



Webinar

Virtual Launch: Emerging Trends Global Outlook 2022

Date: March 23, 2022

00:02:17 --> 00:02:20: Good afternoon everyone. My name is Lissette from the war
00:02:20 --> 00:02:23: and I'm the CEO of for Urban Land Institute in
00:02:23 --> 00:02:24: Europe.
00:02:24 --> 00:02:29: I'm very pleased that you're all joining today in a
00:02:29 --> 00:02:36: truly global webinar to launch the emerging trends in real
00:02:36 --> 00:02:39: estate global outlook for 2022.
00:02:39 --> 00:02:43: This report ties together the three regional reports which
have
00:02:43 --> 00:02:46: been launched at the end of last year,
00:02:46 --> 00:02:49: which I hope many of you have seen or focused
00:02:49 --> 00:02:51: on the Americas and Canada,
00:02:51 --> 00:02:54: one on Europe and one on Asia Pacific.
00:02:56 --> 00:03:00: It's a it's a remarkable time and we've tried to
00:03:00 --> 00:03:03: capture that in the report and we'll talk about that
00:03:03 --> 00:03:04: later,
00:03:04 --> 00:03:07: and and without further ado,
00:03:07 --> 00:03:10: before I hand over to the moderator,
00:03:10 --> 00:03:13: Mike Phillips. I would like to thank PwC for the
00:03:14 --> 00:03:18: long standing collaboration we have on the emerging transfer
real
00:03:18 --> 00:03:19: estate report.
00:03:19 --> 00:03:22: We really value it, and we think it's a great
00:03:22 --> 00:03:26: collaboration and obviously many of you have participated.
00:03:26 --> 00:03:29: Later in the regional reports.
00:03:29 --> 00:03:30: Or in the global report,
00:03:30 --> 00:03:32: and I would like to thank all of you for
00:03:32 --> 00:03:33: that,
00:03:33 --> 00:03:34: because without you we can't do this.
00:03:34 --> 00:03:40: Reports these reports truly reflects the opinion of real estate
00:03:40 --> 00:03:43: leaders across the globe.

00:03:43 --> 00:03:47: So now Mike, I'll hand over to you Michael moderate
00:03:47 --> 00:03:48: today's webinar.
00:03:48 --> 00:03:50: I'm very pleased with that.
00:03:50 --> 00:03:53: He's the UK editor for this now and has also
00:03:53 --> 00:03:56: been involved in the writing of this support.
00:03:56 --> 00:03:57: So now it's all about it.
00:03:57 --> 00:04:00: Very happy to have you moderate today,
00:04:00 --> 00:04:02: Mike. Kind over to you.
00:04:02 --> 00:04:02: Great
00:04:02 --> 00:04:04: stuff. Thanks so much for that Lisa.
00:04:04 --> 00:04:06: Thanks very much again for joining everyone.
00:04:06 --> 00:04:07: As Lizette said, I'm Mike Phillips,
00:04:07 --> 00:04:11: UK editor at Biz now and I've been involved with
00:04:11 --> 00:04:13: the ULI and Peter.
00:04:13 --> 00:04:15: PwC emerging trends report for several years now,
00:04:15 --> 00:04:18: and I've got the pleasure of being your moderator today,
00:04:18 --> 00:04:21: so we're going to have a presentation on the report.
00:04:21 --> 00:04:25: First of all, and then we've got a fantastic panel
00:04:25 --> 00:04:28: to pick over the report and also its implications and
00:04:28 --> 00:04:31: what's going on in the market as well.
00:04:31 --> 00:04:33: You'll see, I'm sure your old hands at this by
00:04:33 --> 00:04:33: now,
00:04:33 --> 00:04:36: but you'll see down the bottom of your zoom screen
00:04:36 --> 00:04:37: there.
00:04:37 --> 00:04:38: There is a chat function you know.
00:04:38 --> 00:04:42: Do feel free to have a chat amongst yourselves and
00:04:42 --> 00:04:45: sort of virtually network during the report.
00:04:45 --> 00:04:48: During the presentation and the and the webinar,
00:04:48 --> 00:04:50: and there's also a Q&A tab down there as well.
00:04:50 --> 00:04:53: If you've got any questions for our panelists at all,
00:04:53 --> 00:04:55: do put your question in there.
00:04:55 --> 00:04:58: What I would say is.
00:04:58 --> 00:05:01: Past those throughout the course of the session,
00:05:01 --> 00:05:03: and you've got more chance of getting your question
answered,
00:05:03 --> 00:05:05: we will leave a bit of time at the end,
00:05:05 --> 00:05:07: but if you ask it throughout,
00:05:07 --> 00:05:08: we're more likely to get to it.
00:05:08 --> 00:05:11: So do please use that function and yet you will
00:05:11 --> 00:05:13: be able to see the webinar afterwards,
00:05:13 --> 00:05:16: and I'll explain where at the end of the session.
00:05:16 --> 00:05:20: So without further ado, I'd like to introduce introduce Garth

00:05:20 --> 00:05:21: Lewis,
00:05:21 --> 00:05:23: director of Real Estate, and he's going to give us
00:05:23 --> 00:05:25: a presentation on the report itself.
00:05:25 --> 00:05:26: So over to you, Garth.
00:05:28 --> 00:05:30: Thanks Mike and hello everyone,
00:05:30 --> 00:05:32: as Mike said I I'm Garth Lewis,
00:05:32 --> 00:05:35: director, the British state team at PwC based based in
00:05:36 --> 00:05:39: London and I'd like to echo Lisette's words and thank
00:05:39 --> 00:05:42: the you and I on behalf of PwC for another
00:05:42 --> 00:05:44: great collaboration for this report.
00:05:44 --> 00:05:48: I'd also like to thank all those who participated in
00:05:48 --> 00:05:49: the survey as ET.
00:05:49 --> 00:05:52: Said global emerging trends in real estate draws together the
00:05:52 --> 00:05:56: insights from our three regional reports in combination with
00:05:56 --> 00:05:58: additional
00:05:56 --> 00:05:58: interviews undertaken specifically for this.
00:05:58 --> 00:06:02: Global report, so what's the outlook for the year ahead?
00:06:02 --> 00:06:06: Well, a combination of of positivity alongside uncertainty was
00:06:06 --> 00:06:09: evident
00:06:06 --> 00:06:09: from the almost three and a half thousand participants who
00:06:09 --> 00:06:11: took part in the regional surveys,
00:06:11 --> 00:06:15: and the additional interviews I I mentioned a very similar
00:06:15 --> 00:06:16: theme in many ways.
00:06:16 --> 00:06:19: Two to two years ago at the start of the
00:06:19 --> 00:06:21: global pandemic.
00:06:21 --> 00:06:24: Just as everyone is dared to hope that the pandemic
00:06:24 --> 00:06:25: is receding,
00:06:25 --> 00:06:28: Russia's invasion of Ukraine has set off a wave of
00:06:28 --> 00:06:30: apprehension across the world,
00:06:30 --> 00:06:33: and fears of a wider conflict.
00:06:33 --> 00:06:36: And the first just to just to set the scene
00:06:36 --> 00:06:37: in 2021.
00:06:37 --> 00:06:40: Global volumes of sales of commercial real estate totaled
00:06:41 --> 00:06:42: more
00:06:41 --> 00:06:42: than 1.3 trillion trillion.
00:06:42 --> 00:06:45: That's 59% higher than in 2020.
00:06:45 --> 00:06:47: In 2020, total, and that's 22%
00:06:47 --> 00:06:50: ahead of the previous peak in 2019,
00:06:50 --> 00:06:54: according to Real Capital Analytics and this extraordinary
00:06:54 --> 00:06:59: level of
00:06:54 --> 00:06:59: activity was driven by worldwide demand for residential and
00:06:59 --> 00:06:59: industrial
00:06:59 --> 00:06:59: property,

00:06:59 --> 00:07:03: and in particular, dramatic upturn in the number of US.
00:07:03 --> 00:07:06: Transactions. And a key factor driving this was that the
00:07:06 --> 00:07:09: premium between property yields and interest rates,
00:07:09 --> 00:07:13: which remains in place across most global markets,
00:07:13 --> 00:07:16: and this positive positive capital markets perspective for real
estate
00:07:17 --> 00:07:19: just about holds good for the time being,
00:07:19 --> 00:07:21: but the uncertainty we're seeing from the Ukraine,
00:07:21 --> 00:07:24: in particular when Everton inevitably slowed down the
dealmaking,
00:07:24 --> 00:07:27: especially in Europe. Next slide,
00:07:27 --> 00:07:31: please mark. The first thing to be addressed is the
00:07:31 --> 00:07:34: the Russian invasion of Ukraine.
00:07:34 --> 00:07:38: And let's just begin by acknowledging the humanitarian
tragedy which
00:07:38 --> 00:07:40: is unfolding across that region.
00:07:40 --> 00:07:41: What does this mean for real estate?
00:07:41 --> 00:07:45: And if there is a consensus among economists,
00:07:45 --> 00:07:48: is that the Ukrainian conflict is unlikely to lead to
00:07:48 --> 00:07:49: world recession.
00:07:49 --> 00:07:52: Although no one is ruling out that outcome,
00:07:52 --> 00:07:53: at the very least, however,
00:07:53 --> 00:07:56: the effect of the Russian invasion of Ukraine is expected
00:07:56 --> 00:07:58: to be far greater geopolitical risks,
00:07:58 --> 00:08:02: alongside slower global growth. And critically,
00:08:02 --> 00:08:04: higher, long and longer lasting inflation.
00:08:04 --> 00:08:08: Even that relatively benign Mako scenario this year would
serve
00:08:08 --> 00:08:10: as a major job for the real estate industry,
00:08:10 --> 00:08:13: particularly compared to 21 as we just saw on the
00:08:13 --> 00:08:14: previous slide.
00:08:14 --> 00:08:17: It's also possible that the industry in Europe would have
00:08:18 --> 00:08:20: to deal with the consequences of a very swift changes
00:08:21 --> 00:08:24: in government spending in favor of defense and energy
policies
00:08:24 --> 00:08:28: and away from areas that directly and normally positively
affect
00:08:28 --> 00:08:29: real estate,
00:08:29 --> 00:08:31: such as infrastructure and housing.
00:08:31 --> 00:08:35: Yeah, the invasion of Ukraine also poses bigger questions
around
00:08:35 --> 00:08:36: the ESG agenda,
00:08:36 --> 00:08:40: and in particular the acute problems of energy security and
00:08:40 --> 00:08:43: what that would have on the NPSG agenda for the

00:08:43 --> 00:08:44: longer term.

00:08:44 --> 00:08:45: Next next slide please Martha.

00:08:51 --> 00:08:53: Looking at inflationary pressure in January,

00:08:53 --> 00:08:56: inflation in Europe hit five point 1%

00:08:56 --> 00:08:58: and in the US 7.5%

00:08:58 --> 00:09:01: which is the fastest annual rise for 40 years and

00:09:01 --> 00:09:04: the full impact on real estate of Labor shortages,

00:09:04 --> 00:09:08: rising wages and food bills and surging energy costs remains

00:09:09 --> 00:09:09: unclear.

00:09:09 --> 00:09:12: Yet the prevailing view among many in the industry and

00:09:12 --> 00:09:16: many economists is of moderating economic growth and

inflation.

00:09:16 --> 00:09:19: Inflation peaking this year. As you can see in the

00:09:19 --> 00:09:20: chart.

