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CRE 2022 OUTLOOK

Nearing the other side of the pandemic, what's next?

FEBRUARY 2022

TODAY’S AGENDA

Global Outlook
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Americas Outlook
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EMEA Outlook
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APAC Outlook
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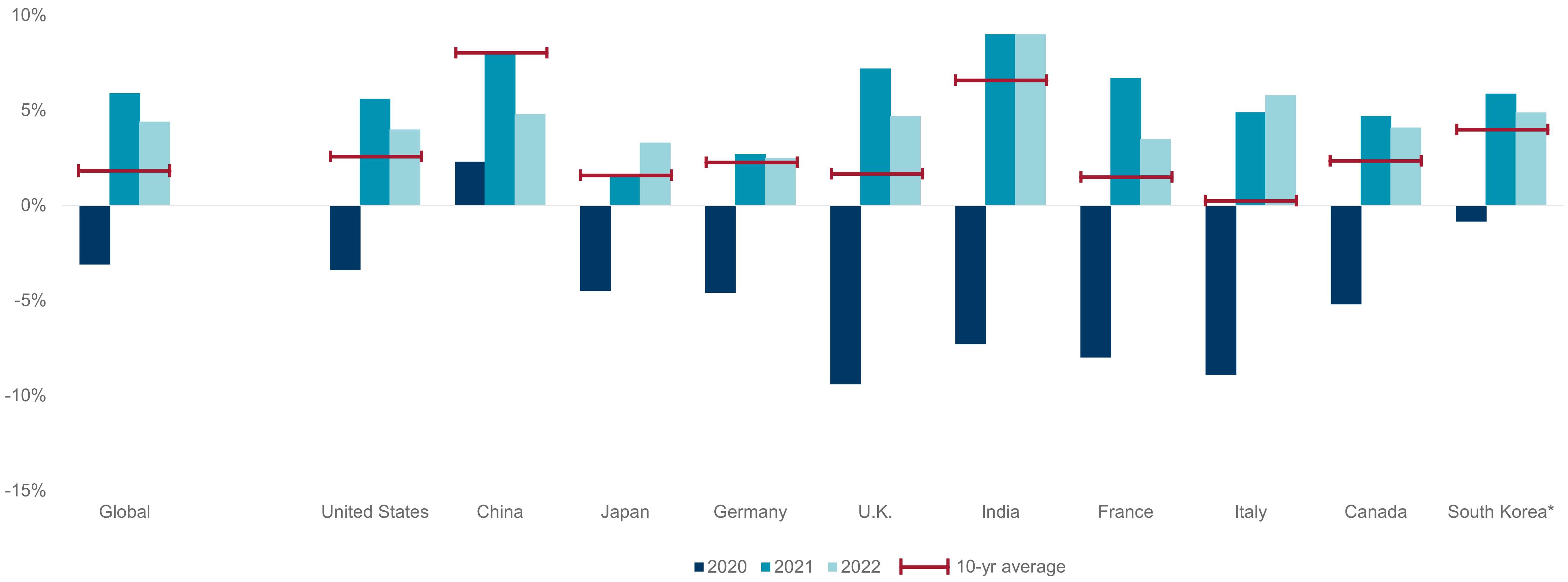
Key Takeaways

Q&A

Economic Outlook Remains Strong

Real GDP growth, top 10 largest economies



Source: International Monetary Fund (IMF), Cushman & Wakefield Research

*January 2022 Forecast not available for South Korea, IMF's forecast as of Oct 2021

Risks to the Outlook

Virus setback / new variants	China slowdown / debt issues	Fear / consumer psychology	Inflation	Geopolitical (e.g., U.S./China, Russia/Ukraine)
More than 50% of the world is fully vaccinated. Each wave is proving to be less damaging than the prior. More transmissible and less severe strains may allow pandemic to shift to endemic.	China has $3.2 trillion in foreign exchange reserves – a lot of dry powder to manage their economy through the challenge.	Consumers have $5.4 trillion of excess savings globally and are in a strong position to drive growth in 2022.	As the pandemic fades, inflationary pressures are expected to fade with it. Longer-term inflation expectations remain low at ~2.5%.	Geopolitical risks always factor into the outlook. Rarely do they lead to a downturn.

Inflation – Should We Be Concerned?

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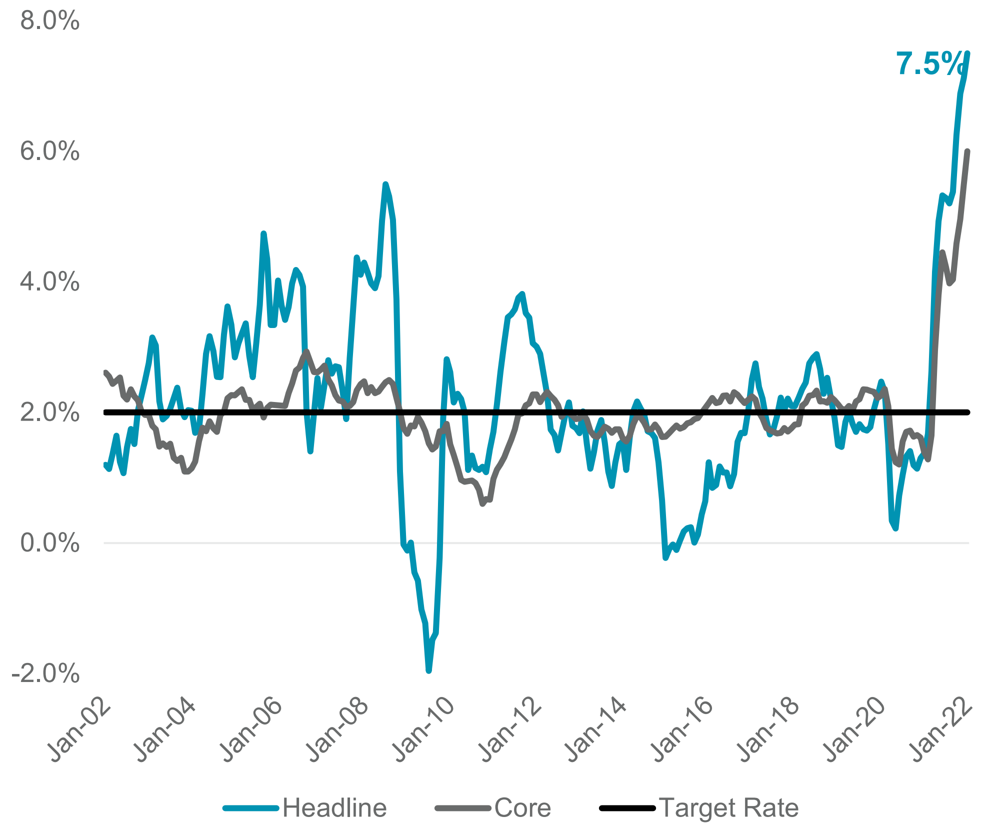
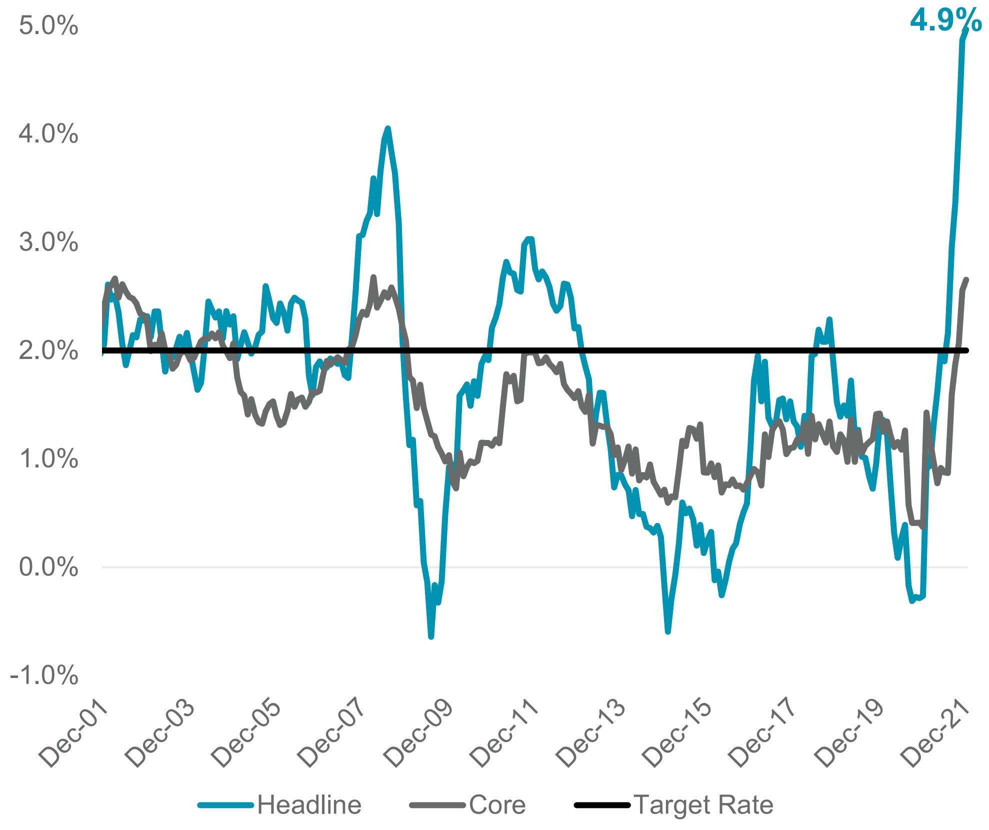
United States, CPI (Yr/Yr %)



