

Webinar

ULI Poland: Sustainability and Investment

Date: June 30, 2020

00:00:04 --> 00:00:07: OK, so good afternoon ladies and gentlemen.

00:00:07 --> 00:00:09: My name is Dorothea visa.

00:00:09 --> 00:00:13: Kiska csra. I'm determine of the Polish National Council of

00:00:14 --> 00:00:14: the UI.

00:00:14 --> 00:00:17: I'm also senior partner and Colliers.

00:00:17 --> 00:00:20: I welcome you very warmly to our UI conference,

00:00:20 --> 00:00:22: which is which went online,

00:00:22 --> 00:00:26: and today we will be hearing to the web and

00:00:26 --> 00:00:27: our #3

00:00:27 --> 00:00:30: I which is about sustainability and investment.

00:00:30 --> 00:00:33: We had already discussed the future of the city we

00:00:34 --> 00:00:38: already discuss about how to became more climate resilience.

00:00:38 --> 00:00:41: I'm really looking to see what does it mean.

00:00:41 --> 00:00:44: Sustainability in the investment?

00:00:44 --> 00:00:48: I would like to thank you traditionally to all our

00:00:48 --> 00:00:50: in our corporate partners,

00:00:50 --> 00:00:52: sponsors and patrons. Thank you,

00:00:52 --> 00:00:55: because without you we would not be here today.

00:00:55 --> 00:00:59: I want today's moderator and host will be cut me

00:00:59 --> 00:01:02: off ski and now I'd like to hand over to

00:01:02 --> 00:01:05: you so that you can introduce the topic and your

00:01:05 --> 00:01:10: guests get over there. Thank you for that good afternoon

00:01:10 --> 00:01:10: everyone.

00:01:10 --> 00:01:15: Today's webinar is there other mention of sustainability and investment

00:01:15 --> 00:01:18: so we it is designed to share insight into how

00:01:18 --> 00:01:20: to create a sustainable,

00:01:20 --> 00:01:23: innovative and profitable real estate business.

00:01:23 --> 00:01:26: And at the same time still generate returns that all

00:01:26 --> 00:01:27: the stakeholders,
00:01:27 --> 00:01:31: the desire and also how the COVID-19 pandemic has impacted
00:01:31 --> 00:01:33: the business strategies,
00:01:33 --> 00:01:37: how it impacted tenants profitability and also the sentiment towards
00:01:37 --> 00:01:38: the wide wide.
00:01:38 --> 00:01:42: Received a sustainability and also opportunities doesn't bring.
00:01:42 --> 00:01:46: I will discuss those topics with my special guests today
00:01:46 --> 00:01:50: including lead Simmons who's the CEO for Eurasia region at
00:01:50 --> 00:01:52: Heinz Martin Barre,
00:01:52 --> 00:01:56: the founder and CEO of Manifesto Market and Bubble Dembosky,
00:01:56 --> 00:02:01: the Co. Chairman of the European States at Dentons.
00:02:01 --> 00:02:05: Please note that during during the discussion you are invited
00:02:05 --> 00:02:06: to submit questions.
00:02:06 --> 00:02:09: Advise the Q and a button at the bottom of
00:02:09 --> 00:02:09: the screen.
00:02:09 --> 00:02:12: There is the option to send it in an anonymous
00:02:12 --> 00:02:12: manner,
00:02:12 --> 00:02:14: so please do not hesitate if this is that the
00:02:14 --> 00:02:17: preferred option you'd like to pursue will try to answer
00:02:17 --> 00:02:19: all the questions at the end,
00:02:19 --> 00:02:21: but as the time is limited we might not have
00:02:21 --> 00:02:22: the time to do so,
00:02:22 --> 00:02:23: but we will do do our best.
00:02:23 --> 00:02:27: We will start with the with the presentation from Lee
00:02:27 --> 00:02:30: and then will engage in a hopefully interesting discussion.
00:02:30 --> 00:02:32: Over to you, Lee. Great,
00:02:32 --> 00:02:35: thank you very much. First it's a pleasure to be
00:02:35 --> 00:02:36: a guest.
00:02:38 --> 00:02:40: Council we have been our firm.
00:02:40 --> 00:02:44: Hines has been a long time supporter of Urban Land
00:02:44 --> 00:02:48: Institute and we it's just a pleasure to be involved
00:02:48 --> 00:02:50: in this excellent organization.
00:02:50 --> 00:02:53: So thank you for the invitation.
00:02:53 --> 00:02:57: I'm not going to switch to presentation that we have
00:02:57 --> 00:03:02: that hopefully will prompt certain questions or lively dialogue for
00:03:02 --> 00:03:04: our discussion today.
00:03:04 --> 00:03:09: And the main purpose of this presentation is really to
00:03:09 --> 00:03:13: talk about the journey in sustainable questions.

00:03:13 --> 00:03:15: An now more broadly based ESG,
00:03:15 --> 00:03:18: which as most of you may know,
00:03:18 --> 00:03:21: stands for environmental.
00:03:21 --> 00:03:25: Social and governance so that.
00:03:25 --> 00:03:27: To discuss how Hines is approached,
00:03:27 --> 00:03:31: this and how we are developing and changing our approach
00:03:31 --> 00:03:32: as investors,
00:03:32 --> 00:03:37: tenants and also stakeholders are changing their views
towards ESG
00:03:37 --> 00:03:38: and Sustainability.
00:03:38 --> 00:03:41: So first to start off with.
00:03:41 --> 00:03:46: Like to give a little bit of background about Heinz.
00:03:46 --> 00:03:51: Our firm was founded by a mechanical engineer named
Gerald
00:03:51 --> 00:03:51: Hines.
00:03:51 --> 00:03:55: He began his work career after he graduated with that
00:03:56 --> 00:04:00: degree in mechanical engineer by operating a HV AC
company
00:04:00 --> 00:04:03: called American Blower in Houston TX.
00:04:03 --> 00:04:07: And like all engineers he very early on back in
00:04:07 --> 00:04:08: the 50s,
00:04:08 --> 00:04:13: hated least hated the idea of something costing more than
00:04:13 --> 00:04:14: it should.
00:04:14 --> 00:04:17: For being less efficient than it should be,
00:04:17 --> 00:04:20: and from that start he began to really think about
00:04:20 --> 00:04:23: sustainability in terms of how can we build a better
00:04:24 --> 00:04:27: building that is lower cost to operate better for our
00:04:27 --> 00:04:30: tenants. And if we do that we will make more
00:04:30 --> 00:04:31: profits,
00:04:31 --> 00:04:34: more greater success. By doing so you can see a
00:04:34 --> 00:04:38: quote that he's talked about that are sustainable practices
and
00:04:38 --> 00:04:42: technologies really has been going on for half a century,
00:04:42 --> 00:04:45: so I think one of the questions that people have.
00:04:45 --> 00:04:49: Is does it make sense to invest in sustainability when
00:04:49 --> 00:04:51: you're talking about buying,
00:04:51 --> 00:04:55: building or operating buildings? I think the answer from
Gerald
00:04:55 --> 00:04:57: Hines mechanical engineer,
00:04:57 --> 00:04:59: that he is, is absolutely yes.
00:04:59 --> 00:05:03: We've been doing it for 50 years and we continue
00:05:03 --> 00:05:04: to do it.
00:05:04 --> 00:05:07: And this is really just talking about the idea that

00:05:07 --> 00:05:09: actually close to 60 years.

00:05:09 --> 00:05:12: Now we've been dealing with this and how to make

00:05:12 --> 00:05:16: the buildings and the built environment the an addition to

00:05:16 --> 00:05:20: the communities in which we operate on a more sustainable

00:05:20 --> 00:05:22: basis and not only inside the building,

00:05:22 --> 00:05:27: but what we do to the communities outside the building.

00:05:27 --> 00:05:31: As part of that, we've been thinking about the environmental

00:05:32 --> 00:05:36: stewardship and this of course was not really discussed in

00:05:36 --> 00:05:38: large way in the 50s and 60s.

00:05:38 --> 00:05:40: But then of course in the 70s,

00:05:40 --> 00:05:42: eighties and 90s and onward,

00:05:42 --> 00:05:46: environmental stewardship, what we're doing to our planet,

00:05:46 --> 00:05:49: how we're using the resources that we have,

00:05:49 --> 00:05:53: and how that can play into a Better Business model,

00:05:53 --> 00:05:57: has become a very key part to the overall dialogue.

00:05:57 --> 00:06:00: And we think about issues and this is a perfect,

00:06:00 --> 00:06:03: you know building example you can see a curtain wall

00:06:03 --> 00:06:06: building and how do we deal with everything from light

00:06:06 --> 00:06:09: to energy consumption to indoor air quality?

00:06:09 --> 00:06:12: How do you make a better building that people and

00:06:12 --> 00:06:15: tenants are happier to occupy to be more comfortable in

00:06:15 --> 00:06:16: their occupancy?

00:06:16 --> 00:06:20: Those buildings, buildings like the Metropolitan that we

developed many

00:06:20 --> 00:06:24: years ago in Poland through the You know the leadership

00:06:24 --> 00:06:25: of our Heinz Poland team.

00:06:25 --> 00:06:28: So how do we do it better?

00:06:28 --> 00:06:30: Um?

00:06:30 --> 00:06:35: Now that there's a question about the business case doesn't

00:06:35 --> 00:06:37: make financial sense to do this,

00:06:37 --> 00:06:41: and I would say that most of the sustainability questions

00:06:42 --> 00:06:44: began by thinking about energy usage.

00:06:44 --> 00:06:49: Again. Gerald Hines, engineer. HV AC company he started

before

00:06:49 --> 00:06:53: he started building buildings and becoming a developer.

00:06:53 --> 00:06:56: The questions started off with how can we reduce energy

00:06:56 --> 00:06:57: consumption?

00:06:57 --> 00:07:00: Because that's where and it's saved money and we as

00:07:00 --> 00:07:03: investors and developers can make more profits.

00:07:03 --> 00:07:07: More net rent because our if our operating expenses are

00:07:07 --> 00:07:08: lower now.

00:07:08 --> 00:07:10: I think a key point here is how do you

00:07:10 --> 00:07:11: measure that?

00:07:11 --> 00:07:13: Do you have the right data?

00:07:13 --> 00:07:16: I think a lot of firms talk about sustainability but

00:07:16 --> 00:07:18: they don't keep the proper.

00:07:18 --> 00:07:21: Data and records to prove it is in our view,

00:07:21 --> 00:07:23: you've got to prove it to the tenants and and

00:07:24 --> 00:07:25: prove it to investors as well.

00:07:25 --> 00:07:29: So this is, this is where we started off and

00:07:29 --> 00:07:32: thinking about sustainability.

00:07:32 --> 00:07:35: From that we developed a number of things,

00:07:35 --> 00:07:38: and many of these have really come to the forefront

00:07:38 --> 00:07:40: in the last decade.

00:07:40 --> 00:07:44: We appointed a global sustainability officer that began,

00:07:44 --> 00:07:48: you know, has begun really taking much that we've learned

00:07:48 --> 00:07:51: in places like the United States in Europe,

00:07:51 --> 00:07:55: and being able to deploy those standards across the world.

00:07:55 --> 00:07:59: We're building in emerging markets like China,

00:07:59 --> 00:08:03: Shanghai, India, Brazil places where sustainability has not been.

