



CEO'S COLUMN

The past few months have been very busy for ULI and its European members. Our 17th ULI Europe Annual Conference in Paris was amongst our most successful yet, attracting over 500 industry leaders from 24 different countries, making it one of the highest attendances we have seen since the start of the economic downturn in 2008.



Joe Montgomery,
CEO ULI Europe

The mood of the conference was one of cautious optimism. No one was expecting market conditions to improve rapidly, but there is an increasing confidence amongst Europe's real

estate leadership that there are meaningful investment opportunities for those with the expertise and access to capital. The same positive mood was also present at this year's MIPIM conference. ULI's activities were mostly focused around the work we undertake with cities. We co-hosted events with the cities of Hamburg and Stuttgart as well as participating in a debate on new growth and investment strategies in partnership with the OECD and the cities of Amsterdam, Barcelona, Hamburg and Manchester. One of the highlights of our conference was the annual ULI MIPIM dinner, which was kindly hosted by Alex Otto of ECE. Our 14 National Councils across Europe have already hosted over 70 local market



Eugenia Kazamaki-Ottersten

events this year and we are pleased to welcome three newly appointed National Council Chairs in keeping with our standard succession pattern. Sigrid Duhamel takes over as Chair of ULI France from Erik Sondén, Rudy Stroink succeeds Gerard Groener as Chair of ULI Netherlands and Andy Martin will assume responsibility for ULI UK from Marc Mogull in July. We are very grateful to our outgoing Chairs for their exceptional work and dedication and wish our new Chairs every success.

We also recently hosted a one-day conference with the European Investment Bank at Wragge & Co's offices in Birmingham. The event assessed the new tools and techniques for financing infra-



Brian Field

structure and regeneration in Europe's regional cities. The conference included a number of high profile speakers including Eugenia Kazamaki-Ottersten and Brian Field from the EIB and Sir Albert Bore, Leader of Birmingham City Council.

Our attention now turns to our Real Estate Trends Conference which will take place in London on 19th June at The Crystal - Siemens' innovative urban sustainability centre. This year's conference focuses on the major changes the real estate industry faces in terms of sustainability, housing, infrastructure, finance and technology. Further information on the conference can be found in this newsletter and on our website www.uli-europe.org/trends13

ULI Enters the Polish Market

Following the successful launch of ULI's 14th National Council in Ireland last year, the Institute is actively expanding its membership into further European countries. Most recently it has been developing its membership in Poland with a series of meetings and presentations, as well as providing speakers for high profile events including the

Primetime Warsaw and Eurobuild Office Market conferences.

ULI has a growing and active membership with plans for further events in Warsaw over the forthcoming months. If you are interested in joining ULI and participating in its Polish events please email: europemembership@uli.org

Real Estate Trends Conference and Dinner
GameSHIFT
 Sustainability, Housing, Infrastructure, Finance and Technology
 Hosted by **SIEMENS**

ULI Urban Land Institute

REGISTER TODAY | The Crystal, London E16 | 18-19 June 2013

www.uli-europe.org/trends2013

Real Estate Trends Conference 2013 – The GameSHIFT

This year's Trends Conference will be themed around the major changes facing the real estate industry.

GameSHIFT will focus on the sustainability, housing, infrastructure, finance and technology challenges faced by our cities and examine how the real estate industry should tackle them.

Chaired by Sir Stuart Lipton, the conference will bring together approximately

250 senior leaders from across Europe's real estate sector and will provide the ideal forum to gain new insights and participate in shaping the industry's future agenda. Attendees will represent a broad cross-section of disciplines, including real estate developers and owners, fund managers, financiers and senior public officials.



Sir Stuart Lipton

Aerotropolis

Since the beginning of urbanisation, the location and format of our cities have been in part defined by the transportation systems available to societies at the time.



