

# Webinar

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

Date: March 27, 2024

00:00:00 --> 00:00:05: Webinar for the emerging Trends in Real Estate global report  
 00:00:05 --> 00:00:09: brought to you by the Urban Land Institute and PwC.  
 00:00:11 --> 00:00:13: It's great to see so many of you with us  
 00:00:13 --> 00:00:13: today.  
 00:00:13 --> 00:00:15: So thank you for joining.  
 00:00:16 --> 00:00:20: I'm Gareth Lewis from the PwC Real Estate Lead Advisory  
 00:00:20 --> 00:00:21: Practice.  
 00:00:21 --> 00:00:23: And on behalf of PwC, I'd first like to thank  
 00:00:24 --> 00:00:28: the Urban Land Institute for their collaboration for all three  
 00:00:28 --> 00:00:31: regional emerging trends reports published at the back end  
 of  
 00:00:32 --> 00:00:35: last year, as well as the latest collaboration for this  
 00:00:35 --> 00:00:36: global edition.  
 00:00:38 --> 00:00:46: Next slide please and next slide, Thank you.  
 00:00:47 --> 00:00:50: The Emerging Trends in Real estate Global report is a  
 00:00:50 --> 00:00:53: joint publication, as I said between PwC and the ULI.  
 00:00:54 --> 00:00:58: Brings together, the findings of the three regional reports  
 published  
 00:00:58 --> 00:01:00: at the back end of 2023 reflects the views of  
 00:01:00 --> 00:01:03: thousands of senior real estate professionals.  
 00:01:03 --> 00:01:07: The research is undertaken through a survey, round tables  
 and  
 00:01:07 --> 00:01:11: interviews and it's a key indicator of sentiment in real  
 00:01:11 --> 00:01:13: estate and investment development trends.  
 00:01:14 --> 00:01:17: And this global report was supplemented with recent  
 interviews on  
 00:01:17 --> 00:01:18: the outlook for the year ahead.  
 00:01:19 --> 00:01:21: So the plan for this session is for me to  
 00:01:21 --> 00:01:24: give you the brief highlights of the global report.  
 00:01:24 --> 00:01:27: Then I'll hand over to David Inskip from CBRE Investment

00:01:27 --> 00:01:31: Management who will introduce the panel and moderate the  
the  
00:01:31 --> 00:01:32: discussion.  
00:01:33 --> 00:01:37: Senior industry industry players we spoke to for the global  
00:01:37 --> 00:01:40: edition of Emerging Trends believe that there's a good  
prospect  
00:01:41 --> 00:01:44: of renewed investment activity on the back end of greater  
00:01:44 --> 00:01:47: clarity on monetary policy in the US, Europe and Asia  
00:01:47 --> 00:01:48: Pacific.  
00:01:49 --> 00:01:51: So the hope is that buyers and sellers are starting  
00:01:51 --> 00:01:55: to become a reconcile to an elevated interest rate  
environment  
00:01:55 --> 00:01:58: and will therefore find that middle ground on pricing that's  
00:01:58 --> 00:02:00: been so elusive over the past two years.  
00:02:00 --> 00:02:04: And what is still complicated in the picture somewhat is  
00:02:04 --> 00:02:08: the fact that many real estate investors are grappling with  
00:02:08 --> 00:02:12: more fundamental challenges around the industry's role in  
society and  
00:02:12 --> 00:02:16: in making buildings fit for purpose in an uncertain current  
00:02:16 --> 00:02:17: and future environment.  
00:02:18 --> 00:02:19: Next slide please.  
00:02:23 --> 00:02:26: With alignment on price pricing comes the belief that real  
00:02:26 --> 00:02:28: estate can recover from what has been one of the  
00:02:28 --> 00:02:30: worst investment downturn in years.  
00:02:30 --> 00:02:34: Although any upswing and activity is expected to be much  
00:02:34 --> 00:02:36: more evident in 2025 than in 2024, if there is  
00:02:36 --> 00:02:40: to be an improvement in investment markets in 2024, it's  
00:02:40 --> 00:02:42: going to come from a very low base.  
00:02:42 --> 00:02:46: As this slide shows, a global transaction activity in 2023  
00:02:46 --> 00:02:49: slumped to its lowest level since 2012.  
00:02:49 --> 00:02:54: And the latest data from MSCI shows that transactions  
involving  
00:02:55 --> 00:02:59: income producing real estate fell by 48% in 2023 to  
00:02:59 --> 00:03:00: 615 billion U.S.  
00:03:00 --> 00:03:04: dollars, which was a 17% fall on the 2022 total.  
00:03:04 --> 00:03:07: Nowhere has escaped the slowdown, although the MSCI  
figures show  
00:03:07 --> 00:03:10: that some of the major markets in Asia are showing  
00:03:10 --> 00:03:13: more resilience than Europe and North America and continue  
to  
00:03:13 --> 00:03:15: do so according to those we spoke to for this  
00:03:15 --> 00:03:16: report.  
00:03:17 --> 00:03:20: So whilst it still feels like a transition period in  
00:03:20 --> 00:03:23: the capital markets, there are signals that the market is

00:03:23 --> 00:03:23: waking up.

00:03:24 --> 00:03:27: But there's still a fair degree of caution in real

00:03:27 --> 00:03:31: estate and diversification of risk by market and by sector

00:03:31 --> 00:03:32: will be critically important.

00:03:33 --> 00:03:34: Next slide please.

00:03:38 --> 00:03:41: Given that all three regional additions of emerging trends identify

00:03:42 --> 00:03:45: interest rate movements as the top industry concern, it's understandable

00:03:45 --> 00:03:48: that some clarity on monetary policy since the turn of

00:03:48 --> 00:03:51: the year has bought a measure of relief, the interviews

00:03:51 --> 00:03:53: for this global report note.

00:03:53 --> 00:03:56: As one puts it at a change of tone towards

00:03:56 --> 00:03:59: the asset class, albeit more positive in the US and

00:03:59 --> 00:04:00: Asia than in Europe.

00:04:01 --> 00:04:05: Industry leaders across all three regions acknowledge that the geopolitical

00:04:05 --> 00:04:08: backdrop to investment is fought with uncertainty and may yet

00:04:08 --> 00:04:09: override.

00:04:09 --> 00:04:13: The recent stability on inflation and interest rates and the wars in Ukraine and Gaza, as well as the 60

00:04:13 --> 00:04:16: plus elections due to be held around the world in

00:04:16 --> 00:04:19: 2024 including the the the the US elections are all

00:04:19 --> 00:04:22: weighing on that sentiment.

00:04:22 --> 00:04:24: And this is already a period of daunting challenges for

00:04:25 --> 00:04:28: the industry, not least the colossal amount of real estate

00:04:28 --> 00:04:31: debt that needs to be refinanced this year and next.

00:04:31 --> 00:04:34: As 1.2 trillion U.S.

00:04:34 --> 00:04:36: dollars in the US alone and the deployment of so-called

00:04:36 --> 00:04:40: rescue capital will be a a big part of the

00:04:40 --> 00:04:42: global real estate narrative, no doubt in 2024.

00:04:42 --> 00:04:45: Next slide please.

00:04:46 --> 00:04:47: Though the industries has been in wait and see mode

00:04:50 --> 00:04:53: over the past two years, because of these short term

00:04:53 --> 00:04:56: cyclical forces, many are looking to the long term and

00:04:56 --> 00:04:59: all three editions of emerging trends reveal that many of

00:04:59 --> 00:05:02: the more progressive players have been using this time to

00:05:02 --> 00:05:06: challenge long held assumptions about market dynamics,

00:05:06 --> 00:05:10: pricing and risks.

00:05:10 --> 00:05:12: And the clear message is the driver of investment and

00:05:13 --> 00:05:16: occupied behaviour is no longer about those traditional property sectors,

00:05:16 --> 00:05:18: but increasingly centred around the the 3DS.

00:05:18 --> 00:05:23: That's demographics, digitalization and decarbonisation, and the 3DS are reinforcing

00:05:24 --> 00:05:28: the investment case for diversification across alternative real estate sectors.

00:05:29 --> 00:05:32: Most notice noticeably data centres and other D, which is

00:05:32 --> 00:05:36: only likely to accelerate under the influence of demand for

00:05:36 --> 00:05:37: generative AI.

00:05:37 --> 00:05:41: And it's no coincidence that the industry concerns over housing

00:05:41 --> 00:05:45: affordability, highlighted in all three regional reports of emerging trends

00:05:45 --> 00:05:49: are translating to a far greater investor attention on an

00:05:49 --> 00:05:52: increasingly diverse range of living sub sectors.

00:05:53 --> 00:05:57: Though market conditions may slow progress on ESG compliance this

00:05:57 --> 00:06:00: year, there's also a strong belief that the green agenda

00:06:00 --> 00:06:02: is a genuine and new force for change in real

00:06:02 --> 00:06:03: estate.

00:06:03 --> 00:06:07: And many are clearly seeing that decarbonisation thematic approach to

00:06:07 --> 00:06:11: real estate as an opportunity rather than an obligation.

00:06:11 --> 00:06:14: And that is and will continue to drive capital flows.

00:06:15 --> 00:06:17: And our interviews suggest that this is going to open

00:06:17 --> 00:06:19: up a whole new world of real estate products which

00:06:19 --> 00:06:22: overlap between real estate and infrastructure.

00:06:23 --> 00:06:26: The transition, transition to a much more diverse operational and

00:06:26 --> 00:06:30: complex real estate market together with you could say that

00:06:30 --> 00:06:34: ongoing relative decline in traditional real estate sectors or along

00:06:34 --> 00:06:37: with the merging of real estate and infrastructures has been

00:06:37 --> 00:06:39: a feature for quite some time.

00:06:39 --> 00:06:41: And it's a trend that you could say is happening

00:06:41 --> 00:06:44: in plain sight to the extent that that its significance

00:06:44 --> 00:06:45: could sometimes be missed.

00:06:46 --> 00:06:47: Next slide please.

00:06:51 --> 00:06:54: The the great reset as the US and Canadian editions

00:06:54 --> 00:06:58: described it, because wells well beyond the industry adapting to

00:06:58 --> 00:07:01: a new era era of higher belonging interest rates.

