Webinar

ULI Europe and PwC Emerging Trends 2026 Report Launch

Date: November 04, 2025

00:00:00 --> 00:00:03:	Hello and good afternoon everyone, and thank you very much
00:00:03 --> 00:00:06:	for joining the launch of the 2026 ULIPWC Emerging Trends
00:00:06 --> 00:00:08:	in Real Estate Europe report.
00:00:08 --> 00:00:11:	My name is Oliver Kummerfeld, I'm the head of European
00:00:11 --> 00:00:13:	Real Estate Research here at Trotas Capital.
00:00:13 --> 00:00:16:	And thank you to the ULR and PwC for inviting
00:00:16 --> 00:00:17:	me along today.
00:00:18 --> 00:00:20:	Now, this year's Emerging Trends in Real Estate report finds
00:00:20 --> 00:00:23:	the industry shifting from last year's cautious optimism to something
00:00:23 --> 00:00:24:	more pragmatic.
00:00:25 --> 00:00:29:	Though the likelihood of investment activity bouncing back strongly, it's
00:00:29 --> 00:00:32:	probably still impacted by a lot of economic uncertainty and
00:00:32 --> 00:00:33:	geopolitical tensions.
00:00:33 --> 00:00:36:	But a report also finds that industry professionals seem to
00:00:36 --> 00:00:39:	be coming to terms with a prolonged transitional period for
00:00:39 --> 00:00:42:	real estate following the reversal, or moderation, if you want,
00:00:42 --> 00:00:45:	of previous tailwinds, including a long period of very low
00:00:45 --> 00:00:47:	interest rates and of course, globalization.
00:00:48 --> 00:00:50:	All of this is happening while the industry seems to
00:00:50 --> 00:00:53:	be forced to refine and reemphasis the value proposition of
00:00:53 --> 00:00:55:	the asset class in the face of competition from other
00:00:55 --> 00:00:58:	asset class or quickly growing as a class like infrastructure.
00:00:58 --> 00:01:01:	Or if you have been in real estate research for
00:01:01 --> 00:01:04:	as long as I've been, the old why real estate,
00:01:04 --> 00:01:07:	why now, Now the agenda for today's session will involve
00:01:07 --> 00:01:10:	first a presentation of the report's key findings and then
00:01:10 --> 00:01:12:	followed by a panel discussion.
00:01:12 --> 00:01:15:	There is also AQ and a feature in Zoom.
00:01:15 --> 00:01:17:	So if you'd like to submit any questions, please do

00:01:17 --> 00:01:20: and we'll try to address these if we have time
00:01:20 --> 00:01:21: during the discussion.
00:01:21 --> 00:01:25: Now, I'm very delighted to introduce Gareth Lewis from PwC,
00:01:25 --> 00:01:27: who will get us started by talking us through this
00:01:27 --> 00:01:29: year's Emerging Trends report.
00:01:29 --> 00:01:30: Gareth, over to you.
00:01:34 --> 00:01:36: Thanks, Oliver, and good afternoon everyone.
00:01:37 --> 00:01:40: I'm Gareth Lewis from PWC's Real Estate team, and it's
00:01:40 --> 00:01:43: my pleasure to introduce you to the highlights of this
00:01:43 --> 00:01:46: year's Emerging Trends in Real Estate Europe 2026 report.
00:01:47 --> 00:01:50: I first want to take the opportunity to thank Lizette
00:01:50 --> 00:01:54: van Dorn, Simon Chin and the ULI team for another
00:01:54 --> 00:01:56: successful collaboration, PwC.
00:01:56 --> 00:01:59: We really appreciate our partnership with the ULI across all
00:01:59 --> 00:02:01: of the emerging Trends publications.
00:02:02 --> 00:02:04: And I'd also like to thank all of those who
00:02:04 --> 00:02:06: took part in the research in the research and I'm
00:02:07 --> 00:02:09: sure that includes many of you on this webinar today.
00:02:10 --> 00:02:14: Next slide, please, and the next slide.
00:02:14 --> 00:02:15: Thank you.
00:02:17 --> 00:02:20: So Emerging Trends in Real Estate is a joint report
00:02:20 --> 00:02:23: delivered by the ULI and PwC for the past 23
00:02:23 --> 00:02:23: years.
00:02:23 --> 00:02:25: So that's since 2003.
00:02:25 --> 00:02:28: It's surveyed the trends and outlook for European real estate
00:02:28 --> 00:02:30: for both the near term and the long term.
00:02:31 --> 00:02:34: The report is widely recognised as a key indicator of
00:02:34 --> 00:02:37: real estate sentiment and that's down to the level of
00:02:37 --> 00:02:40: engagement we get from the industry and people's willingness to
00:02:40 --> 00:02:41: to share their views.
00:02:41 --> 00:02:43: And that high level of engagement is one of the
00:02:43 --> 00:02:45: benefits of the ULI and PwC partnership.
00:02:46 --> 00:02:49: And this year's emerging trends reflects the views of just
00:02:49 --> 00:02:54: under 1300 senior real estate executives who completed surveys, were
00:02:54 --> 00:02:57: interviewed or took part in a series of round table
00:02:57 --> 00:02:58: meetings.
00:02:59 --> 00:02:59: Next slide please.
00:03:03 --> 00:03:05: So on to that's the highlights.
00:03:06 --> 00:03:09: The overriding sentiment for European real estate in 2026, as
00:03:10 --> 00:03:14: Oliver mentioned, is shifting from last year's courtships cautious optimism

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

construction costs and
00:05:05 --> 00:05:06: regulation.
00:05:06 --> 00:05:09: And given that these external factors are unlikely to improve
00:05:09 --> 00:05:13: the outlook for real estate materially, industry leaders acknowledged that
00:05:13 --> 00:05:15: they need to get to grips with the market as
00:05:15 --> 00:05:15: it stands.
00:05:15 --> 00:05:19: So that element of realism and pragmatism, and this is
00:05:19 --> 00:05:22: pushing real estate leaders to rethink how to operate and
00:05:23 --> 00:05:26: to redefine the value proposition of the asset class.
00:05:26 --> 00:05:29: And that's influenced in part also by the increase in
00:05:29 --> 00:05:31: competition from infrastructure.
00:05:31 --> 00:05:32: Next slide please.
00:05:35 --> 00:05:39: And this slide zeroes in on three specific areas of
00:05:39 --> 00:05:44: concern, international and European political uncertainty and DE globalization tracking
00:05:44 --> 00:05:46: back from 2019 to 2026.
00:05:47 --> 00:05:50: And it's been a general upward trend of increasing concern.
00:05:50 --> 00:05:54: But telling me that number of respondents concerned about de
00:05:54 --> 00:05:58: globalization has more than doubled over the past three surveys,
00:05:58 --> 00:06:02: jumping from 31% to 70% and reflecting reversal of one
00:06:02 --> 00:06:05: of properties long established tailwinds.
00:06:05 --> 00:06:10: Geopolitics clearly continues to impact sentiment, but the US situation
00:06:10 --> 00:06:12: is an area where it's much harder to unpick the
00:06:12 --> 00:06:17: net impact for European real estate, particularly regarding its unpredictable
00:06:17 --> 00:06:20: economy and rapidly evolving tariff policy.
00:06:20 --> 00:06:25: Some interviews suggest that US unpredictability may encourage European focused
00:06:25 --> 00:06:26: deals in 26.
00:06:26 --> 00:06:29: However, the global governance of the US economy makes it
00:06:29 --> 00:06:33: harder to extract Europe from its influence, whether that's good
00:06:33 --> 00:06:33: or bad.
00:06:33 --> 00:06:36: And Europe is caught in that crossfire between East and
00:06:36 --> 00:06:39: West, making it harder to plot a clear course.
00:06:40 --> 00:06:41: Next slide, please.
00:06:44 --> 00:06:46: But what is clear is that the US situation did
00:06:46 --> 00:06:50: play a role in installing momentum in transaction activity in
00:06:50 --> 00:06:53: the first quarter of 2025, which had been building in
00:06:53 --> 00:06:56: the most liquid markets like the UK, Germany, Netherlands

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

00:08:42 --> 00:08:44: And this chart shows the overall city rankings for investment

00:08:44 --> 00:08:47: and development prospects for the year ahead.

