A NEW DAWN FOR THE CBD

The up-and-coming city districts rivalling traditional business hubs around the world
Real estate has never been more global or more complex than it is today. We understand that it is a critical part of your business, regardless of where in the world you operate.

In a fast changing global market, we have been at the forefront in helping our clients navigate and redefine the most complex and high-profile real estate deals. From real estate investments, developments and how to finance them, to places to work and live. Whether you are looking at offices, retail, industrial, logistics, hotels, residential, or any other type of building, we can help.

With over 500 lawyers in our global Real Estate Industry Sector Group, we use our deep insight of real assets to help our clients across the entire property lifecycle.

Everything from fund raising to joint ventures, acquisitions and disposals, development, financing, restructuring and disputes. We have experience in working with virtually every aspect and type of real estate project.

2,500 lawyers / 45+ offices / 25+ countries

www.hoganlovells.com
**Top 100 global investors**

Chinese investors have become a force to be reckoned with in real estate, toppling several long-standing investors from their perches in EG’s annual list page 16.

**HIGHLIGHTS**

**Prime locations**

Amazon’s need for a second headquarters has prompted fierce competition page 28

**Y viva España!**

The Iberian peninsula is well on the way to recovering from its financial slump page 38

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Capital flows tracked around the world page 6

**Star attractions**

Where to invest your money in 2018 page 12

**REIT around the world**

The growing popularity of global REITs page 20

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Industry experts tackle six burning questions page 22

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The fringe districts attracting a fresh breed of occupier page 32

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Will international retailers’ latest push into India be more successful than before? page 42

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Offices that come with hotel services page 58
Real estate decisions depend on accurate insights.
We speak your language.
savills.com
Savills is a leading global real estate firm with more than 600 offices and over 35,000 professionals throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. We have dedicated investment teams in all major financial centres around the world including London, New York, Hong Kong, Frankfurt, Paris, Shanghai and Tokyo. Our global investment experts offer specialist advice on all aspects of investment sales and acquisitions to optimise returns and minimise risk for our clients.
Savills' data on international real estate investment reveals a big increase in capital flowing out of Asia Pacific and into Europe.

In 2017, $34bn more was invested in Europe from Asia Pacific than in Asia Pacific from Europe, and $9bn more was invested from Asia Pacific into North America than vice versa. The lion's share of global intra-regional investment last year was into Europe ($90bn) with $36bn into North America and $16.2bn into Asia Pacific.

The preference for Europe and North America is largely due to their secure, liquid, transparent and established real estate markets, with their freehold assets offering secure legal title being particularly sought-after by new global investors. This coincides with increasing demand for fixed-income and income-producing assets from aging populations in the developed world. Different assets are sought, changing the performance of sectors.
WHO IS SPENDING WHAT AND WHERE

CROSS-BORDER INVESTMENT IN 2017 AND HOW IT COMPARES WITH 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>2017</th>
<th>2016</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA - EUROPE</td>
<td>$47bn</td>
<td>$40bn</td>
<td>+18%</td>
</tr>
<tr>
<td>NA - APAC</td>
<td>$11bn</td>
<td>$17bn</td>
<td>-35%</td>
</tr>
<tr>
<td>NA - LATAM</td>
<td>$1bn</td>
<td>$1bn</td>
<td>0%</td>
</tr>
<tr>
<td>EUROPE - NA</td>
<td>$18bn</td>
<td>$14bn</td>
<td>+28%</td>
</tr>
<tr>
<td>EUROPE - APAC</td>
<td>$5bn</td>
<td>$4bn</td>
<td>+25%</td>
</tr>
<tr>
<td>APAC - EUROPE</td>
<td>$19bn</td>
<td>$20bn</td>
<td>-5%</td>
</tr>
<tr>
<td>APAC - NA</td>
<td>$20bn</td>
<td>$33bn</td>
<td>-40%</td>
</tr>
<tr>
<td>MID EAST - EUROPE</td>
<td>$4bn</td>
<td>$4bn</td>
<td>0%</td>
</tr>
<tr>
<td>MID EAST - NA</td>
<td>$1bn</td>
<td>$9bn</td>
<td>-82%</td>
</tr>
<tr>
<td>MID EAST - APAC</td>
<td>$200m</td>
<td>$3bn</td>
<td>-99%</td>
</tr>
</tbody>
</table>
TOP TIPS FOR 2018

Your guide to the sectors and locations that hold the greatest promise for investment in the year ahead

<table>
<thead>
<tr>
<th>City</th>
<th>Optimum investment area</th>
<th>Investment rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>Co-working space</td>
<td>Value-add</td>
</tr>
<tr>
<td>Portland</td>
<td>Mixed-use</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Seattle</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>San Francisco</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Residential</td>
<td>Core</td>
</tr>
<tr>
<td>San Diego</td>
<td>Grade-B offices</td>
<td>Value-add</td>
</tr>
<tr>
<td>Santiago</td>
<td>Co-working space</td>
<td>Alternative</td>
</tr>
<tr>
<td>Buenos Aires</td>
<td>Co-working space</td>
<td>Alternative</td>
</tr>
<tr>
<td>Chicago</td>
<td>Logistics/Industrial</td>
<td>Value-add</td>
</tr>
<tr>
<td>Dallas</td>
<td>Logistics/Industrial</td>
<td>Core</td>
</tr>
</tbody>
</table>

Source: Savills

<table>
<thead>
<tr>
<th>City</th>
<th>Optimum investment area</th>
<th>Investment rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berlin</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>Madrid</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>Stockholm</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>Oslo</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>Dublin</td>
<td>Residential</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Hamburg</td>
<td>Residential</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Munich</td>
<td>Residential</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Paris</td>
<td>Residential</td>
<td>Value-add</td>
</tr>
<tr>
<td>London</td>
<td>Grade-B offices</td>
<td>Core-plus</td>
</tr>
</tbody>
</table>

Source: Savills
Where will the real estate money flow in 2018 and beyond?

Real estate has taken on the role of stable income provision. In countries where there is political instability or fiscal uncertainty, in particular, investors may even consider real estate to be higher grade than government bonds. Conventional investment opportunities are limited as supply has largely not kept pace with demand. But, for those investors willing to consider something new, more opportunities will open up in 2018 and beyond. Savills’ researchers around the world have picked out a few of the sectors and locations which they think will perform and placed different levels of risk on these recommendations. Some world property markets have very different legal systems than those to which many global investors are accustomed. Without change, there is a limit to how much the real estate investment universe can expand. Growing middle class populations in Asia, for example, offer big opportunities but will only present well-matched risk in jurisdictions where real estate title is robust and markets are transparent. Expansion is more likely to be seen in new property types, sectors and neighbourhoods in existing markets. Most of the Savills tipsters see potential, and growing demand, for these hitherto “alternative” asset classes. Alternative investors are not necessarily heading up the risk curve. Many will focus on quality and prime investments in new asset classes, rather than moving into secondary and tertiary properties in conventional asset classes.

The effects of e-commerce, new technologies and AI are the first rumbles of the potential for real estate disruption altering the nature of risk. Very different asset classes may be featured as “core” tips in future and 20-year-old assets which would have been “core” are now appearing in the “opportunistic” and “value add” categories. 2018 will be an interesting year for world real estate, with investors needing to carefully consider how to make rational moves into new successful asset classes in a time of change and disruption.

### APAC: TOP INVESTMENT PICKS

<table>
<thead>
<tr>
<th>City</th>
<th>Optimum investment area</th>
<th>Investment rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul</td>
<td>Grade-A offices</td>
<td>Core</td>
</tr>
<tr>
<td>Shanghai</td>
<td>Retail</td>
<td>Core</td>
</tr>
<tr>
<td>Beijing</td>
<td>Retail</td>
<td>Core</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>Retail</td>
<td>Core</td>
</tr>
<tr>
<td>Perth</td>
<td>Grade-A offices</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Adelaide</td>
<td>Grade-A offices</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Brisbane</td>
<td>Grade-A offices</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Hô Chi Minh</td>
<td>Grade-A offices</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Hanoi</td>
<td>Grade-A offices</td>
<td>Core-plus</td>
</tr>
<tr>
<td>Singapore</td>
<td>Mixed-use</td>
<td>Value-add</td>
</tr>
</tbody>
</table>

Source: Savills
London has always been a city where business thrives. But in a city where finding the right commercial property is becoming increasingly difficult, ABP Royal Albert Dock is offering something unique. Grade A flexible office space available at costs up to 50% less than Central London.

This high profile location is close to London City Airport and the ExCeL International Exhibition Centre with a Crossrail Station opening in 2018. The 35 acre mixed use scheme will comprise waterfront offices, cafés and restaurants, a bustling business main street suitable for major enterprises and SME’s, high quality retail space and public open squares.

ABP Royal Albert Dock has tremendous international connectivity and is a fantastic place to live, work and enjoy.

**ENQUIRIES**

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pnickalls@savills.com

**ABP LONDON**
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Senior Sales & Leasing Manager
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patrick.hurley@abp-london.co.uk
ABP ROYAL ALBERT DOCK

We’re Hiring
Head of Leasing

BE PART OF THE ABP LONDON ROYAL ALBERT DOCK TEAM

Phase 1 of ABP’s £1.7 billion development is on course for completion by early 2019. As you may expect there is already great interest in this high profile 4.7 million sq ft of mainly commercial space we are developing.

Now, we are seeking a highly accomplished Head of Commercial Real Estate Leasing. The role involves leading on the leasing of Phase 1 comprising 600,000 sq ft of office space and helping to shape and deliver the leasing strategy for Phase 2.

Please send an email to keith.rudwick@abp-london.co.uk with your CV or contact him on +44 (0)20 3837 6425 for more information.
STAR ATTRACTIONS

Where should you be looking in 2018 if you want to make a medium-term play in residential? How about healthcare, retail, education or tech? Paul Tostevin, associate director at Savills World Research, has identified the cities you should be keeping an eye on, based on their sector-specific fundamentals over the next decade.
1 Charlotte, North Carolina is forecast to be America’s second fastest growing city over the next decade (after Austin), and is still a little earlier on the curve than some other US cities.

5 Munich is Germany’s fastest growing city and boasts its strongest economy. Household numbers are forecast to rise by 10.6% by 2027, a rate higher than any other German city.

9 After years of stagnation, the Paris residential market has returned to growth. The “Grand Paris” infrastructure project will unlock the potential of the near suburbs.
EDUCATION
Ten youthful cities with strong university standings and appeal to international students

Barcelona has four QS-ranked institutions and offers students an enviable quality of life. International players have entered its purpose-built student accommodation sector.

Dubai has emerged as a regional higher education hub in the Middle East, home to more international branch campuses than any other city.

London remains one of the most visited cities, attracting a growing number of Chinese tourists. It also has a relatively affluent domestic population and attractive occupier terms.

PBSA investment in Austria has been focused on Vienna, a city rapidly growing in appeal to international students thanks to nominal tuition fees.

LUXURY RETAIL
Ten cities attractive to investors in luxury retail, based on market size, occupational demand and leasing terms

London remains one of the most visited cities, attracting a growing number of Chinese tourists. It also has a relatively affluent domestic population and attractive occupier terms.

Toronto is a growth market driven by an increasing number of Chinese tourists and relatively lower rents than seen in other global retail cities.

Madrid’s improving domestic retail backdrop and appeal to high-spending international visitors has seen a resurgence of occupational demand.
### HEALTHCARE

Ten cities with rapidly ageing populations, growing healthcare spend, and emerging healthcare tourism

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Forecast growth in over 65s population 2017-2027</th>
<th>Total over 65s population 2027 (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>HO CHI MINH CITY, VIETNAM</td>
<td>98%</td>
<td>0.9</td>
</tr>
<tr>
<td>2.</td>
<td>SAN JOSE, COSTA RICA</td>
<td>90%</td>
<td>0.3</td>
</tr>
<tr>
<td>3.</td>
<td>SINGAPORE</td>
<td>83%</td>
<td>1.3</td>
</tr>
<tr>
<td>4.</td>
<td>BANGKOK, THAILAND</td>
<td>76%</td>
<td>2.5</td>
</tr>
<tr>
<td>5.</td>
<td>CALGARY, CANADA</td>
<td>75%</td>
<td>0.3</td>
</tr>
<tr>
<td>6.</td>
<td>HONG KONG, CHINA</td>
<td>67%</td>
<td>2.0</td>
</tr>
<tr>
<td>7.</td>
<td>KUALA LUMPUR, MALAYSIA</td>
<td>65%</td>
<td>0.6</td>
</tr>
<tr>
<td>8.</td>
<td>JACKSONVILLE, US</td>
<td>62%</td>
<td>0.4</td>
</tr>
<tr>
<td>9.</td>
<td>MINSK, BELARUS</td>
<td>37%</td>
<td>0.6</td>
</tr>
<tr>
<td>10.</td>
<td>MADRID, SPAIN</td>
<td>27%</td>
<td>1.5</td>
</tr>
</tbody>
</table>

**Ho Chi Minh City**’s over-65 population is forecast to double in the next decade, rising wealth is coinciding with rapidly growing private healthcare spending.

