

# PwC CI annual Real Estate Conference 2024

Slido code: #RealEstate2024

January 2024



# Event opening



**Ian Tait**  
Jersey Real  
Estate Leader,  
PwC CI



# Emerging trends in Real Estate



**Nadine van der Westhuizen**  
Director,  
Assurance  
PwC CI



**Ali Cambray**  
Director,  
Sustainability  
PwC CI



# Tax talking points



**Stuart Macklin**  
Tax Director,  
PwC CI





# Panel discussion: Today's participants



## Moderator



**Lisa McClure**  
Partner,  
CI Real Estate  
Leader,  
PwC CI



**Nick Harrisingh**  
Partner,  
Trowers &  
Hamblins LLP



**Isabel Robins**  
Independent  
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**Tom Walker**  
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UK



Please join [slido.com](https://slido.com) to participate in our poll

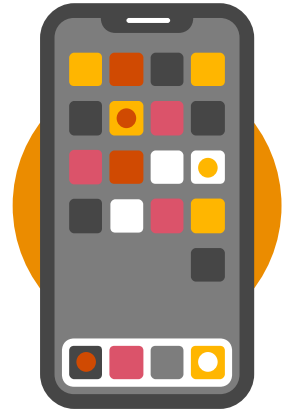
Which of the following do you think will have the biggest impact on the Real Estate industry in 2024?

- Interest rate movements
- Inflation
- Market liquidity
- Refinancing challenges
- Environmental, social and governance (ESG) matters
- Artificial Intelligence (AI)/Machine learning



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## #RealEstate2024



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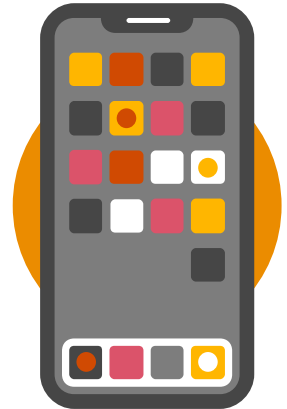
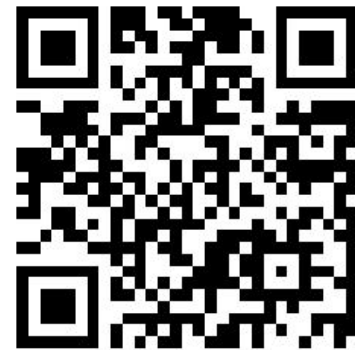
Which of the following do you think will have the biggest impact on the Real Estate industry in the next 3-5 years?

- Interest rate movements
- Inflation
- Market liquidity
- Refinancing challenges
- Environmental, social and governance (ESG) matters
- Artificial Intelligence (AI)/Machine learning



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## #RealEstate2024



# Emerging trends in Real Estate



**Nadine van der Westhuizen**  
Director,  
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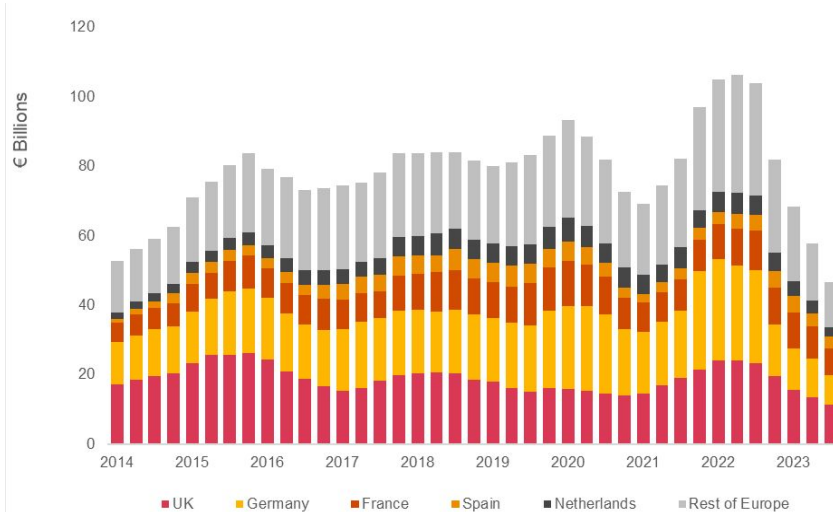


**Ali Cambray**  
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Sustainability  
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# Market stasis: Broad-based slowdown in investment activity

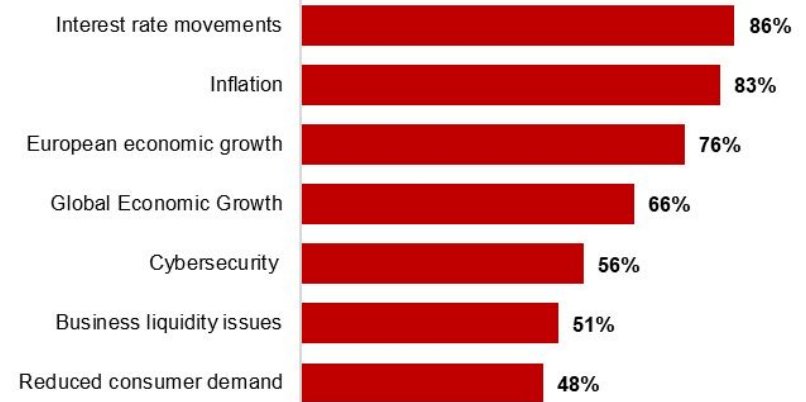
European Real Estate Transaction volumes in 2023 compared to previous years (up to Q3 2023)



Source: MSCI Real Assets

“ If investors have a choice to sit on their hands, they’re doing it.”

