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GLOBAL REAL ESTATE INVESTMENT

Outlook 2024

10 essential questions for real estate investors

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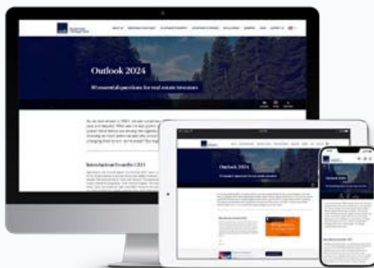


outlook2024.savillsim.com

Welcome to the Outlook report

These are the questions that we find ourselves asking most often across our various business lines so that our investment strategies stay ahead of the market. They cover Living, Industrial & Logistics, Debt, Natural Capital, Technology and more. We hope you find them enlightening for your thoughts in 2024 and beyond.

ALEX JEFFREY
CHIEF EXECUTIVE

The night is darkest just before the dawn

The tail end of this cycle is proving to be protracted as policymakers take a cautious view on inflation. While interest rates may well have peaked, there is no sign yet of any pivot to cutting, which markets expect at some point in 2024.

Indeed, central banks appear largely cognisant of what Milton Friedman called the "long and variable lags" between implementing monetary policy changes and the time they take to have an impact. With that in mind, patience is the watchword at central banks, implying a higher-for-longer policy on rates, with no respite until probably late next year.

Whilst there are challenges presented by higher interest rates and bond yields, real estate has its place for investors when it offers a compelling yield, capital protection or indeed capital growth.

On that basis, opportunities are evident within real estate, but to spot them one needs to focus on the fundamentals and try to ignore the noise that amplifies only the negative headlines.

A borrower or lender be?

Whilst borrowers will be questioning the accessibility to, and viability of, their finance, new lenders into the market are increasingly well positioned.

As conventional lenders operate more conservatively, opportunities have opened for nimble alternative lenders able to fill the gap. We have been capitalising on opportunities in debt markets, specifically with whole loans and senior loans where clients are drawn to the capital protection on offer, whilst potentially benefiting from high risk-adjusted income returns. See pages 6-7 for details.

Stick to the fundamentals

Our analysts covering the Living (Beds) and Industrial & Logistics (Sheds) sectors recognise strong and growing occupier demand coupled with critical shortfalls in the quantity and quality of supply. With both sectors starved of suitable accommodation, they have seen, and will likely continue to see, strong rental and income growth, particularly in the strongest urban areas. See our arguments as to why investors should increase relative weightings to 'Beds and Sheds' in 2024 on page 14.

Climate and nature matters, now

Sustainability and Net Zero Carbon discussions are being unsettled by the economic and political backdrop, but our commitment is resolute. Our long-term approach remains to become a restorative business by 2050. Think of this as a step beyond net zero. More immediately, we are committed to short-term measures to reduce operational (energy) costs and protect against obsolescence due to regulatory demands that are an imperative for investors right now.

We are acting to improve the climate and the health of the planet on a number of fronts, most recently by creating a Natural Capital strategy to channel funds into replenishing biodiversity and limiting global warming.

Out of vogue?

The retail and office sectors remain challenged by ongoing structural and cyclical issues that will see further value declines. This will reinforce negative perceptions, but equally could offer potential opportunities from their repricing. The consensus won't always be right.

Prime buildings in amenity-rich office and retail locations will retain strong appeal to occupiers and consequently investors, but we warn that these opportunities are more limited than many may expect.

Supermarkets, with long and secure index-linked leases, are an attractive segment of an unloved retail sector. See pages 22-23 for more information.

And don't just take our word for it.

This year, we have also asked experts from outside our organisation to supplement our articles with their own views, taking us to task or supporting our opinions.

Thanks to those experts for their contributions to help deepen investors' understanding of the challenges we face, and the opportunities that are there to capture.

QUESTION 1

Dawn after darkness in real estate investing?

Hamish Smith
Head of Research & Strategy, UK

"Are we there yet?!" The unequivocal sound of weariness and despair that emanates from the back seat during a long car journey. Which also feels fitting in the context of the fight against inflation, rising interest rates and the correction in real estate pricing. With the inflation dragon looking to have been slayed following the fastest interest rate hiking cycle by Western central banks over the past 30 years, it certainly seems as though we are there when it comes to the top of the interest rate cycle. Although, events in the Middle East potentially muddy the outlook.

However, with the impact from higher interest rates now hitting economic activity, real estate isn't quite there just as interest rates stay higher for longer. Occupational markets have held up well. But as the cyclical downturn hits tenant demand, pressures on rents are a near-term downside risk for valuations.

The relative attractiveness of fixed income remains a challenge for real estate capital raising, while further pockets of distress will likely flare up – more than €100 billion of real estate loans across Europe are due for refinancing in 2024 at significantly higher interest rates.[1] While that might sound all a bit gloomy, it becomes an opportunity for new real estate lending and as veterans of the real estate world will know, previous downturns have been followed by cyclical upturns and periods of strong performance.

As the outlook for interest rates becomes clearer and borrowing costs start to fall in 2024 (if forecasts are correct), this should start to loosen the shackles around real estate. Exactly how far and how fast rates fall will depend on country-specific dynamics. With the exception of Japan, 10-year government bonds are expected to be 70-to-170bps lower by end-2025 than their 2023 peaks[2] in the main Asia-Pacific and European markets. But that would still leave them around 30-90bps higher in APAC and 160-270 bps higher in Europe than what we saw between 2015 and 2019.[3] (Figure 1)

In a world characterised by a reset in interest rates, investors need to think and act differently, focusing more on the income side and rental growth generation to hit hurdle rates and outperform. This will require a more sophisticated approach to allocation and asset management plans. That is not to say yields won't start to move in again. But the days of buying an asset, sitting back and letting yield compression do all the heavy lifting are likely to be consigned to history, at least in the early phase of the next cycle.

> "Previous downturns have been followed by cyclical upturns and periods of strong performance.

Focusing on sectors where long-term demand drivers and supply constraints support rental growth is a good place to start. For these reasons we are positive on the urban industrial and logistics and Living sectors. We also remain supportive of grocery-orientated and discount and convenience retail, which have shown their structural resilience through the pandemic and cost-of-

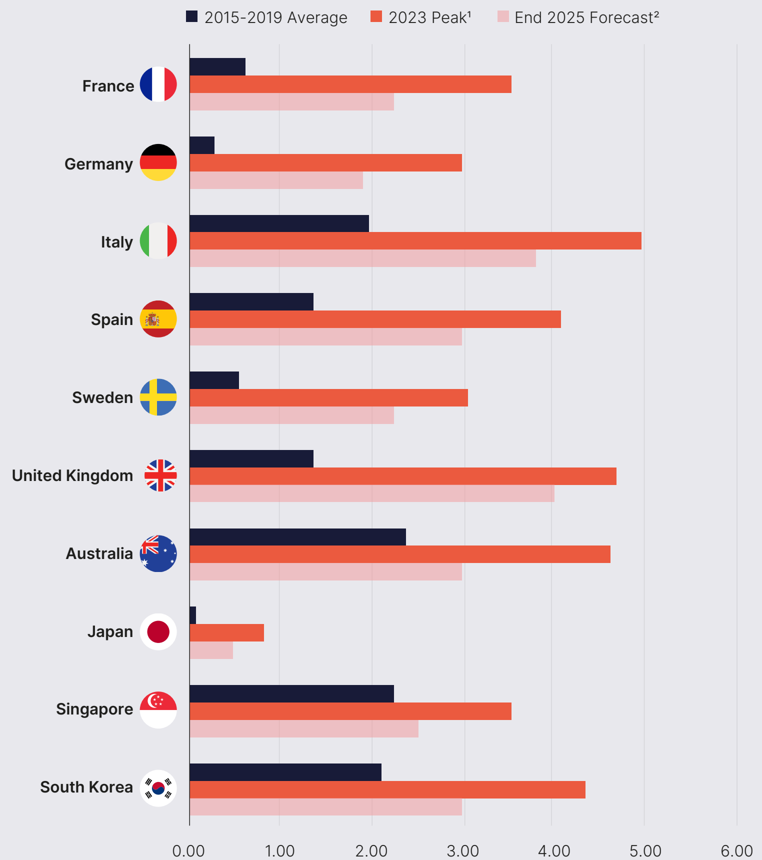
1 Savills IM calculations based on Bayes Business School data as at end-2022
2 Macrobond (8 Oct. 2023)
3 Savills IM calculations based on Oxford Economics forecasts & Macrobond data (8 Oct. 2023)

living crisis. That doesn't make other sectors "no-go" areas. But investors will need to be much more selective in their approach, particularly when it comes to offices.

