

Webinar

Launch of ULI/PwC 2021 Global Emerging Trends in Real Estate?? Report

Date: April 07, 2021

00:05:13 --> 00:05:17: Good afternoon everyone. Good evening and good morning to today's

00:05:17 --> 00:05:18: webinar.

00:05:18 --> 00:05:20: For those of you that don't know me,

00:05:20 --> 00:05:23: my name is Lisa to front door and I'm the

00:05:23 --> 00:05:26: CEO for Europe of Herbal Anti Institute.

00:05:26 --> 00:05:30: I'm I'm very pleased that so many of you are

00:05:30 --> 00:05:34: joining us today for one of the main highlights of

00:05:34 --> 00:05:35: the year for you,

00:05:35 --> 00:05:40: like the launch of UI in PWC's global emerging trends.

00:05:40 --> 00:05:45: The global outlook for 2021.

00:05:45 --> 00:05:48: Like you probably know, we deliver this report every year.

00:05:50 --> 00:05:55: In the in collaboration between PwC Anjulie.

00:05:55 --> 00:05:58: In this report, the global outlook is based on three

00:05:58 --> 00:06:00: regional reports published,

00:06:00 --> 00:06:04: which were published at the end of last year and

00:06:04 --> 00:06:06: provided the regional outlooks.

00:06:06 --> 00:06:11: This report builds on these 33 regional reports and provides

00:06:11 --> 00:06:16: an updated global outlook based on an additional couple of

00:06:16 --> 00:06:18: 10 to 15 interviews.

00:06:18 --> 00:06:22: Traditionally, this report also includes thematic chapter,

00:06:22 --> 00:06:25: but in the past covered for example,

00:06:25 --> 00:06:31: business new business models, operationalizing or real estate and this

00:06:31 --> 00:06:36: year we've included specific chapter on decarbonization.

00:06:36 --> 00:06:40: We will now first hear from Garrett Lewis,

00:06:40 --> 00:06:45: director at PwC UK, who will briefly present the results

00:06:45 --> 00:06:46: of the report.

00:06:46 --> 00:06:50: And he will. His presentation will be followed by a

00:06:50 --> 00:06:53: panel discussion with a true global representation,

00:06:53 --> 00:06:55: and I'm really pleased with that.

00:06:55 --> 00:07:00: I will introduce the panelists later on when we start.

00:07:00 --> 00:07:03: And for now I would like to hand over to

00:07:03 --> 00:07:07: Garrett and just to encourage everyone to ask questions,

00:07:07 --> 00:07:10: you can use the Q&A button for that both for

00:07:10 --> 00:07:13: the presentation as well as later on for the panel

00:07:14 --> 00:07:14: discussion,

00:07:14 --> 00:07:19: and I will then include those questions and integrate them

00:07:19 --> 00:07:21: in the in the in the discussion.

00:07:21 --> 00:07:23: Get it over to you.

00:07:25 --> 00:07:28: Thank you Lizette and good good day everyone.

00:07:28 --> 00:07:31: My name is Gareth Lewis from Peter.

00:07:31 --> 00:07:34: BCS will estate team and I also lead on behalf

00:07:34 --> 00:07:35: of PwC,

00:07:35 --> 00:07:39: our real estate and real estate thought leadership and

00:07:39 --> 00:07:43: research

00:07:39 --> 00:07:43: including the emerging trends in real estate series and I'd

00:07:43 --> 00:07:46: like to take this opportunity on behalf of PwC to

00:07:46 --> 00:07:50: to thank Lizette and the UI team for this fantastic

00:07:50 --> 00:07:54: partnership we have on the emerging Trends Project tonight.

00:07:54 --> 00:07:59: Also like to take the opportunity to thank all those

00:07:59 --> 00:08:02: who participated in the research.

00:08:02 --> 00:08:05: Is that mentioned, global global emerging trends in real

00:08:05 --> 00:08:08: estate

00:08:05 --> 00:08:08: report looks back at the key findings and common themes,

00:08:08 --> 00:08:12: and noticeable differences arising from the the Regional

00:08:12 --> 00:08:14: reports published

00:08:12 --> 00:08:14: or the end of last year,

00:08:14 --> 00:08:17: and also uses those findings to to look forward and

00:08:17 --> 00:08:20: explore what senior leaders think will be the key trends

00:08:20 --> 00:08:22: for the year and and the years ahead.

00:08:22 --> 00:08:25: So the interviews for the Global report took place in

00:08:25 --> 00:08:25: January,

00:08:25 --> 00:08:28: February, March this year and more than a year after

00:08:28 --> 00:08:30: the outbreak of COVID-19.

00:08:30 --> 00:08:32: It's fair to say the real estate industry is still

00:08:32 --> 00:08:34: getting to grips with the daunting.

00:08:34 --> 00:08:37: Twin challenge of a cyclical downturn.

00:08:37 --> 00:08:41: Side by side with the long term consequences from the

00:08:41 --> 00:08:45: disruption to the way people live and work.

00:08:45 --> 00:08:49: Regional and sectoral sexual variations to the impact on real

00:08:49 --> 00:08:50: estate are inevitable,

00:08:50 --> 00:08:54: but there's still a clearview that COVID-19 has been and
00:08:54 --> 00:08:58: still is an accelerator of existing trends such as digitalization
00:08:58 --> 00:09:01: dispersed working and online shopping,
00:09:01 --> 00:09:04: while also reinforcing the industries ESG agenda.
00:09:04 --> 00:09:07: The industry leaders we spoke to for this report are
00:09:07 --> 00:09:11: hopeful of a consumer spending LED economic recovery
00:09:12 --> 00:09:15: feeding through
00:09:15 --> 00:09:18: into an uptick in real estate business in the second
00:09:18 --> 00:09:21: half of 2021. But much will depend on the rollout
00:09:21 --> 00:09:25: of the vaccine and an easing of lockdown restrictions.
00:09:25 --> 00:09:26: And against that caveat, the consensus view is that Asia
00:09:26 --> 00:09:30: Pacific is leading the recovery,
00:09:30 --> 00:09:33: partly because of the region's major economies went into the
00:09:33 --> 00:09:36: pandemic in better shape relative to Western economies,
00:09:36 --> 00:09:38: and they also a deemed to have managed the crisis
00:09:38 --> 00:09:41: with more of a short touched so far,
00:09:41 --> 00:09:46: which is seen as a key factor in global investors,
00:09:46 --> 00:09:50: increasing their allocations of capital to the region.
00:09:50 --> 00:09:54: There's also a broad acknowledgment that the
00:09:54 --> 00:09:56: unprecedented levels of
00:09:56 --> 00:10:00: fiscal and monetary stimulus supporting the global economy
00:10:00 --> 00:10:03: come with
00:10:03 --> 00:10:06: their own threats to market volatility.
00:10:06 --> 00:10:10: The emergence of stock market bubbles and mineard
00:10:10 --> 00:10:13: inflationary pressure
00:10:13 --> 00:10:16: in the US and Europe are much bigger concerns for
00:10:16 --> 00:10:19: better state leaders today than during the original emerging
00:10:19 --> 00:10:23: trends
00:10:23 --> 00:10:26: research last year. Despite that risk of greater volatility,
00:10:26 --> 00:10:29: the very loose monetary policy is keeping interest rates low
00:10:29 --> 00:10:31: for the time being and therefore making the yield spread.
00:10:31 --> 00:10:34: For real estate over other asset classes,
00:10:34 --> 00:10:38: hugely compelling to investors, most of the industry leaders
00:10:38 --> 00:10:39: interviewed
00:10:39 --> 00:10:43: for this report believe that the inherent attraction of real
00:10:43 --> 00:10:46: estate income is even stronger this year than in pre
00:10:46 --> 00:10:50: covert times.
00:10:50 --> 00:10:54: By contrast, lenders are expecting to adopt are far more
00:10:54 --> 00:10:58: cautious approach to real estate this year and next compared
00:10:58 --> 00:11:01: with equity investors,
00:11:01 --> 00:11:04: but also compared with their approach to the asset class
00:11:04 --> 00:11:07: during the the first level lockdowns of a year ago.
00:11:07 --> 00:11:10: Well, banks were generally supportive of businesses at the

outset.

00:10:50 --> 00:10:53: Invariably at the request of governments and central banks,

00:10:53 --> 00:10:57: industry leaders indicate tougher lending criteria since the second lockdowns

00:10:57 --> 00:11:00: in the autumn and there is a wide expectation that

00:11:00 --> 00:11:04: distressed debt will increase once the government support packages end,

00:11:04 --> 00:11:08: although it's considered unlikely to to match the levels of

00:11:08 --> 00:11:11: distress seen after the global financial crisis.

00:11:11 --> 00:11:13: Given this pressure or not,

00:11:13 --> 00:11:17: keep our markets. Industry leaders already report at bifurcation pricing

00:11:17 --> 00:11:21: between the in favor sectors like logistics that provided stable

00:11:21 --> 00:11:23: income during the pandemic,

00:11:23 --> 00:11:26: and those sectors that have been hardest hit such as

00:11:26 --> 00:11:30: hospitality and parts of retail logistics has been startling success

00:11:30 --> 00:11:34: across all three regions driven by surging e-commerce sustained investor

00:11:34 --> 00:11:38: demand is widely expected to fuel further cat weight compression

00:11:38 --> 00:11:40: this year and that divides opinion.

00:11:40 --> 00:11:43: For some it was suggests an asset bubble concerns in

00:11:43 --> 00:11:44: equities,

00:11:44 --> 00:11:48: for others it reflects a structural long term change.

00:11:48 --> 00:11:52: Residential is also in favor for a stable income,

00:11:52 --> 00:11:54: but there are additional attractions.

00:11:54 --> 00:11:57: Industry players in the US and Europe see investing in

00:11:57 --> 00:11:58: housing,

00:11:58 --> 00:12:02: social, affordable and private rented as fulfilling a basic need

00:12:02 --> 00:12:05: in society and as such very much part of their

00:12:05 --> 00:12:05: ESG agenda.

00:12:05 --> 00:12:11: Interviews in all three regions also see overwhelmingly favorable supply

00:12:11 --> 00:12:15: demand dynamics which make housing a prudent defensive play for

00:12:15 --> 00:12:17: the foreseeable future.

00:12:17 --> 00:12:20: The outlook for the office sector is altogether much more

00:12:20 --> 00:12:22: difficult to predict,

00:12:22 --> 00:12:25: given that sentiment here is infant influenced by very forces

00:12:25 --> 00:12:26: for change,

00:12:26 --> 00:12:28: such as the rise of remote working,

00:12:28 --> 00:12:31: the increasing concern for the health and well being of

00:12:31 --> 00:12:35: employees and the eroded appearance of long commutes in

big cities.

00:12:35 --> 00:12:35: As the interviews points out,

00:12:35 --> 00:12:37: these issues do not resonate so much in Asia Pacific,

00:12:37 --> 00:12:40: but in North America and Europe they expected to have

00:12:40 --> 00:12:43: a negative impact from leasing activity this year and next

00:12:43 --> 00:12:46: year as large occupiers.

00:12:46 --> 00:12:48: July Cooper decisions or or commit to greater reliance on

00:12:48 --> 00:12:51: remote working.

00:12:51 --> 00:12:52: Yet many interviews believe that companies and employees

00:12:52 --> 00:12:57: will eventually

00:12:57 --> 00:12:58: want to return to the office.

00:12:58 --> 00:13:02: I'll be in a more hybrid working model than in

00:13:02 --> 00:13:04: pre covid times.

00:13:04 --> 00:13:07: In any event, the need for flexible spaces certain from

00:13:07 --> 00:13:08: an investor perspective.

00:13:08 --> 00:13:13: Therefore, industry leaders predictor of polarization between

00:13:13 --> 00:13:14: perceived high quality

00:13:13 --> 00:13:14: buildings,

00:13:14 --> 00:13:18: modern and adaptable, an outdated and inflexible secondary

00:13:18 --> 00:13:22: stock that

00:13:18 --> 00:13:22: is likely to suffer from a marked decline in demand.