00:09:20 --> 00:09:23: And this is understandably fed through to concerns about

construction

00:09:23 --> 00:09:26: material and labor costs in North America and Europe.

00:09:26 --> 00:09:29: And these were in fact the top bank concerns coming

00:09:29 --> 00:09:30: out of the emerging trends,

00:09:30 --> 00:09:35: with regional reports. And that was even before the Ukrainian

00:09:35 --> 00:09:35: crisis.

00:09:35 --> 00:09:38: Whilst inflation appears to be less of a concern in

00:09:38 --> 00:09:39: Asia Pacific than other regions,

00:09:39 --> 00:09:43: even though it still adds to the development challenges.

00:09:43 --> 00:09:47: But so with big caveats over development and huge

uncertainty

00:09:47 --> 00:09:49: due to the invasion of Ukraine,

00:09:49 --> 00:09:53: most interviewees still hang on to the traditional view of

00:09:53 --> 00:09:56: real estate as a good inflation hedge generally.

00:09:56 --> 00:10:00: Next slide, please. So here's a quick look at the

00:10:00 --> 00:10:04: key points from around the the the globe on the

00:10:04 --> 00:10:06: four main real estate sectors,

00:10:06 --> 00:10:11: starting with logistics with a buildup of capital that favors

00:10:11 --> 00:10:13: real estate over other asset classes.

00:10:13 --> 00:10:18: Logistics remains the main draw alongside residential even

though last

00:10:18 --> 00:10:20: year there was some talk around,

00:10:20 --> 00:10:23: some hesitant hesitancy around pricing on logistics,

00:10:23 --> 00:10:26: and one year on logistics has come to epitomize the

00:10:26 --> 00:10:30: potential risks and rewards of real estate investment

investing as

00:10:30 --> 00:10:31: sort of.

00:10:31 --> 00:10:35: Lightning rod for bullish and bearish comments about the

asset

00:10:35 --> 00:10:36: class as a whole.

00:10:36 --> 00:10:40: But there are concerns voiced around late cycle pricing,

00:10:40 --> 00:10:42: lack of rental growth, and a number of interviews cited

00:10:43 --> 00:10:45: the fact that logistics on on the development side is

00:10:45 --> 00:10:49: more exposed to inflation than other sectors just because of

00:10:49 --> 00:10:51: the the nature of the product.

00:10:51 --> 00:10:55: Looking at retail, we're seeing continued declining investment volumes.

00:10:55 --> 00:10:57: And what is the the real estate prior asset class

00:10:57 --> 00:10:58: you could say,

00:10:58 --> 00:11:01: but we also heard talk much talk of retail,

00:11:01 --> 00:11:04: being oversold and a growing reference to the number of

00:11:04 --> 00:11:06: opportunities within these sectors that it's being.

00:11:06 --> 00:11:09: Presented by an uneven recovery.

00:11:09 --> 00:11:12: A similar theme if you like in for offices,

00:11:12 --> 00:11:15: lots of talk of opportunities now emerging.

00:11:15 --> 00:11:18: There's also no clear consensus on the long term impact

00:11:18 --> 00:11:21: of working from home or dispersed work,

00:11:21 --> 00:11:26: or dispersed workforce, and we're certainly seeing some geographical differences.

00:11:26 --> 00:11:27: For example, working from home,

00:11:27 --> 00:11:30: it seems to have less of an impact in Asia

00:11:30 --> 00:11:30: and in Seoul,

00:11:30 --> 00:11:34: for instance, office investments in 2021 were well ahead of

00:11:34 --> 00:11:35: the previous years,

00:11:35 --> 00:11:39: according to Real Capital Analytics looking at residential.

00:11:40 --> 00:11:44: For investors, the flipside of widespread of the widespread affordability

00:11:44 --> 00:11:48: problem has been the continued reallocation of capital from unfavored

00:11:48 --> 00:11:50: sectors into various forms of housing,

00:11:50 --> 00:11:53: and again their growing attraction of residential has been reflected

00:11:54 --> 00:11:54: in emerging trends,

00:11:54 --> 00:11:56: North America and European editions,

00:11:56 --> 00:11:59: in particular over several years.

00:11:59 --> 00:12:04: Next slide, please. Looking beyond the mainstream sectors alternative real

00:12:04 --> 00:12:08: estate sectors are continuing to gain popular popularity.

00:12:08 --> 00:12:12: As part of this fundamental shift into more operational and

00:12:12 --> 00:12:13: service based real estate.

00:12:13 --> 00:12:17: In particular, this applies to sectors where the underlying business

00:12:17 --> 00:12:20: growth is coming from areas like digitalization,
00:12:20 --> 00:12:24: Wellness or health care, and where there's a more operational
00:12:24 --> 00:12:27: and service based element and element where you can the
00:12:27 --> 00:12:30: asset classes where you can add a service based component.
00:12:30 --> 00:12:33: Operational real estate has won wide and growing support across
00:12:33 --> 00:12:34: the industry.
00:12:34 --> 00:12:37: Also, partly because of its Contra cyclical and more of
00:12:38 --> 00:12:40: an inflation hedge than mainstream sectors,
00:12:40 --> 00:12:43: and it remains to be seen whether demand for these
00:12:43 --> 00:12:47: types of assets will become even stronger during the economic
00:12:47 --> 00:12:50: fallout from the Russia Ukraine conflict.
00:12:50 --> 00:12:56: Next slide, please. Whatever the specific real estate asset class,
00:12:56 --> 00:13:00: the industry is clearly already paying far closer attention to
00:13:00 --> 00:13:04: detail in asset management and the due diligence undertaken on
00:13:04 --> 00:13:07: the acquisition of any property type is starting to
00:13:07 --> 00:13:09: be more rigorous than ever.
00:13:09 --> 00:13:12: Another common theme we are seeing is we around re
00:13:12 --> 00:13:17: purposing we purposes clearly gathering pace and despite overall resilience,
00:13:17 --> 00:13:20: some sectors and markets have experienced upheaval,
00:13:20 --> 00:13:24: leaving many asset classes obsolete and needing to be repurposed.
00:13:24 --> 00:13:25: And this is a theme that,
00:13:25 --> 00:13:28: to varying degrees, runs through all of our three regional
00:13:28 --> 00:13:29: reports for Europe,
00:13:29 --> 00:13:33: Asia and North America. In Europe,
00:13:33 --> 00:13:37: 52% of respondents increased the number of assets they re
00:13:37 --> 00:13:41: purpose compared to previous years and the most common assets.
00:13:41 --> 00:13:44: We purpose eyes from retail to mixed use or from
00:13:44 --> 00:13:46: office to residential.
00:13:46 --> 00:13:48: And that need for re purposing many assets is not
00:13:48 --> 00:13:49: gonna go away.
00:13:49 --> 00:13:52: But the clear message coming back from our research is
00:13:52 --> 00:13:56: that repurposing is a a much more complex and challenging
00:13:56 --> 00:13:59: proposition than many would give it credit for.
00:13:59 --> 00:14:06: Next slide, please. So what about the investment prospects for

00:14:06 --> 00:14:08: global cities?

00:14:08 --> 00:14:11: Big cities still find favor with industry leaders interviewed for

00:14:11 --> 00:14:13: Europe and Asia Pacific report,

00:14:13 --> 00:14:17: reflecting a preference for the safe and familiar as well

00:14:17 --> 00:14:20: as the adaptability of these markets to to the many

00:14:20 --> 00:14:24: structural changes in in society against the backdrop of economic

00:14:24 --> 00:14:26: uncertainty following the pandemic. It's little surprise,

00:14:26 --> 00:14:30: therefore, that London, Berlin and Paris are seen as the

00:14:30 --> 00:14:32: best investment prospects in Europe and at Tokyo,

00:14:32 --> 00:14:35: Singapore and Sydney leader rankings.

00:14:35 --> 00:14:38: In Asia Pacific region, it's noteworthy that you that London

00:14:38 --> 00:14:42: now tops the European rankings despite being perceived to have

00:14:42 --> 00:14:45: suffered in the immediate backlash against big cities and long

00:14:45 --> 00:14:49: commutes during the worst of the pandemic in in 2020.

00:14:49 --> 00:14:51: But these major, more dense cities are seen to be

00:14:51 --> 00:14:54: much more resilient to that working from home trend.

00:14:54 --> 00:14:57: The narrative around city growth has seems to be much

00:14:57 --> 00:14:59: more nuanced in the US and Canada,

00:14:59 --> 00:15:02: which identifies with a a much more suburban future,

00:15:02 --> 00:15:05: particularly in the Sunbelt region cities,

00:15:05 --> 00:15:09: and we certainly heard many speculate that the larger U.S.

00:15:09 --> 00:15:12: cities are potentially less well equipped to bounce back from

00:15:12 --> 00:15:15: some of these working from home trends and the rejection

00:15:15 --> 00:15:18: of the long commute because the cities are generally more

00:15:18 --> 00:15:20: car centric and less well equipped,

00:15:20 --> 00:15:24: perhaps than the European cities that have evolved over centuries.

00:15:24 --> 00:15:28: To be more aligned with the growing importance of areas

00:15:28 --> 00:15:31: like walkability and concepts like the 15 minute city.

00:15:31 --> 00:15:33: Next slide slide please Martha.

00:15:36 --> 00:15:37: Before I hand over to panel,

00:15:37 --> 00:15:40: I just wanted to touch on one other major agenda

00:15:40 --> 00:15:43: item for the industry and that's the ESG agenda.

00:15:43 --> 00:15:46: As we explore in Chapter 2 of this year's report,

00:15:46 --> 00:15:50: there's been a huge reallocation of capital towards decarbonising real

00:15:50 --> 00:15:51: estate.

00:15:51 --> 00:15:53: But also so much more to be done by lenders

00:15:53 --> 00:15:54: and regulators.

00:15:54 --> 00:15:56: If the industry is to meet its targets,

00:15:56 --> 00:16:00: the OECD is calling for seven trillion to be invested
00:16:00 --> 00:16:03: each year between now and 2030 for the world to
00:16:03 --> 00:16:06: meet its climate and development objectives.
00:16:06 --> 00:16:09: That reallocation has the potential to enable real estate to
00:16:09 --> 00:16:11: play a huge part in Decarbonizing,
00:16:11 --> 00:16:14: the world economy, equity and debt providers that drive real
00:16:14 --> 00:16:17: estate and determine how it acts have the power to
00:16:17 --> 00:16:21: influence the industry's approach to issues like
decarbonization on social
00:16:21 --> 00:16:25: impact and the indications are that it's the equity investors
00:16:25 --> 00:16:28: that are leading the charge and working to get ahead
00:16:28 --> 00:16:30: of the the regulation.
00:16:30 --> 00:16:34: Whereas debt providers, with notable exceptions seem to be
waiting
00:16:34 --> 00:16:36: for the regulation to come.
00:16:36 --> 00:16:39: One of the biggest challenges is that the real estate
00:16:39 --> 00:16:42: industry needs to come together to work with regulators to
00:16:42 --> 00:16:44: harmonize the definition of 0 carbon.
00:16:44 --> 00:16:47: The way in which carbon emissions are measured and how
00:16:47 --> 00:16:49: green buildings are classified,
00:16:49 --> 00:16:53: and a general lack of agreement about the benchmark level
00:16:53 --> 00:16:57: of emissions from the from the building hinders the ability
00:16:57 --> 00:16:59: of lenders to demand an improvement.
00:16:59 --> 00:17:03: But as already mentioned, there's now great uncertainty
about whether
00:17:03 --> 00:17:06: the surging energy costs resulting from the Ukrainian crisis
will
00:17:06 --> 00:17:09: speed up or undermine the global transition from fossil fuels
00:17:09 --> 00:17:12: to kuna cleaner energy sources.
00:17:12 --> 00:17:15: The danger is that high prices will spur further investment
00:17:15 --> 00:17:17: in oil and gas production,
00:17:17 --> 00:17:19: just as they did in previous crises,
00:17:19 --> 00:17:20: but for the longer term,
00:17:20 --> 00:17:23: the hope is that that the acute problems of energy
00:17:23 --> 00:17:25: securities will act as a wake up call to governments
00:17:25 --> 00:17:29: about the radical economic transformation that they will need
to
00:17:29 --> 00:17:32: implement. Under the PSG agenda.
00:17:32 --> 00:17:35: And with that I'll hand over to Mike to lead
00:17:35 --> 00:17:38: us through the the the panel session.
00:17:38 --> 00:17:38: Great
00:17:38 --> 00:17:40: stuff, thank you so much for that Garth.
00:17:40 --> 00:17:42: That's a wonderful overview of a very,

