

Intelligent Investment

2024 Global Investor Intentions Survey

REPORT

CBRE RESEARCH
MARCH 2024

CBRE



Executive Summary

Investment activity expected to improve after rate cuts begin

- Our survey of investors worldwide reveals both higher purchasing and selling expectations compared with 2023 amid growing optimism that the real estate investment market will return to normalized levels of activity in the short-to medium-term.
- Although some further yield expansion is expected, this trend should start to reverse by midyear.
- While investors in most markets will remain cautious in H1 2024, expected rate cuts in mid-2024 should underpin improved commercial real estate investment activity in the second half of the year.

Methodology

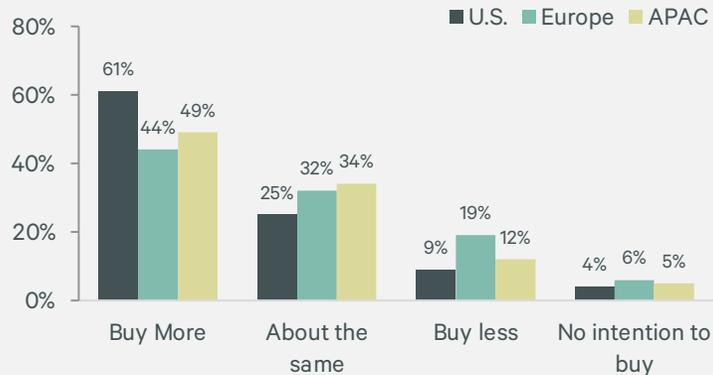
CBRE surveyed investors in the U.S, Europe and Asia Pacific between November and December 2023. The surveys had 1,400 total responses from investors who shed light on their intentions, perceived challenges and preferred strategies, sectors and markets for 2024. This report combines the findings of the three regional surveys into a global view.

2024 Global Investor Intentions Survey

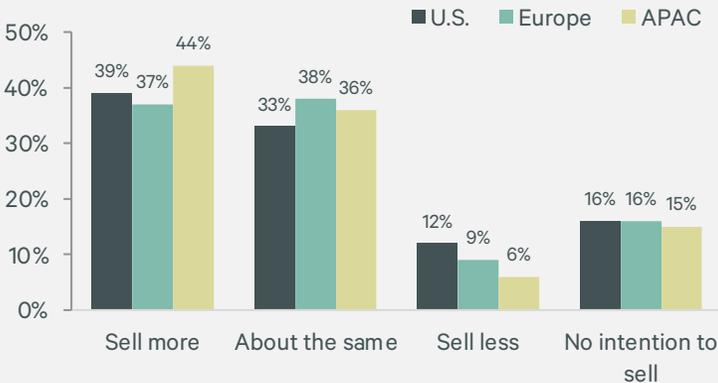
Investor Buying and Selling Intentions

Net buying intentions remain largely unchanged YoY; Selling intentions hit highest level on record

Global buying intentions

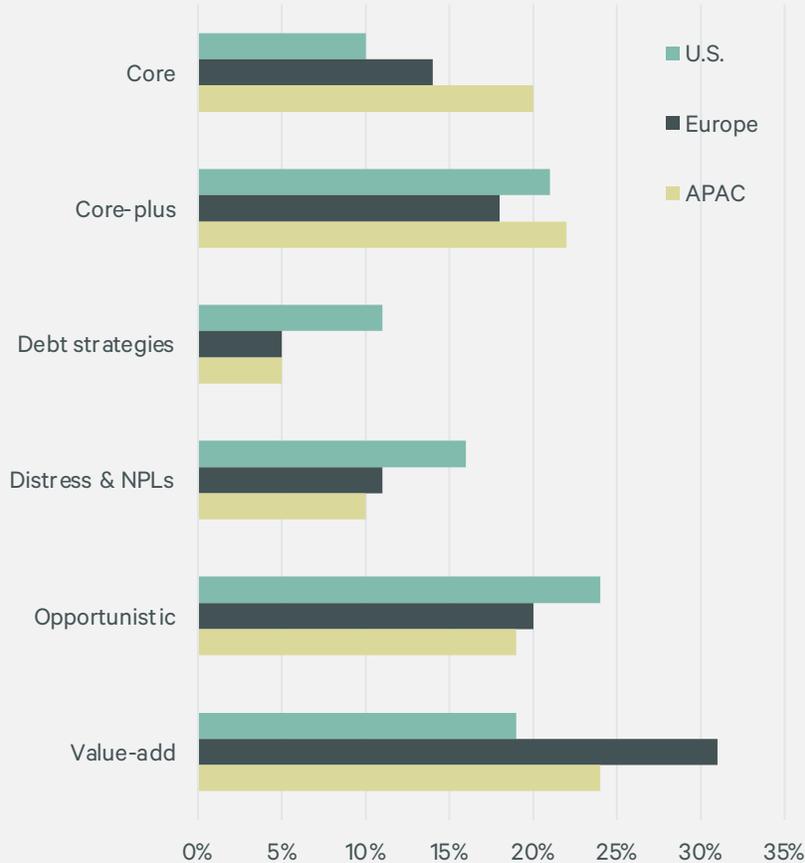


Global selling intentions



Preferred Strategies

Value-add the most popular investment strategy in Europe and APAC; Opportunistic in the United States



Preferred Sectors

United States



Europe



Asia Pacific



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Investor Buying and Selling Intentions

Investor sentiment

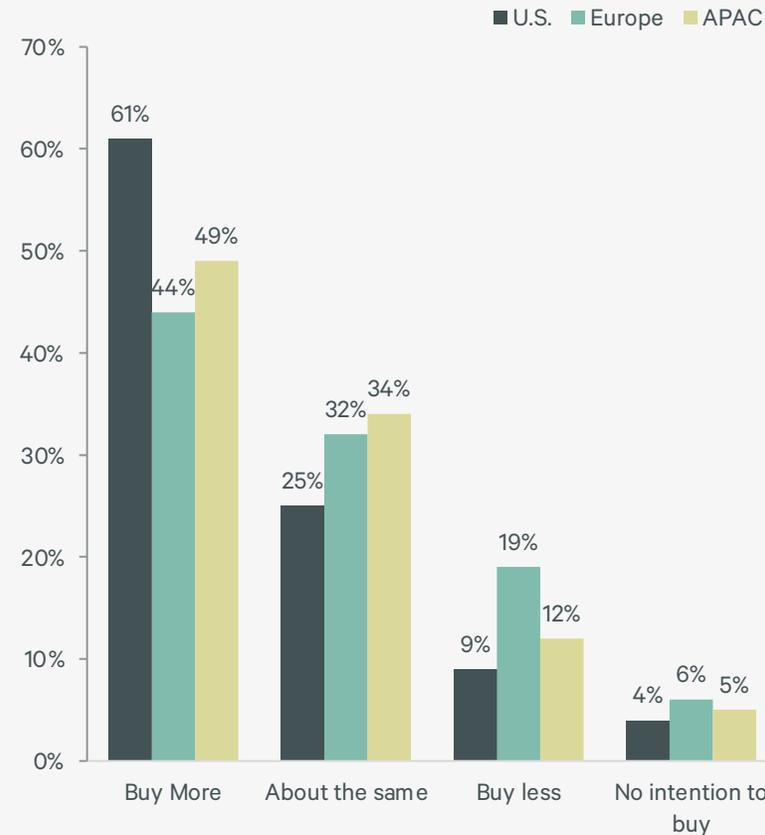
While buying intentions remain weaker, global investors indicated a **pickup in overall investment activity is expected**

- Following a subdued year for investment in 2023, investors across all regions indicated that they plan to increase their purchasing activity this year.
- Major reasons for increasing capital deployment in 2024 include capitalizing on opportunities to acquire distressed properties; taking advantage of opportunities in assets where prices have declined sufficiently; and improved expected total returns.

