

# GLOBAL RECOVERY JOURNEY



*Asia Pacific webinar will begin shortly...*



**CUSHMAN &  
WAKEFIELD**



# GLOBAL **RECOVERY** **JOURNEY** »



*Our latest house view on the trajectory of the global economic and commercial real estate market recovery*



**ANNA TOWN**

*Head of Business Development Services, Asia Pacific*



# AGENDA

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## COMMERCIAL REAL ESTATE: THE NEXT BOOM CYCLE

**KEVIN THORPE**  
*Chief Economist,  
Global Head of Research*



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## CAPITAL MARKETS OUTLOOK

**DAVID BITNER**  
*Global Head of Capital Markets  
Insights, Global Research*



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## OCCUPIER OUTLOOK

**CAROL WONG**  
*Director, Total Workplace,  
APAC Lead*



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GLOBAL  
**RECOVERY**  
**JOURNEY**»





01

## COMMERCIAL REAL ESTATE: THE NEXT BOOM CYCLE



**KEVIN THORPE**

*Chief Economist, Global Head of Research*

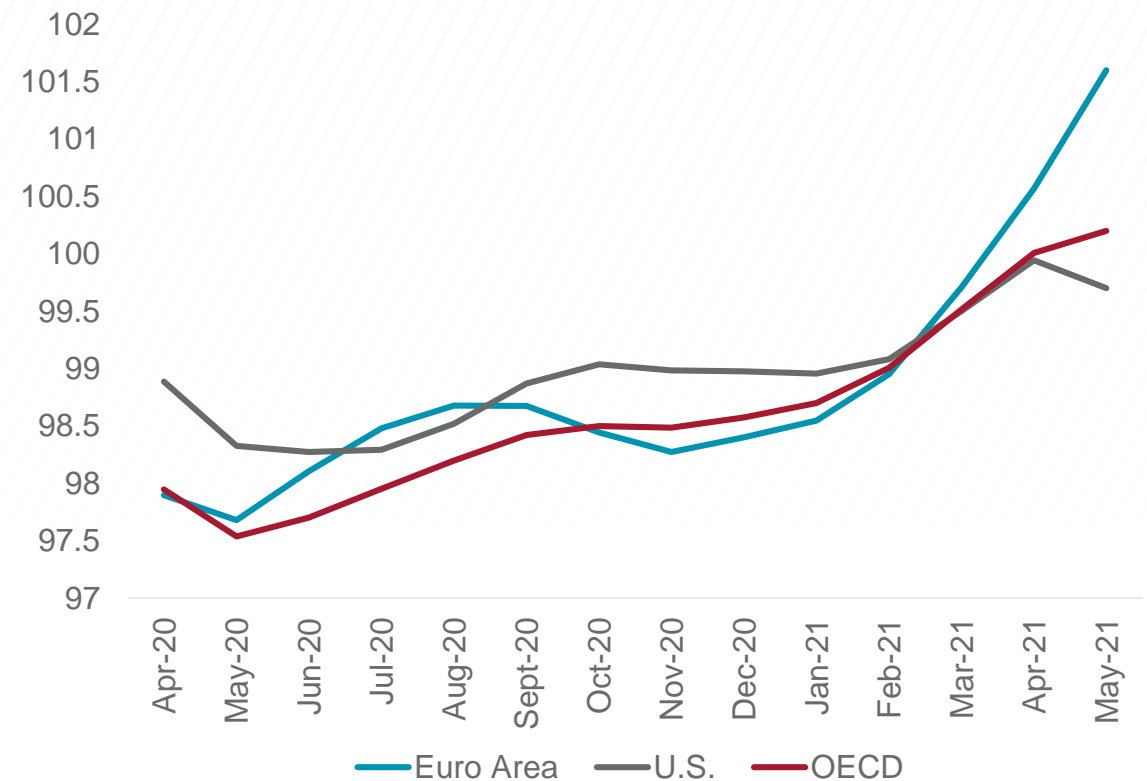
GLOBAL  
**RECOVERY**  
**JOURNEY** »

# Economic momentum forming

## BALTIC DRY INDEX – ABOVE PRE-PANDEMIC LEVELS



## CONSUMER CONFIDENCE RISING





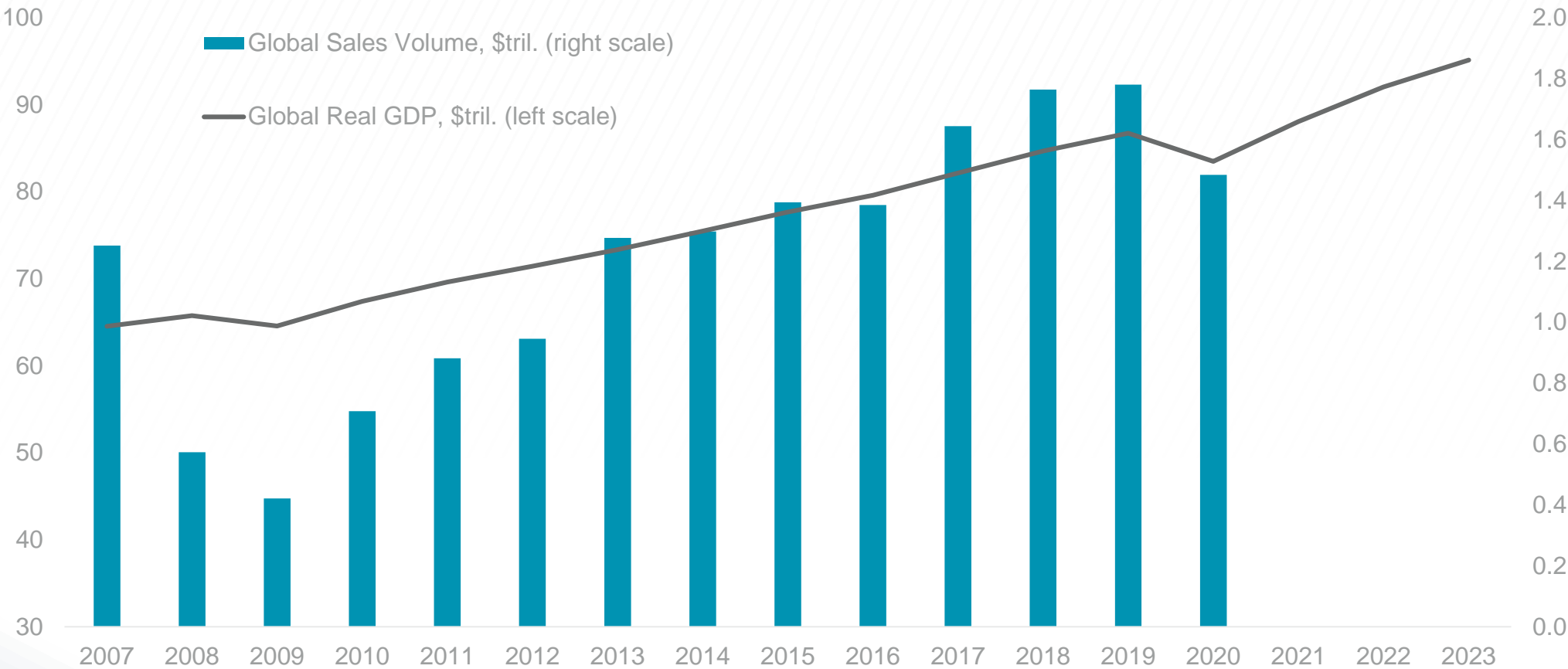
# Massive pent-up demand

\*EXCESS HOUSEHOLD SAVINGS

Country	GDP \$bil.	Excess household savings		
		% of disposable Income	\$ bil.	% of GDP
United States	21,872	13.8	2,623	12.0
United Kingdom	2,942	14.8	306	10.4
Canada	1,862	16.6	181	9.7
Spain	1,387	10.5	115	8.3
Australia	1,590	13.3	111	7.0
Netherlands	985	9.8	62	6.3
Italy	2,026	10.3	126	6.2
Germany	4,081	10.3	251	6.2
France	2,838	9.1	156	5.5
Japan	5,183	6.9	206	4.0
Russia	1,581	6.7	58	3.6
India	3,022	4.6	104	3.5
Brazil	1,409	4.9	48	3.4
South Korea	1,760	6.5	59	3.4
China	16,918	3.8	389	2.3
<b>World</b>	<b>83,235</b>	<b>8.4</b>	<b>5,398</b>	<b>6.2</b>

