

EXPOday

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From Real Asset Media

1



Raising the bar on innovation

Real estate ingenuity in the frame at EXPO

4 October 2023

DAY 1 HIGHLIGHTS

Market insight

The International Investors Lounge - pages 16-17

What's new?

Key stories from EXPO Real - pages 4-9

Frankfurt tower

City embraces the future - page 12

'EXPO Real comes at a pivotal moment in the market cycle. There is certainly a greater sense of where values have or will settle.'

Michael Hughes, Verdion



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Europe's real estate professionals gather again for debate and insight

Welcome to Munich, to EXPO Real 2023 and to this year's first edition of EXPO Day.

The fascinating thing about major international real estate events such as EXPO Real is the snapshot they provide, not necessarily of the state of the market, which is obviously familiar to those involved in it, but of the responses of individuals and companies to the latest twists and turns of the market.

EXPO is a showcase for the versatility and ingenuity of real estate businesses to the latest array of headwinds. Last year we heaved a sigh of relief that we could again meet in public following the havoc created by a certain virus, and were also assimilating the effects of another war in Europe. This year, not that it needs restating, higher energy and construction costs, inflation generally and, of course, higher base rates are the chief preoccupations – and all against the ongoing context of climate change.

A CYCLE, BUT A LACK OF CIRCULARITY

For those of us old enough to have witnessed a number of property cycles, it is perhaps the dissimilarity of each 'cycle' that is one of the most interesting points: the lack of circularity. In a historical context, UK base rates are currently higher than is helpful, but in 1989 reached almost 15%, for instance.

This year EXPO is expecting nearly

1,850 exhibitors from 36 different countries to attend, so a range of approaches to the different challenges will be on display and will no doubt be hotly debated during the plethora of conference sessions being staged over the next three days.

A HUB TO SHARE INSIGHTS

Real Asset Media will again be hosting the International Investors Lounge (Hall A1, Stand 132) where we have a packed programme of investment briefings (page 16), during which EXPO participants can engage with industry leaders, hear their opinions and share their view of the outlook for the full spectrum of real estate sectors, as well as sharing best practice in areas such as debt and finance strategies, sustainability, senior living, proptech and many more.

Among the events hosted at the EXPO International Investors Lounge will be the Real FDI Networking Breakfast (9.00 today). It acknowledges real estate's increasing recognition and its key role in the foreign direct investment process and as a means of generating economic development at a regional and national level – and of the important part in that which is now played by institutional investors.

Paul Strohm
Managing editor

"For those of us old enough to have witnessed a number of property cycles, it is perhaps the dissimilarity of each 'cycle' that is one of the most interesting points."

Paul Strohm, EXPO Day





"As inflation has been coming down, macroeconomic uncertainty linked to further rate hikes has subsided. As a result, European property markets are showing some signs of stabilisation with investor confidence and capital starting to return."

Christina Ofschonka, managing director and head of fund management, AEW

Briefing **Investing in cities: creating real social value and better returns**

How can sustainability, social value and investment resilience be combined and achieved?

With housing shortages across Europe, there is a pressing need to create affordable and inclusive cities. Where does the capital come from and what kind of incentives are needed to help meet the demand for affordable homes?

Innovation is a key part of the solution. What are the solutions and strategies to innovate successfully and drive social value?

Sustainable mobility in urban areas will also drive significant social change in cities and real asset investors are an important part of supporting the transition. Will urban planning need to refocus on sustainable mobility? What do investors need from cities to help support the transition?

04/10/2023, 10:00 am - 11:00 am

Hall C2, Booth 430

EXHIBITOR STAGE

The event will be in English



Moderator: Courtney Fingar (left), Real Asset Media
Speakers:

Jeroen Dijsselbloem, City of Eindhoven;

Lisette van Doorn,

ULI Europe; **Eelco Erenberg**, City of Utrecht; **Coen van Oostrom**, EDGE

Investors need to relearn purpose of resi real estate, says Patrizia economist

By Paul Strohm

Changes in the economic environment may mean that we have to relearn residential real estate to some extent, according to Dr Marcus Cieleback, chief urban economist at investment manager Patrizia.

Speaking to *EXPO Day*, Cieleback said that residential real estate has been promoted purely as a bond yield gap-play for the past five to eight years. "Now we're getting back to what real estate actually is: a diversifier, a type of inflation protection," he said.

There is currently a decline in investment volumes due to interest rate rises affecting financing. However, the positive is that urbanisation is intact, Cieleback added: "We still have people moving to cities." This is despite the discussion around mobile or hybrid working and how that will impact people.

Cieleback said only a small element of urban populations are affected by hybrid working and added that even the IT companies, among the first to adopt mobile and hybrid working, have realised the value of physical interaction. "Creativity is different if we sit in front of screens or we sit around a table and have the same discussion," he said.

While urbanisation is here to stay, the structure of demand is nevertheless changing. "Today we have more single-person households. But we have to understand what type of single-



Dr Marcus Cieleback:
"We are seeing a change in demand"

person households are increasing," he pointed out. "We are seeing a change in demand and, from an investor's point of view, you have to clearly understand what the product is you're catering for."

While co-living suits younger cohorts of students and young professionals, it does not necessarily suit older people. "That offers opportunities for investors, if they understand how to deal with that."

All residential markets are characterised by rising demand, changing household structures and, to some extent, migration. However, construction activity is declining due to rising interest rates and this will further constrain supply and this may cause governments to intervene.

"From an investor point of view, I think there is nothing wrong per se with residential regulation or with rent regulation," said Cieleback, as long as they are "slowly and constantly adapted to the new environment it's perfectly fine".

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Brigit Gerritse,
head of
research and
strategy,
Redevco



Real estate is more than bricks and mortar, says Eindhoven mayor

Eindhoven's mayor Jeroen Dijsselbloem is at EXPO Real this year to meet developers and investors, and promote his city's approach to innovative residential development, as part of the Holland Metropole alliance.

"Eindhoven and the region are expanding fast and there is a real need for more homes, offices and company premises, and recreational opportunities. In short, we need to get building," Dijsselbloem said, ahead of participating in a session on investing in cities.

"I am hoping to meet plenty of builders and investors who would like to get involved. Not for the profits they can generate from real estate but for the returns they can generate by showing real commitment," he added.

"We want construction companies and investors who join us to stay, to become part of our ecosystem and to be prepared to build up a relationship with

us based on trust and openness."

Dijsselbloem said the concept of working together and creating long-term value is something he wants delegates to take away with them. "There is value in investing in more than bricks and mortar," he said. "The real value of property is decided by people, by the surroundings and the way it is used."

Many EXPO Real delegates may recognise Dijsselbloem from his previous roles as Dutch finance minister and chair of the Eurogroup, but he was actually born in Eindhoven and is proud to be representing his city in Munich.