**Singapore** has an excellent healthcare system and a wealthy population and over 65s are set to top 1.3m by 2027.

The number of over 65s in **Madrid** is forecast to rise at a faster rate than its overall population and the care home segment offers particular potential.

### TECH

Ten global centres of tech, talent-rich, business-friendly with established and growing tech sectors

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Millennial-to-boomer ratio</th>
<th>Cost of a flat white ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>AUSTIN, US</td>
<td>1.5</td>
<td>3.50</td>
</tr>
<tr>
<td>2.</td>
<td>LONDON, UK</td>
<td>1.3</td>
<td>3.32</td>
</tr>
<tr>
<td>3.</td>
<td>AMSTERDAM, NETHERLANDS</td>
<td>1.2</td>
<td>2.47</td>
</tr>
<tr>
<td>4.</td>
<td>SAN FRANCISCO, US</td>
<td>1.1</td>
<td>3.75</td>
</tr>
<tr>
<td>5.</td>
<td>NEW YORK, US</td>
<td>1.1</td>
<td>3.60</td>
</tr>
<tr>
<td>6.</td>
<td>COPENHAGEN, DENMARK</td>
<td>1.1</td>
<td>4.33</td>
</tr>
<tr>
<td>7.</td>
<td>BOSTON, US</td>
<td>1.1</td>
<td>3.37</td>
</tr>
<tr>
<td>8.</td>
<td>TORONTO, CANADA</td>
<td>1.0</td>
<td>2.30</td>
</tr>
<tr>
<td>9.</td>
<td>SINGAPORE</td>
<td>1.0</td>
<td>3.67</td>
</tr>
<tr>
<td>10.</td>
<td>BERLIN, GERMANY</td>
<td>0.9</td>
<td>3.30</td>
</tr>
</tbody>
</table>

**Austin** in the US is a more affordable, talent-rich alternative to San Francisco. This small Texan city punches well above its weight.

**London** is the recipient of more venture capital than any other European city, and its world city status attracts global talent.

**Copenhagen**’s vibrant urban scene attracts and retains talent. However, space in the centre of the historic Danish capital city is limited.
Unless you have been hiding under a rock for the past two years you will have noticed the flood of Chinese money into real estate.

Chinese firms have been gradually increasing their standing in EG’s annual Global 100 – a list of the top real estate-owning firms – since the launch of the ranking in 2014. But this year they dominate, toppling long-standing leader of the ranking Brookfield Asset Management.

The new biggest real estate-owning company in the world is China’s Evergrande Real Estate. The Guangdong-based firm raced up the ranking from ninth to second last year, but this year it does more than nudge Brookfield off the top spot – it bounds above the Canadian investor with total assets of $194.4bn compared with $159.8bn.

Combined, EG’s top 100 global investors hold more than £4.6tn of real estate, up from $3.9tn last year. Together, the total value of the Global 100’s portfolio is the same as the GDP of Japan. Only the US and China have GDPs larger.

While US firms continue to dominate the Global 100 in both number and value, Chinese companies are not far behind them. Some 29 US firms are listed in the rankings, with a combined portfolio value of $1.5tn, while 16 Chinese firms make the top 100 with a total portfolio value of $952.9bn.

On average, Chinese firms have a larger asset base than US firms, at $59.5bn to $52.5bn.
The percentage of the total asset base of the Global 100 that is owned by Asian firms. Together, China, Hong Kong, Singapore and Japan-based firm’s own almost $1.7tn of real estate. The total puts Asia on a par with North America in terms of portfolio value.

$72.7bn
Average portfolio value of the three Canadian firms listed in the Global 100. While Brookfield may have found itself knocked off the leading position in the rankings, its massive portfolio means its fellow Canadian propcos hold the most valuable portfolios on average than any of the other countries listed.

3/5
Number of spaces in the top five taken up by Chinese firms

$46.6bn
Average value of real estate that the Global 100 firms own

4
The number of countries that are only represented once in the Global 100: Qatar, Norway, Italy and Kuwait

$1tn
Total value of real estate owned by European companies, with France leading the way with combined portfolio value of $275.7bn from six firms.

$15.7bn
Minimum portfolio value that any company hoping to make the Global 100 would need this year.
Despite being small in number and secretive in nature, sovereign wealth funds continue to capture attention as a result of their ever-growing AUM and corresponding influence on global financial markets. Alternative assets have emerged as an important part of many SWF portfolios, with investment in real estate their most common route into alternatives. Currently, 56% of SWFs hold allocations to real estate. Direct investment (78%) remains the most attractive route for SWFs. But some 73% of SWFs invest through private real estate funds. And in a time when the fundraising market is intensely competitive, these capital commitments have the potential to make or break a manager’s fundraising plans. SWFs are not immune to challenges faced by the wider real estate investor pool; the depletion of prime assets due to increased demand and limited supply of institutional-grade property means finding deals at the right price is a concern. Those entering the asset class later may find limited opportunities, particularly when they have such large amounts of capital to deploy. Despite representing just 0.8% of the institutional real estate investor population, SWFs are responsible for approximately 6% of capital invested in the asset class.

### TOP 100 GLOBAL REAL ESTATE-OWNING COMPANIES

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Key Contact</th>
<th>Total assets ($bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal &amp; General Property</td>
<td>UK</td>
<td>Bill Hughes</td>
<td>34.5</td>
</tr>
<tr>
<td>Generali Real Estate</td>
<td>Italy</td>
<td>Giada Mozziocci</td>
<td>33.4</td>
</tr>
<tr>
<td>Morgan Stanley Real Estate</td>
<td>US</td>
<td>John Kloppe</td>
<td>33</td>
</tr>
<tr>
<td>Guangzhou R&amp;F</td>
<td>China</td>
<td>Zhang Li</td>
<td>32.6</td>
</tr>
<tr>
<td>Longfor Properties</td>
<td>China</td>
<td>Wu Yuan</td>
<td>32.4</td>
</tr>
<tr>
<td>Mapletree Investment</td>
<td>Singapore</td>
<td>Hiew Yoon Khong</td>
<td>32.3</td>
</tr>
<tr>
<td>Capitaland</td>
<td>Singapore</td>
<td>Linn Ming Tan</td>
<td>31.7</td>
</tr>
<tr>
<td>Simon Property Group</td>
<td>US</td>
<td>David Simon</td>
<td>31.1</td>
</tr>
<tr>
<td>American Tower</td>
<td>US</td>
<td>James Tacketl</td>
<td>30.9</td>
</tr>
<tr>
<td>Prologis</td>
<td>US</td>
<td>Hamid Moghadam</td>
<td>30.3</td>
</tr>
<tr>
<td>Government</td>
<td>Australia</td>
<td>Gregory Goodman</td>
<td>30.2</td>
</tr>
<tr>
<td>BNP Paribas Real Estate Investment Management</td>
<td>France</td>
<td>Thibout Larose-Pont</td>
<td>29.5</td>
</tr>
<tr>
<td>Welltower (formerly Health Care REIT)</td>
<td>US</td>
<td>Ron Dambrosio</td>
<td>28.9</td>
</tr>
<tr>
<td>Arnault Real Estate</td>
<td>France</td>
<td>Jean-Marc Coly</td>
<td>28.6</td>
</tr>
<tr>
<td>Anglo, Gordon &amp; Co</td>
<td>US</td>
<td>John Angelo</td>
<td>28</td>
</tr>
<tr>
<td>Fidelity International</td>
<td>UK</td>
<td>Neil Carda</td>
<td>26.9</td>
</tr>
<tr>
<td>Emaar Properties</td>
<td>UAE</td>
<td>Fred Duna</td>
<td>26.2</td>
</tr>
<tr>
<td>Beijing Capital Development</td>
<td>China</td>
<td>Wei Yang</td>
<td>26.1</td>
</tr>
<tr>
<td>Commerz Real</td>
<td>Germany</td>
<td>Robert Bernbach</td>
<td>26.1</td>
</tr>
<tr>
<td>Great Eastern China Holdings</td>
<td>China</td>
<td>Zhou Binan</td>
<td>24.4</td>
</tr>
<tr>
<td>Hang Lung Group</td>
<td>Hong Kong</td>
<td>Philipp Nan Lok Chien</td>
<td>24</td>
</tr>
<tr>
<td>Syntus Aches Real Estate &amp; Finance</td>
<td>Netherlands</td>
<td>Rob Vester</td>
<td>24</td>
</tr>
<tr>
<td>Venrock</td>
<td>US</td>
<td>Debra Calhoun</td>
<td>23.3</td>
</tr>
<tr>
<td>BlackRock</td>
<td>US</td>
<td>Lawrence Fink</td>
<td>23</td>
</tr>
<tr>
<td>General Growth Properties</td>
<td>US</td>
<td>Sandeep Mathrani</td>
<td>22.7</td>
</tr>
<tr>
<td>Greybar Real Estate Partners</td>
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### REGIONAL BREAKDOWN

- **North America**: $1.7tn
- **Europe**: $1.7tn
- **Asia**: $141.4bn
- **Middle East**: $69bn
- **Australasia**: $1tn
We are seeing the continued strength of the global REIT brand. Being a tax-efficient structure, a REIT is an increasingly popular choice for real estate around the world. Here we take a look at the latest new REIT regimes being proposed or adopted and law changes to existing REIT markets around the world.

**United States**
On 22 December 2017, US president Donald Trump signed into law HR 1, known as the Tax Cuts and Jobs Act (the “Jobs Act”), which is the most comprehensive US tax legislation in more than 30 years. The cornerstone of the Jobs Act is a permanent reduction in the top US federal corporate income tax rate from 35% to 21%, effective from 1 January 2018 for calendar-year corporations.

While there are changes to certain aspects of the taxation of US REITs, the Jobs Act does not change the overall manner in which US REITs and their shareholders are taxed. One favourable effect of the Jobs Act on non-US shareholders in US REITs is the reduction in the tax rate (and withholding tax rate) under the Foreign Investment in Real Property Tax Act from 35% to 21%.

**United Kingdom**
There has been a substantial growth in the number of UK REITs in recent years. The government’s proposals to charge non-UK resident investors a UK tax on gains on disposal of all UK property from April 2019 have made UK REITs an increasingly attractive option for property investors.

**Poland**
A new draft law introducing REIT structures into Poland is being prepared. Polish REITs will operate in the form of

Already popular and well-understood in some countries, real estate investment trusts are now being adopted more widely and are subject to increasingly favourable tax treatment, write Elliot Weston and Cam Cosby of Hogan Lovells.
joint stock companies with a minimum share capital of 50m zloty ($15m) and shares listed on the Warsaw Stock Exchange. The legislation will provide tax incentives with regard to the profits distribution and dividends.

The draft law is subject to continuing changes – the latest version provides that REITs will be allowed to invest in residential properties only, which was a surprise for the market. We expect the new law to come into force this year. However, the draft legislation may yet be amended and we await the final wording.

It should be mentioned that during the past few months no new proposals of the regulation were presented, which may be caused by the changes in the government.

Hungary
As a result of a tax package adopted by the Hungarian parliament in the summer of 2017, real estate investors may now receive significant tax benefits, provided that they operate their businesses in the form of a REIT.

These benefits include certain exemptions from corporate and local taxes and stamp duty. Companies registered as a REIT do not have to pay corporate and local taxes as long as they pay 90% of their earnings to shareholders as dividends.

Since these changes came into force, there has been an increase in interest from market players in the REIT structure in Hungary and it is hoped that this will further encourage real estate investors to operate in the form of a REIT in Hungary.

