



Webinar

ULI Europe and PwC Emerging Trends 2026 Report Launch

Date: November 04, 2025

00:00:00 --> 00:00:03: Hello and good afternoon everyone, and thank you very much

00:00:03 --> 00:00:06: for joining the launch of the 2026 ULIPWC Emerging Trends

00:00:06 --> 00:00:08: in Real Estate Europe report.

00:00:08 --> 00:00:11: My name is Oliver Kummerfeld, I'm the head of European

00:00:11 --> 00:00:13: Real Estate Research here at Trota Capital.

00:00:13 --> 00:00:16: And thank you to the ULR and PwC for inviting

00:00:16 --> 00:00:17: me along today.

00:00:18 --> 00:00:20: Now, this year's Emerging Trends in Real Estate report finds

00:00:20 --> 00:00:23: the industry shifting from last year's cautious optimism to something

00:00:23 --> 00:00:24: more pragmatic.

00:00:25 --> 00:00:29: Though the likelihood of investment activity bouncing back strongly, it's

00:00:29 --> 00:00:32: probably still impacted by a lot of economic uncertainty and

00:00:32 --> 00:00:33: geopolitical tensions.

00:00:33 --> 00:00:36: But a report also finds that industry professionals seem to

00:00:36 --> 00:00:39: be coming to terms with a prolonged transitional period for

00:00:39 --> 00:00:42: real estate following the reversal, or moderation, if you want,

00:00:42 --> 00:00:45: of previous tailwinds, including a long period of very low

00:00:45 --> 00:00:47: interest rates and of course, globalization.

00:00:48 --> 00:00:50: All of this is happening while the industry seems to

00:00:50 --> 00:00:53: be forced to refine and reemphasize the value proposition of

00:00:53 --> 00:00:55: the asset class in the face of competition from other

00:00:55 --> 00:00:58: asset class or quickly growing as a class like infrastructure.

00:00:58 --> 00:01:01: Or if you have been in real estate research for

00:01:01 --> 00:01:04: as long as I've been, the old why real estate,

00:01:04 --> 00:01:07: why now, Now the agenda for today's session will involve

00:01:07 --> 00:01:10: first a presentation of the report's key findings and then

00:01:10 --> 00:01:12: followed by a panel discussion.

00:01:12 --> 00:01:15: There is also AQ and a feature in Zoom.

00:01:15 --> 00:01:17: So if you'd like to submit any questions, please do

00:01:17 --> 00:01:20: and we'll try to address these if we have time

00:01:20 --> 00:01:21: during the discussion.

00:01:21 --> 00:01:25: Now, I'm very delighted to introduce Gareth Lewis from PwC,

00:01:25 --> 00:01:27: who will get us started by talking us through this

00:01:27 --> 00:01:29: year's Emerging Trends report.

00:01:29 --> 00:01:30: Gareth, over to you.

00:01:34 --> 00:01:36: Thanks, Oliver, and good afternoon everyone.

00:01:37 --> 00:01:40: I'm Gareth Lewis from PwC's Real Estate team, and it's

00:01:40 --> 00:01:43: my pleasure to introduce you to the highlights of this

00:01:43 --> 00:01:46: year's Emerging Trends in Real Estate Europe 2026 report.

00:01:47 --> 00:01:50: I first want to take the opportunity to thank Lizette

00:01:50 --> 00:01:54: van Dorn, Simon Chin and the ULI team for another

00:01:54 --> 00:01:56: successful collaboration, PwC.

00:01:56 --> 00:01:59: We really appreciate our partnership with the ULI across all

00:01:59 --> 00:02:01: of the emerging Trends publications.

00:02:02 --> 00:02:04: And I'd also like to thank all of those who

00:02:04 --> 00:02:06: took part in the research in the research and I'm

00:02:07 --> 00:02:09: sure that includes many of you on this webinar today.

00:02:10 --> 00:02:14: Next slide, please, and the next slide.

00:02:14 --> 00:02:15: Thank you.

00:02:17 --> 00:02:20: So Emerging Trends in Real Estate is a joint report

00:02:20 --> 00:02:23: delivered by the ULI and PwC for the past 23

00:02:23 --> 00:02:23: years.

00:02:23 --> 00:02:25: So that's since 2003.

00:02:25 --> 00:02:28: It's surveyed the trends and outlook for European real estate

00:02:28 --> 00:02:30: for both the near term and the long term.

00:02:31 --> 00:02:34: The report is widely recognised as a key indicator of

00:02:34 --> 00:02:37: real estate sentiment and that's down to the level of

00:02:37 --> 00:02:40: engagement we get from the industry and people's

00:02:40 --> 00:02:41: willingness to

00:02:40 --> 00:02:41: to share their views.

00:02:41 --> 00:02:43: And that high level of engagement is one of the

00:02:43 --> 00:02:45: benefits of the ULI and PwC partnership.

00:02:46 --> 00:02:49: And this year's emerging trends reflects the views of just

00:02:49 --> 00:02:54: under 1300 senior real estate executives who completed

00:02:54 --> 00:02:57: surveys, were

00:02:54 --> 00:02:57: interviewed or took part in a series of round table

00:02:57 --> 00:02:58: meetings.

00:02:59 --> 00:02:59: Next slide please.

00:03:03 --> 00:03:05: So on to that's the highlights.

00:03:06 --> 00:03:09: The overriding sentiment for European real estate in 2026, as

00:03:10 --> 00:03:14: Oliver mentioned, is shifting from last year's courtships

cautious optimism

00:03:14 --> 00:03:18: to something more pragmatic, with the likelihood of renewed investment

00:03:19 --> 00:03:23: activity again tempered by geopolitical and economic uncertainty.

00:03:23 --> 00:03:26: The chart on this screen shows the percentage of those

00:03:26 --> 00:03:31: expecting an increase in business confidence, profitability and headcount for

00:03:31 --> 00:03:35: 2026, and it's tracked against views in previous years going

00:03:35 --> 00:03:36: back to 2011.

00:03:37 --> 00:03:39: And as you can see, general sentiment is not too

00:03:39 --> 00:03:41: dissimilar to last year's survey.

00:03:41 --> 00:03:45: Business confidence is marginally down, while sentiment is slightly more

00:03:45 --> 00:03:48: positive than last year for business profitability and headcount.

00:03:49 --> 00:03:52: The online survey was undertaken in the summer.

00:03:52 --> 00:03:55: Whilst the bulk of the interviews were in the late

00:03:55 --> 00:03:58: summer, autumn and the more recent interviews definitely support the

00:03:58 --> 00:04:01: view that last year's optimism has been replaced by something

00:04:01 --> 00:04:03: more grounded in reality.

00:04:03 --> 00:04:06: Hence the title to this year's report, Facing Reality.

00:04:07 --> 00:04:08: Next slide please.

00:04:11 --> 00:04:14: The senior professionals canvas for this year's report are coming

00:04:14 --> 00:04:17: to terms with a transitional period for real estate.

00:04:17 --> 00:04:21: And what feels like quite a prolonged transitional period could

00:04:21 --> 00:04:23: be down to the fact that we're working our way

00:04:23 --> 00:04:26: through a reversal or moderation if you like, of a

00:04:26 --> 00:04:29: a number of historic tailwinds as well as persistent headwinds.

00:04:29 --> 00:04:32: And this pressure cooker environment is reflected in the the

00:04:32 --> 00:04:34: biggest concerns for the industry shown here.

00:04:35 --> 00:04:38: This slide shows the key issues causing concern across the

00:04:38 --> 00:04:43: categories economic and financial issues in blue, real estate specific

00:04:43 --> 00:04:46: issues in orange, and social and political issues in green,

00:04:46 --> 00:04:53: geopolitical conflicts brewing, growing concerns around deglobalization, unpredictable trade policies,

00:04:53 --> 00:04:57: as well as an uncertain interest rate and inflation environment.

00:04:57 --> 00:05:01: And all this alongside an uncertain trajectory for economic recovery,

00:05:01 --> 00:05:05: uneven occupied demand and perennial concerns over

00:05:05 --> 00:05:06: construction costs and
00:05:06 --> 00:05:09: regulation.
00:05:09 --> 00:05:13: And given that these external factors are unlikely to improve
00:05:13 --> 00:05:15: the outlook for real estate materially, industry leaders
00:05:15 --> 00:05:15: acknowledged that
00:05:15 --> 00:05:19: they need to get to grips with the market as
00:05:19 --> 00:05:22: it stands.
00:05:22 --> 00:05:26: So that element of realism and pragmatism, and this is
00:05:26 --> 00:05:29: pushing real estate leaders to rethink how to operate and
00:05:29 --> 00:05:31: to redefine the value proposition of the asset class.
00:05:31 --> 00:05:32: And that's influenced in part also by the increase in
00:05:32 --> 00:05:35: competition from infrastructure.
00:05:35 --> 00:05:39: Next slide please.
00:05:39 --> 00:05:44: And this slide zeroes in on three specific areas of
00:05:44 --> 00:05:46: concern, international and European political uncertainty and
00:05:46 --> 00:05:47: DE globalization tracking
00:05:47 --> 00:05:50: back from 2019 to 2026.
00:05:50 --> 00:05:54: And it's been a general upward trend of increasing concern.
00:05:54 --> 00:05:58: But telling me that number of respondents concerned about
00:05:58 --> 00:06:02: de
00:06:02 --> 00:06:05: globalization has more than doubled over the past three
00:06:05 --> 00:06:10: surveys,
00:06:10 --> 00:06:12: jumping from 31% to 70% and reflecting reversal of one
00:06:12 --> 00:06:17: of properties long established tailwinds.
00:06:17 --> 00:06:20: Geopolitics clearly continues to impact sentiment, but the US
00:06:20 --> 00:06:25: situation
00:06:25 --> 00:06:26: is an area where it's much harder to unpick the
00:06:26 --> 00:06:29: net impact for European real estate, particularly regarding its
00:06:29 --> 00:06:33: unpredictable
00:06:33 --> 00:06:36: economy and rapidly evolving tariff policy.
00:06:36 --> 00:06:39: Some interviews suggest that US unpredictability may
00:06:39 --> 00:06:41: encourage European focused
00:06:41 --> 00:06:44: deals in 26.
00:06:44 --> 00:06:46: However, the global governance of the US economy makes it
00:06:46 --> 00:06:50: harder to extract Europe from its influence, whether that's
00:06:50 --> 00:06:53: good
00:06:53 --> 00:06:56: or bad.
00:06:56 --> 00:06:59: And Europe is caught in that crossfire between East and
00:06:59 --> 00:07:02: West, making it harder to plot a clear course.
00:07:02 --> 00:07:05: Next slide, please.
00:07:05 --> 00:07:08: But what is clear is that the US situation did
00:07:08 --> 00:07:11: play a role in installing momentum in transaction activity in
00:07:11 --> 00:07:14: the first quarter of 2025, which had been building in
00:07:14 --> 00:07:17: the most liquid markets like the UK, Germany, Netherlands

