

# Webinar

## Launch of 2022 Emerging Trends in Real Estate?? Europe: Road to Recovery

Date: November 03, 2021

00:02:40 --> 00:02:45: Good afternoon everyone and welcome to the launch of Emerging

00:02:45 --> 00:02:47: Trends in real Estate Europe 2022.

00:02:48 --> 00:02:51: I'm Eddie Mitchell stereo and I'm honored to be the

00:02:51 --> 00:02:54: moderator of this session today.

00:02:54 --> 00:02:58: I'm a European research director with saddles for over 20

00:02:58 --> 00:03:02: years and I'm also quite involved with ULI am chair

00:03:02 --> 00:03:04: of your like Greece and Cyprus.

00:03:04 --> 00:03:09: Today's event will focus on the results of the annual

00:03:09 --> 00:03:14: sentiment survey of over 800 European real estate leaders conducted

00:03:14 --> 00:03:18: by PwC and you lie every year and published in

00:03:18 --> 00:03:24: the match awaited report. Emerging trends in real estate Europe

00:03:24 --> 00:03:25: 2022.

00:03:25 --> 00:03:30: Our agenda today. Includes a presentation of the findings by

00:03:30 --> 00:03:34: the authors of the report and then it is.

00:03:34 --> 00:03:37: It will be followed by a panel discussion.

00:03:37 --> 00:03:39: I would like to welcome.

00:03:39 --> 00:03:44: Garth Lewis, director at PwC UK and Lizette Fondor,

00:03:44 --> 00:03:49: chief executive officer of Europe who are going to present

00:03:49 --> 00:03:51: the findings of the report,

00:03:51 --> 00:03:54: Lizette and Gareth. The virtual floor is yours.

00:03:57 --> 00:04:00: Thank you Hari. It's what kind introduction.

00:04:00 --> 00:04:03: Hello everyone on behalf of you.

00:04:03 --> 00:04:07: Well I I'm very pleased that you're all joining today

00:04:07 --> 00:04:11: for the launch of the 2022 reports of emerging trends

00:04:11 --> 00:04:13: in real estate Europe.

00:04:13 --> 00:04:16: This is the 19th edition and we're very proud and

00:04:16 --> 00:04:19: pleased to be able to present the results.

00:04:19 --> 00:04:23: Today it's been a long process that already started in  
00:04:23 --> 00:04:24: early spring.  
00:04:24 --> 00:04:28: And we're also very proud of the longstanding 19 year  
00:04:28 --> 00:04:33: collaboration which PwC very successful collaboration I  
should say.  
00:04:33 --> 00:04:37: And and before I go into the results,  
00:04:37 --> 00:04:39: just some steps to start with.  
00:04:39 --> 00:04:41: As area already pointed out,  
00:04:41 --> 00:04:44: more than eight hundred 844 to be precise,  
00:04:44 --> 00:04:48: people have contributed to this year's report,  
00:04:48 --> 00:04:51: and that's basically you. So I want to thank you  
00:04:51 --> 00:04:55: all for contributing and providing your views.  
00:04:55 --> 00:04:57: And for us to be able to compile them and  
00:04:57 --> 00:04:59: create a report without you,  
00:04:59 --> 00:05:02: this wouldn't be possible. We get it.  
00:05:02 --> 00:05:06: Your views through a mix of uh of methods,  
00:05:06 --> 00:05:11: survey, interviews and roundtable discussions.  
00:05:11 --> 00:05:14: We also had a group of you and I members  
00:05:14 --> 00:05:18: involved in an editorial oversight Committee committee to  
support the  
00:05:18 --> 00:05:22: authors theme in providing input for the questions and the  
00:05:22 --> 00:05:25: topics to address Indicia's report,  
00:05:25 --> 00:05:28: as well as the the final messaging.  
00:05:28 --> 00:05:31: When we got to the draft report,  
00:05:31 --> 00:05:33: this year's title of the report,  
00:05:33 --> 00:05:37: as you can see, is wrote to recovery.  
00:05:37 --> 00:05:41: And uhm, while that may sound very logical,  
00:05:41 --> 00:05:45: it actually took quite some discussion among the author  
theme,  
00:05:45 --> 00:05:48: and we've chosen eventually wrote to recovery.  
00:05:48 --> 00:05:53: But maybe roads to recovery would have been more  
appropriate,  
00:05:53 --> 00:05:56: and you will learn more about that in the course  
00:05:56 --> 00:05:57: of the presentation.  
00:05:57 --> 00:05:59: This year has been interesting,  
00:05:59 --> 00:06:00: but at the same time,  
00:06:00 --> 00:06:05: very tough year. UM, with quite some mixed messages and  
00:06:05 --> 00:06:09: varying levels of optimism coming through.  
00:06:09 --> 00:06:13: Next slide, please. With the input gathering mostly done over  
00:06:14 --> 00:06:18: the summer and the overall feedback on the short term  
00:06:18 --> 00:06:21: outlook having been extremely positive,  
00:06:21 --> 00:06:25: which was obviously fueled by the general feeling and belief  
00:06:25 --> 00:06:29: that the worst of the pandemic was now behind us

00:06:29 --> 00:06:33: and that we can truly go back to doing business.  
00:06:33 --> 00:06:39: However, some, uh, some clear concerns and uncertainties also came  
00:06:39 --> 00:06:39: out,  
00:06:39 --> 00:06:44: for example, related to inflation and supply chain issues.  
00:06:44 --> 00:06:49: Some of them linked to what we call restarting the  
00:06:49 --> 00:06:49: economy.  
00:06:49 --> 00:06:53: And since nobody really has experience with what restarting the  
00:06:53 --> 00:06:54: economy means,  
00:06:54 --> 00:06:59: because we've never experienced such a situation before.  
00:06:59 --> 00:07:03: It's it's. It's become very uncertain what the real impacts  
00:07:03 --> 00:07:06: will be and how much stable impact on real estate  
00:07:06 --> 00:07:10: specifically and how long that impact will take and whether  
00:07:10 --> 00:07:14: it's just only short term or maybe somewhat longer term.  
00:07:14 --> 00:07:17: For example, related to inflation,  
00:07:17 --> 00:07:20: construction costs, availability of materials,  
00:07:20 --> 00:07:26: etc. And this uncertainty we've learned has also created strong  
00:07:26 --> 00:07:29: mood swings across the industry.  
00:07:29 --> 00:07:33: Where we see at some point really positive attitudes,  
00:07:33 --> 00:07:36: but when something maybe on the obvious little things happen,  
00:07:36 --> 00:07:42: that concert suddenly transfer into a much more negative mode.  
00:07:42 --> 00:07:46: So while we see. Volatility in the market.  
00:07:46 --> 00:07:51: We also seem to see volatility in the mood of  
00:07:51 --> 00:07:52: people.  
00:07:52 --> 00:07:55: And then there is the long term perspective.  
00:07:55 --> 00:07:57: Driven by changing consumer demands,  
00:07:57 --> 00:08:01: for example, for more flexibility and amenities ever,  
00:08:01 --> 00:08:06: stricter ESG requirements and ongoing digitalization.  
00:08:06 --> 00:08:11: Dick industry clearly sees the need for organizational transformation,  
00:08:11 --> 00:08:15: but still needs to get to grips with what this  
00:08:15 --> 00:08:18: will really mean in practice.  
00:08:18 --> 00:08:21: I will talk more about this aspect later in the  
00:08:21 --> 00:08:22: presentation,  
00:08:22 --> 00:08:25: but now I would really like to hand over to  
00:08:25 --> 00:08:29: Garrett to talk more specifically about the results of the  
00:08:29 --> 00:08:30: report.  
00:08:30 --> 00:08:31: Garrett handing over to you.  
00:08:34 --> 00:08:36: Thanks for that and good afternoon everyone.

00:08:36 --> 00:08:40: I'm Garth Lewis from PC real estate and I lead  
00:08:40 --> 00:08:45: the emerging trends in research on behalf of PwC.  
00:08:45 --> 00:08:47: So what were the, what the themes and sentiment that  
00:08:47 --> 00:08:49: we captured in this years with search search?  
00:08:49 --> 00:08:51: This aspect is always really challenging,  
00:08:51 --> 00:08:54: but we've reflected five key themes that you can see  
00:08:54 --> 00:08:54: here.  
00:08:54 --> 00:08:57: Firstly, a post pandemic high reflecting,  
00:08:57 --> 00:08:59: very positive sentiment but with great with,  
00:08:59 --> 00:09:03: with some many caveats there secondly inflated longer term  
concerns  
00:09:03 --> 00:09:08: reflecting one of the obvious aforementioned caveats are  
very clear  
00:09:08 --> 00:09:11: concerns around the increased costs of operating in the real  
00:09:11 --> 00:09:14: estate sector. Thirdly, energy for change.  
00:09:14 --> 00:09:18: What's driving? Future demand for various real estate  
sectors.  
00:09:18 --> 00:09:23: Fourth city stability. Capturing the industry's views on the  
cities  
00:09:23 --> 00:09:26: with the best best investment prospects in 2022.  
00:09:26 --> 00:09:31: And finally organizational change which we tackled in chapter  
for  
00:09:31 --> 00:09:36: this year's report and this at mentioned next slide please.  
00:09:36 --> 00:09:42: So post pandemic high. Another theme here basically is  
confidence.  
00:09:42 --> 00:09:47: Confidence was restored as European economies have  
started to recover  
00:09:47 --> 00:09:50: from the pandemic we see a clear up turning confidence  
00:09:50 --> 00:09:52: amongst industry leaders,  
00:09:52 --> 00:09:55: although many are still coming to terms with the radical  
00:09:55 --> 00:09:58: changes to business to business of real estate bought about  
00:09:58 --> 00:10:00: or accelerated by COVID.  
00:10:00 --> 00:10:03: We've seen the highest levels of confidence since 2014  
across  
00:10:04 --> 00:10:06: a range of areas such as overall business,  
00:10:06 --> 00:10:10: confidence, profitability and headcount which actually shows  
the highest level  
00:10:11 --> 00:10:11: of confidence.  
00:10:11 --> 00:10:15: In over 10 years. And this high confidence is is  
00:10:15 --> 00:10:19: further supported by continuing strong investor demand with  
debt and  
00:10:19 --> 00:10:22: equity supply expected to remain high.  
00:10:22 --> 00:10:26: Although there are significant differences between sectors  
depending on their

00:10:26 --> 00:10:28: performance during the pandemic.

00:10:28 --> 00:10:30: And as a, let's say alluded to,

00:10:30 --> 00:10:32: a key question really, here is whether this level of

00:10:32 --> 00:10:33: confidence is sustainable,

00:10:33 --> 00:10:36: giving all the uncertainty around the real estate market or

00:10:37 --> 00:10:39: is always saying effectively a sugar high from all the

00:10:39 --> 00:10:41: stimulus pumped into the economy.