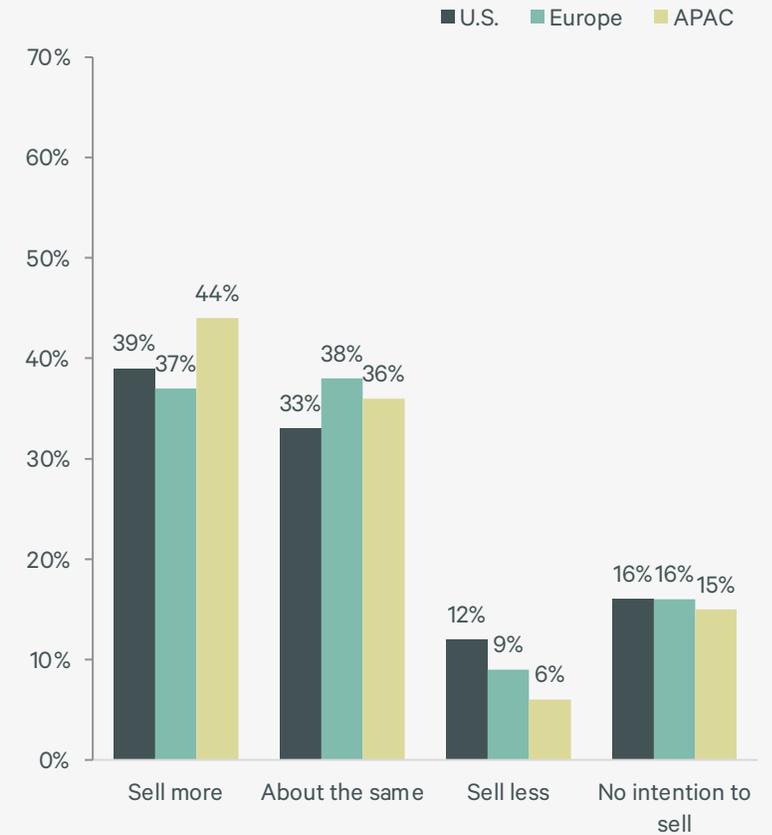
Figure 1: Purchasing and selling intentions by investor origin

% of respondents in the region

Purchasing Activity



Selling Activity



Source: 2024 CBRE Investor Intentions Survey, CBRE Research, February 2024

Major Challenges/Opportunities by Investor Type

Private/high-net-worth investors to be most active; equity funds to see increase in buying activity

Investor type	Challenges / opportunities	2024 Net buying intentions		
		U.S.	Europe	Asia Pacific
Private investors, family offices and high-net-worth individuals	<ul style="list-style-type: none"> While investors in Asia Pacific and Europe indicated a preference for opportunistic deals in 2024, those in the U.S. favor core and core-plus assets. Value-add strategies also remain attractive across all regions. Both U.S. and Asia Pacific investors see price adjustment as the primary reason to increase real estate allocations. 	▲	▲	▲
Institutional	<ul style="list-style-type: none"> There is a lack of suitable stock at the right price as investors are risk averse and keen to wait for price adjustments. This is more apparent in the U.S. and Europe, where the denominator effect has been substantial. Asia Pacific and European investors plan to focus primarily on core-plus and core opportunities by capturing reasonably adjusted property prices. Investors in the U.S. intend to target opportunistic assets for potential distressed or income growth opportunities. 	▼	▼	▲
Equity fund managers	<ul style="list-style-type: none"> Equity fund managers cited the extended period of elevated interest rates, tight credit conditions and mismatch in buyers and sellers as obstacles to investment in 2024. Private equity funds in all regions identified value-add assets as the most attractive strategy for 2024. Private equity funds with expiring mandates are set to be more active in 2024. Credit strategies in the U.S. and Europe are preferred, while core funds will continue to be cautious in deploying capital on the back of elevated debt costs. 	▲	▲	▲
Developers / REITs	<ul style="list-style-type: none"> Rising construction and labor costs were cited as major concerns by developers in Asia Pacific, while developers in the U.S. and Europe cited higher-for-longer interest rates and differing buyer and seller expectations as their greatest challenge in 2024. Limited credit availability persists across all regions, especially for development projects. Developers in the U.S. and Europe plan to target opportunistic and value-add assets, while those in Asia Pacific intend to seek core-plus and opportunistic plays. With a significant discount to NAV in public sectors, REITs are restricted in deploying capital into new acquisitions. While REIT performance remains subdued across all regions, REITs in Europe and U.S. showed signs of recovery in Q4 2023. 	▲	▲	▼

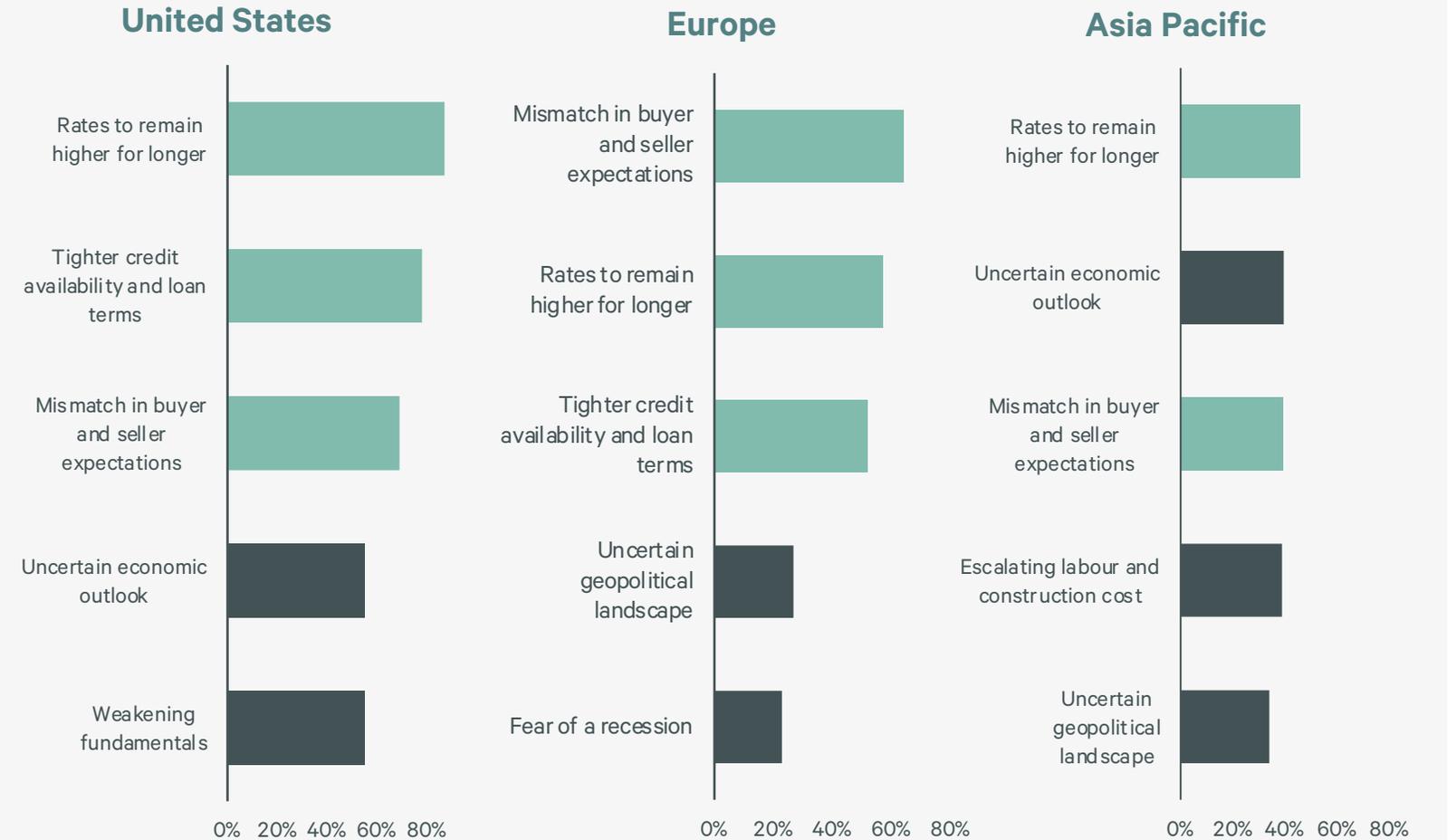
Major challenges for real estate investment

Uncertainty on interest rate movements and mismatch between buyer and seller expectations remain biggest challenges

- Despite improved sentiment, investors indicated that higher-for-longer interest rates and a divergence between buyer and seller expectations remain significant barriers to real estate investment in 2024.
- While fears of a recession have diminished among U.S. and European investors compared with last year, investors from Asia Pacific said that this is one of their biggest challenges for 2024 due to concerns over mainland China's recovery.
- In terms of debt financing, the greatest challenges for global investors are lower loan-to-value ratios and higher interest expenses. Banks have tightened their lending criteria, with a major focus on interest coverage ratios (ICRs).

