EXPOday 3
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Positive vibes

Buoyant mood among EXPO participants as market improves

9 October 2024

DAY 3 HIGHLIGHTS

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Knowledge workers at most risk as real estate embraces AI - page 8

'This year, it feels much more like people are thinking about the beginning of a new cycle.'

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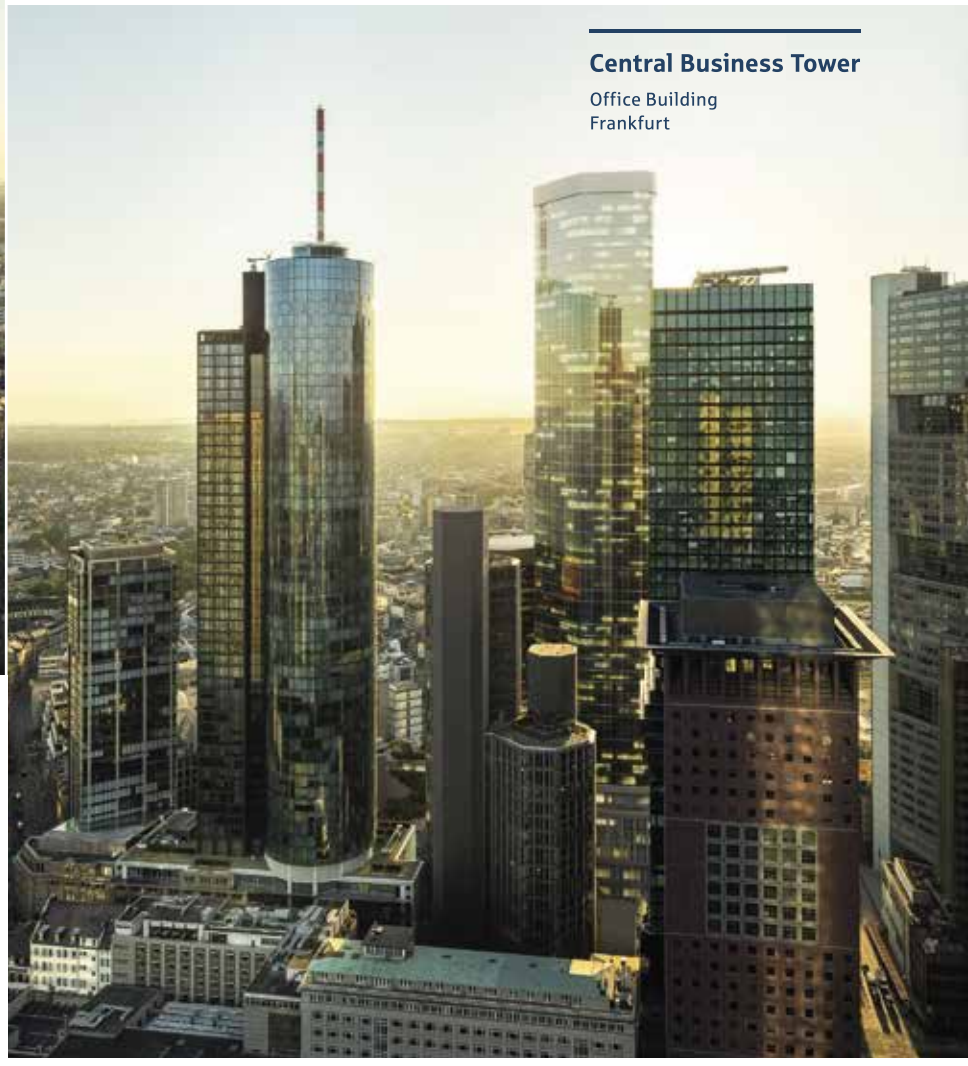

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Artificial intelligence is moving fast onto real estate's radar

Much has been said in the media of late about artificial intelligence (AI), with comment ranging from exploration of the enormous potential of this new(ish) phenomenon to speculation about its capacity to subvert mankind. The difficulty for many people, probably including a good portion of the noisiest detractors, is that so few of us are qualified to make a judgement, despite the fact that we may have been unknowingly using AI to some extent for some time.

Furthermore, from the sidelines, it would appear that the applications to which it can be put are expanding exponentially, so it is very much a moving target.

It was interesting to note at EXPO Real this year then, that the real estate sector has gone from more theoretical discussion about what might be possible, to a wider demonstration of situations in which AI is now actively in use.

There was the announcement, for example, by the German Brownfield Association (DEBV) that the first Germany-wide Brownfield Identification Cadastre has been launched (page 42) and is an innovative tool that combines the use of satellite imagery, geodata and AI to automatically record unused brownfield sites to highlight their potential for repurposing.

An interesting point raised by Professor Carolin Fleischmann of the Technical University of Rosenheim during an EXPO conference session on AI staged in the Messe yesterday (see page 8), was that although real estate is one of fastest industries to adopt AI, many real estate professionals don't tell their employers that they use it. "Perhaps they're afraid of losing their jobs, or perhaps they're afraid of having more work loaded on them," Fleischmann said.

That does seem to suggest that if staff are using AI informally, their employers may corporately be behind the curve and need to regain the initiative. Perhaps, just as the acceptance of the need to embrace ESG led to the real estate industry's widespread hiring of ESG professionals, there will be also be a need for real estate businesses to hire true AI experts.

And perhaps the urge to find out if that is happening is just one more reason that we can look forward to EXPO Real 2025.

Paul Strohm
Managing editor

"It was interesting to note at EXPO Real this year that the real estate sector has gone from more theoretical discussion about what might be possible, to a wider demonstration of situations in which AI is now in use."
Paul Strohm, EXPO Day

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Friedenauer building offers Berlin an office for the future

Sustainable, well connected and smart, the new office is part of the Friedenauer Höhe quarter

With the landmark building, the Friedenauer, OFB Projektentwicklung is sending a strong signal for a sustainable future in the popular Berlin district of Friedenau.

With around 21,000 sq m of space, the building marks the final piece in the 'Friedenauer Höhe' urban quarter and will be completed by mid-2027.

The Friedenauer is designed for climate-neutral operation and is striving for the highest sustainability certifications. It also meets the requirements of the EU Taxonomy. Thanks to a pilot project for heat recovery in collaboration with Berliner Wasserbetriebe and 700 sq m of photovoltaics, part of the building's energy requirements can even be covered independently.

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The Friedenauer offers everything Berliners need for everyday life in the immediate vicinity and is perfectly connected to the city's S-Bahn ring and Südkreuz station with an S-Bahn connection.

Thanks to a comprehensive energy concept, state-of-the-art technology and building automation, the building is designed to be climate-neutral in operation. It also offers innovative smart building features such as digital workstation booking, indoor navigation and automated access.

The office of the future is more than just a workspace: a green park of around 10,000 sq m, roof terraces and balconies create recreational spaces in the centre of the city.

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Patrizia fund shows investor returns and community benefits can be delivered

Impact investing can deliver good returns for investors as well as bringing tangible benefits to communities, Marleen Bikker-Bekkers, European Investments Director, Patrizia, told EXPO Day.

"Our Impact Fund has achieved returns above our target so we are showing that it can be done," she said. "You really can tick all the boxes."

The fund focuses on affordable housing in Europe. It has established programmes in Germany, Ireland and the UK and it is now in the process of setting up a presence in Spain and Belgium.

"You really need local knowledge in order to make a difference, so we are setting programmes with local operating partners and this takes time," Bikker-Bekkers said. "We do housing and repurpose buildings into residential but also invest in the community and look at social impact and inclusion. In every single project we work out what is most needed in that community, because requirements change not just from country to country or city to city but also from neighbourhood to neighbourhood."

In Southern Spain, for example, Patrizia is turning obsolete office buildings into residential, while in Ireland it has invested in social housing.

"Our approach is to go where we can make a real difference," she explained. "In some countries there are well-organised and well-funded systems in place, so our presence is less needed. But in Ireland there are 60,000 people on social housing waiting lists, so we are creating 800 homes in Dublin and planning to do more."

Marleen Bikker-Bekkers, Patrizia: "You really can tick all the boxes."

Having clear KPIs from the beginning was a crucial element in the success of the fund, she said, a clear framework to measure impact. "We are clear in what we aim to achieve, and we measure our progress in each one constantly. We have clear goals in all three aspects, environmental, social and governance."

Transparency must be embedded in social impact investing, as it shows other countries and partners what can be achieved and provides a positive incentive to action. It is also a positive for investors and keeps them on board.

"Our investors were keen, they were looking for impact investments," Bikker-Bekkers said. "Luckily, things have really changed in the last couple of years."

Europe's living sector is 'fundamentally solid'

The European living sector is larger and more diverse than ever and offers good investment opportunities, according to Patrizia's European Residential Insights annual report for 2024/2025, which was presented yesterday at EXPO Real.

Purpose-built student accommodation offers one of the best opportunities in living, with co-living and senior living also attractive subsectors, according to the report.

The residential market has proven its resilience, and has strong fundamentals underpinning it. The report makes the case that the living opportunity in Europe is broadening, making the residential sector larger for institutional investors and more diverse than it has ever been.