00:06:56 --> 00:06:57: and
00:06:57 --> 00:07:01: Spain.
00:07:01 --> 00:07:04: And faced with a new geopolitical uncertainty, investors
00:07:04 --> 00:07:08: turned cautious,
00:07:08 --> 00:07:11: especially at the core end of that spectrum.
00:07:11 --> 00:07:16: And despite this long transition, with inflation largely in more
00:07:16 --> 00:07:17: palatable territory compared to last year, there is a degree
00:07:19 --> 00:07:20: of cautious confidence amongst participants as the industry
00:07:22 --> 00:07:26: looks forward
00:07:26 --> 00:07:30: to improving further in 2026.
00:07:30 --> 00:07:31: Next slide, please.
00:07:32 --> 00:07:35: Moving on to the availability of capital, despite a number
00:07:35 --> 00:07:38: of headwinds, most survey respondents expect debt and
00:07:39 --> 00:07:43: equity availability
00:07:43 --> 00:07:45: to increase in 2026.
00:07:45 --> 00:07:49: Though the latter equity capital is coming from a low
00:07:49 --> 00:07:52: base among institutional investors, especially core real
00:07:52 --> 00:07:55: estate.
00:07:55 --> 00:07:58: Beyond the institutional investor landscape, a major shift is
00:07:58 --> 00:08:00: occurring
00:08:00 --> 00:08:03: in sources of capital for real estate.
00:08:04 --> 00:08:06: While institutional investment has been somewhat
00:08:07 --> 00:08:08: disappointing and the overall
00:08:09 --> 00:08:12: pie, if you'd like, for real estate appears to be
00:08:12 --> 00:08:14: shrinking, a much larger source of capital is coming into
00:08:16 --> 00:08:16: play from European and US family offices, high net worth
00:08:20 --> 00:08:23: individuals and private equity funds.
00:08:23 --> 00:08:26: According to some industry estimates, the total wealth of the
00:08:27 --> 00:08:30: total volume of private wealth is around 4 times that
00:08:30 --> 00:08:32: of institutional capital worldwide.
00:08:32 --> 00:08:35: And the reality, that reality is beginning to drive a
00:08:35 --> 00:08:39: fundamental adjustment in how the industry operates.
00:08:40 --> 00:08:41: Next slide, please.
00:08:40 --> 00:08:41: The survey and interviews reveal that country selection is
00:08:40 --> 00:08:41: taking
00:08:40 --> 00:08:41: more prominence amongst investment managers compared
00:08:40 --> 00:08:41: to a few years
00:08:40 --> 00:08:41: ago, given the increase in geopolitical risk and varying
00:08:40 --> 00:08:41: economic
00:08:40 --> 00:08:41: growth outlooks across the continent.
00:08:40 --> 00:08:41: In other words, there's a focus now on core markets
00:08:40 --> 00:08:41: with strong rule of law, demographic institutions, solid
00:08:40 --> 00:08:41: economic growth
00:08:40 --> 00:08:41: prospects and liquidity.

00:08:42 --> 00:08:44: And this chart shows the overall city rankings for investment
00:08:44 --> 00:08:47: and development prospects for the year ahead.
00:08:48 --> 00:08:51: Even beyond the country level, industry leaders believe there
needs
00:08:51 --> 00:08:53: to be a selective focus on city and regions that
00:08:53 --> 00:08:56: combine liquidity with the strongest growth prospects.
00:08:56 --> 00:09:00: So it's no surprise, therefore, that London, Madrid, Paris and
00:09:00 --> 00:09:04: Berlin lead the city rankings for the 4th consecutive year.
00:09:04 --> 00:09:07: But in each case, interviewees make it a clear distinction
00:09:07 --> 00:09:10: between a city's economic growth and a more mixed outlook
00:09:10 --> 00:09:11: for the country as a whole.
00:09:13 --> 00:09:16: Other notable mentions go to Madrid, which has cemented its
00:09:16 --> 00:09:19: position of second in the rankings for the second year
00:09:19 --> 00:09:21: running, and Amsterdam, up one place to 5th.
00:09:21 --> 00:09:24: Both of those praised for their liquidity allied to a
00:09:24 --> 00:09:25: strong economic growth story.
00:09:27 --> 00:09:27: Next slide please.
00:09:31 --> 00:09:35: But investors into European real estate remain most likely to
00:09:35 --> 00:09:39: favour a sector focused approach when allocating capital in
2026.
00:09:39 --> 00:09:43: More than 40% ranking in their top criteria a lot,
00:09:43 --> 00:09:46: while 18% rank it as their top priority.
00:09:47 --> 00:09:51: The need for geographical and sector diversification is a
recurring
00:09:51 --> 00:09:55: theme, but it's also evident that the industry is looking
00:09:55 --> 00:09:58: to the long term and placing greater emphasis on secular
00:09:58 --> 00:10:02: trends, demographics, digitalisation and decarbonisation.
00:10:03 --> 00:10:07: Though still attracting relatively little capital today, niche
operational sectors
00:10:07 --> 00:10:08: dominate the rankings again.
00:10:09 --> 00:10:13: Data centres, new energy infrastructure and student housing
once again
00:10:13 --> 00:10:16: lead the way in signalling the direction in the industry's
00:10:16 --> 00:10:17: direction of travel.
00:10:19 --> 00:10:23: Of the traditional real estate sectors, offices, industrial,
logistics and
00:10:23 --> 00:10:26: retail all sit within the lower reaches of the rankings,
00:10:26 --> 00:10:29: and it's only residential that bucks the trend, representing five
00:10:30 --> 00:10:31: of those top 10 sectors.
00:10:31 --> 00:10:32: And next slide, please.
00:10:36 --> 00:10:40: According to a number of investment leaders, the industry's
secular
00:10:40 --> 00:10:43: themes are driving the lion's share of real estate investment
00:10:43 --> 00:10:46: and strategies loosely defined as the 3DS.

00:10:46 --> 00:10:49: As I mentioned, demographics, digitalization and decarbonisation.

00:10:49 --> 00:10:53: There's also a growing consensus around 1/4 long term trend.

00:10:53 --> 00:10:57: Another D mainly defence a component of course of of

00:10:57 --> 00:10:58: the globalization.

00:10:59 --> 00:11:03: A decarbonisation remains critically important to the to real estate

00:11:03 --> 00:11:06: in the long term, although there are signs of some

00:11:06 --> 00:11:09: pushback on the the layers of bureaucracy, as one person

00:11:09 --> 00:11:12: described it involved in keeping up with the ESD agenda.

00:11:13 --> 00:11:16: Nearly half the respondents have adjusted their ESG strategies in

00:11:17 --> 00:11:20: response to macroeconomic uncertainty and as the research suggests, the

00:11:21 --> 00:11:24: prevailing conditions have crystallized a need for asset managers to

00:11:24 --> 00:11:28: articulate their approach to ESG more clearly and demonstrate the

00:11:28 --> 00:11:31: connection to value and investment performance.

00:11:32 --> 00:11:36: On the digitalization theme, artificial intelligence is highlighted in the

00:11:36 --> 00:11:38: survey as one of the most rapidly expanding drivers of

00:11:38 --> 00:11:40: change for business and the economy.

00:11:41 --> 00:11:45: The industry is demonstrating a marked increase in the use

00:11:45 --> 00:11:48: of AI to assist in real estate activities, with nearly

00:11:48 --> 00:11:52: 3/4 of survey respondents citing its application compared with 51%

00:11:53 --> 00:11:53: last year.

00:11:54 --> 00:11:55: Next slide, please.

00:11:58 --> 00:12:01: Chapter 5 of this year's report explores real estate strategic

00:12:01 --> 00:12:05: role in in shaping European competitiveness, an issue that Mario

00:12:05 --> 00:12:08: Draghi described as an existential challenge in his Landmark 24

00:12:08 --> 00:12:09: report.

00:12:10 --> 00:12:13: Draghi's warning presents both a challenge and an opportunity for

00:12:13 --> 00:12:17: the sector, especially amid the today's geopolitical instability and uncertain

00:12:17 --> 00:12:18: growth look.

00:12:18 --> 00:12:20: And against also against the finding that only one in

00:12:21 --> 00:12:24: five industry leaders believe real estate is fulfilling its potential

00:12:24 --> 00:12:25: as an economic enabler.

00:12:27 --> 00:12:30: From our conversations with leaders across a range of industries,

00:12:30 --> 00:12:32: not just real estate, the message is clear.

00:12:32 --> 00:12:36: To close Europe's competitiveness gap, cities and buildings must act

00:12:36 --> 00:12:40: as active enablers of economic growth, not just static backdrops.

00:12:41 --> 00:12:44: And there's a real sense of urgency that the industry

00:12:44 --> 00:12:47: industry must take a more proactive role in, in articulating

00:12:47 --> 00:12:49: its value, in particular its social and economic value to

00:12:49 --> 00:12:52: stakeholders and embed that understanding in its core mission.

00:12:53 --> 00:12:56: Demonstrating real estate's long term value in simple and compelling

00:12:56 --> 00:13:00: terms will not only help address policy makers misconceptions about

00:13:00 --> 00:13:03: the industry and its potential, but also help to attract

00:13:03 --> 00:13:06: the growing pool of retail investor capital that's now playing

00:13:06 --> 00:13:09: a much more prominent role in capital markets.

00:13:09 --> 00:13:10: Next slide please.

00:13:14 --> 00:13:17: In summary, our report reveals that Europe's real estate industry

00:13:17 --> 00:13:20: has a pragmatic outlook as it faces the reality of

00:13:20 --> 00:13:24: a challenging but transformative phase as several long standing tailwinds

00:13:24 --> 00:13:25: fade.

00:13:25 --> 00:13:27: Even so, optimism remains strong.

00:13:27 --> 00:13:30: Senior leaders see this as a chance to reassert the

00:13:30 --> 00:13:34: sector's relevance, with capital ready to support those shaping its

00:13:34 --> 00:13:37: next phase of growth and evolving its value proposition to

00:13:37 --> 00:13:38: meet changing market realities.

00:13:39 --> 00:13:43: Secular trends are driving value and transformation, and companies across

00:13:43 --> 00:13:47: all sectors are often leaving their familiar industry silos and

00:13:47 --> 00:13:51: operating and collaborating in these porous cross industry domains.

00:13:51 --> 00:13:55: This enormous and consequential shift is blurring traditional boundaries and

00:13:55 --> 00:13:58: opening the door to new models of of value creation.

