Webinar

Global Emerging Trends in Real Estate (EMEA & APAC)

Date: March 27, 2024

00:00:00 --> 00:00:05:	Webinar for the emerging Trends in Real Estate global report
00:00:05 --> 00:00:09:	brought to you by the Urban Land Institute and PwC.
00:00:11 --> 00:00:13:	It's great to see so many of you with us
00:00:13 --> 00:00:13:	today.
00:00:13 --> 00:00:15:	So thank you for joining.
00:00:16 --> 00:00:20:	I'm Gareth Lewis from the PwC Real Estate Lead Advisory
00:00:20 --> 00:00:21:	Practice.
00:00:21 --> 00:00:23:	And on behalf of PwC, I'd first like to thank
00:00:24 --> 00:00:28:	the Urban Land Institute for their collaboration for all three
00:00:28 --> 00:00:31:	regional emerging trends reports published at the back end of
00:00:32 --> 00:00:35:	last year, as well as the latest collaboration for this
00:00:35 --> 00:00:36:	global edition.
00:00:38 --> 00:00:46:	Next slide please and next slide, Thank you.
00:00:47 --> 00:00:50:	The Emerging Trends in Real estate Global report is a
00:00:50 --> 00:00:53:	joint publication, as I said between PwC and the ULI.
00:00:54 --> 00:00:58:	Brings together, the findings of the three regional reports published
00:00:58 --> 00:01:00:	at the back end of 2023 reflects the views of
00:01:00 --> 00:01:03:	thousands of senior real estate professionals.
00:01:03 --> 00:01:07:	The research is undertaken through a survey, round tables and
00:01:07 --> 00:01:11:	interviews and it's a key indicator of sentiment in real
00:01:11 --> 00:01:13:	estate and investment development trends.
00:01:14 --> 00:01:17:	And this global report was supplemented with recent interviews on
00:01:17 --> 00:01:18:	the outlook for the year ahead.
00:01:19 --> 00:01:21:	So the plan for this session is for me to
00:01:21 --> 00:01:24:	give you the brief highlights of the global report.
00:01:24 --> 00:01:27:	Then I'll hand over to David Inskip from CBRE Investment

00:01:27 --> 00:01:31: Management who will introduce the panel and moderate the the

00:01:31 --> 00:01:32: discussion.

00:01:33 --> 00:01:37: Senior industry industry players we spoke to for the global

00:01:37 --> 00:01:40: edition of Emerging Trends believe that there's a good prospect

00:01:41 --> 00:01:44: of renewed investment activity on the back end of greater

00:01:44 --> 00:01:47: clarity on monetary policy in the US, Europe and Asia

00:01:47 --> 00:01:48: Pacific.

00:01:49 --> 00:01:51: So the hope is that buyers and sellers are starting

00:01:51 --> 00:01:55: to become a reconcile to an elevated interest rate environment

00:01:55 --> 00:01:58: and will therefore find that middle ground on pricing that's

00:01:58 --> 00:02:00: been so elusive over the past two years.

00:02:00 --> 00:02:04: And what is still complicated in the picture somewhat is

00:02:04 --> 00:02:08: the fact that many real estate investors are grappling with

00:02:08 --> 00:02:12: more fundamental challenges around the industry's role in society and

00:02:12 --> 00:02:16: in making buildings fit for purpose in an uncertain current

00:02:16 --> 00:02:17: and future environment.

00:02:18 --> 00:02:19: Next slide please.

00:02:23 --> 00:02:26: With alignment on price pricing comes the belief that real

00:02:26 --> 00:02:28: estate can recover from what has been one of the

00:02:28 --> 00:02:30: worst investment downturn in years.

00:02:30 --> 00:02:34: Although any upswing and activity is expected to be much

00:02:34 --> 00:02:36: more evident in 2025 than in 2024, if there is

00:02:36 --> 00:02:40: to be an improvement in investment markets in 2024, it's

00:02:40 --> 00:02:42: going to come from a very low base.

00:02:42 --> 00:02:46: As this slide shows, a global transaction activity in 2023

00:02:46 --> 00:02:49: slumped to its lowest level since 2012.

00:02:49 --> 00:02:54: And the latest data from MSCI shows that transactions involving

00:02:55 --> 00:02:59: income producing real estate fell by 48% in 2023 to

00:02:59 --> 00:03:00: 615 billion U.S.

00:03:00 --> 00:03:04: dollars, which was a 17% fall on the 2022 total.

00:03:04 --> 00:03:07: Nowhere has escaped the slowdown, although the MSCI figures show

00:03:07 --> 00:03:10: that some of the major markets in Asia are showing

00:03:10 --> 00:03:13: more resilience than Europe and North America and continue to

00:03:13 --> 00:03:15: do so according to those we spoke to for this

00:03:15 --> 00:03:16: report.

00:03:17 --> 00:03:20: So whilst it still feels like a transition period in

00:03:20 --> 00:03:23: the capital markets, there are signals that the market is

00:03:23 --> 00:03:23: waking up.
00:03:24 --> 00:03:27: But there's still a fair degree of caution in real
00:03:27 --> 00:03:31: estate and diversification of risk by market and by sector
00:03:31 --> 00:03:32: will be critically important.
00:03:33 --> 00:03:34: Next slide please.
00:03:38 --> 00:03:41: Given that all three regional additions of emerging trends identify
00:03:42 --> 00:03:45: interest rate movements as the top industry concern, it's understandable
00:03:45 --> 00:03:48: that some clarity on monetary policy since the turn of
00:03:48 --> 00:03:51: the year has bought a measure of relief, the interviews
00:03:51 --> 00:03:53: for this global report note.
00:03:53 --> 00:03:56: As one puts it at a change of tone towards
00:03:56 --> 00:03:59: the asset class, albeit more positive in the US and
00:03:59 --> 00:04:00: Asia than in Europe.
00:04:01 --> 00:04:05: Industry leaders across all three regions acknowledge that the geopolitical
00:04:05 --> 00:04:08: backdrop to investment is fought with uncertainty and may yet
00:04:08 --> 00:04:09: override.
00:04:09 --> 00:04:13: The recent stability on inflation and interest rates and the
00:04:13 --> 00:04:16: wars in Ukraine and Gaza, as well as the 60
00:04:16 --> 00:04:19: plus elections due to be held around the world in
00:04:19 --> 00:04:22: 2024 including the the the the US elections are all
00:04:22 --> 00:04:24: weighing on that sentiment.
00:04:25 --> 00:04:28: And this is already a period of daunting challenges for
00:04:28 --> 00:04:31: the industry, not least the colossal amount of real estate
00:04:31 --> 00:04:34: debt that needs to be refinanced this year and next.
00:04:34 --> 00:04:36: As 1.2 trillion U.S.
00:04:36 --> 00:04:40: dollars in the US alone and the deployment of so-called
00:04:40 --> 00:04:42: rescue capital will be a a big part of the
00:04:42 --> 00:04:45: global real estate narrative, no doubt in 2024.
00:04:46 --> 00:04:47: Next slide please.
00:04:50 --> 00:04:53: Though the industries has been in wait and see mode
00:04:53 --> 00:04:56: over the past two years, because of these short term
00:04:56 --> 00:04:59: cyclical forces, many are looking to the long term and
00:04:59 --> 00:05:02: all three editions of emerging trends reveal that many of
00:05:02 --> 00:05:06: the more progressive players have been using this time to
00:05:06 --> 00:05:10: challenge long held assumptions about market dynamics, pricing and risks.
00:05:10 --> 00:05:12: And the clear message is the driver of investment and
00:05:13 --> 00:05:16: occupied behaviour is no longer about those traditional property sectors,

00:05:16 --> 00:05:18: but increasingly centred around the the 3DS.
00:05:18 --> 00:05:23: That's demographics, digitalization and decarbonisation, and the 3DS are reinforcing
00:05:24 --> 00:05:28: the investment case for diversification across alternative real estate sectors.
00:05:29 --> 00:05:32: Most notice noticeably data centres and other D, which is
00:05:32 --> 00:05:36: only likely to accelerate under the influence of demand for
00:05:36 --> 00:05:37: generative AI.
00:05:37 --> 00:05:41: And it's no coincidence that the industry concerns over housing
00:05:41 --> 00:05:45: affordability, highlighted in all three regional reports of emerging trends
00:05:45 --> 00:05:49: are translating to a far greater investor attention on an
00:05:49 --> 00:05:52: increasingly diverse range of living sub sectors.
00:05:53 --> 00:05:57: Though market conditions may slow progress on ESG compliance this
00:05:57 --> 00:06:00: year, there's also a strong belief that the green agenda
00:06:00 --> 00:06:02: is a genuine and new force for change in real
00:06:02 --> 00:06:03: estate.
00:06:03 --> 00:06:07: And many are clearly seeing that decarbonisation thematic approach to
00:06:07 --> 00:06:11: real estate as an opportunity rather than an obligation.
00:06:11 --> 00:06:14: And that is and will continue to drive capital flows.
00:06:15 --> 00:06:17: And our interviews suggest that this is going to open
00:06:17 --> 00:06:19: up a whole new world of real estate products which
00:06:19 --> 00:06:22: overlap between real estate and infrastructure.
00:06:23 --> 00:06:26: The transition, transition to a much more diverse operational and
00:06:26 --> 00:06:30: complex real estate market together with you could say that
00:06:30 --> 00:06:34: ongoing relative decline in traditional real estate sectors or along
00:06:34 --> 00:06:37: with the merging of real estate and infrastructures has been
00:06:37 --> 00:06:39: a feature for quite some time.
00:06:39 --> 00:06:41: And it's a trend that you could say is happening
00:06:41 --> 00:06:44: in plain sight to the extent that that its significance
00:06:44 --> 00:06:45: could sometimes be missed.
00:06:46 --> 00:06:47: Next slide please.
00:06:51 --> 00:06:54: The the great reset as the US and Canadian editions
00:06:54 --> 00:06:58: described it, because wells well beyond the industry adapting to
00:06:58 --> 00:07:01: a new era era of higher belonging interest rates.
00:07:01 --> 00:07:04: It's an opportunity opportunity for a radical rethink of what
00:07:04 --> 00:07:06: will make real estate fit for purpose in the long
00:07:07 --> 00:07:07: term.