00:07:01 --> 00:07:04: It's an opportunity opportunity for a radical rethink of what

00:07:04 --> 00:07:06: will make real estate fit for purpose in the long

00:07:07 --> 00:07:07: term.

00:07:07 --> 00:07:10: And cutting across all of this are the changing demands  
00:07:10 --> 00:07:10: of the occupier.  
00:07:11 --> 00:07:13: I think another part of the same equation which has  
00:07:13 --> 00:07:16: been a key theme over recent years is a question  
00:07:16 --> 00:07:19: of how do you create income growth when that comfort  
00:07:19 --> 00:07:22: blanket of yield compression is no longer guaranteed.  
00:07:22 --> 00:07:25: And this is driving a greater sophistication of the end  
00:07:25 --> 00:07:26: product.  
00:07:26 --> 00:07:30: Real estate for instance, enabling the shift into operational  
00:07:30 --> 00:07:35: real estate and latterly the push towards Co location of  
00:07:35 --> 00:07:38: contrasting  
00:07:38 --> 00:07:44: uses on the same sites such as industrial and housing.  
00:07:40 --> 00:07:44: Occupy change you could say also often unfolds gradually in  
00:07:44 --> 00:07:48: plain sight but invariably ends up with significant  
00:07:48 --> 00:07:51: consequences across  
00:07:51 --> 00:07:52: all sectors and requiring a a rethink of delivery models  
00:07:52 --> 00:07:57: for real estate.  
00:07:53 --> 00:07:57: There are examples of this everywhere, from the impact of  
00:07:57 --> 00:08:00: e-commerce on retail, the impact of dispersed hybrid work on  
00:08:00 --> 00:08:04: the office sector and robotics on the listed sector.  
00:08:04 --> 00:08:08: These are historic examples, largely linked to technology and  
00:08:08 --> 00:08:13: looking  
00:08:13 --> 00:08:15: forward you could envisage similarly significant changes  
00:08:15 --> 00:08:20: driven by artificial  
00:08:17 --> 00:08:20: intelligence and, of course, decarbonisation.  
00:08:20 --> 00:08:23: With that in mind, our researchers are sought to consider  
00:08:23 --> 00:08:26: how the real estate industry can work more closely with  
00:08:26 --> 00:08:29: occupiers and other industries in the creation of a real  
00:08:29 --> 00:08:30: estate ecosystem that can pave the way for buildings to  
00:08:30 --> 00:08:33: be fit for purpose.  
00:08:33 --> 00:08:36: Over the coming decade and the interview suggests, the  
00:08:36 --> 00:08:39: relationship  
00:08:39 --> 00:08:43: between building owners and occupiers will need to become  
00:08:43 --> 00:08:45: much  
00:08:46 --> 00:08:49: more entwined and much more of a partnership.  
00:08:49 --> 00:08:52: And the expectation is for far greater collaboration, dialogue  
00:08:52 --> 00:08:56: and  
00:08:56 --> 00:08:56: interaction in such business relationships.  
00:08:56 --> 00:08:56: And there's there's clearly a lot to play for for  
00:08:56 --> 00:08:56: landlords if if landlords considered true partnerships with  
00:08:56 --> 00:08:56: occupiers.  
00:08:56 --> 00:08:56: And think about the challenges beyond the physical building  
00:08:56 --> 00:08:56: in

00:08:56 --> 00:08:59: an office context that's thinking about the wider needs of  
00:08:59 --> 00:09:02: the workforce and in the context of retail and logistics  
00:09:02 --> 00:09:02: sectors.  
00:09:02 --> 00:09:06: Such an approach could extend beyond single locations to  
the  
00:09:06 --> 00:09:09: wider needs including energy uses and storage of the supply  
00:09:09 --> 00:09:10: chain and customers.  
00:09:11 --> 00:09:12: Next slide please.  
00:09:15 --> 00:09:17: So to conclude and before I hand over for the  
00:09:17 --> 00:09:20: the panel, the real estate industry is clearly still in  
00:09:20 --> 00:09:21: transition.  
00:09:21 --> 00:09:25: There's still some gap between buyers and sellers  
expectations and  
00:09:25 --> 00:09:29: there's still that very difficult to manage threat from  
geopolitical  
00:09:29 --> 00:09:33: events in particular, but also lots of impatient capital and  
00:09:33 --> 00:09:36: some evidence and expectation of a ramp up in transaction  
00:09:36 --> 00:09:37: activity.  
00:09:37 --> 00:09:40: And the real estate industry is being buffeted by structural  
00:09:40 --> 00:09:44: changes and the mega trends of digitalization, urbanization  
and climate  
00:09:44 --> 00:09:44: change.  
00:09:45 --> 00:09:48: And that great reset as I mentioned may require that  
00:09:48 --> 00:09:51: real estate businesses no longer simply view themselves as  
owners  
00:09:51 --> 00:09:54: of physical assets whereby the needs of the end customer  
00:09:54 --> 00:09:57: represent a risk to be reduced to long leases or  
00:09:57 --> 00:09:58: transfer to third parties.  
00:09:59 --> 00:10:01: So I think that's quite a change in mind mindset  
00:10:01 --> 00:10:04: and the resistance to change here or or possibly an  
00:10:04 --> 00:10:07: inability to change is is reflected in in PW CS  
00:10:07 --> 00:10:10: latest global CEO survey which found that 48% of CEO  
00:10:10 --> 00:10:14: surveyed, we're not confident that their companies could  
survive more  
00:10:14 --> 00:10:16: than 10 years on their current path.  
00:10:17 --> 00:10:19: So I think there's a a lot to think about  
00:10:19 --> 00:10:22: and I'm, I'm really looking forward to hearing the views  
00:10:23 --> 00:10:25: of the panel on this and and the report.  
00:10:25 --> 00:10:29: And with that I'll hand over to David to introduce  
00:10:29 --> 00:10:30: and moderate the panel.  
00:10:31 --> 00:10:31: Thank you.  
00:10:38 --> 00:10:38: Hello, everyone.  
00:10:39 --> 00:10:40: Thank you very much Gareth.

00:10:41 --> 00:10:45: A great summary of what is a very, very detailed  
00:10:45 --> 00:10:45: report.  
00:10:47 --> 00:10:48: My name's David Inskip.  
00:10:49 --> 00:10:52: I lead the European research team at CBRE Investment  
Management.  
00:10:53 --> 00:10:57: And I'm really excited to be with you today talking  
00:10:57 --> 00:11:00: about the global edition of a report which I always  
00:11:00 --> 00:11:03: find to be really interesting and insightful.  
00:11:05 --> 00:11:09: There's certainly plenty to to discuss there and I would  
00:11:09 --> 00:11:12: say please do ask questions.  
00:11:12 --> 00:11:14: There's AQ and A functionality at the bottom.  
00:11:14 --> 00:11:18: So keep those questions coming in and we'll try to  
00:11:18 --> 00:11:21: address as many as possible during our discussion.  
00:11:22 --> 00:11:27: I'm also joined by a fantastic panel, some familiar faces  
00:11:27 --> 00:11:31: no doubt, but let me briefly introduce them anyway.  
00:11:32 --> 00:11:36: Firstly, we have Anne Breen and brings a truly global  
00:11:36 --> 00:11:40: perspective to the discussion as global Head of Investment  
Process  
00:11:40 --> 00:11:43: and Strategy for Real Estate at Aberdeen.  
00:11:44 --> 00:11:47: Next, we have Lizette van Dorn, who I'm sure many  
00:11:47 --> 00:11:49: of you will know through her role as CEO for  
00:11:49 --> 00:11:51: the Urban Land Institute in Europe.  
00:11:52 --> 00:11:55: And finally, Rohan Sikri, who is Senior Partner at the  
00:11:55 --> 00:11:58: Xander Group and has more than 20 years of real  
00:11:58 --> 00:12:04: estate experience across markets including India, Indonesia,  
Japan, Singapore, Vietnam  
00:12:04 --> 00:12:05: and Thailand.  
00:12:05 --> 00:12:08: So a wealth of experience there for us to draw  
00:12:08 --> 00:12:09: upon in our discussion.  
00:12:10 --> 00:12:15: Firstly, thank you all for, for joining today and perhaps  
00:12:15 --> 00:12:19: maybe we could start with with sentiment today sort of  
00:12:19 --> 00:12:23: right in the here and now, because of course those  
00:12:23 --> 00:12:28: regional reports that were referenced earlier are based upon  
data  
00:12:28 --> 00:12:29: gathered in late 2023.  
00:12:30 --> 00:12:33: The global report is supplemented with extra interviews that  
were  
00:12:33 --> 00:12:35: conducted at the start of this year.  
00:12:36 --> 00:12:38: But of course any report always comes out with with  
00:12:38 --> 00:12:39: a bit of a lag.  
00:12:39 --> 00:12:43: So I guess my first question is, does that presentation  
00:12:43 --> 00:12:47: still really capture the current situation or has anything  
meaningfully