00:13:59 --> 00:14:02: And all this makes for a challenging, yet very exciting

00:14:02 --> 00:14:05: point in time for real estate with so much structural

00:14:05 --> 00:14:10: change providing unprecedented opportunities, and that includes enhancing European competitiveness

00:14:11 --> 00:14:15: through supporting ongoing urbanization, energy transition, digitalization and AI and

00:14:15 --> 00:14:18: strengthening our defence and knowledge ecosystems.

00:14:19 --> 00:14:22: And with that, I'll thank you all for listening and

00:14:22 --> 00:14:24: hand you back to Oliver now to take us through

00:14:24 --> 00:14:27: the the panel discussion and reflect on these findings.

00:14:28 --> 00:14:28: Thank you.

00:14:34 --> 00:14:35: Thank you, Gareth.

00:14:36 --> 00:14:39: Definitely a lot to to unpack here in this in

00:14:39 --> 00:14:43: this fascinating report at at an interesting time again, and

00:14:43 --> 00:14:47: I'm looking forward to discussing this now with our brilliant

00:14:47 --> 00:14:47: panel here.

00:14:48 --> 00:14:50: Can I just start by asking each of the panel

00:14:50 --> 00:14:54: members just to briefly introduce yourself and maybe even already

00:14:54 --> 00:14:57: sort of, you know, pick up on some of the

00:14:57 --> 00:14:57: points.

00:14:57 --> 00:15:00: Is there anything here in particular that stands out that

00:15:00 --> 00:15:02: did did surprise you or what's your biggest take away

00:15:02 --> 00:15:03: from the report?

00:15:05 --> 00:15:06: Lisa, do you want to go first?

00:15:09 --> 00:15:10: Yeah, sure, Oliver.

00:15:11 --> 00:15:15: Before responding, I would also like to thank Garrett and

00:15:15 --> 00:15:20: his colleagues at PEWC for the collaboration now in it's

00:15:20 --> 00:15:21: 23rd year.

00:15:22 --> 00:15:26: And of course, all participants, over 1000 people responded and

00:15:26 --> 00:15:30: participated in interviews, surveys and round tables.

00:15:31 --> 00:15:33: And we couldn't do this without you.

00:15:33 --> 00:15:37: So we actually hope that we've reflected because that's always

00:15:37 --> 00:15:40: the biggest challenge with emerging trends doing most of the

00:15:40 --> 00:15:41: work in summer.

00:15:42 --> 00:15:45: How do we remain relevant with kind of the law

00:15:45 --> 00:15:48: as we've seen the last few years, things moving so

00:15:48 --> 00:15:52: quickly and sort of reflecting on those results?

00:15:52 --> 00:15:55: I actually think sort of defacing reality is some sort

00:15:56 --> 00:15:56: of good news.

00:15:57 --> 00:16:00: For the last few years, we've always said like if

00:16:00 --> 00:16:03: this happens, it's going to move the real estate industry

00:16:03 --> 00:16:07: forward again, if inflation comes down, if interest rates come

00:16:07 --> 00:16:11: down, it's sort of there was always that external factor

00:16:11 --> 00:16:12: that we need it.

00:16:12 --> 00:16:18: And now finally, the recognition that uncertainty will remain, whatever

00:16:18 --> 00:16:23: it may be, when it's geopolitical with economic impact or

00:16:23 --> 00:16:25: anything else.

00:16:25 --> 00:16:28: And that if you want to kind of stay in

00:16:28 --> 00:16:32: business, you need to act and sort of, I would

00:16:32 --> 00:16:36: say adapt to your organization to be able to to

00:16:36 --> 00:16:40: make a return from the current market circumstances.

00:16:40 --> 00:16:42: And that, I think, is good news.

00:16:45 --> 00:16:47: Yeah, I mean the report points out, you know, the

00:16:47 --> 00:16:51: participants seem to shift to a more pragmatic approach.

00:16:51 --> 00:16:54: Tony at at Hypen, do you feel more pragmatic?

00:16:54 --> 00:16:55: Is it?

00:16:55 --> 00:16:55: Is it?

00:16:55 --> 00:16:57: Is it hard to be pragmatic in these days?

00:17:00 --> 00:17:01: Hi, Oliver and hi everybody and thanks.

00:17:01 --> 00:17:02: Thanks for joining.

00:17:02 --> 00:17:05: I think I, I, it's actually very easy to be

00:17:05 --> 00:17:05: pragmatic.

00:17:05 --> 00:17:08: I think you can be pragmatic all the time.

00:17:08 --> 00:17:13: And I think that's generally the approach of most capital

00:17:13 --> 00:17:16: allocators I would think or at least hope so.

00:17:16 --> 00:17:19: I certainly, I don't, you know, in an attempt to

00:17:19 --> 00:17:22: always be pragmatic, I think right now it's a pretty

00:17:22 --> 00:17:23: compelling phase.

00:17:23 --> 00:17:25: And I think the word that Gareth used in one

00:17:25 --> 00:17:27: of the slides was transformative.

00:17:27 --> 00:17:29: And I, I feel the same way actually.

00:17:29 --> 00:17:32: We've got so many different themes running through our

00:17:35 --> 00:17:38: industry.

00:17:38 --> 00:17:41: We're becoming much more infrastructure like I think as an

00:17:41 --> 00:17:45: industry as we acknowledge and accept and take advantage

00:17:45 --> 00:17:49: of

00:17:49 --> 00:17:52: the operational elements of our business just as

00:17:52 --> 00:17:55: infrastructure did.

00:17:56 --> 00:17:59: So I think it's quite a compelling phase for all

00:17:59 --> 00:18:00: of us and for our industry.

00:18:00 --> 00:18:02: And I think the term cautious optimism, I think I've

00:18:03 --> 00:18:04: heard that at you know, various sessions over the last

00:18:04 --> 00:18:07: 12 to 18 months.

00:18:07 --> 00:18:09: And I think again, it's pretty easy to say that

00:18:09 --> 00:18:11: almost at any time.

00:18:11 --> 00:18:13: And, and I think historically, if you look at, I

00:18:07 --> 00:18:09: think where business confidence is one point I took from
00:18:09 --> 00:18:11: the report, business confidence levels.
00:18:11 --> 00:18:14: Now looking at the chart that Gareth put up on
00:18:14 --> 00:18:17: the screen, I think they're very similar to that which
00:18:17 --> 00:18:19: we experienced in 2015.
00:18:19 --> 00:18:23: And that phase cycle 2015 to 19 was OK, a
00:18:23 --> 00:18:25: capital market cycle.
00:18:25 --> 00:18:28: I, I do accept that, but nonetheless very strong for
00:18:28 --> 00:18:29: real estate.
00:18:30 --> 00:18:34: So we're feeling pretty confident about the next three to
00:18:34 --> 00:18:35: five years.
00:18:35 --> 00:18:37: And you know, I think that is coming through in
00:18:37 --> 00:18:40: this report, perhaps in a in A to a greater
00:18:40 --> 00:18:41: extent than it has for a year or so.
00:18:43 --> 00:18:43: Yeah.
00:18:43 --> 00:18:44: And Joe, is that the same for you?
00:18:44 --> 00:18:47: Are you feeling feeling more pragmatic?
00:18:47 --> 00:18:48: Less cautious Optimism?
00:18:49 --> 00:18:52: Yeah, hi everyone and thank you for having me.
00:18:53 --> 00:18:58: So yeah, like I think I would agree with everything
00:18:58 --> 00:18:59: you've said.
00:19:00 --> 00:19:03: I would say though that cautious optimism was hope really.
00:19:04 --> 00:19:07: And I think people are now a lot more realistic
00:19:07 --> 00:19:11: around, you know, the relative value of real estate.
00:19:11 --> 00:19:14: We now have had two years worth of understanding, you
00:19:14 --> 00:19:18: know, where opportunities are in credit, where opportunities
00:19:18 --> 00:19:20: are in
00:19:18 --> 00:19:20: infrastructure, private equity, etcetera.
00:19:20 --> 00:19:23: That real estate has got to show what it does
00:19:23 --> 00:19:25: and what it provides to a portfolio.
00:19:26 --> 00:19:29: I do however think that you know what we're seeing,
00:19:29 --> 00:19:32: the pragmatism is coming because there's no, there's no real
00:19:32 --> 00:19:34: distress that we're seeing.
00:19:35 --> 00:19:37: And so while we've all taken a level of pain,
00:19:37 --> 00:19:40: there's the debt market seem to be back that's in
00:19:41 --> 00:19:41: your report.
00:19:41 --> 00:19:45: You know, we are seeing a lot less distress than
00:19:45 --> 00:19:47: we had seen in in the GFC.
00:19:47 --> 00:19:51: And so it is, it is this kind of prolonged
00:19:51 --> 00:19:53: in a period of time.
00:19:53 --> 00:19:56: But what I am seeing is now some opportunities.
00:19:56 --> 00:19:59: I think people are pragmatic not necessarily on both sides

00:19:59 --> 00:20:03: all the time, but there are opportunities particularly at scale,
00:20:03 --> 00:20:06: particularly you know in the public to private space.
00:20:06 --> 00:20:12: We're seeing people fair value opportunities becoming available.

00:20:12 --> 00:20:14: I still think there's a bit of a bid ask
00:20:14 --> 00:20:17: spread, particularly on, you know, smaller lot sizes, but.
00:20:19 --> 00:20:22: I think, you know, we are, we're starting to see
00:20:22 --> 00:20:24: those deals come through.
00:20:25 --> 00:20:27: Yeah, and Mania, you're quite closer to debt markets.
00:20:28 --> 00:20:30: Do you see more debt availability?
00:20:30 --> 00:20:33: Do you see debt capital available for real estate investment?
00:20:34 --> 00:20:34: Yeah.

00:20:34 --> 00:20:36: Hi everyone and pleasure to be here.
00:20:36 --> 00:20:40: So yeah, definitely I would say so debt capital markets
00:20:40 --> 00:20:42: have opened up.
00:20:42 --> 00:20:46: I think it sort of the level of competitiveness is
00:20:46 --> 00:20:50: different depending on where you're at in the cap stack
00:20:50 --> 00:20:54: and what type of assets you're financing.
00:20:54 --> 00:20:57: But I would say, you know if you're looking at
00:20:57 --> 00:21:00: sort of a more core, core, core plus side, you
00:21:00 --> 00:21:03: definitely have very active bid on the debt market.
00:21:04 --> 00:21:06: I think it is quite competitive.
00:21:06 --> 00:21:09: You have seen pricing move in for that debt and
00:21:09 --> 00:21:14: that obviously also makes transactions again more feasible.
00:21:15 --> 00:21:18: You know, I think on the transitional value add lending
00:21:18 --> 00:21:20: side, I think it really depends on the project.
00:21:20 --> 00:21:24: But you know with us being in that space, you
00:21:24 --> 00:21:28: see a high higher activity in terms of sponsors wanting
00:21:28 --> 00:21:32: to come back develop into markets which haven't seen a
00:21:32 --> 00:21:35: lot of product being delivered in the market.
00:21:35 --> 00:21:39: So they, they see again a positive business case for
00:21:39 --> 00:21:43: that and you know, we, we definitely have been pretty
00:21:43 --> 00:21:46: active this year on that side.
00:21:46 --> 00:21:49: So I would say, you know, from a transaction volume
00:21:49 --> 00:21:54: perspective, it's definitely improving from that perspective.
00:21:54 --> 00:21:54: Yeah.

