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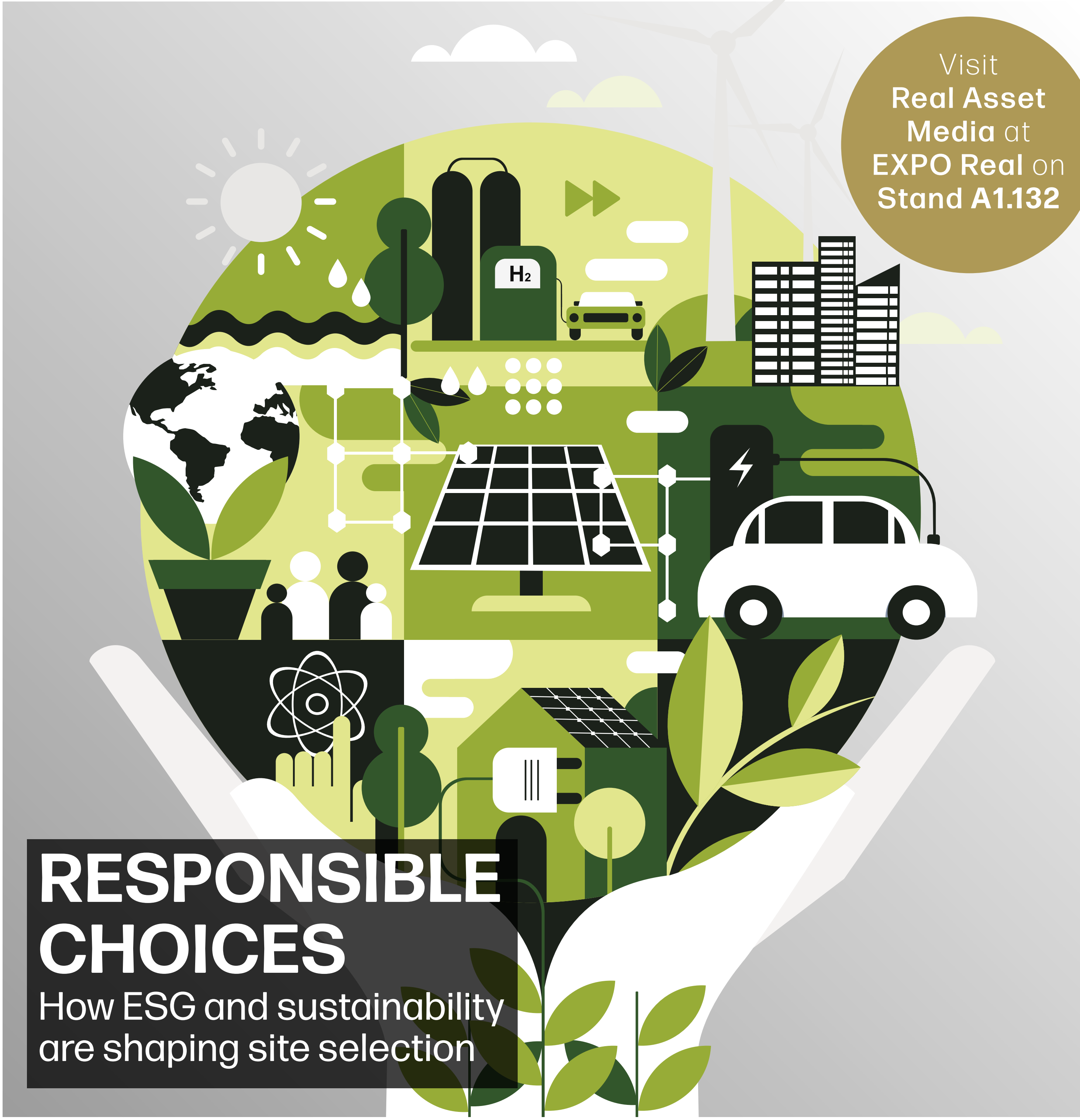

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LEADER
Courtney Fingar

Real estate cannot ignore companies' increasing focus on sustainability

Traditionally, site selection was driven by a set of well-established criteria: proximity to markets; availability of skilled labour; infrastructure; tax incentives; and cost of doing business. While these factors remain important, environmental, social and governance (ESG) criteria and sustainability considerations are now taking a more prominent role. Companies are looking beyond the immediate cost-benefit analysis and are beginning to factor in the long-term risks and opportunities associated with sustainability.

While this shift is not uniform across all sectors and regions, it is clear that companies are increasingly prioritising sustainability as a core factor in their long-term strategic planning. This trend reflects a broader recognition that environmental and social responsibility are not just ethical imperatives, but key components of a company's economic resilience and market competitiveness.

Demand for ESG principles

One of the main drivers behind this shift is the growing pressure from stakeholders – including investors, customers, employees, and regulators – who are increasingly demanding that companies demonstrate their commitment to ESG principles. Investors, in particular, are now more likely to assess the ESG performance of a company before committing capital, viewing strong sustainability practices as an indicator of lower risk and long-term viability. This has led companies to seek locations that align with their sustainability goals, whether that means access to renewable energy, proximity to sustainable supply chains, or regions with strong environmental regulations that encourage innovation in green technologies.

> **"Investors, customers, employees, and regulators are increasingly demanding that companies demonstrate their commitment to ESG principles."**
> Courtney Fingar

However, the impact of ESG on site selection varies significantly by sector and geography. For instance, tech companies and financial institutions, which are often at the forefront of ESG adoption, may prioritise locations with robust green infrastructure, such as LEED-certified buildings and access to clean energy. In contrast, manufacturing sectors, particularly in developing economies, might still weigh traditional factors more heavily.

The geographic variation in ESG-driven site selection is also pronounced. In Europe, where environmental regulations are stringent and consumer expectations for corporate responsibility are high, ESG is likely to play a decisive role in site selection. In contrast, in regions where regulations are more lax, or where the cost of compliance with ESG standards is perceived as high, companies may be slower to integrate these considerations into their decision-making processes.

Despite the increasing importance of ESG in site selection, there remain significant challenges, particularly regarding the availability and quality of sustainable infrastructure. A critical issue is the limited stock of green buildings that meet the standards required by many companies committed to ESG principles. While demand for such buildings is rising, supply has not kept pace, leading to a shortage of adequate facilities in many markets.

Moreover, the lack of standardised metrics to assess the sustainability of buildings further complicates site selection decisions.

The increasing focus on ESG and sustainability will continue to change corporate location decision-making and therefore foreign direct investment flows. However, for this trend to continue and gain momentum, the real estate market must address the challenges of green building supply and the need for standardised, reliable metrics to measure sustainability. As these issues are resolved, we can expect ESG to play an even more central role in shaping the future of corporate site selection and investment strategies.

Saudi Arabia to host World Investment Conference 2024

By **Courtney Fingar**

Ismail Ersahin, executive director and chief executive of WAIPA (far left) with His Excellency Khalid Al-Falih, Saudi Arabia's minister of investment

Saudi Arabia will host the 28th World Association of Investment Promotion Agencies (WAIPA) World Investment Conference (WIC) in Riyadh on 25-27 November 2024.

The conference, themed "Future-ready IPAs: Navigating Digital Disruption and Sustainable Growth", will bring together leaders from investment promotion agencies, corporates, multilateral institutions and other stakeholders to discuss global investment trends and opportunities.

His Excellency Khalid Al-Falih, Saudi Arabia's minister of investment, said the country's selection as a host nation in the Middle East for the conference underscored its position as a global investment hub.

"We are honoured to be welcoming the global investment community to Saudi Arabia," Al-Falih said. "Our strategic location at the crossroads of three continents, coupled with our world-class investment ecosystem and long-term political and economic stability, has seen the Kingdom develop into a global investment hub.

"The World Investment Conference will serve as a platform to showcase our nation's potential and forge partnerships that will shape the global investment landscape for years to come."

Under Vision 2030, Saudi Arabia's economic growth and diversification blueprint, the economy has grown by 60% since 2017 and the non-oil economy is approaching 50% of GDP. This has been driven by a 52% increase in the stock of foreign direct investment and a 337% increase in FDI inflows since 2017.

Further investment in the Kingdom is being driven by megaprojects such as NEOM, the Red Sea and Qiddiya, as well as the hosting of Expo 2030 and the AFC Asian Cup.

The World Investment Conference is the flagship event of WAIPA, the main global body representing investment promotion agencies.

Ismail Ersahin, executive director and chief executive, said: "WAIPA is honoured that the 28th World Investment Conference will be held in Riyadh. We are convinced that together with our host, the Saudi Investment Promotion Authority, the 28th WIC will be an impactful gathering aimed at the future-readiness of IPAs."

Production relocations boost SE Asian exports

An increasing number of companies are relocating their production or business operations to bypass tariffs and other global trade barriers – a trend that could potentially double exports from some Southeast Asian countries within the next six years.

According to a report by bank Nomura, which surveyed more than 100 multinational companies and analysed global foreign investment flows, India, Vietnam, Malaysia and Mexico are the primary beneficiaries as production shifts away from China.

The relocation or expansion of production is most evident in industries such as automobiles and parts, electronics, apparel and toys, capital goods, consumer durables and semiconductors.

The research indicates that most of the investment into India comes from the US and developed Asian nations like Japan, while Chinese firms are leading the investment drive into Southeast Asia.

Nomura predicts that Vietnam's exports could double by 2030, reaching over $750 billion annually, while Malaysia's exports are expected to reach $652 billion by the same year.

