







































































# Perspectives in today's real estate market

# Global real estate outlook

## Next 12 months

 NEGATIVE
  NEUTRAL
  POSITIVE

	Overall	Retail	Industrial/ Logistics	Housing	Office	Real Estate Debt	Alternatives
U.S.							
Canada							
U.K.							
France							
Germany							
Spain							
Australia							
China							
Japan							
South Korea							

Note: 'Alternatives' refers to real estate driven by alternative housing, healthcare and technology in the U.S./Asia Pacific and real estate driven only by alternative technology in Europe

Source: Nuveen Real Estate

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# Global trends driving opportunity and risk

## Short term trends in global real estate:

- Lenders continue to show leniency with real estate borrowers as they expect the pandemic to have largely temporary effects
- While many domestic markets hold up well, capital flows have become less international as travel restrictions bite
- Rising inflationary expectations and spike in long term yields point to improved growth outlook and will underpin ongoing strong investment interest

## Long term trends in global real estate:

- Evolution towards alternative real estate
- Growth of importance of ESG factors in real estate
- More flexible office and work-from-home arrangements

# Long-term trends – implications and commentary

## Evolution towards alternative real estate

- Smaller lot sizes: challenges in achieving scale
- Increased role for operators: identification of best in class is imperative
- Understanding global megatrends such as demographic shifts, low carbon economy transition and technological disruption will be key to identifying which alternative real estate will succeed

## Growth of importance of ESG factors in real estate

- The journey to net zero carbon buildings has begun and a 'brown discount' will begin to emerge in some sectors – likely to be led by offices in key European markets such as London and Amsterdam
- Regulations such as the EU SFDR and the New York carbon regulations will drive further action and transparency
- An increase in focus on the social value of real estate: opportunities will emerge to re-purpose redundant use types and provide something more relevant for local communities

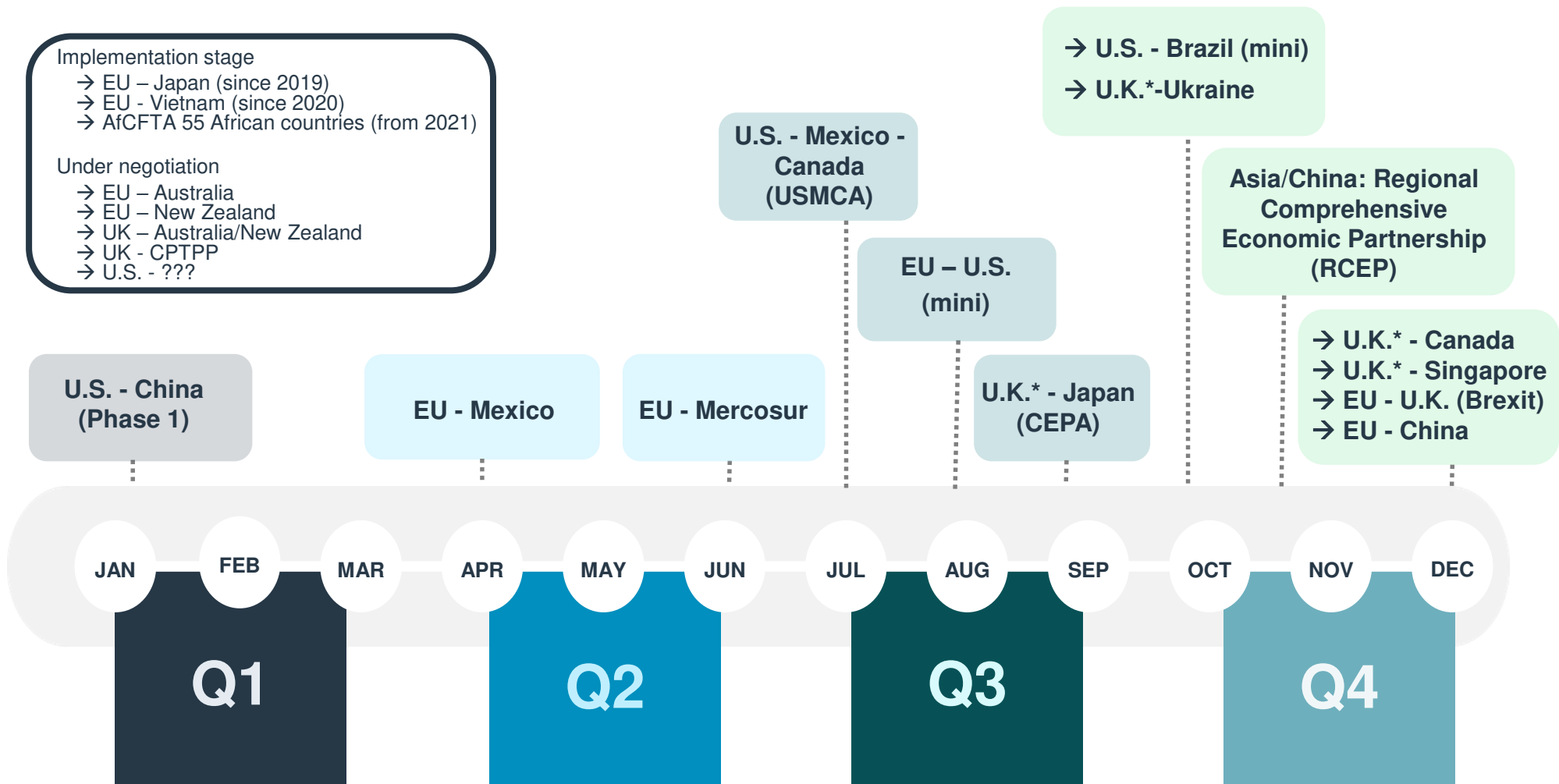
## More flexible office and work-from-home arrangements

