

CEO of the Real Estate Company CBRE: Investment in Tel Aviv still has room for growth”

Martin Samworth of CBRE, which is represented in Israel by MAN Properties, is impressed by the entry of the giant corporations which in his opinion will contribute to stabilizing the market, and he speaks about the changes in the work practices that impact both on commerce as well as on real estate for offices purposes

Dotan Levy 27.01.17 08:33

“One of the challenges facing real estate today is to enable people to live in affordable housing because it’s all very well that there are thriving employment and commercial areas, but in order for them to have life they must be combined with residential areas”. These are the words of Martin Samworth, CEO of activities in Europe, the Middle East and Africa of the giant real estate consultancy CBRE which has been involved in consultations for the acquisition of real estate worth hundreds of millions of dollars.

CBRE is considered to be the largest real estate consulting firm in the world and it provides its clients with a full package for managing their commercial companies – from the consulting stage, through finding properties, and up to operating them. In Israel, CBRE is represented by MAN Properties whose owners Jacky Mukmel and Chaim Agi are in direct contact with the headquarter staff in London. Samworth came here to see for himself the Israeli “wonder”, where he experienced the blossoming market for office space, where companies such as Microsoft and TEVA are erecting campuses covering tens of thousands of sq. meters.

A large part of Samworth’s work is devoted to travelling. This was his first trip to Tel Aviv and in an interview he referred to the global trend in real estate, to the changes happening in countries in the European Union and in the Middle East, and to the global changes in work habits as well as purchasing habits.

What are the current trends in real estate?

“I see more customers that are increasing their exposure to commercial real estate. This is a field which still generates a return of 5%-6% per annum. I see more financial institutions that are committing themselves to real estate of this nature and I see new entries into the

market, some of them from Asian countries which wish to broaden their investment portfolios”.

Among the income yielding real estate sectors is there a sector that has grown now?

“Mainly logistics. Trading has changed, there is more activity on the internet and this requires huge distribution centers. There have also been changes in offices: there is more work in open spaces, sharing of seating which leads to savings and efficiency. There has also been growth in the medical centers and student accommodation.”



Pic. Amit Sha'al

Martin Samworth. “When you open offices in a new location you must check the transportation and other essential infrastructures”.

Martin Samworth (56)

Place of Residence: London

Practice Area: 30 years in real estate.

As part of his duties at CBRE he manages the operations in 40 countries in which there are 141 different offices.

Outstanding transaction: In 2015, finding a location for Citigroup in Hong Kong led to the acquisition of the most expensive office building in the city, for 700 million dollars.

How do geopolitical changes influence real estate?

“In Europe, we had the Brexit in Britain in June, which resulted in many activities and transactions that should have been closed entering into a state of standby, but since September 2016 things have been slowly returning to normal. In the future, elections are also expected in Austria and we still have three large election campaigns ahead of us: In Holland, France and Germany. I must have my finger on the pulse at all times. However, the economy there seems to be not bad, with GDP growth of 1% - 2%. With respect to the Middle East, we see a satisfactory volume of activities in the Emirates, and in particular in Abu Dhabi. In the Saudi economy, there are several unresolved matters, but I believe it is stabilizing”.

In Israel, Microsoft is establishing a huge campus. How do huge corporations like Microsoft impact on small markets like Israel?

“Companies like these help to stabilize the market and we attribute great importance to this. It is important to continue encouraging investments by such companies”.

There is an impression here that Israel is experiencing rapid growth. Is this something that is seen in the rest of the world as well?

“I don't think the growth is too fast, it is balanced, we continue to see international companies that come to Israel and commit to stay here for many years to come. One of the reasons why I am here is because many of our clients have increased the volume of their

activities here and, if we want to continue serving them, we must ensure that we have the ability to help them”.

Is Israel a target for overseas investors?

“I hear about investors from Asia who are interested in Israel. I think that new investments are coming but not at the volumes of investment we see in cities that are defined as ‘international’. There are companies that come to acquire technology and leave their R&D here and this creates continuity.”

What are the considerations of the giant corporations when they choose a location for new offices?

“They do a lot of market analysis regarding transportation and access depending on the place of residence of their workers. They check that there is an infrastructure for commerce and places to eat, kindergartens, parking places, and they also check the economic implications of relocating from one place to another: Does this affect the image of the company, do they need to be in an area that is identified with R&D, and what is the environment that they can create there.”

The work habits are also changing. Does this impact on real estate?

“Work has become more flexible, more work is being done from home, and more work is being done in work spaces and I assume that this will continue to gain momentum. The technologies will take a central place in the workplaces and they will help people to work far more efficiently and to cut costs. Companies have understood that they don’t need seating space for every worker because in many offices the occupancy at any given moment only reaches 70%, and this allows for greater flexibility and greater efficiency.”

How do you see the development of income yielding properties throughout the world?

“In my opinion, there is more development but there is no surplus development. We don’t see empty buildings today and there is a balance between new development and existing buildings. There are many instances where there is an opportunity for renewal, as we saw

in East London during the Olympic Games, and even in Israel we have seen the changing and renewal of buildings in and around Tel Aviv.”

Must investors take bigger risks to achieve the returns that they achieved several years ago?

“In Europe, we have seen changes in returns, for example in France, offices in prime locations have dropped to 3.5%-4%. In London, because of Brexit, you can purchase properties in central locations with returns of 5%-5.5%. Therefore, you begin conducting your analysis of where you can get better value and where you can get the returns that you are looking for.”

In your opinion, are there risky markets today?

“I don’t think that there are risky markets today. There is a balance and it depends on whether there is a central problem. For example, in Moscow, there were problems due to the currency, and Turkey, for example, is suffering from a sensitive security situation, but this is a market that is essentially local, so it does not have an international impact.”