



Webinar

Launch of ULI/PwC 2021 Global Emerging Trends in Real Estate?? Report

Date: April 07, 2021

00:05:13 --> 00:05:17: Good afternoon everyone. Good evening and good morning to today's

00:05:17 --> 00:05:18: webinar.

00:05:18 --> 00:05:20: For those of you that don't know me,

00:05:20 --> 00:05:23: my name is Lisa to front door and I'm the

00:05:23 --> 00:05:26: CEO for Europe of Herbal Anti Institute.

00:05:26 --> 00:05:30: I'm I'm very pleased that so many of you are

00:05:30 --> 00:05:34: joining us today for one of the main highlights of

00:05:34 --> 00:05:35: the year for you,

00:05:35 --> 00:05:40: like the launch of UI in PWC's global emerging trends.

00:05:40 --> 00:05:45: The global outlook for 2021.

00:05:45 --> 00:05:48: Like you probably know, we deliver this report every year.

00:05:50 --> 00:05:55: In the in collaboration between PwC Anjulie.

00:05:55 --> 00:05:58: In this report, the global outlook is based on three

00:05:58 --> 00:06:00: regional reports published,

00:06:00 --> 00:06:04: which were published at the end of last year and

00:06:04 --> 00:06:06: provided the regional outlooks.

00:06:06 --> 00:06:11: This report builds on these 33 regional reports and provides

00:06:11 --> 00:06:16: an updated global outlook based on an additional couple of

00:06:16 --> 00:06:18: 10 to 15 interviews.

00:06:18 --> 00:06:22: Traditionally, this report also includes thematic chapter,

00:06:22 --> 00:06:25: but in the past covered for example,

00:06:25 --> 00:06:31: business new business models, operationalizing or real estate and this

00:06:31 --> 00:06:36: year we've included specific chapter on decarbonization.

00:06:36 --> 00:06:40: We will now first hear from Garrett Lewis,

00:06:40 --> 00:06:45: director at PwC UK, who will briefly present the results

00:06:45 --> 00:06:46: of the report.

00:06:46 --> 00:06:50: And he will. His presentation will be followed by a

00:06:50 --> 00:06:53: panel discussion with a true global representation,

00:06:53 --> 00:06:55: and I'm really pleased with that.

00:06:55 --> 00:07:00: I will introduce the panelists later on when we start.

00:07:00 --> 00:07:03: And for now I would like to hand over to

00:07:03 --> 00:07:07: Garrett and just to encourage everyone to ask questions,

00:07:07 --> 00:07:10: you can use the Q&A button for that both for

00:07:10 --> 00:07:13: the presentation as well as later on for the panel

00:07:14 --> 00:07:14: discussion,

00:07:14 --> 00:07:19: and I will then include those questions and integrate them

00:07:19 --> 00:07:21: in the in the in the discussion.

00:07:21 --> 00:07:23: Get it over to you.

00:07:25 --> 00:07:28: Thank you Lizette and good good day everyone.

00:07:28 --> 00:07:31: My name is Gareth Lewis from Peter.

00:07:31 --> 00:07:34: BCS will estate team and I also lead on behalf

00:07:34 --> 00:07:35: of PwC,

00:07:35 --> 00:07:39: our real estate and real estate thought leadership and

00:07:39 --> 00:07:43: research

00:07:39 --> 00:07:43: including the emerging trends in real estate series and I'd

00:07:43 --> 00:07:46: like to take this opportunity on behalf of PwC to

00:07:46 --> 00:07:50: to thank Lizette and the UI team for this fantastic

00:07:50 --> 00:07:54: partnership we have on the emerging Trends Project tonight.

00:07:54 --> 00:07:59: Also like to take the opportunity to thank all those

00:07:59 --> 00:08:02: who participated in the research.

00:08:02 --> 00:08:05: Is that mentioned, global global emerging trends in real

00:08:05 --> 00:08:08: estate

00:08:05 --> 00:08:08: report looks back at the key findings and common themes,

00:08:08 --> 00:08:12: and noticeable differences arising from the the Regional

00:08:12 --> 00:08:14: reports published

00:08:12 --> 00:08:14: or the end of last year,

00:08:14 --> 00:08:17: and also uses those findings to to look forward and

00:08:17 --> 00:08:20: explore what senior leaders think will be the key trends

00:08:20 --> 00:08:22: for the year and and the years ahead.

00:08:22 --> 00:08:25: So the interviews for the Global report took place in

00:08:25 --> 00:08:25: January,

00:08:25 --> 00:08:28: February, March this year and more than a year after

00:08:28 --> 00:08:30: the outbreak of COVID-19.

00:08:30 --> 00:08:32: It's fair to say the real estate industry is still

00:08:32 --> 00:08:34: getting to grips with the daunting.

00:08:34 --> 00:08:37: Twin challenge of a cyclical downturn.

00:08:37 --> 00:08:41: Side by side with the long term consequences from the

00:08:41 --> 00:08:45: disruption to the way people live and work.

00:08:45 --> 00:08:49: Regional and sectoral sexual variations to the impact on real

00:08:49 --> 00:08:50: estate are inevitable,

00:08:50 --> 00:08:54: but there's still a clearview that COVID-19 has been and
00:08:54 --> 00:08:58: still is an accelerator of existing trends such as digitalization
00:08:58 --> 00:09:01: dispersed working and online shopping,
00:09:01 --> 00:09:04: while also reinforcing the industries ESG agenda.
00:09:04 --> 00:09:07: The industry leaders we spoke to for this report are
00:09:07 --> 00:09:11: hopeful of a consumer spending LED economic recovery
feeding through
00:09:12 --> 00:09:15: into an uptick in real estate business in the second
00:09:15 --> 00:09:18: half of 2021. But much will depend on the rollout
00:09:18 --> 00:09:21: of the vaccine and an easing of lockdown restrictions.
00:09:21 --> 00:09:25: And against that caveat, the consensus view is that Asia
00:09:25 --> 00:09:26: Pacific is leading the recovery,
00:09:26 --> 00:09:30: partly because of the region's major economies went into the
00:09:30 --> 00:09:33: pandemic in better shape relative to Western economies,
00:09:33 --> 00:09:36: and they also a deemed to have managed the crisis
00:09:36 --> 00:09:38: with more of a short touched so far,
00:09:38 --> 00:09:41: which is seen as a key factor in global investors,
00:09:41 --> 00:09:46: increasing their allocations of capital to the region.
00:09:46 --> 00:09:50: There's also a broad acknowledgment that the
unprecedented levels of
00:09:50 --> 00:09:54: fiscal and monetary stimulus supporting the global economy
come with
00:09:54 --> 00:09:56: their own threats to market volatility.
00:09:56 --> 00:10:00: The emergence of stock market bubbles and mineard
inflationary pressure
00:10:00 --> 00:10:03: in the US and Europe are much bigger concerns for
00:10:03 --> 00:10:06: better state leaders today than during the original emerging
trends
00:10:06 --> 00:10:10: research last year. Despite that risk of greater volatility,
00:10:10 --> 00:10:13: the very loose monetary policy is keeping interest rates low
00:10:13 --> 00:10:16: for the time being and therefore making the yield spread.
00:10:16 --> 00:10:19: For real estate over other asset classes,
00:10:19 --> 00:10:23: hugely compelling to investors, most of the industry leaders
interviewed
00:10:23 --> 00:10:26: for this report believe that the inherent attraction of real
00:10:26 --> 00:10:29: estate income is even stronger this year than in pre
00:10:29 --> 00:10:31: covert times.
00:10:31 --> 00:10:34: By contrast, lenders are expecting to adopt are far more
00:10:34 --> 00:10:38: cautious approach to real estate this year and next compared
00:10:38 --> 00:10:39: with equity investors,
00:10:39 --> 00:10:43: but also compared with their approach to the asset class
00:10:43 --> 00:10:46: during the the first level lockdowns of a year ago.
00:10:46 --> 00:10:50: Well, banks were generally supportive of businesses at the

outset.

00:10:50 --> 00:10:53: Invariably at the request of governments and central banks,
00:10:53 --> 00:10:57: industry leaders indicate tougher lending criteria since the second lockdowns

00:10:57 --> 00:11:00: in the autumn and there is a wide expectation that
00:11:00 --> 00:11:04: distressed debt will increase once the government support packages end,

00:11:04 --> 00:11:08: although it's considered unlikely to to match the levels of
00:11:08 --> 00:11:11: distress seen after the global financial crisis.

00:11:11 --> 00:11:13: Given this pressure or not,
00:11:13 --> 00:11:17: keep our markets. Industry leaders already report at bifurcation pricing

00:11:17 --> 00:11:21: between the in favor sectors like logistics that provided stable
00:11:21 --> 00:11:23: income during the pandemic,
00:11:23 --> 00:11:26: and those sectors that have been hardest hit such as
00:11:26 --> 00:11:30: hospitality and parts of retail logistics has been startling success

00:11:30 --> 00:11:34: across all three regions driven by surging e-commerce sustained investor
00:11:34 --> 00:11:38: demand is widely expected to fuel further cat weight compression

00:11:38 --> 00:11:40: this year and that divides opinion.
00:11:40 --> 00:11:43: For some it was suggests an asset bubble concerns in equities,
00:11:43 --> 00:11:44:
00:11:44 --> 00:11:48: for others it reflects a structural long term change.
00:11:48 --> 00:11:52: Residential is also in favor for a stable income,
00:11:52 --> 00:11:54: but there are additional attractions.

00:11:54 --> 00:11:57: Industry players in the US and Europe see investing in
00:11:57 --> 00:11:58: housing,
00:11:58 --> 00:12:02: social, affordable and private rented as fulfilling a basic need
00:12:02 --> 00:12:05: in society and as such very much part of their
00:12:05 --> 00:12:05: ESG agenda.
00:12:05 --> 00:12:11: Interviews in all three regions also see overwhelmingly favorable supply

00:12:11 --> 00:12:15: demand dynamics which make housing a prudent defensive play for
00:12:15 --> 00:12:17: the foreseeable future.

00:12:17 --> 00:12:20: The outlook for the office sector is altogether much more
00:12:20 --> 00:12:22: difficult to predict,
00:12:22 --> 00:12:25: given that sentiment here is infant influenced by very forces
00:12:25 --> 00:12:26: for change,
00:12:26 --> 00:12:28: such as the rise of remote working,
00:12:28 --> 00:12:31: the increasing concern for the health and well being of
00:12:31 --> 00:12:35: employees and the eroded appearance of long commutes in

big
00:12:35 --> 00:12:35: cities.
00:12:35 --> 00:12:37: As the interviews points out,
00:12:37 --> 00:12:40: these issues do not resonate so much in Asia Pacific,
00:12:40 --> 00:12:43: but in North America and Europe they expected to have
00:12:43 --> 00:12:46: a negative impact from leasing activity this year and next
00:12:46 --> 00:12:48: year as large occupiers.
00:12:48 --> 00:12:51: July Cooper decisions or or commit to greater reliance on
00:12:51 --> 00:12:52: remote working.
00:12:52 --> 00:12:57: Yet many interviews believe that companies and employees
will eventually
00:12:57 --> 00:12:58: want to return to the office.
00:12:58 --> 00:13:02: I'll be in a more hybrid working model than in
00:13:02 --> 00:13:04: pre covid times.
00:13:04 --> 00:13:07: In any event, the need for flexible spaces certain from
00:13:07 --> 00:13:08: an investor perspective.
00:13:08 --> 00:13:13: Therefore, industry leaders predictor of polarization between
perceived high quality
00:13:13 --> 00:13:14: buildings,
00:13:14 --> 00:13:18: modern and adaptable, an outdated and inflexible secondary
stock that
00:13:18 --> 00:13:22: is likely to suffer from a marked decline in demand.
00:13:22 --> 00:13:23: Next slide, please.
00:13:27 --> 00:13:30: Thank you, but it's clear from the interviews that the
00:13:30 --> 00:13:34: industry is looking beyond occupancies and materials and is
starting
00:13:34 --> 00:13:36: to address its wider responsibilities.
00:13:36 --> 00:13:39: There's no better example of this than the work being
00:13:39 --> 00:13:42: undertaken around the impact of carbon emissions on the
built
00:13:43 --> 00:13:43: environment.
00:13:43 --> 00:13:47: Which we explore further in chapter two of the Global
00:13:47 --> 00:13:48: report.
00:13:48 --> 00:13:51: Oh decarbonization and climate change have been rising up
the
00:13:51 --> 00:13:52: agenda for years.
00:13:52 --> 00:13:55: It's noticeable how in the last 18 months these issues
00:13:55 --> 00:13:56: have moved to the foreground,
00:13:56 --> 00:13:59: with industries thinking and so far the pressure is coming
00:13:59 --> 00:14:02: from providers of finance and the biggest tenants,
00:14:02 --> 00:14:05: and the expectation that governments will rank up regulation
in
00:14:05 --> 00:14:06: the coming years.

