ESG reporting, due diligence challenges and defining core investments

In late April, **Tell Media Group**, in cooperation with **Invesco Real Estate**, **M&G Investments** and **Principal Global Investors**, invited Nordic investors to discuss real estate. Tell Media Group founder Niklas Tell moderated the roundtable.

By: **Niklas Tell**

The discussion started out with Niklas Tell asking the participants what they would highlight as some of the biggest challenges for investors right now when it comes to real estate.

VANESSA LINZANDER: "One challenge is forecasting and preparing for the escalating demographic trends that are moving extremely fast now with the pandemic. Another challenge is to figure out what the ESG impact will be on real estate. Will we end up with a number of obsolete assets and how do we prepare for that? There are also questions of what will happen to office space and what the long-term impact on retail will be."

ANDREW HILLS: "I would certainly agree on ESG. That has been top of the agenda over the last six to nine months and something we're very aware of when launching new funds."

TOBIAS SPILLING: "I very much agree – sustainability takes up a lot of my time. There's a huge demand from my clients – both when it comes to sustainability reporting but also on implementation of sustainability in the funds. Another challenge is the transition to a post-Covid environment. How will offices change and how will real estate be affected by the move from traditional retail to more modern retail and logistics? We've also been in an environment of falling interest rates for a very long time, which now seems to be changing. The question is how that will affect returns going forward."

EVA LEMPINEN: "I think one thing to watch out for is inflation and what rising inflation would mean for real estate. We're also still living through the Covid situation and it's a question of how fast the recovery will be in different parts of the world. Another thing that occupies me is the price of new technology, its impact on real estate and how this could help in ESG matters. We've seen a lot of things happening over the last year."

RICHARD VAN DEN BERG: "What's taking place in Asia-Pacific is in essence not that different from what's taking place in the rest of the world. However, there are some differences and one of the challenges is to articulate those differences. For example, what will happen to offices is a really big question in Europe and in the US as working from home is much more common and accepted, even before the COVID period, but it's far less of an issue in Asia. It's important to make a distinction between short-term and long-term trends and to be very careful that you don't change longer term strategies because of short-term events or events that only have a short-term impact, even if that impact is severe. I also feel there's a general tendency to put certain asset classes on a pedestal, such as logistics currently, whereas others are put in the basement, so to speak. The latter would be retail, which used to be the favoured asset class for core investors. However, if I look at Asia, the importance of retail is very visible. Well-located and managed malls are part of the social fabric of society and some retail assets in particular the community centres in Singapore and Australia have even during COVID provided relatively stable income streams while values remain protected."

NIKLAS TELL: ANDREW, WHEN WE SPOKE BEFORE THIS CALL, YOU MENTIONED THAT WHEN YOU TALK TO YOUR COLLEAGUES AROUND THE WORLD, IT SEEMS AS IF A LOT OF PEOPLE ARE REACTING TO WHAT'S HAPPENING AROUND THEM.

ANDREW THORNTON: "Exactly. I think there's a risk that our view of the world is dominated by what's happening on our doorstep. When I talk to my US colleagues, they're bullish. Vaccinations are happening and they're expecting a GDP growth of some 6 or 7 per cent this year. But if you talk about retail, they're very negative on the sector while our experience from Germany, where we have a lot of convenience retail, is that rent collection has been some 97 per cent over the course of 2020 and we see capital appreciation. That's not what people expect retail to be doing but that's what we're seeing on the ground. I therefore agree that there's this disconnect between the occupier market and the capital market and that can create both risk and opportunities."

PIA BASTRUP: "Just a brief comment on why institutional investors are turning away from retail. At most pension funds, it's a matter of convincing the board and the top management whether or not it's a good idea. Even if an investment should provide good returns in the long run, it can be difficult to get a sign off for something that the media and the general consensus is turning away from. It's also a matter of risking your social capital internally if you bring up controversial suggestions."

TOBIAS SPILLING: "I agree that retail is a difficult sell at the moment but it's also difficult with popular sectors, such as logistics, because it's probably oversold to investors. However, diversification is important to us and we will try to find opportunities within every segment and we want to find managers that have an active approach to real estate and are able to navigate on our behalf."

