



What makes an investible place?

Investor Perspectives

December 2021



Introduction

Real estate returns have never been so polarised. This is perhaps most obvious when different asset classes are compared, but it is increasingly evident within asset classes too. For example, the graph below shows that rental growth for prime Central London offices is increasingly outpacing the mainstream market, where values have been more stable. Similar patterns are observable in other sectors. As occupiers, employees and residents become more discerning after the pandemic, this trend is set to accelerate.

It is partly driven by spatial economics – the concentration of higher value-added work, and skilled people in specific locations. Market factors, in particular the falling amount of new space in the property market as a whole, are also crucial. But the growing importance of building-specific and less quantifiable aspects of a development or investment are clear. These include: the look and feel of a place, the experience it provides, how well connected it is, the environmental impact, its positive contribution to society and people's health and wellbeing. These and many other factors are becoming central to long term resilience and performance.

A new emphasis among occupiers, investors and funders on Environmental, Social and Governance (ESG) factors lies behind this shift, but it is also a reflection of several economic and social trends:

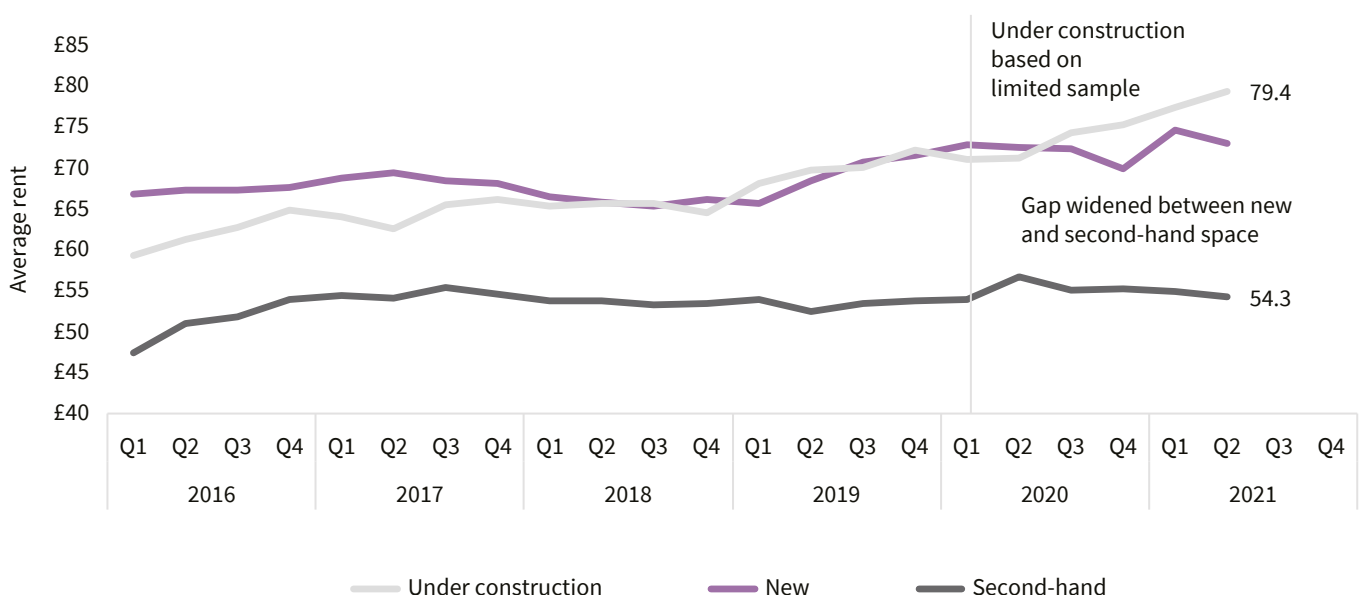
- Businesses are increasingly aware of the quality of their working environment as a driver of productivity and innovation;
- Technology and research have made people more aware of health & wellbeing issues;

- Private sector organisations, including those in real estate, are being challenged to contribute to community and society;
- In a global 'war for talent', amenities and the quality, vibrancy and sustainability of a building or neighbourhood are significant advantages;
- A building and its location have always been important supporters of retail brand values, but this has spread to other sectors;
- With a shift to hybrid working styles after the pandemic, residential preferences have changed.

At the same time, falling returns from other asset classes have driven more investors into real estate, which still offers attractive risk-adjusted returns. But competition has increased and sourcing such product is increasingly difficult. Investing in assets which deliver on most of the demands above will tend to outperform their local market.

More importantly, investors who demonstrate that they can consistently excel in these areas will find it easier to source opportunities or joint ventures in which the public or third sectors are stakeholders. This route is increasingly preferred by institutional investors looking for inflation-proof, long term returns.

Given an increasingly demanding end user base, the 'long tail' of lower quality properties and developments is not merely going to see mediocre returns – there could be increasing problems of obsolescence. In other words, those in real estate who avoid addressing this new world could find themselves sidelined.

