

Commercial Real Estate: Powerful but Uneven Recovery

22 October 2021

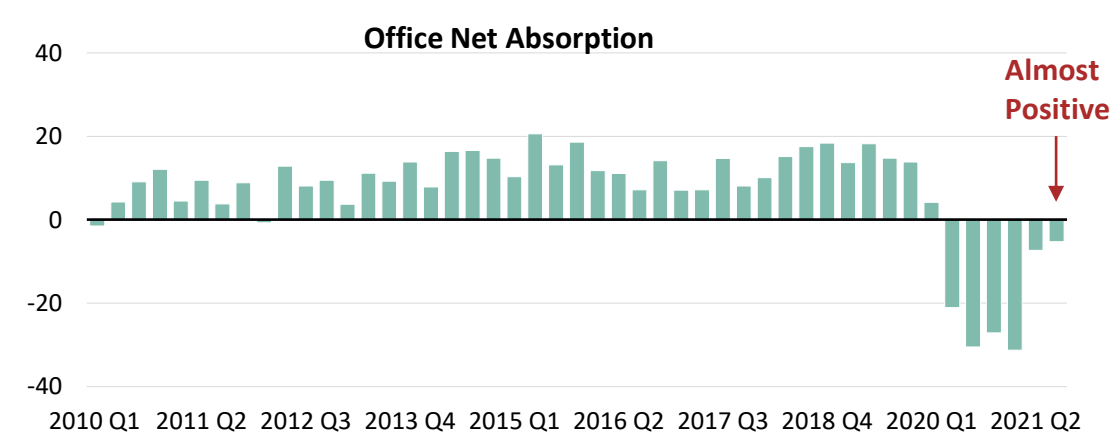
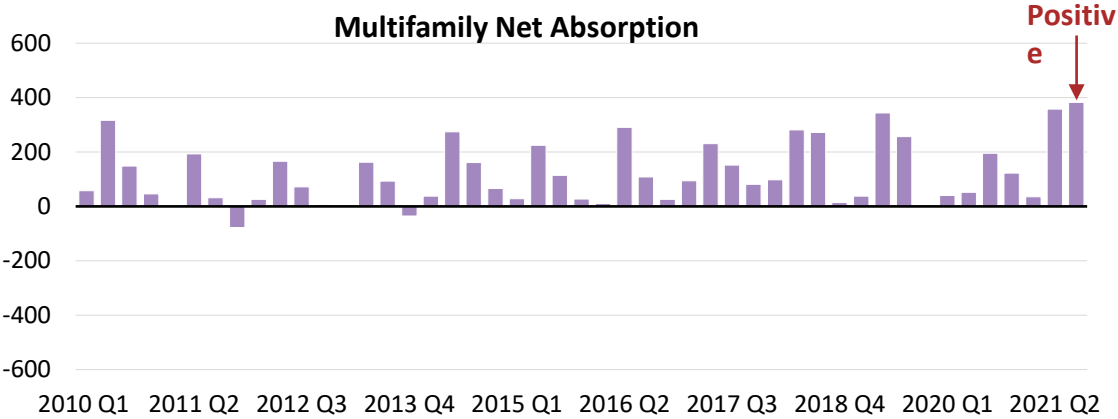
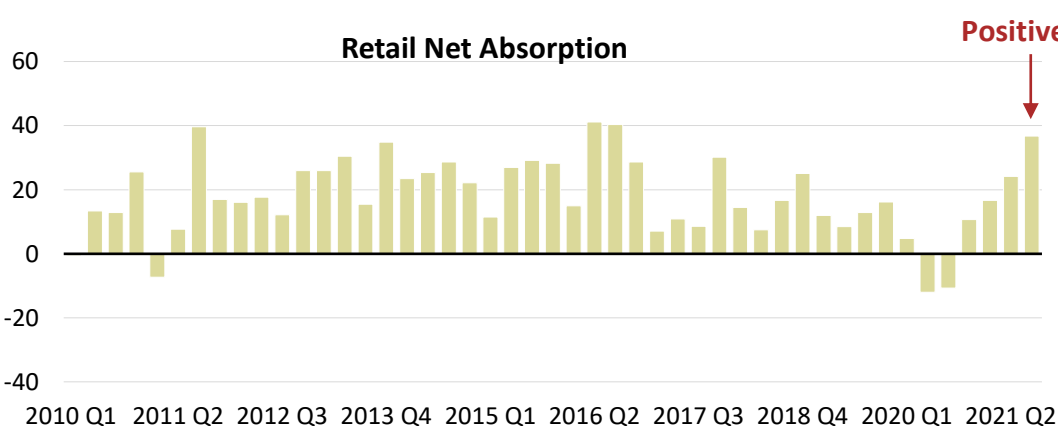
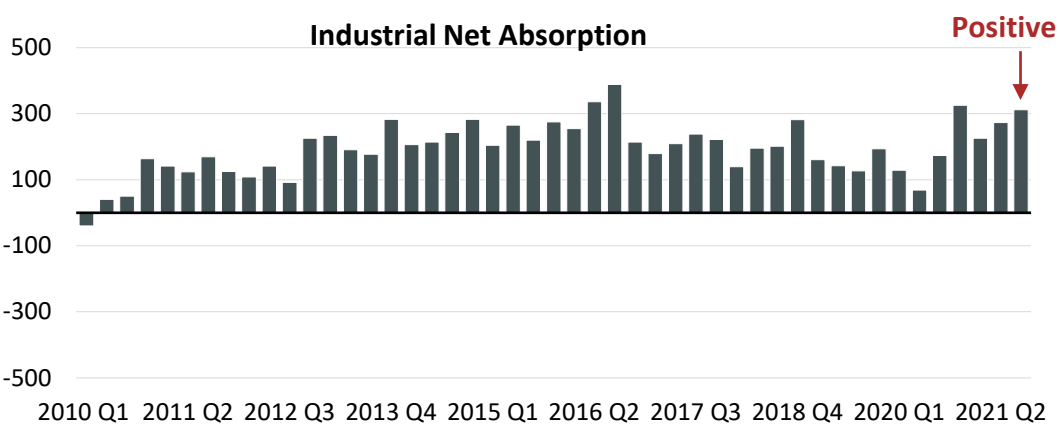


Richard Barkham, Ph.D.