00:13:22 --> 00:13:23: Next slide, please.

00:13:27 --> 00:13:30: Thank you, but it's clear from the interviews that the

00:13:30 --> 00:13:34: industry is looking beyond occupancies and materials and is

00:13:34 --> 00:13:36: starting

00:13:34 --> 00:13:36: to address its wider responsibilities.

00:13:36 --> 00:13:39: There's no better example of this than the work being

00:13:39 --> 00:13:42: undertaken around the impact of carbon emissions on the

00:13:43 --> 00:13:43: built

00:13:43 --> 00:13:47: environment.

00:13:43 --> 00:13:47: Which we explore further in chapter two of the Global

00:13:47 --> 00:13:48: report.

00:13:48 --> 00:13:51: Oh decarbonization and climate change have been rising up

00:13:51 --> 00:13:52: the

00:13:51 --> 00:13:52: agenda for years.

00:13:52 --> 00:13:55: It's noticeable how in the last 18 months these issues

00:13:55 --> 00:13:56: have moved to the foreground,

00:13:56 --> 00:13:59: with industries thinking and so far the pressure is coming

00:13:59 --> 00:14:02: from providers of finance and the biggest tenants,

00:14:02 --> 00:14:05: and the expectation that governments will rank up regulation

00:14:05 --> 00:14:06: in

00:14:05 --> 00:14:06: the coming years.

00:14:06 --> 00:14:10: More companies than ever before putting in place strategies with

00:14:10 --> 00:14:13: decarbonization at the heart of the way they do business,

00:14:13 --> 00:14:16: accepting the challenge that will define the future of humanity

00:14:16 --> 00:14:18: while managing downside risks.

00:14:18 --> 00:14:20: And realizing profits along the way.

00:14:20 --> 00:14:23: The sense of urgency here is is long overdue.

00:14:23 --> 00:14:27: Real Estates in its infancy when it comes to decarbonization,

00:14:27 --> 00:14:29: and even now many people are still ignoring the far

00:14:29 --> 00:14:33: reaching consequences of carbon emissions from buildings.

00:14:33 --> 00:14:35: The interviews indicate a big knowledge gap,

00:14:35 --> 00:14:39: still not enough data being collected on how much energy

00:14:39 --> 00:14:42: buildings used during both construction and operation.

00:14:42 --> 00:14:46: I'm going to state businesses are facing competing pressures in

00:14:46 --> 00:14:48: what is a very complex area.

00:14:48 --> 00:14:52: Even with the right intentions regulation and what constitutes an

00:14:52 --> 00:14:56: effective true decarbonize strategy is is a moving target.

00:14:56 --> 00:14:57: Many of the large rates,

00:14:57 --> 00:15:00: for example of all set targets to reach.

00:15:00 --> 00:15:03: Net 0 by 2030 affectively promising to produce no more

00:15:03 --> 00:15:08: carbon emissions than they might remove from the atmosphere by

00:15:08 --> 00:15:09: that date.

00:15:09 --> 00:15:11: According to the Science based Target Initiative,

00:15:11 --> 00:15:14: a total of 67 real estate companies have put in

00:15:14 --> 00:15:17: place or committed to put in place a strategy to

00:15:17 --> 00:15:20: get to net zero next inoperational carbon emissions from their

00:15:20 --> 00:15:22: portfolios with a science based target.

00:15:22 --> 00:15:24: As we have seen in the last 15 or so

00:15:25 --> 00:15:28: years with with green building certification with the net zero

00:15:28 --> 00:15:29: movement,

00:15:29 --> 00:15:31: there will be similar concerns around greenwashing.

00:15:31 --> 00:15:34: Barely a week seems to go by without a fund

00:15:34 --> 00:15:37: manager or property company making a net zero carbon pledge

00:15:37 --> 00:15:41: and their recent news articles source summed up the situation

00:15:41 --> 00:15:42: nicely here with the headline.

00:15:42 --> 00:15:45: Not all net zero targets are created equal on the

00:15:45 --> 00:15:46: surface of it.

00:15:46 --> 00:15:48: These commitments may look much the same.

00:15:48 --> 00:15:50: However, beneath the headline commitments,

00:15:50 --> 00:15:55: there are significant differences in approach and some targets are

00:15:55 --> 00:15:57: clearly more ambitious than others.

00:15:57 --> 00:16:00: The use of carbon offsetting both in terms of the

00:16:00 --> 00:16:01: the method and pricing,

00:16:01 --> 00:16:04: and actually whether it actually makes sense,

00:16:04 --> 00:16:06: is one key area of difference,

00:16:06 --> 00:16:10: but the most significant differences around the the scope of

00:16:10 --> 00:16:10: the targets,

00:16:10 --> 00:16:14: not all carbon commitments, include indirect emissions,

00:16:14 --> 00:16:18: such as those generated from construction materials using new developments

00:16:18 --> 00:16:20: and from the energy used by tenants,

00:16:20 --> 00:16:24: and this makes a big difference because these so-called scope

00:16:24 --> 00:16:26: three emissions account for over 85%

00:16:26 --> 00:16:30: of a typical commercial. Win estate companies carbon footprint.

00:16:30 --> 00:16:34: That's according to the Carbon Disclosure Project and research by

00:16:34 --> 00:16:36: Architecture Architecture 2030.

00:16:36 --> 00:16:40: Using figures from the UN and the USEIA suggested about

00:16:40 --> 00:16:40: 74%

00:16:40 --> 00:16:43: of carbon emitted during the buildings.

00:16:43 --> 00:16:46: Lifestyle comes from construction and demolition,

00:16:46 --> 00:16:50: with just 25% coming from its operations.

00:16:50 --> 00:16:52: I guess whichever way you cut this data,

00:16:52 --> 00:16:54: these are big numbers and an increased focus on scope.

00:16:54 --> 00:16:58: Three emissions is expected to become a critical industry for

00:16:58 --> 00:16:59: real estate businesses,

00:16:59 --> 00:17:01: and I guess if you sympathize with what is perhaps

00:17:02 --> 00:17:03: the essence of this line,

00:17:03 --> 00:17:06: thinking which is the comment that the most sustainable building

00:17:06 --> 00:17:08: is the one that is never built,

00:17:08 --> 00:17:11: then there surely is clear that alarm bells should be

00:17:11 --> 00:17:15: ringing for the entire real estate industry that's built around

00:17:15 --> 00:17:17: the concept of building real estate.

00:17:17 --> 00:17:20: It remains a daunting amount of complexity in the development,

00:17:20 --> 00:17:24: ownership and management of real estate which makes coming up

00:17:24 --> 00:17:27: with an effective strategy difficult even for the largest

companies.

00:17:27 --> 00:17:30: Executing the strategy is even more difficult.

00:17:30 --> 00:17:32: Again requiring developers, owners, occupiers,

00:17:32 --> 00:17:36: and all other stakeholders that make up the real estate

00:17:36 --> 00:17:39: value chain to work together with the same goals in

00:17:39 --> 00:17:39: mind.

00:17:39 --> 00:17:42: A couple of quick observations from our research that I

00:17:42 --> 00:17:45: would think I would point out where that European and

00:17:45 --> 00:17:48: Canadian investors are seem to be far more focused on

00:17:48 --> 00:17:52: this topic, although US and an Asian investors are catching

00:17:52 --> 00:17:55: up very quickly and there was also a feeling from

00:17:55 --> 00:17:59: the interviews that a clear expectation that the new

00:17:59 --> 00:18:02: administration

00:18:02 --> 00:18:06: or President Biden in the US will significantly change the

00:18:06 --> 00:18:09: narrative around decarbonization in the US economy.

00:18:09 --> 00:18:10: So the SG PSG agenda is probably the hottest topic

00:18:10 --> 00:18:13: in assets right now,

00:18:13 --> 00:18:17: and many will estate businesses are clearly struggling to

00:18:17 --> 00:18:17: cope

00:18:17 --> 00:18:21: with the tsunami of demands coming their way around ESG

00:18:21 --> 00:18:24: reporting.

00:18:24 --> 00:18:28: Responding to investor questions occupy the mountains and

00:18:28 --> 00:18:29: trying to

00:18:29 --> 00:18:31: work out where to focus resources from a low base,

00:18:31 --> 00:18:34: let alone having a coherent strategy to put them onto

00:18:34 --> 00:18:36: the front foot.

00:18:36 --> 00:18:40: So why is there a challenges ahead?

00:18:40 --> 00:18:43: It's also fair to say that real estate has arguably

00:18:43 --> 00:18:47: had quite an easy ride in the area historically.

00:18:47 --> 00:18:49: Real estate is disproportionately large contributor to resource

00:18:49 --> 00:18:54: scarcity,

00:18:54 --> 00:18:55: environmental health, well being and social outcomes,

00:18:55 --> 00:18:58: but these patches are never really shone through as an

00:18:58 --> 00:19:02: important assessment of real estate value,

00:19:02 --> 00:19:03: so have understandably never been a hugely significant

00:19:03 --> 00:19:07: consideration for

00:19:07 --> 00:19:10: asset managers.

00:19:10 --> 00:19:10: In summary, the clear indications from our research with this

00:19:10 --> 00:19:10: Reporter that these issues are really starting to affect real

00:19:10 --> 00:19:10: estate value and deal activity,

00:19:10 --> 00:19:10: and there's also an expectation that the real estate sector

00:19:10 --> 00:19:10: will come under increasing pressure to develop much more

00:19:10 --> 00:19:10: sophisticated

00:19:10 --> 00:19:13: and complex assessments of the product it produces.

00:19:13 --> 00:19:15: I real estate and it's true.

00:19:15 --> 00:19:16: Impact in the broadest sense,

00:19:16 --> 00:19:21: whether that's carbon emissions or broader impacts like health and

00:19:21 --> 00:19:22: well being.

00:19:22 --> 00:19:25: And I think as one final point 1 interesting observation

00:19:25 --> 00:19:28: from our into this report and I mentioned it earlier

00:19:28 --> 00:19:31: was that the pandemic is being seen as having accelerated

00:19:31 --> 00:19:33: the decarbonization and ESG agenda.

00:19:33 --> 00:19:36: It's a. It's a really interesting observation,

00:19:36 --> 00:19:39: and one that's actually quite hard to explain in many

00:19:39 --> 00:19:39: ways.

00:19:39 --> 00:19:43: Perhaps that the pandemic has reminded us of our vulnerability

00:19:43 --> 00:19:43: as a society.

00:19:43 --> 00:19:46: But I also think that the last year has also

00:19:46 --> 00:19:50: shown how quickly circumstances can change and how quickly industries

00:19:50 --> 00:19:53: and businesses can adapt in difficult circumstances.

00:19:53 --> 00:19:56: That the shift to remote working perhaps is the most

00:19:56 --> 00:19:57: obvious example,

00:19:57 --> 00:19:59: and I think that's a really positive message for the

00:19:59 --> 00:20:00: real estate industry.

00:20:00 --> 00:20:04: That is no doubt entering a period of significant transformation

00:20:04 --> 00:20:05: and challenge.

00:20:05 --> 00:20:08: And with that I'll hand it back over to Lisette

00:20:08 --> 00:20:11: to introduce the panelists for what I hope is a

00:20:11 --> 00:20:13: really interesting discussion.

00:20:13 --> 00:20:17: Thanks so much Gareth. I think I was really interesting.

00:20:17 --> 00:20:20: We have received one question which I wanted to ask

00:20:20 --> 00:20:22: you and that the question is,

00:20:22 --> 00:20:26: is there any trend visible to prefer less dense developments?

00:20:26 --> 00:20:32: Greenfield Stratton brownfields. An in result generating urban sprawl rather

00:20:32 --> 00:20:36: than stay within downtown CBD's because of the need for

00:20:36 --> 00:20:38: the social distance.

00:20:38 --> 00:20:41: If so, in which we just said.

00:20:41 --> 00:20:42: Sectors development.