00:07:07 --> 00:07:10: And cutting across all of this are the changing demands

00:07:10 --> 00:07:10: of the occupier.

00:07:11 --> 00:07:13: I think another part of the same equation which has

00:07:13 --> 00:07:16: been a key theme over recent years is a question

00:07:16 --> 00:07:19: of how do you create income growth when that comfort

00:07:19 --> 00:07:22: blanket of yield compression is no longer guaranteed.

00:07:22 --> 00:07:25: And this is driving a greater sophistication of the end

00:07:25 --> 00:07:26: product.

00:07:26 --> 00:07:30: Real estate for instance, enabling the shift into operational real

00:07:30 --> 00:07:35: estate and latterly the push towards Co location of contrasting

00:07:35 --> 00:07:38: uses on the same sites such as industrial and housing.

00:07:40 --> 00:07:44: Occupy change you could say also often unfolds gradually in

00:07:44 --> 00:07:48: plain sight but invariably ends up with significant consequences across

00:07:48 --> 00:07:51: all sectors and requiring a a rethink of delivery models

00:07:51 --> 00:07:52: for real estate.

00:07:53 --> 00:07:57: There are examples of this everywhere, from the impact of

00:07:57 --> 00:08:00: e-commerce on retail, the impact of dispersed hybrid work on

00:08:00 --> 00:08:04: the office sector and robotics on the listed sector.

00:08:04 --> 00:08:08: These are historic examples, largely linked to technology and looking

00:08:08 --> 00:08:13: forward you could envisage similarly significant changes driven by artificial

00:08:13 --> 00:08:15: intelligence and, of course, decarbonisation.

00:08:17 --> 00:08:20: With that in mind, our researchers are sought to consider

00:08:20 --> 00:08:23: how the real estate industry can work more closely with

00:08:23 --> 00:08:26: occupiers and other industries in the creation of a real

00:08:26 --> 00:08:29: estate ecosystem that can pave the way for buildings to

00:08:29 --> 00:08:30: be fit for purpose.

00:08:30 --> 00:08:33: Over the coming decade and the interview suggests, the relationship

00:08:33 --> 00:08:36: between building owners and occupiers will need to become much

00:08:36 --> 00:08:39: more entwined and much more of a partnership.

00:08:39 --> 00:08:43: And the expectation is for far greater collaboration, dialogue and

00:08:43 --> 00:08:45: interaction in such business relationships.

00:08:46 --> 00:08:49: And there's there's clearly a lot to play for for

00:08:49 --> 00:08:52: for landlords if if landlords considered true partnerships with occupiers.

00:08:52 --> 00:08:56: And think about the challenges beyond the physical building in

00:08:56 --> 00:08:59: an office context that's thinking about the wider needs of
00:08:59 --> 00:09:02: the workforce and in the context of retail and logistics
00:09:02 --> 00:09:02: sectors.
00:09:02 --> 00:09:06: Such an approach could extend beyond single locations to the
00:09:06 --> 00:09:09: wider needs including energy uses and storage of the supply
00:09:09 --> 00:09:10: chain and customers.
00:09:11 --> 00:09:12: Next slide please.
00:09:15 --> 00:09:17: So to conclude and before I hand over for the
00:09:17 --> 00:09:20: the panel, the real estate industry is clearly still in
00:09:20 --> 00:09:21: transition.
00:09:21 --> 00:09:25: There's still some gap between buyers and sellers expectations and
00:09:25 --> 00:09:29: there's still that very difficult to manage threat from geopolitical
00:09:29 --> 00:09:33: events in particular, but also lots of impatient capital and
00:09:33 --> 00:09:36: some evidence and expectation of a ramp up in transaction
00:09:36 --> 00:09:37: activity.
00:09:37 --> 00:09:40: And the real estate industry is being buffeted by structural
00:09:40 --> 00:09:44: changes and the mega trends of digitalization, urbanization and climate
00:09:44 --> 00:09:44: change.
00:09:45 --> 00:09:48: And that great reset as I mentioned may require that
00:09:48 --> 00:09:51: real estate businesses no longer simply view themselves as owners
00:09:51 --> 00:09:54: of physical assets whereby the needs of the end customer
00:09:54 --> 00:09:57: represent a risk to be reduced to long leases or
00:09:57 --> 00:09:58: transfer to third parties.
00:09:59 --> 00:10:01: So I think that's quite a change in mind mindset
00:10:01 --> 00:10:04: and the resistance to change here or or possibly an
00:10:04 --> 00:10:07: inability to change is is reflected in in PW CS
00:10:07 --> 00:10:10: latest global CEO survey which found that 48% of CEO
00:10:10 --> 00:10:14: surveyed, we're not confident that their companies could survive more
00:10:14 --> 00:10:16: than 10 years on their current path.
00:10:17 --> 00:10:19: So I think there's a a lot to think about
00:10:19 --> 00:10:22: and I'm, I'm really looking forward to hearing the views
00:10:23 --> 00:10:25: of the panel on this and and the report.
00:10:25 --> 00:10:29: And with that I'll hand over to David to introduce
00:10:29 --> 00:10:30: and moderate the panel.
00:10:31 --> 00:10:31: Thank you.
00:10:38 --> 00:10:38: Hello, everyone.
00:10:39 --> 00:10:40: Thank you very much Gareth.

00:10:41 --> 00:10:45: A great summary of what is a very, very detailed
00:10:45 --> 00:10:45: report.
00:10:47 --> 00:10:48: My name's David Inskip.
00:10:49 --> 00:10:52: I lead the European research team at CBRE Investment Management.
00:10:53 --> 00:10:57: And I'm really excited to be with you today talking
00:10:57 --> 00:11:00: about the global edition of a report which I always
00:11:00 --> 00:11:03: find to be really interesting and insightful.
00:11:05 --> 00:11:09: There's certainly plenty to to discuss there and I would
00:11:09 --> 00:11:12: say please do ask questions.
00:11:12 --> 00:11:14: There's AQ and A functionality at the bottom.
00:11:14 --> 00:11:18: So keep those questions coming in and we'll try to
00:11:18 --> 00:11:21: address as many as possible during our discussion.
00:11:22 --> 00:11:27: I'm also joined by a fantastic panel, some familiar faces
00:11:27 --> 00:11:31: no doubt, but let me briefly introduce them anyway.
00:11:32 --> 00:11:36: Firstly, we have Anne Breen and brings a truly global
00:11:36 --> 00:11:40: perspective to the discussion as global Head of Investment Process
00:11:40 --> 00:11:43: and Strategy for Real Estate at Aberdeen.
00:11:44 --> 00:11:47: Next, we have Lizette van Dorn, who I'm sure many
00:11:47 --> 00:11:49: of you will know through her role as CEO for
00:11:49 --> 00:11:51: the Urban Land Institute in Europe.
00:11:52 --> 00:11:55: And finally, Rohan Sikri, who is Senior Partner at the
00:11:55 --> 00:11:58: Xander Group and has more than 20 years of real
00:11:58 --> 00:12:04: estate experience across markets including India, Indonesia, Japan, Singapore, Vietnam
00:12:04 --> 00:12:05: and Thailand.
00:12:05 --> 00:12:08: So a wealth of experience there for us to draw
00:12:08 --> 00:12:09: upon in our discussion.
00:12:10 --> 00:12:15: Firstly, thank you all for, for joining today and perhaps
00:12:15 --> 00:12:19: maybe we could start with with sentiment today sort of
00:12:19 --> 00:12:23: right in the here and now, because of course those
00:12:23 --> 00:12:28: regional reports that were referenced earlier are based upon data
00:12:28 --> 00:12:29: gathered in late 2023.
00:12:30 --> 00:12:33: The global report is supplemented with extra interviews that were
00:12:33 --> 00:12:35: conducted at the start of this year.
00:12:36 --> 00:12:38: But of course any report always comes out with with
00:12:38 --> 00:12:39: a bit of a lag.
00:12:39 --> 00:12:43: So I guess my first question is, does that presentation
00:12:43 --> 00:12:47: still really capture the current situation or has anything meaningfully

00:12:48 --> 00:12:51: shifted through the early part of of 2024 who'd like

00:12:51 --> 00:12:52: to kick us off?

00:12:55 --> 00:12:59: David, I'm quite happy to to to start actually have

00:12:59 --> 00:13:03: some feedback that I got just last week actually at

00:13:03 --> 00:13:07: the MIPM, the the Summit where we we really host

00:13:07 --> 00:13:11: a session that is predominantly attended by LP's.

00:13:12 --> 00:13:15: So the investors and one of the things that we

00:13:15 --> 00:13:18: discussed in there is you know what's keeping you awake

00:13:18 --> 00:13:22: at night and they talked about the things that we're

00:13:22 --> 00:13:25: keeping them awake at night this time last year.

00:13:25 --> 00:13:28: And actually one of the key takeaways was that they're

00:13:28 --> 00:13:31: actually much less concerned about inflation and interest rates than

00:13:31 --> 00:13:31: they were.

00:13:32 --> 00:13:35: They still have quite a lot of concerns about where

00:13:35 --> 00:13:35: we are in the cycle.

00:13:36 --> 00:13:39: You know where valuations are particularly when you look at

00:13:39 --> 00:13:43: them geographically across the world, they're they're moving at different

00:13:43 --> 00:13:46: pieces and and the pricing of risk is different in

00:13:46 --> 00:13:47: different locations.