00:17:42 --> 00:17:45: very timely report. So thank you so much for that.
00:17:45 --> 00:17:48: And and for anyone watching you hasn't had a chance
00:17:48 --> 00:17:49: to read the report yet.
00:17:49 --> 00:17:52: I've posted a link to a summary and where you
00:17:52 --> 00:17:56: can download that report and also the various individual
global
00:17:56 --> 00:17:57: reports as well.
00:17:57 --> 00:17:59: I posted that in the chat.
00:17:59 --> 00:18:03: As I said earlier, do please ask questions of our
00:18:03 --> 00:18:04: panelists.
00:18:04 --> 00:18:06: And the sooner you ask them,
00:18:06 --> 00:18:08: the more likely that is to get asked.
00:18:08 --> 00:18:12: So hopefully now my panelists have revealed themselves
and I
00:18:12 --> 00:18:15: will just give a very brief introduction to them.
00:18:15 --> 00:18:17: Also, we've got a wonderful panel to pick through the
00:18:17 --> 00:18:19: issues that have been raised by the report,
00:18:19 --> 00:18:21: so we've got Christina Gore managing principal and head of
00:18:22 --> 00:18:23: capital markets at Gore Capital,
00:18:23 --> 00:18:26: the Hong Kong based investor with 35 billion of assets
00:18:26 --> 00:18:28: under management which invests in Asia Pacific,
00:18:28 --> 00:18:30: the US and the UK,
00:18:30 --> 00:18:34: we've got Michelle Huber, Chief Operating officer at Ivanhoe
Cambridge,
00:18:34 --> 00:18:38: the. Tech based global investor with about 50 billion in
00:18:38 --> 00:18:42: a UM and Lizette Vandoorne chief executive officer of
Europe
00:18:42 --> 00:18:43: at the ULI,
00:18:43 --> 00:18:44: who we heard from earlier.
00:18:44 --> 00:18:48: So I truly global panel to analyze a truly global
00:18:48 --> 00:18:49: report.
00:18:49 --> 00:18:52: So thank you all so much for taking the time
00:18:52 --> 00:18:54: to to join us today.
00:18:54 --> 00:18:57: I think there's only one place really to start in
00:18:57 --> 00:19:00: terms of the implications that come out of the report
00:19:00 --> 00:19:01: and and you know,
00:19:01 --> 00:19:03: it's the the the key topic of conversation around the
00:19:03 --> 00:19:03: world,
00:19:03 --> 00:19:06: and that's obviously and the Russia,
00:19:06 --> 00:19:09: Ukraine war. From a humanitarian perspective,
00:19:09 --> 00:19:11: the situation there is obviously,
00:19:11 --> 00:19:14: you know, above all humanitarian tragedy.
00:19:14 --> 00:19:18: Alas, no clear end insight over the past few weeks,

00:19:18 --> 00:19:21: the West's response to it has come in the form
00:19:21 --> 00:19:25: of strong economic and financial sanctions against Russia.
00:19:25 --> 00:19:28: And what are the implications of that for for the
00:19:28 --> 00:19:30: market that you all operate in,
00:19:30 --> 00:19:33: Christina, I'll start with you if that if that's OK,
00:19:33 --> 00:19:35: what what? What's what have been the implications of,
00:19:35 --> 00:19:38: you know, on markets and how you're seeing the world
00:19:38 --> 00:19:40: of that particular conflict.
00:19:41 --> 00:19:45: Sure, so clearly we have seen very big market movements
00:19:45 --> 00:19:47: of late globally.
00:19:47 --> 00:19:51: First stemming from China's own reforms started from last
summer
00:19:51 --> 00:19:52: in the tech sector.
00:19:52 --> 00:19:55: And then we went into the real estate developer sector
00:19:55 --> 00:19:57: in the fourth quarter and then came the wall.
00:19:57 --> 00:20:01: So we have definitely seen market capitulation.
00:20:01 --> 00:20:04: But as always we we also find that you know
00:20:04 --> 00:20:05: historically,
00:20:05 --> 00:20:08: for all these years of investing crisis always comes with
00:20:08 --> 00:20:10: opportunities as well from our perspective.
00:20:10 --> 00:20:13: So while. It's still too early to tell the true
00:20:13 --> 00:20:16: implication on Asia Pacific markets from the war itself,
00:20:16 --> 00:20:19: but we tend to think that China it plays its
00:20:19 --> 00:20:23: Cardwell with its relationship with Russia on the oil trade,
00:20:23 --> 00:20:26: will be interesting development to monitor and with the US
00:20:26 --> 00:20:29: also switching its focus onto Russia right now,
00:20:29 --> 00:20:34: the attention on China maybe taking a temporary sideline
relief
00:20:34 --> 00:20:36: internally within domestic China.
00:20:36 --> 00:20:39: COVID effect has not completely waned off yet,
00:20:39 --> 00:20:42: unlike the western markets, but the focus is continuing.
00:20:42 --> 00:20:46: On domestic consumption as well as the notion of common
00:20:46 --> 00:20:48: prosperity continues,
00:20:48 --> 00:20:50: I guess. All in all we do focus on the
00:20:50 --> 00:20:51: concerns for interest rate rise,
00:20:51 --> 00:20:55: inflation, rise in increasing labor costs,
00:20:55 --> 00:20:57: and increase in material costs,
00:20:57 --> 00:21:00: all of which have direct impact on the real estate
00:21:00 --> 00:21:00: sector.
00:21:00 --> 00:21:03: So the key is to focus more on alternative real
00:21:03 --> 00:21:05: estate sectors that are still in favor in terms of
00:21:06 --> 00:21:07: supply and demand dynamics,
00:21:07 --> 00:21:11: where lifestyle and habit change constitute a key part of

00:21:11 --> 00:21:12: how space is being used.

00:21:12 --> 00:21:15: So I guess within the APEC region we are seeing

00:21:15 --> 00:21:19: good demand for alternative asset classes like logistics data centers,

00:21:19 --> 00:21:22: life science, real estate and some of the ESG related

00:21:22 --> 00:21:26: themes started to we are seeing opportunities started link between

00:21:26 --> 00:21:30: infrastructure type investment but with land development.

00:21:30 --> 00:21:32: So in that sense real estate actually does come into

00:21:33 --> 00:21:33: play.

00:21:33 --> 00:21:37: So for example. Battery energy storage companies for renewal energies

00:21:38 --> 00:21:41: requiring scalable land acquisitions to build their plants.

00:21:41 --> 00:21:44: So these are some of the new thematic sectors that

00:21:44 --> 00:21:46: are in good demand for our region.

00:21:46 --> 00:21:49: As more investors focus heavily on ESG,

00:21:49 --> 00:21:51: especially in the last 18 months,

00:21:51 --> 00:21:54: obviously from Europe, it is a number of years already,

00:21:54 --> 00:21:57: but I would say in Asia Pacific it it really

00:21:57 --> 00:22:00: become much more prominent dialogue in the last 18 months.

00:22:00 --> 00:22:03: So so those are kind of the areas that we're

00:22:03 --> 00:22:05: looking for opportunities.

00:22:05 --> 00:22:06: In the Asia Pacific region,

00:22:06 --> 00:22:10: with all of those uncertainties happening around the world,

00:22:11 --> 00:22:13: sure just to dig into something that you brought up

00:22:14 --> 00:22:14: there.

00:22:14 --> 00:22:18: That relationship between Russia and China and how that influences

00:22:18 --> 00:22:19: markets.

00:22:19 --> 00:22:21: What you know how? How do you see?

00:22:21 --> 00:22:23: How do you see that influencing markets?

00:22:23 --> 00:22:26: What? What might that change in terms of you know

00:22:26 --> 00:22:29: how a real estate investor you know might see the

00:22:29 --> 00:22:30: world.

00:22:31 --> 00:22:33: Well, it is actually I think I think,

00:22:33 --> 00:22:36: obviously it's more on the political side of discussion,

00:22:36 --> 00:22:39: right? Which which things could play out very differently because

00:22:39 --> 00:22:41: we are now still kind of in the heat of

00:22:41 --> 00:22:42: all of that motion.

00:22:42 --> 00:22:46: But from our perspective is clearly that's what I mentioned

00:22:46 --> 00:22:48: about how China places card.

00:22:48 --> 00:22:52: It's it's it's kind of where things might land,
00:22:52 --> 00:22:55: but I think some of the key part is really
00:22:55 --> 00:22:56: on the oil.
00:22:56 --> 00:22:58: You know, like whether China is going to trade,
00:22:58 --> 00:22:59: you know much more with Russia,
00:22:59 --> 00:23:01: which is a natural. Thing,
00:23:01 --> 00:23:04: and obviously with all the Western market playing sanctions
on
00:23:04 --> 00:23:05: Russia,
00:23:05 --> 00:23:08: and obviously that China was being attacked as well.
00:23:08 --> 00:23:10: You know right now what we are seeing is that
00:23:10 --> 00:23:13: a lot of the attention is going on to Russia.
00:23:13 --> 00:23:14: If if if you're in the West,
00:23:14 --> 00:23:17: which I was traveling in the Western countries in the
00:23:17 --> 00:23:20: last three months versus like late last year,
00:23:20 --> 00:23:23: you know most of the international news is actually focused
00:23:23 --> 00:23:24: on China,
00:23:24 --> 00:23:27: whereas recently of course every day you switch on the
00:23:27 --> 00:23:27: news,
00:23:27 --> 00:23:29: everything is about the wall.
00:23:29 --> 00:23:30: OK, so from that standpoint,
00:23:30 --> 00:23:33: you know. In terms of the global attention or the
00:23:33 --> 00:23:35: Western sanctions or tag it,
00:23:35 --> 00:23:39: it's kind of switching on to the Russia rather than
00:23:39 --> 00:23:40: necessarily focusing on China.
00:23:40 --> 00:23:44: So in that sense you know it does allow China
00:23:44 --> 00:23:46: to get through its own internal reforms.
00:23:46 --> 00:23:49: That is going through supposed to be for the longer
00:23:49 --> 00:23:52: benefit of a more sustainable growth market.
00:23:52 --> 00:23:54: But on the other hand,
00:23:54 --> 00:23:57: you know the oil is actually a factor that is
00:23:57 --> 00:23:59: going to drive or affect a lot of the global.
00:23:59 --> 00:24:03: You know inflation and. Interest rate rise that we are.
00:24:03 --> 00:24:06: We're currently being concerned in the real estate market as
00:24:06 --> 00:24:06: well,
00:24:06 --> 00:24:09: so so I think that that's kind of how we
00:24:09 --> 00:24:12: are seeing it in terms of those two.
00:24:12 --> 00:24:16: It'll China and Russia. How you know how they together
00:24:16 --> 00:24:18: could influence the global market?
00:24:18 --> 00:24:19: Sure,
00:24:19 --> 00:24:21: thank you for that. That's that's really interesting.
00:24:21 --> 00:24:23: Christina and Michelle. From from your point of view,

