Webinar

ULI & PwC Emerging Trends in Real Estate?? 2025 Global Report Launch (APAC and Europe)

Date: March 20, 2025

00:01:11 --> 00:01:15: Well, welcome to the launch of the 2025 ULIPWC Global
00:01:15 --> 00:01:17: Emerging Trends in Real Estate Report.
00:01:18 --> 00:01:21: My name is Tim Jatt, I'm Managing Director and Head
00:01:21 --> 00:01:23: of Asia Research at Heinz, and I'm based in Hong
00:01:23 --> 00:01:23: Kong.
00:01:24 --> 00:01:27: Thank you very much for joining us this morning, this
00:01:27 --> 00:01:30: afternoon and thank you to the ULI and PwC for
00:01:30 --> 00:01:31: inviting me along today.
00:01:32 --> 00:01:35: This year's Global Emerging Trends in Real Estate report suggests
00:01:35 --> 00:01:37: a cautiously optimistic outlook for global real estate.
00:01:38 --> 00:01:42: Despite concerns over the resilience of economic growth and elevated
00:01:42 --> 00:01:45: geopolitical uncertainty, there is a general sense that the market
00:01:45 --> 00:01:48: is at an inflection point, with investors looking both to
00:01:48 --> 00:01:51: reposition their portfolios and to put new capital to work.
00:01:53 --> 00:01:55: The global report consolidated the key findings from the three
00:01:55 --> 00:01:58: regional reports that were published at the end of last
00:01:58 --> 00:01:58: year.
00:01:59 --> 00:02:01: The report is enhanced by the findings from additional new
00:02:01 --> 00:02:04: interviews with an international group of leaders on how the
00:02:04 --> 00:02:08: global real estate industry has progressed since the launch of
00:02:08 --> 00:02:10: those reports and how this is impacting the future outlook
00:02:10 --> 00:02:12: and their investment strategies.
00:02:13 --> 00:02:16: So the agenda for today's session will involve first a
00:02:16 --> 00:02:19: short presentation of the report's key findings, then followed by
00:02:19 --> 00:02:20: a panel discussion.

00:02:21 --> 00:02:23: I'm delighted to be joined by such a high calibre
00:02:23 --> 00:02:26: panel featuring industry experts from Europe and from Asia.
00:02:27 --> 00:02:29: There is AQ and a feature in Zoom, so if
00:02:29 --> 00:02:31: you'd like to submit any questions during any time, please
00:02:32 --> 00:02:33: do and we'll try to address those if we have
00:02:34 --> 00:02:35: time during the discussion.
00:02:36 --> 00:02:39: Now I'm delighted to introduce Gareth Lewis, Real Estate Director
00:02:39 --> 00:02:42: from PwC, who will get us started by taking us
00:02:42 --> 00:02:44: through this year's Emerging Trends reports.
00:02:49 --> 00:02:52: Thank you, Tim, and good morning or good afternoon everyone.
00:02:52 --> 00:02:55: As Tim said, I'm Gareth Lewis from the PwC Real
00:02:55 --> 00:02:58: Estate advisory team and on behalf of PwC and the
00:02:58 --> 00:03:02: Urban Land Institute, it's it's my pleasure to welcome you
00:03:02 --> 00:03:05: to this this year's launch of the Emerging Trends 2025
00:03:05 --> 00:03:06: global report.
00:03:07 --> 00:03:08: Next slide, please, Kirsty.
00:03:10 --> 00:03:13: On behalf of PwC I'd I'd also first like to
00:03:13 --> 00:03:17: thank the the Urban Land Institute for their collaboration for
00:03:17 --> 00:03:20: all three of the regional Emerging Trends report that Tim
00:03:20 --> 00:03:24: mentioned, Asia Pacific, Europe and North America, as well as
00:03:24 --> 00:03:26: the latest collaboration for this global report.
00:03:27 --> 00:03:30: It brings together the the 3IN depth regional reports published
00:03:30 --> 00:03:32: at the end of last year.
00:03:32 --> 00:03:35: And if you look across those three, those 3 reports
00:03:35 --> 00:03:38: and the global report we're launching today, you can see
00:03:38 --> 00:03:41: we've taken the views of over 3 1/2 thousand senior
00:03:41 --> 00:03:44: participants through surveys, round tables and interviews.
00:03:44 --> 00:03:47: And for this report, we supplemented those findings with an
00:03:48 --> 00:03:51: additional 30 interviews with the global leaders for their up
00:03:51 --> 00:03:53: to date views on the outlook for the for the
00:03:53 --> 00:03:54: year ahead.
00:03:54 --> 00:03:56: As Tim said, the plan for the session is for
00:03:56 --> 00:03:58: me to give you some very brief highlights of the
00:03:58 --> 00:03:58: report.
00:03:58 --> 00:04:01: Then I'll hand back to Tim, who'll introduce the panellists
00:04:01 --> 00:04:02: and and moderate the discussion.
00:04:03 --> 00:04:04: So on to the highlights.
00:04:04 --> 00:04:05: That next slide please.
00:04:09 --> 00:04:12: The senior industry players we spoke to for this edition

00:04:12 --> 00:04:16: of Emerging Trends believe that Real Estate industry is still
00:04:16 --> 00:04:19: facing up to the the reality of lingering inflation and
00:04:19 --> 00:04:22: higher for longer interest rates as in some regions, as
00:04:22 --> 00:04:26: it emerges from 2025's bumpy first quarter and contemplates a
00:04:26 --> 00:04:27: complex year ahead.
00:04:28 --> 00:04:32: The more optimistic interviewees share the view that the industry
00:04:32 --> 00:04:34: is close to a resolution of a three-year long pathway
00:04:35 --> 00:04:35: to recovery.
00:04:35 --> 00:04:38: And the regional report suggests that deal making prospects are
00:04:38 --> 00:04:40: turning a corner in most markets.
00:04:41 --> 00:04:44: And the latest investment data from MSCCI confirms that positive
00:04:45 --> 00:04:45: trend.
00:04:45 --> 00:04:48: As you can see here, European commercial real estate is
00:04:48 --> 00:04:52: coming off the back of its busiest fourth quarter for
00:04:52 --> 00:04:54: two years, with sales totalling ???56 billion.
00:04:55 --> 00:04:59: This took transaction volumes for Europe in 2024 to ???189
00:05:00 --> 00:05:03: billion, which is 13.7% higher than in 2023.
00:05:04 --> 00:05:07: Real estate volumes also rebounded by 11.3% in North America
00:05:08 --> 00:05:11: following a a year of significant contraction with US deals
00:05:11 --> 00:05:14: jumping by around a third year on year in the
00:05:14 --> 00:05:17: fourth quarter, boosted by the the the Fed's September rate
00:05:17 --> 00:05:17: cut.
00:05:18 --> 00:05:21: We have been here before those two years ago.
00:05:21 --> 00:05:24: In Emerging Trends 2023, there was some hope that investment
00:05:24 --> 00:05:28: activity would start to increase possibly by the summer of
00:05:28 --> 00:05:32: 2023, assuming a declaration on on of victory on inflation
00:05:32 --> 00:05:33: at that point in time.
00:05:33 --> 00:05:37: And in 2024's global report, leaders saw 2024 as a
00:05:37 --> 00:05:41: pivot point moving towards greater liquidity in real estate markets.
00:05:42 --> 00:05:45: But the prevailing view now is, is that 2025 should
00:05:45 --> 00:05:48: mark the next stage of a breakthrough perceived by some
00:05:48 --> 00:05:51: as a reset point or even the start of a
00:05:51 --> 00:05:52: of a new cycle.
00:05:52 --> 00:05:53: Next slide please.
00:05:55 --> 00:05:59: According to the to the regional emerging trends report in
00:05:59 --> 00:06:02: the third quarter of 2024, business confidence was was up
00:06:03 --> 00:06:06: in all three regions, yet significant pockets of of caution

00:06:06 --> 00:06:07: clearly remain.
00:06:07 --> 00:06:10: Even the global euphoria last September around the Fed rate
00:06:10 --> 00:06:13: cuts flagged in all three regional reports as a turn
00:06:13 --> 00:06:15: as a turning point has receded.
00:06:15 --> 00:06:18: So inflation and higher for longer interest rates continue to
00:06:18 --> 00:06:21: cast that long shadow over global real estate as the
00:06:21 --> 00:06:24: industry weighs up the opportunities and risks over what promise
00:06:24 --> 00:06:26: promises to be quite a challenging year ahead.
00:06:27 --> 00:06:30: And this slide shows the chief areas of concerns across
00:06:30 --> 00:06:31: the three regions.
00:06:31 --> 00:06:34: So you can see in North America, interest rates and
00:06:34 --> 00:06:35: the cost of capital rank highest.
00:06:36 --> 00:06:40: Asian respondents point to lower yields and interest rate challenges.
00:06:40 --> 00:06:45: Well for Europe, economic growth prospects and political instability are
00:06:45 --> 00:06:47: seen as the chief issues clouding the horizon.
00:06:48 --> 00:06:49: And next slide, please.
00:06:51 --> 00:06:52: And no worries.
00:06:52 --> 00:06:54: Is that political risk more keenly felt than in the
00:06:54 --> 00:06:57: industry's challenges around the ESG agenda.
00:06:57 --> 00:07:00: ESG is now a politically charged acronym, as one participant
00:07:00 --> 00:07:04: noted, and the real estate leaders interviewed for this report
00:07:04 --> 00:07:07: reflect a sense that the regulation is perhaps getting too
00:07:07 --> 00:07:09: complex and there's now an adjustment process needed to to
00:07:10 --> 00:07:10: simplify it.
00:07:11 --> 00:07:13: The targets remain the same, but they want to see
00:07:13 --> 00:07:16: the industry get back to basic basics, focus on the
00:07:16 --> 00:07:20: financial upside of delivering and operating fit for purpose real
00:07:20 --> 00:07:23: estate, both paying attention to matters of energy, the environment
00:07:23 --> 00:07:26: but also demonstrating a return on investment.
00:07:27 --> 00:07:31: The industry is developing a more diligent approach to climate
00:07:31 --> 00:07:34: strategy due to real world concerns and this supports the
00:07:34 --> 00:07:36: findings of the the three regional reports.
00:07:36 --> 00:07:41: Although environmental and sustainability requirements and climate change change all
00:07:41 --> 00:07:44: rank quite differently depending on location.
00:07:44 --> 00:07:48: While 67% of respondents in Europe cite environmental or decarbonisation

00:07:48 --> 00:07:52: requirements as a important real estate concern, the topic ranks

00:07:52 --> 00:07:55: lower among Asian and North American respondents.

00:07:56 --> 00:08:00: Overall though, the perspective is shifting from ESG regulation to

00:08:00 --> 00:08:01: ESG as a value driver.

00:08:02 --> 00:08:03: Next slide please.

00:08:06 --> 00:08:08: On the other hand, there is a very clearview that

00:08:08 --> 00:08:11: the downsides of doing nothing must also be taken into

00:08:11 --> 00:08:12: account financially.

