



# AVIVA INVESTORS REAL ESTATE FINANCE PROPERTY CONFERENCE 2017

## Valuing the Future

25<sup>th</sup> October 2017

This document is for property professionals and advisers only. It is not intended to be viewed by, or used with retail investors.



# Agenda



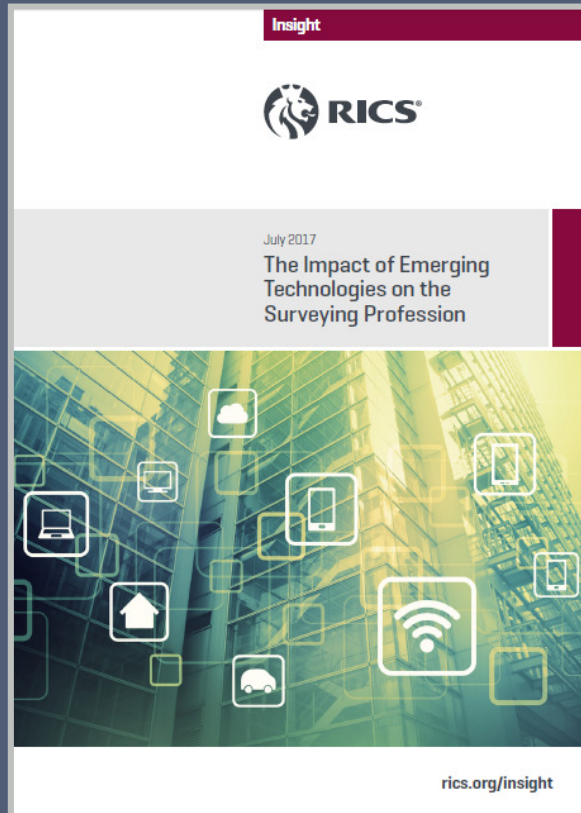
2.15 – 2.35	<b>Aviva Plc - A 321 year old disruptor</b>	Chris Payne <i>Aviva UK Digital CIO</i>
2.35 – 3.15	<b>The Impact of Emerging Technologies on the Surveying Profession</b>	Ben Elder FRICS <i>RICS Global Director of Valuation</i>
	<b>Aviva Investors Response</b>	John Hadcroft
3.15 – 3.25	<b>The Future of Valuation Reports</b>	James Smith / Chris Jones
3.25 – 3.40	<b>Tea Break</b>	

# Agenda



3.40 – 4.10	<b>Q &amp; A</b>	James Smith / Ben Elder / John Hadcroft
4.10 – 4.30	<b>Aviva Investors UK Real Estate Outlook</b>	Tom Goodwin <i>Aviva Investors, UK Real Estate Strategy &amp; Research</i>
4.30 – 4.50	<b>Aviva Investors Real Estate Finance</b>	Gregor Bamert - <i>Head of Real Estate Finance</i> Adrian Poole - <i>Director, Origination</i> Nick Solomon - <i>Director, Origination</i> Neil Dobson - <i>Associate Director, Origination</i>
4.50 – 5.00	<b>Surveyor Round Up, Awards &amp; Conference Close</b>	Chris Jones / James Smith

# The Impact of Emerging Technologies – Industry Survey



Five key areas of technology identified that will have a significant impact on surveying:

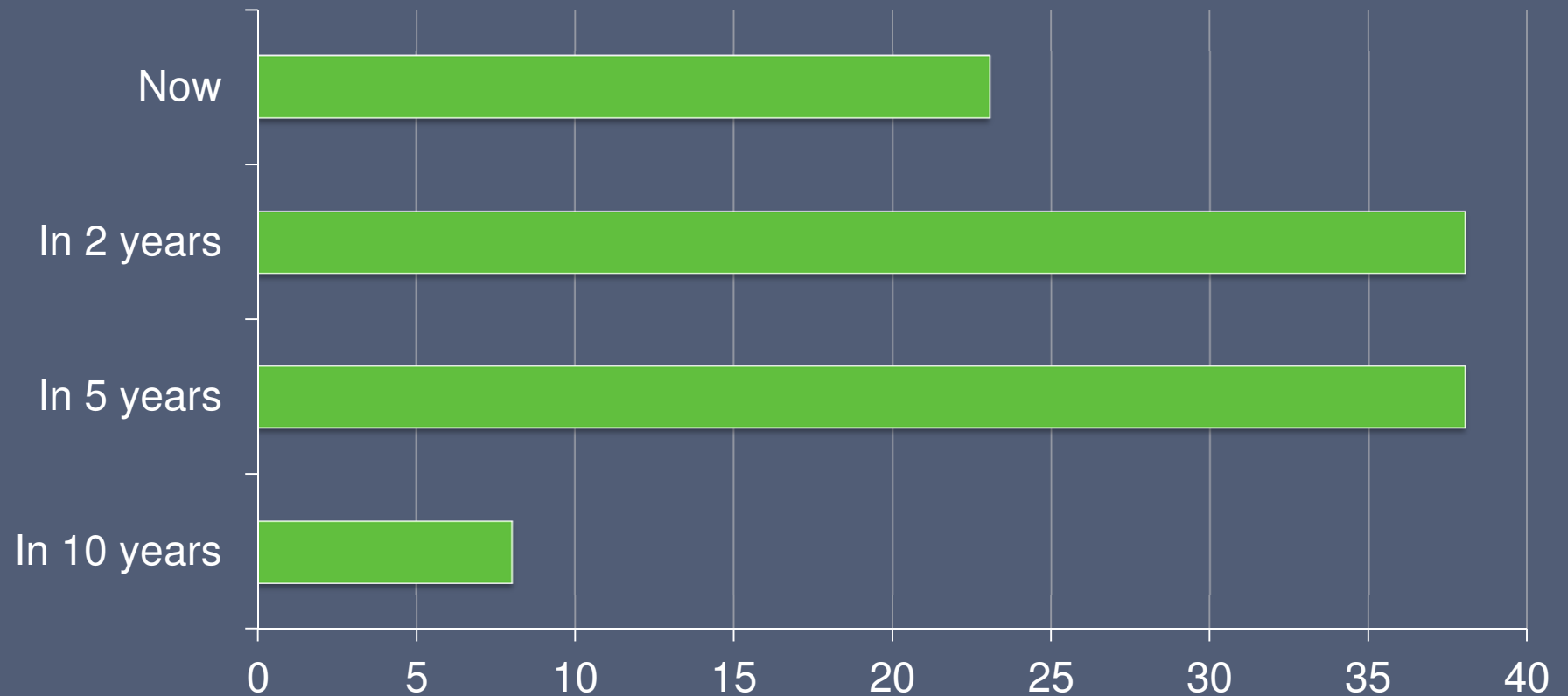
- The Internet of Things
- 5G Communication
- Machine Learning & Robotics
- Building Data
- Distributed ledger technology



## How do you view the impact of the technological revolution in your role?



## How soon do you anticipate this impact happening?



Source: Aviva Investors 2017



Chris Payne  
Aviva UK Digital CIO

Aviva Investors Property Conference  
25<sup>th</sup> October 2017



UK Digital  
**wasn't** created  
to be a  
**company.**

It was built to  
**connect**  
with our  
customers.

