Real estate trends 2020: The challenge of keeping pace with stakeholder demands

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Economic headwinds fail to dent three-year outlook

Short-term confidence is down, but the three-year outlook remains strong for both the overall economy and CEOs’ own companies. With economic conditions likely to keep interest rates low, real estate yields will remain attractive to investors.

Prospects for growth

Global economic growth
Q: Do you believe global economic growth will improve, stay the same or decline over the next 12 months?

12-month confidence
Q: How confident are you about your company’s prospects for revenue growth over the next 12 months?

Three-year confidence
Q: How confident are you about your company’s prospects for revenue growth over the next three years?

Source: PwC, 23rd Annual Global CEO Survey

Note: Not all figures add up to 100% as a result of rounding percentages and excluding ‘neither/nor’ and ‘don’t know’ responses

Base: Real estate respondents (2020=77; 2019=70; 2018=30)
Service shift opens up significant challenges

CEOs’ investment priorities highlight the shift to real estate as a service. Building valued and recognisable brands is a key first step, but it will be challenging in a sector that has traditionally operated with a limited public profile or direct customer engagement.

Investment priorities

Real estate CEOs are also prioritising and/or investing in customer experiences over the next 12 months through brand development, new talent and leveraging data.

12-month investment priorities

Q: Which of the following opportunities in the real estate industry will you be prioritising and/or investing in over the next 12 months?

- Building a real brand that customers and stakeholders recognise and value: 58%
- Attracting talent with the right skills as real estate becomes customer- and service-focused: 58%
- Leveraging data to improve customer experience and create competitive advantage: 55%
- Accessing innovation through the emerging proptech ecosystem: 42%
- Creating competitive advantage through restructuring: 20%

Source: PwC, 23rd Annual Global CEO Survey
Base: Real estate respondents (2020=66)
Easy targets
Geopolitical and policy uncertainty keep real estate CEOs awake at night. PwC research points to concerns about rent control. Because real estate companies have a limited public profile and most people don’t understand how important real estate companies are in their lives, the sector is an easy target for tax hikes and disruptive regulation.

What keeps real estate CEOs awake at night?

Q: How concerned are you, if at all, about each of these potential threats to your organisation’s growth prospects? (Showing only “extremely concerned” responses.)

Top three political, economic and social threats

<table>
<thead>
<tr>
<th>Threat</th>
<th>% Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geopolitical uncertainty</td>
<td>40%</td>
</tr>
<tr>
<td>Policy uncertainty</td>
<td>39%</td>
</tr>
<tr>
<td>Over-regulation</td>
<td>34%</td>
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</tbody>
</table>

Top three business threats

<table>
<thead>
<tr>
<th>Threat</th>
<th>% Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of trust in business</td>
<td>30%</td>
</tr>
<tr>
<td>Availability of key skills</td>
<td>27%</td>
</tr>
<tr>
<td>Speed of technological change</td>
<td>25%</td>
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</tbody>
</table>

Source: PwC, 23rd Annual Global CEO Survey
Base: Real estate respondents (2020=77)
**Sustainability and inclusion are no longer just nice-to-haves**

Building and construction activities account for more than a third of energy-related carbon dioxide emissions. In addition to greater sustainability, the upsurge in investments in environmental, social and governance (ESG) factors calls for rethinking how real estate supports communities. But real estate CEOs still see climate change as more of a reputational issue than a strategic opportunity.

**Responding to climate change**

_Q: How strongly do you agree or disagree with the following statements regarding climate change? (Showing only “strongly agree” and “agree” responses.)_  

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our response to climate change initiatives will provide a reputational advantage for my organisation among key stakeholders, including employees</td>
<td>34%</td>
</tr>
<tr>
<td>Our stakeholders have reasonable expectations regarding our approach to climate change</td>
<td>27%</td>
</tr>
<tr>
<td>Climate change initiatives will lead to significant new product and service opportunities for my organisation</td>
<td>17%</td>
</tr>
<tr>
<td>My organisation has assessed the potential transition risks to a ‘greener’ economy</td>
<td>12%</td>
</tr>
<tr>
<td>My organisation has assessed the potential physical risks to future climate events</td>
<td>12%</td>
</tr>
<tr>
<td>My organisation will benefit from government funds or financial incentives for ‘green’ investments</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: PwC, 23rd Annual Global CEO Survey  
(Base: Real estate respondents (2020=77))
Getting out in front

There are four key priorities for keeping pace with changing stakeholder demands and turning these developments to real estate firms advantage:

1. **Act as a force for good rather than as an easy target.**
   Build a recognised brand, emphasising your role within society and your alignment with policymakers’ goals.

2. **Be first for service.** Develop the talent and technology needed to get closer to customers and move quickly to meet their growing expectations.

3. **Live up to promises on ESG.** Recognise sustainability and social inclusion as key contributors to the value of real estate and as opportunities to cement stakeholder ties. Innovation is essential in meeting stakeholder demands, while rigorous governance is needed to ensure that companies are living up to them.

4. **Understand the true costs and risks.** Financial plans and operational capabilities should take full account of the changing risk and cost profile.
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For more information, contact:

Craig Hughes
Global Real Estate Leader
Partner, PwC UK
+44 20 7212 4183
craig.o.hughes@pwc.com