places and spaces

Union Investment

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The Real Estate Magazine of Union Investment

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Conferencing
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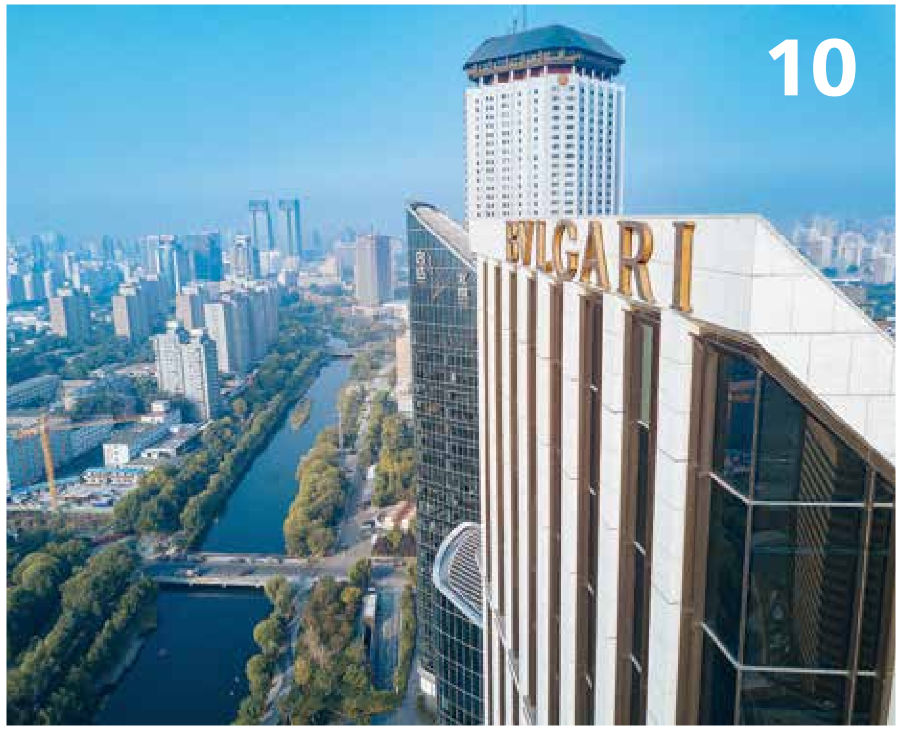
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Cover picture: URKERN / Ivana Bilz
Photos: Benne Ochs, Sebastian Vollmert, Bulgari, Union Investment,
Union Investment / MRP Development (simulation)

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Cover image:
Completed in 2019, Werk12 is a mixed-use property at the heart of Munich's Werksviertel-Mitte district, where a former industrial site is being developed as part of an urban renewal scheme.

A large part of the MIX development in Amsterdam was acquired by Union Investment for open-ended real estate fund UniImmo: Europa in 2023. Six residential towers with heights ranging from 29 to 41 metres are set to be constructed by mid-2026.

Photo: Union Investment / MRP Development (simulation)

Occupier market outperforms investment market

Cautious investors and lower prices on the one hand, stable occupier demand and rising rents on the other – the real estate markets present a mixed picture. The slowdown in interest rates should soon trigger a recovery in investment markets. By Christian Hunziker

Anyone following the news of recent months would think the real estate market was on its knees. Investors are in waiting mode, development projects are being put on hold and major companies are filing for bankruptcy. Market reports from the big consultancies seem to add to the pervading gloom.

In Germany, figures from Savills indicate that the volume of commercial property transactions fell by 60 percent in 2023, with the research specialist recording the lowest total since 2010, at €21.5 billion. Internationally, the situation is not much better. JLL noted a 51 percent decrease in transaction volumes in the EMEA region (Europe, Middle East, Africa) in the first three quarters of last year, while there was a 55 percent drop in the Americas. But that is only one side of the coin, the other side is occupier demand, which is strong in most asset classes. That even applies to the office segment, despite some investors viewing it with concern due to major changes in the world of work and the trend to working from home. Commenting on the German market, Jan Linsin, Head of Research Germany at CBRE, says: “In the office segment, occupier markets are holding up better than investment markets. Demand is strong for higher quality properties that offer innovative working environments and good public transport links. And because fewer projects are going ahead, the supply of high-quality office space is shrinking.” CBRE therefore expects annual rent increases of up to 4 percent in prime locations over the next five years.

It is important to make a distinction between different markets worldwide, says Hela Hinrichs, Senior Director EMEA Research & Strategy at JLL. “While vacancy rates for office properties are high in the US, we’re not expecting a significant increase in voids in Europe,” she notes. The picture is similar for other property types. ▸

"In the office segment, occupier markets are holding up better than investment markets".

Jan Linsin, Head of Research Germany, CBRE

Union Investment's Global Retail Attractiveness Index revealed signs of an upward trend in retail markets in a number of European countries in 2023. Furthermore, a survey conducted by Hospitality Inside and Union Investment in autumn 2023 showed that expectations regarding business performance and sales have significantly improved in the hotel segment as well. In the logistics sector, market watchers are seeing rising rents for modern space, while demand for residential properties has rarely been stronger than it is today across Europe.

Experts expect transaction markets to pick up in 2024

So why is the investment market in the doldrums despite intact fundamentals on the occupier side? One explanation is the rapid rise in interest rates in 2023 and subsequent adjustment of purchase prices. "The price discovery phase is still in full swing in European real estate markets," says Martin Schellein, Head of Investment Management Europe at Union Investment Real Estate. "What we're seeing, is that the price expectations of sellers and buyers are mostly still out of kilter." In addition, rising interest rates have meant that "investors have quickly moved into asset classes beyond real estate," notes CBRE researcher Jan Linsin.

However, Marcus Lemli, Head of Investment Europe at Savills, believes that investment activity has bottomed out. In his opinion, recovery in the transaction markets will be driven by interest rates. "Transactions should pick up from mid-2024 onwards," says Lemli. CBRE expert Linsin likewise predicts that more sellers will accept falling prices in 2024, with transaction volumes increasing as a result.

But Martin Schellein of Union Investment takes a more cautious view. He believes that if interest rates are set to fall, it may make sense for potential sellers to hold on to their properties and wait for prices to start going up again.

Moreover, the situation varies from country to country. "Sentiment is a big factor when it comes to assessing the prospects for investment markets," says Hinrichs. "While the mood in Germany is still rather gloomy, market players in other European countries, such as the UK, are much more upbeat." Savills investment boss Lemli also notes that many investors in southern European countries are anticipating a recovery.

How open-ended real estate funds are dealing with the challenges

These developments also have an impact on providers of open-ended real estate funds. A decline in cash inflows is evidence that investment opportunities outside the real estate world became more attractive last year. According to the country's Investment and Asset Management Association (BVI), open-ended real estate funds in Germany recorded a net capital inflow of €0.9 billion in the first three quarters of 2023. However, this trend reversed towards the end of the year: consultancy firm Barkow Consulting found that from August to November, more money flowed out of the funds each month than was invested. Potential downward price pressure poses another challenge. "Any increase in transaction activity in real estate markets is likely to be followed by further downward valuations," says rating agency Scope. Having said that, the German valuation system provides a degree of stability (see details on page 9). Michael Schneider, managing director of Service KVG Intreal, which manages around 300 funds, says that real estate funds will therefore continue to be "a very attractive asset class

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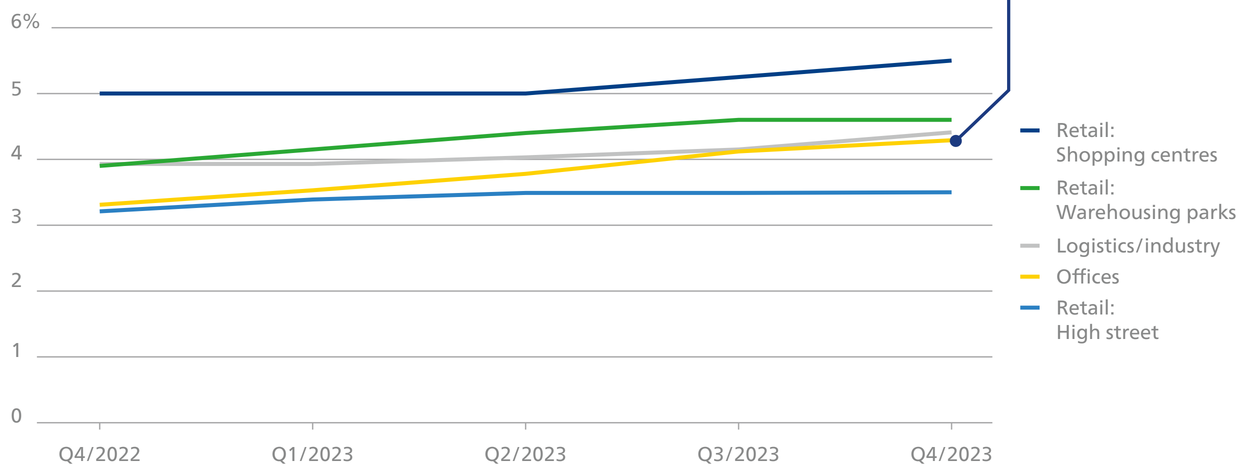
Photos: Union Investment, CBRE / Julia Knorr

Union Investment sold the Space2Move office complex in northern Vienna in 2023. The property was originally added to the portfolio of open-ended real estate fund Unilmmo: Europa in 2015.

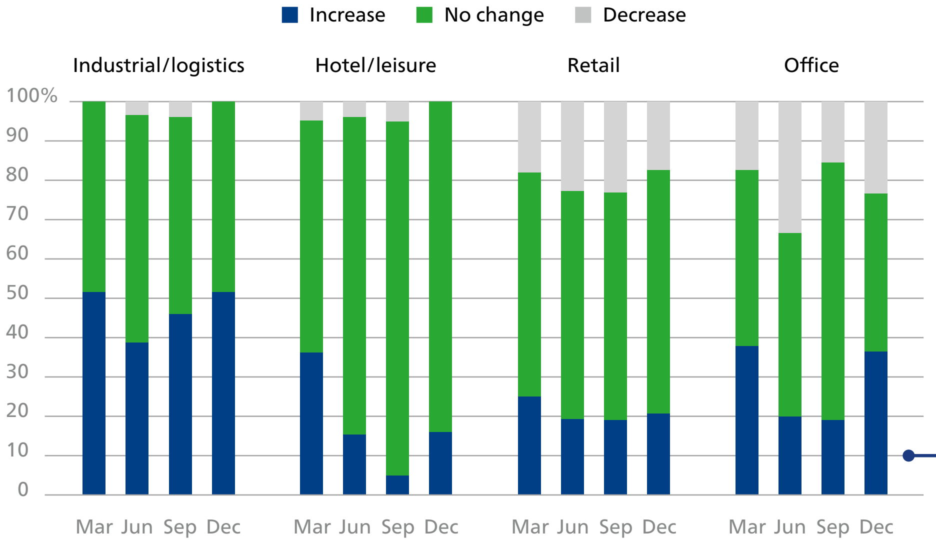
Prime yields in top locations (aggregated net initial yield in Germany's Big 7 cities in %)

The net initial yield on high-quality office space increased from 3.3 percent in the fourth quarter of 2022 to 4.3 percent in the fourth quarter of 2023.



Source: JLL, January 2024

Change in net effective rent for new leases/lease renewals in Europe* in 2023 (%)



Higher net effective rents were achieved across a notable portion of new office lettings and lease renewals in 2023.

* European non-listed real estate

Source: INREV Consensus Indicator Survey, December 2023 as part of risk-diversified portfolio allocation”. Jan Linsin of CBRE also points to the high quality of the products in open-ended real estate fund portfolios. Union Investment is proof of this: despite difficult conditions, the investment manager was able to implement a successful sales programme over recent months. Union Investment generated some significant performance contributions for its real estate funds through 16 property disposals across Germany, Austria and Singapore, with sales proceeds exceeding the most recent valuations in nearly all cases.

At the same time, continuous improvement of the individual properties is a prerequisite for ensuring the stability of fund portfolios. Because demand is increasingly focused on contemporary, ESG-compliant properties in good locations, ongoing upgrading of existing holdings is becoming ever more important. Looking ahead, there are likely to be increased opportunities for acquisitions. Savills investment boss Marcus Lemli firmly believes that “there are exciting prospects ahead for anyone investing in market segments with stable or rising rents”. ●

Union Investment sold the VisionCrest Commercial office building in Singapore at the start of 2024. The property had been part of the portfolio of open-ended real estate fund UniImmo: Global since 2007 and the sale price exceeded the most recent expert valuation.

Photo: Union Investment

Rock solid

A rigorous valuation method and the specific features of their distribution yields ensure that open-ended real estate funds remain attractive even in uncertain times.

By Christian Hunziker and Lena Teuber (infographic)

Fund properties are valued independently

Under German law, open-ended real estate funds must have their fund properties valued at least once a quarter to determine the unit value. The valuation process is subject to criteria that ensure the independence of the valuation:

2 sworn external real estate experts are appointed by the fund company to value each property

3 years is the maximum length of time valuation experts are allowed to work for a fund company without interruption; after that period, a 2-year break is required

30 percent of their total annual income is the maximum that valuers are allowed to generate through valuation work for a fund company

Minimum holding periods provide investor protection

The Capital Investment Code (KAGB) aims to strengthen protection for investors. This common set of rules for providers of open-ended and closed-ended investment funds came into force in 2013. Since then, it has prevented open-ended real estate funds from getting into difficulties due to investors withdrawing their money at short notice and funds being unable to sell properties immediately.

24-month minimum holding period for newly acquired fund units

1-year notice period for unit redemptions

Specific features of the income capitalisation approach

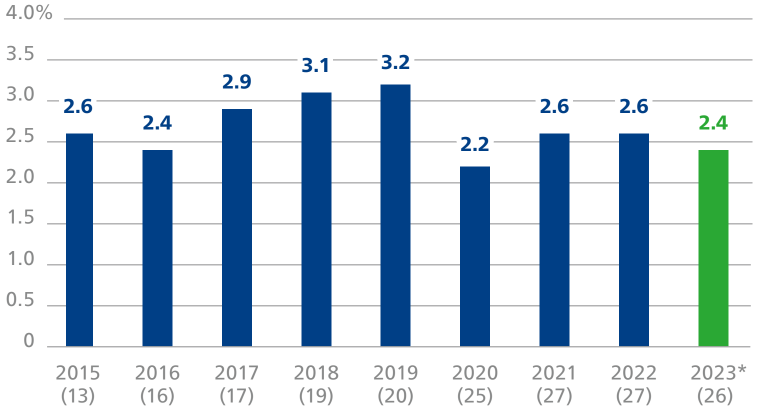
The market value of fund properties is calculated based on the German property valuation ordinance (ImmoWertV) using the income capitalisation approach.
Simplified overview of the income capitalisation model:

(**Rental income – costs**[1] = net rental income) x **valuation factor**[2] = **market value** of the fund property

1 Operating expenses, maintenance and administrative costs, imputed rental loss risk

2 Including the location of the building, its condition and remaining useful life

Average one-year return for open-ended retail real estate funds (%)



According to rating agency Scope, 27 open-ended retail real estate funds from different providers for private and institutional investors achieved an average one-year return of 2.6 percent in 2022. The one-year return refers to the rate of interest on total capital tied up in a fund and mainly consists of three components:

- Net rental yield (gross rental yield less operating expenses relative to real estate assets)
- Changes in value of properties
- Interest on cash held by the fund

* as at 30 April 2023

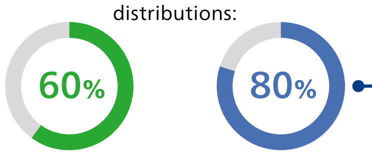
Number of funds analysed in brackets
As at: 31 December of the year
Source: Scope Fund Analysis, 6 June 2023

Tax advantage makes distribution yields attractive

Open-ended real estate funds pass on a share of their earnings to investors in the form of distributions. At least 60 percent of the distribution is tax free. This tax exemption provides investors with increased income after tax, compared with a fully taxable investment.

Calculation of distribution yield: ratio of the last distribution to the distribution-adjusted redemption price at the end of the last financial year

Tax-exempt portion of distributions:



in general

if main focus of fund properties is outside Germany

Example for a distribution yield of 1.86 percent: assuming a tax liability of 20 percent, the after-tax return is 1.76 percent (ignoring church tax). To achieve this after-tax return, a pre-tax return of 2.39 percent would be required for a fully taxable investment made by a private investor.

Strong synergies

Three years after Covid, travel is heating up and shopping has become big business as a new cross-fertilisation between the hotel sector and retail gets under way. By Sara Seddon Kilbinger

Customers can not only shop at Fendi's flagship boutique in Rome, but stay there. The third floor of the Palazzo Fendi has been transformed into the world's first Fendi hotel.

Photo: Getty Images

Retail tourism is playing a pivotal role in the recovery of the travel and tourism sector, which saw inbound tourism revenues surging by 82 percent in 2022, according to the World Travel & Tourism Council (WTTC). Shopping is no longer just a leisure activity; it shapes travel decisions, enhances destination appeal, boosts foreign exchange earnings and supports local brands and products. One emerging theme is "retailtainment" – the fusion of retail and entertainment – to incentivise shopping and enhance the customer experience.

Retail tourism has become a driving force behind the travel industry

"Retail tourism is about more than buying souvenirs; it's a driving force behind the recovery of the travel and tourism sector, contributing significantly to revenue, job creation and overall economic growth," says Julia Simpson, WTTC President & CEO. Andreas Siebert, Head of Retail Investment Germany at Cushman & Wakefield, agrees: "After the pandemic, people are enjoying travelling again," he says. "Europe is a great destination for many international tourists, especially from the United States, because of the weak Euro, which is down by 10–15 percent compared to previous levels." Siebert notes that more people are coming to Berlin, Munich and Düsseldorf, and footfall on the high street is now close to pre-pandemic levels.

