

Society of Property Researchers

Newsletter

January 2022



In this issue:

Society News

Message from the Chair

AGM

Virtual Annual General Meeting

Social Events

SPR Summer Drinks

SPR Quiz Night

SPR Winter Celebration Drinks

Webinars/Seminars

Risk Management Re-examined webinar

Operational Real Estate in Practice webinar

Joint SPR/IPF Global Outlook 2021 webinar

Offices 2025: What does the future hold? And Site

Visit, 22 Bishopsgate, London EC2

Nick Tyrrell Research Prize webinar

In Conversation

Bill Hughes, LGIM

Yolande Barnes, UCL

Upcoming events for early 2022:

10 January: Joint SPR/IPF Outlook for UK Property 2022

Cold Storage Seminar (*date tbc*)

Tokenisation Seminar (*date tbc*)

Social Value and Real Estate Seminar (*date tbc*)

Wooden Buildings (*date tbc*)

Sign up for events [here](#)

Catch up on past recorded events [here](#)

Reports written by Tim Horsey unless otherwise stated

Society News

Message from the Chair

Dear Members,

The start of 2022 might feel a little like Groundhog Day, but on the bright side, a new year means a new series of events for SPR members to get together, share ideas and debate all things real estate.

Although the current Covid-19 situation continues to make planning for in-person events tricky, I hope that they will once again become the norm this year. It was pleasing that we were able to hold several in-person events in the second half of last year. The ability to catch up with fellow researchers, meet new members and discuss the big topics really highlighted the value of the SPR to me.

We kick-off the new year with the annual SPR/IPF UK Real Estate Outlook next Monday, 10 January (please note the change of date) which will now take place as a webinar due to the pandemic. Nonetheless, I am sure it will be a stimulating event to start the year. If you haven't already registered, please click [here](#).

We also have seminars on cold storage, tokenisation, social value in real estate and wooden buildings in the pipeline, while the very popular Coffee and Conversation will be back in Q1. So, keep an eye out for

AGM

SPR 34th Annual General Meeting (Virtual)

4 November 2021

Let's get physical

The SPR Committee plans to re-establish a full programme of face-to-face social events in 2022, COVID restrictions and safety considerations permitting. Hamish Smith, the new SPR Chair, explained the intention to build on members' enthusiasm for reviving physical events, as witnessed by the drinks and pub quiz events held later in 2021. Alongside, there will be a hybrid offering of online and

emails in the coming weeks from Becci Williamson. Becci has taken the reins from Rita as our new Membership and Events Coordinator. It is great to have her onboard.

I would like to thank the 2021 Committee for all their efforts in putting together an excellent series of events and the unwavering enthusiasm and leadership from Lucy amid the on-going challenges of trying to organise events during a pandemic! A big thank you also goes out to Real Capital Analytics, Datscha (both now MSCI) and Oxford Economics for their continued support and sponsorship of the SPR. Last, but by no means least, thanks to you all for making the SPR the great society that it is.

As we are now in a new membership year, please don't forget to renew as soon as possible to continue to benefit from our events (click [here](#) to log in). Thanks to all who have already done so.

I hope you all have a great start to the year, and I look forward to seeing as many of you as possible in 2022.

Best regards
Hamish Smith
SPR Chair

face-to-face technical meetings; the last 18 months have shown each to have their advantages. The SPR Fellowship for 2021 was awarded to Jeremy Kelly, Director, Global Research at JLL. It was also announced that Becci Williamson is taking over the role of SPR Secretary from Rita Gosrani.

Welcoming members to the meeting, SPR President **Andrew Smith** noted that this was the second, and hopefully the final virtual AGM for the Society. Looking back over the pandemic, he said that we had witnessed history in the making with the kind of dislocation that had previously been associated with major world

events like the Wall Street Crash, the aftermath of World War 2 and the Global Financial Crisis. Such events give researchers the chance to make a real difference by identifying specific economic triggers and their consequences, but they are also highly challenging given that no two crises are remotely similar.

Andrew went on to pay tribute to the SPR Committee for maintaining a vibrant programme of events throughout the pandemic, furthering members' knowledge and bringing together the researcher community in the true spirit of the Society. He particularly singled out SPR Secretary **Rita Gosrani** and Chair **Lucy Greenwood** for their contribution to making this happen. He stressed that these have been difficult times for everyone's physical and mental health, but that the SPR has provided a friendly forum where we could all continue to interact, however physically distant.