China foreign investment limits eased

China is planning to remove restrictions on foreign investment in multiple sectors.

On 19 August, Chinese premier Li Qiang presided over an executive meeting where the Special Administrative Measures for Foreign Investment Access (Negative List) received approval. This document outlines steps to open up previously restricted sectors to foreign investment.

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While the full details of the document have yet to be disclosed, it was indicated that the sectors impacted include manufacturing, education, telecommunications and healthcare.

The government has declared that all restrictions on foreign investments in the manufacturing sector will be removed entirely, with the exception of foreign involvement in the printing of publications and the production of traditional Chinese medicines.

Telecoms restrictions will be relaxed, but not fully lifted. In April 2024, the Ministry of Industry and Information Technology announced that limits on foreign investments in certain value-added services would be removed in pilot regions such as Beijing, Shanghai, Hainan and Shenzhen.

The outcomes from these pilot programmes are expected to shape the forthcoming changes.

Diversification is a key priority as economic models change

Diversification is a key priority for multinational companies, with implications for investment patterns and corporate structures, according to a report from global banking institution DBS and FT Longitude, the *Financial Times*' research division.

Business diversification – of market presence, products and supply chains – was cited as a strategic priority by 64% of respondents in a survey of senior-level executives.

In recent years, many have raised concerns about whether the widespread disruptions caused by Covid-19, increasing geopolitical tensions in Asia and Europe, and the ongoing effects of climate change could hinder global trade and investment. Although economic growth has continued, the intense globalisation of previous decades – marked by the deep and rapid integration of national economies – is no longer as dominant.

Multipolar economic structure

According to the report, the new phase of globalisation is as much driven by digital innovation and data-centric business models as it is by manufacturing and logistics. It relies on a multipolar economic structure and is more aligned with sustainability and net-zero objectives compared with earlier globalisation models.

"A rebalancing of trade and investment on this scale does not occur without market disruption and discontinuity," the report reads. "As opportunities for growth and innovation emerge, so do new complexities as businesses adapt and diversify their operating models. In parallel, a series of supply chain shocks have made volatility and uncertainty a near-constant reality."

Business leaders surveyed for the report indicated a strong commitment to enhancing productivity and operational performance, focusing on four key areas of transformation: diversifying revenue sources; embracing digitalisation; pursuing net-zero goals; and restructuring supply chains.

More resilient and agile supply chains

With a heightened awareness of risk and the pandemic's lessons still clear, many companies are striving to tap into new revenue streams to protect themselves against localised economic downturns and supply disruptions. Companies are also focusing on building more resilient and agile supply chains. To achieve this, they are forming strategic partnerships with new suppliers, exploring nearshoring options, and enhancing supply chain transparency.

Asia seems to be the primary beneficiary of these changes. Approximately three-quarters of executives state that driving growth in the region is a top priority for the next two years, supported by broader efforts to diversify and innovate in their business transformations.

The survey included 570 participants from nine industry sectors across 15 global markets. The respondents comprised 75% executive leadership and 25% senior managers reporting to executives, with 75% representing treasury and finance and 25% from corporate strategy roles.

Most respondents (85%) were from companies with revenues in excess of $1 billion.

Soaring interest in data centres prompts surge in M&A activity

By **Paul Strohm**

There has been a dramatic increase in investor and real estate market interest in data centres. PwC Germany partner Cay-Marco Fritsch, whose focuses are corporate finance and M&A activity in the digital infrastructure and business services area, said that in Europe there is currently, "tremendous opportunity for existing operators to be more active as well as for new entrants to come into the market".

There is an awareness of trends affecting digital infrastructure and data centres in particular and, in terms of capacity, the market is structurally underserved compared to where it needs to be in 10 years. "In that environment, we see existing operators jockeying for position, enlarging their positions securing growth beyond organic growth," said Fritsch. "But also, there are new entrants coming into the space."

Fritsch said it is particularly interesting to observe new entrants joining the market because they can very often differentiate themselves. "The market is getting more and more discerning, so they bring new angles to existing situations and therefore are very much welcome. There are plenty of opportunities for new entrants."

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He added that M&A activity is currently particularly lively "in data-centre land across Europe".

There are several reasons for this, explained Fritsch. First, existing operators want to grow beyond organic growth and that is often only possible through M&A.

Furthermore, "when we have new operators coming into the sector they do that through M&A and therefore you've got a base level of activity in the sector".

Second, M&A is underpinned because the industry is growing at between 12% and 15% every year and operators want to create strategic scale.

"There's a lot of operators who are confronted with challenges as to how they can keep pace with this growth, how they can find the capital to invest to upgrade facilities etc."

Fritsch said the third reason for the level of M&A activity is that across Europe there is a surplus of capital pushing into the data centre sector. "There's still a scarcity of assets so that creates an interesting dynamic on the M&A side."

Data centre vacancy rate continues to decline

The vacancy rate in Europe's top-five data centre markets fell below 10% for the first time during the second quarter of 2024. Take-up in Frankfurt, London, Amsterdam, Paris and Dublin, at 44MW, exceeded the supply of new capacity (30MW) for the fourth straight quarter, according CBRE research.

The co-location data centre vacancy rate in the top five is now 9.8% and is expected to fall to 7.9% by the year end, according to CBRE. This would make 2024 the fifth consecutive year that the vacancy rate has declined.

CBRE said that hyperscalers' interest in co-location data centres remains particularly high, driven by the need to deliver digital services, as well as keeping sought-after supply away from their competitors.

Data centre providers are finding it increasingly difficult to accommodate demand due to a lack of available power and appropriate land in Europe's primary markets. And data centre development is increasingly difficult in markets such as Frankfurt and Amsterdam, because of planning restrictions.

Across 15 markets which CBRE tracks, the firm predicts that 646MW of new supply will be delivered this year. However, take-up is likely to reach 693MW.

"Data centre capacity is an increasingly precious commodity given the considerable demand for space and competition for it," said CBRE's head of European data centre research, Kevin Restivo. "Providers that can secure the necessary resource and build data centres are able to command higher prices for the space."

US investment in ASEAN region leaps by 12%

The US Department of Commerce's Bureau of Economic Analysis recently released data showing a substantial increase in direct investment by US companies in ASEAN countries, which rose by nearly 12% in 2023, reaching a record $476 billion.

The figure surpasses US investments in China, Japan, and Korea combined, greatly exceeds investment in Mexico, and, for the first time, now outstrips US investment in Canada.

The swift rise in investment in the ASEAN region indicates a strategic pivot as US companies increasingly tap into its vast potential. Since 2018, US investment in the region has grown by 65%, a rate unmatched in any other major market.

This pattern highlights the region's growing importance on the global stage and the deepening economic ties between the US and ASEAN countries.

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$41.5bn raised globally for logistics investments in H1, reveals Savills

By **Nicol Dynes**

Despite the current challenges of raising capital, funds targeting industrial and logistics assets raised $41.5 billion globally in H1 2024. That is a 30% increase on the pre-pandemic average, according to Savills' *Q2 2024 Capital Markets Report: Industrial and Logistics*, released in August. The report says $78 billion of deals were completed globally in H1, down 16% on H1 2023, but representing more than 9% growth on the 2015-19 average.

"Assuming Q1 2024 represented the trough in this cycle, we expect the market to rebase higher in the future," said Oliver Salmon, director of global capital markets at Savills World Research. "This is supported by the shift in investor allocations favouring industrial, and the fundraising data.

"Prime yields look to have stabilised across Europe and North America, with some markets already seeing some yield compression, despite the scarcity of core money in some markets."

According to Savills, the Q2 average individual industrial deal rose by around 11% in size compared with Q1 data, suggesting that scale investors are returning. This is supported by a recovery in buy-side activity from cross-border investors, the only major investor group to be net buyers of industrial and logistics space in 2024 to date.

Cross-border investors have already backed some of the largest deals this year, including Brookfield's agreed purchase of a 14.6 million sq ft (1.36 million sq m) US logistics portfolio from DRA Advisors for a reported $1.3 billion, only the third recorded real estate deal in the US surpassing the billion-dollar mark so far this year, across all sectors.

In the US, investment in Q2 fell by 14% year-on-year to $19.9 billion. The slowdown in activity was primarily underpinned by a lack of portfolio deals completing, with domestic institutional investors disposing of a net $2.3 billion of assets in the first half of 2024, after being net buyers for the last six years.

In EMEA, Q2 investment was $9.5 billion, nearly 14% down on the year, driven by weaker activity at the portfolio or entity level, which can be volatile. The value of individual property sales, by contrast, increased by around 12% year-on-year, the first annual rise in two years. The average deal size has also increased by around a third so far in 2024.

In the APAC region, total investment was $8 billion, down 34% on the year. As in the other regions, a large decline in portfolio deals underpinned weaker turnover. The half-year comparison is stronger: down just 11% on H1 2023, underpinned by a solid start to 2024. Australia and South Korea are the best-performing major regional markets.

"There remains a shortage of committed industrial vendors, as the majority want to wait until there are more data points to provide strong pricing comparables, but this is generating greater buyer interest when something is marketed and leading to more pricing tension," said Rasheed Hassan, head of cross border investment at Savills.

Developing countries move to entice more investment inflows

In the face of declining financial inflows, developing countries are enhancing their investment facilitation efforts.