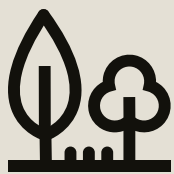


9 key attributes of investible places

In addition to the property fundamentals and the wider economic context

These attributes can be applied to individual buildings or large-scale schemes





Environmental responsibility

Most investors and occupiers are developing strategies aimed at decarbonising their portfolio over the coming decade and beyond. Few buildings at present come close to operational net zero, and the difficulty in achieving this status varies substantially.

Investors need to understand the costs and feasibility of sharply reducing the carbon footprint of assets. This may make purchasing such buildings commercially unviable, however attractive they may be superficially. Furthermore, the next few years will see the rise of a “brown discount” for more carbon-intensive buildings, which needs to be factored into appraisals.

Low-carbon, environmentally friendly buildings and quarters will attract employees and customers as well as businesses; while younger employees, in particular, appear to prefer to work for companies that prioritise the environment.

For occupiers, there is the added advantage of lower operational costs.

Increasingly, investors will be able to access more competitive finance when purchasing or regearing such buildings. And most importantly of all, they will perform better over the long term and will have a reduced chance of obsolescence and/or further cost burdens as regulation tightens. Recent JLL Research has demonstrated a 10% rental premium for the most sustainable buildings¹.

This is not just about carbon however; buildings and neighbourhoods will have to adapt to a circular economy in which the waste they produce is recycled into inputs. Meanwhile incorporating greenery or even cultivation methods into buildings is not just environmentally responsible - biophilia will support users' physical and mental wellbeing.

Clichy-Batignolles, Paris

As with many recent regeneration projects in the world's megacities, Clichy-Batignolles was built on former railway land. The 133-acre scheme in the 17th arrondissement was envisaged as an exemplar “eco-quartier”. The development is set around the 10-acre Martin Luther Park – which features a huge playground and water features designed to offset flood risk. The focus though, is on the buildings themselves – they are low-energy (50kWh per sq m) with geothermal and solar sources providing up to 85% of their electricity.

While it is predominantly a residential scheme, there is also 1.5m sq ft of office space, shops and cultural and leisure facilities. The land was owned and masterplanned by Paris & Métropole aménagement, which is jointly owned by the City of Paris and the County of Paris, but as with HafenCity (see previous page) sites were sold to and developed by private interests once the design and standards had been agreed. It completed in 2020.



Credit: Sergio Grazia – ZAC Clichy-Batignolles : Paris & Métropole Aménagement

Vulkan, Oslo

The western bank of Oslo's Akerselva river was, until recently, a former industrial area that had become partly derelict. Between 2009 and 2014, developer Aspelin Ramm transformed 40-acres of this area into one of Europe's most environmentally friendly new city quarters. It was developed around both sustainable energy sources and the principle of sharing energy and heat between densely interwoven multiple uses. It includes a series of 300m deep geothermal wells, extensive solar energy and water heating and a community energy plant distributing heat and regulating temperatures between buildings. Excess heat can be used to ‘charge’ the geothermal wells, allowing it to effectively be stored for a later date. There are also biodiversity measures, including extensive beekeeping facilities, a new salmon run in the river, and rooftop gardens.

The area is intensely mixed-use with 147 residential units and just over 12-acres of open public space alongside the Vulkan Arena event venue, 150,000 sq ft of retail, 80,700 sq ft of hotels and over 150,000 sq ft of educational space, including Dansens Hus (the national school for dance art), Kristiania University College and an art college. Perhaps the most notable building however, is the Mathallen, Oslo's first indoor public market and a prototype for the recent wave of food markets across Europe. It attracts around a million visitors a year. Meanwhile, the PS:Hotel demonstrates social sustainability by focussing on training and employing staff who are trying to re-join the job market.



Credit: Aspelin Ramm

¹ <https://www.jll.co.uk/en/trends-and-insights/research/the-impact-of-sustainability-on-value>



Health & wellbeing

Health & wellbeing was already moving rapidly up the list of occupier and resident requirements before the COVID-19 pandemic. The emphasis on fresh air and ventilation during lockdown could persist if people remain more aware of airborne infection (beyond COVID-19).

This will support the growing awareness of air quality and pollution, which will be increasingly monitored by individuals through phones or other devices – which in some cities may deteriorate in the short term if car use increases. Meanwhile, the importance of natural light in supporting health and cognitive functions is well established.

Similar issues apply to space. The experience of lockdown and remote working has changed the residential market, with greater emphasis on additional rooms and outdoor space, rather than convenient locations. In the office market, which has seen the widespread introduction of hotdesking and increasing densities over the past decade, employees are likely to expect more space between desks and reduced desk sharing. ‘Hybrid’ working could also lead to demands for more collaboration space.

In short, this implies that buildings and quarters need to have a wealth of accessible green space, be well-ventilated and allow plentiful natural light, and be located where pollution is minimal.

Victoria Dockside, Hong Kong

Health & wellbeing has become increasingly important in new developments in Asia. In cities such as Hong Kong, a lack of space and pollution issues have become major drivers. New World Developments’ 3m sq ft Victoria Dockside in Tsim Sha Tsui – a remodelling of the former New World Centre – is a good example of this shift. Opened in stages between 2018 and 2019, this ‘art and design district’ adheres strictly to Sustainable Design Guidelines in areas such as ventilation, greenery and energy efficiency.

