



DEVELOPMENTS



**REAL ESTATE
DEVELOPMENT**
Insight Report - 2021

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ABOUT ROD DEVELOPMENTS

Rod Developments equips a broad range of assistance geared toward evaluating – in the most productive way – each step in the procedure of executing and conducting real estate projects. This needs professional studies, along with intelligent market analysis to make the pertinent decisions.

SERVICES WE OFFER

- Rodschinson's diverse skill sets and large investors network have allowed it to handle a wide range of projects at various stages and asset categories, as well as offer compelling recommendations to marquee investors.
- Rod Developments team employs various skill sets and understandings to provide clients invaluable investments across assets at several stages of the project development life cycle and asset objectives.
- We assist customers in connecting, liaising, reconciling with strategic and financial partners across the world for acquisitions of projects and joint ventures with other marquee institutions.
- Rod Developments team has portrayed marquee investors in a significant examination of asset specifics and value ability assuring our customers get the most for their investment.
- Rod Developments team with its proficiency and insights into investment cycles and asset classes knows repurposing improvement projects to align them with modifications in customer preferences and market dynamics.
- Rod Developments team incorporates its ability to anticipate regulatory challenges with three important elements – Planning and time management, local market knowledge, and superior legal advice.
- Rodschinson's rational approach and understandings from its international network of experts and thought leaders guarantee clients are up to accelerate on the latest developments and are prepared to make data-driven judgments in rising and equalizing their portfolios.



2020 has been a rather turbulent year which has led to a massive shift in how we interact with the community. Like many other areas, real estate, which is much beyond just houses made of brick and mortar and is an enabler of our supervision and well-being, is also most likely to accomplish differently going forward from what we have seen in the past.

The sector has gone through a roller coaster ride in 2020 and winds of change are already being seen both on the consumer and developer front.

To provide some context, 1% of global assets under management equates to around \$1.65trillion, which was the annual average global investment total from 2015-2019.

With 2020 volumes falling to over \$1.3 trillion and allotments to real estate proceeding to expand, circumstances allow.

With the pandemic reflecting on action for much of last year, many investors are standing on record cash piles and anticipate crucial chances to occur in marketable real estate, particularly with constant basis inclined to make yields on equities and bonds comparatively less desirable.

Market size heightened in 2019. The size of the professionally governed Global Real Estate venture market improved from \$8.9 trillion in 2018 to \$9.6 trillion in 2019.

Momentum in global office markets continues to quell, with Q1 leasing volumes down 31% on Q1 2020. Nonetheless, there are now uncertain signs of an improving expectation with leasing action in some regions comprising China back above pre-pandemic levels.

Retail and hospitality, the two businesses most promptly affected by social constraints, are proceeding to face challenges. The logistics region, the standout performer throughout the pandemic, retained its robust development in Q1.

THE UNCERTAIN IMPACT OF 2020

“COVID-19 will not be the last novel coronavirus, so we’ve got to factor this into our thinking about what the future looks like.”

- Director, global investment manager

So far in 2020, real estate has been broadly affected by COVID-19, mostly but not universally in a negative way. Properties with a public use component (offices, retail, apartments, hotels, and entertain) have been singled out as potential spreading areas for the novel coronavirus and have been at moments and in some countries either shut down and/or have had practice constraints assessed.



THE BUSINESS ENVIRONMENT

The COVID-19 epidemic has been interpreted as a particular black swan event that no one could have foreseen. Though the global economy is anticipated to recoup from this exogenous alarm and ultimately resume its preliminary course, for the real estate enterprise, this pandemic is a game-changer.

COVID-19 as an accelerator of such existing trends has been the main narrative for European real estate in 2020. It is likely to remain so during the prevailing uncertain economic conditions.

This is also a period of deeper reflection on the role the built environment must play in society. In the minds of many industry leaders, the pandemic has reinforced the importance of the environmental, social, and governance (ESG) agenda.

Some believe the social inequalities exacerbated by COVID-19 demand a greater response from real estate. Far from simply shoring up their defences against a cyclical downturn, they believe that COVID-19 presents an opportunity to take part in a far bigger investment universe.

“The pandemic makes us more inclined to tilt that way,” says one institutional investor in social infrastructure. “That approach of only specializing in shopping centres, offices, or industrial just feels and sounds outdated to me now.”

The pandemic is also shining a light on the health and wellbeing of people in the workplace – wherever that work may be – which plays to the movement behind property as a service but to an altogether higher level than in pre-COVID-19 times.

But at the same time, the health crisis and the economic aftershock are serving to question some of the received wisdom around the built environment, not least conventional work patterns and the hitherto favoured move towards densification of Europe’s bigger cities.

For many in the industry, real estate’s saving grace is as a provider of secure income compared with other investment classes. But even this previously unshakeable virtue is at risk when businesses have no money to pay their rent.

