withersworldwide

The future of real estate

INNOVATORS

INTRO

Real estate outlook

Tom Hughes | Partner
Commercial real estate team

> The new default is 'cameras on'. Technology platforms and the multi-media experiences they offer have gone from the peripheral to the mainstream.

When we prepared our original report in 2020, we spoke to experts across the industry who provided their thoughts on the changes going on all around us. Our report was published just months after the start of the pandemic when the industry was in a state of panic. Nevertheless, the general feedback we received was one of opportunity for those willing to adapt and those able to innovate.

Where the contributors to our original report came from within the industry, this report brings together experts who are aligned with innovation and who by background have less traditional links with the sector. These are the voices of the innovators who are seizing the opportunities heralded in our original report.

Over the past few years, the global real estate industry has experienced a huge shift in the trajectory of its engagement with technology and new ways of doing things. As a law firm that represents investors, founders and entrepreneurs at the forefront of some of the most exciting changes in the industry, we have used our unique position to give a platform here to some of their views and experiences. We are grateful for the input from all of our contributors - but we also acknowledge that the dialogue about what the future of real estate has in store is very much ongoing.

INTRO

The disruption wave

James Shaw | Partner
head of Withers tech

> Over the last few years the real estate sector has embraced the innovators, who have thrived on the disruption of the pandemic, to help solve the global problems of the sector.

Looking back at the global financial crisis of 2008-2013, when many large names in the global banking world suddenly vanished, thousands of people lost their jobs and homes, and many previously flourishing economies went into free-fall, the outlook was dire. But out of this bleak moment-in-time we saw the emergence of the fintech revolution, which began to thrive on disruption, the availability of highly skilled individuals, and the practical and now rather obvious inefficiencies in the banking and financial services sectors.

10–15 years on and these fintech startups are now dominating the financial services landscape, many becoming household brands: Revolut, Transferwise, SaltPay, Ant, Klarna, Grab Pay, and Starling Bank, to name a few. These companies have completely disrupted the traditional banking sector (particularly in developing and under-banked markets) and, in many cases, driven significant change in the way we do business.

It is now generally accepted that the pandemic had a similar, if not greater, level of disruption across many other sectors – including the real estate sector – and so it is with great interest that we are presenting these findings here. Over the last few years the real estate sector has embraced the innovators, who have thrived on the disruption of the pandemic, to help solve the global problems of the sector.

INTRO

Key themes from our experts

The new default is 'cameras on'. Technology platforms and the multi-media experiences they offer have gone from the peripheral to the mainstream. This demand for enhancement in the end-user experience is replicated throughout the global demand for real estate.

Hybrid working has changed the way we think about the balance between home, work and social life. The focus of this new paradigm is workplace lifestyle, with workers looking to their buildings to support and enhance all aspects of their lives in a way that is much less siloed than before.

Existing ways of doing things have been digitized – but there is growing appreciation for the importance of the value of the underlying data being captured as part of these digital processes.

Talent retention has always been a key challenge for successful businesses and even more so in the age of hybrid working. Today's workforce have much more nuanced expectations of their workplace and their careers than those of five years ago, and employers will need to adapt to these new demands.

Flexibility in the way that real estate can be accessed is allowing digital-first brands (that have a presence predominantly or exclusively on-line) to 'meet' customers face-to-face through shorter term pop-up outlets. This is changing approaches to market for new entrants, and challenging the historic domination of more traditional retail forces.

This period has been characterized by growth in the importance of a sense of place, community and sustainability – all of which impact the global demand for the way that real estate is consumed.

Sustainability has powered up the agenda and is now a key driver within the industry.

Multifunctional

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The pace of change was enhanced by a global reliance on platforms, apps and multi-media in a way that hadn’t been needed before

Why multifunctional?