Lucy then proceeded to outline the achievements of the Society over the past year and was particularly pleased to note the return of face-to-face events during the last couple of months – the Summer Drinks, pub quiz and a seminar on the future of offices combined with a site visit to the City's highest building, 22 Bishopsgate. An end-of-year Winter Drinks is also scheduled for next Thursday, substituting for the usual Annual Dinner.

The SPR had organised nine webinars through the year, while three more were held jointly with other professional bodies, most notably INREV and the IPF. There have also been five 'In Conversation' events, online fireside chats in which leading research figures discuss the highlights and lessons from their career. In addition there were two virtual social events, a wine tasting and an art class, which were both educational and fun. And the quarterly 'Coffee and Conversation', giving members a chance to meet one of their peers for an online chat, had also proved popular. Lucy thanked Real Capital Analytics, Datscha and Oxford Economics for their continuing sponsorship of events through this difficult period.

Before closing her presentation, Lucy announced that Rita has sadly decided to step down as SPR Secretary, leaving a big hole to fill. However, she was also able to give the good news that someone had already been found to step into her shoes, **Becci Williamson**.

The Society's financial position has strengthened over the 2020/21 year, explained SPR Treasurer **Ben Russell**, giving his presentation of the accounts: the end-year balance has risen from £82.6k to £88.6k. The predicted surplus for the year of £6,950 stemmed mainly from higher than expected subscriptions – the number of members rose from 512 to 530 – combined with income of nearly £10k from job adverts, for which just £800 had been budgeted.

However, the plan for 2021/22 is to now reverse this position, as the Society seeks to re-engage with the membership, in particular through a full calendar of social events, said Ben. In the proposed budget, £15k was earmarked for smaller-scale events such as the Summer Drinks, and a further £14k for the Annual Dinner, to be held again for the first time in three years. The relatively large projected loss of £9,850 reflected a conscious decision to 'loosen the purse strings' in the quest to bring people back together, he said.

The new SPR Committee was then voted in. Thanks were given to those leaving the Committee:

Tom Duncan, Cromwell Property Group, Past Chair, Secretary, and Committee Member since 2015 and **Joanna Turner**, Canada Life Investments, a Committee Member since 2016, were particularly singled out for their long service. **Fiona Don**, Avison Young, **Maria Grubmueller**, Nuveen Real Estate, **Oliver Kolodseike**, Colliers, **Prohad Khan**, Capital Economics and **Rita Gosrani** would also be stepping down.

The new Committee will comprise:

Hamish Smith, Savills Investment Management, Chair
Alex Dunn, Cromwell Property Group, Vice Chair
Stephanie Lin, M&G Real Estate, Junior Vice Chair

Benjamin Russell, Tristan Capital Partners, Hon. Treasurer

Dr Yi Wu, Henley Business School, Hon. Secretary

Lucy Greenwood, Savills

Cleo Folkles, Property Overview

Tessa English, JLL

Zuhaib Butt, LaSalle Investment Management

David Inskip, CBRE Global Investors

Matthew Soffair, Legal & General IM

Siena Golan, DWS

Joanna Tano, BMO Real Estate Partners

Will Laing, Savills

Pearl Gillum, Avison Young (new member)

Charles Burton, Oxford Economics (new co-opted member)

Shehryar Qazi, SOAS (new co-opted member)

Christopher Dunn, Colliers (new co-opted member)

Mhairi Thomson, Avison Young (new co-opted member)

Rad Radev, CoStar Group UK (new co-opted member)

Outlining the Society's plans for the coming year, new Chair **Hamish Smith** echoed Ben Russell, saying that the priority for 2022 would be engagement. He noted that recent social and technical events suggested there is huge appetite for physical events among the membership, but he also stressed how popular webinars had proved to be through the pandemic. They were particularly valuable for those based outside London including some from abroad, and continuing to offer a number of online events could help grow SPR membership more widely in Europe.

This would be part of a broader effort to enhance the SPR's appeal to new members, including by improving the diversity and inclusion of panels and social events. Building on the success of the 'In Conversation' events this year, another strand will be to leverage the knowledge already existing in the Society with a mentoring scheme for those new to property research, as well as reviving the SPR Research Course. Finally, there will be an effort to broaden the range of sponsors beyond the relatively small number that the Society has come to rely on recently, including the

development of packages that could prove more attractive than single events.