- The need for well connected 'smart buildings' that support hybrid working models is paramount
- Office buildings will be expected to have a positive impact on personal wellbeing
- Changing working patterns combined with shifting transport trends could fundamentally impact the nature of cities

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# Shifting trade routes impact logistics real estate

Following break downs in the supply chains around the world, new trade routes are emerging. We expect these new routes to create opportunity for industrial/logistics real estate.



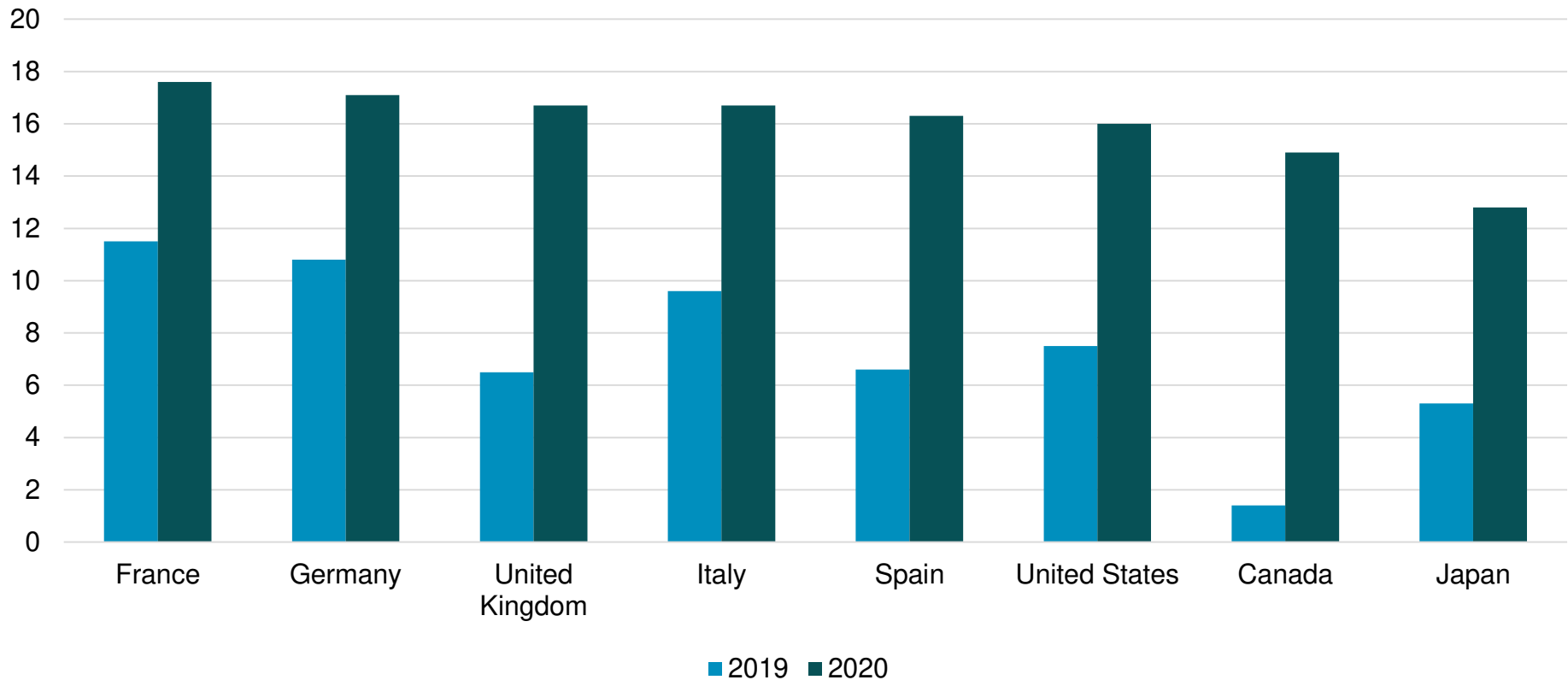
\*Rollovers of EU deals

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# Economic recovery will support real estate

Consumers have been staying home and saving. Pent-up demand in the consumer sector is likely to drive demand for housing, ecommerce and services. We expect that activity will re-inflate real estate markets around the globe.