Global Chief Economist &
Global Head of Research

U.S. Fundamentals Very Positive - Questions Remain Over Office

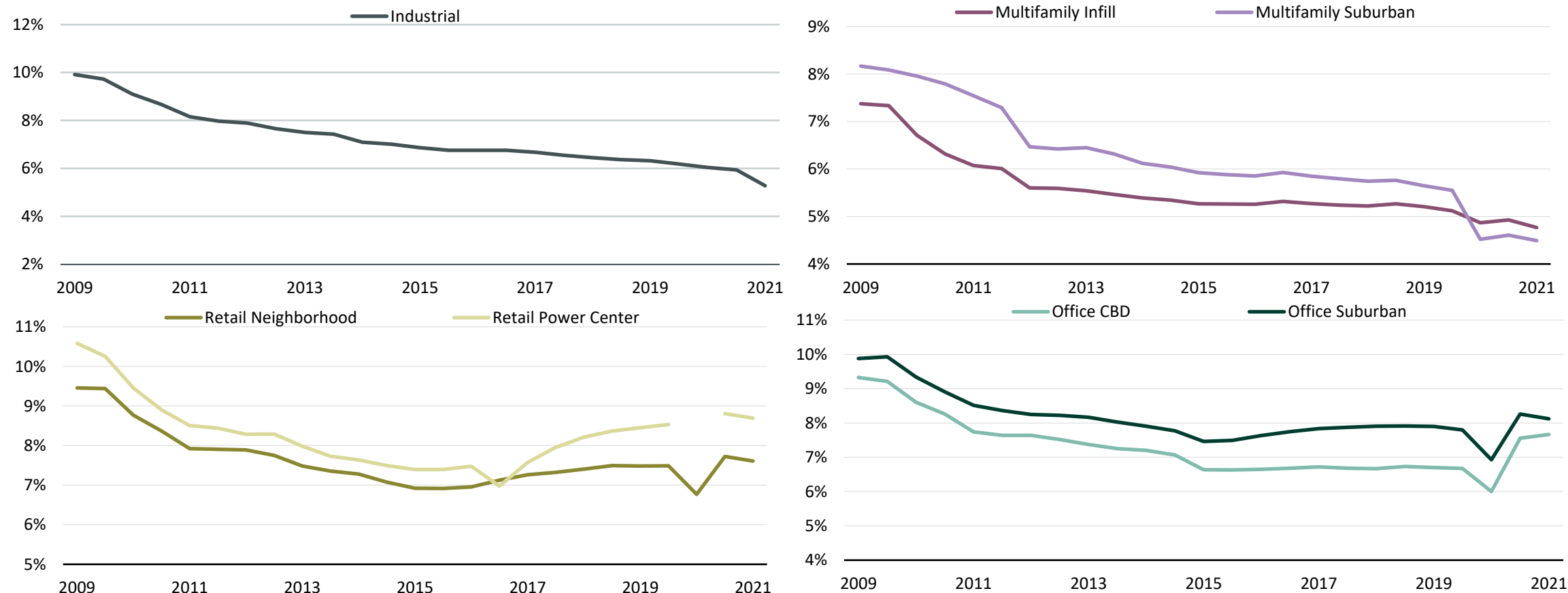
U.S. Net Absorption by Sector
Thousands of Sq Ft