Hamish also announced the shortlist for this year's SPR Research Prize, for which there had been a healthy ten entrants in the open category and seven in the under-30s. The quality of the work submitted and the range of subjects covered suggest that property research is in safe hands, he suggested. The shortlisted papers were:

Open Category

European Residential: On the Rise - **Damian Harrington**, Colliers International

Climate: Informed Real Estate Returns in Europe - **Dennis Schoenmaker, Hans Vrensen**, AEW

Private Capital in Affordable Housing - **Lydia McLaren, Chris Buckle, Lawrence Bowles**, Savills

Under 30s Category

EPCs and the Green Homes Grant - **Sophie Tonge, Nicholas Gibson**, Savills

Digital Connectivity: 5G and its role in the Future of Real Estate - **Fintan English**, Mayfair Capital

Estimating the Natural Vacancy Rate in European Offices - **Yasemin Engin**, Capital Economics

(The winners were announced at the Winter Celebration Drinks – see below.)

Towards the end of the meeting, Andrew Smith presented the SPR Fellowship for 2021 to **Jeremy Kelly**, Director, Global Research at JLL. He noted that in a distinguished research career spanning more than 30 years, Jeremy had played a particularly important role in advancing research in emerging markets such as China, India and Russia, and would be known to many for leading the development of the JLL Transparency Index, in collaboration with Rosemary Feenan, who had been appointed SPR Fellow last year. Jeremy said that he was 'hugely flattered and chuffed' to receive the award. Still contributing to JLL's research after 38 years, he stressed that he still had more to do, notably in the areas of climate action and social justice, which he sees as an increasing focus for property research in years to come.

Social Events

SPR Summer Drinks

Devonshire Terrace, London EC2

16 September 2021

Sponsored by:

REAL CAPITAL
ANALYTICS

DATSCHA

(Both recently acquired by MSCI)

We finally meet in person!

The summer drinks were a brilliant opportunity for members to catch up in person and enjoy a drink at Devonshire Terrace.

Real Capital Analytics and Datscha (recently acquired by MSCI) kindly sponsored this, the first in-person SPR event since Feb 2019.

With around 40 SPR members attending, it was a smaller affair than in previous years, but all the better for being able to space out, speak to everyone you wanted to and meet new people in a spacious, friendly atmosphere. Attracting a range of members from those who had just joined to the most experienced long standing members it was a great way to catch up with those across the industry.

For some it was an excuse to return to the office for the day as well, and for others just a great chance to get to know colleagues and peers.

It was brilliant to get back to the core of what the society is about – meeting and discussing ideas with other researchers in the industry.

Lucy Greenwood



SPR Quiz Night

The Trinity Bell, London EC3

7 October 2021

For the first time since the start of the COVID pandemic, the legendary SPR quiz competition was held again as an in-person event. Although relatively small scale compared to previous incarnations, with a limited number of teams to allow for a degree of social distancing in a private room at the Trinity Bell pub, the event proved highly competitive in the best SPR tradition.

It was great to see Andrew Marston back in his quiz master's chair, ably assisted by committee members Tessa English and David Inskip, who helped host the event. There were questions of widely varying difficulty on themes such as history, nature and food, TV sitcoms, sport and Scottish geography. There was also an interesting variation on the 'beat the intro' music round, with contestants required to estimate the length of the instrumental intro after hearing the first few bars.

The competition was won by the team 'AY is so fly' from Avison Young, made up of Natasha Patel, Daryl Perry, Pearl Gillum, Jack Dezitter, Kushay Shah and Mhairi Thomson. After the joint team from JLL/Knight Frank had made most of the early running, AY pipped them at the post by 61.5 points to 56.6. So a new name was inscribed on the coveted SPR Quiz Trophy, while Avison Young also received a case of wine to take back to their office (or not!).



SPR Winter Celebration Drinks

The Betjeman Arms, London N1

11 November 2021

Sponsored by:



SPR looks forward to the festive season

The SPR Annual Dinner may have once again fallen foul of the uncertainty created by the pandemic, but the Society showed its intention to move back towards normality by holding a celebratory drinks in the run-up to Christmas.

Around 60 SPR members gathered underneath the capacious canopy of London's St Pancras International station at an event generously sponsored by Oxford Economics.

Early in the evening, Lucy Greenwood performed her final tasks as outgoing SPR chair by awarding the SPR research prizes and by thanking Rita Gosrani for her contribution as Membership Secretary over the past four years.

Lucy presented the Under-30s prize to Yasemin Engin of Capital Economics for her paper on *Estimating the Natural Vacancy Rate in European Offices*. She then announced that the Open prize had been awarded to Dennis Schoenmaker and Hans Vrensen of AEW for *Climate: Informed Real Estate Returns in Europe*, though unfortunately neither was available to pick up their award in person.

Members were then able to return to the main business of the evening – getting to know new acquaintances and catching up with old friends. Although the event lasted well into the night, only winding up around 11, the drinks kept flowing, while there were also some tasty canapés for sustenance.