00:21:55 --> 00:21:58: I think Joe, you sort of like briefly touched on
00:21:58 --> 00:22:01: it saying obviously since I guess spring 2022 we've seen
00:22:01 --> 00:22:05: what is significant correction in values, a slow recovery since
00:22:05 --> 00:22:08: autumn 2024 and markets seem to be just you know,
00:22:08 --> 00:22:09: still very, very cautious.
00:22:09 --> 00:22:11: But is there is in your opinion a window of

00:22:11 --> 00:22:14: opportunity to to access investment that improved pricing?

00:22:14 --> 00:22:14: Is there?

00:22:14 --> 00:22:15: Is there fair value to be had?

00:22:16 --> 00:22:19: Yeah, I, I think I, I do think so.

00:22:21 --> 00:22:25: One of the, the things that surprised me actually in

00:22:25 --> 00:22:29: the report was the on the sector side, the lack

00:22:29 --> 00:22:33: of kind of focus on the more traditional sectors, the

00:22:33 --> 00:22:37: office and the retail sectors, because that is where I

00:22:37 --> 00:22:40: think we are seeing most value.

00:22:41 --> 00:22:43: And one of the things that again comes out in

00:22:44 --> 00:22:47: your report is diversification is really the only kind of

00:22:47 --> 00:22:50: free lunch that we've had during this this period of

00:22:50 --> 00:22:50: time.

00:22:50 --> 00:22:53: So we've all been, you know, lots of asset classes

00:22:53 --> 00:22:57: have been sort of negatively impacted, but different asset

00:22:57 --> 00:22:59: classes

00:22:59 --> 00:23:03: have behaved differently.

00:22:59 --> 00:23:03: And so you've had income growth kind of compensating for

00:23:03 --> 00:23:04: cap rate sort of changes.

00:23:04 --> 00:23:09: And we've really seen that diversification across not only real

00:23:09 --> 00:23:13: estate, but our wider portfolio coming into play and really

00:23:13 --> 00:23:14: being very helpful.

00:23:15 --> 00:23:17: And I mean that not just in terms of sort

00:23:17 --> 00:23:20: of asset allocation, but also in terms of the diversification

00:23:20 --> 00:23:23: of your return makeup, the makeup of your return.

00:23:23 --> 00:23:27: So having, you know, some strong income, some you know,

00:23:27 --> 00:23:33: higher yielding, some development, but that overall

00:23:33 --> 00:23:37: diversification across risk

00:23:37 --> 00:23:38: and asset has been something that we've really seen a

00:23:39 --> 00:23:42: benefit in.

00:23:42 --> 00:23:45: So where I see the opportunities are those asset classes

00:23:46 --> 00:23:49: that have repriced more meaningfully that we, we are still

00:23:49 --> 00:23:52: and particularly from a European standpoint and, and I think

00:23:52 --> 00:23:53: manager just just noted it, you know, we're seeing a

00:23:53 --> 00:23:56: lot less development.

00:23:56 --> 00:23:59: Development really doesn't stack up in many places.

00:23:59 --> 00:24:02: So supply is constrained and so for us that's where

00:24:02 --> 00:24:05: I'm seeing a lot more, a lot more of that

00:24:05 --> 00:24:08: fair value coming through rather than some of the kind

00:24:08 --> 00:24:12: of sectors that are on your list that that seem

00:24:12 --> 00:24:14: to be much more growth orientated and and haven't had

00:24:12 --> 00:24:14: the same value kind of changes.

00:24:14 --> 00:24:16: So that was probably the biggest surprise for me.

00:24:16 --> 00:24:17: Yeah.

00:24:17 --> 00:24:19: Is that is that more focus on the income side

00:24:19 --> 00:24:21: for the immediate future then?

00:24:21 --> 00:24:24: Yeah, I think, I think it's just that, you know,

00:24:24 --> 00:24:28: we've seen a immediate income change in valuations on, on

00:24:28 --> 00:24:31: the more core or the more traditional sectors, let me

00:24:31 --> 00:24:32: call them.

00:24:33 --> 00:24:35: And you know, other sectors have held up.

00:24:35 --> 00:24:38: Their values are obviously great for my diversification benefit.

00:24:38 --> 00:24:40: But you know, you still have to believe in a

00:24:41 --> 00:24:43: lot of upside and growth in the future.

00:24:43 --> 00:24:46: And and that diversification of not having to believe all

00:24:46 --> 00:24:48: the time, having some strong income now, some income in

00:24:48 --> 00:24:51: the future, I thought that would come through a little

00:24:51 --> 00:24:51: bit more.

00:24:52 --> 00:24:54: Tony, I see you're noting you're agreeing.

00:24:55 --> 00:24:56: Yeah, I do.

00:24:56 --> 00:24:58: I think one thing I, I in fact, when Joe

00:24:58 --> 00:25:00: was saying that about the sectors, I thought she was

00:25:00 --> 00:25:02: going to pick up on a point that I'd also

00:25:02 --> 00:25:02: noticed.

00:25:02 --> 00:25:04: But, but you went in a completely different direction, Joe,

00:25:04 --> 00:25:06: quite understandably because you're right.

00:25:06 --> 00:25:09: And we haven't really been investing in the traditionals.

00:25:09 --> 00:25:11: In fact, we came out of most of our positions

00:25:11 --> 00:25:14: 5-6 years ago because we just couldn't see value there.

00:25:14 --> 00:25:18: So we've, we've found other, other ways to generate return

00:25:18 --> 00:25:20: so far at least in Europe.

00:25:20 --> 00:25:23: But I, I was in some ways I wasn't surprised

00:25:23 --> 00:25:26: by the dominance of data centres right at the top

00:25:26 --> 00:25:29: of the list because it makes sense, doesn't it?

00:25:29 --> 00:25:31: I think we'd all agree there's going to be more

00:25:31 --> 00:25:32: data in future than there is today.

00:25:32 --> 00:25:34: So there needs to be a provider.

00:25:34 --> 00:25:38: We struggle with that sector because of, I think, I

00:25:38 --> 00:25:41: think I'd, I'd be OK on the creation side.

00:25:41 --> 00:25:45: I just don't understand the investment side of that trade

00:25:45 --> 00:25:48: yet because of obsolescence risk and probably things I don't

00:25:48 --> 00:25:50: understand candidly.

00:25:50 --> 00:25:52: But I think that's the bit that worries me about

00:25:52 --> 00:25:53: those kinds of sectors.

00:25:53 --> 00:25:57: They're certainly very highly sought after very tightly bid.

00:25:58 --> 00:26:00: I think from our point of view stepping back from

00:26:00 --> 00:26:02: the market, I think fair value exists.

00:26:02 --> 00:26:05: I think we sort of passed you know this, this

00:26:05 --> 00:26:08: analogy I generally dislike but I understand it of catching

00:26:08 --> 00:26:08: a falling knife.

00:26:08 --> 00:26:12: I think we're way past that now and I think

00:26:12 --> 00:26:16: we are just focusing on higher growth sectors which are

00:26:16 --> 00:26:20: not correlated to GDP because I'm not a buyer of

00:26:20 --> 00:26:21: GDP in Europe.

00:26:22 --> 00:26:23: I think it's pretty uninteresting.

00:26:23 --> 00:26:26: It's not really going anywhere anytime soon.

00:26:26 --> 00:26:29: I wish it were different, but I mean GDP is

00:26:29 --> 00:26:30: pretty weak.

00:26:31 --> 00:26:34: So we're we should either be looking at, as Joe

00:26:34 --> 00:26:38: referenced, dislocated pricing on unloved assets or areas of

00:26:38 --> 00:26:40: the

00:26:38 --> 00:26:40: market that have had less capital.

00:26:40 --> 00:26:41: That makes sense.

00:26:42 --> 00:26:45: We have gone inside the other direction and just been

00:26:45 --> 00:26:47: backing our conviction on demographics.

00:26:47 --> 00:26:50: And the great thing about demographics is that it is

00:26:50 --> 00:26:54: so very predictable and you can see 5-10 years out

00:26:54 --> 00:26:58: with quite a lot of certainty which helps us underwrite

00:26:58 --> 00:27:01: in, in those sorts of parts of the market.

00:27:01 --> 00:27:04: So that's why we've been spending more of our time

00:27:04 --> 00:27:06: and we have witnessed a little bit of distress there.

00:27:06 --> 00:27:08: And I wouldn't say it's distress in terms of things

00:27:08 --> 00:27:09: falling over.

00:27:09 --> 00:27:12: I think it's just a, a, a lack of capital

00:27:12 --> 00:27:13: investment.

00:27:13 --> 00:27:15: So, you know, we've been able to be a a

00:27:16 --> 00:27:19: provider of liquidity in those particular circumstances.

00:27:20 --> 00:27:22: Yeah, I want to, I want to come back to

00:27:22 --> 00:27:24: the sectors in, in a few minutes again, but I'm

00:27:24 --> 00:27:27: just sticking a little bit for with the capital market

00:27:28 --> 00:27:29: side or capital flows as well.

00:27:30 --> 00:27:33: I mean looking at investment activity and you know you

00:27:33 --> 00:27:36: see the numbers from from MCI Garriss short them as

00:27:36 --> 00:27:39: well, very low activity, still very low volumes.

00:27:39 --> 00:27:42: What would it take in your opinion for investment markets

00:27:42 --> 00:27:45: to really turn the corner and see sort of activity

00:27:45 --> 00:27:46: being being boosted?

00:27:46 --> 00:27:48: What is what is the capitalist, for example, for core

00:27:49 --> 00:27:51: capital to feel confident to come back to the market

00:27:51 --> 00:27:52: in a meaningful way?

00:27:56 --> 00:27:59: I think my sort of long term view on that

00:27:59 --> 00:28:03: Oliver is that core capital generally needs some kind of

00:28:03 --> 00:28:04: proxy.

00:28:04 --> 00:28:06: And I think I think if you sort of look

00:28:06 --> 00:28:09: at where fixed income is risk free rates have still

00:28:09 --> 00:28:11: been holding pretty high in Europe.

00:28:11 --> 00:28:15: So if you look at that, it's, it's less obvious

00:28:15 --> 00:28:19: to be a, let me say a broad allocator of

00:28:19 --> 00:28:20: core capital.