00:08:03 --> 00:08:08: The dialogue, the narrative, but now we're really trying to

00:08:08 --> 00:08:09: lead the lead.

00:08:09 --> 00:08:13: The industry in many of these places.

00:08:13 --> 00:08:17: Our corporate engineering Department really provides best practices.

00:08:17 --> 00:08:20: Do it engineer so if we build a building in

00:08:20 --> 00:08:20: Moscow,

00:08:20 --> 00:08:24: Russia, how can we train our engineers to have better

00:08:24 --> 00:08:29: and higher quality engineering services that result in lower energy

00:08:29 --> 00:08:29: costs?

00:08:29 --> 00:08:33: We've taken a lot of these standards and we've now

00:08:33 --> 00:08:35: expanded those in a number of areas.

00:08:35 --> 00:08:39: Indoor air quality, light, all of the things that are

00:08:39 --> 00:08:43: now being accelerated in the post Code world of how

00:08:43 --> 00:08:48: can you have a healthy and comfortable environment for tenants?

00:08:48 --> 00:08:51: We've established a business called behind,

00:08:51 --> 00:08:53: I mean a standard called Hines Green Office,

00:08:53 --> 00:08:58: which is where our property management team goes with each

00:08:58 --> 00:09:02: of the tenants and talks about efforts that they can

00:09:02 --> 00:09:02: do on a.

00:09:02 --> 00:09:06: You know, on a complimentary basis to what the base

00:09:06 --> 00:09:07: building is doing,
00:09:07 --> 00:09:11: so that they can have effective.
00:09:11 --> 00:09:17: Renewable and and and also can really operate their offices
00:09:17 --> 00:09:19: in a green standard.
00:09:19 --> 00:09:22: And then we're trying to communicate all of this to
00:09:22 --> 00:09:22: the,
00:09:22 --> 00:09:25: to the tenants and the investors and our partners to
00:09:25 --> 00:09:28: explain why this is efficient and better cost,
00:09:28 --> 00:09:31: I mean better. Better savings for the buildings.
00:09:31 --> 00:09:33: Now what we're doing is around the world.
00:09:33 --> 00:09:36: There are different standards. Many of you know.
00:09:36 --> 00:09:38: The lead standard is the US standard,
00:09:38 --> 00:09:40: so most of what we're doing around the world.
00:09:40 --> 00:09:44: I'm sorry in the United States are LEED certified buildings,
00:09:44 --> 00:09:45: but that's also been impact,
00:09:45 --> 00:09:48: you know, been implemented in places like China,
00:09:48 --> 00:09:51: where we one of the earlier buildings was a lead.
00:09:51 --> 00:09:54: Platinum building and in Europe we're doing a lot in
00:09:54 --> 00:09:57: Brixham and bring EM is of course the standard that
00:09:58 --> 00:09:59: many countries are using.
00:09:59 --> 00:10:03: Then we have the German standard G&B and we're also
00:10:03 --> 00:10:07: expanding this in certain areas to the well building standard.
00:10:07 --> 00:10:10: I don't know if all of you are familiar with
00:10:10 --> 00:10:10: this,
00:10:10 --> 00:10:14: but this is going beyond the idea of sustainability in
00:10:14 --> 00:10:16: terms of energy usage etc.
00:10:16 --> 00:10:19: But looking at the entire environment for tenants and what
00:10:19 --> 00:10:21: makes tenants feel better.
00:10:21 --> 00:10:24: And it deals with quite a number of issues that
00:10:24 --> 00:10:25: are broader than lead,
00:10:25 --> 00:10:28: including air, water, light movement,
00:10:28 --> 00:10:30: fitness within the building, thermal comfort,
00:10:30 --> 00:10:32: sound, materials that are used,
00:10:32 --> 00:10:35: and how all of that leads to a more comfortable
00:10:35 --> 00:10:36: environment.
00:10:36 --> 00:10:39: And we partnered with it with the firm that was
00:10:39 --> 00:10:43: developing this well standard and we're starting to implement
00:10:43 --> 00:10:46: that.
00:10:43 --> 00:10:46: There are questions some of our partners are saying is
00:10:46 --> 00:10:48: it worth the investment?
00:10:48 --> 00:10:49: Should we be doing it?
00:10:49 --> 00:10:52: I think we're still in the early phases.

00:10:52 --> 00:10:55: The well building standard and there are others as well
00:10:55 --> 00:10:56: like fit well and reset,
00:10:56 --> 00:10:59: but we're in the early stages and I think you
00:10:59 --> 00:10:59: know,
00:10:59 --> 00:11:03: we believe that we're going to see particularly the post
00:11:03 --> 00:11:05: covid world greater value from tenants.
00:11:05 --> 00:11:07: So what about what our clients say?
00:11:07 --> 00:11:09: What do they find interesting?
00:11:09 --> 00:11:11: So we did a 2019 tenant survey to ask them
00:11:11 --> 00:11:13: how they view sustainability.
00:11:13 --> 00:11:15: What are they interested in?
00:11:15 --> 00:11:17: Why do they want to see it?
00:11:17 --> 00:11:18: Do they want to see the effort?
00:11:18 --> 00:11:21: Do they want to partner with us to do the
00:11:21 --> 00:11:22: Heinz Green Office?
00:11:22 --> 00:11:25: What are the key issues and you can see?
00:11:25 --> 00:11:29: Interesting enough, 75% are talking about the healthier work
environment.
00:11:29 --> 00:11:32: We think that's just going to go up post covid
00:11:32 --> 00:11:35: so we think more and more tenants are going to
00:11:36 --> 00:11:36: be focused on.
00:11:36 --> 00:11:38: How do I get to the building?
00:11:38 --> 00:11:40: What surface is do I touch?
00:11:40 --> 00:11:43: What is the indoor air quality?
00:11:43 --> 00:11:46: Is that going to cause more risk in terms of
00:11:46 --> 00:11:47: indoor air quality?
00:11:47 --> 00:11:51: How about sanitation regimes? How are you managing it?
00:11:51 --> 00:11:54: For those all of those things I think are going
00:11:54 --> 00:11:58: to increase materially in the post code world.
00:11:58 --> 00:12:01: Half of the tenants said that this was that they
00:12:01 --> 00:12:06: value the sustainability initiatives because of corporate
responsibility goals.
00:12:06 --> 00:12:09: Honestly, I would say those.
00:12:09 --> 00:12:12: Would have a higher rating from European tenants.
00:12:12 --> 00:12:17: A fairly high rating from North American tenants and a
00:12:17 --> 00:12:21: little bit less so in places like Shanghai or Mumbai
00:12:21 --> 00:12:23: or Delhi or perhaps Sao Paulo,
00:12:23 --> 00:12:27: but that's we think just a matter of time and
00:12:27 --> 00:12:32: attention cost savings was also quite highly rated.
00:12:32 --> 00:12:34: A bit lower on the list was attracting and retaining
00:12:35 --> 00:12:35: employees,
00:12:35 --> 00:12:38: we would expect that may also in the post code

00:12:38 --> 00:12:39: world go up.

00:12:39 --> 00:12:42: And then engaging in customers and community you know it's

00:12:42 --> 00:12:43: the right thing to do.

00:12:43 --> 00:12:45: That was lower on the list.

00:12:45 --> 00:12:49: But still rated as part of the reason tenants

00:12:49 --> 00:12:50: view this is important.

00:12:50 --> 00:12:53: So now, what about the investing side.

00:12:53 --> 00:12:56: What about our partners in investing in groups like pension

00:12:56 --> 00:12:57: funds,

00:12:57 --> 00:13:00: etc. We view that that is another constituency and an

00:13:00 --> 00:13:04: important one we have the tenant constituency or clients.

00:13:04 --> 00:13:07: But we also have clients that are investors that invest

00:13:07 --> 00:13:10: in our funds in our buildings with us.

00:13:10 --> 00:13:13: So we have been really thinking about that and you

00:13:13 --> 00:13:15: know it used to be 10 or 15 years ago.

00:13:15 --> 00:13:20: People talked about sustainability and they talked about energy efficiency.

00:13:20 --> 00:13:25: The cost they talked about lower cost today that's broadening,

00:13:25 --> 00:13:28: so an entire ESG, and we're finding that not only

00:13:28 --> 00:13:33: the environmental part but the social aspect and governance aspect.

00:13:33 --> 00:13:38: So ESG is becoming even more important.

00:13:38 --> 00:13:40: So that seems to be accelerating.

00:13:40 --> 00:13:44: Again, certain investors view that as more important than others.

00:13:44 --> 00:13:47: For example, I would say it's more likely that a

00:13:47 --> 00:13:51: Dutch pension fund or a California public pension fund would

00:13:51 --> 00:13:55: view this as far more important than a sovereign wealth

00:13:55 --> 00:13:57: fund from an oil producing country,

00:13:57 --> 00:14:00: so that, again may simply be a matter of time,

00:14:00 --> 00:14:02: but I think that is the reality.

00:14:02 --> 00:14:04: So certain of our constituencies,

00:14:04 --> 00:14:09: like investors from Europe, certain of those investors in North

00:14:09 --> 00:14:09: America.

00:14:09 --> 00:14:12: You this is more important.

00:14:12 --> 00:14:15: We've also done some few other things,

00:14:15 --> 00:14:17: such as the United States.

00:14:17 --> 00:14:21: We actually tried this first in a city called Minneapolis

00:14:21 --> 00:14:22: City Minneapolis,

00:14:22 --> 00:14:25: where we built a timber frame building,

00:14:25 --> 00:14:28: and we we coin that and and and trade market

00:14:28 --> 00:14:28: as T3,
00:14:28 --> 00:14:32: which stands for timber Transit and technology.
00:14:32 --> 00:14:35: But the most important aspect is a building that is
00:14:35 --> 00:14:36: timber framed,
00:14:36 --> 00:14:40: so it's sort of an old style building with modern
00:14:40 --> 00:14:43: engineering and facilities brand newly built.
00:14:43 --> 00:14:45: And tenants find this particularly.
00:14:45 --> 00:14:49: I would say modern technology oriented tenants find this type
00:14:49 --> 00:14:51: of product very interesting.
00:14:51 --> 00:14:53: This is a project that we just built in Atlanta
00:14:53 --> 00:14:56: and we basically fully leased it to Microsoft,
00:14:56 --> 00:14:59: so kind of. No surprise there that type of tenant
00:14:59 --> 00:15:00: finds this.
00:15:00 --> 00:15:04: This kind of atmosphere that is a warmer more
environmentally
00:15:04 --> 00:15:06: sensitive atmosphere perhaps more appealing.
00:15:06 --> 00:15:10: So this is another area that we're venturing on.
00:15:10 --> 00:15:15: Turning to investors, we have a large European Open ended
00:15:15 --> 00:15:19: fund called the Heinz Pan European Core Fund,
00:15:19 --> 00:15:23: HCF, and on this we very early on decided that
00:15:23 --> 00:15:27: some of our core investors are very focused on ESG,
00:15:27 --> 00:15:31: so we decided on this on this fund which has
00:15:32 --> 00:15:33: now 27 assets.
00:15:33 --> 00:15:36: And it is growing fairly rapidly as one of the
00:15:36 --> 00:15:40: top ranked open in a core funds that one of
00:15:40 --> 00:15:43: the key areas of focus will be on ESG.
00:15:43 --> 00:15:45: And we joined as part of this.
00:15:45 --> 00:15:49: I'm sorry this gives you an example and again this
00:15:49 --> 00:15:50: is a principle from PGM,
00:15:50 --> 00:15:53: so I'll just pause for a moment.
00:15:53 --> 00:15:56: Let people kind of read through that,
00:15:56 --> 00:15:59: but the main idea is that this Dutch pension fund
00:15:59 --> 00:16:00: used this,
00:16:00 --> 00:16:05: as in a very important component and the sustainability.
00:16:05 --> 00:16:08: And that the that the ESG parts of that are
00:16:08 --> 00:16:11: very important is for that as an investor.
00:16:11 --> 00:16:15: Again, this investor may find this more valuable than an
00:16:15 --> 00:16:19: investor from an oil producing company country,
00:16:19 --> 00:16:22: for example, but that's changing as well.
00:16:22 --> 00:16:26: So this fund we focused on sustainability and we we
00:16:26 --> 00:16:30: have gotten this fund ranked every year by greasby.
00:16:30 --> 00:16:33: And again, I'm not sure if you all know Greasby,

00:16:33 --> 00:16:35: but I'm sure most of you do.

