

April 2018

## **Disruptive forces facing the property industry**

Faced by several disruptive forces, the PFA 2018 Conference explored New Horizons – not just “new” property investment opportunities and alternatives, but how core property investments are changing and responding to new ways of doing business.

Some key ways property is responding to disruption include:

**Multi-family or Build-to-Rent housing:** Multi-family housing is largely unknown and often misunderstood in Australia, but green shoots are appearing. Build-to-Rent housing could be an important response to affordable housing shortages in Australia and may appeal to institutional investors targeting long-term income potential. While the local regulatory environment has made multi-family housing difficult, the experience in the UK, which only introduced multi-family housing in 2010 and now has a burgeoning build-to-rent sector, shows the power of strong underlying demand for rental accommodation. There are several multi-family housing projects in the pipeline in Australia.

*Luke Mackintosh from Ernst & Young presented on multi-family housing at the PFA 2018 Conference.*

**Student accommodation:** Is student accommodation on the cusp of rapid institutionalisation, or will it forever be an alternative asset class? This is a promising and growing sector both locally and globally. But there are many questions around what drives underlying returns, and the different models for investors – for example, purpose-built student accommodation versus purpose-managed accommodation.

*Stephen Gaitanos from Scape presented on student accommodation at the PFA 2018 Conference.*

**Healthcare:** Demand for quality healthcare only keeps growing, providing significant scope for property investment opportunity. Healthcare covers many things, from hospitals to seniors living. Investors will need to understand the supply/demand dynamics in different markets and may ask whether healthcare may experience the same cyclical nature as other property sectors.

*Rob Morrison from Barwon Investment Partners presented on healthcare property at the PFA 2018 Conference.*

Traditional core property investment sectors are also impacted by a disruptive business environment. Consider changes and emerging opportunities in the following core property asset classes:

**Industrial property and the “e-commerce effect”:** Industrial property is rapidly responding to huge changes in global retail trends, including new demands from the end retail consumer. Altered supply/demand fundamentals are also impacting the asset class. Other influences include the growth of huge global companies, traditional retailers expanding their offerings, and changing supply chain & logistics demands. Industrial property faces key challenges in taking advantage of the e-commerce effect without taking undue risks.

*Nick Vrondas from Goodman Group presented on the e-commerce effect, and drivers and demand for industrial property at the PFA 2018 Conference.*

**Retail and the rise of “experiential retail”:** The ever-changing retail environment has faced major challenges in staying relevant to changing consumer preferences, particularly for the traditional “bricks and mortar” retailers. Harnessing this constant change is a key question for property and for investors. More consumers value experience over products, which has seen the rise of “experiential retail” – how retailers respond to this disruption will be fascinating to see.

*Gary Horwitz from LendLease presented on experiential retail – local and global perspectives at the PFA 2018 Conference.*

**Office property reworked – structurally, technically and socially:** Office property has had to respond to structural shifts in society, including flexible working environments and a growing digital impact on the sector. Creating community in the office sector is becoming more important. “Place making” is becoming more prominent in office developments and refurbishments. How offices will be occupied in future is a key question.

*Michelle McNally from ISPT Super Property presented on office property at the PFA 2018 Conference.*

Finally, investors are highly influenced by disruption as new products, markets and secondary markets have a profound impact on **global capital flows**. Where is international capital currently going, and how does this influence the local property investment industry?

*Petra Blazkova from Real Capital Analytics presents on global capital flows at the PFA 2018 Conference.*

***2018 Conference Presentations and Highlights can be viewed on the PFA Website***