

October 2024



Searching for Oz

Commercial Real Estate Update & Economic Overview

Spencer Levy
Senior Economic Advisor
Global Client Strategist

The Big Picture

Utopia
from
The Wizard of Oz

Yellowbrick Road: 2010-2020

Falling Cap
Rates

Free Debt

Geopolitical
Stability

Inflation is Over

San Francisco
Vacancy at 5%

Tom Brady, 5
Super Bowls &
Counting

Dystopia

from

Oz

Goodbye Yellowbrick Road 2020-?

High Cost of
Debt

New Capital
Sources

Geopolitical
Tensions

Inflation isn't
Licked

SF Vacancy at
25%

Tom Brady
Retired

Who is the Wizard of Oz?

Where is Oz?

What is Oz?

Macro

Latest Forecasts

Short-term Interest Rates (3-mo)

Geography	2021	2022	2023	2024	2025	2026	2027
US - FFR	0.13	3.70	5.38	4.69	3.13	2.67	2.44
UK – Bank Rate	0.13	2.83	5.25	4.82	3.35	2.94	2.62
EU	0.00	1.81	4.50	3.39	2.15	1.80	1.56

CBRE Econometric Advisors, September 2024

Latest Forecasts

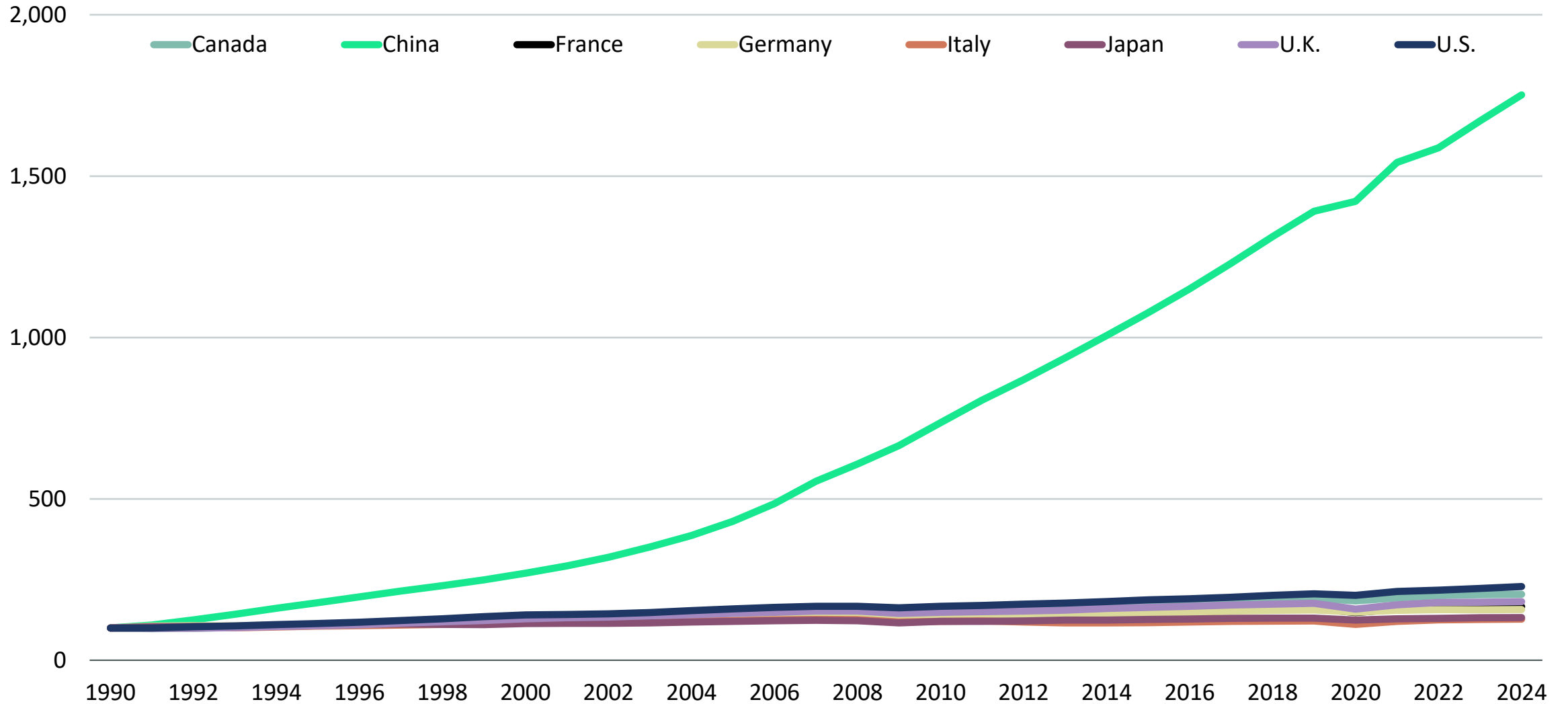
GDP							
Geography	2021	2022	2023	2024	2025	2026	2027
US	5.8	1.9	2.5	2.6	1.7	1.8	2.0
UK	8.7	4.3	0.1	1.2	1.9	1.9	1.8
EU	5.9	3.5	0.6	0.8	1.5	1.7	1.7

CBRE Econometric Advisors, September 2024

Geopolitics

The economic rise of China

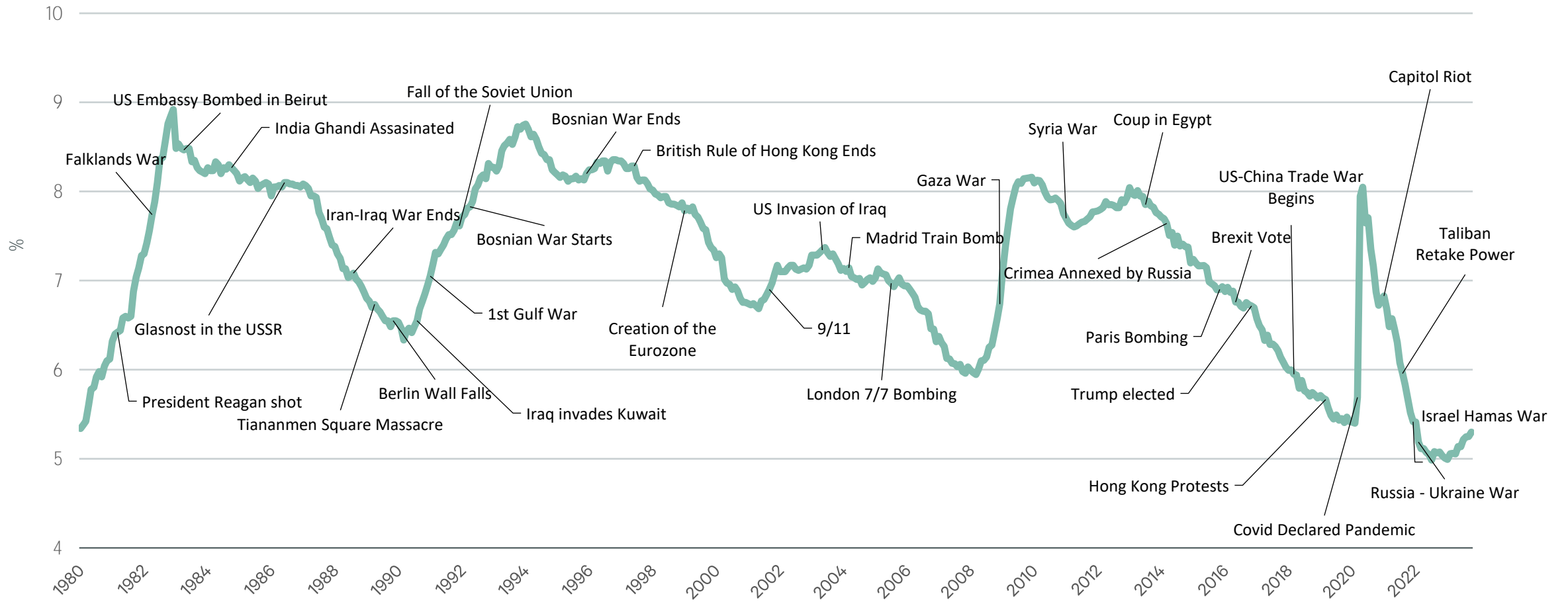
G7 and China GDP, Indexed (1990=100)