"There is a bright forecast to be made for the sector," said Marcus Cieleback, chief urban economist at Patrizia. "It's fundamentally solid even if it is challenged by the evolving regulatory landscape. This just means we need to keep an eye on the rules of the game.

"What helps is residential's increasing product availability for all different kinds of risk spectrums, and there are great opportunities for value-add, co-living and student housing in the sector," added Cieleback.

Trends in prices, valuations, yields and transaction activity clearly point to a bottoming out of the market, the report says, and the situation on the credit markets is improving, with an increase in debt availability supported by signs of easing credit standards.

Repricing in Germany means it's now a 'great investment story'

By Nicol Dynes

The German market offers great opportunities to investors, Britta Roden, head of research at KGAL, told *EXPO Day*. "There has been extensive repricing in the market, to an extent we had not seen since the financial crisis of 2008," she said. "Now it is a great investment story."

The German economy has still not recovered and GDP growth is still sluggish, but the crisis is in the industrial sector. The metropolitan areas, the country's top 7 cities, are expanding and thriving, especially in the services sector, and that's where investors should focus.

The Munich-based investment and asset manager believes its home city is a prime example of this positive trend. "Munich is turning into an IT hub and many companies in the sector are choosing it as a base for their European headquarters," Roden said. "It offers really attractive living conditions and, while property prices have gone up, so have salaries. Household incomes are higher and can support higher rents. Both the residential and the office markets are very promising, as there is a back to the office trend."

Prices have hit the bottom in Germany now, KGAL believes. "We have seen the worst of price declines in the country and cap rate increases have plateaued," she said. "I don't see any yield compression going forward, any growth must come from the asset management side, that's the way to improve the cashflow."

The rental story will drive the market, and KGAL's expectation is that rents will keep rising across the residential and office sectors in the prime segment.

"There will definitely be divergence in rents according to ESG criteria," said Roden. "Only the best buildings will achieve rental growth. The big question is what will happen to the rest of the stock, as you need development expertise and the willingness to take on development risk."

At the moment the severe credit crunch in Germany is preventing companies from taking on that risk, although some asset managers are adopting 'manage to green' strategies.

"At the moment it's a stalemate because of economic conditions, but as prices fall then taking on these upgrading projects could be interesting and financing could become available."

Britta Roden: "We have seen the worst of price declines in Germany."

The Hague seeks partners for major city works

A massive urban regeneration project is underway in the Dutch capital, Robert van Asten (pictured above), deputy mayor for urban development, resilience & strategy at the City of The Hague, told an audience in the DeCarb Arena at EXPO Real yesterday.

"It is far more than a technical challenge, because we want to transform the city and make it resilient but we want to keep its historical identity," van Asten said.

The most urgent issue is housing, he said, which is unaffordable for many and in short supply, especially as the population of The Hague keeps increasing.

"We are working on the Central Innovation District, a large urban renewal project, and we need partners who want to help us create a sustainable city of the future," he said.

Mixed-use is a crucial part of the project, because the plan is to create areas that are alive seven days a week, where people work, but also live and go out and shop and socialise.

"We are planning to build 9,000 homes near the train station and include offices and retail and green spaces in the plan," he said. "When you build in a dense urban area you need to plan carefully and bring everyone on board from the beginning."

Real estate embraces AI, but knowledge workers at most risk

By Graham Parker

AI is going to transform the way the real estate industry works, and in fact that process is already under way, an EXPO Real keynote session heard yesterday.

Carolin Fleischmann, professor of business administration at the Technical University of Rosenheim, said that real estate was one of fastest industries to adopt AI, with more than half of people in the industry saying they had used tools such as ChatGPT in the preceding week. But significantly, Fleischmann said many real estate professionals were not telling their employers that they were using AI. "Perhaps they're afraid of losing their jobs, or perhaps they're afraid of having more work loaded on them," she pondered.

And these fears are not unfounded. Fleischmann cited McKinsey research that predicted 60% to 70% of white-collar work could potentially be replaced by AI. Specifically in the real estate sector, office administration and support, legal services and architectural services are most susceptible to being replaced. Conversely construction, maintenance and cleaning are least vulnerable.

Professor Carolin Fleischmann: "Knowledge workers are at the highest risk."

"They're coming for us," she warned the audience. "It's the knowledge workers who are at the highest risk."

In an example that will strike fear into the heart of brokers everywhere, Fleischmann pointed out that Walmart had already rolled out an AI chatbot that automates supplier negotiations. And three-quarters of suppliers say they prefer negotiating with the machine than with a human.

But while individuals in real estate are embracing AI tools, at a corporate level take-up has been slower, Fleischmann noted, with most organisations adopting a 'wait and see' approach. "They're actively assessing AI, but they're not implementing it yet," she said.

"AI's not going to go anywhere, and it's getting better every day," she warned. "You have two to five years to adapt your organisations before AI starts to impact productivity."

So how should real estate businesses proceed? "You need to start simple, with tools like ChatGPT or Gemini," Fleischmann advised. "And give people permission to innovate."

AI applicable across the real estate spectrum, says Drooms chief

Alexandre Grellier, chief executive of Drooms, the leading virtual data room provider in Europe, believes the real estate industry is finally waking up to the power of data. And just as that realisation is becoming mainstream, AI is opening a whole new world of possibilities.

"Clients started using the platform for due diligence, but now they recognise it's applicable across the piece," he said. "As the market gets tougher not only does due diligence become more intense, but valuations are a different challenge so you need to be able to go to one central store of lease details, financing details and so on."

Drooms has just launched a chat function. Grellier explained: "It's a bit like WhatsApp but it can refer directly to documents inside a data room, and the key thing is it's GDPR-compliant." And because of Drooms' dominant market position in Europe, Grellier believes this could become the community chat tool for the industry. "Banks are especially keen on the feature because they can communicate with customers in a compliant manner. Plus, it's completely free," he said.

Looking to the future, Grellier expects Drooms to roll out its proprietary AI tool, which has been in development for eight years. "Getting relevant information out of the piles of documents we all have is already a challenge, and we are constantly adding more data points with trends like ESG. AI will be of tremendous help here," he predicted.

Alexandre Grellier: "AI will be of tremendous help."

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Saudi Arabia's new Murraba project to become new town centre for Riyadh

By Courtney Fingar

Saudi Arabia's capital city Riyadh is experiencing rapid growth, sparking a need for new urban spaces. New Murraba, conceptualised as a new modern downtown for the city, is a key part of the capital's growth and evolution.

"Riyadh is growing quite significantly to the northwest. It's already a very large city with more than 7 million inhabitants and New Murraba has been designed and thought of as a new town centre for the city," explains chief development officer Carl Schibrowski. "It is a new way of thinking about a Riyadh and a new urban model."

Carl Schibrowski: "Riyadh is growing quite significantly to the northwest."

The New Murraba project is expected to generate more than 300,000 direct and indirect jobs. It will include over 100,000 residential units, more than 9,000 hotel rooms, and over 300,000 sq m of immersive retail and entertainment space.

At the centre of this vast project will be The Mukaab, a striking and unique structure that Schibrowski describes as "a gateway to another world" and "a city within a building with all the elements of retail, residential, hospitality and entertainment included."

Another focus area will be the New Murabba Stadium, which will have a capacity of 45,000 and is scheduled to open in Riyadh by 2032.

This development presents an opportunity for global investors, particularly those in Europe, who are looking to expand their real estate holdings in the Middle East.

"Our participation here at the EXPO is twofold. It's about introducing the project to the market and about building awareness overall and showing that Riyadh and New Murraba are open for business," Schibrowski says. "We're looking at establishing myriad partnerships across all asset classes, across operations, across technology, across infrastructure – the whole spectrum of what needs to be delivered."

ROSHN Group showcases developments across Saudi Arabia

ROSHN Group, a major real estate developer owned by Saudi Arabia's Public Investment Fund (PIF), has joined the Invest Saudi delegation at EXPO Real, showcasing signature projects across cities including Jeddah, Riyadh, Makkah, Al-Khobar and Dammam.

Since launching its flagship SEDRA development (pictured), a 35 million sq m community in Riyadh, ROSHN has continued its mission to reshape urban spaces in Saudi Arabia. Recently, the group introduced the ALDANAH community in Dhahran, the ALMANAR community in Makkah, and revealed plans for two new stadiums: ROSHN Stadium in Riyadh and Aramco Stadium in Al-Khobar.

"ROSHN was established as part of the 2030 Vision which aims to transform different aspects within the country," said Waleed Bawaked, senior director, strategy and planning, for ROSHN Group. "We are contributing to three key strategic objectives. One is enhancing the quality of life by providing integrated communities that will reshape the real estate sector in Saudi. We are also supporting the ambitious vision of increasing the housing ownership to up to 70% of Saudis, and also we are part of the PIF programme to unlock private sector investment both locally and globally."

ROSHN is set to build more than 400,000 homes, 2,400 schools, and create 200,000 jobs, contributing to the country's broader goal of improving living standards. These new developments will span over 200 million sq m.

ROSHN is also involved in developing sports infrastructure. In Riyadh, the 45,000-seat ROSHN Stadium will cover 450,000 sq m, while in Al-Khobar, the Aramco Stadium will be a major sports venue in the eastern region.