In our 2021 report our experts talked about the blending of home, work and social spaces. Successful spaces of the future would be those that combined multiple functions. This change was accelerated by Covid-19 - but the influence of technology leveraged this change in a way that the industry had not experienced before. Such was the power of the tech-multiplier effect that the pace of change was enhanced by a global reliance on platforms, apps and multi-media in a way that hadn't been needed before.

In many cases this technology was not new, but people's familiarity with it and its applications had grown to a point before the pandemic that when that struck, it was second nature for people to look to technology to help them cope with new challenges. The key change being that during this period, people started to trust these platforms and depend on them day to day.

Technology became a willing facilitator. Video conferencing kept our face-to-face meetings going; online retail and new tech delivery specialist startups kept the groceries and shopping bags flowing; and booking platforms like Desana provided access to co-working and flexible office space on demand.

This was innovation on an unprecedented scale, lots of which was centred around either enhancing or overcoming disruption in established ways of doing things that had been thrust into the spotlight by the pandemic. The working world was evolving as people's lives were becoming more intertwined with new technologies.

Meeting consumers' new expectations

This period brought with it irreversible cultural as well as practical changes. Consumers have come to expect choice and convenience, from same-day delivery to on-demand content, while expecting a higher level of service at this faster, competitive rate. Businesses that offer this to the real estate market in new and innovative ways are doing well and our contributors all see great opportunities for those businesses prepared to embrace these changes.

Forward-thinking retailers are innovating to offer combined physical and digital experiences, like the introduction of virtual changing rooms into beauty stores or checkout-less stores. Sook, a retail startup, has been working with landlords to bring its adaptive retail experience to shopping districts across the UK, capitalising on the demand for variety and vibrancy from consumers keen to return to a physical retail environment, as well as the empty spaces along the high street.

But amongst these new adaptations, consumer demand is for the seamless, imperceptible adoption of innovation – a blending of the physical and virtual, where one serves to simply enhance the functionality of the other.

> With almost 80% of people still keen to shop and engage with brands on the high street, brands need to adopt an omnichannel approach, blending digital and physical, to achieve success.
>
> Jenni Rayner, Sook

Work-life balance vs Workplace lifestyle

Many employers are considering how to incorporate multifunctional spaces into the workplace, making offices smarter and focusing more on social and collaborative activities in the hope of coaxing workers out of their home offices. Before the pandemic this was talked about through the optic of work-life balance. Our contributors felt that the new maxim for employers and employees alike has shifted focus towards a more sustainable workplace lifestyle.

> The best investors are able to blend leisure into lifestyle.
>
> Josh Mintz, Waveline

We work with several exciting startups that are helping employers and employees realise new goals, while at the same time creating new revenue models for underused real estate. The contributors we interviewed for this report emphasise the benefits not just for employee engagement and collaboration, but for their mental health.

> As humans, we are not designed to sit at home every day of the week and go from bed to desk to Netflix back to bed. Employers should be encouraging employees to get out and socialise with other people, and space is incredibly important to make that happen.
>
> Nick Donnelly, Upflex (formerly WorkClub)

The pandemic encouraged us to embrace technology in the home like never before. The concept of the 'home' is evolving to adapt to this and other new demands, with investors and developers more likely to consider the needs of end users and how co-working or perhaps even co-living fits into new settlement design.[1] Shared workspaces and wellness facilities are increasingly being incorporated in new residential developments, with similar upgrades being made in student and senior housing.

Meanwhile, real estate that is no longer in demand is being repurposed to meet the needs of the digital economy. Inner-city logistics hubs focused on final-mile distribution are a huge area of growth spawned by the increasing reliance on digital retail[2], and a number of new entrants to the 'delivery only kitchen' model are springing up in order to service the growth in Deliveroo devotees.

Our contributors expect to see more businesses using data to understand their customers' needs and find ways of enhancing and developing new revenue streams supported by a growing awareness from founders, funders and investors of the need for more development of effective strategies for data-capture and use. It's a story of digitising established ways of doing things – and it's only just beginning to unfold.