00:12:48 --> 00:12:51: shifted through the early part of of 2024 who'd like  
00:12:51 --> 00:12:52: to kick us off?  
00:12:55 --> 00:12:59: David, I'm quite happy to to to start actually have  
00:12:59 --> 00:13:03: some feedback that I got just last week actually at  
00:13:03 --> 00:13:07: the MIPM, the the Summit where we we really host  
00:13:07 --> 00:13:11: a session that is predominantly attended by LP's.  
00:13:12 --> 00:13:15: So the investors and one of the things that we  
00:13:15 --> 00:13:18: discussed in there is you know what's keeping you awake  
00:13:18 --> 00:13:22: at night and they talked about the things that we're  
00:13:22 --> 00:13:25: keeping them awake at night this time last year.  
00:13:25 --> 00:13:28: And actually one of the key takeaways was that they're  
00:13:28 --> 00:13:31: actually much less concerned about inflation and interest  
rates than  
00:13:31 --> 00:13:31: they were.  
00:13:32 --> 00:13:35: They still have quite a lot of concerns about where  
00:13:35 --> 00:13:35: we are in the cycle.  
00:13:36 --> 00:13:39: You know where valuations are particularly when you look at  
00:13:39 --> 00:13:43: them geographically across the world, they're they're moving  
at different  
00:13:43 --> 00:13:46: pieces and and the pricing of risk is different in  
00:13:46 --> 00:13:47: different locations.  
00:13:48 --> 00:13:51: But actually they were less concerned at this point in  
00:13:51 --> 00:13:53: time on inflation and and interest rates.  
00:13:58 --> 00:13:59: Yeah, I'd be, I'd be happy to go.  
00:14:00 --> 00:14:01: So thanks David.  
00:14:02 --> 00:14:05: You know, I think you know looking at the results  
00:14:05 --> 00:14:07: of the report which is you know I don't see  
00:14:07 --> 00:14:10: any surprises in the report in terms of you know  
00:14:10 --> 00:14:14: what the sentiment is in terms of interest rates, geopolitics,  
00:14:14 --> 00:14:16: decarbonisation etcetera etcetera.  
00:14:17 --> 00:14:19: I think the last in fact literally I would say  
00:14:19 --> 00:14:22: three or four weeks, maybe even 2 weeks have have  
00:14:22 --> 00:14:25: kind of influenced the view on interest rates a little  
00:14:26 --> 00:14:29: bit because obviously that's the top of the agenda as  
00:14:29 --> 00:14:32: as the survey showed and intuitively also we all believe  
00:14:32 --> 00:14:35: it's it's the highest probably impact for the industry.  
00:14:36 --> 00:14:39: But we've had you know two, we've had Japan literally  
00:14:39 --> 00:14:42: I think last week or the week before increased rates.  
00:14:42 --> 00:14:44: Now we can argue that that is that is that  
00:14:44 --> 00:14:46: was always on the cards but it hadn't been done  
00:14:46 --> 00:14:47: for many, many years.  
00:14:48 --> 00:14:53: An environment where you know the general expectation  
was reduction



00:14:53 --> 00:14:56: of rates by you know three or four Q3Q4.

00:14:57 --> 00:15:00: You know the Japan element of it obviously was a

00:15:00 --> 00:15:03: bit of a surprise at least to me.

00:15:03 --> 00:15:07: And then you know notwithstanding in the US where we

00:15:07 --> 00:15:10: had you know new kind of you know statements being

00:15:10 --> 00:15:14: made by the Fed sort of signalling higher for longer.

00:15:14 --> 00:15:16: So you know I think that by the end of

00:15:16 --> 00:15:19: last year which is pretty much where the survey was

00:15:19 --> 00:15:22: concluded, the general consensus was by end of next year

00:15:22 --> 00:15:24: we should see some tapering happen.

00:15:25 --> 00:15:28: I'm not sure if that still holds good, but you

00:15:28 --> 00:15:31: know like I say you know this is all very,

00:15:31 --> 00:15:34: you know news is changes literally every few weeks.

00:15:35 --> 00:15:37: So you know this at least these two major sort

00:15:37 --> 00:15:40: of announcements or events or whatever you want to call

00:15:40 --> 00:15:42: it is, is in my memory from the last

00:15:42 --> 00:15:45: few weeks and let's see what impact it's going to

00:15:45 --> 00:15:46: have going forward.

00:15:46 --> 00:15:49: So I think that's that's one potential change that you

00:15:49 --> 00:15:50: might see.

00:15:51 --> 00:15:53: I I would also like to comment sort of based

00:15:54 --> 00:15:57: on conversations with members and we will also admit him

00:15:57 --> 00:15:58: last week.

00:15:58 --> 00:16:02: And I do think we've seen a significant sentiment changed

00:16:02 --> 00:16:06: at least across Europe from the beginning of the year

00:16:06 --> 00:16:09: where at least people seem to be more in A

00:16:09 --> 00:16:12: at least deal review mode again and starting to pick

00:16:12 --> 00:16:14: up that activity much more.

00:16:14 --> 00:16:18: And we hear that from many different directions, maybe not

00:16:18 --> 00:16:21: immediately related to the execution of the deals, but at

00:16:21 --> 00:16:23: least starting to get into it.

00:16:23 --> 00:16:26: And I think that's the first positive step and also

00:16:27 --> 00:16:28: requirements we need.

00:16:29 --> 00:16:33: And then I think since then we've heard, I've heard

00:16:33 --> 00:16:37: people say the February is the new December where

00:16:37 --> 00:16:40: normally

00:16:37 --> 00:16:40: the deals were done at the end of December.

00:16:41 --> 00:16:43: So I I I do think what this signals is

00:16:43 --> 00:16:47: large variation in the market where maybe some that have

00:16:47 --> 00:16:50: more legacy to deal with might be in a totally

00:16:51 --> 00:16:55: different position where others that may either still have

capital

00:16:55 --> 00:16:59: from that was already raised a while ago and we'll  
00:16:59 --> 00:17:02: probably talk about it later in kind of more the  
00:17:02 --> 00:17:06: opportunity sectors where things might start to move quicker.  
00:17:07 --> 00:17:10: So we we tried to capture that in the report  
00:17:10 --> 00:17:13: obviously, but that's always the tricky thing in with those  
00:17:13 --> 00:17:16: long interview and writing processes.  
00:17:18 --> 00:17:19: Yeah, of course.  
00:17:20 --> 00:17:22: And I'm I mean I'm sure we will come back  
00:17:22 --> 00:17:25: to those topics in particular interest rates.  
00:17:25 --> 00:17:28: But perhaps if I, if I just stick with you  
00:17:28 --> 00:17:32: Lizette for a moment, I know that these results were  
00:17:32 --> 00:17:34: also presented at MIPM last week.  
00:17:35 --> 00:17:37: And I was wondering if if you felt there was  
00:17:37 --> 00:17:40: anything in particular that really resonated with the group or  
00:17:40 --> 00:17:43: anything that that the group there found even that there  
00:17:43 --> 00:17:44: was a bit of pushback on?  
00:17:47 --> 00:17:50: Well, not so much related to what it was in  
00:17:50 --> 00:17:51: the report.  
00:17:52 --> 00:17:56: In the discussion itself we talked a lot about officers  
00:17:56 --> 00:18:01: probably not surprising giving its significance in the in the  
00:18:01 --> 00:18:03: investment market.  
00:18:03 --> 00:18:09: And I think that the outcome was even among the  
00:18:09 --> 00:18:14: panel is we don't know one demand, the next demand,  
00:18:14 --> 00:18:18: more variation in demand probably.  
00:18:18 --> 00:18:23: And another big topic was around decarbonisation that we  
00:18:23 --> 00:18:28: may  
00:18:28 --> 00:18:32: also touch on later in terms of can the industry  
00:18:32 --> 00:18:33: get their act together on time to achieve the targets  
00:18:33 --> 00:18:38: set.  
00:18:38 --> 00:18:41: And obviously this environment is not really helpful in that  
00:18:41 --> 00:18:42: where maybe say in the back of house things are  
00:18:43 --> 00:18:47: going on.  
00:18:47 --> 00:18:51: But in the real execution, a lot is standing still  
00:18:54 --> 00:18:56: with high construction costs, high interest rates etcetera.  
00:18:57 --> 00:19:00: Yeah, absolutely agree.  
00:19:00 --> 00:19:01: I'm sure that was a really interesting conversation to be  
00:19:02 --> 00:19:05: had had there as well.  
00:19:05 --> 00:19:08: If if perhaps we come back to interest rates since  
00:19:08 --> 00:19:11: we saw in the the slides that it was reported  
00:19:12 --> 00:19:15: as the the top concern across all regions.  
00:19:15 --> 00:19:17: But we've already heard that perhaps not quite such a  
concern as it was back then.

00:19:17 --> 00:19:21: And I would certainly echo that from from the conversations  
00:19:21 --> 00:19:25: I have While it appears now that interest rates have  
00:19:25 --> 00:19:29: peaked, I think it's fair to say that the expectations  
00:19:29 --> 00:19:31: on cuts have been very dynamic.  
00:19:32 --> 00:19:36: Expectations have moved quite dramatically through the  
early part of  
00:19:36 --> 00:19:36: this year.  
00:19:38 --> 00:19:40: And I guess I would would follow that up by  
00:19:40 --> 00:19:43: asking, do you think we have enough, you think we  
00:19:43 --> 00:19:47: have enough clarity yet around where interest rates are going  
00:19:47 --> 00:19:50: to sort of stabilize prices and align buyer and seller  
00:19:50 --> 00:19:53: expectations or do we actually need to see those first  
00:19:53 --> 00:19:56: interest rate cuts enacted before that really helps?  
00:20:01 --> 00:20:05: David, maybe I could answer the question slightly differently  
like  
00:20:05 --> 00:20:08: a politician in terms of speculating on the interest rates  
00:20:08 --> 00:20:11: and and where they might, where they might hit.  
00:20:12 --> 00:20:15: I think ultimately you know there's a recognition now there  
00:20:15 --> 00:20:18: is, there is no silver bullet for us out of  
00:20:18 --> 00:20:18: this situation.  
00:20:20 --> 00:20:23: We are highly unlikely to go back to the period  
00:20:23 --> 00:20:27: of cheap, cheap money, you know, free debt effectively.  
00:20:28 --> 00:20:30: So really what needs to happen is we need to  
00:20:30 --> 00:20:33: see the old, the old risk premia return across sectors  
00:20:33 --> 00:20:36: and markets and at that point that's the point at  
00:20:36 --> 00:20:39: which investors will start to come back into the market.  
00:20:39 --> 00:20:43: So I don't think it rests on the certainty around  
00:20:44 --> 00:20:44: rate cuts.  
00:20:45 --> 00:20:48: I think it rests on the, the valuation element and  
00:20:48 --> 00:20:53: actually where that illiquidity premia and that risk is priced  
00:20:53 --> 00:20:54: back into valuations.  
00:20:55 --> 00:20:58: And if you look at historic cycles, if you go  
00:20:58 --> 00:21:00: back to as far back as you know the 1960s,  
00:21:00 --> 00:21:04: nineteen 70s historically that's always been the case.  
00:21:04 --> 00:21:06: It's when relative value appears.  
00:21:10 --> 00:21:12: I guess I'd have to follow that that up with  
00:21:12 --> 00:21:14: asking how close do you think we are to to  
00:21:14 --> 00:21:17: relative value appearing for for real estate?  
00:21:18 --> 00:21:22: Well, it's, it's again, I'll answer like a politician, it  
00:21:22 --> 00:21:22: depends.  
00:21:23 --> 00:21:26: I think you know different markets are correcting at different  
00:21:26 --> 00:21:29: paces and different sectors are correcting at different paces  
and

00:21:29 --> 00:21:31: ultimately it depends on the risks that we've talked.

