Invest 2035: The UK's Modern Industrial Strategy

Consultation closes: **24 November 2024**

Responses are submitted via a questionnaire

Industrial Strategy to be published in Spring 2025

The Industrial Strategy will be a central pillar of the Growth Mission, through which the Government is working to fix the foundations of the economy and to kickstart a decade of national renewal. The Industrial Strategy will also complement and benefit other priorities, such as the Clean Energy and Opportunity Missions. At the same time, those Missions will also support the Industrial Strategy.

Our Approach: A Modern Industrial Strategy

Q1) How should the UK government identify the most important subsectors for delivering our objectives?

Nothing to add in addition to methodology on pages 18-19.

Q2) How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?

Nothing to add in addition to methodology on pages 18-19.

Q3) How should the UK government incorporate foundational sectors and value chains into this analysis?

All the growth-driving sectors will require investment in buildings and the associated infrastructure and ongoing maintenance and management. This is not just the commercial property required for the sectors themselves, but also, the homes required for the people working in these sectors and the services they require, such as doctors' surgeries, hospitals, shops, leisure centres etc. We believe that real estate should be seen as a foundational sector.

When planning for each sector, the investment and skills required to ensure there is the real estate and infrastructure required by the firms and their employees in that sector needs to be taken into consideration. This needs to be of high quality and in the right place at the right time and not delayed in planning or by the lack of skills required.

4) What are the most important subsectors and technologies that the UK government should focus on and why?

INVESTMENT CAPITAL FOR REAL ESTATE AND INFRASTRUCTURE.

All the growth-driving sectors will require investment in buildings and the associated infrastructure. Therefore, attracting and enabling investment capital for real estate and infrastructure is one area the Government should focus on. We fully echo Recommendation 09 'Recognise the critical role of institutional investment in housing**'** in the Report of the Radix Big Tent Housing Commission 'Beyond the permacrisis – delivering 1000 homes per day' (https://radixuk.org/wp-content/uploads/FINAL-Housing-Report-OCTOBER-24_EMAIL.pdf).

Pensions schemes

The UK's pension schemes are an international outlier. The seven largest pension markets globally allocate on average 23% to illiquid assets such as property, infrastructure, private equity, and venture capital. In the UK, that number is just 9%. (Thinking Ahead Institute Global Assets Study 2023 - https://www.thinkingaheadinstitute.org/content/uploads/2023/02/GPAS-final.pdf). DB pension schemes have been significant investors in real estate funds. They have found investing in real estate funds has provided them with long-term growth and regular income. With the move from DB to DC pension schemes, DB pension schemes are starting to disinvest from real estate funds. Although Long-Term Asset Funds (LTAF) were designed specifically to facilitate DC schemes and retail investors to access alternative asset classes there has been low take up. (FCA Chief Executive: International regulatory developments affecting investment management - https://www.fca.org.uk/news/speeches/international-regulatory-developments-affecting-investment-management). There are operational difficulties that DC pension schemes face in investing in LTAFs and other funds with notice periods accessed through platforms. Most of the platforms they use for investing do not accommodate investments with notice periods. This needs to be addressed otherwise DC pension schemes will be inhibited in implementing investment strategies which can include funding for new housing and infrastructure.

Overseas Capital

Last year over £19bn was invested by overseas investors in UK real estate (Source: MSCI Real Assets). Real estate funds provide an attractive proposition for overseas investors. They have seen UK law as a gold standard but some initiatives, such as reforms to leaseholds in England & Wales, may reduce the historic confidence of overseas investors in UK property law.

The current backlog of up to two years at the Land Registry are not giving a good impression of the UK either.

It should be remembered that there is competition with other jurisdictions for investment, for example for data centres, and therefore the UK must provide an attractive proposition.

Local Government Pension Schemes (LGPS)

Real estate is an ideal investment for LGPS pools, either direct or through real estate funds which provide an opportunity for them to invest in more specialist real estate investments such as commercial property for life sciences, manufacturing and data centres.

The new fund structure, an unauthorised contractual scheme, known as the Reserved Investment Fund (RIF) is expected to be attractive to LGPS, with its low costs and flexibility, when investing in real estate via a fund.

BUILDING HOMES

The workers in the growth sectors will need homes to live in and most of this will need to be new as there is a shortage of housing in the UK.

