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MARKET OUTLOOK

APRIL 13, 2023



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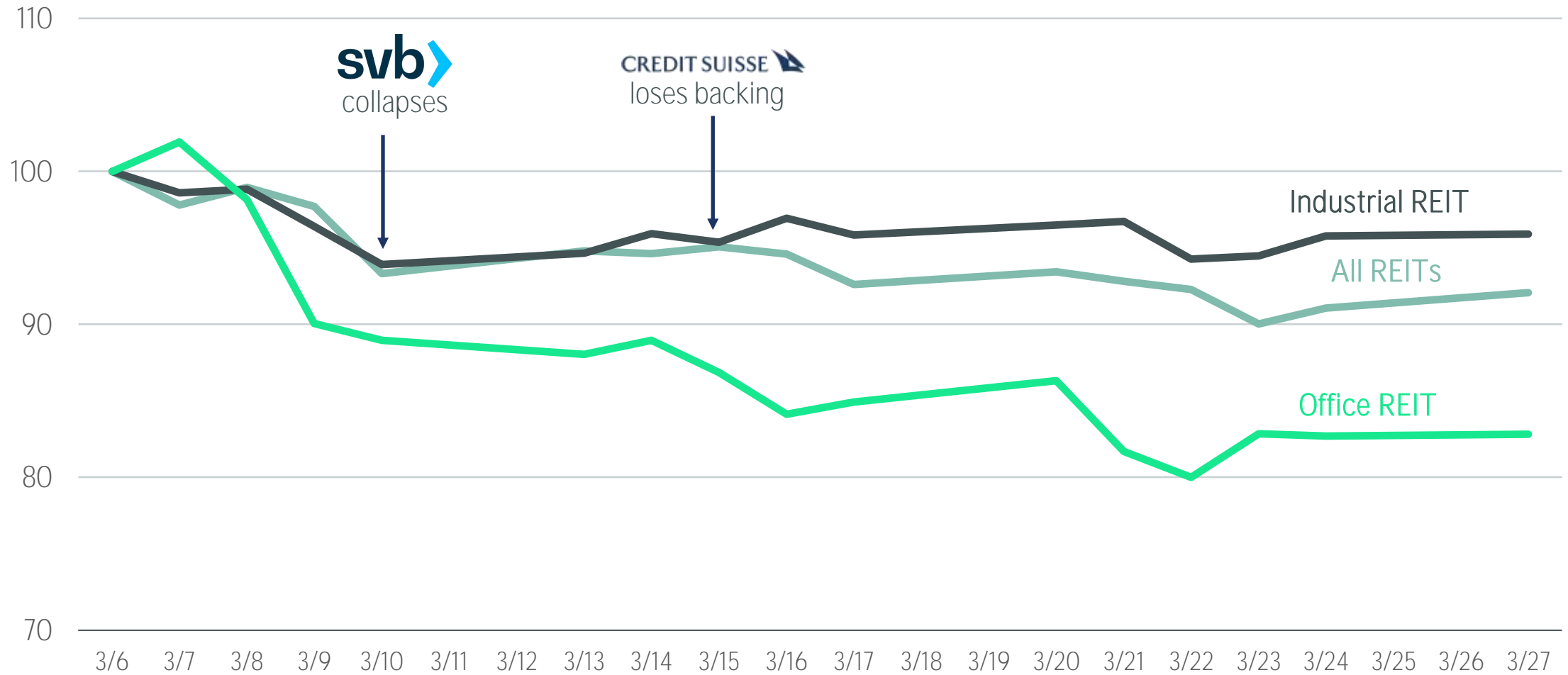
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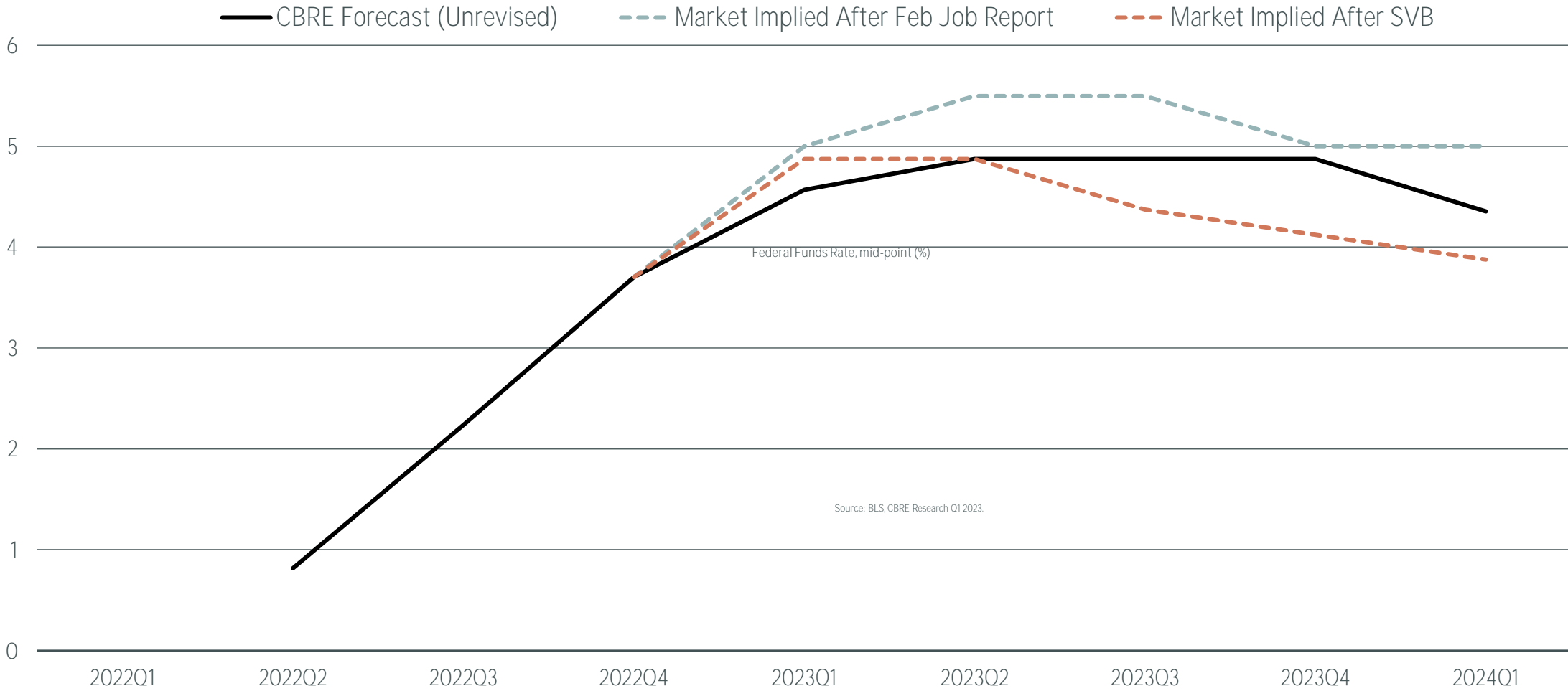
Pain is not Universal

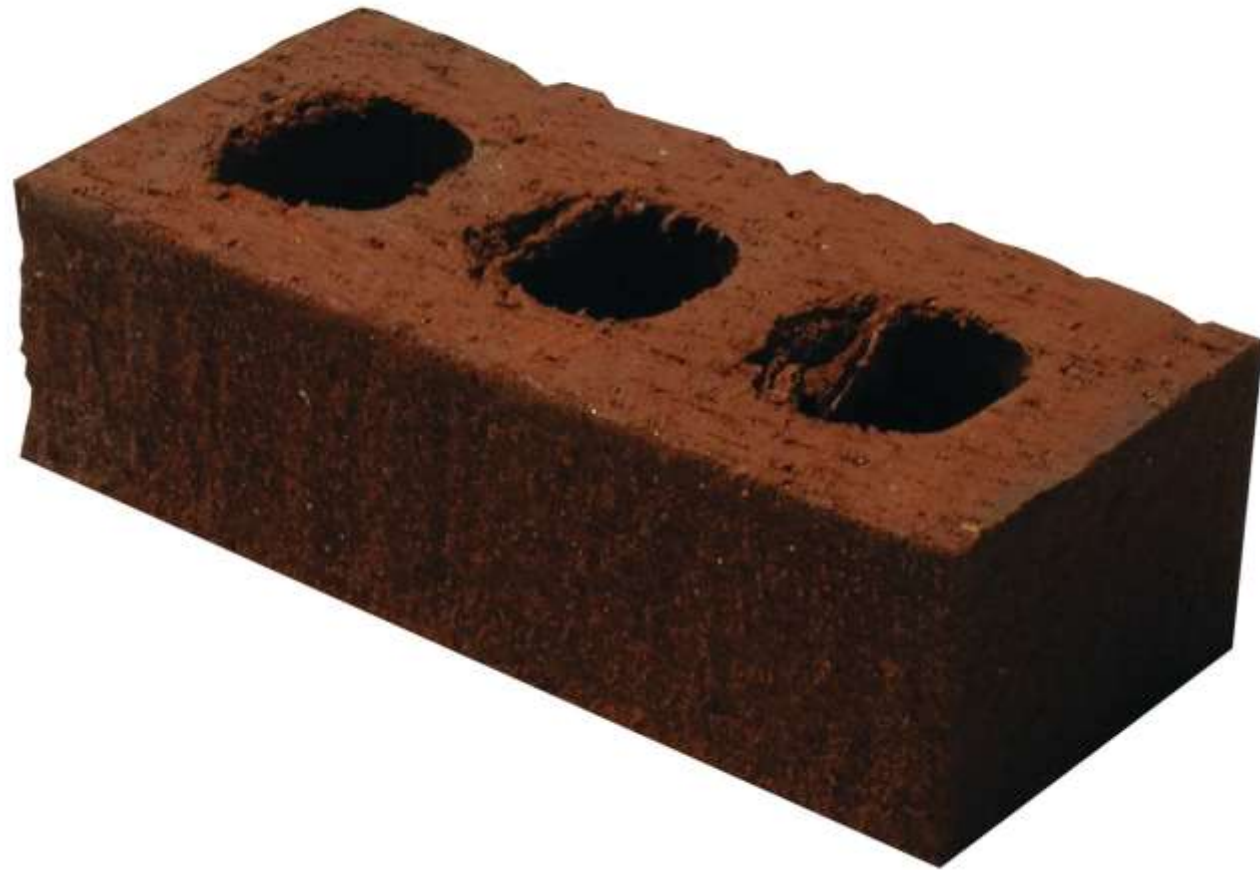
REIT changes in recent weeks (Index = Value on March 6, 2023)



Source: Yahoo Finance, INDXX, Barrons, CBRE Research.

Our Fed Funds Forecast May Need to be Updated











Chicago Daily Tribune

DEWEY DEFEATS TRUMAN

G. O. P. Sweep Indicated in State; Boyle Leads in C

REPUBLICAN Tops Caughlin
in Hot Race
LEADS for Attorney
VOTE

RECORD CITY
VOTE SEEN IN
LATE TALLIES

VOTING IN ELECTING

Early Count
Given G. O. P.
Senate Edge



PONG

CAPITAL MARKETS VS FUNDAMENTALS

MARKET FORECAST

THE
WeeklyTAKE

Richard Barkham

Global Chief Economist
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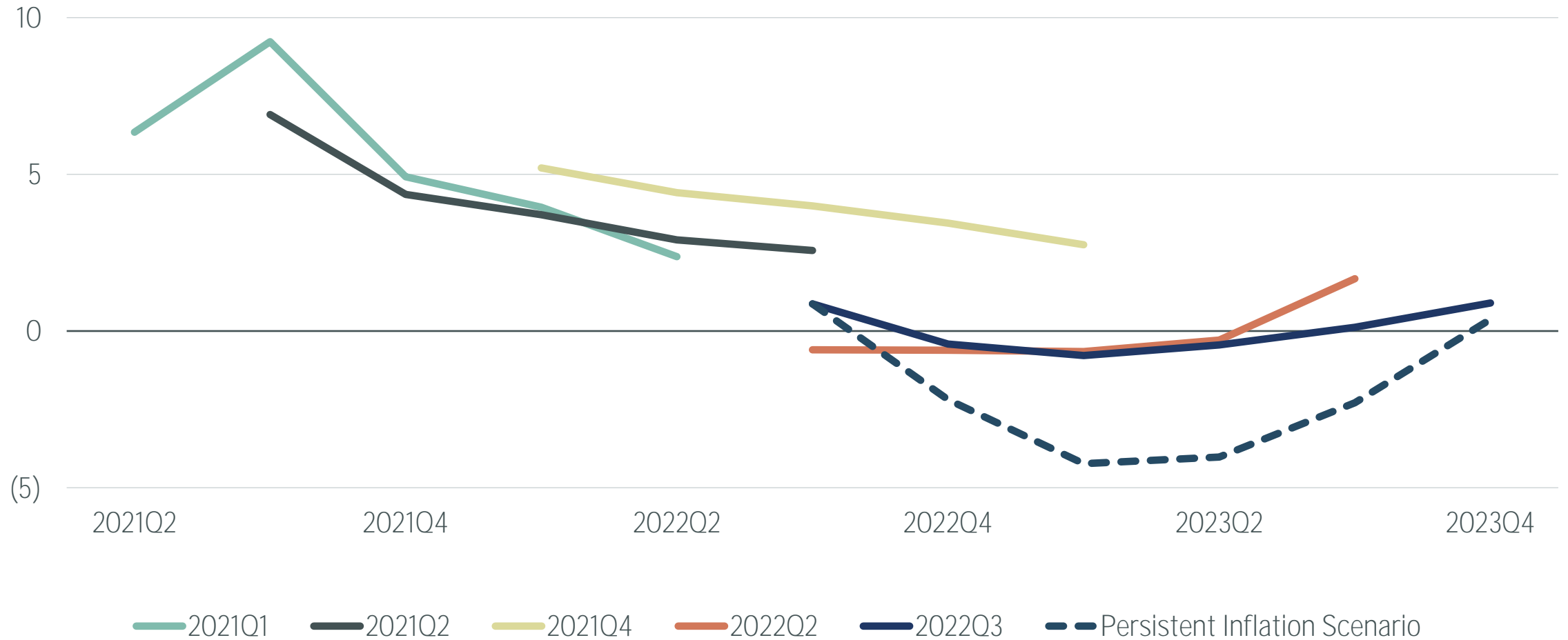
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EL-ERIAN

