



2 PARIS CONFERENCE “Join us and start your year informed and connected” Gerard Groener Conference Chair and Chair, ULI Netherlands



2 CITY DEVELOPMENT Tishman Speyer’s Michael Spies is one of the panellists in the ‘Cities Panel’



3 BANK DELEVERAGING Morgan Stanley’s Struan Robertson will moderate a panel on debt-bank deleveraging



4 GLASGOW COUNCIL Glasgow’s city council is seeking new ideas to refresh its urban investment strategy

CEO’S COLUMN

Hope, hype and opportunity

Our theme for ULI’s Annual Conference in February is Hope, Hype and Opportunity which we feel encapsulates where the market is as we enter 2013. Nowhere is this sentiment truer than in Ireland, where investors with capital are looking closely at the opportunities provided as NAMA continues to sell distressed assets.

It is therefore excellent timing that ULI has just launched a National Council



Joe Montgomery,
CEO ULI Europe

and struck right at the heart of the challenges faced by the country’s real estate sector. The council has an exciting future and under the chairmanship of Hines Ireland’s managing director Brian Moran we expect our membership to flourish and benefit

in Ireland, with a real estate capital markets forum at the House of Lords in Dublin. The event attracted 30 influential professionals from Ireland’s investment community

from ULI’s network and insights. Next year is set to be another challenging year for the European real estate sector. We will start 2013 with two key events which will help our members make the most of the opportunities presented by the market. The launch of our Emerging Trends in Real Estate Report, undertaken annually in partnership with PwC, will provide the latest insights into the prospects for European property. Our Annual Conference in Paris at the beginning of February will provide the opportunity to hear how Europe’s key players view the challenges and hopes for our industry and some of these key themes are previewed in this newsletter.

ULI Europe launches 14th National Council in Ireland

ULI launched its 14th European national council in Ireland on November 20th. The council, which is being chaired by Hines Ireland’s managing director Brian Moran, brings together ULI’s members in Ireland and provides them with a forum to discuss and address the challenges facing the country’s real estate sector.

The National Council was launched at a real estate capital markets forum event at the Bank of Ireland, House of Lords, and included a roundtable discussion between 30 senior professionals on the future of Ireland’s capital markets. This was chaired by Marc Mogull, managing partner at Benson Elliot Capital Management. Joe Montgomery, ULI Europe Chief Executive comments: “The creation of a



Brian Moran, Chair ULI Ireland

national council in Ireland is an important step in the maturation of the Urban Land Institute in Europe. The new council will

provide our members with an arena for exchanging ideas and best practice on real estate, regeneration and urban development, as well as gaining access to ULI’s global network of knowledge and contacts.”

Brian Moran, Managing Director of Hines Ireland and ULI National Council chair comments: “We have had an active and growing ULI membership in Ireland for some time now and being granted official National Council status will give us the opportunity to expand our operations and provide greater benefit to our members. Our first official event struck at the very heart of the challenges we face in Ireland and we enjoyed a lively debate on the future of financing real estate development and investment.”

ULI Europe Annual Conference focuses on hope, hype and opportunity

Now in its 17th year, the ULI Europe Annual Conference will bring together over 500 highly influential decision makers from across Europe, Asia and the USA. The conference, which will take place on the 5th and 6th February at The Westin in Paris, is themed: "Hope, Hype and Opportunity".

The conference will deliver a programme tailored to provide delegates with the 'big picture' through its up to the minute content, presentations from leading experts in the fields of economy, real estate and urbanism and a series of sessions led by prominent industry figures. Sessions covering the economic outlook, capital flows, residential investment and bank deleveraging will be delivered by speakers of the highest calibre representing companies including Corio, Standard & Poor's, LaSalle Investment Management, Allianz Real Estate, Grainger, MGPA, GIC Real Estate, PSA Peugeot Citroen, Tishman



Gerard Groener, Annual Conference Chair

Speyer, Morgan Stanley, Starwood Capital, AXA Real Estate, ICADE, Urban & Civic. Attendees represent a broad cross-section of disciplines, including real estate developers and owners, fund managers, financiers and senior public officials. As the industry faces up to the continuing economic, political and business challenges in Europe, the conference will provide a unique opportunity to share ideas, knowledge and experience.

Conference Programme

6 February 2013

- 08:45 Welcome & Introduction
- 09:00 Economic Outlook
- 10:25 Infoburst: US Outlook
- 10:45 Coffee Break
- 11:15 Capital Flows: What's Next?
- 12:00 Concurrent Sessions
 - 1. Residential Investment
 - 2. Users – What Do They Want?
- 13:00 Lunch
- 14:30 Three Cities and a Developer
- 15:15 Cities and Their Prospects
- 15:45 Coffee Break
- 16:15 Concurrent Sessions
 - 1. Debt – Bank Deleveraging
 - 2. Recycling Old Buildings
- 17:15 What's Next?
- 17:30 Conference Close

To register for the conference, please visit: www.uli-europe.org/paris13

City development – looking to the future

It is no secret that the outlook in Europe with regard to economic growth and demographics is challenging, and has been for some time. But as developers, we should probe beyond what seems apparent, and understand the true dynamics on the ground.

