PROPERTY FUTURES

INVESTOR VIEWS ON OUR KEY TRENDS FOR THE NEXT DECADE

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Over the coming decade, the UK property market will be challenged by disruptive technology and changing business and consumer behaviour at a much faster pace than it is traditionally accustomed to.

UK property, by its very nature, is a slow adaptor – it is difficult to move, complicated to transact, expensive to redesign and subject to planning laws that strictly govern its use.

Property leases lock in tenants for fixed periods of time, whilst tenants' right to renew can prevent owners from making best use of assets.

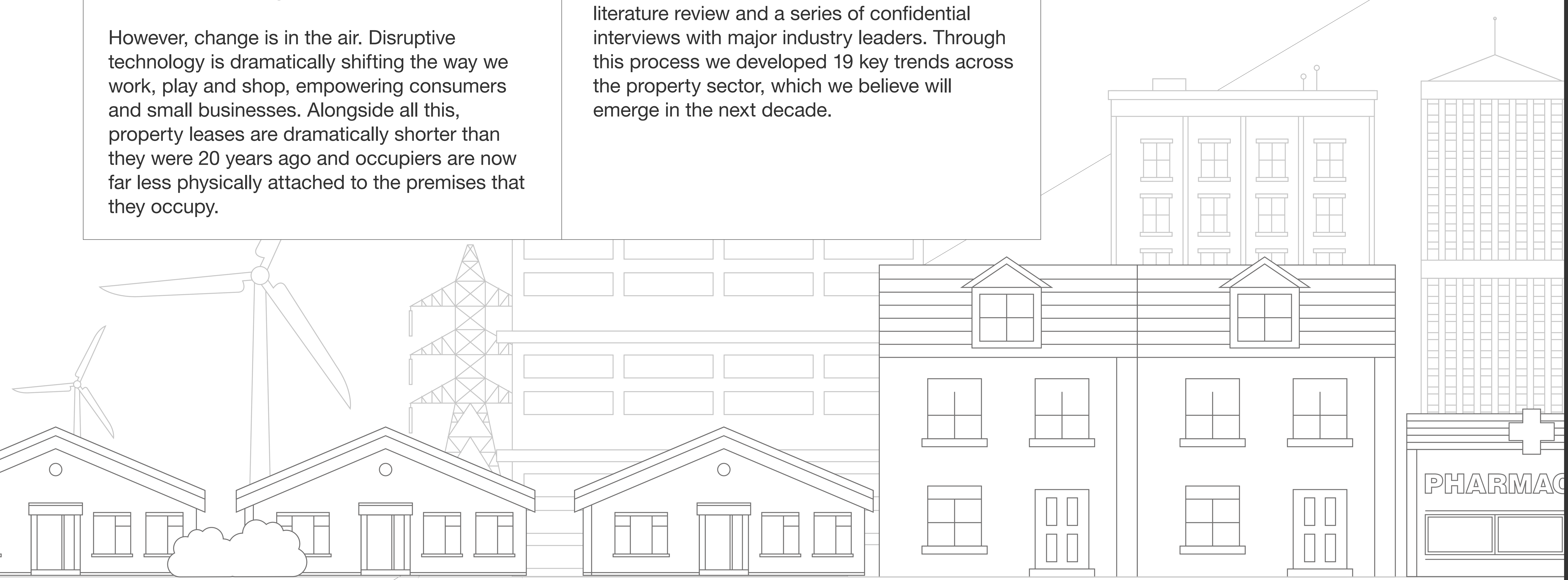
Where sectors of the UK economy have begun to undergo fundamental structural change, property has often proved a significant drag factor. The best example being that of online shopping. Consumers want it, retailers want to adapt to it; however, the restrictions of physical real estate have left both dissatisfied. Retailers have remained locked in to physical locations that are no longer economic, whilst being unable to service the online dimension due to the lack of a logistics property infrastructure to facilitate them doing so.

However, change is in the air. Disruptive technology is dramatically shifting the way we work, play and shop, empowering consumers and small businesses. Alongside all this, property leases are dramatically shorter than they were 20 years ago and occupiers are now far less physically attached to the premises that they occupy.

Whether they want to or not, property investors are facing up to a future where shifting business trends will transmit far more quickly into occupational markets and hence investment outcomes.

Identifying how far these trends will progress beyond their current point is important to future investor decision making. We are mindful, however, that thought leadership can drift into pie in the sky type thinking – good at grabbing headlines, but less effective at harnessing the knowledge within the industry and developing forecasts of future trends which are actually likely to materialise.

Consequently we have undertaken this research with the aim of developing a series of future trends with as much industry input as possible. The first stage involved brainstorming sessions with our internal specialists, an extensive literature review and a series of confidential interviews with major industry leaders. Through this process we developed 19 key trends across the property sector, which we believe will emerge in the next decade.



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Predominantly our forecast trends are structural shifts driven by changing consumer preferences, technology and infrastructure; however, in some cases they are looking at how we expect certain new asset classes, such as purpose built private-rented blocks, to develop.

We have taken the industry input one stage further. The follow up to our initial research and its identified future trends has been to get the industry to judge, pre-publication, the trends through an online survey. Our clients were invited to mark each of our future trends on a sliding scale of strongly agree to strongly disagree.

140 responded and, thankfully, we were not entirely off the mark. On balance, we hit the target with most of our predictions – but all of them saw various levels of disagreement, which is no bad thing given the dangers of consensus opinion!

The details on each of the 19 future trends and the responses to them are laid out in this research paper.

Respondents certainly agreed with our forecasts of further structural shifts in occupier flexibility; further increases to come in leisure and service occupiers' share of the shopping centres and high street retail markets respectively; the emergence of highly automated, shared-logistics centres as a major urban asset and the development of a professional private-rented residential market focused around very large managed blocks with limited amenities.

Our assertions around increased professional investment in the farmland market and the development of solar photovoltaics as a recognised asset class saw more dissension, but were not without their backers.

No doubt some of our future pronouncements will turn out to be pie in the sky, and in some cases we will turn out to have been not nearly ambitious enough. We hope that the information within, and the industry's response to them, gives you both food for thought regarding the future and an interesting perspective on what your peers think. More importantly, we hope to continue the dialogue and would welcome the thoughts of any reader wishing to contribute to the debate.

Stephanie McMahon
Head of Research
Strutt & Parker

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Occupiers will move away from fully leased office estates to a more flexible model incorporating a larger share of short-let serviced-office style space.

Office occupiers, both large and small, will increasingly adopt more flexible occupational models, with less space occupied on long leases, and more flexible space rented out in serviced offices, community co-working spaces and other shared office space.

Although the cost per sq. ft. of short-let space will certainly be higher, occupiers will benefit from being able to more flexibly adapt to the ebbs and flows of the business cycle. With new lease accounting rules expected to be implemented from 2017/18, having a greater proportion of very short-let space will also help occupiers to manage overall lease liabilities.

Respondents' view

Increasing occupier flexibility has been on the agenda for some time, and respondents agreed on balance with our view that an increasing portion of the traditional leased portfolio would be shifted into more flexible space.

The occupier's sector was raised as a key factor by some respondents, with others suggesting size as a key driver – with the trend restricted to smaller high-growth firms as opposed to large corporates still wanting to keep all their staff under one roof.

> *"The quantum of serviced office space in the City of London has increased from 1m sq ft. in 2000 to almost 2m sq ft. in 2014 (Serviced Offices and Agile Occupiers in the City of London. Ramidus. 2014)."*

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01 Offices

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Corporates’ HQ footprints will decline as the ‘war for talent’ puts office locations where the relevant talent actually wants them.

The term ‘War for Talent’ was originally coined by McKinsey & Co analysts, describing it as a strategic business challenge and a critical driver of corporate performance. The term remains truer than ever. Most particularly in the ‘tech’ sector where we are seeing it manifest itself in corporate leasing strategies. Namely the decision by companies to take space for tech-driven subsidiaries outside of head offices in locations attractive to the skilled staff they are looking to attract.

As occupiers across all sectors increasingly get drawn into the war for technologically skilled labour, this trend will expand, leading to a reduction in the footprint of corporate headquarters and an emergence of satellite spaces.

Respondents’ view

Respondents just about tilted towards agreement on this statement, with the comments we received reflecting a very diverse range of opinions. A number of respondents flagged up the management burden of a wider office network, suggesting that this was a trend that was really driven by tech and unlikely to be widely taken up outside of that sector. A number suggested that increasing housing and office costs in London would act as a market-driver of this trend, with occupiers exploring the option for locating in the UK’s regions where the location was suitably attractive. Communications technology was seen as key in allowing occupiers to be comfortable with a wider spread of staff.

“ *...attractive locations are also important to young non-tech staff too.* ”

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01 | Offices

Business parks will 'urbanise' in order to survive.

A major trend going forward will be the increased densification of business parks. This will be both from the perspective of squeezing more income from the acreage by building upwards (offices and car parks) but also by increased site coverage.

Alongside this change, parks' public spaces will become similar to those in successful urban centres, with high quality pedestrianised streets, public squares, and a diverse range of eating and drinking establishments.

Respondents' view

This was a very generalised statement for a heterogeneous property type, something which was reflected in a wide range of opinions with respondents only just in favour. Respondents' comments suggested only the largest parks and/ or parks with public transport would be able to scale up in this way, whilst planning issues would be a significant drag.

A factor against was stated as young professionals' lack of attraction to non-urban environments and the fact that the 'War for Talent' would hinder occupiers' interest in out-of-town locations with poor accessibility.

> *"The successful ones will be the largest, most dynamic locations with opportunities to redevelop and maintain a critical mass of a variety of uses."*

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01 Offices

Transport infrastructure and 'street life' to pull occupiers in.