Euro-zone, HICP (Yr/Yr %)

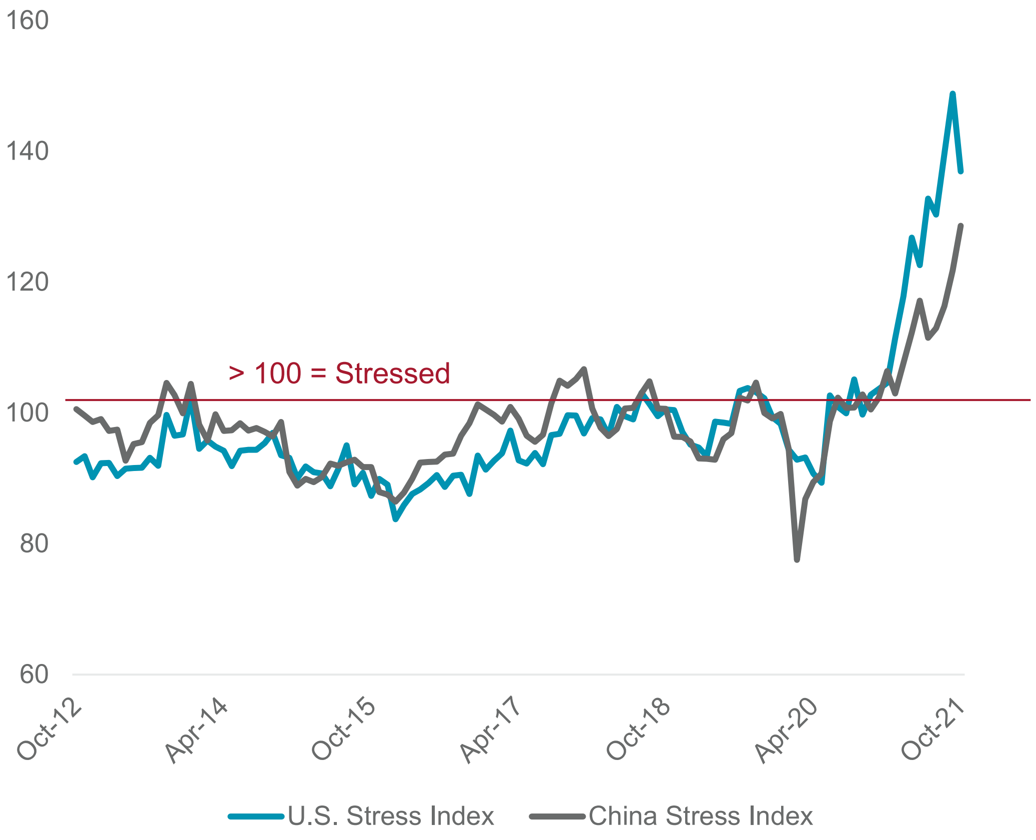


Source: BLS, Eurostat, Cushman & Wakefield Research

Two Major Causes of Elevated Inflation

Energy Prices (USD per bbl)

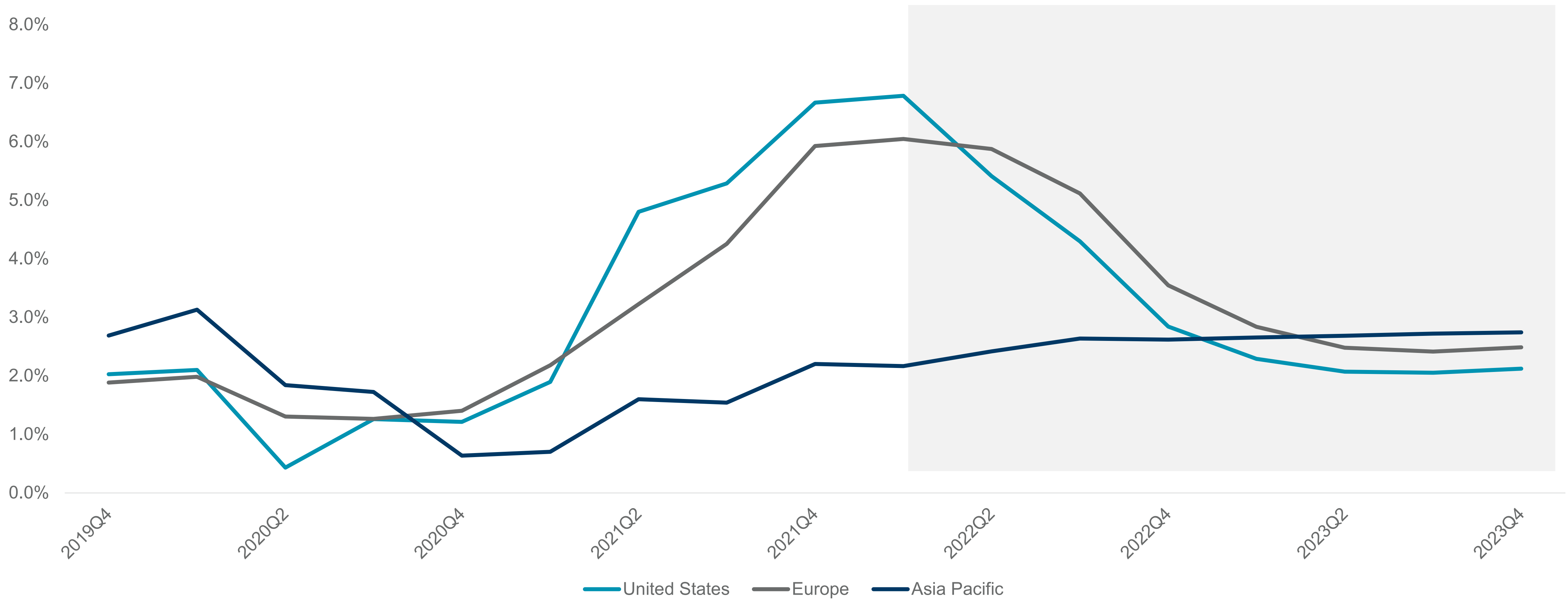
Supply-Chain Stress Index



Source: SIX Financial Information, Moody's Analytics, Cushman & Wakefield Research

Inflationary Pressures Will Fade with the Pandemic

CPI inflation forecasts



Source: Moody's Analytics, Cushman & Wakefield Research

Long-term Interest Rates to Inch Up but Remain Low

10-year government bond yields around the world

Americas

Country	2022F	*Historical Average	bps
United States	2.1%	4.3%	-220
Canada	2.1%	3.2%	-110
Mexico	7.4%	8.2%	-80

Europe

Country	2022F	*Historical Average	bps
Eurozone	.42%	3.1%	-268
Germany	-0.03%	2.6%	-263
Spain	.65%	3.5%	-285
France	.28%	2.8%	-252
UK	1.4%	3.2%	-180
Netherlands	.05%	2.7%	-265
Poland	2.1%	5.0%	-290

