

# Webinar

## ULI Europe and PwC Emerging Trends?? 2025 Report Launch

Date: November 05, 2024

00:00:25 --> 00:00:29: Hello everyone, and welcome to the launch of the 2025  
 00:00:29 --> 00:00:33: ULIPWC Emerging Trends in Real Estate Europe report.  
 00:00:34 --> 00:00:37: I'm Justin Carlo, the global head of research and Strategy  
 00:00:37 --> 00:00:37: at Axiom Alts.  
 00:00:38 --> 00:00:40: First of all, I'd like to thank the ULI and  
 00:00:40 --> 00:00:41: PwC for inviting me along today.  
 00:00:42 --> 00:00:45: This year's Emerging Trends in Real Estate report finds the  
 00:00:45 --> 00:00:47: industry in a slightly better footing.  
 00:00:48 --> 00:00:51: Having navigated the storms of higher inflation and interest  
 rates  
 00:00:51 --> 00:00:54: over the past number of years, The real estate industry  
 00:00:54 --> 00:00:57: in Europe has its landing place insight.  
 00:00:58 --> 00:01:02: However, geopolitics, both close to home and further afield  
 increasingly  
 00:01:02 --> 00:01:05: represent a source of considerable volatility.  
 00:01:06 --> 00:01:09: Not least given the fact that today is a considerable  
 00:01:09 --> 00:01:13: day for the US economy as we've got a significant  
 00:01:13 --> 00:01:16: election currently underway and taking place.  
 00:01:17 --> 00:01:22: Similarly, we've got the ever present environmental  
 sustainability and decarbonization  
 00:01:22 --> 00:01:27: requirements alongside changing occupier demands also  
 weighing on the industry's  
 00:01:27 --> 00:01:31: longer term outlook as they provide capital expenditure risk.  
 00:01:32 --> 00:01:35: This mood is among the industry one of the most  
 00:01:35 --> 00:01:39: cautiously optimistic of the past number of years.  
 00:01:40 --> 00:01:43: Now moving on to today's agenda, we're going to start  
 00:01:43 --> 00:01:46: with the presentation on the report's key findings by Gareth  
 00:01:46 --> 00:01:49: Lewis, followed by a panel discussion, which I'll moderate.  
 00:01:49 --> 00:01:51: But before I do so, just a quick bit of  
 00:01:51 --> 00:01:52: housekeeping.

00:01:52 --> 00:01:55: There's AQ and a feature in Zoom, so we'd like  
00:01:55 --> 00:01:58: to offer you the opportunity to submit questions throughout  
the  
00:01:58 --> 00:02:01: sessions, and we will do our best to address those  
00:02:01 --> 00:02:03: during the course of the Q&A conversation.  
00:02:05 --> 00:02:07: So with no further ado, I'm now delighted to introduce  
00:02:07 --> 00:02:09: Gareth Lewis from PwC, who will get us started by  
00:02:09 --> 00:02:12: taking us through this year's Emerging Trends report.  
00:02:12 --> 00:02:13: Gareth, over to you.  
00:02:20 --> 00:02:22: Thanks, Justin and hello everyone.  
00:02:23 --> 00:02:26: As Justin said, I'm Gareth Lewis from the PwC Real  
00:02:26 --> 00:02:29: Estate team and it's my real pleasure to introduce the  
00:02:29 --> 00:02:33: highlights of this year's Emerging Trends in Real Estate 2025  
00:02:33 --> 00:02:33: report.  
00:02:33 --> 00:02:36: But I do want to 1st just take this  
00:02:36 --> 00:02:39: quick opportunity to thank Lizette Van Dorn and the ULI  
00:02:39 --> 00:02:42: team for another successful collaboration at PwC.  
00:02:42 --> 00:02:46: We really do appreciate our Emerging Trends in Real Estate  
00:02:46 --> 00:02:49: partnership with the ULI across all of the emerging trends  
00:02:49 --> 00:02:50: publications.  
00:02:50 --> 00:02:52: And I'd also like to thank the PwC real estate  
00:02:52 --> 00:02:56: teams across the European network led by Jean Baptiste  
Tescuva.  
00:02:56 --> 00:02:58: And finally, all of you who took part in the  
00:02:58 --> 00:03:01: research and I'm I'm sure that includes many of you  
00:03:01 --> 00:03:02: on the webinar today.  
00:03:03 --> 00:03:04: That next slide please.  
00:03:04 --> 00:03:09: And the next slide please.  
00:03:11 --> 00:03:14: Emerging Trends in Real Estate is a a joint report  
00:03:14 --> 00:03:17: published by the ULI and PwC and for the last  
00:03:17 --> 00:03:20: 22 years it's surveyed the trends and outlook for the  
00:03:20 --> 00:03:24: European real estate sector for the near term and also  
00:03:24 --> 00:03:25: the longer term.  
00:03:25 --> 00:03:28: The report is a key indicator of real estate sentiment  
00:03:28 --> 00:03:32: and reflects the views of over 1100 senior real estate  
00:03:32 --> 00:03:36: executives who completed the surveys, were interviewed or  
took part  
00:03:36 --> 00:03:39: in a series of round table meetings across Europe.  
00:03:40 --> 00:03:41: Next slide please.  
00:03:45 --> 00:03:49: Europe's real estate leaders are undoubtedly drawing some  
comfort from  
00:03:49 --> 00:03:53: a more benign interest rate environment than in previous  
years

00:03:53 --> 00:03:56: and the mood amongst the property professionals canvas for this

00:03:56 --> 00:03:59: edition as mentioned by Justin can be described as one

00:03:59 --> 00:04:01: of cautious optimism.

00:04:02 --> 00:04:06: The chart on screen shows that percentage of those expecting

00:04:06 --> 00:04:10: an increase in business confidence, profitability and headcount for 2025

00:04:11 --> 00:04:14: tracked against the views in previous years going back to

00:04:14 --> 00:04:15: 2011.

00:04:15 --> 00:04:18: You can see there's a clear uptick in sentiment for

00:04:18 --> 00:04:22: the year ahead for business confidence, profitability and to a

00:04:22 --> 00:04:25: lesser extent business headcount, although even that has returned back

00:04:26 --> 00:04:27: to levels we saw in 2022.

00:04:28 --> 00:04:31: So the online survey is clear, but dig below the

00:04:31 --> 00:04:34: surface of this as the 300 odd interviews enabled us

00:04:34 --> 00:04:37: to do so and this reveals caveats to this optimism

00:04:37 --> 00:04:38: at every turn.

00:04:39 --> 00:04:40: Next slide please.

00:04:44 --> 00:04:45: So what are these caveats?

00:04:45 --> 00:04:49: This slide shows that the key issues because causing concern

00:04:49 --> 00:04:52: for the industry in 2025 across the three categories of

00:04:52 --> 00:04:56: economic and financial issues in blue, real estate issues in

00:04:56 --> 00:04:59: orange and social, political issues in green.

00:05:00 --> 00:05:03: Social political issues score highly as a group and ongoing

00:05:03 --> 00:05:06: geopolitical uncertainty is the big concern.

00:05:06 --> 00:05:10: Geopolitics has figured significantly in recent additions of emerging trends,

00:05:11 --> 00:05:14: but never more prominently than this year as the industry

00:05:14 --> 00:05:18: considers the potential impact of elections at home, further afield,

00:05:18 --> 00:05:21: as well as the conflicts in Ukraine and the Middle

00:05:21 --> 00:05:23: East and looking at the blue bars.

00:05:23 --> 00:05:27: Whilst concerns around interest rates and inflation clearly decline and

00:05:27 --> 00:05:30: being the top concern last year, those related to economic

00:05:30 --> 00:05:33: growth have climbed up the list of concerns.

00:05:33 --> 00:05:39: Sentiment is clearly clouded by fragile economic growth prospects alongside

00:05:39 --> 00:05:44: the uncertain geopolitical and economic backdrop to real estate.

00:05:44 --> 00:05:49: Familiar concerns include construction costs at 78%, which

continues to

**00:05:49 --> 00:05:52:** stifle development and last year we talked about a Poly

**00:05:52 --> 00:05:54:** crisis impacting sentiment.

**00:05:55 --> 00:05:58:** This year in many respects seems a little more straightforward.

**00:05:58 --> 00:06:01:** As that cloud of interest rates and inflation recedes, it's

**00:06:01 --> 00:06:05:** brought into focus more anxiety around the link themes of

**00:06:05 --> 00:06:11:** economic growth prospects, rental growth, European competitiveness, regulation and the

**00:06:11 --> 00:06:13:** changing needs of the occupier.

**00:06:13 --> 00:06:16:** All this means that many leaders we spoke to are

**00:06:16 --> 00:06:19:** taking a more three to five year view of recovery

**00:06:19 --> 00:06:22:** rather than necessarily making strong bets for 2025.

**00:06:23 --> 00:06:24:** Next slide, please.

**00:06:31 --> 00:06:34:** But it's fair to say that the overall improved positivity

**00:06:34 --> 00:06:37:** is largely linked to those very simple macro factors, IE

**00:06:37 --> 00:06:39:** more benign interest rates.

**00:06:39 --> 00:06:42:** The fact is that interest rates are still pretty fundamental

**00:06:42 --> 00:06:45:** to the real estate industry's ability to create value.

**00:06:45 --> 00:06:48:** And as one senior executive at the Global Investment Manager

**00:06:48 --> 00:06:51:** said rather flippantly, we'd all like to think we work

**00:06:51 --> 00:06:53:** so hard to try and add value, but basically it

**00:06:53 --> 00:06:55:** boils down to where interest rates are.

**00:06:56 --> 00:06:59:** This slide shows the relative change of sentiment around economic

**00:06:59 --> 00:07:01:** concerns in the industry.

**00:07:01 --> 00:07:03:** And you can see and and this came, this came

**00:07:03 --> 00:07:07:** through very prominently in the interviews that receding concerns over

**00:07:07 --> 00:07:10:** interest rates have been overtaken by concerns related to economic

**00:07:10 --> 00:07:11:** growth.

**00:07:12 --> 00:07:13:** Next slide, please.

**00:07:15 --> 00:07:18:** It has undoubtedly been a tough market for capital raising

**00:07:18 --> 00:07:20:** in recent times and continues to be.

**00:07:21 --> 00:07:23:** As the MSCI data here shows.

**00:07:23 --> 00:07:27:** Transaction volumes, which slumped to A10 year low of 182

**00:07:27 --> 00:07:31:** billion in 2023, are still well below the levels of

**00:07:31 --> 00:07:34:** previous years across all major European markets.

**00:07:35 --> 00:07:39:** Volumes have since stabilised, though the the Netherlands, UK, Sweden

**00:07:39 --> 00:07:42:** and Italy are seeing volumes pick up in 2024 and

**00:07:42 --> 00:07:46:** pockets of momentum are still emerging in some of the

00:07:46 --> 00:07:50: region's smaller markets, while France, Germany and Spain are perhaps

00:07:50 --> 00:07:52: taking a little longer to turn the corner.

00:07:53 --> 00:07:55: But there is a sense that, and in part because

00:07:55 --> 00:07:58: of the the challenges I've mentioned, real estate has still

00:07:58 --> 00:08:01: got to make the case against other asset classes.

00:08:01 --> 00:08:03: And that's particularly the case for core investors.

