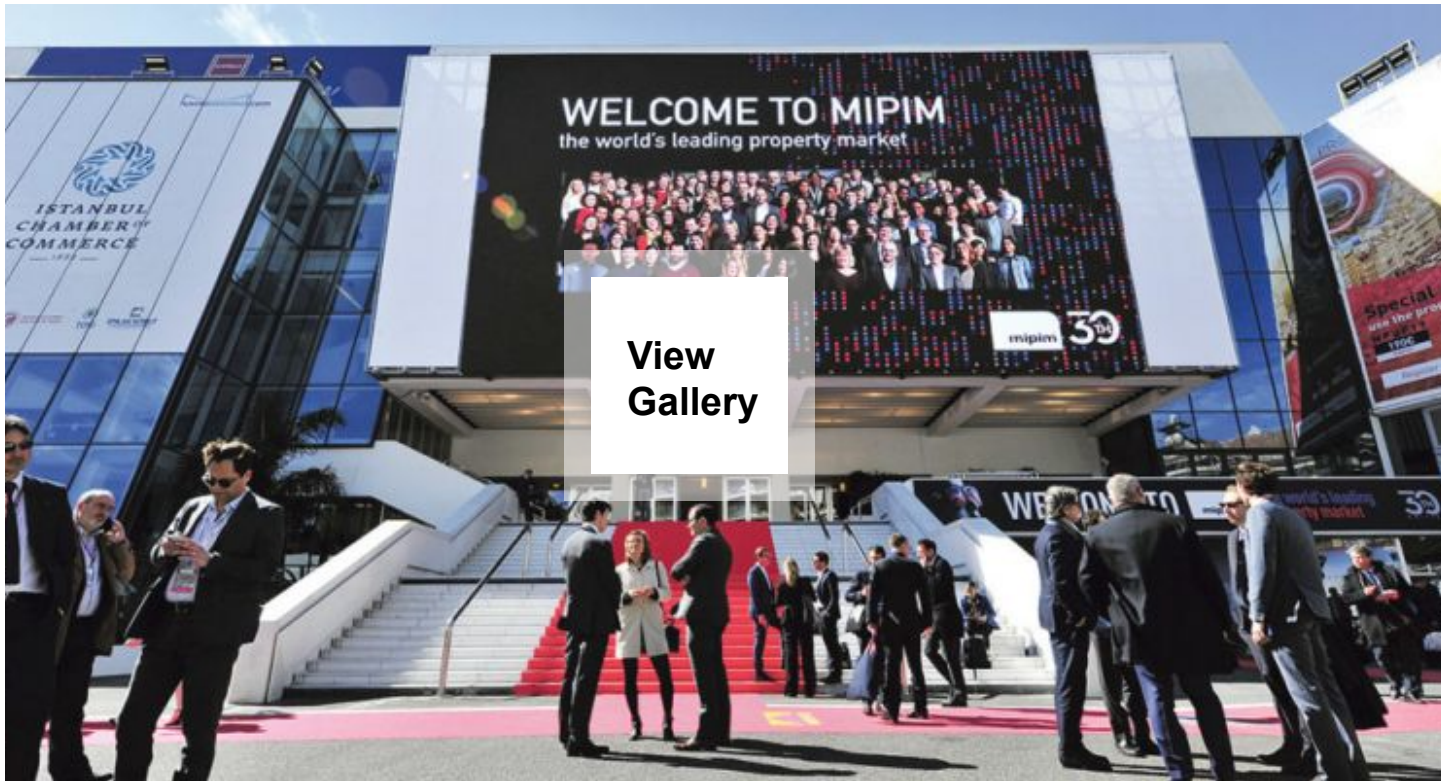


The key trends from Europe's top property conference



By Jennifer Halpin
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The MIPIM, which is held in Cannes every year, is Europe's largest property conference

From diversity to the impact of real estate on people and the environment, the 26,000 delegates at MIPIM in Cannes discussed all the issues that will engage the industry in Europe over the coming year, writes Jennifer Halpin

MIPIM is a property conference like few others. Held annually, Europe's largest property conference attracts the most influential international players from every sector of the industry. It is a hive of activity, a chance to catch up with existing connections, make new ones, share ideas and discuss all the emerging trends and issues likely to impact the industry over the next 12 months. Below are five of the key trends emerging from this year's conference.

1. Alternatives & late cycle security

The real estate market is in the latter stage of the current cycle, with everyone involved working harder to bring and find value in the traditional sectors. There was a general consensus at MIPIM that investors willing to take on development risk, add value or work creatively can still generate good returns, but that the focus for most investors in 2019 is likely to be on sustainable, secure income from 'alternatives'.

