Webinar

ULI Europe and PwC Emerging Trends?? 2025 Report Launch

Date: November 05, 2024

00:00:25 --> 00:00:29:	Hello everyone, and welcome to the launch of the 2025
00:00:29 --> 00:00:33:	ULIPWC Emerging Trends in Real Estate Europe report.
00:00:34 --> 00:00:37:	I'm Justin Carlo, the global head of research and Strategy
00:00:37 --> 00:00:37:	at Axiom Alts.
00:00:38 --> 00:00:40:	First of all, I'd like to thank the ULI and
00:00:40 --> 00:00:41:	PwC for inviting me along today.
00:00:42 --> 00:00:45:	This year's Emerging Trends in Real Estate report finds the
00:00:45 --> 00:00:47:	industry in a slightly better footing.
00:00:48 --> 00:00:51:	Having navigated the storms of higher inflation and interest rates
00:00:51 --> 00:00:54:	over the past number of years, The real estate industry
00:00:54 --> 00:00:57:	in Europe has its landing place insight.
00:00:58 --> 00:01:02:	However, geopolitics, both close to home and further afield increasingly
00:01:02 --> 00:01:05:	represent a source of considerable volatility.
00:01:06 --> 00:01:09:	Not least given the fact that today is a considerable
00:01:09 --> 00:01:13:	day for the US economy as we've got a significant
00:01:13 --> 00:01:16:	election currently underway and taking place.
00:01:17 --> 00:01:22:	Similarly, we've got the ever present environmental sustainability and decarbonization
00:01:22 --> 00:01:27:	requirements alongside changing occupier demands also weighing on the industry's
00:01:27 --> 00:01:31:	longer term outlook as they provide capital expenditure risk.
00:01:32 --> 00:01:35:	This mood is among the industry one of the most
00:01:35 --> 00:01:39:	cautiously optimistic of the past number of years.
00:01:40 --> 00:01:43:	Now moving on to today's agenda, we're going to start
00:01:43 --> 00:01:46:	with the presentation on the report's key findings by Gareth
00:01:46 --> 00:01:49:	Lewis, followed by a panel discussion, which I'll moderate.
00:01:49 --> 00:01:51:	But before I do so, just a quick bit of
00:01:51 --> 00:01:52:	housekeeping.

00:01:52 --> 00:01:55: There's AQ and a feature in Zoom, so we'd like
00:01:55 --> 00:01:58: to offer you the opportunity to submit questions throughout the
00:01:58 --> 00:02:01: sessions, and we will do our best to address those
00:02:01 --> 00:02:03: during the course of the Q&A conversation.
00:02:05 --> 00:02:07: So with no further ado, I'm now delighted to introduce
00:02:07 --> 00:02:09: Gareth Lewis from PwC, who will get us started by
00:02:09 --> 00:02:12: taking us through this year's Emerging Trends report.
00:02:12 --> 00:02:13: Gareth, over to you.
00:02:20 --> 00:02:22: Thanks, Justin and hello everyone.
00:02:23 --> 00:02:26: As Justin said, I'm Gareth Lewis from the PwC Real
00:02:26 --> 00:02:29: Estate team and it's my real pleasure to introduce the
00:02:29 --> 00:02:33: highlights of this year's Emerging Trends in Real Estate 2025
00:02:33 --> 00:02:33: report.
00:02:33 --> 00:02:36: But I I do want to 1st just take this
00:02:36 --> 00:02:39: quick opportunity to thank Lizette Van Dorn and the ULI
00:02:39 --> 00:02:42: team for another successful collaboration at PwC.
00:02:42 --> 00:02:46: We really do appreciate our Emerging Trends in Real Estate
00:02:46 --> 00:02:49: partnership with the ULI across all of the emerging trends
00:02:49 --> 00:02:50: publications.
00:02:50 --> 00:02:52: And I'd also like to thank the PwC real estate
00:02:52 --> 00:02:56: teams across the European network led by Jean Baptiste Tescuva.
00:02:56 --> 00:02:58: And finally, all of you who took part in the
00:02:58 --> 00:03:01: research and I'm I'm sure that includes many of you
00:03:01 --> 00:03:02: on the webinar today.
00:03:03 --> 00:03:04: That next slide please.
00:03:04 --> 00:03:09: And the next slide please.
00:03:11 --> 00:03:14: Emerging Trends in Real Estate is a a joint report
00:03:14 --> 00:03:17: published by the ULI and PwC and for the last
00:03:17 --> 00:03:20: 22 years it's surveyed the trends and outlook for the
00:03:20 --> 00:03:24: European real estate sector for the near term and also
00:03:24 --> 00:03:25: the longer term.
00:03:25 --> 00:03:28: The report is a key indicator of real estate sentiment
00:03:28 --> 00:03:32: and reflects the views of over 1100 senior real estate
00:03:32 --> 00:03:36: executives who completed the surveys, were interviewed or took part
00:03:36 --> 00:03:39: in a series of round table meetings across Europe.
00:03:40 --> 00:03:41: Next slide please.
00:03:45 --> 00:03:49: Europe's real estate leaders are undoubtedly drawing some comfort from
00:03:49 --> 00:03:53: a more benign interest rate environment than in previous years

00:03:53 --> 00:03:56:	and the mood amongst the property professionals canvas for this
00:03:56 --> 00:03:59:	edition as mentioned by Justin can be described as one
00:03:59 --> 00:04:01:	of cautious optimism.
00:04:02 --> 00:04:06:	The chart on screen shows that percentage of those expecting
00:04:06 --> 00:04:10:	an increase in business confidence, profitability and headcount for 2025
00:04:11 --> 00:04:14:	tracked against the views in previous years going back to
00:04:14 --> 00:04:15:	2011.
00:04:15 --> 00:04:18:	You can see there's a clear uptick in sentiment for
00:04:18 --> 00:04:22:	the year ahead for business confidence, profitability and to a
00:04:22 --> 00:04:25:	lesser extent business headcount, although even that has returned back
00:04:26 --> 00:04:27:	to levels we saw in 2022.
00:04:28 --> 00:04:31:	So the online survey is clear, but dig below the
00:04:31 --> 00:04:34:	surface of this as the 300 odd interviews enabled us
00:04:34 --> 00:04:37:	to do so and this reveals caveats to this optimism
00:04:37 --> 00:04:38:	at every turn.
00:04:39 --> 00:04:40:	Next slide please.
00:04:44 --> 00:04:45:	So what are these caveats?
00:04:45 --> 00:04:49:	This slide shows that the key issues because causing concern
00:04:49 --> 00:04:52:	for the industry in 2025 across the three categories of
00:04:52 --> 00:04:56:	economic and financial issues in blue, real estate issues in
00:04:56 --> 00:04:59:	orange and social, political issues in green.
00:05:00 --> 00:05:03:	Social political issues score highly as a group and ongoing
00:05:03 --> 00:05:06:	geopolitical uncertainty is the big concern.
00:05:06 --> 00:05:10:	Geopolitics has figured significantly in recent additions of emerging trends,
00:05:11 --> 00:05:14:	but never more prominently than this year as the industry
00:05:14 --> 00:05:18:	considers the potential impact of elections at home, further afield,
00:05:18 --> 00:05:21:	as well as the conflicts in Ukraine and the Middle
00:05:21 --> 00:05:23:	East and looking at the blue bars.
00:05:23 --> 00:05:27:	Whilst concerns around interest rates and inflation clearly decline and
00:05:27 --> 00:05:30:	being the top concern last year, those related to economic
00:05:30 --> 00:05:33:	growth have climbed up the list of concerns.
00:05:33 --> 00:05:39:	Sentiment is clearly clouded by fragile economic growth prospects alongside
00:05:39 --> 00:05:44:	the uncertain geopolitical and economic backdrop to real estate.
00:05:44 --> 00:05:49:	Familiar concerns include construction costs at 78%, which

continues to

00:05:49 --> 00:05:52: stifle development and last year we talked about a Poly

00:05:52 --> 00:05:54: crisis impacting sentiment.

00:05:55 --> 00:05:58: This year in many respects seems a little more straightforward.

00:05:58 --> 00:06:01: As that cloud of interest rates and inflation recedes, it's

00:06:01 --> 00:06:05: brought into focus more anxiety around the link themes of

00:06:05 --> 00:06:11: economic growth prospects, rental growth, European competitiveness, regulation and the

00:06:11 --> 00:06:13: changing needs of the occupier.

00:06:13 --> 00:06:16: All this means that many leaders we spoke to are

00:06:16 --> 00:06:19: taking a more three to five year view of recovery

00:06:19 --> 00:06:22: rather than necessarily making strong bets for 2025.

00:06:23 --> 00:06:24: Next slide, please.

00:06:31 --> 00:06:34: But it's fair to say that the overall improved positivity

00:06:34 --> 00:06:37: is largely linked to those very simple macro factors, IE

00:06:37 --> 00:06:39: more benign interest rates.

00:06:39 --> 00:06:42: The fact is that interest rates are still pretty fundamental

00:06:42 --> 00:06:45: to the real estate industry's ability to create value.

00:06:45 --> 00:06:48: And as one senior executive at the Global Investment Manager

00:06:48 --> 00:06:51: said rather flippantly, we'd all like to think we work

00:06:51 --> 00:06:53: so hard to try and add value, but basically it

00:06:53 --> 00:06:55: boils down to where interest rates are.

00:06:56 --> 00:06:59: This slide shows the relative change of sentiment around economic

00:06:59 --> 00:07:01: concerns in the industry.

00:07:01 --> 00:07:03: And you can see and and this came, this came

00:07:03 --> 00:07:07: through very prominently in the interviews that receding concerns over

00:07:07 --> 00:07:10: interest rates have been overtaken by concerns related to economic

00:07:10 --> 00:07:11: growth.

00:07:12 --> 00:07:13: Next slide, please.

00:07:15 --> 00:07:18: It has undoubtedly been a tough market for capital raising

00:07:18 --> 00:07:20: in recent times and continues to be.

00:07:21 --> 00:07:23: As the MSCI data here shows.

00:07:23 --> 00:07:27: Transaction volumes, which slumped to A10 year low of 182

00:07:27 --> 00:07:31: billion in 2023, are still well below the levels of

00:07:31 --> 00:07:34: previous years across all major European markets.

00:07:35 --> 00:07:39: Volumes have since stabilised, though the the Netherlands, UK, Sweden

00:07:39 --> 00:07:42: and Italy are seeing volumes pick up in 2024 and

00:07:42 --> 00:07:46: pockets of momentum are still emerging in some of the

00:07:46 --> 00:07:50: region's smaller markets, while France, Germany and Spain are perhaps

00:07:50 --> 00:07:52: taking a little longer to turn the corner.

00:07:53 --> 00:07:55: But there is a sense that, and in part because

00:07:55 --> 00:07:58: of the the challenges I've mentioned, real estate has still

00:07:58 --> 00:08:01: got to make the case against other asset classes.