00:14:06 --> 00:14:10: More companies than ever before putting in place strategies with

00:14:10 --> 00:14:13: decarbonization at the heart of the way they do business,

00:14:13 --> 00:14:16: accepting the challenge that will define the future of humanity

00:14:16 --> 00:14:18: while managing downside risks.

00:14:18 --> 00:14:20: And realizing profits along the way.

00:14:20 --> 00:14:23: The sense of urgency here is is long overdue.

00:14:23 --> 00:14:27: Real Estates in its infancy when it comes to decarbonization,

00:14:27 --> 00:14:29: and even now many people are still ignoring the far

00:14:29 --> 00:14:33: reaching consequences of carbon emissions from buildings.

00:14:33 --> 00:14:35: The interviews indicate a big knowledge gap,

00:14:35 --> 00:14:39: still not enough data being collected on how much energy

00:14:39 --> 00:14:42: buildings used during both construction and operation.

00:14:42 --> 00:14:46: I'm going to state businesses are facing competing pressures in

00:14:46 --> 00:14:48: what is a very complex area.

00:14:48 --> 00:14:52: Even with the right intentions regulation and what constitutes an

00:14:52 --> 00:14:56: effective true decarbonize strategy is is a moving target.

00:14:56 --> 00:14:57: Many of the large rates,

00:14:57 --> 00:15:00: for example of all set targets to reach.

00:15:00 --> 00:15:03: Net 0 by 2030 affectively promising to produce no more

00:15:03 --> 00:15:08: carbon emissions than they might remove from the atmosphere by

00:15:08 --> 00:15:09: that date.

00:15:09 --> 00:15:11: According to the Science based Target Initiative,

00:15:11 --> 00:15:14: a total of 67 real estate companies have put in

00:15:14 --> 00:15:17: place or committed to put in place a strategy to

00:15:17 --> 00:15:20: get to net zero next inoperational carbon emissions from their

00:15:20 --> 00:15:22: portfolios with a science based target.

00:15:22 --> 00:15:24: As we have seen in the last 15 or so

00:15:25 --> 00:15:28: years with with green building certification with the net zero

00:15:28 --> 00:15:29: movement,

00:15:29 --> 00:15:31: there will be similar concerns around greenwashing.

00:15:31 --> 00:15:34: Barely a week seems to go by without a fund

00:15:34 --> 00:15:37: manager or property company making a net zero carbon pledge

00:15:37 --> 00:15:41: and their recent news articles source summed up the situation

00:15:41 --> 00:15:42: nicely here with the headline.

00:15:42 --> 00:15:45: Not all net zero targets are created equal on the

00:15:45 --> 00:15:46: surface of it.

00:15:46 --> 00:15:48: These commitments may look much the same.

00:15:48 --> 00:15:50: However, beneath the headline commitments,
00:15:50 --> 00:15:55: there are significant differences in approach and some targets are
00:15:55 --> 00:15:57: clearly more ambitious than others.
00:15:57 --> 00:16:00: The use of carbon offsetting both in terms of the
00:16:00 --> 00:16:01: the method and pricing,
00:16:01 --> 00:16:04: and actually whether it actually makes sense,
00:16:04 --> 00:16:06: is one key area of difference,
00:16:06 --> 00:16:10: but the most significant differences around the the scope of
00:16:10 --> 00:16:10: the targets,
00:16:10 --> 00:16:14: not all carbon commitments, include indirect emissions,
00:16:14 --> 00:16:18: such as those generated from construction materials using new developments
00:16:18 --> 00:16:20: and from the energy used by tenants,
00:16:20 --> 00:16:24: and this makes a big difference because these so-called scope
00:16:24 --> 00:16:26: three emissions account for over 85%
00:16:26 --> 00:16:30: of a typical commercial. Win estate companies carbon footprint.
00:16:30 --> 00:16:34: That's according to the Carbon Disclosure Project and research by
00:16:34 --> 00:16:36: Architecture Architecture 2030.
00:16:36 --> 00:16:40: Using figures from the UN and the USEIA suggested about
00:16:40 --> 00:16:40: 74%
00:16:40 --> 00:16:43: of carbon emitted during the buildings.
00:16:43 --> 00:16:46: Lifestyle comes from construction and demolition,
00:16:46 --> 00:16:50: with just 25% coming from its operations.
00:16:50 --> 00:16:52: I guess whichever way you cut this data,
00:16:52 --> 00:16:54: these are big numbers and an increased focus on scope.
00:16:54 --> 00:16:58: Three emissions is expected to become a critical industry for
00:16:58 --> 00:16:59: real estate businesses,
00:16:59 --> 00:17:01: and I guess if you sympathize with what is perhaps
00:17:02 --> 00:17:03: the essence of this line,
00:17:03 --> 00:17:06: thinking which is the comment that the most sustainable building
00:17:06 --> 00:17:08: is the one that is never built,
00:17:08 --> 00:17:11: then there surely is clear that alarm bells should be
00:17:11 --> 00:17:15: ringing for the entire real estate industry that's built around
00:17:15 --> 00:17:17: the concept of building real estate.
00:17:17 --> 00:17:20: It remains a daunting amount of complexity in the development,
00:17:20 --> 00:17:24: ownership and management of real estate which makes coming up
00:17:24 --> 00:17:27: with an effective strategy difficult even for the largest

companies.

00:17:27 --> 00:17:30: Executing the strategy is even more difficult.

00:17:30 --> 00:17:32: Again requiring developers, owners, occupiers,

00:17:32 --> 00:17:36: and all other stakeholders that make up the real estate

00:17:36 --> 00:17:39: value chain to work together with the same goals in

00:17:39 --> 00:17:39: mind.

00:17:39 --> 00:17:42: A couple of quick observations from our research that I

00:17:42 --> 00:17:45: would think I would point out where that European and

00:17:45 --> 00:17:48: Canadian investors are seem to be far more focused on

00:17:48 --> 00:17:52: this topic, although US and an Asian investors are catching

00:17:52 --> 00:17:55: up very quickly and there was also a feeling from

00:17:55 --> 00:17:59: the interviews that a clear expectation that the new

00:17:59 --> 00:18:02: administration

00:18:02 --> 00:18:06: or President Biden in the US will significantly change the

00:18:06 --> 00:18:09: narrative around decarbonization in the US economy.

00:18:09 --> 00:18:10: So the SG PSG agenda is probably the hottest topic

00:18:10 --> 00:18:13: in assets right now,

00:18:13 --> 00:18:17: and many will estate businesses are clearly struggling to

00:18:17 --> 00:18:17: cope

00:18:17 --> 00:18:21: with the tsunami of demands coming their way around ESG

00:18:21 --> 00:18:24: reporting.

00:18:24 --> 00:18:28: Responding to investor questions occupy the mountains and

00:18:28 --> 00:18:29: trying to

00:18:29 --> 00:18:31: work out where to focus resources from a low base,

00:18:31 --> 00:18:34: let alone having a coherent strategy to put them onto

00:18:34 --> 00:18:36: the front foot.

00:18:36 --> 00:18:40: So why is there a challenges ahead?

00:18:40 --> 00:18:43: It's also fair to say that real estate has arguably

00:18:43 --> 00:18:47: had quite an easy ride in the area historically.

00:18:47 --> 00:18:49: Real estate is disproportionately large contributor to resource

00:18:49 --> 00:18:54: scarcity,

00:18:54 --> 00:18:55: environmental health, well being and social outcomes,

00:18:55 --> 00:18:58: but these patches are never really shone through as an

00:18:58 --> 00:19:02: important assessment of real estate value,

00:19:02 --> 00:19:03: so have understandably never been a hugely significant

00:19:03 --> 00:19:07: consideration for

00:19:07 --> 00:19:10: asset managers.

00:19:10 --> 00:19:10: In summary, the clear indications from our research with this

00:19:10 --> 00:19:10: Reporter that these issues are really starting to affect real

00:19:10 --> 00:19:10: estate value and deal activity,

00:19:10 --> 00:19:10: and there's also an expectation that the real estate sector

00:19:10 --> 00:19:10: will come under increasing pressure to develop much more

00:19:10 --> 00:19:10: sophisticated

00:19:10 --> 00:19:13: and complex assessments of the product it produces.
00:19:13 --> 00:19:15: I real estate and it's true.
00:19:15 --> 00:19:16: Impact in the broadest sense,
00:19:16 --> 00:19:21: whether that's carbon emissions or broader impacts like health and
00:19:21 --> 00:19:22: well being.
00:19:22 --> 00:19:25: And I think as one final point 1 interesting observation
00:19:25 --> 00:19:28: from our into this report and I mentioned it earlier
00:19:28 --> 00:19:31: was that the pandemic is being seen as having accelerated
00:19:31 --> 00:19:33: the decarbonization and ESG agenda.
00:19:33 --> 00:19:36: It's a. It's a really interesting observation,
00:19:36 --> 00:19:39: and one that's actually quite hard to explain in many
00:19:39 --> 00:19:39: ways.
00:19:39 --> 00:19:43: Perhaps that the pandemic has reminded us of our
vulnerability
00:19:43 --> 00:19:43: as a society.
00:19:43 --> 00:19:46: But I also think that the last year has also
00:19:46 --> 00:19:50: shown how quickly circumstances can change and how
quickly industries
00:19:50 --> 00:19:53: and businesses can adapt in difficult circumstances.
00:19:53 --> 00:19:56: That the shift to remote working perhaps is the most
00:19:56 --> 00:19:57: obvious example,
00:19:57 --> 00:19:59: and I think that's a really positive message for the
00:19:59 --> 00:20:00: real estate industry.
00:20:00 --> 00:20:04: That is no doubt entering a period of significant
transformation
00:20:04 --> 00:20:05: and challenge.
00:20:05 --> 00:20:08: And with that I'll hand it back over to Lisette
00:20:08 --> 00:20:11: to introduce the panelists for what I hope is a
00:20:11 --> 00:20:13: really interesting discussion.
00:20:13 --> 00:20:17: Thanks so much Gareth. I think I was really interesting.
00:20:17 --> 00:20:20: We have received one question which I wanted to ask
00:20:20 --> 00:20:22: you and that the question is,
00:20:22 --> 00:20:26: is there any trend visible to prefer less dense developments?
00:20:26 --> 00:20:32: Greenfield Stratton brownfields. An in result generating urban
sprawl rather
00:20:32 --> 00:20:36: than stay within downtown CBD's because of the need for
00:20:36 --> 00:20:38: the social distance.
00:20:38 --> 00:20:41: If so, in which we just said.
00:20:41 --> 00:20:42: Sectors development.
00:20:45 --> 00:20:48: Well, I think putting all alone in saying that the
00:20:48 --> 00:20:51: jury is still out on what the impact will be.
00:20:51 --> 00:20:53: I think overall I I,