00:28:20 --> 00:28:24: I think there are significant opportunities to use core capital

00:28:24 --> 00:28:27: to be buying assets that are not often traded.

00:28:27 --> 00:28:30: I think that's a very reasonable position to take.

00:28:31 --> 00:28:34: But I've usually seen core capital being much more

00:28:34 --> 00:28:37: correlated

00:28:37 --> 00:28:40: with other asset classes and other instruments.

00:28:40 --> 00:28:44: And in some ways they they're in the equity space,

00:28:44 --> 00:28:47: but trying to identify assets that maybe have a bit

00:28:48 --> 00:28:51: more of a credit type risk in in their minds.

00:28:51 --> 00:28:54: So sort of lower octane positions, which at the moment,

00:28:55 --> 00:28:57: I think they're probably finding other avenues for that of

00:28:57 --> 00:28:59: which you know, one of them and we've talked about

00:29:00 --> 00:29:04: here a couple of times is infrastructure.

00:29:04 --> 00:29:05: There's far more core equity and infrastructure than there is

00:29:05 --> 00:29:07: in, in real estate.

00:29:07 --> 00:29:08: And I, I think that's just a reflection of where

00:29:08 --> 00:29:11: the industry is.

00:29:12 --> 00:29:15: And Joe's point of you can buy some pretty reliable

00:29:15 --> 00:29:18: income streams there, which I think in real estate still

00:29:18 --> 00:29:19: seem to be a little bit off in terms of

00:29:20 --> 00:29:21: pricing.

00:29:21 --> 00:29:21: Yeah, I would.

00:29:21 --> 00:29:23: I would.

00:29:23 --> 00:29:26: I would agree completely with that.

00:29:26 --> 00:29:30: I think the one thing that that real estate offers,

00:29:30 --> 00:29:33: obviously that the infrastructure also offers and that is that

00:29:33 --> 00:29:35: is the big kind of challenge for real estate is,

00:29:36 --> 00:29:39: is duration that you and you know, I think one

00:29:36 --> 00:29:39: of the things that has happened probably since this report

00:29:39 --> 00:29:41: is a lot of noise in the market around the
00:29:41 --> 00:29:43: AI potential bubble.
00:29:43 --> 00:29:46: I'm not going to comment on whether that's a bubble
00:29:46 --> 00:29:49: or not, but you know, there is there is nervousness
00:29:49 --> 00:29:53: around, you know, putting more money necessarily into the
equities
00:29:53 --> 00:29:53: markets.
00:29:53 --> 00:29:56: And so people are looking for other places and real
00:29:56 --> 00:29:59: estate does screen as a, if you look at, you
00:29:59 --> 00:30:03: know, where is there, you look back five years, you
00:30:03 --> 00:30:06: know, where is there an asset class that you probably
00:30:06 --> 00:30:09: could buy at, you know, 8090 cents on the dollar
00:30:09 --> 00:30:13: there versus, you know, if the, the S&P or whatever,
00:30:13 --> 00:30:16: you know, you, you've seen significant growth.
00:30:16 --> 00:30:18: It does screen on sort of a high level basis
00:30:18 --> 00:30:21: as, as you know, starting to be something that that,
00:30:21 --> 00:30:24: you know, CI OS around the world are going to
00:30:24 --> 00:30:26: be saying, well, what about real estate?
00:30:26 --> 00:30:29: Then you put in infrastructure and there's a lot more
00:30:29 --> 00:30:32: certainty of income, a lot more inflation linkage, a lot
00:30:32 --> 00:30:36: more regulatory kind of involvement where you've got a lot
00:30:36 --> 00:30:38: more certainty around your cash flow.
00:30:38 --> 00:30:41: And I, I agree with Tony then that cash flow
00:30:41 --> 00:30:43: then is, you know, you're looking at it on a
00:30:43 --> 00:30:46: relative basis versus credit and real estate.
00:30:46 --> 00:30:49: You know, those 20 year leases with you know, RPI
00:30:49 --> 00:30:52: inflation, they are going to start to come back and
00:30:52 --> 00:30:53: and feel interesting.
00:30:53 --> 00:30:56: But it's there's still, in my opinion, that's the biggest
00:30:56 --> 00:30:59: bid ask spread on the core side between buyers and
00:30:59 --> 00:31:00: sellers.
00:31:02 --> 00:31:02: Yeah.
00:31:03 --> 00:31:06: Oliver, I would I would like to add also to
00:31:06 --> 00:31:10: a comment that Joe made earlier on what we traditionally
00:31:10 --> 00:31:13: saw as core often needs a lot of work and
00:31:13 --> 00:31:16: obviously retail is a little bit more advanced given all
00:31:16 --> 00:31:18: the structural change we've seen.
00:31:19 --> 00:31:21: But office is still in the middle of it.
00:31:21 --> 00:31:24: And I also think it comes back to Joe's earlier
00:31:24 --> 00:31:26: comment on the biz ask spread.
00:31:26 --> 00:31:30: While values have readjusted, some of the comments we
saw
00:31:30 --> 00:31:33: as part of the research was also it may not

00:31:33 --> 00:31:37: have been enough yet to make that business case and

00:31:37 --> 00:31:41: a turn around for for example upgrading of offices to

00:31:41 --> 00:31:43: bring it back to core.

00:31:43 --> 00:31:46: So you could almost raise the question, what is pure

00:31:46 --> 00:31:48: core now that's available?

00:31:48 --> 00:31:52: Is it not that the, the, the dominant stock that

00:31:52 --> 00:31:56: is available needs work in one way or another to

00:31:56 --> 00:32:00: get back to core and then for the vote And

00:32:00 --> 00:32:04: we've seen that in the last few years already in

00:32:04 --> 00:32:08: emerging trends, all the top say 5 sectors are more.

00:32:08 --> 00:32:10: It's, it's a lot of wishful thinking.

00:32:10 --> 00:32:13: I think where and, and Joe called it hope before

00:32:13 --> 00:32:16: that people would like to get into.

00:32:16 --> 00:32:18: Ultimately we are testing the sentiment.

00:32:19 --> 00:32:23: This is not about transactions going into those different

sectors.

00:32:24 --> 00:32:27: And I think that's an interesting one also, and especially

00:32:27 --> 00:32:30: if you compare it to the infrastructure being available and

00:32:30 --> 00:32:32: lots of real estate sectors now being said.

00:32:33 --> 00:32:34: Is IT infrastructure?

00:32:34 --> 00:32:35: Is it real estate?

00:32:36 --> 00:32:38: Different players view things differently.

00:32:38 --> 00:32:40: Student housing, what is it?

00:32:40 --> 00:32:43: And that's also where you have a lot of regulatory

00:32:43 --> 00:32:47: impact where, again, there's huge interest to invest, but it's

00:32:47 --> 00:32:49: sometimes harder to deploy.

00:32:50 --> 00:32:52: Well, the question here I guess is, you know, can,

00:32:53 --> 00:32:56: can capital actually be deployed to these sectors at scale

00:32:56 --> 00:32:59: because the interest is there, But you know, what can

00:32:59 --> 00:33:01: it, is it actually accessible, you know, in the, in

00:33:01 --> 00:33:04: the scale that a lot of investors are, you know,

00:33:04 --> 00:33:06: seeming to actively chase it?

00:33:07 --> 00:33:11: I I think public sector holds the key almost to

00:33:11 --> 00:33:15: a large extent as many of these sectors, whether it's

00:33:15 --> 00:33:20: data centres, new energy infrastructure has a regulatory

component or

00:33:20 --> 00:33:22: government supporting component.

00:33:23 --> 00:33:26: And that's probably, and even to the extent of housing,

00:33:26 --> 00:33:29: especially if you go more affordable social.

00:33:31 --> 00:33:34: And that's why sometimes it's needed to help make the

00:33:34 --> 00:33:35: business case.

00:33:35 --> 00:33:39: Sometimes it's, it's sort of supporting the, the wider scale

00:33:39 --> 00:33:40: investment.

00:33:40 --> 00:33:44: So I think that definitely it's not just a private

00:33:44 --> 00:33:45: sector question.

00:33:47 --> 00:33:50: Yeah, what was a little bit surprising for me was

00:33:50 --> 00:33:53: like, I think logistics, you know, has been the darling

00:33:53 --> 00:33:55: of real estate investors, you know, in recent years and

00:33:56 --> 00:33:58: it looks like it's fallen somewhat out of out of

00:33:58 --> 00:33:59: favour here.

00:33:59 --> 00:34:02: What what are your, what are your views here on,

00:34:02 --> 00:34:06: on logistics and the future of logistics investment in Europe,

00:34:06 --> 00:34:09: especially also with I guess you know, maybe more

00:34:09 --> 00:34:11: investment

00:34:09 --> 00:34:11: into defence and infrastructure.

00:34:11 --> 00:34:12: Is, is there an opportunity here?

00:34:12 --> 00:34:15: Will the sector continue to do well?

00:34:16 --> 00:34:19: You know, I, I do think there is an opportunity

00:34:19 --> 00:34:20: and there remains an opportunity.

00:34:20 --> 00:34:23: I do think though that is much more bifurcated now.

00:34:23 --> 00:34:26: I think it seems like, you know, two years back

00:34:26 --> 00:34:29: or so, you know, anything you were such a demand

00:34:29 --> 00:34:33: driver that you know, you could almost build any anything

00:34:33 --> 00:34:37: and almost maybe in more suboptimal locations might, might

00:34:37 --> 00:34:38: find

00:34:37 --> 00:34:38: a tenant, right.

00:34:38 --> 00:34:42: And what you see now clearly is that, you know,

00:34:42 --> 00:34:46: there are certainly locations which are harder to lease up,

00:34:46 --> 00:34:51: you know be be becoming saturated sort of across Europe.

00:34:51 --> 00:34:55: And then clearly you have markets where, where is

00:34:56 --> 00:34:56: increasing

00:34:56 --> 00:34:56: demand.

00:34:56 --> 00:34:59: You have, you know, strong rental COV, which by the

00:34:59 --> 00:35:02: way has offset a lot of cap rate widening in

00:35:02 --> 00:35:05: in the last couple of years as well, because trend

00:35:05 --> 00:35:07: of COV is, you know, in these strong markets is

00:35:08 --> 00:35:09: is still coming through.

00:35:10 --> 00:35:13: And you know, I would also say, you know, obviously

00:35:13 --> 00:35:16: Germany being my home market and you know, the negative

00:35:16 --> 00:35:20: sentiment and all this talk about, you know, increased

00:35:20 --> 00:35:24: spending,

00:35:20 --> 00:35:24: a billion, you know, government approved and infra and

00:35:25 --> 00:35:28: defence.