In 2019, retail tourism represented a substantial US$178 billion, comprising 6 percent of the travel and tourism sector's value, and even exceeding 15 percent in some destinations. The WTTC report underscores the merging of experiential tourism with shopping, meeting the demands of retail tourists. While high-street shops remain popular shopping destinations, out-of-town retail is also growing in popularity, with around one-third of survey respondents reporting visits to such destinations. "We are now viewing these asset classes together in our new department," says Andreas Löcher, Head of Investment Management Operational at Union Investment. "There are many successful alliances out there, such as between perfume and fashion, so why not hotels?"

Löcher points to the "positive symbiosis" between retail and hotels: "There are two layers – the retail tourism in cities such as Madrid and Barcelona, and the real estate itself." Retailers and operators are looking at making better use of the space and service level for consumers, which can include adding hotel space. "I think this is also indicated by developers looking to mix the use," he says. "In HafenCity in Hamburg, Unibail has developed a huge shopping mall with three hotels attached to it. This could also be induced by retailers – in the Ring Center in Berlin, there's a great space at the top where they have added a fancy hotel. We have already seen great synergies in our mixed hotel-retail assets in Berlin Spandau Arcaden and Riem Arcaden in Munich, especially in the gastronomy and healthcare segments," says Löcher. "If there is a retail opportunity in Germany, we'd be interested, assuming it's also luring foreign tourists."

Hotel and events sectors discover synergies

Retail tourism coupled with luxury hotel visits is enticing visitors to Germany and other European countries from far afield, according to Heidi Schmidtke, Managing Director Hotels & Hospitality Germany at JLL Germany: "We are observing that many guests are coming from the Middle East and the Gulf States, who are seeking proximity to luxury retail brands, particularly in the luxury hotel sector, which means that the asset classes are

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Reminiscent of a 16th century Italian palace, the Palazzo Versace Dubai hotel is truly symbolic of the Versace lifestyle and showcases the unique brand world in an iconic location on the shores of the historic Dubai Creek, less than eight minutes from Burj Khalifa.

Internationally renowned company Muji is among the big-name retailers with a presence in Tokyo's legendary Ginza district. The Muji Hotel Ginza sits atop its flagship store, allowing hotel guests and shoppers to savour the Muji lifestyle under one roof.

Photos: Union Investment, Palazzo Versace Dubai, Courtesy of Muji

essentially cross-fertilising each other," she says. In addition, she notes, luxury brands are increasingly launching their own hotel brands in the market, such as Louis Vuitton, Bulgari, Christian Louboutin and others. "At the same time, we see links between hotel brands and the entertainment industry, which have developed products for the fans of their labels. The recent evolution of Taylor Swift concerts (including hotel deals) is just one example," she adds.

Brands are opening their own hotels that incorporate selling products

LVMH has just announced plans for a first Louis Vuitton hotel on Paris's renowned Champs-Elysées. Fendi is offering private suites at the Fendi hotel in Rome and Dior now operates its Dior Spa Cheval Blanc at the Cheval Blanc hotel in Paris. It's a trend that is ricocheting out to other markets, according to Stefan Catic, Head of Operator Search at PFK Hospitality in Vienna: "What is very interesting is the mixed-use idea: how do hotels impact on retail and vice versa? Muji, for example, now has three hotels in Japan that incorporate their stores. This, for me, is the future; it could be done on a much larger scale, especially connecting fashion brands to hotel operators. Retailers could even deliver goods to your hotel room before you get there. The Marriott group has also signed three or four properties, including one in New York and one in Spain, where they will collaborate with fashion designer Wolfgang Joop."

Patrick Adamle, Partner at mrp hotels, agrees that there are "even more far-reaching opportunities for closer cooperation": "I think more retailers will enter the hotel space along the lines of Wolfgang Joop's collaboration with Marriott in city and resort locations like New York and Milan," he says. "Mainstream high-street brands, including fashion labels, could also adopt this approach. Furthermore, the concept of experience centres, like those developed by car brands such as BMW and Mercedes, offers an immersive and enjoyable experience. This trend represents a significant shift in how we perceive and integrate retail and hospitality and shows that it is not exclusive to luxury brands such as Bulgari and others."

Retail giants like H&M and Zara Home entering the hotel sector would be "a unique opportunity to integrate their products directly into guest rooms, increasing the brand experience," according to Adamle. "I've been exploring various fashion and lifestyle brands across Germany and Europe that could potentially establish their own hotel spaces," he says. "The critical challenge lies in determining the asset's ownership structure. Will it involve a joint venture, or will the brand operate the hotel independently, perhaps under a franchise model? Alternatively, is there scope for creating an entirely new hotel operator?"

Resolving operational questions requires considerable creativity

However, for now, combining retail and hotels is still new to the market, according to Josef Filser, Head of Hospitality for the DACH region at Cushman & Wakefield: "It's an operational question as to how to combine hotels and retail, a lot of new (hotel) developments are on hold, so people are putting a lot of creativity into maximising existing properties. Some owners have never dealt with hospitality before, it's a new world, they need support, but they're thinking outside the box." He cites a flagship C&A store in Dortmund, which was acquired by developer Values Real Estate, who is now redeveloping it into a mixed-use scheme including retail as well as a hotel/serviced apartment concept.

"There are many successful alliances out there, such as between perfume and fashion, so why not hotels?"

Andreas Löcher,
Head of Investment Management Operational,
Union Investment

Meeting of two worlds

The old distinctions between property types are crumbling. Some offices now look like hotels, while hotels are increasingly offering office workspace. There are compelling reasons for this convergence of hotel and office real estate. By Christian Hunziker

Anyone checking into the Ruby Emma Hotel in Amsterdam can not only spend the night in one of the 291 rooms but also hire office workspace in the same building. In total, 138 workstations plus several meeting rooms are available over 800 square metres spread across three storeys. Ruby Workspaces is the name given by the Munich-based hotel group to its office offering, which is now available at seven sites and, in the words of Fabian Zellinger, Director Corporate Development, New Ventures & Workspaces at Ruby, offers "an inspiring new-style work atmosphere with high-end design".

The fact that a hotel chain like Ruby is venturing into the office segment shows just how blurred the boundaries between the two asset classes have become. "The trend is for usage to become more mixed," says Alexander Lackner, Managing Partner of investment platform Neworld, which has stakes in a number of companies specialising in operator-run properties. "User needs are changing in such a way that office, hotel and residential properties are becoming more similar, especially in major cities," Lackner explains.

Union Investment is also responding to this trend. At the end of 2023, the Hamburg-based investment manager merged its existing Asset Management Overseas and Asset Management Hospitality units into a new Asset Management Intercontinental unit. This unit covers hotels and – outside Europe – office, logistics and retail properties and is run by the former Head of Hospitality, Martin Schaller.

Changes in the world of work are acting as drivers

Particularly striking are the changed needs of office workers. The Covid pandemic finally called time on the days when employees headed uncomplainingly every day to their sparsely furnished cellular offices. According to a study by international real estate consultants JLL, office staff across Europe now spend an average of two to three days a week working away from their usual office – often at home, but also in third places. That is why Jan-Niklas Rotberg, Head of Office Agency Germany at consultancy Savills, says that "the corporate office has lost its monopoly as the place for desk work and will have to compete with other locations in future."

There are inevitable implications for office design. Offices now need to be just as attractive as restaurants, says Aissatou Frisch-Baldé, who is responsible for office lettings at Engel & Völkers Commercial in Berlin. She adds that company employees must feel that they would really like to spend time in the office, at least two to three days a week, because it's such ►

Photos: Ruby Workspaces

Ruby operates 17 hotels and six workspaces in Europe. In the Ruby Emma Hotel in Amsterdam (above), the two successful products are combined at one site. A new-style work atmosphere, such as that offered by the Ruby Carl workspace in Düsseldorf (below), is part of its brand.

> “User needs are changing in such a way that office, hotel and residential properties are becoming more similar, especially in major cities.”
>
> Alexander Lackner, Managing Partner, Neworld

a great place. That assessment is shared by Alexander Lackner from Neworld. Young people in particular expect an attractively designed working environment, he says. “This generation wants to work in places where there’s a certain level of service,” the expert adds. Accordingly, contemporary office space is often hard to distinguish from the lobby of a modern hotel.

Hotels are increasingly offering their guests coworking spaces

But the converse is also true, Tina Froböse has found. “The remote working trend is also impacting on hotels,” says the managing partner of Düsseldorf-based Select Hotel Consulting. It used to be the case that business travellers worked at the desk in their hotel room, she reminisces. “Because everyone now keeps their documents on their laptop, working in the lobby has become a more attractive option, where you also feel plugged in to the city vibe.”

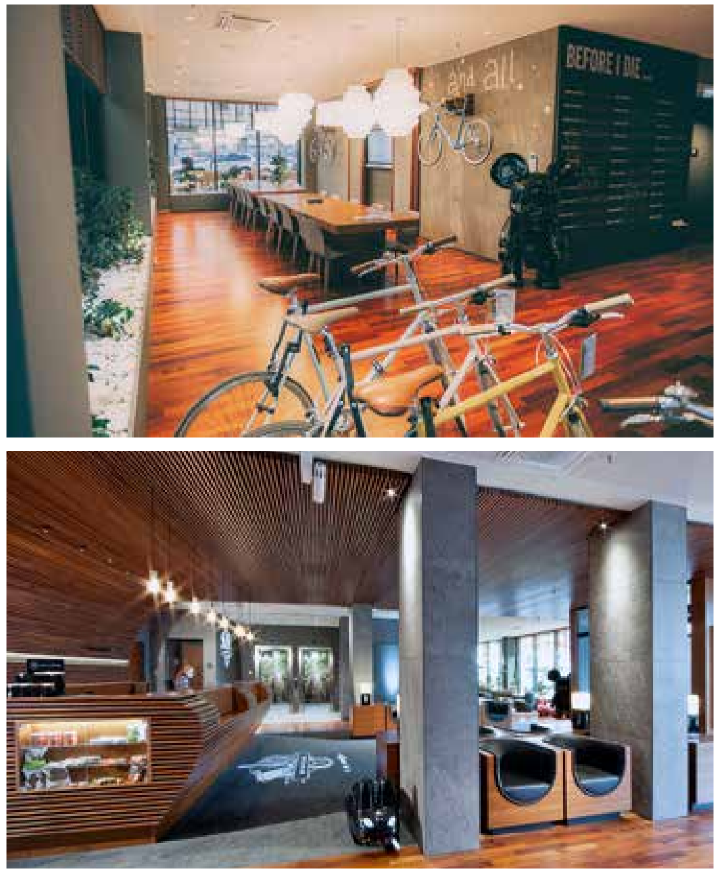
The combination of hotel and plentiful office space, as realised by the Ruby group in Amsterdam and elsewhere, is admittedly still the exception. But many hotels have incorporated coworking space into their lobbies, featuring ambitious designs that are easily a match for the spaces offered by the big providers of flexible workspace. To give just one example, the me and all chain, which belongs to German company Lindner Hotels, promotes its hotel lobbies as “a blend of check-in, bar, lounge and coworking corners”. Not every job can easily be done in a hotel lobby with its high noise levels, though. “Online selling of time slots for workspaces and hotel rooms or conference rooms as temporary offices or meeting rooms with their own four walls is still in its infancy,” says Martin Schaller from Union Investment. “The online travel agency (OTA) segment is just starting to come up with some exciting options, such as byhours.com and dayuse.com, which make marketing easier and thus help to boost the space profitability of a property.”

Workations – when the holiday hotel becomes a workplace

The blurring of the line between hotels and office workspace is now even apparent in holiday hotels. In response to the workation trend, hotel chain Tui launched a corresponding option during the Covid pandemic. At selected sites in holiday regions, it offers special terms for extended stays, aimed at people whose work doesn’t tie them to a specific location. Growing demand for workations is also triggering completely new projects. In the Müritz holiday region of Mecklenburg-Western Pomerania, the historic Gutshof Woldzegarten estate opened with a new concept in 2022 that combines a restaurant, spa and coworking spaces. The project was masterminded by internationally renowned Berlin-based flex office pioneer St. Oberholz and developer Copro.

Alexander Lackner, whose Neworld company owns a stake in Avec Eco Retreats, is pursuing similar ideas. The latter company is about combining work and hospitality, explains Lackner. “That’s why we’re investigating sites in the German-speaking countries that will be great places to relax and unwind, where we’ll be able to build between 20 and 40 tiny houses,” the Neworld boss says. The idea is to gear these small holiday homes to the needs of “people who have the desire and the ability to spend a few weeks working in a location where they can also recharge their batteries.”

Lackner sees significant market potential and believes it can become “an institutional product”. Hotel consultant Tina Froböse is somewhat more sceptical when it comes to the scope for workations. She suspects that such concepts will remain a niche product in Europe, primarily due to the high accommodation costs.



The me and all brand actively promotes its multifunctional hotel lobbies, which combine check-in and a bar with amenities such as meeting points, chill-out zones, event spaces and coworking areas.

Photos: Neworld, Design Offices GmbH / Marc Gilardone, me and all hotel duesseldorf / TKon photo

In the Köln Dominium designer office, with its spaces for coworking, offices, meetings and conferences, the contemporary design of some of the office space makes it virtually indistinguishable from the lobby of a modern hotel.

Real estate company Covivio developed the business units idea to reposition its Dusseldorf office complex at Herzogstraße 15. The rebranded Icon by Covivio will feature customisable work areas built around a modular plan.

Photo: ICON by Covivio (simulation)

The dream office

Increased expectations mean that offices need to combine efficiency and productivity while also being highly flexible and attractive enough to coax employees away from working at home. We present some winning concepts. By Christine Mattauch

Many companies are talking about what the office of tomorrow might look like, but Siemens has already built it. Called The Move, the 35,000-square-metre office ensemble in the Gateway Gardens district near Frankfurt Airport offers variable layouts, more space for collaboration, large and small multifunctional spaces and a dining facility that could easily pass for a hip restaurant.

Think of it as a lesson from the pandemic made manifest in a building. Planning began before Covid hit and was adapted as the project proceeded. “Like doing open heart surgery,” as Petra Schiffmann puts it. She is Head of Working Environment at Siemens Real Estate (SRE), the industrial group’s in-house real estate provider. The enthusiasm of the staff who moved in in October is testament to just how successful the project has been. “With such a fantastic office, I’m happy to come in rather than homeworking” – thus one employee’s comment on the intranet.

Despite the tough market environment, SRE managed to let a 12,000-square-metre portion of the property as originally intended, with more efficient planning also freeing up additional space for third parties in the self-occupied section. “Thanks to the extremely flexible design of the space, we quickly attracted interest for that, too,” Schiffmann says. The end of the pandemic saw offices being re-evaluated. It isn’t universally obvious where this will lead, but the goal is clear: to create offices that address the new normal of homeworking and skills shortages. The office has not become redundant, though. “It’s still highly valued as a centre of corporate culture and for onboarding,” says Ralf Heuser, Head of Client Relationship Management at CBRE. But expectations have changed. “Office properties need to be more versatile than before,” says Miguel Rodriguez Thielen, Head of Office Leasing at JLL.

Compelling workspaces attract employees back to the office

European real estate company Covivio, for example, has adopted a business unit concept. All spaces follow a modular plan, with customisable work areas that can also be furnished if desired – offering complete flexibility. “This allows the tenant to quickly make the space their own,” explains Karin Kurkowski, the asset manager responsible at Covivio. The former Herzogterrassen office complex in Düsseldorf, currently being regenerated and rebranded as Icon by Covivio, is a German pilot project. Alongside office space, the concept includes additional amenities such as catering, event spaces, generous outdoor areas with publicly accessible spaces to hang out, a gym and a delivery service as a way

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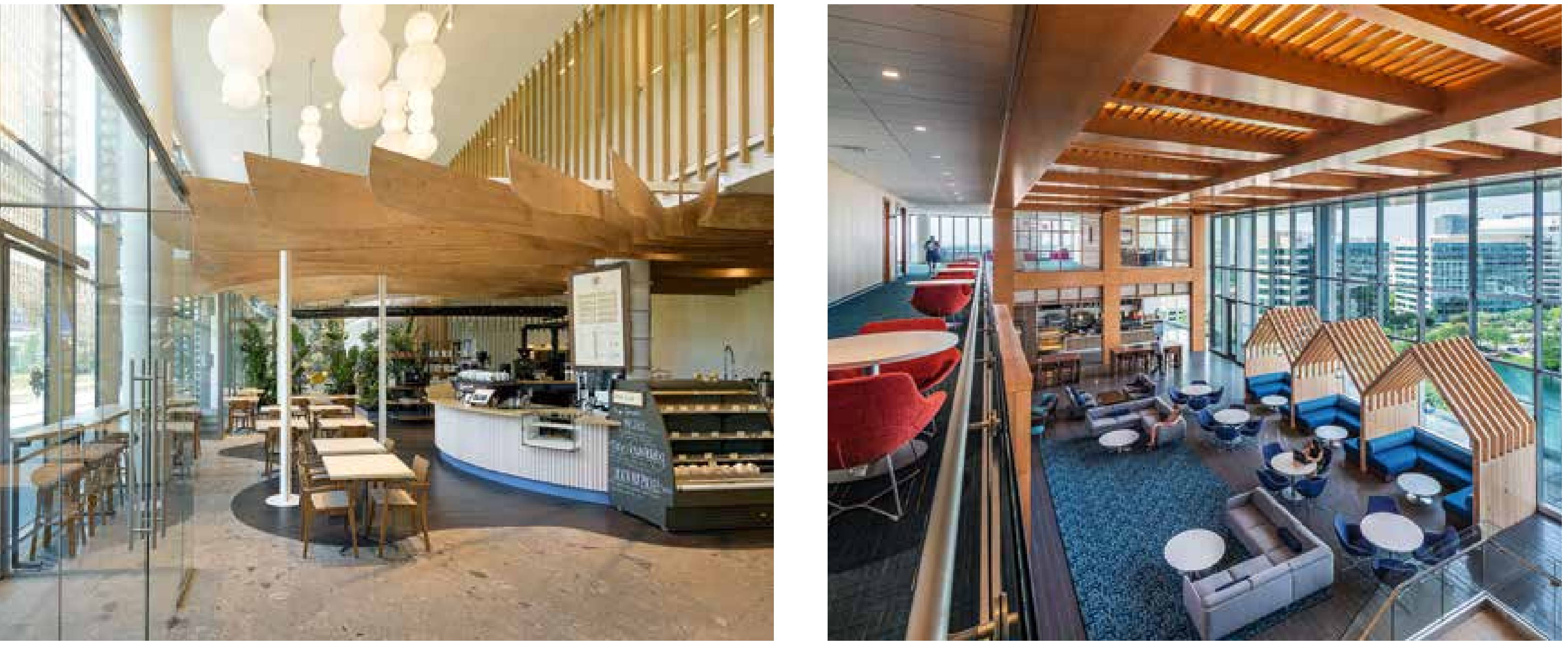


"Coffee & Coconuts" in Union investment's ITO office tower in the Amsterdam-Zuid business district is an example of catering options in office buildings (left). A blend of catering and collaboration space is also part of the office concept in Union Investment's Granite Park VII office property in Dallas, USA (right).