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Logistics operators now have sustainability firmly on the agenda

By Nicol Dynes

ESG factors have changed the logistics sector and more is to come, experts agreed at Real Asset Media's Sustainable Logistics briefing, staged at the International Investors' Lounge at EXPO Real yesterday.

"We have seen the trajectory with the E of ESG and our expectation is that the same will happen with the S, the social element," said René Buck, chief executive of BCI Global. "There will be more directives and regulations and companies will need to look at their end-to-end value chain to make sure they comply."

In a not-too-distant future companies will need to prove compliance with labour laws, guarantee the health and safety of workers, demonstrate good relations with the local community and prove to customers that the entire supply chain is transparent and compliant.

Companies that have first-mover advantage because they are already doing the right thing will reap rewards, experts agreed.

"Sustainability budgets have increased enormously and every investment appraisal now has many pages devoted to sustainability features," said Ingo Steves, managing partner for logistics at Swiss Life Asset Managers. "Being ESG-compliant is also a competitive advantage: for example, it is easier to get a building permit for a development if you provide green energy to the nearby community."

Left to right: Ingo Steves, Joost Leendertse, Sally Bruer, René Buck

Putting solar panels on the roofs of logistics assets is an obvious move, which can generate greener and cheaper energy for the warehouse and beyond.

However, quality is a real issue that must be taken into account to avoid nasty surprises, said Joost Leendertse, founder and chief executive of VerusSol: "It has become a big problem because 90% of the panels that have been installed by cowboys in the past are not good. In the next year we'll see lighter and better solar panels and insurance companies will demand them. Regulations need to start playing a role to prevent problems in the future."

Quality will be a key word, not just in the materials and equipment installed, but also in a broader sense, stretching to the areas and communities around the asset and to a more cooperative relationship between landlords and tenants.

"Flight to quality is the answer for our industry," said Steves. "We are moving in that direction, so I am quite optimistic."

Sustainable logistics command price premium, finds C&W

Sustainable logistics assets have commanded a pricing premium of between 19% and 24% on average, according to new research by Cushman & Wakefield presented yesterday at Real Asset Media's International Investors´ Lounge.

"We have analysed 1,500 transactions that took place in Europe in the last five years and found that buildings with a high rating sell for higher prices," said Sally Bruer, head of EMEA logistics & industrial research and insight at C&W (pictured right).

"The premium can be as high as 31% and is 19% on average, but when you take super-prime locations, which have their own dynamics, then the pricing premium goes up to 24%, which shows that investors are placing great value on an asset's sustainability credentials."

The same dynamics can be seen in rental values: pricing differentials between well-rated logistics assets and poorer-quality assets vary between 10% and 30%, according to the C&W research.

"When it comes to making a difference, we found that solar panels have the greatest impact in reducing CO2 emissions," said Bruer. "The payback period for investments is on average 7.5 years in energy cost savings, and there's also an improvement in energy efficiency, meaning less energy is required to operate those buildings."

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ESG has now become standard

Left to right: Assem El Alami; Lisa Hirsch; Deborah Fischer; Andre Vreman

Turning ESG principles into action has become easier because the message has been received loud and clear, experts agreed at the Impact Investing & Implementing ESG Strategies briefing, organised by Real Asset Media and staged yesterday at the International Investors' Lounge at EXPO Real.

"We were one of the first movers in issuing green and social bonds so we have not changed, but things have changed around us. In the last 12 months we have seen that ESG has become standard in the investment community," said Assem El Alami, head of international real estate finance at Berlin Hyp. "All our clients know they need to be compliant, but more than that they now find they can cut costs and be more efficient."

ESG principles no longer need to be explained to clients and investors because they know what they need to do and recognise the benefits of compliance.

"Clearly, regulatory pressure has played a role, because companies just cannot look the other way anymore," said Lisa Hirsch, sustainability asset manager at Schroders Capital.

"But the focus is definitely shifting from the environment to the social side and to impact investing."

Concerns about the difficulties in measuring social impact have been superseded by a growing awareness that real estate can make a real difference in cities and in communities.

"The social aspect is more difficult to value, so we put a framework in place that allowed us to measure the impact," said El Alami. That meant Berlin Hyp decided to focus on affordable housing and promoting inclusion, but being careful not to create a conflict with the environmental side by excluding all brown properties that cannot be upgraded to green.

"We have such a big role to play in cities," said Deborah Fischer, head of sustainability reporting and governance at RSM Belgium. "We can make a contribution to social value and inclusion, we can improve urban design and connectivity, we can enable different types of work, we can create the mobility of tomorrow with charging stations and cycle lanes.

"A whole array of topics is included in the S of ESG."

Invesco acquires first data centre asset in Europe

Invesco Real Estate has acquired its first data centre asset in Europe, a 22,300 sq m facility in Wissous, a few kilometres south of the Paris ring road. The acquisition has been made on behalf of one of Invesco's longstanding separate accounts.

The site is being sold by French real estate company Argan, which specialises in the development and letting of prime logistics sites, warehouses and similar high-specification facilities.

Argan and CyrusOne recently refurbished the Wissous facility, which is

let on a long lease to CyrusOne, among the largest data centre operators in the world. The facility will ultimately deliver a total IT capacity of 27MW across six data halls.

Invesco said that demand for data centre space in Europe outstripped supply in 2023 with the imbalance largely driven by FLAPD (Frankfurt, London, Amsterdam, Paris and Dublin) markets. Rents have been forecast to grow at double-digit rates year-on-year for the next five years.

Paris has grown to become one of the largest data centre markets in Europe and one with the fastest growth within the FLAPD group.

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Student housing is 'now an institutional investment product'

The student housing market in Europe has made the grade as an institutional investment product, according to Christof Flöckner, managing director at Milestone. Speaking at a Real Asset Media briefing at EXPO Real on Tuesday, Flöckner pointed out that student housing is far more mature as an asset class than co-living, for example.

"Co-living is almost like a startup scene in that the scalability and investment product are still lacking. Student housing started in the UK, of course, but it has now become a truly institutional product across the whole of Europe."

Student housing is also 'much more scalable' than some other alternative asset classes such as data centres, Julia Oravec, rented residential director at real estate advisory firm Bonard, pointed out. "Last year, the number of portfolios grew by 15% in terms of numbers, and we see a low-digit increase so far this year as well."

Investors with over 10,000 beds are not yet ready to sell but continue to consolidate and expand their portfolios, she continued: "The trend in Europe is now similar to more mature countries like the UK, where the market is also consolidating and growing."

While investors are hungry for product, a key bottleneck is that developers are scrambling to obtain funding, said Christian Scheuerl, managing director of neworld Investment Management. "Even a couple of years ago, we were already saying the investment market is struggling because of lack of product and high prices. The prices have come down, at least for land. But now there are no developers left who can execute because of a lack of sufficient equity."

While there is plenty of capital, much of it is targeting standing assets, he observed. "If you ask private equity investors in London or the US what they are looking for, they say they want to have cashflow quite quickly."

Momentum for micro-living mounts across Europe

Left to right: Friedrich Georg Warmbold, Hideki Kurata, Lisa Strohbücker, Mark Kuijpers

As affordable housing becomes an increasingly scarce product across large swathes of Europe and construction costs continue to rise, investors and developers are turning their attention to alternative forms of accommodation targeting one-person households, according to Mark Kuijpers, senior managing director Central Europe at Greystar.

"It is really possible to create very good floorplans on 45 or 50 square meters and still provide a lot of quality, especially if you provide amenities as an extension of that private apartment," he said.

The covid-19 pandemic has also been a catalyst, he added. "Living has changed in the sense that your home is not only the place where you eat and sleep; it's also the place where you work. So providing very cool co-working space as an extension of an apartment really adds quality, and allows you to reduce the size of the apartment because you give that space back to the tenant through the amenities."

Hideki Kurata, head of real estate France & living strategies at Schroders Capital, also sees scope for alternative accommodation such as micro-living. In terms of demographic shifts such as aging populations and the growing demand for single-person housing, the trends are the same across the western world, he pointed out.

"This also applies to Japan, for example, where we've invested in co-living in Tokyo. I think that the reasons why we have those different products in different regions may be different, but the trends are similar. If you think about other countries where there's an issue of affordability as well as availability of space for housing, then you have to address it in a different way."

Friedrich Georg Warmbold, head of investment management residential for Europe at Union Investment Real Estate, likewise sees potential momentum, also in his home market, but for now the Hamburg-based company has a focus on Ireland, Finland and the Netherlands.

"We are perceived as a core investor, and we will stick to that. There's a good reason why we have ventured into the European residential markets back in 2020 and 2021 because we found relatively good returns there in comparison to the German market."

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"AI will probably make you 30-40% more efficient in what you're doing, it is going to give you the option to work on something else but it is not necessarily going to take away the entire job from humans."

Sri Ramachandran, CEO and president, NTrust Infotech

Debt market 'massively' more liquid, but legacy issues still loom large

Left to right: Duco Mook, Daniel Kautenburger-Behr, Karolis Adlis, Etienne Casara, Richard Betts

The European financing market has improved significantly in the past 12 months and even since the spring of 2024, attendees heard at Real Asset Media's debt finance briefing at EXPO Real on Tuesday.

