

Emerging Trends in Real Estate

The global outlook

Simon Chinn

**Vice President, Research &
Advisory Services**

Urban Land Institute

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**Urban Land
Institute**





Urban Land Institute



50,000 members globally



Active across the value
chain: investors, developers,
architects, city planners, etc



Thought leadership

Emerging Trends in Real Estate

- Joint publication by  **Urban Land Institute** 
- Published annually since 2003
- Reflects the views of thousands in the real estate and land use industry
- In-depth workshops, roundtables and interviews
- Key indicator of sentiment in real estate investment and development trends

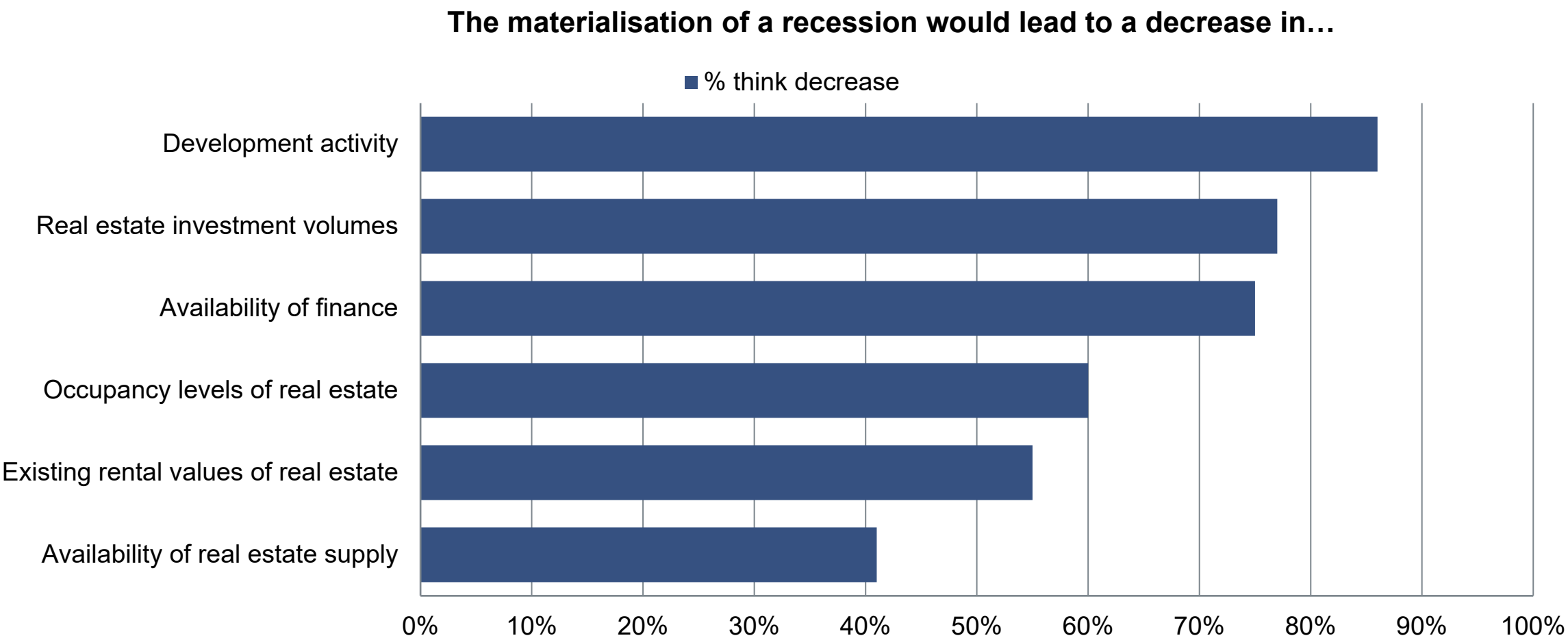
1. Real Estate Outlook: Latest sentiment from the industry

Shifting concerns – business environment

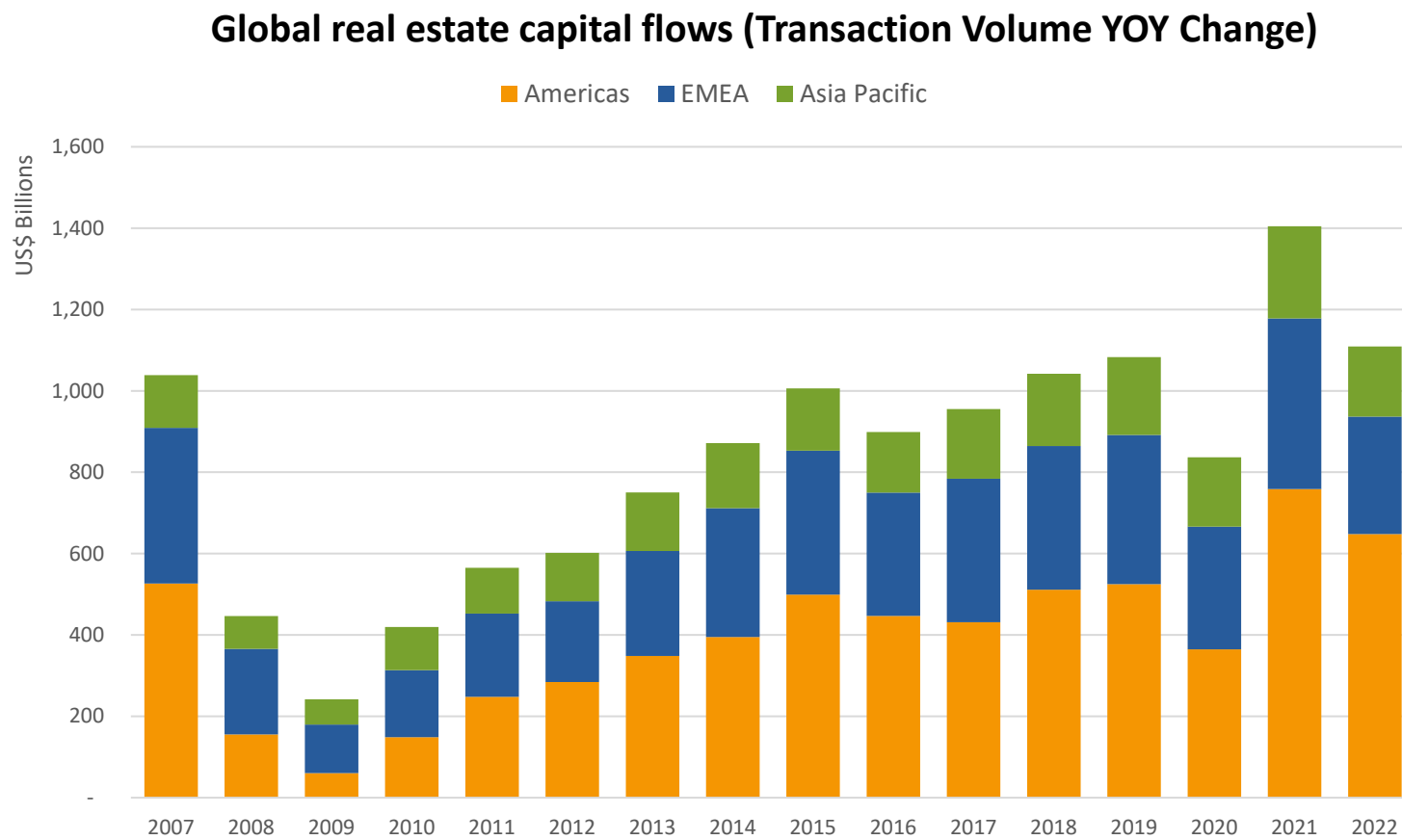
Top 5 business environment issues causing concern in 2023