00:20:45 --> 00:20:48: Well, I think putting all alone in saying that the

00:20:48 --> 00:20:51: jury is still out on what the impact will be.

00:20:51 --> 00:20:53: I think overall I I,

00:20:53 --> 00:20:57: I think and also the European research report back this
00:20:57 --> 00:20:57: up.
00:20:57 --> 00:21:00: Which is that people still think cities and areas of
00:21:00 --> 00:21:03: where you get sort ofglomeration effects,
00:21:03 --> 00:21:07: which translates to density are still seem to be,
00:21:07 --> 00:21:11: you know, a very strong trend that that whilst impacted
00:21:11 --> 00:21:12: by the pandemic,
00:21:12 --> 00:21:15: probably not completely reversed. But I would say it's still
00:21:15 --> 00:21:18: an area where the where the juries jury's out on
00:21:18 --> 00:21:19: it.
00:21:21 --> 00:21:25: Thanks, Garrett, might also be interesting for the panel to
00:21:25 --> 00:21:26: discuss later,
00:21:26 --> 00:21:30: because I think there were also quite some regional differing
00:21:30 --> 00:21:31: views on that.
00:21:31 --> 00:21:34: Thanks a lot, Garrett, for your contribution.
00:21:34 --> 00:21:37: It's been really helpful. Now I would like to invite
00:21:37 --> 00:21:41: all the panelists to switch on their videos an on
00:21:41 --> 00:21:44: mute so we can start the discussion and I'm so
00:21:44 --> 00:21:48: pleased to be joined by a truly global panel.
00:21:48 --> 00:21:52: Everyone coming from there from the different regions.
00:21:52 --> 00:21:56: First of all, I would like to introduce Mary Larkin.
00:21:56 --> 00:22:00: She's a senior managing director and head of Global
Investment
00:22:00 --> 00:22:01: Research at Heitman.
00:22:01 --> 00:22:05: I would like to introduce Olivia Alameen used the CEO
00:22:05 --> 00:22:08: of Austria Office Suite AG based in Europe.
00:22:08 --> 00:22:10: Marys based in the US.
00:22:10 --> 00:22:13: And last but not least,
00:22:13 --> 00:22:19: Benetis era is a head of Asia Pacific Managing director
00:22:19 --> 00:22:23: at PTIN Real Estate based in Asia.
00:22:23 --> 00:22:29: Welcome everyone and now following Garrots presentation I
would actually
00:22:29 --> 00:22:33: like to invite each of you to give a few
00:22:33 --> 00:22:38: comments on the report and the presentation that Gary just
00:22:38 --> 00:22:40: gave.
00:22:40 --> 00:22:43: And also from your point of view,
00:22:43 --> 00:22:44: how do you see this?
00:22:44 --> 00:22:49: What resonates with you? What are your observations on on
00:22:49 --> 00:22:50: the main outlook?
00:22:50 --> 00:22:55: And maybe points you disagree with or or question that
00:22:55 --> 00:22:59: that we found Mary can I invite you first to
00:22:59 --> 00:23:00: speak?

00:23:00 --> 00:23:03: Afternoon good evening, good morning everyone.

00:23:03 --> 00:23:06: The sun is rising here in Chicago.

00:23:06 --> 00:23:09: Let me first say that what stuns me is,

00:23:09 --> 00:23:14: I've now lived through four recessions in my professional life.

00:23:14 --> 00:23:16: This is the most unusual.

00:23:16 --> 00:23:19: Turns out every recession is unusual.

00:23:19 --> 00:23:24: This one remarkable in the short nature of the financial

00:23:24 --> 00:23:24: crunch,

00:23:24 --> 00:23:28: the period during which illiquidity was present.

00:23:28 --> 00:23:31: We've come out of it so quickly.

00:23:31 --> 00:23:34: If within the US there are certain property types,

00:23:34 --> 00:23:37: this was noted in the report where it's almost as

00:23:37 --> 00:23:39: if there was not a recession,

00:23:39 --> 00:23:44: either from a fundamentals perspective as in property operations or

00:23:44 --> 00:23:47: from a pricing and liquidity perspective.

00:23:47 --> 00:23:49: Clearly others, and noted by Aerosoles,

00:23:49 --> 00:23:53: the hospitality and the retail sector where this has been

00:23:53 --> 00:23:58: devastating and there is illiquidity broadly in those sectors.

00:23:58 --> 00:24:01: I think the report caught it right on as someone

00:24:01 --> 00:24:02: who cares.

00:24:02 --> 00:24:05: Deeply about the E&ESG as well as the S and

00:24:05 --> 00:24:10: the GI was concerned that the existential threat posed by

00:24:10 --> 00:24:17: the pandemic would push attention away from the environmental catastrophe

00:24:17 --> 00:24:20: that's unfolding. And what I'm pleased by,

00:24:20 --> 00:24:24: but saddened by is in many ways the wildfires in

00:24:24 --> 00:24:31: Australia in the Pacific Northwest record flooding the hurricane season

00:24:31 --> 00:24:32: than in the Atlantic.

00:24:32 --> 00:24:36: Ran out of letters in the Roman alphabet right?

00:24:36 --> 00:24:40: That brought climate risk to everyone's door.

00:24:40 --> 00:24:43: Stuck and kept this issue that's so central to real

00:24:43 --> 00:24:48: estate alive during the pandemic and fill your focus on

00:24:48 --> 00:24:52: this is quite appropriate and I look forward to the

00:24:52 --> 00:24:55: discussion that ensued.

00:24:55 --> 00:24:59: Thanks, Mary, that was indeed picked up in the reports

00:24:59 --> 00:25:04: that now it's so real climate change that really driven

00:25:04 --> 00:25:07: the huge increase in the in a focus on the

00:25:07 --> 00:25:10: ESD agenda. Bennett, I saw you nodding,

00:25:10 --> 00:25:16: do you want to comment from your perspective as well?

00:25:16 --> 00:25:20: Sure, thanks, thanks Lizette. Broadly I would say our views

00:25:20 --> 00:25:20: do mirror.

00:25:20 --> 00:25:24: You know what's what's covered in the report and you
 00:25:24 --> 00:25:24: know,
 00:25:24 --> 00:25:27: we I I. I live in Saigon based in Singapore,
 00:25:27 --> 00:25:31: which is our regional headquarters and you know we have
 00:25:31 --> 00:25:33: offices in Japan and Seoul in Hong Kong,
 00:25:33 --> 00:25:38: Shanghai and Sydney and even in the region you know
 00:25:38 --> 00:25:41: things are actually quite different.
 00:25:41 --> 00:25:45: And unfortunately, in Singapore they reportedly talked about
 Asia having
 00:25:45 --> 00:25:47: managed the crisis a little bit better.
 00:25:47 --> 00:25:49: When you're having, I guess,
 00:25:49 --> 00:25:53: clearer, clearer strategy. Maybe a steady hand and has
 managed
 00:25:53 --> 00:25:54: things a lot better,
 00:25:54 --> 00:25:57: and hence you know the the I guess more positive
 00:25:57 --> 00:26:00: sentiment about Asia recovering faster because you know,
 00:26:00 --> 00:26:03: we kind of back to business a lot earlier,
 00:26:03 --> 00:26:07: and that's really the case across the region and unfortunate
 00:26:07 --> 00:26:07: in Singapore,
 00:26:07 --> 00:26:11: you know, life is pretty much Espinal apart from travel
 00:26:11 --> 00:26:11: and so.
 00:26:11 --> 00:26:14: A lot of business activity has been happening for many
 00:26:14 --> 00:26:15: months now,
 00:26:15 --> 00:26:19: and you know strong recovery is underway.
 00:26:19 --> 00:26:22: And you know, it's noted in the report that.
 00:26:22 --> 00:26:25: You know the region is recovering faster,
 00:26:25 --> 00:26:28: but even I would say if you compare the sentiment
 00:26:29 --> 00:26:32: in this global report versus the Asiapac one that was
 00:26:32 --> 00:26:34: that came out last year,
 00:26:34 --> 00:26:37: you know that I would say the the positive it
 00:26:37 --> 00:26:41: is slightly greater and that's I would say largely because
 00:26:41 --> 00:26:44: the the recovery is not only happening faster,
 00:26:44 --> 00:26:47: but it's also happening a little bit earlier,
 00:26:47 --> 00:26:51: and that's really on the back of the vaccine rollouts
 00:26:51 --> 00:26:52: across the globe.
 00:26:52 --> 00:26:55: And in general the. Asia the impact of the best
 00:26:55 --> 00:26:58: outlook for global growth has celebrated growth forecasts in
 Asia
 00:26:59 --> 00:26:59: and basically,
 00:26:59 --> 00:27:02: I guess the growth in the US because of the
 00:27:02 --> 00:27:06: very strong government stimulus which you know is Garth
 mentioned
 00:27:06 --> 00:27:06: earlier,

00:27:06 --> 00:27:09: does bring bring its own set of potential risks of
00:27:09 --> 00:27:10: stock market bubbles.
00:27:10 --> 00:27:14: You know, potential inflation and what happens in one day?
00:27:14 --> 00:27:15: You know, rates do go up,
00:27:15 --> 00:27:18: which is, you know, the big risk that we have
00:27:18 --> 00:27:19: in Horizon,
00:27:19 --> 00:27:22: but generally you know the the themes that perhaps are
00:27:22 --> 00:27:24: global and relevant to Asia as well.
00:27:24 --> 00:27:26: In terms of the positive impact.
00:27:26 --> 00:27:29: Just six and data centers you know?
00:27:29 --> 00:27:32: I think we're we're squarely in line with that as
00:27:32 --> 00:27:36: well as the resilience of the residential for rent sector,
00:27:36 --> 00:27:40: which in Asia is limited largely to Tokyo or Japan,
00:27:40 --> 00:27:45: with other markets trying to get this multifamily sector going.
00:27:45 --> 00:27:48: But you know that because of that positive theme,
00:27:48 --> 00:27:52: there's also a lot of capital going after these assets
00:27:52 --> 00:27:54: in the way to capital.
00:27:54 --> 00:27:56: Together with the, you know.
00:27:56 --> 00:27:59: Still fairly positive yield spreads that these sectors have.
00:27:59 --> 00:28:03: You know, we expect will create your compression push
00:28:03 --> 00:28:03: prices
00:28:03 --> 00:28:06: up,
00:28:06 --> 00:28:09: and there's also a risk that you know investors will
00:28:09 --> 00:28:11: end up overpaying for some of these assets just because
00:28:11 --> 00:28:13: of the weight of capital momentum.
00:28:13 --> 00:28:16: So we think that's something to be mindful of.
00:28:16 --> 00:28:18: You know we still think it's very we are very
00:28:18 --> 00:28:20: much in favor of these sectors,
00:28:20 --> 00:28:24: but we're mindful of that of that looming risks.
00:28:24 --> 00:28:24: And certainly you know, whilst prices maybe or values may
00:28:24 --> 00:28:26: be going up.
00:28:26 --> 00:28:29: Excuse me we don't do not see.
00:28:29 --> 00:28:33: We're not super optimistic on rental growth in these sectors,
00:28:33 --> 00:28:37: you know suddenly. Particularly the logistics sector,
00:28:37 --> 00:28:40: because of the cost pressures that many companies are
00:28:40 --> 00:28:44: facing.
00:28:44 --> 00:28:45: Squeeze on margins competition, rising labor costs,
00:28:45 --> 00:28:48: and you know, we do think that you know it's
00:28:48 --> 00:28:51: something that.
00:28:51 --> 00:28:52: Probably wasn't really mentioned report,
00:28:52 --> 00:28:52: but you know, we think that's something that is,
00:28:52 --> 00:28:52: is a note of caution.

00:28:52 --> 00:28:54: Certainly so other other sectors.

00:28:54 --> 00:28:58: We're probably a little bit more positive than the report

00:28:58 --> 00:29:00: is on the office sector.