00:10:41 --> 00:10:44: I'm sure the panel will talk about that aspect,

00:10:44 --> 00:10:46: but uncertainty is a keyword.

00:10:46 --> 00:10:49: When looking further ahead over the next three to five

00:10:49 --> 00:10:49: years,

00:10:49 --> 00:10:52: not only because of the number of structural changes,

00:10:52 --> 00:10:55: but also concerns over almost all business real estate,

00:10:55 --> 00:10:58: social and political issues that all come together.

00:10:58 --> 00:11:02: Would come out as higher concerns over the longer term

00:11:02 --> 00:11:03: versus the next 12 months.

00:11:03 --> 00:11:09: Next slide, please. The second theme is around inflated

00:11:09 --> 00:11:13: longer term concerns but next slide please.

00:11:13 --> 00:11:15: So one of the key areas of concern for the

00:11:16 --> 00:11:16: industry.

00:11:16 --> 00:11:21: Despite this rising optimism, our survey still highlights a

00:11:21 --> 00:11:23: number of issues to watch for 2022.

00:11:23 --> 00:11:27: Cyber security is the most pressing business concern,

00:11:27 --> 00:11:31: with 67% of respondents concerned or very concerned about

00:11:31 --> 00:11:33: its impact up from around about 50%

00:11:33 --> 00:11:37: last year. The biggest specific real estate concern relates to

00:11:37 --> 00:11:39: inflation and supply chains,

00:11:39 --> 00:11:43: impacting mostly construction prices and delivery schedules.

00:11:43 --> 00:11:46: And if anything. Escalating energy prices based on a surge

00:11:46 --> 00:11:49: in demand and ongoing supply crunch have become more of

00:11:49 --> 00:11:51: a drag on the global economy.

00:11:51 --> 00:11:54: Since the interviews were conducted with this report in the

00:11:54 --> 00:11:57: summer with no letup insight for business or consumers,

00:11:57 --> 00:12:01: the energy crisis is adding to that uncertainty around already.

00:12:01 --> 00:12:03: Heightened real estate concerns over over inflation.

00:12:03 --> 00:12:05: Even back in the summer,

00:12:05 --> 00:12:08: 82% of respondents expected inflation to rise in the near

00:12:09 --> 00:12:09: future,

00:12:09 --> 00:12:13: while 62% predict that interest rates will go up.

00:12:13 --> 00:12:17: Next. Slide, please. The third theme,

00:12:17 --> 00:12:21: entitled Energy for Change, looks at the individual demand for

00:12:21 --> 00:12:23: for different sectors.

00:12:23 --> 00:12:26: Demand for court assets continues to increase dramatically,

00:12:26 --> 00:12:28: forcing prices up in some sectors,

00:12:28 --> 00:12:32: pushing investors into new areas and others towards development to

00:12:32 --> 00:12:34: find investment returns and at the same time,

00:12:34 --> 00:12:37: the industry is trying to come to terms with what

00:12:37 --> 00:12:39: the definition of core counts.

00:12:39 --> 00:12:42: What counts as real estate core and a changing definition

00:12:42 --> 00:12:46: of what constitutes secure income continues to influence the rise

00:12:46 --> 00:12:46: in demand.

00:12:46 --> 00:12:50: Or alternative sectors as diverse as new energy infrastructure,

00:12:50 --> 00:12:52: life sciences and data centers.

00:12:52 --> 00:12:56: The same trend sees residential continue to dominate the top

00:12:56 --> 00:12:59: of the chart of investor preferences.

00:12:59 --> 00:13:02: So the in favor sectors for 2022 show similar flavor

00:13:02 --> 00:13:05: to last year with perhaps self storage and new entrants

00:13:05 --> 00:13:08: in the top ten and multi let industrial with dustrial

00:13:08 --> 00:13:12: and notable sector just outside the top 10.

00:13:12 --> 00:13:16: The pandemic has reinforced the trend of investors targeting contraceptive.

00:13:16 --> 00:13:20: Typical sectors that profit from mega trends and therefore generate

00:13:21 --> 00:13:22: more resilient income.

00:13:22 --> 00:13:25: Despite this, continues strong interest in alternative or nice sectors

00:13:25 --> 00:13:27: such as life sciences,

00:13:27 --> 00:13:29: energy and data centers, we can be sure that these

00:13:29 --> 00:13:32: sectors will not attract the most capital in 2022,

00:13:32 --> 00:13:34: as many interviewees point out,

00:13:34 --> 00:13:37: they're yet to offer the liquidity required by most investors,

00:13:37 --> 00:13:38: but perhaps they are high.

00:13:38 --> 00:13:42: Ranking indicates a direction of travel and part of a

00:13:42 --> 00:13:42: longer.

00:13:42 --> 00:13:46: Term and fundamental shift into more operational real estate that

00:13:46 --> 00:13:50: the industry is navigating and it demonstrates a more granular

00:13:50 --> 00:13:52: approach to real estate investing.

00:13:52 --> 00:13:56: Drilling down into the specifics of subsectors when making

asset

00:13:56 --> 00:13:58: allocation decision decisions.

00:13:58 --> 00:14:02: Several of the trends circulating in this year's report would

00:14:02 --> 00:14:05: revolve around the concept of how best to access prime

00:14:05 --> 00:14:08: real estate and developing the core as many as 3/4

00:14:08 --> 00:14:12: of survey respondents believe that development is the best way

00:14:12 --> 00:14:13: to acquire prime property.

00:14:13 --> 00:14:16: But this links to a challenge which our survey suggests

00:14:16 --> 00:14:19: will be one of the hardest tackle in coming years.

00:14:19 --> 00:14:21: That is, the growing focus on in body carbon created

00:14:22 --> 00:14:26: by new development emissions created during construction and demolition process

00:14:26 --> 00:14:27: of a building which,

00:14:27 --> 00:14:29: by some estimates account for up to 70%

00:14:29 --> 00:14:33: of carbon produced during assets lifetime once in body carbon

00:14:33 --> 00:14:36: is taken into account building new assets rather than buying

00:14:36 --> 00:14:37: existing ones,

00:14:37 --> 00:14:41: runs counter to the sustainability goals that many investors seem

00:14:41 --> 00:14:43: so keen to embrace.

00:14:43 --> 00:14:45: And the obvious fix for this paradox is to refurbish

00:14:45 --> 00:14:48: or re purpose existing assets rather than build from the

00:14:49 --> 00:14:49: ground up.

00:14:49 --> 00:14:51: But this creates significant challenges,

00:14:51 --> 00:14:57: complexities and costs which few have managed to adequately address

00:14:57 --> 00:14:58: so far.

00:14:58 --> 00:15:02: Next slide please. Apologies, I've skipped a slide there so

00:15:02 --> 00:15:06: this this was related to previous the previous one on

00:15:06 --> 00:15:08: sector sector choices.

00:15:08 --> 00:15:10: And can we move on to the next slide please?

00:15:12 --> 00:15:16: The The four theme we we we use this year

00:15:16 --> 00:15:18: is a strong city stability.

00:15:18 --> 00:15:21: So against the backdrop of all of the above,

00:15:21 --> 00:15:24: there's no surprise that the the city rankings are little

00:15:24 --> 00:15:25: changed from last year,

00:15:25 --> 00:15:27: London regains the top spot.

00:15:27 --> 00:15:29: So could we move on to the next slide,

00:15:29 --> 00:15:32: please? London will get regains,

00:15:32 --> 00:15:35: the top spot from Berlin for overall investment and development

00:15:35 --> 00:15:36: prospects.

00:15:36 --> 00:15:38: The prominence of these two capitals,

00:15:38 --> 00:15:41: as well as other German cities and Paris indicate the

00:15:41 --> 00:15:45: investors remain selective about where they deploy capital,

00:15:45 --> 00:15:48: and there's an understandable focus on cities that offer liquidity,

00:15:48 --> 00:15:51: at least for the short term.

00:15:51 --> 00:15:53: London has moved up one place in the city rankings

00:15:53 --> 00:15:56: to become the most favored city for combined investment and

00:15:56 --> 00:15:58: development prospects for the year ahead.

00:15:58 --> 00:16:00: Whilst London can't shake off the Brexit,

00:16:00 --> 00:16:04: legacy is still seen by respondents as having the potential

00:16:04 --> 00:16:05: to reinvent itself,

00:16:05 --> 00:16:09: particularly with technology and life sciences.

00:16:09 --> 00:16:12: Berlin heads up the usual strong showing from German cities,

00:16:12 --> 00:16:15: which all great gain from being seen as a robust

00:16:15 --> 00:16:17: economy and having high transparency.

00:16:17 --> 00:16:20: Paris is in the top three for being another gateway

00:16:21 --> 00:16:24: city with good transportation links and the upcoming Olympics.

00:16:24 --> 00:16:28: Other cities doing well because of the livability include Amsterdam

00:16:28 --> 00:16:31: and the southern European cities of Madrid and Barcelona,

00:16:31 --> 00:16:35: which are seen as having possible pricing advantages.

00:16:35 --> 00:16:38: And at that point I'll hand over to Lizette to

00:16:38 --> 00:16:41: cover the 5th theme around organizational transformation.

00:16:43 --> 00:16:44: Thanks

00:16:44 --> 00:16:49: Garrett next slide please. As I already mentioned in the

00:16:49 --> 00:16:51: in my introductory remarks,

00:16:51 --> 00:16:58: there is now a broad agreement that organizational transformation is

00:16:58 --> 00:17:02: a key priority for the next 353 to five years.

00:17:02 --> 00:17:08: 68% of the respondents agreed with that next slide please.

00:17:08 --> 00:17:13: But what are their main drivers for that organizational transformation

00:17:13 --> 00:17:13: on the.

00:17:13 --> 00:17:17: One spot it was a real estate as a surface

00:17:17 --> 00:17:21: that in lot in combination with changing consumer demand which.

00:17:21 --> 00:17:26: Consumers asking for more increased flexibility,

00:17:26 --> 00:17:31: services, amenities, etc that has strong impact on the business



00:17:31 --> 00:17:33: and financial model of real estate.

00:17:33 --> 00:17:38: At the same time, obviously we see and never stricter

00:17:38 --> 00:17:41: requirements related to ESG,

00:17:41 --> 00:17:43: a stronger agenda, a broader agenda,

00:17:43 --> 00:17:48: not just covering the E but also the S&G and

00:17:48 --> 00:17:51: a strong link between EST and.

00:17:51 --> 00:17:55: Focus on brand and reputation as well as the broader

00:17:55 --> 00:17:58: license to operate for real estate.