00:20:53 --> 00:20:57: I think and also the European research report back this
00:20:57 --> 00:20:57: up.
00:20:57 --> 00:21:00: Which is that people still think cities and areas of
00:21:00 --> 00:21:03: where you get sort ofglomeration effects,
00:21:03 --> 00:21:07: which translates to density are still seem to be,
00:21:07 --> 00:21:11: you know, a very strong trend that that whilst impacted
00:21:11 --> 00:21:12: by the pandemic,
00:21:12 --> 00:21:15: probably not completely reversed. But I would say it's still
00:21:15 --> 00:21:18: an area where the where the juries jury's out on
00:21:18 --> 00:21:19: it.
00:21:21 --> 00:21:25: Thanks, Garrett, might also be interesting for the panel to
00:21:25 --> 00:21:26: discuss later,
00:21:26 --> 00:21:30: because I think there were also quite some regional differing
00:21:30 --> 00:21:31: views on that.
00:21:31 --> 00:21:34: Thanks a lot, Garrett, for your contribution.
00:21:34 --> 00:21:37: It's been really helpful. Now I would like to invite
00:21:37 --> 00:21:41: all the panelists to switch on their videos an on
00:21:41 --> 00:21:44: mute so we can start the discussion and I'm so
00:21:44 --> 00:21:48: pleased to be joined by a truly global panel.
00:21:48 --> 00:21:52: Everyone coming from there from the different regions.
00:21:52 --> 00:21:56: First of all, I would like to introduce Mary Larkin.
00:21:56 --> 00:22:00: She's a senior managing director and head of Global
Investment
00:22:00 --> 00:22:01: Research at Heitman.
00:22:01 --> 00:22:05: I would like to introduce Olivia Alameen used the CEO
00:22:05 --> 00:22:08: of Austria Office Suite AG based in Europe.
00:22:08 --> 00:22:10: Marys based in the US.
00:22:10 --> 00:22:13: And last but not least,
00:22:13 --> 00:22:19: Benetis era is a head of Asia Pacific Managing director
00:22:19 --> 00:22:23: at PTIN Real Estate based in Asia.
00:22:23 --> 00:22:29: Welcome everyone and now following Garrots presentation I
would actually
00:22:29 --> 00:22:33: like to invite each of you to give a few
00:22:33 --> 00:22:38: comments on the report and the presentation that Gary just
00:22:38 --> 00:22:40: gave.
00:22:40 --> 00:22:43: And also from your point of view,
00:22:43 --> 00:22:44: how do you see this?
00:22:44 --> 00:22:49: What resonates with you? What are your observations on on
00:22:49 --> 00:22:50: the main outlook?
00:22:50 --> 00:22:55: And maybe points you disagree with or or question that
00:22:55 --> 00:22:59: that we found Mary can I invite you first to
00:22:59 --> 00:23:00: speak?

00:23:00 --> 00:23:03: Afternoon good evening, good morning everyone.
00:23:03 --> 00:23:06: The sun is rising here in Chicago.
00:23:06 --> 00:23:09: Let me first say that what stuns me is,
00:23:09 --> 00:23:14: I've now lived through four recessions in my professional life.
00:23:14 --> 00:23:16: This is the most unusual.
00:23:16 --> 00:23:19: Turns out every recession is unusual.
00:23:19 --> 00:23:24: This one remarkable in the short nature of the financial
00:23:24 --> 00:23:24: crunch,
00:23:24 --> 00:23:28: the period during which illiquidity was present.
00:23:28 --> 00:23:31: We've come out of it so quickly.
00:23:31 --> 00:23:34: If within the US there are certain property types,
00:23:34 --> 00:23:37: this was noted in the report where it's almost as
00:23:37 --> 00:23:39: if there was not a recession,
00:23:39 --> 00:23:44: either from a fundamentals perspective as in property
operations or
00:23:44 --> 00:23:47: from a pricing and liquidity perspective.
00:23:47 --> 00:23:49: Clearly others, and noted by Aerosoles,
00:23:49 --> 00:23:53: the hospitality and the retail sector where this has been
00:23:53 --> 00:23:58: devastating and there is illiquidity broadly in those sectors.
00:23:58 --> 00:24:01: I think the report caught it right on as someone
00:24:01 --> 00:24:02: who cares.
00:24:02 --> 00:24:05: Deeply about the E&ESG as well as the S and
00:24:05 --> 00:24:10: the GI was concerned that the existential threat posed by
00:24:10 --> 00:24:17: the pandemic would push attention away from the
environmental catastrophe
00:24:17 --> 00:24:20: that's unfolding. And what I'm pleased by,
00:24:20 --> 00:24:24: but saddened by is in many ways the wildfires in
00:24:24 --> 00:24:31: Australia in the Pacific Northwest record flooding the
hurricane season
00:24:31 --> 00:24:32: than in the Atlantic.
00:24:32 --> 00:24:36: Ran out of letters in the Roman alphabet right?
00:24:36 --> 00:24:40: That brought climate risk to everyone's door.
00:24:40 --> 00:24:43: Stuck and kept this issue that's so central to real
00:24:43 --> 00:24:48: estate alive during the pandemic and fill your focus on
00:24:48 --> 00:24:52: this is quite appropriate and I look forward to the
00:24:52 --> 00:24:55: discussion that ensued.
00:24:55 --> 00:24:59: Thanks, Mary, that was indeed picked up in the reports
00:24:59 --> 00:25:04: that now it's so real climate change that really driven
00:25:04 --> 00:25:07: the huge increase in the in a focus on the
00:25:07 --> 00:25:10: ESD agenda. Bennett, I saw you nodding,
00:25:10 --> 00:25:16: do you want to comment from your perspective as well?
00:25:16 --> 00:25:20: Sure, thanks, thanks Lizette. Broadly I would say our views
00:25:20 --> 00:25:20: do mirror.

00:25:20 --> 00:25:24: You know what's what's covered in the report and you
00:25:24 --> 00:25:24: know,
00:25:24 --> 00:25:27: we I I live in Saigon based in Singapore,
00:25:27 --> 00:25:31: which is our regional headquarters and you know we have
00:25:31 --> 00:25:33: offices in Japan and Seoul in Hong Kong,
00:25:33 --> 00:25:38: Shanghai and Sydney and even in the region you know
00:25:38 --> 00:25:41: things are actually quite different.
00:25:41 --> 00:25:45: And unfortunately, in Singapore they reportedly talked about
Asia having
00:25:45 --> 00:25:47: managed the crisis a little bit better.
00:25:47 --> 00:25:49: When you're having, I guess,
00:25:49 --> 00:25:53: clearer, clearer strategy. Maybe a steady hand and has
managed
00:25:53 --> 00:25:54: things a lot better,
00:25:54 --> 00:25:57: and hence you know the the I guess more positive
00:25:57 --> 00:26:00: sentiment about Asia recovering faster because you know,
00:26:00 --> 00:26:03: we kind of back to business a lot earlier,
00:26:03 --> 00:26:07: and that's really the case across the region and unfortunate
00:26:07 --> 00:26:07: in Singapore,
00:26:07 --> 00:26:11: you know, life is pretty much Espinal apart from travel
00:26:11 --> 00:26:11: and so.
00:26:11 --> 00:26:14: A lot of business activity has been happening for many
00:26:14 --> 00:26:15: months now,
00:26:15 --> 00:26:19: and you know strong recovery is underway.
00:26:19 --> 00:26:22: And you know, it's noted in the report that.
00:26:22 --> 00:26:25: You know the region is recovering faster,
00:26:25 --> 00:26:28: but even I would say if you compare the sentiment
00:26:29 --> 00:26:32: in this global report versus the Asiapac one that was
00:26:32 --> 00:26:34: that came out last year,
00:26:34 --> 00:26:37: you know that I would say the the positive iti
00:26:37 --> 00:26:41: is slightly greater and that's I would say largely because
00:26:41 --> 00:26:44: the the recovery is not only happening faster,
00:26:44 --> 00:26:47: but it's also happening a little bit earlier,
00:26:47 --> 00:26:51: and that's really on the back of the vaccine rollouts
00:26:51 --> 00:26:52: across the globe.
00:26:52 --> 00:26:55: And in general the. Asia the impact of the best
00:26:55 --> 00:26:58: outlook for global growth has celebrated growth forecasts in
Asia
00:26:59 --> 00:26:59: and basically,
00:26:59 --> 00:27:02: I guess the growth in the US because of the
00:27:02 --> 00:27:06: very strong government stimulus which you know is Garth
mentioned
00:27:06 --> 00:27:06: earlier,

00:27:06 --> 00:27:09: does bring bring its own set of potential risks of
00:27:09 --> 00:27:10: stock market bubbles.
00:27:10 --> 00:27:14: You know, potential inflation and what happens in one day?
00:27:14 --> 00:27:15: You know, rates do go up,
00:27:15 --> 00:27:18: which is, you know, the big risk that we have
00:27:18 --> 00:27:19: in Horizon,
00:27:19 --> 00:27:22: but generally you know the the themes that perhaps are
00:27:22 --> 00:27:24: global and relevant to Asia as well.
00:27:24 --> 00:27:26: In terms of the positive impact.
00:27:26 --> 00:27:29: Just six and data centers you know?
00:27:29 --> 00:27:32: I think we're we're squarely in line with that as
00:27:32 --> 00:27:36: well as the resilience of the residential for rent sector,
00:27:36 --> 00:27:40: which in Asia is limited largely to Tokyo or Japan,
00:27:40 --> 00:27:45: with other markets trying to get this multifamily sector going.
00:27:45 --> 00:27:48: But you know that because of that positive theme,
00:27:48 --> 00:27:52: there's also a lot of capital going after these assets
00:27:52 --> 00:27:54: in the way to capital.
00:27:54 --> 00:27:56: Together with the, you know.
00:27:56 --> 00:27:59: Still fairly positive yield spreads that these sectors have.
00:27:59 --> 00:28:03: You know, we expect will create your compression push
00:28:03 --> 00:28:03: prices
00:28:03 --> 00:28:06: up,
00:28:06 --> 00:28:09: and there's also a risk that you know investors will
00:28:09 --> 00:28:11: end up overpaying for some of these assets just because
00:28:11 --> 00:28:13: of the weight of capital momentum.
00:28:13 --> 00:28:16: So we think that's something to be mindful of.
00:28:16 --> 00:28:18: You know we still think it's very we are very
00:28:18 --> 00:28:20: much in favor of these sectors,
00:28:20 --> 00:28:24: but we're mindful of that of that looming risks.
00:28:24 --> 00:28:24: And certainly you know, whilst prices maybe or values may
00:28:24 --> 00:28:26: be going up.
00:28:26 --> 00:28:29: Excuse me we don't do not see.
00:28:29 --> 00:28:33: We're not super optimistic on rental growth in these sectors,
00:28:33 --> 00:28:37: you know suddenly. Particularly the logistics sector,
00:28:37 --> 00:28:40: because of the cost pressures that many companies are
00:28:40 --> 00:28:44: facing.
00:28:44 --> 00:28:45: Squeeze on margins competition, rising labor costs,
00:28:45 --> 00:28:48: and you know, we do think that you know it's
00:28:48 --> 00:28:51: something that.
00:28:51 --> 00:28:52: Probably wasn't really mentioned report,
00:28:52 --> 00:28:52: but you know, we think that's something that is,
00:28:52 --> 00:28:52: is a note of caution.

00:28:52 --> 00:28:54: Certainly so other other sectors.

00:28:54 --> 00:28:58: We're probably a little bit more positive than the report

00:28:58 --> 00:29:00: is on the office sector.

00:29:00 --> 00:29:02: I mean the office. It was noted that the office

00:29:02 --> 00:29:06: sector is probably different and may not be so badly

00:29:06 --> 00:29:07: impacted in Asia.

00:29:07 --> 00:29:10: And and frankly, even in Asia it will be different,

00:29:10 --> 00:29:14: right? Different markets will have a different impact from the

00:29:14 --> 00:29:15: impact of,

00:29:15 --> 00:29:18: I guess, organic. Dim and shrinkage due to remote working

00:29:18 --> 00:29:22: or flexible working arrangements that companies will

00:29:22 --> 00:29:23: implement to varying

00:29:23 --> 00:29:27: degrees across the region.