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Our Ambition

Zero questions,  
Zero friction



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Our Ambition

# Zero questions, Zero friction

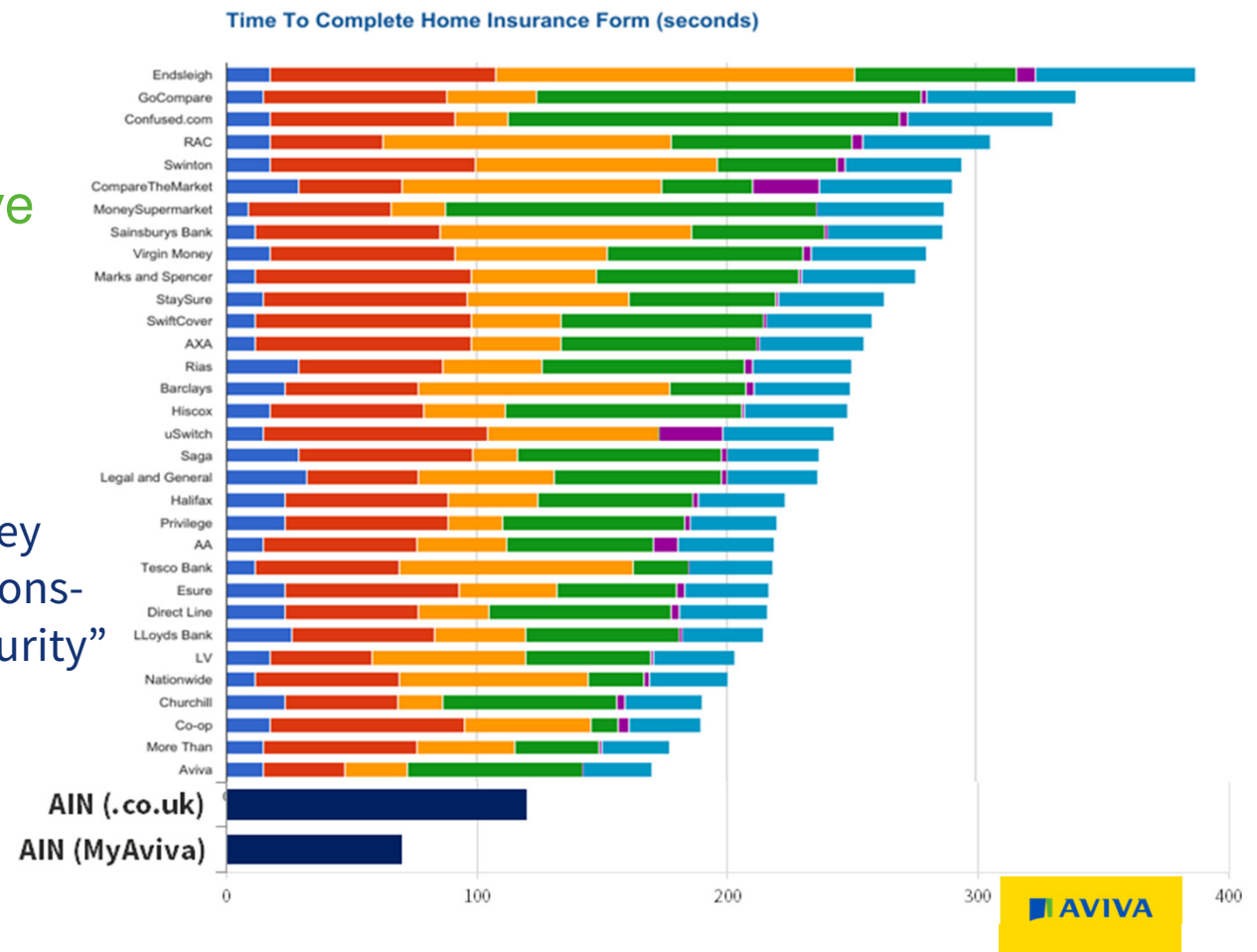
Utilising advanced analytics, deep data and customer lifetime value to power Ask it Never

“Liked how  
easy it  
was...” “No excessive  
questions”

“a lot less hassle,  
really easy”

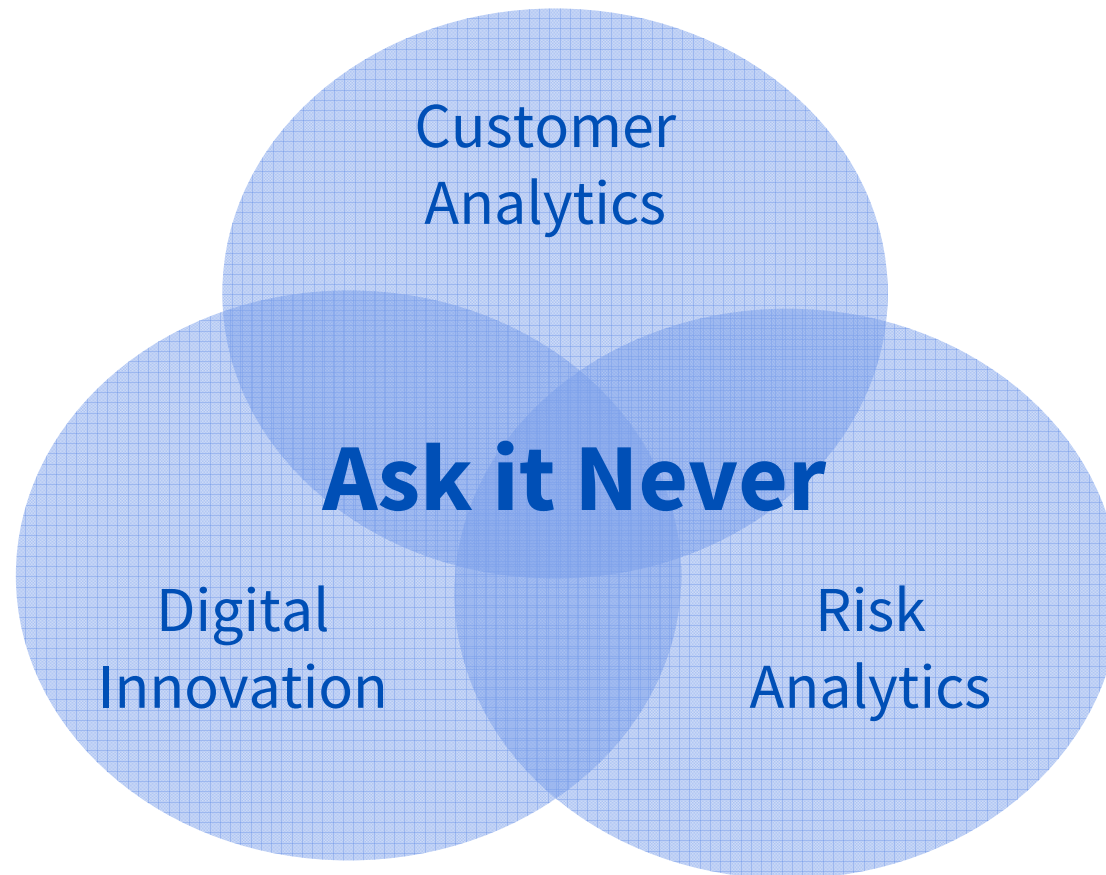
“on comparison sites- they  
asked a LOT more questions-  
no cctv questions or security”

“Easiest Quote  
Ever!”



