THE SIGNAL REPORT

GLOBAL GUIDE TO CRE INVESTING IN 2022

Recovery to hit the fast lane

FEBRUARY 2022

CUSHMAN & WAKEFIELD

KEY TAKEAWAYS

GO TO:

GLOBAL PROPERTY MARKET RECOVERY TO GATHER PACE:

1. Activity in the global real estate market hit a new record in 2021 with a stunning Q4 that drove an annual increase of 55%. Demand will be just as strong this year and while rising rates, geopolitical tensions and finding the right opportunities will remain an issue, activity in the first half of the year could yet exceed 2021 and a 3% uplift is forecast for the year overall.

2. Uncertainty will add to the weight of money targeting liquid, core safe-haven markets but could also somewhat delay the rise in interest rates so widely expected and feared in the market. What is more, this comes against a still favorable backdrop for real estate in terms of the dynamics of investor demand and the structural shifts driving the need for more or different space.

3. The occupier market's recovery will be slowed by uncertainty and the persistence of COVID-19, but in no way stopped. Indeed, while capital markets are leading the recovery, occupiers will be driving performance as economic activity, jobs growth and a focus on talent and innovation drive the imperative to get real estate right, resulting in renewed demand, rent inflation and further disparity between good and average assets.

4. What constitutes the "right asset" is evolving due to structural changes within technology and talent, as well as a brighter spotlight on ESG considerations. Many older assets are still relevant however and much of what worked pre-pandemic will still work as market health returns.

5. Inflation will continue to pressure global interest rates, though markets have already priced in significant monetary tightening. While the yield gap is closing, real estate will remain attractive thanks to its relative income and potential for the right assets to act as an inflation hedge.

6. A return to the old normal is not apparent and the shift from the pandemic is slower than anticipated due to the Omicron variant and the fact that businesses are taking advantage of this time to rethink how they operate and use space.

7. Sheds, beds, meds and niche assets will see a further increase in allocations – growing from a position of immaturity in some regions – while more traditional sectors offer a key route to access stock due to scale. However, investors must approach all sectors via a range of structures and capital routes to find opportunities and take advantage of all performance potential.

8. As a result of new user patterns and a demand for greater sustainability, reworking existing stock and building more effectively will be a priority – and an opportunity – on a global basis, especially in core markets with less focus on ESG to date.

9. The longer-term redesign of supply chains will refocus demand in all regions as well as capitalize on growth in low-cost emerging markets globally.

IS THE MARKET ATTRACTIVE FOR INVESTMENT?

GLOBAL SUMMARY:

Uncertainty will remain high due to the virus, inflation and events in Ukraine, but most indicators point to a steady improvement in confidence at a social and business level globally as 2022 progresses. This will lead to a rising cycle of performance for most markets, despite differing structural headwinds.

FIRST HALF 2022:

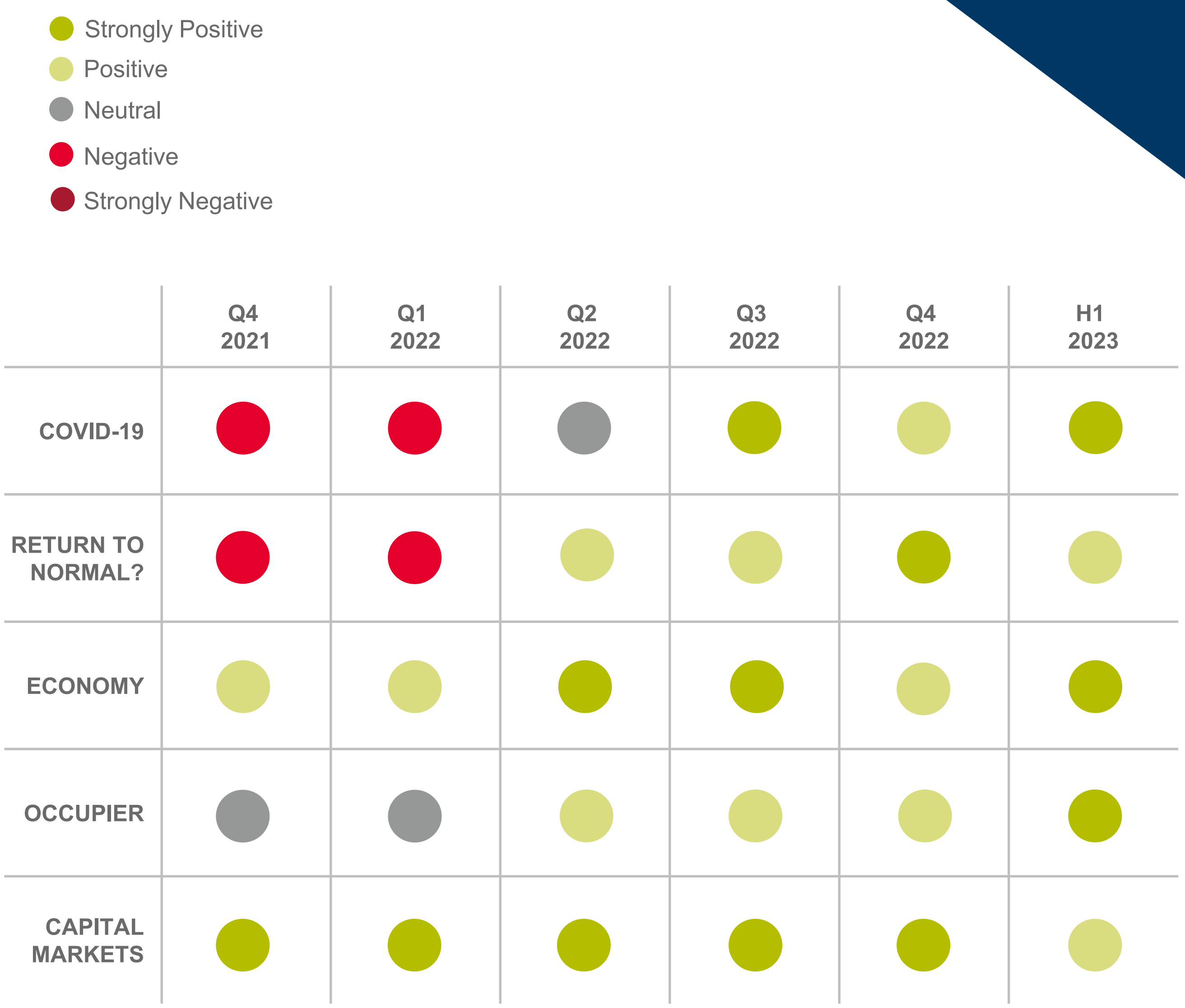
The virus will continue to dominate in early 2022 but increased global immunity and greater knowledge about the virus will allow for a slow improvement and for return-to-work strategies to get back on course. This suggests better economic growth before the summer, which will feed occupier and investor confidence, though this could be undercut by rate volatility and geopolitical risk.

SECOND HALF 2022:

Improving economic growth will hopefully be accompanied by better news on inflation and COVID-19. With government subsidies being reduced, the private sector will take over as the driver of expansion, and occupier markets will grow more confident.

EARLY 2023:

Recovery will continue, with COVID-19 present but in the background, and climate now the number-one risk factor for businesses. Occupier recovery will deepen, with office and retail markets benefitting, and structural change driving demand. For investors, the slow increase in interest rates may suggest that investment strategies need adjustment.



SOURCE: CUSHMAN & WAKEFIELD

REGIONAL TRENDS

ASIA PACIFIC:

Asia Pacific has led the recovery to date, with an earlier return of growth and pre-pandemic levels of investment activity in most markets. This momentum looks set to remain despite a COVID-led easing in Q1, and it will be strengthened by a deeper and wider level of occupier demand later in the year.

EMEA:

The virus slowed the recovery again and events in Ukraine will also impact regional confidence. The immediate economic impact of the events is expected to be felt in inflation rather than demand. However, high vaccination and booster rates should allow for market reopening to pick up later in Q1. This will support an acceleration in confidence and activity that may be at its peak in Q3, but will promote a steady and further improvement in occupier markets pushing into 2023.

LATIN AMERICA:

A strong bounce in economic activity in 2020 has tempered, but with an increase in vaccination rates, the outlook is brightening. Though the virus, politics and inflation will remain in focus, a rise in economic growth later in 2022 will support a broader real estate market upturn led by the occupier, which will pick up pace in 2023.

NORTH AMERICA:

Momentum is high in the economy and the real estate market, and this will offset any heightened risk from Omicron and inflation. The ending of fiscal and monetary stimulus may lead to slower economic growth later in 2022, but leasing markets (including in the office sector) will pick up speed.

- Strongly Positive
- Positive
- Neutral
- Negative
- Strongly Negative

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	H1 2023
GLOBAL	Neutral	Neutral	Positive	Strongly Positive	Positive	Positive
ASIA PACIFIC	Positive	Neutral	Strongly Positive	Strongly Positive	Strongly Positive	Positive
EMEA	Neutral	Neutral	Positive	Strongly Positive	Positive	Positive
LATIN AMERICA	Neutral	Neutral	Neutral	Neutral	Positive	Positive
NORTH AMERICA	Neutral	Neutral	Positive	Strongly Positive	Positive	Strongly Positive

FOR MORE DETAIL ON THE REGIONAL BREAKDOWNS, CLICK HERE

SOURCE: CUSHMAN & WAKEFIELD

SECTOR TRENDS

LOGISTICS:

Remains a pandemic winner in all geographies with very robust occupier demand and build-cost inflation set to boost rental growth. With capital values high, investors will need to be selective in targeting assets able to sustain this growth over the medium term.