Sustainability and the road to net zero are issues that investors will need to pay greater attention to. Ignoring these issues increases leasing risks and the acceleration of functionally obsolete and stranded assets.

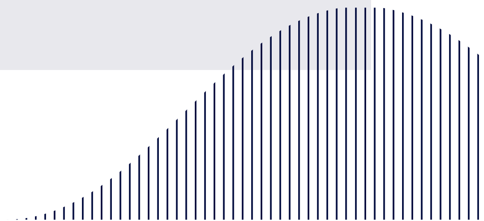
As sure as the day follows the night, the clouds hanging over real estate will lift. Mispricing opportunities will present themselves for those willing to take the plunge. By focusing on sectors and assets where structural changes support income generation and income security, investors will be well positioned to take advantage of the next cyclical upturn.

FIGURE 1:
10-year government bond yields (%)



Source: Macrobond, Oxford Economics, Savills IM (Oct. 2023)

Notes: 1. As at 8 October 2023
2. Oxford Economics



QUESTION 2

Is now the time for real estate debt?

Mohamed Ali
Research Analyst, Debt

The last three years have been characterised by heightened global uncertainty because of the rapid rise in inflation and subsequent increase in central bank policy rates.

Unsurprisingly, investors have been cautious to deploy capital as sellers struggle to acknowledge downwards pressure on prices. Buyers, meanwhile, expect to pay less given the deteriorating macro environment and the uncertain outlook.

In recent months, inflation has decelerated and visibility around the timing of peak interest rates has improved. Prospective investors are asking whether the time is right to deploy capital into real assets and the optimal route; debt, equity (direct real estate) or both.

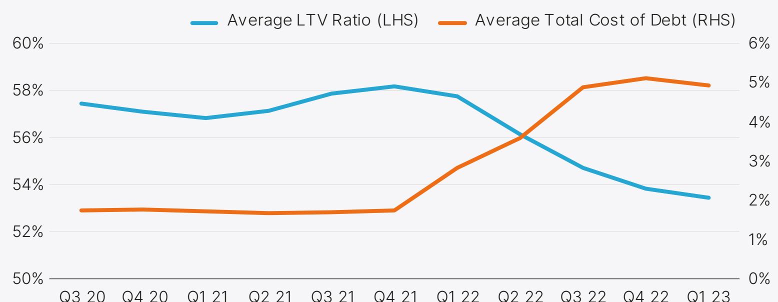
Real estate debt markets are experiencing several supportive trends which in our view creates a compelling opportunity today. Declining availability of debt financing, real estate yield rerating, and rising interest rates have created favourable return conditions. Furthermore, as interest rates have increased, new day-one loan LTVs have declined (Figure 2) which will have put pressure on the funding gap that borrowers need to fill via equity injection or more debt. Senior loans, which typically represent 50-55% of a property value, are structured to provide stable cash flows to investors. Attractive features include downside protection, provided by the first mortgage structure (these investors get paid first in times of distress), large equity cushion, strong covenants and cash traps that can be used to deleverage the loan.

Returns from senior loans depend on asset specifics, but IRRs are circa 6-7% over a five-year loan maturity period. This return will be attractive given the strong downside protection of the large equity cushion; property prices would need to drop by circa 50% to erode all the equity and to impact the senior debt. This would be an unprecedented deterioration of capital values.

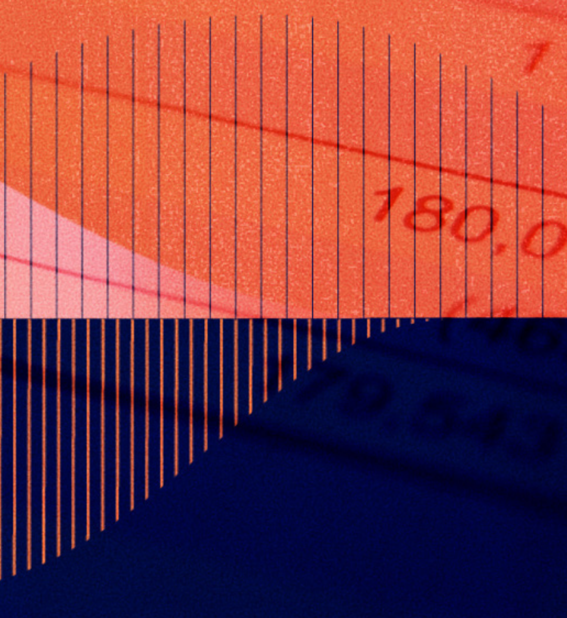
> “Debt markets are experiencing several supportive trends which in our view creates a compelling opportunity today.

Whole loans, like senior loans, are joint first in line for any payouts on recovery, but offer higher LTVs, increasing risk but also potentially higher returns. For example, compare the incremental return for the extra leverage provided by a 65% LTV whole loan priced at base rate plus 3.75% to a 50% LTV senior loan priced at base rate plus 2.5%.

FIGURE 2:
Average LTVs and total cost of debt



Source: CBRE (June 2023)



The return on the extra slice of leverage in the whole loan (50%-65%) is more than 11%. The high incremental return reflects the fundamentally different cost of capital that the predominance of providers of whole loans have versus banks who dominate the senior market.

The risk-adjusted returns from senior real estate lending look compelling.

Against the backdrop of market volatility and future uncertainty, investors will prioritise investment strategies with stable and secured incomes. Investments with strong downside protection in the form of first mortgage and substantial equity cushion combined with contracted coupon payments provide these fundamental characteristics. Investors seeking more upside will either need to seek exposure in higher LTV debt strategies or selected real estate equity strategies, both requiring higher conviction and a move up the risk curve.

Higher returning debt strategies will naturally forgo some of the protections provided by senior and whole loan strategies in exchange for the higher potential returns required by certain investors. It is worth noting that there has always been a considerable range in returns within sectors. This is relevant when lenders are considering equity cushions. An illustration using European offices (MSCI data), shows that the average historical total return spread in offices has varied significantly – with an average annual dispersion between the 5th and 95th percentile of some 35% over the last 20 years. Lenders should be considering whether their equity cushions need to be checked for potentially unprecedented capital movements. In times of heightened cyclical market uncertainties, senior real estate lending protected by the cushion of high equity represents an appealing investment approach for institutional investors.

OPPORTUNITIES IN REAL ESTATE DEBT, AN ASIAN PERSPECTIVE

I am commonly asked if timing is right for institutional clients to invest in real estate private credit in APAC and where might those opportunities be?

We should recall the sector is less mature than the US and Europe relative to the size of underlying asset markets, and the region is remarkably diverse whether considered politically, economically or by legal system.

The most advanced market for non-bank lenders in APAC is Australia, reflecting the deep and liquid institutional real estate investment market.

Within Australia, high quality opportunities exist where traditional banks are doing less, whether in unloved sectors like retail and hospitality (applying conservative first-mortgage leverage) or Living and industrial (meeting needs for higher leverage based on asset market fundamentals). In both cases, the ability for institutional investors to access capital-protected returns from the increasingly professional non-bank market are compelling.

In terms of opportunities beyond Australia.

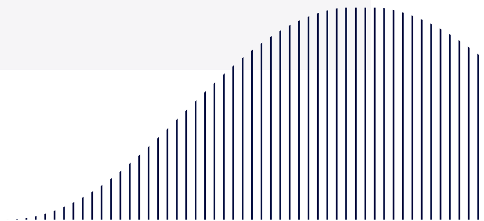
- Hong Kong's private credit market is relatively attractive and currently dominated by real estate family offices and some US distressed and special situation funds.
- In Japan and Singapore, the highly liquid bank market continues to be dominant at competitive pricing, leaving little room for alternative lenders.
- In terms of the next frontier, many managers have identified India but "how to access" is the most frequent refrain? And other countries more frontier still for now.