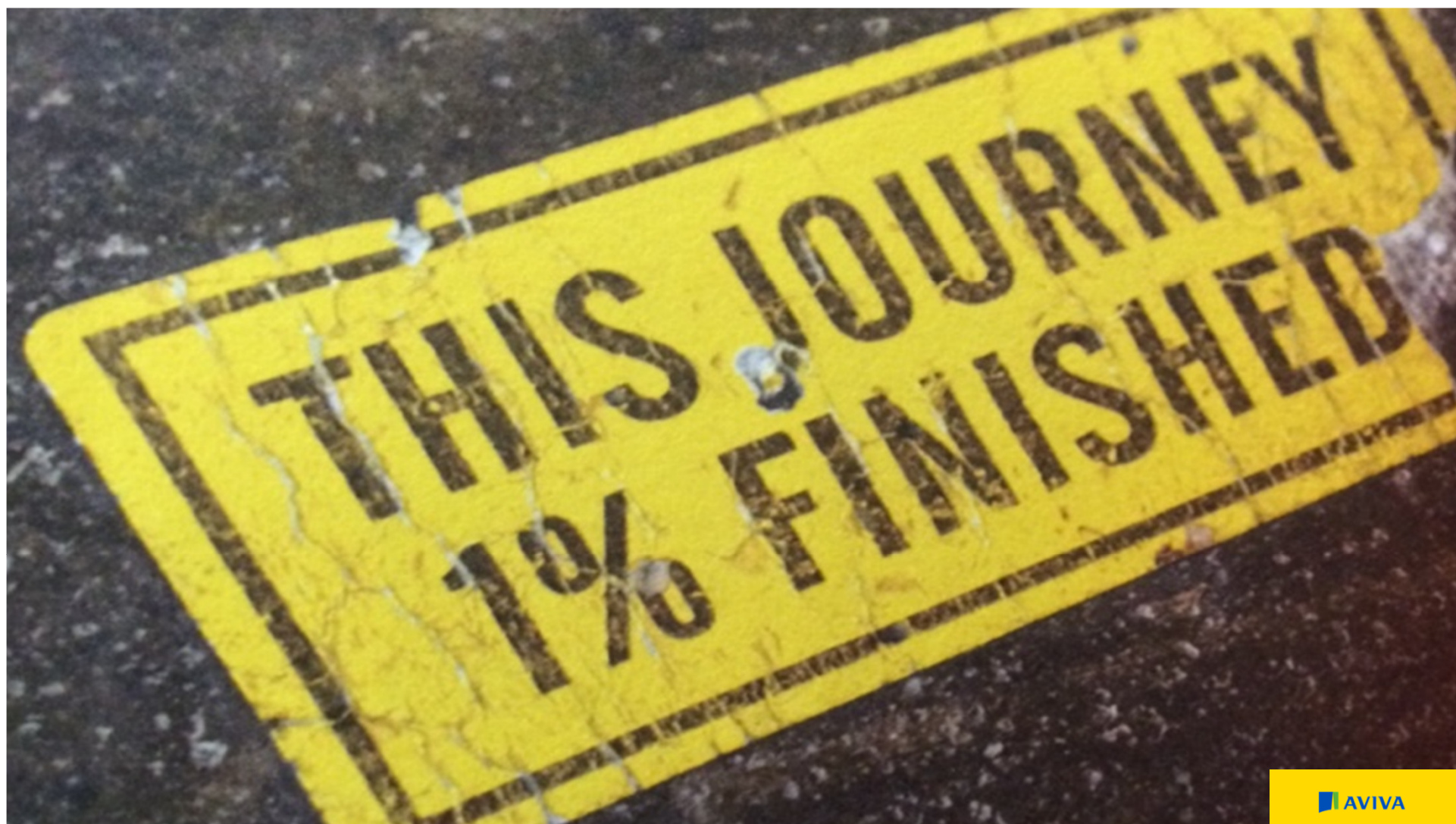
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## Competitive Advantage



It's not  
**fun**  
because  
it's easy.

It's fun  
because we're  
**changing the  
insurance  
world.**



# **Aviva Investors Real Estate Finance Property Conference 2017**

**Ben Elder BA BSc FRICS ACI Arb  
RICS Global Director for Valuation**



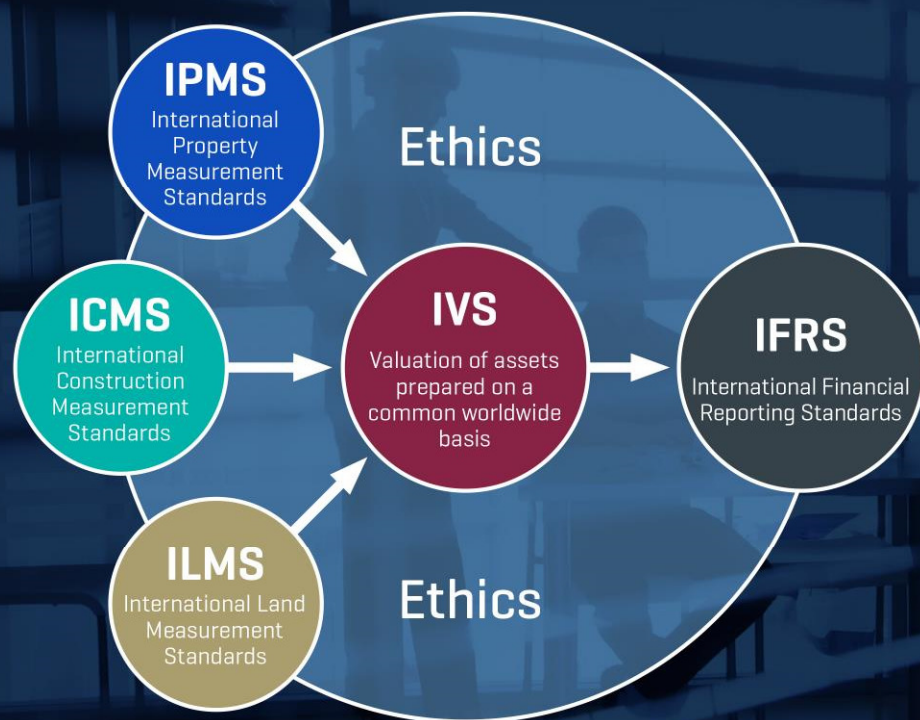


## Its great to be a valuer!



- 70% of a nation's wealth
- 60% of all utilised materials used in construction
- 60% of energy used on heating and servicing buildings
- 40% of carbon emissions emitted from Buildings
- 10% of workforce employed in the sector

International standards – Driving change –  
More Science than Art – Transparency.



[rics.org/standards](https://rics.org/standards)

### ***RICS Insight: The Impact of Emerging Technologies on the Surveying Profession***

Five key areas of technology are identified that will have a significant impact on surveying:

- ▶ The Internet of Things (IoT)
- ▶ 5G communications
- ▶ Machine learning & robotics
- ▶ Building data
- ▶ Distributed ledger technology
- ▶ BBC research - Valuers: 95% chance jobs automated by 2035

### ***ICAEAW: Artificial Intelligence and the Future of the Accounting Profession:***

- ▶ Intelligent systems will takeover more decisions-making tasks from humans
- ▶ Extremely accurate Outputs superseding human effort
- ▶ Think radically
- ▶ Be adaptable

# Focus on Data

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- ▶ Who owns it?
- ▶ Security ?
- ▶ New sources?
- ▶ What due diligence is required?
- ▶ Independence?