Italy
The real estate market in Italy has started to grow again over the past two years and a further evolution is expected in 2018. This trend influenced the decision to amend the PIR (personal saving plan) rules – granting to individual investors a special tax exemption for income generated by the PIR – so as to include real estate investments and immediately caused a leap in the value of the real estate index on the Italian stock exchange.

In the mid-term, an increase of listings for the Italian SIIQ (real estate investment listed companies) – which has suffered more than other players in the past – is expected.

In addition, listed real estate funds might benefit. Indeed, even if their eligibility for inclusion in the PIR is still being discussed (as they are not properly real estate companies), their underlying assets might be targeted by PIR investments.

Indonesia
Tax incentives for Indonesian REITs were unveiled under the 11th Policy Package on 29 March 2016, followed by several Indonesian Financial Services Authority regulations. The Indonesian REIT market had generally been considered unattractive because of high tax rates. However, the Indonesian government has made significant headway in promoting domestic REITs. Income tax on land or building transfers has been reduced from 5% to 0.5% and the 5% gross income tax imposed on non-REIT transfers of land or buildings has been reduced to 2.5%.

Moreover, to consolidate the regulations and encourage domestic REIT listings, amendments were made to the REIT regime (effective 22 December 2017), including a requirement for at least 80% of the REIT’s net asset value to consist of real estate assets (a maximum of 20% of the REIT’s net asset value can be other assets related to real estate, money market instruments, securities, and cash/cash equivalents).

REITs are now permitted to invest in real estate assets that are in final construction stages, as long as the asset provides the REIT with income within six months of transfer.

Elliot Weston and Cam Cosby are tax partners in Hogan Lovells’ global REIT team. Weston is based in London and Cosby is based in Washington in the US.
The growth of agile workplaces around the world could lead us to one of three outcomes. The first is that it becomes the inevitable future for everyone—the ultimate reconciliation of sterile corridors of private offices being serried rows of soulless and degrading open-plan desks. Option two is that it is nothing more than a passing phase with which we soon dispense, and option three is that it could challenge our natural tendency to territoriality, proving it to be ultimately unworkable.

The most interesting and likely of the three as it presently stands is the last. I would argue there is a decent chance that we have simply reached the end of road when it comes to this trend and would go so far as to say that there are no more original workplace approaches available. We have thought through and provided them all. We’re done. You now just get to pick the best bits of each for your own smorgasbord, and you can call it what you like. That’s not a bad thing, it’s just a thing.

Daniel Bell’s The End of Ideology, published in 1960, suggested that the high-minded and pure ideologies of the 19th century had run their course, and that from here we would be guided by practicality and governed by technocrats. While the thesis has oscillated between a product of its age and a pervading reality, the aspect relating to technocrats creates an interesting thought for us in property: that actually, the form of the workplace and the workstyle we choose will all be determined by the prevailing technology of the time and those who manage it. The workplace sector has been toying with the idea that human resources might provide a refreshing alternative sponsor to the exhausted leaders of corporate real estate. This is refreshing only because, in the main, HR has not yet trodden through property’s unique embodiment of quicksand. By that I mean its multiple competing interests, sudden and unexplained changes of direction and arbitrary access to capital, all the while operating under the expectation of the creation of something amazing, guiding a seamless adaptation to the new environment.

It may be the pragmatic technocrats who will ultimately run the show. There will still be an essential role for creativity and we will continue to aspire to the aesthetic. But workplace will simply be workspace, designed to suit and enable the organisation, and not in service of a grand abstract idea. We will talk about the days of traditional, social-democratic, flexible, agile, activity-based space and wonder why we fretted so much over ideology. We will skip attempts to create something new out of what is essentially the same.

Facing the end of ideology is not a closure or a completion—it is an open-ended opportunity. We can forget the coffee-fuelled, cold-towel sessions where we try to dream up new conceptual backdrops for our creations, and just get on with creating. And that has to be beneficial for everyone.
Q: What is stopping Italy becoming the next boom market of Europe?

A: Italian investment volumes have been increasing steadily since 2012 and last year’s total of almost €10bn is 3.7 times higher than five years ago. Italy has now become the “next stop” after Spain for investors who have been looking for better returns beyond the core markets.

Despite its slow growth and political unpredictability, Italy has proved to be a stable and less volatile market partly because of a lower penetration of cross-border capital compared with other markets.

Italy is a G8 economy with an affluent population and significant business activity in the northern regions, as well as high tourist numbers. This has attracted investors particularly in the office and retail segments of the property market and, more recently, in hotels and mixed-use schemes.

The lack of modern stock and shopping malls has offered development opportunities and higher returns to less risk-averse players. At the same time, the tight and opaque planning regime – and the high number of listed buildings – makes development less attractive to more risk-averse players, but offers opportunities for refurbishment as demand for modern space rises.

As prime yields have quickly converged with the core market levels over the past few years (Milan’s prime office yield is at 3.5%, Milan and Rome’s prime high street yield at 2.75% in Q4 2017), investors have been looking at alternative sectors for better returns.

We have observed the emergence of the high street as a preferred asset class, particularly in cities with high tourist flows, such as Venice and Florence, and even secondary cities such as Bologna and Turin.

In addition, student housing is in very short supply, and some real estate funds are seeking to create government-subsidised residences to alleviate the problem.

E-commerce has also generated a plethora of activity for the logistics market, achieving an investment volume of €1.1bn in 2017 – a 70% year-on-year increase.

It’s important to note that the institutional residential market doesn’t dominate the sector in Italy like it does in Germany. Italians have historically put their capital into residential property and, as a result, 71.4% of dwellings are owned by individuals, limiting the opportunity to buy residential product at scale – an asset class which is of particular interest to global pension funds.

Investor sentiment for Italy has been driven mainly by market fundamentals, rather than political risk. A concern for the Italian market is the amount of non-performing loans. However, the creation by the government of private rescue fund Atlante should speed up the deleveraging process of the banking sector, restore confidence in the system and create a market for NPLs for investors who are interested in this type of product.

We believe that 2018 will be another positive year for Italian investment. We may experience some hesitation from investors ahead of the elections, but we anticipate that activity will pick up in the second quarter, in a similar way that we have seen transaction activity picking up after critical political events in the UK, France and Spain over the past two years. This should be supported by positive fundamentals, lower interest rates, and rising liquidity in the market as a result of banks’ expansive policies and funds taking advantage of improving market conditions.

Activity will continue to be driven by European investors, which accounted for a 47% year-on-year rise in 2017, but also the rising Asian inflows into the market, which saw a 126% increase year-on-year in 2017.

As prime yields have quickly converged with the core market levels over the past few years, real estate investors have been looking at alternative sectors for better returns.

Eri Mitsostergiou
Director of European research, Savills
The question over whether anything can curb outbound flows of capital from Hong Kong investors into global real estate is difficult to answer as there are so many factors that come into play. But there are a handful of scenarios that could potentially impact outbound flows.

First among these would be some form of major political change, similar to that seen in mainland China in 2017, which resulted in outbound flows being restricted. If a comparable restriction was imposed on Hong Kong-based investors, this would possibly have the biggest impact on outbound flows. However, there is absolutely no indication that this sort of measure is on the horizon.

A third scenario would be China’s capital control measures affecting the Hong Kong-based subsidiaries of Chinese companies. This scenario is starting to become more real. Over the coming months we will see the true effects of these increased restrictions and which groups are caught by them. It will undoubtedly affect some of the groups that have been prevalent in the global markets, but by no means will it affect the majority of the Hong Kong groups that we are working with.

Another possible scenario is if something were to happen in the Hong Kong property market; for example, a major pricing correction. This would result in some investors turning away from the international markets to take advantage of the reduced domestic prices. But it would not affect all investors. For many the decision to invest overseas is driven by a desire to diversify their wealth, not simply price speculation. If this were to happen then any slowdown would be temporary until values began to rise again.

Lastly, global interest rate rises could also influence capital flows. While we cannot be sure if, and by how much, interest rates will rise again in the UK (although most commentators are forecasting an initial 25 basis point rise in May), the likelihood of the Federal Reserve in the US raising interest rates three times over the course of 2018 is now more than 50%. Any rate increases diminish the attractive low-interest environment overseas investors have grown used to operating in. Until now, the low cost of debt has allowed investors to borrow cheaply and maximise their return on investment. As soon as the positive carry between property yields and borrowing costs disappears in any market this would impact investor sentiment; although again it is unlikely to curtail it completely.

The reality is that there are a huge number of Hong Kong investors that are keen to diversify their assets. The biggest change we are therefore most likely to see will be in where they choose to focus their attention. The outbound programme of investment is likely to continue for a while yet.
Q: What do you really need to know about Brexit?

A: So much has been written on this subject it would be impossible to read everything. But a lot of what is out there is speculation or is slanted to the writer’s particular point of view. We also don’t know what Brexit is finally going to look like. Will it be “hard”, “soft” or some sort of soggy in between? You will each have your own views as to what the final deal should be – or indeed as to whether Brexit should happen at all. Speculation aside, here is a crib sheet of the nine things you really do need to know.

1. The government triggered Article 50 on 29 March 2017, which means that from 1 April 2019, the UK will no longer be part of the European Union.

2. The first phase of the negotiations between the European Commission and the UK government, which covered what has been called the “divorce bill”, concluded in late 2017 and the European Commission has decided that sufficient progress had been made for the parties to move on to the next phase.

3. That next phase is the discussion around transitional arrangements. The intention of the transitional arrangements is to ensure that even though the UK is no longer part of the EU, the move from “in” to “out” is softened by continuing some of the current arrangements for a period of perhaps two years. It is expected that the discussions as to transition will conclude sometime in March 2018, with the talks then moving on to the longer-term detail of the relationship after the end of that transitional period.

4. Transitional arrangements can be laid down only in the Withdrawal Agreement, so it is unlikely that any such arrangements will come into legal effect before the rest of the agreement.

5. Over the coming months, it is expected that the EU and the UK will begin to firm up the legal text of the Withdrawal Agreement, with a view to finalising the detail of it by October. That agreement will need to be ratified by the EU and be transposed into UK law via an act of parliament.

6. The legislation to give effect to this is the Withdrawal Bill. This has been going through the parliamentary process and is currently at the committee stage in the House of Lords. A parliamentary vote determined that whatever the final deal that the government agrees with the European Commission may be, it will need to go before parliament to be ratified as part of the process. This is expected to take place towards the end of 2018.

7. UK land law itself does not have to change with Brexit. It falls outside the ambit of the Treaty of Rome and the way investors hold property will continue as it is currently.

8. Many other laws affecting businesses in the UK do derive from the European Union or are implementations of European Union law. It is proposed that this be dealt with by the repeal of the relevant legislation and its substitution with equivalent national legislation through what has been termed the Great Repeal Bill.

9. In the meantime, the uncertainty of where this will all end up is causing corporate occupiers to make contingency plans – and in some cases they are already committing to moving parts of their operations out of London and into other European cities, such as Dublin, Paris, Frankfurt and Amsterdam. The full extent of those moves is not yet known. Financial institutions, in particular, are concerned about the regulatory environment and the City has proposed a system based on regulatory alignment.

UK land law itself does not have to change with Brexit. It falls outside the ambit of the Treaty of Rome and the way investors hold property will continue as it is currently.
According to preliminary RCA data for 2017, a total of ¥3.826tn (£24.9bn) was transacted in Japan’s property market last year. This marked a decline in year-on-year volumes, but overseas buyers were slightly more active. By and large, however, Japan is still dominated by domestic investors.

The drop in volumes last year can be attributed to the comparative lack of domestic, large-scale, core investment opportunities – not a lack of appetite. Some domestic investors are more likely to move up the risk curve, but these tend to be more at the periphery of the market, not the well-known big names that may venture into international waters.

Tokyo’s core investment market remains buoyant so, for the time being, we are unlikely to see many investors looking abroad for a home for their capital. Those few that do look beyond home shores are largely pursuing a currency play, taking advantage of recent fluctuations, rather than diversifying geographically to spread risk.

Meanwhile, Japan’s Government Pension Investment Fund – the world’s largest public pension fund, which now holds ¥141tn (£924bn) under management – has expressed a desire to invest overseas. It’s in need of a clear strategy in order for this to happen, but is planning to invest through fund/investment managers when it has sufficiently grown its real estate team and become more familiar with its target overseas markets. For this reason, the GPIF is unlikely to be the first mover.