00:08:01 --> 00:08:03: And that's particularly the case for core investors.

00:08:03 --> 00:08:06: And many we spoke to held the view that the

00:08:06 --> 00:08:10: the headache associated with current real estate portfolios is still

00:08:10 --> 00:08:13: greater than the ability to see the attractive picture of

00:08:13 --> 00:08:15: investment returns going forward.

00:08:16 --> 00:08:17: Next slide, please.

00:08:20 --> 00:08:23: But optimism is growing about the outlook for capital inflows

00:08:23 --> 00:08:26: to real estate and the availability of equity and debt

00:08:26 --> 00:08:29: finance in particular was among the more significant changes of

00:08:29 --> 00:08:32: sentiment detected in this year's survey.

00:08:32 --> 00:08:34: As you can see on the slide, this optimism is

00:08:34 --> 00:08:38: reflected elsewhere in the survey with rising expectations for equity

00:08:38 --> 00:08:41: capital inflows into Europe from all regions of the world.

00:08:42 --> 00:08:45: Well, that interest high interest rate environment of the last

00:08:45 --> 00:08:48: two years has had a significant effect on transaction volumes.

00:08:49 --> 00:08:53: Many industry experts see current macro economics rewarding hands on

00:08:53 --> 00:08:57: investors, whether that's at an asset level, operational level or

00:08:57 --> 00:09:01: at a macro level when it comes to anticipating structural

00:09:01 --> 00:09:02: trends.

00:09:02 --> 00:09:04: That was summed up by the view that it's a

00:09:04 --> 00:09:06: great market for people who understand real estate.

00:09:08 --> 00:09:08: Next slide please.

00:09:12 --> 00:09:17: So investment activity in sought after sectors which include logistics,

00:09:17 --> 00:09:21: storage and various forms of residential have been more resilient

00:09:21 --> 00:09:21: in 2024.

00:09:22 --> 00:09:25: And this is also apparent in this slide, which shows,

00:09:25 --> 00:09:28: looking forward to 2025, the top 10 sectors in this

00:09:28 --> 00:09:32: year's rankings for expected overall investment and development returns.

00:09:34 --> 00:09:39: Identifying investment opportunities in the physical infrastructure that will support

00:09:39 --> 00:09:44: future technology innovation, digitisation and decarbonisation is increasingly front of

00:09:44 --> 00:09:46: mind for real estate investors.

00:09:46 --> 00:09:50: Both data centres and new energy infrastructure are obvious examples

00:09:50 --> 00:09:54: of that and it's been reflected in emerging trends surveys

00:09:54 --> 00:09:57: with both sectors at or near the top of rankings

00:09:57 --> 00:10:00: since 2021 and taking the two top spots this year.

00:10:01 --> 00:10:05: Other examples in that increasingly blurred area between real estate

00:10:05 --> 00:10:10: and infrastructure include cell towers, battery storage, solar farms, biomethane

00:10:10 --> 00:10:14: plants and EV fleet changing changing charging stations to to

00:10:14 --> 00:10:14: name a few.

00:10:16 --> 00:10:19: The dilemma facing some investors though, is that from a

00:10:19 --> 00:10:22: thematic perspective, two of the four established real estate sectors,

00:10:23 --> 00:10:25: offices and retail, which both in the in the sort

00:10:25 --> 00:10:28: of 20s in terms of investment rankings this year, are

00:10:28 --> 00:10:31: facing challenges at a sector wide level while still making

00:10:31 --> 00:10:35: up a significant part of existing investment portfolios.

00:10:35 --> 00:10:38: So the, the legacy issues associated with these sectors are

00:10:38 --> 00:10:42: a factor in creating that, that sluggish, slightly sluggish market.

00:10:42 --> 00:10:45: But the sense is that the tide is turning, capital

00:10:45 --> 00:10:46: is, is getting impatient.

00:10:46 --> 00:10:50: And one consequence, 1 consequence of that is that over

00:10:50 --> 00:10:54: recent years, there's been a growing tendency for investors to

00:10:54 --> 00:10:59: cast around for smaller emerging sectors benefiting from macro tailwinds.

00:10:59 --> 00:11:03: And these growth sectors also involve a strong operational element.

00:11:03 --> 00:11:07: Real estate investors are increasingly looking to access assets and

00:11:07 --> 00:11:10: growth sectors through buying operating platforms.

00:11:10 --> 00:11:13: And in this new normal of higher interest rates, that

00:11:13 --> 00:11:16: the buzzword really is operational real estate as a route

00:11:16 --> 00:11:17: to creating value.

00:11:17 --> 00:11:19: And this puts a lot of the burden of achieving

00:11:19 --> 00:11:23: growth assumptions onto the shoulders of occupiers and their ability

00:11:23 --> 00:11:27: to sustain those those rent increases underpinning many investor models,

00:11:27 --> 00:11:30: a point that that that was made frequently in in

00:11:30 --> 00:11:31: the interviews.

00:11:31 --> 00:11:34: And this could explain the elevated concerns we've seen this

00:11:35 --> 00:11:39: year around economic growth, European competitiveness and occupy demand.

00:11:40 --> 00:11:41: Next slide, please.

00:11:45 --> 00:11:49: This slide shows that the city rankings based on investment

00:11:49 --> 00:11:52: and development prospects for 2025 market liquidity.

00:11:52 --> 00:11:55: Market size and liquidity have influenced the city rankings for

00:11:55 --> 00:11:59: emerging trends over many years, but they're clearly the most

00:11:59 --> 00:12:02: important factors for respond respondents when selecting a city amid

00:12:02 --> 00:12:04: the current challenging conditions.

00:12:05 --> 00:12:09: The rising concerns around economic growth prospects comes through a

00:12:09 --> 00:12:12: city level in the improved rankings you can see from

00:12:12 --> 00:12:15: Madrid, with recent IMF forecast predicting that Spain is set

00:12:15 --> 00:12:19: to surpass the US to become the world's fastest growing

00:12:19 --> 00:12:21: major advanced economy this year.

00:12:21 --> 00:12:25: And it's noteworthy that interviewees also point to the quality

00:12:25 --> 00:12:28: of life in the Spanish capital, which has risen from

00:12:28 --> 00:12:30: 8th place in 2021 to 2nd place in this year's

00:12:30 --> 00:12:31: rankings.

00:12:32 --> 00:12:36: By contrast, German prospects are seen as relatively subdued, with

00:12:36 --> 00:12:39: average real GDP growth for core cities predicted to be

00:12:39 --> 00:12:41: around 1.1% in 2025.

00:12:41 --> 00:12:44: But having said that, four of the top ten cities

00:12:44 --> 00:12:47: are German in this year's rankings, reflecting ongoing interest in

00:12:47 --> 00:12:48: the country despite this.

00:12:50 --> 00:12:50: Next slide please.

00:12:54 --> 00:12:56: And the all four recent events in Spain in the

00:12:57 --> 00:12:59: past week are a very timely illustration of the point

00:12:59 --> 00:13:00: I'm going to make here.

00:13:01 --> 00:13:04: Physical climate risk and real estate transition to net 0

00:13:04 --> 00:13:08: emission carbon emissions have been recurring themes in emerging trends,

00:13:08 --> 00:13:12: but this year's report also examines the far reaching implications

00:13:12 --> 00:13:15: for real estate, insurance and finance from those twin challenges.

00:13:16 --> 00:13:19: Recent extreme weather events have really brought this into focus
00:13:19 --> 00:13:22: for Europe, including the devastating floods witnessed in Central and
00:13:22 --> 00:13:25: Eastern Europe in September and Spain just last week.
00:13:26 --> 00:13:30: As real estate faces increased risks from rising frequency and
00:13:30 --> 00:13:34: severity of extreme weather events, alongside the transition to net
00:13:34 --> 00:13:37: zero, the impact on the industry is becoming clearer in
00:13:37 --> 00:13:40: terms of the financial and costs and business interruption.
00:13:41 --> 00:13:44: According to this year's survey, nearly 2/3 of respondents expect
00:13:44 --> 00:13:47: an increase in insurance costs over the next five years
00:13:47 --> 00:13:51: and more than half anticipate that access to insurance will
00:13:51 --> 00:13:51: get harder.
00:13:52 --> 00:13:54: And as we explored in Chapter 5 of this report,
00:13:54 --> 00:13:57: whilst the the issues around insurance and financing of real
00:13:57 --> 00:14:00: estate from climate risks and transition to net zero are
00:14:00 --> 00:14:04: widely acknowledged by the industry, our report finds that the
00:14:04 --> 00:14:07: current levels of awareness and collaboration do not reflect the
00:14:07 --> 00:14:09: scale and the urgency of the challenge.
00:14:10 --> 00:14:11: Next slide, please.
00:14:15 --> 00:14:19: So just to conclude, despite the many caveats, the sentiment
00:14:19 --> 00:14:22: for 2025 is undoubtedly more positive than last year.
00:14:23 --> 00:14:25: But those caveats are making it very difficult to know
00:14:26 --> 00:14:29: when the market clearly emerges from its sluggish few years.
00:14:29 --> 00:14:32: The the recovery could certainly be slow and gradual.
00:14:33 --> 00:14:35: And as the storm clouds of higher interest rates and
00:14:35 --> 00:14:38: inflation have receded, there's been a clearer focus on on
00:14:38 --> 00:14:42: fragile economic growth prospects and what feels like inevitably increased
00:14:42 --> 00:14:45: regulation as one of the most tangible concerns.
00:14:45 --> 00:14:48: And the case for investing in real estate is still
00:14:48 --> 00:14:50: up for debate for some, with the relative value proposition
00:14:50 --> 00:14:52: of real estate still a still a challenge for core
00:14:52 --> 00:14:53: investors.
00:14:53 --> 00:14:56: And it's therefore little wonder that that fundraising and investment
00:14:56 --> 00:14:58: volumes remain suppressed.
00:14:58 --> 00:15:00: But the tide does seem to be does seem to
00:15:00 --> 00:15:03: be turning there and tying this into the the title
00:15:03 --> 00:15:06: of this year's report Charting New Horizons.