Within all these individual country dynamics, the conversation I frequently hear is how to build a pan-regional real estate private credit business. The opportunity is there for experienced firms from Europe and the US to deliver a global platform for clients (and vice versa for outbound Asia lenders).

With capital, opportunity, and our platform across the region, we are well placed to be active in APAC real estate credit in 2024, but its G'day Australia for starters.

STEVE WILLINGHAM

Head of Asia DRC Savills Investment Management



QUESTION 3

Is space the final frontier in setting real estate allocations?

Hamish Smith
Head of Research & Strategy, UK

Andrew Allen
Global Head of Research, Product Strategy & Development

Real estate analysts spend much time considering macro variables and implications for tenant demand while the supply side is often overlooked as it is harder to quantify.

As Star Trek's Spock might have said "Space is the final frontier for real estate. Let's boldly go to explore that logic and the strategic importance of supply, operational intensity and profitability of that space."

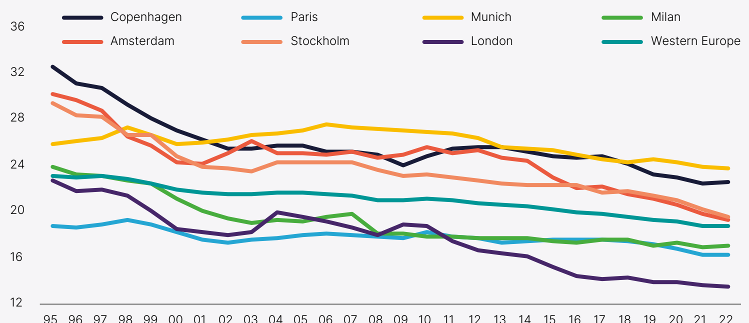
Operational efficiency is critical to the prospects for any business. Yet real estate investors pay insufficient attention to technology and its impact on improving the productivity of commercial space. In effect, technology is an invisible supply dynamic that improves space utilisation and marginal space requirements. Understanding the risks around this, and sectoral differences, is critical for strategic real estate investment decisions.

A measure of retail supply in square metres would not have guided prospective investment performance over the last decade. A marginal erosion of store profitability has a marked impact on rent affordability. Understanding the diversion of sales from changes in shopping habits was critical to understanding the shifts in consumption and tenant demand which saw retailers and service providers trim their store networks and rents and values adjust markedly.

Employee density matters for offices. Technology has long enabled firms to improve the productivity of the space they occupy. Although overall office demand in Europe has increased over the past 30 years, this has been driven by demographics and population growth. In contrast, many markets have seen the amount of occupied space per employee fall over many years (see Figure 3). This is particularly the case for new supply additions designed around high density and hybrid occupation. Analysts and investors often fail to realise that greater office density implies new completions have a greater impact on supply as it can accommodate more staff, and this exaggerates supply risks. This mattered less in the past. But as future office employment growth slows (at least in Europe), occupier use will matter more. Risks in offices in general have risen.

The logistics sector is adjusting too. As a low margin industry reliant upon the speed of goods moved, occupiers

FIGURE 3:
Implied occupied floorspace per worker (sqm)



Source: PMA, Savills IM (16 Mar. 2023)

will seek to improve the efficiency of the space they use. For example, Ocado (UK) announced the closure of a ‘first generation’ fulfilment centre as productivity gains from new space are higher by one-third.[1] Similar to the office sector, new logistics completions should be assessed against the operational efficiency of the space delivered, not just the volume. Logic suggests occupiers could pay higher rent for more efficient space, and consequently less for inefficient space.

Living should be seen from a different angle as the impact of technology is less detrimental to the prospects of the sector. The basic needs of residents have a minimum threshold; beds and baths need to be of a certain size and in addition, residents typically want more as they get wealthier and older, often not downsizing as they reach retirement and beyond. The economics are different.

As investors look at their allocations and assets, the importance of technology in improving the productivity of space that firms demand shouldn’t be overlooked. It doesn’t mean that commercial real estate is necessarily worse than residential. Rather, investors should be on the right side of taking advantage of space efficiency. The most productive, most suitable space will thrive. Meanwhile, residential appears unchallenged in this regard and has materially lower risk to the landlord.

To focus on demand without supply efficiency fundamentals is simply illogical and this is why space is the new frontier. At a sector level living is well supported, go long in living to prosper.

1 https://www.reuters.com/world/uk/uks-ocado-retail-stop-operations-hatfield-fulfilment-centre-2023-04-25/

“FLUID CONCEPTS AND CREATIVE ANALOGIES”; EXPLORING LOGISTICS SUPPLY EFFICIENCY

The logistics sector is appealing for the strength and length of the leases that can be secured by property investors. Occupiers want the most operationally efficient space and will sign long leases to secure it.

However, the value of the investment could be impacted by the changes that force logistics demand into the most efficient space, raising risks of obsolescence as the market and its requirements evolve. We consider the significant changes of the recent past to provide some context as to what occupiers need for logistics space in coming years.

Taking the example of Amazon; logistics and what is demanded from its buildings is a fluid concept.

1995 (US) delivered their first book order ‘**Fluid Concepts and Creative Analogies**’ by Douglas Hofstader.

1998 (UK) delivered their first order and opened first fulfilment centre near Milton Keynes.

2009 (US) commences same-day delivery in 7 US cities.

2012 Amazon buys Kiva robotics.

2015 (UK) commences same-day delivery.

2016 (UK) Kiva robots installed at Dunstable and Dunfermline fulfilment centres.

2023 (UK) announces closures of fulfilment centres in Gourock, Doncaster and Hemel Hempstead, that opened in 2004, 2010 and 2014, respectively.

2023 (US) reports that in year to July it had delivered four times the “same day / next day” deliveries as it had achieved by the same period to July 2019, and a plan to double the number of same-day sites over the next two years.

2023 announces, use of delivery drones, that it has over 750,000 robots in use, and exploring robotics to undertake agile activities prior only undertaken by employees.

What next? We recognise robotics and AI have implications for further autonomy gains and the nature of locations required, and that change could be considerable given the investment in greater operational efficiency.

We reach two recommendations, i) urban proximity for same day delivery is key and ii) examine the releasing potential of the space, its ‘second life’. And for a creative analogy, we are the urban spacemen; have in mind the Bonzo Dog Doo-Dah Band’s 1968 UK music chart success ‘I’m the Urban Spaceman’.

ANDREW ALLEN

Global Head of Research, Product Strategy & Development

QUESTION 4

Will ESG fade as cost sensitivities rise?

Emily Hamilton
Head of ESG

ESG is having a rocky time. From the US to the UK and Europe, ESG is an increasingly hotly debated topic as globally businesses, NGOs and societies more broadly are seeking to hold governments to account whilst politicians are prioritising voter-pleasing policies over long-term systemic change.

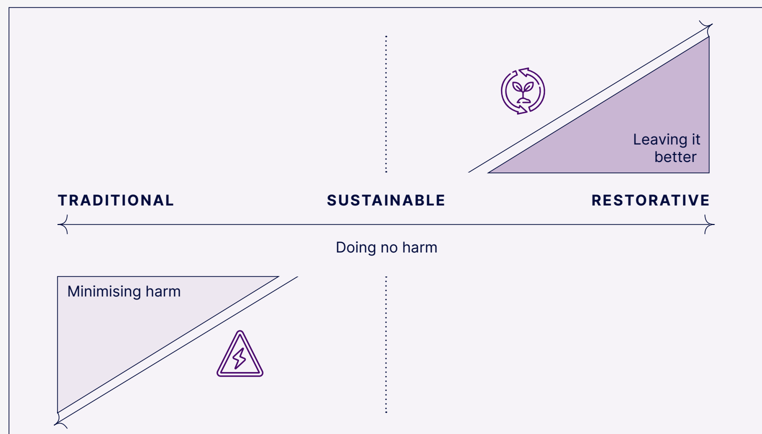
Furthermore, we are seeing a reassessment of policies which is sending confusing signals to industry and slowing the transition to a greener economy, such as delaying the phasing out of gas boilers or shelving innovative green investment plans.