00:17:58 --> 00:18:03: And uhm, I already mentioned the occupier desire for flexibility,

00:18:03 --> 00:18:05: which is also felt important.

00:18:05 --> 00:18:09: Obviously all of these are strongly related to an honor.

00:18:09 --> 00:18:13: Next time, please. And what is that and what are

00:18:13 --> 00:18:17: the biggest SuccessFactors for that change?

00:18:17 --> 00:18:21: And interestingly, it's it's all about technology with 92%

00:18:21 --> 00:18:27: thinking that adapting and integrating technology into business processes is

00:18:27 --> 00:18:32: one of the main drivers for successful organizational transformation.

00:18:32 --> 00:18:37: At the same time, running an environmentally and socially sustainable

00:18:37 --> 00:18:38: business is felt important.

00:18:38 --> 00:18:40: Also important, but less important,

00:18:40 --> 00:18:45: is about 78% thinks you need to hire new and

00:18:45 --> 00:18:48: non traditional real estate skills.

00:18:48 --> 00:18:53: What we found interesting actually is that technology is on

00:18:53 --> 00:18:57: the number one spot and skills is slightly less important

00:18:57 --> 00:19:01: and well we thought that in order to make that

00:19:01 --> 00:19:06: successful transformation and integrate technology you need the right skills

00:19:06 --> 00:19:07: to do that.

00:19:07 --> 00:19:11: But obviously the majority. Things differently about that.

00:19:11 --> 00:19:15: If you then look at integrating a technology and running

00:19:15 --> 00:19:19: an environmentally and standing socially sustainable business,

00:19:19 --> 00:19:21: there's still more work to do.

00:19:21 --> 00:19:25: Next, slide please. And we also ask people about.

00:19:25 --> 00:19:29: ESG specifically, and what they specifically measure.

00:19:29 --> 00:19:33: We also ask them how they measure that and and

00:19:33 --> 00:19:36: how important they think these elements are.

00:19:36 --> 00:19:42: And not surprisingly. Environmental issues are the most measured by

00:19:42 --> 00:19:44: the industry,

00:19:44 --> 00:19:46: and if you then look what message is mostly about

00:19:46 --> 00:19:47: energy efficiency.

00:19:47 --> 00:19:50: Although as also Garrett alluded to,

00:19:50 --> 00:19:58: it's more about decarbonization. Operational embodied to a lesser extent,

00:19:58 --> 00:20:03: and the most that's been measured by is still.

00:20:03 --> 00:20:08: Building certification and obviously we see an increase among all

00:20:08 --> 00:20:09: of that.

00:20:09 --> 00:20:12: With the social element that's all a bit less,

00:20:12 --> 00:20:15: and what we've seen generally is that there's a much

00:20:16 --> 00:20:19: stronger focus on history across the board.

00:20:19 --> 00:20:23: However, it's mostly still dealt with from a more operational

00:20:23 --> 00:20:24: perspective.

00:20:24 --> 00:20:30: Getting requests from investors obviously regulation becoming stricter and dealing

00:20:30 --> 00:20:32: with all that operational hassle.

00:20:32 --> 00:20:37: If you will, it's not yet lifted to the strategic

00:20:37 --> 00:20:39: level in many cases.

00:20:39 --> 00:20:43: Next slide, please. And then we also come to work

00:20:44 --> 00:20:48: a question on what the broader UM barriers are to

00:20:48 --> 00:20:54: organizational transformation and existing culture was by farther the the

00:20:54 --> 00:20:59: the biggest barrier felt by many and also about risk.

00:20:59 --> 00:21:01: Obviously it's about an uncertain future.

00:21:01 --> 00:21:04: You don't exactly know the changes you're going to make

00:21:04 --> 00:21:05: will be successful,

00:21:05 --> 00:21:09: and then we also had the issue of cost related

00:21:09 --> 00:21:10: to reorganization,

00:21:10 --> 00:21:11: or some people said, actually.

00:21:11 --> 00:21:15: In this market where it's so competitive,

00:21:15 --> 00:21:19: they actually more difficult to make those changes as there

00:21:19 --> 00:21:22: is a cost involved and the benefits often much more

00:21:22 --> 00:21:24: difficult to quantify.

00:21:24 --> 00:21:27: So yes, there is a strong.

00:21:27 --> 00:21:30: View among the industry that there is a need for

00:21:30 --> 00:21:32: organizational transformation.

00:21:32 --> 00:21:35: But as I already mentioned before,

00:21:35 --> 00:21:38: still trying to get to grips with what that means

00:21:38 --> 00:21:40: in practice and how to get there.

00:21:40 --> 00:21:44: What are those steps to take?

00:21:44 --> 00:21:48: Next slide, please. I'll leave it here.

00:21:48 --> 00:21:51: I'll invite you all to read the reports yourself.

00:21:51 --> 00:21:53: You need to take some time for that.

00:21:53 --> 00:21:57: Here you see the links where the report becomes available.

00:21:57 --> 00:22:00: I've been informed it should be available after the event,

00:22:00 --> 00:22:02: but if you have any queries,

00:22:02 --> 00:22:05: just let us know. Now heading back to every for

00:22:05 --> 00:22:06: the panel discussion.

00:22:06 --> 00:22:07: Thank you.

00:22:11 --> 00:22:13: Thank you lissette. Thank you Gareth.

00:22:13 --> 00:22:18: Uhm very very interesting results which we are going to

00:22:18 --> 00:22:21: discuss now with our panel.

00:22:21 --> 00:22:26: Three top professionals key players in the European real estate

00:22:26 --> 00:22:27: market.

00:22:27 --> 00:22:32: It's Andy popping, CEO of Indian markets at JLL,

00:22:32 --> 00:22:36: Andrea Orlandi, managing director and head of real estate Investments,

00:22:36 --> 00:22:40: Europe for Canada Pension Plan Investment Board,

00:22:40 --> 00:22:44: and Megan Walters. Global head of research at Allianz Real estate.

00:22:44 --> 00:22:45:

00:22:45 --> 00:22:47: I would like to welcome you all.

00:22:47 --> 00:22:52: Please introduce yourselves and then as I said,

00:22:52 --> 00:22:55: I've got a few questions prepared but also feel free

00:22:55 --> 00:22:58: to also share your questions on via the Q&A zoom

00:22:58 --> 00:22:59: function.

00:23:03 --> 00:23:06: Uh, Megan, let's start with you.

00:23:07 --> 00:23:09: Thank you every thank you to U Li for having

00:23:09 --> 00:23:10: me here today.

00:23:10 --> 00:23:11: So a few words about me.

00:23:11 --> 00:23:15: I've been a member of ULIA for about 9 years

00:23:15 --> 00:23:16: now,

00:23:16 --> 00:23:19: most recently in Asia Pacific and then on the UK

00:23:19 --> 00:23:20: Executive Board.

00:23:20 --> 00:23:22: So my background, I'm UK trained,

00:23:22 --> 00:23:25: it shatters surveyor. I've been with aliens,

00:23:25 --> 00:23:28: real estate for two years before that I was with

00:23:28 --> 00:23:31: gel in Asia Pacific for a number of years and

00:23:31 --> 00:23:33: alianta real estate is the captive.

00:23:33 --> 00:23:37: It's part of PIMCO and we deploy capital on behalf.

00:23:37 --> 00:23:39: But the larger Allianz real estate Insurance Group,

00:23:39 --> 00:23:43: which has about 835 billion euros of assets under management

00:23:43 --> 00:23:44: and real estate,

00:23:44 --> 00:23:47: represents about 10% of that.

00:23:47 --> 00:23:47: Thanks, Sherry,  
00:23:48 --> 00:23:49: thank you, thank you Mega,  
00:23:49 --> 00:23:52: so under. Did you know Megan before?  
00:23:53 --> 00:23:56: Megan and I did not get a chance to interact  
00:23:56 --> 00:23:58: directly when she was in jail,  
00:23:58 --> 00:24:01: but I look forward to learning from her on the  
00:24:01 --> 00:24:01: panel today.  
00:24:01 --> 00:24:05: So, as Megan noted, a grateful to be included in  
00:24:05 --> 00:24:09: the panel and found the report fascinating,  
00:24:09 --> 00:24:12: it reaffirmed some of the assumptions that I had,  
00:24:12 --> 00:24:16: but I also found some new great insights and learnings  
00:24:16 --> 00:24:16: from it.  
00:24:16 --> 00:24:20: It will be able to take action from from having  
00:24:20 --> 00:24:22: taken a deep dive into the report,  
00:24:22 --> 00:24:25: so I am the CEO of EMEA markets.  
00:24:25 --> 00:24:30: At JLL, I joined JAL via acquisition and have been  
00:24:30 --> 00:24:35: at the combined company for over 20 years now I  
00:24:35 --> 00:24:40: moved to Europe from the San Francisco Bay area where  
00:24:40 --> 00:24:44: I worked closely with many of the large global tech  
00:24:44 --> 00:24:47: companies and have found it fascinating too.  
00:24:47 --> 00:24:51: Learn a lot more about our markets in India as  
00:24:51 --> 00:24:54: well as the cultural differences across so.  
00:24:54 --> 00:24:55: Excited to join the panel.  
00:24:57 --> 00:24:58: Thank you Andrea  
00:24:59 --> 00:24:59: welcome.  
00:25:00 --> 00:25:03: Thank you hi everybody, my name is Andrea Orlandi.  
00:25:03 --> 00:25:08: I head up the European investment team in real estate  
00:25:09 --> 00:25:11: for CPP investments.  
00:25:11 --> 00:25:14: I've been here for about 10 years and from here  
00:25:14 --> 00:25:17: we also launched the investment program out in India.  
00:25:17 --> 00:25:20: So I do. I used to get a chance to  
00:25:20 --> 00:25:23: spend a bit of time in India to an CPP.  
00:25:23 --> 00:25:27: Investments is a \$500 billion fund.  
00:25:27 --> 00:25:32: Basically that invests the assets of the Canada Pension Plan  
00:25:32 --> 00:25:36: and we've got 20 million contributors and we have about  
00:25:36 --> 00:25:40: \$50 billion of equity invested in real estate in a  
00:25:40 --> 00:25:45: global investment. Program, so we're quite active across all  
00:25:45 --> 00:25:45: the  
00:25:45 --> 00:25:45: regions.  
00:25:47 --> 00:25:50: OK, thank you, thank you.  
00:25:50 --> 00:25:53: So, uh, I would like to to ask us just  
00:25:53 --> 00:25:55: to kick off the discussion.