## Savings ratio, personal sector (%)



Quelle: Macrobond, 2021

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# Asia Pacific

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# Asia Pacific view

## Policy induced recovery dynamic in full motion, with vaccine rollouts driving a broader-based and above-trend recovery in 2021

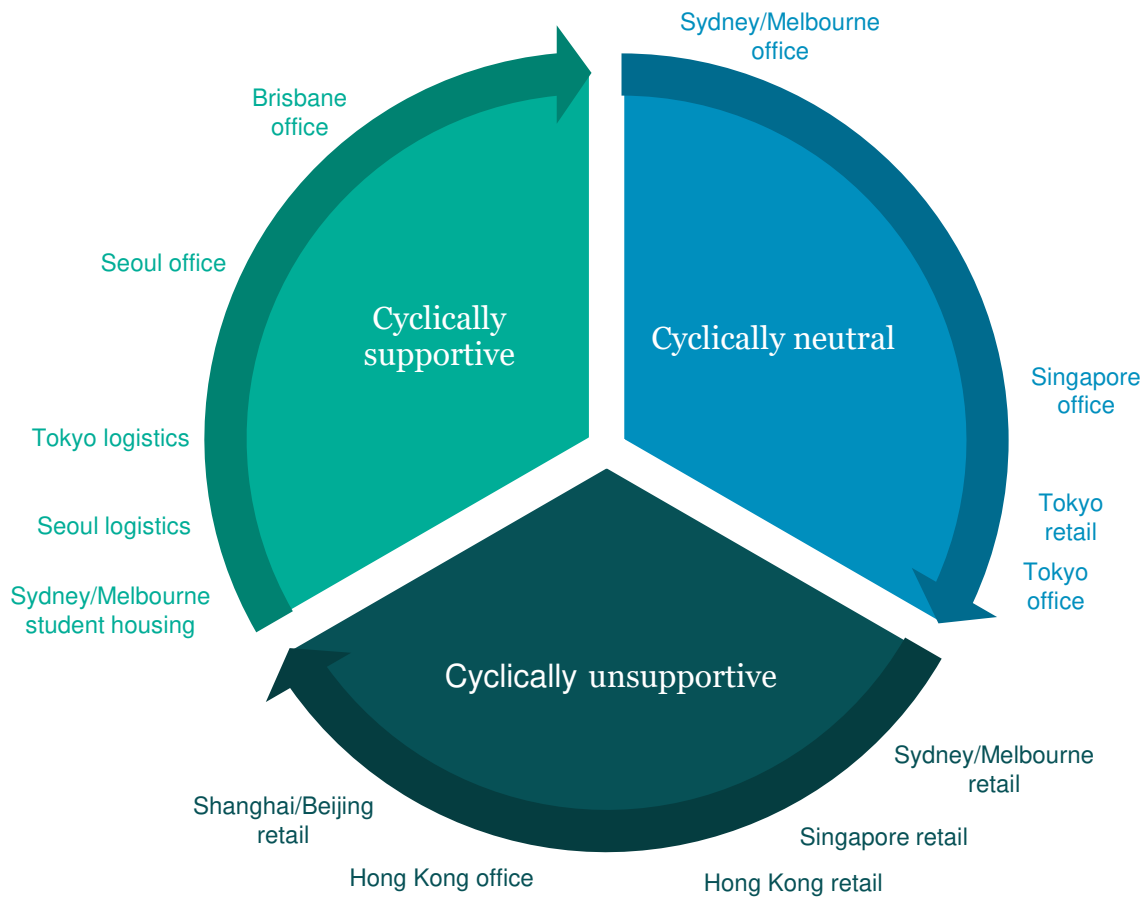
- Infection rates have eased across the region while vaccine rollouts are gathering pace, pointing to an accelerated pick-up in growth momentum in the second half of the year:
  - Economies are easing restrictions to help normalize economic activity
  - Vaccinations will help sever the link between infection and mobility
  - Fiscal stimulus will continue to mitigate downside risks, anchored by ongoing accommodative monetary policy
- Regional imbalances to persist with China, Australia and Japan leading the recovery; current gap between a booming manufacturing and suppressed services sector to narrow with incremental pick-up in tourism towards year-end boosting consumer spending which points to:
  - Ongoing strong occupier demand for modern logistics space anchored by e-commerce and new demand in fresh groceries driving cold storage;
  - Cautiously improving outlook for retail as income and spending strengthens alongside travel;
  - Investment interests continue to rotate towards structurally underpinned sectors such as data centers, multifamily and life sciences with scattered interests in selective office markets anchored by tech and life sciences

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# Post-Covid-19, bigger divergence in market trends

While the outlook for offices remain uncertain still, selective sub-markets maintain good value as business sentiment returns