Adding to this reluctance is a general nervousness towards investing in less familiar overseas markets – a characteristic many (although not all) of the Japanese investors we speak to share – and the structural differences that exist between the Japanese and foreign markets.

In comparison with their UK counterparts, for instance, Japanese office tenants are far more protected, with landlords covering the cost of business rates, maintenance and repairs and insurance. Buying an office in Japan therefore involves providing a far greater hands-on service which can impact on pricing and creates challenges if you try to compare yields in Japan to those in the UK at face value.

However, this is offset somewhat by Japan’s lower interest rate environment, which offers the highest risk-free return in the world. With many domestic projects financed at rates substantially below 1%, investors are able to carry these extra costs.

It’s not fully understanding the differences between the Japanese and foreign markets that is sometimes blamed for the mistakes made in the 1980s, when we saw some Japanese investors make ill-advised decisions to buy at the top of the market only to lose money when prices crashed. In the end, when the New York market was under pressure, resulting in huge reductions in values, they were forced to sell, realising the capital loss.

If they had chosen the lower-yielding London properties, the longer leases would have meant that they could have held their position and maintained a sound cash flow with hardly any reduction in values.

So, while there is a slow undercurrent of interest from Japanese investors in the international markets, and we hope that more will start to look overseas, a combination of factors and previous poor experiences means there is nothing approaching a wave of cross-border investment at the moment, and this is unlikely to change in the near future.

Q: When will the Japanese make their move?

A: According to preliminary RCA data for 2017, a total of ¥3.826tn (£24.9bn) was transacted in Japan’s property market last year. This marked a decline in year-on-year volumes, but overseas buyers were slightly more active. By and large, however, Japan is still dominated by domestic investors.

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Cyber security risks are rising in the commercial real estate industry — and building management systems can be part of the exposure.

Like any other industry, commercial real estate is not immune to cyber security threats. Both property owners and tenants may hold their sensitive data in separate systems, but increasingly the systems connect, exposing them both to the weakest link in their security.

Building cyber “bridges” between systems not only exposes data to privacy violations (it is outside the scope of this article, but both landlords and tenants need to give thought to GDPR), but also to security breaches. Breaches can have expensive and disruptive consequences.

**Q:** How important is cyber security to the real estate industry?

**A:** Cyber security risks are rising in the commercial real estate industry — and building management systems can be part of the exposure.

Like any other industry, commercial real estate is not immune to cyber security threats. Both property owners and tenants may hold their sensitive data in separate systems, but increasingly the systems connect, exposing them both to the weakest link in their security.

Building cyber "bridges" between systems not only exposes data to privacy violations (it is outside the scope of this article, but both landlords and tenants need to give thought to GDPR), but also to security breaches. Breaches can have expensive and disruptive consequences.

**What is the exposure to hacking and cyberterrorism, and what protection is available?**

Cyber breaches are a particular issue for modern, commercial multi-let investment properties. In more sophisticated buildings, the BMS commonly interacts with tenant systems, the landlord’s property management systems, and may offer wi-fi to visitors. Cyber-terrorists will look for the weakest link.

There are reported cases of whole hotel heating and cooling systems being hacked by guests using tablets (one during a cyber security conference); and if you think changing the temperature is not a problem, then think of the steel mill in Germany that literally melted when its thermostatic controls were hacked; or what might happen in a temperature-controlled warehouse.

Stand-alone systems with no wi-fi are not secure from the disgruntled employee or enterprising hacker — we know of a security consultant, hired by a company to test its computer security, who simply made his point by sending a photo of himself jacked into the server having breached physical security.

**Is insurance the answer?**

The insurance industry is working hard to develop affordable products that will protect property owners from both physical damage resulting from hacks and losses caused by hacks that do not cause any physical damage (such as sealing the doors, or jamming the lifts). Insurance products are emerging, but you need to check the policy terms very carefully — and then think about who is going to bear the cost. (This insurance should not be confused with policies that are available for data breach, which are more developed.)

At the moment, institutional leases are completely silent about any kind of cyber risk. In the simplest terms, a lease says that the landlord will insure against damage to the property by fire and other usual risks.

In the event of damage, the landlord will use the insurance proceeds to rebuild the property, and the tenant’s rent is suspended (covered by the loss of rent insurance). The landlord may be able to include cyber as an insured risk. If it can’t, then the uninsured risk provisions may help, if there are any, which usually means the landlord will bear the loss. However, if there is no physical damage then there are no provisions in the lease that will help.

**Would the tenant have a claim for breach of quiet enjoyment?**

The policy needs to cover that. In sophisticated buildings, building management systems need to be kept secure. That means software and hardware will need to be upgraded and tested for security. The lease may not provide for the cost of that to be recovered through the service charge, so that may be another cost to the landlord.

Landlords need to prepare for the worst — with meaningful maintenance plans, an effective response strategy and a fresh look at their leases.
The hunt for a global business headquarters used to be a fairly straightforward affair. Then Amazon's HQ2 requirement came along.

The search has been a roller-coaster. A cross between TV's Big Brother and a fiendish, real-time geeky experiment, the tech giant's hunt for the perfect city to call home for its second HQ has gripped the USA for a year or more. And it's not over yet.

A long-list of 238 US cities – mostly self-selected hopefuls with little realistic prospect of making the cut – was assembled in October 2017.

In January 2018, all but 20 of the candidate cities were ejected from the race. Ever since, observers have been wondering what swung it for the lucky shortlisters – and which of them will eventually claim the requirement.

There's certainly a lot at stake. The winner will get a campus to rival Amazon's existing 8.1m sq ft downtown Seattle HQ. The invitation to bid suggests Amazon will hire as many as 50,000 new staff
for its HQ2, and that they will be paid an average of $100,000 each. The firm has hinted this means an initial requirement of 500,000 sq ft, rising to 8m sq ft by 2027, and a $5bn annual economic boost to the lucky host city.

Tea-leaf reading suggests Washington DC is the front-runner, with suburban Maryland in the Washington DC area, and DC itself ranked just a shade below Atlanta in many commentators’ lists. New York-based property analytics business Reis developed a scoring system based on what Amazon said it wanted (see panel), and this pointed in the same direction.

But with Amazon boss Jeff Bezos owning the Washington Post newspaper, Reis economists Barbara Byrne Denham and Victor Canalog, noted: “The location decision could come down to factors not listed in this analysis. These measures include the tax incentives granted by the city/state, the ‘creativity’ of the location, other immeasurable qualitative features or an underlying preference on the part of the decision makers for such things as access to skiing, a lake, river or ocean. Or the decision could be based on whether or not the decision maker owns a newspaper in the city.”

In other words, the location of a $2bn capital investment could come down to who likes what kind of sport – which is not very encouraging for those who like to think tech businesses make hyper-rational decisions.

Michael Kitson, senior lecturer at Cambridge University’s Judge Business School, says this kind of indefinable “buzz” is often part of technology HQ decision making.

“High-tech companies have to consider a range of factors,” he says. “Access to skilled labour is crucial – and in many cases this means access to highly skilled scientists and technologists. Offering generous remuneration is one part of the package, but increasingly employees want to work in an interesting place with a ‘buzz’. This means not just good housing but local access to cultural facilities, open spaces and, for families, good schools.”

Does that mean that tech HQ decisions are bordering on the non-rational? Kitson says no – not quite. “I think that tech companies are no less rational than any other companies. They may just have to consider more factors – often difficult to measure – such as ‘buzz’ and collaborations with others. It makes sense for Jeff Bezos to locate Amazon in Washington, that is rational for him.”

In the generous geography of the Pacific coast, Portland, Oregon, is not far from Amazon’s Seattle base. From his office in Portland, Bert Sperling, vice-president at location finder Sperling BestPlaces, has been watching Amazon closely for signs of big-tech’s current HQ needs.

One of them is size: the Amazon requirement will mean around 150,000 to 175,000 new residents for the host city. Only big, prosperous and well-organised locations will be able to cope with that level of migration, says Sperling.

“There is plenty of talk that Amazon is seeking the most beneficial package of tax incentives to move to the host city,” says Sperling. “But in the end, location is the most important factor.”

### AMAZON’S RUNNERS AND RIDERS: WHAT THE FINAL 20 HAVE TO OFFER

<table>
<thead>
<tr>
<th>Location</th>
<th>Tech talent rank</th>
<th>Average rent (for 75,000 sq ft office)</th>
<th>Tech talent wages (per 250 people)</th>
<th>Time from downtown to airport (in minutes)</th>
<th>Potential sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta</td>
<td>5</td>
<td>$1,826,500</td>
<td>$23,095,030</td>
<td>18</td>
<td>Stonecrest. 145 acre town to be renamed Amazon</td>
</tr>
<tr>
<td>Austin</td>
<td>8</td>
<td>$2,541,750</td>
<td>$22,860,779</td>
<td>23</td>
<td>Former Motorsco campus. 120+ acres</td>
</tr>
<tr>
<td>Boston</td>
<td>9</td>
<td>$2,693,250</td>
<td>$25,994,778</td>
<td>12</td>
<td>Suffolk Downs</td>
</tr>
<tr>
<td>Chicago</td>
<td>15</td>
<td>$2,226,000</td>
<td>$22,800,090</td>
<td>41</td>
<td>Burnham Lakeshore</td>
</tr>
<tr>
<td>Columbus</td>
<td>8</td>
<td>$1,442,250</td>
<td>$23,127,534</td>
<td>8</td>
<td>49-acre former Michael Reese hospital, Bronzeville</td>
</tr>
<tr>
<td>Dallas</td>
<td>10</td>
<td>$1,796,250</td>
<td>$23,334,635</td>
<td>25</td>
<td>Cedis neighbourhood/Valley View Mall</td>
</tr>
<tr>
<td>Denver</td>
<td>12</td>
<td>$1,973,250</td>
<td>$25,095,793</td>
<td>36</td>
<td>17 acres of car parking at Elitch Park; 50 acres; 42-acre Upper Fox, the former Denver Pilot site; 50 acre Gates Rubber plant</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>33</td>
<td>$1,407,000</td>
<td>$19,418,121</td>
<td>16</td>
<td>231 acres at Metropolitan airport; 130 acres at the International airport old terminal; 27 sq miles of farmland in eastern Hamilton country; 103 acres former General Motors stamping plant; 60 acres at tech 26</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>24</td>
<td>$2,718,431</td>
<td>$23,904,222</td>
<td>17</td>
<td>487-acre Pomona Fairplex, 46-acre Rockfield at the Warner Center</td>
</tr>
<tr>
<td>Miami</td>
<td>2</td>
<td>$2,733,000</td>
<td>$18,924,926</td>
<td>10</td>
<td>103 acres at Downtown Doral (+White Course); 10-acre Innovation Center + adjacent 30-acre Miami Worldcenter project</td>
</tr>
<tr>
<td>Montgomery County</td>
<td>n/a</td>
<td>$2,201,350</td>
<td>n/a</td>
<td>13</td>
<td>43-acre White Hall Flex site</td>
</tr>
<tr>
<td>Nashville</td>
<td>43</td>
<td>$1,869,750</td>
<td>$19,855,301</td>
<td>13</td>
<td>300-acre Century Farms, Antioch; 180-acre Buchanan Point, 72-acre River North project</td>
</tr>
<tr>
<td>New York City</td>
<td>3</td>
<td>$5,709,750</td>
<td>$30,799,506</td>
<td>14</td>
<td>Midtown West (2m sq ft)/Long Island (3m sq ft)/Financial District (lower Manhattan; 8.5m sq ft)/Brooklyn Tech Triangle (15m sq ft)</td>
</tr>
<tr>
<td>Newark</td>
<td>13</td>
<td>$1,930,500</td>
<td>$26,933,042</td>
<td>10</td>
<td>2.3m sq ft redevelopment of Bear &amp; Eagles Riverfront stadium</td>
</tr>
<tr>
<td>Northern Virginia</td>
<td>n/a</td>
<td>$4,200,000</td>
<td>n/a</td>
<td>...</td>
<td>85-acre The Hub near Dulles airport</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>22</td>
<td>$1,995,000</td>
<td>$23,387,633</td>
<td>17</td>
<td>Schuykill Yard/Philadelphia City Square/Navy Yard</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>10</td>
<td>$1,634,250</td>
<td>$20,107,965</td>
<td>26</td>
<td>11-sq mile of industrial land in North Side, 28-acre former Civic Arena in Lower Hill District; 195-acre World Trade Center at Pittsburgh airport</td>
</tr>
<tr>
<td>Raleigh</td>
<td>7</td>
<td>$1,854,250</td>
<td>$23,600,083</td>
<td>24</td>
<td>300-acre Research Triangle Park; 700-acre Chatham Park</td>
</tr>
<tr>
<td>Toronto</td>
<td>6</td>
<td>$1,913,128</td>
<td>$11,902,660</td>
<td>22</td>
<td>10 lots including 18m sq ft of new space downtown; 180- acres of land in Mississauga; 28m sq ft Vaughan Metropolitan Centre; 3.4m sq ft Markham Centre; 112-acres in Brampton; 184-acre Bronte Meadows in Burlington</td>
</tr>
<tr>
<td>Washington D.C.</td>
<td>4</td>
<td>$2,799,000</td>
<td>$27,082,593</td>
<td>21</td>
<td>130-acre Anacostia Riverfront; 67-acre Capital Hill East; 6m sq ft around Shaw-Howard University; 12-6m sq ft around NoMa-Union station</td>
</tr>
</tbody>
</table>

### What Amazon said it wanted

The HQ2 requirement will go to a metropolitan area with a population of 1m or more. Amazon wanted a prepared site of 100 acres, and a host that could think creatively. It didn’t much care whether it was downtown or out-of-town, greenfield or brownfield. Amazon also insisted HQ2 should be 45 minutes from an international airport, just one or two miles from a major highway, and it wanted mass transit on site.