00:08:12 --> 00:08:17: So that includes access to insurance, insurance premiums, tenant demand,

00:08:17 --> 00:08:20: exit prices and market liquidity.

00:08:20 --> 00:08:24: And despite the the wildfires that tore through Los Angeles

00:08:24 --> 00:08:27: in January and the destructive flash floods in Valencia last

00:08:27 --> 00:08:31: October, there's been somewhat of a backlash against ESG regulations

00:08:31 --> 00:08:34: in the US and a reordering, perhaps of CapEx priorities

00:08:34 --> 00:08:36: in other parts of the world.

00:08:37 --> 00:08:40: The social cost of the LA wildfires is incalculable, but

00:08:40 --> 00:08:43: financial institutions have already figured out it may be among

00:08:43 --> 00:08:46: the costliest in history for the insurance industry, with Moody's

00:08:46 --> 00:08:49: estimating insured losses to run well into the billions of

00:08:50 --> 00:08:50: of dollars.

00:08:50 --> 00:08:53: And the chart on this slide shows the increase in

00:08:53 --> 00:08:56: the number of insured loss events over $1 billion across

00:08:56 --> 00:08:58: the four regions of the world.

00:08:59 --> 00:09:03: Real Estate Insurance Both the availability of insurance and the

00:09:03 --> 00:09:05: cost is a big and expanding issue for the future

00:09:05 --> 00:09:06: of real estate.

00:09:07 --> 00:09:10: Residential is viewed as the most vulnerable asset class globally

00:09:10 --> 00:09:13: due to the size of the sector as well as

00:09:13 --> 00:09:16: the insurance costs for individuals and the high cost of

00:09:16 --> 00:09:19: adaptation and mitigation measures is also an issue.

00:09:19 --> 00:09:24: All this impacts institutional investors committed to residential, but ultimately

00:09:24 --> 00:09:27: no sector can afford to ignore the warning signals.

00:09:28 --> 00:09:29: Next slide please.

00:09:32 --> 00:09:35: Looking to the future delivery and operation of fit for

00:09:35 --> 00:09:39: purpose real estate, the interviews indicate that the trend towards

00:09:39 --> 00:09:43: assets with an operational component is transcending nearly all sectors

00:09:43 --> 00:09:45: and investment categories, from core to opportunistic.

00:09:46 --> 00:09:49: And in essence, this trend can be captured as part

00:09:49 --> 00:09:52: of a broader transition to real estate becoming a more

00:09:52 --> 00:09:56: complex undertaking with all the opportunities and challenges this brings,

00:09:56 --> 00:10:00: whether that's the need for increased operational expertise, vertical integration,

00:10:00 --> 00:10:04: or new partnerships and innovative investment structures.

00:10:05 --> 00:10:08: And perhaps the most topical aspect of this trend and,

00:10:08 --> 00:10:12: and arguably the the greatest opportunity for outsized returns lies

00:10:12 --> 00:10:14: with those assets at the intersection of real estate and

00:10:14 --> 00:10:15: infrastructure.

00:10:16 --> 00:10:19: Logistics, data centres and new energy infrastructure have been at

00:10:19 --> 00:10:22: or near the top of the emerging trends sector rankings

00:10:22 --> 00:10:23: for several years.

00:10:23 --> 00:10:25: And yet there are signs of that interest and capital

00:10:25 --> 00:10:27: moving to an altogether higher level.

00:10:28 --> 00:10:31: And as analysed in Chapter 2 of this year's report,

00:10:31 --> 00:10:35: if investors want to participate in those sectors, their knowledge

00:10:35 --> 00:10:39: base must extend well beyond the usual risk real estate

00:10:39 --> 00:10:43: risk reward metrics into digitalization, the exponential growth of AI

00:10:43 --> 00:10:48: power requirements and an increasing focus on strategic regional independence,

00:10:48 --> 00:10:51: including energy security and data sovereignty.

00:10:52 --> 00:10:55: But linking back to my earlier point, asset managers and

00:10:55 --> 00:10:59: property companies may be able to generate competitive advantages through

00:10:59 --> 00:11:02: the experience and capabilities gained in those new asset classes

00:11:02 --> 00:11:05: that are transferable to other sectors and vice versa.

00:11:06 --> 00:11:10: Capabilities for example, around the the development of green logistics

00:11:10 --> 00:11:14: being highly relevant to data centres and renewable energy real

00:11:14 --> 00:11:14: estate.

00:11:14 --> 00:11:17: And so that's something we're already seeing play out with

00:11:17 --> 00:11:19: some of the the strategies of the major logistic players.

00:11:21 --> 00:11:22: Next, next slide, please.
00:11:25 --> 00:11:28: So in summary, inflation and higher for longer interest rates
00:11:28 --> 00:11:30: in some regions continue to cast that long shadow over
00:11:30 --> 00:11:34: global real estate as the industry weighs up the opportunities
00:11:34 --> 00:11:36: and risks over what promises to be a a complex
00:11:36 --> 00:11:36: year ahead.
00:11:37 --> 00:11:41: So I think that much overused term cautious optimism still
00:11:41 --> 00:11:44: still holds despite economic and political headwinds.
00:11:44 --> 00:11:47: What happens to interest rates in 2025 will still likely
00:11:47 --> 00:11:51: be the most influential factor in determining the trajectory of
00:11:51 --> 00:11:54: the the recovery and the difference between a a good
00:11:54 --> 00:11:56: return and an outsized one.
00:11:57 --> 00:11:59: But what should be fun to mind for those deploying
00:11:59 --> 00:12:02: capital and resource into real estate as they prepare for
00:12:02 --> 00:12:04: a challenging but but opportunity?
00:12:04 --> 00:12:05: Which 2025?
00:12:06 --> 00:12:09: Well, according to the thousands of respondents to emerging trends
00:12:09 --> 00:12:12: surveys over the last six months, the the following areas
00:12:12 --> 00:12:12: will be key.
00:12:13 --> 00:12:15: Firstly, political risk awareness.
00:12:16 --> 00:12:18: How to keep a cool head and make informed decisions
00:12:18 --> 00:12:20: without succumbing to that uncertainty.
00:12:21 --> 00:12:25: Secondly, ESG strategy, how to manage and maintain a focus
00:12:25 --> 00:12:29: on ESG, but with that clear, measurable, measurable view on
00:12:29 --> 00:12:32: return on investment, emerging sector investment.
00:12:32 --> 00:12:36: So identifying and accessing opportunities in emerging sectors with both,
00:12:36 --> 00:12:40: but which both provide diversification and tailwinds for growth.
00:12:40 --> 00:12:43: And finally, managing structural transformation.
00:12:44 --> 00:12:47: The real estate industry is still going through a process
00:12:47 --> 00:12:51: of transformation driven by digitalization, urbanization and climate change.
00:12:51 --> 00:12:54: And in this environment, I think whether or not you
00:12:54 --> 00:12:57: buy into the idea that real estate and infrastructure are
00:12:57 --> 00:13:01: blurring, it's likely that alongside fixed income, infrastructure's becoming a
00:13:01 --> 00:13:04: a more influential source of competition for real estate capital.
00:13:05 --> 00:13:07: And it must be an advantage to at least have
00:13:07 --> 00:13:11: a a solid understanding of infrastructure, adjacent opportunities to real

00:13:11 --> 00:13:14: estate as the skill sets between those two areas become
00:13:14 --> 00:13:16: more comparable and more transferable.
00:13:17 --> 00:13:19: So that's a very brief glimpse of the highlights of
00:13:19 --> 00:13:20: this year's report.
00:13:20 --> 00:13:22: And I definitely encourage you to take a look.
00:13:23 --> 00:13:25: Thank you to everyone who took part in the research.
00:13:25 --> 00:13:27: And I think there's a lot to think about.
00:13:27 --> 00:13:30: And I look forward to continuing the discussion and in
00:13:30 --> 00:13:33: particular, hearing that the views of the panel.
00:13:33 --> 00:13:36: So with that, I'll hand hand back to Tim to
00:13:36 --> 00:13:37: introduce the panellists.
00:13:38 --> 00:13:38: Thank you.
00:13:43 --> 00:13:47: Thank you very much, Gareth, for both the succinct and
00:13:47 --> 00:13:50: a really insightful presentation.
00:13:51 --> 00:13:55: We're going to respond to the key themes that Gareth
00:13:55 --> 00:13:59: outlined in his presentation and getting into the getting into
00:13:59 --> 00:14:00: the panel discussion.
00:14:01 --> 00:14:04: So with that, I'd like to to open the panel
00:14:04 --> 00:14:08: and I'm going to ask each member of the panel
00:14:08 --> 00:14:12: to briefly introduce themselves and then to tell us very
00:14:12 --> 00:14:15: quickly what the biggest take away.
00:14:15 --> 00:14:18: And I'm perhaps surprised if there was one from what's
00:14:18 --> 00:14:21: from the 2025 Emerging trends report.
00:14:21 --> 00:14:23: So, Michael, maybe I can pass to you.
00:14:24 --> 00:14:25: Sure.
00:14:25 --> 00:14:27: Can you hear me?
00:14:27 --> 00:14:27: Everything's fine.
00:14:28 --> 00:14:28: OK, Good.
00:14:28 --> 00:14:29: Everything's good.
00:14:29 --> 00:14:29: No.
00:14:30 --> 00:14:30: Yeah, good.
00:14:31 --> 00:14:34: Michael Shields, I'm the EMEA head of real estate for
00:14:35 --> 00:14:35: ING.
00:14:36 --> 00:14:39: You know, we, we have a portfolio, a commercial real
00:14:39 --> 00:14:42: estate portfolio globally of about 55 billion.
00:14:43 --> 00:14:46: And on the institutional side, we have about 24 billion
00:14:46 --> 00:14:47: in EMEA.
00:14:47 --> 00:14:49: So we have a very good view I think globally
00:14:49 --> 00:14:50: of what's going on.
00:14:50 --> 00:14:54: And specifically I'm, I mean, although I used to head
00:14:54 --> 00:14:57: up the US and AIPAC, I'm responsible for EMEA.
00:14:57 --> 00:14:59: So hopefully I can bring some good insights to the