00:16:35 --> 00:16:40: It's the global real estate sustainability benchmark and our goal

00:16:40 --> 00:16:42: in this fund was to be in the top tier

00:16:42 --> 00:16:46: and we have ranked number one from Greasby for each

00:16:46 --> 00:16:49: year. Now, Greasby was set up a number of years

00:16:49 --> 00:16:53: ago by pension funds that were particularly interested in ESG

00:16:53 --> 00:16:56: to really focus on ESG benchmark.

00:16:56 --> 00:16:57: So now the question is,

00:16:57 --> 00:17:00: is this valuable? Will it help us great gain more

00:17:01 --> 00:17:01: investors?

00:17:01 --> 00:17:04: I think it's twofold. One is certainly helps,

00:17:04 --> 00:17:08: but we obviously have to perform so financially.

00:17:08 --> 00:17:10: You have to have good performance,

00:17:10 --> 00:17:13: but we believe those can go hand in hand if

00:17:13 --> 00:17:16: we lower the cost of operating the buildings.

00:17:16 --> 00:17:19: If we increase the interest from the tenant base,

00:17:19 --> 00:17:22: we will have a better job of retaining tenants.

00:17:22 --> 00:17:26: That would mean we would have lower turnover costs and

00:17:26 --> 00:17:30: we would have lower operating costs and we can achieve

00:17:30 --> 00:17:31: all of that.

00:17:31 --> 00:17:35: Achieving high stands on Greasby will go hand in hand

00:17:35 --> 00:17:37: with financial performance,

00:17:37 --> 00:17:39: and we've ranked highly. You know,

00:17:39 --> 00:17:44: top tier financial performance. An ranked number one by Greasby

00:17:44 --> 00:17:47: for the various open ended funds.

00:17:47 --> 00:17:50: One of the other elements that we're working on is

00:17:50 --> 00:17:52: moving towards net zero.

00:17:52 --> 00:17:54: You know? How can we have a building that generates

00:17:54 --> 00:17:58: as much energy as it consumes now it's challenging in

00:17:58 --> 00:17:58: many places,

00:17:58 --> 00:18:03: but of course that include elements such as solar panels.

00:18:03 --> 00:18:06: High quality insulation. Some of this cost money up front

00:18:06 --> 00:18:07: when you're building it,

00:18:07 --> 00:18:11: so you have to do that and understand that balance.

00:18:11 --> 00:18:14: That's where we're trying to get the most bang for

00:18:14 --> 00:18:14: our Buck.

00:18:14 --> 00:18:18: The most high quality sustainability for our built environment,

00:18:18 --> 00:18:20: so this is something we're moving towards.

00:18:20 --> 00:18:22: We have not achieved it yet,

00:18:22 --> 00:18:24: but definitely we are on our way.

00:18:24 --> 00:18:27: So again, I would say a large part of this.

00:18:27 --> 00:18:29: The financial part is utility consumption.

00:18:29 --> 00:18:33: Is it a much improved which can improve the financial.

00:18:33 --> 00:18:38: Performance. And then finally just wrapping up the presentation.

00:18:38 --> 00:18:41: This is an example from our HCF behind European Core

00:18:41 --> 00:18:42: Fund.

00:18:42 --> 00:18:45: An example of we bought this building and we had

00:18:45 --> 00:18:48: a massive decrease in consumption in both electricity,

00:18:48 --> 00:18:52: gas and water consumption. So this is where I would

00:18:52 --> 00:18:56: say the financial parts financial aspects Mary very well with

00:18:56 --> 00:19:00: the investing aspects which can be attracted to certain investors.

00:19:00 --> 00:19:04: We believe increasing number of vessels will pay attention to

00:19:04 --> 00:19:05: that.

00:19:05 --> 00:19:07: And so the success of the investment,

00:19:07 --> 00:19:10: the success of the sustainability,

00:19:10 --> 00:19:14: focus, the success of gaining investors can all marry together

00:19:14 --> 00:19:18: in a successful in a successful approach to the business.

00:19:18 --> 00:19:21: So with that, I'll turn it back over to appeal

00:19:21 --> 00:19:22: to that.

00:19:22 --> 00:19:26: That is my presentation for the day and hopefully prompted

00:19:26 --> 00:19:28: a few questions that we can that we can go

00:19:29 --> 00:19:31: in the rest of the presentation.

00:19:31 --> 00:19:32: Thank you.

00:19:32 --> 00:19:34: Thank you very much, Lee.

00:19:34 --> 00:19:38: Clearly the impacts of climate change have already influenced real

00:19:38 --> 00:19:41: estate at the global scale and they affect the real

00:19:41 --> 00:19:44: estate assets and in many ways so the investors and

00:19:44 --> 00:19:48: fund managers that need to be positioned to address those

00:19:48 --> 00:19:48: risks.

00:19:48 --> 00:19:51: But here's the here's the question,

00:19:51 --> 00:19:54: because obviously there is the long term perspective.

00:19:54 --> 00:19:56: But at the same time we we see globally a

00:19:56 --> 00:20:00: search for yield and then clearly particularly for standing assets

00:20:00 --> 00:20:04: any any Carfax that goes on improving sustainability might have

00:20:04 --> 00:20:07: a negative impact on. On the return.

00:20:07 --> 00:20:09: So the question to you Lee would be is is

00:20:09 --> 00:20:13: from from your perspective in the region that the operating

00:20:13 --> 00:20:16: in choose see the intrinsic world from from the your

00:20:16 --> 00:20:20: investors to actually have the sustainability impact or is it

00:20:20 --> 00:20:23: very much merely a box checking and you know taking
00:20:23 --> 00:20:26: it off as investors move on and get the return?
00:20:26 --> 00:20:30: I said thank you. I would say it depends on
00:20:30 --> 00:20:34: where that where that investor is from.
00:20:34 --> 00:20:39: And also where the location of the buildings are located.
00:20:39 --> 00:20:41: So I would say it's more of a tick.
00:20:41 --> 00:20:46: The box type of thing in places like New Delhi
00:20:46 --> 00:20:49: to some degree in places like Moscow.
00:20:49 --> 00:20:52: But I think if you were able to collect the
00:20:52 --> 00:20:55: data and prove the point of cost efficiency.
00:20:55 --> 00:20:59: So that's why I included the end of the presentation.
00:20:59 --> 00:21:03: The case study of dramatic reduction in electricity
consumption,
00:21:03 --> 00:21:07: gas consumption, water consumption, you can prove that,
00:21:07 --> 00:21:09: and you have a relatively fast payback.
00:21:09 --> 00:21:12: I mean those kind of numbers can give you a
00:21:12 --> 00:21:14: pretty fast payback,
00:21:14 --> 00:21:16: some of it is just management,
00:21:16 --> 00:21:18: not investment in cap, ex.
00:21:18 --> 00:21:20: So you know properly gauging,
00:21:20 --> 00:21:24: monitoring and managing things. So that definitely you know
there's,
00:21:24 --> 00:21:26: in my opinion, that is a no brainer.
00:21:26 --> 00:21:29: You should improve your management to be able to reduce
00:21:29 --> 00:21:31: utility consumption.
00:21:31 --> 00:21:33: Now the question is, should you spend CapEx to do
00:21:33 --> 00:21:34: it?
00:21:34 --> 00:21:37: And that I think is more important in Western Europe,
00:21:37 --> 00:21:40: I believe will become increasingly important in other markets,
00:21:40 --> 00:21:45: but is probably most important in North America and Western
00:21:45 --> 00:21:45: Europe.
00:21:45 --> 00:21:48: So would you say that that really having the long
00:21:48 --> 00:21:50: term management policy is crucial?
00:21:50 --> 00:21:54: Because I understand you can develop a building and then
00:21:54 --> 00:21:57: handed over to a new investor who might as well
00:21:57 --> 00:21:59: abandon those positive policies.
00:21:59 --> 00:22:02: So do US Hines typically try to stay in for
00:22:02 --> 00:22:04: a period of time to to make sure that those
00:22:04 --> 00:22:08: environmental advantages are well taken care of or or is
00:22:08 --> 00:22:11: very much and and in the driving seat of the
00:22:11 --> 00:22:13: GNU GNU owner I I think the reality is in
00:22:13 --> 00:22:16: the driving seat of the new order.
00:22:16 --> 00:22:18: While we would love to continue with that policy,

00:22:18 --> 00:22:21: it's obviously a new investor who owns the building,
00:22:21 --> 00:22:24: will be able to make their own decision,
00:22:24 --> 00:22:27: will make the case, and in many cases many places
00:22:27 --> 00:22:29: we do retain and manage the buildings.
00:22:29 --> 00:22:33: But obviously it's the decision of the investor.
00:22:33 --> 00:22:35: We would like to continue and we hope it will
00:22:35 --> 00:22:35: continue,
00:22:35 --> 00:22:38: but it's not a requirement that we ever make for
00:22:38 --> 00:22:39: investors.
00:22:39 --> 00:22:39: New.
00:22:41 --> 00:22:44: How do you get some some some so?
00:22:44 --> 00:22:47: I've got some some of the developers actually,
00:22:47 --> 00:22:51: even if they do not continue with the management of
00:22:51 --> 00:22:52: the building,
00:22:52 --> 00:22:55: they at least tried to get information because what is
00:22:55 --> 00:22:59: the most important aspect to progress the sustainability in
terms
00:22:59 --> 00:23:03: of the future construction and development it is to have
00:23:03 --> 00:23:07: data to collect data about the performance of those buildings.
00:23:07 --> 00:23:10: So many of seen actually many agreements and I drafted
00:23:10 --> 00:23:13: many clauses where you as a seller,
00:23:13 --> 00:23:16: as a developer you still retain the right.
00:23:16 --> 00:23:17: Even if you don't manage,
00:23:17 --> 00:23:20: you continue to harvest data from the assistance BMSS of
00:23:21 --> 00:23:24: the building to find out what is the performance of
00:23:24 --> 00:23:27: what you've done to improve further and further in the
00:23:27 --> 00:23:30: future. As you remember, because we've been around for a
00:23:30 --> 00:23:31: long time,
00:23:31 --> 00:23:33: the whole concept of sustainability,
00:23:33 --> 00:23:36: especially in Poland, has not been really imposed by the
00:23:37 --> 00:23:40: by the Polish government or any state organizations.
00:23:40 --> 00:23:42: Now we can talk about the laws that are there
00:23:42 --> 00:23:43: or thereabouts,
00:23:43 --> 00:23:46: but actually it was all imposed by the.
00:23:46 --> 00:23:49: By the purchases runs the purchases started demanding it.
00:23:49 --> 00:23:51: Then it becomes the issue of OK,
00:23:51 --> 00:23:53: I have to sell. I have to achieve the best
00:23:53 --> 00:23:57: yield and these purchases were paying the best yields.
00:23:57 --> 00:23:58: So developers had to deliver.
00:23:58 --> 00:24:01: But in some cases like in case of Hines and
00:24:01 --> 00:24:04: couple of other developers that was also the issue of
00:24:04 --> 00:24:05: corporate responsibility.