Source: CBRE Econometric Advisors, CBRE Research, Q3 2021

U.S. Values Rising (i.e. Cap Rates Falling) – Except for Office

U.S. Cap Rates by Sector
U.S. Cap Rate Survey H1 2021, Percent

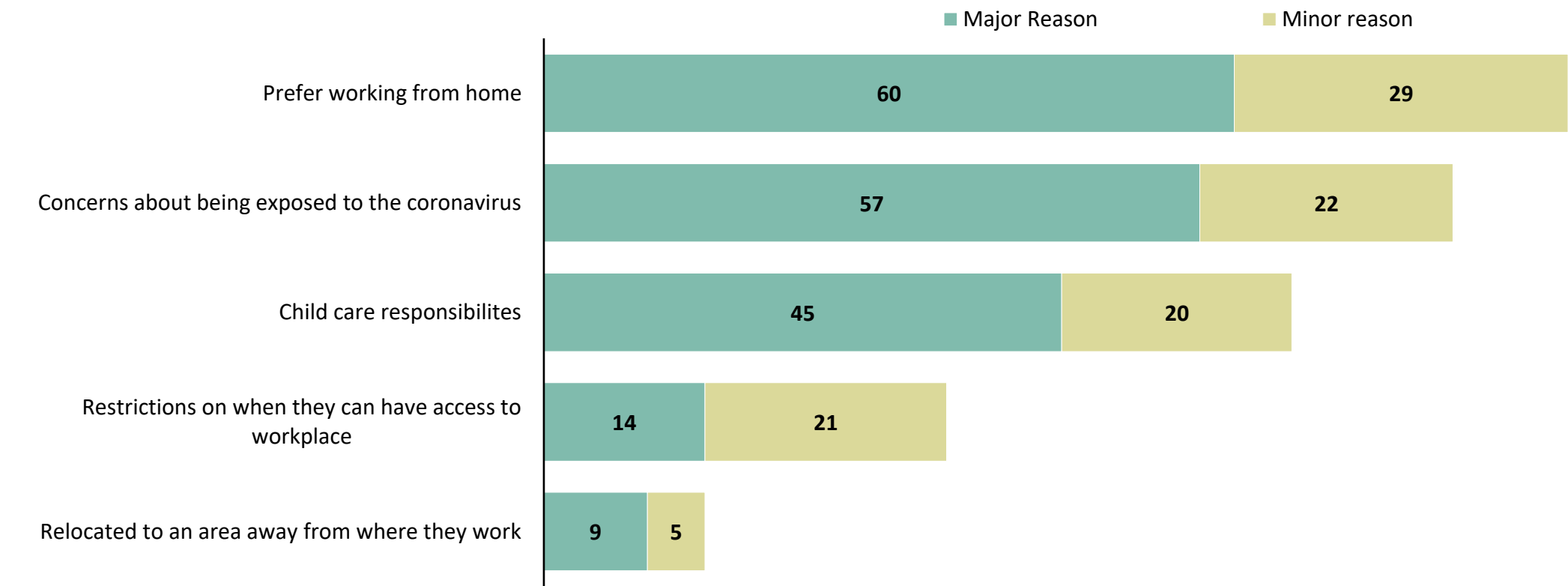


Source: CBRE Econometric Advisors, CBRE Research, H1 2021.



So Far, It appears, People Really Like Working From Home

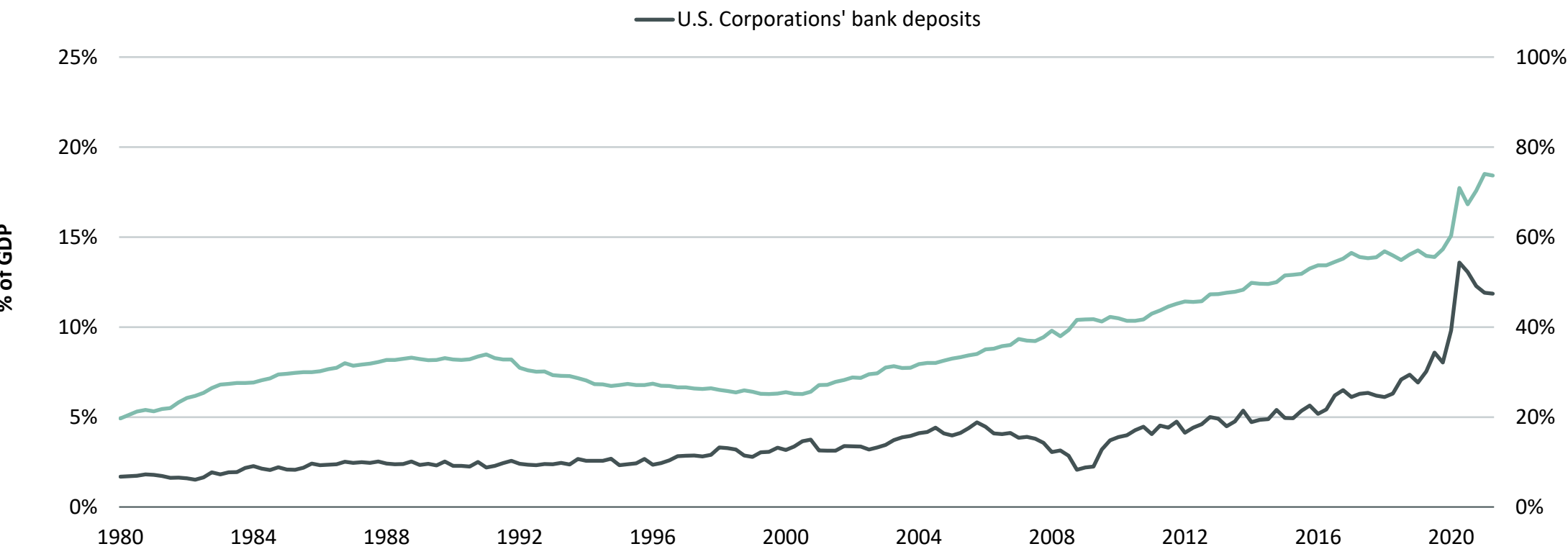
U.S. Sentiment on Working From Home
(Attitudes on Work Survey 2020)



Source: Pew Center Research, 2020.

Of Course, Conditions are Far from Normal

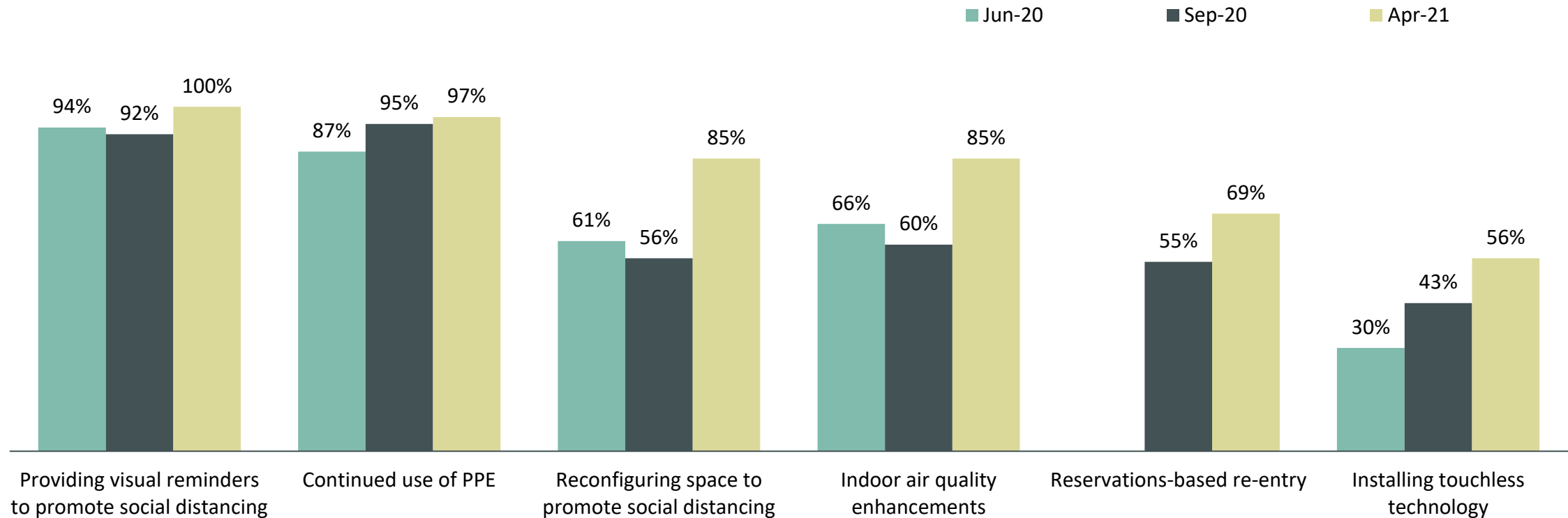
U.S. Private Sector Bank Deposits
% of GDP