Build-To-Rent (BTR) Sector

As mentioned in the Radix Big Tent Housing Commission report:

> *"In terms of specific asset classes, the scale and quality of the nascent Build to Rent sector have proven attractive to a range of UK and overseas investors who see the value of purpose-built, highly sustainable homes that are professionally managed robustly holding values even through volatile economic conditions."*

Residential funds are pooled funds that invest in a wide range of residential properties including build-to-rent (BTR). Residential funds professionalise the rental sector as they are responsible and long-term landlords who rent out energy-efficient, good quality homes, of varying sizes and tenures. They provide secure tenancies and create stable communities for their tenants.

In the UK, the main source of new housing has been provided by housebuilders whose model is mainly to sell homes to individual buyers. New sources of capital are required to enable the additional housing needed, in particular affordable and build-to-rent (BTR) housing. Institutional investors, from the UK and overseas, are keen to diversify into the residential sector as it provides a long-term investment proposition with regular, low-risk income. Institutional investors investing in residential funds could provide additional homes for rent over and above the ones being built by housing associations.

If housebuilders, big and small, could be encouraged to sell more houses off plan to residential funds this upfront funding will enable them to build even more houses each year. This would provide the opportunity for more local skilled jobs, and it would be a way of easily providing mixed tenure developments.

To give institutional investors confidence to invest in new homes at the scale required in the UK they need certainty around legislation and regulation. This includes a coherent planning strategy; sensible leasehold and rent reforms; and a clear strategy for reaching net zero.

EDUCATION/SKILLS

Building commercial properties, infrastructure and homes required alongside, will require an increase in skilled contractors. Local colleges and businesses should be incentivised to provide high-quality apprenticeships, training and upskilling opportunities in the building industry, particularly in new technologies. Also, there needs to be the ability for skilled workers to be able to afford to move to areas of the country where they are required.

Q5) What are the UK's strengths and capabilities in these subsectors?

INVESTMENT CAPITAL FOR REAL ESTATE AND INFRASTRUCTURE / BTR SECTOR

As mentioned in our response to Q4, the UK have a well-developed property fund industry that could provide some of the capital needed for the real estate and infrastructure, including homes, required by the growth-driving sectors.

Q6) What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

INVESTMENT CAPITAL FOR REAL ESTATE AND INFRASTRUCTURE

There are policies that the Government can put in place to attract capital for investment in the real estate and infrastructure which will be required by the growth-driving sectors.

Reserved Investment Fund (RIF)

The RIF demonstrates how a constructive engagement between the real estate fund industry, the Government and the FCA has facilitated legislative progress for a new fund product which will address a gap in the UK fund offering. The RIF will complement and enhance the UK's existing funds regime with lower costs and more flexibility than the existing authorised contractual scheme and will be open to professional and institutional investors such as LGPSs. We note in the Autumn Budget it was announced that new tax rules for the RIF will be laid down in secondary legislation before the end of the 2024/25 tax year.

DC pension schemes

As explained in response to Q4, DC pension schemes face barriers to investing in real estate funds. AREF has been making the FCA, Bank of England and government departments aware of these operational difficulties. We look forward to policymakers introducing additional reforms to enable more investment by DC pension schemes in productive investments.

Currently DC pension schemes are regulated as retail investors because it has been assumed that individual savers in DC pensions would manage their own portfolios. However, in practice, most savers invest in the DC pensions schemes' default options. Regulating DC pension schemes as professional investors would remove unnecessary regulation without reducing protection for savers in the schemes.

Collective Defined Contribution (CDC) pension schemes

AREF is supportive of the establishment of multi-employer CDC pension schemes which we expect to invest in long-term, illiquid assets, such as UK real estate, to deliver a better investment outcome for scheme members. To provide the DC pensions schemes with the scale to invest in productive investments such as housing and infrastructure, smaller DC pension schemes should also be incentivised to merge.

DB pension schemes

In recent government consultations, AREF has advocated that government allow partial withdrawal of surpluses from DB schemes on an ongoing basis, spread over time, funded by investing current surpluses in higher returning illiquid assets such as real estate.

Solvency II UK reforms

The Solvency II reforms in the UK are essential to unlock capital for insurers to invest in productive assets such as real estate funds.