	Concerned in 2023	Concerned in the next 3-5 years
Inflation	91%	13%
Interest rate movements	89%	73%
Global economic growth	81%	66%
Currency volatility	49%	39%
Cybersecurity	48%	48%

Impact of a downturn in 2023



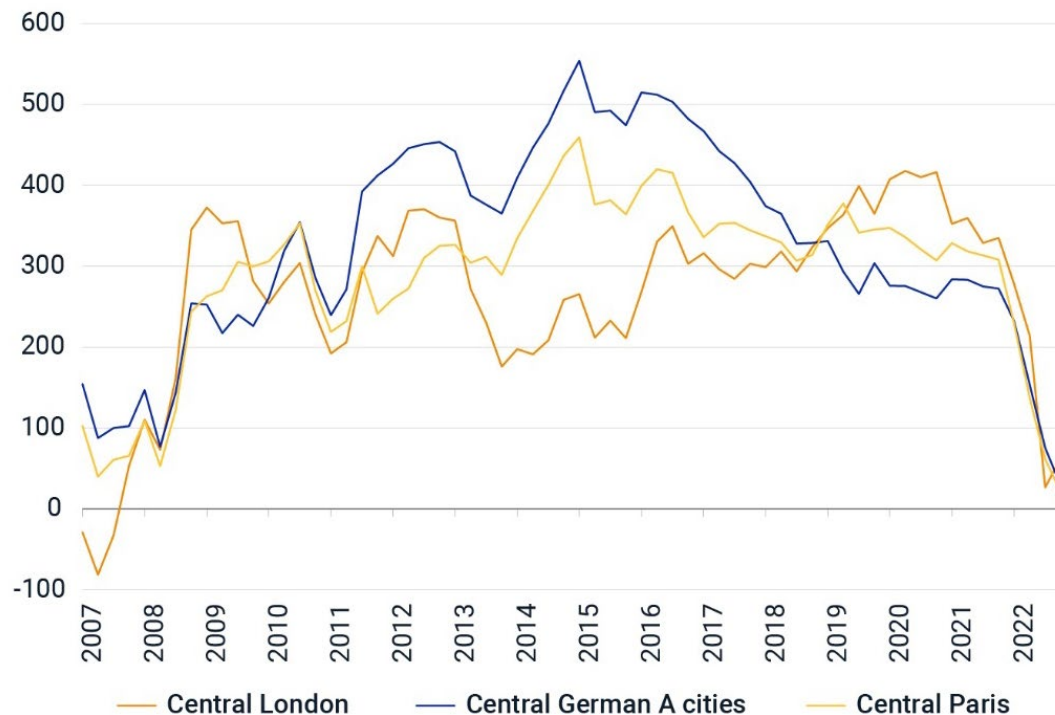
Real estate investment volumes



“ It won’t be as easy to make money from real estate as it has been over the last 10 years. You have to work for your money again, somehow. You have to really think about quality, location, all the fundamentals. ”

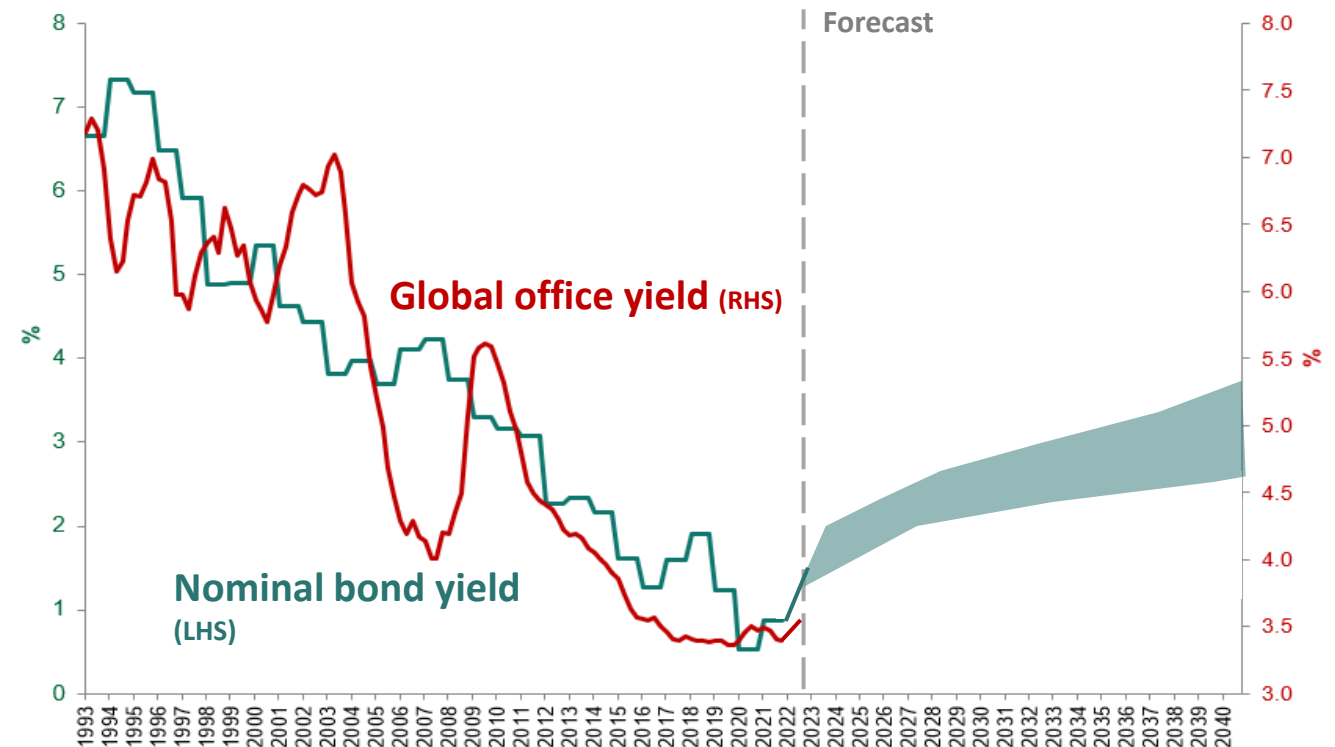
Rising rates have eroded property's competitive advantage