00:21:32 --> 00:21:33: Lizette mentioned the office sector.

00:21:34 --> 00:21:38: There's a significant amount of risk in the office sector

00:21:38 --> 00:21:40: which is largely not priced in in in most markets.

00:21:40 --> 00:21:44: It's, you know it's it's happening gradually but I would

00:21:44 --> 00:21:45: argue there's more to go there.

00:21:45 --> 00:21:48: So it it does depend on the market.

00:21:48 --> 00:21:51: I think if we take a very high level view,

00:21:51 --> 00:21:55: the UK replaced very sharply and so on an aggregate

00:21:55 --> 00:21:58: view, the UK market looks better priced and it looks

00:21:59 --> 00:22:01: as though largely risk is priced in.

00:22:02 --> 00:22:05: But within that there's a big dispersion, obviously within

sectors.

00:22:08 --> 00:22:11: Yeah, I'd agree and in in some ways an unfair

00:22:11 --> 00:22:14: question I think to talk about real estate in aggregate

00:22:14 --> 00:22:18: when we talk about some of these because the stories

00:22:18 --> 00:22:21: are so different when you get into the regional or

00:22:21 --> 00:22:22: the the sector levels.

00:22:23 --> 00:22:25: I wonder Rohan, is the is the view similar in

00:22:25 --> 00:22:28: in Asia or is there any any different there?

00:22:29 --> 00:22:30: Yeah, so.

00:22:30 --> 00:22:32: You know, I think in Asia as well, you know

00:22:32 --> 00:22:36: it's an agglomeration of few large markets that that that

00:22:36 --> 00:22:38: obviously institutional investors access.

00:22:38 --> 00:22:41: I mean you have the more sort of developed markets

00:22:41 --> 00:22:44: like Hong Kong, Singapore and Japan, Australia that are

obviously

00:22:44 --> 00:22:47: have a certain dynamic and then you have the more

00:22:47 --> 00:22:51: emerging markets like India, Indonesia, you know Thailand

etcetera which

00:22:51 --> 00:22:54: are which act a little differently and I think even

00:22:54 --> 00:22:57: within that asset classes kind of act differently.

00:22:57 --> 00:23:00: So it's very hard to kind of paint a broad

00:23:00 --> 00:23:04: brush for Asia, but the general sort of consensus seems

00:23:04 --> 00:23:07: to be and since we're on the office subject which

00:23:07 --> 00:23:10: we which we can see you know in terms of

00:23:10 --> 00:23:14: occupancy trends etcetera is that you know the the office

00:23:14 --> 00:23:18: risk of the risk on office investments is not as

00:23:18 --> 00:23:21: sort of exacerbated you know as it is in for

00:23:21 --> 00:23:25: example the US I'm frequently in the US and office

00:23:25 --> 00:23:27: is just a bad word, right.

00:23:27 --> 00:23:30: I I I would say it's where retail was for

00:23:30 --> 00:23:31: 45 years ago, right.

00:23:32 --> 00:23:32: So.

00:23:32 --> 00:23:35: So I'm, I'm a big sort of believer in trends

00:23:35 --> 00:23:40: and you know volatility in sentiment when you are actually

00:23:40 --> 00:23:45: witnessing A trend and that's really where opportunity comes from.

00:23:46 --> 00:23:49: So maybe I'm just an old dinosaur, but but you

00:23:49 --> 00:23:51: know, I think you know people will go back to

00:23:51 --> 00:23:53: the office at some point in some shape and in

00:23:53 --> 00:23:54: some form, right.

00:23:55 --> 00:24:00: I just don't think it's it's sustainable but obviously and

00:24:00 --> 00:24:05: as the report very rightly highlights is demographics, regional culture

00:24:05 --> 00:24:09: you know is really going to going to play a

00:24:09 --> 00:24:09: big role.

00:24:10 --> 00:24:13: And you know if real estate wasn't bespoke enough, I

00:24:13 --> 00:24:16: think it just got a little more bespoke in terms

00:24:16 --> 00:24:21: of different markets, different you know geographies, cultures, demographics and

00:24:21 --> 00:24:23: then obviously the overlay of digitization.

00:24:24 --> 00:24:26: So I think it's going to be a fun you

00:24:26 --> 00:24:29: know next few years in in really playing out you

00:24:29 --> 00:24:31: know what's really going to stick.

00:24:32 --> 00:24:36: But yeah so long answer to a short question, very

00:24:36 --> 00:24:41: different in Asia, even different markets within Asia behave differently.

00:24:42 --> 00:24:46: But generally with specifically with regard to office, I think

00:24:46 --> 00:24:49: that the trend is, is that it's not doesn't seem

00:24:49 --> 00:24:53: as risky in terms of you know either interest rates

00:24:53 --> 00:24:56: or cash flow or occupancy which is all kind of

00:24:56 --> 00:24:59: linked than I see in some of the Western markets.

00:25:05 --> 00:25:05: Great, thank you.

00:25:05 --> 00:25:08: I think a a great summary because we we frequently

00:25:09 --> 00:25:12: now talk about bifurcation not just in offices but focused

00:25:12 --> 00:25:16: in offices and actually as you described there bifurcation is

00:25:16 --> 00:25:19: actually a bit of a a simplification I think of

00:25:19 --> 00:25:21: of what's really going on.

00:25:23 --> 00:25:26: If we stick with sort of the the short term

00:25:26 --> 00:25:29: and maybe on the risk side of things would be

00:25:29 --> 00:25:32: remiss of me, not to mention geopolitics.

00:25:33 --> 00:25:37: Actually given the ongoing conflicts that we have around the

00:25:37 --> 00:25:40: world as well as the number of elections this year,

00:25:40 --> 00:25:44: I was quite surprised to see that geopolitical tensions only

00:25:44 --> 00:25:46: made it onto the list of top concerns for Asia

00:25:46 --> 00:25:49: Pacific and not actually for the other regions.

00:25:51 --> 00:25:53: Don't worry, I'm not going to now ask you to

00:25:53 --> 00:25:55: to comment on individual events.

00:25:55 --> 00:25:59: But in general, that sort of that mood of heightened

00:25:59 --> 00:26:04: geopolitical tension, how do you think that's influencing real estate

00:26:04 --> 00:26:06: investment at the moment?

00:26:12 --> 00:26:13: David, I'm quite happy to.

00:26:13 --> 00:26:17: I think on on the topic of geopolitics, I think

00:26:17 --> 00:26:20: there's two elements that we need to really consider as

00:26:21 --> 00:26:24: an industry and one of them being the challenge which

00:26:24 --> 00:26:27: I think that the the the volume of elections that

00:26:28 --> 00:26:31: we've had that we have and the concern around that.

00:26:32 --> 00:26:35: My big, my big concern is that we will end

00:26:35 --> 00:26:39: up with more short term thinking and the influence that

00:26:39 --> 00:26:41: that has on our urban environment.

00:26:41 --> 00:26:44: So if I take the, if we take an example

00:26:44 --> 00:26:48: of of the alternative where for for example in Singapore

00:26:48 --> 00:26:52: where Singapore you know there's a 20 year plan and

00:26:52 --> 00:26:57: that 20 year plan is delivered and obviously carefully considered

00:26:57 --> 00:27:01: in the light of the infrastructure and the urban environment

00:27:01 --> 00:27:05: that's required for Singapore to grow and thrive.

00:27:05 --> 00:27:08: So if we compare that to some of the markets

00:27:08 --> 00:27:11: closer to home in Europe, I don't see that long

00:27:11 --> 00:27:14: term thinking and I think that's quite a big impact

00:27:14 --> 00:27:15: for our industry.

00:27:16 --> 00:27:19: On the flip side, from a geopolitical and and and

00:27:19 --> 00:27:22: election perspective, I think we're going to see an incredible

00:27:23 --> 00:27:25: focus as we already are, but more even more of

00:27:25 --> 00:27:28: a focus on the social impact of real estate and

00:27:28 --> 00:27:29: affordability.

00:27:29 --> 00:27:32: It will be top of the agenda for most politicians,

00:27:32 --> 00:27:37: which will have an influence either on regulation or intervention

00:27:37 --> 00:27:40: in the market, which isn't necessarily a bad thing but

00:27:40 --> 00:27:43: but I think it will be hot on the agenda.

00:27:47 --> 00:27:47: Yeah.

00:27:48 --> 00:27:48: I I.

00:27:49 --> 00:27:50: Rather go ahead.

00:27:52 --> 00:27:55: Well, I just wanted to put it in perspective because

00:27:55 --> 00:27:57: it may not have gotten to the top ten days

00:27:57 --> 00:28:00: or top five of main concerns we had in the

00:28:00 --> 00:28:01: global report.

00:28:01 --> 00:28:05: But if you look more in detail at the regional

00:28:05 --> 00:28:10: report, there were actually many things people were worried about.

00:28:11 --> 00:28:12: And that's not just this year.

00:28:12 --> 00:28:16: We're saying the same last year where percentages of concern

00:28:16 --> 00:28:20: have gone up massively for a large range of different

00:28:20 --> 00:28:24: risks kind of indicating we're in a higher downside risk

00:28:24 --> 00:28:28: market and and therefore we do politics what's on that

00:28:28 --> 00:28:33: in different ways, national politics, Europe for the European report

00:28:33 --> 00:28:35: and broadly international.

00:28:35 --> 00:28:38: And I think it's more is also and described in

00:28:38 --> 00:28:42: terms of what is the specific effect on real estate

00:28:42 --> 00:28:45: because this is also risk not exclusively focused on real

00:28:45 --> 00:28:49: estate and the other asset classes will feel it too.

