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REAL FDI

Where opportunities meet investment

Interviews

Sergiy Tsivkach, UkraineInvest

Andreas Dressler, FDI Center

Adam Pustelnik, Łódź

GIGA BOOST

Factories of the future bring FDI opportunities

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Holland Metropole

Scottish cities

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LEADER
Courtney Fingar

Why IPAs and real estate advisory teams must work together

To quote a terribly over-used question: if you build it, will they come?

This is the quandary faced by economic developers and city planners everywhere. The world of foreign direct investment (FDI) is littered with examples of hulking, half-empty office buildings and industrial parks, built at great expense for a flood of investors who never arrived. Alternatively, a dearth of appropriate properties can rule a location out as a final choice for investment.

It's not an easy balance to strike and this is one of a number of reasons why economic developers and investment promotion officials need to get closer to the real estate industry. Very often, the city workers charged with attracting inward investment operate separately from those who build, conceptualise, manage or invest in local real estate.

As FDI and site-selection consultant Andreas Dressler points out (see interview, page 10): "Investors have to invest somewhere: they have to be in a physical property, whether it's an office, a lab, a logistics facility, a manufacturing plant, a piece of land. So without institutional investors actually creating that, or the public sector taking over their role, which is unlikely, you need institutional investors because they create the physical product."

In addition, in the category of what are known as 'intermediaries' in the FDI space, real estate advisers are among the most useful. The corporate occupier services teams in real estate advisory firms should be on speed dial for investment promotion agencies (IPAs). They can offer valuable intel on what their corporate clients are thinking, where they're expanding and what kind of sites they are looking for. Likewise, by making these advisers aware of attractive sites and properties in their jurisdictions, IPAs can help get their locations on the radar of corporate site selectors. There is a mutual interest in such information sharing, but it doesn't always happen.

> **"The corporate occupier services teams in real estate advisory firms should be on speed dial for investment promotion agencies."**
> Courtney Fingar, editor

Engaging with real estate leaders

Investment into real estate projects is essential to economic development. Suitability of property sits firmly on the list of site-selection criteria for companies. But not enough IPAs have a defined strategy for engaging with top investors, developers, financiers and other leaders of the real estate industry.

Property fairs like EXPO Real and Mipim are ideal venues for IPAs to get closer to the real estate community. Hopefully, at EXPO in Munich, they will take up this opportunity. But the dialogue should be ongoing and year-round.

The gap between the real estate community and investment promoters tends to be less pronounced in special economic zones. Such zones, as well as industrial and science parks, regardless of their tax status, are at heart real estate plays – and therefore the property offer is front and centre. Turnkey facilities are typical in these parks or zones, and very often investment promoters have the task of filling up spaces that have already been built. This requires coordination from the outset between economic development and zone authorities, and property developers.

Not all zones succeed, but the ones that do are those where the physical spaces are well thought out and fit-for-purpose. The same can be argued for any investment destination. Ultimately, every FDI project involves real estate, so it makes little sense for FDI professionals and real estate professionals to sit on opposite sides of the fence. It's time they started operating in tandem, for the benefit of corporate clients, investors and local economies alike.

Courtney Fingar is the founding partner of Fingar Direct Investment and a contributing editor to Real Asset INSIGHT. She was editor-in-chief of Investment Monitor and also worked at the Financial Times' fDi Intelligence.

FDI-friendly policies rise, but so does trade protectionism

By **Courtney Fingar**

Investment policymaking surged in 2022 as countries sought to offset a global economic downturn, according to UNCTAD's latest *Investment Policy Monitor*. Measures favourable to FDI nearly doubled in 2022 and returned to pre-pandemic levels. Policies to incentivise green FDI are particularly popular.

But, conversely, trade and investment protectionism is still on the rise. Restrictions on investment reached 239 in 2022, the largest ever increase – more than four times the 2021 figure, according to the International Monetary Fund (IMF). The number of unilateral restrictions imposed by countries on cross-border trade and investment has grown massively over the past decade, reversing the general trend of liberalisation seen during most of the 20th century.

Investment screening laws are also proliferating. The trend towards the adoption or revision of FDI screening mechanisms accelerated in the second half of the 2000s, particularly after the global economic crisis. It reached a peak in 2020-2021, in the aftermath of the pandemic. Both events have heightened concerns about potential foreign takeovers in sensitive sectors.

In a related trend, geoeconomic fragmentation (caused by supply chain disruptions and geopolitical tensions) is reshaping the geography of FDI. Investment flows are increasingly concentrated among geopolitically aligned countries. Developing economies are particularly vulnerable to FDI relocation, given their reliance on FDI from geopolitically distant countries and heightened restrictions from advanced economies.

As to coping with FDI geo-fragmentation, the IMF recommends the opposite approach: more open doors than closed ones, and greater cooperation instead of alienation. It also calls for locations to bolster their competitiveness as a bulwark against the negative global dymanics.

"Multilateral efforts to preserve global integration are the best way to reduce the large and widespread economic costs of FDI fragmentation," reads the IMF's *World Economic Outlook*. "Some countries could reduce their vulnerability by promoting private sector development, while others take advantage of the diversion of investment flows to attract new FDI by undertaking structural reforms and improving infrastructure."

Survey reveals IPAs' need to adjust strategy

Investment promotion agencies (IPAs) need to adapt their strategies to confront the volatilities impacting global investment. However, only less than a third are making wholesale changes to their approach.

In a survey of 74 IPAs globally, conducted by consultancy OCO Global and the World Association of Investment Promotion Agencies for their joint *Innovation Report 2023*, 27% of respondents said their organisational structures and strategies needed a refresh, or even a full reset. Limited resources, meanwhile, are prompting a need for innovative marketing and promotion strategies and tools, said 23% of IPAs polled.