00:24:05 --> 00:24:07: It's in the in their day and DNA.
00:24:07 --> 00:24:09: So I think you know.
00:24:09 --> 00:24:12: Yeah, but like I think I think perhaps the sea
00:24:12 --> 00:24:15: region is is not not a full indication,
00:24:15 --> 00:24:18: but but do you feel talking any tractor to many
00:24:18 --> 00:24:22: investors like you feel that they are becoming more more
00:24:22 --> 00:24:26: environmentally aware or in fact maybe they are actually
willing
00:24:26 --> 00:24:30: to suck too to sacrifice the environmental angle just to
00:24:30 --> 00:24:33: get a good product because the availability of product is
00:24:34 --> 00:24:35: diminishing in C.
00:24:35 --> 00:24:37: So maybe did you see investors?
00:24:37 --> 00:24:40: That conclusion iron and just proceed or?
00:24:40 --> 00:24:43: Is the prevalent position that they actually have to have
00:24:44 --> 00:24:45: this certification in place?
00:24:45 --> 00:24:48: I would say that in terms of their new built,
00:24:48 --> 00:24:51: you must have a certification in place and I would
00:24:51 --> 00:24:54: say that the the the better pricing is expected.
00:24:54 --> 00:24:56: The more requirements are imposed,
00:24:56 --> 00:25:00: so you know we've been saying especially in terms of
00:25:00 --> 00:25:03: this platinum and gold standards.
00:25:03 --> 00:25:04: It is more and more imposed,
00:25:04 --> 00:25:06: and I think it's not going anywhere.
00:25:06 --> 00:25:08: It's actually will be there and it will be required.
00:25:08 --> 00:25:10: More and more it is on the tip of the
00:25:10 --> 00:25:10: weather.
00:25:10 --> 00:25:12: It is a thick of the box or not actually
00:25:12 --> 00:25:15: the result from from my perspective is the same.
00:25:15 --> 00:25:17: It must be there.
00:25:17 --> 00:25:19: And Martin from an occupier perspective,
00:25:19 --> 00:25:22: Juicy returns because you've got a PC business.
00:25:22 --> 00:25:24: Logi see the tenants actually put a lot of emphasis
00:25:25 --> 00:25:25: on that,
00:25:25 --> 00:25:27: or, or is it really bad at the bottom line
00:25:27 --> 00:25:29: that that that matters,
00:25:29 --> 00:25:32: particularly in the post covid times?
00:25:32 --> 00:25:36: Yeah, particularly post post covid so thanks everyone for
having
00:25:36 --> 00:25:36: me.
00:25:36 --> 00:25:39: We are an owner, operator of food Hall markets and
00:25:39 --> 00:25:42: and we've seen our tenants push back a little bit
00:25:42 --> 00:25:43: on this issue of sustainability,
00:25:43 --> 00:25:47: particularly energy efficiency because we do run on 100%

00:25:47 --> 00:25:50: green energy and we spend a lot of time communicating
00:25:50 --> 00:25:51: that and trying to refine it.
00:25:51 --> 00:25:55: So we've had a tough time communicating with tenants pre
00:25:55 --> 00:25:57: Covid on this issue and now it's becoming a bigger
00:25:57 --> 00:26:00: issue of why they need to spend more money on
00:26:00 --> 00:26:03: energy with us then if they would just went to
00:26:03 --> 00:26:04: market themselves.
00:26:04 --> 00:26:07: Now what we found is that the long term value
00:26:07 --> 00:26:11: of our company in our the places we create is
00:26:11 --> 00:26:14: is built on customer trust and consumer demand.
00:26:14 --> 00:26:18: So we try to protect the tenants while also.
00:26:18 --> 00:26:21: Doing what consumers want, this is the trend that we've
00:26:22 --> 00:26:24: seen for a few years now and will continue to
00:26:24 --> 00:26:28: invest in it long term operational sustainability is paramount
in
00:26:28 --> 00:26:32: this discussion. I like, I appreciate Lian and Powell talking
00:26:32 --> 00:26:32: about that.
00:26:32 --> 00:26:36: Which is why we're building a property management system
specifically
00:26:36 --> 00:26:40: for these types of multi gastro tenant properties because we
00:26:40 --> 00:26:43: found in our own operations that data tells a really
00:26:43 --> 00:26:46: good story not only for us and our investors but
00:26:46 --> 00:26:47: also our tenants.
00:26:47 --> 00:26:48: So we need to get.
00:26:48 --> 00:26:51: The data under control relative to efficiency.
00:26:51 --> 00:26:55: Also financial reporting, which is not so related to
sustainability,
00:26:55 --> 00:26:57: but we want to better insight into the real time
00:26:57 --> 00:27:00: usage of of utilities and energy from our tenants and
00:27:00 --> 00:27:02: allow them Accessibility to that,
00:27:02 --> 00:27:05: because what we found is they don't pay so much
00:27:05 --> 00:27:06: attention to this.
00:27:06 --> 00:27:09: And of course that becomes a problem with reconciliation,
00:27:09 --> 00:27:12: which is one thing, but it becomes a problem for
00:27:12 --> 00:27:14: us to communicate that to the general public.
00:27:14 --> 00:27:17: If the energy efficiency is not where we need to
00:27:17 --> 00:27:17: be.
00:27:17 --> 00:27:21: So the property management system we're building to kind of
00:27:21 --> 00:27:21: have a.
00:27:21 --> 00:27:25: Full technology stacks of to manage the financial reporting,
00:27:25 --> 00:27:28: not the social media marketing tenant sales.
00:27:28 --> 00:27:32: So point of sale as well and particularly property
management

00:27:32 --> 00:27:35: and facility management issues like utilities.
00:27:35 --> 00:27:39: That's going to be really important for companies and operators
00:27:39 --> 00:27:40: working forward.
00:27:40 --> 00:27:43: There's not so many products in the market that help
00:27:43 --> 00:27:47: owners like Heinz or operators like us do that.
00:27:47 --> 00:27:50: But did you actually see interest from tenants and in
00:27:50 --> 00:27:50: the ESG aspect,
00:27:50 --> 00:27:54: or or as long as the overall keeping seacoastonline with
00:27:54 --> 00:27:54: the market?
00:27:54 --> 00:27:57: They don't really test your pushy or inquire about details
00:27:57 --> 00:27:58: is that?
00:27:58 --> 00:28:01: Are they only become activated when when something is out
00:28:01 --> 00:28:01: of line?
00:28:01 --> 00:28:04: Juicy that they're proactive, or they are?
00:28:04 --> 00:28:07: Basically, you know, going through the motions.
00:28:07 --> 00:28:11: With our tenants, we work primarily with independent small
businesses
00:28:11 --> 00:28:14: and international nurse independent gastro entrepreneurs.
00:28:14 --> 00:28:17: They're not so focused on that to be quite truthful,
00:28:17 --> 00:28:20: so we try to help them focus on that and
00:28:20 --> 00:28:23: will help understand the importance of it.
00:28:23 --> 00:28:26: They're coming around, so the importance of these issues,
00:28:26 --> 00:28:29: particularly the way they use energy and plastics and things,
00:28:29 --> 00:28:31: they understand the consumer demand,
00:28:31 --> 00:28:35: but they don't necessarily understand the operating costs
and the
00:28:35 --> 00:28:37: need to kind of focus and plan a little bit
00:28:37 --> 00:28:40: longer term for their energy usage and other usage.
00:28:40 --> 00:28:43: So it's not something that's a paramount concern when they
00:28:43 --> 00:28:44: come to us.
00:28:44 --> 00:28:45: Our investors. I have to say,
00:28:45 --> 00:28:48: are on a different. It's a different story,
00:28:48 --> 00:28:51: and it depends on the on the regional world we're
00:28:51 --> 00:28:51: looking at.
00:28:51 --> 00:28:54: But particularly in Western Europe and the US.
00:28:54 --> 00:28:58: Investors are making this a core priority and JB partners
00:28:58 --> 00:28:59: that we're talking to.
00:28:59 --> 00:29:03: Yeah, I think there's an interesting point about the type
00:29:03 --> 00:29:04: of tenant.
00:29:04 --> 00:29:08: If you know, I think there's a different understanding from
00:29:08 --> 00:29:11: a major global tenant that feels a need to.
00:29:11 --> 00:29:14: Be a proper corporate citizen around the world to you

00:29:14 --> 00:29:15: know small entrepreneur.

00:29:15 --> 00:29:18: That's just trying to survive in the post code world,

00:29:18 --> 00:29:22: and so there may be different approaches to those different

00:29:22 --> 00:29:23: types of tenants as well.

00:29:23 --> 00:29:25: But I agree, data is a key factor.

00:29:25 --> 00:29:28: You gotta collect the data is without it,

00:29:28 --> 00:29:31: you can't really make the case properly to your investors

00:29:31 --> 00:29:32: or to your tenants.

00:29:32 --> 00:29:35: Yeah, we killed as a as a as an employer

00:29:35 --> 00:29:38: because I think you know apart from the fact that

00:29:38 --> 00:29:40: we provide services,

00:29:40 --> 00:29:43: we also employ people and we as everybody knows we

00:29:43 --> 00:29:47: have moved our office is quite recently and we employ

00:29:47 --> 00:29:50: all together with supporting stuff in that location.

00:29:50 --> 00:29:54: We employ 350,350 people so it's quite substantial number

and

00:29:54 --> 00:29:57: I think when we were evaluating our options and we

00:29:58 --> 00:30:02: were evaluating our new office is actually the environmental

issues

00:30:02 --> 00:30:05: and sustainability. Where quite important for us,

00:30:05 --> 00:30:07: and it was two faults.

00:30:07 --> 00:30:10: One it was corporate responsibility because of the nature of

00:30:10 --> 00:30:12: what kind of organization we are,

00:30:12 --> 00:30:14: and being this, you know,

00:30:14 --> 00:30:18: international corporate, we must take care about the

environment around

00:30:18 --> 00:30:21: us and this is simply part of our culture is

00:30:21 --> 00:30:23: part of our DNA and I would say this is

00:30:23 --> 00:30:27: generally the drive of the Inter corporate culture around the

00:30:27 --> 00:30:27: world.

00:30:27 --> 00:30:31: But also you know because we compete for talent and

00:30:31 --> 00:30:34: you know I have to admit unfortunately the time.

00:30:34 --> 00:30:37: Older, another jumpy older all this person in the office

00:30:37 --> 00:30:39: now which is ridiculous,

00:30:39 --> 00:30:42: but it's the fact and my employees are usually in

00:30:42 --> 00:30:43: their late 20s,

00:30:43 --> 00:30:46: early 30s and actually now mid 20s and again younger

00:30:46 --> 00:30:48: and younger people for them.

