Emerging Trends in Real Estate®
An uncertain impact
Europe 2021
“COVID-19 will not be the last novel coronavirus, so we’ve got to factor this into our thinking about what the future looks like.”

Director, global investment manager
Executive summary

“COVID hasn’t necessarily brought anything new. It’s just accelerating all of the trends. Everything that was being disrupted is being disrupted at a much faster pace.”

CIO, pan-European investment manager

COVID-19 has transformed the way we live and work. As Europe’s property leaders acknowledge, all aspects of real estate have been disrupted by the pandemic and the resulting business upheaval.

This is a hugely challenging time for European real estate, dealing first with a sharp recession in 2020 and now facing the prospect of a protracted and fragile economic recovery with the added threat of further waves of COVID-19.

The industry leaders canvassed for Emerging Trends in Real Estate Europe also acknowledge that we are experiencing two shifts which are, as one interviewee puts it, “not on the same wavelength”: a cyclical downturn juxtaposed with long-term structural changes to real estate.

Throughout it all, real estate generally is still seen as one of the few asset classes to generate acceptable returns at a time of low or negative interest rates. And the conventional focus of institutional capital towards core real estate during economic uncertainty is once again evident, just as it was following the global financial crisis.

However, Emerging Trends Europe’s constituents also recognise that the pandemic is posing immediate challenges to the security of income from offices and retail while accelerating long-term trends in these two mainstay sectors of real estate, by shaping a world where we can expect more remote working and online shopping.

Image: Cuatro Torres business district, Madrid, Spain (Getty Images)
Security of real estate income is one of the big open questions facing the industry. *Emerging Trends Europe* reveals that COVID-19 and the widespread problems around non-payment of rent have encouraged – by default if nothing else – increasing numbers of investors and investment managers to look beyond real estate’s bond-like credentials and to assess the underlying operational risk of the occupiers. And though it is too early to draw conclusions on the consequences for values, it is clear that the movement towards property as a service, or operational asset class, is an accelerating trend.

As one interviewee says, such uncertain and at times conflicting market conditions can lead to “imperfect decision-making”, which is why the overall industry outlook for 2021 is one of caution.

To a great extent, the global health crisis has overshadowed otherwise serious geopolitical issues influencing real estate, but they remain significant concerns for survey respondents and interviewees. The outcome of Brexit, the US election and trade wars all add to the uncertainty pervading the markets right now, and little respite is predicted for 2021.

On a purely cyclical basis, the industry draws some reassurance from the absence of a late-cycle development boom, and consequently European real estate supply and demand is broadly in balance. But as many interviewees point out, there is wide variation in individual governments’ responses to the pandemic. Markets are adjusting to the conditions at different speeds.

Some economies – notably Germany’s – have avoided outright catastrophe so far. If anything, COVID-19 has served to reaffirm the safe-haven status of German cities, which led by Berlin are once again at the top of the city rankings.

The industry is also keeping faith in other cities it has backed in better times, including London and Paris. From a long-term perspective, both of these gateway cities are lauded for the relative liquidity they offer investors. London is also generating interest among some investors for Brexit-related pricing discounts to Continental markets.

But a broader debate has begun around future city opportunities, given the lasting impact of COVID-19 on office working and on where European businesses choose to locate. The industry sees the merits of small and medium-sized cities, provided they are well connected – transport connectivity is overwhelmingly judged the most important factor in assessing cities.

For 2021, the “flight to safety” for many investors involves technology, which extends beyond national borders. The two leading property types in the sector rankings are logistics and data centres. Both will benefit from the increased pace of digitalisation across Europe – widely regarded as a positive trend reinforced by COVID-19. Rented residential is another favoured sector but for what seems now like an old-fashioned virtue – the perceived security of its income.

Emerging Trends Europe also reveals that the industry is starting to evaluate its wider role in society more seriously – from addressing diversity and inclusion in the workplace to a far greater emphasis on the environmental, social and governance agenda. As we explain in Chapter 4, the social upheaval brought about by COVID-19 has the potential to accelerate the growth and prominence of impact investing in the built environment.

Though very early days, Europe’s real estate industry is moving slowly towards social impact becoming integrated in its overall investment strategies rather than through specialist funds or products.

“Tenants and occupiers want us to act. In the past, we didn’t need to listen but the sector will be challenged by society to do more now.”

Pension fund investor
“COVID is a game changer to the property industry, like the global financial crisis was, but even more disruptive. As well as introducing uncertainty, it will continue to impact our prospects by accelerating a lot of things that were going on in our business anyway.”

Director, global asset manager
The COVID-19 pandemic has been described as a classic black swan event that no one could have predicted. Though the global economy is expected to recover from this exogenous shock and eventually resume its prior course, for the real estate industry, COVID-19 is a game changer.

As Emerging Trends in Real Estate Europe reveals, property professionals are coming to terms with the idea of a world where we can expect more working from home, more online shopping, and less international travel—all of which strike at the heart of how the industry serves its customers and conducts its business.

COVID-19 as an accelerator of such existing trends has been the main narrative for European real estate in 2020. It is likely to remain so during the prevailing uncertain economic conditions.

This is also a period of deeper reflection on the role the built environment must play in society. In the minds of many industry leaders, the pandemic has reinforced the importance of the environmental, social, and governance (ESG) agenda.

Some believe the social inequalities exacerbated by COVID-19 demand a greater response from real estate. Far from simply shoring up their defences against a cyclical downturn, they believe that COVID-19 presents an opportunity to take part in a far bigger investment universe.

“The pandemic makes us more inclined to tilt that way,” says one institutional investor in social infrastructure. “That approach of only specialising in shopping centres, offices, or industrial just feels and sounds really outdated to me now.”

The pandemic is also shining a light on the health and wellbeing of people in the workplace—wherever that workplace may be—which plays to the movement behind property as a service but to an altogether higher level than in pre-COVID-19 times.

But at the same time, the health crisis and the economic aftershock are serving to question some of the received wisdom around the built environment, not least conventional work patterns and the hitherto favoured move towards densification of Europe’s bigger cities.

For many in the industry, real estate’s saving grace is as a provider of secure income compared with other investment classes. But even this previously unshakeable virtue is at risk when businesses have no money to pay their rent.

This situation is perhaps at its most extreme in the UK, where a government-approved moratorium on rent payments undermines the very idea of property as a service and instead resurrects age-old landlord/tenant tensions. As one institutional player laments, it “threatens the sanctity of income”. In other words, “the [UK] government is materially eroding the appeal of the asset class” in what has been the most liquid of all European investment markets. By contrast, a far more collaborative approach has been seen to benefit both sides in Germany and the Netherlands, for instance.
Cautious outlook for the industry

While confronting long-term, fundamental questions about its place in society, the industry is facing the immediate and difficult adjustment to life after the initial outbreak of COVID-19 and a European economy plunged into recession during 2020. The interviews and survey were conducted between July and September, a period when investment activity held up remarkably well. But with continuing business and travel restrictions, an undeniably cautious outlook exists for the coming year.

The survey shows a marked decline in business confidence for 2021, with almost half the respondents expecting a fall in profits and a quarter anticipating job losses. “If most [real estate] businesses aren’t planning for staff reductions, I’d be pretty surprised,” says one pan-European investment manager.

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When it comes to social issues affecting business in 2021, the ongoing pandemic is unsurprisingly the biggest factor behind the prevailing uncertainty. “It’s hesitancy right now because there’s not a lot of conviction in terms of the longer-term solution here – a vaccine. I always go back to that,” says one global financier. “We’re all optimistic people. We all want this to be behind us. I sense once we have clarity on that, the transaction flow will return and that hesitancy will go away. Whereas now, it seems like it’s pretty murky out there.”

The pandemic has underscored the risk of international political instability, which is the second highest concern for survey respondents already troubled by Brexit and trade wars. According to some of the interviewees, other long-standing industry concerns – notably the environment and social inequality – have been reinforced by COVID-19 as well. One global investment manager believes “the separation between the haves and have-nots is becoming untenable . . . that is really what the geopolitical issue is across the globe.” A private equity player adds: “If COVID-19 hasn’t demonstrated profound inequality, then what has? It’s incredibly important because carbon neutrality, housing . . . all of the underlying issues that are driving an ESG focus have just been heightened by this inequality.”

It is noteworthy that housing affordability, social inequality, and ESG are higher up the list of industry concerns than the imminent termination of government support measures, which will present an immediate demand-side challenge to real estate. Even so, as many as half the survey respondents are uneasy about the ending of the various measures, which are estimated to have saved more than 40 million European jobs during the worst of the crisis.

One global investment manager says: “I am worried about whether in Europe we’ll see unemployment come up quite meaningfully at some point in Q4 [2020], Q1, or whenever it might be. And that spills over into consumer confidence and rent collections.” A pan-European investment manager is more emphatic: “Unemployment is going to be a massive issue. And that goes to real estate fundamentals because it’s bums on seats, it’s consumers in shops, it’s occupants of hotels, it’s everything. Very bad.”

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Rising unemployment undoubtedly feeds into the uncertainty over economic recovery – fragile at best. Last year, when the industry was in late-cycle mode, two-thirds of survey respondents were steeling themselves for a downturn. Having already endured a sharp recession in 2020, 90 percent of respondents are understandably concerned about economic growth in 2021. “I fear that we haven’t seen the worst yet despite coming out of the lockdown,” says one pan-European consultant. “We’re going to see the economic impact more clearly in 2021.”

Continuing business interruptions, consequential liquidity issues, and insolvencies among occupiers are big industry worries, and they are clearly affecting sentiment. “I’m very positive about the capital that will come into the [real estate] market. Very negative on the economy and how that will play out because I think we’re only at the beginning of some of the bankruptcies that we will see happen,” says one pan-European investment manager.

Adds a private equity player: “There is no sign of rents going up. There’s no sign of demand increasing. If anything, both of those are going the opposite direction. There’s a lot of asset classes that are in trouble because of the crisis. As long as government keeps intervening and allowing tenants not to pay rent and not allowing banks to enforce, you’re sort of in a standstill. And it could be a prolonged standstill because of that.”
At the same time, the industry is paying close attention to how individual governments are managing the pandemic and subsequent business interruptions, which in turn is influencing market confidence and investment strategies for 2021. “The way governments handle the crisis will have an impact on the attractiveness of the market for foreign investors, because there's that sense of security that in times of crisis the government has stepped in, has taken the right measures, and has protected the value of the economy,” says one private equity investor.

In that respect, “the perception that Germany is a safe haven will be just further increased,” says one interviewee, summing up a common view. “Germany has got a strong economy, has managed the pandemic pretty well, and is open for business. It’s back in action,” says an investment banker. A pan-European investment manager puts it another way: “Our business in Germany is growing more than any other part of our European network.” And as we explore further in chapter 3, German cities, led by Berlin, are firmly established at the top of Emerging Trends Europe’s city rankings, as they have been for several years.

“Germany has got a strong economy, has managed the pandemic pretty well, and is open for business. It’s back in action.”
From deferrals to deglobalisation

Industry leaders are broadly appreciative of the short-term boost provided by the various business-support and stimulus measures across Europe, not least the European Union’s overarching €750 billion pandemic recovery fund. However, some are questioning the economic consequences beyond 2021.

“The tax deferrals, insolvency deferrals, will have a huge impact on the demand side in the medium term because that will impact which companies will survive and what governments will do,” says a German investment manager. “Will they keep dying companies alive, which possibly might have short-term benefits for unemployment but a long-term negative impact on the recovery and the dynamic of the recovery?”

Just over a third of survey respondents believe that both global and European economic growth will improve over the next five years, but more than 40 percent expect it to get worse. “Even if there is a vaccine, recovery will be slow because we have just put on so much more debt in the system and so many more stimulus packages. It seems as if it’s not real money, but somebody needs to pay for it ultimately,” says a Dutch institutional investor.

The tax deferrals, insolvency deferrals, will have a huge impact on the demand side in the medium term because that will impact which companies will survive and what governments will do.
There is also a sense that COVID-19 is changing some general assumptions around real estate investment and management. Globalisation has been such an accepted backdrop to capital flows, for instance, yet now 40 percent of survey respondents are concerned about deglobalisation. “COVID-19 has caused a greater focus on domestic rather than global issues,” says an institutional investor. “You would expect unemployment to increase, certainly in the short term, and to have a big impact on social issues. The general population’s desire for politicians to focus on domestic issues will come to the forefront again and could be magnified.”

This focus on the domestic agenda may even provide further investment rationale for logistics, which is already a highly favoured sector, as part of a bigger move to strengthen supply chain management. “There is still demand for more logistics, given the fact that retail is turned off and that the logistics work streams have changed,” one pan-European investment manager says. “People and countries will be more dependent on their own logistics facilities within borders . . . COVID-19 will have a lasting impact on that.”

Another lasting impact is evident with Zoom, Google Meet, and Microsoft Teams meetings, which after the initial lockdown are still a regular part of real estate working life, as they are in all industries. Both the survey and interviews testify to technology as a huge enabling force for good. But with more remote working and greater reliance on technology comes a greater awareness of cybersecurity – a concern for 2021 for just over half the respondents. Cybersecurity is only slightly more of a problem than last year, but the majority expect it to get worse over the next five years.

Over that same period, the financial difficulties facing many occupiers are unlikely to disappear altogether, according to nearly half the survey respondents. As one investment manager says, “We have rent deferrals for hotels, we have similar things being asked for in retail and to a smaller extent from office tenants, and I think that will be a regular part of asset management.”

You would expect unemployment to increase and to have a big impact on social issues. The general population’s desire for politicians to focus on domestic issues will come to the forefront again.
Monetary policy boost

The industry draws comfort – even if only for 2021 – from central banks’ prevailing lower-for-even-longer interest rate policy. One global asset manager articulates the widespread short-term view: “Interest rates are low. Investors need yield, and they need return. That means alternative forms of yield, where investors might have to give up some liquidity, are likely to benefit from enhanced demand. There’s a strong outlook for core real estate in that environment. As a bond replacer, as a diversifier, demand [for core] will be pretty much robust to anything that happens on the economic side.”

Other interviewees express some disquiet over the long-term implications of such a monetary policy combined with abundant capital in the system. As another global player points out: “At some stage, someone needs to wake up and say, ‘How on earth can we keep writing more debt as government? How on earth can we keep printing money?’”

But with the prospect of an uncertain recovery from recession, more than half the survey respondents believe interest rates will stay the same over the coming year.

One German banker goes as far as to suggest that the Eurozone “will not have any significant interest rate increase within the next 10 years.”

Given this tailwind, many interviewees attest to reassuring levels of investment activity during the dark days of 2020, albeit lower than in 2019. Momentum is expected to pick up through 2021 although clearly a risk-off bias exists for most investors allied to an important caveat: the continuing travel restrictions could hinder the ability to source deals.

“All the markets across Europe more or less have a cushion of supply and demand, so the release of the pressure might be even a good thing. I think we’re going to see more suffering in secondary and tertiary stock and much less on prime. But obviously we cannot expect rental growth when the economy will be suffering,” says one consultant.

