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Channel Islands Annual Real Estate Conference

20 March 2025



Event opening remarks



Ian Tait
Partner,
Jersey Real
Estate Leader,
PwC CI

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Agenda

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and implications for Real Estate

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McClure, PwC CI Real Estate Leader

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Keynote - Economic outlook in the UK and implications for Real Estate




Barret Kupelian
Chief Economist,
PwC UK

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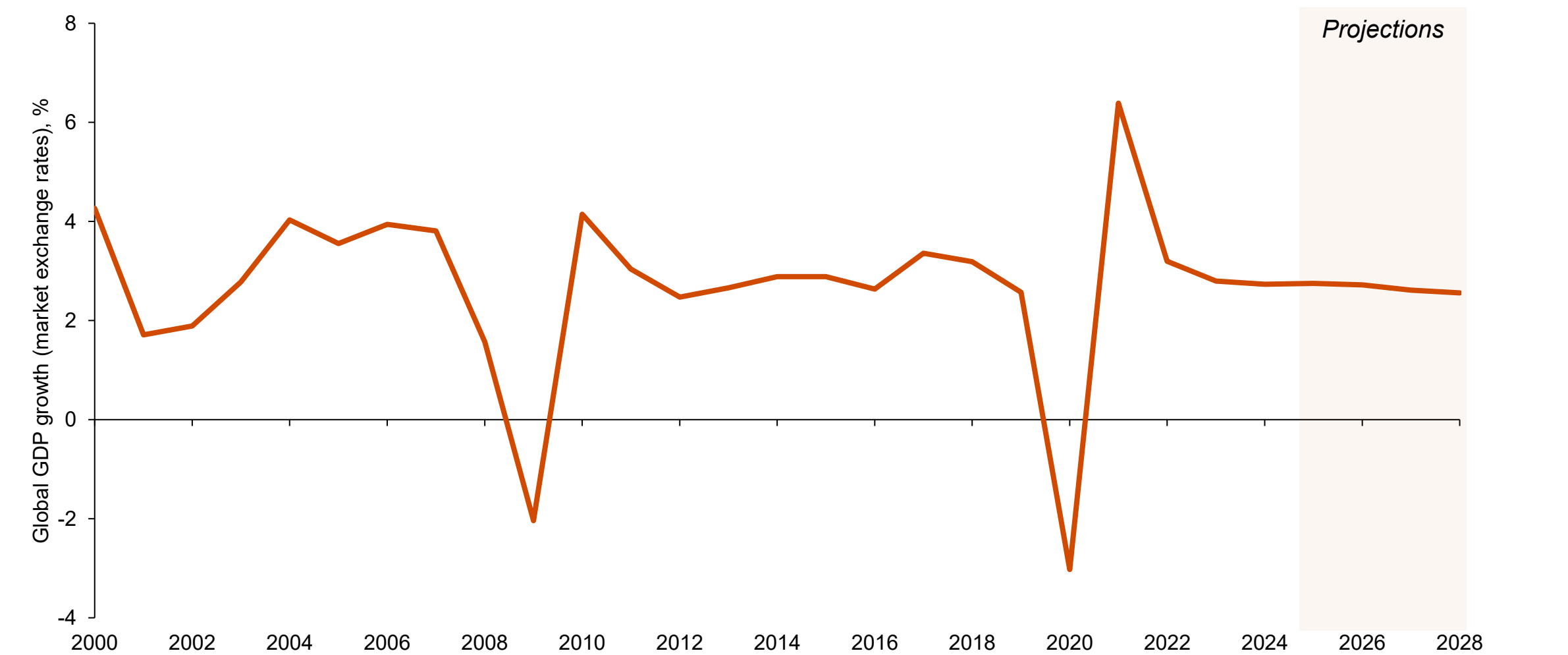
Economic outlook: A wait and see economy?

Barret Kupelian 
Chief Economist,
PwC UK

20th March 2025



Nothing to see here: The aggregate numbers of global economic growth forecasts look quite uneventful



Sources: PwC analysis of IMF data

But this approach is too simple as it ignores what is really happening in the bowels of the global economy

The global economy is changing. And these forces of change are irreversible and require governments and the private sector to adapt.



The three “D”s will affect every single country and the sectors within those economies for at least the next decade

Deglobalisation

Defence

Digitalisation

The three “D”s will affect every single country and the sectors within those economies for at least the next decade

Deglobalisation

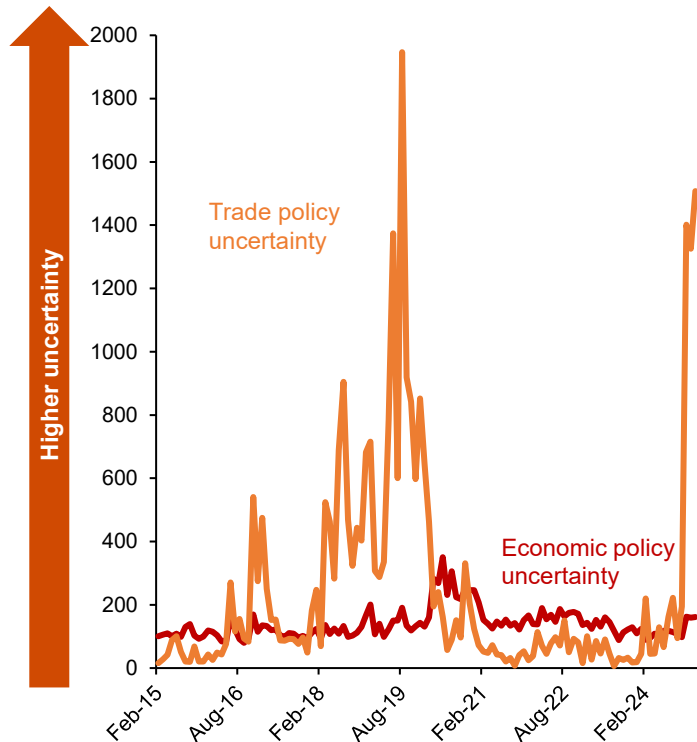
Defence

Digitalisation

Decarbonisation

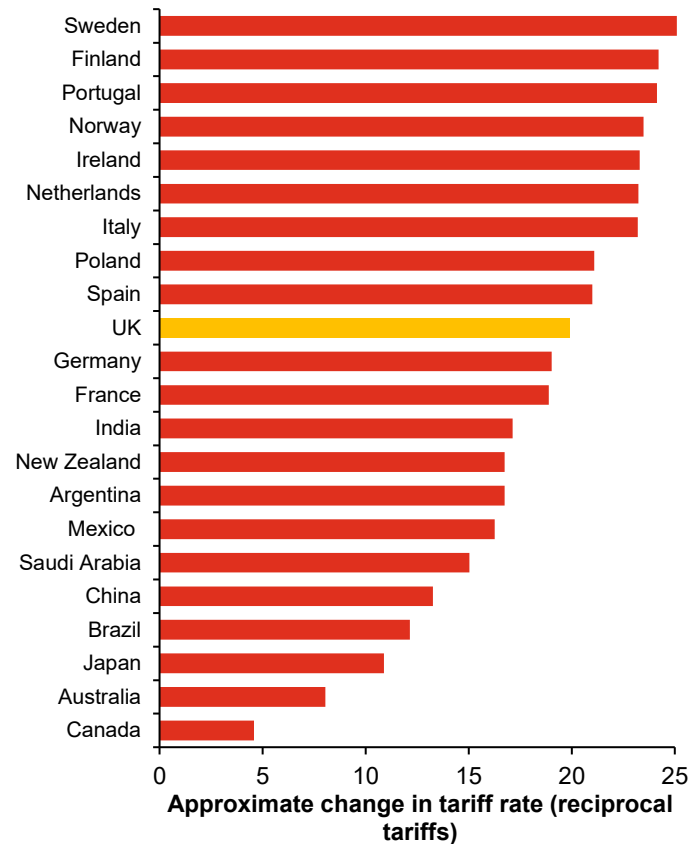
Free trade as we know it is dead. Global trade in goods is becoming more disjointed and less predictable compared to the early 21st century

US economic and trade policy uncertainty is on the rise. This matters as the US is the world's largest economy



Feeling

Approximate change in tariff rate (reciprocal tariffs), percentage points if reciprocal tariffs imposed in April



Hearing

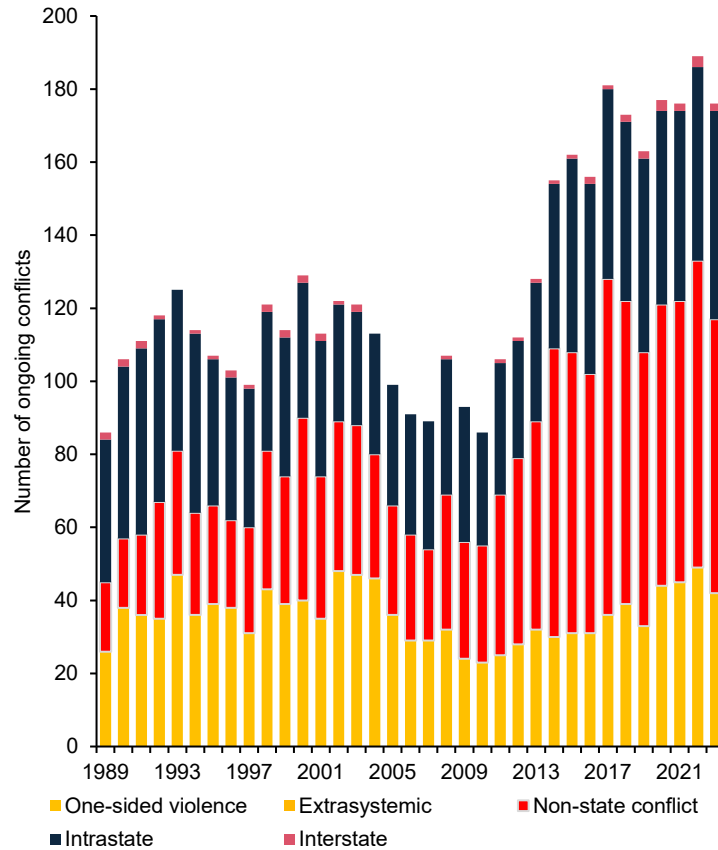
- Era of early 21st century free trade is well and truly over. There is now **strategic competition** between the US, China and, increasingly, the EU
- This means **reshoring, friendshoring and foe-shoring**
- There is also an emphasis on **building things**. Services trade appears unscathed for the time being
- Challenging for corporates to manage their footprint (people, supply chain and clients/markets) across different continents