00:24:23 --> 00:24:26: how are you seeing the conflict?
00:24:26 --> 00:24:29: Sort of impacting the macro environment?
00:24:29 --> 00:24:31: Sort of risk appetite in real estate.
00:24:31 --> 00:24:34: It's very early, but any thoughts on that you have
00:24:34 --> 00:24:35: on how things play out from here?
00:24:36 --> 00:24:39: Yes, I think Christina put already a lot of good
00:24:40 --> 00:24:41: thoughts into this.
00:24:41 --> 00:24:44: So so. She covered her very well if she aspects
00:24:44 --> 00:24:45: so on our side.
00:24:45 --> 00:24:48: I think that the reaction was really well.
00:24:48 --> 00:24:52: The two first absorbed the situation and acknowledged that it
00:24:52 --> 00:24:54: will take a while also to to figure out and
00:24:54 --> 00:24:58: grasp the amplitude of the different impacts that we could
00:24:58 --> 00:25:00: see on the global context.
00:25:00 --> 00:25:03: So they there are three key areas that I often
00:25:03 --> 00:25:06: come back in discussions when we look at this right
00:25:06 --> 00:25:08: now and I will touch on them briefly.
00:25:08 --> 00:25:12: So the first one being that talks about the.
00:25:12 --> 00:25:14: The potential flight to quality,
00:25:14 --> 00:25:16: so I see that we we could see more risk
00:25:16 --> 00:25:21: aversions on different types of markets opportunities and that
cold
00:25:21 --> 00:25:23: air on the other hand the favor.
00:25:23 --> 00:25:27: More more core types of opportunities in major markets so
00:25:27 --> 00:25:29: so we see that it will change a bit the
00:25:29 --> 00:25:31: dynamics around that.
00:25:31 --> 00:25:35: So make some things more attractive than they were before.
00:25:35 --> 00:25:39: Another second point you touched on risk Mike.
00:25:39 --> 00:25:42: I think for us as a global investor it's really.
00:25:42 --> 00:25:44: In this situation, right now,
00:25:44 --> 00:25:48: it's really puts back the geopolitical risk at the forefront
00:25:48 --> 00:25:50: of the investment decision making.
00:25:50 --> 00:25:53: So we were living in this world where it it
00:25:53 --> 00:25:56: seemed really a global and a lot of investors like
00:25:56 --> 00:26:01: us are moving into more at thematic investment strategies
where
00:26:01 --> 00:26:05: the the geography was not the the first decision driver
00:26:05 --> 00:26:06: anymore.
00:26:06 --> 00:26:08: So I think in this context we see that the
00:26:09 --> 00:26:12: geopolitical risk coming back and adding pressure in two.
00:26:12 --> 00:26:15: Underwriting assumptions and their risk.
00:26:15 --> 00:26:17: How we see a risk premium so.
00:26:17 --> 00:26:20: So that's a that's a change that is already underway,

00:26:20 --> 00:26:23: and there may be a Third Point.
00:26:23 --> 00:26:25: And I think it's it touches on the what has
00:26:25 --> 00:26:26: been said so far.
00:26:26 --> 00:26:30: Also another thing that we are seeing is that the
00:26:30 --> 00:26:34: spillover effects will there probably be a very profound and
00:26:34 --> 00:26:38: they're changing over the coming coming months ahead of
us.
00:26:38 --> 00:26:42: So so at first it was easy to try to
00:26:42 --> 00:26:43: really.
00:26:43 --> 00:26:44: Fuck your son. What was immediate?
00:26:44 --> 00:26:46: Very close to the conflict,
00:26:46 --> 00:26:49: but we see it's much larger than that.
00:26:49 --> 00:26:53: It touching on the energy and flation supply chains.
00:26:53 --> 00:26:56: And there's also that require of us to to really
00:26:56 --> 00:26:57: stay agile in them.
00:26:57 --> 00:27:00: Monitor all this search engine context.
00:27:00 --> 00:27:03: Sure, I'm just just to on that second point.
00:27:03 --> 00:27:07: That's really interesting. The kind of re re emergence of
00:27:07 --> 00:27:11: geopolitical risk as something that investors are focusing on
is
00:27:11 --> 00:27:13: that solely on sort of Ukraine.
00:27:13 --> 00:27:16: Russia, or is it sort of like every deal you
00:27:16 --> 00:27:16: do?
00:27:16 --> 00:27:20: You're thinking OK, maybe we were ignoring geopolitical
risks slightly
00:27:20 --> 00:27:23: and we just need to sort of factor it in
00:27:23 --> 00:27:26: a little bit more with every deal that we're that
00:27:26 --> 00:27:26: we're doing.
00:27:27 --> 00:27:31: I would say it impacts everything in the the sense
00:27:31 --> 00:27:31: well.
00:27:31 --> 00:27:35: Of course we were thinking about the geopolitical risk before
00:27:35 --> 00:27:38: it was part of the analysis and of the the
00:27:38 --> 00:27:39: risk frameworks everything.
00:27:39 --> 00:27:42: But now I think it's really puts it back in
00:27:42 --> 00:27:47: a more more permanent way and looking at different markets
00:27:47 --> 00:27:49: as we we also have to try to figure out
00:27:49 --> 00:27:51: what will be the indirect impacts,
00:27:51 --> 00:27:57: how other geographies will will evolve along these lines so.
00:27:57 --> 00:28:01: It's really bringing back the topic the more important way,
00:28:01 --> 00:28:03: sure, sure, sure. Thank you so much for that.
00:28:03 --> 00:28:06: And you know, Christina, you touched on inflation when you
00:28:06 --> 00:28:09: were when you were speaking earlier and that in terms

00:28:09 --> 00:28:11: of the the E Tre report.

00:28:11 --> 00:28:13: That was one of the major concerns that that came

00:28:13 --> 00:28:14: out.

00:28:14 --> 00:28:17: I think it was the second most prominent concern for

00:28:17 --> 00:28:21: those interviewed and polled after cyber security,

00:28:21 --> 00:28:23: but above interest rate rises,

00:28:23 --> 00:28:26: which obviously are sort of linked to inflation.

00:28:26 --> 00:28:28: So how? How are you sort of seeing it in

00:28:28 --> 00:28:29: different parts of the world?

00:28:29 --> 00:28:32: Obviously you're. Your global investor is is kind of in

00:28:32 --> 00:28:35: the inflation rate in different parts of the world and

00:28:35 --> 00:28:38: impacting kind of how and where you invest and how

00:28:38 --> 00:28:40: do you see it. Sort of playing out and impacting

00:28:40 --> 00:28:41: real estate.

00:28:42 --> 00:28:46: Right, I think. Well, basically recently we we're trying to

00:28:46 --> 00:28:48: put back a lot of focus on the Asia Pacific

00:28:48 --> 00:28:52: region because from a capital markets perspective,

00:28:52 --> 00:28:56: we are also seeing large investors focusing on certain

sectors

00:28:57 --> 00:29:00: with which Michelle also mentioned about core.

00:29:00 --> 00:29:03: OK, which is kind of flight to quality and being

00:29:03 --> 00:29:07: a little bit defensive when the world is going uncertain.

00:29:07 --> 00:29:09: So we try to focus on mentioned earlier.

00:29:09 --> 00:29:12: You know, in the in the first question about alternative

00:29:12 --> 00:29:13: sectors.

00:29:13 --> 00:29:16: Right where supply demand dynamics remain favorable and

the growth

00:29:16 --> 00:29:19: and cap rate compression remain attractive.

00:29:19 --> 00:29:22: But you know from the capital market standpoint we are

00:29:22 --> 00:29:26: also seeing increasing demand from large investors looking

more for

00:29:26 --> 00:29:28: core investments in the Asia Pacific region.

00:29:28 --> 00:29:32: Especially now, while conventional wisdom is that in the rates

00:29:32 --> 00:29:33: rise environment,

00:29:33 --> 00:29:37: one might usually focus on assets that offer higher growth

00:29:37 --> 00:29:39: rate higher IRL.

00:29:39 --> 00:29:42: However, in this environment where labor costs and material

costs

00:29:42 --> 00:29:43: are also.

00:29:43 --> 00:29:47: Rising quite exponentially. You have to look at replacement

cost

00:29:47 --> 00:29:49: for a brand new build,

00:29:49 --> 00:29:52: which becomes a lot more costly versus if you were

00:29:52 --> 00:29:56: to buy existing core assets that are actually still relatively
00:29:56 --> 00:29:56: new.
00:29:56 --> 00:30:00: With fully ESG compliance standing those assets will
ultimately fetch
00:30:01 --> 00:30:04: higher rental from future tenants because of the chase.
00:30:04 --> 00:30:07: For sort of more healthy building we we we call
00:30:07 --> 00:30:10: it so long term value will then be well sustained.
00:30:10 --> 00:30:12: So we're actually seeing that.
00:30:12 --> 00:30:16: A rebalancing approach of the large LP's looking at their
00:30:16 --> 00:30:17: global portfolio,
00:30:17 --> 00:30:21: where I think during the global financial crisis at leading
00:30:21 --> 00:30:22: through the last,
00:30:22 --> 00:30:25: you know 6-7 years and they were able to pick
00:30:25 --> 00:30:27: up a lot of very good core assets.
00:30:27 --> 00:30:30: Good value core assets in the western market,
00:30:30 --> 00:30:32: right and then Asian core were less of a focus
00:30:32 --> 00:30:34: a couple of years ago,
00:30:34 --> 00:30:36: but now we come in play right?
00:30:36 --> 00:30:38: So so I think that that is,
00:30:38 --> 00:30:41: you know, kind of how I would share about your
00:30:41 --> 00:30:43: your question on.
00:30:43 --> 00:30:45: Inflation effects and what are the areas that is our
00:30:45 --> 00:30:46: focus?
00:30:46 --> 00:30:48: Sure, thanks for that and and Michelle.
00:30:48 --> 00:30:50: For from your point of view.
00:30:50 --> 00:30:53: I mean, Garth touched on it in his presentation real
00:30:53 --> 00:30:55: estate sort and real assets,
00:30:55 --> 00:30:57: traditionally seen as a sort of hedge for inflation.
00:30:57 --> 00:31:01: Do you see that holding true in this particular inflationary
00:31:01 --> 00:31:02: environment?
00:31:02 --> 00:31:04: And how is it? How is sort of inflation affecting
00:31:04 --> 00:31:04: again,
00:31:04 --> 00:31:07: you know where you're where you're investing around the
world?
00:31:08 --> 00:31:10: Yes, so so I agree with the views are brought
00:31:10 --> 00:31:11: by Garrett.
00:31:11 --> 00:31:15: I think when we look at the broader investment universe,
00:31:15 --> 00:31:18: real estate is still holding its ground and it's on
00:31:18 --> 00:31:22: a relative basis stays interesting in an inflation context,
00:31:22 --> 00:31:26: so so that's something that that is positive and we
00:31:26 --> 00:31:30: already had a lot of capital interested to the sector.
00:31:30 --> 00:31:34: I think this will continue in this inflation context.