00:25:55 --> 00:25:58: I mean, what what was for for you like the  
00:25:58 --> 00:26:02: most interesting or surprising outcome of this report this  
year?  
00:26:02 --> 00:26:07: Something you didn't expect? Or let's start with Andrea.  
00:26:09 --> 00:26:12: So a couple of things that I picked up on.  
00:26:12 --> 00:26:17: I think one was as more surprises was how economic  
00:26:17 --> 00:26:19: growth didn't rank higher,  
00:26:19 --> 00:26:22: especially in Europe. With regard to focus.  
00:26:22 --> 00:26:27: Because it is such a driver of actually investment activity  
00:26:27 --> 00:26:31: and returns that that somehow was forgotten or it felt  
00:26:31 --> 00:26:33: forgotten a little bit.  
00:26:33 --> 00:26:37: The other observation for me was something actually Lizette  
touched  
00:26:37 --> 00:26:37: upon.  
00:26:37 --> 00:26:41: There's a bit of a contradiction in some of the  
00:26:41 --> 00:26:44: results because there is a focus on how the industry  
00:26:44 --> 00:26:45: is changing.  
00:26:45 --> 00:26:50: The sectors were looking at and.  
00:26:50 --> 00:26:53: The operational risk we're facing,  
00:26:53 --> 00:26:55: but then, if I recall correctly,  
00:26:55 --> 00:26:58: the survey showed the need to evolve was not actually  
00:26:58 --> 00:27:01: as highly ranked as one would have expected,  
00:27:01 --> 00:27:05: and then hiring from new or non traditional places was  
00:27:05 --> 00:27:07: actually once again a bit low.  
00:27:07 --> 00:27:09: So I think there's a failure recognition that if the  
00:27:09 --> 00:27:11: market's changing actually we have to change too.  
00:27:14 --> 00:27:17: Through Megan. Actually,  
00:27:17 --> 00:27:20: I'd like to build on Andrea's point for me that  
00:27:21 --> 00:27:24: the happy bit was business sentiment up at the start  
00:27:24 --> 00:27:25: and reflecting on GDP.  
00:27:25 --> 00:27:28: The world should feel better next year,  
00:27:28 --> 00:27:30: and the next and the year after in terms of  
00:27:30 --> 00:27:31: sort of GDP growth rates.  
00:27:31 --> 00:27:34: But the point also, I wanted to pick up on  
00:27:34 --> 00:27:36: was this piece that dissected at the end at around  
00:27:36 --> 00:27:38: organizational transformation,  
00:27:38 --> 00:27:40: and I thought it was really interesting to note in  
00:27:40 --> 00:27:41: the report.  
00:27:41 --> 00:27:42: I think it was like 83%  
00:27:42 --> 00:27:46: of participants felt that organizational culture was one of the  
00:27:46 --> 00:27:47: barriers to change.  
00:27:47 --> 00:27:51: Now I think that's hugely interesting because we return to  
00:27:51 --> 00:27:52: work sort of organization.

00:27:52 --> 00:27:55: We think going to work is a good thing for  
00:27:55 --> 00:27:58: communication and collaboration and building culture,  
00:27:58 --> 00:28:01: so it's going to be quite a paradox for senior  
00:28:01 --> 00:28:05: leaders in large organisations to figure out they want people  
00:28:05 --> 00:28:08: to come back to work to build culture.  
00:28:08 --> 00:28:10: But this report is showing that culture itself,  
00:28:10 --> 00:28:12: in organisations, a barrier to change.  
00:28:12 --> 00:28:15: So how do we keep the good bits of working  
00:28:15 --> 00:28:15: from home?  
00:28:15 --> 00:28:18: I think there was a line something about the.  
00:28:18 --> 00:28:21: Universal appreciation of choice in the report jumped out at  
00:28:21 --> 00:28:22: me as a great line.  
00:28:22 --> 00:28:24: So how do we keep the diversity and the universal  
00:28:24 --> 00:28:28: appreciation of choice that working from home has brought  
and  
00:28:28 --> 00:28:30: then how do we deal with culture?  
00:28:30 --> 00:28:33: If culture itself might be a barrier to organizational  
transformation?  
00:28:36 --> 00:28:40: That's very that's very interesting to to think for all  
00:28:40 --> 00:28:40: of us.  
00:28:40 --> 00:28:44: It also surprised me this that changing of fear of  
00:28:44 --> 00:28:46: change was the biggest barrier.  
00:28:46 --> 00:28:51: Andy, what're your thoughts or the the most interesting  
00:28:51 --> 00:28:54: outcomes? Thank you every day and I I would like  
00:28:54 --> 00:28:55: to follow both.  
00:28:55 --> 00:28:59: But Andrew and Megan said because those were things that  
00:28:59 --> 00:29:02: jumped out and raise point about the disconnect,  
00:29:02 --> 00:29:07: or rather distancing of. Economic and even leasing  
fundamentals to  
00:29:07 --> 00:29:10: investment is somewhat new and I think there are other  
00:29:10 --> 00:29:14: factors that have pulled them apart which there's some great  
00:29:14 --> 00:29:17: data in the report around this.  
00:29:17 --> 00:29:19: I do believe very strongly,  
00:29:19 --> 00:29:22: as Megan was noting that.  
00:29:22 --> 00:29:25: I mean, I'm just passionate about the need for training,  
00:29:25 --> 00:29:27: not just our leaders and our managers,  
00:29:27 --> 00:29:30: but our employees into how to how we should be  
00:29:30 --> 00:29:34: working and interacting and communicating in this new  
environment.  
00:29:34 --> 00:29:37: It is new even if we're returning to the office,  
00:29:37 --> 00:29:40: it is still new, new way of working,  
00:29:40 --> 00:29:44: and so we really do need to educate ourselves around  
00:29:44 --> 00:29:47: how we do this and what the appropriate expectations are.

00:29:47 --> 00:29:52: The biggest takeaway for me and kind of reaffirms.  
00:29:52 --> 00:29:55: One of my big big assumptions is and it's just  
00:29:55 --> 00:29:58: an exciting time to be a part of our our  
00:29:58 --> 00:30:01: industry because there it is change change is not not  
00:30:01 --> 00:30:04: optional, it's it has come at a much more rapid  
00:30:04 --> 00:30:06: pace and it was previously.  
00:30:06 --> 00:30:10: But you've now got this intersection of organizational  
transformation and  
00:30:10 --> 00:30:11: health and well being.  
00:30:11 --> 00:30:16: ESG technology, bringing new talent into into the industry  
and  
00:30:17 --> 00:30:21: also at the same time we've real estate has been  
00:30:21 --> 00:30:22: heightened.  
00:30:22 --> 00:30:26: In everyone's mind, so now everyone has an opinion about  
00:30:26 --> 00:30:29: return to the office and the role of office and  
00:30:29 --> 00:30:32: and E commerce and retail and residential,  
00:30:32 --> 00:30:35: as well as every CEO across the board now has  
00:30:35 --> 00:30:37: to have a stance on what the future of work  
00:30:37 --> 00:30:38: looks like.  
00:30:38 --> 00:30:40: So to me, it's just a really exciting time and  
00:30:40 --> 00:30:44: there's great data that reinforces some of both the  
opportunities  
00:30:44 --> 00:30:46: and the challenges that we're facing.  
00:30:48 --> 00:30:51: Indeed, indeed and, and that also has affected,  
00:30:51 --> 00:30:54: I suppose, investment strategies, uh,  
00:30:54 --> 00:31:00: in and and and. It's interesting how new sectors continue  
00:31:00 --> 00:31:01: to emerge.  
00:31:01 --> 00:31:04: The alternative sectors are not something new.  
00:31:04 --> 00:31:08: We've seen it in the previous surveys coming up,  
00:31:09 --> 00:31:09: and  
00:31:09 --> 00:31:11: I would like to ask  
00:31:11 --> 00:31:18: Andrea, actually an about about this this rising importance.  
00:31:18 --> 00:31:22: Alternatives in in, in in investor strategies.  
00:31:22 --> 00:31:26: Aiming to, you know, capture more resilient income through  
these  
00:31:26 --> 00:31:27: strategies,  
00:31:27 --> 00:31:31: but but less income risk also comes with more managerial  
00:31:31 --> 00:31:33: complexity and less liquidity,  
00:31:33 --> 00:31:37: and this is something that the report also showed that  
00:31:37 --> 00:31:40: the people really identified.  
00:31:40 --> 00:31:43: How how do you expect these to impact your investment  
00:31:43 --> 00:31:44: strategies?  
00:31:44 --> 00:31:47: Are you looking into alternative sectors into the ones that

00:31:47 --> 00:31:49: come top in this survey?

00:31:50 --> 00:31:53: I think the first comment I would make is there's

00:31:53 --> 00:31:55: a bit of a push and a pull factor,

00:31:55 --> 00:31:58: 'cause there is an emerging interest in alternative,

00:31:58 --> 00:32:01: but a little bit is also a consequence of the

00:32:01 --> 00:32:06: traditional sectors for real estate investors being retail and offices,

00:32:06 --> 00:32:09: not performing well or being in a transition period.

00:32:09 --> 00:32:13: So in some ways you've seen a migration of very

00:32:13 --> 00:32:18: large migration from traditional sectors looking for new places to

00:32:18 --> 00:32:19: invest.

00:32:19 --> 00:32:22: Uhm, the other maybe focus I would say is there

00:32:22 --> 00:32:26: is an interest in the alternative sectors.

00:32:26 --> 00:32:28: The ability to invest in them.

00:32:28 --> 00:32:30: It is actually more limited.

00:32:30 --> 00:32:34: It's a smaller universe. So once again the ability for

00:32:34 --> 00:32:37: investors to actually deploy capital there.

00:32:37 --> 00:32:41: Will have consequences when I think people will ultimately look

00:32:41 --> 00:32:44: back on retail and offices and see if it's not

00:32:44 --> 00:32:45: so bad actually.

00:32:48 --> 00:32:51: I think when you're investing in alternative sectors,

00:32:51 --> 00:32:53: you're taking on more operating risk as you,

00:32:53 --> 00:32:58: as you pointed out, and there's greater complexity.

00:32:58 --> 00:33:01: Also a little bit in today's world is yes,

00:33:01 --> 00:33:05: there's more complexity, but returns are actually getting lower.

00:33:05 --> 00:33:07: So I think also there's a little bit of a

00:33:07 --> 00:33:10: self reflection for a lot of investors when you look

00:33:10 --> 00:33:14: at those sectors that you're actually generating returns lower than

00:33:14 --> 00:33:15: you were used to, though,

00:33:15 --> 00:33:19: you're taking greater risk. So as Andy said,

00:33:19 --> 00:33:23: actually it's a very interesting time right now and and

00:33:24 --> 00:33:28: even in our traditional asset classes retail and offices,

00:33:28 --> 00:33:30: there's greater operating risk today.