Figure 2: Major challenges for Real Estate investment

% of respondents in the region



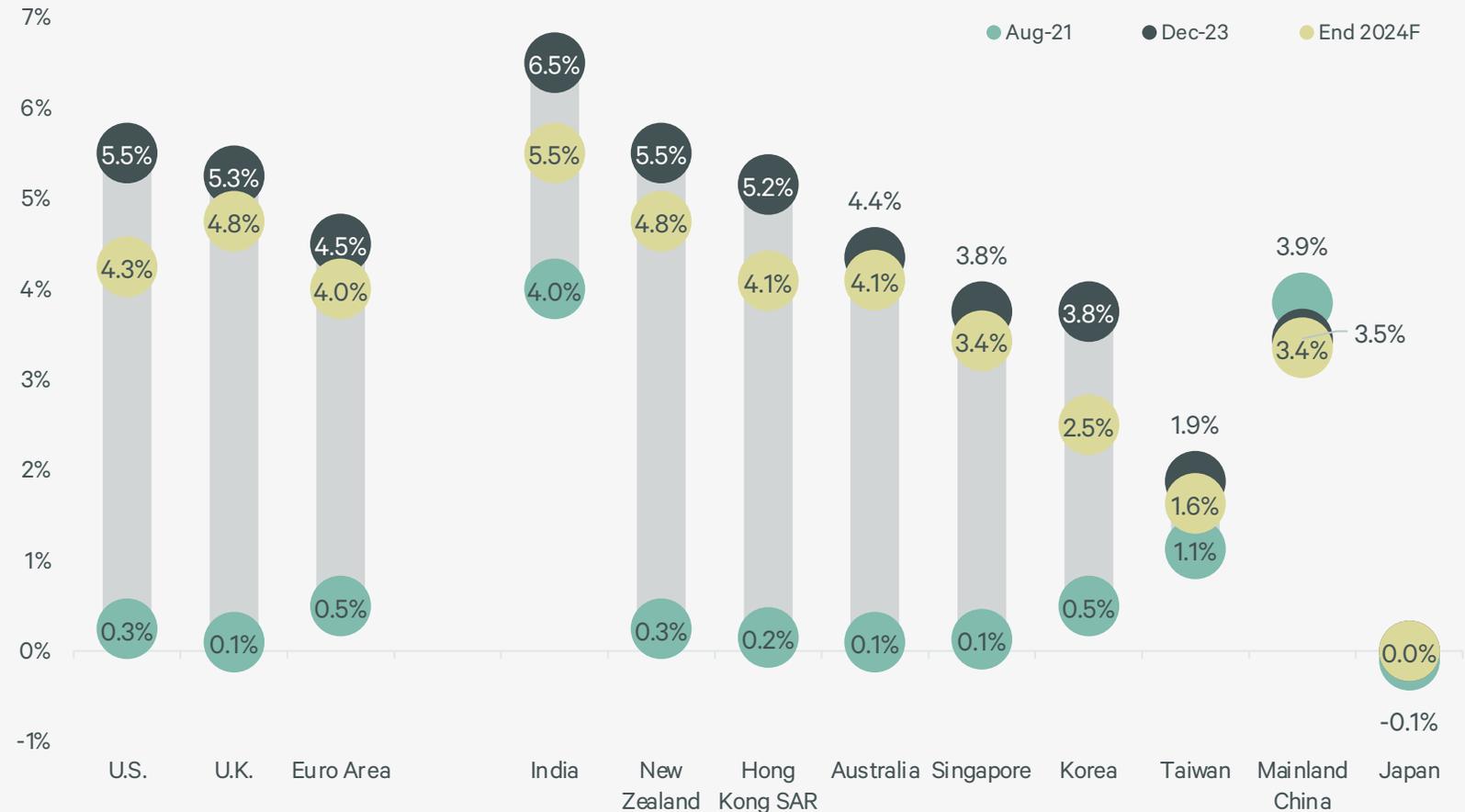
Source: 2024 CBRE Investor Intentions Survey, CBRE Research, February 2024

Policy interest rates

Interest rates in most global markets are set to fall by mid-2024

- The expected easing of central bank policy rates in mid-2024 should give investors greater confidence in the months ahead.
- CBRE forecasts that both the European Central Bank (ECB) and the U.S. Federal Reserve will begin cutting rates by mid-2024.
- While mainland China continues to lower policy rates to stimulate growth and Japan ended its negative interest rate environment as of March 2024, other Asia Pacific countries are expected to begin cutting rates before the end of the year.

Figure 3: Central policy interest rates (%)



Source: Macrobond, CBRE Research February 2024

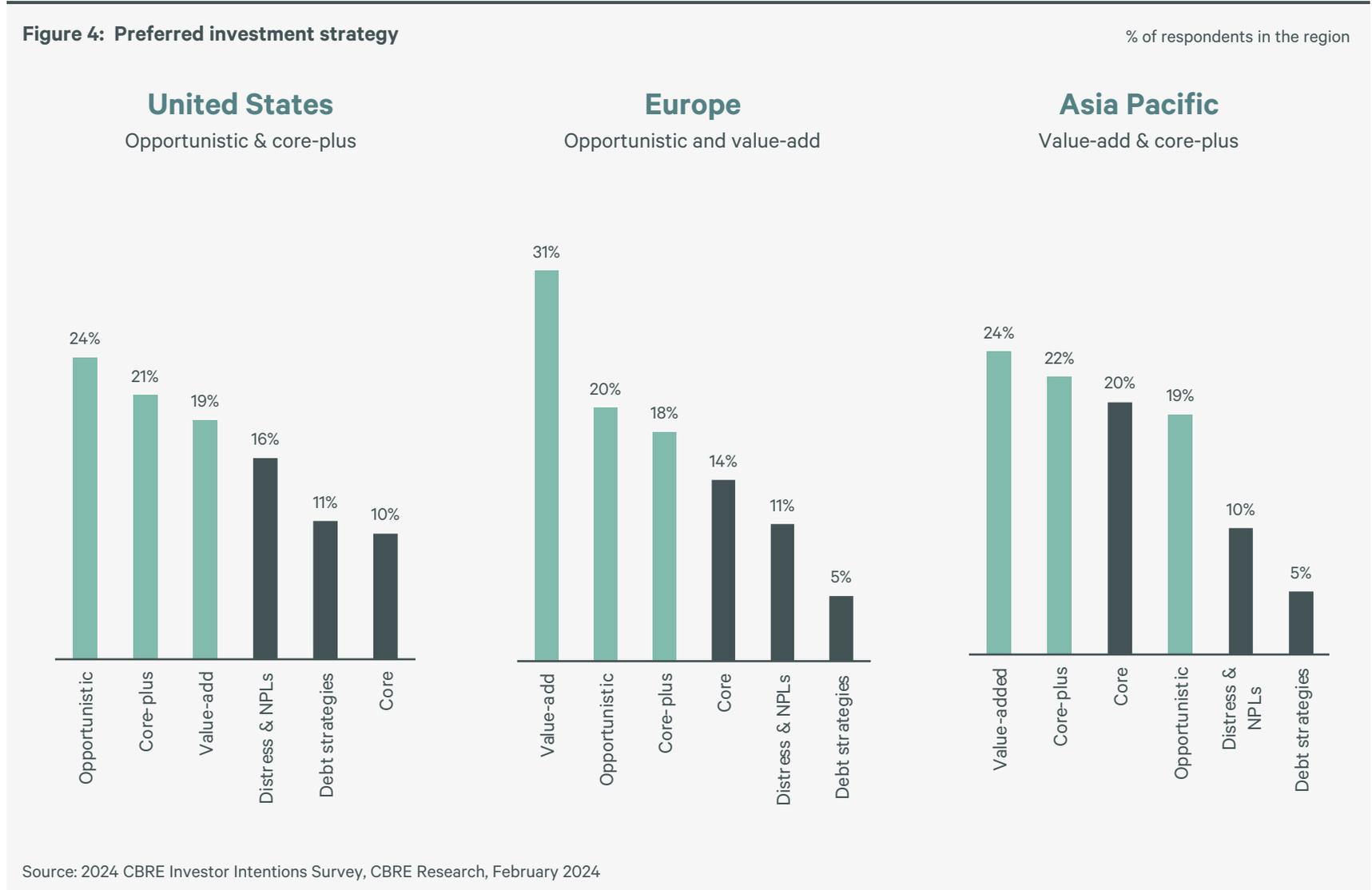
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Preferred Investment Strategies and Sectors

Preferred Strategy

Investors keen to boost returns with **value-add & opportunistic plays** while utilizing **core-plus** strategies for stable cash flow

- Preferred strategies for real estate acquisitions diverge across the three major regions to reflect the different market dynamics (i.e., repricing and fundamentals).
- In Asia Pacific and Europe, investors indicated a preference for value-add strategies, with many seeking double-digit IRRs in markets where capital values have declined significantly.
- Most investors in the U.S. opted for opportunistic strategies, and many buyers foresee an attractive entry point in certain markets and sectors by 2024, including potential distressed assets and non-performing loans (NPLs).