00:31:34 --> 00:31:37: So for us, really, when it comes to what it
00:31:37 --> 00:31:40: implies on the investment strategies.
00:31:40 --> 00:31:44: As Christina said that that we people are looking for
00:31:44 --> 00:31:48: for sectors where the fundamentals are strong where we
expect
00:31:48 --> 00:31:48: roads.
00:31:48 --> 00:31:52: So lots of people are looking for logistics life sciences
00:31:53 --> 00:31:54: alternatives,
00:31:54 --> 00:31:58: so so it puts more competition into it with this
00:31:58 --> 00:31:58: sector.
00:31:58 --> 00:32:01: So so it's really about how can we access a
00:32:01 --> 00:32:05: differentiated opportunities working with the right partners.
00:32:05 --> 00:32:09: So so it definitely puts pressure and competition into a
00:32:09 --> 00:32:10: into the game and.
00:32:10 --> 00:32:14: Another sector where we, another area that was that is
00:32:15 --> 00:32:18: key in our planet for the years ahead is on
00:32:18 --> 00:32:19: the development side,
00:32:19 --> 00:32:24: so of course inflation. It brings it means rising construction
00:32:24 --> 00:32:28: costs so so we see we see the some pressure
00:32:28 --> 00:32:29: on that side two so,
00:32:29 --> 00:32:33: but it will remain an important part of our plan.
00:32:33 --> 00:32:35: So we we just need to make sure we have
00:32:35 --> 00:32:39: the right convictions on the revenue potential and that we
00:32:39 --> 00:32:41: that we are cautious in.
00:32:41 --> 00:32:44: Having the right to assumptions from the start,
00:32:44 --> 00:32:46: of course, and and as I say,
00:32:46 --> 00:32:48: kind of interest rate rises.
00:32:48 --> 00:32:52: You know, inherently linked to inflation are you,
00:32:52 --> 00:32:55: are you? So we've seen the Fed sort of indicating
00:32:55 --> 00:32:57: that they're going to be raising rates?
00:32:57 --> 00:33:00: You know fairly significantly and then around the world
there's
00:33:00 --> 00:33:02: a bit more of a sort of decoupling between sort
00:33:02 --> 00:33:04: of Europe and the US and Asia and the USI
00:33:04 --> 00:33:07: mean. What are you factoring in in terms of rate
00:33:07 --> 00:33:07: rises?
00:33:07 --> 00:33:10: Because obviously pretty much since the GFC.
00:33:10 --> 00:33:13: You know post GFC. Sort of low interest rates have
00:33:13 --> 00:33:15: been absolutely brilliant for for real estate.
00:33:15 --> 00:33:17: Or are we coming to the end of that era?
00:33:17 --> 00:33:17: Do you think?
00:33:19 --> 00:33:22: Well, I wish I had the the crystal ball to
00:33:22 --> 00:33:25: figure out the next 10 years ahead.

00:33:25 --> 00:33:27: So so for us. Yes,
00:33:27 --> 00:33:29: it means it's interesting how you put it.
00:33:29 --> 00:33:32: It means you you as a global investor we we
00:33:32 --> 00:33:35: have to be mindful of that about how things could
00:33:35 --> 00:33:38: evolve from a region to to another and really our
00:33:38 --> 00:33:42: strategy is more based on the long longer term side.
00:33:42 --> 00:33:46: The long term fundamentals. So so trying to to stick
00:33:46 --> 00:33:49: to to what we want to build as a portfolio.
00:33:49 --> 00:33:51: Around the resilient sector. So so yes,
00:33:51 --> 00:33:55: we have to be mindful of the global context and
00:33:55 --> 00:33:57: see how if we adjust along the way or our
00:33:58 --> 00:33:59: capital allocation.
00:33:59 --> 00:34:03: But no, no big panic movement or or whatsoever.
00:34:04 --> 00:34:08: Sure sure sure and please set the E Tre report.
00:34:08 --> 00:34:11: You had a very strong focus on this idea that
00:34:11 --> 00:34:13: we are in a kind of late cycle moment,
00:34:13 --> 00:34:16: you know, sort of COVID very much didn't reset the
00:34:16 --> 00:34:16: cycle,
00:34:16 --> 00:34:18: it was maybe just a bit of a pause and
00:34:18 --> 00:34:20: then we're sort of back into that.
00:34:20 --> 00:34:22: That kind of late cycle moment.
00:34:22 --> 00:34:25: How are investors finding value across the you know,
00:34:25 --> 00:34:28: across the world in in a moment like that and
00:34:28 --> 00:34:30: and and avoiding the pitfalls of,
00:34:30 --> 00:34:33: you know, kind of what inevitably comes at the end
00:34:33 --> 00:34:34: of the cycle.
00:34:36 --> 00:34:40: Yeah, thanks Mike. I think actually Michelle and Christina
00:34:40 --> 00:34:43: already
00:34:40 --> 00:34:43: commented on the other extensively,
00:34:43 --> 00:34:45: but I actually wanted to bring in the long term
00:34:46 --> 00:34:47: perspective to that,
00:34:47 --> 00:34:49: because yes, we may be at the end of the
00:34:49 --> 00:34:50: cycle,
00:34:50 --> 00:34:54: especially for some sectors. It's probably not an even cycle
00:34:54 --> 00:34:58: for all the different sectors where some have also been
00:34:58 --> 00:35:01: massively disrupted through the pandemic.
00:35:01 --> 00:35:04: So I think I I'm not sure I've seen that
00:35:04 --> 00:35:05: in the past,
00:35:05 --> 00:35:09: but it's such a. Wide gap between sexual performance that
00:35:09 --> 00:35:12: I think you almost need to look at it at
00:35:13 --> 00:35:14: a very granular level,
00:35:14 --> 00:35:19: sector by sector, and maybe even sometimes sock sector by

00:35:19 --> 00:35:20: subsector,
00:35:20 --> 00:35:23: where I think it's very important to keep the long
00:35:23 --> 00:35:25: term mega trends in mind,
00:35:25 --> 00:35:29: and I think that still drives a lot of the
00:35:29 --> 00:35:34: investment in the various sectors we heard a lot already
00:35:34 --> 00:35:38: about logistics and where where kind of the.
00:35:38 --> 00:35:42: The specifics looking it's not just looking at logistics anymore,
00:35:42 --> 00:35:44: it's looking at specific deals,
00:35:44 --> 00:35:47: specific pricing levels, locations, etc.
00:35:47 --> 00:35:50: But from a long term perspective and that may see
00:35:50 --> 00:35:51: a hiccup now.
00:35:51 --> 00:35:56: Maybe with the with the current crisis it's still more
00:35:56 --> 00:35:58: growth to be expected.
00:35:58 --> 00:36:01: And then we have, of course.
00:36:01 --> 00:36:05: All driven by technology, but technology is also driven data
00:36:05 --> 00:36:06: centers.
00:36:06 --> 00:36:11: Communications infrastructure, and I think a lot around that
and
00:36:11 --> 00:36:17: then we have demographics fully driving that appetite for
residential.
00:36:17 --> 00:36:20: And it's not just about social or for the whole
00:36:20 --> 00:36:20: housing,
00:36:20 --> 00:36:24: it's about all the different housing types and I think
00:36:24 --> 00:36:27: what we're seeing now is really excellent.
00:36:27 --> 00:36:30: Asset allocation has gotten a different meaning.
00:36:30 --> 00:36:33: I think it's not just looking at retail for us
00:36:33 --> 00:36:35: is office versus residential.
00:36:35 --> 00:36:37: It's looking really that level.
00:36:37 --> 00:36:40: Below, and that also signifies the trend,
00:36:40 --> 00:36:44: and it may. It is also partly connected to made
00:36:44 --> 00:36:47: cycle is that focus on operationalizing the assets.
00:36:47 --> 00:36:51: I would say squeezing the last bit of return out,
00:36:51 --> 00:36:55: but obviously it's also the long term shift in the
00:36:55 --> 00:37:00: industry where we realize that we're moving from a business
00:37:00 --> 00:37:01: to business.
00:37:01 --> 00:37:05: I would say to a business to consumer sector where
00:37:05 --> 00:37:07: we need to think about.
00:37:07 --> 00:37:13: The end user, the customer who is using or properties.
00:37:13 --> 00:37:14: What are they doing with it?
00:37:14 --> 00:37:18: How can we service them better and that trend kind
00:37:18 --> 00:37:22: of is reflected also in where the values being seen.
00:37:22 --> 00:37:25: Some sectors are still very small.
00:37:25 --> 00:37:29: Life sciences data centers and and others,

00:37:29 --> 00:37:33: but there's huge potential there so I think and and
00:37:33 --> 00:37:36: kind of what you see with that as well.
00:37:36 --> 00:37:38: It's a huge widening almost.
00:37:38 --> 00:37:41: The definition of of real estate,
00:37:41 --> 00:37:43: where in the European report,
00:37:43 --> 00:37:48: for example, new energy infrastructure was under number
one spot
00:37:48 --> 00:37:53: in the top ten of preferred sectors and that infrastructure
00:37:53 --> 00:37:56: element gets more and more focused.
00:37:56 --> 00:38:00: So yes, late cycle, but a lot of opportunities I
00:38:00 --> 00:38:00: think,
00:38:00 --> 00:38:03: and especially when looking at it from a long term
00:38:03 --> 00:38:04: perspective.
00:38:04 --> 00:38:05: I think there's huge interest.
00:38:05 --> 00:38:08: I want you to bring in one link with.
00:38:08 --> 00:38:12: Inflation as well because we say it's not operating in
00:38:12 --> 00:38:13: isolation.
00:38:13 --> 00:38:17: Many of our investors not only invest in real estate,
00:38:17 --> 00:38:19: but other asset classes do,
00:38:19 --> 00:38:23: and high inflation and rising interest rates may not be
00:38:23 --> 00:38:26: at some point so beneficial for real estate.
00:38:26 --> 00:38:31: They might be even less beneficial for other adds classes.
00:38:31 --> 00:38:34: Look at where bonds going at the moment.
00:38:34 --> 00:38:35: And there's a big question.
00:38:35 --> 00:38:38: Marks about edge equities as well,
00:38:38 --> 00:38:41: and I think that's really important to keep in mind.
00:38:41 --> 00:38:44: Ultimately, it's about relative value,
00:38:44 --> 00:38:47: and there's still a lot of value to be made
00:38:47 --> 00:38:49: in real estate,
00:38:49 --> 00:38:53: I think, and that is linked also to those emerging
00:38:53 --> 00:38:56: sectors where lot is happening.
00:38:56 --> 00:38:56: Sure,
00:38:56 --> 00:38:57: sure. Sure, thanks for that.
00:38:57 --> 00:38:59: Is that Christina? Do you agree with that point that
00:38:59 --> 00:39:01: we're kind of late late cycle?
00:39:01 --> 00:39:04: And how are you? How are you kind of positioning
00:39:04 --> 00:39:05: the business?
00:39:05 --> 00:39:06: Accordingly,
00:39:07 --> 00:39:08: so so. So I'll I'll.
00:39:08 --> 00:39:10: You know, I'll jump on a little just just a
00:39:10 --> 00:39:11: little bit on logistics,
00:39:11 --> 00:39:14: just because I mean. But I think Lynette and Michelle