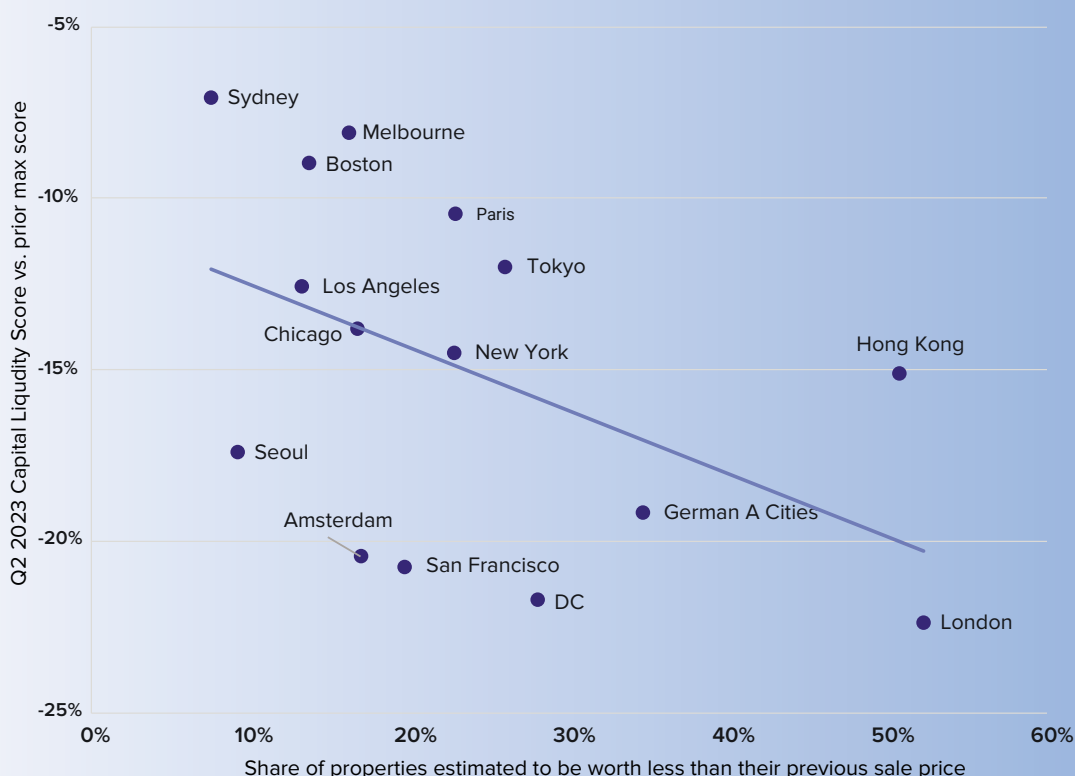
"People often look to government when it comes to deciding the sort of society we want to be," he said. "But it is us who make up society. Together, we are responsible for where we are now and where we want to be in the future. If everyone contributes, then we are laying a firm foundation for the years to come."

Graph of the Day

Investors don't like crystallising losses. This loss aversion means markets with a greater proportion of assets in the red have had larger drops in liquidity. In Europe, London is worst placed with more than 50% of buildings worth less than owners paid for them, while in Germany's A cities the proportion is 35%. To find out more, visit MSCI's stand at Hall B2.022

Markets with a greater proportion of assets in the red have had larger drops in liquidity

MSCI 



European office investors eye up value-add deals under €100m

Investor concerns that the 'office real estate apocalypse' now playing out in the US market will eventually spread to Europe are overblown, according to Tristam Larder (pictured right), head of European capital markets at Savills.

"In the past it has been quite a good tactic for real estate investors to look at the US for new trends – the natural order of things is that they first roll out across the US and then Europe. But from what I can see there are huge structural differences between the US and European office markets," said Larder.

In many big US cities, it is still possible to build offices and to build them big, he pointed out. "Regulations in Europe in terms of new developments and

height are far more constrained... I don't think we'll see a copy-paste of what's happening in the US over here."

European investors are in fact twice as likely to invest in CBD offices than US/Canadian investors, he added. "This is no doubt also linked to the fact that office vacancy rates are much lower in Europe than in North America and the fight for, and flight to, quality continues to persist given restricted development pipelines."

A recent survey by Savills concluded that roughly a third of European investors are looking to adopt a more aggressive, value-add, investment strategy over the next 12 months, up from 14% in last year's survey. While logistics and the

living sector are a top priority for most, Larder also sees strong interest for well-connected offices with good amenities, including those with potential for an energy performance upgrade.

"In Europe it's really a tale of two markets and that will become clearer and clearer in time. The building itself doesn't matter so much as long as it's in the right place. We expect that many investors will continue to target lot sizes below €100 million over the next 12 months, as debt costs continue to restrict larger deals for those depending on funding."



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"At Newworld, we are strategically allocating investments towards managed living and healthcare asset classes, both of which are experiencing robust demand and attracting substantial investor interest."

Christian Scheuerl, MD, Newworld Investment Management

Sirius upbeat on Germany's economic action

While at EXPO, business and industrial park specialist Sirius is announcing the sale of an asset in Germany and two acquisitions in the UK.

The company is unusual in having a London listing but the bulk of its portfolio is in Germany and chief executive Andrew Coombs is emphatic that this will continue.

"We'll always be a predominantly German company," he said. "But one of the benefits of being in two markets is you can buy in one and sell in another and if you're selling at 6% and buying at 9%, it's pretty compelling."

Coombs is positive about real estate prospects in the German market and is keen to dispel downbeat forecasts. "Never underestimate the strength of the German balance sheet," he said.

Although he accepts the German economy currently has challenges, he is positive about the government's approach. "Germany is great at using the system and the state to smooth things, whereas in the UK it happens month-to-month," he told EXPO Day, referring particularly to energy costs.

Sirius has been working to insulate its tenants from the worst of escalating energy costs.

"We have been providing gas and electricity to our customers at below market pricing, because we know that's a pain point for them, particularly if they're a manufacturer," Coombs explained. In return, this has given Sirius the opportunity to revisit leasing.

Signs of life in Dutch retail market as yields stabilise

By Judi Seebus

The recent bankruptcy of a string of retail chains in the Netherlands, including electronics specialist BCC and discounter Big Bazar, have cast another shadow on the struggling Dutch retail real estate market. But several redevelopment and transformation projects underway across the country nevertheless give cause for optimism, according to Herman Kok, director of KERN, the rebranded Dutch Shopping Centre Council NRW.

"Compared to neighbouring countries, especially the UK, the Netherlands is not doing all that badly when it comes to transforming former department stores and creating mixed-use locations," said Kok. "We have also had our fair share of department store bankruptcies, but landlords and municipalities have been keen to repurpose them and get developers involved."

Flagship renewal projects include Hart van Zuid/Zuidplein in Rotterdam and Schalkwijk shopping centre in Haarlem. "Investors and developers have quite some appetite for adding functions such as residential, healthcare facilities and public services," he added. "Urban planning regulations on new retail developments have always been focused on existing centres which is now an advantage: it is easier to obtain consensus among stakeholders who are active in city-centre locations."

What has also helped is that Dutch department store properties are often smaller than similar properties elsewhere, while city centres in the



Herman Kok: "Netherlands has made progress in the last few years."

country are generally more compact. The government is now also playing a more active role in facilitating development and investment aimed at transforming urban centres, Kok said. "The Netherlands may not be a model country for transformation and repurposing, but it has certainly made some progress in the last few years."