1 https://www.sbs.ox.ac.uk/sites/default/files/2020-12/Technology%20and%20the%20Future%20of%20Real%20Estate%20Investment%20Management_0.pdf

2 https://www.cbre.co.uk/research-and-reports/our-cities/urban-logistics

What is the office for?

> An office doesn't need to be what it once was pre-pandemic. It needs to be smaller; it needs to be more flexible and that is what we are seeing.
>
> Nick Donnelly, Upflex

What is the office for now? It is a question with which employers of all sizes are grappling as desk occupancy rates in cities such as San Francisco, New York and London are still far lower than pre-pandemic.[1]

> [Most people] want to come into the office part time. They are moving further away, to get larger properties with outside space and commuting to the city by train two or three times a week. I think this is what probably will happen from now on.
>
> Hedi Zidan, Nestify

Team consultations have revealed that a majority of workers prefer a mixture of home and onsite working[2] that allows for collaboration and independent working and supports work/life balance. Our contributors expect to see the popularity of traditional offices decline, with hybrid working supported by flexible coworking solutions the likely beneficiaries.[3]

> I will take my time hiring the right people and I would like them to be in the office at least three days because of the culture, because we don't know each other – you can't build a company from your bedroom.
>
> Tahir Farooqui, Canopy

The answer is to create offices that draw people in. Staff are being given reasons to come into the office, from wellness offerings such as onsite massages, to social events in and around the office. Beyond this, the physical office spaces themselves are also being reimagined. Hybrid workers who have made the journey in from the suburbs have more emphasis on social and collaborative activities in the office, and so group collaboration and breakout spaces where they can work together are becoming more prevalent.

> If the office is 10 minutes from the tube, if it doesn't have a gym or restaurant, good collaborative client space, then you won't attract employees from their home working desks and the office space owners will be in trouble.
>
> Nick Rush, Yoo Capital

Google[4] is one employer that is reimagining its famous campuses in response to what it believes the next generation of workers will want. Flexibility and the freedom to customise are part of the answer, a need the tech giant is meeting with team 'pods' where walls are movable, and all the furniture is on casters. At Google, a meeting room intersperses seats with large vertical displays that create a physical presence for staff who are joining by videoconference. Jessica Alderson, co-founder and CEO of So Syncd, a personality-type driven dating platform that experienced abundant growth during the lockdown periods, pointed to this period as one in which the diversity among working styles and preferences was highlighted for the better:

> I hope that one thing that comes out of this is that people are more aware that different people have different working styles. Whereas before it was just assumed that everyone was just happy in the office, it's actually the case that different people work better in different ways.
>
> Alderson, So Syncd

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1 https://hbr.org/2021/07/do-you-really-need-all-that-office-space

2 https://www.forbes.com/sites/lucianapaulise/2021/06/29/some-52-of-employees-prefer-hybrid-work-models-how-to-overcome-the-challenge/?sh=64ec23f64860

3 Said report, p32

4 https://www.nytimes.com/2021/04/30/technology/google-back-to-office-workers.html

Enticing experiences

Our contributors expect the boundaries to continue to blur between retail and hospitality, as businesses innovate to attract people back into city centres.

Our contributors expect the boundaries to continue to blur between retail and hospitality, as businesses innovate to attract people back into city centres.

One such success story is Withers' client Sook. Shortlisted by Property Week for the 2022 prop-tech entrepreneur of the year award, Sook is at the intersection of the physical and digital world, helping to drive what is in their words a so-called 'phygital' revolution. Sook creates digitally-enabled, modular spaces that allow brands and businesses to design, activate, and occupy their own stores by the hour, day, week or longer.

This allows digital-first brands to meet their customers and followers in real life. Their digital walls and modular furniture also remove the cost, complications and carbon footprint of fitting out a vacant pop-up space, enabling occupiers to reach their customer base in a shorter time period, saving costs.

Our contributors expect more and more retail players to diversify their offering as a way of persuading people to leave home.