Data compiled by UN Trade & Development and recapped in its *World Investment Report 2024* includes the following findings:

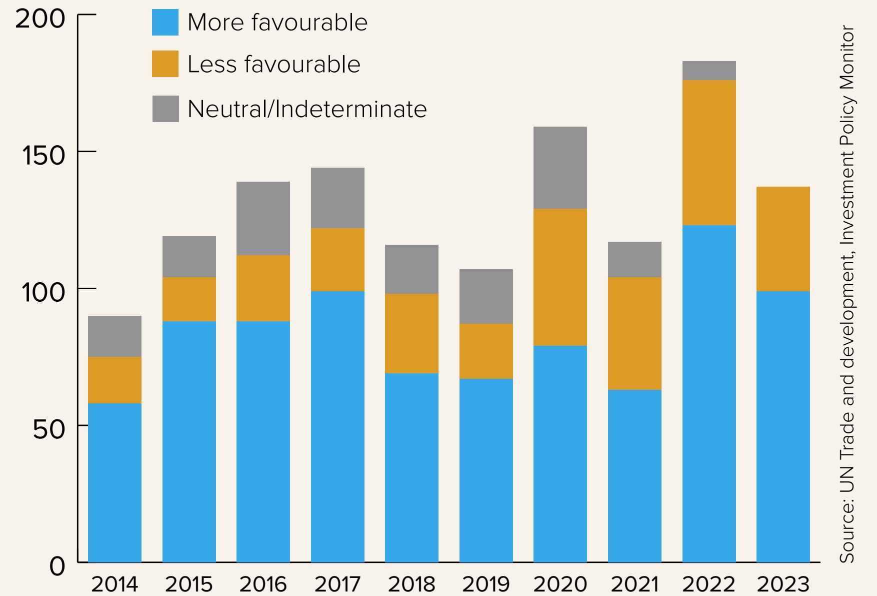
- In 2023, 86% of the investment policy measures taken by developing countries were more favourable to investors. In contrast, 57% of measures in developed countries were less favourable, with restrictions such as FDI screening mechanisms increasingly used to address national security concerns.

- Globally, the number of investment policy measures in 2023 matched the five-year average, with about three-quarters favourable to investors. Investment facilitation reached a record 30% of all measures. Incentives targeted the services sector and renewable energy in particular.

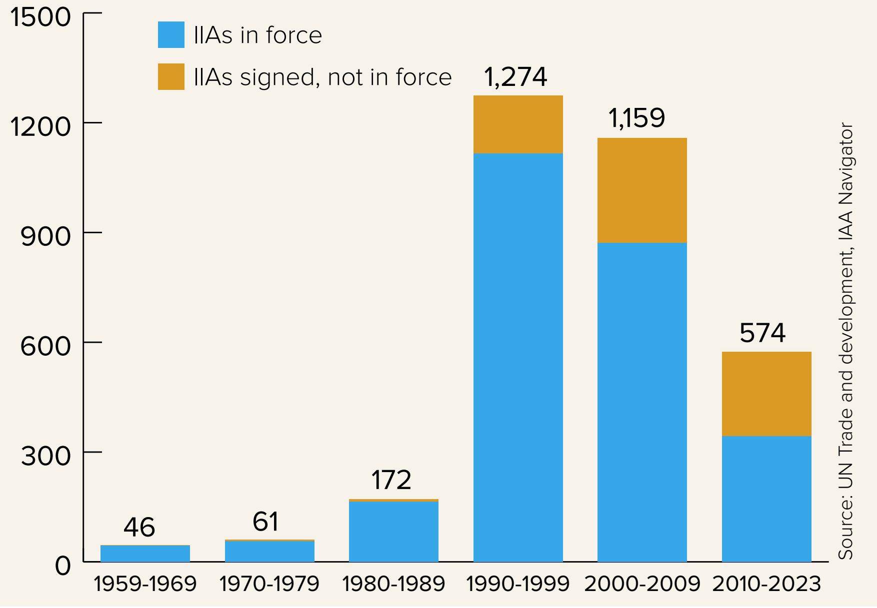
- In 2023, 29 new international investment agreements (IIAs) were concluded, with less than half being traditional bilateral treaties. Reform of older IIAs remains slow, with about half of global FDI still governed by non-reformed treaties, increasing the risk of investor-state dispute settlement (ISDS) cases. This is higher for developing countries (two-thirds) and least developed countries (LDCs) (three-quarters).

- Only 16% of global FDI stock is covered by new-generation IIAs. The total ISDS case count reached 1,332, with 60 new arbitrations in 2023. About 70% of new cases were against developing countries, including three LDCs, with claims mostly in the construction, manufacturing and extractive sectors.

Number and nature of investment policy measures, worldwide 2014-2023 (%)



Number of international investment agreements signed and in force, by data and signature, 1959-2023



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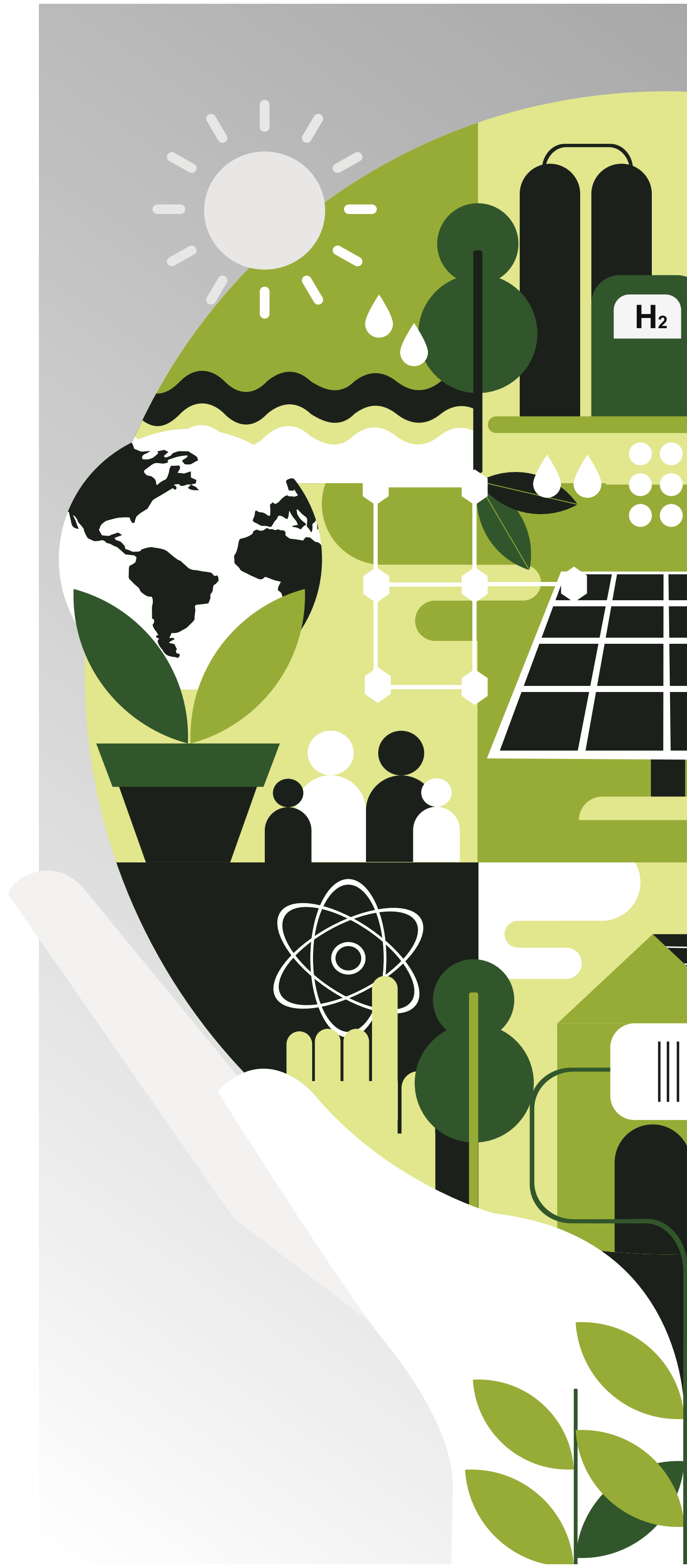
Taking you beyond the headlines

Sustainability comes to the fore in site selection



An increasing corporate focus on being responsible tenants is changing companies' location criteria and building requirements, as well as the role of investment promotion agencies.

By **Courtney Fingar**

As companies increasingly recognise their responsibility toward sustainable development, factors related to environmental, social and governance are no longer just add-ons but integral components of strategic planning.

Sustainability considerations are influencing site selection across various dimensions. Environmental impact is a top concern, with companies prioritising locations that offer access to renewable energy, efficient waste management and lower carbon footprints.

Proximity to resources like water and raw materials is becoming increasingly important, as businesses aim to reduce their ecological impact. Social factors, such as community engagement, workforce diversity and access to healthcare and education, are also being taken into account.

On the governance side, businesses are looking for locations with robust legal frameworks, transparent regulatory environments and strong institutional support for ESG initiatives. This ensures not only compliance with international standards, but also the ability to operate in a stable, predictable environment that supports long-term sustainability goals.

Gathering ESG-related data

Investment promotion agencies (IPAs) are key facilitators in this process, helping companies identify and evaluate potential sites through an ESG lens. By promoting regions that align with sustainable business practices, IPAs can attract investments that contribute positively to economies and societies. They can play a crucial role in gathering and providing detailed ESG-related data about potential sites, such as information on local environmental regulations, availability of green infrastructure, and community development programmes.