00:13:48 --> 00:13:51: But actually they were less concerned at this point in

00:13:51 --> 00:13:53: time on inflation and and interest rates.

00:13:58 --> 00:13:59: Yeah, I'd be, I'd be happy to go.

00:14:00 --> 00:14:01: So thanks David.

00:14:02 --> 00:14:05: You know, I think you know looking at the results

00:14:05 --> 00:14:07: of the report which is you know I don't see

00:14:07 --> 00:14:10: any surprises in the report in terms of you know

00:14:10 --> 00:14:14: what the sentiment is in terms of interest rates, geopolitics,

00:14:14 --> 00:14:16: decarbonisation etcetera etcetera.

00:14:17 --> 00:14:19: I think the last in fact literally I would say

00:14:19 --> 00:14:22: three or four weeks, maybe even 2 weeks have have

00:14:22 --> 00:14:25: kind of influenced the view on interest rates a little

00:14:26 --> 00:14:29: bit because obviously that's the top of the agenda as

00:14:29 --> 00:14:32: as the survey showed and intuitively also we all believe

00:14:32 --> 00:14:35: it's it's the highest probably impact for the industry.

00:14:36 --> 00:14:39: But we've had you know two, we've had Japan literally

00:14:39 --> 00:14:42: I think last week or the week before increased rates.

00:14:42 --> 00:14:44: Now we can argue that that is that is that

00:14:44 --> 00:14:46: was always on the cards but it hadn't been done

00:14:46 --> 00:14:47: for many, many years.

00:14:48 --> 00:14:53: An environment where you know the general expectation was reduction

00:14:53 --> 00:14:56: of rates by you know three or four Q3Q4.
00:14:57 --> 00:15:00: You know the Japan element of it obviously was a
00:15:00 --> 00:15:03: bit of a surprise at least to me.
00:15:03 --> 00:15:07: And then you know notwithstanding in the US where we
00:15:07 --> 00:15:10: had you know new kind of you know statements being
00:15:10 --> 00:15:14: made by the Fed sort of signalling higher for longer.
00:15:14 --> 00:15:16: So you know I think that by the end of
00:15:16 --> 00:15:19: last year which is pretty much where the survey was
00:15:19 --> 00:15:22: concluded, the general consensus was by end of next year
00:15:22 --> 00:15:24: we should see some tapering happen.
00:15:25 --> 00:15:28: I'm not sure if that still holds good, but you
00:15:28 --> 00:15:31: know like I say you know this is all very,
00:15:31 --> 00:15:34: you know news is changes literally every few weeks.
00:15:35 --> 00:15:37: So you know this at least these two major sort
00:15:37 --> 00:15:40: of announcements or events or whatever you want to call
00:15:40 --> 00:15:42: it is, is is in my memory from the last
00:15:42 --> 00:15:45: few weeks and let's see what impact it's going to
00:15:45 --> 00:15:46: have going forward.
00:15:46 --> 00:15:49: So I think that's that's one potential change that you
00:15:49 --> 00:15:50: might see.
00:15:51 --> 00:15:53: I I would also like to comment sort of based
00:15:54 --> 00:15:57: on conversations with members and we will also admit him
00:15:57 --> 00:15:58: last week.
00:15:58 --> 00:16:02: And I do think we've seen a significant sentiment changed
00:16:02 --> 00:16:06: at least across Europe from the beginning of the year
00:16:06 --> 00:16:09: where at least people seem to be more in A
00:16:09 --> 00:16:12: at least deal review mode again and starting to pick
00:16:12 --> 00:16:14: up that activity much more.
00:16:14 --> 00:16:18: And we hear that from many different directions, maybe not
00:16:18 --> 00:16:21: immediately related to the execution of the deals, but at
00:16:21 --> 00:16:23: least starting to get into it.
00:16:23 --> 00:16:26: And I think that's the first positive step and also
00:16:27 --> 00:16:28: requirements we need.
00:16:29 --> 00:16:33: And then I think since then we've heard, I've heard
00:16:33 --> 00:16:37: people say the February is the new December where normally
00:16:37 --> 00:16:40: the deals were done at the end of December.
00:16:41 --> 00:16:43: So I I I do think what this signals is
00:16:43 --> 00:16:47: large variation in the market where maybe some that have
00:16:47 --> 00:16:50: more legacy to deal with might be in a totally
00:16:51 --> 00:16:55: different position where others that may either still have capital

00:16:55 --> 00:16:59: from that was already raised a while ago and we'll
00:16:59 --> 00:17:02: probably talk about it later in kind of more the
00:17:02 --> 00:17:06: opportunity sectors where things might start to move quicker.
00:17:07 --> 00:17:10: So we we tried to capture that in the report
00:17:10 --> 00:17:13: obviously, but that's always the tricky thing in with those
00:17:13 --> 00:17:16: long interview and writing processes.
00:17:18 --> 00:17:19: Yeah, of course.
00:17:20 --> 00:17:22: And I'm I mean I'm sure we will come back
00:17:22 --> 00:17:25: to those topics in particular interest rates.
00:17:25 --> 00:17:28: But perhaps if I, if I just stick with you
00:17:28 --> 00:17:32: Lizette for a moment, I know that these results were
00:17:32 --> 00:17:34: also presented at MIPM last week.
00:17:35 --> 00:17:37: And I was wondering if if you felt there was
00:17:37 --> 00:17:40: anything in particular that really resonated with the group or
00:17:40 --> 00:17:43: anything that that the group there found even that there
00:17:43 --> 00:17:44: was a bit of pushback on?
00:17:47 --> 00:17:50: Well, not so much related to what it was in
00:17:50 --> 00:17:51: the report.
00:17:52 --> 00:17:56: In the discussion itself we talked a lot about officers
00:17:56 --> 00:18:01: probably not surprising giving its significance in the in the
00:18:01 --> 00:18:03: investment market.
00:18:03 --> 00:18:09: And I think that the outcome was even among the
00:18:09 --> 00:18:14: panel is we don't know one demand, the next demand,
00:18:14 --> 00:18:18: more variation in demand probably.
00:18:18 --> 00:18:23: And another big topic was around decarbonisation that we may
00:18:23 --> 00:18:28: also touch on later in terms of can the industry
00:18:28 --> 00:18:32: get their act together on time to achieve the targets
00:18:32 --> 00:18:33: set.
00:18:33 --> 00:18:38: And obviously this environment is not really helpful in that
00:18:38 --> 00:18:41: where maybe say in the back of house things are
00:18:41 --> 00:18:42: going on.
00:18:43 --> 00:18:47: But in the real execution, a lot is standing still
00:18:47 --> 00:18:51: with high construction costs, high interest rates etcetera.
00:18:54 --> 00:18:56: Yeah, absolutely agree.
00:18:57 --> 00:19:00: I'm sure that was a really interesting conversation to be
00:19:00 --> 00:19:01: had had there as well.
00:19:02 --> 00:19:05: If if perhaps we come back to interest rates since
00:19:05 --> 00:19:08: we saw in the the slides that it was reported
00:19:08 --> 00:19:11: as the the top concern across all regions.
00:19:12 --> 00:19:15: But we've already heard that perhaps not quite such a
00:19:15 --> 00:19:17: concern as it was back then.

00:19:17 --> 00:19:21: And I would certainly echo that from from the conversations
00:19:21 --> 00:19:25: I have While it appears now that interest rates have
00:19:25 --> 00:19:29: peaked, I think it's fair to say that the expectations
00:19:29 --> 00:19:31: on cuts have been very dynamic.
00:19:32 --> 00:19:36: Expectations have moved quite dramatically through the early part of
00:19:36 --> 00:19:36: this year.
00:19:38 --> 00:19:40: And I guess I would would follow that up by
00:19:40 --> 00:19:43: asking, do you think we have enough, you think we
00:19:43 --> 00:19:47: have enough clarity yet around where interest rates are going
00:19:47 --> 00:19:50: to sort of stabilize prices and align buyer and seller
00:19:50 --> 00:19:53: expectations or do we actually need to see those first
00:19:53 --> 00:19:56: interest rate cuts enacted before that really helps?
00:20:01 --> 00:20:05: David, maybe I could answer the question slightly differently like
00:20:05 --> 00:20:08: a politician in terms of speculating on the interest rates
00:20:08 --> 00:20:11: and and where they might, where they might hit.
00:20:12 --> 00:20:15: I think ultimately you know there's a recognition now there
00:20:15 --> 00:20:18: is, there is no silver bullet for us out of
00:20:18 --> 00:20:18: this situation.
00:20:20 --> 00:20:23: We are highly unlikely to go back to the period
00:20:23 --> 00:20:27: of cheap, cheap money, you know, free debt effectively.
00:20:28 --> 00:20:30: So really what needs to happen is we need to
00:20:30 --> 00:20:33: see the old, the old risk premia return across sectors
00:20:33 --> 00:20:36: and markets and at that point that's the point at
00:20:36 --> 00:20:39: which investors will start to come back into the market.
00:20:39 --> 00:20:43: So I don't think it rests on the certainty around
00:20:44 --> 00:20:44: rate cuts.
00:20:45 --> 00:20:48: I think it rests on the, the valuation element and
00:20:48 --> 00:20:53: actually where that illiquidity premia and that risk is priced
00:20:53 --> 00:20:54: back into valuations.
00:20:55 --> 00:20:58: And if you look at historic cycles, if you go
00:20:58 --> 00:21:00: back to as far back as you know the 1960s,
00:21:00 --> 00:21:04: nineteen 70s historically that's always been the case.
00:21:04 --> 00:21:06: It's when relative value appears.
00:21:10 --> 00:21:12: I guess I'd have to follow that that up with
00:21:12 --> 00:21:14: asking how close do you think we are to to
00:21:14 --> 00:21:17: relative value appearing for for real estate?
00:21:18 --> 00:21:22: Well, it's, it's again, I'll answer like a politician, it
00:21:22 --> 00:21:22: depends.
00:21:23 --> 00:21:26: I think you know different markets are correcting at different
00:21:26 --> 00:21:29: paces and different sectors are correcting at different paces and