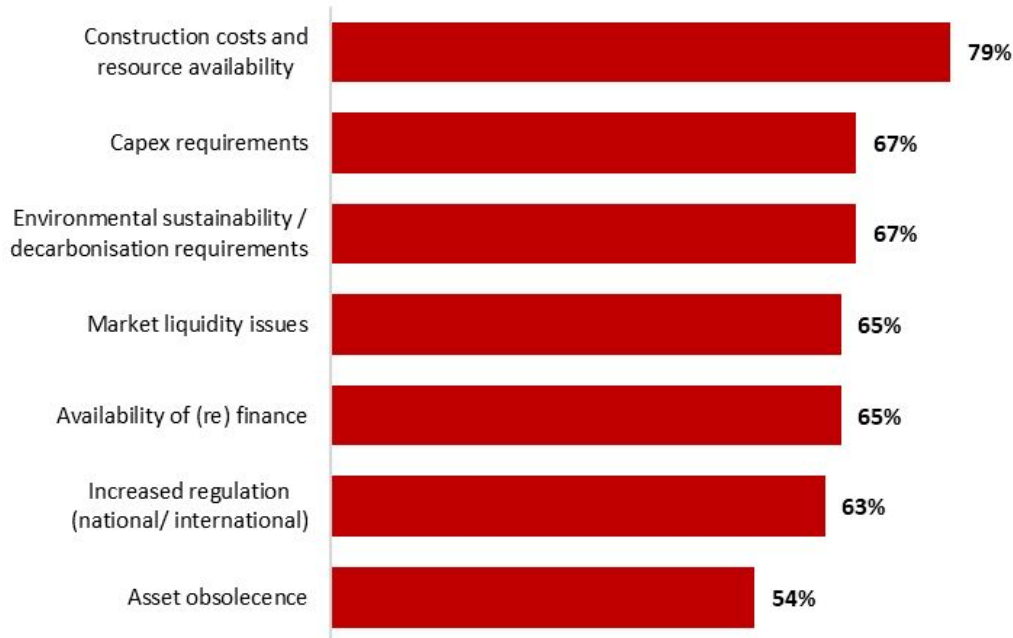
European business environment issues causing concern in 2024 (% overall concerned)



**76%** believe that current valuations “do not accurately reflect all the challenges and opportunities

# Real Estate business issues causing concern in 2024

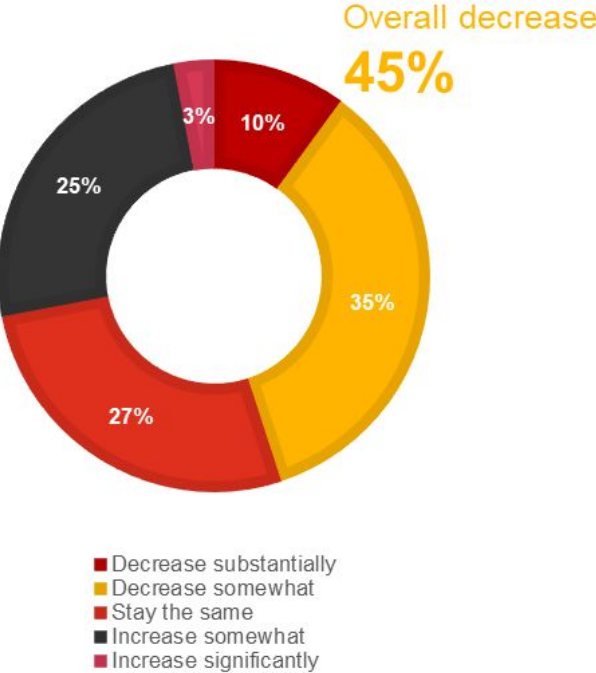
## European Real Estate business issues causing concern in 2024 (% overall concerned)



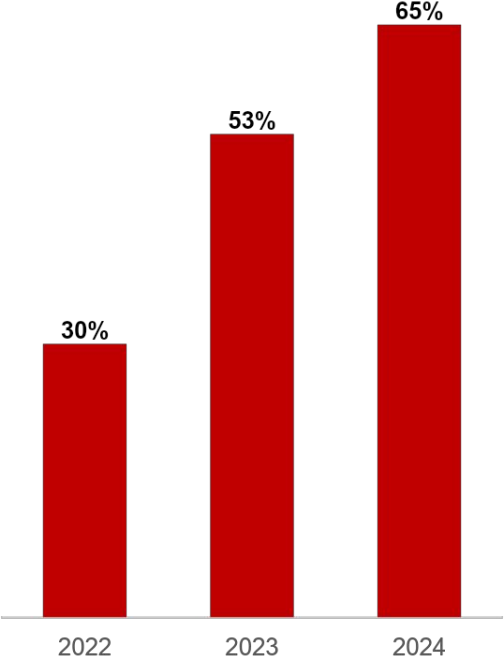
Asset obsolescence could accelerate, driven by sustainability requirements on the one hand, and tenant demands on the other.”