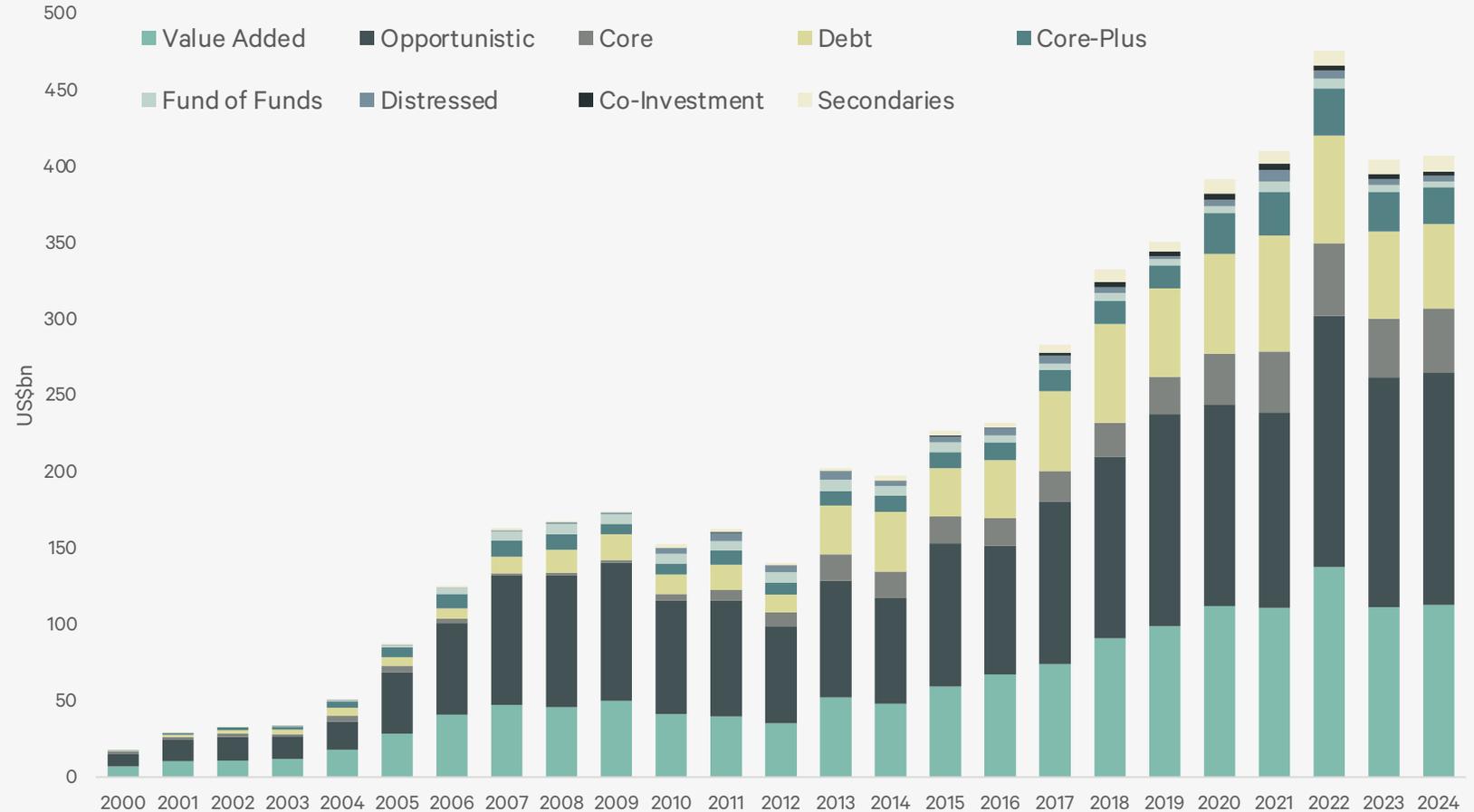


Private equity dry powder

Available capital (dry powder) for commercial real estate investment still elevated across all regions

- Opportunistic and value-add strategies are also a focus of unallocated private equity real estate capital globally. Approximately 41% of all unallocated real estate capital globally is targeting opportunistic and value-add strategies.
- While core assets in Tier I markets like New York City, London and Tokyo remain sought after, investors continue to believe asset values have not yet declined enough to match the higher cost of debt.

Figure 5: Global private equity dry powder levels for commercial real estate – by strategy (US\$bn)



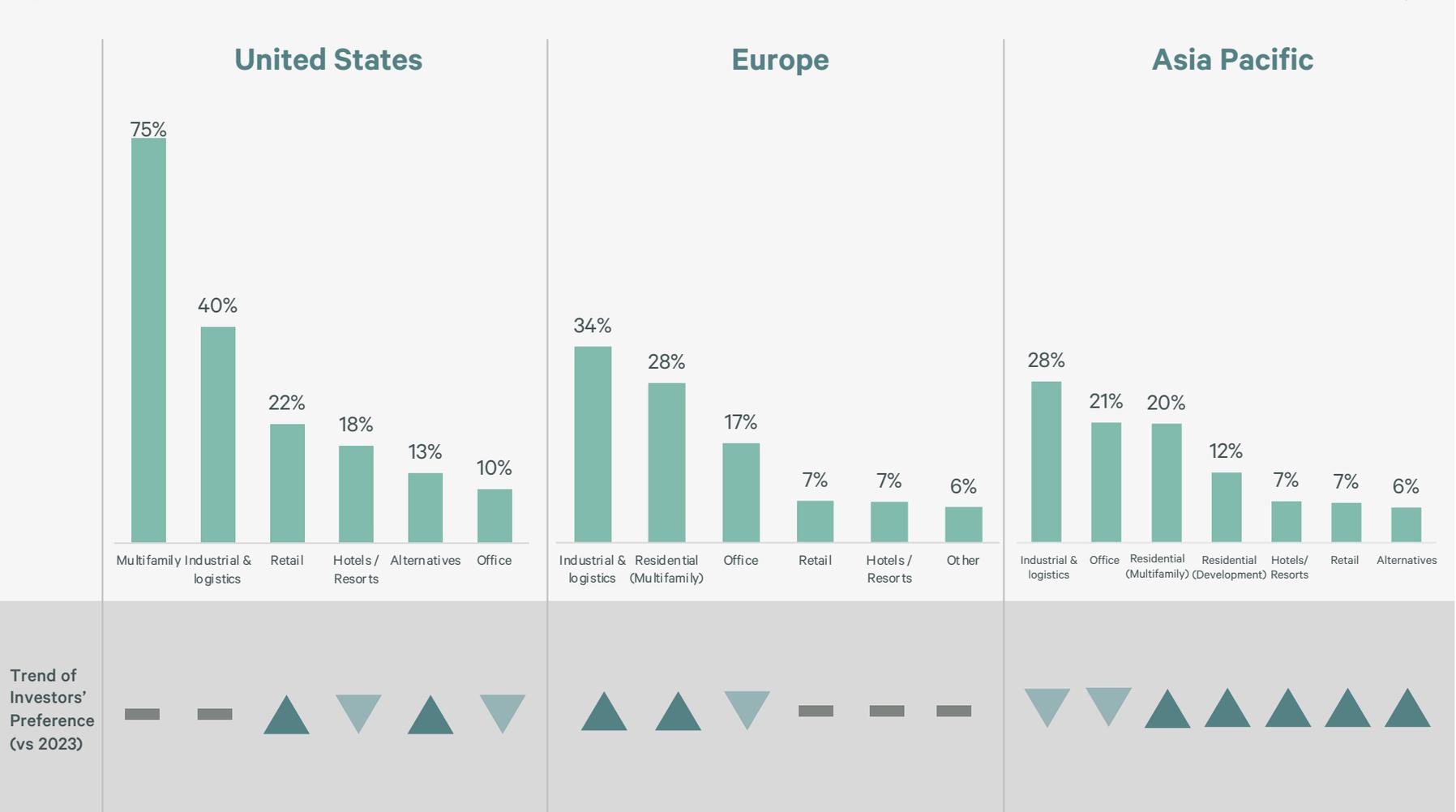
Source: Preqin, CBRE Research February 2024

Preferred Sectors

Multifamily is attracting stronger demand but interest in offices lags across all regions

- From a sector standpoint, residential property continues to gain traction in Europe and Asia Pacific, while easily still the No. 1 choice in the U.S. Investors continue to ramp-up multifamily purchases in key markets in the Nordics, U.K., Australia and Japan.
- The industrial & logistics sector remains a favorite among investors globally, placing either first or second in each region for a second consecutive year. Logistics assets are being targeted in all markets in 2024, due to healthy prime asset rent growth.
- Investor interest in office assets remains muted on the back of hybrid working arrangements in the U.S.. However, Asian and selective European investors continue to favor core assets in prime locations.