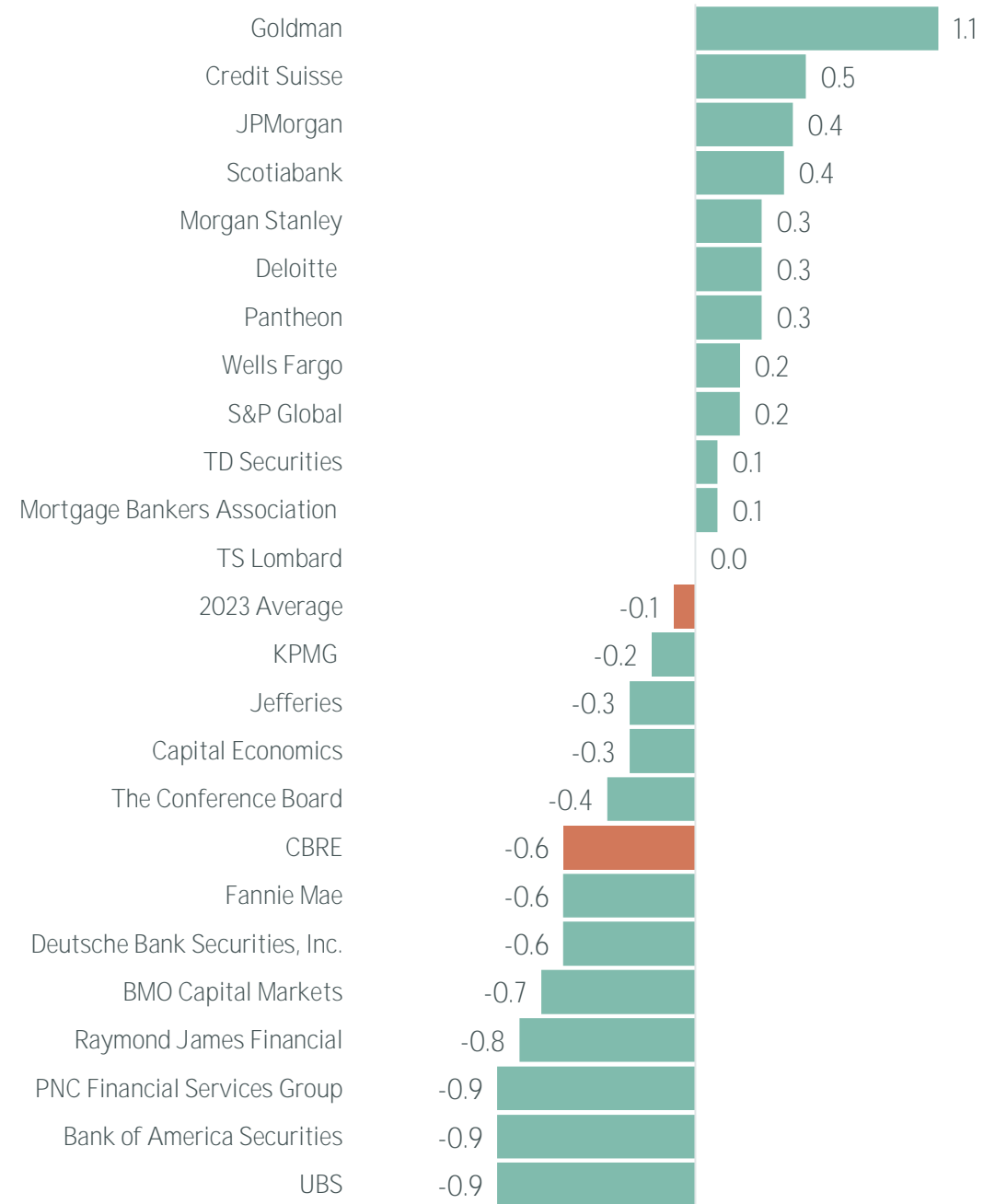
We expect a Mild Recession in 2023

GDP, Y-o-Y Change (%) Across Forecast Vintages & Current Scenarios



2023 GDP Expectations

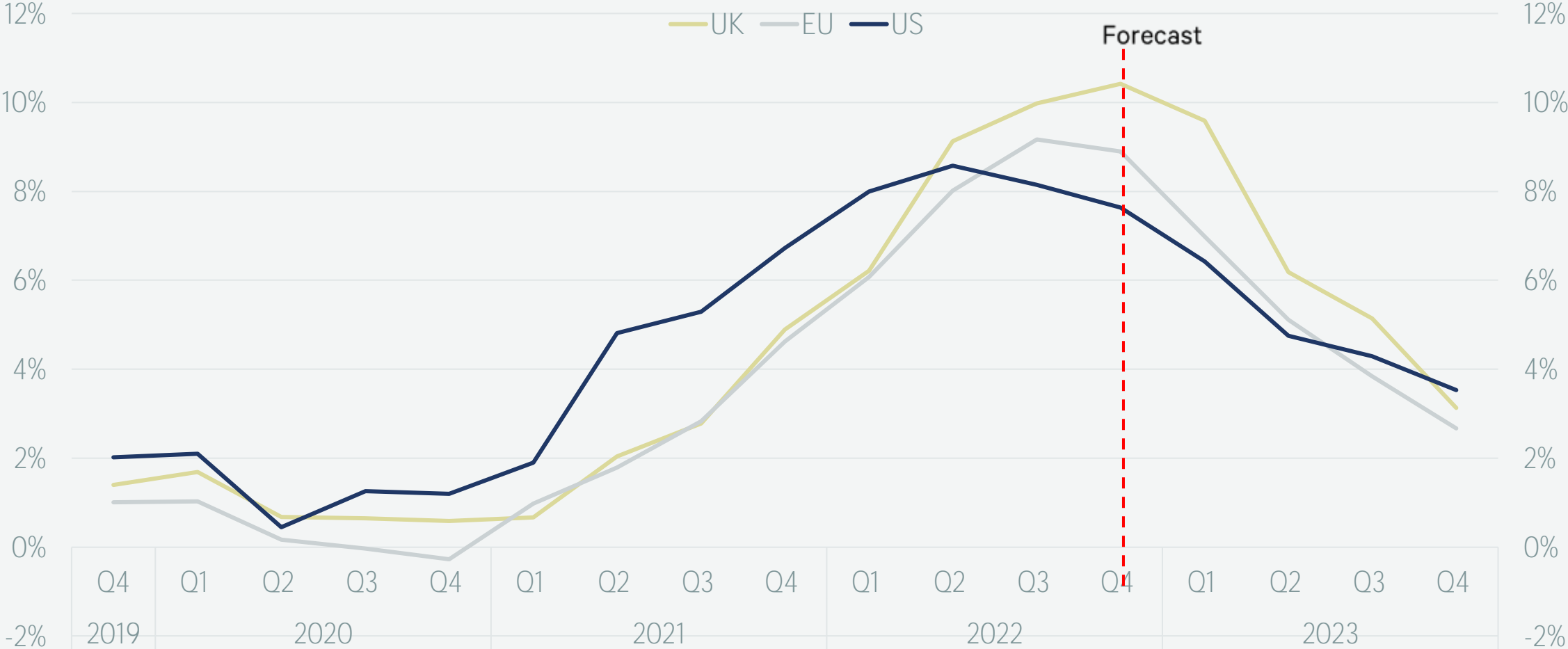
Q4 2023 over Q4 2022 GDP Growth (%)





Inflation Continue to Ease

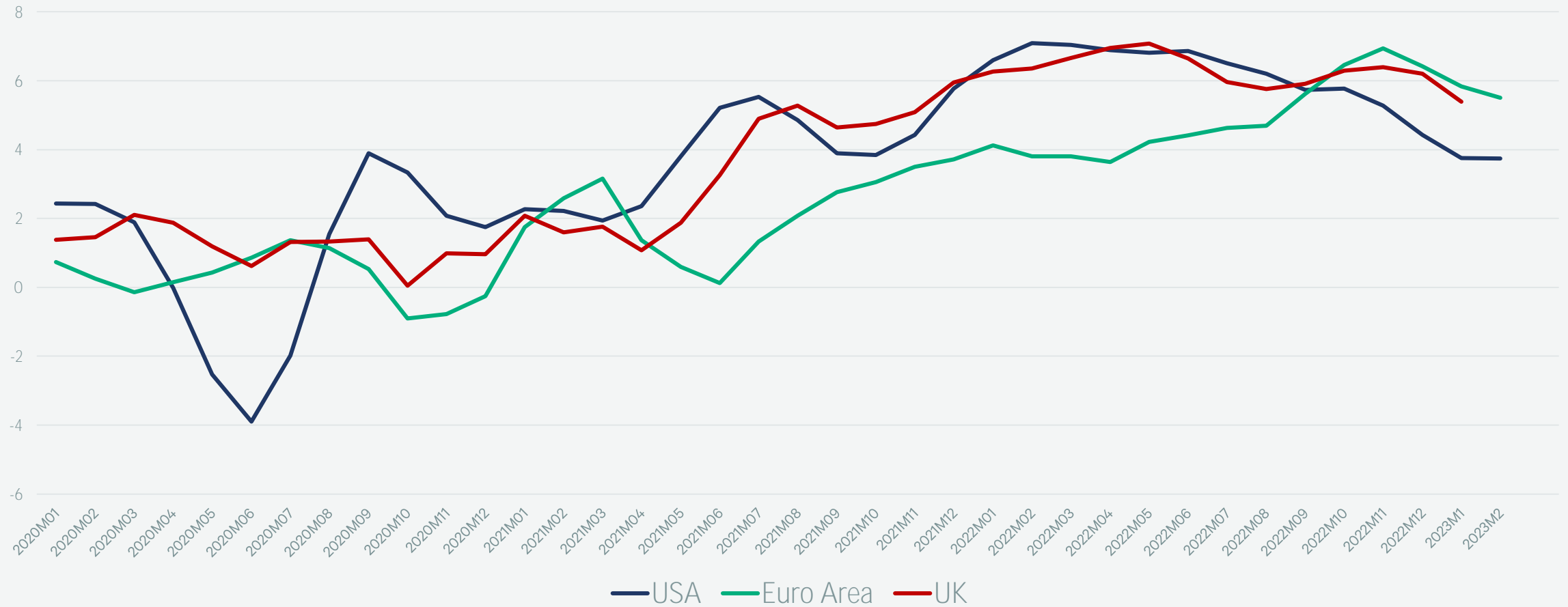
Y-o-Y Inflation Rate (%), Quarterly



Source: OECD, CBRE Research, Q4 2022

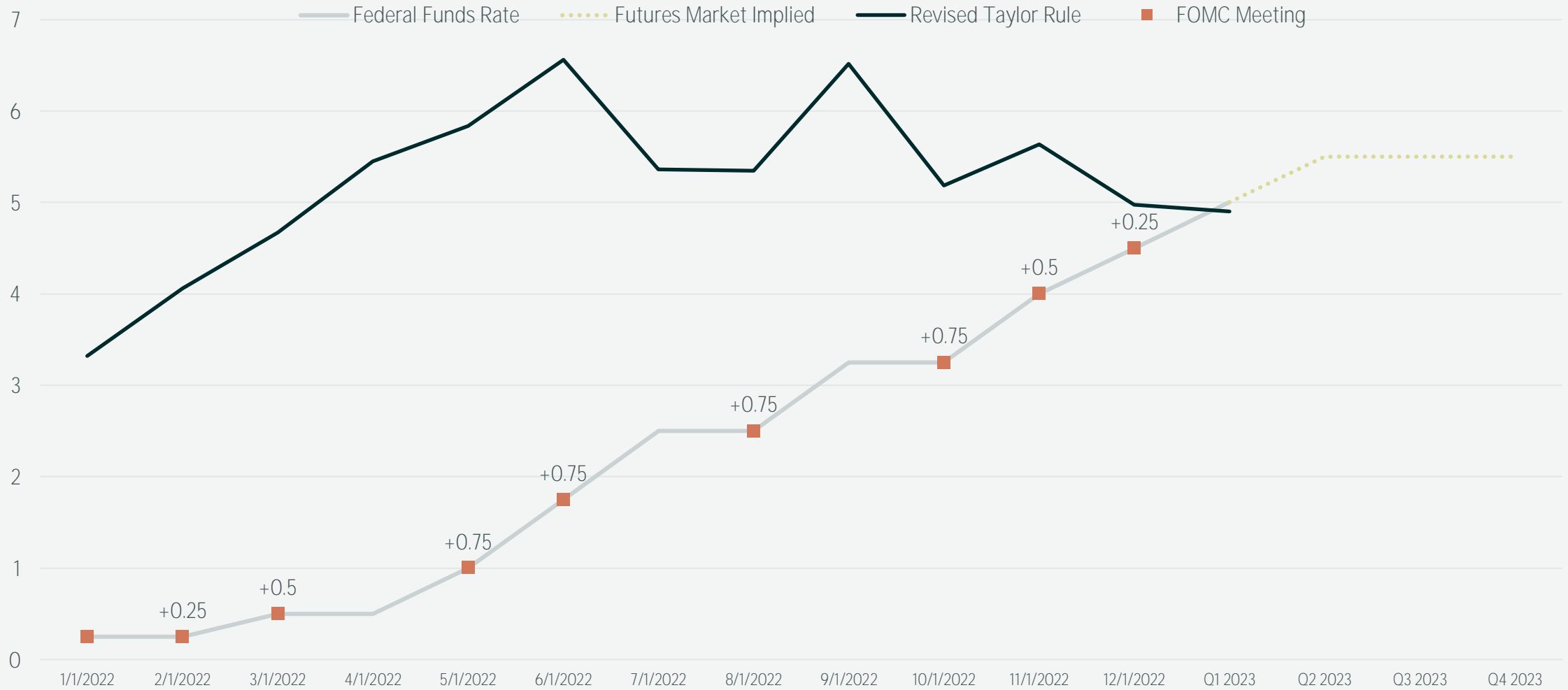
Core Inflation Remains Stubborn

Inflation Minus Food & Energy “Core”



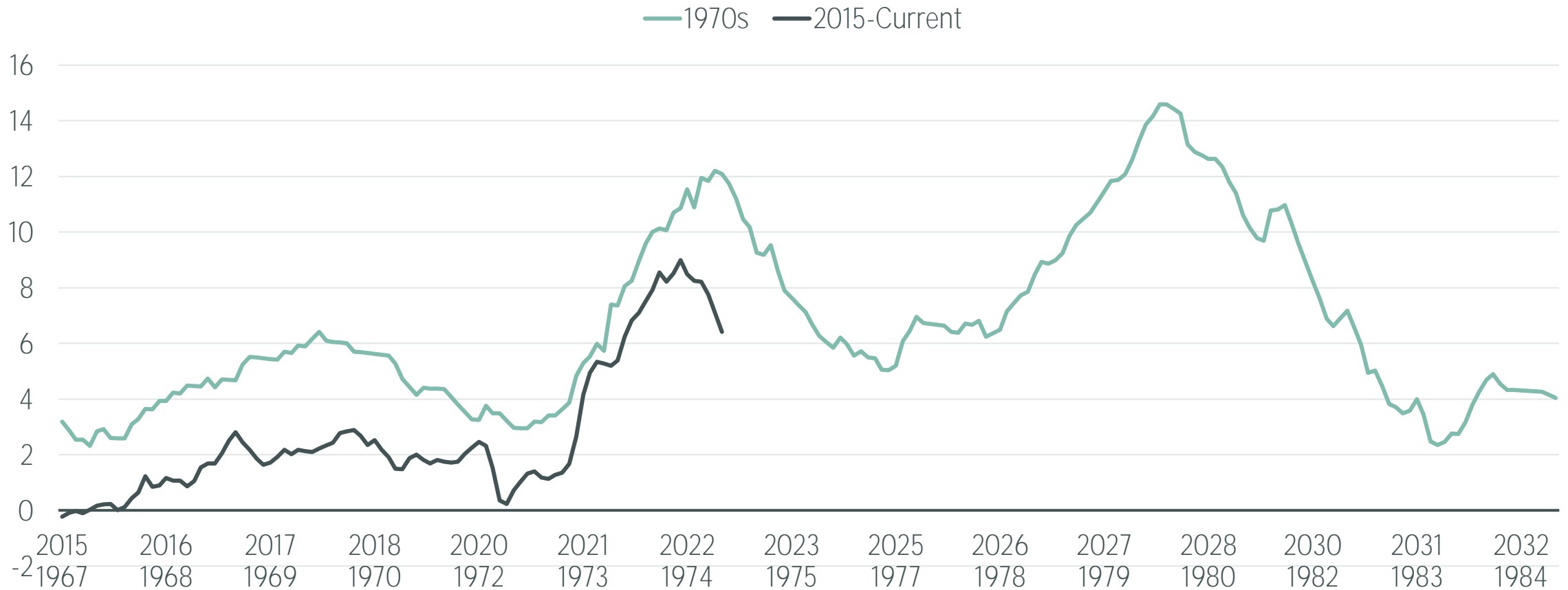
Source: OECD, CBRE Research, Q4 2022

And the Fed Failed to Act on Time!



Source: Federal Reserve, CME, CBRE Research, Q4 2022.

The Fed Doesn't Want to Repeat the 1970s



Source: Federal Reserve, CME, CBRE Research, Q4 2022.

Latest Forecasts

CPI (Q4)						
Geography	2021	2022	2023	2024	2025	2026
US	6.7	7.2	3.9	2.7	2.2	2.2
Euro Area	4.6	9.9	2.5	1.9	1.5	2.0

Latest Forecasts

Short-term Interest Rates (3-mo)

Geography	2021	2022	2023	2024	2025	2026
US	0.13	3.70	4.66	2.49	1.89	2.00
UK	0.13	2.83	4.34	2.95	2.55	2.65
EU	0.00	1.81	3.95	2.91	2.29	2.02

CBRE Econometric Advisors, March 2023



Time Until Next Cut - From Last Hike

In the last four tightening cycles, the time between the *last* hike and first cut...