00:08:03 --> 00:08:06: And many we spoke to held the view that the

00:08:06 --> 00:08:10: the headache associated with current real estate portfolios is still

00:08:10 --> 00:08:13: greater than the ability to see the attractive picture of

00:08:13 --> 00:08:15: investment returns going forward.

00:08:16 --> 00:08:17: Next slide, please.

00:08:20 --> 00:08:23: But optimism is growing about the outlook for capital inflows

00:08:23 --> 00:08:26: to real estate and the availability of equity and debt

00:08:26 --> 00:08:29: finance in particular was among the more significant changes of

00:08:29 --> 00:08:32: sentiment detected in this year's survey.

00:08:32 --> 00:08:34: As you can see on the slide, this optimism is

00:08:34 --> 00:08:38: reflected elsewhere in the survey with rising expectations for equity

00:08:38 --> 00:08:41: capital inflows into Europe from all regions of the world.

00:08:42 --> 00:08:45: Well, that interest high interest rate environment of the last

00:08:45 --> 00:08:48: two years has had a significant effect on transaction volumes.

00:08:49 --> 00:08:53: Many industry experts see current macro economics rewarding hands on

00:08:53 --> 00:08:57: investors, whether that's at an asset level, operational level or

00:08:57 --> 00:09:01: at a macro level when it comes to anticipating structural

00:09:01 --> 00:09:02: trends.

00:09:02 --> 00:09:04: That was summed up by the view that it's a

00:09:04 --> 00:09:06: great market for people who understand real estate.

00:09:08 --> 00:09:08: Next slide please.

00:09:12 --> 00:09:17: So investment activity in sought after sectors which include logistics,

00:09:17 --> 00:09:21: storage and various forms of residential have been more resilient

00:09:21 --> 00:09:21: in 2024.

00:09:22 --> 00:09:25: And this is also apparent in this slide, which shows,

00:09:25 --> 00:09:28: looking forward to 2025, the top 10 sectors in this

00:09:28 --> 00:09:32: year's rankings for expected overall investment and development returns.

00:09:34 --> 00:09:39: Identifying investment opportunities in the physical

infrastructure that will support  
00:09:39 --> 00:09:44: future technology innovation, digitisation and decarbonisation  
is increasingly front of  
00:09:44 --> 00:09:46: mind for real estate investors.  
00:09:46 --> 00:09:50: Both data centres and new energy infrastructure are obvious  
examples  
00:09:50 --> 00:09:54: of that and it's been reflected in emerging trends surveys  
00:09:54 --> 00:09:57: with both sectors at or near the top of rankings  
00:09:57 --> 00:10:00: since 2021 and taking the two top spots this year.  
00:10:01 --> 00:10:05: Other examples in that increasingly blurred area between  
real estate  
00:10:05 --> 00:10:10: and infrastructure include cell towers, battery storage, solar  
farms, biomethane  
00:10:10 --> 00:10:14: plants and EV fleet changing changing charging stations to to  
00:10:14 --> 00:10:14: name a few.  
00:10:16 --> 00:10:19: The dilemma facing some investors though, is that from a  
00:10:19 --> 00:10:22: thematic perspective, two of the four established real estate  
sectors,  
00:10:23 --> 00:10:25: offices and retail, which both in the in the sort  
00:10:25 --> 00:10:28: of 20s in terms of investment rankings this year, are  
00:10:28 --> 00:10:31: facing challenges at a sector wide level while still making  
00:10:31 --> 00:10:35: up a significant part of existing investment portfolios.  
00:10:35 --> 00:10:38: So the, the legacy issues associated with these sectors are  
00:10:38 --> 00:10:42: a factor in creating that, that sluggish, slightly sluggish  
market.  
00:10:42 --> 00:10:45: But the sense is that the tide is turning, capital  
00:10:45 --> 00:10:46: is, is getting impatient.  
00:10:46 --> 00:10:50: And one consequence, 1 consequence of that is that over  
00:10:50 --> 00:10:54: recent years, there's been a growing tendency for investors  
to  
00:10:54 --> 00:10:59: cast around for smaller emerging sectors benefiting from  
macro tailwinds.  
00:10:59 --> 00:11:03: And these growth sectors also involve a strong operational  
element.  
00:11:03 --> 00:11:07: Real estate investors are increasingly looking to access  
assets and  
00:11:07 --> 00:11:10: growth sectors through buying operating platforms.  
00:11:10 --> 00:11:13: And in this new normal of higher interest rates, that  
00:11:13 --> 00:11:16: the buzzword really is operational real estate as a route  
00:11:16 --> 00:11:17: to creating value.  
00:11:17 --> 00:11:19: And this puts a lot of the burden of achieving  
00:11:19 --> 00:11:23: growth assumptions onto the shoulders of occupiers and  
their ability  
00:11:23 --> 00:11:27: to sustain those those rent increases underpinning many

investor models,  
00:11:27 --> 00:11:30: a point that that that was made frequently in in  
00:11:30 --> 00:11:31: the interviews.  
00:11:31 --> 00:11:34: And this could explain the elevated concerns we've seen this  
00:11:35 --> 00:11:39: year around economic growth, European competitiveness  
and occupy demand.  
00:11:40 --> 00:11:41: Next slide, please.  
00:11:45 --> 00:11:49: This slide shows that the city rankings based on investment  
00:11:49 --> 00:11:52: and development prospects for 2025 market liquidity.  
00:11:52 --> 00:11:55: Market size and liquidity have influenced the city rankings for  
00:11:55 --> 00:11:59: emerging trends over many years, but they're clearly the  
most  
00:11:59 --> 00:12:02: important factors for respond respondents when selecting a  
city amid  
00:12:02 --> 00:12:04: the current challenging conditions.  
00:12:05 --> 00:12:09: The rising concerns around economic growth prospects  
comes through a  
00:12:09 --> 00:12:12: city level in the improved rankings you can see from  
00:12:12 --> 00:12:15: Madrid, with recent IMF forecast predicting that Spain is set  
00:12:15 --> 00:12:19: to surpass the US to become the world's fastest growing  
00:12:19 --> 00:12:21: major advanced economy this year.  
00:12:21 --> 00:12:25: And it's noteworthy that interviewees also point to the quality  
00:12:25 --> 00:12:28: of life in the Spanish capital, which has risen from  
00:12:28 --> 00:12:30: 8th place in 2021 to 2nd place in this year's  
00:12:30 --> 00:12:31: rankings.  
00:12:32 --> 00:12:36: By contrast, German prospects are seen as relatively  
subdued, with  
00:12:36 --> 00:12:39: average real GDP growth for core cities predicted to be  
00:12:39 --> 00:12:41: around 1.1% in 2025.  
00:12:41 --> 00:12:44: But having said that, four of the top ten cities  
00:12:44 --> 00:12:47: are German in this year's rankings, reflecting ongoing  
interest in  
00:12:47 --> 00:12:48: the country despite this.  
00:12:50 --> 00:12:50: Next slide please.  
00:12:54 --> 00:12:56: And the all four recent events in Spain in the  
00:12:57 --> 00:12:59: past week are a very timely illustration of the point  
00:12:59 --> 00:13:00: I'm going to make here.  
00:13:01 --> 00:13:04: Physical climate risk and real estate transition to net 0  
00:13:04 --> 00:13:08: emission carbon emissions have been recurring themes in  
emerging trends,  
00:13:08 --> 00:13:12: but this year's report also examines the far reaching  
implications  
00:13:12 --> 00:13:15: for real estate, insurance and finance from those twin  
challenges.

00:13:16 --> 00:13:19: Recent extreme weather events have really brought this into focus

00:13:19 --> 00:13:22: for Europe, including the devastating floods witnessed in Central and

00:13:22 --> 00:13:25: Eastern Europe in September and Spain just last week.

00:13:26 --> 00:13:30: As real estate faces increased risks from rising frequency and

00:13:30 --> 00:13:34: severity of extreme weather events, alongside the transition to net

00:13:34 --> 00:13:37: zero, the impact on the industry is becoming clearer in

00:13:37 --> 00:13:40: terms of the financial and costs and business interruption.

00:13:41 --> 00:13:44: According to this year's survey, nearly 2/3 of respondents expect

00:13:44 --> 00:13:47: an increase in insurance costs over the next five years

00:13:47 --> 00:13:51: and more than half anticipate that access to insurance will

00:13:51 --> 00:13:51: get harder.

00:13:52 --> 00:13:54: And as we explored in Chapter 5 of this report,

00:13:54 --> 00:13:57: whilst the the issues around insurance and financing of real

00:13:57 --> 00:14:00: estate from climate risks and transition to net zero are

00:14:00 --> 00:14:04: widely acknowledged by the industry, our report finds that the

00:14:04 --> 00:14:07: current levels of awareness and collaboration do not reflect the

00:14:07 --> 00:14:09: scale and the urgency of the challenge.

00:14:10 --> 00:14:11: Next slide, please.

00:14:15 --> 00:14:19: So just to conclude, despite the many caveats, the sentiment

00:14:19 --> 00:14:22: for 2025 is undoubtedly more positive than last year.

00:14:23 --> 00:14:25: But those caveats are making it very difficult to know

00:14:26 --> 00:14:29: when the market clearly emerges from its sluggish few years.

00:14:29 --> 00:14:32: The the recovery could certainly be slow and gradual.

00:14:33 --> 00:14:35: And as the storm clouds of higher interest rates and

00:14:35 --> 00:14:38: inflation have receded, there's been a clearer focus on on

00:14:38 --> 00:14:42: fragile economic growth prospects and what feels like

00:14:42 --> 00:14:45: regulation as one of the most tangible concerns.

00:14:45 --> 00:14:48: And the case for investing in real estate is still

00:14:48 --> 00:14:50: up for debate for some, with the relative value proposition

00:14:50 --> 00:14:52: of real estate still a still a challenge for core

00:14:52 --> 00:14:53: investors.

00:14:53 --> 00:14:56: And it's therefore little wonder that that fundraising and

00:14:56 --> 00:14:58: investment

00:14:58 --> 00:15:00: volumes remain suppressed.

00:15:00 --> 00:15:03: But the tide does seem to be does seem to

00:15:03 --> 00:15:06: be turning there and tying this into the the title

00:15:03 --> 00:15:06: of this year's report Charting New Horizons.