00:28:49 --> 00:28:53: But I think where it really becomes an issue is

00:28:53 --> 00:28:57: indeed things like short term thinking, where real estate is

00:28:57 --> 00:29:01: a long term asset class, Processes take long, developments take

00:29:01 --> 00:29:04: long and I think that is so important.

00:29:05 --> 00:29:05: Go on.

00:29:07 --> 00:29:10: Yeah, I mean, you know, just this speeding up.

00:29:11 --> 00:29:13: You know, as we all know 2024 is the big

00:29:13 --> 00:29:14: election year.

00:29:14 --> 00:29:15: I think it's never happened in the history of the

00:29:15 --> 00:29:15: world.

00:29:16 --> 00:29:18: We have 64 countries going into election.

00:29:20 --> 00:29:23: I think that's over 5 billion people will vote or

00:29:23 --> 00:29:27: not, sorry, will not vote populations of 5 minutes.

00:29:27 --> 00:29:30: Obviously the voting, the voting electorate will be smaller than

00:29:30 --> 00:29:32: that, but it's still 5 billion of population is going

00:29:32 --> 00:29:35: to be electing a new government potentially.

00:29:35 --> 00:29:38: And I think that has a big role to play

00:29:38 --> 00:29:43: across not just geopolitics and isolation in term, but it's

00:29:43 --> 00:29:47: it's going to impact supply chains, trade embargoes, you know,

00:29:48 --> 00:29:50: or not or free trade interest rates.

00:29:50 --> 00:29:54: You know what might make, you know, economic logic, you

00:29:54 --> 00:29:58: know, for a market may not necessarily be implemented by

00:29:59 --> 00:30:02: you know a change in regime and what have you.

00:30:02 --> 00:30:05: So I think we've seen, we've seen this happen in

00:30:05 --> 00:30:08: the world were you know time and again where you  
00:30:08 --> 00:30:11: know at least as if I can call a scapulist  
00:30:11 --> 00:30:14: at some level you know you, you, you, you hope  
00:30:14 --> 00:30:17: for the right economic position, but you don't always get  
00:30:18 --> 00:30:18: it.  
00:30:19 --> 00:30:22: And I think the uncertainty around that is I feel  
00:30:22 --> 00:30:25: elevated in 2024 and not just for interest rates like  
00:30:25 --> 00:30:28: I said it's and you see in the top concerns  
00:30:28 --> 00:30:32: there are things like supply chain availability of labour  
materials  
00:30:32 --> 00:30:35: etcetera and just think about where the world is with  
00:30:35 --> 00:30:39: regard to trade right and sanctions and and what have  
00:30:39 --> 00:30:39: you.  
00:30:40 --> 00:30:43: So it is you know the the the point is  
00:30:43 --> 00:30:47: that it is going to be a big factor in  
00:30:47 --> 00:30:51: in determining how we will end up in 2024 in  
00:30:51 --> 00:30:52: my opinion.  
00:30:52 --> 00:30:55: So I don't know if I answered the question, but  
00:30:55 --> 00:30:59: I think geopolitics for me across all the, you know,  
00:30:59 --> 00:31:02: all the concerns of that have been listed, actually to  
00:31:02 --> 00:31:05: me is #1 because it impacts all of that, frankly,  
00:31:05 --> 00:31:06: almost of that.  
00:31:08 --> 00:31:12: Yes, yeah, of course it's very difficult to disentangle these  
00:31:12 --> 00:31:16: things and say that they are, they are completely  
independent.  
00:31:17 --> 00:31:20: I think what I'm hearing though is that that we've  
00:31:20 --> 00:31:25: become relatively accustomed to operating in, in uncertain  
times albeit  
00:31:25 --> 00:31:29: we would welcome a bit more stability and and the  
00:31:29 --> 00:31:33: private and public sectors working together in what is a  
00:31:33 --> 00:31:36: long term asset class before we move on to the  
00:31:36 --> 00:31:37: the longer term.  
00:31:37 --> 00:31:41: If we we stick with 2024 for a moment, one  
00:31:41 --> 00:31:45: of the questions that I'm asked most frequently is in  
00:31:45 --> 00:31:50: terms of basically investment activity and and 24/20/24 has  
to  
00:31:50 --> 00:31:53: be a better year than than 2023, doesn't it?  
00:31:54 --> 00:31:57: It's sort of the question that I'm asked, but are  
00:31:57 --> 00:32:01: we actually seeing the signs of that improvement yet or  
00:32:01 --> 00:32:04: are we still saying that that improvement is sort of  
00:32:04 --> 00:32:05: just over the horizon?  
00:32:10 --> 00:32:11: Perhaps I'll come to you first on that one, Rohan.  
00:32:12 --> 00:32:13: Sure.



00:32:13 --> 00:32:17: You know, I think, I think my short answer would  
00:32:17 --> 00:32:17: be yes.  
00:32:18 --> 00:32:19: We live in a world of relativity.  
00:32:19 --> 00:32:22: So relative to last year, yes.  
00:32:23 --> 00:32:27: Will it, will it, will it translate into a massive  
00:32:27 --> 00:32:32: uplift and transaction volumes which are considerably down?  
00:32:32 --> 00:32:35: I don't know, probably not frankly.  
00:32:36 --> 00:32:38: But but given that there is, there is seems to  
00:32:38 --> 00:32:40: be sort of light at the end of the tunnel  
00:32:40 --> 00:32:42: if you want to call it that and people are  
00:32:42 --> 00:32:45: really searching for the light here by the way.  
00:32:45 --> 00:32:48: So even the spec kind of is is light versus  
00:32:48 --> 00:32:49: darkness.  
00:32:50 --> 00:32:52: You know as I think Seth mentioned that people are  
00:32:52 --> 00:32:56: re looking at their investment programs, there is a lot  
00:32:56 --> 00:32:56: of capital.  
00:32:57 --> 00:32:59: So that's not you know there's a lot of capital  
00:32:59 --> 00:33:01: that's out there that's been raised whether it's whether it's  
00:33:01 --> 00:33:03: on the real estate side or the real estate credit  
00:33:03 --> 00:33:04: side.  
00:33:04 --> 00:33:07: And you know you talked about the \$1.2 trillion of  
00:33:07 --> 00:33:10: of of debt that will mature this year in the  
00:33:10 --> 00:33:11: United States.  
00:33:11 --> 00:33:13: So I think there is a lot of capital and  
00:33:14 --> 00:33:16: I think that that will start to at least get  
00:33:16 --> 00:33:20: it start getting active in terms of valuation and you  
00:33:20 --> 00:33:25: know hopefully we'll translate into some increased activity in  
transactions.  
00:33:25 --> 00:33:27: I think I get the sense of that in Asia  
00:33:27 --> 00:33:30: for sure and perhaps even in the United States.  
00:33:31 --> 00:33:34: That would be my sort of relative basis, yes.  
00:33:39 --> 00:33:42: Ultimately, I think it also depends a lot on whether  
00:33:42 --> 00:33:44: we will see more distress or not.  
00:33:44 --> 00:33:48: So there may but also be some pressure from say  
00:33:48 --> 00:33:52: outside obviously, as the cost of capital is one of  
00:33:52 --> 00:33:53: the big issues we face.  
00:33:53 --> 00:33:58: And I think there's significant refinancing that needs to start  
00:33:58 --> 00:33:59: happening.  
00:34:00 --> 00:34:05: And then the question is how persistent will the banks  
00:34:05 --> 00:34:10: be and what other requirements will be demanded for in  
00:34:10 --> 00:34:10: Europe.  
00:34:10 --> 00:34:14: We see a trend for more requests to kind of

00:34:14 --> 00:34:17: make progress on decarbonisation.

00:34:17 --> 00:34:20: So it adds different layers and the question is what

00:34:20 --> 00:34:22: will happen with that?

00:34:22 --> 00:34:27: And I think that may also drive more activity, but

00:34:27 --> 00:34:30: so far that's more talking than seeing.

00:34:32 --> 00:34:34: Yeah, just one wrinkle I'm going to add to the

00:34:34 --> 00:34:34: set.

00:34:34 --> 00:34:36: I love the part, but how, how long the banks

00:34:36 --> 00:34:38: are going to kind of hold up.

00:34:38 --> 00:34:40: I think I would just overlay with that let's say

00:34:40 --> 00:34:43: how long are the regulators going to hold up because

00:34:43 --> 00:34:46: I think the regulators play a playing a more and

00:34:46 --> 00:34:49: more important role in terms of financial regulations and you

00:34:49 --> 00:34:53: know recognition of distress or bad loans or whatever you

00:34:53 --> 00:34:55: whatever different markets call it.

00:34:55 --> 00:34:57: So I think it's all kind of intertwined in that

00:34:57 --> 00:34:59: and then I'm sorry to go back but the regulator

00:34:59 --> 00:35:01: then goes back to the whole geopolitical governance you

00:35:01 --> 00:35:02: know

00:35:01 --> 00:35:02: political situation.

00:35:02 --> 00:35:06: So it's it's you know, but we see perhaps a

00:35:06 --> 00:35:11: little more of it happening in 2024 than perhaps happened

00:35:11 --> 00:35:12: in 23.

00:35:14 --> 00:35:15: I would, I would agree with that Rohan.

00:35:15 --> 00:35:18: And I think also just to touch on that point

00:35:18 --> 00:35:19: that lizard need about distress.

00:35:19 --> 00:35:22: I think if you, if you take a step back

00:35:22 --> 00:35:27: and think what really defines this cycle, it's about liquidity

00:35:27 --> 00:35:29: and it's not just the banks.

00:35:29 --> 00:35:32: So the reason the banks are obviously holding up relatively

00:35:32 --> 00:35:35: well and one of the main reasons is that typically

00:35:35 --> 00:35:38: borrowers are still able to service their debt.

00:35:38 --> 00:35:40: We've not seen that same collapse in the Occupy markets

00:35:40 --> 00:35:41: that we've seen historically.

00:35:42 --> 00:35:45: So while the GFC might have been a solvency issue,

00:35:45 --> 00:35:48: this is a liquidity challenge for the industry.