Webinars/Seminars

Risk Management Re-examined

23 June 2021

Don't look back

Even if the COVID pandemic has lent a whole new dimension to the idea of investment risk, this webinar highlighted that it's as important for investors to embrace risk as to try to mitigate it. For one thing, it's impossible to be financially successful without accepting some risk, and the corporate culture also needs to look risk in the eye if it is to be confronted. The biggest risks are often unanticipated, and these require an agile and adaptable corporate culture for an effective response. A healthy culture includes open communication and avoiding group-think and excessive optimism, often a particular problem for real estate.

Despite its rather dry title, this webinar provided some fascinating insights on managing business risk across the economy, as well as homing in on some of the implications for real estate.

All three speakers agreed that it is impossible to avoid risk – and indeed that investors can only make money by taking risk – but that managing overall business risk is far more than just analysing historic data.



Blair Cameron of The Risk Partnership, a consultancy specialising in the management of security and risk, emphasised three aspects of risk – the courage to take risks, a willingness to change and a forward-looking approach –

that are need for success in any business. How to manage such risks depends on understanding the balance between the firm's risk appetite and risk aversion and needs to be approached holistically across the whole organisation.

Socrates Coudounaris, who works in reinsurance and is heavily involved with the Institute of Risk Management, agreed that managing risk has to be embedded in the corporate culture, from the top down to each individual employee. Citing examples where this clearly hadn't been the case including Carillion, VW and Deepwater Horizon, he also stressed the importance of open communication and an avoidance of group-think in order to ensure that emerging risks are identified and prevented from escalating.

A real estate perspective was provided by **Gerry Blundell**, SPR Fellow and former research director at Lasalle Investment Management, and also well-known for developing the 'risk web' technique to measure qualitative risks. He noted that while those involved in investment often think about risk in terms of historic data, the biggest risks are often different from anything that has gone before and therefore unquantifiable. For example, the rapidity of technological change is now threatening to make many buildings obsolete, meaning that adaptability can be a key factor in mitigating risk – an effect that is impossible to model.



He also suggested a number of warning signs that organisations are failing to manage risk effectively. These include isolating risk management from the core decision making process and seeing resilience in terms of spare capacity. In a real estate context, danger signs include designing assets for perfection, having a portfolio loan-to-value ratio in excess of 40% and a high concentration of value in a small number of assets.

In the panel discussion led by former SPR president **Robin Goodchild**, Blundell said that the most important lesson about risk management from his long career in property research was to look forward and not back. Good risk management is much more about the corporate culture and mind-set than about crunching numbers.

The panellists all agreed that excessive optimism can be a particular problem for risk management. Cameron suggested that this was human nature and had helped it overcome many setbacks, but Coudounaris proposed that organisations needed to accept that bad things would happen at some point rather than just treating it as a remote possibility. Blundell noted that excessive optimism had often been a hurdle to getting research messages across at LaSalle, but that property people were also prone to the belief that once the market had started performing badly, this was likely to go on forever.

Operational Real Estate in Practice

19 July 2021

The importance of data and relationships

While the SPR's spring webinar on operational real estate explored the topic at a conceptual level, the summer webinar focused more on the practicality of facilitating operational uses within real estate. The key takeaways from the panel discussion were that data is becoming increasingly important and that maintaining good relationships between landlords, tenants and operators is now imperative. Managers are increasingly adopting more of an operational focus, even in the more traditional real estate sectors, in an effort to better meet the needs of the end user. This is partly a question of providing the technological services that occupiers now expect, but also generating the operational data that can make a building work more effectively for both user and owner.



Roger Madelin, CBE, Joint Head of Canada Water at British Land argued that occupiers are now asking for more and more information on an asset, with factors such as air flow and the ESG agenda becoming increasingly important. Property management is therefore becoming a much more collaborative operation than it was 25 years ago. **Jessica Cunningham**, who manages portfolios of alternative assets at L&G agreed and added that even in the more traditional commercial real estate sectors, landlords are now getting more involved in the operational side of things and that the relationship between landlords, occupiers, operators and clients has become much closer.



When the discussion turned to the question of data, **Dan Gildoni**, CEO and Co-founder of Placense made the point that decisions are increasingly data driven. The data driven approach is not just limited to measuring air flow and electricity usage within a building – location and demographic data are crucial for retailers, for example. This is not only important to analyse an asset's current performance, but also to improve it in the future.