- Averaged 8.7 months
- Never exceeded 14.6 months

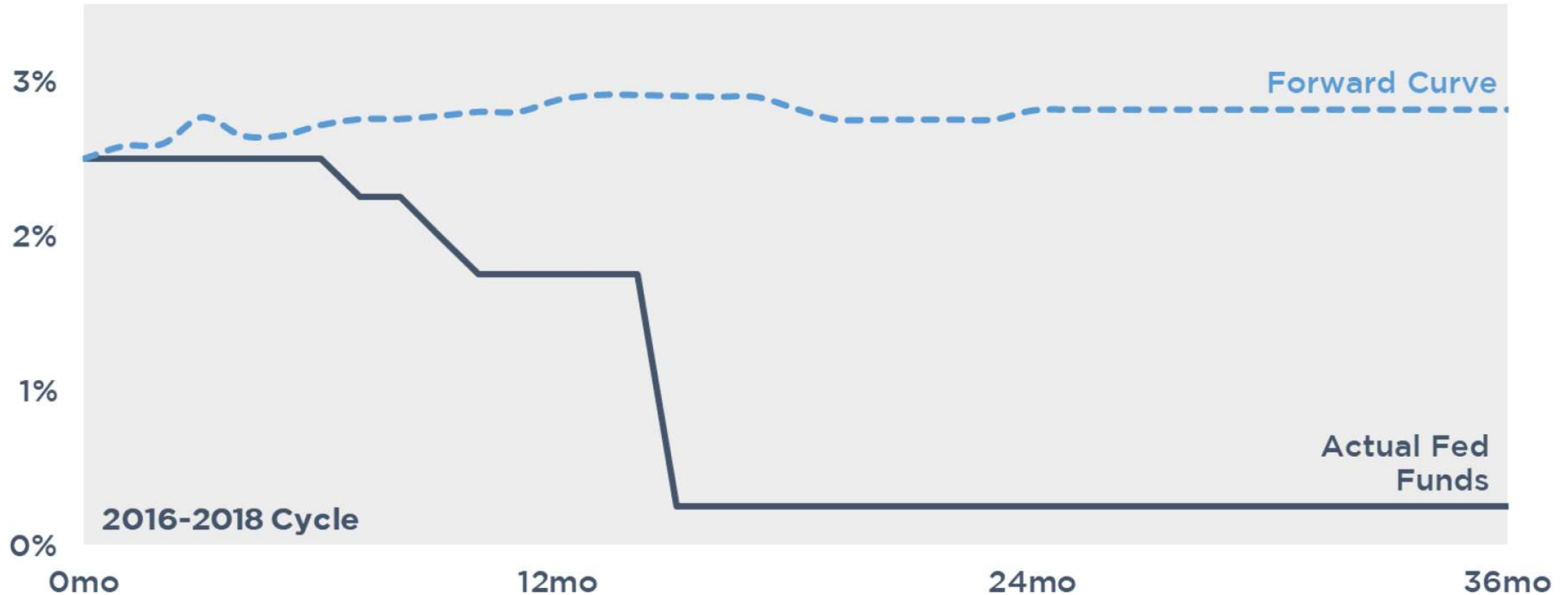
Source: Pensford Capital



Leveling Off | 2016-2018 Tightening Cycle

In the last five tightening cycles, the market has dramatically overestimated the path of floating rates when the Fed stopped hiking

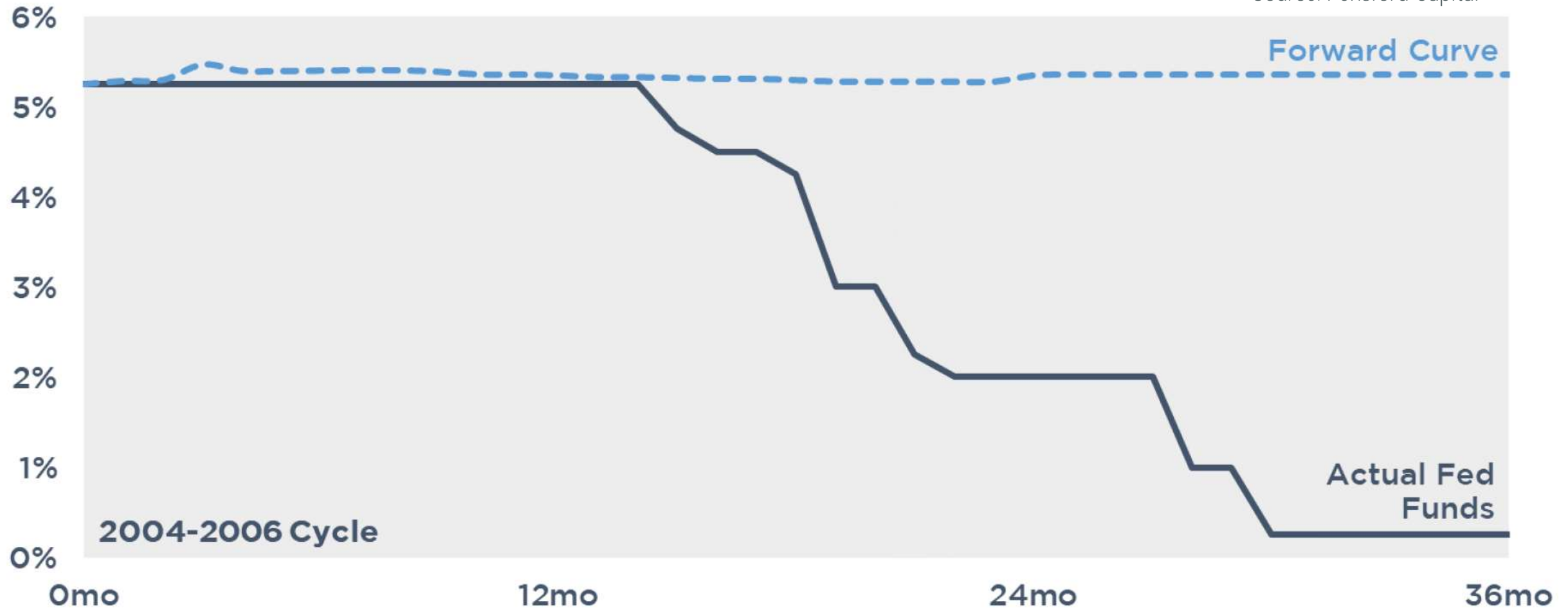
Source: Pensford Capital



Leveling Off | 2004-2006 Tightening Cycle

In the last five tightening cycles, the market has dramatically overestimated the path of floating rates when the Fed stopped hiking

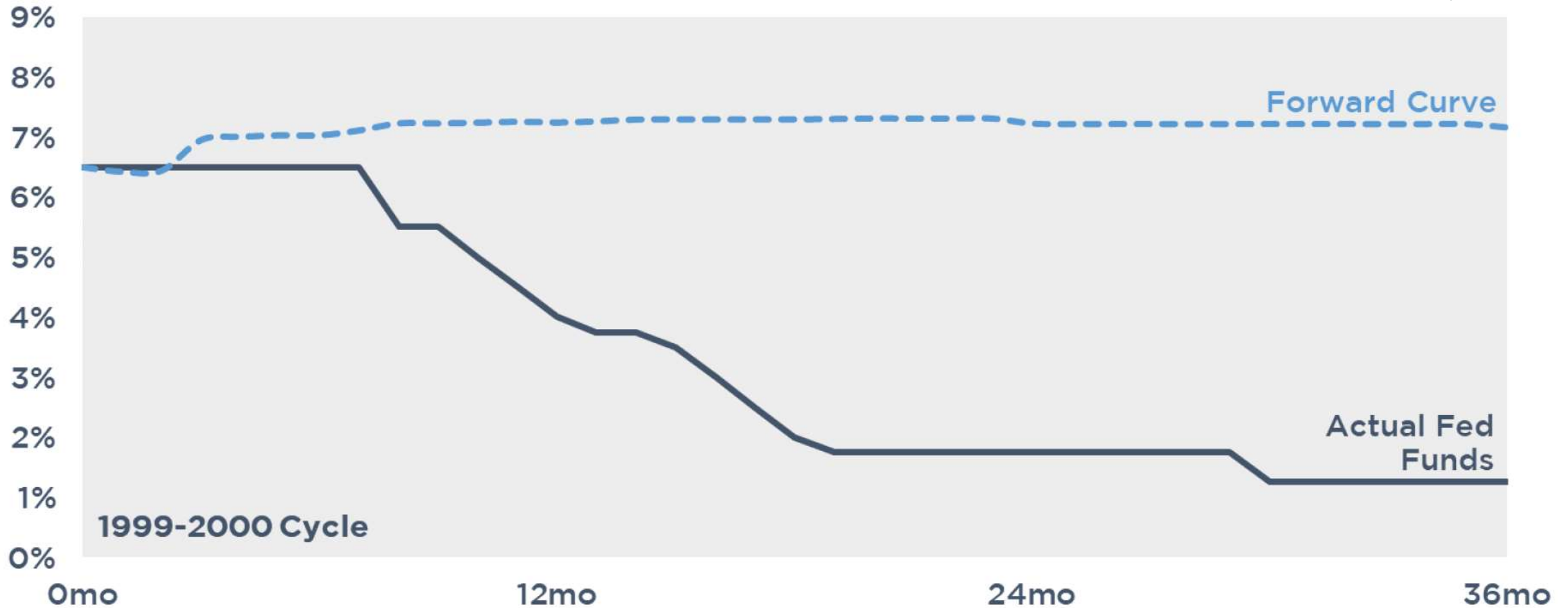
Source: Pensford Capital



Leveling Off | 1999-2000 Tightening Cycle

In the last five tightening cycles, the market has dramatically overestimated the path of floating rates when the Fed stopped hiking

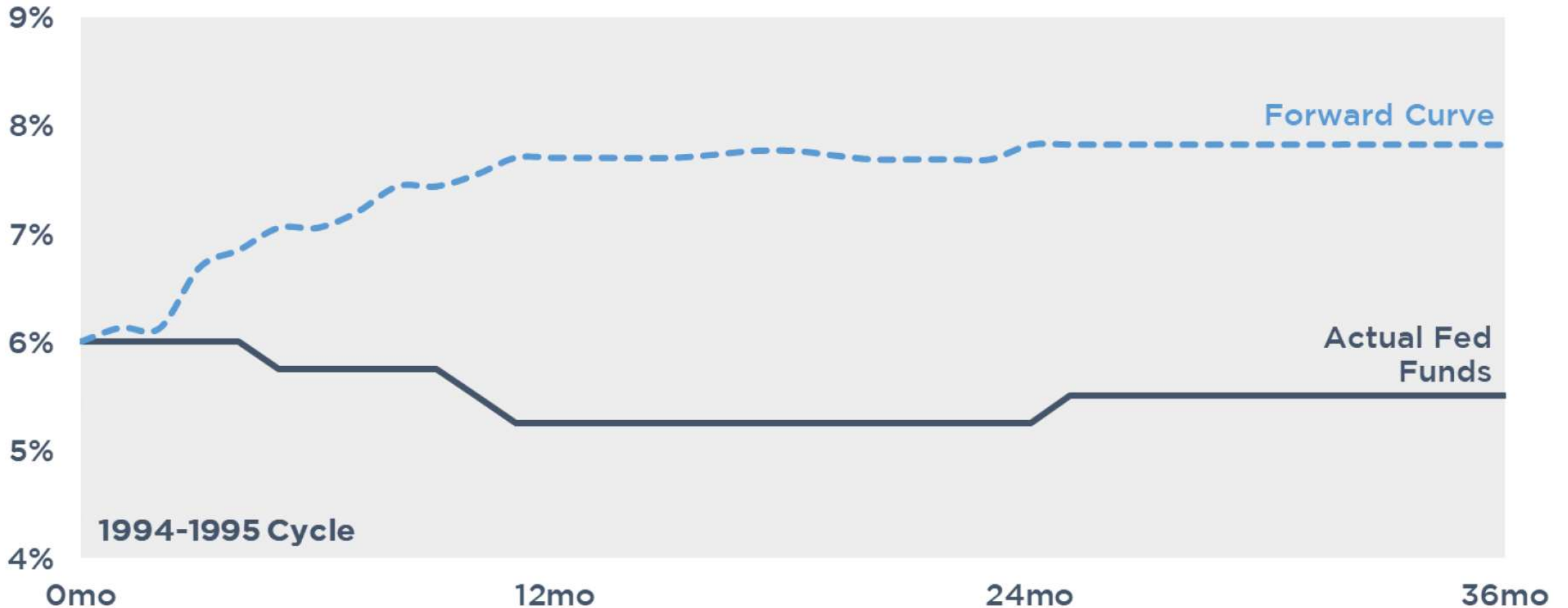
Source: Pensford Capital



Leveling Off | 1994-1995 Tightening Cycle

In the last five tightening cycles, the market has dramatically overestimated the path of floating rates when the Fed stopped hiking

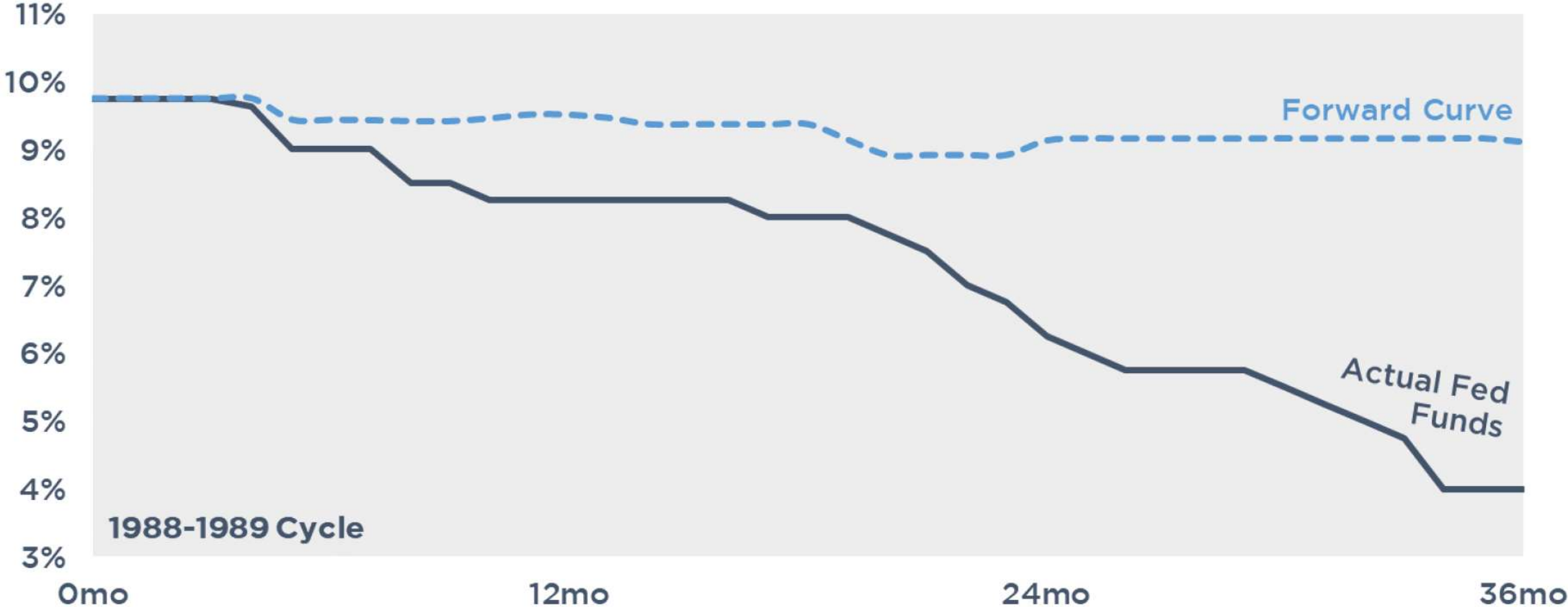
Source: Pensford Capital



Leveling Off | 1988-1989 Tightening Cycle

In the last five tightening cycles, the market has dramatically overestimated the path of floating rates when the Fed stopped hiking