The Move, an office ensemble with some 35,000 square metres of office space, promises to be Frankfurt's most innovative office complex. Developed by Siemens Real Estate in the Gateway Gardens district, it features flexible office space, a wide range of shared space options and many additional possible uses.

50:50
is the default
recommendation at
Siemens Real Estate
for the ratio of
conventional work-
stations to collab-
oration space.

of also opening the complex up to the surrounding area. "This new offer fills a gap in terms of urban development," says Kurkowski.

Perfect office buildings provide the diversity of a buffet

In Leipzig, Fay Projects is putting down a marker with Mitzsch: three layout types, flexibly divisible spaces, a green, open courtyard, solar PV, floorings made of recycled ocean plastic and parking for cargo bikes. According to former managing director Clemens Rapp, this is "the most sustainable project development in the local district". At the turn of the year, the multi-tenant property, which is scheduled for completion in late 2024, was reported to be 42 percent pre-let. Other developers are getting creative with cooking areas for tenants, bike workshops and by integrating nature into the world of work – with biophilic design, open-air workspaces and urban gardening on a roof terrace.

Elena de Kan, Director for Design Consulting and Applications at office specialist Steelcase, likens the perfect office building to a buffet: everyone should be able to pick what they want. Floor zoning is a particularly effective tool here, with communication and entertainment in the middle, for instance, and places to retreat and for quiet work at the periphery.
A Steelcase survey of 1,200 executives revealed that some 70 percent are planning to adapt their working environment. "Many employees also expect that," says De Kan.

At SRE, the original office configuration dating from 2010 was completely revamped during the pandemic: instead of 75 percent conventional workstations and 25 percent collaboration space, the default recommendation is now 50:50. "It was clear to us that once we got back to the office, the spotlight would shift away from individual focused work," Schiffmann says. The conference concept now includes coworking, and desk sharing has become standard practice. To support this, there are extensive, multi-coded shared spaces – like the dining facility at The Move, which employees also use outside mealtimes. Experts suggest that office renters now need 20 to 30 percent less space on average. "An office environment is perceived as vibrant if it is two-thirds occupied. This then also boosts productivity and connectivity," says CBRE specialist Heuser. As such, many employers are not primarily motivated by a desire to make savings. In Europe's major cities, peak rents have increased further, while overall demand for office space has declined. Interest is focused on centrally located buildings which offer modern technology and the feelgood factor that companies regard as indispensable in the war for talent.

Full service, comfort and sustainability on the wish list

JLL expert Rodriguez Thielen talks of a flight to quality. He reports on how a corporate group with a long-established head office on the periphery of a major west German city swapped its premises for office space in the city centre that was both 20 percent smaller and 30 percent more expensive. Because new city centre office development has faltered and demand continues to drive up prices, the office specialist actually sees the prospect of fresh opportunities for peripheral locations: "There will be companies that don't want to pay downtown rents."

And it isn't just major companies. Medium-sized tenants like trade union IG Bau are on the same trajectory. It recently signed a lease in Frankfurt for 4,000 square metres in an existing property belonging to Aroundtown. That is less than half the space IG Bau currently occupies, but the union's leadership found the full-service concept compelling. In its current building, the union is paying for conference and event space that it only needs at intervals, says deputy national chairman Harald Schaum. "At the new site, we can book the space we need exactly when we need it." IG Bau will also be sharing its reception and canteen space with other users in future. In addition, the union's new home promises to deliver greater comfort and sustainability thanks to light-filled rooms, a direct subway connection, EV chargers and state-of-the-art IT infrastructure. "We're responding to changes in the world of work," is how Schaum sums up the rationale behind the move.

70 percent
are planning to
adapt their work
environment,
according to a
survey of
1,200 executives
by office specialist
Steelcase.

Photos: Yvonne Witte, Union Investment / Erika Brown Photography, SIEMENS

“Aligning occupier requirements and sustainability”

Henrike Waldburg recently joined the Management Board of Union Investment. She talks to *places and spaces* about her objectives, customer demands and increasingly tough sustainability requirements. By Christine Mattauch (interview) and Sebastian Vollmert (photos)

Henrike Waldburg became a member of the Management Board of Union Investment Real Estate GmbH, Hamburg, on 1 July 2023. Her responsibilities include letting and tenancy management for approximately 500 fund properties. She joined the company in 2006 and has held various management positions.

As a managing director, what are your asset management objectives?

For me, the priorities are the demands of our customers and stable income. The market environment is currently pretty challenging. That’s why it’s important to make sure we’re ready for the future. I am committed to holistic and sustainable management in every sense, and to a management culture which supports that.

What does sustainable asset management mean to you, specifically?

We have invested heavily in our relationships with our tenants in recent years. Our main aim now is to anticipate the new needs of our users: how are trends, workplace requirements and the market changing? What are the factors that determine user satisfaction? Close cooperation between departments is essential here.

Tenant demand and building quality are crucial. How are you handling those aspects?

The average age of our properties is 14 years. In 2023, we let or re-let over 1 million square metres, more than half of which was to existing customers. That demonstrates the quality of the properties. However, it’s clear that the world of work has changed since the pandemic. We have to take account of that, for example by providing new services and more advice, not least because of increasingly tough sustainability requirements.

Properties offer a product promise. What do your tenants want?

There is no one-size-fits-all solution, everything needs to be tailored to the individual tenant. Users have high requirements when it comes to properties, and rightly so. And those requirements are changing for cyclical, systemic and environmental reasons.

In what areas are users’ requirements now changing?

By cyclical changes, I mainly mean current recessionary trends. Systemic changes arise from major shifts in behaviour, such as online shopping and working from home. The requirement for good quality workplaces is increasing due to a shortage of skilled workers and the growing added value generated by employees. At the same time, we’re witnessing an ecological shift towards greater energy savings, climate protection and decarbonisation.

As a management team, we need to be creative when aligning occupier requirements and sustainability.

Costs are going up, constraints are harsh. Where do you think the new balance is?

Balance is created by continuously adapting to change. We invest in our existing properties on an ongoing basis in order to deliver high-quality spaces. Ultimately, the productivity that we enable in our properties contributes significantly to our tenants’ business success.

Can added value be created through the social quality of a property?

In the EU Taxonomy, the “S” has only referred to the provision of affordable housing up to now. The social and cultural function of properties as part of the built environment actually goes well beyond that. That’s why the quality of space and the user experience are so important, as is a blend of uses. I only have to look out of the window: as part of the development of Emporio, our ▸

95.5 percent
is the current average occupancy rate in Union Investment’s funds, based on rental income.

Over 1 million
square metres of rental space was let or re-let in Union Investment’s fund properties in 2023.

Hamburg headquarters building, we created a public space with water features that is often used by nearby kindergartens.

How important is decarbonisation in asset management?

Decarbonisation is a task for society as a whole. We can make a contribution by reducing CO_2 emissions in our portfolios.

Our targets here are, firstly: focus on overall energy performance along the entire value chain, i.e. including construction. Secondly, use as little energy as possible to operate existing buildings. Thirdly, gradually replace fossil fuels with renewable energy.

It's important to remember that decarbonisation, like asset management, is a team effort. We therefore need input from everyone involved in the value chain and those who use the properties, including tenants, property managers and facility managers. And also local authorities, because we can't specify the energy mix ourselves in properties with district heating.

So asset management is set to become even more important?

I would rather say that asset management has become even more sophisticated and demanding. What sets Union Investment apart are our cooperative values: long-term thinking and a commitment to working in partnership. In the building sector, focusing on long time frames also means anticipating influences that come from very different directions.

What developments do you think will shape the market going forward?

Asset management needs to deal with systemic, ecological and cyclical change.

In addition to asset management, Henrike Waldburg is in charge of real estate development and sustainability matters.

What I find positive is that our company clearly demonstrated its ability to adapt during the pandemic.

And we will continue to invest in our talented employees, because the quality of a company is all about its people. I have great confidence in the expertise, creativity and commitment of our colleagues.

Even in challenging times, we mustn't lose sight of the strategic need for sustainability or our mission to ensure the viability of portfolios in the interests of our investors. We aim to further strengthen the horizontal integration of value chains so that all partners in the real estate segment can pull together – with effective management, the right incentives and good communication. ●

Photo: VIA Outlets

Via Outlets launched its Re.Love pop-up initiative to offer customers a sustainable and premium shopping experience.

The consumer preferences of Generation Z

The largest emerging group of future consumers is looking for retail experiences that are grounded in authenticity and sustainability. By Paul Allen

Digitally-native Generation Z consumers, those born between 1997 and 2012, are more judgemental in their approach to retail offerings than their older counterparts, with social media far more influential in shaping their perceptions. Shopping destinations and brands will need to adapt accordingly if they wish to maintain their market positions. A 2023 Drapers study found 92 percent of Gen Z use apps to shop, Cushman & Wakefield Associate Catherine Stevenson notes, with buying decisions – especially for beauty brands – often determined by positive promotion on social media channels like TikTok and Snapchat. Gen Z consumers are also more likely to choose brands that understand and cater to their individuality, with Sailthru research showing 71 percent expect personalised interactions, C&W's Head of EMEA Retail Research & Insight Sally Bruer adds.

"Fifth Channel Marketing", a hybrid mix of social media and word-of-mouth that goes beyond the four channels of text, radio, television and digital, is crucial to engaging with the hard-to-reach Gen Z market, says Roxana Baias, Group Head ►

of Marketing at NEPI Rockcastle, the largest owner and operator of shopping centres in Central and Eastern Europe.

Blending of the real (analogue) and virtual (digital) worlds

Innovative approaches to grab attention are vital. For example, over five weekends last summer NEPI Rockcastle drew thousands of gamers to its shopping centres across Romania to watch leading Gen Z gaming influencers compete in the “Esports Kings” tournament. “The size of the crowds, and marketing impact for the sponsoring consumer brands and partner retailers of the gaming tournament, dramatically exceeded expectations,” Baias says.

In Germany, retail property manager MEC is attracting a Gen Z audience to brick-and-mortar retail by combining it with online commerce through its I LIKE! store. The store brings the social media world together with renowned influencers and their products in a traditional retail setting, explains Daniel Dalsasso, centre manager at MEC’s Stern-Center Lüdenscheid. YouTube stars and well-known Instagrammers and TikTokers regularly visit the I LIKE! store to showcase their brands, making the products tangible and helping the centre achieve a large digital reach across social media channels. “The combination of established brands of our local retail partners with the online brands of influencers offers both sides real marketing added value,” he says.

Welcoming pop-up stores of Gen Z brands is another way to attract visitors, Jorge Loconsole, Head of Marketing at fashion outlet owner-operator VIA Outlets, adds. “For example, the pop-up at our Batavia Stad Fashion Outlet in the Netherlands opened by urban contemporary lifestyle brand FOUR during Black Friday was a tremendous success, with Gen Z guests queuing for over four hours.”

Amsterdam-based clothing brand Four chose the Batavia Stad Fashion Outlet near Amsterdam when opening its first pop-up store.

Photos: VIA Outlets (2), Michèle Margot, MEC METRO-ECE Centermanagement

Prominent influencers attended the opening of the I LIKE! pop-up store (top) at Stern-Center Lüdenscheid.
OX.Space (left) in Rotterdam offers a varied rolling programme of cultural events.

Seamless integration of shopping and leisure activities

While Gen Z may be inspired by online influencers and use apps to shop, counter to expectations they are also more likely to want to shop in-store than other generations, C&W’s Bruer notes. The desire to see and try before they buy, avoid delivery fees and get an item without waiting all matter. Omnichannel shopping experiences, a mix-and-match offering that combines high-end with more mass market brands, and comprehensive food & beverage options are all critical in meeting Gen Z expectations, VIA Outlets’ Loconsole observes.

In Europe’s city centres, where fast food and fast fashion have come to dominate, evidence suggests demand is growing for more sustainable destinations that offer a range of disciplines such as entertainment, music, wellbeing, catering and retail, according to Priscilla Tomasoa, Head of Corporate Communications at urban regeneration specialist Redevco. She points to the recently launched OX.Space project on Rotterdam’s historic Lijnbaan. Managed by Redevco and spread over 12 half-floors in the former Donner bookshop building, OX.Space combines shops, food and drink alongside art exhibitions, performances, film, dance, fitness and more. “OX.Space attaches great importance to investing in the local community by organising workshops, book clubs, screenings and talks to connect people,” Tomasoa says.

Searching for environmentally friendly options

For Gen Z, sustainability is front of mind, from the way they travel to shop to the products they buy. As C&W’s Stevenson observes, Gen Z are always looking for eco-friendly options. “Linked to this is pre-loved fashion. Gen Z consumers see buying second-hand fashion and reselling their own clothes as the norm, with 68 percent buying pre-loved clothing.”

VIA Outlets has tapped into this trend through its Re.Love concept, with selected centres now featuring pop-up stores focused on second-hand and vintage products. “It gives guests the chance to buy luxury brands that have had a previous owner,” Loconsole concludes. ●

Gen Z
Generation Z, or Gen Z for short, comprises those born between 1995 and 2010, or 1997 and 2012. There is no generally accepted definition, but what distinguishes Gen Z is that they are true digital natives.

Gen Z followed Gen Y (Millennials) and is being succeeded by Gen Alpha, the cohort born since about 2011.

MICE doing nicely again

Europe's conference hotel market has enjoyed a rapid and unexpected recovery post-pandemic, with resurgent opportunities for both operators and investors. Where Meetings, Incentives, Conventions and Exhibitions (MICE) hit the spot. By Paul Allen

Exceeding all expectations: The Polaris Convention 2023 in Hamburg's exhibition halls attracted 27,000 gaming and cosplay fans – almost three times more than the debut event in the previous year.

Photo: Hamburg Messe und Congress / Rolf Otzipka, Union Investment

For an investor looking for a market landscape with unmet demand, it's hard to imagine another real estate segment where the long-term fundamentals are as healthy as Europe's conference venue market – provided you get the product right, Kenneth Hatton, Head of Hotels, Europe at global real estate services and investment firm CBRE, says.

Conference cities and venues benefit from offering a full package

While there has always been great demand for conference hotels in emblematic locations, the desire to meet and network has become paramount again with remote/hybrid working now so commonplace, Andreas Löcher, Head of Investment Management Operational at Union Investment, says.

The pandemic experience demonstrated the human need for in-person contact. But with travel budgets under greater scrutiny, many companies are focusing on fewer events, which plays to the strengths of leading conference cities and venues that offer the full location and facilities package, Hatton notes. Yet Europe often lacks world-class conference hotel supply, according to Hatton. Table stakes include versatile sound solutions, suitable lighting, dependable Wi-Fi and faultless video-call connectivity, quality food & beverage offerings, and quiet rooms with a great bed, strong shower and comfortable workspace. High sustainability standards are a further priority, a requirement accelerated by the pandemic. "Many conference organisers and attendees prioritise hotels with reliable sustainability practices, whether that is a focus on carbon and energy efficiency, waste reduction, or the amenities," observes Debbie Male, Head of Sales, Europe with IHG Hotels & Resorts, which started rolling out a "Meeting for Good" programme in 2023. This includes a Sustainable Meetings Playbook covering aspects such as removing single-use items and ways to team up with local charities to donate excess materials that would otherwise go to waste. Many European congress venues, though, have suffered from under-investment, resulting in a scarcity of product able to properly meet corporate demand, Hatton notes. "Europe still has a lot of potential for value-add improvement, to catch up with standards that have been set in the US and Asia," he says.

New conference hotels are rejuvenating Brussels and Amsterdam

One recently opened example pointed to by IHG'S Male is the group's voco Brussels City North hotel, developed in partnership with the Prem Group. "This state-of-the-art hotel features a restaurant and conference centre seamlessly connected to the existing Innovation Centre on the site," she says. "The aim of this integration is to create a central hub for hospitality innovation, fostering a truly stimulating environment."

Opening later this year, the Maritim Congress Hotel in the northern district of Amsterdam will be a seminal moment in the city's efforts to maintain its attraction as a prime convention destination. Amsterdam's allure had been waning post-pandemic, with the RAI convention centre, the city's only large-format congress venue, looking increasingly dated. "The Maritim Congress has been a rare opportunity to build a large-scale conference hotel in a great location in Amsterdam, one of the most attractive hotel markets in Europe with limited new supply," says Löcher at Union Investment, which owns the asset. Germany's Maritim Hotel group has a 50-year lease on the building. The Maritim Congress Hotel is located close to the north bank of the River Ij in the lively Overhoeks district, opposite Amsterdam's central station and the old city centre. Featuring 579 rooms and suites, four restaurants and two state-of-the-art event halls, it will be the largest convention hotel in the Netherlands and one of the biggest in Europe. "With the Maritim, Amsterdam will be able to offer a unique product given its number of rooms and available meeting space under one roof," Thorsten Purkus, Union Investment's Group Head, Asset Management Hospitality, notes.

