



Webinar

ULI Europe and PwC Emerging Trends in Real Estate 2023 Webinar 20 years of Emerging Trends

Date: November 30, 2022

00:00:04 --> 00:00:10: So good afternoon, everybody. My name's Angus Johnson. Welcome to

00:00:10 --> 00:00:15: welcome to the ULI Europe and PwC emerging trends in

00:00:15 --> 00:00:17: real estate 2023 webinar.

00:00:19 --> 00:00:22: Today we're going to be looking at 20 years of

00:00:22 --> 00:00:25: emerging trends and that's going to be a journey both

00:00:25 --> 00:00:29: looking at what's happened in the past but actually focusing

00:00:29 --> 00:00:31: more in the future. And to help us with that

00:00:31 --> 00:00:34: we're going to hear from Sophie Chick from the ULI

00:00:34 --> 00:00:37: who's going to run us through that part of the

00:00:37 --> 00:00:40: survey that that that that's dealt with this 20 year

00:00:40 --> 00:00:43: agenda. And then following that I'm going to host a

00:00:43 --> 00:00:47: panel with Juliette Morgan, SG consultancy director from Gensler

00:00:48 --> 00:00:50: NASA Hussain founder and partner at Brookland.

00:00:51 --> 00:00:54: And Duncan Owen, CEO of ImmoCap Capital Partners.

00:00:55 --> 00:00:57: So with that in mind, I'll hand over to Sophie.

00:00:57 --> 00:00:58: Sophie, over to you.

00:01:02 --> 00:01:05: Thank you Angus and hello to everyone. Thank you so

00:01:06 --> 00:01:09: much for joining us today. So as you've just heard

00:01:09 --> 00:01:13: you know we're we're having a look and and celebrating

00:01:13 --> 00:01:16: 20 years of of emerging trends in Europe and I

00:01:16 --> 00:01:19: should just say that to put this to put this

00:01:19 --> 00:01:23: section of the report together with which sits within our

00:01:23 --> 00:01:27: main report for for emerging trends and this year we

00:01:27 --> 00:01:30: were really lucky to have input from a nearly 1000

00:01:30 --> 00:01:32: people across the industry.

00:01:32 --> 00:01:36: In the form of having a survey done, various interviews,

00:01:36 --> 00:01:39: roundtables and we asked experts both within the industry and

00:01:39 --> 00:01:42: outside the industry and we we also made sure that

00:01:43 --> 00:01:46: we included the views of the different generations. So we've
00:01:46 --> 00:01:50: got views particularly on the future coming from everyone
from
00:01:50 --> 00:01:53: students, young leaders all the way up to people with
00:01:53 --> 00:01:56: their with more experience. So I just want to start
00:01:57 --> 00:01:59: by having a quick look back because I think it
00:01:59 --> 00:02:02: is really interesting when you take a step back.
00:02:02 --> 00:02:06: And just have a look at how much things have
00:02:06 --> 00:02:09: changed in quite a relatively short space of time and
00:02:09 --> 00:02:13: picking out some of the the quotes that we saw
00:02:13 --> 00:02:16: in some of the older editions of emerging trends have
00:02:16 --> 00:02:20: really illustrated that. So we had back in 2006 we
00:02:20 --> 00:02:23: had to the one of the findings from a survey
00:02:23 --> 00:02:28: question was actually a though mixed-use developments
were sort of
00:02:28 --> 00:02:32: gaining in popularity still we still had the majority of
00:02:32 --> 00:02:33: people being wary.
00:02:33 --> 00:02:37: Of doing mixed-use development. And then a year later in
00:02:37 --> 00:02:40: 2007, one of the findings was that when asked about
00:02:40 --> 00:02:45: a new European sustainability legislation, the majority of the
respondents
00:02:45 --> 00:02:49: and the industry didn't know anything about it, didn't really
00:02:49 --> 00:02:53: care and felt that green buildings were just a marketing
00:02:53 --> 00:02:56: ploy. So it's very encouraging to see that we have
00:02:56 --> 00:02:59: a we have moved on quite a lot since then,
00:02:59 --> 00:03:02: but I would also say that actually in some aspects
00:03:02 --> 00:03:03: there hasn't been.
00:03:03 --> 00:03:06: Has much changed. So right the way back in our
00:03:06 --> 00:03:10: first report that we did that was an outlook for
00:03:10 --> 00:03:14: 2004, someone said that we're still building things in the
00:03:14 --> 00:03:16: way that we did 30 years ago and to some
00:03:16 --> 00:03:18: extent that's still true today.
00:03:20 --> 00:03:23: One of the things that we asked in our survey
00:03:23 --> 00:03:26: was having a look back again historically at what the
00:03:26 --> 00:03:30: biggest impacts have been on the real estate industry over
00:03:30 --> 00:03:33: the past 20 years. And you can see the results
00:03:33 --> 00:03:36: here. The biggest impact was deemed to be the low
00:03:36 --> 00:03:40: interest rate environment we've had and quantitative easing.
The second
00:03:40 --> 00:03:43: was the impact of the global financial crisis. And and
00:03:44 --> 00:03:47: looking at our report from 2009, someone likened this to
00:03:47 --> 00:03:50: the fall of Rome, although they said that this time.
00:03:50 --> 00:03:55: The Barbarians were already through the gate, so the

importance

00:03:55 --> 00:03:58: of the GFC really can't be understated. We then have

00:03:58 --> 00:04:02: use of technology, urbanization, and the rise of ESG coming

00:04:02 --> 00:04:03: in 5th place.

00:04:05 --> 00:04:08: So to try and break this report down, and we

00:04:08 --> 00:04:10: did it so that we could.

00:04:11 --> 00:04:15: Break it into six different categories with capital markets on

00:04:15 --> 00:04:19: the path to net zero, taking on greater responsibility, customer

00:04:19 --> 00:04:23: service, real estate as a product and cities and placemaking

00:04:23 --> 00:04:26: and what I'm going to do. This obviously covers a

00:04:26 --> 00:04:29: huge range of material. I'm just going to give you

00:04:29 --> 00:04:33: a quick highlights from each of these topics. So starting

00:04:33 --> 00:04:36: with capital markets and it really is amazing to see

00:04:36 --> 00:04:40: the evolution of the industry that's happened over this. Over

00:04:40 --> 00:04:41: that that two decade long.

00:04:41 --> 00:04:45: It's gone from a relatively opaque industry to one that

00:04:45 --> 00:04:49: is really integral to the financial markets and the availability

00:04:49 --> 00:04:52: of data, being able to benchmark and track performance has

00:04:52 --> 00:04:54: been really important there.

00:04:55 --> 00:05:00: Just to illustrate how much the industry has grown since

00:05:00 --> 00:05:04: then and we have since the GFC that European listed

00:05:04 --> 00:05:09: real estate has grown from 174 billion to 441 billion

00:05:09 --> 00:05:13: and in the non listed sector we've seen funds expand

00:05:13 --> 00:05:18: from 45 to 536 vehicles according to INREV. So huge

00:05:18 --> 00:05:19: growth there.

00:05:20 --> 00:05:23: We just talked about the GFC having a a big

00:05:23 --> 00:05:26: impact on the market and of course one of its

00:05:26 --> 00:05:30: legacies has been this change in lending philosophy. So we

00:05:30 --> 00:05:34: saw banks draw back, become much more conservative and that

00:05:34 --> 00:05:38: hasn't changed and in in its way Cora alongside that

00:05:38 --> 00:05:40: we also see when saw a new breed of lender

00:05:40 --> 00:05:45: entering the market and they're likely to continue to influence

00:05:45 --> 00:05:46: the market going forward.

00:05:47 --> 00:05:52: We're also seeing where global capital is deployed is

00:05:52 --> 00:05:56: increasingly being influenced and will continue to be influenced by disruptive

00:05:56 --> 00:06:00: forces such as geopolitical events that in many cases are

00:06:00 --> 00:06:02: quite hard to predict.

00:06:04 --> 00:06:07: Now when we look back over the past 20 years,

00:06:07 --> 00:06:10: we saw that ESG came in fifth place in terms

00:06:11 --> 00:06:14: of the most influential factor for real estate. If we

00:06:14 --> 00:06:18: look forward over the next 20 years, it's a very

00:06:18 --> 00:06:22: different picture. You can see here the most influential factor

00:06:22 --> 00:06:26: is expected to be the SG agenda followed by climate

00:06:26 --> 00:06:30: change and decarbonization coming in 5th place. So it really

00:06:30 --> 00:06:33: is widely acknowledged that the.

00:06:33 --> 00:06:37: The industry accepts and and knows that this change needs

00:06:37 --> 00:06:41: to happen. We know our responsibility, but it should not

00:06:41 --> 00:06:44: be understated. The challenge that faces us as we look

00:06:44 --> 00:06:47: ahead and some of the key themes that came out

00:06:47 --> 00:06:51: of these are the reports and insights from the industry

00:06:51 --> 00:06:55: are the refurbishment of existing buildings and embodied carbon are

00:06:55 --> 00:06:58: two of the greatest challenges that we need to meet

00:06:58 --> 00:07:01: and they will have an impact on value.

00:07:02 --> 00:07:05: There's a vast capital expenditure that is needed.

00:07:06 --> 00:07:09: Regulation is actually going to be really important, and what

00:07:09 --> 00:07:12: I found interesting is that this seems to be really

00:07:12 --> 00:07:16: welcomed by the industry, particularly when we spoke to the

00:07:16 --> 00:07:17: younger generations.

00:07:18 --> 00:07:21: Post technology has a part to play, and we're already

00:07:21 --> 00:07:24: seeing some of that. In the case of smart buildings

00:07:24 --> 00:07:28: or green building, material and other technology will emerge.

00:07:29 --> 00:07:32: And finally, as the world warms and continues to warm

00:07:32 --> 00:07:36: and climate resilience and adaptation are going to be critical

00:07:36 --> 00:07:40: to combat those physical risks, and we're likely to see

00:07:40 --> 00:07:43: more emphasis placed on biodiversity.

00:07:46 --> 00:07:49: Another key theme that was really interesting that came out

00:07:49 --> 00:07:52: when we were looking ahead and what was going to

00:07:52 --> 00:07:56: make the most successful real estate going forward is this

00:07:56 --> 00:08:00: idea of the industry taking on greater responsibility and responsible

00:08:00 --> 00:08:03: capitalism was there was a key theme and I think

00:08:03 --> 00:08:06: this chart here illustrates it. We asked what's going to

00:08:06 --> 00:08:11: be important for this successful organizational transformation of the real

00:08:11 --> 00:08:14: estate industry over the next 20 years and the top

00:08:14 --> 00:08:16: 2 answers are running an environmentally.