00:35:25 --> 00:35:28: And I think, you know, I've certainly discussed with quite

00:35:28 --> 00:35:30: a few spawns of this investment thesis around it.

00:35:30 --> 00:35:33: And you know, where, where is the demand going to settle?

00:35:33 --> 00:35:33:

00:35:34 --> 00:35:35: Where are the tenants coming from?

00:35:35 --> 00:35:38: And my personal view is that yes, it will drive demand, but this might still be five years out until we see this actually come full.

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

00:35:41 --> 00:35:43:

00:35:43 --> 00:35:47: Because one thing is clear, you know, nothing happens too fast here.

00:35:47 --> 00:35:47:

00:35:47 --> 00:35:50: So they are, I think you, you've got to be quite careful.

00:35:50 --> 00:35:50:

00:35:51 --> 00:35:54: You've got, you know, look at the right investment and the pieces behind it.

00:35:54 --> 00:35:55:

00:35:56 --> 00:35:56: Yeah.

00:35:56 --> 00:35:57: I mean, I agree.

00:35:57 --> 00:35:59: I think it obviously sparked a lot of excitement.

00:36:00 --> 00:36:02: But I think I'm I'm equally sort of a little bit not pessimistic, but you know, probably more pragmatic or realistic on how quickly, you know, those kind of funds can be, can be invested, can be applied.

00:36:02 --> 00:36:06:

00:36:06 --> 00:36:09:

00:36:09 --> 00:36:12:

00:36:12 --> 00:36:15: And then sort of what, what locations and what sectors will actually sort of see the the biggest benefit.

00:36:15 --> 00:36:18:

00:36:21 --> 00:36:24: One thing on your comment around logistics, I think one of the things you're seeing or I would, I would suggest is that a lot of people invested so heavily over the last three years into logistics that in terms of the diversification point, everybody's looking at their portfolios and

00:36:24 --> 00:36:27:

00:36:27 --> 00:36:30:

00:36:30 --> 00:36:34:

00:36:34 --> 00:36:38:

00:36:38 --> 00:36:41: saying you want to be diversified and they're probably over allocated to logistics.

00:36:41 --> 00:36:43:

00:36:43 --> 00:36:46: So while I don't think it's, I think everybody is fairly kind of balanced on the sector and and completely agree with Manya's points, you know, you've got to be very specific, but it's more about portfolio allocation in terms of overweighting for a lot of people I think.

00:36:46 --> 00:36:49:

00:36:49 --> 00:36:52:

00:36:52 --> 00:36:56:

00:36:56 --> 00:36:58:

00:36:59 --> 00:37:02: Yeah, it's probably an element of saturation, if I get you right and.

00:37:02 --> 00:37:02:

00:37:05 --> 00:37:07: There's also a risk on the, you know, I think the other thing I've that we that we've always been concerned about in logistics is the ease with which it's built.

00:37:07 --> 00:37:09:

00:37:09 --> 00:37:12:

00:37:12 --> 00:37:12:

00:37:13 --> 00:37:15: You know, so if you look at that sort of long duration positions, it's you always try and look at

00:37:15 --> 00:37:18:

00:37:19 --> 00:37:22: supply constraints and those are pretty limited on in, in
00:37:22 --> 00:37:25: terms of logistics, unless you're literally around an edge of
00:37:25 --> 00:37:27: a city and then it's sort of more like a
00:37:27 --> 00:37:29: last mile facility.
00:37:29 --> 00:37:32: I think I have maybe the debate with myself recently,
00:37:32 --> 00:37:37: regularly interesting conversations I heard myself about
whether logistics is
00:37:37 --> 00:37:38: secular or cyclical.
00:37:38 --> 00:37:40: I, I don't think I know anymore.
00:37:40 --> 00:37:43: I used to think it was very GDP correlated and
00:37:43 --> 00:37:45: it perhaps still is, but it's becoming a bit more
00:37:45 --> 00:37:48: infrastructure like now, given how necessary it is for the
00:37:48 --> 00:37:49: way we live our lives.
00:37:49 --> 00:37:52: So I think it has changed a little bit in
00:37:52 --> 00:37:56: how it behaves and I think it just got overpriced
00:37:56 --> 00:37:59: and it because we had a capital market cycle that
00:37:59 --> 00:38:03: was buying income in logistics at 3%, which didn't make
00:38:03 --> 00:38:06: any sense because rents were never really rising at, you
00:38:07 --> 00:38:10: know, the kind of level to justify those yields.
00:38:10 --> 00:38:11: It was more like a bond proxy.
00:38:11 --> 00:38:14: So I think it it, it moved away from being
00:38:14 --> 00:38:16: a real estate investment to a, you know, a sort
00:38:16 --> 00:38:18: of credit position perhaps.
00:38:18 --> 00:38:20: And now I think it's looked at more as a
00:38:20 --> 00:38:22: real estate investment and I still think it will.
00:38:24 --> 00:38:26: I still think it will grow quite meaningfully.
00:38:26 --> 00:38:28: We don't have a real position in it in Europe
00:38:28 --> 00:38:28: at the moment.
00:38:28 --> 00:38:31: But you know, I do think it's an area of
00:38:31 --> 00:38:32: growth.
00:38:33 --> 00:38:36: In the, in the spirit of maybe debating respectfully, I,
00:38:36 --> 00:38:39: I, I do think that there are opportunities that we're
00:38:39 --> 00:38:43: seeing in the logistics sector that you can buy below
00:38:43 --> 00:38:44: replacement costs.
00:38:44 --> 00:38:47: So I agree with the point that, you know, you've
00:38:47 --> 00:38:50: got it, supply can be built very easily.
00:38:50 --> 00:38:54: However, cost of construction is so high these days that
00:38:54 --> 00:38:59: and now buy at scale portfolios and you're seeing
opportunities
00:38:59 --> 00:39:02: to buy below replacement cost.
00:39:02 --> 00:39:05: And, and I, I would think that therefore the shift
00:39:05 --> 00:39:09: from, you know, the secular shift we've seen from the

00:39:09 --> 00:39:12: occupational side should mean that that is a, a fairly

00:39:12 --> 00:39:14: good core opportunity for people.

00:39:16 --> 00:39:16: Yeah.

00:39:16 --> 00:39:19: My point is around sort of logic is also that

00:39:19 --> 00:39:22: I do see a sort of degree of obsolescence sort

00:39:22 --> 00:39:23: of creeping in.

00:39:23 --> 00:39:26: I think a lot of European logistics stock is now

00:39:26 --> 00:39:26: fairly old.

00:39:26 --> 00:39:29: And I know sometimes you don't really need, you know,

00:39:29 --> 00:39:30: very modern facilities.

00:39:30 --> 00:39:33: But if you think about the amount of technology that

00:39:33 --> 00:39:37: you know is now sort of located in these facilities,

00:39:37 --> 00:39:41: if you think about the whole electrification issue, if you

00:39:41 --> 00:39:45: think about sort of ESG components, I think a modern

00:39:45 --> 00:39:49: logistics warehouse looks very different to what a logistics as

00:39:49 --> 00:39:51: it might have looked 1015 years ago.

00:39:51 --> 00:39:54: So I might even see there's a little bit of

00:39:54 --> 00:39:57: an element of obsolescence creeping in as you see sort

00:39:57 --> 00:39:59: of supply volumes falling, falling as well.

00:40:01 --> 00:40:03: Coming a little bit to the markets.

00:40:03 --> 00:40:05: Because I know the report also sort of looks at

00:40:05 --> 00:40:08: sort of the, the top markets are the most popular

00:40:08 --> 00:40:08: markets.

00:40:08 --> 00:40:10: London comes out as top again as the most popular

00:40:11 --> 00:40:11: market.

00:40:11 --> 00:40:12: Is this justified?

00:40:12 --> 00:40:13: Do you agree?

00:40:13 --> 00:40:16: Is is London offering, you know, value for money versus

00:40:17 --> 00:40:17: some?

00:40:17 --> 00:40:22: Continental European markets, especially when you look at,

00:40:22 --> 00:40:24: for example,

00:40:22 --> 00:40:24: the the difference in in interest rates.

00:40:29 --> 00:40:33: We like, yeah, we, we've been investing in, in, in

00:40:33 --> 00:40:34: London.

00:40:34 --> 00:40:37: I, I, I wonder whether that is a genuine reflection

00:40:37 --> 00:40:39: of the growth prospects of London or whether it's just

00:40:40 --> 00:40:42: perceived as a little bit more of a safe haven.

00:40:42 --> 00:40:45: I I, I don't know this, you know, this concerned

00:40:45 --> 00:40:50: about geopolitical volatility generally I think has probably

00:40:50 --> 00:40:54: guided a

00:40:50 --> 00:40:54: lot of the responses here, particularly given they were done,

00:40:54 --> 00:40:55: done over summer.

00:40:55 --> 00:40:56: So who knows.

00:40:56 --> 00:40:58: But yeah, I mean, it's a, it's a huge capital

00:40:58 --> 00:41:00: markets, it's a huge real estate market.

00:41:00 --> 00:41:02: It offers a lot of opportunities.

00:41:02 --> 00:41:03: Is it cheap?

00:41:03 --> 00:41:04: Not really.

00:41:05 --> 00:41:07: But you know, it never or it never really has

00:41:07 --> 00:41:10: been, you know, I think it's, it's got AGDP level,

00:41:10 --> 00:41:12: which is obviously higher than the national average.

00:41:13 --> 00:41:14: That's positive thing.

00:41:15 --> 00:41:17: And you know if you look at the sort of

00:41:17 --> 00:41:20: population dynamics and demographics, that's also a

00:41:20 --> 00:41:22: supporter of many

00:41:23 --> 00:41:26: of the things that we've been doing.

00:41:26 --> 00:41:27: So it's definitely high up there on our list of

00:41:27 --> 00:41:31: target markets.

00:41:31 --> 00:41:35: But equally, there are a lot of opportunities in continental

00:41:35 --> 00:41:40: Europe as well where you know, as Joe referenced, the

00:41:40 --> 00:41:41: opportunity to buy replacement below replacement cost is far

00:41:43 --> 00:41:44: more

00:41:44 --> 00:41:45: prevalent.

00:41:46 --> 00:41:49: Yeah, I think money has sort of you, you picked

00:41:49 --> 00:41:53: up on it a little bit.

00:41:53 --> 00:41:56: You know, I think because one of the probably slightly

00:41:56 --> 00:42:00: surprising finding for me in the report was that, you

00:42:01 --> 00:42:04: know, Germany has been over the last 2-3 years not

00:42:04 --> 00:42:06: been viewed particularly positively when it comes to to

00:42:06 --> 00:42:09: growth.

00:42:09 --> 00:42:11: But again, if you look at the ranking here, four

00:42:12 --> 00:42:15: of the top ten cities are, are German cities.