00:08:48 --> 00:08:51: Even beyond the country level, industry leaders believe there needs

00:08:51 --> 00:08:53: to be a selective focus on city and regions that

00:08:53 --> 00:08:56: combine liquidity with the strongest growth prospects.

00:08:56 --> 00:09:00: So it's no surprise, therefore, that London, Madrid, Paris and

00:09:00 --> 00:09:04: Berlin lead the city rankings for the 4th consecutive year.

00:09:04 --> 00:09:07: But in each case, interviewees make it a clear distinction

00:09:07 --> 00:09:10: between a city's economic growth and a more mixed outlook

00:09:10 --> 00:09:11: for the country as a whole.

00:09:13 --> 00:09:16: Other notable mentions go to Madrid, which has cemented its

00:09:16 --> 00:09:19: position of second in the rankings for the second year

00:09:19 --> 00:09:21: running, and Amsterdam, up one place to 5th.

00:09:21 --> 00:09:24: Both of those praised for their liquidity allied to a

00:09:24 --> 00:09:25: strong economic growth story.

00:09:27 --> 00:09:27: Next slide please.

00:09:31 --> 00:09:35: But investors into European real estate remain most likely to

00:09:35 --> 00:09:39: favour a sector focused approach when allocating capital in 2026.

00:09:39 --> 00:09:43: More than 40% ranking in their top criteria a lot,

00:09:43 --> 00:09:46: while 18% rank it as their top priority.

00:09:47 --> 00:09:51: The need for geographical and sector diversification is a recurring

00:09:51 --> 00:09:55: theme, but it's also evident that the industry is looking

00:09:55 --> 00:09:58: to the long term and placing greater emphasis on secular

00:09:58 --> 00:10:02: trends, demographics, digitalisation and decarbonisation.

00:10:03 --> 00:10:07: Though still attracting relatively little capital today, niche operational sectors

00:10:07 --> 00:10:08: dominate the rankings again.

00:10:09 --> 00:10:13: Data centres, new energy infrastructure and student housing once again

00:10:13 --> 00:10:16: lead the way in signalling the direction in the industry's

00:10:16 --> 00:10:17: direction of travel.

00:10:19 --> 00:10:23: Of the traditional real estate sectors, offices, industrial, logistics and

00:10:23 --> 00:10:26: retail all sit within the lower reaches of the rankings,

00:10:26 --> 00:10:29: and it's only residential that bucks the trend, representing five

00:10:30 --> 00:10:31: of those top 10 sectors.

00:10:31 --> 00:10:32: And next slide, please.

00:10:36 --> 00:10:40: According to a number of investment leaders, the industry's secular

00:10:40 --> 00:10:43: themes are driving the lion's share of real estate investment

00:10:43 --> 00:10:46: and strategies loosely defined as the 3DS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

00:14:11 --> 00:14:15:	through supporting ongoing urbanization, energy transition, digitalization and AI and
00:14:15 --> 00:14:18:	strengthening our defence and knowledge ecosystems.
00:14:19 --> 00:14:22:	And with that, I'll thank you all for listening and
00:14:22 --> 00:14:24:	hand you back to Oliver now to take us through
00:14:24 --> 00:14:27:	the the panel discussion and reflect on these findings.
00:14:28 --> 00:14:28:	Thank you.
00:14:34 --> 00:14:35:	Thank you, Gareth.
00:14:36 --> 00:14:39:	Definitely a lot to to unpack here in this in
00:14:39 --> 00:14:43:	this fascinating report at at an interesting time again, and
00:14:43 --> 00:14:47:	I'm looking forward to discussing this now with our brilliant
00:14:47 --> 00:14:47:	panel here.
00:14:48 --> 00:14:50:	Can I just start by asking each of the panel
00:14:50 --> 00:14:54:	members just to briefly introduce yourself and maybe even already
00:14:54 --> 00:14:57:	sort of, you know, pick up on some of the
00:14:57 --> 00:14:57:	points.
00:14:57 --> 00:15:00:	Is there anything here in particular that stands out that
00:15:00 --> 00:15:02:	did did surprise you or what's your biggest take away
00:15:02 --> 00:15:03:	from the report?
00:15:05 --> 00:15:06:	Lisa, do you want to go first?
00:15:09 --> 00:15:10:	Yeah, sure, Oliver.
00:15:11 --> 00:15:15:	Before responding, I would also like to thank Garrett and
00:15:15 --> 00:15:20:	his colleagues at PEWC for the collaboration now in it's
00:15:20 --> 00:15:21:	23rd year.
00:15:22 --> 00:15:26:	And of course, all participants, over 1000 people responded and
00:15:26 --> 00:15:30:	participated in interviews, surveys and round tables.
00:15:31 --> 00:15:33:	And we couldn't do this without you.
00:15:33 --> 00:15:37:	So we actually hope that we've reflected because that's always
00:15:37 --> 00:15:40:	the biggest challenge with emerging trends doing most of the
00:15:40 --> 00:15:41:	work in summer.
00:15:42 --> 00:15:45:	How do we remain relevant with kind of the law
00:15:45 --> 00:15:48:	as we've seen the last few years, things moving so
00:15:48 --> 00:15:52:	quickly and sort of reflecting on those results?
00:15:52 --> 00:15:55:	I actually think sort of defacing reality is some sort
00:15:56 --> 00:15:56:	of good news.
00:15:57 --> 00:16:00:	For the last few years, we've always said like if
00:16:00 --> 00:16:03:	this happens, it's going to move the real estate industry
00:16:03 --> 00:16:07:	forward again, if inflation comes down, if interest rates come
00:16:07 --> 00:16:11:	down, it's sort of there was always that external factor
00:16:11 --> 00:16:12:	that we need it.

00:16:12 --> 00:16:18: And now finally, the recognition that uncertainty will remain, whatever
00:16:18 --> 00:16:23: it may be, when it's geopolitical with economic impact or
00:16:23 --> 00:16:25: anything else.
00:16:25 --> 00:16:28: And that if you want to kind of stay in
00:16:28 --> 00:16:32: business, you need to act and sort of, I would
00:16:32 --> 00:16:36: say adapt to your organization to be able to to
00:16:36 --> 00:16:40: make a return from the current market circumstances.
00:16:40 --> 00:16:42: And that, I think, is good news.
00:16:45 --> 00:16:47: Yeah, I mean the report points out, you know, the
00:16:47 --> 00:16:51: participants seem to shift to a more pragmatic approach.
00:16:51 --> 00:16:54: Tony at at Hypen, do you feel more pragmatic?
00:16:54 --> 00:16:55: Is it?
00:16:55 --> 00:16:55: Is it?
00:16:55 --> 00:16:57: Is it hard to be pragmatic in these days?
00:17:00 --> 00:17:01: Hi, Oliver and hi everybody and thanks.
00:17:01 --> 00:17:02: Thanks for joining.
00:17:02 --> 00:17:05: I think I, I, it's actually very easy to be
00:17:05 --> 00:17:05: pragmatic.
00:17:05 --> 00:17:08: I think you can be pragmatic all the time.
00:17:08 --> 00:17:13: And I think that's generally the approach of most capital
00:17:13 --> 00:17:16: allocators I would think or at least hope so.
00:17:16 --> 00:17:19: I certainly, I don't, you know, in an attempt to
00:17:19 --> 00:17:22: always be pragmatic, I think right now it's a pretty
00:17:22 --> 00:17:23: compelling phase.
00:17:23 --> 00:17:25: And I think the word that Gareth used in one
00:17:25 --> 00:17:27: of the slides was transformative.
00:17:27 --> 00:17:29: And I, I feel the same way actually.
00:17:29 --> 00:17:32: We've got so many different themes running through our industry.
00:17:35 --> 00:17:38: We're becoming much more infrastructure like I think as an
00:17:38 --> 00:17:41: industry as we acknowledge and accept and take advantage of
00:17:41 --> 00:17:45: the operational elements of our business just as infrastructure did.
00:17:45 --> 00:17:49: So I think it's quite a compelling phase for all
00:17:49 --> 00:17:52: of us and for our industry.
00:17:52 --> 00:17:55: And I think the term cautious optimism, I think I've
00:17:56 --> 00:17:59: heard that at you know, various sessions over the last
00:17:59 --> 00:18:00: 12 to 18 months.
00:18:00 --> 00:18:02: And I think again, it's pretty easy to say that
00:18:03 --> 00:18:04: almost at any time.
00:18:04 --> 00:18:07: And, and I think historically, if you look at, I