00:08:16 --> 00:08:23: Socially responsible business and creating social impact alongside financial returns.

00:08:23 --> 00:08:28: And this isn't just about decarbonization. This is thinking about

00:08:28 --> 00:08:33: issues such as loneliness and aging, population inequality

and society.

00:08:33 --> 00:08:37: Things that real estate can and actually should.

00:08:37 --> 00:08:40: Be having an impact and and working out how we

00:08:40 --> 00:08:42: can tackle them.

00:08:44 --> 00:08:47: Our 4th topic is customer service. And actually it's been

00:08:47 --> 00:08:51: really interesting to see the evolution in terms of the

00:08:51 --> 00:08:54: focus from the industry from landlords going to tenants and

00:08:54 --> 00:08:59: occupiers. And they're more recently focusing on customers. And we've

00:08:59 --> 00:09:02: seen companies and and we look forward and we think

00:09:02 --> 00:09:05: the most successful companies are going to be those that

00:09:05 --> 00:09:09: look beyond just the physical real estate and now look

00:09:09 --> 00:09:12: at the spaces as service and designing it around the

00:09:12 --> 00:09:14: needs of the occupiers that they want to.

00:09:14 --> 00:09:18: Attract and this may well mean that you see broadened

00:09:18 --> 00:09:23: business models and that are able to provide design, development,

00:09:23 --> 00:09:26: management and operational services.

00:09:28 --> 00:09:32: Reputation and brand will be key and diversity in real

00:09:32 --> 00:09:36: estate and hiring outside traditional skill sets are going to

00:09:36 --> 00:09:40: be really important in terms of being able to meet

00:09:40 --> 00:09:44: that customer service that is needed for the future.

00:09:46 --> 00:09:49: When we look at real estate as a product, it

00:09:49 --> 00:09:53: is really noticeable that we've seen an absolute explosion in

00:09:53 --> 00:09:55: the number of products that that we look at a

00:09:55 --> 00:09:59: number of different sectors. And I think a really nice

00:09:59 --> 00:10:01: way to illustrate this is when we have a look

00:10:01 --> 00:10:06: at our emerging trends rankings for development and investment prospects

00:10:06 --> 00:10:09: and have a look at the different sectors, we can

00:10:09 --> 00:10:12: see how that's changed. So back in 2004, the prospects

00:10:12 --> 00:10:16: for 2004, we looked at 8 different sectors. Interesting to

00:10:16 --> 00:10:17: note retail on top.

00:10:18 --> 00:10:22: By 2008 that had expanded to 10, but by 2016

00:10:22 --> 00:10:27: that had almost doubled and we were at 19 different

00:10:27 --> 00:10:32: sectors. Noticeable that residential has gone from just one.

00:10:33 --> 00:10:36: And before the GFC and we're now looking at a

00:10:36 --> 00:10:40: whole number of different residential sectors and the most recent

00:10:40 --> 00:10:44: outlook that we did that we published in this report

00:10:44 --> 00:10:48: is for 2023. And the top investment and development sectors

00:10:48 --> 00:10:51: are there's 27 in total and the top being those

00:10:52 --> 00:10:57: alternative perhaps more niche sectors like new energy

00:10:57 --> 00:11:00: infrastructure and

00:11:00 --> 00:11:03: also a huge number of residential sectors in that

00:11:03 --> 00:11:06: top half of the table as well.

00:11:06 --> 00:11:09: And I think if we look forward, what's going to

00:11:09 --> 00:11:12: be really interesting is to see how the industry manages

00:11:15 --> 00:11:21: the blurring of lines between these different sectors.

00:11:22 --> 00:11:25: Finally for me we have cities and placemaking, so.

00:11:25 --> 00:11:28: This the key theme that came out here was making

00:11:28 --> 00:11:32: cities a better place to live and focusing on social

00:11:32 --> 00:11:36: inclusion. And we've already seen a number of concepts

00:11:36 --> 00:11:39: emerged

00:11:39 --> 00:11:42: that are going to try and help with this, things

00:11:44 --> 00:11:48: like the 15 minute cities or smart cities, and we

00:11:48 --> 00:11:51: expect to see more coming through in this space.

00:11:51 --> 00:11:56: WhatsApp perhaps more radical is is when we were looking

00:11:56 --> 00:11:59: forward 20 years we had a number of people talk

00:11:59 --> 00:12:03: about the idea of self-sufficient neighbourhoods in urban

00:12:03 --> 00:12:07: locations that

00:12:07 --> 00:12:12: are producing their own food, their own energy. If this

00:12:12 --> 00:12:14: sounds a little bit like we're going back in the

00:12:14 --> 00:12:17: past it's it's not. We're still talking about things that

00:12:17 --> 00:12:21: are designed and management by technology, sophisticated

00:12:21 --> 00:12:24: adaptive AI sort

00:12:24 --> 00:12:27: of managing and and designing.

00:12:27 --> 00:12:31: These locations. So I think on on that note, it's

00:12:31 --> 00:12:35: a nice place to stop to think about where we

00:12:35 --> 00:12:39: might be living and how we might be living in

00:12:39 --> 00:12:43: 20 years from now. And I just want to say

00:12:43 --> 00:12:44: thank you so much to everyone who contributed to this

00:12:44 --> 00:12:47: report. We really can't do it without you. And the

00:12:47 --> 00:12:49: full report is available on both UI and PWC's website

00:12:49 --> 00:12:51: if you're interested in having a further look at that,

00:12:51 --> 00:12:53: but to get more.

00:12:53 --> 00:12:56: Insight to some of the topics that I've just covered.

00:12:56 --> 00:12:59: I'm going to pass you back to Angus and the

00:12:59 --> 00:13:00: rest of the panel. Thank you.

00:13:01 --> 00:13:04: OK. Thank you, Sophie. If I can ask my fellow

00:13:04 --> 00:13:06: panelist to to join in as well just while they're

00:13:06 --> 00:13:07: doing that.

00:13:07 --> 00:13:11: But this is an interactive session, so you should have

00:13:11 --> 00:13:24: on your screen a chat option.

00:13:24 --> 00:13:28: Which which will give you the.

00:13:28 --> 00:13:28: OK. Can everyone hear me? I'm sorry about that. Yes,

00:13:28 --> 00:13:31: it just just while everyone's joining, so.

00:13:32 --> 00:13:35: We have a chat option here on the on the

00:13:35 --> 00:13:39: screen. So, so anyone who wants to to ask a

00:13:39 --> 00:13:43: question, just just type it into the chat and it'll

00:13:43 --> 00:13:45: come up, I'll be able to see it and I

00:13:46 --> 00:13:50: will introduce it into the mix, right. So. So let's,

00:13:50 --> 00:13:51: let's get started.

00:13:52 --> 00:13:55: I thought, I thought we might might start as is

00:13:55 --> 00:13:58: is just sort of taking a really big picture look

00:13:58 --> 00:14:00: at what we've seen in the last.

00:14:00 --> 00:14:03: 20 years and and and sort of try to reflect

00:14:03 --> 00:14:06: on on sort of how that makes us think about

00:14:06 --> 00:14:09: the 20 years to come if you like. I mean

00:14:09 --> 00:14:12: it feels to me that that we've seen a number

00:14:12 --> 00:14:16: of of of you know quite quite extraordinary things happen.

00:14:18 --> 00:14:21: And obviously we had the GFC we had the the

00:14:21 --> 00:14:25: the the quantitative easing and and sort of the cheap

00:14:25 --> 00:14:28: money that followed that that came up on the on

00:14:28 --> 00:14:32: the on the report we've we've also seen a a

00:14:32 --> 00:14:36: huge advance in technology you know I was checking earlier

00:14:36 --> 00:14:40: it it's actually the first smartphone and I think we

00:14:40 --> 00:14:44: probably would we accept that we measure the real rise

00:14:44 --> 00:14:48: of technology from the introduction of the smartphone.

00:14:48 --> 00:14:51: First smartphone was the iPhone. It was introduced in June

00:14:52 --> 00:14:55: 2007, which really doesn't feel that long ago, the way

00:14:55 --> 00:14:57: I look at it. But you think about the extraordinary

00:14:57 --> 00:15:01: change that that's that that's wrought since. But, you know,

00:15:01 --> 00:15:04: we've had the, the, the GFC, which was an extraordinary

00:15:04 --> 00:15:07: event. We've had a pandemic, which was an extraordinary

00:15:07 --> 00:15:10: event.

00:15:07 --> 00:15:10: We've now got a land war in Europe, which is

00:15:10 --> 00:15:13: another extraordinary event, all of which I think, you know,

00:15:13 --> 00:15:16: if you'd asked two or three years before those things

00:15:16 --> 00:15:18: happened, do you think that would happen?

00:15:18 --> 00:15:20: As people would have said, no.

00:15:20 --> 00:15:21: But they have happened.

00:15:22 --> 00:15:25: So I guess my first question to the to the

00:15:25 --> 00:15:28: to kick around with the panelists is.

00:15:29 --> 00:15:32: Whilst it's hard to predict what the next sort of

00:15:32 --> 00:15:33: crisis would be.

00:15:34 --> 00:15:38: Is there anything that we can learn from what's happened

00:15:38 --> 00:15:41: in the last 20 years that would help us do

00:15:41 --> 00:15:42: you think in terms of?

00:15:43 --> 00:15:46: Of resilience in in, in the face of crises.

00:15:47 --> 00:15:48: To come.

00:15:49 --> 00:15:52: Because I think what the last 20 years probably tells

00:15:52 --> 00:15:54: us is that there will be.

00:15:54 --> 00:15:56: I don't know what they are necessarily, but we can

00:15:56 --> 00:15:58: talk about that, but I think they're probably will be.

00:16:00 --> 00:16:03: Who wants to? Who wants to start? Duncan, why don't

00:16:04 --> 00:16:07: you have, why don't you have first shot at that?

00:16:08 --> 00:16:13: Gosh, yeah, it's a big topic and I think.

00:16:14 --> 00:16:17: First of all, what a good presentation that was. That

00:16:17 --> 00:16:20: was a really good whistle stop tour of 30,000 feet

00:16:20 --> 00:16:23: of what's happened in the last couple of decades.