# Availability of debt for refinancing or new investment in 2024

Availability of debt for refinancing or new investment in 2024



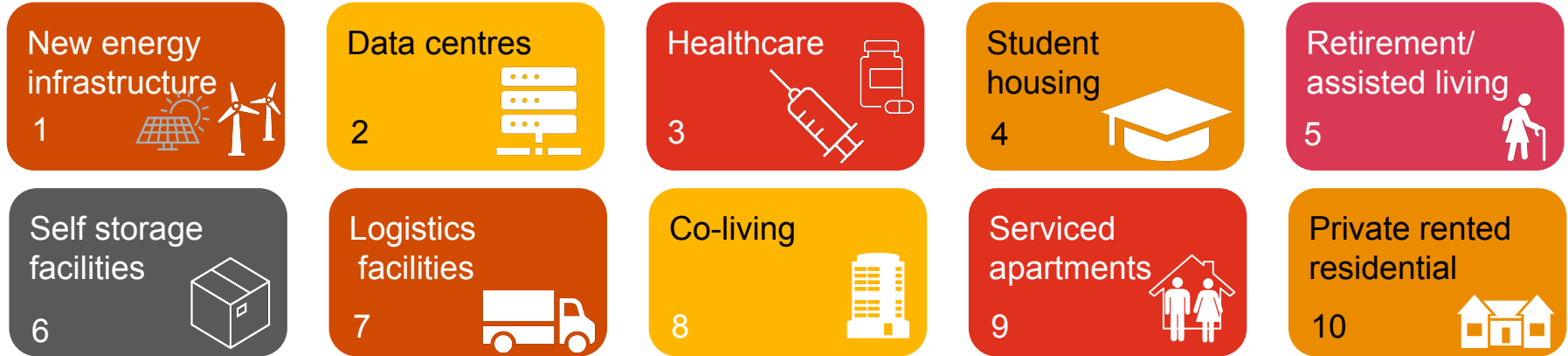
% overall concerned with availability of re(finance)



We're clearly going through another major transition in the capital markets on a scale probably only slightly smaller than the Global Financial Crisis (GFC), and it seems like we're about halfway through it."

Source: PwC - Emerging Trends in Real Estate 2024

# The top-ranking sector prospects in 2024 are underpinned by global megatrends



“ The industry is developing a more sophisticated understanding of what drives rental income and value in Real Estate occupation.

“ Residential will become more mixed use with amenities and service apartments.”



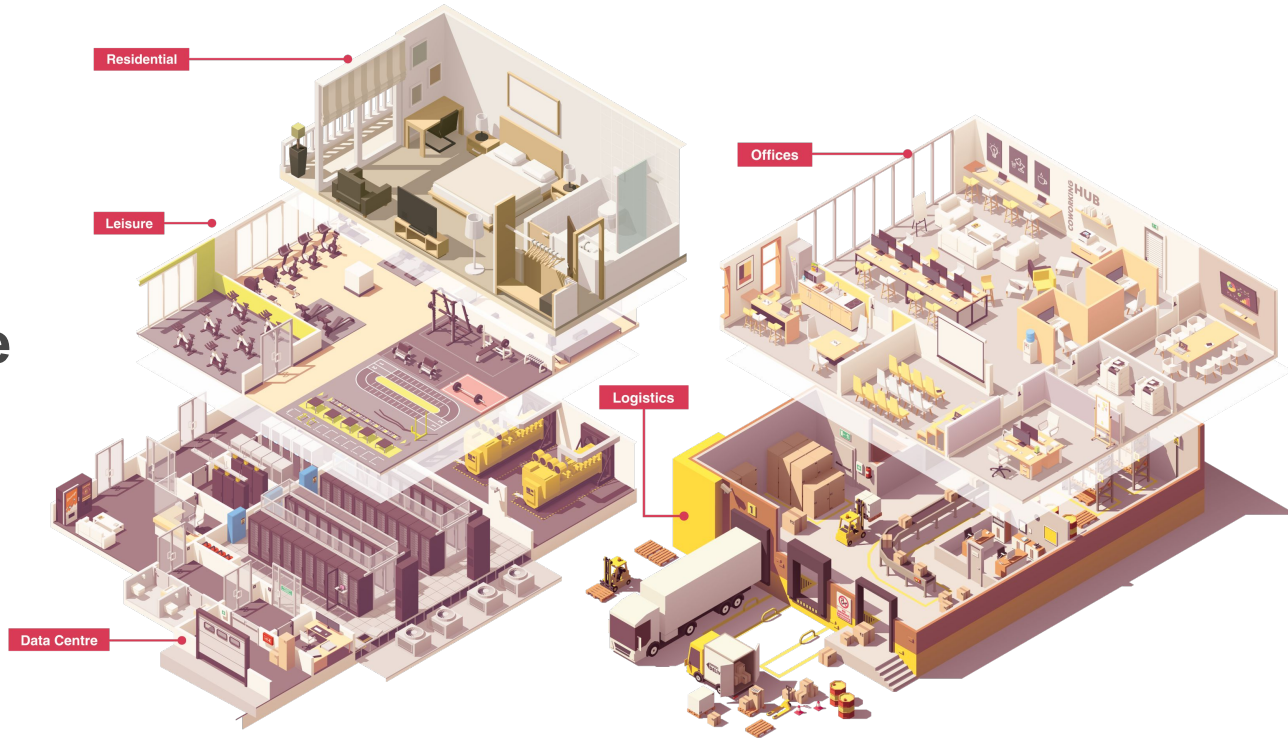
# Mixed-use on the increase

## 8 in 10

### expect co-location of Real Estate sectors to increase



More office buildings will incorporate different alternative uses including life sciences, data centres and serviced apartments.”