00:15:06 --> 00:15:10: Whilst we live in complex and challenging times that that
00:15:10 --> 00:15:13: does seem to be emerging clarity around what the new
00:15:13 --> 00:15:17: horizon looks like in terms of delivery and operation of
00:15:17 --> 00:15:18: fit for purpose real estate.
00:15:19 --> 00:15:22: It's more how the industry gets there that is perhaps
00:15:22 --> 00:15:25: the question that the market is grappling with, both in
00:15:25 --> 00:15:28: terms of dealing with legacy issues, but also looking forward
00:15:28 --> 00:15:32: at new investment constructs, new emerging sectors, accessing new capabilities,
00:15:32 --> 00:15:34: new partnerships or platforms.
00:15:35 --> 00:15:37: But I think the the positive sentiment from our survey
00:15:37 --> 00:15:40: reflects the fact that these could be very rewarding times
00:15:40 --> 00:15:43: for those that can successfully chart that course to get
00:15:43 --> 00:15:43: there.
00:15:44 --> 00:15:47: And with that, I'll hand back to Justin to take
00:15:47 --> 00:15:49: us through the the panel discussion.
00:15:49 --> 00:15:50: Thank you.
00:15:58 --> 00:15:58: Thanks, Gareth.
00:15:58 --> 00:16:01: Before we move on to the next portion of the
00:16:01 --> 00:16:04: agenda, which is the panel discussion, I'd just like to
00:16:04 --> 00:16:06: give you all the gentle reminder that you do have
00:16:06 --> 00:16:09: the opportunity to to present some questions through the Q&A
00:16:09 --> 00:16:11: function in the Zoom chat box.
00:16:12 --> 00:16:14: But with that, maybe we'll move over to the panel
00:16:14 --> 00:16:14: discussion.
00:16:14 --> 00:16:17: And if I can ask each of my panelists to
00:16:17 --> 00:16:21: quickly introduce themselves, their firm and their key take away
00:16:21 --> 00:16:24: from this year's Emerging Trends in Real Estate report.
00:16:25 --> 00:16:27: Martina, maybe if we can start with you, please.
00:16:27 --> 00:16:30: Happy to do that, Martina Malone, Global Head of Capital
00:16:30 --> 00:16:31: Raising at Prologis.
00:16:31 --> 00:16:35: Prologis is the world's leading owner and operator of logistics
00:16:35 --> 00:16:38: real estate with over 218 billion assets under management.
00:16:38 --> 00:16:43: 1.2 billion square feet of space across 5600 buildings in
00:16:43 --> 00:16:46: 20 countries of which 12 are in Europe.
00:16:47 --> 00:16:52: 2.8% of the world's GDP flows annually through Prologue's warehouses.
00:16:52 --> 00:16:55: Just to give you an idea about the scale, we've
00:16:55 --> 00:16:58: been in the business for 40 years and we exclusively
00:16:58 --> 00:17:01: focused on logistics, obviously one of the favorite asset classes.

00:17:01 --> 00:17:04: As we heard from many investors, we develop, own and
00:17:04 --> 00:17:07: and manage highest quality logistics real estate in what we
00:17:08 --> 00:17:10: believe are the best locations globally.
00:17:10 --> 00:17:15: And we have a very focused, very customer centric focus.
00:17:15 --> 00:17:19: Everything we do, we do to best serve our 6700
00:17:19 --> 00:17:20: customers.
00:17:20 --> 00:17:23: So that gives us unique insights into our customer needs
00:17:23 --> 00:17:25: and also where they want to grow.
00:17:25 --> 00:17:28: And we use our scale and global reach to solve
00:17:28 --> 00:17:32: customer pain points, for example, to accompany them on the
00:17:32 --> 00:17:36: decarbonisation journey by offering them products and services.
00:17:37 --> 00:17:39: Almost half of the space we own sits in funds
00:17:39 --> 00:17:41: and ventures that we run.
00:17:41 --> 00:17:44: And my team looks after the 150 investors that we
00:17:44 --> 00:17:49: have and they globally benefit from Prologue says expertise.
00:17:49 --> 00:17:52: So what my key take away from the reporters is
00:17:52 --> 00:17:55: really, I mean, obviously with the interest rates coming down,
00:17:56 --> 00:18:00: valuations bottoming, at least in the logistics sectors, there's a
00:18:00 --> 00:18:04: cautious optimism among investors and a willingness to put capital
00:18:04 --> 00:18:06: to work in a more meaningful way as they see
00:18:06 --> 00:18:09: this as a very attractive entry point.
00:18:09 --> 00:18:11: And I'm very happy to discuss this in more detail
00:18:11 --> 00:18:12: later on in the presentation.
00:18:15 --> 00:18:15: Thanks, Martina.
00:18:16 --> 00:18:18: Lizette, can I ask you to follow up?
00:18:19 --> 00:18:19: Yeah, sure.
00:18:19 --> 00:18:21: Thanks, Justin.
00:18:21 --> 00:18:26: But before I sort of introduce myself, I'm Joseph Van
00:18:26 --> 00:18:30: Dorn, CEO of ULI in Europe and obviously been very
00:18:30 --> 00:18:35: involved alongside Garrett and other members of our ULI team
00:18:35 --> 00:18:39: and the PwC team in the creation of the report.
00:18:39 --> 00:18:43: And I also wanted to thank Garrett, some Batista, Schreifer
00:18:43 --> 00:18:47: and other PwC colleagues and our National Council chairs and
00:18:47 --> 00:18:51: the ULI team for their hard work over almost the
00:18:51 --> 00:18:53: last six months preparing this report.
00:18:54 --> 00:18:57: Well, my main take away having been working on this
00:18:58 --> 00:19:00: for a while is sort of the, I think the
00:19:01 --> 00:19:05: industry's very ready to move on, hence the very positive

00:19:05 --> 00:19:10: results from the survey where you really see confidence significantly
00:19:10 --> 00:19:12: up from the last few years.
00:19:12 --> 00:19:15: But then if digging deeper and also what we've done
00:19:15 --> 00:19:19: through the interviews, there are still quite a few potential
00:19:19 --> 00:19:20: hurdles along the way.
00:19:21 --> 00:19:24: So I think the main question is, are we ready
00:19:24 --> 00:19:28: to unlock those opportunities and can you sort of deal
00:19:28 --> 00:19:32: successfully with those hurdles to tap into those opportunities?
00:19:36 --> 00:19:36: Thanks, Lizette.
00:19:37 --> 00:19:37: Paul.
00:19:41 --> 00:19:44: Hi guys, Paul Bashir, I'm the CEO of Harrison St.
00:19:44 --> 00:19:44: in Europe.
00:19:45 --> 00:19:50: Harrison Street is a a global alternative real asset manager
00:19:50 --> 00:19:52: with around 56 billion of AUM.
00:19:53 --> 00:19:57: We operate across 6 open and closed ended flagship fun
00:19:57 --> 00:20:00: series, and we've been around for almost 20 years, so
00:20:00 --> 00:20:04: one of the world's leading investors in alternative assets.
00:20:05 --> 00:20:07: I think what I take away from the report is,
00:20:07 --> 00:20:09: is some positives for our industry and certainly for our
00:20:09 --> 00:20:09: firm.
00:20:10 --> 00:20:12: I'm pleased to see that 9 hours of the 10
00:20:13 --> 00:20:15: sectors to watch are covered by Harrison St.
00:20:16 --> 00:20:18: and we're actually operational and in all of the European
00:20:19 --> 00:20:20: cities that have been identified.
00:20:21 --> 00:20:23: I also take some comfort in the fact that some
00:20:23 --> 00:20:25: of the challenges that have been identified.
00:20:25 --> 00:20:28: The challenges that are not just being faced by by
00:20:28 --> 00:20:32: our funds, I think we're we're ever investing in an
00:20:32 --> 00:20:37: ever more complex operational environment or obviously very operationally intensive
00:20:37 --> 00:20:40: assets that we typically invest in a complex marketplace and
00:20:40 --> 00:20:43: an ever changing regulatory environment.
00:20:43 --> 00:20:45: I think all of which have been highlighted by many
00:20:45 --> 00:20:48: other people who have contributed to the report.
00:20:48 --> 00:20:50: So I'm pleased to hear that, but also pleased to
00:20:50 --> 00:20:53: see that we're navigating our way through those and and
00:20:53 --> 00:20:55: producing some fantastic results for our investors.
00:20:55 --> 00:20:58: So thank you for inviting me to the panel today.
00:21:00 --> 00:21:02: Thanks, Paul and Matteo, if you can wrap up the
00:21:02 --> 00:21:02: intros.

00:21:04 --> 00:21:04: Will do.
00:21:04 --> 00:21:05: Thank you, Justin.
00:21:05 --> 00:21:10: Hi there, Michael Saud, Head of European Property for where
00:21:10 --> 00:21:14: super where is one of the three biggest super animation
00:21:14 --> 00:21:18: funds from Australia and we opened up our first overseas
00:21:18 --> 00:21:21: office here in London a year ago.
00:21:23 --> 00:21:27: I yeah in terms of property portfolio, we manage as
00:21:27 --> 00:21:32: our super, we manage A and portfolio of approximately 11
00:21:32 --> 00:21:36: billion Aussie dollar global property portfolio.
00:21:36 --> 00:21:39: Although I have to add to that, that mostly is
00:21:39 --> 00:21:44: still in Australia like for many more Australian superannuation funds,
00:21:44 --> 00:21:49: but the fund is diversifying away from Australia, has invested
00:21:49 --> 00:21:53: approximately 20% now in Europe and say 10% into the
00:21:53 --> 00:21:56: US What I find striking, well maybe not striking a
00:21:57 --> 00:22:00: lot in the emerging trends report resonates with me.
00:22:00 --> 00:22:05: We recognise the trends that are displayed and we're actually
00:22:05 --> 00:22:08: quite aligned to the trends displayed in the in the
00:22:08 --> 00:22:09: report.
00:22:10 --> 00:22:13: Maybe what surprised me somewhat, and maybe I'm a bit
00:22:13 --> 00:22:16: biased here, there was one remark in the report that
00:22:16 --> 00:22:19: I found interesting that ESG is seen as a distraction
00:22:19 --> 00:22:22: to creating value through high quality real estate.
00:22:23 --> 00:22:26: I think that's an example of where we typically overestimate
00:22:26 --> 00:22:30: short term risk and underestimate long term risk.
00:22:30 --> 00:22:33: We'll come to this independent discussion, but the conversation is
00:22:33 --> 00:22:36: definitely, I feel a risk that needs to be managed.
00:22:36 --> 00:22:39: And it's not just something that you could regard as
00:22:39 --> 00:22:42: a distraction to creating value.
00:22:42 --> 00:22:45: It's actually really part of creating value and managing risk.
00:22:45 --> 00:22:48: That's the one striking point I wanted to mention.
00:22:48 --> 00:22:49: Thanks, Justin.
00:22:51 --> 00:22:51: Thanks all.
00:22:51 --> 00:22:52: I think it's great.
00:22:52 --> 00:22:55: We've got a very diverse angle that all of us
00:22:55 --> 00:22:56: are coming from.
00:22:56 --> 00:22:59: And and I think what's really interesting is I reflect
00:22:59 --> 00:23:03: on the presentation that Gareth made is that there are
00:23:03 --> 00:23:05: four big segments in the report.
00:23:05 --> 00:23:07: We've got the business environment, some of the big key