The survey also revealed a strategic shift to 'quality' FDI over sheer quantity, with 75% of agencies saying they had developed a specific strategy to attract high-quality FDI projects.

Definitions vary as to what constitutes quality FDI, but the top responses were: innovative FDI projects with a strong technology element; FDI projects creating quality jobs; FDI projects in strategic sectors; and FDI projects filling a gap in the local value chain.

Pockets of positives soften global FDI volume decline

Global uncertainty is damaging investor confidence and slowing down or delaying corporate expansion plans. Global foreign direct investment volumes fell -12% in 2022, according the *World Investment Report 2023* released in June by the United Nations Conference on Trade and Development (UNCTAD) — although it was a smaller decline than had previously been feared.

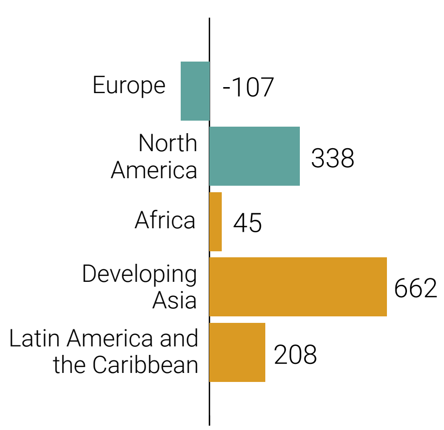
"Rising inflation, fears of a recession and turbulence in financial markets put many investment plans on hold at the beginning of [2022]. In the end, international investment flows did suffer, but proved more resilient than expected," the report said. "While global FDI declined by 12% last year to $1.3 trillion, the slowdown was limited, investment flows to developing countries increased marginally, and investors finished the year announcing new projects in both industry and infrastructure."

The decline was mainly a result of lower volumes of financial flows and transactions in developed countries. Pure FDI trends were more positive, with growth in new investment project announcements in most regions and sectors. FDI in developing countries increased marginally. Major disparities in global investment patterns remain, with a reported growth of investment in developing countries being concentrated in a small number of large emerging economies. FDI flows to many smaller developing countries are stagnant, while flows to the least developed countries fell by 16% from an already low base, according to the report.

Industry trends showed increasing project numbers in infrastructure and industries that face supply chain restructuring pressures, including electronics, automotive and machinery. Three of the five largest investment projects were announced in semiconductors, in response to global chip shortages. Investment in digital economy sectors slowed after the boom in 2020 and 2021. Investment project numbers in energy remained stable.

The global environment for international business and cross-border investment remains challenging in 2023, UNCTAD said, predicting downward pressure on global FDI to continue.

FDI value 2022 ($bn)

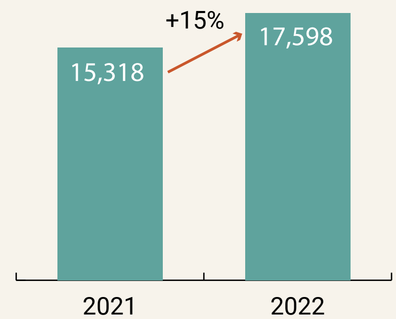


Growth rates 2022

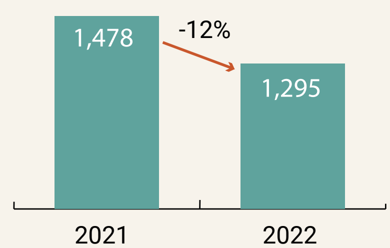
FDI	Greenfield projects	International project finance
-	-1%	+19%
-26%	+19%	+2%
-44%	+39%	+15%
0%	+45%	+20%
+51%	+14%	-18%

Source: UNCTAD World Investment Report 2023

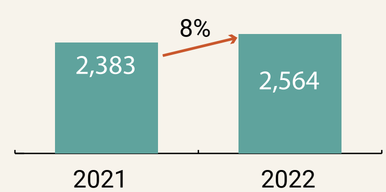
Greenfield projects (number)



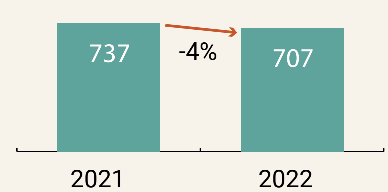
FDI (value $bn)



International project finance (number of deals)



Cross border M&A (value $bn)



Source: UNCTAD World Investment Report 2023

INTERVIEW
Sergiy Tsivkach

Opportunity for investors and entrepreneurs to rebuild Ukraine

Russia's invasion has become an unprecedented challenge for Ukraine – to put it mildly. However, despite a difficult economic situation, the private sector is still resilient and capable of functioning. That was the message Sergiy Tsivkach, executive director of UkraineInvest, delivered to attendees at the CEE Summit in June.

UkraineInvest is the Ukraine government's investment promotion office, created in 2016 to attract foreign direct investment and assist existing investors in expanding their businesses in the country. Being an EU membership candidate and the need for reconstruction makes Ukraine attractive for foreign investors, according to Tsivkach.

"Ukraine obtained the status of an EU candidate in June last year and we are confident in terms of movement on the way to the European integration," he said.

Ukraine has used various incentives to attract FDI, the most prominent among which is the programme for industrial parks, where projects of more than €20 million of investment can receive state support of up to 30%.

"Private investors planning to develop an industrial park in Ukraine are entitled to receive full or partial compensation of interest rates on loans, non-refundable financing, compensation for connecting to energy grids, as well as tax and customs incentives," Tsivkach added.

The real estate and infrastructure sectors in Ukraine offer significant opportunities for both investors and entrepreneurs thanks to a robust legal framework, ongoing reforms and strategic location, he argued.

"Ukraine is well positioned to become a regional centre for real estate development and infrastructure investment. By capitalising on these opportunities we can contribute to Ukraine's economic growth, connectivity, and quality of life of our citizens," he said.

