00:00:10: First, when I started university back in the early 1990s

00:00:10 --> 00:00:16: and the German treasury yields the Bund, the 10 year

00:00:16 --> 00:00:21: Bund was at 6%, the US treasury was at 8%.

00:00:22 --> 00:00:27: The US was clearly the only geopolitical power and political

00:00:27 --> 00:00:31: risk in the developed world was almost absent.

00:00:32 --> 00:00:38: China, short after, started negotiating its access to the World

00:00:38 --> 00:00:43: Trade Organization and since then, throughout all of my

00:00:43 --> 00:00:47: career,

00:00:47 --> 00:00:48: which is not that long, only 25 years, we had

00:00:49 --> 00:00:56: it really good.

00:00:56 --> 00:01:01: From those levels of interest rates, by 2020 interest rates

00:01:02 --> 00:01:03: went almost to 0, a constant, broadly a constant fall

00:01:04 --> 00:01:07: in Europe.

00:01:07 --> 00:01:12: The Eurozone had, you know, only one currency.

00:01:12 --> 00:01:17: So currency risk was pretty much gone within the Eurozone.

00:01:17 --> 00:01:22: And in real estate investment, in order not to achieve

00:01:23 --> 00:01:28: very good performance, you had to make many mistakes.

00:01:30 --> 00:01:33: Political risk, as I said, was completely absent.

00:01:33 --> 00:01:33: Now that doesn't mean that it all was rosy and

00:01:34 --> 00:01:37: green.

00:01:38 --> 00:01:42: So we had our little hiccups, one called the global

00:01:42 --> 00:01:45: financial crisis, which followed by a very nasty euro crisis.

00:01:45 --> 00:01:47: You had wars in the Middle East, in North Africa,

00:01:47 --> 00:01:51: in Africa and in all the places.

00:01:51 --> 00:01:54: And you have some economic instability in certain places.

00:01:55 --> 00:01:59: Some countries, like Argentina defaulted on its debt.

00:01:59 --> 00:02:03: But things are changing, and the emerging trends in real

00:01:59 --> 00:02:03: estate is reflecting these changes that are going on right

00:02:04 --> 00:02:04: now.

00:02:05 --> 00:02:09: First, there's been a great reset in real estate prices

00:02:09 --> 00:02:12: due to the rise in interest rates.

00:02:13 --> 00:02:16: There's been also a substantial fall in liquidity, as we

00:02:16 --> 00:02:18: will hear in a second.

00:02:19 --> 00:02:24: There's also been big political change from predictability.

00:02:24 --> 00:02:28: We've gone into a world of unpredictability.

00:02:30 --> 00:02:33: We could have Russia invade Ukraine.

00:02:33 --> 00:02:36: We have a war in the Middle East.

00:02:36 --> 00:02:40: We have rebels attacking merchant ships in the Gulf of

00:02:41 --> 00:02:43: Aden, disrupting global trade.

00:02:43 --> 00:02:47: We have much higher energy prices, everything else

00:02:48 --> 00:02:50: constant.

00:02:52 --> 00:02:54: So politics have changed.

00:02:52 --> 00:02:54: We also have a technological change.

00:02:54 --> 00:02:59: So this webinar is possible because of a big technological

00:02:59 --> 00:03:04: leap that has facilitated hybrid working and seminars.

00:03:04 --> 00:03:08: Some of them have become webinars and this has big

00:03:08 --> 00:03:11: implications for real estate.

00:03:12 --> 00:03:16: We've also, we've also pledged to decarbonize and to make

00:03:16 --> 00:03:21: all the investments required to severely decarbonize and that

00:03:21 --> 00:03:25: we

00:03:21 --> 00:03:25: have big implications for which assets are sellable and which

00:03:25 --> 00:03:27: assets are not.

00:03:28 --> 00:03:33: So how will all these changes affect our industry and

00:03:33 --> 00:03:39: more importantly, how do they, how will they affect

00:03:39 --> 00:03:40: investment

00:03:39 --> 00:03:40: decisions?

00:03:41 --> 00:03:44: So in this webinar, I have the honour of being

00:03:44 --> 00:03:49: of moderating a panel of three very important decision

00:03:49 --> 00:03:53: makers

00:03:49 --> 00:03:53: in the industry who will hopefully cast a little bit

00:03:53 --> 00:03:57: of light of how they are thinking about all these

00:03:57 --> 00:04:00: changes that are going on around us.

00:04:01 --> 00:04:04: So let me introduce you later on, but you know,

00:04:04 --> 00:04:06: just a quick glimpse.

00:04:06 --> 00:04:10: So Lisette Van Dorn, she's the CACEO of ULI Europe.

00:04:11 --> 00:04:16: Mark Gabe, who is the CEO of LaSalle Investment

00:04:16 --> 00:04:19: Management.

00:04:16 --> 00:04:19: I don't know whether it's called LaSalle Investment

00:04:19 --> 00:04:21: Management anymore,

00:04:19 --> 00:04:21: but that's how I grew up knowing it as.

00:04:21 --> 00:04:24: So you know, that's how I will die calling it

00:04:24 --> 00:04:24: anyway.

00:04:25 --> 00:04:29: And then we have Dennis Lopez, who is the CEO

00:04:29 --> 00:04:30: of Quadrial.

00:04:31 --> 00:04:36: But before the panel, we will have Gareth Lewis, who's

00:04:36 --> 00:04:42: the director of PwC real estate lead advisory team, who

00:04:42 --> 00:04:47: will present to us the key highlights and the key

00:04:48 --> 00:04:51: results from this year's survey.

00:04:51 --> 00:04:54: So let me welcome Gareth Lewis, who is on the

00:04:54 --> 00:04:55: screen right now.

00:04:56 --> 00:04:57: Gareth, over to you.

00:04:59 --> 00:05:02: Thank you very much, Jose for the introduction.

00:05:02 --> 00:05:04: Good morning, good afternoon, everyone.

00:05:04 --> 00:05:08: Wherever you are and welcome to this launch webinar for

00:05:08 --> 00:05:12: the emerging trends in real estate, global outlook brought to

00:05:12 --> 00:05:14: you by the ULI and PwC.

00:05:14 --> 00:05:16: It's really good to see so many of you registering

00:05:16 --> 00:05:17: today.

00:05:17 --> 00:05:18: So thank you for doing that.

00:05:18 --> 00:05:21: As Jose said, I'm Gareth Lewis from the Pill estate

00:05:21 --> 00:05:24: Real Estate Lead Advisory practice.

00:05:24 --> 00:05:27: And the first thing I'd like to do on behalf

00:05:27 --> 00:05:29: of PwC is to to thank the ULI for their

00:05:29 --> 00:05:34: collaboration for the all three regional emerging trends

00:05:35 --> 00:05:37: reports published

00:05:37 --> 00:05:42: at the back end of last year as well As

00:05:43 --> 00:05:44: for the latest, the latest collaboration for this global edition.

00:05:47 --> 00:05:51: Next slide please.