00:33:30 --> 00:33:34: With flexible working, you now have an alternative the digital world.

00:33:34 --> 00:33:34: So suddenly offices are riskier too and retail it all

00:33:34 --> 00:33:39: accelerated with the pandemic,

00:33:39 --> 00:33:41: but there was a trend with ecommerce,

00:33:41 --> 00:33:43: so there's a lot of moving pieces.

00:33:43 --> 00:33:46:



00:33:46 --> 00:33:49: We are of course looking at alternative sectors.  
00:33:49 --> 00:33:51: We've recently invested in life sciences.  
00:33:51 --> 00:33:54: I wouldn't call industrial as being alternative,  
00:33:54 --> 00:33:57: but it's gained in importance.  
00:33:57 --> 00:34:00: But that universe is still small.  
00:34:01 --> 00:34:06: Indeed, we had. We had a quick chat with Megan  
00:34:06 --> 00:34:09: yesterday about that and.  
00:34:09 --> 00:34:13: You mentioned that you stick to the traditional sectors.  
00:34:13 --> 00:34:16: Is it because you think you fear the liquidity issues  
00:34:16 --> 00:34:18: or the complexity issues?  
00:34:18 --> 00:34:20: What? What's your driver behind your decision?  
00:34:21 --> 00:34:24: Thanks, thanks for the question so that we are a  
00:34:24 --> 00:34:26: very large diversified core investor.  
00:34:26 --> 00:34:30: The alternative section in terms of transaction volumes  
makes up  
00:34:30 --> 00:34:31: about 10%  
00:34:31 --> 00:34:34: of volumes in the US and in Europe.  
00:34:34 --> 00:34:37: Using the kind of RCA global transactional data.  
00:34:37 --> 00:34:40: So you know we do have exposure to some of  
00:34:40 --> 00:34:44: the alternative sectors we we deploy in three ways,  
00:34:44 --> 00:34:46: so we have direct investments.  
00:34:46 --> 00:34:50: We have funds, indirect investments and debt markets and  
so  
00:34:50 --> 00:34:51: for some of the smaller.  
00:34:51 --> 00:34:55: Alternative sections we would go into those sections using  
indirect  
00:34:55 --> 00:34:57: funds to gain some exposure there.  
00:34:57 --> 00:34:59: Because to Andrea's point it,  
00:34:59 --> 00:35:00: you know they're very small sectors.  
00:35:00 --> 00:35:03: So what really matters for us is actually the partners  
00:35:03 --> 00:35:03: that we have.  
00:35:03 --> 00:35:06: So we have very, very strong joint venture partners.  
00:35:06 --> 00:35:10: So things like life sciences or things like single family  
00:35:10 --> 00:35:11: rental housing,  
00:35:11 --> 00:35:15: those sorts of sectors we would be in with some  
00:35:15 --> 00:35:17: of our JV partners now.  
00:35:17 --> 00:35:19: Does that mean we've abandoned the other sectors?  
00:35:19 --> 00:35:21: No, during I looked up the.  
00:35:21 --> 00:35:24: That how much we deployed last year across 2020 just  
00:35:24 --> 00:35:27: to say you know what was our rate of deployment  
00:35:27 --> 00:35:30: during COVID and we did ???8.3 billion worth of investments  
00:35:30 --> 00:35:32: last year in 2020. So I think that sort of  
00:35:32 --> 00:35:34: speaks fairly well to the fact that we're still out

00:35:34 --> 00:35:35: there buying.

00:35:35 --> 00:35:38: Just recently we we completed on a big tower in

00:35:38 --> 00:35:41: Frankfurt big office tower in Frankfurt as,

00:35:41 --> 00:35:45: or forward funding purchase. So we're still very much in

00:35:45 --> 00:35:47: the traditional areas,

00:35:47 --> 00:35:49: but to to both Andy and Andrea's point,

00:35:49 --> 00:35:52: with its now hugely important to.

00:35:52 --> 00:35:55: Understand what you're buying the the the return,

00:35:55 --> 00:35:59: this the differential in the spreads on the yields between

00:35:59 --> 00:36:01: prime and secondary.

00:36:01 --> 00:36:03: It's blown out for shopping centers and it will go

00:36:03 --> 00:36:05: the same way for officers.

00:36:08 --> 00:36:10: That that's interesting, and 65%

00:36:10 --> 00:36:14: of the respondents said that the prime assets even are

00:36:14 --> 00:36:14: overpriced.

00:36:14 --> 00:36:16: I mean there there is.

00:36:16 --> 00:36:19: There is part of the survey shows that there is

00:36:19 --> 00:36:22: an expectation of deviation of evaluation of primary

00:36:22 --> 00:36:25: secondary.

00:36:22 --> 00:36:25: But a big part believe that prime is overpriced.

00:36:25 --> 00:36:27: I don't know. Would you like to comment on that?

00:36:27 --> 00:36:28: So

00:36:28 --> 00:36:29: can I just can I jump into

00:36:29 --> 00:36:32: that one there? Because I say this was a really

00:36:32 --> 00:36:33: interesting area,

00:36:33 --> 00:36:37: so we did some super long run studies over 40

00:36:37 --> 00:36:37: years.

00:36:37 --> 00:36:40: To look at the spread between the real risk free

00:36:40 --> 00:36:44: rate so government bond rates adjusted for inflation and your

00:36:44 --> 00:36:45: property yields.

00:36:45 --> 00:36:47: To find out what the sort of risk premium for

00:36:47 --> 00:36:48: owning office was.

00:36:48 --> 00:36:49: What's the average? Where are we now?

00:36:49 --> 00:36:53: So just state London. There's an example the the kind

00:36:53 --> 00:36:57: of theoretical long run average of London is about 350

00:36:57 --> 00:36:58: basis points.

00:36:58 --> 00:37:01: It's currently 650 basis points,

00:37:01 --> 00:37:05: so the idea that real estate is overpriced prime is

00:37:06 --> 00:37:07: overpriced.

00:37:07 --> 00:37:10: It's depends what. Alternative you can get and if the

00:37:10 --> 00:37:13: alternative is the real bond rate as a return,

00:37:13 --> 00:37:17: then actually property real estate looks like quite good value.

00:37:17 --> 00:37:19: So I wanted to get that one in there and  
00:37:19 --> 00:37:20: and and then throw it over.  
00:37:21 --> 00:37:24: And I would add to that when you look at  
00:37:24 --> 00:37:28: prime versus the alternatives within the real estate sector.  
00:37:28 --> 00:37:30: Uh, many of those that have been mentioned,  
00:37:30 --> 00:37:35: life sciences data centers are capital intensive to get started  
00:37:36 --> 00:37:38: and the risk profiles are different.  
00:37:38 --> 00:37:42: And then I would also say you come back to  
00:37:42 --> 00:37:45: kind of the new way of working where there is  
00:37:45 --> 00:37:48: greater value placed on those on.  
00:37:48 --> 00:37:52: Sites that can provide the health and well being and  
00:37:52 --> 00:37:55: the amenities and so prime really is prime.  
00:37:55 --> 00:37:56: For four of these in.  
00:37:56 --> 00:38:00: That means new product, newer product.  
00:38:00 --> 00:38:01: And if you look at them,  
00:38:01 --> 00:38:06: these segment of the market which estimates AUC 20 or  
00:38:06 --> 00:38:07: almost 30%  
00:38:07 --> 00:38:12: when you add in the ESG component that could ultimately  
00:38:12 --> 00:38:13: be.  
00:38:13 --> 00:38:16: Maybe not obsolete, but will will require a fair amount  
00:38:16 --> 00:38:19: of capital to get to an appropriate level.  
00:38:19 --> 00:38:22: Then that pressure on prime becomes even greater.  
00:38:22 --> 00:38:26: I think does justify some of that premium that you  
00:38:26 --> 00:38:26: noted.  
00:38:28 --> 00:38:31: What's your view Andrea or on on the price and  
00:38:31 --> 00:38:32: the current pricing levels?  
00:38:32 --> 00:38:34: Are you comfortable with with them?  
00:38:37 --> 00:38:39: I I don't think you can talk about pricing without  
00:38:39 --> 00:38:41: talking about expected returns.  
00:38:41 --> 00:38:45: It it sort of depends what you're targeting as a  
00:38:45 --> 00:38:45: return.  
00:38:45 --> 00:38:50: I think returns in core asset classes have come down  
00:38:50 --> 00:38:53: quite a bit at historical lows.  
00:38:53 --> 00:38:57: Yes, compared to fixed income risk,  
00:38:57 --> 00:39:01: there's still a spread. I guess the question is,  
00:39:01 --> 00:39:04: you know. The embedded equity risk,  
00:39:04 --> 00:39:08: the embedded operating risk, and is that being accounted for,  
00:39:08 --> 00:39:11: and what happens when the vacancy goes up?  
00:39:11 --> 00:39:15: Or what happens when you come?  
00:39:15 --> 00:39:17: Yields go up by 25 basis points,  
00:39:17 --> 00:39:21: which is not a lot and.  
00:39:21 --> 00:39:24: To Andy's point is also the embedded CapEx,

00:39:24 --> 00:39:27: which is something I think unfortunately many real estate investors

00:39:27 --> 00:39:30: forget about when they're running their cash flows,

00:39:30 --> 00:39:34: and in a in a market where yields are compressing

00:39:34 --> 00:39:35: historically.

00:39:35 --> 00:39:38: It's OK, but you know where we are at a

00:39:38 --> 00:39:40: place with very low yields.

00:39:40 --> 00:39:44: A very high pricing, and so as long as it

00:39:45 --> 00:39:47: stays that way that's OK,

00:39:47 --> 00:39:49: but it, but once again it it.

00:39:49 --> 00:39:51: It depends on the returns you're targeting.

00:39:53 --> 00:39:57: And. And it's about the I mean the the quality

00:39:57 --> 00:40:02: of the other income streams and we're talking about.

00:40:02 --> 00:40:07: A service and flexibility, I mean property as a service.

00:40:07 --> 00:40:12: Almost all sectors will become property as a service

00:40:12 --> 00:40:16: responding

00:40:16 --> 00:40:16: to demand to occupied users to customers as they are

00:40:16 --> 00:40:20: called.

00:40:20 --> 00:40:24: Now demands and expectations, and I mean on the how.

00:40:24 --> 00:40:27: How do we, how we determine how do we determine

00:40:28 --> 00:40:31: the quality of income in the context of this operational

00:40:31 --> 00:40:33: intensive assets where there is shorter leases,

00:40:36 --> 00:40:39: flexible leases. And all that.