As the cost of business and living rises, politicians are looking for different ways to show commitment to net zero in the long term whilst delaying short term actions. All of this is against a backdrop of the warmest September globally on record and deeply concerning news that the world breached the 1.5 degrees temperature rise for more than a third of 2023.[1]

A survey by Harvard Business Review showed 56% of European companies view ESG issues as opportunities. This compares to 30% of US based companies.[2] On the other hand, 34% of US companies perceive ESG issues as a risk factor compared to 13% of European companies. This highlights a growing chasm between the US and Continental Europe on green growth policies.

Whereas ESG feels like it's lost its way in the political sphere, real estate investment in sustainability remains focused on addressing the climate emergency. This is evidenced by companies with more than $400 billion in AuM becoming signatories to the Better Building Partnership's Climate Commitment.[3] At Savills IM we recognise the short-term trade-offs and the difficult decisions the governments around the world are having to make, but we are not letting it influence our own commitment to ensuring that the assets we manage do not become obsolete.

FIGURE 4:
The journey to a restorative future



Source: Graphic adapted from Futuremakers, 2022; Ethan Rowland Solovieb, 2018.

1 BBC by Matt McGrath, Mark Poynting, Becky Dale & Jana Tauschinskii, "World breaches key 1.5C warming mark for record number of days", 7th Oct 2023, https://www.bbc.com/news/science-environment-66857354, accessed on 26th Oct 2023

2 27th July 2023, Harvard Law School Forum on Corporate, Posted by Julie Daum (Spencer Stuart) and Kira Ciccarelli (Diligent Institute), on Thursday, July 27, 2023, "Sustainability in the Spotlight: Has ESG Lost Momentum in the Boardroom?", Governance , 27th July 2023https://corpgov.law.harvard.edu/2023/07/27/sustainability-in-the-spotlight-has-esg-lost-momentum-in-the-boardroom/, accessed on 26th Oct 2023

3 https://www.betterbuildingspartnership.co.uk/, accessed on 26th Oct 2023

This ambition stems from our belief that a company that puts sustainable investing at the heart of its business plan will be best placed to deliver robust long-term returns to investors. This is evidenced by the increasing focus on impact investment, with the Global Impact Investment Network estimating that $1.164 trillion is currently invested into impact products.[4] That said, global real estate is worth c. $379 trillion, with less than 1% of that value invested currently into impact products.[5] So can real estate catch up? Even if impact outcomes seem harder to achieve, it is abundantly clear that energy efficiency initiatives like insulation of homes, smart metering, or investing in making buildings climate resilient have clear economic advantages in the short and long term, regardless of policy shifts – lower energy bills being one of the most pronounced.

In addition, ensuring that wider sustainability considerations like good indoor air quality, focusing on biophilic design and access to quality green spaces, installing onsite renewables and embracing circular economy principles all help to position the asset as a quality building, which can support investor returns. As a company we are investing in upskilling our own people on sustainable investing outcomes through increasing resources, providing training on net zero implementation, integrating sustainable investment outcomes into variable employee remuneration, sponsoring system change programmes such as ULI's C Change[6], co-chairing BBP's Owner Occupier Forum[7] and inputting into the INREV ESG Committee.[8] Can we afford to waver like politicians have been accused of doing? The simple answer is no, we need to keep our long-term targets in mind. But we need to be aware of practical implications when money is so tight for so many. We must keep focused on measures that can save occupiers money whilst improving buildings' sustainability credentials. We are also upskilling our sector to have the skills needed to make buildings become sustainable in the widest sense, which inevitably will, despite the policy changes, lead us to prioritise adapting buildings to be resilient to the worst physical impacts of climate change and a net zero outcome.

Finally, we believe firmly that this challenge is a shared responsibility for all participants in our sector. Just as we should all eschew "greenwashing", we should also not engage in "competitive greenification" with other investors in the sector. We are committed to sharing best practice and ensuring that problems are not just passed onto others or abandoned by selling brown assets or only acquiring green ones. Timing, however, is vital. We cannot expect best-in-class ESG expenditure to top the priority list during a cost of living crisis. But essential improvements that can improve cashflow and remove risk, such as improved energy efficiency, will understandably take priority.

A MESSAGE TO REAL ESTATE: CUT ENERGY CONSUMPTION AND PRIORITISE RETROFITTING

While climate change deniers point to spurious claims from spurious experts about its impact, scientists have warned us that "catastrophic" damages to our societies are feasible this century from warming levels that we have already passed. The bizarre weather events of 2023 should be a wake-up call to anyone who thinks that business as usual can continue.

The most important thing that we can do to minimise the dangers we face is to drastically reduce our consumption of energy. The real estate industry can do much to help here, by replacing construction by retrofitting to reduce the energy wastage that currently abounds in our retail and commercial real estate. Every double-glazed window, every passive heat and rain management system you can install reduces the demand for energy, which is far and away the main contributor to our overshooting of the planet's capacity to support our industrial civilisation.

We are energy-blind, and yet when unbearable heat, persistent drought and sudden catatonic downpours strike, we'll suddenly realise that what we take for granted—these salad days of cheap and abundant energy—are over. Any energy we can put now into making our buildings far more efficient will reduce the damage that global warming will do, not merely to our children's futures, but to our own immediate futures. Just reducing energy is not enough. We need to restore the planet to the biodiverse and bio- abundant world it once was. We need bold, systemic change, and investment into nature-based solutions the scale of which may previously have been unthinkable but now is essential. If humans have proved one thing, we are nothing if not innovative.

STEVE KEEN

Dr Steve Keen is a researcher at the Budapest Centre for Long Term Sustainability. He is a Distinguished Research Fellow at UCL, and a crowdfunded commentator on Substack and Patreon.

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4 Global Impact Investing Network (GIIN), "Global Impact Investing Network (GIIN) estimates worldwide Impact Investing Size to be USD $1.164 Trillion in an industrial Milestone", 12th Oct 2022, https://thegiin.org/assets/GIIN.Release.Market Size_.pdf, accessed on 26th Oct 2023

5 Savills UK, "Total global value of real estate estimated at $379.7 trillion – almost four times the value of global GDP", 25th Sept 2023, https://www.savills.co.uk/insight-and-opinion/savills-news/352068-0, accessed on 26th Oct 2023

6 ULI Europe, C Change programme, https://europe.uli.org/research/c-change/, accessed on 26th Oct 2023

7 Better Building Partnership, Owner & Occupier Forum https://www.betterbuildingspartnership.co.uk/our-priorities/owner-occupier-forum, accessed on 26th Oct 2023

8 INREV ESG Committee, https://www.inrev.org/committees/ESG, accessed on 26th Oct 2023

QUESTION 5

Is technology disrupting the already disrupted?

Andrew Allen
Global Head of Research,
Product Strategy & Development

Real Estate investors have long been able to explore or exploit that every property is different with certain investors having an information advantage.

But in this information age the landscape has shifted, where data access is more democratic, where new data supersedes the old, and where analytical techniques are emerging at speed. The implications are of considerable relevance for real estate investors and we are certain that the question of preparedness for the ongoing disruption is key for 2024 and beyond.

I write this article having just read of AI augmented embryo scanning techniques achieving a 30% greater success in IVF, and heard Barbie Girl authentically reimagined by Johnny Cash. The frontier of what is possible through digital data, analytics and machine learning is accelerating faster than our imaginations are prepared for.

So, what should we do and how do we best 'Walk the Line' in real estate? The issue splits into two groups, those factors within our control and those that lie outside.

The house comes first, control of our own data

Real estate produces an array of proprietary data for the owner, it is essential that this is the focus. In short, extracting and managing data from within our existing investments.

Whilst managers will have systems to log factors including lease activity, income, value and financial performance measurement, the progression of data sources, often ESG and occupational measurement techniques, is a new area of focus. Fundamentally, the quality of assets is driven by a wider array of factors, frequently related to ESG and the costs of running buildings and the risks of obsolescence need measuring.

