

Webinar

Real Estate Investment and Capital Markets in the New World: What the Future

Holds

Date: September 03, 2020

00:00:05 --> 00:00:10: Good afternoon I'm Jackie Brady. Member of you allies Global

00:00:10 --> 00:00:14: Exchange Council and a principle with the gym real estate,

00:00:14 --> 00:00:17: and I'm so pleased to be with you today to

00:00:17 --> 00:00:21: present this panel which we have titled What The Future

00:00:21 --> 00:00:22: Holds.

00:00:22 --> 00:00:25: So we will all be spending some time looking into

00:00:25 --> 00:00:27: our crystal balls.

00:00:27 --> 00:00:31: I'm delighted to have three esteemed panelists with me while

00:00:31 --> 00:00:32: now.

00:00:32 --> 00:00:34: Allowed to introduce themselves very briefly,

00:00:34 --> 00:00:36: Sarah, why don't we start with you?

00:00:36 --> 00:00:40: I'm Sarah Cooper. I run the global real estate equities

00:00:40 --> 00:00:42: business at Bank of America based in Hong Kong,

00:00:42 --> 00:00:45: where I've been for the past decade.

00:00:45 --> 00:00:47: I sit on the Hong Kong leadership team as well

00:00:47 --> 00:00:49: for B of A securities,

00:00:49 --> 00:00:52: Christina Golf and Gold Capital One of the four partners

00:00:52 --> 00:00:55: of the firm I'm in charge of all the capital

00:00:55 --> 00:00:56: markets activities globally.

00:00:56 --> 00:01:00: So we're a private equity real estate firm that invests

00:01:00 --> 00:01:01: around the world.

00:01:01 --> 00:01:02: Hi, my name is she home?

00:01:02 --> 00:01:06: I had the corporate strategy and capital end and also

00:01:06 --> 00:01:10: the new initiative in datacenters capital and is the Singapore

00:01:10 --> 00:01:11: listed,

00:01:11 --> 00:01:14: one of the largest Asia real estate developer and fund

00:01:14 --> 00:01:15: manager Sarah.

00:01:15 --> 00:01:18: Let's start with you. How are we going to ask

00:01:19 --> 00:01:23: this about both public and private investors in real estate?

00:01:23 --> 00:01:27: But how were public investors particularly responding to this new

00:01:27 --> 00:01:28: normal?

00:01:28 --> 00:01:31: Well, I mean, I think what we're seeing at the

00:01:31 --> 00:01:33: moment is has just exacerbated existing.

00:01:33 --> 00:01:37: Trends, you've got a clear preference for logistics and data

00:01:37 --> 00:01:38: centers.

00:01:38 --> 00:01:42: Everyone is even more allergic to retail than you would

00:01:42 --> 00:01:46: think possible and and clearly what's interesting in the public

00:01:46 --> 00:01:46: markets,

00:01:46 --> 00:01:49: where ideal is that you have a daily mark to

00:01:49 --> 00:01:50: market,

00:01:50 --> 00:01:52: so it's it. You've got a real read on on

00:01:52 --> 00:01:56: pricing that you don't get with physical assets,

00:01:56 --> 00:01:59: particularly times like this where the bid ask spread can

00:01:59 --> 00:02:01: be quite quite wide,

00:02:01 --> 00:02:04: but what the public markets are telling us.

00:02:04 --> 00:02:07: Is that retail is still very much on the nose.

00:02:07 --> 00:02:11: The retail stocks around the retail landlords around the world

00:02:11 --> 00:02:14: are down 50 plus percent in many markets,

00:02:14 --> 00:02:17: some of them one of them has gone into administration.

00:02:17 --> 00:02:20: Logistics, on the other hand here to date are up

00:02:21 --> 00:02:22: as much as 4050%,

00:02:22 --> 00:02:25: so there's been a real divergents and I don't see

00:02:25 --> 00:02:28: any change at this point as to that direction,

00:02:28 --> 00:02:32: and maybe we're getting to a point soon where that

00:02:32 --> 00:02:34: pricing divergences too wide.

00:02:34 --> 00:02:35: But maybe we can talk about that later.

00:02:35 --> 00:02:37: The question for all of them is what you know,

00:02:37 --> 00:02:39: why do you end up under writing at the moment?

00:02:39 --> 00:02:42: And how do you know what the NOAA is in

00:02:42 --> 00:02:43: in a climate like this?

00:02:43 --> 00:02:47: Christina following on from from Sarah's comments to the

00:02:48 --> 00:02:48: private

00:02:48 --> 00:02:48: markets.

00:02:48 --> 00:02:52: What are you seeing in terms of private market owners

00:02:52 --> 00:02:55: and their adjustments to this new normal?

00:02:55 --> 00:02:58: Yeah, so actually it's a similar theme.