The big theme in 2023 was the lack of liquidity, said Duco Mook, head of treasury and debt financing EMEA at CBRE Investment Management. Liquidity was scarce; the bond market was closed; and investors didn't have time to adapt to rising interest rates as increases were going faster than the market had been anticipating. Redemptions were also a hot topic with many institutional investors having to deal with the denominator effect.

All these issues are no longer a topic, Mook said. "The bond market is now open; we've had interest rate cuts and that process of stabilisation will continue. That doesn't mean swap rates will go down because I think they're already at low levels. But all in all, you see more liquidity going into the market. From a liquidity point of view, there has been a massive improvement."

Pricing discovery continues, however, countered Etienne Casara, associate director for European origination at ICG Real Estate. "Where is prime trading? Where is secondary trading? These are basically the main question marks. It does feel like there's more optimism at the moment at EXPO, but I think there are still a lot of legacy issues to get through."

There will still be a funding gap in the coming years, Daniel Kautenburger-Behr, partner RSM International-Global Real Estate Group, agreed. "There's a lot of debt to be refinanced from 2015 and following years. So, debt with low interest rates and high LTVs. I would expect that some of the gap needs to be met through capital restructurings or asset sales and someone accepting a loss."

Investors are meanwhile getting used to 'three point something' interest rates and lower loan-to-value ratios, he added. "Things are slowly picking up and I think there will be more activity in the next months."

Transaction activity is already picking up in the sale-and-leaseback segment, Karolis Adlis, executive director European Investments at W. P. Carey, noted. "We're now seeing more opportunities to do deals, because sale-and-leasebacks are seen as an alternative to financing. We're seeing that among companies that are struggling to refinance or restructure and who need to free up some funding."

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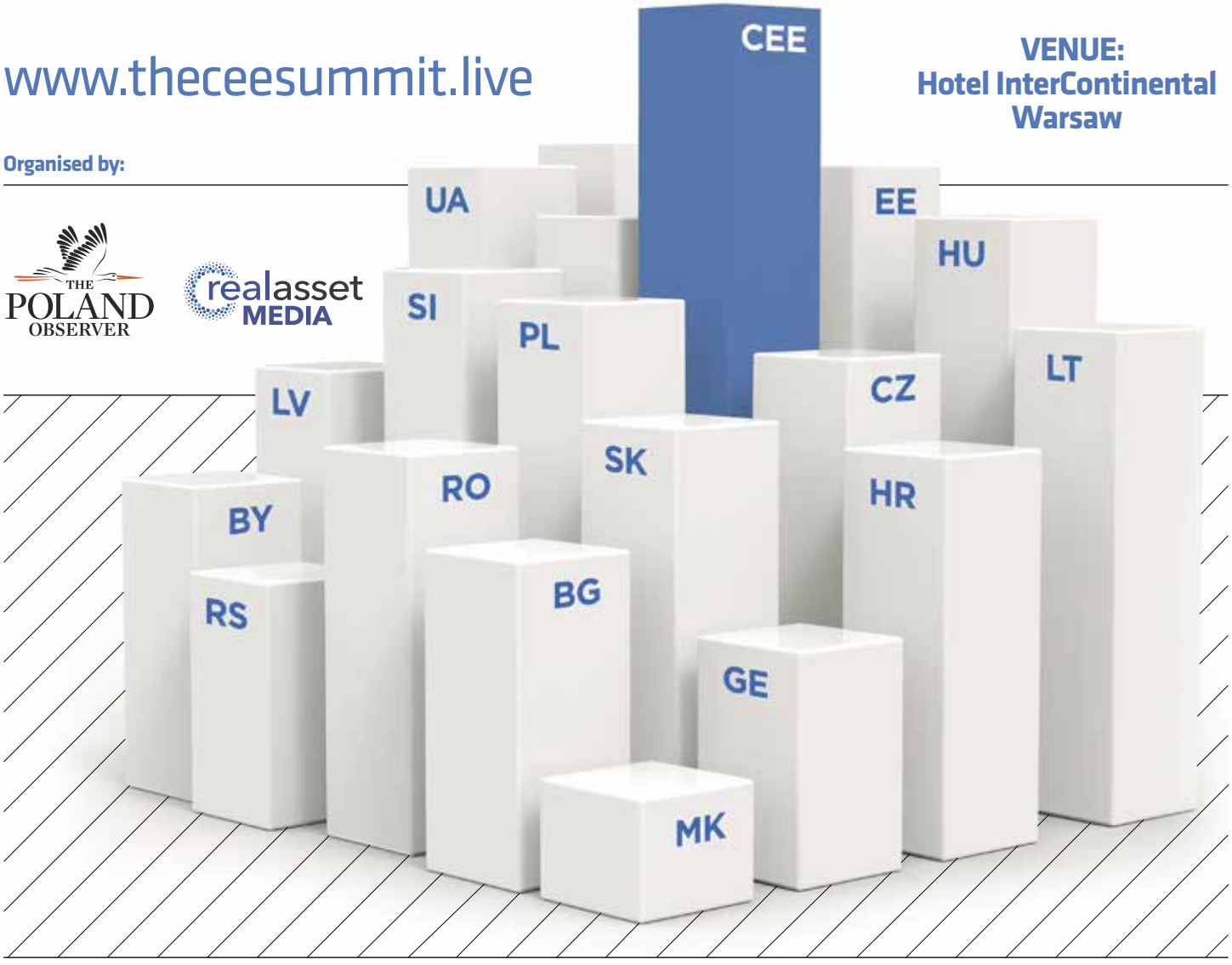

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Eindhoven turns to public-private partnerships to build 100,000 homes

Big tech employers in the Brainport region are being incentivised to help solve housing crisis

The municipal authorities of the southern Dutch city of Eindhoven are turning to public-private partnerships to develop more housing for the growing number of tech workers attracted by the likes of ASML, Philips and NXP, deputy mayor Stijn Steenbakkers said during a briefing held by Real Asset Media on Monday.

In the next 15 years, the Brainport region centred around Eindhoven, needs to build 100,000 new homes, he explained. “Eindhoven is a small city of 250,000 inhabitants, but it’s punching above its weight in terms of its economic development. The big tech companies and the six or seven thousand small and medium-sized firms around them are creating a very dense economic environment.

“What is very important in boosting that economic development is finding the right talent and the major issue for recruiting that talent is, of course, the availability of housing.”

Eindhoven is making a huge effort to incentivise the big tech employers in the area to play a part in solving the housing crisis. “The way we try to do it through public-private partnerships,” explained Steenbakkers. “So companies like ASML are also putting skin in the game in a €245 million housing fund to speed up the development of affordable housing faster, also for starters.”

To address housing shortages, new developments are being planned around Eindhoven Central Station

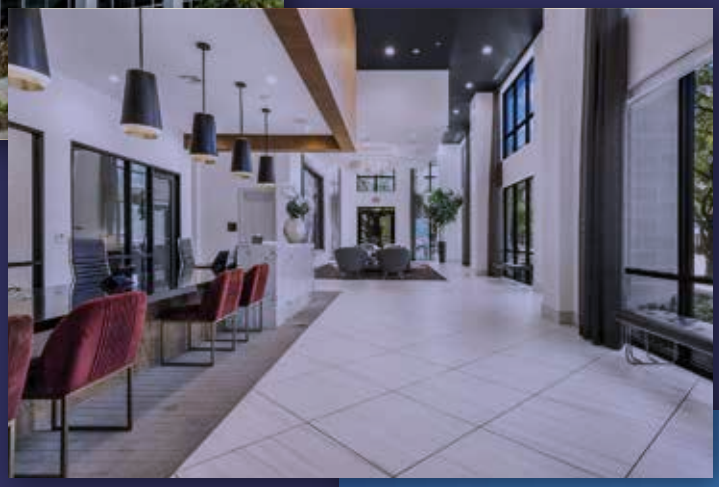
While the national government is also setting aside additional budgets for big area developments, the funding is just one side of the coin, Steenbakkers added. “It’s fair to say that we, as a municipality, have to make an even bigger effort to prioritise housing developments. If you try to do everything, you end up doing nothing.”

Public-private partnerships are the most effective tool to speed up the development process, he argued. “What we’re doing now as a municipality is creating new companies that are privately owned at arm’s length of the municipality to focus exclusively on area development. And we see that it really helps. It helps when private companies, developers and builders are involved, because then you have a bigger group with a similar incentive to push in the same direction.”

Steenbakkers is convinced this is the way forward. “Traditionally, the city authorities did the urban planning and the housing. I think that’s the past – the future is doing things together.”

“Traditionally, the city authorities did the urban planning and the housing. I think that’s the past – the future is doing things together.”

