



Local Government Chronicle

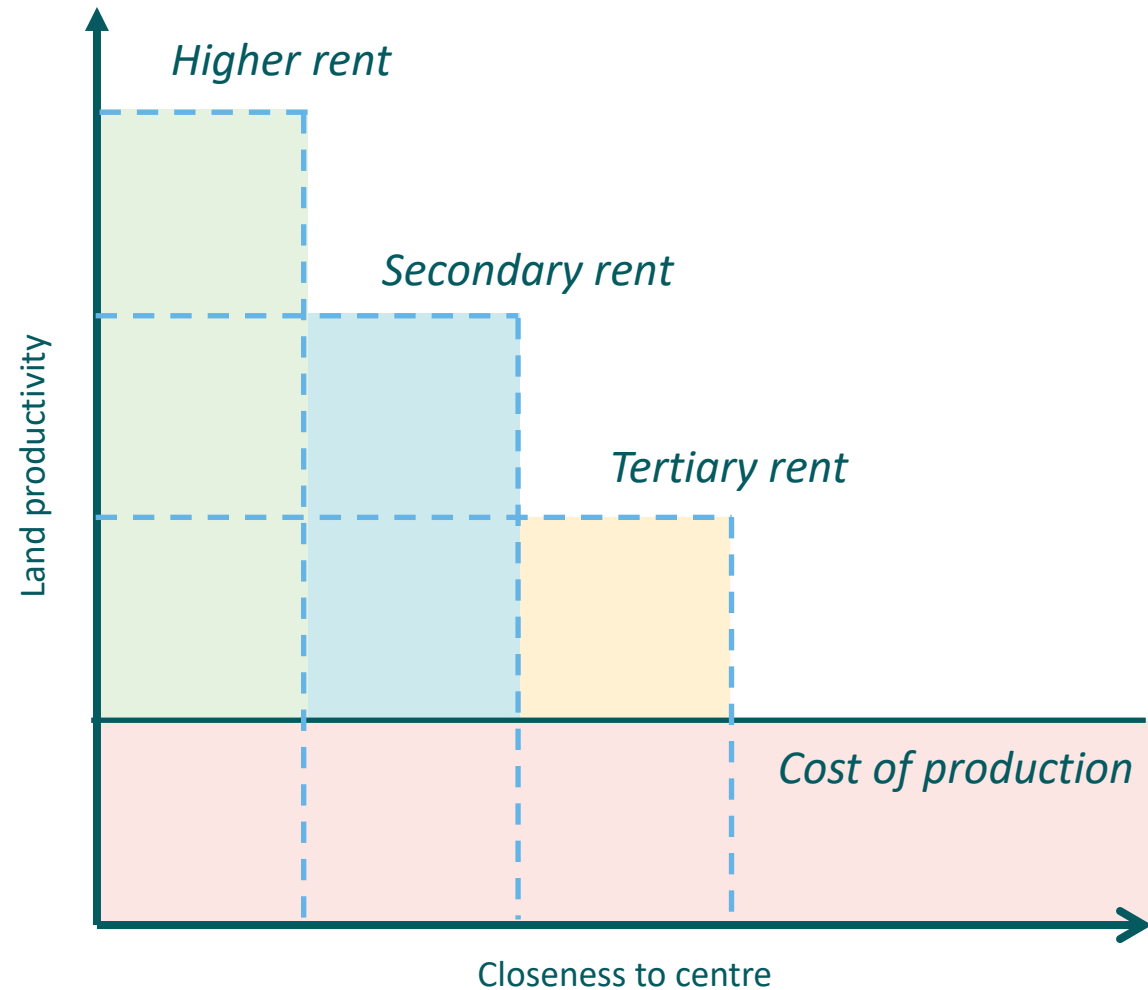
10 June 2021

José Pellicer, Head of Investment Strategy

For Investment Professionals only

The Ricardian Theory of Rent

