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OPINION

Lessons from the past, pointers to the future. What impact do Expos have on real estate markets?

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Expos signal to the world

Expos have long been the subject of attention from economists and real estate analysts alike. The first modern fair was held in Paris just after the French Revolution in 1798, on the site where the Eiffel Tower now stands, whilst the 1851 Great Exhibition brought diversity to London for the first time. By 1928 Expos had gained both codification and their own organisation.[1] Subsequent Expos have been well-recognised landmarks of human achievement, for example, the New York World Fair of 1939 showcasing US technological innovation and the Shanghai Expo of 2010 which consolidated the city's reputation, especially for international business. Now, as the pandemic recedes, it is Dubai's turn, the first Expo in the Middle East. What are the likely effects on real estate markets?

What we know about Expos and real estate

The 'expo effect' on real estate has been frequently cited, but what do we know about it?

Firstly, we know what happened to real estate markets in cities that have held Expos, both before and after the event. We are indebted to the independent Italian real estate research group, Scenari Immobiliari, for their pathbreaking analysis, published in advance of the Milan Expo 2015, of the impact of successive Expos on real estate in European cities.

Overall, their numbers, which consider the five years prior and after each Expo, told a very positive story. The single exception is Zaragoza, where, after five years of extraordinarily high house price growth, the widely recognised positive effect of the Expo was simply overwhelmed by the negative impact of the Global Financial Crisis, as reflected in visitor numbers.

As a result, what happened after 2008 is an outlier to the data, which ought not therefore to be included in even the simplest of averaging exercises. Conversely, the Dubai Expo is being held at a time when the world is emerging from the effects of the pandemic, which would equally imply that outcomes may be more positive than any average might suggest. Similarly, data for Milan should be seen in the context of Italian house prices overall, which declined by 15% between 2010-2015 and rose by only 3% between 2015-2020.[2]

HOUSE PRICES

	5 years before the Expo	5 years after the Expo
1992 Seville, Spain	23%	15%
1998 Lisbon, Portugal	18%	60%
2000 Hanover, Germany	12%	40%
2008 Zaragoza, Spain	50%	-65%
2015 Milan, Italy	-2.5%	40%

[1] https://www.bie-paris.org/
[2] I-Stat (2021) *Prezzi delle abitazioni (Ipab)*. Available at: http://dati.istat.it/Index.aspx?lang-it&SubSessionId-72b8d37b-db54-4690-8987-862fc8e2a81b Retrieved 14 October 2021

Source: Scenari Immobiliari (2014); I-Stat (2021)

Scenari's analysis was confined to Europe, but it could also be modified with the experience of Shanghai, in the grip of what proved to be an unsustainable house price boom, for which the comparable data were 24% between 2005 and 2010, and 51% between 2010-2015.[3] This should all be compared with data from Property Monitor, which show that the equivalent five-year pre-event figure for Dubai of -15%, an even larger reduction than was showed by Milan. With the Dubai market recovering already, the analogous picture for office rents, which were also tracked in the report, is arguably equally interesting.

OFFICE RENTS

	5 years before the Expo	5 years after the Expo
1992 Seville, Spain	11%	3%
1998 Lisbon, Portugal	17%	13%
2000 Hanover, Germany	9%	5%
2008 Zaragoza, Spain	56%	-40%
2015 Milan, Italy	-13%	8%

The logic of excluding Zaragoza from the average is again strong, as the Spanish commercial property market overall exhibited completely exceptional growth in the five years prior to 2008 and suffered an equally rapid decline thereafter. What stands out is that the effect of Expos on office markets was much more subdued, even in a pre-pandemic environment where working from home had not yet become widespread.

Secondly, we know that the impact of Expo on real estate can be analysed at a more granular level. There are indications that, successfully planned, Expos can lead old cities to urban rejuvenation and even expansion. Examples include the kind of urban development that was seen in Lisbon with the new area built around the Tagus, and in Hanover with the building of Expo-settlement Kronsberg . Equally, lack of demand, poor planning and a lack of leadership has led to an unexciting subsequent life for the sites of the Seville, Zaragoza and Milan Expos.

Expo 2020 is a litmus test in that regard, which will therefore be in part at least judged by the methodical development of District 2020. Fortunately for Dubai, development will occur at a time when investors appear as focused on sustainability, 5G and even autonomous vehicles as they were pre-pandemic.

Thirdly, whereas research has begun to explore how outward real estate investments now enter into geopolitical calculations,[4] less obvious is the obverse, the role of a thriving domestic real estate market. This is well understood by the UAE leadership: the positive real estate impact of Expo 2020 is a major reason for staging the event – not only for logistics, tourism and transport infrastructure, but in helping to secure the UAE as an international centre of real estate investment over the coming decades, another dimension to the ways in which Expo 2020 will contribute to the growth of the UAE's soft power.[5]

Conclusion

The past has shown that almost without exception, Expos are positively correlated with real estate market value growth, especially for residential real estate. But the legacy of Dubai Expo 2020 may prove more extensive. It takes courage for a nation to stage an Expo, still more a region or a city. Not only the significant costs, but the risks involved as well, not least in terms of the subsequent use of the extensive site.

To stage the first major event of this size in the immediate aftermath of the pandemic signalled leadership at a regional, even a global level. The potential rewards for investors therefore reach far beyond any immediate economic multiplier to the as yet-unknown effect of the growth of UAE soft power on asset values, including real estate.

[3] Glaeser, E. et al. (2016) A Real Estate Boom with Chinese Characteristics. *Journal of Economic Perspectives*, Volume 31(1), 93–116. Available at: https://scholar.harvard.edu/files/shleifer/files/jep_2017.pdf retrieved 14 October 2021, and Peng, L. & Song, S. (2012) Why are housing prices so high in urban China? journal of China and Global Economics 1(1), pp. 39–42. Available at: https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.917.1928&rep=rep1&type=pdf retrieved 14 October 2021.

[4] Büdenbender, M., & Golubchikov, O. (2017). The geopolitics of real estate: Assembling soft power via property markets. *International journal of housing policy*, 17(1), 75-96.

[5] Krzymowski, A. (2019) Expo2020 Dubai on the journey to achieve the United Arab Emirates' Soft Superpower. *University of Sharjah Journal* 17(2) https//doi.org/10.36394/jhss/17/2A/13.

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