Focusing on office buildings, **Faisal Butt**, CEO, Founder and Chairman of Pi Labs added that flexibility is the key driver of change. While historically a developer would lease out an asset to an operator (such as WeWork or Regents) and let them deal with the operational part, there is now the need for a landlord to understand the end customer. He argued that more sophisticated landlords offer a more flexible product.

Technological progress is imperative, with technologies digitalising operations of space booking, space optimisation, payments etc., making it easier for landlords to run flexible office space.

When asked whether there are any specific physical buildings that are more suited to being an operational asset, **Mason Booth**, Co-Owner of Thirdway Group pointed out that in theory every building could have potential. However, older buildings are generally less flexible than newer buildings due to regulations and listing. In an example highlighting the importance of an operational asset, Mason spoke about a landlord that has invested heavily in the repurposing of an office building, with the landlord thinking about what is important to the end user, i.e. the occupier of the building. The repurposing therefore focused on things like ESG, well-being, shower facilities, communal areas etc.

Roger also gave a great example supporting the idea that buildings are now more than just physical assets. Speaking about the British Land Campus at Canada Water, he highlighted how they have tried to create a community within a community, offering tenants the possibility to participate in wider networks, such as volunteering programs, sports etc. There is of course a much higher operational ability required to manage these programmes.

Report by Oliver Kolodseike

SPR/IPF Global Outlook Webinar 14 September 2021

Flexibility is the key

To succeed in the post-COVID world, real estate locations and sectors will need to be agile in the context of the climate agenda and evolving technology and human behaviour. This could favour smaller cities, particularly those focused on the knowledge economy,

which often also have a good work-life balance. While the jury is still out on how office working patterns will settle in the long-term, logistics prospects remain strong with a lack of stock across emerging European locations. Retail distress could provide opportunities for value-add investors to reconfigure, reposition or repurpose, while sector-level agility is set to include repurposing to co-living within residential and a revival of flex office concepts.



Paul Tostevin of Savills surveyed the global outlook from a city perspective, suggesting that despite the ravages of the pandemic and the rise of home working, cities are definitely here to stay. However, he did propose that smaller cities could

gain in importance in the future, with their potential for a better work-life balance and greater adherence to the 'knowledge economy', a particular characteristic of university cities.

Investors would be looking to cities with strong qualities of resilience in the future, something that has prompted Savills to create a 'resilient cities index' for locations across the globe, which features some of the world's largest cities – New York, Los Angeles, London and Tokyo at the top. But he conceded that such cities would need to evolve, particularly relative to the climate agenda, to maintain their dominant position.

If the city certainly isn't dead, neither is the office, proposed **Carol Hodgson** of JLL. However, she noted that offices' share in investment portfolios had already been declining well before Covid, to now stand around 27% of real



estate assets on average. Highlighting many of the conflicting arguments in the ongoing WFH vs 'all back to the office' debate, she admitted that this is a complex question. For instance, there is a range of

attitudes among different types of employer, with tech companies tending to favour a more flexible approach and financial organisations more inclined to revert to more traditional working arrangements. She suggested the upshot would be that office occupancy would probably not reach previous levels, while there could be a ‘flight to quality’ as firms seek the kind of space that will entice back their staff.



In the subsequent panel discussion, moderator **Robin Goodchild** asked **Andrew Phipps** of Cushman & Wakefield how retail and logistics were likely to fare in different parts of the world. For all the bashing that the

sector has taken through the pandemic, he suggested that the grocery-anchored centres more common on the European continent had done pretty well. In future ‘experience’ and local access were likely to be the hallmarks of successful centres. Meanwhile logistics are now seeing a ‘huge lack of availability’ in the most promising locations such as Munich, Oslo and Prague. There is a ‘wall of capital’ looking to buy, but it should be remembered that not all sheds are good sheds. To be worth buying they need a strong purpose and sustainability credentials.

Asked a similar question about the ‘living’ sectors, **Vanessa Hale** of BNP Paribas Real Estate proposed that the pandemic has made higher density apartments in CBDs look increasingly unattractive. This has led to a lot of interest in building larger single-family flats to let, but affordability is becoming a big challenge.



In the audience Q&A that followed, Phipps acknowledged that there is likely to be significant distress in the retail sector, particularly once furlough schemes end. This could provide opportunities for value-add investors to ‘reconfigure, reposition or repurpose.’

It was agreed that greater flexibility will be seen across the sectors, for instance with repurposing to co-living in the residential sector and a revival of flex offices with tenants demanding greater optionality to reconfigure space at short notice.