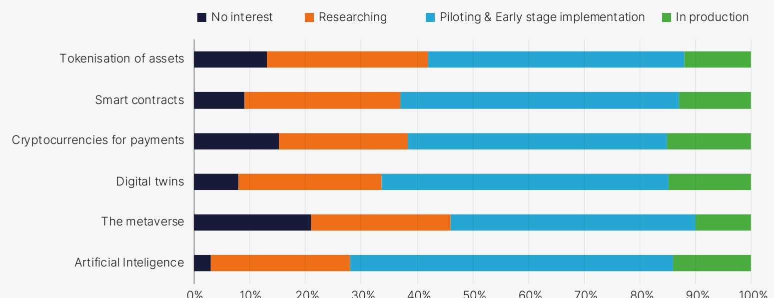
Data is the fuel to our business: Having a 'golden truth' of a widening set of data is a key focus for our business now. Data stored systematically and dynamically will be the competitive advantage. This will lead to significant operational gains of benefit to the investor, and leave those without such systems, trailing.

> "Data stored systematically and dynamically will be the competitive advantage.

Embrace the future and the expanding frontier, but should this be in-house?

Whilst machine learning captures the imagination and risks potentially blind alleys and false assertions, there is

FIGURE 5:
Real estate company's current level of engagement on emerging technologies



Source: Deloitte, 2024 commercial real estate Outlook, Savills IM (31 October 2023)

growing evidence that AI data techniques can make a positive difference to businesses. This is increasingly a focus for us in 2024.

Outside of real estate, the Boston Consulting Group has recently studied its own consultants, assessing 18 standard tasks and the productivity of using Chat GPT; there are notable conclusions.

Consultants using it completed 12% more tasks, completed 25% of tasks more quickly and with a quality level some 40% higher than those that did not use it. Furthermore, the study concluded that the use of AI was able to raise the quality of less skilled consultants; the tool is a great leveller as data and its analytics become more democratic. The historic analogy of skilled miners being outmoded by steam driven mining machines is helpful; what we have taken for granted as a skill or information advantage will be eroded by the new data techniques.

But what of our focus in real estate and AI? The BCG study focused on known and established questions and this is key. For us this will be initially around aggregation and interrogation of known and clean data. This could facilitate report writing, formulaically assess leases, site selection, create more dynamic pricing models for our occupiers, or swifter reaction in filtering investment opportunities. More detailed interrogation of dispersed, external data sets will lie outside our immediate internal focus. We see it as risky and costly bringing all data aggregation and interrogation techniques in house for now, as we expect a rapid emergence of specialist data houses that we can work alongside on a consultancy basis.

2024 will be a major turning point in the adoption of data, data techniques will level the playing field, but also raise the standard to which everyone is working.

IT'S ALL ABOUT THE DATA

The real estate industry has talked a lot about the use of data, technology, and now AI. Over the years, however, the industry has moved from one hyped-up concept to another (LEED, big data, blockchain, crypto, self-driving cars, digital twins, AR/VR, 3D-printing, the Metaverse, ChatGPT), all promising to "transform" the world of real estate and all seeming to fall short of those promises.

AI is different, though. AI and machine learning (ML) can be extremely powerful, effective, and valuable tools far beyond what I think any of us can really imagine. But you first need to dismiss the hype and the belief that you can just throw random data at "an AI" and receive miraculous answers to any problem you want to solve. AI and ML are mathematics, not magic. They are based on the process of developing mathematical models that represent some activity in the real world, collecting the data relevant to that activity, and using technical approaches to find patterns and relationships in the data that allow us to make better, faster, and more accurate predictions about the future.

AI is different because it's not an outcome, it's a foundation. It's a foundation to make better sense of the fundamentals about how the world works. It's a tool that allows us to develop insights and understanding based on exponentially more information than the human brain is capable of processing by itself. Those insights can lead to significantly improved decision-making and strategic capabilities.

I'll leave you with a few questions to think about. Are you where you need to be in using data and analytics in your company? If not, are you doing what you need to do to get there? If not, why not? Do you even know what needs to be done to get there? Has your current strategy worked and is it working? The answers to these questions are usually "no."

There is no shortcut to developing and using AI effectively. It's going to take significant resources and dedication, far beyond what's been seen so far in the real estate industry. We need to stop chasing outcomes, stop worrying about the FOMO and what your competitors are doing, and start taking a fundamental approach to developing sophisticated data collection and analytical capabilities for the AI systems to analyse.

JOSH PANKNIN

Josh Panknin is Director of Real Estate AI Research & Innovation at Columbia University, New York.

QUESTION 6

What can landlords do about renter affordability?

6.

Adam Alari
Head of Living Research, Europe

Residential rent-to-income ratios have risen across all European markets we monitor in the past decade. Figure 6, on the following page, illustrates the point. Demand continues to outstrip supply, and consequently the average household faces a marked deterioration in affordability and with limited alternative housing options. Rent affordability is the issue for residents, policymakers and investors into 2024 and beyond.

There is no universal definition of what constitutes rent affordability. The OECD defines people spending more than 40% of disposable income on housing as overburdened. Whilst affordability is a general measure for the rent to be within the means of the resident, more specifically we define affordability such that rent does not consume more than 30-40% of the average household disposable income band, €35-70k p.a.

> “
> The OECD defines people spending more than 40% of disposable income on housing as overburdened.

Why is affordability getting worse?

Supply has, and is not, keeping pace with demand and house prices and rents have grown ahead of wage growth.

In the past year, to the end of Q3 2023, apartment rent levels rose on average by 8.2%[1] across Europe (ex-UK) and in the UK on average by 10%.[2] This is directing more household income to rent, and together with rising utility and food costs, is putting many households into financial stress.

What will improve affordability?

The answer lies in a major programme of development, but the short-term answer is that no quick fix exists, from either the public or private sectors. Consequently, the prospect of policy interventions on rents through controls is rising.

Investors should be mindful of the affordability thresholds of their residents and the risks of policy responses as the affordability crisis deepens.[3]

What solutions can institutional investors deliver?

Long term, institutional investors can be part of the delivery of new supply. Short term they should take steps to reduce reliance on extreme, top-line, market rental growth. Focusing on affordability and minimising cost leakage, through regular scrutiny of opex, could help landlords manage a return to more modest, but still attractive, rental growth. Such steps might include:

- Regular maintenance checks to address issues when they arise;
- Monitoring resident satisfaction and requirements;
- Reduce void time and resident turnover.

Income leakage, the difference between an investors’ gross rental income and that income once costs have been deducted, varies by country and living segment. In Denmark, total net operating costs as a percentage of gross income

1 HousingAnyWhere, data as at October 2023
2 Zoopla, data as at September 2023
3 Savills IM, “Rent Regulation – can there be a fair and balanced approach?”, May 2023

averaged c.34% over the past five years compared with c.22% in Austria.[4] There is a clear opportunity to use best in class techniques from one country or segment to another.

Ensuring adequate investment in buildings will help retain residents, reducing the need for landlords to lift rents significantly to claw back lost income. Capital expenditure is under pressure and determining what is necessary capex has come to the fore.

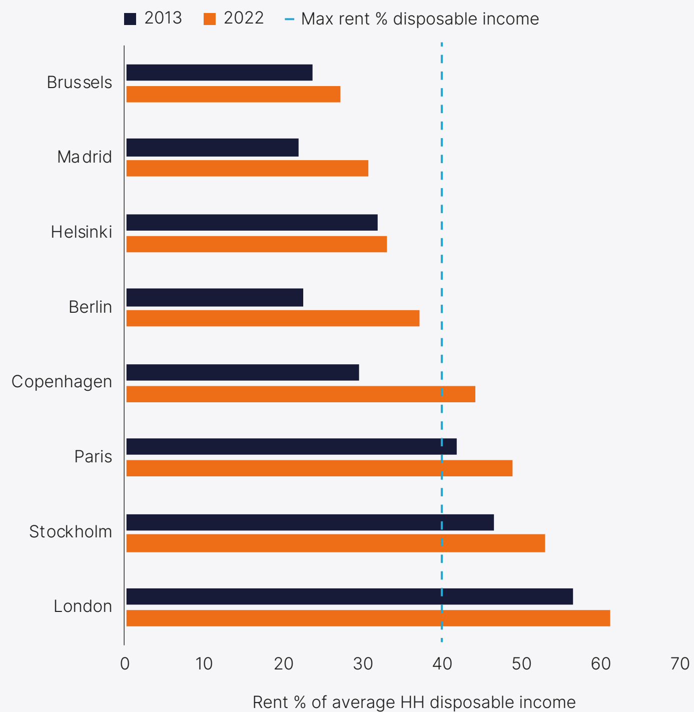
What can the landlord do?