Source: Federal Reserve, CBRE Research, Q2 2021.

And Corporate America has Amplified the COVID Shock

What measures are underway to ensure employee health & safety as reopening progresses?



Source: CBRE Occupier Sentiment Survey, Q2 2021.



At Face Value Surveys Suggest:
The Average U.S. Employee
Will Spend 24% Less Time
Working In The Office

Does This Mean 24% Less Requirement for Office? Nope!

Average Firm's 10,000 SF lease

#1 Average Days Per Week In the Office

2018	4.40
Future	3.35

Impact (= 3.35/4.40)	0.76
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Lease Footprint	7,600 SF
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#2 Efficiency Factor	0.55
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Net Effect of changing working patterns = $(1.00) - [(1.00 - 0.76) * (0.55)]$	0.87
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Lease Footprint	8,700 SF
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#3 De-Densification Effect	0.05
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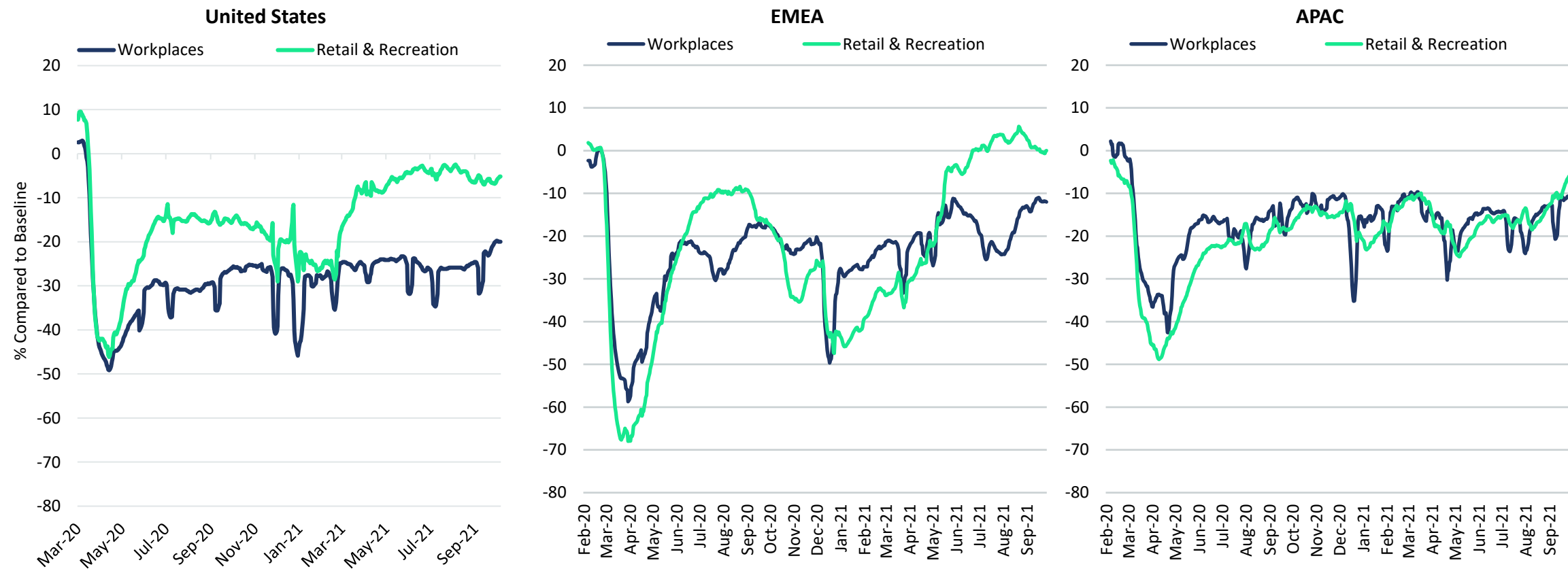
Overall Net Impact = $(0.87) * (1.05)$	0.91
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Overall Net Impact: Lease Footprint	9,100 SF
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Source: CBRE Econometric Advisors, CBRE Research, Q2 2021.