Source: Pensford Capital



INVESTMENT OUTLOOK

THE
WeeklyTAKE

Chris Ludeman

Global President
Capital Markets
CBRE

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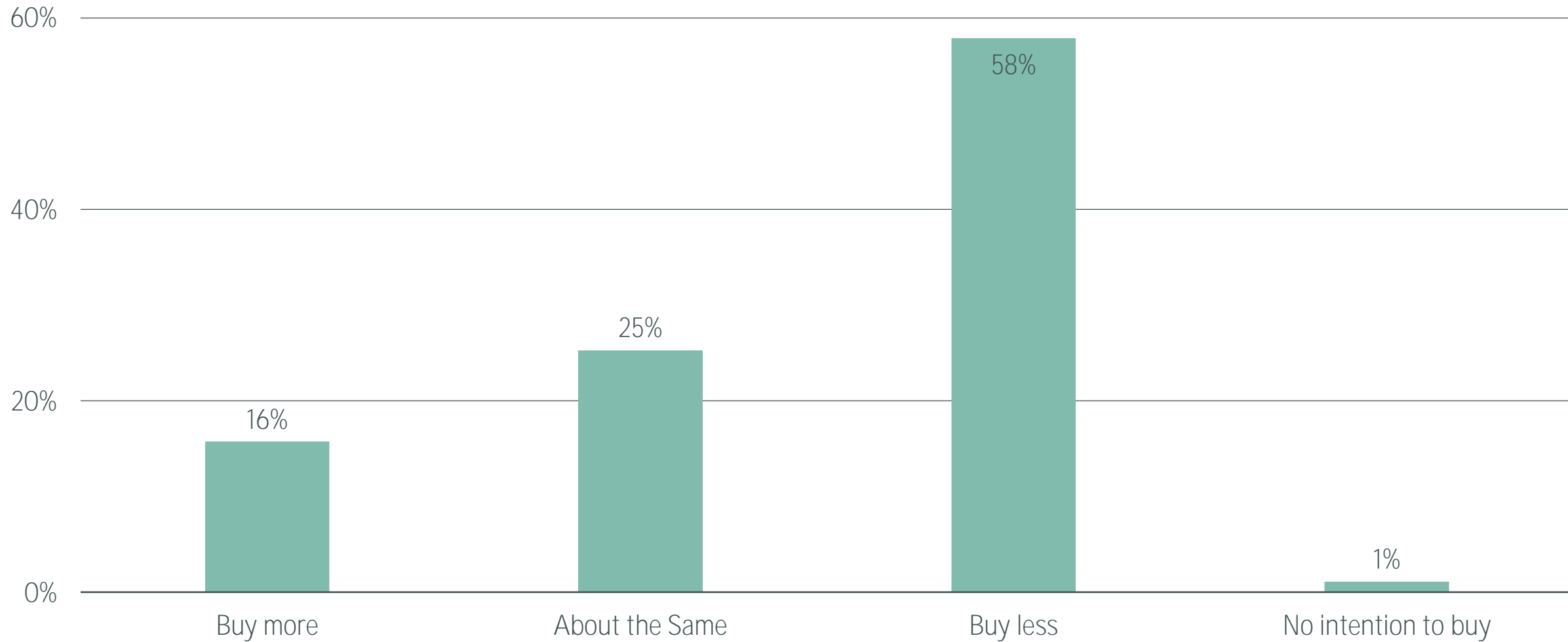
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Over Half of Investors Expect to Buy Less in 2023

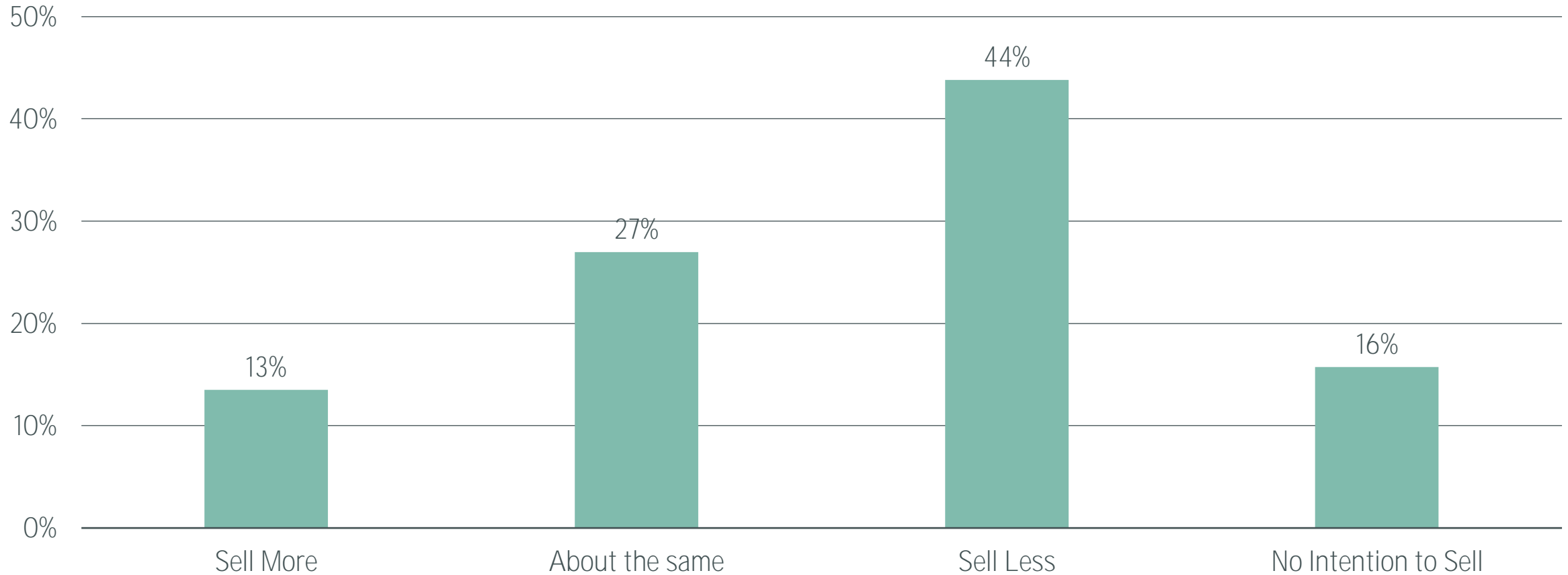
United States 2023 Purchasing Activity Expectations



Source: Source: U.S. Investor Intentions Survey, CBRE Research, December 2022

Only One-Fifth of Investors are Expecting to Sell More in 2023

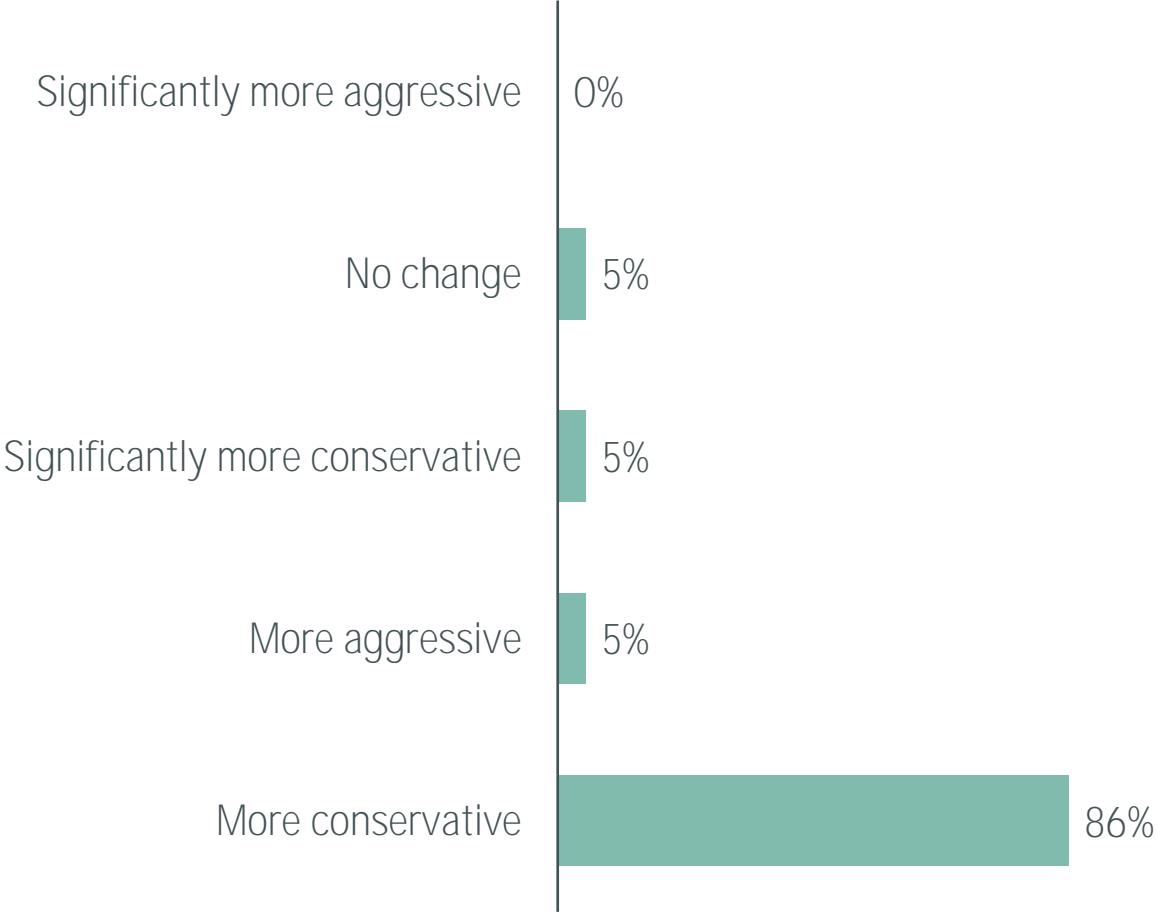
United States 2023 Selling Activity Expectations



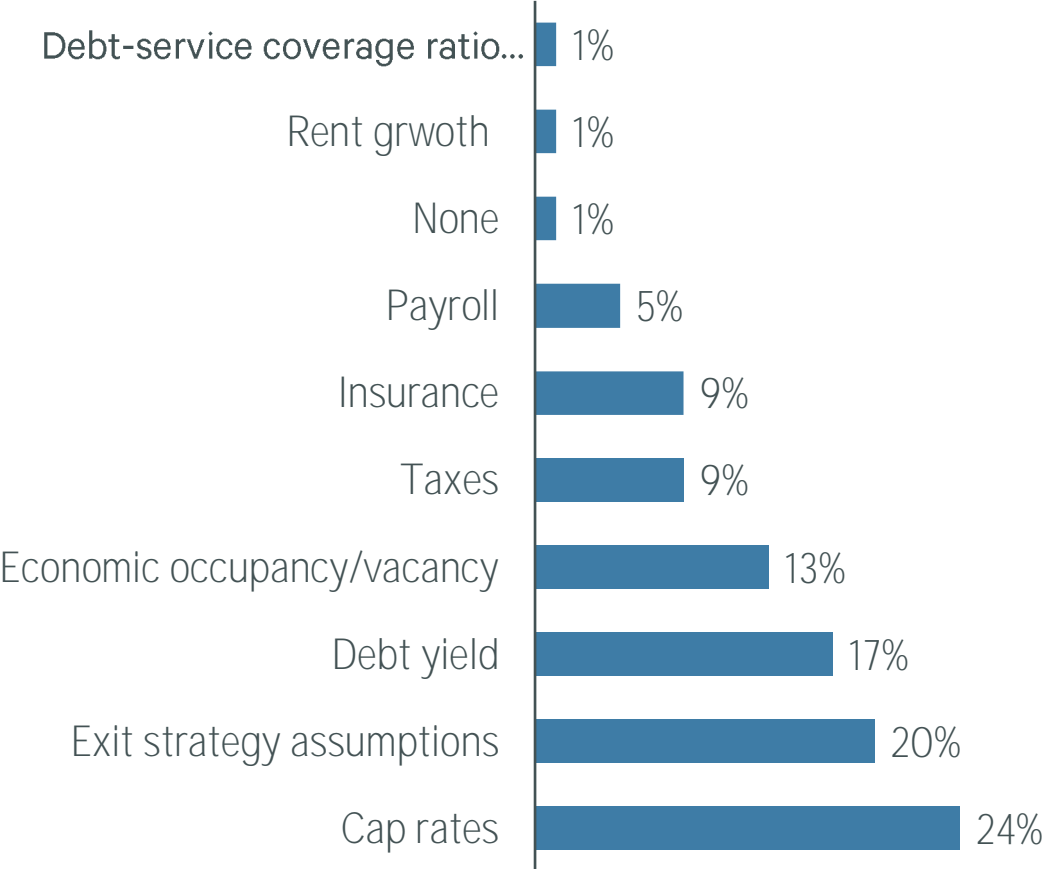
Source: Source: U.S. Investor Intentions Survey, CBRE Research, December 2022

Debt Markets Remain Tough in 2023

Expected Changes to Underwriting Assumptions in 2023



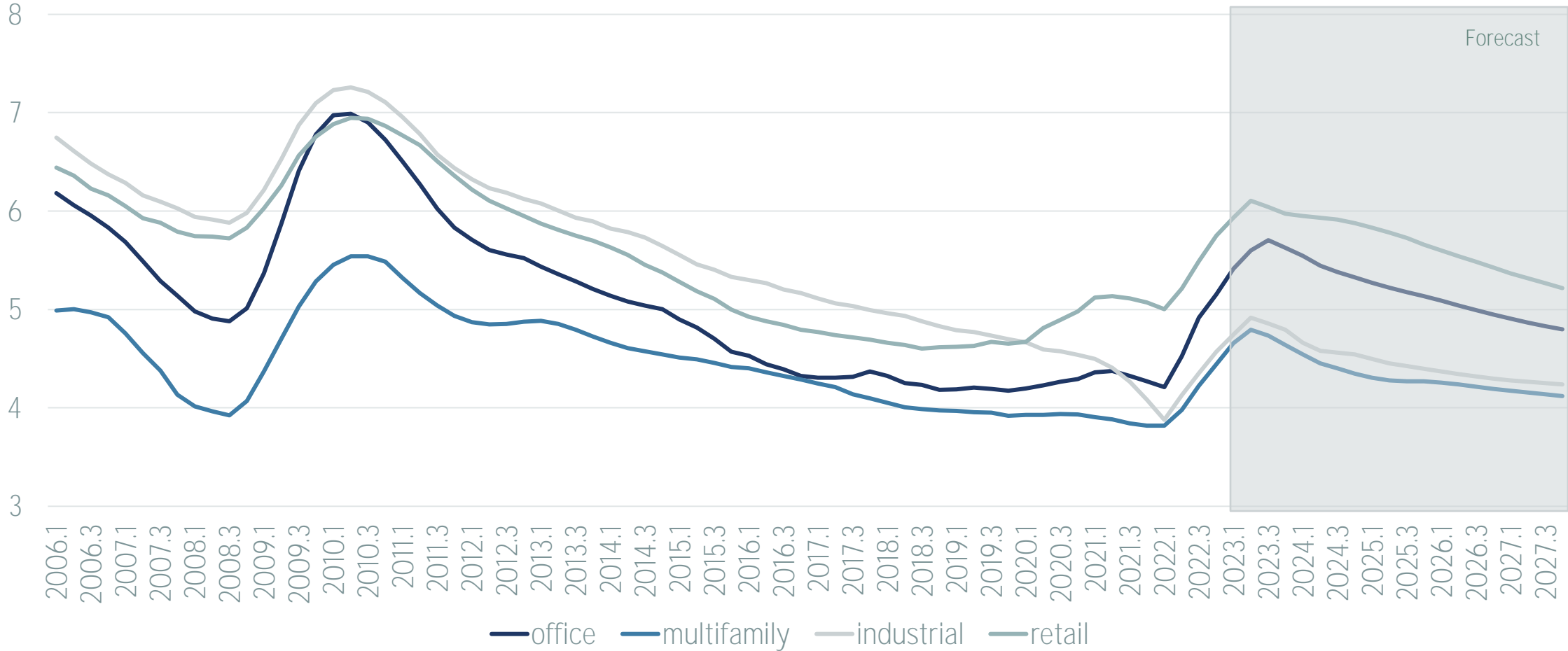
Main Areas of Changes in Pro Forma Underwriting Assumptions