Source: Oxford Economics, CBRE Research, August 2024

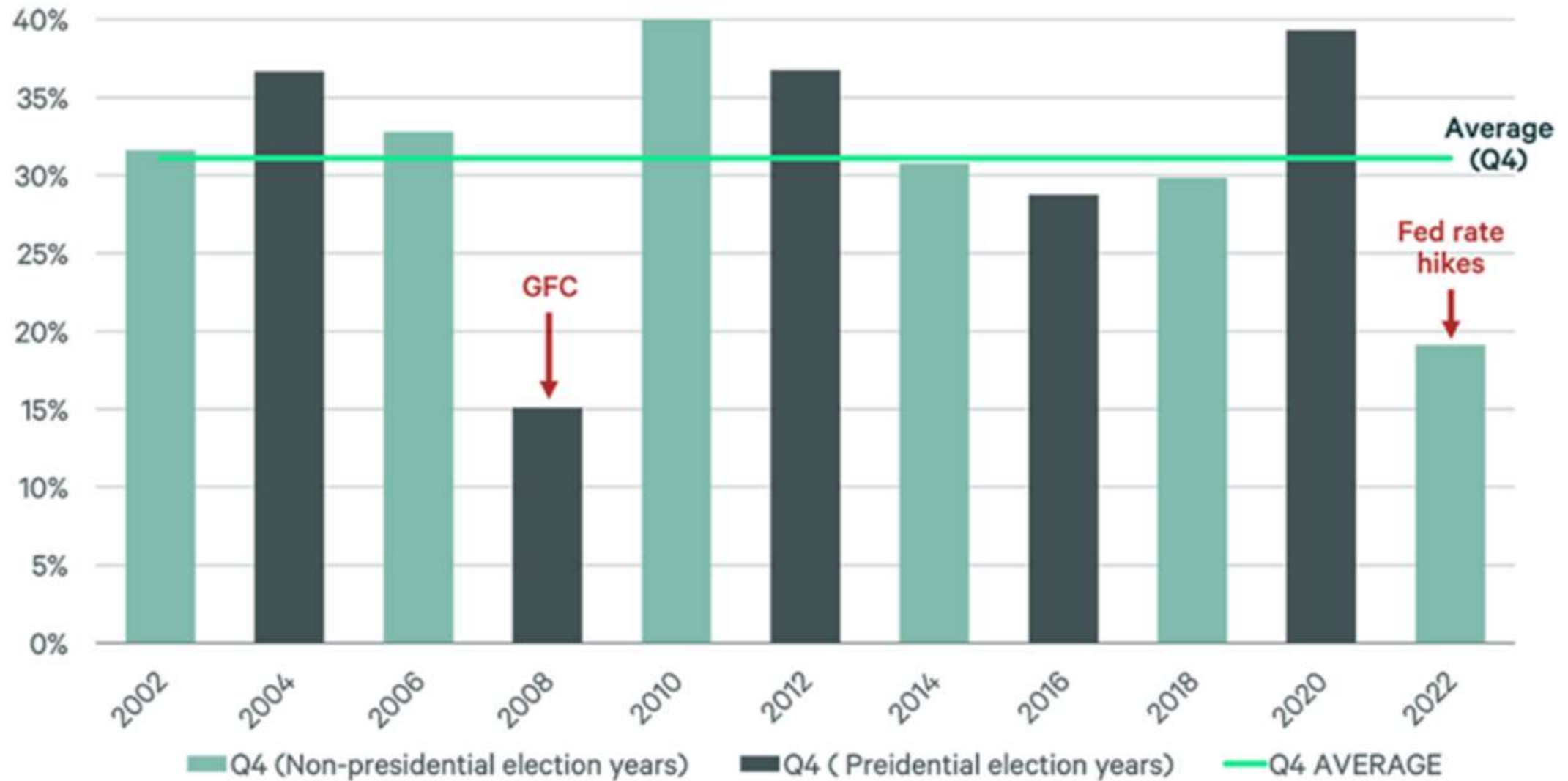
Geopolitics does not Affect the Cycle, but...

G7 Unemployment %



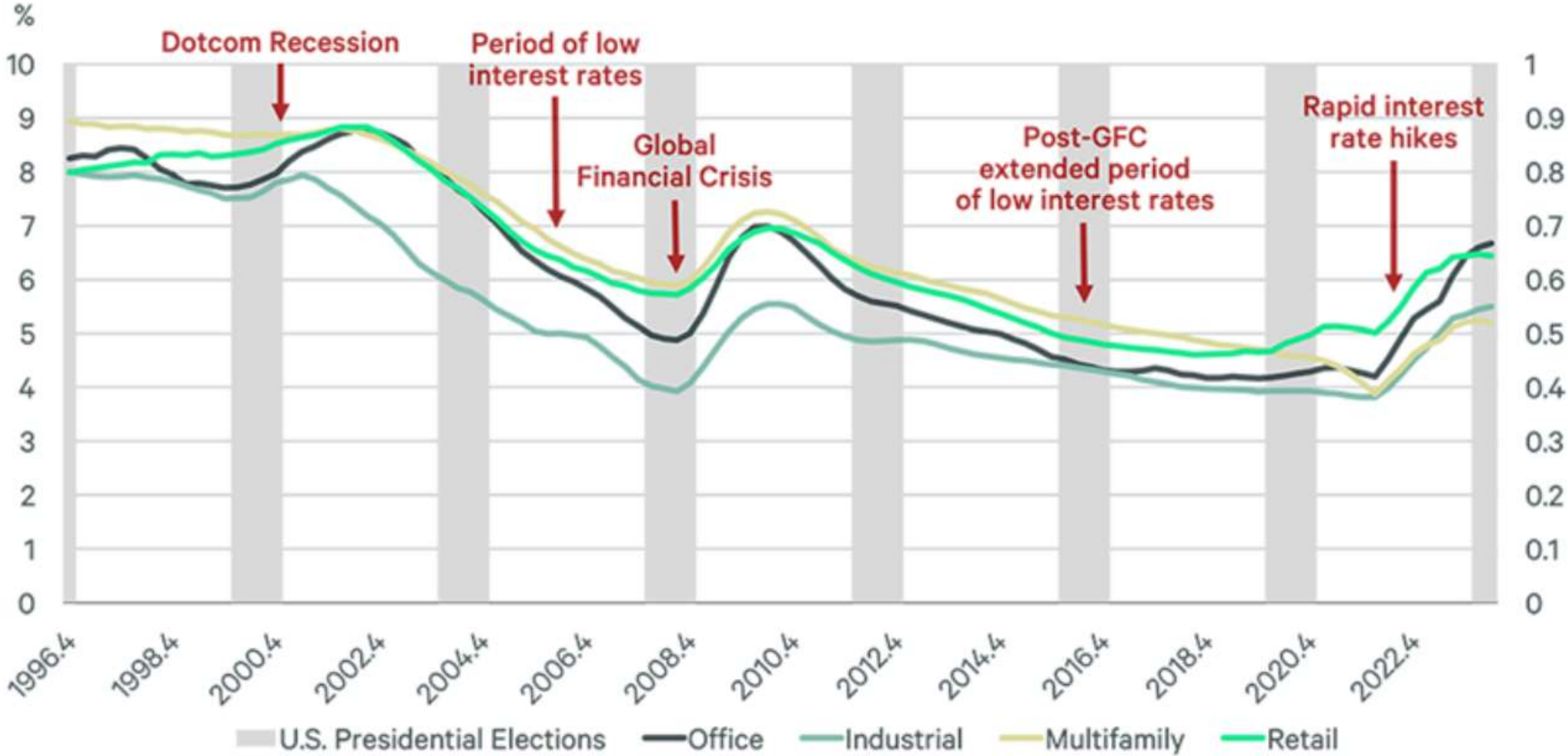
Source: BLS, Wikipedia, CBRE Research, Q1 2023

Q4 Share of Annual Investment Volume in Federal Election Years



Source: CBRE Research, Q3 2024.

Macro economic trends, not presidential elections, drive cap rate movement



Source: CBRE Research, CBRE-Econometric Advisors, Q2 2024.

THE
WeeklyTAKE

Duane Desiderio

Senior Vice President & Counsel
The Real Estate Roundtable

EPISODE 531

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There's no place like home.....

Foreign Capital

SFR/BTR

Insurance

Basel III

Cap Gains Tax

Re-shoring

We are not Developers.

We are BUILDERS.