00:14:59 --> 00:15:00: panel.
00:15:00 --> 00:15:03: I think the one thing that that stuck out to
00:15:03 --> 00:15:06: me when I read the, the, the, the, the report
00:15:06 --> 00:15:11: was that interest rates really do matter, especially, you know,
00:15:11 --> 00:15:14: coming from such a low base to where we are
00:15:14 --> 00:15:14: now.
00:15:14 --> 00:15:16: And, you know, it seems like it might be the
00:15:16 --> 00:15:17: new normal.
00:15:17 --> 00:15:21: And so, you know, I think that maybe people didn't,
00:15:21 --> 00:15:24: you know, are well, they're now very attuned to the,
00:15:25 --> 00:15:27: the cost of capital and interest rates.
00:15:28 --> 00:15:31: The one thing that was surprising to me was that
00:15:31 --> 00:15:35: in the, the concerns for the US investors, I mean,
00:15:35 --> 00:15:39: there was no geopolitical, no tariff, no, no concerns there,
00:15:39 --> 00:15:43: which is kind of surprising to me because most, you
00:15:43 --> 00:15:46: know, you know, I mean, you know, you, you, the
00:15:46 --> 00:15:50: US has so many international global companies that, that rely
00:15:51 --> 00:15:53: on sales all across the world.
00:15:53 --> 00:15:59: And I think maybe they're underestimating concerns on that on
00:15:59 --> 00:16:00: that point.
00:16:01 --> 00:16:02: Thanks, Michael.
00:16:02 --> 00:16:03: That's, that's really interesting.
00:16:03 --> 00:16:05: And we'll, we'll definitely get into the geopolitical context in
00:16:05 --> 00:16:06: a bit.
00:16:06 --> 00:16:09: Klaus, perhaps I can pass to you for an introduction
00:16:09 --> 00:16:12: and your your take away and surprise from the report.
00:16:13 --> 00:16:14: Yeah, great.
00:16:14 --> 00:16:15: Thanks for having me.
00:16:15 --> 00:16:16: My name is Class Medicine.
00:16:16 --> 00:16:18: I'm the Co CEO of Urban Partners.
00:16:18 --> 00:16:21: I'm based in Copenhagen, but today I'm in Abu Dhabi.
00:16:21 --> 00:16:23: Speaking of what it is that we spend time on,
00:16:23 --> 00:16:26: is, is merging capital flows from across the world.
00:16:26 --> 00:16:29: We are the leading Northern European urban investors who we
00:16:29 --> 00:16:32: invest across the urban value chain as we call it,
00:16:32 --> 00:16:34: on equity, credit and technology.
00:16:34 --> 00:16:37: We manage about ???20 billion of AUM predominantly invested in
00:16:37 --> 00:16:39: the Nordics, Germany and Poland.
00:16:40 --> 00:16:44: We invest predominantly in residential and logistics that makes up

00:16:45 --> 00:16:46: about 80% of our our capacity.
00:16:46 --> 00:16:50: We manage about ???3 million of or 3,000,000 square meters
00:16:50 --> 00:16:54: of logistics and about 50,000 apartments in construction line operations
00:16:54 --> 00:16:57: and, and so we invest across Valley AD and, and
00:16:57 --> 00:16:58: Core plus.
00:16:58 --> 00:17:01: And really the, the, the take away from me from
00:17:01 --> 00:17:04: this report is a continuation of the, the theme of
00:17:05 --> 00:17:08: risks and, and big changes coming to the industry that
00:17:08 --> 00:17:11: the players in this industry are being asked to absorb
00:17:11 --> 00:17:13: and manage continuously.
00:17:13 --> 00:17:16: So the, the, the heightened focus on the ability to
00:17:16 --> 00:17:20: manage risk by being flexible, being nimble, being less focused
00:17:20 --> 00:17:23: on one sector, one asset type 1 asset size 1
00:17:23 --> 00:17:26: geography is, is becoming a, a real topic because you
00:17:26 --> 00:17:29: end up, you end up having the risk of being
00:17:29 --> 00:17:30: stuck somewhere.
00:17:31 --> 00:17:34: Like Michael, I was also a little bit surprised by
00:17:34 --> 00:17:37: the difference in concern between the different regions.
00:17:37 --> 00:17:40: So how the US is focused seemingly on cost of
00:17:40 --> 00:17:44: capital, Europe on political risk and Asia on a little
00:17:44 --> 00:17:47: bit of a border sub sector of the risk factors.
00:17:48 --> 00:17:51: Again, tells tells me that if you're operating in global
00:17:51 --> 00:17:54: real estate and managing capital flows and investments locally, then
00:17:54 --> 00:17:57: there's a lot of different things that you need to
00:17:57 --> 00:17:59: be able to to to manage and kind of counter.
00:18:00 --> 00:18:04: Thank you class Lisette, maybe I can pass to you
00:18:04 --> 00:18:04: now.
00:18:06 --> 00:18:06: Yeah.
00:18:06 --> 00:18:07: Thanks, Tim.
00:18:08 --> 00:18:11: Lisa Tafondoran, I'm the Chief Executive for Urban Land Institute
00:18:11 --> 00:18:12: in Europe.
00:18:12 --> 00:18:15: And before sharing my comments, I would also like to
00:18:15 --> 00:18:19: thank Garrett and his PwC colleagues for the long standing
00:18:19 --> 00:18:22: collaboration on both the regional reports as well as this
00:18:22 --> 00:18:23: global report.
00:18:24 --> 00:18:27: My take away is not much drawn from the report
00:18:27 --> 00:18:29: as more from the sequence of the report we've seen
00:18:29 --> 00:18:31: of the last few years.

00:18:31 --> 00:18:36: And that's how volatile the sentiment is where almost from

00:18:36 --> 00:18:41: one day to the other, the the world changes drastically

00:18:41 --> 00:18:43: and our view changes so much.

00:18:44 --> 00:18:47: And then sort of if, if a certain politician says

00:18:47 --> 00:18:50: something again, it may turn completely and sort of and

00:18:50 --> 00:18:53: real estate's in the middle of that.

00:18:53 --> 00:18:56: We used to focus more on how are the real

00:18:56 --> 00:19:00: estate fundamentals and that's something we almost hardly talk about

00:19:01 --> 00:19:01: nowadays.

00:19:01 --> 00:19:04: It's more about what is it happening in the external

00:19:04 --> 00:19:06: world that's influencing us.

00:19:06 --> 00:19:09: And in the in sense of writing the report for

00:19:09 --> 00:19:13: us, that means it's extremely difficult to stay up to

00:19:13 --> 00:19:16: date and sort of changes need to be made almost

00:19:16 --> 00:19:18: up until the last day before we publish.

00:19:19 --> 00:19:22: And that I think is a is a really important

00:19:22 --> 00:19:26: indicator of how things look where almost in the regional

00:19:26 --> 00:19:30: reports Europe still looked pretty bad versus the other regions

00:19:30 --> 00:19:33: when which we the kind of did at the end

00:19:33 --> 00:19:34: of last year.

00:19:35 --> 00:19:38: Now certainly the prospects for Europe look very different compared

00:19:38 --> 00:19:39: to the other regions.

00:19:39 --> 00:19:42: So it would also be very interesting to hear the

00:19:42 --> 00:19:44: other panellists views on that.

00:19:44 --> 00:19:48: But that is really something that we've observed much more.

00:19:49 --> 00:19:49: Yeah.

00:19:49 --> 00:19:49: Thanks for that.

00:19:49 --> 00:19:52: I think the three, the three of you have observed

00:19:52 --> 00:19:56: these biggest structural changes happening within the industry alongside a

00:19:56 --> 00:19:58: more typical kind of where are we in the cycle

00:19:58 --> 00:20:01: we're going to, we're going to get into those cyclical

00:20:01 --> 00:20:01: questions.

00:20:01 --> 00:20:04: But I think that broader backdrop is, is really interesting.

00:20:04 --> 00:20:08: Perhaps you know more interesting point in our careers than

00:20:08 --> 00:20:09: many, many previous years.

00:20:10 --> 00:20:13: And finally, Alan, please let me let me turn to

00:20:13 --> 00:20:13: you.

00:20:15 --> 00:20:18: Thanks Tim, and thanks everyone for having me here.

00:20:18 --> 00:20:21: I'm Alan Tan from Singapore, Managing Director and Head of

00:20:21 --> 00:20:25: Capital Raising and Special Projects for Capital and Investment.
00:20:26 --> 00:20:29: Just a quick one liner on Capital N Capital N
00:20:29 --> 00:20:34: it's Singapore headquartered global real, real asset fund manager manages
00:20:34 --> 00:20:38: about 100 billion in AUM, 90% of that is in
00:20:38 --> 00:20:41: Asia Pacific, 5% in North America and 5% in Europe.
00:20:42 --> 00:20:45: The biggest take away for me, I would say broadly
00:20:46 --> 00:20:49: quite similar to the other panellists, but I would also
00:20:49 --> 00:20:53: add that one thing that really stuck out was the
00:20:53 --> 00:20:56: fact that it is important from a real estate investment
00:20:56 --> 00:21:00: standpoint to start thinking about how do we actually create
00:21:01 --> 00:21:01: alpha, right?
00:21:01 --> 00:21:04: It's, it's no longer just a beta play, you know,
00:21:04 --> 00:21:07: in, in, in the, in this new normal, right?
00:21:07 --> 00:21:10: How do we then through our operational expertise and that
00:21:10 --> 00:21:14: was also highlighted in the report in creating alpha.
00:21:14 --> 00:21:18: And that has and that resonates well with investors and
00:21:18 --> 00:21:20: investment managers as well.
00:21:21 --> 00:21:24: One thing that really stood out for me and and
00:21:24 --> 00:21:27: I kind of wear that APEC hats or APEC lens
00:21:27 --> 00:21:32: is, you know, despite geopolitical uncertainty, we are still seeing,
00:21:32 --> 00:21:36: you know, Greater China still, you know, leading the pack
00:21:36 --> 00:21:39: from a transaction volume standpoint.
00:21:40 --> 00:21:42: Japan is still doing very strongly in in fact, when
00:21:43 --> 00:21:45: I look at South Korea and Australia in terms of
00:21:45 --> 00:21:48: the transaction volumes, they're kind of equal to to what
00:21:48 --> 00:21:50: we are seeing in Japan.
00:21:50 --> 00:21:52: So I didn't you know, that was a bit of
00:21:52 --> 00:21:54: a surprise for me as I look at the league
00:21:54 --> 00:21:55: tables in, in APEC.
00:21:57 --> 00:21:57: Thank you.
00:21:57 --> 00:21:58: Thanks.
00:21:58 --> 00:21:59: Thanks, Alan.
00:21:59 --> 00:22:01: And I'm going to stick with, I'm going to stick
00:22:01 --> 00:22:01: with you.
00:22:02 --> 00:22:08: Gareth in his slides, characterized sentiment as cautiously optimistic.
00:22:09 --> 00:22:11: I just want to get a sense of where where
00:22:11 --> 00:22:12: you 4 are now.
00:22:12 --> 00:22:13: You're cautiously optimistic.
00:22:14 --> 00:22:17: I think specifically, are you more optimistic than you were