00:39:14 --> 00:39:16: have already kind of addressed most of it,
00:39:16 --> 00:39:18: but then I will also talk a little bit about
00:39:18 --> 00:39:20: what what we're seeing in Asia specifically.
00:39:20 --> 00:39:22: OK, so, for example, take logistics.
00:39:22 --> 00:39:24: The report did mention about late cycle,
00:39:24 --> 00:39:27: and indeed cap rate compression has been severe already,
00:39:27 --> 00:39:30: and in fact we have beneficiary of it because we've
00:39:30 --> 00:39:32: been buying and we have been selling as well.
00:39:32 --> 00:39:35: So we are experiencing that growth cycle in a positive
00:39:35 --> 00:39:35: way.
00:39:35 --> 00:39:39: But we are also finding other verticals with the within
00:39:39 --> 00:39:42: logistic to enhance value such as code storage,
00:39:42 --> 00:39:44: right? As you guys have seen in the West Coast,
00:39:44 --> 00:39:48: storage is actually coming about as a very valuable vertical
00:39:48 --> 00:39:50: chain within logistics,
00:39:50 --> 00:39:53: which in Asia is really just started.
00:39:53 --> 00:39:56: You know, even though it is not as huge of
00:39:56 --> 00:40:00: the of the of the market that you could scale
00:40:00 --> 00:40:01: like the dry storage.
00:40:01 --> 00:40:05: But in essence it is a higher margin business within
00:40:05 --> 00:40:06: the logistic vertical.
00:40:06 --> 00:40:09: So we find that there are always ways to evolve
00:40:09 --> 00:40:12: and work on extracting higher margin within a similar sector
00:40:12 --> 00:40:15: that has benefited from exponential growth.
00:40:15 --> 00:40:19: Because there is a fundamental habit shift of the population
00:40:19 --> 00:40:20: right now,
00:40:20 --> 00:40:23: the one thing that I wanted to mention about which
00:40:23 --> 00:40:26: is very specific to China right now and it does
00:40:26 --> 00:40:29: have a little bit of a link to other Asia
00:40:29 --> 00:40:32: Pacific opportunities which is. In a way,
00:40:32 --> 00:40:36: it's a little bit of a self inflicted real estate
00:40:36 --> 00:40:37: developer demise.
00:40:37 --> 00:40:41: You know that we have seen huge market capitulation with
00:40:41 --> 00:40:43: the Chinese developer bonds,
00:40:43 --> 00:40:45: you know, which was very much in the market in
00:40:45 --> 00:40:47: the fourth quarter of last year.
00:40:47 --> 00:40:51: And as this continues of deleveraging like the the forcing
00:40:51 --> 00:40:55: of the government to have the private developer companies
in
00:40:55 --> 00:40:57: China to deleverage their balance sheet.
00:40:57 --> 00:41:02: Basically it it it. It created quite a bit.
00:41:02 --> 00:41:06: Have special situation opportunities for us in that some of

00:41:06 --> 00:41:09: these developer do have to sell some of the investment
00:41:09 --> 00:41:13: portfolio assets and even some of the development assets
that
00:41:13 --> 00:41:15: they are already that are in,
00:41:15 --> 00:41:18: you know, prime areas outside of China.
00:41:18 --> 00:41:21: For example, we are looking at a few in Hong
00:41:21 --> 00:41:23: Kong where it is a home market home turf and
00:41:23 --> 00:41:27: we were able to get into very very attractive prep
00:41:27 --> 00:41:29: deals or debt deals. You know where.
00:41:29 --> 00:41:32: Otherwise it it probably wouldn't occur so so we're also
00:41:32 --> 00:41:32: looking at.
00:41:32 --> 00:41:37: Some will be Special Situations where it's it's specifically
happening
00:41:37 --> 00:41:38: in our region,
00:41:38 --> 00:41:41: not necessarily related to what's happening.
00:41:41 --> 00:41:43: You know, around the globe,
00:41:43 --> 00:41:43: yeah,
00:41:43 --> 00:41:46: so I'm just one question that's come in from our
00:41:46 --> 00:41:49: from our audience before we move on to the sort
00:41:49 --> 00:41:53: of ESG discussion Christina talking about kind of long term
00:41:53 --> 00:41:56: trends and something we've been hearing a lot about in
00:41:56 --> 00:41:57: the West.
00:41:57 --> 00:42:00: In particular, is the idea that COVID is sort of
00:42:00 --> 00:42:04: precipitated this idea that value chains and supply chains.
00:42:04 --> 00:42:07: Need to be kind of reassured or uninsured and the
00:42:08 --> 00:42:09: potential move,
00:42:09 --> 00:42:13: particularly in manufacturing and logistics of wave from Asia
back
00:42:13 --> 00:42:15: towards North America and Europe.
00:42:15 --> 00:42:18: I mean, is that something you are seeing playing out
00:42:18 --> 00:42:18: in practice?
00:42:18 --> 00:42:21: Is it something you're anticipating coming through?
00:42:21 --> 00:42:23: And does that affect the sort of proposition you know,
00:42:23 --> 00:42:27: particularly in sectors like logistics in Asia?
00:42:29 --> 00:42:31: Actually, funny enough, not really,
00:42:31 --> 00:42:34: you know, because in a way I think a lot
00:42:34 --> 00:42:38: of the heavy industry type of manufacturing for the US,
00:42:38 --> 00:42:41: for example, has actually moved back domestically.
00:42:41 --> 00:42:44: And even though China is still being seen as like
00:42:44 --> 00:42:46: the you know factory of the globe or whatnot.
00:42:46 --> 00:42:47: But I think we are.
00:42:47 --> 00:42:51: We are actually dealing mostly if what we are seeing
00:42:51 --> 00:42:54: on demand is mostly very very domestic centric,

00:42:54 --> 00:42:57: meaning that a lot of the things that's happening in
00:42:57 --> 00:42:59: China in terms of demand is actually domestic demand.
00:42:59 --> 00:43:02: Of that 1.4 billion population,
00:43:02 --> 00:43:06: and what we are seeing in fact within Asia Pacific
00:43:06 --> 00:43:07: itself,
00:43:07 --> 00:43:09: which is benefiting the factory.
00:43:09 --> 00:43:12: In fact we're doing build to suit factories.
00:43:12 --> 00:43:15: OK, which is something I didn't talk about because it
00:43:15 --> 00:43:18: is very much specific to Vietnam which we also about
00:43:18 --> 00:43:19: market.
00:43:19 --> 00:43:22: We are very active in which we're very successful doing
00:43:23 --> 00:43:27: built to suit factories where is actually benefiting the Chinese
00:43:27 --> 00:43:30: manufacturers moving their plants.
00:43:30 --> 00:43:33: To Vietnam so. So this is not like multinational companies
00:43:33 --> 00:43:34: per say.
00:43:34 --> 00:43:37: It is the Chinese company needing to move that plant
00:43:37 --> 00:43:40: to Vietnam and therefore benefiting that trend of,
00:43:40 --> 00:43:43: you know, we're creating factories,
00:43:43 --> 00:43:47: building up factories very quickly and that these
manufacturers could
00:43:47 --> 00:43:49: just move to Vietnam from China so that they could
00:43:50 --> 00:43:52: actually export out to the to the Western world.
00:43:52 --> 00:43:54: OK, so this is not completely,
00:43:54 --> 00:43:58: you know, gone in terms of that demand.
00:43:58 --> 00:44:00: Yeah, and the other thing is also.
00:44:00 --> 00:44:03: In Vietnam you would also see Korea,
00:44:03 --> 00:44:05: which of course there's a lot of the Samsung the
00:44:05 --> 00:44:06: the,
00:44:06 --> 00:44:08: the LG Electronics and all that they are setting up
00:44:08 --> 00:44:10: plants all over in Vietnam as well,
00:44:10 --> 00:44:14: right? So within the Asia Pacific demand itself,
00:44:14 --> 00:44:16: it is still creating more demand for,
00:44:16 --> 00:44:21: you know, manufacturing, right moving within Asia in different
countries.
00:44:21 --> 00:44:21: Yeah
00:44:21 --> 00:44:23: right, thank you for that.
00:44:23 --> 00:44:26: Is there in terms of the report Chapter 2 out
00:44:26 --> 00:44:28: of big focus on decarbonization and how that's going to
00:44:29 --> 00:44:30: be sort of funded and and.
00:44:30 --> 00:44:33: Finance, but there was also an element in there that
00:44:33 --> 00:44:35: sort of talked about how that you know,
00:44:35 --> 00:44:38: has Garth mentioned in his presentation the sort of plethora

00:44:38 --> 00:44:43: of standards regulations around what constitutes a sustainable building,

00:44:43 --> 00:44:46: how we label them, what different regulation is occurring in

00:44:46 --> 00:44:49: different parts of the world that's being seen as a

00:44:49 --> 00:44:52: big hindrance to the ability of equity and debt providers

00:44:52 --> 00:44:55: to sort of plot, plot their strategy in terms of

00:44:55 --> 00:44:56: decarbonisation.

00:44:56 --> 00:44:58: So what do you think is the role of a

00:44:58 --> 00:45:00: kind of public and private sector?

00:45:00 --> 00:45:03: In terms of sort of clarifying that,

00:45:03 --> 00:45:05: and what are the big opportunities and challenges at this

00:45:05 --> 00:45:06: time,

00:45:06 --> 00:45:06: do you think?

00:45:08 --> 00:45:09: Yeah, that's a very important point,

00:45:09 --> 00:45:12: and Mike and I I wanted to go back a

00:45:13 --> 00:45:15: bit back in history to kind of.

00:45:15 --> 00:45:19: Almost explained the reason why we are where we are

00:45:19 --> 00:45:19: and that is,

00:45:19 --> 00:45:23: let's say, 20 years ago we started to talk about

00:45:23 --> 00:45:27: sustainability and at the time there was nothing.

00:45:27 --> 00:45:30: There were no standards. There were no building

00:45:30 --> 00:45:33: certifications,

00:45:33 --> 00:45:37: nothing and only if you had the word green in

00:45:37 --> 00:45:39: your front title you were already kind of.

00:45:39 --> 00:45:42: And if the building had some screen credentials,

00:45:42 --> 00:45:43: whatever that meant at the time it was already a

00:45:43 --> 00:45:47: big advantage.

00:45:47 --> 00:45:51: So soon we saw development of all kinds of buildings.

00:45:51 --> 00:45:55: Handles Graham, leads, etc. And that has evolved overtime

00:45:55 --> 00:45:58: and

00:45:58 --> 00:46:02: at that time also the folks were still on products

00:46:02 --> 00:46:03: being green or funds being green.

00:46:03 --> 00:46:06: Now it has to be part of our whole corporate

00:46:06 --> 00:46:11: strategy.

00:46:11 --> 00:46:16: To be sustainable, and it's far more than,

00:46:16 --> 00:46:19: say, energy efficiency or building insulation.

00:46:19 --> 00:46:21: But what I think you've seen throughout that time is

00:46:21 --> 00:46:24: a very clear lack of regulation.

00:46:24 --> 00:46:28: To push this market forward,

00:46:28 --> 00:46:31: it's been investors, institutional investors,

00:46:31 --> 00:46:34: mostly, who've been driving this.

00:46:34 --> 00:46:38: Many of you may remember grasp coming in.

00:46:38 --> 00:46:41: What was it? 2920, ten?