ANDREW THORNTON: "One major challenge that we haven't talked about is the fact that if you have a different perspective of markets compared to someone else, due to different economical or Covid-related developments, it usually would create opportunities. However, the problem today is that it's difficult or even impossible for managers to form new investor relationships and difficult for investors to do due diligence on managers. And we're all finding it difficult to do due diligence on markets that perhaps might be attractive now but where we haven't been as active historically. We're using yesterday's tools and yesterday's relationships in a world that's very different and will continue to change rapidly in the coming months and years."

RICHARD VAN DEN BERG: "I agree that we're probably all caught in that dilemma of local versus international investors and markets. We need to find a balance and we need to be practical. Based on the long-term trend where demand of retail is expected to further diminish, we've taken a deep dive assessment at our retail assets and have sold those retail assets that we think will be less competitive in the long term or where we see less upside. But we're keeping those that we think will meet and continue to meet the demand of customers because of location, design and the tenancy mix, even though the general perception of retail

PARTICIPANTS

- **VANESSA LINZANDER**
  Investment manager, AP1
- **EVA LEMPINEN**
  Portfolio manager, OP
- **PIA BASTRUP**
  Chief portfolio strategist, Pensam
- **TOBIAS SPILLING**
  Partner & head of real estate, Grieg Investor
- **ANDREW HILLS**
  Managing director of client portfolio management, Invesco Real Estate
- **RICHARD VAN DEN BERG**
  Fund manager of the M&G Asia Property Fund, M&G Investments
- **ANDREW THORNTON**
  Chief executive of Principal Real Estate Europe, Principal Global Investors

VANESSA LINZANDER *AP1*
Investment manager at AP1 since July 2020, responsible for management, sourcing, underwriting and execution in global real assets. Before joining AP1, she worked at Aberdeen Standard Investments.

EVA LEMPINEN *OP*
Portfolio manager at OP Real Estate Asset Management, responsible for international real estate fund investments, real estate debt investments and managing real estate fund of fund products.

TOBIAS SPILLING *Grieg Investor*
Partner & head of real estate at Grieg Investor since 2010, responsible for fund selection and portfolio construction of client real estate and infrastructure portfolios.

PIA BASTRUP *Pensam*
Chief portfolio strategist at Pensam. She joined the pensions company in April this year from PFA where she was a real estate portfolio manager.

is negative. However, it's not an asset class that we're willing to grow, even when there are good potential acquisitions as it would be seen both internally and by our investors as taking too much risk. As a consequence, we've brought down our retail exposure to just over 20 per cent of our portfolio and intend to bring it down further to around 15 per cent through a combination of disposals of less competitive retail assets and acquiring non retail."

NIKLAS TELL: SOME OF YOU HAVE ALREADY TOUCHED ON DIVERSIFICATION. VANESSA, WHAT ARE YOUR THOUGHTS ON THE IMPORTANCE OF INTERNATIONAL DIVERSIFICATION?

VANESSA LINZANDER: "I think we have a slightly different approach because we look at diversification on an overall AP1 level and not at the real assets portfolio on a stand-alone basis. We have a high allocation to Sweden for both residential and offices, which we're comfortable with since we look at diversification on the top level."

NIKLAS TELL: EVA, YOU HAVE A LOT OF FINNISH REAL ESTATE BUT WHAT ABOUT YOUR INTERNATIONAL EXPOSURE? AND HAVE YOU HAD ANY SPECIFIC CHALLENGES IN SOURCING NEW FUNDS OR IN DOING DUE DILIGENCE ON NEW FUNDS DURING THIS PERIOD?

EVA LEMPINEN: "Our largest fund is our rental residential fund, which includes some 6000 apartments. We do invest outside of Finland as well. We have a fund-of-funds model that we offer our clients and we can also invest directly from our client's balance sheet. Outside of Finland, we invest in both equity real estate funds but also real estate debt funds. We've been investing outside of Finland into funds for the past 15 years and we have a lot of good relationships. We know a lot of managers and that's of course a benefit in this situation. But then again, we also like to invest with new managers and in smaller funds and that's a bit more difficult today. I wouldn't say it's impossible to do due diligence but it takes more time."