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

00:19:59 --> 00:20:03: all the time, but there are opportunities particularly at scale,
00:20:03 --> 00:20:06: particularly you know in the public to private space.
00:20:06 --> 00:20:12: We're seeing people fair value opportunities becoming available.
00:20:12 --> 00:20:14: I still think there's a bit of a bid ask
00:20:14 --> 00:20:17: spread, particularly on, you know, smaller lot sizes, but.
00:20:19 --> 00:20:22: I think, you know, we are, we're starting to see
00:20:22 --> 00:20:24: those deals come through.
00:20:25 --> 00:20:27: Yeah, and Mania, you're quite closer to debt markets.
00:20:28 --> 00:20:30: Do you see more debt availability?
00:20:30 --> 00:20:33: Do you see debt capital available for real estate investment?
00:20:34 --> 00:20:34: Yeah.
00:20:34 --> 00:20:36: Hi everyone and pleasure to be here.
00:20:36 --> 00:20:40: So yeah, definitely I would say so debt capital markets
00:20:40 --> 00:20:42: have opened up.
00:20:42 --> 00:20:46: I think it sort of the level of competitiveness is
00:20:46 --> 00:20:50: different depending on where you're at in the cap stack
00:20:50 --> 00:20:54: and what type of assets you're financing.
00:20:54 --> 00:20:57: But I would say, you know if you're looking at
00:20:57 --> 00:21:00: sort of a more core, core, core plus side, you
00:21:00 --> 00:21:03: definitely have very active bid on the debt market.
00:21:04 --> 00:21:06: I think it is quite competitive.
00:21:06 --> 00:21:09: You have seen pricing move in for that debt and
00:21:09 --> 00:21:14: that obviously also makes transactions again more feasible.
00:21:15 --> 00:21:18: You know, I think on the transitional value add lending
00:21:18 --> 00:21:20: side, I think it really depends on the project.
00:21:20 --> 00:21:24: But you know with us being in that space, you
00:21:24 --> 00:21:28: see a high higher activity in terms of sponsors wanting
00:21:28 --> 00:21:32: to come back develop into markets which haven't seen a
00:21:32 --> 00:21:35: lot of product being delivered in the market.
00:21:35 --> 00:21:39: So they, they see again a positive business case for
00:21:39 --> 00:21:43: that and you know, we, we definitely have been pretty
00:21:43 --> 00:21:46: active this year on that side.
00:21:46 --> 00:21:49: So I would say, you know, from a transaction volume
00:21:49 --> 00:21:54: perspective, it's definitely improving from that perspective.
00:21:54 --> 00:21:54: Yeah.
00:21:55 --> 00:21:58: I think Joe, you sort of like briefly touched on
00:21:58 --> 00:22:01: it saying obviously since I guess spring 2022 we've seen
00:22:01 --> 00:22:05: what is significant correction in values, a slow recovery since
00:22:05 --> 00:22:08: autumn 2024 and markets seem to be just you know,
00:22:08 --> 00:22:09: still very, very cautious.
00:22:09 --> 00:22:11: But is there is in your opinion a window of

00:22:11 --> 00:22:14: opportunity to to access investment that improved pricing?
00:22:14 --> 00:22:14: Is there?
00:22:14 --> 00:22:15: Is there fair value to be had?
00:22:16 --> 00:22:19: Yeah, I, I think I, I do think so.
00:22:21 --> 00:22:25: One of the, the things that surprised me actually in
00:22:25 --> 00:22:29: the report was the on the sector side, the lack
00:22:29 --> 00:22:33: of kind of focus on the more traditional sectors, the
00:22:33 --> 00:22:37: office and the retail sectors, because that is where I
00:22:37 --> 00:22:40: think we are seeing most value.
00:22:41 --> 00:22:43: And one of the things that again comes out in
00:22:44 --> 00:22:47: your report is diversification is really the only kind of
00:22:47 --> 00:22:50: free lunch that we've had during this this period of
00:22:50 --> 00:22:50: time.
00:22:50 --> 00:22:53: So we've all been, you know, lots of asset classes
00:22:53 --> 00:22:57: have been sort of negatively impacted, but different asset classes
00:22:57 --> 00:22:59: have behaved differently.
00:22:59 --> 00:23:03: And so you've had income growth kind of compensating for
00:23:03 --> 00:23:04: cap rate sort of changes.
00:23:04 --> 00:23:09: And we've really seen that diversification across not only real
00:23:09 --> 00:23:13: estate, but our wider portfolio coming into play and really
00:23:13 --> 00:23:14: being very helpful.
00:23:15 --> 00:23:17: And I mean that not just in terms of sort
00:23:17 --> 00:23:20: of asset allocation, but also in terms of the diversification
00:23:20 --> 00:23:23: of your return makeup, the makeup of your return.
00:23:23 --> 00:23:27: So having, you know, some strong income, some you know,
00:23:27 --> 00:23:33: higher yielding, some development, but that overall diversification across risk
00:23:33 --> 00:23:37: and asset has been something that we've really seen a
00:23:37 --> 00:23:38: benefit in.
00:23:39 --> 00:23:42: So where I see the opportunities are those asset classes
00:23:42 --> 00:23:45: that have repriced more meaningfully that we, we are still
00:23:46 --> 00:23:49: and particularly from a European standpoint and, and I think
00:23:49 --> 00:23:52: manager just just noted it, you know, we're seeing a
00:23:52 --> 00:23:53: lot less development.
00:23:53 --> 00:23:56: Development really doesn't stack up in many places.
00:23:56 --> 00:23:59: So supply is constrained and so for us that's where
00:23:59 --> 00:24:02: I'm seeing a lot more, a lot more of that
00:24:02 --> 00:24:05: fair value coming through rather than some of the kind
00:24:05 --> 00:24:08: of sectors that are on your list that that seem
00:24:08 --> 00:24:12: to be much more growth orientated and and haven't had
00:24:12 --> 00:24:14: the same value kind of changes.

00:24:14 --> 00:24:16: So that was probably the biggest surprise for me.
00:24:16 --> 00:24:17: Yeah.
00:24:17 --> 00:24:19: Is that is that more focus on the income side
00:24:19 --> 00:24:21: for the immediate future then?
00:24:21 --> 00:24:24: Yeah, I think, I think it's just that, you know,
00:24:24 --> 00:24:28: we've seen a immediate income change in valuations on, on
00:24:28 --> 00:24:31: the more core or the more traditional sectors, let me
00:24:31 --> 00:24:32: call them.
00:24:33 --> 00:24:35: And you know, other sectors have held up.
00:24:35 --> 00:24:38: Their values are obviously great for my diversification benefit.
00:24:38 --> 00:24:40: But you know, you still have to believe in a
00:24:41 --> 00:24:43: lot of upside and growth in the future.
00:24:43 --> 00:24:46: And and that diversification of not having to believe all
00:24:46 --> 00:24:48: the time, having some strong income now, some income in
00:24:48 --> 00:24:51: the future, I thought that would come through a little
00:24:51 --> 00:24:51: bit more.
00:24:52 --> 00:24:54: Tony, I see you're noting you're agreeing.
00:24:55 --> 00:24:56: Yeah, I do.
00:24:56 --> 00:24:58: I think one thing I, I in fact, when Joe
00:24:58 --> 00:25:00: was saying that about the sectors, I thought she was
00:25:00 --> 00:25:02: going to pick up on a point that I'd also
00:25:02 --> 00:25:02: noticed.
00:25:02 --> 00:25:04: But, but you went in a completely different direction, Joe,
00:25:04 --> 00:25:06: quite understandably because you're right.
00:25:06 --> 00:25:09: And we haven't really been investing in the traditionals.
00:25:09 --> 00:25:11: In fact, we came out of most of our positions
00:25:11 --> 00:25:14: 5-6 years ago because we just couldn't see value there.
00:25:14 --> 00:25:18: So we've, we've found other, other ways to generate return
00:25:18 --> 00:25:20: so far at least in Europe.
00:25:20 --> 00:25:23: But I, I was in some ways I wasn't surprised
00:25:23 --> 00:25:26: by the dominance of data centres right at the top
00:25:26 --> 00:25:29: of the list because it makes sense, doesn't it?
00:25:29 --> 00:25:31: I think we'd all agree there's going to be more
00:25:31 --> 00:25:32: data in future than there is today.
00:25:32 --> 00:25:34: So there needs to be a provider.
00:25:34 --> 00:25:38: We struggle with that sector because of, I think, I
00:25:38 --> 00:25:41: think I'd, I'd be OK on the creation side.
00:25:41 --> 00:25:45: I just don't understand the investment side of that trade
00:25:45 --> 00:25:48: yet because of obsolescence risk and probably things I don't
00:25:48 --> 00:25:50: understand candidly.
00:25:50 --> 00:25:52: But I think that's the bit that worries me about
00:25:52 --> 00:25:53: those kinds of sectors.