00:02:58 --> 00:03:00: I think. First of all,

00:03:00 --> 00:03:03: looking at the political landscape,

00:03:03 --> 00:03:06: it's because of all the kind of US China,

00:03:06 --> 00:03:09: trade relations and all of it sitting in Asia in
00:03:09 --> 00:03:11: Hong Kong right now.
00:03:11 --> 00:03:14: The way that we see investors mindset changes is how
00:03:14 --> 00:03:18: to look at more of the domestic economy story rather
00:03:18 --> 00:03:21: than necessarily like global trade story.
00:03:21 --> 00:03:25: And clearly China sitting in Asia is a very very
00:03:25 --> 00:03:26: big market.
00:03:26 --> 00:03:29: So a lot of the sectors are people are looking
00:03:29 --> 00:03:33: at it is is how are things going to change
00:03:33 --> 00:03:38: from global trade versus kind of domestic economy
consumption story.
00:03:38 --> 00:03:41: So China is always that very very big market of
00:03:41 --> 00:03:43: 1.4 billion population.
00:03:43 --> 00:03:48: High private savings in particular and how that domestic
market
00:03:48 --> 00:03:52: could continue to drive internal demand and and also from
00:03:52 --> 00:03:55: a real estate sector point of view.
00:03:55 --> 00:03:59: You know one has to also understand investors exposure.
00:03:59 --> 00:04:01: In uncertain times like these,
00:04:01 --> 00:04:05: they look at what sectors would benefit the most,
00:04:05 --> 00:04:09: which logistic and data center is the very obvious one,
00:04:09 --> 00:04:13: but the other very important thing is also their exposure.
00:04:13 --> 00:04:17: So because obviously certain sectors would have discounts,
00:04:17 --> 00:04:19: you know in this sort of uncertain markets.
00:04:19 --> 00:04:23: But is that discount heavy enough in a very low
00:04:23 --> 00:04:28: rate environment where liquidity is actually present right from
the
00:04:28 --> 00:04:31: banks and even from general?
00:04:31 --> 00:04:34: Investments POV, but is not like people are just buying.
00:04:34 --> 00:04:37: You know every sector is not an for the sectors
00:04:37 --> 00:04:38: that they do not like,
00:04:38 --> 00:04:42: which I think Sarah mentioned about retail for example,
00:04:42 --> 00:04:43: even if it's very cheap,
00:04:43 --> 00:04:46: there's still not really a lot of excited takers.
00:04:46 --> 00:04:49: For commercial assets it it's kind of like the way
00:04:50 --> 00:04:51: I see it from the investor,
00:04:51 --> 00:04:55: institution. Investor appetite POV is also are they distress?
00:04:55 --> 00:04:59: Are they correct to have their corrected enough because they
00:04:59 --> 00:05:01: have those exposures already?
00:05:01 --> 00:05:04: So again, it boils down to also certain sectors.
00:05:04 --> 00:05:07: Logistic has been around for quite some years already,
00:05:07 --> 00:05:09: even in Asia, but data center,
00:05:09 --> 00:05:12: even though they are quite mature in the western market

00:05:12 --> 00:05:13: before Asia,

00:05:13 --> 00:05:16: is actually relatively new as a specific asset class,

00:05:16 --> 00:05:20: especially within the real estate.

00:05:20 --> 00:05:25: Elements because we look data center could be with infrastructure divisions

00:05:25 --> 00:05:29: or private equity division and also real estate division because

00:05:29 --> 00:05:31: it actually is a combination of all three.

00:05:31 --> 00:05:36: You have energy component. You also have the operating component

00:05:36 --> 00:05:36: operating,

00:05:36 --> 00:05:40: operating partners component and also be so that's the opco.

00:05:40 --> 00:05:43: And then also the realistic component.

00:05:43 --> 00:05:46: So from that standpoint.

00:05:46 --> 00:05:49: From what I'm dealing with is I could see that

00:05:49 --> 00:05:52: from a real estate asset standpoint there is still a

00:05:52 --> 00:05:54: lot of room to grow from a demand side,

00:05:54 --> 00:05:59: not only the users perspective but also the investors perspective.

00:05:59 --> 00:06:02: So so that's sort of how the private investor landscape is.

00:06:02 --> 00:06:02: is.

00:06:02 --> 00:06:05: It's going. It's also these sectors,

00:06:05 --> 00:06:08: but in particular data center is is obviously being

00:06:08 --> 00:06:11: in the limelight for last six to nine months.

00:06:11 --> 00:06:15: Yeah, very true. Jihong, there's there's no escaping it the

00:06:15 --> 00:06:16: your sectors,

00:06:16 --> 00:06:18: clearly the darling of the industry,

00:06:18 --> 00:06:21: both logistics and. In data centers,

00:06:21 --> 00:06:26: are you seeing this structural demand for logistics assets,

00:06:26 --> 00:06:32: in particular, translating into an ability to increase rents?

00:06:32 --> 00:06:35: We have been observing the rental growth,

00:06:35 --> 00:06:39: but I do have to differentiate between what is the

00:06:39 --> 00:06:44: modern logistics and what is what is the old logistic

00:06:44 --> 00:06:44: assets.

00:06:44 --> 00:06:48: So we have been observing the same as data centers

00:06:48 --> 00:06:55: logistics industrials actually upgraded itself periodically and now with the

00:06:55 --> 00:06:57: new kind of logistic demand,

00:06:57 --> 00:07:00: especially from E Commerce.

00:07:00 --> 00:07:03: Would need much better products,

00:07:03 --> 00:07:08: much bigger floorplay, much higher ceilings and a much better

00:07:08 --> 00:07:13: designed for docking stations and make up area so for

00:07:13 --> 00:07:18: wedding observing the demand for modern logistic and the rent

00:07:18 --> 00:07:20: has been going up nicely,

00:07:20 --> 00:07:22: but the older asset you know,

00:07:22 --> 00:07:25: no matter how cheap you can get,

00:07:25 --> 00:07:29: you want to rent it is still difficult to get

00:07:29 --> 00:07:29: out.

00:07:29 --> 00:07:32: So from my point of view.