## Office highlights

- **Australian east coast markets**
  - While vacancy and incentives have risen across all markets, rents are likely to stabilize in 2021 as business confidence picks up
  - Sydney Grade A offices retain strong value on tight supply and emergence of new economy industries
- **Tokyo**
  - Rents are softening as work from home initiatives bite into take-up especially in supply led sub-markets such as Marunouchi and Otemachi
  - Tight pricing remains a challenge
- **Seoul**
  - Gangnam business district still a coveted investment and occupier market with vacancy at sub-5%

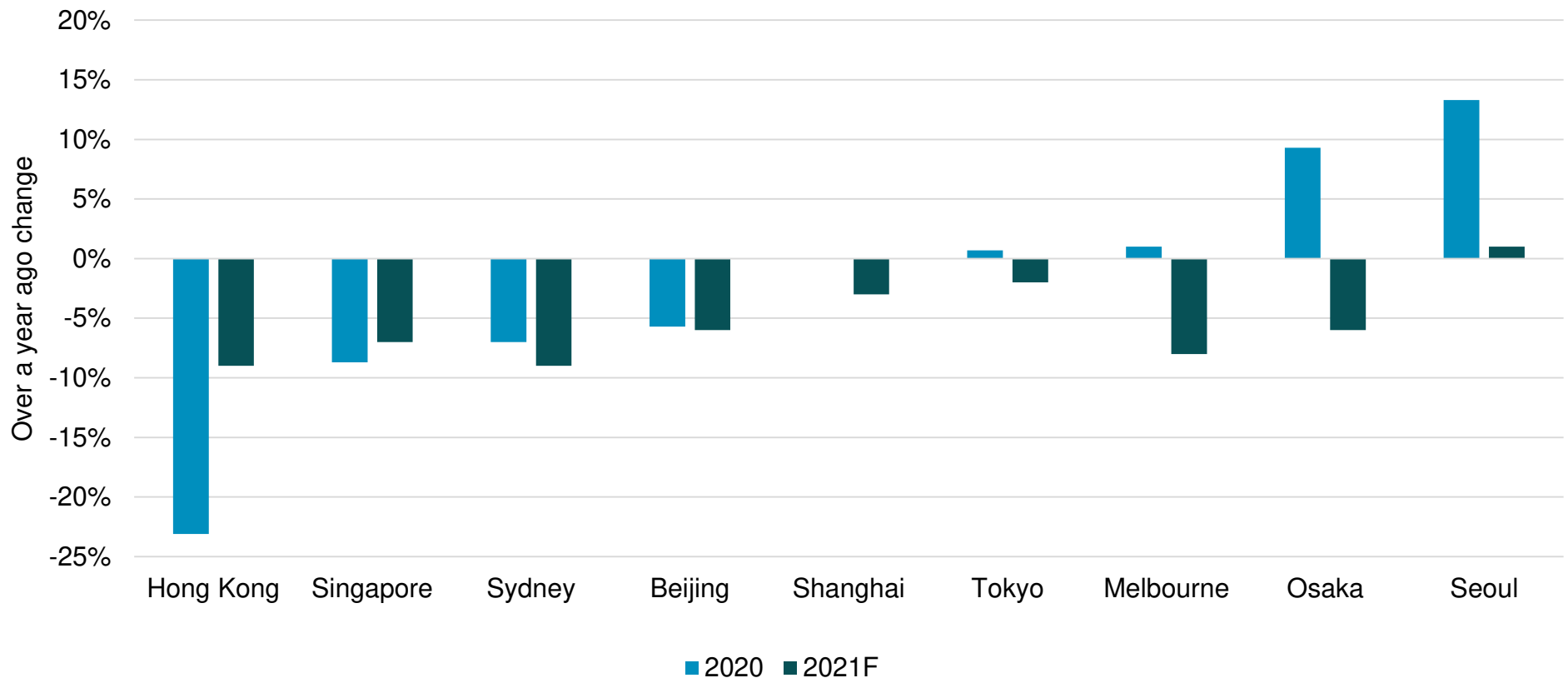
Source: RCA

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# Office market outlook stays challenging in 2021

Take-up across most regional markets likely to stay suppressed, as uncertainties persist over flexi-work but value is emerging in some micro-markets