WHAT DOES THE GLOBAL INVESTMENT OUTLOOK LOOK LIKE?

Concerns remain as to what magnitude investors will be prepared to act on surging appetite. Persistent suspicion over COVID-19 and retrieval to workplace strategies were perceived in all regions as a major barrier to achieving investment goals, along with continued travel restrictions (see figure 3).

Figure 3. Top 5 challenges to achieving 2021 investment goals



A clear majority of investors plan to use local partners to overcome these issues and reduce the need for international travel. Other key problems comprise a lack of attainable supply and government strategies.

Equalizing the need to regulate risk and portfolio accomplishment will be another challenge. The survey indicates many investors continue to focus on assets and markets seen as safe and transparent.

This midpoint shows that contrary to some possibilities, assets in established global centers like London, New York and Sydney continue to highly strive after, extremely for international wealth.

Over regions, investors also suggested strong attention in industrial and logistics estate, reflecting both probabilities for value appreciation as e-commerce enhances and a desire for a stable asset with dependable cash flows.



While the near-term emphasis looks to be on beginning and core-plus properties, the pursuit for retrievals is urging many investors to analyse higher-risk, non-traditional logistics areas, as well as alternative asset classes such as life sciences and student housing, and distressed hotel and retail opportunities. For the latter, the road to market will include corporate accessions and non-performing loans (NPLs) not just direct.



APAC

Core-plus office
(54% looking to invest)



EMEA

Core office
(55% looking to invest)



The Americas

Value-add
industrial & logistics
(66% looking to invest)

Overall, however much will rely on outward characteristics such as government stimulus and growth with vacation rollouts, the Real Estate Outlook points to a competitive and distinct year forward as investors move to produce value amid a much-predicted return.

WAREHOUSING AND FULFILMENT

This category topped the list of both investment and development prospects in our survey this year. The growth of e-commerce is a significant factor, but interviewees also cite supply chain disruptions during the pandemic as a key contributor, since some companies respond to these challenges by holding more inventory.

Several interviewees see incredibly good possibilities for services that deliver last-mile delivery outcomes in urban areas that speed up the delivery of commodities ordered online to buyers.

The attention in warehousing and satisfaction is constant with interviewees across the region, although specific centres—notably, Calgary, and port cities in Atlantic Canada such as Halifax have extremely powerful sentiment.

The tremendous challenge is discovering usable space, although some interviewees spoke of openings in modifying mixed-use properties to incorporate satisfaction.

MULTIFAMILY RESIDENTIAL

Also assessing high in our analysis this year were numerous categories of residential real estate, comprising moderate-income or workforce flats.

Although some pandemic impacts—notably, reduced immigration, the desire for more space, and unemployment—may put a damper on demand for very dense housing types, interviewees underlined that shelter continues a core shortage and noted the strength that the multifamily classification can deliver right now.

But demand may shift, with renters and home buyers looking to live in townhouses and mid-rise buildings rather than larger towers that have been the trend in urban centres in recent years.

Interviewees also underlined that the best possibilities are for more affordable multifamily residence options, especially in light of uncertainty about jobs and the economy.

MEDICAL OFFICE

A third classification that ranked near the top of our analysis this year is medical departments, which can also offer the strength that many investors and estate owners are peeking for right now.

With hospitals encountering an area crunch, there may be alternatives to move some fitness care processes to high-traffic population areas like malls, one interviewee explained.

While the epidemic has led to the rapid adoption of virtual health services, there will be an ongoing shortage for the physical region for care that cannot be provided digitally as well as for diagnostic equipment.

An aging community will assure rising demand for health assistance, although the transition to virtual care could oversee some repurposing of medical office room as practitioners diversify to digital delivery.

THRIVING LOGISTICS AND LIVING SECTORS IN THE TOP THREE PICKS

Momentum has stimulated both the logistics and living areas, which were among the top three options of investors across all countries.

Intense rivalry, limited prevailing commodities, and the expectation of additional asset value appreciation in 2021 and beyond will expect investors to widen their geographic priority, and construct portfolios via improvement in strategic JV platforms and niche local corporations.

DISCOUNT SHOPPING FOR RETAIL AND HOSPITALITY BARGAINS

Although retail and hospitality investments are the least preferred possession for global investors, they represent a rare chance to attain core and distressed properties for driving repurposing initiatives, at a somewhat low cost.