Stijn Steenbakkers, deputy mayor, City of Eindhoven



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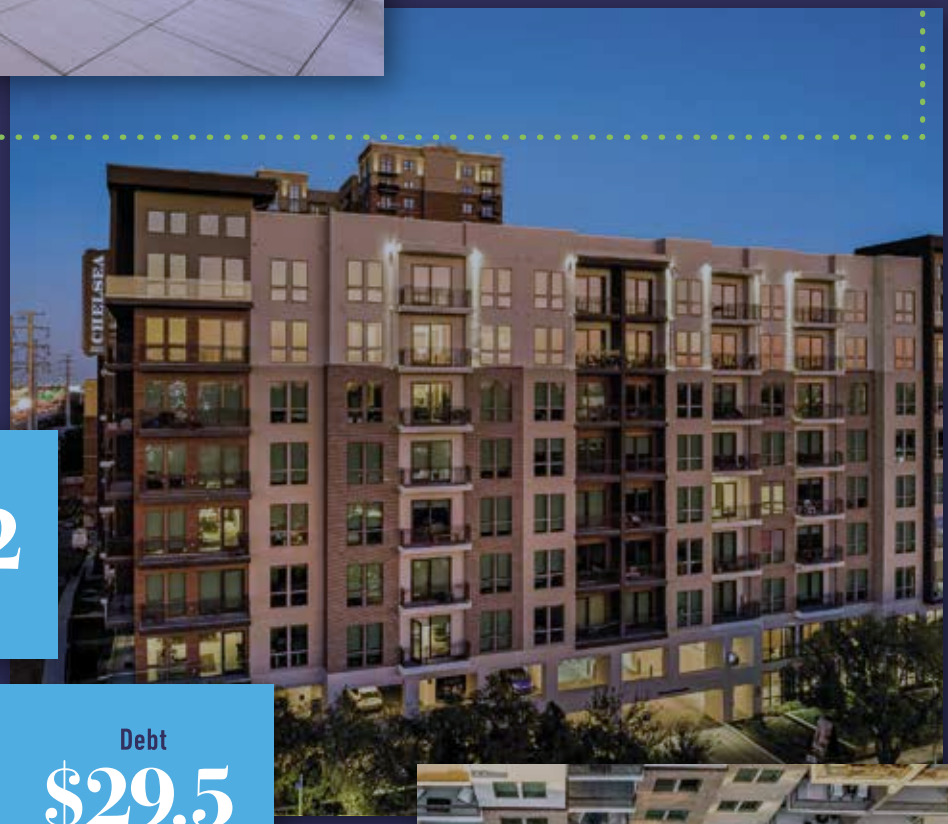

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[1]Assets under management (AUM) is presented as of June 30, 2024. For more information related to AUM please visit https://pccpllc.com/legal-notice

Breathing new life into old properties

Three case studies show how renovating older properties can improve sustainability while improving values and benefitting communities

Image: © Sophie Stieger

Prefabrication, modular construction, and lean management minimized renovation time at Telli Areal, Switzerland

Existing properties account for approximately 40% of global CO2 emissions. Renovating these buildings is crucial for meeting climate targets and can significantly enhance their value. Drees & Sommer, a leading consulting firm in the construction and real estate sector, has been involved in numerous renovation projects, including three remarkable examples that demonstrate how existing buildings can be transformed into sustainable, high-performing assets.

TELLI, SWITZERLAND: LIVING UNDER NEW ROOFS

With 24 buildings, 581 apartments, around 1,000 residents, the Telli high-rises in Aarau, Switzerland, constructed in the 1970s and 80s, take up a large area. Just as large is the challenge for the owner, AXA Anlagestiftung, as it tries to make the complex more sustainable and fit for the 21st century.

With a four-year time frame, the renovation began in February 2020 and lasted until 2023. Drees & Sommer Switzerland was appointed as a general partner for overall guidance and building management for the project and is using lean construction management (LCM®) to ensure efficient and smooth processes, as well as adherence to the project deadlines. The objective is to retain the buildings' shape and quality while adapting them to modern energy and safety standards.

"One particular challenge was that the renovation work was being done in the buildings' current state," says Drees & Sommer project manager, Julian Kommer.

To ensure they met the necessary, tight deadlines – the tenants had to leave their apartments for about two weeks before they could return to them in their renovated state – a lot of pre-made components and modular construction had to be used.

ZIN IN BRUSSELS, BELGIUM: CIRCULAR PRINCIPLES TO THE FORE

The ZIN project in Brussels, developed by Befimmo and Open Minds, is deemed the largest urban mining project in Europe. ZIN transforms Towers 1 & 2 of the World Trade Center complex in the Northern Quarter of Brussels.

By interconnecting the existing towers with a new 14-floor volume of double height, ZIN seamlessly blends various functions. By 2024-2025, ZIN will be a thriving hub where life, work, and play harmoniously coexist.

Image: © Befimmo/Jaspers-Eyers Architects/5IN4E/IAUC

In order to integrate the circular economy concept, the team at ZIN Brussels inventoried the majority of the materials from existing buildings

It has a floor area of more than 110,000 sq m and at its heart lies the concept of circular economy, through the inventory and reuse of a maximum of materials, as well as Cradle to Cradle certification.

DIGITAL PARK FECHENHEIM: GERMANY'S FIRST HERITAGE-PROTECTED DATA CENTRE

Interxion is developing Germany's first heritage-protected data centre, Digital Park Fechenheim, on the former Neckermann premises. This state-of-the-art facility will have a capacity of nearly 200MW to meet the growing demand for data centre capacities driven by digitisation, big data, and cloud computing.

Drees & Sommer provided early planning support, including a feasibility study and general construction management. The project retains many structural elements of the heritage-protected building, preserving the architectural legacy of Egon Eiermann.

The 107,000 sq m property is being developed using modular planning, allowing for sustainable and standardised construction. Energy supply facilities and technical expansions are constructed modularly, benefiting from standardised solutions. The planning process is based on the BIM model, ensuring that integrated design principles are followed.

Renovation of the south portion began in early 2021, with the entire project expected to take eight years.

‘We had to jump on the opportunity to be in this fantastic environment’

Real FDI editor Courtney Fingar interviews Fahad Al Hashem, assistant deputy minister, in charge of investment development for the services sector in the Ministry of Investment of Saudi Arabia (MISA)

This year is the big debut of Saudi Arabia at EXPO Real. Why are you here and what do you want to show the investor community?

For us, we had to jump on the opportunity to be in this fantastic environment. There are a lot of great stories happening here. I see a lot of activity, good energy from many companies and projects from around the world.

It’s also critical to communicate what we’re doing in the Kingdom. The scale of the projects we have is of a 100 times magnitude of what you see anywhere else. We’re firm believers in partnerships and we are committed as well to not just invite everybody to come and see and be part of what we’re doing in the Kingdom, but for us to also come to events like this to connect with industry leaders, to look at the trends and to showcase the innovations and what we have planned.

I think this is a good start for us. We have some flagship projects here with us: ROSHN, Diriyah, New Murraba. We’re really presenting a nice sample of what we have to deliver in the Kingdom, from cultural [spaces] to massive housing developments.

Saudia Arabia has its ambitious Vision 2030 objective to transform the economy and the country itself. How does foreign direct investment and the work of MISA fit into it?

One of the key objectives of the vision is bring foreign direct investments and to get the inflows of foreign investment to hit 5.7% of GDP. And that’s where the foreign direct investment quantitative angle fits into the entire Vision 2030. But when you look at investment and you look at real estate it’s not purely a single quantitative metric, which is the foreign direct investment. We have many objectives under the Vision … and what we’re doing is we’re utilising our real estate projects to really provide the platform for these objectives to be met.

We have been privileged to have some of our key indicators to be met [or exceeded]. We’re proud to have women’s participation in the workforce exceed the target six years ahead of time. Now we’re raising the ambition further.

All in all, because the Saudi story is clear, our vision is well laid out, it’s published, we are committed to the words we’ve put forth. Day by day we continue to communicate that this is our vision, this is our roadmap and this is our progress so far, and we welcome everybody to be a part of it.

INTERNATIONAL INVESTORS LOUNGE

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DAILY BRIEFINGS

DAY 1 – 7 OCTOBER

09:00 SHHA NETWORKING & THOUGHT LEADERS SESSION: WHY REAL ESTATE INVESTORS SHOULD FOCUS ON SENIOR LIVING & CARE SECTOR?

11:00 IMPACT AND PURPOSE DRIVEN INVESTMENT BRIEFING AND NETWORKING LUNCH

12:30 DIGITAL INFRASTRUCTURE & DATA CENTERS

13:00 AI, DATA, INNOVATION & PROPTECH – DRIVING PERFORMANCE

14:00 SENIOR LIVING, LIFESTYLE, TOURISM AND BLUE ZONES IN SPAIN

15:00 LOGISTICS TRENDS: WHAT IS THE TENANT PERSPECTIVE AND WHAT DOES THIS MEAN FOR INVESTORS?