## CBD net effective rents



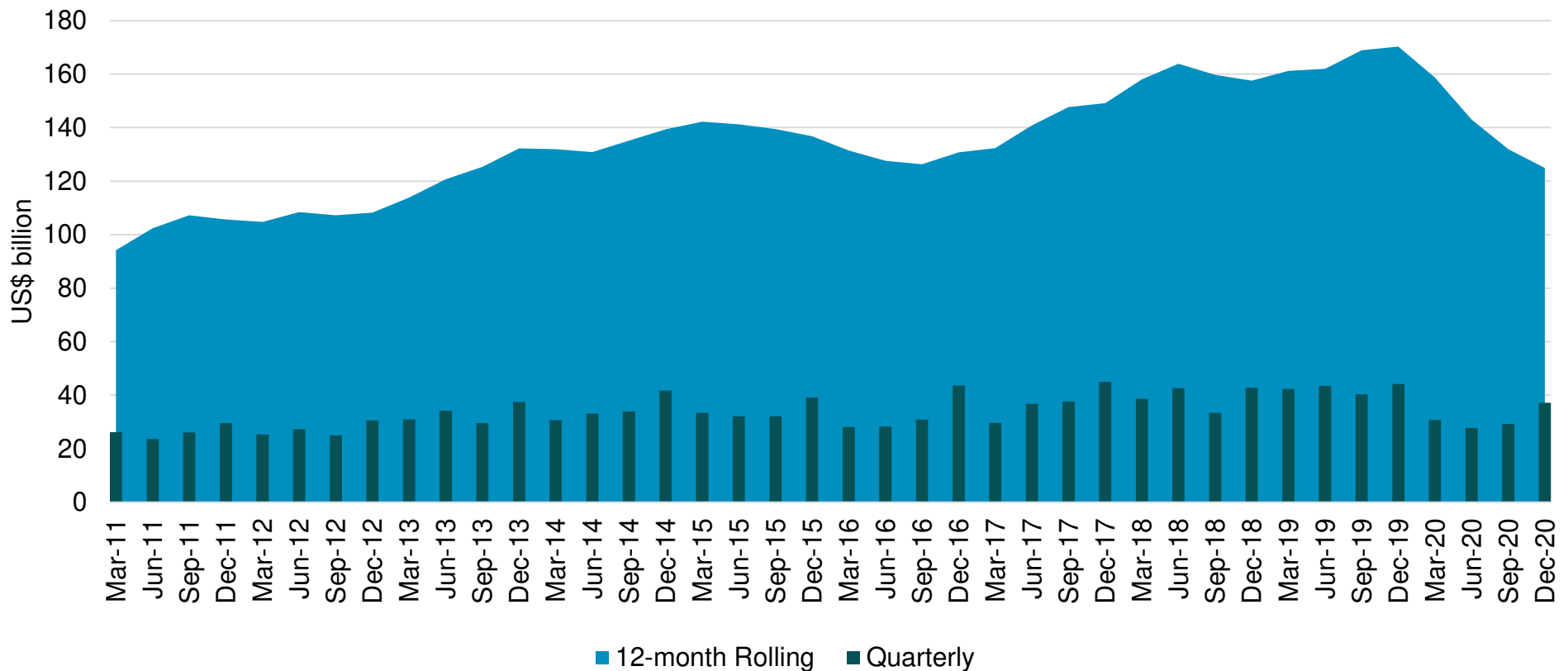
Source: RCA

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# Investment appetite regaining traction

A low-for-longer interest rate environment, a better-than-expected economic outlook and capital on the sidelines will boost volumes in 2021

## Investment volumes



Source: RCA

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# Europe

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# Europe view

Despite lockdowns since late autumn infection rates are poised to rise in third wave. So far, vaccination roll-outs are too slow to make much of an impact.

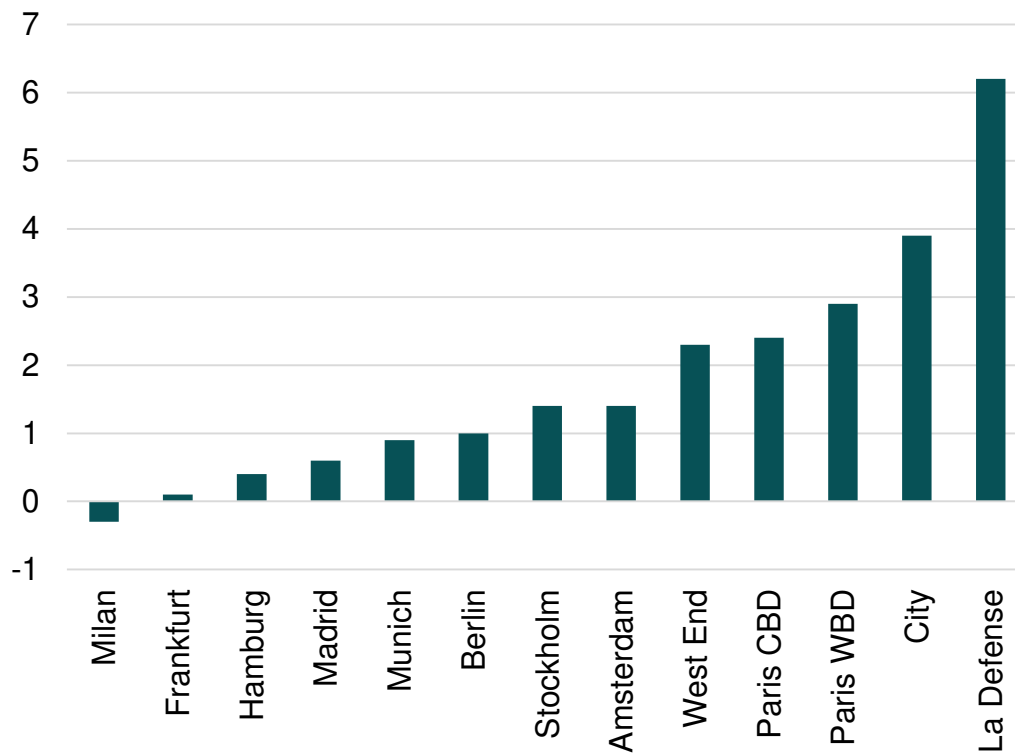
- Despite lockdowns, the big European markets remain active on the investment side. More domestic markets such as Germany, Sweden or France fare better than international markets such as Poland or the U.K.
- Generous government support, central bank easing and lenders patience relieve pressure from real estate investors in the battered retail and hospitality industry. The day of reckoning, in form of forced selling, is postponed to much later in the year.
- The logistics sector is thriving with demand for space going strong as well as investors keen to get more exposure. Rents and pricing are expected to increase for the remainder of the year.
- Lending markets remain open but pricing and liquidity has bifurcated with sectors out of favor treated very differently than the rest.
- With businesses forced to move online, prop-tech which has been a relative back water of the tech world is getting more traction with landlords and other players in the property industry.