00:07:32 --> 00:07:36: This whole what you called new normal is actually we

00:07:36 --> 00:07:41: should differentiate between what is a short term shock because

00:07:41 --> 00:07:47: of the covid and longer term social economic structural change.

00:07:47 --> 00:07:53: So from my perspective the E Commerce on line shopping.

00:07:53 --> 00:07:58: Cloud computing these are really social economic change that will

00:07:58 --> 00:08:00: impact us for decades to come.

00:08:00 --> 00:08:04: So from that perspective, the demand for logistics and data

00:08:04 --> 00:08:08: centers and actually any technology related real estate assets will

00:08:08 --> 00:08:09: be in good demand,

00:08:09 --> 00:08:11: and if it will have good product,

00:08:11 --> 00:08:14: good location, the rental will catch up I think.

00:08:14 --> 00:08:16: Can I jump in? Jackie,

00:08:16 --> 00:08:19: I think the interesting thing there I don't disagree at

00:08:19 --> 00:08:21: all on the on the demand side.

00:08:21 --> 00:08:24: I think the question that we need to be asking

00:08:24 --> 00:08:28: though is on the supply response because this is an

00:08:28 --> 00:08:28: asset class.

00:08:28 --> 00:08:31: Unlike you know officer or retail.

00:08:31 --> 00:08:33: You can build a shed in six months.

00:08:33 --> 00:08:36: There is in some places alot more availability of of

00:08:36 --> 00:08:39: land based on where these assets need to be and

00:08:39 --> 00:08:43: obviously you can talk about last mile or or not,

00:08:43 --> 00:08:46: but you know ultimately it's a less scarce asset potentially

00:08:46 --> 00:08:49: and we are seeing a supply response come through.

00:08:49 --> 00:08:54: Take Japan where obviously the Internet online shopping penetration is

00:08:54 --> 00:08:55: very low.

00:08:55 --> 00:08:57: It's got a long growth as you say,

00:08:57 --> 00:09:00: the modern logistics space is pretty low relative to other

00:09:01 --> 00:09:02: parts in the world,

00:09:02 --> 00:09:04: so you can see. You can see growth,

00:09:04 --> 00:09:07: but at the same time the pricing on those assets
00:09:07 --> 00:09:10: and the returns available have attracted a lot of new
00:09:10 --> 00:09:12: capital into that into that space.
00:09:12 --> 00:09:14: And now when I speak to my investors on the
00:09:14 --> 00:09:15: listed side,
00:09:15 --> 00:09:18: it's interesting some of them are really not wanting to
00:09:18 --> 00:09:21: touch retail until it gets to the point where the
00:09:21 --> 00:09:25: rents are comparable with fulfillment centers or or logistics
rents.
00:09:25 --> 00:09:27: And so for example the press that we saw a
00:09:27 --> 00:09:30: couple of weeks ago about Simon talking to Amazon.
00:09:30 --> 00:09:33: You know, I think that that on the other side
00:09:33 --> 00:09:34: that might be the.
00:09:34 --> 00:09:36: The point at which we'll find a level of inner
00:09:36 --> 00:09:38: why that we can underwrite.
00:09:40 --> 00:09:42: Yes, I totally agree with you Sarah.
00:09:42 --> 00:09:46: So that's why I think that we should differentiate between
00:09:46 --> 00:09:47: what is the like,
00:09:47 --> 00:09:50: the new demand and what is the demand for replacing
00:09:50 --> 00:09:51: the older assets.
00:09:51 --> 00:09:55: Um and some statistics show that you know in the
00:09:55 --> 00:09:57: evening you ask 50%
00:09:57 --> 00:10:01: of the logistic assets are actually below ceiling height
00:10:01 --> 00:10:02: 28 feet.
00:10:02 --> 00:10:06: So you know, we see that that kind of older
00:10:06 --> 00:10:10: assets will have to be replaced by the new kind
00:10:10 --> 00:10:11: of demand.
00:10:11 --> 00:10:15: Also, the cost structure and the way to build construct
00:10:16 --> 00:10:20: the logistic warehouse is also very different.
00:10:20 --> 00:10:24: The the unit cost economics will also match the new
00:10:24 --> 00:10:25: demand as well.
00:10:25 --> 00:10:27: So I I see this.
00:10:27 --> 00:10:31: This growth is actually in a quite positive territory,
00:10:31 --> 00:10:37: but it's really true that location and kind of products
00:10:37 --> 00:10:40: is differentiating factor.
00:10:40 --> 00:10:44: Don and Jackie, actually, there's also something relating to
data
00:10:44 --> 00:10:48: center where there's a lot more advancements that need to
00:10:48 --> 00:10:49: be done for Asia.
00:10:49 --> 00:10:52: Is that the ESG components because it is actually
00:10:52 --> 00:10:56: on the mindset on pretty much all the big investors
00:10:56 --> 00:10:58: that I got and it is a very important part
00:10:58 --> 00:11:00: and asset is the one you know.