00:35:49 --> 00:35:53: And I think what we'll see through 2024 is not

00:35:53 --> 00:35:59: necessarily distress, but the requirement to sell either to

00:35:59 --> 00:36:04: meet

00:35:59 --> 00:36:04: redemptions through your your, your, your investor queue or

00:36:04 --> 00:36:09: to

00:36:04 --> 00:36:09: refinance and reposition and and consider it in that way.

00:36:09 --> 00:36:12: So I think we'll see an improvement in 2024 and

00:36:12 --> 00:36:14: I I don't believe the language of a rebound, I  
00:36:14 --> 00:36:17: don't think it's a rebound, it's not to that extent,  
00:36:17 --> 00:36:17: but we'll see.  
00:36:18 --> 00:36:21: All we really need to see is more functioning transaction  
00:36:21 --> 00:36:25: activity, more more activity rather than necessarily a a spike  
00:36:25 --> 00:36:26: in transactions.  
00:36:28 --> 00:36:30: Yes, I couldn't agree with you more.  
00:36:30 --> 00:36:32: And and you know I love the global definition of  
00:36:32 --> 00:36:36: distress because you know to me I've heard different  
descriptions  
00:36:36 --> 00:36:39: and I'm trying to figure out what really distress is,  
00:36:40 --> 00:36:43: is distressed buying an asset out of bankruptcy which I  
00:36:43 --> 00:36:46: think the Oxford Dictionary definition versus you know you  
get  
00:36:46 --> 00:36:50: 100 bits off on pricing because somebody has liquidity  
issues,  
00:36:50 --> 00:36:50: right.  
00:36:51 --> 00:36:53: And I think you have all those all sorts of  
00:36:53 --> 00:36:56: sort of you know investors out there that with that  
00:36:56 --> 00:36:59: definition of distress which makes it even more interesting  
and  
00:36:59 --> 00:37:00: exciting.  
00:37:01 --> 00:37:03: So I think certainly you know I think the point  
00:37:03 --> 00:37:07: you made on liquidity is, is absolutely you know very  
00:37:07 --> 00:37:08: interesting and on point.  
00:37:08 --> 00:37:11: It's very different from the global financial crisis you know  
00:37:11 --> 00:37:13: which we've all gone through.  
00:37:14 --> 00:37:17: And I think because we've gone through that, you know  
00:37:17 --> 00:37:20: I think people are willing to hang out a little  
00:37:20 --> 00:37:23: more this time because it's not, it's not what it  
00:37:23 --> 00:37:23: was back then.  
00:37:24 --> 00:37:27: And that I think makes it very interesting for transactions,  
00:37:27 --> 00:37:30: which is why perhaps transactions are not happening, right,  
because  
00:37:30 --> 00:37:33: people are just holding on because the liquidity crunch  
versus  
00:37:33 --> 00:37:34: your pure distress.  
00:37:37 --> 00:37:39: I do think there's an element.  
00:37:39 --> 00:37:40: I agree with you, but I do think there's an  
00:37:40 --> 00:37:41: element though.  
00:37:41 --> 00:37:44: If people are holding on because they think there's a  
00:37:44 --> 00:37:48: silver bullet, so they do think that there's an interest  
00:37:48 --> 00:37:51: rate, you know, step change ahead, whereas in reality I  
00:37:51 --> 00:37:55: think you know that's that's possibly hope value rather than

00:37:55 --> 00:37:55: reality.

00:37:59 --> 00:38:02: Yeah, I think this is is not going to be

00:38:02 --> 00:38:06: the refinancing is not going to be an issue that

00:38:06 --> 00:38:09: obviously is is solved overnight.

00:38:09 --> 00:38:12: I think even in the experience of the GFC that

00:38:12 --> 00:38:15: we took that we saw that that work through process

00:38:15 --> 00:38:16: took many years.

00:38:17 --> 00:38:19: But it does sound like even though some of the

00:38:19 --> 00:38:22: the numbers that you discussed today are kind of could

00:38:22 --> 00:38:25: be seen as a bit scary in their scale, we're

00:38:25 --> 00:38:28: actually quite quite comfortable that the conditions are in

00:38:28 --> 00:38:31: place

00:38:28 --> 00:38:31: for that process to be worked through.

00:38:32 --> 00:38:35: And perhaps if I come back to you because you

00:38:35 --> 00:38:38: just made a made a good point there in terms

00:38:38 --> 00:38:42: of occupy markets because actually for all of the turbulence

00:38:42 --> 00:38:46: that we've seen in the investment market in general at

00:38:46 --> 00:38:50: least in sort of prime markets generally vacancy is under

00:38:50 --> 00:38:54: control, rental growth is ongoing, things have been OK.

00:38:54 --> 00:38:56: So do you do you think that's the picture that's

00:38:56 --> 00:38:58: going to continue for the the coming year?

00:39:01 --> 00:39:05: Well, that's the consensus and I'm not an economist by

00:39:05 --> 00:39:05: trade.

00:39:06 --> 00:39:09: So I would say avoiding recession that I mean effectively

00:39:09 --> 00:39:11: there were in our mind there was three legs to

00:39:11 --> 00:39:12: this cycle.

00:39:12 --> 00:39:16: There's the repricing which in many markets we've largely

00:39:16 --> 00:39:20: seen

00:39:16 --> 00:39:20: not in all, There's the recession and then there's a

00:39:20 --> 00:39:20: recovery.

00:39:21 --> 00:39:24: The recession seems to have been narrowly avoided and

00:39:24 --> 00:39:27: actually

00:39:24 --> 00:39:27: we've seen this more muted downturn rather than recession.

00:39:28 --> 00:39:30: And if that's the case then we're moving closer towards

00:39:31 --> 00:39:31: recovery.

00:39:32 --> 00:39:35: So, so as I say, I'm not an economist, but

00:39:35 --> 00:39:38: certainly it seems to be much more consensual that we

00:39:38 --> 00:39:40: have avoided that collapse in activity.

00:39:41 --> 00:39:43: I mean the the other thing that I know we'll

00:39:43 --> 00:39:46: we'll probably pick up in this conversation is our asset

00:39:46 --> 00:39:48: class has become less cyclical.

00:39:48 --> 00:39:51: And what I mean by that is it's not dependent

00:39:51 --> 00:39:56: in terms of consumer spending, financial business services

output and  
00:39:56 --> 00:39:57: manufacturing output.  
00:39:57 --> 00:40:00: Actually the thematics that we all invest into now are  
00:40:00 --> 00:40:02: not cyclical in that regard.  
00:40:02 --> 00:40:05: So that's the other thing to be remind us that  
00:40:05 --> 00:40:09: you know when our, our occupiers in those sectors are  
00:40:10 --> 00:40:15: less immediately responsive to to some short term economic  
factors.  
00:40:17 --> 00:40:21: Yeah, I would absolutely agree with that Lizette, you you  
00:40:21 --> 00:40:25: mentioned earlier decarbonisation and I think  
decarbonisation is is 1  
00:40:25 --> 00:40:29: factor that that really links sort of the the near  
00:40:29 --> 00:40:33: term where sometimes the the required CapEx can feel like  
00:40:33 --> 00:40:35: a bit of a risk and the long term where  
00:40:36 --> 00:40:39: actually it feels like much more of an opportunity.  
00:40:40 --> 00:40:44: So in what's your sort of assessment of the impact  
00:40:44 --> 00:40:47: on on real estate in terms of decarbonisation or other  
00:40:47 --> 00:40:48: ESG factors?  
00:40:48 --> 00:40:50: I know it's a space that the ULI has been  
00:40:50 --> 00:40:51: very active in.  
00:40:53 --> 00:40:55: Yeah, I'm very happy to comment on that.  
00:40:55 --> 00:40:58: And maybe before that, also linking to what Ann was  
00:40:58 --> 00:41:02: saying before and actually what we've been talking about, we  
00:41:02 --> 00:41:05: try to almost split between the short term and the  
00:41:05 --> 00:41:05: long term.  
00:41:06 --> 00:41:11: But the reality obviously is that there's so much going  
00:41:11 --> 00:41:17: on where the cyclical challenges are sort of completely  
intertwined  
00:41:17 --> 00:41:21: with long term structural change in offices.  
00:41:22 --> 00:41:25: We've seen it in retail where it seems to have  
00:41:25 --> 00:41:26: crystallized much more.  
00:41:27 --> 00:41:31: There's the big climate change impact where the things that  
00:41:31 --> 00:41:37: Garrett also commented on demographics, digitalization and  
decarbonisation which I  
00:41:38 --> 00:41:42: would almost translate into the sea of climate change instead  
00:41:42 --> 00:41:46: of the D because I think it's broader than just  
00:41:46 --> 00:41:46: that.  
00:41:49 --> 00:41:54: I think this is all about future proofing real estate  
00:41:54 --> 00:41:59: and what we struggle with on the short term is  
00:41:59 --> 00:42:04: figure out the the business case for that because in  
00:42:04 --> 00:42:09: basically nowhere we have the regulation in place to get  
00:42:09 --> 00:42:13: us to net zero, we can get to EPC level.  
00:42:13 --> 00:42:17: So for energy standards, which is maybe a nice step