00:05:51 --> 00:05:54: The Emerging Trends in Real Estate Global report is a

00:05:54 --> 00:05:57: joint publication by PwC and the ULI and it brings

00:05:57 --> 00:05:59: together the findings of the three regional reports I mentioned

00:06:00 --> 00:06:03: published at the end of 2023.

00:06:03 --> 00:06:07: So it reflects the views of thousands of senior real

00:06:07 --> 00:06:10: estate professionals and that research is undertaken via a

00:06:10 --> 00:06:13: survey,

00:06:13 --> 00:06:15: round tables and interviews and it's seen as a key

00:06:15 --> 00:06:18: indicator of sentiment in the real in real estate investment

00:06:18 --> 00:06:20: and development trends.

00:06:20 --> 00:06:22: And this global report was supplemented with recent

00:06:22 --> 00:06:25: interviews on

00:06:25 --> 00:06:28: the outlook for the year ahead.

00:06:28 --> 00:06:31: So the plan for this session is, is for me

00:06:31 --> 00:06:34: to give you the brief highlights of the global report,

00:06:34 --> 00:06:37: as Jose said and then I'll hand back to Jose

00:06:28 --> 00:06:31: who will introduce the panel and moderate the discussion.

00:06:32 --> 00:06:34: So on to the highlights of the report.

00:06:34 --> 00:06:38: The senior industry players we spoke to for this global

00:06:38 --> 00:06:42: edition of of Emerging Trends believe there's a good prospect

00:06:42 --> 00:06:46: of renewed investment activity on the back end of greater

00:06:46 --> 00:06:49: clarity on monetary policy in the US, Europe and Asia

00:06:49 --> 00:06:50: Pacific.

00:06:50 --> 00:06:53: And the hope is that buyers and sellers are starting

00:06:53 --> 00:06:56: to become reconciled to an elevated interest rate environment and

00:06:56 --> 00:07:00: will therefore find that middle ground on pricing that's that's

00:07:00 --> 00:07:02: been so elusive over the the past two years.

00:07:02 --> 00:07:05: But what is complicated in the picture is, is the

00:07:05 --> 00:07:08: fact that many real estate investors are are grappling with

00:07:08 --> 00:07:12: some of the more fundamental challenges around the industry's role

00:07:12 --> 00:07:14: in society and in making buildings fit for purpose in

00:07:14 --> 00:07:17: what is an uncertain current and future environment.

00:07:18 --> 00:07:19: Next slide, please.

00:07:23 --> 00:07:26: So with alignment on pricing comes the belief that real

00:07:26 --> 00:07:30: estate can recover from one of the worst investment downturns

00:07:30 --> 00:07:31: in in recent years.

00:07:31 --> 00:07:35: As Jose said, were there any upswing in activities expected

00:07:35 --> 00:07:38: to be much more evident in 2025 than in 2024?

00:07:38 --> 00:07:41: And if there is to be an improvement in investment

00:07:41 --> 00:07:43: markets in 2024, it's going to come from a very

00:07:43 --> 00:07:44: low base.

00:07:44 --> 00:07:49: And as this slide shows, global transaction activity in 2023

00:07:49 --> 00:07:51: slumped to its lowest level since 2012.

00:07:52 --> 00:07:58: The latest data from MFCI shows that transactions involving income

00:07:58 --> 00:08:02: producing real estate fell by 48% in 2023 to 615

00:08:02 --> 00:08:06: billion, which is a 17% for on the 2022 total.

00:08:06 --> 00:08:10: Nowhere has escaped that slowdown, although the MSCI figures show

00:08:10 --> 00:08:12: that some of the major markets in Asia have been

00:08:12 --> 00:08:15: have shown more resilience than in Europe and North America

00:08:15 --> 00:08:17: and they continue to do so according to those we

00:08:17 --> 00:08:19: spoke to for this report.

00:08:20 --> 00:08:24: So whilst it's whilst it still feels like a transition

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

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

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

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

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

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

00:08:47 --> 00:08:51: identify

00:08:51 --> 00:08:54: identified interest rate movements as the top industry

00:08:54 --> 00:08:57: concern as

00:08:57 --> 00:09:00: you can see here, it is understandable that some clarity

00:09:00 --> 00:09:03: on monetary policy since the turn of the year has

00:09:03 --> 00:09:07: brought a measure of relief interviews for this global report.

00:09:07 --> 00:09:10: Note that as one interview put it, a change of

00:09:10 --> 00:09:15: tone towards the asset class, albeit from a more more

00:09:15 --> 00:09:18: more positive in the US and Asia than in Europe.

00:09:18 --> 00:09:21: Industry leaders across all three regions acknowledge that

00:09:21 --> 00:09:24: the geopolitical

00:09:24 --> 00:09:27: backdrop to investment is fought with uncertainty and may

00:09:27 --> 00:09:30: yet

00:09:30 --> 00:09:33: override the stability on inflation and interest rates.

00:09:33 --> 00:09:37: The wars in Ukraine and Gaza, as well as the

00:09:37 --> 00:09:40: the 60 plus elections due to be held around the

00:09:40 --> 00:09:43: world in 2024, including and perhaps most importantly the

00:09:43 --> 00:09:46: US

00:09:46 --> 00:09:50: elections are all weighing on that sentiment.

00:09:50 --> 00:09:53: And this is already a period of daunting challenges for

00:09:53 --> 00:09:56: the industry, not least with the colossal amount of real

00:09:56 --> 00:10:00: estate debt that needs to be refinanced this year and

00:10:00 --> 00:10:03: next.

00:10:03 --> 00:10:05: \$1.2 trillion U.S.

00:10:05 --> 00:10:08: dollars in the US alone and the deployment of so-called

00:10:08 --> 00:10:11: rescue capital will clearly be a big part of the

00:10:11 --> 00:10:15: global narrative in 2024.

00:10:15 --> 00:10:18: Next slide please.

00:10:18 --> 00:10:22: Though the industry has been in in wait and see

00:10:22 --> 00:10:26: mode over the past two years because of the short

00:10:26 --> 00:10:30: term cyclical forces many are looking to the the long

00:10:30 --> 00:10:34: term and all three editions of emerging trends reveal that

00:10:34 --> 00:10:38: many of the more progressive players have been using this

00:10:38 --> 00:10:42: time to challenge long held assumptions about market

00:10:42 --> 00:10:46: dynamics, pricing

00:10:46 --> 00:10:50: and risks.

00:10:50 --> 00:10:54: And the clear message is that the driver of investor

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

00:12:09 --> 00:12:13: as the the US and Canadian editions of Emerging Trends

00:12:13 --> 00:12:16: described, it goes well beyond the industry adapting to a

00:12:16 --> 00:12:19: new era of higher for longer interest rates.

00:12:20 --> 00:12:22: It's it's the opportunity for a radical rethink of what

00:12:22 --> 00:12:25: will make real estate fit for purpose in the long

00:12:25 --> 00:12:25: term.

00:12:26 --> 00:12:28: And cutting across all of this are the changing demands

00:12:28 --> 00:12:29: of the occupier.