Consumers have \$5.4 trillion in dry powder

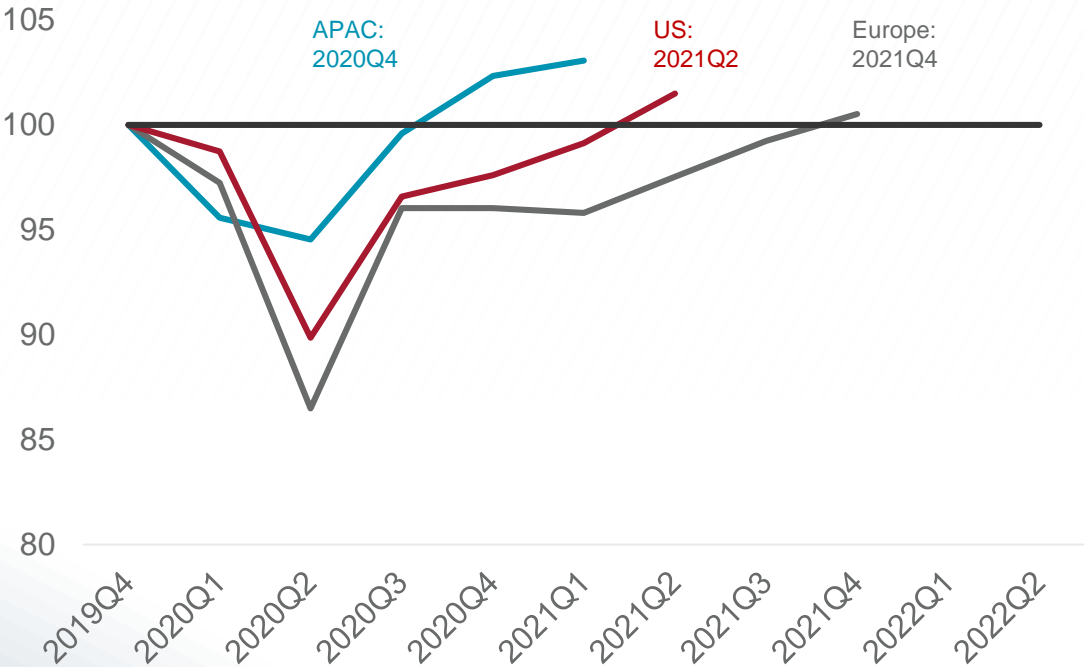
# As the economy goes, so goes property



# APAC leading the recovery

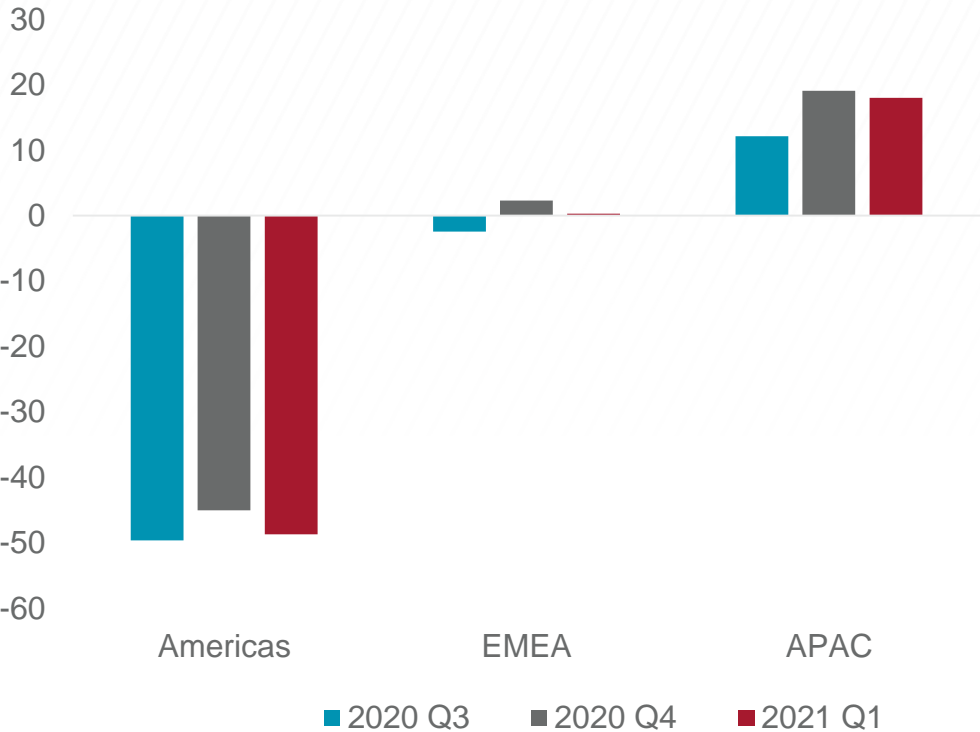
## FIRST TO SEE GDP FULLY RECOVER

2019Q4 GDP INDEXED TO 100



## FIRST TO SEE OFFICE DEMAND TURN POSITIVE

NET ABSORPTION, MSF





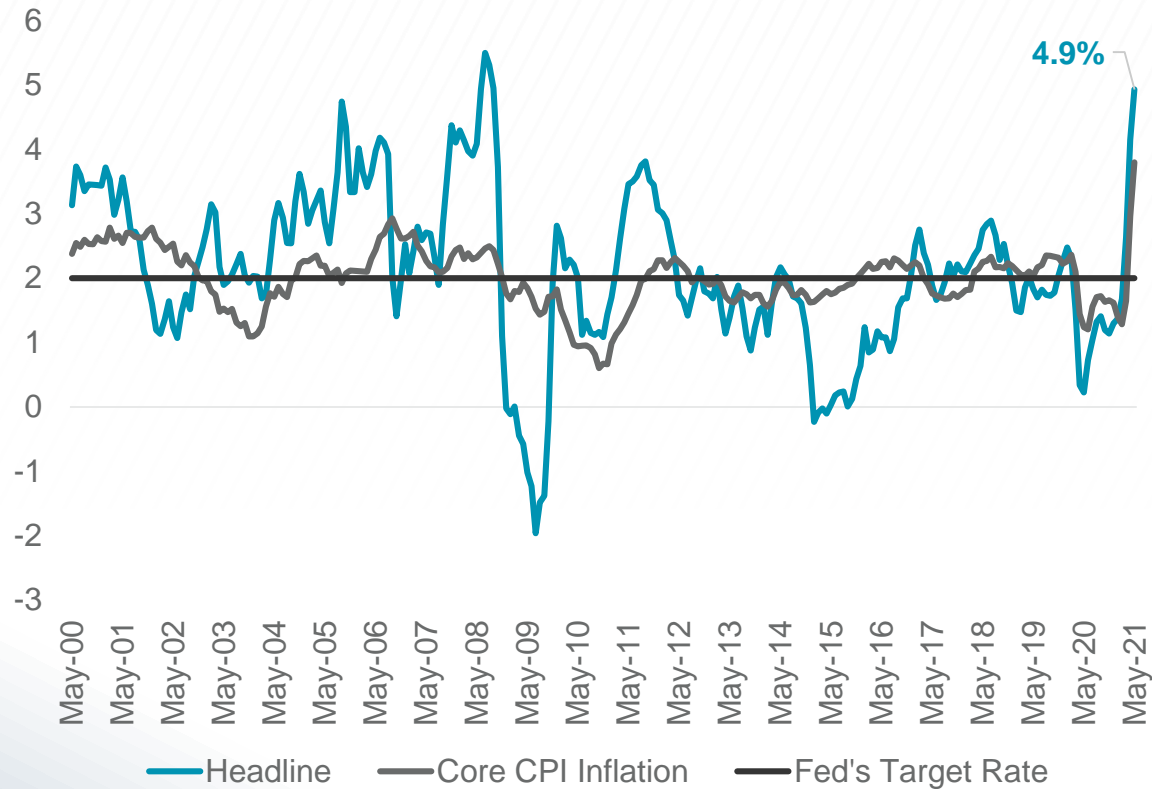
# Risks to the recovery

- **VIRUS SETBACK, NEW VARIANTS**
- **WILL INFLATION TURN INTO A PROBLEM?**
- **WHAT HAPPENS WHEN FISCAL STIMULUS WINDS DOWN?**
- **STOCK PRICES / CORPORATE TAXES**
- **INTEREST RATES, DEBT ACCUMULATION**
- **TRADE DISPUTES**

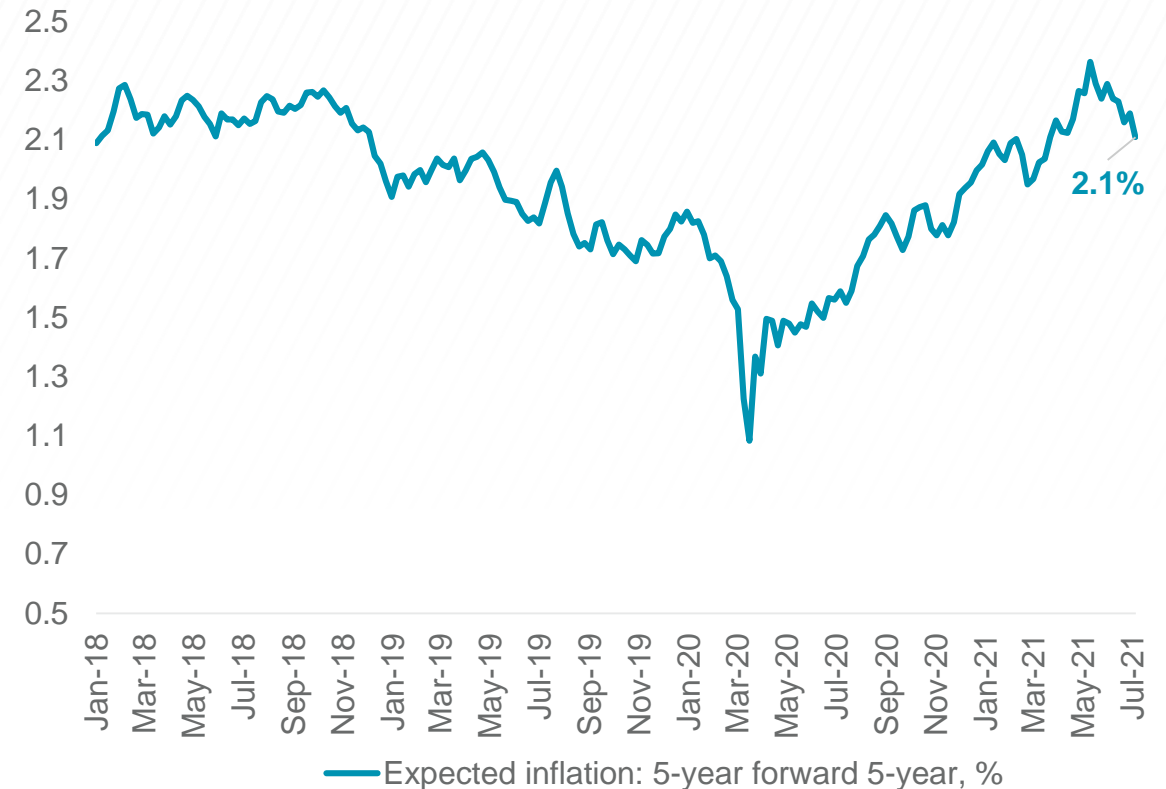
# Inflation – Should we be concerned?

UNITED STATES

## PRICES SPIKE IN APRIL/MAY



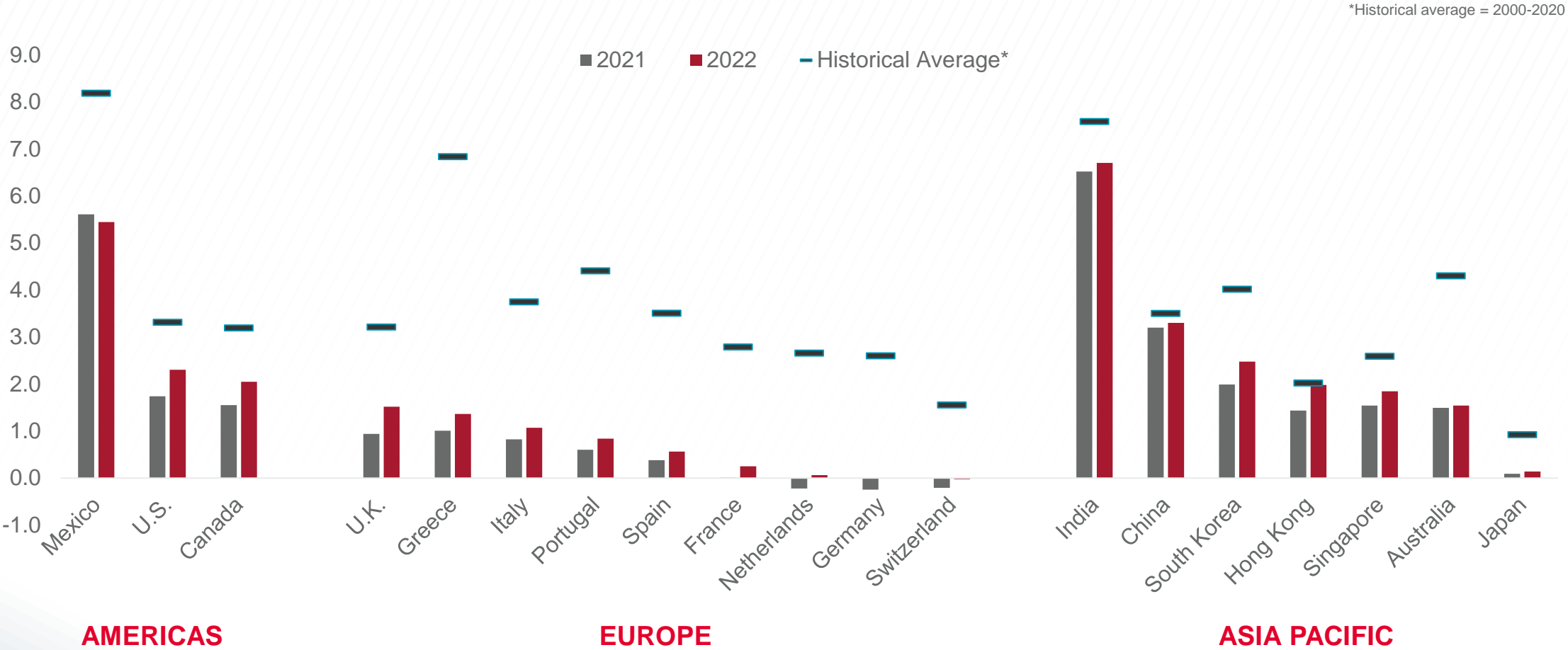
## SHOULD BE TEMPORARY





# Interest rates to remain low

10-YEAR GOVERNMENT BOND YIELD



# Property recovery – Second half boom

## KEY OBSERVATIONS

### INDUSTRIAL-LOGISTICS, DATA CENTERS AND LIFE SCIENCE:

Recovering swiftly, benefitting from secular shifts and other accelerating trends.