LIVING:

The appeal of sectors driven by demographic and social needs is spreading. Demand and pricing have proved resilient through the pandemic and with modern purpose-built space in demand for residents, students and seniors, the scope of the sector will grow substantially further, globally.

HOSPITALITY:

Business travel may be held back by the latest twists of the pandemic, but the fundamentals of the sector look strong for leisure travel. It will steadily pick up as travel restrictions continue to ease, but with new formats and business models.

ALTERNATIVES:

Led by mature markets, less traditional sectors merit stronger investment where fueled by robust demand drivers and operational gains. Sectors such as life science, self storage, healthcare and technology infrastructure can make a telling contribution to portfolio performance, with a shortage of supply a key driver and entry point.

OFFICE:

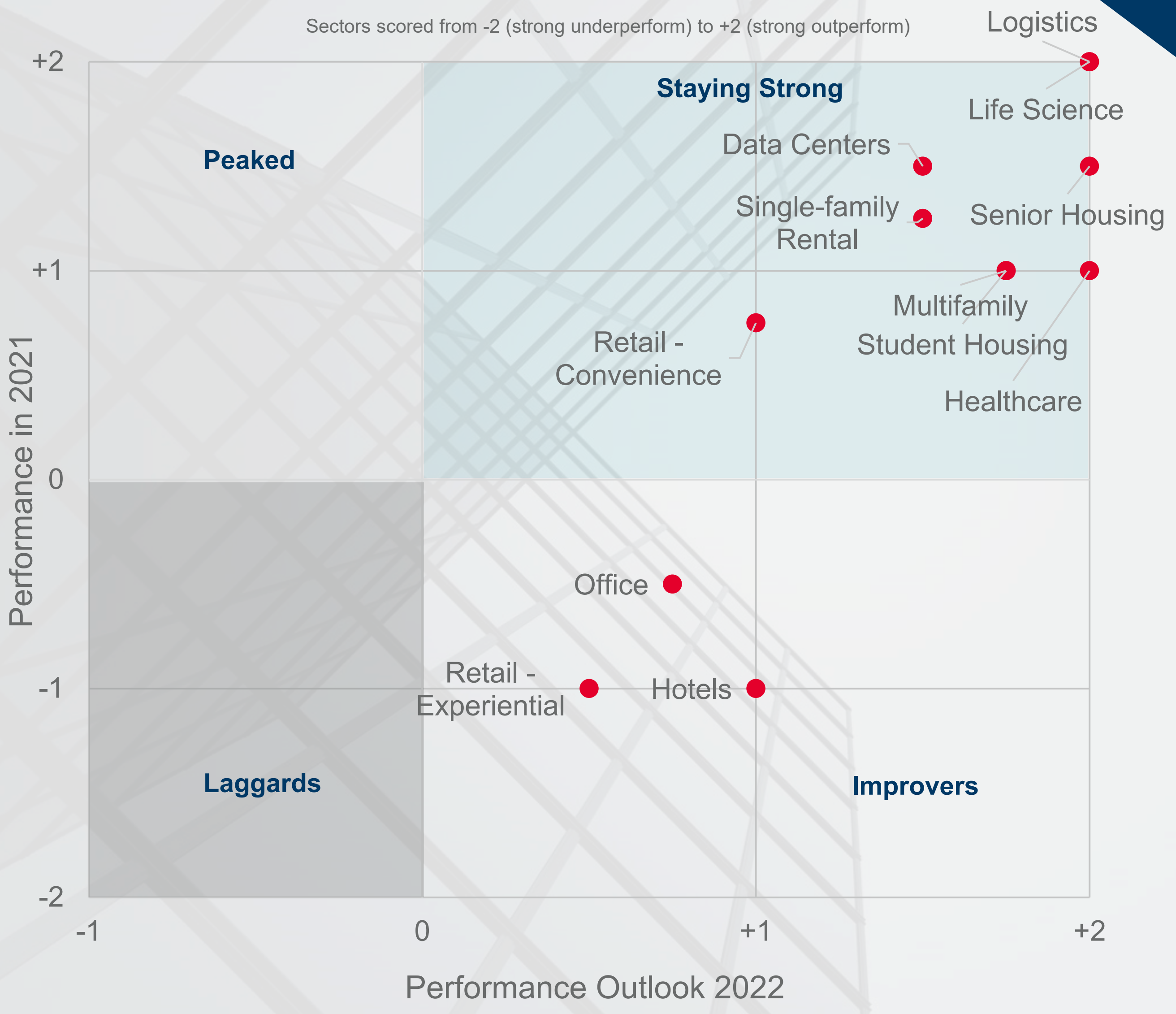
New office working models are developing as we transition from WFH. While more discerning and more deliberate about sustainability, occupier demand is up and the sector is entering recovery mode.

RETAIL:

Challenges remain, but retail is turning a corner and the role of physical space in delivering convenience and anchoring destinations is if anything clearer than pre-pandemic. The market will be polarized in recovery, but repricing is now opening opportunities.

Changing Prospects for Growth

Sectors scored from -2 (strong underperform) to +2 (strong outperform)



1

MARKET DRIVERS

THE ECONOMIC PICTURE - POSITIVE

GDP:

Global real GDP is expected to expand by 4.5% in 2022, up from 4.3% in 2021, with a broad-based climb supported by government investment. APAC will be the main driver of this, ahead of North America and Europe; Latin America will see slower growth, at least until H2 2022. Developed economies are expected to advance at a slower pace than emerging markets, with most hindered in Q1 by the Omicron variant.

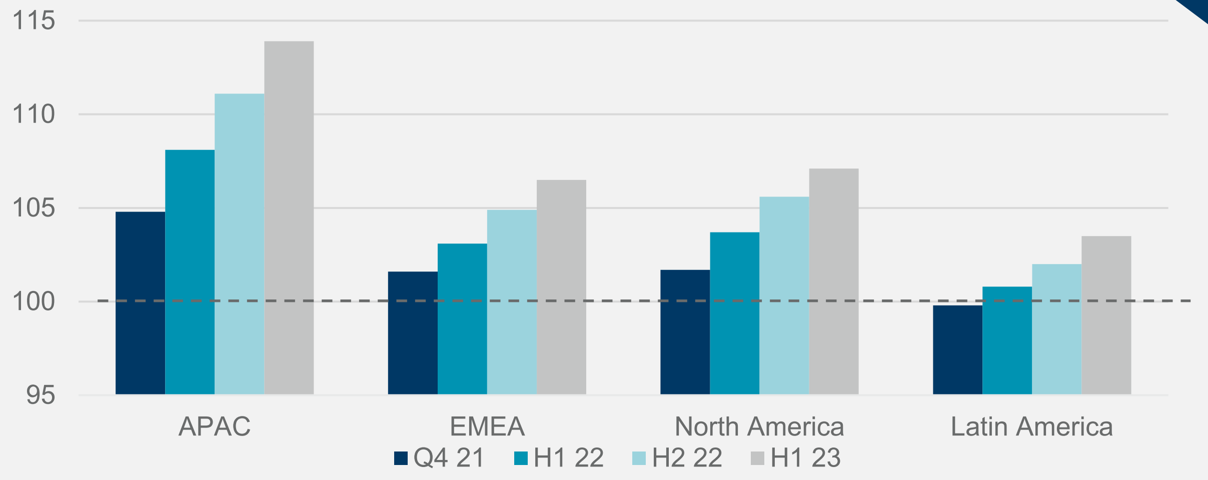
INFLATION:

Over the course of 2021, inflation increased markedly in a range of countries from the United States to emerging economies in Africa and South America, driven by pent-up demand and supply bottlenecks. In 2022, price pressures are expected to subside in the second half; however, further increases in commodity and energy prices, which conflict in Ukraine has made more likely, add to uncertainty. In addition, regional trends will differ: while CPI is expected to rise slowly in APAC, it will fall in most regions. North America is expected to remain above its 10-year average, while Europe will be in line and Latin America will be markedly below the 10-year average.