00:30:48 --> 00:30:52: This aspect is important and we have to retain talent.

00:30:52 --> 00:30:55: We have to compete with others for the same talent

00:30:55 --> 00:30:59: pool and when we were moving we actually organized couple

00:30:59 --> 00:31:01: of questionnaires and surveys.

00:31:01 --> 00:31:04: What was important to them as our employees?

00:31:04 --> 00:31:07: What would they like? And I was actually personally super surprised how much environmental and sustainability points were made by

00:31:07 --> 00:31:12:

00:31:12 --> 00:31:16: by our employees starting from the occupying things like,

00:31:16 --> 00:31:17: OK, we don't want you.

00:31:17 --> 00:31:21: You can you have to eliminate all the plastic bottles.

00:31:21 --> 00:31:24: So do we have a facility in in the office?

00:31:24 --> 00:31:25: Is that we can get water?

00:31:25 --> 00:31:28: You know, being simply pumped to our,

00:31:28 --> 00:31:31: you know glasses or whatever we can type of containers,

00:31:31 --> 00:31:34: reusable containers that we use,

00:31:34 --> 00:31:36: things like this that. We you know,

00:31:36 --> 00:31:39: we never thought off, but our employees actually did,

00:31:39 --> 00:31:41: so I think this is also one of the drivers,

00:31:41 --> 00:31:43: but doesn't it mean like that?

00:31:43 --> 00:31:45: From what others think that basically this has.

00:31:45 --> 00:31:48: This has a negative impact on on the overall development costs here,

00:31:48 --> 00:31:49:

00:31:49 --> 00:31:53: because if if the buildings become more and more sophisticated

00:31:53 --> 00:31:56: I would be curious to hear how does it impact

00:31:56 --> 00:31:58: your your your investment returns.

00:31:58 --> 00:32:00: Or is it rewarded in the,

00:32:00 --> 00:32:04: you know, super super demand from from investors?

00:32:04 --> 00:32:07: I mean, it's been our view that that is rewarded,

00:32:07 --> 00:32:10: but you have to be smart about how you execute

00:32:10 --> 00:32:11: it.

00:32:11 --> 00:32:13: This is why we try to get more bang.

00:32:13 --> 00:32:17: You know more quality for similar kind of similar costs,

00:32:17 --> 00:32:20: but that's obviously takes a lot of effort to make

00:32:20 --> 00:32:21: that happen.

00:32:21 --> 00:32:23: But I think there are other aspects such as tenant

00:32:23 --> 00:32:24: retention.

00:32:24 --> 00:32:26: I mean, if you really look at a building.

00:32:26 --> 00:32:30: If your building has a significant tenant rollover,

00:32:30 --> 00:32:32: you have all of the costs of fitout,

00:32:32 --> 00:32:36: brokerage costs, and all of those things for not maintaining

00:32:36 --> 00:32:37: tenant retention,

00:32:37 --> 00:32:40: not achieving high levels of tenant retention.

00:32:40 --> 00:32:43: So you know, I do think you have to look

00:32:43 --> 00:32:44: at the entire picture,

00:32:44 --> 00:32:48: which is not only the ongoing utility costs tenant retention,

00:32:48 --> 00:32:51: but you also have to have the data to prove
00:32:51 --> 00:32:54: the point to both investors as well as yourselves.
00:32:54 --> 00:32:59: Where are you making the right investment?
00:32:59 --> 00:33:02: But you mentioned the one European co-founder that you have
00:33:03 --> 00:33:06: is is the sustainability angle justified by returns like when
00:33:06 --> 00:33:09: you benchmark it against your other funds?
00:33:09 --> 00:33:12: Is it performing or underperforming or is it on
00:33:12 --> 00:33:13: par?
00:33:13 --> 00:33:17: It's outperforming. It's one of the top performers in Europe
00:33:17 --> 00:33:20: now that is because we've got a really good fund
00:33:20 --> 00:33:22: management team that's doing a great job.
00:33:22 --> 00:33:26: But they're also, we've got a guide that is focused
00:33:26 --> 00:33:28: strictly on the ESG issues and.
00:33:28 --> 00:33:32: Many Daniel Chang and he's doing a fantastic job.
00:33:32 --> 00:33:34: Because he has a kind of a broad perspective.
00:33:34 --> 00:33:36: You have a big enough.
00:33:36 --> 00:33:38: Portfolio of a billion euros.
00:33:38 --> 00:33:41: And so you're able to justify the investment to
00:33:41 --> 00:33:46: make sure that you can have high-quality sustainability and
ESG
00:33:46 --> 00:33:48: that both ranks well with.
00:33:48 --> 00:33:50: Greasby is attractive to investors,
00:33:50 --> 00:33:53: helps returns. So we think we can do it.
00:33:56 --> 00:33:57: But blue.
00:33:57 --> 00:33:59: For instance, you know for greasby,
00:33:59 --> 00:34:01: I guess at a large well run company,
00:34:01 --> 00:34:05: which also happens to have high missions associated with
their
00:34:05 --> 00:34:05: activities,
00:34:05 --> 00:34:08: can look pretty pretty pretty good as the focus
00:34:08 --> 00:34:11: of Gracie is at the fund level and not necessarily
00:34:11 --> 00:34:12: acid level.
00:34:12 --> 00:34:15: My question is, you know obviously all the new stock
00:34:15 --> 00:34:17: that's being rolled out is is is compliant,
00:34:17 --> 00:34:20: it's got fantastic certificates and pretty much as is
00:34:20 --> 00:34:22: as efficient as it can be.
00:34:22 --> 00:34:24: I'm curious to hear your opinion.
00:34:24 --> 00:34:26: What about the elephant in the room with all the
00:34:26 --> 00:34:27: existing stock that?
00:34:27 --> 00:34:31: I guess in many parts of Europe another world doesn't
00:34:31 --> 00:34:33: meet any sort of criteria.
00:34:33 --> 00:34:36: Juju, do you think there should be pressure for on

00:34:36 --> 00:34:40: the owners through somehow retrofit them or make them more
00:34:40 --> 00:34:42: environmentally sustainable?
00:34:42 --> 00:34:46: Because overall this this shortage of return will have to
00:34:46 --> 00:34:50: be transmitted elsewhere across the investment landscape.
00:34:50 --> 00:34:51: It's a trick question. I mean,
00:34:51 --> 00:34:54: I would say that and I'll make a comment and
00:34:54 --> 00:34:55: then others should jump in.
00:34:55 --> 00:34:57: I mean, I do think that.
00:35:00 --> 00:35:03: If you, if you're thinking about what is most sustainable,
00:35:03 --> 00:35:05: if you have a good quality,
00:35:05 --> 00:35:07: you know asset with the right,
00:35:07 --> 00:35:10: you know, physical characteristics, floor plan,
00:35:10 --> 00:35:12: ceiling Heights, all that sort of thing.
00:35:12 --> 00:35:15: The most sustainable thing is to retrofit it.
00:35:15 --> 00:35:18: If it's demanded by tenants rather than tear it down
00:35:18 --> 00:35:19: and build new Franklin.
00:35:19 --> 00:35:21: And so I think.
00:35:21 --> 00:35:24: It does makes financial sense.
00:35:24 --> 00:35:27: If it's priced appropriately now,
00:35:27 --> 00:35:32: you could argue that if if you you know if
00:35:32 --> 00:35:32: you.
00:35:32 --> 00:35:36: Yeah, a seller might be hit by a buyer wanting
00:35:36 --> 00:35:38: to price in proper CapEx.
00:35:38 --> 00:35:42: But then you have the cost of capital question in
00:35:42 --> 00:35:46: that if you have the investors that also value this
00:35:46 --> 00:35:48: they may be happy to have.
00:35:48 --> 00:35:51: Lower returns long term sustainable returns,
00:35:51 --> 00:35:53: but they look at things over a 10 or 15
00:35:53 --> 00:35:55: year time horizon.
00:35:55 --> 00:35:57: Maybe I'm not explaining it well,
00:35:57 --> 00:35:59: but I think the bottom line is that yes,
00:35:59 --> 00:36:01: we do think it makes sense.
00:36:01 --> 00:36:06: If the physical aspect of the existing building is sustainable
00:36:06 --> 00:36:08: in terms of tenant demand.
00:36:08 --> 00:36:11: And modern from your point of view,
00:36:11 --> 00:36:15: is the pressure from from Cydia the Investor pool ready
00:36:15 --> 00:36:18: to to invest in the existing stock and improve its
00:36:18 --> 00:36:20: its environmental rating,
00:36:20 --> 00:36:23: or is it very much again window dressing and living
00:36:23 --> 00:36:26: with the with the properties as as they are?
00:36:26 --> 00:36:30: Is there any inclination to two different graphics on on

00:36:30 --> 00:36:34: on this as a purely voluntary measure as opposed to,
00:36:34 --> 00:36:38: you know, doing it in advance of any harder hard?
00:36:38 --> 00:36:41: Legislation that's going to come come into play.
00:36:41 --> 00:36:43: Now I think, and we're not an investor,
00:36:43 --> 00:36:46: so it's it's. I come at this from a different
00:36:46 --> 00:36:47: perspective,
00:36:47 --> 00:36:49: but.
00:36:49 --> 00:36:51: I think we really hit it right on the head.
00:36:51 --> 00:36:54: If there's a there's a tenant demand to be an
00:36:54 --> 00:36:57: existing stock or existing real estate and renovate it makes
00:36:57 --> 00:37:00: perfect amount of sense in other cases like in historic
00:37:00 --> 00:37:04: cities such as prog. It's very difficult to tear down
00:37:04 --> 00:37:04: buildings,
00:37:04 --> 00:37:08: particularly inherited zones or buildings that are protected by
heritage.
00:37:08 --> 00:37:11: So it becomes an essential question of what the cost
00:37:11 --> 00:37:14: of renovating that building is going to be in order
00:37:14 --> 00:37:18: to live up to environmental standards just lead or Bream
00:37:18 --> 00:37:21: standards. I think that's become a big problem for our
00:37:21 --> 00:37:23: investors and our partners.
00:37:23 --> 00:37:27: Developing partners in Prague, and we're also seeing it in
00:37:27 --> 00:37:31: other cities that we're starting to work in.
00:37:31 --> 00:37:34: From our perspective, these issues of course,
00:37:34 --> 00:37:37: we want to relay a positive story to investors.
00:37:37 --> 00:37:40: But like if you look at the global trend of
00:37:40 --> 00:37:41: cities 60%
00:37:41 --> 00:37:44: of urban dwellers will be under the age of 18.
00:37:44 --> 00:37:47: By 2020302035 this generation. I just turned 40,
00:37:47 --> 00:37:50: so I'm not in that generation anymore.
00:37:50 --> 00:37:55: But I do see myself psychologically aligned are intellectually
aligned
00:37:55 --> 00:37:59: with that generation and that this is a growing trend,
00:37:59 --> 00:38:02: and you you have to take a long term view.
00:38:02 --> 00:38:03: On on the cap ex.
00:38:03 --> 00:38:06: Requirements on these buildings or this renovation or new
build
00:38:06 --> 00:38:08: to understand who you're who.
00:38:08 --> 00:38:10: The funded that you might exit 2 is buying this
00:38:10 --> 00:38:13: building 4 and it's this younger generation who wants these
00:38:13 --> 00:38:17: these these buildings would be more sustainable and wants
basically
00:38:17 --> 00:38:20: a healthier, cleaner lifestyle. So the general trend is moving
00:38:20 --> 00:38:21: in this direction.