**MULTIFAMILY HOUSING:** Faces near-term headwinds in the form of back rent and the potential wave of evictions. However, multifamily has maintained positive metrics throughout the crisis and strong investor interest. Demographics also indicate there is long-term strength in this sector.

**RETAIL & HOTEL:** The pandemic could have long lasting implications for certain subsectors, but retail and hotel gaining as the economy opens more fully. Experiential retail starting to take off again.

**OFFICE:** Fundamentals took a hit and WFH dynamic still needs to filter through. Green shoots are now appearing in most markets. Tour activity is surging. Few are going 100% remote. Office will fully recover.

- Uptrend/Strong improvement
- Turning Point/Slight improvement
- Sluggish/Below Potential

	Q4 2020	H1 2021	H2 2021
OFFICE	Sluggish/Below Potential	Sluggish/Below Potential	Turning Point/Slight improvement
RETAIL (CONVENIENCE)	Turning Point/Slight improvement	Turning Point/Slight improvement	Uptrend/Strong improvement
INDUSTRIAL / LOGISTICS	Uptrend/Strong improvement	Uptrend/Strong improvement	Uptrend/Strong improvement
RESIDENTIAL	Sluggish/Below Potential	Turning Point/Slight improvement	Turning Point/Slight improvement
HOTELS / RETAIL (EXPERIENTIAL)	Sluggish/Below Potential	Sluggish/Below Potential	Turning Point/Slight improvement
ALTERNATIVES*	Uptrend/Strong improvement	Uptrend/Strong improvement	Uptrend/Strong improvement



# Global fun facts to drop into conversations

## ECONOMY

- **GDP:** Global GDP will grow by 6% in 2021 and by 4.4% in 2022 – the strongest back-to-back growth rates ever recorded.
- **PENT-UP DEMAND:** As of April, there was \$6.2 trillion in excess savings globally (7% of 2019 GDP) = strong pent-up demand.
- **JOB:** The world will create 13.2 million office jobs over the next 3 years (2021-2023) which is nearly double the number of office jobs lost during the COVID recession.
- **INFLATION:** Due to structural factors (i.e., globalization, ecommerce, and demographics), inflation hasn't been a major problem for 30 years.
- **INTEREST RATES:** In most countries, the 10-year gov't bond yields are expected to remain 200 bps below the historical average in most countries at least for the next 2 years.

## PROPERTY

- **INDUSTRIAL:** Every \$1 billion increase in online sales, typically generates 1.25 MSF of additional demand for industrial-logistics space.
- **MULTIFAMILY:** The prime renter cohorts are millennials and gen z. Those two demographic cohorts represent 50% of the global population.
- **DATA CENTERS:** The amount of data generated grew 5,000% over the past decade, buoyed recently by 300% growth in remote work. With global internet penetration at just 60%, there is plenty of room for growth.
- **OFFICE:** Office activity is exploding around the world. From Dec-April 2021, touring is up 150+% in many global cities. Would we see this if everyone wanted to work from home?
- **RETAIL:** ecommerce is rising, yes. But retail still dominates the way people spend their money. 83% of global spending happens at bricks and mortar stores.
- **PEOPLE ARE NOT FLEEING CITIES:** 99.4% of the U.S. population did not change counties last year.

# Asia Pacific fun facts to drop into conversations

- **GDP:** Asia Pacific's GDP fully recovered back to pre-pandemic in 2020Q4; 2 quarters ahead of the U.S. and likely 4 quarters ahead of Europe.
- **OFFICE RECOVERY IS ALSO AHEAD:** Since 2020Q3, the Asia Pacific region has absorbed 37.2 msf while the U.S. was still shedding space (-93.8msf) over that same period.
- **JOBS:** Asia Pacific is forecast to create 46.6 million office using jobs over the next decade (2020-2030). That represents over 80% of all the office jobs expected to be created globally over that same period.
- **JOBS AGAIN:** Forecasts show that 4 out of the top 5 office job producing cities in the world over the next 10 years will be in Asia Pacific Region: #1 Beijing, #2 Manilla, #3 Tokyo, #4 Shanghai, #5 New York.
- **STRONG LONG-TERM OFFICE FUNDAMENTALS:** Asia Pacific is in early stages of a structural transformation into a knowledge-based led economy. In 2000, office-using employment accounted for just 2% of total employment in APAC. By 2030 it is projected to grow to 9%. Using the U.S. as guide, office accounts for 22% of total employment.
- **OCCUPIERS:** Asia Pacific was in midst of a building boom when the pandemic struck. Although demand is strong, supply has been stronger. Vacancy is currently at cyclical high of 13.9% in Asia Pacific and 20% in Greater China. Occupiers have strong leverage in the near-term, but that window will close.



# Appendix

## AMERICAS MARKETS: OFFICE VACANCY, MOST/LEAST IMPACTED

### MOST IMPACTED

City	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
San Francisco	5.4%	18.7%	1325
Seattle	7.8%	17.2%	941
Austin	8.9%	18.2%	930
NY - Midtown South	8.2%	17.0%	880
Nashville	9.8%	18.1%	824
Salt Lake City	9.4%	16.6%	722
Phoenix	14.4%	21.0%	652
Manhattan	11.0%	16.3%	528
Calgary	20.6%	25.7%	511
Toronto	5.6%	10.6%	502

### IN THE MIDDLE

City	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Miami	12.5%	17.1%	468
Charlotte	10.2%	14.8%	463
LA Non-CBD	14.0%	18.5%	450
Raleigh/Durham	10.0%	14.3%	431
Oakland	10.1%	14.4%	426
Denver	14.4%	18.7%	426
Atlanta	18.0%	22.1%	414
Orange County	11.2%	15.3%	410
Houston	21.3%	25.1%	381
Vancouver	3.6%	7.3%	373

### LEAST IMPACTED

City	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Cincinnati	18.0%	19.9%	189
Indianapolis	17.0%	18.6%	154
DC Metro	17.1%	18.6%	152
Suburban MD	18.6%	20.0%	137
NY - Brooklyn	21.4%	22.7%	130
Baltimore	12.3%	13.5%	116
Philadelphia	13.8%	14.8%	100
Northern VA	18.4%	18.7%	31
Las Vegas	13.3%	13.5%	25
Cleveland	6.5%	6.7%	20

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Cleveland	6.5%	6.7%	20



# Appendix

## EMEA MARKETS: OFFICE VACANCY, MOST/LEAST IMPACTED

### MOST IMPACTED

City	Country	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Riga	Latvia	4.6%	9.9%	530
Bucharest	Romania	9.2%	13.5%	433
Budapest	Hungary	6.7%	10.7%	396
Bratislava	Slovakia	8.7%	12.6%	384
Warsaw	Poland	7.8%	11.4%	366
Sofia	Bulgaria	10.0%	13.0%	299
Dublin	Ireland	8.9%	11.8%	296
Barcelona	Spain	4.2%	6.6%	237
Prague	Czech Republic	5.5%	7.6%	213
Moscow	Russia	9.3%	11.4%	210

### IN THE MIDDLE

City	Country	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Utrecht	Netherlands	7.0%	9.1%	208
Amsterdam	Netherlands	5.9%	7.9%	202
London	UK	4.9%	6.8%	194
Madrid	Spain	8.5%	10.5%	193
Tallinn	Estonia	5.7%	7.6%	189
Oslo	Norway	5.5%	7.0%	150
Stockholm	Sweden	6.5%	8.0%	148
Berlin	Germany	1.6%	2.9%	131
Lisbon	Portugal	4.0%	5.3%	125
Munich	Germany	2.6%	3.7%	107

### LEAST IMPACTED

City	Country	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Rotterdam	Netherlands	9.4%	10.3%	98
Hamburg	Germany	3.2%	4.2%	98
Frankfurt	Germany	6.9%	7.8%	89
Luxembourg	Luxembourg	3.0%	3.7%	68
Helsinki	Finland	11.8%	12.2%	40
Athens	Greece	7.5%	7.5%	0
Vilnius	Lithuania	4.0%	3.9%	-13
Brussels	Belgium	7.6%	7.4%	-22
The Hague	Netherlands	5.8%	5.0%	-79
Rome	Italy	12.3%	11.1%	-128

Source: Cushman & Wakefield Research, updated 5-25-2021

# Appendix

## ASIA PACIFIC MARKETS: OFFICE VACANCY, MOST/LEAST IMPACTED

### MOST IMPACTED

City	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Hanoi	10.6%	22.7%	1208
Wuhan	25.7%	34.8%	908
Manila	3.1%	10.7%	756
Hyderabad	5.5%	13.0%	755
Hong Kong	8.8%	14.0%	518
Bangkok	5.0%	10.0%	502
Melbourne*	2.0%	7.0%	501
Sydney*	3.0%	7.7%	475
Seoul	4.9%	9.4%	444
Guangzhou	5.5%	9.3%	385

### IN THE MIDDLE

City	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Bengaluru	5.2%	9.0%	379
Beijing	13.5%	17.2%	372
Tokyo	1.6%	5.3%	367
Shenzhen	22.0%	25.5%	350
NCR	23.3%	26.4%	315
Jakarta	27.2%	30.3%	303
Pune	4.1%	6.7%	259
Changsha	39.4%	41.8%	231
Mumbai	18.8%	21.0%	220
Singapore	2.3%	4.2%	190

### LEAST IMPACTED

City	Vacancy 2019Q4	Vacancy 2021Q1	Change (bps)
Chennai	9.7%	11.4%	172
Ho Chi Minh City	2.4%	3.7%	135
Shanghai	19.6%	20.7%	112
Taipei	4.5%	3.8%	-70
Kuala Lumpur	23.0%	22.2%	-80
Nanjing	26.1%	24.6%	-144
Kolkata	35.7%	32.3%	-340
Brisbane*	10.9%	7.4%	-344
Hangzhou	16.9%	12.4%	-445
Tianjin	37.2%	32.2%	-503

Source: Cushman & Wakefield Research, updated 5-25-2021; \*Data not available for 2021Q1 so substituting data from 2020Q4



# Appendix

## TOP 50 OFFICE PRODUCING CITIES IN THE WORLD (FORECASTS 2020-2030)

RANK	CITY	JOB GROWTH, 000'S
1	Beijing	519
2	Manilla	453
3	Tokyo	415
4	Shanghai	400
5	New York	344
6	Paris	328
7	Chongqing	320
8	London	315
9	Toronto	249
10	Chengdu	247
11	Dallas	240
12	Mexico City	224
13	São Paulo	202
14	Tianjin	195
15	Madrid	193
16	Los Angeles	175
17	Budapest	169
18	Ankara	167
19	Ho Chi Minh	163
20	Chicago	150
21	Miami	142
22	Hangzhou	140
23	Guangzhou	138
24	Shenzhen	135
25	DC Metro	117