Prioritising the residents and ensuring their satisfaction around affordability and quality of their rental home means they will likely stay longer, the community benefits will improve, and, for the investor, it simply makes sense.

> Prioritising residents and their satisfaction… means they will likely stay longer, benefitting the community and the investor.

4 MSCI, data as at December 2022, *includes cost of voids

FIGURE 6:
Comparison of average two-bedroom rent-to-average household disposable income by city.



Source: Savills IM, Oxford Economics, Eurostat, data as at June 2023, nb: all data used are nominal and averages and do not account for tax and other charges. Rent is reflective of a good quality two-bedroom apartment not older than 10 years.

QUESTION 7

What are the forces driving Industrial & Logistics growth?

Christian Müller
Head of Research & Strategy, Germany

There are probably no records that the industrial and logistics sector has not broken in recent years. Record take-up in the lettings market, almost full occupancy, rental growth, and capital value growth rates in double digits in some cases - and that is per year! Even the pandemic proved to be a positive boost and demand driver, highlighting logistics as a system-relevant infrastructure.

The legitimate question now is: are we past peak performance and what happens as we go into 2024?

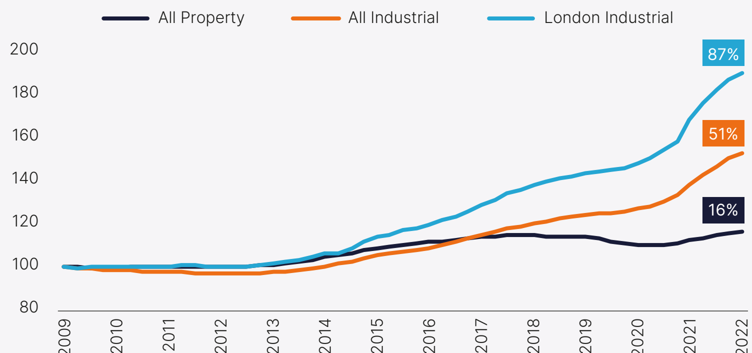
Whilst the sector cannot be immune to the economic downturn, and capital values have fallen due to the turnaround in interest rates, it is worth taking a quick look back. Industrial and logistics returns in the last decade were driven by yield compression from two directions. Firstly, capital values increased due to declining and ultralow interest rates and secondly by the institutionalisation of the industrial and logistics sector. It has developed as a highly liquid asset class with strong occupier market fundamentals and clear investment criteria.

Considering the changed interest rate landscape, the factors driving future industrial and logistics returns are transitioning from yield tightening to rent growth; and real rental growth predictions are sound. The excess occupier demand is structural for the core industrial and logistics locations, and rents will continue to rise for three key reasons:

1. Vacancies are low, and new supply constrained by high finance and development costs.
2. The existing quality of stock is often poor, being outdated for operational and energy performance requirements. By example, in Japan, only 10% of existing industrial facilities in the greater Tokyo area were constructed after the year 2000.[1] We see it as implicit that older format facilities are inefficient against the needs of modern requirements.
3. These factors are exaggerated in urban areas where,
   a) proximity to the end customer is increasingly critical for the efficiency of the supply chain.
   b) suitable land supply is typically falling.

Proximity to customers and business partners is becoming the key success criterion for efficient and robust value and supply chains, and this is evident globally. Whilst occupiers might seek to pay less to reflect the economic conditions, they will pay more for operationally efficient buildings, taking up less space, but paying higher rents per sq metre.

FIGURE 7:
Urban industrial rental growth
Outpaces the market - (beginning 2010 = 100)



Source: MSCI (January 2023), Savills IM

1 CBRE, 2020

> Rents for modern urban industrial and logistics buildings are set to grow strongly.

This will be the case for larger format Big Box logistics which will continue its growth as occupiers pursue efficiency gains seeking optimal modern space.

Rents for modern urban industrial and logistics buildings are set to grow strongly, particularly for those units with proximity to the major urban areas.

Investors could seek to invest in modern and income-producing assets or take the opportunity to create best-in-class, ESG approved, modern industrial and logistics space. Connecting the fundamentals of need for urban facilities and the shortage of available land, suggests the opportunity for more intensive use of suitable sites and these commanding higher rent and capital values.

Multi-level logistics, as we see in Asia and the US, will also gain importance in the fastest-growing European metros, as London, Paris and Hamburg already show. That intensification of site use is also likely to be a characteristic we see in 2024 and beyond.

The corollary of this is increased risks for outdated buildings in poorer locations, which could have their performance boxed in. For 2024 and beyond, investors should be looking for strong rental growth from modern and particularly urban industrial and logistics buildings.

EUROPEAN LOGISTICS BY NUMBERS

50%

50% of the overall container traffic in Europe is concentrated in/around the Netherlands.

The main reasons for this spectacular success are:

- centrally located region in a borderless Europe, i.e. goods may be shipped swiftly from or via Netherlands without any restrictions all around the continent
- top quality of handling services and flexible custom clearance
- unparalleled multimodal infrastructure – transforming the whole country into one major distribution hub for Europe

389

There are 389 inland barge ports throughout the Netherlands, connected to a network of 44,000 kilometres of waterways, which makes them a sustainable and efficient way to transport large volumes of cargo. Unsurprisingly, the Netherlands has by far the highest concentration of the logistics space per capita in Europe.

21 %

This is the part of GDP contributed by manufacturing sector in the Czech Republic - making this country of 10 million inhabitants – a very attractive place in Europe.

Production, manufacturing and other logistic services are the key drivers behind the demand for industrial and logistics space in the Czech Republic, which has one of the highest concentrations of logistics space per capita in Europe.

Reshoring, nearshoring, ESG pressure, and ambitious plans to make Europe a strong production place again are creating excellent prospects for new demand for modern industrial and logistics facilities.

50%

The manufacturing sector in Denmark has expanded by 50% from 2010-2020 – the highest rate in Europe. A very spectacular result for the country having one of the highest labour costs in Europe. Obviously, Novo Nordisk, global pharma giant is one of the most prominent examples of Danish success. Multiple examples of industrial “reshoring” are fuelling demand for industrial space in this country.

Sources: PortEconomics (May 2023), World Bank (2022), Eurostat (November 2023)

ARTUR MOKRZYCKI
Head of Capital Markets Europe, Panattoni

QUESTION 8

Why invest in Natural Capital?

Robert Godfrey
Investment Director

As part of Savills Investment Management's ambitions to become a restorative business, we are developing a Natural Capital strategy.

If any reminder were needed, the summer wildfires in Europe and the flash flooding worldwide has again brought the climate crisis into sharper focus. At the same time, Russia's 2022 invasion of Ukraine has increased awareness of food and energy security.

Rising average temperatures are also causing, and are partially the result of, biodiversity loss. The UK's green and pleasant land is one of the most nature-depleted in the world. Since 1970 the UK has lost over 60% of its priority species abundance, with many remaining under threat of extinction. Carbon and biodiversity have until recently been considered separately (illustrated for example by the separate United Nations global Conference of the Parties on each) and yet they are fundamentally interconnected.

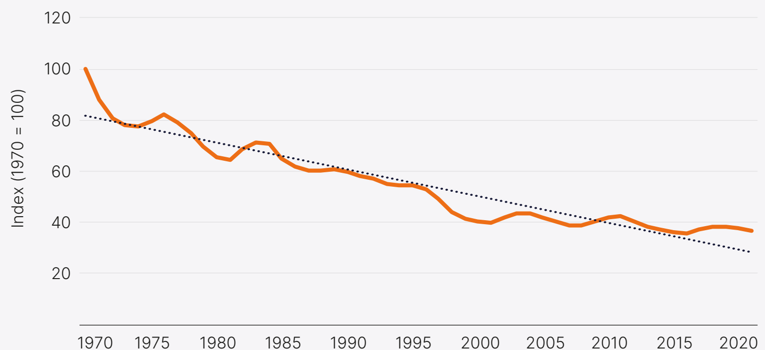
Natural Capital is the stock of soil, air, water and living things, from which ecosystem services flow to the benefit of society. Those ecosystem services include food provisioning, renewable energy, carbon sequestration, flood prevention, water and air purification, pollination, health and wellbeing. These services have largely been taken for granted and accordingly have not been valued or costed in decision making. As the late Herman Daly said: "The economy is a wholly owned subsidiary of the environment, not the reverse". The word "capital" reminds us that nature is an asset which has a value that can be enhanced or destroyed. Nature is invaluable given our reliance on it and its life supporting ecosystems.