00:29:27 --> 00:29:29: You know, we're probably most positive on Singapore office,

00:29:29 --> 00:29:32: not just because of the recovery,

00:29:32 --> 00:29:35: but you know we also feel Singapore Office will benefit

00:29:35 --> 00:29:38: from some of the shift in business activity from Hong

00:29:38 --> 00:29:41: Kong to Singapore because of you know the many other

00:29:41 --> 00:29:43: factors impacting the Hong Kong market.

00:29:43 --> 00:29:47: But you know, overall, you know,

00:29:47 --> 00:29:51: we will see different impact and some of it just

00:29:51 --> 00:29:54: inherently real estate fundamentals in some sort of demand

00:29:54 --> 00:29:58: supply impacts in different markets.

00:29:58 --> 00:30:00: Still interesting, Lee is something we have light and we

00:30:00 --> 00:30:02: have had quite a bit of exposure to.

00:30:02 --> 00:30:05: I would say neighborhood grocery,

00:30:05 --> 00:30:09: anchored retail and we did have some assets.

00:30:09 --> 00:30:12: We did obviously trim our retail exposure over the last

00:30:12 --> 00:30:13: few years because of impacts of the disruption to the

00:30:13 --> 00:30:15: retail sector,

00:30:15 --> 00:30:21: which we believe will continue.

00:30:21 --> 00:30:26: But suddenly we saw the resilience of grocery anchored

00:30:26 --> 00:30:30: retail.

00:30:30 --> 00:30:32: Across major markets, but in particular in Singapore and

00:30:32 --> 00:30:37: Australia.

00:30:37 --> 00:30:41: And we do feel those will continue to be.

00:30:41 --> 00:30:45: I guess fairly resilient and perform well,

00:30:45 --> 00:30:51: notwithstanding the overall disruption to the sector which you

00:30:51 --> 00:30:57: know,

00:30:57 --> 00:31:03: we think overtime investors will realize they're actually quite

00:31:03 --> 00:31:09: good

00:31:09 --> 00:31:15: secure income investments and obviously cap rates have

00:31:15 --> 00:31:21: dropped out

00:30:45 --> 00:30:48: and at some point you know the risk reward dynamic
00:30:48 --> 00:30:52: will make it quite interesting.
00:30:52 --> 00:30:55: An you know last but not least I think alot
00:30:55 --> 00:30:59: mentioned about ESG and increasingly that that is the focus
00:30:59 --> 00:31:02: for companies across the board and for us too.
00:31:02 --> 00:31:04: So very focused on ESG.
00:31:04 --> 00:31:06: The impact our investments have,
00:31:06 --> 00:31:10: you know, on a broader issue perspective as well as
00:31:10 --> 00:31:13: looking at the cost it takes to bring those more
00:31:13 --> 00:31:17: in line with kind of more acceptable standards of ESG.
00:31:17 --> 00:31:22: Obviously it's an area that's still developing in Asia and
00:31:22 --> 00:31:23: also in tech.
00:31:23 --> 00:31:26: We have been very focused on tech in the last
00:31:26 --> 00:31:29: few years to understand the impact it has on real
00:31:29 --> 00:31:32: estate investments in our occupiers.
00:31:32 --> 00:31:35: And also you know building our own knowledge and and
00:31:36 --> 00:31:39: our access to tech companies we invested in,
00:31:39 --> 00:31:42: you know BC platforms to get access to many of
00:31:42 --> 00:31:46: these tech companies so that we can actually implement
some
00:31:46 --> 00:31:50: of the technology in our our assets which helps us
00:31:50 --> 00:31:53: in some of the ESG initiatives as well as in
00:31:53 --> 00:31:53: terms of.
00:31:53 --> 00:31:56: Driving performance and mitigating risk,
00:31:56 --> 00:31:58: so that's my my comment.
00:31:58 --> 00:32:00: Thank you.
00:32:00 --> 00:32:03: Thanks Bennett, that's been very thorough really.
00:32:03 --> 00:32:07: Good overview of what's going on in the region.
00:32:07 --> 00:32:11: Or if you're welcome and thank you for participating in
00:32:11 --> 00:32:13: this discussion from a European perspective,
00:32:13 --> 00:32:17: how would you feel the global outlook?
00:32:17 --> 00:32:20: When I I always find reading the your live report
00:32:20 --> 00:32:23: every year about the trend in real state very very
00:32:23 --> 00:32:24: interesting.
00:32:24 --> 00:32:25: For for what it is,
00:32:25 --> 00:32:26: which is reading the trends,
00:32:26 --> 00:32:29: I think reading I mean looking at it as something
00:32:29 --> 00:32:32: that's going to predict the future is a bit difficult.
00:32:32 --> 00:32:35: Probably half of the trend are going to turn out
00:32:35 --> 00:32:38: to be never happening and the other half are going
00:32:38 --> 00:32:40: to turn out to be true and the difficulty is
00:32:40 --> 00:32:43: we don't know which of the one I'm going to

00:32:43 --> 00:32:44: be in which have,
00:32:44 --> 00:32:46: so it's always kind of a challenge to be to
00:32:46 --> 00:32:48: be able to predict the future.
00:32:48 --> 00:32:51: And and I think if we learn something over the
00:32:51 --> 00:32:53: last 12 months is we don't know what's going to
00:32:53 --> 00:32:54: happen next week,
00:32:54 --> 00:32:57: let alone what's going to happen in year from now.
00:32:57 --> 00:33:01: So I would really, really struggle to see to say
00:33:01 --> 00:33:02: how weird things.
00:33:02 --> 00:33:05: The way we're looking at it in in Europe,
00:33:05 --> 00:33:08: at least in Germany, here is we first need to
00:33:08 --> 00:33:11: have visibility on when we're going to be able to
00:33:11 --> 00:33:13: resume some kind of normality.
00:33:13 --> 00:33:17: You know where you can spend like two months without
00:33:17 --> 00:33:19: going into lockdown or.
00:33:19 --> 00:33:21: Overnight and and once that happened,
00:33:21 --> 00:33:23: maybe then we can have with more clarity on.
00:33:23 --> 00:33:26: You know what is going to stick in an was
00:33:26 --> 00:33:28: not gonna stick and I think if when you're in
00:33:28 --> 00:33:31: the situation like today you have a tendency to believe
00:33:31 --> 00:33:34: that things are gonna last like this forever.
00:33:34 --> 00:33:37: I mean the question about that you had earlier about
00:33:37 --> 00:33:40: whether or not they tend to be social distancing.
00:33:40 --> 00:33:43: Assume that you're gonna need social distancing forever,
00:33:43 --> 00:33:46: which I believe is is not going to be the
00:33:46 --> 00:33:46: case.
00:33:46 --> 00:33:49: I mean, as soon as we're going to go out
00:33:49 --> 00:33:50: of the pandemic.
00:33:50 --> 00:33:52: Humanity being like a red fish and have a 5
00:33:52 --> 00:33:53: second memory,
00:33:53 --> 00:33:56: we're gonna just go back to where we were before
00:33:56 --> 00:33:58: and not necessarily in all aspects.
00:33:58 --> 00:34:01: So I do believe that hybrid work is something that's
00:34:01 --> 00:34:02: going to remain,
00:34:02 --> 00:34:04: but social distancing? I mean,
00:34:04 --> 00:34:05: again, if you look in Europe,
00:34:05 --> 00:34:08: it's already fading away and we're not even out of
00:34:08 --> 00:34:09: the pendant,
00:34:09 --> 00:34:10: so so I think it is.
00:34:10 --> 00:34:13: It is an interesting time to be having that conversation
00:34:13 --> 00:34:17: because we've never been so focused on trying to
understand

00:34:17 --> 00:34:20: what's going to happen next because we're so concerned.
00:34:20 --> 00:34:23: I think somebody said it earlier is this is the
00:34:23 --> 00:34:25: first time we're going through such an experiment,
00:34:25 --> 00:34:27: and now with mental crisis,
00:34:27 --> 00:34:30: before we know how crisis and full economic crisis.
00:34:30 --> 00:34:31: But this is the first time.
00:34:31 --> 00:34:33: I mean, unless you were around in 1918,
00:34:33 --> 00:34:36: as this is the first time we are actually going
00:34:36 --> 00:34:37: through a major pandemic.
00:34:37 --> 00:34:40: So we are focused so so much on trying to
00:34:40 --> 00:34:42: figure out what's going to happen next.
00:34:42 --> 00:34:44: And I think, at least from our perspective,
00:34:44 --> 00:34:47: we just don't know an acknowledging that we don't know
00:34:47 --> 00:34:49: is already a big step forward I.
00:34:51 --> 00:34:54: Thank you, I just wanted to build on what you
00:34:54 --> 00:34:57: just said is kind of when you're in a pandemic,
00:34:57 --> 00:35:00: you think it's never going to be different again.
00:35:00 --> 00:35:03: It is that similar analogy also true for.
00:35:03 --> 00:35:07: Thinking that real estate will almost always be there,
00:35:07 --> 00:35:11: say favorite in the class of asset classes,
00:35:11 --> 00:35:15: especially now that volatility is expected to rise.
00:35:15 --> 00:35:21: There are some more inflationary pressures here and there.
00:35:21 --> 00:35:25: Are we kind of? Navel gazing or is it?
00:35:25 --> 00:35:26: Is it really positive?
00:35:29 --> 00:35:31: I see Maryon muting.
00:35:34 --> 00:35:37: I'm happy to address that question.
00:35:37 --> 00:35:41: I do think that real estate has proved its value
00:35:41 --> 00:35:46: in the portfolio in an environment where income is needed,
00:35:46 --> 00:35:51: real estate provides income. With inflation potentially on the
horizon,
00:35:51 --> 00:35:55: what we know about real estate in those few periods
00:35:55 --> 00:35:58: of inflation that we have lived in our lives?
00:35:58 --> 00:36:01: Real estate serves as an inflation hedge.
00:36:01 --> 00:36:06: If markets are in balance from a supply demand perspective,
00:36:06 --> 00:36:11: it's particularly effective in short lease term sectors.
00:36:11 --> 00:36:16: Self storage rented residential if we don't overbuild those
sectors,
00:36:16 --> 00:36:18: and that's always a risk,
00:36:18 --> 00:36:23: particularly in the US, then real estate should be in
00:36:23 --> 00:36:27: a position to provide a hedge against inflation were it
00:36:27 --> 00:36:28: to be.
00:36:28 --> 00:36:32: A feature of the recovery or the expansion that we're
00:36:32 --> 00:36:33: expecting.

