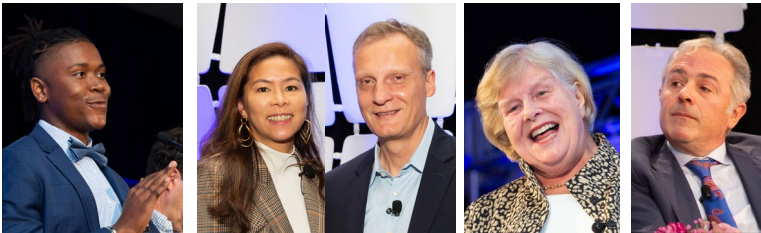




PREA Foundation Presentation

The Foundation's **Ivan Barron** joined PREA Chair **Manuel Casanga** on stage to recount recent achievements and introduce recent participants, who shared their inspiring stories and visions with the PREA audience.

- 1,000+ students served just in 2023
- Doubled commitment to SEO
- Launched new collaboration with Girls Who Invest



Investing in a Complex World

Michael Ferrari emphasized the need to consider climate data, reframing climate risks as opportunities for savvy investors. After a presentation, he spoke with Conference Co-Chair **Barbara Jesuele** about his thinking and its implications:

- The number and magnitude of climate events are both on the rise.
- Climate models are imperfect but still useful.
- It is impossible to **predict** with 100% accuracy, but nonetheless wise to **prepare** as best we can.
- Think of ESG as “Escaping Stressed Geography.”
- Some of the most underappreciated risks, like water scarcity, generate relatively few headlines.
- Within North America, moving northward is a risk-reducing tool. Beyond site selection, embedding circularity principles within assets can help to mitigate investment risk.

The US Economy

Christina Romer shared a slide presentation of the key economic data she is following in determining where we are now and where we're headed. Then, she sat down with **Ed Luce** for further discussion.

- The last six quarters of payroll and GDP figures suggest the possibility of a soft landing.
- Hotter GDP growth and CPI/employment data over the past two months complicate matters.
- The medium term is clear: the Fed is serious about inflation reduction and is likely to achieve it with some below-trend growth but recession avoidable.
- People dislike inflation, and higher interest rates have a similar dampening effect.
- We can expect “higher for longer” interest rates.



Allocations from the Consultant Perspective

A group of leading consultants (**Jennifer Stevens**, **Taylor Mammen**, **Shelley Santulli**, and **Lauren Sertich**) shared their insights.

- The group reported widespread, but not necessarily dramatic, changes to target allocations across asset classes.
- Higher interest rate effects on valuations were clear.
- Opportunities were seen across the risk spectrum, particularly in opportunistic investments, with real estate debt considered a defensive position.
- Today's environment includes longer fundraising periods, more questions about leverage strategy.
- Vintage year diversification is important but can be difficult to achieve.

Artificial Intelligence and its Real Estate Implications

Sharing ChatGPT output describing the session he was about to lead, **Roy March** set the stage with impressive figures on the growth of data globally (now measured in zettabytes), projected growth in demand for data centers and cloud computing, and low vacancy levels in the space. He then sat down with **Mike Forman**, **Jennifer Weitzel**, and **Gregory Wright**, leading an exchange of expert insights into the associated real estate investment characteristics.

- Demand levels are “staggering.”
- Distinctions exist between hyperscale, enterprise, and colocation data centers.
- Scale of capital investment can be extraordinary.
- Obsolescence, carbon footprint, data security, and redundancy should all be considered.
- Creditworthiness of tenants, lease terms, and other fundamentals suggest a mainstream asset class.



“We’re in the early innings of proptech.”

“We see big secular tailwinds for data centers.”

“Life sciences talent is going after harder and harder problems.”



Life Sciences

To spotlight the latest developments in life sciences, **Mark Roopenian** sat down with four esteemed professionals in the field: **Dan Beldegrun**, **Debra Cafaro**, **Walter Kowtoniuk**, and **Emma Lees**. The group identified the major drivers of performance in this space, alongside other key considerations.