Major cities dominate the shortlist for international events

Hotel and conference venue amenities are clearly a prime consideration for organisers and attendees, but a destination's overall popularity rests on the city's international and local connectivity, world-class infrastructure, facilities and vibrant cultural offerings, says Debbie Male of IHG. Madrid, voted "Europe's Leading Meetings & Conference Destination 2023" at the latest World Travel Awards, is a case in point. Expansion of the high-speed pan-European railway network, with links between Madrid, Barcelona and Zaragoza, and the planned opening of a connection between Barcelona and Paris – significantly improving journey times between the Spanish and French capitals – opens up a world of possibilities for Madrid as a business and leisure hub, the WTA notes. Madrid's hospitality sector is undergoing a renaissance, too. "A number of new hotels are opening across the price spectrum, particularly at the luxury end, with the likes of JW Marriott and Nobu making their debuts," the WTA adds. (See article on Spain, pages 52–57.)

People are travelling more consciously and want to connect with their destination, making cities with a wealth of off-venue attractions – whether in architecture, the arts, food or music – more popular with attendees, Hatton says. "Happy attendees mean happy organisers, and this is why you see the top five cities of London, Paris, Madrid, Barcelona and Prague featuring on the shortlist of international events organisers."

For more information on Europe's conference hotel market, see the infographic on pages 30–31. ●

"With the Maritim Congress hotel, Amsterdam will be able to offer a unique product given its number of rooms and available meeting space under one roof."

Thorsten Purkus,
Group Head,
Asset Management
Hospitality,
Union Investment

Europe's conference markets bounce back

Renewed demand for in-person contact is fuelling the much-anticipated recovery of the European MICE (Meetings, Incentives, Conventions and Exhibitions) market. Leading conference cities and venues are the main beneficiaries in the post-Covid world, spelling good news for organisers and investors. By Paul Allen and Lena Teuber (infographic)

Global market value[1]
$760 bn
2022

Global outlook[1]
5% CAGR*
2023 to 2032

Global market value[1]
$1,238 bn
2032

Market share Europe[1]
38%
2022

Europe has the biggest MICE market of the world's regions, accounting for 38 percent of the global total 2022.

No. of associations meetings share Europe**[2]

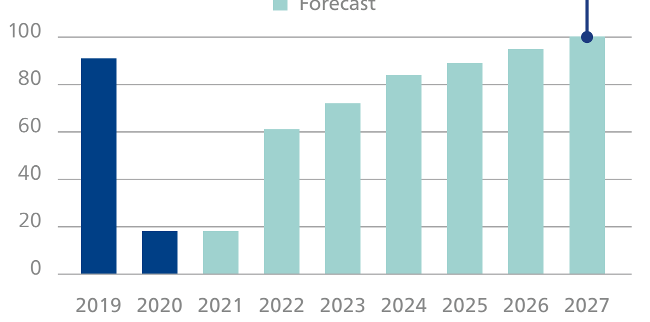
2017	2018	2019	2022
46%	45%	46%	51%

Association meetings in Europe**[2]
5,684
2022

Level compared to pre-pandemic in Europe (no. of association meetings)**[2]
81%
recovery in 2022

Meeting numbers have rebounded from their pandemic lows, with strong revenue growth in visitor spending expected through 2027.

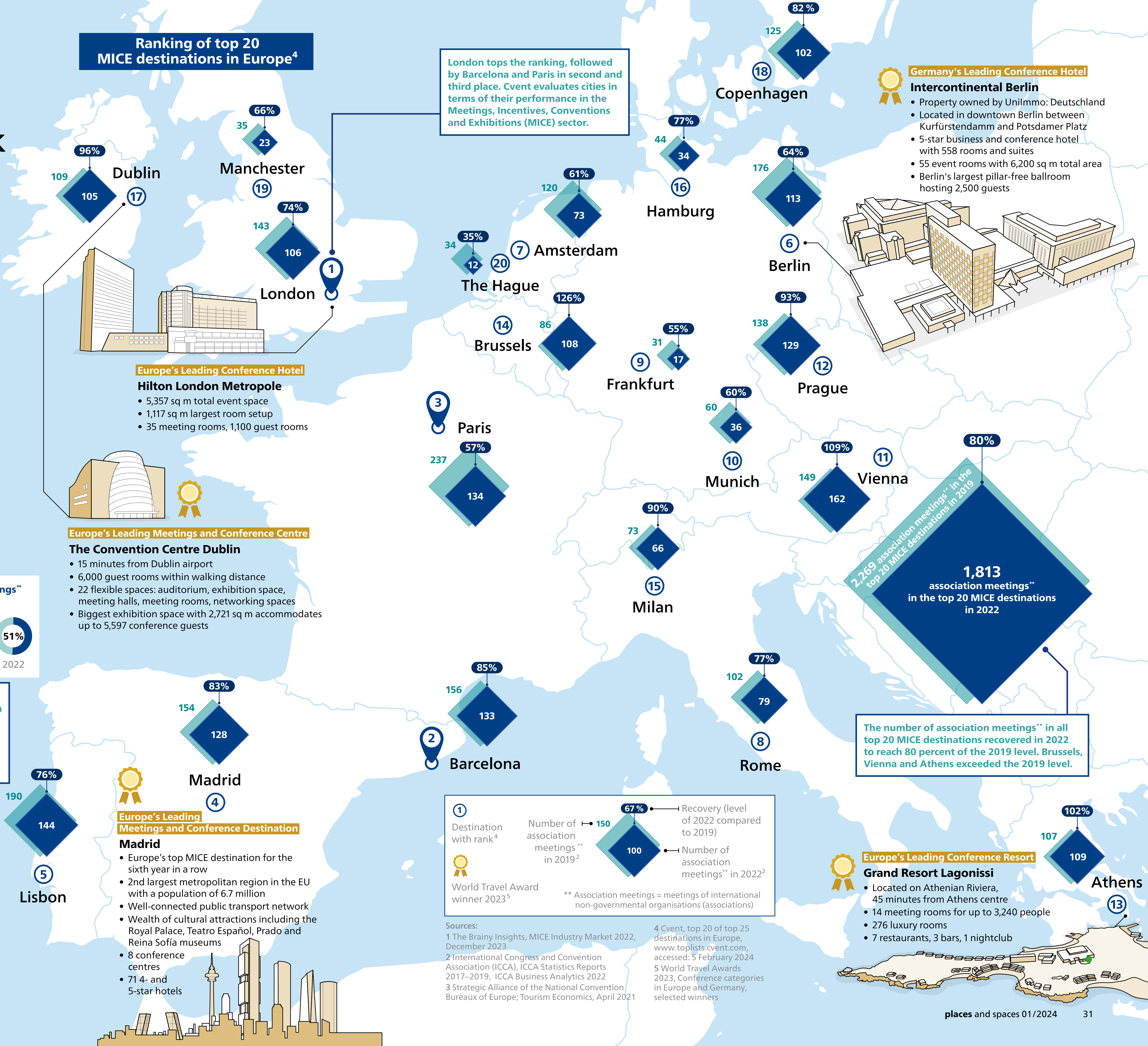
Convention and event industry visitor spending in Europe 2019–2027 (€ billion)



* CAGR = Compound Annual Growth Rate

Ranking of top 20 MICE destinations in Europe[4]

London tops the ranking, followed by Barcelona and Paris in second and third place. Cvent evaluates cities in terms of their performance in the Meetings, Incentives, Conventions and Exhibitions (MICE) sector.



1	London	143	106	74%
2	Barcelona	156	133	85%
3	Paris	237	134	57%
4	Madrid	154	128	83%
5	Lisbon	190	144	76%
6	Berlin	176	113	64%
7	Amsterdam	120	73	61%
8	Rome	102	79	77%
9	Frankfurt	31	17	55%
10	Munich	60	36	60%
11	Vienna	149	162	109%
12	Prague	138	129	93%
13	Athens	107	109	102%
14	Brussels	86	108	126%
15	Milan	73	66	90%
16	Hamburg	44	34	77%
17	Dublin	109	105	96%
18	Copenhagen	125	102	82 %
19	Manchester	35	23	66%
20	The Hague	34	12	35%

2,269 association meetings** in the top 20 MICE destinations in 2019

80%

1,813 association meetings** in the top 20 MICE destinations in 2022

The number of association meetings** in all top 20 MICE destinations recovered in 2022 to reach 80 percent of the 2019 level. Brussels, Vienna and Athens exceeded the 2019 level.

Europe's Leading Conference Hotel

Hilton London Metropole
- 5,357 sq m total event space
- 1,117 sq m largest room setup
- 35 meeting rooms, 1,100 guest rooms

Europe's Leading Meetings and Conference Centre

The Convention Centre Dublin
- 15 minutes from Dublin airport
- 6,000 guest rooms within walking distance
- 22 flexible spaces: auditorium, exhibition space, meeting halls, meeting rooms, networking spaces
- Biggest exhibition space with 2,721 sq m accommodates up to 5,597 conference guests

Europe's Leading Meetings and Conference Destination

Madrid
- Europe's top MICE destination for the sixth year in a row
- 2nd largest metropolitan region in the EU with a population of 6.7 million
- Well-connected public transport network
- Wealth of cultural attractions including the Royal Palace, Teatro Español, Prado and Reina Sofía museums
- 8 conference centres
- 71 4- and 5-star hotels

Germany's Leading Conference Hotel

Intercontinental Berlin
- Property owned by Unilmmo: Deutschland
- Located in downtown Berlin between Kurfürstendamm and Potsdamer Platz
- 5-star business and conference hotel with 558 rooms and suites
- 55 event rooms with 6,200 sq m total area
- Berlin's largest pillar-free ballroom hosting 2,500 guests

Europe's Leading Conference Resort

Grand Resort Lagonissi
- Located on Athenian Riviera, 45 minutes from Athens centre
- 14 meeting rooms for up to 3,240 people
- 276 luxury rooms
- 7 restaurants, 3 bars, 1 nightclub

① Destination with rank[4]

Number of association meetings** in 2019[2] — 150

67 % — Recovery (level of 2022 compared to 2019)

100 — Number of association meetings** in 2022[2]

World Travel Award winner 2023[5]

** Association meetings = meetings of international non-governmental organisations (associations)

Sources:
1 The Brainy Insights, MICE Industry Market 2022, December 2023
2 International Congress and Convention Association (ICCA), ICCA Statistics Reports 2017–2019, ICCA Business Analytics 2022
3 Strategic Alliance of the National Convention Bureaux of Europe; Tourism Economics, April 2021
4 Cvent, top 20 of top 25 destinations in Europe, www.toplists.cvent.com, accessed: 5 February 2024
5 World Travel Awards 2023, Conference categories in Europe and Germany, selected winners

Social revolution gains momentum

The "E" in environmental, social and governance (ESG) is omnipresent in virtually any real estate discussion, whether it be about investment, development or finance. The "S" is now also turning into a buzzword. By Robin Pascoe

Consultancy firm Deloitte hits the nail on the head with its description of environmental, social and governance as "the ESG jungle". "From greenhouse gas (GHG) emissions and biodiversity to diversity, equity and inclusion (DEI), environmental, social and governance encompasses a wide variety of subjects." To complicate things further, incorporating the "S" in ESG into business operations is more challenging than the "E", says Christiane Conrads, Partner and Global Real Estate ESG Leader at PwC. "Investors are ticking the boxes on the environmental taxonomy and ensuring they do no significant harm to the environment. But ensuring minimum social safeguards, in terms of human rights, duty of care in supply chains and due diligence of the entire value chain, that's where many projects still fail."

Lack of hard criteria for assessing social impact

A group of pioneers is, however, already beating a path towards the "S" in the ESG jungle. Their numbers are few, but it is just a matter of time before the rest will follow, says Ron van Bloois, senior lecturer at the Amsterdam School of Real Estate and founding director of Multiple Impact. "When we're doing business in real estate, we have an impact on our own workforce and the communities in which we are active. Social topics will move more and more to the fore." A major challenge for investors is that hard criteria are elusive. Put simply, social impact real estate investing focuses on properties that have a positive effect on the community and the environment. But that definition still leaves plenty of room for interpretation.

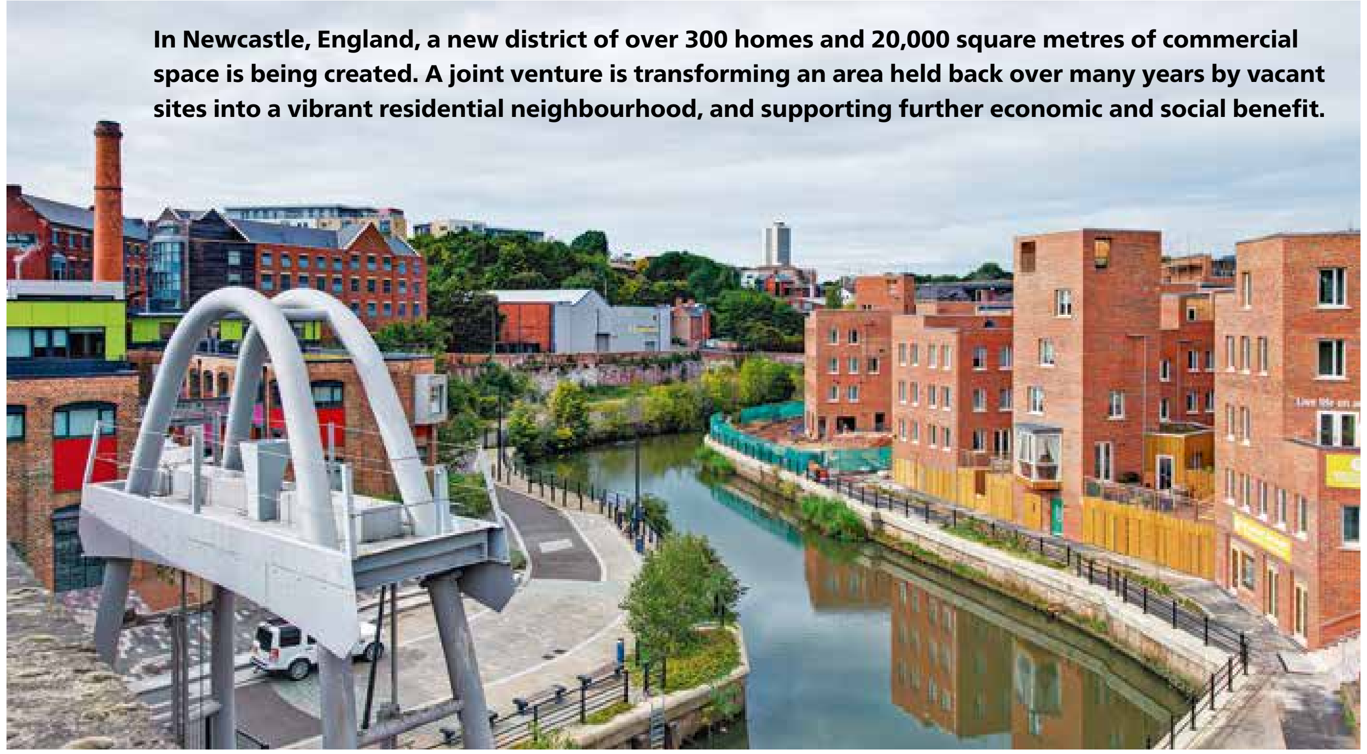
Attempts to define the "S" and pin down social value

The UK Green Building Council's definition is more comprehensive: it believes social value "encompasses environmental, economic and social wellbeing and understands each of these elements in terms of their impact on people's quality of life. What outcomes improve quality of life and how they can be achieved will look very different depending on the context or real estate asset class."

Clear social and financial parameters are indeed the missing link, Van Bloois says. "The list of what should be measured is long and then there's the question of the asset and the community level. The two are interconnected but they involve different stakeholders. Which is why we need investors, banks, valuers and municipalities to create an interconnected value chain valuation." While the jury is still out on which social parameters ►

"The social impact leverage of real estate is potentially huge."

Ron van Bloois, Director, Multiple Impact, and senior lecturer at the Amsterdam School of Real Estate



In Newcastle, England, a new district of over 300 homes and 20,000 square metres of commercial space is being created. A joint venture is transforming an area held back over many years by vacant sites into a vibrant residential neighbourhood, and supporting further economic and social benefit.

Nightingale ParkLife in Melbourne's Brunswick suburb is one of Australia's most sustainable developments and includes two-story townhouses and "Teilhaus" apartments.

Photos: igloo Regeneration, Tom Ross, Multiple Impact

must be included alongside financial and environmental benchmarks, tools to measure the social performance of a property are emerging. And with organisations like RICS working on a framework, valuers are now also gearing up to include data on where an asset may stand in terms of both its environmental and social performance.

The further development of social impact in the real estate sector will take time as was the case with the "E" in ESG, Van Bloois says. "Valuation is a key issue. We've been working on the valuation of the environmental side of real estate for the past 20 years, but the rise of green premiums and brown discounts has been a real game changer."