TOBIAS SPILLING: "We've added a few new funds into our portfolio over the past year. It's important to meet physically with the manager and to visit the office of the manager before we invest. When it comes to geographical diversification, we see a clear home bias among our investors, even if we have invested with both global and European funds. We believe that broad international mandates where the managers can take active positions have produced quite a good value to us, even though Norwegian real estate has performed very well over the past 10 to 15 years."

PIA BASTRUP: "With regards to travel restrictions and the ability to make new investments, I believe there's a huge distinction between making new investments with new managers that you don't know compared to making investments with managers you know in locations that you're familiar with. I've been engaged in a quite significant logistics investment in New York but in this case, we knew the area quite well already and we knew the manager and then it's not a problem not being able to travel. That being said, I would never commit to a new manager or to an asset where I didn't feel comfortable with the location. So that obviously limits our ability, because there are only a few locations globally that we believe we know sufficiently well to be able to invest without seeing the asset. With regards to diversification, at least for many Danish investors, there's an increased need for control and it's increasingly difficult to give broad mandates to fund managers where they have almost full discretion in all sub-sectors within the asset class. There are regulatory constraints and discretionary mandates make it more difficult to look through our portfolio. I must admit that some of the best returns have been in global funds with full discretion but it's just increasingly difficult to get the approvals in place."

ANDREW HILLS: "I can just agree with the comment on the limited activity that we've all experienced in the last 12 to 18 months. We're benefiting from long-term relationships with investors that know what we do but I would be lying if I said it's not tough to get a prospect over the line at the moment. Investors can't do due diligence and they can't do asset tours, so I understand that institutional investors don't have much choice at the moment. They need to go with a trusted manager they know."

RICHARD VAN DEN BERG: "I think we're all seeing the same thing. Last year we only raised capital through top-ups, which means that no new investor came onboard. We did get approvals in investment committees from new investors but the actual implementation was put on hold until markets settle down and when actual site visits can take place. Regarding the comment from Pia on more control, I think Asia-Pacific is a little bit different because it's very difficult to exercise any level of control or to have a deep market understanding about the Asian markets if you're sitting in Europe or in the US. I therefore still see that there's quite a lot of interest for the kind of traditional discretionary funds and in particular for core funds. When a lot of investors go abroad, they try to be on the safe side. A new trend that we're seeing towards investing in Asia is that some very large investors are changing their strategy from direct investments to more of a combination of holding a stake in a large core fund and then building specialised funds and direct assets around that. So a generic core, multi-country, multi-asset fund as a base to have a certain predictable income stream and then go for the alpha with very specific targeted funds."

NIKLAS TELL: GIVEN WHAT HAS HAPPENED OVER THE PAST YEAR, WOULD YOU SAY THAT YOUR VIEW OF WHAT REPRESENTS A CORE INVESTMENTS HAS CHANGED IN ANY WAY?

ANDREW THORNTON: "If you initially had asked everyone about their expectations regarding what we've been through, we would have expected a bloodbath. That didn't happen because we had a much more coordinated policy response globally and I think that has probably taken some of the risk out of markets. What it hasn't done is change some of these big strategic shifts, such as what we're seeing in retail, which is now perceived as being much riskier. Historically, we've looked at barriers to entry in order to determine what was going to be secure and where you would be comfortable long term. Today everyone is playing into the logistics sector, which has by far the lowest barrier to entry. I think we've got a lot of thinking to do and a lot of lessons to learn but it's probably too early to tell."

RICHARD VAN DEN BERG: "I remember that in the first quarter last year, we made an assessment about the impact of Covid on our income stream and on total values. The impact we expected with regards to income was around 4 per cent of total revenues, which was met with disbelief as the pandemic impact, in particular in Europe and the US, seemed to be getting out of control. In the end, the impact on income has been less than 3 per cent and we've been able to continue paying a 4 per cent dividend while the overall value of the fund was only marginally impacted as the negatives of retail and Australia were compensated by the positives of logistics and South Korea. I believe we need to be careful and not expect that the world will change completely and that there will not be attractive retail, that offices should be avoided and that we should only be focusing on logistics and residential or move into alternative asset classes like data centres. We're continuing to see attractive opportunities in well-located central business district offices in Sydney and Melbourne while logistics have become very tightly priced as prime yields have gone below office prime yields, which we believe doesn't make sense. As Andrew said, the barriers to entry for logistics is far lower than for offices. The fact that everyone is jumping on logistics and those prices are being driven down below offices makes me question if that's sustainable."

