

‘Cautiousness and quality will win out’



Philip Charls

CEO EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

How do you see the real estate market developing in Europe in 2010?

We are cautious about the wider economic revival, and underlying movements clearly affect listed real estate. However, the listed real estate sector passed a major stress test in 2009 and there have been no major bankruptcies in Europe. Most restructuring of balance sheets has already been achieved. We therefore believe that a relatively well capitalised listed real estate sector is well positioned to grasp opportunities that may arise. We expect an interesting period with potential for IPOs, M&A and consolidation – with cash chasing quality. We expect listed companies to keep lower levels of leverage. There’ll be a return to core business – quality management will focus on core activities. Listed real estate will continue to be looked upon in a good light with its stabilising effect on the economy, continued delivery of accommodation for business, an emphasis on transparency and reliable showing during 2009.

What are the main goals of your organisation for 2010?

We aim to improve research and promotional activities and extend our European representa-

tion vis à vis regulators as well as the EU. The encouragement of consistent performance and sustainability reporting will further elevate listed property as a reliable and ethical investor vehicle. Our target areas will be to attract new money from Middle East & Asia funds, focusing on the largest SWFs and giving special attention to pension funds.

What are the most pressing issues?

Of course the most pressing is the economy – but we believe the most successful and best-managed listed real estate will be noticed in the light of what has recently happened. Our role is to ensure they figure strongly in the upturn. Other issues:

1. Governmental role in the economic turnaround and its need to claw back taxation will be a constant challenge.

2. Lease accounting. We will continue to challenge industry awareness and focus the response to the IASB’s lease accounting proposals – an area where we appear to be making some headway.

3. Better adoption of EPRA Best Practices Recommendations, and the comparability of corporate governance across Europe.

How have the crisis and recession affected your organisation and what were key lessons learned?

Our cost awareness increased and we redoubled our focus on practical member needs. We learned that liquidity works both ways and that a stable listed sector is now looking forward with more confidence.

If the past year was one of debt and distress for the industry, how would you characterise 2010?

We foresee issues surrounding debt; but that said, the listed sector seems relatively well placed. 2010 will show that cautiousness and quality win out, and a back-to-basics climate will encourage people to do what they do best.

ABOUT EPRA

EPRA is the voice of the European publicly traded real estate sector, representing more than 200 active members with over €250 bn in total real estate assets. Based in Brussels, the organisation works to encourage greater investment in listed real estate companies in Europe through the provision of better information to investors, improvement of the general operating environment, encouragement of best practices and the cohesion of the industry.

‘Some light at the end of the tunnel’



Liliane van Cauwenbergh

MANAGING DIRECTOR RICS EUROPE

How do you see the real estate market developing in Europe in 2010?

The economic backdrop for real estate in Europe should be a little more favourable over the course of the coming year. Although it has to be acknowledged that the economy still

faces significant challenges, growth should come in close to 2%. More significantly, the ECB is unlikely to be in any greater hurry to push up interest rates from current lows given the generally benign inflation picture. Even so, a generally flat employment picture will limit the scope for a recovery in the occupier market.

Tenant demand should at least stop deteriorating with rents beginning to stabilise. Nevertheless, inducement packages will remain a feature of many new agreements to take up space. The investment market may prove a more interesting area with many valuation yardsticks suggesting that a wide divergence has opened up with other asset classes. A cautious stance on lending to the sector will remain a drag on performance and much investor attention is likely to continue to focus on prime rather than secondary opportunities.

What are the main goals for your organisation in 2010?

RICS will continue to build its brand internationally as ‘the mark of property professionalism worldwide’ and further develop and champion the standards and thought leadership that underpin our brand. For RICS Europe, as with our other business units around the world, implementing new governance arrangements will still be a priority as these will enable us to ensure the global consistency of standards whilst improving our understanding and ability to service the needs of local markets. We anticipate that demand for RICS membership will remain strong. In continental Europe, our focus will be to maintain the momentum of growth and brand recognition in our core markets, but we will also continue our expansion in newer markets such as Romania, Russia, Ukraine, Turkey, the Nordics and Baltics.

What are the most pressing issues?

In the current market circumstances, governments across the world require greater transparency in the way their economies work. For this reason, one of our greatest challenges is to

ABOUT RICS EUROPE

RICS Europe is the European arm of the Royal Institution of Chartered Surveyors (RICS), which represents professionals worldwide working in property, land and the built environment. Based in Brussels since 1993, RICS Europe has offices and staff throughout continental Europe. As at August 2009, the organisation had 8,507 members in continental Europe, spread over the different categories of membership.

develop an enhanced global regulatory framework for valuation. RICS is committed to bringing more confidence to consumers and higher levels of assurance for clients, regulating the competence of its valuers worldwide through a new accreditation and compliance monitoring scheme. In line with this new framework, only those who join the scheme will be able to call themselves RICS accredited valuers. RICS will also work to actively support governments and businesses in creating value for sustainable buildings and other property assets.