"Many companies are currently interested in participating in Ukraine's reconstruction, which will become one of the largest construction projects of this generation. In the post-war future, expected access to new markets and rebuilding of infrastructure will increase demand from new international players and significantly improve Ukraine's logistics and supply chain sectors."

The warehouse market in Ukraine is considered to be a particularly promising sector, as it offers strong potential for growth and attractive returns once post-war recovery begins. The opportunity exists to develop innovative financing structures to mitigate risks and enable more private investment. A public-private partnership (PPP) route is planned as a way to restore damaged and destroyed social, transport and other infrastructure.

"Infrastructure requires significant investments as well as improving the quality of services and bringing them closer to European standards, this creates many opportunities for private investment and PPPs," Tsivkach said.

The war has understandably had a detrimental impact on FDI inflows to Ukraine. After reaching a record $7.3 billion in 2021, inflows plummeted to -$321 million the following year (the invasion having taken place in February 2022), according to UkraineInvest. However, 2023's early figures indicate a bit of a recovery, with $1.1 billion of inflows in the first quarter. Much of this is accounted for by reinvestment, but $128 million of it is new direct capital.

Among the inbound investments, Kingspan, a global producer of building materials based in Ireland, announced it will build a facility in the Lviv region worth about $300 million. Brewer Carlsberg also plans to invest $40 million, while bio-pharma giant Bayer company announced than $60 million of investment.

Meanwhile, in the development finance realm, the German Credit Institution for Reconstruction announced in mid-August that it is implementing five joint investment projects with the Government of Ukraine worth €247 million and is preparing an additional three projects valued at over €73 million.

> **"Many companies are currently interested in participating in Ukraine's reconstruction, which will become one of the largest construction projects of this generation."**
> Sergiy Tsivkach, UkraineInvest

Three FDI trends impacting real estate

In a quickly evolving investment market, which current FDI trends are having the biggest impact on real estate requirements? *RealFDI* investigates.

By **Courtney Fingar**

Demand for commercial and industrial real estate is at least partially driven by foreign direct investment (FDI) activity as inward investors account for a significant portion of occupiers of such space. In light of this, what are the implications for real estate and which current FDI trends are having the biggest impact on real estate requirements?

1. The great global gigafactory competition

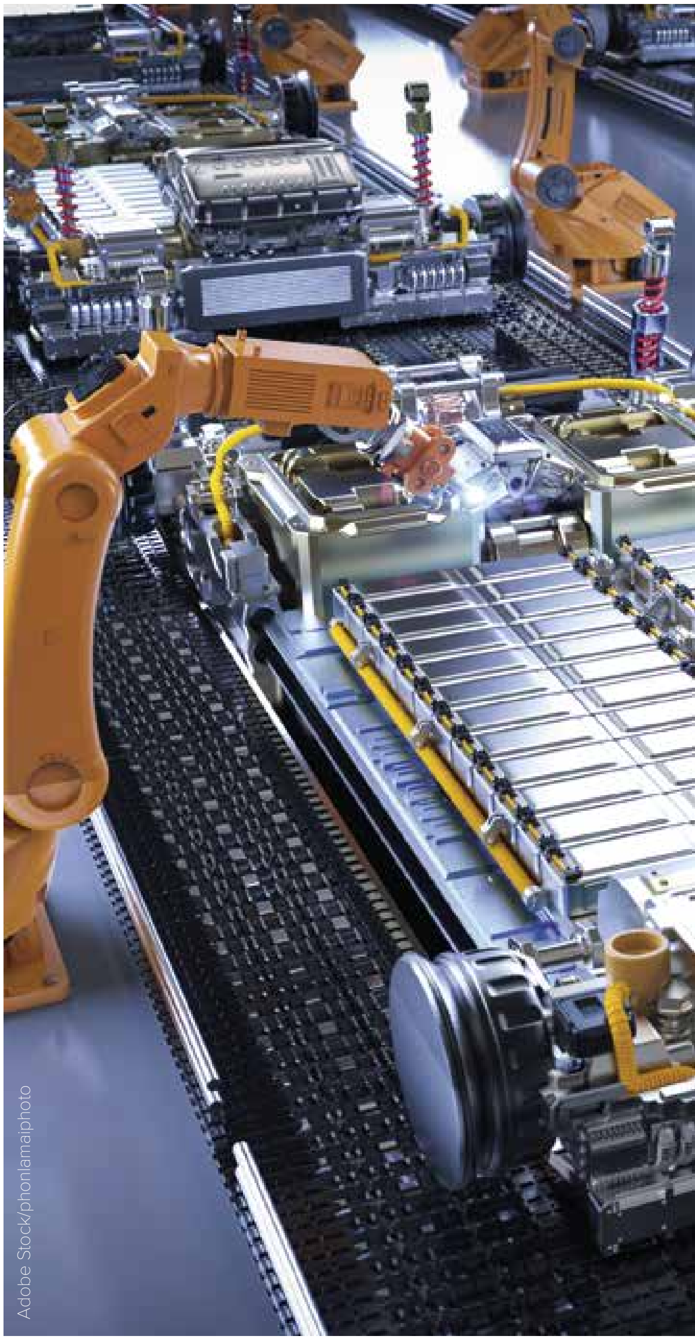
Electric vehicle (EV) production is driving a great deal of new industrial development. Driven by government incentives and competition among carmakers to grab market share, the EV industry is set to fuel demand for industrial real estate for years. Many locations are already experiencing an uptick in demand for industrial space off the back of increases in e-commerce activity and manufacturing output, which will be exacerbated by the EV boom.

It will also transform the automotive sector in other ways, with implications for real estate and FDI flows. Carmakers will own their manufacturing plants, but will also require an array of supplemental manufacturers and suppliers nearby, as evidenced by the firms located around EV plants, or gigafactories as they're known.