00:11:00 --> 00:11:04: Class of investment class that actually does emit a lot
00:11:04 --> 00:11:08: of carbon emission and it's something that is obviously from
00:11:08 --> 00:11:10: a climate change perspective.
00:11:10 --> 00:11:13: It's it's very. Detrimental, so to that extent,
00:11:13 --> 00:11:17: the the better companies or operators are in Asia.
00:11:17 --> 00:11:21: Obviously looking towards some of the Western countries
that are
00:11:21 --> 00:11:24: doing a little bit better in terms of how to
00:11:24 --> 00:11:28: use renewable energy or cleaner energy or do something
that
00:11:28 --> 00:11:32: could help. Even though this area is developing area,
00:11:32 --> 00:11:35: but I think this is something that it's always on
00:11:35 --> 00:11:37: our mind as we develop.
00:11:37 --> 00:11:40: The GNU Gnu are kind of data center as to
00:11:40 --> 00:11:44: how we incorporate more of those ESG component into the
00:11:44 --> 00:11:45: mindset.
00:11:45 --> 00:11:48: Yeah, so yeah, it's a it's an asset class which
00:11:48 --> 00:11:51: you know clearly has some risk of obsolescence.
00:11:51 --> 00:11:54: And so as these new technologies you know kind of
00:11:54 --> 00:11:55: move us forward,
00:11:55 --> 00:11:58: it will be interesting to see how they get adopted
00:11:58 --> 00:11:58: overtime.
00:11:58 --> 00:12:01: Sarah, I wanted to turn back to you and a
00:12:01 --> 00:12:05: comment that you made in your earlier remarks regarding the
00:12:05 --> 00:12:08: bid ask spread in the market right now for transactions.
00:12:08 --> 00:12:11: Comment on what you are seeing there and it.
00:12:11 --> 00:12:15: Any insight as to what might break that logjam?
00:12:15 --> 00:12:16: It's a good question. I you know,
00:12:16 --> 00:12:20: I'm not sure. Well, I'm pretty cautious about the economic
00:12:20 --> 00:12:22: growth that we're going to see in the fallout for
00:12:22 --> 00:12:23: this.
00:12:23 --> 00:12:25: Obviously. On the other side of that,
00:12:25 --> 00:12:26: you've got 0 interest rates.
00:12:26 --> 00:12:29: You've got a huge amount of liquidity that's being pumped
00:12:29 --> 00:12:30: into the system,
00:12:30 --> 00:12:33: and I think we're all very aware of the amount
00:12:33 --> 00:12:35: of capital that sitting on the sidelines.
00:12:35 --> 00:12:38: So for the assets that anyone would want to own,
00:12:38 --> 00:12:41: I don't think you're gonna get tremendous distress now.
00:12:41 --> 00:12:44: There was a really interesting report that was out last
00:12:44 --> 00:12:46: week from Real Capital Analytics and MIT.
00:12:46 --> 00:12:49: They did a survey and they found that in New

00:12:49 --> 00:12:53: York for commercial assets that bid ask spread is 27%,
 00:12:53 --> 00:12:55: so asset values would need to fall 27%
 00:12:55 --> 00:12:57: before buyers would come in.
 00:12:57 --> 00:13:00: So clearly that's a wide gap you can drive up
 00:13:00 --> 00:13:03: a truck through it and we'll have to see I
 00:13:03 --> 00:13:07: think commercial pricing and in the office at the moment
 00:13:07 --> 00:13:09: is down 2%. So someone's going to be wrong.
 00:13:09 --> 00:13:12: There's probably a middle ground,
 00:13:12 --> 00:13:14: but until we see forced selling,
 00:13:14 --> 00:13:17: which on the whole we're not seeing in a widespread
 00:13:17 --> 00:13:19: way at the moment.
 00:13:19 --> 00:13:22: You know, I think actually this might just be a
 00:13:22 --> 00:13:26: really slow painful burn without with less activity for a
 00:13:27 --> 00:13:29: little while and less people.
 00:13:29 --> 00:13:33: Even in hospitality, yeah section but this is so that
 00:13:33 --> 00:13:35: I as Sarah was talking.
 00:13:35 --> 00:13:40: I was exactly thinking about hospitality in that I think
 00:13:40 --> 00:13:42: I agree with Sarah in that.
 00:13:42 --> 00:13:46: As I mentioned earlier, also because of the low rates
 00:13:46 --> 00:13:49: and the ample liquidity in the Super Prime location,
 00:13:49 --> 00:13:52: office sector in particular so forth,
 00:13:52 --> 00:13:55: if you see any type of the bigger correction,
 00:13:55 --> 00:13:58: I'm sure there is a lot of liquidity we come
 00:13:58 --> 00:13:59: in and buy,
 00:13:59 --> 00:14:02: but it's just right now we're not seeing that there
 00:14:02 --> 00:14:05: is no distress in most of the key markets.
 00:14:05 --> 00:14:08: For some of these, you know office sector yet,
 00:14:08 --> 00:14:12: but hospitality. We definitely is starting to see some some
 00:14:12 --> 00:14:14: distressed selective,
 00:14:14 --> 00:14:16: not not enough choices, but.
 00:14:16 --> 00:14:19: There definitely is, and so I believe that in the
 00:14:19 --> 00:14:20: next three to four months,
 00:14:20 --> 00:14:24: given that the travel restriction is still likely to be
 00:14:24 --> 00:14:27: ongoing because of quarantine is still in place and all
 00:14:27 --> 00:14:32: that that those distress opportunities in hospitality will come
 00:14:32 --> 00:14:35: about.
 00:14:32 --> 00:14:35: From our perspective, we, we have been definitely keeping a
 00:14:35 --> 00:14:38: very close eye on Southeast Asia region,
 00:14:38 --> 00:14:41: continued to focus on Japan because we do have quite
 00:14:41 --> 00:14:43: a fair bit of hospitality,
 00:14:43 --> 00:14:45: even though it's only commanding about 19%
 00:14:45 --> 00:14:49: of our portfolio, but. But the numbers of hotels are

00:14:49 --> 00:14:50: actually there,

00:14:50 --> 00:14:53: about 27 that we have right around the region,

00:14:53 --> 00:14:57: because hotel assets some of them are not overly big.