16:00 GERMANY INVESTMENT

17:00 REAL ESTATE INVESTMENT AND DEVELOPMENT AS A CATALYST FOR FOREIGN DIRECT INVESTMENT

18:00 NETWORKING

DAY 2 – 8 OCTOBER

09:00 CITIES OF THE FUTURE BREAKFAST AND LIVING – OPPORTUNITIES AND SOLUTIONS IN URBAN DENSITY

11:00 EUROPEAN LOGISTICS INVESTMENT

12:00 EUROPEAN REAL ESTATE TRENDS & INVESTMENT OUTLOOK

13:00 SUSTAINABLE LOGISTICS INVESTMENT

14:00 EUROPEAN DEBT FINANCE

15:00 IMPACT INVESTING & IMPLEMENTING ESG STRATEGIES

16:00 EUROPEAN LIVING INVESTMENT

17:00 STUDENT HOUSING & MICRO LIVING INVESTMENT

18:00 RSM INTERNATIONAL LAUNCHES THE GLOBAL REAL ESTATE GROUP

18:15 SIOR'S INFLUENCER RECEPTION

DAY 3 – 9 OCTOBER

09:00 REAL ASSET MEDIA NETWORKING BREAKFAST

11:00 INNOVATION AND SCIENCE PARKS: A NEW WELL-PERFORMING ASSET CLASS

12:00 MEDIA, MARKETING & COMMUNICATIONS LUNCH

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SIOR seeks to extend global reach – and has next generation in its sights

By Graham Parker

Iain Finnegan, president of the European chapter of SIOR – the Society of Industrial and Office Realtors – is at EXPO Real looking to extend the global reach of the exclusive membership body for real estate professionals. SIOR already operates as 47 geographical chapters, with 3,900 members, representing firms in 49 countries worldwide.

Finnegan explained that membership is by invitation only, and candidates need to be able to demonstrate seniority with typically 20 years and more in the market. "SIOR accreditation is more like an advanced qualification, based on market experience and success," he said.

"It's especially attractive to independent practices, although we do have members in the big corporates as well." Finnegan is a case in point: his day job is as managing director of Dublin-based Finnegan Menton.

While the seniority of its membership is one of SIOR's strengths and the average age of a member is 49, Finnegan is very keen to find ways of harnessing the knowledge and enthusiasm of younger professionals. And that's why he's backing SIOR's NextGen initiative. "The next generation is far more comfortable with disruptive technology. We can learn as much from them as they can from us so it's symbiotic and I find that very exciting," he said.

"The next generation is far more comfortable with disruptive technology. We can learn as much from them as they can from us."
Iain Finnegan, SIOR

Every member commits to ongoing education and development to ensure they remain at the cutting-edge of industry practice. And research shows that 35% of its members regularly attend international real estate conventions like EXPO Real.

And Finnegan believes such events are as much about networking as learning. "We like to think we're the tier one operators in real estate – and that means you're always going to learn something from your peers," he said.

But there is a harder commercial edge to SIOR as well, with members referring business opportunities within the network. "We take a very collegiate approach," Finnegan explained. "We're always asking 'how can we do business together?' At its core SIOR is about expanding our knowledge and serving our clients better by seeing each other as trusted partners," he concluded.

Knight Frank and Arup wrap up Tetra Pak mandate

Food packaging giant Tetra Pak has appointed Arup and Knight Frank as project management partners to review its global real estate portfolio over the next three years.

Working together in partnership, global real estate adviser Knight Frank and sustainable built environment consultant Arup will bring together a team of professionals that will conduct rigorous project and programme management for Tetra Pak at locations across the globe.

The team will manage capital projects across warehousing, industrial buildings and infrastructure, as well as a range of sustainability-related projects. Real estate transactions and lease management opportunities may spin out of this process.

Philipp Ueberschaer, head of occupier strategy and solutions at Knight Frank, said: "Our mandate with Tetra Pak is testament to the strength of our global network and highlights the increasing importance of real estate in delivering value for businesses.

"Global businesses are reviewing their real estate portfolios, ensuring that they not only align with sustainability goals but also foster innovation and efficiency, recognising that the right physical environment is crucial for enhancing productivity and meeting corporate ESG targets."

And Peter Short, real estate strategy and portfolio manager at Tetra Pak, added: "We are thrilled to be partnering with Arup and Knight Frank as part of our new Panel Partner model as we continue to enhance our real estate offerings and deliver exceptional value to our business."

Philipp Ueberschaer, Knight Frank

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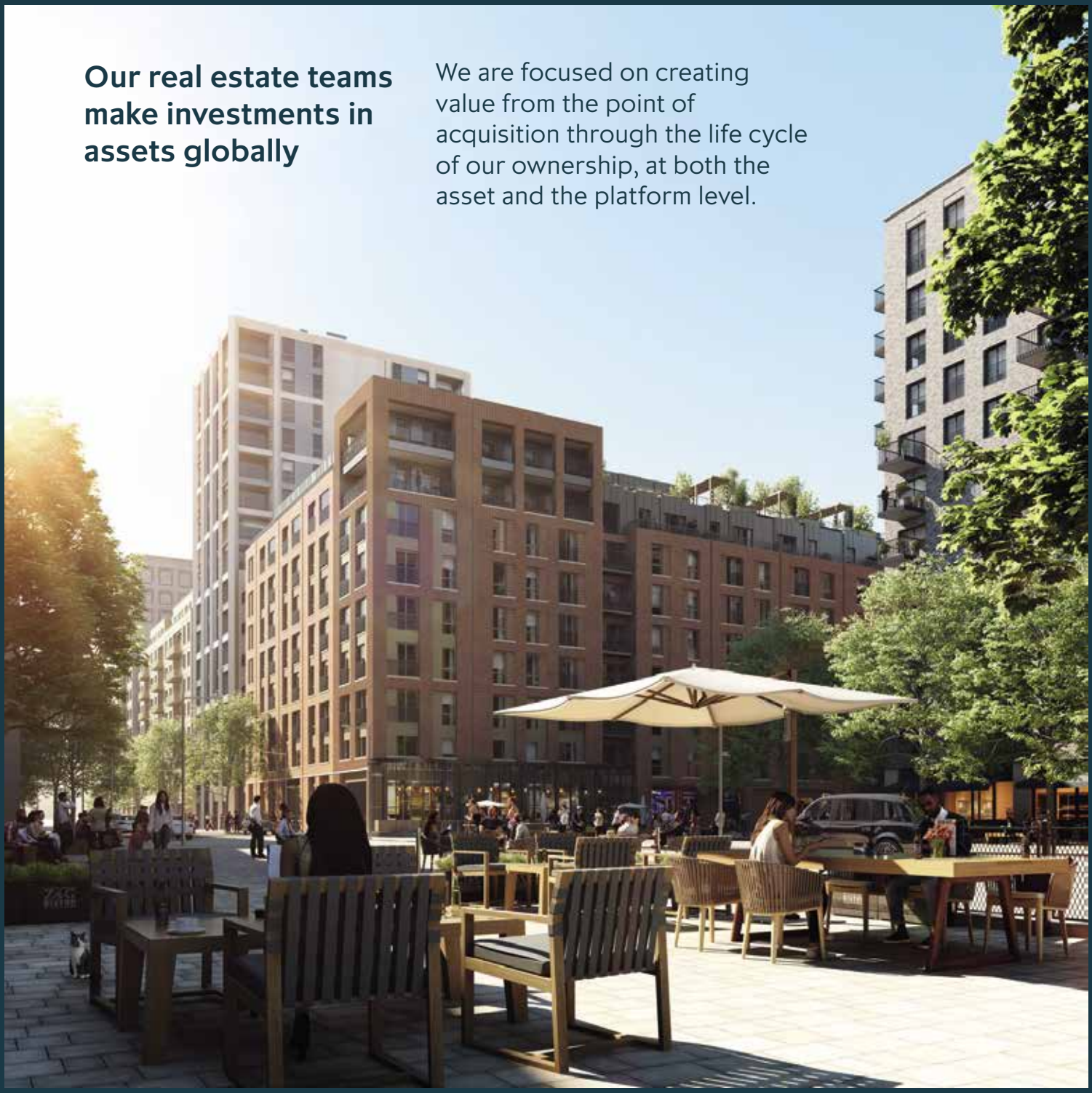

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Freesi and EP&T Global join to integrate energy efficiency and indoor comfort

At EXPO Real, Freesi and EP&T Global announced a partnership to integrate energy management with indoor climate control. Freesi, a leader in indoor climate management, provides tenant engagement tools and indoor climate performance metrics to ensure healthy buildings and an enhanced tenant experience.

Meanwhile, EP&T Global, through its EDGE platform and expert resources, identifies operational inefficiencies and optimises energy consumption, resulting in cost savings and reduced carbon emissions.

This partnership enables property managers to make informed decisions that enhance both energy efficiency and tenant comfort. By combining Freesi's expertise in indoor climate with EP&T's energy management proficiency, building operators can simultaneously reduce energy use and improve indoor conditions – helping to meet sustainability, compliance, and financial objectives.

"Our collaboration, which spans from Europe to Australia, empowers international portfolio owners to seamlessly integrate indoor climate control and energy efficiency, reducing energy costs while elevating tenant satisfaction," said Jan-Kristian Westerlund, co-founder of Freesi.

COLLABORATIVE OPTIMISATION

In a recent project at a modern 33,000 sq m office, EP&T installed electrical sub-meters to analyse energy use, while Freesi deployed indoor air-quality sensors and tenant engagement systems. The property management, prioritising tenant satisfaction, ensured that HVAC optimisation would not compromise indoor climate quality.

This collaboration led to significant energy savings for the office, while enhancing the indoor environment. The premium tenant experience was sustained, underscoring the value of this integrated approach.