U.S. Workplace Mobility Seems to Be Picking Up

Google Mobility Index (% Compared to Baseline)



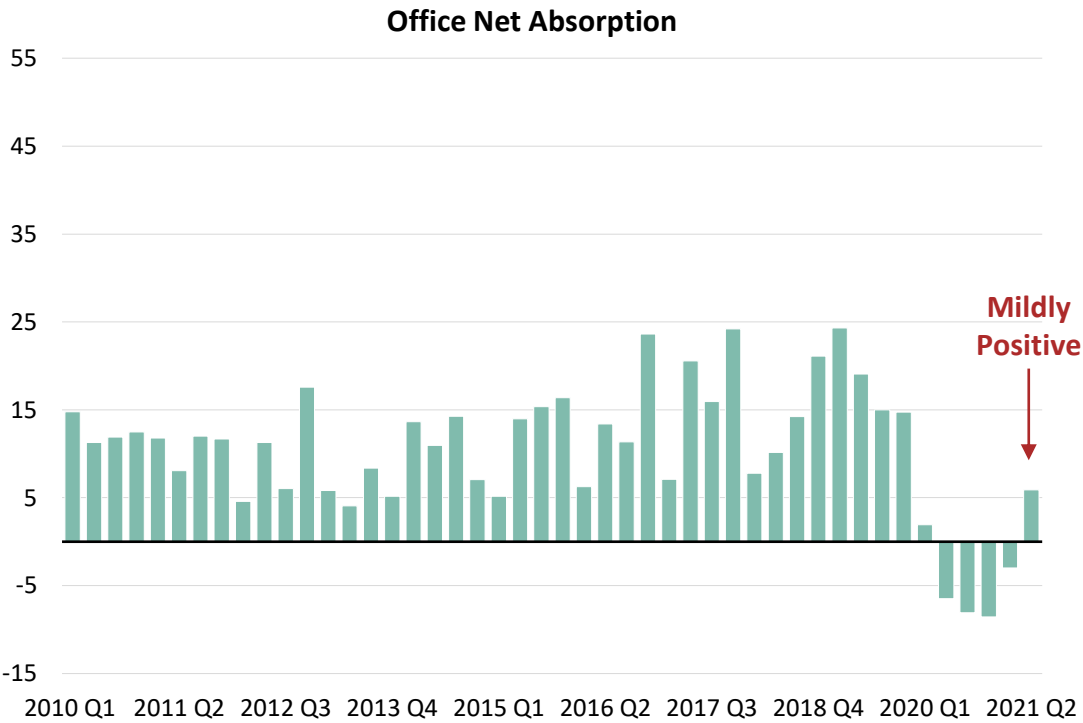
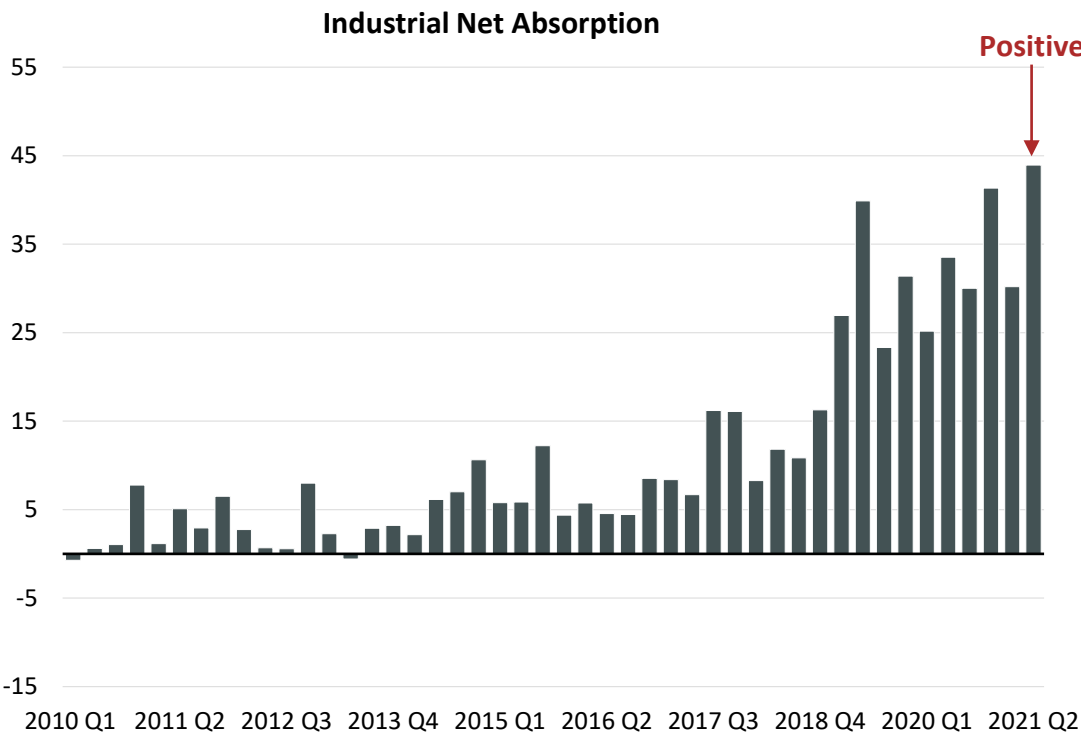
Source: Google Mobility Index, CBRE Research, 19 Oct 2021.