00:14:57 --> 00:14:59: You know so? But the.

00:14:59 --> 00:15:03: So some of those opportunities are coming along and we

00:15:03 --> 00:15:06: also believe that as and when the market opened back

00:15:06 --> 00:15:07: up,

00:15:07 --> 00:15:10: the Chinese tourists will be going around the Asia region

00:15:10 --> 00:15:13: so much more because they will be unlikely,

00:15:13 --> 00:15:15: at least in the near term.

00:15:15 --> 00:15:18: Go to, of course the America or Europe to that

00:15:18 --> 00:15:19: extent,

00:15:19 --> 00:15:22: 'cause it's just a little bit more difficult,

00:15:22 --> 00:15:25: right? And so they will basically go around the Asian

00:15:25 --> 00:15:26: market a lot more.

00:15:26 --> 00:15:29: So we believe that.

00:15:29 --> 00:15:32: As we look at some of the distressed opportunities around

00:15:32 --> 00:15:34: Asia region coming about in hospitality,

00:15:34 --> 00:15:37: it would actually be a good buying opportunity for us

00:15:37 --> 00:15:38: over the next couple of months.

00:15:41 --> 00:15:45: Thank you so given that what are some winning capital

00:15:45 --> 00:15:49: strategies that you would gravitate towards today?

00:15:49 --> 00:15:52: It's a you know, the weight of a lot of

00:15:52 --> 00:15:55: capital outside of potentially hospitality.

00:15:55 --> 00:16:00: Not much in the way of distressed coming our way.

00:16:00 --> 00:16:03: You know zero or near 0 interest rates around the

00:16:04 --> 00:16:04: globe,

00:16:04 --> 00:16:07: what, what, where? Where do investors look?

00:16:10 --> 00:16:14: Maybe I can start so I'd capital and we are

00:16:14 --> 00:16:16: very traditional.

00:16:16 --> 00:16:19: No state developer and in fact manager.

00:16:19 --> 00:16:23: So really a very big chunk of our business or

00:16:23 --> 00:16:27: in commercial and retail and in hospitality and after the

00:16:27 --> 00:16:28: merger of Capital.

00:16:28 --> 00:16:31: And I said the same bridge,

00:16:31 --> 00:16:34: we have a bigger, bigger portion in industrials,

00:16:34 --> 00:16:38: logistics, data centers, and business parks.

00:16:38 --> 00:16:42: So looking at our performance in this first half year,

00:16:42 --> 00:16:47: definitely the winner we caught in the new economy asset

00:16:47 --> 00:16:47: class.

00:16:47 --> 00:16:50: So while the hospitality has largest shock,

00:16:50 --> 00:16:52: the retail has, you know,

00:16:52 --> 00:16:56: because of major shock, our business park,
00:16:56 --> 00:17:01: suburban offices, industrials, logistics has been going up.
00:17:01 --> 00:17:03: So, so we have as a group.
00:17:03 --> 00:17:08: We are quite determined to pivot into a new economy
00:17:08 --> 00:17:12: asset class in addition to what we already have today.
00:17:12 --> 00:17:15: So so back to the logistics,
00:17:15 --> 00:17:19: actually datacenters. These are kind of asset class.
00:17:19 --> 00:17:24: We will weigh more in through our capital allocation.
00:17:26 --> 00:17:30: Excellent thank thanks jihong. I were getting some questions
in
00:17:30 --> 00:17:32: from the audience,
00:17:32 --> 00:17:35: so Christina I'm going to direct this one to you.
00:17:35 --> 00:17:39: Given the relative levels of distress in hospitality,
00:17:39 --> 00:17:44: would you consider repurposing hospitality assets for other
use a
00:17:44 --> 00:17:45: service,
00:17:45 --> 00:17:50: apartments or senior senior accommodation or something
similar?
00:17:50 --> 00:17:55: Yes, in fact we reposition some of our existing Holdings
00:17:55 --> 00:17:57: not within the portfolio,
00:17:57 --> 00:18:03: but we definitely do repositioning on certain hospitality assets
that
00:18:03 --> 00:18:07: we we see into service Department or student housing.
00:18:07 --> 00:18:11: Actually, even more so in student housing.
00:18:11 --> 00:18:15: In fact, we are doing one in Guangzhou right now,
00:18:15 --> 00:18:19: which is actually next to a an art school dedicated
00:18:19 --> 00:18:20: art school,
00:18:20 --> 00:18:23: but is created as a boarding.
00:18:23 --> 00:18:26: A boarding school, and so there is a hotel next
00:18:27 --> 00:18:29: to it which we are building from ground up.
00:18:29 --> 00:18:33: About half of that is actually created as a student
00:18:33 --> 00:18:34: housing.
00:18:34 --> 00:18:36: So yes, the answer to that is yes,
00:18:36 --> 00:18:36: we would.
00:18:39 --> 00:18:43: It actually another question that is come in is regarding
00:18:43 --> 00:18:46: what we think of as the asset classes of the
00:18:46 --> 00:18:51: future that will continue to gain institutional interest among
among
00:18:51 --> 00:18:56: real estate investors. Clearly, data centers is 1 alternative
asset
00:18:56 --> 00:18:59: class that is garnering a lot of interest.
00:18:59 --> 00:19:03: But as you look into your crystal balls storage cold
00:19:03 --> 00:19:07: storage you know kind of student accommodation across the
Asia

00:19:07 --> 00:19:08: Pacific region.