> I certainly think that commercial property in general is going to become more multi-use. I think businesses in general, hospitality business in particular, are going to diversify revenue streams. They already are. Retail is becoming more experiential, so you walk in and there's all this space. It's not an efficient use of space, it's an experience so you can experience the brand.
>
> Michael Cockburn, Desana

> There's a very high-end crowd who pay for services to come to them, but we've created a mass-market proposition where you pool all the services together in one place. It's kind of a dream world for them because they can do all the things that they want to do.
>
> Ed Ford, Many People

High-end fashion and beauty brands are combining physical and digital experiences through innovations like the augmented reality 'beauty changing rooms' being used by Flannels department store in London and MAC cosmetics in New York. Burberry has pioneered a social retail experience, working with Tencent to find new ways of engaging customers instore.

Meanwhile IKEA is adapting its warehouse concept to open city-centre stores that it says will act as 'meeting places', with a new grab-and-go deli and the option to order products for delivery.[1]

As existing players adapt and new entrants create their own omnichannel experiences, some of our contributors see a new vision emerging for town and city centres that spans the gap between traditional bricks-and-mortar and online retail. While transformation may not be an overnight possibility, with reports of the death of the high street looming large, our contributors were upbeat about the opportunities in this area for those willing to embrace change.

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1 https://www.ingka.com/news/ikea-hammersmith-opening-marks-the-start-of-eur-1-2-billion-investment-in-london-to-get-closer-to-customers/

New renter relationships

The emergency of the Covid-19 pandemic put landlords in an unprecedented situation. Many re-negotiated lease terms with tenants, although government support and mortgage forbearance programmes helped to mitigate the damage.[1]

Given the changes in behaviour that have followed the crisis, our contributors expect this more collaborative, connected approach to continue. Commercial property owners are predicted to take a more active role over the coming years, deploying models that allow landlords to share more in the upside of the success of the underlying businesses whilst sharing downsides when times get tough.

> Turnover leases are a massive change and done well it potentially creates an alignment of interest between tenant and landlord that hasn't been there for quite a period of time. As a landlord, I am going to help you to co-create your business and if you drive footfall and revenue that is ultimately is going to allow me to make you a more valuable tenant to me. That is a big mindset shift, and it is definitely happening.
>
> Rob Rayner, Saranac

This period has led many landlords to question the hubris of the idea that real estate would always operate as a hedge against volatility elsewhere. If that is no longer the case, perhaps we will see greater willingness for landlords to roll up their sleeves and take a more active role in sweating their assets.

For startups and early-stage businesses this is good news. Our contributors felt that landlords were increasingly open to looking at earlier-stage businesses as tenants. There is a perception that entrepreneurial landlords might see this as an opportunity enabling them to get to know entrepreneurs and their teams, and to better consider how their buildings could be used for the benefit of the business that occupy them – ultimately creating a more sustainable future for the asset.

> What we are seeing is it drives quite a different engagement and thought process from the landlord. They almost think of themselves as an equity co-investor in the business that's going to be a tenant rather than it being assessment of creditworthiness.
>
> Rob Rayner, Saranac

Technology has also enhanced ways of renting commercial and residential real estate. Nestify, a property management company that facilitates flexible lettings through Airbnb, is just one example. The company takes on everything from price optimisation to photography on landlords' behalf. It believes traditional estate agents will struggle to match the value it adds, and the convenience of its digital platform.

> Landlords don't go into estate agents and say I want to sell my property, or I want to rent my property. There is no point anymore.
>
> Hedi Zidan, Nestify

Apps such as Canopy, which lets users create an insurance backed 'rent passport' to make the letting process easier and more fluid, are further disrupting the market. While Canopy offers efficiencies to landlords and agents helping them to close deals faster, its central pitch is that it makes it easier for occupiers to move between properties, freeing up potential by creating a more liquid market whilst incentivising renters to use the Canopy platform to enhance their credit scores.