Rental variation due to scarcity and productivity of land

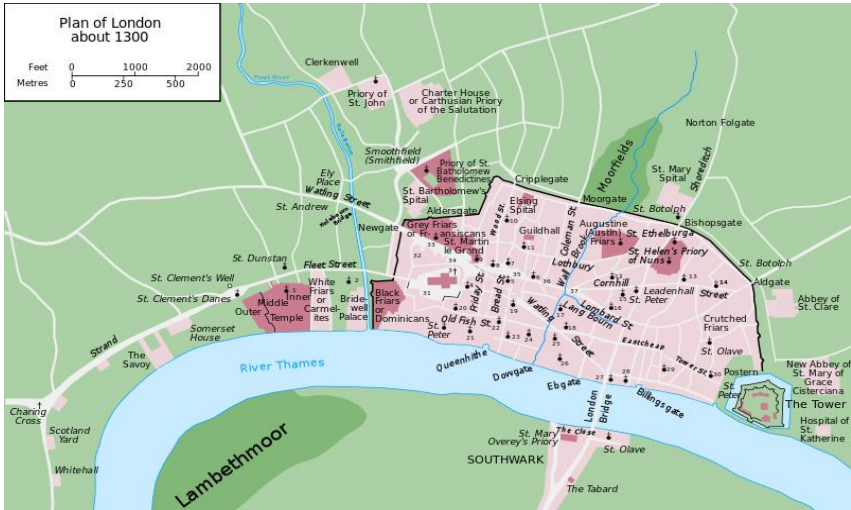


The long term sustainability of real assets

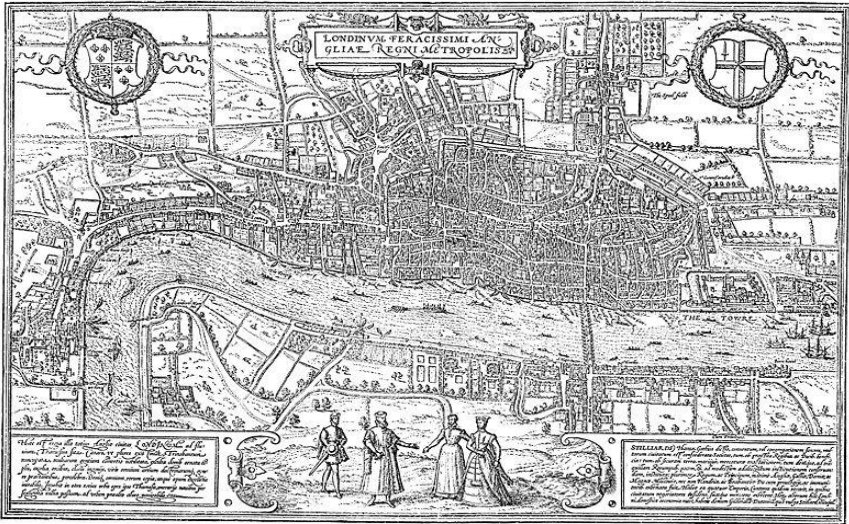