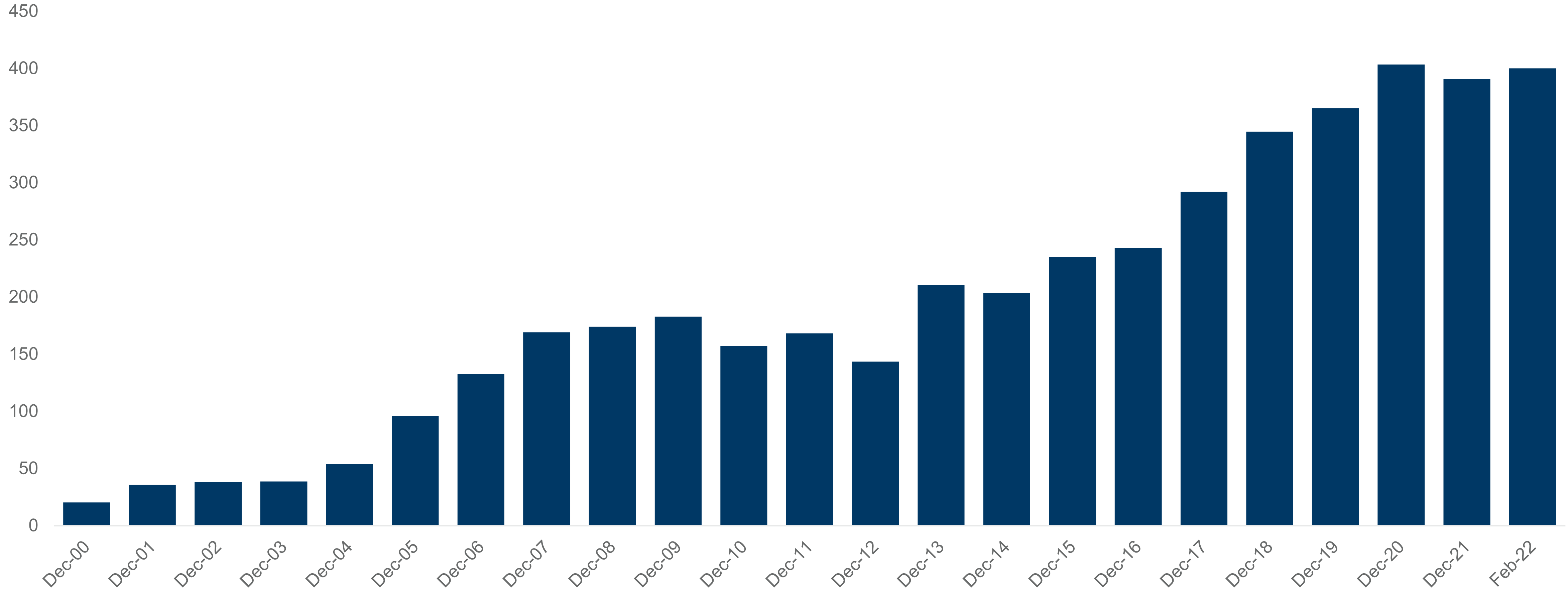
Asia Pacific

Country	2022F	*Historical Average	bps
China	3.1%	3.5%	-40
India	6.5%	7.6%	-110
Japan	.02%	0.9%	-88
South Korea	2.5%	4.2%	-170
Australia	1.8%	4.3%	-250

Source: Moody's Analytics, Cushman & Wakefield Research; *Historical Average = 20 years (2000-2020); updated 1-31-2022

Wall of Capital Being Raised for Property

*Dry powder targeting global property, $billions



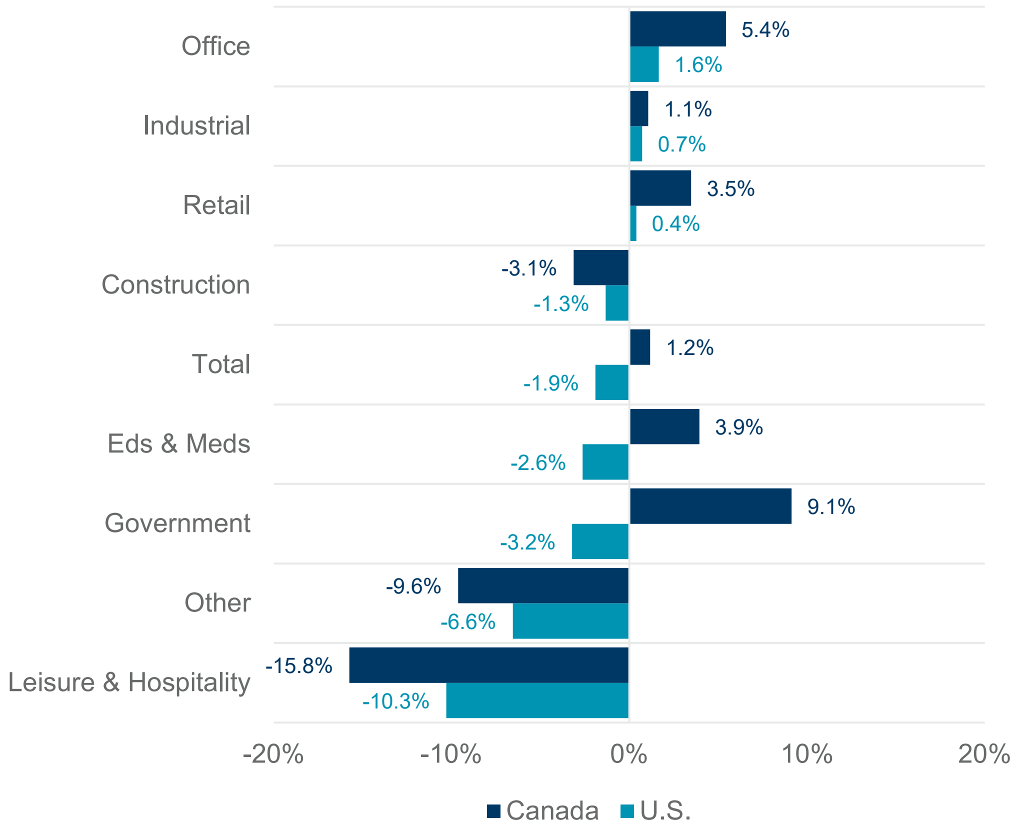
Source: Preqin; *Dry Powder is the amount of capital that has been committed to a private capital fund minus the amount that has been called for investment