00:12:29 --> 00:12:32: Another part of the same equation you could say, which

00:12:32 --> 00:12:35: has been a key theme over recent years, is how

00:12:35 --> 00:12:38: do you create income growth when that comfort blanket of

00:12:38 --> 00:12:40: yield compression is no longer guaranteed.

00:12:41 --> 00:12:45: And this is driving greater sophistication of the end product,

00:12:45 --> 00:12:48: for instance, enabling the shift into operational real estate

00:12:48 --> 00:12:50: and

00:12:51 --> 00:12:54: latterly the push towards Co location.

00:12:54 --> 00:12:54: Contrasting uses on the same sites such as industrial and

00:12:55 --> 00:12:59: housing.

00:12:59 --> 00:13:03: Occupied occupied drip and change is also arguably often

00:13:03 --> 00:13:07: unfolding

00:13:07 --> 00:13:09: gradually in plain sight, but it invariably ends up with

00:13:09 --> 00:13:12: significant consequences across all sectors, requiring a

00:13:12 --> 00:13:16: rethink of delivery

00:13:16 --> 00:13:19: models for real estate.

00:13:20 --> 00:13:23: And examples of this are everywhere from the impact of

00:13:24 --> 00:13:29: e-commerce and retail, the impact of dispersed hybrid work

00:13:29 --> 00:13:32: on

00:13:32 --> 00:13:36: the office sector and robotics on the logistics sector.

00:13:36 --> 00:13:39: And these are all historic examples, largely linked to

00:13:40 --> 00:13:42: technology.

00:13:42 --> 00:13:45: And looking forward you can envisage similarly significant

00:13:45 --> 00:13:47: changes driven

00:13:48 --> 00:13:51: by artificial intelligence and of course decarbonisation.

00:13:51 --> 00:13:54: And with that in mind, our research has sought to

00:13:54 --> 00:13:56: consider how the industry can work more closely with

00:13:56 --> 00:14:00: occupiers

00:13:56 --> 00:14:00: and other industries in the creation of a a real

00:13:56 --> 00:14:00: estate ecosystem that can pave the way for buildings to

00:13:56 --> 00:14:00: be fit for purpose over the coming decade.

00:13:56 --> 00:14:00: And the interviews suggest that the relationship between

00:13:56 --> 00:14:00: building owners

00:13:56 --> 00:14:00: and occupiers will need to become much more entwined and

00:13:56 --> 00:14:00: much more of a partnership.

00:13:56 --> 00:14:00: And the expectation is for far greater collaboration, dialogue

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



00:15:49 --> 00:15:49: Thank you.

00:15:50 --> 00:15:52: Well, thank you very much, Gareth.

00:15:52 --> 00:15:54: That was a brilliant presentation.

00:15:54 --> 00:15:55: Thank you.

00:15:55 --> 00:15:59: And as I said earlier, so let me reintroduce my

00:16:00 --> 00:16:05: eminent panelist, Lisette Van Dorn, CEO of ULI Europe, Mark

00:16:05 --> 00:16:10: Abez, CEO of Lim and Dennis Lopez, CEO of Quadrial.

00:16:10 --> 00:16:11: I'm going to start with Mark.

00:16:11 --> 00:16:13: Mark, Is this still called Lim?

00:16:15 --> 00:16:18: No that that that is the name we got rid

00:16:18 --> 00:16:18: of Jose.

00:16:18 --> 00:16:19: So thank.

00:16:19 --> 00:16:19: You.

00:16:19 --> 00:16:22: Finding everyone that we just we really go by LaSalle

00:16:22 --> 00:16:25: now or or the proper LaSalle Investment management.

00:16:25 --> 00:16:27: I'm glad we can get that out of the way.

00:16:28 --> 00:16:28: There we go.

00:16:28 --> 00:16:31: I will, I will probably die, saying Lim.

00:16:31 --> 00:16:33: But yeah, that's what that that's what habit makes.

00:16:34 --> 00:16:37: So you've got to stick it up more on people's

00:16:37 --> 00:16:40: minds, including mine, which is is sometimes a bit a

00:16:40 --> 00:16:42: bit stubborn anyway.

00:16:42 --> 00:16:45: So we heard a lot of things.

00:16:45 --> 00:16:47: Now I can see that there is a question on

00:16:47 --> 00:16:50: the question board and I promise that we will address

00:16:50 --> 00:16:50: that question.

00:16:50 --> 00:16:51: I have read it.

00:16:51 --> 00:16:53: It's related to data centres.

00:16:53 --> 00:16:55: I promise we will address it.

00:16:55 --> 00:16:58: So, so, but let me start with the big picture

00:16:59 --> 00:16:59: here.

00:16:59 --> 00:17:04: So Gareth mentioned that particularly in Asia, a number of

00:17:04 --> 00:17:07: industry leaders have mentioned geopolitics.

00:17:07 --> 00:17:10: I have mentioned geopolitics in my introduction.

00:17:10 --> 00:17:14: But is this just noise, Lisette?

00:17:15 --> 00:17:16: Do you think this is just noise or this is

00:17:16 --> 00:17:18: a structural change in the world?

00:17:20 --> 00:17:24: I certainly don't think it is noise and I think

00:17:24 --> 00:17:28: what we're seeing often in obviously it's something not just

00:17:29 --> 00:17:34: affecting real estate, so it's also affecting our broader

00:17:34 --> 00:17:36: societies

00:17:34 --> 00:17:36: and all other asset classes I think.

00:17:36 --> 00:17:40: But for real estate as a long term asset class,

00:17:40 --> 00:17:45: I I think it does have impact and quite significantly

00:17:45 --> 00:17:48: and I think even in the run up to elections

00:17:49 --> 00:17:53: generally not a lot happens and politicians are busier with

00:17:54 --> 00:17:58: campaigning and and other things than with policy making or

00:17:59 --> 00:18:01: creating visions etcetera.

00:18:02 --> 00:18:06: So and then so that's not even knowing what comes

00:18:06 --> 00:18:09: out of it and then sort of based on where

00:18:09 --> 00:18:14: we seen elections going and where we see the different

00:18:14 --> 00:18:18: candidates, if it may lead to more short term practice,

00:18:18 --> 00:18:22: yeah, I wouldn't want to call it vision.

00:18:22 --> 00:18:23: Yeah, in the.

00:18:23 --> 00:18:24: Policy making.

00:18:24 --> 00:18:25: Yes, exactly.

00:18:25 --> 00:18:26: Whatever that may mean.

00:18:26 --> 00:18:28: Or lack of policy making.

00:18:28 --> 00:18:28: Maybe even.

00:18:28 --> 00:18:29: Or lack thereof.

00:18:30 --> 00:18:30: Exactly.

00:18:30 --> 00:18:34: And that is something I think that for real estate

00:18:34 --> 00:18:36: we need long term perspectives.

00:18:37 --> 00:18:41: Yeah, so Dennis and so obviously the the year of

00:18:41 --> 00:18:44: election, so as Lisa has said it will, it will

00:18:44 --> 00:18:47: lead to a bit of short term decision making by

00:18:47 --> 00:18:48: authorities.

00:18:48 --> 00:18:49: I think that makes sense.