RANK	CITY	JOB GROWTH, 000'S
26	Seattle	116
27	San Francisco	111
28	Tampa	111
29	Houston	110
30	Phoenix	109
31	Berlin	109
32	Montreal	107
33	Kinki	106
34	Atlanta	105
35	Nanjing	105
36	Vancouver	103
37	Ningbo	103
38	Izmir	101
39	Wuhan	99
40	Wenzhou	98
41	Bursa	96
42	Milan	94
43	Sydney	92
44	Melbourne	91
45	Austin	91
46	Barcelona	90
47	Changsha	89
48	Hanoi	89
49	Philadelphia	88
50	Seattle	116

### Number of markets in top 30

APAC: 19

AMERICAS: 18

EMEA: 13

Source: Moody's Analytics, Cushman & Wakefield Research, Updated 5-26-2021

# Appendix

## OFFICE JOB GROWTH RANKINGS: AMERICAS (FORECASTS 2020-2030)

Rank	City	Job Growth, 000's
1	New York	344
2	Toronto	249
3	Dallas	240
4	Mexico City	224
5	São Paulo	202
6	Los Angeles	175
7	Chicago	150
8	Miami	142
9	DC Metro	117
10	Seattle	116
11	San Francisco	111
12	Tampa	111
13	Houston	110
14	Phoenix	109
15	Montreal	107
16	Atlanta	105
17	Vancouver	103
18	Austin	91
19	Philadelphia	88
20	Boston	88

Rank	City	Job Growth, 000's
21	San Jose	73
22	Detroit	71
23	Orlando	71
24	Denver	70
25	Rio de Janeiro	68
26	Portland, OR	66
27	Calgary	65
28	Minneapolis	58
29	Charlotte	55
30	San Antonio	53
31	Nashville	51
32	Ottawa	45
33	Baltimore	44
34	San Diego	44
35	Jacksonville	43
36	Salt Lake City	43
37	Edmonton	39
38	Raleigh	37
39	Columbus	36
40	Riverside	36

Rank	City	Job Growth, 000's
41	Las Vegas	35
42	Kansas City	34
43	Cincinnati	28
44	Cleveland	27
45	Indianapolis	27
46	Sacramento	26
47	Milwaukee	26
48	Pittsburgh	24
49	Grand Rapids	23
50	St. Louis	22
51	Louisville	21
52	Memphis	20
53	Sarasota	19
54	Virginia Beach	19
55	Buffalo	18
56	Provo-Orem	18
57	Reno	17
58	Albany	17
59	Colorado Springs	16
60	Boise City	16

Source: Moody's Analytics, Cushman & Wakefield Research, Updated 5-26-2021



# Appendix

## OFFICE JOB GROWTH RANKINGS: U.S. (JOB GROWTH: 2020-2030)

Rank	City	Job Growth, 000's
1	New York	344.0
2	Dallas	240.4
3	Los Angeles	175.1
4	Chicago	150.0
5	Miami	141.9
6	Washington, DC	117.3
7	Seattle	115.9
8	San Francisco	111.4
9	Tampa	111.2
10	Houston	110.2
11	Phoenix	109.0
12	Atlanta	105.1
13	Austin	91.2
14	Philadelphia	87.9
15	Boston	87.8
16	San Jose	73.4
17	Detroit	71.4
18	Orlando	71.0
19	Denver	70.0
20	Portland, OR	66.0

Rank	City	Job Growth, 000's
21	Minneapolis	57.9
22	Charlotte	54.6
23	San Antonio	52.7
24	Nashville	50.5
25	Baltimore	44.5
26	San Diego	44.1
27	Jacksonville	42.7
28	Salt Lake City	42.6
29	Raleigh	37.3
30	Columbus	36.4
31	Riverside	35.8
32	Las Vegas	34.7
33	Kansas City	33.9
34	Cincinnati	27.6
35	Cleveland	27.2
36	Indianapolis	27.1
37	Sacramento	26.0
38	Milwaukee	25.7
39	Pittsburgh	23.9
40	Grand Rapids	23.3

Rank	City	Job Growth, 000's
41	St. Louis	21.7
42	Louisville	20.9
43	Memphis	20.5
44	Sarasota	19.1
45	Virginia Beach	18.7
46	Buffalo	17.9
47	Provo-Orem	17.8
48	Reno	17.4
49	Albany	16.5
50	Colorado Springs	16.0
51	Boise City	15.7
52	Greenville, SC	15.4
53	Providence	15.3
54	Rochester	15.1
55	Honolulu	13.6
56	Richmond	13.5
57	Fort Myers, FL	12.8
58	Birmingham	12.5
59	Durham	12.0
60	Madison	11.8

Source: Moody's Analytics, Cushman & Wakefield Research, Updated 5-26-2021

# Appendix

## OFFICE JOB GROWTH RANKINGS: EUROPE (JOB GROWTH: 2020-2030)

Rank	City	Job Growth, 000's
1	Paris	328
2	London	315
3	Madrid	193
4	Budapest	169
5	Ankara	167
6	Berlin	109
7	Izmir	101
8	Bursa	96
9	Milan	94
10	Barcelona	90
11	Warsaw	82
12	Bucharest	80
13	Munich	79
14	Lyon	76
15	Stockholm	74
16	Lisbon	68
17	Manchester	64
18	Cologne	64
19	Helsinki	63
20	Dublin	62

Rank	City	Job Growth, 000's
21	Rome	61
22	Hamburg	57
23	Lille	53
24	Copenhagen	51
25	Bordeaux	51
26	Ruhrgebiet	49
27	Wien	49
28	Marseille	47
29	Krakow	46
30	Brussels	46
31	Toulouse	44
32	Nantes	43
33	Frankfurt	42
34	Manisa	42
35	Gdansk	41
36	Leeds	41
37	Porto	38
38	Kayseri	36
39	Stuttgart	36
40	Brno	35

Rank	City	Job Growth, 000's
41	Turin	35
42	Leipzig	33
43	Konya	33
44	Düsseldorf	33
45	Antalya	32
46	Cluj-Napoca	32
47	Rennes	31
48	Prague	31
49	Lódz	31
50	Wroclaw	30
51	Adana	30
52	Oslo	27
53	Amsterdam	26
54	Gothenburg	26
55	Strasbourg	26
56	Cork	25
57	Eskisehir	25
58	Ghent	25
59	Montpellier	25
60	Karlsruhe	24

Source: Moody's Analytics, Cushman & Wakefield Research, Updated 5-26-2021



# Appendix

## OFFICE JOB GROWTH RANKINGS: ASIA PACIFIC (JOB GROWTH: 2020-2030)

Rank	City	Job Growth, 000's
1	Beijing	519
2	Manilla	453
3	Tokyo	415
4	Shanghai	400
5	Chongqing	320
6	Chengdu	247
7	Tianjin	195
8	Ho Chi Minh	163
9	Hangzhou	140
10	Guangzhou	138
11	Shenzhen	135
12	Kinki	106
13	Nanjing	105
14	Ningbo	103
15	Wuhan	99
16	Wenzhou	98
17	Sydney	92
18	Melbourne	91
19	Changsha	89
20	Hanoi	89

Rank	City	Job Growth, 000's
21	Fuzhou	86
22	Xi'an	85
23	Zhengzhou	81
24	Hefei	77
25	Pune	75
26	Shenyang	71
27	Suzhou	71
28	Bengaluru	69
29	Jinan	60
30	Dalian	59
31	Xiamen	59
32	Qingdao	56
33	Chukyo	50
34	Kunming	49
35	Changchun	48
36	NanNing	47
37	Foshan	43
38	Urumqi	43
39	Bangkok	40
40	Lan'Zhou	40

Rank	City	Job Growth, 000's
41	Brisbane	40
42	Jiaxing	38
43	Taiyuan	37
44	Kolkata	36
45	Wuxi	33
46	Fukuoka	29
47	Perth	26
48	Sapporo	24
49	Chennai	22
50	Mumbai	21
51	Shizouka	19
52	Hyderabad	18
53	Ahmadabad	16
54	Hiroshima	14
55	Sendai	14
56	Harbin	12
57	Taoyuan	11
58	Taichung	10
59	Niigata	9
60	Okayama	8

Source: Moody's Analytics, Cushman & Wakefield Research, Updated 5-26-2021

02

## CAPITAL MARKETS OUTLOOK



**DAVID BITNER**

*Global Head of Capital Markets Insights, Global Research*

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# Boom times ahead?



## WHERE ARE WE NOW?

- After a difficult Q1 the market is entering a recovery driven by occupier as well as investor sentiment.
- The recovery looks set to be synchronized and broad based – however it is far from uniform by sector or geography.

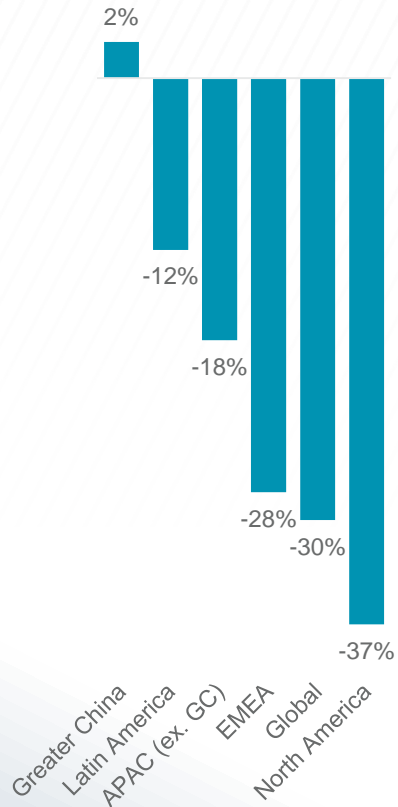
## WHERE ARE WE HEADING?

- With investor demand high and interest rates low, supply is key to the size of opportunity and scale of activity we will see in the market.
- Q3 is set to release pent-up demand led by the USA but with APAC and EMEA also entering the upswing before year end
- Beds, sheds and meds will dominate demand, but core office markets will bounce back, and retail is finding a floor
- Higher build costs and ESG priorities will mean reworking existing space is a key priority and opportunity globally.

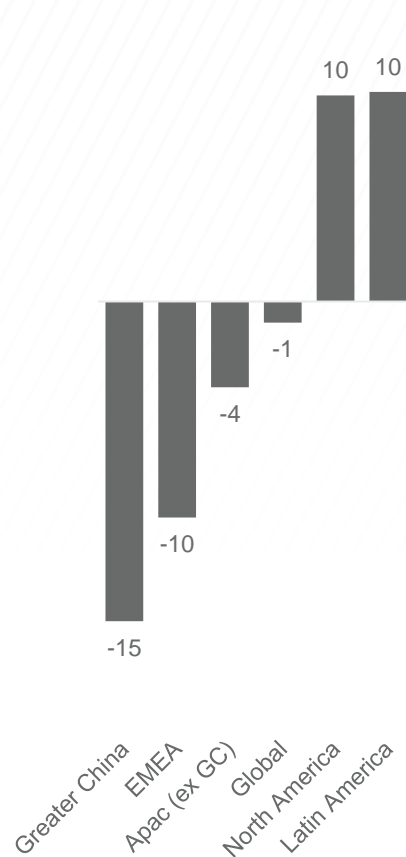
# Where are we now?