Biodiversity enables those ecosystems to regulate the climate and mitigate the negative effects of climate change itself. The reverse is also true, for when biodiversity is lost or depleted, the ability for ecosystems to function is lost, which creates a negative feedback loop. We are very close to that state.

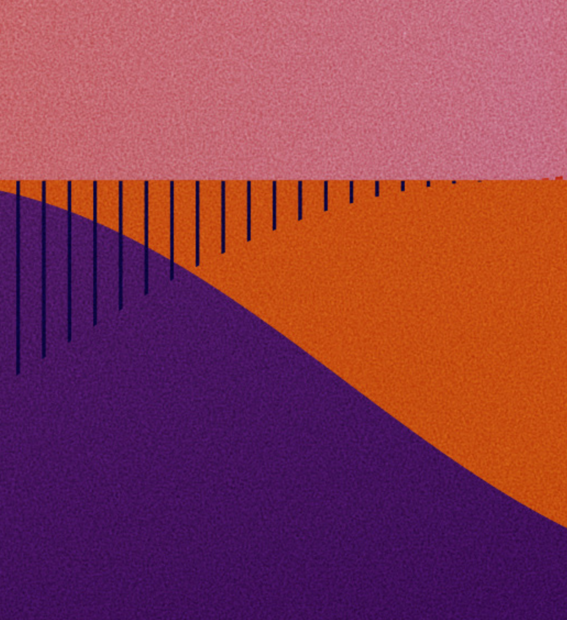
Savills IM's Natural Capital strategy seeks to tackle and mitigate these related threats of climate change and biodiversity loss through investment in land and nature-based solutions.

Nature based solutions remove carbon dioxide from the atmosphere and reverse biodiversity loss at the same time. Working with specialist teams from our sister company Savills UK, the strategy seeks to create, enhance and deliver

FIGURE 8:
Change in abundance of UK priority species



Source: State of Nature Partnership (2023), UK State of Nature Report, C4a. "Status of UK priority species – Relative abundance", 25th May 2023.



ecosystem services and nature-based solutions by investing in nature through two approaches; land management change and land use change. The former will be the application of regenerative farming techniques to restore and build resilience in our soils and farming systems. The latter to create and restore habitats which will sequester carbon dioxide and enhance biodiversity, amongst other things. Through these changes in land management and land use we will shift from an extractive to a restorative state which, at a more general level, is central to our ability to secure a future for generations to come.

These approaches will enable us to reduce greenhouse gas emissions, sequester carbon dioxide and lock up carbon and in turn, create high integrity carbon units, bundled with multiple co-benefits including biodiversity enhancement. These voluntary verified carbon units will be available to investors to either inset to meet net zero ambitions or to sell. Biodiversity credits will also be created and sold to landowners and developers to meet their mandatory Biodiversity Net Gain requirements arising from new development.

Importantly, these credits will have a financial value that is unlikely to be correlated with the wider economy.

Such is the scale of the climate challenge we have created a Natural Capital team that pursues our ambition to be a restorative business, and this will be a focus for 2024 and beyond.

“

Nature based solutions remove carbon dioxide from the atmosphere and reverse biodiversity loss at the same time.

JUST SIX MORE HARVESTS UNTIL NET-ZERO DEADLINE

Awareness of the poor state of nature and extraordinary weather events both continue to increase, but as the low-hanging fruit has been taken, the costs of a net zero, nature positive transition are starting to rise. This is awakening political tension: as consumers struggle with the cost-of-living crisis, short-term pressures win over long-term investments.

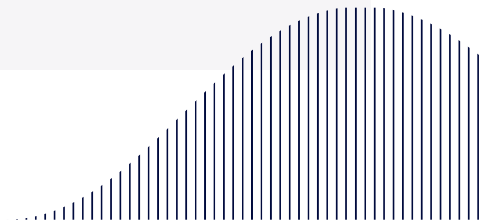
This has been problematic for some natural capital project developers, where investment theses have been challenged by a focus on the integrity of offsets. Debates have raged on whether it is fair for developers to pay for nutrient neutrality, or whether avoided emissions credits are truly locking up carbon for good.

How should investors respond? I would argue it is with more urgency, not less. Enhanced disclosure mechanisms such as The Taskforce on Climate-Related Financial Disclosures (TCFD) and The Taskforce on Nature-Related Financial Disclosures (TNFD) are becoming mainstream, with influence cutting through supply chains. Insurance risk makes the case for nature-based solutions self-evident. Considering there are only six harvests left until the 2030 target that many corporates have set to reach net zero, the need to influence land management change is both important and urgent.

With a UK general election looming, 2024 might be the year where political lines are drawn in the battle to address climate change and reverse nature loss, but demand for investible nature-based projects is not abating anytime soon.

EMILY NORTON

Emily Norton is Research consultant to Savills Rural, a farmer and an independent natural capital advisor.



QUESTION 9

Is there a future for office investment?

Hamish Smith
Head of Research & Strategy, UK

Structurally we are entering a new period for offices. While many people focus on office occupancy and regional difference in terms of employees returning to the office, the future of the office debate is a much more complex question, driven by longer-term structural changes. As a result, this should alter how investor's view and allocate to the sector.

Focusing on the European office market, we believe there are three key factors which are altering the nature of tenant demand and ultimately investor returns:

1. Structurally weaker occupier demand;
2. increasing lease flexibility; and
3. energy efficiency and sustainability demands.

We believe these trends are also impacting other office markets around the world, albeit with regional and market variations. And these will eventually widen the performance gap between high quality and average assets.

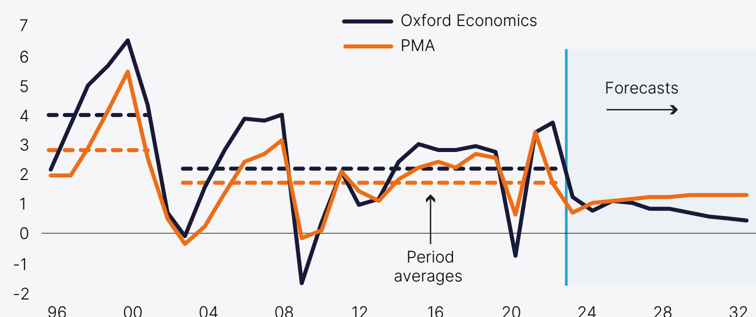
Technology has long been a driver of improving productivity, allowing firms to reduce the total amount of space they require per worker. Until now, this has been offset by favourable demographics and a shift towards more service-based economies, which have supported overall office demand. But what were tailwinds are turning into headwinds; weaker employment growth over the coming years as working populations decline implies lower occupier demand (see Figure 9).

As firms increasingly see the office as representative of their brand image, and compete to attract and retain talent, data from Savills Research suggests that tenants are placing greater emphasis on better quality, more operationally efficient, flexible and sustainable space. The flight to quality and amenity, including accessibility, convenience and lifestyle factors, has emerged as dominant market dynamic, increasing the importance of location, location, location. This increases the leasing and obsolescence risks of mediocre space, particularly in fringe locations, which are at greatest risk of a significant correction in pricing.

> The flight to quality and amenity, including convenience and lifestyle factors, has emerged as dominant market dynamic.

At the same time, evidence from the UK shows a push towards greater lease flexibility – shorter leases and increased

FIGURE 9:
Office-based employment (% p.a.)



Source: Oxford Economics, PMA, Savills IM (20 April 2023)

use of break clauses. This reduces the security of income streams and increases void risks. In the London City office market for example, where a lease includes a break, there is a 50:50 chance that it will be exercised.

Stricter Energy Performance (EPC) regulations, together with increased tenant demand for higher quality, more sustainable buildings, mean landlords need to improve their assets. Although this might be seen as a necessary one-off cost, as the overall quality and sustainability of office stock is improved, this is likely to require higher ongoing costs than in the past. In APAC, for example, capital expenditure as a percentage of operating income doubled from approximately 10% to 20% between 2010-20 according to MSCI data.