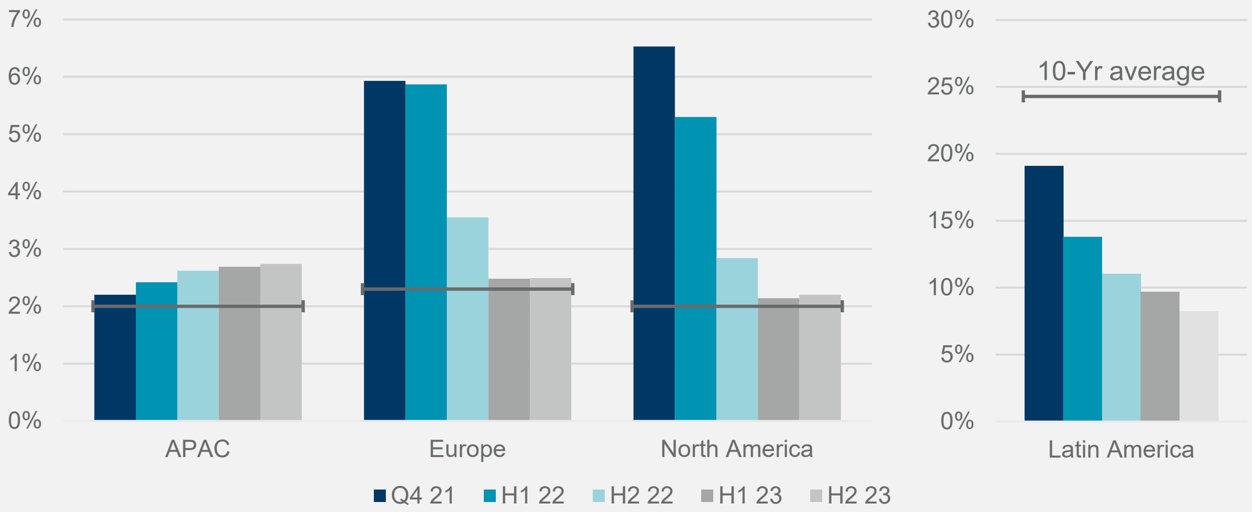
INTEREST RATES:

The interest rate backdrop has shifted over the past year. While most major economies' policy rates remained unchanged through 2021, interest rate hikes are coming. In the UK, the BoE already acted, while in the U.S., the Federal Reserve is widely expected to reduce asset purchases more quickly and begin hiking rates in March. The ECB and major Asian central banks have suggested that interest rates are very unlikely to be raised in 2022, but the ECB will reconsider its QE bond purchasing program in March, and bond yields in most global markets will be under slow upward pressure.

OUTLOOK FOR REAL GDP (Q4 19 = 100)*



OUTLOOK FOR CONSUMER PRICE INFLATION



SOURCE:
VARIOUS GOVERNMENT AGENCIES, MOODY'S ANALYTICS, CUSHMAN & WAKEFIELD RESEARCH. NOTE: REAL GDP AGGREGATED USING UNDERLYING DATA IN PPP TERMS.

A SPEED LIMIT ON GROWTH?
NO UNIFORM PATTERN OF RISK

HIGHER GROWTH

LOWER GROWTH

	2022 REAL GROWTH FORECAST	2022 UNEMPLOYMENT RATE VS 10 YEAR AVERAGE	2022 CONSUMER PRICE INFLATION FORECAST VS. LT AVERAGE
INDIA	9.11%	1.27%	0.25%
POLAND	5.83%	-2.13%	5.36%
SPAIN	5.51%	-5.00%	2.61%
INDONESIA	5.25%	-0.57%	-1.16%
UNITED KINGDOM	5.09%	-0.54%	3.13%
MAINLAND CHINA	4.91%	-0.02%	0.15%
SINGAPORE	4.59%	-0.03%	1.54%
AUSTRALIA	4.22%	-0.66%	0.85%
ITALY	4.21%	-1.54%	1.94%
U.S.	4.13%	-2.07%	2.93%
CANADA	3.63%	-1.18%	2.08%
GERMANY	3.56%	-0.74%	2.35%
FRANCE	3.54%	-1.32%	2.08%
RUSSIA	3.20%	0.02%	-1.51%
SOUTH KOREA	3.17%	-0.28%	0.99%
JAPAN	2.97%	-0.48%	0.26%
NETHERLANDS	2.95%	-2.16%	3.02%
MEXICO	2.43%	0.68%	0.60%
BRAZIL	1.42%	2.02%	1.55%
HONG KONG CHINA	1.19%	0.37%	-0.39%

CAPACITY CONSTRAINTS?

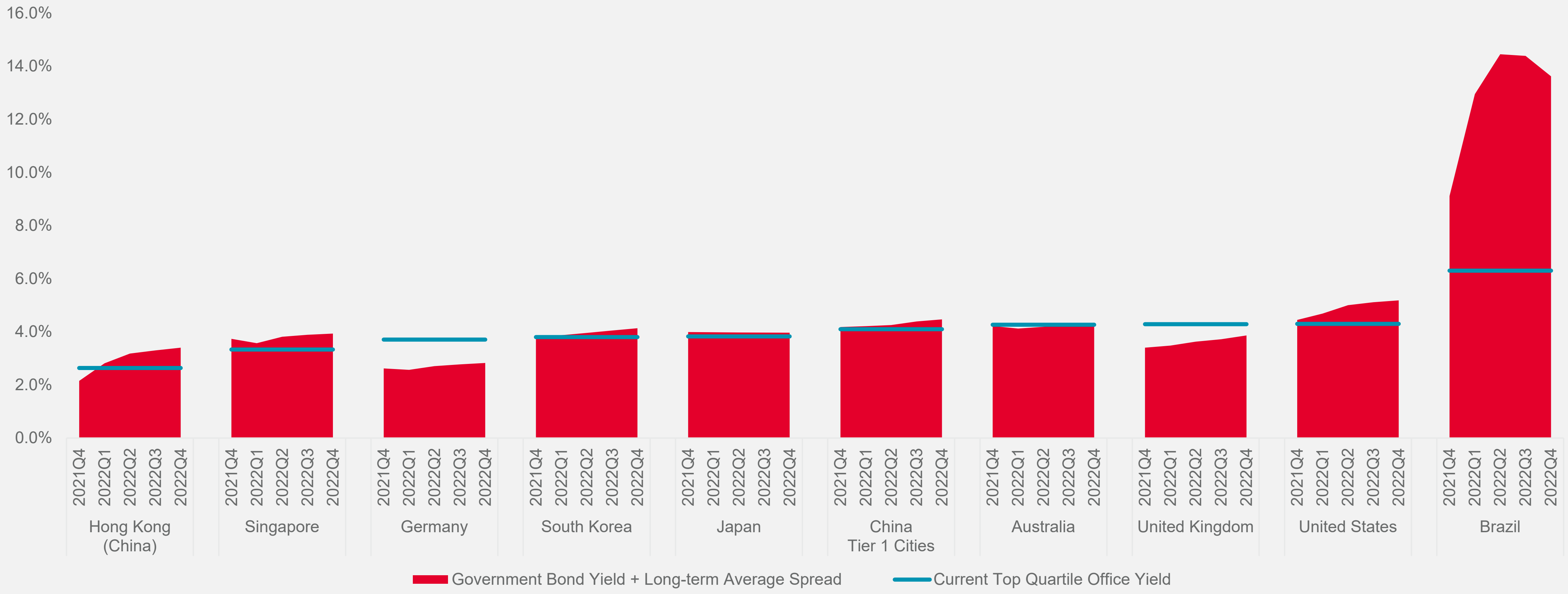
Indicates an economy with more slack in the labor market and/or a lesser inflation threat

Indicates an economy with stretched labor market resources and/or more inflation threat

SOURCE: VARIOUS GOVERNMENT AGENCIES, MOODY'S ANALYTICS, CUSHMAN & WAKEFIELD RESEARCH.
NOTE: UNDERLYING REAL GDP DATA IN PPP TERMS

RISING INTEREST RATES ERODING RISK PREMIUMS

GLOBAL OFFICE YIELDS AND THE BOND SPREAD



SOURCE: RCA, MOODY'S ANALYTICS FORECASTS, CUSHMAN & WAKEFIELD RESEARCH

SUSTAINABILITY TO THE FORE – GLOBALLY

ESG:

ESG has moved rapidly up the investor agenda in the last two years as the pandemic pushed public health and environmental concerns to the fore. This underscored the fragility and interconnectedness of the planet, highlighting physical risks as well as threats to social equality and cohesion. The degree to which the E, S and G are interlinked may not yet be fully understood, but it represents an added layer of risk and opportunity.

BUILDING GREEN:

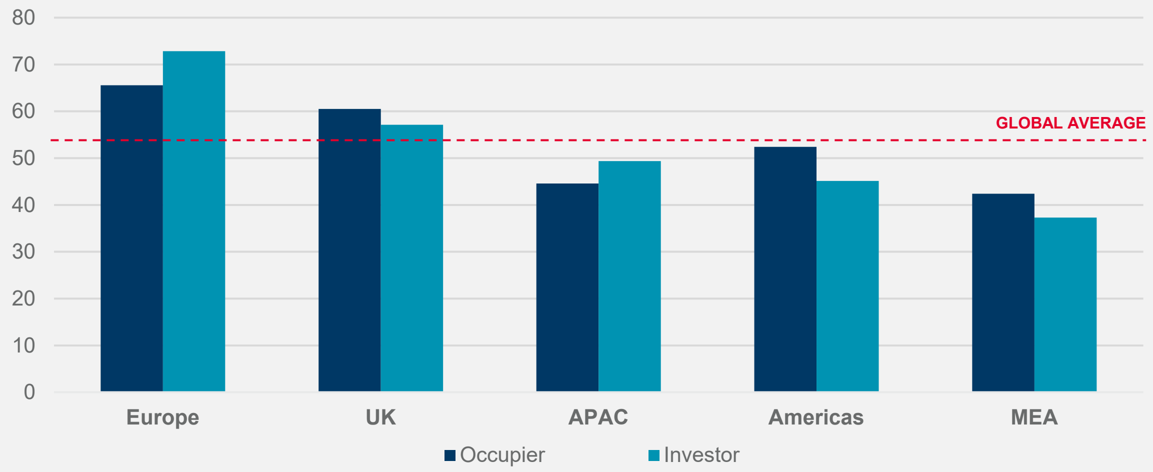
Surveys such as that by the Royal Institution of Chartered Surveyors (RICS) underline the increased attention focused on sustainability. Green buildings are more in demand among occupiers and investors, but priorities differ by region and Europe generally is more sensitive to the issue. Nonetheless, the gap between regions and between occupiers and investors has closed even if views on what is the priority remain diverse – with Europe more focused on carbon and the Americas and APAC on waste and material resilience.