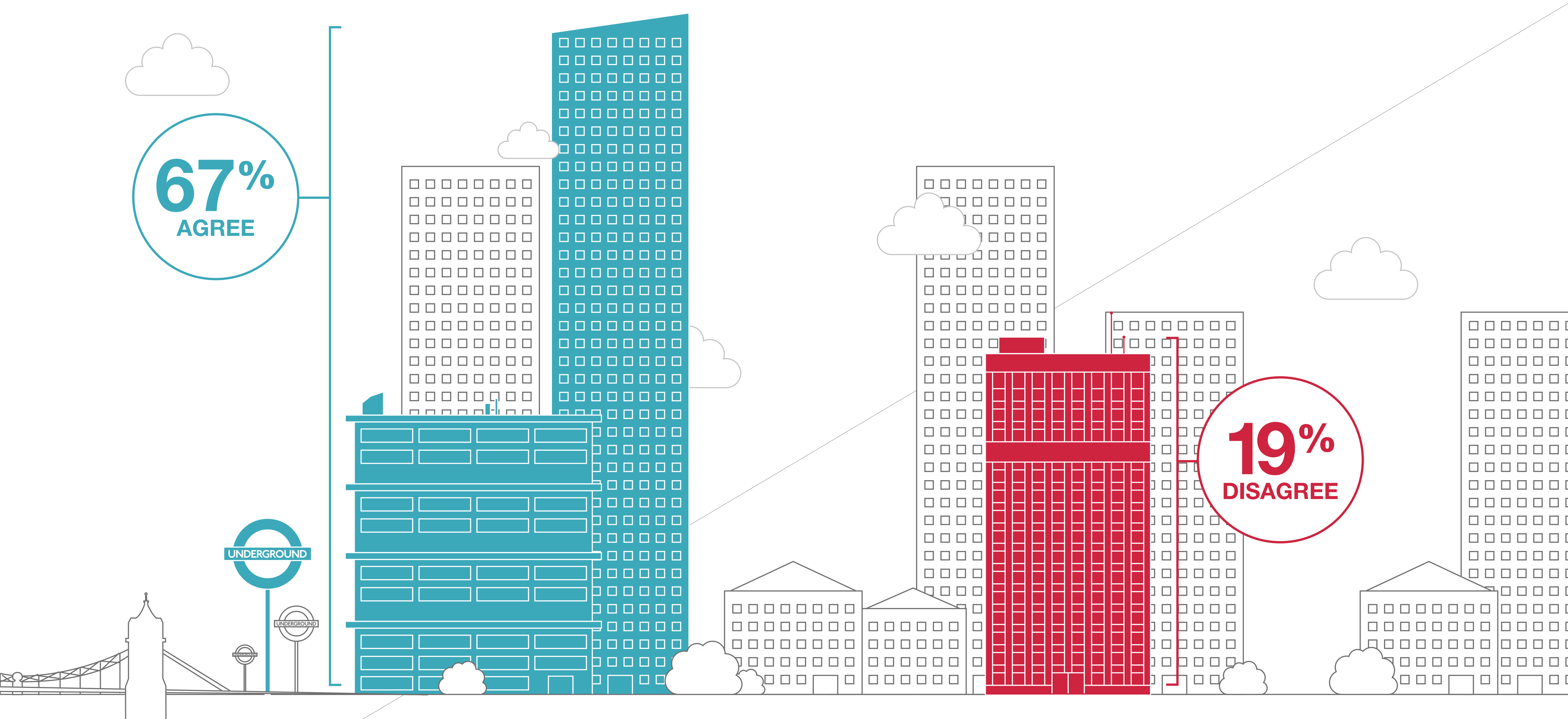
Turning specifically to London, major transport hubs such as King's Cross and London Bridge have already caught up with the City in terms of office rents, as occupiers from the West End, the City and beyond have been pulled in by their strong transport and 'street life' offering.

The next decade will see these previously neglected locations close the gap on 'x-factor' areas such as Mayfair and Soho, as occupiers become more aware of their offering.

Respondents' view

This trend towards a polycentric London saw strong support, with 67% agreeing. Supporting comments suggested that these areas' transport accessibility and urban renewal were key factors, as were occupiers' increasing requirements for new build space. On the flip side, a number of respondents commented that Mayfair and Soho's critical mass of amenities was still well ahead of their transport hub competitors and that they would continue to trade at a premium, with other locations' rents a function of cost within the inner core.

> *"…transport, and improved urban infrastructure will be key components and drivers for occupiers."*



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Local high streets to complete their transformation to a service-orientated model.

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Local high streets will become almost entirely services driven. On the assumption that the logistics sector is able to further accommodate the growth of online retail, local high streets will find it increasingly difficult to attract and maintain comparison goods retailers.

However, they will see a new breed of services driven or experiential retailer filling the void. This will be in the form of click and collect services, 3D printing cafes similar to the makersCAFE in Shoreditch and other lifestyle or services-driven retailers – such as micro gyms.

Respondents' view

This trend saw broad agreement on aggregate, although its generalised nature stirred a certain level of dissent. A number of comments suggested that 'local' high streets serving wealthier demographics would certainly still retain some comparison shopping. At the other end of the scale weaker local high streets would not see strong comparison shopping nor the growth of the kind of serviced providers we suggested as a potential alternate use. The presence of out-of-town retail competition, was seen by some as more important than any ongoing structural shift.

> *"The convenience of the high street and the social element in shopping will remain important drivers of footfall."*

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Retail parks have the flexibility to manage multi-channel operations.

Retail parks' large unit sizes and good car-parking give them the flexibility to respond to the internet.

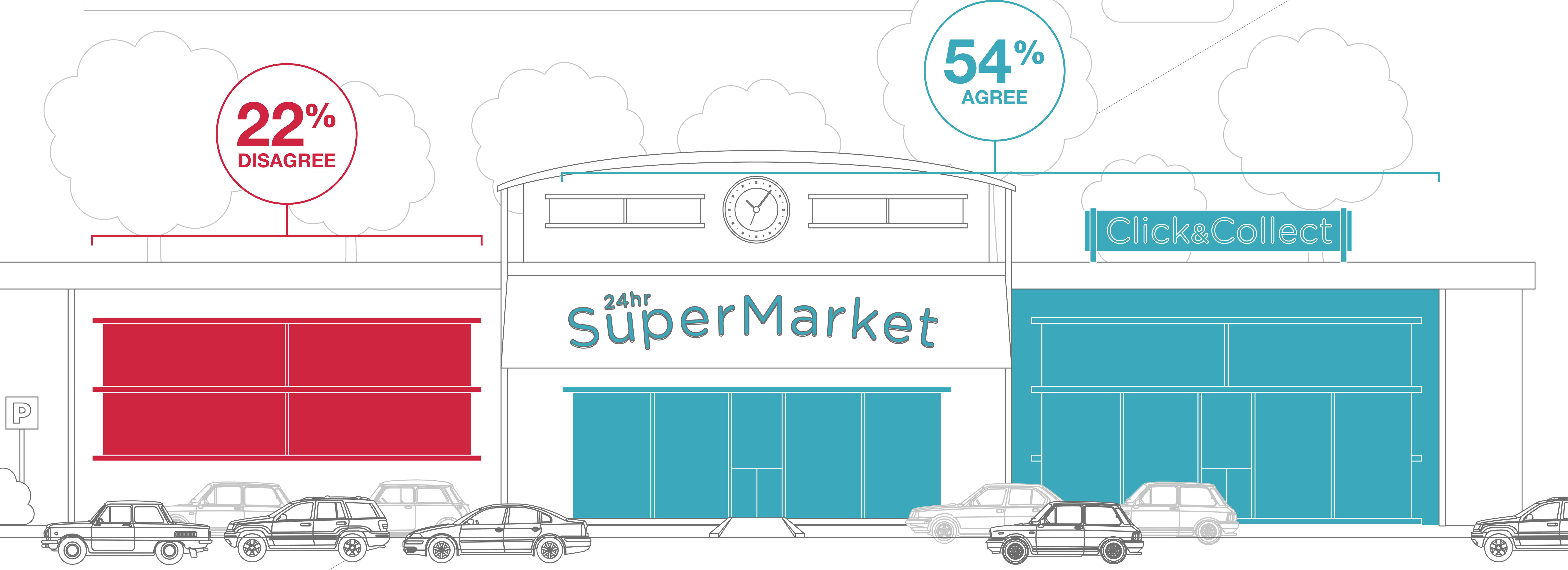
Over the next decade we will see these units become 24hr operations, providing round-the-clock employment, as they operate as predominantly physical shopping environments during peak shopping hours, whilst also serving local online shopping from the shop-floor during quieter periods.

This will necessitate mild internal reconfiguration – for example, wider aisles and a specialist click and collect area.

Respondents' view

Despite predictions of doom in some quarters for retail parks, on the back of expanding online retail, they have continued to perform well and remain attractive to occupiers. Respondents were in favour of our view that their size will be a key issue in allowing them to compete as click and collect hubs in the future, as long as they had a strong catchment or sat on a key commuter route. The ability to handle returns was seen as absolutely fundamental. Some respondents suggested that smaller unit sizes would be required by tenants for 'showrooming' purposes, with more tenant variety then on site. This raises the prospect of these parks potentially accommodating some sort of shared click and collect/warehouse facility in order to support multiple tenants' multichannel needs.

> *"The number of UK shoppers using click & collect is poised to more than double by 2017. Currently, 35% of online shoppers in the UK buy online and self-collect (UK Click & Collect: Retail fad or future of the high street? Planet Retail. 2014)."*



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02 Retail

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Shopping centres reliant on localised demand will move towards a more serviced-office style model.

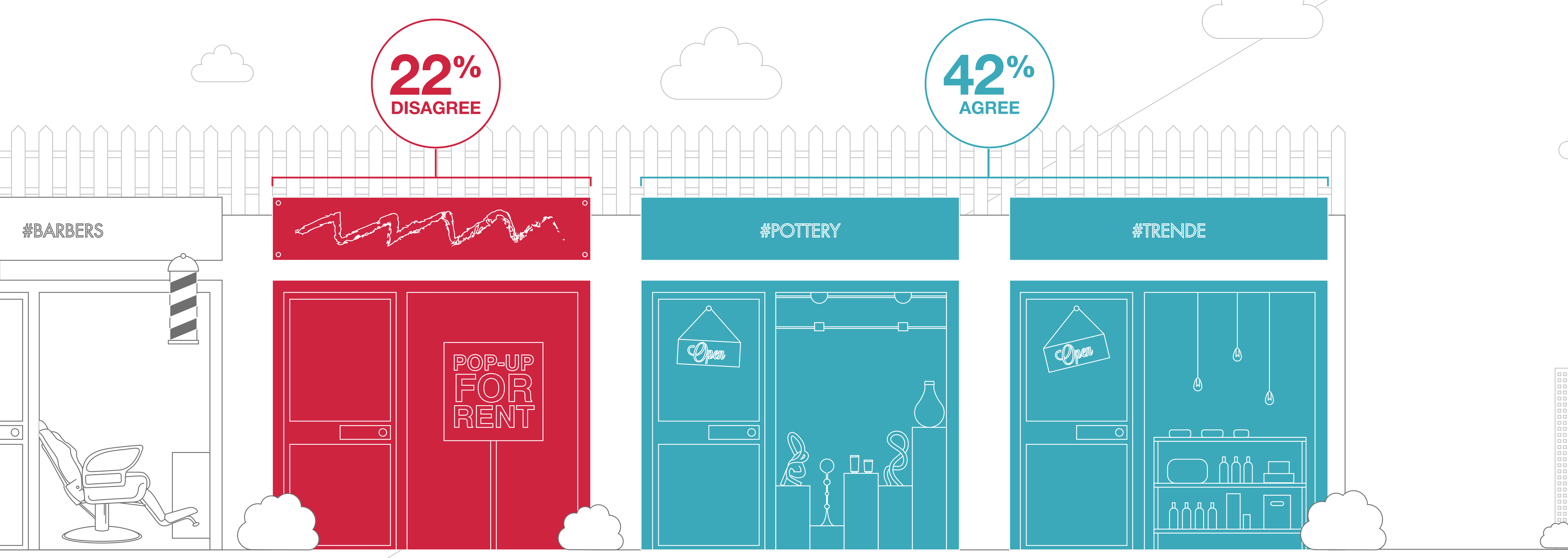
With lease lengths shortening, owners of non-destination local shopping centres will begin to operate a more hotelier style system of standardised lease agreements, plug and play retail units and in-house leasing management.

Agreed rental prices will be ‘all inclusive’ of service charges and insurance.

Respondents’ view

This future trend saw a very slight net balance of agreement. Respondents were certainly of the view that it would be market-driven and that landlords would certainly not jump into such an operating model without good reason. The accompanying perception of occupational risk and the way that would feed into valuations were raised as significant issues. However, a number of respondents were of the view that it was occurring on a small scale already, and anything speeding up the letting process, and making it cheaper for landlord and tenant, would be advantageous where market conditions demanded it.