00:21:29 --> 00:21:31: ultimately it depends on the risks that we've talked.
00:21:32 --> 00:21:33: Lizette mentioned the office sector.
00:21:34 --> 00:21:38: There's a significant amount of risk in the office sector
00:21:38 --> 00:21:40: which is largely not priced in in in most markets.
00:21:40 --> 00:21:44: It's, you know it's it's happening gradually but I would
00:21:44 --> 00:21:45: argue there's more to go there.
00:21:45 --> 00:21:48: So it it does depend on the market.
00:21:48 --> 00:21:51: I think if we take a very high level view,
00:21:51 --> 00:21:55: the UK replaced very sharply and so on an aggregate
00:21:55 --> 00:21:58: view, the UK market looks better priced and it looks
00:21:59 --> 00:22:01: as though largely risk is priced in.
00:22:02 --> 00:22:05: But within that there's a big dispersion, obviously within sectors.
00:22:08 --> 00:22:11: Yeah, I'd agree and in in some ways an unfair
00:22:11 --> 00:22:14: question I think to talk about real estate in aggregate
00:22:14 --> 00:22:18: when we talk about some of these because the stories
00:22:18 --> 00:22:21: are so different when you get into the regional or
00:22:21 --> 00:22:22: the the sector levels.
00:22:23 --> 00:22:25: I wonder Rohan, is the is the view similar in
00:22:25 --> 00:22:28: in Asia or is there any any different there?
00:22:29 --> 00:22:30: Yeah, so.
00:22:30 --> 00:22:32: You know, I think in Asia as well, you know
00:22:32 --> 00:22:36: it's an agglomeration of few large markets that that that
00:22:36 --> 00:22:38: obviously institutional investors access.
00:22:38 --> 00:22:41: I mean you have the more sort of developed markets
00:22:41 --> 00:22:44: like Hong Kong, Singapore and Japan, Australia that are obviously
00:22:44 --> 00:22:47: have a certain dynamic and then you have the more
00:22:47 --> 00:22:51: emerging markets like India, Indonesia, you know Thailand etcetera which
00:22:51 --> 00:22:54: are which act a little differently and I think even
00:22:54 --> 00:22:57: within that asset classes kind of act differently.
00:22:57 --> 00:23:00: So it's very hard to kind of paint a broad
00:23:00 --> 00:23:04: brush for Asia, but the general sort of consensus seems
00:23:04 --> 00:23:07: to be and since we're on the office subject which
00:23:07 --> 00:23:10: we which we can see you know in terms of
00:23:10 --> 00:23:14: occupancy trends etcetera is that you know the the office
00:23:14 --> 00:23:18: risk of the risk on office investments is not as
00:23:18 --> 00:23:21: sort of exacerbated you know as it is in for
00:23:21 --> 00:23:25: example the US I'm frequently in the US and office
00:23:25 --> 00:23:27: is just a bad word, right.
00:23:27 --> 00:23:30: I I I would say it's where retail was for
00:23:30 --> 00:23:31: 45 years ago, right.

00:23:32 --> 00:23:32: So.
00:23:32 --> 00:23:35: So I'm, I'm a big sort of believer in trends
00:23:35 --> 00:23:40: and you know volatility in sentiment when you are actually
00:23:40 --> 00:23:45: witnessing A trend and that's really where opportunity comes from.
00:23:46 --> 00:23:49: So maybe I'm just an old dinosaur, but but you
00:23:49 --> 00:23:51: know, I think you know people will go back to
00:23:51 --> 00:23:53: the office at some point in some shape and in
00:23:53 --> 00:23:54: some form, right.
00:23:55 --> 00:24:00: I just don't think it's it's sustainable but obviously and
00:24:00 --> 00:24:05: as the report very rightly highlights is demographics, regional culture
00:24:05 --> 00:24:09: you know is really going to going to play a
00:24:09 --> 00:24:09: big role.
00:24:10 --> 00:24:13: And you know if real estate wasn't bespoke enough, I
00:24:13 --> 00:24:16: think it just got a little more bespoke in terms
00:24:16 --> 00:24:21: of different markets, different you know geographies, cultures, demographics and
00:24:21 --> 00:24:23: then obviously the overlay of digitization.
00:24:24 --> 00:24:26: So I think it's going to be a fun you
00:24:26 --> 00:24:29: know next few years in in really playing out you
00:24:29 --> 00:24:31: know what's really going to stick.
00:24:32 --> 00:24:36: But yeah so long answer to a short question, very
00:24:36 --> 00:24:41: different in Asia, even different markets within Asia behave differently.
00:24:42 --> 00:24:46: But generally with specifically with regard to office, I think
00:24:46 --> 00:24:49: that the trend is, is that it's not doesn't seem
00:24:49 --> 00:24:53: as risky in terms of you know either interest rates
00:24:53 --> 00:24:56: or cash flow or occupancy which is all kind of
00:24:56 --> 00:24:59: linked than I see in some of the Western markets.
00:25:05 --> 00:25:05: Great, thank you.
00:25:05 --> 00:25:08: I think a a great summary because we we frequently
00:25:09 --> 00:25:12: now talk about bifurcation not just in offices but focused
00:25:12 --> 00:25:16: in offices and actually as you described there bifurcation is
00:25:16 --> 00:25:19: actually a bit of a a simplification I think of
00:25:19 --> 00:25:21: of what's really going on.
00:25:23 --> 00:25:26: If we stick with sort of the the short term
00:25:26 --> 00:25:29: and maybe on the risk side of things would be
00:25:29 --> 00:25:32: remiss of me, not to mention geopolitics.
00:25:33 --> 00:25:37: Actually given the ongoing conflicts that we have around the
00:25:37 --> 00:25:40: world as well as the number of elections this year,
00:25:40 --> 00:25:44: I was quite surprised to see that geopolitical tensions only
00:25:44 --> 00:25:46: made it onto the list of top concerns for Asia

00:25:46 --> 00:25:49: Pacific and not actually for the other regions.
00:25:51 --> 00:25:53: Don't worry, I'm not going to now ask you to
00:25:53 --> 00:25:55: to comment on individual events.
00:25:55 --> 00:25:59: But in general, that sort of that mood of heightened
00:25:59 --> 00:26:04: geopolitical tension, how do you think that's influencing real estate
00:26:04 --> 00:26:06: investment at the moment?
00:26:12 --> 00:26:13: David, I'm quite happy to.
00:26:13 --> 00:26:17: I think on on the topic of geopolitics, I think
00:26:17 --> 00:26:20: there's two elements that we need to really consider as
00:26:21 --> 00:26:24: an industry and one of them being the challenge which
00:26:24 --> 00:26:27: I think that the the the volume of elections that
00:26:28 --> 00:26:31: we've had that we have and the concern around that.
00:26:32 --> 00:26:35: My big, my big concern is that we will end
00:26:35 --> 00:26:39: up with more short term thinking and the influence that
00:26:39 --> 00:26:41: that has on our urban environment.
00:26:41 --> 00:26:44: So if I take the, if we take an example
00:26:44 --> 00:26:48: of of the alternative where for for example in Singapore
00:26:48 --> 00:26:52: where Singapore you know there's a 20 year plan and
00:26:52 --> 00:26:57: that 20 year plan is delivered and obviously carefully considered
00:26:57 --> 00:27:01: in the light of the infrastructure and the urban environment
00:27:01 --> 00:27:05: that's required for Singapore to grow and thrive.
00:27:05 --> 00:27:08: So if we compare that to some of the markets
00:27:08 --> 00:27:11: closer to home in Europe, I don't see that long
00:27:11 --> 00:27:14: term thinking and I think that's quite a big impact
00:27:14 --> 00:27:15: for our industry.
00:27:16 --> 00:27:19: On the flip side, from a geopolitical and and and
00:27:19 --> 00:27:22: election perspective, I think we're going to see an incredible
00:27:23 --> 00:27:25: focus as we already are, but more even more of
00:27:25 --> 00:27:28: a focus on the social impact of real estate and
00:27:28 --> 00:27:29: affordability.
00:27:29 --> 00:27:32: It will be top of the agenda for most politicians,
00:27:32 --> 00:27:37: which will have an influence either on regulation or intervention
00:27:37 --> 00:27:40: in the market, which isn't necessarily a bad thing but
00:27:40 --> 00:27:43: but I think it will be hot on the agenda.
00:27:47 --> 00:27:47: Yeah.
00:27:48 --> 00:27:48: I I.
00:27:49 --> 00:27:50: Rather go ahead.
00:27:52 --> 00:27:55: Well, I just wanted to put it in perspective because
00:27:55 --> 00:27:57: it may not have gotten to the top ten days
00:27:57 --> 00:28:00: or top five of main concerns we had in the