Thinking

Sources: PwC analysis of Economic Policy Uncertainty Index, TL USA

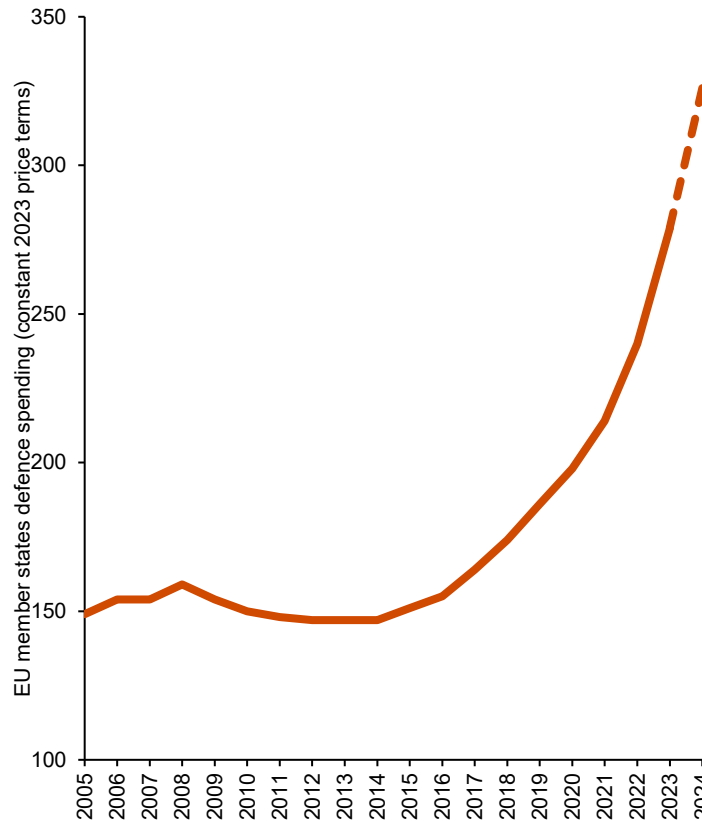
Conflicts are on the rise. The international security structure is changing. European defence spending will inevitably go up.

Conflicts are on the rise. Some are centred around the fringes of Europe (Ukraine, Southern Europe, Middle East and Caucuses)



Feeling

This, along with the fast-changing north Atlantic security structure necessitates more defence spending by Europe



Hearing

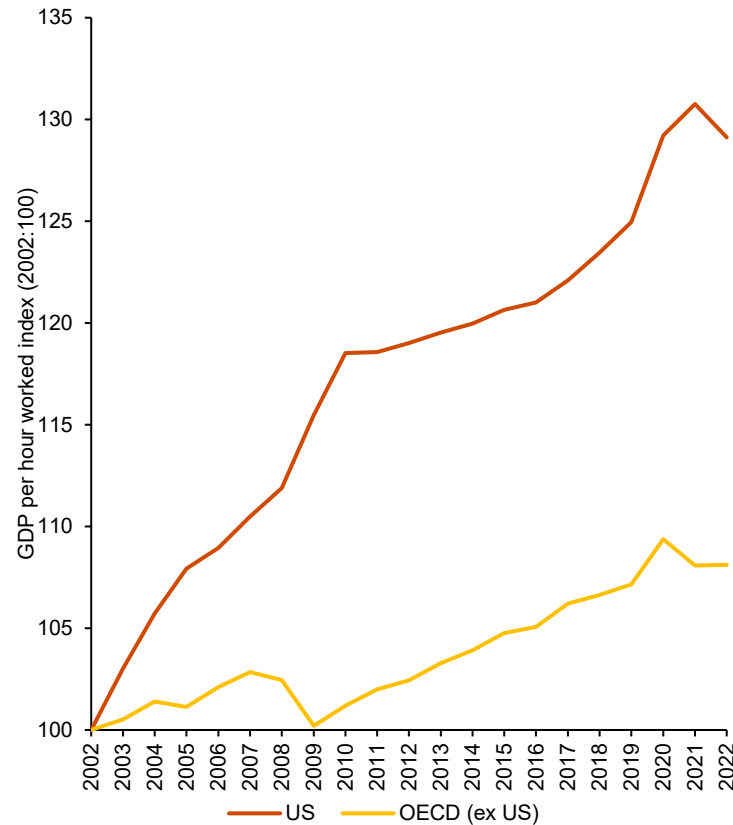
- NATO wobbles means that European economic autonomy likely to translate to defence autonomy
- **Sector impact evident on equity markets.** Already seeing impact on defence stocks.
- In the medium-term we know defence spending leads to productivity improvements (c. 0.5p boost in the long-run). See Germany.
- **More secure economies means smaller geopolitical risk premium, higher degrees of resilience.** Also provides certainty for longer-term investments.

Thinking

Sources: World in data, European Defence Agency

The pace of technological change is accelerating. Adoption rates are also picking up. Businesses which don't adapt will wither away

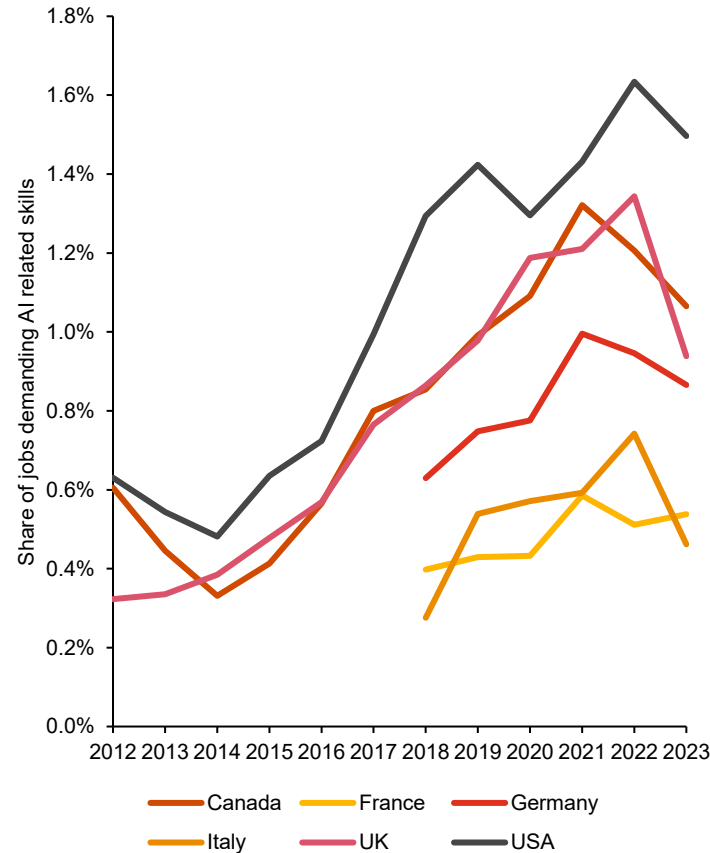
Except for the US, productivity in advanced economies has stalled post the Global Financial Crisis



Feeling

Sources: OECD, PwC AI Jobs Barometer

Demand for jobs that require AI jobs is on the rise– will this be the game changer to push up productivity growth rates?



Hearing

- Productivity usually comes in waves (Kondratieff cycles). Are we on the cusp of something revolutionary? **We don't know yet but our research shows it could lead to productivity improvements.**
- Here's what we do know. AI penetration in the workforce is low but is picking up. There's certainly more to go across countries and sectors.
- The sectors that are more exposed to AI are showing faster productivity growth
- The technology is changing very rapidly and thus impacts are highly uncertainty

Thinking

Advanced economies are also increasingly looking to their domestic economy rather than international trade as a source of future growth. Here are some examples.

Deglobalisation

Defence

Digitalisation

Mark Carney

“Removing barriers to internal trade would lower prices for consumers by reducing trade costs by up to 15% and expand our economy by up to \$200 billion or 4-8% over the long-term”

How?