The bid document said that “cultural fit” was important, explaining that this included “the presence and support of a diverse population, excellent institutions of higher education, local government structure” and elected officials “eager and willing” to work with Amazon.

The company also wanted “an overall high quality of life” but didn’t say what it expected that to mean – although it did ask for information about the diversity of the local housing market, crime statistics and cost of living data.

Amazon estimated the first phase of up to 1m sq ft would mean capital expenditure of $600m, and that the entire project amounted to just short of $2bn in capital spending.
What tech companies want

1. The US Midwest
Indianapolis and Columbus, Ohio, found their way on to Amazon’s top 20 shortlist, surprising some observers who hadn’t ranked them as real tech targets. But according to Bert Sperling at location finders Sperling BestPlaces, it shouldn’t have shocked anyone.

“Places like Columbus and Indianapolis are receiving attention because of their affordability (both commercially and for employees) and a steady stream of new graduates from large, well-regarded universities,” he says.

“Current technology hubs such as San Francisco, New York, Los Angeles, Seattle, and Boston are struggling to provide commercial space and housing for the growing tech industry, and are looking for affordable locations for new offices.”

Time-zone differences and rising costs are forcing US businesses to reshape from overseas centres such as Bangalore and Hyderabad.

“Locating these new tech resources in the Midwest and other affordable parts of the US allows these consulting groups to provide reasonably priced services while still offering well-paying jobs to their employees,” Sperling says. “It’s no exaggeration that a small two-bedroom bungalow priced at $1.5m in San Jose may be found in Columbus or Indianapolis for well under $100,000.”

2. Dublin
Dublin has Goldilocks appeal (not too big, not too small) of a kind that many tech giants love. It also has a youthful and well-educated demographic, and won’t be leaving the EU any time soon. Dublin is ranked ninth in the World Economic Forum’s Global Talent Competitiveness Index (London is 14th).

The Silicon Docks of central Dublin remain the top tech location, with Google adding a third building to the two already claimed at Bolands Quay: a total of 257,000 sq ft.

However, Facebook is believed to be scouting out 450,000 sq ft at AIB’s campus headquarters in Ballsbridge. If confirmed, this would be the first substantial tech move to the city’s southern business districts.

3. Manchester
Like its US parent, Amazon UK has its own HQ2 requirement. The online giant is considering creating a 900,000 sq ft campus-style office hub in Manchester’s Northern Quarter – if the deal comes off as expected, it will signal the moment when Manchester moves from tech contender to serious tech player.

Hermes’ NOMA development is regarded as the likely winner of the campus, although the Ask/Patricia First Street scheme to the south-west of the city centre is also in the running for Amazon’s initial 90,000 sq ft toe-in-the-water.

Like the Midwest cities of the US, Manchester has large, well-respect universities and a deep pool of young graduates. Will Brexit choke off a Manchester tech renaissance? Cambridge University economist Michael Kitson says it might. “Despite globalisation, location is important as close proximity to universities and other high-tech businesses can encourage collaboration and innovation. If the UK is not in the single market, many firms may consider relocating or moving some activity to the EU to maintain ease of access to the European market,” he warns.

4. Berlin
Berlin’s cool reputation – combined with its EU status – makes it a formidable rival to London, as a slew of new arrivals testify. After years Bosch has chosen Berlin as the HQ for its new internet-of-things operation. At around 120,000 sq ft it isn’t huge – but it is a huge sign of things to come.

Meanwhile, Samsung Next has chosen Berlin over London, claiming the UK capital is “not a fun place to live unless you are really rich.”

Maryland in Washington DC, the current rumoured front-runner in the HQ2 race
A NEW START FOR CBDs?

Occupier needs are changing. Millennials want flexible, co-working and collaborative workspaces in creative, dynamic urban areas. So does this mean CBDs as we know them are dead, or do they just need reinvention? Savills’ head of world research Yolande Barnes considers the alternatives.
The way we live and work in cities is changing. This is, in turn, changing the geography of real estate. Investors need to understand these changes or be left with underperforming and obsolete stock in the wrong place. They also need to consider whether the traditional office stock in established central business districts will stand the test of time.

People want to work in cities and towns, not out of town business parks. They also want to live, play and visit in the same cities. So what we’re seeing is the emergence of many new CBDs; a plethora of urban neighbourhoods where people can do all these things and which provide a choice of workplaces for workers and their employers.

The emergence of these new CBDs has led some urbanists to coin the term “polycentric city”. The single big, mono-use CBD may be a thing of the past but even small cities will see more choice of small CBDs, urban quarters in which people will set up different businesses.

A short history of the CBD
The CBD is a term most property people take for granted. It’s the obvious and most desirable place in a city to locate business premises and it’s where you’ll find other enterprises to support your business or service.

But CBDs have not always been the location of choice for every office occupier. Many global cities which now have varied and extensive CBDs suffered city flight in the 1950s, ’60s and ’70s. They watched their CBDs fade as businesses moved upstate and out of town to purpose-built business parks with modern facilities. This left some downtown areas in Europe and North America no-go areas, especially after dark. Downtown LA, for example, was considered highly dangerous by the mid-1980s.
Mono-use office blocks and no night-time economy left the area to gangs and drug dealers after office hours. This was a pattern repeated throughout many late 20th century CBDs dedicated solely to daytime workspace. The globalisation of financial services and a more enlightened approach to city planning started to turn this around in the lead-up to the millennium. The urban renaissance of the 1990s was seen across the developed world. Capital and business were repatriated to the CBD so that deserted downtown districts became lively and safe again.

New development in the late ‘80s and ‘90s provided large new prestigious offices fit for accommodating, moving and trading financial capital, as well as housing a host of other associated business services. Household flight was reversed and people started moving back into the city to live as well as work.

Phase two of the urban renaissance

The urban renaissance has had two phases. The first ended in 2008 with the demise of some big financial institutions and the weakened growth of financial services in the wake of the global financial crisis. Meanwhile, an unnoticed second phase of urban renaissance had already begun. It had its origins not in the rise of financial institutions, but in creative and tech industries in the dotcom boom of the millennium. As the dominance of financial institutions receded – even in cities like New York and London – new, innovative and different tech and creative enterprises started to drive city economies across the globe. These companies were frequently the fastest growing sectors of local economies.

Importantly though, the studio start-ups and scale-ups that characterise the early stage of their growth didn’t want the marbled halls built in CBDs during preceding decades. Rather, it’s the fringe locations away from the traditional

Alternative CBDs

Mission, San Francisco
The new....Financial District
The vibe Creative, edgy, late-night with a Latin American twist
Best for Tech start-ups looking for a cheaper alternative to SoMa
Who’s already there? Small Batch, Crowdfunder, Posterous

Brooklyn, New York
The new....Midtown Manhattan
The vibe Industrial warehouse district fuelled by lots of good coffee.
Best for Another alternative CBD dominated by tech companies - though the size, diversity and maturity of the Brooklyn market means it is not limited to start-ups with larger scale-ups now based here
Who’s already there? Etsy, Amplify, Kickstarter

Shoreditch, London
The new....Square Mile
The vibe Factory chic with a surrounding infrastructure on the up –
Appear Here’s transformation of Old Street station is a case in point
Best for High speed internet, independent retailers, creative office spaces down cobbled back streets
Who’s already there? Shoreditch House, Adobe, Second Home
Mission district in San Francisco
New York’s Brooklyn is dominated by tech
Shoreditch, London, is famous for its “factory chic”, and up-and-coming infrastructure
Alternative CBDs

**Pigalle, Paris**
The new...La Defense
The vibe  Once (and arguably still) a predominantly seedy district known for sex shops, now SoPi (South Pigalle) is adding a string to its bow as one of Paris’s “urban creative tech quarter” now the
Best for Retail and leisure occupiers and small scale creatives
Who’s already there? Le Pigalle hotel

**Kreuzberg, Berlin**
The new...Mitte
The vibe Old school anti-establishment. Punk culture, artists, students
Best for Independent creatives. There is resistance to large corporates here as demonstrated by the reaction to Google’s desire to expand in the district as campaigners have claimed the resulting gentrification would “ruin the area forever”
Who’s already there? Bonativo, CapsuleFM, Betahaus

**Fitzroy, Melbourne**
The new...Hoddle Grid
The vibe Laid back and bohemian, the city’s street art capital is a classic case of where the artists go, the tech set follows
Best for Media, design agencies and web developers
Who’s already there? Resolution Media, Digital Bridge
CBD that have thrived. It’s the buildings, often heritage buildings, previously thought inappropriate or obsolete during the first phase of urban renaissance, that came into their own in the second phase. Demand for flexible, collaborative co-working space in basic buildings with a great street scene has never been higher. It is this that has shifted the gravity of CBDs, and even created new ones.

**Implications for investors**

This renewed popularity of old, undervalued neighbourhoods with their independent shops, cafés, restaurants and business premises is now a global phenomenon. It is associated with the growing importance of the millennial generation in the workforce, with globalisation, changing technology and new social norms.

The challenge for the real estate industry when investing in and developing these areas is not to kill the golden goose. Retaining authenticity, keeping existing communities and businesses in place is an essential part of enabling a regenerated area to retain its original appeal.

**People power**

In the new working environment, people have to take centre stage. The highly skilled, footloose millennial workforce has a world of possibilities to choose from and is more likely to make a decision on the basis of city quality than on a company name. The needs and wants of real estate occupiers are therefore paramount.

Corporations have to consider carefully not only the city that they locate in but also the neighbourhood. Their aim is to make sure their location and their building will attract the workforce they need. It is no surprise therefore that HR departments are now heavily involved in making the real estate decisions for their companies. The cost of premises is no longer the number one factor in leasing decisions. Getting the neighbourhood and working environment right is.

Little wonder then that the popularity of locations for businesses is shifting. In a world where corporations no longer have the hiring power that they once had, investors must reconsider the definition of an “institutional covenant”. Some prestigious corporations may prove to be less long-lived than upstart new tech companies. Investors need to understand these shifts when selecting stock, which is likely to maximise net income and minimise capital depreciation in future.

This means understanding occupiers. Communication between property professionals in premises management, especially the management of co-working and co-creation spaces, and occupier services with those in investment and finance is essential.

The CBD is far from dead, just a bit different to what it used to be.
Recovery from the decade-long financial slump of 2008 is well under way on the Iberian peninsula with tourism and retail sectors leading the way – and investors are increasingly primed to leap in.
When Citygrove Securities opened an office in Spain in 2000, people wondered what the UK-based developer was doing. Chairman Toby Baines jokes that he committed to the country because he loved the tapas and the sunshine, but its recent sale of the 350,000 sq ft Terrassa Placa in Barcelona to Munich’s biggest pension fund, Real I.S, reveals the company may have been a little bit more savvy than that.

To say that Spain was hit hard by the last recession would be something of an understatement. Its entire economy had been built on real estate and when the wheels fell off, they really fell off. In 2007, some 2.7m Spanish workers – or 13% of the total workforce – were employed in the real estate sector.