00:29:00 --> 00:29:02: I mean the office. It was noted that the office

00:29:02 --> 00:29:06: sector is probably different and may not be so badly

00:29:06 --> 00:29:07: impacted in Asia.

00:29:07 --> 00:29:10: And and frankly, even in Asia it will be different,

00:29:10 --> 00:29:14: right? Different markets will have a different impact from the

00:29:14 --> 00:29:15: impact of,

00:29:15 --> 00:29:18: I guess, organic. Dim and shrinkage due to remote working

00:29:18 --> 00:29:22: or flexible working arrangements that companies will

00:29:22 --> 00:29:23: implement to varying

00:29:23 --> 00:29:27: degrees across the region.

00:29:27 --> 00:29:29: You know, we're probably most positive on Singapore office,

00:29:29 --> 00:29:32: not just because of the recovery,

00:29:32 --> 00:29:35: but you know we also feel Singapore Office will benefit

00:29:35 --> 00:29:38: from some of the shift in business activity from Hong

00:29:38 --> 00:29:41: Kong to Singapore because of you know the many other

00:29:41 --> 00:29:43: factors impacting the Hong Kong market.

00:29:43 --> 00:29:47: But you know, overall, you know,

00:29:47 --> 00:29:51: we will see different impact and some of it just

00:29:51 --> 00:29:54: inherently real estate fundamentals in some sort of demand

00:29:54 --> 00:29:58: and

00:29:58 --> 00:30:00: supply impacts in different markets.

00:30:00 --> 00:30:02: Still interesting, Lee is something we have light and we

00:30:02 --> 00:30:05: have had quite a bit of exposure to.

00:30:05 --> 00:30:09: I would say neighborhood grocery,

00:30:09 --> 00:30:12: anchored retail and we did have some assets.

00:30:12 --> 00:30:13: We did obviously trim our retail exposure over the last

00:30:13 --> 00:30:15: few years because of impacts of the disruption to the

00:30:15 --> 00:30:21: retail sector,

00:30:21 --> 00:30:26: which we believe will continue.

00:30:26 --> 00:30:30: But suddenly we saw the resilience of grocery anchored

00:30:30 --> 00:30:32: retail.

00:30:32 --> 00:30:37: Across major markets, but in particular in Singapore and

00:30:37 --> 00:30:41: Australia.

00:30:41 --> 00:30:45: And we do feel those will continue to be.

00:30:45 --> 00:30:48: I guess fairly resilient and perform well,

00:30:48 --> 00:30:51: notwithstanding the overall disruption to the sector which you

00:30:51 --> 00:30:54: know,

00:30:54 --> 00:30:57: we think overtime investors will realize they're actually quite

00:30:57 --> 00:31:00: good

00:31:00 --> 00:31:03: secure income investments and obviously cap rates have

00:31:03 --> 00:31:06: dropped out

00:30:45 --> 00:30:48: and at some point you know the risk reward dynamic

00:30:48 --> 00:30:52: will make it quite interesting.

00:30:52 --> 00:30:55: An you know last but not least I think alot

00:30:55 --> 00:30:59: mentioned about ESG and increasingly that that is the focus

00:30:59 --> 00:31:02: for companies across the board and for us too.

00:31:02 --> 00:31:04: So very focused on ESG.

00:31:04 --> 00:31:06: The impact our investments have,

00:31:06 --> 00:31:10: you know, on a broader issue perspective as well as

00:31:10 --> 00:31:13: looking at the cost it takes to bring those more

00:31:13 --> 00:31:17: in line with kind of more acceptable standards of ESG.

00:31:17 --> 00:31:22: Obviously it's an area that's still developing in Asia and

00:31:22 --> 00:31:23: also in tech.

00:31:23 --> 00:31:26: We have been very focused on tech in the last

00:31:26 --> 00:31:29: few years to understand the impact it has on real

00:31:29 --> 00:31:32: estate investments in our occupiers.

00:31:32 --> 00:31:35: And also you know building our own knowledge and and

00:31:36 --> 00:31:39: our access to tech companies we invested in,

00:31:39 --> 00:31:42: you know BC platforms to get access to many of

00:31:42 --> 00:31:46: these tech companies so that we can actually implement

00:31:46 --> 00:31:50: some

00:31:46 --> 00:31:50: of the technology in our our assets which helps us

00:31:50 --> 00:31:53: in some of the ESG initiatives as well as in

00:31:53 --> 00:31:53: terms of.

00:31:53 --> 00:31:56: Driving performance and mitigating risk,

00:31:56 --> 00:31:58: so that's my my comment.

00:31:58 --> 00:32:00: Thank you.

00:32:00 --> 00:32:03: Thanks Bennett, that's been very thorough really.

00:32:03 --> 00:32:07: Good overview of what's going on in the region.

00:32:07 --> 00:32:11: Or if you're welcome and thank you for participating in

00:32:11 --> 00:32:13: this discussion from a European perspective,

00:32:13 --> 00:32:17: how would you feel the global outlook?

00:32:17 --> 00:32:20: When I I always find reading the your live report

00:32:20 --> 00:32:23: every year about the trend in real state very very

00:32:23 --> 00:32:24: interesting.

00:32:24 --> 00:32:25: For for what it is,

00:32:25 --> 00:32:26: which is reading the trends,

00:32:26 --> 00:32:29: I think reading I mean looking at it as something

00:32:29 --> 00:32:32: that's going to predict the future is a bit difficult.

00:32:32 --> 00:32:35: Probably half of the trend are going to turn out

00:32:35 --> 00:32:38: to be never happening and the other half are going

00:32:38 --> 00:32:40: to turn out to be true and the difficulty is

00:32:40 --> 00:32:43: we don't know which of the one I'm going to

00:32:43 --> 00:32:44: be in which have,
00:32:44 --> 00:32:46: so it's always kind of a challenge to be to
00:32:46 --> 00:32:48: be able to predict the future.
00:32:48 --> 00:32:51: And and I think if we learn something over the
00:32:51 --> 00:32:53: last 12 months is we don't know what's going to
00:32:53 --> 00:32:54: happen next week,
00:32:54 --> 00:32:57: let alone what's going to happen in year from now.
00:32:57 --> 00:33:01: So I would really, really struggle to see to say
00:33:01 --> 00:33:02: how weird things.
00:33:02 --> 00:33:05: The way we're looking at it in in Europe,
00:33:05 --> 00:33:08: at least in Germany, here is we first need to
00:33:08 --> 00:33:11: have visibility on when we're going to be able to
00:33:11 --> 00:33:13: resume some kind of normality.
00:33:13 --> 00:33:17: You know where you can spend like two months without
00:33:17 --> 00:33:19: going into lockdown or.
00:33:19 --> 00:33:21: Overnight and and once that happened,
00:33:21 --> 00:33:23: maybe then we can have with more clarity on.
00:33:23 --> 00:33:26: You know what is going to stick in an was
00:33:26 --> 00:33:28: not gonna stick and I think if when you're in
00:33:28 --> 00:33:31: the situation like today you have a tendency to believe
00:33:31 --> 00:33:34: that things are gonna last like this forever.
00:33:34 --> 00:33:37: I mean the question about that you had earlier about
00:33:37 --> 00:33:40: whether or not they tend to be social distancing.
00:33:40 --> 00:33:43: Assume that you're gonna need social distancing forever,
00:33:43 --> 00:33:46: which I believe is is not going to be the
00:33:46 --> 00:33:46: case.
00:33:46 --> 00:33:49: I mean, as soon as we're going to go out
00:33:49 --> 00:33:50: of the pandemic.
00:33:50 --> 00:33:52: Humanity being like a red fish and have a 5
00:33:52 --> 00:33:53: second memory,
00:33:53 --> 00:33:56: we're gonna just go back to where we were before
00:33:56 --> 00:33:58: and not necessarily in all aspects.
00:33:58 --> 00:34:01: So I do believe that hybrid work is something that's
00:34:01 --> 00:34:02: going to remain,
00:34:02 --> 00:34:04: but social distancing? I mean,
00:34:04 --> 00:34:05: again, if you look in Europe,
00:34:05 --> 00:34:08: it's already fading away and we're not even out of
00:34:08 --> 00:34:09: the pendant,
00:34:09 --> 00:34:10: so so I think it is.
00:34:10 --> 00:34:13: It is an interesting time to be having that conversation
00:34:13 --> 00:34:17: because we've never been so focused on trying to
understand

00:34:17 --> 00:34:20: what's going to happen next because we're so concerned.

00:34:20 --> 00:34:23: I think somebody said it earlier is this is the

00:34:23 --> 00:34:25: first time we're going through such an experiment,

00:34:25 --> 00:34:27: and now with mental crisis,

00:34:27 --> 00:34:30: before we know how crisis and full economic crisis.

00:34:30 --> 00:34:31: But this is the first time.

00:34:31 --> 00:34:33: I mean, unless you were around in 1918,

00:34:33 --> 00:34:36: as this is the first time we are actually going

00:34:36 --> 00:34:37: through a major pandemic.

00:34:37 --> 00:34:40: So we are focused so so much on trying to

00:34:40 --> 00:34:42: figure out what's going to happen next.

00:34:42 --> 00:34:44: And I think, at least from our perspective,

00:34:44 --> 00:34:47: we just don't know an acknowledging that we don't know

00:34:47 --> 00:34:49: is already a big step forward I.

00:34:51 --> 00:34:54: Thank you, I just wanted to build on what you

00:34:54 --> 00:34:57: just said is kind of when you're in a pandemic,

00:34:57 --> 00:35:00: you think it's never going to be different again.

00:35:00 --> 00:35:03: It is that similar analogy also true for.

00:35:03 --> 00:35:07: Thinking that real estate will almost always be there,

00:35:07 --> 00:35:11: say favorite in the class of asset classes,

00:35:11 --> 00:35:15: especially now that volatility is expected to rise.

00:35:15 --> 00:35:21: There are some more inflationary pressures here and there.

00:35:21 --> 00:35:25: Are we kind of? Navel gazing or is it?

00:35:25 --> 00:35:26: Is it really positive?

00:35:29 --> 00:35:31: I see Maryon muting.

00:35:34 --> 00:35:37: I'm happy to address that question.

00:35:37 --> 00:35:41: I do think that real estate has proved its value

00:35:41 --> 00:35:46: in the portfolio in an environment where income is needed,

00:35:46 --> 00:35:51: real estate provides income. With inflation potentially on the horizon,

00:35:51 --> 00:35:55: what we know about real estate in those few periods

00:35:55 --> 00:35:58: of inflation that we have lived in our lives?

00:35:58 --> 00:36:01: Real estate serves as an inflation hedge.

00:36:01 --> 00:36:06: If markets are in balance from a supply demand perspective,

00:36:06 --> 00:36:11: it's particularly effective in short lease term sectors.

00:36:11 --> 00:36:16: Self storage rented residential if we don't overbuild those sectors,

00:36:16 --> 00:36:18: and that's always a risk,

00:36:18 --> 00:36:23: particularly in the US, then real estate should be in

00:36:23 --> 00:36:27: a position to provide a hedge against inflation were it

00:36:27 --> 00:36:28: to be.

00:36:28 --> 00:36:32: A feature of the recovery or the expansion that we're

00:36:32 --> 00:36:33: expecting.