- A Canada where **anyone can work anywhere** e.g. mutual recognition of qualifications
- A Canada where businesses can **sell their products anywhere**

Mario Draghi

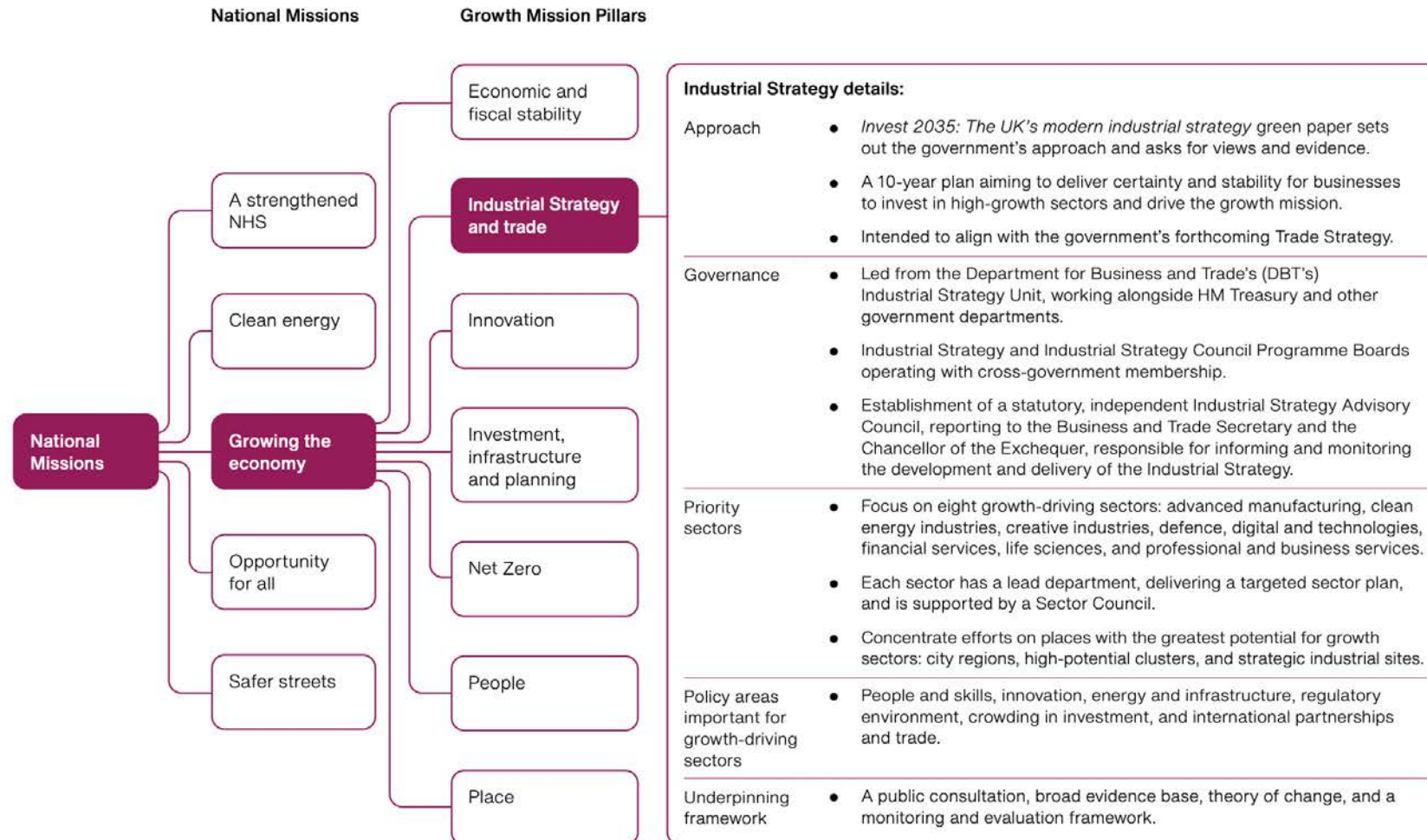
*“Domestic demand as a **share of GDP in the euro area fell to bottom of the range of advanced economies**. And the relative gap with the US widened. Before the great financial crisis, domestic demand in the US grew around 1.4 times faster than in the euro area. Since then, the gap has been 2.2 times.”*

*“**Internal barriers within the single market are equivalent to an ad valorem tariff of around 45% for the EU manufacturing sector and a tariff on 110% for the services sector**. In the US, the implicit manufacturing tariff among states is three times lower.”*

Sources: PwC analysis of public reports and statements

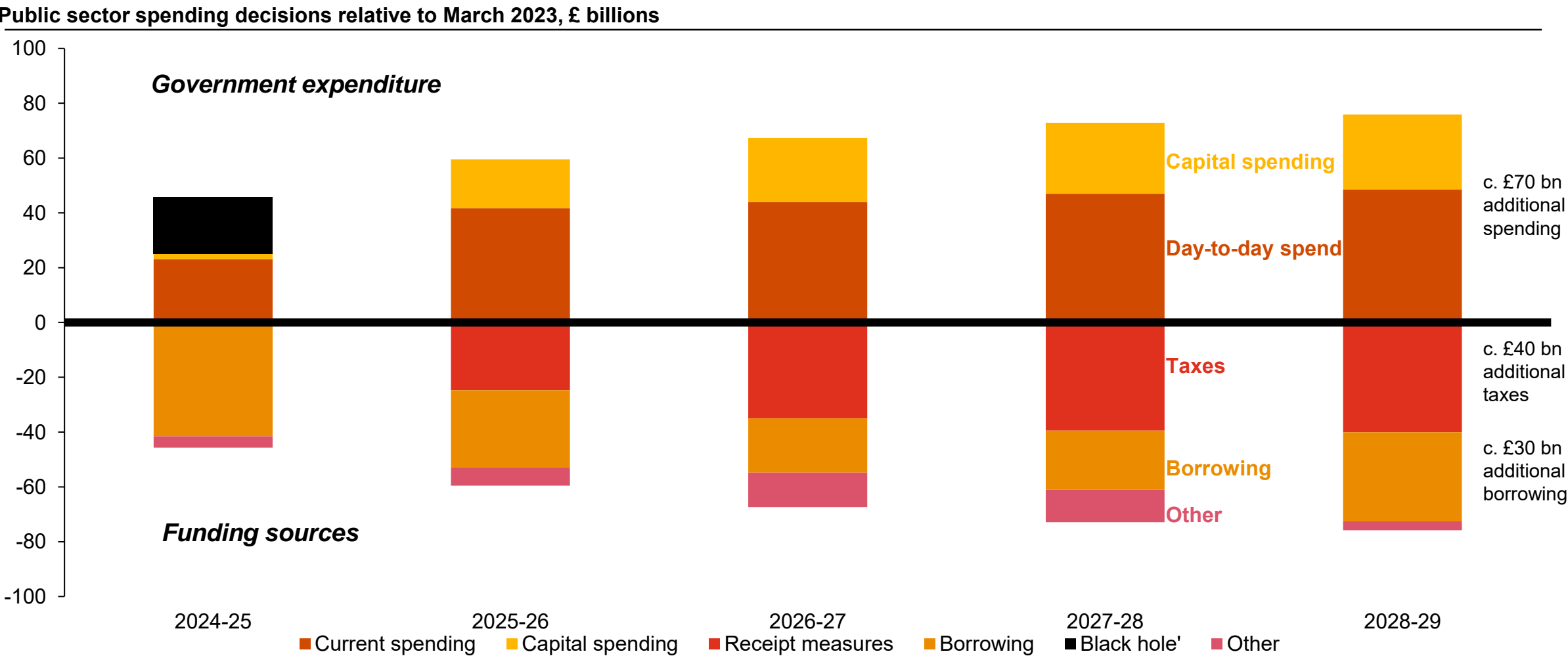
The UK is going down a similar path to boost economic growth. The focus of the government is on building human and physical capital

The Industrial Strategy aims to implement targeted policy interventions to support eight growth-driving sectors and tackle cross-economy barriers such as skills and innovation



Source: National Audit Office report on "Supporting the UK's priority industry sectors"

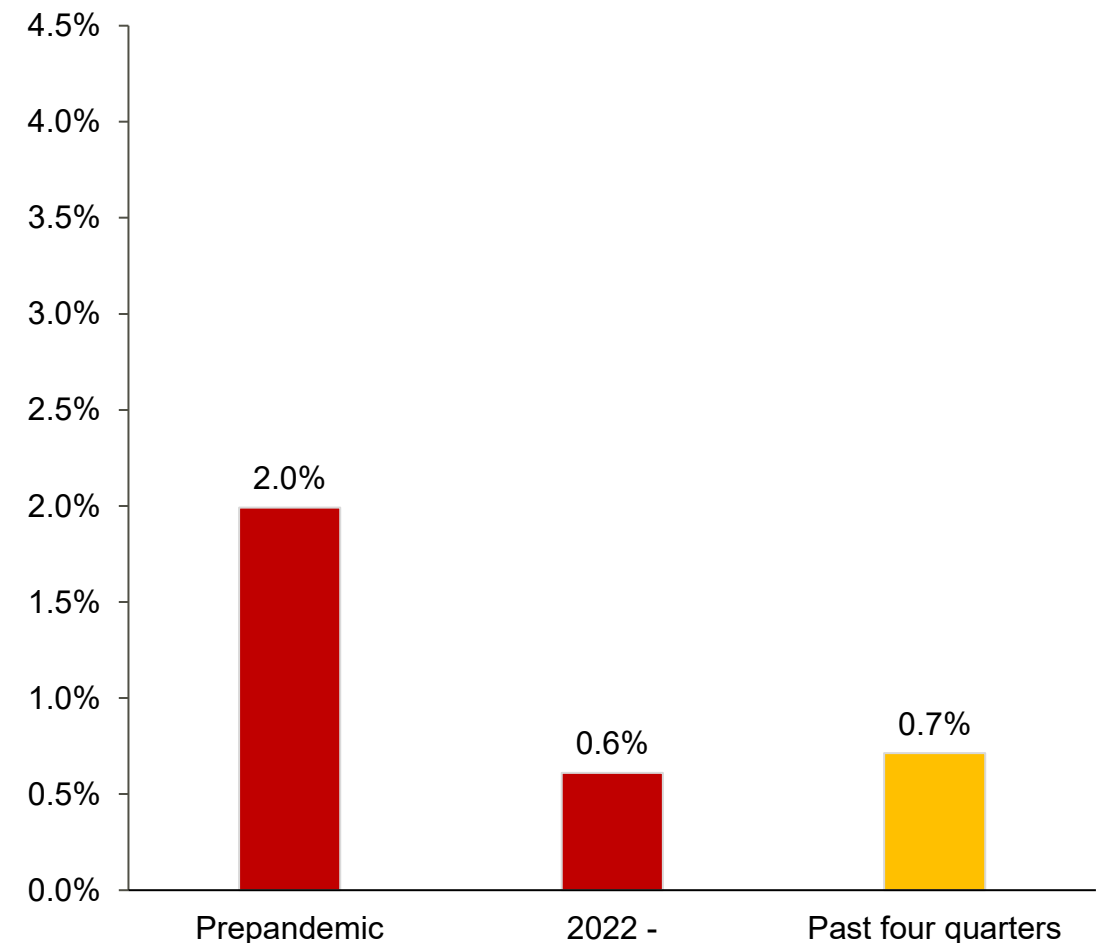
The Budget marked a turning point. But it has made businesses nervous as it frontloaded tax hikes without conceivable benefits (just yet)