"ESG and sustainability factors are increasingly driving company

> **"For us, partnering with investors who share our commitment to sustainability is not just desirable – it's essential for fostering long-term, responsible growth."**
> Wojciech Tyborowski, Invest in Pomerania

site selection, with a strong focus on minimising carbon footprints and embracing renewable energy. We witness this shift daily and have made sustainability a central pillar of our strategy to attract foreign direct investment," says Wojciech Tyborowski, director of Invest in Pomerania.

"Our region is committed to environmental stewardship, dedicating substantial development funds to energy transformation and climate change prevention. For us, partnering with investors who share our commitment to sustainability is not just desirable – it's essential for fostering long-term, responsible growth."

Elias van Herwaarden, principal at advisory firm Locationperspectives, has observed a notable shift in corporate priorities when it comes to site selection, though he cautions that the emphasis on ESG and sustainability is still evolving.

He says: "We have been asking companies for the last eight years whether ESG or SDG targets of the hosting communities played a role in their location decisions. Initially, the answer was 'no'. But over the last four or five years, they are saying, 'yes, it's important'."

He adds the caveat that such factors are still only of moderate importance. "Companies are aware that ESG and sustainability should be on their agenda because of regulatory or client pressure. But it's not a critical consideration for my clients in reality, though."

How large these criteria loom in site selection decisions can depend on the sector or origin of the company.

"There is a clear split where you can see companies in the renewable energy space that are 100 percent after ESG parameters and those criteria are being put into the decision-making model," says Jens Manke, director for Germany and Central Europe at FDI consultancy OCO Global.

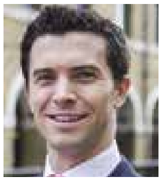
Antti Aumo, executive director of Invest in Finland, says it is also becoming increasingly important for data centres. "Many of the largest data centre companies in the world are American — companies like Microsoft, Google, AWS, etc. And in their domestic market, being sustainable in your operations is becoming more and more important. Customers demand it, and so do investors," he says.

Corporate sustainability goals

Robbie Epsom, EMEA head of sustainability and senior director at CBRE Investment Management, notes the growing influence of corporate sustainability goals and the ancillary impact on real estate choices.

"There's a huge desire, particularly in the office sector, from big corporates to set ambitious sustainability goals, in particular net-zero targets. And so a lot of big corporates, and even SMEs, are trying to find office spaces that are energy efficient and meet sustainability requirements," he says.

> **"I'm seeing more occupier engagement than ever because we have that data to be able to have a conversation around how we collaborate on this transition."**
> Robbie Epsom, CBRE Investment Management



This growing demand is creating a supply crunch of suitable office space. "In the short term, there appears to be a supply and demand issue for offices that meet these high expectations. But eventually, that will start to settle down as this becomes business as usual," Epsom says.

This is not the case for other industries or projects, however.

"We have site selection projects that are more focused on pure financials. For example, the company is relocating from Germany to Eastern Europe, and the major incentive is cost," Manke says. In those cases, ESG may be less of a priority.

Rene Buck, chief executive of advisory firm BCI Global, says: "If you look to the services industry, which mainly works in offices, they are certainly already pretty much involved on the environment and sustainability side. But in the chemical industry, metal processing, even food processing, they still struggle because there is a lot of capital investment involved in [meeting such criteria]. Industries in which energy intensity or water intensity is important are the ones that have to still make a lot of progress. For companies that heavily rely on China for products and components and sub-assemblies, it's the same."

Paul Adams, inward investment lead at Invest Northern Ireland, highlights that while ESG and sustainability are increasingly important, they have not yet emerged as primary factors in corporate expansion decisions that cross his desk.

Reimagined office space

"In terms of enquiries, ESG and sustainability are not something that we've seen mentioned specifically or as a strategic driver in terms of footprint expansion," Adams says. "Post-pandemic, a lot of firms have reimagined their office or location footprints as remote, hybrid and flexible working has become the norm – there is less of a requirement to prioritise the acquisition of property as part of the location strategy.

"When talking to prospects, their focus is on talent and the availability of that, in an era where companies can technically hire employees anywhere."

Companies talk about setting up "hubs" and "centres of excellence" that are accessible rather than new office locations, he says. This has meant downsizing, or flipping office space for smaller more agile and better-presented premises, meaning larger office blocks becoming redundant or being reconfigured into either shared workspaces or even student accommodation. Remodelling office space and buildings rather than demolition has become a byword in sustainability practice – with LEED and BREEAM certifications coming to the fore.

"In one way, having fewer people travelling to a communal place of work is beneficial for the environment as it means less vehicles on roads some days of the week," Adams says. "Some of the questions asked of me are around typical commute time and public transport availability which in my six years in FDI, I don't recall being asked before. Digital infrastructure is a key driver, and something that can be easily demonstrated."

Buck seconds this analysis. "If you take the office environment, you see that companies combine two different forces. They want to reduce their office square metres, because with hybrid working they don't need as much space. So

Investors are looking for offices in particular to meet ESG criteria

Adobe Stock/Crafters Art

they go to a more sustainable, somewhat higher-price building. In the end they have less floorspace, but better and more sustainable real estate for the same price."

There are also variations in which aspects of ESG are given higher priority in site selection calculations, or which are easier to fulfil. "What I'm seeing is that with S and G it's 'check the box', and with E people will check the box, but in practice compromises need to be made," says van Herwaarden.

Adams adds: "Of all the ESG factors, the one that comes up most often in my conversations is diversity and inclusion – mainly because the sectors I look after are in the services sector and thus are people-focused.

"Prospects I've spoken to will either have published ESG D&I policies or will talk about their commitments to improving representation to be more reflective of the communities they're hiring from, or serving. We need to focus on firms that have a good track record in this space."

Difficult trade-offs

In addition, there are frequently difficult trade-offs to be made between the three.

"A lot of solar panels — which are used to help meet sustainability goals — use polysilicon, which is mainly mined in the Uyghur region in China, where hundreds of thousands of people are in forced labour camps," notes Buck. "If you are an investor in logistics, you can have a beautiful warehouse, but do you want to have a tenant who uses products which are partly being made in such a region?

"As a result, I think what you will see is that these ESG regulations go further than just the building itself and these dilemmas will continue to come up in the coming years."

The introduction of key performance indicators (KPIs) in the EU Taxonomy and the underlying KPIs from the Sustainable Finance Disclosure Regulation (SFDR) are beginning to provide much-needed clarity on the sustainability aspect of buildings, according to Epsom.

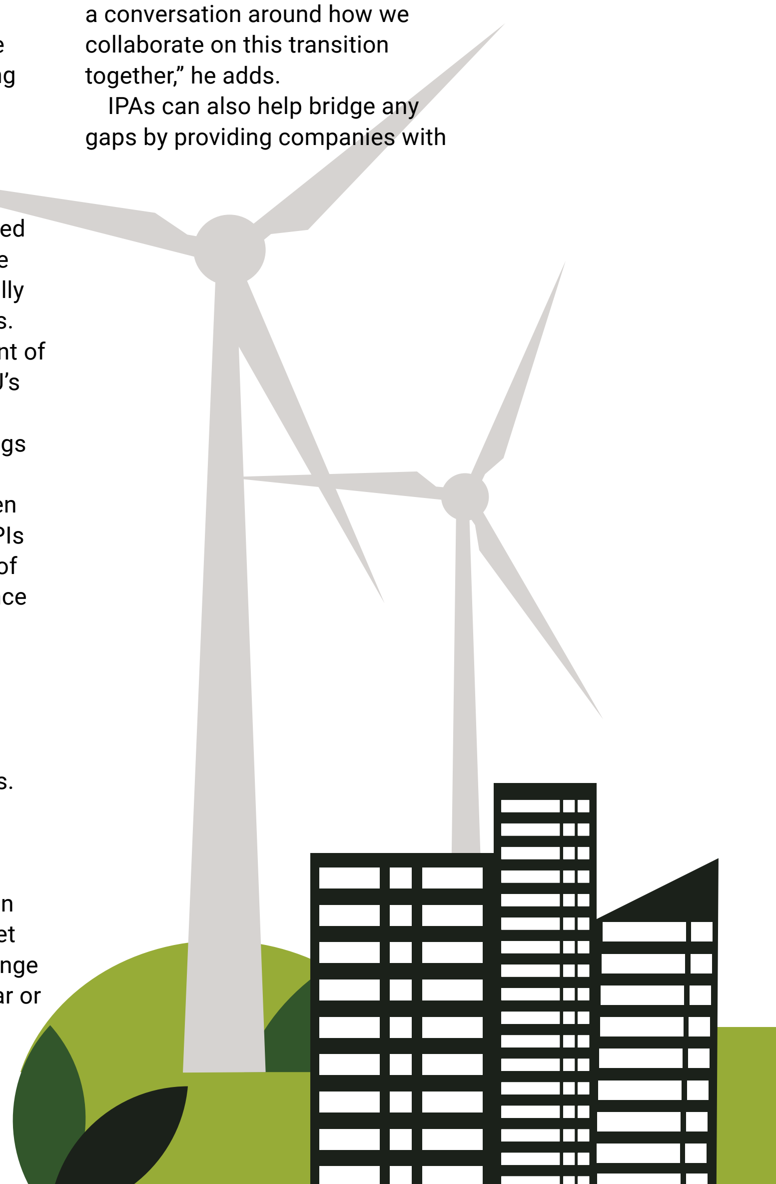
The EU Taxonomy is a classification system established by the European Union to define what constitutes environmentally sustainable economic activities. The KPIs measure the alignment of economic activities with the EU's sustainability goals and can be used to assess whether buildings or projects qualify as 'green' under the EU's criteria. For green buildings, this would involve KPIs such as energy efficiency, use of renewable energy, and adherence to environmental standards.