Roman Londinium



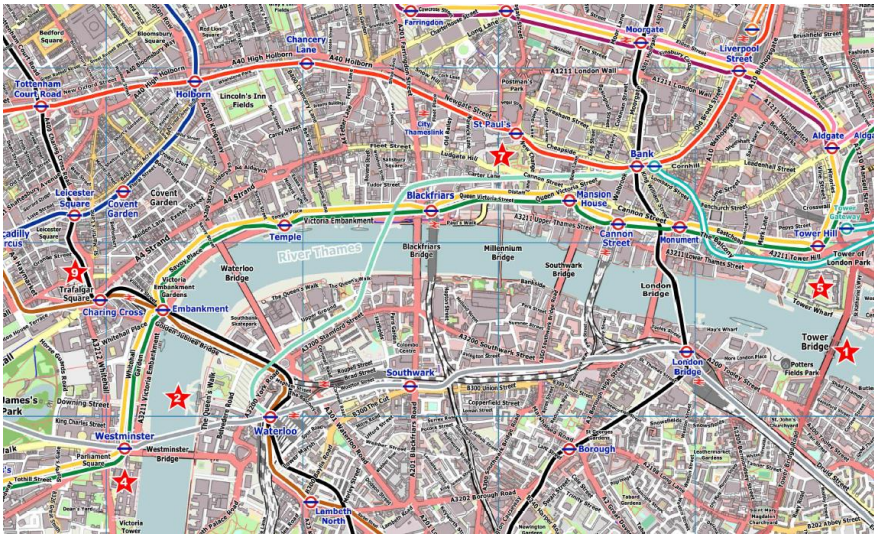
Medieval London



Elizabethan London



Modern London

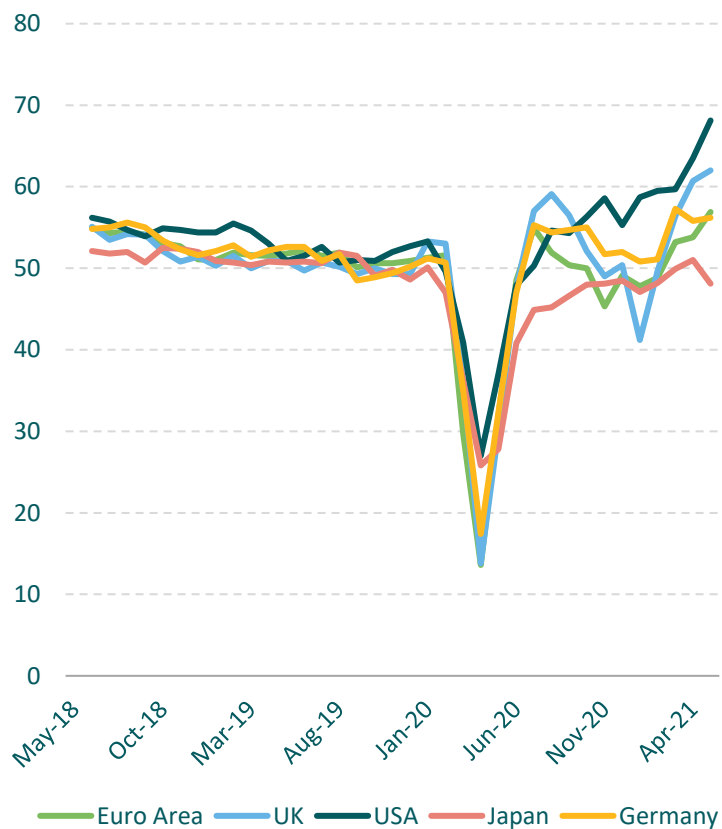


Location in the future