Sources: OBR, PwC analysis

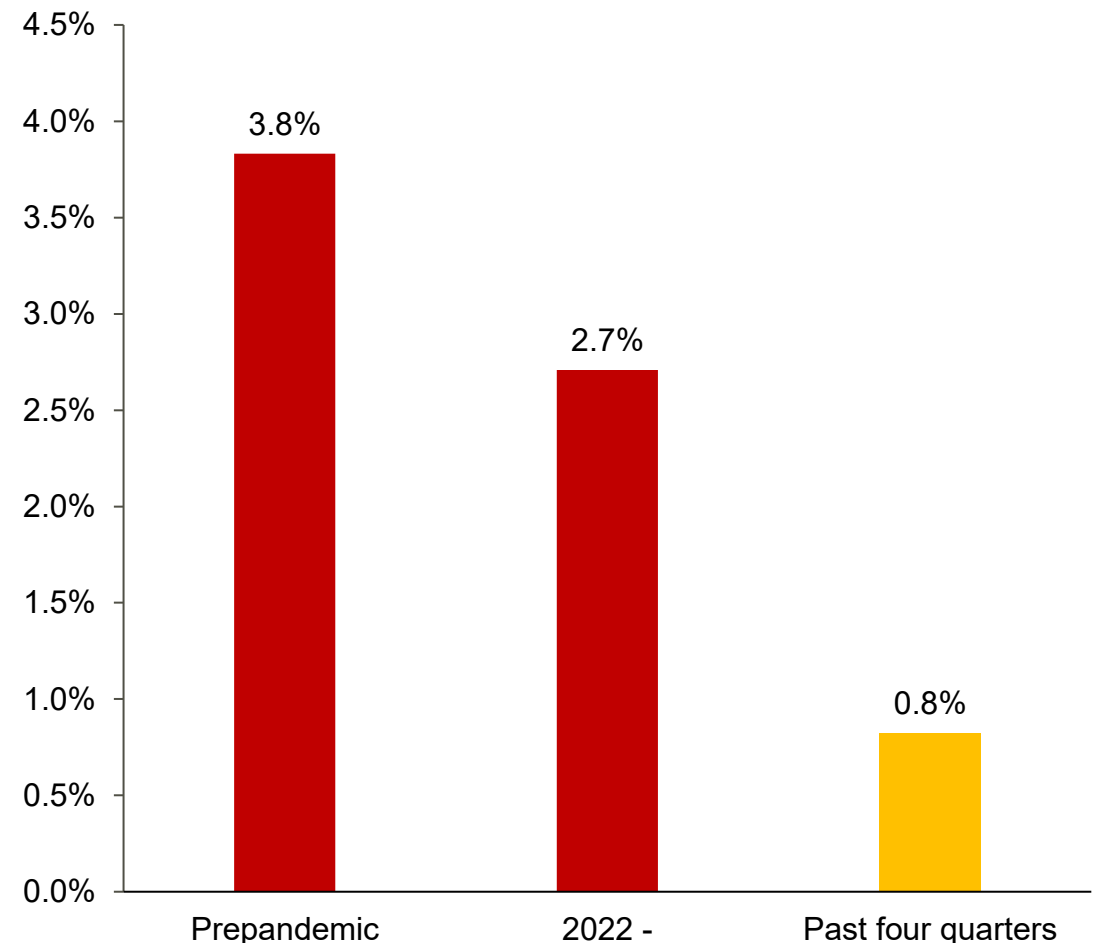
This has led to uncertainty. The private sector is now in now in a ‘wait and see’ mode.

Average annual growth in household consumption over various periods



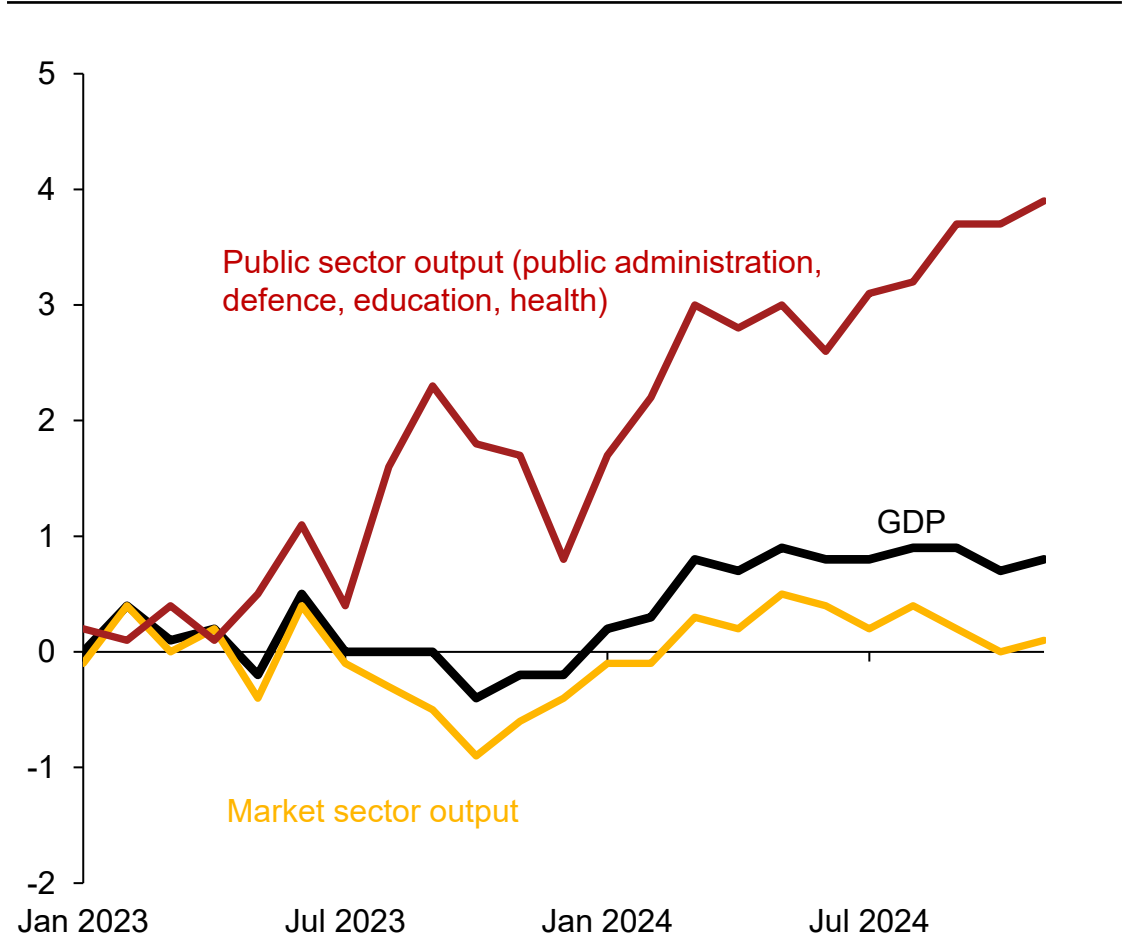
Sources: PwC analysis of ONS data

Average annual growth in business investment over various periods

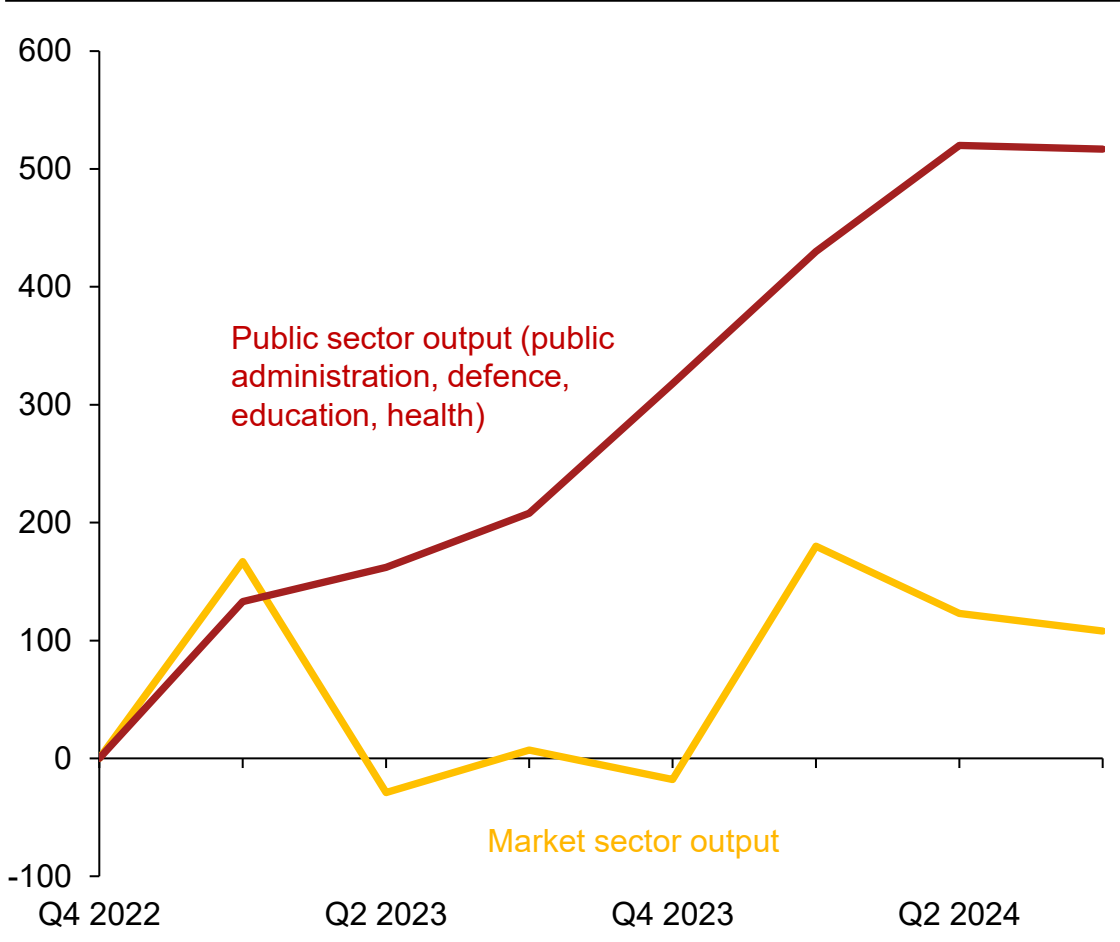


Current UK economic activity is being driven by government related activities. We expect private sector activity to pick up later this year.