THE
WeeklyTAKE

Stephanie Dorsey

CEO
Siemens Real Estate Services
Americas

EPISODE 519

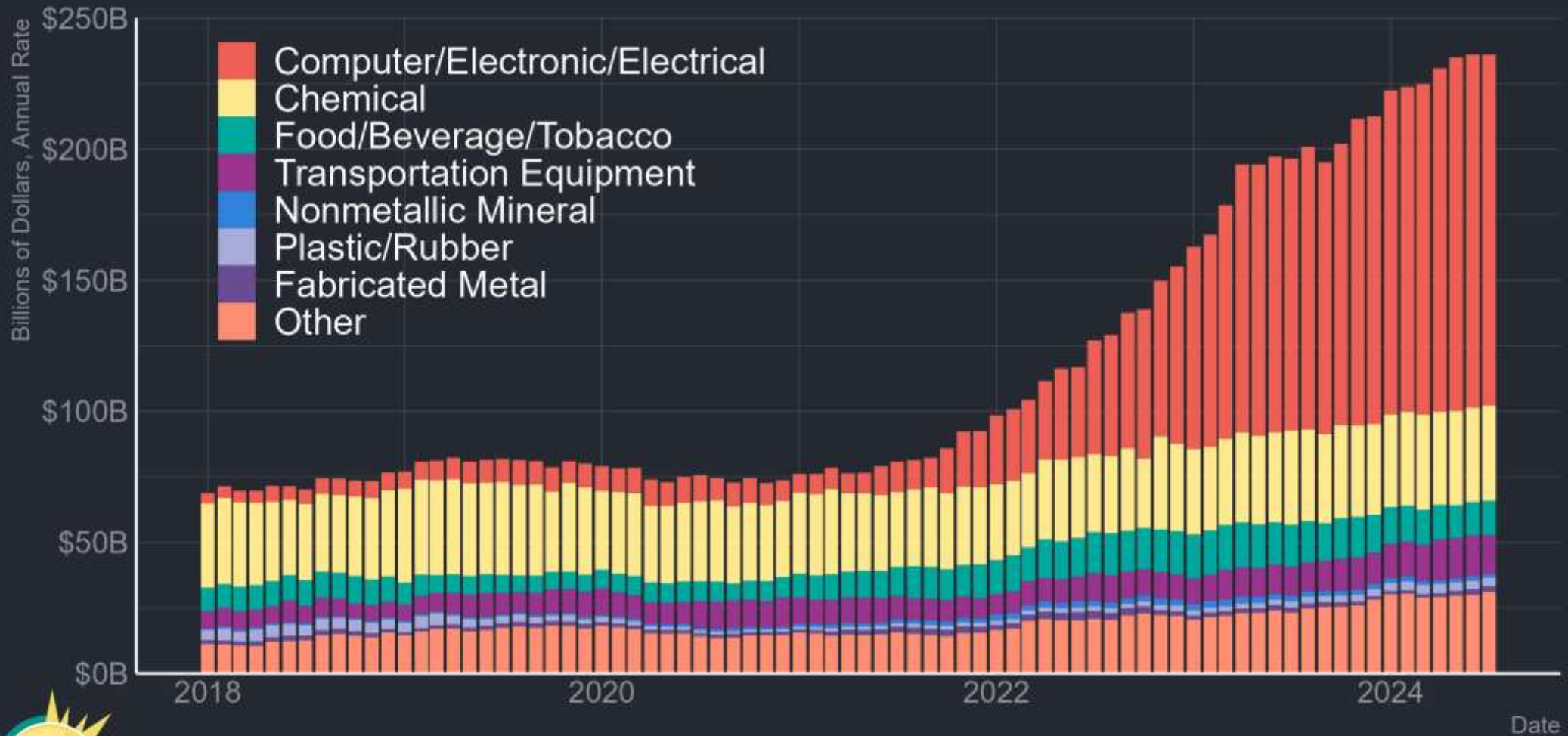
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US Manufacturing Construction Spending

Computer/Electronic Manufacturing Now Makes Up Nearly 60% of Manufacturing Construction

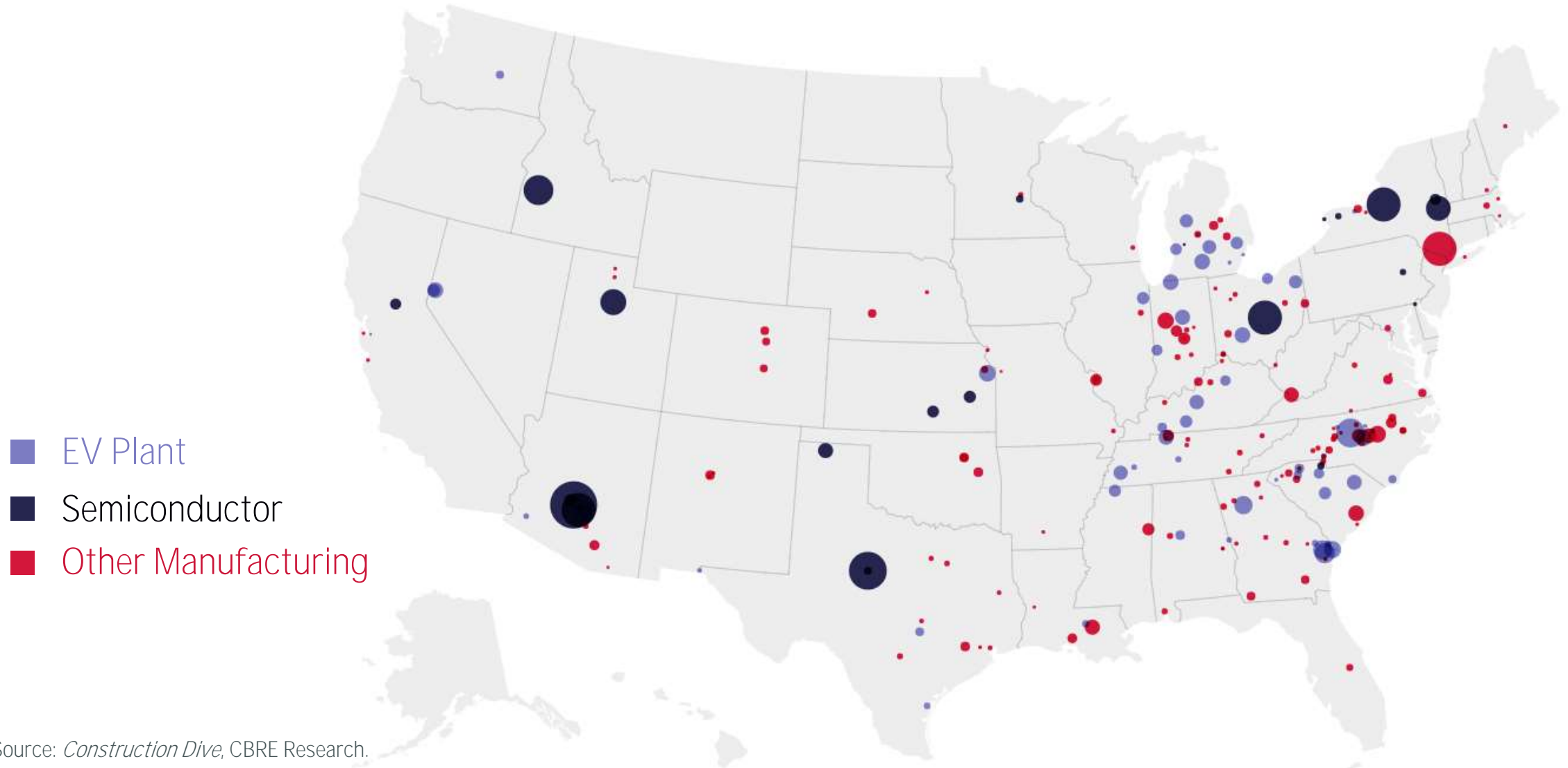


Graph created by @JosephPolitano using US Census data



Manufacturing construction surges across U.S.

Top projects by value and location since August 2022

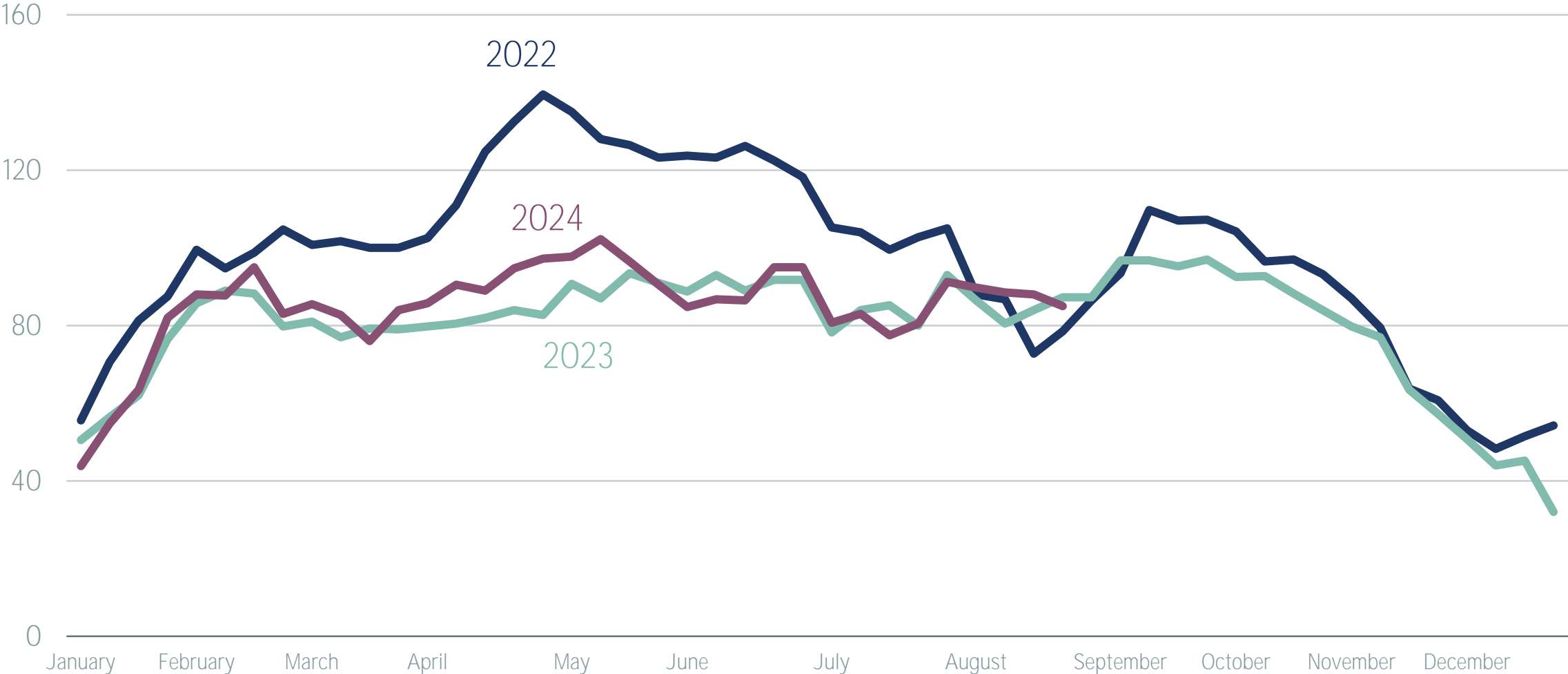


Source: *Construction Dive*, CBRE Research.