00:36:33 --> 00:36:38: Relative to has real estate become less attractive as certain
00:36:38 --> 00:36:40: interest rates have risen,
00:36:40 --> 00:36:43: the US tenure is up 100 basis points in a
00:36:43 --> 00:36:43: year.
00:36:43 --> 00:36:48: I would argue real estate remains attractive given that debt
00:36:48 --> 00:36:52: is available at a nice and healthy spread to cap
00:36:52 --> 00:36:52: rates,
00:36:52 --> 00:36:55: even though yields have compressed,
00:36:55 --> 00:36:58: there still is a healthy spread,
00:36:58 --> 00:37:03: and in that environment real estate remains an attractive
element
00:37:03 --> 00:37:03: of how.
00:37:03 --> 00:37:07: Our institutional investors are building out their portfolio.
00:37:09 --> 00:37:11: Thank you.
00:37:11 --> 00:37:13: You mentioned that availability, uh,
00:37:13 --> 00:37:18: one element. We extensively looked at in the report is
00:37:18 --> 00:37:21: potential distress already coming.
00:37:21 --> 00:37:25: And so far the messages seem to be positive,
00:37:25 --> 00:37:30: although I scared also laid out that banks are starting
00:37:30 --> 00:37:33: to get stricter an in the second as of the
00:37:34 --> 00:37:35: second lockdowns.
00:37:35 --> 00:37:39: Any views or doubt? But if you want to comment
00:37:40 --> 00:37:42: on that is is more distressed.
00:37:42 --> 00:37:46: Expect it already seen. I think that probably one of
00:37:46 --> 00:37:50: the main differences between the previous crisis and the one
00:37:50 --> 00:37:53: we're going through right now,
00:37:53 --> 00:37:56: which is that there is no so much distress happening,
00:37:56 --> 00:37:59: and it probably has to do with the fact that
00:37:59 --> 00:38:02: the all the monetary policy were already firing.
00:38:02 --> 00:38:04: I mean full scale. When we got into that crisis.
00:38:04 --> 00:38:07: So you already have the Fed ECB and the other
00:38:07 --> 00:38:10: central bank which are pumping money in the system,
00:38:10 --> 00:38:14: like there is no tomorrow and that basically holding up
00:38:14 --> 00:38:15: values and prices and.
00:38:15 --> 00:38:18: And kind of avoiding.
00:38:18 --> 00:38:21: The distress that that you would see normally in situation
00:38:21 --> 00:38:22: like today.
00:38:22 --> 00:38:25: So so probably one of the major differences from our
00:38:25 --> 00:38:29: perspective and actually one of the disappointment because
we were
00:38:29 --> 00:38:32: ready to take advantage of that of this crisis,
00:38:32 --> 00:38:34: is that we haven't seen so much distress,

00:38:34 --> 00:38:37: and we don't necessarily expect so much to come.
00:38:37 --> 00:38:40: They think it might be less true in some sectors,
00:38:40 --> 00:38:43: so maybe the hospitality sector might be more subject to
00:38:43 --> 00:38:44: distress,
00:38:44 --> 00:38:47: but that's had more to do with the operators and
00:38:47 --> 00:38:49: the fact that the sector itself isn't.
00:38:49 --> 00:38:53: Troubles through the pandemic. You might have some in the
00:38:53 --> 00:38:53: retail,
00:38:53 --> 00:38:56: of course, but it's more linked to the nature of
00:38:56 --> 00:38:58: the business itself,
00:38:58 --> 00:39:01: but the standard financial distress that you would see like
00:39:01 --> 00:39:05: over levered people who just need to liquidate portfolio is
00:39:05 --> 00:39:07: not really at least as of today.
00:39:07 --> 00:39:11: In Europe is not really happening out in arts in
00:39:11 --> 00:39:13: in the other jurisdictions.
00:39:13 --> 00:39:15: Bennett marry from your perspective.
00:39:15 --> 00:39:17: You want to come here.
00:39:17 --> 00:39:18: I would echo, you know,
00:39:18 --> 00:39:20: I would echo that. That comment.
00:39:20 --> 00:39:24: Certainly the low interest rates and government support
measures have
00:39:24 --> 00:39:25: really prevented,
00:39:25 --> 00:39:27: at least today any distress.
00:39:27 --> 00:39:30: And you know, we'll have to see the impact of
00:39:30 --> 00:39:34: the government withdrawal of these support measures and
also giving
00:39:34 --> 00:39:37: banks of freedom to take more action.
00:39:37 --> 00:39:39: I do. I do think there will be some distress,
00:39:39 --> 00:39:43: but certainly because banks largely are in much better shape
00:39:43 --> 00:39:44: generally well.
00:39:44 --> 00:39:48: Better capitalized anywhere in the last crisis.
00:39:48 --> 00:39:51: They are not under pressure,
00:39:51 --> 00:39:57: you know to to force liquidation of assets and bankruptcies.
00:39:57 --> 00:40:00: Also, the government stance is quite different,
00:40:00 --> 00:40:03: so we do think there could be some and pithy
00:40:03 --> 00:40:04: d'etre sectors.
00:40:04 --> 00:40:07: Obviously, anything travel related will take some time to
come
00:40:07 --> 00:40:08: back,
00:40:08 --> 00:40:11: so you know companies in that space would be in
00:40:11 --> 00:40:11: distress.
00:40:11 --> 00:40:14: Anything to do with entertainment conferences,
00:40:14 --> 00:40:18: you know where, where large gatherings of people will

probably
00:40:18 --> 00:40:21: again take some time to to fully come back,
00:40:21 --> 00:40:24: but you know, really, you can expect travel to resume
00:40:24 --> 00:40:27: to a large degree if not in the in the
00:40:27 --> 00:40:27: second.
00:40:27 --> 00:40:29: Or last quarter of this year,
00:40:29 --> 00:40:33: you know sending my next year progressively ramping up so
00:40:33 --> 00:40:35: things will not quite be back to normal,
00:40:35 --> 00:40:38: but it will be substantial back to normal.
00:40:38 --> 00:40:40: And then of course you've got retail.
00:40:40 --> 00:40:43: That will also see some level of distress.
00:40:46 --> 00:40:49: So let me ask her,
00:40:49 --> 00:40:51: yeah.
00:40:51 --> 00:40:53: I can sign this as we stay in the US.
00:40:53 --> 00:40:55: This isn't our first rodeo,
00:40:55 --> 00:40:58: so there are a couple of different dynamics.
00:40:58 --> 00:41:01: This time. One is, there's a great deal of private
00:41:02 --> 00:41:02: leverage.
00:41:02 --> 00:41:06: Private debt debt funds that were raised in the aftermath
00:41:06 --> 00:41:08: of the global financial crisis,
00:41:08 --> 00:41:12: and those are operators that are perfectly ready to take
00:41:12 --> 00:41:15: over properties and and and and and operate them.
00:41:15 --> 00:41:17: But that's not what they want.
00:41:17 --> 00:41:20: They would like those to be those debts to be
00:41:20 --> 00:41:20: paid,
00:41:20 --> 00:41:23: but there will be a certain level of forbearance.
00:41:23 --> 00:41:26: And there is some sign of a renewal even in
00:41:26 --> 00:41:30: the hardest set hardest hit sectors like hospitality.
00:41:30 --> 00:41:33: A renewal, particularly in the US where so many of
00:41:33 --> 00:41:34: us are now vaccinated.
00:41:34 --> 00:41:37: There is talk of business meetings.
00:41:37 --> 00:41:39: Again, there's certainly pent up demand,
00:41:39 --> 00:41:43: visible for leisure travel, and we're seeing some level of
00:41:43 --> 00:41:46: pent up demand expressed for business travel.
00:41:46 --> 00:41:49: Much to our surprise, that would not be what I
00:41:49 --> 00:41:51: would be predicting a year ago.
00:41:51 --> 00:41:53: So it's quite interesting. I.
00:41:53 --> 00:41:56: I do think that. There is distrust out there,
00:41:56 --> 00:41:59: but there will be rescue capital in the form of
00:41:59 --> 00:42:00: joint ventures.
00:42:00 --> 00:42:04: Retail is not trading now because no retail owner wants
00:42:04 --> 00:42:08: to acknowledge the price at which an asset would clear

00:42:08 --> 00:42:09: the market.

00:42:09 --> 00:42:12: But they might be ready to engage in a joint

00:42:12 --> 00:42:16: venture where there's a structural element that allows for a

00:42:16 --> 00:42:20: difference in opinion as to value such that if indeed

00:42:20 --> 00:42:23: 10 years from now or five years from now the

00:42:23 --> 00:42:25: markets recover.

00:42:25 --> 00:42:28: The owner of the property gets to recognize the value

00:42:28 --> 00:42:31: they think they they hold today.

00:42:33 --> 00:42:34: Thank you.

00:42:34 --> 00:42:37: Let's now move on to the esdra.

00:42:37 --> 00:42:42: Jenna S carrots made very clear and already we touched

00:42:42 --> 00:42:42: on,

00:42:42 --> 00:42:48: the pandemic has actually reinforce usually reinforced to

00:42:48 --> 00:42:50: DST agenda

00:42:48 --> 00:42:50: of of real estate.

00:42:50 --> 00:42:52: Uhm?

00:42:52 --> 00:42:58: Olivia, Ann, and those reports specifically touches on

00:42:58 --> 00:43:02: decarbonization.

00:43:02 --> 00:43:04: What do you eat at Austria or you've always been

00:43:04 --> 00:43:08: seen as a leader in history?

00:43:08 --> 00:43:10: I think it's one of the first you published an

00:43:10 --> 00:43:14: ESD report many years ago.

00:43:14 --> 00:43:20: Already committed 200% renewable energy,

00:43:20 --> 00:43:23: and you've also looked extensively at the decarbonization.

00:43:23 --> 00:43:26: Can you give your views on the broader DST agenda

00:43:26 --> 00:43:28: and decarbonization in particular?

00:43:28 --> 00:43:31: As you said, we've published our first years report almost

00:43:31 --> 00:43:32: 11 years ago,

00:43:32 --> 00:43:34: so this is really not something we are.

00:43:34 --> 00:43:37: We look at it last year and we were actually

00:43:37 --> 00:43:37: part.

00:43:37 --> 00:43:40: I mean, my company was bought as a economic delegation

00:43:41 --> 00:43:43: that went to Paris with the German government.

00:43:43 --> 00:43:47: Actually, at the time of the various government.

00:43:47 --> 00:43:50: Negotiation, and I mean when we look at the SG

00:43:50 --> 00:43:52: over the last few years,

00:43:52 --> 00:43:56: it's become increasingly clear that our main focus needs to

00:43:56 --> 00:44:00: be the carbonization because everything else is in essence a

00:44:00 --> 00:44:03: subset of what happened in terms of the capitalization.

00:44:03 --> 00:44:07: If you get decarbonization wrong you can do whatever you

00:44:07 --> 00:44:11: want on biodiversity on water and everything else is just

00:44:11 --> 00:44:12: not gonna help.

00:44:12 --> 00:44:16: I mean, you know we were mentioning the wildfires that
00:44:16 --> 00:44:18: were happening before.
00:44:18 --> 00:44:21: I mean, all of these are linked to climate change,
00:44:21 --> 00:44:25: so it becomes very much a current that the little
00:44:25 --> 00:44:28: resources we had to kind of focus on on those
00:44:28 --> 00:44:31: kind of topics we need to focus on decarbonization.
00:44:31 --> 00:44:36: And then what also becomes increasingly evident to us is
00:44:36 --> 00:44:39: that we really need to be realistic about what we
00:44:39 --> 00:44:41: can and cannot do.
00:44:41 --> 00:44:44: And we should avoid to the maximum extent possible using
00:44:44 --> 00:44:46: it as marketing tool.
00:44:46 --> 00:44:49: And so I mean my company has been publishing over
00:44:49 --> 00:44:51: the last three sustainment to report.
00:44:51 --> 00:44:54: If you look at our carbon emission at the end
00:44:54 --> 00:44:56: of the report to goodness here,
00:44:56 --> 00:44:59: Black 0, but we never claimed that we are net
00:44:59 --> 00:45:01: zero company because we're not.
00:45:01 --> 00:45:04: We emit tons of carbon and despite what our report
00:45:04 --> 00:45:04: says,
00:45:04 --> 00:45:07: when we operate and I think and net zero actually
00:45:07 --> 00:45:11: is not a scientific concept which apply to companies,
00:45:11 --> 00:45:14: it's applied to countries to the planet itself.
00:45:14 --> 00:45:17: But not to companies and clearly not to buildings.
00:45:17 --> 00:45:20: So was also extremely clear for us that if we
00:45:20 --> 00:45:23: want to be anywhere serious around those things,
00:45:23 --> 00:45:25: we need to have a real conversation.
00:45:25 --> 00:45:28: We need to have a conversation with our shareholder about
00:45:29 --> 00:45:29: you.
00:45:29 --> 00:45:32: Know are you prepared to sacrifice return to actually achieve
00:45:32 --> 00:45:33: a better result?
00:45:33 --> 00:45:35: And on on climate change?
00:45:35 --> 00:45:37: You know, we don't believe that it's a.
00:45:37 --> 00:45:41: It's a business opportunity. If it wasn't business opportunities
and
00:45:41 --> 00:45:44: you know we wouldn't be here discussing about it.
00:45:44 --> 00:45:47: And since when do we wait for politician to tell
00:45:47 --> 00:45:49: us where to put our money and?
00:45:49 --> 00:45:52: And then make profit. So it is about costs,
00:45:52 --> 00:45:55: it is about who's going to pay and it is
00:45:55 --> 00:45:58: about being transparent and honest about what you can and
00:45:59 --> 00:46:02: cannot achieve and we cannot be esteen as we would
00:46:02 --> 00:46:03: like to be because we.