We invest, not in Europe, or in countries, but in cities - and even within those cities, into specific locations with distinct attributes. So we are always assessing the economic trends and the potential growth and development opportunities in particular cities.

Cities are both complex and influential, with their dense and ever-changing populations, varied land uses and diverse constituencies spurring economic activity and innovation. They are drivers of growth, when their energies and intellectual capital are effectively guided. A successful city positively contributes to growth at a regional and national level. Now that more

than half of the world's population lives in urban areas, the importance of effective planning, investment and leadership in city centres becomes all the more important. These are factors that are increasingly important to consider in Europe, where both

“Given the broad differences between these cities it will be very interesting to hear of their various approaches to both common issues and unique”

strongly negative and positive dynamics are in play. In this 'Age of Austerity', cities require plans and visions that can inspire investment and confidence. But they must also be realistic and achievable. Public-private partnership is essential, as is clarity in the planning and regulatory framework. Successful investment in cities is largely down to a good working relationship be-

tween the public and private sectors.

I will be sitting on the 'Cities Panel' at the forthcoming ULI Europe Annual Conference in Paris along with leaders of major European cities - Barcelona and Frankfurt - and it will be interesting to learn about the strategic foundations that each has put into place to ensure successful futures. Much of this will be around responses to current challenges to growth of the local economy and specific initiatives reflecting future visions and aspirations. Given the broad differences between these cities it will be very interesting to hear of their various approaches to both common and unique issues.



Michael Spies

By Michael Spies, Senior Managing Director, Europe, Tishman Speyer

Fragile recovery possible by late 2013

ULI talks to Jean-Michel Six, Chief European Economist at Standard & Poor's about the outlook for Europe's economy

"We expect the European recession to continue well into 2013, and we remain fairly concerned about the short-term situation. However we do believe that a fragile recovery will begin in the final part of next year, depending on the outcome of several key events."

These include the US fiscal cliff and a potential recovery in emerging markets. He continued: "If the US economy strengthens, this will provide an uplift for Europe.

Our view is that any compromise that the two parties can make in the US will be better than the cliff, and as the economy grows there will be positive knock-on effects for Europe. In addition, we are watching the recovery of the emerging markets in Asia and Latin America with interest - their growth would also provide a boost."

Jean-Michel Six will be making a keynote presentation on the economic outlook at the Annual Conference in Paris in February.

"By the time we gather for the conference the situation could have changed," he said.

"The aggressive monetary policy in Europe is not working currently because of the frag-

mented monetary union in the Eurozone, and this is generating a crisis of confidence in the financial institutions. However, over the next few months we hope to see the positive impact of the European Central Bank's Outright Monetary Transactions programme on the sovereign debt markets. This could potentially reduce the pressure and restore confidence in the interbank markets."



Jean-Michel Six

Increase in bank deleveraging plans turns spotlight onto alternative capital sources for CRE

According to recent research from Morgan Stanley, the commercial real estate financing gap has changed from original estimates and now stands at between €450 and €700 billion, primarily as a result of banks increasing their deleveraging plans.

This process is faster than expected and the company believes that this has been spurred by capital requirements, expensive funding and the need to increase return on equity for banks.

Morgan Stanley estimate that banks are 18 months into their CRE deleveraging programmes and about a quarter of the way through the process. Reduction in cross-border exposure is a likely driver as banks have been able to sell their exposure outside Europe to non-European banks, and this has been especially evident in the US. However, it could be that the easiest part of the process has been completed, and apart from Spain, where acceleration is expected to remain fast, there could be a slowdown as CRE loans are generally of longer duration than other types of commercial loan.

What Morgan Stanley is positive about is the availability of alternative capital, possibly up to €200 billion, which will replace funding from traditional debt and equity capital providers. In the report, *Banks Deleveraging and Real Estate*, which was written by Bart

Gysens and colleagues and published earlier this month, the company says that investor interest in debt funds is rising rapidly, with a threefold increase in the number of institutions that aim to allocate to debt. SWF's from across the world continue to buy assets in Europe, there are increasing efforts from insurers to lend to CRE, and there has been a rapid rise in real estate bond issuance - €6 billion in the year to date, which is more than double the yearly average over the last decade. They also flag that 20% re-rating quoted property stocks to date suggests that many listed players are now in a better position to deploy equity.