00:36:33 --> 00:36:38: Relative to has real estate become less attractive as certain
00:36:38 --> 00:36:40: interest rates have risen,
00:36:40 --> 00:36:43: the US tenure is up 100 basis points in a
00:36:43 --> 00:36:43: year.
00:36:43 --> 00:36:48: I would argue real estate remains attractive given that debt
00:36:48 --> 00:36:52: is available at a nice and healthy spread to cap
00:36:52 --> 00:36:52: rates,
00:36:52 --> 00:36:55: even though yields have compressed,
00:36:55 --> 00:36:58: there still is a healthy spread,
00:36:58 --> 00:37:03: and in that environment real estate remains an attractive
element
00:37:03 --> 00:37:03: of how.
00:37:03 --> 00:37:07: Our institutional investors are building out their portfolio.
00:37:09 --> 00:37:11: Thank you.
00:37:11 --> 00:37:13: You mentioned that availability, uh,
00:37:13 --> 00:37:18: one element. We extensively looked at in the report is
00:37:18 --> 00:37:21: potential distress already coming.
00:37:21 --> 00:37:25: And so far the messages seem to be positive,
00:37:25 --> 00:37:30: although I scared also laid out that banks are starting
00:37:30 --> 00:37:33: to get stricter an in the second as of the
00:37:34 --> 00:37:35: second lockdowns.
00:37:35 --> 00:37:39: Any views or doubt? But if you want to comment
00:37:40 --> 00:37:42: on that is is more distressed.
00:37:42 --> 00:37:46: Expect it already seen. I think that probably one of
00:37:46 --> 00:37:50: the main differences between the previous crisis and the one
00:37:50 --> 00:37:53: we're going through right now,
00:37:53 --> 00:37:56: which is that there is no so much distress happening,
00:37:56 --> 00:37:59: and it probably has to do with the fact that
00:37:59 --> 00:38:02: the all the monetary policy were already firing.
00:38:02 --> 00:38:04: I mean full scale. When we got into that crisis.
00:38:04 --> 00:38:07: So you already have the Fed ECB and the other
00:38:07 --> 00:38:10: central bank which are pumping money in the system,
00:38:10 --> 00:38:14: like there is no tomorrow and that basically holding up
00:38:14 --> 00:38:15: values and prices and.
00:38:15 --> 00:38:18: And kind of avoiding.
00:38:18 --> 00:38:21: The distress that that you would see normally in situation
00:38:21 --> 00:38:22: like today.
00:38:22 --> 00:38:25: So so probably one of the major differences from our
00:38:25 --> 00:38:29: perspective and actually one of the disappointment because
we were
00:38:29 --> 00:38:32: ready to take advantage of that of this crisis,
00:38:32 --> 00:38:34: is that we haven't seen so much distress,

00:38:34 --> 00:38:37: and we don't necessarily expect so much to come.
 00:38:37 --> 00:38:40: They think it might be less true in some sectors,
 00:38:40 --> 00:38:43: so maybe the hospitality sector might be more subject to
 00:38:43 --> 00:38:44: distress,
 00:38:44 --> 00:38:47: but that's had more to do with the operators and
 00:38:47 --> 00:38:49: the fact that the sector itself isn't.
 00:38:49 --> 00:38:53: Troubles through the pandemic. You might have some in the
 00:38:53 --> 00:38:53: retail,
 00:38:53 --> 00:38:56: of course, but it's more linked to the nature of
 00:38:56 --> 00:38:58: the business itself,
 00:38:58 --> 00:39:01: but the standard financial distress that you would see like
 00:39:01 --> 00:39:05: over levered people who just need to liquidate portfolio is
 00:39:05 --> 00:39:07: not really at least as of today.
 00:39:07 --> 00:39:11: In Europe is not really happening out in arts in
 00:39:11 --> 00:39:13: in the other jurisdictions.
 00:39:13 --> 00:39:15: Bennett marry from your perspective.
 00:39:15 --> 00:39:17: You want to come here.
 00:39:17 --> 00:39:18: I would echo, you know,
 00:39:18 --> 00:39:20: I would echo that. That comment.
 00:39:20 --> 00:39:24: Certainly the low interest rates and government support
 00:39:24 --> 00:39:25: measures have
 00:39:24 --> 00:39:25: really prevented,
 00:39:25 --> 00:39:27: at least today any distress.
 00:39:27 --> 00:39:30: And you know, we'll have to see the impact of
 00:39:30 --> 00:39:34: the government withdrawal of these support measures and
 00:39:30 --> 00:39:34: also giving
 00:39:34 --> 00:39:37: banks of freedom to take more action.
 00:39:37 --> 00:39:39: I do. I do think there will be some distress,
 00:39:39 --> 00:39:43: but certainly because banks largely are in much better shape
 00:39:43 --> 00:39:44: generally well.
 00:39:44 --> 00:39:48: Better capitalized anywhere in the last crisis.
 00:39:48 --> 00:39:51: They are not under pressure,
 00:39:51 --> 00:39:57: you know to to force liquidation of assets and bankruptcies.
 00:39:57 --> 00:40:00: Also, the government stance is quite different,
 00:40:00 --> 00:40:03: so we do think there could be some and pithy
 00:40:03 --> 00:40:04: d'etre sectors.
 00:40:04 --> 00:40:07: Obviously, anything travel related will take some time to
 00:40:04 --> 00:40:07: come
 00:40:07 --> 00:40:08: back,
 00:40:08 --> 00:40:11: so you know companies in that space would be in
 00:40:11 --> 00:40:11: distress.
 00:40:11 --> 00:40:14: Anything to do with entertainment conferences,
 00:40:14 --> 00:40:18: you know where, where large gatherings of people will

probably

00:40:18 --> 00:40:21: again take some time to to fully come back,

00:40:21 --> 00:40:24: but you know, really, you can expect travel to resume

00:40:24 --> 00:40:27: to a large degree if not in the in the

00:40:27 --> 00:40:27: second.

00:40:27 --> 00:40:29: Or last quarter of this year,

00:40:29 --> 00:40:33: you know sending my next year progressively ramping up so

00:40:33 --> 00:40:35: things will not quite be back to normal,

00:40:35 --> 00:40:38: but it will be substantial back to normal.

00:40:38 --> 00:40:40: And then of course you've got retail.

00:40:40 --> 00:40:43: That will also see some level of distress.

00:40:46 --> 00:40:49: So let me ask her,

00:40:49 --> 00:40:51: yeah.

00:40:51 --> 00:40:53: I can sign this as we stay in the US.

00:40:53 --> 00:40:55: This isn't our first rodeo,

00:40:55 --> 00:40:58: so there are a couple of different dynamics.

00:40:58 --> 00:41:01: This time. One is, there's a great deal of private

00:41:02 --> 00:41:02: leverage.

00:41:02 --> 00:41:06: Private debt debt funds that were raised in the aftermath

00:41:06 --> 00:41:08: of the global financial crisis,

00:41:08 --> 00:41:12: and those are operators that are perfectly ready to take

00:41:12 --> 00:41:15: over properties and and and and and operate them.

00:41:15 --> 00:41:17: But that's not what they want.

00:41:17 --> 00:41:20: They would like those to be those debts to be

00:41:20 --> 00:41:20: paid,

00:41:20 --> 00:41:23: but there will be a certain level of forbearance.

00:41:23 --> 00:41:26: And there is some sign of a renewal even in

00:41:26 --> 00:41:30: the hardest set hardest hit sectors like hospitality.

00:41:30 --> 00:41:33: A renewal, particularly in the US where so many of

00:41:33 --> 00:41:34: us are now vaccinated.

00:41:34 --> 00:41:37: There is talk of business meetings.

00:41:37 --> 00:41:39: Again, there's certainly pent up demand,

00:41:39 --> 00:41:43: visible for leisure travel, and we're seeing some level of

00:41:43 --> 00:41:46: pent up demand expressed for business travel.

00:41:46 --> 00:41:49: Much to our surprise, that would not be what I

00:41:49 --> 00:41:51: would be predicting a year ago.

00:41:51 --> 00:41:53: So it's quite interesting. I.

00:41:53 --> 00:41:56: I do think that. There is distrust out there,

00:41:56 --> 00:41:59: but there will be rescue capital in the form of

00:41:59 --> 00:42:00: joint ventures.

00:42:00 --> 00:42:04: Retail is not trading now because no retail owner wants

00:42:04 --> 00:42:08: to acknowledge the price at which an asset would clear

00:42:08 --> 00:42:09: the market.

00:42:09 --> 00:42:12: But they might be ready to engage in a joint

00:42:12 --> 00:42:16: venture where there's a structural element that allows for a

00:42:16 --> 00:42:20: difference in opinion as to value such that if indeed

00:42:20 --> 00:42:23: 10 years from now or five years from now the

00:42:23 --> 00:42:25: markets recover.

00:42:25 --> 00:42:28: The owner of the property gets to recognize the value

00:42:28 --> 00:42:31: they think they they hold today.

00:42:33 --> 00:42:34: Thank you.

00:42:34 --> 00:42:37: Let's now move on to the esdra.

00:42:37 --> 00:42:42: Jenna S carrots made very clear and already we touched

00:42:42 --> 00:42:42: on,

00:42:42 --> 00:42:48: the pandemic has actually reinforce usually reinforced to

00:42:48 --> 00:42:50: DST agenda

00:42:48 --> 00:42:50: of of real estate.

00:42:50 --> 00:42:52: Uhm?

00:42:52 --> 00:42:58: Olivia, Ann, and those reports specifically touches on

00:42:58 --> 00:43:02: decarbonization.

00:42:58 --> 00:43:02: What do you eat at Austria or you've always been

00:43:02 --> 00:43:04: seen as a leader in history?

00:43:04 --> 00:43:08: I think it's one of the first you published an

00:43:08 --> 00:43:10: ESD report many years ago.

00:43:10 --> 00:43:14: Already committed 200% renewable energy,

00:43:14 --> 00:43:20: and you've also looked extensively at the decarbonization.

00:43:20 --> 00:43:23: Can you give your views on the broader DST agenda

00:43:23 --> 00:43:26: and decarbonization in particular?

00:43:28 --> 00:43:31: As you said, we've published our first years report almost

00:43:31 --> 00:43:32: 11 years ago,

00:43:32 --> 00:43:34: so this is really not something we are.

00:43:34 --> 00:43:37: We look at it last year and we were actually

00:43:37 --> 00:43:37: part.

00:43:37 --> 00:43:40: I mean, my company was bought as a economic delegation

00:43:41 --> 00:43:43: that went to Paris with the German government.

00:43:43 --> 00:43:47: Actually, at the time of the various government.

00:43:47 --> 00:43:50: Negotiation, and I mean when we look at the SG

00:43:50 --> 00:43:52: over the last few years,

00:43:52 --> 00:43:56: it's become increasingly clear that our main focus needs to

00:43:56 --> 00:44:00: be the carbonization because everything else is in essence a

00:44:00 --> 00:44:03: subset of what happened in terms of the capitalization.

00:44:03 --> 00:44:07: If you get decarbonization wrong you can do whatever you

00:44:07 --> 00:44:11: want on biodiversity on water and everything else is just

00:44:11 --> 00:44:12: not gonna help.

00:44:12 --> 00:44:16: I mean, you know we were mentioning the wildfires that
00:44:16 --> 00:44:18: were happening before.
00:44:18 --> 00:44:21: I mean, all of these are linked to climate change,
00:44:21 --> 00:44:25: so it becomes very much a current that the little
00:44:25 --> 00:44:28: resources we had to kind of focus on on those
00:44:28 --> 00:44:31: kind of topics we need to focus on decarbonization.
00:44:31 --> 00:44:36: And then what also becomes increasingly evident to us is
00:44:36 --> 00:44:39: that we really need to be realistic about what we
00:44:39 --> 00:44:41: can and cannot do.
00:44:41 --> 00:44:44: And we should avoid to the maximum extent possible using
00:44:44 --> 00:44:46: it as marketing tool.
00:44:46 --> 00:44:49: And so I mean my company has been publishing over
00:44:49 --> 00:44:51: the last three sustainment to report.
00:44:51 --> 00:44:54: If you look at our carbon emission at the end
00:44:54 --> 00:44:56: of the report to goodness here,
00:44:56 --> 00:44:59: Black 0, but we never claimed that we are net
00:44:59 --> 00:45:01: zero company because we're not.
00:45:01 --> 00:45:04: We emit tons of carbon and despite what our report
00:45:04 --> 00:45:04: says,
00:45:04 --> 00:45:07: when we operate and I think and net zero actually
00:45:07 --> 00:45:11: is not a scientific concept which apply to companies,
00:45:11 --> 00:45:14: it's applied to countries to the planet itself.
00:45:14 --> 00:45:17: But not to companies and clearly not to buildings.
00:45:17 --> 00:45:20: So was also extremely clear for us that if we
00:45:20 --> 00:45:23: want to be anywhere serious around those things,
00:45:23 --> 00:45:25: we need to have a real conversation.
00:45:25 --> 00:45:28: We need to have a conversation with our shareholder about
00:45:29 --> 00:45:29: you.
00:45:29 --> 00:45:32: Know are you prepared to sacrifice return to actually achieve
00:45:32 --> 00:45:33: a better result?
00:45:33 --> 00:45:35: And on on climate change?
00:45:35 --> 00:45:37: You know, we don't believe that it's a.
00:45:37 --> 00:45:41: It's a business opportunity. If it wasn't business opportunities
00:45:41 --> 00:45:44: and
00:45:41 --> 00:45:44: you know we wouldn't be here discussing about it.
00:45:44 --> 00:45:47: And since when do we wait for politician to tell
00:45:47 --> 00:45:49: us where to put our money and?
00:45:49 --> 00:45:52: And then make profit. So it is about costs,
00:45:52 --> 00:45:55: it is about who's going to pay and it is
00:45:55 --> 00:45:58: about being transparent and honest about what you can and
00:45:59 --> 00:46:02: cannot achieve and we cannot be esteen as we would
00:46:02 --> 00:46:03: like to be because we.