Office yields to 10-year government bonds spread (basis-points)



Source: RCA Hedonic Series office yields

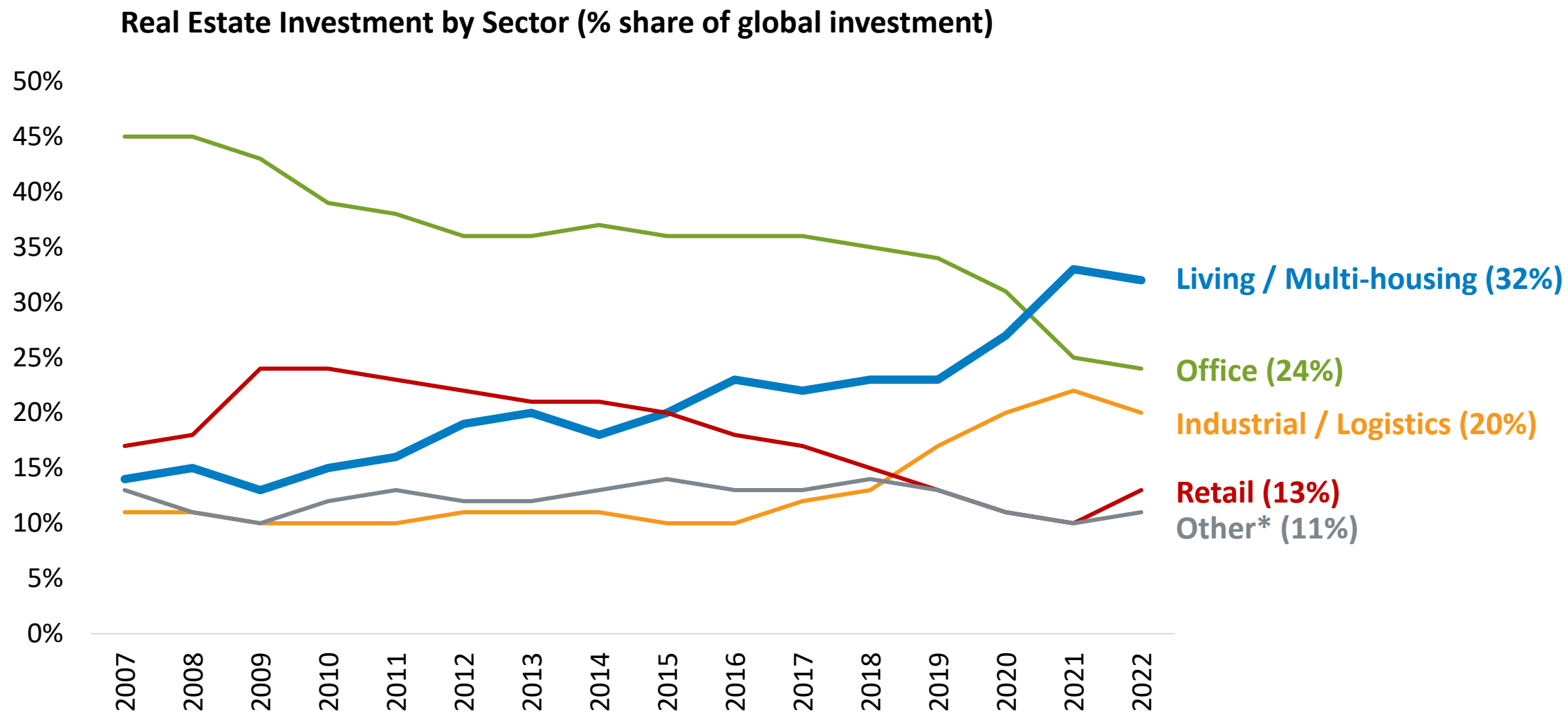
Bond yields & property yields (advanced economies)



Source: Oxford Economics, JLL, CBRE, NCREIF. Data for Grosvenor office composite yield including London, New York, Paris, Los Angeles, and Hong Kong

Rising interest rates will put upward pressure on real estate yields

Continued shift in investment volumes away from retail/offices toward industrial, logistics and residential



*Other includes healthcare, hotels & hospitality, special purpose facility, infrastructure & energy and mixed-use sectors
Note: Transactions \$5.0+ million, excluding land/development and entity-level deals
Source: JLL

More complex asset class: rising importance of new living concepts and alternatives

2003/04	2008	2016	2023
1 - Shopping Centre	1 - City Centre Shopping Centres	1 - Retirement/Assisted Living	1 - New Energy Infrastructure
2 - Residential	2 - Central City Offices	2 = Serviced Offices & Co-working	2 - Life Sciences
3 = High Street Shops	3 - Hotels	2 = Healthcare	3 - Data Centres
3 = Industrial/Warehouse	4 - Shopping Centre	4 - High Street Shops	4 - Self-Storage Facilities
5 - Retail Parks	5 = High Street Shops	5 - Logistics Facilities	5 - Retirement/Assisted Living
6 - Central City Offices	5 = Industrial/Warehouse	6 - Private Rented Residential	6 - Healthcare
7 - Manufacturing	7 = Retail Parks	7 - Student Housing	7 = Logistics Facilities
8 - Suburban Offices	7 = Housebuilding for Sale	8 - Hotels	7 = Affordable Housing
	9 - Suburban Offices	9 - City Centre Shopping Centres	7 = Social Housing
	10 - Manufacturing	10 - Housebuilding for Sale	10 - Private Rented Residential
		11 - Serviced Apartments	11 - Student Housing
		12 - Data Centres	12 - Leisure Hotels
		13 - Central City Offices	13 - Coliving
		14 - Self-Storage Facilities	14 - Industrial/Warehouse
		15 - Industrial/Warehouse	15 - Serviced Apartments
		16 - Parking	16 - Serviced Offices & Co-working
		17 - Social Housing	17 - Leisure
		18 - Suburban Office	18 - Housebuilding for Sale
		19 - Business Parks	19 - Central City Offices
			20 - Retail Parks
			21 - Parking
			22 - Business Hotels
			23 - Business Parks
			24 - High Street Shops
			25 - City Centre Shopping Centres
			26 - Out of Town Shopping
			27 - Suburban Offices