Gigafactories are among the most sought after investment projects by economic developers due to the large job numbers they create, the high values attached to them, and their green credentials. The good news for economic developers is that more and more gigafactories are set to come on stream.

Global gigafactory capacity is set to explode this decade. Research company GlobalData predicts cumulative total capacity will increase from approximately 1,500MWh to above 3,000MWh in 2025, and 4,000MWh by 2030, with up to $177bn being invested in gigafactories worldwide between 2020 and 2030. The number of plants is set to more than double and these factories will be significantly larger than today and more dispersed.

China is leading the global competition to attract gigafactories, accounting for 65% of global gigafactory capacity as of 2020, compared with 11% for North America and 9% for Europe. But GlobalData predicts that Europe and the US will eat into China's share over the next few years, with the US accounting for 14% of capacity by 2030.



Adobe Stock/phonlamaiphoto

Below: The number of gigafactories is predicted to double by 2030. Right: Supply chains continue to be disrupted

"In the US, the announcements and construction of EV assembly and battery plants over the last five years has been profound. In addition to this construction, related projects are being located for parts and chemical components of batteries," says Mark Williams, founder and president of site selection advisory firm Strategic Development Group.

Europe has also seen a raft of EV investments, with Germany and Hungary being particularly popular.

Stringent site requirements means not all locations that crave EV investments will attract them. But for those locations that do, the ripple effects are large.

"The demand for industrial sites for these projects that have adequate utilities, road and rail locations in appropriate industrial settings and labour supply has been high," adds Williams. "Generally, it takes years to ready sites such as this, [but] supply has decreased with recent increased demand, making sites harder to find.

"Additionally, electric loads for many of these projects, which often require higher levels of green energy, are significant and can only be supplied at certain sites, further limiting site availability options."

Lack of adequate charging infrastructure is a drag on EV adoption and the real estate industry has a key role in filling the void. For example, landlords are increasingly incorporating EV charging infrastructure into their buildings as part of their sustainability objectives.

What is clear, however, is that the impacts of EVs on real estate are multi-faceted and will continue to be felt. Also, efforts in many countries to create stronger domestic supplies of the necessary minerals will have significant effects. Increased mining activity, for example, will impact the amount of land available for industrial consumption in resource-rich areas.

2. Shifting supply chains bring shoring opportunities

Continuing supply chain disruptions, changing consumer patterns and the booming e-commerce industry is causing a wholesale reconfiguration of global value chains and redrawing the FDI map. Logistics and distribution centres will remain central to global FDI activity as a result.

Supply chain uncertainty is leading to increased interest in nearshoring, bringing opportunities for locations close to large markets to win production facilities. Data from Tradeshift, a cloud-based platform for supply chain payments and other transactions, indicates that activity across a number of nearshoring hotspots has risen at a faster pace than the global average.

Activity in countries bordering the US appears to have risen at the fastest pace, with Mexico in particular benefiting from a widescale reorganisation of supply chains as companies burned by the disruptions of Covid-19 look to minimise their reliance on China and US companies bring operations back closer to home.

Adobe Stock/Kalyakan

"Industry 4.0 is reshaping the global manufacturing industry, redrawing the investment map and redefining site selection criteria."

Elsewhere, Central and Eastern European countries are also leveraging the trend and positioning themselves as nearshoring destinations, while south-east Asian countries such as Vietnam are benefiting from the shift away from China. In a 2022 survey by ABB, 74% of European businesses said they are planning to reshore or nearshore operations.

"Nearshoring and reshoring has accelerated," says Williams. "In my view, it began with tariffs prior to 2020 and was significantly enhanced by concerns related to supply chains precipitating from the covid experience and geopolitical tensions, particularly with China. 'Friendshoring', or development of supply from allied countries, is accelerating."

Nearshoring, along with other investment decisions, has driven significant growth in occupier demand for floorspace, according to a report by Cushman & Wakefield. In 2022, manufacturing occupiers committed to nearly 10 million sq m of space in EMEA, up 27% compared with 2017.

The report points out that "real assets play a significant yet tactical role" in the development of nearshoring strategies and the ability to ensure that production can be achieved both operationally and cost efficiently. Yet another meeting spot where FDI and real assets are intrinsically linked.

3. Automation affects office and industrial space

Artificial intelligence is revolutionising every industry and as an industry in its own right, it counts as the most important. When studying where FDI is headed, looking at hiring patterns is as good a clue as any, and numbers reveal AI jobs are the most in demand globally. The AI industry will be worth $93bn in 2023, up 12% on 2022, according to research firm GlobalData.

AI and automation are drastically changing companies' workforce requirements and therefore their real estate requirements. Combined with remote working, a digitised workforce and more automated means of production mean less office space and less factory floorspace.

The place where technological and production activity and shoring trends converge is Industry 4.0, which is reshaping the global manufacturing industry, redrawing the investment map and redefining site selection criteria.

Industry 4.0 essentially covers the use of advanced technology in manufacturing, including cyber-physical systems, the Internet of Things, cloud computing and cognitive computing. Under these umbrella groups sit digital technologies such as location detection, 3D printing, smart sensors and advanced human-machine interfaces, among others.

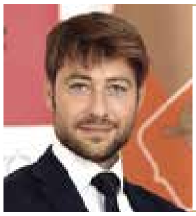
Industry 4.0 means efficiency-seeking FDI (i.e. corporates chasing low labour cost) increasingly appears to be a thing of the past, says Martin Kaspar, head of corporate development for a Germany-based automotive supplier. "Due to industry 4.0 and the automation and robotisation that comes with it, labour costs are increasingly no longer the key cost element, hence reshoring is becoming more of an option."