How has the recession affected your organization and what lessons have been learned?

So far there is little indication of membership renewals being adversely affected by market

conditions. In fact, the recession seems to have provoked increased interest from practising professionals who are keen to gain the RICS qualification as a way of differentiating themselves. Of course, RICS is not unaffected by the recession and we are experiencing a reduction in the number of new graduates entering the profession as a result of firms cutting back their graduate recruitment programmes.

If the past year was one of debt and distress for the industry, how would you characterise 2010?

There will still be some distress but I also see some light at the end of the tunnel. And for RICS Europe, I see it as another great year in which we can make strides forward in developing standards and professionalism.

‘Valuation will continue to top the agenda’



Andrea Carpenter
DIRECTOR PROFESSIONAL STANDARDS
AND COMMUNICATIONS, INREV

How do you see the real estate market developing

in Europe in 2010?

To understand the developments for 2010, it is important to look first at where the non-listed property funds industry left off in 2009. Last year was an extremely challenging year and not one the industry would wish to repeat. There were low levels of activity and that activity was focused on existing portfolios or funds for investors and fund managers. That said, it is possible to see from the second half of 2009 some trends that might be the seeds for a more productive 2010. An INREV survey in the autumn showed that market activity was picking up with 34 investments into non-listed prop-

erty funds in due diligence from the survey sample at the end of August 2009. There were a similar number of secondary trades in due diligence. In addition, fund managers were reporting increased marketing activity of new funds. Another positive trend from the survey which will play out further in 2010 is the impact of an increase in underlying market activity. Fund managers reported transacted property asset sales of €3.6 bn and acquisitions of €2.7 bn in the eight months to end-August. It is becoming clear that the non-listed property market is behind in its recovery compared to the direct market or the listed sector. However, increasing activity in the underlying market is a first positive indicator for the non-listed

property funds sector. The increase in activity will support better asset-level and therefore fund-level valuations, which will begin to provide the industry with a more secure base from which to move forward.

What are the main goals of your organisation for 2010?

We are currently developing our business plan for the 2010-2012 period. This involves gaining input from our members and the management board. However, one theme that will continue to be important in 2010 is how the non-listed property funds model needs to adapt to be sustainable. We have spent time interviewing members on the short-term and long-term impact of the financial downturn. These views are now being translated into relevant research projects to support the evolution of the model. These include examining the role of non-listed property funds within a wider asset class

perspective and also exploring how investor classification might affect future product development. One year on from the integration of the INREV Guidelines, we are still very focused on increasing adoption levels. We will continue work to understand adoption such as a Review of Corporate Governance Best Practice and a third Review of Reporting Best Practice. Another topic on INREV's agenda for 2010 is sustainability. Feedback from members has shown us that the role of responsible investing and commitments to improve environmental performance are rapidly rising up the non-listed property funds agenda. We can play a role to support education on this issue as well as promote the sharing of best practice.

What are the most pressing issues?

Valuation continues to be one of the most pressing issues for the industry. End-of-year asset-level valuations will provide a next milestone for market direction and will be a factor in activity levels for 2010. INREV will publish the results of its Index 2009 in April, which will give the non-listed property funds sector a good overview of performance across Europe. There is also an increasing focus on the evaluation phase of investing in non-listed property funds. Investor appetite for committing to new

funds is increasing but the lessons learnt from existing investments means that due diligence is taking longer as both sides seek to find the right balance for new funds. INREV is currently reviewing its Due Diligence Questionnaire to reflect information needs in this changed market. Familiar themes from 2009 will also continue to test the market. In particular, debt and refinancing issues will continue to cloud the market as well as a general concern about economic conditions and market direction.

How have the crisis and recession affected your organisation and what were key lessons learned?

We're very pleased that even in more challenging times we have maintained our membership levels and continue to benefit from the strong support of our members. This shows the importance of our core message that improved transparency can bring benefits, partic-

ularly in more difficult markets. On a day-to-day level, we have adapted all our output – be it research, professional standards, events or training – to meet the different member needs in this market. For example, it is not surprising that our research has focused on issues which are having a major impact in this market such as debt and liquidity provision. More recently, our Market Activity Survey tracked changes in sentiment and activity over the first three quarters of 2009.

If 2009 was a year of debt and distress for the industry, how would you characterise 2010?

Major themes in 2009 such as debt and refinancing, as well as valuation, will continue to be on the agenda. However, a year of taking stock means the industry comes to 2010 more prepared and more willing to undertake a modest return to activity.