Towards the end of the webinar, the panellists were asked in which specific type or location of real estate they would now choose to invest. Tostevin suggested life sciences in Boston, Barcelona and ...Stevenage. Hale plumped for innovation and tech-led cities, while Phipps advocated the US in the short-term and healthcare further ahead. Meanwhile Hodgson’s favourite would be mixed use developments, preferably those with an influence on the quality of place.

Offices 2025: What does the future hold? and Site Visit, 22 Bishopsgate

22 Bishopsgate, London EC2
25 October 2021

Kindly hosted by:



Office demand remains in flux

The first SPR seminar to be held face-to-face since the start of the pandemic was combined with a site visit to the iconic new 22 Bishopsgate tower, the tallest building in the City of London. The seminar heard that the dust is yet to settle on office working practices for the longer term. Recent office market take-up had been stronger than expected, but conditions are polarising between the best and worse buildings, both for leasing and valuations. Space flexibility and amenity are at a growing premium, qualities that were evident in the tour of 22 Bishopsgate, around two-thirds of which had already been let a year after completion.

Although the effects of the pandemic are receding, office occupiers are continuing to take a relatively short-term view of their space requirements, according to **Dan Brown** of Situu, a flex space advisory business.

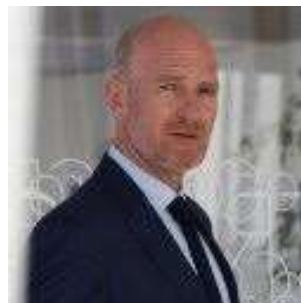


Speaking at the first SPR seminar to be held face-to-face since the onset of the pandemic, he proposed that office occupiers are still in the process of deciding how their working practices will settle in the longer-term and what precise form of 'hybrid' working model they will adopt.

In a poll of a full – albeit socially distanced – room in AXA IM's iconic new skyscraper, 22 Bishopsgate, most attendees indicated that they would expect to be working 2-3 days a week in the office once the pandemic is permanently mitigated.

Bill Page of L&G Real Assets agreed with Brown that it is difficult to second guess the future, but he stressed that there is clearly an emerging polarisation between the best and the worst offices in terms of both leasing conditions and valuations. This was a theme evident in much of the discussion. He also noted that space previously considered 'average' was at increasing leasing risk.

James Goldsmith of AXA IM was bullish about the state of the prime London office market, which he said had revived much quicker than expected. He did however acknowledge that, on a like-for-like basis, between 10-25% less space was being targeted by individual occupiers in the medium term, although people were likely 'to do more with it', for instance with greater flexibility and less assigned seating.



These largely positive sentiments were echoed by **Elaine Rossall** of JLL, who noted that office take-up in Q3 had been surprisingly strong and that the return of prelets reflected market confidence. This recovery had been seen not just in London but also regionally, with tech firms proving to be a particularly strong source of demand in the capital.



Another theme that emerged from the discussion, which was moderated by **Tom Duncan** of Cromwell Property Group, was that occupier desire for more flexible space and a higher level of amenity within offices seems to be resulting in more management agreements with landlords rather than more direct leases to specialist flex office providers. Page suggested that this partly flowed from owners' growing experience of working with 'alternative' property types, such as living, which often involved a greater operational element.

There was also much discussion about what the idea of 'quality' means to occupiers. All agreed that sustainability is a major part of this, with rising EPC requirements meaning that more and more buildings will face the risk of 'stranding'. Rossall highlighted that JLL are themselves targeting net zero carbon emissions from their own office footprint by 2030, but Page suggested there are big challenges to achieving this from supply chain issues and the planning process.

After the seminar, the AXA IM team led attendees on a tour of 22 Bishopsgate, its 62 storeys making it the tallest building in the City of London at 278 metres. The tour encompassed the second floor, 'The Market', where the majority of space is devoted to a restaurant and terraced bar with pop-up food stalls aiming to provide healthy dishes with a sustainable provenance. Attendees were also taken behind the scenes to the management suite where JLL ensure the building operates to the highest standards and that its amenities are optimised.

Then followed the literal highlight of the tour as we were whisked up to the viewing gallery on the 58th floor. This provided spectacular views of London and the distant countryside beyond. Goldsmith explained that each level has a floorplate of around 25,000 square feet and that most have so far been let in one to three-floor packages – around two-thirds of the building has now been let with limited need for any subdivision. Legal firms have so far been the most prominent takers of space.