AMERICAS

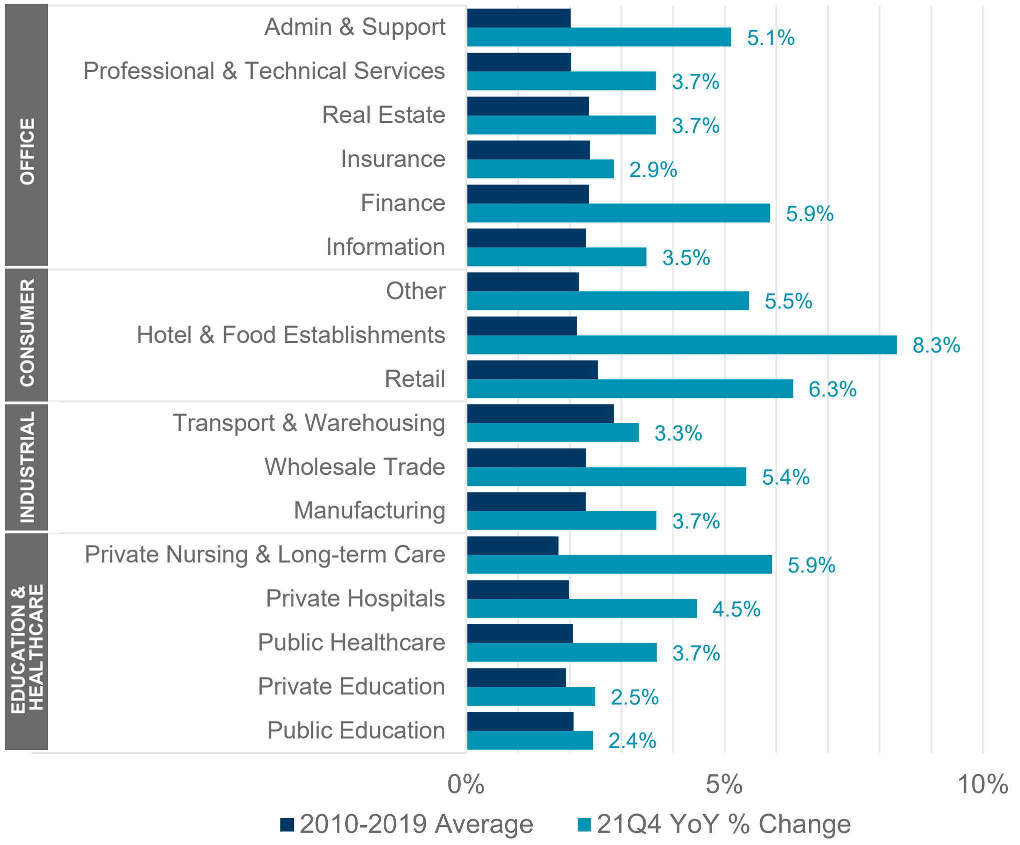
Economic and Job Recovery Update

Sunbelt, Canadian markets lead the recovery

Cumulative Change, % of February 2020 Level



Labor Demand High = Shortages, Wage Growth

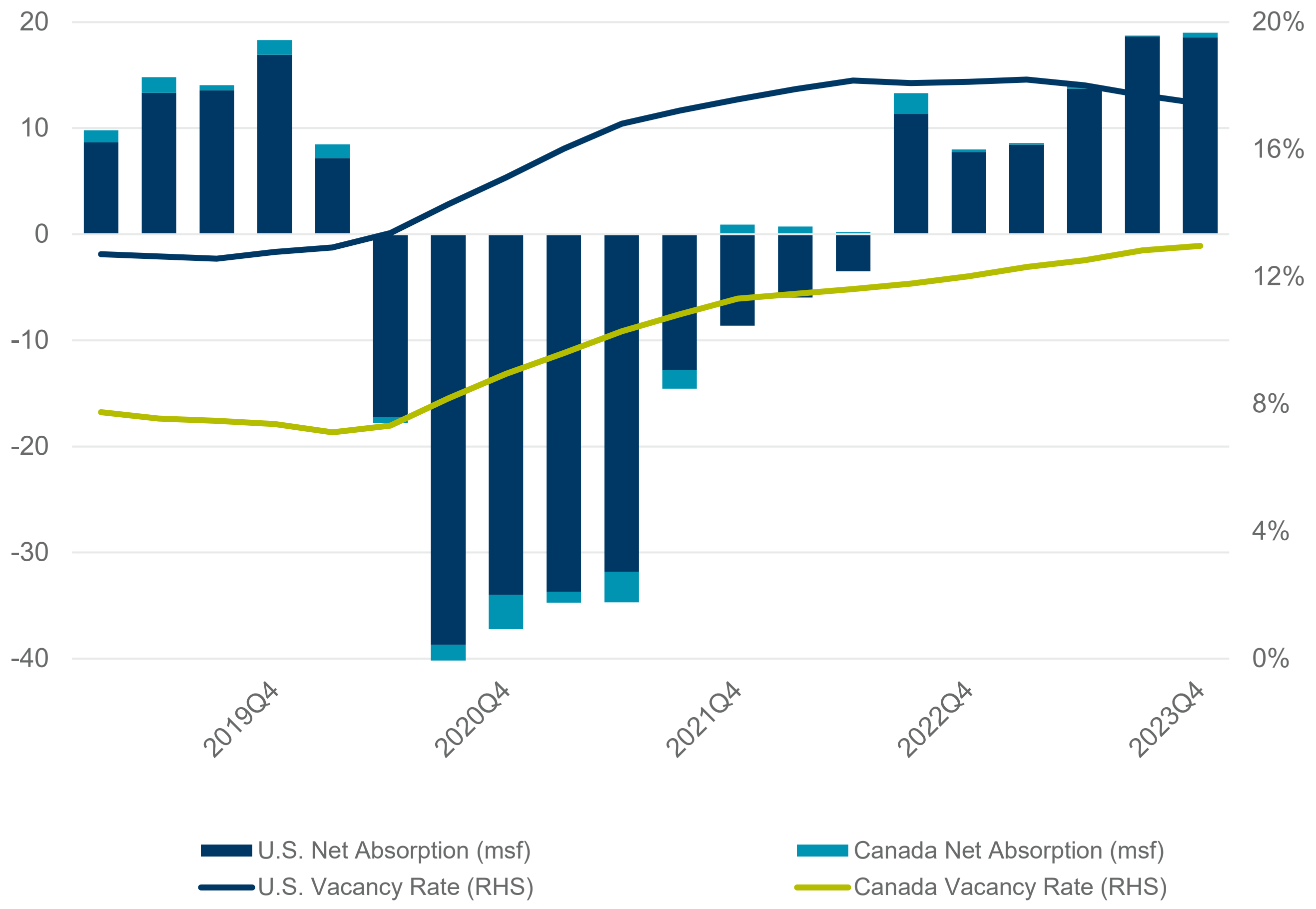


Source: U.S. Bureau of Labor Statistics, Statistics Canada

Office Sector

Key turning point for office will happen in 2022

Office Fundamentals



Encouraging signs that office recovery has begun:

- Tour activity rebounding and leasing trending higher
- Businesses signing longer-term leases
- Sublease space getting taken back/trending down
- Vacancy trending down in increasing number of markets
- Flight to quality significant theme

Outlook:

- Regional absorption on track to turn positive in H2 2022
- Vacancy to peak by year-end in U.S., later in Canada due to new supply
- Effective rent growth to stabilize mid-year and turn positive
- Official start to new expansionary cycle starts in 2022

Source: Cushman & Wakefield Research. Note: Canada includes 5 key cities comprising 85% of its stock (Calgary, Montreal, Ottawa, Toronto and Vancouver).

Key Consumer Shifts Impacting Industrial and Retail

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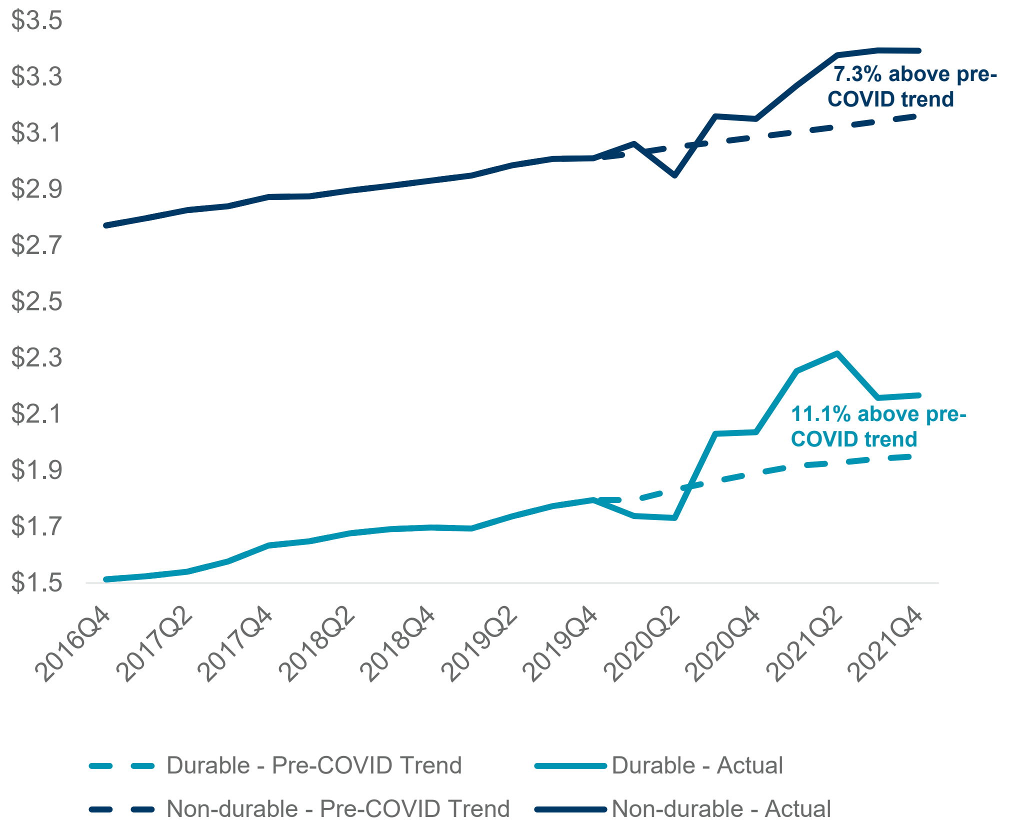
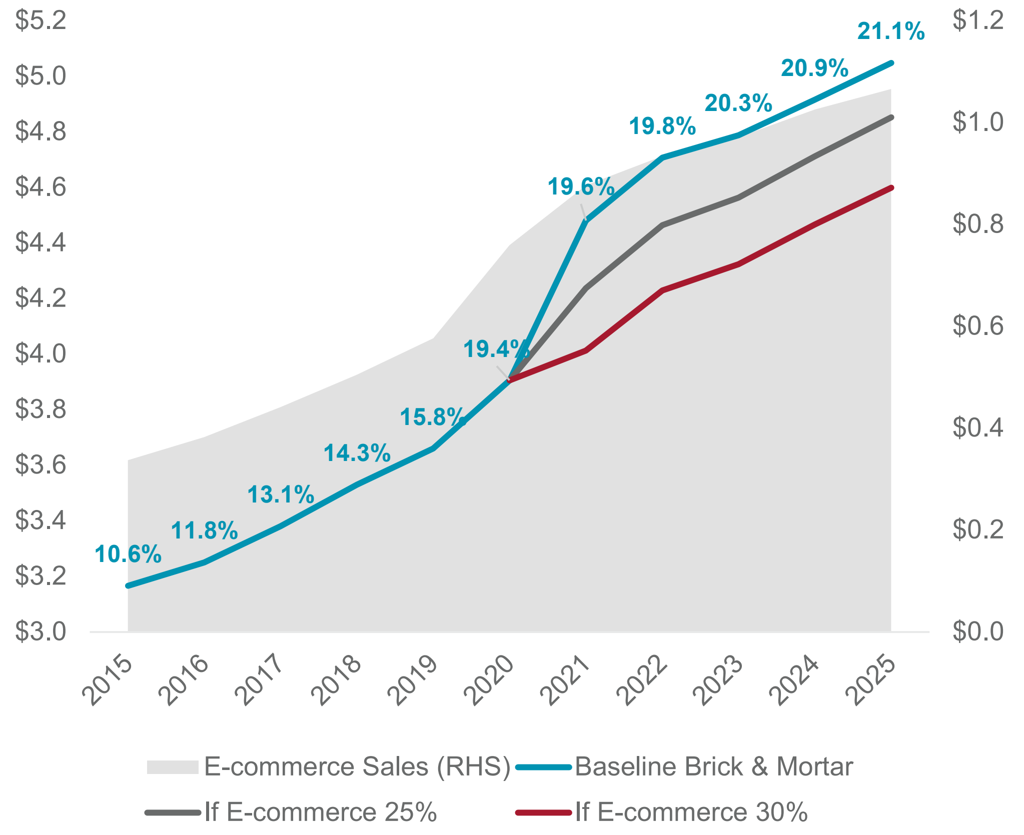
Never bet against the U.S. consumer

U.S. Consumer Spending ($Tril)



Brick & Mortar Retail Sales Outlook ($Tril.)