SFDR is an EU regulation introduced in 2021 aimed at increasing transparency in the financial market regarding sustainability risks and impacts.

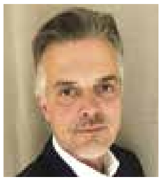
"The KPIs are giving both investors and occupiers a way to actually judge progress and performance on sustainability in a way that they know the market recognises. It's been a real change from where we were even a year or so ago," Epsom says.

He says onsite decarbonisation audits are also bringing better clarity. "Suddenly we have the data and the information we need to be able to have these meaningful conversations both up and down the value chain with both investors and occupiers. This has been the big shift and I'm seeing more occupier engagement than I've ever seen because we have that data to be able to have a conversation around how we collaborate on this transition together," he adds.

IPAs can also help bridge any gaps by providing companies with



> **"It's very important for an IPA to really embrace ESG in their own practices. It is something my clients do appreciate."**
> Elias van Herwaarden, Locationperspectives



the data and detailed information they need to make ESG-compliant and sustainability-driven location decisions.

"If it comes to those enquiries, IPAs need to be fully prepared," Manke says. "Do you have a catalogue of all the parameters that investors would look at? Do you have all the ESG criteria and understand how can they be measured? What are your benchmarks?"

IPAs with their own ESG goals may want to focus on attracting companies that share the same values and build relevant metrics into their investor targeting strategies. "It starts with that and it ends with being prepared for what the company might be requesting in terms of data and information," Manke says.

"It's getting more and more important and those companies that don't care about it too much will certainly get to a point, in the next few years, where they will need to rethink their footprint," Manke says. "We are advising companies to go ahead and choose the location based on these [ESG] factors. They will increasingly get evaluated by their clients and be under regulatory scrutiny, so we are saying to them 'think about it before you take a wrong decision'."

Invest in Finland's Aumo sees two keys ways IPAs can play a role in this dynamic. "One of the key services that we provide is to deliver the facts and information to a potential investor. So we need to be collecting the information they want, including sustainability criteria. We also need to communicate these evolving needs to our building managers and real estate investors in Finland about what companies are looking for and what their needs are."

Different roles of IPAs

Achim Hartig, managing director of Germany Trade & Invest and chair of the OECD Investment Promotion Agencies Network, says the IPA's impact on these factors depends on the remit.

"IPAs on the national level like us are not supporting companies by selecting construction materials or suppliers for them, although we ensure they can connect to infrastructure that provides the resources they need," he says. "However, there are IPAs that have the whole value chain and the networks to do matchmaking between the demands of the company they're wanting to attract and the supply of the sustainable materials."

Hartig also highlights the need for IPA advocacy and ongoing dialogue with policymakers. "In terms of how the aspect of sustainability bleeds into investment attraction work, in many countries this is a chicken-and-egg situation, where sometimes the IPA is a little bit more advanced and the politicians have to get ideas and inspiration from them, and in other cases it's the reverse," he says. "In my experience, strengthening this dialogue with the ministries and being transparent about what we see when it comes to sustainability makes possible for them to make better decisions."

IPAs should also lead by example and instil ESG at the heart of their economic development strategies and institutional frameworks. "It's very important for an IPA to really embrace ESG in their own practices. It is something my clients do appreciate. They will actually favour ESG-compliant destinations, or at least destinations that are doing all in their power to become ESG compliant," says Locationperspectives' van Herwaarden.

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Val d'Europe adds solar energy to sustainability mix

The territory is promoting sustainability through large-scale projects, with Disneyland Paris's solar panels canopy a standout example.

Located on the eastern flank of Paris, Val d'Europe is being developed into a thriving business and residential zone, with sustainability established as a core value. Disneyland Paris, which is located within the territory, is setting an example of sustainability in action with its latest initiatives.

The resort has embraced a comprehensive strategy centred on four main priorities: implementing energy-saving initiatives; upgrading equipment to optimise energy efficiency; transitioning from fossil fuels to electric processes; and launching large-scale renewable energy projects.

In the past few years, the resort has implemented several largescale projects to achieve its environmental goals. For example, it now has the largest solar array in Europe, and has announced plans to install a thermo-refrigerating pump in the coming months, which will significantly reduce its carbon footprint.

In 2020, Disneyland Paris began a three-year project to construct a solar canopy plant in its guest parking lot, in partnership with French company Urbasolar Group. This plant, which has been operational since December 2023, now generates 36GWh annually – equivalent to the energy usage of a town with 17,400 residents – and helps reduce greenhouse gas emissions in the Val d'Europe area by around 890 tonnes of CO_2 each year.

The plant features more than 80,000 panels covering 11,200 parking spaces across 20 ha.

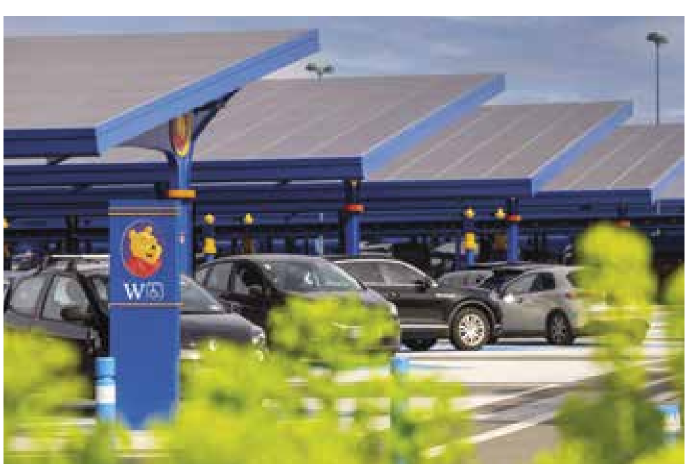
Positive environmental legacy

"As the top tourist destination in Europe, we have a responsibility to continue to operate and grow our business in a way that will allow us to deliver a positive environmental legacy for future generations. From our day-to-day operations to the implementation of new and ambitious projects – such as the installation of a solar canopy plant on our guest parking lot – we are more than ever adopting a deliberate approach to effectively mitigate our environmental footprint," says Natacha Rafalski, president of Disneyland Paris.

To further improve energy efficiency, the thermo-refrigerating pump will provide both heating and cooling simultaneously. Once operational, it will reduce the resort's natural gas consumption by 14% and its heating needs – currently met through a combination of geothermal energy and natural gas – by 10%.

The new system will also cut the use of recycled water from the resort's wastewater treatment plant by approximately 30,000 cu m, with the saved water redirected to maintain green spaces and clean pathways.

The solar canopy over the guest parking lot generates 36GWh annually



Eindhoven takes on challenges amid fast growth

Stijn Steenbakkers, deputy mayor, City of Eindhoven, explains how the Brainport Eindhoven region is managing growth and the challenges it brings by working with public and private sectors.

Eindhoven has achieved significant success in attracting direct foreign investments, especially in the technology sector, in the past few years. Has this momentum continued in 2024?
Yes, this trend certainly continues. Innovation and technology are embedded in the DNA of the Brainport Eindhoven region. For two decades, we have seen that this focus, combined with a powerful and unique high-tech ecosystem, has brought tremendous benefits to the region.

The city's economy is active in areas such as sustainability, mobility, healthcare, and digitalisation. Key technologies are developed here every day that make a difference in these areas. What is remarkable is that these technologies are not only conceived here, but manufactured. This economic cluster is vital for the future and attracts investors and this is recognised in the Netherlands and also in Europe and worldwide.

The Brainport region is home to several large original equipment manufacturers (OEMs), including VDL, ASML, Philips, DAF, NXP, and SIGNIFY. Surrounding these is a network of more than 7,000 SMEs, startups, knowledge institutions, and research institutes. This ecosystem has filed approximately 7,893 patent applications in the past five years. The startup network, with branches in Brainport Eindhoven, has secured more than €2.7 billion in funding and from 2020 to 2024, is valued at €9 billion. In 2024, the funding has already reached €350 million. This investment sum is likely to be much higher as we do not have a complete overview yet.

To further strengthen the strategic autonomy of Brainport Eindhoven, we are investing together with national, provincial, and regional governments and the business community in the region's growth.

This resulted in a significant investment of €2.51 billion this spring for areas such as housing, infrastructure, talent attraction, and facilities. Including previous financial inputs, the total amounts to an investment of more than €4.5 billion.

What are the key investment opportunities or projects that Eindhoven will promote at EXPO Real? What kind of discussions do you hope to have at the fair?
The Brainport Eindhoven region is growing rapidly, but faces significant challenges. To manage this growth, substantial investments are needed in housing, infrastructure, and facilities (healthcare, sports, education, etc) in the coming years.

The main development area for this growth is Eindhoven KnoopXL.This 55ha inner-city area around Eindhoven Central Station will change substantially over the next 20-25 years.

It will transform from a grey, stony area with mainly roads, offices, and transit locations into a vibrant, green district. With over 9,000 new homes, inspiring workplaces and meeting places, KnoopXL will become the new gateway to Brainport Eindhoven.

Along the entire railway zone in Eindhoven, new high-quality transport lines are being constructed, and tens of thousands of homes are being built in various development areas throughout the Brainport region. This is necessary as the growth of the Brainport region requires around 62,000 homes to be built in the Eindhoven area.