Growth in different types of economic activity since Q4 2022, %



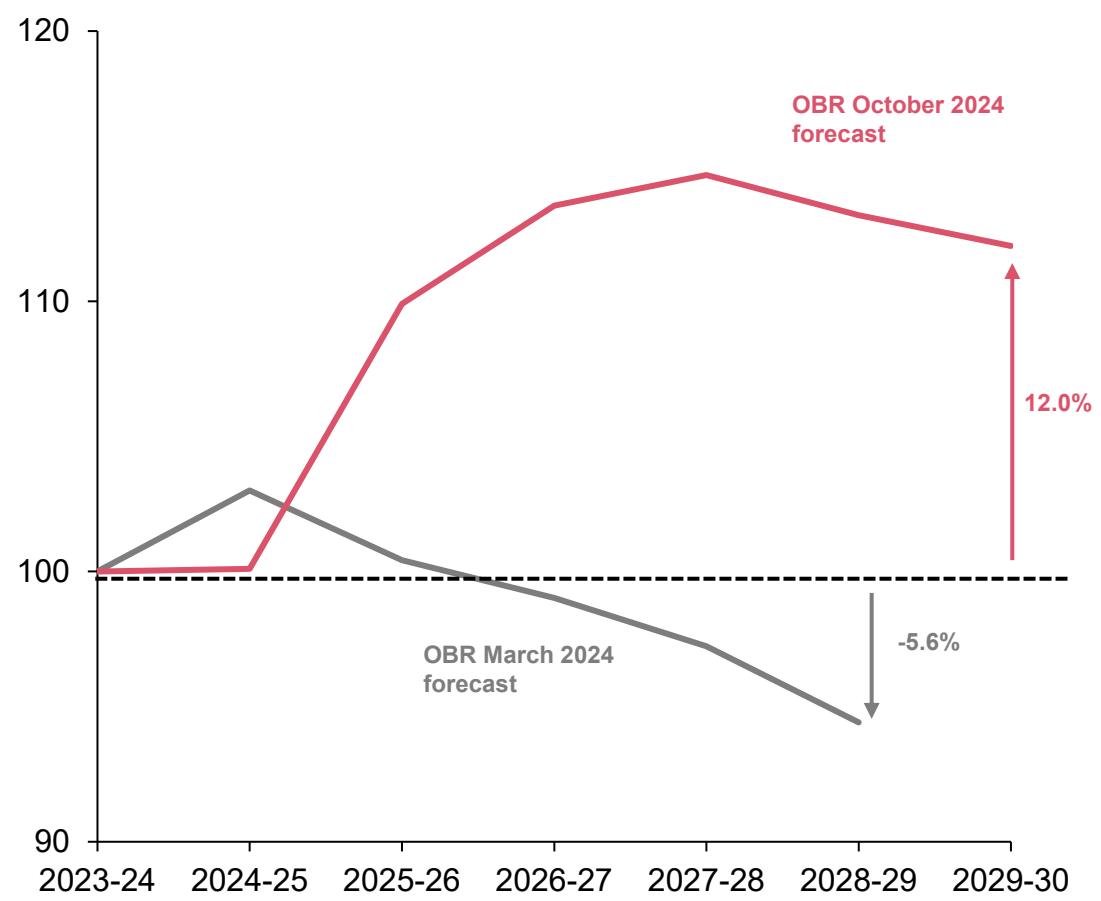
Workforce jobs growth since Q4 2022, thousands



Sources: PwC analysis of ONS data.

Government cannot do everything. Jersey can play a critical role to finance some of the government’s missions including on “building stuff”

Departmental capital spending in real terms, indexed (2023/24=100)



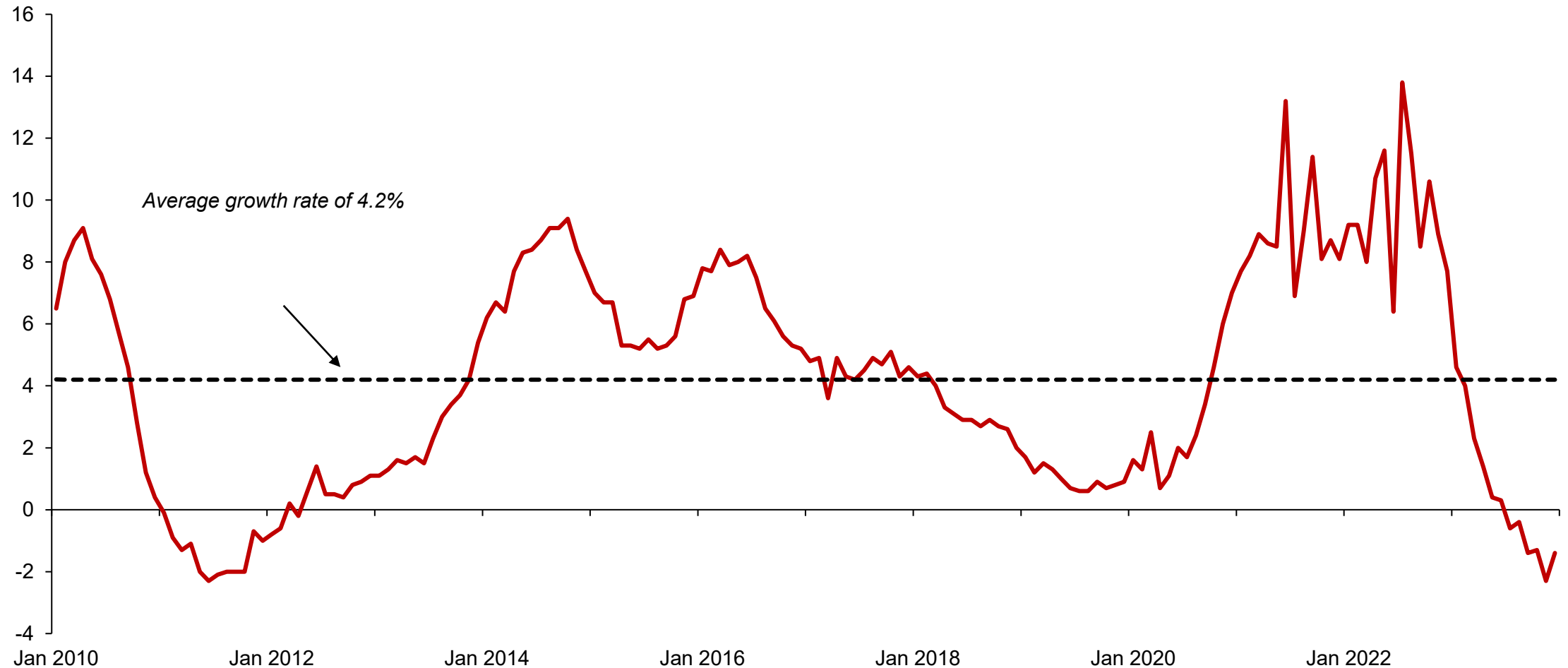
Sources: UK Government, OBR

Largest inward UK FDI stock positions, 2023

		£ billions
1	US	708
2	Luxembourg	188
3	Jersey	164
4	France	118
5	Netherlands	95
6	Japan	87
7	Ireland	82
8	Switzerland	62
9	Bermuda	57
10	Belgium	50

Residential property demand is there, and is likely to grow both in the short-term and in the medium-term in a bid to increase affordability

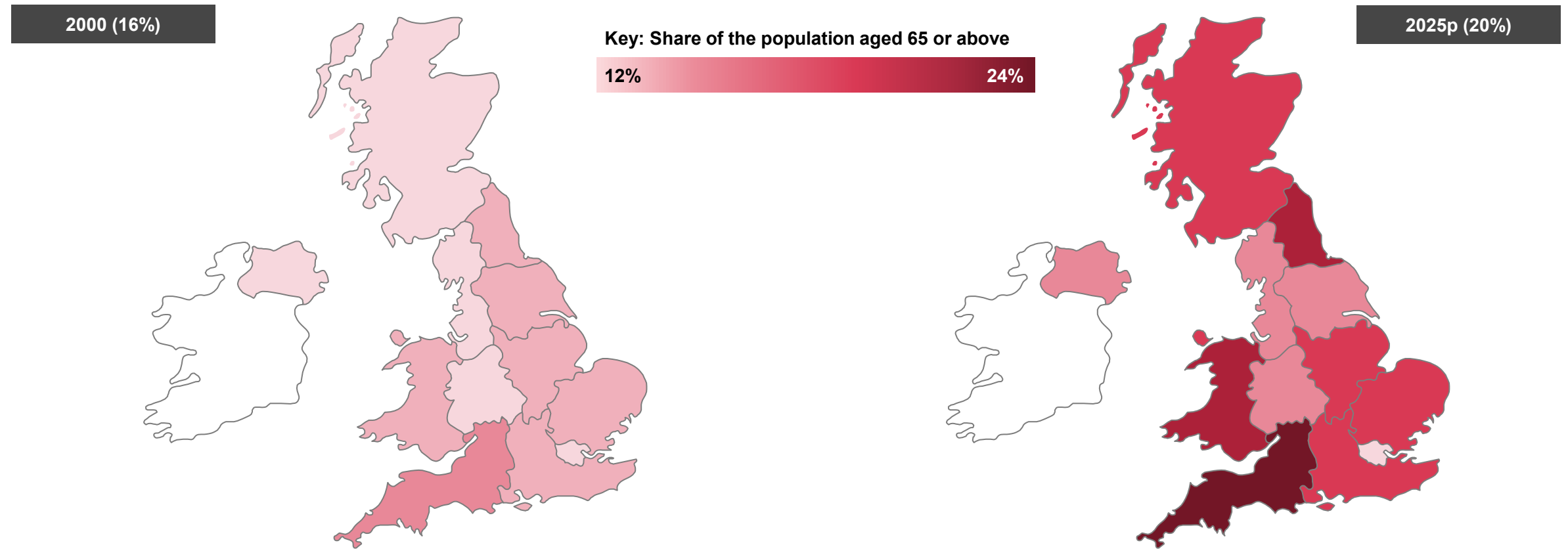
Growth in UK house prices, %



Sources: PwC analysis of ONS data

...demand is also likely to change to cater to a rising demographic with the number of people above 65, exceeding the 14 million mark this year