00:15:06 --> 00:15:10: Whilst we live in complex and challenging times that that  
00:15:10 --> 00:15:13: does seem to be emerging clarity around what the new  
00:15:13 --> 00:15:17: horizon looks like in terms of delivery and operation of  
00:15:17 --> 00:15:18: fit for purpose real estate.  
00:15:19 --> 00:15:22: It's more how the industry gets there that is perhaps  
00:15:22 --> 00:15:25: the question that the market is grappling with, both in  
00:15:25 --> 00:15:28: terms of dealing with legacy issues, but also looking forward  
00:15:28 --> 00:15:32: at new investment constructs, new emerging sectors,  
accessing new capabilities,  
00:15:32 --> 00:15:34: new partnerships or platforms.  
00:15:35 --> 00:15:37: But I think the the positive sentiment from our survey  
00:15:37 --> 00:15:40: reflects the fact that these could be very rewarding times  
00:15:40 --> 00:15:43: for those that can successfully chart that course to get  
00:15:43 --> 00:15:43: there.  
00:15:44 --> 00:15:47: And with that, I'll hand back to Justin to take  
00:15:47 --> 00:15:49: us through the the panel discussion.  
00:15:49 --> 00:15:50: Thank you.  
00:15:58 --> 00:15:58: Thanks, Gareth.  
00:15:58 --> 00:16:01: Before we move on to the next portion of the  
00:16:01 --> 00:16:04: agenda, which is the panel discussion, I'd just like to  
00:16:04 --> 00:16:06: give you all the gentle reminder that you do have  
00:16:06 --> 00:16:09: the opportunity to to present some questions through the  
Q&A  
00:16:09 --> 00:16:11: function in the Zoom chat box.  
00:16:12 --> 00:16:14: But with that, maybe we'll move over to the panel  
00:16:14 --> 00:16:14: discussion.  
00:16:14 --> 00:16:17: And if I can ask each of my panelists to  
00:16:17 --> 00:16:21: quickly introduce themselves, their firm and their key take  
away  
00:16:21 --> 00:16:24: from this year's Emerging Trends in Real Estate report.  
00:16:25 --> 00:16:27: Martina, maybe if we can start with you, please.  
00:16:27 --> 00:16:30: Happy to do that, Martina Malone, Global Head of Capital  
00:16:30 --> 00:16:31: Raising at Prologis.  
00:16:31 --> 00:16:35: Prologis is the world's leading owner and operator of logistics  
00:16:35 --> 00:16:38: real estate with over 218 billion assets under management.  
00:16:38 --> 00:16:43: 1.2 billion square feet of space across 5600 buildings in  
00:16:43 --> 00:16:46: 20 countries of which 12 are in Europe.  
00:16:47 --> 00:16:52: 2.8% of the world's GDP flows annually through Prologue's  
warehouses.  
00:16:52 --> 00:16:55: Just to give you an idea about the scale, we've  
00:16:55 --> 00:16:58: been in the business for 40 years and we exclusively  
00:16:58 --> 00:17:01: focused on logistics, obviously one of the favorite asset  
classes.

00:17:01 --> 00:17:04: As we heard from many investors, we develop, own and  
00:17:04 --> 00:17:07: and manage highest quality logistics real estate in what we  
00:17:08 --> 00:17:10: believe are the best locations globally.  
00:17:10 --> 00:17:15: And we have a very focused, very customer centric focus.  
00:17:15 --> 00:17:19: Everything we do, we do to best serve our 6700  
00:17:19 --> 00:17:20: customers.  
00:17:20 --> 00:17:23: So that gives us unique insights into our customer needs  
00:17:23 --> 00:17:25: and also where they want to grow.  
00:17:25 --> 00:17:28: And we use our scale and global reach to solve  
00:17:28 --> 00:17:32: customer pain points, for example, to accompany them on the  
00:17:32 --> 00:17:36: decarbonisation journey by offering them products and  
services.  
00:17:37 --> 00:17:39: Almost half of the space we own sits in funds  
00:17:39 --> 00:17:41: and ventures that we run.  
00:17:41 --> 00:17:44: And my team looks after the 150 investors that we  
00:17:44 --> 00:17:49: have and they globally benefit from Prologue says expertise.  
00:17:49 --> 00:17:52: So what my key take away from the reporters is  
00:17:52 --> 00:17:55: really, I mean, obviously with the interest rates coming down,  
00:17:56 --> 00:18:00: valuations bottoming, at least in the logistics sectors, there's  
a  
00:18:00 --> 00:18:04: cautious optimism among investors and a willingness to put  
capital  
00:18:04 --> 00:18:06: to work in a more meaningful way as they see  
00:18:06 --> 00:18:09: this as a very attractive entry point.  
00:18:09 --> 00:18:11: And I'm very happy to discuss this in more detail  
00:18:11 --> 00:18:12: later on in the presentation.  
00:18:15 --> 00:18:15: Thanks, Martina.  
00:18:16 --> 00:18:18: Lizette, can I ask you to follow up?  
00:18:19 --> 00:18:19: Yeah, sure.  
00:18:19 --> 00:18:21: Thanks, Justin.  
00:18:21 --> 00:18:26: But before I sort of introduce myself, I'm Joseph Van  
00:18:26 --> 00:18:30: Dorn, CEO of ULI in Europe and obviously been very  
00:18:30 --> 00:18:35: involved alongside Garrett and other members of our ULI  
team  
00:18:35 --> 00:18:39: and the PwC team in the creation of the report.  
00:18:39 --> 00:18:43: And I also wanted to thank Garrett, some Batista, Schreifer  
00:18:43 --> 00:18:47: and other PwC colleagues and our National Council chairs  
and  
00:18:47 --> 00:18:51: the ULI team for their hard work over almost the  
00:18:51 --> 00:18:53: last six months preparing this report.  
00:18:54 --> 00:18:57: Well, my main take away having been working on this  
00:18:58 --> 00:19:00: for a while is sort of the, I think the  
00:19:01 --> 00:19:05: industry's very ready to move on, hence the very positive

00:19:05 --> 00:19:10: results from the survey where you really see confidence significantly

00:19:10 --> 00:19:12: up from the last few years.

00:19:12 --> 00:19:15: But then if digging deeper and also what we've done

00:19:15 --> 00:19:19: through the interviews, there are still quite a few potential

00:19:19 --> 00:19:20: hurdles along the way.

00:19:21 --> 00:19:24: So I think the main question is, are we ready

00:19:24 --> 00:19:28: to unlock those opportunities and can you sort of deal

00:19:28 --> 00:19:32: successfully with those hurdles to tap into those opportunities?

00:19:36 --> 00:19:36: Thanks, Lizette.

00:19:37 --> 00:19:37: Paul.

00:19:41 --> 00:19:44: Hi guys, Paul Bashir, I'm the CEO of Harrison St.

00:19:44 --> 00:19:44: in Europe.

00:19:45 --> 00:19:50: Harrison Street is a a global alternative real asset manager

00:19:50 --> 00:19:52: with around 56 billion of AUM.

00:19:53 --> 00:19:57: We operate across 6 open and closed ended flagship fun

00:19:57 --> 00:20:00: series, and we've been around for almost 20 years, so

00:20:00 --> 00:20:04: one of the world's leading investors in alternative assets.

00:20:05 --> 00:20:07: I think what I take away from the report is,

00:20:07 --> 00:20:09: is some positives for our industry and certainly for our

00:20:09 --> 00:20:09: firm.

00:20:10 --> 00:20:12: I'm pleased to see that 9 hours of the 10

00:20:13 --> 00:20:15: sectors to watch are covered by Harrison St.

00:20:16 --> 00:20:18: and we're actually operational and in all of the European

00:20:19 --> 00:20:20: cities that have been identified.

00:20:21 --> 00:20:23: I also take some comfort in the fact that some

00:20:23 --> 00:20:25: of the challenges that have been identified.

00:20:25 --> 00:20:28: The challenges that are not just being faced by by

00:20:28 --> 00:20:32: our funds, I think we're we're ever investing in an

00:20:32 --> 00:20:37: ever more complex operational environment or obviously

00:20:37 --> 00:20:40: very operationally intensive

00:20:37 --> 00:20:40: assets that we typically invest in a complex marketplace and

00:20:40 --> 00:20:43: an ever changing regulatory environment.

00:20:43 --> 00:20:45: I think all of which have been highlighted by many

00:20:45 --> 00:20:48: other people who have contributed to the report.

00:20:48 --> 00:20:50: So I'm pleased to hear that, but also pleased to

00:20:50 --> 00:20:53: see that we're navigating our way through those and and

00:20:53 --> 00:20:55: producing some fantastic results for our investors.

00:20:55 --> 00:20:58: So thank you for inviting me to the panel today.

00:21:00 --> 00:21:02: Thanks, Paul and Matteo, if you can wrap up the

00:21:02 --> 00:21:02: intros.

00:21:04 --> 00:21:04: Will do.

00:21:04 --> 00:21:05: Thank you, Justin.

00:21:05 --> 00:21:10: Hi there, Michael Saud, Head of European Property for where

00:21:10 --> 00:21:14: super where is one of the three biggest super animation

00:21:14 --> 00:21:18: funds from Australia and we opened up our first overseas

00:21:18 --> 00:21:21: office here in London a year ago.

00:21:23 --> 00:21:27: I yeah in terms of property portfolio, we manage as

00:21:27 --> 00:21:32: our super, we manage A and portfolio of approximately 11

00:21:32 --> 00:21:36: billion Aussie dollar global property portfolio.

00:21:36 --> 00:21:39: Although I have to add to that, that mostly is

00:21:39 --> 00:21:44: still in Australia like for many more Australian superannuation funds,

00:21:44 --> 00:21:49: but the fund is diversifying away from Australia, has invested

00:21:49 --> 00:21:53: approximately 20% now in Europe and say 10% into the

00:21:53 --> 00:21:56: US What I find striking, well maybe not striking a

00:21:57 --> 00:22:00: lot in the emerging trends report resonates with me.

00:22:00 --> 00:22:05: We recognise the trends that are displayed and we're actually

00:22:05 --> 00:22:08: quite aligned to the trends displayed in the in the

00:22:08 --> 00:22:09: report.

00:22:10 --> 00:22:13: Maybe what surprised me somewhat, and maybe I'm a bit

00:22:13 --> 00:22:16: biased here, there was one remark in the report that

00:22:16 --> 00:22:19: I found interesting that ESG is seen as a distraction

00:22:19 --> 00:22:22: to creating value through high quality real estate.

00:22:23 --> 00:22:26: I think that's an example of where we typically overestimate

00:22:26 --> 00:22:30: short term risk and underestimate long term risk.

00:22:30 --> 00:22:33: We'll come to this independent discussion, but the conversation is

00:22:33 --> 00:22:36: definitely, I feel a risk that needs to be managed.

00:22:36 --> 00:22:39: And it's not just something that you could regard as

00:22:39 --> 00:22:42: a distraction to creating value.

00:22:42 --> 00:22:45: It's actually really part of creating value and managing risk.

00:22:45 --> 00:22:48: That's the one striking point I wanted to mention.

00:22:48 --> 00:22:49: Thanks, Justin.

00:22:51 --> 00:22:51: Thanks all.

00:22:51 --> 00:22:52: I think it's great.

00:22:52 --> 00:22:55: We've got a very diverse angle that all of us

00:22:55 --> 00:22:56: are coming from.

00:22:56 --> 00:22:59: And and I think what's really interesting is I reflect

00:22:59 --> 00:23:03: on the presentation that Gareth made is that there are

00:23:03 --> 00:23:05: four big segments in the report.