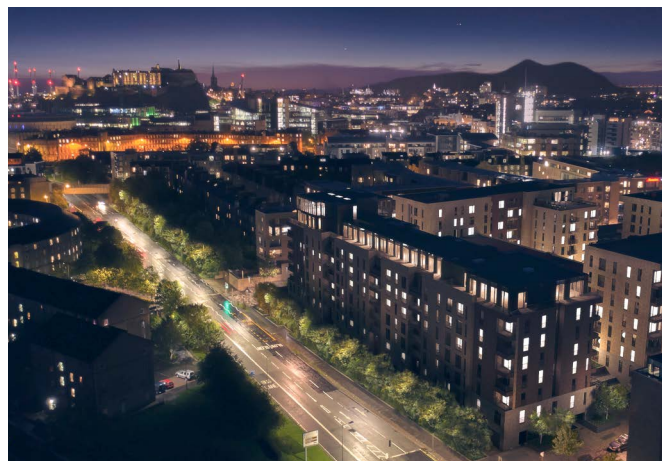
This green space is incorporated as vertical green walls, rooftop kitchen gardens, and playgrounds featuring rare and local plants and trees. The aim is partly to increase biodiversity and; partly to provide relief from the heat of the city’s increasingly intense summer. The buildings also conform to Indoor Environment Quality for acoustic & internal comfort. This includes a comprehensive air management plan, advanced air filters, solar shade designs and CO₂ sensors. There are also more general sustainability features, such as the use of seawater for cooling and ventilation systems. The building is nevertheless highly commercial; it includes K11 Atelier Offices and the Rosewood Hotel and Residences.

The McEwan, Edinburgh

Moda’s 476-unit build-to-rent scheme is the largest so far in the Scottish capital, and is the first to be explicitly orientated around health and wellbeing. Surrounded by landscaped gardens and terraces, the neighbourhood features 45,000 sq ft of amenity space, including a gym, fitness classes, and access to on-demand services such as personal trainers. Further state-of-the-art amenities, which further differentiate Moda, the McEwan from other housing offers, include a cinema room and co-working space. These are complemented by super-fast WiFi and the bespoke MyModa resident app.

The homes have walls five decibels above current regulations, while an app from Moda Living’s mental health partner MYNDUP will provide subsidised mental health sessions to all residents.

Moda, The McEwan was the first European residential scheme to receive a Fitwel 3-star rating; the developer is focussed on creating a ‘best-in-class’ living environment with health & wellbeing at its core. It is due to complete and open in 2021.



Credit: Moda Living



Community

Social inclusion – and contributing something to the local community – are increasingly seen as vital for landlords and developers.

Buildings or quarters can no longer be “fortresses” that exclude those who are not working there or do not fit the desired community demographic.

The local community needs to be invited into such areas – through events, through a diverse range of amenities, through architecture and design,

through employing local people, and through sponsoring local community projects.

Businesses that do not recognise social sustainability as important will fail to attract investors, clients and employees in the longer term – and will increasingly suffer. This may involve supporting the community at grass roots level with education and employment inclusion.

Social value and place activation can work hand-in-hand.

Crosstown Concourse, Memphis

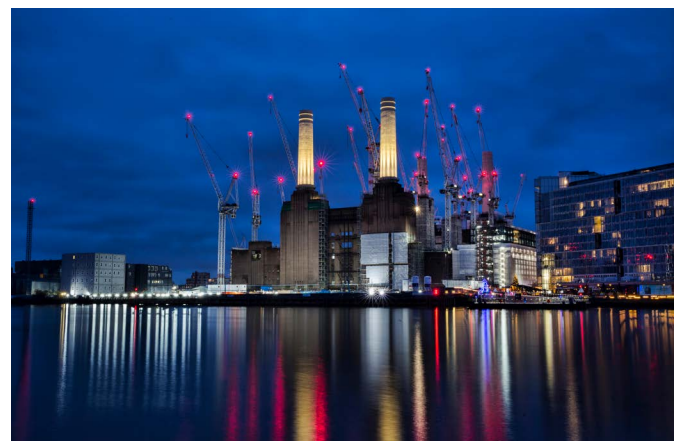
The 1.1m sq ft former Sears department store and distribution centre had lain empty for almost twenty years when Todd Richardson, a university professor, and Christopher Milner, a video artist, set up Crosstown Arts – a not-for-profit development company aimed at redeveloping the building into a community and cultural asset. The two secured commitments from eight local tenants as well as \$15m funding from Memphis City Council alongside 31 other backers. The vision was to renovate and restore the building and transform it into a “vertical urban village”.

Since the building reopened in 2017, it has received several awards, alongside a LEED Platinum rating for adaptive reuse. Its centrepiece is food: Global Café, an international food hall supporting refugees and immigrants, and Curb Market/Central Atrium, which features local produce. There is also a variety of local F&B and retail operators as well as a craft brewery and a music venue. The building hosts free events such as live music, art displays, dance classes, yoga, mindfulness and talks. The Concourse also includes a high school, a small hotel, healthcare agencies and nonprofits, as well as “Parcels at Concourse”, an apartment complex.