“What is saving parts of the real estate market is the fact that you’ve got long leases to good credit tenants,” adds an asset manager. “Where the market believes that credit will survive the scale of the correction to come, then they’re buying that every day of the week; they’re treating it as a bond.”
Such is the strength of demand that more than half of survey respondents expect to be net buyers of real estate in 2021. The investment managers canvassed for this report invariably refer to “pent-up capital” raised pre-pandemic that still needs to be deployed. Residential and logistics find favour with many of them but also core offices – as long as they are convinced that the income is assured. Yet only the boldest are considering retail and hospitality. “The hunt for income is absolutely huge,” one investment manager observes. “You could argue long-dated assets are not going to re-rate, and you’ll even see yield compression. Whereas I think for most other asset classes, particularly retail and hotel, you’re going to see significant yield widening.”

In this hunt for yield, it is little surprise that half the respondents are concerned about availability of suitable assets to buy, but even more – 56 percent – are worried about sourcing finance, sharply up on last year.

General business difficulties have prompted a wider call on banks’ capital than just real estate, and as a result they have been even more selective than their equity investor counterparts. That situation is expected to continue in 2021. “Banks will be tightening their lending, going to very low LTVs [loan-to-value ratios], not refinancing, and debt will be difficult to obtain, but I think that new debt funds will emerge,” says a European pension fund manager.

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Lasting change for real estate

Many of Europe’s real estate leaders acknowledge that COVID-19 will bring lasting change to the way the built environment is used and managed, which needs to be addressed now.

According to one adviser, the shift to online shopping, for instance, is accelerating to the extent that a decade of change may well be condensed to a couple of years. “That requires a significant refocus for many owners in terms of their business plans and what assets they want to hold long term, where they want to spend their capital, where they want to invest in certain things versus just monitoring their assets, as they may have done otherwise.”

Indeed, 41 percent of survey respondents – up from a third last year – are concerned about asset obsolescence for 2021, and nearly half believe this problem will worsen over the next five years.

“Our conviction now is not around what to buy, but what to sell. We plan to sell any offices in our portfolio which we do not think are future-proof, whether because of their location, or design, or ESG quality,” says an investment manager. “But we strongly believe in the well-connected office, designed in a way that is sufficiently flexible so that it allows for a world in which the office is used more for collaboration rather than production . . . those are the offices of the future.”

The debate around how offices could, or should, be used has been rumbling for years, but it has ratcheted up because of COVID-19, which we analyse in chapter 3. As the survey shows, the office has been the most common building type to be repurposed during 2020.
The survey indicates a slowdown in the volume of assets actually repurposed during 2020, which can be attributed to the financial and practical constraints during lockdown. Over the coming five years, however, the repurposing of assets from one sector to another is on the agenda for nearly three-quarters of respondents. Says one pan-European player: “I think the game going forward will be to make sure that whatever you invest in can be repositioned and repurposed. That will be a key factor.”

Other industry leaders suggest the challenges facing real estate go much further than repurposing obsolete assets or conventional supply/demand dynamics. COVID-19 has underlined the growing importance of property as a service, which has long been flagged in Emerging Trends Europe; but again, it’s gathering pace.

More than 80 percent of survey respondents believe the COVID-19 crisis will accelerate the use of technology by real estate owners for the management of buildings and to secure the health and safety of users. Three-quarters of respondents reckon COVID-19 will hasten the need for new operational skills.

“The nature of real estate is completely different, and it’s transpired by COVID-19 that the risk the landlords have taken is completely different than what they thought it was,” an investment manager says.

Property owners are, in effect, taking on more operational risk. No one is claiming this transition to a more operational business model will be easy, but a growing number of industry leaders believe it is nonetheless inevitable.

“The additional dimension that COVID-19 has brought into very clear light is that where an investor once thought it just owned a lease with a certain income – very comparable to bond income – it now actually owns a relationship with the underlying market,” the manager adds. “It’s a different relationship that will be created between the tenant and the landlord, and I think ultimately a positive one.”

More than 70 percent of survey respondents believe that landlords and tenants will consider new models for leases. However, some respondents are uneasy about such change: though 37 percent think that the COVID-19 crisis will lead to a better alignment of interest between landlords and tenants, a significant 28 percent disagree.

“That whole perception of the usage of real estate is going to change,” says one pan-European adviser. “And that has an effect on planning. That has an effect on values, that has an effect on rent, that has an effect on the layout, design, and also the branding function of a particular office.”

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**Figure 1-11 Change in the number of assets repurposed**

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase substantially</th>
<th>Increase somewhat</th>
<th>Stay the same</th>
<th>Decrease somewhat</th>
<th>Decrease substantially</th>
</tr>
</thead>
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<td>6%</td>
<td>1%</td>
<td>6%</td>
<td>28%</td>
<td>60%</td>
</tr>
<tr>
<td>In next 5 years</td>
<td>4%</td>
<td>1%</td>
<td>19%</td>
<td>25%</td>
<td>52%</td>
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</tbody>
</table>

Source: Emerging Trends Europe survey 2021
Top trends

Environmental priorities

Just like last year, industry leaders believe climate change and the environment will have the biggest impact on real estate over the next three decades. The difference this time is that there seems to be a greater urgency in mitigating such risk as part of the overall ESG agenda.

Nearly eight out of 10 survey respondents think energy efficiency, carbon emissions, and climate adaption will increase in importance in their portfolios in 2021, and the number is higher still over a five-year horizon.

And when it comes to impact investing, cutting the carbon footprint of real estate is regarded as by far the most effective measure with which the industry can make a difference.

Far from obscuring the industry’s sustainability objectives, many interviewees believe the coronavirus pandemic has provided renewed impetus. “Carbon neutrality, the benefits to the environment from reduced travel, to me this is just a massive ESG accelerator,” says one private equity player. “COVID-19 accelerates ESG, the ESG focus accelerates repurposing. It’s going to trigger a whole tenant debate about what needs to change with respect to existing space.”

For others, the ESG agenda is evidently important enough without COVID-19. “Prioritising energy efficiency in our buildings and being sensitive to climate change is part of our job and nothing we would consider novel,” says one pension fund manager. “It makes commercial sense, and it is the right thing to do. I suspect that for most sophisticated institutional investors, this has been part of their approach for quite some time. The issue is how much and how fast it trickles down to the rest of the industry.”
Fast-track technology

In the era of the Zoom meeting, it is no surprise that increasing use of technology, or digitalisation, runs a very close second to environmental risk as the trend the industry believes will have the most significant, long-term impact on real estate.

“Technology will make certain jobs and industries redundant, but it will create lots of new roles which we don’t know yet,” enthuses one investment manager.

As universally acknowledged, the continuing dependence on technology for remote working will have lasting influence on the future of the office but also implications for how and where people choose to live. The shift from physical to online retail has escalated beyond all expectation in 2020. Data centres top the sector prospect rankings for 2021, followed closely by logistics. One way or another, the transformative effects of technology are there for all to see across real estate.

The industry is also energised by the possibilities for proptech – now fast-tracked because of COVID-19. A remarkable 91 percent of survey respondents believe the crisis will accelerate the use of technology in their organisations’ broader operations.

On a cautionary note, one global player observes: “Technology means a lot of different things, but it is a trend that is not going away, and in the real estate industry we need to be a lot smarter about how we use technology for information gathering and information analysis.”

“COVID-19 has already accelerated a lot of proptech initiatives,” adds a pan-European investment manager. “I think over the course of the next 30 years how proptech will influence us as a business, from investing all the way through to occupancy, management, and the consumer interface of technology. It will have a huge impact and we’re only really at the tip of the iceberg.”

Image: Working from home during lockdown (Getty Images)
Diversity matters

Three-quarters of survey respondents say their organisations are proactively addressing gender in relation to diversity and inclusion in the real estate workplace.

For those companies focusing on gender, equal pay policies and clear processes for reporting discrimination are among the more common initiatives.

As a result, some interviewees report a good gender balance at all levels of their organisations. But the majority converge along the lines of “senior management looks a bit grey, white, and male” despite the encouraging shift in corporate policy.

“If you just approach the market and say, ‘Find me the best candidate,’ I’m sure that role will end up being a man in most cases, but that doesn’t mean there is not a woman out there who could do a better job,” says one pension fund manager. “You have to wilfully want to do it. Diversity doesn’t just happen.”

Nor is it simply about gender. Some interviewees believe the Black Lives Matter movement will be a positive influence on real estate, and over a third of survey respondents are proactively addressing BAME (Black, Asian, and minority ethnic) diversity in their organisations. The same proportion is addressing LGBTQ+, and nearly half is dealing with socio-economic diversity.

Many interviewees acknowledge that greater diversity in the workplace – different points of view – leads to better results in business, especially at a time of economic uncertainty. As the (female) CEO of a Central Eastern European developer says, “I believe that the more diverse the team, the better the protection against risks, the greater the effectiveness of dealing with change or the need to adapt.”

According to the survey, most real estate firms have put in place policies to improve diversity and inclusion, but the outcome so far is some way short of a workplace revolution. According to one investment manager: “Evolution would be a better way to put it.”

Which of the following diversity and inclusion categories is your company proactively addressing?

- Gender: 73%
- Socioeconomic: 45%
- BAME (Black, Asian and minority ethnic): 39%
- LGBTQ+: 39%
- Neuro: 10%

Source: Emerging Trends Europe survey 2021
Like all industries, real estate has been subject to huge upheaval as a result of the global pandemic and its economic repercussions.

The uncertainty over the future of office working has been one of the more obvious issues, but as this chart shows, the impact of COVID-19 on European real estate is wide-ranging.

If there is a common theme, it is of the crisis as an accelerator of existing trends in the way the industry conducts its business and approaches the investment and management of real estate.

**Figure 1-12**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Disagree strongly</th>
<th>Disagree</th>
<th>Neither/nor</th>
<th>Agree</th>
<th>Agree strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>The COVID-19 crisis will accelerate the use of technology in a company’s broader operations</td>
<td>7%</td>
<td>48%</td>
<td>43%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COVID-19 will hasten the need for increased focus on supply chain resilience</td>
<td>11%</td>
<td>54%</td>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and wellbeing will become a more important factor across all sectors of real estate</td>
<td>10%</td>
<td>53%</td>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The COVID-19 crisis will accelerate the use of technology by real estate owners for the management of buildings and secure health and safety of users</td>
<td>10%</td>
<td>45%</td>
<td>38%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of cashflow/income will predominantly drive valuations in the next months</td>
<td>7%</td>
<td>10%</td>
<td>55%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>There will be more forced sales of retail assets in the next 12 months</td>
<td>16%</td>
<td>51%</td>
<td>26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COVID-19 will hasten the need for new operational skills</td>
<td>19%</td>
<td>52%</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There will be more consolidation in the real estate sector</td>
<td>21%</td>
<td>58%</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landlords and tenants will consider new models for leases</td>
<td>20%</td>
<td>55%</td>
<td>16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A city leadership’s response to COVID-19 will be incorporated into future investment decision-making</td>
<td>17%</td>
<td>32%</td>
<td>40%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>The COVID-19 crisis will lead to better alignment of interest between tenants and landlords</td>
<td>24%</td>
<td>35%</td>
<td>29%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>There will be a trend away from high urban density</td>
<td>33%</td>
<td>25%</td>
<td>30%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Emerging Trends Europe survey 2021
“The quest for income, globally, is good for real estate, so investors continue to like it as an asset class. They’re just clearly focused on those areas of the market where they can get that income return – and where it’s protected.”

European real estate head, global investment manager
COVID-19 has shaken up Europe's real estate capital markets, and though the full impact of this dislocation is not yet clear-cut, it is shaping up to be quite different from the aftermath of the global financial crisis (GFC).

Industry leaders expect equity and debt to become less plentiful – but from a very high base. Though still early days, capital is available for real estate, and enough of it targeting logistics and residential that these highly favoured sectors might even see yields compress.

While capital remains plentiful and ultralow interest rates support asset values and fuel investors’ demand for core assets, the stability of real estate income and current owners’ ability to manage what is an increasingly operational asset class remain open questions.

As one global financier puts it: “What we had in the GFC was predominantly a situation of overleverage. What we have today is predominantly going to be a lack of income or change in income levels and a rerating of rental levels.”

The current market is akin to “a phoney war,” according to a value-add investment manager. “We know that something’s changed in a significant way. But there’s a ton of capital floating around out there,” he says.

Another veteran investment manager adds: “I think we’re talking about the beginning of the new cycle, but we’re not at the bottom of the market yet. And that is a 2021 topic, not a 2020 topic.”

Those canvassed by Emerging Trends Europe believe that equity for real estate is unlikely to recede dramatically – a stark contrast to the GFC.

The proportion of those surveyed who expect equity for new investments and refinancing to fall is much greater than last year – 31 percent against 17 percent. But at the same time, two-thirds believe that equity will increase or stay the same.

“The fundamental difference between the crisis we’re going through now and the GFC is the speed with which the central banks and governments reacted to this crisis has meant that there’s not been any real crisis in terms of liquidity or within the banking markets,” one investment manager says.

The gap between bond and real estate yields that has seen allocations to real estate consistently increase for the past decade remains. While certain sectors face serious challenges to income security because of the pandemic, real estate generally is seen as one of the few asset classes to generate acceptable returns at a time of negative interest rates.

I think we’re talking about the beginning of the new cycle, but we’re not at the bottom of the market yet. And that is a 2021 topic, not a 2020 topic.
Domestic investors to the fore

With regard to where that equity is coming from, the physical limitations that COVID-19 imposes on business are influencing investor expectations.

There is a strong likelihood that domestic and European investors will play a much greater role in Europe in 2021. European capital is the only source where more survey participants say there will be an increase compared with last year.

Capital flows from Asia are expected to increase by more than half of those surveyed, but fewer believe this than last year. And for North American and Middle Eastern capital, the opposite is true: more foresee a drop than an increase.

A big issue is the inability of overseas investors to visit a property in Europe before buying it. Without “boots on the ground,” it is a big call to deploy millions of euros on an uninspected building.

“Our figures and how much we expect to invest are very much based on our mobility because it’s not just us inspecting those assets,” one institutional investment manager says. “It’s also, from a distribution perspective, us being able to get in front of investors – whether Australian, US, or European – to make the case.”

For Asian investors, many of whom are newer to investment in Europe and do not have local teams, this is a particular problem. But interviewees argue that this is a short-term impact rather than a long-term trend.

For North America’s more opportunistic capital, the issue may be more about the value to be found in its domestic market, which suddenly looks more attractive than Europe.

Our figures and how much we expect to invest are very much based on our mobility.

Figure 2-2 Country transaction volumes Q4 2019–Q3 2020 (€bn)

Source: Real Capital Analytics
Note: Countries with transactions over €1 billion.
Disrupting the way we work

“We will go back to travelling,” says one global asset manager. “Our business is about physical property, and that doesn’t come to you. You have to understand the dynamics of walking the market. How this building that’s located on this block is different from the one that’s two blocks away? Why is that different? You just have to do it.” But right now, the challenge lies in the travelling. As important as technology has been as a support to investment activity during lockdown in 2020, there is nonetheless concern across the industry over its ability to source deals in the coming months. With continuing work restrictions and the threat of a second wave of COVID-19, travel cannot be taken for granted. And technology – though changing some business practices forever – is not the entire answer.