00:22:17 --> 00:22:18: this time last year?
00:22:18 --> 00:22:20: You're less optimistic about the same.
00:22:20 --> 00:22:22: Just kind of give us a sense of where you
00:22:22 --> 00:22:24: are and maybe a reason, a reason why.
00:22:28 --> 00:22:28: Yeah.
00:22:28 --> 00:22:30: Alan, I think let's start with you.
00:22:31 --> 00:22:34: I would say that this year we are definitely more
00:22:34 --> 00:22:37: optimistic at least based off of the deals that we
00:22:37 --> 00:22:40: are, the opportunities that we are seeing on the ground.
00:22:40 --> 00:22:44: We are definitely seeing more of them out of Asia
00:22:44 --> 00:22:50: Pacific, across developed Asia, Japan, Korea, across different asset classes
00:22:50 --> 00:22:54: like data centre, self storage, lodging sector.
00:22:55 --> 00:22:58: I think as as deals come to the table that
00:22:58 --> 00:23:03: definitely helps drive some optimism from a capital standpoint.
00:23:03 --> 00:23:07: Talking to investors, I think there is a bit of
00:23:07 --> 00:23:08: a pent up.
00:23:09 --> 00:23:12: You know some of them have been slower on the
00:23:12 --> 00:23:15: deployment front in the past two years as rates started
00:23:15 --> 00:23:15: hiking.
00:23:16 --> 00:23:19: So we are sensing some impetus in looking to start
00:23:19 --> 00:23:23: their engines again from a deployment standpoint.
00:23:26 --> 00:23:27: Lisette, how about you?
00:23:27 --> 00:23:31: More, more optimistic than you were March 2024?
00:23:31 --> 00:23:32: About the same.
00:23:32 --> 00:23:33: Less.
00:23:35 --> 00:23:38: Again, I think it's, it's what are you looking at?
00:23:38 --> 00:23:42: Because I think if talking to our members frequently, what
00:23:42 --> 00:23:45: we hear, everybody is really ready to get started again.
00:23:45 --> 00:23:48: Sort of we've seen every time saying, oh, by the
00:23:48 --> 00:23:51: end of this year, we think it's going to go
00:23:51 --> 00:23:51: better.
00:23:51 --> 00:23:53: So I think and we what we've seen is the
00:23:53 --> 00:23:56: repricing in the real estate industry.
00:23:56 --> 00:23:59: So the fundamentals look strong still and even if economic
00:23:59 --> 00:24:03: growth prospects would be slightly better than what was expected
00:24:03 --> 00:24:07: recently now with some investment programs by governments announced.
00:24:08 --> 00:24:12: So yes, I think it's the, the, the difficulty I
00:24:12 --> 00:24:15: think is what will the impact be of all those
00:24:15 --> 00:24:21: external geopolitical things which have potentially monetary

impacts.

00:24:21 --> 00:24:24: And therefore, as Michael also mentioned in his opening remarks,

00:24:25 --> 00:24:26: interest rates matter.

00:24:26 --> 00:24:30: It, it is not just your political talk, it has

00:24:30 --> 00:24:36: potentially impact and really say being such a financial asset

00:24:36 --> 00:24:39: class, it will have impact there too.

00:24:39 --> 00:24:43: So I find it difficult to be a totally honest.

00:24:43 --> 00:24:47: I think everybody's very eager to be optimistic, but there

00:24:47 --> 00:24:51: are some sort of dark clouds where maybe probability is

00:24:51 --> 00:24:55: not so high that something will really happen, but if

00:24:55 --> 00:24:59: it does, the impact may be considerable.

00:25:00 --> 00:25:02: So you want, you want to be optimistic, but you're

00:25:03 --> 00:25:03: also.

00:25:03 --> 00:25:03: Cautious.

00:25:04 --> 00:25:06: And I'm an optimistic person.

00:25:09 --> 00:25:11: This is a diplomatic answer, you guys.

00:25:14 --> 00:25:14: How about you?

00:25:15 --> 00:25:17: Yeah, No, I think one of the UI events I

00:25:17 --> 00:25:21: participated in had somebody present this graph that's called this

00:25:21 --> 00:25:23: the Century of the Cities.

00:25:23 --> 00:25:25: And so this is really the century where we put

00:25:25 --> 00:25:28: all of our owners on the cities and kind of

00:25:28 --> 00:25:31: how citizens have decided to live, play, work, consume.

00:25:32 --> 00:25:34: And I think all this uncertainty we talked about kind

00:25:34 --> 00:25:36: of blurs the picture of what it is we're trying

00:25:36 --> 00:25:39: to achieve, which is make cities more livable and kind

00:25:39 --> 00:25:42: of invest into those and provide the services, the residential,

00:25:42 --> 00:25:45: the logistics, the office, all the real estate based experiences

00:25:45 --> 00:25:46: that we take for granted in cities.

00:25:47 --> 00:25:49: And so as kind of the uncertainty on the on

00:25:49 --> 00:25:53: the fundamentals of those decisions are kind of dissipate a

00:25:53 --> 00:25:56: little bit, I see cities and mayors in particular coming

00:25:56 --> 00:26:00: back strongly with very strong agendas and very strong change

00:26:00 --> 00:26:00: mandates.

00:26:01 --> 00:26:04: And that makes me very optimistic that the fundamental drivers

00:26:04 --> 00:26:07: for real estate demand are kind of flourishing.

00:26:07 --> 00:26:09: So the invitation to mayor is to kind of step

00:26:09 --> 00:26:12: up, participate and cop take more voice on the economies

00:26:12 --> 00:26:15: that they manage and the citizens responsibilities that they

they
00:26:15 --> 00:26:15: house.
00:26:16 --> 00:26:18: I'm very optimistic about that.
00:26:19 --> 00:26:20: That's that's great.
00:26:21 --> 00:26:21: I really like that.
00:26:22 --> 00:26:24: And and Michael, how about you?
00:26:25 --> 00:26:27: You know, you know, I'm a, I'm a lender, you
00:26:27 --> 00:26:29: know, and in the kind of the core, core plus
00:26:30 --> 00:26:30: space.
00:26:30 --> 00:26:34: So I'm, I'm, I'm, I'm more optimistic for sure.
00:26:34 --> 00:26:38: We're seeing more liquidity coming into the market even for
00:26:39 --> 00:26:42: even for office, even for, you know, and you know,
00:26:42 --> 00:26:46: I think, you know, the fundamentals as, as we said,
00:26:46 --> 00:26:50: are, are, are, are strong in that, in that space
00:26:50 --> 00:26:54: across all the sectors for high quality real estate.
00:26:54 --> 00:26:56: I think the the banks are starting to compete.
00:26:56 --> 00:26:58: Lenders are competing there.
00:26:58 --> 00:27:00: There's more lenders entering the market.
00:27:00 --> 00:27:03: So I think capital is going to be more and
00:27:03 --> 00:27:07: more available to, to to borrowers and at, you know,
00:27:07 --> 00:27:11: you know, and Europe, you know, has the advantage of
00:27:11 --> 00:27:15: having lower, lower rates than than, you know, maybe Australia
00:27:15 --> 00:27:16: or or America's.
00:27:16 --> 00:27:19: So, you know, I think that there's, there's a positive
00:27:19 --> 00:27:22: environment there, you know, and all the, you know, the
00:27:22 --> 00:27:23: assets have been repriced, right.
00:27:23 --> 00:27:27: So, you know, so I think that that's quite good.
00:27:27 --> 00:27:29: And, you know, and looking at the US, which which
00:27:30 --> 00:27:33: is really interesting to me is that we've been involved
00:27:33 --> 00:27:36: in some big refurbishment of some large office buildings, you
00:27:36 --> 00:27:39: know, and it was a bit scary, you know, for
00:27:39 --> 00:27:40: a period of time.
00:27:40 --> 00:27:43: And we've seen the lease up there extremely strong and
00:27:43 --> 00:27:46: the CMBS market coming back in the US, even for,
00:27:46 --> 00:27:49: you know, for top quality office built buildings.
00:27:49 --> 00:27:50: So we didn't have that.
00:27:50 --> 00:27:53: But, you know, so I think if you look across
00:27:53 --> 00:27:56: from a debt perspective, and definitely we're past the the
00:27:56 --> 00:27:57: bottom.
00:27:57 --> 00:28:00: And the only thing that that couldn't kind of kind
00:28:00 --> 00:28:02: of throw a wrinkle in it for me in Europe

00:28:02 --> 00:28:04: is, you know, all this debt, you know, everybody wants
00:28:04 --> 00:28:07: to issue more debt every, you know, because they need
00:28:07 --> 00:28:09: to, you know, to build, you know, to, to, to,
00:28:09 --> 00:28:11: to fund defense expenditures.
00:28:11 --> 00:28:14: And that could, you know, potentially, you know, mid longer
00:28:14 --> 00:28:16: term rates could have an impact there.
00:28:17 --> 00:28:20: But I still think there's some good cushion there to
00:28:20 --> 00:28:22: keep the market going in the short to medium term.
00:28:22 --> 00:28:26: So generally I'm I'm I'm more optimistic.
00:28:27 --> 00:28:28: Yeah.
00:28:28 --> 00:28:30: And if we Michael, if we just continue on that
00:28:30 --> 00:28:33: a little bit and you just you talked a little
00:28:33 --> 00:28:35: bit about kind of where where you think we are
00:28:35 --> 00:28:36: in the in the cycle.
00:28:36 --> 00:28:39: So be good just to pick that out a little
00:28:39 --> 00:28:39: bit more.
00:28:39 --> 00:28:42: If you see we at the start of a new
00:28:42 --> 00:28:45: cycle, are we very firmly in recovery mode now?
00:28:46 --> 00:28:48: And that's always a hard question to ask, you know,
00:28:48 --> 00:28:51: from a broad perspective, maybe just kind of highlight between
00:28:51 --> 00:28:54: three main regions or even key economies within those regions
00:28:54 --> 00:28:55: when you see things.
00:28:56 --> 00:28:57: Yeah.
00:28:57 --> 00:28:59: You know, it's, it's, it's different, you know, and you
00:28:59 --> 00:29:01: know, every country has a little bit of a different
00:29:01 --> 00:29:01: dynamic.
00:29:01 --> 00:29:04: You know, I think if I look from an EMEA
00:29:04 --> 00:29:08: perspective, Spain and Diddly UK have been very active.
00:29:09 --> 00:29:12: You know, France, you know, I mean, why I would
00:29:12 --> 00:29:15: say Germany and Poland in our markets have been probably
00:29:15 --> 00:29:15: the slowest.
00:29:16 --> 00:29:19: You know, I think, you know, Poland, you know, as
00:29:19 --> 00:29:22: has suffered from a little bit of lack of investor
00:29:22 --> 00:29:24: interest in capital there.
00:29:25 --> 00:29:28: Germany is still, I think you know, is still transitioning,
00:29:28 --> 00:29:31: you know, from a very, very low cap, you know,
00:29:31 --> 00:29:35: a yield environment to, to, to the interest rates where
00:29:35 --> 00:29:36: they are to today.
00:29:36 --> 00:29:38: And it's still, you know, I think there's still a,
00:29:38 --> 00:29:40: you know, the bid ask spread.
00:29:40 --> 00:29:42: There is still seems to be wider and we haven't