00:46:03 --> 00:46:06: I mean this is the way the business operate and
00:46:06 --> 00:46:10: we don't have the technology yet and we will not
00:46:10 --> 00:46:12: have it between now and 2030.
00:46:12 --> 00:46:15: So this is residual we've been taking and the kind
00:46:15 --> 00:46:17: of the position within advocating for,
00:46:17 --> 00:46:20: for for a couple of years now.
00:46:20 --> 00:46:23: Having said that, I think it's not so difficult to
00:46:23 --> 00:46:25: decarbonate the real estate industry.
00:46:25 --> 00:46:27: It doesn't require a lot of money.
00:46:27 --> 00:46:31: It doesn't require actually investment and doesn't require
00:46:31 --> 00:46:35: technology.
00:46:35 --> 00:46:37: Only thing we would need to do is stop building.
00:46:37 --> 00:46:40: When did you stop building?
00:46:40 --> 00:46:41: You're going to reduce the emission of the real estate
00:46:41 --> 00:46:45: industry by almost 40%,
00:46:45 --> 00:46:48: like overnight, and the global emission by two to 3%.
00:46:48 --> 00:46:51: And this is just a part of the semantic quickly.
00:46:51 --> 00:46:53: Yeah, and you know, it sounds like a crazy idea,
00:46:53 --> 00:46:56: but I don't think it is so much.
00:46:56 --> 00:46:57: There is probably a number of building you need to
00:46:57 --> 00:47:00: build housing.
00:47:00 --> 00:47:03: You know school hospitals which have a certain social
00:47:03 --> 00:47:07: element
00:47:07 --> 00:47:09: it by you know in Paris and London and Hamburg,
00:47:09 --> 00:47:11: NY. You already need more office space.
00:47:11 --> 00:47:13: Do you really need more shopping center anywhere?
00:47:13 --> 00:47:14: You really need more hotels,
00:47:14 --> 00:47:17: more cinemas? I'm not sure about that.
00:47:17 --> 00:47:18: I mean, and I think Mary,
00:47:18 --> 00:47:21: you said earlier. You know from time to time you
00:47:21 --> 00:47:24: have the overbuilt crisis.
00:47:24 --> 00:47:26: I mean, this is if you put aside the decarbonisation.
00:47:26 --> 00:47:29: I mean all of our problems come from the fact
00:47:29 --> 00:47:33: that we end up overbuilding from time to time.
00:47:33 --> 00:47:36: So addressing how we build how much we built is
00:47:36 --> 00:47:39: probably something which is in the best interest of
00:47:39 --> 00:47:42: everything,
00:47:42 --> 00:47:45: and we also have an immediate impact on on the
00:47:45 --> 00:47:47: on the on the decarbonization of the industry.
00:47:47 --> 00:47:51: I mean, we are tagline and I'm very glad that
they would use it again in our Sustainability report has
always been the most sustainable.
Building is a building that was never built.

00:47:51 --> 00:47:53: And this is something I heard like 10 years ago,
00:47:53 --> 00:47:56: and I think it's something which is so true that
00:47:56 --> 00:47:59: would need to be a deserve to be said more
00:47:59 --> 00:47:59: often.
00:47:59 --> 00:48:02: It is by far the most sustainable building,
00:48:02 --> 00:48:05: and that's the one who deserve all the platinum of
00:48:05 --> 00:48:05: the world.
00:48:05 --> 00:48:07: But unfortunately it's not there,
00:48:07 --> 00:48:10: and so, so that's really the view we've taken at
00:48:10 --> 00:48:13: the company and the and the and the position we're
00:48:13 --> 00:48:14: trying to defend.
00:48:14 --> 00:48:16: And by the way we were making tons of money
00:48:16 --> 00:48:20: and retrofitting buildings so you can make a decent living
00:48:20 --> 00:48:21: in real estate.
00:48:21 --> 00:48:23: Without actually building new buildings,
00:48:23 --> 00:48:27: and I hope that the way the industry is going
00:48:27 --> 00:48:28: to go forward.
00:48:28 --> 00:48:31: Yeah, before we move on to Marion Bennett,
00:48:31 --> 00:48:34: one more question that has also was my question and
00:48:34 --> 00:48:35: this came in.
00:48:35 --> 00:48:40: How did your investors respond to the proposition where
they?
00:48:40 --> 00:48:43: So to invest. So last year we we propose to
00:48:43 --> 00:48:47: a shareholder to basically give give up one sense of
00:48:47 --> 00:48:51: dividends and a change of us investing that sense into
00:48:51 --> 00:48:55: project that would not meet our return expectation but would
00:48:55 --> 00:48:57: improve the carbon footprint.
00:48:57 --> 00:49:01: 95% of our shareholders voted to actually have the dividend
00:49:01 --> 00:49:02: paid out.
00:49:02 --> 00:49:06: And 5% voted actually true.
00:49:06 --> 00:49:09: For us to keep them anywhere renewing the experience.
00:49:09 --> 00:49:12: I mean, if you want to vote and participate or
00:49:12 --> 00:49:13: a gym is on the 6th of May,
00:49:13 --> 00:49:16: and they're going to be the same question,
00:49:16 --> 00:49:19: ask again because we intend to be asking this question
00:49:19 --> 00:49:20: every year.
00:49:20 --> 00:49:23: What is more interesting is if you split our shareholder
00:49:23 --> 00:49:25: between retail shareholders.
00:49:25 --> 00:49:29: So like small shareholders and more institutional
shareholder,
00:49:29 --> 00:49:32: the retail shareholder, the majority of them voted for actually
00:49:33 --> 00:49:34: implementing the project,
00:49:34 --> 00:49:36: which would reduce climate change.

00:49:36 --> 00:49:39: It's the institutional shareholder who actually voted against,
00:49:39 --> 00:49:41: so it's also an interesting,
00:49:41 --> 00:49:43: I think constant and, and I can also understand where
00:49:44 --> 00:49:46: institutional shareholder were coming from.
00:49:46 --> 00:49:48: I mean, they have their fiduciary duty to basically run
00:49:49 --> 00:49:50: rate their own capital,
00:49:50 --> 00:49:53: and that's also the argument we're making is this
conversation
00:49:53 --> 00:49:56: needs to take place across the value chain across all
00:49:56 --> 00:49:59: the shareholder base asset manager in each other
conversation with
00:49:59 --> 00:50:01: the pension fund and the pension fund need to have
00:50:01 --> 00:50:04: that conversation with engineer and less,
00:50:04 --> 00:50:06: it's clear. So what's interesting if you ask the question
00:50:07 --> 00:50:07: to the ultimate.
00:50:07 --> 00:50:10: Owner, which is what I call mine or I mean
00:50:10 --> 00:50:12: our retail shareholder.
00:50:12 --> 00:50:14: They would say yes, do it.
00:50:14 --> 00:50:16: But then you have all the intermediate in the middle
00:50:17 --> 00:50:19: who say I cannot agree on that because you know,
00:50:19 --> 00:50:22: I haven't asked a question.
00:50:22 --> 00:50:24: So, so I think it's I mean it's an interesting
00:50:24 --> 00:50:25: experiment.
00:50:25 --> 00:50:28: We we we continue doing that.
00:50:28 --> 00:50:30: And I also think it's important for us as a
00:50:30 --> 00:50:31: company to be doing that,
00:50:31 --> 00:50:34: and also because I don't believe it's my job to
00:50:34 --> 00:50:37: decide whether I need to actually invest somebody else's
money
00:50:37 --> 00:50:40: in something which is not within what I've been asked
00:50:40 --> 00:50:42: to do, which is generate return without capital.
00:50:42 --> 00:50:46: So I'm actually taking the same position that the
shareholders
00:50:46 --> 00:50:47: voted against.
00:50:47 --> 00:50:51: There's a green dividend as we call it.
00:50:51 --> 00:50:53: Thank you all of you.
00:50:53 --> 00:50:55: That's that's very interesting Mary.
00:50:55 --> 00:50:59: I would like to come to you because you've addressed
00:51:00 --> 00:51:00: risk before.
00:51:00 --> 00:51:04: Also, when we prepared for this session and also a
00:51:04 --> 00:51:08: question has just come in in whether kind of all
00:51:08 --> 00:51:13: the real risks are really appropriately priced into real estate,
00:51:13 --> 00:51:19: because environmental social. ETC is the risk return

00:51:19 --> 00:51:21: appropriate for
real estate?

00:51:21 --> 00:51:25: Could I could I just address something Olivia raised 1st

00:51:25 --> 00:51:29: and then of course there is an element in the

00:51:29 --> 00:51:34: report that frustrated me and its charge against the value

00:51:34 --> 00:51:39: of these net zero operational commitments which my firm has

00:51:39 --> 00:51:44: just made after months of research as to whether it

00:51:44 --> 00:51:48: was possible for it for us to achieve this in

00:51:48 --> 00:51:50: 2030. That was our goal.

00:51:50 --> 00:51:52: I was offended by the idea that.

00:51:52 --> 00:51:58: This was greenwashing because we weren't committing the
entire building

00:51:58 --> 00:52:02: because we don't often control the tenant space is important

00:52:02 --> 00:52:06: to try to move the tenants into the most sustainable

00:52:06 --> 00:52:09: mode possible. But we don't control them.

00:52:09 --> 00:52:13: So I I respect immensely alleviates point,

00:52:13 --> 00:52:17: which is that the best the lowest missions building is

00:52:17 --> 00:52:21: the one you don't that you don't build but.

00:52:21 --> 00:52:24: Reducing the emissions at the existing buildings.

00:52:24 --> 00:52:27: Making certain we we use them in a meaningful way,

00:52:27 --> 00:52:30: I think, is critical. It's not greenwash if it's being

00:52:30 --> 00:52:33: done in a methodical and thoughtful way,

00:52:33 --> 00:52:36: and you'll I have championed the net zero commitment by

00:52:37 --> 00:52:37: 2040.

00:52:37 --> 00:52:39: Some of us are trying to get there.

00:52:39 --> 00:52:43: Before that it wouldn't want this team to go out

00:52:43 --> 00:52:45: of that train.

00:52:45 --> 00:52:48: Just because we we have to recognize as well the

00:52:48 --> 00:52:52: amount of emissions that are embodied in existing buildings
and

00:52:52 --> 00:52:54: as well the process of building new building.

00:52:54 --> 00:52:57: So all set to the question on risk.

00:52:57 --> 00:53:01: If you look at the most vulnerable places in the

00:53:01 --> 00:53:05: globe that happened to be large cities on coastal in

00:53:05 --> 00:53:06: coastal locations,

00:53:06 --> 00:53:08: risk is not priced yet.