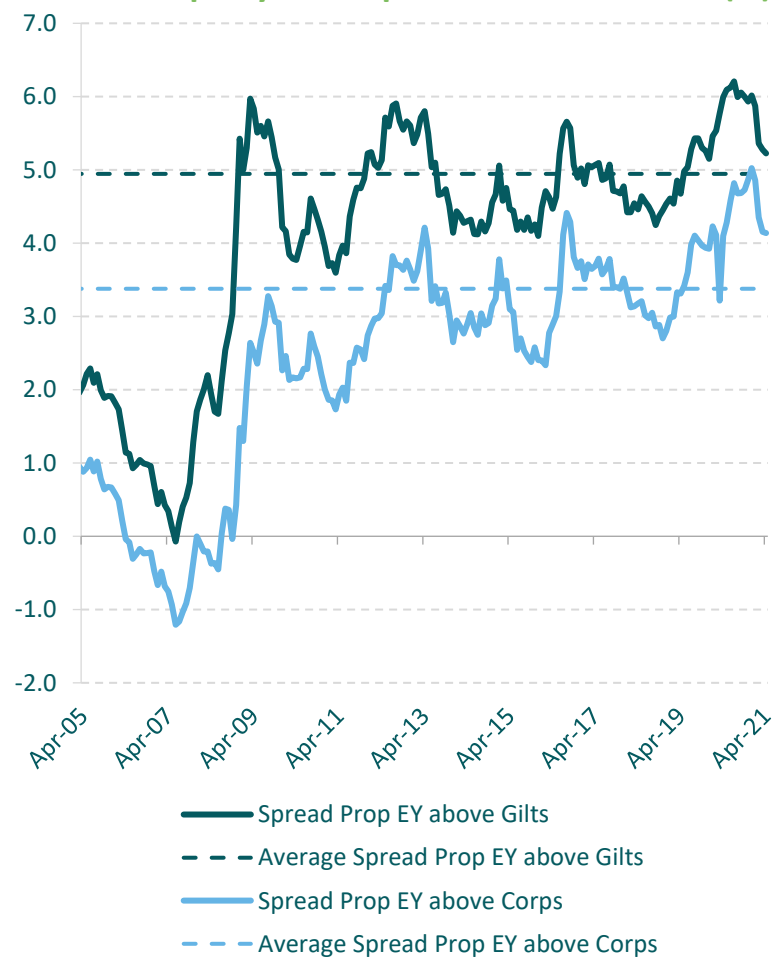


Investing now

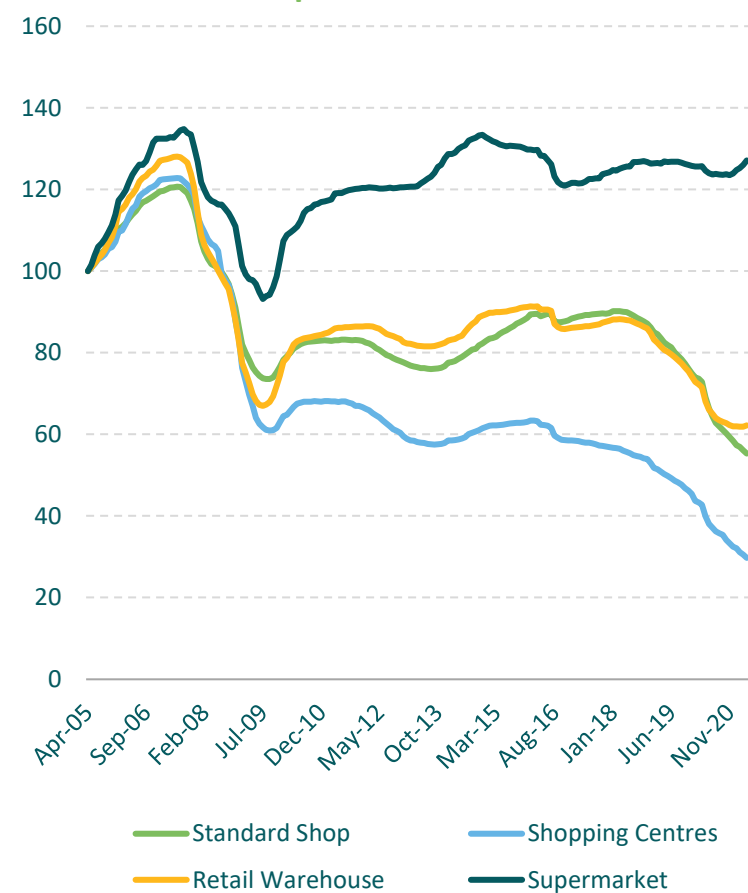
Economic Sentiment Survey (PMI)



UK Property Yield Spread Vs. Bond Yields (%)