Why Spain?

Establishing Savills Aguirre Newman at the end of 2017 represented Savills’ largest acquisition in continental Europe so far in its history. Our team in Spain and Portugal grew from 100 to 500 people through the merger and, while not an equal match on size and scale, it is a perfect balance of talent and culture.

It is a mark of how far Spain has come since the global financial crisis that we had the confidence to allocate significant resource to our strategic growth in the region. Spain’s recovery, in particular, gained momentum in 2014 when the opportunity funds returned. US funds went on to spend almost €2bn in 2016 and a further €2.4bn in 2017.

Today, with office demand having returned and a lack of development, the current and forecast rental growth puts Madrid and Barcelona among Europe’s top performing cities. This has encouraged a further wave of overseas and domestic capital to flood into the market. Office yields hit 3.25% last year in Madrid, lower than the record low of 4% seen in 2007, putting the city on a par with London’s West End.

For Savills, Spain represents a rising star in Europe and our presence there benefits clients as they capitalise on cross-border opportunities. Foreign investors have increased year on year and accounted for more than 63% of buyers in Spain during 2017. Likewise in Portugal, cross-border investment accounted for 64% of the market in 2017, totalling about €630m, with buyers from UK, Spain and US, and growing interest from France and Brazil.

Portugal’s economy continues to benefit from a growth in tourism, and the country is becoming a key destination on the map for tech companies. We expect investors to target the undersupply in student housing, senior living and healthcare, in particular.
in the construction sector. But when the crash hit, work stopped and remained stalled for several years as the banks, which had been lending at a ridiculous rate, tried to recoup some of the losses from the €175bn ($215bn) of troubled assets they now had on their books.

But after a decade in the doldrums, Spain is looking attractive again and while last year’s independence vote shock has caused a blip in the recovery in the country’s biggest market, the outlook is decidedly sunny.

Spain recorded the biggest uptick in real estate investment volumes since 2008 last year. Investment increased by some 45% to €14bn in 2017, driven largely by retail and hotel sales — each delivering around €4bn of that total. That boost in investment came despite a pause after October’s referendum.

Baines says there has been a remarkable parallel with the UK in terms of Spain’s recovery, albeit one that is lagging five or six years behind.

He says the recovery has been led by tourism, with fears over terrorism in some regions of the Mediterranean leading more people to choose Spain for their holidays. And then, of course, there’s Brexit. He says the German funds would have been buying more in the UK had it not been for the uncertainty caused by Britain’s exit from the European Union. Institutions are now being tempted by a recovering Spain.

Real I.S is one of those funds. Its acquisition of Terrassa Placa, which completed in December 2017, signalled its return to Spain after an absence of several years. Although a purchase price for the shopping park has not been disclosed, Real I.S is understood to have paid a yield of around 4.8% — the keenest retail yield achieved in the country since 2006. It exchanged on the shopping park just days before the 1 October referendum vote and while the pension fund had every right to wiggle on its price, it didn’t, reflecting its belief in the strength of the rebounding Spanish retail market.

“No one has built anything or refurbished anything for 10 years, so when you build something new the demand from the institutional pension funds to buy is very strong,” says Baines.

Buying newly built assets, particularly in the retail sector, is a no-brainer, adds retail expert Malcolm Dalgleish who runs Burlington Ventures. This has been a hiccup for the Spanish retail market.

“Spain has been in the doldrums for so long that there is now a lot of opportunity. There has been very little development so it is crying out for new ideas and new schemes. Retailers are not being provided with the space they need. Modern retailers require modern space and that is what we are there to provide,” he says.

With Citygrove, Burlington Ventures is expanding further across the country to take advantage of space-hungry retailers. The pair have recently agreed a deal with Banco Santander to buy a plot of land in Santander that the bank repossessed during the recession. They plan to develop 250,000 sq ft of retail on the site. Similar plans are in motion for a site in Marbella, where Citygrove soon hopes to have 100% control.

But while having a swish new shopping centre may be easy to sell to institutions, funding development is another story.

“It’s a bit like 2012 in the UK,” says Baines, “you can get zero bank leverage over there [Spain] so now you have to buy sites for cash and then pick up a construction finance contract. Leverage is not going to come back. It is still so raw out there. The banks are not going to let anything like that happen again. We get lending once we have taken all the risk.”

Both Citygrove and Burlington seem happy to shoulder that risk, however.

“For me, it compensates the uncertainty of the market place in the UK at the moment, which is overshadowed by the discussions about Brexit. Spain has not been 100% easy because of what happened in Catalonia, but we are not worried. It is not like Brexit, which seems to be permanent. This has been a hiccup for the country.”

Dalgleish agrees: “Spain has a can-do economy at the moment. They just want to get on and do it. It does have a very tight planning regime, but once you get through that, you can build and move very quickly. It is a vibrant market. The difference between it and a lot of other countries is that they have an oversupply of space; in Spain there is an undersupply. If you can provide what is demanded then you’re on to a winner.”

Investors, however, will need to keep an eye on the temperature of the Spanish market. It may always be fun in the sun, to borrow a phrase from Citygrove’s Baines, but too much demand can sometimes lead to overheating.

Spain has been in the doldrums for so long that there is now a lot of opportunity. There has been very little development so it is crying out for new ideas and new schemes

Malcolm Dalgleish | Burlington Ventures
THE BUYING GAME

International retailers have flooded to India before, only to hastily retreat. Will this latest push into the subcontinent be more permanent? Helen Roxburgh reports.
Last year, India knocked China off the top spot as the most desirable retail market in the world. A more favourable foreign investment environment, strong economic growth and a consumption boom were all factors cited by management consultancy AT Kearney in its Global Retail Development Index.

But there is a sense of déjà vu around this revelation. In 2007, India saw unprecedented retail investment and analysts talked about the country overtaking China’s runaway growth. But after the 2008 financial crash, the market slumped. In the years that followed, many brands explored the market without making a successful entry. Some, such as Forever 21, have entered and exited several times within the past decade. Others have abandoned the country completely, including French supermarket Carrefour.

Will it be a different story this time around? Changes to foreign investment regulations mean brands can invest directly into the retail market, while a growing number of professional mall developers and investors are bringing quality real estate space to market.

GDP is forecast to grow by 7.4% this year – and by 7.6% in 2018 – and the retail market is expected to almost double in size by 2020, growing to $983bn, up from $553bn in 2016.

“India’s retail sector offers unparalleled promise,” says Nielsen India director Peeyush Bajpai, adding that there are 400m urban consumers across 8,000 towns and cities – most vastly undersupplied in retail.

Along with a stable government, new tax regulations are expected to drive consumption.

And there is a long list of retailers coming into or expanding in the market hoping to take advantage of that. H&M was one of the first to make the move, entering the market in 2015 with 100% direct foreign ownership. The fashion retailer now has 21 stores in 11 cities, and helped contribute to a

Marks & Spencer is now well-established in India
Muji now has two stores in India

The goal is global
India offers significant growth opportunities for luxury brands but will the real winners be the global “destination” cities?

From a luxury retail perspective, India has often been touted as the next China. Both countries have large populations and rapidly expanding middle classes with ever more discerning tastes and rising consumption levels.

Chinese consumers are now the biggest single buyer group for luxury products globally, accounting for 32% of luxury sales in 2017, according to Bain & Co.

The Indian luxury market and its broader economy is at a different stage of development, with Indian luxury spend only 7% of that of Chinese nationals. Yet the propensity for growth is significant and is luring a number of luxury brands to establish a presence in India.

The number of new stand-alone luxury store openings∗ in India has nearly doubled in 2017, increasing from six to 11 – with Delhi leading with eight new openings, followed by Mumbai with two. In the case of Delhi, key new openings have included Coach, Hermes and Longines.

While India offers huge potential, there remains a
number of challenges related to infrastructure, lack of quality retail space and access to talent that are set to constrain store expansion over the short to medium term. As a result, new store acquisitions that help improve brand awareness and allow for greater engagement with customers, meaning a move towards directly operated stores, will be seen as key to capturing domestic spend and, perhaps more importantly, outbound spend. Approximately half of all Chinese luxury spend takes place outside its domestic market – in response, in part, to higher domestic prices and authenticity concerns. Likewise, the majority of India’s high-net-worth individuals prefer to shop while travelling overseas as the prices are often 10-20% lower than at home. While Indian outbound travel was estimated to total 25m trips in 2017 – one-sixth of that recorded for Chinese nationals (345m trips in 2017), the World Tourism Organization forecasts this will double by 2020. In light of current preferences, and Chinese traveller trends, we expect this will translate into increased overseas luxury spend by Indian nationals, albeit not to the same scale witnessed among Chinese travellers. Perhaps the immediate winners of the growth in Indian luxury spend will be those markets that attract significant numbers of Indian tourists.

*Note: excludes relocations, reopenings as a result of refurbishments and store-in-store openings in department stores

stores. Other retailers are in similar negotiations.

Amid consolidation by international brands, there is also growing investment from international institutions. In August, Singaporean sovereign wealth fund GIC announced it was investing $1.4bn in its second joint venture with Indian developer DLF to create a portfolio of office and retail assets. This followed an April announcement by the Canadian Pension Plan Investment Board, with plans for a $454m joint venture with Phoenix Mills to develop and operate retail-led developments across India. Blackstone’s Indian retail fund, Nexus Malls, has 4.5m sq ft of retail space, purchasing the Elante Mall in Chandigarh in July for an undisclosed sum.

Constrained supply

But there is still a significant lack of top-grade space. Organised retail in India currently accounts for only 8% of the market, meaning there is severely constrained supply. According to JLL, there was a net negative supply of retail space for the first time in 2016: while 13 malls were completed, 15 were closed or withdrawn. Industry experts say the delay in Topshop opening is largely a result of difficulty in finding suitable space, while Uniqlo has reportedly already delayed its Indian entry because of the unavailability of quality retail space.

“The biggest obstacle to growth is the huge imbalance between supply and demand in retail real estate,” says Rohit George, managing director at Virtuous Retail South Asia, the retail investment arm of Xander Group, which formed a $450m joint venture with APG Asset Management in 2016.

“There just hasn’t been a big enough supply of new real estate projects over the past four years, and we have seen some places where rents have risen as high as the very top retail locations across the world because of this,” PwC study The Promise of Indian Retail found 90% of retailers surveyed did not meet their intended growth plans in India, largely because of infrastructure challenges, limited access to capital and a shortage of talent. The report warns the retailers met “myriad challenges of execution in an environment where quality of real estate, talent and infrastructure were not keeping pace with the expansion plans of the retailers”.

“I started making a list of international brands that have come to India and then exited again, and it reached more than 100,” says Inorbit Mall’s Mahajan. “Brands that come to India and try to replicate what they have done elsewhere will fail; those that evolve and develop with India succeed. If you have a 21,000 sq ft store in Europe and want to come straight into India with a 21,000 sq ft store, it doesn’t work. Marks & Spencer started at 5,000 sq ft and grew upwards. There are two issues that brands in India have to face. One is the pricing issue – it has to be 20% or 30% cheaper than in Europe – and second is the store size.”

To understand the complexities, many brands still choose to work with a partner. The differences in religion, taste, wealth and culture across India’s vast geography make expert knowledge invaluable.

“There are certain values that really resonate with your consumers, and the retail business needs to be connected to those values,” says Arvind Varchaswi, managing director at analyst Sriveda Sattva Private.

But regardless of the challenges, the opportunities in India’s retail industry are immense. The UK has been the largest G20 investor in India over the past decade, and initial talks this year suggested the post-Brexit situation could bring larger engagement on trade, plus discussions over a free trade agreement between the two countries (India is also the third-largest investor in the UK).

For now, those moving into the market need to remember the opportunities while keeping a long-term perspective.
Singapore is as famous for its strict laws as it is for its enviable wealth. If you want to avoid making a faux pas in the real estate sector, just don’t confuse the government’s sovereign wealth fund GIC with its real estate investment arm Mapletree.

“People ask us about GIC and the relationship but we don’t look at them,” says regional chief executive for Europe and USA, Michael Smith, in his first UK interview. “GIC is the sovereign wealth fund of Singapore tasked with managing the country’s foreign reserves. So they have a very broad remit where they invest in fixed-income instruments or the equity market or real estate. We are not a sovereign wealth fund, we have never claimed to be a sovereign wealth fund. We are a real estate developer, investor and capital manager. We stick to our tasks and we go off and do it.”