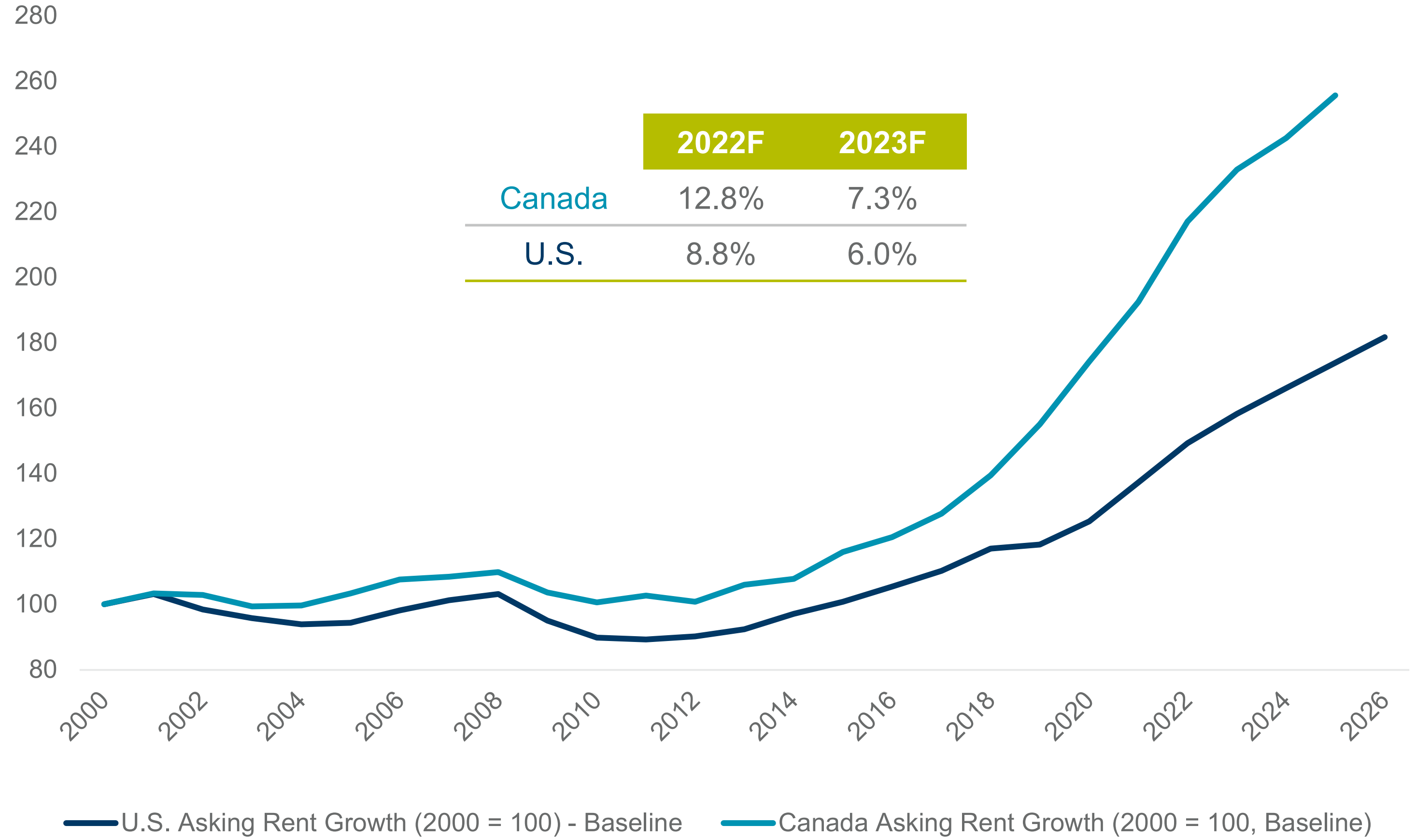


Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, Moody's Analytics, Cushman & Wakefield Research

Industrial Sector

No end in sight for tight conditions

Industrial Rent



	2022F	2023F
Canada	12.8%	7.3%
U.S.	8.8%	6.0%

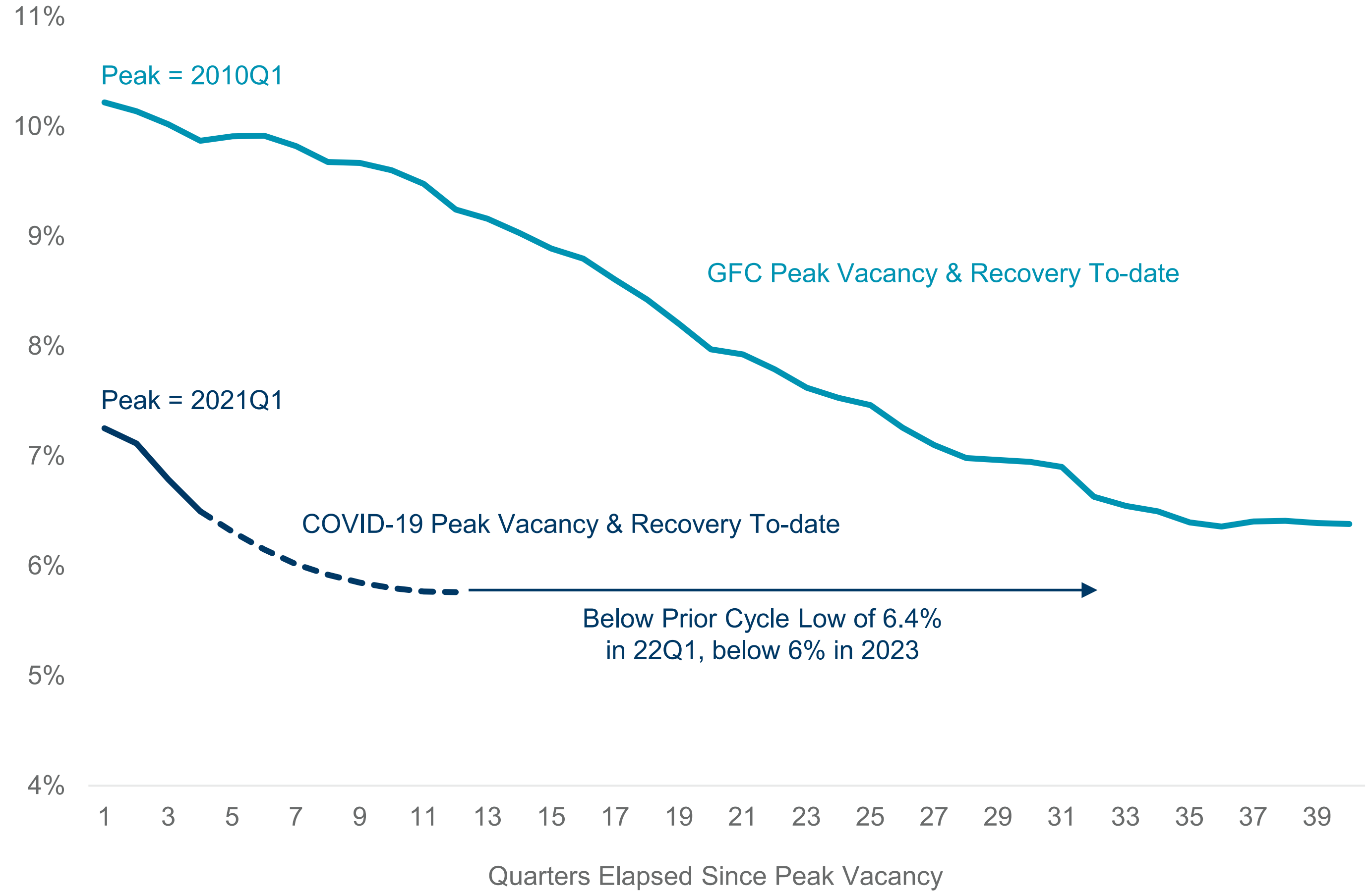
- Fears of overbuilding are overdone; vacancy is sub-4% and many top markets have sub-2% vacancy
- Competitive space is needed; currency vacancy is obsolete
- Occupier sticker shock is real; rents are expensive but will only be more expensive in the future; it's a landlord market, and it will remain that way
- Values to climb by near or slightly above double-digit range for next two years
- Investors will have to ask themselves how much they are willing to pay for these kind of fundamentals

Source: Cushman & Wakefield Research. Note: Canada includes 5 key cities comprising 85% of its stock (Calgary, Montreal, Ottawa, Toronto and Vancouver).