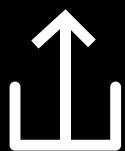
Battersea Power Station, London

There had already been several failed attempts to redevelop one of London’s most famous - if long unused - icons when Malaysian developers SP Setia and Sime Darby purchased Battersea Power Station in 2012. They have successfully transformed the 42-acre site into a mixed-use development, served by a new part-funded tube station, and new riverside walks, with Phase 1 opening in 2019. Given the scale of the scheme, however, the developers were keen to engage positively with the diverse local community in Battersea.

The Battersea Academy for Skills and Employment (BASE) was set up, with the vision of becoming a market-leading vocational training institution, upskilling local people for employment. It aimed to become the ‘go to’ for those seeking employment training in this part of South-West London, while building links with schools and other providers. The developers also initiated an apprenticeship programme, and have had a focus on using local businesses, suppliers and service providers both during the construction phase and beyond. The scheme’s 20 acres of public space, including gardens and copses with a carefully designed planting strategy, also provide a significant resource for the local community.



Credit: Getty



Knowledge ecosystem

Buildings and the businesses within them do not exist in a vacuum. Their performance is intrinsically linked with the institutions and business mix around them.

Providing places where networks of workers with different, but related, skills and specialisms can congregate and share information is increasingly vital to the performance of a building or a neighbourhood. Accidental meetings and overheard conversations may be just as important as formal meetings.

Many examples are based around universities or other institutions, but a strong enough private sector innovation

base can suffice. However, public space, good quality F&B, and event and amenity space is vital for innovation economies to function; an active residential community is also beneficial.

Increasingly, simulating this world is possible through creating a digitally connected community via an app-enabled network that conveys the brand values of the building or development and enables communication. This will become more important with the rise of hybrid working, as it has already done with the rise of online retail.

ID Manchester

The Oxford Road Corridor, just south of Manchester City Centre, contains a high concentration of innovative companies, particularly in Life Sciences, often connected to the nearby University. As such, it seemed a logical opportunity for Bruntwood SciTech – a joint venture between developer Bruntwood and Legal & General – which was created to focus on working with the public sector and universities to create innovation districts in UK cities.

ID Manchester is being developed as a joint venture with the university, which has ambitions to become the most innovative in Europe. When complete, it will provide over 2.6m sq ft of new commercial workspace, including the 650,000 sq ft Grade II-listed Sackville Building, and could create up to 10,000 new jobs over 10-15 years. A £28m investment in the public realm will help feed into an ambitious design and placemaking agenda, and provide new spaces for events. The overall aim is to tap into the area's knowledge economy, and build on synergies with other Bruntwood SciTech buildings at CircleSquare and CityLabs.

Munich Urban Colab

According to JLL's 2019 Innovation Geographies research², Munich is the most innovative city in Europe after London and Paris, ranked 13th globally. It is no surprise then that the built environment in the city is evolving to support its knowledge industries. Urban Colab is a 11,000 sq ft redevelopment in the heart of the city which opened in 2021. It is orientated specifically around technological solutions to urban problems.

Developed as a joint venture between Unternehmer TUM – which supports start-ups in the city – and the City of Munich, it includes offices, co-working spaces, events and seminar rooms, living labs and a prototype workshop. A café, two conservatories and a sports & fitness room are also included. The companies involved include specialists in areas such as urban mobility and artificial intelligence.

The local area provides further ingredients for this knowledge ecosystem. The Hochschule München is next door, while the wider area includes the Hochschule für Design and the Hochschule für Film- und Fernsehen.



Credit: Munich Urban Colab / Stefan Müller-Naumann

²<https://www.jll.co.uk/en/trends-and-insights/research/innovation-geographies-2019>



Diversity and inclusion

The scheme, building and/or context should provide a diversity of experiences and services to customers, workers and the full range of local residents, both new and existing.

This would include both the look and feel of the place, and the range and quality of amenities available.

For office workers, a choice of places to work and relax have been demonstrated as supporting productivity; occupiers and employers alike increasingly expect variety and high quality design in their working lives. It would also help attract and retain a more diverse workforce.

Retail and F&B needs to appeal to a wide range of customers beyond the office population and passers-by. This will add value to any living component by creating a wider and deeper pool of demand.

More generally, the wider the range of uses and amenities, the more diverse the potential occupier and customer base, and the more long term economic resilience and social value.