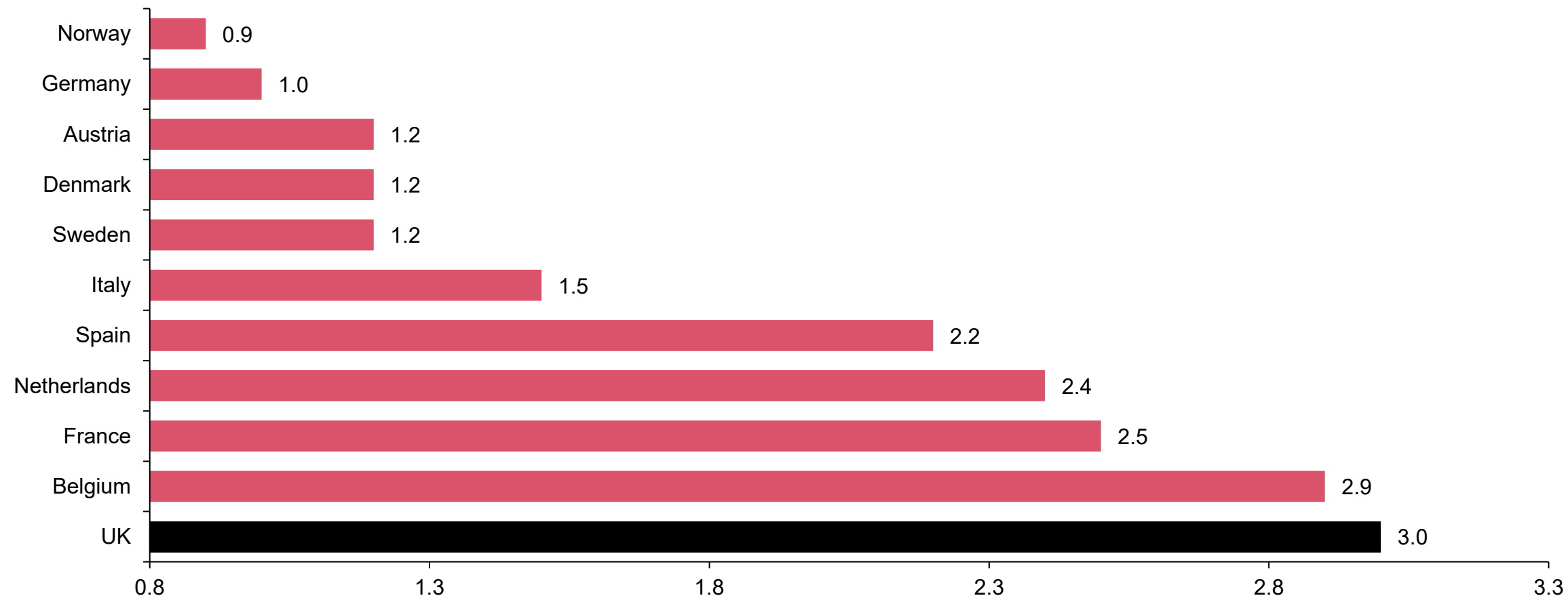
Share of the population aged 65 or above, by UK region, 2000 vs 2025p



Sources: PwC analysis, ONS, Eurostat. Notes: We use ONS population projections to project the UK's population and number of people 65 years or older for regions in England. We use the historic growth rate between 2000 and 2023 to produce projections for Northern Ireland, Scotland, and Wales.

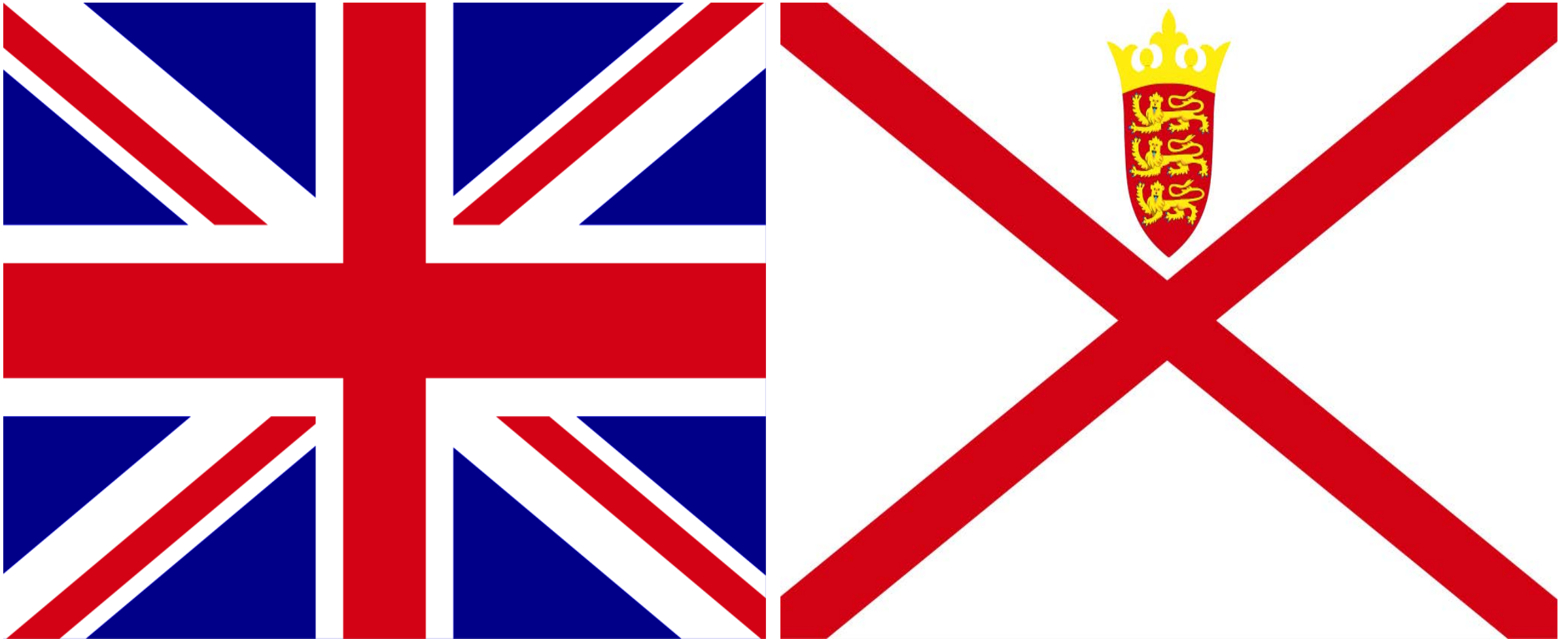
Our houses also tend to be old and cold and will need to be more energy efficient with implications on existing and newer dwellings...

House temperature loss after five hours (with a temperature of 20 degrees inside and zero degrees outside), degrees centigrade



Sources: PwC analysis of ONS data, tado

In a world where there is instability (and there is quite a lot of that at the moment!), businesses are willing to pay a premium for stability, certainty and predictability



Thank you

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Fireside chat - Economic outlook in the UK and implications for Real Estate



Barret Kupelian
Chief Economist,
PwC UK



Ali Cambray
Sustainability
Leader,
PwC CI

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Real Estate update and market overview

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Tom Walker
PwC CI, Real
Estate Valuations
Leader



Ksenia Gindill
PwC CI,
Manager



**Saajid
Mohammed**
PwC CI, Senior
Manager

MSCI - Capital Growth Sector overview

Sector	H1 2023	H2 2023	H1 2024	H2 2024	Q4 2024	Feb 2025
All Properties	-0.86%	-3.70%	-0.30%	1.71%	1.32%	0.33%
Industrial (London)	0.15%	-0.07%	0.99%	2.52%	2.19%	0.61%
Industrial (South East)	1.32%	-0.03%	0.51%	3.15%	2.36%	0.60%
Industrial (Rest of UK)	0.76%	-1.03%	0.75%	3.26%	2.28%	0.44%
Retail (Central London)	-0.48%	-4.16%	-0.34%	0.11%	-0.05%	-0.07%
Standard Retail (Rest of UK)	-3.45%	-4.99%	-2.43%	-1.34%	-0.50%	0.19%
Shopping Centres	-1.36%	-2.84%	-0.13%	1.60%	1.20%	0.16%
Retail Warehouses	1.87%	-5.88%	2.08%	3.15%	2.27%	0.39%
Supermarkets	-2.49%	-5.27%	-0.65%	0.88%	0.48%	0.79%
Office (City)	-8.14%	-10.18%	-3.00%	-2.15%	-1.26%	0.12%
Office (West End)	-1.86%	-6.06%	-1.67%	0.43%	0.75%	-0.29%
Office (Rest of SE)	-8.66%	-9.17%	-4.07%	-0.64%	-0.51%	-0.25%
Office (Rest of UK)	-6.00%	-8.99%	-5.62%	-1.72%	-0.81%	-0.15%
Leisure	-0.68%	-5.02%	-1.15%	-2.66%	-1.80%	-0.69%
Hotel	0.02%	-2.56%	0.49%	1.20%	1.40%	0.34%
Residential	3.64%	-1.60%	0.05%	1.36%	0.67%	0.88%
Student Housing	-1.13%	-0.70%	-0.95%	-0.44%	-0.19%	—
Healthcare	0.00%	-1.29%	0.20%	0.10%	0.20%	—