YEAR TO Q1 2021 VS YEAR TO Q1 2020

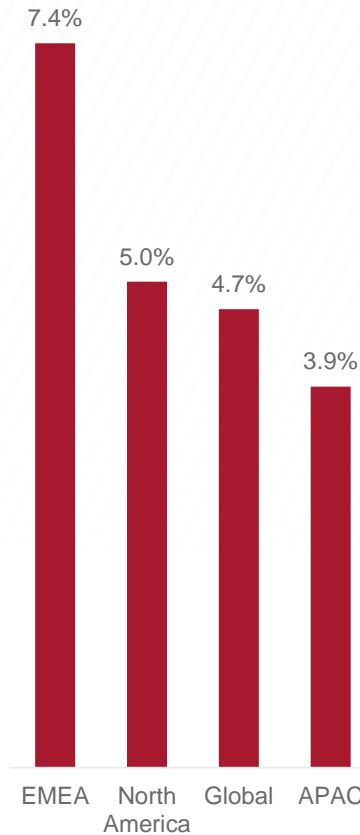
## Investment Volumes



## Office Yields (bps)



## Capital Values



Source: RCA, Cushman & Wakefield Research  
Note: investment volumes exclude development sites.

## Global Trend

- The pandemic has adversely impacted CRE markets globally
- Unlike prior cycles, most of the impact has come in the form of reduced liquidity while pricing has remained strong overall

## Volumes

- Greater China is the only region where transaction activity has risen through the pandemic
- North America experienced the greatest slowdown

## Yields

- Yield compression paused in many markets when the pandemic hit but restarted quickly – particularly in demand sectors such as logistics
- This is due to supportive global monetary and fiscal policy combined with increased selectivity in which assets trade

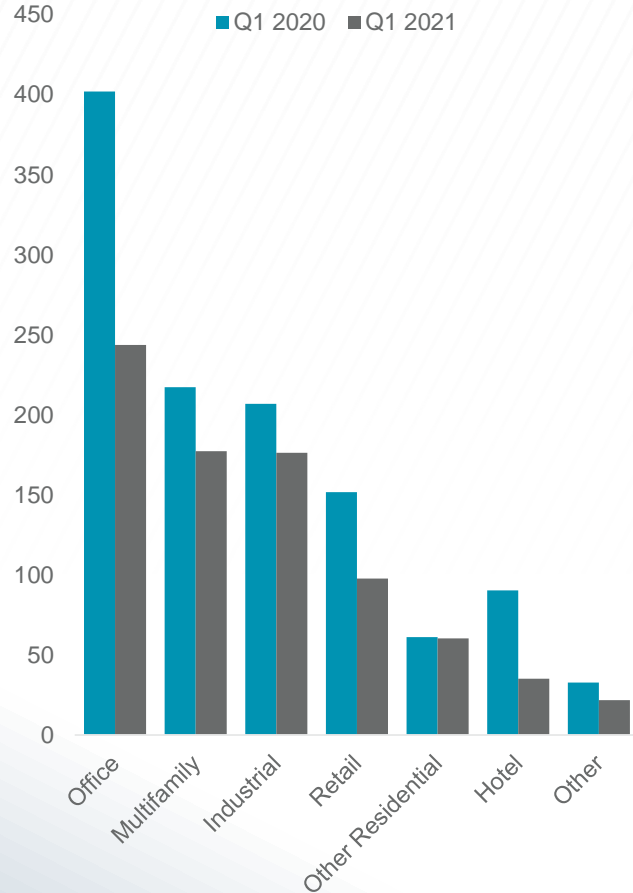
## Capital Values

- Capital values have continued to rise in this environment, particularly in EMEA
- In part this reflects a move by investors towards core and more expensive assets as well as limited distress forcing a repricing of weaker assets.

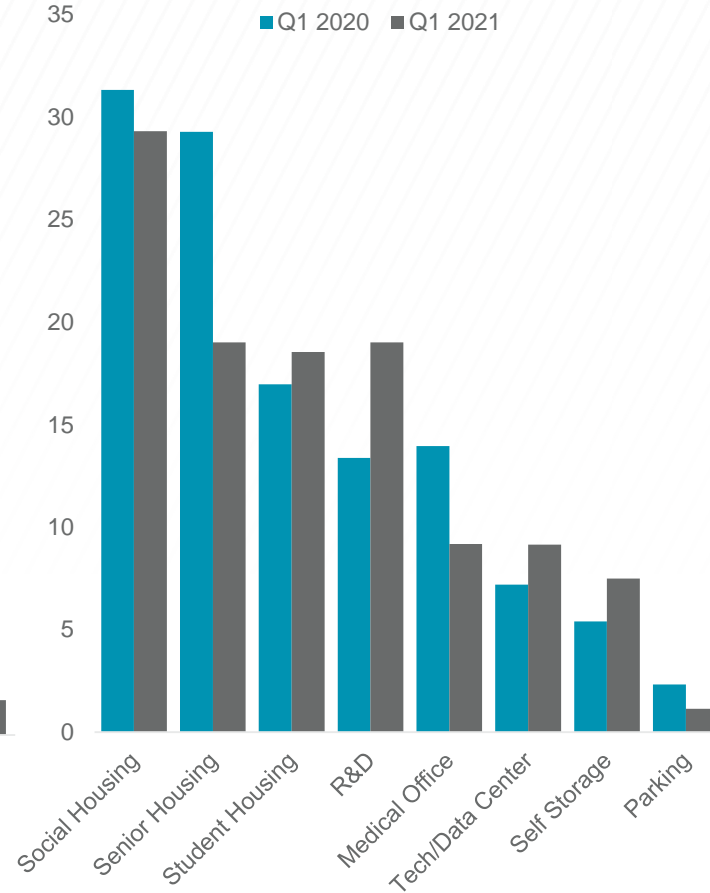
# Winning sectors?

YEAR TO Q1 2021 VS YEAR TO Q1 2020

## LARGER SECTORS



## THE NEW MAINSTREAM

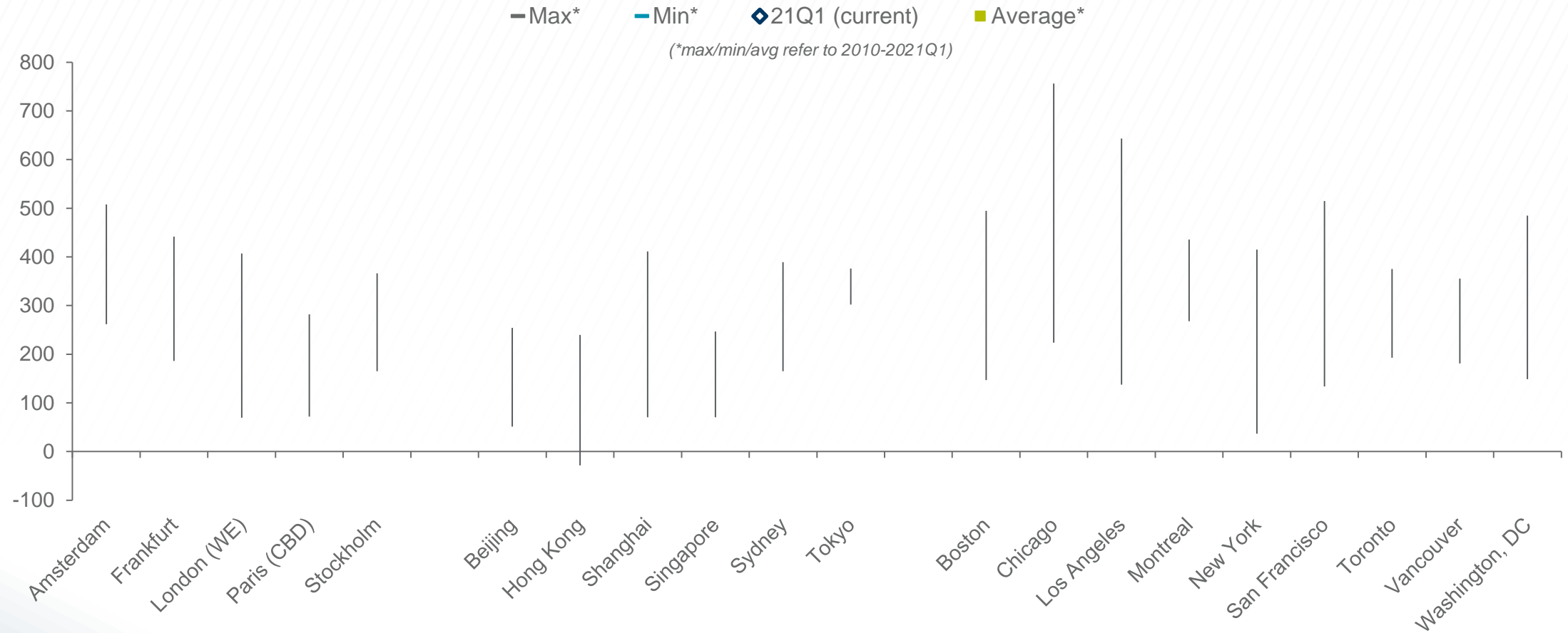


- **Industrial** assets are in high demand globally – but a shortage of supply has held back investment activity.
- **Conventional multifamily** assets have also remained resilient while nonconventional residential assets have outperformed, notably student, social and manufactured housing.
- **Offices** remain the dominant real estate food group, but market share has fallen to 30% from 35% globally.
- **Retail** suffered a blow similar to office (-36%), but nothing compared to the hotel sector (-61%).
- **Niche** sector volumes fell just 6% but strength was uneven: student housing, R&D and data centres rose strongly, offsetting weakness in senior housing, medical office and parking.