Elsewhere in the World



European Real Estate in Recovery Mode

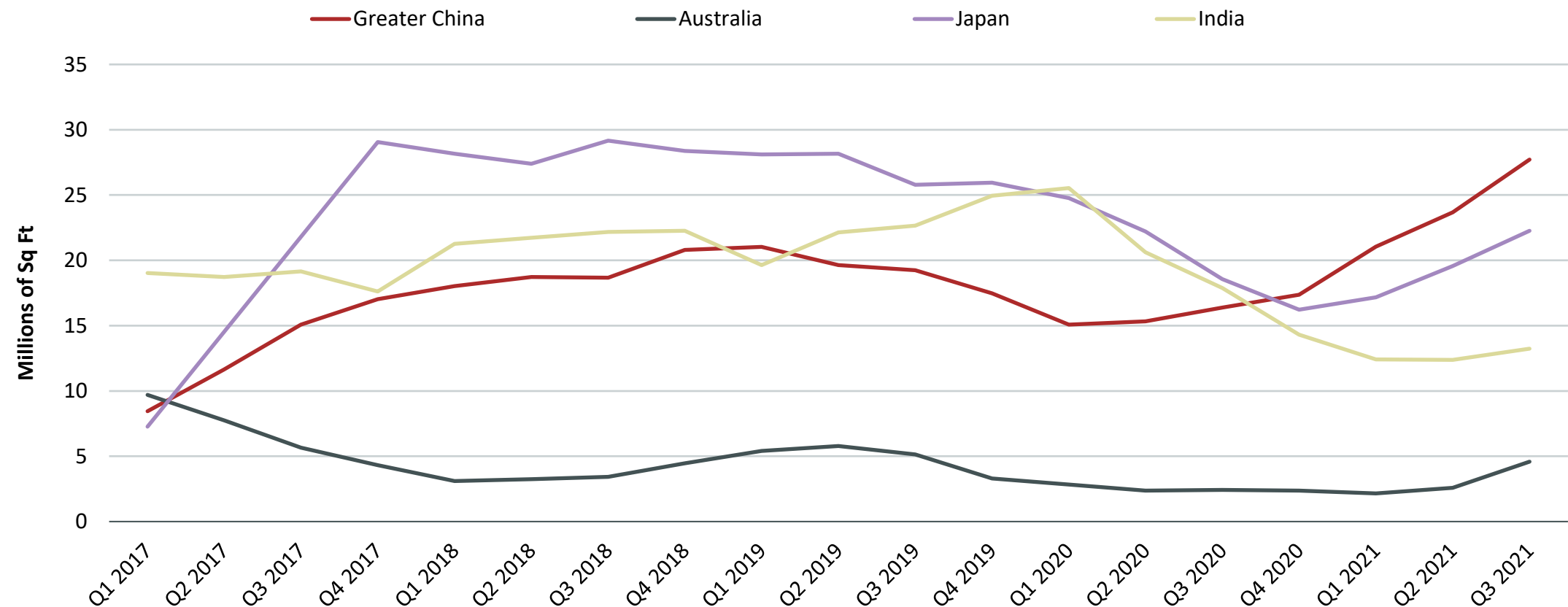
Europe Net Absorption by Sector
Thousands of Sq Ft



Source: CBRE Econometric Advisors, CBRE ERIX, CBRE Research, Q2 2021

Asia Office Leasing: First To Recover But Where Next?

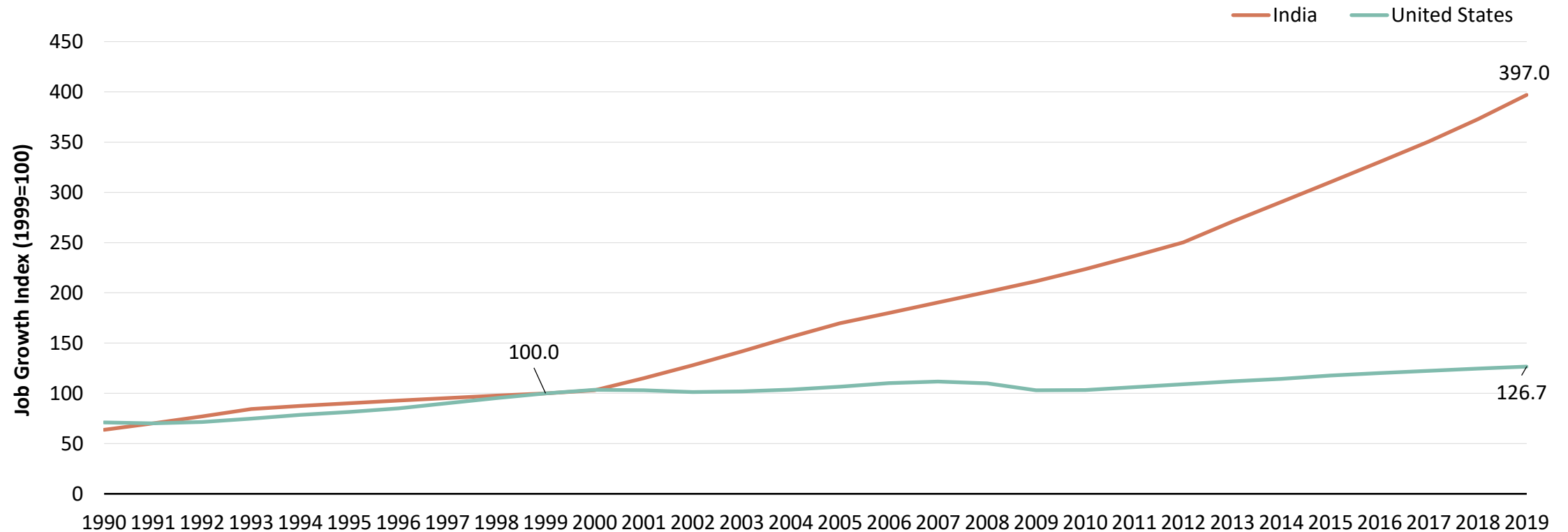
Asia Office Leasing Volume in Major APAC Markets
Millions of Sq Ft