With this growth comes an influx of people who will live, work, and/or study in the Brainport region. To facilitate this growth, we are expanding Eindhoven Central Station and constructing an underground bus station.

The Brainport Eindhoven transport hub will be a meeting point for buses, trains, taxis, shared transport, and bicycles, with space for international connections. Additionally, investments are being made in the infrastructure around the city, with the construction of public transport lines (HOV), fast cycling routes, road network expansion, and mobility hubs. Brainport Eindhoven, with its future perspective,

KCAP

"We see the population composition changing, and the pressure on the housing market and roads is increasing. Our main priority now is to manage the expected growth properly."

Stijn Steenbakkers, Deputy mayor, City of Eindhoven

powerful ecosystem and, despite challenges, is an interesting region to invest in.

There are many opportunities and possibilities for both national and international parties. EXPO Real is an excellent platform to present these opportunities, projects and development locations, share the future perspective and developments, and engage in discussions with various parties in Europe. We look forward to new collaborations.

Eindhoven is facing a housing shortage and is working on solutions. Is there progress or any new developments in this area?

The (economic) development of the Brainport Eindhoven region never stands still. Projections for 2024 show that the area is growing economically 2.5 times faster than the Netherlands as a whole. This trend continues and growth is faster than we anticipated.

Another significant development is the signing earlier this year of a letter of intent with ASML, a supplier of machines to the semiconductor industry, for the large-scale expansion of the company at the Brainport Industries Campus. This development is of great importance to the Brainport region, the Netherlands, and Europe.

Rapid growth brings opportunities for the Brainport region and its residents, entrepreneurs, developers, and investors, but also challenges. For example, the pressure on the tight housing market is increasing. Initially, we anticipated an expansion of 72,000 jobs and about 62,000 homes by 2040, but this is now moving towards 2030. This requires an acceleration in housing construction, infrastructure development, and other facilities in education, sports, and healthcare in the coming years.

We are not working on these challenges alone, but in partnership with the national government and the business community. The multi-billion-euro investment mentioned earlier is an example. The unique aspect of this is the use of public-private partnerships. Besides the local and national government, the regional business community is also taking responsibility. It is investing heavily through four private funds, focusing on accessibility, affordable housing, talent, and social programmes.

What are the other key priorities of the city council? What is your vision for the city in the short to long term?

Economically, the city and the region are doing well, and this trend will continue in the coming years. Economic growth is positive and offers many opportunities, but a city is also about the people who live, work, and live there. It is crucial to keep an eye on the wellbeing and prosperity of our residents. Ensuring that they can benefit from the success and that public facilities grow accordingly. Eindhoven should not become 'San Francisco on the Dommel'. We want to be a connected, sustainable city where everyone can work and live affordably. With appropriate education and healthcare, plenty of green spaces, and recreational and sports facilities within reach.

A growing city and region also bring challenges. We see the population composition changing, and the pressure on the housing market and roads is increasing. Our main priority now is to manage the expected growth properly.

This means implementation and rolling up our sleeves. Ensuring that thousands of new homes are built, the new transport hub is realised, that there are enough schools, and residents have sufficient facilities for sports, recreation, and healthcare. These are tasks that we cannot achieve alone as a city and region: we will do this together with the government, the business community, and social partners.

Besides implementation, the second priority is to continue the conversation with national and international parties about the opportunities and challenges in Brainport Eindhoven, now and in the future.

Bridging history and progress

A former industrial site in Newcastle is to be transformed into a mixed-use development that will sit alongside Founders Place on the Tyne river.

Newcastle's Forth Yards, a 51-acre regeneration site along the River Tyne, is set to reshape the city's urban landscape and become a model of sustainable, inclusive city living.

Positioned as a key gateway to the city centre, this once-industrial brownfield site, rich in railway heritage, is being transformed into a vibrant, housing-led mixed-use development.

With plans for more than 2,000 new homes and amenities like a New York-style highline linear park, the project seeks to connect Newcastle's West End communities with its centre while preserving its industrial past.

Forth Yards is located along the western edge of Newcastle city centre, with the River Tyne as its southern boundary and the Redheugh Bridge as its north-south spine. At 20 ha, the site is Newcastle's last major undeveloped river-frontage brownfield site and boasts an array of industrial archaeological heritage and historic railway infrastructure.

This is alongside the neighbouring Founders Place development to the east of Forth Yards. Founders Place was originally the location of the workshops and offices of Robert Stephenson & Company, the first company in the world created specifically to build locomotive steam engines. It is now home to a mixed-use scheme which includes a hotel, car park, University Technical College, office space, and a music and events venue and will connect the site to Central Station.

Building the future

Forth Yards offers the opportunity to build on and bring the city's industrial heritage into the 21st century with a focus on housing-led regeneration that works for people and the environment. This will encapsulate not only housing but quirky public realm, including the highline linear park on the site of a disused railway track which cuts across the top of the Forth Yards development area.

Plans are being brought forward to deliver a number of significant residential-led schemes across Forth Yards. Newcastle City Council is working with the site owners, Homes England and the North East Combined Authority, to enable the development of a well-connected, mixed-use and sustainable new place integrated into the existing fabric and communities of the city.

In April 2024, Hines agreed to forward fund the development of 519 new homes as part of the first phase of development for Forth Yards. Olympian Homes is the development partner for the 325,000 sq ft scheme. It will comprise two blocks of one- and two-bedroom rental apartments, along with 10,000 sq ft of amenity space including a gym, coworking facilities, two roof terraces and a cinema room.

The aim with Forth Yards is to create a community and neighbourhood that residents are proud of and that represents Newcastle's industrial past, but also its future as an inclusive city and a green city.

Left: Forth Yards brownfield site on the banks of the River Tyne

Above: Newcastle Central Station, next to the Forth Yards site, connects it to the rest of the country and demonstrates its industrial heritage

Iceland to build resilience with largescale projects

The country has a series of developments underway to diversify the economy and which will capitalise on sustainability principles and a diverse workforce.

Signature projects geared towards leveraging Iceland's current growth trends and diversifying its economy are moving forward.

Iceland's main airport, Keflavík International Airport, is evolving to meet passenger demand and its expansion is part of a wider masterplan to capitalise on the region's economic potential.

Keflavik Airport Development Company (Kadeco) is responsible for leveraging the potential of the increasingly busy airport for the benefit of the surrounding area. The Keflavík Airport Area masterplan, called K64 and launched by Kadeco in March 2023, provides a long-term strategic vision by bringing together a spatial framework and an economic programme that will unlock the region's huge potential and help diversify the economy.

The area, which includes the airport and the communities in its immediate vicinity, Reykjanesbær and Suðurnesjabær, is only 50km from Iceland's capital, Reykjavík. It is a part of the Suðurnes region, a unique area of Iceland with UNESCO Global Geoparks status.

Multinational development team selected

A multidisciplinary team, led by international planning agency KCAP and comprising many different nationalities, was selected in a competitive process to develop the masterplan.

The vision is that by 2050, the area will host a mix of industrial activities, boosting Iceland's resilience against economic shocks such as the recent pandemic and climate change, while leveraging features such as renewable energy, a young and diverse workforce and strong sustainability principles.

The masterplan proposes to focus on the development of a few strategic areas with a high impact in terms of identity and value creation. With Keflavík airport in the centre and in synergy with the wider region, these focus areas include Helguvík-Bergvík, which will be transformed into an eco-industrial park, as well as key sites at Aðalgata and Ásbrú. Furthermore, rural areas are connected through active mobility and landscape networks.

"The framework plan for the Helguvik and Bergvik site is a collaborative initiative between us

Adobe Stock/mandritoiu

"The framework plan for the Helguvik and Bergvik site is a collaborative initiative between us and the two municipalities aiming to foster economic growth through the development of an eco-industrial park near the airport and an international shipping harbour."
Pálmi Freyr Randversson, Kadeco

and the two municipalities aiming to foster economic growth through the development of an eco-industrial park near the airport and an international shipping harbour," says Pálmi Freyr Randversson, managing director of Kadeco.

Meanwhile, residential development at Ásbrú, a former naval base that is being repurposed to include residential and manufacturing clusters, is taking off and Kadeco signed a deal with a developer in summer 2024 for 150 housing units. "We are working on three local plans for residential development at Ásbrú, which will focus on densifying and creating a sustainable neighbourhood for residents," says Randversson.

Commercial development proceeding

Commercial development at the airport gateway area – including a hotel, pharmacy, restaurants and residential – is also proceeding. "This is mostly happening through a local developer who has incorporated the K64 vision into their plans and is attracting international and Icelandic investors," Randversson says.

Development contracts are also in the works with international algae producers and data centres, among other industries. Partners are "both international and Icelandic, big and small", Randversson adds.

A burgeoning population has created a pressing need for more housing in and around Reykjavík

"We are also constantly using the ambitious landscaping, mobility and economic strategies from K64 with local authorities, sticking with the plan and the holistic, comprehensive vision for the area."

The airport zone is not the only area in Iceland undergoing development that is largescale relative to the country's size. Faster-than-expected population growth has created a pressing need for more housing in and around Reykjavík, and there are plans to add 2,000 apartments a year in the city over the next decade to meet demand.

A major component of the strategy to ease the pressure is Keldur, a large mixed-use development covering 116 ha that includes more than 700,000 sq m of commercial, retail and residential floorspace.