> “*It is estimated that the total turnover of the pop-up retail economy in the last year was £2.1 billion and it is expected to increase to £2.2 billion over the next year. This represents an 8.4% increase in the value of pop-up spend in the next twelve months (Britain’s Pop-Up Retail Economy. Centre for Economics and Business Research. July 2014).*”



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Largest shopping centres to see 50% eating, drinking and leisure use.

Amongst the large destination shopping centres, the shift to eating and leisure is a long way from over. During the next decade owners will be forced to consider every conceivable food and leisure option as they seek to keep increasingly virtual consumers away from their laptops.

Over this time period, these shopping centres will become whole-day destinations with leisure amenities such as theatres, aquariums and health spas, with leisure and food & beverage retailers comprising 40–50% of the total mix.

Respondents' view

The food & beverage and leisure sectors have been taking a steadily rising share of shopping centre floorspace over time, an incremental change that has become more rapid in recent years, as online retail's growth has necessitated it. Respondents got behind our prediction that, in the major destination shopping centres, their share could expand up to 50%.

Comment suggested that it was more about food & beverage than leisure, and that shopping centres would need to be focused on ensuring the leisure actually acted as a consistent driver of footfall. But certainly they felt the experiential trend in destination retail has a long way to run.

> *"Some redesign of centres will be required as the leisure retailers need much longer operating hours."*

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03 Industrial and logistics

SMEs servicing consumers' online retail demands will see life made easier by an expansion of shared logistics facilities.

We will see a major expansion of shared-service logistics centres run by third-party logistics operators on the edge of major cities. They will be required to satisfy the need of small to medium sized retailers responding to online retail demand – either via consolidated delivery to dedicated click and collect facilities or consolidated last-mile deliveries.

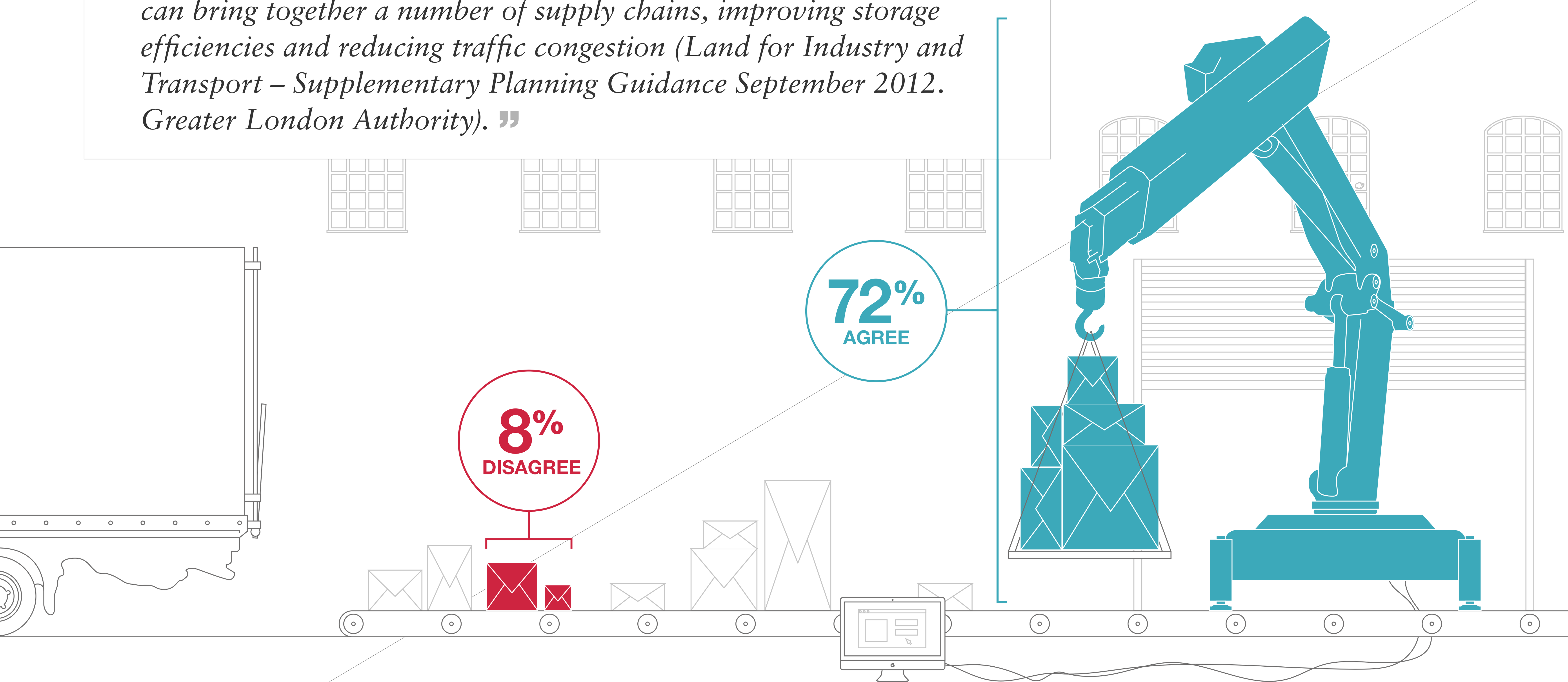
This will be driven by both pressures from the 'market' to meet consumer demand more effectively, but also from public policy targets to increase freight vehicle efficiency, and consequently lessen vehicle congestion/ emissions within urban areas.

Respondents' view

Strongly supported by respondents, the question it seems with this trend is how far it will progress given the pressures on land use from other uses in the most prosperous urban areas. Automation, which is discussed later, will certainly increase the efficiency and profitability of such units and allow the higher rents in urban areas to be met (to an extent).

There are examples of third-party logistics operators beginning to ramp up these kinds of operations but their ability to do so en masse within a competitive urban occupational market and make the necessary expenditure in flexible automation and IT remains uncertain.

> *"Urban Consolidation Centres (UCCs) and break-bulk facilities can bring together a number of supply chains, improving storage efficiencies and reducing traffic congestion (Land for Industry and Transport – Supplementary Planning Guidance September 2012. Greater London Authority)."*



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03 Industrial and logistics

3D printing's applications in prototyping and bespoking will see it drive demand for light industrial and R&D space.

Within the industrial sector, 3D printing, despite the hype, is not likely to affect the mass production of goods within the next decade.

More likely, we will see a large impact on the light industrial markets within urban centres, where 3D printing workshops – a mix of light manufacturing and creative space – support demand for spare hard-to-find machine parts, medical parts, prototypes and bespoke consumer products.

Respondents' view

The growth of 3D printing within urban centres was,on balance, supported supported by the survey. However, with only a very small percentage strongly agreeing, it is clear that, with a technology at the very early stages of wider adoption, its ultimate development remains very uncertain. Lessons from history suggest, though, that all technology starts out appearing quite niche before picking up mass adoption as it gets better, and cheaper, over time.

" The global dental and medical market for 3D printers is expected to expand from $186m to $868m (£523m) by 2025 (3D Printing 2014-2025: Technologies, Markets, Players. IDTechEx). "

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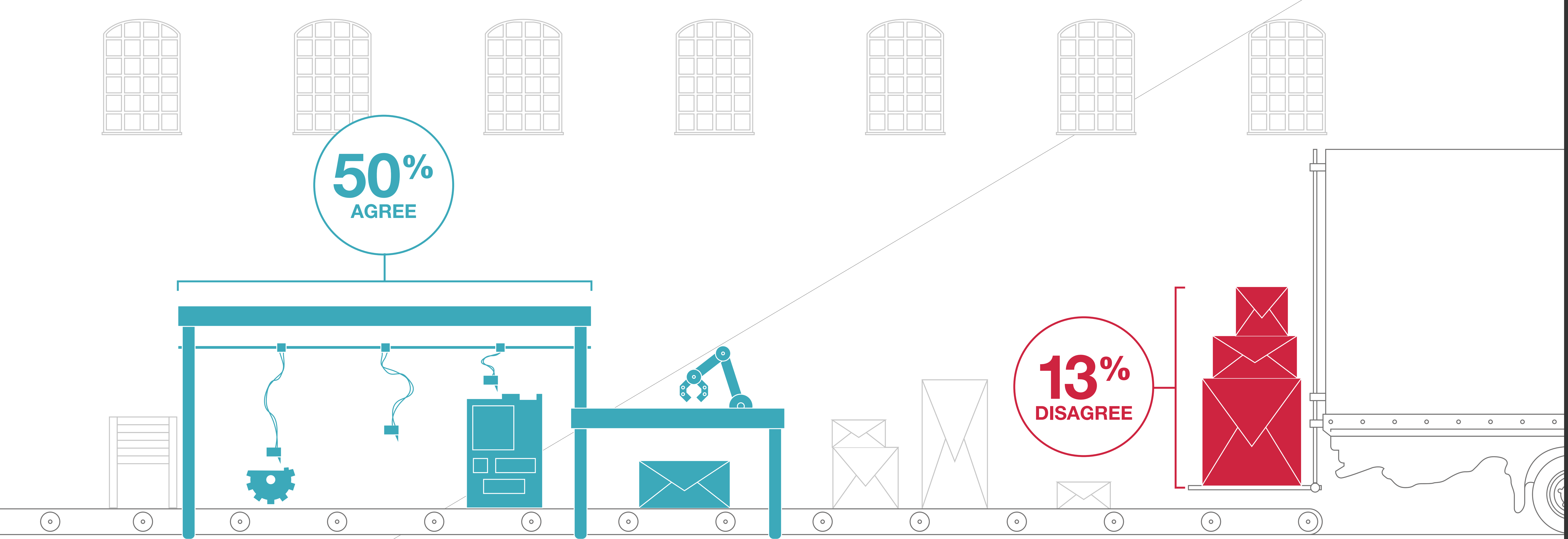

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03 Industrial and logistics

The elderly are the one demographic that online delivery to the home can really be made to work for.

With an ageing population, keen to stay in their homes as long as possible, the delivery of healthcare products to the home is expected to accelerate. The sector is in its infancy compared to the online retail market; however the increased availability and use of self-medication devices will help to spur online delivery of both over-the-counter and prescription drugs.