Joint SPR/IPF/INREV 2021 Nick Tyrrell Research Prize Webinar

9 December 2021

It pays to be a country specialist

This year's Nick Tyrrell Prize for real estate research was won by Nick Mansley, Franz Fuerst and Zilong Wang for their paper 'Do specialist funds outperform? Evidence from European non-listed real estate funds.' The main conclusion of the research was that funds specialising by country tend to outperform more diversified funds, whereas there was no evidence of outperformance among sector specialist funds. The research was based on INREV fund performance data for the period 2001-19, with country specialist funds' outperformance evident for the years 2010-19 in particular. This is the first time that such analysis has been undertaken for European non-listed funds over such a long timeframe.

As the webinar host, **Iryna Pylypchuk**, Director of Research and Market Information at INREV reminded attendees that this was the tenth anniversary of the Nick Tyrrell Research Prize. Nick is remembered not just for his passion for innovative research, but also for its applicability to issues in the real world, and this year's winning paper, 'Do specialist funds outperform? Evidence from European non-listed real estate funds' is very much in that tradition.



Highlights of the paper were presented by **Nick Mansley** of the Cambridge Real Estate Research Centre, joint author alongside **Franz Fuerst** and **Zilong Wang**, also of Cambridge. The key findings were that those funds specialising in investing either in a single country or country-sector combination outperformed more diversified funds, but that there was no evidence of sector specialist funds outperforming. Mansley stressed that this picture of outperformance by country specialist funds was driven entirely by their

returns in the long recovery period stretching from 2010 to 2019, while there was some suggestion that diversified funds had outperformed during the downturn of 2007-9.

Mansley then explained the process employed in the research. Specialist funds were identified either through their share of value in sectors and countries or via self-identification, which was used to generate 4272 performance observations across 592 funds for the period 2001-19. The research used INREV fund return data and analysed performance as the function of various factors including market returns, specialisation and other characteristics of the fund such as leverage and size. Looking at the data this way produced a set of conclusions that had not been evident for previous studies, for instance on REITs, which had proven largely inconsequential.

In the wide ranging panel discussion and audience Q&A that followed, Mansley admitted that the biggest surprise in the work had probably been the lack of evidence for any benefit from sector specialisation overall, although there were indications that such funds tended to outperform in periods of good market performance but underperform in less favourable conditions.

When asked to give their broad impressions of the research, all the panellists were fulsome in their praise. **Nigel Allsopp** of residential specialists Greystar said that it had been a 'herculean task' to pull so much data together. He believed it was particularly valuable to have research covering such a long period, but like Mansley he also wondered about the lack of evidence for a sector effect. Perhaps this would be more apparent if one could look at more operationally intensive 'alternative' sectors, something not yet possible due to small samples sizes. He also suggested that it would be interesting to see similar results post-Covid.



Thomas Kallenbrunnen of logistics specialists Garbe Institutional Capital agreed that the prize winners deserved kudos for producing work that was so relevant to the industry. His key takeaway was the importance of being local, particularly for deal picking and proximity to tenants, although he reflected that today many investors' tenants were becoming more pan-European.



The third panellist, **Anne Koeman-Sharapova** of Mercer, said that they tend to advise clients to invest in more diversified funds, as these have the ability to change course in

response to market conditions. But in response to a question from the audience, she noted that there was a wide range of performance between funds, whether specialist or diversified. This means that the choice of manager is paramount.

Mansley agreed that there was a lot of 'noise' beneath the surface of the research, which suggested that it was as important for investors to avoid making the wrong decision in picking funds than in getting it right. If not, they could easily end up as 'toast', he said.

Looking to factors that might influence how funds performed in the future, Allsopp stressed the ability to fund capex, particularly in the context of sustainability and energy transition, while Kallenbrunnen highlighted the capability to generate income growth in a period of higher inflation.

To wrap up the seminar, the panellists considered how the research might potentially evolve going forward. Kallenbrunnen thought it would be interesting to look into the effects of management capabilities on performance and to assess the impact of asset size within fund portfolios. Allsopp suggested that if the research was rerun in five years' time, a bigger role for sector specialists might emerge. In any event, it was clear that there would be a lot of interest in extending the scope of the research in the future.

In Conversation

Bill Hughes

11 June 2021



Researchers as insight providers

In the fourth SPR 'In Conversation' talk, Bill Hughes, Head of Real Assets at Legal & General Investment Management, spoke to SPR Chair Lucy

Greenwood about his career in real estate research and fund management. His property research career began with DTZ and Jones Lang Wootton in the early 1990s.

In a wide-ranging discussion, Bill proposed that property researchers should aim to provide actionable insights for their organisations in order to ensure that the analysis and insights they produce create the impact their work deserves.