Source: PwC - Emerging Trends in Real Estate 2024

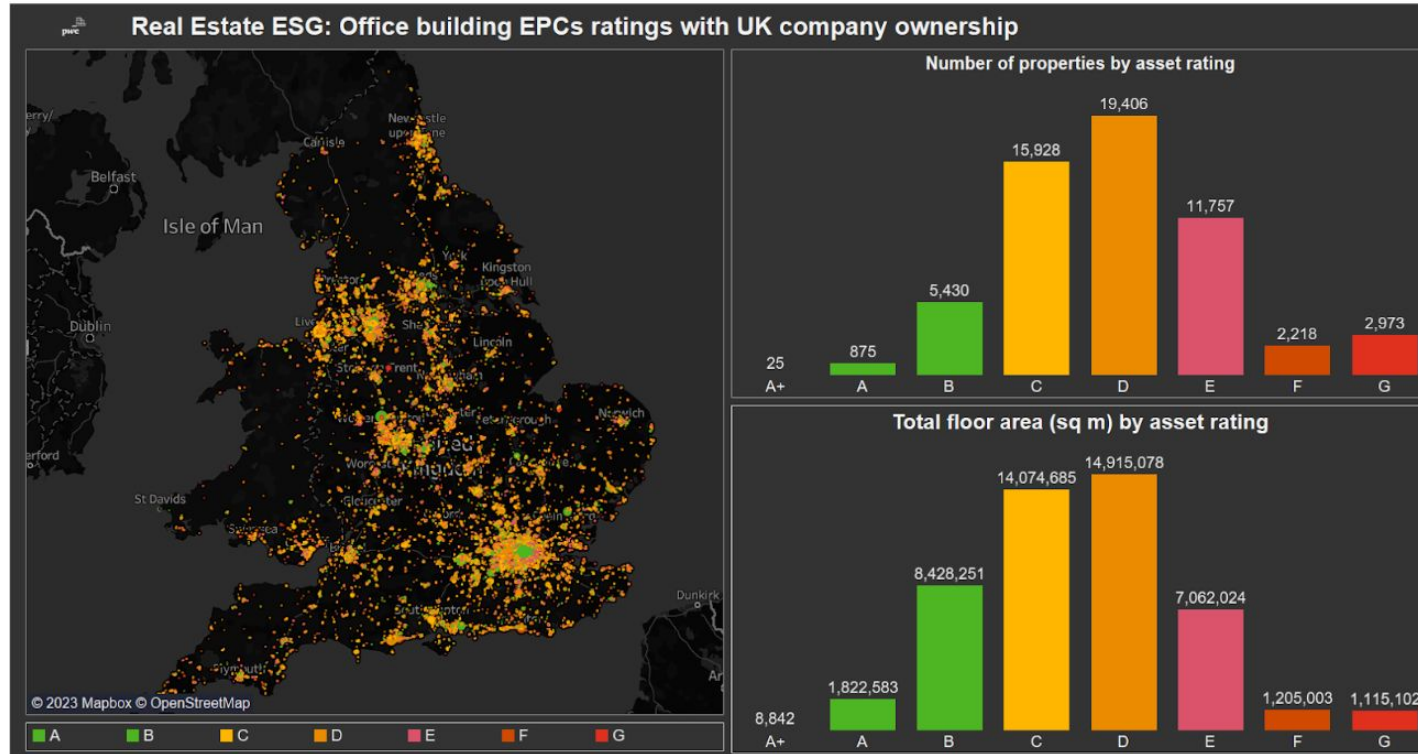
# What's next for alternatives – investing between the lines

**Which niche and emerging alternative Real Estate sectors are companies likely to increase exposure to in the coming five years?**



Energy transition-related sectors

# UK office landlords could spend over £65 billion over the next seven years to meet EPC band B requirements by 2030



As much as  
85% of UK  
office  
buildings are  
at high risk of  
being  
unlettable

# Technology and digitalisation are seen as second only to ESG as top trends for the future of Real Estate



## Artificial Intelligence (AI)

AI, technology and digitalisation ranked second only to ESG as a top Real Estate trend for the future.

Many believe it will impact marketing, leasing, planning, asset management, construction, and investment, making operations more efficient.

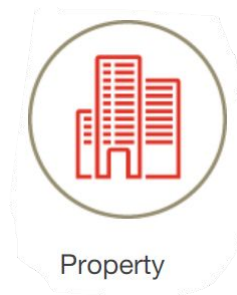
# 95%

believe marketing and leasing have some of the greatest potential applications for AI

**PropTech has emerged as an asset class in four areas**



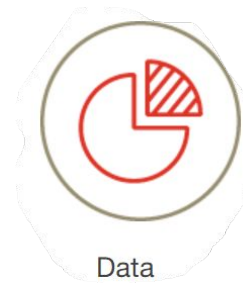
Processes



Property



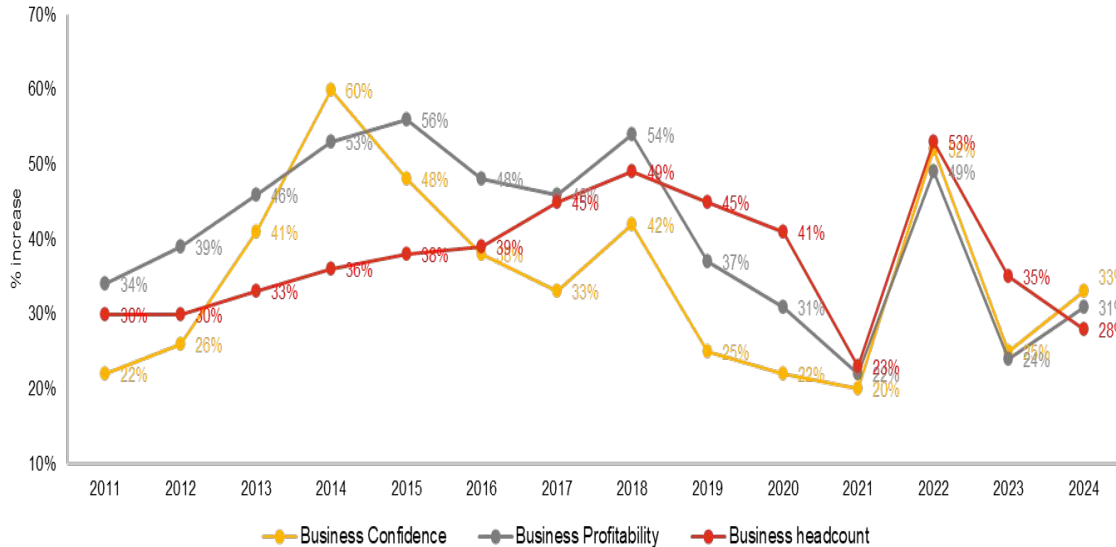
Investment Strategy



Data

# Real Estate business sentiment slightly more positive than last year

## Real Estate business sentiment (expected increase in activity)



Source: PwC - Emerging Trends in Real Estate 2024

Around a third of respondents expect business confidence and profitability to increase in 2024