Capital Markets

Number of Sales Deals Launched

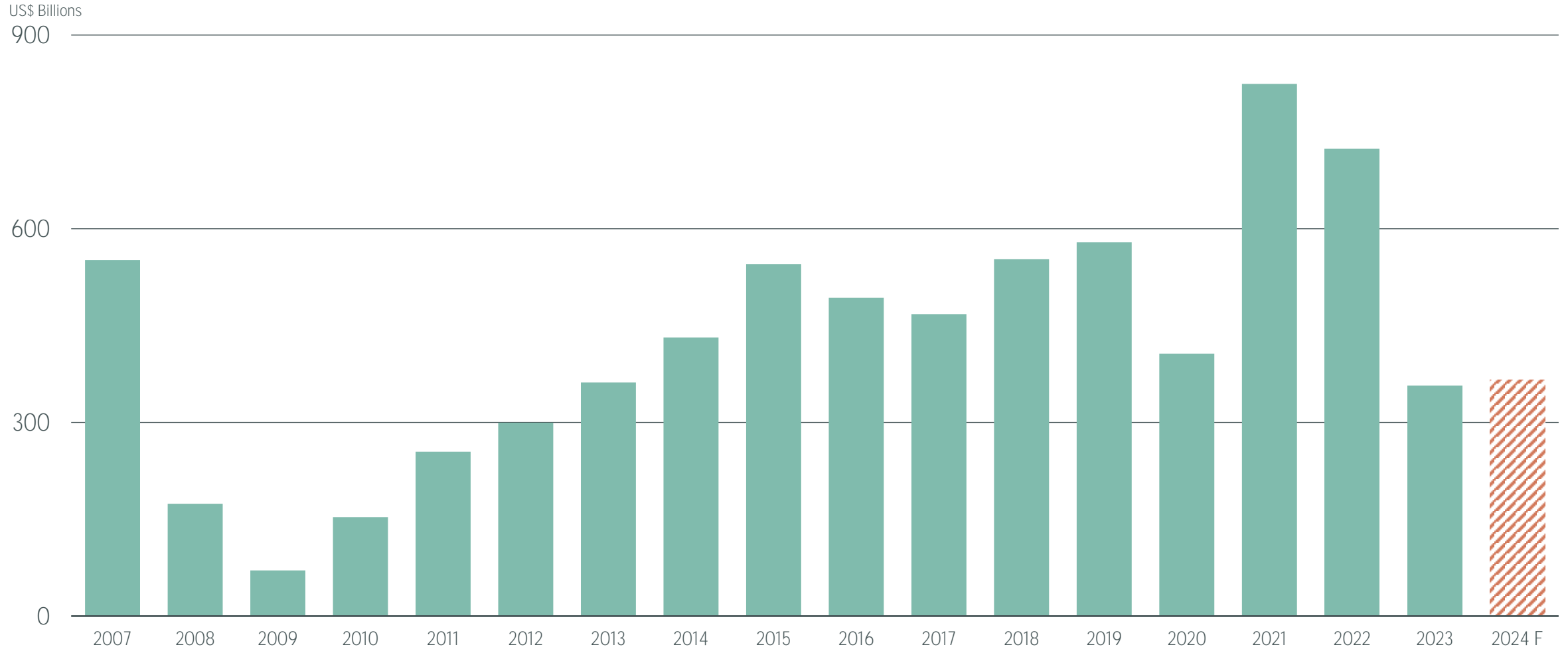
4-week Moving Average, 2022 – YTD 2024



Source: CBRE Business Intelligence Team, Deal Flow data through 8/31/2024; Note: YoY calculation is based on actuals, not rounded figures

Investment Activity Set to Improve

U.S. CRE Investment Volume 2007 to 2024

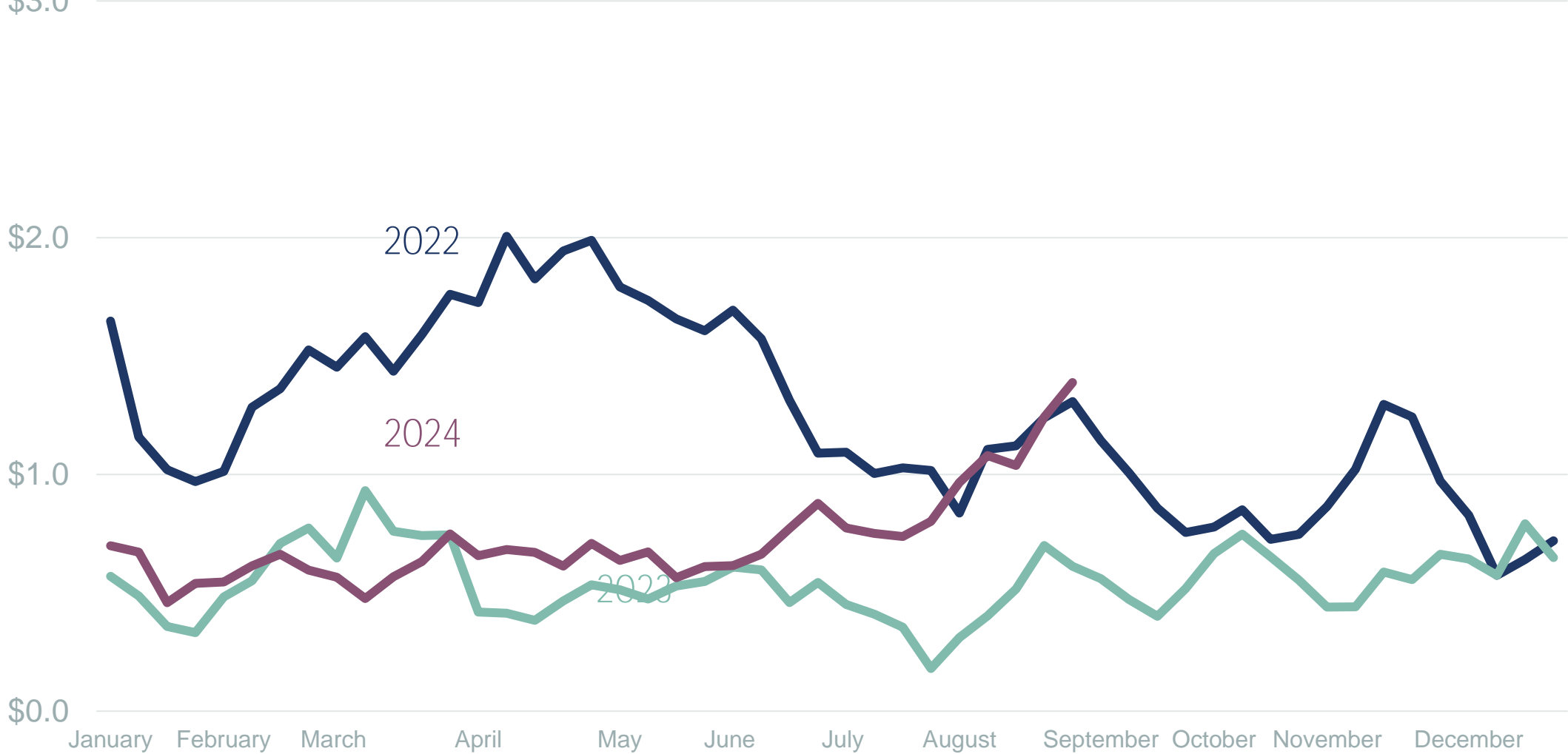


Source: MSCI Real Assets, CBRE Research.