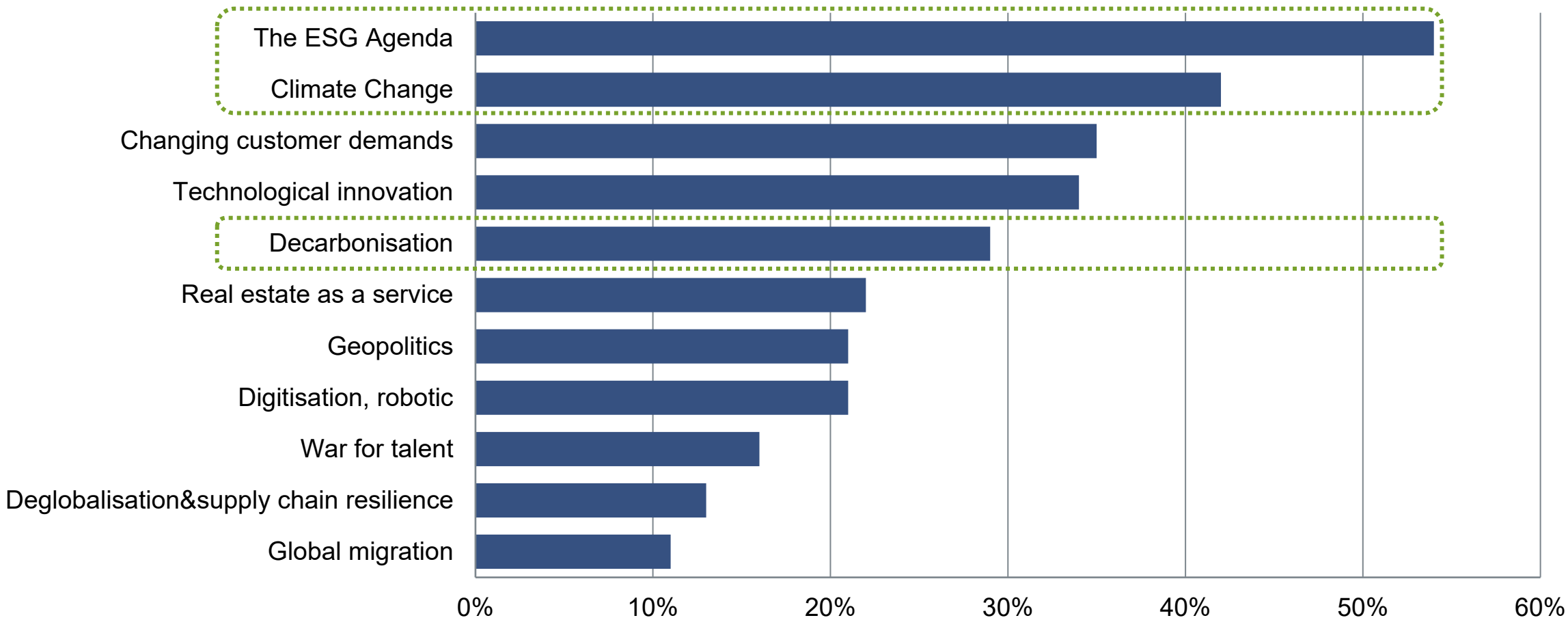
Ranking of ULI's top real estate product categories for investment and development prospects

Global City Rankings 2023: Investment and Development Prospects



The industry evolves

Expected catalysts of change in real estate over the coming 20 years



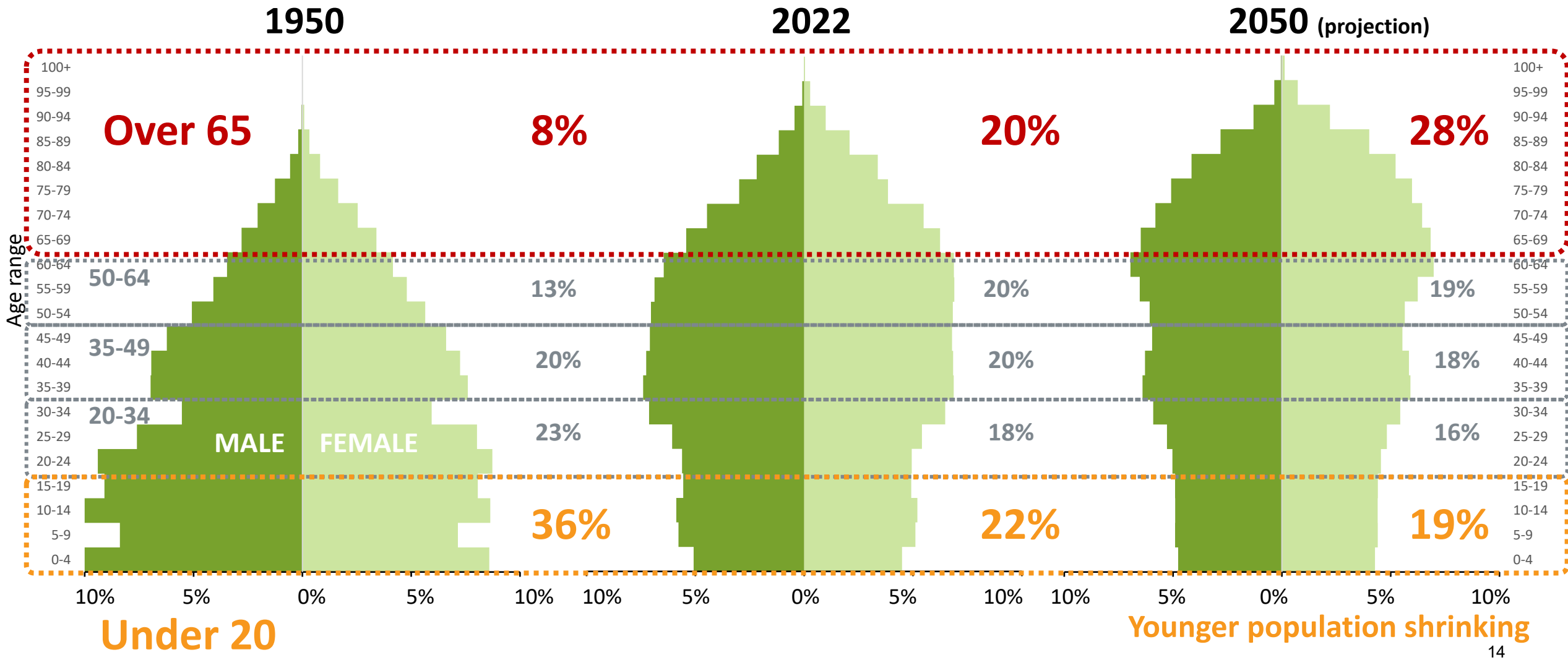
2. Macro drivers of change: Longer-term factors shaping real estate outlook

