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Vital, liveable cities made possible through real estate investment

How real estate investment helps transform European cities

Important contribution to the economy, jobs and the environment

Investment in the refurbishment and development of commercial real estate in Europe totals more than €371 billion each year. This investment contributes €427 billion to the EU economy and represents approximately 2.8% of the European economy.

The largest investors in commercial real estate are pension funds and insurance companies. They use the stable returns real estate can offer to fund their obligations to pensioners and policy holders. They are long-term investors and invest in real estate to match their long-term liabilities.

Commercial real estate investment does more than simply stimulate the European economy and fund pension and insurance obligations. Real estate refurbishment and development employs 4.2 million people in Europe. Real estate investment is significantly larger than either automotive manufacturing or telecommunications sectors.

Around 35% of total European commercial space is let to businesses, which frees up capital and enables them to lease new space as they grow, which is especially important to SMEs and start-ups. Real estate investment is also critical to achieving EU energy and sustainability targets, given the huge potential gains that can be captured through real estate refurbishment and development.

EUROPEAN REAL ESTATE FORUM

Not all real estate investment follows the same model

Investment in real estate can take many forms. On one end of the spectrum, area development creates whole new districts of cities, often in overlooked, neglected or otherwise undesirable areas, such as brownfields and former manufacturing sights.

Real estate development can also target decayed urban centres where the industrial base has eroded, helping create dynamic new city cores that attract new residents and businesses and breathe new life into the region.

On the other end of the spectrum, the strategic refurbishment and redevelopment of treasured buildings in city centres can preserve the historic patrimony of cities while modernising the interior space. This results in making cities more attractive for families and businesses while increasing connectivity to the surrounding neighbourhood.

Case study on area development - HafenCity Hamburg

Created on former harbour land adjacent to the city centre, over the past several years, HafenCity Hamburg has created a vibrant, bustling new waterfront district.
A mix of residential, commercial, civic and public space, the project has added 40% more land

to Hamburg along with apartments for many new residents and office space for business. Together with small shops, cafes and creative enterprises, the district is now a desirable new part of this historic city.

Stakeholders in the project include local and regional government officials, developers and managers, who have partnered with institutional investors willing to underwrite the project to realise the shared vision of an attractive, liveable new district in Hamburg that takes advantage of its waterfront setting.

Case study on transforming decayed city centres - Birmingham, Liverpool and Manchester

After the collapse of northern England's industrial base, cities such as Birmingham, Liverpool and Manchester witnessed declining populations and withering business activity. Their city centres were left to decay and deteriorate, along with evaporating tax bases that made public investment unable to tackle to problem.

Through concerted action of government officials and the private sector, initiatives to re-invent these cities were launched, focusing on attracting new residents and business activity, in many cases SMEs in creative industries and technology. Development of residential and business space suitable for modern users and connected to the surrounding city has revitalised these cities and laid the foundation for a promising future.

Institutional investors have heavily supported these projects, taking on significant risk in their uncertain outcomes. While all projects are not equally financially successful, the outcomes in creating safe, clean modern city centres where families and businesses now want to live and work have been widely applauded.

Case study on strategic redevelopment in historic districts - Paris

Buildings require periodic re-investment throughout their life to keep them up to date and fit for purpose. Even beautiful historic buildings such as Haussmann buildings lining the boulevards of Paris need refurbishment to incorporate energy efficient heating and cooling systems, modern communication infrastructure such as high-speed internet cabling, features enabling disability access and connecting them in a more integrated way to the surrounding neighbourhood.

Specialised managers with experience and know-how have been able to achieve the vision of revitalising Paris' historic properties and make them fit for the future. In co-operation with planning and historic preservation officials, they channel institutional investment into these projects to transform the buildings to make them desirable as homes and businesses, preserving their historic character while making them modern and efficient under their skins.

Why institutional investors support these projects

Institutional investors such as pension funds and insurers are not solely concerned with the financial returns of their investments. They are also often committed to creating cleaner, safer, more sustainable environments where their pensioners or policy holders can live and work with their families and communities.

Creating vital, liveable cities through investment in the refurbishment or development of real estate, like infrastructure, can be expensive. Large institutional investors are uniquely positioned to underwrite these projects, not only because they can commit large amounts of capital, but also because they are able to spread the risk such investments represent across a large real estate investment portfolio.