Investment locations that will be able to succeed in today's fast-changing FDI landscape will be those that can stay out in front of these macro trends that are shaping the investment world and leverage them to their benefit.

The real estate offer in these locations will have to adapt to the changing demands of the corporate occupiers that drive FDI.

Industry 4.0 is reshaping global manufacturing and contributing to reshoring trends

Adobe Stock/Malika



INTERVIEW
Adam Pustelnik

Łódź is at the vanguard of mixed-use regeneration in Polish cities

The city of Łódź is located in Poland's industrial heartland, creating both unique needs and unique opportunities, according to deputy mayor Adam Pustelnik. "Central Poland is a pretty unusual location because we are industrially focused and also industrially dependent," he says.

The city has been promoting its new industrial zones to prospective investors, including at trade fairs. "It's a pretty unique product because of the government's infrastructure investments," adds Pustelnik. "We are offering roughly 500 hectares within the administrative boundaries of the city, on highway junctions. We are also presenting a concept of our city centre's revitalisation."

The city has invested approximately €1 billion in the regeneration of the historic parts of the city. ESG has become a priority for the city and its investors, opening up opportunities for sustainable investment. "When you look at financing requirements and the demands of corporate partners, if you don't have a sufficient focus on ESG, basically you are lost," Pustelnik explains.

"That's why we became the first city in Poland to issue green bonds. We invest an enormous amount of money to change our energy mix. We are at the forefront of investment into Poland's sustainable economy because, as a typically industrial area, we have double the need in this segment."

A once down-at--heel post-industrial town, Łódź has become something of a regeneration success story with its iconic red-brick former factory buildings being repurposed into mixed-use facilities. As a city with a rich history in the textile industry, Łódź was once home to some of the most impressive factories in Europe. With the decline of the textile industry, many of these factories were left abandoned and fell into disrepair. In recent years, these former relics have become buzzing cultural, entertainment, dining, office and living spaces.

Tomasz Warszewski

'Unique vibrant spaces'

"By transforming these historic buildings, Łódź can create unique, vibrant spaces that attract new residents, businesses, and tourists," says Pustelnik. "Such projects can revitalise underused areas of the city, foster social interaction, and support local economic growth."

Łódź has the second highest number of mixed-use projects in Poland, after Warsaw, according to a report from Colliers Poland.

Investor interest in the development of mixed-use complexes in Polish cities has exploded in the past decade. OFF Piotrkowska in Łódź – a mixed-use development in the former Ramisch cotton mill – was among the first.

"Looking at the popularity of the projects implemented so far, it should be remembered that the strategic assumptions for their implementation were made long before the pandemic, and yet their offer remains relevant to the current needs of users," wrote Agnieszka Winkler, associate director, strategic advisory for Colliers, in the report.

"Projects such as the Norblin Factory, Browar Warszawskie, Elektrownia Powiśle in Warsaw or Monopolis in Łódź show that these complex projects are at the same time characterised by a unique flexibility, enabling them to adapt to dynamic changes that occur on the market."

Monopolis is a set of converted factories now housing restaurants, bakeries and an art gallery, plus offices and event spaces.

"These revitalised factories are a source of great pride for Łódź residents, who see them as a testament to the city's enduring spirit and resilience. In a country where the central square is often the focal point of city life, Łódź stands out as a city where the proud tradition of industry is woven into the very fabric of the city itself," says Pustelnik.

"As Łódź continues to grow and develop, these factories will play an increasingly important role in the city's future. They are a shining example of how old can meet new, and a testament to the enduring legacy of one of Poland's most remarkable cities."

Creating affordable cities: the urban investment challenge

The creation of affordable, inclusive cities is a key concern globally. The Holland Metropole alliance, a network of 30 developers, investors and local authorities, has put creating value through urban investment at the heart of its approach.

By **Robin Pascoe**

The Netherlands has the biggest shortage of residential property in Europe and, the founders of the Holland Metropole alliance say, this makes the country an attractive option for long-term, stable investment in affordable housing.

Within the alliance, the public and private sectors are working together to help meet official targets to build 900,000 new homes in the coming years. Of those, some 300,000 will require capital from institutional investors.

The shortage of housing requires a significant investment, says Mark Siezen, chief executive of Bouwinvest, which manages real estate portfolios for institutional investors. "It's a situation that offers interesting opportunities in the Holland Metropole for both international and Dutch investors."

The Holland Metropole is one of the most important economies in the world and, according to 2023 research by urban intelligence firm The Business of Cities, the region has rebounded from the pandemic faster than its global competitors.

Fast and reliable digital connections are driving confidence and demand, while the region has been able to develop a much deeper pool of well-educated people, through both its own universities and new arrivals. According to global data platform Dealroom, the region is now the number two innovation ecosystem in Europe by value and number of start-ups.

The Dutch real estate market is mature, liquid and transparent, offering excellent opportunities for investors and developers and strong residential returns. In particular, the region offers high growth potential for institutional investors that provide affordable housing for its growing population.

"The range of companies and institutions now moving to the Holland Metropole is a big vote of confidence in its combined scale and complementary value propositions of the five cities," states The Business of Cities' report. "The region remains firmly near the top of the foreign investment charts."

> **"As our planet grapples with the consequences of environmental shifts, the real estate sector can play a pivotal role in mitigating these impacts."**
> Mark Siezen, Bouwinvest

Climate change targets

Across the Dutch real estate sector, climate change targets are becoming increasingly important. To that end, the themes of circular construction, carbon emission reduction and water management are at the forefront of the Holland Metropole's approach, whether it is from local authorities, developers or investors.

Construction group Dura Vermeer has developed a net zero strategy which the company hopes will impact on its partners and clients as well. "We are here for society, not the other way round," says real estate divisional director Marieke Mentink. "We have an obligation to do everything we can to have a positive impact."