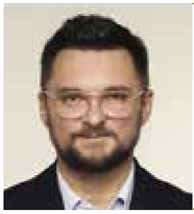
Keldur is part of a corridor of dense, mixed-use urban core that runs the length of Reykjavík, from the old city centre to the eastern edge. The plan is to develop a modern urban quarter with the addition of accommodation for up to 12,000 residents and creation of 8,000 jobs, focused around eco-friendly transportation and land use as part of a carbon-neutral environment.

International contest for development

The City of Reykjavík and Transport for the Capital Area (TfCA) have signed a memorandum of understanding (MoU) to collaborate in the development of Keldur. With the MoU, a decision was made to hold an international contest for the development of the area, which was won by Swedish architect FOJAB and engineering consultant Ramboll

Thorsteinn R Hermannsson, director of development for TfCA, says the formal planning process for Keldur is to start in mid-September 2024, when a 'plan programme' will be published by the city. It is assumed that a draft proposal for a masterplan will then go public in March 2025. The masterplanning process is to be finalised late 2025 or early 2026.

"The winning proposal from FOJAB architects in Malmö is the basis for further planning and design and they are working closely with us and the city of Reykjavík," Hermannsson says.



INTERVIEW
Marcin Krupa

Katowice's game-changing regeneration plans

In April 2024, Marcin Krupa was re-elected to his third term as mayor of Katowice, located in Poland's Silesian region. The city is often cited as an example of post-industrial revitalisation, having successfully transitioned from a heavy reliance on coal and steel industries to a diversified economy centred on services, technology and culture.

Now settled into his new term of office, the mayor spoke with Real FDI about the next stage of evolution for the city, his most pressing priorities and the sectors foreign investors should take notice of.

What are your priorities for your new term in office?
Before each term, I sign a 'contract' with the residents of Katowice, outlining my plans and ambitions for the next five years. Being elected for a third term signifies that the community approves of my actions.

We cannot develop and grow without investment – whether that is in infrastructure, culture, sports, or people. Investing in quality of life makes our city an attractive place to live, work, and study.

In the coming years, I will focus on several key projects, with the municipal stadium and the Katowice Gaming and Technology Hub being among the most significant.

What challenges is the city facing and how do you intend to overcome them?
Like many Polish cities, we closely monitor trends and changes in the business services sector. Remote working has impacted the labour market, making companies more cautious about renting new spaces. Rising labour costs in Poland have also led some investors to reconsider their location choices.

While other cities have seen businesses abruptly shut down, raising concerns about the future of the IT sector, Katowice has fortunately avoided significant layoffs. Our favourable local environment encourages businesses to thrive, which motivates us to continue investing in infrastructure, quality of life, and revitalisation projects. These efforts create new jobs, spaces, and enhance the quality of life for our community and companies.

Katowice has been through a remarkable post-industrial transition in recent years. What lessons could other cities learn?
We have revitalised and preserved several facilities that were once part of the mining industry, honouring our heritage while giving it a new lease on life. It's easy to lose your identity in the pursuit of modernity, but forgetting your roots can be detrimental. Our local culture is deeply ingrained in our lives, and we are proud of our identity.

> **"We cannot develop and grow without investment – whether that is in infrastructure, culture, sports, or people."**
> Marcin Krupa,
> Mayor of Katowice

Our first major project was the restoration of the Gottwald coal mine, now the Silesia City Center shopping mall with its iconic mine shaft. This successful revitalisation paved the way for further developments, such as transforming the Katowice mine into the Silesian Museum and repurposing its underground corridors into exhibition spaces.

Currently, we are restoring another coal mine, Wieczorek, to convert it into the Katowice Gaming and Technology Hub.

What are the priority projects the city is focused on from an urban revitalisation perspective?
Our main infrastructural goal is the creation of the Katowice Gaming and Technology Hub, which involves restoring the Wieczorek coal mine facilities. This recent initiative is focused not only on physical, post-industrial area transformation, it is being leveraged and led by global corporate, technology-driven representatives. These will create values through interdisciplinary platforms building between global technological business, universities, startups and the regional IT community.

This centre will deliver a unique space for games creation and development and will include virtual reality R&D laboratories,

Kamil Kalkowski.

recording and TV production studios, and training facilities as well as hosting e-sport competitions. It will help leverage the reskilling and gamification of work and foster interaction on cutting-edge technologies knowledge exchange between the academic and business environments.

The solid vision and development strategy, combined with modern space, would attract technological companies to help create a strong community. We have already secured nearly €100 million of European funds for the first stage, and this value will double with additional funds from Katowice.

This project will preserve the unique character of the historical Nikiszowiec district, which is home to the mining community and part of the European Route of Industrial Heritage (ERIH). We aim to bring this heritage back to the residents and showcase the hidden treasures of our city.

Jeremi Astaszow

The city centre of Katowice has undergone a major transformation in recent years

What sectors are you focused on for attracting FDI?

Katowice hosts more than 100 R&D, shared service centre/global business services/business process outsourcing companies, and the aim is to further develop the technology environment focusing on the digital , artificial intelligence and gaming industry.

Hosting the Intel Extreme Masters event for the past 12 years has naturally drawn the gaming industry's attention to our city. We already have several major and minor companies from this sector, and anticipate growth following the opening of the Hub. With AI and other technologies making headlines worldwide, companies are investing in innovative solutions, and we hope the Hub will position Katowice as a key player in this technological race.

The lay of the land for the logistics industry

Ben Bannatyne, president of logistics specialist Prologis Europe, discusses the challenges facing his company and the sector, and highlights where he sees expansion opportunities

By **Paul Strohm**

Ben Bannatyne joined Prologis from JLL in 2008, spending seven years heading up the CEE operation before becoming president of Prologis Europe, which now spans 12 countries and owns about 22.8 million sq m of logistics space. Real Asset Media spoke to him about the company's responses to the changes in the business environment in Europe and the challenges which they create for the company and its occupier clients.

Ben Bannatyne, Prologis Europe

Land supply is a perennial problem for logistics real estate businesses and as the emphasis becomes urban, the competition with other uses mounts up, particularly from the residential sector. How are you approaching this?

That is our number one issue and something our teams across Europe and I discuss on a daily basis – and it's a global, not just a European issue. Greenfield land is becoming more scarce and more protected.

Pre-pandemic, a lot of people probably didn't understand or care where their products came from. But with the rise of e-commerce, people started to understand its impact on their community. It's becoming harder to go through the permitting process.

In one way, that is a huge benefit for Prologis. We have a large existing platform, and the higher the barriers of entry are, the bigger moat we can create against the competition. But to grow the business, clearly we need to develop new product, and this is really becoming more difficult.

I would highlight the UK, Germany, Netherlands and France as probably the most difficult locations. In those locations, we've taken a slightly different approach and are much more involved with local communities. We have tried to educate people on why the supply chain is important and why logistics is needed. We did so without forcing the issue and by listening to what they need to make this work for them so that it is a win-win.

Greenfield is still desirable, but is becoming more and more challenging. So we've been looking at buying covered land – older industrial estates, older office complexes, some retail parks. These real estate investments provided a return on our income while we were going through the rezoning or planning process. So it's not dead money waiting three or four years until we get permits, we're still getting that income. We've been successful in London, around Park Royal and other urban areas doing exactly that.

There are probably a couple of markets – London and Paris – where we will focus on multistorey. Given the way that land is constrained and the supply chain is growing, it's inevitable that we will start to go vertical. We spent a lot of time working with our Japanese colleagues and those in the US, particularly in New York, and also with our customers. We asked: "How can we make this work best for you?" And we've been doing that consultation over the past two to three years. And I think we've got some really

> **"We've seen that while other markets have become tight, investors and developers have flooded into Poland."**
> Ben Bannatyne, Prologis Europe

exciting formats to introduce when the time is right.

We also have a landbank of around 5.5 million sq m across Europe. It's zoned, and the majority is permitted: we can deliver another 2.5 to 3 million sq m of space.

Then we have option land, which we're still working on. We normally like to have a couple of years of supply sitting in our landbank, and that's what we have. Today is not the best economic climate to do that, and we're much more focused on build-to-suit. We are still doing some speculative development in the very tight markets – Northern Europe, mainly Germany – but in general, our focus will be build-to-suit for the foreseeable future.

Central and Eastern Europe has been a lower barrier-to-entry market, particularly Poland. We've seen that while other markets have become tight, investors and developers have flooded into Poland. Supply and demand there is unbalanced as a result. It's probably the highest vacancy market in Europe and yet still has the most amount of construction. Poland will most likely benefit more than the other countries from any reshoring or nearshoring.

The Czech Republic has probably been one of our strongest-performing markets over the last couple of years because there is an extremely limited supply there.

Are M&A-type deals the main solution to growth and are the current economic conditions particularly conducive to doing more of the type of deal that you did with Crossbay in 2022, or was that a one-off?

In Europe, most of the growth achieved through acquisitions has really been at a real estate level. It's not really been M&A – we've acquired platforms, but we're really just buying the real estate. We've been much more successful in the US with real M&A.

I believe the market – and demand – would allow us to grow 50% to 100% in Europe over the coming years, and we would never be able to do that solely through development. So acquisitions such as Crossbay are a key part of our growth strategy. We still look at individual transactions, but our preference is larger-scale, platform-type transactions.

While the capital markets have been pretty volatile in the last 12 to 18 months, we're starting to see some stability. I think valuations have probably bottomed out in the UK and Europe, and that's going to lead to some more interesting opportunities for us to raise more capital and for our funds to go out and be more aggressive on the acquisition front. We have acquisition teams that are constantly reviewing what's out there and talking to real estate advisers and customers about potential off-market transactions. We're quite selective, and when the right thing comes along, we will be aggressive.