00:23:05 --> 00:23:07: We've got the business environment, some of the big key

00:23:07 --> 00:23:08: industry concerns.  
00:23:08 --> 00:23:11: We've got the capital markets and investment activity.  
00:23:12 --> 00:23:16: We have sectoral discussions notably around the beds and sheds  
00:23:16 --> 00:23:17: and alternative schematics.  
00:23:17 --> 00:23:20: And then we've got some changes as it relates to  
00:23:20 --> 00:23:22: the city make up of the top 10.  
00:23:23 --> 00:23:26: So I think those are the four key segments that  
00:23:26 --> 00:23:29: we should go into, the first of which is the  
00:23:29 --> 00:23:34: business environment, key industry concerns and an acknowledgement that geopolitical  
00:23:35 --> 00:23:38: risk has really skyrocketed towards the top of the agenda.  
00:23:39 --> 00:23:42: Now, I'm going to play a bit of devil's advocate  
00:23:42 --> 00:23:47: here as I'm not entirely convinced myself that geopolitical risk  
00:23:47 --> 00:23:50: has gotten more of an issue today.  
00:23:51 --> 00:23:54: I question whether it's a fact of interest rates starting  
00:23:54 --> 00:23:58: to come down, inflation becoming less of a concern and  
00:23:58 --> 00:24:01: moving down the priority list of concerns.  
00:24:01 --> 00:24:04: That just means geopolitical tension is next in line.  
00:24:05 --> 00:24:08: So my first question, and it's an open question, is  
00:24:08 --> 00:24:09: how do all of you perceive it?  
00:24:10 --> 00:24:13: Is it a question of geopolitical tension really coming to  
00:24:13 --> 00:24:16: the fore or is it the fact that interest rates  
00:24:16 --> 00:24:18: and inflation are less of a concern and now we're  
00:24:18 --> 00:24:22: really focusing on the underlying operational real estate and the  
00:24:22 --> 00:24:23: income segment going forward?  
00:24:27 --> 00:24:29: And that's an open question to whoever would like to  
00:24:29 --> 00:24:30: take it first.  
00:24:32 --> 00:24:34: I'm happy to comment on it just in sort of  
00:24:34 --> 00:24:38: from the broader perspective of what we've seen also in  
00:24:38 --> 00:24:42: you lie organizing many other capital markets discussions.  
00:24:43 --> 00:24:45: And we do think it is has become far more  
00:24:45 --> 00:24:50: prominent and not just because interest rates and inflation  
00:24:50 --> 00:24:51: have  
00:24:50 --> 00:24:51: come down.  
00:24:51 --> 00:24:54: And I think part of that is because it's sort  
00:24:54 --> 00:24:59: of coming closer to home where we've seen surprising  
00:24:59 --> 00:25:01: outcomes  
00:24:59 --> 00:25:01: of elections in various countries.  
00:25:02 --> 00:25:06: And maybe that's more peak sentiment impact and sort of  
00:25:06 --> 00:25:08: over time it UPS away again.  
00:25:09 --> 00:25:11: I just saw a question also in the in the

00:25:11 --> 00:25:15: chat being asked about the current situation in Germany.

00:25:15 --> 00:25:18: We seem to be hopping from 1 country to the

00:25:18 --> 00:25:21: other where usually a couple of months ago, the French

00:25:21 --> 00:25:23: elections played a role.

00:25:23 --> 00:25:27: If you don't speak to players, everybody holds for the

00:25:27 --> 00:25:31: moment or not everyone maybe, but many see what happens

00:25:31 --> 00:25:34: and then might kind of resume action again.

00:25:35 --> 00:25:41: So obviously also we're seeing more wars closer to to

00:25:41 --> 00:25:46: Europe and with potential escalation effects.

00:25:46 --> 00:25:51: And I do think that players starting to think more

00:25:51 --> 00:25:52: about that.

00:25:52 --> 00:25:55: The thing I'm not sure about is how much it

00:25:55 --> 00:25:58: impacts action or that those temporary holds.

00:25:58 --> 00:26:02: I'm not sure it impacts action across the board for

00:26:02 --> 00:26:05: the long term also because obviously this is not just

00:26:05 --> 00:26:09: affecting real estate but all asset classes and the wider

00:26:09 --> 00:26:10: society.

00:26:12 --> 00:26:12: Thanks, Lisa.

00:26:12 --> 00:26:14: I, I, I think you set me up quite well

00:26:15 --> 00:26:18: because I was trying to lead into that question that

00:26:18 --> 00:26:21: we got coming through on some of the geopolitical tension

00:26:21 --> 00:26:23: and the risks that are coming out it, it was

00:26:24 --> 00:26:27: highlighted in Germany, but I would say it's actually wider

00:26:27 --> 00:26:28: than that.

00:26:28 --> 00:26:31: And and Paul, I think given your focus in some

00:26:31 --> 00:26:36: of the living sectors, you're probably directly following a

00:26:36 --> 00:26:39: number

00:26:39 --> 00:26:43: of these political risks the the rise of the far

00:26:43 --> 00:26:44: right because they can have impacts on regulations for for

00:26:44 --> 00:26:46: your segment.

00:26:46 --> 00:26:47: How are you seeing this and is it changing the

00:26:46 --> 00:26:47: way that you're approaching markets?

00:26:48 --> 00:26:48: Yeah.

00:26:48 --> 00:26:50: I mean as you as you identified, I mean as

00:26:50 --> 00:26:53: an alternative investor, one of the key focuses of our

00:26:53 --> 00:26:58: investment thesis is demography, understanding

00:26:58 --> 00:26:58: demographics and really how demographics

00:26:58 --> 00:26:58: Dr.

00:26:59 --> 00:27:02: investment opportunities, both risks and opportunities.

00:27:02 --> 00:27:05: And I think, you know, what we're seeing is in

00:27:05 --> 00:27:10: an ever changing geopolitical environments, you know, the

00:27:10 --> 00:27:14: impact of

00:27:10 --> 00:27:14: those geopolitical tensions and factors are really having a, a

00:27:14 --> 00:27:17: huge impact on, you know, things like social care, on  
00:27:17 --> 00:27:21: healthcare, on on education, on on migration, both economic  
and  
00:27:21 --> 00:27:23: political and also regulation.  
00:27:23 --> 00:27:26: So I think when we look at the the demographic  
00:27:26 --> 00:27:30: factors that are influencing where and how and what we  
00:27:30 --> 00:27:34: invest in geopolitical, I guess tensions, policies and factors  
are  
00:27:34 --> 00:27:38: playing an ever more increasing part of that investment  
decision.  
00:27:39 --> 00:27:40: I think they always have done.  
00:27:41 --> 00:27:44: But I think as Europe becomes more investable in the  
00:27:44 --> 00:27:48: alternative spaces, especially in some of the sectors that  
we're  
00:27:48 --> 00:27:52: identifying as new emerging sectors where maybe pockets of  
Europe  
00:27:52 --> 00:27:55: have yet to really flourish in terms of, you know,  
00:27:55 --> 00:27:59: those investments markets have only just started to open up.  
00:27:59 --> 00:28:00: It becomes very obvious.  
00:28:00 --> 00:28:03: And actually because of some of those geopolitical tensions,  
it's  
00:28:03 --> 00:28:05: it's very difficult to underwrite those markets.  
00:28:06 --> 00:28:09: Healthcare, I'll just pick as a great example of that  
00:28:09 --> 00:28:12: where we look at the, you know, the ageing population  
00:28:12 --> 00:28:15: and the the migration of that population across Europe and  
00:28:15 --> 00:28:19: how that's identifying some real pockets of opportunity.  
00:28:19 --> 00:28:22: But looking at how you know, each government and, and  
00:28:22 --> 00:28:26: sometimes you know, some of those sub domestic  
governments actually  
00:28:26 --> 00:28:29: take very different stances towards healthcare and social  
care, it  
00:28:29 --> 00:28:32: it makes it very difficult to underwrite some of those  
00:28:32 --> 00:28:33: markets.  
00:28:33 --> 00:28:36: So it definitely is playing more of an an important  
00:28:36 --> 00:28:36: role.  
00:28:36 --> 00:28:39: I think it's always been there, but I think as  
00:28:39 --> 00:28:43: alternatives become a large pool of institutional capital, it's  
becoming  
00:28:43 --> 00:28:46: an ever more in, you know, important factor when looking  
00:28:46 --> 00:28:49: at, you know, making investment decisions.  
00:28:49 --> 00:28:53: So does that mean some of this political instability or  
00:28:53 --> 00:28:57: the rise of far right or more extremist parties, is  
00:28:57 --> 00:29:01: that taking some of your investable universe away, Are you  
00:29:01 --> 00:29:04: actively stopping investing in some of these jurisdictions?

00:29:05 --> 00:29:06: No, I don't think so.

00:29:06 --> 00:29:08: I think what it's doing is, you know, potentially, you

00:29:08 --> 00:29:11: know, where there's a risk, there's also an opportunity.

00:29:11 --> 00:29:14: And I think, you know, when we look at, you

00:29:14 --> 00:29:17: know, I don't think we've ever changed the decision because

00:29:17 --> 00:29:20: of a, a risk of a potential, you know, party

00:29:20 --> 00:29:22: coming in into, into power.

00:29:22 --> 00:29:24: But if I look at certain markets where, you know,

00:29:24 --> 00:29:27: there, there is increased regulation, for example, but actually there's

00:29:27 --> 00:29:29: a change of government coming down the line, which may

00:29:29 --> 00:29:30: take a different approach.

00:29:30 --> 00:29:31: That regulation.

00:29:31 --> 00:29:34: It may just take maybe just make you may take

00:29:34 --> 00:29:38: a pause in that investment strategy and wait for some

00:29:38 --> 00:29:39: of that uncertainty.

00:29:39 --> 00:29:41: As we know in our markets, you know the one

00:29:41 --> 00:29:44: thing investors and do not like is uncertainty.

00:29:44 --> 00:29:46: And I think if we can maybe just take a

00:29:46 --> 00:29:49: bit of a pause at the moment, wait for some

00:29:49 --> 00:29:51: of that uncertainty be to be maybe stabilized then we

00:29:52 --> 00:29:55: can take more stable investment decisions around some of those

00:29:55 --> 00:29:56: geopolitical factors.

00:29:56 --> 00:29:58: So I think it hasn't necessarily changed.

00:29:58 --> 00:30:01: What it has done is just made a slow down

00:30:01 --> 00:30:05: in certain markets where especially in an ever challenging environment,

00:30:05 --> 00:30:09: some of those geopolitical environments factors have just meant that

00:30:10 --> 00:30:13: there's a slightly higher level of risk of uncertainty.

00:30:13 --> 00:30:15: And therefore it's it's caused us to just take a

00:30:15 --> 00:30:16: little bit of a pause.

00:30:18 --> 00:30:19: Thanks, Paul.

00:30:19 --> 00:30:22: Martine, I'd be curious to hear your perspective as it

00:30:22 --> 00:30:26: relates to more of the industrial logistics segment because a

00:30:26 --> 00:30:29: lot of this geopolitical tension has generated a new mega

00:30:29 --> 00:30:33: trend around near shoring, friend shoring on shoring and,

00:30:33 --> 00:30:36: and

00:30:33 --> 00:30:36: the disruption in the supply chains that we saw during

00:30:36 --> 00:30:40: the pandemic and in the immediate aftermath, really starting to

00:30:40 --> 00:30:44: force industries to reconsider their supply chain, the resilience of



00:30:44 --> 00:30:47: that supply chain and diversifying that away.

00:30:48 --> 00:30:50: How are you changing or how is Prologis changing its

00:30:50 --> 00:30:54: investment strategy to respond to that challenge and that geopolitical

00:30:54 --> 00:30:55: tension risk?

00:30:55 --> 00:30:58: So listen, geopolitical risk is not something that we can

00:30:58 --> 00:30:59: control.