00:42:17 --> 00:42:21: in the right direction, but it doesn't get us to  
00:42:21 --> 00:42:22: net zero at all.  
00:42:23 --> 00:42:26: So we know we have a target in 2050, but  
00:42:26 --> 00:42:29: the the, the question is how to get there.  
00:42:29 --> 00:42:32: And then I think the natural reaction in a time  
00:42:32 --> 00:42:35: that we are in now is to put on hold  
00:42:35 --> 00:42:38: because we need the capital either to for the refinancing  
00:42:38 --> 00:42:40: or to do other things.  
00:42:41 --> 00:42:45: So we might be busy internally getting our house in  
00:42:45 --> 00:42:50: order getting our investment decision making processes to  
feature that  
00:42:50 --> 00:42:51: in better.  
00:42:51 --> 00:42:54: But in reality in the buildings we don't see a  
00:42:54 --> 00:42:58: lot and we think we had the really needs to  
00:42:58 --> 00:43:01: increase and and The thing is also the way we  
00:43:01 --> 00:43:06: value we talked about valuations before the way we value  
00:43:06 --> 00:43:10: buildings as an industry does not include the cost of  
00:43:10 --> 00:43:11: doing nothing.  
00:43:12 --> 00:43:16: It it's, it only includes where the regulation brings us  
00:43:16 --> 00:43:19: while we know much more is needed.  
00:43:21 --> 00:43:25: So in that sense you could imagine there's nothing to  
00:43:25 --> 00:43:28: worry about but you know there's a lot more to  
00:43:28 --> 00:43:29: cop.  
00:43:29 --> 00:43:32: So and what we also know with these long term  
00:43:32 --> 00:43:37: investments it's almost the the sooner you start the ultimately  
00:43:37 --> 00:43:40: less cost you will bear because you can better planet.  
00:43:42 --> 00:43:44: And also what we tend to do is look at  
00:43:44 --> 00:43:47: it from only a cost perspective.  
00:43:48 --> 00:43:51: We have a lot of you like there's a lot  
00:43:51 --> 00:43:56: of work around decarbonisation as part of our Sea change  
00:43:56 --> 00:44:00: program and one of the main priorities we started working  
00:44:00 --> 00:44:04: with, as asked by members is how do we build  
00:44:04 --> 00:44:06: the business case better.  
00:44:06 --> 00:44:09: Because we know it needs to happen and and we  
00:44:09 --> 00:44:11: need to almost get rid of just that cost mindset,  
00:44:12 --> 00:44:13: but make it a value mindset.  
00:44:13 --> 00:44:16: And we also feel that the sooner you start the  
00:44:16 --> 00:44:18: more you can profit from the value uplift.  
00:44:19 --> 00:44:22: I think offices is a great example where we see  
00:44:22 --> 00:44:26: such a strong demand now for net zero buildings and  
00:44:26 --> 00:44:32: with high sustainability credentials and that goes even  
beyond just

00:44:32 --> 00:44:36: the carbon emissions and tenants are willing to pay for  
00:44:36 --> 00:44:39: that but it's just the product is not there.  
00:44:40 --> 00:44:45: So there's a real business opportunity for that.  
00:44:45 --> 00:44:49: And I would say the sooner you act because there's  
00:44:49 --> 00:44:52: a real supply and demand imbalance, the more you can  
00:44:52 --> 00:44:54: profit from the opportunity.  
00:44:54 --> 00:44:57: So it is not just about cost and and it  
00:44:57 --> 00:45:01: goes for physical climate risk obviously as well.  
00:45:01 --> 00:45:05: It's hard to price and to kind of what needs  
00:45:05 --> 00:45:09: to happen when because we don't know exactly when things  
00:45:09 --> 00:45:14: will happen, increase temperatures, more risk of flooding but  
ultimately  
00:45:15 --> 00:45:16: needs to happen.  
00:45:16 --> 00:45:20: So I think it and it's about it, if you  
00:45:20 --> 00:45:24: do nothing at some point your assets will have stranded  
00:45:24 --> 00:45:27: and but you don't see that now.  
00:45:27 --> 00:45:30: So and who's the 1st to act And I think  
00:45:30 --> 00:45:33: it's we need to focus on that and preferably more  
00:45:33 --> 00:45:37: as an industry do more work around that because the  
00:45:37 --> 00:45:40: more we come together the the faster we can go.  
00:45:44 --> 00:45:47: Yeah, I absolutely, absolutely agree with everything you've  
just said.  
00:45:49 --> 00:45:51: Yeah, I'll just add to that.  
00:45:51 --> 00:45:53: In fact, I think some markets are benefiting well.  
00:45:53 --> 00:45:56: I don't know whether you want to call it a  
00:45:56 --> 00:45:59: benefit or not, but they just have to change because  
00:45:59 --> 00:46:03: not adapting to, to, to, you know, decarbonization is actually  
00:46:03 --> 00:46:05: going to hit your top line, right.  
00:46:05 --> 00:46:09: So earlier it was just cost, which means the returns  
00:46:09 --> 00:46:10: were uncertain.  
00:46:11 --> 00:46:14: Then it became I guess cost, but your next buyer  
00:46:14 --> 00:46:17: will pay you better value, right, because you have taken  
00:46:17 --> 00:46:21: those initiatives and you're building is of a certain standard.  
00:46:22 --> 00:46:24: I think now it's that it's going to hit your  
00:46:24 --> 00:46:24: revenue line.  
00:46:25 --> 00:46:30: So your tenants and your occupiers are saying this building  
00:46:30 --> 00:46:34: is a cross if it doesn't meet a certain standard,  
00:46:34 --> 00:46:39: right of of of decarbonization of green or clean, you  
00:46:39 --> 00:46:40: know, energy.  
00:46:40 --> 00:46:43: So I think we're getting closer and I think the  
00:46:43 --> 00:46:47: minute it starts hitting revenue in across the globe and  
00:46:47 --> 00:46:49: in a big way and maybe we still have a

00:46:49 --> 00:46:52: few ways to go before it gets there, I think  
00:46:52 --> 00:46:54: it will automatically become priority, right.  
00:46:54 --> 00:46:58: Because right now you know most, most asset owners are  
00:46:58 --> 00:47:00: prioritizing their expenses.  
00:47:01 --> 00:47:03: They pay the lender first, then they, you know, and  
00:47:03 --> 00:47:05: then they had their operating costs and they had blah  
00:47:05 --> 00:47:07: blah blah and this was way down in the bottom.  
00:47:07 --> 00:47:08: Maybe.  
00:47:08 --> 00:47:13: You know, five years ago I feel that line item  
00:47:13 --> 00:47:20: is gradually moving N closer to the prioritization, top  
00:47:20 --> 00:47:20: prioritization  
00:47:20 --> 00:47:20: list.  
00:47:21 --> 00:47:23: And I think that's going to have a big impact  
00:47:23 --> 00:47:25: on on the industry and the adaptability.  
00:47:25 --> 00:47:27: And I wish people just did it for the from  
00:47:27 --> 00:47:28: the good of their heart, right.  
00:47:28 --> 00:47:32: Oh, we should you know, yeah that's but that's wishful  
00:47:32 --> 00:47:32: thinking.  
00:47:33 --> 00:47:36: The minute there's economic value or erosion of it, I  
00:47:36 --> 00:47:39: think it's automatically going to become a very high priority.  
00:47:44 --> 00:47:46: Absolutely, absolutely.  
00:47:46 --> 00:47:49: I think the one of the things that the report  
00:47:49 --> 00:47:53: does does really well is a great job of summarizing  
00:47:53 --> 00:47:57: some of the the key structural factors impacting real estate  
00:47:57 --> 00:47:58: through the 3DS.  
00:47:58 --> 00:48:01: Of course one of those DS is, is decarbonisation.  
00:48:03 --> 00:48:06: So if we we stick with that longer term view,  
00:48:06 --> 00:48:10: in what ways do you see investment strategies having to  
00:48:10 --> 00:48:14: evolve to make real estate fit for purpose in response  
00:48:14 --> 00:48:17: to those or other structural factors?  
00:48:17 --> 00:48:19: And this actually ties in with a couple of the  
00:48:19 --> 00:48:22: questions we've received in the in the chat where the  
00:48:22 --> 00:48:24: question is really around sectors.  
00:48:24 --> 00:48:28: Given these structural factors, where do we see the key  
00:48:28 --> 00:48:31: opportunity sectors now going forward?  
00:48:31 --> 00:48:33: Perhaps I'll come to you first, Anne.  
00:48:36 --> 00:48:39: Well, I think there's probably nothing that I'm going to  
00:48:39 --> 00:48:42: say here that's in revolutionary because I think again the  
00:48:43 --> 00:48:46: sector views are actually quite consensual and and I do  
00:48:46 --> 00:48:49: always get a bit nervous when we're all quite consensual.  
00:48:49 --> 00:48:53: However, I think they are underpinned by fundamental long  
00:48:53 --> 00:48:54: term  
00:48:53 --> 00:48:54: factors and drivers.



00:48:54 --> 00:48:57: So that gives me some comfort I think.

00:48:59 --> 00:49:01: I think the the one of the one of the

00:49:01 --> 00:49:05: points that hinges on the future of the digitisation point

00:49:06 --> 00:49:10: and artificial intelligence is, is power and sources of power,

00:49:10 --> 00:49:14: access to power, you know sort of connectivity and storage

00:49:14 --> 00:49:15: of grids etcetera.

00:49:15 --> 00:49:18: So I think I think that is another determining factor

00:49:18 --> 00:49:21: where I think what we'll see in real estate actually

00:49:21 --> 00:49:24: is more of a blurring of the lines between infrastructure

00:49:25 --> 00:49:28: and you know traditional real estate sectors to to enable

00:49:28 --> 00:49:31: that growth in data centres for example that there's a

00:49:31 --> 00:49:33: connectivity point there as well.

00:49:35 --> 00:49:37: So I think I think that would be other than

00:49:37 --> 00:49:40: that I think from a sector point we've already talked

00:49:40 --> 00:49:43: about offices and we've talked about that the risk if

00:49:43 --> 00:49:45: you like going forward.

00:49:45 --> 00:49:48: I think what we will need to see in the

00:49:48 --> 00:49:50: course of the next five years is that as as

00:49:50 --> 00:49:52: the pricing reflecting the risk.

00:49:53 --> 00:49:55: But in many of the cities, in fact in all

00:49:55 --> 00:49:57: of the cities that we know involve offices are a

00:49:57 --> 00:49:59: massive part of the urban environment.

00:50:00 --> 00:50:02: So they will have to transition and they will have

00:50:02 --> 00:50:05: to be a different component at a different level across

00:50:06 --> 00:50:07: the urban environment.

00:50:07 --> 00:50:10: But the price has got to be right because ultimately

00:50:10 --> 00:50:13: that will involve development and CapEx and repositioning.

00:50:13 --> 00:50:16: So I think as an industry we will, we will

00:50:16 --> 00:50:19: need to be more developers going forward to reposition.

00:50:20 --> 00:50:22: But I think offices is the one where there must

00:50:22 --> 00:50:24: be an opportunity there over the next five years, even

00:50:24 --> 00:50:26: though it's not obvious at the moment.

