

Responsible property investing

2018

Smart, secure and connected



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Deliver enhanced digital and physical connectivity at our assets through a framework of activities underpinned by thought leadership.

Smart physical and digital infrastructure is crucial to the competitiveness and success of countries, cities and buildings, as well as positively benefitting inhabitants. Understanding connectivity strength and potential enables us to more effectively identify investment opportunities and future-proof investments.

Finding the value in Urban Connectivity

We believe that assets and cities that are well-connected in terms of their digital and physical infrastructure are good places to invest, as they are more attractive to occupiers and are better future-proofed.

The second edition of our Urban Connectivity research report ranks the physical and digital urban infrastructure of 64 European cities, from best to worst. The research aims to identify attractive locations that are best-placed from a connectivity perspective to offer sustainable property fundamentals and potentially superior pricing opportunities.

We continue to incorporate these rankings into our investment process. Below are the key findings from the 2018 Urban Connectivity ranking:

- **Paris** and **Berlin**, both advanced providers of urban transport infrastructure, hold onto their 1st and 2nd positions, **Stockholm** climbs to 3rd, and **Helsinki** joins the top 10. In 2018, we acquired two offices in Paris and an office in Helsinki, reflecting their superior connectivity structures.
- Greatest rank improvers include **Cologne** and **Düsseldorf** (both moving up 23 positions), driven by improvements in digital technology.
- **Oxford, Munich, Leipzig, Hamburg** and **Düsseldorf** join the group of markets that achieve enabler (inputs) and effect (output) scores above 50. Last year, we capitalised on attractive connectivity and compelling supply and demand fundamentals in Düsseldorf by completing a deal to forward fund a development there (see box-out). We also purchased an office, Aurum, in Munich.

The full report '**Magnify: M&G European Urban Connectivity Ranking**' is available on our website.

Forward funding development to capitalise on superior connectivity fundamentals

In 2018, we completed on a deal to forward fund a prime office development located on the edge of the Düsseldorf Central Business District for a purchase price in excess of €100m. It will be built to high specification and will provide over 15,000 sq m of office space with completion expected for September 2019. We are targeting a green building rating of LEED Gold, as the second highest environmental excellence standard.

Düsseldorf is the capital of North Rhine Westphalia, the largest German federal state by inhabitants and economic power, and has high digital and transport connectivity. It has the third busiest airport in Germany by passenger numbers. The City Sud submarket, where the asset is located, has strong market fundamentals and low vacancy, all of which point to robust rental growth prospects over the next five years.

Improving asset connectivity

Many of the factors we see as an indicator of good connectivity at a city level can also apply at an asset level. This is important as we are able to proactively influence the connectivity of a property through active asset management initiatives, such as the installation of electric vehicle charging points to promote greener transport.

The electric vehicle market is being boosted by heavy investment from auto manufacturers, increasing consumer choice, declining battery prices and government interventions. By example, the UK government intends to ban the sale of all diesel and petrol cars and vans from 2040 and in Norway, tax incentives are pushing mass adoption of electric cars to the extent that fully electric and hybrid vehicles represented 65% of all new vehicle sales, as at the end of 2018⁴.

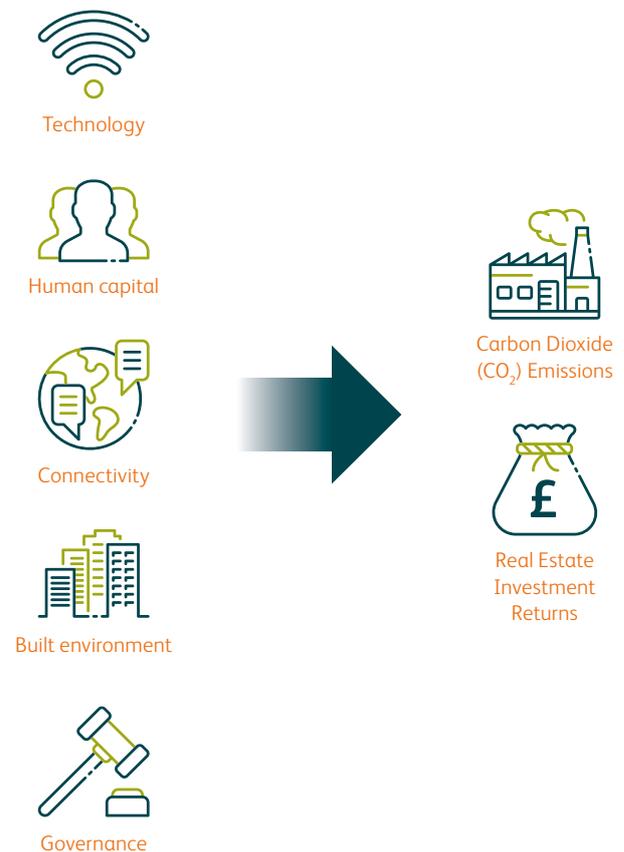
We already have electric vehicle charging points installed across several of our office, retail and residential assets. In the UK, we have reviewed potential visitor demand for electric vehicle charging points in 2018 for a selection of assets in our retail park portfolio. Three parks, identified as potentially having relatively high demand, will have charging points installed during 2019 and we will review opportunities to install these elsewhere during the year.

For our UK PRS portfolio, we also consider transport options that tap into the growing sharing economy models. Residents at **The Green** and **Rehearsal Rooms** benefit from an on-site electric car available to hire free-of-charge. These cars have proved popular with residents and we will continue to consider the suitability of this service at other developments.

Our focus in 2019

- Drive progress to expand the range of physical and digital interactions at our assets.
- Install electric vehicle charging points at selected UK retail assets.

The factors driving good urban density



⁴ Source: Norwegian Road Federation, as at December 2018

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