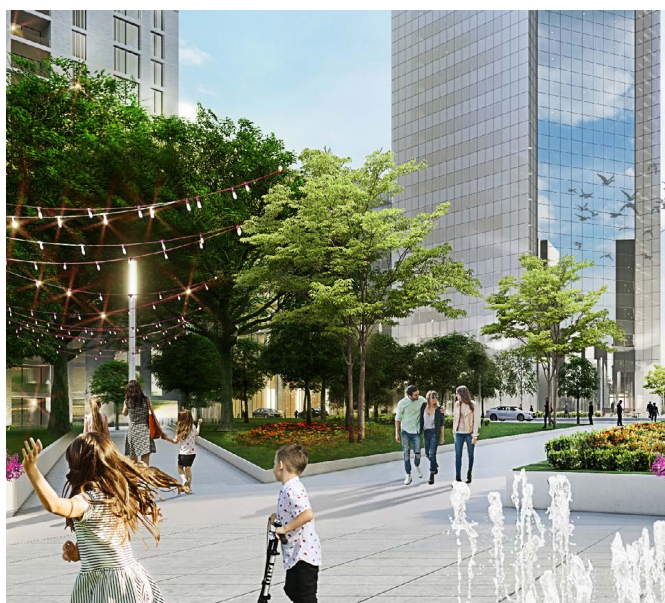
This will also help to ensure the local community is involved (see p.8) - increasingly an investor priority, rather than simply a local government aim.

Quartier de Lumières, Montreal

Groupe Mach is at the forefront of one of the most innovative real estate development projects in North America. Mach has developed a creative vision for an entire neighborhood that will elevate the vibrancy of east downtown Montreal. More than simply another construction project, Quartier des Lumières will enhance the wellbeing of all those who live in, work in, and visit the district.

With an area of 4.5 million square feet, Quartier des Lumières will be developed over the next few years with a goal to create community inclusion. The transformation of Quartier des Lumières's 20-acre site will be designed as a "Complete Living Environment", which will include a large park and several green spaces, community spaces dedicated to local groups, office towers, local shops, big box retailers and 4,000 apartments and condos including 400 social housing units.

Groupe Mach has a goal of obtaining a LEED gold certification as this new development will serve as an iconic staple in the city of Montreal by restoring a historic neighborhood.



Credit: For illustrative purposes only. Rendering, courtesy of Groupe MACH inc.

Canada Water, London

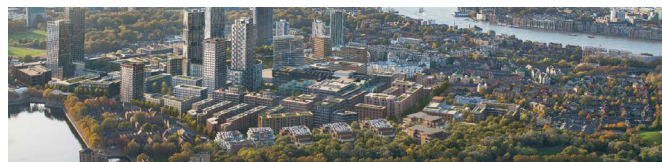
The 53-acre Canada Water site is one of London's largest regeneration projects, aimed at delivering a new, mixed-use urban centre catering to a mix of age groups, incomes and life stages. It will consist of up to 3,000 new homes, 2m sq ft of workspace and 1m sq ft of retail, leisure, entertainment and community space.

As part of its development agreement with Southwark Council, British Land – the lead developer – has produced a Social Regeneration Charter, committing the partnership to developing Canada Water as:

- A place to learn and grow
- A place to work
- A place to be happy
- A place to belong

This means that the masterplan will be shaped by the community, with 5,000 local people feeding into its development. There will be an emphasis on green space and biodiversity, with ecological enhancements to Canada Dock and over 1,200 new trees – alongside a new, 3.5-acre park as part of 12 acres of new open space. Some 130,000 sq ft of retail and workspace will be available at discounted rents for local businesses, with an additional 5,500 sq ft earmarked for community uses.

Training in skills for mentoring and other support will be shared between local groups and organisations and new occupiers through a Business and Community Volunteering initiative. The private and affordable housing will include homes for different life stages, including older and disabled people, along with extra care and specialist accommodation. Canada Water will also include 10,000 cycle parking spaces, free cycle hire and training.



Credit: British Land



Distinctiveness

A sense of place has become increasingly central to the ability of city quarters and other neighbourhoods to attract businesses and sustain economic activity. Distinctiveness is a key part of this sense of place.

Developers or owners of larger schemes can in some ways create this from scratch, but the prospects for individual buildings will be more dependent on their urban context.

However, developments and buildings still need to feel as if they could only be found in this location, and that they in turn offer an experience which nowhere else can provide: a unique combination of architecture, amenities and people, connected with the wider urban context.

Some might interpret this as a need for architectural innovation or an “icon” - but modest buildings can achieve this too.

HafenCity, Hamburg

HafenCity is one of Europe’s largest regeneration projects, a 157-hectare transformation of Hamburg’s former port. While it benefits from the waterside setting and the historic context – notably the UNESCO world heritage listed 19th century warehouses of the Speicherstadt district – it successfully manages to feel like a distinctive part of the city, despite the size of the scheme and the rapidity with which it has been developed. It has been masterplanned by the city, with plots allocated to developers with the design and use guidelines in place - although there is some flexibility.

This distinctiveness is partly a result of the amount of public buildings, most obviously the Elbphilharmonie concert hall and the International Maritime Museum. But other design decisions have been fundamental in creating this urban fabric. The scheme was divided into quarters, each profoundly mixed-use, but with a different character depending on the presence of, for example, educational institutions, offices or parks. Meanwhile uses, such as local artists’ temporary occupation of Oberhafen, have been cleverly employed.