Greg Lindsay

Ships, road and rail have all shaped where and how we live and trade. Now in the 21st century aviation is having an impact, with entire cities such as Dubai, New Songdo in South Korea and Chongqing in China being designed and

built around their airport infrastructure. Traditionally airports have been built on the very edge of cities to limit their impact on the existing urban centre. The aerotropolis looks to intentionally embed this global connectivity if not geographically, then philosophically, at the heart of the city. As a result, the city connects and aligns itself more closely to communities and trading partners on the other side of the world than with its immediately located neighbours. The concept has been outlined extensively by author and journalist Greg Lindsay in his book *Aerotropolis*.

"I was criticised more than once for bastardising Greek," explains Lindsay, "but it's not a Greek word. It's a Chinese counterfeit, coined in the early 1990s in Zhuhai, and it's no coincidence that the concept has taken root in Asia and the Middle East. Dubai only took off, if you'll pardon the pun, when it was able to use its state-owned carrier, Emir-

ates, to transform itself from a backwater into the region's preeminent trade, tourism and transportation hub. The joke used to be that Dubai was the best city in India; today it's Chinese firms using the Emirate as a staging ground for the Middle East and north Africa." So what does the Aerotropolis mean for Europe? Schiphol Airport located just outside of Amsterdam leads the way in terms of European airport cities. "The Dutch planners of Schiphol were the first to see the airport as a driver of economic growth and to integrate, rather than isolate, this valuable infrastructure into the fabric of the city," Lindsay explains. The impact of this strategy is clear. "Rents for commercial space around Schiphol are now higher than anywhere else in the Netherlands, including offices in the central business district in Amsterdam."

The popularity of office space close to airports is not unique to Schiphol. In Frankfurt, the 140,000 square metre Sqaire building demonstrates what can be achieved when you combine high quality office space with global connectivity. The Sqaire, a portmanteau of square and air, is located directly above a train station and provides direct access to Terminal 1 of Frankfurt Airport. Since completion in 2011, the building has attracted blue-chip tenants including KPMG and Lufthansa paying prime rents. However, taking into consideration the number of airports across Europe, examples of successful airport cities are few and far between. Lindsay explains: "Europe's hubs have been constrained by a number of factors, especially angry neighbours and environmentalists. The real growth has occurred around the continent's secondary and tertiary airports, where the 'Ryanair

Conference Programme

19th June 2013

- 09:00 Conference welcome
- 09:15 Infrastructure: 'Aerotropolis' – Connectivity, the New Currency?
- 10:15 Infrastructure Investment: Imperatives and Opportunities
- 11:00 Coffee Break
- 11:30 Technology: Smarter Cities?
- 11:50 Technology: Cities & Real Estate
- 12:30 Lunch
- 14:00 Housing: Is the London residential market an inflating bubble or a paradigm shift?
- 15:00 Finance: The Future of the Banks and the implications for Real Estate
- 16:00 Break
- 16:30 Sustainability: Real Estate Resilience
- 16:45 Industry Leaders Reflections
- 17:30 Conference Close
- 17:30 Networking Reception

To register for the conference, please visit: www.uli-europe.org/trends13

Effect' has transformed local communities into Londoners' second homes."

As Lindsay prepares to speak at the ULI Trends Conference in London, the obvious question is what should London's aviation policy be?

"As a global city and financial capital that happens to be situated on an island, its airports are critical to its future. The three-way debate between paving a third runway at Heathrow — and destroying a neighbouring community — building 'Boris Island' in the Thames Estuary at an astronomical cost — with the chance to wipe the slate clean — and whether to pursue no growth at all in the name of the environment is a microcosm of society's larger debates about growth. If Londoners elect for growth, they will need to move quickly to stay neck-and-neck with European airports — to say nothing of Middle East hubs — in the race to open routes to the emerging cities of the Global South."

Greg Lindsay will be making a key note address on the Aerotropolis concept at the ULI Trends

The Crystal: The World's First Urban Sustainability Centre

The venue for this year's Real Estate Trends Conference is The Crystal, Siemens' innovative new urban sustainability centre at the heart of the Green Enterprise District in London's Royal Docks.