00:23:07 --> 00:23:08: industry concerns.
00:23:08 --> 00:23:11: We've got the capital markets and investment activity.
00:23:12 --> 00:23:16: We have sectoral discussions notably around the beds and sheds
00:23:16 --> 00:23:17: and alternative schematics.
00:23:17 --> 00:23:20: And then we've got some changes as it relates to
00:23:20 --> 00:23:22: the city make up of the top 10.
00:23:23 --> 00:23:26: So I think those are the four key segments that
00:23:26 --> 00:23:29: we should go into, the first of which is the
00:23:29 --> 00:23:34: business environment, key industry concerns and an acknowledgement that geopolitical
00:23:35 --> 00:23:38: risk has really skyrocketed towards the top of the agenda.
00:23:39 --> 00:23:42: Now, I'm going to play a bit of devil's advocate
00:23:42 --> 00:23:47: here as I'm not entirely convinced myself that geopolitical risk
00:23:47 --> 00:23:50: has gotten more of an issue today.
00:23:51 --> 00:23:54: I question whether it's a fact of interest rates starting
00:23:54 --> 00:23:58: to come down, inflation becoming less of a concern and
00:23:58 --> 00:24:01: moving down the priority list of concerns.
00:24:01 --> 00:24:04: That just means geopolitical tension is next in line.
00:24:05 --> 00:24:08: So my first question, and it's an open question, is
00:24:08 --> 00:24:09: how do all of you perceive it?
00:24:10 --> 00:24:13: Is it a question of geopolitical tension really coming to
00:24:13 --> 00:24:16: the fore or is it the fact that interest rates
00:24:16 --> 00:24:18: and inflation are less of a concern and now we're
00:24:18 --> 00:24:22: really focusing on the underlying operational real estate and the
00:24:22 --> 00:24:23: income segment going forward?
00:24:27 --> 00:24:29: And that's an open question to whoever would like to
00:24:29 --> 00:24:30: take it first.
00:24:32 --> 00:24:34: I'm happy to comment on it just in sort of
00:24:34 --> 00:24:38: from the broader perspective of what we've seen also in
00:24:38 --> 00:24:42: you lie organizing many other capital markets discussions.
00:24:43 --> 00:24:45: And we do think it is has become far more
00:24:45 --> 00:24:50: prominent and not just because interest rates and inflation have
00:24:50 --> 00:24:51: come down.
00:24:51 --> 00:24:54: And I think part of that is because it's sort
00:24:54 --> 00:24:59: of coming closer to home where we've seen surprising outcomes
00:24:59 --> 00:25:01: of elections in various countries.
00:25:02 --> 00:25:06: And maybe that's more peak sentiment impact and sort of
00:25:06 --> 00:25:08: over time it UPS away again.
00:25:09 --> 00:25:11: I just saw a question also in the in the

00:25:11 --> 00:25:15: chat being asked about the current situation in Germany.
00:25:15 --> 00:25:18: We seem to be hopping from 1 country to the
00:25:18 --> 00:25:21: other where usually a couple of months ago, the French
00:25:21 --> 00:25:23: elections played a role.
00:25:23 --> 00:25:27: If you don't speak to players, everybody holds for the
00:25:27 --> 00:25:31: moment or not everyone maybe, but many see what happens
00:25:31 --> 00:25:34: and then might kind of resume action again.
00:25:35 --> 00:25:41: So obviously also we're seeing more wars closer to to
00:25:41 --> 00:25:46: Europe and with potential escalation effects.
00:25:46 --> 00:25:51: And I do think that players starting to think more
00:25:51 --> 00:25:52: about that.
00:25:52 --> 00:25:55: The thing I'm not sure about is how much it
00:25:55 --> 00:25:58: impacts action or that those temporary holds.
00:25:58 --> 00:26:02: I'm not sure it impacts action across the board for
00:26:02 --> 00:26:05: the long term also because obviously this is not just
00:26:05 --> 00:26:09: affecting real estate but all asset classes and the wider
00:26:09 --> 00:26:10: society.
00:26:12 --> 00:26:12: Thanks, Lisa.
00:26:12 --> 00:26:14: I, I, I think you set me up quite well
00:26:15 --> 00:26:18: because I was trying to lead into that question that
00:26:18 --> 00:26:21: we got coming through on some of the geopolitical tension
00:26:21 --> 00:26:23: and the risks that are coming out it, it was
00:26:24 --> 00:26:27: highlighted in Germany, but I would say it's actually wider
00:26:27 --> 00:26:28: than that.
00:26:28 --> 00:26:31: And and Paul, I think given your focus in some
00:26:31 --> 00:26:36: of the living sectors, you're probably directly following a number
00:26:36 --> 00:26:39: of these political risks the the rise of the far
00:26:39 --> 00:26:43: right because they can have impacts on regulations for for
00:26:43 --> 00:26:44: your segment.
00:26:44 --> 00:26:46: How are you seeing this and is it changing the
00:26:46 --> 00:26:47: way that you're approaching markets?
00:26:48 --> 00:26:48: Yeah.
00:26:48 --> 00:26:50: I mean as you as you identified, I mean as
00:26:50 --> 00:26:53: an alternative investor, one of the key focuses of our
00:26:53 --> 00:26:58: investment thesis is demography, understanding demographics and really how demographics
00:26:58 --> 00:26:58: Dr.
00:26:59 --> 00:27:02: investment opportunities, both risks and opportunities.
00:27:02 --> 00:27:05: And I think, you know, what we're seeing is in
00:27:05 --> 00:27:10: an ever changing geopolitical environments, you know, the impact of
00:27:10 --> 00:27:14: those geopolitical tensions and factors are really having a, a

00:27:14 --> 00:27:17: huge impact on, you know, things like social care, on

00:27:17 --> 00:27:21: healthcare, on on education, on on migration, both economic and

00:27:21 --> 00:27:23: political and also regulation.

00:27:23 --> 00:27:26: So I think when we look at the the demographic

00:27:26 --> 00:27:30: factors that are influencing where and how and what we

00:27:30 --> 00:27:34: invest in geopolitical, I guess tensions, policies and factors are

00:27:34 --> 00:27:38: playing an ever more increasing part of that investment decision.

00:27:39 --> 00:27:40: I think they always have done.

00:27:41 --> 00:27:44: But I think as Europe becomes more investable in the

00:27:44 --> 00:27:48: alternative spaces, especially in some of the sectors that we're

00:27:48 --> 00:27:52: identifying as new emerging sectors where maybe pockets of Europe

00:27:52 --> 00:27:55: have yet to really flourish in terms of, you know,

00:27:55 --> 00:27:59: those investments markets have only just started to open up.

00:27:59 --> 00:28:00: It becomes very obvious.

00:28:00 --> 00:28:03: And actually because of some of those geopolitical tensions, it's

00:28:03 --> 00:28:05: it's very difficult to underwrite those markets.

00:28:06 --> 00:28:09: Healthcare, I'll just pick as a great example of that

00:28:09 --> 00:28:12: where we look at the, you know, the ageing population

00:28:12 --> 00:28:15: and the the migration of that population across Europe and

00:28:15 --> 00:28:19: how that's identifying some real pockets of opportunity.

00:28:19 --> 00:28:22: But looking at how you know, each government and, and

00:28:22 --> 00:28:26: sometimes you know, some of those sub domestic governments actually

00:28:26 --> 00:28:29: take very different stances towards healthcare and social care, it

00:28:29 --> 00:28:32: it makes it very difficult to underwrite some of those

00:28:32 --> 00:28:33: markets.

00:28:33 --> 00:28:36: So it definitely is playing more of an an important

00:28:36 --> 00:28:36: role.

00:28:36 --> 00:28:39: I think it's always been there, but I think as

00:28:39 --> 00:28:43: alternatives become a large pool of institutional capital, it's becoming

00:28:43 --> 00:28:46: an ever more in, you know, important factor when looking

00:28:46 --> 00:28:49: at, you know, making investment decisions.

00:28:49 --> 00:28:53: So does that mean some of this political instability or

00:28:53 --> 00:28:57: the rise of far right or more extremist parties, is

00:28:57 --> 00:29:01: that taking some of your investable universe away, Are you

00:29:01 --> 00:29:04: actively stopping investing in some of these jurisdictions?

00:29:05 --> 00:29:06: No, I don't think so.
00:29:06 --> 00:29:08: I think what it's doing is, you know, potentially, you
00:29:08 --> 00:29:11: know, where there's a risk, there's also an opportunity.
00:29:11 --> 00:29:14: And I think, you know, when we look at, you
00:29:14 --> 00:29:17: know, I don't think we've ever changed the decision because
00:29:17 --> 00:29:20: of a, a risk of a potential, you know, party
00:29:20 --> 00:29:22: coming in into, into power.
00:29:22 --> 00:29:24: But if I look at certain markets where, you know,
00:29:24 --> 00:29:27: there, there is increased regulation, for example, but actually there's
00:29:27 --> 00:29:29: a change of government coming down the line, which may
00:29:29 --> 00:29:30: take a different approach.
00:29:30 --> 00:29:31: That regulation.
00:29:31 --> 00:29:34: It may just take maybe just make you may take
00:29:34 --> 00:29:38: a pause in that investment strategy and wait for some
00:29:38 --> 00:29:39: of that uncertainty.
00:29:39 --> 00:29:41: As we know in our markets, you know the one
00:29:41 --> 00:29:44: thing investors and do not like is uncertainty.
00:29:44 --> 00:29:46: And I think if we can maybe just take a
00:29:46 --> 00:29:49: bit of a pause at the moment, wait for some
00:29:49 --> 00:29:51: of that uncertainty be to be maybe stabilized then we
00:29:52 --> 00:29:55: can take more stable investment decisions around some of those
00:29:55 --> 00:29:56: geopolitical factors.
00:29:56 --> 00:29:58: So I think it hasn't necessarily changed.
00:29:58 --> 00:30:01: What it has done is just made a slow down
00:30:01 --> 00:30:05: in certain markets where especially in an ever challenging environment,
00:30:05 --> 00:30:09: some of those geopolitical environments factors have just meant that
00:30:10 --> 00:30:13: there's a slightly higher level of risk of uncertainty.
00:30:13 --> 00:30:15: And therefore it's it's caused us to just take a
00:30:15 --> 00:30:16: little bit of a pause.
00:30:18 --> 00:30:19: Thanks, Paul.
00:30:19 --> 00:30:22: Martine, I'd be curious to hear your perspective as it
00:30:22 --> 00:30:26: relates to more of the industrial logistics segment because a
00:30:26 --> 00:30:29: lot of this geopolitical tension has generated a new mega
00:30:29 --> 00:30:33: trend around near shoring, friend shoring on shoring and, and
00:30:33 --> 00:30:36: the disruption in the supply chains that we saw during
00:30:36 --> 00:30:40: the pandemic and in the immediate aftermath, really starting to
00:30:40 --> 00:30:44: force industries to reconsider their supply chain, the resilience of