00:16:25 --> 00:16:28: In order to answer the question, Angus, I'd probably.

00:16:28 --> 00:16:32: Just take one step back briefly because listening to the

00:16:33 --> 00:16:36: presentation, it feels like we're almost in a in a

00:16:36 --> 00:16:41: fourth phase of real estate and real estate investing over

00:16:41 --> 00:16:44: the cicada the last 20 years and I've maybe been

00:16:44 --> 00:16:46: unkind to my profession.

00:16:46 --> 00:16:47: But.

00:16:47 --> 00:16:50: 20 years or more ago, it seemed that.

00:16:51 --> 00:16:54: We just bought buildings, let them on long leases, waited

00:16:54 --> 00:16:56: for the lease to run to the end and then

00:16:56 --> 00:16:57: sold them as a lower price.

00:16:58 --> 00:17:01: And that moved into a slightly more proactive approach

00:17:01 --> 00:17:04: where

00:17:04 --> 00:17:07: you would hear the terms where people would buy a

00:17:07 --> 00:17:10: building their fix it, whatever that meant. They might be.

00:17:10 --> 00:17:12: The might be the occupation, it might be the fabric

00:17:12 --> 00:17:15: of the building and then they'd sell it.

00:17:15 --> 00:17:19: That was often the mantra of a as you went

00:17:19 --> 00:17:22: sort of through the 2000s up to the financial crisis.

00:17:22 --> 00:17:26: Post the financial crisis, I think we moved into a

00:17:26 --> 00:17:29: theme based investment criteria and there were some mega

00:17:29 --> 00:17:32: themes

00:17:32 --> 00:17:36: people often used to talk about. I did when I

00:17:36 --> 00:17:39: was introduced, we used to talk a lot about the

00:17:39 --> 00:17:41: rapid urbanization, the fact that the world's population was

00:17:41 --> 00:17:43: going

00:17:43 --> 00:17:47: from 50 to 75% living in urban cities and at

00:17:47 --> 00:17:50: the same time it was going from 6 to 7

00:17:50 --> 00:17:53: to 8 billion and on to 10.

00:17:53 --> 00:17:56: Obviously the population was was aging and so the

demographic

00:17:47 --> 00:17:50: changes were huge and what we're doing and investment there

00:17:50 --> 00:17:52: was a big consequence on what we needed in new

00:17:52 --> 00:17:55: infrastructure and power and how we're going to get power.

00:17:55 --> 00:17:56: We're seeing that now.

00:17:57 --> 00:18:00: The technological revolution was amazing in every way from from

00:18:00 --> 00:18:04: mobile phones, communications, the fact that were there. There's now

00:18:04 --> 00:18:07: more than 10 billion mobile phone devices. The fact that.

00:18:08 --> 00:18:11: There is now twice as much data existing as there

00:18:11 --> 00:18:14: was two years ago globally. From where does that all

00:18:14 --> 00:18:17: get stored? What happens? And there was this ship from

00:18:17 --> 00:18:19: the West to the east and I think what's taken

00:18:20 --> 00:18:22: over from those themes, which is sort of the answer

00:18:23 --> 00:18:25: about the future as well as what we've learned.

00:18:26 --> 00:18:28: Is people want more flexibility?

00:18:29 --> 00:18:31: They want the real estate to be more operation focused,

00:18:32 --> 00:18:32: customer focused.

00:18:33 --> 00:18:35: And they now need it to be green. And you

00:18:35 --> 00:18:37: need what we call 4S is you need buildings and

00:18:37 --> 00:18:41: strategically important that are smart buildings, sustainable and safe.

00:18:42 --> 00:18:44: And you and they're all all those points are intrinsically

00:18:44 --> 00:18:45: linked.

00:18:46 --> 00:18:49: So it's almost the fourth phase which is really focused

00:18:49 --> 00:18:53: on ESG and flexibility and everything that goes with that

00:18:53 --> 00:18:56: about amenities, social and the built in roles.

00:18:57 --> 00:18:59: So if you look back and answering your question, I

00:18:59 --> 00:19:02: think the key thing we've learned is we don't learn

00:19:02 --> 00:19:05: from Alice's and. And by that I mean the first,

00:19:05 --> 00:19:07: the first, the, the main point, the easiest point.

00:19:08 --> 00:19:13: Is the fall in capital values and the instability and

00:19:13 --> 00:19:16: the capital system that we have now.

00:19:17 --> 00:19:19: Is an echo and I would argue with still the

00:19:20 --> 00:19:24: consequence of the financial crisis. We're 14 years further on

00:19:24 --> 00:19:28: with quantity easing, the resultant inflation and the resultant capital

00:19:28 --> 00:19:31: crisis in that we are beginning to try and take

00:19:31 --> 00:19:35: ourselves off the drug of quantitative easing and we can't

00:19:35 --> 00:19:39: really afford to do that and that's having an impact

00:19:39 --> 00:19:42: on it all but the very most productive and most

00:19:42 --> 00:19:45: efficient economies. And what that means is it has a
00:19:45 --> 00:19:46: huge impact.
00:19:47 --> 00:19:49: And how it should be behaving as investors?
00:19:49 --> 00:19:54: And requiring the Council to work more smartly with
decarbonization,
00:19:54 --> 00:19:57: having a pathway to net zero is essential. And we've
00:19:57 --> 00:20:00: got to learn from those lessons, getting back to my
00:20:00 --> 00:20:03: point. And we've got to have more flexibility and more
00:20:03 --> 00:20:07: of an operational approach. So I'm sort of answering two
00:20:07 --> 00:20:09: questions in one, forgive me, but.
00:20:10 --> 00:20:12: Part One is we've got to learn from the previous
00:20:13 --> 00:20:16: lessons and the evidence suggests we have them. And Part
00:20:16 --> 00:20:18: 2 is we're in this sort of fourth phase over
00:20:18 --> 00:20:22: 20 years, which is all about green, having sustainable
strategies
00:20:22 --> 00:20:26: and being more flexible. So we actually deliver more
occupies
00:20:26 --> 00:20:29: once and we've really got to learn those lessons.
00:20:33 --> 00:20:34: Still only using this.
00:20:35 --> 00:20:38: Mute, it keeps putting me on mute, right. It's quite
00:20:38 --> 00:20:41: disappointing. But the, the, the, the, I think, I think
00:20:41 --> 00:20:44: maybe the that what I take from that answer though
00:20:44 --> 00:20:47: which I think is, is fair is that you know
00:20:47 --> 00:20:50: we've spent the last 20 years somewhat reliant on yield
00:20:50 --> 00:20:51: compression.
00:20:53 --> 00:20:57: And and really the answer going forward is going to
00:20:57 --> 00:21:00: have to be to be more focused on value creation
00:21:00 --> 00:21:04: through asset management and that maybe that that in and
00:21:04 --> 00:21:08: of itself would make the industry more resilient against
against
00:21:08 --> 00:21:12: shocks that might come through. I mean I guess a
00:21:12 --> 00:21:15: if I was going to guess that what might be
00:21:15 --> 00:21:15: a.
00:21:17 --> 00:21:20: A surprise crisis that might come around and hit us
00:21:20 --> 00:21:23: but but which we ought to be expecting anyway. You
00:21:23 --> 00:21:26: know, it it could well be a climate based thing,
00:21:26 --> 00:21:28: you know, a a so-called green swan.
00:21:29 --> 00:21:34: Events, you know, a Pakistan style floods through Europe
that
00:21:34 --> 00:21:38: makes half the built environment uninsurable a you know a
00:21:38 --> 00:21:42: a series of heat waves if you like, which mean
00:21:42 --> 00:21:47: that that the UK basic building structure which you know,
00:21:47 --> 00:21:51: without wanting to sound too glib about it, I think

00:21:51 --> 00:21:55: it could be defined as keeping the rain out and
00:21:55 --> 00:21:56: the heat in.
00:21:57 --> 00:21:59: You know, we would have to deal with a situation
00:21:59 --> 00:22:02: where where there's not enough water and you're you're
trying
00:22:02 --> 00:22:03: to keep the heat out.
00:22:04 --> 00:22:08: I mean, Juliet, I know you've you've thought about some
00:22:08 --> 00:22:11: of these things. Are we, do you think we're underpricing
00:22:11 --> 00:22:14: the risk of that? Do you think we have any
00:22:14 --> 00:22:17: conception of of of of what of what that sort
00:22:17 --> 00:22:18: of crisis might look like?
00:22:20 --> 00:22:23: I think this conversation shows that we think it's a
00:22:23 --> 00:22:27: future event and actually anybody looking at some data
would
00:22:27 --> 00:22:30: realise that parts of London were underwater last year in
00:22:30 --> 00:22:35: the previous year. That there are very substantially valuable
assets
00:22:35 --> 00:22:38: that have been impacted by flood in this country. A
00:22:38 --> 00:22:42: commercial assets and residential three years ago just
bringing it
00:22:42 --> 00:22:45: to Europe, I think the on the registry of of
00:22:45 --> 00:22:49: most impacted countries by value was Germany through
massive flooding.
00:22:50 --> 00:22:52: And then we saw you know a Green swan event,
00:22:52 --> 00:22:55: a fire in London because of 40 degree heat last
00:22:55 --> 00:22:58: year. So the fact that we're even talking about this
00:22:58 --> 00:23:03: as something that's happening in the future at some
unquantifiable
00:23:03 --> 00:23:06: date suggests to me that we've, we've not embraced the
00:23:06 --> 00:23:09: fact that it's, it's not happening in the future, it's
00:23:09 --> 00:23:13: happening now. So has that fed through to pricing and
00:23:13 --> 00:23:16: I suspect it hasn't partly because valuation is driven off,
00:23:16 --> 00:23:19: annual valuation cycles are not CFD disclosures.
00:23:20 --> 00:23:22: And and if you look at climate mapping, then most
00:23:22 --> 00:23:25: of London would be underwater. So if you, if you
00:23:25 --> 00:23:28: look at the value of all of London's assets and
00:23:28 --> 00:23:31: that tells you a lot about whether we're priced in
00:23:31 --> 00:23:33: that risk or not, it may well have started to
00:23:33 --> 00:23:36: flow through to insurance premiums. But I I think you
00:23:36 --> 00:23:39: mentioned a really important word which is a word that
00:23:39 --> 00:23:42: hasn't come up very much in in the report. So
00:23:42 --> 00:23:45: we're talking a lot about ESG as an industry. We're
00:23:45 --> 00:23:49: not talking as much about adaptation and resilience. It's
entirely

00:23:49 --> 00:23:51: likely that we breached 1 1/2 degrees.