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# European office – key market metrics

The office sector is overshadowed by continuing work from home orders and the discussion about the long-term impact on markets.

## Change in vacancy in 2020 as a % of stock



- **Take up in 2020 vs the 10-year average:**
  - 30-40% in London
  - 55-60% in Central Paris
  - 65 to 75% in Germany A centers and Amsterdam
- **Investment volumes in 2020 vs a year earlier:**
  - London and German Big 4 down 40%
  - Central Paris down 1/3
- **Yields:**
  - Prime quoting yields: Stable
  - Transacted yields falling/stable in London and German As; +20 bps increase in Central Paris
- **Prime rents:**
  - Prime quoting rents stable (except central London)
  - Incentives up/more lease flexibility & lease extensions

Source: PMA and JLL for vacancy changes, RCA Q4 2020 for stats on investment activity  
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# European retail pricing – wider differences between formats

Shopping centers are under pressure in all countries, while supermarkets even enjoy prices hardening. Due to Brexit and space oversupply UK retail has lost most value.

Prime yield movement (bps)

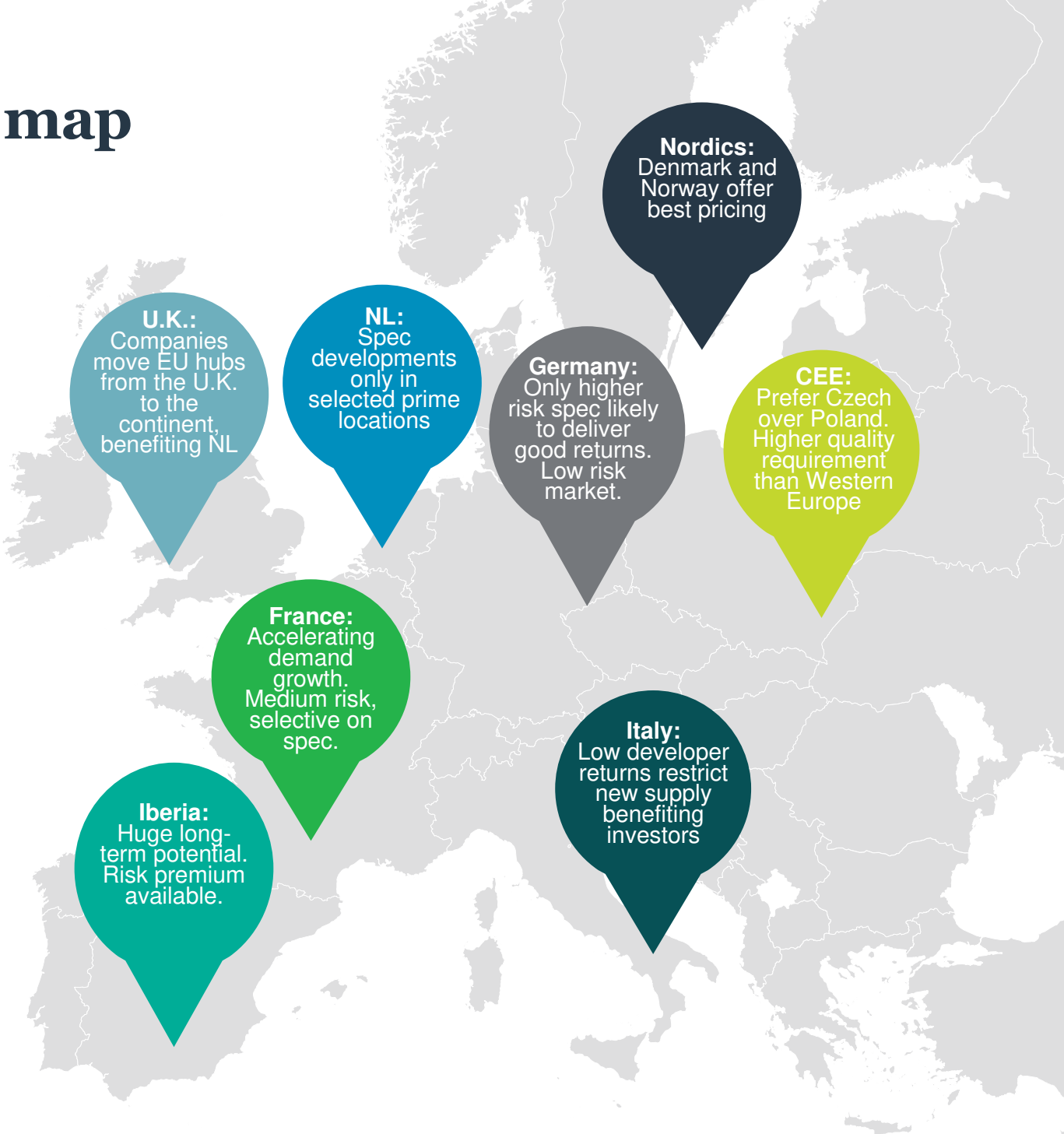


Source: CBRE 2021

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# Logistics strategy map

- No end of demand growth in e-commerce and other logistics services in sight
- Land restrictions in desirable locations favour developments