Retail Sector

Best kept secret of 2021

U.S. Retail Vacancy to Reach Post-GFC Low



- Limited new supply in mixed-use will remain favored
- Demand to exceed 65 msf in 2022 and 2023 combined across North America; Canada will be at ~2% vacancy
- U.S. and Canadian rents to climb by over 8% and 6% in the next two years, respectively
- Secondary markets in the South and West will see the strongest demand as retailers execute store opening plans in high-growth metro areas
- Highly urban gateway markets will continue to lag, but an uptick in international tourism, office utilization and business travel will accelerate recovery in these markets by the second half of this year

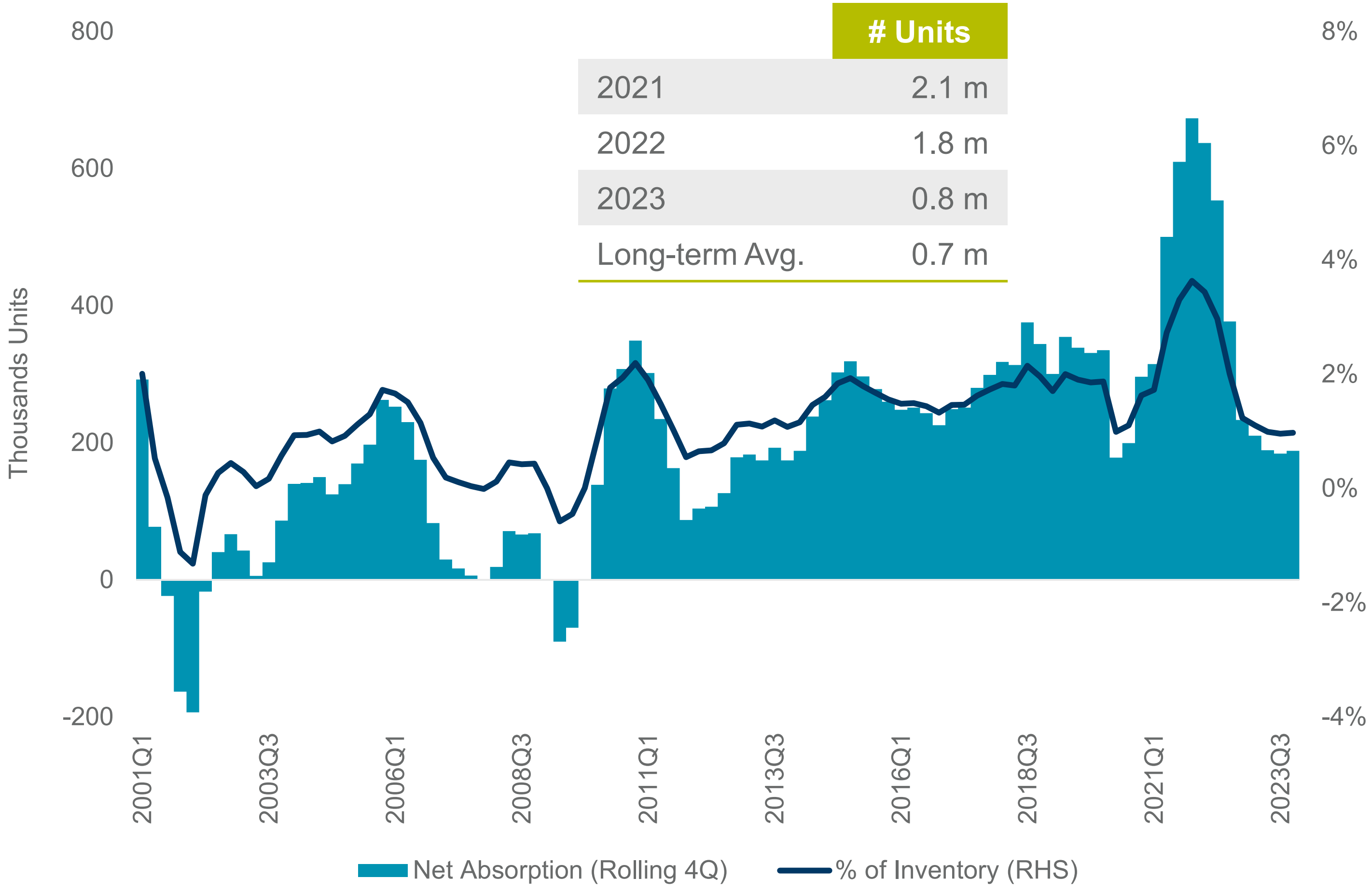
Source: CoStar, Cushman & Wakefield Research

Multifamily Sector

After record demand, decelerating to still elevated levels of activity

U.S. Demand Outlook

	# Units
2021	2.1 m
2022	1.8 m
2023	0.8 m
Long-term Avg.	0.7 m



- Demand to remain at >2x long-term average in 2022
- Continued tight vacancy across most markets as demographically-driven demand remains strong and single-family gets increasingly expensive
- Effective rental rates to climb well above the rate of inflation given the supply-demand imbalance, by 8.4% in 2022 and 4.0% in 2023
- Sky-high sales volumes will be hard to repeat, but multifamily will command historically elevated market share
- Investors have been chasing the Sunbelt; remember gateway city occupancy is at or above pre-COVID levels

Source: Axiometrics, Cushman & Wakefield Research.

Alternatives

Economic and demographic “hotspots” to continue fueling demand

Self Storage
Data Centers
Student Housing
Life Sciences
Senior Housing
SF Rental Homes

U.S. Demand Outlook

Arrow indicates demand forecast compared to 2021

Alternatives Outlook

- Growing in importance: went from 10% of sales volumes pre-pandemic to 15%
- Data center demand driven by movement towards cloud and deeper presence of tech in economy
- Life sciences cities were among the first to post positive absorption, and strong absorption at that, within the broader office or R&D space markets
- Life sciences and senior housing supported by aging population; demographics also driving self storage and other residential niche categories

Source: Cushman & Wakefield Research
Alternatives Outlook

EMEA

EMEA in 90 Seconds

It's about the capacity to interpret what change means

- Energy prices remain high and are the major driver of inflationary pressure
- Interest rate rises likely (Bank of England increased to 0.5% in Jan) ECB is increasingly expected to follow before the end of the year (although saying it won't)
- Levels of unemployment are swiftly receding in most countries, especially in CEE and the UK – record numbers of vacancies have been seen
- Political, scientific and media narrative that the pandemic is 'behind us' – swift return to city centers, transport volumes increasing, 'the new normal is now with us'

EMEA Office Outlook

The direction of travel is positive

Europe* Outlook

	2020	2021	2022
Net Absorption (m^2)	838,506	229,008	3,499,914
Vacancy	6.9%	8.0%	8.2%
Rent Growth	0.2%	2.1%	2%
New Supply (Million m^2)	4.56	5.04	6.33
Capital Growth	0.9%	7%	4.3%
Cap Rates	4.1%	3.9%	3.8%
Total Returns	5.0%	11.1%	8.3%

20% increase in city center transport volume in the first two weeks following easing of UK restrictions –
people returning to the office at pace and in large numbers

Key Trends

- Limited new stock coming to market, and most of it is pre-let
- Vacancy rates in key cities of prime assets remain at historically low levels
- Rental growth to continue, conspicuous in some key markets
- Environmental considerations increasingly important to investors / occupiers