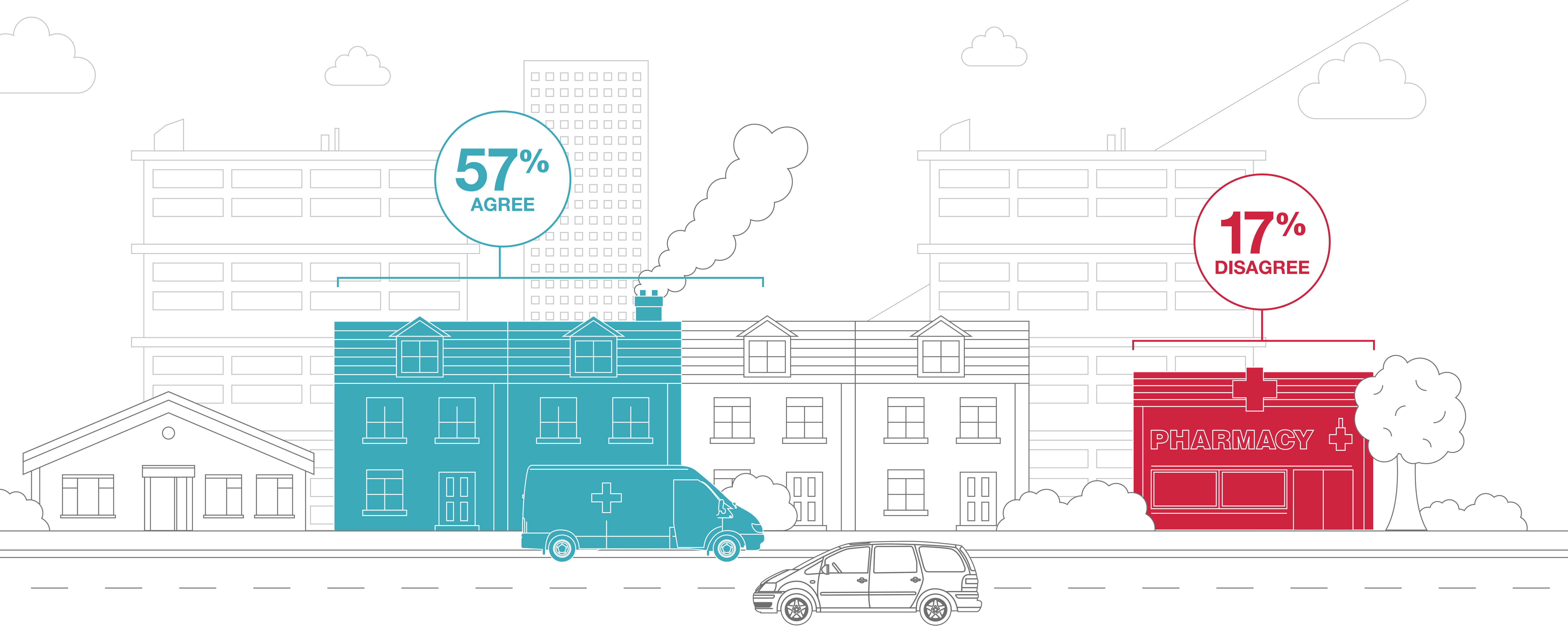
This will increase the demand for online logistics from this segment, and last mile delivery will be far more feasible than in the retail market given the increased likelihood of customers being at home during the day.

Respondents' view

An ageing population is a key overriding trend that will influence real estate in the coming decades. Respondents were, in general, behind our view that this, combined with growing use and acceptance of self-medication, will manifest itself in new home delivery consumer pharmaceutical services.

This trend will certainly be focused on early to middle-stage pensioners; as opposed to those needing more complete professional medical care later on.

> *"5.9m households were headed by someone aged over 65 in 2011, this is forecast to increase to 7.1m households in 2021 (Household Interim Projections, 2011 to 2021, England. Department for Communities and Local Government)."*



03 Industrial and logistics

Urban logistics warehouses will require high capital expenditure and long leasing commitments.

Warehouses on the edge of major centres will become ever more mechanised in order to cope with the growing complexity of the multi-channel retail supply chain. Higher levels of capital expenditure will require longer lease lengths to allow for sufficient payback time on the initial investment, and consequently there will be an incentive to commit to long leases in these cases.

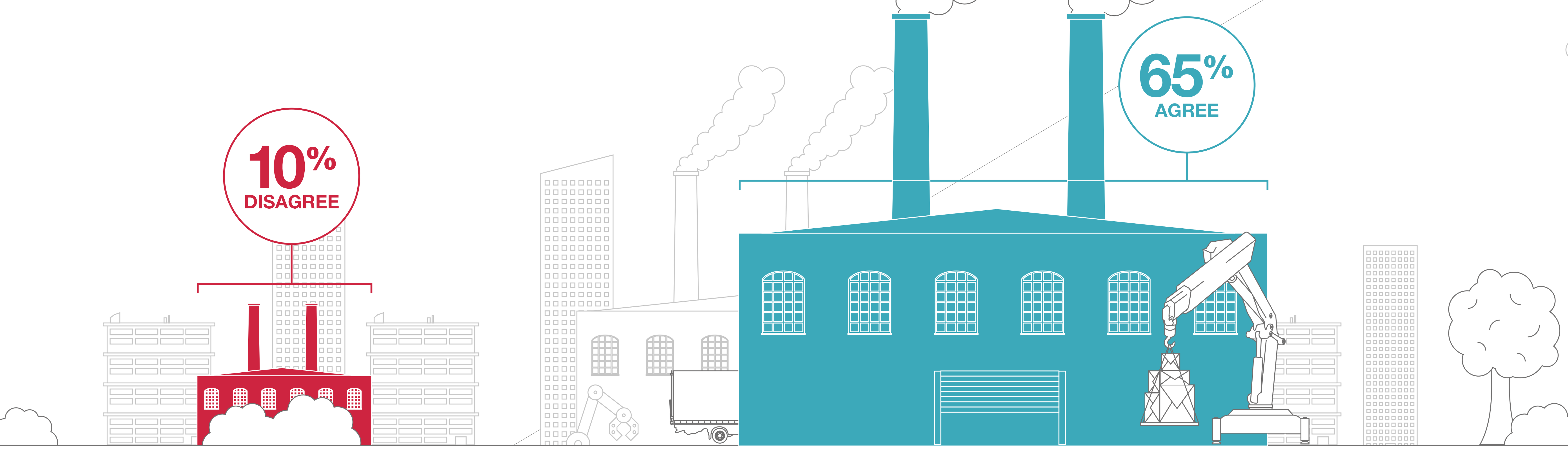
Further consolidation of third-party logistics providers will become a by-product of the need for investment in automation, IT systems and the long-term liabilities taken on with long lease commitments.

Respondents' view

Online retail is driving further complexity within the logistics space, and respondents broadly agreed with our assertion that this would manifest in more complicated logistics assets.

A key barrier from some respondents' perspective was the leap this would represent in terms of the kinds of short leasing commitments many logistics occupiers have become used to.

“In the UK, internet sales will grow from £37.2bn in 2013 to £57.6bn in 2018, as online retail's share of sales grows from 12% in 2013 to 15% by 2018 (European Online Retail Sales Forecast 2013 To 2018. Forrester Research).”



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04 | Private-rented/Build-to-rent sector

Demand for UK private renting is a cost not choice driven decision.

The UK private-rented sector will develop along different, more spartan lines than its American multi-family counterpart.

With renting in the UK very much a cost driven exercise, renters will have little appetite to pay for additional onsite services that will further erode their ability to save for what will still be a long-term goal of home-ownership.

Respondents' view

With 65% of voters opting for agree or strongly agree, the respondents envisage the UK developing a much less amenity rich rental model than its US counterpart. Part of the reasoning is likely to be that, unlike the US, the UK does not have a number of gateway cities between which both national and international transient individuals intra-migrate. That said, several commented that London could be the exception to that rule given the greater international demand.

"...renters will want to find rent as cheap as possible, with the option to choose and pay for additional services as they are able to afford."

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Scale is key to delivering profitable and professional private-rented sector.

In order for investors in the private-rented sector to be able to operate a sufficiently narrow margin between gross and net yields, the majority of investors will focus on individual blocks, or adjacent blocks, of a minimum 150 units.

These economies of scale will enable sufficient onsite management of both ongoing services, maintenance and re-letting.

Respondents' view

Scale is an important element of the ability to drive down the management costs of the assets. It is within the flex of the management cost that the operational profit margin is generally delivered. Although 20% sat on the fence, an overwhelming 72% agree that a minimum of 150 units is required. The ideal way to deliver large scale, however, was questionable amongst our respondents. Some viewed multiple smaller blocks as a solution, presumably co-located to ensure economies of scale. Others thought 150 was too small, and in reality was much more dependent on location and development cost. If correct, this may raise questions on the capacity of UK locations to absorb large scale development outside of the core cities.

> *"Investors in rented portfolios lost 32% of gross income to irrecoverable expenditure such as management, lettings costs and maintenance in 2013 (IPD UK Annual Residential Property Digest 2013)."*

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04 Private-rented/Build-to-rent sector

Investors betting on house price inflation.

The majority of professional investors do not want a separate private-rented use class. This will be because they want to buy into further house price inflation – retaining the option to sell to owner-occupiers, or buy-to-let investors, at the moment of their choosing.

Respondents' view

Finally on the PRS section we asked about the practicalities of developing within the current use class system and the conflict between capital growth and a pure income play. There were more dissenters amongst respondents with almost a quarter (23%) disagreeing and strongly disagreeing. The 'ayes', however, overwhelmed with 62% of votes.

The results very much reflect conversations had within the primary stage of the research where those seeking long term annuity income were in favour of a new use class and committing to that return. Quite a number, however, were more ambivalent to the pure income play and were seeking both a flexible exit and capital growth.

"The last decade has seen capital growth (5.6%) comfortably outstrip income return (3.2%) as the main driver of return of residential investors' portfolios. (IPD UK Annual Residential Property Digest 2013)."

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05 Farmland

Rising global population and climate change will keep farmland rents rising in the long-term.

Although we have seen global food prices fall this year, they are on a long-run upward trend. An increasing global population is expected to put upward pressure on demand, particularly for dairy and meat. On the supply side, the impact of climate change is expected to exert increasing downward pressure on food outputs. Rising global prices will continue to support growth in UK farmland rents and capital values in the long-term.

Market-determined Farm Business Tenancy rents will be volatile, reflecting a compromise between year on year variation of grain prices and the long term expectations of future profitability growth whilst Agricultural Holdings Act tenancies will see rents adjusting slowly over time in line with the actual trend of farm profitability.

Respondents' view

Our positive long-term expectations of farm rental growth were well supported on balance, although a large portion of respondents neither agreed nor disagreed with the statement – perhaps reflecting the uncertainty inherent in predicting long-term pricing trends, and the fact that 2014 saw food prices fall.

Very few people disagreed with our forecast, with those that did flagging up uncertainty over the UK's future in the EU, and the doubt then arising around future farm subsidies, as key issues.

"The United Nations' population division expects the global population to rise from 7.2bn in 2013 to 9.6bn in 2050, a 33% increase (World Population Prospects The 2012 Revision. United Nations, Population Division)."