00:23:51 --> 00:23:54: This summer. So if the tell 12 key indicators we

00:23:54 --> 00:23:58: breached 6 and and there isn't a moment there's not

00:23:58 --> 00:24:02: a an identifiable experience that that kicks in when when

00:24:02 --> 00:24:05: the feedback leaks happen that we can say that was

00:24:05 --> 00:24:09: the moment. So this isn't a kind of green trajectory

00:24:09 --> 00:24:13: towards net zero that neatly goes to 203040 or 50

00:24:13 --> 00:24:16: that will conveniently have greens ones that kick in at

00:24:17 --> 00:24:20: a time that we're ready we need to be having

00:24:20 --> 00:24:21: an adaptation and.

00:24:21 --> 00:24:24: Brilliance, conversation at the same time as an ESG agenda

00:24:24 --> 00:24:27: in order to learn from the the sins of the

00:24:27 --> 00:24:27: past.

00:24:28 --> 00:24:31: So here's the thing, right? If you look back at

00:24:31 --> 00:24:34: those reports going back to to 22,000 and three in

00:24:35 --> 00:24:39: about 2006 and 2007, there were, you know, Cassandras out

00:24:39 --> 00:24:43: there basically. And there they were talked about in the

00:24:43 --> 00:24:47: report talking about this markets getting overheated. There's

00:24:47 --> 00:24:51: a real

00:24:47 --> 00:24:51: bubble happening here. This could be a problem.

00:24:52 --> 00:24:54: But we don't listen to it until it happens.

00:24:57 --> 00:25:01: And then it's and then it's but then it's obviously

00:25:01 --> 00:25:02: too late. So I.

00:25:02 --> 00:25:05: It it does strike me as something that that, that,

00:25:05 --> 00:25:08: you know, if we're going to learn anything from what

00:25:08 --> 00:25:09: happened in the last 20 years.

00:25:10 --> 00:25:14: That we need to take more notice of those signposts.

00:25:14 --> 00:25:16: I think we know they're there, but the issue would

00:25:16 --> 00:25:17: appear to be urgency.

00:25:20 --> 00:25:23: But that and that, and that's the same, you know,

00:25:23 --> 00:25:25: I, I know it's a, it's a different crisis, it's

00:25:25 --> 00:25:28: a different scale of crisis. It's a potentially vastly bigger

00:25:28 --> 00:25:29: one.

00:25:30 --> 00:25:33: But but what you're saying is is is flagging the

00:25:33 --> 00:25:36: same things that if we look back as historians at

00:25:36 --> 00:25:39: what happened before the GFC you know you can see

00:25:40 --> 00:25:42: the same points. I mean NASA from a, you know

00:25:42 --> 00:25:45: you've got a you've got some views on on from

00:25:45 --> 00:25:48: a from a lending perspective do you think.

00:25:49 --> 00:25:52: Do you think lenders do you think capital markets are

00:25:52 --> 00:25:54: starting to price any of this risk in is it,

00:25:54 --> 00:25:57: is it is it even featuring as a consideration?

00:26:00 --> 00:26:03: I mean, it's definitely a risk that lenders in the
00:26:03 --> 00:26:05: capital markets are cognisant of.
00:26:06 --> 00:26:09: I think rather than pricing in that risk.
00:26:10 --> 00:26:14: It's more a question of trying to incentivize more sustainability
00:26:14 --> 00:26:15: than debt.
00:26:17 --> 00:26:21: So you do see a lot of lenders now establish
00:26:21 --> 00:26:27: sustainability debt programs where they try to give preferred
00:26:27 --> 00:26:32: access
00:26:27 --> 00:26:32: to to debt capital for full sustainable loans and they
00:26:32 --> 00:26:37: try to offer reduced economics for sustainable debt.
00:26:39 --> 00:26:42: Hard to interrupt, but I guess in a sense I
00:26:42 --> 00:26:45: think what the point Juliet's making is that.
00:26:47 --> 00:26:50: Making sure that going forward buildings are more
00:26:50 --> 00:26:53: sustainable in
00:26:50 --> 00:26:53: terms of their of their carbon footprint for example, is
00:26:53 --> 00:26:55: important because if we're going to get on top of
00:26:55 --> 00:26:57: this problem, we're going to have to do that, but
00:26:57 --> 00:26:58: actually.
00:26:59 --> 00:27:01: The risk of of a, of a, of a, of a
00:27:01 --> 00:27:05: a, of a major climate style event has already arrived.
00:27:05 --> 00:27:08: We've, we've, we've allowed the situation to develop to a
00:27:08 --> 00:27:12: point where regardless of what we might do with the
00:27:12 --> 00:27:16: built environment going forward, we would have to accept
00:27:16 --> 00:27:19: that
00:27:16 --> 00:27:19: there is an increased risk of a of a sort
00:27:19 --> 00:27:22: of a climate driven you know change that that is
00:27:22 --> 00:27:25: going to have that impact. Is that fair, Juliet, if
00:27:25 --> 00:27:26: I have I.
00:27:29 --> 00:27:32: It's not uniform, it's not, it's not all assets, but
00:27:32 --> 00:27:35: you know, there were shopping centres in East London that
00:27:35 --> 00:27:37: were underwater in August last year, which is a a
00:27:37 --> 00:27:41: month that you wouldn't necessarily have expected and you
00:27:41 --> 00:27:43: wouldn't
00:27:41 --> 00:27:43: necessarily have expected it to be a a shopping centre
00:27:44 --> 00:27:45: in East London, so.
00:27:46 --> 00:27:49: It it. My point is that it's it's sudden,
00:27:49 --> 00:27:53: it's unexpected, it's random. It's not necessarily where we
00:27:53 --> 00:27:56: imagine
00:27:53 --> 00:27:56: it's going to be, but it also isn't uniform.
00:28:00 --> 00:28:05: Right. Well, that's a nice way to start isn't it?
00:28:05 --> 00:28:08: But actually I I think it's I think it is
00:28:08 --> 00:28:12: highly relevant and I, I, I, I my sense is
00:28:12 --> 00:28:15: that we have historically mispriced.

00:28:16 --> 00:28:20: Unlikely risks you know in in this game and I
 00:28:20 --> 00:28:23: I might I I sense we might be heading down
 00:28:23 --> 00:28:27: the same the same pathway with this but let's let's
 00:28:27 --> 00:28:31: move to a slightly more positive note I guess in
 00:28:31 --> 00:28:34: this which is that you know, we now we now
 00:28:34 --> 00:28:39: own a situation I think where there is widespread acceptance
 00:28:39 --> 00:28:43: of the need to readapt to reimagine the built environment,
 00:28:43 --> 00:28:47: certainly certainly in the West, I think that's the case.
 00:28:48 --> 00:28:51: And that's a that's a combination of things. I mean
 00:28:52 --> 00:28:54: it's very largely the the sort of the the net
 00:28:54 --> 00:28:58: zero type gender making buildings greener. But it's also
 recognizing
 00:28:58 --> 00:29:02: that we've particularly post pandemic you know we've got
 changing
 00:29:02 --> 00:29:06: expectations from people about what they want the built
 environment
 00:29:06 --> 00:29:09: to deliver for them, how they want to use it.
 00:29:09 --> 00:29:13: There's a growing realization as the report shows around the
 00:29:13 --> 00:29:15: the need for more focus on the US side of
 00:29:15 --> 00:29:17: the SG that that you know we, we.
 00:29:18 --> 00:29:20: That we're more cognizant of the impact of the built
 00:29:21 --> 00:29:24: environments on the on the communities that immediately
 surround it,
 00:29:24 --> 00:29:27: et cetera and all of those sorts of things.
 00:29:28 --> 00:29:30: I mean, actually when you when you look at it,
 00:29:31 --> 00:29:33: I mean I, I saw a figure the other day
 00:29:33 --> 00:29:37: that that estimated that the total global value of developed
 00:29:37 --> 00:29:40: real estate on the planet is something in the order
 00:29:40 --> 00:29:42: of 300 trillion U.S. dollars.
 00:29:43 --> 00:29:44: Now.
 00:29:45 --> 00:29:47: Even if only a portion of that needs to be
 00:29:47 --> 00:29:50: worked on, in terms of what I've just discussed and
 00:29:50 --> 00:29:53: expect, it's quite a big portion. I mean, that's a
 00:29:53 --> 00:29:55: Herculean task by any description.
 00:29:57 --> 00:30:00: So and a lot of that is going to fall
 00:30:00 --> 00:30:03: to the real estate industry because that's what we do.
 00:30:05 --> 00:30:08: So Duncan, do you think the industry is ready for
 00:30:09 --> 00:30:09: it?
 00:30:13 --> 00:30:16: Probably not on the balance of odds, I don't think
 00:30:17 --> 00:30:21: it's really for Juliet point recognize the scale of the
 00:30:21 --> 00:30:24: issue and as normal you get a degree of denial
 00:30:24 --> 00:30:29: and then possibly even anger management to cure before
 you

00:30:29 --> 00:30:32: get the solution. So if you just take I mean

00:30:32 --> 00:30:36: what what ever got that the partners and most focused

00:30:36 --> 00:30:36: on.

00:30:37 --> 00:30:43: Is is is stranded brown officers to green officers in

00:30:43 --> 00:30:47: in yeah, in good environments, good senses.

00:30:49 --> 00:30:52: On average, in the main big levels, they're now in

00:30:52 --> 00:30:53: European cities.

00:30:54 --> 00:30:58: With the UK being included in the Europe, only about

00:30:59 --> 00:31:03: 10% to stock actually even meets the basic legal requirements

00:31:04 --> 00:31:09: that the local authorities governments are saying as a minimum.

00:31:10 --> 00:31:12: In 2027 and then in 2013.

00:31:14 --> 00:31:17: Now if you ask the average office owner.

00:31:19 --> 00:31:22: Do they have the equivalent of the sinking funds?

00:31:23 --> 00:31:27: To pay for that retrofit and improvement and do they

00:31:27 --> 00:31:30: have the skill sets to execute it?