Number of Debt Deals Launched

4-week Moving Average, 2022 – YTD 2024 | Loan Amount

Billions \$3.0



Source: CBRE Business Intelligence Team, Deal Flow data through 8/31/2024; Note: YoY calculation is based on actuals, not rounded figures

Investment volume by buyer type

Q2 2024 vs Q2 2023

	Volume (\$ Billions)			Market Share (%)	
	Q2 2024	Q2 2023	Change (%)	Q2 2024	Q2 2023
Private	44.2	55.5	-20.4	51.6	62.8
Institutional	25.9	16.7	55.0	30.2	18.9
REITs/Public Companies	4.5	6.0	-25.5	5.3	6.8
Cross-Border	3.5	5.3	-34.4	4.1	6.0
Other*	7.6	4.8	58.2	8.9	5.4
Total	85.7	88.4	-3.1	100.0	100.0

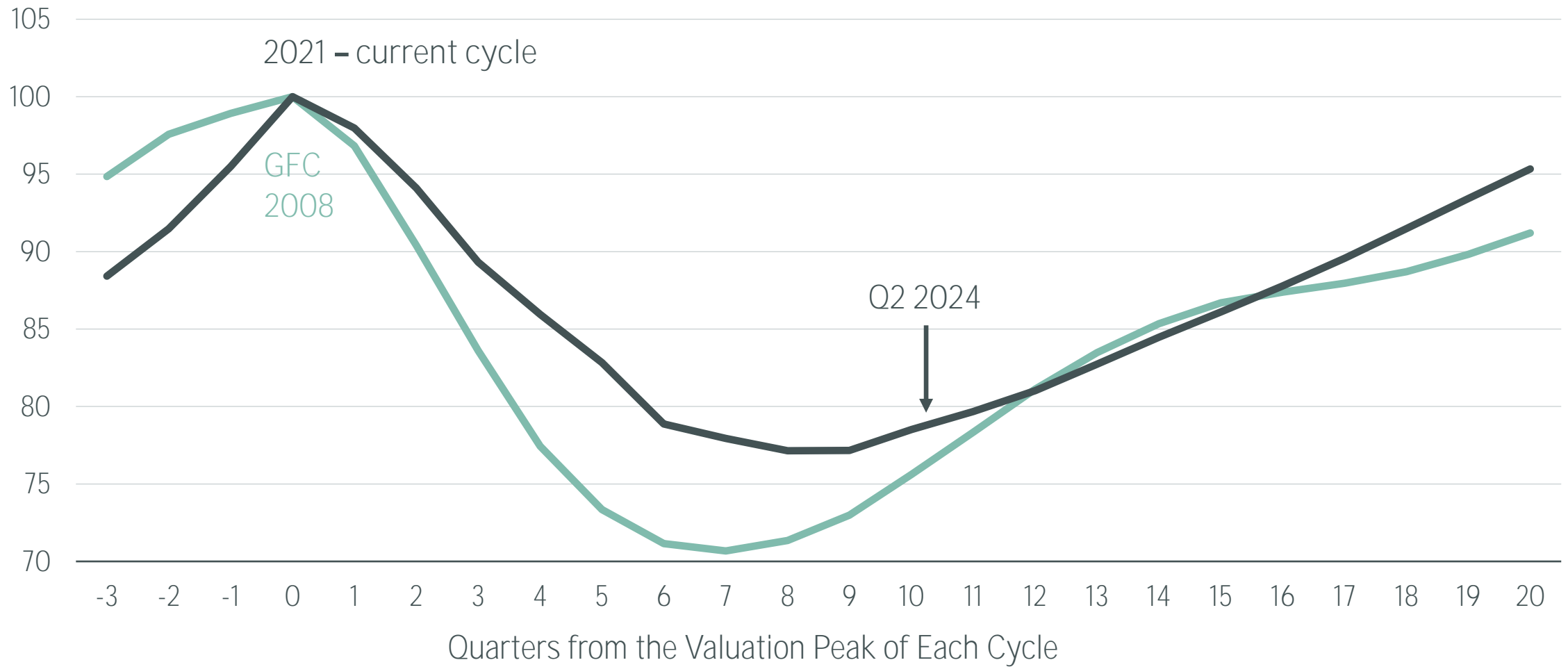
*Other = user, unknown, other types of investors.

**For example, for every \$1 disposition, institutional capital is acquiring \$1.5. Volume excludes development site transactions. Some numbers may not total due to rounding.

Source: CBRE Research, MSCI Real Assets, Q2 2024.

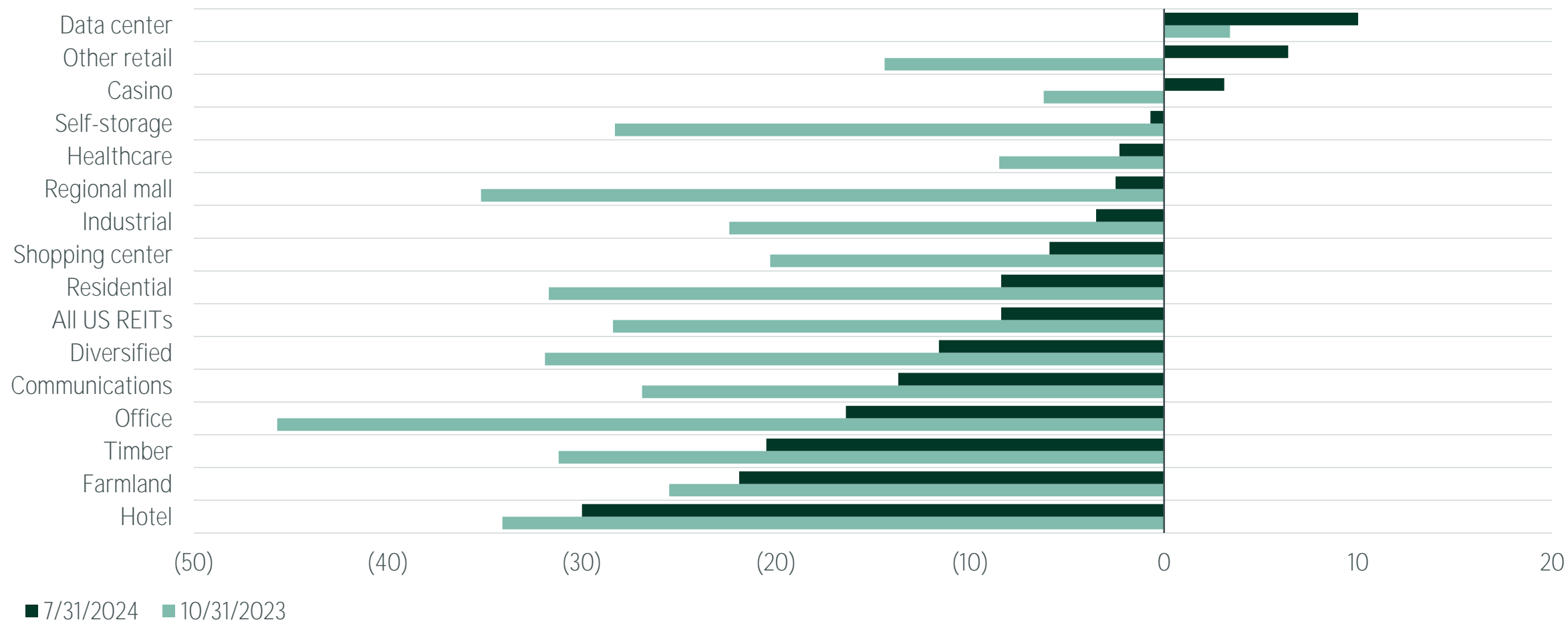
We are already past bottom

Current Cycle Relative to the GFC, Capital Value Index



The Big Picture

Median Premium or Discount to NAV (%)



RCA Commercial Property Price Index

Sector	June 2024	June 2023	Change Y-o-Y (%)	2022 Peak	June 24 vs. 22 Peak (%)	2007 Peak	June 24 vs. 07 Peak (%)
All	146	146	0.0%	163	-10.6%	106	37.8%
Office	95	108	-12.4%	124	-23.3%	108	-11.9%
Industrial	193	179	8.0%	181	6.7%	105	83.7%
Retail	104	103	0.7%	112	-7.3%	104	-0.1%
Multifamily	200	216	-7.5%	247	-19.2%	102	95.1%
Hotel	115	122	-5.8%	122	-6.3%	113	1.6%

Based on repeat property sales. Sales are indexed from December 2006.
Source: CBRE Research, MSCI Real Assets, Q2 2024.