00:53:08 --> 00:53:11: It's not priced into a Miami office building.

00:53:11 --> 00:53:14: It's not priced into Hong Kong asset.

00:53:14 --> 00:53:17: It's not priced in to London assets.

00:53:17 --> 00:53:21: They're not coastal, but they are affected by bicoastal
dynamics.

00:53:21 --> 00:53:23: It's simply not there yet.

00:53:23 --> 00:53:27: As an industry we are not acknowledging the risk that

00:53:27 --> 00:53:28: exists.

00:53:28 --> 00:53:31: In part because we don't know when the switch is

00:53:31 --> 00:53:33: going to get flipped.

00:53:33 --> 00:53:37: That causes migration patterns to shift the migration patterns that

00:53:37 --> 00:53:40: have made Miami that talk of the US as Tech

00:53:40 --> 00:53:44: Fund Titans have moved from Connecticut to Florida in the

00:53:44 --> 00:53:48: course of the pandemic, some of them moving back when

00:53:48 --> 00:53:52: they realize what it's like to spend the summer in

00:53:52 --> 00:53:52: Florida.

00:53:52 --> 00:53:55: So I don't believe it's there yet.

00:53:55 --> 00:53:59: We're seeing some indicators on the residential side.

00:53:59 --> 00:54:03: There is an acknowledgement of the risk that insurance won't

00:54:03 --> 00:54:04: be available.

00:54:04 --> 00:54:07: That house value may not be there when someone goes

00:54:07 --> 00:54:09: to sell their coastal location in 20 years,

00:54:09 --> 00:54:12: but we're not yet seeing it in the commercial real

00:54:13 --> 00:54:13: estate realm.

00:54:16 --> 00:54:19: Thank you.

00:54:19 --> 00:54:22: Bennett, can you comment on this from an Asia Pacific

00:54:22 --> 00:54:24: perspective in the report,

00:54:24 --> 00:54:27: and we've seen that before it,

00:54:27 --> 00:54:30: and I think Garrett also alluded to it that European

00:54:31 --> 00:54:35: and Canadian investors seem to lead and also driving kind

00:54:35 --> 00:54:39: of the pressure in Asia Pacific House decarbonization.

00:54:39 --> 00:54:42: How important is it in Asia Pacific?

00:54:42 --> 00:54:46: I I would say it's a topic that's more recently

00:54:46 --> 00:54:50: becoming increasingly important and certainly in Asia.

00:54:50 --> 00:54:52: You know the regulatory regime.

00:54:52 --> 00:54:56: I guess the industry knowledge and capability about all this

00:54:56 --> 00:55:00: is somewhat behind and rapidly catching up and sunny from

00:55:00 --> 00:55:02: our experience.

00:55:02 --> 00:55:04: Yes, it has been European investors.

00:55:04 --> 00:55:08: Basically the Dutch that had been pushing this agenda with

00:55:08 --> 00:55:09: us.

00:55:09 --> 00:55:12: But you know for us being part of a global

00:55:12 --> 00:55:12: firm.

00:55:12 --> 00:55:15: The the whole and perhaps more the E part of

00:55:15 --> 00:55:19: ESG environmental sustainability aspect has been a focus of

00:55:19 --> 00:55:21: ours

00:55:19 --> 00:55:21: for many years and also,

00:55:21 --> 00:55:25: being, you know, benchmarking ourselves on indices like

00:55:21 --> 00:55:25: grace B.

00:55:25 --> 00:55:28: You know. And trying to get our buildings rated,

00:55:28 --> 00:55:31: you know with many of the different green labels in

00:55:32 --> 00:55:35: the different markets that we operate so that that that

00:55:35 --> 00:55:37: has been a focus for some time.

00:55:37 --> 00:55:40: But you know, I would say in the last two

00:55:40 --> 00:55:42: years you in pre pandemic that.

00:55:42 --> 00:55:46: That focus has ramped up in particular in a broader

00:55:46 --> 00:55:49: ESG perspective and I guess many firms hours included

00:55:49 --> 00:55:52: have

00:55:49 --> 00:55:52: have started to actually have people you know.

00:55:52 --> 00:55:54: We have a global head of ESG.

00:55:54 --> 00:55:58: We have regional workgroups at work on driving the

00:55:59 --> 00:56:02: initiatives

00:55:59 --> 00:56:02: that we are putting through in the last 12 months.

00:56:02 --> 00:56:05: We've all felt this is really come to the fore

00:56:05 --> 00:56:08: right and it's really stepped up in terms of being,

00:56:08 --> 00:56:12: you know, front and center of mine and I'll focus

00:56:12 --> 00:56:12: efforts and.

00:56:12 --> 00:56:16: And so this is something that is rapidly catching up,

00:56:16 --> 00:56:18: but the challenge is. And this was,

00:56:18 --> 00:56:23: you know, alluded to, with Olivia's one cent.

00:56:23 --> 00:56:26: Example was is that you know it's a delicate balance,

00:56:26 --> 00:56:28: right? We have to, you know,

00:56:28 --> 00:56:32: be responsive to investors, requirements for returns and at

00:56:32 --> 00:56:35: the

00:56:32 --> 00:56:35: same time their requirements for us to be much more

00:56:35 --> 00:56:37: focused on ESG and and you know,

00:56:37 --> 00:56:40: drive initiatives through the assets.

00:56:40 --> 00:56:41: So it's a delicate balance.

00:56:41 --> 00:56:44: And at the same time you know we need,

00:56:44 --> 00:56:48: you know, I guess the whole ecosystem to be on

00:56:48 --> 00:56:49: board regulatory.

00:56:49 --> 00:56:54: That's the rules governing the built environment and

00:56:54 --> 00:56:56: operations or

00:56:54 --> 00:56:56: incentives and disincentives.

00:56:56 --> 00:56:58: You know that make it all work,

00:56:58 --> 00:57:00: right so that we can.

00:57:00 --> 00:57:04: We can implement such initiatives and benefit from whether

00:57:04 --> 00:57:06: it's

00:57:04 --> 00:57:06: tax benefits or you know,

00:57:06 --> 00:57:10: additional floor area ratio incentives so that we can actually

00:57:10 --> 00:57:13: also deliver returns to investors.

00:57:13 --> 00:57:17: Otherwise it is harder to implement much slower to

00:57:17 --> 00:57:20: implement
 00:57:20 --> 00:57:23: and something we need to balance.
 00:57:23 --> 00:57:25: And of course, the focus will be on the more
 00:57:25 --> 00:57:28: tangible aspects which can deliver.
 00:57:28 --> 00:57:32: I guess some payback, you know,
 00:57:32 --> 00:57:36: for example, you know efforts to save energy will give
 00:57:36 --> 00:57:38: you some payback which are more tangible and then other
 00:57:38 --> 00:57:43: other initiatives you know,
 particularly longer term decarbonization, and maybe the
 social mission aspect
 of ESG.
 Those have a less tangible impact,
 and it's harder to implement.
 But you know, we are.
 Focus on implementing those nonetheless.
 Thank you, Mary. A question has just come in on
 what it did to change of government in the US.
 Will really bring climate change back to the broader agenda
 or is the wider population still sceptical?
 Do you want to comment on that?
 I'll certainly I do not believe that the wider population
 is still sceptical.
 Climate change came to virtually everyone's door in the
 course
 of the last five years,
 with the acceleration of be it,
 rainfall or snowfall, or odd weather or extreme weather
 events,
 hurricanes, tornadoes and other such.
 I don't believe that we're a land of skeptics any
 longer.
 I think that was politics and.
 The Biden administration is taking an interesting tack,
 which is to try to combat economic.
 Scarring an economic stagnation with job creation that's
 focused on
 Greening the the the infrastructure greenings are the the
 economy
 broadly,
 and I I'm I'm pleased by that.
 Combined focus on economic challenges and on
 environmental challenges,
 especially as as we know from work that you allow

00:59:13 --> 00:59:14: is done and others.

00:59:14 --> 00:59:19: That the least the most vulnerable communities are often those

00:59:19 --> 00:59:23: that are at least economically well positioned.

00:59:23 --> 00:59:29: They're often living in environmentally sensitive areas in this quest

00:59:29 --> 00:59:34: for higher ground that's happening globally as as as national

00:59:34 --> 00:59:37: capitals like Jakarta are being moved,

00:59:37 --> 00:59:41: we need to recognize that that we must help the

00:59:41 --> 00:59:44: least well positioned as well as.

00:59:44 --> 00:59:47: Are providing them with job creation,

00:59:47 --> 00:59:49: so I I feel as though we are writing the

00:59:49 --> 00:59:52: rungs of the Trump administration,

00:59:52 --> 00:59:54: having lost for precious years.

00:59:54 --> 00:59:56: So there is ground to be made up.

00:59:56 --> 00:59:57: But I am glad we are.

00:59:57 --> 01:00:02: We're back in Paris and we're back in recognizing our

01:00:02 --> 01:00:06: contribution as a country to global emissions.

01:00:06 --> 01:00:10: Thank you, we've been talking mostly about an East side

01:00:10 --> 01:00:11: so far.

01:00:11 --> 01:00:13: There's also a question about the S.

01:00:13 --> 01:00:16: What is happening in the SVSD?

01:00:16 --> 01:00:21: How are real estate companies measuring positive impact to community

01:00:21 --> 01:00:23: on their developments?

01:00:23 --> 01:00:26: Is there a standard emerging before I hand over to

01:00:26 --> 01:00:30: one of you and I would like to comment that

01:00:30 --> 01:00:32: you lie is actually just published.

01:00:32 --> 01:00:36: The road map for for social value in in real

01:00:36 --> 01:00:36: estate.

01:00:36 --> 01:00:41: It's calling, it's called zooming in on the S of

01:00:41 --> 01:00:42: EST.

01:00:42 --> 01:00:45: But maybe any of you would like to comment on

01:00:45 --> 01:00:45: that?

01:00:45 --> 01:00:49: How do you have you set up a strategy for

01:00:49 --> 01:00:49: that?

01:00:49 --> 01:00:55: Or some have also launched specific impact investing funds?

01:00:55 --> 01:00:56: Anyone?

01:00:58 --> 01:01:02: I would say that we are trying to weave each

01:01:02 --> 01:01:06: of the letters in ESG into how we do business.

01:01:06 --> 01:01:11: So obviously we've talked about the environmental side of it

01:01:11 --> 01:01:15: with president another scoring mechanisms,

01:01:15 --> 01:01:19: but within the S it's it's a little vague and

01:01:19 --> 01:01:20: squishy.

01:01:20 --> 01:01:24: That said, there's a recognition that we need to be

01:01:24 --> 01:01:27: kind as owners of property,

01:01:27 --> 01:01:31: the pandemic. Pushed many households should bring this was not

01:01:31 --> 01:01:35: a moment for us to say sorry you haven't paid

01:01:35 --> 01:01:36: your rent.

01:01:36 --> 01:01:39: You must go so there was a recognition of that

01:01:39 --> 01:01:42: in the regulatory environment in the US,

01:01:42 --> 01:01:46: but also in how companies operated in giving forbearance to

01:01:46 --> 01:01:48: people in need.

01:01:48 --> 01:01:51: It also means integrating ways to make homes home or

01:01:51 --> 01:01:55: what are the resources that we can bring into an

01:01:55 --> 01:01:58: apartment community that will help with children?

01:01:58 --> 01:02:02: That live in those locations achieve higher education and we

01:02:02 --> 01:02:06: have teachers living in the communities that are providing informal

01:02:07 --> 01:02:07: contact.

01:02:07 --> 01:02:10: Police and fire living in the communities,

01:02:10 --> 01:02:13: so we're trying to treat it broadly and recognize that

01:02:13 --> 01:02:16: our role as the owners of these properties is to

01:02:16 --> 01:02:20: make certain that they are meeting the needs of the

01:02:20 --> 01:02:23: residents in multiple dimensions.