00:29:42 --> 00:29:44: seen as many transactions there.
00:29:44 --> 00:29:48: So, you know, it's, you know, USI mean, I think,
00:29:48 --> 00:29:50: you know, the office market.
00:29:50 --> 00:29:53: I mean, well, what was very interesting just I guess
00:29:53 --> 00:29:54: it was a, you know, it just in the last
00:29:54 --> 00:29:57: couple weeks you see Blackstone coming back into the office
00:29:57 --> 00:29:57: market.
00:29:57 --> 00:30:01: I think that gives investors a little bit of a,
00:30:01 --> 00:30:04: you know, a, you know, make some think a little
00:30:04 --> 00:30:08: bit about office, which I think is good because I
00:30:08 --> 00:30:11: definitely see a, a return to office kind of dynamic
00:30:12 --> 00:30:15: coming back and and, you know, people coming back to
00:30:15 --> 00:30:16: the office.
00:30:16 --> 00:30:18: So there's a lot of things going on.
00:30:18 --> 00:30:20: You know, I think every country's a little bit different.
00:30:20 --> 00:30:22: I mean, Spain is like been the star, right?
00:30:23 --> 00:30:25: Most, you know, so many transactions down there.
00:30:26 --> 00:30:28: You know, I think the bid ask for it is,
00:30:28 --> 00:30:31: is is quite, you know, a tight there and you're
00:30:31 --> 00:30:34: seeing transactions in all different sectors.
00:30:35 --> 00:30:39: So yeah, you know, I think that we're we're definitely
00:30:39 --> 00:30:43: past the bottom, but it's still, you know, there's still,
00:30:43 --> 00:30:45: you know, some bit ass spread there.
00:30:46 --> 00:30:49: And you know, the other thing I would say coming
00:30:49 --> 00:30:53: from MIT Bib is that more of our clients were
00:30:53 --> 00:30:57: excited about raising capital right now, whereas last year I
00:30:57 --> 00:30:59: think it was pretty quiet.
00:30:59 --> 00:31:02: It was difficult to raise capital and more of our
00:31:02 --> 00:31:03: clients were.
00:31:03 --> 00:31:06: We're happy that, you know they've made some progress on
00:31:06 --> 00:31:06: that point.
00:31:06 --> 00:31:09: So I think we're past the bottom.
00:31:10 --> 00:31:13: Klaus, do you, do you agree with that past the
00:31:13 --> 00:31:17: bottom from your perspective, you know, particularly Nordics, Germany, Poland?
00:31:17 --> 00:31:18: Yeah, No, definitely.
00:31:18 --> 00:31:20: I mean, we talked about this and it's also in
00:31:20 --> 00:31:20: the report.
00:31:20 --> 00:31:23: I mean, if the fundamentals, interest rates are coming down,
00:31:23 --> 00:31:26: inflation is coming down, prices are clearing, transaction volumes are
00:31:26 --> 00:31:26: up.

00:31:26 --> 00:31:29: In the Nordics, we're up 25 or 28%, so slightly
00:31:29 --> 00:31:31: above that the average for Europe.
00:31:32 --> 00:31:36: Population growth is strong, urbanization is strong also relative to
00:31:36 --> 00:31:37: European market.
00:31:37 --> 00:31:40: We have local capital being active, we have international capital
00:31:40 --> 00:31:41: being active again.
00:31:41 --> 00:31:45: So, so all the fundamentals were kind of a stabilizing
00:31:45 --> 00:31:48: markets are in place and and kind of demands at
00:31:48 --> 00:31:53: the industrial levels of residential housing, logistics, even retail is
00:31:53 --> 00:31:54: starting to grow again.
00:31:55 --> 00:31:56: So no, I also completely agree.
00:31:56 --> 00:31:58: People seem to have settled into a cab a new
00:31:58 --> 00:31:59: normal.
00:31:59 --> 00:32:03: Banks are well capitalized competition as Michael says, it's starting
00:32:03 --> 00:32:06: to heat up even on the on the lending side.
00:32:06 --> 00:32:09: So no, we're, we're definitely past, we're definitely past at
00:32:09 --> 00:32:10: the bottom.
00:32:11 --> 00:32:14: Yeah, just taking that forward, you know, on the lending
00:32:14 --> 00:32:17: side, as we've seen inflation tick down, we've seen rates
00:32:17 --> 00:32:20: move down, you know, in many economies, one of the
00:32:20 --> 00:32:23: themes over the last 1824 months has been, you know,
00:32:23 --> 00:32:27: credit strategies and perceived relative value and credit strategies over
00:32:27 --> 00:32:28: equity strategies.
00:32:30 --> 00:32:32: Michael, what's your loaded question?
00:32:32 --> 00:32:34: But let me let me come to you with your
00:32:34 --> 00:32:35: perspective on this.
00:32:35 --> 00:32:36: And then Alan, Alan, I'll shift here.
00:32:36 --> 00:32:39: I'll shift to you with some perspective from from Asia
00:32:39 --> 00:32:39: as well.
00:32:41 --> 00:32:44: I mean, I think that, you know, you know, the
00:32:44 --> 00:32:48: equity side is, you know, with rates being higher and
00:32:48 --> 00:32:52: you know, you know, the, you know, still resistance by
00:32:52 --> 00:32:56: sellers to to really, you know, you know, close that
00:32:56 --> 00:32:57: bid as spread.
00:32:57 --> 00:33:00: Sometimes I think it is a little, I mean, I
00:33:00 --> 00:33:04: can understand why, you know, investors are allocating a lot
00:33:05 --> 00:33:09: of money to debt strategies, you know, the credit strategies
00:33:09 --> 00:33:12: because you know, it's you know, I can look, I'm

00:33:12 --> 00:33:15: pretty bullish on, you know, lending today.
00:33:15 --> 00:33:18: This vintage is going to be quite good.
00:33:18 --> 00:33:20: And so, you know, I think the risk is quite
00:33:20 --> 00:33:20: low.
00:33:20 --> 00:33:25: It's not like that 2021 vintage that's that's maturing right
00:33:25 --> 00:33:25: now.
00:33:25 --> 00:33:29: You know, those are more difficult because you're coming from
00:33:29 --> 00:33:33: a massively low rate environment and the hedgings burning off.
00:33:33 --> 00:33:36: And so we're we're you know, banks are still having
00:33:36 --> 00:33:39: to deal with with the expiries of that vintage, this
00:33:39 --> 00:33:40: vintage.
00:33:40 --> 00:33:45: I think reprice, you know, repriced assets higher, you know,
00:33:45 --> 00:33:50: higher debt yields and, and, and coverage metrics, you know,
00:33:50 --> 00:33:53: now, you know, I, I think the market is getting
00:33:54 --> 00:33:58: crowded in that debt fund kind of, you know, institutional
00:33:58 --> 00:34:02: kind of credit, you know, that part is getting a
00:34:02 --> 00:34:04: little bit crowded.
00:34:04 --> 00:34:06: So I think we're going to see and, you know,
00:34:06 --> 00:34:07: but, but I think it's great for borrowers, right?
00:34:08 --> 00:34:10: Spreads are going to come in, right.
00:34:10 --> 00:34:13: And so I think it's going to be a, a,
00:34:13 --> 00:34:17: a good environment to, to, to raise debt for, for,
00:34:17 --> 00:34:19: for acquisitions.
00:34:20 --> 00:34:22: But I think that the, that the credit quality of
00:34:22 --> 00:34:24: this vintage is, is quite good.
00:34:24 --> 00:34:27: So I can understand why a lot of people want
00:34:27 --> 00:34:29: to come in and it's a little bit of a
00:34:29 --> 00:34:32: rush, you know, you see just everybody has some kind
00:34:32 --> 00:34:35: of a insurance company or debt fund or something, you
00:34:35 --> 00:34:37: know, So it's going to be interesting.
00:34:40 --> 00:34:40: Yeah.
00:34:40 --> 00:34:42: Alan, are you, are you seeing some of the dynamics?
00:34:42 --> 00:34:45: Are you seeing a bit of a shift in, you
00:34:45 --> 00:34:49: know, relative value of credit towards towards equity?
00:34:49 --> 00:34:52: Yeah, welcome your perspectives and you're active in this space.
00:34:52 --> 00:34:57: Fairly similar over rocking ingredients that we are seeing, you
00:34:57 --> 00:35:02: know as as Michael had had shared, you know higher
00:35:02 --> 00:35:04: cost of capital, higher rates.
00:35:05 --> 00:35:08: From a global investor standpoint, how do they view you
00:35:08 --> 00:35:10: know risk adjusted returns?

00:35:11 --> 00:35:14: Over the past 18 months, we have seen a clear
00:35:14 --> 00:35:18: shift towards and a clear shift of preference towards private
00:35:19 --> 00:35:20: credit opportunities.
00:35:21 --> 00:35:24: And within APEC, you know there are a couple of
00:35:25 --> 00:35:28: regimes from a private credit standpoint.
00:35:28 --> 00:35:32: There are, you know, positive tailwinds, Australia being one and
00:35:32 --> 00:35:34: South Korea being the other.
00:35:35 --> 00:35:38: If we look at regulatory regimes, we look at how
00:35:38 --> 00:35:42: traditional banking lenders are now pulling back, which is creating
00:35:42 --> 00:35:45: a bit of that white space for private credit to,
00:35:46 --> 00:35:47: to, to, to bloom.
00:35:47 --> 00:35:50: We are, you know, capital and investment.
00:35:50 --> 00:35:52: We are pretty active in that space in Australia as
00:35:52 --> 00:35:53: well as in Korea.
00:35:53 --> 00:35:56: And we are, and we are seeing secular tailwinds.
00:35:57 --> 00:36:00: These ingredients are continually going to be there in the,
00:36:00 --> 00:36:02: in the next, you know, foreseeable years.
00:36:03 --> 00:36:05: In fact, I, I just came out of a meeting
00:36:05 --> 00:36:07: this morning with our head of private credit.
00:36:07 --> 00:36:10: He actually, he, he shared a number that was quite,
00:36:10 --> 00:36:12: quite a large one, right.
00:36:12 --> 00:36:17: Private credit in Australia, the market size we're talking about
00:36:17 --> 00:36:19: Australia dollars 50 billion, right.
00:36:19 --> 00:36:22: And this is just private credit in Australia, right.
00:36:22 --> 00:36:24: And and that is a massive size that we are
00:36:24 --> 00:36:27: talking about which is able to accommodate quite a number
00:36:27 --> 00:36:29: of market participants.
00:36:29 --> 00:36:31: And we are seeing quite a fair bit of that
00:36:31 --> 00:36:34: happening, not quite getting crowded at this point, but I
00:36:34 --> 00:36:37: think everyone is getting more and more interested in this
00:36:37 --> 00:36:38: space.
00:36:38 --> 00:36:39: Yeah.
00:36:39 --> 00:36:41: So I think this is a, you know, just to,
00:36:41 --> 00:36:44: just to summarise this, you know, question of the cyclicality
00:36:44 --> 00:36:48: and then also just some structural changes in this environment
00:36:48 --> 00:36:49: of of higher rates as well.
00:36:50 --> 00:36:55: OK, shifting, shifting gears from, you know, returns and cycling
00:36:55 --> 00:36:57: opportunity to to risk.
00:36:58 --> 00:37:00: Klaus, I'm going to going to come to you given