MSCI - Capital Growth Sector overview

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Industrial (South East)	1.32%	-0.03%	0.51%	3.15%	2.36%	0.60%
Industrial (Rest of UK)	0.76%	-1.03%	0.75%	3.26%	2.28%	0.44%

UK Yield Benchmarks - Sector overview

Sector		December 2022	June 2023	December 2023	June 2024	December 2024	February 2025	Market Sentiment
Warehouse & Industrial Space	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75%	4.75%	4.75%	5.00%	5.00%	5.00%	POSITIVE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	POSITIVE
	Secondary Distribution (10 years, OMRRs)	5.50%	5.50%	5.75%	6.00%	6.00%	6.00%	STABLE
	South East Estates (excluding London & Heathrow)	5.00%	5.00%	5.25%	5.25%	5.00%	5.00%	POSITIVE
	Good Modern Rest of UK Estates	5.25%	5.25%	5.50%	5.50%	5.00%	5.00%	POSITIVE
	Good Secondary Estates	6.50%	6.50%	6.75%	6.75%	6.50%	6.50%	STABLE

MSCI - Capital Growth Sector overview

Sector	H1 2023	H2 2023	H1 2024	H2 2024	Q4 2024	Feb 2025
Retail (Central London)	-0.48%	-4.16%	-0.34%	0.11%	-0.05%	-0.07%
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Shopping Centres	-1.36%	-2.84%	-0.13%	1.60%	1.20%	0.16%
Retail Warehouses	1.87%	-5.88%	2.08%	3.15%	2.27%	0.39%
Supermarkets	-2.49%	-5.27%	-0.65%	0.88%	0.48%	0.79%

UK Yield Benchmarks - Sector overview

Sector		December 2022	June 2023	December 2023	June 2024	December 2024	February 2025	Market Sentiment
High Street Retail	Bond Street	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	STABLE
	Oxford Street	4.25%	4.50%	4.50%	4.50%	4.50%	4.50%	STABLE
	Prime Shops (Oxford, Cambridge, Winchester)	6.75%	6.75%	7.00%	7.00%	6.75%	6.50%	STABLE
	Regional Cities (Manchester, Birmingham)	7.00%	7.00%	7.25%	7.25%	7.25%	7.00%	STABLE
	Good Secondary (Truro, Leamington Spa, Colchester etc)	9.00%	9.00%	10.00%	10.00%	10.00%	10.00%	STABLE
Shopping Centres (sustainable income)	Regional Scheme	8.00%	8.00%	8.00%	8.25%	7.50%	7.50%	STABLE
	Sub-Regional Scheme	9.00%	9.00%	9.50%	9.50%	9.00%	9.00%	POSITIVE
	Local Scheme (successful)	9.75%	9.75%	10.50%	10.50%	10.00%	10.00%	POSITIVE
	Neighbourhood Scheme (assumes <25% of income from supermarket)	9.50%	9.50%	10.00%	10.00%	10.00%	10.00%	POSITIVE
Out of Town Retail	Open A1 (essential retailers)	6.00%	5.75%	6.00%	5.75%	5.25%	5.25%	POSITIVE
	Secondary Open A1 Parks	7.25%	7.50%	8.00%	7.50%	6.75%	6.75%	POSITIVE
	Bulky Goods Parks	6.00%	5.75%	6.00%	5.75%	5.50%	5.50%	POSITIVE
	Secondary Bulky Goods Parks	7.25%	7.50%	8.00%	7.50%	6.75%	6.75%	POSITIVE
	Solus Open A1 (15 year income)	5.75%	5.75%	6.00%	6.00%	6.00%	6.00%	POSITIVE
	Solus Bulky (15 year income)	5.75%	5.75%	6.00%	6.00%	6.00%	6.00%	POSITIVE

MSCI - Capital Growth sector overview

Sector	H1 2023	H2 2023	H1 2024	H2 2024	Q4 2024	Feb 2025
Office (City)	-8.14%	-10.18%	-3.00%	-2.15%	-1.26%	0.12%
Office (West End)	-1.86%	-6.06%	-1.67%	0.43%	0.75%	-0.29%
Office (Rest of SE)	-8.66%	-9.17%	-4.07%	-0.64%	-0.51%	-0.25%
Office (Rest of UK)	-6.00%	-8.99%	-5.62%	-1.72%	-0.81%	-0.15%

UK Yield Benchmarks - Sector overview

Sector		December 2022	June 2023	December 2023	June 2024	December 2024	February 2025	Market Sentiment
Offices	City Prime (10 years)	4.50%	4.75%	5.25%	5.25%	5.25%	5.25%	STABLE
	West End: Prime Core (Mayfair & St James's)	3.50%	3.75%	4.00%	4.00%	4.00%	4.00%	STABLE
	West End: Non-core (Soho & Fitzrovia)	4.25%	4.50%	4.75%	4.75%	4.75%	4.75%	STABLE
	Major Regional Cities (10 years)	5.75%	5.75%	6.50%	6.50%	6.50%	6.50%	STABLE
	Major Regional Cities (5 years)	6.50%	6.50%	7.50%	7.50%	7.50%	7.50%	STABLE
	South East Towns (10 years)	6.00%	6.50%	7.25%	7.25%	7.25%	7.25%	STABLE
	South East Towns (5 years)	7.00%	7.50%	8.25%	8.25%	8.25%	8.25%	STABLE
	South East Business Parks (10 years)	6.75%	7.00%	8.00%	8.00%	8.00%	8.00%	NEGATIVE
	South East Business Parks (5 years)	7.75%	9.00%	10.50%	10.50%	10.50%	10.50%	NEGATIVE

MSCI - Capital Growth Sector overview

Sector	H1 2023	H2 2023	H1 2024	H2 2024	Q4 2024	Feb 2025
Residential	3.64%	-1.60%	0.05%	1.36%	0.67%	0.88%
Student Housing	-1.13%	-0.70%	-0.95%	-0.44%	-0.19%	–

UK Yield Benchmarks - Sector overview

Sector		December 2022	June 2023	December 2023	June 2024	December 2024	January 2025	Market Sentiment
BTR	Zone 1 London Prime	3.25%	3.25%	3.90%	3.90%	3.90%	3.90%	STABLE
	Zone 2 London Prime	3.25%	3.60%	4.00%	4.00%	4.00%	4.00%	STABLE
	Zones 3-4 London Prime	3.50%	3.70%	4.15%	4.15%	4.15%	4.15%	STABLE
	Greater London Prime	3.75%	3.85%	4.25%	4.25%	4.25%	4.25%	STABLE
	South East Prime	3.75%	3.85%	4.25%	4.25%	4.25%	4.25%	STABLE
	Tier 1 Regional Cities	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	STABLE
	Tier 2 Regional Cities	4.25%	4.25%	4.75%	4.75%	4.75%	4.75%	STABLE
	South East – Single Family Housing	3.75%	3.75%	4.00%	4.00%	4.00%	4.00%	POSITIVE
	Regional – Single Family Housing	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	POSITIVE
	Student Accommodation Prime London (Direct Let)	3.75%	4.00%	4.25%	4.25%	4.25%	4.25%	STABLE
	Student Accommodation Prime Regional (Direct Let)	5.00%	5.00%	5.00%	4.50%	4.50%	4.50%	STABLE

MSCI - Capital Growth Sector overview

Sector	H1 2023	H2 2023	H1 2024	H2 2024	Q4 2024	Feb 2025
Leisure	-0.68%	-5.02%	-1.15%	-2.66%	-1.80%	-0.69%
Hotel	0.02%	-2.56%	0.49%	1.20%	1.40%	0.34%
Healthcare	0.00%	-1.29%	0.20%	0.10%	0.20%	–

UK Yield Benchmarks - Sector overview

Sector		December 2022	June 2023	December 2023	June 2024	December 2024	February 2025	Market Sentiment
Leisure	Prime Leisure Parks	7.50%	7.50%	7.75%	8.00%	8.00%	8.00%	STABLE
	Good Secondary Leisure Parks	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	STABLE
Specialist Sectors	Budget Hotels London (20 years, 5 yearly indexed reviews)	4.50%	4.50%	4.75%	4.75%	4.75%	4.50%	POSITIVE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	4.75%	5.00%	5.25%	5.25%	5.25%	5.00%	POSITIVE
	Healthcare (Elderly Care, NFP, 30 years, Annual indexed reviews)	4.00%	4.00%	4.50%	4.75%	4.50%	4.50%	POSITIVE
	Data Centres (Operational)	4.25%	4.75%	4.75%	5.00%	5.00%	5.00%	STABLE

CI Valuations team



Tom Walker
CI Valuations
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Senior
Manager



**Saajid
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Tax update



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Stuart Macklin
Tax Director,
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Tax update

- Deferred revenue expenditure and timing of tax relief
- What are we seeing in the UK?
- Jersey competitiveness



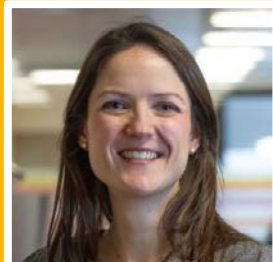
CI Real Estate tax team



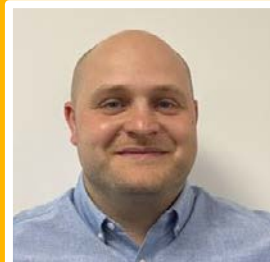
**David
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**Charlotte
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Jacob Tanguy
Tax Manager
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Coffee break



Panel discussion: today's participants



Moderator



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Leader,
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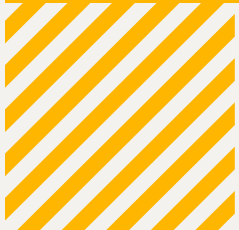
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ETRE Europe 2025: Key findings

While Europe's real estate leaders find some relief in a more favourable interest rate environment compared to previous years, overall sentiment remains cautious due to fragile economic growth and persistent geopolitical uncertainty.