Fundamentals

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Anoop Davé

CEO
Victrix

EPISODE 402

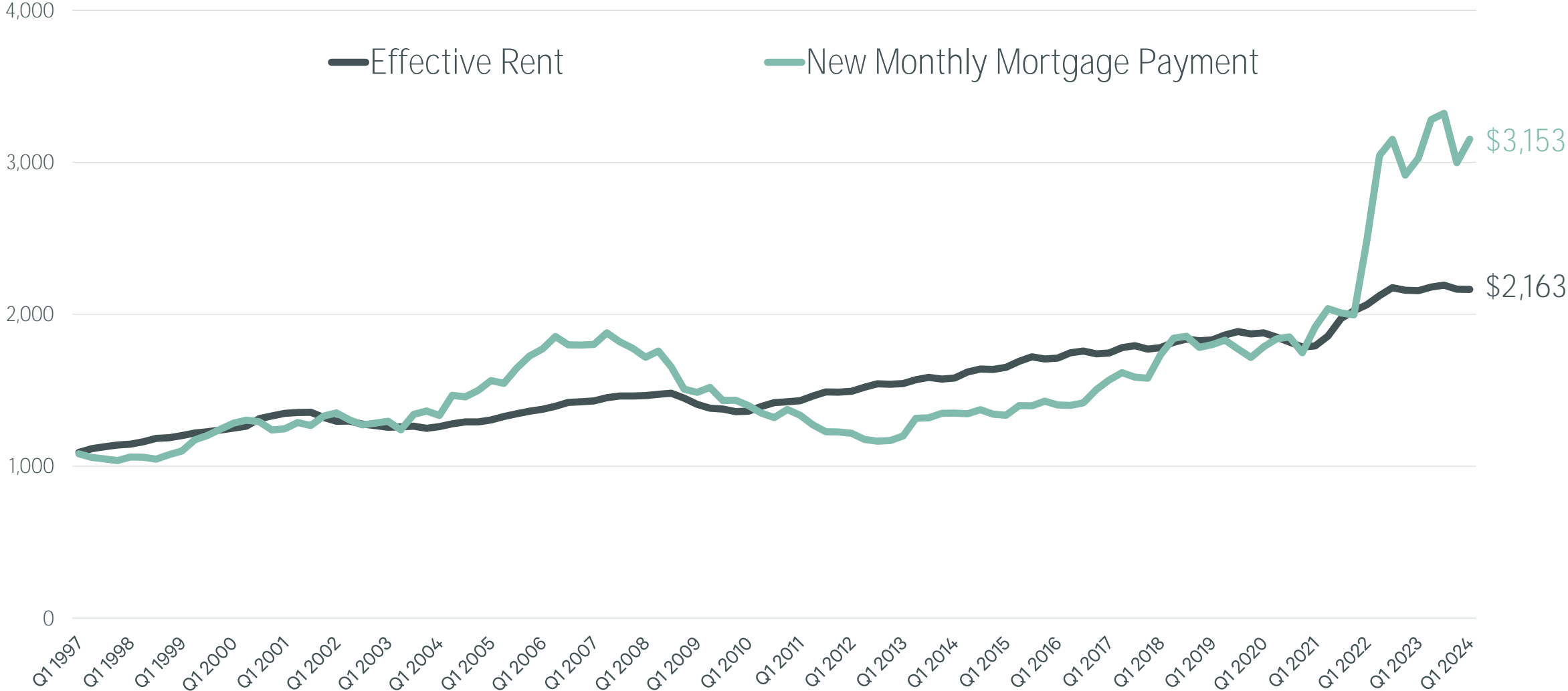
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Multifamily: Rental prices are keeping people in apartments

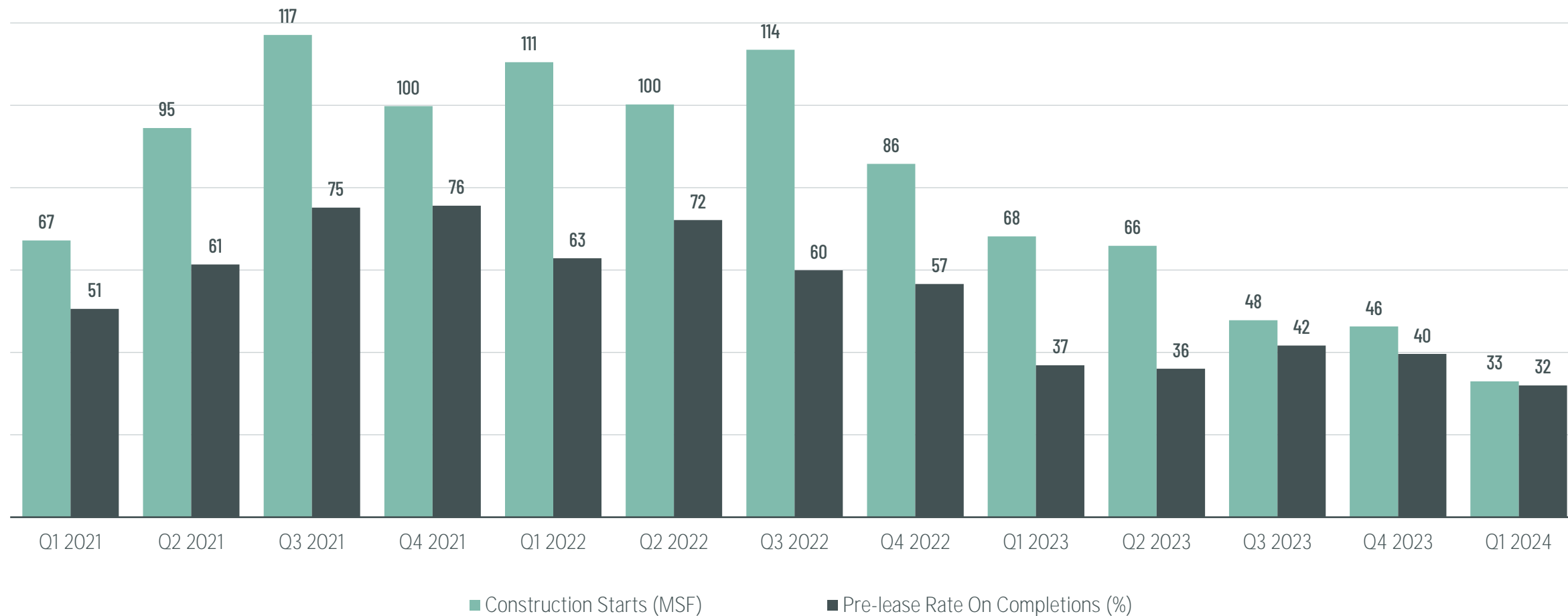
U.S. Average Rent vs. New Mortgage Payment, \$



Source: CBRE Research, CBRE Econometric Advisors, Freddie Mac, U.S. Census Bureau, Realtor.com®, FHFA, Q1 2024.

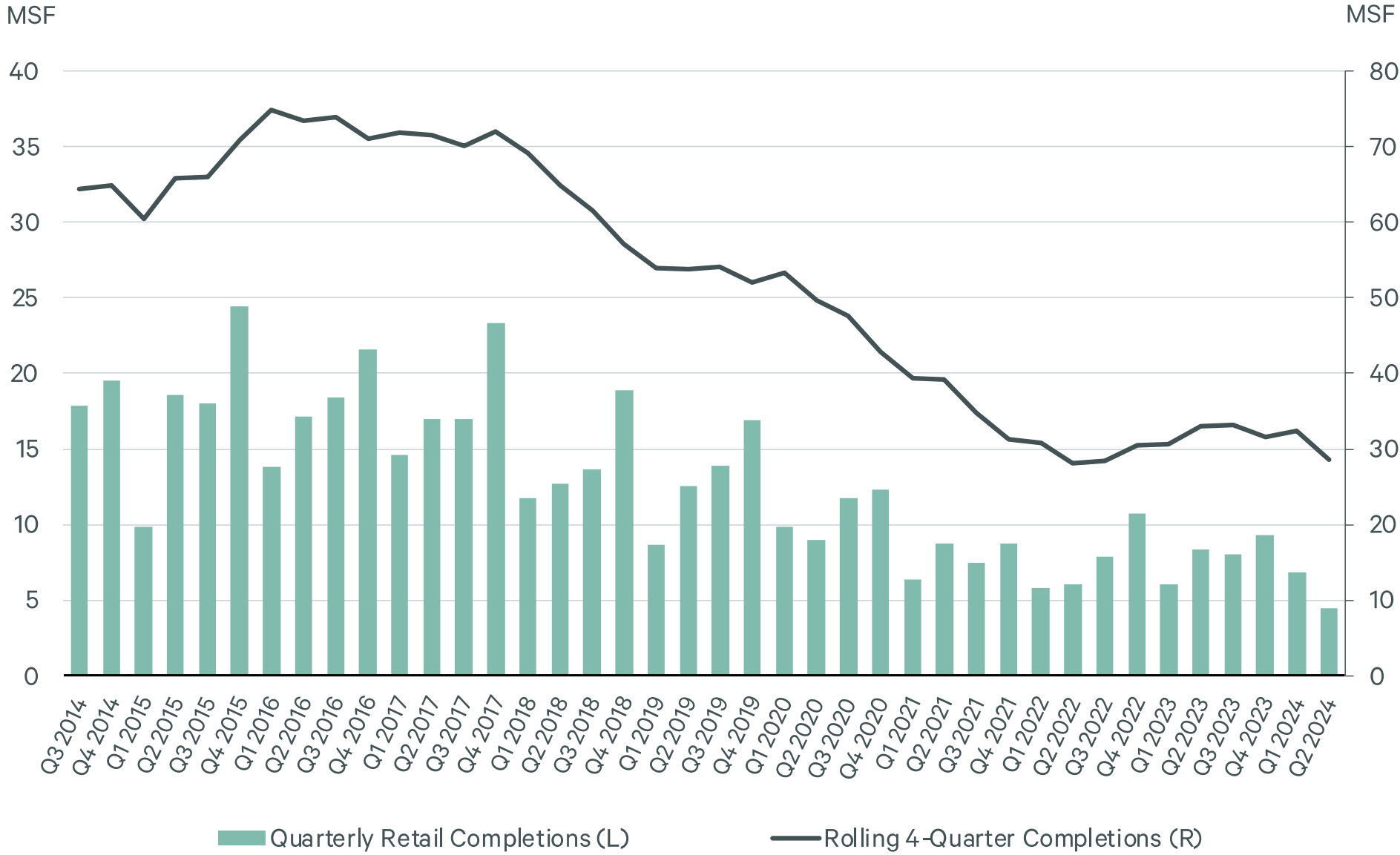
Overall, construction starts are quickly decelerating

Industrial Pre-Leasing Rate (%) Relative to Construction Starts, Millions SF



Source: CBRE Econometric Advisors

Retail completions hit lowest level in more than 10 years



Source:
 CBRE
 Econometric
 Advisors
 Q2 2024.