Figure 6: Preferred commercial real estate sector



Source: 2024 CBRE Investor Intentions Survey, CBRE Research, February 2024

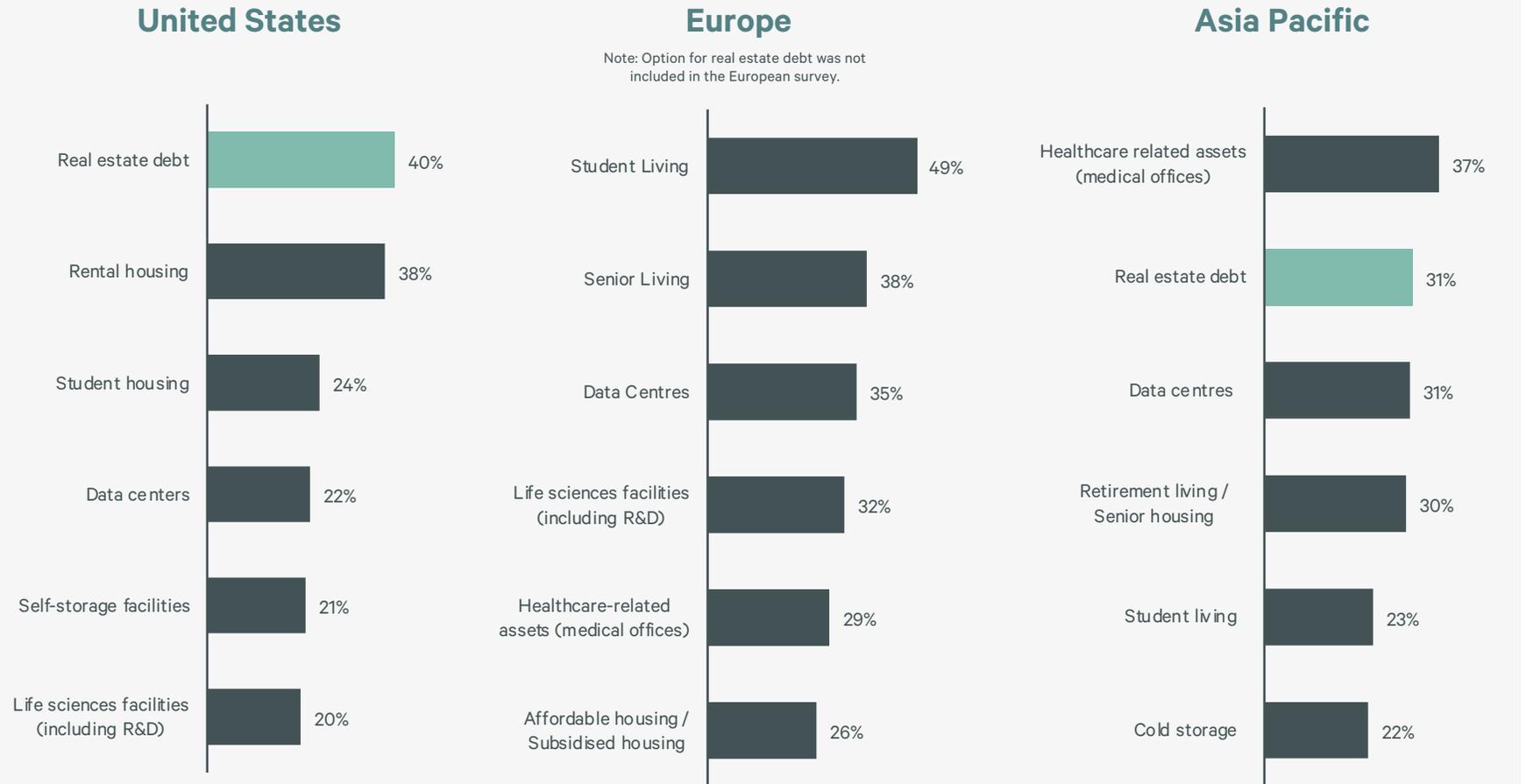
Preferred Alternative Assets

Debt strategies are growing in importance amid the tight credit market; **housing sector** sees increased interest

- There has been a marked increase in investors eyeing student housing and co-living assets.
- Real estate debt remains top of mind for investors, with U.S. and Asia Pacific investors ranking real estate debt as their first and second most preferred alternative asset class, respectively. While not included in the European edition of the survey, debt remains an investable asset class in this region, especially in Southern Europe, where 10-year government bonds remain elevated compared with those in other countries.
- Structural tailwinds continue in the data center sector; however adequate power supply remains a common challenge across regions.

Figure 7: Preferred alternative asset class

% of respondents in the region



Source: 2024 CBRE Investor Intentions Survey, CBRE Research, February 2024

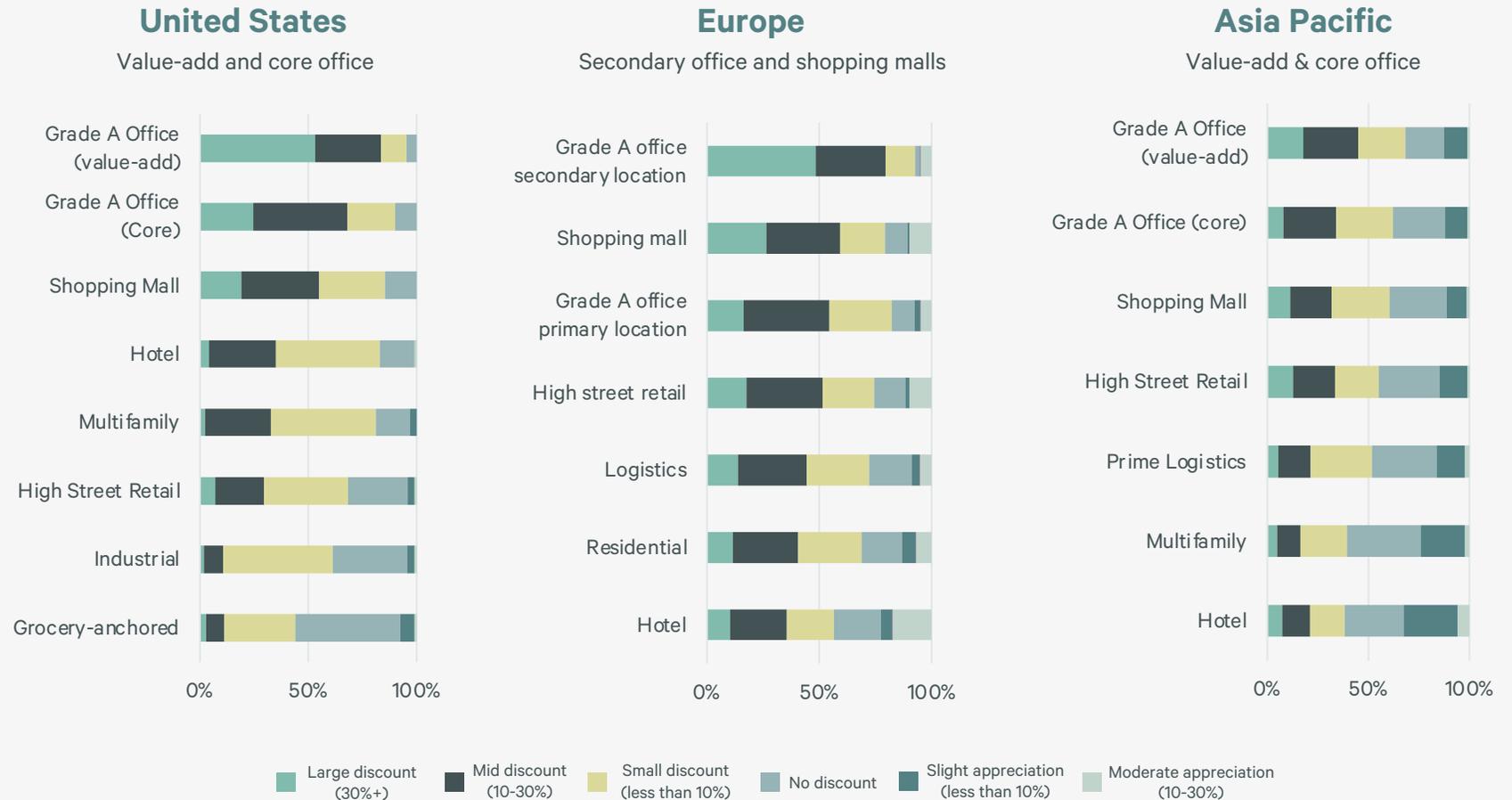
Pricing expectations

Office assets are expected to see further repricing in 2024, with **shopping malls** in select locations also under repricing pressure