While much has been built, the scale of the project means it will not be complete until the early 2030s. It is seen by the city as key to retaining Hamburg’s role as one of Germany’s most dynamic, affluent and cosmopolitan cities - and its “gateway to the world”.

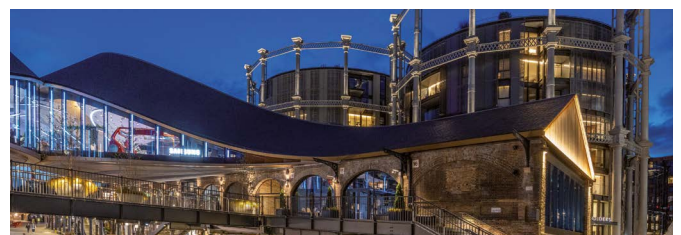


Credit: HafenCity

King’s Cross, London

King’s Cross – or rather, the former industrial and railway lands north of the station – had lain semi-derelict and crime-ridden for decades until, spurred by the potential arrival of the Eurostar terminal, LCR and DHL appointed Argent as master developer in 2001. Key at this point was the decision to price the whole development at a value per acre, rather than producing higher or lower land value parcels – allowing the scheme to be developed as a truly cohesive mixed-use environment: a business and residential district that would also become a retail and gastronomic hub. This meant that the focus was on the “right” mix of F&B and retail from the beginning.

This holistic approach has also enabled the delivery of high quality public realm, including 10 new public squares and 25 acres of public space, that also function as event spaces. Together, it has attracted tenants as varied as the University of the Arts – footfall from students being key to securing early vibrancy – as well as Google and Facebook. The cumulative effect has been to make the environment even more attractive to talent and occupiers. This mix of uses and businesses, the presence of the canal, and the retention of several historic buildings gives the area the feel of an authentic part of London.



Credit: John Sturrock



Authenticity

Whether the asset is an individual building or a larger scheme, a refurbishment of a historic building or an adventurous new build, it will benefit from reflecting its wider urban context and its history and culture.

For some sites or neighbourhoods, this may be easily done, as there are historic buildings which provide this context.

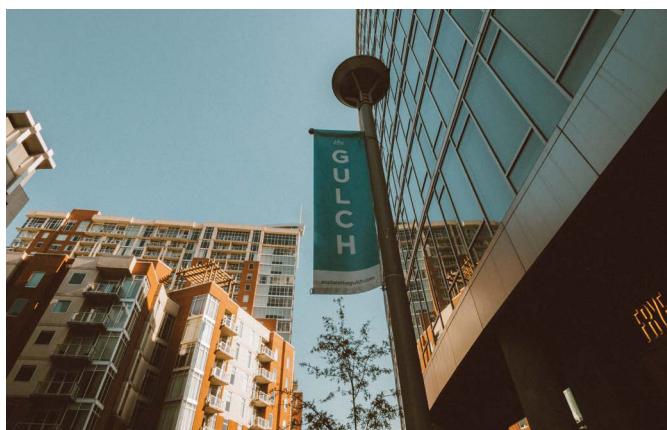
It is also more straightforward for individual buildings in locations which have strong local cultures in areas such as music or the arts, or which have a vibrant independent economy, offering locally distinctive and grounded businesses.

For others, the situation may be more challenging. Connection with local industries, the local community, or some form of subtle storytelling offer alternative routes.

The Gulch, Nashville

Nashville is renowned around the world for its music scene and heritage. In recent years however, it has seen something of an urban revival, partly a result of its thriving tech sector. Much of this revitalisation has happened at The Gulch, an entirely new neighbourhood at the city's heart, between Music Row and Downtown. Developed by MarketStreet Enterprises, its focus on connectivity, walkability and public transport made it the first LEED ND certified neighbourhood in the southern US.

The former partly derelict site now contains 4,500 residential units, over 1.5m sq ft of office space, and 500,000 sq ft of retail and restaurants. The Gulch feels like an authentic part of Nashville as it has retained several historic buildings, reflects the city's music heritage with venues such as the Bluegrass-focussed Station Inn, and features a wealth of local and independent retail and F&B. The Gulch Business Improvement District plays a key role in running events and supporting visitors, and while much of the Gulch is now complete, it continues to expand and evolve.



Credit: Nashville area Chamber of Commerce

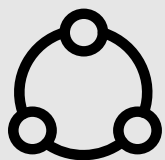
Carlsberg City, Copenhagen

When Carlsberg moved its brewery facility from its historic base to a new purpose-built facility, it left behind some 130 acres of land just to the west of Copenhagen's fashionable Vesterbro district. The brewer decided to work with some of Denmark's biggest pension funds – PFA Pension, PenSam and TopDanmark – to redevelop it as a dense, “medieval-style” and “unpredictable” city quarter, with squares, narrow streets and alleyways. Indeed, the designs won “Best Masterplan” at the World Architecture Festival in 2009.