00:30:59 --> 00:31:02: What we have, what we can control is, is where

00:31:02 --> 00:31:05: we own assets, you know, owning the right assets and

00:31:05 --> 00:31:08: what we believe are the best locations and serve our

00:31:08 --> 00:31:10: customers as well as we possibly can.

00:31:11 --> 00:31:14: So as I pointed out beforehand, the customers are really

00:31:14 --> 00:31:17: at the centre of everything and anything that we do

00:31:17 --> 00:31:20: and product has built its business on purpose along the

00:31:20 --> 00:31:24: consumption end of the supply chain rather than the

00:31:24 --> 00:31:25: production

00:31:24 --> 00:31:25: end of the supply chain.

00:31:26 --> 00:31:28: So our customers want us to be as close to

00:31:28 --> 00:31:32: their ultimate end consumers as possible, so close to big

00:31:32 --> 00:31:36: population centers to shorten their ultimate delivery times

00:31:36 --> 00:31:37: and to

00:31:36 --> 00:31:37: keep the costs down.

00:31:39 --> 00:31:42: So that makes us more resilient when it comes to

00:31:42 --> 00:31:46: the impact of geopolitical tensions or the impact of tariffs.

00:31:46 --> 00:31:50: As you all know, the tailwinds for logistics are structural

00:31:50 --> 00:31:51: in nature.

00:31:51 --> 00:31:54: So in the best locations you can't find land.

00:31:54 --> 00:31:56: You know, there's a under supply and a lack of

00:31:56 --> 00:31:56: space.

00:31:57 --> 00:32:01: Obviously our customers need to optimize their supply chains

00:32:01 --> 00:32:03: and

00:32:01 --> 00:32:03: you know being in the right locations even if that

00:32:03 --> 00:32:06: means paying a higher rent is very important for them.

00:32:07 --> 00:32:10: And then e-commerce is continues to be a very strong

00:32:10 --> 00:32:11: driver of demand.

00:32:11 --> 00:32:15: So near shoring doesn't really have a significant impact on

00:32:15 --> 00:32:19: our business because we are based on the consumption end

00:32:19 --> 00:32:22: of the supply chain with the assets that we own.

00:32:23 --> 00:32:25: The exception to that would be Mexico.

00:32:25 --> 00:32:29: Obviously they are the main beneficiary of this trend.

00:32:30 --> 00:32:34: Some manufacturing has moved there due to the lower costs

00:32:34 --> 00:32:37: of of labour and what gets produced there gets consumed

00:32:37 --> 00:32:40: in the mostly in the US and in Canada and,

00:32:40 --> 00:32:43: and, and, and so that's a big trend and our  
00:32:43 --> 00:32:46: Mexican business benefits significantly from that.  
00:32:46 --> 00:32:50: In Europe, we haven't seen a major impact maybe a  
00:32:50 --> 00:32:54: little bit in the CEE obviously also lower cost of,  
00:32:54 --> 00:32:55: of labour.  
00:32:55 --> 00:32:58: So for example, in Hungary, we have a Chinese EV  
00:32:58 --> 00:33:01: manufacturer that's moved there and you know, and in the  
00:33:02 --> 00:33:05: in the US really only very select smaller markets.  
00:33:05 --> 00:33:08: So you know, as an example, I could say Phoenix  
00:33:08 --> 00:33:12: benefits from you know, manufacturing of semiconductors,  
but it's really  
00:33:12 --> 00:33:16: pockets, very small pockets and it's certainly only a moderate  
00:33:16 --> 00:33:18: contribution to the overall demand.  
00:33:18 --> 00:33:22: So not a big impact on Prologis strategy.  
00:33:24 --> 00:33:26: And is that a consequence of it not having been  
00:33:26 --> 00:33:29: a significant impact as of today and you don't see  
00:33:29 --> 00:33:32: it as something that's likely to grow in the future  
00:33:32 --> 00:33:35: or is it something that that you continue to monitor  
00:33:35 --> 00:33:38: and think that you may see the trends change over  
00:33:38 --> 00:33:40: the 5-10 year horizon?  
00:33:40 --> 00:33:42: We are absolutely monitoring it.  
00:33:42 --> 00:33:44: And as I said, I mean, you know, we see  
00:33:44 --> 00:33:48: pockets of demand, but to date it's not a significant  
00:33:48 --> 00:33:49: part that we see.  
00:33:49 --> 00:33:51: It's really a, a, a very small, you know, moderate  
00:33:51 --> 00:33:54: contribution to the, to the overall demand that we see.  
00:33:56 --> 00:33:56: OK.  
00:33:57 --> 00:33:59: Matthew, I'm, I'm curious to kind of transition more towards  
00:34:00 --> 00:34:01: the capital markets discussion.  
00:34:01 --> 00:34:04: And you know we we heard in the presentation from  
00:34:04 --> 00:34:08: Gareth that transaction activity remains pretty slow, but I've  
seen  
00:34:08 --> 00:34:12: some other data points out there highlighting that transaction  
activity  
00:34:12 --> 00:34:15: is starting to pick up more at the smaller deal  
00:34:15 --> 00:34:15: size.  
00:34:15 --> 00:34:19: So the number of transactions are on the rise, but  
00:34:19 --> 00:34:22: in aggregate the volumes continue to be pretty sluggish.  
00:34:23 --> 00:34:26: I appreciate it's pretty early on in your career at  
00:34:26 --> 00:34:29: Aware Super, but how are you finding it?  
00:34:29 --> 00:34:31: You know, you've got the, the benefit of a blank  
00:34:31 --> 00:34:35: sheet of paper effectively, how are you finding the capital  
00:34:35 --> 00:34:35: markets?

00:34:35 --> 00:34:38: How are you finding the investment markets and, and what's  
00:34:38 --> 00:34:40: really the target for you and, and, and for Aware  
00:34:40 --> 00:34:41: Super at the moment?  
00:34:42 --> 00:34:43: Yeah, sure, Justin.  
00:34:44 --> 00:34:49: Look, there's definitely plenty of uncertainty still, right?  
00:34:50 --> 00:34:54: A couple of things are definitely moving into the right  
00:34:54 --> 00:34:58: direction, but we're not making, you know, huge bets on  
00:34:58 --> 00:35:00: recovery in 2025 per SE.  
00:35:01 --> 00:35:04: But yes, I do agree we are in a position  
00:35:04 --> 00:35:08: that we're able to invest well potentially quite a lot  
00:35:09 --> 00:35:13: actually because we really want to grow and double our  
00:35:13 --> 00:35:16: portfolio over the coming years.  
00:35:16 --> 00:35:18: So we are in a good position.  
00:35:18 --> 00:35:21: Certainly if you look at maybe some of the other  
00:35:21 --> 00:35:24: investors that have always been around that are still maybe  
00:35:25 --> 00:35:28: more some somewhat capital constraint over the coming  
periods.  
00:35:29 --> 00:35:29: Now.  
00:35:29 --> 00:35:32: So that having said that, being in a good position  
00:35:32 --> 00:35:34: is great, but we have to be very selective as  
00:35:34 --> 00:35:36: well where we are currently active.  
00:35:36 --> 00:35:40: And we have recently announced a platform that we have  
00:35:40 --> 00:35:42: launched together with the Land C here in the UK  
00:35:43 --> 00:35:45: to invest from that platform into the UK market.  
00:35:46 --> 00:35:49: We will well be focusing first on London offices.  
00:35:50 --> 00:35:54: That's because we, we, we like the fact there is  
00:35:54 --> 00:35:59: clearly a demand supply imbalance for very high quality  
offices  
00:35:59 --> 00:36:01: in London on specific locations.  
00:36:01 --> 00:36:04: So very high quality in terms of the office and  
00:36:04 --> 00:36:06: the location of very high quality as well.  
00:36:06 --> 00:36:12: That demand supply balance imbalance is something we like.  
00:36:13 --> 00:36:15: We've really focused on the rental growth that we are  
00:36:15 --> 00:36:18: observing already and that we expect to continue there.  
00:36:19 --> 00:36:22: So that's an an area we like and where we  
00:36:22 --> 00:36:26: see others are also active like PE firms or family  
00:36:26 --> 00:36:27: offices.  
00:36:27 --> 00:36:31: So coming back to your comments on slightly smaller size  
00:36:31 --> 00:36:34: asset sizes, that makes sense also from that perspective.  
00:36:35 --> 00:36:39: Of course we feel we can do slightly bigger than  
00:36:39 --> 00:36:43: that, but we're not really looking into the huge new  
00:36:43 --> 00:36:47: tower developments here in in London either.

00:36:47 --> 00:36:49: We think that is a bit too much of risk  
00:36:49 --> 00:36:53: for which we feel we're not rewarded in today's market.  
00:36:53 --> 00:36:56: So we're looking for slightly less risky asset where we  
00:36:56 --> 00:36:58: feel we are well rewarded.  
00:36:58 --> 00:37:01: Actually if you look at how we think the where  
00:37:01 --> 00:37:05: we will be driving rental growth over the coming years  
00:37:06 --> 00:37:09: or so, well maybe interest rates will help us in  
00:37:09 --> 00:37:14: terms of returns, but the rental growth will really have  
00:37:14 --> 00:37:19: to come from asset management, really active management,  
so understanding  
00:37:19 --> 00:37:20: the assets.  
00:37:20 --> 00:37:24: So the operational component we expect over the coming  
years  
00:37:24 --> 00:37:27: to play a much bigger role in driving the returns.  
00:37:28 --> 00:37:32: That combines well with our preference to be investing in  
00:37:32 --> 00:37:35: platforms where the operation and the assets are combined.  
00:37:35 --> 00:37:38: So we're happy to take on the exposure to the  
00:37:38 --> 00:37:41: whole rather than just the assets and that's why we  
00:37:41 --> 00:37:44: have been investing already in get living here in the  
00:37:44 --> 00:37:44: UK.  
00:37:44 --> 00:37:48: So operational built to rent, same for Spain with our  
00:37:48 --> 00:37:53: Viviano investment, also operational real estate in terms of  
private  
00:37:53 --> 00:37:57: PRS and our extended stay concepts, we launched in the  
00:37:57 --> 00:38:01: Netherlands and is now expanding in Europe as well.  
00:38:01 --> 00:38:05: So we like the operational component because we think like  
00:38:05 --> 00:38:09: Paul also explained, you need that to really drive the  
00:38:09 --> 00:38:12: value of these more alternative assets as well.  
00:38:13 --> 00:38:17: I, I think that's a good transition actually to, to  
00:38:17 --> 00:38:20: what I think a big focus of the report findings  
00:38:20 --> 00:38:24: were, which was around the sectors that are underpinning  
investor  
00:38:24 --> 00:38:25: focus at the moment.  
00:38:25 --> 00:38:30: And it really seems to be more operational geared towards  
00:38:30 --> 00:38:32: the underlying occupier.  
00:38:32 --> 00:38:35: But it, it, it strikes me that we've got a  
00:38:35 --> 00:38:40: tale of two, we have alternatives with underlying tailwinds  
supporting  
00:38:40 --> 00:38:44: the income side of the equation where affordability is maybe  
00:38:44 --> 00:38:46: less of a concern.  
00:38:46 --> 00:38:49: And then there's a big focus on the wider living  
00:38:49 --> 00:38:54: space, whether it's student accommodation, senior housing,  
PRS or multifamily,

00:38:54 --> 00:38:57: where I think incomes are being stretched.

