

European Real Estate Markets - 25 Years of Change

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So what has happened over the last 25 years?

- A significant step-change in the structure of European Real Estate Markets driven by the evolution of new institutional arrangements which have addressed key issues related to information costs and requirements and improved the transparency of market decision rules.
- There are a number of important components to this step-change which combined have served to facilitate the internationalisation of European Real Estate Involvements and to increase their complexity.

Components of Change

- Changes in the market infrastructure supporting real estate involvements in Europe
 - Creation of global and regional delivery platforms in both real estate and financial/investment advisory services
 - Increased standardisation of market practices and information provision
 - Improvements in practice and market transparency
 - A revolution in performance information
 - Both direct and indirect
 - The emergence of super information intermediaries – IPD/EPRA/INREV
 - Very important for increasing the size of the investment market

Components of Change

- Significant Improvements in the quality and reach of real estate research in Europe
 - European Real Estate Society(ERES)
 - Professional Bodies and organisations
 - Specialist real estate analysts
- Improvements in the human capital base
 - Significant expansion in the provision of real estate education in Europe
 - A recognisable professional base
 - Role of professional bodies

Components Of Change



- Changes in the Regulatory Environment
 - Single Market Programme
 - EU Expansion to include many emerging locations
 - Single Currency – Removal of Currency Risk in Euroland Area
 - Adoption of standards
 - Ethics, Reporting, Valuation
 - Key role of professional bodies and pan-European organisations

Components Of Change

- Changes in Investor Characteristics and Behaviour
 - Emergence of International Sector Specialists
 - Reduces the importance of difference in market decision rules and professional capacity
 - Significant growth in indirect investment both listed and especially non-listed and in the number private investors
 - greater diversity of players and sources of liquidity
 - REITS and Investment Vehicles
 - A much wider range of investment objectives accommodated
 - Greater menu of product choice faced by investors
 - Wider range of investments strategies now feasible in a much wider range of locations
 - CSR and RPI Concerns – Sustainability

Impacts and Observations

- A more complex and internationalised European market structure
 - Supported by a range of new institutional arrangements
- But recent crises has exposed some significant weaknesses
 - Narrowness of the Real Estate Capital Raising Base in Europe
 - Debt Funding Gaps – Bank Crises
 - Deficiencies in Professional Capacity and Human Capital Persist
 - Internationalisation on the back of access to capital with no know how
 - Little understanding of risk and market bubbles