# Tax talking points



**Stuart Macklin**  
Tax Director,  
PwC CI





# Capital allowances



## Full expensing relief (companies only)

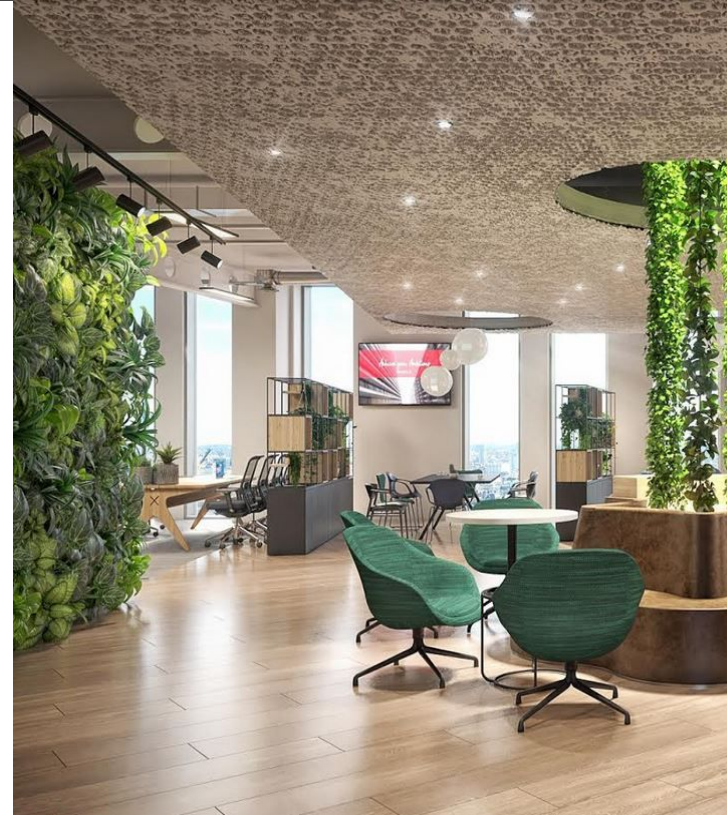
### Full expensing (main rate P&M)

100% first year allowance

### Full expensing (special rate P&M)

50% first year allowance

- Stimulate additional capital investment, offsetting cost of higher corporate tax rate.
- 3-year window (1 April 2023 - 31 March 2026) now made 'permanent'.
- Restrictions remain (1) 'new' assets; (2) leased assets; (3) corporation tax relief.
- Clawback of relief on some disposals.



# Tax risk of high interest rates



## Transfer Pricing

- Related party transactions should be undertaken on an arm's length basis.
- Risk arises on refinancing, but risks can also arise if Transfer Pricing documents are not as robust as they should be.

