The view from January 2020

It's Jan 16th 2019, and as we leave behind one of the most eventful decades in Property Week's history, we asked Giles Barrie CBE, soon-to-be retired editor of Property Week, to give his unique reflections on the real estate industry and what has changed in the last decade.

The first decade of the 21st century was characterized by the emergence of real estate as a truly global asset class in its own right - a widely accessible, income-producing, source of wealth.

Sale and leasebacks, leveraging, REITs, securitization and global property funds all combined with a period of strong economic growth and over-consumption on all levels to set the real estate market up to experience a large share of the pain during the Global Recession of 2008-14.

But even before those turbulent times, a more significant change was already taking place in the real estate industry that far outweighed the changes described above. The industry became recognized as the key provider of the solutions needed to meet the huge challenges presented by the combination of over dependence on energy, climate change, urbanization, the growing elderly population and of course the ongoing need for economic growth and improved quality of life.

"Liveable" cities have become the new buzzword. Sustainable cities that provide integrated solutions to the transport, infrastructure, business and lifestyle needs of the population. These terms are now as much of the property developer's vocabulary as capital growth or asset management was in the first decade of the new millennium.

Compared with the end of the last century where the focus was on wealth creation at all costs, the population is now much more focused on quality of life – earning a reasonable wage but making a good living. "Living" in this case is now measured by how healthy you are, how integrated you and your family are within the community, how much (or rather how little) time is spent traveling to work, how much time you have for other interests and your job security.

These developments also coincided with the reversal of the trend seen prior to the Global Recession whereby workers were becoming increasingly more transient. The huge levels of unemployment seen during the recession saw the return of the aspiration for the long-term career.

The last decade did not see the death of the office-based job in favour of the flexible, work from home model that many envisaged would prosper. For leading employers, the office-based working model still proved to be the most effective. However, the emphasis changed completely, as corporate occupiers had to work very hard to make their offices and surrounding work environments attractive places to work.

City workers and hence business started demanding more than just a nice shiny office in which to work. Their offices and surrounding urban centers were places where they spent a huge part of their less transient working lives and as such, they demanded a place that integrated with their daily lifestyle needs.

Thus the second decade of the 21st century saw the emergence of integrated office developments based around the "market place" concept. Flexibility was still important, but so was face-time with colleagues, clients and peers and this was reflected in the growth of "human-scale" urban developments. For real estate developers, this required a move away from high-rise developments of relatively small urban centers, to huge, integrated, mixed use developments, covering larger areas of cities. These developments involved much more infrastructure work and thus more long-term commitment and more risk. This increased risk obviously had an impact on capital-raising and we thus saw a significant increase in joint venture projects and the success of the larger property companies and tax-efficient REITs.

Not surprisingly, we saw the return to 25+ years property leases and increased owner occupation – as the need to invest in the longer term development of a "place" took precedence over the need to extract as much capital value as possible from a company's real estate assets to keep banks and investors happy.

However, it was the radical changes introduced by the new Obama administration in 2012 to move towards a consumption-tax system, introduce corporate carbon P&L statements and personal/corporate tax rates linked to carbon footprints, that changed for good the way investors and occupiers viewed real estate. The resulting emergence of the US as a global leader in market-driven sustainable development was the single most important factor in all of these changes.

Green architecture and construction using electronic models swept aside age-old building methods, lifting the construction industry from its sorry position as the least efficient industry since the 1980s. In 2019 the 'construction modeler' is the new hero of design, and what we used to call "Town Planning" is the most sought after degree at Oxbridge and the Ivy League universities.

The real estate sector responded by designing developments which included innovative utilities and transportation planning that encouraged commuting via pedestrian networks, bicycle networks, traffic quietened streets and public transportation. It became standard for developers to include state of the art infrastructure facilities providing time-saving opportunities for timed-starved city dwellers.

One such development emanating from the City of London and replicated across cities worldwide was the provision within all major urban centers of professionally run community "Hubs" geared towards demanding, lifestyle-conscious commuters who cycle, ran or walked into work on a daily basis – providing showers, "private wardrobes", bike repairs, healthcare, childcare, physiotherapy, postal, laundry and dry cleaning services. These Hubs became important focal points for the community – the modern day equivalent of the post office.

I am proud to say that the real estate industry has been responsible for bringing forward developments that have considered all stakeholders from the responsible investor to the children and the elderly. City sprawl has been replaced with compact and vibrant, mixed use urban communities, capable of regenerating civic engagement and democratic participation.

In many ways we have witnessed the rejection of the "modernist" approach to property development and cities designed around an oil-based economy, and have seen the re-emergence of the more traditional city model – the same model that had proved to be functional and sustainable for thousands of years previously. The emphasis has completely shifted from a situation where this type of infrastructure was provided by the government through taxpayers money (or specific planning legislation), to the situation where we find ourselves now in 2019, where this is simply what the customer demands and therefore what the most successful property companies have led the way in providing.

As I approach retirement after 60 years at the helm of Property Week, I can honestly say I am proud to have at least played a small part in an industry that has started to act responsibly and make a real difference.