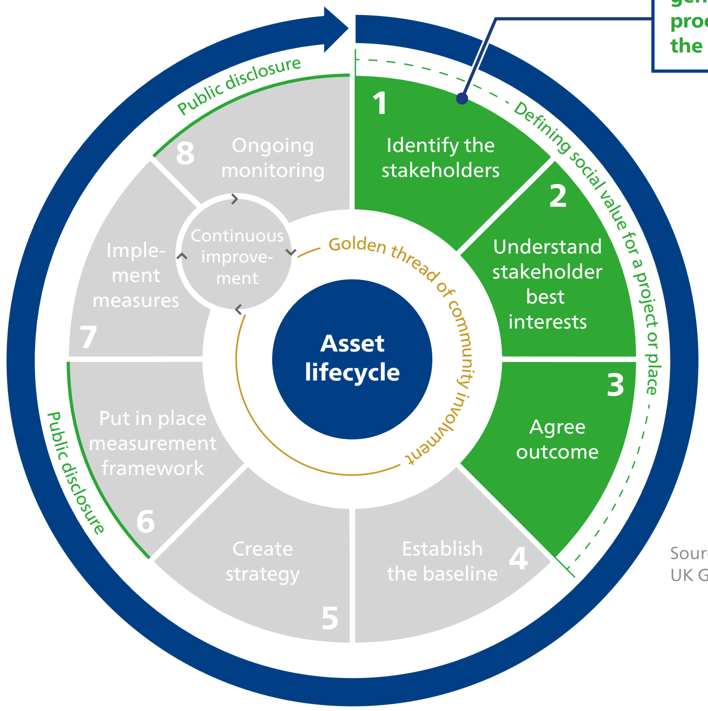
A recent study by JLL revealed that green buildings generated an average capital value premium of more than 20 percent as well as higher rents. No data yet exists on socially sustainable real estate, but companies are now willing to pay for environmental sustainability, adds Van Bloois. "People need to feel it in their wallets – the same applies to social impact."

The search is on for a social premium

The proliferation of ESG legislation in Europe has given countries across the continent a lead on social impact real estate investing worldwide. The search for a social premium is meanwhile prompting institutional investors to look more closely at healthcare assets and affordable housing. Nursing homes, assisted living facilities or mid-range rental housing across the lifecycle are arguably the most obvious targets for investors keen to have a positive impact and these asset classes are indeed showing strong growth, particularly in Europe.

Investors active in these markets include BNP Paribas REIM and Dutch investors ABP and Bouwinvest. In the UK, Igloo Regeneration has been spearheading place-based investing (PBI) through partnerships with local authorities aimed at regenerating peripheral urban centres in under-invested cities. Similar initiatives are emerging across Europe alongside incentive schemes such as social impact bonds (SIBs) that are intended to stimulate more community-minded developments in a playing field where the key participants have very different time spans.

Process for delivering social value



There are different stakeholders involved in every property, with different interests. As a general rule, community involvement in the process for delivering social value increases the likelihood of good social value outcomes.

Source: Framework for defining social value, UK Green Building Council, February 2021

Institutional investors are natural partners for municipalities

To be successful, an area development needs a long-term investor who can see how the value of an asset and rental level may increase or even double over time, Van Bloois says: "Developers need the right partner to seize the opportunity and institutional investors intrinsically have a long-term perspective. Everybody needs to do it, but pension funds and insurers are already being driven in this direction."

Healthcare and affordable living assets across the lifecycle spectrum are not the only sectors where social impact can be measured. While there may be no direct relation between an office landlord and the business case of the user, personnel costs account for roughly 90 percent of turnover versus 10 percent for real estate, Van Bloois points out. "Via the real estate we can influence that 90 percent by creating an environment where employees are more satisfied, experience less illness and which contributes to greater employee retention. Real estate can make a big difference, especially in sectors where there's a war for talent. That's a huge leverage effect."

Landlords in the logistics or retail sectors can also make a difference in other levels of the value chain by selecting tenants who respect social values and other criteria. Indirectly, property owners thus contribute to decent work conditions and more inclusive and sustainable communities while receiving a higher rent for their sustainable assets from the partners who fit their criteria. Van Bloois says if landlords exclude companies that do not respect social values, "it will be a gamechanger". "I think we'll see much more of this," he says. "The social impact leverage of real estate is potentially huge." ●

Photo: Sergio Grazia

The Fulton Project is part of a Zone d'Aménagement Concerté development area in Paris and includes 87 units of social housing and two shops on the ground floor.

Real estate as a competitive advantage

The skills shortage is one of the biggest issues confronting the logistics industry. Logistics companies and investors wishing to invest in sustainable properties are thus faced with the same question: what do logistics properties need to be like to make it easier to recruit and retain staff? A recent study provides answers. By Claus Hornung

There are glimpses of greenery between the Euro pallets and forklift trucks. At Prologis Park Datteln, that is deliberate rather than accidental. When developing the almost 24,000-square-metre logistics space, real estate company Prologis paid attention to more than just the obvious logistics-friendly factors, such as a good connection to the motorway system, a clear ceiling height of more than 12 metres and a sufficiently high floor load capacity.

The objective was "to create a pleasant and healthy work environment for our customers' employees, thereby raising the standard of our facilities." Plant boxes several metres high run through the warehouses like a green ribbon. There is also an outdoor space with herb beds and a seating area, water dispensers for all employees, an innovative ventilation system and skylights that allow daylight in.

The logistics industry is suffering from a shortage of skilled workers

This is an investment that doesn't just deliver for the employees. The tenant also benefits – and ultimately so does Prologis as an investor. Nowadays, green spaces and water dispensers can make or break the competitiveness of logistics companies. The industry, which employs nearly three million people, has a huge staffing problem. In January 2024, German companies reported a total of 59,000 vacancies across transport and logistics. Some 85 percent of the 140 HR managers working in logistics surveyed by the "Wirtschaftsmacher" initiative stated that their company had an ongoing shortage of skilled workers, with 74 percent expecting the situation to get worse in the future.

This raises pressing questions not just for logistics companies, says Maximilian von Medem, Investment Manager Logistics DACH at Union Investment: "As investors, we strive to invest in sustainable buildings, and social factors are just as important as ecological factors. We also want to provide our tenants with buildings that offer them the best opportunities to compete successfully in the market. So we have to ask ourselves: what can we do to make it easier for logistics companies to recruit staff?"

The logistics centre in Berkel en Rodenrijs has been part of Union Investment's portfolio since 2019. An architectural highlight is a bridge that allows staff to access the building safely.

Photo: Union Investment / Ralph Richter

Automation and attractive workplaces

"One option is to reduce the need for human labour, i.e. use automation," says Uwe Veres-Homm of the Supply Chain Services working group at research institute Fraunhofer IIS. In practice, however, many local authorities are reluctant to grant permits for automated logistics facilities because it means large areas of permeable land are lost to these developments, which in turn prevents local authorities from achieving their sustainability goals. The alternative – automating existing buildings – is often not a financially viable option for investors. In addition, many automation solutions cannot be used in every scenario. "There are very efficient examples where products of a certain size are stored, retrieved, picked and packed by autonomous systems," says Veres-Homm. "But if a warehouse handles tyres today, shoeboxes tomorrow and Euro pallets the day after, things get tricky."

Issue number two is the attractiveness of the workplace, says Von Medem: "How do you make sure that people aren't just counting down the minutes until they can go home again?" Prologis Park in Datteln shows how. It is the first logistics centre in Germany to be built in accordance with the WELL Building Standard, which includes categories that focus on people: air, water, nourishment, light, fitness, comfort and mind.

But which points are ultimately the decisive ones? A recent study carried out by Union Investment in conjunction with Fraunhofer IIS provides the answers. Interviews were conducted with selected industry players.

Study provides a catalogue of measures for decision-makers

The study distinguishes between different occupational groups: warehouse and handling roles, commercial and administrative roles, and transport and delivery roles. It also identifies the different areas where companies can make properties employee-friendly. For example, factors such as good public transport links and welcoming reception areas are covered by "Journey and Arrival". "Immediate Working Environment" includes air quality and daylight, while "Welfare Spaces" encompasses canteens offering healthy food as well as retreat and prayer rooms. The study delivers results that have never been collated before with this particular focus, says Veres-Homm. It thus provides important guidance for investment decisions: "With the right property, investors can meet the needs of many different occupiers. To do that, they have to know what their requirements are." ●

Order here free of charge: the logistics market study "Standortfaktor Arbeitskräfte" by Fraunhofer IIS and Union Investment

"With the right property, investors can meet the needs of many occupiers. To do that, they have to know what their requirements are."

Uwe Veres-Homm, Supply Chain Services working group, Fraunhofer IIS

"We want to provide our tenants with buildings that offer them the best opportunities to compete successfully in the market."

Maximilian von Medem, Investment Manager Logistics DACH, Union Investment

Photo: imago images / imagebroker

The CaixaForum cultural centre in Madrid features a stunning vertical garden. Comprising 250 different plants, the luxuriant greenery makes a positive contribution to biodiversity, a term that covers genes (genetic diversity within a species), species and ecosystems.

Biodiversity moves up the agenda

Pressure is mounting on real estate companies to disclose their performance on a growing range of topics beyond greenhouse gas (GHG) emissions. Industry experts predict that reporting on the biodiversity footprint and goals will soon become just as mainstream as GHG reporting. By Paul Strohm

Charles Darwin's famous quote that it is not the strongest of the species that survives but the most adaptable, suddenly seems very relevant to the real estate sector. As a major contributor to the destruction of natural habitats and the plant and animal species that reside in them, the property industry itself is now under threat. With new waves of increasingly stringent legislation already in the making, the only possible course of action is to take up the gauntlet and help reverse the biodiversity loss process, consultancy firm PwC claims in a recent study.

Climate change has been seen as the most imminent threat on the horizon, but biodiversity is just as important, explains Christiane Conrads, Partner and Global Real Estate ESG Leader at PwC. "Our physical world is changing, we are experiencing multiple crises at the same time, and this won't go away. We won't be able to tackle the climate crisis without tackling the biodiversity crisis."

Biodiversity is gaining prominence in sustainability reporting

Many banks, insurers and investors already recognise biodiversity risks as a significant financial threat and are increasingly requiring greater disclosure from companies on whether materials and resources are sourced sustainably, with minimal negative impact on their environment. Standards for sustainability reporting, such as the Global Reporting Initiative (GRI) and the Task Force on Nature-related Financial Disclosures (TNFD), are meanwhile progressively incorporating biodiversity-related disclosures.

The protection and restoration of biodiversity is one of the main objectives of the EU Green Taxonomy and Sustainable Finance Disclosure Regulation (SFDR) requirements. The EU also aims to tighten the targets for its Biodiversity Strategy for 2030. These initiatives are essential following the failure to meet previous biodiversity targets, Conrads points out. ▸

Green transformation (below): A 2.6-kilometre-long historic freight line elevated above the streets of Manhattan, USA, was transformed into the High Line Park between 2006 and 2023.

The planned Bao’an Waterfront Cultural Park (centre) in Shenzhen, China, is designed around the positive impact of water as a living environment, as is the already completed Wild Mile eco-park (right) in Chicago, USA.

Photos: mauritius images / Wasin Pummarin, Tianpei Zeng, SOM / Dave Burk

“We are still in the early phases of a giant global transformation process. But when you look at the ESG frameworks that are being implemented in various jurisdictions around the world, you see that many regulatory bodies are using the same methodology.”

Real estate asset managers are starting to realise the importance of biodiversity and how it affects business areas and processes, but many do not yet have a holistic approach or strategy to put everything into a framework. A two-pronged approach is vital, says Conrads. “First, they need to look at risk management and how new legislation will impact their business, access to materials and other resources. Second, they need to approach it from a strategic perspective: how to use the advantages of biodiversity to support their business and have a positive impact on indoor and outdoor climate management, noise reduction, air quality, green areas and so on.”

Recommendations for the real estate industry

The measures to integrate structures for biodiversity in and around buildings vary greatly. Simple solutions include creating a wild meadow or leaving dead wood lying around to provide a habitat for multiple species around the building. Another is to leave new areas unsealed. More sophisticated measures involve the construction of a green roof, potentially in combination with solar installations, or natural façades to support local flora and fauna.

Other sustainable design and construction practices may incorporate features or (native) plants that attract and support bees, birds, and other pollinators, or which can help control insect populations, enhance local biodiversity, and create a network between various ecosystems.

The integration of ponds, streams or rain gardens that support aquatic and semi-aquatic species also contributes to sustainable stormwater management, while also helping to mitigate risks associated with climate change.

While the push for greater biodiversity has been embraced globally, different countries are travelling at different speeds. In Europe, France is a pioneer with its National Biodiversity Strategy, which is part of an international framework that includes the Convention on Biological Diversity and the UNSDGs. L’Oasis D’Aboukir (the Oasis of Aboukir) in Paris is a much-acclaimed example of a vertical garden covering the façade of a historic building.

Biodiversity and other aspects of ESG generate a green premium

A growing number of property landlords are waking up to the business case of biodiversity-friendly features and the risks of non-compliance with more binding targets. Growing tenant demand for such spaces is another driver. The evidence is meanwhile mounting that green buildings and sustainable developments not only boost our natural capital reserves but also pay off in monetary terms through lower operating costs, higher occupancy rates and higher rents.

While different property sectors are progressing at different speeds, it is generally easier for logistics developers than office or retail landlords to face the biodiversity challenge. Logistics parks are often surrounded by unbuilt areas which may be accessible or more easily separated for nature developments. But it is not always easy to get tenants and local communities on board, says Conrads. “Communication and awareness are key to allaying concerns from local residents about insect populations or excessively high maintenance costs. They need to understand the advantages.”

While there is a growing consensus that biodiversity and other aspects of ESG do generate a green premium, measuring the contribution of different components is complex, Conrads says. “Environmental and social are interconnected so I hope we will see a global taxonomy. Things are moving in the right direction, but we really need to standardise practices more quickly.”

Urgent need to adapt

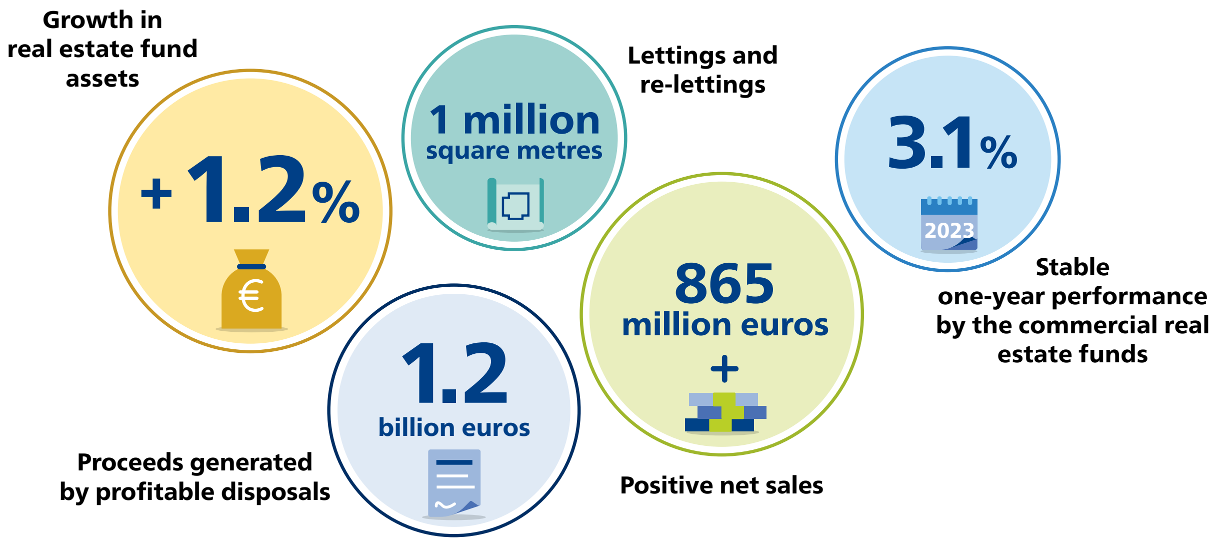
Despite the challenges ahead, Conrads is optimistic that 2030 – the year the UN aims to implement its Sustainable Development Goals – will be transitional. “We have achieved so much with the Green Deal (in Europe) and the transformation of the financial sector. I think we can do a lot in a very short period.”

One thing is clear, she adds: “Some businesses may not survive if they don’t adapt to the requirements.” ●

Actively shaping the new cycle

Following the ten-year boom in the real estate markets, the priority now is to establish a forward-looking, sustainable investment approach for the next cycle. By Fabian Hellbusch

Performance in 2023:
Union Investment's real estate business is in robust shape



"A tax exemption allows us to offer a competitive distribution yield."

Michael Bütter, CEO,
Union Investment
Real Estate

Photos: Union Investment

In 2024, Union Investment's focus is on managing the transition to the new cycle in a way that generates added value for investors following the ten-year boom in the real estate markets. "Alongside maintaining a forward-looking investment approach, we will in particular continue to implement our roadmap in the areas of decarbonisation and digitalisation," says Michael Bütter, Chairman of the Management Board of Union Investment Real Estate GmbH.

Union Investment will place special emphasis – accompanied by corresponding investment – on further developing its high-performance real estate platform. It will build a modern data architecture to ensure the platform is ready for the future, and also aims to include other property types and regions to support new institutional investment vehicles.

Despite a challenging market backdrop of high inflation rates and the biggest interest rate rise in 60 years, real estate fund assets at Union Investment increased slightly year-on-year by 1.2 percent to EUR 56.9 billion. At EUR 865 million, net sales also remained positive, although performance was markedly less buoyant than in the prior year due to competition from alternative investment products.

"Even during a period of uncertainty, our real estate funds proved to be stable investments and this is set to continue in the future. A tax exemption allows us to offer our investors an attractive and competitive distribution yield that will remain stable over the medium to long term," says Michael Bütter.

Occupancy rates in the funds were also robust, underlining the quality of Union Investment's real estate portfolio, which has been built up over nearly six decades, and indicating that occupier demand remains intact, particularly in the core segment. Occupancy based on income averaged 95.5 percent. In total, around 387,000 square metres of office space was let or re-let in 2023. Across all property types, lettings totalled around 1.0 million square metres.