Where is the Emerald City?

THE
WeeklyTAKE

Glenn Gilmore

Demographer
Brick & Timber Collective

EPISODE 524

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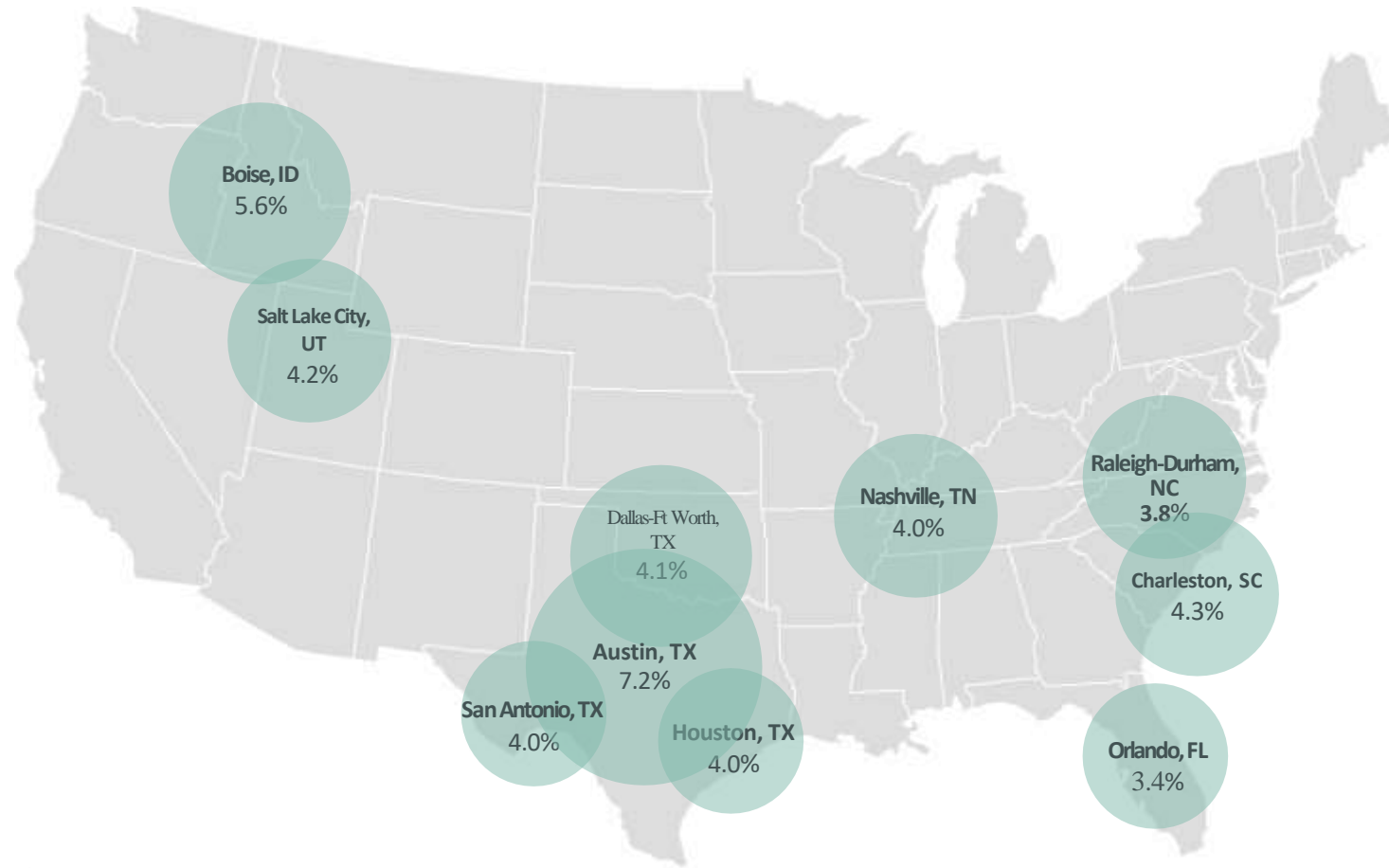
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Scoring Tech Talent

01 San Francisco Bay Area 83.2	02 Seattle 72.1	03 New York Metro 67.5	04 Toronto 66.5	05 Austin 66.1	06 Washington, D.C. 65.3	07 Boston 63.9	08 Denver 62.3	09 Dallas-Ft. Worth 61.3	10 Ottawa 57.1
11 Atlanta 56.2	12 Salt Lake City 56.1	13 Los Angeles-Orange County 55.5	14 Raleigh-Durham 53.1	15 San Diego 53.0	16 Vancouver 53.0	17 Calgary 52.9	18 Phoenix 51.3	19 Montreal 49.4	20 Baltimore 49.2
21 Waterloo Region 48.5	22 Detroit 48.2	23 Chicago 47.9	24 Philadelphia 46.8	25 Minneapolis-St. Paul 46.6	26 Charlotte 46.2	27 South Florida 45.5	28 Portland 43.9	29 Madison 43.0	30 Tampa 43.0
31 Houston 42.1	32 Orlando 41.3	33 Kansas City 40.0	34 St. Louis 38.6	35 Columbus 38.5	36 Pittsburgh 38.2	37 Nashville 36.1	38 Sacramento 34.6	39 Indianapolis 32.5	40 San Antonio 32.4
41 Hartford 30.8	42 Cincinnati 30.4	43 Jacksonville 30.4	44 Cleveland 27.9	45 Quebec City 26.7	46 Richmond 26.5	47 Edmonton 25.7	48 Virginia Beach 25.4	49 Milwaukee 24.6	50 Inland Empire 19.4

Forecasted Population Growth, 2023 to 2027

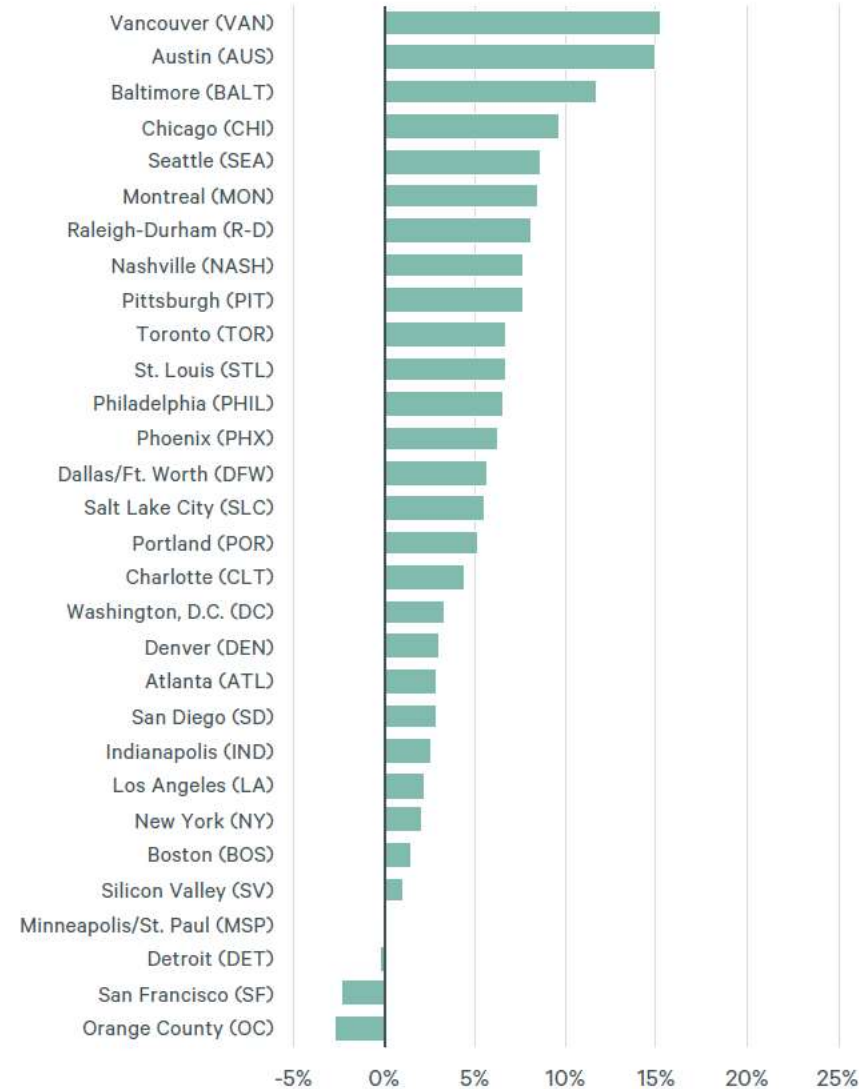


Source: CBRE Research, Q2 2024. Depicts tracked industrial markets with $\pm 1M$ population or higher.