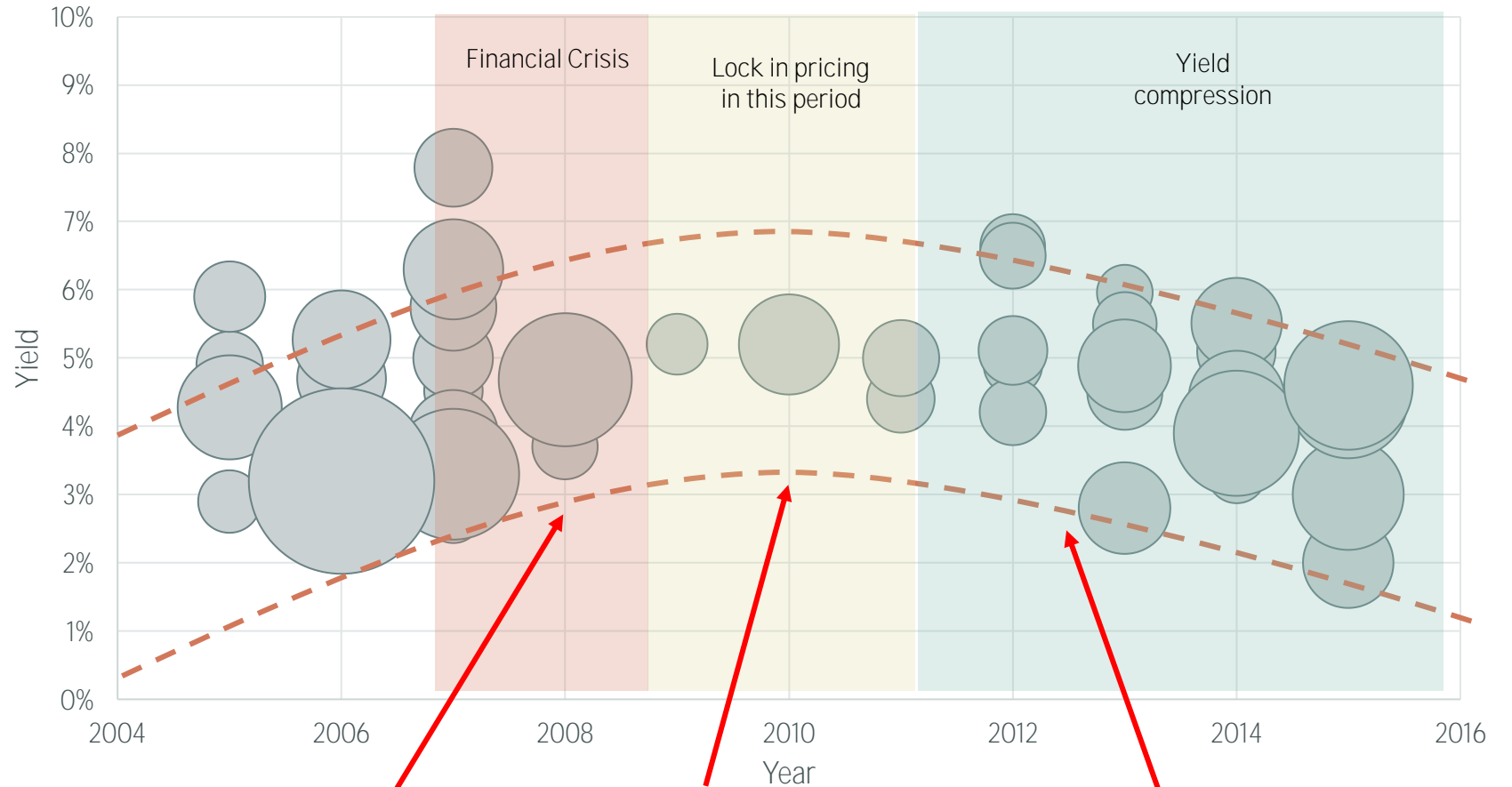
Source: Source: U.S. Lender Intentions Survey, CBRE Research, December 2022

Higher Debt Cost Puts Upward Pressure on Cap Rates

Cap Rates (%)



New York – CRE Investments Pre & Post-GFC Transactions US\$500m+ (2005-2015)



This chart represents the window of time when pricing discounts were achieved following the GFC. Unique conditions following a downturn—in this case zero interest rates—will impact performance differently.

Values fall during a crisis (we are at this point in the cycle now)

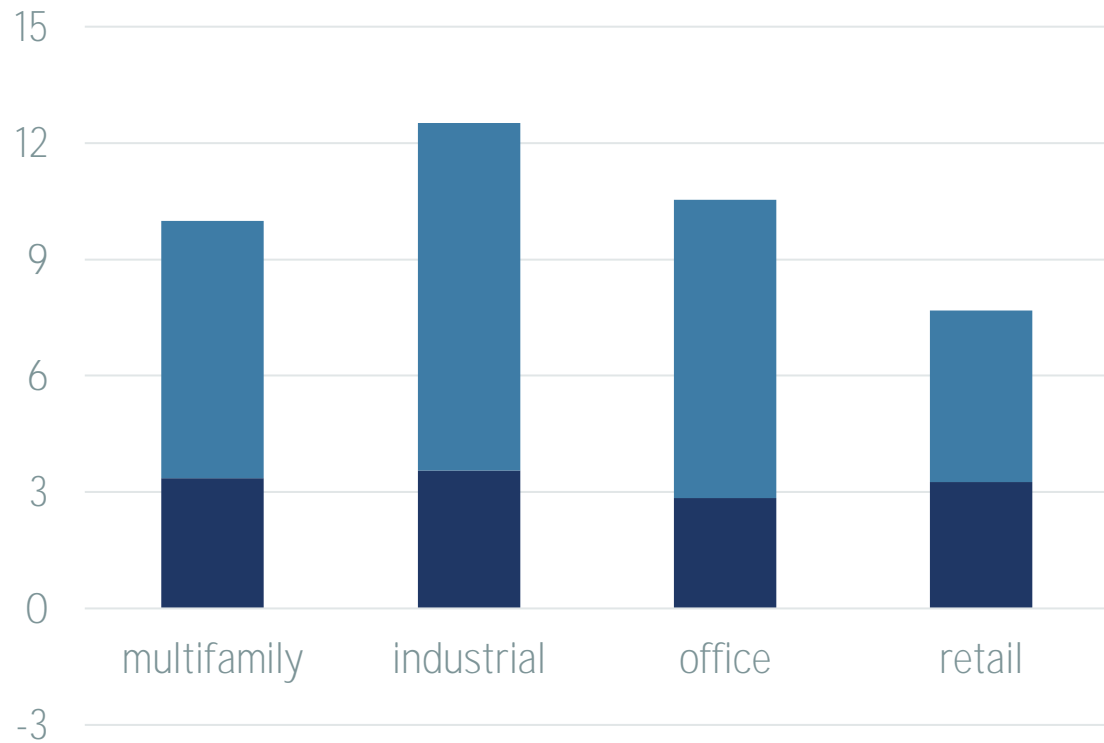
Then there is a window of opportunity to lock in discount prices (this will happen in Q2 & Q3)

This is followed by value appreciation

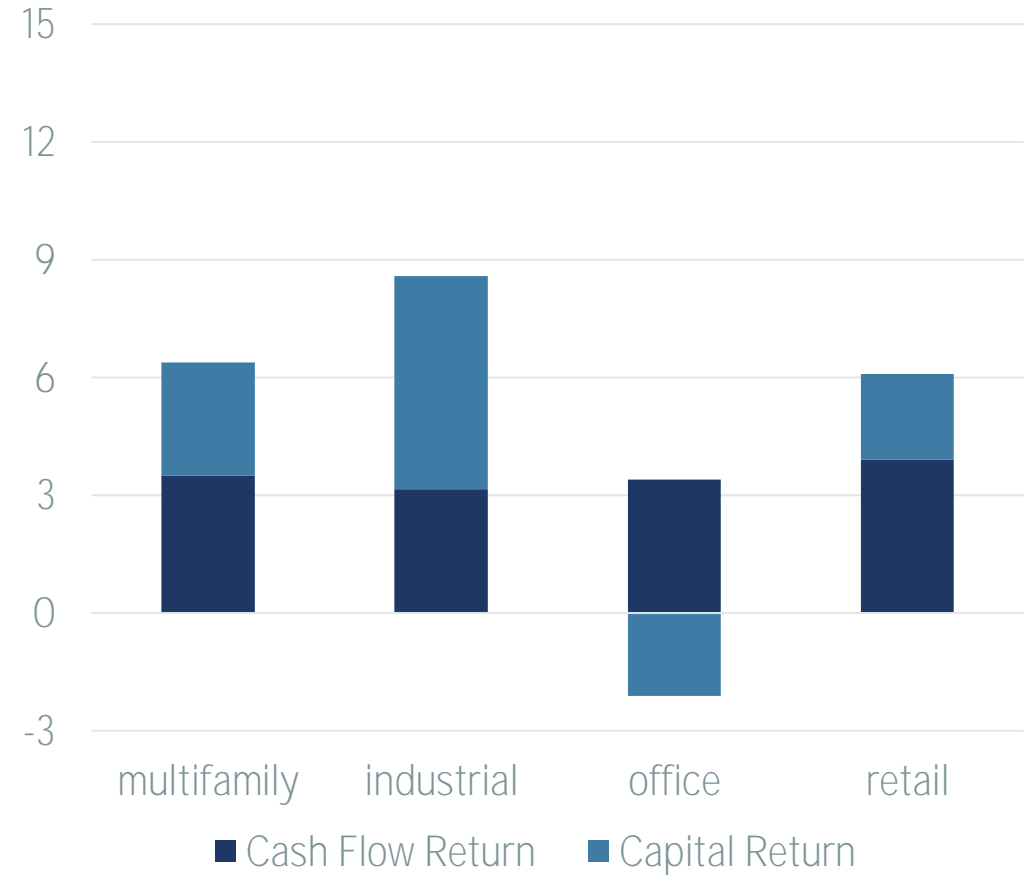
Source: MSCI Real Assets, CBRE Research Q2 2022
Note: Size of bubbles denote transaction volume of deal at point of sale

Expect Less of a Boost From Appreciation in Coming Years

2015 - 2019



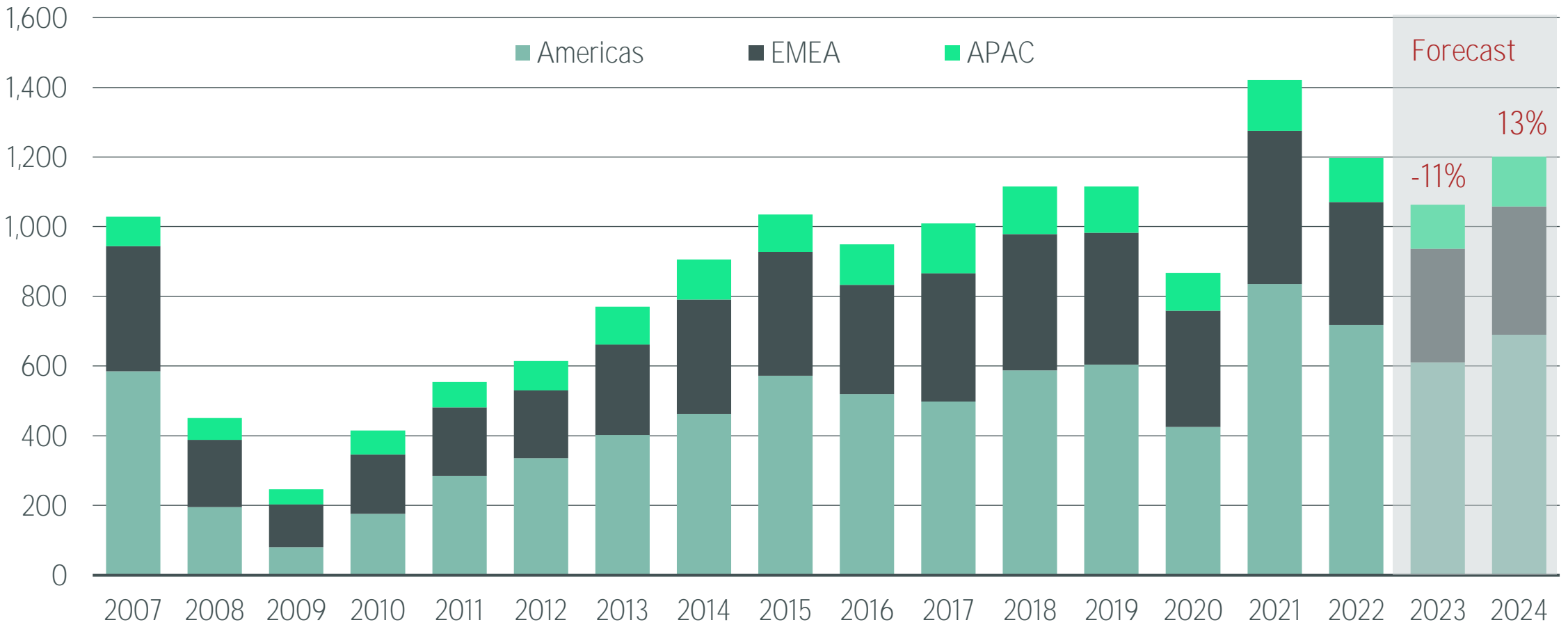
Q4 2022 - Q3 2027



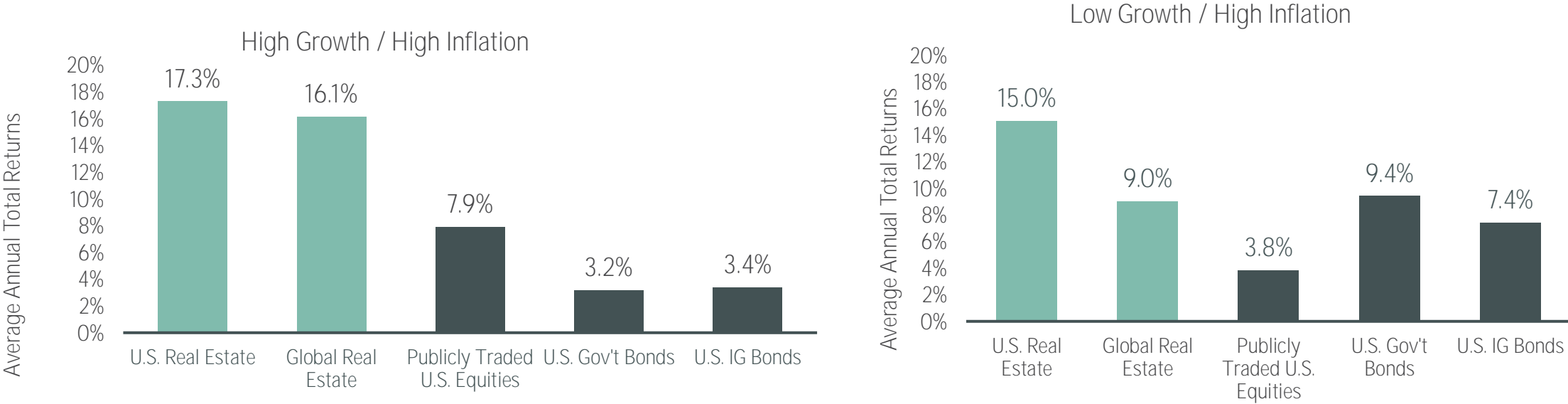
■ Cash Flow Return ■ Capital Return

:CBRE Econometric Advisors Q3 2022

Capital Markets is Expected to Bottom in 2023



Real Assets Tend to Outperform in Highly Inflationary Environments



Real assets deliver robust performance amidst stagflation

Note: Analysis conducted on annual data between 2001 and 2020. High Inflation is defined as the year-over-year change in the US CPI greater than 2.5% and High Growth is defined as the year-over-year change in US real GDP greater than 2.5%. Analysis uses the Bloomberg Barclays US Aggregate Index for US Government and IG Bonds, S&P 500 for US Equities, the NCREIF Property Index for US Real Estate, the Cambridge Global Real Estate Index for Global Real Estate. Source: Bloomberg, Standard & Poor's, NCREIF, Cambridge, KKR GBR Analysis, EDHEC, Bureau of Economic Analysis, Bureau of Labor Statistics.