The two investors are independently run and will happily compete on deals, says Smith. Good to know if you have the opportunity to meet the investor, which is seeking to further establish its UK brand and presence and is targeting the UK and Europe for a potential major investment play into the serviced apartment and data centre sectors.

New year, new acquisitions
Since first entering the market in 2015, the property arm of Singapore’s state investment fund Temasek has quietly amassed a S$2.5bn (£1.4bn) UK property portfolio of regional offices and student housing. Last year, Mapletree acquired US-based Oakwood Worldwide, the world’s largest provider of corporate housing and serviced apartments. The Oakwood business has 1,359 employees in the US and some presence in the UK, with a London office at 40 Clifton Street, EC2. “We’ve got more Americans now in Mapletree than we have Singaporeans on the back of that acquisition, but that’s a business that we would love to bring more into Europe and the UK,” says Smith, who typically alternates working weeks between New York and London.

“It is a global provider of corporate housing. It’s a 50-year-old business so it has got very good connectivity with the US corporate America. As US corporate America expands, it’s a great brand to expand as well.”

“I was in Dublin earlier this week – there doesn’t seem to be a lot of corporate housing or serviced apartment-type offerings and you’ve got Google and Facebook and everyone else setting up shop there. So I think that sort of opportunity is real for us.”

Opportunity knocks
Data centres are also among new sectors in Europe where Mapletree hopes to be acquisitive. In October, Mapletree Investments entered into a joint venture with Mapletree Industrial Trust
to buy 14 data centres in the US from Carter Validus Mission Critical REIT for S$1bn.

“As the world becomes more technified, we think there is a good business in owning the bricks and mortar of data centres,” Smith says.

“It is a more difficult, more fragmentally owned market, but it is a great market for us so we are very focused on trying to grow that as well.”

UK commitment
Smith, who joined Mapletree in 2017 after 10 years at Goldman Sachs heading the South East Asia investment banking business as well as its Asia Pacific real estate business, says Mapletree aspires to grow its UK portfolio, which comprises business parks, offices and student housing in regional cities.

The company also has representatives in Manchester and Green Park in Reading, the 1.4m sq ft business park it acquired from Oxford Properties in 2016 for £563m.

The attraction of the UK is how well the opportunities here align with the company’s five-year plan. This runs until March 2019 and prioritises “quality income-producing assets with long weighted average leases to expiry which are anchored by a strong tenant base, to give us stable and growing yields.”

In Europe, the only other country where it is currently active is Germany.

“We have been looking [at opportunities in other European countries] and we are not averse to any particular country, it’s just what meets our business plan and our investment requirements,” says Smith.

Logistics ambition
Mapletree demonstrated its ambition last year when it made the shortlist for the €12.3bn (£10.5bn) sale of Blackstone’s European logistics business Logicor. It missed out on Logicor to China Investment Corporation, the Chinese sovereign wealth fund. But Smith says it remains in the market for a mega logistics platform.

“We would want to have a more sizeable business to augment what we have already got in Asia,” he says.

Mapletree develops its own warehouses in China and currently owns more than 150 logistics assets across Asia Pacific. A European logistics presence is integral to its strategy of attracting loyal custom from major occupiers such as Amazon through a global portfolio.

“If we were to serve an Amazon in Asia and we want to serve them in the US and Europe, then we need to have exposure here,” he says.

Another Logicor-sized opportunity is unlikely to surface in the near future, but Smith says Mapletree could look to build a similar platform organically by acquiring larger portfolios and managing them.

“To have 624 warehouses across 17 countries is a unique opportunity. So it may not be opportunities of that size, but the overarching thematics around the sector are still very encouraging with e-commerce and everything else that’s happening in the world.

“Of everything that Mapletree is involved in, that is probably the one that resonates with us and is associated with us the most. So we very much believe in the sector and think that over time there will be a lot more opportunities for people like us to get involved.”

Student housing brand
Another area of expected growth in the UK is in student housing, which Mapletree entered in the UK in 2016 with the £417m acquisition of the 5,500-bed Ardent portfolio of 25 buildings in cities including London, Edinburgh and Manchester.

The firm believes the UK will continue to be a key market for Asian students studying
abroad who it hopes to attract with its Mapletree-branded properties.

“We are still very optimistic, very keen on this market,” says Smith. “There are some of the best universities in the world in the UK if you look at all the university rankings. There are 1m mainland China students who are being educated in Europe and the US, so our opportunity is to build a brand in Asia that is associated with quality universities and quality student accommodation.”

Smith’s biggest concern about the UK market is the availability of end product. “It’s a much smaller market than the US, and there is a lot of capital chasing limited opportunities,” Smith says. “That has brought prices up and cap rates down, so it would have been better to be a buyer three years ago.”

Mapletree’s 12,000-bed UK portfolio is managed by operator Home for Students. But Smith says there could be an opportunity for Mapletree to take on the operational aspect of the business if its portfolio achieves an appropriate scale. “We understand that business very well,” says Smith. “We don’t own skyscrapers, [or] equivalents in the heart of Singapore, and I guess it is that sort of mentality.”

As part of its strategy of partially exiting assets via syndication, Mapletree is yield sensitive. “For us to buy a 3.5% yield in property with an expectation to syndicate it to people who want yield, it’s going to be a challenge for us,” Smith says. “So the regional markets that are generally more higher-yielding, they have a yield pick-up versus central London and still very good fundamentals.” He cites Mapletree’s acquisition of Green Park as an example of a property that demonstrates the company’s interests.

“They’re got a great register of tenants, it’s in a great location with the infrastructure capability that’s being built out across greater London, plus it gives us a yield pick-up that we wouldn’t otherwise get in the city.”

Mapletree continues to look at regional office opportunities. “Anything that becomes available of scale in particular normally gets shown to us, so if it meets our requirements we will keep looking,” Smith says.

Could 2018 be a good time for Mapletree to exit some of its regional assets? “Possibly,” says Smith. “We are not under any time pressure but if we thought we had the right scale and the right offering we would consider it. There’s nothing specifically planned around it yet, but it’s a good scale, it’s £940m of offices, so that’s something we could do.”

Having doubled its assets under management for every five-year plan it has had since 2000, one thing to be sure of is Mapletree’s continued presence in the UK. Brexit and political uncertainty are not a major concern. Smith thinks the sectors it is in will be resistant to external shocks. “Fortunate or otherwise, we think our verticals are pretty, not totally, economic and political proof but they are at least resilient.”
OFF THE WALL

This time last year, no one had even heard of Fifth Wall. Now, after a $212m raise, the proptech fund’s co-founders, Brad Greiwe and Brendan Wallace, have become key players in real estate tech investment.

Emily Wright
Features and global editor

The property sector is not really one for overnight sensations. But there is nothing quite like a stealth launch to keep everyone on their toes. Brendan Wallace and Brad Greiwe should know.

They did just that when they introduced Fifth Wall, the world’s first pure real estate tech fund, to the market in May 2017 with a $212m (£163m) raise from the off and a buy-in from some of the biggest names in the industry, including CBRE, Hines and Prologis.

The launch of the Los Angeles-based fund saw the two former Blackstone associates being hailed as pioneers – the first investors brave enough to raise a significant pot of cash earmarked for proptech and proptech alone. But Wallace and Greiwe do not really see it that way. If anything, they can’t quite believe they managed to get in before anyone else.

“We were – and still are – genuinely puzzled as to why there were no funds already focused on this category,” says Wallace. “There are maybe 10 venture capital funds focused on education technology, which has produced a hundredth of the enterprise value of real estate tech. With real estate, you have this enormous industry – it is the largest in the US – at an early stage of tech adoption and no dedicated funds. We saw a huge opportunity both in terms of scale and timing.”

Speaking of timing, the stealth launch was not just for
WHO TO KNOW | THE PROPTECH INVESTORS

show. What makes this fund different is the fact that it is underpinned by a substantial chunk of property sector investment – around $120m of the $212m total. This was a key part of Wallace and Greiwe’s strategy as they looked to mitigate risk by getting their end users on board from the outset. They spent nearly a year securing support from the biggest real estate players before approaching financial institutions to raise the rest.

So an overnight sensation it was not. Careful and meticulous structuring was required to create a model solid enough to guarantee that any investment will double or triple that company’s revenue within 18 months.

Here, Wallace and Greiwe explain how they will be able to deliver on such a bold promise and reveal their future plans in the US and beyond as they set their sights on Europe.

Uncharted territory

The Fifth Wall co-founders might have found it odd that there was no other pure proptech VC fund in existence when they decided to launch.

“Anything from workplace as a service, industrial, hospitality and multi-family (better known as PRS here in the UK) with the aim of raising capital from one of the biggest, if not the biggest, in each of those categories. The fact that neither of them were coming to the real estate industry cold helped considerably. Wallace started his career in real estate investment banking at Goldman Sachs before moving into real estate private equity at Blackstone. Greiwe started off at UBS before working in real estate private equity for Tishman Speyer and Starwood Capital in San Francisco. “Having connections to those executive teams was the big differentiator we had,” says Wallace.

The first two companies to sign up were CBRE and Prologis, followed by Lennar, the US’s second biggest housebuilder. Hines, the US’s biggest office developer, followed suit and before too long the real estate part of the fund had been raised. And Wallace adds that with the great and the good of the property sector behind them, raising the remainder of the

THE FIFTH WALL FUND

property backers

- CBRE – commercial agent
- Prologis – industrial company
- Lennar – housebuilder
- Hines – office developer
- Macerich – mall owner
- Host Hotels – hotel owner
- Equity Residential – apartment owner

than the status quo? In most cases in this sector, the answer is yes. So it is a relatively low technical risk. But what you then have, on the other hand, is an enormous go-to-market and distribution risk.”

And therein lies the problem. The issue that has, most likely, put off many an investor or potential pioneering fund from putting all their eggs in the proptech basket. How do you guarantee uptake in a market so slow to adopt technological advances?

“You could have $100m and the best product ever,” says Wallace. “But if CBRE does not adopt you, are you going to be successful.”

We realised that if we could go out and raise capital from the biggest buyers of real estate technology then we would know what they would be likely to adopt and who they would be likely to partner with.

Brendan Wallace | Fifth Wall

But they do understand why this might have been the case.

“The reason is probably two-fold,” says Wallace. “First, there is the fact that there just aren’t a lot of people from the real estate industry who work in venture capital. I am not sure why that is the case but the two sectors just don’t really overlap.

“The second, which is core to our fund strategy, is that real estate tech has a unique risk profile.

“The industry is such a late adopter, and because what exists today is so low-tech, most ideas in this space are good ideas. By that, I mean you don’t face the same big questions that you would in most other areas of venture investing. Like ‘Does it work?’ ‘Can you build it? ’ ‘Is it better

This is where he and Greiwe hope that Fifth Wall’s set-up will come into its own. “Our strategy was simple,” he says. “We realised that if we could go out and raise capital from the biggest buyers of real estate technology then we would know what they would be likely to adopt and who they would be likely to partner with. We would therefore be able to rapidly accelerate the growth of our portfolio companies with that visibility and would have the ability to view the entire market from the perspective of what the incumbents want rather than speculate on what is going to be adopted.”

The pair, after breaking the industry down into its major “food groups”: office, fund happened very quickly. “Once we had that strategic capital, the next $100m was raised very quickly. We were oversubscribed within months as the financial LPs, the endowments, the pensions could all see the advantage of the industry backing.”

But how easy was it to get that industry backing? To get major property companies to part with massive chunks of cash and effectively asking them to take a punt on a fund with a profile so unique that, as yet, no one else had dared attempt a launch?

“We obviously chose partners who realised that technology was going to be a major driving force of their business strategy,” says Greiwe. “But I would say that

for the conversations we had with our anchors, we had many more with other real estate owners and operators who viewed things differently and who said: ‘Hey, you know what? This is just not what we do, we are real estate guys.’ So there was definitely evidence of a more head-in-the-sand approach. The corporates we brought to the table were therefore really quite curated. They are the real estate companies that are well-positioned with internal commitment and where they will want to invest in technology.”

As for the size of the fund, the pair agree it is a hefty sum, but are quick to point out that, in terms of the sector at large, it barely makes a dent.