To an extent, the industry has been working through a pipeline of deals originated pre-pandemic and therefore subject to conventional due diligence. But as one private equity player observes: “Now that people are thinking they are going to be locked down or unable to travel for a lot longer there is a nervousness around sourcing going forward.”

A pan-European fund manager adds: “We oblige ourselves to inspect buildings. It’s virtually impossible if you’ve got to quarantine for 14 days. My fear is that there will be restrictions on travel whether going to countries or coming back from countries, and it’s going to be off and on.”

The travel challenge is partly reflected in the survey, which indicates diminished capital flows into European real estate from Asia and North America during 2021 compared with previous years. By contrast, domestic and European investors – already dominant players here – are expected to play an even greater role.

As interviewees point out, investment managers and consultants with a strong on-the-ground presence may be at an advantage, especially now when the pace of recovery is different across Europe: market knowledge is more important than ever. “The difficulties with travelling will become more of a challenge once we begin doing new investments and how we manage that if we can’t go out and see the properties,” says a global pension fund manager. “We have been doing new investments actually, but we’ve relied on our partners or we’ve relied on advisers to visit the properties, and to be honest, in all the cases we were already familiar with that asset or that location.”

If you want US capital, you have to be able to offer them that extra incremental return.

Source: Emerging Trends Europe survey 2021

Source: Preqin
Chapter 2: Real estate capital markets

Lending constraints

Real estate lenders are seen as being in a far better position to weather any economic storm that arrives than they were in the GFC.

“Banks are generally much better capitalised in this crisis than they were in the GFC, a lot of which is due to the post-GFC regulations around capital buffers and so on,” one debt specialist says. For the time being, distressed investment opportunities are seen as few and far between although many interviewees acknowledge that it is probably too soon to draw firm conclusions here.

“There’s a lot of pressure being put on people [lenders] all across Europe to exercise forbearance,” one opportunity fund manager says. “So, what we don’t really see is a huge amount of distress out there at this point.”

However, just because lenders are in a better place does not mean that all is rosy. Debt is expected to be available, but it will be more selective.

Nearly half the survey respondents think that debt available for new investments and refinancing will fall this year, compared with a fifth who foresaw a decrease last year. And that is much more than the 28 percent who expect it to increase.

As one debt broker points out, lenders are already constrained because “there is a lot of stuff that needs to get worked out” – a difficult situation that is likely to persist for the next 12 to 18 months. “I’m not talking just real estate, but across the board: aviation, shipping, consumer and corporate credit. And these are all massive areas in terms of balance and exposures.”

Because of the difficulties of underwriting income and forming new business relationships digitally, interviewees believe that lenders will favour existing borrowers and that it might be easier to refinance existing deals than to find debt for new purchases.

“I tell people to go hug your lender today because they’re your best friend,” one property company executive says. “Lenders don’t want to take any real risk. They don’t want to go out on the spectrum. They also want to do things for good, loyal clients that they made some good loans with.”

While nearly two-thirds of survey respondents expect banks to reduce their lending to real estate, just over half expect alternative lenders like debt funds to increase their exposure.

But these numbers hide a lot of nuance about the appetite of various types of lenders. For many of the debt funds without big exposure to legacy portfolios or loans to struggling restaurants or retailers, the retreat of banks is a big opportunity. “I have to go way back to a long time ago in my time in banking to find a year where we’re as busy as we’ve been since lockdown,” one debt fund manager says.

Yet even some of the alternative lenders may be unable to capitalise on new opportunities. Typically, debt funds have been financing higher-leverage deals, development, or unfavoured sectors such as retail, which could leave them solely focused on problems in their own portfolios.

“Banks are generally much better capitalised in this crisis than they were in the GFC, a lot of which is due to the post-GFC regulations around capital buffers.
At this time of great uncertainty, survey respondents and interviewees clearly believe that core real estate, above all else, will find favour with both equity and debt providers.

“Most people have decided to allocate to core,” says one investment manager who runs both core-plus and value-add funds. “If they’ve backed away from risky assets but need the allocation, then what do you do? You buy some form of core income.”

When it comes to mainstream real estate, the “investible universe has shrunk down to three sectors”, one global investment manager says. What is more, the favoured three – logistics, rented residential, and “uberprime” offices – could see prices increase due to the weight of money targeting them.

Figure 2-6 **Access to senior debt in 2021**

<table>
<thead>
<tr>
<th>Niche sectors*</th>
<th>10</th>
<th>24</th>
<th>34</th>
<th>23</th>
<th>7</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core real estate</td>
<td>8</td>
<td>27</td>
<td>43</td>
<td>20</td>
<td>2</td>
<td>%</td>
</tr>
<tr>
<td>Value-added real estate</td>
<td>6</td>
<td>24</td>
<td>33</td>
<td>30</td>
<td>7</td>
<td>%</td>
</tr>
<tr>
<td>New investment</td>
<td>5</td>
<td>20</td>
<td>38</td>
<td>32</td>
<td>5</td>
<td>%</td>
</tr>
<tr>
<td>Development finance</td>
<td>2</td>
<td>14</td>
<td>31</td>
<td>39</td>
<td>14</td>
<td>%</td>
</tr>
<tr>
<td>Refinancing</td>
<td>2</td>
<td>15</td>
<td>49</td>
<td>30</td>
<td>4</td>
<td>%</td>
</tr>
</tbody>
</table>

* For example, student housing, co-working, data centres, retirement/assisted living.

**Source:** Emerging Trends Europe survey 2021
“We’re seeing office in Milan trade at cap rates below 3 percent, and Milan is not a huge city,” the global manager continues. “Paris, Munich, and Berlin are almost at sub–2 percent yields.”

Return expectations have been scaled down over successive Emerging Trends Europe surveys, and this time 46 percent of respondents are targeting lower returns compared with a year ago. Nearly two-thirds anticipate up to 10 percent risk-adjusted returns in 2021.

Though best-in-class offices with long leases remain in demand, a lot of office stock has a less certain future. The problems with retail, particularly shopping centres, are long-established but, again, have taken a turn for the worse as a result of the pandemic.

“It would be hard for anybody to predict what office or retail rents will look like a year from now,” says one institutional investor. “The challenge when it comes to returns is: if we were in a low interest rate environment before, we are even more so now. You have to believe that basically returns will become more compressed going forward, just reflecting the cost of capital coming down, even though arguably the risk has gone up. I think that’s a challenge for all investment committees when the world feels a lot riskier.”

This fear of the unknown has also put the brakes on development for most of the industry, and little change is expected in 2021. Survey respondents believe that both equity and debt for new construction will be significantly reduced – by 42 percent and 54 percent, respectively.

![Figure 2-7 Returns targeted in 2021 compared to previous years](source: Emerging Trends Europe survey 2021)

![Figure 2-8 Returns targeted in 2021](source: Emerging Trends Europe survey 2021)

![Figure 2-9 Availability of equity and debt for development in 2021](source: Emerging Trends Europe survey 2021)
Yet for the bolder investors, this could provide an opportunity: for those sectors where there is demand, it could pay to build now while everyone else sits on their hands. And where use patterns are changing, as with offices, an opportunity exists to create the space that occupiers will want.

“I have never been more positive about building new office space,” one value-add fund manager says. “I think that occupiers are going to figure out that the way we use space is going to change, and it’s easier to change something that hasn’t been built yet, that’s still on the drawing board, than something that’s actually up there.”

To what extent do you agree or disagree with the following statements:

Prime assets are overpriced

<table>
<thead>
<tr>
<th>Agree strongly</th>
<th>Agree</th>
<th>Neither/nor</th>
<th>Disagree</th>
<th>Disagree strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>7%</td>
<td>65%</td>
<td>24%</td>
<td>17%</td>
<td>1%</td>
</tr>
</tbody>
</table>

(Re)development is the most attractive way to acquire prime assets

<table>
<thead>
<tr>
<th>Agree strongly</th>
<th>Agree</th>
<th>Neither/nor</th>
<th>Disagree</th>
<th>Disagree strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>47%</td>
<td>22%</td>
<td>15%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Corporate sales and leasebacks are becoming an attractive way to acquire prime assets

<table>
<thead>
<tr>
<th>Agree strongly</th>
<th>Agree</th>
<th>Neither/nor</th>
<th>Disagree</th>
<th>Disagree strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>42%</td>
<td>33%</td>
<td>13%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Emerging Trends Europe survey 2021
Rising operational risk

There is an important follow-on about a flight to core real estate: in a world where the way people use buildings is rapidly changing, what constitutes safe income, and therefore what should be considered prime or core property? In the short term, the worry exists that real estate faces a prolonged period of depressed income as businesses fail, unemployment rises, and rents do not get paid.

“In the UK, the pandemic is creating a lot of stress for equity investors because many tenants are not paying rent,” one institutional investor says. “This means real estate’s role as a provider of secure income has changed and leaves investors really exposed.”

For many interviewees, COVID-19 is turbocharging the trend for real estate to be an operational asset class although no-one is clear about the long-term implications for valuations.

While this has long been the case with sectors like hotels, student housing, and senior living, it is more recently true of retail and now inescapable in the office sector.

“COVID will contribute to the existing long-term structural changes to retail, and we expect to become much closer to the operational risk and turnover of retail tenants on a much wider scale in the coming years,” says an institutional investor.

“Investors in new assets are not going to be able to rely upon what we would call the standard institutional lease anymore,” an investment manager adds. “It’s going to be much more about exposure to businesses and operation.”

Not everyone will comply, according to one investment banker: “There’s a tendency from investors during a crisis to focus on the major countries with more liquidity and more certainty and the major asset classes with less operational risk. So whereas a year ago, I’d be having a conversation about the importance of alternatives and understanding operational risk, investors are going to somewhat shy away from that right now because they need relative simplicity.”

But for many investors, a new reality is emerging: income from the asset class is no longer as bond-like as it was considered to be before.

In the UK, the pandemic is creating a lot of stress for equity investors because many tenants are not paying rent.
Digital switch

The top three property types in the Emerging Trends Europe’s sector rankings are likely to benefit from the increased pace of digitalisation around the globe, a change boosted by COVID-19.

In the case of logistics, this is very clear. With physical stores closed for many months, the shift to online retail is accelerating. But data centres and communication towers – very niche in the real estate universe – are also big beneficiaries in a world where we shop, communicate, and increasingly work online.

Another niche sector, life sciences, has been cast in a new light by COVID-19. We are all increasingly aware that scientific and medical businesses will need more space in the coming years and that their income is likely to be highly resilient. And like the other alternative sectors, the industry sees life sciences as a good diversifier.

“It’s been a big trend in the US in the last five years, but I envision there’s going to be life science clusters, medical clusters that are going to be developed throughout Europe that will be very in demand from an investor’s standpoint,” one broker says. The fact that COVID-19 is a health crisis could also account for the high ranking of health care real estate.

As in previous years, rental housing fares well, and interviewees cite the resilience of its income during 2020 but with the proviso that it could come under pressure as economies continue to struggle and unemployment rises.

“If I look across our portfolios, at the sectors that aren’t having any issues in paying their rent, it’s undoubtedly the resi sector; most of our portfolios are paying 99 percent of their rent,” one pan-European manager says. “So that sector is looking pretty strong, and what we’re seeing is a lot of investors who weren’t active in that sector will look at increasing their allocations towards it.”

Table 2-1 Sector prospects in 2021

<table>
<thead>
<tr>
<th>Overall prospects</th>
<th>Rank</th>
<th>Investment</th>
<th>Rank</th>
<th>Development</th>
<th>Rank</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Data centres</td>
<td>1</td>
<td>4.55</td>
<td>1</td>
<td>4.45</td>
<td>1</td>
<td>4.30</td>
</tr>
<tr>
<td>2 Logistics facilities</td>
<td>2</td>
<td>4.51</td>
<td>2</td>
<td>4.39</td>
<td>3</td>
<td>4.21</td>
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<tr>
<td>3 Life sciences*</td>
<td>3</td>
<td>4.43</td>
<td>3</td>
<td>4.32</td>
<td>4</td>
<td>4.09</td>
</tr>
<tr>
<td>4 New energy infrastructure*</td>
<td>5</td>
<td>4.29</td>
<td>4</td>
<td>4.26</td>
<td>2</td>
<td>4.23</td>
</tr>
<tr>
<td>5 Industrial/warehouse</td>
<td>6</td>
<td>4.24</td>
<td>5</td>
<td>4.12</td>
<td>5</td>
<td>3.92</td>
</tr>
<tr>
<td>6 Health care</td>
<td>7</td>
<td>4.16</td>
<td>7</td>
<td>4.02</td>
<td>6</td>
<td>3.90</td>
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<tr>
<td>7 Private rented residential</td>
<td>9</td>
<td>4.12</td>
<td>8</td>
<td>4.02</td>
<td>8</td>
<td>3.84</td>
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<tr>
<td>8 Affordable housing</td>
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<td>6</td>
<td>4.04</td>
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<td>3.69</td>
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<tr>
<td>9 Communication towers/ fibre*</td>
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<td>3.96</td>
<td>9</td>
<td>3.92</td>
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<td>3.65</td>
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<tr>
<td>11 Retirement/assisted living</td>
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<td>4.00</td>
<td>10</td>
<td>3.87</td>
<td>11</td>
<td>3.66</td>
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<tr>
<td>12 Self-storage facilities*</td>
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<td>11</td>
<td>3.85</td>
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<td>3.68</td>
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<tr>
<td>13 Housebuilding for sale</td>
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<td>3.71</td>
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<td>14 Co-living</td>
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<td>15 Student housing</td>
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<tr>
<td>16 Serviced apartments</td>
<td>16</td>
<td>3.33</td>
<td>15</td>
<td>3.32</td>
<td>16</td>
<td>3.12</td>
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<tr>
<td>17 Central city offices</td>
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<td>18</td>
<td>3.93</td>
<td>17</td>
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<tr>
<td>18 Parking</td>
<td>20</td>
<td>3.08</td>
<td>17</td>
<td>3.06</td>
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<tr>
<td>19 Business parks</td>
<td>18</td>
<td>3.16</td>
<td>20</td>
<td>2.79</td>
<td>19</td>
<td>2.94</td>
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<tr>
<td>20 Flexible/serviced offices and co-working</td>
<td>19</td>
<td>3.08</td>
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<td>2.79</td>
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<td>2.53</td>
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<tr>
<td>23 Leisure</td>
<td>23</td>
<td>2.66</td>
<td>22</td>
<td>2.49</td>
<td>23</td>
<td>2.38</td>
</tr>
<tr>
<td>24 High street shops</td>
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<td>2.45</td>
<td>25</td>
<td>2.14</td>
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<td>25 Hotels</td>
<td>26</td>
<td>2.21</td>
<td>24</td>
<td>2.15</td>
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<td>2.01</td>
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<tr>
<td>26 City centre shopping centres</td>
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<td>2.24</td>
<td>26</td>
<td>1.87</td>
<td>25</td>
<td>2.10</td>
</tr>
<tr>
<td>27 Out-of-town shopping centres/retail destinations</td>
<td>27</td>
<td>2.11</td>
<td>27</td>
<td>1.78</td>
<td>26</td>
<td>2.02</td>
</tr>
</tbody>
</table>

- Generally good = above 3.5
- Fair = 2.5–3.5
- Generally poor = under 2.5

Source: Emerging Trends Europe survey 2021

Note: Respondents scored sectors’ prospects on a scale of 1=very poor to 5=excellent, and the scores for each sector are averages; the overall rank is based on the average of the sector’s investment and development score.