00:25:53 --> 00:25:57: They're certainly very highly sought after very tightly bid.
00:25:58 --> 00:26:00: I think from our point of view stepping back from
00:26:00 --> 00:26:02: the market, I think fair value exists.
00:26:02 --> 00:26:05: I think we sort of passed you know this, this
00:26:05 --> 00:26:08: analogy I generally dislike but I understand it of catching
00:26:08 --> 00:26:08: a falling knife.
00:26:08 --> 00:26:12: I think we're way past that now and I think
00:26:12 --> 00:26:16: we are just focusing on higher growth sectors which are
00:26:16 --> 00:26:20: not correlated to GDP because I'm not a buyer of
00:26:20 --> 00:26:21: GDP in Europe.
00:26:22 --> 00:26:23: I think it's pretty uninteresting.
00:26:23 --> 00:26:26: It's not really going anywhere anytime soon.
00:26:26 --> 00:26:29: I wish it were different, but I mean GDP is
00:26:29 --> 00:26:30: pretty weak.
00:26:31 --> 00:26:34: So we're we should either be looking at, as Joe
00:26:34 --> 00:26:38: referenced, dislocated pricing on unloved assets or areas of the
00:26:38 --> 00:26:40: market that have had less capital.
00:26:40 --> 00:26:41: That makes sense.
00:26:42 --> 00:26:45: We have gone inside the other direction and just been
00:26:45 --> 00:26:47: backing our conviction on demographics.
00:26:47 --> 00:26:50: And the great thing about demographics is that it is
00:26:50 --> 00:26:54: so very predictable and you can see 5-10 years out
00:26:54 --> 00:26:58: with quite a lot of certainty which helps us underwrite
00:26:58 --> 00:27:01: in, in those sorts of parts of the market.
00:27:01 --> 00:27:04: So that's why we've been spending more of our time
00:27:04 --> 00:27:06: and we have witnessed a little bit of distress there.
00:27:06 --> 00:27:08: And I wouldn't say it's distress in terms of things
00:27:08 --> 00:27:09: falling over.
00:27:09 --> 00:27:12: I think it's just a, a, a lack of capital
00:27:12 --> 00:27:13: investment.
00:27:13 --> 00:27:15: So, you know, we've been able to be a a
00:27:16 --> 00:27:19: provider of liquidity in those particular circumstances.
00:27:20 --> 00:27:22: Yeah, I want to, I want to come back to
00:27:22 --> 00:27:24: the sectors in, in a few minutes again, but I'm
00:27:24 --> 00:27:27: just sticking a little bit for with the capital market
00:27:28 --> 00:27:29: side or capital flows as well.
00:27:30 --> 00:27:33: I mean looking at investment activity and you know you
00:27:33 --> 00:27:36: see the numbers from from MCI Garris short them as
00:27:36 --> 00:27:39: well, very low activity, still very low volumes.
00:27:39 --> 00:27:42: What would it take in your opinion for investment markets
00:27:42 --> 00:27:45: to really turn the corner and see sort of activity

00:27:45 --> 00:27:46: being being boosted?
00:27:46 --> 00:27:48: What is what is the capitalist, for example, for core
00:27:49 --> 00:27:51: capital to feel confident to come back to the market
00:27:51 --> 00:27:52: in a meaningful way?
00:27:56 --> 00:27:59: I think my sort of long term view on that
00:27:59 --> 00:28:03: Oliver is that core capital generally needs some kind of
00:28:03 --> 00:28:04: proxy.
00:28:04 --> 00:28:06: And I think I think if you sort of look
00:28:06 --> 00:28:09: at where fixed income is risk free rates have still
00:28:09 --> 00:28:11: been holding pretty high in Europe.
00:28:11 --> 00:28:15: So if you look at that, it's, it's less obvious
00:28:15 --> 00:28:19: to be a, let me say a broad allocator of
00:28:19 --> 00:28:20: core capital.
00:28:20 --> 00:28:24: I think there are significant opportunities to use core capital
00:28:24 --> 00:28:27: to be buying assets that are not often traded.
00:28:27 --> 00:28:30: I think that's a very reasonable position to take.
00:28:31 --> 00:28:34: But I've usually seen core capital being much more correlated
00:28:34 --> 00:28:37: with other asset classes and other instruments.
00:28:37 --> 00:28:40: And in some ways they they're in the equity space,
00:28:40 --> 00:28:44: but trying to identify assets that maybe have a bit
00:28:44 --> 00:28:47: more of a credit type risk in in their minds.
00:28:48 --> 00:28:51: So sort of lower octane positions, which at the moment,
00:28:51 --> 00:28:54: I think they're probably finding other avenues for that of
00:28:55 --> 00:28:57: which you know, one of them and we've talked about
00:28:57 --> 00:28:59: here a couple of times is infrastructure.
00:29:00 --> 00:29:04: There's far more core equity and infrastructure than there is
00:29:04 --> 00:29:05: in, in real estate.
00:29:05 --> 00:29:07: And I, I think that's just a reflection of where
00:29:07 --> 00:29:08: the industry is.
00:29:08 --> 00:29:11: And Joe's point of you can buy some pretty reliable
00:29:12 --> 00:29:15: income streams there, which I think in real estate still
00:29:15 --> 00:29:18: seem to be a little bit off in terms of
00:29:18 --> 00:29:19: pricing.
00:29:20 --> 00:29:21: Yeah, I would.
00:29:21 --> 00:29:21: I would.
00:29:21 --> 00:29:23: I would agree completely with that.
00:29:23 --> 00:29:26: I think the one thing that that real estate offers,
00:29:26 --> 00:29:30: obviously that the infrastructure also offers and that is that
00:29:30 --> 00:29:33: is the big kind of challenge for real estate is,
00:29:33 --> 00:29:35: is duration that you and you know, I think one
00:29:36 --> 00:29:39: of the things that has happened probably since this report

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

00:31:33 --> 00:31:37: have been enough yet to make that business case and
00:31:37 --> 00:31:41: a turn around for for example upgrading of offices to
00:31:41 --> 00:31:43: bring it back to core.
00:31:43 --> 00:31:46: So you could almost raise the question, what is pure
00:31:46 --> 00:31:48: core now that's available?
00:31:48 --> 00:31:52: Is it not that the, the, the dominant stock that
00:31:52 --> 00:31:56: is available needs work in one way or another to
00:31:56 --> 00:32:00: get back to core and then for the vote And
00:32:00 --> 00:32:04: we've seen that in the last few years already in
00:32:04 --> 00:32:08: emerging trends, all the top say 5 sectors are more.
00:32:08 --> 00:32:10: It's, it's a lot of wishful thinking.
00:32:10 --> 00:32:13: I think where and, and Joe called it hope before
00:32:13 --> 00:32:16: that people would like to get into.
00:32:16 --> 00:32:18: Ultimately we are testing the sentiment.
00:32:19 --> 00:32:23: This is not about transactions going into those different sectors.
00:32:24 --> 00:32:27: And I think that's an interesting one also, and especially
00:32:27 --> 00:32:30: if you compare it to the infrastructure being available and
00:32:30 --> 00:32:32: lots of real estate sectors now being said.
00:32:33 --> 00:32:34: Is IT infrastructure?
00:32:34 --> 00:32:35: Is it real estate?
00:32:36 --> 00:32:38: Different players view things differently.
00:32:38 --> 00:32:40: Student housing, what is it?
00:32:40 --> 00:32:43: And that's also where you have a lot of regulatory
00:32:43 --> 00:32:47: impact where, again, there's huge interest to invest, but it's
00:32:47 --> 00:32:49: sometimes harder to deploy.
00:32:50 --> 00:32:52: Well, the question here I guess is, you know, can,
00:32:53 --> 00:32:56: can capital actually be deployed to these sectors at scale
00:32:56 --> 00:32:59: because the interest is there, But you know, what can
00:32:59 --> 00:33:01: it, is it actually accessible, you know, in the, in
00:33:01 --> 00:33:04: the scale that a lot of investors are, you know,
00:33:04 --> 00:33:06: seeming to actively chase it?
00:33:07 --> 00:33:11: I I think public sector holds the key almost to
00:33:11 --> 00:33:15: a large extent as many of these sectors, whether it's
00:33:15 --> 00:33:20: data centres, new energy infrastructure has a regulatory component or
00:33:20 --> 00:33:22: government supporting component.
00:33:23 --> 00:33:26: And that's probably, and even to the extent of housing,
00:33:26 --> 00:33:29: especially if you go more affordable social.
00:33:31 --> 00:33:34: And that's why sometimes it's needed to help make the
00:33:34 --> 00:33:35: business case.
00:33:35 --> 00:33:39: Sometimes it's, it's sort of supporting the, the wider scale