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1 https://www.jpmorganchase.com/institute/research/household-debt/how-did-landlords-fare-during-covid#:~:text=We%20find%20evidence%20that%20landlords,20%20percent%20relative%20to%202019

Multiverse

Our contributors reported resounding growth in the importance of a sense of place, community and sustainability.

The ability to charge higher rent if you market an asset on ESG, at the same time as making a technological investment, has an impact on efficiency between growth and net as well as ESG. There are two big trends coming together here, and you're being rewarded for both.

Rob Rayner, Saranac

Why multiverse?

Our roles as individuals within the concept of the multiverse - the idea that 'out there' there exists an almost infinite group of multiple universes – might seem almost infinitesimally small against the myriad of possible other worlds. There was a risk that perhaps this feeling could have been extended into the new and potentially overwhelming number of possibilities brought about by the development and adoption of new technology, but it seems that the reverse might be true. Our contributors reported resounding growth in the importance of a sense of place, community and sustainability – all of which impact the global demand for real estate.

> For so long, the narrative around technology has been that it forces people into lonely patterns of self-interest, looking at their phone rather than seeing what's around them. But I believe that technology can help us all live better.
>
> Freddie Fforde, Patch

Our contributors agree that Fforde, founder of the Patch startup, is not being idealistic. Individuals and businesses are far more focused on 'purpose' than they were five or ten years ago. Whilst there are other factors as to why this might be the case – the most obvious being the pandemic –digital technology is likely to be at the heart of the focus on ESG and sustainable business models.

Investors, too, are increasingly focused on a purpose that extends beyond pure profitability. The trend towards ESG has been arguably driven by the rise of social media, online reviews and 'cancel culture' putting pressure on firms to state and live by a set of values.

> The ability to charge higher rent if you market an asset on ESG, at the same time as making a technological investment, has an impact on efficiency between growth and net as well as ESG. There are two big trends coming together here, and you're being rewarded for both.
>
> Rob Rayner, Saranac

Smart building technology has come to the fore during the pandemic. With people demanding more than ever from their homes, as they become places for working and socialising in increasing measure, our contributors felt that smarter homes are here to stay. A new generation of products connected to the Internet of Things promises convenience and efficiencies and might offer some respite amidst a cost-of-living crisis fuelled by spiralling energy costs. Our contributors expect that in the future buildings will be valued on their 'smartness', alongside other factors.

Improved access to data, meanwhile, offers myriad opportunities across the sector. Investors will be better able to understand their investments from the datasets produced by smart buildings; landlords may use the information to improve their offering; retailers to better target consumers; while other players use data to spot opportunities to innovate. Big data can hardly be described as being in its infancy, but many real estate businesses are still awakening to the power (and value) of a commodity that is being styled as the new gold.

Where there are some venues moving from the physical to the virtual, in-person leisure, and in particular live music and the arts retains a strong in-person connection. tvg hospitality, founded by brothers Ben Lovett of Mumford and Sons and Greg Lovett, is a case in point. The business is transforming live music venues by creating multipurpose sites combining hospitality, social spaces and high-quality purpose-built venues designed with the artist in mind in one place. The hypothesis is that by creating these purpose-built multi-functional environments where food and beverage and socialising is at its core, traditional ways of consuming the arts can be enhanced and capitalised more successfully, giving greater scope for businesses and the performers supported by the sector.

'When you look at how we blend work and life together, the central business district still makes sense, so we are going to work and meet up afterwards for a few drinks. To do that most effectively we will go wherever has the best restaurants and experience socially.'

Michael Cockburn, Desana

This decentralising effect on spending that is hitting margins for national and international retail brands reliant on in-person transactions is also creating opportunities for local economies and local causes. A new kind of investor has stepped in to save traditional retail centres that have been hollowed out by online shopping; one where the focus is on recreating the feeling of connectivity with the heritage of a certain pace and using this to create thriving destinations.