00:46:34 --> 00:46:38: And that kind of adopted by institutional investors who then
00:46:38 --> 00:46:41: pushed it through the market at the time I work
00:46:41 --> 00:46:41: for INREV,
00:46:41 --> 00:46:45: and we also had guidelines pushing them through to the
00:46:45 --> 00:46:45: market,
00:46:45 --> 00:46:50: supported by institutional investors. And those demands are
of those
00:46:50 --> 00:46:53: institutional has not fully aligned.
00:46:53 --> 00:46:57: Everyone wants some specifics here and there and I think
00:46:57 --> 00:47:00: what we now have is a market where there are
00:47:00 --> 00:47:02: too many building city stations,
00:47:02 --> 00:47:07: reporting standards etc. And now the regulator is trying to
00:47:08 --> 00:47:09: speed up the process.
00:47:09 --> 00:47:13: We see huge progress being made in the EU with
00:47:13 --> 00:47:15: the EU taxonomy.
00:47:15 --> 00:47:18: And now we've come to stage that it's actually not
00:47:18 --> 00:47:19: helpful anymore.
00:47:19 --> 00:47:23: There's just too much on that.
00:47:23 --> 00:47:24: And now it's the question,
00:47:24 --> 00:47:26: how do we get which?
00:47:26 --> 00:47:28: Basically the race to net zero.
00:47:28 --> 00:47:30: We have no time to lose,
00:47:30 --> 00:47:35: so how do we get to some common understanding and
00:47:35 --> 00:47:36: agreement,
00:47:36 --> 00:47:42: or what the right standard is for a sustainable building?
00:47:42 --> 00:47:45: And obviously, that goes much further than just.
00:47:45 --> 00:47:50: Energy, the social element should ideally be included in that
00:47:50 --> 00:47:50: as well,
00:47:50 --> 00:47:53: but even for the the east side,
00:47:53 --> 00:47:57: it's already complicated enough, and I think that is hugely
00:47:57 --> 00:48:00: important because it will help us speed up the process
00:48:01 --> 00:48:04: and scale up the process because a lot a you
00:48:04 --> 00:48:07: don't know what you're measuring at the moment.
00:48:07 --> 00:48:11: You may be measuring something and it's all done with
00:48:11 --> 00:48:12: good intentions.
00:48:12 --> 00:48:15: The only thing is it's hard.
00:48:15 --> 00:48:19: To verify, because you may use another definition,
00:48:19 --> 00:48:25: then your colleague fund manager may use so that
comparison
00:48:25 --> 00:48:25: is.
00:48:25 --> 00:48:29: It's not possible, and that kind of also on a
00:48:29 --> 00:48:33: wider industry level is the risk of greenwashing,

00:48:33 --> 00:48:36: which is not intentional greenwashing.
00:48:36 --> 00:48:39: But because there is no comment.
00:48:39 --> 00:48:45: Definition standard whatsoever. It's very hard to to judge that
00:48:45 --> 00:48:46: properly.
00:48:46 --> 00:48:48: We're actually in the process now,
00:48:48 --> 00:48:53: together with interest and UN PRI to start mapping and
00:48:53 --> 00:48:56: visualizing all those different standards,
00:48:56 --> 00:48:58: which has not been done before.
00:48:58 --> 00:49:02: So at least start to create transparency on how do
00:49:02 --> 00:49:06: they relate to one another and which one is actually
00:49:06 --> 00:49:07: the most advanced.
00:49:07 --> 00:49:11: So maybe in industry Canmore get behind that.
00:49:11 --> 00:49:13: So we think it's a lot of work and it's
00:49:13 --> 00:49:14: a key step.
00:49:14 --> 00:49:15: We need to take to take this forward,
00:49:16 --> 00:49:18: so I'm gonna ask you a really provocative question.
00:49:18 --> 00:49:21: Then, is that so is the market going to come
00:49:21 --> 00:49:22: up with a solution here?
00:49:22 --> 00:49:27: IE, everyone will gravitate towards 1 benchmark or one or
00:49:28 --> 00:49:30: one measure or does some?
00:49:30 --> 00:49:32: I don't know who the body would be.
00:49:32 --> 00:49:36: Does someone have to say well you all need to
00:49:36 --> 00:49:37: merge or you know how?
00:49:37 --> 00:49:39: How do we get to that point?
00:49:39 --> 00:49:39: Do you think?
00:49:40 --> 00:49:43: I think the regulator is stepping up and I actually
00:49:43 --> 00:49:45: think the industry is happy.
00:49:45 --> 00:49:47: The regulators stepping up. I've never asked,
00:49:47 --> 00:49:52: seen so many people in real estate asking for regulation
00:49:52 --> 00:49:55: to under especially under the carbon side.
00:49:55 --> 00:49:57: And I think it's well,
00:49:57 --> 00:50:00: the EU is getting ready for it.
00:50:00 --> 00:50:04: I think the key risk or element to consider is
00:50:04 --> 00:50:06: is it tailored to real estate?
00:50:06 --> 00:50:09: We've seen that in the past.
00:50:09 --> 00:50:12: We're kind of real estate is sort of an add
00:50:12 --> 00:50:16: on to all asset classes and being a different asset
00:50:16 --> 00:50:19: class that it doesn't always make it easy.
00:50:19 --> 00:50:22: And what we actually see is that I think in
00:50:22 --> 00:50:26: Asia also regulation is ramping up quite rapidly.
00:50:26 --> 00:50:30: Now, is that some follow the EU model,
00:50:30 --> 00:50:32: so there may be local variations,

00:50:32 --> 00:50:36: but it's based on the same principles so I do
00:50:37 --> 00:50:41: think the regular the regulator is stepping up.
00:50:43 --> 00:50:45: Michelle, I know you wanted to add something on sort
00:50:45 --> 00:50:46: of embodied carbon,
00:50:46 --> 00:50:49: which is something that the the industry starting to get
00:50:49 --> 00:50:50: its head around.
00:50:50 --> 00:50:51: For those of you, if it's not a term,
00:50:51 --> 00:50:53: it's not necessarily a term that everyone knows.
00:50:53 --> 00:50:57: That's the carbon emitted in the construction and demolition
of
00:50:57 --> 00:51:00: a building rather than it's it's operations.
00:51:00 --> 00:51:02: But Michelle, I know you've been sort of thinking about
00:51:02 --> 00:51:02: that quite a lot.
00:51:04 --> 00:51:06: Yes, so so on our side.
00:51:06 --> 00:51:08: Well, I I I have to say that the work
00:51:08 --> 00:51:09: we do with you,
00:51:09 --> 00:51:12: Ella and other industry leaders is so important in that
00:51:12 --> 00:51:13: regard.
00:51:13 --> 00:51:16: And of course there is still a lot of work
00:51:16 --> 00:51:17: to do.
00:51:17 --> 00:51:20: I think to engage properly the the public side with
00:51:20 --> 00:51:21: the private side,
00:51:21 --> 00:51:24: but at least some work is getting done and we
00:51:25 --> 00:51:28: are progressing on that front and maybe just a touch
00:51:28 --> 00:51:29: on that.
00:51:29 --> 00:51:32: I think in Europe we see that the regulation,
00:51:32 --> 00:51:35: even if it did not perfect the frameworks in place,
00:51:35 --> 00:51:39: are. Are really playing a role in that driving decarbonisation
00:51:40 --> 00:51:43: so so I compared to other regions across the world.
00:51:43 --> 00:51:45: So I think in the US we are starting to
00:51:45 --> 00:51:46: see us.
00:51:46 --> 00:51:49: So as some some levers are coming out of that,
00:51:49 --> 00:51:51: but they're still in Europe.
00:51:51 --> 00:51:52: It's a. It's a good place,
00:51:52 --> 00:51:55: a good model to to look in other geographies as
00:51:55 --> 00:51:56: well.
00:51:56 --> 00:51:57: So so for us yes,
00:51:57 --> 00:52:01: and embodied carbon. Now for us the the challenge is
00:52:01 --> 00:52:05: really to look at everything from existing assets to the
00:52:05 --> 00:52:06: new ones we developed.
00:52:06 --> 00:52:08: So so I think these are two.
00:52:08 --> 00:52:11: Francis where there's a needed to engage and I really

00:52:11 --> 00:52:16: set some some standards and approaches on the embodied carbon,
00:52:16 --> 00:52:20: which is the carbon that is emitted at the construction
00:52:20 --> 00:52:24: stage we we launched last week with other European player
00:52:24 --> 00:52:26: and initiative for low carbon labels.
00:52:26 --> 00:52:29: So that's the type of the more we work together
00:52:29 --> 00:52:30: around this,
00:52:30 --> 00:52:32: the faster it will go,
00:52:32 --> 00:52:34: and it may be so.
00:52:34 --> 00:52:36: That's something we we for us.
00:52:36 --> 00:52:38: It's a bit the next challenge because so far over
00:52:38 --> 00:52:39: the last year.
00:52:39 --> 00:52:42: A lot of the talk was about the the the
00:52:42 --> 00:52:45: operational emissions so so now where we also have to
00:52:45 --> 00:52:48: be to be honest and to tackle the.
00:52:48 --> 00:52:51: Also the the development side so so that will be
00:52:51 --> 00:52:52: more and more important.
00:52:52 --> 00:52:55: And maybe Mike. If I had a word on the
00:52:55 --> 00:53:00: existing building assets and the need for for greener retrofit
00:53:00 --> 00:53:01: projects,
00:53:01 --> 00:53:06: I think this is another critical area where as Lisa
00:53:06 --> 00:53:07: said we we need this,
00:53:07 --> 00:53:10: this this discussion, this engagement.
00:53:10 --> 00:53:13: Going on so. So on our side like for this
00:53:13 --> 00:53:17: there's a statistic that always come up that in the
00:53:17 --> 00:53:18: in 20 fifty 80%
00:53:18 --> 00:53:22: of the buildings that will be there have already been
00:53:22 --> 00:53:26: built so so it shows that we we cannot ignore
00:53:26 --> 00:53:29: the the existing building park that we have.
00:53:29 --> 00:53:32: So so on the public side we when it comes
00:53:32 --> 00:53:34: to green retrofit projects,
00:53:34 --> 00:53:37: what has been the driving so far the change has
00:53:37 --> 00:53:40: been mostly more kind of stick approaches.
00:53:40 --> 00:53:44: Go away, punitive or be the threat of not being
00:53:44 --> 00:53:45: able to rent space.
00:53:45 --> 00:53:46: If the
00:53:47 --> 00:53:48: if the the energy
00:53:48 --> 00:53:52: see energy efficiency is not up to par.
00:53:52 --> 00:53:54: So what we would like to see and we are
00:53:54 --> 00:53:57: starting to see this happen is maybe more as some
00:53:57 --> 00:53:58: carrot approaches.
00:53:58 --> 00:54:02: And so like let's say in Italy where we see

00:54:02 --> 00:54:07: some density bonus and if some renewable energy thresholds are

00:54:07 --> 00:54:07: met.

00:54:07 --> 00:54:11: So that's something that we find really interesting and inspiring

00:54:11 --> 00:54:11: and that.

00:54:11 --> 00:54:14: We keep a close eye on and on the private

00:54:14 --> 00:54:18: side that we have been there quite vocal about that.

00:54:18 --> 00:54:21: Also at High V Nowhere Cambridge I think to to

00:54:21 --> 00:54:25: make green retrofit projects more attractive we we need a

00:54:25 --> 00:54:26: clear price on carbon.

00:54:26 --> 00:54:29: So so we we need to as an industry to

00:54:29 --> 00:54:33: help ourselves and may make the maps work.