* A significantly lower number of respondents scored this sector.
Unlike previous years, however, not all of the beds sectors are currently in vogue. Student housing has fallen down the rankings, albeit some interviewees believe this may be a temporary dip in sentiment in the UK, which is Europe’s most mature market for purpose-built student accommodation.

“During the lockdown period, most student housing operators and owners ended up not charging rent, at least not for those students who left the university,” one institutional investor says. “But the good news is that for most of our student housing portfolio, the bookings have been quite strong already for the semester starting September, so we’re quite confident with that. Chinese students haven’t quite returned, that’s the one issue in the UK. But other than that, it looks pretty robust. And I think it will come back.”

A similar debate exists about how quickly the current malaise in hotels – where occupancy fell to pretty much zero overnight and remains subdued – can be reversed. Right now, they are clearly out of favour, coming third from bottom in the rankings (see page 44).

“There’s going to be a revaluation of the hotel investment business, which had just become more institutionally accepted,” one investment manager says.

Moreover, hotels that rely on international business travel are now seen as inherently risky. “There is no way we are going to be flying all over the world to meet colleagues or every time to meet an existing client,” one CEO says. “We think that business travel will be severely reduced.”

Another housing type that has fallen is co-living. Some interviewees believe that while the long-term growth of “space as a service” remains viable, the pandemic has made us wary of our fellow human beings. This caution has an outsized impact on those sectors, like co-working and co-living, which force us to be in proximity to one another and where in times of stress, leases can be cancelled easily. While rationalisation of both the operators and the number of outlets can be expected, many interviewees point out that the inherent flexibility such assets offer could well be in strong demand during a protracted economic slowdown.

Investors are also trying to work out which behavioural changes in the way we use offices are likely to prove long-lasting so that they can underwrite deals accordingly. But there is little clarity right now and a huge divergence of opinion (see page 38).

“You’ve got the city-centre REITs [real estate investment trusts] talking it all up, saying there will be a vaccine, it will all be normalised, we’ll be back to where we were,” one investment manager says. “Then you listen to the heads of Barclays, Vodafone, GSK, and others basically saying, ‘Our occupational needs are going to change; we’re going to be shrinking our footprint.’”

Debt has dried up for the hospitality sector, so this is an opportunity for cash buyers to acquire at 15 to 30 percent discounts.

Another adds: “Interestingly, we’re not seeing much of a movement yet in office yields. The negative impact for offices hasn’t come through in the valuations yet.”

In fact, London-focused companies like Landsec and Brookfield, and Covivio in Milan have all recently sold office assets at or above book values.

While it is too early to determine the exact prognosis for office investment, interviewees clearly believe that, like retail before it, the likelihood is strong that the sector will bifurcate into winners and losers.

“If it’s long-dated leases, defensible credits, those are going to get the benefit of that compression in cap rates,” one global investor says. “If it’s something that requires repositioning, those assets are going to have a more opportunistic flavour in terms of the capital that’s going to be focused on them.”

One fund manager adds: “No one wants to be caught out like they were with retail.”
Another point worth noting: suburban offices and business parks rise a few places in the rankings, compared with last year, but still come in below city-centre offices. Survey respondents are seemingly not yet sold on the idea of companies adopting a hub-and-spoke model.

At the bottom echelons of the sector rankings are those where income is being hit hardest by the pandemic – alongside hotels, five of the bottom six spots are occupied by the various flavours of retail, plus leisure.

The problems are at their most extreme in the UK, which has more square metres of retail floor space per capita than any other country in Europe. It also has more department stores – a particularly struggling subsector – more fashion-led shopping centres, upward-only rent reviews, and insolvency legislation in the form of company voluntary arrangements (CVAs), which make it easier for retailers to break leases.

As an investment, UK retail is seen as almost untouchable at the moment, a consequence of COVID-19, a succession of CVAs, and a government-supported moratorium against rent collection, all of which make it harder for retail landlords to be sure that tenants will see out historically long leases.

By contrast, many more shopping centres in Continental Europe are grocery-led and have been able to remain open through the pandemic. However, most interviewees say all European retail is challenged, while the survey indicates that there will be no respite: more than three-quarters of respondents believe that forced sales of retail assets will occur in the coming year.

“The investment market is super thin, in terms of both equity and debt,” one investment manager experienced in the sector observes. “It is very hard to undertake rental forecasts, and so to work out what your price point should be.”

A pan-European lender is more emphatic still: “Retail as a sector is under a systemic threat, which is going to impact rental values and yields. It’s not just that yields have widened and will widen further, it’s that actually the whole retail sector needs to rerate from a rental value perspective. What tenants can afford to pay as total occupancy costs, as a percentage of their revenue, has to change.”

“Retail as a sector is under a systemic threat, which is going to impact rental values and yields.
Markets to watch

“This is a period of risk-off. It is important that whatever we buy, the cash-flow quality is very strong, or if there is some weakness in the cash-flow quality, the location and design has to be future-proof.”

Head of strategy, global investor
Much of life has been altered dramatically, but Europe’s real estate industry is keeping faith in the cities it has been backing in better times. Despite pandemic-induced lockdowns, plunging economies, and an uncertain future, the ranking of the overall investment and development prospects for cities in 2021 is relatively little changed from last year’s.

Berlin has moved up one place to retake the number 1 spot, toppling Paris, which drops to third. Germany’s capital is the city investors want, especially its offices. “The effects on the office property market are not particularly drastic. One of the main reasons for Berlin is the upward potential in rents,” says an investor.

Germany’s three other major markets remain firmly cemented in the top 10. Frankfurt, Hamburg, and Munich – ranked numbers 4, 6, and 7, respectively – are also viewed as benefitting from Germany’s economic strength and effective navigation through the pandemic (see page 42). “The theory is that Germany is in better shape than most of the other economies. And therefore, in a way, if you’re going to buy anywhere, you buy in Germany,” says a pan-European fund manager.

London takes the silver this year, rising two places to pip Paris. Europe’s two global gateways and most liquid property markets still have many fans. However, interviewees’ opinions about London’s prospects are more polarised; Brexit still casts a shadow for some. “We believe London is going to be incredibly resilient in the mid- to long term, but a hard Brexit might really hurt the market in the coming two years,” says the head of a pan-European fund manager.

Others believe the UK capital has priced in any potential Brexit hit. “We’re looking at deals for top-quality office assets in London that are 100 basis points, 150 basis points above equivalent deals in Berlin or Munich,” says one European investor. Adds the real estate head of a global insurer: “For somebody who doesn’t have a lot of London exposure, this will probably be an opportunity to build a quality portfolio.”

Meanwhile, Paris crops up on every investor’s wish list, for logistics and residential as well as offices. The city’s flagship €26 billion ($31 billion) “Grand Paris” infrastructure project and the 2024 Olympics, which are still expected to take place, are frequently cited as plus points. “France, particularly Paris, I think is still relatively strong in terms of cap rates and pricing,” says a global adviser. But there’s caution on La Défense: “It is hovering on oversupply, and people have cut rents in some of the unfinished towers,” says a core fund manager.

The effects on the office property market are not particularly drastic. One of the main reasons for Berlin is the upward potential in rents.

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Figure 3-1 Europe’s 10 most active markets, Q4 2019–Q3 2020 (bn)

Source: Real Capital Analytics
Chapter 3: Markets to watch

Table 3-2 Local outlook: Change expected in rents and capital values in 2021

<table>
<thead>
<tr>
<th>Overall rank</th>
<th>Rents</th>
<th>Capital values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Munich</td>
<td>3.27</td>
</tr>
<tr>
<td>2</td>
<td>Zurich</td>
<td>3.12</td>
</tr>
<tr>
<td>3</td>
<td>Vienna</td>
<td>3.15</td>
</tr>
<tr>
<td>4</td>
<td>Hamburg</td>
<td>3.14</td>
</tr>
<tr>
<td>5</td>
<td>Berlin</td>
<td>3.06</td>
</tr>
<tr>
<td>6</td>
<td>Luxembourg</td>
<td>3.10</td>
</tr>
<tr>
<td>7</td>
<td>Copenhagen</td>
<td>3.02</td>
</tr>
<tr>
<td>8</td>
<td>Frankfurt</td>
<td>2.92</td>
</tr>
<tr>
<td>9</td>
<td>Athens</td>
<td>2.98</td>
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<tr>
<td>10</td>
<td>Amsterdam</td>
<td>2.89</td>
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<tr>
<td>11</td>
<td>Warsaw</td>
<td>2.81</td>
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<tr>
<td>12</td>
<td>Stockholm</td>
<td>2.76</td>
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<tr>
<td>13</td>
<td>Oslo</td>
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<tr>
<td>14</td>
<td>Helsinki</td>
<td>2.74</td>
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<tr>
<td>15</td>
<td>Paris</td>
<td>2.71</td>
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<tr>
<td>16</td>
<td>Madrid</td>
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<tr>
<td>17</td>
<td>Lyon</td>
<td>2.73</td>
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<tr>
<td>18</td>
<td>Birmingham</td>
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<td>19</td>
<td>Brussels</td>
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<td>20</td>
<td>Dublin</td>
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<tr>
<td>21</td>
<td>Lisbon</td>
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<tr>
<td>22</td>
<td>Milan</td>
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<tr>
<td>23</td>
<td>Budapest</td>
<td>2.62</td>
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<tr>
<td>24</td>
<td>Edinburgh</td>
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<tr>
<td>25</td>
<td>Manchester</td>
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<tr>
<td>26</td>
<td>Madrid</td>
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<tr>
<td>27</td>
<td>London</td>
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<td>28</td>
<td>Istanbul</td>
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<td>29</td>
<td>Rome</td>
<td>2.36</td>
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<tr>
<td>30</td>
<td>Barcelona</td>
<td>2.35</td>
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<tr>
<td>31</td>
<td>Moscow</td>
<td>2.33</td>
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Note: Respondents who are familiar with the city scored the expected change for 2021 compared to 2020 on a scale of 1=decrease substantially to 5=increase substantially and the scores for each city are averages; cities are ranked on the basis of the average of expectations for rents and capital values.

Source: Emerging Trends Europe survey 2021
However, interviewees note that in the short term, London and Paris appear to be struggling with some of the pandemic’s side effects. In both these big capitals, public transport plays a disproportionately large role; it is more difficult to walk, cycle, or even drive to work than in smaller competing cities. Higher office densities per employee also make social distancing challenging. “If you go into central Frankfurt, all these people are back at work and in central London almost no one is,” says a global fund manager.

This situation highlights a debate triggered by COVID-19: where do future opportunities lie? Few of Emerging Trends Europe’s respondents doubt that big cities will recover; however, many believe that the virus will have lasting consequences for office working and on where Europeans choose to locate (see page 38). A Dutch investor says: “One of the views we have taken, and discussed with our clients, is that this is not a good crisis for the mega-cities. Already life was expensive, and complicated, and involved long, crowded commutes.”
This circumstance could favour smaller cities, provided they are well connected – transport connectivity is overwhelmingly the most important factor for respondents in selecting cities. From more flexible working to swapping inner-city living for larger and cheaper space, “there will be a revenge of the well-connected, medium-sized cities”, postulates one head of strategy. “In a world of more home-working, even if your employer is based in Munich, for example, you could choose to live in Ingolstadt or Regensburg, beautiful cities an hour and a half away by train and just go to the office two or three days a week.”

It is also noteworthy that digital connectivity is more highly rated this year, with 43 percent of respondents saying it is very important against 32 percent last year. And Amsterdam, which has impressive digital infrastructure, is up one rung at number 5. It appears frequently on interviewees’ buy lists, not only for offices but also for residential and logistics. “It’s a city with a great variety of companies from different sectors,” enthuses a pan-European investor. “The residential market is a safe haven and not affected by COVID-19,” says one investor specialising in Dutch housing.

Another COVID-19-related question is the degree to which prospects will diverge for southern cities compared with their northern peers. “The outlook for southern European cities will definitely have lowered, simply because the economic challenges are way too big to justify a swift bounce back,” says one strategy chief. With Spain and Portugal heavily reliant on tourism (see page 44), Madrid, Barcelona, and Lisbon have all moved down in the rankings, to numbers 8, 13, and 15, respectively.

Madrid has slipped down three places but still remains popular. “There is abundant equity for Madrid, core and opportunistic, including people who were not able to buy in the last few years,” says a locally based investor. Prime office locations are “still very strong” and “the impact will come in peripheral markets because the vacancy is not good”, adds the chief investment officer of a Spanish investor/developer. Barcelona’s office market, which is tight with very low vacancy, is also expected to weather the COVID-19 disruption well.

“The outlook for southern European cities will definitely have lowered, simply because the economic challenges are way too big to justify a swift bounce back.”
Italy’s two main markets are viewed very differently. At number 23, Rome’s prospects are lowly ranked. But one local says there is “a lot of private money” and believes “Rome is the ‘new’ city to invest in in Italy. It is at the bottom of the economic and social cycle”. Milan, on the other hand, is increasingly treated as a “northern” city and, at number 9, sits just above Vienna. Yields for its best offices are as low as in parts of Germany, while its location in Lombardy – Italy’s most populous and wealthiest region – makes it a prime target for logistics operators.

Placing at number 10, Vienna – plus Dublin and Brussels just below it – is also fancied. Vienna is lauded for “greenness” and rated highly by respondents for development prospects, while in Dublin, demand for private rental residential and student housing remains extremely strong. However, there is concern about Dublin’s office market; take-up is sharply down, and one tech giant backed out of a substantial leasing deal. “Vacancy levels are likely to increase as new stock is completed, which could lead to downward pressure on rents,” warns an Irish property company CEO.

Warsaw, Luxembourg, Zurich, and three of the four Nordic capitals stand roughly midtable. Warsaw, number 14, has been attracting international capital to office and logistics, but as elsewhere, office leasing has slowed. “To invest in offices there today, we would expect a premium,” says one potential buyer. In contrast, a pan-European investor believes business-friendly Luxembourg (number 17) “might prove one of the strongest students in the European class”. Adds another Benelux office investor: “The Luxembourg market is still doing great; prices are even increasing there.”

The Nordics are suffering lesser hits to their economies than other parts of Europe, and investment volumes have been holding up well, especially in Denmark and Sweden. “Hidden champions are the Nordics with Stockholm, Helsinki, and Copenhagen; they have strong growth and an attractive outlook. All three are benchmarks for excellent mobility concepts,” says a German investor. And though Oslo comes in low on the prospects rankings at number 29, this reflects its small scale and the fact that fewer of Emerging Trends Europe’s respondents are active there. Local players are upbeat, especially about residential. “Oslo is a magnet for young people, offering jobs and the urban lifestyle,” says one developer.