Capital Value Index



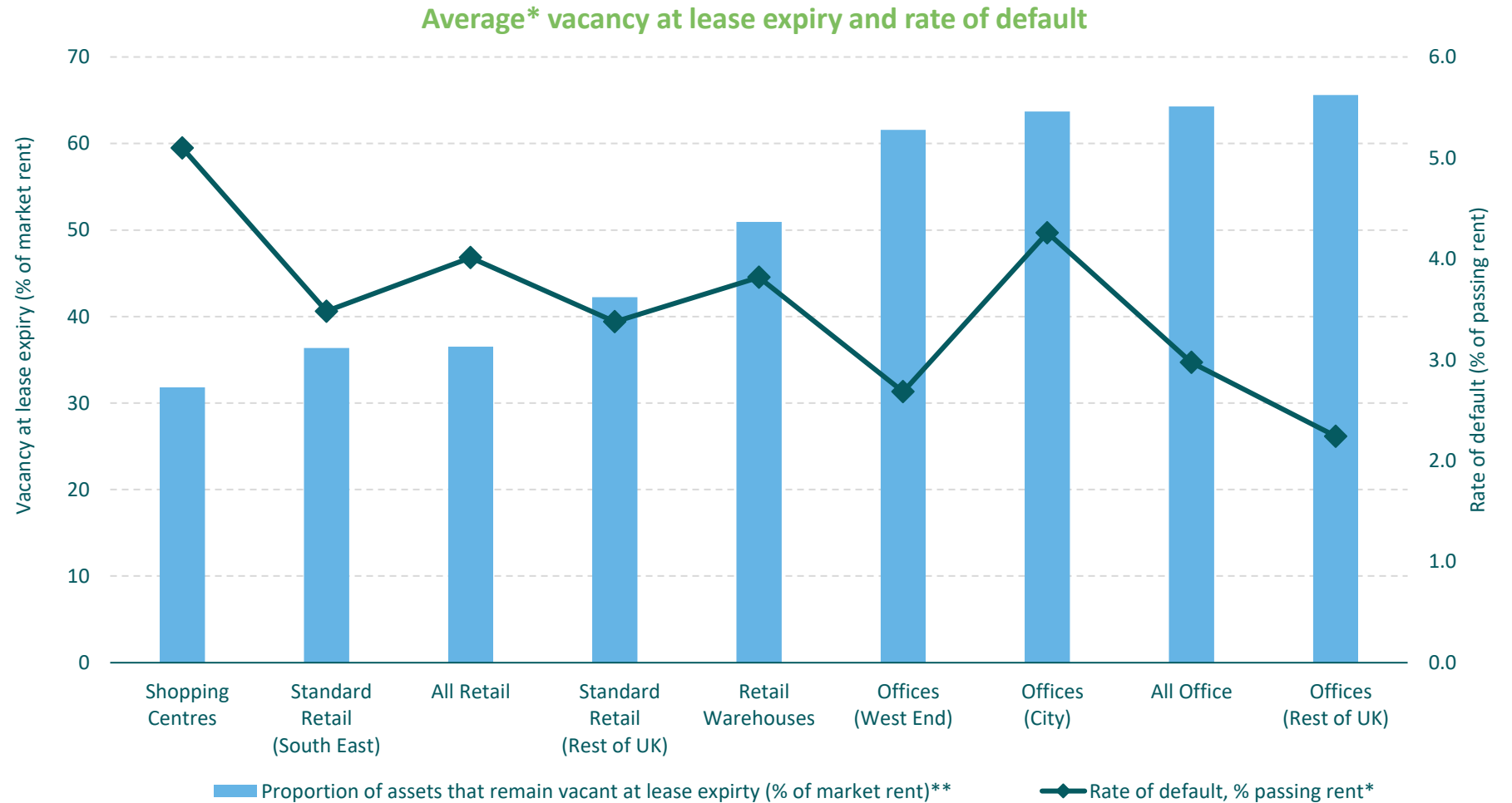
Key risks

- Liquidity

- Lease length

- Depreciation

— The big “forgotten”

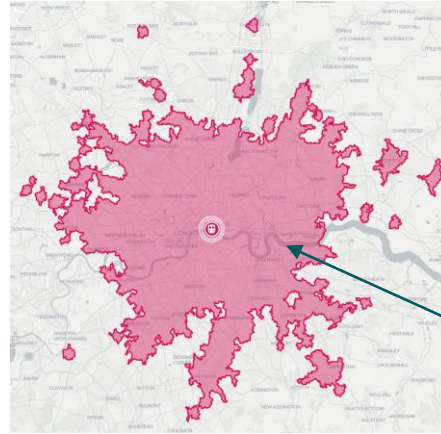


*Average of data from 2002-2019, data from 2020 not available

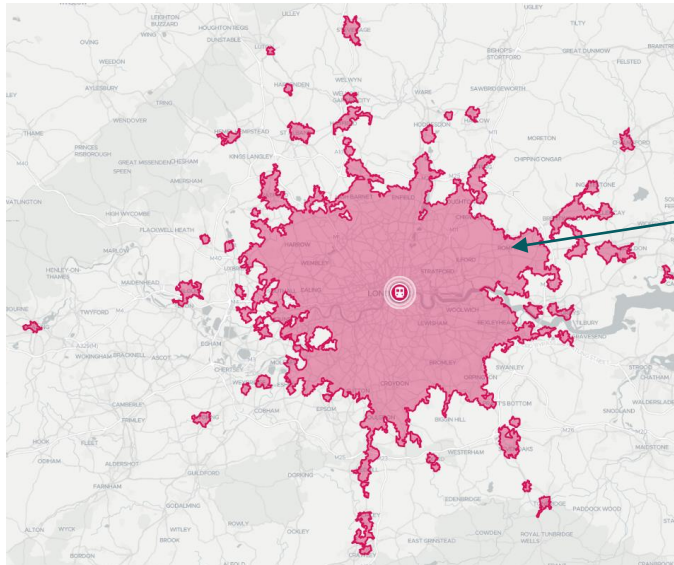
** % of lease expiries in a given year that remain vacant rather than renewed or new lettings