00:18:49 --> 00:18:53: But in terms of the global big picture geopolitical change

00:18:54 --> 00:18:57: from, you know, the US being the leader to a

00:18:57 --> 00:19:00: world in which a number of medium sized powers are

00:19:01 --> 00:19:05: flexing the muscles, does that affect your decision making?

00:19:08 --> 00:19:09: Yeah, it does.

00:19:09 --> 00:19:12: I think we, we have less confidence in investing in

00:19:12 --> 00:19:16: certain markets because of that and frankly have pulled back.

00:19:16 --> 00:19:19: So I think one of our key premises is that

00:19:19 --> 00:19:25: to invest in countries where there's stability, where there's

00:19:26 --> 00:19:30: transparency,

00:19:30 --> 00:19:36: where there's rule of law, we we've seen that autocratic

00:19:36 --> 00:19:41: politicians have increased and and frankly we don't feel

00:19:41 --> 00:19:42: comfortable

00:19:42 --> 00:19:45: investing in countries where we don't think there's a real

00:19:45 --> 00:19:45: rule of law.

00:19:45 --> 00:19:45: So absolutely it's caused us to pull back and thinking

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

00:21:29 --> 00:21:32: So the issue I think going forward for real estate

00:21:32 --> 00:21:35: investors and you sort of touched about this in the

00:21:35 --> 00:21:39: opening of this of this panel is just there's clearly

00:21:39 --> 00:21:42: increased volatility and so how are you going to price

00:21:42 --> 00:21:42: that?

00:21:43 --> 00:21:45: And so Dennis kind of gave an example of how

00:21:45 --> 00:21:48: he sort of pricing that type of volatility by by

00:21:48 --> 00:21:50: shifting in investments into different markets.

00:21:50 --> 00:21:54: But I think that's the thematic that we're thinking about

00:21:54 --> 00:21:57: is how do you price this volatility that's almost, it

00:21:58 --> 00:22:01: seems very difficult to price like how do you handicap

00:22:01 --> 00:22:02: the next full event?

00:22:03 --> 00:22:05: Well, I think that, yeah, this takes me to to

00:22:05 --> 00:22:07: to a point which I was planning to address a

00:22:07 --> 00:22:10: little bit later, but you know given that you've mentioned

00:22:10 --> 00:22:11: it, I'll address it now.

00:22:12 --> 00:22:16: So obviously we are in a different interest rate environment

00:22:16 --> 00:22:19: that we've been used to over the last, you know,

00:22:19 --> 00:22:21: since the global financial crisis.

00:22:23 --> 00:22:25: Inflation is now higher than it used to be.

00:22:25 --> 00:22:28: But we don't know whether interest rates have reached the

00:22:28 --> 00:22:28: peak.

00:22:28 --> 00:22:33: We don't know whether inflation has stabilized and a number

00:22:33 --> 00:22:37: of sectors are changing quite substantially.

00:22:37 --> 00:22:40: So going back to you Mark, so so first of

00:22:40 --> 00:22:44: all just before going into the theoretical question into of

00:22:44 --> 00:22:48: is real estate fairly priced, Is there anything that you

00:22:48 --> 00:22:53: would say is definitely not fairly priced right now that

00:22:53 --> 00:22:56: is too expensive for the risk and you're not allowed

00:22:56 --> 00:23:00: to give the same answer as Dennis on you know

00:23:00 --> 00:23:02: certain emerging markets?

00:23:05 --> 00:23:08: What do I think it's, it's to expect, Well, look

00:23:08 --> 00:23:11: we we have, we have an internal fair, fair market

00:23:11 --> 00:23:15: value model and there's definitely some sectors that look

00:23:16 --> 00:23:18: expensive

00:23:16 --> 00:23:18: based on on a forward look and based on what

00:23:18 --> 00:23:20: assumptions you want to use.

00:23:20 --> 00:23:24: And the and the assumptions are basically some spread over

00:23:24 --> 00:23:27: over corporates, right, to kind of mimic a a benchmark

00:23:27 --> 00:23:29: 'cause you have to have a a benchmark.

00:23:30 --> 00:23:33: I think with within that there probably are some areas

00:23:33 --> 00:23:36: that we think are not fairly valued.

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

00:25:18 --> 00:25:19: your name.

00:25:19 --> 00:25:24: So data centres have a problem, they consume a lot of energy.

00:25:24 --> 00:25:25:

00:25:26 --> 00:25:30: So in your if you as an investor have pledged to decarbonize and you buy a data an existing data centre that might, that might create some issues.

00:25:30 --> 00:25:35:

00:25:35 --> 00:25:39: But not just that.

00:25:40 --> 00:25:41:

00:25:41 --> 00:25:44: I mean the rising energy cost might contribute to inflation in general, but let's let's keep it in in on the first part of the question.

00:25:44 --> 00:25:47:

00:25:47 --> 00:25:49:

00:25:49 --> 00:25:53: So does that pose an issue you think data centres in, in terms of decarmonisation and therefore will that be a backlash of investor demand for data centres in your opinion?

00:25:53 --> 00:25:57:

00:25:57 --> 00:26:02:

00:26:02 --> 00:26:02:

00:26:05 --> 00:26:09: Well they're clearly opposing factors that we've seen and and and that's often it is quite interesting.

00:26:09 --> 00:26:12:

00:26:12 --> 00:26:15: On the one hand, we kind of use more and more data and it needs to be faster and more secure and locally stored.

00:26:15 --> 00:26:18:

00:26:18 --> 00:26:19:

00:26:19 --> 00:26:25: And we want videos, everything as individuals but also as companies.

00:26:25 --> 00:26:26:

00:26:26 --> 00:26:29: And then we haven't even spoken about AI and the potential impact of that.

00:26:29 --> 00:26:31:

00:26:31 --> 00:26:35: That massively increased the need for data centres And then coming closer and closer to cities where we've seen similar trends as we saw with logistics probably 15 years ago.

00:26:35 --> 00:26:39:

00:26:39 --> 00:26:43:

00:26:43 --> 00:26:46: First, we put them far away and they've come closer and closer again and more tailored and smaller etcetera.

00:26:47 --> 00:26:50:

00:26:50 --> 00:26:52:

00:26:52 --> 00:26:57: And we're seeing the same with data centers.

00:26:57 --> 00:27:02:

00:27:02 --> 00:27:02:

00:27:03 --> 00:27:06: And then at the same time, obviously there's the huge resource claim, not only energy but also water to cool them.

00:27:06 --> 00:27:11:

00:27:11 --> 00:27:13:

00:27:13 --> 00:27:15: So in that sense that those need to be married and often we've seen cities, for example, in the Netherlands putting a total ban on data centers.

00:27:15 --> 00:27:17:

00:27:17 --> 00:27:21:

00:27:21 --> 00:27:25:

00:27:25 --> 00:27:26:

00:27:26 --> 00:27:30:

00:27:30 --> 00:27:34: Dublin has done the same. That's obviously not the solution. So we need to find a way to work this out in terms of whether it's they become their own energy generators. We see things coming with nuclear energy and I'm not the expert in that, but just banning them is definitely

00:27:34 --> 00:27:36: not the solution.