PIA BASTRUP: "I think it's important to split logistics into several sub-sectors. On the one hand, you have big box logistics in the middle of nowhere and you can build a new box next to the one you just purchased at a 3 per cent cap rate. However, there are also the locations very near to cities. That's a different ballgame compared to logistics in general so you need to look more into the details of the specific asset."

ANDREW THORNTON: "One of the big lessons for us was that it's as much about the industry of the occupier as it is about the nature of the asset. If you have an office building leased to a retailer, your exposure to the retail sector is bigger than you might have imagined. And similarly, if you have a logistics asset let to a car manufacturer, you probably had requests for rent abatement, despite the fact that logistics was a strong sector. I agree that you need to look beyond the headline and look at the detail of the asset. Active management is more important than ever."

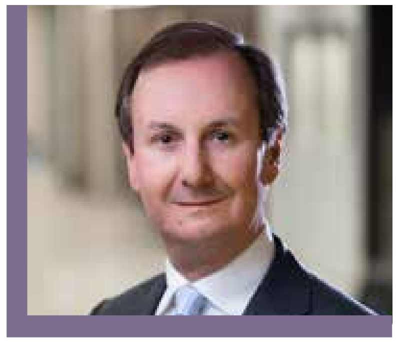
EVA LEMPINEN: "When we're talking about core or safe investments, we should be talking about the income component rather than the sector. We need to consider who the tenants are and what their business models look like and form a better understanding of that dynamic. I also want to bring up the ESG component when we're talking about safe investments. It's of course not new but the importance of it has increased a lot."

RICHARD VAN DEN BERG: "With regards to ESG, we have an ESG plan in place for each asset. Even if it's a logistics warehouse in the suburbs, we still have a plan where we look at the cost of improving all elements of ESG. Of course, quite often the environmental side, in which energy plays a big role, is the easiest but we also look at the social side. Setting targets throughout our portfolio means that we will make a plan to improve them, to get all the assets rated and to improve the rating year on year. A newer dimension in this is climate change and that's a lot more difficult to assess or quantify. For instance, this relates to sea levels rising, increase

ROUNDTABLE – REAL ESTATE

ANDREW HILLS
Invesco Real Estate
Managing director of client portfolio management for Invesco Real Estate. He is responsible for developing and managing client relationships with a focus on the UK and Europe, the Middle East and South-East Asia. He joined the firm in 2011.

RICHARD VAN DEN BERG
M&G Investments
Fund manager of the M&G Asia Property Fund. He joined the firm in August 2017 and has been involved in Asian real estate management since 1989 with previous roles in Hong Kong at Rodamco Asia, ING Real Estate and CBRE Global Investors.



ANDREW THORNTON
Principal Global Investors
Chief executive of Principal Real Estate Europe, which is part of Principal Global Investors. He has led the real estate platform, originally known as Internos Global Investors, since its launch in 2007. Prior to that, he was a founder and COO at Invesco Real Estate Europe.

in temperatures causing fires in Australia and earthquakes. For one asset that we're currently looking at, we're in touch with the government to assess their flooding, earthquake and tsunami plans in order to understand what's being done to counteract the consequences of climate change. It's not that we would never invest in assets below the sea level – it's about understanding what measures are taken to mitigate the risks from the sea level rising or the impact of earthquakes."

NIKLAS TELL: ARE YOU CURRENTLY SEEING ANY EVIDENCE THAT CLIMATE CHANGE RISK IS BEING TAKEN INTO ACCOUNT WHEN IT COMES TO THE PRICING OF REAL ESTATE? HAVE YOU SEEN ASSETS THAT WERE PERCEIVED AS GOOD AND SAFE BUT WHERE THE EQUATION CHANGES WITH CLIMATE CHANGE TAKEN INTO ACCOUNT?