An unprecedented change in the population age structure is now underway

OECD population pyramid over time

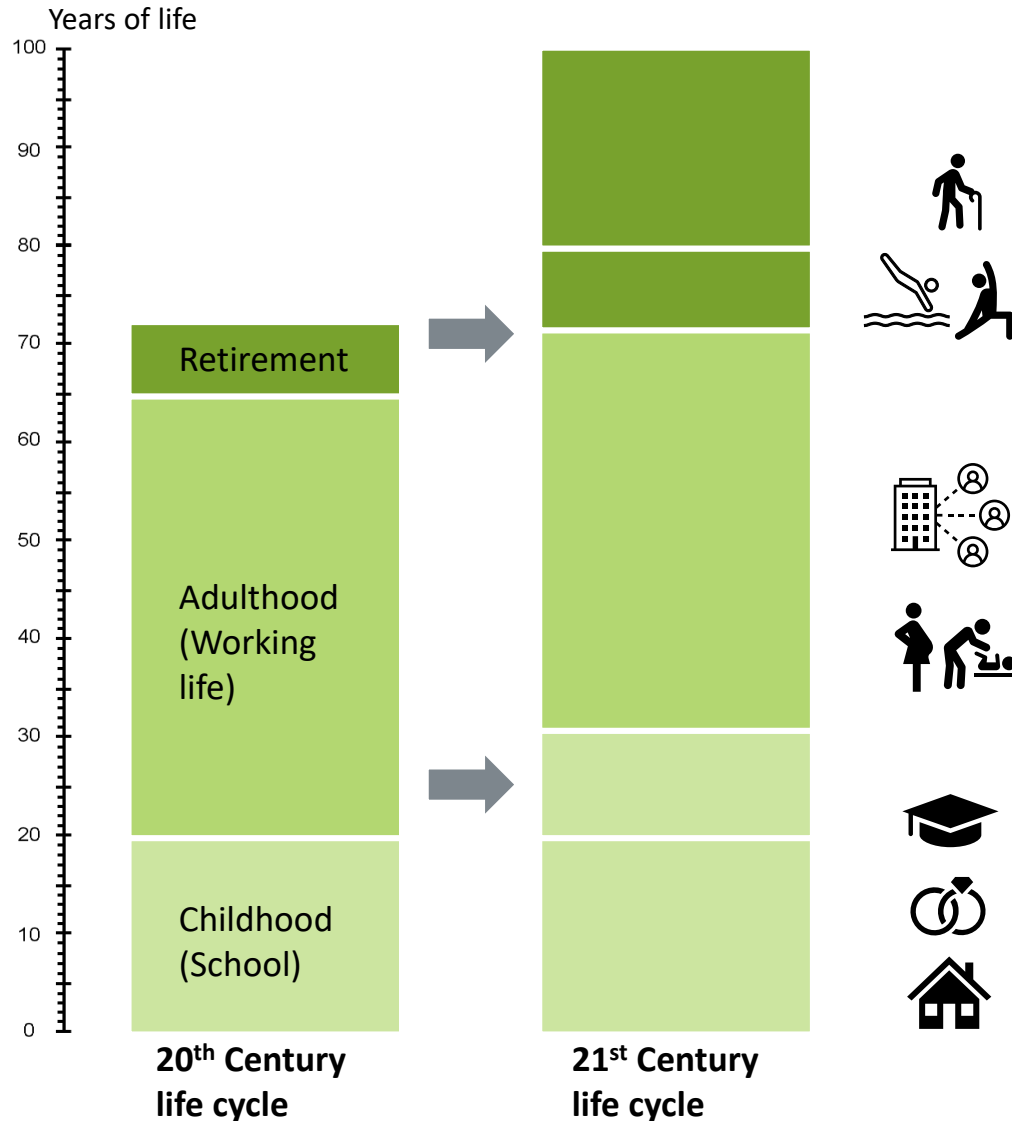
% of total population by age group

Over 65's will be the largest age group by 2050



Demographic shifts: extended life is leading to changes in the traditional three 'Stages of life'

The changing life-cycle



An extended life has major changes on life structure (and living arrangements)

Extended Retirement

- Declining health in later years
- Active early retirement

Longer Working Life

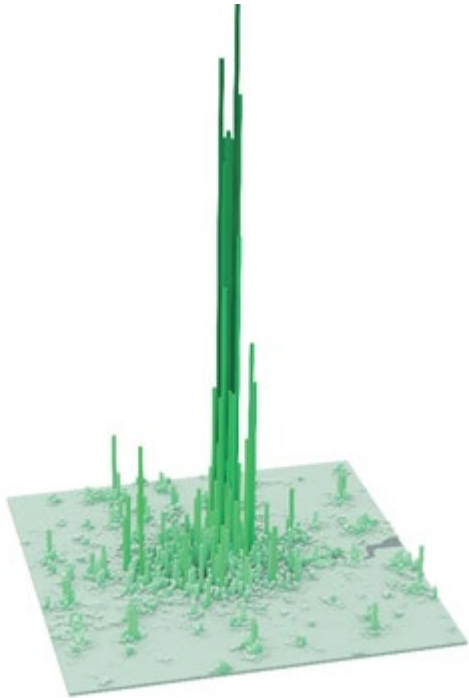
- Working to 70+
- Multiple careers
- Having children later and fewer of them

'Juevenesence' (18-30)

- Studying longer, more educated
- Marrying later
- Living with parents or renting for longer

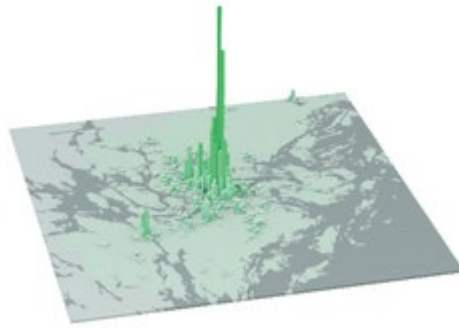
Continued shift in nature of work: rise of hybrid/flexible working could make cities less 'spikey'

Employment density (pre-pandemic)