00:37:00 --> 00:37:03: your, you know, your introductory comments, very interesting.
00:37:03 --> 00:37:07: You know, on in the survey, geopolitical risks were absolutely
00:37:07 --> 00:37:11: the forefront of European mines, followed by European growth concerns.
00:37:11 --> 00:37:14: And then geopolitical risk and global growth risks also feature
00:37:14 --> 00:37:16: prominently in the Asia survey.
00:37:17 --> 00:37:19: You talked about a multitude of risks.
00:37:19 --> 00:37:21: So I'll try and pin you down if I can
00:37:21 --> 00:37:23: and say, you know, what's what's the biggest risk you
00:37:24 --> 00:37:26: see to markets in the pace of recovery or what's,
00:37:26 --> 00:37:29: what's the biggest concern in your, in your mind right
00:37:29 --> 00:37:30: now?
00:37:30 --> 00:37:32: How, how are you thinking about managing that risk within
00:37:32 --> 00:37:33: your business?
00:37:33 --> 00:37:36: And also, you know, great, you're sitting in Abu Dhabi,
00:37:36 --> 00:37:38: but just be great to share your perspective on what
00:37:38 --> 00:37:41: your investors are also telling you, you know, what's forefront
00:37:41 --> 00:37:41: their minds.
00:37:42 --> 00:37:43: Yeah, no.
00:37:43 --> 00:37:45: And I am reminded of one of the comments in
00:37:45 --> 00:37:48: the report about kind of interest, the importance of interest
00:37:48 --> 00:37:50: rates for the this industry.
00:37:50 --> 00:37:52: And it's obviously, I mean we're investing capital and we're
00:37:53 --> 00:37:55: managing assets and the value of those is a function
00:37:55 --> 00:37:58: of the interest rates, the growth and the risk, right.
00:37:58 --> 00:38:00: And so one of our, one of our tasks is
00:38:00 --> 00:38:03: to identify and manage and CAF and figure out how
00:38:03 --> 00:38:04: to manage these risks.
00:38:05 --> 00:38:08: And my observation clearly is that the awareness of, of
00:38:08 --> 00:38:11: the multitude of different things that impacts asset value from
00:38:11 --> 00:38:13: a risk perspective has grown for the last five years.
00:38:14 --> 00:38:16: So when we, we speak about ESG, we spoke about
00:38:16 --> 00:38:18: it as something that was desirable to do, but it's
00:38:18 --> 00:38:20: predominantly a risk, right?
00:38:20 --> 00:38:22: It's predominantly a technical issue.
00:38:22 --> 00:38:24: Are your assets financeable?
00:38:24 --> 00:38:26: Are they, do they survive climate change?
00:38:26 --> 00:38:29: And so is the integrity of your assets still intact?
00:38:29 --> 00:38:31: So for us ESG is a technical, it's a technical
00:38:31 --> 00:38:33: as management investment challenge.
00:38:33 --> 00:38:37: It's not a, it's not an acronym that represents a

00:38:37 --> 00:38:41: political desire and sit the same with kind of point
00:38:41 --> 00:38:43: risk on, on single assets.
00:38:43 --> 00:38:46: So a lot of investments historically have been on large
00:38:46 --> 00:38:49: office blocks which meant that you you could not actually
00:38:49 --> 00:38:51: move your collateral and if if your tenant went away
00:38:51 --> 00:38:54: or that office block was no longer vibrant, then you
00:38:54 --> 00:38:55: were stuck.
00:38:55 --> 00:38:58: And so see a preponderance of investment strategy and we
00:38:58 --> 00:39:01: do the same and have been doing that for a
00:39:01 --> 00:39:04: very long time is build portfolios from a lot of
00:39:04 --> 00:39:07: different smaller assets on the residential side.
00:39:07 --> 00:39:10: On the logistics side, add operating capabilities that allows you
00:39:10 --> 00:39:14: to be nimble when tenant demands, when energy requirements shift,
00:39:14 --> 00:39:17: expand the capabilities on our asset management side.
00:39:17 --> 00:39:20: So we need now need to understand the capacity of
00:39:20 --> 00:39:24: the grid that connects our logistics assets more so than
00:39:24 --> 00:39:28: actually the trade flows of goods in certain cases, right.
00:39:28 --> 00:39:30: So there are many more elements to what it is
00:39:30 --> 00:39:31: that we need to understand.
00:39:32 --> 00:39:35: So, so de risking the investments by making it smaller,
00:39:35 --> 00:39:38: by being more flexible, by being more operationally centric, by
00:39:38 --> 00:39:41: having managers that have a broader set of capabilities to
00:39:41 --> 00:39:45: understand to Michael's point, both the credit side, the the
00:39:45 --> 00:39:47: equity side of it, the tenant side of it.
00:39:48 --> 00:39:50: And so I think all the all the, the headlines
00:39:50 --> 00:39:54: in the report just highlights the continued demand on real
00:39:54 --> 00:39:58: estate investment professionals to be broader and broader in their
00:39:58 --> 00:40:01: skill set, to be broader and broader in terms of
00:40:01 --> 00:40:02: how they do this.
00:40:03 --> 00:40:04: Is this what I hear from investors?
00:40:04 --> 00:40:06: Yes, it is so.
00:40:08 --> 00:40:11: Our last value ad fund was the largest in Europe
00:40:11 --> 00:40:11: at 3.7 billion.
00:40:11 --> 00:40:13: And so we this is the message that we perpetuate
00:40:13 --> 00:40:15: to investors is you need to de risk, you need
00:40:15 --> 00:40:17: to have a lot of assets, you need to have
00:40:17 --> 00:40:20: operating capabilities, you need to understand the technical requirements on
00:40:20 --> 00:40:20: your assets.

00:40:21 --> 00:40:24: And as as the other panelists have spoken about, we
00:40:24 --> 00:40:28: see emerging and can more and more pent up demand
00:40:28 --> 00:40:29: to deploy capital.
00:40:29 --> 00:40:32: And given the hiatus of investments has been taking place
00:40:32 --> 00:40:35: for the last couple years, people have had a chance
00:40:35 --> 00:40:37: to step back and really understand what is it that
00:40:37 --> 00:40:41: impacted their investments more so than just interest rates going
00:40:41 --> 00:40:44: down, which types of assets and regions survived well and
00:40:44 --> 00:40:46: not and kind of where were the long term demand
00:40:46 --> 00:40:47: trends intact?
00:40:48 --> 00:40:50: And then they're pushing their capital into that.
00:40:50 --> 00:40:53: So as Ellen's or as Michael said, when Spain has
00:40:53 --> 00:40:57: been performing well, I mean GDP is growing, Spanish population
00:40:57 --> 00:40:59: is growing, urbanization is growing.
00:40:59 --> 00:41:02: So these are real estate fundamentals and you're finding pockets
00:41:03 --> 00:41:05: of capacity that can help you invest in that.
00:41:05 --> 00:41:06: Same for the Nordics.
00:41:06 --> 00:41:08: Nordics is a is still a safe haven.
00:41:08 --> 00:41:09: It's still stabilized.
00:41:09 --> 00:41:13: It still has a ton of capacity for, for increasing
00:41:13 --> 00:41:14: investments into society.
00:41:15 --> 00:41:18: So, so we see a lot of emerging interest actually
00:41:18 --> 00:41:21: the last three months for deploying capital into Europe.
00:41:23 --> 00:41:26: Yeah, that's, I mean, that's really, really helpful perspective because
00:41:26 --> 00:41:29: when you see the big headlines, you know, geopolitical risk,
00:41:29 --> 00:41:31: it can be very easy to be overwhelmed by the
00:41:31 --> 00:41:31: head.
00:41:31 --> 00:41:32: What does that mean?
00:41:32 --> 00:41:34: How do I, how do I act?
00:41:34 --> 00:41:36: And I, I really take away from what you're saying,
00:41:36 --> 00:41:40: think operationally the asset level, how can you manage that
00:41:40 --> 00:41:43: risk with better operations and how can you diversify that
00:41:43 --> 00:41:46: risk across your portfolios and focus on yeah, imagine that
00:41:47 --> 00:41:49: risk in three, you know, just excellent operations.
00:41:51 --> 00:41:54: Can I ask other panelists if you've got view on,
00:41:54 --> 00:41:59: you know, particularly on, on geopolitical risk, is this, you
00:41:59 --> 00:42:02: know, forefront of your mind or are there other things
00:42:02 --> 00:42:05: that are more concerning to you?
00:42:11 --> 00:42:15: I mean, maybe from from my perspective, I mean you

00:42:15 --> 00:42:19: know the, the, you know, the global growth risks I
00:42:19 --> 00:42:22: think are, are, are a concern for sure.
00:42:22 --> 00:42:25: But I think if I really look at a lot
00:42:25 --> 00:42:29: of the markets in Europe where we're where we're playing
00:42:29 --> 00:42:32: on the core, core plus, I mean, there's just not
00:42:32 --> 00:42:35: enough supply to, you know, like, I mean, you know,
00:42:35 --> 00:42:38: if you know, we, we, I mean, even even in
00:42:38 --> 00:42:41: the USI mean if you build an amazing asset, you
00:42:41 --> 00:42:45: know, in New York, that's the ultimate, you know, green
00:42:45 --> 00:42:49: asset, you're going to get tenants and you're going to
00:42:49 --> 00:42:50: sign leases that are amazing.
00:42:51 --> 00:42:54: And we're seeing that across Europe too, you know.
00:42:54 --> 00:42:56: So I would love to do, you know, I think
00:42:56 --> 00:42:59: that even though the risk is global growth, I do
00:42:59 --> 00:43:02: think that, you know, if you're in the core, core
00:43:02 --> 00:43:05: plus we're really good quality assets, you're going to see
00:43:05 --> 00:43:07: rental growth no matter what.
00:43:08 --> 00:43:09: And we'd like to do a lot more brown to
00:43:09 --> 00:43:12: green transitions and really good locations.
00:43:12 --> 00:43:14: We're doing a couple of them in London right now.
00:43:14 --> 00:43:16: And I think that those are extremely low risk.
00:43:16 --> 00:43:19: I mean, tenants, there's a lot of demand for it.
00:43:19 --> 00:43:21: So I think that, you know, so on the office
00:43:21 --> 00:43:23: side, I think, you know, which has been the biggest
00:43:23 --> 00:43:24: concern.
00:43:24 --> 00:43:27: I mean, logistics and, and, and Rezi are not really
00:43:27 --> 00:43:28: a concern.
00:43:28 --> 00:43:31: You know, I mean, there's so much lack of supply
00:43:31 --> 00:43:34: on the Rezi side and logistics still seems to be,
00:43:34 --> 00:43:37: you know, being it, you know, being fairly solid.
00:43:38 --> 00:43:41: But you know, I think that if you stick, you
00:43:42 --> 00:43:46: know, to high quality stuff where there's a lot of
00:43:46 --> 00:43:50: tenant demand, you can weather a little bit of of,
00:43:50 --> 00:43:54: you know, economic, I guess turbulence, I guess you'd call
00:43:54 --> 00:43:55: it.
00:43:56 --> 00:43:56: Yeah.
00:43:56 --> 00:43:59: And it's certainly something that we've, you know, we've talked
00:44:00 --> 00:44:02: a lot about over the last 12 to 18 months
00:44:02 --> 00:44:04: and contrasting this cycle, you know with GFC cycle where
00:44:04 --> 00:44:07: fundamentals were in a very, very different place.
00:44:07 --> 00:44:13: Actually for a global downturn, fundamentals are generally