Authorised property funds

The FCA are expected to take forward next year their proposals to address the mismatch in liquidity between the daily-traded authorised property funds and the assets they hold. They are expected to introduce notice periods for authorised property fund redemptions although it should be noted that notice periods are not always the best solution for all of these funds. Due to the long delay in the FCA making a decision on this and the uncertainty this has created for investors, some authorised property funds have decided to change their investment profiles and sold UK property holdings to invest in overseas REITs.

To enable investment from retail and professional investors in real estate through authorised funds with notice periods, some operational challenges need to be resolved. The first one is similar to the one encountered by DC pension schemes; most platforms won't invest in updating their systems and processes to accommodate funds with redemption notice periods. The second barrier to investment is the insistence by HMRC to only allow.

investments in these funds through an ISA in an Innovative Finance ISA. These ISAs are not used, in the main, by retail investors and are associated with peer-to-peer lending. Retail investors that wish to hold their investments in an ISA tend to hold authorised property fund holdings in a model portfolio within a Stocks and Shares ISA. We advocate for this to continue for authorised funds with redemption notice periods.

Market access for UK AIFMs to Europe

While EU Alternative Investment Fund Managers (AIFMs) currently enjoy market access to UK professional investors, UK AIFMs do not have similar market access to EU professional investors. We propose there is dialogue between the UK Government and the European Commission to address this. Not only would this provide more choice for EU pension schemes; it would provide a wider market for UK AIFMs' services.

We are encouraged that the Governor of the Bank of England at the Mansion House Financial and Professional Services Dinner on 14th November 2024 (https://www.bankofengland.co.uk/speech/2024/november/andrew-bailey-speech-at-the-annual-financial-and-professional-services-dinner) stated:

> "*Now, as I have said many times, as a public official I take no position on Brexit per se. That's important. But I do have to point out consequences. The changing trading relationship with the EU has weighed on the level of potential supply. The impact on trade seems to be more in goods than services, that is not particularly surprising to my mind. But it underlines why we must be alert to and welcome opportunities to rebuild relations while respecting the decision of the British people*".

This statement connects with the Governor remarking at the Financial and Professional Services Address, Mansion House on 11th February 2021 (https://www.bankofengland.co.uk/speech/2021/february/andrew-bailey-mansion-house):

> "*it would be reasonable to think that a common framework of global standards combined with the common basis of the rules – since the UK transposed EU rules from the outset – would be enough to base equivalence on global standards*".

In the context of being alert to and welcoming opportunities to rebuild relations with the EU, we advocate that market access for UK AIFMs to EU professional investors should be equivalent to market access for EU AIFMs to UK professional investors.

Sustainability – Attracting investment capital

High sustainability standards are important when attracting investment in real estate.

Sustainability is usually an important factor when real estate investors decide where to invest their capital. To attract capital from institutional investors, from within the UK and from overseas, the UK needs to have high sustainability standards compared to other countries. AREF members support the UK Net Zero Carbon Building Standard that should provide greater goal posts for buildings to aim for. There must be certainty that legislation and policies will remain consistently high to ensure the UK achieves net zero by 2050. For example, investors expect real estate in the UK to adopt a net zero aligned trajectory, such as the Carbon Risk Real Estate Monitor (CRREM) pathways.

Many institutional investors have signed up to the UN-Convened Net Zero Asset Owner Alliance. They have committed to decarbonising their investment portfolios and achieving net-zero emissions by 2050. If they cannot achieve this by investing in the UK, they will invest elsewhere.

The aspiration of the Financial Conduct Authority (FCA) to build a world-leading and competitive sustainability regime that will help the UK's asset management sector thrive by setting standards that improve sustainability information is welcomed by real estate funds. The UK's Transition Plan Taskforce (TPT) aims to deliver a "gold standard" for climate transition plans; this is supported by real estate funds. The ESG Metrics for Real Estate paper (ESG Metrics for Real Estate) has been mentioned in publications by the FCA and TPT. This takes a whole life carbon approach that considers scope 1, 2, and 3. It also provides recommendations on broader issues such as social value, physical and transitional risk, and biodiversity.

However, there has been a lack of direction from government surrounding key regulation such as the proposal to amend the Minimum Energy Efficiency Standards (MEES) and Energy Performance Certificate (EPC) requirements. Also, there has not been any follow up from the government to the consultation on a national performance-based policy framework for rating the energy and carbon performance of large commercial and industrial buildings. This considered implementing regulations similar to NABERS for commercial buildings over 1,000 square feet.