00:38:21 --> 00:38:23: Whether Covid is here or not,
00:38:23 --> 00:38:24: I think we have to understand.
00:38:24 --> 00:38:28: I think you can look at historical parallels and leave
00:38:28 --> 00:38:32: probably understands better than anyone in this room
because of.
00:38:32 --> 00:38:36: SARS and SARS in 2003 had a relatively short term
00:38:36 --> 00:38:40: impact on real estate in Hong Kong and Taiwan.
00:38:40 --> 00:38:43: Where is it two or three quarter rebounds?
00:38:43 --> 00:38:46: And in that case I think this pandemic is in
00:38:46 --> 00:38:48: a much wider scale,
00:38:48 --> 00:38:51: of course, but we have to understand that that I
00:38:51 --> 00:38:52: think this is a.
00:38:52 --> 00:38:57: This is a temporary situation and macroeconomics and the
development
00:38:57 --> 00:39:01: trend will probably continue to develop and even accelerate
more
00:39:01 --> 00:39:05: towards sustainability and climate neutral trends.
00:39:05 --> 00:39:08: I don't see us changing course because we're in a
00:39:08 --> 00:39:12: short term economic crisis and pandemic.
00:39:12 --> 00:39:14: Yeah, and and just to add maybe a throw something
00:39:15 --> 00:39:15: out there.
00:39:15 --> 00:39:19: I think Covid will have other impacts that will accelerate
00:39:19 --> 00:39:19: things such as,
00:39:19 --> 00:39:23: well, building. You know people be more interested in how
00:39:23 --> 00:39:26: exactly does indoor air quality or how are you measuring
00:39:26 --> 00:39:27: the quality?
00:39:27 --> 00:39:29: And I have to tell you in a place like
00:39:29 --> 00:39:32: New Delhi which is one of the most air polluted
00:39:32 --> 00:39:33: place in the world.
00:39:33 --> 00:39:37: Having a building with very high quality indoor air quality
00:39:37 --> 00:39:40: that you collect the data and you prove it to
00:39:40 --> 00:39:41: the tenants.
00:39:41 --> 00:39:45: Has an incredibly important aspect to those tenants and all
00:39:45 --> 00:39:47: employees that they that they compete for.
00:39:47 --> 00:39:51: So I think I think there's a lot of code.
00:39:51 --> 00:39:54: I mean, if we ask the questions will covid slow
00:39:54 --> 00:40:00: down sustainability questions because investors are in
search for yield,
00:40:00 --> 00:40:04: I think. If you take the broader version of sustainability,
00:40:04 --> 00:40:07: which includes materials, indoor air quality,
00:40:07 --> 00:40:10: light sound, all of those aspects that provide greater,
00:40:10 --> 00:40:12: I say comfort for tenants.
00:40:12 --> 00:40:14: I think it will accelerate it,

00:40:14 --> 00:40:17: not slow it down. In the short term trend,
00:40:17 --> 00:40:20: I think is is is supporting that message.
00:40:20 --> 00:40:23: I mean yes G funds and SI funds have been
00:40:23 --> 00:40:27: doing just as well as conventional funds over the last
00:40:27 --> 00:40:28: two quarters.
00:40:28 --> 00:40:31: So I you know, we haven't even seen a real
00:40:31 --> 00:40:35: negative impact in the last two quarters on ESPN and
00:40:35 --> 00:40:35: SI.
00:40:35 --> 00:40:39: So I think it's I think we're sort of seeing
00:40:40 --> 00:40:41: that trend alright.
00:40:41 --> 00:40:44: So he doesn't mean that you're not concerned that you
00:40:45 --> 00:40:45: know you know,
00:40:45 --> 00:40:47: given given the pandemic situation,
00:40:47 --> 00:40:51: probably some of the capital expense expenditure in projects
will
00:40:51 --> 00:40:54: have to be moved more towards the HVAC solutions and
00:40:54 --> 00:40:58: and basically that you know the sustainability angle as a
00:40:58 --> 00:41:00: result will will be impacted negatively.
00:41:00 --> 00:41:03: After all, I guess the this will be the priority
00:41:03 --> 00:41:04: for tenants,
00:41:04 --> 00:41:07: at least in the short to mid term depending on
00:41:07 --> 00:41:09: how the year depending evolves.
00:41:09 --> 00:41:12: Well, I think in the short run you're probably right.
00:41:12 --> 00:41:15: I mean, this is only so many hours in the
00:41:15 --> 00:41:18: day and you have to focus on what's most important
00:41:18 --> 00:41:22: to the tenants and healthy working environment is of course
00:41:22 --> 00:41:25: the most important thing in a post code world,
00:41:25 --> 00:41:27: but I don't think that's going to be forever and
00:41:28 --> 00:41:29: I think you can do both.
00:41:29 --> 00:41:32: You just have to have enough time and you know,
00:41:32 --> 00:41:35: again, I think one of it if they're different real
00:41:35 --> 00:41:36: estate types,
00:41:36 --> 00:41:38: whether it's retail or hotels,
00:41:38 --> 00:41:41: logistics or offices or particularly offices offices.
00:41:41 --> 00:41:47: Have had a big CapEx requirement that is driven low
00:41:47 --> 00:41:50: first and foremost about.
00:41:50 --> 00:41:53: Not retaining tenants because that's where you spend the big
00:41:53 --> 00:41:54: cap ex.
00:41:54 --> 00:41:57: So if you've got something that you can demonstrably prove
00:41:57 --> 00:42:01: through the data that you are retaining tenants because
you're
00:42:01 --> 00:42:03: creating a healthier environment,
00:42:03 --> 00:42:05: that is a tremendous investment.

00:42:05 --> 00:42:08: So now that takes time to prove his tenants leases
00:42:08 --> 00:42:09: roll over,
00:42:09 --> 00:42:11: you know three or five years,
00:42:11 --> 00:42:14: sometimes longer. But if you can avoid the fairly rapid
00:42:14 --> 00:42:16: rotation of tenants who buildings,
00:42:16 --> 00:42:18: that's where you really save money,
00:42:18 --> 00:42:22: and I think health and Wellness indoor air quality.
00:42:22 --> 00:42:26: And sustainability player important role in there.
00:42:26 --> 00:42:30: Yeah, go ahead. No please please share let me follow
00:42:30 --> 00:42:31: up on that with Lee.
00:42:31 --> 00:42:34: I think you know we're a small player here.
00:42:34 --> 00:42:36: We're an operator and we do.
00:42:36 --> 00:42:39: We have developed in small properties for our markets,
00:42:39 --> 00:42:44: but now we're looking at JVS and management operating
agreements
00:42:44 --> 00:42:46: with much larger players.
00:42:46 --> 00:42:49: So we're working now with the one of the largest
00:42:49 --> 00:42:53: players in the world and retail real estate and Hamburg
00:42:53 --> 00:42:53: too,
00:42:53 --> 00:42:55: to open a food Hall with 2023 Ann.
00:42:55 --> 00:42:59: That the core question, one of the questions was operational
00:42:59 --> 00:43:00: sustainability.
00:43:00 --> 00:43:03: How how are we going to align with their sustainability
00:43:03 --> 00:43:05: goals and what our hours were?
00:43:05 --> 00:43:08: A smaller company, so I believe we're quite nimble and
00:43:08 --> 00:43:11: and and we're doing things again that are in line
00:43:11 --> 00:43:14: with the trends that we believe in our mission driven
00:43:14 --> 00:43:17: company, but also the trends that are customers believing.
00:43:17 --> 00:43:20: So I think getting the the tenants of our tenants
00:43:20 --> 00:43:23: on board with that is is another story that goes
00:43:23 --> 00:43:26: in line with kind of presenting the data accurately.
00:43:26 --> 00:43:29: But we're seeing that time and time again.
00:43:29 --> 00:43:31: It's not just in Hamburg,
00:43:31 --> 00:43:32: it's also and in Paris,
00:43:32 --> 00:43:35: it's it's in a couple of places we're looking at
00:43:35 --> 00:43:36: in Prague,
00:43:36 --> 00:43:39: and developing partners were talking to in Brussels.
00:43:39 --> 00:43:42: The goal is who's going to have the most the
00:43:42 --> 00:43:45: healthiest building in 2021 to 23 when we open some
00:43:45 --> 00:43:46: of these markets?
00:43:46 --> 00:43:49: And can our goal is aligned with our joint venture
00:43:49 --> 00:43:51: partners or investors?

00:43:51 --> 00:43:55: That's the question we're being asked from much bigger players

00:43:55 --> 00:43:55: than us.

00:43:55 --> 00:43:57: So I think that the trend,

00:43:57 --> 00:43:58: I think is is. Yeah,

00:43:58 --> 00:44:00: like I said, it's moving in the direct the same

00:44:00 --> 00:44:01: direction,

00:44:01 --> 00:44:04: but probably even accelerating to make sure that we can

00:44:04 --> 00:44:06: have a healthy place in the reef food retail environment,

00:44:06 --> 00:44:10: but also are developed. Our development partners that are building

00:44:10 --> 00:44:11: mixed use developments.

00:44:11 --> 00:44:14: They also want to have the healthiest building for office

00:44:14 --> 00:44:16: workers and healthy residential environments,

00:44:16 --> 00:44:20: so we're pretty positive about what we're hearing from market.

00:44:20 --> 00:44:25: I think there's also one more aspect that that the

00:44:25 --> 00:44:30: global warming is a fact and almost everybody agrees that

00:44:30 --> 00:44:30: it's a.

00:44:30 --> 00:44:35: It's it's a fact. And the legislation that is being

00:44:35 --> 00:44:40: imposed and will be imposed especially within European Union,

00:44:40 --> 00:44:46: creates the situation where when investors demand sustainability and efficiency,

00:44:46 --> 00:44:50: especially energy efficiency from the buildings,

00:44:50 --> 00:44:53: they are going to buy because they want to be

00:44:53 --> 00:44:55: ahead of the curve.

00:44:55 --> 00:44:58: We know more or less what's going to happen.

00:44:58 --> 00:45:02: But we want to be sure that what we're buying

00:45:02 --> 00:45:03: today will still be.

00:45:03 --> 00:45:08: In accordance with the legislation in five years from now,

00:45:08 --> 00:45:11: if you look at the Paris Agreement itself,

00:45:11 --> 00:45:15: which of course has to filter down to the local

00:45:15 --> 00:45:16: legislations,

00:45:16 --> 00:45:21: the two main principles of the Paris international Paris Agreement

00:45:22 --> 00:45:24: is to limit global warming by 2%

00:45:24 --> 00:45:27: by 2 degrees, and there is a EU pledge to

00:45:27 --> 00:45:31: reduce greenhouse gas emissions by at least 40%

00:45:31 --> 00:45:33: compared to 1990 by 2000.