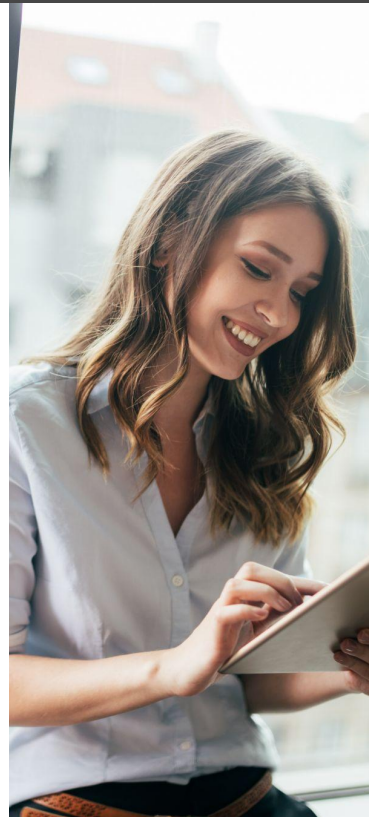
**Loan-to-value ratios**

**Rate of interest**

**Interest cover ratios**

## Corporate Interest Restriction (CIR) risks

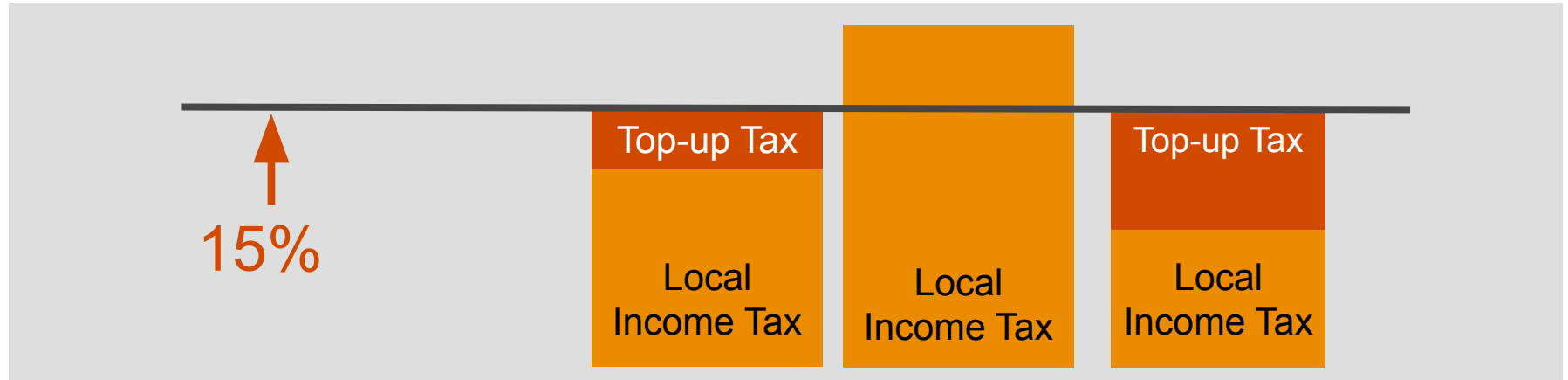
- CIR is applied after the Transfer Pricing rules and any other rules that restrict the deductibility of interest.
- Interest rate increases can increase disallowances, but not necessarily permanent disallowances.





# Pillar 2

At a (very) high level

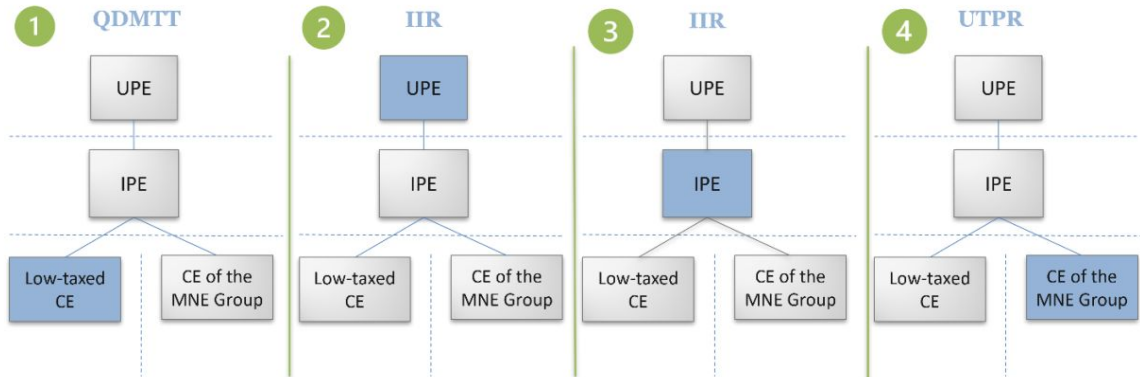


In 2021, over 135 jurisdictions signed up to a two pillar solution to reform international tax rules. The global minimum tax ensures certain large MNEs (global revenues above €750 million) pay a minimum level of tax (at least 15%) on their income in every jurisdiction in which they operate. Operates by broadly providing for “top-up” taxes to be paid elsewhere in the group or the denial of deductions for payments to low tax entities.

# Pillar 2

## Tax is collected through one of three mechanisms:

- The low tax jurisdiction has the primary right to collect top up tax through Qualified Domestic Minimum Top-up Tax (QDMTT)
- Where no QDMTT, jurisdiction of the Ultimate Parent Entity (UPE) applies Income Inclusion Rule (IIR)
- Where UPE has not implemented IIR, then the next entity in the ownership chain (top down) with IIR will collect tax
- Where IIR does not apply, the tax will be collected by the jurisdiction that has applied Undertaxed Payment Rule (UTPR)



Click here to “OECD Pillar 2 country tracker”

# Panel discussion: Today's participants



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UK



# MSCI IPD - Capital Growth Sector overview

Sector	H1 2022	H2 2022	H1 2023	Q3 2023	Q4 2023
All Properties	6.32%	-19.18%	-0.86%	-1.05%	-1.90%
All Industrial	10.29%	-25.43%	1.09%	0.37%	-0.68%
Industrial (London)	12.56%	-29.73%	0.15%	0.37%	-0.90%
Industrial (South East)	10.76%	-27.20%	1.32%	0.39%	-0.50%
Industrial (Rest of UK)	9.29%	-21.55%	0.76%	0.17%	-0.94%
All Retail	6.23%	-15.17%	0.56%	-1.91%	-2.87%
Retail (Central London)	-2.05%	-11.05%	-0.48%	0.14%	-1.96%
Standard Retail (Rest of UK)	-0.57%	-14.23%	-3.45%	-2.12%	-2.16%
Shopping Centres	0.29%	-11.39%	-1.36%	-0.73%	-3.47%
Retail Warehouses	10.30%	-15.51%	1.87%	-2.17%	-3.17%
Supermarkets	1.37%	-20.17%	-2.48%	-2.45%	-3.02%
All Office	1.05%	-14.24%	-6.11%	-2.93%	-3.67%
Office (City)	0.62%	-14.29%	-8.14%	-4.20%	-3.61%
Office (West End)	2.54%	-10.71%	-1.86%	-2.24%	-2.48%
Office (Rest of SE)	0.88%	-16.42%	-8.66%	-2.99%	-3.99%
Office (Rest of UK)	-0.04%	-17.34%	-6.00%	-3.09%	-4.62%
Leisure	2.33%	-10.16%	-0.68%	-1.93%	-2.33%
Hotel	2.79%	-14.43%	0.02%	-0.51%	-1.49%
Residential	3.14%	-5.47%	3.64%	0.40%	-1.30%

