

## EY Real Estate offers global connections, support as cross-border capital surges

With the immense wave of cross-border capital flows into property, EY's Real Estate, Hospitality and Construction group aims to use its wide range of services to provide global connections and support, says its worldwide head Howard Roth.

**M**ost widely known for audit and accountancy, the group rebranded from Ernst & Young in all divisions last year. Roth, global leader of EY's RHC group, told PIE the move has been highly successful, focusing a large global client base on the wide range of services the division offers in property. "The branding has been very, very helpful and very effective, and not just in the real estate sector but for all of our industry groups," Roth told PIE in an interview. "The real principle around the branding is looking to super-charge and accelerate growth from now to the year 2020... Not just the re-branding, but the implementation around the re-

branding means a greater focus on the real estate industry. That's really a significant shift for our firm; it's got a lot of elements to it but all in all this is really very, very positive."

Roth's division encompasses real estate, hospitality and construction worldwide, "so it's really a broad umbrella in terms of what we support". The business generates multi-billion dollar revenues, and in the US alone employs over 12,000 professionals serving more than 4,000 clients. Globally the expansion is well under way too. "We really do five things for a living: audit or assurance, tax, valuations, due diligence-capital markets, and advisory. In terms of that broad picture, we have a couple of differentiating strengths: one is that we are very well connected globally, and I think much more so than our competitors. And because we're a closely-knit well-connected network and because we're a separate priority industry of EY, we are able to connect our clients around the world seamlessly right now, whatever their needs might be."

One aspect boosting EY RHC's activities worldwide is the upsurge of real estate investment trusts (REITs) in different markets. "If you look at these growing new REIT regimes around the world - Spain, Ireland, India, the Philippines, and Mexico - we're very well connected from a real estate experience standpoint... Plus I think we do a really good job of sharing our knowledge for mature markets including the US and different parts of Europe into these growing public markets which ultimately are institutionalising real estate investment."

The group is especially well positioned for the surge of cross-border investment, and Roth sees the flows out of Asia into Europe and the US as especially interesting. "Something we've been very, very focused on, and actually doing well with is the east-to-west capital flows that I believe have just started," he says. "I think they're going to continue and accelerate in the coming years... When you look at the combination of prices in Asia and the diversification in capital deployment into Europe - London obviously as well as the United States - this is definitely going to run further."

EY RHC recently hired a Chinese partner in Hong Kong national with long real estate investment banking experience. "We're pretty excited about the potential, and we're really making a concerted effort to connect these huge pools of capital into our client base around the world."

Roth says Europe's regional position is growing in importance within EY RHC's global business. "When people talk at the super-macro level about European weakness for different reasons .. the reality is that you have to examine this country by country, and quite frankly city by city. From what I am hearing from our clients, there is a wide range of opportunities throughout the European continent."

He adds: "We've seen that US capital coming into Europe in 2014 is 20% higher year to date than 2013 - around \$36bn. Obviously, London is a very hot market, as is Paris." As well, he sees Asian and sovereign wealth capital in and around London focusing on technology occupiers, which they expect to provide a big boost in demand for office space. Another significant opportunity in Europe is Spain, just now coming out of recession. "You've got to pick your spots, like everything, but when you go into the different markets there are wide areas of opportunity for many of our US clients."

But Roth sees good potential in many cities in Europe for core and core-plus institutional investors out of all jurisdictions - many of the group's US client base, as well as from Asia and Middle East. "For China and obviously some of the sovereign wealth funds in the Middle East and private families in Asia, there are still clearly significant core, core-plus opportunities in these European cities. From these sources of capital coming into London, Paris, Frankfurt and other major cities, there's still pretty significant value in a whole host of places." Aside from Spain, he cites Italy as a market moving rapidly back into investor interest - or Ireland where a different kind of money is seeking investment.

One major competitive advantage of EY RHC is that the large range of advisory services it offers means it can assist clients according to specific needs on either side of the transaction. "We provide a very wide variety of services that work well in a whole host of different circumstances. So to pick some quick examples to make it real: when you have these new burgeoning IPO markets - Spain, Ireland, even picking up in Germany - obviously that's great for audit, assurance and

tax. The cross-border capital flows are great for our tax service lines and structuring analysis etc which are a core part of our business. On the transaction side, valuation and due diligence and transaction activity is really at a very high level now and we anticipate it being strong for the next two to three years at a minimum. Our valuation people, our due diligence people, our capital market people that do M&A have great opportunity with buyers and sellers."

EY RHC also has a very robust advisory practice, "that works on process and control for large investors that need to continue to enhance reporting, to continue to meet the requirements of AIFMD in Europe or Dodd-Frank in the US. So with all of the potential changes in regulatory regimes, we've got some great service offerings to help with the people, process, technology, governance, control, meeting regulatory requirements - for that scope of clients as well."

Looking ahead, Roth has set EY RHC some defined goals, the core of which targets a doubling of revenues within five years. "We as RHC - Real Estate, Hospitality and Construction - have very ambitious goals over the next five years in alignment with the firm's Vision 2020 Strategy. We are looking to double revenues over that period, and we think the new structure and implementation has been very helpful. Really at the end of the day it will create a greater and greater leverage for our real estate experience with partners and managers and staff and solutions and cross-border networks. This is showing itself right now and we think we have the right platform, the right brand and the right opportunity to really make an incremental difference and double our revenues in the next five years."

Asked if he thinks this will be tough to do, Roth cites one example of an opportunity in a market and asset class where EY RHC can really assist. Speaking from his New York base late last month, he gave one example: "I just had this global call a couple of hours ago, and our leader in Poland was talking about this massive opportunity with hospitality development throughout Poland and the Czech Republic in particular. Now we have our global leader in place and we also have our teams in the US and London which can support those efforts in those markets and those asset classes with expertise, credentials, diligence, valuation, and market knowledge from inside the capital markets. This is a live example of how we operate and the things that we look to do to help support different our clients around the globe." ■ pie



EY's RHC team sees a huge opportunity in hospitality development in the Czech Republic (Jurys Inn hotel in Prague CBD pictured, marketed by C&W last year).



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Photo: Cushman & Wakefield