00:50:31 --> 00:50:33: I think it's also a lot of oh sorry about

00:50:33 --> 00:50:38: the integrate the integration between the different parts now

00:50:38 --> 00:50:41: in the European report we picked up on the trend

00:50:41 --> 00:50:42: of Co location.

00:50:43 --> 00:50:43: It is.

00:50:43 --> 00:50:47: It is looking holistically at what what a place needs

00:50:47 --> 00:50:51: almost and obviously that's especially the case in Europe

00:50:51 --> 00:50:54: and

00:50:51 --> 00:50:54: maybe less so in the other regions.

00:50:54 --> 00:50:58: The need to retrofit and repurpose because there are so  
00:50:59 --> 00:51:03: many buildings and we know from a climate perspective it's  
00:51:03 --> 00:51:04: best to reuse them.  
00:51:05 --> 00:51:08: But the former use might not be the best future  
00:51:08 --> 00:51:08: use.  
00:51:09 --> 00:51:12: So there are so much and then we see much  
00:51:12 --> 00:51:17: more focus on intensifying the use which might mean  
00:51:17 --> 00:51:23: different purposes for different times of the day or different  
00:51:23 --> 00:51:27: times of the week and and therefore and and Co  
00:51:27 --> 00:51:33: location where we see data centres very local within offices  
00:51:33 --> 00:51:35: or becoming near again.  
00:51:36 --> 00:51:40: So I think it's really about a much more integrated  
00:51:40 --> 00:51:45: thinking around the different uses and how to create those  
00:51:46 --> 00:51:50: lively urban environments where people want to be and to  
00:51:50 --> 00:51:56: ensure it's affordable to combining also the different uses.  
00:52:00 --> 00:52:03: Yeah, both, both points I think draw draw me to  
00:52:04 --> 00:52:08: another question which is often we talk about these structural  
00:52:08 --> 00:52:13: factors and we find them sometimes pointing us towards sort  
00:52:13 --> 00:52:16: of alternative or niche segments.  
00:52:16 --> 00:52:20: For example, if you think about generative AI then the  
00:52:20 --> 00:52:25: investment thesis for data centres is obvious, but you've  
00:52:25 --> 00:52:28: both well and you alluded to being more like a  
00:52:28 --> 00:52:32: developer, Lizette, you alluded to creating places.  
00:52:33 --> 00:52:37: Is there actually enough of these opportunities out there to  
00:52:37 --> 00:52:41: align with the the investor appetite that's that's out there  
00:52:41 --> 00:52:43: or do we do we actually need to yeah be  
00:52:44 --> 00:52:45: building this stuff?  
00:52:45 --> 00:52:46: You have any opinions on that?  
00:52:49 --> 00:52:51: Let me try and let me try and address that  
00:52:51 --> 00:52:52: David.  
00:52:52 --> 00:52:54: I think, I think the one piece is that of  
00:52:54 --> 00:52:57: course there are these new asset classes that have emerged  
00:52:58 --> 00:53:01: in the last few years, life sciences, data centers, you  
00:53:01 --> 00:53:03: know what have you and that's got to do with  
00:53:03 --> 00:53:08: obviously general cultural and consumption trends changing  
in the world,  
00:53:08 --> 00:53:11: but I also feel it impacts even existing asset classes.  
00:53:11 --> 00:53:14: So we're certainly an environment of you know it's some  
00:53:14 --> 00:53:15: more of the same.  
00:53:16 --> 00:53:18: So you know, I mean even coming back to office  
00:53:18 --> 00:53:21: for a second while I said that you know offices  
00:53:21 --> 00:53:23: can't go away, sure, but they will.

00:53:23 --> 00:53:27: They will exist in a different shape and form completely  
00:53:27 --> 00:53:30: and we're seeing that in the markets that we that  
00:53:30 --> 00:53:30: we invest.  
00:53:31 --> 00:53:35: For example office was always AB2B business, right.  
00:53:35 --> 00:53:39: I now see it as AB2C business where you're actually  
00:53:39 --> 00:53:44: engaging with your customer who's walking through the door  
every  
00:53:44 --> 00:53:46: single day, right.  
00:53:46 --> 00:53:49: They have needs and wants which I think I don't  
00:53:49 --> 00:53:52: think very many asset owners pay attention to maybe 10  
00:53:52 --> 00:53:53: years ago.  
00:53:53 --> 00:53:56: But now those needs and wants are being looked at  
00:53:56 --> 00:53:57: very, very closely.  
00:53:57 --> 00:54:00: And so there is a big wrap around of services  
00:54:00 --> 00:54:05: that that kind of benefit that encapsulates these asset  
classes  
00:54:05 --> 00:54:08: including residential by the way.  
00:54:08 --> 00:54:12: And we've seen these, we've seen these trends and  
obviously  
00:54:12 --> 00:54:16: a combination of hybrid, you know etcetera work you know  
00:54:16 --> 00:54:20: hit the both the office and the residential asset classes  
00:54:20 --> 00:54:25: through flexible offices, Co living, Co working you know on  
00:54:25 --> 00:54:27: the residential side Co living.  
00:54:27 --> 00:54:29: So we've seen that as a big trend, you know,  
00:54:29 --> 00:54:30: I feel in the last few years and I think  
00:54:30 --> 00:54:31: that's here to stay.  
00:54:36 --> 00:54:36: Absolutely.  
00:54:38 --> 00:54:41: And we've actually had a question in specifically on on  
00:54:41 --> 00:54:46: residential and and demographics and ageing populations,  
what's the, what's  
00:54:46 --> 00:54:50: the view on that And I think particularly around sort  
00:54:50 --> 00:54:54: of housing supply and maybe some of the niche residential  
00:54:54 --> 00:54:57: segments, are they areas that we continue to expect to  
00:54:57 --> 00:55:00: to grow and see more opportunity in?  
00:55:05 --> 00:55:06: I'm quite happy to answer that David.  
00:55:06 --> 00:55:08: So I think the the short answer is yes and  
00:55:08 --> 00:55:12: we very much strongly believe in that the supply and  
00:55:12 --> 00:55:14: demand factors are quite clear.  
00:55:14 --> 00:55:18: However, I think having a very strong investment process is  
00:55:19 --> 00:55:22: is clear given what we talked about already in terms  
00:55:22 --> 00:55:26: of the political agenda point on affordable housing.  
00:55:26 --> 00:55:28: So we have, we have a view on we call  
00:55:29 --> 00:55:33: our Tripoli approach, affordability, accessibility and immunity.

00:55:34 --> 00:55:37: So ensuring that you, you know you're robust in your  
00:55:37 --> 00:55:42: underwriting on affordability and you know the assets of  
providing  
00:55:42 --> 00:55:46: the connectivity and amenities that are you know required for  
00:55:46 --> 00:55:48: current and future generations actually.  
00:55:49 --> 00:55:52: So So yes, we we would believe in that.  
00:55:52 --> 00:55:54: I do think one of the things that's brought out  
00:55:54 --> 00:55:57: in the report actually this word in partnership is really  
00:55:57 --> 00:55:57: important.  
00:55:58 --> 00:56:02: So I think that partnership with your customers, with your  
00:56:02 --> 00:56:05: occupiers will be is is crucial in residential.  
00:56:05 --> 00:56:09: It's crucial in all the sectors, but it's absolutely crucial  
00:56:09 --> 00:56:10: in the residential sector.  
00:56:14 --> 00:56:16: I would also like to, to add to what Ann  
00:56:16 --> 00:56:17: was saying.  
00:56:18 --> 00:56:22: We've been picking it up in the European report for  
00:56:22 --> 00:56:25: the last couple of years already where I think five  
00:56:25 --> 00:56:28: or six of the sectors in the top 10 have  
00:56:28 --> 00:56:30: anything to do with residential.  
00:56:31 --> 00:56:34: And I think based on the different targets group, you  
00:56:34 --> 00:56:38: see much, so much more sophistication and and probably  
we've  
00:56:38 --> 00:56:41: only just gotten on that journey where you kind of  
00:56:41 --> 00:56:45: look much more what are the specific demands of the  
00:56:45 --> 00:56:46: of the target group.  
00:56:46 --> 00:56:50: We did work around school living a few years ago  
00:56:50 --> 00:56:54: and then you see what a massive impact it can  
00:56:54 --> 00:56:58: have if you consider the the number and the growth  
00:56:58 --> 00:57:02: in single households and many of those people now living  
00:57:02 --> 00:57:04: in two 3-4 bathroom flats.  
00:57:05 --> 00:57:10: And I think that's something if we tailor the offers  
00:57:10 --> 00:57:14: so much better for what a target group needs and  
00:57:14 --> 00:57:20: for seniors that's more maybe also called type models but  
00:57:20 --> 00:57:25: at some point maybe added with with care facilities.  
00:57:27 --> 00:57:29: So I think thinking and and I think and also  
00:57:30 --> 00:57:34: commented on that thinking from the users perspective and  
obviously  
00:57:34 --> 00:57:37: that's not something that the industry has been known for  
00:57:38 --> 00:57:40: in the past, but I think that's so much more  
00:57:40 --> 00:57:44: important and then kind of develop the products in evolution  
00:57:44 --> 00:57:46: of of people's life cycle.  
00:57:51 --> 00:57:52: Absolutely.  
00:57:53 --> 00:57:57: I think being mindful of people's time, I think we

00:57:57 --> 00:58:01: will withdraw the discussion to A to a close there.  
00:58:02 --> 00:58:06: Apologies for the the few questions that came in through  
00:58:06 --> 00:58:10: the Q&A that we didn't get round to to addressing.  
00:58:11 --> 00:58:15: I think it's there's still no avoiding that uncertainties persisting  
00:58:15 --> 00:58:18: in the short term and 2024 is likely to be  
00:58:18 --> 00:58:21: something of a year of transition, but also plenty of  
00:58:21 --> 00:58:24: reasons to feel optimistic about the outlook.  
00:58:25 --> 00:58:28: And when we think about the longer term picture real  
00:58:28 --> 00:58:31: estate clearly has a very, very important role to play  
00:58:31 --> 00:58:34: in societal societies and societal change.  
00:58:36 --> 00:58:40: With that, I'd like to remind everyone listening that the  
00:58:40 --> 00:58:41: report is.

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