# Delivering relative value

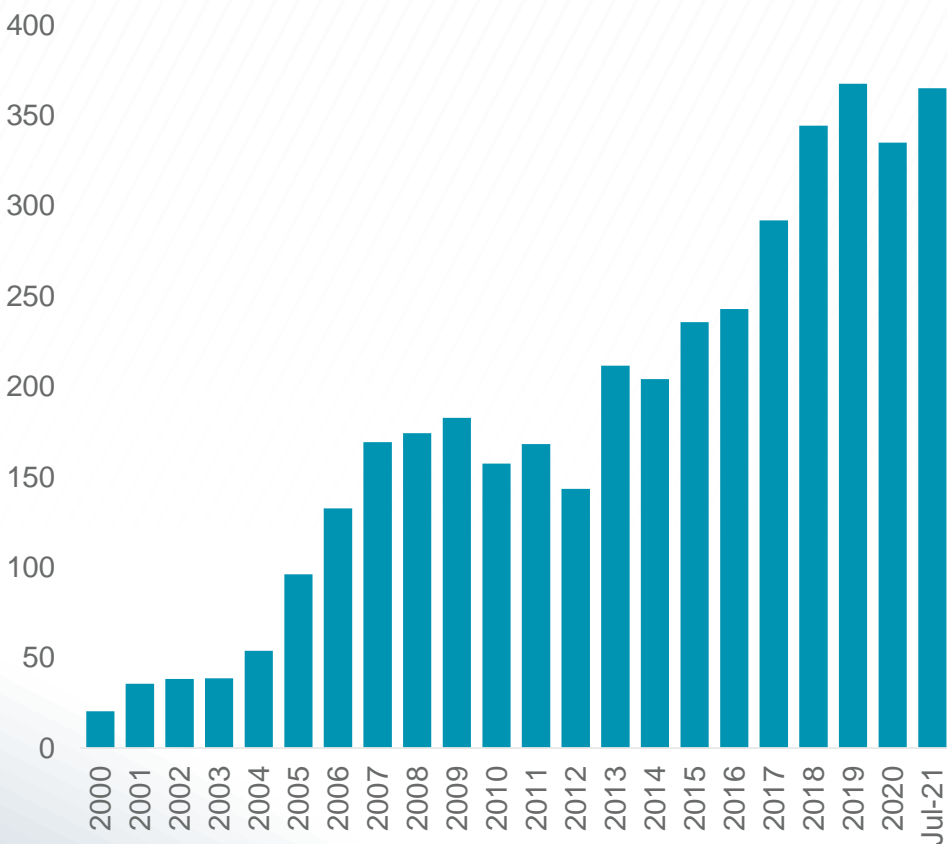
PRIME OFFICE YIELD SPREADS REMAIN HIGHLY ATTRACTIVE



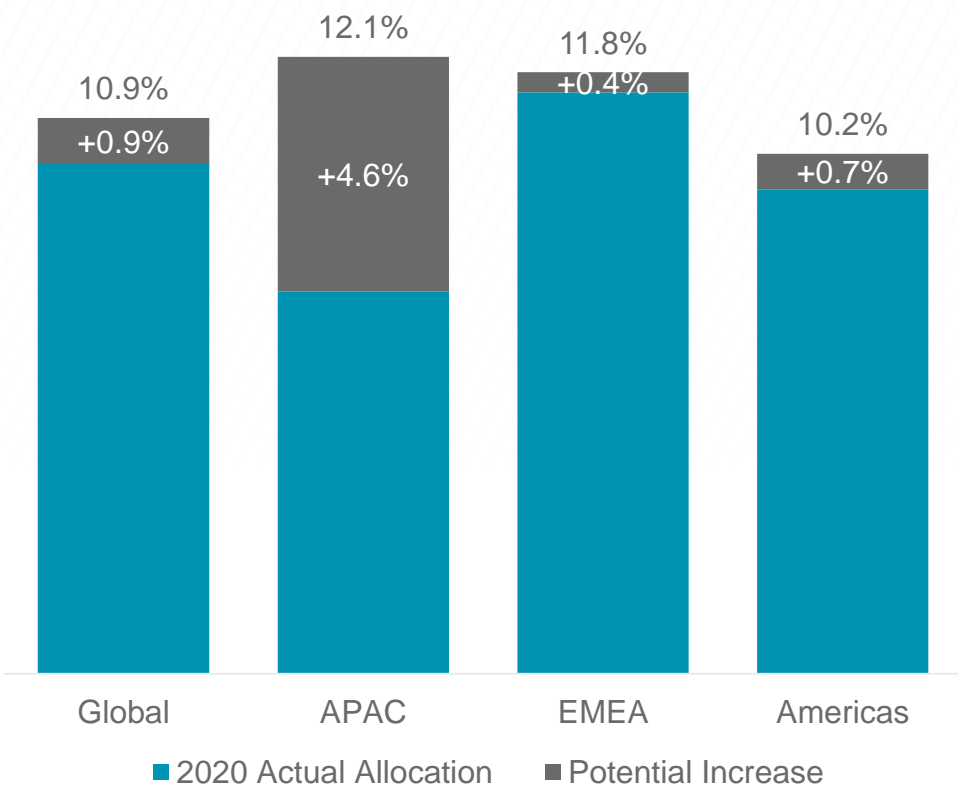
# A wall of capital in a well-priced market



## DRY POWDER – WAIT FOR IT?



## RISING INSTITUTIONAL ALLOCATION TO CRE GLOBALLY



# Where are we heading?

## THE LIGHT TURNS GREEN

**GLOBAL SUMMARY:** If progress in opening-up is maintained, real estate investment markets face a synchronized boom.

**COVID-19:** Vaccination rates are exciting but must spread to emerging markets and global protection will not be here until 2022 at the earliest.

**ECONOMY:** Pent-up demand as well as fiscal and monetary stimulus will sustain a strong recovery but not without further pain as economies evolve.

**OCCUPIER:** The health of occupier demand is likely to be the surprise ingredient turning upturn into boom – but that demand will be selective in response to structural market changes.

**CAP MARKETS:** Confidence and price discovery will underpin a release of pent-up demand driven by local players initially but underpinned by global debt and equity.

- Uptrend/Strong Improvement
- Turning Point/Slight Improvement
- Sluggish/Below Potential





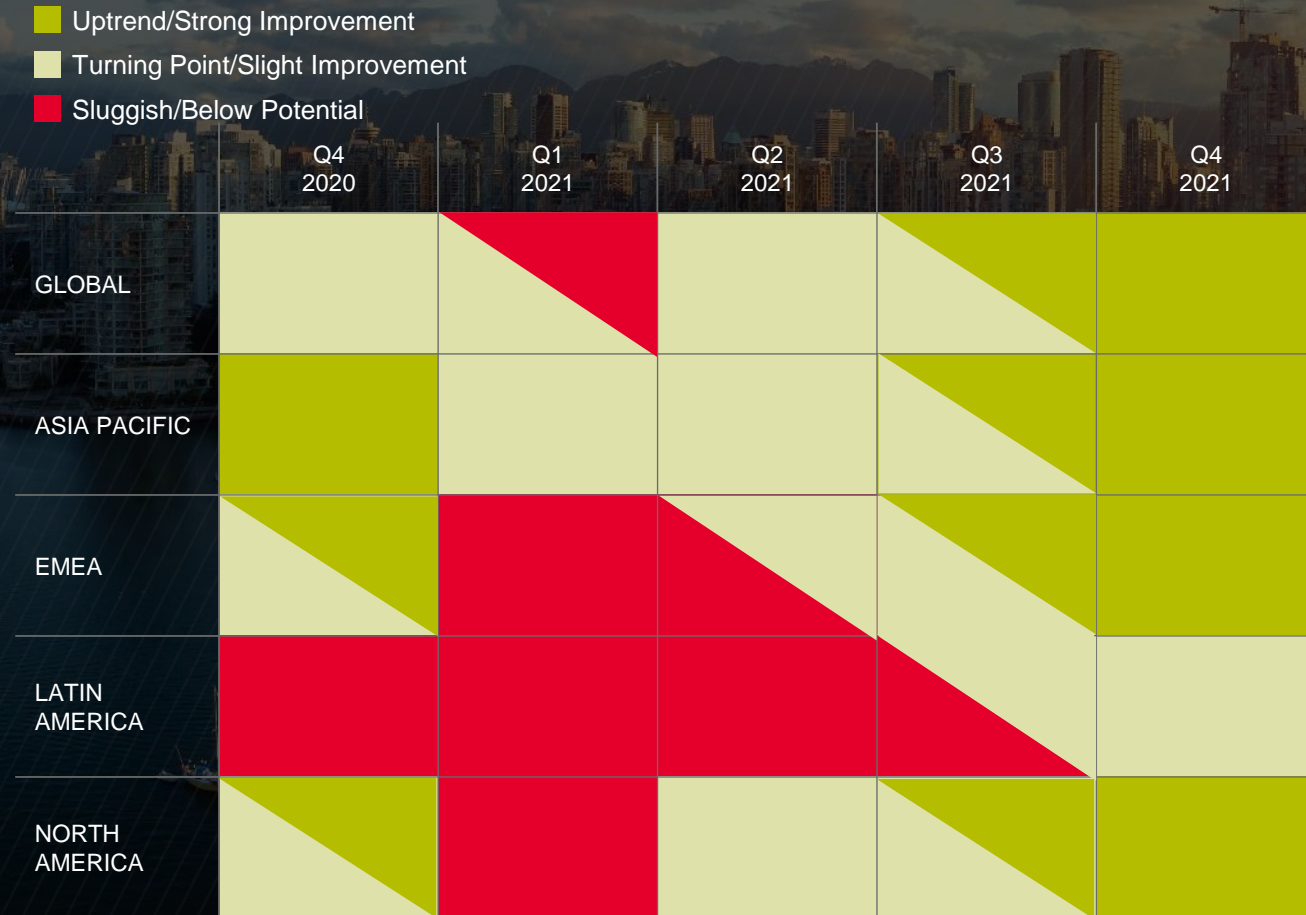
# Synchronized Acceleration in Capital Markets

**ASIA PACIFIC:** Progress in defeating the pandemic may have proceeded at a slower than hoped pace - and unevenly across the region – but real estate markets have stabilized and will be called upon to contribute to the recovery in a range of ways from ESG to logistics.

**EMEA:** The business recovery may lag the US but Europe is on the move, with the UK set to see the best early growth and the rest of the continent to benefit from domestic as well as global demand and EU stimulus.

**LATIN AMERICA:** The region is taking longer to get the pandemic under control. This combined with political uncertainty is retarding economic recoveries across Latin America. However, the commodities boom combined with increasingly supportive global conditions will give impetus to the region.

**NORTH AMERICA:** Social and economic conditions rapidly normalizing in the U.S. with Canada set to follow. This tailwind is set to drive increased capital markets activity as investors gain conviction.



# Investment ideas

## RIDING THE WAVE

### SECTORS

- **OFFICE** - Return for investors and occupiers
- **RETAIL** - Deep value starting to emerge
- **LOGISTICS** - Selectivity needed
- **RESIDENTIAL** - Emerging as a global asset class
- **HOSPITALITY** - Opening up but little distress
- **SPECIALIST SECTORS** - Niche but nice

### THEMES

- **ESG** - THE dominant trend to get on top of
- **DIVERSIFICATION** - Sector dominating but geography to follow
- **DEBT AND DISTRESS** - Opportunities across the risk spectrum
- **REPURPOSING OVER REBUILDING** - Legacy portfolios must be secured
- **PLATFORMS** - Demand to increase, spilling further into M&A
- **INFLATION LINKS** - The right real estate will cope well with inflation



# 03

## OCCUPIER OUTLOOK



**CAROL WONG**

*Director, Total Workplace, APAC Lead*

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# What do we hear in the market

EXAMPLES OF FIRMS THAT ARE RETURNING TO THE OFFICE & ...THOSE THAT ARE NOT

## RETURNING

### Goldman Sachs



- Return-to-work to return to pre COVID ways or working
- Less than 10% of staff physically present in 2020
- Expect full staff to be back by year end 2021

### Apple



- Workers soon to be welcomed back to office in the new Apple Park, California
- 12,000 employee capacity in 2.8 million sqft
- 80% of site is green space

### Amazon



- Expect all employees back at the office starting July 1<sup>st</sup> 21
- Investing ~\$1.4 billion in offices for nearly 3,500 new jobs across the USA

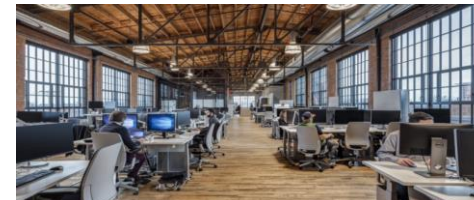
### Ernst & Young



- Expect all employees back at the office April, had originally planned to do so in January
- Back to the office also means back to the client's office

## NOT RETURNING

### Ford



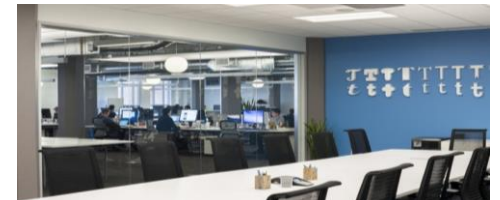
- White-collar workers can choose to WFH indefinitely if flexible hours approved by manager
- Will redesign corporate office to be versatile and adaptable, and add technology to enhance connectivity

### Hitachi



- Shifting from an office-centric culture to promoting a "Time- & Location-Free workstyle"
- Embracing the "New Normal" start from process innovation & office innovation
- Equip managers with the right skill & knowledge for them to advocate

