

# Commercial Property: Lessons from the Past, Strategies for Today

A collection of insights from three well-respected board-level experts of the property industry:

Tanya Cox

Paul Say

Mark Steinert

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# Setting the scene

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A challenging and uncertain climate has pushed the commercial real estate industry into a pivotal era of change, making it imperative to glean insights from past experiences and historical trends. To turn reflection into projection, CIM's Founder and CEO David Walsh hosted a panel discussion with three well-respected experts of the Australian property sector: Tanya Cox, Paul Say and Mark Steinert.

These esteemed board-level leaders discussed how the industry has evolved, the prevailing macro environment, how to future-proof a resilient portfolio, and what lessons can be drawn from the past to inform future decision-making. While there is no single approach to counter every possible industry headwind, our panellists shared extremely valuable insights that REIT's and other commercial property players can put into action today.

In this punchy guide, we condense decades of industry experience into a robust collection of insights around the future of commercial real estate and the best steps you can take today to ensure your success tomorrow.



# Our expert panellists

## Exploring the impressive backgrounds of our contributors

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**Tanya Cox:** Tanya is an experienced Chair and Non Executive Director of listed and unlisted, high growth, property, technology and sustainability boards. Some highlights from Tanyas' impressive suite of current positions include being a: Member of Chief Executive Women, Chair of the Australian Sustainable Built Environment Council, Non Executive Director for Cromwell Property Group, and the Chair of Equiem; formerly Tanya was the Chair of the World Green Building Council and the Chief Operating Officer for Dexus.



**Paul Say:** Paul has over 40 years experience in commercial and residential asset management, development, and real estate broking with major multinational institutions. Paul has held various Independent Non-Executive Director roles for the likes of GPT, Frasers, and Leighton Holdings. Paul was previously Chief Investment Officer at Dexus and prior to that was Head of Corporate Finance with Lendlease. At present, Paul is a Non-executive Director of the Mirvac Wholesale Office Fund, Cedar Woods Property Group, and the non-for-profit group Women's Community Shelters.



**Mark Steinert:** Mark has more than 30 years experience in property and financial services, most recently as the Managing Director and CEO of Stockland for 8 and a half years up until 2021. Mark held various roles with UBS Investment Bank in Australia and the US, including Global Head of Real Estate Research and Group Managing Director. Mark was also formerly a Principal at JLL and President of the Property Council of Australia.





# Looking Back

## Lessons learned from past experiences

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Today's macro climate is undoubtedly tough, but there have been times in years gone by when conditions were similarly volatile. We asked our panellists to talk us through a period when they were confronted by a difficult macro landscape or a time when a major disruption forced them to strategically adapt or pivot. Here is what they shared about how they countered or overcame these obstacles.

### Paul

"Property cycles typically run around eight years, when we see economic booms and busts. I've been paying attention since the early 90s, when there was a downturn in the property sector, followed by the dot-com bubble of the early 2000s, and of course the Global Financial Crisis in 2008. These were all very difficult periods; we saw market uncertainty driven by sentiment, interest rate changes, and other macro conditions very similar to what we see today. In terms of adapting, I think all you can do is acknowledge that those difficult cycles will exist and think strategically about staying resilient."

### Mark

"What we're going through now is pretty tame in comparison to the Global Financial Crisis. I was with UBS in New York at the time, so I remember walking home past the Bear Stearns and Lehman employees, which was a pretty shocking experience. We saw parallels to the Great Depression of the 1930s."



Ultimately for us at the time, doing more with less was the key, and as Paul said, having the confidence that the downside was limited by central bank action and that an upcycle would ultimately emerge from the ashes. We aggressively reallocated resources to align with a radical change in customer demand and selectively invested ahead of the upturn in the broader economy, which positioned us extremely well and helped us guide our customers through the situation at the same time."

### **Tanya**

"The Global Financial Crisis was not a traditional recession; it was really a credit crisis. Cash was precious, and all of the REITs had multi-billion-dollar debt books. Then in 2009, the Australian federal government said that by 2013, it would not occupy any asset unless it achieved a minimum NABERS rating of 4.5 stars. All of a sudden, we needed to find tens of millions in additional capital to pour into capital works that were unbudgeted. All of the REITs were in the same bucket, and most of us were forced to sell assets at the bottom of the market to gain some liquidity.

The moral of the story is that it's incredibly costly not to look forward. There were lots of signs at the time that sustainability was important, but we didn't act on them. If we look far enough forward, we can keep ourselves out of that kind of trouble, and I think that lesson is about to repeat itself."







# Hindsight is 20/20

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Having navigated various economic cycles, we asked our panel: what is your biggest regret?

## **Tanya Cox**

"I would have pursued innovation and technology opportunities more aggressively as they became available. I was in a position to push it harder, and it could have made a huge difference. I would love to be an early adopter, not an early follower."

## **Paul Say**

"I should have stopped believing in property cycles in 2013 when central banks started printing money. I regret not playing harder. Giving up on cycles means giving up forever, so I would probably be buying right now, convincing myself that cap rates and interest rates will drop."