## Red Book – Risk Management Framework

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- ▶ What do our customers want?
- ▶ What do the Regulators want?
- ▶ What is a valuation report?
- ▶ Are predictive values allowed? VPS4 11.
- ▶ Audit trail of judgments

# What about the future?

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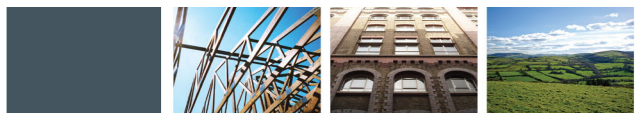
- ▶ Change
- ▶ Change in how property is occupied – therefore its value
- ▶ Massive urbanisation
- ▶ Advice – Risk Assessment
- ▶ Statistical modelling skills
- ▶ Exciting parts of job!




# Thank you

**Ben Elder**

**[belder@rics.org](mailto:belder@rics.org)**





# THE IMPACT OF EMERGING TECHNOLOGIES ON THE SURVEYING PROFESSION

## AVIVA INVESTORS RESPONSE

John Hadcroft

# Impact of Technology

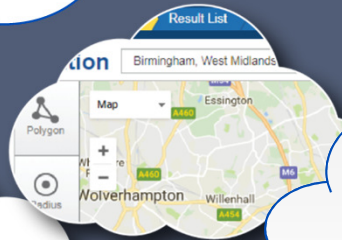
Automated  
Valuation Model

5 Day  
Aspiration

Machine Learning  
and Robotics

DATA

Energy Performance Certificate  
Non-Domestic Building



Birmingham Central

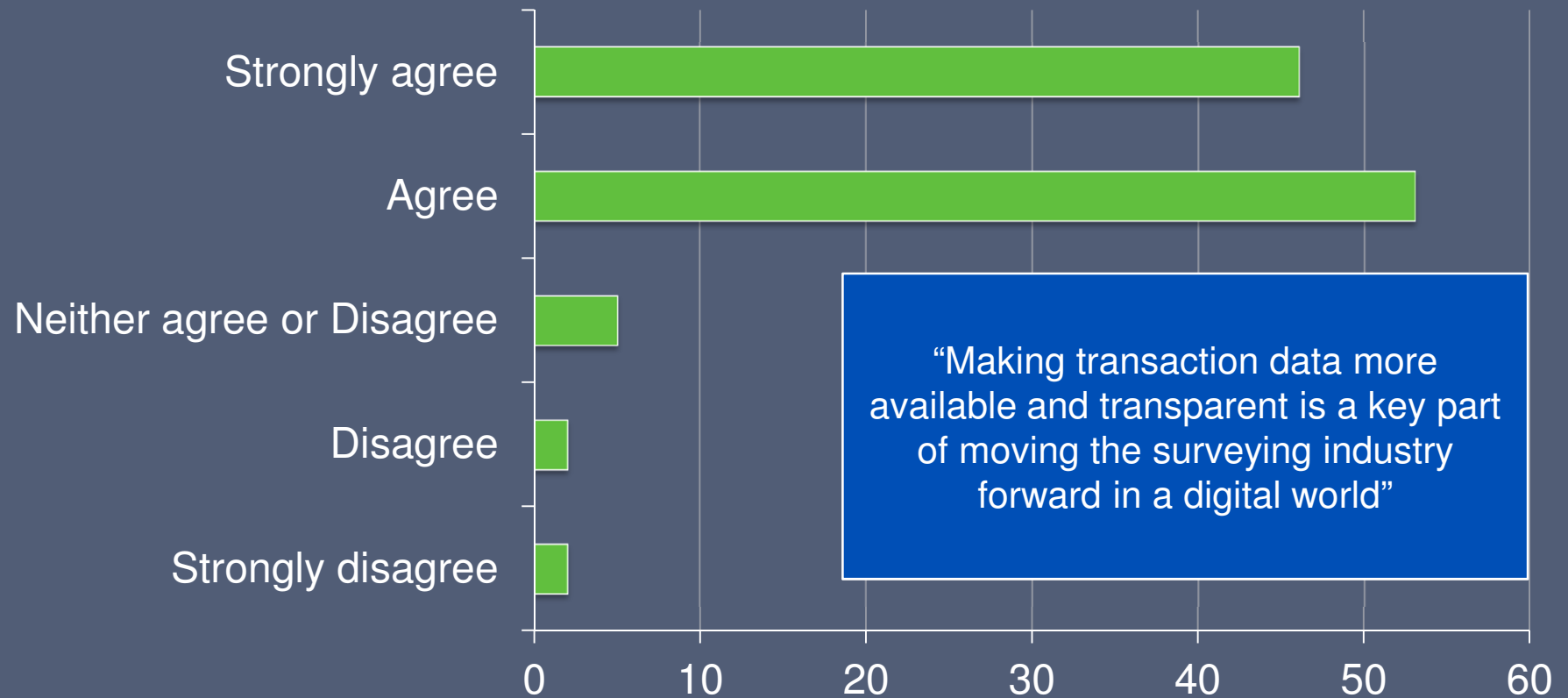
PROMIS Office Report

16 October 2017

Find a property

Select an option to search for property information:  
☐ Postcode ☒ Street name and town ☐ Advance

# The Importance of Transparency







# THE FUTURE OF VALUATION REPORTS

James Smith  
Chris Jones

## A Traditional Valuers Desk





# Existing Aviva Valuation Report



## Property Report and Valuation

Property Address:

Mortgage Number:

### Contents

1. Executive Summary
2. Valuation Report
  - Section 1 – Instructions
  - Section 2 – Physical
  - Section 3 – Legal and Statutory
  - Section 4 – Environmental
  - Section 5 – The Market
  - Section 6 – Valuation
  - Section 7 – Estimate of Current Reinstatement Cost
  - Section 8 – Benefit and Disclosure

# The Valuation report of the Future



# INTRODUCTION

WELCOME TO TECHNOLOGY PULSE ✓



1 Technology Pulse – Augu...



2 Introduction – Welcome t...



3 Technology Tips – What is?



4 Technology spotlight – AI...



5 Technology Trends – KP...



6 In the news –



# INTRODUCTION

WELCOME TO TECHNOLOGY PULSE ✓



# TECHNOLOGY TRENDS

KPMG - DISRUPTIVE TECH AND  
TRENDS ∨

## KPMG - Disruptive tech and trends

This month I am sharing some insights from KPMG on Disruptive tech and trends. KPMG have produced two interesting papers on technology Innovation - Part 1 focusing on Tech Hubs and Part 2 on Innovation convergence plus KPMG have a live technology trends index which highlights key industry sectors which is worth a look

### [The changing landscape of disruptive technologies](#)

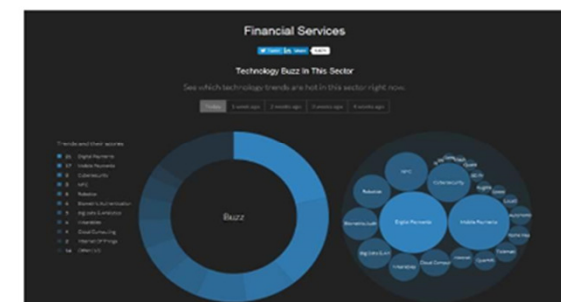
#### [Part 1 - Global technology innovation hubs](#)



