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Reports written by:

Tim Horsey

Message from the Chair

Welcome to the first quarterly newsletter of 2020!

Whilst 2019 already seems like a distant memory, two events that stick firmly in my mind are the AGM and the Annual Dinner. It was great to see so many of you at these events. Their evident success was a fitting tribute to Oli's leadership last year and the hard-work of the Committee. They set a high bar but fear not! We have an excellent, motivated Committee in place for 2020 and many exciting plans in store.

Thank you to those of you who have already completed the SPR survey. The early responses make for interesting reading and they will definitely inform some aspects of what we look to do this year. There is still a bit more time to complete the survey, if you have not done it yet – please do so ([click here](#)). This is **your** Society and you are our only guide as to what we do well, what we could improve on and how we can cater for your needs. If you want us to change, tell us. If you want us to stay the same, let us know.

As with everything in life you get out of the Society what you put in. The more you engage in our programme this year, the more value you will get out in terms of knowledge, networking and enjoyment. I hope you will fully engage with our events this year and I look forward to seeing you there.

Kind regards,
Tom Duncan
Chair

CONFIRMED EVENTS

5 February 2020 – Work.Life, Soho (fully booked)

27 February 2020 – What role does flexible logistics play in the modern supply chain?

11 March 2020 – Bowling – All Star Lanes, Brick Lane

22 April 2020 – Pub Quiz, The Tokenhouse, Moorgate

Visit the website at www.sprweb.com for further details.

SOCIAL EVENTS

Annual General Meeting – 7th November 2019

The Iron Duke, 11 Avery Row, Mayfair, London, W1K 4AN

More than 30 SPR members squeezed into a private room at the Iron Duke pub in Mayfair, happily ensuring that there was a quorum which would allow the meeting to vote on decisions.

Oliver Kummerfeldt, SPR Chair over the past year, began by setting out the Society's achievements in the last twelve months. Seminars and social events had continued to be the main focus of activities, with 22 such meetings taking place, which were well attended and received. New venues for the Summer Drinks and SPR Quiz proved to be popular and site visits booked up rapidly – the committee will therefore aim to put on a larger number next year. However, the decision not to hold the Golf Day – taken because it was seen to only appeal to a limited number of members – had led to a couple of negative comments. A replacement activity will be considered for 2020.

There was some debate at the meeting on whether the SPR should continue its financial support for ERES, which was seen as relatively expensive given that relatively few members attend its conference. **Andrew Smith** explained that the Society has a seat on the ERES board, which should theoretically help build links with academics, an important objective for SPR. Kummerfeldt indicated that he would try to negotiate a new deal with ERES, which will suit the SPR's needs better going forward.

Describing the Society's plans for the year ahead, incoming Chair **Tom Duncan** explained that a key aim would be to make incremental gains in its day-to-day running, based on the observation that SPR activities are generally well received by the members. However, it would be important to focus on building relationships with event sponsors, as they provide a part of the Society's income that has come increasingly under pressure in recent years. There would also be a review of the SPR website and the online offer to members.

The need to grow sponsorship was also highlighted in Honorary Treasurer **James Purvis's** presentation of the Society's financial position. The SPR continues to have a healthy account balance, which has been intentionally trimmed over recent years by the committee's policy of running a small loss – amounting to around £1,000 for the past year. A similar position is planned for in next year's budget, although there will be specific changes including holding an SPR Research Course and a new social event to replace the golf.

Prior to the close of the AGM, the new SPR Committee was voted in:

| | | |
|----------------------|--------------------|---------------------------------------|
| CHAIR | Tom Duncan | Mayfair Capital Investment Management |
| SENIOR VICE CHAIR | Lucy Greenwood | Savills |
| JUNIOR VICE CHAIR | Hamish Smith | Savills Investment Management |
| HON. TREASURER | James Purvis | Tristan Capital Partners |
| HON. SECRETARY | Alex Dunn | Gerald Eve |
| PAST CHAIR | Oliver Kummerfeldt | Schroders |
| COMMITTEE MEMBERS | Cleo Folkes | Property Overview Ltd |
| | Joanna Turner | Canada Life |
| | Zuhaib Butt | LaSalle Investment Management |
| | David Inskip | CBRE Global Investors |
| | Joel Suissa | Remit Consulting |
| | Maria Grubmueller | Nuveen Global |
| | Benjamin Russell | JLL |
| | Fiona Don | Avison Young |
| WRITER/BLOGGER | Tim Horsey | |
| RESEARCH ASSISTANT | Mohammad Usman | |
| MEMBERSHIP SECRETARY | Rita Gosrani | |

Plans for the Society 2019/20

Three key aims for the next 12 months

1. Incremental gains in day to day running of the SPR
 - a) Maintain the high standards set in 2018/19
 - b) Continue to facilitate a range of interesting social and educational events
 - c) Make improvements to our calendar and organisational processes where possible
2. Sponsorship and support
 - a) Build relationships with existing/ new sponsors to maximise the amount raised
 - b) Raise the profile of the SPR with senior staff at big organisations
 - c) Shape the role of the fellows going forward
3. Online offer
 - a) Undertake website review
 - b) Refine format, operation and management of the website
 - c) Enhance the virtual presence of the SPR on social media



SPR Annual Dinner – 14th November 2020

The Royal Automobile Club, 89 Pall, London, SW1Y 5HS

Kindly hosted by:



Cambridge Finance

More than a hundred SPR members gathered to enjoy this year's Annual Dinner, held for the third time at the elegant RAC Club in London's Pall Mall.