LONDON

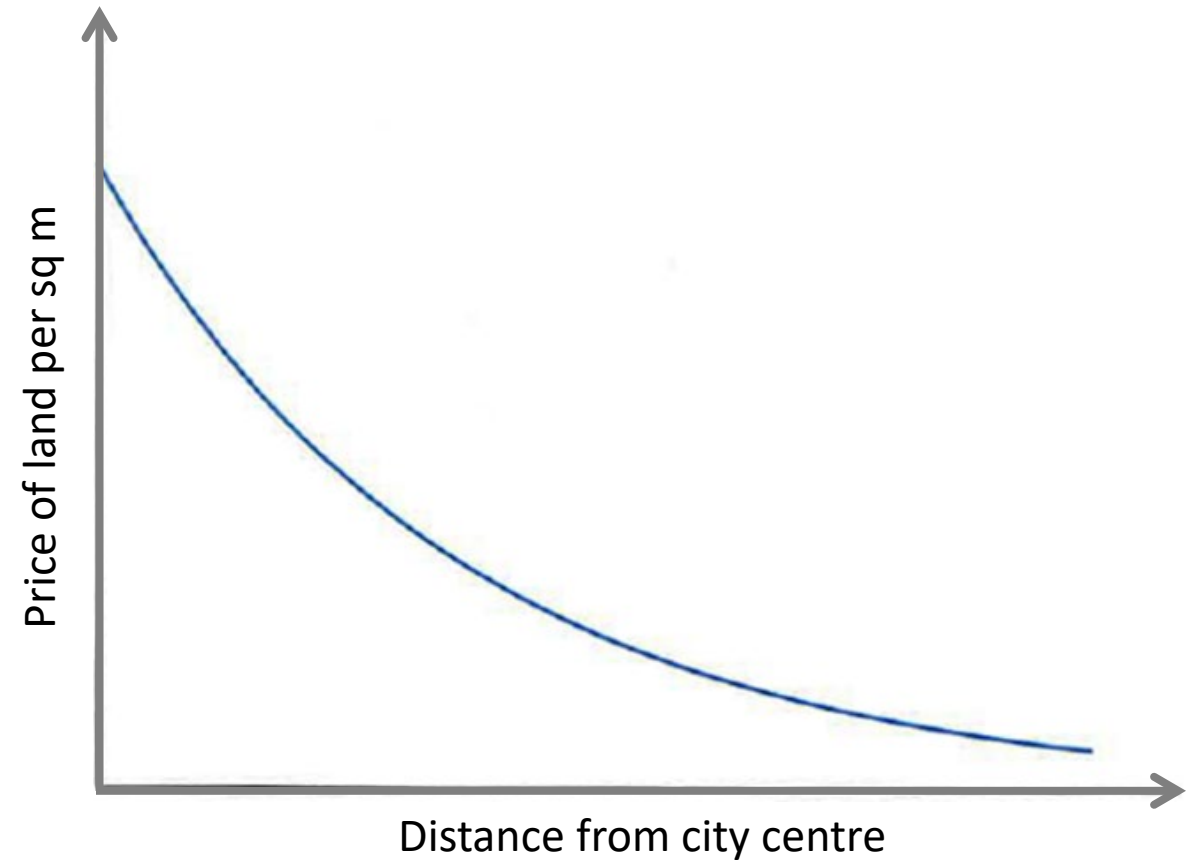
Peak employment density
141,600 jobs/km²



STOCKHOLM

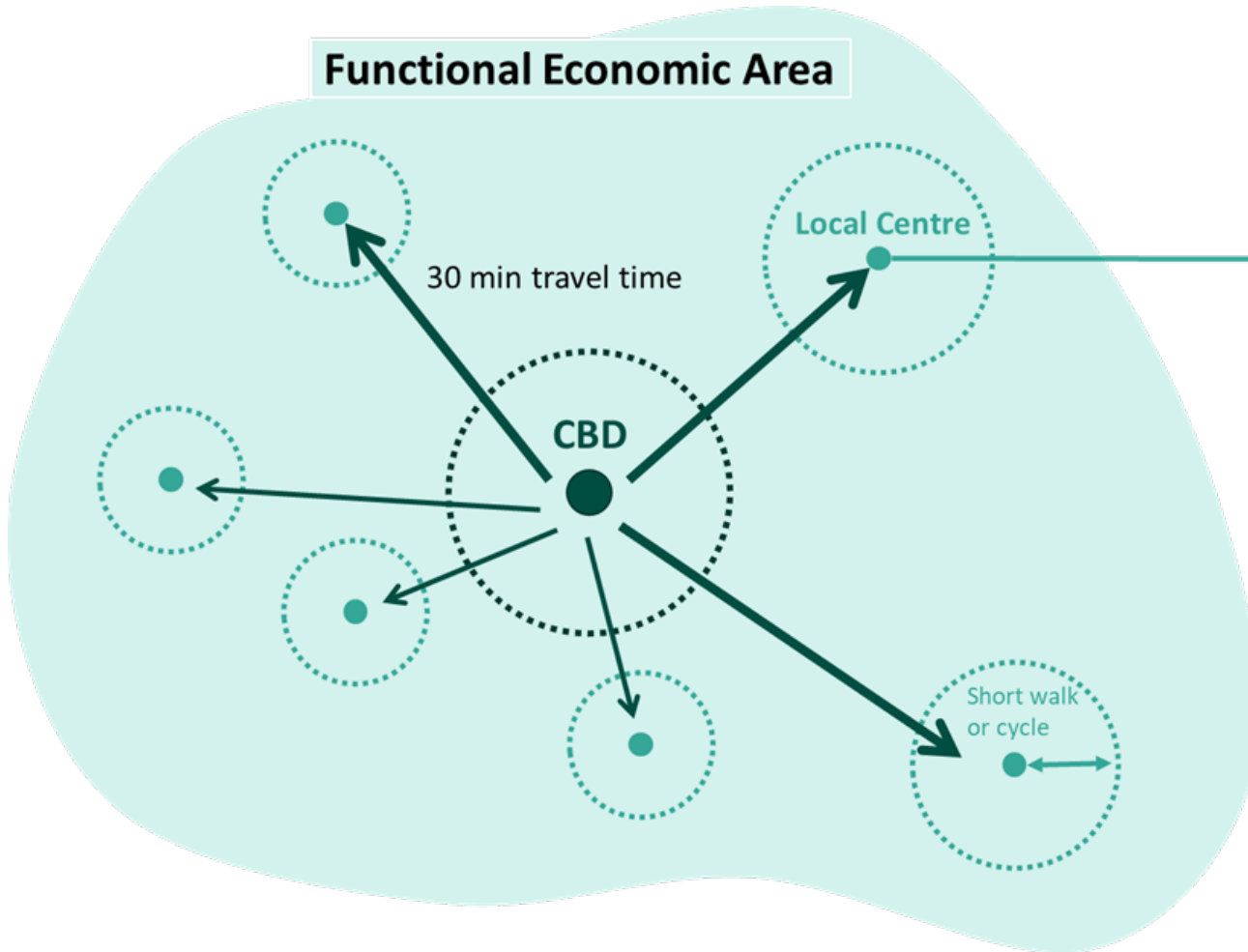
Peak employment density
51,950 jobs/km²

Urban land value vs distance from city centre



Travel time to work has traditionally been the largest factor explaining urban living choices