00:46:03 --> 00:46:06: I mean this is the way the business operate and
00:46:06 --> 00:46:10: we don't have the technology yet and we will not
00:46:10 --> 00:46:12: have it between now and 2030.
00:46:12 --> 00:46:15: So this is residual we've been taking and the kind
00:46:15 --> 00:46:17: of the position within advocating for,
00:46:17 --> 00:46:20: for for a couple of years now.
00:46:20 --> 00:46:23: Having said that, I think it's not so difficult to
00:46:23 --> 00:46:25: decarbonate the real estate industry.
00:46:25 --> 00:46:27: It doesn't require a lot of money.
00:46:27 --> 00:46:31: It doesn't require actually investment and doesn't require
technology.
00:46:31 --> 00:46:35: Only thing we would need to do is stop building.
00:46:35 --> 00:46:37: When did you stop building?
00:46:37 --> 00:46:40: You're going to reduce the emission of the real estate
00:46:40 --> 00:46:41: industry by almost 40%,
00:46:41 --> 00:46:45: like overnight, and the global emission by two to 3%.
00:46:45 --> 00:46:48: And this is just a part of the semantic quickly.
00:46:48 --> 00:46:51: Yeah, and you know, it sounds like a crazy idea,
00:46:51 --> 00:46:53: but I don't think it is so much.
00:46:53 --> 00:46:56: There is probably a number of building you need to
00:46:56 --> 00:46:57: build housing.
00:46:57 --> 00:47:00: You know school hospitals which have a certain social
element
00:47:00 --> 00:47:03: it by you know in Paris and London and Hamburg,
00:47:03 --> 00:47:07: NY. You already need more office space.
00:47:07 --> 00:47:09: Do you really need more shopping center anywhere?
00:47:09 --> 00:47:11: You really need more hotels,
00:47:11 --> 00:47:13: more cinemas? I'm not sure about that.
00:47:13 --> 00:47:14: I mean, and I think Mary,
00:47:14 --> 00:47:17: you said earlier. You know from time to time you
00:47:17 --> 00:47:18: have the overbuilt crisis.
00:47:18 --> 00:47:21: I mean, this is if you put aside the decarbonisation.
00:47:21 --> 00:47:24: I mean all of our problems come from the fact
00:47:24 --> 00:47:26: that we end up overbuilding from time to time.
00:47:26 --> 00:47:29: So addressing how we build how much we built is
00:47:29 --> 00:47:33: probably something which is in the best interest of
everything,
00:47:33 --> 00:47:36: and we also have an immediate impact on on the
00:47:36 --> 00:47:39: on the on the decarbonization of the industry.
00:47:39 --> 00:47:42: I mean, we are tagline and I'm very glad that
00:47:42 --> 00:47:45: they would use it again in our Sustainability report has
00:47:45 --> 00:47:47: always been the most sustainable.
00:47:47 --> 00:47:51: Building is a building that was never built.

00:47:51 --> 00:47:53: And this is something I heard like 10 years ago,
00:47:53 --> 00:47:56: and I think it's something which is so true that
00:47:56 --> 00:47:59: would need to be a deserve to be said more
00:47:59 --> 00:47:59: often.
00:47:59 --> 00:48:02: It is by far the most sustainable building,
00:48:02 --> 00:48:05: and that's the one who deserve all the platinum of
00:48:05 --> 00:48:05: the world.
00:48:05 --> 00:48:07: But unfortunately it's not there,
00:48:07 --> 00:48:10: and so, so that's really the view we've taken at
00:48:10 --> 00:48:13: the company and the and the and the position we're
00:48:13 --> 00:48:14: trying to defend.
00:48:14 --> 00:48:16: And by the way we were making tons of money
00:48:16 --> 00:48:20: and retrofitting buildings so you can make a decent living
00:48:20 --> 00:48:21: in real estate.
00:48:21 --> 00:48:23: Without actually building new buildings,
00:48:23 --> 00:48:27: and I hope that the way the industry is going
00:48:27 --> 00:48:28: to go forward.
00:48:28 --> 00:48:31: Yeah, before we move on to Marion Bennett,
00:48:31 --> 00:48:34: one more question that has also was my question and
00:48:34 --> 00:48:35: this came in.
00:48:35 --> 00:48:40: How did your investors respond to the proposition where
they?
00:48:40 --> 00:48:43: So to invest. So last year we we propose to
00:48:43 --> 00:48:47: a shareholder to basically give give up one sense of
00:48:47 --> 00:48:51: dividends and a change of us investing that sense into
00:48:51 --> 00:48:55: project that would not meet our return expectation but would
00:48:55 --> 00:48:57: improve the carbon footprint.
00:48:57 --> 00:49:01: 95% of our shareholders voted to actually have the dividend
00:49:01 --> 00:49:02: paid out.
00:49:02 --> 00:49:06: And 5% voted actually true.
00:49:06 --> 00:49:09: For us to keep them anywhere renewing the experience.
00:49:09 --> 00:49:12: I mean, if you want to vote and participate or
00:49:12 --> 00:49:13: a gym is on the 6th of May,
00:49:13 --> 00:49:16: and they're going to be the same question,
00:49:16 --> 00:49:19: ask again because we intend to be asking this question
00:49:19 --> 00:49:20: every year.
00:49:20 --> 00:49:23: What is more interesting is if you split our shareholder
00:49:23 --> 00:49:25: between retail shareholders.
00:49:25 --> 00:49:29: So like small shareholders and more institutional
shareholder,
00:49:29 --> 00:49:32: the retail shareholder, the majority of them voted for actually
00:49:33 --> 00:49:34: implementing the project,
00:49:34 --> 00:49:36: which would reduce climate change.

00:49:36 --> 00:49:39: It's the institutional shareholder who actually voted against,
00:49:39 --> 00:49:41: so it's also an interesting,
00:49:41 --> 00:49:43: I think constant and, and I can also understand where
00:49:44 --> 00:49:46: institutional shareholder were coming from.
00:49:46 --> 00:49:48: I mean, they have their fiduciary duty to basically run
00:49:49 --> 00:49:50: rate their own capital,
00:49:50 --> 00:49:53: and that's also the argument we're making is this
conversation
00:49:53 --> 00:49:56: needs to take place across the value chain across all
00:49:56 --> 00:49:59: the shareholder base asset manager in each other
conversation with
00:49:59 --> 00:50:01: the pension fund and the pension fund need to have
00:50:01 --> 00:50:04: that conversation with engineer and less,
00:50:04 --> 00:50:06: it's clear. So what's interesting if you ask the question
00:50:07 --> 00:50:07: to the ultimate.
00:50:07 --> 00:50:10: Owner, which is what I call mine or I mean
00:50:10 --> 00:50:12: our retail shareholder.
00:50:12 --> 00:50:14: They would say yes, do it.
00:50:14 --> 00:50:16: But then you have all the intermediate in the middle
00:50:17 --> 00:50:19: who say I cannot agree on that because you know,
00:50:19 --> 00:50:22: I haven't asked a question.
00:50:22 --> 00:50:24: So, so I think it's I mean it's an interesting
00:50:24 --> 00:50:25: experiment.
00:50:25 --> 00:50:28: We we we continue doing that.
00:50:28 --> 00:50:30: And I also think it's important for us as a
00:50:30 --> 00:50:31: company to be doing that,
00:50:31 --> 00:50:34: and also because I don't believe it's my job to
00:50:34 --> 00:50:37: decide whether I need to actually invest somebody else's
money
00:50:37 --> 00:50:40: in something which is not within what I've been asked
00:50:40 --> 00:50:42: to do, which is generate return without capital.
00:50:42 --> 00:50:46: So I'm actually taking the same position that the
shareholders
00:50:46 --> 00:50:47: voted against.
00:50:47 --> 00:50:51: There's a green dividend as we call it.
00:50:51 --> 00:50:53: Thank you all of you.
00:50:53 --> 00:50:55: That's that's very interesting Mary.
00:50:55 --> 00:50:59: I would like to come to you because you've addressed
00:51:00 --> 00:51:00: risk before.
00:51:00 --> 00:51:04: Also, when we prepared for this session and also a
00:51:04 --> 00:51:08: question has just come in in whether kind of all
00:51:08 --> 00:51:13: the real risks are really appropriately priced into real estate,
00:51:13 --> 00:51:19: because environmental social. ETC is the risk return

appropriate for
real estate?
00:51:19 --> 00:51:21: Could I could I just address something Olivia raised 1st
00:51:21 --> 00:51:25: and then of course there is an element in the
00:51:25 --> 00:51:29: report that frustrated me and its charge against the value
00:51:29 --> 00:51:34: of these net zero operational commitments which my firm has
00:51:34 --> 00:51:39: just made after months of research as to whether it
00:51:39 --> 00:51:44: was possible for it for us to achieve this in
00:51:44 --> 00:51:48: 2030. That was our goal.
00:51:48 --> 00:51:50: I was offended by the idea that.
00:51:50 --> 00:51:52: This was greenwashing because we weren't committing the
00:51:52 --> 00:51:58: entire building
00:51:58 --> 00:52:02: because we don't often control the tenant space is important
00:52:02 --> 00:52:06: to try to move the tenants into the most sustainable
00:52:06 --> 00:52:09: mode possible. But we don't control them.
00:52:09 --> 00:52:13: So I I respect immensely alleviates point,
00:52:13 --> 00:52:17: which is that the best the lowest missions building is
00:52:17 --> 00:52:21: the one you don't that you don't build but.
00:52:21 --> 00:52:24: Reducing the emissions at the existing buildings.
00:52:24 --> 00:52:27: Making certain we we use them in a meaningful way,
00:52:27 --> 00:52:30: I think, is critical. It's not greenwash if it's being
00:52:30 --> 00:52:33: done in a methodical and thoughtful way,
00:52:33 --> 00:52:36: and you'll I have championed the net zero commitment by
00:52:37 --> 00:52:37: 2040.
00:52:37 --> 00:52:39: Some of us are trying to get there.
00:52:39 --> 00:52:43: Before that it wouldn't want this team to go out
00:52:43 --> 00:52:45: of that train.
00:52:45 --> 00:52:48: Just because we we have to recognize as well the
00:52:48 --> 00:52:52: amount of emissions that are embodied in existing buildings
and
00:52:52 --> 00:52:54: as well the process of building new building.
00:52:54 --> 00:52:57: So all set to the question on risk.
00:52:57 --> 00:53:01: If you look at the most vulnerable places in the
00:53:01 --> 00:53:05: globe that happened to be large cities on coastal in
00:53:05 --> 00:53:06: coastal locations,
00:53:06 --> 00:53:08: risk is not priced yet.
00:53:08 --> 00:53:11: It's not priced into a Miami office building.
00:53:11 --> 00:53:14: It's not priced into Hong Kong asset.
00:53:14 --> 00:53:17: It's not priced in to London assets.
00:53:17 --> 00:53:21: They're not coastal, but they are affected by bicoastal
dynamics.
00:53:21 --> 00:53:23: It's simply not there yet.
00:53:23 --> 00:53:27: As an industry we are not acknowledging the risk that

00:53:27 --> 00:53:28: exists.

00:53:28 --> 00:53:31: In part because we don't know when the switch is

00:53:31 --> 00:53:33: going to get flipped.