The report urges caution as a large part of this alternative capital is selective and SWF's, property companies and insurers often lack the ability or inclination to progress quickly, so only a small part of real estate markets will benefit in the short term. However, investor interest in debt funds is the most significantly positive data point for wider real estate markets, as these private equity sponsored funds can be nimble and tend to target a wider real estate quality spectrum.

Interestingly, during 2011 at least two REITs, British Land and Great Portland Estates, were able to raise debt directly from institutional investors in the US. Although these issues are small, Morgan Stanley expects other high quality European companies to be attracted to US financing terms, their flexibility and the speed on offer. In terms of US REITs invest-

ing in Europe, there has been increased interest, and in general US REITs appear more comfortable to use their lower cost of equity and debt capital to make acquisitions. Struan Robertson, senior advisor and former Global Co-Head of Real Estate Investment Banking at Morgan Stanley, comments: "The big issues on bank deleveraging remain - how big is the problem; how much progress has been made so far; which sectors have been most impacted; how are those involved adapting to the a new debt reality; and finally, where are the opportunities? Our report goes some way to answering these questions, but we have many hurdles to jump in the next few months. The fiscal cliff in the US at the end of the year; the hard landing in China and the financial situation in Greece that will determine its membership of the Eurozone are crucial, and in the longer term, we are following progress in Europe and anticipating the impact of Spain's 'bad bank', as well as the preliminary earnings announcements from European banks. There are many factors and they will all have their impact."



Struan Robertson

Struan Robertson will moderate the Debt-Bank Deleveraging session at the ULI Annual Conference on February 6 2013 in Paris.

ULI talks to Glasgow Chamber of Commerce

Over the past six months Glasgow City Council has been reviewing its city centre strategy. It is keen to keep the city centre at the heart of the West of Scotland's economy but wants to refresh its investment and management plans.

Glasgow Chamber of Commerce is co-ordinating the views of the business community and listening to the commercial sectors that rely on strong customer footfall in the city centre. Retailers, food and entertainment providers, education institutions, commercial property investors and hoteliers have been providing views on what they think a modern effective city centre needs to have. Glasgow Chamber of Commerce ran an open conference in October with over 100 delegates, and utilised its membership of ULI's Urban Investment Network to bring to



Glasgow Professor Valentino Castellani, vice-president of Torino Internazionale and former Mayor of Turin, and Rod Holmes, chair of the Mersey Partnership in Liverpool. Both

industrial cities have a strong track record of transformation through tackling the consequences of radical change in their economic base, like Glasgow. Greg Clark also lent his extensive experience to the discussion.

Issues included a shift in emphasis over the medium term from retail - led regeneration towards an increasing role for centres of industrial excellence built around educational institutions. Glasgow has two large retail investors who are delivering investment plans in the city and they are crucial in keeping the city centre as one of the most important retail offers in the UK after London. But they are now recognising how important new investments like the engineering sector driven Technology Innovation Centre at Strathclyde University will be for the city's future success.

Business Friendliness in Turin



Business-friendliness is an ambiguous concept. More than a specific set of actions and regulations it might be about an attitude that cities adopt, one of can-do, flexibility and an ambition to solve the problems that emerge.

That is one of the conclusions drawn from a ULI Urban Investment Network workshop on 'Business-friendly Cities' that was hosted by the City of Turin in November. City and business leaders from eight countries discussed their strategies for enhancing the business climate and their investment considerations. There was agreement that cities need to know what they want - develop a vision and share it. To be successful the strategy needs to be informed by the local business

community. Involved in the discussion were Graça Fonseca, Deputy Mayor of Lisbon, who reported the systematic assessment of the city's business ecosystem, while Stuart Patrick, CEO of the Glasgow Chamber of Commerce, admitted that his city had moved too far from supporting its engineering and manufacturing roots, a legacy it now returns to by fostering emerging green-tech industries.

The need for long-term thinking was emphasised: stick to your vision, success takes time - as illustrated by Mike Emmerich, CEO of New Economy Manchester, who stressed the importance of continuity in public leadership as he described Manchester's 30 year regeneration story.

While cities may not be able to change much of the regulatory and bureaucratic framework they operate under, they are certainly able to make the 'user interface' more friendly to businesses. As Gerard Groener, CEO of Corio NV, stated: "we invest in cities, not countries."

For speaker presentations and the full workshop report refer to our website www.urbaninvestmentnetwork.com

ULI MEMBERSHIP

Since we launched in Europe over eight years ago, ULI's programme of work has grown enormously. We are now providing members with in-depth research, high quality events, premium networking opportunities and pro-bono work for the greater good of local communities.

Join us today at www.uli-europe.org

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