excellent, right.
00:44:13 --> 00:44:16: So it's predominant for market free pricing, which is great.
00:44:16 --> 00:44:19: And then when you think forward in an environment higher
00:44:19 --> 00:44:24: inflation pressure on construction costs, challenge to develop, those should
00:44:24 --> 00:44:27: actually be pretty good environments for for real estate rental
00:44:27 --> 00:44:28: graph.
00:44:29 --> 00:44:30: Absolutely, yeah.
00:44:33 --> 00:44:33: Great.
00:44:34 --> 00:44:35: I want to keep moving.
00:44:35 --> 00:44:37: I want to keep moving forward so we can cover
00:44:37 --> 00:44:39: all of the all of the issues.
00:44:39 --> 00:44:41: Lizette, I'm going to come to, I'm going to come
00:44:41 --> 00:44:42: to you.
00:44:43 --> 00:44:48: ESG as a politically charged acronym.
00:44:50 --> 00:44:50: Yeah.
00:44:50 --> 00:44:53: Can you, can you tell us how, how you're seeing,
00:44:54 --> 00:44:57: you know, the ESG landscape in 2025 or maybe reflect
00:44:58 --> 00:45:02: the diversity of you amongst your, your members in terms
00:45:02 --> 00:45:04: of how they're seeing ESG?
00:45:04 --> 00:45:08: Look, you know, is this, is this an environment where
00:45:08 --> 00:45:13: you see ESG being deemphasised relative to the last, you
00:45:13 --> 00:45:14: know, 3-4 years?
00:45:15 --> 00:45:18: Is it a different emphasis?
00:45:18 --> 00:45:21: Is it kind of as important as it was or
00:45:21 --> 00:45:24: actually is it even more important, you know, pointing to
00:45:24 --> 00:45:26: to Gareth's slide on on climate risk that is that
00:45:27 --> 00:45:28: is coming forward?
00:45:28 --> 00:45:28: Yeah.
00:45:28 --> 00:45:31: Just welcome your welcome your views on on this kind
00:45:31 --> 00:45:33: of rapidly changing area.
00:45:34 --> 00:45:36: Yeah, Tim, happy to share that.
00:45:36 --> 00:45:38: And obviously, we're doing a lot of work in the
00:45:38 --> 00:45:38: fields.
00:45:39 --> 00:45:42: And I think it's very much aligned with what Klaus
00:45:42 --> 00:45:46: mentioned previously in terms of looking at the core essentials
00:45:46 --> 00:45:48: of it is risk management.
00:45:49 --> 00:45:52: And a lot is about potential as Garrett had in
00:45:52 --> 00:45:55: his slides, positive rate return on investment.
00:45:55 --> 00:45:58: But we think it's also a lot about preservation of
00:45:58 --> 00:45:59: value.

00:45:59 --> 00:46:02: And as what we see a lot still is that
00:46:02 --> 00:46:06: the cost of doing nothing is not sufficiently included in
00:46:06 --> 00:46:07: valuations.
00:46:08 --> 00:46:11: That only goes up until the level that's in regulations
00:46:11 --> 00:46:15: in Europe that is energy performance certificates, etcetera.
00:46:15 --> 00:46:19: But where we need to get to to 2050 is
00:46:19 --> 00:46:22: not sufficiently covered yet.
00:46:22 --> 00:46:24: So we think there's definitely room for improvement.
00:46:24 --> 00:46:28: We think that part sort of both the transition risk
00:46:28 --> 00:46:32: and the physical risk, I think most places are very
00:46:32 --> 00:46:36: well aware of and have implemented in their day-to-day risk
00:46:36 --> 00:46:39: management and due diligence processes.
00:46:39 --> 00:46:43: Obviously where it has changed, I think across the board
00:46:43 --> 00:46:46: is what are you talking about and how do you
00:46:47 --> 00:46:47: express it?
00:46:47 --> 00:46:51: ESD is a difficult word and we've spoken to many
00:46:51 --> 00:46:55: people that say we've rewritten our website and now we
00:46:55 --> 00:46:59: don't call it ESD anymore, but we call it resilience
00:46:59 --> 00:47:04: or sustainability, which seem to be less of her politically
00:47:04 --> 00:47:05: charged words.
00:47:06 --> 00:47:10: I don't think we care as long as the focus
00:47:10 --> 00:47:10: stays on it.
00:47:11 --> 00:47:15: And actually in our regional emerging trends report for Europe
00:47:15 --> 00:47:18: that was launched at the end of last year, we
00:47:18 --> 00:47:22: covered the insurance element and the finance ability of real
00:47:22 --> 00:47:22: estate.
00:47:22 --> 00:47:28: Looking at it from a environmental is mostly environmental sustainability
00:47:28 --> 00:47:31: point of view and that's why you see it happening
00:47:31 --> 00:47:35: already where in the United States we see, we have
00:47:35 --> 00:47:39: seen insurance pulling back on in certain states on mostly
00:47:40 --> 00:47:40: residential.
00:47:41 --> 00:47:44: So things are happening and often a lot of the
00:47:44 --> 00:47:49: discussion has been about what is our fiduciary responsibility.
00:47:49 --> 00:47:53: Well, that is your fiduciary responsibility because if you don't
00:47:53 --> 00:47:57: have insurance, you don't have finance and sort of you
00:47:57 --> 00:48:00: have a stranded asset, however you want to look at
00:48:00 --> 00:48:00: it.
00:48:00 --> 00:48:03: And I think sort of it doesn't really matter what
00:48:04 --> 00:48:04: you believe.
00:48:05 --> 00:48:07: I think if you kind of look at the core

00:48:07 --> 00:48:11: real estate fundamentals and the factors impacting that, you can't
00:48:11 --> 00:48:12: ignore it.
00:48:13 --> 00:48:16: Maybe the social element is slightly different.
00:48:16 --> 00:48:20: But to be totally honest, at least in Europe, we
00:48:20 --> 00:48:24: see a lot of focus on that too, maybe even
00:48:24 --> 00:48:26: also less talked about.
00:48:26 --> 00:48:31: But certainly we are, I think across the different regions,
00:48:31 --> 00:48:36: we have an affordable housing crisis that is still a
00:48:36 --> 00:48:39: big topic for players to focus on.
00:48:39 --> 00:48:43: And it also directly impacts your business, You know, can
00:48:43 --> 00:48:44: your people live somewhere?
00:48:44 --> 00:48:49: Can does does it attract tenants where tenants, especially the
00:48:49 --> 00:48:51: major occupiers are looking at?
00:48:52 --> 00:48:54: Can their employees live somewhere?
00:48:54 --> 00:48:57: So it's a sort of knock on effect and we
00:48:57 --> 00:48:58: see focus there too.
00:49:01 --> 00:49:04: So if I so if I summarise, there's no de
00:49:04 --> 00:49:10: emphasis, but there's emphasis on emphasis on different parts.
00:49:11 --> 00:49:16: Michael, when we when we spoke earlier, you characterised your
00:49:16 --> 00:49:19: approach as doubling down right on on ESG.
00:49:21 --> 00:49:23: Maybe you can explain your your thinking there.
00:49:23 --> 00:49:26: And then Alan, I want to come to you for
00:49:26 --> 00:49:30: perspective from Asia, which was highlighted in an area where
00:49:30 --> 00:49:33: ESG was less forefront in investors mind.
00:49:33 --> 00:49:36: So Michael, maybe first just your comments on doubling down.
00:49:36 --> 00:49:36: Yeah.
00:49:37 --> 00:49:39: Well, I mean, you know, being at a bank in
00:49:39 --> 00:49:43: the Netherlands, right, where the half the country is below
00:49:43 --> 00:49:46: sea level, it's part of our DNA and it's never
00:49:46 --> 00:49:48: going to, it's never going to change.
00:49:48 --> 00:49:52: You know, I mean, we are, we, we are totally
00:49:52 --> 00:49:56: committed to, to our targets, especially on the real estate
00:49:56 --> 00:50:00: side, you know, and I, you know, like like everybody
00:50:00 --> 00:50:01: said, it's a risk.
00:50:01 --> 00:50:05: It is a risk, you know, point it's you know,
00:50:05 --> 00:50:06: to me, you know it.
00:50:06 --> 00:50:10: It's a major de risking of our book if every,
00:50:10 --> 00:50:13: if every deal, you know, has a transition plan or

00:50:13 --> 00:50:17: is a green asset or we are contributing to brown
00:50:17 --> 00:50:18: to green transitions.
00:50:19 --> 00:50:22: You know, I think it's a lower risk portfolio for,
00:50:22 --> 00:50:23: for the bank, right.
00:50:24 --> 00:50:26: So we're not, we're not going to take, you know,
00:50:26 --> 00:50:28: I'm from Texas and you know, half my family is
00:50:28 --> 00:50:29: in oil and gas.
00:50:29 --> 00:50:32: I'm the guy who who rents the Tesla and drives,
00:50:32 --> 00:50:35: drives to Houston and drives to the family gathering.
00:50:35 --> 00:50:38: So I, you know, I'm, you know, I'm, I'm a
00:50:38 --> 00:50:42: believer of it, you know, and, and so even though,
00:50:42 --> 00:50:45: you know, in the US we have to be more
00:50:45 --> 00:50:49: flexible, we still seek out green assets and, and, and
00:50:49 --> 00:50:53: APAC still seek out green assets or try to transition
00:50:53 --> 00:50:57: them into a, you know, a, a higher sustainability rating,
00:50:57 --> 00:50:58: lower energy.
00:50:59 --> 00:50:59: It's just what we need.
00:50:59 --> 00:51:01: You know, we, we just believe in that.
00:51:01 --> 00:51:03: So that's not going to change.
00:51:06 --> 00:51:09: And Alan, how about from, you know, from from our
00:51:09 --> 00:51:13: region, you know, Gareth mentioned it becomes less high on
00:51:13 --> 00:51:15: Asian investors list.
00:51:15 --> 00:51:18: What's your your perspective on primacy or otherwise of ESG?
00:51:20 --> 00:51:23: I think for us capital and we, we continue the
00:51:23 --> 00:51:26: same strong emphasis on ESG and sustainability.
00:51:27 --> 00:51:31: So clearly that, that sentiment didn't quite come from us,
00:51:31 --> 00:51:34: but I would say, you know for us it's it's
00:51:34 --> 00:51:36: quite clear both internal and external.
00:51:37 --> 00:51:42: We are still seeing externally from our investors, public shareholders
00:51:42 --> 00:51:45: as well as private fund investors still do have that,
00:51:45 --> 00:51:49: that today is hygiene it's no longer a good to
00:51:49 --> 00:51:50: have, right.
00:51:50 --> 00:51:53: It's it's almost pretty much a, a must have, right.
00:51:53 --> 00:51:56: So with that as the basis, how do we then
00:51:56 --> 00:52:01: create, you know, our fund strategies or our corporate initiatives
00:52:01 --> 00:52:04: around those expectations internally?
00:52:04 --> 00:52:07: In fact, we have also started piloting a return on
00:52:07 --> 00:52:09: sustainability framework.
00:52:09 --> 00:52:13: So when, whenever we start thinking about sustainability, K packs,