- Risk premia in Southern Europe and less mature market environments favour standing assets over spec developments
- A yield premium is available for smaller and management intensive assets
- Significant portfolio premium due to weight of capital allocated to logistics
- Strategies need breathing space to be opportunity led
- Main risk is overpaying for low quality stock and tertiary locations





# United States

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# United States view

Emerging demand drivers to provide tailwinds for several property types.

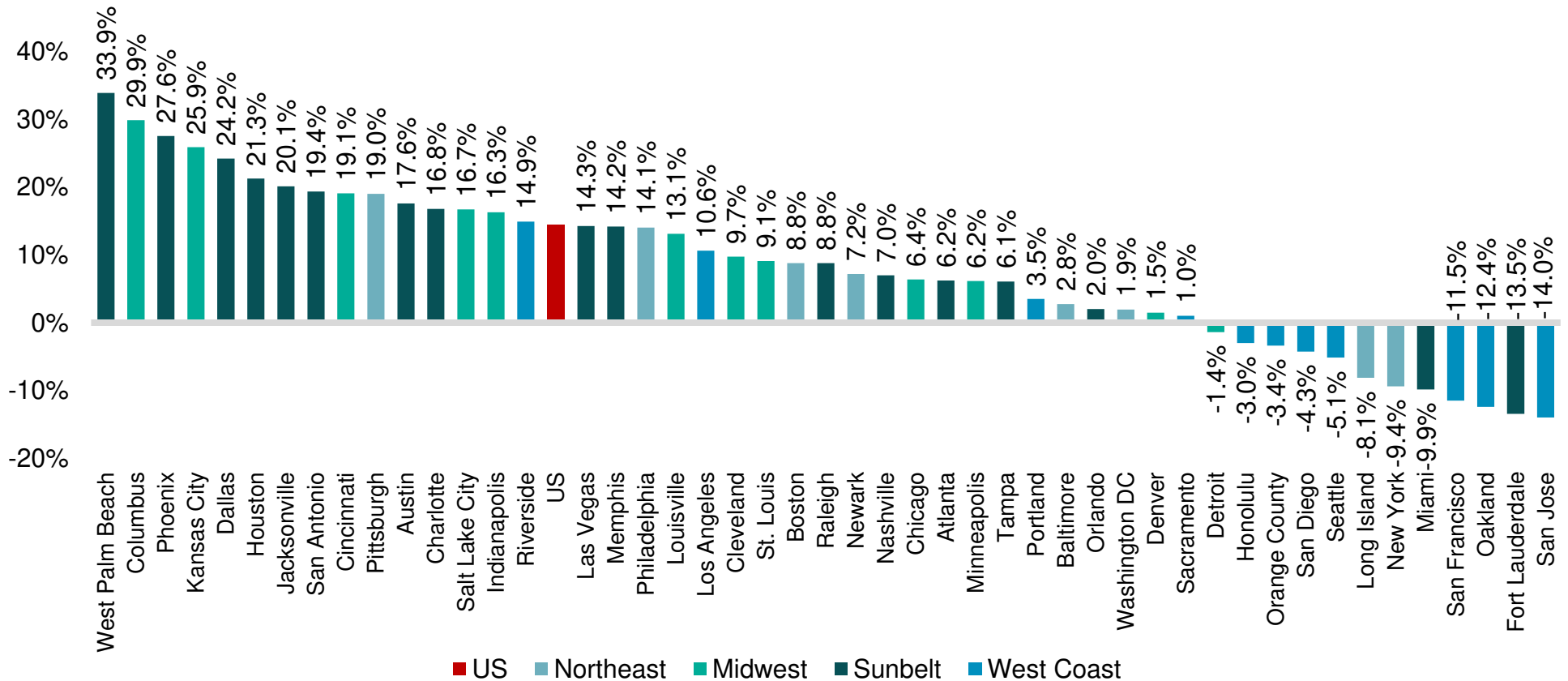
- Throughout the next five years, Sun Belt markets are projected to have the strongest population growth.
- The demographic wave of millennials growing into their thirties and forties during the next 10 years will underpin future demand for alternative housing sectors.
- Strong demand for single-family homes and the related construction activity, in the coming decade will drive demand for warehouses as construction and building material tenants lease warehouse space.
- A growing share of young adults are living at home, removing them from the rental market. However, this trend may not necessarily continue and it represents a large untapped pool of potential renters.
- Highly specialized medical offices and state-of-the-art senior living facilities are best positioned for future outperformance in the healthcare real estate sector.