00:30:44 --> 00:30:47:	that supply chain and diversifying that away.
00:30:48 --> 00:30:50:	How are you changing or how is Prologis changing its
00:30:50 --> 00:30:54:	investment strategy to respond to that challenge and that geopolitical
00:30:54 --> 00:30:55:	tension risk?
00:30:55 --> 00:30:58:	So listen, geopolitical risk is not something that we can
00:30:58 --> 00:30:59:	control.
00:30:59 --> 00:31:02:	What we have, what we can control is, is where
00:31:02 --> 00:31:05:	we own assets, you know, owning the right assets and
00:31:05 --> 00:31:08:	what we believe are the best locations and serve our
00:31:08 --> 00:31:10:	customers as well as we possibly can.
00:31:11 --> 00:31:14:	So as I pointed out beforehand, the customers are really
00:31:14 --> 00:31:17:	at the centre of everything and anything that we do
00:31:17 --> 00:31:20:	and product has built its business on purpose along the
00:31:20 --> 00:31:24:	consumption end of the supply chain rather than the production
00:31:24 --> 00:31:25:	end of the supply chain.
00:31:26 --> 00:31:28:	So our customers want us to be as close to
00:31:28 --> 00:31:32:	their ultimate end consumers as possible, so close to big
00:31:32 --> 00:31:36:	population centers to shorten their ultimate delivery times and to
00:31:36 --> 00:31:37:	keep the costs down.
00:31:39 --> 00:31:42:	So that makes us more resilient when it comes to
00:31:42 --> 00:31:46:	the impact of geopolitical tensions or the impact of tariffs.
00:31:46 --> 00:31:50:	As you all know, the tailwinds for logistics are structural
00:31:50 --> 00:31:51:	in nature.
00:31:51 --> 00:31:54:	So in the best locations you can't find land.
00:31:54 --> 00:31:56:	You know, there's a under supply and a lack of
00:31:56 --> 00:31:56:	space.
00:31:57 --> 00:32:01:	Obviously our customers need to optimize their supply chains and
00:32:01 --> 00:32:03:	you know being in the right locations even if that
00:32:03 --> 00:32:06:	means paying a higher rent is very important for them.
00:32:07 --> 00:32:10:	And then e-commerce is continues to be a very strong
00:32:10 --> 00:32:11:	driver of demand.
00:32:11 --> 00:32:15:	So near shoring doesn't really have a significant impact on
00:32:15 --> 00:32:19:	our business because we are based on the consumption end
00:32:19 --> 00:32:22:	of the supply chain with the assets that we own.
00:32:23 --> 00:32:25:	The exception to that would be Mexico.
00:32:25 --> 00:32:29:	Obviously they are the main beneficiary of this trend.
00:32:30 --> 00:32:34:	Some manufacturing has moved there due to the lower costs
00:32:34 --> 00:32:37:	of of labour and what gets produced there gets consumed
00:32:37 --> 00:32:40:	in the mostly in the US and in Canada and,

00:32:40 --> 00:32:43: and, and, and so that's a big trend and our
00:32:43 --> 00:32:46: Mexican business benefits significantly from that.
00:32:46 --> 00:32:50: In Europe, we haven't seen a major impact maybe a
00:32:50 --> 00:32:54: little bit in the CEE obviously also lower cost of,
00:32:54 --> 00:32:55: of labour.
00:32:55 --> 00:32:58: So for example, in Hungary, we have a Chinese EV
00:32:58 --> 00:33:01: manufacturer that's moved there and you know, and in the
00:33:02 --> 00:33:05: in the US really only very select smaller markets.
00:33:05 --> 00:33:08: So you know, as an example, I could say Phoenix
00:33:08 --> 00:33:12: benefits from you know, manufacturing of semiconductors, but it's really
00:33:12 --> 00:33:16: pockets, very small pockets and it's certainly only a moderate
00:33:16 --> 00:33:18: contribution to the overall demand.
00:33:18 --> 00:33:22: So not a big impact on Prologis strategy.
00:33:24 --> 00:33:26: And is that a consequence of it not having been
00:33:26 --> 00:33:29: a significant impact as of today and you don't see
00:33:29 --> 00:33:32: it as something that's likely to grow in the future
00:33:32 --> 00:33:35: or is it something that that you continue to monitor
00:33:35 --> 00:33:38: and think that you may see the trends change over
00:33:38 --> 00:33:40: the 5-10 year horizon?
00:33:40 --> 00:33:42: We are absolutely monitoring it.
00:33:42 --> 00:33:44: And as I said, I mean, you know, we see
00:33:44 --> 00:33:48: pockets of demand, but to date it's not a significant
00:33:48 --> 00:33:49: part that we see.
00:33:49 --> 00:33:51: It's really a, a, a very small, you know, moderate
00:33:51 --> 00:33:54: contribution to the, to the overall demand that we see.
00:33:56 --> 00:33:56: OK.
00:33:57 --> 00:33:59: Matthew, I'm, I'm curious to kind of transition more towards
00:34:00 --> 00:34:01: the capital markets discussion.
00:34:01 --> 00:34:04: And you know we we heard in the presentation from
00:34:04 --> 00:34:08: Gareth that transaction activity remains pretty slow, but I've seen
00:34:08 --> 00:34:12: some other data points out there highlighting that transaction activity
00:34:12 --> 00:34:15: is starting to pick up more at the smaller deal
00:34:15 --> 00:34:15: size.
00:34:15 --> 00:34:19: So the number of transactions are on the rise, but
00:34:19 --> 00:34:22: in aggregate the volumes continue to be pretty sluggish.
00:34:23 --> 00:34:26: I appreciate it's pretty early on in your career at
00:34:26 --> 00:34:29: Aware Super, but how are you finding it?
00:34:29 --> 00:34:31: You know, you've got the, the benefit of a blank
00:34:31 --> 00:34:35: sheet of paper effectively, how are you finding the capital
00:34:35 --> 00:34:35: markets?

00:34:35 --> 00:34:38: How are you finding the investment markets and, and what's
00:34:38 --> 00:34:40: really the target for you and, and, and for Aware
00:34:40 --> 00:34:41: Super at the moment?
00:34:42 --> 00:34:43: Yeah, sure, Justin.
00:34:44 --> 00:34:49: Look, there's definitely plenty of uncertainty still, right?
00:34:50 --> 00:34:54: A couple of things are definitely moving into the right
00:34:54 --> 00:34:58: direction, but we're not making, you know, huge bets on
00:34:58 --> 00:35:00: recovery in 2025 per SE.
00:35:01 --> 00:35:04: But yes, I do agree we are in a position
00:35:04 --> 00:35:08: that we're able to invest well potentially quite a lot
00:35:09 --> 00:35:13: actually because we really want to grow and double our
00:35:13 --> 00:35:16: portfolio over the coming years.
00:35:16 --> 00:35:18: So we are in a good position.
00:35:18 --> 00:35:21: Certainly if you look at maybe some of the other
00:35:21 --> 00:35:24: investors that have always been around that are still maybe
00:35:25 --> 00:35:28: more some somewhat capital constraint over the coming periods.
00:35:29 --> 00:35:29: Now.
00:35:29 --> 00:35:32: So that having said that, being in a good position
00:35:32 --> 00:35:34: is great, but we have to be very selective as
00:35:34 --> 00:35:36: well where we are currently active.
00:35:36 --> 00:35:40: And we have recently announced a platform that we have
00:35:40 --> 00:35:42: launched together with the Land C here in the UK
00:35:43 --> 00:35:45: to invest from that platform into the UK market.
00:35:46 --> 00:35:49: We will well be focusing first on London offices.
00:35:50 --> 00:35:54: That's because we, we, we like the fact there is
00:35:54 --> 00:35:59: clearly a demand supply imbalance for very high quality offices
00:35:59 --> 00:36:01: in London on specific locations.
00:36:01 --> 00:36:04: So very high quality in terms of the office and
00:36:04 --> 00:36:06: the location of very high quality as well.
00:36:06 --> 00:36:12: That demand supply balance imbalance is something we like.
00:36:13 --> 00:36:15: We've really focused on the rental growth that we are
00:36:15 --> 00:36:18: observing already and that we expect to continue there.
00:36:19 --> 00:36:22: So that's an an area we like and where we
00:36:22 --> 00:36:26: see others are also active like PE firms or family
00:36:26 --> 00:36:27: offices.
00:36:27 --> 00:36:31: So coming back to your comments on slightly smaller size
00:36:31 --> 00:36:34: asset sizes, that makes sense also from that perspective.
00:36:35 --> 00:36:39: Of course we feel we can do slightly bigger than
00:36:39 --> 00:36:43: that, but we're not really looking into the huge new
00:36:43 --> 00:36:47: tower developments here in in London either.

00:36:47 --> 00:36:49: We think that is a bit too much of risk
00:36:49 --> 00:36:53: for which we feel we're not rewarded in today's market.
00:36:53 --> 00:36:56: So we're looking for slightly less risky asset where we
00:36:56 --> 00:36:58: feel we are well rewarded.
00:36:58 --> 00:37:01: Actually if you look at how we think the where
00:37:01 --> 00:37:05: we will be driving rental growth over the coming years
00:37:06 --> 00:37:09: or so, well maybe interest rates will help us in
00:37:09 --> 00:37:14: terms of returns, but the rental growth will really have
00:37:14 --> 00:37:19: to come from asset management, really active management, so understanding
00:37:19 --> 00:37:20: the assets.
00:37:20 --> 00:37:24: So the operational component we expect over the coming years
00:37:24 --> 00:37:27: to play a much bigger role in driving the returns.
00:37:28 --> 00:37:32: That combines well with our preference to be investing in
00:37:32 --> 00:37:35: platforms where the operation and the assets are combined.
00:37:35 --> 00:37:38: So we're happy to take on the exposure to the
00:37:38 --> 00:37:41: whole rather than just the assets and that's why we
00:37:41 --> 00:37:44: have been investing already in get living here in the
00:37:44 --> 00:37:44: UK.
00:37:44 --> 00:37:48: So operational built to rent, same for Spain with our
00:37:48 --> 00:37:53: Viviano investment, also operational real estate in terms of private
00:37:53 --> 00:37:57: PRS and our extended stay concepts, we launched in the
00:37:57 --> 00:38:01: Netherlands and is now expanding in Europe as well.
00:38:01 --> 00:38:05: So we like the operational component because we think like
00:38:05 --> 00:38:09: Paul also explained, you need that to really drive the
00:38:09 --> 00:38:12: value of these more alternative assets as well.
00:38:13 --> 00:38:17: I, I think that's a good transition actually to, to
00:38:17 --> 00:38:20: what I think a big focus of the report findings
00:38:20 --> 00:38:24: were, which was around the sectors that are underpinning investor
00:38:24 --> 00:38:25: focus at the moment.
00:38:25 --> 00:38:30: And it really seems to be more operational geared towards
00:38:30 --> 00:38:32: the underlying occupier.
00:38:32 --> 00:38:35: But it, it, it strikes me that we've got a
00:38:35 --> 00:38:40: tale of two, we have alternatives with underlying tailwinds supporting
00:38:40 --> 00:38:44: the income side of the equation where affordability is maybe
00:38:44 --> 00:38:46: less of a concern.
00:38:46 --> 00:38:49: And then there's a big focus on the wider living
00:38:49 --> 00:38:54: space, whether it's student accommodation, senior housing, PRS or multifamily,