Evolving urban living preferences: unbundle work, unbundle the city



Neighbourhood example



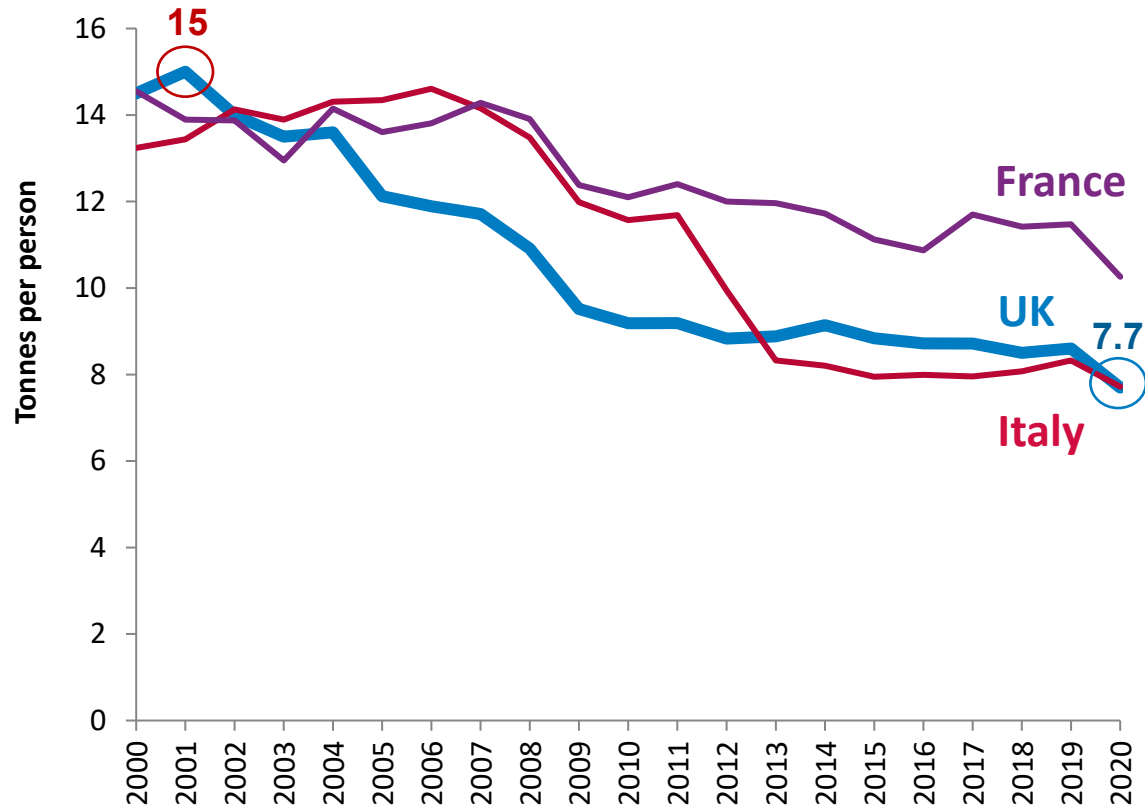
Rise of the '15 Minute City'

Areas supporting increased densification and intensification



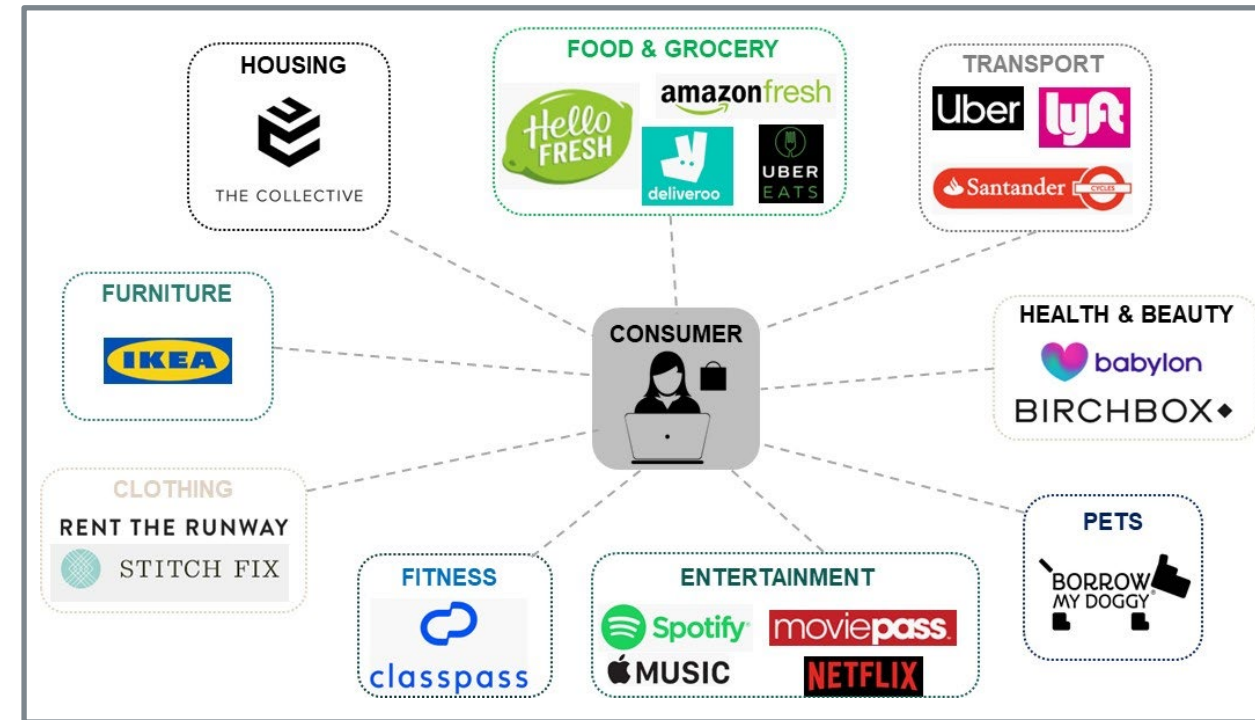
Shift in consumption patterns: Are we reaching 'peak stuff'?

Household raw material consumption
(tonnes per person)