00:38:57 --> 00:39:01: There's questions around economic uncertainty and, and, and just how

00:39:01 --> 00:39:03: much we're going to be able to grow incomes on

00:39:03 --> 00:39:04: the back of this.

00:39:04 --> 00:39:07: And rents are eclipsing 30% in some of these instances.

00:39:07 --> 00:39:11: So how are you all thinking about the difference in

00:39:11 --> 00:39:14: some of the sector nuance between the beds and sheds

00:39:14 --> 00:39:18: thematic some of these more alternative or niche more operational

00:39:18 --> 00:39:22: segments and ensuring that the underlying user of your real

00:39:22 --> 00:39:25: estate is going to be able to continue to pay

00:39:25 --> 00:39:28: higher rents is the income is really the key focus

00:39:28 --> 00:39:29: going forward?

00:39:30 --> 00:39:32: Maybe Paul, if I can ask you to comment first.

00:39:33 --> 00:39:35: I mean, I think there's a couple of things just

00:39:35 --> 00:39:36: to pick a way out there.

00:39:36 --> 00:39:40: I think, you know, we've been investing in alternative assets

00:39:40 --> 00:39:43: for about 20 years and we got in there because

00:39:43 --> 00:39:47: we felt the institutional investor universe was underexposed to a

00:39:47 --> 00:39:49: lot of our asset classes.

00:39:49 --> 00:39:52: We started really investing first in, in areas such as

00:39:52 --> 00:39:56: student housing, senior housing, self storage and as other sectors

00:39:56 --> 00:39:58: have emerged as becoming interesting.

00:39:58 --> 00:40:01: You know, for example, most recently digital where you know

00:40:01 --> 00:40:02: the last five years we've.

00:40:02 --> 00:40:04: You know, invest over 5 billion of equity and 34

00:40:04 --> 00:40:05: investments.

00:40:05 --> 00:40:09: We've added other again thematic sectors, but that are very

00:40:09 --> 00:40:14: much on point to, you know, supporting our thesis across

00:40:14 --> 00:40:15: alternatives.

00:40:15 --> 00:40:17: And, and our thesis is really supported by the fact

00:40:17 --> 00:40:20: that they, you know, over the course of the past

00:40:20 --> 00:40:24: decade have out continually, continually outperformed more

00:40:24 --> 00:40:24: traditional real estate

00:40:24 --> 00:40:24: asset classes.

00:40:25 --> 00:40:28: And we've seen through a number of other macro factors,

00:40:28 --> 00:40:33: more institutional capital trying to move allocations towards

00:40:33 --> 00:40:37: alternatives.

00:40:33 --> 00:40:37: So that's meant that the industries had to be reactive

00:40:37 --> 00:40:40: in terms of creating products in the alternative space to

00:40:40 --> 00:40:43: give investors access to those, to those markets.

00:40:44 --> 00:40:46: I think when we look at some of the challenges

00:40:46 --> 00:40:48: we're facing, I think you touched on it and I

00:40:48 --> 00:40:50: think you know that there has been an incredible period

00:40:50 --> 00:40:53: of rent growth, you know, across most of the living

00:40:53 --> 00:40:55: sectors, certainly in Europe over the course of the past

00:40:55 --> 00:40:56: two or three years.

00:40:57 --> 00:40:59: And that's been a function of, you know, a lot

00:40:59 --> 00:41:01: of changing habits that we saw from the pandemic.

00:41:01 --> 00:41:03: So a lot of people, you know, driving into rental

00:41:03 --> 00:41:06: properties because they can't afford to buy because of higher

00:41:06 --> 00:41:09: interest rates environment or some of the trends that we've

00:41:09 --> 00:41:12: seen in some of the the shared living spaces that

00:41:12 --> 00:41:14: actually the the pandemic actually encouraged.

00:41:14 --> 00:41:17: So more of a communal living and shared services and

00:41:17 --> 00:41:20: having more of our community feel I think has driven

00:41:20 --> 00:41:22: a lot of demand in a lot of those living

00:41:22 --> 00:41:22: sectors.

00:41:23 --> 00:41:26: But we are definitely seeing, you know, an impact of

00:41:26 --> 00:41:29: affordability starting to come in.

00:41:29 --> 00:41:32: And I think that what's that's what makes, you know,

00:41:32 --> 00:41:36: pan European investment, you know, even more attractive

00:41:36 --> 00:41:38: because it

00:41:36 --> 00:41:38: allows you to be able to look into those markets

00:41:38 --> 00:41:41: where you can still see very, very attractive demand supply

00:41:41 --> 00:41:42: imbalances.

00:41:42 --> 00:41:45: There's a markets that have seen, you know, an incredible

00:41:45 --> 00:41:48: amount of repricing, you know, from peak at the end

00:41:48 --> 00:41:52: of 2021, let's say, but where we're seeing, you know,

00:41:52 --> 00:41:55: almost double digits, high double digit growth in demand.

00:41:55 --> 00:41:59: But actually where there isn't, there isn't an affordability

00:41:59 --> 00:42:02: issue,

00:41:59 --> 00:42:02: maybe the the provision rate of that particular type of

00:42:02 --> 00:42:04: housing is so low, it has such a high level

00:42:04 --> 00:42:06: of growth yet to come.

00:42:06 --> 00:42:09: So I think that's what you've seen actually in in

00:42:09 --> 00:42:11: a number of the cities that have emerged into the

00:42:11 --> 00:42:13: top ten in the ULI report.

00:42:13 --> 00:42:16: Those are the cities that maybe have seen, you know,

00:42:16 --> 00:42:19: less investment over the course of the past five to

00:42:19 --> 00:42:21: 10 years and therefore higher growth in terms of their

00:42:22 --> 00:42:23: attractiveness in those markets.

00:42:24 --> 00:42:26: I think you adding on to that also is, is  
00:42:26 --> 00:42:30: how regulatory regulation, sorry, plays into all of that,  
because  
00:42:30 --> 00:42:34: obviously one of the challenges of identifying attractive high  
growth  
00:42:34 --> 00:42:37: markets is, you know, is it regulated and what is  
00:42:37 --> 00:42:40: the risk of it becoming regulators, you know, in the  
00:42:40 --> 00:42:40: future?  
00:42:40 --> 00:42:44: And how do we underwrite the risk of that regulation  
00:42:44 --> 00:42:44: upfront?  
00:42:45 --> 00:42:47: And I think those are some of the factors that  
00:42:47 --> 00:42:48: have played in.  
00:42:48 --> 00:42:51: But I certainly think from an alternative standpoint, you know,  
00:42:51 --> 00:42:56: whereas maybe 10 years ago alternatives really included  
probably student  
00:42:56 --> 00:42:59: accommodation and resi for rents, you know, now we've got  
00:42:59 --> 00:43:02: an emergence of different subsets of subsets, but also new  
00:43:02 --> 00:43:06: emerging alternative sectors such as self storage, you know,  
maybe  
00:43:06 --> 00:43:10: even medical office and and certainly digital, which is, you  
00:43:10 --> 00:43:13: know, certainly not, not not non core anymore.  
00:43:13 --> 00:43:16: So I think the the, the opportunity for investors to  
00:43:16 --> 00:43:19: access these markets is now a lot more prolific than  
00:43:19 --> 00:43:22: it was 10 years ago, but it's still limited.  
00:43:22 --> 00:43:25: And I think therein lies the opportunity though for us  
00:43:25 --> 00:43:29: as investors is to create those products to give investors  
00:43:29 --> 00:43:33: access to some interesting markets and interesting, you  
know, high  
00:43:33 --> 00:43:36: barriers to entry marketplaces across Europe.  
00:43:37 --> 00:43:40: Are there any specific targeted examples that you can  
provide?  
00:43:40 --> 00:43:43: I mean, you mentioned a number of the different sub  
00:43:43 --> 00:43:44: sectors that you're targeting.  
00:43:45 --> 00:43:48: I, I think Spain is 1 area that's definitely ratchet  
00:43:48 --> 00:43:52: itself up in terms of the top ten list, Madrid  
00:43:52 --> 00:43:53: in particular.  
00:43:53 --> 00:43:56: But obviously Spain in and of itself doesn't come without  
00:43:56 --> 00:43:59: some risks in some of the living spaces given the  
00:43:59 --> 00:44:02: regulatory issues that came out in, in Barcelona.  
00:44:02 --> 00:44:05: How are you thinking about Spain, for example, in the  
00:44:05 --> 00:44:06: living segment there?  
00:44:06 --> 00:44:07: Yeah.  
00:44:07 --> 00:44:09: I mean Spain is the second largest market we invest

00:44:09 --> 00:44:11: in in Europe and we, you know, we, we made  
00:44:11 --> 00:44:14: the macro call on Spain probably four or five years  
00:44:14 --> 00:44:14: ago.  
00:44:14 --> 00:44:16: So we have, you know, a couple of billion invested  
00:44:16 --> 00:44:17: in Spain.  
00:44:17 --> 00:44:20: We've got around 22 assets across the living space and  
00:44:20 --> 00:44:23: are still investing very heavily in that market, both in  
00:44:23 --> 00:44:26: the students and in the, you know, the small A  
00:44:26 --> 00:44:29: affordable rental market where again we see huge amounts  
of  
00:44:29 --> 00:44:32: demand and really no supply over the course of the  
00:44:32 --> 00:44:33: past couple of years.  
00:44:33 --> 00:44:35: So I think it's a market we like for all  
00:44:35 --> 00:44:39: the high growth opportunities that you know, Gareth touched  
on  
00:44:39 --> 00:44:41: on, on earlier, but it is a difficult market as  
00:44:41 --> 00:44:42: well.  
00:44:42 --> 00:44:43: It's about finding the right partners.  
00:44:43 --> 00:44:48: The planning regulations and regulatory markets are very  
difficult in  
00:44:48 --> 00:44:50: Spain and, and differ region to region.  
00:44:51 --> 00:44:53: So you've got to be very, very, you know, careful  
00:44:53 --> 00:44:54: where you invest.  
00:44:54 --> 00:44:56: You could have very, very good local partners through our  
00:44:56 --> 00:44:59: model of defining good local partners and navigating that that  
00:44:59 --> 00:45:03: local environment to actually identify some of those cities,  
you  
00:45:03 --> 00:45:05: know, those, you know, smaller cities and, and some of  
00:45:05 --> 00:45:08: those tier one cities that are seeing such high growth.  
00:45:08 --> 00:45:11: So we do like that, but we also like, you  
00:45:11 --> 00:45:14: know, markets like Italy, again, which are seeing very similar  
00:45:14 --> 00:45:17: demographic trends and, and, and positive GDP trends and,  
and  
00:45:17 --> 00:45:20: have been very undersupplied over the course of the past  
00:45:20 --> 00:45:20: several years.  
00:45:21 --> 00:45:23: But I think when you look at, you know, the  
00:45:23 --> 00:45:26: demographic trends that are really driving a lot of our  
00:45:26 --> 00:45:29: sectors, it's really, you know, a subset of all of  
00:45:29 --> 00:45:31: the things you've seen in the report with respect to  
00:45:31 --> 00:45:34: even looking at, you know, pockets of Germany that have  
00:45:34 --> 00:45:37: seen, you know, a very high levels of migration, both  
00:45:37 --> 00:45:40: economic and political, which have caused, you know,  
pressures on



00:45:40 --> 00:45:43: the, the, the healthcare, education and housing system that creates,

00:45:43 --> 00:45:45: you know, investment opportunities.