00:38:54 --> 00:38:57: where I think incomes are being stretched.
00:38:57 --> 00:39:01: There's questions around economic uncertainty and, and, and just how
00:39:01 --> 00:39:03: much we're going to be able to grow incomes on
00:39:03 --> 00:39:04: the back of this.
00:39:04 --> 00:39:07: And rents are eclipsing 30% in some of these instances.
00:39:07 --> 00:39:11: So how are you all thinking about the difference in
00:39:11 --> 00:39:14: some of the sector nuance between the beds and sheds
00:39:14 --> 00:39:18: thematic some of these more alternative or niche more operational
00:39:18 --> 00:39:22: segments and ensuring that the underlying user of your real
00:39:22 --> 00:39:25: estate is going to be able to continue to pay
00:39:25 --> 00:39:28: higher rents is the income is really the key focus
00:39:28 --> 00:39:29: going forward?
00:39:30 --> 00:39:32: Maybe Paul, if I can ask you to comment first.
00:39:33 --> 00:39:35: I mean, I think there's a couple of things just
00:39:35 --> 00:39:36: to pick a way out there.
00:39:36 --> 00:39:40: I think, you know, we've been investing in alternative assets
00:39:40 --> 00:39:43: for about 20 years and we got in there because
00:39:43 --> 00:39:47: we felt the institutional investor universe was underexposed to a
00:39:47 --> 00:39:49: lot of our asset classes.
00:39:49 --> 00:39:52: We started really investing first in, in areas such as
00:39:52 --> 00:39:56: student housing, senior housing, self storage and as other sectors
00:39:56 --> 00:39:58: have emerged as becoming interesting.
00:39:58 --> 00:40:01: You know, for example, most recently digital where you know
00:40:01 --> 00:40:02: the last five years we've.
00:40:02 --> 00:40:04: You know, invest over 5 billion of equity and 34
00:40:04 --> 00:40:05: investments.
00:40:05 --> 00:40:09: We've added other again thematic sectors, but that are very
00:40:09 --> 00:40:14: much on point to, you know, supporting our thesis across
00:40:14 --> 00:40:15: alternatives.
00:40:15 --> 00:40:17: And, and our thesis is really supported by the fact
00:40:17 --> 00:40:20: that they, you know, over the course of the past
00:40:20 --> 00:40:24: decade have out continually, continually outperformed more traditional real estate
00:40:24 --> 00:40:24: asset classes.
00:40:25 --> 00:40:28: And we've seen through a number of other macro factors,
00:40:28 --> 00:40:33: more institutional capital trying to move allocations towards alternatives.
00:40:33 --> 00:40:37: So that's meant that the industries had to be reactive
00:40:37 --> 00:40:40: in terms of creating products in the alternative space to

00:40:40 --> 00:40:43: give investors access to those, to those markets.
00:40:44 --> 00:40:46: I think when we look at some of the challenges
00:40:46 --> 00:40:48: we're facing, I think you touched on it and I
00:40:48 --> 00:40:50: think you know that there has been an incredible period
00:40:50 --> 00:40:53: of rent growth, you know, across most of the living
00:40:53 --> 00:40:55: sectors, certainly in Europe over the course of the past
00:40:55 --> 00:40:56: two or three years.
00:40:57 --> 00:40:59: And that's been a function of, you know, a lot
00:40:59 --> 00:41:01: of changing habits that we saw from the pandemic.
00:41:01 --> 00:41:03: So a lot of people, you know, driving into rental
00:41:03 --> 00:41:06: properties because they can't afford to buy because of higher
00:41:06 --> 00:41:09: interest rates environment or some of the trends that we've
00:41:09 --> 00:41:12: seen in some of the the shared living spaces that
00:41:12 --> 00:41:14: actually the the pandemic actually encouraged.
00:41:14 --> 00:41:17: So more of a communal living and shared services and
00:41:17 --> 00:41:20: having more of our community feel I think has driven
00:41:20 --> 00:41:22: a lot of demand in a lot of those living
00:41:22 --> 00:41:22: sectors.
00:41:23 --> 00:41:26: But we are definitely seeing, you know, an impact of
00:41:26 --> 00:41:29: affordability starting to come in.
00:41:29 --> 00:41:32: And I think that what's that's what makes, you know,
00:41:32 --> 00:41:36: pan European investment, you know, even more attractive because it
00:41:36 --> 00:41:38: allows you to be able to look into those markets
00:41:38 --> 00:41:41: where you can still see very, very attractive demand supply
00:41:41 --> 00:41:42: imbalances.
00:41:42 --> 00:41:45: There's a markets that have seen, you know, an incredible
00:41:45 --> 00:41:48: amount of repricing, you know, from peak at the end
00:41:48 --> 00:41:52: of 2021, let's say, but where we're seeing, you know,
00:41:52 --> 00:41:55: almost double digits, high double digit growth in demand.
00:41:55 --> 00:41:59: But actually where there isn't, there isn't an affordability issue,
00:41:59 --> 00:42:02: maybe the the provision rate of that particular type of
00:42:02 --> 00:42:04: housing is so low, it has such a high level
00:42:04 --> 00:42:06: of growth yet to come.
00:42:06 --> 00:42:09: So I think that's what you've seen actually in in
00:42:09 --> 00:42:11: a number of the cities that have emerged into the
00:42:11 --> 00:42:13: top ten in the ULI report.
00:42:13 --> 00:42:16: Those are the cities that maybe have seen, you know,
00:42:16 --> 00:42:19: less investment over the course of the past five to
00:42:19 --> 00:42:21: 10 years and therefore higher growth in terms of their
00:42:22 --> 00:42:23: attractiveness in those markets.

00:42:24 --> 00:42:26: I think you adding on to that also is, is
00:42:26 --> 00:42:30: how regulatory regulation, sorry, plays into all of that, because
00:42:30 --> 00:42:34: obviously one of the challenges of identifying attractive high growth
00:42:34 --> 00:42:37: markets is, you know, is it regulated and what is
00:42:37 --> 00:42:40: the risk of it becoming regulators, you know, in the
00:42:40 --> 00:42:40: future?
00:42:40 --> 00:42:44: And how do we underwrite the risk of that regulation
00:42:44 --> 00:42:44: upfront?
00:42:45 --> 00:42:47: And I think those are some of the factors that
00:42:47 --> 00:42:48: have played in.
00:42:48 --> 00:42:51: But I certainly think from an alternative standpoint, you know,
00:42:51 --> 00:42:56: whereas maybe 10 years ago alternatives really included probably student
00:42:56 --> 00:42:59: accommodation and resi for rents, you know, now we've got
00:42:59 --> 00:43:02: an emergence of different subsets of subsets, but also new
00:43:02 --> 00:43:06: emerging alternative sectors such as self storage, you know, maybe
00:43:06 --> 00:43:10: even medical office and and certainly digital, which is, you
00:43:10 --> 00:43:13: know, certainly not, not not non core anymore.
00:43:13 --> 00:43:16: So I think the the, the opportunity for investors to
00:43:16 --> 00:43:19: access these markets is now a lot more prolific than
00:43:19 --> 00:43:22: it was 10 years ago, but it's still limited.
00:43:22 --> 00:43:25: And I think therein lies the opportunity though for us
00:43:25 --> 00:43:29: as investors is to create those products to give investors
00:43:29 --> 00:43:33: access to some interesting markets and interesting, you know, high
00:43:33 --> 00:43:36: barriers to entry marketplaces across Europe.
00:43:37 --> 00:43:40: Are there any specific targeted examples that you can provide?
00:43:40 --> 00:43:43: I mean, you mentioned a number of the different sub
00:43:43 --> 00:43:44: sectors that you're targeting.
00:43:45 --> 00:43:48: I, I think Spain is 1 area that's definitely ratchet
00:43:48 --> 00:43:52: itself up in terms of the top ten list, Madrid
00:43:52 --> 00:43:53: in particular.
00:43:53 --> 00:43:56: But obviously Spain in and of itself doesn't come without
00:43:56 --> 00:43:59: some risks in some of the living spaces given the
00:43:59 --> 00:44:02: regulatory issues that came out in, in Barcelona.
00:44:02 --> 00:44:05: How are you thinking about Spain, for example, in the
00:44:05 --> 00:44:06: living segment there?
00:44:06 --> 00:44:07: Yeah.
00:44:07 --> 00:44:09: I mean Spain is the second largest market we invest

00:44:09 --> 00:44:11: in in Europe and we, you know, we, we made
00:44:11 --> 00:44:14: the macro call on Spain probably four or five years
00:44:14 --> 00:44:14: ago.
00:44:14 --> 00:44:16: So we have, you know, a couple of billion invested
00:44:16 --> 00:44:17: in Spain.
00:44:17 --> 00:44:20: We've got around 22 assets across the living space and
00:44:20 --> 00:44:23: are still investing very heavily in that market, both in
00:44:23 --> 00:44:26: the students and in the, you know, the small A
00:44:26 --> 00:44:29: affordable rental market where again we see huge amounts of
00:44:29 --> 00:44:32: demand and really no supply over the course of the
00:44:32 --> 00:44:33: past couple of years.
00:44:33 --> 00:44:35: So I think it's a market we like for all
00:44:35 --> 00:44:39: the high growth opportunities that you know, Gareth touched on
00:44:39 --> 00:44:41: on, on earlier, but it is a difficult market as
00:44:41 --> 00:44:42: well.
00:44:42 --> 00:44:43: It's about finding the right partners.
00:44:43 --> 00:44:48: The planning regulations and regulatory markets are very difficult in
00:44:48 --> 00:44:50: Spain and, and differ region to region.
00:44:51 --> 00:44:53: So you've got to be very, very, you know, careful
00:44:53 --> 00:44:54: where you invest.
00:44:54 --> 00:44:56: You could have very, very good local partners through our
00:44:56 --> 00:44:59: model of defining good local partners and navigating that that
00:44:59 --> 00:45:03: local environment to actually identify some of those cities, you
00:45:03 --> 00:45:05: know, those, you know, smaller cities and, and some of
00:45:05 --> 00:45:08: those tier one cities that are seeing such high growth.
00:45:08 --> 00:45:11: So we do like that, but we also like, you
00:45:11 --> 00:45:14: know, markets like Italy, again, which are seeing very similar
00:45:14 --> 00:45:17: demographic trends and, and, and positive GDP trends and, and
00:45:17 --> 00:45:20: have been very undersupplied over the course of the past
00:45:20 --> 00:45:20: several years.
00:45:21 --> 00:45:23: But I think when you look at, you know, the
00:45:23 --> 00:45:26: demographic trends that are really driving a lot of our
00:45:26 --> 00:45:29: sectors, it's really, you know, a subset of all of
00:45:29 --> 00:45:31: the things you've seen in the report with respect to
00:45:31 --> 00:45:34: even looking at, you know, pockets of Germany that have
00:45:34 --> 00:45:37: seen, you know, a very high levels of migration, both
00:45:37 --> 00:45:40: economic and political, which have caused, you know, pressures on