Source: CBRE Research, Q3 2021

The Future of Office is in India

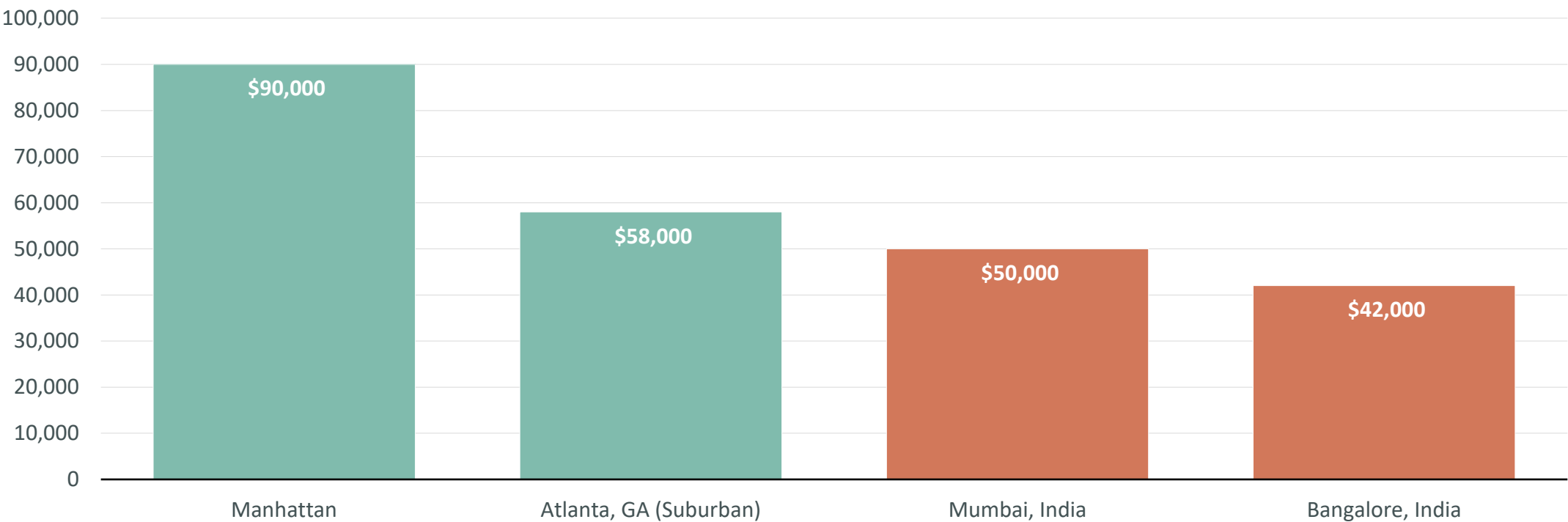
Job Growth Index (1999 = 100)



Source: Oxford Economics, BLS, CBRE Research, Q3 2020.

Benefitting From Major Cost Differentials

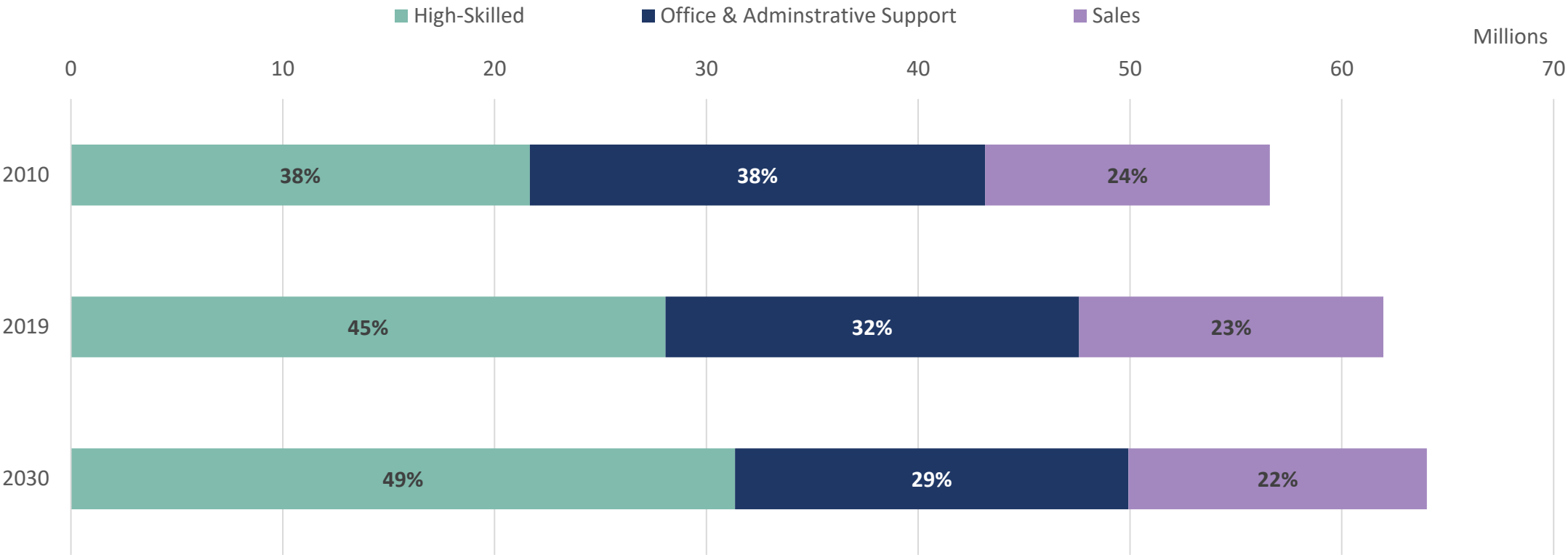
Total Annual Cost of Office Employee (Salary & Cost of Space/Workstation)



Source: CBRE Research, OES, Q3 2020.

And the Shrinking Middle in the United States

Office-using Employment by Decade (Millions of Workers)



Source: U.S. Census Bureau, CBRE Research, Q3 2020.