Source: UK: MSCI IPD Capital Growth Index for Prime Assets

# City rankings - “hot prospects 2024”

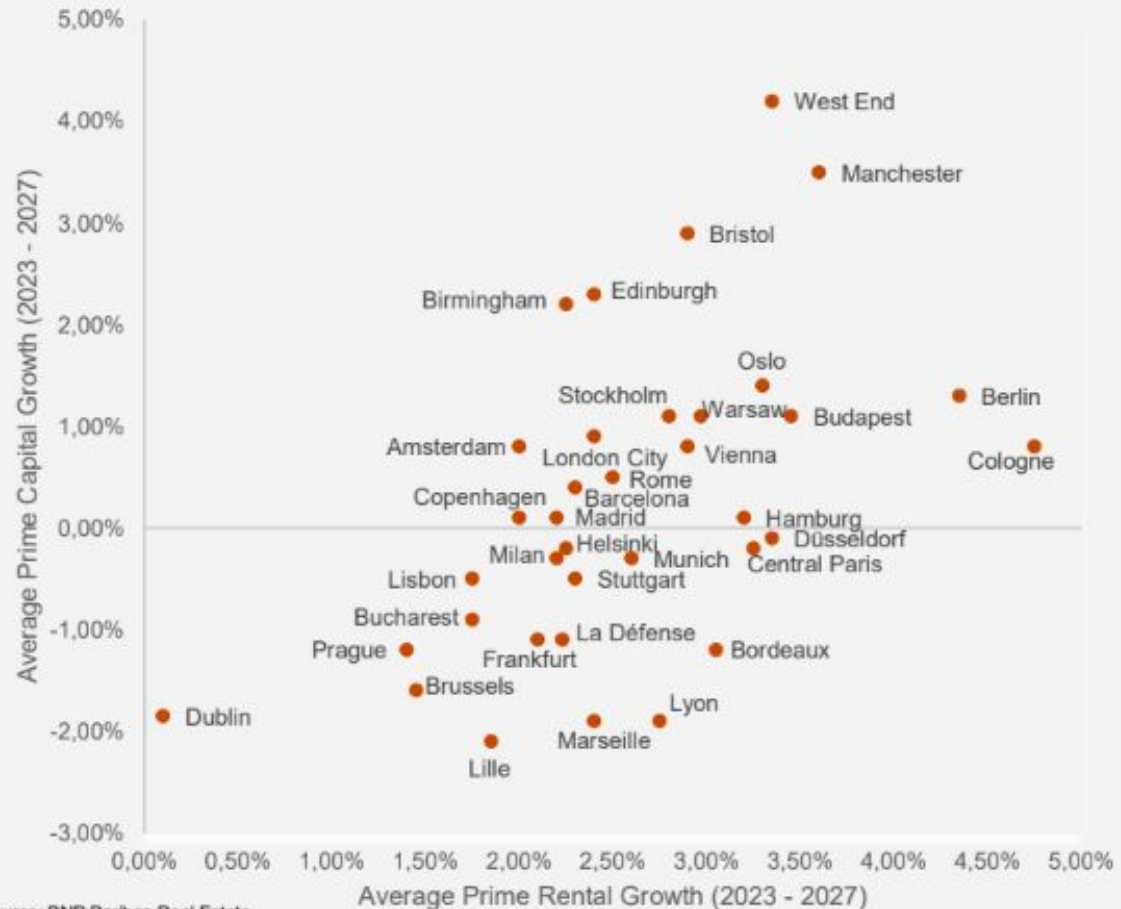
Figure 3-2 City rankings — overall prospects

Overall City Prospects					City growth prospects		City liquidity		
City	ETRE Ranking (2024)	ETRE Ranking (2023)	Change	Overall Prospects Score	Real GDP growth forecast p.a. (2024-26)	Population growth forecast p.a. (2024-26)	Transaction Volumes Q4 2021 - Q3 2022 (€bn)	Transaction Volumes Q4 2022 - Q3 2023 (€bn)	% change (y-on-y)
London	1	1	—	2.24	1.6%	0.9%	26.4	8.8	-67%
Paris	2	2	—	2.01	1.6%	0.2%	11.0	12.6	15%
Madrid	3	4	▲	1.94	2.0%	0.3%	5.2	3.7	-29%
Berlin	4	3	▼	1.7	2.1%	0.5%	27.8	4.8	-83%
Amsterdam	5	6	▲	1.57	2.1%	0.7%	3.5	1.6	-55%
Milan	6	10	▲	1.53	1.3%	0.1%	4.6	1.6	-65%
Munich	7	5	▼	1.45	1.9%	0.5%	6.1	3.5	-43%
Lisbon	8	11	▲	1.44	1.7%	0.1%	1.1	0.5	-59%
Frankfurt	9	7	▼	1.36	1.7%	0.3%	4.7	0.8	-84%
Barcelona	10	9	▼	1.35	1.7%	0.2%	2.4	1.5	-40%
Hamburg	11	8	▼	1.26	1.4%	0.3%	6.5	1.5	-77%
Brussels	12	15	▲	1.08	1.8%	0.4%	3.1	3.4	8%
Dublin	13	13	—	1.08	2.9%	0.9%	6.3	1.7	-74%
Warsaw	14	16	▲	1.08	3.5%	0.0%	3.0	0.7	-76%
Vienna	15	12	▼	1.07	2.4%	0.6%	5.6	2.4	-57%
Zurich	16	17	▲	0.94	1.5%	1.0%	0.7	0.3	-63%
Manchester	17	18	▲	0.84	1.9%	0.6%	3.4	1.8	-48%
Copenhagen	18	14	▼	0.8	3.2%	0.9%	3.8	1.0	-75%
Rome	19	21	▲	0.8	0.8%	0.1%	1.2	0.4	-63%
Luxembourg	20	20	—	0.78	3.6%	1.7%	0.6	0.3	-49%
Stockholm	21	19	▼	0.73	2.0%	1.1%	7.5	2.3	-70%
Birmingham	22	22	—	0.68	1.3%	0.4%	2.2	1.9	-12%
Athens	23	23	—	0.64	1.6%	-1.2%	0.1	0.0	-76%
Edinburgh	24	26	▲	0.6	1.5%	0.7%	1.2	0.7	-36%
Prague	25	27	▲	0.58	2.9%	-0.4%	1.7	0.4	-76%
Lyon	26	24	▼	0.54	2.1%	0.5%	1.0	1.0	-3%
Helsinki	27	25	▼	0.53	1.7%	0.6%	2.2	0.5	-79%
Budapest	28	28	—	0.44	3.2%	-0.2%	0.7	0.5	-26%
Oslo	29	30	▲	0.37	1.9%	0.6%	3.7	1.3	-66%
Istanbul	30	29	▼	0.36	1.7%	0.6%	N/A	N/A	N/A