00:27:36 --> 00:27:40: Where we also see collocation, there are examples I think

00:27:40 --> 00:27:44: they're even in the report where the heat of the

00:27:44 --> 00:27:47: data center was used to heat a pool nearby.

00:27:47 --> 00:27:50: So you I think we need to think about more

00:27:50 --> 00:27:56: integrated solutions and work together public, private sector and different

00:27:56 --> 00:28:02: other stakeholders, energy providers to find solutions for that.

00:28:03 --> 00:28:04: OK.

00:28:04 --> 00:28:04: OK.

00:28:04 --> 00:28:05: Well, thank you.

00:28:05 --> 00:28:08: So I'm, I'm not going to keep dwelling on data

00:28:08 --> 00:28:12: centres, but I'm going to go back to technology and

00:28:12 --> 00:28:15: the change in the real estate industry.

00:28:15 --> 00:28:19: So one of the key things that technology, I think

00:28:19 --> 00:28:21: you've mentioned it Lisette.

00:28:21 --> 00:28:24: So one of the things that technology has has has

00:28:24 --> 00:28:28: created is is created the demise of retail and the

00:28:28 --> 00:28:32: rise of logistics, the potential demise of offices and the

00:28:32 --> 00:28:34: rise of data centre.

00:28:34 --> 00:28:37: So this probably means that real estate portfolios are going

00:28:37 --> 00:28:40: to look very different 10 years from now.

00:28:40 --> 00:28:41: So question for Dennis.

00:28:41 --> 00:28:44: If you have a time machine, assuming you have an

00:28:44 --> 00:28:48: imaginary time machine and you looked at the real estate

00:28:48 --> 00:28:51: industry 10 years from now and the composition of real

00:28:51 --> 00:28:54: estate portfolios, what do you think you would see?

00:28:56 --> 00:28:56: OK.

00:28:56 --> 00:28:59: Well just taking a quick look back on The Time

00:28:59 --> 00:29:02: Machine, you know back when the Reed industry in the

00:29:02 --> 00:29:05: US was started, 55% of the market cap was in

00:29:05 --> 00:29:06: retail and office.

00:29:07 --> 00:29:10: Today the market cap of data centers is larger than

00:29:10 --> 00:29:14: retail and office combined in retail and office are probably

00:29:14 --> 00:29:15: around 2025% Max.

00:29:15 --> 00:29:16: So.

00:29:16 --> 00:29:20: So I think one of the things that's very, very

00:29:20 --> 00:29:23: clear is that real estate like all the other industries

00:29:23 --> 00:29:25: is changing its dynamic.

00:29:25 --> 00:29:28: I mean things that were what you would invest in,

00:29:28 --> 00:29:31: you know and there were rules of you know like

00:29:32 --> 00:29:33: you know regional malls.

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



00:31:25 --> 00:31:29: farms basically where you can store energy at those time

00:31:29 --> 00:31:34: periods when let's say non fossil fuel providers electricity are

00:31:34 --> 00:31:37: producing power but it can't be used or when the

00:31:37 --> 00:31:40: power is very low and then bring it back when

00:31:40 --> 00:31:41: it's hot.

00:31:41 --> 00:31:44: So I I think things are gonna change dramatically and

00:31:44 --> 00:31:49: these historical relationships on the traditional sectors particularly office and

00:31:49 --> 00:31:52: retail, they're not going away, they're very important sectors.

00:31:52 --> 00:31:56: But you know in some countries, certainly the US, you

00:31:56 --> 00:31:59: know both retail and office were overbuilt and there's a

00:31:59 --> 00:32:04: reduction in demand for that over building and they're adjusting

00:32:04 --> 00:32:07: I think as as many of the retails probably made

00:32:07 --> 00:32:08: most of that adjustments.

00:32:08 --> 00:32:10: But you know, so I think I think going to

00:32:10 --> 00:32:13: be open your mind for many different types of investments

00:32:13 --> 00:32:15: in real estate and it'll be very operational.

00:32:16 --> 00:32:19: So, so basically you see that 10 years from now

00:32:19 --> 00:32:24: the real estate portfolios will be far more diversified, many

00:32:24 --> 00:32:29: more sectors and therefore we would have to create within

00:32:29 --> 00:32:32: our industry a different level of expertise.

00:32:32 --> 00:32:36: But before going into that, I'd like to ask Mark,

00:32:36 --> 00:32:39: So this probably has some geographical variations.

00:32:40 --> 00:32:43: So it's not the same in the US where obvious

00:32:43 --> 00:32:46: and retail were overbuilt to a very, very large extent

00:32:46 --> 00:32:48: as Dennis has said as in Asia.

00:32:49 --> 00:32:51: So could could, could you comment on that a little

00:32:51 --> 00:32:51: bit?

00:32:53 --> 00:32:55: Jose, I'm just going to agree with Dennis again and

00:32:55 --> 00:32:55: just call.

00:32:55 --> 00:32:55: It.

00:32:55 --> 00:32:56: Oh no.

00:32:59 --> 00:33:01: I think and look I think the difference, the difference

00:33:01 --> 00:33:03: is you're talking about in portfolio construction.

00:33:03 --> 00:33:06: I mean I agree with the thematic that we were

00:33:06 --> 00:33:10: an industry where retail and office dominated and it dominated

00:33:10 --> 00:33:12: for a simple reason.

00:33:12 --> 00:33:15: It's it's what the market provided #1 and and #2

00:33:15 --> 00:33:19: you could get significant amounts of capital out in an

00:33:19 --> 00:33:20: efficient way.

00:33:20 --> 00:33:23: And I think that's a that's another issue for for

00:33:23 --> 00:33:26: global investors in terms of getting enough of a of

00:33:26 --> 00:33:30: an allocation deployment into a sector where it's meaningful to

00:33:30 --> 00:33:32: your portfolio composition.

00:33:33 --> 00:33:37: But in terms of the differences, you know outside of

00:33:37 --> 00:33:41: the USI would say the specialized sectors are all having

00:33:42 --> 00:33:45: the same kind of day in Asia and in Europe.

00:33:45 --> 00:33:48: I think that could be you'll see a higher percentage

00:33:48 --> 00:33:52: of office and retail composition in in Europe and Asia,

00:33:52 --> 00:33:55: you know for for obvious obvious reasons.

00:33:55 --> 00:33:59: So you know it, it's just, it's just how do

00:33:59 --> 00:34:01: you want to build your portfolio.

00:34:02 --> 00:34:05: And for me, what we've been thinking about is, is

00:34:05 --> 00:34:10: really going forward, how do you price volatility because even

00:34:10 --> 00:34:13: this shift to emerging sectors and even if you have

00:34:13 --> 00:34:17: to access it via development, right, you're taking a different

00:34:17 --> 00:34:21: level of risk, different level of volatility and are you

00:34:21 --> 00:34:25: getting paid to take that relative to alternatives?

00:34:25 --> 00:34:28: But as industry leaders, right, so I'm going to go

00:34:28 --> 00:34:29: back to Dennis now.