This report is a joint survey by PwC and the Urban Land Institute. Now in its 22nd edition, the survey provides an outlook on real estate throughout Europe for 2025 and beyond. Some industry leaders are taking more of a three-to-five-year view of economic recovery rather than making strong bets for 2025.

Emerging Trends in Real Estate® Europe 2025 reflects the views of **1,143** property professionals, 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. Out of the 1,143 responses, 305 interviews were face to face, and the rest of the answers were obtained online.

Charting New Horizons- Top Trends



Cautious optimism

Europe's real estate leaders are drawing some comfort from a more benign interest rate environment compared to previous years. However, sentiment remains clouded by fragile economic growth and ongoing geopolitical uncertainty.

The survey indicates greater business confidence and higher profits for 2025 than a year ago. However, the interviews provide a more nuanced view of the market, highlighting many caveats to that optimism and a lack of clarity around the nature and shape of the recovery.



Geopolitical pressures

Geopolitics has figured significantly in recent editions of Emerging Trends, but never more prominently than this year, as the industry considers the potential impact of elections at home and abroad, as well as the conflicts in Ukraine and the Middle East.

Europe's real estate capital markets remain in a state of flux as investors, lenders, and regulators navigate a complex landscape of geopolitical uncertainty.



Economic growth

As the cloud of interest rate uncertainty recedes, it has brought into focus increased anxiety around the interconnected themes of economic growth prospects, rental growth, European competitiveness, and the changing needs of occupiers. Many are adopting a 3-5 year perspective on recovery rather than making strong bets for 2025.

The strength of tenant demand remains a concern for 44 percent of respondents.

ETRE Europe 2025: Key findings

Charting new horizons- Top Trends



ESG

The ESG agenda remains a top priority for the industry, although many have expressed concern that the ESG framework may be too narrow to fully capture the complexities of real estate's overall impact on society.

This concern is compounded by the uncertainty that "what is considered sustainable today may be very different in 20 years."



Capital flows

It has been a tough market for capital raising, but ETRE Europe shows that optimism is growing regarding the outlook for capital inflows to real estate and the availability of equity and debt finance.

Some investors, however, are wary of prices inflated by over-optimistic growth assumptions. There is also a sense among core investors, in particular, that real estate still has to prove its worth compared to other asset classes.



Sectors to watch

Identifying opportunities in real estate that will support future technology, innovation, digitisation, and decarbonisation is increasingly top of mind for investors.

Both data centres and new energy infrastructure are obvious examples, and this is reflected in the ETRE Europe report, with both sectors taking the top two spots in this year's rankings.

A dilemma for some is that two of the four established real estate sectors – offices and retail – are facing challenges at a sector-wide level, while still making up significant parts of existing investment portfolios.



Operational real estate

In a new normal of higher interest rates, the buzzword is "operational" real estate as a route to creating value.

Real estate investors are increasingly looking to access assets in growth sectors through buying operating platforms.

On the other hand, some have expressed concern at the spectacle of large quantities of real estate capital chasing scarce assets in illiquid, unproven sectors.

ETRE Europe 2025: Key findings

Charting new horizons- Top Trends



Cities to watch

Market size and liquidity have influenced the city rankings this year.

Europe's two largest markets – London and Paris – are ranked 1 and 3 in terms of overall prospects for 2025.

The importance placed on economic growth performance is also evident at the city level, with improved rankings for Madrid and Milan, as southern Europe is perceived to be strengthening economically.



AI and Cybersecurity

For most real estate companies using AI, the experience is positive, and there is enthusiasm, particularly around its potential to simplify and streamline key business processes.

However, there are concerns that, in the rush to embrace proptech and AI, real estate firms may not have been paying sufficient attention to the vulnerabilities that come with it.

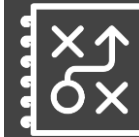
This year, cybersecurity moved into the top four general business concerns for real estate and the top three concerns for the next 3-5 years.



Insurance: energy transition and climate risk

A sense of urgency is evident as investors come to terms with the far-reaching implications for real estate insurance in a world of physical climate risk and the transition to net-zero.

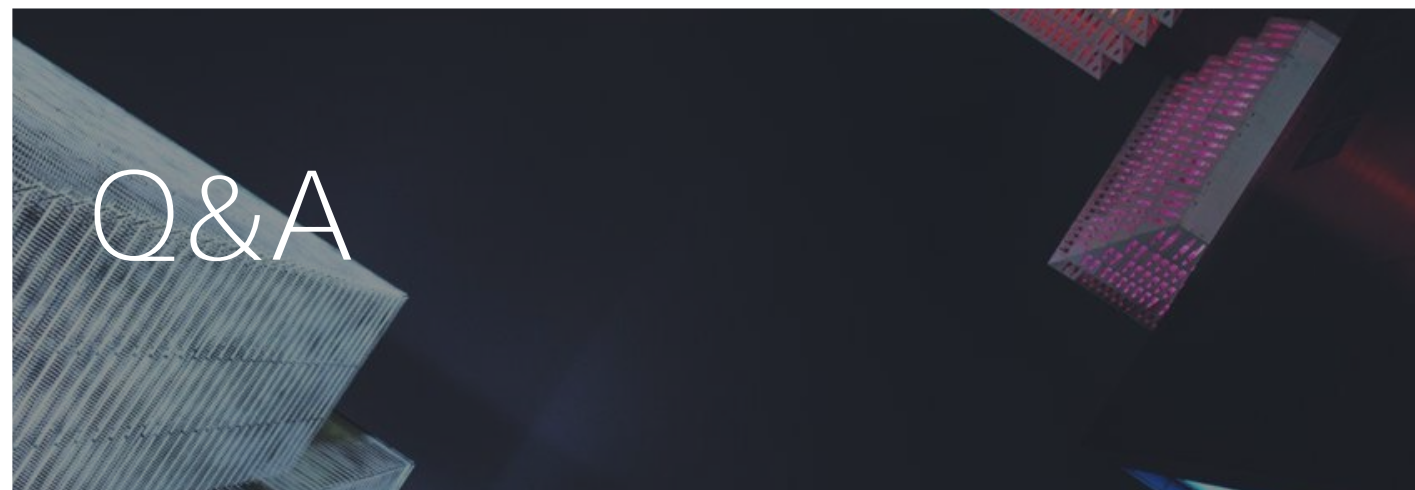
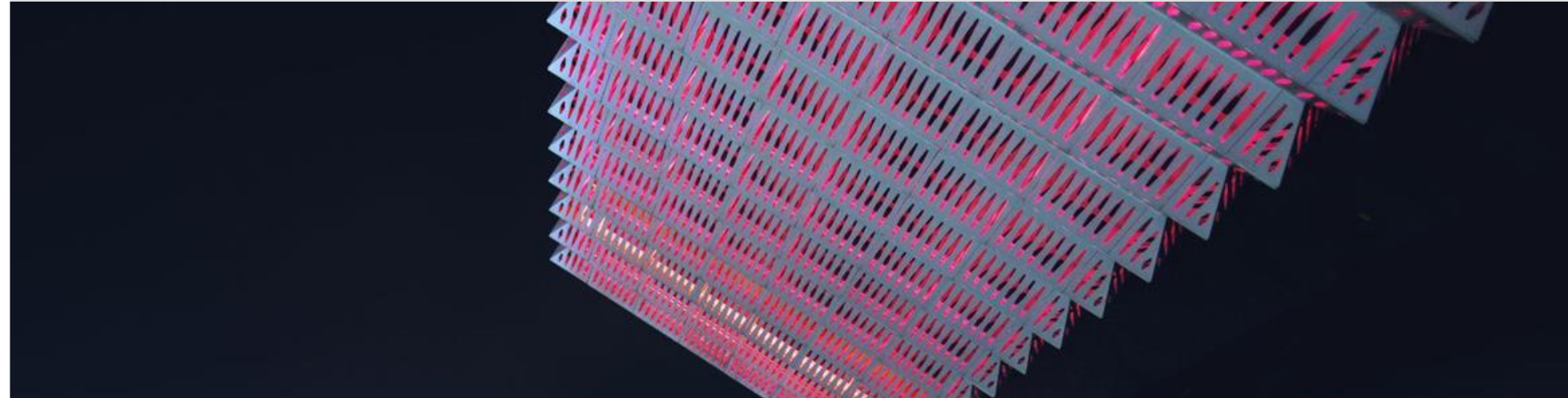
However, the levels of innovation and collaboration currently taking place between the insurance and real estate industries arguably do not match the potential scale of the challenge and its impact on real estate investment.



Charting New Horizons

The title of this year's report reflects the sentiment that while we do live in complex and volatile times, there is emerging clarity around what the “new horizon” looks like in terms of the delivery and operation of fit-for-purpose real estate.

This does not underestimate the many challenges, such as decarbonisation, structural change, occupier demand, and fragile economic growth. The optimism from ETRE Europe underlines the opportunities for those who can successfully chart a course through these challenges.



Closing remarks

Lisa McClure

Channel Islands Real Estate Leader



PwC CI Real Estate team



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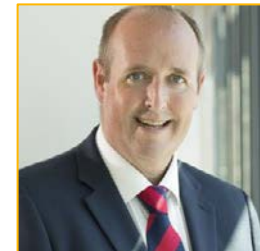
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**Raymo
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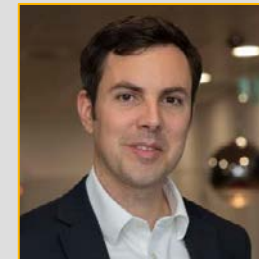


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Thank You



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