00:33:39 --> 00:33:40: investment.
00:33:40 --> 00:33:44: So I think that definitely it's not just a private
00:33:44 --> 00:33:45: sector question.
00:33:47 --> 00:33:50: Yeah, what was a little bit surprising for me was
00:33:50 --> 00:33:53: like, I think logistics, you know, has been the darling
00:33:53 --> 00:33:55: of real estate investors, you know, in recent years and
00:33:56 --> 00:33:58: it looks like it's fallen somewhat out of out of
00:33:58 --> 00:33:59: favour here.
00:33:59 --> 00:34:02: What what are your, what are your views here on,
00:34:02 --> 00:34:06: on logistics and the future of logistics investment in Europe,
00:34:06 --> 00:34:09: especially also with I guess you know, maybe more investment
00:34:09 --> 00:34:11: into defence and infrastructure.
00:34:11 --> 00:34:12: Is, is there an opportunity here?
00:34:12 --> 00:34:15: Will the sector continue to do well?
00:34:16 --> 00:34:19: You know, I, I do think there is an opportunity
00:34:19 --> 00:34:20: and there remains an opportunity.
00:34:20 --> 00:34:23: I do think though that is much more bifurcated now.
00:34:23 --> 00:34:26: I think it seems like, you know, two years back
00:34:26 --> 00:34:29: or so, you know, anything you were such a demand
00:34:29 --> 00:34:33: driver that you know, you could almost build any anything
00:34:33 --> 00:34:37: and almost maybe in more suboptimal locations might, might find
00:34:37 --> 00:34:38: a tenant, right.
00:34:38 --> 00:34:42: And what you see now clearly is that, you know,
00:34:42 --> 00:34:46: there are certainly locations which are harder to lease up,
00:34:46 --> 00:34:51: you know be be becoming saturated sort of across Europe.
00:34:51 --> 00:34:55: And then clearly you have markets where, where is increasing
00:34:56 --> 00:34:56: demand.
00:34:56 --> 00:34:59: You have, you know, strong rental COV, which by the
00:34:59 --> 00:35:02: way has offset a lot of cap rate widening in
00:35:02 --> 00:35:05: in the last couple of years as well, because trend
00:35:05 --> 00:35:07: of COV is, you know, in these strong markets is
00:35:08 --> 00:35:09: is still coming through.
00:35:10 --> 00:35:13: And you know, I would also say, you know, obviously
00:35:13 --> 00:35:16: Germany being my home market and you know, the negative
00:35:16 --> 00:35:20: sentiment and all this talk about, you know, increased spending,
00:35:20 --> 00:35:24: a billion, you know, government approved and infra and defence.
00:35:25 --> 00:35:28: And I think, you know, I've certainly discussed with quite
00:35:28 --> 00:35:30: a few spawns of this investment thesis around it.

00:35:30 --> 00:35:33: And you know, where, where is the demand going to
00:35:33 --> 00:35:33: settle?
00:35:34 --> 00:35:35: Where are the tenants coming from?
00:35:35 --> 00:35:38: And my personal view is that yes, it will drive
00:35:38 --> 00:35:41: demand, but this might still be five years out until
00:35:41 --> 00:35:43: we see this actually come full.
00:35:43 --> 00:35:47: Because one thing is clear, you know, nothing happens too
00:35:47 --> 00:35:47: fast here.
00:35:47 --> 00:35:50: So they are, I think you, you've got to be
00:35:50 --> 00:35:50: quite careful.
00:35:51 --> 00:35:54: You've got, you know, look at the right investment and
00:35:54 --> 00:35:55: the pieces behind it.
00:35:56 --> 00:35:56: Yeah.
00:35:56 --> 00:35:57: I mean, I agree.
00:35:57 --> 00:35:59: I think it obviously sparked a lot of excitement.
00:36:00 --> 00:36:02: But I think I'm I'm equally sort of a little
00:36:02 --> 00:36:06: bit not pessimistic, but you know, probably more pragmatic or
00:36:06 --> 00:36:09: realistic on how quickly, you know, those kind of funds
00:36:09 --> 00:36:12: can be, can be invested, can be applied.
00:36:12 --> 00:36:15: And then sort of what, what locations and what sectors
00:36:15 --> 00:36:18: will actually sort of see the the biggest benefit.
00:36:21 --> 00:36:24: One thing on your comment around logistics, I think one
00:36:25 --> 00:36:27: of the things you're seeing or I would, I would
00:36:27 --> 00:36:30: suggest is that a lot of people invested so heavily
00:36:30 --> 00:36:34: over the last three years into logistics that in terms
00:36:34 --> 00:36:38: of the diversification point, everybody's looking at their portfolios and
00:36:38 --> 00:36:41: saying you want to be diversified and they're probably over
00:36:41 --> 00:36:43: allocated to logistics.
00:36:43 --> 00:36:46: So while I don't think it's, I think everybody is
00:36:46 --> 00:36:49: fairly kind of balanced on the sector and and completely
00:36:49 --> 00:36:52: agree with Manya's points, you know, you've got to be
00:36:52 --> 00:36:56: very specific, but it's more about portfolio allocation in terms
00:36:56 --> 00:36:58: of overweighting for a lot of people I think.
00:36:59 --> 00:37:02: Yeah, it's probably an element of saturation, if I get
00:37:02 --> 00:37:02: you right and.
00:37:05 --> 00:37:07: There's also a risk on the, you know, I think
00:37:07 --> 00:37:09: the other thing I've that we that we've always been
00:37:09 --> 00:37:12: concerned about in logistics is the ease with which it's
00:37:12 --> 00:37:12: built.
00:37:13 --> 00:37:15: You know, so if you look at that sort of
00:37:15 --> 00:37:18: long duration positions, it's you always try and look at