Carbon offsetting and pricing are important tools in helping businesses to build a case for low carbon solutions. They have a role to play in accelerating the decarbonisation of the built environment. More guidance would be welcomed on future government policy on how this will be managed.

Real estate funds invest in both residential and commercial buildings for the long-term. For this reason, they want these properties to meet the highest viable standards now as it will cost more to upgrade them at a later date. In some cases, this can only be achieved if other stakeholders are encouraged to do the same. For example, house builders should continue to be encouraged to install solar panels, air source heat pumps and electric car chargers in new builds.

NET ZERO CARBON EMISSIONS

We endorse the views expressed in the Skidmore Report in 2023 that "The private sector is critical to the net zero transition. Their investment and innovation will bring low carbon technology to the mass market. They will drive many of the benefits we will all experience from net zero, not least economic growth."

When considering improving the sustainability of a building, retrofitting is preferred over replacing a building from a whole life carbon perspective, where it is cost effective. When investing in new buildings, residential and commercial, real estate funds are expecting them to meet and even succeed the latest environmental requirements. Using modern construction methods can reduce carbon emissions; we ask for recognition in the planning process for this.

There is a place for the UK to lead on innovation to improve the sustainability of buildings. For instance, there is a need to eliminate gas consumption in homes and businesses through electrification by either installing air source pumps or, where applicable, ground source heat pumps. We agree with the views expressed in the Skidmore Report that "net zero is the growth opportunity of the 21st century" and we, in the UK, "must act decisively to seize the opportunities in a global race".

New and retrofitted buildings to meet net zero carbon requirements also have a positive impact on the residents and tenants as these buildings should reduce the demand for energy consumption and hence should reduce running costs for residents and occupiers.

NATURAL CAPITAL

Natural capital will play an important role in delivering net zero carbon emissions, but maintaining the earth's stock of natural resources and ecosystem services is wider than just trying to reach net zero carbon emissions. We are supportive of regulations from UK government on biodiversity net gain and the introduction of additional planning requirements for new developments. Real estate funds are progressively measuring and assessing the ecological footprint of individual property assets to determine exposure to biodiversity risks and opportunities. Frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) will play an important role in assessing risks and opportunities, but more needs to be done to understand common metrics suitable for real estate, credible baseline assessment and measurement tools, and industry-wide consensus on ambitious targets. This will assist real estate funds in setting short and longer-term biodiversity targets and disclosing their progress against them. Real estate funds are already gradually adopting implementation measures such as:

- Protecting, managing, and enhancing the biodiversity of sites by actively promoting the safeguarding and supervision of trees, hedgerows and shrubs, water bodies, grassland, formally planted and wildflower areas.
- Where practical, fostering the creation of new habitats by incorporating bird and bat boxes, creating and managing compost heaps and wood piles, and handling invasive species.

Other ways real estate funds could assist with natural capital is to enable them to adopt a retrofitting approach for existing buildings and collaborate with neighbouring property owners and local stakeholders as ecosystems exist beyond red line plot boundaries.

There is a place for the UK to lead on innovation to improve the sustainability of buildings. For instance, there is a need to eliminate gas consumption in homes and businesses through electrification by either installing air source pumps or, where applicable, ground source heat pumps. We agree with the views expressed in the Skidmore Report that “net zero is the growth opportunity of the 21st century” and we, in the UK, “must act decisively to seize the opportunities in a global race”.

BTR Sector

To give institutional investors confidence to invest in new homes at the scale required in the UK they need certainty around legislation and regulation. This includes: a coherent planning strategy; sensible leasehold and rent reforms; and a clear strategy for reaching net zero.

Leasehold and rent reforms

Any leasehold and rent reforms should be thoroughly thought through to ensure there are no unintended consequences to the aim to provide new homes. The uncertainty around the possible introduction of longer-term rent controls in Scotland has led to no new investment in BTR homes. Rent controls in other countries have been shown to reduce supply of homes and damage social mobility. We believe that rent controls are not the answer to providing more homes at an affordable level of rent; this can only be achieved by building more houses for rent.

Planning reform

Planning reforms are required to kickstart the building of large numbers of new homes for rent in the UK and provide the infrastructure to support them such as transport, clean energy, town centres, enterprise zones and logistics. When planning for housing requirements in their area, councils should consider the level of housing required for rent. We were pleased to hear in the Autumn Budget that the Government are providing funding to enable 300 graduates and apprentices to work in council planning teams.