00:42:15 --> 00:42:16: How do you see the prospects for for Germany and

00:42:16 --> 00:42:18: and what sectors would you favour?

00:42:18 --> 00:42:23: Well, look, I think, you know, did it surprise me?

00:42:23 --> 00:42:26: Not really.

00:42:26 --> 00:42:28: Yes, we hear the general sentiment.

00:42:28 --> 00:42:31: It's it's negative and weak economic prospects.

00:42:31 --> 00:42:34: That said, it's, you know, it's a large market with

00:42:34 --> 00:42:37: in the European context, it's, you know, it has a

00:42:37 --> 00:42:41: reputation as more of a safe haven, not a spotted

00:42:41 --> 00:42:45: tie, which, you know, sometimes it's probably the problem is

00:42:45 --> 00:42:48: that, you know, we just talked about the core capital.

00:42:48 --> 00:42:51: I think in Germany that's a big issue that core

00:42:51 --> 00:42:54: assets are not released at the previous pricing.

00:42:46 --> 00:42:49: That said, you know, where do I see opportunity?

00:42:49 --> 00:42:50: That's that's interesting.

00:42:50 --> 00:42:54: Look, clearly Germany wants to re establish itself as a

00:42:54 --> 00:42:59: leader in innovation and tech and R and DI think,

00:42:59 --> 00:43:03: but the government has approved and is pushing, you know,

00:43:03 --> 00:43:05: is helpful for that.

00:43:05 --> 00:43:09: I think there's a long way to go given regulatory

00:43:09 --> 00:43:12: frameworks, given the bureaucracy, the oil fighting.

00:43:12 --> 00:43:16: That said, you know, there are recent more recently, an

00:43:16 --> 00:43:19: important step has been made not on that side, but

00:43:19 --> 00:43:22: say on the residential side there the housing topo has

00:43:22 --> 00:43:26: been approved and for Germany, you know, that is much,

00:43:26 --> 00:43:26: much needed.

00:43:27 --> 00:43:30: I think that he has been always quite a sought

00:43:30 --> 00:43:32: after as a class in Germany.

00:43:32 --> 00:43:33: It's been pricing very tightly.

00:43:34 --> 00:43:37: You know, sometimes I wonder is, is, is that justified

00:43:37 --> 00:43:41: giving given the regulatory of framework around it with

00:43:41 --> 00:43:42: landed

00:43:41 --> 00:43:42: caps etcetera.

00:43:43 --> 00:43:47: But now having introduced that framework where you can get

00:43:47 --> 00:43:51: planning faster, you can push out construction faster, I think

00:43:51 --> 00:43:53: that would be really helpful.

00:43:53 --> 00:43:56: And I think if you're positioned that in this market

00:43:56 --> 00:43:59: for the Lessi side, you, you should be able to

00:43:59 --> 00:44:00: take advantage of that.

00:44:00 --> 00:44:04: Because also on the other hand, if if you look

00:44:04 --> 00:44:08: at financing capacity in the market, this is where local

00:44:08 --> 00:44:10: lenders still are, right?

00:44:10 --> 00:44:12: They love, they love fuzzy, they, they feel good with

00:44:12 --> 00:44:13: that.

00:44:13 --> 00:44:15: And if you find a local bank to support you

00:44:15 --> 00:44:18: with that, you know, you can make numbers work.

00:44:18 --> 00:44:21: And so that, that would be kind of my, my

00:44:21 --> 00:44:25: view that, you know, definitely there will be opportunity.

00:44:27 --> 00:44:30: I think the on the other hand, when you look

00:44:30 --> 00:44:34: at, you know, this is sort of pragmatism realism again,

00:44:34 --> 00:44:39: did people expect more dislocation in the German market?

00:44:39 --> 00:44:41: I would say yes, they've looked for it.

00:44:41 --> 00:44:43: It's not, it's not calm.

00:44:43 --> 00:44:48: You know, we, we had some instances insolvency contractor

00:44:43 --> 00:44:48: insolvencies,

00:44:48 --> 00:44:51: but we certainly didn't have, you know, other than some

00:44:52 --> 00:44:55: of these high profile cases, you know, a lot of

00:44:55 --> 00:44:58: assets released at heavily discounted prices.

00:44:58 --> 00:45:01: So I think people also are more realistic about it

00:45:01 --> 00:45:04: again, and you know, not necessarily only bargain hunting in

00:45:04 --> 00:45:07: in Germany, but sort of going, OK, you know, I

00:45:07 --> 00:45:11: want to be allocated to Joe as Tony's point, diversification

00:45:11 --> 00:45:11: is key.

00:45:11 --> 00:45:12: Germany's on the map.

00:45:13 --> 00:45:16: If I want to do something there, right, I've got

00:45:16 --> 00:45:18: to kind of pay this.

00:45:18 --> 00:45:20: Where, where we at today in a, in a more

00:45:20 --> 00:45:23: normalized interest rate environment, I don't think people are

00:45:23 --> 00:45:25: too

00:45:25 --> 00:45:25: nervous about this anymore.

00:45:25 --> 00:45:30: So I I definitely quite hopeful about transaction volume and

00:45:30 --> 00:45:31: pipeline there.

00:45:33 --> 00:45:36: There's been a lot of talk also about investors turning

00:45:36 --> 00:45:40: away from the US, you know, given the the volatility

00:45:40 --> 00:45:41: in the politics.

00:45:41 --> 00:45:43: We also heard from Gareth the economy is actually doing

00:45:44 --> 00:45:44: fairly well.

00:45:45 --> 00:45:48: Do you think, does the panel think there is a

00:45:48 --> 00:45:51: sort of European opportunity for Europe to attract capital from

00:45:51 --> 00:45:55: across the world that would have maybe otherwise been

00:45:55 --> 00:45:56: allocated

00:45:56 --> 00:45:59: to to the US?

00:45:59 --> 00:45:59: So will we see geographical allocations changing to the

00:45:59 --> 00:46:00: benefit

00:46:01 --> 00:46:04: of Europe?

00:46:04 --> 00:46:08: I, I am happy to comment on that from, for

00:46:08 --> 00:46:08: what we've seen throughout the process and also other

00:46:08 --> 00:46:12: capital

00:46:12 --> 00:46:16: markets discussions we had is sort of there seems to

00:46:16 --> 00:46:19: be a sort of internal view versus an external view

00:46:19 --> 00:46:23: where if you do ask the average European, they think

00:46:23 --> 00:46:27: that now the Americans will come to Europe because you

00:46:27 --> 00:46:31: don't want to allocate to the US at the moment

00:46:31 --> 00:46:33: given all the uncertainty and sort of issues potential with

00:46:33 --> 00:46:37: rule of law, et cetera.

00:46:37 --> 00:46:41: If you ask the average American, it's other factors dominate

00:46:41 --> 00:46:41: and then economic growth obviously stands out where

00:46:41 --> 00:46:41: Europe is

00:46:42 --> 00:46:44: clearly not at the same level and things.

00:46:45 --> 00:46:48: And then sort of let's be clear also, it's not

00:46:48 --> 00:46:53: that Europe doesn't have any political or geopolitical issues either

00:46:53 --> 00:46:57: with many elections coming up with doubts about how things

00:46:58 --> 00:47:00: are going in certain countries.

00:47:00 --> 00:47:05: So it's, it's not that it that is great here

00:47:05 --> 00:47:09: and and it's only economic growth problem.

00:47:09 --> 00:47:12: So if we feel it's very much sort of thinking

00:47:12 --> 00:47:16: sort of the grass is greener here actually than on

00:47:16 --> 00:47:19: the other side, which would normally have the other way

00:47:19 --> 00:47:20: around.

00:47:20 --> 00:47:24: But it's it's definitely interesting to see what we did

00:47:24 --> 00:47:27: see is that at especially at the beginning of the

00:47:27 --> 00:47:30: year, I would say maybe end of the first quarter,

00:47:30 --> 00:47:33: some investors put some things on hold just to sort

00:47:33 --> 00:47:36: of wait and see what was going to happen, which

00:47:36 --> 00:47:39: obviously also reflected in transactions.

00:47:39 --> 00:47:42: And then more on a tactical basis, maybe for the

00:47:42 --> 00:47:45: time being allocated a little bit more to the Europe,

00:47:46 --> 00:47:48: but definitely no strategic moves yet.

00:47:51 --> 00:47:54: That's interesting because you know, there's a lot of noise

00:47:54 --> 00:47:56: in the market about updating Europe as this, that's it.

00:47:56 --> 00:47:59: But you know, I think from a discussions I had

00:47:59 --> 00:48:03: with investors met obviously on the credit side, I feel

00:48:03 --> 00:48:06: like most of them are allocated in the US, right.

00:48:06 --> 00:48:07: So, so let's start there.

00:48:07 --> 00:48:09: So they do have exposure.

00:48:09 --> 00:48:12: I think where I've seen more of a shift is

00:48:12 --> 00:48:16: when investors think about new allocations and you know, do

00:48:16 --> 00:48:19: you know, given that most of them are evenly made

00:48:19 --> 00:48:23: or overweight US, that they do now consider more of

00:48:23 --> 00:48:26: a European Cove story and investment story.

00:48:26 --> 00:48:29: And we've certainly seen it on the debt side where

00:48:29 --> 00:48:33: we have not just capital, but capital from outside the

00:48:33 --> 00:48:36: US, Europe, Asia, maybe Canada, you know, look at Europe

00:48:36 --> 00:48:39: much more closely and say, you know, hey, where do

00:48:40 --> 00:48:41: I find value here?

00:48:41 --> 00:48:44: Do I want to have a new allocation in in,

00:48:44 --> 00:48:46: in Europe versus the US today?

00:48:46 --> 00:48:49: I think no one's exiting the USI think, you know,

00:48:49 --> 00:48:52: if you look at you ask investors, they, I think

00:48:52 --> 00:48:54: they're quite happy there.

00:48:54 --> 00:48:56: It's for them it's quite hard to, to cost the

00:48:56 --> 00:48:59: pond over to Europe because they find good value in

00:48:59 --> 00:49:02: the US and particularly if you're dollar based.

00:49:02 --> 00:49:06: So I haven't seen much movement from, from me ask

00:49:06 --> 00:49:09: directly, but I, I, I have seen movement, you know,

00:49:09 --> 00:49:13: in, in the more sort of global capital streams into

00:49:13 --> 00:49:13: Europe.

00:49:15 --> 00:49:15: Yeah.

00:49:16 --> 00:49:18: The only thing I would add is that from a

00:49:18 --> 00:49:21: sort of cash on cash perspective there is that Europe

00:49:21 --> 00:49:23: is attractive when when using leverage.

00:49:23 --> 00:49:27: So I think that is the most attractive element of

00:49:28 --> 00:49:31: of of kind of cross-border investment.