00:45:40 --> 00:45:43:	the, the, the healthcare, education and housing system that creates,
00:45:43 --> 00:45:45:	you know, investment opportunities.
00:45:46 --> 00:45:49:	And also the opportunities that are presented themselves through the
00:45:49 --> 00:45:50:	capital market dislocation.
00:45:50 --> 00:45:54:	You know, the, the, the, the, the repricing that's occurred,
00:45:54 --> 00:45:58:	the deleveraging that's continuing to occur across Europe, that's providing
00:45:58 --> 00:46:01:	some very, very attractive, you know, pockets of opportunity when
00:46:01 --> 00:46:02:	coupled with.
00:46:02 --> 00:46:04:	If, if we can hold that thought because we've had
00:46:04 --> 00:46:06:	a few questions that have come through on that and
00:46:06 --> 00:46:08:	I'm going to, I'm going to bring that up next.
00:46:08 --> 00:46:11:	But, but I just wondered, Martina, if you can comment
00:46:11 --> 00:46:14:	a bit around the industrial logistics segment and how you're
00:46:14 --> 00:46:17:	seeing the rent growth of the income prospect.
00:46:17 --> 00:46:20:	And if there's any market nuance that, that that you're
00:46:20 --> 00:46:22:	seeing or areas where I, I know you mentioned earlier
00:46:22 --> 00:46:26:	that you're aligned more towards the e-commerce of the consumption
00:46:26 --> 00:46:27:	side of the logistics supply chain.
00:46:27 --> 00:46:30:	So just curious to see kind of from your perspective
00:46:30 --> 00:46:32:	in in that segment where the best prospects are going
00:46:32 --> 00:46:33:	forward?
00:46:33 --> 00:46:34:	Yeah, I'm happy to do that.
00:46:34 --> 00:46:37:	I mean, consumers have surprised on the upside.
00:46:37 --> 00:46:40:	You know, in the US and in Europe, retail sales
00:46:40 --> 00:46:44:	have outperformed expectations and consumer confidence is rising.
00:46:44 --> 00:46:48:	So the utilization in our warehouses is ticking up.
00:46:49 --> 00:46:52:	We've seen a normalizing off demand, I mean after the
00:46:52 --> 00:46:55:	frenzied COVID area obviously a few years ago.
00:46:55 --> 00:46:59:	So our customers are focused on efficiencies and are taking
00:46:59 --> 00:47:02:	longer to take decisions given the uncertainties that were described,
00:47:03 --> 00:47:06:	geopolitics, macroeconomic environment and so on and so forth.
00:47:06 --> 00:47:10:	And they were still growing into space, into their space
00:47:10 --> 00:47:10:	capacity.
00:47:11 --> 00:47:14:	But on the other hand, they need to build resilience
00:47:14 --> 00:47:17:	as well, right, given the supply chain shocks that we
00:47:17 --> 00:47:20:	have also seen over the last number of years.

00:47:20 --> 00:47:23: So as I pointed out beforehand, there's certainly a flight
00:47:23 --> 00:47:27: to quality location becomes ever more important being in the
00:47:27 --> 00:47:30: right location very close into the end consumers.
00:47:30 --> 00:47:35: There is obviously limited supply available and the customer preference
00:47:35 --> 00:47:39: is urban, you know urban locations closer and to customers,
00:47:39 --> 00:47:42: you know higher service levels for you know next day
00:47:42 --> 00:47:45: or same day delivery and so on and so forth.
00:47:45 --> 00:47:48: So, so that's definitely a trend that continues.
00:47:48 --> 00:47:51: They are prepared to pay a higher end for that
00:47:51 --> 00:47:54: and GPS that have portfolios and assets in the right
00:47:54 --> 00:47:55: locations.
00:47:55 --> 00:47:59: If you add on, you know the ESG aspect that
00:47:59 --> 00:48:03: Matthew Matthew mentioned earlier on, I mean if you have
00:48:03 --> 00:48:07: a portfolio that you know has those features and you
00:48:07 --> 00:48:11: know 75% of our customers have a net zero goal.
00:48:12 --> 00:48:15: So those GPS are probably going to do very well
00:48:15 --> 00:48:19: and you know going to generate a very attractive rental
00:48:19 --> 00:48:20: income.
00:48:21 --> 00:48:23: We are very positive about the sector.
00:48:23 --> 00:48:26: You know, values have been coming down pretty significantly, 20%
00:48:26 --> 00:48:27: or so.
00:48:27 --> 00:48:30: You know, the market vacancy is at or near peak.
00:48:31 --> 00:48:32: I'm talking globally here.
00:48:32 --> 00:48:37: Global rents are bottoming probably somewhere around the middle of
00:48:37 --> 00:48:37: 2025.
00:48:38 --> 00:48:42: Starts are significantly down and delivery deliveries are beginning to
00:48:42 --> 00:48:44: fall below pre COVID levels.
00:48:44 --> 00:48:50: So all of that makes for an attractive entry point
00:48:50 --> 00:48:51: into the sector.
00:48:54 --> 00:48:54: Thanks.
00:48:54 --> 00:48:57: There are a lot of questions that have come through
00:48:57 --> 00:49:00: on some of the challenges that we're facing as an
00:49:00 --> 00:49:04: industry in regards to ESG, everything from reaching the environmental
00:49:04 --> 00:49:08: criteria to the social impact, lack of insurance costs, affordability
00:49:08 --> 00:49:08: issues.
00:49:09 --> 00:49:12: Can I ask each each of you to comment around
00:49:12 --> 00:49:16: what the key ESG risks, challenges and ultimately

opportunities are
00:49:16 --> 00:49:18: within your segment of the market?
00:49:20 --> 00:49:22: I'm happy to kick off Justin.
00:49:22 --> 00:49:26: I think the decarbonization, if you want to focus, if
00:49:26 --> 00:49:28: you feel ESG is too broad of a term, then
00:49:28 --> 00:49:33: you know, don't get yourself distracted, distracted with too much
00:49:33 --> 00:49:36: and don't get hang hung up with the ESG or
00:49:36 --> 00:49:37: sustainability.
00:49:38 --> 00:49:43: Well, dilemma in the sense that it's not welcome maybe
00:49:43 --> 00:49:43: everywhere.
00:49:44 --> 00:49:47: Decarbonisation is something you can easily focus on.
00:49:47 --> 00:49:50: It's not an easy thing to deliver on, I'm pretty
00:49:50 --> 00:49:51: sure we all understand that.
00:49:52 --> 00:49:55: But you can't lose your focus on it.
00:49:55 --> 00:49:59: It will take a long period of time before assets
00:49:59 --> 00:50:03: are decarbonised and if you get distracted you lose valuable
00:50:03 --> 00:50:04: time to deliver on that.
00:50:05 --> 00:50:07: It's not about, you know, wasting money on it, it's
00:50:07 --> 00:50:11: about carefully planning and carefully monitoring how you're reducing the
00:50:11 --> 00:50:12: carbon footprint.
00:50:13 --> 00:50:15: So if you are ever in doubt, I would say
00:50:15 --> 00:50:19: decarbonisation is something to be delivering on over longer period
00:50:19 --> 00:50:22: of time and to be focused on already today.
00:50:23 --> 00:50:27: Yeah, go ahead, go ahead.
00:50:28 --> 00:50:30: Well, I just wanted to build on what my chair
00:50:30 --> 00:50:33: was saying because I have slightly brought a few than
00:50:33 --> 00:50:34: decarbonization.
00:50:34 --> 00:50:37: I see his point because I think whether you like
00:50:37 --> 00:50:40: it or not and I think we see it all
00:50:40 --> 00:50:42: around us now every day almost.
00:50:42 --> 00:50:45: It's floods here that nobody predicted.
00:50:45 --> 00:50:50: I would not underestimate the physical climate risk and then
00:50:50 --> 00:50:53: maybe even your asset is fine because you took the
00:50:53 --> 00:50:54: measures.
00:50:54 --> 00:50:58: Also the area around is critically important and the potential
00:50:58 --> 00:51:02: business interruption risk related to that if things happen or
00:51:02 --> 00:51:05: if access roads are blocked or whatever.
00:51:05 --> 00:51:08: So I think and the positive side of that I
00:51:08 --> 00:51:12: think is there's a lot of potential benefits to if
00:51:12 --> 00:51:17: you focus on decarbonization, it's also good for biodiversity.

00:51:17 --> 00:51:21: So there's there's the links that we need to make.
00:51:21 --> 00:51:24: And I would say the biggest area to focus on
00:51:24 --> 00:51:28: and obviously that's easy for me to say is sort
00:51:28 --> 00:51:32: of taking following what Mature said in the beginning is
00:51:32 --> 00:51:34: focus on that long term risk.
00:51:34 --> 00:51:38: I think the industry is still obsessed with the current
00:51:38 --> 00:51:41: valuation and for obvious reasons, I know that.
00:51:42 --> 00:51:45: But if it's not in the valuation, it doesn't mean
00:51:45 --> 00:51:46: it's not there.
00:51:46 --> 00:51:51: And therefore, I would encourage everyone to take holistic perspective
00:51:51 --> 00:51:54: on the real value of your asset because these risks
00:51:54 --> 00:51:55: are already there.
00:51:56 --> 00:52:00: And obviously, we've seen pretty muted transaction market over the
00:52:00 --> 00:52:04: last few years where it wasn't really visible what was
00:52:04 --> 00:52:07: happening on the climate change and decarbonization side.
00:52:08 --> 00:52:11: And if we're now hopefully coming back to a market
00:52:11 --> 00:52:15: with higher activity, it might look quite different from what
00:52:15 --> 00:52:18: it looks when we sort of stop doing transactions in
00:52:18 --> 00:52:21: the way that some of these climate risks are being
00:52:21 --> 00:52:22: priced in.
00:52:24 --> 00:52:24: Yeah.
00:52:24 --> 00:52:27: And maybe just to pick up, I mean ESG related
00:52:27 --> 00:52:30: decision making has been, you know, an embedded part of
00:52:30 --> 00:52:33: our business for for well over a decade now.
00:52:34 --> 00:52:37: And the reason for that is that we're building predominantly
00:52:37 --> 00:52:41: places for people to live, work, educate, get healthcare in
00:52:41 --> 00:52:45: and therefore choosing the right materials, the right building practices.
00:52:45 --> 00:52:49: It has been embedded in our business, you know, since
00:52:49 --> 00:52:49: day one.
00:52:50 --> 00:52:53: So we've been very much at the forefront of adopting,
00:52:53 --> 00:52:58: you know, new methodologies, accountability, holding ourselves accountable to investors
00:52:58 --> 00:53:01: and, and, and certainly the highest levels of regulation in
00:53:01 --> 00:53:02: all of our funds.
00:53:02 --> 00:53:04: And, and I think that's where we leave the market
00:53:04 --> 00:53:07: and send your alternatives with some of the best ESG
00:53:07 --> 00:53:07: credentials.
00:53:08 --> 00:53:11: I think we are obviously seeing a huge focus on
00:53:11 --> 00:53:14: on brown discounts at the moment, especially as some of
00:53:14 --> 00:53:17: the older assets are you know, it's starting to be