To make it easier to raise capital and start projects clarity is required in the planning system. Time delays in planning and inconsistencies between local authorities mean that it is difficult for developers and fund managers to demonstrate certainty in their appraisals to investors, and thus unnecessarily difficult to raise capital.

The availability of land in city centres and urban areas alone is insufficient to meet the demand for family housing and accommodate the growing number of smaller households. Planning law should permit local authorities to adjust land use allocations more efficiently. This could include repurposing and retrofitting commercial buildings, which otherwise may become stranded assets; permitting greater density building within urban areas; and making slight modifications to Green Belt boundaries.

Net zero carbon emissions

To protect their investment, institutional investors want to invest in energy efficient housing and support the drive to reach net zero carbon emissions by 2050. Therefore, residential funds invest in homes that have the infrastructure, such as solar panels, heat pumps, efficient boilers and charging points for cars, which ensure they are meeting, as close as possible, net zero carbon emissions.

EDUCATION/SKILLS

Building commercial property, infrastructure and homes will require an increase in skilled contractors. Local colleges and businesses should be incentivised to provide high-quality apprenticeships, training and upskilling opportunities in the building industry, particularly in new technologies. Also, there needs to be the ability for skilled workers to be able to afford to move to areas of the country where they are required.

Creating a Pro-Business Environment

Q7) What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

All the areas that the Government have identified as critical for driving investment for the growth-driving sectors (skills, recruitment of international talent, data, innovation, technology adoption and diffusion, business finance, competition, regulation, energy prices, grid connections, planning, and infrastructure) are also crucial for attracting investment in real estate. The key barriers to ensuring there is investment in the commercial and residential buildings and infrastructure required by the growth-driving sectors are:

- Attracting investment from pension schemes.
- Making sure the UK is an attractive destination for overseas investors.
- The complexity and slowness of the planning process.
- A lack of skilled workers in the construction industry.
- Effective collection of energy data to monitor the energy performance of buildings to achieve net zero carbon.
- UK AIFMs not having market access to EU professional investors.

People & Skills

Q8) Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

Building commercial property, infrastructure and homes will require an increase in skilled contractors. Local colleges and businesses should be incentivised to provide high-quality apprenticeships, training and upskilling opportunities in the building industry, particularly in new technologies. Also, there needs to be the ability for skilled workers to be able to afford to move to areas of the country where they are required.

Q9) What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

Businesses should be incentivised to provide high-quality apprenticeships, training and upskilling opportunities.

Innovation - Research, Development & Innovation (RDI)

Q10) Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

No comment

Q11) What are the barriers to R&D commercialisation that the UK government should be considering?

No comment

Innovation - Data

Q12) How can the UK government best use data to support the delivery of the Industrial Strategy?

To help achieve the Net Zero objectives for the Industrial Strategy it will be important to monitor the energy performance and carbon emissions of buildings occupied by firms in the growth sectors. To enable landlords to monitor the carbon emissions of their properties the landlords require energy data from their tenants.

Q13) What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision making?

There are significant data protection complexities for institutional landlords and operators in collecting energy data even where they can arrange access with the utility company and/or tenants/occupiers. This problem is going to be exacerbated with GHG Scope 3 requirements when data on indirect emissions will need to be collected such as tenant demise, embodied carbon across the life cycle and arguably associated transport emissions.

While technological advances and data management platforms are improving, and there is increasing landlord and occupier collaboration and data sharing, plus increasing application of "green" leases in the commercial sector, there are still considerable data gaps. Ultimately, it is very difficult for a landlord to evict an occupier for not sharing their energy data, despite what may be in the lease. The importance of the UK Government mandating the sharing of real estate energy consumption data is set out in this Social Market Foundation commentary (https://www.smf.co.uk/commentary_podcasts/we-need-mandatory-sharing-of-real-estate-energy-consumption-data-in-the-uk/).

When full reporting is possible, there are limits to how much influence landlords can exert over tenants regarding energy use and intensity in their workspaces and homes. The ongoing energy crisis presents additional pressures in terms of fuel poverty risks and unfortunately, the most energy efficient solutions are still usually the most expensive. The granularity of operational residential real estate is a particular challenge, but the institutional and social housing sectors are investing heavily in community engagement programmes as well as retrofitting and new technologies.