Regional cities – Manchester, Birmingham, Lyon, and Edinburgh – are clustered in the 20s, as they were last year. This placing partly reflects their smaller size/liquidity, factors that the ranking methodology takes into account. One interviewee says it is the prospects of “secondary and tertiary cities that you might be a little more worried about”. In contrast, another believes “COVID may give an impetus to second-tier cities. People may decide to leave the capital, preferring to be in a regional city.”

Prague and Budapest are two other European capitals that are lower down the table, at numbers 24 and 26, respectively. They are not as popular with international capital as the larger Warsaw, but the local players call them “safe places” and are upbeat, especially about development. And in both cases, city leadership is highlighted. “It is city management that attracts capital: whether the city develops infrastructure and the approach to the urban environment,” says a commercial developer.

Meanwhile Athens, Istanbul, and Moscow remain at the bottom of the league table, again partly because relatively few respondents are active there. But those in Athens and Moscow are more optimistic. “One of the main supports for the Russian market in this crisis is that the vacancy rate in Moscow is low, at below 10 percent for prime buildings. As well as low vacancy, there are some sectors that are continuing to grow and hire, including tech and media, data, biotech, and financial services,” says an adviser.

Rome is the ‘new’ city to invest in in Italy. It is at the bottom of the economic and social cycle.
Offices that work

The future of work and how it affects the office are arguably the biggest and most fascinating unknowns in real estate this year.

Even the most diehard supporters of working from office buildings are scratching their heads, admitting that things will not be the same after COVID-19. “I don’t have a view on how companies are going to use their office space, how that’s going to play out, but I’m quite confident there’ll be some changes. It is not going to go back 100 percent to where we were before, for sure,” says the European head of one global asset manager, an opinion echoed by many of those interviewed.

Moreover, COVID-19 is spotlighting real estate’s role in the health and well-being of occupiers; 86 percent of those surveyed say this factor will become more important across all sectors (see page 19).

The industry is heavily invested in the future of the office. Central city offices are overwhelmingly the sector that most survey respondents are familiar with, three-quarters of them, which is far ahead of the next highest – private rented residential, at 44 percent.

<table>
<thead>
<tr>
<th>Figure 3-3 The future of offices</th>
</tr>
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<tbody>
<tr>
<td><strong>There will be a lasting increase in the proportion of time people work remotely</strong></td>
</tr>
<tr>
<td><strong>Offices that lack good ventilation and air quality will face a rent discount</strong></td>
</tr>
<tr>
<td><strong>HQ offices are key for branding to convey the company’s culture to employees and attracting talent</strong></td>
</tr>
<tr>
<td><strong>Leased co-working or flexible office space will take up a greater part of occupiers’ portfolios</strong></td>
</tr>
<tr>
<td><strong>Socially-distanced designed offices will remain the norm</strong></td>
</tr>
<tr>
<td><strong>The m² per office worker will increase</strong></td>
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<tr>
<td><strong>Convenient locations on the edge of cities will increase in demand for offices</strong></td>
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<tr>
<td><strong>Occupier demand for central HQs will reduce in favour of more regional offices</strong></td>
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<tr>
<td><strong>Hotdesking will be phased out in favour of fixed desktop</strong></td>
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</tbody>
</table>

Source: Emerging Trends Europe survey 2021
Emerging Trends Europe canvassed the real estate industry in summer 2020, and most offices in Europe are still operating only at fractions of previous capacity, especially in the biggest cities, where office workers are proving reluctant to use public transport. Occupiers have their heads down, focusing on managing through the pandemic rather than taking long-term decisions. While this prevails, there are many opinions but few data points to work out what comes next.

“We see all sorts of things . . . companies expanding their plans or changing their plans to more space per employee. But we also see companies that have reduced their space requirements compared to what they had before COVID-19 and companies that have pulled their requests for space,” says the head of a big German investor/developer.

The consensus is that COVID-19 has given remote working a boost, with 91 percent of survey respondents agreeing that there will be more of it in future, either working from home (WFH) or nearby. As one senior figure at a big financial services group points out, businesses proved that WFH could keep the show on the road during the pandemic, and “there’s a clear preference amongst a significant percentage of the workforce to maintain some level of WFH”.

“"We see all sorts of things . . . companies expanding their plans or changing their plans to more space per employee. But we also see companies that have reduced their space requirements compared to what they had before COVID-19 and companies that have pulled their requests for space,” says the head of a big German investor/developer.
Yet 71 percent of Emerging Trends Europe’s respondents also believe that headquarters (HQ) offices are key to fostering talent and company culture. HQ buildings are an important physical symbol of the corporate brand and what it stands for, and respondents believe an increasing focus on health and wellbeing, plus good amenities and services, is needed to attract the best people.

This means that trends towards more “agile” ways of working will keep corporate HQs in the mix, as one chief of a European real estate investment trust believes: “Companies will sign market standard leases for a certain amount of space that they are sure they need for their core operations, and then they will add a layer of flex space.”

Many interviewees also argue that any cut in space implied by fewer days in the office will be counterbalanced by the need for more space, initially for social distancing but in the future to interact, collaborate, and learn from colleagues.

Others are not so sure. The country head of a global private equity firm questions whether companies would keep the same space for fewer workers and be willing to pay the same amount for it, however fantastic the building and the services: “I’m personally not super optimistic on that point.”
It is not just HQs that COVID-19 has upturned: the pandemic has hit flexible office space hard. These contracts are easiest to cancel, and co-working firms are struggling to operate at profitable capacity, with workers furloughed and social distancing. Interviewees expect this downturn to be temporary, with some reshuffling of the pack. “Some operators are strong, some less, and there will be some takeovers,” offers one pan-European fund manager. Interviewees see other opportunities arising, “like the hub-and-spoke model”, one broker says. “The exciting part for real estate investors would be the number of these submarkets. Tenants may look to have 10,000 square feet, or 20,000 square feet, as flex office space, probably triggered by the number of employees living on different sides of cities.”

In this context, around half of those surveyed believe that over the next three to five years, flexible or co-working offices will become a bigger part of occupiers’ portfolios and that demand for offices will increase in convenient locations, either on the edge of cities or smaller regional ones.

Investors must react to all this change, on top of an economic recession. “We are going to be very demanding in terms of what assumptions we put into appraising offices. You have to be very realistic. What are your assumptions about people coming back? What will they do with their grey space when leases expire? How much are they going to do flex?” one global real estate head says.

They add: “The focus for everyone is what’s going to happen to rents, in London, Paris, Berlin . . . there is no doubt things are going to slow. That’s what you’ve got to figure out, and then, what is your appropriate yield for that?”

Another global developer’s European CEO emphasises: “We will continue to invest but really, no compromise on location, no compromise on the quality of the assets, which was an existing trend and is only reinforced by COVID-19. It means you have to provide more quality and amenities, not just the desk. It’s a whole lot more in terms of the experience and the building quality as it relates to wellbeing, air quality, and so on.”

The existential threat to offices would be a wholesale secular trend whereby they become the next victim after retail. This year’s survey respondents downgraded the sector’s prospects – whether city centre, business parks, flexible/co-working, or suburban – below most others, including logistics, residential, and alternatives, and just above retail, leisure, and hotels (see page 29).

However, many interviewees note that vacancy levels in European cities are at all-time lows, and that there is long-term opportunity in constructing new winning buildings or sorting any existing ones from the losers, which in turn may be suitable for repurposing (see page 15). Very few say they plan to switch out of offices altogether. As one head of strategy comments, “Instead, this is the time to be bold enough to sell the offices you don’t believe in.”

The exciting part for real estate investors would be the number of these submarkets. Tenants may look to have 10,000 square feet, or 20,000 square feet, as flex office space, probably triggered by the number of employees living on different sides of cities.
Amid the rapidly shifting anxieties and uncertainties of the pandemic, capital is inevitably favouring markets that offer defensive, low-risk characteristics. For many investors, the qualities that made the German cities attractive in a late-cycle market are just as compelling in a downturn.

Berlin, Frankfurt, Munich, and Hamburg are once again among the 10 most highly ranked European cities for overall prospects, with Berlin taking the top spot. Their appeal to Emerging Trends Europe’s constituency is also enhanced by the widespread perception that the German government has mustered one of the most effective national responses to the virus.

The relative health of Germany’s economy – combined with low vacancies for office, residential, and logistics property in its major markets – bolsters investors’ confidence that income will be resilient in the face of the crisis. Says one interviewee: “This is a period of risk-off. Therefore, it is important that whatever we buy, the cash-flow quality is very strong, so Germany will do very well.”

Relative to other major European economies, Germany is faring well in the crisis. An already-robust national balance sheet has provided the ammunition for that response. “On a relative basis, Germany has had an exceptional crisis,” adds an international financier. “If you look at the forecast, German unemployment is expected to go up by barely 100 basis points.”

Germany is “as close as you can get anywhere to pre-COVID conditions”, says a global player.

“For good quality assets, in Germany at least, there is still a huge appetite from the investor side, because money needs to be deployed, and people are looking for quality,” a pan-European investor says. Adds another: “It is extraordinary to see the Real Capital Analytics data from Q2 2020, where investment volumes in the German market were up compared to last year.”

In the midst of an economic downturn, liquidity is also highly valued. Germany’s cities offer that virtue, as do two other markets that are rated highly this year: London and Paris.
Despite the looming shadow of a potentially unruly Brexit and the severe impact of the pandemic on the UK in both fatalities and prosperity, many interviewees still view London as a relatively good prospect. “London has got to be the most transparent and the most liquid market in the world. It’s a market where international capital is very comfortable,” says a global investor.

Foreign exchange considerations – “the UK has the benefit of an attractively priced currency” – and relative pricing are also frequently cited as important draws for real estate buyers. “The UK, undeservedly, is well-bid in part because it has already been discounted by Brexit dynamics,” argues an international financier. “It hasn’t seen that tightening in yields that we’ve seen in the rest of Europe over the last two or three years,” adds an investment manager.

The French capital is also highly fancied, ranking third for its prospects. “Paris is so dominant within the country that even if the French economy maybe isn’t doing that well, with the new infrastructure going into the city it is still strong,” says a fund manager.

Fifth-ranked Amsterdam is favoured for its comparative stability. “The Netherlands stayed pretty strong,” states an investment banker. Moreover, a broker adds that the home-working trend was already common in the Dutch capital, so office demand there may be less affected. “In Amsterdam before COVID-19, there were already 35 percent of workers who were working in a remote manner at least one day a week, so I’m not sure that the impact will be huge.”

Scandinavian cities have also suffered comparatively mild economic pain during the pandemic, and they, too, are awarded safe-haven status by some interviewees: Stockholm, Helsinki, and Copenhagen all improved their rankings slightly this year. “One of the prospective winners is the Nordics. They didn’t have much of an incidence of the virus, and they could be viewed as fairly stable in terms of their performance and how governments there navigated through it.”

“I think that, generally, all the Nordic cities are coming out positively because investors like it when things are foreseeable and when you stick to the plan,” adds a local. “In the Nordics, if we have a plan, right or wrong, we stick to it.”
In no other sector has COVID-19 had such a sudden and devastating impact as it has in hospitality. Many hotels have seen their occupancy and income fall to a fraction of pre-pandemic levels overnight. “The asset classes that are taking the most hit on their cash flow are retail and hotels. They’re the ones that have lost pretty much all their revenue because of government regulations, and they’re in trouble,” says an interviewee.

With travel forbidden or restricted in varying degrees, hotel occupancy has plummeted and is only slowly recovering; in Europe, it is down 40 percent (in August 2020) compared with the previous year. Many landlords are being forced to accept that with vastly reduced business, there is little immediate prospect of collecting rent from occupiers. In this year’s survey, respondents put hotels’ prospects in 2021 second from the bottom in the sectoral league table (see page 29).

This unprecedented hit poses a particular challenge for economies and real estate markets that rely heavily on travel and tourism. “We are already seeing the emergence of a slight divide between the strength of the northern European economies compared to the south, which are more about tourism,” observes a pan-European fund manager.

Directly and indirectly, tourism and travel account for 9.1 percent of Europe’s gross domestic product, but it is a far larger component in Greece (20.8 percent), Portugal (16.5 percent), Spain (14.3 percent), Italy (13 percent), and Turkey (11.3 percent).

As well as the immediate losses to tourism businesses, those countries face wider economic risks. “We are receiving close to 100 million tourists a year in Italy and Spain, so I think we have had a worse impact and could have poorer prospects than northern Europe,” says a Spanish interviewee. “If COVID-19 goes on for longer, then unemployment will remain very high, and that will have an impact on our national accounts.”
Although the decline in leisure tourism disproportionately affects some European economies, cities across the continent have seen a precipitate fall in business travel. “What’s going to happen to the classic four-star business hotel? Is business travel going to return at anything like the level it was, and what’s going to happen to demand for that space?” muses a real estate lender.

However significant the effect on the hospitality industry, many interviewees believe in its long-term prospects. “The hotel sector will come back,” predicts an international financier. “I do not believe there is an existential crisis. I distinguish that from retail. The raging question in the sector is, what is the speed and shape of that recovery? In that light, you can look at the recovery profile for hotels much as you would in any prior cycle. That may be something between three and five years.”

Some hospitality assets are likely to recover more quickly than others. “There’s probably a bigger question mark behind city/business hotels and city holidays. I’d feel much more confident about beach hotels and resort hotels. The Greek hotels are actually experiencing an occupancy over the last four weeks [in August 2020] of 50 to 70 percent, so that’s actually not so bad,” says a global player. And some interviewees note that the challenges of international travel are proving to be a boon to hotel operators catering for holiday-makers who are choosing to vacation at home.

The recovery in business travel is expected to lag the leisure trade. In the meantime, longer-stay accommodation is proving more popular, reports an interviewee. “Serviced apartments have come off slightly better than classic business hotels.” The budget end of the market, serving domestic business travellers, is expected to recover before more luxurious establishments. “And then only at the end, you will have your conferences and your group travel come back to those hotels,” predicts an institutional investor.

The viability of some assets in the long term remains unclear. “Less travel activity could be a trend post COVID-19. This could put further pressure on the hotel and conference sector,” suggests an adviser. “The future of retail and hotels is very uncertain,” predicts a pension fund investor. “They will probably have to reinvent themselves during the years to come.”

In the meantime, opportunistic investors are expecting some level of distress and are on the lookout for bargains. An investment banker notes: “Debt has dried up for the hospitality sector, so this is an opportunity for cash buyers to acquire at 15 to 30 percent discounts, depending on the type. Hotels that are more limited-service are still transacting pretty well, because they tend to have a lot of domestic travellers. Trophy hotels are generational opportunities and would still attract cash buyers at close to, if not pre-COVID levels if any come to the market.”

Outright fire sales may be rare. “Lenders in hard-hit sectors are trying to work with borrowers to get to a point where everyone can carry on for another six, 12, 24 months and monitor how it all goes,” observes an interviewee. Adds another: “I think there will be lower pricing, but distress, absolute capitulation pricing? Not going to happen. There’s too much equity out there, and the banking system is relatively robust.”