00:28:00 --> 00:28:01: global report.
00:28:01 --> 00:28:05: But if you look more in detail at the regional
00:28:05 --> 00:28:10: report, there were actually many things people were worried about.
00:28:11 --> 00:28:12: And that's not just this year.
00:28:12 --> 00:28:16: We're saying the same last year where percentages of concern
00:28:16 --> 00:28:20: have gone up massively for a large range of different
00:28:20 --> 00:28:24: risks kind of indicating we're in a higher downside risk
00:28:24 --> 00:28:28: market and and therefore we do politics what's on that
00:28:28 --> 00:28:33: in different ways, national politics, Europe for the European report
00:28:33 --> 00:28:35: and broadly international.
00:28:35 --> 00:28:38: And I think it's more is also and described in
00:28:38 --> 00:28:42: terms of what is the specific effect on real estate
00:28:42 --> 00:28:45: because this is also risk not exclusively focused on real
00:28:45 --> 00:28:49: estate and the other asset classes will feel it too.
00:28:49 --> 00:28:53: But I think where it really becomes an issue is
00:28:53 --> 00:28:57: indeed things like short term thinking, where real estate is
00:28:57 --> 00:29:01: a long term asset class, Processes take long, developments take
00:29:01 --> 00:29:04: long and I think that is so important.
00:29:05 --> 00:29:05: Go on.
00:29:07 --> 00:29:10: Yeah, I mean, you know, just this speeding up.
00:29:11 --> 00:29:13: You know, as we all know 2024 is the big
00:29:13 --> 00:29:14: election year.
00:29:14 --> 00:29:15: I think it's never happened in the history of the
00:29:15 --> 00:29:15: world.
00:29:16 --> 00:29:18: We have 64 countries going into election.
00:29:20 --> 00:29:23: I think that's over 5 billion people will vote or
00:29:23 --> 00:29:27: not, sorry, will not vote populations of 5 minutes.
00:29:27 --> 00:29:30: Obviously the voting, the voting electorate will be smaller than
00:29:30 --> 00:29:32: that, but it's still 5 billion of population is going
00:29:32 --> 00:29:35: to be electing a new government potentially.
00:29:35 --> 00:29:38: And I think that has a big role to play
00:29:38 --> 00:29:43: across not just geopolitics and isolation in term, but it's
00:29:43 --> 00:29:47: it's going to impact supply chains, trade embargoes, you know,
00:29:48 --> 00:29:50: or not or free trade interest rates.
00:29:50 --> 00:29:54: You know what might make, you know, economic logic, you
00:29:54 --> 00:29:58: know, for a market may not necessarily be implemented by
00:29:59 --> 00:30:02: you know a change in regime and what have you.
00:30:02 --> 00:30:05: So I think we've seen, we've seen this happen in

00:30:05 --> 00:30:08: the world were you know time and again where you
00:30:08 --> 00:30:11: know at least as if I can call a scapulist
00:30:11 --> 00:30:14: at some level you know you, you, you, you hope
00:30:14 --> 00:30:17: for the right economic position, but you don't always get
00:30:18 --> 00:30:18: it.
00:30:19 --> 00:30:22: And I think the uncertainty around that is I feel
00:30:22 --> 00:30:25: elevated in 2024 and not just for interest rates like
00:30:25 --> 00:30:28: I said it's and you see in the top concerns
00:30:28 --> 00:30:32: there are things like supply chain availability of labour materials
00:30:32 --> 00:30:35: etcetera and just think about where the world is with
00:30:35 --> 00:30:39: regard to trade right and sanctions and and what have
00:30:39 --> 00:30:39: you.
00:30:40 --> 00:30:43: So it is you know the the the point is
00:30:43 --> 00:30:47: that it is going to be a big factor in
00:30:47 --> 00:30:51: in determining how we will end up in 2024 in
00:30:51 --> 00:30:52: my opinion.
00:30:52 --> 00:30:55: So I don't know if I answered the question, but
00:30:55 --> 00:30:59: I think geopolitics for me across all the, you know,
00:30:59 --> 00:31:02: all the concerns of that have been listed, actually to
00:31:02 --> 00:31:05: me is #1 because it impacts all of that, frankly,
00:31:05 --> 00:31:06: almost of that.
00:31:08 --> 00:31:12: Yes, yeah, of course it's very difficult to disentangle these
00:31:12 --> 00:31:16: things and say that they are, they are completely independent.
00:31:17 --> 00:31:20: I think what I'm hearing though is that that we've
00:31:20 --> 00:31:25: become relatively accustomed to operating in, in uncertain times albeit
00:31:25 --> 00:31:29: we would welcome a bit more stability and and the
00:31:29 --> 00:31:33: private and public sectors working together in what is a
00:31:33 --> 00:31:36: long term asset class before we move on to the
00:31:36 --> 00:31:37: the longer term.
00:31:37 --> 00:31:41: If we we stick with 2024 for a moment, one
00:31:41 --> 00:31:45: of the questions that I'm asked most frequently is in
00:31:45 --> 00:31:50: terms of basically investment activity and and 24/20/24 has to
00:31:50 --> 00:31:53: be a better year than than 2023, doesn't it?
00:31:54 --> 00:31:57: It's sort of the question that I'm asked, but are
00:31:57 --> 00:32:01: we actually seeing the signs of that improvement yet or
00:32:01 --> 00:32:04: are we still saying that that improvement is sort of
00:32:04 --> 00:32:05: just over the horizon?
00:32:10 --> 00:32:11: Perhaps I'll come to you first on that one, Rohan.
00:32:12 --> 00:32:13: Sure.

00:32:13 --> 00:32:17: You know, I think, I think my short answer would
00:32:17 --> 00:32:17: be yes.
00:32:18 --> 00:32:19: We live in a world of relativity.
00:32:19 --> 00:32:22: So relative to last year, yes.
00:32:23 --> 00:32:27: Will it, will it, will it translate into a massive
00:32:27 --> 00:32:32: uplift and transaction volumes which are considerably down?
00:32:32 --> 00:32:35: I don't know, probably not frankly.
00:32:36 --> 00:32:38: But but given that there is, there is seems to
00:32:38 --> 00:32:40: be sort of light at the end of the tunnel
00:32:40 --> 00:32:42: if you want to call it that and people are
00:32:42 --> 00:32:45: really searching for the light here by the way.
00:32:45 --> 00:32:48: So even the spec kind of is is light versus
00:32:48 --> 00:32:49: darkness.
00:32:50 --> 00:32:52: You know as I think Seth mentioned that people are
00:32:52 --> 00:32:56: re looking at their investment programs, there is a lot
00:32:56 --> 00:32:56: of capital.
00:32:57 --> 00:32:59: So that's not you know there's a lot of capital
00:32:59 --> 00:33:01: that's out there that's been raised whether it's whether it's
00:33:01 --> 00:33:03: on the real estate side or the real estate credit
00:33:03 --> 00:33:04: side.
00:33:04 --> 00:33:07: And you know you talked about the $1.2 trillion of
00:33:07 --> 00:33:10: of of debt that will mature this year in the
00:33:10 --> 00:33:11: United States.
00:33:11 --> 00:33:13: So I think there is a lot of capital and
00:33:14 --> 00:33:16: I think that that will start to at least get
00:33:16 --> 00:33:20: it start getting active in terms of valuation and you
00:33:20 --> 00:33:25: know hopefully we'll translate into some increased activity in transactions.
00:33:25 --> 00:33:27: I think I get the sense of that in Asia
00:33:27 --> 00:33:30: for sure and perhaps even in the United States.
00:33:31 --> 00:33:34: That would be my sort of relative basis, yes.
00:33:39 --> 00:33:42: Ultimately, I think it also depends a lot on whether
00:33:42 --> 00:33:44: we will see more distress or not.
00:33:44 --> 00:33:48: So there may but also be some pressure from say
00:33:48 --> 00:33:52: outside obviously, as the cost of capital is one of
00:33:52 --> 00:33:53: the big issues we face.
00:33:53 --> 00:33:58: And I think there's significant refinancing that needs to start
00:33:58 --> 00:33:59: happening.
00:34:00 --> 00:34:05: And then the question is how persistent will the banks
00:34:05 --> 00:34:10: be and what other requirements will be demanded for in
00:34:10 --> 00:34:10: Europe.
00:34:10 --> 00:34:14: We see a trend for more requests to kind of

00:34:14 --> 00:34:17: make progress on decarbonisation.
00:34:17 --> 00:34:20: So it adds different layers and the question is what
00:34:20 --> 00:34:22: will happen with that?
00:34:22 --> 00:34:27: And I think that may also drive more activity, but
00:34:27 --> 00:34:30: so far that's more talking than seeing.
00:34:32 --> 00:34:34: Yeah, just one wrinkle I'm going to add to the
00:34:34 --> 00:34:34: set.
00:34:34 --> 00:34:36: I love the part, but how, how long the banks
00:34:36 --> 00:34:38: are going to kind of hold up.
00:34:38 --> 00:34:40: I think I would just overlay with that let's say
00:34:40 --> 00:34:43: how long are the regulators going to hold up because
00:34:43 --> 00:34:46: I think the regulators play a playing a more and
00:34:46 --> 00:34:49: more important role in terms of financial regulations and you
00:34:49 --> 00:34:53: know recognition of distress or bad loans or whatever you
00:34:53 --> 00:34:55: whatever different markets call it.
00:34:55 --> 00:34:57: So I think it's all kind of intertwined in that
00:34:57 --> 00:34:59: and then I'm sorry to go back but the regulator
00:34:59 --> 00:35:01: then goes back to the whole geopolitical governance you know
00:35:01 --> 00:35:02: political situation.
00:35:02 --> 00:35:06: So it's it's you know, but we see perhaps a
00:35:06 --> 00:35:11: little more of it happening in 2024 than perhaps happened
00:35:11 --> 00:35:12: in 23.
00:35:14 --> 00:35:15: I would, I would agree with that Rohan.
00:35:15 --> 00:35:18: And I think also just to touch on that point
00:35:18 --> 00:35:19: that lizard need about distress.
00:35:19 --> 00:35:22: I think if you, if you take a step back
00:35:22 --> 00:35:27: and think what really defines this cycle, it's about liquidity
00:35:27 --> 00:35:29: and it's not just the banks.
00:35:29 --> 00:35:32: So the reason the banks are obviously holding up relatively
00:35:32 --> 00:35:35: well and one of the main reasons is that typically
00:35:35 --> 00:35:38: borrowers are still able to service their debt.
00:35:38 --> 00:35:40: We've not seen that same collapse in the Occupy markets
00:35:40 --> 00:35:41: that we've seen historically.
00:35:42 --> 00:35:45: So while the GFC might have been a solvency issue,
00:35:45 --> 00:35:48: this is a liquidity challenge for the industry.
00:35:49 --> 00:35:53: And I think what we'll see through 2024 is not
00:35:53 --> 00:35:59: necessarily distress, but the requirement to sell either to meet
00:35:59 --> 00:36:04: redemptions through your your, your, your investor queue or to
00:36:04 --> 00:36:09: refinance and reposition and and consider it in that way.
00:36:09 --> 00:36:12: So I think we'll see an improvement in 2024 and