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# Sun Belt market demand for single-family homes

Sun Belt market single-family demand has benefitted from growing urban-to-suburban migration patterns among aging millennials during the past five years.

YoY growth in single-family home building permits by market as of Dec-20



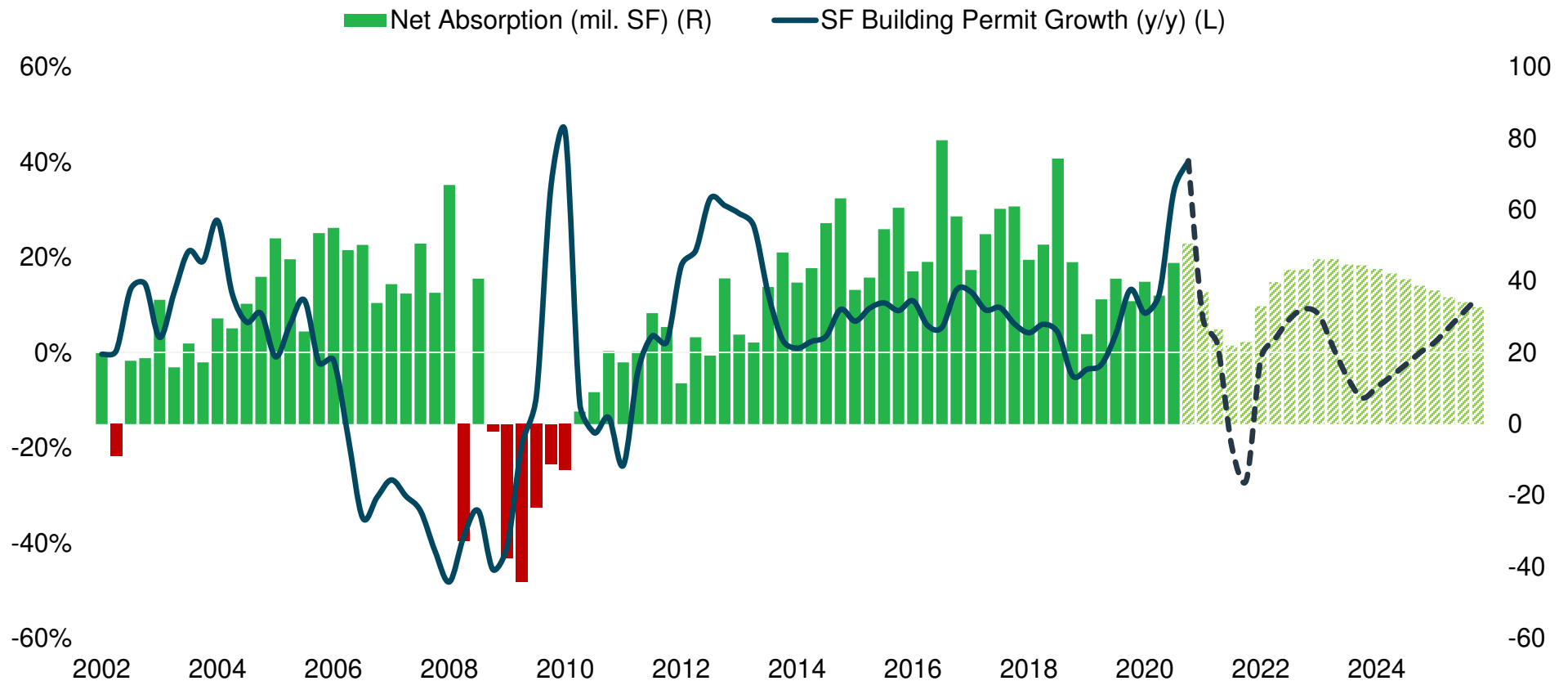
Source: U.S. Census Bureau; Green Street Advisors

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# Single-family homes to drive warehouse demand

We expect demand from single-family home construction activity and related companies to further support warehouse rent growth as an unrelated but complimentary demand driver to e-commerce.

## Single-family building permit growth & warehouse net absorption through Dec-25



Source: U.S. Census, CoStar, Nuveen Real Estate Strategic Insights  
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