Anjelica Cicilia, acquisition and development director at Achmea Real Estate, points out the importance of ESG in attracting investors in today's market. "ESG is not only important to our investors. but is a key part of our

Above: The Dommel project involves redeveloping the area around Eindhoven's main railway station
Left: Little C is part of a major upgrade of the Rotterdam Coolhaven waterfront

strategy to meet UN development goals," she says. "Our investments not only have to be sustainable but also focus on the social impact. And affordability is very important because we are looking for long-term, stable investors and meeting the needs of home hunters."

Real estate investor Vesteda also sees improving its sustainability performance as a key way to safeguard the attractiveness of its funds and its long-term risk/return ratio, says head of acquisitions René Tim. "We also aim to use circular materials, increase biodiversity around our complexes and improve the climate adaptivity of our portfolio."

Circular construction

Developer VORM focuses on using timber, on top of circular construction techniques and biobased materials. "It is all about making the maximum impact for the minimum footprint," says chief executive Hans Meurs.

Bouwinvest's Siezen sees public-private partnerships, such as Holland Metropole, as the cornerstone for advancing sustainability in real estate, particularly in the face of escalating climate change. "As our planet grapples with the consequences of environmental shifts, the real estate sector can play a pivotal role in mitigating these impacts," he says.

Developer AM also highlights the importance of working together to bring about change. "It is both important and necessary to work together with different local authorities to make sure the owner-occupier market is accessible to everyone, through social purchasing, socially-linked ownership and other forms of financing," says AM chief executive Ronald Huikeshoven.

AM and the city of Amsterdam, for example, are working together on the GEINS project in the Zuid-Oost district, which falls under a special scheme for first-time buyers. Of the 90 apartments, 60% are affordable ownership with a price cap of €250,000 per unit. If sold within five to 10 years, any profit will be split between owner and developer.

ESG, sustainability and affordability are also at the centre of developer Heijmans' strategy.

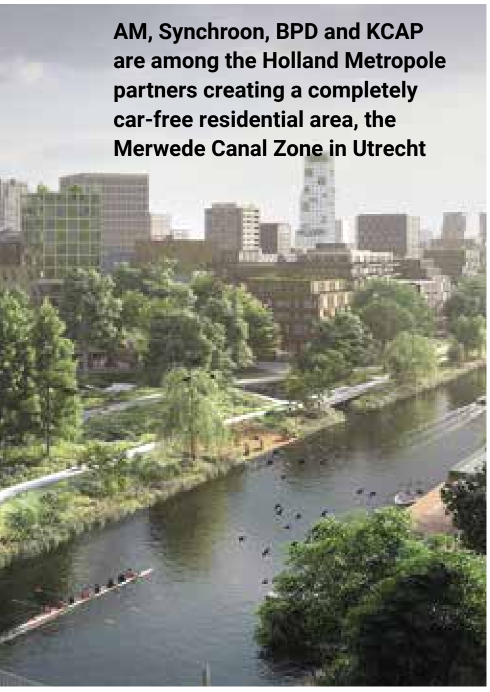
"These are important themes, not just because of laws and regulations, but because our clients are increasingly asking about them," says the company's sustainable development director Robert Koolen.

Nevertheless, practical steps to boost sustainability and make sure the theories actually work is key. Eindhoven city council and developer Amvest are among the main backers of the Living Lab 040 project. This is a development of 119 experimental housing units where technical and other innovations can be tested and tried out in real living situations, with residents, companies, local officials and scientists.

Energy-neutral homes

In Amsterdam, thousands of new homes and residential districts are being created on artificial islands. The city is aiming for energy-neutral homes with neighbourhood mobility hubs where people can park their cars and pick up a shared car, scooter or bike. The same theme of car-free, energy-

The GEINS development, designed by Holland Metropole partner INBO, offers an innovative take on affordable ownership



AM, Synchron, BPD and KCAP are among the Holland Metropole partners creating a completely car-free residential area, the Merwede Canal Zone in Utrecht

The Maestro scheme in The Hague is a green building located close to the dunes and beach

neutral, sustainable development is reflected across the housing strategies in Rotterdam, The Hague and Eindhoven.

Another first is the Cartesius development, inspired by the Blue Zones, which aims to be a sustainable, inclusive, and healthy neighbourhood of some 3,000 homes in the centre of Utrecht. The project has also been included in the World Health Organisation's Healthy Cities programme and residents' wellbeing will be monitored by scientists to see how area developments can contribute to better health.

The Holland Metropole approach is helping stimulate a different way of thinking about real estate development and its impact on the lives of people who will live there. Investors are also interested in this kind of project.

"We no longer just look at a building to see how sustainable it is," says Achmea Real Estate's Anjelica Cicilia. "Our strategy is focusing more on things like the social value and the environmental impact."

Scottish cities: magnets for investment

In a globally challenging environment for foreign direct investment, Scotland – which has perennially punched above its weight when it comes to attracting investment – is outperforming domestic, regional and global FDI trends.

According to the EY 2023 UK and Scotland Attractiveness Survey released in June 2023, Scotland outpaced both the UK and Europe on foreign investment for the second year in a row. It secured a record 126 inward investment projects last year (up 3.3% on 2021's 122 projects).

Scotland has also secured a record 13.6% share of UK FDI projects, and is polling at record levels of attractiveness to investors as an FDI location outside London. It is Scotland's fourth successive annual increase in FDI projects, and is set against the background of a 6% decline in total UK projects and growth of just 1% across Europe. Scotland's share of all UK projects is up from 12% in 2021 and 11% in 2020, EY reported.

Scotland's main cities are magnets for investment, boasting successful clusters in such sectors as aerospace and space, creative industries, industrial and manufacturing, life sciences and biotech, renewable energy, retail and leisure, urban residential, and tourism and hospitality.