#### [Part 2 - Innovation convergence unlocks new paradigms](#)



#### [Technology Trends Index](#)







# UK REAL ESTATE OUTLOOK

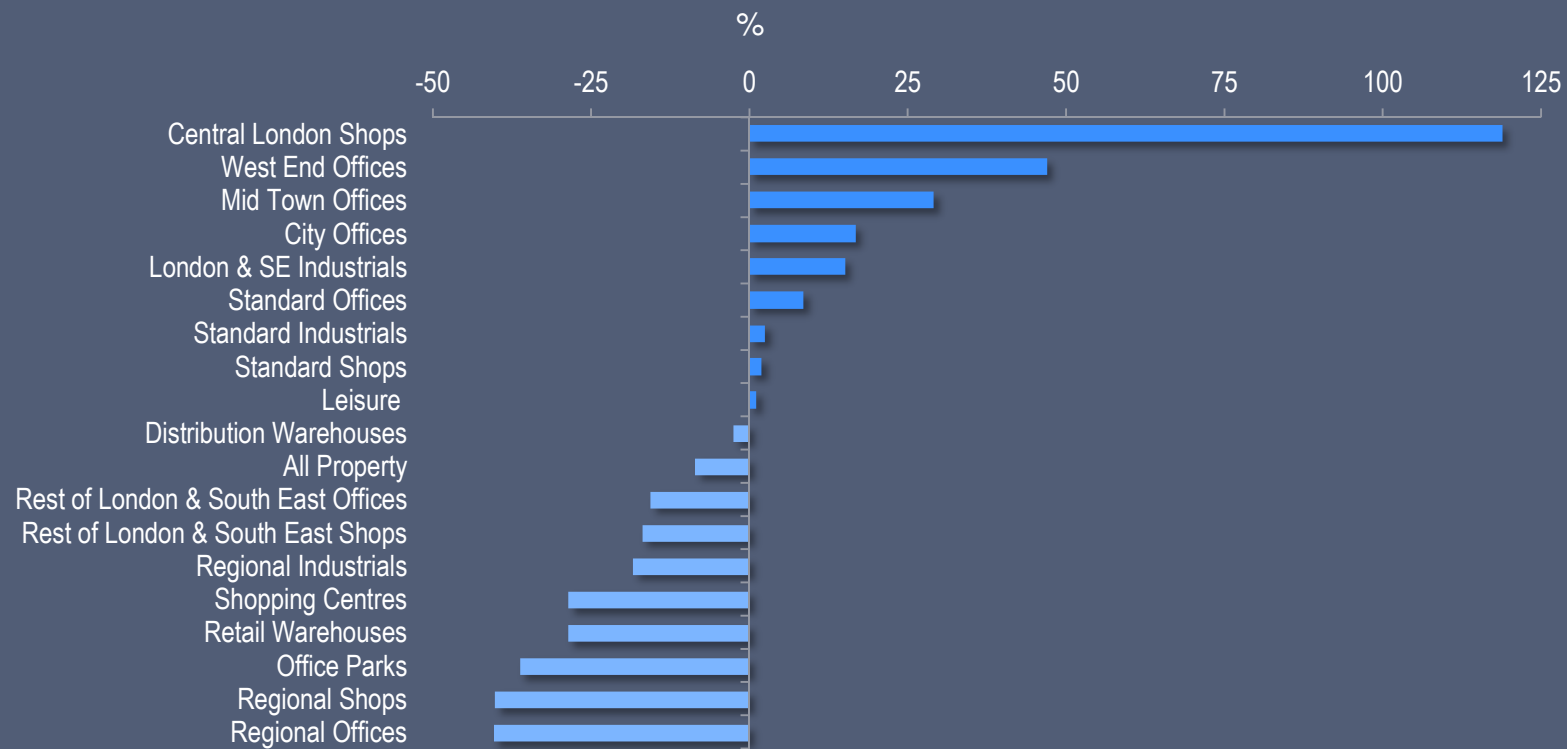
Tom Goodwin

*UK Real Estate Strategy & Research, Aviva Investors*



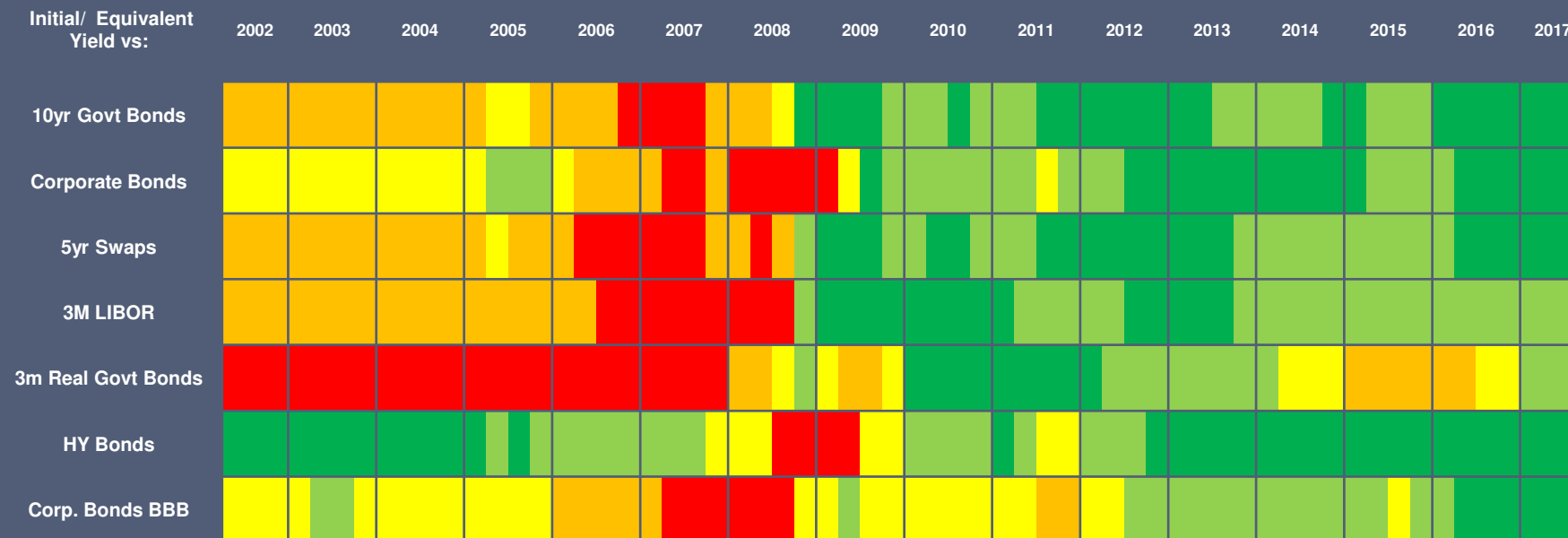
# Absolute pricing

## Capital values compared to previous peak



# Real estate looks attractively priced on a relative basis

Bond yields remain close to record lows



KEY

Very cheap

Cheap

Fair value

Expensive

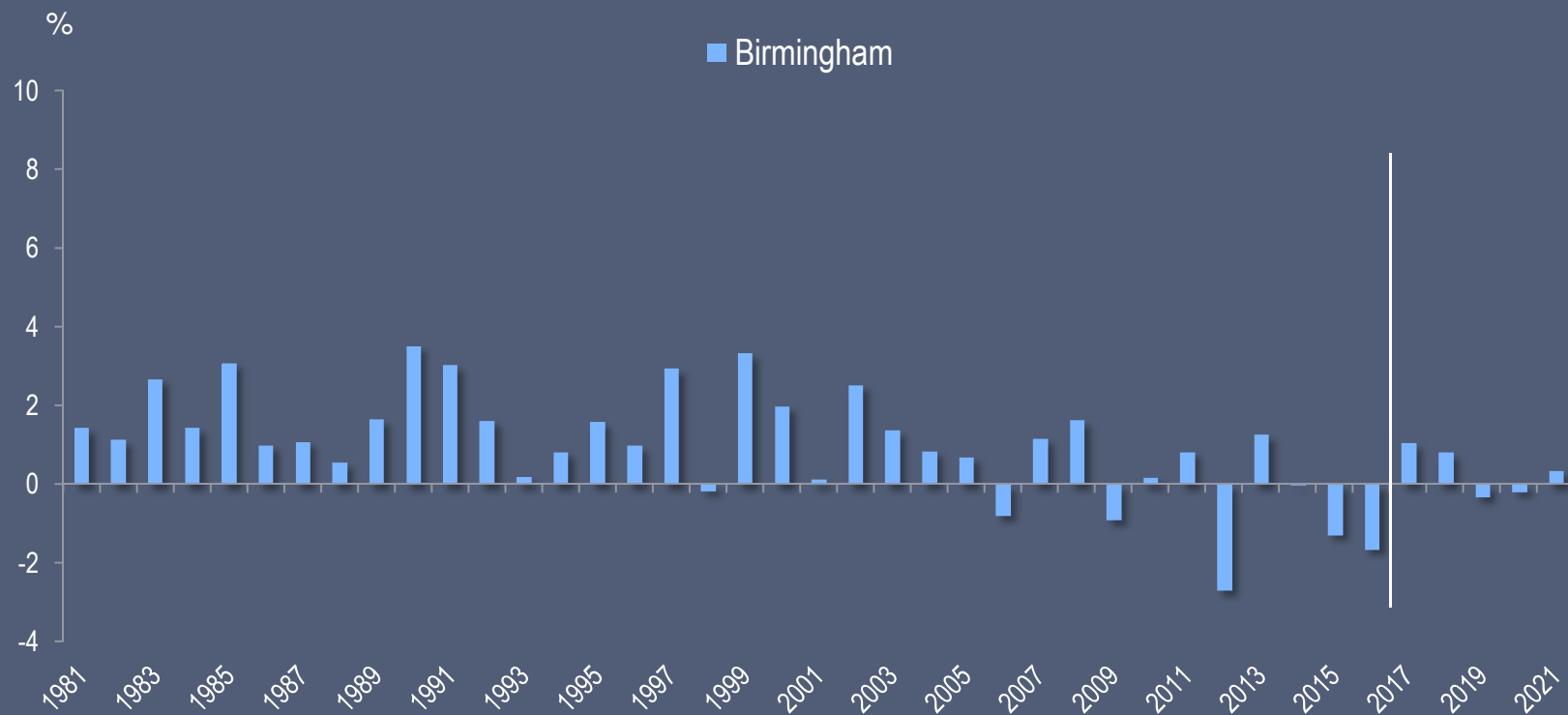
Very expensive

Aviva: Confidential

Source Aviva Investors, MSCI, Bloomberg, Thomson Reuters Datastream, October 2017