00:40:39 --> 00:40:41: It's a challenge and what I would add to that

00:40:41 --> 00:40:43: is as we look at where we are in our

00:40:43 --> 00:40:45: future of work journey.

00:40:45 --> 00:40:49: It is still early days.

00:40:49 --> 00:40:52: So yes, it and we can look at markets where

00:40:53 --> 00:40:55: people have returned to work or left work and and

00:40:55 --> 00:40:58: greater percentages as examples,

00:40:58 --> 00:41:02: but it's still very early days and in terms of

00:41:02 --> 00:41:04: occupiers defining what their future of work programs look

00:41:04 --> 00:41:08: like

00:41:08 --> 00:41:11: and I would say this journey.

00:41:12 --> 00:41:13: Will continue on for five years most likely,

00:41:13 --> 00:41:15: and that's because we're starting to get people back to

00:41:15 --> 00:41:18: work or not back to work.

00:41:18 --> 00:41:20: They didn't really ever leave work,

00:41:20 --> 00:41:24: but they left office is so return to the offices

00:41:24 --> 00:41:29: and the future of how we work.

00:41:29 --> 00:41:32: But it is capital intensive if you are going to

00:41:32 --> 00:41:35: shift how your physical space supports your your workforce

00:41:35 --> 00:41:38: and

00:41:29 --> 00:41:33: for people with a portfolio of sites on the occupier  
00:41:33 --> 00:41:37: or investor side. You've got leases that expire overtime and  
00:41:37 --> 00:41:40: we all are and we aren't going to dump all  
00:41:40 --> 00:41:43: of the CapEx required in the first year of an  
00:41:43 --> 00:41:46: untested future of work environment.  
00:41:46 --> 00:41:49: So I I would say this is something that plays  
00:41:49 --> 00:41:52: out over a period of time and there will need  
00:41:52 --> 00:41:55: to do small tests both on the occupier and investor  
00:41:55 --> 00:42:00: side as we and learn from it as we go.  
00:42:00 --> 00:42:01: So it will take time.  
00:42:02 --> 00:42:03: Thank you, thank you and,  
00:42:03 --> 00:42:08: uh, Megan, what's your view on that?  
00:42:08 --> 00:42:10: So we spent a lot of  
00:42:10 --> 00:42:13: time thinking about, so we have a large real estate  
00:42:13 --> 00:42:13: portfolio.  
00:42:13 --> 00:42:16: As you can imagine, I'm 220 offices,  
00:42:16 --> 00:42:18: so at the start of the pandemic,  
00:42:18 --> 00:42:20: the question was how did we analyze these?  
00:42:20 --> 00:42:22: What do we think about them?  
00:42:22 --> 00:42:23: How do we categorize them?  
00:42:23 --> 00:42:26: So one of the things that we did was to  
00:42:26 --> 00:42:30: form some ideas that we think that the the offices  
00:42:30 --> 00:42:33: and locations that will do best will tend to be  
00:42:33 --> 00:42:36: those that are in higher density cities.  
00:42:36 --> 00:42:39: They tend to be higher rent cities.  
00:42:39 --> 00:42:42: It means that if you do need to upgrade cap  
00:42:42 --> 00:42:42: ex.  
00:42:42 --> 00:42:44: You know the cost of new cladding or cost of  
00:42:44 --> 00:42:45: ESG.  
00:42:45 --> 00:42:48: Something around boiler components. It kind of cost the  
00:42:48 --> 00:42:50: same  
00:42:48 --> 00:42:50: whether you're in a fairly low rent city or a  
00:42:51 --> 00:42:51: higher rent city,  
00:42:51 --> 00:42:54: so the maths tend to work better in a higher  
00:42:54 --> 00:42:55: rent city.  
00:42:55 --> 00:42:58: The other thing about high density and high rent cities  
00:42:58 --> 00:43:01: is we tend to have already come sorted out the  
00:43:01 --> 00:43:05: kind of space planning and space utilization area within those  
00:43:05 --> 00:43:08: offices and the other thing with high density cities is  
00:43:08 --> 00:43:09: they tend to have smaller.  
00:43:09 --> 00:43:12: Residential apartments and so people are more likely to  
00:43:12 --> 00:43:13: choose  
00:43:12 --> 00:43:13: to go to the office.

00:43:13 --> 00:43:16: So if we think about where large corporate occupiers might  
00:43:16 --> 00:43:17: want to be,  
00:43:17 --> 00:43:21: they want to be on transport links because that goes  
00:43:21 --> 00:43:22: to your SG.  
00:43:22 --> 00:43:25: A net carbon zero policy about being on a transport  
00:43:25 --> 00:43:25: area.  
00:43:25 --> 00:43:29: You want to be in an environment where the macro  
00:43:29 --> 00:43:32: economic environment has a strong rule of law and some  
00:43:32 --> 00:43:33: stable macro.  
00:43:33 --> 00:43:36: You know interest rates and other areas like that.  
00:43:36 --> 00:43:40: So high density cities we did a big exercise.  
00:43:40 --> 00:43:43: For them, and measured everybody's density and came to the  
  
00:43:43 --> 00:43:46: conclusion that it's the talent pools and about 7 to  
00:43:46 --> 00:43:50: 10 global gateway cities where we will continue to invest.  
00:43:50 --> 00:43:52: And that's where we think the global talent pools will  
00:43:53 --> 00:43:53: be.  
00:43:53 --> 00:43:55: And there's a large number of those in Europe.  
00:43:57 --> 00:44:00: That and and and it's true that at the top  
00:44:00 --> 00:44:03: of the ranking we still have London and Paris and  
00:44:03 --> 00:44:04: Berlin.  
00:44:04 --> 00:44:07: Just changing a bit positions.  
00:44:07 --> 00:44:11: Uhm, but Andrea, so you don't.  
00:44:11 --> 00:44:15: You don't expect any any major reshuffle of these rankings  
00:44:15 --> 00:44:16: in the future.  
00:44:16 --> 00:44:19: Do you think that the the as as Megan says  
00:44:19 --> 00:44:22: these are the big gateway cities will remain the the  
00:44:23 --> 00:44:24: main target for investment?  
00:44:27 --> 00:44:29: I think so. I mean,  
00:44:29 --> 00:44:33: I'd say if they were focus cities pre pandemic,  
00:44:33 --> 00:44:37: I don't see why they would not be focused cities  
00:44:37 --> 00:44:38: post pandemic.  
00:44:38 --> 00:44:42: There are certain attributes those cities bring transportation,  
00:44:42 --> 00:44:47: infrastructure, demographics, education, talent pool.  
00:44:47 --> 00:44:51: Those strengths are still there and there's a reason those  
00:44:51 --> 00:44:57: cities have concentrated wealth or they've concentrated  
talent so they.  
  
00:44:57 --> 00:44:59: And it's very hard to replicate.  
00:44:59 --> 00:45:03: Those intrinsic benefits come and I,  
00:45:03 --> 00:45:07: I believe. Still, I think that there is still a  
00:45:07 --> 00:45:10: place for the office space for all organizations.  
00:45:10 --> 00:45:13: Ultimately, and we are in a transition period,

00:45:13 --> 00:45:17: but you immediately see the benefits of being at an  
00:45:17 --> 00:45:21: office when you get everybody together and get the ideas  
00:45:21 --> 00:45:22: sharing and so forth.  
00:45:22 --> 00:45:26: So I I I don't expect any any significant changes.  
00:45:27 --> 00:45:31: There are some messages coming from the US that the  
00:45:31 --> 00:45:34: people you know can that companies can employ people  
00:45:34 --> 00:45:36: from  
00:45:36 --> 00:45:38: anywhere in the US,  
00:45:38 --> 00:45:40: and you don't really need to live in the biggest,  
00:45:40 --> 00:45:46: most expensive cities to work for.  
00:45:46 --> 00:45:50: The biggest I don't know and most the coolest companies,  
00:45:50 --> 00:45:51: I think under you have a background in the in  
00:45:51 --> 00:45:54: EU S market.  
00:45:54 --> 00:45:57: I mean, have you followed the you know the post  
00:45:57 --> 00:45:59: pandemic kind of change of working patterns or.  
00:46:00 --> 00:46:04: Or employment patterns if you like.  
00:46:04 --> 00:46:08: Yes, and it is fascinating throughout the pandemic to see  
00:46:08 --> 00:46:11: the in particular the large global tech brands and and  
00:46:11 --> 00:46:16: how they were treating them to work from home or  
00:46:16 --> 00:46:17: work from anywhere. Two things that I think are important  
00:46:17 --> 00:46:21: to note here.  
00:46:21 --> 00:46:22: First, we're going through this transition in a historically tight  
00:46:22 --> 00:46:26: labor market,  
00:46:26 --> 00:46:30: and that does have an impact on on the work  
00:46:30 --> 00:46:32: from work from home programs that we're seeing with a  
00:46:32 --> 00:46:33: flexible work programs,  
00:46:33 --> 00:46:37: there are a number of them,  
00:46:37 --> 00:46:38: including Google and Apple, who announced programs to  
00:46:38 --> 00:46:42: bring employees  
00:46:42 --> 00:46:44: back to work,  
00:46:44 --> 00:46:47: and there was an immediate reaction and tough to to  
00:46:47 --> 00:46:49: really measure just how.  
00:46:49 --> 00:46:53: Broad their reaction was, but with social media.  
00:46:53 --> 00:46:53: It was a loud reaction,  
00:46:53 --> 00:46:56: really pushing back against this drive to come back to  
00:46:56 --> 00:46:58: the office.  
00:46:58 --> 00:47:03: And so because of the tight labor market,  
00:47:03 --> 00:47:06: we all need to respond to this and make sure  
00:47:06 --> 00:47:11: we're providing adequate flexibility while bringing people  
back so they  
can have the experience that Andrean noted about just how  
productive and innovative you can be when when you're  
together.