The proliferation of companies establishing themselves in Scotland brings significant opportunities in commercial real estate. Scotland has more than 5,100 international companies with tech giants such as Skyscanner, FanDuel, Amazon and SKY, as well as start-ups including Nucleus Financial, FreeAgent and Money Dashboard, already taking advantage of the many benefits of locating in this data-driven economy.

With more than 215,000 people working in financial and business services, supplemented by over 97,000 graduates a year, Scotland offers high quality, staff with skills covering a range of activities.

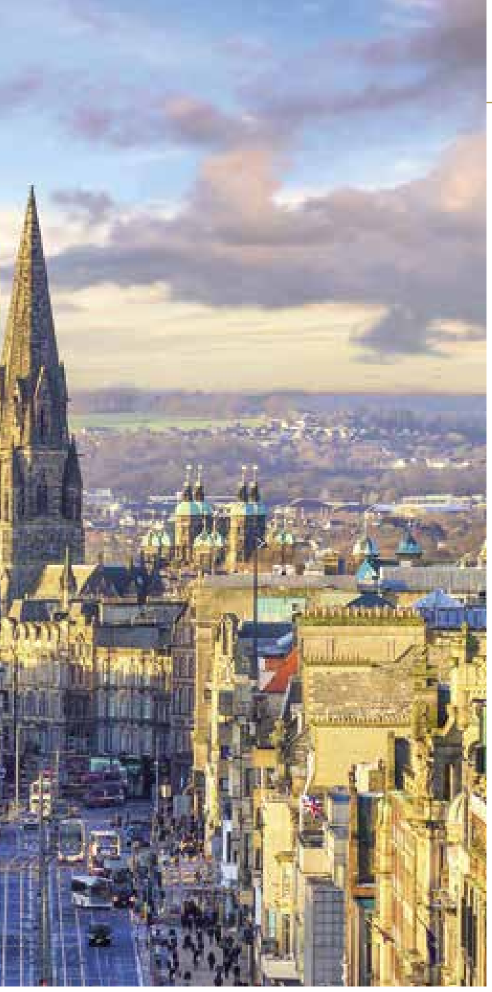
Joined-up approach

Behind Scotland's FDI success is a joined-up approach to investment promotion, to which the Scottish Cities Alliance (SCA) is a testament. SCA comprises Scotland's cities and the Scottish government, and is a one-stop shop offering investors a unified approach to create a variety of different projects at scale.

The SCA was established in 2011 to progress the Agenda for Cities. The aim is to achieve an economically stronger future for Scotland through the joint efforts of Scotland's eight cities (Aberdeen, Dundee, Dunfermline, Edinburgh, Glasgow, Inverness, Perth and Stirling) and its long-term investment promotion strategy, in a bid to attract capital investment to these cities.

By working together, the Alliance partners are able to share knowledge and create projects of scale which offer attractive investment prospects across the business spectrum. To date, the Alliance partners have not only played a key role in the development of the Scottish Government's refreshed Agenda for Cities and International Trade and Investment Strategy, but the Alliance has also helped it showcase more than £10 billion of investor-ready opportunities across the cities via its online Investment Prospectus.

"Collaboration is at the heart of everything that we do. Working with our stakeholders, we are a conduit for bringing relevant opportunities from key



"The investment opportunities are huge and the Alliance and its partners are committed to working with potential investors to optimise growth for the benefit of the whole of Scotland."
John Alexander, Scottish Cities Alliance

public sector organisations, such as Scottish Development International, Scottish Enterprise and the Department for International Trade, to the attention of the cities, ensuring they are part of informing the overall strategic approach to attracting investment to Scotland," says councillor John Alexander, chair of the SCA and leader of Dundee City Council.

Thriving destinations

Scottish cities are modern thriving destinations each with their own distinct personality and sectoral strengths. There are many reasons to invest in Scotland's sustainable and smart cities, from their excellent connectivity, to their attractively low tax rates, a high quality of life, a highly skilled workforce and last, but certainly not least, a proud history of innovation. It's on this culture of innovation that Scottish cities are building their aspiration for inclusive economic growth.

Smart City technology is transforming Scotland's cities, enabling them to become more internationally competitive and boost economic growth. To seize the opportunities offered by new technologies, Scotland's cities have worked collaboratively to deliver a ground-breaking Smart Cities Scotland ERDF programme, which is helping services across the cities become more efficient and greener, which provides a strong foundation to attract and grow new hi-tech businesses that will drive future sustainable economic success.

Scotland has passed legislation targeting net zero emissions of all greenhouse gases across the country by 2045.

Hydrogen

The Scottish Government is committed to working with investors to develop projects that will enable large-scale, hydrogen production with export routes to Europe. In 2022, the Scottish Government revealed its hydrogen action plan and pledged £100m in capital funding for renewable hydrogen projects.

The Inverness & Cromarty Firth Green Freeport will help to transform the local economy whilst delivering significant benefits for the country's transition to net-zero, boosting innovation and attracting £4.8 billion of investment and 25,000 high quality jobs. The Freeport will underpin Inverness' ambitions for Hydrogen.

The Cromarty Hydrogen Project being developed by Storegga and Scottish Power is set to produce 11 tonnes of green hydrogen per day, increasing to 110 tonnes in its build out phase. Alongside this a Green Hydrogen Hub in Inverness is being developed with the capacity to generate up to 10 tonnes of green hydrogen, or enough to fuel 400 HGVs per day, which could be scaled up to deliver a supply of 25 tonnes per day into the network.

Meanwhile Aberdeen has developed Scotland's first commercially scalable, investable, hydrogen production and distribution facility, making use of the region's renewable resources to provide a truly 'green' fuel supply with ambitions to scale over time to provide hydrogen for heat, industry, and export.