While current macroeconomic conditions and uncertainty about new regulations are adding to the challenges, retail yields are starting to look more attractive compared to other asset classes, he noted. "We've already seen a major correction in the market which accelerated during the coronavirus pandemic. Investors have steered clear of retail properties, but yields are now relatively stable compared to offices and logistics. The price correction has already taken place in retail and opportunities are starting to emerge."

AXA starts development of Munich hybrid timber offices

AXA IM Alts is again at EXPO Real, this time ready to talk about a new timber hybrid office asset it is developing in central Munich. The Stack, being developed in partnership with Accumulata, is a building of approximately 16,000 sq m, scheduled for completion by the end of 2025.

The project, on the corner of Schwanthalerstraße and Goethestraße close to Munich's central station, will provide six floors of office space and will also have three basement levels, a ground floor and amenities.

The building is designed by Wilmotte & Associés Architectes and is aiming for environmental credentials that combine sustainably sourced timber

hybrid construction with green energy technology and biophilic design features. These are expected to reduce energy demand considerably compared to a typical new build.

Smart building technology will regulate indoor air quality and enable highly efficient local climate and lighting control, also supporting enhanced workplace productivity and wellbeing.

AXA said that demand for modern sustainable offices in Munich's central business district far exceeds current levels of supply, a situation which is expected to be further exacerbated by a limited development pipeline.

"The Stack presents an attractive opportunity to address the undersupply



of prime sustainable office space in Munich's CBD, particularly given the area's improved connectivity resulting from the significant redevelopment of the nearby Munich Central Station," said Germain Aunidas, global head of development at AXA IM Alts.

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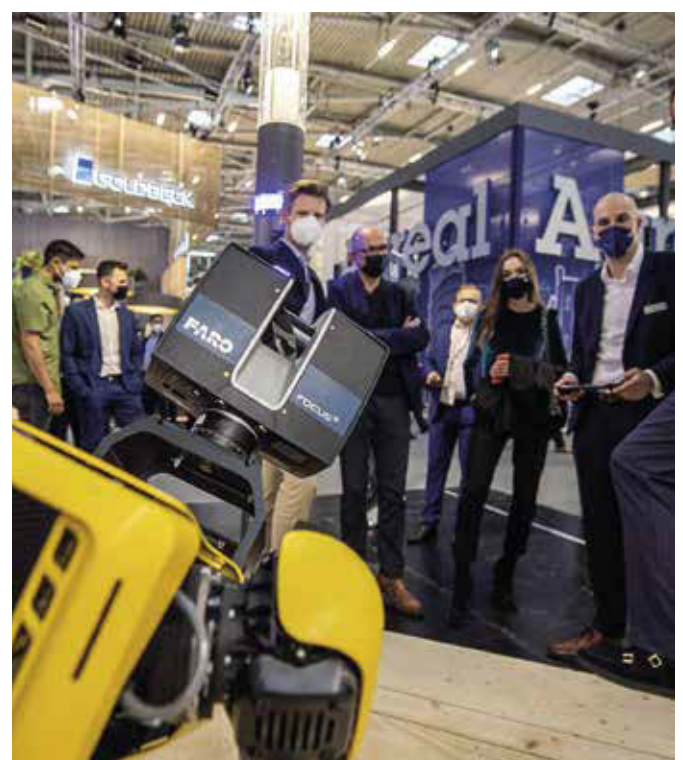
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Ready for another spin at EXPO?

More than 39,000 participants from 73 countries are expected at EXPO Real 2023. Here to meet 1,885 exhibitors from 33 countries, spread over seven exhibition halls, they can expect to learn about a range of new projects, enjoy some fascinating interactions and to hear stimulating new ideas.



EXPO in Pictures



Frankfurt embraces the future with Central Business Tower

Frankfurt, a city with a rich history and great cultural significance, has always known how to preserve its roots while promoting progress. There are many examples: from the world's oldest book fair, which still exists today, to Europe's largest internet hub.

Tradition and the future are also the hallmarks of what is probably the most exciting property currently under construction: the Central Business Tower (cbt). Helaba and its subsidiary OFB Projektentwicklung, together with the general contractor Ed. Züblin AG, are building a landmark skyscraper on Neue Mainzer and Junghofstrasse by 2027.

At a height of 205 metres, the building will offer breathtaking views of the Odenwald, Taunus and Spessart mountains. All this in an ideal location on the green belt of the historic Wallanlagen and with a direct connection to public transport. The 72,500 sq m of rental space spread over 52 floors offers a wide range of possibilities for companies, institutions and facilities. From catering and retail space to office and shopping areas, the cbt will offer space for urban diversity.

ARCHITECTURE COMBINES TRADITION AND MODERNITY

The extraordinary architecture of cbt, by internationally renowned firm KSP Engel, blends classical and modern elements. For example, by integrating the historical bank building into the base, the cbt pays tribute to tradition and reminds us that economic success and generation-spanning responsibility can go hand in hand. Helaba prioritises sustainability, utilising advanced technology to set new standards in energy efficiency and sustainable construction. Innovative

materials like CPM-basecrete are used, reducing CO2 emissions by approximately 57 per cent.

A STRUCTURAL ENGINEER'S DREAM

The construction of the cbt is marked by substantial technical challenges, requiring profound expertise in engineering, structures, and materials. The project employs a bored pile wall, a specialised technique in the construction industry, to ensure stable excavation enclosures, particularly crucial due to the challenging soil conditions in central Frankfurt. A bored pile wall is employed to stabilise the excavation due to the soil



conditions. This has led to the creation of the city's deepest excavation pit, showcasing exceptional engineering to accommodate high-rise construction requirements.

The Central Business Tower promises not only a remarkable architectural presence on the city's skyline, but also optimal use of space and resources. The integration of history, modern design and sustainable technology makes this tower an outstanding example of what modern engineering and architecture can achieve.