00:53:33 --> 00:53:37: That causes migration patterns to shift the migration patterns that

00:53:37 --> 00:53:40: have made Miami that talk of the US as Tech

00:53:40 --> 00:53:44: Fund Titans have moved from Connecticut to Florida in the

00:53:44 --> 00:53:48: course of the pandemic, some of them moving back when

00:53:48 --> 00:53:52: they realize what it's like to spend the summer in

00:53:52 --> 00:53:52: Florida.

00:53:52 --> 00:53:55: So I don't believe it's there yet.

00:53:55 --> 00:53:59: We're seeing some indicators on the residential side.

00:53:59 --> 00:54:03: There is an acknowledgement of the risk that insurance won't

00:54:03 --> 00:54:04: be available.

00:54:04 --> 00:54:07: That house value may not be there when someone goes

00:54:07 --> 00:54:09: to sell their coastal location in 20 years,

00:54:09 --> 00:54:12: but we're not yet seeing it in the commercial real

00:54:13 --> 00:54:13: estate realm.

00:54:16 --> 00:54:19: Thank you.

00:54:19 --> 00:54:22: Bennett, can you comment on this from an Asia Pacific

00:54:22 --> 00:54:24: perspective in the report,

00:54:24 --> 00:54:27: and we've seen that before it,

00:54:27 --> 00:54:30: and I think Garrett also alluded to it that European

00:54:31 --> 00:54:35: and Canadian investors seem to lead and also driving kind

00:54:35 --> 00:54:39: of the pressure in Asia Pacific House decarbonization.

00:54:39 --> 00:54:42: How important is it in Asia Pacific?

00:54:42 --> 00:54:46: I I would say it's a topic that's more recently

00:54:46 --> 00:54:50: becoming increasingly important and certainly in Asia.

00:54:50 --> 00:54:52: You know the regulatory regime.

00:54:52 --> 00:54:56: I guess the industry knowledge and capability about all this

00:54:56 --> 00:55:00: is somewhat behind and rapidly catching up and sunny from

00:55:00 --> 00:55:02: our experience.

00:55:02 --> 00:55:04: Yes, it has been European investors.

00:55:04 --> 00:55:08: Basically the Dutch that had been pushing this agenda with

00:55:08 --> 00:55:09: us.

00:55:09 --> 00:55:12: But you know for us being part of a global

00:55:12 --> 00:55:12: firm.

00:55:12 --> 00:55:15: The the whole and perhaps more the E part of

00:55:15 --> 00:55:19: ESG environmental sustainability aspect has been a focus of

00:55:19 --> 00:55:21: ours

00:55:19 --> 00:55:21: for many years and also,

00:55:21 --> 00:55:25: being, you know, benchmarking ourselves on indices like

00:55:21 --> 00:55:25: grace B.

00:55:25 --> 00:55:28: You know. And trying to get our buildings rated,
00:55:28 --> 00:55:31: you know with many of the different green labels in
00:55:32 --> 00:55:35: the different markets that we operate so that that that
00:55:35 --> 00:55:37: has been a focus for some time.
00:55:37 --> 00:55:40: But you know, I would say in the last two
00:55:40 --> 00:55:42: years you in pre pandemic that.
00:55:42 --> 00:55:46: That focus has ramped up in particular in a broader
00:55:46 --> 00:55:49: ESG perspective and I guess many firms hours included
have
00:55:49 --> 00:55:52: have started to actually have people you know.
00:55:52 --> 00:55:54: We have a global head of ESG.
00:55:54 --> 00:55:58: We have regional workgroups at work on driving the
initiatives
00:55:59 --> 00:56:02: that we are putting through in the last 12 months.
00:56:02 --> 00:56:05: We've all felt this is really come to the fore
00:56:05 --> 00:56:08: right and it's really stepped up in terms of being,
00:56:08 --> 00:56:12: you know, front and center of mine and I'll focus
00:56:12 --> 00:56:12: efforts and.
00:56:12 --> 00:56:16: And so this is something that is rapidly catching up,
00:56:16 --> 00:56:18: but the challenge is. And this was,
00:56:18 --> 00:56:23: you know, alluded to, with Olivia's one cent.
00:56:23 --> 00:56:26: Example was is that you know it's a delicate balance,
00:56:26 --> 00:56:28: right? We have to, you know,
00:56:28 --> 00:56:32: be responsive to investors, requirements for returns and at
the
00:56:32 --> 00:56:35: same time their requirements for us to be much more
00:56:35 --> 00:56:37: focused on ESG and and you know,
00:56:37 --> 00:56:40: drive initiatives through the assets.
00:56:40 --> 00:56:41: So it's a delicate balance.
00:56:41 --> 00:56:44: And at the same time you know we need,
00:56:44 --> 00:56:48: you know, I guess the whole ecosystem to be on
00:56:48 --> 00:56:49: board regulatory.
00:56:49 --> 00:56:54: That's the rules governing the built environment and
operations or
00:56:54 --> 00:56:56: incentives and disincentives.
00:56:56 --> 00:56:58: You know that make it all work,
00:56:58 --> 00:57:00: right so that we can.
00:57:00 --> 00:57:04: We can implement such initiatives and benefit from whether
it's
00:57:04 --> 00:57:06: tax benefits or you know,
00:57:06 --> 00:57:10: additional floor area ratio incentives so that we can actually
00:57:10 --> 00:57:13: also deliver returns to investors.
00:57:13 --> 00:57:17: Otherwise it is harder to implement much slower to

implement

00:57:17 --> 00:57:20: and something we need to balance.

00:57:20 --> 00:57:23: And of course, the focus will be on the more

00:57:23 --> 00:57:25: tangible aspects which can deliver.

00:57:25 --> 00:57:28: I guess some payback, you know,

00:57:28 --> 00:57:32: for example, you know efforts to save energy will give

00:57:32 --> 00:57:36: you some payback which are more tangible and then other

00:57:36 --> 00:57:38: other initiatives you know,

00:57:38 --> 00:57:43: particularly longer term decarbonization, and maybe the social mission aspect

00:57:43 --> 00:57:44: of ESG.

00:57:44 --> 00:57:46: Those have a less tangible impact,

00:57:46 --> 00:57:49: and it's harder to implement.

00:57:49 --> 00:57:50: But you know, we are.

00:57:50 --> 00:57:54: Focus on implementing those nonetheless.

00:57:54 --> 00:57:57: Thank you, Mary. A question has just come in on

00:57:57 --> 00:58:00: what it did to change of government in the US.

00:58:00 --> 00:58:04: Will really bring climate change back to the broader agenda

00:58:04 --> 00:58:07: or is the wider population still sceptical?

00:58:07 --> 00:58:09: Do you want to comment on that?

00:58:09 --> 00:58:14: I'll certainly I do not believe that the wider population

00:58:14 --> 00:58:15: is still sceptical.

00:58:15 --> 00:58:20: Climate change came to virtually everyone's door in the course

00:58:20 --> 00:58:22: of the last five years,

00:58:22 --> 00:58:25: with the acceleration of be it,

00:58:25 --> 00:58:30: rainfall or snowfall, or odd weather or extreme weather events,

00:58:30 --> 00:58:33: hurricanes, tornadoes and other such.

00:58:33 --> 00:58:36: I don't believe that we're a land of skeptics any

00:58:37 --> 00:58:37: longer.

00:58:37 --> 00:58:40: I think that was politics and.

00:58:40 --> 00:58:44: The Biden administration is taking an interesting tack,

00:58:44 --> 00:58:48: which is to try to combat economic.

00:58:48 --> 00:58:54: Scarring an economic stagnation with job creation that's focused on

00:58:54 --> 00:59:00: Greening the the the infrastructure greenings are the the economy

00:59:00 --> 00:59:00: broadly,

00:59:00 --> 00:59:03: and I I'm I'm pleased by that.

00:59:03 --> 00:59:09: Combined focus on economic challenges and on environmental challenges,

00:59:09 --> 00:59:13: especially as as we know from work that you allow

00:59:13 --> 00:59:14: is done and others.

00:59:14 --> 00:59:19: That the least the most vulnerable communities are often those

00:59:19 --> 00:59:23: that are at least economically well positioned.

00:59:23 --> 00:59:29: They're often living in environmentally sensitive areas in this quest

00:59:29 --> 00:59:34: for higher ground that's happening globally as as as national

00:59:34 --> 00:59:37: capitals like Jakarta are being moved,

00:59:37 --> 00:59:41: we need to recognize that that we must help the

00:59:41 --> 00:59:44: least well positioned as well as.

00:59:44 --> 00:59:47: Are providing them with job creation,

00:59:47 --> 00:59:49: so I I feel as though we are writing the

00:59:49 --> 00:59:52: rungs of the Trump administration,

00:59:52 --> 00:59:54: having lost for precious years.

00:59:54 --> 00:59:56: So there is ground to be made up.

00:59:56 --> 00:59:57: But I am glad we are.

00:59:57 --> 01:00:02: We're back in Paris and we're back in recognizing our

01:00:02 --> 01:00:06: contribution as a country to global emissions.

01:00:06 --> 01:00:10: Thank you, we've been talking mostly about an East side

01:00:10 --> 01:00:11: so far.

01:00:11 --> 01:00:13: There's also a question about the S.

01:00:13 --> 01:00:16: What is happening in the SVSD?

01:00:16 --> 01:00:21: How are real estate companies measuring positive impact to community

01:00:21 --> 01:00:23: on their developments?

01:00:23 --> 01:00:26: Is there a standard emerging before I hand over to

01:00:26 --> 01:00:30: one of you and I would like to comment that

01:00:30 --> 01:00:32: you lie is actually just published.

01:00:32 --> 01:00:36: The road map for for social value in in real

01:00:36 --> 01:00:36: estate.

01:00:36 --> 01:00:41: It's calling, it's called zooming in on the S of

01:00:41 --> 01:00:42: EST.

01:00:42 --> 01:00:45: But maybe any of you would like to comment on

01:00:45 --> 01:00:45: that?

01:00:45 --> 01:00:49: How do you have you set up a strategy for

01:00:49 --> 01:00:49: that?

01:00:49 --> 01:00:55: Or some have also launched specific impact investing funds?

01:00:55 --> 01:00:56: Anyone?

01:00:58 --> 01:01:02: I would say that we are trying to weave each

01:01:02 --> 01:01:06: of the letters in ESG into how we do business.

01:01:06 --> 01:01:11: So obviously we've talked about the environmental side of it

01:01:11 --> 01:01:15: with president another scoring mechanisms,

01:01:15 --> 01:01:19: but within the S it's it's a little vague and

01:01:19 --> 01:01:20: squishy.

01:01:20 --> 01:01:24: That said, there's a recognition that we need to be

01:01:24 --> 01:01:27: kind as owners of property,

01:01:27 --> 01:01:31: the pandemic. Pushed many households should bring this was not

01:01:31 --> 01:01:35: a moment for us to say sorry you haven't paid

01:01:35 --> 01:01:36: your rent.

01:01:36 --> 01:01:39: You must go so there was a recognition of that

01:01:39 --> 01:01:42: in the regulatory environment in the US,

01:01:42 --> 01:01:46: but also in how companies operated in giving forbearance to

01:01:46 --> 01:01:48: people in need.

01:01:48 --> 01:01:51: It also means integrating ways to make homes home or

01:01:51 --> 01:01:55: what are the resources that we can bring into an

01:01:55 --> 01:01:58: apartment community that will help with children?

01:01:58 --> 01:02:02: That live in those locations achieve higher education and we

01:02:02 --> 01:02:06: have teachers living in the communities that are providing informal

01:02:07 --> 01:02:07: contact.

01:02:07 --> 01:02:10: Police and fire living in the communities,

01:02:10 --> 01:02:13: so we're trying to treat it broadly and recognize that

01:02:13 --> 01:02:16: our role as the owners of these properties is to

01:02:16 --> 01:02:20: make certain that they are meeting the needs of the

01:02:20 --> 01:02:23: residents in multiple dimensions.