- While overall real estate investment activity is expected to pick up moderately in 2024, investors foresee further repricing throughout the year.
- Investors are focused on discounts for value-add and core office acquisitions in all regions. Many buyers believe that further price erosion and increased tenant demand are needed to justify current overpricing.
- Investors anticipate less repricing pressure on the hotel and residential sectors. Hotels remain in a cyclical recovery phase, while structural tailwinds will remain for the housing sector (i.e., multifamily).

Figure 8: Pricing expectations in 2024

% of respondents in the region



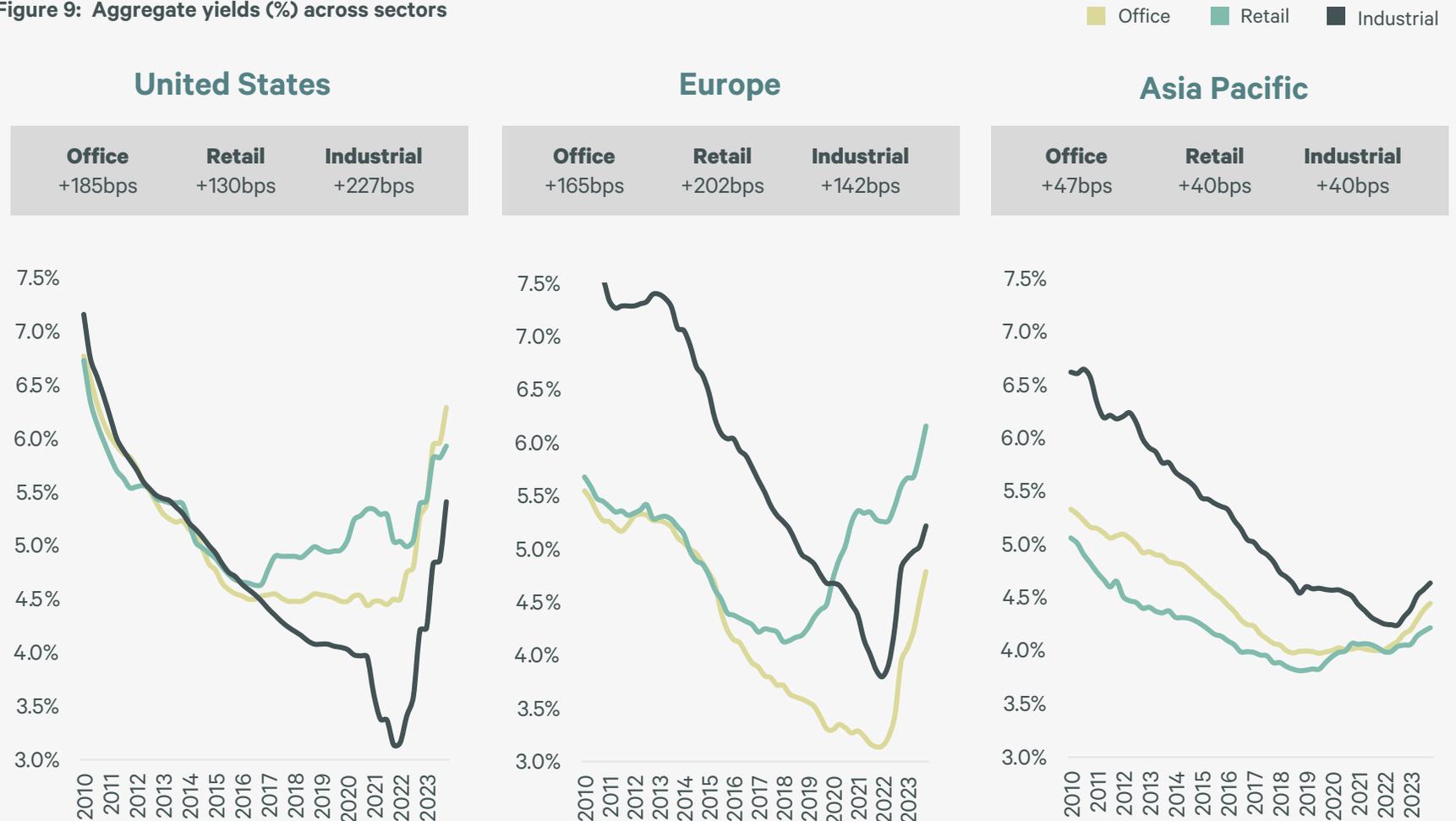
Note: Responses indicating 'Unsure' were removed from the chart.
 Source: 2024 CBRE Investor Intentions Survey, CBRE Research, February 2024

Aggregated yields across sectors and regions

Significant asset repricing has been observed in the United States and Europe than in Asia Pacific

- The last stage of the repricing cycle will end a significant expansion in cap rates over the past 24 months. U.S. and European assets have seen much greater cap rate expansion than those in Asia Pacific.

Figure 9: Aggregate yields (%) across sectors



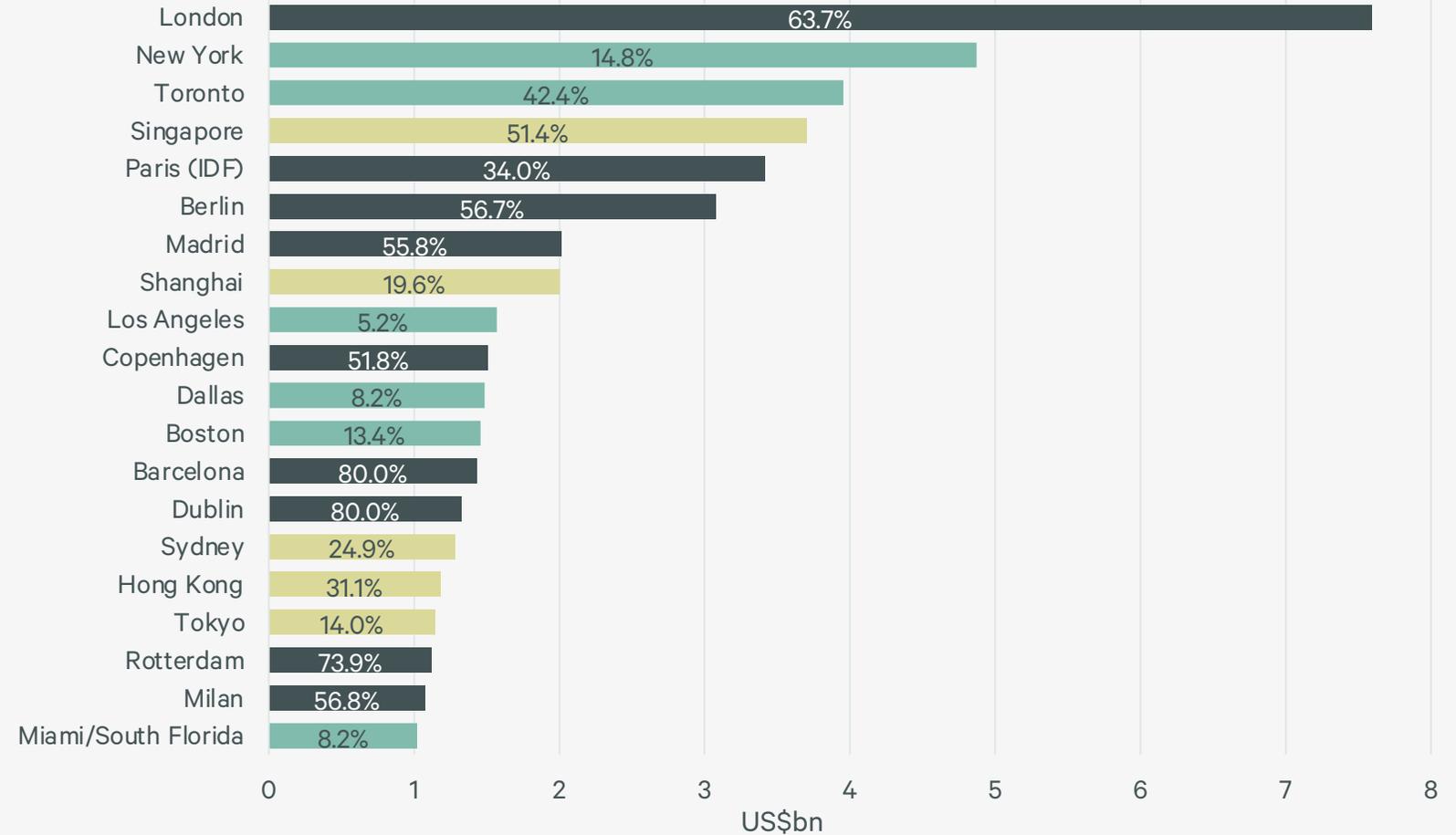
Source: CBRE Research February 2024

Cross-border investment

Despite reduced **cross-border capital flows**, investors remain active in Tier 1 global markets