00:31:31 --> 00:31:35: Do they understand the time scales for that and that

00:31:35 --> 00:31:40: it will be physically? There are some exemptions, but it

00:31:40 --> 00:31:44: will be illegal to let an office property that doesn't

00:31:44 --> 00:31:48: meet those requirements in between 2020 seven 2013.

00:31:50 --> 00:31:55: It's interesting that I think increasingly from the other end

00:31:55 --> 00:31:56: of the lens.

00:31:57 --> 00:32:02: Users, consumers, occupiers are seeing evidence of recognizing that, and

00:32:02 --> 00:32:06: that's partly because maybe some of them are being put

00:32:06 --> 00:32:11: under some pressure for good pressure. What they've promised to

00:32:11 --> 00:32:17: stakeholders, shareholders, their employees, their talents, their customers, their clients

00:32:17 --> 00:32:20: is all creating significant pressure.

00:32:21 --> 00:32:22: All.

00:32:23 --> 00:32:26: The owners to recognize that they need these, they they

00:32:26 --> 00:32:30: need to remedy these. But on average we think for

00:32:30 --> 00:32:35: good prime offices in London, Paris, Berlin, etcetera, etcetera, etcetera.

00:32:36 --> 00:32:40: The cost of remedial retrofitting, not burning carbon and demolishing

00:32:40 --> 00:32:44: it and building a new one. And we know demolishing

00:32:44 --> 00:32:47: and rebuilding is equivalent to about 50 years use of

00:32:47 --> 00:32:48: that office.

00:32:51 --> 00:32:53: It's about 20% of value. There are instances where you

00:32:53 --> 00:32:56: can point to it being more. There are instance instances

00:32:56 --> 00:32:58: where you can point to it being less.

00:32:59 --> 00:33:04: But it respects what's happening in the micro environment that

00:33:04 --> 00:33:05: means value.

00:33:06 --> 00:33:11: Obsolescence of the that and the impact on the value

00:33:11 --> 00:33:14: is probably approaching 20% on average.

00:33:15 --> 00:33:17: If people take it seriously.

00:33:17 --> 00:33:21: Now is that widely recognized node, I'm certain it's not

00:33:21 --> 00:33:25: a set of Saturn that year end valuation meetings this

00:33:25 --> 00:33:28: year to know it is not being matched. I know

00:33:28 --> 00:33:31: there is some, there's a lot of information out there

00:33:31 --> 00:33:34: that leads to confusion and some of it is the

00:33:35 --> 00:33:38: cost of financing. You know we do debt from NASA

00:33:38 --> 00:33:41: will tell us it's going to cost us three times

00:33:41 --> 00:33:44: what it would have cost us in the summer if

00:33:44 --> 00:33:47: it's possible. Does all all manner of other things.

00:33:47 --> 00:33:52: Affecting value but the biggest and most permanent is the

00:33:52 --> 00:33:57: need to rectify the carbon footprints and sustainability building so

00:33:57 --> 00:34:00: it's fit for purpose for the occupiers.

00:34:01 --> 00:34:04: And you can then read that across to all the

00:34:04 --> 00:34:09: other sectors, especially residential. Many people spend 80% of their

00:34:09 --> 00:34:13: lives where they sleep and where they work in offices

00:34:13 --> 00:34:16: and a residential lot so that they are too acute,

00:34:16 --> 00:34:20: acute sectors that are in real need of rectifying recognition

00:34:20 --> 00:34:24: and then rectification. So I don't think it is. I

00:34:24 --> 00:34:27: think it's coming in a rush. But again to Julia's

00:34:27 --> 00:34:29: point, it's here and now.

00:34:30 --> 00:34:33: Because if you're an occupier, you're not going to commit

00:34:33 --> 00:34:36: even for two or three years, let alone 10 to

00:34:36 --> 00:34:39: 15 years to occupy a premises that doesn't meet these

00:34:40 --> 00:34:43: requirements. Because it's not fair on your staff. It doesn't.

00:34:43 --> 00:34:47: It's not fair on your clients and your customers and

00:34:47 --> 00:34:50: for for all of those reasons, it's not fair on

00:34:50 --> 00:34:53: the environment and and and the next generation so.

00:34:54 --> 00:34:57: Stop, I don't think it is recognized and that there

00:34:57 --> 00:35:00: is still a final thing I'd say on there is

00:35:00 --> 00:35:04: there is still witness with several investors that we're meeting,

00:35:04 --> 00:35:04: get it?

00:35:05 --> 00:35:10: But equally there is a difference between intellectual acknowledgement of

00:35:10 --> 00:35:11: the issue.

00:35:12 --> 00:35:16: And then you see an in totally different emotional response to it.

00:35:16 --> 00:35:17:

00:35:18 --> 00:35:23: People will say, yes, that's right, Duncan, it'll take 20% of the value of the office to get it to.

00:35:23 --> 00:35:26:

00:35:26 --> 00:35:30: But that's not the case for my office.

00:35:30 --> 00:35:31: No.

00:35:31 --> 00:35:32: And that's the.

00:35:32 --> 00:35:35: Issue. No, no, nobody likes to spend money to stand still.

00:35:35 --> 00:35:36:

00:35:38 --> 00:35:39: I mean NASA.

00:35:41 --> 00:35:44: You know if you take what what Duncan's just said as as a reasonable estimate of an all and I think the 20% number is, is, is, is, is one I've I've I've heard before as well. I mean that implies an enormous investment of capital.

00:35:54 --> 00:35:57:

00:35:58 --> 00:36:01: I mean just just putting aside the practicalities of it not come back to that in a in in a moment, but but do you think, do you think that that capital markets in their various forms as they and debt markets as they, as they, as they look really do you think that there's anything like?

00:36:01 --> 00:36:03:

00:36:03 --> 00:36:06:

00:36:06 --> 00:36:09:

00:36:09 --> 00:36:11:

00:36:11 --> 00:36:14:

00:36:15 --> 00:36:18: That amount that that capital available to to finance this.

00:36:20 --> 00:36:20: I think.

00:36:21 --> 00:36:25: I think probably not right now, and it depends.

00:36:26 --> 00:36:29:

00:36:29 --> 00:36:30: How that debt is distributed over a number of years as well, right?

00:36:31 --> 00:36:35: I mean, I think, I think what's interesting, if you look at the UI survey and you, you look at where suburban officers rank.

00:36:35 --> 00:36:38:

00:36:38 --> 00:36:41:

00:36:41 --> 00:36:47: In relation to potential investment performance, they ranked 27th out of 27th asset assets, right. So I think the market understands and appreciates the issue and I think the fact that.

00:36:47 --> 00:36:51:

00:36:51 --> 00:36:55:

00:36:55 --> 00:36:56:

00:36:57 --> 00:37:02: European governments introducing minimum PC requirements or in the process of doing so, forces both both borrowers and lenders to start tackling the issue. I think one thing that the global financial crisis did for us it it it it, it stressed the importance of having the most diversified form of of of of of sources of debt. Right. So we do now benefit from far more diversity in debt

00:37:02 --> 00:37:06:

00:37:07 --> 00:37:10:

00:37:10 --> 00:37:14:

00:37:14 --> 00:37:19:

00:37:19 --> 00:37:22:

00:37:22 --> 00:37:25:

00:37:25 --> 00:37:27: than we than we ever have.

00:37:27 --> 00:37:32: Across Europe and in recent years most most sort of

00:37:32 --> 00:37:38: financings of transitional assets or repositioning of assets in particular

00:37:38 --> 00:37:42: offices have been funded by debt funds and and debt

00:37:42 --> 00:37:47: funds have the requisite risk appetite to fund those sorts

00:37:47 --> 00:37:52: of transactions. They are growing in scale and size and

00:37:52 --> 00:37:56: and and and probably best place to tackle this issue.

00:37:57 --> 00:38:01: And hopefully when the capital markets return, we can also

00:38:01 --> 00:38:04: tap into CRC Los where where debt funds are able

00:38:04 --> 00:38:07: to actually raise additional capital.

00:38:08 --> 00:38:12: Charmed beyond the LP capital that they have to try

00:38:12 --> 00:38:15: and to try and tackle this issue and there are,

00:38:15 --> 00:38:18: there are a number of schemes out there for sustainable

00:38:18 --> 00:38:22: debt, but in I mean they're they're tiny in terms

00:38:22 --> 00:38:25: of the scale of the problem right now. So, so

00:38:25 --> 00:38:26: there's still a lot to do.

00:38:29 --> 00:38:31: I mean, Juliet, I I think you've probably done a

00:38:32 --> 00:38:33: bit of work looking at the.

00:38:34 --> 00:38:37: You know, the reality of, of, of of trying to

00:38:37 --> 00:38:41: execute this, this change. I mean maybe you're assuming that

00:38:41 --> 00:38:45: we've got the money and and that's not clear either,

00:38:45 --> 00:38:48: is it? Is it actually possible to be done in

00:38:48 --> 00:38:50: any sort of reasonable time frame?

00:38:51 --> 00:38:53: Yeah, it is. I just want if I answer that

00:38:53 --> 00:38:55: in a second, I want to go back to your

00:38:56 --> 00:38:59: previous question. Your previous question related to social value and

00:38:59 --> 00:39:02: and I'm not entirely sure that we answered the social

00:39:02 --> 00:39:05: value aspect of the conversation. So if if you're willing,

00:39:05 --> 00:39:08: I'm just spend a second, please do. Is it possible

00:39:08 --> 00:39:11: because it forms part of it? Is it possible conversation?

00:39:11 --> 00:39:14: Yeah. Social value reporting is is one of the harder

00:39:14 --> 00:39:16: aspects to measure. So the reason, the reason why we're

00:39:17 --> 00:39:19: all talking about SG is because you know, going back

00:39:19 --> 00:39:21: to 20 years it was CSR, Now it's SG.

00:39:21 --> 00:39:25: And there are rumblings of conversations around the world. I've

00:39:25 --> 00:39:28: just come back from America where people are saying is

00:39:28 --> 00:39:29: it even going to be SG or is it gonna

00:39:30 --> 00:39:32: become something else, right. So there there's kind of a

00:39:33 --> 00:39:35: mood out there that it isn't here to stay. I

00:39:35 --> 00:39:37: would, I was also at COP 27. And I can

00:39:37 --> 00:39:40: absolutely tell you that having looked at things like Mark

00:39:40 --> 00:39:43: Carney, G fans initiative and what's going on across, you

00:39:43 --> 00:39:46: know, European changes in regulation and North American changes in

00:39:47 --> 00:39:49: regulation in terms of financial disclosure.