The scheme's authenticity relies on it combining the historic buildings with modern design, perhaps typified by Hotel Ottila, which juxtaposes old grain silos and malt stores with features such as a 3-storey light sculpture. Cellars below the city will be opened up to provide event and art spaces. Institutions such as University College Capital and a new metro station have helped to ensure early vibrancy, which has attracted occupiers as varied as Accenture, American International and Mikkeler. Nevertheless some 50% of the development is residential (around 3,000 homes) with the remainder split between offices, retail, F&B, cultural and sports facilities. Some 80% of the scheme is now complete, with final delivery due in 2024.



Credit: Carlsberg City



Adaptability

The economy and property market are seeing more disruption and change than ever before. Sectors such as retail are facing unprecedented challenges, although this sometimes obscures the resilience and outperformance of certain subsectors, locations and assets.

While the office is likely to remain central to most businesses' strategies, its role will change, with significant implications for industry standards in areas such as lease structures, tenant flexibility and design and fit-out.

Residential buildings will also need to respond to future changes in consumer needs, while the increasing importance of environmental sustainability means that standards will undoubtedly tighten even more rapidly over time.

This emphasises the need to adapt continuously; to learn from repeated refurbishments and fit-out changes; and to examine how buildings can be easily repurposed for other uses.

Strijp-S/T/R, Eindhoven

Eindhoven, in the southern Netherlands, developed almost as a 'company town' for Phillips. So when the electronics manufacturer decided to relocate, it could have meant disaster for this affluent and successful city. But it has managed to position itself as one of Europe's most impressive innovation hubs, reinventing and reusing the resources, skills, networks and buildings that Phillips left behind.

Among these buildings are the three Strijps, former Philips HQ facilities which were reinvented as mixed-use hubs over the course of the 2010s, and have become key parts of the Eindhoven innovation ecosystem. They include a mixture of SME/incubator office space, housing and event space as well as a daily fresh food market ("Food Hall Vershal Het Veem"), a Children's Discovery Centre, facilities for urban sports such as a skate park, and Europe's largest virtual reality centre.

The buildings have attracted high-profile occupiers such as VanBerLo (named one of the Netherlands' most innovative companies), Additive Industries, Amber Mobility and Piet Heni Fek, the internationally renowned designer. There is also a strong retail and restaurant offer, including Ketelhuis, Machinekamer and Anton & Gerard. The proximity to Eindhoven station provides links both to the wider Netherlands and the innovation economy in the local area, which includes the local universities.

Ponce City Market



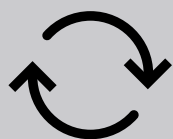
Credit: Bartolotti Photography

Ponce City Market, Atlanta

Sears' 2.1 million sq ft former Southeast U.S. distribution center, showroom and catalogue facility – the largest brick building in the southern US – stopped operating in the 1980s. Shortly after, the City of Atlanta purchased the building to use as city offices, renaming it City Hall East, although it remained overwhelmingly underused. In 2011 it was sold to Jamestown LP – the developers behind New York's Chelsea Market and San Francisco's Ghirardelli Square. Their reinvention of the building has become one of Atlanta's major tourist attractions and is recommended in several travel guides and newspaper articles.

The building now provides 350,000 sq ft of retail, 500,000 sq ft of office space, and 259 residential units. The retail space includes a food hall housed in the former Sears' warehouse, with 25 F&B vendors and restaurants, alongside relics (such as clocks and scales) from the original 1920s facility. The retailer mix ranges from local vendors to international household names. The former includes Citizen Supply, a concept that operates small-scale showcase space for more than 100 artisans and vendors, and the latter including retailers such as West Elm, Williams-Sonoma, Anthropologie, and J. Crew. The project opened with office tenants such as Pinterest, Mailchimp and Instacart and has now shifted to other tech and media occupiers, including Twitter, FanDuel and Cox Communication.

Ponce City Market benefits from its proximity to Atlanta BeltLine, a multi-use trail on a former railway corridor that opened its first section in 2012. It is lined with restaurants, bars, green space, retail, breweries, skate parks, street art and food halls along the way. Over 1.8 million people per year walk or bike on the portion of the trail next to Ponce City Market, creating a vibrancy unmatched anywhere else in the Atlanta. The BeltLine is slated to eventually have light rail, further enhancing the area's connectivity.



Curated uses and amenities

Buildings and quarters can no longer be let simply on the basis of the highest bidder or the strongest covenants. Uses and amenities need to work together to create value.

For example, sacrificing some income on specific components to bring in a number of characterful local, independent restaurant operators at a discounted rent could increase the demand for other uses.

This implies that landlords need to become ‘curators’ of spaces, ensuring that the employers, the residents, the F&B offer, and other amenities work together to create value.

Clearly, the exact ingredients will vary depending on the location, demographics, and economic profile of the area in question.

Wapping Wharf & CARGO, Bristol

Muse Developments and Umberslade’s redevelopment of the derelict Wapping Wharf site in Bristol’s City Wharf conservation area is one of the final pieces in the restoration of the city’s floating harbour area. It has become renowned for CARGO, the wide range of independent restaurants, cafés and shops – all ‘curated’ by the developers and housed in shipping containers. Set across two levels, they were originally designed as meanwhile uses, with more conventional F&B to follow, but have been so successful they have been retained and become core to the area’s attraction. Many feature terraces and views onto the waterfront. After a careful selection process, local independent operators are allowed to grow their concepts in a small footprint, all on flexible lease terms and on affordable rents, before being given expansion options if appropriate. Success stories include two Michelin Bib Gourmands: Root, run by Michelin-starred Bristol chef Josh Eggleton, specialises in organic vegetable dishes, and BOX-E, which provides modern seasonal British cooking.