TAKING ACTION:

Not everyone is convinced of their role in tackling the issues raised by ESG concerns, debating the "reward" for action will become less palatable as society, regulators and businesses press for progress. Though evidence of a premium for green may be growing (see Green is Good, an analysis of U.S. office market pricing), the real risk lies in an extreme brown discount as non-green assets rapidly become obsolete. Investors must act now, starting with knowing their assets and understanding how they can be improved – whether in financial or non-financial returns – and that needs monitoring, data analysis and a strategy to improve over time.

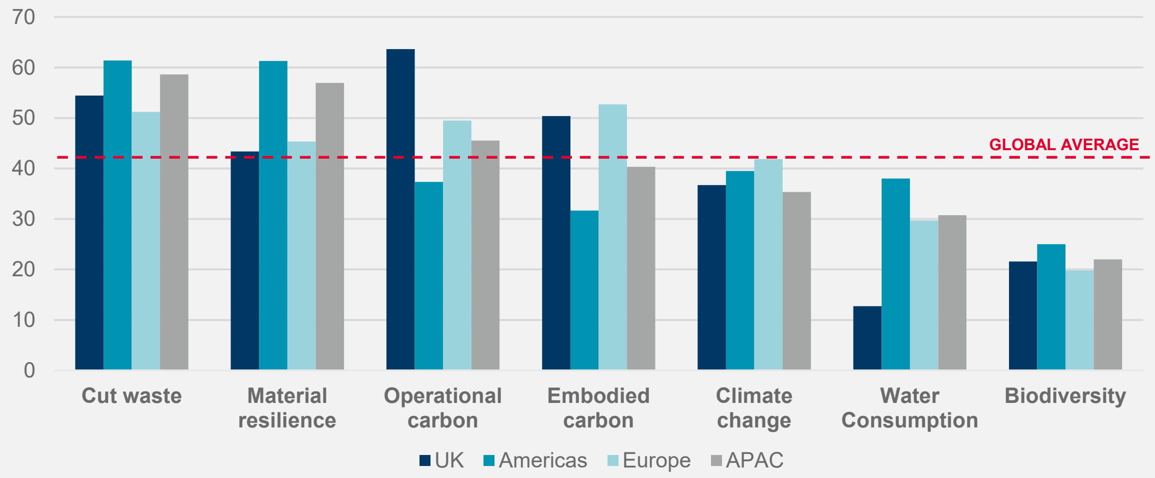
INCREASED DEMAND FOR GREEN BUILDINGS

BALANCE OF RESPONDENTS REPORTING INCREASED DEMAND - YEAR TO Q2 2021



MOST IMPORTANT SUSTAINABILITY FACTORS IN NEW CONSTRUCTION

BALANCE OF RESPONDENTS RANKING FACTOR IN TOP 3 - YEAR TO Q2 2021



SOURCE:
RICS, CUSHMAN & WAKEFIELD

LEASING MARKET OUTLOOK

A SELECTION OF RESEARCH USED IN OUR ANALYSIS OF THE MARKET

OFFICE

Flexible Office in the Changing Workplace

- Flexible office was negatively affected by the onset of the pandemic, especially in the United States.
- Fundamentals are beginning to look up as global GDP returns to pre-pandemic levels and office-using employment rebounds globally.
- Enterprise demand for flexible office is recovering. For many, flexible office is a solution to help rationalize corporate real estate portfolios until the “new normal” of office is clearer.

RESIDENTIAL

Global Residential Impact Study

- Global gateway housing markets have been resilient through the pandemic.
- Analysis of momentum, supply, demand and liquidity reveal relative rebound potential as more granular strengths and weaknesses.
- Amsterdam, London, Atlanta and Los Angeles have the greatest rebound potential among global gateways.
- U.S. has the richest opportunity set but markets are maturing globally.

INDUSTRIAL

Global Supply Chain Disruptions

- Global supply chains remain under pressure and will remain a challenge in the coming months.
- The supply chain issues are directly linked to the disruption caused by the pandemic; as this recedes, issues will begin to resolve.
- Supply-demand imbalance is putting intense pressure on vacancy, now at an all-time low across global markets.
- Rental rates are growing at often more than twice the rate of inflation

RETAIL

Retail Tenants of Tomorrow

- Retail is in a period of transformation as new tenants emerge to replace old and the winning retailers step forward.
- Globally, demand for experiential retail, particularly food and beverage, as well as sports, DIY and household goods, has rebounded with the economy.
- Medical retail is a growing sector in the U.S., providing more services to attract and retain consumers.
- Digitally native brands are building physical presences and new categories, such as electric cars, are emerging.

2

CAPITAL MARKETS

CAPITAL MARKETS ACTIVITY

OVERVIEW:

With positive drivers for capital markets in 2022, the momentum from 2021 is expected to continue, despite shortages in some of the most demanded sectors. This will encourage more activity in office and retail markets where stock is more available, as well as greater geographical diversity, in emerging markets—in APAC for example due to higher economic growth and in Latin America as political risk reduces.

TRANSACTIONS:

The global market ended 2021 strongly with nearly all sectors ahead and the global total up 51% from 2020. Matching this performance will be a challenge in 2022 but strong momentum and increasing property sales pipelines point to H1 beating last year's performance.

EQUITY:

Dry powder remains close to record levels across most investor types, with capital raising picking up in Q4. Intention surveys point to further increases in allocations ahead and stronger cross-border activity.

DEBT:

Debt markets remain favorable if still selective, with liquidity concentrated in the most favored product types. That may alter in more mature markets in 2022, with strong demand among lenders leading to a further improvement in sources of transitional and development finance for example., but at the same time increasing debt costs will pressure pricing away from core product.

PRICING:

Valuations are stabilizing due to an improved occupier outlook, but will face a greater reliance on rental levels given increasing bond rates and debt costs. The market will therefore remain polarized, with secure income and growth sectors well-supported and yields in fact under downward pressure in the most demanded geographies.

- Strongly Positive
- Positive
- Neutral
- Negative
- Strongly Negative

	Q4 2021	H1 2022	H2 2022	H1 2023	COMMENT
PRODUCT AVAILABILITY	Negative	Neutral	Neutral	Positive	**Most constrained in Europe**
EQUITY AVAILABILITY	Strongly Positive	Strongly Positive	Strongly Positive	Strongly Positive	**Record levels**
DEBT AVAILABILITY	Neutral	Positive	Positive	Positive	**Strongest in North America**
PRICING	Neutral	Neutral	Positive	Positive	**Stabilising in all areas driven by rental outlook**
BOND RATES	Strongly Positive	Positive	Positive	Neutral	**US leading correction**

SOURCE:
CUSHMAN & WAKEFIELD

CAPITAL MARKET DRIVERS

A SELECTION OF RESEARCH USED IN OUR ANALYSIS OF THE MARKET

INFLATION

What Rising Inflation Means for CRE Investing

- Inflation will remain elevated in H1 2022 and fade thereafter.
- CRE returns have historically increased in response to inflation. Returns tend to increase more than 1:1 with inflation, providing not just inflation protection but inflation performance.
- While real estate in the aggregate may correlate well with higher inflation, not all assets will prosper as occupiers grow more discerning.

INTEREST RATES

Capital Markets 2022 U.S. Outlook

- Long-term interest rates have already begun to rise in anticipation of four Federal Reserve rate hikes in 2022.
- However, there is little correlation between interest rate changes – long-term or short-term – and cap rates.
- The context of rate changes matters more: 1) economic growth 2) cap rate spreads vs. history.
- Current spreads suggest that the market is well-positioned to absorb further rate increases.

CAPITAL ALLOCATIONS

Capital Tsunami

- Institutional target allocations to real estate continue to rise across global regions. The gap between actual and target allocation is at record levels, pointing to further capital flows into the sector.
- Dry powder at or near record levels across global regions and strategies, contributions are rising for open-ended core funds and public markets are open to REIT capital.
- Investor sentiment for real estate is currently at a nine-year high and looks to remain elevated as CRE attracts more capital by being priced below investment alternatives.

ESG

Green Is Good

- LEED office buildings consistently achieve higher cash flows than otherwise comparable buildings.
- LEED office buildings achieve higher sale price per square foot values and cap rates across market tiers, classes and urban category.
- Sales price premia are consistent with cash flow premia in Class A urban markets, while suburban Class A office represents a potential value.

TRANSACTION VOLUMES

NEW MARKET HIGH ESTABLISHED

Transaction activity hit a new record level globally in 2021, thanks largely to the pace of recovery seen in the Americas. After a 22% fall in global activity in 2020 as the pandemic hit, last year registered an astounding 55% uplift and this will be followed by a predicted 3% increase this year as EMEA and APAC accelerate further. Rising interest rates and normalizing economic growth rates will have a moderating influence on the pace of further increases in transaction volumes.