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

00:39:09 --> 00:39:12: occupational side should mean that that is a, a fairly
00:39:12 --> 00:39:14: good core opportunity for people.
00:39:16 --> 00:39:16: Yeah.
00:39:16 --> 00:39:19: My point is around sort of logic is also that
00:39:19 --> 00:39:22: I do see a sort of degree of obsolescence sort
00:39:22 --> 00:39:23: of creeping in.
00:39:23 --> 00:39:26: I think a lot of European logistics stock is now
00:39:26 --> 00:39:26: fairly old.
00:39:26 --> 00:39:29: And I know sometimes you don't really need, you know,
00:39:29 --> 00:39:30: very modern facilities.
00:39:30 --> 00:39:33: But if you think about the amount of technology that
00:39:33 --> 00:39:37: you know is now sort of located in these facilities,
00:39:37 --> 00:39:41: if you think about the whole electrification issue, if you
00:39:41 --> 00:39:45: think about sort of ESG components, I think a modern
00:39:45 --> 00:39:49: logistics warehouse looks very different to what a logistics as
00:39:49 --> 00:39:51: it might have looked 1015 years ago.
00:39:51 --> 00:39:54: So I might even see there's a little bit of
00:39:54 --> 00:39:57: an element of obsolescence creeping in as you see sort
00:39:57 --> 00:39:59: of supply volumes falling, falling as well.
00:40:01 --> 00:40:03: Coming a little bit to the markets.
00:40:03 --> 00:40:05: Because I know the report also sort of looks at
00:40:05 --> 00:40:08: sort of the, the top markets are the most popular
00:40:08 --> 00:40:08: markets.
00:40:08 --> 00:40:10: London comes out as top again as the most popular
00:40:11 --> 00:40:11: market.
00:40:11 --> 00:40:12: Is this justified?
00:40:12 --> 00:40:13: Do you agree?
00:40:13 --> 00:40:16: Is is London offering, you know, value for money versus
00:40:17 --> 00:40:17: some?
00:40:17 --> 00:40:22: Continental European markets, especially when you look at, for example,
00:40:22 --> 00:40:24: the the difference in in interest rates.
00:40:29 --> 00:40:33: We like, yeah, we, we've been investing in, in, in
00:40:33 --> 00:40:34: London.
00:40:34 --> 00:40:37: I, I, I wonder whether that is a genuine reflection
00:40:37 --> 00:40:39: of the growth prospects of London or whether it's just
00:40:40 --> 00:40:42: perceived as a little bit more of a safe haven.
00:40:42 --> 00:40:45: I I, I don't know this, you know, this concerned
00:40:45 --> 00:40:50: about geopolitical volatility generally I think has probably guided a
00:40:50 --> 00:40:54: lot of the responses here, particularly given they were done,
00:40:54 --> 00:40:55: done over summer.

00:40:55 --> 00:40:56: So who knows.
00:40:56 --> 00:40:58: But yeah, I mean, it's a, it's a huge capital
00:40:58 --> 00:41:00: markets, it's a huge real estate market.
00:41:00 --> 00:41:02: It offers a lot of opportunities.
00:41:02 --> 00:41:03: Is it cheap?
00:41:03 --> 00:41:04: Not really.
00:41:05 --> 00:41:07: But you know, it never or it never really has
00:41:07 --> 00:41:10: been, you know, I think it's, it's got AGDP level,
00:41:10 --> 00:41:12: which is obviously higher than the national average.
00:41:13 --> 00:41:14: That's positive thing.
00:41:15 --> 00:41:17: And you know if you look at the sort of
00:41:17 --> 00:41:20: population dynamics and demographics, that's also a supporter of many
00:41:20 --> 00:41:22: of the things that we've been doing.
00:41:23 --> 00:41:26: So it's definitely high up there on our list of
00:41:26 --> 00:41:27: target markets.
00:41:27 --> 00:41:31: But equally, there are a lot of opportunities in continental
00:41:31 --> 00:41:35: Europe as well where you know, as Joe referenced, the
00:41:35 --> 00:41:40: opportunity to buy replacement below replacement cost is far more
00:41:40 --> 00:41:41: prevalent.
00:41:43 --> 00:41:44: Yeah, I think money has sort of you, you picked
00:41:44 --> 00:41:45: up on it a little bit.
00:41:46 --> 00:41:49: You know, I think because one of the probably slightly
00:41:49 --> 00:41:53: surprising finding for me in the report was that, you
00:41:53 --> 00:41:56: know, Germany has been over the last 2-3 years not
00:41:56 --> 00:42:00: been viewed particularly positively when it comes to to growth.
00:42:01 --> 00:42:04: But again, if you look at the ranking here, four
00:42:04 --> 00:42:06: of the top ten cities are, are German cities.
00:42:06 --> 00:42:09: How do you see the prospects for for Germany and
00:42:09 --> 00:42:11: and what sectors would you favour?
00:42:12 --> 00:42:15: Well, look, I think, you know, did it surprise me?
00:42:15 --> 00:42:16: Not really.
00:42:16 --> 00:42:18: Yes, we hear the general sentiment.
00:42:18 --> 00:42:23: It's it's negative and weak economic prospects.
00:42:23 --> 00:42:26: That said, it's, you know, it's a large market with
00:42:26 --> 00:42:28: in the European context, it's, you know, it has a
00:42:28 --> 00:42:31: reputation as more of a safe haven, not a spotted
00:42:31 --> 00:42:34: tie, which, you know, sometimes it's probably the problem is
00:42:34 --> 00:42:37: that, you know, we just talked about the core capital.
00:42:37 --> 00:42:41: I think in Germany that's a big issue that core
00:42:41 --> 00:42:45: assets are not released at the previous pricing.

00:42:46 --> 00:42:49: That said, you know, where do I see opportunity?
00:42:49 --> 00:42:50: That's that's interesting.
00:42:50 --> 00:42:54: Look, clearly Germany wants to re establish itself as a
00:42:54 --> 00:42:59: leader in innovation and tech and R and DI think,
00:42:59 --> 00:43:03: but the government has approved and is pushing, you know,
00:43:03 --> 00:43:05: is helpful for that.
00:43:05 --> 00:43:09: I think there's a long way to go given regulatory
00:43:09 --> 00:43:12: frameworks, given the bureaucracy, the oil fighting.
00:43:12 --> 00:43:16: That said, you know, there are recent more recently, an
00:43:16 --> 00:43:19: important step has been made not on that side, but
00:43:19 --> 00:43:22: say on the residential side there the housing topo has
00:43:22 --> 00:43:26: been approved and for Germany, you know, that is much,
00:43:26 --> 00:43:26: much needed.
00:43:27 --> 00:43:30: I think that he has been always quite a sought
00:43:30 --> 00:43:32: after as a class in Germany.
00:43:32 --> 00:43:33: It's been pricing very tightly.
00:43:34 --> 00:43:37: You know, sometimes I wonder is, is, is that justified
00:43:37 --> 00:43:41: giving given the regulatory of framework around it with landed
00:43:41 --> 00:43:42: caps etcetera.
00:43:43 --> 00:43:47: But now having introduced that framework where you can get
00:43:47 --> 00:43:51: planning faster, you can push out construction faster, I think
00:43:51 --> 00:43:53: that would be really helpful.
00:43:53 --> 00:43:56: And I think if you're positioned that in this market
00:43:56 --> 00:43:59: for the Lessi side, you, you should be able to
00:43:59 --> 00:44:00: take advantage of that.
00:44:00 --> 00:44:04: Because also on the other hand, if if you look
00:44:04 --> 00:44:08: at financing capacity in the market, this is where local
00:44:08 --> 00:44:10: lenders still are, right?
00:44:10 --> 00:44:12: They love, they love fuzzy, they, they feel good with
00:44:12 --> 00:44:13: that.
00:44:13 --> 00:44:15: And if you find a local bank to support you
00:44:15 --> 00:44:18: with that, you know, you can make numbers work.
00:44:18 --> 00:44:21: And so that, that would be kind of my, my
00:44:21 --> 00:44:25: view that, you know, definitely there will be opportunity.
00:44:27 --> 00:44:30: I think the on the other hand, when you look
00:44:30 --> 00:44:34: at, you know, this is sort of pragmatism realism again,
00:44:34 --> 00:44:39: did people expect more dislocation in the German market?
00:44:39 --> 00:44:41: I would say yes, they've looked for it.
00:44:41 --> 00:44:43: It's not, it's not calm.
00:44:43 --> 00:44:48: You know, we, we had some instances insolvency contractor insolvencies,