00:45:33 --> 00:45:36: 30 It will not happen on its own,

00:45:36 --> 00:45:38: and real estate is huge part of it,

00:45:38 --> 00:45:42: so we can expect legislation that will impose and force

00:45:42 --> 00:45:46: people to reduce the emission of greenhouse gases.
00:45:46 --> 00:45:49: One of the examples of this is like for example
00:45:49 --> 00:45:53: in Poland you have the legislation about the asbestos.
00:45:53 --> 00:45:57: You cannot use asbestos since 1998 in any new
construction,
00:45:57 --> 00:46:01: but actually by 1932 you have to remove all asbestos
00:46:01 --> 00:46:04: even from the existing construction.
00:46:04 --> 00:46:06: Before it was built before 1998,
00:46:06 --> 00:46:10: so I think this is one of the examples of
00:46:10 --> 00:46:14: what can happen that you know they the owners will
00:46:14 --> 00:46:19: be actually forced to retrofit to comply with the legislation
00:46:19 --> 00:46:23: at the time. If you look at the European Union
00:46:23 --> 00:46:28: legislation you see for example action plan on sustainable
finance,
00:46:28 --> 00:46:35: which imposes sustainability risk reporting definition with
taxonomy for sister.
00:46:35 --> 00:46:38: Sustainability preference query and I think OK if this sort
00:46:38 --> 00:46:42: of financing is cheaper but you have to meet the
00:46:42 --> 00:46:44: criteria that also answers it may answer.
00:46:44 --> 00:46:46: I'm not saying it does answer,
00:46:46 --> 00:46:49: it may answer in the future question about the yield
00:46:50 --> 00:46:50: and returns,
00:46:50 --> 00:46:53: because if your cost of finance is lower but you
00:46:53 --> 00:46:57: have to meet the criteria that is imposed by this
00:46:57 --> 00:46:58: sustainable finance directive,
00:46:58 --> 00:47:01: well that that will be part of your answer.
00:47:01 --> 00:47:04: Then you also have a European Green Deal,
00:47:04 --> 00:47:09: which again is about. Promotion of sustainability measures in
respect
00:47:09 --> 00:47:13: of the buildings you have EU emission reduction target for
00:47:13 --> 00:47:15: 2030 which again up to 55%
00:47:15 --> 00:47:20: reduction of greenhouse gases, probably to become a
requirement for
00:47:20 --> 00:47:21: national legislation.
00:47:21 --> 00:47:24: We can expect that this will be,
00:47:24 --> 00:47:27: you know, enforced across the EU and then you have
00:47:27 --> 00:47:30: directive from 2010 which is you know,
00:47:30 --> 00:47:36: already binding national targets for reduction of carbon
dioxide emissions
00:47:36 --> 00:47:36: so.
00:47:36 --> 00:47:38: All of this together means,
00:47:38 --> 00:47:42: in my opinion, that we can expect within next five
00:47:42 --> 00:47:42: years.

00:47:42 --> 00:47:47: I would say a wave of legislation that will be
00:47:47 --> 00:47:48: imposing.
00:47:48 --> 00:47:53: Measures that will actually increase the sustainability
demands and requirements.
00:47:53 --> 00:47:57: You know, even in Poland you have the Waste Management
00:47:57 --> 00:48:00: Act of 2012 but now actually from March 2020.
00:48:00 --> 00:48:04: It is actually compulsory waste sorting is compulsory.
00:48:04 --> 00:48:06: It was not compulsory until now.
00:48:06 --> 00:48:09: It is compulsory since March this year and I think
00:48:09 --> 00:48:11: again this shows you.
00:48:11 --> 00:48:13: This shows you the trend.
00:48:13 --> 00:48:17: And do you see already investors inquire about this?
00:48:17 --> 00:48:21: Because obviously that the capital that you represent
Hinduism in
00:48:21 --> 00:48:22: Poland is of global nature.
00:48:22 --> 00:48:26: Do you think investors already take this somehow into
consideration?
00:48:26 --> 00:48:29: Or this is a non non topic?
00:48:29 --> 00:48:32: No, no, it's definitely. I thought it's like.
00:48:32 --> 00:48:33: We call it a tick the box,
00:48:33 --> 00:48:35: and to certain extent, but actually it isn't.
00:48:35 --> 00:48:37: It isn't OK, they have to have it to be
00:48:37 --> 00:48:40: able to invest and to pay what they want to
00:48:40 --> 00:48:40: pay.
00:48:40 --> 00:48:42: If you are expecting the top dollar for your square
00:48:43 --> 00:48:43: meter,
00:48:43 --> 00:48:45: you have to deliver something that will still be in
00:48:45 --> 00:48:48: compliance with the expected legislation in five years,
00:48:48 --> 00:48:50: 10 years from now, as much as it is of
00:48:50 --> 00:48:51: course possible,
00:48:51 --> 00:48:54: you know, But if you feel because I think I'm,
00:48:54 --> 00:48:57: I'm curious because as we discussed the guidelines is one
00:48:57 --> 00:48:59: thing and hard legislation is the other thing.
00:48:59 --> 00:49:02: So would you say it's more five years or more
00:49:02 --> 00:49:02: 10 years?
00:49:02 --> 00:49:05: And so I'm stuck in imposing.
00:49:05 --> 00:49:10: It's it's. It's like I I would expect hard legislation
00:49:10 --> 00:49:13: to flood within next five years.
00:49:13 --> 00:49:16: Because if there if there it is expectant,
00:49:16 --> 00:49:19: it is expected that the reduction will be by 2030.
00:49:19 --> 00:49:24: Then the legislation must be imposed within next 234 years.
00:49:24 --> 00:49:28: Yeah, I think what what yeah.
00:49:28 --> 00:49:31: Go ahead. I was just going to say just to

00:49:31 --> 00:49:32: add to that,
00:49:32 --> 00:49:34: I mean clearly Europe is going to be on the
00:49:34 --> 00:49:35: leading edge,
00:49:35 --> 00:49:38: then certain parts of America will be and then will
00:49:38 --> 00:49:42: then follow and we would have thought that emerging
markets
00:49:42 --> 00:49:45: world like China and India would lag behind.
00:49:45 --> 00:49:48: But I'm not sure sure about that because I think
00:49:48 --> 00:49:50: you know the Chinese government.
00:49:50 --> 00:49:53: They have such a pollution problem in many places.
00:49:53 --> 00:49:54: In such a you know,
00:49:54 --> 00:49:55: I think.
00:49:55 --> 00:49:59: We may see that some of the emerging markets even
00:49:59 --> 00:50:03: made leapfrog and just catch up to Europe very very
00:50:03 --> 00:50:03: quickly,
00:50:03 --> 00:50:06: so you know, I would say it's.
00:50:06 --> 00:50:09: It's a pretty big risk not to pay sufficient attention
00:50:09 --> 00:50:12: to this because you know it could impact your tenant
00:50:12 --> 00:50:12: demand,
00:50:12 --> 00:50:14: could impact your investor demand.
00:50:14 --> 00:50:17: That could impact simply what you have to do after
00:50:17 --> 00:50:20: the fact of buildings to meet legislation.
00:50:20 --> 00:50:22: So I think that you know there's a lot of
00:50:22 --> 00:50:23: risks associated with just,
00:50:23 --> 00:50:27: you know, burying your head in the sand on this
00:50:27 --> 00:50:28: subject.
00:50:28 --> 00:50:30: And I think your question feels like you.
00:50:30 --> 00:50:35: We all remember when the energy certificates were
introduced in
00:50:35 --> 00:50:35: Poland,
00:50:35 --> 00:50:39: but again, it shows the trend and the hard legislation
00:50:39 --> 00:50:43: that from January 1st next year the requirements instead of
00:50:43 --> 00:50:47: in in respect of the energy efficiency and heating isolation
00:50:47 --> 00:50:51: will be more stringent. So I think and it will
00:50:51 --> 00:50:54: apply to all new buildings as well to the expansions
00:50:55 --> 00:50:58: of there are extensions of the existing buildings.
00:50:58 --> 00:51:00: And renovations as well. So there you go,
00:51:00 --> 00:51:03: it's it's. I think it's partially answered your question.
00:51:03 --> 00:51:05: Yeah, it's already. It's already happening.
00:51:05 --> 00:51:08: Great to hear that that in distance are these hard
00:51:08 --> 00:51:09: legislation is progressing.
00:51:09 --> 00:51:11: Martin do you have the same impression?

00:51:11 --> 00:51:16: Following your discussion with your stakeholders on your market?

00:51:16 --> 00:51:19: The same impressions of the the time frame for for

00:51:20 --> 00:51:21: legislation,

00:51:21 --> 00:51:24: for hard changes to be to be implemented.

00:51:24 --> 00:51:27: Yeah, we like three to five years is about the

00:51:27 --> 00:51:30: expectation that that we've been hearing and that we're expecting

00:51:30 --> 00:51:30: as well,

00:51:30 --> 00:51:32: yeah? And leave it there.

00:51:32 --> 00:51:35: Don't you think that the you know there will be

00:51:35 --> 00:51:37: a degree of shirts short-term ISM?

00:51:37 --> 00:51:39: Because I read in on Bloomberg the other day that

00:51:40 --> 00:51:42: you know that the SG's is a trend that may

00:51:42 --> 00:51:44: may ultimately give into political requirements.

00:51:44 --> 00:51:47: I mean, we discussed about it last week,

00:51:47 --> 00:51:50: the Labor Department wants to restrict their retirement plans.

00:51:50 --> 00:51:53: Managers put the money which could have a negative impact

00:51:53 --> 00:51:55: on on the sustainable funds.

00:51:55 --> 00:51:57: Do you think it is a longer trend,

00:51:57 --> 00:52:01: or just like a just a specific political decision?

00:52:01 --> 00:52:04: I think politics definitely will play a role in all

00:52:04 --> 00:52:05: of this,

00:52:05 --> 00:52:07: and I would say if I had to bet on

00:52:07 --> 00:52:08: this,

00:52:08 --> 00:52:12: the politics will push more towards this.

00:52:12 --> 00:52:15: Whether it's governance, societal impacts,

00:52:15 --> 00:52:18: I mean you know. I think Paul your comment about

00:52:18 --> 00:52:22: your employees and what was important to them.

00:52:22 --> 00:52:24: We shouldn't lose sight of that.

00:52:24 --> 00:52:27: I mean tenants and the employees that make up those

00:52:27 --> 00:52:29: tenants pay for all of our bills right?

00:52:29 --> 00:52:32: And so it's not. And I think there's a political

00:52:32 --> 00:52:32: part.

00:52:32 --> 00:52:36: Top down. And then there's a bottom up part that

00:52:36 --> 00:52:39: comes from the employees I think is it come from

00:52:39 --> 00:52:39: both.

00:52:39 --> 00:52:42: Not sure if I answered the question fully,

00:52:42 --> 00:52:46: but I do think that the political side is certainly

00:52:46 --> 00:52:49: in Europe and Americas and probably moving elsewhere.

00:52:49 --> 00:52:52: Moving in One Direction.

00:52:52 --> 00:52:54: Global warming

00:52:54 --> 00:52:58: health and Wellness.

00:52:58 --> 00:53:01: Maintaining, you know, avoiding what we've been dealing with on

00:53:01 --> 00:53:02: the shutdowns.

00:53:02 --> 00:53:03: All of these type of things,

00:53:03 --> 00:53:06: or at least dealing with them in the future.

00:53:06 --> 00:53:07: If we have future pandemic,

00:53:07 --> 00:53:09: as you know, we have to deal with all of

00:53:09 --> 00:53:13: this stuff and it flows into sustainability and the Wellness

00:53:13 --> 00:53:14: within the built environment.