Americas

The Americas delivered a stunning recovery in 2021 with volumes ahead by 92% after a 29% drop in 2020. This performance was driven by an avalanche of multifamily and industrial properties trading in the U.S. at a pace that would be difficult though not impossible to sustain, particularly with monetary conditions tightening. Therefore, we expect volumes to moderate in 2022 and 2023 while remaining well-above their pre-pandemic growth trajectory.

Volumes could surprise to the upside should buyer demand entice still more multifamily and industrial properties to come to market while office and retail recoveries further accelerate.

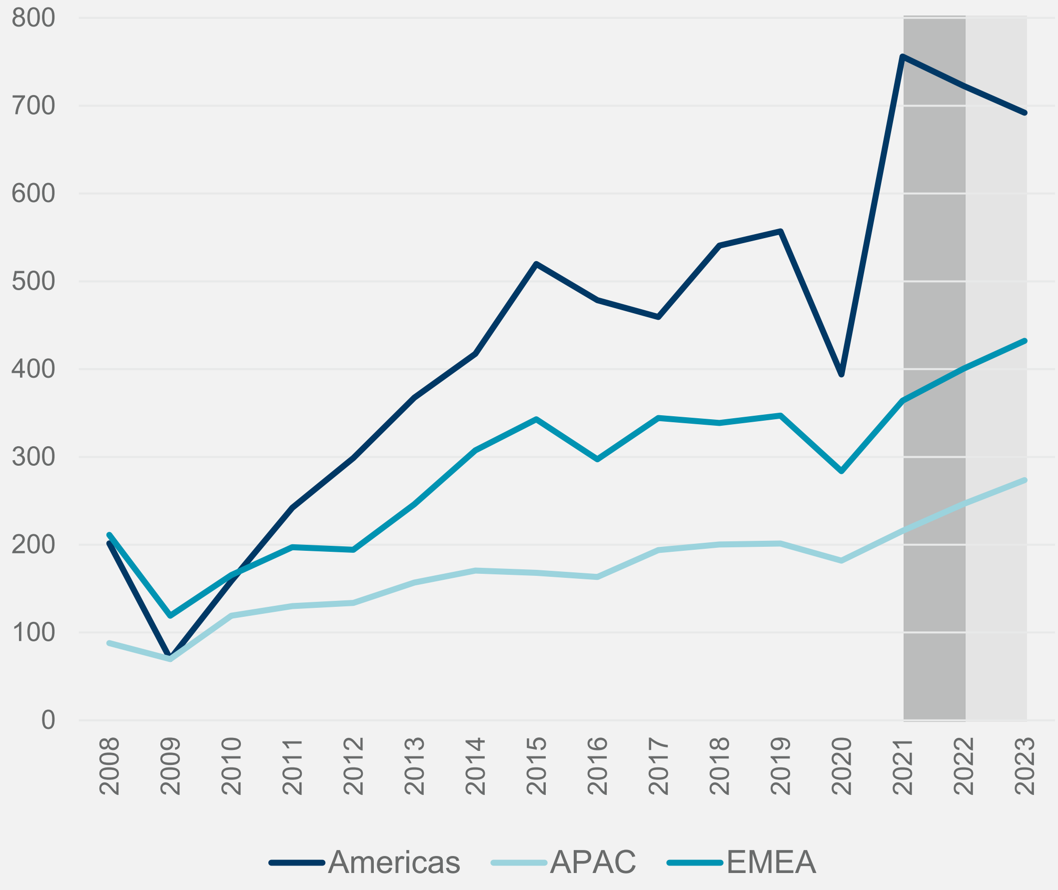
APAC

Transaction activity followed the earlier economic recovery of the APAC region, with 2021 exceeding pre-Covid levels following a comparatively mild 10% drop in 2020. This momentum will be maintained with both 2022 and 2023 expected to record double-digit volume growth as the economic recovery invigorates the occupier sector. Availability of stock is a potential headwind facing investors but with interest rate increases expected to be gradual, this should maintain investor confidence.

EMEA

EMEA volumes rose 28% in 2021, overcoming an 18% decrease in 2020 to set a new activity record. With liquidity very strong and economic growth assumed to get back on track as Omicron stabilizes, the region is forecast to experience continued growth over the next 1-2 years, with volumes expected to rise 10% this year and 8% next. This will be boosted by large platform sales and recaps but will also be helped by an expansion in the size of the addressable market in the living sector and niches such as health and the return of greater interest in retail property.

ANNUAL TRANSACTIONAL ACTIVITY (USD bn)



SOURCE: RCA, CUSHMAN & WAKEFIELD RESEARCH. DEALS OVER $5MN, OFFICE, RESIDENTIAL, RETAIL, INDUSTRIAL AND HOTEL.

3

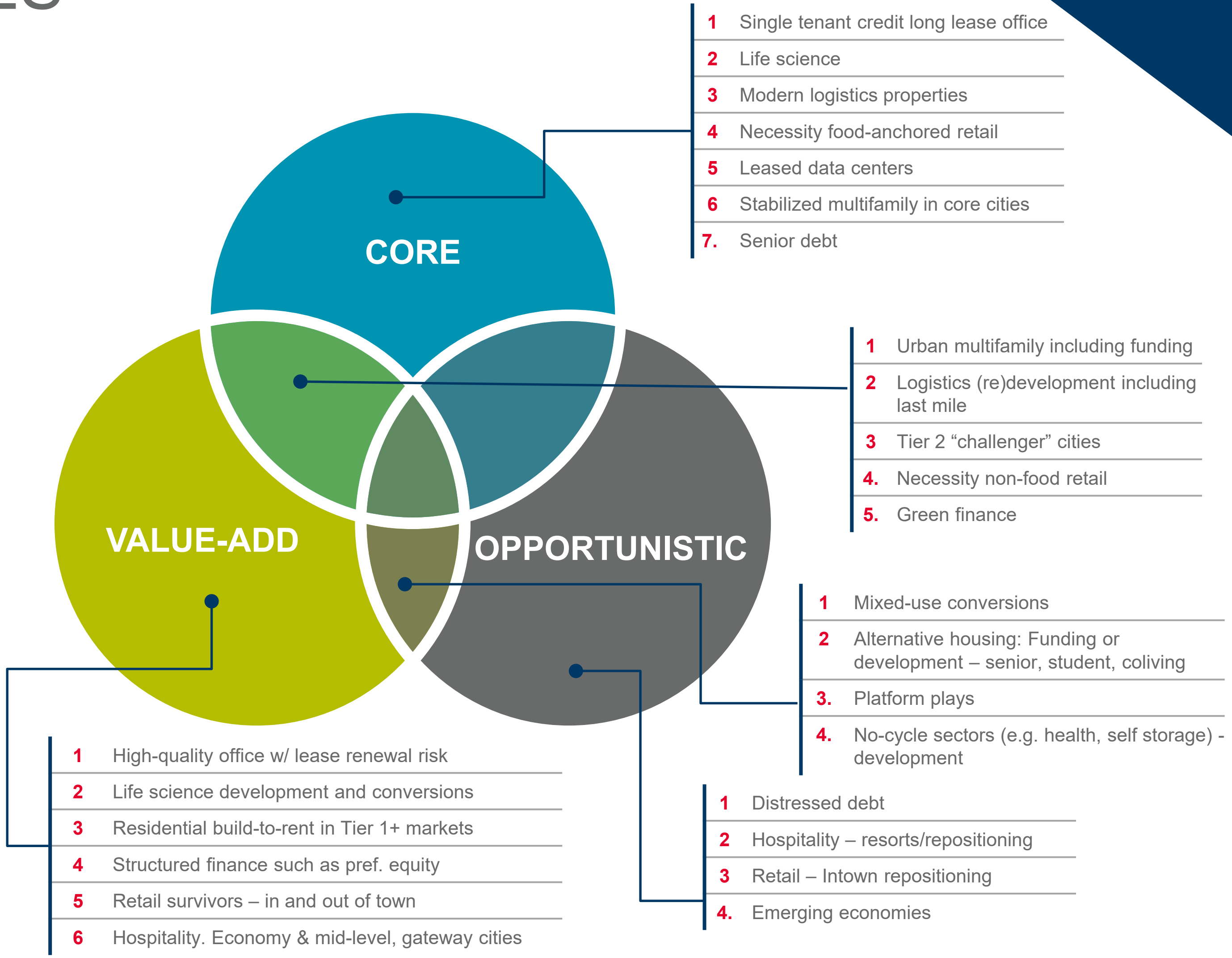
INVESTMENT RECOMMENDATIONS

GLOBAL INVESTMENT THEMES

POLARIZED DEMAND IN ALL SECTORS

Success depends on understanding the occupier, building in flexibility and accounting for ESG and affordability issues.