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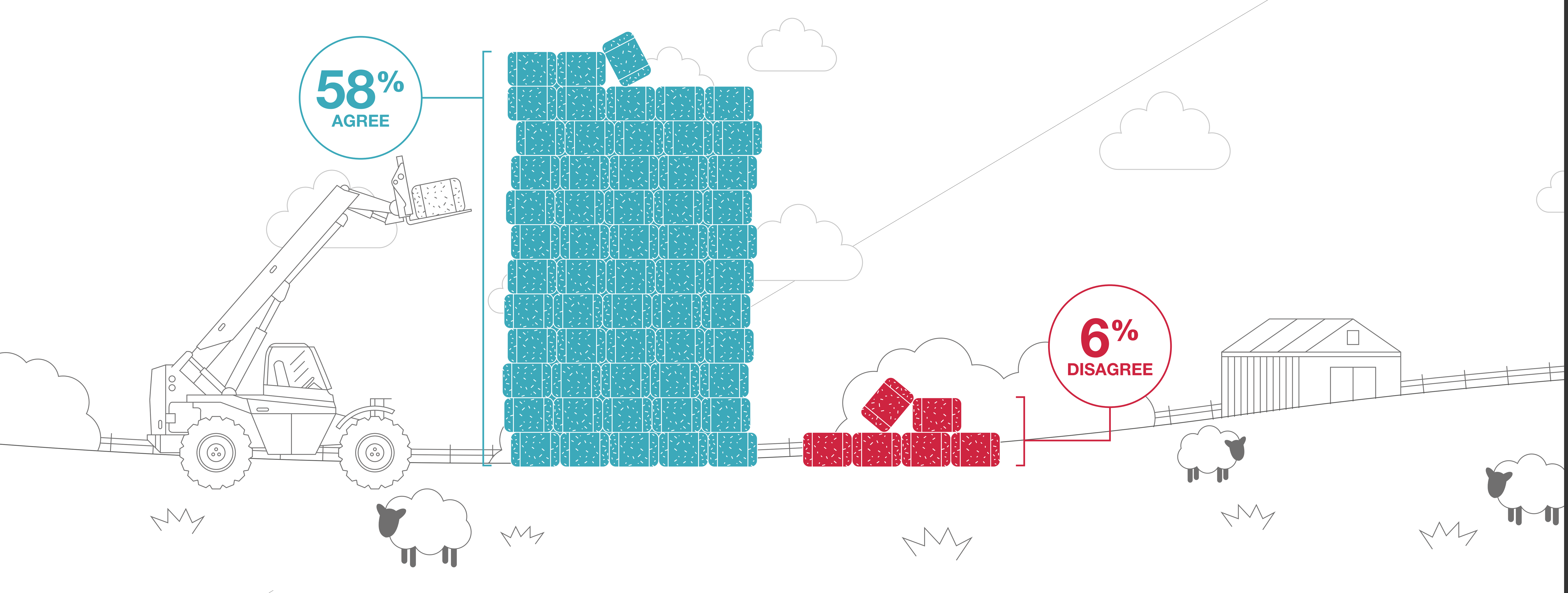

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05 Farmland

Diversification and inflation-hedging to drive increased investor interest in farmland.

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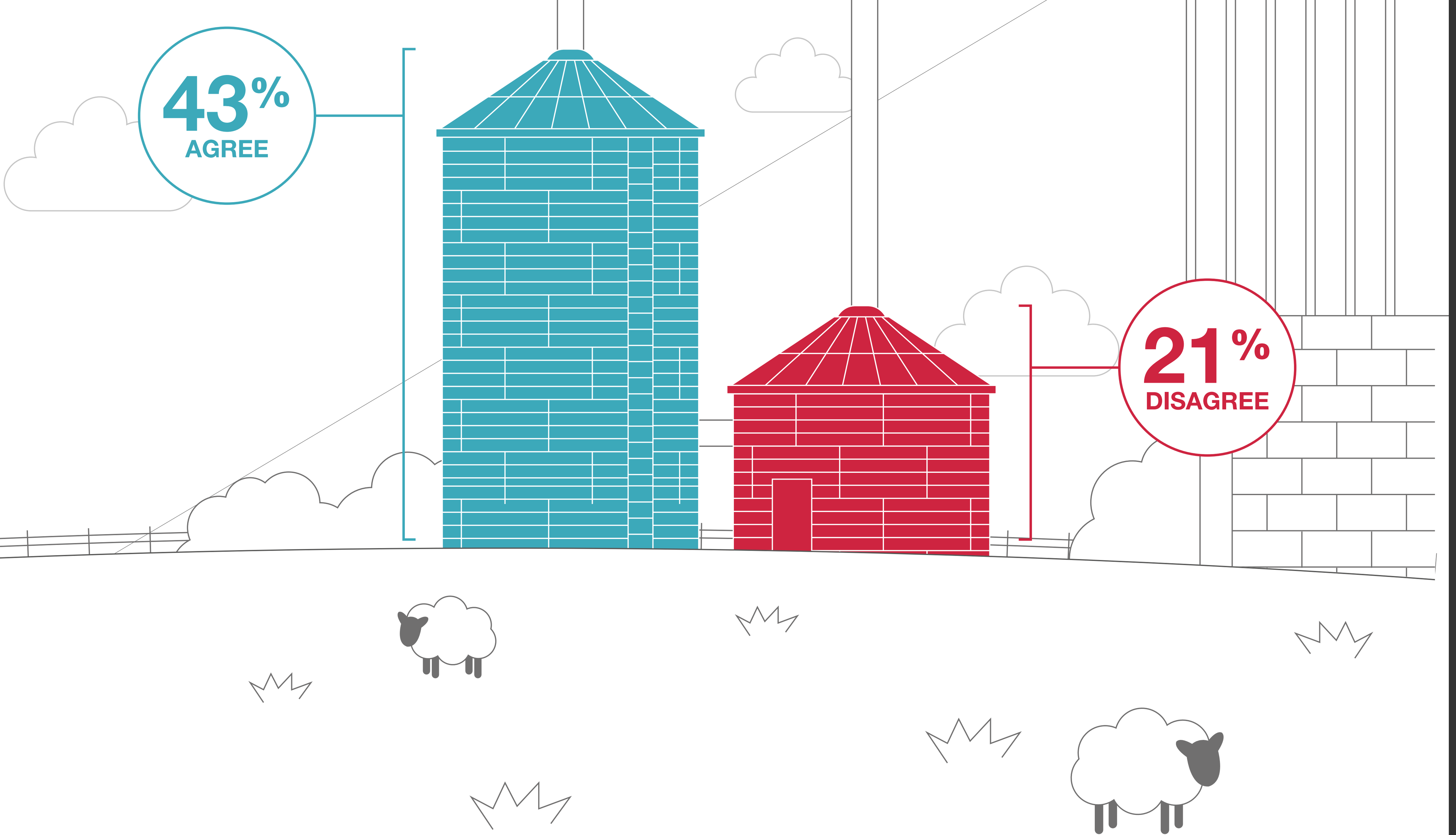
UK commercial property has proven, over time, to offer little diversification at the market level, with most segments seeing rents and capital values rise and fall in tandem.

Given expectations of UK farmland rents, and capital values, rising in line with global food prices over the long-term, we believe that investors will seek to gain diversification benefits, and an element of inflation-hedging, through increased allocation to farmland over the next decade.

Respondents' view

In terms of increasing investment allocations to farmland, more respondents agreed than disagreed; however, with around a third not taking a position, it's clear that farmland remains somewhat unknown to large parts of the market. Indeed, some of the comments pointed towards lack of liquidity, complicated regulation, and low income yields, despite the considerable capital growth and hedging upside. All in all, the farmland sector is likely to remain a more niche product outside the realms of many mainstream investors. For those who do have the confidence and experience, however, it can offer significant investment performance.

“In 2008 the best performing segment in the IPD Annual Index delivered a return of minus 14% whilst the worst delivered a return of minus 26%. In contrast, the IPD Rural Index delivered a positive return of 1.7%. (IPD UK Annual Property Index. IPD UK Annual Rural Property Index).”



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Regulation to drive increased occupier awareness of sustainability in buildings.

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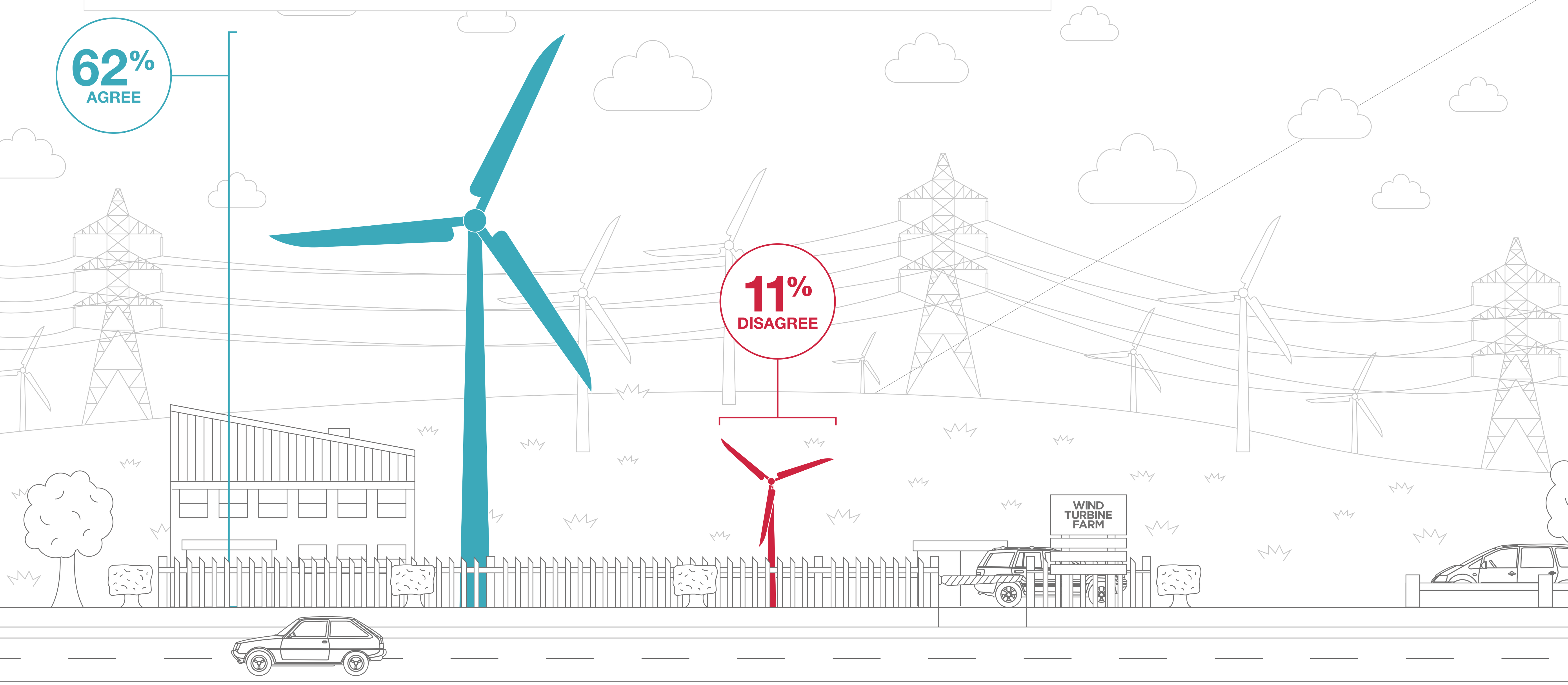
As part of the EU Energy Efficiency Directive, the UK Government has developed the Energy Saving Opportunity Scheme (ESOS) that will require all UK organisations of 250+ employees or €50m+ turnover to conduct a thorough audit of their energy usage by 5 December 2015, and then every four years thereafter.

This wake-up call to occupiers will make a building's energy efficiency a much greater factor in open-market rent negotiations, and make sustainability a much more 'explicit' factor in valuations.

Respondents' view

Our expectation that legislative change will drive awareness of energy efficiency and drive more rental negotiation around the issue saw very strong support from respondents. Energy security was raised as an issue that could potentially trump efficiency as an issue, with occupiers putting 'keeping the lights on' further up the agenda than cost savings.

> *"ESOS is expected to impact around 9,400 enterprises, occupying between 170,000 and 200,000 buildings and constituting a third of UK energy demand (ESOS Impact Assessment. Department of Energy & Climate Change. June 2014)."*



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06 Resources and energy

Solar photovoltaics to become a mainstream property asset.