## **Mark Steinert**

"When you're in a down cycle, it takes time to understand what's happening, and I think all five stages of grief apply. I would have allocated most time to acceptance - learning from what's happened, reflecting on past episodes to get insight into what's likely to come next, and then defining the strategy that will make the most of current conditions."

# Sustainability

## Where we've been, where we're going

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Sustainability has become a business-critical priority within the REIT boardrooms of today, but that wasn't always the case. To uncover the dynamic in those early days, we asked Tanya: When sustainability was less spoken about, how did you get it onto the boardroom agenda? Were you challenged on its importance?

### Tanya

"In the early 2000s, the World Green Building Council had been established, but executives mostly acted on financial imperatives. For example, adopting LED lighting was cheap, easy and affordable, so lots of low-hanging fruit changes were done. But sustainability didn't hit hard on mainstream agendas until the 2009 government statement. A few REITs were ahead of the game, but most hadn't taken action and needed serious capital for big initiatives, such as HVAC and lift upgrades.

In my view, history is about to repeat itself. Chris Bowen, Australia's Climate and Energy Minister, recently announced new sectoral plans to meet Net Zero targets. It's not yet clear what those plans will include, but they could involve national energy performance targets and other high hurdles. There may well be additional CAPEX demands that we'll have to find a way to deliver on."

To glean insight into the role of sustainability in the investment process, we asked Paul: How has the push for sustainability changed your investment decision-making process?

### Paul

"It's not just the government driving the initiative anymore; investors vote with their capital for net sustainability initiatives, or existing investors are demanding components like executive targets for bonuses. There's also a big drive for tenants to occupy sustainable properties. But there are still two camps.



The institutional world has seen a lot of progress, but lots of private capital is still happy with B-grade buildings, either greenwashing or just ignoring sustainability altogether, and that's a big problem."

Mark shared his thoughts around the link between sustainability and returns, responding to: How would you characterise the connection between sustainability and shareholder returns? And how has that changed over the years?

### Mark

"I think it's integral. Sustainability is tied to the concept of the circular economy. Circular economies will become the norm into the future, with a diminishing resource base and other well-documented issues around climate change and ESG converging. When you think that the built environment accounts for one-third of global energy consumption, there's no way it won't be a target for action. Emerging regulation is going to drive a more realistic focus on an achievable pathway to carbon neutrality.

You can't just plug large gaps with carbon credits; if everyone buys credits, the price goes through the roof. It's not sustainable. Businesses are becoming directly accountable for both social and climate outcomes. In capital markets, ESG funds are growing double digits, forecast to reach \$34 trillion by 2026. That's nearly a quarter of global AUM, with a compound annual growth rate of nearly 13%. That much money is going to require and demand and define change."



# Here and now

## What would be your focus areas today?

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Turning our attention to the present, we asked our panellists to share the top areas they would be focussing on if they were still in an executive decision-making role for a REIT or property group today. Here is what they had to say.

### Mark

"Technology and innovation would be my primary focus. I've thought for decades that all companies are tech companies to a large degree, but very few operate that way. True data analytics is only possible when you have integrated systems where datasets talk to each other and can be integrated. It's about giving people the data they need in real time to make good decisions. Innovate or die, I say."

### Paul

"I tend to think about bigger strategic trends, so I'd say the future of the listed sector for property and the role of super funds. We've waxed and waned at every downturn about whether real estate should be listed; traditionally, it only goes to capital markets for funds when it's in trouble, and it's not always as liquid as investors like it to be. The constant drive for comparative growth with global indexes drives behaviour that's not really aligned with the way real estate should be managed. Then there's the role of super funds, which are welling up now in Australia and globally. I think they'll start playing a much bigger role in the real estate sector."

### Tanya

"Going micro, I think there's lots of fascinating stuff going on at the moment. For example, we see spaces adapting post-COVID to better answer customer needs."





We've been through cycles before where property workspace changes, and we're on the cusp of a new one. We need to identify what the office offers that home doesn't, and the answer is largely around personal connection. So we need to exploit the hell out of that. I think there will be a shift away from high-rise towers to smaller, more human-scale accommodation, providing a different kind of connection and community. Yesterday's solution isn't going to cut it today.

Another area that I think will be critical is repurposing of property. Bulldozing property isn't an acceptable behaviour any longer. We need to understand how to repurpose assets, upcycle, recycle, and reuse - starting the investment cycle with the end in mind.

[Watch the recording](#)



# Looking ahead

## How should commercial property owners adapt?

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Once we had looked back at critical lessons from the past and present, we asked our panel a future-facing question: Where do you see the economic cycle heading in the next 12-24 months?

### Paul

"I'm bearish, but I'm not sure if I'm a grizzly bear or a teddy bear. Others like me are expecting the cycle to run out; either interest rates will be pushed hard enough to knock inflation out and cause a recession, or central banks will pull back. The teddy bear in me says that central banks will pull back short of a recession, but it may not be enough, and we have some serious wage inflation coming through. But for every one of me, there's someone else saying that everything's fine—that interest rates will go back down and cap rates will come back. But I'm predicting flat to down markets over the next 12-24 months."