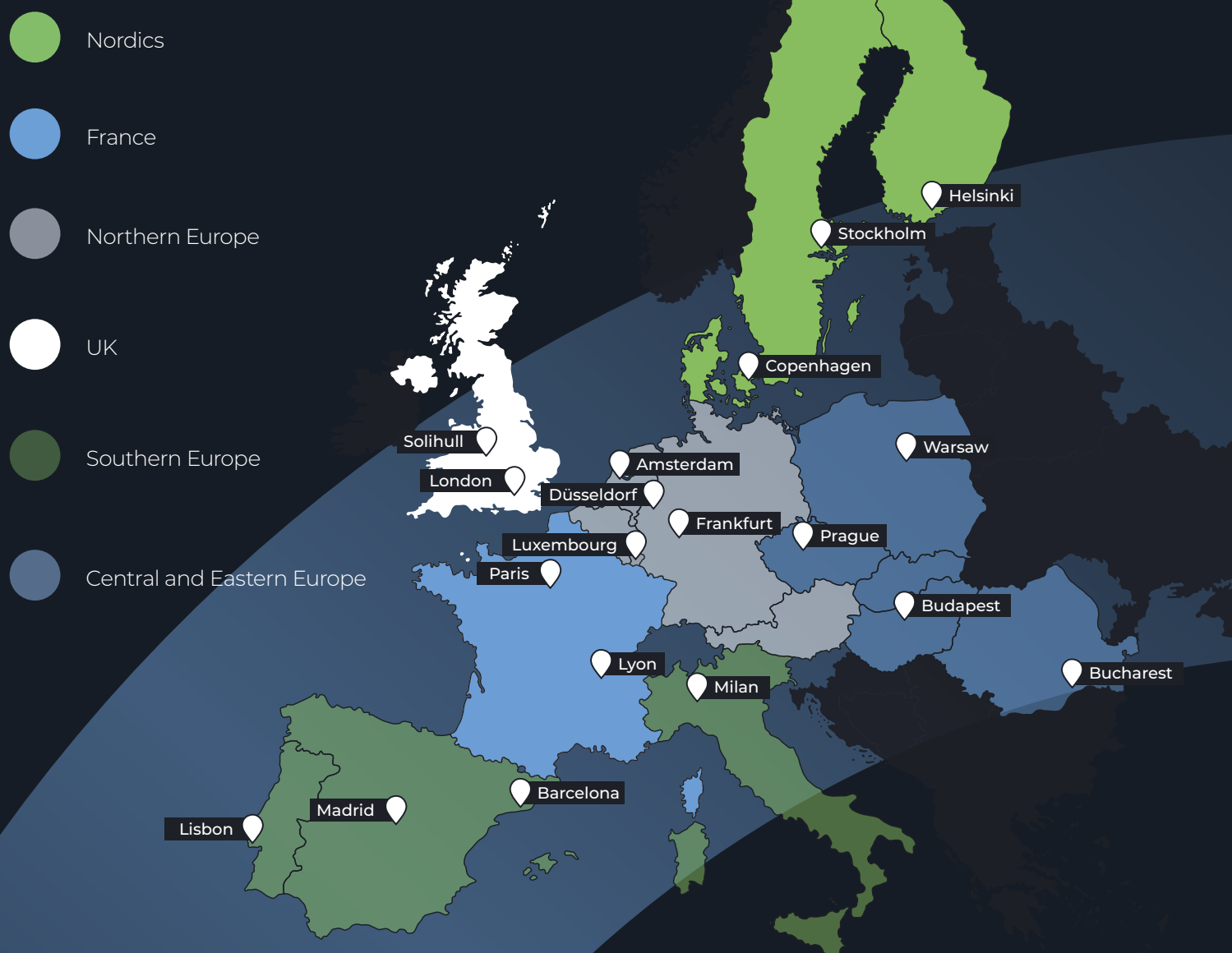
It is a tribute to Frankfurt's rich history, a city that has always preserved its original character while boldly and innovatively embracing the future.

The Central Business Tower is a new addition to Frankfurt's skyline (Images: rendertaxi)

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SIOR – Always Moving Forward

It is no surprise that the commercial real estate industry is changing rapidly, and the best way to maintain relevance is to keep pace with today's technology and emerging trends.

When it comes to industrial and office real estate specifically, one organisation in particular is leading the charge in connecting the topmost developers, investors, and brokerage professionals: – the Society of Industrial and Office Realtors (SIOR).

Headquartered in the US, the organisation comprises more than 3,900 members across 46 countries and is growing rapidly. If you haven't heard of SIOR, pay close attention. It is shaking up the industry. Here is a closer look at what the organisation is up to, according to SIOR's Robert G Thornburgh and Matthew Leguen de Lacroix.

What is SIOR?

Thornburgh: SIOR is a highly respected designation given to industrial and office leaders who demonstrate excellence in their markets and meet our membership criteria. Qualifications include advanced education, peer endorsement, and tenure. Formed in the US, and now growing abroad, SIOR members are often regarded as the top-performing practitioners in the fields of industrial and offices, and who place a premium on ethics and integrity. The same can be said for the sponsors and partners that are a part of the organisation.

Why does the future for SIOR look so bright?

Thornburgh: Our leadership team just finalised a multi-year strategic plan, positioning SIOR to play an even larger, more substantial role in our industry throughout the 21st century and beyond. This touches everything from thought leadership, advanced education and innovation, as well as mentoring the next generation of CRE professionals. We are simply doing it differently.

What do you see for the future of the brokerage industry, and how have you seen it evolve as it relates to SIOR?

Thornburgh: The days where we solely focused on real estate are long gone. SIOR members are, by every definition, true advisers, assisting our clients and

helping them navigate nearly every aspect of the office and industrial real estate brokerage process, and pushing to gain the experience and expertise to go beyond the old models of transactional brokerage.

How can someone connect with the SIOR community?

Leguen de Lacroix: Our 2024 conferences will include two events in the US and our international event in Berlin in July. We also have our highly successful London Lunch Series. Our

"Tomorrow's leading real estate organisations will be the ones that are highly focused on building a culture around transformation."

Robert Thornburgh, SIOR

European members are particularly active and energised to do business on both sides of the Atlantic. Throughout the year, the SIOR European chapter regularly holds business generation events in major capitals (e.g. Dublin, Ljubljana, Paris, Milan) where members and industry partners gather for their 'Mind Your Own Business' meetings. All events are detailed on our website: www.sior.com.

What can attendees expect from an SIOR event?

Thornburgh: All are welcome and encouraged to attend. Programming will cover an array of topics, including but not limited to: the current state of the market; the latest technologies; industry best practices for efficiency; opportunity zones; development patterns; and how the disruptive demographics of an ageing society, social trends, and how tech will shape future cities and urban innovations.

Leguen de Lacroix: Beyond that, SIOR conferences always start with the quality of the people and the close relationships built over the years. It's here that we exchange meaningful, thought-provoking discussions on our industry and, ultimately, how we do more business.

Any closing comments you can share about SIOR and the industry?

Thornburgh: The brokers at the top of this field are maintaining a focus on reinvention and challenging the status quo. I would ask yourself: where am I finding the right events, people, and related culture on a global level that aspire to achieve best-in-class work and question prevailing thinking?

Leguen de Lacroix: Stay focused on the future and your place in it – and never hesitate to invest in quality continued education and networking initiatives that will keep you ahead of the competition.

Thornburgh: Tomorrow's leading real estate organisations will be the ones that are highly focused on building a culture around transformation. I am incredibly proud that SIOR is leading by example.



Robert Thornburgh SIOR
CCIM FRICS is chief executive officer of the Society of Industrial and Office Realtors (SIOR)



Matthew Leguen de Lacroix
SIOR FRICS is head of business development, EMEA, for SIOR

ABOUT SIOR

For more than 80 years, the Society of Industrial and Office Realtors (SIOR) has been the leading global commercial real estate association, and we continue to move the industry and our members' business forward as we drive the future of CRE.

Only the industry's top industrial and office professionals qualify for the SIOR designation, and members adhere to the highest levels of accountability and ethical standards. Today, there are nearly 3,900 SIOR members in 46 countries.