00:19:08 --> 00:19:11: What do you think of some asset classes that may

00:19:11 --> 00:19:15: be emerging for institutional investor interest and any of you?

00:19:15 --> 00:19:18: Please jump yeah yeah. Well first of all alot of

00:19:18 --> 00:19:22: the ones that you mentioned it already there right?

00:19:22 --> 00:19:25: So logistic has already been a very good sector for

00:19:25 --> 00:19:26: a number of years already.

00:19:26 --> 00:19:29: We started getting into logistic in 2014,

00:19:29 --> 00:19:32: but obviously the likes of GLP the Big Guys already

00:19:32 --> 00:19:34: in there since 2000 and 8009,

00:19:34 --> 00:19:36: so it's already there now.

00:19:36 --> 00:19:38: Data Center I regard as a similar to.

00:19:38 --> 00:19:41: My panel is it's it is sort of the sector

00:19:41 --> 00:19:44: that is now in kind of 3rd party investors hand

00:19:45 --> 00:19:48: in the recent two years and it started to really

00:19:48 --> 00:19:51: gain ground and I think we we had God think

00:19:51 --> 00:19:54: a lot about the Magic platform built an in the

00:19:54 --> 00:19:54: past.

00:19:54 --> 00:19:59: We have actually successfully built platform from retail outlet

00:19:59 --> 00:20:01: malls

00:19:59 --> 00:20:01: that we did in China too.

00:20:01 --> 00:20:03: Later on logistic to now.

00:20:03 --> 00:20:07: We recently also got a dedicated platform in China data

00:20:07 --> 00:20:10: Center that it was successfully raised.

00:20:10 --> 00:20:14: And and moving forward, it's we also have started to

00:20:14 --> 00:20:19: look into medical related real estate and in a bigger

00:20:19 --> 00:20:21: way in a more scalable way.

00:20:21 --> 00:20:27: An also educate education related real estate sort of platform

00:20:27 --> 00:20:32: which we have recently also created and got some backing

00:20:32 --> 00:20:33: of capital to do.

00:20:33 --> 00:20:39: Basically it's to deal with businesses that actually.

00:20:39 --> 00:20:43: Need real estate to grow and also businesses where they

00:20:43 --> 00:20:48: would pay stable rents once they stabilize and that they

00:20:48 --> 00:20:49: are sticky.

00:20:49 --> 00:20:53: So in a way it's creating eventually potentially reads that

00:20:53 --> 00:20:56: are in a different sector then what?

00:20:56 --> 00:21:00: The reeds are already kind of listed in different kinds

00:21:00 --> 00:21:00: already,

00:21:00 --> 00:21:03: but there are still certain kind of REITs that are

00:21:03 --> 00:21:06: not yet there which relate to real estate.

00:21:06 --> 00:21:08: So the medical sector is is one of those and

00:21:09 --> 00:21:09: the education.

00:21:09 --> 00:21:11: It's it's one of those.

00:21:11 --> 00:21:13: All of these, from our perspective,

00:21:13 --> 00:21:16: also relates to the ESG component as well as well

00:21:16 --> 00:21:18: as to certain extent impact investing.

00:21:18 --> 00:21:20: Even though we don't, we don't call,

00:21:20 --> 00:21:23: we don't have fun called Impact Fund or whatever,

00:21:23 --> 00:21:26: but it is more of a collaboration of all of

00:21:26 --> 00:21:27: these.

00:21:27 --> 00:21:31: Important ideas that require real estate to grow and that

00:21:31 --> 00:21:34: the tenant would provide a stable income in the long

00:21:35 --> 00:21:38: run that would be suitable to be a readable idea.

00:21:38 --> 00:21:40: Maybe, maybe Sarah could.

00:21:44 --> 00:21:47: Maybe I mean maybe two points in there till you've

00:21:47 --> 00:21:50: mentioned ESG twice now and I think if we just

00:21:50 --> 00:21:53: take a step back from my point of view,

00:21:53 --> 00:21:56: that is the one area where we see just extraordinary

00:21:56 --> 00:21:58: capital allocation coming through.

00:21:58 --> 00:22:02: And so while you know equity allocations and find out

00:22:02 --> 00:22:06: like everything else is sort of moved dramatically over the

00:22:06 --> 00:22:06: years,

00:22:06 --> 00:22:09: so far money has continued to flow into ESG related

00:22:09 --> 00:22:10: strategies.

00:22:10 --> 00:22:12: BlackRock put out a paper.

00:22:12 --> 00:22:15: Recently they said that they could see a trillion of

00:22:15 --> 00:22:18: new capital allocation to ESG strategies.

00:22:18 --> 00:22:20: So no matter what you're doing,

00:22:20 --> 00:22:23: no matter what the underlying asset is an.

00:22:23 --> 00:22:26: I know that it's very vague and and different people

00:22:26 --> 00:22:30: are trying to different organizations trying to sort of define

00:22:30 --> 00:22:33: what that means and which which boxes you need to

00:22:33 --> 00:22:35: take in order to qualify.

00:22:35 --> 00:22:38: To say that you are green or you you know

00:22:38 --> 00:22:39: you meet the criteria.

00:22:39 --> 00:22:42: Ultimately, there's been a A5 year Kaga of 42%

00:22:42 --> 00:22:45: of. Money into sustainability focused ETF's.