00:49:31 --> 00:49:35: But the points around FX and the points around just

00:49:35 --> 00:49:38: the points that is that made that it will be

00:49:38 --> 00:49:40: marginal would be my my guess.

00:49:41 --> 00:49:44: And, and probably short lived or, you know, sort of

00:49:44 --> 00:49:48: more a midterm or short, short term kind of conversation

00:49:48 --> 00:49:50: would be my, my expectation.

00:49:52 --> 00:49:52: Let, let, let.

00:49:52 --> 00:49:54: Let's hope for better than that for.

00:49:56 --> 00:49:56: Sure.

00:49:57 --> 00:49:59: I think, I think there is an opportunity in Europe

00:49:59 --> 00:50:01: and of course you know, and obviously I'm sat here

00:50:01 --> 00:50:04: and I'm clearly going to be biased, but we have

00:50:04 --> 00:50:05: a, you know, our HQ is global HQ is in

00:50:05 --> 00:50:06: Chicago.

00:50:06 --> 00:50:08: So I I tend to agree with what a lot

00:50:08 --> 00:50:11: of what's been said, but certainly my discussions with LP's

00:50:11 --> 00:50:13: have been, let me say, much more open minded to

00:50:13 --> 00:50:17: opportunity opportunities in Europe than they have been for

00:50:17 --> 00:50:17: many,

00:50:17 --> 00:50:17: many years.

00:50:18 --> 00:50:21: So I don't think they're dialing down US I think the

00:50:21 --> 00:50:23: US economy is going great guns.

00:50:23 --> 00:50:26: So there's, you know, good reason to continue invest

00:50:26 --> 00:50:29: investing

00:50:29 --> 00:50:32: there and we've seen that in our business as well.

00:50:32 --> 00:50:33: But I think this is the opportunity for Europe to

00:50:33 --> 00:50:36: begin to present itself in a way that looks and

00:50:36 --> 00:50:41: feels like an interesting entry point, but also a market

00:50:41 --> 00:50:45: that can generate a couple of things that have been

00:50:45 --> 00:50:49: mentioned here, scale growth and and provide some duration to

00:50:50 --> 00:50:50: capital.

00:50:50 --> 00:50:53: You know, I think, I think as a real estate

00:50:53 --> 00:50:56: industry, we often talk in short duration, you know, buy

00:50:56 --> 00:51:01: fixed sells, positions, etcetera, where we've got opportunities I think

00:51:01 --> 00:51:04: in our market which are much more mature in other

00:51:04 --> 00:51:05: parts of the world.

00:51:05 --> 00:51:09: And I think here we can be building business lines

00:51:09 --> 00:51:13: and solutions for investors that are not, you know, two

00:51:13 --> 00:51:16: to four years, but more like 5 to 8 or

00:51:16 --> 00:51:17: even 5 to 10.

00:51:17 --> 00:51:19: You know, I think that's something it's an opportunity for

00:51:19 --> 00:51:19: us.

00:51:19 --> 00:51:21: And I think it's something that infrastructure does well.

00:51:22 --> 00:51:24: And I think at the moment, real estate as an

00:51:25 --> 00:51:27: industry does relatively poorly.

00:51:30 --> 00:51:32: Yeah, I think, I think Tony, that's a good point

00:51:32 --> 00:51:32: there.

00:51:34 --> 00:51:37: I just want to touch briefly on sustainability and ESG

00:51:37 --> 00:51:38: considerations.

00:51:38 --> 00:51:40: I think, you know, it's clear they remain a challenge

00:51:40 --> 00:51:41: and effect and decision making.

00:51:41 --> 00:51:44: But with the way politics have gone, has ESG in

00:51:44 --> 00:51:48: your opinion still the same importance that it had a

00:51:48 --> 00:51:51: few years ago or by investors, maybe those with strong

00:51:51 --> 00:51:54: US links, just a little bit less, less vocal about

00:51:54 --> 00:51:55: it?

00:51:55 --> 00:51:57: And is, is the risk of greenwashing today higher or

00:51:57 --> 00:51:58: lower than a few years ago?

00:51:58 --> 00:52:01: What what are your views on the sort of importance

00:52:01 --> 00:52:03: of of ESG and the way it's been perceived?

00:52:06 --> 00:52:08: I think there's been, AI would just say there's been

00:52:08 --> 00:52:10: a lot of attachment to those 3 letters.

00:52:10 --> 00:52:13: Yeah, which I think is a pity actually, because it's

00:52:13 --> 00:52:14: not really what we're doing.

00:52:14 --> 00:52:17: You know, we're, and we now focus on, you know,

00:52:17 --> 00:52:19: a broader term of sustainability and that can go through

00:52:19 --> 00:52:22: lots of different threads of real estate.

00:52:23 --> 00:52:26: And yes, there's an emissions story, yes, there's an energy

00:52:26 --> 00:52:29: efficiency story, yes, there's a duration and a reusability story

00:52:30 --> 00:52:30: in all of that.

00:52:30 --> 00:52:33: But I think if you think about sustainability, it's really

00:52:33 --> 00:52:35: something that we've got to be doing as an industry.

00:52:35 --> 00:52:38: You know, we own an asset which is physical and

00:52:38 --> 00:52:42: is a big contributor to everyone's lives, no matter what

00:52:42 --> 00:52:45: it is, whether it's, you know, high emissions, low emissions,

00:52:45 --> 00:52:48: It's a, you know, it's an environment for, you know,

00:52:48 --> 00:52:52: living, work, play, whatever it is, you know, So I,

00:52:52 --> 00:52:54: I think we've got a big job to do as

00:52:54 --> 00:52:56: an industry and we look at it now from a

00:52:56 --> 00:52:58: sustainability point of view.

00:52:58 --> 00:53:01: And that comes back to my word of duration making

00:53:01 --> 00:53:04: a difference to local communities, if possible.

00:53:04 --> 00:53:08: But we've, we've sort of reduced our focus on those

00:53:08 --> 00:53:12: letters of ESG because I think they're overused and largely

00:53:12 --> 00:53:13: misunderstood.

00:53:13 --> 00:53:16: I think we now just look at things as having

00:53:16 --> 00:53:17: sustainable environments.

00:53:18 --> 00:53:21: Energy efficiency is certainly a feature of that, but that's

00:53:21 --> 00:53:21: that.

00:53:21 --> 00:53:22: That's been AI.

00:53:22 --> 00:53:24: Suppose a nuance we've made.

00:53:24 --> 00:53:28: It's no less important, but we've nuanced our messaging and

00:53:28 --> 00:53:30: our internal approach.

00:53:31 --> 00:53:35: Yeah, we've actually heard that from many more that sort

00:53:35 --> 00:53:38: of websites have been changed, the wording has changed.

00:53:38 --> 00:53:43: It's either sustainability or resilience, but the work remains the

00:53:43 --> 00:53:44: same.

00:53:44 --> 00:53:48: What we've also seen is and, and I think that

00:53:48 --> 00:53:52: all ties together is that real impact on value, both

00:53:52 --> 00:53:56: in a positive or negative way, to be honest, as

00:53:56 --> 00:53:59: you like, We do a lot of work in this

00:53:59 --> 00:54:00: space.

00:54:00 --> 00:54:01: We're not there yet.

00:54:02 --> 00:54:05: The narrative goes in the right direction, but sort of

00:54:06 --> 00:54:09: we think more work can be done especially on the

00:54:09 --> 00:54:12: the cost of doing nothing too many times.

00:54:12 --> 00:54:17: The starting point is still the current valuation that where

00:54:18 --> 00:54:22: we see more and more included in and then often

00:54:22 --> 00:54:26: the basis CPCS in that, but that's still EP CS

00:54:26 --> 00:54:28: won't get us to net 0.

00:54:28 --> 00:54:32: So we think more is needed in that front and
00:54:32 --> 00:54:36: that's starts to happen I think with the most the
00:54:36 --> 00:54:38: the biggest front runners.
00:54:39 --> 00:54:42: But the sort of the probably the biggest challenge is
00:54:43 --> 00:54:46: how to get the wider industry on board on this
00:54:46 --> 00:54:50: and sort of we're working on tools to help sort
00:54:50 --> 00:54:54: of assess that impact of that transition risk on real
00:54:54 --> 00:54:58: estate valuations to also provide that common denominator.
00:54:58 --> 00:55:02: And that's common approach for the industry to control and
00:55:02 --> 00:55:03: compare.
00:55:07 --> 00:55:10: Yeah, I'm conscious of time as well, and I know
00:55:10 --> 00:55:14: people have been sort of very patiently listening.
00:55:15 --> 00:55:18: So first of all, thank you all very much to
00:55:18 --> 00:55:21: our panellists for your insights and your opinions today.
00:55:21 --> 00:55:23: And of course, Gareth for your excellent presentation.
00:55:24 --> 00:55:27: Well done on the team that put together the the
00:55:27 --> 00:55:28: report.
00:55:28 --> 00:55:29: This is now, I don't know.
00:55:29 --> 00:55:32: There's more than 20 editions by now, as far as
00:55:32 --> 00:55:34: I as far I recall right, 20.
00:55:35 --> 00:55:35: 3.
00:55:36 --> 00:55:37: 23 editions.
00:55:37 --> 00:55:37: There you go.
00:55:37 --> 00:55:38: What an Evergreen.
00:55:39 --> 00:55:40: Of course.
00:55:40 --> 00:55:42: Thank you everyone for listening today as well.
00:55:42 --> 00:55:45: You know, we hope we found the the session interesting
00:55:45 --> 00:55:47: and I'm very, very curious really to see sort of
00:55:47 --> 00:55:50: what the next month's 1 spring for real estate and
00:55:50 --> 00:55:51: real estate investment.
00:55:51 --> 00:55:56: There's a short survey just when you dial out.
00:55:56 --> 00:55:58: And I think the ULI and PwC would be very
00:55:59 --> 00:56:02: would be very interested and grateful if you could fill
00:56:02 --> 00:56:03: this out.
00:56:03 --> 00:56:06: But yeah, as I said, thank you so much everyone
00:56:06 --> 00:56:07: for your contributions.
00:56:07 --> 00:56:10: Today was very good to talk and I think these
00:56:10 --> 00:56:12: remain exciting times.
00:56:12 --> 00:56:14: And I'm not sure if I'm now cautiously optimistic or
00:56:14 --> 00:56:17: more pragmatic, but it's clear that we have to move
00:56:17 --> 00:56:18: forward.
00:56:18 --> 00:56:19: So thank you very much everyone.

00:56:22 --> 00:56:22: Thank you.
00:56:23 --> 00:56:24: Thank you everyone.
00:56:24 --> 00:56:24: Thank.
00:56:25 --> 00:56:25: You.
00:56:25 --> 00:56:26: Thank you.

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 [\[email protected\]](#).