00:52:13 --> 00:52:17: green K packs, we try and apply a quantitative weightage
00:52:17 --> 00:52:20: to determine, hey, what is the Ros or ROI right
00:52:20 --> 00:52:22: on whatever that we are putting into it.
00:52:22 --> 00:52:25: So that's, that's how we, you know, inject rigor into
00:52:25 --> 00:52:28: our thinking as, as we think about sustainability at not
00:52:29 --> 00:52:32: just the corporate level, but also the investment level.
00:52:32 --> 00:52:35: And today I would say at least for capital N,
00:52:35 --> 00:52:35: that is hygiene.
00:52:37 --> 00:52:37: Yeah.
00:52:37 --> 00:52:39: There's, there's lots in there that I'd like to explore,
00:52:39 --> 00:52:40: but I'm conscious of our time.
00:52:41 --> 00:52:43: So I'm going to move to the final area that
00:52:43 --> 00:52:47: Gareth, Gareth highlighted this intersection of real estate and infrastructure.
00:52:48 --> 00:52:50: Alan, I want to take actually a direct quote from
00:52:50 --> 00:52:52: the report, which I found really interesting.
00:52:53 --> 00:52:55: He says most CIOs will tell you that on a
00:52:55 --> 00:52:59: risk adjusted basis, the outlook for real estate markets is
00:52:59 --> 00:53:03: not as attractive as growth infrastructure, digital transformation, data centres,
00:53:03 --> 00:53:07: fiber, moving towards an AI world and all that entails.
00:53:07 --> 00:53:10: OK, so you talk pretty regularly to some of the
00:53:10 --> 00:53:11: globe's largest investors.
00:53:12 --> 00:53:15: Do you agree with that, that sentiment?
00:53:15 --> 00:53:17: Is that what investors are telling you?
00:53:17 --> 00:53:20: And what do you think is driving, you know, this
00:53:20 --> 00:53:22: sentiment in terms of infrastructure and and real estate?
00:53:24 --> 00:53:27: I have to say it's, it's, it's probably a little
00:53:27 --> 00:53:28: bit more nuance.
00:53:28 --> 00:53:32: You know that statement, I was just in New York
00:53:32 --> 00:53:33: City last two weeks ago.
00:53:34 --> 00:53:37: I was meeting a couple of the larger LP's, larger
00:53:37 --> 00:53:39: investors, global investors.
00:53:39 --> 00:53:44: And indeed there is, there is this shift towards infrastructure.
00:53:44 --> 00:53:48: So what I'm hearing is that fresh capital appears to
00:53:48 --> 00:53:52: be favouring infrastructure investments more than real estate.
00:53:52 --> 00:53:55: But as we dig a little bit deeper, it seems
00:53:55 --> 00:53:58: to suggest that at at least the past decade when
00:53:58 --> 00:54:02: teams are starting to to merge between you know, infrastructure
00:54:02 --> 00:54:06: and real estate into real assets, real assets teams, they
00:54:06 --> 00:54:09: have been loading up on real estate over the past,

00:54:09 --> 00:54:11: you know, couple of years.
00:54:11 --> 00:54:13: And as a result they have been pretty underweight on
00:54:13 --> 00:54:14: infrastructure.
00:54:15 --> 00:54:18: And today they are really, you know, kind of counter
00:54:18 --> 00:54:21: balancing by increasing that allocation into infrastructure.
00:54:21 --> 00:54:23: So I think part of it is, is, is this
00:54:24 --> 00:54:24: reason?
00:54:25 --> 00:54:27: I mean the other part of it in terms of
00:54:27 --> 00:54:32: comparing between infrastructure and real estate, real estate today if
00:54:32 --> 00:54:34: you were to ask me hasn't quite lost any of
00:54:34 --> 00:54:38: the characteristics that define what you know attracts someone into
00:54:38 --> 00:54:41: making an investment into real estate.
00:54:41 --> 00:54:45: So growth as well as appreciation, I think that still
00:54:45 --> 00:54:47: remains infrastructure.
00:54:47 --> 00:54:52: One characterise infrastructure investments, as you know, long term income,
00:54:52 --> 00:54:57: you know, certain investments have monopolistic characteristics.
00:54:57 --> 00:55:00: So this, this, this all still hold true.
00:55:00 --> 00:55:03: But again, I think the, the shift today more to
00:55:03 --> 00:55:07: its infrastructure underlying has a has a slightly different, you
00:55:07 --> 00:55:09: know, reason behind that.
00:55:09 --> 00:55:13: And, and it's not so much of infrastructure having better
00:55:13 --> 00:55:16: or more favourable characteristics versus real estate.
00:55:17 --> 00:55:18: That's that's kind of how I see it.
00:55:18 --> 00:55:21: And the way I look at infrastructure and real estate
00:55:21 --> 00:55:24: again, it's, it's, it, it gets a little bit grey,
00:55:24 --> 00:55:26: especially when you look at the data centre.
00:55:26 --> 00:55:30: Is it digital infrastructure or is it data centre real
00:55:30 --> 00:55:30: estate?
00:55:31 --> 00:55:34: We have been very focused on, you know, this, this
00:55:34 --> 00:55:36: whole digital digitisation story.
00:55:36 --> 00:55:39: And in data centre is a very big push that
00:55:39 --> 00:55:42: capital land has been, you know, embarking on over the
00:55:42 --> 00:55:43: past five years.
00:55:43 --> 00:55:46: And and and we will continue to do that as
00:55:46 --> 00:55:48: as in into the foreseeable future.
00:55:50 --> 00:55:53: Yeah, some very, so there's some very rich discussion in
00:55:54 --> 00:55:57: the report around this issue of intersection of real estate
00:55:57 --> 00:55:58: and and infrastructure.
00:55:58 --> 00:56:01: What that means in terms of in terms of opportunities

00:56:01 --> 00:56:04: we don't have, we don't have the time today to
00:56:04 --> 00:56:06: get into that more nuanced discussion.
00:56:06 --> 00:56:09: I was very keen to hear, you know, Klaus's perspective
00:56:09 --> 00:56:11: given his, his focus on living and and logistics, but
00:56:11 --> 00:56:13: have to save that for, for another time.
00:56:13 --> 00:56:16: So look, I'd just like to, I'd close, I'd like
00:56:16 --> 00:56:19: to close out with this panel, just asking each one
00:56:20 --> 00:56:22: of you to, you know, look forward to 12 months
00:56:22 --> 00:56:23: from now.
00:56:23 --> 00:56:26: Give me a, give me a prediction, you know, on
00:56:26 --> 00:56:29: the, on the issues that we've talked about, what, what
00:56:29 --> 00:56:32: are you most confident, you know, the market looking like
00:56:32 --> 00:56:34: in 12 months time versus now?
00:56:34 --> 00:56:36: If you'd like to, you can also give me a
00:56:36 --> 00:56:37: surprise, but you don't have to.
00:56:37 --> 00:56:39: So Alan, if I, if I come to you because
00:56:39 --> 00:56:42: you're on my on my screen where what's what's your
00:56:42 --> 00:56:45: most confident prediction for where markets will be in 12
00:56:46 --> 00:56:47: months time versus now?
00:56:49 --> 00:56:52: I would say high level at least out of APEC
00:56:52 --> 00:56:56: wearing that putting on the APEC, APEC lens transaction volumes
00:56:56 --> 00:56:57: will increase.
00:56:57 --> 00:56:59: I believe fundraising volumes will increase as well.
00:57:01 --> 00:57:02: Again, cautiously optimistic.
00:57:02 --> 00:57:06: Similar to Lizette, but again more optimistic.
00:57:06 --> 00:57:07: Half glass full.
00:57:08 --> 00:57:10: Yeah, OK, Klaus, how about you?
00:57:11 --> 00:57:12: Yeah, I would.
00:57:12 --> 00:57:13: I would repeat what Alan said.
00:57:13 --> 00:57:15: So I'll do something else and I'll just tell you
00:57:15 --> 00:57:17: that you're going to see cities and capital coming together
00:57:17 --> 00:57:19: in a way that you haven't seen before.
00:57:21 --> 00:57:23: Thank you, Lizab.
00:57:26 --> 00:57:26: Yeah.
00:57:26 --> 00:57:30: I'm not just sure it's whether it's prediction or wishful
00:57:30 --> 00:57:34: thinking, but I would say the real estate fundamentals are
00:57:34 --> 00:57:38: really good and we definitely see transactions increased and more
00:57:38 --> 00:57:42: capital flowing into, I would say the broad definition of
00:57:42 --> 00:57:46: real estate, whether it's more infrastructure focused or sort of
00:57:46 --> 00:57:50: traditional real estate, I don't think it really matters.
00:57:50 --> 00:57:51: We need both.

00:57:51 --> 00:57:53: So I'm, yeah, looking forward to that.
00:57:55 --> 00:57:57: Right, Michael, I'll give the last word to you.
00:57:59 --> 00:58:01: Unfortunately, I can't can't really help you because I mean,
00:58:01 --> 00:58:02: I agree with everyone.
00:58:02 --> 00:58:04: I'm glass half full.
00:58:06 --> 00:58:09: You know, I think that the fundamentals are still strong
00:58:09 --> 00:58:13: enough and I think we're moving in that positive direction.
00:58:13 --> 00:58:15: So I'm I'm glass half full.
00:58:17 --> 00:58:18: Well, thank you.
00:58:18 --> 00:58:18: Thank you, Alan.
00:58:18 --> 00:58:19: Thank you, Michael.
00:58:19 --> 00:58:19: Thank you, Lisette.
00:58:19 --> 00:58:22: Thank you, Klaus for participating in this panel.
00:58:23 --> 00:58:26: Really rich discussion, Alan, a lot from it, which is
00:58:26 --> 00:58:26: great.
00:58:27 --> 00:58:29: And thank you to the audience for attending this webinar.
00:58:29 --> 00:58:33: ULI team will e-mail out the full report to participants
00:58:33 --> 00:58:36: following the webinar, so please take a look.
00:58:37 --> 00:58:40: And meanwhile, ULI very much values your feedback, so they
00:58:40 --> 00:58:43: really appreciate if you could take a minute to complete
00:58:43 --> 00:58:45: the Zoom server before you leave.
00:58:46 --> 00:58:48: And with that, I wish you all a great rest
00:58:48 --> 00:58:49: of the day.
00:58:49 --> 00:58:50: Thank you very much.
00:58:51 --> 00:58:51: Great.
00:58:51 --> 00:58:52: Thanks you.
00:58:53 --> 00:58:54: Thanks everyone.
00:58:55 --> 00:58:56: Right.

This video transcript has been machine-generated, so it may not be accurate. It is for personal use only. Reproduction or use without written permission is prohibited. If you have a correction or for permission inquiries, please contact .