RESULTS: ENERGY AND COST SAVINGS

The partnership achieved the following results:

- 14% reduction in electricity use;
- 20% reduction in district cooling;
- 6% reduction in district heating;
- €43,443 in annual savings, equivalent to €1.28 per sq m per annum.

This project demonstrates how data-driven building management can optimise energy efficiency while creating premium tenant experiences, setting new standards for sustainable real estate operations.

"Our collaboration, which spans from Europe to Australia, empowers international portfolio owners to seamlessly integrate indoor climate control and energy efficiency, reducing energy costs while elevating tenant satisfaction."

Jan-Kristian Westerlund, co-founder, Freesi

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Innovative Spanish resort combines senior living, resi and holiday homes

New resort near the city of Murcia has a comprehensive approach to healthy living

Development and construction company The Art of Living in Spain (TAOLIS) is leading the development of the The Altaona Sports & Wellness Resort in Murcia.

The innovative project combines senior living, semi-residential properties, and vacation apartments, along with a luxury hotel all in a single area served by a variety of services and facilities. TAOLIS says the project has a comprehensive approach to active and healthy lifestyles.

Speaking at Real Asset Media's briefing on senior living, lifestyle and tourism at EXPO Real on Monday, TAOLIS founder Ted Oorbals said: "This development is a place where all generations can coexist and enjoy an enriching lifestyle. Our Blue Zone initiative aims to promote quality of life through healthy habits and interpersonal connections."

The resort will occupy 3.6 million sq m but only 9% of the area is designated for construction.

The resort is intended to provide a natural, tranquil, and private environment, addressing the growing demand for a wide range of services and amenities in one location that also provides privacy and 24/7 security.

Among the distinctive features of the project are a surf lagoon, wellness facilities, a longevity clinic, meditation, pilates and yoga facilities, a professional tennis academy, a 36-hole golf course, and an indoor and outdoor fitness centre.

The project is situated next to a natural park, but it also has access to central Murcia, Spain's seventh-largest city, which is a 10-minute drive away.

TAOLIS said that Altaona Sports & Wellness Resort is unique and offers attractive opportunities for collaboration between investors, financiers and operators.

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‘We are increasingly of the view that recovery is taking hold’

M&G Real Estate’s Richard Gwilliam points to evidence that prime yields have come back in

M&G Real Estate is increasingly positive about prospects for the sector, according to head of property research Richard Gwilliam.

“Our last global estate outlook, published a few months ago, was cautiously optimistic,” he says. “We’re maybe embracing more of that optimism but not throwing caution to the wind and forgetting about the risks, but we are increasingly of the view that recovery is taking hold now.”

He says 2024 seems to have marked the bottom of the cycle. “There’s evidence coming through across Europe that capital values have hit their bottom and are starting to recover to some degree. I don’t think anyone, ourselves included, is expecting a very sharp upward spike in which all of the lost value is recovered.”

He adds that as values have fallen about 20% on average, losses will take time to claw back. “The last two or three years have been characterised by high inflation and increasing interest rates – that’s obviously been detrimental to real estate. Now we’re into almost the reversal of that.”

YIELD GAP RETURNS

Inflation and interest rates coming down supports real estate by opening up the gap between bond yields and real estate yields again. “Yields have stabilised since the beginning of the year, and there is tentative evidence that they are starting to come down now, selectively in some sectors, for example, Paris offices,” notes Gwilliam.

He says the latest evidence on prime yields from brokerage firms indicates that prime Paris offices have come back in by 25bps, down to 4.25%. “So it’s nowhere near the level that it was a couple of years ago. But that’s the start of the first steps being taken to yield compression returning to real estate.”

Richard Gwilliam: “Evidence that values have hit their bottom.”

Rising yields have characterised the downturn in the past couple of years. “It’s not been about rental weakness. Rents have, generally speaking, remained not just resilient, but strong in some cases.”

The beds and sheds sectors are a case in point. German residential and European student housing are the two sectors where M&G is particularly positive, both for near term and longer-term rental growth potential.

He points out that Germany has one of the lowest home ownership rates in the world: 44% according to the 2022 census, but in major cities the proportion is much lower. “Just 16% of households in Berlin own their house, so the vast majority are renting. And of course, that provides a very deep and indeed varied rental demand profile. The multifamily sector, which institutional investors are increasingly going into, is very large.” He says that when rent levels and vacancy rates are factored in there is growth potential.

Residential vacancy has fallen across Germany to about 2.5% but in Berlin it is 0.3%, in Frankfurt 0.2%, and Munich 0.1%.

“The German government has targeted 400,000 units per year to be completed, but that hasn’t been met for many years.” He adds that the situation is worsening because development is affected by construction cost inflation and the investment market’s reticence to put money in during a downturn.

STUDENT HOUSING ON THE RISE

Student housing is nascent across the region. “It’s maturing, but it will take time. Student numbers have been going up across Europe and, in large part, that’s because of the phenomenal growth in international students.”

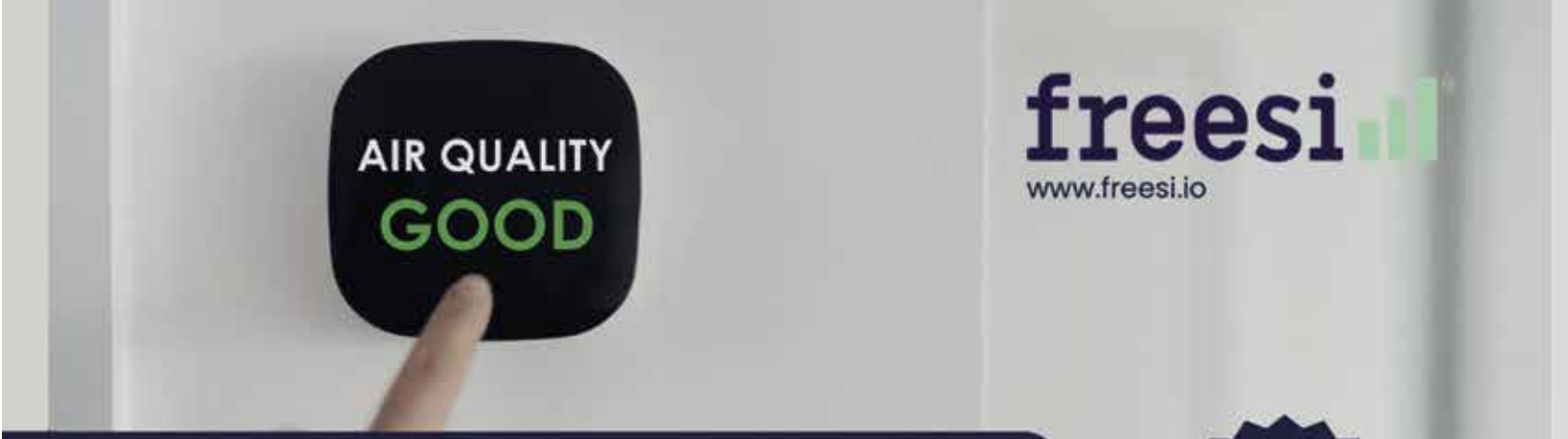
Over the past decade, student numbers increased by 10%, driven by international student growth of more than 70% over that same period. “That’s a key statistic for us, because it’s what’s driving purpose built student housing,” says Gwilliam.

There is a preference to rent purpose-built student accommodation, but the provision rates are still low across Europe – as low as 3% of the total number of students who need beds in some parts of southern Europe.

“That’s a huge unmet demand. When you aggregate it across Europe it is in excess of two million beds that are not provided.”

Rents are rising and, in many cases, rent controls don’t apply. “For the academic year that we’ve just begun, we estimate that rental growth to be in the region of about 5.5% over the coming year, so it’s ahead of long term trends, which on a historic basis, has been about 2% to 3% per year.”

“Occupancy is round about 98% across Europe so you’ve got a very low risk of vacancy. So these are both areas that we really like and are increasingly putting our capital into, to take advantage of the opportunity, but also to help alleviate these fundamental housing shortages.”



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EXPO – the big picture

More than 40,000 participants from around 70 countries are expected at EXPO Real 2024, drawn to Munich by the opportunities to meet with each other and to visit some of the 1,856 exhibition stands that have been built in seven of the halls of Messe Munchen.

Here they can expect to learn about a range of new projects, enjoy some fascinating interactions and to share new ideas from around the real estate industry.

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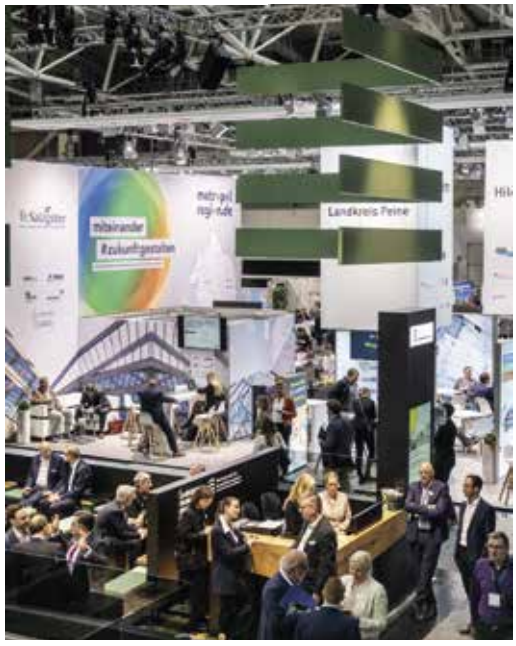
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Europe's cities take steps to mitigate climate challenges

By Graham Parker

Cities across Europe are waking up to the fact that urban design can have a big impact on human health outcomes, a session in EXPO Real's Transform & Beyond stream heard yesterday.