Lease structures in the hotel sector have already begun to evolve in recent years, a process that will be turbocharged by the pandemic in the long term (see page 19). Suggests a global investor: “The traditional lease model in hotels is becoming invalid, and the future will be much more around operational leases. That will attract a different category of investor. It will be more speculative capital.”

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Investing in society

“Sustainability and impact investing need to be in our thinking for all that we do rather than just launching specialised products or projects.”

Institutional investor
Impact investing is a minority sport in the world of real estate and in financial investment more generally. But its influence is intensifying, and it is clear which direction the wind is blowing. Furthermore, the social upheaval brought about by COVID-19 has the potential to accelerate its growth and prominence in the built environment.

Real estate always plays an outsized role in society: it is the physical environment in which we play out our lives. But as the world struggles to recover from the health, social, and economic damage wrought by the pandemic, real estate will play a vital role in reviving communities and delivering sustainable places that improve health outcomes for their users and society. Emerging Trends Europe’s survey participants and interviewees believe that awareness of property’s social impact will provide a huge opportunity in the next few years.

However, real estate investors new to the strategy are figuring out how they will employ it in practical terms. When asked what initiatives the industry can undertake to make the greatest difference through impact investing, by far the most common answer, offered by 69 percent of those surveyed, is creating sustainable buildings. This is important, laudable, and of course still has a long way to go, but it is now at least a mainstream, well-integrated aim in real estate.

Real estate has made some progress when it comes to sustainability, working to meet or surpass the sustainability/energy efficiency standards for buildings that are being set by local or national regulations. But the industry now needs to address its social impacts.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing the environmental impact of the built environment</td>
<td>69%</td>
</tr>
<tr>
<td>Design places that takes wellbeing and mental health into account</td>
<td>38%</td>
</tr>
<tr>
<td>Greater focus on delivering social infrastructure eg active mobility, public realm</td>
<td>34%</td>
</tr>
<tr>
<td>Increase the levels and integration of housing for different income levels</td>
<td>33%</td>
</tr>
<tr>
<td>Greater focus on placemaking</td>
<td>27%</td>
</tr>
<tr>
<td>Design places to promote more social equality/mobility</td>
<td>20%</td>
</tr>
<tr>
<td>Set, implement, and monitor policies for enhancing diversity as part of (re)development projects or existing assets</td>
<td>14%</td>
</tr>
<tr>
<td>Measure diversity within the sector and develop targets and strategies to enhance diversity</td>
<td>13%</td>
</tr>
<tr>
<td>Foster integration through community facilities</td>
<td>12%</td>
</tr>
<tr>
<td>Design places to be accessible to diverse set of people with disabilities</td>
<td>8%</td>
</tr>
<tr>
<td>Design strategies and set targets towards including socially marginalised people such as migrants and homeless</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Emerging Trends Europe survey 2021
While not ranking these as highly as reducing the environmental impacts on the built environment, the industry leaders surveyed also highlight social goals, such as more focus on social infrastructure, increasing the amount of housing for different income levels, and designing places that promote more social equality.

At the same time, lack of clarity and understanding remains regarding what impact investing really is – and is not – how it is measured, and whether it can provide an acceptable return. Will it remain a distinct strategy offered in stand-alone products, or will it evolve to become something real estate investors consider in everything they do?

Indeed, for real estate, which has such a significant impact on how we live our lives and the sustainable use of the planet’s scarce resources, is it even helpful to devise a separate definition for impact investing? Regardless of where individuals stand on this point (and those canvassed by Emerging Trends Europe are divided), addressing these questions is key in directing future capital flows towards those investments that generate positive social and environmental impacts alongside financial returns.

Interviewees note that COVID-19 could catalyse capital coming into real estate impact investment. Principally, the pandemic has highlighted the need for greater investment in social infrastructure – a broad term that includes such assets as modern health care facilities, care homes and senior living, affordable housing for key workers, and specialist housing for groups ranging from people with physical or mental disabilities to those suffering from domestic abuse.

“The pandemic has shown that there are elements of our social infrastructure that fundamentally don’t work and need investment, health care being the most obvious,” one investment manager says. “There is not enough liquidity and quality in social infrastructure across Europe, and private capital needs to assist in getting that taken care of.”

If government and local authority funding was already lacking in many of these areas before the pandemic, the problem is even more acute now. Government funds have been drained by efforts to support jobs and economies, leaving even less to spend on services like elderly care or affordable housing.

The pandemic has shown that there are elements of our social infrastructure that fundamentally don’t work and need investment.
Myriad examples exist of real estate capital being needed to provide social infrastructure. In Italy, the Franklin Templeton Social Infrastructure Fund has invested in two hospitals in the Veneto region, an epicentre of the early COVID-19 outbreak in Europe. The municipal authority is now in talks to extend one of the hospitals and is seeking a capital partner for the project.

Domestic abuse rates have risen during the pandemic, with lockdown making it more difficult for women and children to escape their abusers. In the UK, Patron Capital is launching the Women in Safe Homes Fund, which will partner with charities and local authorities to provide housing for women who are experiencing homelessness, are ex-offenders or survivors of domestic abuse, or have other complex needs.

Another example, from before the pandemic, saw the Hémisphère Fund, managed by CDC Habitat and backed by six institutional investors, invest in a programme to purchase 100 low-cost hotels in France, providing up to 10,000 beds for people requiring emergency accommodation.

“For those organisations that are financially sound and have social purpose at their core, there will be a big opportunity,” one institutional investor says. The public sector will be ready and willing to work with real estate investors in the coming months and years, interviewees argue – so long as those investors mirror its values and aims.

One adviser believes developers will be asked to share the pain of communities devastated by COVID-19. “That doesn’t mean sacrificing your rate of return, just providing what a community really needs and thinking for the long term. Right now, short-term thinking isn’t the answer.”

But the strongest catalyst for change – and for the growth of impact investing – is popular opinion. The public is paying much closer attention to how companies affect the world and wants to feel that the money it is spending or investing is, at a minimum, not making the world a worse place – and ideally, making it better.

“We’re in a world now where everyone thinks this is important, both the leaders and the people,” says one pension fund investor. “Real estate needs to realise it has a contribution to make to reducing inequality. Not everyone is on board, but it’s getting better. Tenants and occupiers want us to act. In the past we didn’t need to listen, but the sector will be challenged by society to do more now.”

“For those organisations that are financially sound and have social purpose at their core, there will be a big opportunity.
Consumers are demanding more from the institutions to which they give money – pension funds and insurance companies – which in turn are demanding more from investment managers. “Investors have been under pressure to deploy capital in strategies that are environmentally sustainable for some time now, and we are starting to see that same pressure to deploy in strategies that are socially impactful,” says the CEO of one US developer that makes all its investments with that goal.

Moreover, there is the influence held by that other major consumer of real estate – the industry’s customers, the occupiers. As big corporations increasingly draw attention to their ethos and values as a way of differentiating themselves in the eyes of staff and customers, they will align themselves with real estate providers that share and deliver on those social values, interviewees say.

This wider societal trend, with consumers increasingly choosing brands they believe align with their values, has now also arrived in real estate. Of those surveyed, 73 percent believe that the reputation and brand of real estate owners will become more important in the next five years.

“Our company’s brand and values are becoming more and more relevant as a result of the pandemic,” one longstanding real estate impact investor says. “When there is a recession, people think more broadly about what they are doing for the world. The public has realised that we need to take care of ourselves and each other – that the way we work and live has changed.”

“People will remember who did the right thing,” another investor says. Adds an adviser: “It is an opportunity for developers to re-establish the trust that has been lost. If they miss this opportunity, they might never get it back.”

Interviewees also believe that policymakers have a role to play in priming the pump for the growth of impact investing in real estate.

One way in which national, regional, and local governments are driving bigger change is through their own actions and planning policies. “A lot of local authorities have their own targets for impact investing on their communities, and in order to work with them in joint ventures, real estate investors will have to adhere to these targets,” says one consultant.

And since the pandemic, local authorities in the UK, including Islington Borough in London and Salford in Greater Manchester, now insist that developers submit social value statements alongside planning applications to receive permission to build.

But policies can have unintended consequences. One developer points out that prescribing an amount of affordable workspace may hinder their ability to provide other facilities and programmes for local communities. “Policy can be a very blunt instrument.”

Investors have been under pressure to deploy capital in strategies that are environmentally sustainable for some time now, and we are starting to see that same pressure to deploy in strategies that are socially impactful.

![Figure 4-3 Real estate and impact investing](image)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Disagree strongly</th>
<th>Disagree</th>
<th>Neither/nor</th>
<th>Agree</th>
<th>Agree strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>There will be a greater demand for impact investments in the next 3-5 years</td>
<td>3</td>
<td>18</td>
<td>52</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>The reputation and brand of real estate owners will become a more important success factor</td>
<td>6</td>
<td>20</td>
<td>50</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>A focus on social impact will become integrated in real estate owners’ strategies rather than being offered through specially focused impact investing products</td>
<td>7</td>
<td>23</td>
<td>54</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

Source: Emerging Trends Europe survey 2021
Defining impact

Holding back the strategy’s growth is the basic question: what exactly is impact investing? Just under half of survey respondents say that a better understanding of how it is defined is needed to attract more capital to the sector and that a better ability to measure impact is needed (see page 53).

The answer boils down to three things: intention, measurement, and additionality. “You have to have an intention and an objective, a framework, and the investment process has to be integrated,” one manager of an impact investment fund says. “You can’t just invest in affordable housing and call yourself an impact investor,” another asserts.

As INREV’s spectrum maps out, there is a range of approaches to investing, from traditional and ESG to impact and philanthropy. ESG can involve screening: considering ESG factors (positive and negative) in selecting and managing investments. Or ESG can be integrated, by systematically and explicitly including ESG factors into the financial analysis, risk assessment, and monitoring of investments.

Impact investment goes beyond ESG. It means setting social and/or environmental objectives – which problems are being tackled, how they should be addressed, how the impact on the perceived issues is going to be measured – and then honestly reporting on successes and failures. Additionality is doing something that would not have been done in a normal transaction.

Impact investors universally accept that measuring is important, and the movement to quantify and report is the lingua franca of institutional investors. However, what is measured, how to measure it, and how to disclose information are extraordinarily complex. No consensus exists in the impact investment world on how best to go about this.

That lack of clarity about definition and measurement creates the potential for “impact washing” – creating the appearance that a particular investment or development has positive social outcomes when that is not the case, or when it happens by coincidence rather than intention.

“There is a lot of box-ticking going on – people talking about how many apprenticeships were created during the construction process,” one manager says. However, investors and others are increasingly using external consultants to provide formal and regular impact audits as part of due diligence and/or regular reporting.

Adds a manager: “Social value reports should be created by an independent body. I don’t get to create my own audit report. We need better regulation.”

But beyond formal or regulatory reports on social value, there is another factor that impact investors should consider: the social license to operate (SLO). This is the informal, ongoing acceptance or approval of an organisation and its activities by local communities, stakeholders, and the general public. Based on trust and credibility, the SLO is hard to win and easy to lose.

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**Figure 4-4 Spectrum of investment 2020**

<table>
<thead>
<tr>
<th>Mainstream investment</th>
<th>Impact investment</th>
<th>Philanthropy / Government aid and grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment criteria are on financial returns</td>
<td>Investment criteria are on both financial returns and impact, intentionality and additionality are required</td>
<td>Profit either not expected or secondary to environmental and social impact</td>
</tr>
<tr>
<td>Traditional Financial focus only</td>
<td>Environmental impact Greening strategies</td>
<td></td>
</tr>
<tr>
<td>ESG screening</td>
<td>Social impact Affordable housing, investment in schools, social/care housing, healthcare units</td>
<td></td>
</tr>
<tr>
<td>ESG integration As part of investment selection and monitoring</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: INREV
Enumerating impact

Although it is very easy to say that outcomes need to be measured and quantified to help impact investment grow, it is difficult in practice. “It is hard because there isn’t a single unit of measurement for social impact,” one manager points out. “There isn’t a common vernacular, and it generates a lot of debate.”

The International Finance Corporation, which provides services to encourage private-sector development in less developed countries, has outlined nine operating principles for impact management, applicable to all asset classes. Last year some 60 investors with over $350 billion (€324 billion) of assets (of all types) under management signed on to them.

While many institutional investors may not have a specific allocation for impact investing, they do try to ensure that a certain proportion of their capital is invested in furthering the aims outlined in the United Nations’ Sustainable Development Goals (SDGs). Any metric would need to take these into account.

With real estate, what gets measured depends on the sector in question. With affordable housing, it might be ensuring that the rent in a scheme is lower than average rents in the local area, attracting lower-income tenants.

For a health care facility, it could be the number of patients seen or the reduction in distance that someone in a low-income community has to travel to see a health care professional. If it is a new school, the educational outcomes of the students could be a metric.

But some factors go beyond this, speaking more to the general impact on a wider community. These include local residents brought out of long-term unemployment, local companies used in the supply chain of a scheme, or programmes run for local residents, such as reading clubs.

One consultancy has worked out a way of putting a financial value on social impacts that translates them into a language that investors can understand. One fund manager is condensing all the factors that it measures into a single impact score, allowing the fund and its investors to compare investments in different sectors more easily.

Interviewees stress that measurement does not stop when a development is completed or an investment made. “You have to think about how you will manage a building and how it will interact with society and make a positive contribution,” an investor says.

Measuring and reporting promote good management of the assets, as they make it clear whether additionality is created and is being properly steered. They also generate data and allow investors to do things better in the future. “We have learnt what works and doesn’t, and so that creates a positive feedback loop,” one says.

You have to think about how you will manage a building and how it will interact with society and make a positive contribution.
The opinions of interviewees range from the optimistic to the pragmatic, but one is prevalent: though on an absolute basis financial returns might not be as high as in some other parts of the real estate world, on a risk-adjusted basis they are very compelling.

Those investors in charge of pension fund and long-term liability capital are forthright about their fiduciary responsibilities to get the best return possible for their policy holders: they cannot sacrifice it for social impact. But investors in the strategy insist that financial returns are no worse than in real estate more generally and, in fact, can be higher. “Undertaking developments with social impact provides better risk-adjusted returns,” one manager argues. “The idea of sacrificing return is a myth.”

For example, the gap between supply and demand for affordable housing highlights the huge potential that sector holds; vacancies are going to be low and income stable, which is the kind of return profile some investors favour.

“Good returns”

The perennial thorny question at the heart of impact investing, in real estate and beyond, is whether it is possible to do well and do good: do returns have to be sacrificed to make a positive social impact?

This is the number-one issue raised by survey respondents when asked what would attract more capital to impact investing, with 51 percent citing a better understanding of the risk/return profile. A further 37 percent think more evidence that financial returns are not compromised is needed.

“More pressure from investors/stakeholders”

For example, the gap between supply and demand for affordable housing highlights the huge potential that sector holds; vacancies are going to be low and income stable, which is the kind of return profile some investors favour.