Solar photovoltaic systems mounted on commercial buildings will become a recognised asset class. Portfolio sizes of £20-30m plus will allow major investors to buy in sufficient scale, whilst the inflation-linked nature of the income and the yield margin above index-linked gilts will prove attractive to those attempting to manage future liabilities.

Respondents' view

Our expectation that the solar photovoltaic market would emerge as a recognised asset class split survey respondents down the middle. For some it was long overdue, given the extent to which the market has developed in Germany, and is likely to emerge. A number of respondents flagged up the problems of the landlord/tenant relationship and the complications arising around repairing obligations.

> *There are an estimated 250,000 hectares of south facing commercial roofs in the UK (UK Solar PV Strategy Part 2: Delivering a Brighter Future. Department of Energy & Climate Change. April 2014).*

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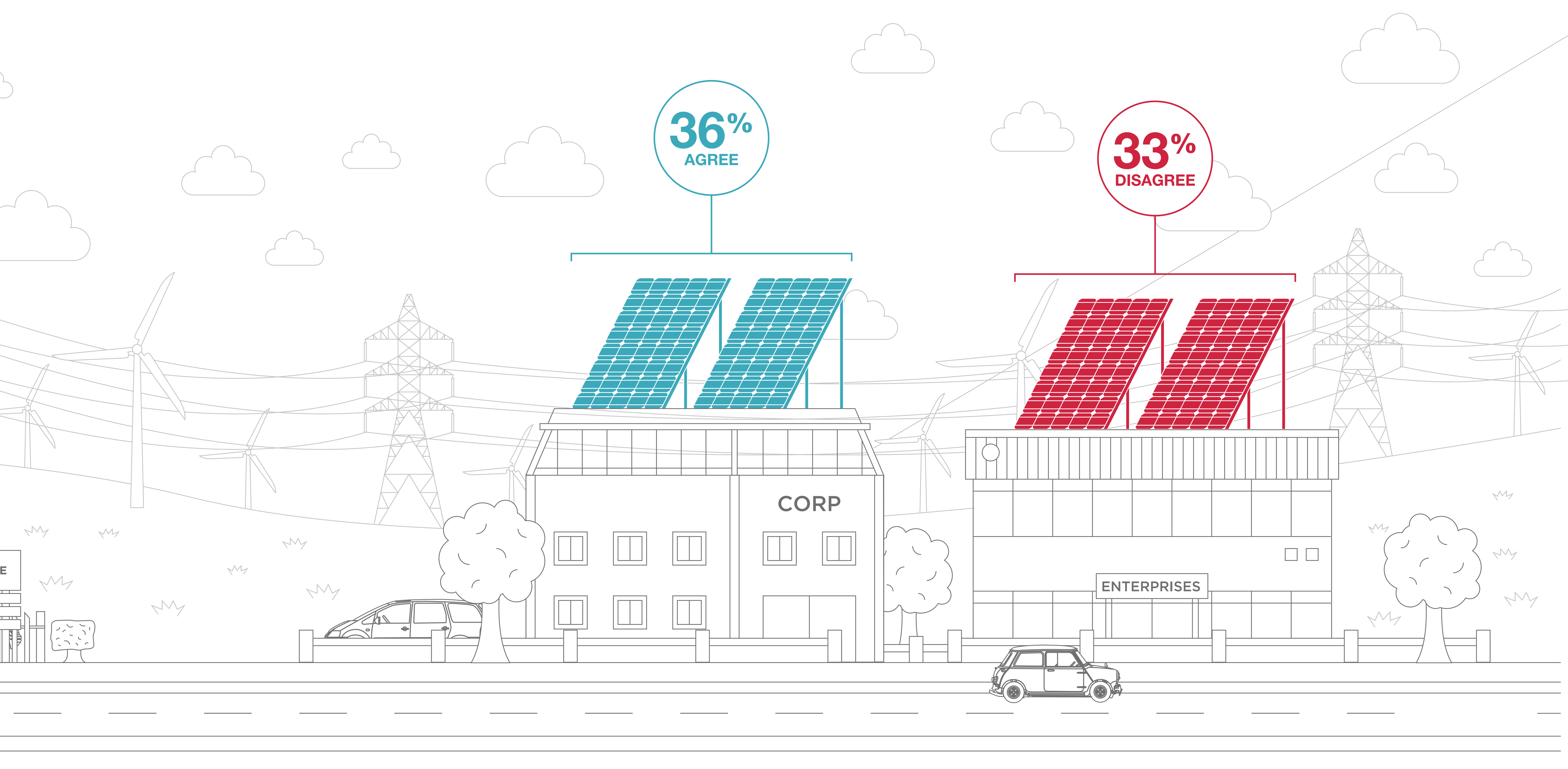

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07 Conclusion

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Our aim with the research was to generate a series of future property trends that were both an interesting insight into the future, and grounded in the reality of what our clients think and see today.

In addition, we wanted to establish the level of consensus around certain predictions, or, conversely, to establish the level of division. Respondents responded positively to the majority of our hypotheses. None of our propositions saw universal support, however, and in some cases the divide in industry opinion was quite stark. Indeed many of the comments we received were fiercely at odds with one another.

Trends such as the emergence of a truly polycentric London; even more leisure and food & beverage use in destination shopping centres; and the need for a reimagined urban logistics model with highly mechanized, expensive, assets at its core, generated strong support amongst respondents – but were not without their detractors. Other propositions that were positively received, albeit to a lesser degree than those above, include the noticeable shifts in office occupier strategies alongside our suggestion that retail parks were well-positioned to serve advanced multichannel retailing.

Our forecasts regarding the future development of the private-rented residential sector (PRS) all garnered strong consensus.

The UK PRS is expected to look quite different to the US multi-family model, with investors focused on buying in to the sector's capital growth story; as opposed to seeking a new specialist use class.

Generalisation is challenging to avoid when it comes to 'pronouncements' on the future of the property market, and certainly in some segments, such as high streets and business parks, is very risky indeed!

Our suggestion that high streets would evolve into a heavily service-based model, as opposed to comparison goods, saw consensus support but attracted much commentary suggesting that our 'structural trend' was far less significant than the actual economics of the area, and that convenience retailing should not be forgotten.

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07 Conclusion

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Likewise, we made a broad-brush point regarding the future urbanisation of business parks, which again resulted in a net balance of support; yet attracted much ire in some quarters. Critical respondents certainly saw the potential for densification on those parks of a certain scale and/or on the edge of urban areas, whilst viewing many poorly located/specified parks as having to be fundamentally reimagined according to local need.

Finally, in addition to our structural trends for core commercial property, we asked respondents to rate our expectations regarding the changing nature and scope for increased investment in farmland and solar energy.

Farmland seems likely to remain off most professional investors' radar, albeit many do recognise its hedging and capital growth attributes and would certainly invest in it if sufficient scale could be achieved on a portfolio.

Similarly, solar photovoltaics were deemed by many to be attractive, but with uncertainty over future government subsidy levels and the complications arising from the landlord/tenant contractual relationship, they will also likely remain a niche asset.

Many of our future trends are likely to be incremental, with property continuing to perform as an asset class with the attributes to resist change in the short-term. Nonetheless we believe that investors will need to be increasingly conscious that property now finds itself in a position where shifting trends in the wider economy are likely to impact it in a more timely fashion than previously.

The days of long leases are over, and although lease lengths' downward plunge appears to have stabilised, it is a structural trend that will remain with us. Consequently, asset owners and developers may find that some of our 'incremental' changes skip a couple of steps on their way to disrupting the way we think about property.

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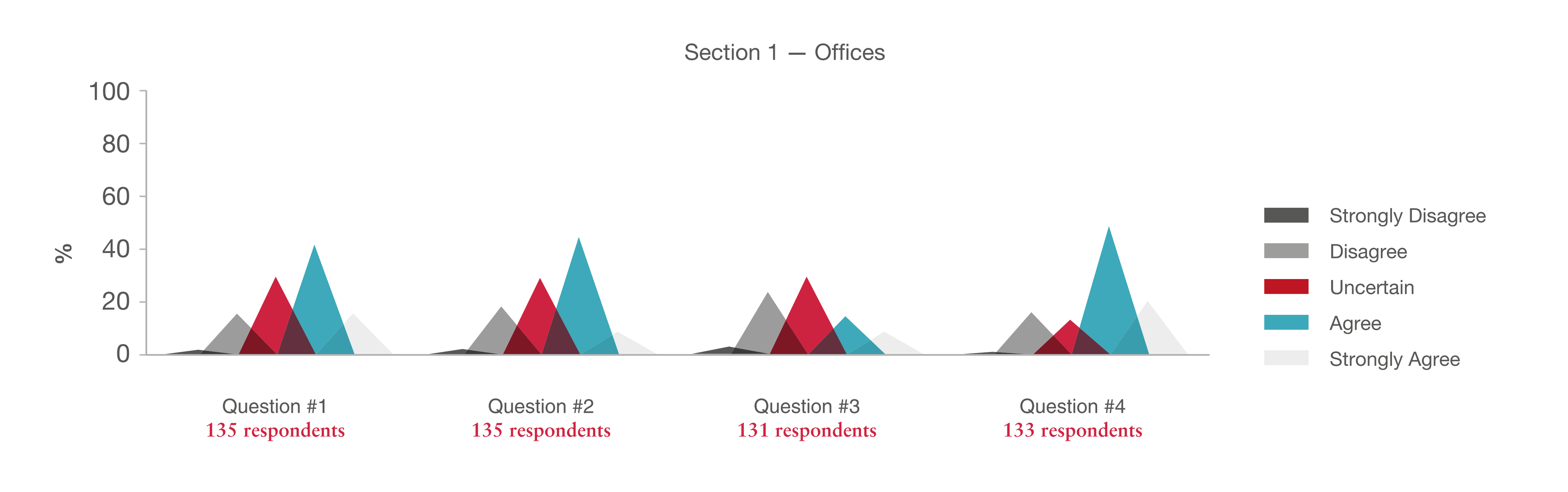
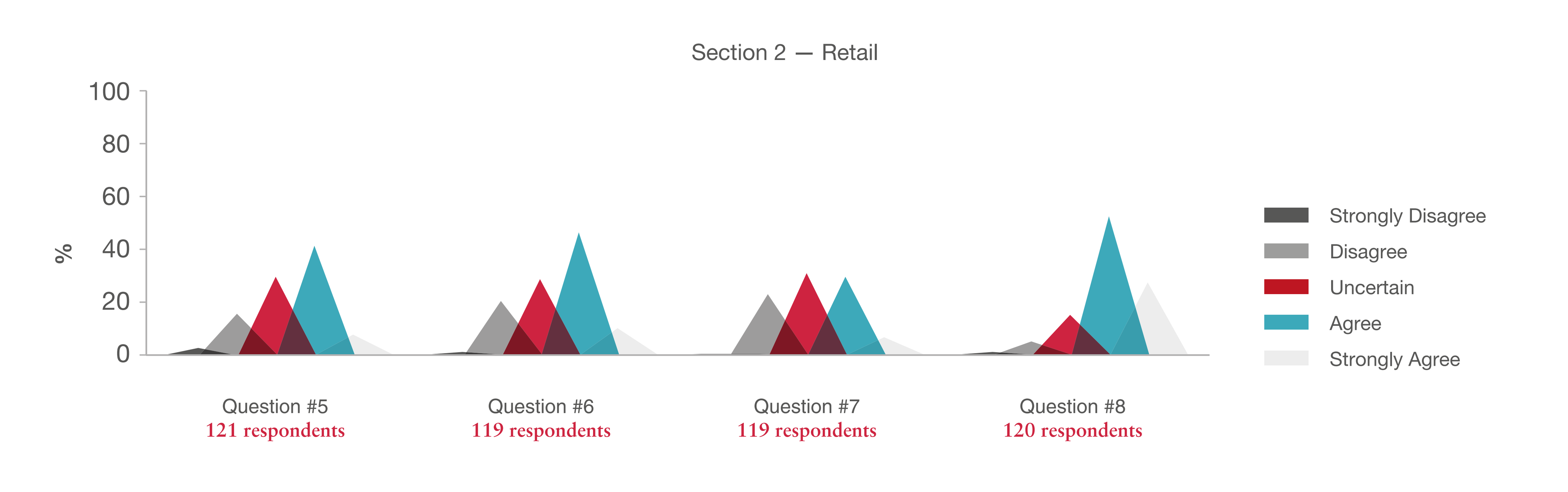
08 Appendix A

Full Survey Results.