00:54:33 --> 00:54:37: So evaluations are important there and to to really to

00:54:37 --> 00:54:42: really demonstrate that the reality of future and future perspectives

00:54:43 --> 00:54:43: as well.

00:54:44 --> 00:54:46: Just just two things to pick up on what you

00:54:46 --> 00:54:46: said there.

00:54:46 --> 00:54:48: That's super interesting, Michelle, thank you for that.

00:54:48 --> 00:54:50: So first of all, on you know you use the

00:54:50 --> 00:54:53: example of Italy and the and the sort of maybe

00:54:53 --> 00:54:56: subsidy or the OR the carrot as you put it

00:54:56 --> 00:54:59: there. I mean, does that make Italy a more attractive

00:54:59 --> 00:55:01: investment destination for you?

00:55:01 --> 00:55:03: You know you are very committed to being green and

00:55:03 --> 00:55:04: think it makes financial sense.

00:55:04 --> 00:55:08: So does that sort of change the investment?

00:55:08 --> 00:55:11: You know the attractiveness as of a country that does

00:55:11 --> 00:55:13: that as an investment destination?

00:55:13 --> 00:55:14: Think.

00:55:15 --> 00:55:18: I would say it of course it takes a different

00:55:18 --> 00:55:19: kind of factors,

00:55:19 --> 00:55:22: but the importance of the ESG factors for us they

00:55:22 --> 00:55:25: are becoming more and more important,

00:55:25 --> 00:55:27: so so it has already.

00:55:27 --> 00:55:32: It was already integrated throughout our investment trusts and more

00:55:32 --> 00:55:35: and more we are putting it more at the core

00:55:35 --> 00:55:38: of the strategy really in in the decisions that drive

00:55:38 --> 00:55:43: capital allocation. So so one measure like that person will

00:55:43 --> 00:55:44: not be a game changer,

00:55:44 --> 00:55:47: but the. These factors are considered in how we allocate

00:55:47 --> 00:55:50: capital and will be more and more that will be
00:55:50 --> 00:55:51: more and more the case.
00:55:51 --> 00:55:52: So
00:55:52 --> 00:55:55: sure, sure and and just your point on carbon pricing.
00:55:55 --> 00:55:58: That's really interesting when you say you know we need
00:55:58 --> 00:56:00: a clearer price on carbon,
00:56:00 --> 00:56:02: I mean again, sort of who should be setting that
00:56:02 --> 00:56:03: price.
00:56:03 --> 00:56:06: Is that something that that you do internally or that
00:56:06 --> 00:56:08: you know real estate will do internally?
00:56:08 --> 00:56:11: Or is that again something that comes from external
regulation?
00:56:12 --> 00:56:13: I, I think
00:56:13 --> 00:56:16: this is as much a company level than an industry
00:56:16 --> 00:56:18: level or type of challenge here.
00:56:18 --> 00:56:20: So so at the company level.
00:56:20 --> 00:56:24: Of course we and we are exploring around these lines
00:56:24 --> 00:56:27: as well about how can we have an internal carbon
00:56:27 --> 00:56:32: price and how can we access the CapEx programs
accordingly
00:56:32 --> 00:56:35: and make make the right choices around that.
00:56:35 --> 00:56:39: And I think it's also an industry level discussion where
00:56:39 --> 00:56:42: we we we if we want change to happen around
00:56:42 --> 00:56:43: us and.
00:56:43 --> 00:56:47: To to really see the industry moving this way.
00:56:47 --> 00:56:50: This way recognize the the increased value that we we
00:56:50 --> 00:56:53: see in a green assets so so that how can
00:56:53 --> 00:56:56: we as an industry progress toward that.
00:56:56 --> 00:56:58: So. So I think there is work to do on
00:56:58 --> 00:56:59: the on both levels.
00:56:59 --> 00:57:00: Yes
00:57:00 --> 00:57:02: brilliant thank you. And then we've just got a couple
00:57:02 --> 00:57:05: of minutes left so Christina just take us home as
00:57:05 --> 00:57:07: I say we've got about 2 minutes but tell us
00:57:07 --> 00:57:10: a bit about any innovation you're seeing on the ESG
00:57:10 --> 00:57:12: side in in Asia Pacific if you would.
00:57:13 --> 00:57:15: Sure, OK, I I guess that's that is 6 years
00:57:15 --> 00:57:18: ago we started to go into Proptech investment,
00:57:18 --> 00:57:21: which I think at that time everywhere is still kind
00:57:21 --> 00:57:24: of very skeptical about how big or how far proptech
00:57:24 --> 00:57:28: could go and and obviously without saying anything more it's
00:57:28 --> 00:57:31: becoming much more prominent, especially for real estate
player,

00:57:31 --> 00:57:35: especially when people are focusing on the EE within the
00:57:35 --> 00:57:35: ESG.
00:57:35 --> 00:57:38: A lot of the software companies have proptech does do
00:57:38 --> 00:57:41: their job in terms of providing a lot of useful
00:57:41 --> 00:57:43: data to ended up helping.
00:57:43 --> 00:57:47: Landlords or tenants and whatnot to actually save on energy
00:57:48 --> 00:57:48: usage.
00:57:48 --> 00:57:51: So we have done investment in those type of companies
00:57:51 --> 00:57:54: as a strategic partner where once we have tried their
00:57:54 --> 00:57:56: technology in our portfolio,
00:57:56 --> 00:58:00: if they are useful we have actually further proliferate their
00:58:00 --> 00:58:03: usage onto some of our LP's who have much larger
00:58:03 --> 00:58:07: real estate portfolio to use them right so thereby helping
00:58:07 --> 00:58:10: some of these companies grow within the Asia Pacific region
00:58:10 --> 00:58:12: is interesting in that as you know,
00:58:12 --> 00:58:14: all of these technology or smart.
00:58:14 --> 00:58:18: Building contains data and increasingly all the countries are
00:58:18 --> 00:58:21: very
00:58:18 --> 00:58:21: much protecting their data and as a result of that
00:58:21 --> 00:58:25: you could argue that the APAC innovators or sustainability
00:58:25 --> 00:58:28: areas
00:58:25 --> 00:58:28: that we have seen. It's not necessarily that different from
00:58:28 --> 00:58:31: the West where you know a lot of these companies
00:58:31 --> 00:58:33: or protect it's it's even further developed.
00:58:33 --> 00:58:36: It's just that in Asia you kind of have to
00:58:36 --> 00:58:38: localize those companies.
00:58:38 --> 00:58:41: So instead of seeing a global company coming into Asia
00:58:41 --> 00:58:43: and be able to proliferate very quickly,
00:58:43 --> 00:58:45: it's more like all the companies that.
00:58:45 --> 00:58:48: Light localized in a way in their own region.
00:58:48 --> 00:58:51: A company that could tackle China cannot tackle Southeast
00:58:51 --> 00:58:53: Asia,
00:58:51 --> 00:58:53: for example, right, so there there it goes.
00:58:53 --> 00:58:57: The opportunity of how you have different kinds of
00:58:57 --> 00:59:00: companies
00:58:57 --> 00:59:00: that you could invest while they are doing similar type
00:59:00 --> 00:59:04: of things in their market in their respective market.
00:59:04 --> 00:59:07: This is kind of like relating to obviously the real
00:59:07 --> 00:59:07: estate side,
00:59:07 --> 00:59:10: but then as time is tight you know I'm just
00:59:10 --> 00:59:13: gonna quickly into like the SNG where on a social
00:59:13 --> 00:59:16: aspect a little bit less related to real estate.
00:59:16 --> 00:59:18: Would be if you look at Southeast Asia.

00:59:18 --> 00:59:21: Increasingly, there is a lot of focus on sustainable farming,
00:59:21 --> 00:59:24: agricultural tech, food, tech, supply chain,
00:59:24 --> 00:59:28: sustainability within retail tech, all of these.
00:59:28 --> 00:59:30: For example, Singapore is a huge base for food tech
00:59:30 --> 00:59:32: innovation in the region.
00:59:32 --> 00:59:35: Indonesia and Vietnam have a lot of potential to explore
00:59:35 --> 00:59:39: innovating around the social part because developing
countries have more
00:59:39 --> 00:59:42: ways to create a sustainable way of retail agriculture.
00:59:42 --> 00:59:46: Doing manufacturing as processes are not.
00:59:46 --> 00:59:48: Get us fixated like developed markets,
00:59:48 --> 00:59:51: right? So these are sort of the newer opportunities within
00:59:52 --> 00:59:55: ESG and sustainability within the Southeast Asian market
that we
00:59:55 --> 00:59:58: are seeing because there's a lot of ways that they
00:59:58 --> 01:00:01: could do something new, and to certain extent a lot
01:00:01 --> 01:00:03: of these new businesses require real estate to to grow
01:00:03 --> 01:00:04: with them as well.
01:00:04 --> 01:00:07: It could be warehouses or industrial assets,
01:00:07 --> 01:00:10: so from that standpoint there is the real estate relevance
01:00:10 --> 01:00:12: to us and that's why we we we keep the
01:00:13 --> 01:00:14: focus on all of these new,
01:00:14 --> 01:00:18: you know, innovate. Innovative company and industry areas.
01:00:20 --> 01:00:23: That waterfall, great forward thinking and forward looking
point to
01:00:23 --> 01:00:26: to finish on so thank you so much for the
01:00:26 --> 01:00:29: panel for that incredible insight into in into the the
01:00:29 --> 01:00:30: report and some of the topics that have come up
01:00:30 --> 01:00:31: from that.
01:00:31 --> 01:00:33: So thank you all so much for taking the time
01:00:33 --> 01:00:35: to to give your views today.
01:00:35 --> 01:00:37: I really really appreciate that to our audience.
01:00:37 --> 01:00:41: Please stick around. I think we're just about to launch
01:00:41 --> 01:00:43: a zoom poll where you can give us.
01:00:43 --> 01:00:46: Sort your feedback on the event and also a few
01:00:46 --> 01:00:49: other things relating to the lion emerging trends.
01:00:49 --> 01:00:51: So do please take a couple of minutes.
01:00:51 --> 01:00:55: To fill that out and I'll say thank you all
01:00:55 --> 01:00:58: very much for joining us and hand back over to
01:00:58 --> 01:01:00: Lizet to close us out.
01:01:00 --> 01:01:01: So over to you Lisette.
01:01:03 --> 01:01:06: Thanks, Mike, I don't think I have a lot more
01:01:06 --> 01:01:09: to add because I found it really fascinating,

01:01:09 --> 01:01:14: so I wanted to thank Garrett Mike you for moderating
01:01:14 --> 01:01:17: Christina Michelle for participating.
01:01:17 --> 01:01:20: And of course the audience for listening.
01:01:20 --> 01:01:24: If you are interested in the web and R as
01:01:24 --> 01:01:30: well as the reports are available on
knowledgethatyoulie.org also
01:01:31 --> 01:01:32: on PwC websites and.
01:01:32 --> 01:01:37: I'm just pointing out two upcoming events that you realize
01:01:37 --> 01:01:41: organizing the spring meeting in April 19 to 21 in
01:01:41 --> 01:01:45: San Diego and the Europe Conference in Brussels from the
01:01:45 --> 01:01:48: 11th to the 13th of May and hope to see
01:01:48 --> 01:01:51: many of you at either one of those events.
01:01:51 --> 01:01:54: Thank you so much and hope to see you soon.
01:01:54 --> 01:01:56: Again, thank you. Thanks everyone.
01:02:08 --> 01:02:08: Yeah.

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