Future risks

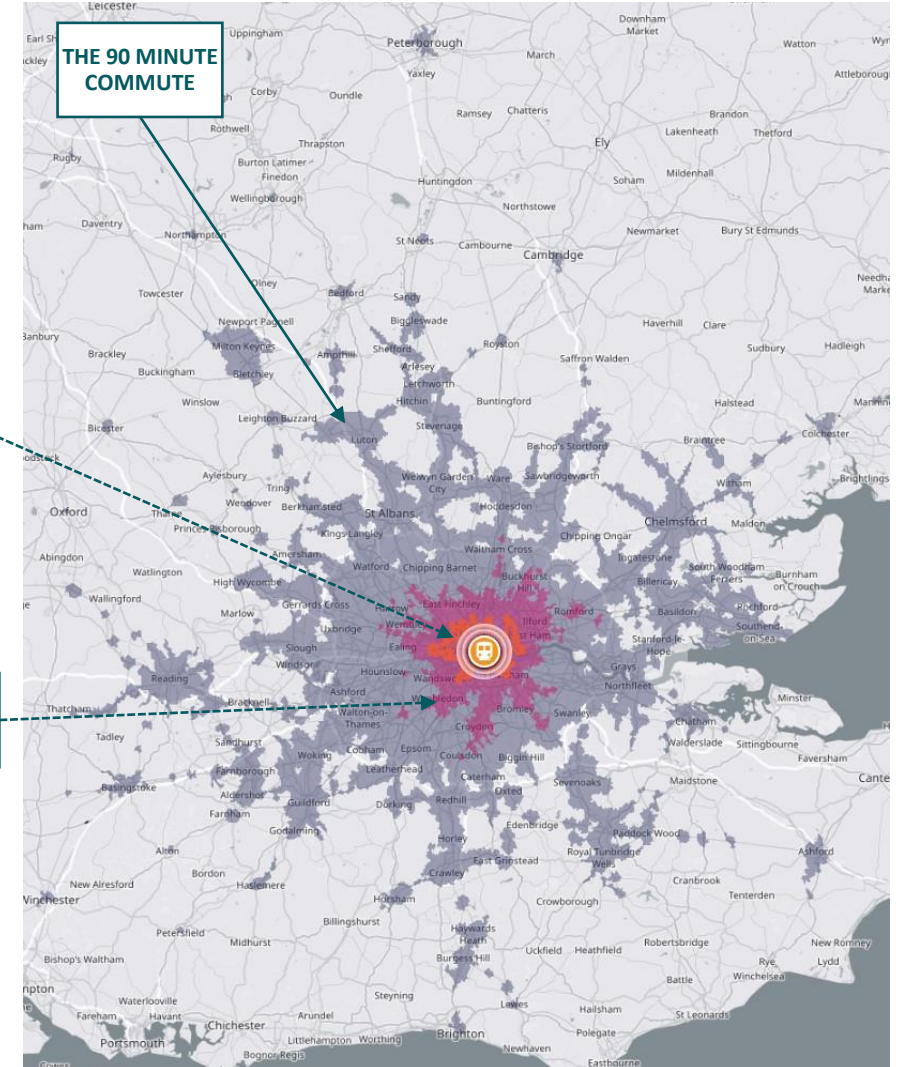
- Future of work
- Future of shopping
- Future of travel
- Operational assets
- Property as a service



THE 45
MINUTE
COMMUTE



THE 60 MINUTE
COMMUTE



THE 90 MINUTE
COMMUTE

ESG

- Not just about exclusions
- Net Zero is a BIG undertaking!
- Energy, Water, Carbon
- Well-being & people
- Social: Affordable housing
 - Houses & gardens occupy 5.9% of available land
 - Farmland occupies 63%, but contributes 0.6% to GDP
 - 84% of the UK population live in urban areas
- Solution?
 - Public and private sector together
 - Libertarian solution – “build, build, build” is not realistic
 - Socialist solution – subsidise, price control but not enough
 - Financially viable / economically sustainable ? A mix