00:47:11 --> 00:47:14: So I do think it's it's important to note that  
00:47:14 --> 00:47:14: it's a balance,  
00:47:14 --> 00:47:17: but will also say because it's a tight labor market.  
00:47:17 --> 00:47:22: We are also recruiting and onboarding people in this new  
00:47:22 --> 00:47:27: environment where the relationship between an individual  
employee and their  
00:47:28 --> 00:47:32: employer is potentially going to change from a broad societal  
00:47:32 --> 00:47:36: perspective. I mean, we've been used to people who have  
00:47:36 --> 00:47:41: a cultural connection to the company and to their manager.  
00:47:41 --> 00:47:45: And their team and as Megan mentioned at the onset,  
00:47:45 --> 00:47:48: this is changing. And so we've got to be very  
00:47:48 --> 00:47:52: thoughtful about what that looks like as we all have.  
00:47:52 --> 00:47:55: Historically, because we've been doing this for more than a  
00:47:55 --> 00:47:56: few years,  
00:47:56 --> 00:47:59: have experienced the benefits of being in the office together  
00:47:59 --> 00:48:02: with a team and having that strong connection to to  
00:48:02 --> 00:48:03: our employer.  
00:48:05 --> 00:48:09: So I mean. You know,  
00:48:09 --> 00:48:13: like offices and retail or orbital in a period of  
00:48:13 --> 00:48:14: transition,  
00:48:14 --> 00:48:17: some uncertainty around their future.  
00:48:17 --> 00:48:22: Uh, add on this the the age of the stock.  
00:48:22 --> 00:48:25: How much of the age of the how much of  
00:48:25 --> 00:48:28: the stock is is out of date and doesn't meet  
00:48:29 --> 00:48:31: the green criteria that we want today?  
00:48:31 --> 00:48:36: And are we going? Have we seen already brown discounts  
00:48:37 --> 00:48:41: in in buildings which are maybe not as much in  
00:48:41 --> 00:48:44: demand and on the top they are not,  
00:48:44 --> 00:48:46: they are not up to date.  
00:48:46 --> 00:48:50: You know, from a. Operational point of view and design  
00:48:50 --> 00:48:51: point of view.  
00:48:53 --> 00:48:56: Uh, Megan. So  
00:48:57 --> 00:48:58: I think it's not so much.  
00:48:58 --> 00:49:01: It's a discount as it's a sudden stop.  
00:49:01 --> 00:49:04: Uhm, so that you'll get real point where it is  
00:49:04 --> 00:49:07: simply UN economic and and I think the phrase in  
00:49:07 --> 00:49:10: the report and we've seen it is the stranded asset.  
00:49:10 --> 00:49:14: So at what point does it simply become uneconomic for  
00:49:14 --> 00:49:17: that asset to be repositioned?  
00:49:17 --> 00:49:19: The cap ex doesn't work,  
00:49:19 --> 00:49:21: and if it did, well so any demand for that  
00:49:21 --> 00:49:22: asset anyway.



00:49:22 --> 00:49:24: From a locational perspective, 'cause you've now got it on  
00:49:24 --> 00:49:25: both sides,  
00:49:25 --> 00:49:28: you've got the ESG component and the crime pathway.  
00:49:28 --> 00:49:29: Can it meet the crime pathway?  
00:49:29 --> 00:49:31: Because if it can't, what's your exit liquidity?  
00:49:31 --> 00:49:34: To sell to the next investor down the line and  
00:49:34 --> 00:49:36: on the other side you've got,  
00:49:36 --> 00:49:38: do we need as much office stock as we've got  
00:49:38 --> 00:49:40: and did we need suburban office stock and did we  
00:49:40 --> 00:49:41: need office Doc?  
00:49:41 --> 00:49:43: Let's not sat on public transportation,  
00:49:43 --> 00:49:45: and so there are some assets.  
00:49:45 --> 00:49:48: Geography. I think being the key issue,  
00:49:48 --> 00:49:51: if it's not near a public transport system in the  
00:49:51 --> 00:49:54: center of a vibrant city with amenities,  
00:49:54 --> 00:49:56: then I think you're going to struggle.  
00:49:56 --> 00:49:58: So I would. I would urge people to think of  
00:49:58 --> 00:50:00: it not so much as a discount 'cause that kind  
00:50:00 --> 00:50:00: of implies.  
00:50:00 --> 00:50:02: It's a sliding scale. A bit soft,  
00:50:02 --> 00:50:04: I think you get to a sudden stop where the  
00:50:04 --> 00:50:06: asset no longer makes economic sense.  
00:50:07 --> 00:50:10: So I mean, Andrea, you don't think that there could  
00:50:10 --> 00:50:13: be a point that it becomes a value add opportunity  
00:50:13 --> 00:50:14: in the market.  
00:50:14 --> 00:50:17: If they the discount is significant,  
00:50:17 --> 00:50:20: could it be worth buying it and making it up  
00:50:20 --> 00:50:23: and putting it back in the markets could could we  
00:50:23 --> 00:50:27: see sales of interest in the future of that sort?  
00:50:28 --> 00:50:30: On those kinds of assets,  
00:50:30 --> 00:50:32: I mean, yes, if somebody is ready to take the  
00:50:32 --> 00:50:33: equity loss.  
00:50:33 --> 00:50:36: 'cause ultimately that's the consequence.  
00:50:36 --> 00:50:38: And then you go to the alternative use,  
00:50:38 --> 00:50:41: which is kind of be probably less valuable than what  
00:50:41 --> 00:50:43: that asset used to be.  
00:50:43 --> 00:50:45: So I think you. I mean yes,  
00:50:45 --> 00:50:49: it's a sudden stop, but it will be a gradual  
00:50:49 --> 00:50:54: adjustment as people accept that maybe they should have  
sold  
00:50:54 --> 00:50:58: the asset that they should have refurbished it along time  
00:50:58 --> 00:51:02: ago. You know we we buy less core assets but

00:51:02 --> 00:51:05: we we develop core assets and I can say pretty  
00:51:05 --> 00:51:09: much every asset that we would develop today really has  
00:51:09 --> 00:51:14: to meet ESG requirements. Otherwise we probably won't  
pursue that  
00:51:14 --> 00:51:15: that investment.  
00:51:16 --> 00:51:19: And yet we have this conflict now.  
00:51:19 --> 00:51:22: Uh, between building and repurposing,  
00:51:22 --> 00:51:27: and the the discussion about considering the embodied  
carbon when  
00:51:27 --> 00:51:31: you develop something from a new a new building from  
00:51:31 --> 00:51:31: scratch,  
00:51:31 --> 00:51:35: and is that going to create issues in the in  
00:51:35 --> 00:51:36: the future?  
00:51:36 --> 00:51:38: I don't know. Directed in the report,  
00:51:38 --> 00:51:42: someone I think said that in a few years expects  
00:51:42 --> 00:51:45: not to be allowed to develop but be forced to  
00:51:45 --> 00:51:46: redevelop.  
00:51:46 --> 00:51:46: Andy.  
00:51:49 --> 00:51:50: I don't know the conclusion to that,  
00:51:50 --> 00:51:54: but I would say that in order to meet both  
00:51:54 --> 00:51:59: the combined ESG goals and the needs of the workforce  
00:51:59 --> 00:52:00: going forward,  
00:52:00 --> 00:52:03: there's an emphasis on both the new and scale and  
00:52:03 --> 00:52:07: where you have the opportunity to develop any place making  
00:52:08 --> 00:52:10: type of format so you can bring all of the  
00:52:10 --> 00:52:15: elements together that meet the needs of the future.  
00:52:15 --> 00:52:20: Future environment. That's where we'll see people really  
have success.  
00:52:20 --> 00:52:22: I think there will be an emphasis on new in  
00:52:22 --> 00:52:23: scale,  
00:52:23 --> 00:52:27: and I don't see a scenario where development comes to  
00:52:27 --> 00:52:29: a complete standstill.  
00:52:29 --> 00:52:33: I'm hopeful that technology will help us catch up to  
00:52:34 --> 00:52:36: to the ESD requirements,  
00:52:36 --> 00:52:37: even though I know it's been  
00:52:37 --> 00:52:39: a long time coming. I think  
00:52:39 --> 00:52:42: to add to that, I think we'll see some some  
00:52:42 --> 00:52:44: changes in the economics construct,  
00:52:44 --> 00:52:47: for example re utilizing foundations.  
00:52:47 --> 00:52:49: So going from foundation up,  
00:52:49 --> 00:52:51: and so it there will be a blend.  
00:52:51 --> 00:52:54: Or. I mean, we've always done re cladding of building,  
00:52:54 --> 00:52:56: so padding off new cladding on but so I think

00:52:56 --> 00:52:59: we will find in it could be solutions as to  
00:52:59 --> 00:53:02: and it will be different it it'll be different dependent  
00:53:02 --> 00:53:05: on the land value, the rent you can contract command,  
00:53:05 --> 00:53:06: you know the cost of doing it,  
00:53:06 --> 00:53:08: so it'll be different. But I think the one thing  
00:53:08 --> 00:53:09: we keep coming back to is.  
00:53:09 --> 00:53:10: You've really got to be near.  
00:53:10 --> 00:53:13: I would say some form of public transport I think,  
00:53:13 --> 00:53:18: or many large organizations have declared themselves to be net  
00:53:18 --> 00:53:19: carbon neutral by 2050.  
00:53:19 --> 00:53:22: And and to do that you really need to be  
00:53:22 --> 00:53:24: on public transport so your employees can make use of  
00:53:24 --> 00:53:25: that facility.  
00:53:27 --> 00:53:30: I think I think that that gives me a chance,  
00:53:30 --> 00:53:35: maybe to a kind of wrap up and with with  
00:53:35 --> 00:53:38: a more topical question.  
00:53:38 --> 00:53:42: Stepping back and looking at the ESG strategy for you  
00:53:42 --> 00:53:46: and how you implement it on your portfolios,  
00:53:46 --> 00:53:49: it's topical. I mean, it's still being discussed at COP  
00:53:49 --> 00:53:49: 26 now.  
00:53:49 --> 00:53:53: The there is a name to for countries to commit  
00:53:53 --> 00:53:57: to achievement 0 by 2050 for organizations.  
00:53:57 --> 00:54:01: So so to show to evidence that they are doing  
00:54:01 --> 00:54:01: so,  
00:54:01 --> 00:54:04: uhm. What? What is your?  
00:54:04 --> 00:54:09: What is? How? How do you go about committing to  
00:54:09 --> 00:54:12: this goal and in your organization Megan?  
00:54:13 --> 00:54:17: So aliens the wider Allianz group is part of the  
00:54:17 --> 00:54:20: net Zero asset owners alliance.  
00:54:20 --> 00:54:25: And so that's the overarching allianssi insurance group  
00:54:25 --> 00:54:27: committed to  
00:54:25 --> 00:54:27: net carbon neutral by 2050.  
00:54:27 --> 00:54:31: In a more immediate section for Allianz real estate,  
00:54:31 --> 00:54:32: we're committed to a 25%  
00:54:32 --> 00:54:37: reduction. In our emissions on our portfolio by 2025 as  
00:54:37 --> 00:54:39: measures against 2019,  
00:54:39 --> 00:54:41: so we have to kind of take a portfolio approach  
00:54:41 --> 00:54:41: to this.  
00:54:41 --> 00:54:44: Not every asset will be able to achieve the cream  
00:54:44 --> 00:54:45: pathway immediately,  
00:54:45 --> 00:54:49: but taken as an overall then we've got 57 assets

