Emerging Trends in Real Estate

The global outlook

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Urban Land Institute
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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 and PwC
• 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
### Top 5 business environment issues causing concern in 2023

<table>
<thead>
<tr>
<th>Issue</th>
<th>Concerned in 2023</th>
<th>Concerned in the next 3-5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>91%</td>
<td>13%</td>
</tr>
<tr>
<td>Interest rate movements</td>
<td>89%</td>
<td>73%</td>
</tr>
<tr>
<td>Global economic growth</td>
<td>81%</td>
<td>66%</td>
</tr>
<tr>
<td>Currency volatility</td>
<td>49%</td>
<td>39%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>48%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: ULI/PwC Emerging Trends in Real Estate 2023
Impact of a downturn in 2023

The materialisation of a recession would lead to a decrease in...

- Development activity
- Real estate investment volumes
- Availability of finance
- Occupancy levels of real estate
- Existing rental values of real estate
- Availability of real estate supply

Source: ULI/PwC Emerging Trends in Real Estate 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.

Source: MSCI Real Assets
Rising rates have eroded property’s competitive advantage

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

Bond yields & property yields (advanced economies)

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

Real Estate Investment by Sector (% share of global investment)

*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

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

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

Source: ULI/PwC Emerging Trends in Real Estate 2023
## Global City Rankings 2023: Investment and Development Prospects

<table>
<thead>
<tr>
<th>Europe</th>
<th>USA</th>
<th>APAC</th>
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</thead>
<tbody>
<tr>
<td>1. London</td>
<td>Nashville</td>
<td>Singapore</td>
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<tr>
<td>2. Paris</td>
<td>Dallas/Fort Worth</td>
<td>Tokyo</td>
</tr>
<tr>
<td>3. Berlin</td>
<td>Atlanta</td>
<td>Sydney</td>
</tr>
<tr>
<td>4. Madrid</td>
<td>Austin</td>
<td>Osaka</td>
</tr>
<tr>
<td>5. Munich</td>
<td>Tampa/St Petersburg</td>
<td>Seoul</td>
</tr>
<tr>
<td>6. Amsterdam</td>
<td>Raleigh/Durham</td>
<td>Melbourne</td>
</tr>
<tr>
<td>7. Frankfurt</td>
<td>Miami</td>
<td>Ho Chi Minh City</td>
</tr>
<tr>
<td>8. Hamburg</td>
<td>Boston</td>
<td>Shenzhen</td>
</tr>
<tr>
<td>9. Barcelona</td>
<td>Phoenix</td>
<td>Jakarta</td>
</tr>
<tr>
<td>10. Milan</td>
<td>Charlotte</td>
<td>Shanghai</td>
</tr>
</tbody>
</table>

Source: ULI/PwC Emerging Trends in Real Estate 2023
The industry evolves

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

- The ESG Agenda
- Climate Change
- Changing customer demands
- Technological innovation
- Decarbonisation
- Real estate as a service
- Geopolitics
- Digitisation, robotic
- War for talent
- Deglobalisation & supply chain resilience
- Global migration

Source: ULI/PwC Emerging Trends in Real Estate 2023
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

‘Juevenescence’ (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’

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

LONDON
Peak employment density
141,600 jobs/km²

STOCKHOLM
Peak employment density
51,950 jobs/km²

Source: LSE Cities

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

Evolving urban living preferences: unbundle work, unbundle the city

Functional Economic Area

30 min travel time

Local Centre

CBD

Neighbourhood example

Workplaces  Retail & local amenities  Greenspace & recreation  Schools & Community Facilities

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

Source: ONS & Eurostat domestic material consumption per capita
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)

Source: BIS, Land Registry, Eurostat

*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 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.”

Source: ULI/PwC Emerging Trends in Real Estate 2023
More information
www.europe.uli.org/research/
www.pwc.com/etre
#ETRE23

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