It comes as no surprise to learn that residential, in all its forms (including build-to-rent, co-living and student accommodation and elderly accommodation) is likely to be the alternative asset class of choice. Demand for residential accommodation has been outstripping supply, not just in Ireland, but across Europe, for at least a decade. This catch-up play and the growing global trend towards urbanisation has led to a critical demand in urban areas that makes investment a sure and attractive prospect.

2. The growth industries: tech, biopharma and logistics

Despite the timing in the cycle, strong occupier demand and growth in tech, biopharma and logistics are likely to drive much of the traditional sector investment activity in 2019, bucking the general trend and ensuring a continuing strong performance for the office and industrial sectors in particular.

While the sentiment in retail remains cautious, the growing demand for logistics and warehousing (linked to the global increase in online shopping) and, in Ireland, the strength of the pharmaceutical industry, are expected to bring increased investment in industrial units. With increasing competition within online retailing for next-day deliveries, MIPIM delegates also see increasing demand in 2019 for industrial units to co-exist alongside residential and/or retail, planning laws permitting.

We see the tech demand very clearly in evidence in Ireland in recent months, with significant lettings agreed to Facebook and Salesforce in Dublin. But while these two lettings are of exceptional size, the sense at MIPIM is that we should not underestimate the volume of demand for space from smaller start-ups and growing tech businesses, and the positive overall impact of this on the market.

3. Offices and occupier demand: a flexible and strategic base

The office occupier of 2019 is motivated by many different things, but two trends in particular emerged at MIPIM, one at either end of the space spectrum.

Smaller occupiers are prizing flexibility above all else, evidenced by the extraordinary growth and investment in co-working space as the traditional office 'alternative'. The main focus of larger occupiers is on exploiting property to support productivity through wellness and other means.

LEED or BREEAM certification is not just about signalling a more environmentally sustainable building, it also means better air quality for the people who work there. Location matters not just for business profile, connection to clients and business contacts, but for attracting people to come to work.

And amenities matter, both within and around the office, as they are increasingly critical in retaining talent. It is clear that the tech giants that led the way with these strategies are now influencing strategies and demands across more traditional sectors, as those sectors compete with the tech giants for the same talent.

4. Liquidity and diversity in real estate finance

The consensus at MIPIM is that the real estate finance market is highly liquid and also increasingly diverse. Traditional finance is widely available, but the traditional banks' cautionary approach to risk remains strong, so that the trends towards alternative lenders and an

increasing role for global private equity to fund the purchase and, increasingly also, the development of assets, are set to continue.

Creativity is key for development finance, with forward funding by investors increasingly an option to achieve development at the optimum return. The end of substantial quantitative easing by the ECB and an inevitable rise in interest rates were acknowledged as likely to influence the finance market, but more in the medium rather than the short term, with more caution than concern coming through in the discussions.

The overall message on finance is a positive one, with lessons learned, ensuring a more balanced approach to lending and exposure and the traditional banks well positioned at this stage in the cycle.

5. Construction capacity and costs

In development and construction, certain themes emerged early on. It is clear that, except for offices and retail, demand is much stronger than supply and the demand is for quality assets in particular. Investors are also looking beyond the bricks and mortar to the environmental impact of the building – for environmentally sustainable buildings.

That said, the capacity of the construction industry to meet the demand and rising costs is concern across Europe. One man's problem may, however, be another woman's opportunity.

There was significant focus and discussion at the conference about diversity and inclusion of women, in particular, in all aspects of the real estate industry. It is clear that policies are changing in a way that sets up the construction sector to benefit from a wider and more diverse pool of skill and talent.

In summary, MIPIM 2019 has given plenty of food for thought on what to expect over the next 12 months.

Brexit featured in the discussions, of course, as having a cooling effect on the market in Europe, particularly felt in Britain.

Most striking overall, though, is how we are at last seeing the potential transformative power of technology on the real estate industry. Technology has a place in and an important influence on all five of the trends highlighted.

That's without even mentioning the potential in blockchain or the operational and practical impact of technology on the industry.

From property services and management to site identification to construction and development to legal processes and estate management, there is an explosion of 'proptech' applications for use in all aspects of the industry.

And yet, it's in how it influences occupier demand that technology is having the most profound impact. As changes emerge in how we live and work, the real estate that supports and facilitates us to do so must also change. It's time to get ready for a real estate evolution.

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