### Twitter



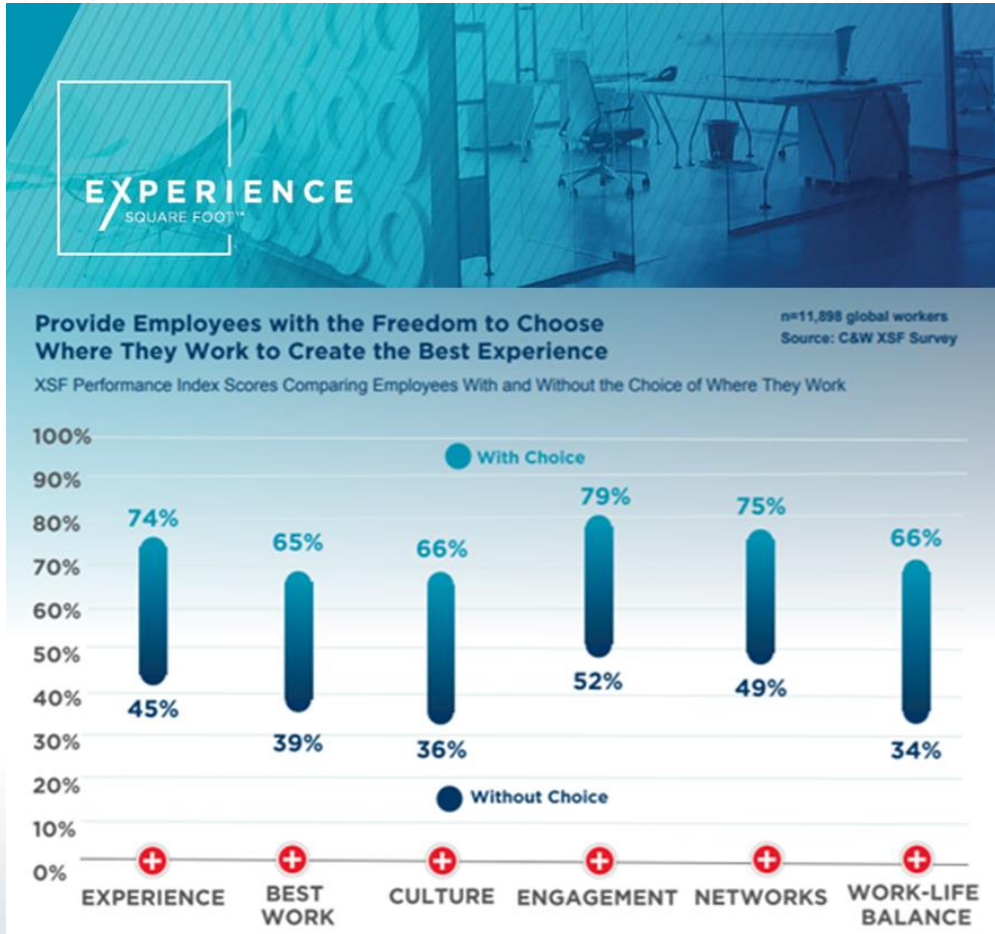
- Employees can work from home for as long as they see fit
- Offices are still open to employees who prefer an office setting, but density has been low for months

### Salesforce

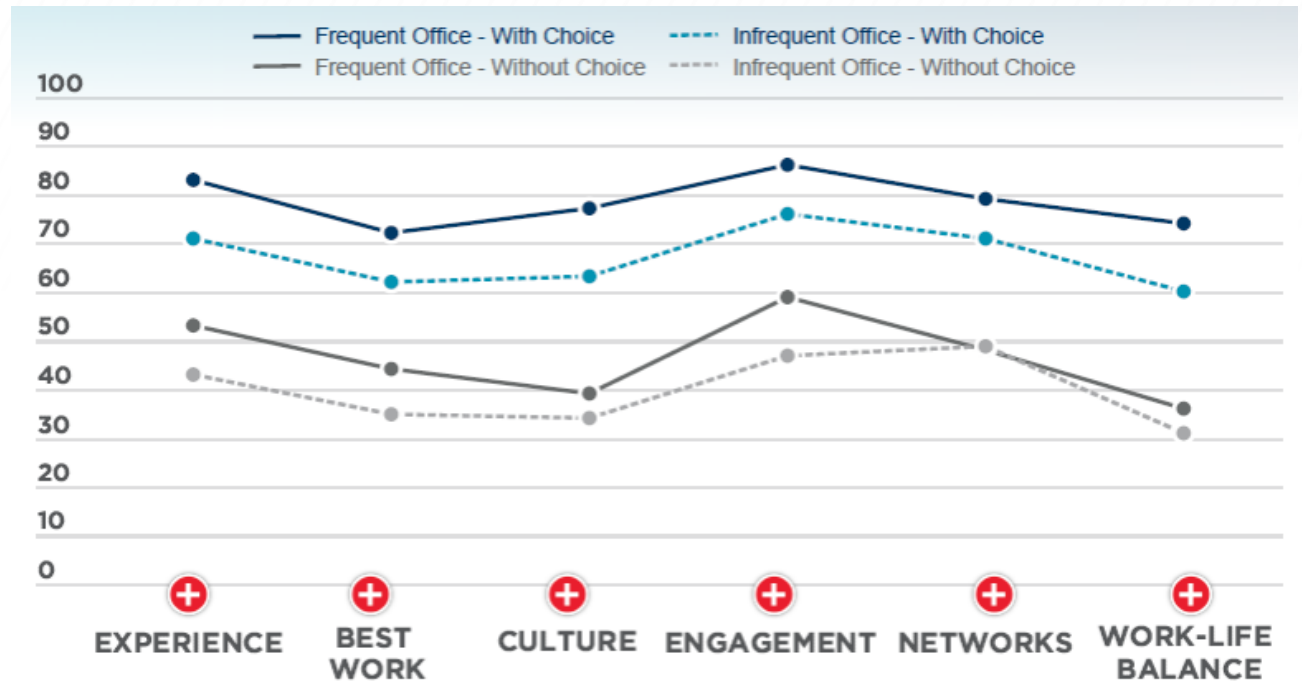


- Offers employees 3 options: flex, fully-remote, office-based
- Will redesign its offices into community hubs to accommodate hybrid work styles

# Latest XSF insights



Clear evidence supports that having CHOICE and COMING TO THE OFFICE remains important to retain & attract talent





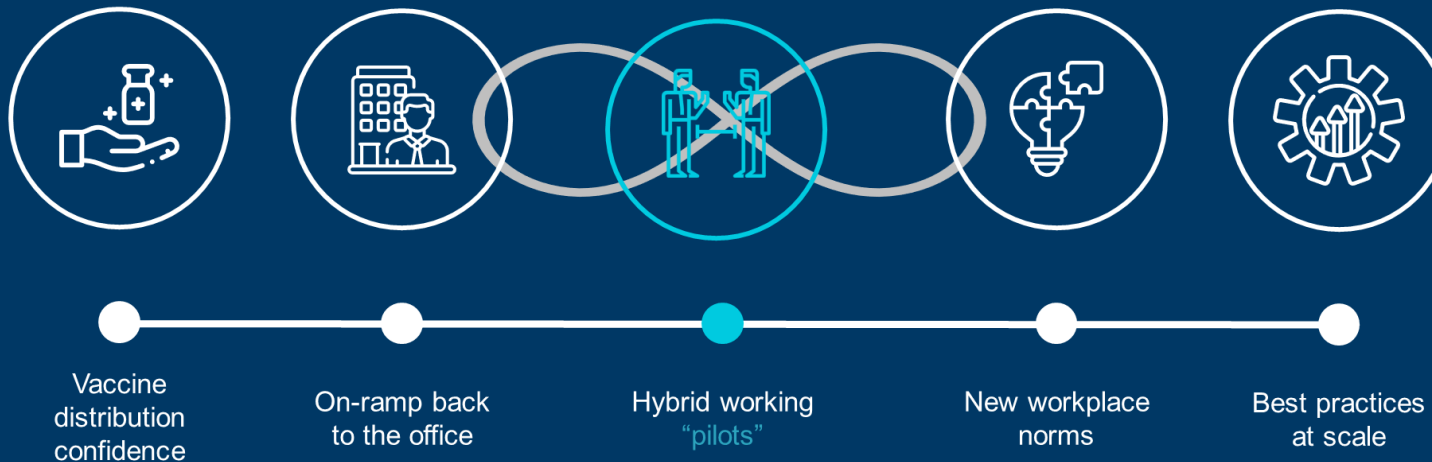
# An agile & iterative approach to manage uncertainty

Short term vs Long term  
**ENTERPRISE GOALS**

Hybrid settings vs static bricks & mortar

Employer vs Employee  
**EXPECTATIONS**

## HYBRID WORKPLACE



To achieve a successful transformation towards a hybrid total workplace ecosystem, an integrated, multi-disciplined approach is recommended.

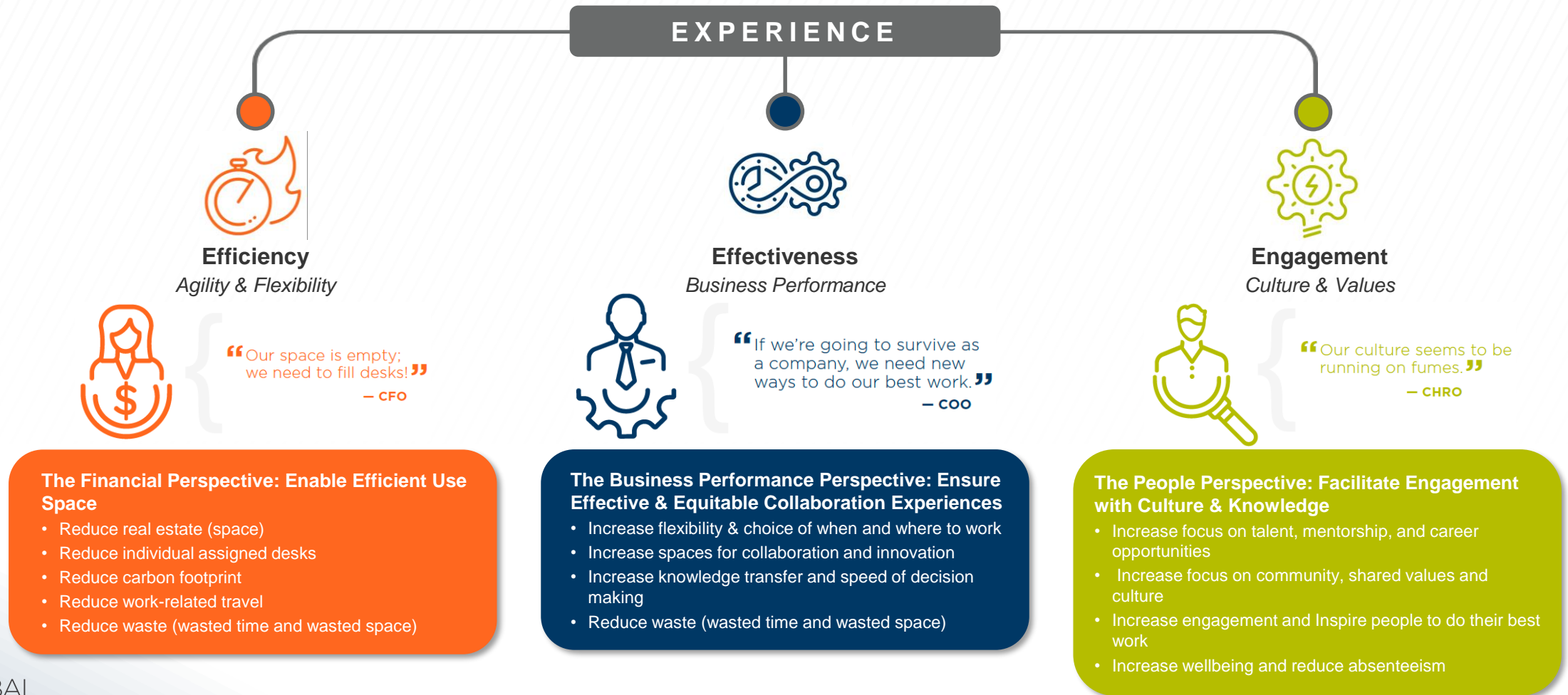
It is tempting to seek short-term savings by reducing space, but such reactions can undermine enterprise goals.

