

ISHC Presentation by Jonathan Worsley



Operational Real Estate Festival

# AGENDA



WHAT IS OPERATIONAL  
REAL ESTATE?



WHY NOW?



IMPLICATIONS

## What is operational real estate?

- ▶ The success of the real estate investment is directly linked to the success of the occupying business



# What is operational real estate?





# What is operational real estate?



# The latest entrants: co-working and co-living

# What is operational real estate?

- ▶ CBRE is creating a division called Operational Real Estate into which hotels, leisure, healthcare, student accommodation, data centres, etc, all report
- ▶ “Traditional real estate investors are on a burning platform” David Batchelor, CBRE’s head of the new division



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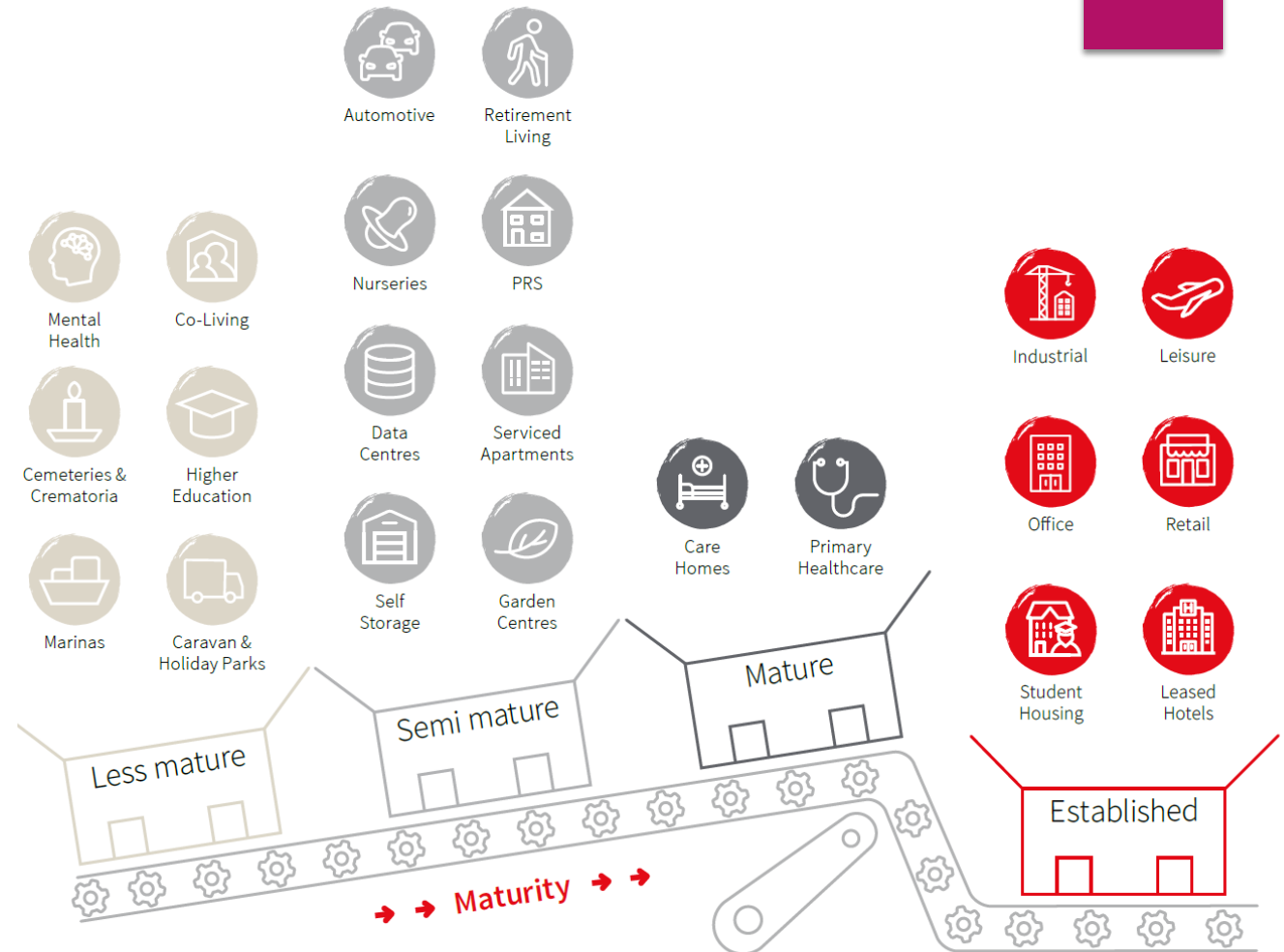
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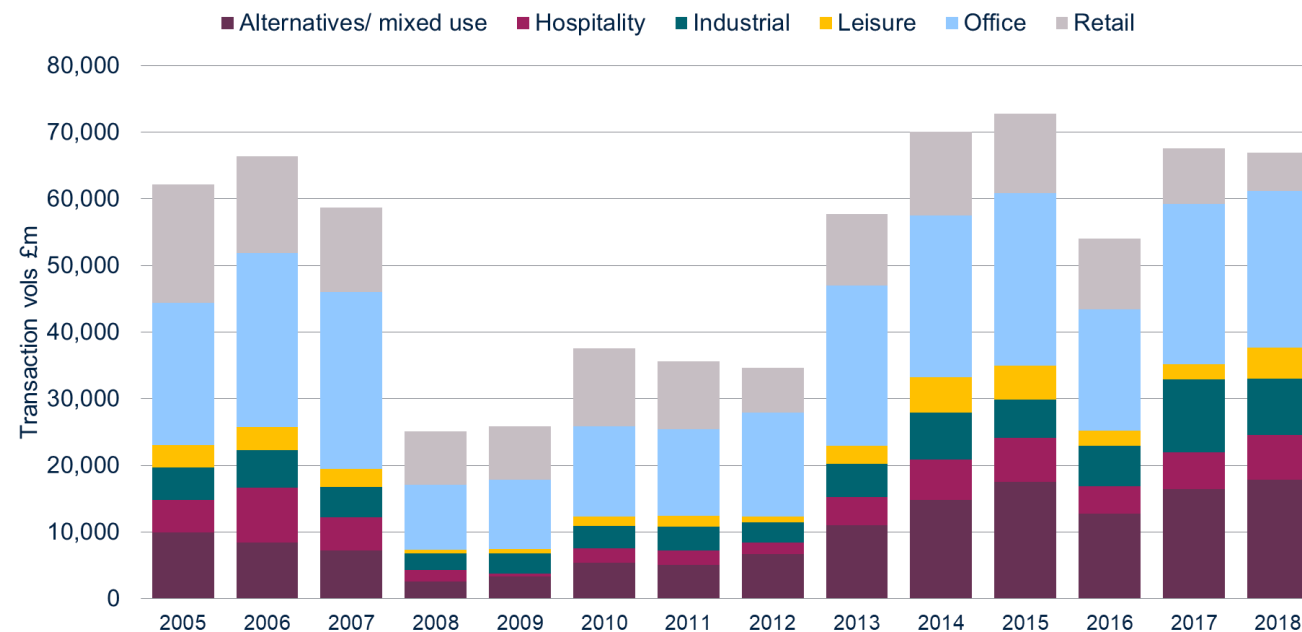
# What is operational real estate?

- ▶ JLL refers to “Alternatives”
- ▶ It says “the multiple occupier nature of many Alternatives sectors is now driving change in the traditional commercial property sector”



## What is operational real estate?

- ▶ Savills says alternatives and hospitality combined is now the biggest segment of commercial property





# Why now?

Cyclical *and* secular

Cyclical – low bond yields driving investors higher up the risk curve and QE created scarcity for income yielding assets

Secular – the growth of the experience economy means asset classes connected to operational real estate are growing fast

# Why now?

- ▶ Operational real estate investors own the “stage” for the experience economy and are thus an integral part of this new economy



## Implications

CBRE says it now makes twice as much fee income from other operational real estate sectors as from hotels

Investment in non-mainstream property asset classes reached 28% in 2018 (Cushman & Wakefield)

## Implications

Services, and in particular, hotel-like services, are the dominant feature of most fast-growing occupier businesses

It is a process of “hotelisation” of the real estate industry

# Implications



- Hotels have gone from being a backwater of real estate to being the vital ingredient in future success





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