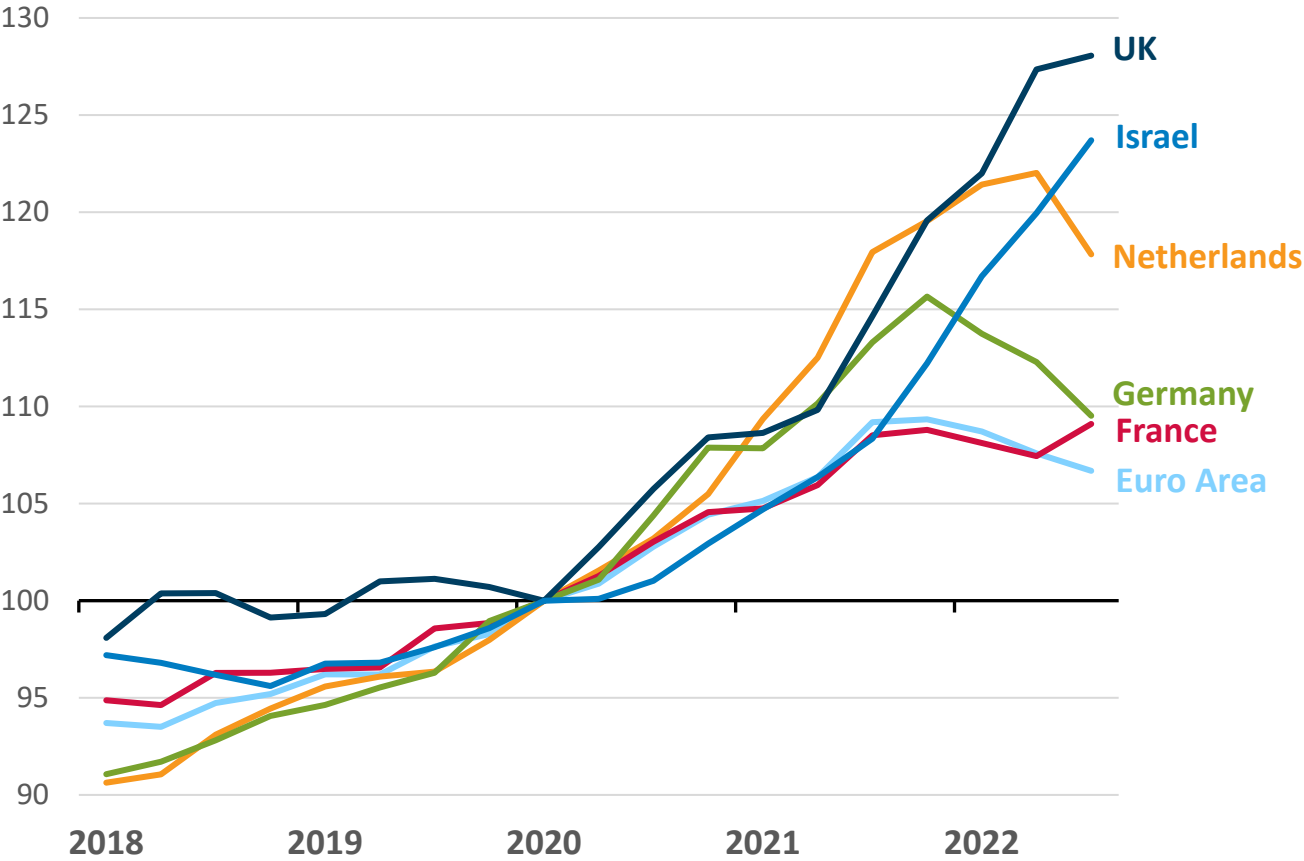
Everything-as-a-service

Digital platforms now enable a subscription-based model for goods and services to meet all of a consumer's needs

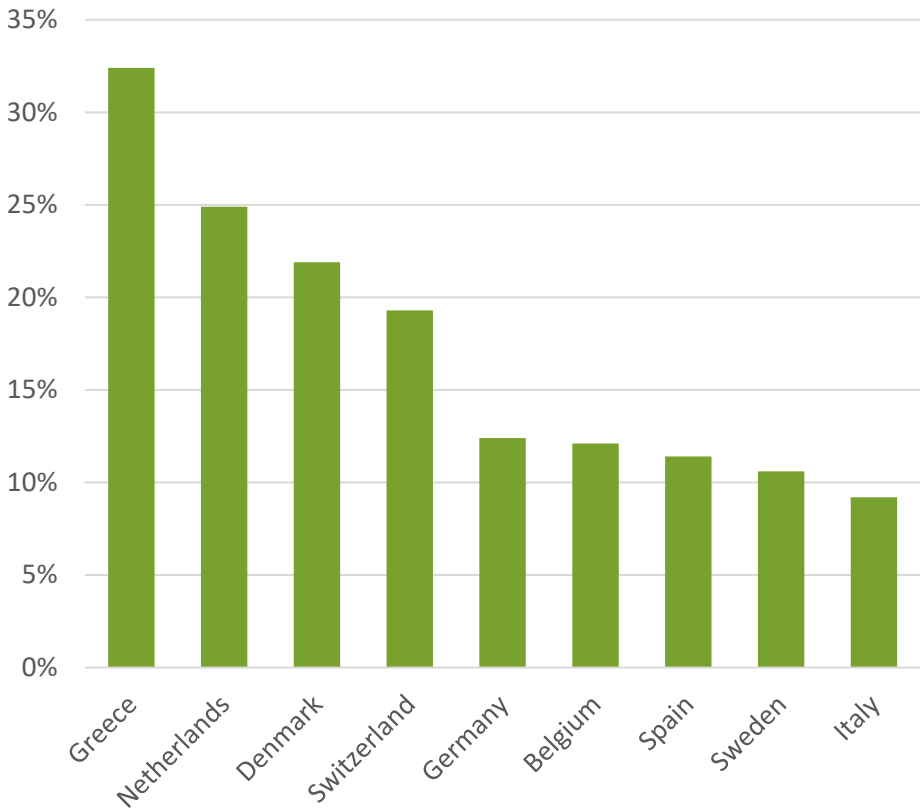


Housing affordability and security of tenure most pressing issues

Real Residential Price Index, selected countries (100 = March 2020)



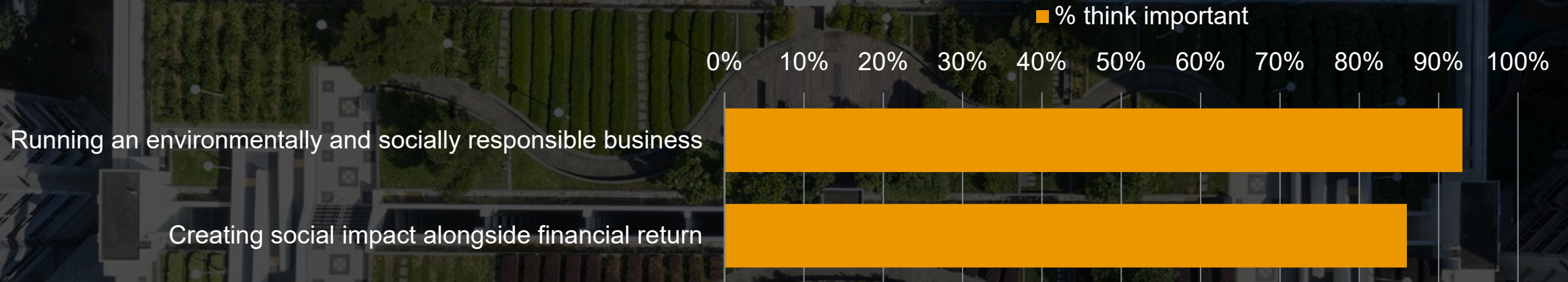
City residential cost overburden* (2021/22), selected European countries (% of households)



*Share of urban population living in a household where total housing costs represent more than 40% of disposable income

ESG: What is needed to be successful?

The importance of ESG for the successful organisational transformation of the real estate industry over the next 20 years



“The next 20 years will be about our industry contributing and behaving better so that it’s properly understood by people outside of the industry - the important contribution we make to productivity and health of society as a whole. That is the challenge and the outcome”

“We live on a very fragile planet, and one of the biggest offending industries is the built environment, but she can be restored if we take the right steps precipitously to do that.”

More information

www.europe.uli.org/research/

www.pwc.com/etre

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Contact

simon.chinn@uli.org

[linkedin.com/in/simon-chinn-urbanist/](https://www.linkedin.com/in/simon-chinn-urbanist/)