Learn more at www.sior.com

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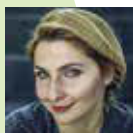
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International Investors Lounge Hall A1, Stand 132

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Daily briefings

DAY 1 – WEDNESDAY 04 OCT

- ▶ 09.00 **REAL FDI NETWORKING BREAKFAST**
- ▶ 10.00 **GERMANY INVESTMENT BRIEFING**
- ▶ 11.00 **GLOBAL REAL ESTATE TRENDS**
- ▶ 12.00 **SOCIAL VALUE IN THE CITY**
- ▶ 13.00 **EUROPEAN LOGISTICS TRENDS**
- ▶ 14.00 **DEBT & FINANCE STRATEGIES**
- ▶ 15.00 **CREATING & INVESTING IN SUSTAINABLE, LIVEABLE CITIES**
- ▶ 16.00 **EUROPEAN LOGISTICS INVESTMENT**
- ▶ 17.00 **ALTERNATIVE INVESTMENT OPPORTUNITIES**
- ▶ 18.00 **INTERNATIONAL INVESTORS NETWORKING DRINKS**

DAY 2 – THURSDAY 05 OCT

- ▶ 09.00 **IMPACT & SHHA THOUGHT LEADERSHIP AND NETWORKING BREAKFAST**
- ▶ 11.00 **SUSTAINABLE LOGISTICS INVESTMENT BRIEFING**
- ▶ 12.00 **THE LIVING SECTOR: INVESTORS LUNCH**
- ▶ 13.00 **DIGITAL TWINS, PROPTech, DATA & INNOVATION**
- ▶ 14.00 **EUROPEAN RESIDENTIAL INVESTMENT**
- ▶ 15.00 **GLOBAL CAPITAL FLOWS**
- ▶ 16.00 **EUROPEAN DEBT FINANCE & INVESTMENT**
- ▶ 17.00 **IMPACT INVESTING & IMPLEMENTING ESG STRATEGIES**
- ▶ 18.00 **IMPACT & REAL FDI NETWORKING DRINKS**

DAY 3 – FRIDAY 06 OCT

- ▶ 09.00 **DIVERSITY IN REAL ESTATE BREAKFAST**
- ▶ 10.30 **INNOVATION & SCIENCE PARKS - THE NEXT GENERATION OF REAL ESTATE**
- ▶ 11.30 **YOUNG LEADERS - SETTING PRIORITIES FOR THE FUTURE OF REAL ESTATE**
- ▶ 12.30 **NETWORKING LUNCH: MARKETING & COMMUNICATIONS**

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"EXPO Real comes at a pivotal moment in the market cycle. There is certainly a greater sense of where values have or will settle and asset repricing playing out, creating a vintage year for those with capital to deploy."

Michael Hughes,
chief executive,
Verdion



European logistics still on the up despite challenges

By Paul Strohm

Despite the changed economic environment, the secular drivers for the logistics segment of commercial real estate remain intact, according to Logan Smith, head of European logistics at Hines.

"It's the magnitude that has changed a bit. If you talk to Amazon and the big e-commerce companies, they'll kind of shrug and say, 'of course we're not going to grow at 40% a year, that was two years ago, but the sky is not falling, we're going to grow at 5% a year, or 10% a year, we still need space'."

Smith points out that because development is more difficult in Europe than the US, tenant demand remains strong, irrespective of interest rate rises. "Of course it's down, of course it takes longer to lease buildings, but nevertheless we are in an environment where rents have still gone up."

Smith said Hines may not be at the top of the list when people think about



Logan Smith:
"We are in an environment where rents have still gone up"

logistics property operators. "But when you really look at what's been happening in the sector for the past three or four years, we really have made some astonishing traction."

He said it is not just size: "Anyone can go out and kind of do a bunch of deals. I think when you look at the deals that were done a year and a half ago, the big flashy deals are the ones that have fallen flat on their face when you look at where the pricing was."

He said Hines has been one of the most active acquirers: "Not big deals, but a focused rifle-shot, value-driven approach – good locations, functional buildings, and at a good price."



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IMPACT at EXPO Real

Berlin is getting a new green neighbourhood. Work has started on the German capital's largest privately developed commercial real estate project. You can read about it in the latest issue of *Real Asset Impact* magazine, distributed at EXPO REAL.

Over €1 billion is being invested in the 10-hectare former industrial site of Behrens-Ufer in Oberschöneeweide between Alexanderplatz and Berlin Brandenburg airport.

Berlin-based Deutsche Immobilien Entwicklungs AG (DIEAG) is developing one of the most innovative and sustainable commercial city quarters in the world. It will re-store period assets and create new buildings to offer a total of 234,000 sq m of flexible business rental space, with a mix of offices, laboratories, production floors and scientific institutions.

"We want to bring the entire area back to life," says Felix Gold, managing director of DIEAG Investment Management.

"Sustainability is at the heart of our project, and we want it to be a model district for climate protection. It will not only be self-sufficient, but will generate a sustainable-energy surplus, which will be stored or fed into the public grid."

The plan is to use geothermal, solar and hydropower, making the most of the river, as well as innovative recycling and energy storage systems. Photovoltaic (PV) panels are expected to generate up to 95% of the electricity needed. They will be installed on all facades, leaving the roofs free for gardens.

Perhaps the most remarkable feature of the project is the plan to use geothermal energy. DIEAG has formed a strategic partnership with GASAG. The plan is to dig deep – about 4,500 metres down – to take energy coming from heating and cooling as a welcome side-effect.

"Experts say Berlin is the perfect location for geothermal energy because it is not a seismic area; you can dig deep without the risk of earthquakes," says Gold.

The project aligns with the local government's Berlin 2030 strategy. This aims to develop sustainable solutions for companies and create jobs in healthy environments, improving people's quality of life, but also promoting cultural, artistic, leisure and sports activities. Behrens-Ufer is set to be a blueprint for other projects in the city and around Germany.



Impact covers ESG in the real estate sector from all angles. Pick up your copy at EXPO Real. For more information contact editor Nicol Dynes at nicol.dynes@realassetmedia.com



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*As at June 30, 2023

European sale-and-leaseback an attractive investment opportunity

Potential for SLB activity in Europe in 'new normal' corporate world, says Clarion Partners



AdobeStock/Milan

The European sale-and-leaseback (SLB) market continues to benefit from multiple tailwinds, both cyclical and structural in nature. Corporate disposals (a proxy for SLBs) across EMEA have increased steadily over the last 10 years, reaching a post-GFC high of €30bn in 2021. Transaction levels slowed during 2022 (to €26bn) as businesses got caught off guard by high inflation and rising interest rates.

As the European corporate world adjusts to the 'new normal', we believe there is potential for a substantial increase in SLB activity in Europe in the short/mid-term.

EUROPE'S CREDIT CRUNCH COULD BE CATALYST FOR SLBS

The ongoing dislocation in the European corporate credit market could be the trigger. Banks have turned off the lending tap and many corporates may be forced to consider alternative methods such as SLBs to meet their financing needs. There is growing evidence suggesting this may be the case:

- historically tight lending standards;

- traditionally, EU corporates are highly reliant on bank financing;
- wall of maturing corporate bonds will need refinancing.