- We face further uncertainty through the recovery and with a significant acceleration in structural changes taking place, there will be more winners and losers – resulting in further polarization across all sectors.
- A permanent shift in the market demands flexible assets, often mixed-use and driven by active management – placing more emphasis on skilled platforms.
- Beds, sheds and meds are now part of the mainstream market and offer growth potential and risk reduction. Investors need to pay particular attention to the operational aspects of these property sectors.
- With limited supply of the assets everyone wants, pricing will increase as will development potential. However, this is increasingly in tension with pressure from rising global rates.
- So too will interest in other larger property sectors, led by retail and hospitality but also favoring offices as WFH matures.
- For all assets, defining their "reason to be" for occupiers is key: what do they add?
- Scale and agglomeration benefits matter, boosting gateway cities, but the ranking of winning cities may differ from the past, with quality, talent, amenity and cost at the fore.
- Repurposing existing assets is a major area of opportunity, including mixed-use and specific sector prospects.
- Demand for yield and term will bring greater opportunity for sale and leasebacks for buyers and sellers.
- Strong debt availability adds to performance potential, but risk aversion brings more opportunity in providing development and structured finance.
- Market access may be optimized via recapitalizing existing structures.
- Platform potential including public to private, remains significant, particularly in adding AUM and in well-focused vehicles where management can add value.
- A growing challenge in new and existing assets will be improving their ESG profile—without which they risk becoming unusable and irrelevant in the global market. A new appraisal of performance may be needed to include non-financial targets.



REGIONAL IDEAS

INVESTMENT IDEAS: BY REGION

ASIA PACIFIC

CORE

Retail: Core assets and cities for non-discretionary retail and locally-popular destination retail.

Urban logistics: Singapore, Seoul, Sydney, Tokyo, Osaka, large mainland China cities, India Tier 1 cities

Offices: Gateway cities including Seoul, Tokyo, Singapore, Sydney, Beijing

“No-cycle” sectors: Living sectors in Japan and Australia, data centers, essential retail

VALUE-ADD

Retail: CBD shopping centers, community malls, China outlets

Repositioning: Change of use in Beijing CBD, Singapore CBD and upgrading office ESG compliance in Japan and Tier 1 mainland China

Hi-tech/business parks: Tech cities – Beijing, Tokyo, Seoul, Bengaluru, Singapore, Hyderabad, Pune

OPPORTUNISTIC

Hospitality: Singapore, Japan, Hong Kong China, India Tier 1 cities

Emerging markets: Industrial in India and South-East Asia

Platform investment: Underperforming assets, development

REGIONAL IDEAS

INVESTMENT IDEAS: BY REGION

EMEA

CORE

Offices: Long-term investment in core locations in flexible modern buildings in Germany and the Nordics as well as London, Paris, Amsterdam, Madrid, Barcelona and Zurich.

Retail: Outlet centers, grocery-anchored schemes and flagship high streets as repricing takes effect in core cities.

Logistics: Urban warehousing in core cities, motorway warehousing serving Tier 1 and 2 cities plus manufacturing and transport hubs.

Managed Residential, Build-to-Sell and Senior Living: Nordics, UK, Ireland, Germany, Spain and the Netherlands. Affordable focus.

Hotels: Extended stay hotels and serviced apartments in prime cities.

Alternatives: Data centers in hub and Tier 2 cities, life science, healthcare and other social infrastructure, focused on Germany, Netherlands, Nordics and UK.

VALUE-ADD

Offices: Repositioning in core cities and leased assets in select Tier 2 cities, tech, life sciences and culture-led, including Prague, Dublin, Stockholm, Helsinki, Vienna, Milan, Lisbon and Polish cities for medium-term gains.

Retail: Dominant retail parks and selective shopping centers in larger cities in the UK, Germany, Sweden, France and Spain. Repricing offers secure incomes and possibly long-term repositioning potential.

Logistics: Developing urban logistics and leased assets around Tier 2/3 cities, including supply chain hubs and consumer markets.

Student Housing: Forward commitments and development in major academic hubs.

Hotels: Resorts accessing regional and domestic markets and opportunities in re-capitalizing overextended owners and operators in select tourism-driven markets.

Alternatives: Healthcare development, **r**epositioning in hub markets for life sciences and self storage.

OPPORTUNISTIC

Offices: Land banking ahead of spec development and repositioning in core Western cities, plus leased property in the EU East.

Retail: Repositioning and active management/ development in larger western and central European cities.

Logistics: Development serving large Central & Eastern European cities and peripheral Western cities.

Africa and UAE: Schemes serving key hubs for technology and hospitality.

Hotels: Development/forward commitments on economy/mid-scale hotels in gateway cities and hotels in cities with good medium-term recovery potential, including repositioning/ rebranding.

Alternatives: Development in life sciences (urban areas and Tier 2), data centers (emerging Tier 2 locations) and development of self storage.

REGIONAL IDEAS

INVESTMENT IDEAS: BY REGION

LATIN AMERICA

CORE

Office: Fully established buildings in major corporate districts such as San Isidro Financiero and San Isidro Empresarial in Lima and major markets of Sao Paulo.

Retail: Land or buildings in areas in districts with high commercial and tourist traffic such as San Isidro, Miraflores and the historic center of Lima as well as S&LB with the main big box retailers (Tier 1) of Sao Paulo and Rio de Janeiro.

Logistics: Prime distribution centers with long-term leases, built-to-suit, sale & lease back platforms in Sao Paulo, Mexico City and Santiago. In Peru, logistics centers and industrial parks developed south of Lima, specifically in Chilca and Lurín.

VALUE-ADD

Office: Class A building in CBD regions of Santiago (Chile) and Sao Paulo (Brazil) as well as districts such as Miraflores and Santiago de Surco in Lima (Peru).

Retail: Brazilian (Tier 1) shopping centers with proven resilience. Potential to explore in provincial Peruvian markets

Residential: Mexican and Colombian cities, in infill high transit locations of Santiago, high-end apartments in trend districts of Sao Paulo. In Lima, the mismatch in housing supply presents opportunities in high and mid-end apartments.

Logistics: Development in Tier 1 locations and some emerging development zones around cities such as Lima.

OPPORTUNISTIC

Platforms: Brazilian logistics, especially in Sao Paulo as long-term strategy.

Office: Class A buildings in Mexico and Bogotá (Columbia) and Class A or B in emerging zones around Lima such as Chacarilla, Ate Vitarte and La Victoria

Retail: Brazilian (Tier 2) groceries anchors and shopping centers with low pricing and high yield.

Industrial: Infill distribution product, Class B and development in secondary markets. Also, markets servicing key Brazilian and Mexican cities. As well as in the main cities of the Andean region.

Alternatives: Development in data centers (urban areas and Tier 2) in Sao Paulo, Bogota and Santiago and potentially Uruguay and Argentina. Also, Self storage in Sao Paulo and Santiago (urban areas and Tier 2).

REGIONAL IDEAS

INVESTMENT IDEAS: BY REGION

NORTH AMERICA

CORE

Office: Life science markets (e.g., San Francisco Peninsula, Boston, San Diego, Raleigh-Durham); high-growth/high-skill markets (e.g., Austin, Dallas, Denver, Toronto); well-leased Class A suburban office, particularly in walkable locations; single tenant credit office; well-located creative office.

Residential: High-growth sunbelt and mountain west markets, particularly stabilized class A and B properties in suburban submarkets.

Retail: Pandemic resistant strategies, notably grocery-anchored centers in moderate-to high-income suburban locations; convenience stores in heavy-transit areas; unanchored centers with necessity and convenience uses, quick-service restaurants).

Hotels: Urban luxury hotels at discount to replacement cost.

Logistics: Modern logistics assets located in primary markets serving large population centers (e.g., Southern California, Dallas/Fort Worth, Atlanta, Chicago, Miami and Greater New Jersey).

VALUE-ADD

Office: Core strategies but with near-term lease maturities, lower building quality/location; life science conversions of single-story office/flex product; post-pandemic beneficiaries of urban reflation (gateway markets + Seattle) with quality focus; high-growth/medium-skill markets (e.g., Atlanta, Charlotte, Phoenix, Nashville, Orlando); political risk premium markets (e.g., Portland, Seattle, Minneapolis, Chicago); capitalize on motivated sellers (e.g., corporate disposals of partially vacant properties, long-term institutional holders reducing office exposure; private equity at end-of-fund lives).

Residential: Same markets as core but venture into Class C, urban submarkets, build-to-core, repositioning of B/B- assets; urban reflation markets with opportunity in transit adjacent assets; niche strategies (single-family rental, coliving), particularly in higher cost markets.

Retail: Power centers that have enjoyed continuous operations; Prime malls/shopping centers, particularly open air, in high-income and/or high-growth markets/submarkets, where surrounding demographics differentiate core-plus vs. value-add.

Hotels: Drive to/resort-driven destinations with ability to expand amenity base and lift ADR.

Logistics: Infill-sited Class B/C product in major markets that have good accessibility allowing them to serve as the last link for e-commerce fulfillment. Class A/B product with near-term rollover in low vacancy markets.

OPPORTUNISTIC

Office: Core-plus/value-add markets but less well-located/built assets and/or with near-term lease expiries; Class A office in energy-driven markets (Houston, Edmonton & Calgary); Class B mall to mixed-use redevelopment; redevelopment/repositioning of 80s build suburban in select infill locations.

Residential: Senior housing; build-to-core in high barrier markets; office/retail conversions to residential.

Retail: Non-prime mall to repositioning and/or redevelopment; Urban high street retail; retail developments near colleges or live entertainment venues (e.g., stadiums); parcelization/densification of shopping centers occupying large sites; zoom towns and exurban markets benefiting from COVID-19 migrations.

Hotels: Major international tourist/business traveler markets (New York City, San Francisco, Chicago) and group/convention center driven boxes (500+ rooms).

Logistics: Development in secondary inland distribution hubs and housing hot spots (e.g., Indianapolis, Louisville, Cincinnati, Phoenix, Austin, Tampa, Denver and Nashville).