PIA BASTRUP: "You do see assets that you simply turn away from because of that issue. Even if it's not reflected in the pricing right now, I believe it will be longer term. In the Danish institutional investor world, the regulatory authorities send out a letter each year and in 2019 they highlighted that climate change risk needed to be included in the due diligence. If there are climate change issues that are threatening the asset, those will be reflected in the price. The number of investors could be limited for assets with too many climate change issues."

RICHARD VAN DEN BERG: "I agree with you but a lot of the pricing is still determined by local investors that often have gotten accustomed to living with the risk of climate change. That might change as the impact becomes more frequent and extreme. But right now it's foreign investors like ourselves that walk away if we think that the impact of climate change is not sufficiently addressed. We have yet to see local investors coming to a similar conclusion, unless it's really obvious that there's a high risk."

ANDREW THORNTON: "We do, however, see that it does start to affect the cash flows, for example if you look at the cost of insurance in areas that are known to be prone to flooding or tornadoes. That can lead to some real occupational costs, which feed into the value of assets."

NIKLAS TELL: TOBIAS, YOU MENTIONED EARLIER THAT A LOT OF YOUR TIME IS SPENT ON ESG. HOW MUCH OF THAT IS ON CLIMATE RISK?

TOBIAS SPILLING: "It's an important issue, even if we don't have many tornadoes in Norway. For us, it's more about thinking long-term about how buildings and materials are affected by higher temperatures, for example. We obviously invest internationally as well and then we talk with our managers about climate risk. Climate risk is important but I spend more time thinking about the buildings themselves: how we can reduce energy and how we can impact other ESG factors."

PIA BASTRUP: "We see some of the same tendencies and that's the case even for Copenhagen. Still, there has been an increased risk of flooding over the past 10 years and insurance pricing has gone up. What we hear from insurance brokers is that rates have increased between 30 to 70 per cent, so it's a significant amount of money that goes into insurance, even in quite a safe place like Denmark. If I look at Californian investments, I do consider earthquakes and I do look into insurance costs. For investments in Florida, I think about tornadoes and hurricanes. It's part of the overall review of the cost of asset management of the property. Obviously, it's trickier in the suburbs of Sydney and Los Angeles compared to Denmark but it's an increased risk even in Denmark."

NIKLAS TELL: ANDREW TALKED EARLIER ABOUT LOGISTICS AND ALSO BEING EXPOSED TO THE INDUSTRY THAT IS OCCUPYING THE BUILDING. REAL ESTATE IS FAIRLY ILLIQUID SO HOW CAN YOU WORK WITH ASSETS THAT HAVE BEEN IMPACTED DURING THE PANDEMIC?

ANDREW THORNTON: "I think the first thing is to recognise that things have changed and to fight the battle at hand. Realising that you have a problem allows you to decide what Capex is worthwhile and what your options are. I also think it's important, whenever possible, to avoid being in a position where you're forced to sell. You work with your tenants and make the best you can with the asset."

RICHARD VAN DEN BERG: "As a core fund manager, I agree with that. I think it's different when you're an opportunistic investor where you need to react very much on short-term events because there's only a limited period of time to make your returns. As a long-term investor, it's important to be coolheaded, know the strengths and weaknesses of all your assets and steer through short-term events. We place all our assets in a modified "Star, Cash-cow, Question-mark and Snail" model and move them around as conditions change. Of course, you want all your assets to be cash cows or stars but that will never be the case. Competition changes. Locations become less or more favourable, so your assets move around and you have a plan for it. Consequently, we sell assets but when there's a short-term downcycle or pandemic, we stick to our longer-term plans but may postpone disposals as a core fund should have the holding capacity to work through it."

ANDREW HILLS: "I kind of agree but we haven't seen much of distressed sales and I think the reason is that opportunistic funds are a small part of the market. Yes, we've taken a hit in retail, as I think most people have, but it's a smaller part of one of our big funds so we can handle that."