00:54:49 --> 00:54:55: that we're targeting on to to facilitate this reduction of  
00:54:55 --> 00:54:55: 25%  
00:54:55 --> 00:54:59: of emissions reduction by 2025 and then alongside that,  
00:54:59 --> 00:55:03: like Andrea every IC meeting that we have every investment  
00:55:03 --> 00:55:04: committee.  
00:55:04 --> 00:55:07: In all new acquisitions run or run over with a  
00:55:07 --> 00:55:09: very fine tooth comb.  
00:55:09 --> 00:55:11: The crme pathway. Will it meet it?  
00:55:11 --> 00:55:14: How does it operate? So ESG is a major major  
00:55:14 --> 00:55:17: component of the investment decision.  
00:55:17 --> 00:55:18: Andrea,  
00:55:18 --> 00:55:20: how about your organization?  
00:55:20 --> 00:55:23: Yeah, it's been interesting. Yeah,  
00:55:23 --> 00:55:27: it's interesting how climate change became a source of  
discussion  
00:55:27 --> 00:55:29: to basically go into the top of the agenda,  
00:55:29 --> 00:55:32: literally in the last two months,  
00:55:32 --> 00:55:34: maybe three. It's it's. It's amazing.  
00:55:36 --> 00:55:40: You know there's the. It's the distinction between the new  
00:55:40 --> 00:55:43: investments where you can actually do that common zero,  
00:55:43 --> 00:55:46: and that's the target. I mean for us as an  
00:55:46 --> 00:55:47: organization,  
00:55:47 --> 00:55:51: real estate is really right now surveying all the properties  
00:55:51 --> 00:55:51: we have,  
00:55:51 --> 00:55:56: measuring and then being able to actually figure out what's  
00:55:56 --> 00:56:00: the actual cost CapEx and so forth to achieve any  
00:56:00 --> 00:56:02: of the targets and.  
00:56:02 --> 00:56:05: In some ways, I think there's an element of disconnect  
00:56:05 --> 00:56:06: there right now,  
00:56:06 --> 00:56:08: 'cause there's a lot of targets,  
00:56:08 --> 00:56:10: but we still need to actually measure the cost and  
00:56:10 --> 00:56:12: what it's going to take to achieve those targets.  
00:56:12 --> 00:56:14: But basically we're in the process of that.  
00:56:17 --> 00:56:18: Andre anything to add?  
00:56:20 --> 00:56:23: But, and this is potentially a defining issue of our  
00:56:23 --> 00:56:23: time,  
00:56:23 --> 00:56:29: general is committed to be net zero by 2040,  
00:56:29 --> 00:56:31: including client sites that we manage.  
00:56:31 --> 00:56:36: So it will be a partnership amongst occupiers and investors  
00:56:36 --> 00:56:40: and ourselves and managing properties for them.  
00:56:40 --> 00:56:43: And we signed the climate pledge along with Amazon and  
00:56:44 --> 00:56:44: a few others.

00:56:44 --> 00:56:48: We are. We are very committed to this.  
00:56:51 --> 00:56:54: Thank you very much, UM.  
00:56:54 --> 00:56:57: Let me see. I think we've I'm looking out at  
00:56:57 --> 00:56:59: some of the questions that came in,  
00:56:59 --> 00:57:04: and I think we've covered many of of of the  
00:57:04 --> 00:57:05: topics.  
00:57:05 --> 00:57:09: Uh, there are some some questions specifically on on on  
00:57:09 --> 00:57:11: geographies and specific asset types,  
00:57:11 --> 00:57:14: which I think we don't have the time to go  
00:57:14 --> 00:57:15: into detail.  
00:57:15 --> 00:57:25: Uhm? Let me see. I would say that if you  
00:57:26 --> 00:57:35: like to add anything to conclude this,  
00:57:35 --> 00:57:39: this discussion a message for the future,  
00:57:39 --> 00:57:43: something like related to you know like to what is  
00:57:43 --> 00:57:45: in your view them.  
00:57:45 --> 00:57:48: Although you also mentioned already Megan you mentioned  
you know  
00:57:48 --> 00:57:50: like your view on what is the most successful can  
00:57:50 --> 00:57:53: be the most successful building or on the on the  
00:57:53 --> 00:57:56: in the future. What characteristics should it have?  
00:57:56 --> 00:57:58: I don't know if each of you would like to  
00:57:58 --> 00:58:00: to describe what is your core asset.  
00:58:00 --> 00:58:02: A core asset in in your view.  
00:58:02 --> 00:58:04: If it is a sector or if it is certain  
00:58:04 --> 00:58:08: characteristics at the building needs to have in the future  
00:58:08 --> 00:58:09: in the next years.  
00:58:10 --> 00:58:12: Yeah, I'm happy to take that first in my answer,  
00:58:12 --> 00:58:15: maybe maybe from a little bit different perspective,  
00:58:15 --> 00:58:18: but our core asset is our people.  
00:58:18 --> 00:58:21: And that's what drives what we're doing,  
00:58:21 --> 00:58:24: so it's making sure we're taking good care of of  
00:58:24 --> 00:58:27: our jail employees who can then then help others.  
00:58:30 --> 00:58:32: This is very interesting and I I it could be  
00:58:32 --> 00:58:35: an answer that the most important thing is to take  
00:58:36 --> 00:58:38: care of the of the tenants of the of the  
00:58:38 --> 00:58:41: building before before anything else,  
00:58:41 --> 00:58:44: and that it could fall into the South of the  
00:58:44 --> 00:58:48: ESG discussion which we haven't touched much today.  
00:58:48 --> 00:58:49: So it's not about environmental only,  
00:58:49 --> 00:58:52: it's the social element as well of our buildings,  
00:58:52 --> 00:58:56: Andrea. He thought about the best trick or building for  
00:58:56 --> 00:58:57: the future.

00:58:57 --> 00:58:59: Yeah, I mean, I'll I'll,  
00:58:59 --> 00:59:03: I'll piggyback briefly and then just say we wouldn't discuss  
00:59:03 --> 00:59:04: it as much.  
00:59:04 --> 00:59:06: But today talent retention is I think,  
00:59:06 --> 00:59:09: I suspect the biggest issue for all of us.  
00:59:09 --> 00:59:12: Basically, 'cause I think we've probably seen quite a bit  
00:59:12 --> 00:59:15: of of people moving around and and and now trying  
00:59:15 --> 00:59:16: to retain our best people.  
00:59:16 --> 00:59:21: Uhm, I. I think the future asset core asset to  
00:59:21 --> 00:59:21: me.  
00:59:21 --> 00:59:24: It's about flexibility. It's about mixed use.  
00:59:24 --> 00:59:29: It's about being able to adjust and you know something  
00:59:29 --> 00:59:33: we discussed with pre pandemic on the focus on mixed  
00:59:33 --> 00:59:33: use,  
00:59:33 --> 00:59:38: but I think it's going to be more and more  
00:59:38 --> 00:59:39: because.  
00:59:39 --> 00:59:42: The real estate we used to think as competition as  
00:59:42 --> 00:59:43: new supply,  
00:59:43 --> 00:59:46: but actually now the digital world is our competition and  
00:59:46 --> 00:59:49: so we need to be flexible in what we're giving  
00:59:49 --> 00:59:51: to to tenants and to our employees.  
00:59:53 --> 00:59:55: Thank you, thank you Andrea.  
00:59:55 --> 00:59:56: UM and Megan so  
00:59:56 --> 01:00:00: well to add to those excellent points around people,  
01:00:00 --> 01:00:02: talent retention and what the asset is.  
01:00:02 --> 01:00:05: I think really, it's just to be optimistic about the  
01:00:05 --> 01:00:07: diversity for the future within the real estate industry,  
01:00:07 --> 01:00:11: and I think from from this is from a personal  
01:00:11 --> 01:00:12: perspective.  
01:00:12 --> 01:00:18: It has been relatively not terribly gender diverse over the  
01:00:18 --> 01:00:19: years,  
01:00:19 --> 01:00:21: and I think that one of the things we'll see  
01:00:21 --> 01:00:23: from from working from anywhere.  
01:00:23 --> 01:00:26: Is just a greater inclusion of different ideas and diversity,  
01:00:26 --> 01:00:28: which I think bodes well for the industry.  
01:00:29 --> 01:00:32: Thank you, thank you Megan and and that was something  
01:00:32 --> 01:00:34: that came through the reporters as well.  
01:00:34 --> 01:00:37: And we saw it in the results.  
01:00:37 --> 01:00:38: Uhm, thank you so much.  
01:00:38 --> 01:00:42: UM, all three of you and they set in cars  
01:00:42 --> 01:00:45: earlier for presenting the results.  
01:00:45 --> 01:00:49: As it says you need to set aside some time

01:00:49 --> 01:00:51: for reading the report,  
01:00:51 --> 01:00:53: but it's it's worth it.  
01:00:53 --> 01:00:55: Every single bit of it is worth it.  
01:00:55 --> 01:00:57: It's a lot of insights,  
01:00:57 --> 01:01:03: and we had a lot of food for thought.  
01:01:03 --> 01:01:05: I would like to remind everybody up,  
01:01:05 --> 01:01:11: but uh, there is the annual conference in February in  
01:01:11 --> 01:01:12: Brussels.  
01:01:12 --> 01:01:15: Hopefully we will be there in person.  
01:01:15 --> 01:01:17: Uh, it will be a hybrid event,  
01:01:17 --> 01:01:21: so if not, you know people can be also attending  
01:01:21 --> 01:01:22: it from home,  
01:01:22 --> 01:01:25: but hopefully we will be able to meet there in  
01:01:25 --> 01:01:27: in person and and and attended.  
01:01:27 --> 01:01:30: And also if you could spare a couple of minutes  
01:01:30 --> 01:01:31: for three questions,  
01:01:31 --> 01:01:33: your feedback is very valuable to us.  
01:01:33 --> 01:01:37: And that would go. Please,  
01:01:37 --> 01:01:40: I'll give you a few seconds to respond.  
01:01:44 --> 01:01:45: I don't know if I need to read them loud.  
01:01:45 --> 01:01:48: I mean obviously they are coming up to on your  
01:01:48 --> 01:01:48: screens.  
01:02:09 --> 01:02:12: So once again, thank you for attending the webinar.  
01:02:12 --> 01:02:16: Thank you so much for your insights and very glad  
01:02:16 --> 01:02:20: to have met you virtually thank you for all your  
01:02:20 --> 01:02:24: questions and hope to see you soon to a next  
01:02:24 --> 01:02:25: event. If you've missed it,  
01:02:25 --> 01:02:27: it's going to be on knowledge Finder soon.  
01:02:27 --> 01:02:31: This event and you can listen to it recorded.  
01:02:31 --> 01:02:32: Thank you.

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