00:34:29 --> 00:34:32: So see as an industry leader how does how do

00:34:32 --> 00:34:35: you well actually this question applies more to you Mark

00:34:35 --> 00:34:39: as an industry leader, how would your hiring decisions be

00:34:39 --> 00:34:42: affected but what you have just said?

00:34:44 --> 00:34:46: I look, I think there's going to, there's going to

00:34:46 --> 00:34:49: be a new set of skills that are definitely needed

00:34:49 --> 00:34:50: in in our industry.

00:34:51 --> 00:34:54: You know as you know, we're sort of in we're

00:34:54 --> 00:34:55: sort of an older industry.

00:34:55 --> 00:34:57: We sort of stick around for a long time.

00:34:57 --> 00:34:59: I I don't know if that's a reflection of of

00:34:59 --> 00:35:02: the asset type or or the fact that we don't

00:35:02 --> 00:35:05: besides for securities don't really trade on a screen and

00:35:05 --> 00:35:06: so it takes a long time.

00:35:06 --> 00:35:08: So you know old people like myself we we have,

00:35:08 --> 00:35:11: we have time to think about what the next decision.

00:35:12 --> 00:35:14: So I think the skill set's going to change.

00:35:14 --> 00:35:15: The expertise is going to change.

00:35:15 --> 00:35:18: I think you're going to have to be you know

00:35:18 --> 00:35:19: technologically more savvy.

00:35:19 --> 00:35:21: I think that means you're probably going to have to

00:35:21 --> 00:35:22: be younger at the end of the day.

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

00:36:57 --> 00:36:57: OK.

00:36:57 --> 00:36:57: That's good.

00:36:57 --> 00:36:57: All right.

00:36:58 --> 00:37:00: You guys have the wisdom, right?

00:37:02 --> 00:37:05: You have the wisdom to discern what is fashion and

00:37:05 --> 00:37:05: what is.

00:37:05 --> 00:37:06: There you go.

00:37:06 --> 00:37:06: But.

00:37:06 --> 00:37:07: That means we.

00:37:07 --> 00:37:07: Also have.

00:37:07 --> 00:37:07: A.

00:37:08 --> 00:37:09: We also have a bias.

00:37:11 --> 00:37:12: Completely true.

00:37:12 --> 00:37:14: So they said they wanted to ask you, so as

00:37:14 --> 00:37:17: members of the ULI, the kind of questions that you

00:37:17 --> 00:37:17: get.

00:37:19 --> 00:37:22: So do you get a lot more inquiries about operational

00:37:22 --> 00:37:25: real estate and how does how has the ULI membership

00:37:25 --> 00:37:29: and the ULI emphasis changed let's say over the last

00:37:29 --> 00:37:32: 10 years in regards to that area of operational real

00:37:32 --> 00:37:32: estate?

00:37:34 --> 00:37:37: Well, definitely we get a lot more questions and actually

00:37:37 --> 00:37:40: we're in the process of setting up at least in

00:37:40 --> 00:37:42: Europe and I think we have it already in the

00:37:42 --> 00:37:43: Americas.

00:37:44 --> 00:37:48: Specific product councils focus more on the operator side.

00:37:49 --> 00:37:54: And obviously it's it's still interesting because in some areas

00:37:54 --> 00:37:59: you see far more specialized operators emerging, for

00:37:59 --> 00:38:03: example residential,

00:38:03 --> 00:38:07: in some other areas like offices, it's still some, some

00:38:07 --> 00:38:09: of the bigger managers try to develop their own concept

00:38:09 --> 00:38:12: or work with the operator.

00:38:12 --> 00:38:14: And obviously we see still more issues on the operate

00:38:15 --> 00:38:19: side, at least in, in some cases.

00:38:19 --> 00:38:23: So it's definitely in a very important topic and we've

00:38:23 --> 00:38:27: looked at that also for the global report, more from

00:38:27 --> 00:38:30: the occupier side in what do they want from the

00:38:30 --> 00:38:33: real estate or the landlord if you will.

00:38:33 --> 00:38:37: And then you also see much more of a request

00:38:37 --> 00:38:40: for not surprising, I think it's a lot of open

00:38:40 --> 00:38:42: doors you could say, but the industry is still on

00:38:40 --> 00:38:42: a journey to provide.

00:38:42 --> 00:38:42: That.

00:38:43 --> 00:38:49: Much more flexibility, much more partnership services, so from the

00:38:49 --> 00:38:54: bricks and mortar it is changing to a service model

00:38:54 --> 00:39:00: and I and obviously that requires operations to be able

00:39:00 --> 00:39:01: to fulfil that.

00:39:02 --> 00:39:03: Where we come from?

00:39:04 --> 00:39:04: Yeah.

00:39:04 --> 00:39:08: So basically the the hotelization of real estate seems to

00:39:08 --> 00:39:12: be happening and seems to be happening at speed.

00:39:13 --> 00:39:13: I want you now to move.

00:39:13 --> 00:39:16: There is a, there is a question here that I

00:39:16 --> 00:39:18: find very interesting and intriguing.

00:39:18 --> 00:39:21: So clearly we said the real estate portfolios will be

00:39:21 --> 00:39:24: more varied, but I assume even though no one has

00:39:24 --> 00:39:27: said it that the logistics industrial sectors would be a

00:39:28 --> 00:39:28: big part of it.

00:39:29 --> 00:39:33: So there is here, here's a question from Juan Gallardo

00:39:33 --> 00:39:38: who's saying, but AI and robots are already changing the

00:39:38 --> 00:39:39: logistics industry.

00:39:41 --> 00:39:44: So how do you see in terms of investment decisions,

00:39:45 --> 00:39:48: the fact that there are robots and there is AI

00:39:48 --> 00:39:53: already in, you know, governing the supply chain and affecting

00:39:53 --> 00:39:55: probably locational decisions?

00:39:55 --> 00:39:56: How do you see that?

00:39:57 --> 00:39:59: That's a question for Dennis.

00:39:59 --> 00:39:59: There we go.

00:40:00 --> 00:40:01: That's a difficult one.

00:40:02 --> 00:40:02: Yeah.

00:40:02 --> 00:40:03: OK.

00:40:03 --> 00:40:05: So look at, you know, it's here.

00:40:05 --> 00:40:06: It's not like coming.

00:40:06 --> 00:40:11: We've invested in several of these major logistics facilities that

00:40:11 --> 00:40:13: Amazon has built.

00:40:13 --> 00:40:16: You know six story facilities that are basically where you

00:40:17 --> 00:40:21: have automated picking of all the different items that you're

00:40:21 --> 00:40:24: sending and then packaging and sending out.

00:40:24 --> 00:40:27: So it it's here now, look I I think it's

00:40:27 --> 00:40:32: it's it's a development of taking jobs that some people

00:40:32 --> 00:40:34: don't want to do.

00:40:34 --> 00:40:37: It's a development of not having the staffing to be

00:40:37 --> 00:40:39: able to fulfill these jobs.

00:40:39 --> 00:40:41: I don't think it's a negative at all.