Meanwhile, Covid has connected people more closely with their local communities. We hope that the bonds between elderly people and the neighbours who delivered them groceries, or the homeschoolers who shared war stories over garden walls, will continue. According to some of our contributors, the result is a stronger sense of investment in neighbourhoods, with residents prioritising local businesses over national brands.[1]

Sixty-five percent of [people's] time is now back in their residential zone. It centres their thinking around where do I gym, where do I go out, but also then how do I run my workday, how do I run my social life, how does my relationship with my family change? It completely reimagines somebody's daily life.

Ed Ford, ManyPeople

With a rocky economic outlook, it will be interesting to see how this sense of place and purpose evolves. Will the needle swing back towards profit, or will social responsibility and sustainability be seen as even more urgent priorities? It remains to be seen, but some of our contributors saw opportunities for both.

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1 https://www2.deloitte.com/uk/en/pages/press-releases/articles/three-in-five-consumers-have-used-more-local-stores-and-services-to-support-them-during-lockdown.html

Investors with purpose

One undeniable development is the broader sense of purpose that has emerged among businesses, founders and investors. While profit will always be important, it is no longer the North Star in all cases.

Patch founder Freddie Fforde says he was inspired to start his business by organisations that focus on social mobility. The company aims to be a positive presence in each local area, boosting the local economy and offering venues for community workshops and events.

Each small group of employees and local community champions will bring its own Patch to life, Fforde says, ultimately creating a larger patchwork of people who want to live more balanced lives.

Whilst startups are often associated with intensive hours, our contributors frequently cited wellbeing and work-life balance as being important for themselves and their teams. Flexibility has opened up access to a more diverse talent pool. However, the competition for talent means that once hired, businesses realise the importance of treating their staff well, and there is growing appreciation that satisfied staff are more productive and deliver better customer experience. Overall, the outcome is win-win, but what is sure is that adoption of innovation is increasingly being used as a way for employees to filter would be employers.

Big data,
huge opportunities

PropTech founders and their businesses are particularly excited about the potential for data to be used more effectively in the sector. Our contributors expected to see data driving innovative new ways of doing business. If smart buildings generate data on occupancy, could this be used to tailor rents? What services might spring up to attract people to spend more time in a particular site?

The benefit of bringing tech in, is that it gives you a lot of data so you can use that to improve service.
Ed Ford, ManyPeople

Some also felt the improved transparency around how and when real estate is being used would help to attract investors by highlighting underlying value or cost savings.

You are definitely looking at more intelligent use of data being applied across much larger pools of real estate assets at different exchanges that have come to us to try to change the way that equity is funded.
Rob Rayner, Saranac

The build-to-rent sector is really embracing smart homes: each property comes with a smart device that could help you manage your portfolios and build a more meaningful relationship with tenants.
Tahir Farooqui, Canopy

Smarter buildings

The concept of the smart home is now mainstream. From doorbells to speakers to heating, lighting and kitchen appliances, there is an array of products on the market to meet consumers' desire for more convenience at home.

> Looking into the future, I do think buildings will be smart.
>
> Mohammad Rashid Khan, Calipsa

Commercial premises are now also striving towards more automation and connectivity. Smart meeting rooms are essential for the new hybrid workforce, while smarter heating and lighting systems can help to cut costs and hit sustainability targets.

While there is an upfront cost to installing the technology, it can lessen the requirement for maintenance and security staff. Site inspections, for example, will become partially or fully automated thanks to digital twins and IoT-linked sensors. Smart camera systems also help to keep buildings and people safe – for example by sounding an alarm if a worker becomes injured, or by identifying a security threat.

> I would say now there is an increased willingness to digitise faster because as businesses went through this phase where they had to work remotely, they had to get stuff like Zoom, they had to do their operations online which means there is an increased willingness to try new technology.
>
> Mohammad Rashid Khan, Calipsa

Calipsa is a cloud-based platform that uses artificial intelligence to make CCTV systems smarter. Its technology recognises the cause of an alarm, filtering out any that aren't caused by human or vehicle motion, and highlighting true alarms for human verification. The system has cut false alarms by more than 90 per cent and is in use in six countries and rising.