It is important to consider how targeted reinvestment can help address the intersection of people and place that ultimately drives company performance.



# Active recovery

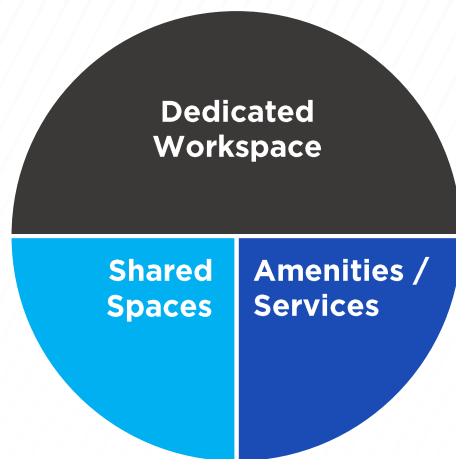
ALIGNING SPACE WITH STAKEHOLDER PRIORITIES (ALIGNED GOALS & BUDGETS)



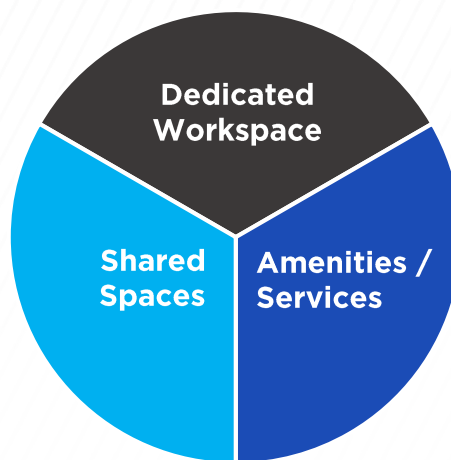
# Shifts in space allocation



## CURRENT SPACE ALLOCATION



## SAME FOOTPRINT, BETTER EXPERIENCE



### REALIGN SPACE

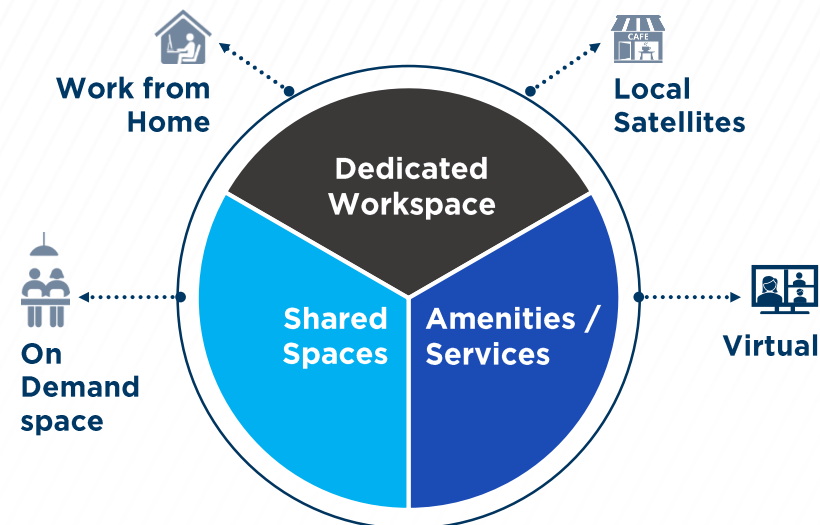
Support the drivers for coming to the office

- Connection, collaboration and knowledge share
- Productive work separate from home life
- Access to better network connectivity, equipment and ergonomic workspace

### Business Goal: Effectiveness

*Increased space utilisation, team and business performance and employee engagement*

## LESS SPACE, BETTER EXPERIENCE



### LEVERAGE AN ECOSYSTEM OF WORK ENVIRONMENTS

Enable employees' best work and drive efficiency

- Regain lost commute time in productivity
- Increased flexibility, work-life balance and wellbeing
- Choice of work environment aligned with need

### Business Goal: Optimisation

*Optimal space efficiency, business resilience and employee experience*

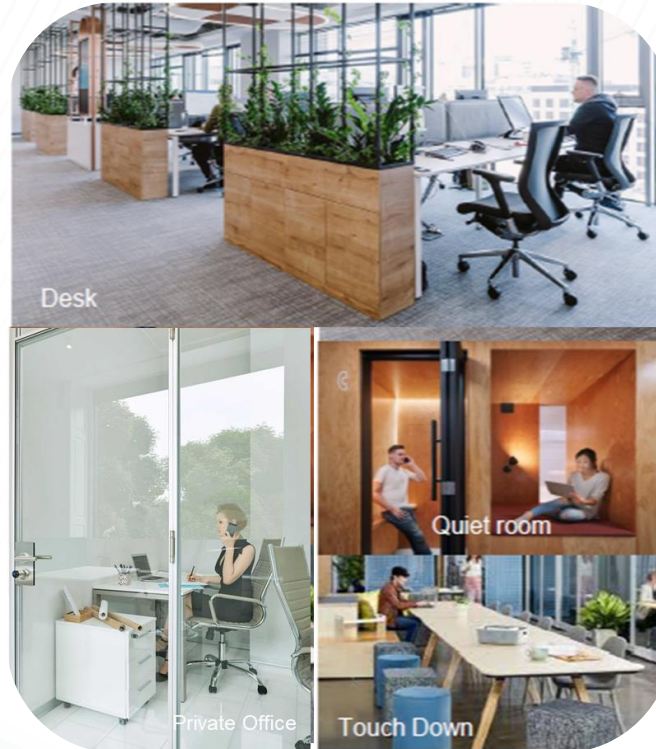


# How will space change?

REALIGNING SPACE TO MEETING THE SHIFTING NEEDS OF WORKERS



## INDIVIDUAL WORKSPACE



60% .....➤ 30%

## COLLABORATIVE SPACE



30% .....➤ 50%

## SUPPORT & WELLBEING

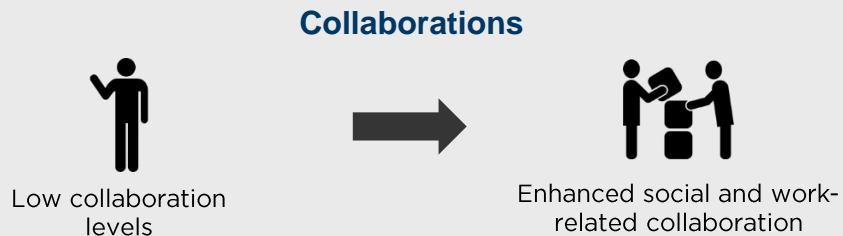
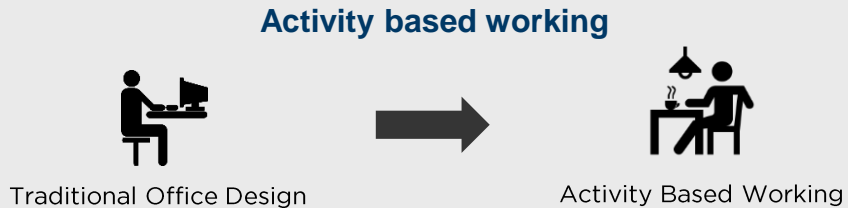


5% .....➤ 20%



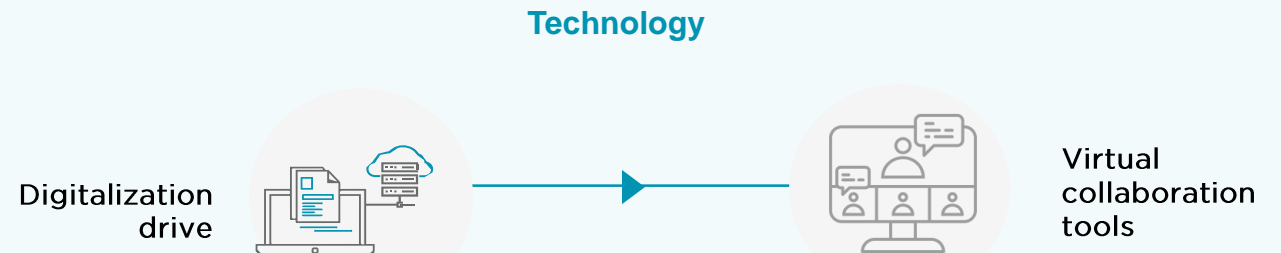
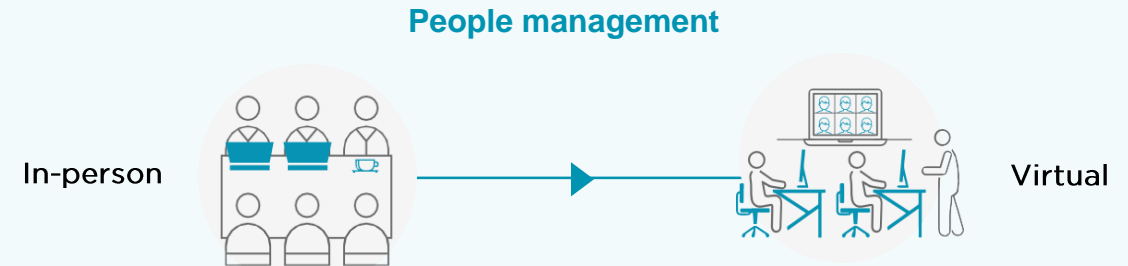
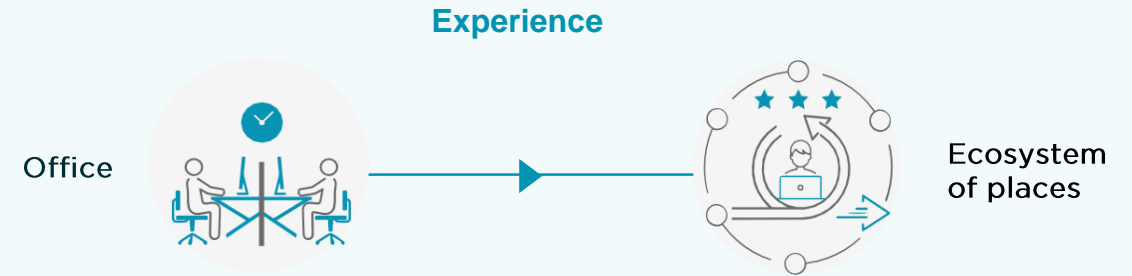
# Change management is more integral than ever

## PAST



+

## PRESENT



# Q&A

*Please submit your questions by clicking on the icon with the question mark on the top right hand corner of the Teams Live Event window.*



**ANNA TOWN (moderator)**  
*Head of Business Development Services,  
Asia Pacific*



**KEVIN THORPE**  
*Chief Economist,  
Global Head of Research*



**DAVID BITNER**  
*Global Head of Capital Markets Insights,  
Global Research*



**CAROL WONG**  
*Director, Total Workplace,  
APAC Lead*

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# THANK YOU



## 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 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

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