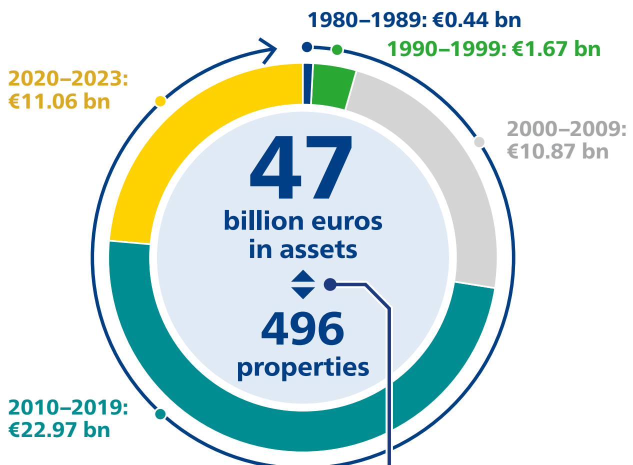
In the investment markets, where activity is expected to pick up again from the third quarter of 2024, Union Investment exercised due caution and focused on the few outstanding market opportunities in Europe. These included transactions mainly in more resilient use types, such as European residential properties in Dublin and Amsterdam, and the expansion of the resort hotel portfolio in Germany.

Successful sales programme boosts performance

In 2023, Union Investment placed special emphasis on realising sales profits. Sixteen properties were sold by the retail and institutional funds in Germany, Austria and Singapore, with sales proceeds exceeding the expert valuation in nearly all cases and generating some significant performance contributions. These disposals also helped to create additional liquidity buffers, which Union Investment partly intends to use for further portfolio diversification. Acquisitions will be made in resilient use types, such as logistics, hotels and European residential, and in smaller properties. Where the appropriate opportunities arise, Union Investment also plans to invest again in properties with good value retention potential in overseas markets, especially in the Asia-Pacific region.

At the same time as considering acquisitions, Union Investment will continue to monitor the market for selling opportunities. "The current market environment also offers scope for profitable disposal of assets from our well-established existing portfolio, particularly in Germany," says Martin J. Brühl, Chief Investment Officer and a member of the senior management team. "In 2024, we will actively leverage the increasing number of such opportunities for the benefit of our investors. We have already successfully sold office properties at above book value in Vienna and Zurich and, most recently, in Singapore." ●

Real estate portfolio gradually built up over five decades



The properties currently held in Union Investment's commercially focused funds (as at 31 December 2023) were acquired over a period of five decades. The Emporio building in Hamburg has been part of the portfolio of Unilmmo: Deutschland since 1989, making it the oldest Union Investment holding.

"Our main focus is on creating additional liquidity buffers and diversifying our portfolio even more broadly through investments in logistics, residential and smaller properties, thus making it even more resilient."

Martin J. Brühl, CIO,
Union Investment
Real Estate

Apollo on a mission

Union Investment Real Estate is revising its business processes. Ways of working are being transformed and digitalised. The aim is greater efficiency, greater value creation and greater satisfaction. Customers, business partners and employees will all benefit from the change process. By Elke Hildebrandt (text) and Benne Ochs (photos)

Robert Wähnke, Christoph Holzmann, Astrid-Regina Bierbaum, Christoph Haupt and Thomas Müller (from left to right) make up the Apollo core team at Union Investment.

The name says it all: with Apollo, a multi-year internal project, Union Investment's real estate segment is aiming to achieve something unique and has underscored that mission with its choice of name. The ambitious goal is the creation of a new, more powerful real estate platform. That means transformation at every level. It sounds like reaching for the stars, like a trip to the moon. The Apollo crew has indeed set itself ambitious objectives – and the countdown is already under way. "Apollo will significantly change and improve the way we work together," says Thomas Müller proudly. As departmental head and a specialist in digitalisation and processes, he is part of the project management team at Union Investment. Apollo will establish a new application landscape, one that connects the company's departments more effectively and makes work more fun, thanks to greater integration, automated data flows, simpler analysis and fewer manual activities.

Digital transformation is widely embedded internally via a large project team

The Apollo mission is steered by a core team of six people, while 140 employees belong to the Apollo crew. Participants are released from their normal duties for the entire duration of the project or for individual project tasks. "On average, 50 people are working full time on Apollo," says Christoph Holzmann, Chief Operating Officer, whose responsibilities include data management, reporting and systems. He and Thomas Müller lead the real estate and commercial part of the project.

The project management team also includes two IT specialists. Robert Wähnke, IT Projects Team Leader and Deputy Project Manager of Apollo, and Ulrik Genschmer, Head of IT Real Estate, are in charge of infrastructural and organisational tasks. The four Apollo managers are supported by another duo who are responsible for integration

►

80 percent
A good 80 percent of the existing system landscape will be transformed in conjunction with investment management, asset management and other areas of the company.

ImmoConnect
Data exchange with external entities will take place via a uniform access method. The in-house ImmoConnect IT platform will serve as the interface.

management. Astrid-Regina Bierbaum, Technical Manager at Union Investment Austria, and Christoph Haupt, Group Leader in the Data & Analytics unit in Hamburg, jointly manage the large cross-functional team, which includes experts and specialists from across the organisation. They manage the work packages and process steps, integrate the results and work closely with the project management team, which in turn reports directly to the Management Board.

"What makes Apollo so special is the linkage between nearly all areas of the company and across internal boundaries," says Christoph Holzmann. "Agile working methods are also being trialled for the first time. Working in this team and achieving improvements together is a really enjoyable experience."

Ambitious project objectives for greater value creation and effectiveness

The main driver of the Apollo project is the company's strategic vision. Thomas Müller highlights an important point: "Digital transformation will free up resources previously dedicated to administrative tasks and redirect them into value-adding activities. We want to create space to boost fund performance and the satisfaction of investors, tenants and our property managers." The overarching aim is greater efficiency and improved outcomes. "We're focusing directly on increased effectiveness," adds Christoph Holzmann.

The far-reaching changes to be achieved through the Apollo project are set out in a roadmap. It contains the objectives, milestones and dependencies for the next two and a half years. Business processes will be systematically analysed, optimised and newly mapped in IT systems. Standardised software solutions and customised platform solutions will be deployed. "We're developing new applications that are best suited to our needs, working in conjunction with investment management, asset management and other areas of the company. We're not being prescriptive; the aim is to collaboratively find the best solution," says Robert Wähnke. A good 80 percent of the existing system landscape will be transformed in the course of the project.

Processes are being optimised for holistic information pass-through

Christoph Holzmann says the Apollo project itself is the most important milestone of all: "Coming together to prioritise our digital transformation and implement it holistically is a huge change." Useful results will be delivered every three months and rolled out in stages. "It's not about making sudden, radical changes," emphasises Astrid-Regina Bierbaum. "Everyone will be able to gradually familiarise themselves with the new systems, and appropriate training will be provided. Ideally, this will be a continuous process that happens in small steps," says the integration manager. Her Apollo motto is "'Let's work like children play', so that we enjoy what we're doing and stay motivated."

Fellow integration manager Christoph Haupt is likewise keenly aware of the importance of the Apollo project. He is an advocate of end-to-end processes. "No matter how many levels a business process has, such as the real estate acquisition process, for example, it must be coherent and logically thought through from beginning to end. That applies across all departments, entities, decision-making stages and information delivery points. Shortcomings in the process logic typically lead to organisational problems, which is something we want to avoid," says Haupt.

"That's why we attach huge value to passing all information through in its entirety," adds Christoph Holzman. In the past, assembling and reconciling information from a number of different sources within the organisation was often seen as tedious. The aim is to simplify and automate that task. "Our new acquisition process will be handled ►

The Apollo core team (above) is steering digital transformation of Union Investment's real estate segment. A total of 140 employees are involved. During the project, they are released from their normal duties either on a full-time basis or temporarily to handle project-related tasks. The aim is to establish a new application landscape that connects the various departments more effectively. Information on project progress is shared via internal meetings (image below).

Photos: Center for Free-Electron Laser Science CFEL/ hammeskrause architekten , Union Investment (2)

Christoph Holzmann (second from left) helped to launch the Apollo mission as COO. He is seen here in discussion with Christoph Haupt (left), Astrid-Regina Bierbaum (centre), Friedrich Warmbold and Martin Schellein (from right to left).

by a new database system, for example, which will enable us to connect virtually all property-related data," says Holzmann.

Christoph Haupt highlights the importance of the new central data strategy: "We have established a data governance system that ensures clear responsibility for individual data items and has a strong focus on data uniqueness." He says that a new process is also being established for quality management. This will ensure that when data is received, it has already undergone rigorous quality assurance before being used in downstream processes and reports. There will also be significant improvements in data exchange with external entities. "We want to create a uniform access method for automatic data exchange, without the need for manual reworking," says Thomas Müller. The in-house ImmoConnect IT platform will serve as the interface here.

Generating added value for customers, business partners and employees

"Our partners are noticing that more standardisation, more automation and more quality controls allow more professional collaboration," says Thomas Müller. The bottom line, according to Christoph Holzmann, is that this strengthens business relationships: "We are helping to ensure that our partners are ready to face the future and supporting them through long-term contracts, meaning that the switch to new technologies benefits both sides."

Astrid-Regina Bierbaum is confident about getting employees on board: "Apollo is our chance to create something great." To achieve that, all employees will have to handle a lot of change. The integration managers are therefore committed to ensuring that all employees are fully involved in the transformation process through the provision of training and information. "With Apollo we are empowering colleagues to move ever closer to a digital workplace," says Christoph Holzmann. Bierbaum has already found that "the more we highlight the benefits for individuals, the fewer concerns there are."

Expectations of the Apollo project are high, but the team also remains firmly grounded in reality. "Above all, we want to deliver the required functionality, get the processes up and running, and take people with us. That's already a big leap," says Christoph Holzmann. The Apollo manager has created a strong foundation for successful implementation of the project.

Digital transformation is a journey, not a destination

On 1 April 2024, Christoph Holzmann will hand over responsibility for the Apollo project to the new Chief Operating Officer, Gerald Kremer. As Chief Digital Officer at Credit Suisse Asset Management, Kremer led digital transformation of its Global Real Estate business division. Gerald Kremer is just as convinced of the high priority of the project as Christoph Holzmann: "Digitalisation of the real estate industry is progressing at a rapid pace." For Apollo, that means the mission continues. ●

The Apollo project is managed by a core team of six people which leads digital transformation of Union Investment's real estate segment. From left to right: Christoph Haupt, Group Leader in the Data & Analytics unit at Union Investment in Hamburg, Astrid-Regina Bierbaum, Technical Manager at Union Investment Austria, and Thomas Müller, Head of Department (Segment Management) at Union Investment Hamburg.

The team continued (from left to right): Robert Wähnke, IT Projects Team Leader in Union Investment's IT department and Deputy Project Manager of Apollo, Ulrik Genschmer, Head of IT Real Estate in Union Investment's IT department. Joining the Apollo core team is Gerald Kremer, who will become the new COO at Union Investment in Hamburg on 1 April 2024. He will take over as Apollo project lead from outgoing COO Christoph Holzmann.

Huge potential

The development of the serviced apartment sector in Europe has traditionally lagged the US and Asia. But the landscape is changing rapidly, with a growing number of home-grown operators, private equity investors and institutional players moving in. By Paul Strohm

Serviced apartments are still a relatively novel concept in many cities across Europe but have been one of the fastest growing segments in the German and European hospitality market for more than 20 years, according to a recent white paper by Apartmentservice and Union Investment. "Our analysis reveals that serviced apartments now work in any location where large companies are based and the housing supply is low or there are few modern hotels," says Anett Gregorius, founder and owner of Apartmentservice.

European cities have significant scope for catching up

The opportunities in the European serviced apartment segment are "enormous", notes Henrik von Bothmer, Head of Operated Living at Union Investment. "The combination of compelling business performance by operators and the very high potential indicated by the survey in many locations will ensure dynamic future growth in the segment," he predicts.

Bookable via Booking.com, Bob W Commercial House Amsterdam Noord offers modern apartments with bedroom and terrace and studios with a range of amenities.

Bob W Commercial House is located in the Spitalfields neighbourhood of central London. Its studio and one-bedroom apartments are at the heart of the urban scene.

Photos: BOB W.

Europe has a lot of catching up to do compared to the US, where the first serviced apartment properties emerged as early as the 1960s in response to increasing job mobility. The largest markets include the UK, followed by Germany and France. Germany is particularly promising, with potential for around 41,500 serviced apartment units across cities such as Hamburg, Cologne and Nuremberg.

Travellers use serviced apartments for long and short stays

Residents – generally business travellers with work commitments in an unfamiliar city for several days, weeks or months – can choose between two models. Serviced apartments offer a limited range of services geared towards long-term guests while an aparthotel offers more services and facilities such as a restaurant and fitness centre. The length of stay in an aparthotel is generally shorter.

In addition to its micro-living portfolio in Germany and Austria, Union Investment has a growing portfolio of serviced apartments across its home country, including a Stayery in Bremen and an Adina aparthotel in Stuttgart. Elsewhere in Europe it has teamed up with Irish aparthotel operator Staycity in London and Amsterdam. Other pioneers tapping into the long-stay segment include UK-based Abrdn, French real estate giant BNP Paribas and Dutch pension fund investor APG.

In a clear vote of confidence, APG committed capital to the expansion of Dutch operator City ID during the depths of the Covid pandemic in 2020, when the hospitality sector was on the frontline of the crisis. APG's European Property Investments Head, Robert-Jan Foortse, said at the time City ID would help develop the new "institutionalised Airbnb" segment of the market.

"A substantial part of our portfolio is invested in residential-for-rent properties or, put differently, accommodation for long-term occupation, whereas at the other end we own hotels for one- or two-night stays. Between those two, there is another big market that is geared towards guests looking for accommodation for 3 to 30 nights, with a bit more space and more amenities, like the option to prepare a meal in the room."

In retrospect, APG's bold move showed great foresight. Serviced apartments had already started to outperform hotels before Covid-19 and that trend continues, according to advisor Savills. "We've seen a relative sharpening of yields per available room (PAR) compared to hotels over the past five to ten years," says Richard Dawes, Director of UK and Pan-European Hotel Capital Markets at Savills.

Private equity and hotel groups seek a piece of the pie

The segment's favourable performance during the pandemic ushered in the entry of more private equity vehicles and sector-specific brands driving European expansion. Leading international hotel groups such as Hyatt and Hilton, ►

alongside more tech-led startups, are also looking to get a piece of the extended-stay pie.

The number of home-grown European serviced apartment operators meanwhile continues to expand. Adagio City Aparthotel, a joint venture between French hospitality operators Accor and Pierre & Vacances, is making waves beyond its home market, France, while Helsinki-based Bob W is likewise expanding across the Continent and the UK.

Experts expect growth in properties and increasing deal volumes

More core investors are becoming aware of the benefits of the product type, which include a less volatile revenue stream, reduced payroll risks and stronger leisure demand metrics, Dawes says: "Serviced apartments have a very positive outlook."

Lack of product in the fragmented European market was a key obstacle pre-Covid but that is now shifting, he adds: "There's a lot more engagement around the product type … owners and operators are building new properties and repositioning traditional hotel assets in the right locations."

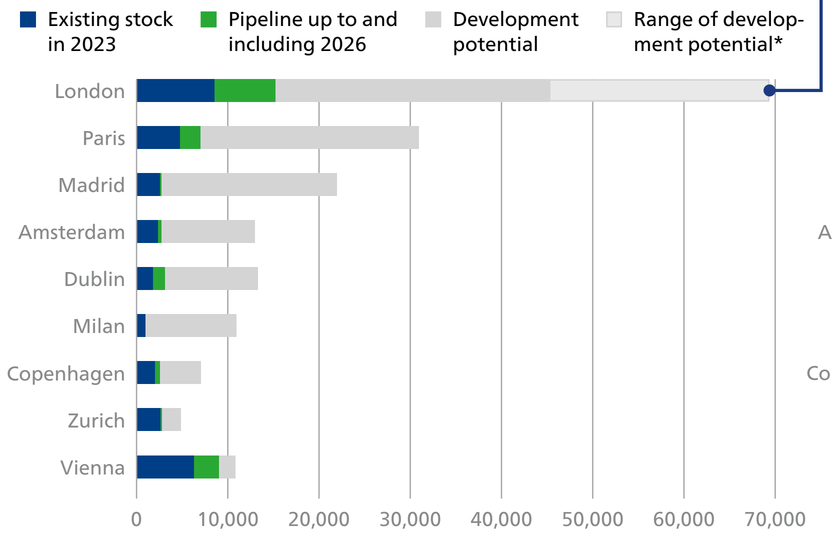
Significant volumes of capital are now targeting serviced apartments and Dawes predicts there will be a lot more corporate M&A activity among platforms and startups in 2024–25. "Everything points to more liquidity and relatively higher deal volumes."

> "The compelling business performance by operators and the very high potential in many locations will ensure dynamic future growth in the segment."
>
> Henrik von Bothmer,
> Head of Operated Living,
> Union Investment

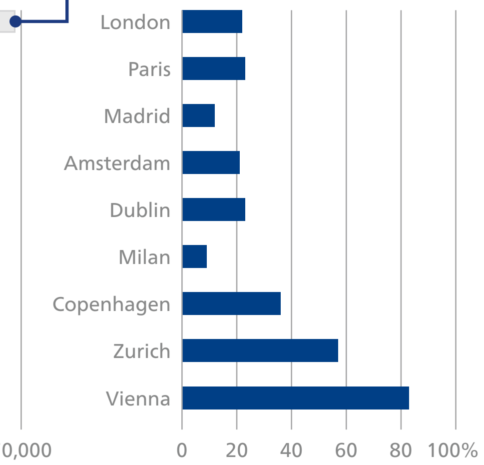
Order your free copy of the white paper on the serviced apartments market here. Published by Union Investment and Apartmentservice, it analyses the market potential for serviced apartments at 40 selected locations in Germany and Europe.

London has the highest number of serviced apartments and also the greatest development potential.

Market potential of serviced apartments by city (units)



Market coverage including pipeline up to 2026 (%)



* No exact official figure is published for the actual number of overnight stays, so the potential is given as a range

Source: Analysis of market potential for serviced apartments, Union Investment Real Estate and Apartmentservice, October 2023

Six new young professionals joined Union Investment's second Next Generation Board in 2024.