"The investment opportunities in Scotland are huge and the Alliance and its partners are committed to working with potential investors to optimise growth for the benefit of the whole of Scotland," says Alexander.

"The eight city regions have a strong story to tell, and collaboratively they are making a significant impact in a very competitive environment. The Alliance will continue to support and promote the opportunities on offer across the cities to our growing database of investors who welcome our unique one-stop-shop approach to attracting investment."

If you would like to find out more about the investment opportunities across the Scottish cities or sign up to the Alliance's investment newsletter please contact info@scottishcities.org.uk or visit our website www.scottishcities.org.uk

Scottish city opportunities

The Scottish Cities Alliance, formed by Scotland's cities and the Scottish government, offers investors a joined-up approach to create projects of scale across the country. Here are the main opportunities for investors...

PERTH

Size (Metro)
18.4 sq km
Population (Metro)
68,000

Opportunities
- Perth West
- Perth Food & Drink Park

STIRLING

Size (Metro)
16.1 sq km
Population (Metro)
41,000

Opportunities
- Kildean Business Park
- Wolfcraig
- Station Road
- Forthside

GLASGOW

Size (Metro)
3,338 sq km
Population (Metro)
1,817,870

Opportunities
- Glasgow: Candleriggs Square
- Glasgow: TIC2 (Technology and Innovation Zone)

INVERNESS

Size (Metro)
21 sq km
Population (Metro)
61,235

Opportunities
- Castlehill 'Spirit of the Highlands'
- Inverness Airport Business Park
- Inverness Campus

ABERDEEN

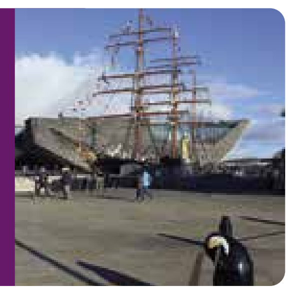
Size (Metro)
6,499 sq km
Population (Metro)
490,600

Opportunities
- City Centre and Beach Masterplan
- Hydrogen Hub
- The Energy Transition Zone
- North East of Scotland Investment Zone

DUNDEE

Size (Metro)
60 sq km
Population (Metro)
300,000

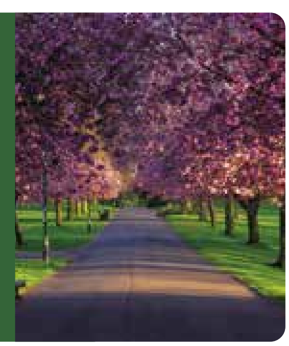
Opportunities
- Dundee Waterfront
- Michelin Scotland Innovation Parc



DUNFERMLINE

Area (metro)
18.31 sq km
Population (metro)
58,508

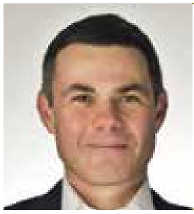
Opportunities
- Forth Green FreePort
- Arrol Gibb Innovation Campus (AGIC)
- Fife Interchange North and South
- Queensferry One



EDINBURGH

Size
263 sq km
Population
525,000

Opportunities
- BioQuarter
- Granton Waterfront
- University Capital Development Programme
- West Town Edinburgh



INTERVIEW
Andreas Dressler

Closer alignment with IPAs can unlock institutional investor potential

Andreas Dressler, managing director of Berlin-based consultancy FDI Center, is an expert in global foreign direct investment, advising locations on how to attract investment and companies on site selection. *RealFDI* spoke to him following his participation as a speaker at June's CEE Summit in Warsaw about the need for investment promoters to get closer to institutional investors, and vice versa

What, in your mind, is the relevance of institutional investment to the kind of work that investment promotion agencies (IPAs) do?

Institutional investors are instrumental because they're an important part of the product – they create the physical product where investors ultimately go. Investors have to invest somewhere: they have to be in a physical property whether it's an office, a lab, a logistics facility, or a manufacturing plant. Unless the public sector takes over their role, which is unlikely, you need institutional investors because they create the physical product. That's essential to attracting investment.

Is there enough interaction between IPAs and institutional investors, and why is there a gap between the two?

IPAs typically focus on attracting occupiers for a property, so they're out there trying to attract companies that are ultimately going to undertake an activity inside a physical space. In most of the countries we work in there is very rarely any interaction between them and institutional investors.

> **"You need that physical product, but what institutional investors do should be aligned with what IPAs are trying to achieve."**
> Andreas Dressler, FDI Center

I think there should be more interaction for a number of reasons, the first being again you need that physical product, but what institutional investors do should be aligned with what IPAs are trying to achieve. For example, if institutional investors think there's a lot of potential in logistics, that's what they'll be building. But if IPAs are trying to attract something else, such as research and development activities, there's a misalignment.

So they need to be aligned in terms of what they can do.

I think institutional investors can also find out from IPAs what some of the opportunities are. For example, if the location is trying to build up a talent base, is there enough housing to attract young people that is affordable and attractive enough for them?

Finally, in the area of aftercare, I think institutional investors, in the sense of landlords, are very close to investors; they're probably closer than everybody else, so they know a lot about what investors are planning to do – expansions, contractions, etc – and they can share that and collaborate with IPAs. I think both can really benefit.

What tips do you have for IPAs as to how could they carry out their outreach and work more productively and more closely with institutional investors?

It's all about regular collaboration, speaking to one another: what are you seeing in the market, what are the trends, where do you believe the growth will come from?

Also it's useful to conduct some longer-term planning that will benefit both parties. Both IPAs and institutional investors tend to be metrics driven: they have annual metrics, whether those are profitability or returns or a number of jobs.

But just trying to look into the future to see how each can work together to create an overall package and improve the product as a whole would be a really good starting point.

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