00:44:48 --> 00:44:51: but we certainly didn't have, you know, other than some
00:44:52 --> 00:44:55: of these high profile cases, you know, a lot of
00:44:55 --> 00:44:58: assets released at heavily discounted prices.
00:44:58 --> 00:45:01: So I think people also are more realistic about it
00:45:01 --> 00:45:04: again, and you know, not necessarily only bargain hunting in
00:45:04 --> 00:45:07: in Germany, but sort of going, OK, you know, I
00:45:07 --> 00:45:11: want to be allocated to Joe as Tony's point, diversification
00:45:11 --> 00:45:11: is key.
00:45:11 --> 00:45:12: Germany's on the map.
00:45:13 --> 00:45:16: If I want to do something there, right, I've got
00:45:16 --> 00:45:18: to kind of pay this.
00:45:18 --> 00:45:20: Where, where we at today in a, in a more
00:45:20 --> 00:45:23: normalized interest rate environment, I don't think people are too
00:45:23 --> 00:45:25: nervous about this anymore.
00:45:25 --> 00:45:30: So I I definitely quite hopeful about transaction volume and
00:45:30 --> 00:45:31: pipeline there.
00:45:33 --> 00:45:36: There's been a lot of talk also about investors turning
00:45:36 --> 00:45:40: away from the US, you know, given the the volatility
00:45:40 --> 00:45:41: in the politics.
00:45:41 --> 00:45:43: We also heard from Gareth the economy is actually doing
00:45:44 --> 00:45:44: fairly well.
00:45:45 --> 00:45:48: Do you think, does the panel think there is a
00:45:48 --> 00:45:51: sort of European opportunity for Europe to attract capital from
00:45:51 --> 00:45:55: across the world that would have maybe otherwise been allocated
00:45:55 --> 00:45:56: to to the US?
00:45:56 --> 00:45:59: So will we see geographical allocations changing to the benefit
00:45:59 --> 00:46:00: of Europe?
00:46:01 --> 00:46:04: I, I am happy to comment on that from, for
00:46:04 --> 00:46:08: what we've seen throughout the process and also other capital
00:46:08 --> 00:46:12: markets discussions we had is sort of there seems to
00:46:12 --> 00:46:16: be a sort of internal view versus an external view
00:46:16 --> 00:46:19: where if you do ask the average European, they think
00:46:20 --> 00:46:23: that now the Americans will come to Europe because you
00:46:23 --> 00:46:27: don't want to allocate to the US at the moment
00:46:27 --> 00:46:31: given all the uncertainty and sort of issues potential with
00:46:31 --> 00:46:33: rule of law, et cetera.
00:46:33 --> 00:46:37: If you ask the average American, it's other factors dominate
00:46:37 --> 00:46:41: and then economic growth obviously stands out where Europe is

00:46:42 --> 00:46:44: clearly not at the same level and things.
00:46:45 --> 00:46:48: And then sort of let's be clear also, it's not
00:46:48 --> 00:46:53: that Europe doesn't have any political or geopolitical issues either
00:46:53 --> 00:46:57: with many elections coming up with doubts about how things
00:46:58 --> 00:47:00: are going in certain countries.
00:47:00 --> 00:47:05: So it's, it's not that it that is great here
00:47:05 --> 00:47:09: and and it's only economic growth problem.
00:47:09 --> 00:47:12: So if we feel it's very much sort of thinking
00:47:12 --> 00:47:16: sort of the grass is greener here actually than on
00:47:16 --> 00:47:19: the other side, which would normally have the other way
00:47:19 --> 00:47:20: around.
00:47:20 --> 00:47:24: But it's it's definitely interesting to see what we did
00:47:24 --> 00:47:27: see is that at especially at the beginning of the
00:47:27 --> 00:47:30: year, I would say maybe end of the first quarter,
00:47:30 --> 00:47:33: some investors put some things on hold just to sort
00:47:33 --> 00:47:36: of wait and see what was going to happen, which
00:47:36 --> 00:47:39: obviously also reflected in transactions.
00:47:39 --> 00:47:42: And then more on a tactical basis, maybe for the
00:47:42 --> 00:47:45: time being allocated a little bit more to the Europe,
00:47:46 --> 00:47:48: but definitely no strategic moves yet.
00:47:51 --> 00:47:54: That's interesting because you know, there's a lot of noise
00:47:54 --> 00:47:56: in the market about updating Europe as this, that's it.
00:47:56 --> 00:47:59: But you know, I think from a discussions I had
00:47:59 --> 00:48:03: with investors met obviously on the credit side, I feel
00:48:03 --> 00:48:06: like most of them are allocated in the US, right.
00:48:06 --> 00:48:07: So, so let's start there.
00:48:07 --> 00:48:09: So they do have exposure.
00:48:09 --> 00:48:12: I think where I've seen more of a shift is
00:48:12 --> 00:48:16: when investors think about new allocations and you know, do
00:48:16 --> 00:48:19: you know, given that most of them are evenly made
00:48:19 --> 00:48:23: or overweight US, that they do now consider more of
00:48:23 --> 00:48:26: a European Cove story and investment story.
00:48:26 --> 00:48:29: And we've certainly seen it on the debt side where
00:48:29 --> 00:48:33: we have not just capital, but capital from outside the
00:48:33 --> 00:48:36: US, Europe, Asia, maybe Canada, you know, look at Europe
00:48:36 --> 00:48:39: much more closely and say, you know, hey, where do
00:48:40 --> 00:48:41: I find value here?
00:48:41 --> 00:48:44: Do I want to have a new allocation in in,
00:48:44 --> 00:48:46: in Europe versus the US today?
00:48:46 --> 00:48:49: I think no one's exiting the USI think, you know,
00:48:49 --> 00:48:52: if you look at you ask investors, they, I think

00:48:52 --> 00:48:54: they're quite happy there.
00:48:54 --> 00:48:56: It's for them it's quite hard to, to cost the
00:48:56 --> 00:48:59: pond over to Europe because they find good value in
00:48:59 --> 00:49:02: the US and particularly if you're dollar based.
00:49:02 --> 00:49:06: So I haven't seen much movement from, from me ask
00:49:06 --> 00:49:09: directly, but I, I, I have seen movement, you know,
00:49:09 --> 00:49:13: in, in the more sort of global capital streams into
00:49:13 --> 00:49:13: Europe.
00:49:15 --> 00:49:15: Yeah.
00:49:16 --> 00:49:18: The only thing I would add is that from a
00:49:18 --> 00:49:21: sort of cash on cash perspective there is that Europe
00:49:21 --> 00:49:23: is attractive when when using leverage.
00:49:23 --> 00:49:27: So I think that is the most attractive element of
00:49:28 --> 00:49:31: of of kind of cross-border investment.
00:49:31 --> 00:49:35: But the points around FX and the points around just
00:49:35 --> 00:49:38: the points that is that made that it will be
00:49:38 --> 00:49:40: marginal would be my my guess.
00:49:41 --> 00:49:44: And, and probably short lived or, you know, sort of
00:49:44 --> 00:49:48: more a midterm or short, short term kind of conversation
00:49:48 --> 00:49:50: would be my, my expectation.
00:49:52 --> 00:49:52: Let, let, let.
00:49:52 --> 00:49:54: Let's hope for better than that for.
00:49:56 --> 00:49:56: Sure.
00:49:57 --> 00:49:59: I think, I think there is an opportunity in Europe
00:49:59 --> 00:50:01: and of course you know, and obviously I'm sat here
00:50:01 --> 00:50:04: and I'm clearly going to be biased, but we have
00:50:04 --> 00:50:05: a, you know, our HQ is global HQ is in
00:50:05 --> 00:50:06: Chicago.
00:50:06 --> 00:50:08: So I I tend to agree with what a lot
00:50:08 --> 00:50:11: of what's been said, but certainly my discussions with LP's
00:50:11 --> 00:50:13: have been, let me say, much more open minded to
00:50:13 --> 00:50:17: opportunity opportunities in Europe than they have been for many,
00:50:17 --> 00:50:17: many years.
00:50:18 --> 00:50:21: So I don't think they're dialing down USI think the
00:50:21 --> 00:50:23: US economy is going great guns.
00:50:23 --> 00:50:26: So there's, you know, good reason to continue invest investing
00:50:26 --> 00:50:29: there and we've seen that in our business as well.
00:50:29 --> 00:50:32: But I think this is the opportunity for Europe to
00:50:33 --> 00:50:36: begin to present itself in a way that looks and
00:50:36 --> 00:50:41: feels like an interesting entry point, but also a market
00:50:41 --> 00:50:45: that can generate a couple of things that have been