NIKLAS TELL: VANESSA, IF WE TAKE A STEP BACK AND TALK ABOUT ASSESSING EXTERNAL MANAGERS. WHAT ARE SOME OF THE THINGS YOU NEED TO LOOK OUT FOR AND HAS THAT CHANGED OVER THE LAST YEAR?

VANESSA LINZANDER: "I don't think it has changed that much. We obviously look at the track record and their reputation in the market and we need trust in their expertise and knowledge to manage the assets for us. It's also important for us that they can admit when they make mistakes and that they're transparent with us. Transparency is of great importance for us and since we're a small team, we're quite reliant on our external managers."

NIKLAS TELL: PIA, YOU MENTIONED BEFORE THE DEMANDS FROM THE DANISH REGULATOR AROUND CLIMATE CHANGE RISK WITHIN ALTERNATIVE ASSETS, EVEN IF IT'S IN FUNDS. HAS THIS AFFECTED HOW YOU'RE EVALUATING EXTERNAL MANAGERS?

PIA BASTRUP: "I believe it probably will affect our view on managers. I haven't been involved with taking new managers on board since we received this letter about climate change risk, because then Covid came and everything was put on hold. But I could imagine that in the long run, it will affect the way we do manager reviews. We need to make absolutely sure that new managers can provide the institutional reporting that we require. I also think it will make it trickier for smaller managers to get institutional investors on board because there will be increased reporting requirements. You need to have all that granular information available and bespoke reporting will probably become a vital part of institutional investors' requirements on managers going forward."

ANDREW HILLS: "One of our largest departments today is our product management department and it's a lot about reporting, so I fully agree."

TOBIAS SPILLING: "I just wanted to add that apart from the qualitative analysis, keeping track of the costs and building long-term relationships with managers, the focus on sustainability have really increased over the last year. We're currently working on a framework where we ask our managers to report on every individual building, so we can link and aggregate that in our system. This will allow us to keep track on each building, also in the funds, when it comes to sustainability. It's important to us and to our clients, which in turn are measured on sustainability."

EVA LEMPINEN: "I agree. We've also increased our reporting and transparency requirements for our managers. But then again, we're also a fund manager and we know how burdensome these requirements can be because each investor have their own individual needs. In the end, it's about resources and you might have to add someone doing this reporting, despite fund management fees being under pressure."

ANDREW HILLS: "Our US core fund includes 130 buildings and to provide details on each of the assets is obviously pretty laborious. It takes a lot of time and it takes a lot of personnel. If investors continue to go down that route, you're excluding small- or mid-sized managers because they don't have the resources. Especially at a time when investors also want lower fees. You've got to balance it because you can't have the best of both worlds."

VANESSA LINZANDER: "I just wanted to add to what Tobias said about ESG and I agree that ESG is taking up an increasing part of the due diligence and evaluation process compared to a number of years ago. We've had the ESG aspect in our evaluation process for quite some time but it has expanded and will most likely increase even further. Also, in terms of reporting, I think it's a matter of trust when it comes to external managers. I need to have trust and faith in them knowing all the assets and that they're keeping track of the information and are able to highlight what's important for us and present it in an institutional way. That's potentially more difficult for smaller managers – to understand the reporting needs of institutional investors. Rather than providing hundreds of pages with information, what's important for us is condensing it and presenting it in the right way."

ANDREW THORNTON: "If we take a step back and look what has happened over the last decade, I think a lot has happened. Everybody's financial systems are better, there's better transparency and better communication. Investors have much more experience with different countries, different fund products and different managers and we're all much smarter than we were. Fees are pushed lower because returns are lower and we're seeing that across asset classes. And costs are increasing so we all need to get more efficient in how we use data and how the information flows in the industry. We need industry bodies to provide more consistency, particularly when it comes to ESG. I do think there's a willingness and desire among investors, managers and the industry as a whole to make this work because ultimately we're all trying to help end investors live better lives and it's only by doing that we will have sustainable business models."