- After a period of overexuberance, valuations are coming down in some corners of the market.
- Whatever the cyclical issues of the day, the long-term focus is on innovation and the quality of the science.
- Major breakthroughs take time as there is no replacement for trial and error; technologies such as A.I. may speed drug discovery at the margin.
- Managing costs through scaling, genericizing, and other approaches is possible but not easy.
- Panelists see university-based hubs of innovation in markets including Philadelphia, Boston, and San Francisco, with a preponderance of supply coming to just a handful of target locations.

The Proptech Innovators

In a context of higher interest rates and challenging market conditions, **Adena Hefets** convened a panel of leaders (**Gary Beasley**, **Megan Meyer Toolson**, and **Ryan Williams**) representing proptech firms that have survived and thrived. The group delved into timely and timeless issues including:

- The efficiencies that technology can bring to previously fragmented markets
- The importance of partnerships between tech outfits and larger institutions
- What it will take for the proptech industry to become mature to capital providers
- The actions and approaches, from transparency on investor calls to capital preservation and cost-cutting, that companies are taking to persevere.
- Whether higher interest rates stifle or drive innovation
- The technologies, from A.I. to tokenization of homes, panelists are exploring and deploying

PREA Awards

Fulfilling its commitment to recognizing leadership in the real estate field, PREA presented two industry awards before dinner. The Association's biennial James A. Graaskamp award for research excellence was presented to **Michael J. Acton**. The 2023 PREA Institutional Investor ESG Award was presented to **Steven Hason** on behalf of organizational recipient **APG Asset Management**. Both individuals gave heartfelt remarks of appreciation for these honors.



Dinner with David Ignatius

Shedding light on today's most important geopolitical issues, Washington Post columnist **David Ignatius** sat down with Conference Co-Chair **Timothy Schlitzer**. The two discussed some of the most intractable problems, as well as reasons for optimism, on the world stage today.

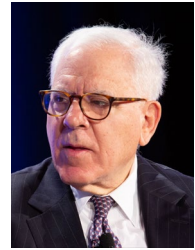
- It is of course difficult to watch the events unfolding in the Middle East. Ignatius explained that “real life is not possible” in Gaza with Hamas in charge.
- Leading up to the attacks, internal feuding in Israel and movement toward the normalization of relations between Israel and Saudi Arabia were two of the most important contextual realities.
- Ignatius sees parallels to September 11 in the United States: intelligence failures gave way to a cataclysmic event that initially brought much of society together. The danger is in an overreaction.
- We're currently “at the edge of what could be a much wider war.”
- In Ukraine, it is “moving to see people stand up to a much larger enemy.” On his recent visit to the country, Ignatius witnessed the exhaustion and destruction wrought by unrelenting warfare.
- Ignatius offered a humorous and admiring portrait of recently-retired Chairman of the Joint Chiefs of Staff Mark Milley.
- The journalist spoke about how his work in the field, starting with an assignment for the Wall Street Journal in 1980 about a seemingly unlikely but true CIA-involved assassination, gave rise to his second career writing best-selling spy novels.



Closing Keynote Breakfast with David Rubenstein and Jeremy Grantham

The conference concluded on a high note, with a spirited conversation between two high-profile investors and philanthropists. **David Rubenstein** asked **Jeremy Grantham** about the latter's formative years in the UK, education and contributions to indexing in the US, philosophical approach to investing, climate concerns, and philanthropy, and how all those relate to today's biggest challenges and opportunities.

“You're 85, so old enough to be president.”



- Grantham is confident that recession will eventually take hold, and even more confident about an impending stock market decline.
- Stock market multiples reached historic highs in 2021, and a bubble there continues.
- Commercial real estate, while troubled, does not exhibit the euphoria component of a classic bubble.
- A.I. is a real long-horizon phenomenon but will, on a cyclical basis, prolong the 2020 stock bubble.
- Underscoring the fact of mean reversion from all major bubbles, Grantham advises investors to be data driven.
- There are pockets of opportunity in real estate. Grantham sees a first-mover advantage in mass timber buildings.
- While green ventures may have cyclical aspects of a bubble, he sees them as having longer-term investment promise and benefits for society.



PREA thanks Conference Co-Chairs **Natalie Hong**, **Barbara Jesuele**, and **Timothy Schlitzer** for organizing and delivering on a captivating and informative program. •