THE
WeeklyTAKE

Scott Dennis

CEO
Invesco

EPISODE 215

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Weighting	25%			25%				25%			25%			100%
	FUNDAMENTALS			INFRASTRUCTURE				POLITICAL RISK			ENVIRONMENTAL RISK			OVERALL RATING
MARKET	Historical Supply/Demand	Quality of Tech Labor Market	Affordability	Water	Energy	Transportation	Schools	Philosophy Toward Affordability	Urban Policing/Security	Tax Burden/Pension Liability	Natural Disasters	Pollution (Air & Water)	State & Local Government	
Los Angeles	1	2	1	1	1	3	1	0.5	2	2	1	2	2	1.50
San Francisco	1	3	1	1	1	1	2	0.5	1	1	1	3	3	1.52
Houston	1	1	2	1	1	3	2	3	1	3	1	1	1	1.60
Tulsa	1	1	3	2	2	1	1	3	1	2	2	1	1	1.63
Chicago	1	1	2	3	3	1	1	2	1	1	3	2	2	1.75
Dallas	1	2	2	2	1	2	3	2	2	2	2	1	1	1.75
Miami	1	1	1	1	1	3	3	3	1	2	1	3	2	1.75
Washington D.C.	1	3	1	3	2	2	1	0.5	3	2	1	1	3	1.79
San Diego	2	2	1	2	1	2	1	1	3	1	1	3	3	1.79
Las Vegas	1	1	2	2	3	2	2	2	1	2	3	1	2	1.81
New York	1	3	1	3	1	2	1	1	2	2	1	3	3	1.85
Nashville	1	2	2	3	3	2	2	2	2	2	2	1	1	1.88
Albuquerque	2	1	3	1	3	1	1	3	1	2	3	1	2	1.88
Atlanta	3	2	2	2	3	3	1	2	1	1	2	1	2	1.90
Savannah	1	2	3	2	2	2	2	3	2	2	1	2	1	1.92
Seattle	1	3	1	3	2	2	1	1	1	3	2	2	3	1.92
Portland	1	3	1	2	2	3	2	0.5	1	3	3	2	2	1.94
Orlando	2	2	2	1	1	3	1	2	2	3	2	3	1	1.96
Colorado Springs	3	3	2	1	3	1	2	2	1	1	2	3	2	2.02
Huntsville	2	3	3	3	2	1	1	3	1	1	2	2	2	2.02
Boston	1	3	1	3	3	2	2	1	3	2	1	2	3	2.04
Philadelphia	3	3	2	1	1	1	2	2	3	1	2	2	3	2.06
Kansas City	2	1	3	2	1	3	3	3	1	2	3	1	2	2.06
Denver	1	3	1	2	2	1	3	2	3	2	2	2	3	2.08
Omaha	3	1	3	2	3	1	2	3	2	2	3	1	1	2.08
Pittsburgh	2	2	3	1	2	2	2	3	3	1	2	2	2	2.10
Columbus	2	1	3	3	2	1	1	3	2	2	3	1	3	2.10
Phoenix	2	2	2	1	3	3	3	2	2	1	3	2	2	2.13
Austin	1	3	2	2	2	3	3	3	2	2	1	3	1	2.13
Tampa	3	2	2	3	1	2	2	2	3	3	1	3	1	2.17
Charlotte	1	2	3	3	3	3	3	3	1	3	2	1	1	2.17
Oklahoma City	3	1	3	3	1	2	3	3	1	3	2	2	2	2.23
Minneapolis	1	2	2	3	3	3	3	2	1	2	3	2	3	2.25
Grand Rapids	1	3	3	2	1	1	3	3	2	2	3	3	2	2.27
Raleigh-Durham	1	3	2	3	3	2	2	3	3	3	2	2	2	2.38
Indianapolis	3	1	3	3	3	2	3	3	2	3	2	2	2	2.44
Salt Lake City	2	3	2	2	2	3	3	3	3	3	3	1	2	2.46
Boise	3	3	2	3	3	3	3	3	3	3	3	2	2	2.75
Madison	3	2	3	3	3	1	3	3	3	3	3	3	3	2.79

Investment Risk Base Case Scenario: Ranked by Score

LEGEND
Red = High Investment Risk
Yellow = Mild Investment Risk
Green = Low Investment Risk

MULTIFAMILY

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Daryl Carter

CEO

Avanath Capital

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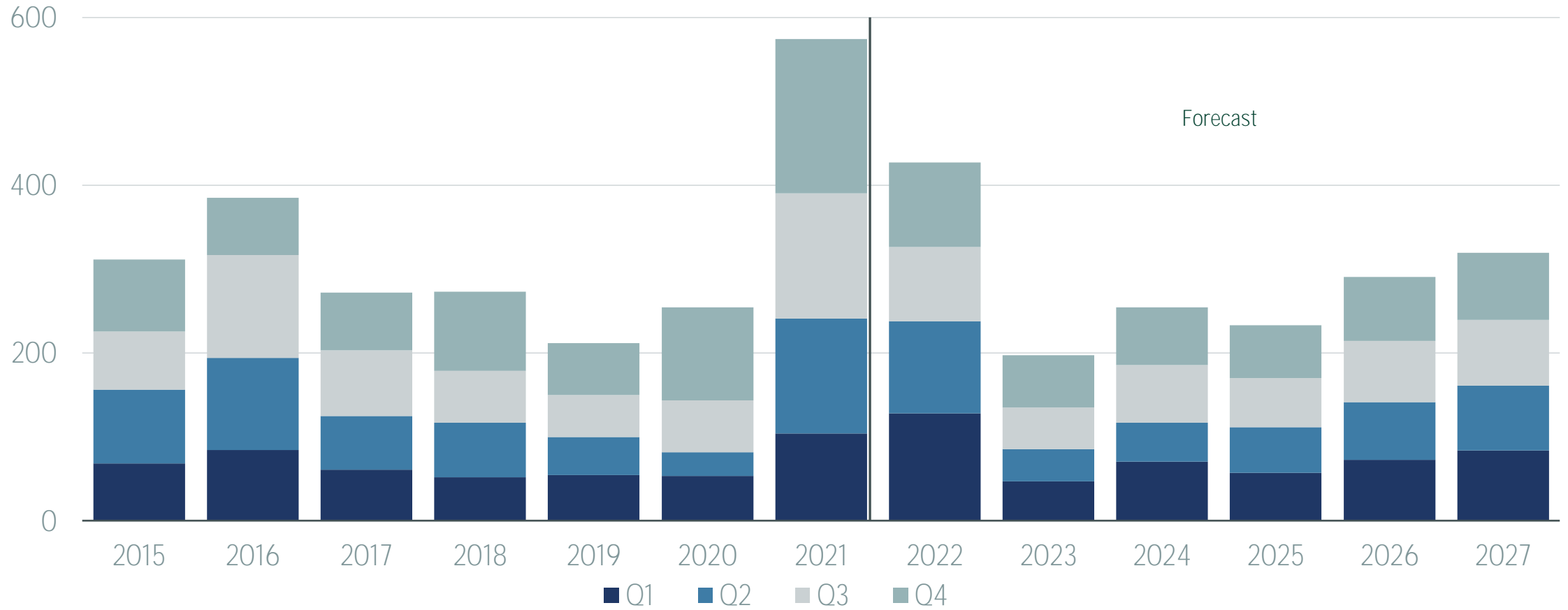
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INDUSTRIAL

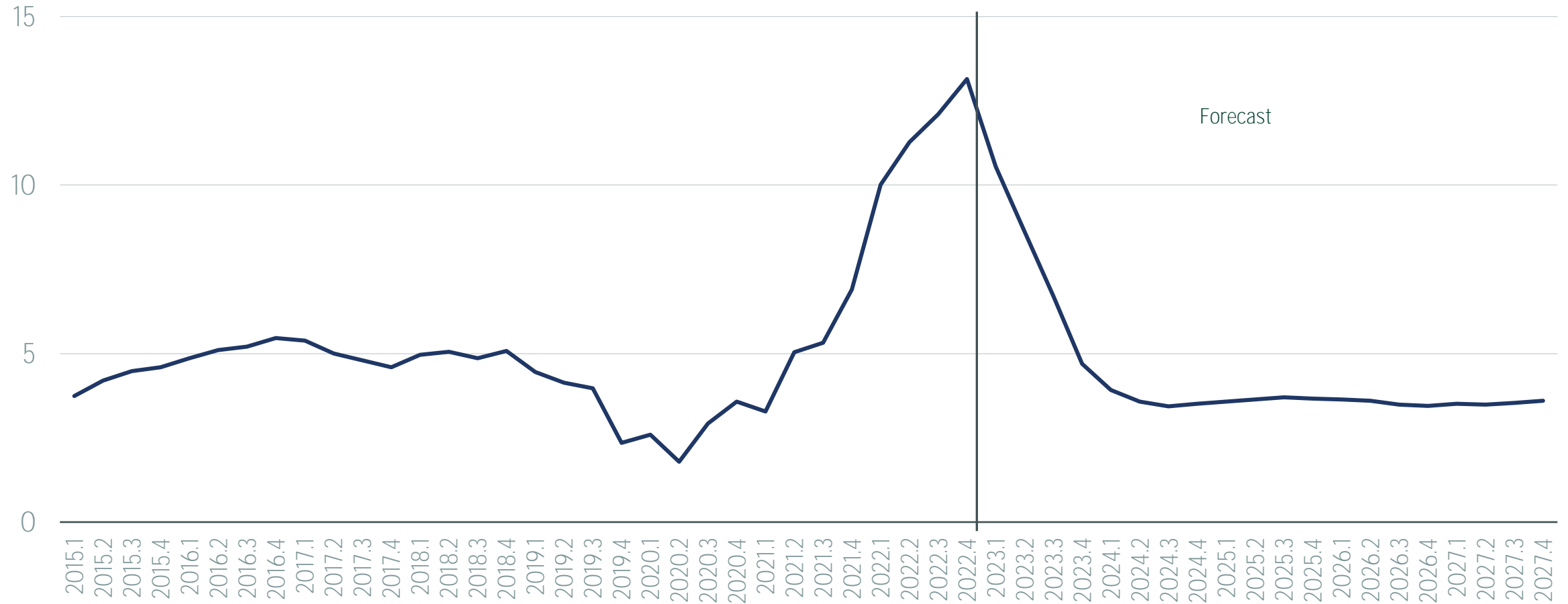
Steady Demand Uphold Market Fundamentals

Industrial Net Absorption - Sum of Markets (MSF)



Industrial Rents See Favorable Growth Expectations

Industrial EA Asking Rent, Sum of Markets – Y-o-Y Growth (%)



THE
WeeklyTAKE

Laura Clark

CFO
Rexford Industrial

EPISODE 345

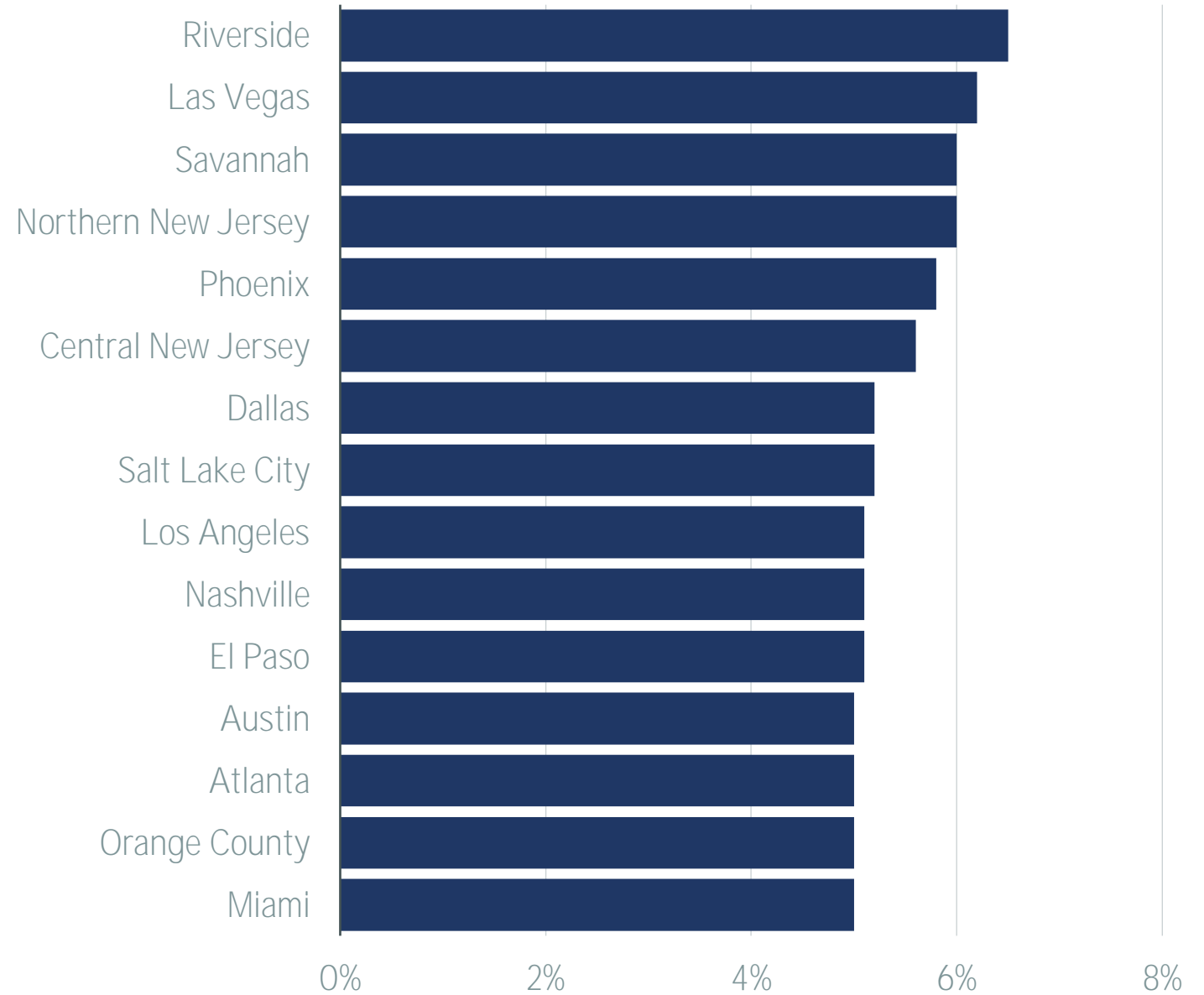
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Top Rent Growth Markets

EA Asking Rent
5-Year Forecasted CAGR Q3 2022 – Q3 2027 (%)