RICHARD VAN DEN BERG: "I can see the difficulty for small managers to be able to cope with the increased reporting requirements and it's not just reporting to investors. It's reporting to auditors and a range of other parties. Scale is important to be able to afford the resources to provide more specialised reporting. Also, the scrutiny and reporting requirements regarding ESG has changed considerably over the last couple of years. Some three or four years ago, investors were generally ok with just knowing our intentions. That's no longer the case. Today we need to provide targets for each asset, show the process we've embedded in our organisation to achieve those targets and in the end, investors want to see the results quantified."

NIKLAS TELL: LOOKING AHEAD, WHAT TRENDS ARE YOU SEEING AND WHAT ARE YOUR MAIN WORRIES RIGHT NOW?

ANDREW HILLS: "I'm not too worried about inflation but I'm worried about the debt levels globally and who is going to pay for this going forward. I'm also a bit confused given that we've seen falling GDP in Europe and not seen any impact on real estate pricing. I know that the simple answer is that capital markets are holding us up."

NIKLAS TELL: EVA, YOU MENTION INFLATION EARLIER IN THE DISCUSSION. IS INFLATION YOUR MAIN WORRY OR IS THERE ANYTHING ELSE OUT THERE THAT WORRIES YOU?

EVA LEMPINEN: "It's not my main worry but it's something that we should monitor closely. We typically think of real assets as an inflation hedge but do you realistically think that you, at least in the short term, can increase your tenants' rent in the current environment? We touched on increased reporting requirements earlier, which could be a threat to smaller and mid-sized managers. I don't think it's necessarily positive for investors if only the larger managers will thrive and attract capital going forward. It must be better if you have a broader base of several kinds of managers and strategies. I would also like to talk about operational assets, such as residential property. It's not a worry but rather a trend. With these more operational assets, I think there could be benefits in branding these assets and providing more services and things that benefits the tenants. This can, of course, be done in the office sector as well. To me, this is an important topic to watch going forward."

NIKLAS TELL: TOBIAS, YOU TALK TO A LOT OF INSTITUTIONAL INVESTORS IN NORWAY. WHAT TRENDS ARE YOU PICKING UP ON?

TOBIAS SPILLING: "The ongoing trend has, of course, been out of retail and into logistics. We've also been talking a lot about what's happening to offices. Over the past couple of years, we've seen that office space per employee has gone down year by year and it's seen as a cost to the employers. Looking ahead, I think people might want more space due to Covid and they probably want more flexibility when it comes to working from home. This might change how we think about offices and instead of looking at office space as a cost, maybe we should see it as a creator of value to the companies. We also talk a lot about retail and going from old retail to modern retail, in which logistics is very important. But a lot can happen that changes the value of a logistics building. What will happen when trucks are driving by themselves? Then you don't need the same distance between logistic buildings as your driver don't need to rest. There are a lot of changes going on in the market, which of course is a worry. On top of that, you obviously have economic factors, such as interest rates, but that will always be there."

VANESSA LINZANDER: "We're also looking at the impact of digitalisation and the greater flexibility in terms of how we work and how we live. All of these trends are adding new and different components that we need to consider."

ANDREW THORNTON: "When it comes to inflation we must ask ourselves if we're missing something here. We're not seeing inflation in the real economy. But when interest rates rise and monetary and fiscal policy tighten rather than expand, will we see more action on asset prices than expected? That's one worry. The second worry is that yes, we run portfolios but we also run businesses. How do we build the corporate culture when people are not together? How do we make sure that we're training the next generation in all the stuff that happens by osmosis now that we're only on Teams or Zoom? I'm also worried that we're perhaps developing more of that local bias when we're not traveling and when we're not seeing what's happening by walking the streets of Sydney or Paris. Also, it's our job to try and provide leadership and I do worry that we're missing the next big thing. We should not only follow what investors want but also call the trends and convince others of what we believe in and educate the market."

RICHARD VAN DEN BERG: "I think one of the aspects of the current crisis is that people see that it's affecting different parts of the world differently, which in turns highlights how important diversification is. Not just by asset class and not just by country but also geographically throughout the world. Clearly, I'm biased having been based in Asia for a long time but seeing how Asia-Pacific has tackled the Corona crisis in a very organised manner, the risk perception of Asia-Pacific has been reduced."