00:53:14 --> 00:53:17: Whether that's a hotel or office or shopping center,

00:53:17 --> 00:53:21: etc. Yeah, by all indications from developers,

00:53:21 --> 00:53:25: investors like if you look at various countries the tide

00:53:25 --> 00:53:25: is rising,

00:53:25 --> 00:53:29: literally and figuratively across the world on this issue.

00:53:29 --> 00:53:32: And all the US maybe is lagging behind a bit

00:53:32 --> 00:53:33: right now.

00:53:33 --> 00:53:36: I think it's gonna. It's gonna be playing catch up

00:53:36 --> 00:53:39: to the Paris climate accord mandates few years if not

00:53:39 --> 00:53:41: sooner than later.

00:53:41 --> 00:53:43: So I think that the US will have to catch

00:53:43 --> 00:53:44: up on this issue.

00:53:44 --> 00:53:48: And because of the the reasons why we're mentioning,

00:53:48 --> 00:53:52: you know either are. Our core demographic or customers want

00:53:52 --> 00:53:52: these issues,

00:53:52 --> 00:53:54: or our tenants want them,

00:53:54 --> 00:53:57: so the private market will will set the standard in

00:53:57 --> 00:54:00: some cases in the US as as many good investors

00:54:01 --> 00:54:04: and developers have been doing or politicians like,

00:54:04 --> 00:54:07: you know, Anna Daga want her re election on Sunday

00:54:07 --> 00:54:08: in Paris,

00:54:08 --> 00:54:11: so I think you know the Paris accord is going

00:54:11 --> 00:54:13: to set the trend for Europe,

00:54:13 --> 00:54:15: and I think a lot of countries are going to

00:54:16 --> 00:54:19: follow in the water will keep rising with all the

00:54:19 --> 00:54:19: boats.

00:54:19 --> 00:54:22: Lifting with it. So I think again the trend is

00:54:22 --> 00:54:24: sort of in going in the right direction,

00:54:24 --> 00:54:27: either led by the private sector or being led and

00:54:27 --> 00:54:29: in Europe by the public sector.

00:54:29 --> 00:54:33: Thank you, I think we're slowly getting to the end

00:54:33 --> 00:54:34: of our session.

00:54:34 --> 00:54:37: I've got a few questions from from the from the
00:54:38 --> 00:54:38: participants,
00:54:38 --> 00:54:41: one of one of them is is is to you
00:54:41 --> 00:54:44: which country is at the forefront for USG and in
00:54:44 --> 00:54:45: our region.
00:54:45 --> 00:54:48: Is there any specific outperformer or is it?
00:54:48 --> 00:54:52: Or are they mostly moving at the same place?
00:54:52 --> 00:54:56: I would say that I would distinguish between Poland and
00:54:56 --> 00:54:59: Czech Republic as the frontrunners versus Hungary,
00:54:59 --> 00:55:03: and in Romania. But that that you know.
00:55:03 --> 00:55:05: It's only based on my experience,
00:55:05 --> 00:55:08: however, even if I mean not even again in those
00:55:08 --> 00:55:09: countries,
00:55:09 --> 00:55:11: like in Hungary and Romania.
00:55:11 --> 00:55:12: If you buy new buildings,
00:55:12 --> 00:55:15: this is anyway required by the investors.
00:55:15 --> 00:55:18: So OK, maybe what is required is what was required
00:55:18 --> 00:55:20: in Poland 345 years ago,
00:55:20 --> 00:55:22: but the trend again is the same we are all
00:55:22 --> 00:55:25: moving in the same direction problem.
00:55:25 --> 00:55:30: This probably moving in Czech Republic a are moving faster.
00:55:30 --> 00:55:33: Thank you, there is also a question to to you
00:55:33 --> 00:55:37: Leon on the allocation of off investors that are actually
00:55:37 --> 00:55:40: specifically picking ESG driven driven funds.
00:55:40 --> 00:55:43: Is it the majority at the moment or is the
00:55:43 --> 00:55:47: number creeping up but but still in the minority?
00:55:47 --> 00:55:50: I would say it's creeping up.
00:55:50 --> 00:55:56: It's moving up significantly and I would say that public
00:55:56 --> 00:55:58: pension funds.
00:55:58 --> 00:56:02: Western European oriented funds are probably most focused
on this.
00:56:02 --> 00:56:06: I would say you know sovereign wealth funds from other
00:56:06 --> 00:56:09: countries are a little bit less focused on it,
00:56:09 --> 00:56:13: although I think that will probably change overtime.
00:56:13 --> 00:56:15: So if I had to pick a number,
00:56:15 --> 00:56:19: I'd say probably at least half of our investors are
00:56:19 --> 00:56:20: focused on this.
00:56:20 --> 00:56:22: Maybe 60%.
00:56:22 --> 00:56:24: OK, thank you very much.
00:56:24 --> 00:56:26: But there is one more question.
00:56:26 --> 00:56:28: I think it's it's fully and and and for Martin
00:56:28 --> 00:56:30: messy but also for you.

00:56:30 --> 00:56:32: But do you really see the in terms of tenants?
00:56:32 --> 00:56:35: The post covid environment that it's going to have a
00:56:35 --> 00:56:39: major effect on on the decisions of the major corporate
00:56:39 --> 00:56:39: occupiers?
00:56:39 --> 00:56:43: Or despite the focus on the bottom line you will
00:56:43 --> 00:56:47: stick to the corporate guidelines that you have.
00:56:47 --> 00:56:50: Within you. Uh.
00:56:50 --> 00:56:53: Well, I I think in the post covid world.
00:56:53 --> 00:56:56: From our perspective things are still developing.
00:56:56 --> 00:56:59: I again I think that health and Wellness,
00:56:59 --> 00:57:00: which comes into many forms,
00:57:00 --> 00:57:04: including the physical aspect. Do you touch things?
00:57:04 --> 00:57:07: Do not touch things. How do you do with that
00:57:07 --> 00:57:08: sanitation requirements?
00:57:08 --> 00:57:12: I mean hygiene. All of those management oriented things.
00:57:12 --> 00:57:14: Some of them are physically oriented.
00:57:14 --> 00:57:17: All of that is still playing out,
00:57:17 --> 00:57:20: and I wouldn't say we know definitively artemin
00:57:20 --> 00:57:24: our centralized team as well as from the various parts
00:57:24 --> 00:57:26: of the world from our Asian team to to our
00:57:26 --> 00:57:29: headquarters team are all thinking about this.
00:57:29 --> 00:57:33: We're having a dialogue and then we're also having
00:57:33 --> 00:57:34: dialogues
00:57:33 --> 00:57:34: with investors as well.
00:57:34 --> 00:57:37: I would say the jury is out exactly what the
00:57:37 --> 00:57:39: full impact is going to be,
00:57:39 --> 00:57:42: but I think health and Wellness is going to become
00:57:42 --> 00:57:43: a key question.
00:57:43 --> 00:57:47: So not just sustainability but health and Wellness as well.
00:57:47 --> 00:57:50: Other questions about tenant demand investor demand.
00:57:50 --> 00:57:52: We think that real estate.
00:57:52 --> 00:57:55: And particularly, in an environment of dramatically low
00:57:55 --> 00:57:59: interest,
00:57:55 --> 00:57:59: rates will continue to be highly demanded by investors
00:57:59 --> 00:58:01: because
00:57:59 --> 00:58:01: they're looking for yield,
00:58:01 --> 00:58:05: inflation protection and real estate stacks up well so.
00:58:05 --> 00:58:07: That's our view. Not all real estate.
00:58:07 --> 00:58:10: I mean, I think you know that many of these
00:58:10 --> 00:58:13: kind of Ellen Jane regional malls in the United States
00:58:13 --> 00:58:15: won't be particularly demanded,
00:58:15 --> 00:58:20: whereas logistics will high quality office buildings will etc.
00:58:20 --> 00:58:23: So. That's the impact from our side at the point

00:58:23 --> 00:58:25: there is quality.

00:58:25 --> 00:58:29: I think investors and also our sector consumers are looking

00:58:29 --> 00:58:30: for high quality places.

00:58:30 --> 00:58:33: Places that are safe. So we are one of the

00:58:33 --> 00:58:37: first operators in the Czech Republic to sign up to

00:58:37 --> 00:58:40: a program called we are safe and we did this

00:58:40 --> 00:58:44: with a local entrepreneur group who set the standards because

00:58:44 --> 00:58:48: we realize that there's no really ISO standards for safety

00:58:48 --> 00:58:51: and hygiene and the office place or particularly in.

00:58:51 --> 00:58:53: And retail or hospitality sector.

00:58:53 --> 00:58:57: Everyone is going by either WHO guidelines or their local

00:58:57 --> 00:58:58: jurisdiction guidelines.

00:58:58 --> 00:59:01: United States which is being recommended.

00:59:01 --> 00:59:05: But there's no sort of ISO guideline for international standard.

00:59:05 --> 00:59:07: We did this because we are safe.

00:59:07 --> 00:59:11: Is proposing to be like an ISO guidelines for hygiene,

00:59:11 --> 00:59:13: particularly for places like ours,

00:59:13 --> 00:59:15: which is food and beverage created.

00:59:15 --> 00:59:18: We found that that the the media responded well to

00:59:18 --> 00:59:19: this.

00:59:19 --> 00:59:21: Customers are responding well to it.

00:59:21 --> 00:59:23: So I think we we sort of need to find

00:59:23 --> 00:59:27: some standards that are generally accepted practices across the different

00:59:27 --> 00:59:27: places,

00:59:27 --> 00:59:31: countries, cities, large groups like Hines can implement their own

00:59:31 --> 00:59:34: standards that will be trusted just because of the trust

00:59:34 --> 00:59:35: in the brand.

00:59:35 --> 00:59:38: Independent developers will have a hard time independent property managers

00:59:38 --> 00:59:40: will have a harder time,

00:59:40 --> 00:59:43: so getting on board with an international accepted standard I

00:59:43 --> 00:59:46: think is really important not only for tenants in the

00:59:46 --> 00:59:48: office space but retail tenants who have to rely on

00:59:48 --> 00:59:51: customers trusting that their place is safer.

00:59:51 --> 00:59:52: And it was, you know,

00:59:52 --> 00:59:53: in February.

00:59:55 --> 00:59:57: Thank you, thank you, thank you,

00:59:57 --> 01:00:00: Martin. Thank you brother. Thank you everyone for joining us

01:00:00 --> 01:00:00: today.

01:00:00 --> 01:00:03: We've we've come to the end of our session.

01:00:03 --> 01:00:05: Thanks for for development and questions.
01:00:05 --> 01:00:09: I hope you found this informative and we look forward
01:00:09 --> 01:00:12: to hosting you during our next webinars and meeting many
01:00:12 --> 01:00:12: of you.
01:00:12 --> 01:00:14: As our economy continued tutor open.
01:00:14 --> 01:00:18: Don't forget to join you alive for the next webinars,
01:00:18 --> 01:00:21: which is the well being of future generations on the
01:00:21 --> 01:00:21: 2nd of July,
01:00:21 --> 01:00:24: 3:00 PM CT and the digitalization of the world on
01:00:24 --> 01:00:25: 7 July.
01:00:25 --> 01:00:28: Also at 3:00 PM. A city.
01:00:28 --> 01:00:31: Thank you very much again for your attendance and I
01:00:31 --> 01:00:33: wish you waited afternoon.
01:00:33 --> 01:00:36: Thank you very much. Thanks everybody.
01:00:36 --> 01:00:36: But

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