ABOUT INREV

The European Association of Non-listed Real Estate Funds (INREV) is the leading platform for sharing and disseminating knowledge about the European non-listed real estate fund market. Its strategy is to promote greater transparency, accessibility and standards of best practice. INREV's primary focus is on institutional investors, who guide its strategy and control the management board, and together have some €140 bn of real estate assets under management.

'It's like being in a triathlon'



Bill Kistler

PRESIDENT OF ULI EMEA

What are your main goals for 2010?

The year ahead will not be one for the fainthearted. It's a bit like being in a triathlon. 2009 required and tested a different set of skills than will be needed in 2010. Those who survived are in better shape but face an ongoing endurance test with a different set of challenges. The challenges and opportunities in the year ahead for ULI are similar to those facing the industry. Our goals are to stay on top of fast-changing trends, to be nimble in our response to them, and to continue to be as relevant and valuable as possible to our mem-

bers. In order to achieve this we will focus on our core programmes such as the Energy Efficiency Exchange and the Urban Investment Network. The real 'value add' of ULI is connecting the different disciplines and sectors of industry across borders to share ideas and best practice.

How do you view prospects for public-private collaboration in 2010?

The global economic challenge reinforces the idea that government and the real estate industry are two sides of the same coin. They are both starved of investment and debt capi-

tal. They both therefore share the need to be creative and flexible in order to achieve their goals. The idea of 'never wasting a good crisis' could not be more applicable than it now is to public-private collaboration. There is both the opportunity and the necessity for government and the real estate industry to build new models for working together.

Which cities will emerge from the recession quickest and why?

The strength of a city's balance sheet and its overall fundamentals will be key to its ability to recover quickly from this downturn. The stakes are higher this time than they probably have been for a generation. There will clearly be winners and losers with the gap between them widening. Cities that became heavily indebted to fund their infrastructure expansion and so-

cial programmes will be less well-positioned. Those with unfinished, underfunded projects are particularly vulnerable and certainly any city that suffers a credit rating downgrade will struggle to recover. On a positive note, cities that have completed major projects over the past decade such as the expansion of Charles de Gaulle airport and the building of the 'Me-teor' metro line in Paris are now in a position to capitalise on these investments.

Ultimately, the ability of a city to bounce back from an economic downturn depends upon fundamentals such as a diverse economic base, highly skilled workforce and high-quality physical and social infrastructure. Berlin has seen significant public and private investment to transform the city since reunification. However, the cost of this transformation has burdened it with a fiscal yoke. In addition, the hoped-for diversification of its economy has yet to materialise. These twin challenges will undermine the speed of the city's recovery.

Which real estate sectors will see most growth in urban investment?

Capital for urban regeneration, airports, metro systems and other infrastructure will be hard to come by until we see a solid recovery in the economy. Governments face declining tax rev-

ABOUT THE URBAN LAND INSTITUTE

The Urban Land Institute is a non-profit research and education organisation supported by its members. Founded in 1936, the institute now has more than 40,000 members worldwide (over 2,600 in Europe) representing the entire spectrum of land use and real estate development. Its mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI facilitates the open exchange of ideas, information and experience among local and international industry leaders.

enue which hampers both their capacity for direct investment and ability to raise bond financing. Fortunately, the European Investment Bank continues to seek opportunities that will help stimulate recovery and growth. Its 'Jessica' initiative specifically targets projects with this potential and provides an important funding alternative. Private-sector investors and lenders are more risk-averse than ever. The good news is that those with capital to deploy, and they are out there, are looking for opportunities. On the commercial development front, there are niche opportunities in some markets for office and retail projects, although they will be hard to both find and fund.

What are the main barriers to urban investment in the current climate?

In the past, recessions or real estate industry

downturns were often driven by factors like overbuilding or local, market-specific issues. This time the issues are global and systemic. Arguably, we are in the middle of a structural versus a cyclical change. In such a climate, leadership and collaboration between the public and private sectors are essential. ULI's Urban Investment Network is a response to this challenge. It is designed to provide a framework for collaboration, opportunities to connect and share ideas as well as practical tools for attracting investment. City and industry leaders participating in the network are finding that it provides a unique platform to address their mutual needs. While 2010 looks like another challenging year, it also promises rewards for those willing to innovate and work together. This is certainly what Europe's cities need to remain competitive on the global stage.

'Nowhere near out of the danger zone yet'



Barry Varcoe

CHAIR OF THE GLOBAL BOARD OF DIRECTORS, CORENET GLOBAL

How do you see the real estate market developing in Europe in 2010 and what are the most pressing issues?