00:45:46 --> 00:45:49: And also the opportunities that are presented themselves through the

00:45:49 --> 00:45:50: capital market dislocation.

00:45:50 --> 00:45:54: You know, the, the, the, the, the repricing that's occurred,

00:45:54 --> 00:45:58: the deleveraging that's continuing to occur across Europe, that's providing

00:45:58 --> 00:46:01: some very, very attractive, you know, pockets of opportunity when

00:46:01 --> 00:46:02: coupled with.

00:46:02 --> 00:46:04: If, if we can hold that thought because we've had

00:46:04 --> 00:46:06: a few questions that have come through on that and

00:46:06 --> 00:46:08: I'm going to, I'm going to bring that up next.

00:46:08 --> 00:46:11: But, but I just wondered, Martina, if you can comment

00:46:11 --> 00:46:14: a bit around the industrial logistics segment and how you're

00:46:14 --> 00:46:17: seeing the rent growth of the income prospect.

00:46:17 --> 00:46:20: And if there's any market nuance that, that that you're

00:46:20 --> 00:46:22: seeing or areas where I, I know you mentioned earlier

00:46:22 --> 00:46:26: that you're aligned more towards the e-commerce of the consumption

00:46:26 --> 00:46:27: side of the logistics supply chain.

00:46:27 --> 00:46:30: So just curious to see kind of from your perspective

00:46:30 --> 00:46:32: in in that segment where the best prospects are going

00:46:32 --> 00:46:33: forward?

00:46:33 --> 00:46:34: Yeah, I'm happy to do that.

00:46:34 --> 00:46:37: I mean, consumers have surprised on the upside.

00:46:37 --> 00:46:40: You know, in the US and in Europe, retail sales

00:46:40 --> 00:46:44: have outperformed expectations and consumer confidence is rising.

00:46:44 --> 00:46:48: So the utilization in our warehouses is ticking up.

00:46:49 --> 00:46:52: We've seen a normalizing off demand, I mean after the frenzied COVID area obviously a few years ago.

00:46:52 --> 00:46:55: So our customers are focused on efficiencies and are taking

00:46:55 --> 00:46:59: longer to take decisions given the uncertainties that were described,

00:47:03 --> 00:47:06: geopolitics, macroeconomic environment and so on and so forth.

00:47:06 --> 00:47:10: And they were still growing into space, into their space

00:47:10 --> 00:47:10: capacity.

00:47:11 --> 00:47:14: But on the other hand, they need to build resilience

00:47:14 --> 00:47:17: as well, right, given the supply chain shocks that we

00:47:17 --> 00:47:20: have also seen over the last number of years.

00:47:20 --> 00:47:23: So as I pointed out beforehand, there's certainly a flight  
00:47:23 --> 00:47:27: to quality location becomes ever more important being in the  
00:47:27 --> 00:47:30: right location very close into the end consumers.  
00:47:30 --> 00:47:35: There is obviously limited supply available and the customer  
preference  
00:47:35 --> 00:47:39: is urban, you know urban locations closer and to customers,  
00:47:39 --> 00:47:42: you know higher service levels for you know next day  
00:47:42 --> 00:47:45: or same day delivery and so on and so forth.  
00:47:45 --> 00:47:48: So, so that's definitely a trend that continues.  
00:47:48 --> 00:47:51: They are prepared to pay a higher end for that  
00:47:51 --> 00:47:54: and GPS that have portfolios and assets in the right  
00:47:54 --> 00:47:55: locations.  
00:47:55 --> 00:47:59: If you add on, you know the ESG aspect that  
00:47:59 --> 00:48:03: Matthew Matthew mentioned earlier on, I mean if you have  
00:48:03 --> 00:48:07: a portfolio that you know has those features and you  
00:48:07 --> 00:48:11: know 75% of our customers have a net zero goal.  
00:48:12 --> 00:48:15: So those GPS are probably going to do very well  
00:48:15 --> 00:48:19: and you know going to generate a very attractive rental  
00:48:19 --> 00:48:20: income.  
00:48:21 --> 00:48:23: We are very positive about the sector.  
00:48:23 --> 00:48:26: You know, values have been coming down pretty  
significantly, 20%  
00:48:26 --> 00:48:27: or so.  
00:48:27 --> 00:48:30: You know, the market vacancy is at or near peak.  
00:48:31 --> 00:48:32: I'm talking globally here.  
00:48:32 --> 00:48:37: Global rents are bottoming probably somewhere around the  
middle of  
00:48:37 --> 00:48:37: 2025.  
00:48:38 --> 00:48:42: Starts are significantly down and delivery deliveries are  
beginning to  
00:48:42 --> 00:48:44: fall below pre COVID levels.  
00:48:44 --> 00:48:50: So all of that makes for an attractive entry point  
00:48:50 --> 00:48:51: into the sector.  
00:48:54 --> 00:48:54: Thanks.  
00:48:54 --> 00:48:57: There are a lot of questions that have come through  
00:48:57 --> 00:49:00: on some of the challenges that we're facing as an  
00:49:00 --> 00:49:04: industry in regards to ESG, everything from reaching the  
environmental  
00:49:04 --> 00:49:08: criteria to the social impact, lack of insurance costs,  
affordability  
00:49:08 --> 00:49:08: issues.  
00:49:09 --> 00:49:12: Can I ask each each of you to comment around  
00:49:12 --> 00:49:16: what the key ESG risks, challenges and ultimately

opportunities are  
00:49:16 --> 00:49:18: within your segment of the market?  
00:49:20 --> 00:49:22: I'm happy to kick off Justin.  
00:49:22 --> 00:49:26: I think the decarbonization, if you want to focus, if  
00:49:26 --> 00:49:28: you feel ESG is too broad of a term, then  
00:49:28 --> 00:49:33: you know, don't get yourself distracted, distracted with too  
much  
00:49:33 --> 00:49:36: and don't get hang hung up with the ESG or  
00:49:36 --> 00:49:37: sustainability.  
00:49:38 --> 00:49:43: Well, dilemma in the sense that it's not welcome maybe  
00:49:43 --> 00:49:43: everywhere.  
00:49:44 --> 00:49:47: Decarbonisation is something you can easily focus on.  
00:49:47 --> 00:49:50: It's not an easy thing to deliver on, I'm pretty  
00:49:50 --> 00:49:51: sure we all understand that.  
00:49:52 --> 00:49:55: But you can't lose your focus on it.  
00:49:55 --> 00:49:59: It will take a long period of time before assets  
00:49:59 --> 00:50:03: are decarbonised and if you get distracted you lose valuable  
00:50:03 --> 00:50:04: time to deliver on that.  
00:50:05 --> 00:50:07: It's not about, you know, wasting money on it, it's  
00:50:07 --> 00:50:11: about carefully planning and carefully monitoring how you're  
reducing the  
00:50:11 --> 00:50:12: carbon footprint.  
00:50:13 --> 00:50:15: So if you are ever in doubt, I would say  
00:50:15 --> 00:50:19: decarbonisation is something to be delivering on over longer  
period  
00:50:19 --> 00:50:22: of time and to be focused on already today.  
00:50:23 --> 00:50:27: Yeah, go ahead, go ahead.  
00:50:28 --> 00:50:30: Well, I just wanted to build on what my chair  
00:50:30 --> 00:50:33: was saying because I have slightly brought a few than  
00:50:33 --> 00:50:34: decarbonization.  
00:50:34 --> 00:50:37: I see his point because I think whether you like  
00:50:37 --> 00:50:40: it or not and I think we see it all  
00:50:40 --> 00:50:42: around us now every day almost.  
00:50:42 --> 00:50:45: It's floods here that nobody predicted.  
00:50:45 --> 00:50:50: I would not underestimate the physical climate risk and then  
00:50:50 --> 00:50:53: maybe even your asset is fine because you took the  
00:50:53 --> 00:50:54: measures.  
00:50:54 --> 00:50:58: Also the area around is critically important and the potential  
00:50:58 --> 00:51:02: business interruption risk related to that if things happen or  
00:51:02 --> 00:51:05: if access roads are blocked or whatever.  
00:51:05 --> 00:51:08: So I think and the positive side of that I  
00:51:08 --> 00:51:12: think is there's a lot of potential benefits to if  
00:51:12 --> 00:51:17: you focus on decarbonization, it's also good for biodiversity.

00:51:17 --> 00:51:21: So there's there's the links that we need to make.

00:51:21 --> 00:51:24: And I would say the biggest area to focus on

00:51:24 --> 00:51:28: and obviously that's easy for me to say is sort

00:51:28 --> 00:51:32: of taking following what Mature said in the beginning is

00:51:32 --> 00:51:34: focus on that long term risk.

00:51:34 --> 00:51:38: I think the industry is still obsessed with the current

00:51:38 --> 00:51:41: valuation and for obvious reasons, I know that.

00:51:42 --> 00:51:45: But if it's not in the valuation, it doesn't mean

00:51:45 --> 00:51:46: it's not there.

00:51:46 --> 00:51:51: And therefore, I would encourage everyone to take holistic

00:51:51 --> 00:51:54: perspective

00:51:51 --> 00:51:54: on the real value of your asset because these risks

00:51:54 --> 00:51:55: are already there.

00:51:56 --> 00:52:00: And obviously, we've seen pretty muted transaction market

00:52:00 --> 00:52:04: over the

00:52:00 --> 00:52:04: last few years where it wasn't really visible what was

00:52:04 --> 00:52:07: happening on the climate change and decarbonization side.

00:52:08 --> 00:52:11: And if we're now hopefully coming back to a market

00:52:11 --> 00:52:15: with higher activity, it might look quite different from what

00:52:15 --> 00:52:18: it looks when we sort of stop doing transactions in

00:52:18 --> 00:52:21: the way that some of these climate risks are being

00:52:21 --> 00:52:22: priced in.

00:52:24 --> 00:52:24: Yeah.

00:52:24 --> 00:52:27: And maybe just to pick up, I mean ESG related

00:52:27 --> 00:52:30: decision making has been, you know, an embedded part of

00:52:30 --> 00:52:33: our business for for well over a decade now.

00:52:34 --> 00:52:37: And the reason for that is that we're building predominantly

00:52:37 --> 00:52:41: places for people to live, work, educate, get healthcare in

00:52:41 --> 00:52:45: and therefore choosing the right materials, the right building

00:52:45 --> 00:52:49: practices.

00:52:45 --> 00:52:49: It has been embedded in our business, you know, since

00:52:49 --> 00:52:49: day one.

00:52:50 --> 00:52:53: So we've been very much at the forefront of adopting,

00:52:53 --> 00:52:58: you know, new methodologies, accountability, holding

00:52:58 --> 00:53:01: ourselves accountable to investors

00:52:58 --> 00:53:01: and, and, and certainly the highest levels of regulation in

00:53:01 --> 00:53:02: all of our funds.