00:39:49 --> 00:39:52: The the way in which investors are assessing projects is

00:39:52 --> 00:39:55: changing. And of course it's on Capitol Valley, but it's

00:39:55 --> 00:39:59: also on environmental and social impact. Environmental we know we

00:39:59 --> 00:40:02: can measure the greenhouse gases, we can measure the embodied

00:40:02 --> 00:40:05: and operational carbon. We can look at air quality. So

00:40:05 --> 00:40:06: the E is quite measurable.

00:40:07 --> 00:40:09: The US is a little bit harder because the US

00:40:09 --> 00:40:11: has been used as a kind of shorthand for the

00:40:11 --> 00:40:14: people in the building. Is it, is it well, has

00:40:14 --> 00:40:16: it got good air quality? Does it encourage health and

00:40:16 --> 00:40:19: Wellness and fitness and and all those good things that

00:40:19 --> 00:40:22: happen inside the building. The shift now seems to be

00:40:22 --> 00:40:24: and this is where the change in mindset and is

00:40:24 --> 00:40:27: it achievable comes from. How do I demonstrate that this

00:40:27 --> 00:40:29: asset is contributing to the community around it in a

00:40:29 --> 00:40:33: way that's transparent and measurable? And there's a few ways

00:40:33 --> 00:40:35: of doing that. One is you can you can apply

00:40:35 --> 00:40:37: an economic metric to it. The other is.

00:40:37 --> 00:40:39: You can do it in in softer ways, but is

00:40:39 --> 00:40:43: it things like access to jobs, access to community space,

00:40:43 --> 00:40:46: access to, you know, social funds or charitable funds that

00:40:46 --> 00:40:50: are distributed in that local area? Did it improve air

00:40:50 --> 00:40:53: quality in a climate event? Can the Community access call

00:40:53 --> 00:40:56: for heat or or safe spaces? Is it designed for

00:40:56 --> 00:41:01: equity, inclusion, diversity, mobility issues? So there's a whole range

00:41:01 --> 00:41:04: of ways that an asset manager, investor, developer, owner and

00:41:04 --> 00:41:08: operator can look at contributing to the community.

00:41:08 --> 00:41:11: It's beyond just the users of the building, which brings

00:41:11 --> 00:41:12: us to how do we do that?

00:41:13 --> 00:41:15: We if you take a hierarchy we we we worked

00:41:15 --> 00:41:17: a thing called a 10 point plan for a net

00:41:17 --> 00:41:20: zero building. So you you basically say right can I

00:41:20 --> 00:41:23: retain a building step one, use what you've got, don't
 00:41:23 --> 00:41:26: knock it down, don't start new unless you absolutely have
 00:41:26 --> 00:41:29: to. So the first hurdle is can I retain it
 00:41:29 --> 00:41:32: and refurbish it. If you look at what's happened less
 00:41:32 --> 00:41:34: in the UK but but you know one of the
 00:41:34 --> 00:41:37: things that I think we're at risk of missing in
 00:41:37 --> 00:41:40: this conversation is that post pandemic working has changed
 and
 00:41:40 --> 00:41:43: so occupancy of offices and density of occupancy of your
 00:41:43 --> 00:41:44: offices and usage.
 00:41:44 --> 00:41:47: Has changed. We don't entirely know what that looks like
 00:41:47 --> 00:41:50: yet, but we do know it means hybrid working, and
 00:41:50 --> 00:41:53: it means that the potential to convert office to residential
 00:41:53 --> 00:41:56: within city centres to recover value is something that we're
 00:41:56 --> 00:41:59: collectively going to have to look at. And that has
 00:41:59 --> 00:42:02: a planning implication. It has a value implication, it has
 00:42:02 --> 00:42:05: a social usage implication, it reactivates streets. It does all
 00:42:05 --> 00:42:08: of those things. So can we refurbish it? Can we
 00:42:08 --> 00:42:10: mix use within the building and do that in a
 00:42:10 --> 00:42:13: way that that stacks up from a capital perspective? How
 00:42:13 --> 00:42:15: do we do that with the lowest?
 00:42:15 --> 00:42:18: Embodied carbon possible with it, you know.
 00:42:20 --> 00:42:23: A friendly concrete recycled steel biomaterials on fit out. How
 00:42:23 --> 00:42:25: do you get the life cycle carbon analysis on that
 00:42:25 --> 00:42:28: building down as low as it can possibly be because
 00:42:28 --> 00:42:31: that becomes the investable proposition and how do you dial
 00:42:31 --> 00:42:33: up the social impact to the people outside of the
 00:42:33 --> 00:42:36: building and inside the building and do there were things
 00:42:36 --> 00:42:39: that you know we're talking about net zero conversation other
 00:42:39 --> 00:42:42: people are talking about regenerative. So there there is I
 00:42:42 --> 00:42:46: think there's a movement in language that's happening in
 these
 00:42:46 --> 00:42:49: conversations that I've got clients asking for nature based
 solutions
 00:42:49 --> 00:42:50: biodiversity and.
 00:42:50 --> 00:42:54: Again designing with nature. And so this isn't about how
 00:42:54 --> 00:42:57: do I decarbonise the world's worth of trillions of dollars
 00:42:57 --> 00:43:00: of of standing built stock this is how do I
 00:43:00 --> 00:43:03: design that with nature in a way that creates equity
 00:43:03 --> 00:43:05: for humans planet and.
 00:43:05 --> 00:43:05: Asset.
 00:43:07 --> 00:43:08: Long answer.
 00:43:09 --> 00:43:11: No, look I think that's.

00:43:12 --> 00:43:15: I think that's going to be right. You know, it's
00:43:15 --> 00:43:17: got to be the direction that that this goes in.
00:43:17 --> 00:43:20: I suppose the, the, the sort of the very practical
00:43:20 --> 00:43:22: issue though here also is you can do all of
00:43:22 --> 00:43:25: that. You can, you can do all that thinking, you
00:43:25 --> 00:43:27: can do all that planning, you know, you can come
00:43:27 --> 00:43:28: up with those solutions.
00:43:29 --> 00:43:31: But you know, in an environment where.
00:43:32 --> 00:43:35: Put bluntly it's you know, you're lucky if you can
00:43:35 --> 00:43:38: get a plumber to come to your house to fix
00:43:38 --> 00:43:40: your boiler, you know in the in in sort of
00:43:40 --> 00:43:42: a A3 to four week. I mean my, my concern
00:43:42 --> 00:43:45: would be that that the construction industry and I think
00:43:45 --> 00:43:48: we've got to view the construction industry as part of
00:43:48 --> 00:43:51: the conversation here. You know, it's got a huge job
00:43:51 --> 00:43:54: in front of it in terms of scaling itself up
00:43:54 --> 00:43:55: to actually deliver.
00:43:56 --> 00:43:59: You know those those those outcomes I think.
00:43:59 --> 00:44:02: Um, I mean look. All of which I think leads
00:44:02 --> 00:44:05: me to to to some of my next point here,
00:44:05 --> 00:44:06: which is that?
00:44:07 --> 00:44:11: You know, we're all, I think, in agreement that there's
00:44:11 --> 00:44:14: huge challenges in front of us here on the built
00:44:14 --> 00:44:18: environment that the real estate industry, you know, is, is
00:44:18 --> 00:44:21: bound to to be, you know, a sort of leader
00:44:21 --> 00:44:24: in all of this, but I'm not sure that.
00:44:25 --> 00:44:27: Well, I think one of the things that real estate
00:44:27 --> 00:44:30: is you're going to have to think about here is
00:44:30 --> 00:44:32: how it positions itself in society.
00:44:33 --> 00:44:36: You know what it's brand is and and the the
00:44:36 --> 00:44:40: degree to which it can, it can get positive support
00:44:40 --> 00:44:45: from society, from governments et cetera. You know on, on
00:44:45 --> 00:44:48: this journey because my my feeling is that you know
00:44:49 --> 00:44:52: we're starting from a not very good place on that.
00:44:52 --> 00:44:53: Front.
00:44:55 --> 00:44:58: You know that, that, that for all that.
00:44:59 --> 00:45:02: Everybody on the planet, except a few people, hermits living
00:45:02 --> 00:45:06: in caves somewhere, you know, interacts with the built
00:45:06 --> 00:45:07: environment
00:45:08 --> 00:45:12: every day.
00:45:12 --> 00:45:15: But has no real conception of who built that building,
00:45:12 --> 00:45:15: who owns that building, you know what was the process

00:45:15 --> 00:45:18: that led to its, it's its creation et cetera in
00:45:18 --> 00:45:21: a way that you know, they would have different views
00:45:21 --> 00:45:24: I guess in terms of the car that they drive
00:45:24 --> 00:45:27: or the, you know the food that they eat et
00:45:27 --> 00:45:30: cetera. These industries have been I think much better you
00:45:30 --> 00:45:34: know at at at sort of positioning themselves. I mean
00:45:34 --> 00:45:36: is that something that you think?
00:45:38 --> 00:45:41: That the industry needs to fix.
00:45:43 --> 00:45:46: It it it's brand and its reputation with the
00:45:46 --> 00:45:49: with the public at large and and with governments in
00:45:49 --> 00:45:50: particular.
00:45:52 --> 00:45:52: Duncan.
00:45:54 --> 00:45:55: Probably.
00:45:56 --> 00:46:00: So I think it's very difficult to to be generous,
00:46:00 --> 00:46:04: but I think there is some significant improvement and there
00:46:04 --> 00:46:08: is a a real awareness and acknowledgement that if the
00:46:08 --> 00:46:11: built in Brown alone towns and cities are depending on
00:46:11 --> 00:46:15: which numbers you use and the various 40 to 50%
00:46:15 --> 00:46:15: of the.
00:46:16 --> 00:46:20: Carbon footprints, you've got to start there and that affects
00:46:21 --> 00:46:23: the industry and everybody working in it.
00:46:25 --> 00:46:28: I think the questions that that you need to ask
00:46:28 --> 00:46:32: yourself that make that easier is, is this is sort
00:46:32 --> 00:46:35: of basic sort of business MBA stuff, but it's very
00:46:35 --> 00:46:39: applicable to the real estate industry that people start with
00:46:39 --> 00:46:41: what they do and what it is and what the
00:46:41 --> 00:46:44: product is and what the building is.
00:46:45 --> 00:46:49: If you start with why you're doing it, and then
00:46:49 --> 00:46:53: how are you doing it? The right what or the
00:46:53 --> 00:46:58: right product comes out and there are many really strong,
00:46:58 --> 00:47:03: almost eternal, but really strong brands who produce very
00:47:03 --> 00:47:05: good
00:47:06 --> 00:47:11: goods and services.
00:47:11 --> 00:47:16: That may only be marginally better than competition, but
00:47:17 --> 00:47:20: people
00:47:20 --> 00:47:23: buy them because that entity articulates why it's doing it.
00:47:23 --> 00:47:27: A guide for real estate is is you know there
00:47:27 --> 00:47:31: there is a win, win. But why you're doing, why
00:47:31 --> 00:47:33: you're developing, why you're investing, why you're
00:47:34 --> 00:47:35: retrofitting if the
00:47:34 --> 00:47:35: answer can be that to improve the working environment or
00:47:34 --> 00:47:35: to improve the built environment.
00:47:34 --> 00:47:35: Umm.