The voice of Gen Z and Y

Union Investment's second Next Generation Board got under way in January 2024. The board, elected every two years, advises management in the real estate segment on issues that are important for the future and gives appropriate emphasis to the voice of young professionals in the company. Like the first board, the six representatives of Generations X and Y – Anne Seifert, Tooba Öztürk, Sunniva Stüven, Leon Wirges, Roman Dirscherl and Steven Dwyer – come from different disciplines: Asset Management, Investment Management, Real Estate Project Management, Sustainability, and Real Estate Capital Solutions. "The real estate industry is increasingly being impacted by technological and social change. It's also important, especially at management level, to hear new ideas from staff and include different perspectives and opinions in decision-making. We're delighted that the board members are seizing the opportunity to help drive forward the development of our company," comments Michael Bütter, Chairman of the Management Board.

Photos: Union Investment (3), Benne Ochs

Markus Diers back at Union Investment

Markus Diers (44), an experienced retail expert with a track record of leadership who previously spent many years at the company, has returned. Most recently a managing director at Redos Real Estate, he has taken charge of retail asset management at Union Investment. In his time at Union Investment from 2005 to 2016, he worked as a specialist in retail properties and subsequently as team leader for asset management of the European retail portfolio. In his new role, Markus Diers is responsible for managing more than 50 retail properties held by Union Investment funds. He takes over from Lars Richter, who was instrumental in building up the portfolio and will retire from the company on age grounds at the end of 2024.

Work commences on transformation project in Hamburg

The Wandsbek Market development is currently one of the largest privately financed transformation projects in Hamburg. A mixed-use quarter with a total area of over 45,000 square metres is being created by Union Investment in the centre of Wandsbek around the existing core structure of the former Galeria Karstadt building. The site was previously used solely for retail but is being expanded to include eateries, cultural venues, a private university and more than 100 apartments. It is set to become an attractive and vibrant focal point in Hamburg's most densely populated district. Completion of the new urban quarter is scheduled for the end of 2027.

The development will retain the historic Karstadt building dating from 1922 (at left of picture).

Spain on the rebound

At a time when many European economies are feeling the pinch, Spain is outperforming large parts of the eurozone. By Sara Seddon Kilbinger

Spain is firmly on the rebound, as is interest in its real estate market. The country witnessed economic growth last year of around 2.4 percent, in stark contrast to the European average, which the latest estimates by the European Commission from autumn 2023 put at just 0.6 percent. Economic activity in Spain is expected to accelerate in 2025, according to BBVA, which will boost the real estate sector and tourism.

Built-to-rent market offers opportunities for real estate investors

“Spain was really affected by the global financial crisis but it finds itself in a much better position now than other markets such as Germany and France,” says Penny Hacking, Principal, European Capital Markets at Avison Young. Consequently, it is quite easy for new entrants to invest in Spain’s residential market, she notes, and secondary and tertiary offices are being repositioned to residential although “they have to be priced correctly”, she adds. Investment in the residential sector came in at just above €1.53 billion in the first nine months of 2023, a decline of 58 percent compared to the same period in 2022. During the third quarter of the year, the volume of investment in the living sector was some €270 million, down 38 percent in the quarterly comparison and a drop of 76 percent year-on-year, according to JLL.

Today, the country’s residential sector offers one of the most exciting entry level real estate opportunities, according to Maximilian Krebs, Research Analyst at Union Investment: “Barcelona and Madrid have solid population growth well above the European average and the built-to-rent market is emerging.”

Ultimately, Spain is a core-plus/value-add market and that is the best play for investors coming into the market, according to Sergio Fernandes, Head of Capital Markets at JLL Spain. “Build to rent, student housing and senior living – these are the new investment trends and there is a bright future for them,” he says. Spain has learned its lesson from the huge turmoil the sector went through after the last financial crisis. “One of the effects of those years is that we are lacking new booms,” he says. “A lot of municipalities stopped planning (housing) because it was toxic,” says the JLL expert. “Back in the day, banks would lend on pretty much any development but they learned their lesson. Now, they’re much more cautious and their exposure to real estate is more limited,” he adds.

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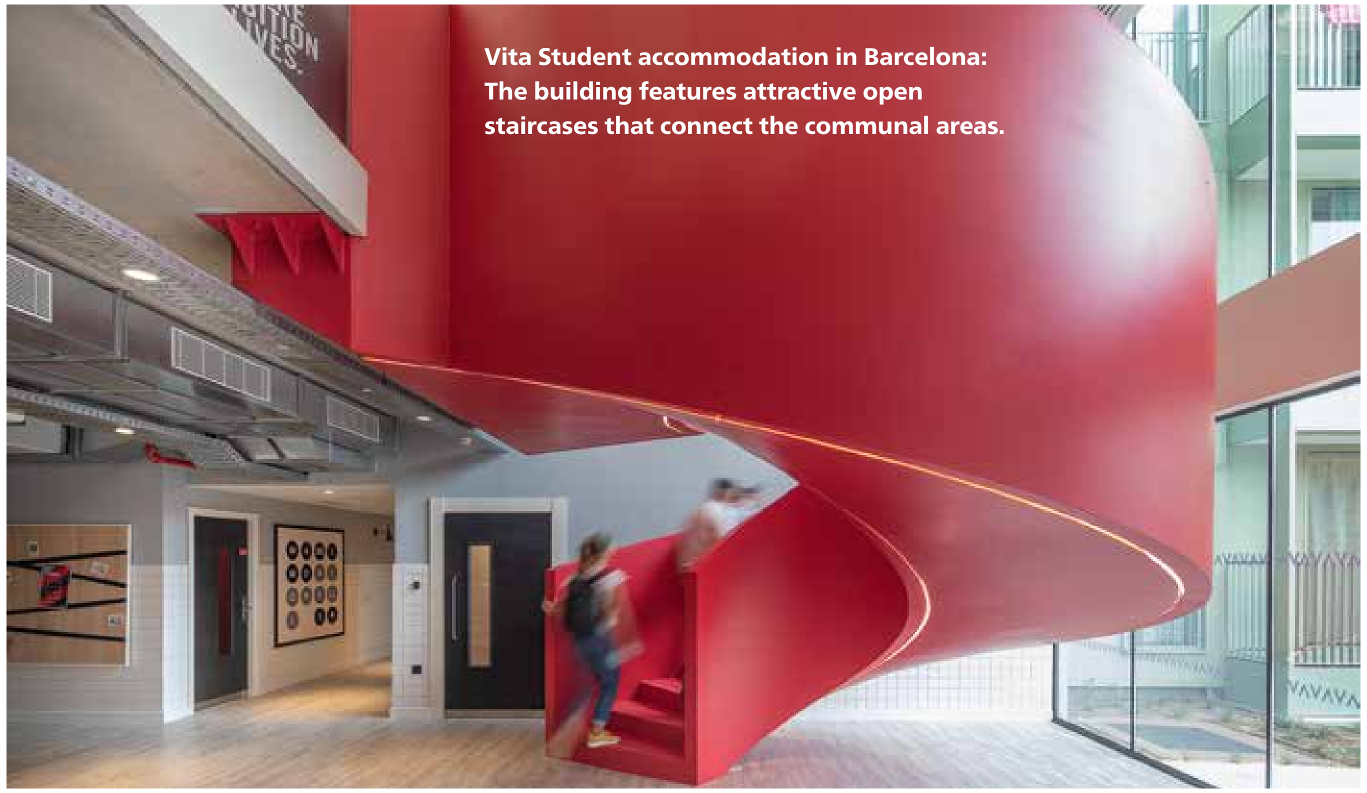
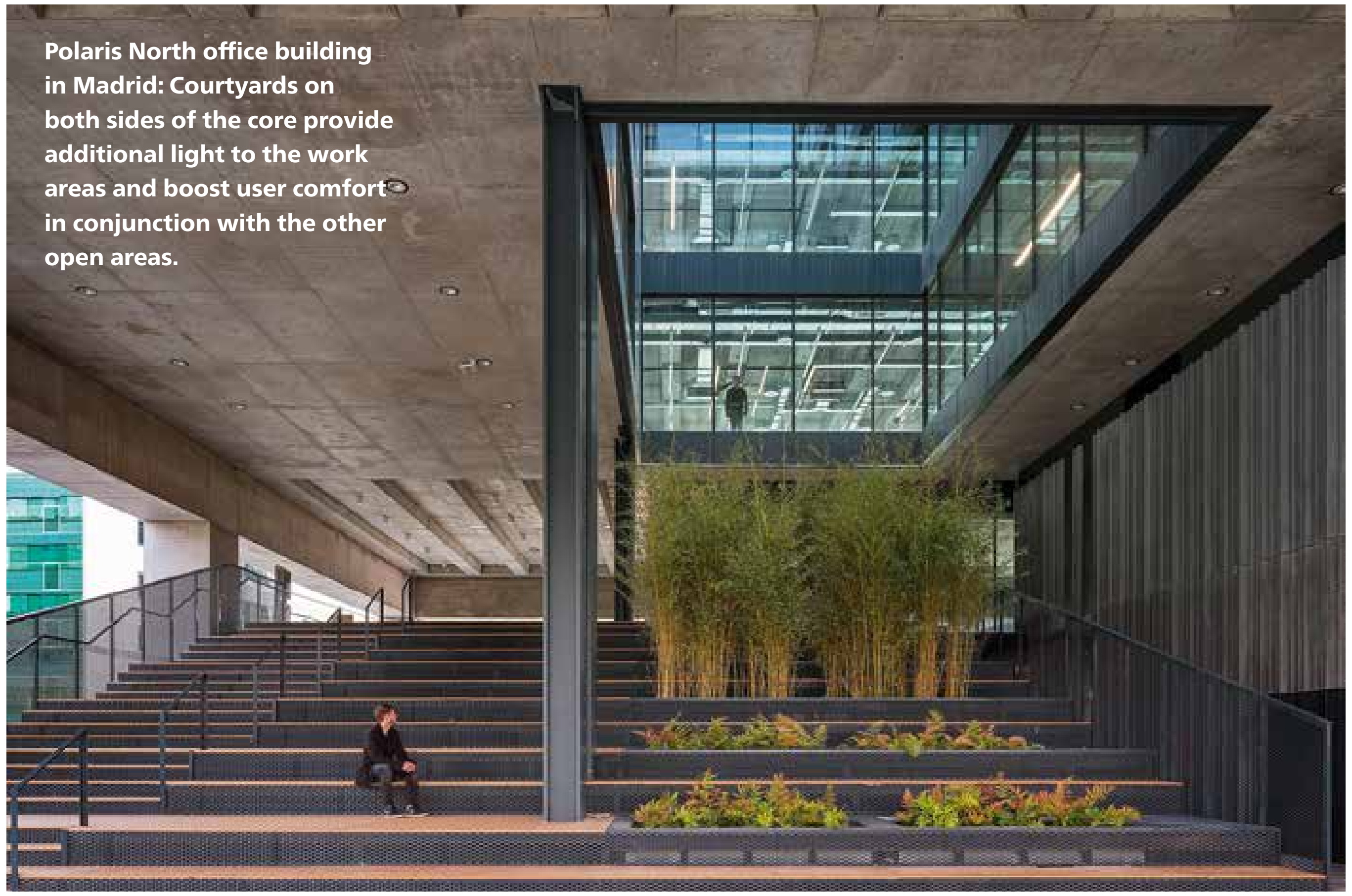
Photo: Huber Images

Madrid is famous for its fabulous architecture. The Palacio de la Equitativa is a landmark building at the junction of Calle de Alcalá and Calle de Sevilla that dates from the end of the 19th century. It is now a luxury hotel belonging to the Four Seasons chain.



Vita Student accommodation in Barcelona: The building features attractive open staircases that connect the communal areas.



Polaris North office building in Madrid: Courtyards on both sides of the core provide additional light to the work areas and boost user comfort in conjunction with the other open areas.

Both Madrid and Barcelona have a limited supply of high-quality built-to-rent stock, according to Anita Pudane, Investment Manager Residential at Union Investment. Pricing expectations remain close to pre-interest rate hike levels while trading activity has significantly decreased following recent record years. Investment activity is now focusing on secondary locations and affordable product. Population growth is expected to reach 3.7 percent in Spain overall by 2035, according to Eurostat. Densely populated cities such as Madrid and Barcelona are the demographic hot spots, with forecasted population growth of 8.8 percent and 6.7 percent by 2035 respectively.

Hotel sector offers strong potential for redevelopment and rebranding

However, the country's leisure/resort hotel segment is the clear winner of the post-pandemic demand surge in Europe, according to Andreas Löcher, Head of Investment Management Operational at Union Investment. "Although high inflation dampened consumer spending in Europe overall, travel and leisure have been a consumer priority for Europeans and holiday spending has increased significantly since 2021," he says, noting that all hotel KPIs in Spain have recovered remarkably well since the pandemic lows. Moreover, domestic holiday makers tend to spend their holiday in their home market for "staycations". "Leisure hotel stock in Spain is still characterised by a large number of owner-operated properties, there is strong potential for redevelopment and rebranding, but also for sale-and-leasebacks," Löcher adds. Madrid and Barcelona both continue to garner a lot of investor interest.

"Tourism is so strong, both Madrid and Barcelona have good refurbished 5-star hotels. Barcelona has one of the strongest hotel markets in Spain," says Sergio Fernandes of JLL. "A low-risk core strategy would be to look at hotels there that are performing and being refurbished as well as resorts or holiday/boutique hotels."

Photos: Antonio Navarro Wijkmark, Miguel de Guzmán, Union Investment

The roof terrace of Union Investment's Radisson Blu Sagrada Familia hotel in Barcelona offers a unique view of Catalan architect Antoni Gaudí's masterpiece basilica.

Subdued office letting market only a blip

While the Spanish economy is doing well compared to other European countries, many Spanish companies are affected by the soft outlook for the eurozone and have put their expansion plans on hold. "Companies are very cautious when taking decision about their real estate footprint in the current market environment," agrees Leticia Ponz, head of Union Investment's Madrid office. This backdrop saw office take-up levels in Madrid and Barcelona decline in 2023 by 22.5 percent year-on-year to 660,000 square metres, according to JLL. Combined with new office completions, the two cities saw vacancy rates climb towards the 10 percent mark by the end of the year. Rental growth is expected to remain subdued in the short term, with prospects for stronger office demand after 2025 with the anticipated recovery of the eurozone economy. Vacancy rates are likely to come down then, coupled with a moderate increase in prime office rents.

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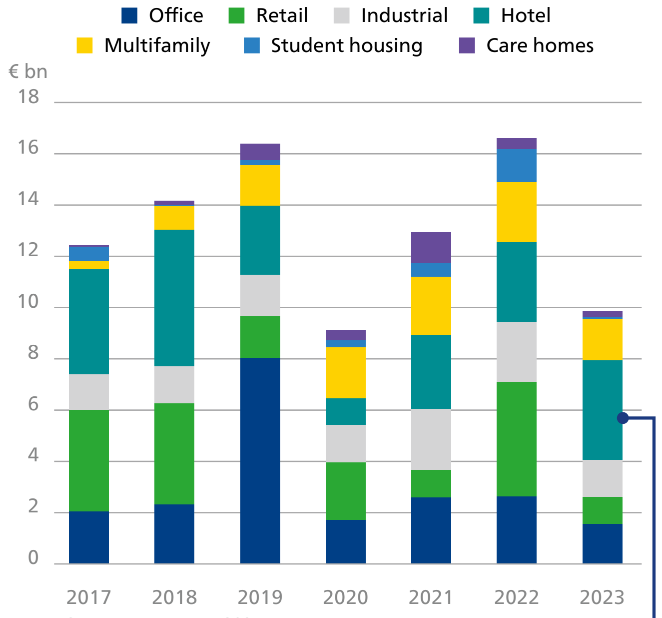
Real estate investment in Spain, annual investment per sector (€ billion)



Source: JLL, January 2024

In 2023, the hotel sector attracted the most investment, at €3.9 billion, almost the same figure as in 2017, which has so far only been exceeded in 2018.

"A low-risk core strategy would be to look at hotels that are performing and being refurbished as well as resorts or holiday/boutique hotels."

Sergio Fernandes, Head of Capital Markets, JLL Spain

Office sustainability standards are relatively low

The refurbishment and repositioning of assets are key issues in the current scenario, as there is an urgent need to respond to the growing demand from tenants for quality and sustainable assets. "By comparison with other markets, Spain is lagging a bit behind on ESG," says Martin Schellein, Head of Investment Management Europe at Union Investment. "Sustainability standards across the total office stock are relatively low, so office buildings meeting the highest standards are attracting higher premiums on the investment market compared to other European countries."

Repricing of real estate assets is well under way

The investment market is currently still dominated by local players like Grupo BBVA, Banco Santander and Merlin Properties. "But recent years have seen strong levels of cross-border investment and the market supports a large amount of institutional capital," Union Investment analyst Maximilian Krebs says. Blackstone, CBRE Investment Management and AXA, for example, each have real estate holdings of €1 billion or more in the Spanish market, according to Krebs. Cash buyers are also very active, notes Penny Hacking: "Sovereign wealth funds like GIC, it's their market without a doubt."

Waiting for price reductions

Following the recent interest rate hikes by the ECB, Spain faces the same challenges as other real estate markets: "The price discovery phase in the real estate sector is in full swing," says Krebs. There were only a very small number of property transactions in 2023. Investment activity is likely to remain subdued in Spain, like elsewhere in Europe, during the first half of 2024. Leticia Ponz confirms that assessment: "The main reason for the fall in investment volumes in the office sector in particular is the cautious posture of international capital," she says, noting that investors are waiting for opportunities to benefit from additional price reductions and landlords are not willing to reduce prices – yet. Market watchers anticipate significant progress on price discovery and the first major transactions in the second half of 2024, not least because most market players expect the ECB to cut interest rates then, which should also give the Spanish real estate investment market a fillip.