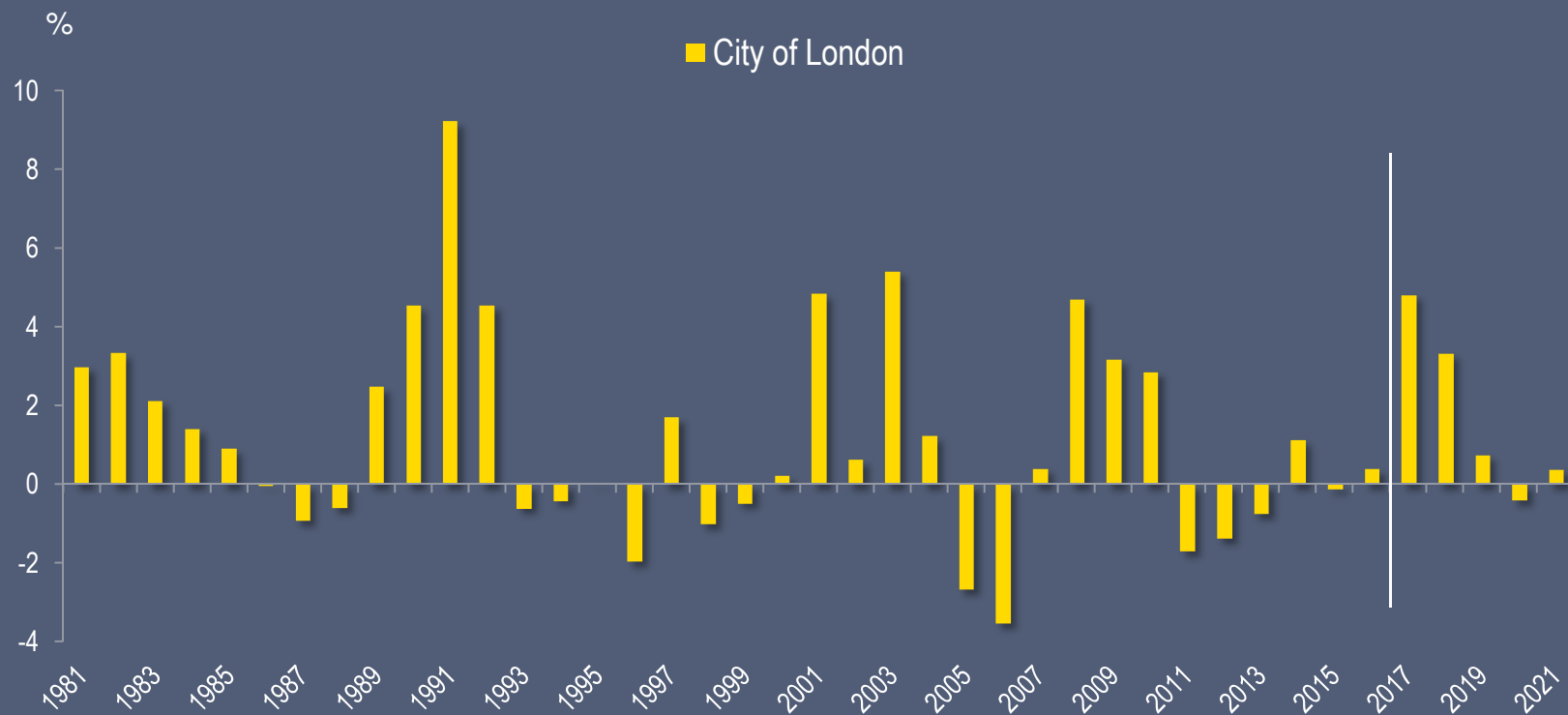
# No development boom in most markets

## Office supply pipeline (net additions as % stock)



## ...except in Central London offices

### Office supply pipeline (net additions as % stock)