Methodology – our results are based on the responses of 140 property investment professionals to an online survey conducted between 24 November and 10 December 2014.

None of the questions in the survey were compulsory. The number of respondents per question is detailed in the summary of our results presented below.





App.A Charts 1–3
App.A Charts 4–5
App.B Charts 1–3
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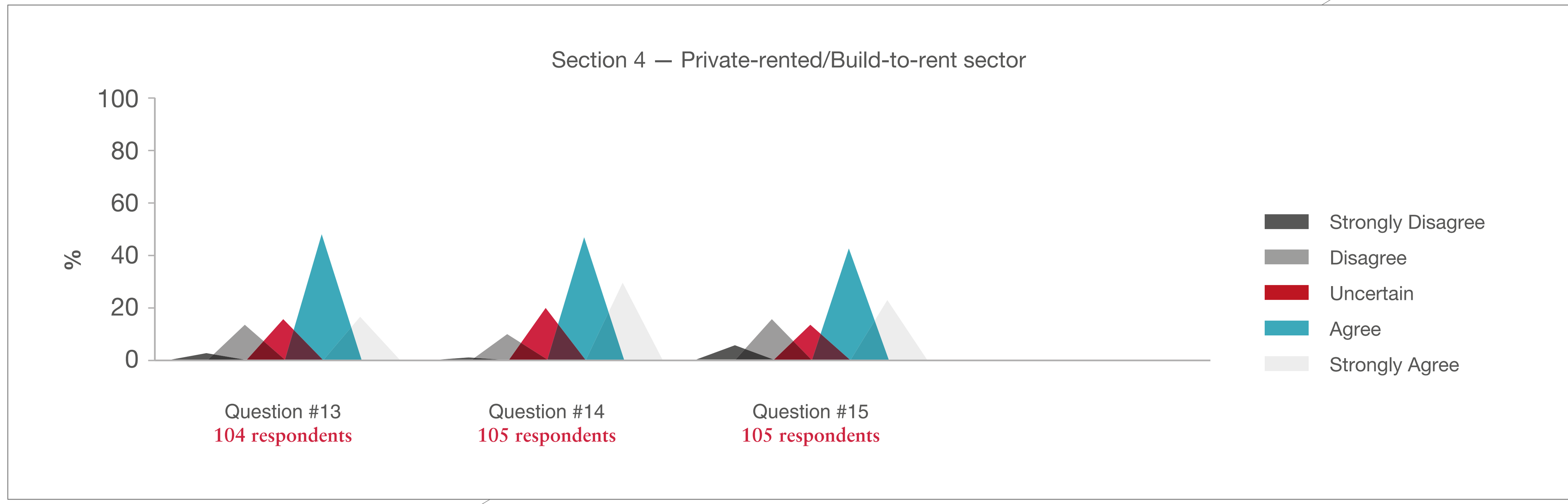