THE SIGNAL REPORT
GLOBAL GUIDE TO CRE INVESTING IN 2022

REGIONAL ASSUMPTIONS

APPENDIX

APAC

SUMMARY:

Asia Pacific enters 2022 with strong underlying momentum but greater than expected short-term headwind from the spread of Omicron. In Q2 however, that momentum will assert itself, building upon the regions re-emergence from prolonged lockdowns. The regional economy regains top spot in terms of pace of growth in the second half of 2022, which is maintained into 2023. In consequence, occupier markets are forecast to strengthen in the year ahead, with demand more widely spread across the region.

FIRST HALF 2022:

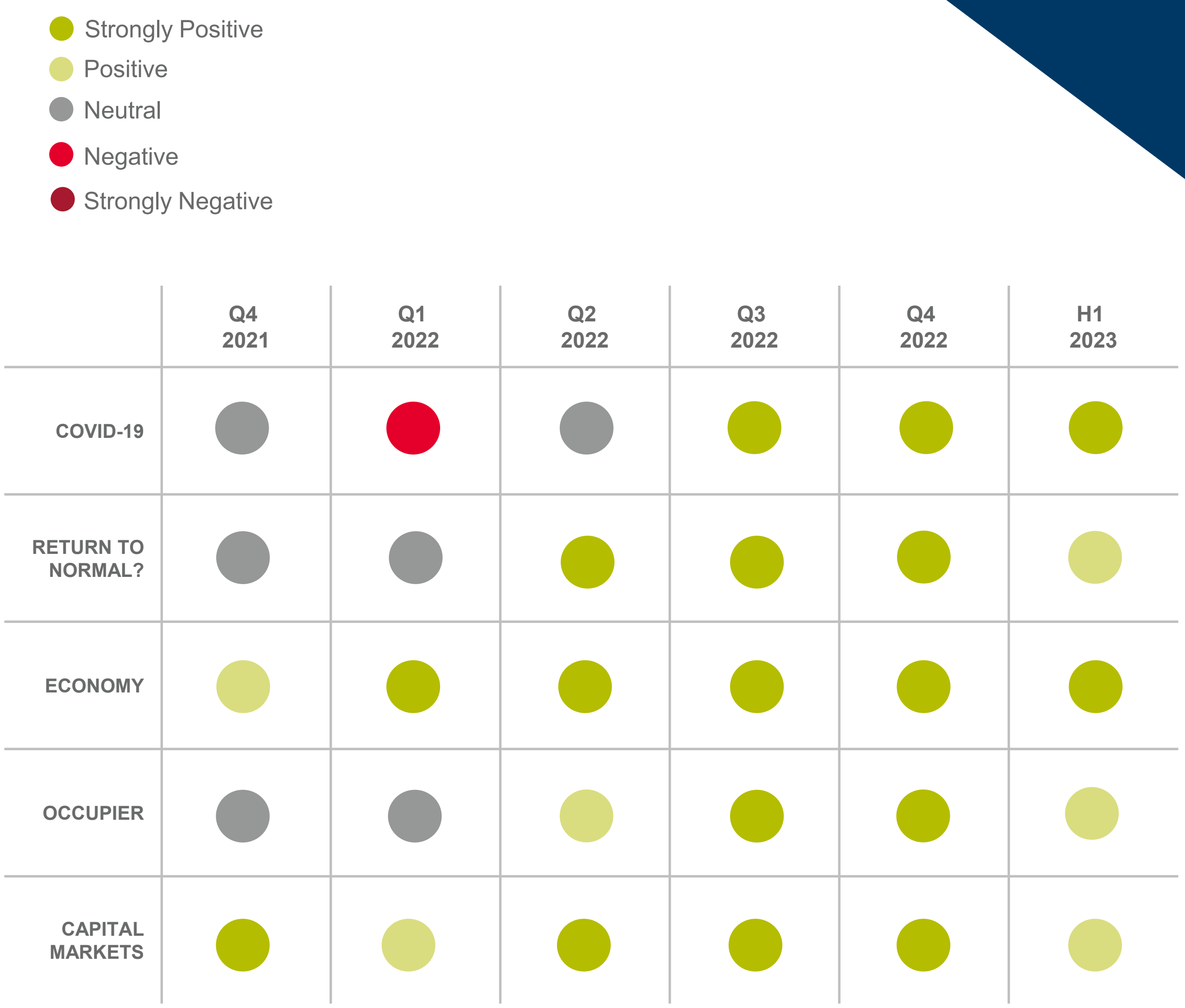
The spread of Omicron may delay progress, but so far governments are holding course. Vaccination rates are high across developed markets and continue to increase in emerging markets. This will facilitate the return to "normal" in working and living practices later in H1 2022.

SECOND HALF 2022:

Strong economic growth will help propel the region in the second half of the year, supported by increased decision making among corporate occupiers. Rents across the region should have reached their trough, or even started to move upward as tenant demand improves and vacancy stabilizes, supported by below average new supply in many markets.

EARLY 2023:

Confidence endures as the wider recovery continues. Office demand starts to approach pre-pandemic levels, supported by a lower WFH drag and strong employment growth in office-using sectors. Investors will face a slight breeze ahead as the slow increase in interest rates is factored into strategy – although with inflation easing back, interest rate increases should remain gradual.



SOURCE: CUSHMAN & WAKEFIELD

EUROPE

SUMMARY:

Despite a slower start to the year thanks to COVID-19 as well as speed limits on growth due to resource and staff shortages and uncertainty over inflation and Ukraine, market drivers look set to be more positive as the year progresses. This will continue into 2023, aided by an improvement in supply lines and an easing in inflationary pressures.

FIRST HALF 2022:

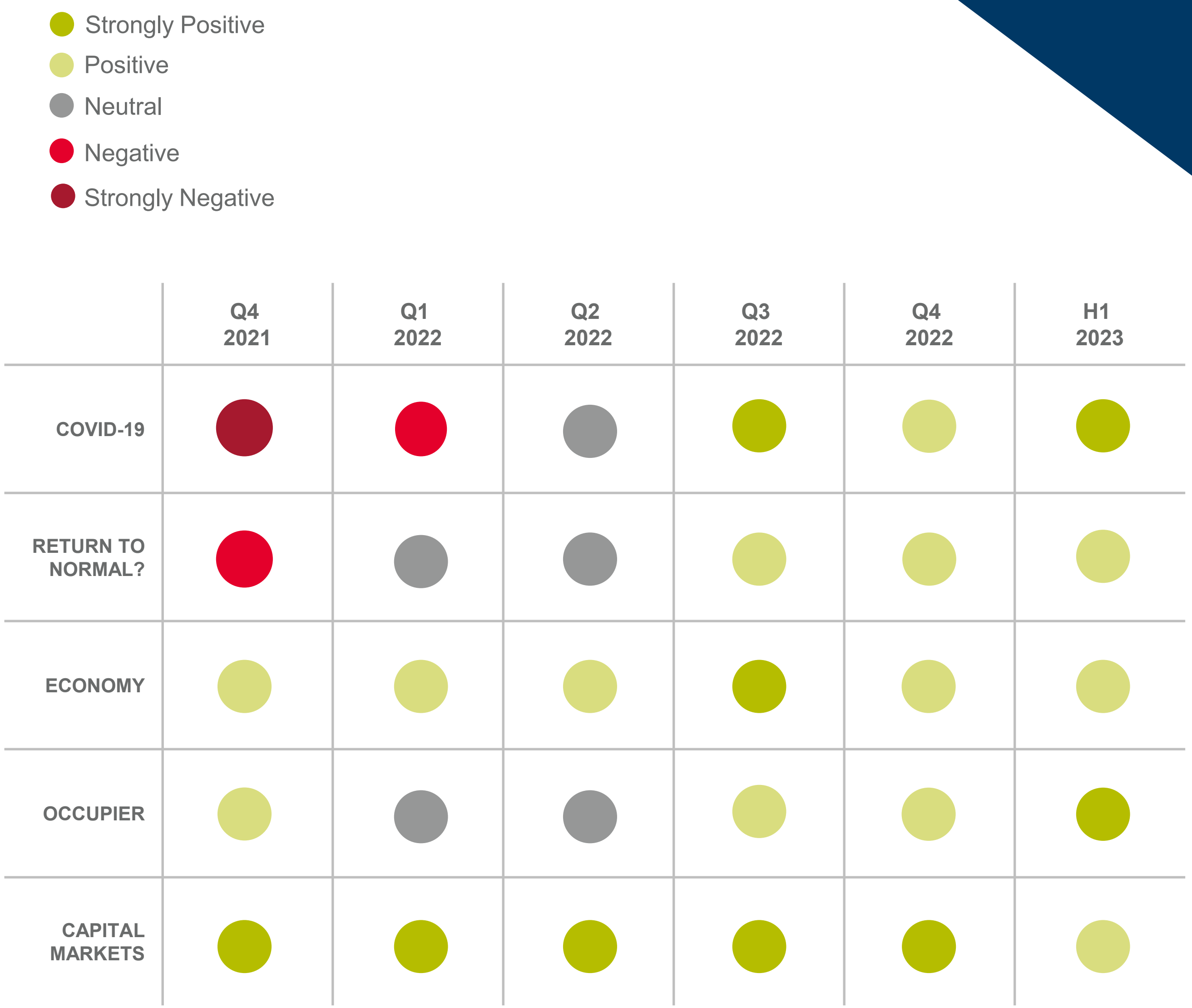
After the rapid spread of Delta and the emergence of Omicron led to travel restrictions and lockdowns in late 2021, early 2022 will see a slow stabilization as booster vaccinations are rolled out and immunity levels rise. This will facilitate a slow return to “normal” in working and living practices, but experience from 2021 shows this will be gradual. Economic and occupier trends should be favorable, if somewhat slower as geopolitical tensions are monitored and absorbed.