- Industrial & logistics remained the most preferred commercial real estate sector by global investors, attracting the most cross-regional capital in 2023. Multifamily also saw strong interest, with 18% of cross-regional flows targeting the sector in H2 2023.
- London is a clear winner in terms of cross-border investment, with the current pricing and forecast returns across the residential, industrial and core office sectors attractive to global investors. Investors also looked at established markets that have seen adequate repricing and liquidity, such as New York, Toronto and Paris.
- Tokyo remains the favorite for cross-border capital deployment in Asia Pacific, as investors remain attracted to the prospect of low cost of debt and stable income streams. Sydney and Seoul are seeing investor interest as well, particularly for core assets at attractive price points.

Figure 10: Top 20 global cities – cross-border investment activity in 2023 (US\$)



Note: The percentage indicates the share of cross border investment versus total investment volumes within the market
 Source: MSCI, CBRE Research February 2024

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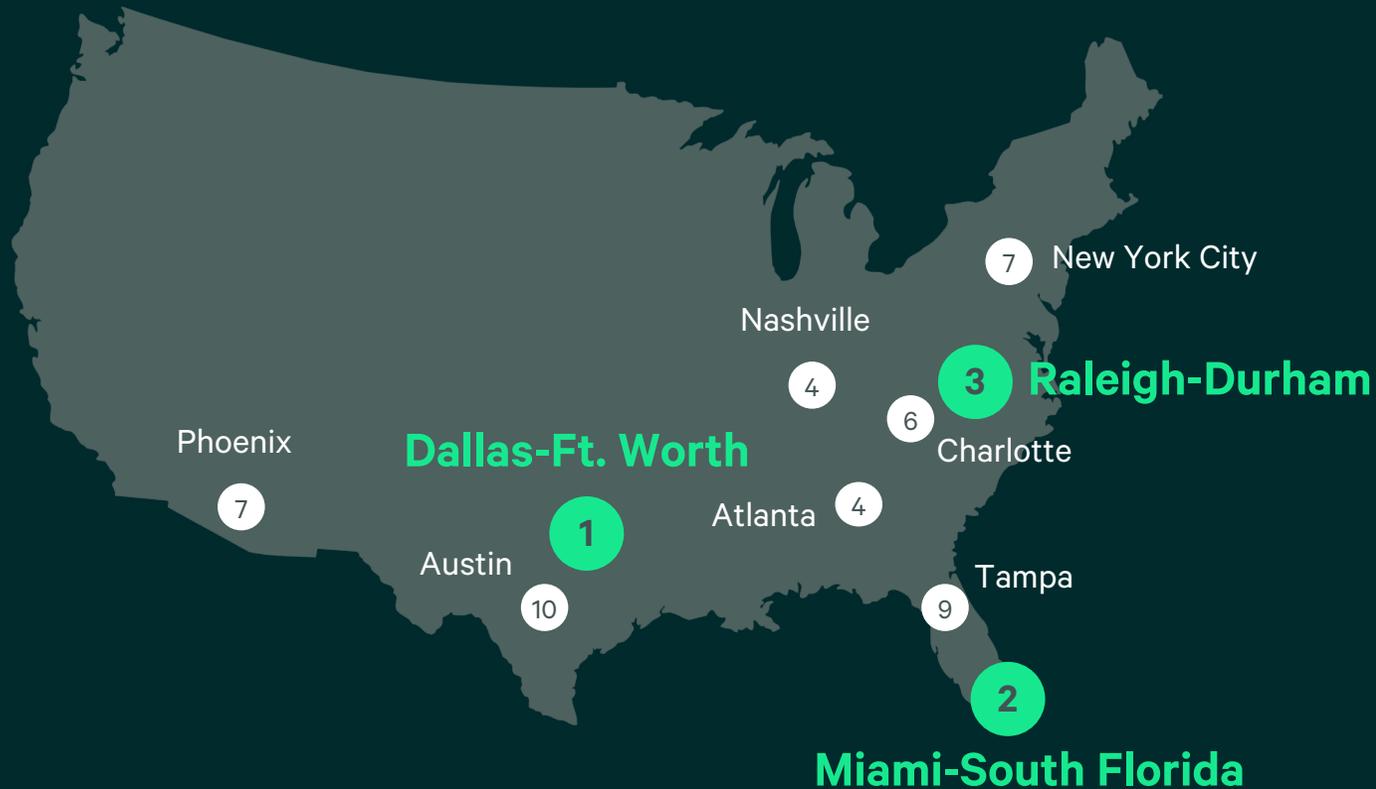
Investment Destinations and Outlook in 2024

Preferred investment market by region

United States

Sun Belt and high-performing secondary markets

● Preferred markets in the region



Source: 2024 Investor Intentions Survey, CBRE Research, January 2024

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This report was prepared by the CBRE Global Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate investors and occupiers around the globe.

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Chris Ludeman, Global President, Capital Markets

“We believe that commercial real estate activity will pick up in the second half of 2024, with expectations that the Federal Reserve will begin the rate cut cycle in the middle of the year.”

The U.S. residential property sector continues to attract capital due to a significant housing shortage. The industrial sector also has solid fundamentals and we continue to see retail and hospitality outperforming.

Where are the opportunities? We need to follow the people, the jobs and the most business friendly environments. Sun Belt and gateway markets remain top destinations for investment.

We are now seeing a gradual shift back from credit solutions to equity amid a growing belief that the market has weathered the storm. While there may be some distress due to higher-for-longer interest rates, there will be opportunities for investors to transact at what we believe to be the turning point of the market.”

Preferred cross-border investment market by region

Europe

London and Paris lead, with traditionally smaller markets seeing increased interest

● Preferred markets in the region



Chris Brett, Head of Capital Markets (Europe)

“Investors are showing a greater desire to be active in the market, with inquiry levels in the first few months of the year higher than what we expected. However, these conversations need to be converted into transactions.”

A recovery in transactional activity will be driven by the U.K., followed by the Netherlands, Southern Europe (Spain and Italy) and Poland.

Industrial assets remain a favorite for investors, with repricing for this asset class happening much faster than for other asset classes, underpinned by stronger rent growth. This is the same story in the residential sector, which continues to see strong demand and durable income streams amid material undersupply, particularly for multifamily and student accommodation.

Value-add remains the preferred strategy in Europe, mostly because core product is now available at value-add pricing. This strategy will be most popular in markets where pricing has moved the most (U.K. and Netherlands) and in the Nordics, where some public companies are under pressure and may have to offload some core product at value-add pricing. Retail is the one sector in Europe that best suits the value-add story, alongside select office assets in central locations within Tier I markets.”

Source: 2024 Investor Intentions Survey, CBRE Research, January 2024

NOTE: Only respondents selecting markets outside of the country that each investor/investment company is headquartered was taken into account when ranking the markets.