OFFICE



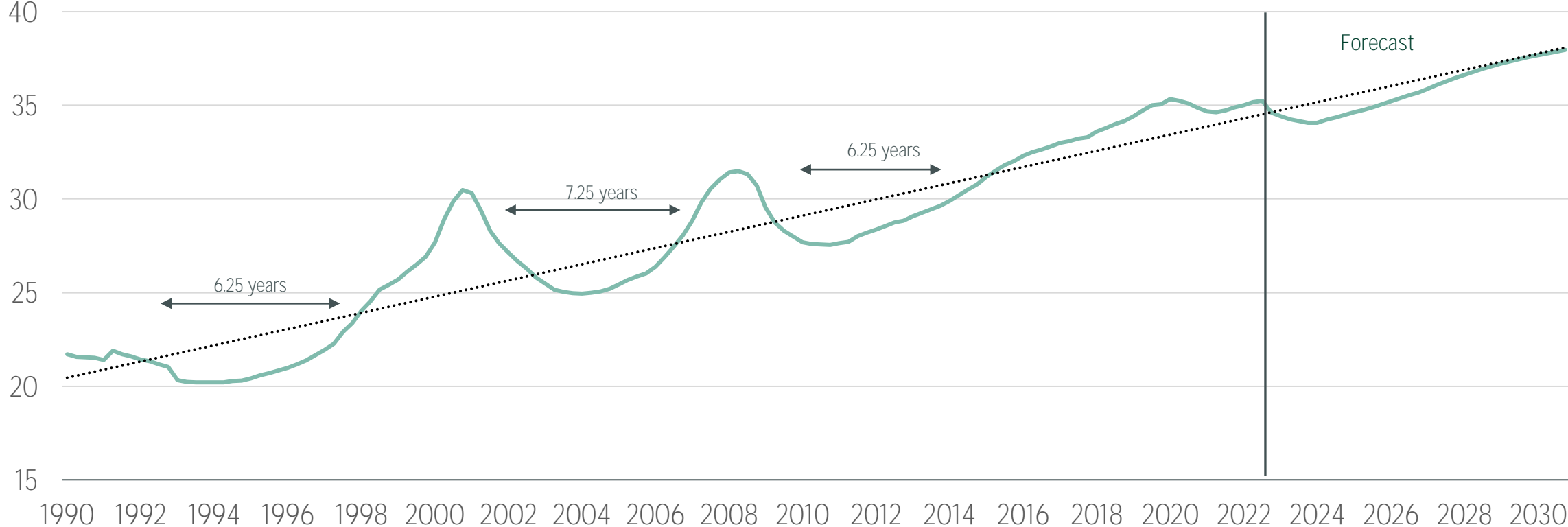


Elevating

Asking Rent Decline Remains Muted Compared with Past Cycles

U.S. Office Market Time to Recovery

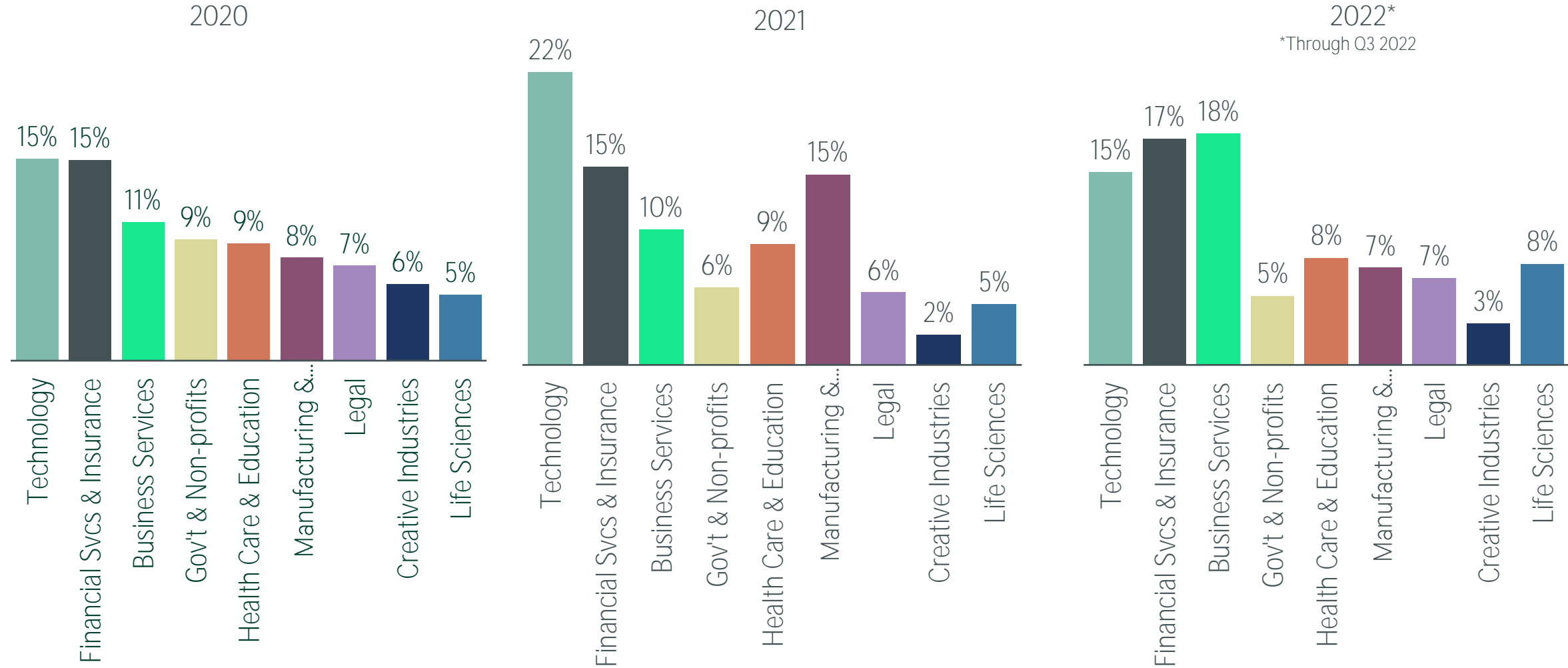
EA Asking Rent (\$/SF)



Source: CBRE Research, CBRE Econometric Advisors, Q3 2022.

Life Science Grows While Tech & Manufacturing Pull Back

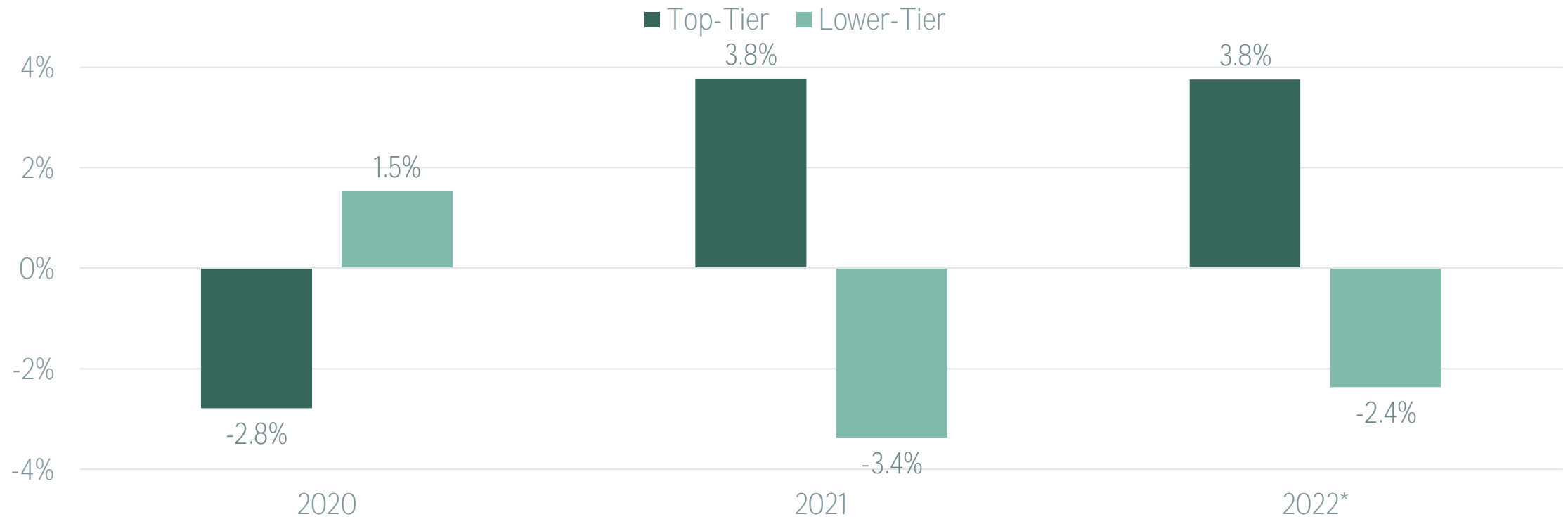
Share of U.S. Office Leasing Transactions by Sq. Ft.



Source: CBRE Research, Q3 2022.

Effective rents have risen for top-tier office buildings and fallen for lower-quality properties since 2021

Annual Effective Rent Growth by Type

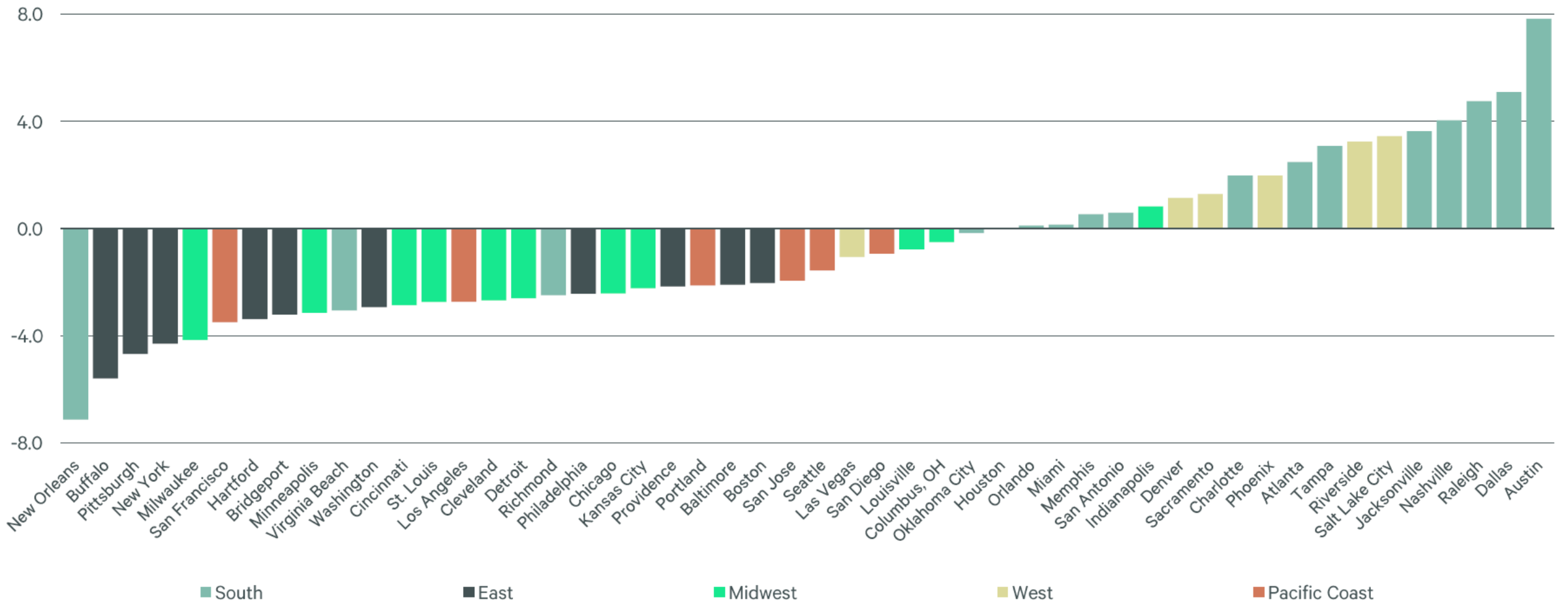


*Through Q3 2022

Source: CBRE Research, Q3 2022.

The Economic Expansion Favors the South and West

CURRENT EMPLOYMENT RELATIVE TO FEBRUARY 2020 LEVELS (%)

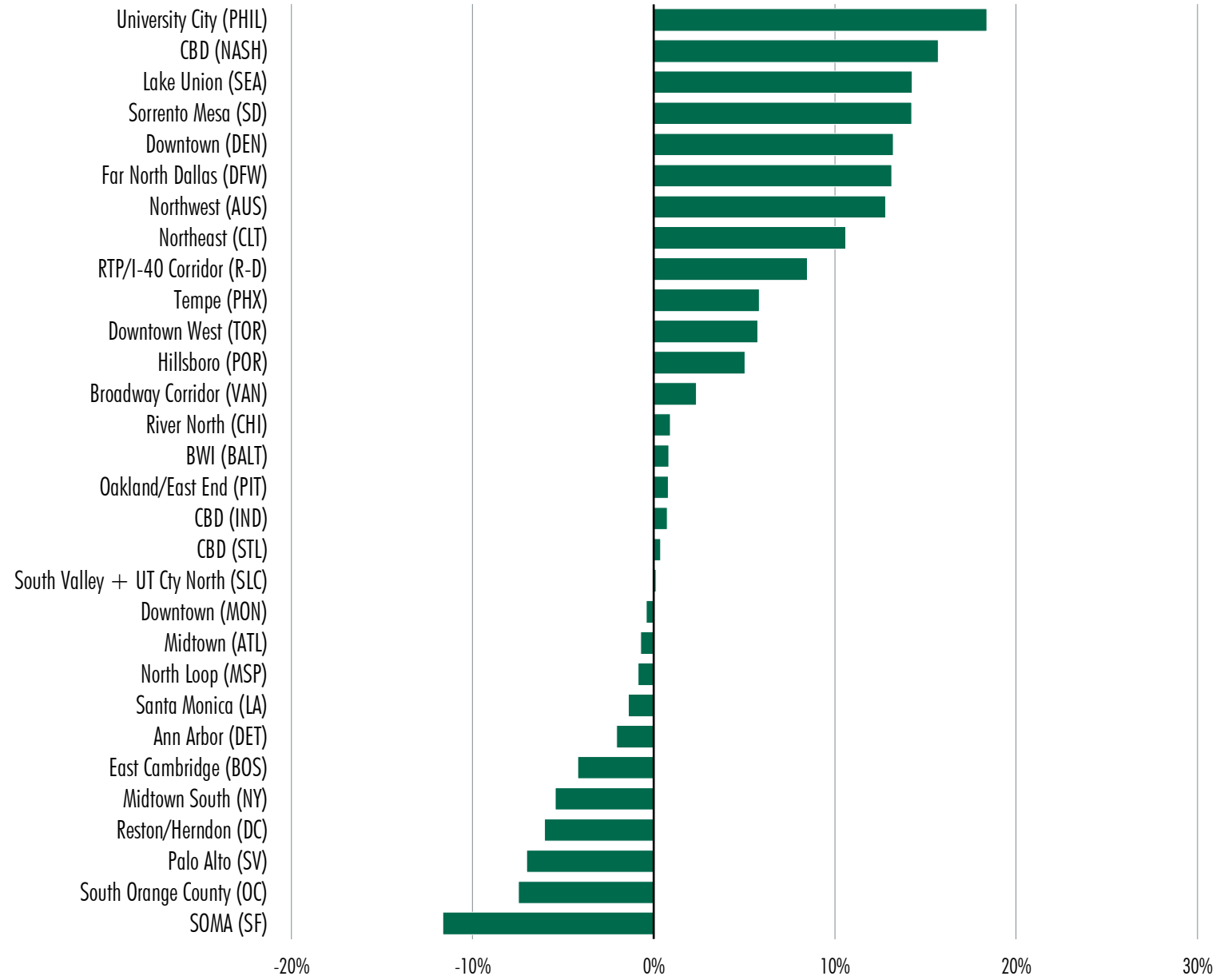


Bureau of Labor Statistics, 2022.

Rents Are Rising in the Tech Submarkets

Office Rent growth top tech submarket
Q2 2022 vs. Q2 2021

Figure 6.2: Rent Growth Top Tech Submarket
Q2 2022 vs. Q2 2020



Source: CBRE Research, Q2 2022.