*Europe excluding Russia and Turkey. Source: RCA, Cushman & Wakefield Research

/ 20

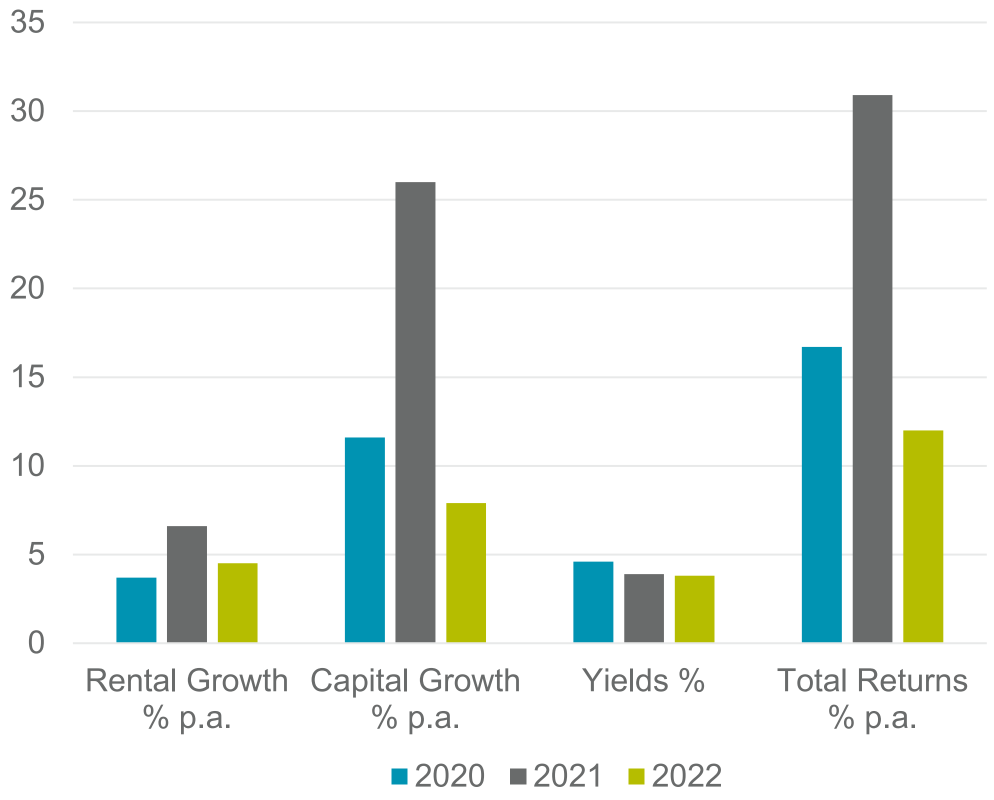
EMEA Industrial & Logistics Outlook

Flavour of the week, month, year

Industrial Rent and Yield Performance FY 21 vs FY 20

City	Prime Rent Movement	Prime Yield	Prime Yield Movement
Paris	1.7%	3.00	-70bp
Prague	30.2%	3.75	-75bp
Frankfurt	5.4%	3.00	-50bp
Dublin	2.7%	3.95	-65bp
Milan	1.8%	4.00	-75bp
Rotterdam	0.0%	3.50	-50bp
Madrid	4.8%	4.00	-50bp
Barcelona	0.0%	4.00	-50bp
London (LHR)	10.9%	3.35	-50bp
Warsaw	2.6%	4.80	-85bp

Industrial European Performance



Source: Cushman & Wakefield Research

EMEA Retail Outlook

Retail remains a force to be reckoned with

Retail Turnover and Volume in the European Union

A Changed Narrative

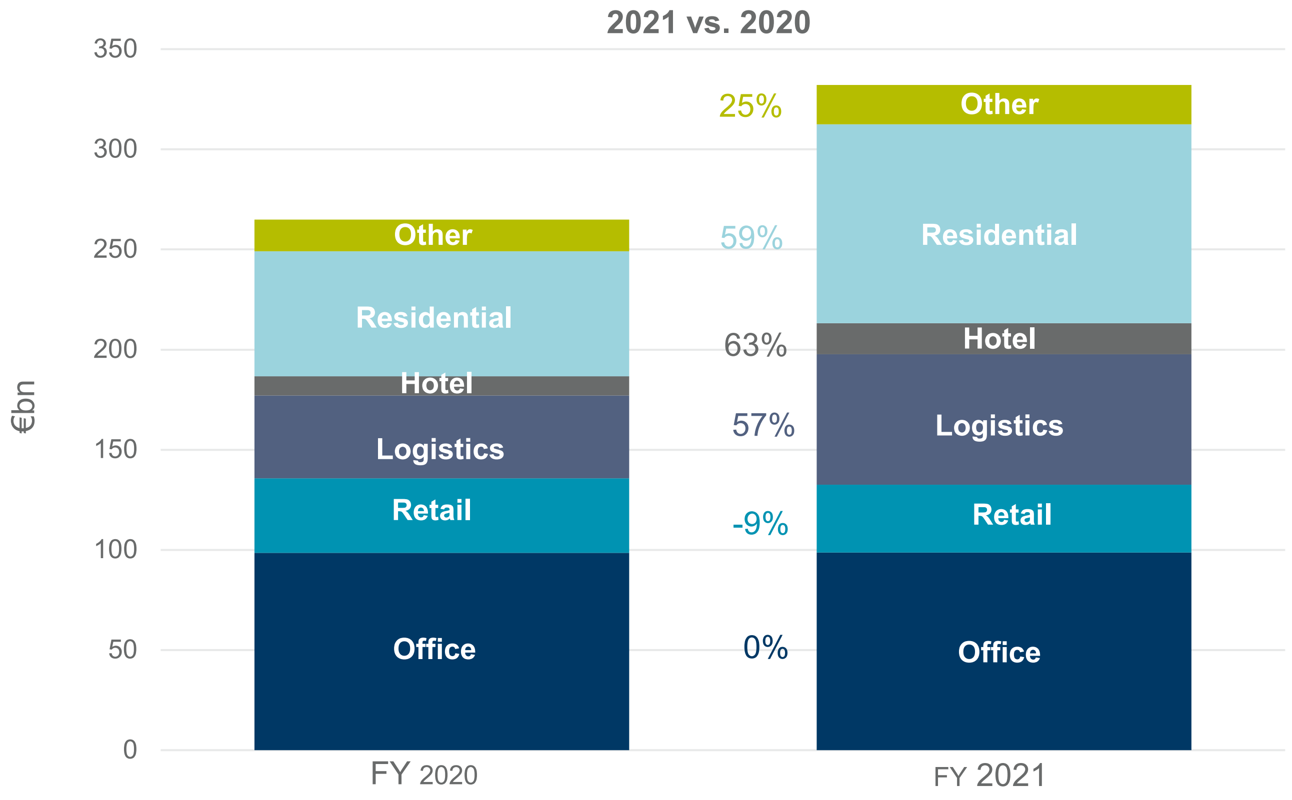
- The notion of online or in-store is outdated – increasingly it is online and store
- The pandemic saw a number of challenged retailers go out of business leaving the ones that remain in a much healthier position
- Grocery, luxury stores continue to perform well
- Destination shopping centers and those with an alignment to local needs continue to outperform
- Yields are now at an attractive point for those looking to gain first mover advantage

Source: Eurostat (online data code: sts_trtu_m)

EMEA Investment Growth

Living – we still inhabit a physical universe, and we need somewhere to live

Residential Takes Top Spot



Near Record Investment Levels in 2021

- Residential tops sector table for first time with €99.3bn traded in 2021, just ahead of offices at 98.7bn
- Offices relegated to second place for first time on record
- Over €65bn invested in logistics, maintains position as third most invested sector
- Retail relegated to fourth spot with €34bn transacted
- Hospitality sees recovery in activity to €15bn, still below ten-year average

Source: RCA, Cushman & Wakefield Research

APAC

Asia Pacific Office Outlook

Resilience so far, leading to growth in 2022

Asia Pacific Outlook

	2020	2021	2022
Net absorption (msf)	30.6	62.3	73.5
Vacancy	15.3%	15.7%	17.9%
Rent growth	-1.0%	-2.1%	0.9%
New supply (msf)	95.7	96.5	102.3
Cap rate	3.9%	3.8%	3.8%

Key trends

- Globally leading economic and jobs growth over 2020-30
- Only region to record positive office demand through the pandemic
- Tier 1 Mainland China especially strong in 2021, office demand to widen in 2022
- Supply pipelines have been pared back, but remain significant in some markets
- Rents to trough in H1 2022, but limited upward growth expected

Top 25 markets for APAC only

Source: RCA; Cushman & Wakefield Research

/ 25

Asia Pacific Industrial and Retail Outlook

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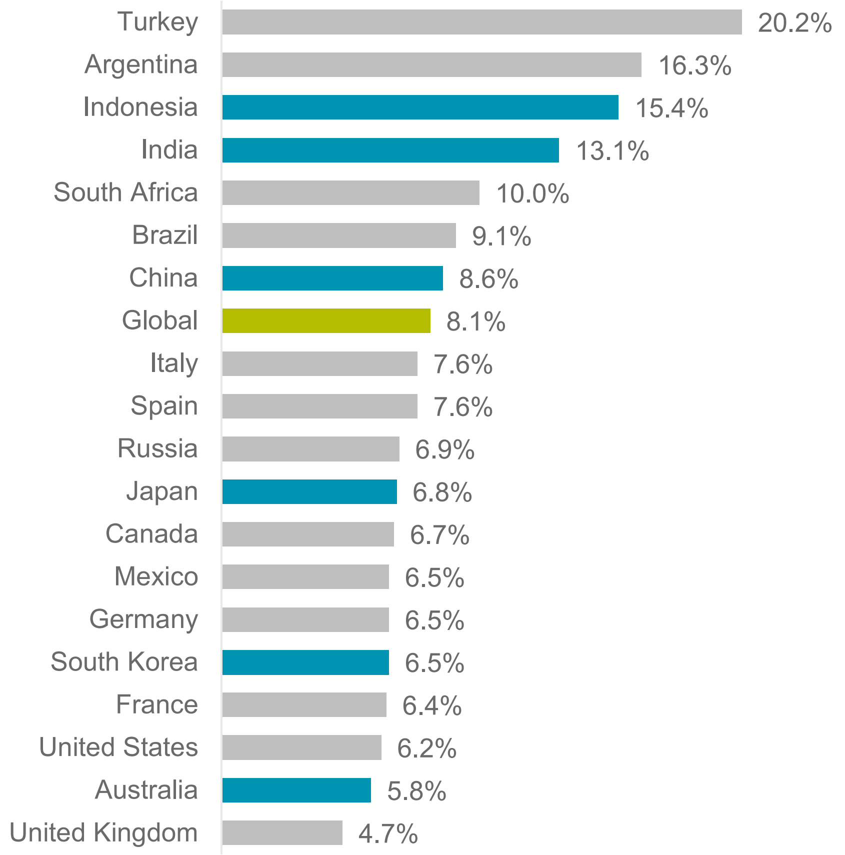
Limited rent growth pressure, strong demand outlook