00:53:17 --> 00:53:19: priced in terms of how much it's going to cost
00:53:20 --> 00:53:22: to convert those and improve those.
00:53:22 --> 00:53:25: And therefore I think in the investments world that is
00:53:25 --> 00:53:28: creating a headache for those that are owning older assets
00:53:28 --> 00:53:32: that need investments where capital isn't available, but also that's
00:53:32 --> 00:53:36: an opportunity for investors to acquire and and turn around
00:53:36 --> 00:53:38: and improve investments as well.
00:53:38 --> 00:53:40: So I think for us ESG is embedded in our
00:53:40 --> 00:53:41: business.
00:53:41 --> 00:53:43: It's not a a team that sits in a closed
00:53:43 --> 00:53:45: office at the end of the corridor.
00:53:45 --> 00:53:48: You know, it's a team that's actually embedded in our
00:53:48 --> 00:53:51: acquisition, our investment and our asset management teams from day
00:53:51 --> 00:53:53: one and it's and it's proved to be value additive.
00:53:53 --> 00:53:55: We did a review just recently in terms of all
00:53:55 --> 00:53:58: the initiatives that we've done and it's been turned out
00:53:58 --> 00:54:01: to add several $100 million to the underlying value of
00:54:01 --> 00:54:01: our assets.
00:54:02 --> 00:54:03: Thanks, Paul.
00:54:03 --> 00:54:04: I, I, I want to pick up on, on one
00:54:04 --> 00:54:06: of the points that you made, which was the Brown
00:54:06 --> 00:54:06: discount.
00:54:06 --> 00:54:10: We've had a number of questions that have come through
00:54:10 --> 00:54:14: linking up I think to part of Gareth's presentation where
00:54:14 --> 00:54:17: he acknowledged one of the survey results was a growing
00:54:17 --> 00:54:19: availability of debt capital.
00:54:20 --> 00:54:24: And there's questions coming through around to what extent are
00:54:24 --> 00:54:25: we seeing distress?
00:54:26 --> 00:54:29: Is it triggered by leverage coming due and the, the,
00:54:29 --> 00:54:33: the, the funding gap that seems to be alleviating somewhat
00:54:33 --> 00:54:37: on the back of this lower rate environment, but it's
00:54:37 --> 00:54:38: still pretty relevant.
00:54:39 --> 00:54:41: And are you expecting or are you anticipating to see
00:54:41 --> 00:54:45: distressed investment opportunities or significant discount investment opportunities?
00:54:46 --> 00:54:48: Or conversely, is it more of a good vintage to
00:54:48 --> 00:54:51: start thinking about getting back into the core end of
00:54:51 --> 00:54:54: the risk spectrum and taking the vintage risk or the
00:54:54 --> 00:54:56: vintage opportunity that we see?
00:54:56 --> 00:54:58: So I'm going to provide each of you with a

00:54:58 --> 00:55:01: hypothetical billion euros to spend, but you have to spend
00:55:01 --> 00:55:03: it in the next 18 months.
00:55:03 --> 00:55:06: Where do you see the best risk reward and where
00:55:06 --> 00:55:10: would you be focusing both sectorally and from a market
00:55:10 --> 00:55:10: perspective?
00:55:10 --> 00:55:12: And I acknowledge we might hear a lot of living,
00:55:12 --> 00:55:15: we might hear a lot of logistics given the perspectives
00:55:15 --> 00:55:15: that are there.
00:55:15 --> 00:55:18: But I think it's still interesting to to to hear
00:55:18 --> 00:55:20: where you'd all be shopping and, and we'll wrap up
00:55:20 --> 00:55:22: with the the end of the conversation there.
00:55:25 --> 00:55:28: Happy to go out to consume the airwaves, but maybe
00:55:28 --> 00:55:31: maybe just very quickly, I think I would allocate that
00:55:31 --> 00:55:35: capital through a mixture of both opportunistic and coal.
00:55:35 --> 00:55:37: Coal because I think in a lot of our alternative
00:55:38 --> 00:55:41: sectors, we've seen a huge amount of repricing coupled with
00:55:41 --> 00:55:46: very, very strong underlying fundamentals in terms of operational strengths,
00:55:46 --> 00:55:49: high rent growth, very, very poor rentals demand supply on
00:55:49 --> 00:55:52: the on the, on the on the asset side of
00:55:52 --> 00:55:52: things.
00:55:53 --> 00:55:55: And therefore, I think when you know, couple that with
00:55:55 --> 00:55:58: the the vintage now and the potential repricing that will
00:55:58 --> 00:56:00: occur over the next three to five to 10 years,
00:56:00 --> 00:56:03: I think that is a makes the core opportunity right
00:56:03 --> 00:56:05: now an incredibly attractive vintage.
00:56:05 --> 00:56:07: But I think you know given a lot of the
00:56:07 --> 00:56:11: demand, supply imbalances across Europe, there are very, very, very
00:56:11 --> 00:56:15: attractive opportunistic markets to look at where supply just doesn't
00:56:15 --> 00:56:15: exist.
00:56:15 --> 00:56:17: Demand is outstripping what is there.
00:56:17 --> 00:56:21: We're seeing very compelling investment markets and with an ever
00:56:21 --> 00:56:24: improving capital market environment, I think that's also making some
00:56:24 --> 00:56:27: very attractive opportunistic markets as well.
00:56:28 --> 00:56:28: Thanks, Paul.
00:56:30 --> 00:56:31: Maybe on my side.
00:56:31 --> 00:56:35: I mean, you know, repricing, at least in our sector,
00:56:35 --> 00:56:36: is largely behind us.
00:56:36 --> 00:56:39: You know, valuations, as I pointed out, have bottomed

interest
00:56:39 --> 00:56:42: rates seem to be moving in the right direction.
00:56:42 --> 00:56:46: The denominator effect that held a lot of investors, you
00:56:46 --> 00:56:49: know, led to a lot of, you know, reduction in,
00:56:49 --> 00:56:51: in, in real estate allocation.
00:56:51 --> 00:56:53: And so that's all behind us.
00:56:53 --> 00:56:55: And so I clearly see from where I sit an
00:56:55 --> 00:57:00: improving investor sentiment and gradually is grad capital is gradually
00:57:00 --> 00:57:02: coming back into the core, core plus space.
00:57:02 --> 00:57:06: You know, there's an uptick investor activity and we also
00:57:06 --> 00:57:07: see some larger tickets.
00:57:07 --> 00:57:11: I mean it's mainly the Europeans and the Asians that
00:57:11 --> 00:57:15: are active less so the Americans that'll probably take a
00:57:15 --> 00:57:18: little bit more time and and mostly we see demand
00:57:18 --> 00:57:20: for Europe and for the US.
00:57:20 --> 00:57:23: So despite all of the market uncertainties that are still
00:57:23 --> 00:57:26: out there that we discussed and so on and so
00:57:26 --> 00:57:29: forth, we have certainly had a pretty good capital raising
00:57:29 --> 00:57:30: year this year.
00:57:30 --> 00:57:33: So year to date, we've raised more capital than in
00:57:33 --> 00:57:35: all of 2022 and 23 together.
00:57:35 --> 00:57:38: So that kind of shows you that couple is coming
00:57:38 --> 00:57:38: back.
00:57:38 --> 00:57:41: So I'm very positive that there is more good news
00:57:41 --> 00:57:42: around the horizon.
00:57:42 --> 00:57:43: Thanks, Martina.
00:57:44 --> 00:57:45: Material is that.
00:57:46 --> 00:57:50: Yeah, Justin, we're already well positioned when it comes to living.
00:57:50 --> 00:57:50: living.
00:57:50 --> 00:57:53: 50% of our portfolio is in living already and shy
00:57:53 --> 00:57:55: of 30% in logistics.
00:57:55 --> 00:57:57: So that's not the focus area.
00:57:58 --> 00:58:00: We like the sectors very much.
00:58:00 --> 00:58:04: So our focus is more on officers retail because we're
00:58:04 --> 00:58:07: very light on these two sectors.
00:58:07 --> 00:58:09: And we believe that over the coming period of time
00:58:09 --> 00:58:12: there will definitely be very interesting opportunities in these sectors
00:58:12 --> 00:58:13: for us.
00:58:14 --> 00:58:19: And the alternatives, we are very actively pursuing, well, quite
00:58:19 --> 00:58:21: a few of the sectors to watch on your list

00:58:22 --> 00:58:26: in active discussions because we like the alternatives for this,
00:58:26 --> 00:58:30: well, for the reasons that Paul have already has already
00:58:30 --> 00:58:30: explained.
00:58:31 --> 00:58:33: So that is what we expect to be adding because
00:58:33 --> 00:58:36: they come with platforms and it's the way we like
00:58:36 --> 00:58:37: to invest into these strategies.
00:58:39 --> 00:58:39: Thanks, Matthew.
00:58:41 --> 00:58:45: Yeah, now they're non expert is is speaking and I
00:58:45 --> 00:58:50: would address it more from what's needed perspective in our
00:58:50 --> 00:58:53: cities and and the place where we live, work and
00:58:53 --> 00:58:54: play.
00:58:54 --> 00:58:58: And I would say the focus is really on future
00:58:58 --> 00:59:03: proofing or or centres or cities, which means some upgrading
00:59:03 --> 00:59:06: offices as we referred from mature.
00:59:06 --> 00:59:10: But I think it's also on the retail side, a
00:59:10 --> 00:59:15: lot of repurposing, adding more mixed-use and integrating much more
00:59:15 --> 00:59:20: residential informer either business areas or centres.
00:59:20 --> 00:59:24: And I think that makes of living across the different
00:59:24 --> 00:59:29: affordability levels is extremely important because I think this will
00:59:29 --> 00:59:34: benefit everyone because it keeps the city's vibrant and lively
00:59:34 --> 00:59:36: for the long term.
00:59:36 --> 00:59:39: And I think that ultimately underpins value for everyone.
00:59:41 --> 00:59:42: Thanks, Suzette.
00:59:43 --> 00:59:45: So I think we'll wrap it up there.
00:59:45 --> 00:59:48: I know there are a number of ULI events that
00:59:48 --> 00:59:51: are coming up, so we'll put that up on screen
00:59:51 --> 00:59:52: as we speak.
00:59:53 --> 00:59:55: So with that, I'd like to thank my panelists.
00:59:55 --> 00:59:58: I think there's a lot of interesting takeaways around this
00:59:58 --> 01:00:01: year's Emerging Trends in Real Estate report and the fact
01:00:01 --> 01:00:03: that cautious optimism.