Success stories will be able to prove their value through data from smart buildings and mobile location analytics, helping businesses to understand the volume and duration of customer visits, journey paths, and demographics. This valuable data could help to pinpoint the rentable value of real estate for occupiers and investors.

Contributors believed the next step would be integration of this kind of smart product. Several specialist organisations have collaborated to create the IP Building and Lighting Standards. The initiative aims to create a common network and shared communication procedures, allowing administrators to operate different systems more easily and create a fully automated smart building system.[1]

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1 https://www.ipblis.org/

The barriers to blockchain

Some PropTech insiders and canny investors are excited about the potential for blockchain to transform property investment – with digital assets not just being used as payment for transactions, but with blockchain being used to tokenise title and ownership of the underlying real estate itself so that it can be traded more efficiently.

Coadjute, a startup, successfully demonstrated a blockchain-based real-estate transaction with the participation of several well-known financial institutions in 2019. Governments have also used it in pilots aimed at bringing their land registries online. However, according to a recent report from the Said business school, the most likely examples of early adoption of blockchain would be in debt markets and back office administrative tasks.

However, with an almost universal suspicion shrouding blockchain in the wider market, not helped by the collapse and scandals associated with some of the high profile failures of certain 'coins' and exchanges, it is perhaps unsurprising that our contributors do not expect it to be widely adopted any time soon. The real estate market differs from financial services in significant ways, not least its focus on tangible assets, and incorporating the apparently value-less blockchain would be a huge cultural shift for which few have the appetite at present.

> On the face of it, the use of Blockchain in real estate is an 'out there' idea. But if you see Blockchain not as a store of value, but as a store of data – the possibilities for using it to streamline the conveyancing process are immediately apparent.
>
> Tom Hughes, Withers

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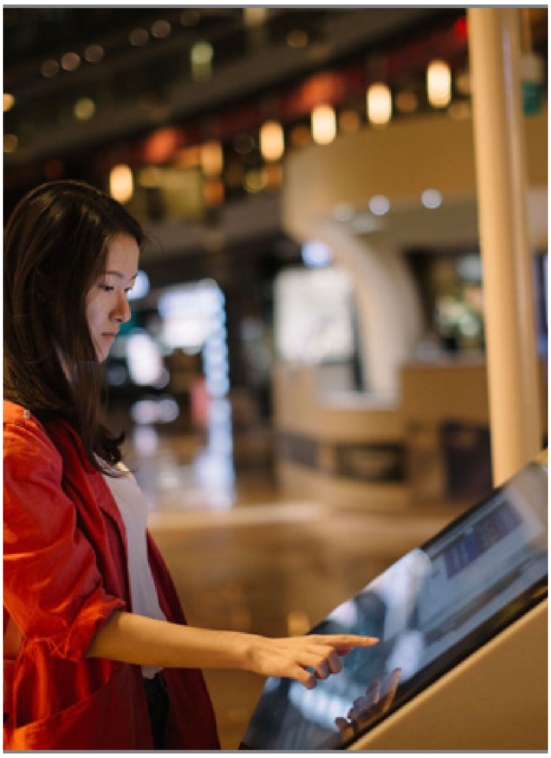
1 Said report, p5

Virtual real estate

Eyebrows were raised when a buyer paid $4.3 million for a piece of land in The Sandbox, a metaverse, in late 2021.[1] Republic Realm, which invests in and develops virtual real estate, said the purchase was part of a venture with the games company Atari; but critics compare the meta-market to moon estates.



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1 https://www.wsj.com/articles/metaverse-real-estate-piles-up-record-sales-in-sandbox-and-other-virtual-realms-11638268380

Creative cities

While city centres are undoubtedly going through a period of change, the experts we interviewed believe people will always want to visit them. In their view, we are seeing cities gradually break out of their retail and office silos to offer something more innovative and diversified.

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Stratford in London could be another example… Covid will have accelerated these trends, but they were already happening.