# Overseas buyers snapping up trophy assets

*Record pricing stuns domestic investors*



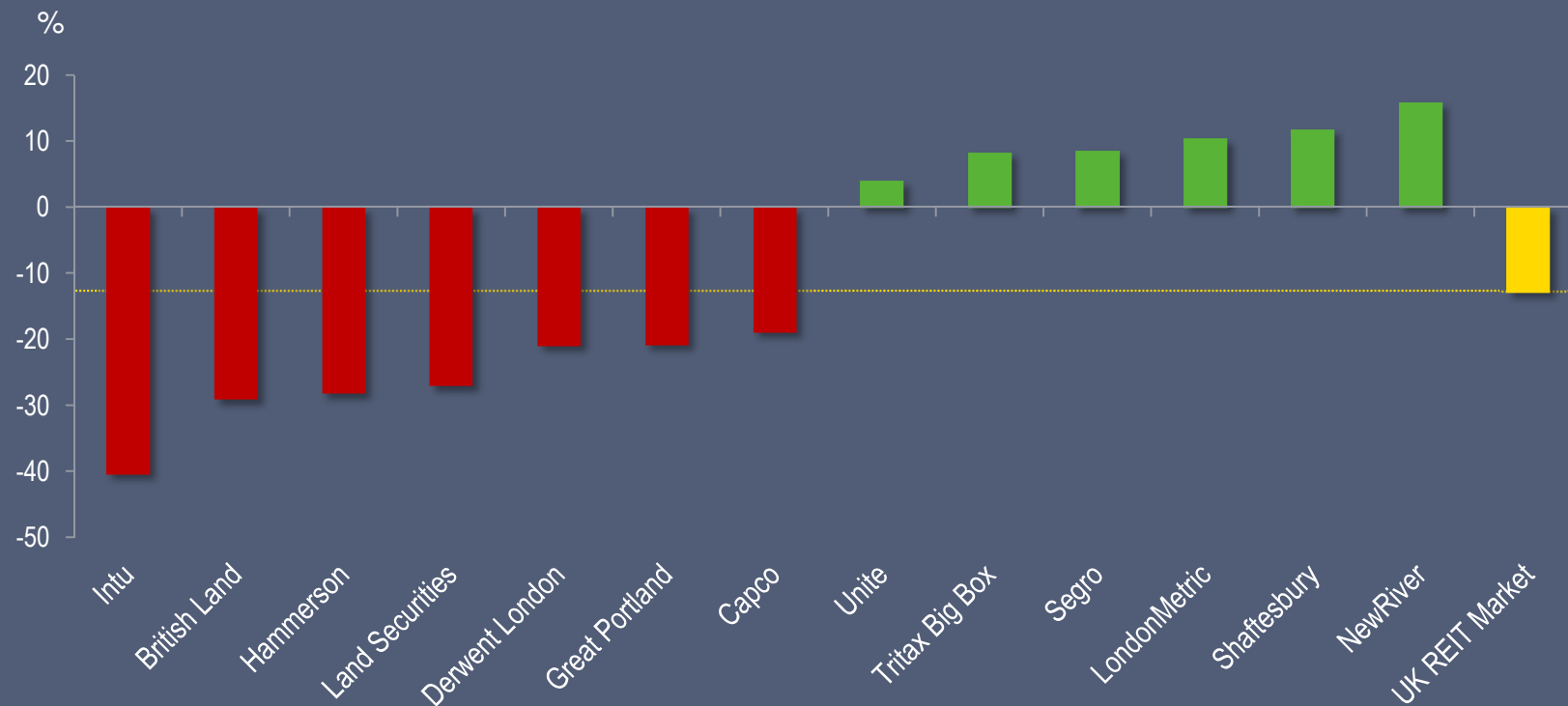
£1.2 bn



£1.3 bn

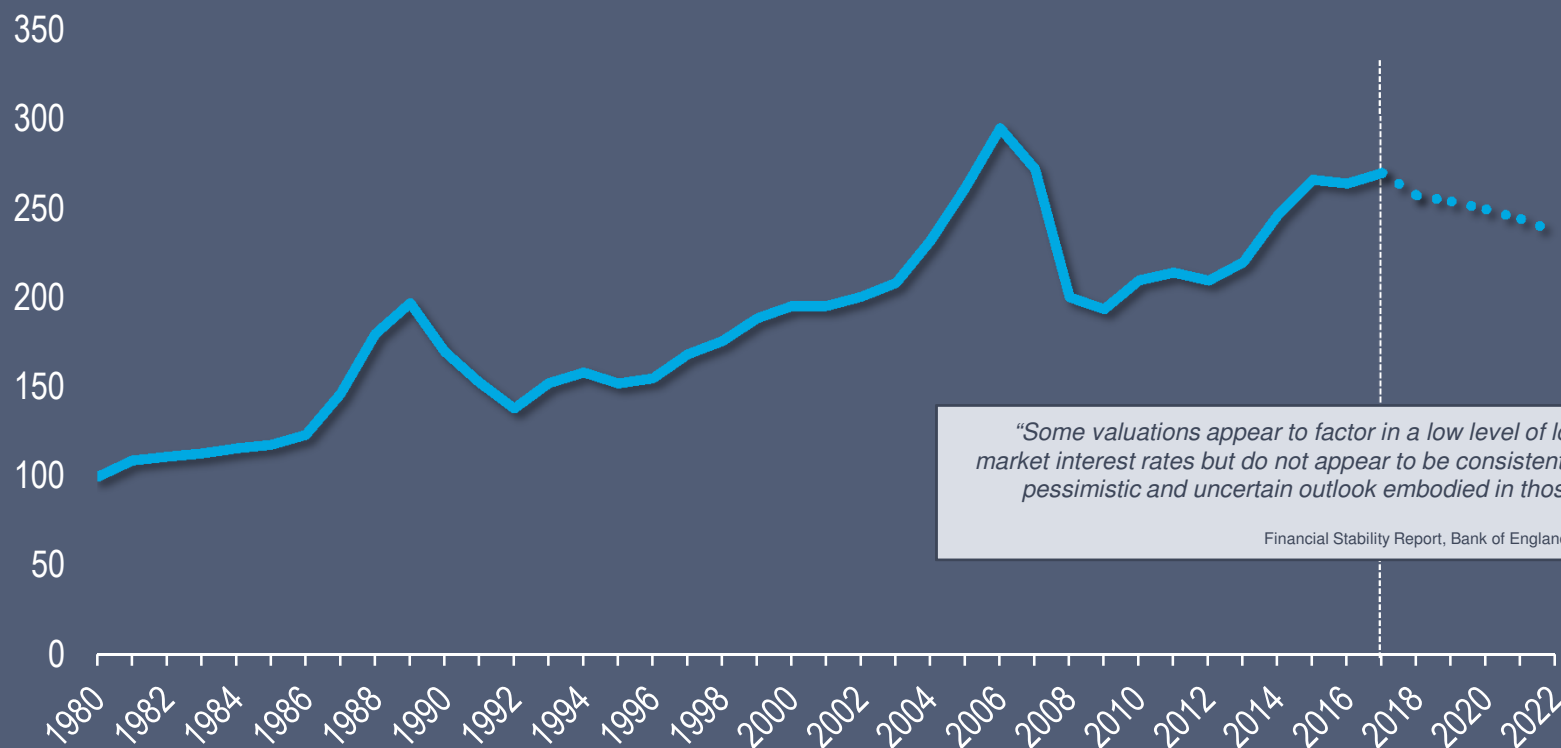
# What signal is the listed market sending?