01:02:23 --> 01:02:27: Thank you. Yeah, I'll just add that you know the

01:02:27 --> 01:02:31: SNP been the most challenging to define because it is

01:02:31 --> 01:02:34: very intangible and as we embarked on our ESG or

01:02:34 --> 01:02:36: ramping up our ESG focus,

01:02:36 --> 01:02:39: you know it took us some time to figure out

01:02:39 --> 01:02:40: the S right?

01:02:40 --> 01:02:43: Because we were there, there's a lot of things we've

01:02:43 --> 01:02:47: been doing as part of our business or as part

01:02:47 --> 01:02:50: as of our corporate social responsibility.

01:02:50 --> 01:02:53: You know, not because it was ESG because we're doing.

01:02:53 --> 01:02:55: We were doing things Anne.

01:02:55 --> 01:02:58: And the difficulty was really trying to figure out what

01:02:59 --> 01:02:59: we were doing.

01:02:59 --> 01:03:03: Everywhere different countries in different assets and pull this together

01:03:03 --> 01:03:06: so that that has been quite an exercise to figure

01:03:06 --> 01:03:08: out whether we're doing well or not.

01:03:08 --> 01:03:11: On the S front. And this cuts across many different

01:03:11 --> 01:03:12: areas,

01:03:12 --> 01:03:14: right? There is the internal aspect in terms of you

01:03:14 --> 01:03:16: know how well we are.

01:03:16 --> 01:03:17: We treat staff, staff welfare,

01:03:17 --> 01:03:21: you know their their creative outlet and opportunities,

01:03:21 --> 01:03:23: how well we're doing on diversity and inclusion.

01:03:23 --> 01:03:26: You know, so that there is that an internal aspect.

01:03:26 --> 01:03:29: You know, and as Mary mentioned this,

01:03:29 --> 01:03:31: there's also the bit to do with the occupies our

01:03:32 --> 01:03:32: buildings.

01:03:32 --> 01:03:34: You know how well we engage them,

01:03:34 --> 01:03:37: how, how good or happy an environment we're creating for

01:03:38 --> 01:03:38: them,

01:03:38 --> 01:03:41: you know, and I guess how healthy an environment where

01:03:41 --> 01:03:44: we are creating for them and and all that requires

01:03:44 --> 01:03:46: efforts to measure right?

01:03:46 --> 01:03:48: Whether it's surveys or feedback.

01:03:48 --> 01:03:50: Or, you know, technology tools to measure,

01:03:50 --> 01:03:53: you know, some of these.

01:03:53 --> 01:03:56: And then also to figure out you know when you've

01:03:56 --> 01:03:57: got certain measures.

01:03:57 --> 01:03:59: You know what is the benchmark,

01:03:59 --> 01:04:02: and then you know on a much broader perspective as

01:04:02 --> 01:04:03: a community aspect,

01:04:03 --> 01:04:06: right? How well you're doing for the community,

01:04:06 --> 01:04:08: and you know a lot of projects.

01:04:08 --> 01:04:10: We've done stuff that you know as part of a

01:04:10 --> 01:04:12: corporate social responsibility.

01:04:12 --> 01:04:14: We've done done things like that.

01:04:14 --> 01:04:16: You know, in terms of urban renewal,

01:04:16 --> 01:04:19: you know fordable housing, and you know,

01:04:19 --> 01:04:20: love. This was done. You know,

01:04:20 --> 01:04:24: I would say largely driven from a business financial focus.

01:04:24 --> 01:04:25: Not so much from a,

01:04:25 --> 01:04:28: you know, kind of. A little bit of contribution to

01:04:28 --> 01:04:29: comedy,

01:04:29 --> 01:04:31: but not so much from ESG measure per say.

01:04:31 --> 01:04:34: So. So all these things need to then be measured

01:04:34 --> 01:04:37: and determined whether we're doing a good job or not.

01:04:37 --> 01:04:40: So we're not clear we're focused on doing better at

01:04:40 --> 01:04:40: it,

01:04:40 --> 01:04:43: but you know, as we get more data and more

01:04:43 --> 01:04:44: benchmarks available,

01:04:44 --> 01:04:46: it does help to clarify and help all of us

01:04:46 --> 01:04:49: in the industry to figure out whether we're doing a
01:04:49 --> 01:04:52: good enough job and certainly is helpful that many of
01:04:52 --> 01:04:55: the industry associations like you LYR.
01:04:55 --> 01:04:59: Also helping to educate all of us and drive this
01:04:59 --> 01:05:02: initiative across the industry.
01:05:02 --> 01:05:03: I think one of them,
01:05:03 --> 01:05:06: if I may just jump in for a minute.
01:05:06 --> 01:05:09: I think one of the big hoax of of ESG
01:05:09 --> 01:05:14: is that you can actually report meaningful things about it.
01:05:14 --> 01:05:17: Because the reality it's all about balance and you know
01:05:17 --> 01:05:21: you touch something on the right is going to move
01:05:21 --> 01:05:24: something in the wrong direction on the left.
01:05:24 --> 01:05:26: I mean, you build a shopping center.
01:05:26 --> 01:05:28: You're going to be able to argue.
01:05:28 --> 01:05:32: I have created excels in jobs and all those things
01:05:32 --> 01:05:33: I've been doing.
01:05:33 --> 01:05:36: But then you're also killing at the same time like
01:05:36 --> 01:05:37: the city center.
01:05:37 --> 01:05:40: You know you as example always uses when Germany
01:05:40 --> 01:05:44: decide
01:05:44 --> 01:05:48: to ban diesel car from some of the central location,
01:05:48 --> 01:05:50: you banned diesel car because diesel is actually killing
01:05:50 --> 01:05:53: people
01:05:53 --> 01:05:56: with small particle which create cancer.
01:05:56 --> 01:05:58: But then you replace it with regular engine,
01:05:58 --> 01:06:00: which is then is worse for climate change.
01:06:00 --> 01:06:03: So the choice you have is either I die in
01:06:03 --> 01:06:05: 10 years from cancer or I'm going to die out
01:06:05 --> 01:06:06: of climate change problem in 50 years from now.
01:06:06 --> 01:06:08: So it's all a question of balance.
01:06:08 --> 01:06:10: There is no right and wrong,
01:06:10 --> 01:06:13: there is just, and so all the questionnaire,
01:06:13 --> 01:06:14: like recipe and all those things.
01:06:14 --> 01:06:16: Which by the way we have stopped working group to
01:06:16 --> 01:06:19: presby 10 years ago as well.
01:06:19 --> 01:06:20: I mean the only thing they do is they try
01:06:20 --> 01:06:22: to frame and there is one truth and you need
01:06:22 --> 01:06:23: to answer that truth and that's it.
01:06:23 --> 01:06:25: This is not what it is,
01:06:25 --> 01:06:27: it's about striking a balance.
01:06:27 --> 01:06:30: It's about, I mean things we do.
01:06:30 --> 01:06:32: WWF is going to look at them and say it's
01:06:32 --> 01:06:34: terrible and then Greenpeace is going to look at it

01:06:30 --> 01:06:31: and say it's great.
 01:06:31 --> 01:06:34: And both of them are going to be right at
 01:06:34 --> 01:06:35: the same time.
 01:06:35 --> 01:06:37: It's just showing your cats,
 01:06:37 --> 01:06:40: and I think that's really where it's.
 01:06:40 --> 01:06:43: It's so difficult to grasp and and and understand at
 01:06:43 --> 01:06:46: the end of the day what we need is is
 01:06:46 --> 01:06:49: kind of a policy we all apply to.
 01:06:49 --> 01:06:52: I mean, typically I was very much in favor of
 01:06:52 --> 01:06:56: Germany keeping nuclear power because I think nuclear
 power is
 01:06:56 --> 01:06:58: a good way out of carbon.
 01:06:58 --> 01:07:01: But then when Germany decided not to have.
 01:07:01 --> 01:07:03: Nuclear power anymore? I mean,
 01:07:03 --> 01:07:06: we just put on with what Germany was doing an
 01:07:06 --> 01:07:10: invested massively in renewable and this is where we
 committed
 01:07:10 --> 01:07:12: to buy renewable energy.
 01:07:12 --> 01:07:15: So I I think as a company you're not necessarily
 01:07:15 --> 01:07:18: supposed to define what is good and what is bad.
 01:07:18 --> 01:07:21: I'm not. I mean it's not my job to say
 01:07:21 --> 01:07:23: or to bring teacher to kids etc.
 01:07:23 --> 01:07:26: My job is to basically do what I have to
 01:07:26 --> 01:07:29: do within my scope of influence and then let the
 01:07:29 --> 01:07:31: government figure out or whatever.
 01:07:31 --> 01:07:34: Waiter
 01:07:34 --> 01:07:39: power that can actually manage the system as a whole.
 01:07:39 --> 01:07:41: Decide what policies need to apply,
 01:07:41 --> 01:07:44: and then we need to play within those policies.
 01:07:44 --> 01:07:46: So I mean we have defined if you go on
 01:07:46 --> 01:07:49: a website you will figure out its embankment call low
 01:07:49 --> 01:07:51: carbon design principle,
 01:07:51 --> 01:07:54: but it would apply to any issue and the first
 01:07:54 --> 01:07:54: rule,
 01:07:54 --> 01:07:57: the first principle we have is we don't define policy,
 01:07:57 --> 01:08:00: we apply them. And that's really,
 01:08:00 --> 01:08:01: I think is an as is,
 01:08:01 --> 01:08:04: at least at our. From our perspective,
 01:08:04 --> 01:08:06: that's the first thing you need to do,
 01:08:06 --> 01:08:09: and you need to apply so we don't go beyond
 01:08:09 --> 01:08:11: what the law is asking us to do.
 01:08:11 --> 01:08:13: And so when it comes to social,

01:08:13 --> 01:08:16: you know we don't employ children,
01:08:16 --> 01:08:18: we, but we also don't pretend to do more than
01:08:19 --> 01:08:20: what actually is a low.
01:08:20 --> 01:08:23: Ask us to do simply because what I believe is
01:08:23 --> 01:08:26: right might be seen as wrong by somebody else.
01:08:26 --> 01:08:29: And my truth is not better than that proves.
01:08:29 --> 01:08:32: And so you enter into this kind of cultural debate,
01:08:32 --> 01:08:34: and probably what we see as writing it in Europe
01:08:34 --> 01:08:36: is probably seen as wrong in Asia,
01:08:36 --> 01:08:39: and vice versa. And that's really the danger of those
01:08:39 --> 01:08:42: conversations is that you know all of a sudden you
01:08:42 --> 01:08:44: believe you're doing the right thing.
01:08:44 --> 01:08:48: Was it really somebody else might just be rightly looking
01:08:48 --> 01:08:49: at you and saying you're not.
01:08:52 --> 01:08:56: Thank you so much. We could have continued for awhile,
01:08:56 --> 01:08:58: but we've already over on actually,
01:08:58 --> 01:09:01: so I would just like to close to say thank
01:09:01 --> 01:09:04: you to all of you to get for his presentation
01:09:04 --> 01:09:08: to alleviate Bennetts and Mary for participating.
01:09:08 --> 01:09:10: Some of you at all times of the day.
01:09:10 --> 01:09:12: And I really appreciate it.
01:09:12 --> 01:09:15: And for everyone else, although listeners,
01:09:15 --> 01:09:17: thank you so much for listening.
01:09:17 --> 01:09:20: You will have the opportunity to review the the web
01:09:21 --> 01:09:23: and R as well as read a report on you
01:09:23 --> 01:09:23: lies.
01:09:23 --> 01:09:28: Knowledge Finder or PWC's website and looking forward to
01:09:28 --> 01:09:31: see
01:09:28 --> 01:09:31: you again at one of your allies.
01:09:31 --> 01:09:33: Next webinars. Thank you so much.
01:09:33 --> 01:09:36: Have a great day and hope to see you soon
01:09:36 --> 01:09:37: again.
01:09:37 --> 01:09:38: Thanks everyone.

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