Rob Rayner, Saranac

Rather than see stores shuttered, local authorities in the UK have begun taking matters into their own hands. Over the past few years councils have bought up shopping centres using low-cost government funding.[1] While they no doubt hope for returns on their investments, the move is largely driven by a desire to retain businesses and jobs.

When you go to the City of London, your Pret, your Starbucks are less busy than they were when people were fully in the office.

Mohammad Rashid Khan, Calipsa

That's quite an interesting area, with someone pushing to regenerate town centres and not let the high street die, which is definitely an imperative for national government and also on a local level.

Rob Rayner, Saranac

Opinion is divided as to whether councils that own shopping centres in areas such as Croydon, South London and Shrewsbury, Shropshire are qualified enough to drive regeneration. However, they are notable for their sense of purpose and ability to prioritise what is good for the local area above profit margins or shareholder demands.

Yoo Capital Management's purchase of Shepherd's Bush Market, a street market in West London, is an example of the deployment of socially conscious capital in order to achieve sensitive regeneration. The fund is focused on urban regeneration and placemaking, an approach that it says realises better-quality returns for its investors.[2] The Shepherd's Bush deal created a joint venture that will see it realise future development management fees and potentially a share of development profits[3]

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Take places like Manchester as an example. It had taken generations for areas like Salford to emerge as complete commercial powerhouses, media and creative industry hubs. Now, when you look back at it, it looks obvious that there was going to be this reinvention, this repurposing of these spaces and areas.

Rob Rayner, Saranac

Yoo Capital is also currently two and a half years into the redevelopment of the Olympia site in West London. Working with the historic exhibition space, Yoo Capital are planning to deliver two hotels, two theatres, a mix of restaurants and bars, alongside new office space to create 'a hub for West London that people will be proud of and will want to go there.

Nick Rush, Yoo Capital

It's about creating real value out of something that was starting to look a bit tired and was in plain sight for everyone to see. Battersea is an interesting comparison, with lots of office space alongside food and bars. If you're creating a real mix of theatre, hotels, offices, food, as well as retaining the exhibition element, it provides a mix of activity throughout the day. Bringing it all together in one location in an area that hasn't really had that is something quite special.

Rush, Yoo Capital

While technology is often associated with short-termism, the contributors we spoke to were vocal about the importance of taking a longer view. Sustainability was a common theme not just in terms of the environment, but in relation to the future of the sector, as well as personal wellbeing.

As you start to grow you have got to get to know each other at a deeper level. Do you share the same values? Do you want the company to be a \$10 million company or a \$1 billion company or a \$100 billion company, because each of them are choices and those choices have an impact on your life and your family life.

Tahir Farooqui, Canopy

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1 https://www.ft.com/content/b7fb146a-4a2b-11e8-8ee8-cae73aab7ccb

2 https://yoocapital.com/real-estate/greenwich-square/

3 https://europe-re.com/yoo-capital-and-u-i-partner-for-shepherd-s-bush-market-regeneration-gb/68293

Green retrofits

With governments setting ambitious carbon reduction targets, demanding high standards of energy efficiency from new buildings will not be enough. Green retrofitting, where existing real estate is upgraded to be more sustainable, is therefore a key for owners and investors in the sector.

Measures range from installing solar panels to ground source and air source heating, green roofs and walls, and smart meters. Outlay is undeniably significant, although sentiment in the market suggests that this expense is likely to be reflected in values, with properties able to evidence sustainability credentials being most in demand.

The Empire State Building is among the most iconic examples of a building that has undergone green retrofitting. More than 6,000 windows were retrofitted to improve energy performance, and the building was fitted with adaptive lights that would dim according to light coming in from outside. At over 90 years old, the building is now in the top 20 per cent or better of Class A commercial assets in the US.

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1 https://www.wsj.com/articles/metaverse-real-estate-piles-up-record-sales-in-sandbox-and-other-virtual-realms-11638268380