Energy & infrastructure - Planning, infrastructure, and transport

Q14) Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

Delays in obtaining planning consent is a constant challenge for our members when they are looking to attract investment in building new real estate. Investors usually want to obtain an income form their investment and are not willing to wait years for this when they can invest else-where and obtain an income much quicker. We support the Governments aims to improve the planning system. The issues with the planning system need to be resolved otherwise the development of the growth-driving sectors will fall at the first hurdle of providing buildings and infrastructure for these sectors.

Q15) How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

Our responses to Q4 and Q6 provide solutions to release funding for the infrastructure required to support the Industrial Strategy. That infrastructure includes homes for those employed in the growth driving sectors.

Energy & infrastructure - Energy

Q16) What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government's recent Call for Evidence on industrial electrification?

No comment

Q17) What examples of international best practice to support businesses on energy, for example Purchase Power Agreements, would you recommend to increase investment and growth?

No comment

Regulatory Environment - Competition

Q18) Where you identified barriers in response to Question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?

No comment

Q19) How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?

No comment

Regulatory Environment - Regulation

Q20) Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?

No comment

Crowding in investment

Q21) What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

Businesses' investment decisions are greatly influenced by the need for them to meet net zero. These decisions could be based upon decarbonisation plans for their premises, the climate risk study of the buildings they use and any nature/biodiversity plans. Also, they may have social impact plans in place that could influent their investment decisions.

Crowding in investment - Mobilising capital

Q22) What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?

One of the main challenges for companies seeking finance is global competition for that finance, for example, attracting investment in data centres and life sciences buildings. The UK needs to ensure it is competitive to attract overseas capital.

As explained in responses to Q4 and Q6, encouraging more investment by DC pension schemes in productive investments will provide finance for commercial and residential buildings and the infrastructure required by the growth-driving sectors.

Q23) The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?

No comment.

International partnership & trade

Q24) How can international partnerships (government-to-government or government-to- business) support the Industrial Strategy?

Market access for UK AIFMs to Europe

While EU Alternative Investment Fund Managers (AIFMs) currently enjoy market access to UK professional investors, UK AIFMs do not have similar market access to EU professional investors. We propose there is dialogue between the UK Government and the European Commission to address this. Not only would this provide more choice for EU pension schemes; it would provide a wider market for UK AIFMs' services.

We are encouraged that the Governor of the Bank of England at the Mansion House Financial and Professional Services Dinner on 14th November 2024 (https://www.bankofengland.co.uk/speech/2024/november/andrew-bailey-speech-at-the-annual-financial-and-professional-services-dinner) stated:

> "*Now, as I have said many times, as a public official I take no position on Brexit per se. That's important. But I do have to point out consequences. The changing trading relationship with the EU has weighed on the level of potential supply. The impact on trade seems to be more in goods than services, that is not particularly surprising to my mind. But it underlines why we must be alert to and welcome opportunities to rebuild relations while respecting the decision of the British people*".

This statement connects with the Governor remarking at the Financial and Professional Services Address, Mansion House on 11th February 2021 (https://www.bankofengland.co.uk/speech/2021/february/andrew-bailey-mansion-house):

> "*it would be reasonable to think that a common framework of global standards combined with the common basis of the rules – since the UK transposed EU rules from the outset – would be enough to base equivalence on global standards*".

In the context of being alert to and welcoming opportunities to rebuild relations with the EU, we advocate that market access for UK AIFMs to EU professional investors should be equivalent to market access for EU AIFMs to UK professional investors.

Q25) Which international markets do you see as the greatest opportunity for the growth- driving sectors and how does it differ by sector?

No comment.

Place

Q26) Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?

No comment

Q27) What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?

No comment

Q28) How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

No comment

Q29) How should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales, and Northern Ireland?

No comment

Partnerships and Institutions

Q30) How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?

No comment

Q31) How should the Industrial Strategy Council interact with key non-government institutions and organisations?

AREF and its members are willing to provide education for government departments on the real estate investment sector.

Q32) How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

No comment

Annex – Theory of Change

Q33) How could the analytical framework (e.g. identifying intermediate outcomes) for the Industrial Strategy be strengthened?

No comment

Q34) What are the key risks and assumptions we should embed in the logical model underpinning the Theory of Change?

No comment

Q35) How would you monitor and evaluate the Industrial Strategy, including metrics?

No comment

Additional Information

Q36) Is there any additional information you would like to provide??

No comment