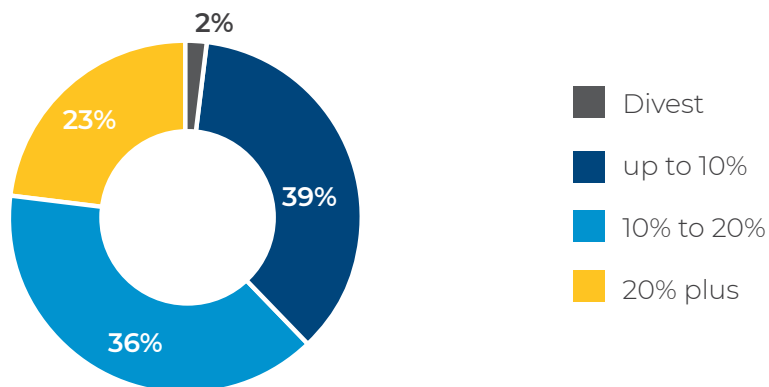
Investors are expecting to see pricing discounts of over 20% in these sectors, with most opportunities coming to light in the second half of 2021.

Rodschinson anticipates many of these undertakings to derive indirectly via distressed corporate stances and non-performing loans. This also furnishes the alternative to scale up rapidly.

ADOPTING THE APP

The need continues to surge for alternative assets connected to important tendencies set to undergo the test of time. Heightened enthusiasm for data centres indicates the long-term transition in demand for protective, digitized aids.

Development in need for build-to-rent, aged living, and life-science-backed properties indicate broader structural transitions established in an aging community, heightened by the new pandemic.



The unusual regulatory and market strategies of these areas will further run the desire for investors to seek out enthusiastic regional alliances, outlets, and cooperation's to access new alternatives.



Continue to evaluate office opportunities - selectively

Our research makes it clear Tier-1 cities will remain prime destinations for companies and talent, and that the pandemic is unlikely to dent demand for office space over long term. However with occupier demands changing, investors should focus on properties meeting health and sustainability benchmarks, and extend portfolios to emerging business districts designed to serve 'hub and spoke' models and high-growth technology firms.



In industrial and logistic, think outside the box

With the e-commerce boom showing few signs of slowing, demand for industrial and logistics facilities is set to remain high but will outweigh supply in many developed markets. Investors should consider industrial and logistics developments around secondary cities and regional centres, which are likely to have more appreciation potential, as well as possible conversions of retail or other facilities into industrial space.



Get more familiar with alternatives

Emerging asset classes like data centres, life sciences, senior living and build to rent are closely tied with promising economic forces and offer new ways to generate value. However, they also come with regulatory and other complexities that mean they are best navigated with help of dedicated expertise.



Be open to new partnership and platforms

As travel restrictions are unlikely to disappear anytime soon, investors should redouble efforts to secure effective local partnership to connect to, even co-invest in, priority markets. Technology-based platforms are also evolving quickly and can provide another means to access potential investments, and extend capabilities and strategic relationships.



Broaden routes to market

As the market picks back up, competition for prime assets is likely to rise and put yields under further pressure. Performance will require more dynamic portfolio management and evaluating a wider spectrum of assets, locations and risk profiles. In addition to alternative assets, platforms and partnerships, corporate and debt driven acquisitions will be key to capturing opportunities at scale and at discounted pricing.

KEY TAKEAWAYS

- With 2020 volumes falling to around \$1.3 trillion and allocations to real estate continuing to expand, the weight of capital is capable of doubling global investment volumes should market conditions allow.
- Properties with a public use component (e.g., offices, retail, apartments, hotels, sports and entertainment, inmate venues) have been singled out as potential spreading locations for the novel coronavirus and have been at times. On the other hand, logistics facilities and data centres are generally thriving.
- The pandemic is also shining a light on the health and wellbeing of people in the workplace – wherever that work may be – which plays to the movement behind property as a service but to an altogether higher level than in pre-COVID – 19 times.
- Balancing the need to manage risk and portfolio performance will be challenging. The survey shows many investors continue to focus on assets and markets seen as safe and transparent.
- Overall, development in the field of warehousing and fulfilment, multifamily residential and medical offices can offer a great opportunity.
- Momentum has accelerated for logistics and living sectors, which amped the top three choices of investors across all regions. Investors are expecting to see pricing discounts of over 20% in these sectors, with most opportunities coming to light in the second half of 2021.



RODSCHINSON INVESTMENT

www.rodevelopments.com

INTERNATIONAL – LONDON

The Gherkin'
30 St Marys Axe,
London, EC3A 8BF
UNITED KINGDOM

MIDDLE EAST & AFRICA – ABU DHABI

Al Maqam Tower, 34th & 35th Floor
ADGM Square, Maryah Island
Abu Dhabi
UNITED ARAB EMIRATES

EUROPE – BRUSSELS

Bastion Tower (level 11-12)
5, Place du Champ de Mars
1050 Brussels
BELGIUM

CHINA – HONG KONG

Ping An Finance Centre (level 85)
NO.5033 Yi Tian Road, Futian District
Shenzhen, 518033
CHINA





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