00:47:36 --> 00:47:38: How you go about that and what you end up

00:47:38 --> 00:47:41: with can be a win. Win. It doesn't mean to

00:47:41 --> 00:47:44: be to to to depress with two hands. And we

00:47:44 --> 00:47:47: all know it will. It will ultimately improve returns because

00:47:47 --> 00:47:48: you'll make.

00:47:49 --> 00:47:52: And problems that people want to occupy and have a

00:47:52 --> 00:47:56: higher value as a consequences, basic fundamentals, this yield thing

00:47:56 --> 00:48:00: goes up and down. We've all got very little control

00:48:00 --> 00:48:03: and influence over that. We've got lots of control and

00:48:03 --> 00:48:08: influence over creating the best environment possible, which makes more

00:48:08 --> 00:48:12: people want to occupy our investments than other people's, which

00:48:12 --> 00:48:14: makes them more viable. So I think that is a

00:48:15 --> 00:48:17: way of trying to deal with the the stigma of

00:48:17 --> 00:48:18: the industry.

00:48:19 --> 00:48:21: On there, I don't really want to mention them, but

00:48:21 --> 00:48:24: there are one or two brands that have different their

00:48:24 --> 00:48:26: vote strong emotions but Apple for example.

00:48:27 --> 00:48:30: Do explain very well why they're doing it and the

00:48:30 --> 00:48:33: way they're doing it in style and and and actually

00:48:33 --> 00:48:37: I would argue I'm sure people in Apple would dispute

00:48:37 --> 00:48:40: this that the, the, the the maybe even how they

00:48:40 --> 00:48:43: are producing it and what what their product is, it

00:48:43 --> 00:48:47: might look a bit better. It's very subjective. There's not

00:48:47 --> 00:48:50: demonstrably different to a Hewlett Packard like a laptop for

00:48:51 --> 00:48:54: example. So what is the difference? Well maybe you could

00:48:54 --> 00:48:57: argue customers and users are using Apple because of.

00:48:58 --> 00:49:01: Why they say they're in business, and I think that

00:49:01 --> 00:49:05: we could probably learn something by way of one example

00:49:05 --> 00:49:08: from that from how we approach the real estate industry

00:49:08 --> 00:49:09: going forwards.

00:49:10 --> 00:49:13: But it does seem to me that that you know,

00:49:13 --> 00:49:18: you can draw a parallel with the development of vaccines

00:49:18 --> 00:49:20: for in the in the pandemic.

00:49:21 --> 00:49:24: You know the, the, the, the governments had the the

00:49:24 --> 00:49:26: money and the will and and the you know the

00:49:26 --> 00:49:29: the the various drug companies had the the sort of

00:49:29 --> 00:49:32: the skills and the ideas that they developed and and

00:49:32 --> 00:49:35: sort of one got behind the other to sort of

00:49:35 --> 00:49:38: drive that forward. I mean you you'd like to think

00:49:38 --> 00:49:41: would that there was the potential for similar sorts of

00:49:41 --> 00:49:45: arrangements you know between governments and the industry to find

00:49:45 --> 00:49:48: solutions to various problems that Juliet was.

00:49:49 --> 00:49:52: Was was outlining, but I mean I, you know my,

00:49:52 --> 00:49:55: my somewhat jaundiced view of what went on in the

00:49:55 --> 00:49:58: pandemic was was that the, you know, the real estate

00:49:58 --> 00:50:01: industry was just sort of lent on to you know

00:50:01 --> 00:50:04: to support its its client base and was probably the

00:50:04 --> 00:50:08: only industry that didn't get you know direct financial support

00:50:08 --> 00:50:11: from the government for doing that. But I mean Juliet,

00:50:11 --> 00:50:14: what, what what's your thoughts there?

00:50:16 --> 00:50:17: I'm.

00:50:19 --> 00:50:19: I think.

00:50:20 --> 00:50:23: Brand value is built on trust and the real estate

00:50:23 --> 00:50:25: industry, we didn't use the word faceless but I think

00:50:25 --> 00:50:28: I think you were sort of touching at it, but

00:50:28 --> 00:50:31: there isn't a good understanding of who owns operates assets

00:50:31 --> 00:50:34: and there's also a perception that it's incredibly wealthy. So

00:50:35 --> 00:50:37: whilst whilst there may be a perception that it was

00:50:37 --> 00:50:41: an under supported industry in the pandemic, I think there's

00:50:41 --> 00:50:43: a lot of people that would have really struggled with

00:50:43 --> 00:50:47: the idea that landlords and reeds were receiving financial help

00:50:47 --> 00:50:49: during that environment and so.

00:50:50 --> 00:50:53: Taking this out of a conversation about privilege or or

00:50:53 --> 00:50:57: relative wealth and asking the question, what's a customer gonna

00:50:57 --> 00:51:00: look to us to produce? They're going to look to

00:51:00 --> 00:51:05: us to produce social equity and environmental outcomes, because that's

00:51:05 --> 00:51:07: what they're now reporting on so.

00:51:08 --> 00:51:10: I don't. I don't see.

00:51:11 --> 00:51:14: They're kind of you know industry I've I've just been

00:51:14 --> 00:51:18: at cop companies were kept away from governments whilst agreements

00:51:19 --> 00:51:22: were being made and yet capital lives within companies and

00:51:22 --> 00:51:26: companies can make decisions and deploy capital to to get

00:51:26 --> 00:51:29: on board with an agenda and and so often the

00:51:29 --> 00:51:33: conversation is government ought to legislate for this mandate it

00:51:33 --> 00:51:34: make me do it.

00:51:35 --> 00:51:39: And and yet the the the the capacity to actually

00:51:39 --> 00:51:42: deal with things lives in the boardrooms and it lives

00:51:42 --> 00:51:46: on the annual reports and it lives within the in

00:51:46 --> 00:51:50: the sustainability reports. So maybe that's a long way of

00:51:50 --> 00:51:54: saying I'm not sure that we necessarily deserved the pandemic

00:51:54 --> 00:51:57: style cooperation to to fix the big COVID problem. I

00:51:57 --> 00:52:00: think the onus sits on us as an industry. It

00:52:00 --> 00:52:04: was, it was made very personal to me. Someone said

00:52:04 --> 00:52:05: if if 40% of emissions.

00:52:06 --> 00:52:09: Are leading to 40% of climate deaths or climate migrants.

00:52:09 --> 00:52:11: That's four in 10 belong to ulot.

00:52:12 --> 00:52:15: And and then it gets real, right. So I don't

00:52:15 --> 00:52:18: need government to tell me that we should get on

00:52:18 --> 00:52:21: with it. It's abundantly clear that we should get on

00:52:21 --> 00:52:23: with it and and the capital to do that and

00:52:23 --> 00:52:26: the will to do that and the ability to execute

00:52:26 --> 00:52:28: against that, loosen the boardrooms.

00:52:31 --> 00:52:33: Yeah, although, although I I.

00:52:35 --> 00:52:38: My sense is that that the scale of this problem

00:52:38 --> 00:52:41: is, is going to be such that it's not going

00:52:41 --> 00:52:44: to be enough that the real estate industry by itself

00:52:44 --> 00:52:47: thinks it needs to get on with it. You know

00:52:47 --> 00:52:50: it. It's it's going to need, it's going to need

00:52:50 --> 00:52:52: all the help it can get.

00:52:53 --> 00:52:55: It shouldn't wait for government to.

00:52:55 --> 00:52:57: Mandate no agreed but but it's not going to get

00:52:57 --> 00:53:01: help with the reputation that it's currently got which goes

00:53:01 --> 00:53:03: back to your point about trust I think so I

00:53:03 --> 00:53:05: you know I just feel that that's a that's a

00:53:06 --> 00:53:07: that's a major issue coming to.

00:53:09 --> 00:53:11: A question has come up on the Q&A which I

00:53:11 --> 00:53:14: think sort of leads us neatly in into the the.

00:53:14 --> 00:53:16: The next part of this is.

00:53:17 --> 00:53:20: Does the industry have the skill set currently to retrofit

00:53:20 --> 00:53:23: the existing old stock and if not what can we

00:53:23 --> 00:53:25: do to to bridge the skill gap. I mean I

00:53:25 --> 00:53:28: think the I'd like to sort of broaden that out

00:53:28 --> 00:53:31: a little bit because I think at the beginning of

00:53:31 --> 00:53:34: all this Duncan was talking about you know the the

00:53:34 --> 00:53:36: sort of the move towards.

00:53:37 --> 00:53:40: More sort of operationalised version of of of of Real

00:53:41 --> 00:53:44: Estate, you know and and and more a more value

00:53:44 --> 00:53:46: add by what we what we do with it and

00:53:46 --> 00:53:49: I'm I'm just interested in in what we think this

00:53:49 --> 00:53:51: means in terms of.

00:53:52 --> 00:53:53: What a.

00:53:53 --> 00:53:56: What are real estate investment management, if I can describe

00:53:56 --> 00:53:59: it that way, organization is going to look like going

00:53:59 --> 00:54:00: forward.

00:54:00 --> 00:54:01: You know the.

00:54:02 --> 00:54:05: The sorts of people and the sorts of skills that

00:54:05 --> 00:54:09: have traditionally been in it, you know, and and and

00:54:09 --> 00:54:12: and what we think that's going to look like going

00:54:12 --> 00:54:12: forward.