A STABLE, BOND-LIKE INVESTMENT WITH THE INFLATION-HEDGING CREDENTIALS OF REAL ESTATE

SLB investments can provide many of the benefits of both private CRE and fixed income. As with fixed-income, SLBs are typically characterised by more stable and predictable returns. We estimate that 70-90% of return in a typical SLB transaction comes from secure contractual income and contractual CPI increases.

Cashflow risks are mitigated through thorough tenant credit underwriting processes and by investing in mission-critical properties. At the same time, SLBs offer many of the benefits of CRE investments:

- inflation indexation;
- asset-backed investment;
- triple net leases.

The 'hybrid' nature of SLBs, particularly the stability of cashflows, contributes to

the attractive risk-adjusted returns of this type of investment. UK fund level data shows that long lease portfolios (a proxy for SLB deals) have on average outperformed the wider market between 2005 and 2019 (return of 7.2% vs 6.9%), especially during downturns, while exhibiting lower overall volatility.

While income is the key driver of returns in a typical SLB deal, often overlooked is the ability to create value at deal origination and during the hold period.

SLBs in Europe are often not widely marketed and the market is far less institutionalised than in the US, where 18 specialist net lease/SLB REITs exist in the public markets alone, while there are only a handful in Europe. SLB transactions may command a yield premium as a result.

Moreover, SLBs offer the potential to 'tailor' lease terms to the transaction/tenant, ultimately to create value. Finally, SLB assets tend to be asset management-light, generally with few landlord obligations.

REAL FDI at EXPO Real

Demand for commercial and industrial real estate is at least partially driven by foreign direct investment (FDI) activity as inward investors account for a significant portion of occupiers of such space. In a quickly evolving FDI market, what are the implications for real estate and which current FDI trends are having the biggest impact on real estate requirements? The latest issue of *Real FDI* identified the following three trends as the most significant:

1. THE GREAT GLOBAL GIGAFACTORY COMPETITION

Electric vehicle (EV) production is driving new a great deal of new industrial development. Driven by government incentives and a race among automakers to grab market share, the EV industry is set to fuel demand for industrial real estate for years to come. Many locations are already experiencing an uptick in demand for industrial space off the back of increased e-commerce activity and manufacturing output, which will be exacerbated by the EV boom.

2. SHIFTING SUPPLY CHAINS BRING SHORING OPPORTUNITIES

Continuing supply chain disruptions, changing consumer patterns and the booming e-commerce industry is causing a wholesale reconfiguration of global value chains and redrawing the FDI map. Logistics and distribution centres will remain central to global FDI activity as a result.

Supply chain uncertainty is leading to increased interest in nearshoring, opening up opportunities for locations close to major markets to win production facilities. Nearshoring, along with other investment decisions, has driven significant growth in occupier demand for floorspace, according to a report by Cushman & Wakefield.

3. AUTOMATION AFFECTS OFFICE AND INDUSTRIAL SPACE

Automation is changing drastically companies' workforce requirements and therefore their real estate requirements. Combined with remote working, a digitised workforce and more automated means of production mean less office space and less factory floorspace.

Investment locations that will be able to succeed in today's fast-changing FDI landscape will be the ones that can stay out in front of the macro trends that are shaping the investment world and leverage them to their benefit, and that have competitive advantage in industries of the future such as artificial intelligence, electric vehicles and Industry 4.0. The real estate offer in these locations will have to adapt to the changing demands of the corporate occupiers that drive FDI.



*Real FDI covers the nexus between real assets and foreign direct investment. Pick up our special issue at EXPO Real and look out for the next one at Mipim 2024. For more information contact editor **Courtney Fingar** on courtney.fingar@realassetmedia.com*



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New advisory firm aims to exploit timber expertise

Thomas Landschreiber, ex-Corestate founder and chief executive, and founder of 777Capital Partners, has launched consulting firm Andere Wege Group jointly with Sabrina Militello and Boris Konopka.

The new firm, based in Starnberg to the south-west of Munich, offers advice on real estate financing, projects, and project development. The founding trio said they aim to provide property investors with “alternative and innovative approaches for the sustainable and successful realisation of construction projects in challenging market phases”.

Andere Wege Group plans to cover the entire real estate value chain, from financing and funding consultancy, through project development, sustainable construction using timber,



Boris Konopka (left), Sabrina Militello and Thomas Landschreiber

modular and hybrid construction methods, to support on exit.

The firm also has the capacity to provide additional equity in a joint venture structure.

“Today’s real estate industry is facing challenges due to the dramatic rise in interest rates, demanding innovative solutions,” said Landschreiber.

“The market has shifted in favour of buyers, whose demands, especially regarding sustainable construction

methods, have increased. This is increasingly excluding traditional project developers and investors, who are currently facing limits with conventional financing for their real estate projects.”

The firm’s expertise in timber modular construction increases options for raising the density of existing urban space and optimising the use of space by extending existing structures or building over supermarkets with minimal disruption to tenant operations.

Primevest brings real assets to small investors

Primevest and Holland Immo Group help people shape their financial future by providing easily accessible real asset investments across Europe. Investing in real assets, as part of a well-diversified investment portfolio, has been a popular strategy for institutional investors and wealthy individuals for obvious reasons, including an inflation-linked reliable income stream, capital preservation and the low correlation to the publicly traded stock markets.

So far, access to real asset investments (not being shares in listed companies) for smaller investors has been limited, largely due to their illiquid trait and capital intensity. But Primevest and Holland Immo advocate for providing wealth accumulation through real assets to all individuals.

They make sector-specific funds accessible for investors at a reasonable entry point, which are professionally managed and offer institutional quality with the personal service of a boutique. The funds are invested within the

three pillars of Primevest’s long-term investment philosophy and entail contemporary urban living, modern connectivity and urban mobility.

At the same time, the company

believes it is important to generate societal value. Through innovative and sustainable investments it is helping to improve the quality of cities and to create sustainable urban living.



Blue Module and Freesi to unveil CSRD solution at EXPO Real

Dutch ESG accounting software provider Blue Module and Finnish indoor climate management specialist Freesi have teamed up to offer a practical solution to help companies meet the requirements of the Corporate Sustainability Reporting Directive (CSRD) leveraging the People Health Index. It is to be unveiled at EXPO Real.

The collaborative project underscores the essential role of cohesion and cooperation in the evolving ESG landscape. "Collaboration between all parties in the chain is essential when it comes to ESG, which naturally includes proptech companies like Freesi and Blue Module," noted Jan-Kristian Westerlund, partner, international business, at Freesi.

The partnership champions a holistic approach to achieving CSRD compliance across all levels of real estate management. Central to this is the People Health Index, a tool integrated into Freesi's solution, which works seamlessly with Blue Module's ESG dashboard to provide comprehensive,

actionable insights that go beyond simple data collection.

Moreover, Blue Module emphasises stakeholder involvement at each stage, encouraging companies to identify and involve pertinent stakeholders in a double materiality assessment, aligning with the CSRD's mandate for structured

and reliable sustainability reporting.