SECOND HALF 2022:

Virus waves abate, and restrictions loosen, albeit with a heightened risk in the winter. As we learn to live with the virus, activity and confidence will improve for occupiers and investors. This will occur within a polarized market between growth sectors held back by supply. Restructuring sectors will still face demand and funding headwinds.

EARLY 2023:

Confidence to continue to return, allowing businesses to react to structural forces reshaping their needs. This means no return to the old normal but the steady emergence of new ways of working and living. Investors will face a slight breeze ahead as the slow increase in interest rates is factored into strategy – although with inflation easing back, interest rate increases should remain gradual.



SOURCE: CUSHMAN & WAKEFIELD

LATIN AMERICA

SUMMARY:

A slow pace of vaccination rates in some countries in the past year did not stop the economic bounce back in the region. Overall, the pandemic has led to an unprecedented contraction in retail and office markets, while confirming the strength of industrial and logistics real estate

Countries across the region are making progress with vaccination plans and this is helping a progressive return-to-work, typically with a hybrid 50:50 scheme. The economic impact of this is also clearer in most countries, with a slow improvement forecast, notably later in 2022, but also a worrying build up in inflation. Politics also remains center stage with elections in Argentina, Colombia, Chile and Brazil. The most relevant factor to consider when making investment decisions is the level of institutionalism that these countries have, both in terms of the discourse and the economic agenda they seek to implement.

FIRST HALF 2022:

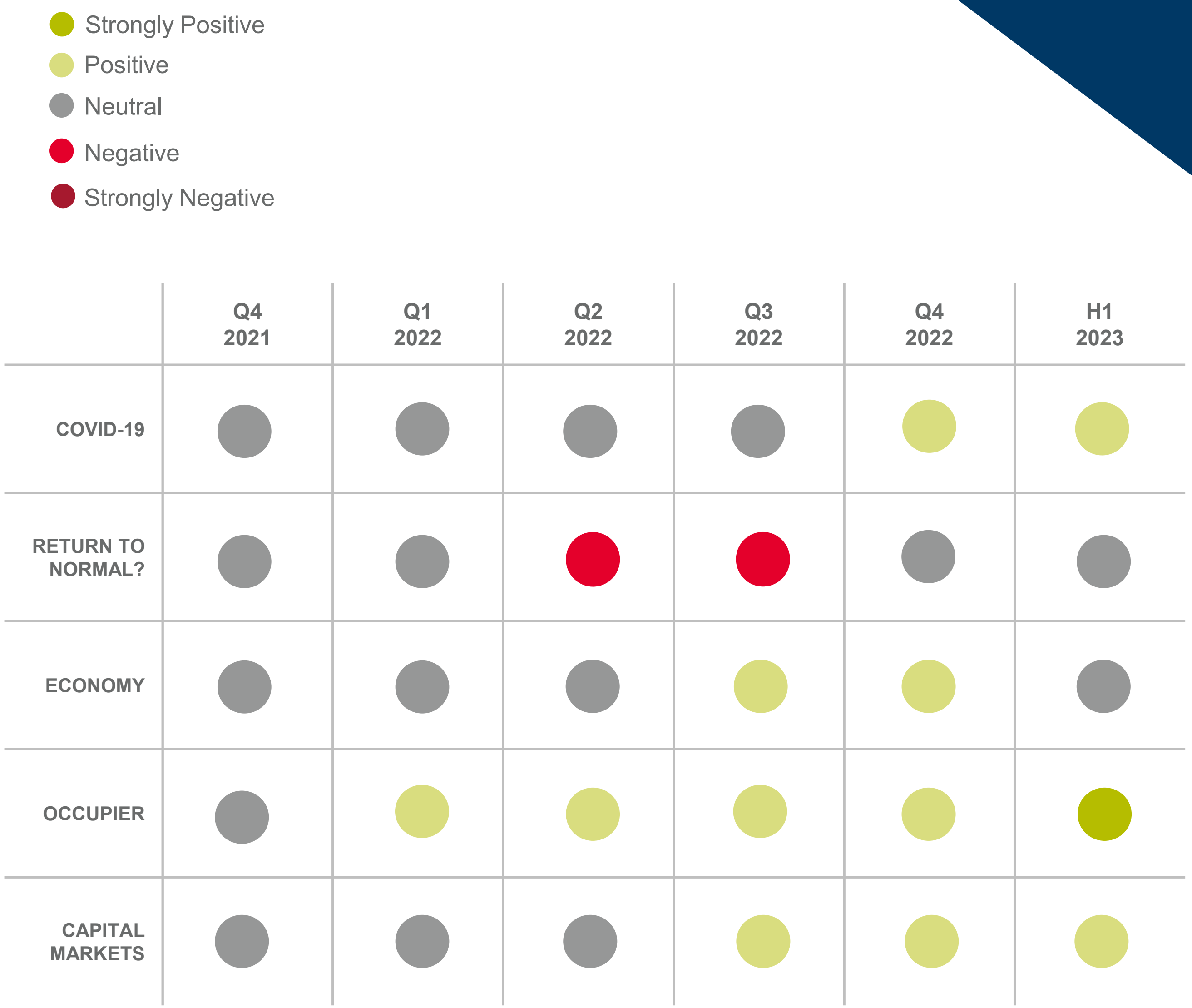
This will be a key transition period in the recovery, with the autumn and winter seasons leading to expectations of a rise in COVID-19 cases.

SECOND HALF 2022:

Improvements in the macro environment are likely, as vaccinations increase, delivering higher immunity and greater confidence. An expansion of government assistance programs that would accelerate the return to normalcy can not be ruled out.

EARLY 2023:

Recovery trends will accelerate, with a steady but comprehensive return-to-work targeted. However, countries in the region are beginning to experience the impact of the monetary injections made during the pandemic, with a rise in inflation set to impact interest rates.



SOURCE: CUSHMAN & WAKEFIELD

NORTH AMERICA

SUMMARY:

The economic recovery extends in 2022, with COVID-19 becoming a diminishing force in social and economic terms, even as fiscal and monetary stimulus are removed. Multifamily and industrial leasing and capital market fundamentals lead, but will be increasingly supported by the office and retail sectors. The balance between these begins to normalize in 2023.

FIRST HALF 2022:

The Omicron wave is a risk but looks set to be less disruptive. Industrial and multifamily leasing markets remain strong, while office and retail improve. Quality gaps widen further both in leasing and capital markets. Liquidity remains at a fever pitch for industrial and multifamily while office sales recover, despite ambiguity around the future of office. Retail remains the most depressed in terms of activity but new strength in experiential and necessity retail will be apparent.

SECOND HALF 2022:

The economic recovery continues, though likely at a moderating pace as stimulus, both monetary and fiscal, is removed. The pace is still above pre-COVID-19 levels as workers rejoin the labor force. Leasing and capital market trends continue on the same trajectory with potential for an acceleration in the office market – on both the leasing and capital markets sides – as physical office occupancy rises.

EARLY 2023:

COVID-19 cases continue and are widely accepted as endemic and part of the new baseline risk. It is no longer a significant disruptor of economic and social life in the region. The industrial and multifamily markets remain strong but growth in transactions and cash flows slows. Office and retail rents and occupancies have transitioned to growth, attracting a more balanced share of capital.

- Strongly Positive
- Positive
- Neutral
- Negative
- Strongly Negative

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	H1 2023
COVID-19	Negative	Negative	Neutral	Strongly Positive	Positive	Strongly Positive
RETURN TO NORMAL?	Negative	Negative	Positive	Positive	Strongly Positive	Strongly Positive
ECONOMY	Positive	Positive	Strongly Positive	Strongly Positive	Positive	Positive
OCCUPIER	Positive	Positive	Positive	Positive	Positive	Strongly Positive
CAPITAL MARKETS	Strongly Positive	Strongly Positive	Strongly Positive	Strongly Positive	Strongly Positive	Strongly Positive

SOURCE: CUSHMAN & WAKEFIELD

CONTACT POINTS

For further information or assistance with this report, contact:

David Hutchings
Head of EMEA Investment Strategy
Capital Markets
david.hutchings@eur.cushwake.com

Kevin Thorpe
Chief Economist
Global Head of Research
kevin.thorpe@cushwake.com

Dominic Brown
Head of Insight & Analysis, APAC
dominic.brown@cushwake.com

David Bitner
Head of Capital Markets Insights
Global Research
david.bitner@cushwake.com

Rebecca Rockey
Head of Economic Analysis & Forecasting
Global Research
rebecca.rockey@cushwake.com

Andrew Phipps
Head of Business Development
EMEA & Local Markets, Global Futurist
andrew.phipps@cushwake.com

THE SIGNAL REPORT GLOBAL GUIDE TO CRE INVESTING IN 2022

FEBRUARY 2022

About Cushman & Wakefield
Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of $9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.