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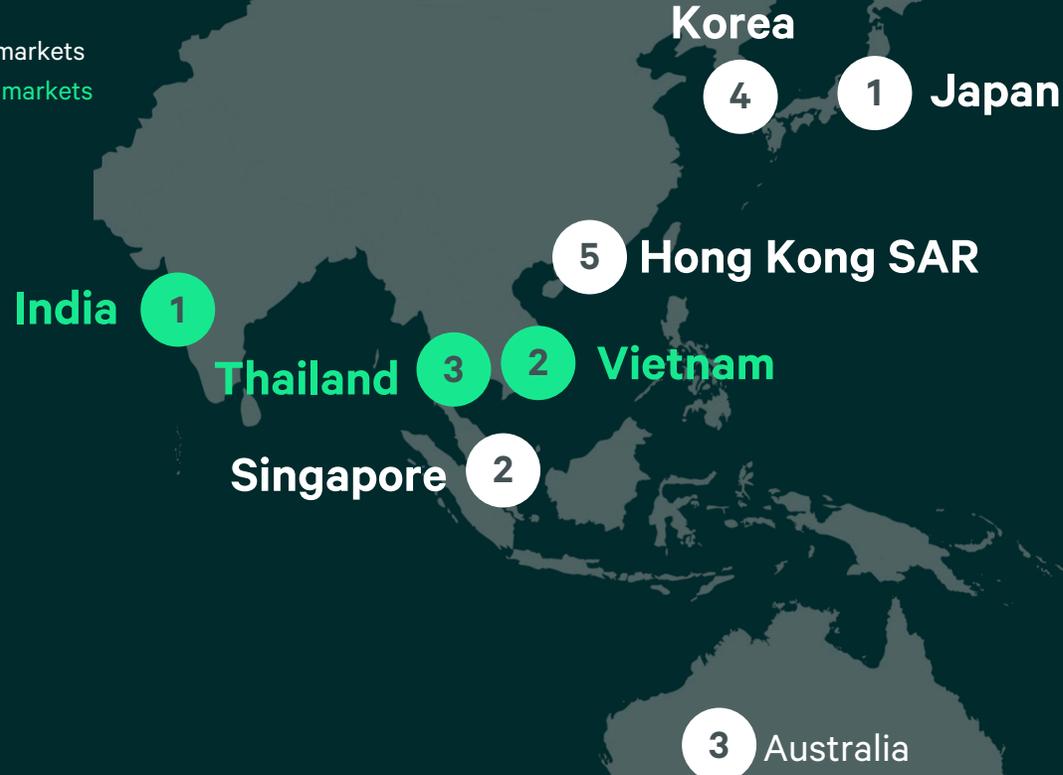
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Preferred cross-border investment market by region

Asia Pacific

Japan remains most popular due to low cost of debt

- Top five preferred developed markets
- Top three preferred emerging markets



Greg Hyland, Head of Capital Markets (Asia Pacific)

“Investors are now underwriting that we are at the peak of the interest rate cycle and we are seeing confidence return to the investment market. Interest rate cuts later this year will stimulate investment activity.”

Japan continues to attract significant investor interest due to its low interest rate environment, with expectations that this will continue throughout H1 2024. Once central banks begin cutting interest rates, markets that have been weakest, such as Korea, Australia and Singapore, should see a recovery in investment activity.

Structural undersupply and rent growth that is outstripping the rate of asset repricing ensures it remains the region’s most preferred sector. Residential property, particularly multifamily/build-to-rent, shares many of these traits, with undersupply and stable cash flows encouraging investors to look beyond Japan to growing markets such as Korea and Australia.

While investors will consider value-add product in the short-term as the market goes through the final phase of price discovery, we anticipate many institutional investors will shift back to core strategies over the course of the year amid a clearer outlook for the debt market.”

Source: 2024 Investor Intentions Survey, CBRE Research, January 2024

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Investment volumes - Outlook

A modest recovery in investment activity is expected across all regions this year

Although the high cost of debt will temper global real estate investment in H1 2024, CBRE expects activity to recover in H2 2024 in response to rate cuts. Global investment volume is forecast to increase by 7% year-over-year.

APAC (+5%-10% year-over-year)

Following a 26% year-over-year decline in investment volume in 2023, real estate investment activity in Asia Pacific is expected to remain muted in H1 2024. Limited cap rate expansion and high interest rates continue to result in a wide yield-to-debt spread for commercial property as well as a gulf between buyers' and sellers' expectations. However, H2 2024 should see a pick-up in investment activity, with most markets projected to return to positive carry by the end of the year. CBRE expects full-year investment volume in Asia Pacific to recover by 5% to 10% year-over-year in 2024.

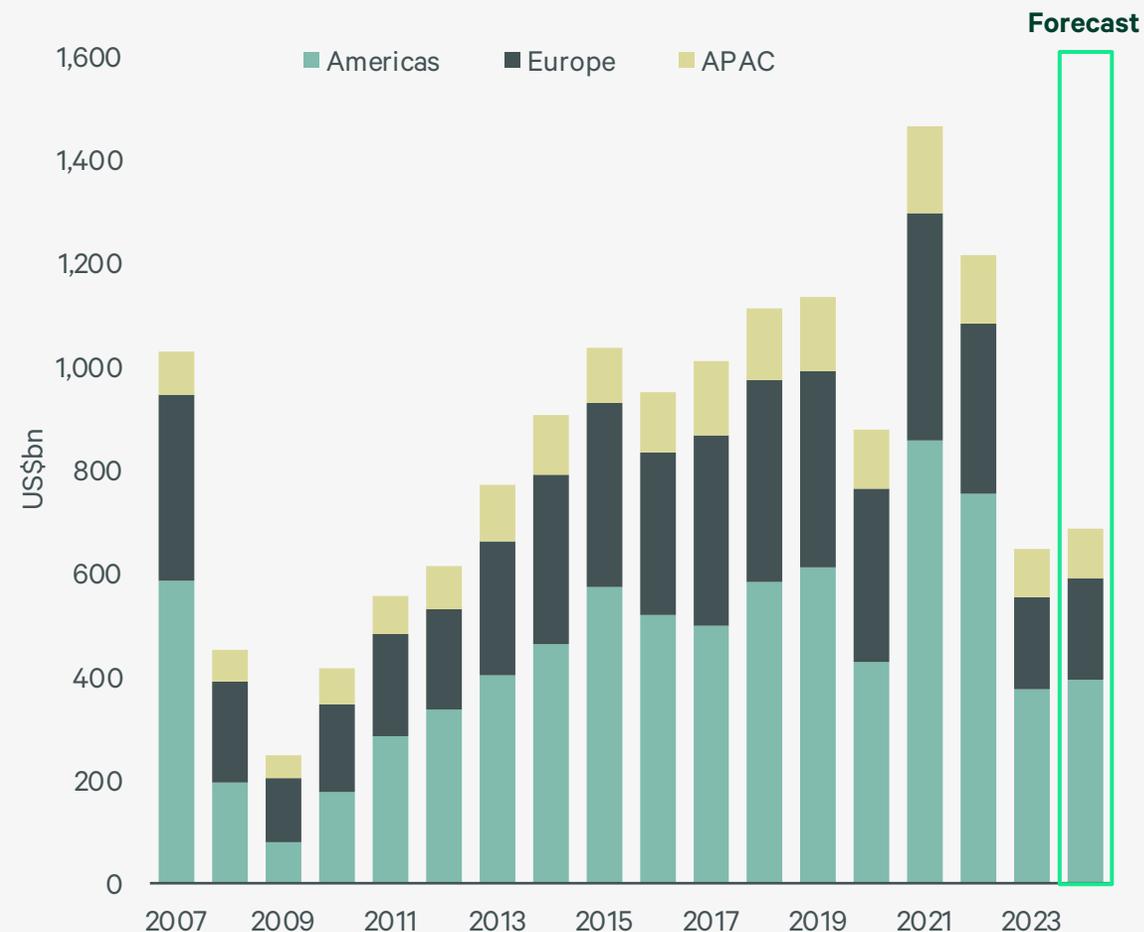
Americas (+5% year-over-year)

Total investment volume in the U.S. is expected to increase by 5% year-over-year in 2024, stabilizing after a 45% drop in 2023. Investment activity will be directly linked to movements in the 10-year Treasury yield, which is expected to remain high for the first half of 2024 before declining in mid-2024. This will cause some distress for Class B and C office buildings and for certain assets that were highly leveraged using floating-rate debt amid ultra-low rates.

Europe (+10% year-over-year)

CBRE expects EMEA to post the strongest recovery out of the three major regions this year, with total volumes projected to increase by 10% year-over-year. While price discovery continues in the region, commercial real estate valuations are catching up with the rapid change in pricing, reducing the bid-ask spread that is the biggest obstacle for investors in this region. Higher financing costs will continue to put pressure on investors, however, with assets most at risk being those acquired at the peak of the market and having required refinancing.

Figure 11: Global commercial real estate investment volumes (forecast)



Source: CBRE Research February 2024

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