Opening the dinner, outgoing SPR Chair **Oliver Kummerfeld** suggested that these are interesting times for property researchers, given the growing importance of climate change and issues of social cohesion. These concerns will be crucial for the real estate industry going forward, as well as for society as a whole. "Research has an important role to play here in finding answers," he said, "and I hope the SPR will remain a forum for sharing ideas and giving them a voice."



After an appetising first course of spinach ravioli and parmesan cream, SPR President **Andrew Smith** introduced the "not very well-kept secret" of the nomination of **Yolande Barnes** to be the latest SPR Fellow. This recognised both her contribution to property research and to the SPR. Yolande was on the first committee and organised the very first Annual Dinner, held in the reptile house at London Zoo. Andrew recalled her key contribution as a pioneer in residential research, setting up the leading team in the sector at Savills, where she ultimately went on to take a global and multi-sector role. Last year she moved to chair the Bartlett Real Estate Institute at UCL, giving her the opportunity to bring together the roles of academia and business.



Accepting the honour, Yolande suggested that property research has been experiencing profound changes, and that "a group of thinkers have never been more needed than now." She continued, "As researchers we need to be thinking as broadly as we can about society as well as the economy, about the environment as well as finance. All investing is now impact investing. And if you think we've seen some turmoil and disruption in retail, co-working and leases, you ain't seen nothing yet."



Following an excellent main course, the incoming SPR Chair **Tom Duncan** introduced himself to the membership, proposing that in a world of rapid change, property researchers can still rely on the SPR to support their interests. In the year to come, the committee will build on its strong foundations to make "incremental gains", particularly in the area of seminars and social events.

SPR Annual Dinner – 14th November 2020

The Royal Automobile Club, 89 Pall, London, SW1Y 5HS

Research Prize
Kindly hosted by:



Tom then announced the two SPR Research Prize winners for 2019, with **Miranda Cook** of prize sponsors Cobalt Recruitment presenting them. The Under-30s prize went to **Lawrence Bowles** of Savills for his paper entitled *The Sky's the Limit?*, which examined the range of opportunities available in UK residential operational real estate, including student housing, build-to-rent and retirement living. The judges commended its balanced analysis and use of original research and ideas. Placed second was a paper on Trends in European Real Estate Debt by Irene Fosse of AEW.

The Open Category prize was won by **Oliver du Sautoy** and **Matthew Colbourne** of Lambert Smith Hampton for their paper *Sites, Camera, Action*, which looked at the

UK film and TV studio real estate market. This was judged to be an innovative paper on an under-reported sector and an entertaining, illuminating and accessible read based on strong data. The Flexible Workspace Outlook Report by Damian Harrington of Colliers was pipped at the post into second place.



Accompanying the dessert course of chocolate fondant, the charity raffle once again proved to be a highlight of the evening. This year's charity was Catching Lives, an organisation that supports rough sleepers, the homeless and vulnerably housed people in Canterbury and East Kent. Once again SPR members showed their generosity, donating a total sum of £1,198, no doubt spurred on by the high quality prizes given by a number of real estate firms: Datscha UK, Cushman & Wakefield, PMA, Schroders, Canada Life, Property Overview Ltd, Mayfair Capital, Nuveen Real Estate, Gerald Eve, Avison Young, Colliers International, LaSalle Investment Management, Savills IM, JLL, Oxford Economics and Savills Research.

Special thanks are due to this year's sponsors of the Annual Dinner. Oxford Economics, who have been long-term supporters of the dinner and many other SPR activities, were joined for the first time by Cambridge Finance, who have been assisted by the Society in developing their training activities. Thank you both.



SITE VISIT

70 St Mary Axe, London, EC3A 8BE – 21st November 2019

Kindly hosted by:

nuveen
REAL ESTATE

Even if less famous than its neighbour the Gherkin, 70 St Mary Axe is a highly impressive structure, and the SPR was lucky to have Geoff Harris, Head of Development at Nuveen to show us round.



Starting the tour in the foyer with its dramatic concrete reception area, Harris outlined the history of the project from its speculative beginnings in 2010 through to the eventual completion in January this year. Along the way ground leases with the City were re-gearred and part of the St Mary Axe roadway was acquired to give greater control of the surrounding public realm.