00:54:14 --> 00:54:17: I mean NASA you've you know Brooklyn's is is is,

00:54:17 --> 00:54:21: is, is, is relatively new in the in the special

00:54:21 --> 00:54:23: case but what's your thoughts on that.

00:54:26 --> 00:54:26: So.

00:54:28 --> 00:54:30: I think what I'd say is probably since around 2015,

00:54:31 --> 00:54:34: the vast majority of our business has been on alternative

00:54:34 --> 00:54:34: assets and and.

00:54:35 --> 00:54:38: The vast majority of those have involved operating assets.

00:54:39 --> 00:54:43: So there's been a a dramatic shift mainly mainly driven

00:54:43 --> 00:54:46: by the fact that that interest rates were so low

00:54:46 --> 00:54:49: and there was so much equity in the market and

00:54:50 --> 00:54:54: investors chasing returns had to look at alternative asset classes.

00:54:54 --> 00:54:59: So there's been there's been this dramatic shift to alternative

00:54:59 --> 00:55:03: assets and and alternative assets in specialized industries and those

00:55:04 --> 00:55:08: industries involved a lot more operating operating risk, right.

00:55:08 --> 00:55:13: And in taking that that operating risk you move away

00:55:13 --> 00:55:18: from the traditional asset manager, property manager model and it's

00:55:18 --> 00:55:23: and it's much more sort of service service orientated. You

00:55:23 --> 00:55:27: move away from long term contracted lease income and you

00:55:27 --> 00:55:32: move towards and assessing whether an operating business can create

00:55:33 --> 00:55:39: secure and sustainable income through through shorter term contracts etcetera.

00:55:39 --> 00:55:43: And therefore it becomes more of a service, they become

00:55:43 --> 00:55:48: more service LED businesses, which means that the focus then

00:55:48 --> 00:55:52: shifts more towards you know, customer service guest.

00:55:53 --> 00:55:58: Guest relations brand how you brand the management team becomes

00:55:58 --> 00:56:01: much, much more fundamental.

00:56:02 --> 00:56:05: To, to, to, you know, to to the online business.

00:56:06 --> 00:56:07: And and and.

00:56:08 --> 00:56:11: Instead of outsourcing a lot of services, many real estate

00:56:11 --> 00:56:16: investors end up providing those services themselves. Repair, Maintenance FM,

00:56:16 --> 00:56:17: they may provide utilities.

00:56:19 --> 00:56:22: Etcetera. So, so, so, so, so.

00:56:23 --> 00:56:24: The nature of.

00:56:25 --> 00:56:28: Really say teams is is changing and and the way

00:56:28 --> 00:56:31: in which lenders have to underwrite that risk is that

00:56:31 --> 00:56:34: has as fundamentally changed. But we do benefit from the

00:56:34 --> 00:56:37: fact that we we do not have very diverse sources

00:56:37 --> 00:56:39: of debt and a lot of that debt is also

00:56:40 --> 00:56:43: financed through the leverage finance market and the corporate bond

00:56:43 --> 00:56:46: markets. You know a lot of rats actually raise their

00:56:46 --> 00:56:50: capital not through, not through state finance but actually through

00:56:50 --> 00:56:54: the corporate bond markets. So there are there's an abundance

00:56:54 --> 00:56:55: in terms of supply.

00:56:55 --> 00:56:59: Dead capital to fund that type of operating risk. And

00:56:59 --> 00:57:03: depending on where real estate value falls out, it either

00:57:03 --> 00:57:06: says in the real estate finance markets or it goes

00:57:06 --> 00:57:08: into the leveraged finance market.

00:57:10 --> 00:57:14: Yeah, OK. I mean Duncan, you know you, you you've

00:57:14 --> 00:57:17: recently moved, moved organizations and and and I guess this

00:57:18 --> 00:57:21: would be something that you'll be thinking about I mean.

00:57:24 --> 00:57:26: We must be looking, must we at at, at, at

00:57:26 --> 00:57:28: a, at a, at a very different sort of landscape

00:57:28 --> 00:57:30: in terms of the people that you would have working

00:57:30 --> 00:57:32: for you going forward, I would imagine.

00:57:33 --> 00:57:33: Yeah.

00:57:34 --> 00:57:34: Yes.

00:57:36 --> 00:57:38: Well, I mean, there are.

00:57:39 --> 00:57:42: The old way of being a fund manager and being

00:57:42 --> 00:57:43: the capital allocator.

00:57:44 --> 00:57:45: Is probably over.

00:57:47 --> 00:57:50: I do. About Capital Partners, we've got a, we would

00:57:50 --> 00:57:54: call in jargon an integrated team. So there are people
00:57:54 --> 00:57:59: like me who come from traditional investment backgrounds, they're asset
00:57:59 --> 00:58:04: managers, was development skills, was development management skills, was leasing
00:58:04 --> 00:58:07: skills and it's totally integrated and that.
00:58:08 --> 00:58:12: I believe leads to better outcomes for the occupiers because
00:58:12 --> 00:58:16: you're in more you're in control of the various constituent
00:58:16 --> 00:58:20: parts that have value, whether you want a green outcome
00:58:20 --> 00:58:24: or you're focusing on the social outcome and the amenities.
00:58:25 --> 00:58:28: And I think that's really important to have that understanding
00:58:28 --> 00:58:31: you can't do everything for everybody and hence that's why
00:58:31 --> 00:58:33: you know at the moment we're we're very focused in
00:58:34 --> 00:58:36: Brown to green officers and making sure that happens, but
00:58:36 --> 00:58:37: I don't think.
00:58:38 --> 00:58:41: We use best in class. We we we use we
00:58:41 --> 00:58:42: use best in class.
00:58:44 --> 00:58:48: Consultants and advisers, but I mean we're a very diverse
00:58:48 --> 00:58:52: group. There are five senior people in it, three of
00:58:52 --> 00:58:56: them are women. I'm the only, they're Englishman in the
00:58:56 --> 00:58:59: company, but we're based in London. So it's quite an
00:59:00 --> 00:59:03: interesting, a lot of things go into being.
00:59:03 --> 00:59:09: And having that totally integrated service and it's not diversity
00:59:09 --> 00:59:13: for the sake of it, it's different skill sets. Yes.
00:59:13 --> 00:59:16: Yeah, yeah. It leads to in our case, a lot
00:59:17 --> 00:59:20: of diversity in in both in terms of of.
00:59:21 --> 00:59:24: Male and female ratios, but in terms of other, in
00:59:24 --> 00:59:28: terms of skill sets and backgrounds whether something comes through
00:59:28 --> 00:59:32: development background or something comes from finance structuring background or
00:59:33 --> 00:59:36: an investment background or as I said leasing and actually
00:59:36 --> 00:59:39: into into into dealing with with with the occupiers. And
00:59:39 --> 00:59:42: all of that is because the design and procurement of
00:59:42 --> 00:59:45: buildings to add most value has to be different for
00:59:45 --> 00:59:49: the reasons we've been discussing here for reduction of carbon.
00:59:49 --> 00:59:53: Etcetera, but also then how you procure the services. I
00:59:53 --> 00:59:56: sit on a board with another company, very well known
00:59:56 --> 01:00:00: office reads who are flexible office operator and you learn
01:00:00 --> 01:00:04: so much from dealing with these these world class professionals
01:00:04 --> 01:00:07: and we've learned you know data that you can have

01:00:07 --> 01:00:11: in your offices from having a smart building and the
01:00:11 --> 01:00:14: efficiency of use it. Yes, it reduces carbon and power
01:00:14 --> 01:00:17: usage but actually it also leads to a much better
01:00:17 --> 01:00:20: service and it's not rocket science.
01:00:20 --> 01:00:23: Yeah, some sectors hospitals have been doing it for 20
01:00:23 --> 01:00:27: years. They know where there's empty hospital bed. Why
don't
01:00:27 --> 01:00:31: you know where there's empty workstation or free or or
01:00:31 --> 01:00:33: or or a free office for meeting space or a
01:00:33 --> 01:00:37: free amenity that's available now by the minute. Why don't
01:00:37 --> 01:00:40: you have the monitors in in you should have and
01:00:40 --> 01:00:44: it leads also to very good outcomes for the environment
01:00:44 --> 01:00:47: because you don't air condition and heat and light and
01:00:47 --> 01:00:49: office that's not been used.
01:00:50 --> 01:00:53: Because you know it's not being used and within reason
01:00:54 --> 01:00:58: you can really have an intelligent building management
system. So
01:00:58 --> 01:01:01: yes the the short answer is the investment managers of
01:01:02 --> 01:01:05: the model or people like him without the partners which
01:01:05 --> 01:01:08: are founded all of 11 months ago, is you have
01:01:08 --> 01:01:12: to be vertically integrated. You have to have those skill
01:01:12 --> 01:01:16: sets that provide a good service, the totalization as people
01:01:16 --> 01:01:20: call it real estate, but you also need those building.
01:01:20 --> 01:01:22: Operate and to make your buildings world class and
everything
01:01:22 --> 01:01:24: that that means part of the service.
01:01:25 --> 01:01:28: OK. Well that's, that's probably kind of where we started
01:01:28 --> 01:01:30: and probably a good place to to to sort of
01:01:30 --> 01:01:33: finish as well because I mean sadly we have run
01:01:33 --> 01:01:34: out of time.
01:01:35 --> 01:01:39: If I could just thank the panelists, Juliette Duncan, NASA
01:01:39 --> 01:01:42: for your for your time and for your for your
01:01:42 --> 01:01:44: comments and insights.
01:01:46 --> 01:01:48: And I think there is a.
01:01:49 --> 01:01:52: Here we go, another slide. Yep, we we absolutely at
01:01:52 --> 01:01:56: the URL. I would value your feedback in terms of
01:01:56 --> 01:01:59: all this. So there's a there's a poll that you
01:01:59 --> 01:02:02: can that you can answer. It would be. It would
01:02:02 --> 01:02:04: be great to have that feedback.
01:02:05 --> 01:02:10: And I believe there is another slide coming up which
01:02:10 --> 01:02:13: is going to show a number of events that will
01:02:13 --> 01:02:17: be available through the UI in the future.
01:02:18 --> 01:02:21: So with that, I will, I will thank you again

01:02:22 --> 01:02:25: to the to the panelists and thank you all for
01:02:25 --> 01:02:26: joining us. Goodbye.

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