Is it difficult to get buildings of a comparable standard so that you can brand them as yours, or is there a risk of diluting the brand?

Location is the biggest driver for us. With our knowledge and expertise, we can adapt and reconfigure a building or demolish and redevelop it. The locations where we want to be, close to the large consumption markets, are the most difficult to find and most sought-after, but we can generally act fairly quickly.

We have a very strong balance sheet, so I think sellers feel we are a strong partner and have the edge in certain transactions. There are very few portfolios or platforms we look at that are a 100% fit. 60% to 70% is good, and for the assets that don't fit our long-term strategy, we will asset manage, create the highest value and then dispose of them. The core of the product has to be a good locational fit and a good customer fit.

Customer-led development is a new activity for Prologis: basically going into markets where our customers would like us to go and partnering with them to deliver real estate in markets that might not be core long-term markets for us. It may be that they like to work with us and we understand their product, so we may deliver buildings for customers in these locations, which in the end wouldn't be long-term for us.

Are there geographies in which you would like to expand?

For the foreseeable future, we will expand geographically in the 12 countries we are in. There are certain markets that we are not exposed to. In the UK, we've been very concentrated in the Midlands and South East, so there are other markets that might make sense where we can get scale.

There are other markets emerging, whether that be in France or Germany, some micro-locations that we might start to look at. Berlin is such a market.

Our most recent geographical expansion was into India, a couple of years ago. There is huge potential, but it's really baby steps at the moment. That's run by our global team in the US with an experienced team on the ground.

You recently highlighted that Prologis has invested more than £2.1 billion in last-mile type space in the London area. Why is that important to you and what does it signify? To what extent is this happening in other European cities, or is there a particular emphasis on London?

We made a decision a number of years ago that we were underallocated in London and the South East and probably overinvested in the Midlands, so there was a conscious decision to diversify our portfolio. Obviously, with last mile/last touch, with London's consumption, being closer to it makes sense. It's highly competitive and we have learned lessons. We bought a couple of things that didn't work and we exited those.

The real estate that we're currently sitting on is a mixture of parks or new assets that we've developed ourselves, or older stuff that we've acquired to redevelop at some point. We've owned a retail park; we have offices that we have demolished; and some existing 1970s and 1980s warehouses that are not the most efficient but work for our customers who continue to pay the rents that those locations demand. There will come a point when those will be redeveloped to create new, best-in-class product.

London and Paris are the two major markets, but also Milan and a number of locations across Germany, Berlin being one.

As the costs of doing business rise due to high interest rates and labour shortages it affects supply chains. How are you able to help occupiers? Presumably it is not a matter of dropping the rent?

Over the past 10 years, rents haven't actually gone up significantly if you look at them in real terms. But it's a pain point for our customers and for their customers. We're helping them in a number of different ways.

We are much more focused on total occupancy cost, including by reducing energy use. LED lighting is standard in our facilities and I think we are over 90% converted to LED across our entire portfolio in Europe and aim to be 100% by the end of 2025.

> **"Our most recent geographical expansion was into India, a couple of years ago. There is huge potential, but it's really baby steps at the moment."**
> Ben Bannatyne, Prologis Europe

We're also working on the rollout of rooftop solar power and electric vehicle charging infrastructure. So there are other things that we're doing to improve efficiency and reduce total operating costs rather than just focusing on rent.

Labour has been one of the main pain points for customers in the past few years. There's not much we can do to create a labour pool – albeit we do have training facilities and programmes ongoing with local authorities in the UK and the US – but we can help our customers retain labour.

So we're creating much nicer working environments for people. We've invested in locations that are accessible. We have an initiative called Parklife, where we are trying to create a community within the parks we've developed, so that they fit in better with the surrounding community and provide a pleasant place for people to work both internally and externally. The feedback we have received from our customers about this initiative has been very positive.

It can be something as simple as creating a walking trail, providing more natural daylight in the warehouse, providing higher-quality office space, or toilets and shower facilities for truck drivers. There's a whole host of things we can do.

We regularly hold customer advisory boards where we get feedback from our key customers. We then try to implement things that will help them.

We took the decision, probably just after the merger with AMB in 2011, to get away from being a transactional real estate company to being a platform and a customer-centric company. Everything we do is focused around the customer rather than just the next real estate deal, the next development and the next big lease.

Logistics is one of the few real estate sectors where scale can really matter because our top 20 customers tend to be the same across the world. So we really benefit from having a strong customer franchise and a strong customer-centric approach.

But just being big doesn't matter if you don't know what to do with it. Scale strengthens our relationships because we have multiple touch points geographically with the same customers. We're able to procure better on national, pan-European and global levels, which can help drive down costs, both from a construction point of view and from an operating point of view, and often we can pass those savings on to our customers.

Pre-ordering racking is one of the services that Prologis Essentials can provide to help customers move into a warehouse faster

Is the logistics real estate sector collectively making enough of its scope for power generation and the hectares of roof space at its disposal for photovoltaic panels. Has Prologis yet realised its full potential in Europe in this regard?
No, is the simple answer. There are a number of things at play here, but there is a desire, particularly from Prologis, but also from competitors that I talk to on a regular basis, to roll out a solar programme faster. We have the roof space – it's the easiest and most logical thing to do in terms of creating the renewable energy our customers want.

The problem is that despite being under the European Union's banner in continental Europe, the regulations in each country are so different and such a challenge to get your head around that if I'm trying to roll out a generic programme across Europe, it simply does not work.
We have to be country-specific and, in some markets, submarket-specific. Different local authorities have different tariffs, for example.

It's a problem that we are spending a lot of time on. As with Prologis Essentials, we have created a new Energy team and employed a number of excellent people from that field across Europe.

We're doing what we can. We have a big programme in Germany, we've been very successful in Italy, we have a big programme in the Netherlands. We're working out how we can roll this out in the most efficient manner for our customers' benefit. Obviously, we need a return on our capital as well. It has to be profitable, but we do want to do the right thing.

We have the technology, we have the teams in place and customers desire it. We just need to work with district and government officials to try to find a way.

Another problem, particularly in the UK and the Netherlands, is that even if you generate the power, the grid may be unable to absorb it in certain cases. If you create power that no one can use, you're then into battery storage solutions and creating micro-grids, which we've done in Spain.

Power is probably going to be the biggest challenge and opportunity for us and our customers over the next 10 years. It's an area we are very much focused on.

So ESG and the drive for sustainability, photovoltaics, battery technology, AI and automation are making the business of being a logistics landlord more technologically demanding. It is no longer just a business of developing and owning a portal frame shed?
It never has been, to be honest. We're looking at our specifications on a fairly regular basis, making sure that we're being efficient in terms of costs, but also upgrading specifications in terms of materiality and amenity spaces and again, all the sustainability features that we can. There is always a push and pull between what we want to do and what our customers are prepared to pay. We are prepared to take more of that cost ourselves on the basis that we will be a long-term winner and our specifications will be generally ahead. We really strive to push the boundaries in terms of innovation.

Technically, our teams have changed as well. Our project managers used to be on site, focused on the actual construction phase of projects. That's changed. Most of the value is added before a spade goes into the ground. We can outsource the physical construction management, but the knowledge of how to work with local councils, how to title land and how to deal with local communities has become the key driver for success. So that's one example of where we've really had to reskill, retrain and change certain parts of the team to get those new skills.

We've created a whole new energy team because we understand that power is going to become increasingly difficult, and speaking to the utilities and distribution industry requires a different language than speaking to someone from real estate, so we've had to bring in that expertise.

"If you can acquire land in a location close to a population centre and it's a consumption market and, for whatever reason, it doesn't work for logistics, there's a good chance it will work for something else and a higher and better use."
Ben Bannatyne, Prologis Europe

Your life sciences development in Cambridge was a surprising departure for a logistics real estate business. Is it a one-off, or will you be doing more life sciences projects and are there other real estate sectors into which you will be making a foray?
Industrial and logistics real estate will remain the core business, but we are always looking for higher and better uses. If you can acquire land in a location close to a population centre and it's a consumption market and, for whatever reason, it doesn't work for logistics, there's a good chance it will work for something else and a higher and better use.

That turned on its head because logistics actually became one of those higher and better uses with the growth of rents, the lack of supply and the desire to get more urban, so that works in our favour. I think we got the strategy absolutely right, but it does mean that sometimes there will be land and buildings that we've acquired where the higher, better use might not be logistics. We're more than happy to either develop those sites or, indeed, sell them with the benefit of that use.


Rooftop power generation at Prologis Park Eindhoven DC3

The life sciences site in Cambridge was acquired when we did our M&A deal in the US with Liberty. They had an option on a piece of land which hadn't been a focus during the transaction, and we realised that we were sitting on probably one of the best life sciences sites in Europe. We had inherited a team that understands life sciences and had worked on that site for years.

Rather than pass that value to someone else, we decided to harvest it ourselves. It's now fully leased and has been very successful, and we're looking at doing further phases.

We're doing similar things with data centres. Again, we are screening the platform that we are sitting on and have a number of buildings and sites across Europe which potentially have a higher and better use as a data centre. We have created a data centre team who are working very closely with our energy team and five or six hyperscalers.

Maybe not this year, but certainly in 2025, we will probably have about 10 opportunities, and we're working on whether we will reclassify and convert or redevelop these projects as data centres. Will we own them long-term? Probably not, but we have the expertise to develop and deliver them to the market.