00:36:12 --> 00:36:14: I I don't believe the language of a rebound, I
00:36:14 --> 00:36:17: don't think it's a rebound, it's not to that extent,
00:36:17 --> 00:36:17: but we'll see.
00:36:18 --> 00:36:21: All we really need to see is more functioning transaction
00:36:21 --> 00:36:25: activity, more more activity rather than necessarily a a spike
00:36:25 --> 00:36:26: in transactions.
00:36:28 --> 00:36:30: Yes, I couldn't agree with you more.
00:36:30 --> 00:36:32: And and you know I love the global definition of
00:36:32 --> 00:36:36: distress because you know to me I've heard different descriptions
00:36:36 --> 00:36:39: and I'm trying to figure out what really distress is,
00:36:40 --> 00:36:43: is distressed buying an asset out of bankruptcy which I
00:36:43 --> 00:36:46: think the Oxford Dictionary definition versus you know you get
00:36:46 --> 00:36:50: 100 bits off on pricing because somebody has liquidity issues,
00:36:50 --> 00:36:50: right.
00:36:51 --> 00:36:53: And I think you have all those all sorts of
00:36:53 --> 00:36:56: sort of you know investors out there that with that
00:36:56 --> 00:36:59: definition of distress which makes it even more interesting and
00:36:59 --> 00:37:00: exciting.
00:37:01 --> 00:37:03: So I think certainly you know I think the point
00:37:03 --> 00:37:07: you made on liquidity is, is absolutely you know very
00:37:07 --> 00:37:08: interesting and on point.
00:37:08 --> 00:37:11: It's very different from the global financial crisis you know
00:37:11 --> 00:37:13: which we've all gone through.
00:37:14 --> 00:37:17: And I think because we've gone through that, you know
00:37:17 --> 00:37:20: I think people are willing to hang out a little
00:37:20 --> 00:37:23: more this time because it's not, it's not what it
00:37:23 --> 00:37:23: was back then.
00:37:24 --> 00:37:27: And that I think makes it very interesting for transactions,
00:37:27 --> 00:37:30: which is why perhaps transactions are not happening, right, because
00:37:30 --> 00:37:33: people are just holding on because the liquidity crunch versus
00:37:33 --> 00:37:34: your pure distress.
00:37:37 --> 00:37:39: I do think there's an element.
00:37:39 --> 00:37:40: I agree with you, but I do think there's an
00:37:40 --> 00:37:41: element though.
00:37:41 --> 00:37:44: If people are holding on because they think there's a
00:37:44 --> 00:37:48: silver bullet, so they do think that there's an interest
00:37:48 --> 00:37:51: rate, you know, step change ahead, whereas in reality I
00:37:51 --> 00:37:55: think you know that's that's possibly hope value rather than

00:37:55 --> 00:37:55: reality.
00:37:59 --> 00:38:02: Yeah, I think this is is not going to be
00:38:02 --> 00:38:06: the refinancing is not going to be an issue that
00:38:06 --> 00:38:09: obviously is is solved overnight.
00:38:09 --> 00:38:12: I think even in the experience of the GFC that
00:38:12 --> 00:38:15: we took that we saw that that work through process
00:38:15 --> 00:38:16: took many years.
00:38:17 --> 00:38:19: But it does sound like even though some of the
00:38:19 --> 00:38:22: the numbers that you discussed today are kind of could
00:38:22 --> 00:38:25: be seen as a bit scary in their scale, we're
00:38:25 --> 00:38:28: actually quite quite comfortable that the conditions are in place
00:38:28 --> 00:38:31: for that process to be worked through.
00:38:32 --> 00:38:35: And perhaps if I come back to you because you
00:38:35 --> 00:38:38: just made a made a good point there in terms
00:38:38 --> 00:38:42: of occupy markets because actually for all of the turbulence
00:38:42 --> 00:38:46: that we've seen in the investment market in general at
00:38:46 --> 00:38:50: least in sort of prime markets generally vacancy is under
00:38:50 --> 00:38:54: control, rental growth is ongoing, things have been OK.
00:38:54 --> 00:38:56: So do you do you think that's the picture that's
00:38:56 --> 00:38:58: going to continue for the the coming year?
00:39:01 --> 00:39:05: Well, that's the consensus and I'm not an economist by
00:39:05 --> 00:39:05: trade.
00:39:06 --> 00:39:09: So I would say avoiding recession that I mean effectively
00:39:09 --> 00:39:11: there were in our mind there was three legs to
00:39:11 --> 00:39:12: this cycle.
00:39:12 --> 00:39:16: There's the repricing which in many markets we've largely seen
00:39:16 --> 00:39:20: not in all, There's the recession and then there's a
00:39:20 --> 00:39:20: recovery.
00:39:21 --> 00:39:24: The recession seems to have been narrowly avoided and actually
00:39:24 --> 00:39:27: we've seen this more muted downturn rather than recession.
00:39:28 --> 00:39:30: And if that's the case then we're moving closer towards
00:39:31 --> 00:39:31: recovery.
00:39:32 --> 00:39:35: So, so as I say, I'm not an economist, but
00:39:35 --> 00:39:38: certainly it seems to be much more consensual that we
00:39:38 --> 00:39:40: have avoided that collapse in activity.
00:39:41 --> 00:39:43: I mean the the other thing that I know we'll
00:39:43 --> 00:39:46: we'll probably pick up in this conversation is our asset
00:39:46 --> 00:39:48: class has become less cyclical.
00:39:48 --> 00:39:51: And what I mean by that is it's not dependent
00:39:51 --> 00:39:56: in terms of consumer spending, financial business services

output and
00:39:56 --> 00:39:57: manufacturing output.
00:39:57 --> 00:40:00: Actually the thematics that we all invest into now are
00:40:00 --> 00:40:02: not cyclical in that regard.
00:40:02 --> 00:40:05: So that's the other thing to be remind us that
00:40:05 --> 00:40:09: you know when our, our occupiers in those sectors are
00:40:10 --> 00:40:15: less immediately responsive to to some short term economic factors.
00:40:17 --> 00:40:21: Yeah, I would absolutely agree with that Lizette, you you
00:40:21 --> 00:40:25: mentioned earlier decarbonisation and I think decarbonisation is is 1
00:40:25 --> 00:40:29: factor that that really links sort of the the near
00:40:29 --> 00:40:33: term where sometimes the the required CapEx can feel like
00:40:33 --> 00:40:35: a bit of a risk and the long term where
00:40:36 --> 00:40:39: actually it feels like much more of an opportunity.
00:40:40 --> 00:40:44: So in what's your sort of assessment of the impact
00:40:44 --> 00:40:47: on on real estate in terms of decarbonisation or other
00:40:47 --> 00:40:48: ESG factors?
00:40:48 --> 00:40:50: I know it's a space that the ULI has been
00:40:50 --> 00:40:51: very active in.
00:40:53 --> 00:40:55: Yeah, I'm very happy to comment on that.
00:40:55 --> 00:40:58: And maybe before that, also linking to what Ann was
00:40:58 --> 00:41:02: saying before and actually what we've been talking about, we
00:41:02 --> 00:41:05: try to almost split between the short term and the
00:41:05 --> 00:41:05: long term.
00:41:06 --> 00:41:11: But the reality obviously is that there's so much going
00:41:11 --> 00:41:17: on where the cyclical challenges are sort of completely intertwined
00:41:17 --> 00:41:21: with long term structural change in offices.
00:41:22 --> 00:41:25: We've seen it in retail where it seems to have
00:41:25 --> 00:41:26: crystallized much more.
00:41:27 --> 00:41:31: There's the big climate change impact where the things that
00:41:31 --> 00:41:37: Garrett also commented on demographics, digitalization and decarbonisation which I
00:41:38 --> 00:41:42: would almost translate into the sea of climate change instead
00:41:42 --> 00:41:46: of the D because I think it's broader than just
00:41:46 --> 00:41:46: that.
00:41:49 --> 00:41:54: I think this is all about future proofing real estate
00:41:54 --> 00:41:59: and what we struggle with on the short term is
00:41:59 --> 00:42:04: figure out the the business case for that because in
00:42:04 --> 00:42:09: basically nowhere we have the regulation in place to get
00:42:09 --> 00:42:13: us to net zero, we can get to EPC level.
00:42:13 --> 00:42:17: So for energy standards, which is maybe a nice step