“If $3bn ($2.3bn) went into just real estate tech last year,” says Greiwe. “That does not even include retail tech, hospitality tech, construction tech. If you added all those categories together, you are probably talking about somewhere between a $5bn–$10bn space in terms of venture capital invested per year. So Fifth Wall, while we are the largest in our category, represents a very small percentage of the total capital invested in this sector.

“As you can imagine, while it seems like an amazing opportunity to say ‘Hey, I am investing in a company knowing that its revenue is going to double or triple in the very near term,’ there is a lot of hard work that goes into structuring and engineering those deals,” adds Wallace. “So the short answer is yes, we think it is a large fund, but it needed to be.”

Eying up the future

More than a year on from those first negotiations, all eyes are now on Fifth Wall to see what it will back. Around $80m has already been invested in companies, including software leasing platform VTS.

As for what is next, anything goes. “Based on where we are in the tech life cycle, I think everything is on the table right now,” says Greiwe. “Anything that I can embrace as a service, which can encompass companies like WeWork,
short-term rental companies, energy efficiency is obviously huge. And I think there are opportunities in and around capital markets.

Real estate capital markets are some of the largest in the world, so the fintech companies that are tackling that space are really compelling on the lending and insurance sides."

As for the split between residential and commercial, Wallace says: “I would say, to date, our breakdown between commercial and residential has been about 50/50, not by design, but that is just the way it has played out.

“But there really are huge opportunities in commercial,” he adds. “The dynamics of having these large corporates is quite obvious. When you have tens of millions of square feet that you can experiment on in our corporate LPs’ portfolios it makes it a lot easier to scale businesses, like VTS, for example.”

Where to now?
The next step will eventually be to launch another, potentially even bigger, fund and there is growing interest in investing outside the US.

In October last year the fund made its first foray into Europe when it backed online retail space platform Appear Here. “There is probably more innovation in the US as it relates to real estate tech, but we are actually seeing a lot of really interesting opportunities abroad, both from Europe and Asia,” says Wallace. “In terms of what that means for Fifth Wall going forward, maybe that means we launch a separate fund focused on European corporate LPs and European companies. Maybe it means we do it in the same fund.”

He adds: “I don’t think we have a strong view on that yet, but from an investment perspective and from a capital-raising perspective, probably about a quarter of our existing capital is international LPs, some of which have quite a bit of real estate. I expect a decent percentage, probably between 15-20%, of our first fund will be allocated to international companies, probably primarily in Europe.”

Greiwe adds: “That interest and exposure will only grow. “Obviously, the anchors in our LP base today have significant international real estate exposure, so I think we would be doing ourselves a disservice if we were only focused on innovating in and around the US because we need to provide technology solutions that have applicability across the globe. So we are definitely interested in what is going on in Europe. And I think London is the most important city, at least in terms of providing an ability for technology companies, especially technology companies in the US, to have access to the European market.

“We have already seen that happen with VTS, which has had a significant amount of success opening an office and operating it out of London.”

Last year, no one had heard of Fifth Wall. Now there are plans for a second fund, international expansion and, of course, that all-important guarantee cementing the entire fund – a double or tripling of revenue within 18 months on every company it invests in.

LISTEN TO AN INTERVIEW WITH FIFTH WALL AND THE APPEAR HERE/FIFTH WALL PODCAST AT WWW.PODBEAN.COM/MEDIA/SHARE/PB-XFRAP-6F4247
Ryan Mullenix knows a thing or two about pressure. A partner at NBBJ, considered one of the most forward-thinking architecture practices in the world, he is under no illusions that with great innovation comes great responsibility.

Based out of the firm’s Seattle headquarters, he has led projects for Amazon, Google, Starbucks and the Bill and Melinda Gates Foundation. On a broader scale, NBBJ counts global occupiers – Samsung, Microsoft and Alibaba, to name a few – among its clients.

With 700 people working out of 10 offices across the world, the firm has a reputation for delivering groundbreaking concepts across sectors including healthcare, sports, higher education and science.

But it is its workplace schemes that are most likely to make the headlines – thrust into the public eye owing to a mix of design innovation and the high-profile nature of the clients involved.

Clients like Amazon. NBBJ was the designer of its iconic bio-domed headquarters, as well as the firm’s more recent Rainier Square project. This $570m (£433m) scheme, the second-tallest building in Seattle, became front-page news last year when it was revealed that Amazon was set to take all 722,000 sq ft of the scheme’s office space despite its plan to establish a second North American headquarters.

“We have been fortunate enough to work and spend a lot of time with global disruptors,” says Mullenix. “And I don’t use that term lightly. These are companies that, for better or worse, are shaping the future of our world. And we can’t help but have some of that culture influence, or even force, our process.”

Here he reveals how he copes with the “healthy chaos” that is part and parcel of designing office buildings for the world’s most disruptive businesses and why he hopes the days of “beauty contest” architecture are behind us.

Pressure as a by-product

As for that pressure, Mullenix says it is a natural by-product of working at a legacy practice, where partners, designers and creatives in years gone by have built up a reputation for being consistently groundbreaking that the incumbent team must uphold.

“NBBJ is celebrating its 75th anniversary this year,” he says. “That’s so many generations that have passed through this firm and the pressure is on to...
stay at the forefront. It is a pressure to never fall behind. It is a pressure to be constantly looking at who you are and what you are doing and where you are heading.

“We always want to be challenging the norm here too, which is added pressure. A good indicator of how well we are achieving that is by looking at the staff. If they get bored one day when they are working here, we have failed them.”

NBBJ’s tactic has been to balance this appetite to innovate against a more measured growth strategy. This has been a particular focus amid the exponential rise of the tech giants over the past few years – companies, such as Amazon, that NBBJ has been working with for a long time but that have more recently propelled them further into the limelight.

“Growth is not about knee-jerk reactions,” says Mullenix. “We have a rigorous process in place and we don’t grow for the sake of growth. We do not set up offices wherever a project might be. But working with the tech companies, and their requirements to be disruptive, is forcing us to adopt a similar mentality as a firm.”

By this, he is referring in part to process and staff set-up. To stay agile, NBBJ thinks of itself as a group of 40- to 50-person workshops with access to a resource of 700 people. “By creating something that is similar in set-up to some of those smaller-design ateliers, we have created the opportunity to have conversations that often get lost in big corporate practices,” Mullenix says. “It allows us to have very frank conversations and it also allows us to find the right idea for each project, whether it comes from the project lead or someone who is interning for the summer.”

It is this fluid approach to the management of a design that allows the firm to work with such ambitious and demanding clients.

But Mullenix says there is always a sense of “healthy chaos” underpinning each scheme. “It is not the same as working on more conventional projects where we map out a process,” he says. “The chaos part is being able to adapt – quickly and often. I can tell you first hand, it doesn’t matter how much you map out the project, ultimately you have to plan for disruption.

“Luckily, I love the ambiguity. I have enough of a creative background that I don’t mind that process. It is not always comfortable. But it shouldn’t always be comfortable. Stress and pressure are what it means to be this sort of firm. The pressure of making sure these high-profile buildings are right for now and will be right 100 years from now.”

Public recognition

The prominent nature of many of the schemes NBBJ takes on, particularly in the corporate offices part of the practice, means that the firm’s work is often recognised around the world. As to whether the design intricacies and thought processes behind the final aesthetic are fully appreciated, Mullenix says he hopes that the critique goes beyond the finished look.

“I do feel as though we have transcended the 1990s and 2000s, when design was more about trophy buildings. A lot of overseas work at that time in particular was for what we would consider a beauty contest. Things are different now.

“We are working on Tencent’s 270,000 sq m HQ in China at the moment. The concept is two high-rises physically connected at three points to avoid the danger of people feeling isolated. You can disappear into some of
those huge high-rise towers, get in to the lift and then never see your colleagues. We are trying to recreate what it means to work in a transparent, open-plan building through the original design and structure.

“We are working on another scheme at the moment where we have physically divided the floor up into a noisy part and a quiet part. As basic as that sounds, it is a fresh way to design and it goes beyond the final look. It is about experience. People can arrive at work every day and decide which section to go to depending on their mood and tasks. That is becoming more and more the basis of how we think here.”

He adds that longevity is a huge focus for him specifically, and NBBJ in general. The firm may be known for coming up with weird and wonderful concepts and fresh ideas, but ultimately NBBJ is looking to create buildings that will stand the test of time.

“Commercial buildings here in the US have an average lifespan of fewer than 70 years,” says Mullenix. “That is a remarkable thing to me. We are building these things out of concrete and steel and they have shorter lifespans than a frail, human body. That is a huge amount of waste. A waste of space, materials and design energy.

“Our responsibility as designers is to change that and to pull other companies along with us. Part of that is about thinking properly about futureproofing our buildings, making them flexible and easy to adapt to change. “But it is also about making our cities as liveable as possible. That has a knock-on effect as it reduces the sprawl that happens beyond the city edges and means we can focus on preserving natural areas. If cities aren’t liveable, people leave and that’s when we run into overconsumption issues.”

The dangers of a myopic view
Speaking of liveable cities, Mullenix also warns of the dangers of becoming focused on only one industry. It is a pertinent point to make, as a Seattlete operating out of a city well known for being dominated by a particular company. But he adds that Amazon’s disproportionate profile masks a lot of other activity.

“I think the prominence of some of the tech companies means that Seattle’s history and diversity gets a bit lost. Yes, we have Amazon and Google and Microsoft but also retail with Nordstrom and Starbucks. And there is a huge aerospace history here, as well as a long music history.

“Back in the 1950s, the only real entity in Seattle was Boeing. There was a nervous moment when it looked like it might go under and a billboard went up that read ‘Whoever leaves the city last, please make sure you turn the lights out’.

“Since then, Seattletes have understood that when you focus on a sole industry, if those industries pack up or don’t evolve, that the city will die. And so I am tremendously encouraged by all the radically different elements of industry, thinking and innovation here now.”

Tech giants shape the future
And he is quick to add that, far from dying out, the ever-evolving tech giants will continue to shape the future of the world and its built environment.

He says: “Cross-culture development is so incredibly important and technology is going to be at the forefront of that. I mean cross-culture globally but also across markets.

“It all used to be so segregated. People would go to the hospital to be cured of their illnesses and cared for, they went home to sleep and to a hotel to get away. Now all of those activities have started to blend together.

“We worked with a tech client here recently where we had someone from the healthcare team on board as a lead designer, as healthcare has prominence in corporate office design.

“Variety means flexibility and ultimately we owe it to the world, as designers, not just to plan something for the first 10-year lease. We need to be thinking about the fourth generation of people who will be in this building and how they will occupy it.

“To design something now that will be torn down in 70 years’ time? That’s what we have to avoid.”
The offices that come with hotel services

Space as a service is agnostic to sectors. You see it in retail, in hospitality and now in offices. Convene, which has been up and running for nine years, offers workplace as a service and partners with the largest global landlords – including Brookfield and Blackstone – to help them operate their office buildings more like a full-service hotel.

It is about lifestyle as well as workspace, so we build in events space, meeting space, co-working facilities and hotel-level amenities when it comes to the sorts of food and drink that are on offer.

The future of the office is not all about co-working, but rather making the real estate a consumer experience.

Convene is hospitality combined with the traditional office building, but it offers something that moves away from the tenant to focus on the individual, because these are the people who can now choose how, when and where they work.

Co-working is a piece of that, but it’s the headline. The trend line is what is offered across the board from a design and tech perspective. This includes the snacks – and we have a strong snack game here – and the offers and events spaces.

The millennial generation, which now dominates the workforce and will make up 70% of it by 2025 or 2030, values purpose above all else.

I would argue that most of us go into offices that don’t inspire us every day. So to be able to design a physical space where there is a human-to-human experience rooted in hospitality creates soul. And I think we are all craving that.

Office spaces have to be designed empathetically. They have to make people feel good. Because how much time do we spend in offices? It’s a huge chunk of our lives. Work/life balance has been replaced by work/life integration as we are all looking to make the best use of our time.

The same trends are playing out globally but different regions are leading on different things. From a space-as-a-service perspective, London is much more advanced than New York or Asia, but I think North America will lead on the tech and certain parts of Europe will lead on design.

In the future we need to be in Asia. London is near and dear to our hearts, which is why we announced in February that we have instructed agents to find our first space in the UK capital.

From a space perspective, we want to find the landlords committed to creating an experience for the end-user that is different and deeply empathetic. It is less about location and more about partner.
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