00:22:45 --> 00:22:48: Not only is it just that it's the right thing

00:22:48 --> 00:22:48: to do,

00:22:48 --> 00:22:51: but I think if we get to a point where

00:22:51 --> 00:22:55: your cost of capital will be better than anyone else

00:22:55 --> 00:22:57: is because you're doing this,

00:22:57 --> 00:22:59: I think that that will be continued to be a

00:23:00 --> 00:23:03: driver that we see so massive massive amount of money

00:23:03 --> 00:23:05: for anything in that area.

00:23:05 --> 00:23:08: The second thing I was going to say just to

00:23:08 --> 00:23:09: your earlier question,

00:23:09 --> 00:23:12: Jackie on on new areas to invest I mean.

00:23:12 --> 00:23:14: I don't want to sound facetious here,

00:23:14 --> 00:23:16: but.

00:23:16 --> 00:23:18: I would hate to add to it to investors.

00:23:18 --> 00:23:20: Real estate, you know when we look at what is

00:23:20 --> 00:23:21: happening zero rates,

00:23:21 --> 00:23:24: you know I don't. I'm not really a believer that

00:23:24 --> 00:23:26: we're going to see inflation come through when you look

00:23:26 --> 00:23:29: at what their Chairman Powell said at Jackson Hole Hole

00:23:29 --> 00:23:32: last week about letting inflation run even hotter.

00:23:32 --> 00:23:34: This clearly going to be so much stimulus in the

00:23:34 --> 00:23:34: system.

00:23:34 --> 00:23:36: And as I talked to broader investors,

00:23:36 --> 00:23:38: not just real estate investors,

00:23:38 --> 00:23:41: real estate sector that they've been under allocated to,

00:23:41 --> 00:23:43: and if you can get comfortable that you're going to

00:23:43 --> 00:23:45: get a consistent enoigh,

00:23:45 --> 00:23:47: whether it's in a region or something else.

00:23:47 --> 00:23:50: Then surely that return is going to look pretty interesting.

00:23:50 --> 00:23:52: So I think across the board,

00:23:52 --> 00:23:55: while we're going to sit here and split hairs about

00:23:55 --> 00:23:56: datacenters or logistics and,

00:23:56 --> 00:23:58: and you know, is it a 5 cap rate,

00:23:58 --> 00:24:00: or is it a four 475?

00:24:00 --> 00:24:02: I just think there's a lot more money that should

00:24:02 --> 00:24:04: be attracted to that capital.

00:24:04 --> 00:24:07: And as we see, aging populations and our retirement income

00:24:07 --> 00:24:08: requirements,

00:24:08 --> 00:24:12: I still think this sector has a lot to offer.

00:24:12 --> 00:24:15: Yeah, I totally agree. You know I back back to

00:24:15 --> 00:24:18: my phone earlier I talk about what is a short

00:24:18 --> 00:24:21: term shock and what is that long longer term,

00:24:21 --> 00:24:25: you know, sustainable development. So short term we do not

00:24:25 --> 00:24:26: go out with not eat out.

00:24:26 --> 00:24:29: We do not go to events but in the mid

00:24:29 --> 00:24:32: term when Vaccines fund fund or in the longer term

00:24:32 --> 00:24:34: everything back to normal,

00:24:34 --> 00:24:36: people still need to eat.

00:24:36 --> 00:24:38: Still need to live. Still need to play.

00:24:38 --> 00:24:42: You know people were still social creatures.

00:24:42 --> 00:24:45: So I do not think that everybody will go back,

00:24:45 --> 00:24:48: only play video games at home.

00:24:48 --> 00:24:52: So from a from a real estate developer's perspective,

00:24:52 --> 00:24:56: we think residential is still in demand office.

00:24:56 --> 00:25:00: Of course, different type of office probably not kind of

00:25:00 --> 00:25:01: Nitro.

00:25:01 --> 00:25:04: Six kind of office, but really more more agile,

00:25:04 --> 00:25:08: more interesting, more event space will come out.

00:25:08 --> 00:25:11: We still need hotels. We still need a travel.

00:25:11 --> 00:25:16: We still need kindergarten as soon as school still need

00:25:16 --> 00:25:18: people to come together.

00:25:18 --> 00:25:19: So so I think really.

00:25:19 --> 00:25:21: This whole new asset class,

00:25:21 --> 00:25:24: of course, is great. That's because of the social,

00:25:24 --> 00:25:28: economic and social structure change driven by technology.

00:25:28 --> 00:25:31: But I think the older kind of asset class you

00:25:31 --> 00:25:31: know?

00:25:31 --> 00:25:35: What is office weather is is is is a residential.

00:25:35 --> 00:25:38: With this long hotels will still be in demand.

00:25:38 --> 00:25:40: It's just different kind of projects,

00:25:40 --> 00:25:44: a different kind of service level to satisfy the newer

00:25:44 --> 00:25:46: generation of a new kinds of requirement.

00:25:46 --> 00:25:49: I think to you know it is a massive debate

00:25:49 --> 00:25:53: that I think is really just starting around office.

00:25:53 --> 00:25:55: In the future of office and his office,

00:25:55 --> 00:25:57: the new retail an. Am I working from home or

00:25:57 --> 00:25:58: on my living at work?

00:25:58 --> 00:26:01: You know an I think underpinning all of that which

00:26:01 --> 00:26:04: potentially is an opportunity for Asian cities is a question

00:26:04 --> 00:26:04: of,

00:26:04 --> 00:26:06: you know, do I feel safe if I am in

00:26:06 --> 00:26:08: New York at the moment?

00:26:08 --> 00:26:10: An I don't feel safe for whatever reason and I

00:26:10 --> 00:26:11: fully appreciate that.