00:42:17 --> 00:42:21: in the right direction, but it doesn't get us to
00:42:21 --> 00:42:22: net zero at all.
00:42:23 --> 00:42:26: So we know we have a target in 2050, but
00:42:26 --> 00:42:29: the the, the question is how to get there.
00:42:29 --> 00:42:32: And then I think the natural reaction in a time
00:42:32 --> 00:42:35: that we are in now is to put on hold
00:42:35 --> 00:42:38: because we need the capital either to for the refinancing
00:42:38 --> 00:42:40: or to do other things.
00:42:41 --> 00:42:45: So we might be busy internally getting our house in
00:42:45 --> 00:42:50: order getting our investment decision making processes to feature that
00:42:50 --> 00:42:51: in better.
00:42:51 --> 00:42:54: But in reality in the buildings we don't see a
00:42:54 --> 00:42:58: lot and we think we had the really needs to
00:42:58 --> 00:43:01: increase and and The thing is also the way we
00:43:01 --> 00:43:06: value we talked about valuations before the way we value
00:43:06 --> 00:43:10: buildings as an industry does not include the cost of
00:43:10 --> 00:43:11: doing nothing.
00:43:12 --> 00:43:16: It it's, it only includes where the regulation brings us
00:43:16 --> 00:43:19: while we know much more is needed.
00:43:21 --> 00:43:25: So in that sense you could imagine there's nothing to
00:43:25 --> 00:43:28: worry about but you know there's a lot more to
00:43:28 --> 00:43:29: cop.
00:43:29 --> 00:43:32: So and what we also know with these long term
00:43:32 --> 00:43:37: investments it's almost the the sooner you start the ultimately
00:43:37 --> 00:43:40: less cost you will bear because you can better planet.
00:43:42 --> 00:43:44: And also what we tend to do is look at
00:43:44 --> 00:43:47: it from only a cost perspective.
00:43:48 --> 00:43:51: We have a lot of you like there's a lot
00:43:51 --> 00:43:56: of work around decarbonisation as part of our Sea change
00:43:56 --> 00:44:00: program and one of the main priorities we started working
00:44:00 --> 00:44:04: with, as asked by members is how do we build
00:44:04 --> 00:44:06: the business case better.
00:44:06 --> 00:44:09: Because we know it needs to happen and and we
00:44:09 --> 00:44:11: need to almost get rid of just that cost mindset,
00:44:12 --> 00:44:13: but make it a value mindset.
00:44:13 --> 00:44:16: And we also feel that the sooner you start the
00:44:16 --> 00:44:18: more you can profit from the value uplift.
00:44:19 --> 00:44:22: I think offices is a great example where we see
00:44:22 --> 00:44:26: such a strong demand now for net zero buildings and
00:44:26 --> 00:44:32: with high sustainability credentials and that goes even beyond just

00:44:32 --> 00:44:36: the carbon emissions and tenants are willing to pay for
00:44:36 --> 00:44:39: that but it's just the product is not there.
00:44:40 --> 00:44:45: So there's a real business opportunity for that.
00:44:45 --> 00:44:49: And I would say the sooner you act because there's
00:44:49 --> 00:44:52: a real supply and demand imbalance, the more you can
00:44:52 --> 00:44:54: profit from the opportunity.
00:44:54 --> 00:44:57: So it is not just about cost and and it
00:44:57 --> 00:45:01: goes for physical climate risk obviously as well.
00:45:01 --> 00:45:05: It's hard to price and to kind of what needs
00:45:05 --> 00:45:09: to happen when because we don't know exactly when things
00:45:09 --> 00:45:14: will happen, increase temperatures, more risk of flooding but ultimately
00:45:15 --> 00:45:16: needs to happen.
00:45:16 --> 00:45:20: So I think it and it's about it, if you
00:45:20 --> 00:45:24: do nothing at some point your assets will have stranded
00:45:24 --> 00:45:27: and but you don't see that now.
00:45:27 --> 00:45:30: So and who's the 1st to act And I think
00:45:30 --> 00:45:33: it's we need to focus on that and preferably more
00:45:33 --> 00:45:37: as an industry do more work around that because the
00:45:37 --> 00:45:40: more we come together the the faster we can go.
00:45:44 --> 00:45:47: Yeah, I absolutely, absolutely agree with everything you've just said.
00:45:49 --> 00:45:51: Yeah, I'll just add to that.
00:45:51 --> 00:45:53: In fact, I think some markets are benefiting well.
00:45:53 --> 00:45:56: I don't know whether you want to call it a
00:45:56 --> 00:45:59: benefit or not, but they just have to change because
00:45:59 --> 00:46:03: not adapting to, to, to, you know, decarbonization is actually
00:46:03 --> 00:46:05: going to hit your top line, right.
00:46:05 --> 00:46:09: So earlier it was just cost, which means the returns
00:46:09 --> 00:46:10: were uncertain.
00:46:11 --> 00:46:14: Then it became I guess cost, but your next buyer
00:46:14 --> 00:46:17: will pay you better value, right, because you have taken
00:46:17 --> 00:46:21: those initiatives and you're building is of a certain standard.
00:46:22 --> 00:46:24: I think now it's that it's going to hit your
00:46:24 --> 00:46:24: revenue line.
00:46:25 --> 00:46:30: So your tenants and your occupiers are saying this building
00:46:30 --> 00:46:34: is a cross if it doesn't meet a certain standard,
00:46:34 --> 00:46:39: right of of of decarbonization of green or clean, you
00:46:39 --> 00:46:40: know, energy.
00:46:40 --> 00:46:43: So I think we're getting closer and I think the
00:46:43 --> 00:46:47: minute it starts hitting revenue in across the globe and
00:46:47 --> 00:46:49: in a big way and maybe we still have a

00:46:49 --> 00:46:52: few ways to go before it gets there, I think
00:46:52 --> 00:46:54: it will automatically become priority, right.
00:46:54 --> 00:46:58: Because right now you know most, most asset owners are
00:46:58 --> 00:47:00: prioritizing their expenses.
00:47:01 --> 00:47:03: They pay the lender first, then they, you know, and
00:47:03 --> 00:47:05: then they had their operating costs and they had blah
00:47:05 --> 00:47:07: blah blah and this was way down in the bottom.
00:47:07 --> 00:47:08: Maybe.
00:47:08 --> 00:47:13: You know, five years ago I feel that line item
00:47:13 --> 00:47:20: is gradually moving N closer to the prioritization, top prioritization
00:47:20 --> 00:47:20: list.
00:47:21 --> 00:47:23: And I think that's going to have a big impact
00:47:23 --> 00:47:25: on on the industry and the adaptability.
00:47:25 --> 00:47:27: And I wish people just did it for the from
00:47:27 --> 00:47:28: the good of their heart, right.
00:47:28 --> 00:47:32: Oh, we should you know, yeah that's but that's wishful
00:47:32 --> 00:47:32: thinking.
00:47:33 --> 00:47:36: The minute there's economic value or erosion of it, I
00:47:36 --> 00:47:39: think it's automatically going to become a very high priority.
00:47:44 --> 00:47:46: Absolutely, absolutely.
00:47:46 --> 00:47:49: I think the one of the things that the report
00:47:49 --> 00:47:53: does does really well is a great job of summarizing
00:47:53 --> 00:47:57: some of the the key structural factors impacting real estate
00:47:57 --> 00:47:58: through the 3DS.
00:47:58 --> 00:48:01: Of course one of those DS is, is decarbonisation.
00:48:03 --> 00:48:06: So if we we stick with that longer term view,
00:48:06 --> 00:48:10: in what ways do you see investment strategies having to
00:48:10 --> 00:48:14: evolve to make real estate fit for purpose in response
00:48:14 --> 00:48:17: to those or other structural factors?
00:48:17 --> 00:48:19: And this actually ties in with a couple of the
00:48:19 --> 00:48:22: questions we've received in the in the chat where the
00:48:22 --> 00:48:24: question is really around sectors.
00:48:24 --> 00:48:28: Given these structural factors, where do we see the key
00:48:28 --> 00:48:31: opportunity sectors now going forward?
00:48:31 --> 00:48:33: Perhaps I'll come to you first, Anne.
00:48:36 --> 00:48:39: Well, I think there's probably nothing that I'm going to
00:48:39 --> 00:48:42: say here that's in revolutionary because I think again the
00:48:43 --> 00:48:46: sector views are actually quite consensual and and I do
00:48:46 --> 00:48:49: always get a bit nervous when we're all quite consensual.
00:48:49 --> 00:48:53: However, I think they are underpinned by fundamental long term
00:48:53 --> 00:48:54: factors and drivers.

00:48:54 --> 00:48:57: So that gives me some comfort I think.
00:48:59 --> 00:49:01: I think the the one of the one of the
00:49:01 --> 00:49:05: points that hinges on the future of the digitisation point
00:49:06 --> 00:49:10: and artificial intelligence is, is power and sources of power,
00:49:10 --> 00:49:14: access to power, you know sort of connectivity and storage
00:49:14 --> 00:49:15: of grids etcetera.
00:49:15 --> 00:49:18: So I think I think that is another determining factor
00:49:18 --> 00:49:21: where I think what we'll see in real estate actually
00:49:21 --> 00:49:24: is more of a blurring of the lines between infrastructure
00:49:25 --> 00:49:28: and you know traditional real estate sectors to to enable
00:49:28 --> 00:49:31: that growth in data centres for example that there's a
00:49:31 --> 00:49:33: connectivity point there as well.
00:49:35 --> 00:49:37: So I think I think that would be other than
00:49:37 --> 00:49:40: that I think from a sector point we've already talked
00:49:40 --> 00:49:43: about offices and we've talked about that the risk if
00:49:43 --> 00:49:45: you like going forward.
00:49:45 --> 00:49:48: I think what we will need to see in the
00:49:48 --> 00:49:50: course of the next five years is that as as
00:49:50 --> 00:49:52: the pricing reflecting the risk.
00:49:53 --> 00:49:55: But in many of the cities, in fact in all
00:49:55 --> 00:49:57: of the cities that we know involve offices are a
00:49:57 --> 00:49:59: massive part of the urban environment.
00:50:00 --> 00:50:02: So they will have to transition and they will have
00:50:02 --> 00:50:05: to be a different component at a different level across
00:50:06 --> 00:50:07: the urban environment.
00:50:07 --> 00:50:10: But the price has got to be right because ultimately
00:50:10 --> 00:50:13: that will involve development and CapEx and repositioning.
00:50:13 --> 00:50:16: So I think as an industry we will, we will
00:50:16 --> 00:50:19: need to be more developers going forward to reposition.
00:50:20 --> 00:50:22: But I think offices is the one where there must
00:50:22 --> 00:50:24: be an opportunity there over the next five years, even
00:50:24 --> 00:50:26: though it's not obvious at the moment.
00:50:31 --> 00:50:33: I think it's also a lot of oh sorry about
00:50:33 --> 00:50:38: the integrate the integration between the different parts now in
00:50:38 --> 00:50:41: in the European report we picked up on the trend
00:50:41 --> 00:50:42: of Co location.
00:50:43 --> 00:50:43: It is.
00:50:43 --> 00:50:47: It is looking holistically at what what a place needs
00:50:47 --> 00:50:51: almost and obviously that's especially the case in Europe and
00:50:51 --> 00:50:54: maybe less so in the other regions.