01:02:23 --> 01:02:27: Thank you. Yeah, I'll just add that you know the

01:02:27 --> 01:02:31: SNP been the most challenging to define because it is

01:02:31 --> 01:02:34: very intangible and as we embarked on our ESG or

01:02:34 --> 01:02:36: ramping up our ESG focus,

01:02:36 --> 01:02:39: you know it took us some time to figure out

01:02:39 --> 01:02:40: the S right?

01:02:40 --> 01:02:43: Because we were there, there's a lot of things we've

01:02:43 --> 01:02:47: been doing as part of our business or as part

01:02:47 --> 01:02:50: as of our corporate social responsibility.

01:02:50 --> 01:02:53: You know, not because it was ESG because we're doing.

01:02:53 --> 01:02:55: We were doing things Anne.

01:02:55 --> 01:02:58: And the difficulty was really trying to figure out what

01:02:59 --> 01:02:59: we were doing.

01:02:59 --> 01:03:03: Everywhere different countries in different assets and pull this together

01:03:03 --> 01:03:06: so that that has been quite an exercise to figure

01:03:06 --> 01:03:08: out whether we're doing well or not.

01:03:08 --> 01:03:11: On the S front. And this cuts across many different

01:03:11 --> 01:03:12: areas,

01:03:12 --> 01:03:14: right? There is the internal aspect in terms of you

01:03:14 --> 01:03:16: know how well we are.

01:03:16 --> 01:03:17: We treat staff, staff welfare,

01:03:17 --> 01:03:21: you know their their creative outlet and opportunities,

01:03:21 --> 01:03:23: how well we're doing on diversity and inclusion.

01:03:23 --> 01:03:26: You know, so that there is that an internal aspect.

01:03:26 --> 01:03:29: You know, and as Mary mentioned this,

01:03:29 --> 01:03:31: there's also the bit to do with the occupies our

01:03:32 --> 01:03:32: buildings.

01:03:32 --> 01:03:34: You know how well we engage them,

01:03:34 --> 01:03:37: how, how good or happy an environment we're creating for

01:03:38 --> 01:03:38: them,

01:03:38 --> 01:03:41: you know, and I guess how healthy an environment where

01:03:41 --> 01:03:44: we are creating for them and and all that requires

01:03:44 --> 01:03:46: efforts to measure right?

01:03:46 --> 01:03:48: Whether it's surveys or feedback.

01:03:48 --> 01:03:50: Or, you know, technology tools to measure,

01:03:50 --> 01:03:53: you know, some of these.

01:03:53 --> 01:03:56: And then also to figure out you know when you've

01:03:56 --> 01:03:57: got certain measures.

01:03:57 --> 01:03:59: You know what is the benchmark,

01:03:59 --> 01:04:02: and then you know on a much broader perspective as

01:04:02 --> 01:04:03: a community aspect,

01:04:03 --> 01:04:06: right? How well you're doing for the community,

01:04:06 --> 01:04:08: and you know a lot of projects.

01:04:08 --> 01:04:10: We've done stuff that you know as part of a

01:04:10 --> 01:04:12: corporate social responsibility.

01:04:12 --> 01:04:14: We've done done things like that.

01:04:14 --> 01:04:16: You know, in terms of urban renewal,

01:04:16 --> 01:04:19: you know fordable housing, and you know,

01:04:19 --> 01:04:20: love. This was done. You know,

01:04:20 --> 01:04:24: I would say largely driven from a business financial focus.

01:04:24 --> 01:04:25: Not so much from a,

01:04:25 --> 01:04:28: you know, kind of. A little bit of contribution to

01:04:28 --> 01:04:29: comedy,

01:04:29 --> 01:04:31: but not so much from ESG measure per say.

01:04:31 --> 01:04:34: So. So all these things need to then be measured

01:04:34 --> 01:04:37: and determined whether we're doing a good job or not.

01:04:37 --> 01:04:40: So we're not clear we're focused on doing better at

01:04:40 --> 01:04:40: it,

01:04:40 --> 01:04:43: but you know, as we get more data and more

01:04:43 --> 01:04:44: benchmarks available,

01:04:44 --> 01:04:46: it does help to clarify and help all of us

01:04:46 --> 01:04:49: in the industry to figure out whether we're doing a
01:04:49 --> 01:04:52: good enough job and certainly is helpful that many of
01:04:52 --> 01:04:55: the industry associations like you LYR.
01:04:55 --> 01:04:59: Also helping to educate all of us and drive this
01:04:59 --> 01:05:02: initiative across the industry.
01:05:02 --> 01:05:03: I think one of them,
01:05:03 --> 01:05:06: if I may just jump in for a minute.
01:05:06 --> 01:05:09: I think one of the big hoax of of ESG
01:05:09 --> 01:05:14: is that you can actually report meaningful things about it.
01:05:14 --> 01:05:17: Because the reality it's all about balance and you know
01:05:17 --> 01:05:21: you touch something on the right is going to move
01:05:21 --> 01:05:24: something in the wrong direction on the left.
01:05:24 --> 01:05:26: I mean, you build a shopping center.
01:05:26 --> 01:05:28: You're going to be able to argue.
01:05:28 --> 01:05:32: I have created excels in jobs and all those things
01:05:32 --> 01:05:33: I've been doing.
01:05:33 --> 01:05:36: But then you're also killing at the same time like
01:05:36 --> 01:05:37: the city center.
01:05:37 --> 01:05:40: You know you as example always uses when Germany
01:05:40 --> 01:05:44: decide
01:05:44 --> 01:05:48: to ban diesel car from some of the central location,
01:05:48 --> 01:05:50: you banned diesel car because diesel is actually killing
01:05:50 --> 01:05:53: people
01:05:53 --> 01:05:56: with small particle which create cancer.
01:05:56 --> 01:05:58: But then you replace it with regular engine,
01:05:58 --> 01:06:00: which is then is worse for climate change.
01:06:00 --> 01:06:03: So the choice you have is either I die in
01:06:03 --> 01:06:05: 10 years from cancer or I'm going to die out
01:06:05 --> 01:06:06: of climate change problem in 50 years from now.
01:06:06 --> 01:06:08: So it's all a question of balance.
01:06:08 --> 01:06:10: There is no right and wrong,
01:06:10 --> 01:06:13: there is just, and so all the questionnaire,
01:06:13 --> 01:06:14: like recipe and all those things.
01:06:14 --> 01:06:16: Which by the way we have stopped working group to
01:06:16 --> 01:06:19: presby 10 years ago as well.
01:06:19 --> 01:06:20: I mean the only thing they do is they try
01:06:20 --> 01:06:22: to frame and there is one truth and you need
01:06:22 --> 01:06:23: to answer that truth and that's it.
01:06:23 --> 01:06:25: This is not what it is,
01:06:25 --> 01:06:27: it's about striking a balance.
01:06:27 --> 01:06:30: It's about, I mean things we do.
01:06:30 --> 01:06:33: WWF is going to look at them and say it's
01:06:33 --> 01:06:36: terrible and then Greenpeace is going to look at it

01:06:30 --> 01:06:31: and say it's great.
01:06:31 --> 01:06:34: And both of them are going to be right at
01:06:34 --> 01:06:35: the same time.
01:06:35 --> 01:06:37: It's just showing your cats,
01:06:37 --> 01:06:40: and I think that's really where it's.
01:06:40 --> 01:06:43: It's so difficult to grasp and and and understand at
01:06:43 --> 01:06:46: the end of the day what we need is is
01:06:46 --> 01:06:49: kind of a policy we all apply to.
01:06:49 --> 01:06:52: I mean, typically I was very much in favor of
01:06:52 --> 01:06:56: Germany keeping nuclear power because I think nuclear
power is
01:06:56 --> 01:06:58: a good way out of carbon.
01:06:58 --> 01:07:01: But then when Germany decided not to have.
01:07:01 --> 01:07:03: Nuclear power anymore? I mean,
01:07:03 --> 01:07:06: we just put on with what Germany was doing an
01:07:06 --> 01:07:10: invested massively in renewable and this is where we
committed
01:07:10 --> 01:07:12: to buy renewable energy.
01:07:12 --> 01:07:15: So I I think as a company you're not necessarily
01:07:15 --> 01:07:18: supposed to define what is good and what is bad.
01:07:18 --> 01:07:21: I'm not. I mean it's not my job to say
01:07:21 --> 01:07:23: or to bring teacher to kids etc.
01:07:23 --> 01:07:26: My job is to basically do what I have to
01:07:26 --> 01:07:29: do within my scope of influence and then let the
01:07:29 --> 01:07:31: government figure out or whatever.
01:07:31 --> 01:07:34: Waiter
01:07:34 --> 01:07:39: power that can actually manage the system as a whole.
01:07:39 --> 01:07:41: Decide what policies need to apply,
01:07:41 --> 01:07:44: and then we need to play within those policies.
01:07:44 --> 01:07:46: So I mean we have defined if you go on
01:07:46 --> 01:07:49: a website you will figure out its embankment call low
01:07:49 --> 01:07:51: carbon design principle,
01:07:51 --> 01:07:54: but it would apply to any issue and the first
01:07:54 --> 01:07:54: rule,
01:07:54 --> 01:07:57: the first principle we have is we don't define policy,
01:07:57 --> 01:08:00: we apply them. And that's really,
01:08:00 --> 01:08:01: I think is an as is,
01:08:01 --> 01:08:04: at least at our. From our perspective,
01:08:04 --> 01:08:06: that's the first thing you need to do,
01:08:06 --> 01:08:09: and you need to apply so we don't go beyond
01:08:09 --> 01:08:11: what the law is asking us to do.
01:08:11 --> 01:08:13: And so when it comes to social,

01:08:13 --> 01:08:16: you know we don't employ children,
01:08:16 --> 01:08:18: we, but we also don't pretend to do more than
01:08:19 --> 01:08:20: what actually is a low.
01:08:20 --> 01:08:23: Ask us to do simply because what I believe is
01:08:23 --> 01:08:26: right might be seen as wrong by somebody else.
01:08:26 --> 01:08:29: And my truth is not better than that proves.
01:08:29 --> 01:08:32: And so you enter into this kind of cultural debate,
01:08:32 --> 01:08:34: and probably what we see as writing it in Europe
01:08:34 --> 01:08:36: is probably seen as wrong in Asia,
01:08:36 --> 01:08:39: and vice versa. And that's really the danger of those
01:08:39 --> 01:08:42: conversations is that you know all of a sudden you
01:08:42 --> 01:08:44: believe you're doing the right thing.
01:08:44 --> 01:08:48: Was it really somebody else might just be rightly looking
01:08:48 --> 01:08:49: at you and saying you're not.
01:08:52 --> 01:08:56: Thank you so much. We could have continued for awhile,
01:08:56 --> 01:08:58: but we've already over on actually,
01:08:58 --> 01:09:01: so I would just like to close to say thank
01:09:01 --> 01:09:04: you to all of you to get for his presentation
01:09:04 --> 01:09:08: to alleviate Bennetts and Mary for participating.
01:09:08 --> 01:09:10: Some of you at all times of the day.
01:09:10 --> 01:09:12: And I really appreciate it.
01:09:12 --> 01:09:15: And for everyone else, although listeners,
01:09:15 --> 01:09:17: thank you so much for listening.
01:09:17 --> 01:09:20: You will have the opportunity to review the the web
01:09:21 --> 01:09:23: and R as well as read a report on you
01:09:23 --> 01:09:23: lies.
01:09:23 --> 01:09:28: Knowledge Finder or PWC's website and looking forward to
01:09:28 --> 01:09:31: see
01:09:28 --> 01:09:31: you again at one of your allies.
01:09:31 --> 01:09:33: Next webinars. Thank you so much.
01:09:33 --> 01:09:36: Have a great day and hope to see you soon
01:09:36 --> 01:09:37: again.
01:09:37 --> 01:09:38: Thanks everyone.

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