Barcelona's "superilles"

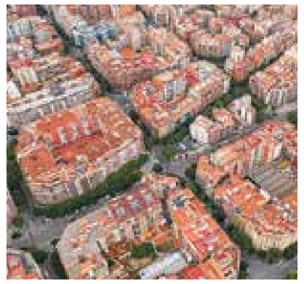
Giving priority to pedestrians and cyclists. How repurposing road space is making the city more vibrant. By Sara Seddon Kilbinger

Barcelona is on something of a roll: it has been chosen as the UNESCO World Capital of Architecture for 2026, giving the Catalan capital the opportunity to showcase its contribution to the sustainable development of architecture and urban planning. The city has been experimenting for some time with so-called "superilles", or "superblocks", whereby several blocks of housing are grouped together to form a superblock.

With these superblocks, up to nine city blocks can be combined, freeing up nearly 60 percent of streets currently used by cars and turning them into so-called "citizen spaces". Repurposing spaces to "fill our city with life", as its tagline says.

Pedestrians and cyclists have priority within these superblocks. On two-lane streets, a track is taken from car traffic: children can play here, residents can drink coffee and chat on newly built park benches. Vehicle access is limited to residents and deliveries, and the maximum speed permitted is ten kilometres per hour. Many streets are closed to traffic, encouraging the use of play areas, vegetable gardens and community areas.

The "superblocks" are rolled out for two to six months at a time to see whether the situation has improved or deteriorated, forming the centrepiece of a sustainable mobility concept developed by the city council in 2016. The first superblock was installed in 2017 in the Poble Nou neighbourhood. A total of 503 superblocks are to be created in Barcelona, freeing up 60 percent of the streets previously used by cars for other uses.



Photos: JLL, DEL RIO BANI, Ajuntament de Barcelona, Westend61, Leku Studio

Barcelona is built on a grid system and noted for its high urban density. The superblocks create new public spaces.

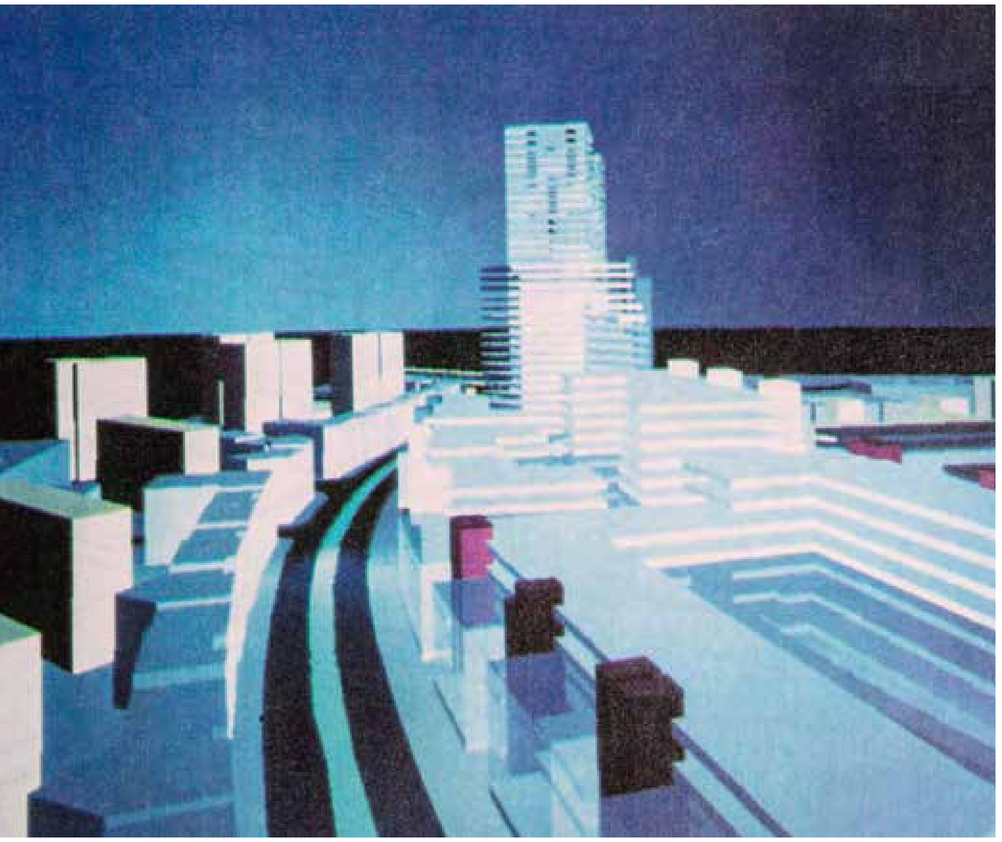
The Sant Antoni district exemplifies the gradual creation of superblocks, with streets being replaced by playgrounds and community areas.

Digital masterpieces

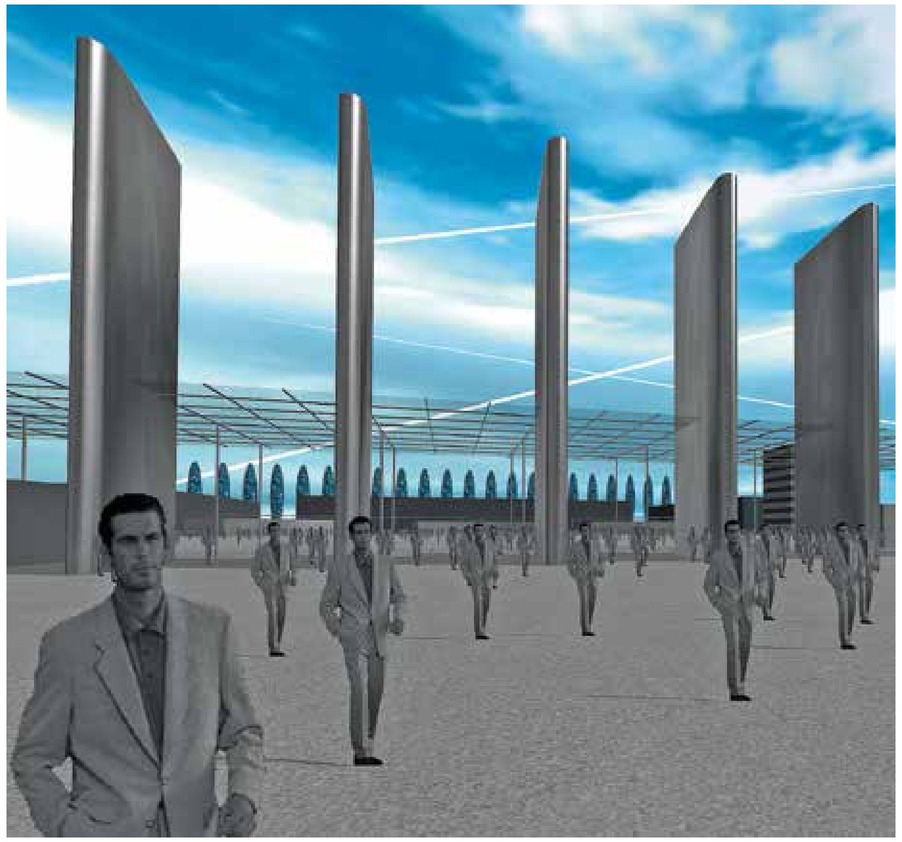
From the first concept sketch through to marketing, architectural renderings are a popular way of showcasing projects. They create emotional connections with properties long before they are completed. By Kathinka Burkhardt

Cosmopolitan, open and urban – on 25 April 2024, Westfield Hamburg-Überseequartier will be opened as a key component of Hamburg's HafenCity. Long before this date, the rendering experts from moka-studio in Hamburg brought the development to life with a photorealistic, atmospheric visualisation.

Photo: moka-studio / Unibail-Rodamco-Westfield (simulation)



Pioneer status: Digital architectural images were still extremely rare exceptions at the beginning of the 1990s. The first proper colour rendering, printed in the journal *Bauwelt* in 1991, shows the Alexander Galleries Berlin Buildings 1–7 project by Bertelsmann & Partner. Colour, light and shadow create a 3D effect.



Work by Matthias Zehle for the Schinkel competition in 1997 shows the experimental designs of this period. The simplified geometry and restricted colours push the actual design into the background, but the cloned figures highlight the repetitive nature of the buildings.

Photos: Architekt Matthias Zehle, Bertelsmann & Partner, Berlin: Alexander Galleries Berlin Buildings 1 – 7, *Bauwelt* 39.1991, 82nd year, page 2102

An image with emotional impact: the sun has just set and turned the sky bright pink. Hamburg's skyline, with its television tower and church spires, is clearly defined in the background. In the foreground, the impressive buildings of the new Westfield Hamburg-Überseequartier are bathed in warm pink and gold light. On the busy riverside promenade, people stroll along the Elbe – they seem to be enjoying the special surroundings and unique evening atmosphere. That is exactly the impression viewers of the image might have (pages 60–61) – and also the one they are intended to have.

Because what looks like a real snapshot of the new district emerging in a prime location is actually a computer-generated scene. It was created as a rendering by moka-studio in Hamburg, based on models and technical data from the participating architect firms and in line with the vision of developer Unibail-Rodamco-Westfield. "We've been involved since the first architectural designs for the district and have now developed the final images for the upcoming opening," says Sabine Monclin, architect and director of moka-studio. Together with her husband Jean-Pierre Monclin and a team of architects and 3D artists, Sabine Monclin produces atmospheric renderings that look amazingly real.

Stunningly realistic images bring architectural visions to life

These digital masterpieces resemble real photos, and renderings have become an essential tool in the architectural process and in real estate marketing. From rough drafts of an initial building idea to the perfect depiction of a spectacular office complex made from sustainable materials – thanks to modern 3D technology, stunningly realistic images can now be generated on computers, providing a glimpse into the future. Whether in the commercial or residential segment, for architectural competitions or investor meetings, for sales or for lettings: the quality and atmosphere of a rendering have a major influence on the success of a project. "Images are crucial for creating emotions," says Monika Stepan, a member of the Management Board at Garbe Immobilien-Projekte. Specific details also influence mood and thus the effect on viewers. "High-quality, realistic visualisations elicit positive emotions and enable potential buyers and occupiers to identify with the property," adds Stepan. Renderings help people understand changes in their neighbourhood and create acceptance for the form and scale of a project. They also provide views into courtyards and spaces that are not apparent from technical construction drawings. "Renderings are an effective tool for visualising projects in an urban context ahead of construction and starting letting and marketing activities at an early stage, i.e. prior to completion," says Fabian Hellbusch, Head of Marketing at Union Investment.

Wide-ranging impetus for digitalisation of architectural designs

With the rise of computers in the early 1980s, computer-aided design programs (CAD) for 3D geometric modelling were used in related fields such as mechanical engineering and product design. Architects also gradually began to experiment with CAD programs in their work. Despite the numerous limitations in terms of colour, shading and details, the first digital images already had an air of photorealism that "captivated the public and experts alike", as the academics behind the exhibition "Die Evolution des digitalen Bildes – das digitale Bild in der Architektur 1980–2020" note. The exhibition takes a detailed look at the use of digital images in architectural applications. However, up to the mid-1990s, relatively few architectural visualisations were created entirely on computers. Collages were more common, in which a digitally generated building outline is incorporated into a real photo of a building plot. A large collection of digital images with extensive explanations was compiled by the exhibition organisers in a reference work entitled *Architecture Transformed,* which was published in 2023.

In the course of the digitalisation boom at the turn of the millennium, the architecture scene was also influenced by the evolutionary leaps in video games, animated films and product design. CAD programs became increasingly popular in architecture firms and construction offices, and the use of Photoshop began. In addition to architectural drawing, the profession also embraced visualisation, leading to the emergence of a key element that remains crucial to this day: atmosphere.

Atmospheric mood becomes a key attribute of visualisation

"If you're in a competition with 50 other participants, irrespective of whether it's in front of a jury or with a client, you want your image to stand out," says Jost Hauer, founder of rendering studio Loomn in Gütersloh. "You can do that with specific details and, depending on the target audience, with emotional elements and atmosphere as well." Some rendering agencies use 3D models for their work that are provided by the architect in digital form. But Jost Hauer and his team always develop these themselves on the computer. For studios, a briefing is the most important basis for creating digital artworks. "We need to know exactly what the project is about, who the audience is and what message the images are intended to convey," says Hauer.

Using photographs of the site or Google Earth, the rendering experts familiarise themselves with the location. In conjunction with the client's brief or an architect's plans, a mood board is created – a large collage consisting of all the design details, techni-

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Vision for 2045: This utopian scene shows what an urban, sustainably designed campus in Dornbirn, Vorarlberg, could look like, with plenty of water, greenery and recreation opportunities.

Major architect firms like Zaha Hadid Architects regularly work with rendering agencies, e.g. with Nightnurse from Switzerland on this winning design for the Rail Baltic Ülemiste terminal in Tallinn, Estonia.

The transformation of existing factory buildings is brought to life through high-quality renderings. Before construction work begins, viewers can see how MediaWorks will become LOVT Munich through numerous photorealistic visualisations provided by project partners Union Investment and Hines.

Photos: loomn architekturkommunikation / Reinventing Society e. V., Zaha Hadid Limited / Image by negativ.com, Union Investment / visualisation: Doug and Wolf

cal information and ideas. “We put together many reference images depicting different moods and daylight situations. We also show options for furnishing rooms and outdoor areas, and for greenery and people,” says Hauer. Choosing the right perspective is important: should the entrance area of a shopping arcade, the restaurant of a hotel or the patio of a residential building be the focus of the images? Is an overall or detail view required, from the side or from above? “Clients decide what perspectives appeal to them. Once that’s clear, we work everything else out in detail,” explains Hauer.

Simple computer images of building designs are the norm for project websites nowadays and are often produced by construction companies or marketing agencies themselves using Photoshop. By contrast, creating a rendering is much more complex and expensive, which is why rendering studios are usually commissioned to produce just two or three photorealistic images. From the first briefing through to the last correction loop, the specialists generally need two weeks of work for one picture. The result often forms the basis for the entire visual journey of a project, with renderings being subsequently modified to suit the phase and audience. “An image of an office building that was intended to stand out in a competition with a dramatic weather background would perhaps be shown later on in the marketing process with a blue sky at midday – because that’s the time of day when a tenant or buyer can easily imagine using it,” says Sabine Monclin.

AI renderings are impressive, but have definite limitations

In the meantime, artificial intelligence (AI) has become ubiquitous in architectural visualisation. This technology is already being incorporated into image editing and preliminary designs. “For designs where no detailed specifications have been laid down yet, AI renderings can be pretty impressive. But when it comes to concrete specifications and the technical feasibility of a building, there are still definite limitations to the technology,” says Monclin. That is partly because you sometimes have to be able to read between the lines when communicating with clients. The desire for a bluer sky can be interpreted in various ways, for example. “AI would make the sky more blue. But as a human being I understand that the client really wants a friendlier atmosphere and I can respond to that through various details and tweaks,” says rendering expert Hauer. Many clients are also not aware of what is possible as a result of the rapid technological development that has taken place in animation and visualisation over the past ten years.

Video and animated presentations are in demand

Virtual tours of future buildings and 3D videos are becoming more and more popular. In particular, prestigious properties can make use of them to stand out in competitions and attract the attention of potential buyers. “It’s important to show clients the wide selection of possible 3D solutions. They can make a lasting impression if they adapt the format to the specific target audience and their expectations,” says Michael Falk, founder of Render Vision in Offenbach am Main. 3D visualisation is also gaining in importance when it comes to letting commercial space. “For large areas in existing properties, it helps if clients can look at the space options and see how their individual needs and requirements can be turned into reality,” says Marco Huber, Senior Director Consulting at JLL.

New floorplans and lighting concepts, the flexibility of spaces for accommodating large and small work groups, the appropriate embedding of branding – with digital visualisation, all of these aspects can be brought to life and made accessible. “The decision to rent a property is emotionally charged,” says Huber. The right photorealistic representation can provide important impetus right from the start. ●

Quirky charm

Kiosks are popular worldwide as social meeting places with unusual opening hours, generating sales from a tiny footprint. By Elke Hildebrandt

1 Harbour Kiosk, Hong Kong

Opening and closing daily: the folding mechanism made of timber slats is practical and also a striking feature. Designed by Laab, Hong Kong.

2 Köski Royal, Cologne

The product is as exclusive as the name: at Köski Royal, customers can enjoy coffee from a portafilter machine, prepared with the kiosk's own roasted beans.

3 Brass Kiosk, London

Design practice Mizzi Studio designed an opulent coffee kiosk made of brass for a site close to Buckingham Palace.

4 Kioski, Berlin

In Kreuzberg, a bright yellow booth embodies the design culture of the 1960s: stylish, functional and modular.

5 Bundesbüdchen, Bonn

The famous oval kiosk dating from 1957 once stood in Germany's former capital, Bonn, between what was the Federal Chancellery, the Bundesrat and the Bundestag. The heritage-listed gem was dismantled in 2006 and reinstated near its original location in 2020.

Photos: LAAB Architects, Volker Kreidler / kioski.berlin, Luke Hayes / Mizzi Studio, imago images/Jürgen Ritter, „Köln Mit Vergnügen" / The Gentle Temper, Union Investment (3)

DISPOSAL: Office property in Zurich

Union Investment has sold the Fifty-One office building in Zurich at a profit on behalf of UniImmo: Europa. Completed in 2011, the property was acquired for the fund in 2009 as a development project.

DISPOSAL: Logistics property in Worms

On behalf of UniInstitutional European Real Estate, Union Investment sold a logistics property in Worms for strategic reasons, since the property was considerably below the average lot size in the fund.

ACQUISITION: Seafield Strand residential development in Dublin

Union Investment has further expanded its position in the Irish residential property market. The Seafield Strand development with 140 apartments in the Dublin suburb of Sutton was acquired for UniImmo: Europa.

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