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Geordy Johnson

CEO
Johnson Development

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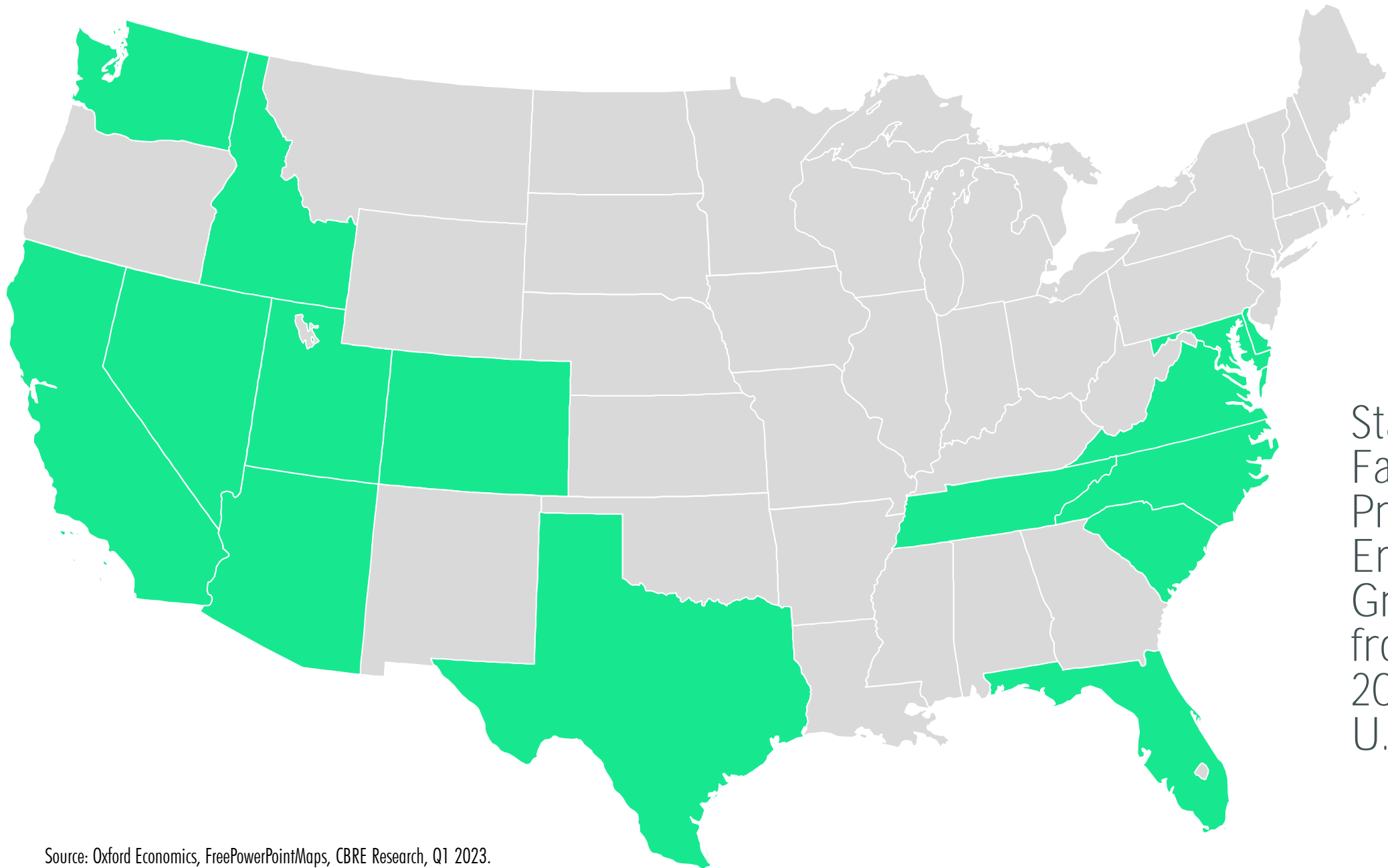
Group Vice President
Property
Walgreens

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States with
Faster
Projected
Employment
Growth Rates
from 2020 to
2050 than the
U.S. Average

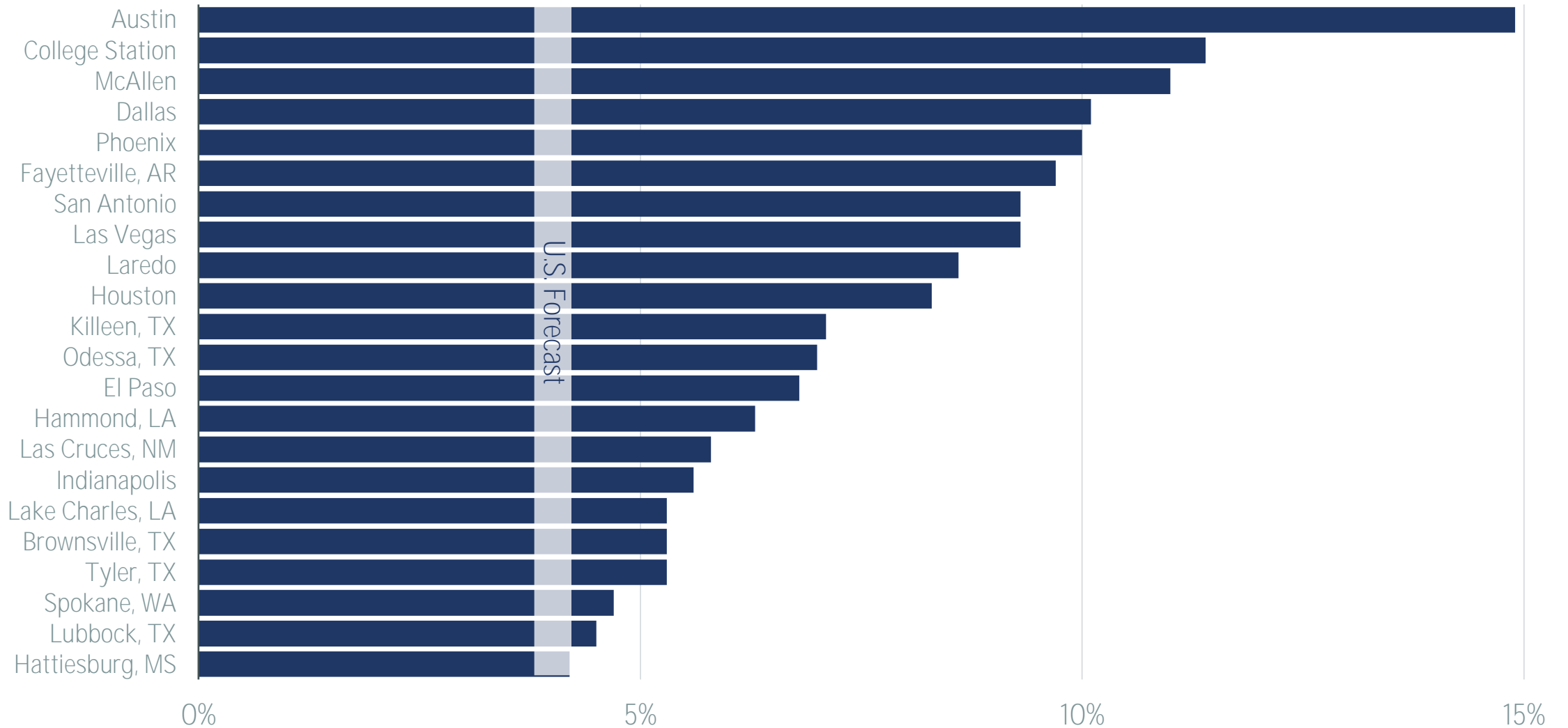
Source: Oxford Economics, FreePowerPointMaps, CBRE Research, Q1 2023.

FHLB Markets By Expected Employment Growth - 2023 to 2023 (Thousands)



Source: Oxford Economics, CBRE Research, Q1 2023.

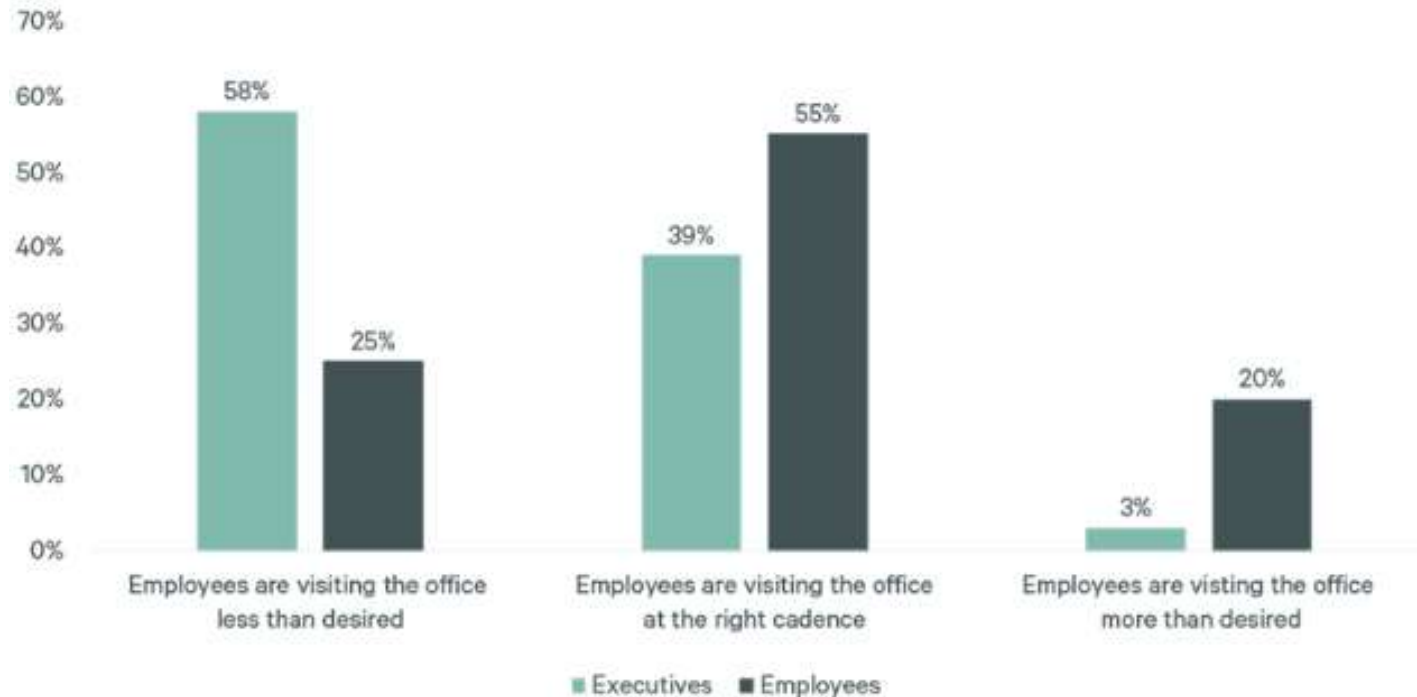
FHLB Markets By Employment Growth Rate - 2023 to 2023 (Above U.S. Average only)



Source: Oxford Economics, CBRE Research, Q1 2023.

Employer and employee expectations are not aligned; companies can do more to close the gap.

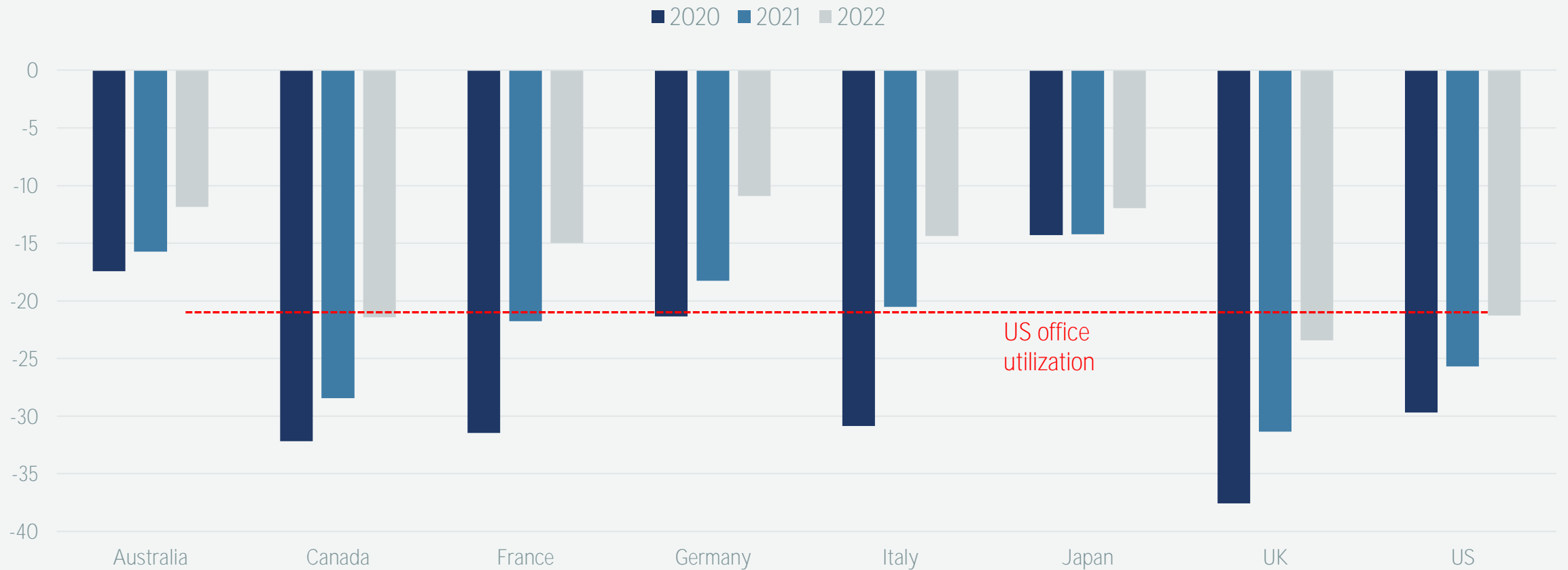
Executive Sentiment vs. Their Perception of Employee Behavior Regarding Return to Office



Source: Occupier Survey, CBRE & CoreNet Global, August 2022.

Office Utilization is Struggling to Rebound in the US

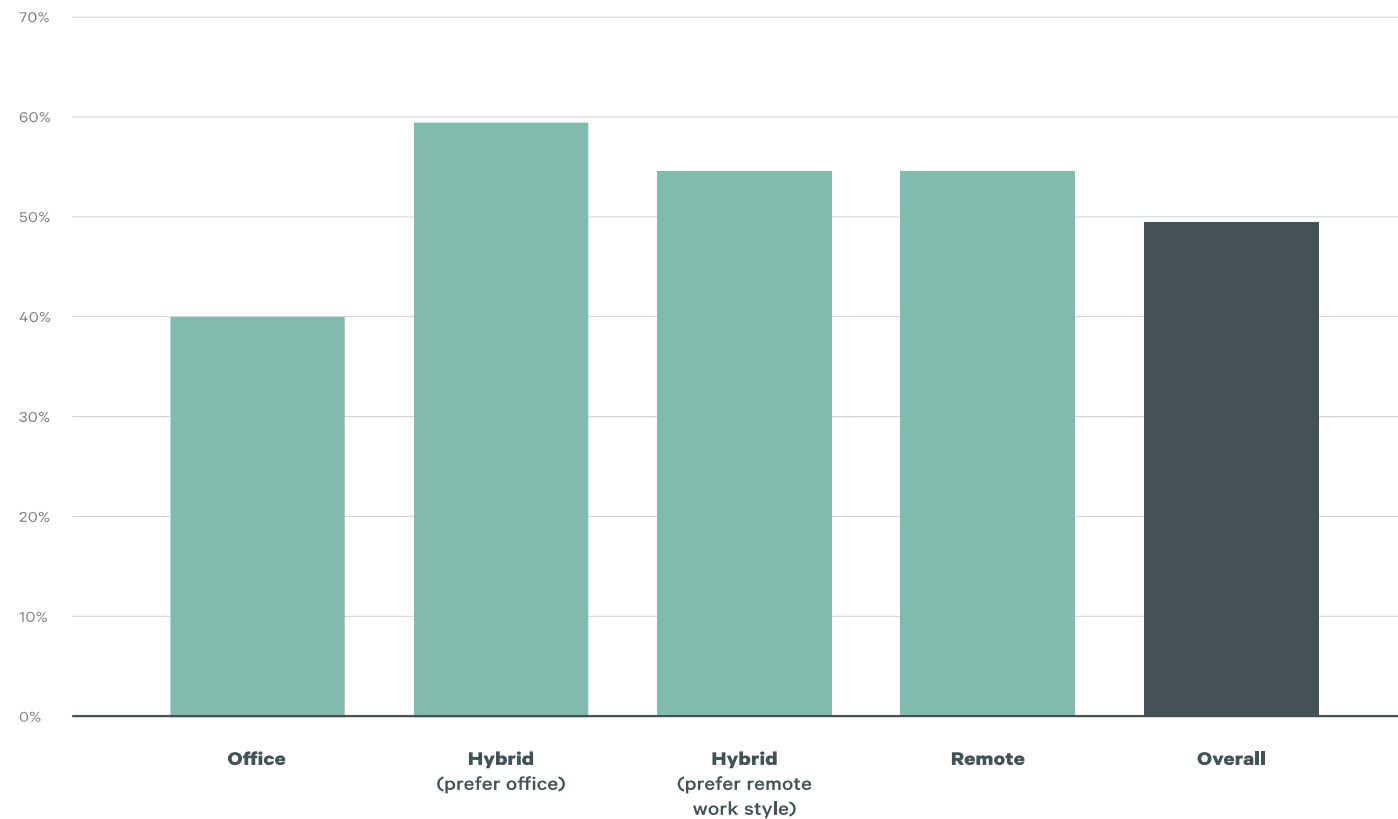
Office Utilization, % Change from 2019 Levels



Source: Google Mobility, CBRE Research, Q1 2023

The shift to hybrid working has engendered more trust in employees

Compared with views pre-pandemic, how far do you agree with the following statement: The trust I have in my current employer has strengthened



Source: CBRE Research, 2022.



RETAIL

The H2 2022 Cap Rate Survey Highlighted Risks and Opportunities

Asset Pricing Relative to Forecasted Rent Growth

Cap Rate (%)



Source: CBRE Research, Q3 2022.

FINAL
BOSS







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SENIOR ECONOMIC ADVISOR

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