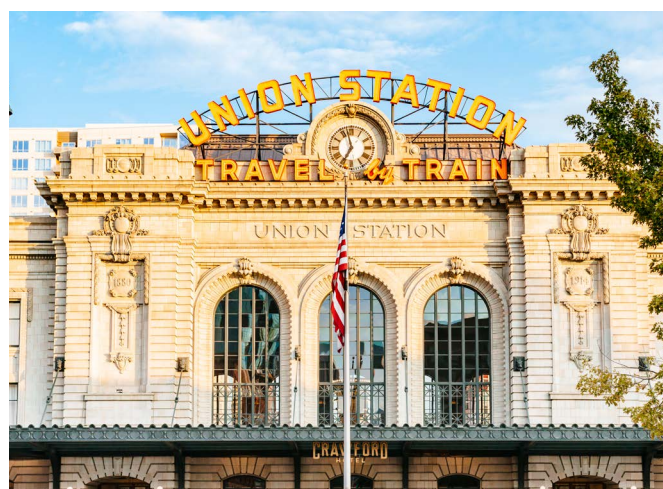
There are similarly diverse and independent retail and F&B options along Gaol Ferry Steps – which runs through the scheme and connects South Bristol to the new public space of Museum Square, fronted by the M Shed museum, and the wider city centre. The scheme has also retained and restored many historic buildings, including the Old City Gaol gatehouse. Together, this has no doubt added to the popularity of the residential component of the scheme. The first phase featured 113 private sale apartments as well as 26 affordable rent and 55 private rent; the second phase of 256 homes will see a similar mix, and will be followed by a further 81 affordable homes. The scheme will eventually also include CARGO work, a 20,270 sq ft Grade A office building set within the disused J S Fry warehouse. The building is designed to be highly sustainable with photovoltaic roof panels and brise soleils designed to prevent heat gain.

Union Station, Denver

Given its thriving economy and its location on the edge of the Rockies, Denver is in many ways an enviable place to live. However, urban sprawl and car dependency has left it with problems of congestion and pollution, exacerbated by the prevailing winds, the ‘wall’ of the mountains, and a declining Downtown. Ambitious public transport plans were hatched in the 1990s and 2000s, leading to the construction of the FasTracks light and commuter rail system. At the heart of this vision was the redevelopment of Union Station, the historic transport hub at the heart of Downtown.

A public-private partnership between local transit authorities and a joint venture of local developers (Continuum Partners and East-West partners) led the refurbishment project. The F&B and retail offer was carefully curated and includes 10 independent and local retail and restaurant businesses – the likes of the Milkbox Ice Creamery, Pigtrain Coffee, Tattered Cover bookstore and Tavernetta, a new offering from Denver’s most acclaimed restaurant group - alongside a boutique hotel.

The station’s redevelopment, which completed in 2014, helped trigger the wider revitalisation of Downtown, which has regained its position as the heart of the city. The surrounding development – which includes 4.6m sq ft of office space – has attracted occupiers as varied as Davita, VF Brands and BP (for whom it is the US HQ).



Credit: Getty

Conclusion

This piece of research is not intended to be exhaustive. Many factors will impinge on a place's performance, and much will ultimately come down to the traditional fundamentals of location, tenant quality and the local market and economy. However, both data and anecdotal evidence suggest that businesses, customers and residents are becoming more discerning, and indeed many will have more choice in the future about where to work, where to shop or play, or where to live. In short, investors will have to work harder on the experience, amenities and culture of their assets – the 'softer' factors – if the income streams are to remain durable in the longer term.

The growing importance of ESG based investing is evident, particularly among the major funds. Environmental issues are already beginning to impact on value to some degree, with recent JLL research establishing that an approximate 10% rental premium exists for buildings with the highest certifications^{3,4}.

Investors are looking to places where they can achieve positive social impact, as this is likely to exert on pricing and performance over time. In other words, the characteristics outlined here may appear 'soft' at the moment, but they will increasingly become determinants of two key fundamentals: the quality and/or commitment of the main tenants and the ability of the building to find new uses and income streams over time.

Investors need to think now about their portfolio and whether their assets can be orientated to this new environment. This will require an asset-by-asset approach, analysing not just the economic and property market fundamentals and trends, but also whether they meet – or could be refocussed, managed, redeveloped or extended to meet – at least some of the criteria discussed here. The alternative is underperformance – or worse.

³<https://www.jll.co.uk/en/trends-and-insights/research/the-impact-of-sustainability-on-value>

⁴<https://www.jll.co.uk/en/trends-and-insights/research/the-impact-of-sustainability-on-value-infographic%0D>



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