As businesses navigate the relatively new terrain of CSRD reporting, the combined expertise of Blue Module and Freesi offers a roadmap to not only achieve compliance, but to foster healthier and more sustainable indoor environments.



Maucher Consult and Freesi join forces on sustainability

A new partnership is being introduced at EXPO Real by Maucher Consult and Freesi. This partnership is dedicated to advancing sustainable practices and the elevation of technical asset performance in commercial real estate.

The collaboration seamlessly combines the expertise of Maucher Consult in project management and consultancy with Freesi's science-backed indoor climate management and tenant engagement solutions.

Maucher Consult's proficiency in project management, construction management, and technical real estate consulting is complemented by Freesi's data-driven approach to indoor air quality and tenant wellbeing. Through this partnership, a comprehensive range of services is offered.

With sustainability at the forefront of real estate considerations, this new partnership will support ESG objectives. Sustainability practices are seamlessly integrated into projects, ensuring that properties meet or surpass environmental certifications. This not only reduces their carbon footprint but also aligns them with the demands of a more environmentally and socially conscious future.

In terms of tenant satisfaction and retention, the tenant engagement solutions provided by Freesi, supported by Maucher Consult's commitment to excellence, foster an environment conducive to tenant wellbeing and longevity. Through the optimisation of indoor air quality and the prompt addressing of technical

needs, tenant experiences are enhanced. This, in turn, leads to higher tenant retention rates and improved financial outcomes.

Ultimately, Maucher Consult and Freesi's partnership is focused on the delivery of measurable results. This revolves around data-backed strategies, sustainability initiatives, and tenant satisfaction, all contributing to enhanced financial performance for asset owners. The approach is geared towards increasing property value and reducing operational costs, resulting in a significant boost in yield over time.

For more information, find Freesi at the International Investor's Lounge (A1.132) or contact our teams at www.maucherconsult.com and www.freesi.io.

EU Taxonomy starts to address social aspects

The European Union's Taxonomy Regulation has significantly influenced the way businesses and industries approach sustainability, particularly in real estate, says Dr Stefan Voß, partner at CMS, Germany.

While an environmental framework has become a cornerstone of responsible investing, the social aspects of sustainability have often taken a backseat. However, recent developments have started to shine a light on the S in ESG, especially in the senior housing and healthcare sector.

SOCIAL TAXONOMY: CHALLENGES AND OPPORTUNITIES

As of today, there is no specific regulation dedicated to social taxonomy. In February 2022, the Platform on Sustainable Finance published a Final Report on Social Taxonomy, aiming to enhance transparency concerning the social aspects of sustainability. This

transparency is crucial to attract more investments into sustainable projects and to prevent 'social washing', where investments are misrepresented as socially responsible.

The European Economic and Social Committee commented on the Final Report in September 2022, highlighting several key points:

● Simplicity and Transparency:

Guidelines should be simple and clear, promoting easy and transparent procedures.

● Decent Work and Living Standards:

Vital objectives include promoting decent work, ensuring adequate living standards and creating inclusive and sustainable communities.

● Collective Agreements and Co-

Determination: Adherence to collective agreements and co-determination mechanisms in line with applicable law should be a principle of do no significant harm (DNSH).



Dr Stefan Voß: 'No specific regulation dedicated to social taxonomy'

● Reduced Reporting Obligations:

Additional reporting requirements should be limited and not overlap with other reporting standards (such as CSDDD, CSRD/ESRS).

● Enhanced Information Quality:

Quality of information in the field of socially sustainable investments must be improved.

The social aspect of ESG encompasses various dimensions both within and outside the corporation. To learn more, join the SHHA and IMPACT session on 5 October, 9.00-11.00am at Real Asset Media's International Investors Lounge.

Golden 20 years to build senior facilities in Spain

Spain's growing old-age population has combined with low mortality and birth rates to produce one of the oldest populations in the world.

The country is experiencing a demographic time bomb much the same as the rest of the world, and the needs of its older citizens are, broadly, similar.

A key difference, however, is the timing of the emergence of the 'baby boomer' generation.

"The baby boomers have come at different times," explained Stanislas Mainfroy (pictured right), head of Spain at real estate consultant Element RE, a firm with a strong commitment to the healthcare sector. "It was post-war for all the countries that were in the Second World War, which was not the case for Spain.

"The country is growing old very fast," Mainfroy added.

There is now a critical need for



suitable accommodation, he says. "I think there is a golden 20 years right now in which to develop those facilities."

Estimates indicate a shortage of 200,000 to 250,000 beds by 2035,

"so there is a strong need to build for the next 10 years". He points out that if each facility has an average of 100 beds, there is a minimum requirement for about 2,000 facilities.

Demand will reach its peak between 2040 and 2050 and will then decline as mortality reduces the senior cohort. Furthermore, the emphasis in the Spanish healthcare market has been on nursing homes and the emphasis is now firmly on greenfield development in order to meet the stricter requirements that were a response to the covid.

See the Senior Housing and Healthcare section of latest edition of Real Asset Insight for the full interview.



Holland Metropole

Come and meet us at Expo Real A2/130

Amsterdam, Rotterdam, The Hague, Utrecht and Eindhoven are thriving cities in their own right. As an alliance, they form one of the most competitive regions in the world.

The five cities of the Holland Metropole are working closely together with private partners to ensure a stable, innovative and inclusive future for all their inhabitants and to create value for all stakeholders.

Day 1 Wednesday October 4

10.00-11.00

Investing in cities: creating real social value and better returns Exhibitor Stage, C2/430

11.30-12.15

Innovation districts: the magic is in the mix, A2/A21

13.00-14.00

Mariupol Reborn: rebuilding the city together, A2/A22

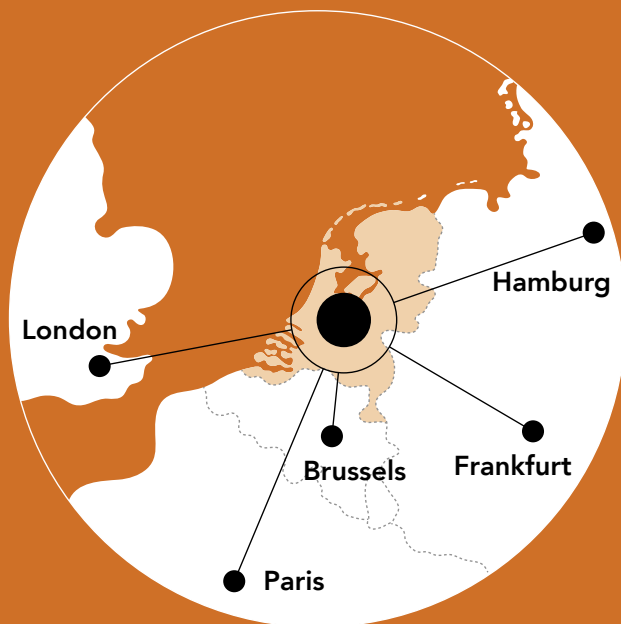
Day 2 Thursday October 5

12.00-13.00

Holland Metropole Investors Lunch
International Investors Lounge, A1/132

13.00-13.45

Digital Twins, PropTech, Data & Innovation
International Investors Lounge, A1/132



Climate change, the circular economy and sustainability are central to the Holland Metropole's strategy for the future. At the same time, each city has its own specialism.

