

Predictions & Resolutions 2018

Tuesday 16 January 2018, M&G Investments, Laurence Pountney Hill, London EC4

Moderator: Matthew Stone, M&G Real Estate
Speakers: Stuart Beety, Credit Suisse
Toby Ogden, Cushman & Wakefield
Steven Skinner, HB Reavis

Every year we invite three individuals, representing the Occupier, the Agent and the Developer, to give us their thoughts, predictions and resolutions, on the property scene of the recent past and the near future. Always entertaining, and sometimes really informative, this event always attracts a large audience. This time round M&G's auditorium was packed to its full capacity of 120 to hear the commentary supplied by three of our better placed colleagues.

Our new president, **James Crisp**, having taken up the baton from his predecessor **Ben Johnson**, set the scene for the year highlighting forthcoming events, before introducing the moderator for the morning's session - **Matthew Stone** of M&G Real Estate who then listed and presented our three speakers, who were each to have four minutes to describe their **predictions for 2018**.



Stuart Beety representing the Occupier is an operations director with 18 years experience of evaluating opportunities for leading financial services companies in the Americas and EMEA (most recently at Credit Suisse). He sees the convergence of three super trends: the impact of IFRS16 on balance sheets; the growth of millennials in the workplace and the fourth industrial revolution with ubiquitous AI and M2M technology will together change occupier practices and requirements. He sees structural changes in occupier portfolios, convergence in global offices and more on-demand and sustainable use of built resources.

Toby Ogden head of London Markets at Cushman & Wakefield, represented the Agent - his specialism is advising businesses on their real estate and occupational strategy in the London market. He sees a greater focus on investors who don't seem to understand the new occupiers with challenging new models of occupancy. People and users are the new drivers of demand: developers need to create a product needed by occupiers - real estate is a tool for productivity not just a place to work.

Steven Skinner transactional director at HB Reavis represented the Developer - he is responsible for developing the UK business and leading teams through acquisitions, leasing, financing, asset management and marketing. He sees developers continuing to manage risk by delaying construction starts. This will have the impact of a reduced guaranteed supply of new space for occupiers in 2020/2021 resulting in occupiers moving earlier to secure the limited space that will be built speculatively. He also sees the emergence of the off-plan pre-let as occupiers, advisers and developers become more open and collaborative to provide the confidence required for construction to commence.

Matthew then produced **four major questions** to be answered by each of the panellists, and on which we were all invited to vote by texting our opinion.

The first question concerned the effect of Brexit on the central London office market particularly for financial services - would there, we were asked, be a move of jobs out of the UK? Our panellists thought that there was a possibility of this, that the EU will tighten protective rules, that the complexities of Brexit are just beginning to become apparent but that London is such a fantastic place to live and work that businesses would always want to be based here. The Audience voted 86% for minimal job moves out of the UK.

The second question concerned the way occupiers use space in terms of flexible working - WeWork is eight years old, is worth \$20bn, has over 100,000 members and in London alone took over 1m sq ft last year - is this the way we are all heading? Our panellists were in broad agreement on this - that there would not be a wholesale shift to this style of working but that a much greater range of product will become available, that it is for the occupier to define each separate requirement. The Audience voted 78% for a balanced solution over the next five years with 30% of space rented flexibly.

The third question concerned the coming of age of AI and the automation of many tasks currently carried out by people - how is this impacting real estate strategy, especially for agents? Our panellists felt that in reality agencies are changing already, that some is already automated, but that the impact of AI is still underestimated and that technology can equally be an enabler, eg for agents, freeing up time for a better advisory role. The Audience voted 16% for no material impact, 31% for it's already happening and 53% for agents needing to focus on advice.

And the final question concerned the impact of the new lease accounting rules, coming into force on 1 January 2019 - are the new rules understood and is your company prepared? Our panellists thought that on the whole businesses are not prepared, that it will point up the difference between the educated and the less well educated business, that the impact on leases generally will be dramatic, possibly leading to fundamental changes in lease lengths, and how they are viewed (as financial agreements rather than asset purchases). The Audience voted 45% for shorter leases and 49% for rent levels becoming a function of lease length (shorter = more expensive, longer = a discount); the remaining 4% went for no change (it's just accounting).

Finally we had a quick look at **the Resolutions** of each of our panellists: Stuart Beety intends to think more like a millennial, Toby Ogden means to make sure he stays relevant as an agent, and Steven Skinner aims to understand his customers better and to stop doing what he did yesterday just because he did it yesterday, resulting in a move towards a more flexible way of leasing.



This together with an audience question or two took us up to the 10.30 deadline at which point James Crisp provided a quick wrap-up and we all retreated to the bar for more coffee, croissants and chat before departing our separate ways.

An excellent start to the new year.