Source: Emerging Trends in Real Estate Europe 2024

# City rankings - “hot prospects 2024” (cont...)

Capital and Rental Growth Forecast, EU Cities



Source: BNP Paribas Real Estate

# Today's participants: panel discussion

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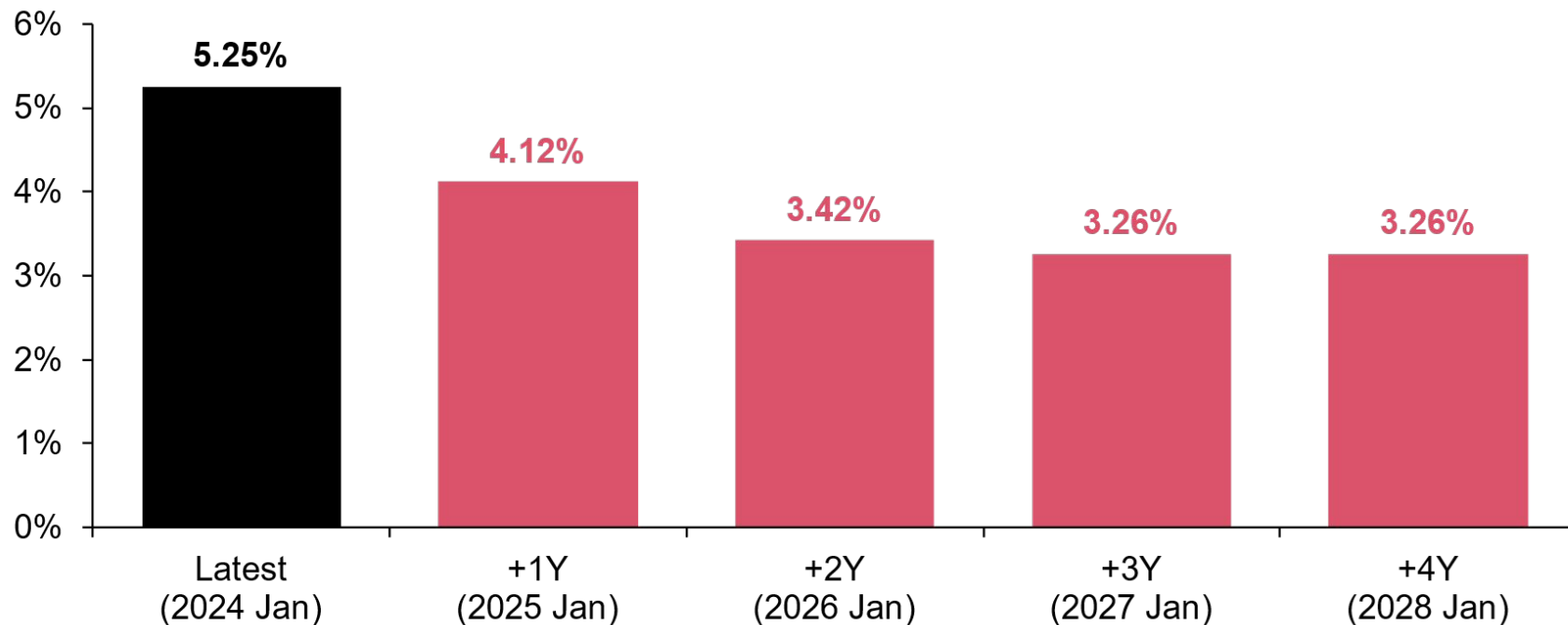
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**Christian  
Cunneen**  
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Transaction  
Service, PwC  
UK

# This should give the Bank of England the breathing room to cut the policy rate later this year

**Market expectations for the Bank of England base rate as at 18 January 2023**





# Q&A



# PwC CI Real Estate team



## Jersey



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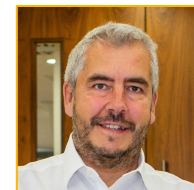
**Nadine van der  
Westhuizen**  
Director,  
Assurance



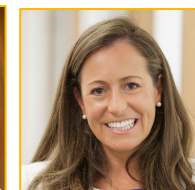
**Alison Cambray**  
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**Mike Byrne**  
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Assurance



**Karl Hairon**  
Partner,  
Assurance



**Trudy  
Dillon-Nugent**  
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Assurance



**Paul Silcock**  
Director,  
Assurance



**Ian Ross**  
Director,  
Assurance



**Raymo Frewen**  
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**Lelani Wright**  
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**Toby Venables**  
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# Thank you

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