“We are looking at the housing solutions available to the bottom 65 percent of society,” one manager says. “There is more demand for property with lower rents. You are replacing a narrative of increasing rents with one of liquidity, quality, and stability, which can offset the lower absolute return.”

Figures on returns from real estate impact investing are sparse, but they do exist: the Global Impact Investment Network’s respondents report that the average internal rate of return on realised impact investments in real assets (not only real estate) is 13 percent.

Again, COVID-19 is seen as helping rather than hindering the case for impact investments, proving the resilience of those sectors that are typically the focus of the strategy when it comes to real estate.

“Impacting AUM”

A non-profit organisation which aims to help capital create positive environmental and social impacts, the Global Impact Investment Network (GIIN) surveyed 294 investors that together manage $221 billion of impact investment assets of all kinds. In 2018, it found that 11 percent of their assets under management were in the real assets sector, and by 2019 that figure had grown to 17 percent.

More broadly, impact investment assets under management grew by 16 percent a year from 2014 to 2019; the network estimates the impact universe totals $502 billion.
Chapter 4: Investing in society

“Social infrastructure has proved to be an extremely defensive asset class,” one investment manager asserts. “Other property types have had trouble paying the rent or staying open, but our property has stayed open the whole time and been in incredibly high demand – health care, affordable housing, nursing homes. Some elementary schools closed, but all of our tenants paid their rent.”

Another example is Revive’s EKLA project in Molenbeek in Brussels. At the 25,000-square-metre scheme with social and affordable rental housing, free market housing, crèche, school, and affordable offices, units that Revive retained in one of its funds let ahead of schedule and above rental expectations during the pandemic.

The real estate industry has been coming around to the appeal of property types that although more complex operationally, are less cyclical and have strong demographic support, and COVID-19 has reinforced this. Since the onset of the pandemic, Italian asset manager Azimut has unveiled plans to raise €1 billion for a social infrastructure fund to invest in care homes, schools, and student housing, while Savills Investment Management is planning a dedicated ESG fund.

Time horizons are also important. As one institutional investor says, “I think it is easier for us because we can think about returns over the long term. Shorter-term thinking leads you towards certain types of decision that might favour returns over impact.”

It is instructive that where investment managers have launched impact funds, they have tended to be either permanent capital vehicles or have a 10-year life rather than the typical five- to seven-year horizon.

The fact that interest rates are set to stay lower for longer because of central bank stimulus should in theory work in favour of impact investments as well: the steady returns they often provide are more appealing, especially to long-term investors looking to match liabilities.

But raising capital is hard at the best of times, and one of the worst recessions on record has not made it any easier, no matter the social purpose. “There is plenty of money about as people are chasing yield, and the total return is in the right area,” one investment manager says. “But it isn’t clear that there is a bigger pool of capital available now. If people weren’t allocated to impact investing before, it’s not clear that they are today. People are still in a state of shock about COVID-19, and it is hard to get people excited about new ideas when they are freaked out about their existing investments.”

The same is true of debt, interviewees report. While lenders are looking favourably on financing that has a defined social impact, liquidity in the debt markets is reduced overall, especially for development projects.

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Turning up the operational intensity

One thing investors in the impact sector mention consistently is that to do it well is hard. In many ways the challenges are similar to those being faced in all sectors of real estate, only with the complexity and operational intensity turned up a notch. Partly it is the increased reporting and difficulty of measurement that come with impact investing and the extra set of factors that need to be taken into account when making an investment decision. But it also requires a set of skills and a corporate culture that are sometimes alien to the world of real estate. Impact investors are dealing with vulnerable people, and this takes additional skill and care.

“A lot of investors are arrogant and can’t understand the nuances of neglected communities,” one impact investment manager says. “They don’t even know what risks they should be underwriting.”

One example is an investment in a US community that involved housing but also a grocery store. Members of the local community said the store needed to be open 24 hours a day because when it shut, local gangs used the parking lot to sell drugs and shootings increased. “Your team has to be diverse and empathetic. You need different skills; you can’t just have financial analysts.”

But impact investing has big advantages too, in terms of staff and capital. “We think in the long run we will attract more talented people, and companies do better when they have a purpose,” one investment manager says. “You attract people who are not just motivated by the pay cheque.”

Corporate DNA vs focused product?

How will real estate impact investment evolve over the next few years, both in terms of what investors will look to buy and build and how companies will organise themselves? A key question is whether social impact investment is made via dedicated products, or whether investors start to incorporate social impact into everything they do.

Survey respondents are convinced that the latter is the case: 70 percent believe social impact will become integrated in real estate owners’ strategies rather than offered through focused products.

“We just try and have social value in everything we do,” says one pension fund manager. “There is no point in having 20 percent of your capital make an impact and the other 80 percent not.”

Some European real estate companies have defined themselves as impact investors and try to incorporate it in all their activities, including investor/developer Revive in Belgium and FORE Partnership in the UK. Large institutions like APG look to link their investments to specific targets determined within the United Nations SDGs, which are increasingly being used by investors to define and measure the social value they want to bring to their investments.

Elsewhere, several investment managers, such as Franklin Templeton and Patron Capital, plus Cheyne Capital, Man Group, and CBRE Global Investors, have launched impact funds. Some, like Franklin Templeton’s pan-European vehicle, invest in different types of assets, while CBRE Global Investors’ focuses on affordable housing.

In practice, the reality is that investors of different sizes and types are likely to have a broad spectrum of ways in which to approach the strategy. One fund manager, for example, started by allocating capital to external fund managers, learnt the principles, and then began making its own investments, albeit still with expert partners in different asset classes, like private equity, private debt, and real assets.

This approach will be boosted as managers accumulate longer track records demonstrating the strength of both their financial and social returns and by the epiphany that the two do not have to be independent of each other.

Says an investment manager, “Impact investing is mainstream for us in everything we do rather than compartmentalised. We’re pushing it stronger and stronger through all our programmes.”

We think in the long run we will attract more talented people, and companies do better when they have a purpose.
City prospects

The city rankings are based on overall prospects, which are ranked according to how much they deviate from the average/mean score; these are shown in Table 3-1. The scoring is based on the views of both those who are familiar with the city and others who potentially could be investing or developing there but are not.

Berlin (1)

City ranking 2021 (2020) | 1 (2)
--- | ---
Investment prospects | \( \blacktriangleleft 3.72 \)
Development prospects | \( \blacktriangleleft 3.69 \)

Investment prospects: local outlook, 2011–2021

Excellent

Good

Fair

Poor

Very poor

Year | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---

Paris (3)

City ranking 2021 (2020) | 3 (1)
--- | ---
Investment prospects | \( \blacktriangleleft 3.69 \)
Development prospects | \( \blacktriangleleft 3.63 \)

Investment prospects: local outlook, 2011–2021

Excellent

Good

Fair

Poor

Very poor

Year | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---

London (2)

City ranking 2021 (2020) | 2 (4)
--- | ---
Investment prospects | \( -3.18 \)
Development prospects | \( -3.14 \)

Investment prospects: local outlook, 2011–2021

Excellent

Good

Fair

Poor

Very poor

Year | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---

Frankfurt (4)

City ranking 2021 (2020) | 4 (3)
--- | ---
Investment prospects | \( \blacktriangleleft 3.64 \)
Development prospects | \( \blacktriangleleft 3.57 \)

Investment prospects: local outlook, 2011–2021

Excellent

Good

Fair

Poor

Very poor

Year | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---

Source: Emerging Trends Europe survey 2021

\( \blacktriangleleft \) Increase  —— Stay the same  \( \blacktriangleleft \) Decrease
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<th>City</th>
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<th>Investment prospects</th>
<th>Development prospects</th>
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**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

Year: 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21

“In the last year it has solidified to be focusing on buying assets in super well-located, high-quality, diversified cities.”

European head, global investment manager

*Source: Emerging Trends Europe survey 2021*
### Milan (9)

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**City ranking 2021 (2020):**
- Investment prospects: 9 (11)
- Development prospects: 3.28

#### Investment prospects: local outlook, 2011–2021

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**Source:** Emerging Trends Europe survey 2021

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### Vienna (10)

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**City ranking 2021 (2020):**
- Investment prospects: 10 (15)
- Development prospects: 3.81

#### Investment prospects: local outlook, 2011–2021

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**Source:** Emerging Trends Europe survey 2021

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### Dublin (11)

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**City ranking 2021 (2020):**
- Investment prospects: 11 (12)
- Development prospects: 3.37

#### Investment prospects: local outlook, 2011–2021

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**Source:** Emerging Trends Europe survey 2021

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### Brussels (12)

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**City ranking 2021 (2020):**
- Investment prospects: 12 (13)
- Development prospects: 3.10

#### Investment prospects: local outlook, 2011–2021

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**Source:** Emerging Trends Europe survey 2021

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**Note:** The diagrams show trends in investment and development prospects for Milan, Vienna, Dublin, and Brussels from 2011 to 2021. The categories are very poor, poor, fair, good, and excellent. The source for these trends is the Emerging Trends Europe survey 2021.
Barcelona (13)
City ranking 2021 (2020) 13 (9)
Investment prospects — 2.96
Development prospects — 2.93

Investment prospects: local outlook, 2011–2021
Excellent
Good
Fair
Poor
Very poor
Year 11 12 13 14 15 16 17 18 19 20 21

Warsaw (14)
City ranking 2021 (2020) 14 (14)
Investment prospects — 3.71
Development prospects — 3.64

Investment prospects: local outlook, 2011–2021
Excellent
Good
Fair
Poor
Very poor
Year 11 12 13 14 15 16 17 18 19 20 21

Lisbon (15)
City ranking 2021 (2020) 15 (10)
Investment prospects — 3.40
Development prospects — 3.35

Investment prospects: local outlook, 2011–2021
Excellent
Good
Fair
Poor
Very poor
Year 11 12 13 14 15 16 17 18 19 20 21

Stockholm (16)
City ranking 2021 (2020) 16 (18)
Investment prospects — 3.62
Development prospects — 3.52

Investment prospects: local outlook, 2011–2021
Excellent
Good
Fair
Poor
Very poor
Year 11 12 13 14 15 16 17 18 19 20 21

“The winners in many ways will be what I would call the 15-hour cities or 18-hour cities rather than the 24-hour cities.”

CIO, European fund manager

Source: Emerging Trends Europe survey 2021
▲ Increase — Stay the same ▼ Decrease
### Luxembourg (17)

<table>
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<tr>
<th>Year</th>
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### Source:
Emerging Trends Europe survey 2021

▲ Increase
— Stay the same
▼ Decrease
### Lyon (21)

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**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

### Manchester (22)

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**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

### Rome (23)

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</table>

**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

### Prague (24)

<table>
<thead>
<tr>
<th>Year</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
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<th>21</th>
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<tbody>
<tr>
<td>City ranking 2021 (2020)</td>
<td>24 (20)</td>
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<tr>
<td>Development prospects</td>
<td>— 3.43</td>
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</tr>
</tbody>
</table>

**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

---

“Consider cities that embrace inclusion, cosmopolitan lifestyle, that invest in the infrastructure and try to provide more housing.”

Country head, global fund manager

---

*Source: Emerging Trends Europe survey 2021*
<table>
<thead>
<tr>
<th>City</th>
<th>City ranking 2021 (2020)</th>
<th>Investment prospects</th>
<th>Development prospects</th>
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</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>25 (24)</td>
<td>— 3.43</td>
<td>— 3.42</td>
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<tr>
<td>Budapest</td>
<td>26 (27)</td>
<td>— 3.15</td>
<td>— 3.02</td>
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<tr>
<td>Edinburgh</td>
<td>27 (25)</td>
<td>— 3.15</td>
<td>— 3.00</td>
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<td>Athens</td>
<td>28 (28)</td>
<td>3.62</td>
<td>3.69</td>
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**Investment prospects: local outlook, 2011–2021**

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment prospects</th>
<th>Development prospects</th>
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<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Emerging Trends Europe survey 2021

- Increase: ▲
- Stay the same: —
- Decrease: ▼
### Oslo (29)

<table>
<thead>
<tr>
<th>City ranking 2021 (2020)</th>
<th>29 (29)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment prospects</td>
<td>3.25</td>
</tr>
<tr>
<td>Development prospects</td>
<td>3.15</td>
</tr>
</tbody>
</table>

**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

### Moscow (31)

<table>
<thead>
<tr>
<th>City ranking 2021 (2020)</th>
<th>31 (31)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment prospects</td>
<td>2.42</td>
</tr>
<tr>
<td>Development prospects</td>
<td>2.42</td>
</tr>
</tbody>
</table>

**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

### Istanbul (30)

<table>
<thead>
<tr>
<th>City ranking 2021 (2020)</th>
<th>30 (30)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment prospects</td>
<td>2.39</td>
</tr>
<tr>
<td>Development prospects</td>
<td>2.43</td>
</tr>
</tbody>
</table>

**Investment prospects: local outlook, 2011–2021**

- **Excellent**
- **Good**
- **Fair**
- **Poor**
- **Very poor**

“*You can find very good investment opportunities in cities that are at the bottom of the ranking. It depends on the sector, on the micro-location.*”

European research director, global consultancy

---

*Source: Emerging Trends Europe survey 2021*
About the survey

“Without growth it’s really hard to deliver good returns. When markets get stuck, that’s when you can see the difference between brilliant and mediocre managers.”

Scandinavian fund manager
Emerging Trends in Real Estate® Europe, a trends and forecast publication now in its 18th edition, is a highly regarded and widely read report in the real estate industry. Undertaken jointly by PwC and the Urban Land Institute, the report provides an outlook on investment and development trends, capital markets, cities, sectors and other real estate issues throughout Europe.

Emerging Trends in Europe 2021 reflects the views of 995 individuals who completed surveys, were interviewed or took part in a series of roundtable meetings across Europe as a part of the research for this report. The views expressed are from these surveys, interviews and roundtable meetings and do not express the opinions of either PwC or ULI. The interviewees and survey participants represent a wide range of industry experts, including investors, fund managers, developers, property companies, lenders, brokers and consultants. A list of the interviewees and roundtable participants in this year’s study appears on the following pages.

To all who helped, ULI and PwC extend sincere thanks for sharing valuable time and expertise. Without their involvement, this report would not have been possible.

