

FUTURE-PROOFING ASSETS POST-COVID

■ Earlier this month, *Property Week* and Yardi hosted a digital think tank to discuss the challenges that are facing asset managers and how they can best future-proof their assets in a post Covid-19 world

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When lockdown restrictions kicked in earlier this year, were you able to continue performing asset management tasks remotely using technology or were there some things that it was a struggle to undertake?

Starr: We could not go out to see our buildings and that is probably the one thing that is the hardest as an asset manager – not to be able to see your buildings and meet your tenants face-to-face. But we are very hands-on and all our tenants know us by name. So, as a result of Covid, we were able to engage with them a lot more remotely than perhaps we had done before and we are still engaged with them.

Clark: I keep reminding people in our business that if you said to them a year ago that we were going to move 26,000 people from the office to home within a week without

any major technological issues, they would not have believed you, but we did it. So the reality is it worked very successfully and it has opened people's eyes to how work can be operated in the future.

There are obviously practical implications to that. In the real estate investment industry, initially, we were not able to go out and inspect premises, but we are now back out doing that. The short-term focus was all about triage and working out what it means for your tenants and how to stabilise cashflow. Now, we are looking into the longer term.

Bender: We had already been doing a fair bit to help our workforce be more mobile, so actually when Covid happened, and we had to go fully remote, it probably went a bit more smoothly than anyone really expected, but that was a by-product of having done a lot of the groundwork in the year leading up to March.

From an employee perspective, the transition was actually quite successful. From an asset manager perspective, obviously

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Phil Clark

inspections had to be stopped or delayed, so working with our property managers became a bit of a challenge, but they were great. It just meant we needed to be a lot more proactive in terms of communication.

I think it has been a good exercise in terms of understanding the kind of data that perhaps we had not necessarily been considering capturing that we do need to start capturing. And in the long term, it will be good in the sense that we have built up habits around how to engage with tenants and property

managers that will be valuable down the road.

Kohlbach: We had our first portfolio run as an Airbnb portfolio so, of course, as soon as the travel ban came in we were hit immediately and Airbnb started cancelling everything. But actually, the impact of Covid for us was quite positive because we have always been set-up to be very remote-enabled and tech-first. How else are you going to manage a portfolio that is a terraced house in Leeds and a flat in York etc, all over the country?

We have always had virtual viewings, videos and reference checks with tenants that are completely automated. So when Airbnb banned our properties, we were able to immediately switch them all over to long-let residential and because of the way we were able to present them with walkthroughs online when no one else in the regions had walkthroughs available, we were inundated with requests and it has actually been a catalyst for us in

terms of tech adoption.

Gemassmer: One of the biggest things that happened was that [lockdown] exposed faults in the system. So whereas a lot of organisations thought they were very attuned to digital enablement, what Covid did across all industries was highlight the fact that some processes are still disconnected and that has now driven an increase of focus in terms of how to drive efficiency.

So, what additional investments do I have

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to make in terms of technology – and not only for employees to communicate more effectively but also in terms of how to deal with external stakeholders and customers and investors and tenants? That is probably one of the biggest things Covid has shown the industry.

Has what has happened made your company rethink its real estate strategy going forward and how you asset-manage your portfolio to ensure it is future-proofed? And do you see technology playing a greater role in investment decision-making processes?

Starr: I think every situation, whether it be a pandemic or just the macroeconomic climate, makes us look at our strategy of each property and at the strategy of the company as a whole. So yes, it has.

Gemassmer: I think one of the big

focuses will be on flexibility in terms of the flexibility the asset needs to provide in order to meet the demands of the occupier. Your corporate office occupier will not necessarily take a five- to 10-year lease on X amount of space on a dedicated basis, but it will go to more of a hub-and-spoke model.

The second thing that will most likely happen is that the corporate office tower will have more flexible space. So a corporate that had a million square feet will maybe take 600,000 sq ft and then look at having, say, 200,000 sq ft as flexible space within the building, which is then operated by the building owner or a third party, and then the remaining 400,000 sq ft will be put into the 'spokes' or at home.

So the question then is how does technology enable individuals to have greater flexibility in terms of how they operate their properties and also then manage the tenant services?

Bender: On the point about how

■ **One thing that has really come out of this is a greater appreciation of the value of data**

David Bender

technology is going to drive decision-making, one thing that has really come out of this is a greater appreciation from everyone across the business of the value of data and the need to invest in tools that can track metrics, whether it is inside the building, across the portfolio, tenant engagement or whatever the case might be. So people who would not call themselves tech-savvy are suddenly on Zoom meetings and realising: 'Wait a minute, we need to be doing this in every context of the business'.



So in that sense, what we are going to start to see in terms of investment decision-making and how technology is going to drive that is more data-driven decision-making, more integration of monitoring tools inside buildings and making sure that the decisions are frankly just going to be happening faster, because we will have more data at our disposal and people will have greater comfort with the tools that can give them that access.

Where do you see the big opportunities to ensure your portfolio is future-proofed against any further shocks caused by Covid-19?

Clark: I think we have a little way to go before we see how that plays out. My view is that we are not anything like close to something like the GFC [global financial crisis], so we are not expecting the distress we saw at that time, with valuations falling by 45% in some cases. We are not as highly leveraged going in and I think all the data is pointing

Now is a good time to really capture what tenants like and dislike about their properties

Elisabeth Kohlbach

to something closer to a V-shaped or a swoosh recovery.

So I think the distress is less but clearly there will be some impact on pricing. This is all about acceleration of trends. So if you are in retail, values are falling anyway and that is just going to accelerate. If you think about opportunities, it is pretty exciting.

For me, there is a much more local/regional agenda developing from this. I do not think it is the end of London but there is going to be more demand outside London and into the regions, particularly for office space.

Also if you think about retail, if people are working from home more days a week you are going to have more local demand and more demand for that last-minute delivery model as well.

Kohlbach: I think now is a really good time for those who have not done so already to really capture what tenants like and dislike about their properties. So in residential we have seen that commuting links in London and the South East are no longer commanding that price-premium that they did pre-Covid, but the value of having a spare bedroom and garden access or green space access has changed.

So it is really about understanding what to build going forward. But also we are only six months into this demand shift and the second there is a vaccine, the second the world goes back to some semblance of how it was before, I am sure that working from home will not be a five-day-a-week situation anymore. I do think we need to be careful not to overcorrect in one direction.

Starr: We are very much at the early stages and if you think that cycles normally take years, and we are only six months into it, we have not really started. I think it will be at least a year before you actually get a chance to see where the opportunities lie.

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