Amsterdam: finance, the creative sector, IT

Utrecht: health, IT, education

Rotterdam: transport, clean-tech

The Hague: diplomacy, cyber security

Eindhoven: advanced IT, materials science

'The range of companies and institutions now moving to the Holland Metropole is a big vote of confidence in its combined scale and complementary value propositions of the five cities. The region remains firmly near the top of the foreign investment charts.'

Commerz Real and Bosch present building management platform

By Nicol Dynes

Commerz Real and Bosch Building Technologies are cooperating on a new data platform for digital building management that will be launched on 1 October.

The web-based solution will be presented publicly for the first time at EXPO Real, on the Commerz Real stand.

The platform is intended to support a sustainable and value-enhancing management of real estate portfolios by centralising all building and consumption data with a focus on transparent collection and analysis to optimise ESG performance.

“Our common vision is a platform from which all stakeholders benefit, an open and secure system that is not tied to a particular technology or service provider,” said Jens Böhnlein, global head of asset management and sustainability, Commerz Real.



The Galaxy Tower in Vienna, pilot project for the new platform developed by Commerz Real and Bosch Building Technologies

Newly-founded Bosch Building Technologies subsidiary Susteco will make the platform accessible to customers in the real estate industry. The first pilot project was the Galaxy Tower in Vienna, a high-rise building of the open-ended real estate fund Hausinvest.

All building and consumption data was recorded, interconnected and analysed.

The platform focuses on the user needs of various interest groups of a property, from owners, through service providers to tenants. They all receive digital access to the building information relevant to them and can set and monitor object-specific topics. Centrally collected data provides a solid foundation for making investment decisions and improving ESG performance.

“Everything is geared toward collaboration and cooperation. Data silos and isolated solutions are increasingly outdated,” said Henrik Siegle, chief technology officer at Bosch Building Technologies. “Owners of commercial buildings want a holistic view of their portfolio, complete with all building and consumption data and our platform makes this available to the real estate sector in one place.”

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Pitch

Chainels Tenant Experience Platform

Wednesday October 4th
13.55 - 14.05
Swiss Stand A3.230
Language: German

Keynote

Actualising ESG Strategies

How To Include Your Tenants in the Process

Friday October 6th
09.30 - 09.50
A2 Tech Talk Stage
Language: English

Panel

Young Leaders

Setting Priorities for the Future of Real Estate

Friday October 6th
11.30 - 12.15
International Investors Lounge A1.132
Language: English

Schroders Capital Investment Outlook: Real Estate H2 2023

By Kieran Farrelly

The *Schroders Capital Investment Outlook* for real estate summarises our experts' views on the risks and opportunities in real estate markets around the world. We explore conviction themes and the investment strategies we're using to exploit them, and provide insights on how we're positioning for medium-term outperformance.

In the H2 2023 edition our focus is on the repricing and how it creates opportunity. With repricing tending to cascade through global markets in a fairly predictable manner, it creates pockets of relative value across geographies and sectors.

We dig into where those pockets are, and explore the fundamentals that underpin our expectations and views.

KEY REAL ESTATE RISKS AND OPPORTUNITIES

Real estate investors continue to balance a range of economic and geopolitical issues. But while downside risks remain, the outlook is starting to improve and become more certain.

Inflation continues to cool and interest rates are likely to be close to their peak. The highly restrictive monetary policy environment is weighing heavily on economic growth, but a full-blown recession in major developed economies is likely to be avoided. While growth is likely to be below trend in the coming months, economic momentum is expected to pick up again in late 2024.

At the same time, occupational markets continue to show resilience. Demand has softened, but supply remains tight, due to elevated construction and debt finance costs, and the scarcity of high-quality ESG-compliant space. We expect this to fuel renewed rental growth in the next year.

We believe much of the repricing – uneven as it has been – is behind us, and as a result a broader cyclical buying opportunity is emerging. This dynamic sits alongside existing and newly emerging opportunities from structural change.

THE SEQUENTIAL PLAYBOOK

We call our approach the “sequential playbook”, which refers to our ordering of opportunities across capital structures, sectors, and geographies. Six months ago, we favoured a balanced approach to portfolio risk. We now believe investors could start to consider growth strategies.

From an equity perspective, having previously been much more selective, our proprietary valuation model suggests more markets offer fair or better value. There are clear signals for markets that have repriced the most, such as the UK.

Sector-wise, logistics assets have repriced significantly and remain supported by solid, structurally-driven fundamentals. More generally, those property types providing contractual or indirect inflation protection and where the application of operational skills can drive sustainable medium-to-long term income and value, continue to be of most interest.

We remain of the view that private real estate debt offers attractive risk-adjusted value, particularly for high-yield loans. We are seeing increased appetite for sustainability- and impact-focused debt solutions. Closely related is a developing need for equity recapitalisation, to reinforce balance sheets and provide a base for future growth.

Key sustainability and impact considerations should be prioritised, meaning capital expenditure will have to increase to meet evolving regulatory and shifting tenant requirements. Underestimating these levels means mispricing risk.

SCRE'S CONVICTION THEMES CREATING INVESTMENT OPPORTUNITIES

Our preferred strategies continue to be led by four conviction themes, driven by secular trends:

1. Technology and the knowledge economy The interface for ‘work’ has shifted, favouring buildings which address specific needs and evolving tenant preferences.

2. Individualism Individual preferences with regards to ‘work, live and play’ continue to shift, deepening disparities

in demand between – and within – related sectors.

3. Ageing populations & demographic shifts Rapidly changing demographics are further altering relative demand for various (affordable) living formats.

4. People, places & planet Increased regulatory and industry standards demand a holistic approach to the creation of value for all stake-holders, including investors and communities.

STRATEGIES THAT WE HAVE CONVICTION OVER INCLUDE:

Repriced warehousing & logistics

Significant sector repricing is providing opportunities to acquire, refurbish and/or develop on rebased land values. Demand tailwinds remain strong. We favour urban logistics facilities in high-barrier-to-entry markets.

UK private capital value declines 2022 - 2023



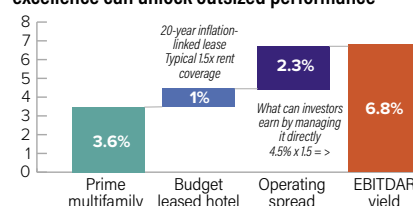
Private real estate debt with impact

We favour newly originated senior whole loans and development loans, structured to incentivise ambitious, predetermined sustainability performance objectives.

Operational property-types

We continue to focus on living and other more operational segments, that provide long-term resilient cashflow with outsized income growth potential, aligned with the success of tenant, which requires specialist operating expertise to deliver.

Application of specialist skills and operational excellence can unlock outsized performance



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