### What are your business’s primary activities?

**2021**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate service firm</td>
<td>36%</td>
</tr>
<tr>
<td>Private property company or developer</td>
<td>26%</td>
</tr>
<tr>
<td>Fund/investment manager</td>
<td>21%</td>
</tr>
<tr>
<td>Institutional/equity investor</td>
<td>10%</td>
</tr>
<tr>
<td>Publicly listed property company or REIT</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Homebuilder or residential developer | 6%
Bank, lender, or securitised lender     | 5%
Real estate operator                   | 3%
Other                                    | 5%

**Source:** Emerging Trends Europe survey 2021

### Survey responses by geographic scope of firm

**2021**

<table>
<thead>
<tr>
<th>Scope of Firm</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focused primarily on one country</td>
<td>48%</td>
</tr>
<tr>
<td>Pan-European focus</td>
<td>23%</td>
</tr>
<tr>
<td>Global focus</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

**Source:** Emerging Trends Europe survey 2021

### Survey responses by geographic scope of firm (%)

Source: Emerging Trends Europe survey 2021
About this survey

Interviewees

Advenis
Jean-François Chaury

AEW Europe
Raphael Brault
Hans Vrensen
Rob Wilkinson

AF Eiendom
Otto Christian Groth

Akfen REIC
Sertac Karaagaoglu

Allianz Real Estate
Donato Saponara
François Trausch

alstria office REIT
Alexander Dexne

Altera Vastgoed
Jaap van der Bijl

Ampega Real Estate
Markus Linden

Annexum
Huib Boissevain

APG
Robert-Jan Foortse
Claudia Kruse

Arcona Capital
Guy Barker

Ardian Real Estate
Stéphanie Bensimon

Areim
Leif Andersson

Aspelin Ramm
Gunnar Boyum

Avison Young
Clarissa Alfrink

Azora
Cristina García-Peri

Bain
David Cullen

Bank of America Merrill Lynch
Struan Robertson

Bayerische Hausbau
Enno Braune

Beisheim Holding
Martin Bruns

Belfius Insurance
Annemie Baecke

Benson Elliot
Marc Mogull

Berlin Hyp
Gero Bergmann

Besqab
Carola Lavén

Blackstone
James Seppala

BNP Paribas Real Estate
Nathalie Charles

Bruun & Hjejle
Christian Schow Madsen

Burlington Real Estate
John Bruder

CA Immo
Andreas Quint

Cale Street Partners
Wilson Lee
Ed Siskind

Calum
Jakob Axol

Canada Pension Plan Investment Board (CPPIB)
Andrea Orlandi

CapitaLand
Korbinian Kirchner

CapMan
Markku Jääskeläinen
Mika Matikainen

Catella
Xavier Jongen

CBRE
Marie Hunt

CBRE Global Investors
Paul Oremus
Jeremy Plummer

Cerved Property Services
Dimitris Andritsos

Chris Igwe International
Chris Igwe

Cofinimmo
Jean-Pierre Hanin

Colliers Global Investors
Arnaud Broussou
Grégoire Deramecourt

Colonial
Juan Manuel Ortega Moreno

Core Property Management
John Bedker

Credit Suisse Asset Management
Rafael Metternich
Marc-Oliver Tschabold

Crestyl
Omar Koleilat

Cushman & Wakefield
Sergey Rjabokobytko

Deutsche Pfandbriefbank
Charles Balch

DZ Hyp
Georg Reutter

Eastdil Secured
Riaz Azadi
Michael Cochran
Edmond de Rothschild REIM
Pierre Jacquot

Eiendomsspar
Jon Rasmus Aurdal

Elo
Tatu Pakarinen

EPP Poland
Tomasz Trzósło

eQ Asset Management
Tero Estovirta

Europa Capital
Nic Fox
Rob Sim
Andy Watson

FORE Partnership
Basil Demeroutis

Ferd Eiendom
Carl Brynjulfson

Fidelity International
Neil Cable

Foncière Inéa
Philippe Rosio

Franklin Templeton
Raymond Jacobs

Fredensborg Bolig
Magnus Aune Hvam

Gecina
Romain Veber

Generali Real Estate
Aldo Mazzocco

Genestra
Tuomas Ahonen

Goldman Sachs
Jim Garman

Goodbody
Colm Lauder

Greystar
Claire Solon

Grosvenor
Graham Parry

Grupo Lar
Miguel Pereda

Hammerson
Jean-Philippe Mouton

Harrison Street
Paul Bashir

HB Reavis
Peter Pecnik

Hibernia REIT
Kevin Nowlan

Hines Real Estate
Lars Huber
Brian Moran
Andy Smith

Höegh Eiendom
Eirik Thrygg

HOM Real Estate
Hakan Malak

Ilmarinen
Mikko Antila
Kenneth Nyman

Immobel
Marnix Galle

Immobra
Frederick Perneel
Pieter-Jan Petit

INOWAI
Vincent Bechet

Intrum Hellas
Konstantinos Georgiakos

ION
Bert Viaene

Irish Residential Properties REIT
Margaret Sweeney

Ivanhoé Cambridge
Karim Habra

JLL
James Brown
Jan Eckert
Pieter Hendrikse

JP Morgan Asset Management
Paul Kennedy
Peter Reilly

KKR
Patricia Bandeira Vieira
Guillaume Cassou

Koçamo
Ville Raitio

Kryalos
Paolo Massimiliano Bottelli

LaSalle Investment Management
Jon Zehner

Leasinvest Real Estate
Jean Sterbelle
Olivier Vuylsteeke

Legal & General
Bill Hughes

M&G Investments
John Barakat
José Pellicer

Man Group
Shamez Alibhai

Masterdam
Jeppe de Boer

Merlin Properties
Ismael Clemente

Metrovacesa
Jorge Pérez de Leza
About this survey

Interviewees

Morgan Stanley
Brian Niles

MREC
Tomi Grönlund
Ville Mannila

Newssec
Max Barclay

Nexvia
Pierre Clément

NIAM
Antti Muilu

NN Investment Partners
Lennart van Mierlo

Nordea Bank
Timo Nyman

Nordr Eiendom
Baard Schumann

Norwegian Property
Bent Oustad

NREP
Jani Nokkanen

Nuveen
Mike Sales
Rekha Unnithan

OFFICEFIRST Real Estate
Jonas Kriebel
Sophie van Oosterom

Pohjola Property Management
Pami Pihlström

Orilina Properties REIC
Marios Apostolinas

Orion Capital Managers
Van Stults

Panattoni Europe
Robert Dobrzycki

Patrizia
Sheelam Chadha
Marcus Cieleback
Anne Kavanagh
Peter Helfrich

Patron Capital
Keith Breslauer

PGIM Real Estate
Thomas Kallenbrunnen

Principal Real Estate Europe
Jos Short

Prologis
Martina Malone

Redevo
Kristof Restiau
Andrew Vaughan

Revive
Nicolas Bearelle

Risanamento
Davide Petroni Albertini

Sagax
Jaakko Vehanen

Savills
Eri Mitsostergiou

Schroders
Roger Henning
Robert Varley

Solvia
Francisco Javier Pérez

Sensible Capital
Silvia Rovere

SIGNA
Jürgen Fenk
Jörg Krane

Skanska
Katarzyna Zawodna

Storebrand Asset Management
Truls Nergaard

Taaleri
Essi Sten

TAG Immobilien
Martin Thiel

Technopolis
Sami Laine

The Social Value Portal
Guy Battle

Tristan Capital Partners
Simon Martin

Turner Impact Capital
Bobby Turner

Warburg-HIH
Reinoud Plantenga

UBS
Eoin Bastible
Gunnar Herm

Value Retail
Scott Malkin

Varma
Ilkka Tomperi

Vesteda
Gertjan van der Baan

Via Ágora
Juan Antonio Gómez-Pintado

Zurich Insurance
Olafur Margeirsson
### Round table attendees

<table>
<thead>
<tr>
<th>Country</th>
<th>Attendees</th>
</tr>
</thead>
</table>
| **Belgium and the Netherlands** | Marnix Galle (Immobel)  
Montea (Jo De Wolf)  
PwC Netherlands (Bart Kruijssen)  
PwC Belgium (Evelyne Paquet)  
Rabo Real Estate (Hans-Hugo Smit)  
Tilburg University (Dirk Brounen)  
ULI Netherlands (Robert de Jong)  
ULI Belgium (Laurent Sempot)  
UNStudio (Arjan Dingste) |
| **Central Europe**       | Atrium European Real Estate (Karol Bartos)  
Colliers International (Dorota Wysokińska-Kudzra)  
Cromwell Property Group (Karol Plińiewicz)  
Cushman & Wakefield (Zuzanna Paciocikiewicz)  
Globalworth (Artur Apostol)  
Helaba (Martin Erbe)  
Invesco Real Estate (Anna Duchnowska)  
JLL (Paweł Sztejter)  
Linklaters (Weronika Guerquin-Koryzma)  
Proptech Foundation (Bartosz Dobrowolski)  
PwC Poland (Bartosz Włodarczyk) |
| **Denmark**              | Bloxhub (Jakob Norman-Hansen)  
Bruun & Hjejle (Christian Schow Madsen)  
Byggesocietet (Ole Schroder)  
Colliers (Peter Winther)  
Danish Association of Architectural Firms (Lars Emil Kragh)  
Generation Global (Jack Renteria)  
Hines (James Robson)  
Nordic Hotel Consulting (Christian Kielgast)  
PropTech Denmark (Nadim Stub)  
PwC Denmark (Kim Søberg Petersen)  
Ramboll (Lars Riemann, Mette Søs Lassesen)  
Realkredit (Bjarne Aage Jørgensen)  
Vulcano (Kristian Riis)  
Nordic LA (Christiane Eckert) |
France

Allianz Real Estate
Sébastien Chemouny

Berlin Hyp
Benjamin Cartier-Bresson

DTZ Investors
Erik Sonden

Gensler
William Yon

LaSalle Investment Management
Beverley Shadbolt

Nuveen
Christel Zordan

Primonial
Charles Ragons

PwC France
Bruno Lunghi

Sogelym Dixence
Jérôme Durand

Union Investment
Tania Concejo-Bontemps

Viguier
Benjamin Doré

Germany

Berlin Hyp
Gero Bergmann

Catella Property Valuation
Thomas Beyerle

Commerz Real
Jens Böhnllein

EDGE Technologies
Dirk Dittrich
Martin Rodeck

Greenberg Traurig
Christian Schede

Immobilien Zeitung
Brigitte Mallmann-Bansa

JLL
Achille Simo

Palmira Capital Partners
Mathias Leidgeb

PwC Germany
Harald Heim
Dirk Hennig
Thomas Veith

Italy

Amundi Real Estate
Di Corato Giovanni

BNP Paribas
Zanzottera Cristiana

Borio Mangiarotti
De Albertis Edoardo

Brìoschi Sviluppo Immobiliare
Cabassi Matteo

Edizione Property
Montagner Mauro

GVA Redilco
Amitrano Giuseppe

Lagare
Paternostro Francesco

LendLease
Zichichi Fabrizio

LFPI
Keller Stefano

Torre
Stella Michele

UBS
Lepore Gaetano

Zurich
Pieralli Giorgio
Spain and Portugal

Aedas Homes
David Martinez Montero

Distrito Castellana Norte
Carmen Panadero

Grupo Lar
Miguel Pereda Espeso

V20 Investment & Advisory
Juan Velayos Lluis

Meridia Capital
Juan Barba

PwC Spain
Itziar Mendizabal

ULI Madrid
Alfonso Benavides

Vodafone Group Services
Gonzalo Delgado

Sweden

Diös
Knut Rost

Newsec Advisory
Max Barclay

Pembroke
Stefan Andersson

Profi
Thomas Sipos

Utopia
Carl Michael Augustsson

Switzerland

AFIAA Real Estate Investment
Ingo Bofinger

AXA Investment Managers – Real Assets
Rainer Suter

Swiss Life Asset Management
Mario Holenstein

Indevise Group and ULI Switzerland
Birgit Werner

University of Basel
Pascal Gantenbein
PwC’s real estate practice assists real estate investment advisers, real estate investment trusts, public and private real estate investors, corporations, and real estate management funds in developing real estate strategies; evaluating acquisitions and dispositions; and appraising and valuing real estate. Its global network of dedicated real estate professionals enables it to assemble for its clients the most qualified and appropriate team of specialists in the areas of capital markets, systems analysis and implementation, research, accounting, and tax.

Craig Hughes  
PwC Global Real Estate Leader

Angus Johnston  
PwC EMEA & UK Real Estate Leader

Gareth Lewis  
PwC ETRE Global and EMEA Leader

Yanni Toum  
PwC ETRE Project Manager

Participating EMEA PwC Real Estate Territory Leaders

Peter Fischer  
PwC Real Estate Leader, Austria

Grégory Jurion & Geoffroy Jonckheere  
PwC Real Estate Leader, Belgium

Richard Jones  
PwC Real Estate Leader, Czech Republic

Jesper Wiinholt  
PwC Real Estate Leader, Denmark

Jeroen Bus  
PwC Real Estate Leader, Finland

Jean-Baptiste Deschryver  
PwC Real Estate Leader, France

Thomas Veith  
PwC Real Estate Leader, Germany

Vassilios Vizas  
PwC Real Estate Leader, Greece

Csaba Polacsek  
PwC Real Estate Leader, Hungary

Joanne Kelly  
PwC Real Estate Leader, Ireland

Lia Turri  
PwC Real Estate Leader, Italy

Ilindra Lejina  
PwC Real Estate Leader, Latvia

Amaury Evrard  
PwC Real Estate Leader, Luxembourg

Lauren Williams  
PwC EMEA Real Estate Communication Leader, Luxembourg

Jeroen Elink Schuurman  
PwC Real Estate Leaders, Netherlands

Elin Young  
PwC Real Estate Leader, Norway

Kinga Barchon  
PwC Real Estate Leader, Poland

Jorge Figueiredo  
PwC Real Estate Leader, Portugal

Oleg Malyshev  
PwC Real Estate Leader, Russia

Alexander Šrank  
PwC Real Estate Leader, Slovakia

Antonio Sanchez Recio  
PwC Real Estate Leader, Spain

Helena Ehrenborg  
PwC Real Estate Leader, Sweden

Marie Seiler  
PwC Real Estate Leader, Switzerland

Ersun Bayraktaroglu  
PwC Real Estate Leader, Turkey

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The Urban Land Institute is a global, member-driven organisation comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute’s mission of providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI’s interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 81 countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanisation, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

ULI has been active in Europe since the early 1990s, and today has almost 4,000 members across Europe with 14 national councils. The Institute has a particularly strong presence in the major European real estate markets of the UK, Germany, Belgium, France, and the Netherlands, but is also active in developing markets such as Poland and Spain.

W. Edward Walter  
Global Chief Executive Officer  
Urban Land Institute

Lisette van Doorn  
Chief Executive Officer  
Urban Land Institute Europe

Anita Kramer  
Vice President  
ULI Center for Capital Markets and Real Estate  
Urban Land Institute

Elliott Hale  
Director  
Urban Land Institute Europe

More information is available at europe.uli.org. Follow ULI on Twitter, Facebook, LinkedIn, and Instagram.
Emerging Trends in Real Estate®
An uncertain impact

Europe 2021

What are the best bets for investment and development across Europe in 2021? Based on personal interviews with and surveys from 995 of the most influential leaders in the real estate industry, this forecast will give you the heads-up on where to invest, what to develop, which markets and sectors offer the best prospects, and trends in capital flows that will affect real estate. A joint undertaking of PwC and the Urban Land Institute, this 18th edition of Emerging Trends Europe is the forecast you can count on for no-nonsense, expert insight.

Highlights
• Tells you what to expect and where the best opportunities are.
• Elaborates on trends in the capital markets, including sources and flows of equity and debt capital.
• Reports on how the economy and concerns about credit issues are affecting real estate.
• Discusses which European cities and property sectors offer the most and least potential.
• Describes the impact of social and political trends on real estate.

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