

Five Key Trends from Europe's Largest Property Conference

BRIEFING

More than 20,000 of the most influential international real estate players from every sector of the property industry descended on Cannes earlier this month for MIPIM, Europe's largest property conference. Held annually in the French coastal resort, the conference traditionally sets the tone for the real estate market in Europe for the coming year. Here are five key themes which were identified as playing an important part in the real estate market in the next 12 months.

Brexit and FDI

The main focus at the conference was the impact of the changing political landscape in Britain and the US. Brexit raises complex legal and regulatory issues for British businesses and many will require an EU base, leading to significantly increased interest in office space in Dublin, Frankfurt, Paris, Amsterdam and Madrid. For the Irish real estate market, Brexit brings a clear opportunity. If this interest converts to actual movement by corporates, it will drive significant demand for offices and building services (construction and fit-out) with follow-on demand for residential accommodation and other infrastructure. There was cautious optimism at MIPIM for Ireland's ability to continue to attract US foreign direct investment in the new era of the Trump administration.

The Subscription Economy

The influence of consumer preferences on the real estate industry was clear at the Cannes conference. We are increasingly becoming consumers of services rather than things, which is evident, for example, in how Netflix has replaced DVD box sets and Spotify has replaced buying CDs. Real estate is no different.

Globally, the co-working model for serviced offices, which has had good traction with tech startups in particular, is to become more mainstream. Similar models for residential accommodation and growing interest in the concept of 'build to rent', where investors build purpose-built rental accommodation, are likely to continue to grow. This is already evident in Ireland, with the construction of purpose-built student accommodation. Institutional landlords are bringing a new professionalism and expertise to the student and residential rental sectors in Ireland.



Five key trends from Europe's largest property conference

(continued)

Overhauled Finance Models

Some investors highlighted the new finance trend of forward funding. This is where institutional investors fund and control assets they intend to acquire through the development phase, at a cost cheaper than some bank debt. This gives the developer the certainty to proceed, whilst giving the investor the opportunity to secure the completed asset at a lower price than if he/she acquired it after completion, (though it does shift the development and letting risk onto their plate).

In Ireland, real estate finance has gone through a sea change, with insurers, funds and private equity all now lending significant amounts as an alternative to traditional banks. This move to a more US-style finance environment with nonbank participants seems set to continue across Europe.

Ireland as a Hedge

Traditionally, fund managers have been far more concerned with returns than diversity. The recent uncertain economic climate has meant that diversity is more important than ever for sophisticated investors who see it as a key way to offset risk.

Ireland offers a unique investment profile. We are English-speaking, in the eurozone, have a young population, a significant US-tenant base and a fast-growing economy. That package also comes with high national debt and significant challenges in housing and infrastructure. But from conversations at MIPIM, it seems that Ireland is now

clearly considered by many large portfolio managers as a distinct and worthwhile option in looking to expose their investors to particular asset classes, combined with our unique growth and risk profiles.

Digital Disruption

Many global industries have already seen significant disruption from the digital age and our sense from MIPIM is that 2017 will see the real estate industry really feel its impact. From building development to operation and management, technology such as building information modelling is rapidly changing how things are done.

The pace of change seems set to pick up in 2017, as building management systems move beyond access, lighting and air conditioning to managing and measuring energy performance and towards data capture with a view to enhancing users' experience.

In time, advances in technology will influence property selection for development of retail, health and other assets, through smart and wide-ranging use of available data. Online shopping and the potential for drone deliveries are already influencing the retail and logistics sectors.

Beyond 2017, taller warehouses in central urban locations with robots picking and stacking may well be part of the real estate future.

This document is for general guidance only and should not be regarded as a substitute for professional advice. Such advice should always be taken before acting on any of the matters discussed.

MCCANN FITZGERALD

Further information is available from:



Richard Leonard

Partner, Real Estate

DDI +353-1-611 9137

EMAIL richard.leonard@mccannfitzgerald.com

Alternatively, your usual contact in McCann FitzGerald will be happy to help you further.

Principal Office

Riverside One
Sir John Rogerson's Quay
Dublin 2
D02 X576
Tel: +353-1-829 0000

London

Tower 42
Level 38C
25 Old Broad Street
London EC2N 1HQ
Tel: +44-20-7621 1000

New York

Tower 45
120 West 45th Street
19th Floor
New York, NY 10036
Tel: +1-646-952 6001

Brussels

40 Square de Meeûs
1000 Brussels
Tel: +32-2-740 0370

Email

inquiries@mccannfitzgerald.com

www.mccannfitzgerald.com