Asia Pacific Industrial Rents Growth (% Y-O-Y LCY)

	2020	2021
Beijing	-1.2%	-3.4%
Bengaluru	0.0%	0.0%
Brisbane	0.0%	5.3%
Ho Chi Minh City	11.4%	3.3%
Hong Kong	-9.5%	6.0%
Melbourne	2.1%	4.3%
Mumbai	3.0%	4.0%
Shanghai	-1.5%	-0.4%
Singapore	0.4%	1.7%
Sydney	0.7%	2.7%
Tianjin	-5.5%	-2.4%
Tokyo	1.8%	1.0%

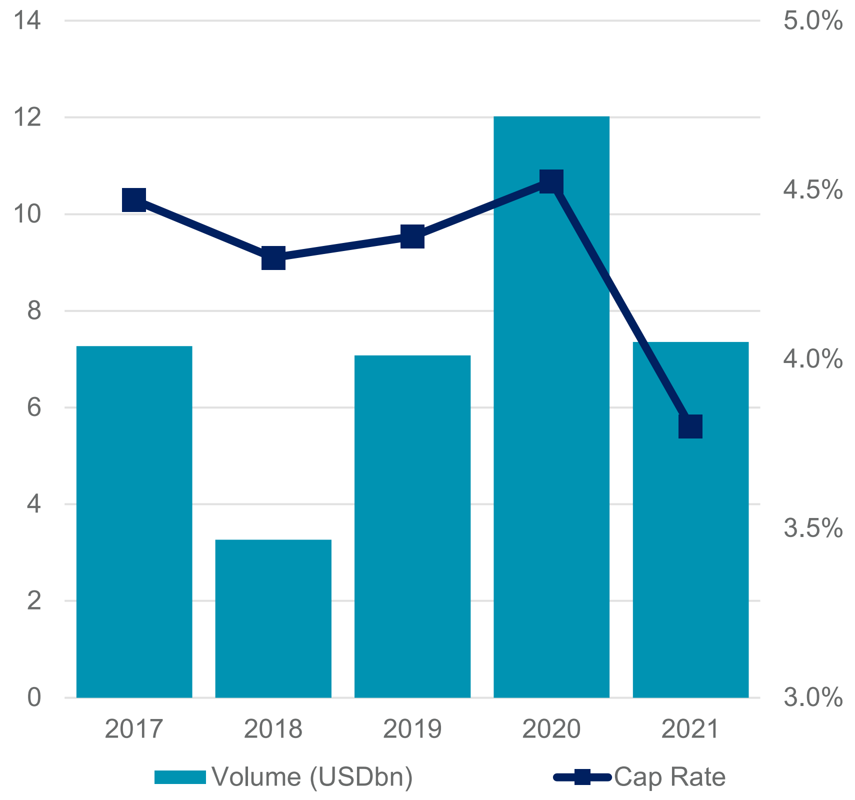
Retail E-commerce Sales CAGR Forecast (2020-2024)



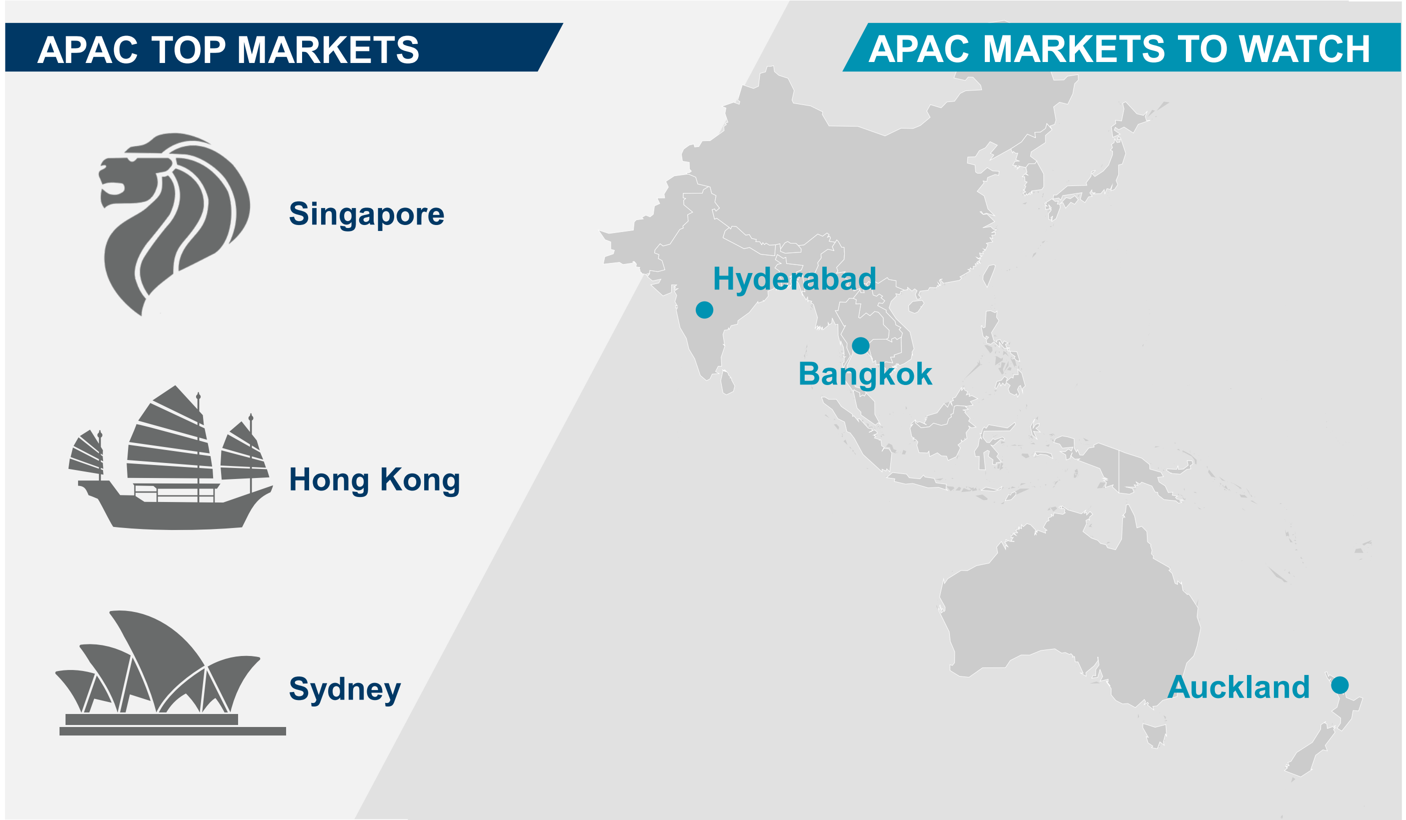
Source: Statista; Cushman & Wakefield Research

Growing Opportunities in Alternative Sectors

Multifamily



Data Centers



Source: RCA; Cushman & Wakefield Research

KEY TAKEAWAYS

KEY TAKEAWAYS ECONOMY

NO RECESSION IN SIGHT

The probability of a recession occurring in 2022 is less than 10%. Stay aggressive.

LABOR SUPPLY WILL IMPROVE

A large portion of the labor force is temporarily unable to work due to pandemic-related reasons. As the pandemic recedes, labor supply will improve.

INFLATION

Most of the pressure is pandemic-related – should fade as the pandemic fades. Some signs suggest inflation already starting to moderate but keep an eye on it.

INTEREST RATES

Likely to inch up as central banks begin to normalize policy. Still low, just not as low. Consider locking in still attractive fixed rate financing.

JOBS

The global economy is forecast to create 107 million jobs from 2021-2023 – the strongest three years of job growth on record.

KEY TAKEAWAYS PROPERTY

OFFICE
New office working models are developing as we transition from WFH. Demand picking up, high-quality office will fully recover.

MULTIFAMILY
Now the largest CRE asset class in the U.S. and Europe. Demographics remain favorable, several years of strong fundamentals lie ahead.

RETAIL
Challenges remain but retail is turning a corner. Consumers are flush with cash. Experiential concepts will thrive again.

INDUSTRIAL-LOGISTICS
Booming. No end in sight.

HOTEL
Demand on an upswing as leisure travel returns to normalcy. Business travel likely to remain suppressed – prolonging recovery for certain assets.

ALTERNATIVES
Strong secular growth engines merit investment to add to portfolios for certain growth and diversification strategies.

Q&A

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