The Crystal is the world's first centre dedicated to improving knowledge of urban sustainability and is itself one of the world's most sustainable city buildings. The centrepiece of the Crystal is an interactive public exhibition and visitor attraction, which showcases global best practice in urban planning and design. The exhibition demonstrates how innovative urban technologies are already improving people's lives today and will revolutionise the way



we live and work in our cities tomorrow. The landmark building covers an area of approximately 2,000 square metres in two dramatic, crystal-shaped sections. The building sets a new benchmark in sustainable design and construction excellence through intelligent integration of the building's structure, fabric and services and a series of coordinat-

ed active systems working together. Designed as an 'all electric' building, the Crystal is able to operate free of fossil fuels. It aims to achieve top scores against some of the world's most stringent international standards for sustainable design and construction, including LEED and BREEAM.

The shape of the RESI market

Martijn Vos, Senior Portfolio Manager for Real Estate at APG, explains the formation of the GRIP unit trust, and his views on the residential sector across Europe.

In January 2013, APG, the Netherlands-based pension-fund asset management company, and Grainger plc, formed a joint venture unit trust which aims to grow by investing in residential buildings in London, with scope to further invest in 'build to rent' development opportunities.

"We had been looking to invest in London and the Greater London area for some time, but we couldn't find the right stock" comments Vos. "We were aware that the Grainger GRES fund, which focused on residential property, was about to be liquidated and after bidding, we were successful in securing this large residential portfolio. There is a growing interest in the sector - since our joint venture earlier this year, we notice that Prudential (M&G / PRUPIM) has also acquired a portfolio, and this trend will continue as there is the expectation of increases in value and the further rise of rental prices on residential assets.

"Our interest is not just in London," he continued. "We are open to vehicles similar to Grainger's GRES fund that have reached their endpoint - in residential and other sectors. We are in a strong position to work with investment managers to provide experience, capital and an aptitude to

further developing vehicles owning quality real estate. Our view is that residential investments can provide favourable risk-adjusted returns, so we continue to look across Europe for new opportunities."

Vos believes that there is much disparity in the health of residential property markets across Europe. Where London is faring well and is in positive growth, various other markets continue to struggle. "Many European cities are static because of, for instance, the lack of mortgage availability and declining tax incentives on housing. Amsterdam and Paris are good examples of this - banks are just not funding residential purchases and as a result house prices are dropping, not rising. However, it is important to distinguish between the owner-occupier market and the rental market. Across Europe the major cities continue to attract young people looking for work, they have a net positive migration which means that people have to live there and there is excess demand for rental properties since this group has difficulty in buying a house for the first time. In some cities this has resulted in higher rental prices, which is great if you are investing in that sector and that city," he said. "But there are also cities experiencing drops in both rental and owner-occupied housing values and this makes the market unattractive to investors."

According to Vos, this has prompted inves-

tors in some countries to look elsewhere for a better yield on their investments.

"Investors' focus has moved to German cities, which offer good opportunities for growth. In fact, the residential sectors in Berlin, Munich and Hamburg are in great shape and perform thus far on a par, if not better than London. And it's not just these three large cities - the seven biggest cities in Germany are attractive to investors, particularly in the rental market, where landlords have had the ability to charge higher rents, despite regulations on rental growth, and this provides better scope for investors." "Vos believes that student accommodation and senior housing are two markets that will become increasingly relevant for investors."

"These are niche markets currently, although in London and some larger UK cities, student housing has formed a healthy part of the residential sector for a while. We believe that both of these will start to grow in other European cities as the senior population continues to surge and demand gets greater. Both sectors will offer higher yields for investors which will prove attractive," he said.

Martijn Vos will be participating on a panel of experts discussing the residential market at the forthcoming ULI Real Estate Trends Conference.