00:50:45 --> 00:50:49: mentioned here, scale growth and and provide some duration to
00:50:50 --> 00:50:50: capital.
00:50:50 --> 00:50:53: You know, I think, I think as a real estate
00:50:53 --> 00:50:56: industry, we often talk in short duration, you know, buy
00:50:56 --> 00:51:01: fixed sells, positions, etcetera, where we've got opportunities I think
00:51:01 --> 00:51:04: in our market which are much more mature in other
00:51:04 --> 00:51:05: parts of the world.
00:51:05 --> 00:51:09: And I think here we can be building business lines
00:51:09 --> 00:51:13: and solutions for investors that are not, you know, two
00:51:13 --> 00:51:16: to four years, but more like 5 to 8 or
00:51:16 --> 00:51:17: even 5 to 10.
00:51:17 --> 00:51:19: You know, I think that's something it's an opportunity for
00:51:19 --> 00:51:19: us.
00:51:19 --> 00:51:21: And I think it's something that infrastructure does well.
00:51:22 --> 00:51:24: And I think at the moment, real estate as an
00:51:25 --> 00:51:27: industry does relatively poorly.
00:51:30 --> 00:51:32: Yeah, I think, I think Tony, that's a good point
00:51:32 --> 00:51:32: there.
00:51:34 --> 00:51:37: I just want to touch briefly on sustainability and ESG
00:51:37 --> 00:51:38: considerations.
00:51:38 --> 00:51:40: I think, you know, it's clear they remain a challenge
00:51:40 --> 00:51:41: and effect and decision making.
00:51:41 --> 00:51:44: But with the way politics have gone, has ESG in
00:51:44 --> 00:51:48: your opinion still the same importance that it had a
00:51:48 --> 00:51:51: few years ago or by investors, maybe those with strong
00:51:51 --> 00:51:54: US links, just a little bit less, less vocal about
00:51:54 --> 00:51:55: it?
00:51:55 --> 00:51:57: And is, is the risk of greenwashing today higher or
00:51:57 --> 00:51:58: lower than a few years ago?
00:51:58 --> 00:52:01: What what are your views on the sort of importance
00:52:01 --> 00:52:03: of of ESG and the way it's been perceived?
00:52:06 --> 00:52:08: I think there's been, AI would just say there's been
00:52:08 --> 00:52:10: a lot of attachment to those 3 letters.
00:52:10 --> 00:52:13: Yeah, which I think is a pity actually, because it's
00:52:13 --> 00:52:14: not really what we're doing.
00:52:14 --> 00:52:17: You know, we're, and we now focus on, you know,
00:52:17 --> 00:52:19: a broader term of sustainability and that can go through
00:52:19 --> 00:52:22: lots of different threads of real estate.
00:52:23 --> 00:52:26: And yes, there's an emissions story, yes, there's an energy
00:52:26 --> 00:52:29: efficiency story, yes, there's a duration and a reusability story

00:52:30 --> 00:52:30: in all of that.
00:52:30 --> 00:52:33: But I think if you think about sustainability, it's really
00:52:33 --> 00:52:35: something that we've got to be doing as an industry.
00:52:35 --> 00:52:38: You know, we own an asset which is physical and
00:52:38 --> 00:52:42: is a big contributor to everyone's lives, no matter what
00:52:42 --> 00:52:45: it is, whether it's, you know, high emissions, low emissions,
00:52:45 --> 00:52:48: It's a, you know, it's an environment for, you know,
00:52:48 --> 00:52:52: living, work, play, whatever it is, you know, So I,
00:52:52 --> 00:52:54: I think we've got a big job to do as
00:52:54 --> 00:52:56: an industry and we look at it now from a
00:52:56 --> 00:52:58: sustainability point of view.
00:52:58 --> 00:53:01: And that comes back to my word of duration making
00:53:01 --> 00:53:04: a difference to local communities, if possible.
00:53:04 --> 00:53:08: But we've, we've sort of reduced our focus on those
00:53:08 --> 00:53:12: letters of ESG because I think they're overused and largely
00:53:12 --> 00:53:13: misunderstood.
00:53:13 --> 00:53:16: I think we now just look at things as having
00:53:16 --> 00:53:17: sustainable environments.
00:53:18 --> 00:53:21: Energy efficiency is certainly a feature of that, but that's
00:53:21 --> 00:53:21: that.
00:53:21 --> 00:53:22: That's been AI.
00:53:22 --> 00:53:24: Suppose a nuance we've made.
00:53:24 --> 00:53:28: It's no less important, but we've nuanced our messaging and
00:53:28 --> 00:53:30: our internal approach.
00:53:31 --> 00:53:35: Yeah, we've actually heard that from many more that sort
00:53:35 --> 00:53:38: of websites have been changed, the wording has changed.
00:53:38 --> 00:53:43: It's either sustainability or resilience, but the work remains the
00:53:43 --> 00:53:44: same.
00:53:44 --> 00:53:48: What we've also seen is and, and I think that
00:53:48 --> 00:53:52: all ties together is that real impact on value, both
00:53:52 --> 00:53:56: in a positive or negative way, to be honest, as
00:53:56 --> 00:53:59: you like, We do a lot of work in this
00:53:59 --> 00:54:00: space.
00:54:00 --> 00:54:01: We're not there yet.
00:54:02 --> 00:54:05: The narrative goes in the right direction, but sort of
00:54:06 --> 00:54:09: we think more work can be done especially on the
00:54:09 --> 00:54:12: the cost of doing nothing too many times.
00:54:12 --> 00:54:17: The starting point is still the current valuation that where
00:54:18 --> 00:54:22: we see more and more included in and then often
00:54:22 --> 00:54:26: the basis CPCS in that, but that's still EP CS
00:54:26 --> 00:54:28: won't get us to net 0.

00:54:28 --> 00:54:32: So we think more is needed in that front and
00:54:32 --> 00:54:36: that's starts to happen I think with the most the
00:54:36 --> 00:54:38: the biggest front runners.
00:54:39 --> 00:54:42: But the sort of the probably the biggest challenge is
00:54:43 --> 00:54:46: how to get the wider industry on board on this
00:54:46 --> 00:54:50: and sort of we're working on tools to help sort
00:54:50 --> 00:54:54: of assess that impact of that transition risk on real
00:54:54 --> 00:54:58: estate valuations to also provide that common denominator.
00:54:58 --> 00:55:02: And that's common approach for the industry to control and
00:55:02 --> 00:55:03: compare.
00:55:07 --> 00:55:10: Yeah, I'm conscious of time as well, and I know
00:55:10 --> 00:55:14: people have been sort of very patiently listening.
00:55:15 --> 00:55:18: So first of all, thank you all very much to
00:55:18 --> 00:55:21: our panellists for your insights and your opinions today.
00:55:21 --> 00:55:23: And of course, Gareth for your excellent presentation.
00:55:24 --> 00:55:27: Well done on the team that put together the the
00:55:27 --> 00:55:28: report.
00:55:28 --> 00:55:29: This is now, I don't know.
00:55:29 --> 00:55:32: There's more than 20 editions by now, as far as
00:55:32 --> 00:55:34: I as far I recall right, 20.
00:55:35 --> 00:55:35: 3.
00:55:36 --> 00:55:37: 23 editions.
00:55:37 --> 00:55:37: There you go.
00:55:37 --> 00:55:38: What an Evergreen.
00:55:39 --> 00:55:40: Of course.
00:55:40 --> 00:55:42: Thank you everyone for listening today as well.
00:55:42 --> 00:55:45: You know, we hope we found the the session interesting
00:55:45 --> 00:55:47: and I'm very, very curious really to see sort of
00:55:47 --> 00:55:50: what the next month's 1 spring for real estate and
00:55:50 --> 00:55:51: real estate investment.
00:55:51 --> 00:55:56: There's a short survey just when you dial out.
00:55:56 --> 00:55:58: And I think the ULI and PwC would be very
00:55:59 --> 00:56:02: would be very interested and grateful if you could fill
00:56:02 --> 00:56:03: this out.
00:56:03 --> 00:56:06: But yeah, as I said, thank you so much everyone
00:56:06 --> 00:56:07: for your contributions.
00:56:07 --> 00:56:10: Today was very good to talk and I think these
00:56:10 --> 00:56:12: remain exciting times.
00:56:12 --> 00:56:14: And I'm not sure if I'm now cautiously optimistic or
00:56:14 --> 00:56:17: more pragmatic, but it's clear that we have to move
00:56:17 --> 00:56:18: forward.
00:56:18 --> 00:56:19: So thank you very much everyone.

00:56:22 --> 00:56:22: Thank you.
00:56:23 --> 00:56:24: Thank you everyone.
00:56:24 --> 00:56:24: Thank.
00:56:25 --> 00:56:25: You.
00:56:25 --> 00:56:26: Thank you.