Greenwalk, Paris

F&F, Dusseldorf



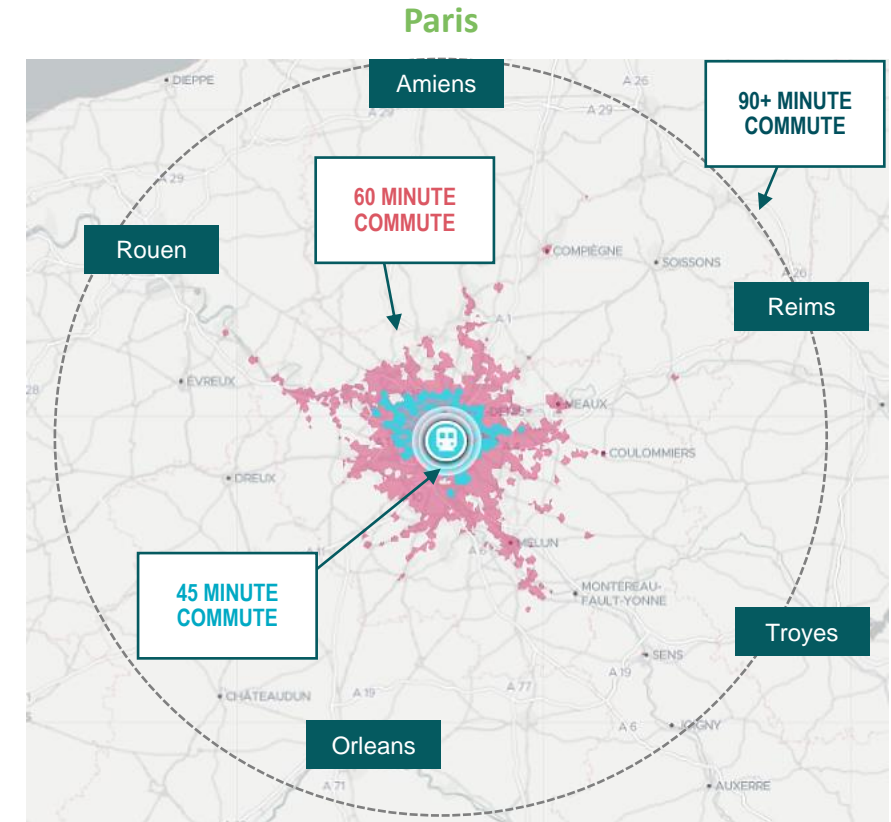
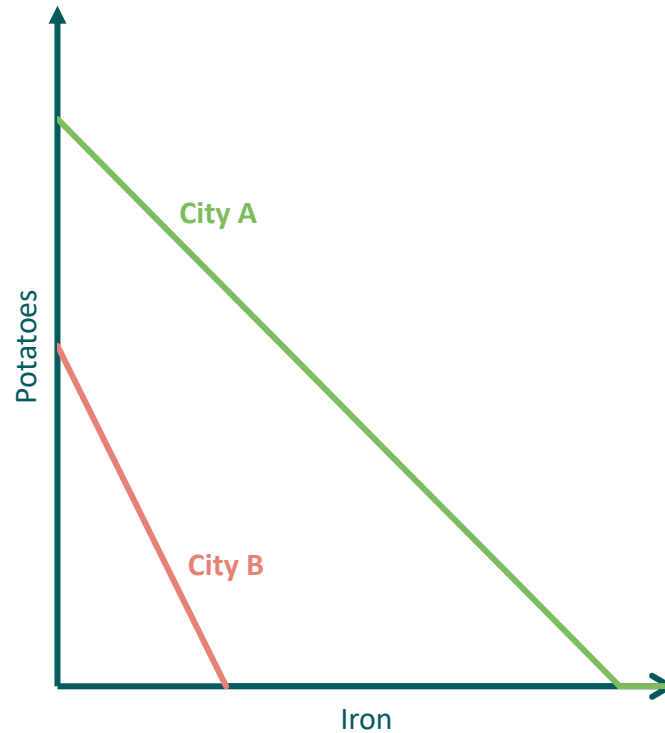
King Street, London – sold

Final question – wealthier, greener and more sustainable communities

Answer - David Ricardo + “levelling up fund?”

- Comparative advantage
- Not all regions can be
 - Capital of culture
 - Tech hubs
 - Green energy pioneers
 - Industrial powerhouses
 - Knowledge incubators
 - “Cool places”

The Opportunity



Use this trend to exploit your comparative advantages

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