Moving up to the 12th floor, which like most of the building is now either let or under offer, Harris explained that potential occupiers initially had some difficulty

envisaging the floorplates with their curved walls on two sides. However, since the building was completed it has let rapidly, with tenants attracted by the very high spec internal finishes and the spacious feel created by generous ceiling heights. He also emphasised the aim of providing a welcoming environment with, for example, concierge services and a retail offer tailored to occupiers' eating and drinking needs, which are helping to give a community feel to the workplace.



The tour also took in the roof-top area on the 21st floor, which is enclosed due to the position of many of the mechanical services at this level – planning rules require that these can no longer be exposed as they might have been in the past. Nuveen would have liked to build the project higher, Harris suggested, but was prohibited from doing so by the restrictions entailed by its position on one of the sight-lines towards Tower Bridge. Still, the 19 lettable floors provide a total area of 310,000 square feet.



Another attraction of 70 St Mary Axe is its high sustainability rating, being certified as BREEAM excellent. This is partly due to high energy efficiency, which Harris described as being in the 'upper echelons' of what one might expect for a building of this vintage, and also to the very generous provision of 328 cycle spaces and extensive changing facilities.

This was part of the appeal for Hana, CBRE's flexible office operation, which has taken three of the building's lower floors.

TECHNICAL EVENT

Joint SPR/IPF Outlook for UK Property 2020 – 14th January 2020

Allen & Overy, One Bishops Square, London, E1 6AD



Kindly hosted by:

ALLEN & OVERY

Accentuating the positive



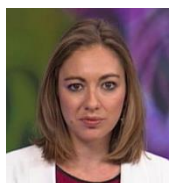
After the turmoil of 2019, 2020 should see UK commercial property returning to calmer waters. Speaking at this annual flagship event, **Ian Whittock, CIO, Knight Frank Investment Management** suggested that Brexit uncertainty had caused the UK market to stall over the last four years, but that yields are now attractive relative to those elsewhere in Europe, which should stand the market in good stead. While UK employment levels have continued to grow, boosting demand for commercial floorspace, construction activity has been subdued. Knight Frank IM saw a pick-up in investment in the last quarter of 2019, particularly from overseas, and he expected this to continue into 2020.

Whittock did however stress that it would not be plain sailing for all UK sectors. On the plus side, London City offices are now attractively priced and should also see rental growth given their low level of vacancy, while the logistics market looks relatively 'well balanced'. But retail remains problematic, with any light at the end of the tunnel at least two years away. He suggested that retail valuations are still excessive compared to anything that can be achieved in the market, even for the most 'prime' assets. However, there was likely to be further potential in many 'alternative' sectors, including the private rental sector, where the government is seeking to encourage supply. Overall, he expected that UK direct property would record a return of around 5.5% in 2020.

Examining prospects for UK and European listed property, **Marcus Phayre-Mudge, Fund Manager, BMO Global Asset Management** largely echoed these sentiments, although he stressed that many UK real estate equities had already seen a rapid bounce back 'after the summer holidays' in 2019, when the prospects of a Brexit deal became much more positive. Aside from this return of confidence, Phayre-Mudge emphasised the strong market fundamentals underpinning most stocks. With the exception of non-food retail, this was based on solid rental growth prospects supported by strong tenant demand, while supply has been constrained by a lack of development over many years, particularly between 2008 and 2014. A number of logistics and alternatives-focused shares saw returns of more than 50% over 2019, while some retail companies remained heavily discounted. Phayre-Mudge proposed that it was now easy for investors targeting UK listed property to ignore retail, given that it forms an ever-shrinking part of the market.



Framing the whole discussion was the comment by **Liz Martins, UK Economist, HSBC**, who opened the event, that 2020 should be a year of 'less politics and more economics'. Still, immediate growth prospects appear relatively weak, not only based on sanguine recent consumer and business confidence surveys, but also commentary from the Bank of England that presages a near-term cut in interest rates. May is the date that currently figures in HSBC models, though many expect it to be much sooner. The UK has seen three years of subdued business investment and labour markets are losing momentum. However, Martins proposed that the new government's promise to end austerity, boosting expenditure by some 3% based on its manifesto, should significantly add to demand in the longer run.



The impact of changes to fiscal policy was discussed further in the audience Q&A led by **Alistair Elliott, Senior Partner & Group Chairman, Knight Frank**, who chaired the meeting. Phayre-Mudge suggested that it would take 18 months for the pump to be primed and the economic effects to start coming through, while Whittock noted that infrastructure improvements should raise the values of real estate in their locality. All agreed that environmental considerations would be key in 2020, with Phayre-Mudge mentioning that GRESB is publishing a new index to rate listed companies' environmental credentials. Whittock proposed that further building regulations could push up construction costs, but that the demand for more sustainable stock should increase.



Asked where they would invest £100m in real estate tomorrow, answers ranged from City of London offices (Whittock) to student housing in the UK, the Netherlands, Belgium and Spain (Phayre-Mudge) and infrastructure in Eastern Europe (Martins). Finally, all agreed that the HS2 project should be allowed to go ahead.