Note: Growth is reflected from a 50-mile radius from each market's core.

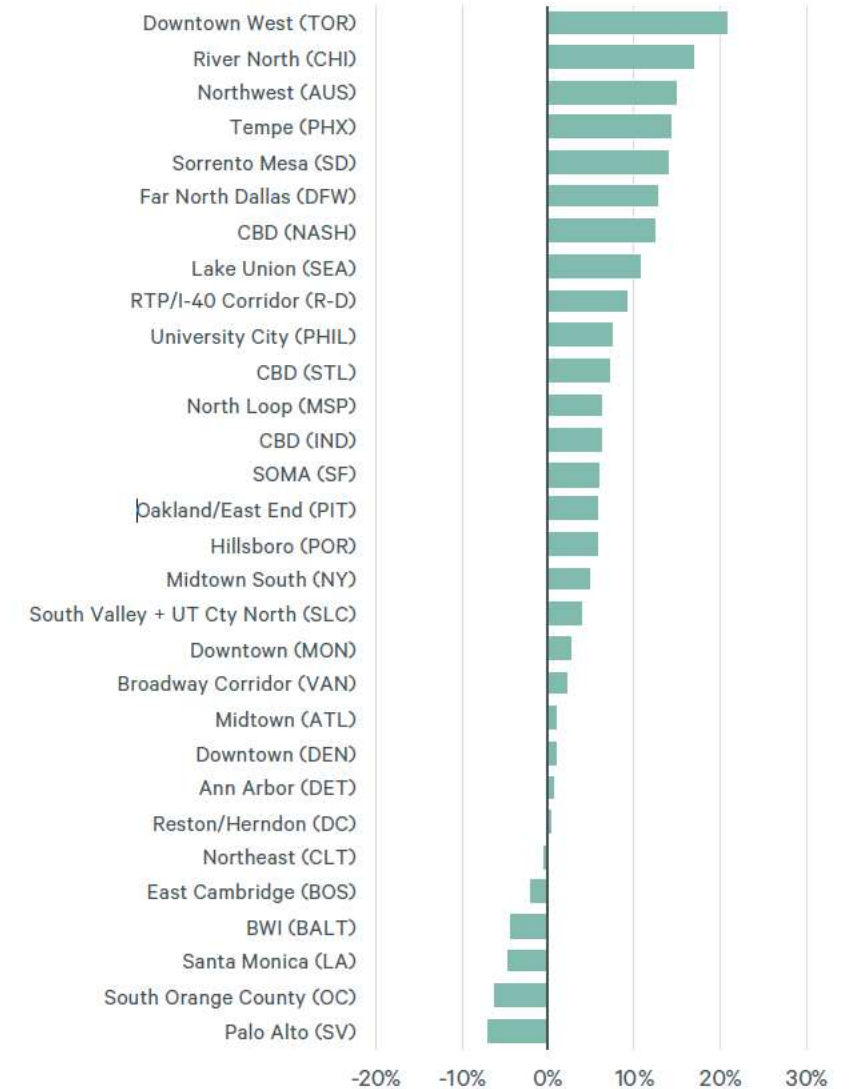
Tech-30 Markets and Submarkets

FIGURE 9.1: Rent Growth Overall Market Q2 2021 vs. Q2 2023



Source: CBRE Research, Q2 2023.

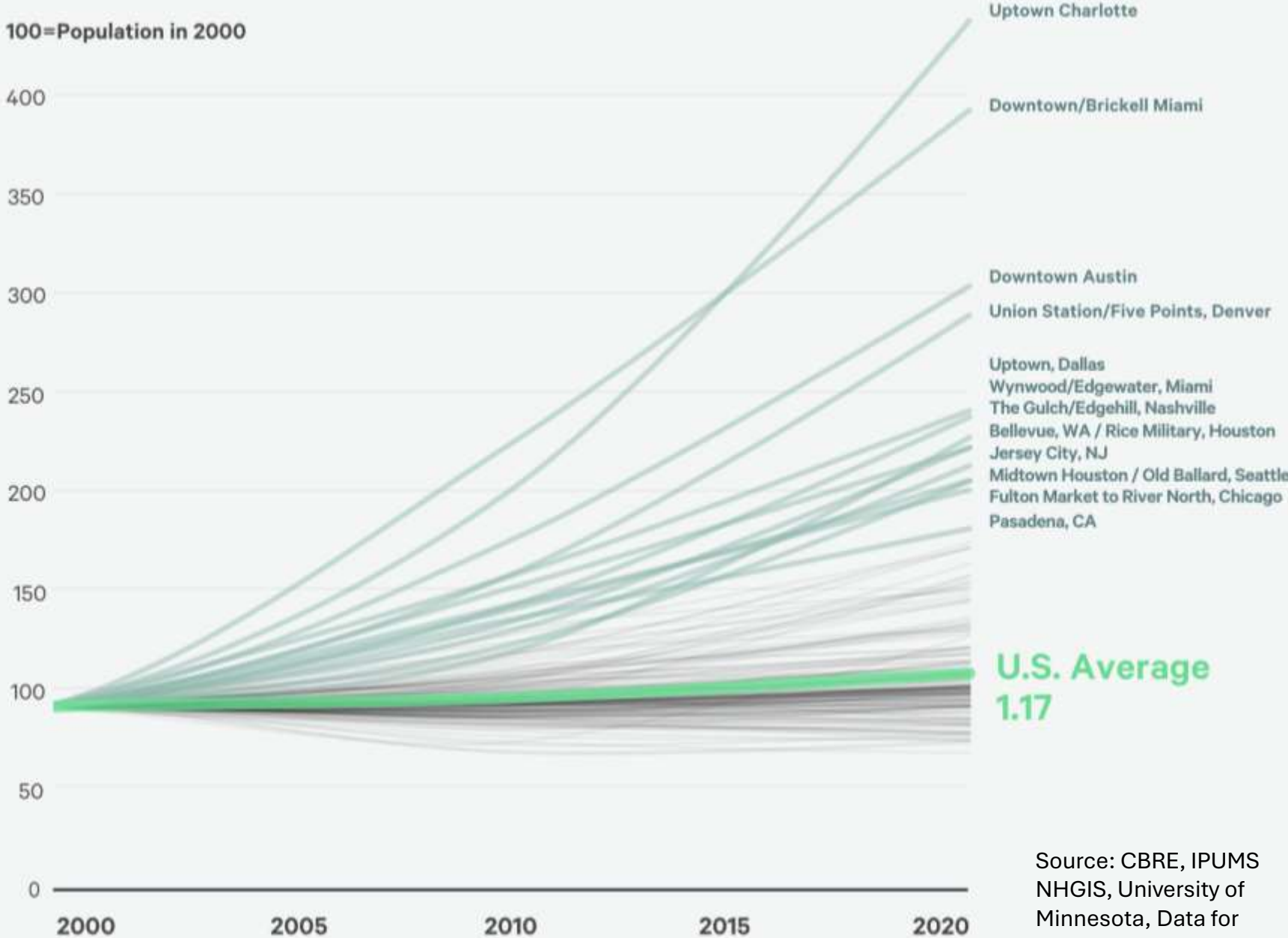
FIGURE 9.2: Rent Growth Top Tech Submarket Q2 2021 vs. Q2 2023



Source: CBRE Research, Q2 2023.

Emerging Live-Work-Play neighborhoods grew rapidly

Population Change in Urban Neighborhoods 2000-2020



Source: CBRE, IPUMS NHGIS, University of Minnesota, Data for Good at Meta, 2024.

If I Only Had a Heart

Our estimates imply that impact funds underperform the public market on a risk-adjusted basis by **-\$0.47 per \$1** invested, compared to **-\$0.33 per \$1 invested for matched** funds.

Jessica Jeffers, Tianshu Lyu & Kelly Posenau
“The risk and return of impact investing funds”
Journal of Financial Economics

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Nadir Settles

Global Head of
Real Estate Impact
Nuveen

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Conclusion

CBRE

What Really Matters

LWP

Manufacturing

Maximum
Return

Brains

Courage

And One Other
Thing....

What is Oz?

What is Oz?



Oz

noun ('äz)

an ideal or fantastical place

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