Probed by SPR Chair Lucy Greenwood, he suggested that researchers sometimes suffered from a lack of communications skills, which could lead to them being 'underprofiled' and their work to gather dust. It's crucial that they provide a clear message, he said, or otherwise people in the organisation will want to know 'so what?'

Having said this, Bill does not believe that there is any such thing as an ideal researcher, although besides being articulate, researchers do also need curiosity, numeracy and a logical mind-set. Yet for firms like Legal & General, it is more important to have a diverse range of thinking, which can only come from a broad mix of age, gender, ethnicity and background in the research team.

Bill explained that his career began as an economic development consultant at DP3 after studying Geography at Edinburgh University. But it was when

he joined DTZ in 1991 and then the fund management arm of Jones Lang Wootton that he was grounded as a property researcher. At these firms he learnt the importance of integrity in research, the need to be objective whatever the wider firm wants to hear. He recognised and warned that at broker organisations there is always pressure for research messages to help support a higher volume of transactions, but that needs to be resisted.

Moving next to Schrodgers as head of property research, he appreciated being at a firm where research was highly valued, an approach that he has continued to follow as an industry leader. Research has been an important input to broad strategic decisions at L&G Real Assets, for example in their move into build-to-rent (BTR).

Asked what aspects of real estate now excite him, Bill cited not just BTR but also many other areas beyond the limits of the 'conventional' sectors, including social housing and life sciences. He also mentioned L&G's ambition to help reinvent towns and cities as a joint endeavour with local government, for the benefit of all who live there. And then there's the transition to net zero, with the emphasis on investing in the right assets to decarbonise.

Clearly, research can take you in many different directions. Apart from the quest for accuracy and validity, he also stressed the importance of researchers being 'unbounded' in their thinking and in the sources that they call upon to answer different questions. He gave the example of a 'Pret à Manger' index developed by his L&G colleague Bill Page as a tool for measuring the recovery of city centres emerging from the pandemic.

Is he ever tempted to try and influence his researcher colleagues' work, given his background and continuing enthusiasm for the subject? It's difficult, he suggested, but he has to be disciplined and not get heavily involved – a minor irritation of now being in a leadership role.

Yolande Barnes

3 September 2021



SPR Fellow Yolande Barnes, Chair of the Bartlett Real Estate Institute, spoke to Lucy Greenwood about her long career in real estate research. She began working as a property researcher for Healey and

Baker after completing a geography degree at UCL. This was followed by a period of distinction at Savills, during which she became head of residential research and later head of world research, after which she returned to academia.

Like so many of the successful researchers that have featured in the SPR *In Conversation* webinars, Yolande said that she had come to property research 'by accident', but it was clear that having started out as a researcher with Healey & Baker in the early 1980s, she had an innovative plan that she was committed to follow through.

Seeing that virtually no research was being done into residential property, and indeed that the potential of the sector was being ignored – the Pru had sold their last London mansion block just before – she determined to make this niche her own.

Executing the plan involved making use of her committee membership at the newly formed SPR – where she was responsible for events – to sit next to the person who could help her get the role she wanted at the Society's first Annual Dinner. Savills' agricultural researcher was suitably impressed and this led to further introductions ultimately ending up with Yolande being given the opportunity to start up a new residential research team at the company.

In light of her experience, Yolande advised young researchers just starting out to 'follow their passion', as having that level of interest will make you invaluable to your employers, as well allowing you to stand out from the crowd. Everyone is involved with the built environment and has their own perspective to share, which makes this a realistic ambition.

Allied to this, she suggested that imagination is often undervalued in research, as it can help in making connections between apparently disparate trends. Research is not just about burying oneself in spreadsheets, and more diverse companies are often the best at recognising the value of people who think in different ways.

During a wide-ranging discussion, Yolande also talked about moving from head of World Research at Savills to academia and noted that the change was perhaps not as great as people might expect. 'I've spent most of my career teaching, either as one of the senior members of a research team or presenting to clients,' she confessed.

Yolande suggested that an academic role tends to be more solitary than a corporate one, but she clearly relishes the chance she now has to 'rethink real estate' in a post-Covid world, with the broadest possible remit. This includes considering the impact of real estate on wider society, particularly the effect on social inclusion and environmental issues, where she thinks that 'we need to understand the connections much better.' There is also the opportunity to look into the potential of new data sources, including approaches that go under the heading of 'place-based science', linking the quality of places to value.

Clearly, following her passion has worked out well for Yolande, as she has been able to spread her wings and soar well beyond the confines of UK residential. She encouraged other researchers to aspire to the role of 'polymath' too, although she was too modest to admit that this description is entirely apt for her.