00:40:41 --> 00:40:44: In fact actually one of the things too it can

00:40:44 --> 00:40:47: be you know when this kind of goes back to

00:40:47 --> 00:40:51: more operational, if you look in cold storage, we're investor

00:40:51 --> 00:40:54: in a very large cold storage company And and this

00:40:54 --> 00:40:58: company actually takes the goods at the entrance of the

00:40:58 --> 00:41:02: facility and manages the goods movement and storage in the

00:41:02 --> 00:41:05: facilities and then brings them back out to the tenants

00:41:05 --> 00:41:06: afterwards.

00:41:07 --> 00:41:09: Maybe that could happen in dry storage too, I don't

00:41:09 --> 00:41:09: know.

00:41:09 --> 00:41:12: So I think it's just it's an evolution of where

00:41:12 --> 00:41:13: things are going.

00:41:14 --> 00:41:18: And and then you know in in that particular situation,

00:41:18 --> 00:41:21: the landlord is actually owning a lot of the automated

00:41:21 --> 00:41:25: facilities that are allowing them to do what they're doing.

00:41:25 --> 00:41:27: So they're not investing just in the core and shell,

00:41:27 --> 00:41:29: they're investing in the equipment as well too.

00:41:29 --> 00:41:32: So it really kind of goes to this concept of

00:41:32 --> 00:41:35: more operational focus on real estate going away from the

00:41:35 --> 00:41:38: traditional, you know, lease a building for 10 years and

00:41:39 --> 00:41:41: kind of not pay attention to it, but you got

00:41:41 --> 00:41:43: to pay attention to it every single day.

00:41:44 --> 00:41:45: Yeah, I think that the.

00:41:45 --> 00:41:49: What's going to be required to outperform going forward?

00:41:49 --> 00:41:50: Yeah.

00:41:50 --> 00:41:53: And I think that there is something else as well

00:41:53 --> 00:41:56: that you know that we generally as as an industry

00:41:56 --> 00:41:59: or the the landlord part of the industry, we've been

00:41:59 --> 00:42:02: just you we we rent a location and then we

00:42:02 --> 00:42:03: forget about it.

00:42:03 --> 00:42:06: And I think that that world is going to finish

00:42:07 --> 00:42:10: as well to make an example like in Japan in

00:42:10 --> 00:42:14: the logistics sector, the level of services in order to

00:42:14 --> 00:42:19: attract employees into logistics facilities, it's a totally different

00:42:20 --> 00:42:23: level

00:42:20 --> 00:42:23: to the level of services that you get in, in

00:42:23 --> 00:42:25: Europe or in the US, right.

00:42:25 --> 00:42:28: You get, you get a great cafes, you get a

00:42:28 --> 00:42:29: crash.

00:42:29 --> 00:42:31: So you know, so it's a it's a totally people

00:42:31 --> 00:42:34: talk about well-being in real estate and then they they

00:42:34 --> 00:42:36: tend to think about white collar workers.

00:42:37 --> 00:42:41: But in Japan they've gone pass that concept and applied

00:42:42 --> 00:42:43: it to blue colours.

00:42:44 --> 00:42:47: Now I want to go back to the real estate

00:42:47 --> 00:42:49: cycle and interest rates.

00:42:49 --> 00:42:53: So I've got a great question here from Ross.

00:42:53 --> 00:42:58: Bright White was talking about the funding gap that there

00:42:58 --> 00:43:01: is in real estate at the moment.

00:43:03 --> 00:43:07: We've seen a number of developers going under in places

00:43:07 --> 00:43:08: like Germany.

00:43:09 --> 00:43:13: When Silicon Valley Bank went under, there was a big,

00:43:13 --> 00:43:17: there was a big concern about US regional banks and

00:43:17 --> 00:43:19: the commercial real estate portfolios.

00:43:20 --> 00:43:21: So do you want to comment on that?

00:43:21 --> 00:43:25: How do you see this and do you think that

00:43:25 --> 00:43:27: a second downturn is about to happen?

00:43:28 --> 00:43:31: Let me start with you, Mark.

00:43:33 --> 00:43:36: So I I think it's market knowledge that there is

00:43:36 --> 00:43:36: a funding gap.

00:43:36 --> 00:43:40: I mean it's probably in the trillions globally depending on

00:43:40 --> 00:43:43: how how you want to look at it by sector

00:43:43 --> 00:43:44: or or by country.

00:43:44 --> 00:43:46: I think it you know it will get failed.

00:43:46 --> 00:43:48: It just it just takes time.

00:43:48 --> 00:43:53: It's part of the repricing, the repricing that that's happening.

00:43:53 --> 00:43:56: Does it lead to a broader kind of repricing in

00:43:56 --> 00:43:58: in in the industry.

00:43:59 --> 00:44:02: I think our view at the moment it doesn't and

00:44:02 --> 00:44:05: and the reason is the markets has just become a

00:44:05 --> 00:44:09: lot more you know less connected to some degree although

00:44:09 --> 00:44:12: we are all all connected by something by rates, but

00:44:12 --> 00:44:17: you're seeing divergent in in returns and outlooks between

00:44:17 --> 00:44:19: different

00:44:17 --> 00:44:19: sectors, different countries etcetera.

00:44:20 --> 00:44:24: So that this kind of dispersion I think hopefully keeps

00:44:24 --> 00:44:30: away a cascading effect, a valuation going down everywhere

00:44:30 --> 00:44:32: regardless

00:44:30 --> 00:44:32: of what it is at the moment.

00:44:32 --> 00:44:36: The market really feels like it's holding on you know

00:44:36 --> 00:44:38: to certain asset values.

00:44:38 --> 00:44:41: Having said that, I mean I think we fully expect

00:44:41 --> 00:44:45: in the office sector as more transactions take place right,

00:44:46 --> 00:44:50: you'll see that pull down certain indexes across the board

00:44:50 --> 00:44:53: and then it'll just depend on what percentage in your

00:44:53 --> 00:44:56: portfolio right is is linked to that.

00:44:56 --> 00:45:00: So I we still think we have little ways to

00:45:00 --> 00:45:01: go here, right.

00:45:01 --> 00:45:04: I I we don't think this is turning in terms

00:45:04 --> 00:45:08: of a of a cycle, but there are definitely some

00:45:08 --> 00:45:09: bright spots within.

00:45:09 --> 00:45:12: Within it, OK, so there are bright spots and there

00:45:12 --> 00:45:15: will be, there will be pain to be felt but

00:45:15 --> 00:45:18: you think that the pain so so but they would

00:45:18 --> 00:45:19: be pain to to to be felt.

00:45:20 --> 00:45:23: Look, I look honestly I honestly, I don't really know.

00:45:23 --> 00:45:26: But I think what the market is telling you, well

00:45:26 --> 00:45:30: the market is telling you is that we've we've become

00:45:30 --> 00:45:33: a lot more dispersed to some degree in terms of

00:45:33 --> 00:45:38: the connectivity between certain asset classes and certain

00:45:38 --> 00:45:41: markets.

00:45:38 --> 00:45:41: And that makes sense to me because you know if

00:45:42 --> 00:45:45: everything moved in tandem one way or the other like

00:45:45 --> 00:45:49: it did in the the financial crisis, that's kind of

00:45:49 --> 00:45:51: a boring market, right.