00:53:02 --> 00:53:04: And, and I think that's where we leave the market

00:53:04 --> 00:53:07: and send your alternatives with some of the best ESG

00:53:07 --> 00:53:07: credentials.

00:53:08 --> 00:53:11: I think we are obviously seeing a huge focus on

00:53:11 --> 00:53:14: on brown discounts at the moment, especially as some of

00:53:14 --> 00:53:17: the older assets are you know, it's starting to be

00:53:17 --> 00:53:19: priced in terms of how much it's going to cost  
00:53:20 --> 00:53:22: to convert those and improve those.  
00:53:22 --> 00:53:25: And therefore I think in the investments world that is  
00:53:25 --> 00:53:28: creating a headache for those that are owning older assets  
00:53:28 --> 00:53:32: that need investments where capital isn't available, but also  
that's  
00:53:32 --> 00:53:36: an opportunity for investors to acquire and and turn around  
00:53:36 --> 00:53:38: and improve investments as well.  
00:53:38 --> 00:53:40: So I think for us ESG is embedded in our  
00:53:40 --> 00:53:41: business.  
00:53:41 --> 00:53:43: It's not a a team that sits in a closed  
00:53:43 --> 00:53:45: office at the end of the corridor.  
00:53:45 --> 00:53:48: You know, it's a team that's actually embedded in our  
00:53:48 --> 00:53:51: acquisition, our investment and our asset management  
teams from day  
00:53:51 --> 00:53:53: one and it's and it's proved to be value additive.  
00:53:53 --> 00:53:55: We did a review just recently in terms of all  
00:53:55 --> 00:53:58: the initiatives that we've done and it's been turned out  
00:53:58 --> 00:54:01: to add several \$100 million to the underlying value of  
00:54:01 --> 00:54:01: our assets.  
00:54:02 --> 00:54:03: Thanks, Paul.  
00:54:03 --> 00:54:04: I, I, I want to pick up on, on one  
00:54:04 --> 00:54:06: of the points that you made, which was the Brown  
00:54:06 --> 00:54:06: discount.  
00:54:06 --> 00:54:10: We've had a number of questions that have come through  
00:54:10 --> 00:54:14: linking up I think to part of Gareth's presentation where  
00:54:14 --> 00:54:17: he acknowledged one of the survey results was a growing  
00:54:17 --> 00:54:19: availability of debt capital.  
00:54:20 --> 00:54:24: And there's questions coming through around to what extent  
are  
00:54:24 --> 00:54:25: we seeing distress?  
00:54:26 --> 00:54:29: Is it triggered by leverage coming due and the, the,  
00:54:29 --> 00:54:33: the, the funding gap that seems to be alleviating somewhat  
00:54:33 --> 00:54:37: on the back of this lower rate environment, but it's  
00:54:37 --> 00:54:38: still pretty relevant.  
00:54:39 --> 00:54:41: And are you expecting or are you anticipating to see  
00:54:41 --> 00:54:45: distressed investment opportunities or significant discount  
investment opportunities?  
00:54:46 --> 00:54:48: Or conversely, is it more of a good vintage to  
00:54:48 --> 00:54:51: start thinking about getting back into the core end of  
00:54:51 --> 00:54:54: the risk spectrum and taking the vintage risk or the  
00:54:54 --> 00:54:56: vintage opportunity that we see?  
00:54:56 --> 00:54:58: So I'm going to provide each of you with a

00:54:58 --> 00:55:01: hypothetical billion euros to spend, but you have to spend  
00:55:01 --> 00:55:03: it in the next 18 months.  
00:55:03 --> 00:55:06: Where do you see the best risk reward and where  
00:55:06 --> 00:55:10: would you be focusing both sectorally and from a market  
00:55:10 --> 00:55:10: perspective?  
00:55:10 --> 00:55:12: And I acknowledge we might hear a lot of living,  
00:55:12 --> 00:55:15: we might hear a lot of logistics given the perspectives  
00:55:15 --> 00:55:15: that are there.  
00:55:15 --> 00:55:18: But I think it's still interesting to to to hear  
00:55:18 --> 00:55:20: where you'd all be shopping and, and we'll wrap up  
00:55:20 --> 00:55:22: with the the end of the conversation there.  
00:55:25 --> 00:55:28: Happy to go out to consume the airwaves, but maybe  
00:55:28 --> 00:55:31: maybe just very quickly, I think I would allocate that  
00:55:31 --> 00:55:35: capital through a mixture of both opportunistic and coal.  
00:55:35 --> 00:55:37: Coal because I think in a lot of our alternative  
00:55:38 --> 00:55:41: sectors, we've seen a huge amount of repricing coupled with  
00:55:41 --> 00:55:46: very, very strong underlying fundamentals in terms of  
operational strengths,  
00:55:46 --> 00:55:49: high rent growth, very, very poor rentals demand supply on  
00:55:49 --> 00:55:52: the on the, on the on the asset side of  
00:55:52 --> 00:55:52: things.  
00:55:53 --> 00:55:55: And therefore, I think when you know, couple that with  
00:55:55 --> 00:55:58: the the vintage now and the potential repricing that will  
00:55:58 --> 00:56:00: occur over the next three to five to 10 years,  
00:56:00 --> 00:56:03: I think that is a makes the core opportunity right  
00:56:03 --> 00:56:05: now an incredibly attractive vintage.  
00:56:05 --> 00:56:07: But I think you know given a lot of the  
00:56:07 --> 00:56:11: demand, supply imbalances across Europe, there are very,  
very, very  
00:56:11 --> 00:56:15: attractive opportunistic markets to look at where supply just  
doesn't  
00:56:15 --> 00:56:15: exist.  
00:56:15 --> 00:56:17: Demand is outstripping what is there.  
00:56:17 --> 00:56:21: We're seeing very compelling investment markets and with  
an ever  
00:56:21 --> 00:56:24: improving capital market environment, I think that's also  
making some  
00:56:24 --> 00:56:27: very attractive opportunistic markets as well.  
00:56:28 --> 00:56:28: Thanks, Paul.  
00:56:30 --> 00:56:31: Maybe on my side.  
00:56:31 --> 00:56:35: I mean, you know, repricing, at least in our sector,  
00:56:35 --> 00:56:36: is largely behind us.  
00:56:36 --> 00:56:39: You know, valuations, as I pointed out, have bottomed

interest

00:56:39 --> 00:56:42: rates seem to be moving in the right direction.

00:56:42 --> 00:56:46: The denominator effect that held a lot of investors, you

00:56:46 --> 00:56:49: know, led to a lot of, you know, reduction in,

00:56:49 --> 00:56:51: in, in real estate allocation.

00:56:51 --> 00:56:53: And so that's all behind us.

00:56:53 --> 00:56:55: And so I clearly see from where I sit an

00:56:55 --> 00:57:00: improving investor sentiment and gradually is grad capital is gradually

00:57:00 --> 00:57:02: coming back into the core, core plus space.

00:57:02 --> 00:57:06: You know, there's an uptick investor activity and we also

00:57:06 --> 00:57:07: see some larger tickets.

00:57:07 --> 00:57:11: I mean it's mainly the Europeans and the Asians that

00:57:11 --> 00:57:15: are active less so the Americans that'll probably take a

00:57:15 --> 00:57:18: little bit more time and and mostly we see demand

00:57:18 --> 00:57:20: for Europe and for the US.

00:57:20 --> 00:57:23: So despite all of the market uncertainties that are still

00:57:23 --> 00:57:26: out there that we discussed and so on and so

00:57:26 --> 00:57:29: forth, we have certainly had a pretty good capital raising

00:57:29 --> 00:57:30: year this year.

00:57:30 --> 00:57:33: So year to date, we've raised more capital than in

00:57:33 --> 00:57:35: all of 2022 and 23 together.

00:57:35 --> 00:57:38: So that kind of shows you that couple is coming

00:57:38 --> 00:57:38: back.

00:57:38 --> 00:57:41: So I'm very positive that there is more good news

00:57:41 --> 00:57:42: around the horizon.

00:57:42 --> 00:57:43: Thanks, Martina.

00:57:44 --> 00:57:45: Material is that.

00:57:46 --> 00:57:50: Yeah, Justin, we're already well positioned when it comes to

00:57:50 --> 00:57:50: living.

00:57:50 --> 00:57:53: 50% of our portfolio is in living already and shy

00:57:53 --> 00:57:55: of 30% in logistics.

00:57:55 --> 00:57:57: So that's not the focus area.

00:57:58 --> 00:58:00: We like the sectors very much.

00:58:00 --> 00:58:04: So our focus is more on officers retail because we're

00:58:04 --> 00:58:07: very light on these two sectors.

00:58:07 --> 00:58:09: And we believe that over the coming period of time

00:58:09 --> 00:58:12: there will definitely be very interesting opportunities in these

00:58:12 --> 00:58:13: sectors

00:58:12 --> 00:58:13: for us.

00:58:14 --> 00:58:19: And the alternatives, we are very actively pursuing, well,

00:58:14 --> 00:58:19: quite

00:58:19 --> 00:58:21: a few of the sectors to watch on your list

00:58:22 --> 00:58:26: in active discussions because we like the alternatives for this,  
00:58:26 --> 00:58:30: well, for the reasons that Paul have already has already  
00:58:30 --> 00:58:30: explained.  
00:58:31 --> 00:58:33: So that is what we expect to be adding because  
00:58:33 --> 00:58:36: they come with platforms and it's the way we like  
00:58:36 --> 00:58:37: to invest into these strategies.  
00:58:39 --> 00:58:39: Thanks, Matthew.  
00:58:41 --> 00:58:45: Yeah, now they're non expert is is speaking and I  
00:58:45 --> 00:58:50: would address it more from what's needed perspective in our  
00:58:50 --> 00:58:53: cities and and the place where we live, work and  
00:58:53 --> 00:58:54: play.  
00:58:54 --> 00:58:58: And I would say the focus is really on future  
00:58:58 --> 00:59:03: proofing or or centres or cities, which means some upgrading  
00:59:03 --> 00:59:06: offices as we referred from mature.  
00:59:06 --> 00:59:10: But I think it's also on the retail side, a  
00:59:10 --> 00:59:15: lot of repurposing, adding more mixed-use and integrating  
much more  
00:59:15 --> 00:59:20: residential informer either business areas or centres.  
00:59:20 --> 00:59:24: And I think that makes of living across the different  
00:59:24 --> 00:59:29: affordability levels is extremely important because I think this  
will  
00:59:29 --> 00:59:34: benefit everyone because it keeps the city's vibrant and lively  
00:59:34 --> 00:59:36: for the long term.  
00:59:36 --> 00:59:39: And I think that ultimately underpins value for everyone.  
00:59:41 --> 00:59:42: Thanks, Suzette.  
00:59:43 --> 00:59:45: So I think we'll wrap it up there.  
00:59:45 --> 00:59:48: I know there are a number of ULI events that  
00:59:48 --> 00:59:51: are coming up, so we'll put that up on screen  
00:59:51 --> 00:59:52: as we speak.  
00:59:53 --> 00:59:55: So with that, I'd like to thank my panelists.  
00:59:55 --> 00:59:58: I think there's a lot of interesting takeaways around this  
00:59:58 --> 01:00:01: year's Emerging Trends in Real Estate report and the fact  
01:00:01 --> 01:00:03: that cautious optimism.

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