## REIT pricing relative to Net Asset Value (NAV)



# Capital values to see some correction

## Rental growth more modest, and yields set to rise



*"Some valuations appear to factor in a low level of long-term market interest rates but do not appear to be consistent with the pessimistic and uncertain outlook embodied in those rates."*

Financial Stability Report, Bank of England, June 2017



# Lending

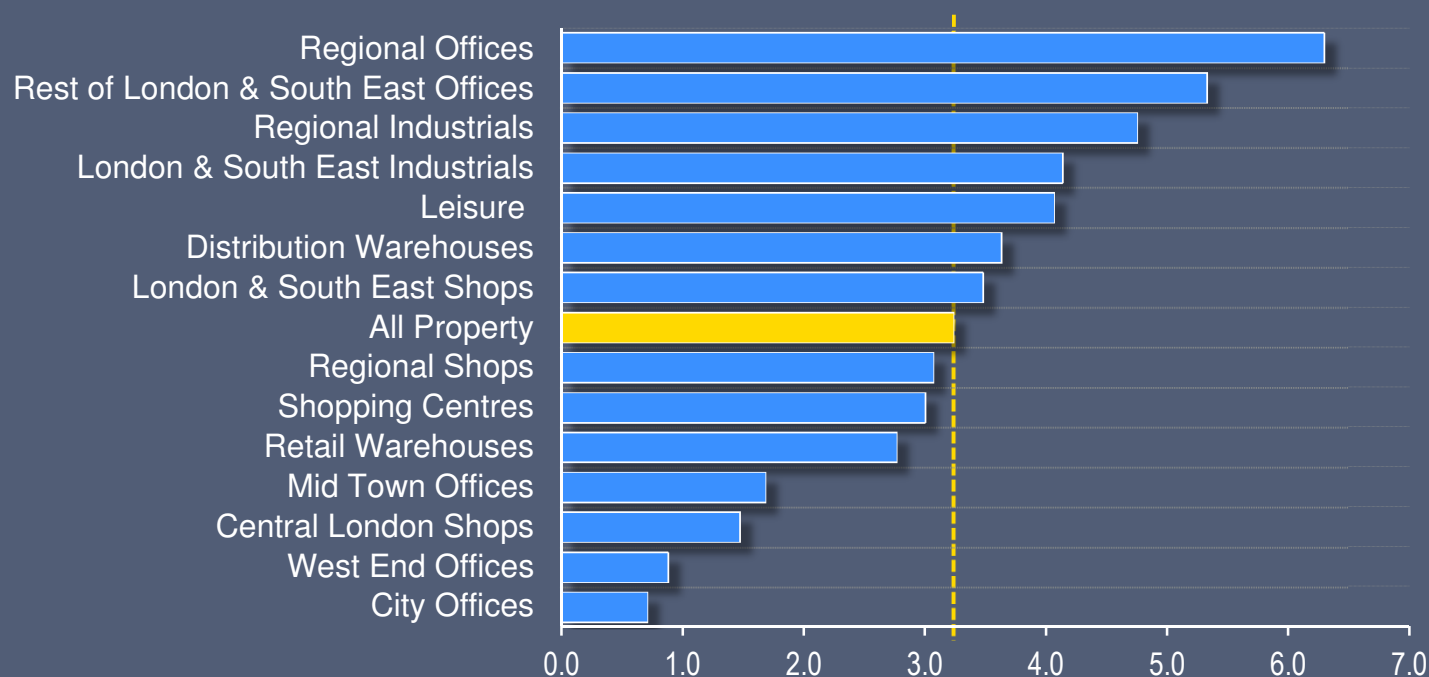
No debt bubble - leverage generally low



?

# Modest outlook for real estate returns

Total returns forecast 2018 to 2022 % p.a.



# The future of logistics

## Locations that meet future supply chain demands



# Urban logistics



**A3205 NINE  
ELMS LANE**





# Urban logistics



**A3205 NINE  
ELMS LANE**



# The future of retail

High engagement experiences, empowered consumers



# The future of offices

Robust locations where people want to live, work, play and learn



Scale

Skills

Clusters

Cities that will drive growth of the knowledge based economy





# AVIVA INVESTORS REAL ESTATE FINANCE

Gregor Bamert  
Adrian Poole  
Nick Solomon  
Neil Dobson

# Aviva Investors Real Estate Finance

## The Case for Change



- Capital
  - Multi Asset Class Funds
  - Segregated Mandates
- Product
  - Floating Rate
  - Loan Size
  - Tenor
  - Asset class
- 2017 Achievements
  - New Mandates
  - Closed First Floating Rate Deals
  - Fully invested € Fund

# Aviva Investors Real Estate Finance

## The Case for Continuity



Why change what has made us successful?

- Unwavering Participation in the Lending Market for 35 years
- Stability of Offer
- Industry Relationships
- Customer Focused Service
- Tried and Tested Processes
- Good Ole Fashioned 'Gut Feel' for Deals
- Work with Borrowers During the Bad Times

# Aviva Investors Real Estate Finance

## The Case for Continuity



### Continuing our Traditional Lending

#### **Bruntwood**

**Size :** £115.5m

**Term :** 15 years

**Security :** Twelve UK  
Regional Offices



#### **Aquila**

**Size :** £144m

**Term :** 7 years

**Security :** Portfolio anchored by  
Bond Street, Chelmsford



# Aviva Investors Real Estate Finance

## The Case for Evolution not Revolution



I'm not a robot



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# AWARD CEREMONY AND CONFERENCE CLOSE



# CBRE All Property Index - 2017



## CBRE All Property Monthly Index

	Sep-10	Sep-11	Sep-12	Sep-13	Sep-14	Sep-15	Sep-16	Sep-17
Rental Value Growth	103.6	103.3	102.9	103.3	105.4	109.5	112.2	113.9
Capital Growth	101.6	104.5	101.2	102.2	115.2	126.4	124.3	130.6

As a collective the 63 respondents **under estimated**

- Rental growth by 1.15% with an average of 112.59
- Capital growth by 7.47% with an average of 120.84

The closest predictions

- Rental growth – Andrew Surgenor (CBRE) – 0.02% out
- Capital growth – Colin Jennings (LSH) – 2.60% out

# Company Results

## The best and the worst



Simon Cullimore  
Jeremy Handley  
Peter O'Brien

Tim Luckman



Tim Henman  
Andrew Surgenor  
Barry West

Charlotte Low



Sarah Marshall  
Andy Peeke-Vout  
James Payne

Mark Hurren



Dan Pearce  
David Raw  
Chris Jones

Tom Nuttall



Colin Jennings  
Rob Harrison  
Chad Davies

Tom Ridge



Caroline Parker  
Andrew Hues  
Keith Hutchison

Scott Zanre

### THE BEST OF THE REST

David Ogilvie  
Warren Epstein  
Jonathan Langstaff

Matthew Nagle

# Winners Podium - 2017



Firm	Individual	Capital Growth	% Out	Rental Growth	% Out	Difference %	Final Position
<b>Lambert Smith Hampton</b>	Colin Jennings	127.2	-2.60	114.1	0.18	2.78	1st
<b>Dacres COMMERCIAL</b>	David Ogilvie	127.1	-2.68	113.7	-0.18	2.86	2nd
<b>Lambert Smith Hampton</b>	Rob Harrison	126.0	-3.52	114.3	0.35	3.87	3rd
<b>MONTAGU EVANS</b>	Scott Zanre	108.9	-16.62%	106.6	-6.41	23.02	WOODEN SPOON



THANK YOU FOR ATTENDING  
ENJOY YOUR EVENING

Aviva Investors Real Estate Finance



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