00:45:51 --> 00:45:53: If everything was going to go down, everything was going

00:45:53 --> 00:45:54: to go up, right?

00:45:54 --> 00:45:55: I mean, who?

00:45:55 --> 00:45:57: Who wants to go to a casino and just lose

00:45:57 --> 00:45:59: every single hand in a row?

00:45:59 --> 00:46:01: And conversely, who wants to go and win every single

00:46:01 --> 00:46:01: hand?

00:46:02 --> 00:46:03: You could say you might want to win.

00:46:03 --> 00:46:03: I would.

00:46:04 --> 00:46:06: Actually like to have my it's.

00:46:06 --> 00:46:06: It's.

00:46:07 --> 00:46:08: It's it's the ending all the time.

00:46:08 --> 00:46:08: Exactly.

00:46:08 --> 00:46:08: I'm sure.

00:46:08 --> 00:46:11: I'm sure that Denny's wants a market where everything's

00:46:11 --> 00:46:14: gone

00:46:11 --> 00:46:14: down so that he can take advantage of it, right?

00:46:15 --> 00:46:19: So I I I think I think because it's dispersed,

00:46:19 --> 00:46:24: because it's less linked, because there's a lot of capital

00:46:24 --> 00:46:29: still in the world, you're seeing a much slower play



00:46:29 --> 00:46:31: in terms of this repricing.

00:46:31 --> 00:46:35: But the repricing is fundamentally healthy is our view.

00:46:36 --> 00:46:37: It's absolutely healthy.

00:46:37 --> 00:46:41: I think that your point about the real estate being

00:46:41 --> 00:46:44: fairly priced, real estate needs to reprise.

00:46:44 --> 00:46:47: It's reprised a lot, but in some cases it needs

00:46:47 --> 00:46:48: to reprise more.

00:46:50 --> 00:46:53: Now the question now is Denny's.

00:46:53 --> 00:46:54: That's a question for you.

00:46:54 --> 00:46:57: So that issue of the funding gap and the potential

00:46:57 --> 00:47:00: risks, do you think this is systemic in the same

00:47:01 --> 00:47:03: way as it was in the in the global financial

00:47:03 --> 00:47:06: crisis or do you think that as Mark has said

00:47:06 --> 00:47:07: is pockets?

00:47:08 --> 00:47:10: Yeah, No, it's not systemic.

00:47:10 --> 00:47:11: Look at in the in the GFC.

00:47:11 --> 00:47:13: No, I don't think so.

00:47:13 --> 00:47:16: And the GFC, you know you've got these define thirty

00:47:16 --> 00:47:19: large financial institutions globally.

00:47:19 --> 00:47:22: When they get in trouble, the entire financial system gets

00:47:22 --> 00:47:24: in trouble and they were in trouble back in the

00:47:24 --> 00:47:24: GFC.

00:47:24 --> 00:47:26: It was a really scary time period.

00:47:27 --> 00:47:31: This isn't that those those top 30 institutions are fine.

00:47:32 --> 00:47:34: Their exposure to real estate's limited.

00:47:34 --> 00:47:36: You do have in the US some of the regional

00:47:36 --> 00:47:39: banks, I think in Europe obviously you know some of

00:47:39 --> 00:47:40: the German banks.

00:47:40 --> 00:47:43: So there are issues but but it's not systemic at

00:47:43 --> 00:47:46: all and in fact you know I would also argue

00:47:46 --> 00:47:48: too in terms of the funding gap, you know the,

00:47:48 --> 00:47:52: you know the private funds are stepping into to fill

00:47:52 --> 00:47:54: these gaps you know and you know and and they're

00:47:55 --> 00:47:58: very attractive pricing and very attractive risk too.

00:47:58 --> 00:47:58: So.

00:47:59 --> 00:48:01: So I think the capitals there for it and you

00:48:01 --> 00:48:04: know once again going back to being old guys, we've

00:48:04 --> 00:48:06: seen this a couple of times right.

00:48:06 --> 00:48:09: The same charts that show huge amounts of refinancing

00:48:09 --> 00:48:11: back

00:48:09 --> 00:48:11: in the GFC all the way back to the savings

00:48:11 --> 00:48:12: and loan crisis.

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

00:50:19 --> 00:50:21: continent the quickest to reprice.

00:50:21 --> 00:50:24: So I think it can also help and unlock the

00:50:24 --> 00:50:26: opportunity there is completely.

00:50:26 --> 00:50:28: Completely, yeah.

00:50:28 --> 00:50:29: I think I totally agree with you.

00:50:29 --> 00:50:32: I think that on that, yeah.

00:50:32 --> 00:50:35: On that topic, I think, I think I mean you're

00:50:35 --> 00:50:38: right that the market in, in the industry should be

00:50:38 --> 00:50:43: hopeful that the repricing provides opportunities for kind of the

00:50:43 --> 00:50:46: decarbonize it and show that there's a financial return to

00:50:47 --> 00:50:50: it, right, which it's it's sort of unfortunate, right, that

00:50:50 --> 00:50:54: you've got to print the financial return at first in

00:50:54 --> 00:50:57: order to get the money right, to be able to

00:50:57 --> 00:50:57: decarbonize.

00:50:57 --> 00:51:00: So that that little cycle there is always difficult to

00:51:01 --> 00:51:01: play.

00:51:01 --> 00:51:05: I mean I think the bigger question for the industry,

00:51:05 --> 00:51:09: when you, when you think about climate risk, do you

00:51:09 --> 00:51:13: really believe it's a tail risk, right, that can create

00:51:13 --> 00:51:16: major or even existential damage to the planet if you

00:51:16 --> 00:51:20: do as a real estate investor and owner, right.

00:51:20 --> 00:51:23: You have to take out some insurance against that and

00:51:23 --> 00:51:28: unfortunately there isn't any insurance against that kind of situation.

00:51:28 --> 00:51:32: So what are you going to do about it?

00:51:32 --> 00:51:34: And so when we talked to a lot of our

00:51:34 --> 00:51:37: investors, we try to position it like like that in

00:51:37 --> 00:51:40: terms of trying to accelerate that that story because you

00:51:41 --> 00:51:43: have to put it in that tail risk bucket.

00:51:43 --> 00:51:47: And especially for an industry that's so long duration oriented,

00:51:47 --> 00:51:51: it doesn't make any sense to me that we don't,

00:51:51 --> 00:51:55: we don't think about hedging tail risks and there's there's

00:51:55 --> 00:51:59: other ones beyond just beyond just climate, but it's just

00:51:59 --> 00:52:01: not even in discussions.

00:52:01 --> 00:52:03: So this is one that I think can be.

00:52:04 --> 00:52:04: Yeah, yeah.

00:52:05 --> 00:52:05: OK.

00:52:06 --> 00:52:07: So we are running out of time.

00:52:07 --> 00:52:09: But I'm just going to ask you, you you all

00:52:09 --> 00:52:12: have just 30 seconds to ask literally, because otherwise I'm

00:52:12 --> 00:52:13: going to be in trouble.

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

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