00:26:11 --> 00:26:13: What you get. You know,

00:26:13 --> 00:26:15: being in Hong Kong, I appreciate that the news that

00:26:15 --> 00:26:19: you see every day is not necessarily what's happening

00:26:19 --> 00:26:20: outside

00:26:19 --> 00:26:20: your front door,

00:26:20 --> 00:26:22: but I think there's going to be a strong look

00:26:22 --> 00:26:24: at local governments and how they.

00:26:24 --> 00:26:27: Our plan and deal with issues in their cities and
 00:26:27 --> 00:26:30: at the moment I think that Asian cities are looking
 00:26:30 --> 00:26:34: pretty resilient relative to some other places in the world.
 00:26:34 --> 00:26:37: Yeah, definitely an argument for global diversification,
 00:26:37 --> 00:26:40: but I wanted Sarah just to get back to your
 00:26:40 --> 00:26:42: point on investing in real estate,
 00:26:42 --> 00:26:46: right? Rather than splitting, here is among property types.
 00:26:46 --> 00:26:49: Are you seeing investors having their hurdle rate to their
 00:26:49 --> 00:26:51: target investment rates lowered?
 00:26:51 --> 00:26:54: I mean, one of the challenges has been given.
 00:26:54 --> 00:26:57: This weight of capital given low interest rates.
 00:26:57 --> 00:27:00: And yet a pervasive belief that we can still generate
 00:27:00 --> 00:27:01: pretty high returns,
 00:27:01 --> 00:27:03: you know, across the asset class.
 00:27:03 --> 00:27:05: How do we bridge in a little bit of that
 00:27:06 --> 00:27:06: divide?
 00:27:06 --> 00:27:08: Yeah, that I mean, that's a difficult one.
 00:27:08 --> 00:27:10: Most people say, no, we haven't.
 00:27:10 --> 00:27:13: We haven't changed our total return hurdles,
 00:27:13 --> 00:27:14: or I are ours, but you know,
 00:27:14 --> 00:27:16: I think really they do.
 00:27:16 --> 00:27:18: But the the issue and something that I come up
 00:27:19 --> 00:27:22: against daily sitting in Hong Kong where we're getting all
 00:27:22 --> 00:27:23: of these tech IPOs.
 00:27:23 --> 00:27:26: You know, everyone wants to talk about the next Barber,
 00:27:26 --> 00:27:28: the next Amazon, the next Matewan,
 00:27:28 --> 00:27:30: the next, you know. DD,
 00:27:30 --> 00:27:33: there's so many high high growth stocks and that's led
 00:27:33 --> 00:27:33: to,
 00:27:33 --> 00:27:36: you know, the performance of those has led just naturally
 00:27:36 --> 00:27:39: to an underweight to the real estate asset class.
 00:27:39 --> 00:27:42: And then you know you any historical pension fund in
 00:27:42 --> 00:27:45: the Lake has probably been pretty overweight in terms of
 00:27:45 --> 00:27:47: fund or physical to retail,
 00:27:47 --> 00:27:49: so you know when you go and ask for more
 00:27:49 --> 00:27:50: money.
 00:27:50 --> 00:27:51: Annual CIO is saying, yeah,
 00:27:51 --> 00:27:53: that that last lock didn't work so well.
 00:27:53 --> 00:27:56: You know, I think I think it's gonna.
 00:27:56 --> 00:27:58: There's going to need to be a passage of time
 00:27:58 --> 00:28:00: an from analyst point of view.
 00:28:00 --> 00:28:03: Of course. Obviously there. But you know what do you

00:28:03 --> 00:28:03: want to buy?
00:28:03 --> 00:28:05: You wanna buy the logistics?
00:28:05 --> 00:28:07: And then you look at the pricing differential there as
00:28:07 --> 00:28:08: well so you know,
00:28:08 --> 00:28:10: I think now now is the time to look at
00:28:10 --> 00:28:12: some of the more stable businesses.
00:28:12 --> 00:28:14: Anything that's grocery anchored, you know,
00:28:14 --> 00:28:16: is is generally outperforming in terms of retail sales.
00:28:16 --> 00:28:19: If you can get comfortable with that income stream,
00:28:19 --> 00:28:22: whether it's office, whether you can get comfortable with the
00:28:22 --> 00:28:23: lease duration or the growth,
00:28:23 --> 00:28:26: we're seeing some really interesting things happening in
India.
00:28:26 --> 00:28:28: In Vietnam, you know we haven't really touched on the
00:28:29 --> 00:28:29: geopolitical moves,
00:28:29 --> 00:28:32: but you know, obviously there are opportunities for a lot
00:28:32 --> 00:28:33: of countries at the moment.
00:28:33 --> 00:28:35: And I think in Japan as well is.
00:28:35 --> 00:28:38: There's a lot of really interesting opportunities,
00:28:38 --> 00:28:41: you know. I hope that people will be making that
00:28:41 --> 00:28:44: case for a bigger allocation because I think it does
00:28:44 --> 00:28:45: make a difference,
00:28:45 --> 00:28:48: and it's important to have in their portfolios.
00:28:48 --> 00:28:51: Yes, absolutely. Well unfortunately ladies,
00:28:51 --> 00:28:52: that's the end of our time.
00:28:52 --> 00:28:54: We could go on forever.
00:28:54 --> 00:28:57: Thank you very much for joining us this afternoon and
00:28:57 --> 00:28:59: I'll turn it back over to the team at ULI.

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