00:50:54 --> 00:50:58: The need to retrofit and repurpose because there are so
00:50:59 --> 00:51:03: many buildings and we know from a climate perspective it's
00:51:03 --> 00:51:04: best to reuse them.
00:51:05 --> 00:51:08: But the former use might not be the best future
00:51:08 --> 00:51:08: use.
00:51:09 --> 00:51:12: So there are so much and then we see much
00:51:12 --> 00:51:17: more focus on int intensifying the use which might mean
00:51:17 --> 00:51:23: different purposes for different times of the day or different
00:51:23 --> 00:51:27: times of the week and and therefore and and Co
00:51:27 --> 00:51:33: location where we see data centres very local within offices
00:51:33 --> 00:51:35: or becoming near again.
00:51:36 --> 00:51:40: So I think it's really about a much more integrated
00:51:40 --> 00:51:45: thinking around the different uses and how to create those
00:51:46 --> 00:51:50: lively urban environments where people want to be and to
00:51:50 --> 00:51:56: ensure it's affordable to combining also the different uses.
00:52:00 --> 00:52:03: Yeah, both, both points I think draw draw me to
00:52:04 --> 00:52:08: another question which is often we talk about these structural
00:52:08 --> 00:52:13: factors and we find them sometimes pointing us towards sort
00:52:13 --> 00:52:16: of alternative or niche segments.
00:52:16 --> 00:52:20: For example, if you think about generative AI then the
00:52:20 --> 00:52:25: investment thesis for data centres is is obvious, but you've
00:52:25 --> 00:52:28: both well and you alluded to being more like a
00:52:28 --> 00:52:32: developer, Lizette, you alluded to creating places.
00:52:33 --> 00:52:37: Is there actually enough of these opportunities out there to
00:52:37 --> 00:52:41: align with the the investor appetite that's that's out there
00:52:41 --> 00:52:43: or do we do we actually need to yeah be
00:52:44 --> 00:52:45: building this stuff?
00:52:45 --> 00:52:46: You have any opinions on that?
00:52:49 --> 00:52:51: Let me try and let me try and address that
00:52:51 --> 00:52:52: David.
00:52:52 --> 00:52:54: I think, I think the one piece is that of
00:52:54 --> 00:52:57: course there are these new asset classes that have emerged
00:52:58 --> 00:53:01: in the last few years, life sciences, data centers, you
00:53:01 --> 00:53:03: know what have you and that's got to do with
00:53:03 --> 00:53:08: obviously general cultural and consumption trends changing in the world,
00:53:08 --> 00:53:11: but I also feel it impacts even existing asset classes.
00:53:11 --> 00:53:14: So we're certainly an environment of you know it's some
00:53:14 --> 00:53:15: more of the same.
00:53:16 --> 00:53:18: So you know, I mean even coming back to office
00:53:18 --> 00:53:21: for a second while I said that you know offices
00:53:21 --> 00:53:23: can't go away, sure, but they will.

00:53:23 --> 00:53:27: They will exist in a different shape and form completely
00:53:27 --> 00:53:30: and we're seeing that in the markets that we that
00:53:30 --> 00:53:30: we invest.
00:53:31 --> 00:53:35: For example office was always AB2B business, right.
00:53:35 --> 00:53:39: I now see it as AB2C business where you're actually
00:53:39 --> 00:53:44: engaging with your customer who's walking through the door every
00:53:44 --> 00:53:46: single day, right.
00:53:46 --> 00:53:49: They have needs and wants which I think I don't
00:53:49 --> 00:53:52: think very many asset owners pay attention to maybe 10
00:53:52 --> 00:53:53: years ago.
00:53:53 --> 00:53:56: But now those needs and wants are being looked at
00:53:56 --> 00:53:57: very, very closely.
00:53:57 --> 00:54:00: And so there is a big wrap around of services
00:54:00 --> 00:54:05: that that kind of benefit that encapsulates these asset classes
00:54:05 --> 00:54:08: including residential by the way.
00:54:08 --> 00:54:12: And we've seen these, we've seen these trends and obviously
00:54:12 --> 00:54:16: a combination of hybrid, you know etcetera work you know
00:54:16 --> 00:54:20: hit the both the office and the residential asset classes
00:54:20 --> 00:54:25: through flexible offices, Co living, Co working you know on
00:54:25 --> 00:54:27: the residential side Co living.
00:54:27 --> 00:54:29: So we've seen that as a big trend, you know,
00:54:29 --> 00:54:30: I feel in the last few years and I think
00:54:30 --> 00:54:31: that's here to stay.
00:54:36 --> 00:54:36: Absolutely.
00:54:38 --> 00:54:41: And we've actually had a question in specifically on on
00:54:41 --> 00:54:46: residential and and demographics and ageing populations, what's the, what's
00:54:46 --> 00:54:50: the view on that And I think particularly around sort
00:54:50 --> 00:54:54: of housing supply and maybe some of the niche residential
00:54:54 --> 00:54:57: segments, are they areas that we continue to expect to
00:54:57 --> 00:55:00: to grow and see more opportunity in?
00:55:05 --> 00:55:06: I'm quite happy to answer that David.
00:55:06 --> 00:55:08: So I think the the short answer is yes and
00:55:08 --> 00:55:12: we very much strongly believe in that the supply and
00:55:12 --> 00:55:14: demand factors are quite clear.
00:55:14 --> 00:55:18: However, I think having a very strong investment process is
00:55:19 --> 00:55:22: is clear given what we talked about already in terms
00:55:22 --> 00:55:26: of the political agenda point on affordable housing.
00:55:26 --> 00:55:28: So we have, we have a view on we call
00:55:29 --> 00:55:33: our Tripoli approach, affordability, accessibility and immunity.

00:55:34 --> 00:55:37: So ensuring that you, you know you're robust in your
00:55:37 --> 00:55:42: underwriting on affordability and you know the assets of providing
00:55:42 --> 00:55:46: the connectivity and amenities that are you know required for
00:55:46 --> 00:55:48: current and future generations actually.
00:55:49 --> 00:55:52: So So yes, we we would believe in that.
00:55:52 --> 00:55:54: I do think one of the things that's brought out
00:55:54 --> 00:55:57: in the report actually this word in partnership is really
00:55:57 --> 00:55:57: important.
00:55:58 --> 00:56:02: So I think that partnership with your customers, with your
00:56:02 --> 00:56:05: occupiers will be is is crucial in residential.
00:56:05 --> 00:56:09: It's crucial in all the sectors, but it's absolutely crucial
00:56:09 --> 00:56:10: in the residential sector.
00:56:14 --> 00:56:16: I would also like to, to add to what Ann
00:56:16 --> 00:56:17: was saying.
00:56:18 --> 00:56:22: We've been picking it up in the European report for
00:56:22 --> 00:56:25: the last couple of years already where I think five
00:56:25 --> 00:56:28: or six of the sectors in the top 10 have
00:56:28 --> 00:56:30: anything to do with residential.
00:56:31 --> 00:56:34: And I think based on the different targets group, you
00:56:34 --> 00:56:38: see much, so much more sophistication and and probably we've
00:56:38 --> 00:56:41: only just gotten on that journey where you kind of
00:56:41 --> 00:56:45: look much more what are the specific demands of the
00:56:45 --> 00:56:46: of the target group.
00:56:46 --> 00:56:50: We did work around school living a few years ago
00:56:50 --> 00:56:54: and then you see what a massive impact it can
00:56:54 --> 00:56:58: have if you consider the the number and the growth
00:56:58 --> 00:57:02: in single households and many of those people now living
00:57:02 --> 00:57:04: in two 3-4 bathroom flats.
00:57:05 --> 00:57:10: And I think that's something if we tailor the offers
00:57:10 --> 00:57:14: so much better for what a target group needs and
00:57:14 --> 00:57:20: for seniors that's more maybe also called type models but
00:57:20 --> 00:57:25: at some point maybe added with with care facilities.
00:57:27 --> 00:57:29: So I think thinking and and I think and also
00:57:30 --> 00:57:34: commented on that thinking from the users perspective and obviously
00:57:34 --> 00:57:37: that's not something that the industry has been known for
00:57:38 --> 00:57:40: in the past, but I think that's so much more
00:57:40 --> 00:57:44: important and then kind of develop the products in evolution
00:57:44 --> 00:57:46: of of people's life cycle.
00:57:51 --> 00:57:52: Absolutely.
00:57:53 --> 00:57:57: I think being mindful of people's time, I think we

00:57:57 --> 00:58:01: will withdraw the discussion to A to a close there.
00:58:02 --> 00:58:06: Apologies for the the few questions that came in through
00:58:06 --> 00:58:10: the Q&A that we didn't get round to to addressing.
00:58:11 --> 00:58:15: I think it's there's still no avoiding that uncertainties persisting
00:58:15 --> 00:58:18: in the short term and 2024 is likely to be
00:58:18 --> 00:58:21: something of a year of transition, but also plenty of
00:58:21 --> 00:58:24: reasons to feel optimistic about the outlook.
00:58:25 --> 00:58:28: And when we think about the longer term picture real
00:58:28 --> 00:58:31: estate clearly has a very, very important role to play
00:58:31 --> 00:58:34: in societal societies and societal change.
00:58:36 --> 00:58:40: With that, I'd like to remind everyone listening that the
00:58:40 --> 00:58:41: report is.
