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 longer
00:11:09 --> 00:11:13: 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 number
00:11:21 --> 00:11:23: 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 its
00:11:31 --> 00:11:33: 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 stainable
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
00:22:44 --> 00:22:45: estate.
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 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
00:33:34 --> 00:33:34: world.
00:33:34 --> 00:33:39: So suddenly offices are riskier too and retail it all
00:33:39 --> 00:33:41: accelerated with the pandemic,
00:33:41 --> 00:33:43: but there was a trend with ecommerce,
00:33:43 --> 00:33:46: so there's a lot of moving pieces.

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 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 responding
00:40:12 --> 00:40:16: to demand to occupied users to customers as they are
00:40:16 --> 00:40:16: called.
00:40:16 --> 00:40:20: Now demands and expectations, and I mean on the how.
00:40:20 --> 00:40:24: How do we, how we determine how do we determine
00:40:24 --> 00:40:27: the quality of income in the context of this operational
00:40:28 --> 00:40:31: intensive assets where there is shorter leases,
00:40:31 --> 00:40:33: flexible leases. And all that.
00:40:36 --> 00:40:39: It's a challenge and what I would add to that
00:40:39 --> 00:40:41: is as we look at where we are in our
00:40:41 --> 00:40:43: future of work journey.
00:40:43 --> 00:40:45: It is still early days.
00:40:45 --> 00:40:49: So yes, it and we can look at markets where
00:40:49 --> 00:40:52: people have returned to work or left work and and
00:40:53 --> 00:40:55: greater percentages as examples,
00:40:55 --> 00:40:58: but it's still very early days and in terms of
00:40:58 --> 00:41:02: occupiers defining what their future of work programs look like
00:41:02 --> 00:41:04: and I would say this journey.
00:41:04 --> 00:41:08: Will continue on for five years most likely,
00:41:08 --> 00:41:11: and that's because we're starting to get people back to
00:41:12 --> 00:41:13: work or not back to work.
00:41:13 --> 00:41:15: They didn't really ever leave work,
00:41:15 --> 00:41:18: but they left office is so return to the offices
00:41:18 --> 00:41:20: and the future of how we work.
00:41:20 --> 00:41:24: But it is capital intensive if you are going to
00:41:24 --> 00:41:29: shift how your physical space supports your your workforce 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 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 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 from
00:45:34 --> 00:45:36:	anywhere in the US,
00:45:36 --> 00:45:38:	and you don't really need to live in the biggest,
00:45:38 --> 00:45:40:	most expensive cities to work for.
00:45:40 --> 00:45:46:	The biggest I don't know and most the coolest companies,
00:45:46 --> 00:45:50:	I think under you have a background in the in
00:45:50 --> 00:45:51:	EU S market.
00:45:51 --> 00:45:54:	I mean, have you followed the you know the post
00:45:54 --> 00:45:57:	pandemic kind of change of working patterns or.
00:45:57 --> 00:45:59:	Or employment patterns if you like.
00:46:00 --> 00:46:04:	Yes, and it is fascinating throughout the pandemic to see
00:46:04 --> 00:46:08:	the in particular the large global tech brands and and
00:46:08 --> 00:46:11:	how they were treating them to work from home or
00:46:11 --> 00:46:16:	work from anywhere. Two things that I think are important
00:46:16 --> 00:46:17:	to note here.
00:46:17 --> 00:46:21:	First, we're going through this transition in a historically tight
00:46:21 --> 00:46:22:	labor market,
00:46:22 --> 00:46:26:	and that does have an impact on on the work
00:46:26 --> 00:46:30:	from work from home programs that we're seeing with a
00:46:30 --> 00:46:32:	flexible work programs,
00:46:32 --> 00:46:33:	there are a number of them,
00:46:33 --> 00:46:37:	including Google and Apple, who announced programs to bring employees
00:46:37 --> 00:46:38:	back to work,
00:46:38 --> 00:46:42:	and there was an immediate reaction and tough to to
00:46:42 --> 00:46:44:	really measure just how.
00:46:44 --> 00:46:47:	Broad their reaction was, but with social media.
00:46:47 --> 00:46:49:	It was a loud reaction,
00:46:49 --> 00:46:53:	really pushing back against this drive to come back to
00:46:53 --> 00:46:53:	the office.
00:46:53 --> 00:46:56:	And so because of the tight labor market,
00:46:56 --> 00:46:58:	we all need to respond to this and make sure
00:46:58 --> 00:47:03:	we're providing adequate flexibility while bringing people back so they
00:47:03 --> 00:47:06:	can have the experience that Andrean noted about just how
00:47:06 --> 00:47:11:	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 recladding 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 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.