Martijn Vos

German Cities Top Real Estate Investment Prospects

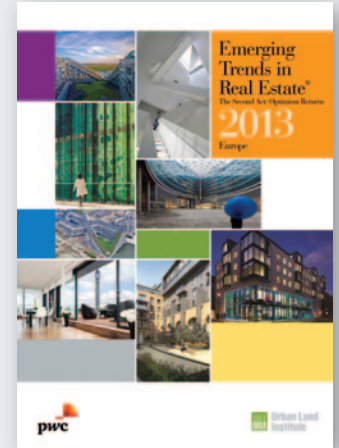
Our 10th annual Emerging Trends in Real Estate® Europe report, published in partnership with PricewaterhouseCoopers (PwC), reveals that German cities dominate the investment prospects for Europe's commercial real estate sector, with investors continuing to favour safe haven locations.

The ranking of 27 cities across Europe, based on respondents' expectations for market performance in 2013, sees Munich top the league table followed closely by Berlin in second place and Hamburg in fifth position, with investors taking comfort from each of the cities' strong local micro-economic climate and resilient property market conditions. London, which is seen by many as Europe's ultimate safe haven market, is the largest riser in this year's report taking third position. Investors continue to be attracted by the size and liquidity of its real estate market, the stability of sterling as a currency and its ability to stand alone from the rest of the UK and Europe's economic issues.

Overall, the cities that are ranked highest are the larger Western European centres with international appeal and better economic prospects. In contrast, the worst performing cities were those in countries at the heart of the eurozone crisis or strug-

Top 10 European Cities for Existing Property Investments

	2013 RANKING	2012 RANKING	CHANGE
1	Munich	2	▲ 1
2	Berlin	4	▲ 2
3	London	10	▲ 7
4	Istanbul	1	▼ 3
5	Hamburg	7	▲ 2
6	Paris	6	■ 0
7	Zurich	8	▲ 1
8	Stockholm	5	▼ 3
9	Moscow	9	■ 0
10	Warsaw	3	▼ 7



gling to cope with the consequences of the 2008 financial meltdown such as Athens, Lisbon, Dublin, Madrid and Barcelona. Approximately 80 percent of the respondents surveyed for the report believe that the eurozone crisis has presented their own business with new opportunities. However this relative optimism is tempered by a general consensus that there will be little improvement in the overall European economy or the region's real estate market during 2013. Survey participants were more pessimistic about the outlook for cities' property markets than they have been since 2004 and 45 percent of the respondents expect capital values to remain stagnant until 2017.

The report notes that the tempered optimism is a result of real estate companies restructuring their business over the past five years and now beginning to deploy new strategies to profit in challenging economic and property market conditions. This adaptation to the 'new normal' sees businesses mitigating risks wherever possible and focusing capital on specific assets and opportunities rather than adopting pan-regional or sector specific investment positions. "Almost five years since the start of the financial crisis, real estate investors remain cautious about capital deployment and the availability of debt," comments Joe Montgomery, chief executive of ULI Europe. As a result, investors are focusing on the harder to find opportunities in blue-chip cities such as Munich, Berlin, London and Paris rather than turning to secondary locations in search of higher returns."

One of the areas causing the industry the most concern is the availability of debt and the estimated £350bn -£600bn lending gap caused by the banks continuing to undertake a structural reduction in commercial real estate lending. The report shows that up to 43 percent of businesses found it harder to secure debt during 2012, with 56 percent of the industry expecting there to be less debt available for refinancing and new investment in 2013.

This pessimism is particularly felt in Portugal, Greece and the Benelux countries although a reduction in debt availability is also expected in Spain, Italy and Turkey. In contrast, over 60 percent of businesses in the UK expect an unchanged or improved borrowing environment, even though individual banks remain reluctant to act as sole lenders on deals of more than £50 million.

Emerging Trends in Real Estate® Europe

This year marks the 10th anniversary of the European edition of Emerging Trends in Real Estate®, which provides an outlook on the continent's property markets based on the opinions of more than 500 internationally renowned real estate professionals, including investors, developers, lenders, agents and consultants.

The report has been presented to members in 17 different cities across 15 countries, reaching an audience of approximately 1,500 people.

ULI MEMBERSHIP

Since we launched in Europe nearly ten years ago, the ULI's programme of work has grown enormously. We are now providing members with greater research, public sector collaborations, content driven quality events, and premium networking opportunities.

Join us today at www.uli-europe.org

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