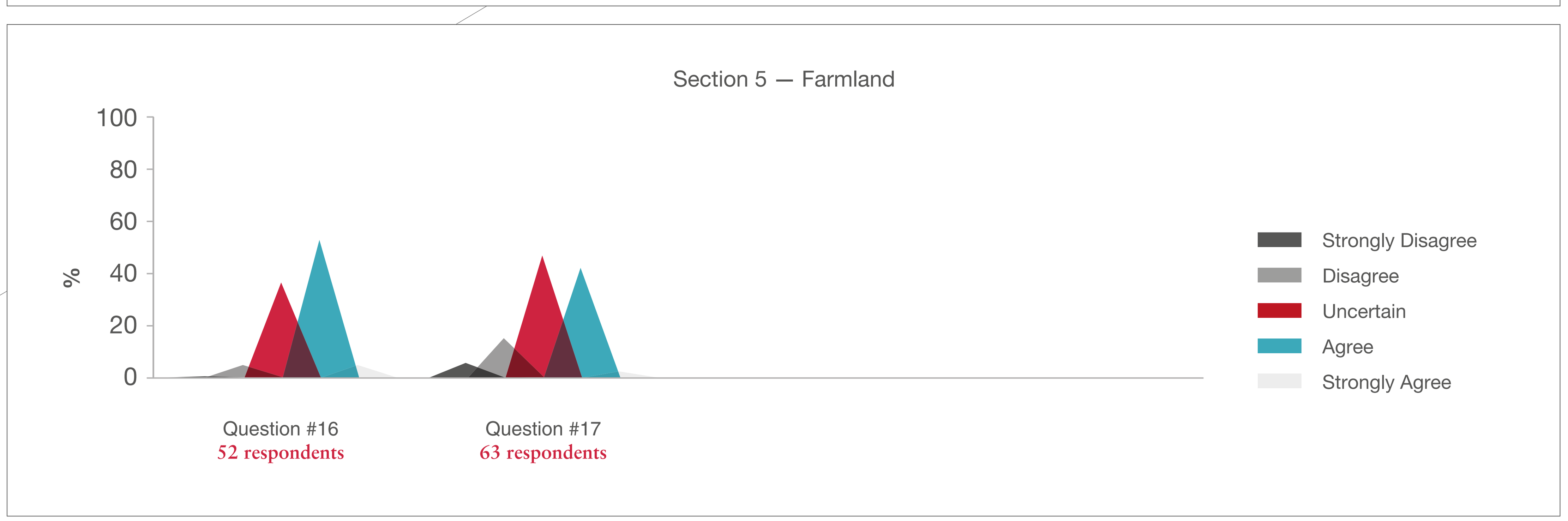

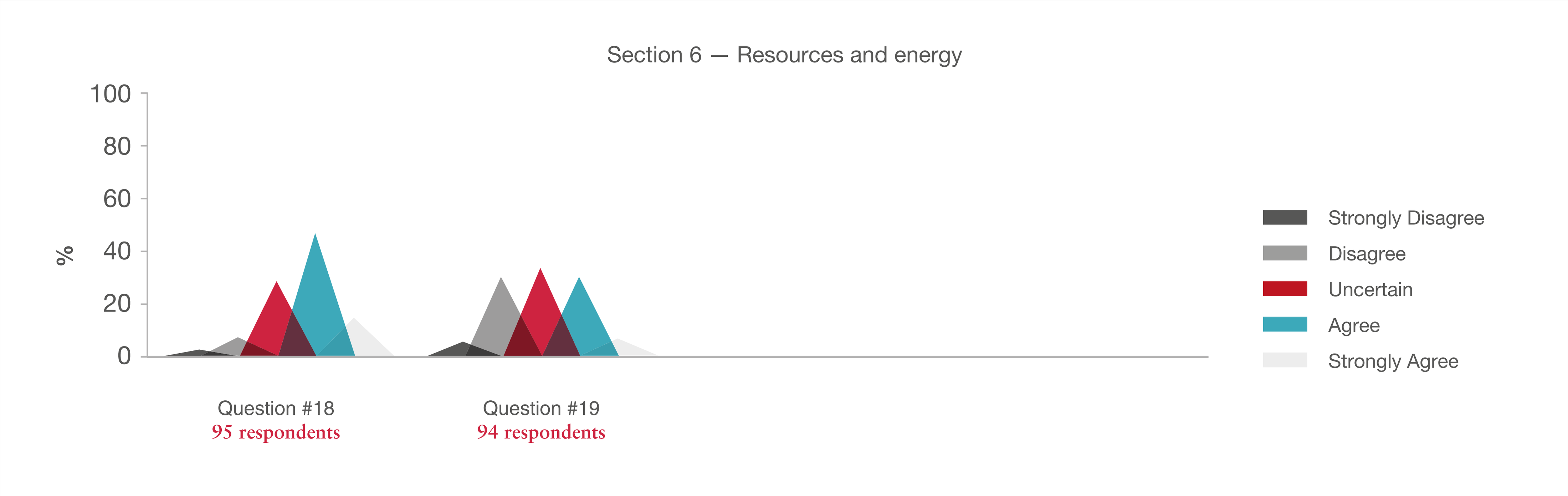

App.A Charts 1–3
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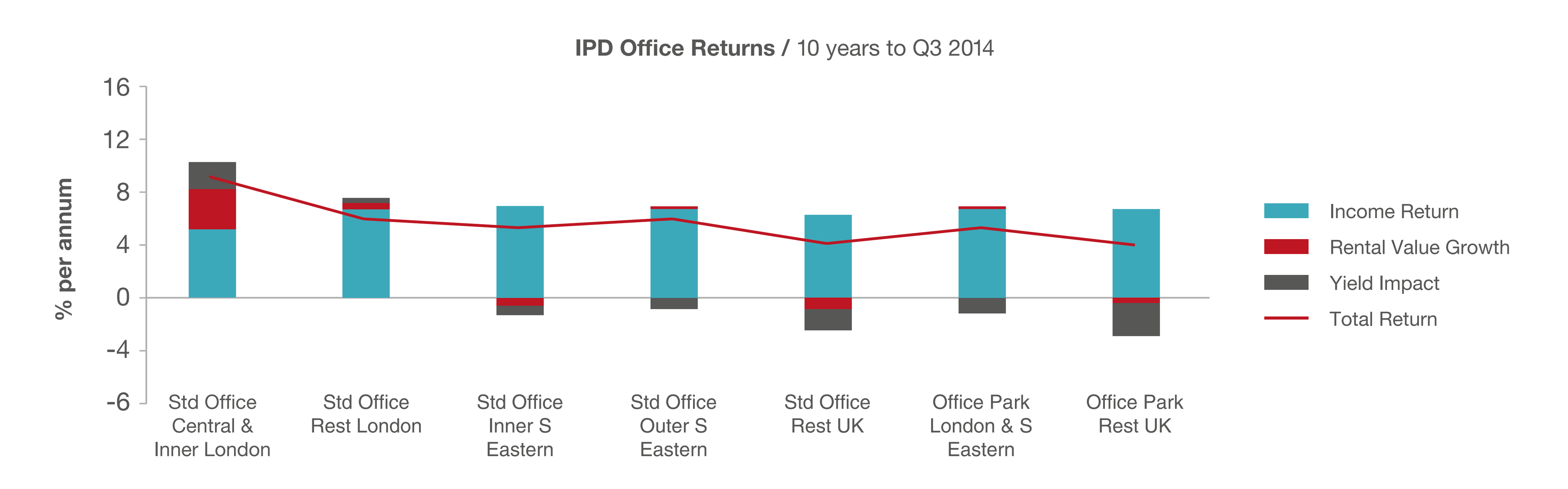
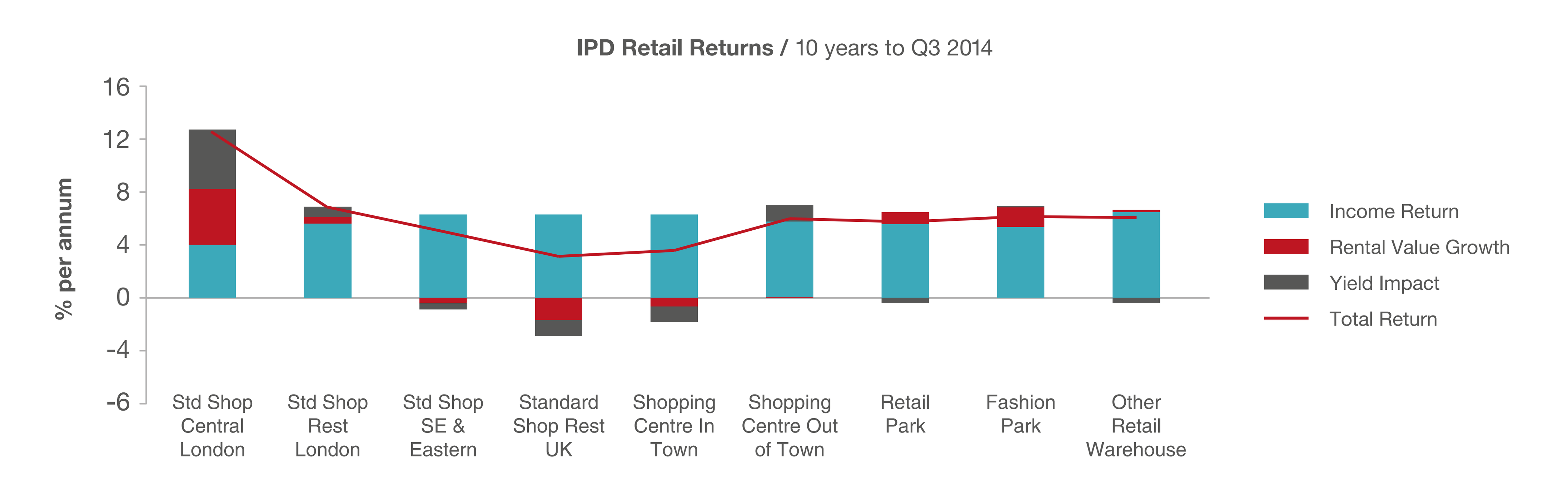
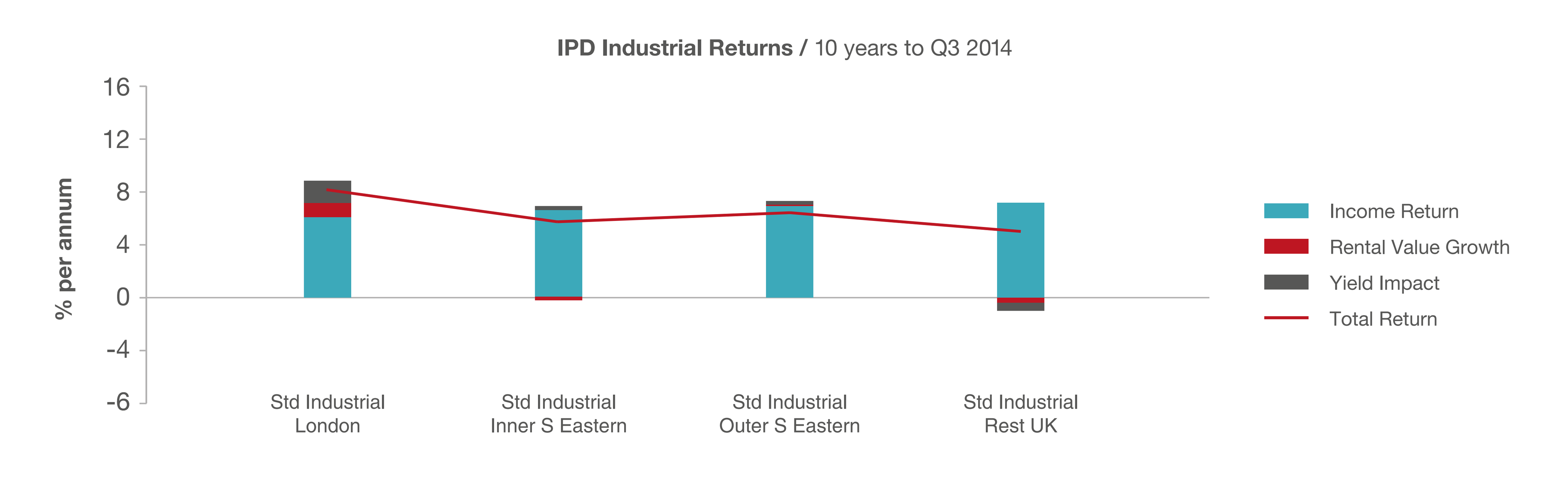
Historic sector performance data.







All data sourced from Investment Property Databank.

App.A Charts 1–3
App.A Charts 4–5
App.B Charts 1–3
App.B Charts 4–5

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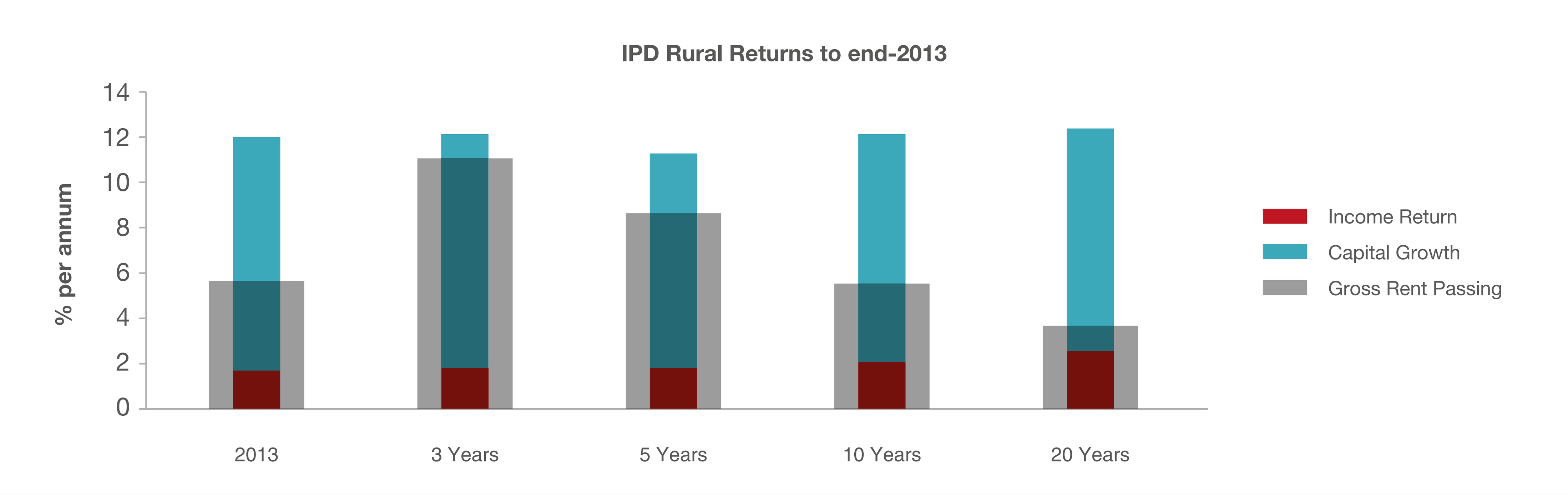

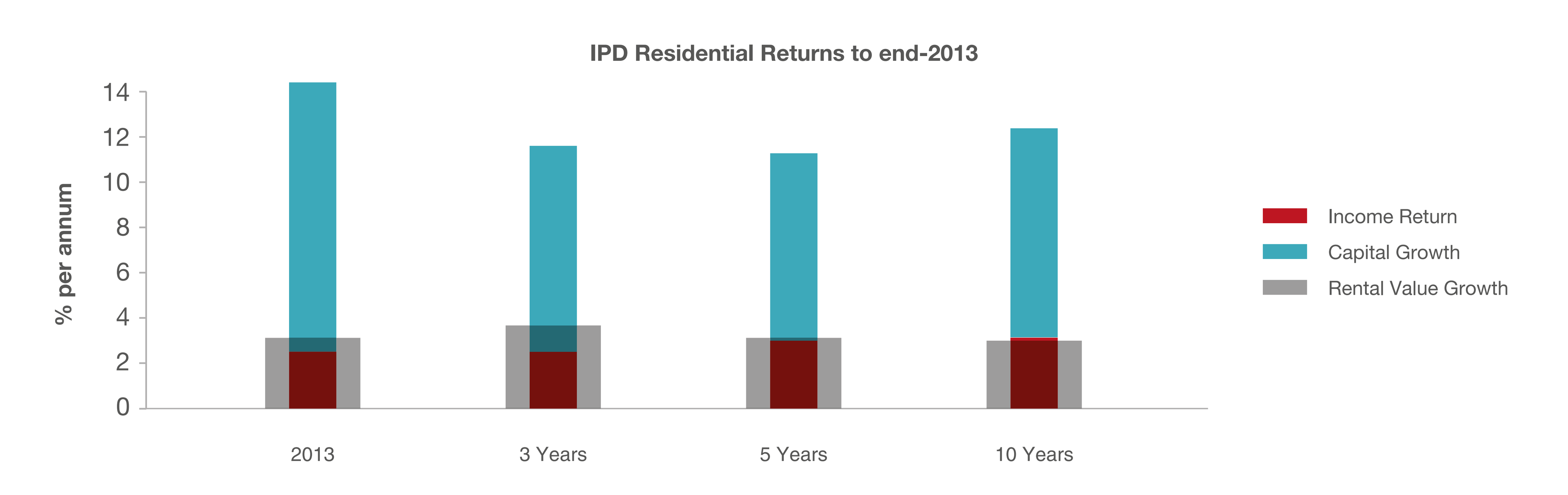

All data sourced from Investment Property Databank.

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A different approach to harnessing insight.

Research at Strutt & Parker is about understanding the markets, knowing what the trends are, and identifying and monitoring those drivers that will impact property over the short, medium and longer term.

A flexible team, we are focused on the vital insight necessary to assist our clients across all our market areas, from commercial to farming and land management, development, consultancy and residential.

We are different from the traditional property research model in two key ways. The first is that, instead of a group comprised of specialists, we have taken an alternative and holistic approach with each of us working across all sectors, allowing us to spot convergence and divergence between property asset types.

Secondly, we partner with best-in-class specialist research groups to ensure we are always open to new ideas, learning new tools and delivering the excellence our clients deserve.

Stephanie Mcmahon
Head of Research
—
020 7318 4673
stephanie.mcmahon@struttandparker.com

Thomas Grounds
Senior Analyst, Research
—
020 7318 4676
thomas.grounds@struttandparker.com

Vanessa Hale
Senior Analyst, Research
—
020 7318 4675
vanessa.hale@struttandparker.com

Mitchell Wall
Junior Analyst, Research
—
020 7318 468
mitchell.wall@struttandparker.com

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