Few will be sorry to see the passing of 2009, but as we leave the first decade of the new century we should perhaps look back further than the recession for a moment and remember some of the significant changes that have occurred over the last 10 years. After all, quite often the future has already to some extent been determined by the events of the past. For me, there have been at least three major trends in the 'Noughties' that will continue to shape the

'TwentyTens'. The first is the continued maturing of the internet society, with web-based technology infusing itself into just about every aspect of our lives. It hasn't fundamentally changed the way in which we design, build and most significantly use facilities yet, but the first signs that it is beginning to do so are already there and 2010 could see an acceleration of its impact within real estate. Secondly, for an industry that by some measures is responsible for up to 40% of the problem, we have maintained an unreasonably low profile collectively on environmental matters. That will soon change and we will be held to account.

Finally, the world has become far more connected and there is an interdependence that has repercussions we do not fully understand yet. Markets are global and as such everyone is in competition, so no matter who you are or what you do in real estate, you need to be prepared to strategise, plan and operate at that level. Subsequently, having 'a plan' these days is not enough. On entering 2010, you need to have a number of plans to suit an array of potential scenarios that can be called upon and adapted depending on what transpires. With such uncertainty, portfolio agility is priceless.

How have the crisis and recession affected your organisation and what were key lessons learned?

The severity and breadth of the recession will reshape aspects of society and its values for some time to come and, in my view, the recession will

have at least one long-lasting impact well into the next decade. It is difficult to foresee all the ways in which this might happen, but surely an immediate impact is already an increased caution and reserve. Perhaps this is long overdue given the forgetfulness that many have had over the fundamentals of economics and value. I expect some money will continue to return to the commercial property investment market in 2010, but it will be targeted at lasting quality and will be longer-term in outlook. Against this, there is an enormous amount of real estate debt refinancing to be done, with much of it technically in default. Just as I expect a few more after-shocks from the recession, we are certainly not anywhere near being out of the danger zone yet.

What are the main goals of your organisation for 2010?

Everyone in the real estate industry has had their own challenges and priorities over the

last year and will continue to do so during 2010. One thing that all can benefit from is the mutual learning and support that comes from convening and sharing experience with fellow professionals, whether in person or through online communities. CoreNet Global with its 6,500 members across the world and its chapters in Central Europe, the Benelux region and the UK, has been invaluable in this regard and will continue to be so in 2010. One area that has demonstrated this already has been the challenge of cost-cutting, which is certain to continue. Indeed, risk

management in all its facets will continue to be an important leadership competence for the successful real estate professional in the year ahead. One final thought for 2010: as organisations question the value of every component of their business model, real estate needs to respond. In this regard I fear we are comparatively weak at present. As our customers demand a new level of engagement and contribution from us, we need to bring as many minds to bear on this challenge as possible. Let's hope that we can accomplish this in the year ahead.

ABOUT CORENET GLOBAL

CoreNet Global members manage \$1.2 tln in worldwide corporate assets consisting of owned and leased office, industrial and other space. With over 7,000 members representing large corporations around the world, CoreNet Global operates in five global regions: Asia, Australia, Europe, Latin America and North America, including Canada.

'More emphasis on quality and sustainability'



Marcus Wild

CHAIR EUROPEAN BOARD, ICSC

How do you see the real estate market developing in Europe in 2010?

I believe that the inflation rate will remain low, however it will be higher than in 2009. The economy will stabilise and there are many indicators pointing upwards. However, unemployment is likely to rise, therefore no higher consumption should be expected. Demand for real estate will increase again and at the same time real estate prices will go up.

What are the main goals of your organisation for 2010?

ICSC exists to provide its members with excellent opportunities to share ideas, network and improve their professional education. Our main goals are to increase the membership and provide more opportunities for members. Our 2010 European conference is being held in Prague on 28-29 April. We are also maintaining our commitment to driving forward

sustainability issues and promoting a green environment. We will also be focussing on developing our partnerships with ICSC's National Councils across Europe. Training the next generation of real estate professionals and helping their growth in the market is also a top goal.

What are the most pressing issues?

Sustainability continues to be one of the industry's most pressing issues.

How have the crisis and recession affected your

organisation and what were the main lessons learned?

ICSC itself was not very strongly affected and worked as hard as possible to support its members. For example, participation fees for conferences and seminars were reduced and special membership programmes were created. We also increased opportunities for discussions and roundtables to share and talk about ways of recovering from the crisis.

If the past year was one of debt and distress for the real estate industry, how would you characterise 2010?

2010 will be a year of gaining ground and placing emphasis on more quality and sustainability in the real estate industry.

ABOUT ICSC

Founded in 1957, the International Council of Shopping Centers (ICSC) is the global trade association of the shopping centre industry. Its 60,000 members in the US, Canada and more than 80 other countries include shopping centre owners, developers, managers, investors and retailers. ICSC has links with more than 25 national and regional shopping centre councils. Its principal aims are to advance the development of the shopping centre industry and to establish the shopping centre as a major institution in the community.