The cities of Warsaw, Barcelona and Tallinn all presented real-life examples of physical interventions that were improving the health of their citizens.

The issue is perhaps most pressing in Barcelona, where global heating is already making its presence felt. Dr Barbara Pons, chief executive at Barcelona Regional, said: "Temperature is already a concern: Barcelona has already reached the levels that were predicted for 2030 and 2023 was the hottest year ever. That's a huge challenge."

The city has launched an urban spaces programme that aims to maximise shading of public spaces and it has set up a network of climate shelters, to ensure that 99% of the population are within 10 minutes' walk of a cool space.

And Pons said drought is another challenge. "Water is essential for green infrastructure and to moderate the heat island effect. But last year 8,000 trees died because we couldn't water them. We need to plant more drought-resistant species."

Margot Roose, deputy mayor of Tallinn, conceded that the Baltic city faced different challenges. It is one of the top-three cities in Europe for clean air, but she insisted: "That doesn't mean we don't have to improve." Already by electrifying the public transport system, lowering speed limits and improving cycling infrastructure, Tallinn is encouraging greener and more active mobility.

"Some cities have a digital twin," Roose said. "But we have a green twin that maps every tree, defining the area it shades and mapping how far its roots extend."

And Maciej Filalkowski, secretary of Warsaw City Council, said the city was building on its natural advantages including a protected green space that runs the length of its urban river, as well as a national park on the city's outskirts that acts as a 'green lung.'

"But smaller interventions like greening streets and encouraging biologically active surfaces have a role to play too," he said.

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Urban densification ticks climate resilience and social impact boxes

Expert panel hears how workers in dense urban areas have lower carbon impact

By Courtney Fingar

Densification is a trusted path to improving the climate resilience of urban environments, according to Shravan Joshi, chairman of the Planning & Transportation Committee for City of London. The Square Mile in London may have only 9,000 residents, but some 600,000 workers commute every day into this central business district, which boasts 16 train stations, 60 bus routes and 50 cycle routes, he pointed out during a Real Asset Media briefing at EXPO Real on Tuesday, titled Cities of the Future – Opportunities and Solutions in Urban Density.

"We are really driving forward that sustainable transportation piece. We've seen a 400% uptick in cycling since the pandemic – it's really taking off – and we've had a 60% reduction in motor vehicle use in the Square Mile. I think this is a really good example of how modern infrastructure can impact on the liveability and transportation in cities."

Statistics show that a worker in a dense urban environment has eight times less carbon impact than a worker who isn't, he added. "When you look at sustainability in this context, urban densification is critical if we're going to create environments that are going to be there for the long term that are climate resilient."

Real FDI editor Courtney Fingar (left) with Real Asset Media's Richard Betts

Left to right: Andre Vreman, Jos Melchers, Shravan Joshi, Hans Van Rossum

ATTRACTING TALENT

A lively environment, good schools and public transport are key to attracting talent, argued Jos Melchers, director of development at the City of Rotterdam. "All those things together make it attractive to new companies to invest in an area."

Creating the right mix in an area is vital, he added. "You need to listen very carefully to what occupiers want, what type of office and workplace. It's like housing – it's all about getting a combination that works. High-end companies and startups work in completely different environments, so startups would maybe prefer a pub next door."

City authorities need to focus on their citizens agreed Andre Vreman, chairman of Climate Neutral Real Estate. "You have to make sure people are at the very centre of everything you do, from the design stage, through planning, through transportation, through sustainability. Whatever aspect you're looking at, it has to be people-focused."

It all comes down to building a social city, said Hans van Rossum, board member of the Rotterdam-based development foundation Stichting Gebiedsontwikkeling aan de Maas. "A social city is an inclusive city where people want to live, want to recreate, and want to work. That is the future city," he said.

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Logistics development is a ‘very smart’ route

Left to right: Bert Hesselink, Balazs Lados, Ingo Steves, Kieran Farrelly

Logistics investors who are able to form an exclusive partnership with a first-rate developer will be able to create the best product in the current market environment, Ingo Steves, managing partner for logistics at Swiss Life Asset Managers, said during Real Asset Media’s European logistics briefing at EXPO Real on Tuesday.

“If you have a big pension fund in place with a clever operator who can invest in logistics and development, that currently makes the most sense from our perspective,” he said. “You may have some letting risk so you need to look carefully at the logistics segments where you would like to be invested. But that is a very smart route going forward.”

CTP, the Prague-based developer, is currently focusing heavily on redevelopment, particularly in Germany, group client relationship director Bert Hesselink, said. “We are buying brownfields from large German corporates who are looking for cost optimisations and no longer need these assets that were built 50 or 60 years ago.”

Many of these properties are in very good locations, he added, pointing to sites in Mulheim, Wuppertal and Stuttgart. “We see opportunities to acquire these very well-located assets as part of the transformation that the German economy is undergoing. What we are doing is replacing old, outdated buildings with new developments that are typically a little bit smaller in size but in demand for higher added-value activities.”

Development funding as well as conventional mortgage finance for reasonably stable properties are available, said Kieran Farrelly, head global solutions, real estate at Schroders Capital. “Logistics is firmly one of the preferred sectors. Yields are at a level where we feel we can make a positive spread as well. So that all adds up.”

Balazs Lados, managing director and senior fund manager at Realterm, is likewise upbeat about prospects for the European logistics market. “Last year was pretty negative, but I think that the worst is behind us. We’ve been growing our platform despite the negative headwinds, and we see the light at the end of the tunnel.”

International investors from North America as well APAC and the Middle East are interested in logistics in Europe, he added. “Besides the living sector, logistics is probably the only other segment that is really gaining traction.”

Brownfield identification cadastre unveiled

The German Brownfield Association (DEBV) presented the first Germany-wide Brownfield Identification Cadastre at EXPO Real on Monday. It is an innovative tool that combines AI, satellite images and geodata to automatically record unused sites.

Working in collaboration with the Fraunhofer Institute for Integrated Circuits IIS and Spacedatists GmbH, direct university spin-off from the Technical University of Dortmund, more than 40,000 areas of 2,000 sq m or more have already been identified.

DEBV said the tool is an important step towards employing unused land more efficiently and reducing the consumption of new land which would contribute to achieving net zero by 2050.

Federal Minister of Construction Klara Geywitz was present at EXPO for the unveiling of the Brownfield Identification Cadastre and highlighted its importance. “Space is a finite resource. We are therefore committed to reducing the use of space in the construction sector by reactivating brownfield sites,” he said.

Daniel Föst, spokesman for construction and housing policy for the FDP parliamentary group who presented the project, said: “The state should actually have offered something like this a long time ago. The Brownfield Identification Register gives all project developers the opportunity to identify valuable areas that would otherwise be overlooked – a great help for sustainable and efficient land use.”

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Green shoots emerging with some investors wanting 'more in '24'

Left to right: Tom Leahy, Alice Wilcox, Dr Marcus Cieleback, Daniel Mahoney

The European real estate market appears to have turned the corner following the recent decline in interest rates, panellists agreed at Real Asset Media's briefing on global real estate trends and investment outlook at EXPO Real on Tuesday.

"I think there is a little bit more optimism in the market," said Alice Wilcox, managing director in alternatives capital formation at Goldman Sachs. Many managers of core semi-liquid, open-end funds are seeing redemptions coming to an end, she added. "Every manager I speak to is starting to see increased investor activity, which is a sign that those green shoots are starting to come through into the market."

Sentiment has indeed turned, concurred Daniel Mahoney, European head of research and strategy at LaSalle Investment Management. "If you think about a year ago, we were just in the thick of a correction for real estate. This year, it feels much more like people are thinking about the beginning of a new cycle."

On the occupier side, there have been a few positive surprises, he added. "Looking at this year, there was a positive surprise in particular in some office markets, especially the top 10% of offices by location and quality in the city of London. We wouldn't have expected that a year ago."

A lot of investors have been sitting on the fence these last couple of years, Wilcox added. "They may have had to address challenges in their portfolio and work out a new strategy. But I think we're starting to see valuations come through, correct pricing, and they can now work out where they want to go. We need to keep in mind that people are wanting a little bit more from real estate in this new interest rate environment. We're all going to have to manage our expectations about what we deliver, what we can underwrite, and continue to deliver that."

Investors appear to want more in '24, Mahoney agreed. "What that means is higher income return and a higher overall return than two or three years ago. But increasingly, I think we're getting to that position where real estate is able to offer that forward return that's back between similarly risked bonds and expected stock return. That's a place where we got away from and are now getting back to in terms of where we are in the cycle."

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