That is not to say there aren't opportunities. As tenant demand coalesces around higher quality, well-located, sustainable buildings, investors options are to acquire or create the best assets in the best locations. A near-term supply squeeze on grade-A stock is expected to drive rental growth for better quality stock. This also provides scope for 'brown-to-green' strategies, although the investment opportunity here is likely to be smaller than most expect. Similarly, office to residential conversion is a widely talked about strategy, although this is much easier said than done as Steven Paynter of Gensler explains.

The upshot is that the office sector entails greater risk and is more operationally intensive and specialised than most investors appreciate. Pricing has yet to fully adjust to reflect this.

Fundamental changes in occupier requirements mean office markets are increasingly oversupplied with stock that lack the attributes that make them attractive for occupiers and good, long-term, future-proofed investments. As a result, investors need to carefully consider the relative merits of offices in terms of risk-return profiles and allocations.

OFFICE TO RESIDENTIAL CONVERSIONS: MANDATES, MYTHS, AND POSSIBILITIES

Today, both cities and commercial real estate investors are facing a lot of headwinds. Headline grabbing office vacancy rates began pre-2020 and the onset of the pandemic, but the 'flight to quality' has been quietly impacting Class B & C buildings for years. Shifting working patterns and the rise of hybrid is accelerating this trend. The result, dubbed the 'urban doom loop', which characterises a hollowing out of city centres, invites speculation over who should worry more: investors or city mayors. An emerging solution is one my firm Gensler has explored in depth, converting those vacant offices into housing. This solution seems like a no-brainer. But is it really that simple?

The interest in this subject has reached fever pitch in the past 12 months, with cities announcing or exploring incentive programmes. Developers are taking note. Gensler notes that conversion project evaluations skyrocketed from about 100 in 2021 to over 900 in the latter half of 2023.

But not every vacant office can be converted into housing. Unavoidable structural difficulties and the need for financial feasibility make conversions viable in specific scenarios. In fact, Gensler's analysis of nearly 1,000 buildings globally indicates that only 25 percent of existing Class C office buildings make the cut for conversion. That said, converting just 5 percent of these offices could still yield more than six million new homes and the potential to create vibrant, 24/7 downtown neighbourhoods. Gensler's approach creates the opportunity to assess in minutes whether stranded assets are suitable for conversion, and what the potential change of use could look like.

Office-to-residential conversions aren't a silver bullet for many older, low-quality office buildings. But they can be a part of the solution. Projects like 160 Water Street in New York highlight that once a good building has been identified, the results can be transformational.

STEVEN PAYNTER

Steven Paynter is Principal, Global Practice Area Leader: Building Transformation + Adaptive Reuse, Gensler - a global architecture, design, and planning firm with 53 locations and 6,000+ professionals across the world.

Source: Gensler (October 2023)

QUESTION 10

Where should investors shop for returns?

Andrew Allen
Global Head of Research, Product Strategy & Development

If we stick with the image of "therapy", then psychologists speak of distinct phases in facing crisis: shock, depression, acceptance, coping. We suggest that bricks-and-mortar retail has found its way to 'coping'; indeed, the deluge of news around uncertainty and fear appears to have moved on.

Retail capital values have fallen strongly in recent years, indeed MSCI records a further 17% fall in capital values across Europe in 2022 with more likely recorded as 2023 ends.

Some investors have yet to reach the acceptance phase, but for us, we like the high income return that retail offers, with parts of the market supported by compelling fundamental drivers. Retail has moved from being one of the lower income sectors to the highest.

Of course, the recent years have been a challenge through structural and cyclical issues, we believe that the structural challenges (sales diversion) are clear and that the cyclical challenges (cost of living) will repair over 2024 and beyond.

This has different implications for the various parts of the retail sector and investors should recognise the breadth of risk and opportunity.

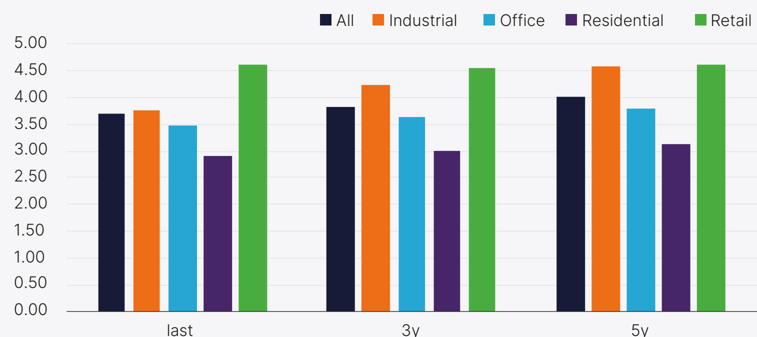
> Footfall in Europe's main retail destinations has returned strongly.

City Centres and Shopping Centres

The growth of e-commerce continues to dilute comparison spending through physical shops and has a disproportionate impact upon stores' profit levels - and thus rent affordability. Consequently, retailers still seek to reduce their rent bill through closures and negotiation with the landlords, and this challenges the values of non-prime destinations.

But we see some signs of stabilization, specifically for absolute prime locations. Indeed, in the US, e-commerce growth has eased off materially in recent months. It is easily forgotten that shopping is predominantly a store-based activity, and for those central, accessible, amenity-rich locations, retailers are once again competing for the best space attracting the high footfall for the retail therapy that consumers still enjoy. It might just be anecdotal for now, but we sense footfall in Europe's main retail destinations has returned strongly, consumers enjoying the therapy of physically shopping in compelling, diverse, and entertaining

FIGURE 10:
Retail is now real estate's high yielding sector



Source: MSCI Europe Annual Property Index (Unfrozen; Weighting: Market Size) published Annually, here 14. April 2023

retail environments. Of course, the target investment markets are much reduced, and investors need to be more forensic than ever around specific locations.

We also recognise revitalised urban neighbourhoods, benefitting from the mix of convenience, amenity and the opportunity of mixed use that spans retail, office, leisure and of course residential. The opportunity to create or own such mixed-use real estate is increasingly catching our attention as income streams are robust, diversified and supported by the fundamental growth of our cities. If investors could recognise the value of such mixed-use properties, we are confident of rewarding returns.

Convenience and necessity

We have deep experience in the routine and convenience-orientated retail segments, namely supermarkets and retail parks. Not only are supermarkets supported by financially robust tenants readily signing long and secure leases, but being value orientated, they have typically thrived in this weaker economic environment. The retail stores' role as part of the multi-channel supply chain adds to the attraction and, with potentially high alternative-use value related to ongoing urban population growth, the downside risks are lessened.

The therapists looking out to 2024 and beyond should guide that retail is detail; investors will welcome the robust income streams available but caution the ongoing challenges for the necessarily intense management requirements of mainstream shopping centres and mid-market shops in off prime locations in towns and cities.

SUPERMARKET CHECK LIST

Shopping for Supermarkets

- [x] Long leases
- [x] Indexed rents
- [x] Robust tenants
- [x] High adaptability for what is sold
- [x] Part of last mile delivery
- [x] Accessible and appealing to consumers
- [x] Limited obsolescence
- [x] High alternative use value
- [x] Fair pricing

> The length and quality of supermarket income streams is a compelling part of the real estate investment landscape and investors have recognised its appeal.

Ian Jones
Investment Director, Savills Investment Management, September 2023

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Savills Investment Management ('Savills IM') is a specialist real estate investment manager investing in Equity and Debt real estate strategies on behalf of a global institutional investor base with more than €23.8 billion* in assets under management. Savills IM is headquartered in London, UK and has established presence in 16 locations in 13 countries with over 430 staff including 154 investment professionals globally. Savills IM was formed in 1987 as a division within Savills Group a leading global real estate services company with 700 offices across 20 countries which offer a full spectrum of real estate services. In 2003 the fund management arm was split out into a separate company. Savills IM is majority owned by Savills Group with Samsung Life owning a minority stake.

*as of 30 June 2023.

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The COVID-19 pandemic has created uncertainty in many areas of real estate as well as within the macro-economic environment, including valuations and market transaction levels. As a result, all forecasts are subject to further volatility.

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