



Markets & Geopolitics

On 7 April, I had the pleasure of moderating excellent speakers during the European leg of the RICS World Built Environment Forum regional webinar series on the impact of Covid-19 on real estate.

For Europe, the first important thing to keep in mind is that this is not a Black Swan event, which is an event defined as unpredictable, having severe consequences and a so-called hindsight bias. Whilst the consequences are without a doubt severe, both for people and the economy, the Covid-19 pandemic is very much a predicted event.

The World Health Organisation and other experts have for years been warning that a global pandemic can, and indeed, will happen. During previous outbreaks such as Ebola and SARS, Europe was spared. This time it is not the case. This may have made Europe somewhat less prepared than other world regions such as Asia.

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The Covid-19 pandemic will inspire a reinvention of the global economy.

Multiple or single choice

- Agree Strongly
- Agree
- Neither agree nor disagree
- Disagree
- Disagree Strongly

Submit

Finally, Marcel de Boer, Managing Director of valuation company Troostwijk in the Netherlands, reported that clients are expecting valuers to be fortune tellers. of course, they are not. This is a new world in which undertaking a proper valuation is extremely challenging. Many aspects of the valuation process, not least building inspection, have become near impossible.

An impact on value is inevitable and is already happening, due to increases in vacancy rates and interest rates. The impact will be higher for hospitality, offices and retail, and probably more limited for residential and health care.

Looking ahead, valuers will need to digitalise, as use of existing data takes on ever greater import: the valuation process may come to rely less on inspection, and more on automated approaches. Only by adapting will valuers continue to offer much-needed trust to the markets.

“Where there is a fire, you first put it out”

This is a quote from a chief economist at a major Belgian bank. He is right. When there is a fire, we first make sure all the people are safe; thereafter, we must safely extinguish the fire. Only then can we start thinking about what a new or refurbished building might look like. Would we build it exactly the same? I doubt it.

The building may retain its original external appearance, but operate in a smarter, or more efficient manner. Or, it may be entirely redesigned from the foundation up. Covid-19 presents us with many challenges, but we need to learn from events and take that learning forward.

The way we live, work and play may not be the same again – or at least not for the foreseeable future. This will have an impact on how we manage our buildings.

ESG will increase in importance – we can longer focus on environmental issues to the exclusion of social and governance considerations.

Whichever solution emerges, it can only work if all actors work together, and show empathy for the situation of the other. This, in the end, will make most business sense.

We are fighting a fire. Nobody yet knows what will happen after we put it out.

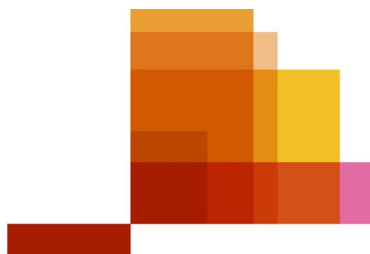
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