### Tanya

"In a recent report, JLL predicted a 13-year cycle. If it really is a much longer cycle than we've seen in the past, we need to start looking at things differently and finding different opportunities. As we touched on before, we need to look longer term in solving for bigger-picture problems while we're in a relatively long, flat and painful period."

### Mark

"I think it will be reasonably challenging to weak for the balance of this year. Beyond that, I think it's moderately up. I'm not in the camp where I think we get back to 2% interest rates, but I think we'll be moderately up on the basis that unemployment is historically low. Inflation in everything but wages is moderating, and wages always lag. In Australia, migration is back up to pre-COVID levels. There are geopolitical risks, to be sure, but I'm not in the bearish camp."



# Key takeaways

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Our panel finished off by sharing one top lesson from their past experience. Here's what they said.

## **Tanya Cox**

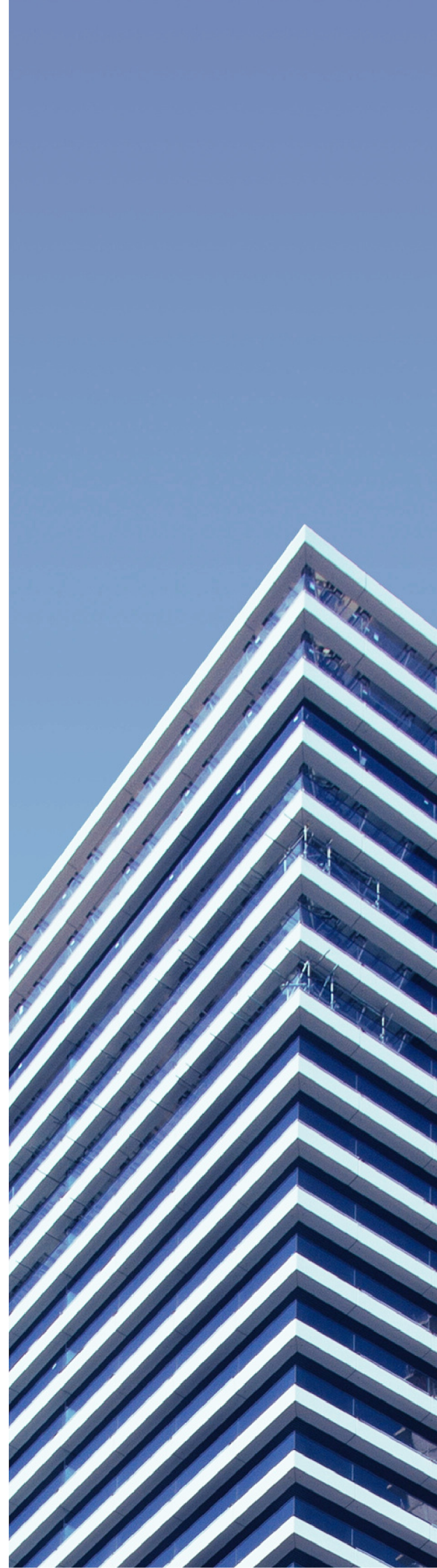
"Measure what matters. With so many opportunities in front of us, we have to make a decision on what's going to move the needle, prioritise and then find a way to measure it."

## **Mark Steinert**

"I've always been an optimistic realist. Clearly define your plan, your strategy, and maintain an action list that runs off what you're measuring. Then hold people accountable to deliver it."

## **Paul Say**

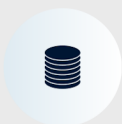
"Once you get past the property fundamentals, sentiment and human nature tend to drive values up and down. So, don't believe 'lower for longer' all the time, or 'higher for longer'. At least, not all of the time."



# About CIM

CIM's award-winning PEAK Platform is an AI-powered SaaS solution that improves the financial and environmental performance of property portfolios. PEAK unlocks value by improving the efficiency of operations teams and maximising the performance of plant and equipment. Assets operating at peak performance boast industry-leading tenant satisfaction, occupancy metrics, net operating income and sustainability ratings.

## Improving Financial and Environmental Performance



### Maximise income

Advanced FDD ensures buildings operate to an efficient, comfortable and non-disruptive standard, facilitating high levels of tenant satisfaction, occupancy and NOI.

Lift occupancy

Green premium

Improve NOI

Tenant satisfaction



### Reduce outgoings

Optimise operational performance for reduced energy consumption, streamlined maintenance contracts and extended equipment lifecycle.

Delay capex

Streamline maintenance

Decrease energy

Boost productivity



### Improve sustainability

Operations teams are empowered to maximise operational and energy efficiency, curbing a portfolio's carbon footprint and lifting its sustainability ratings.

Improve ratings

Green finance

Green leases

Meet Net Zero targets

## Delivering results

**19%**

average saving in electricity per building

**20%**

reduction in maintenance costs via DDM\*

**2 year**

extension of equipment lifecycle

*\*Data-driven maintenance*

Trusted by  
industry leaders





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