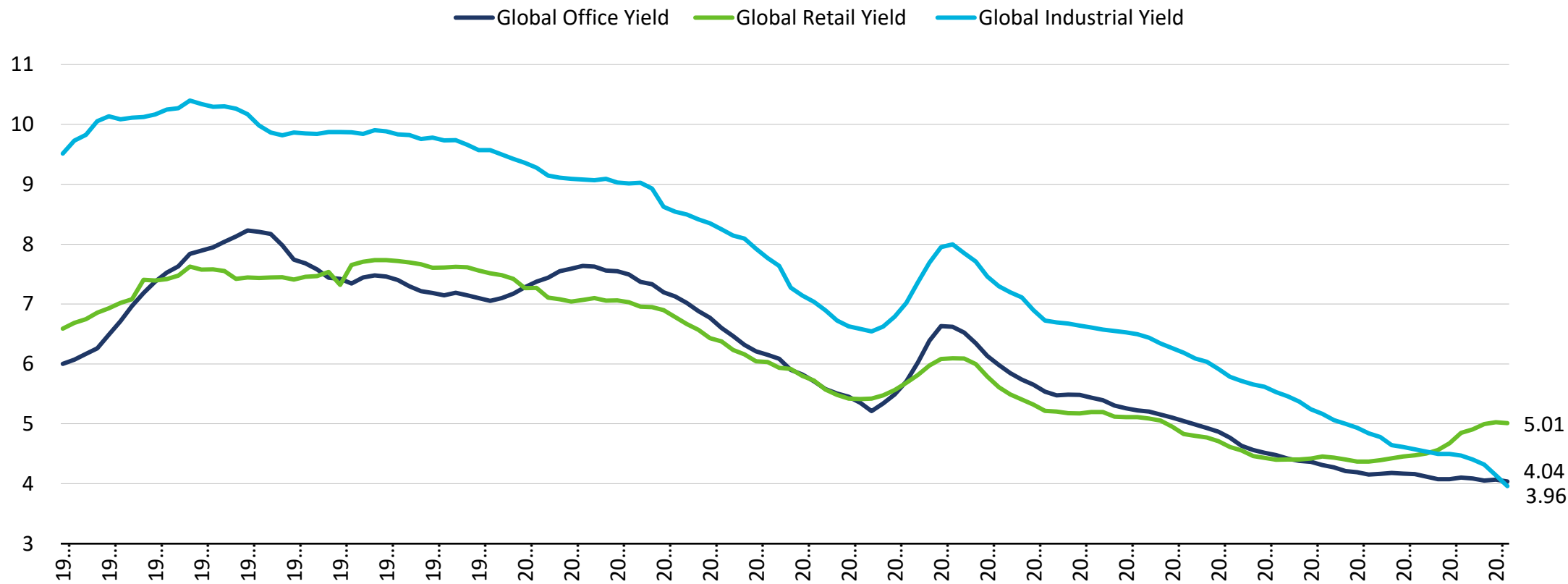


Investor Demand For Real Estate



Pricing Looks Firm – Retail Gaining After a Period of Change

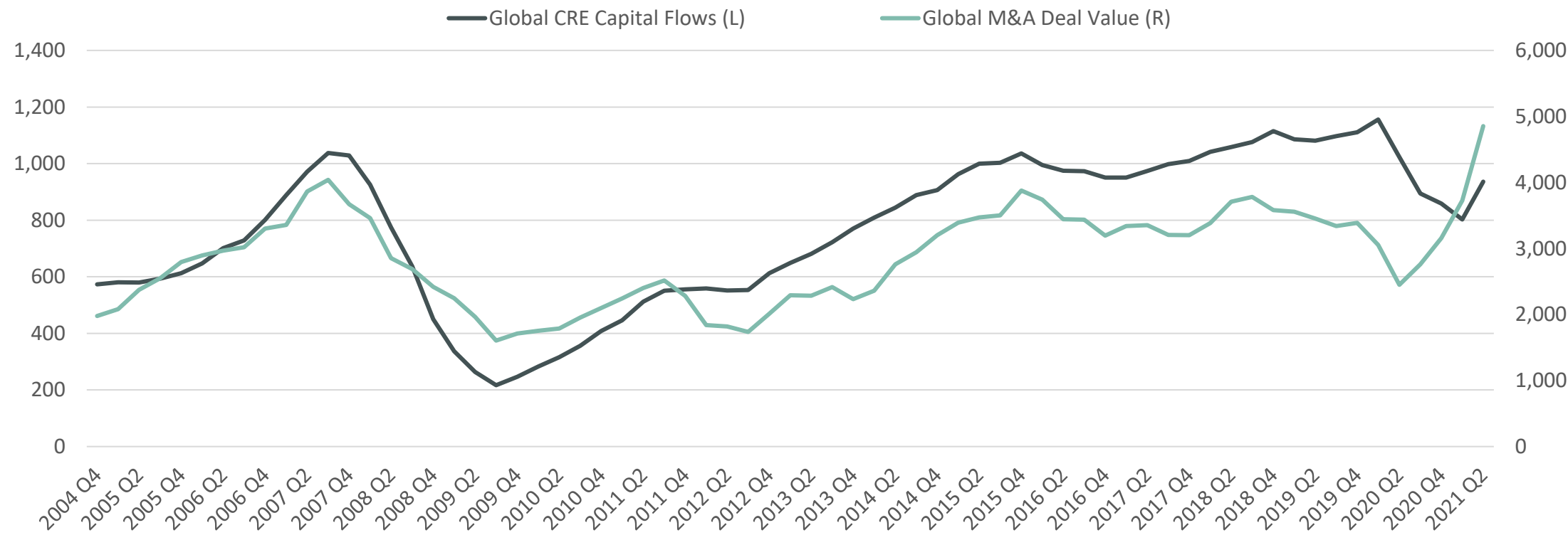
Global Composite Yield by Sectors
(Quarterly Average, Percent)



Source: CBRE Research, Q2 2021.

Market Conditions Look Very Favorable for Real Estate Investing

Global CRE Capital Flows and M&A Deal Value
(USD Billions, TTM)



Source: CBRE Research, Q2 2021.

Thank You.

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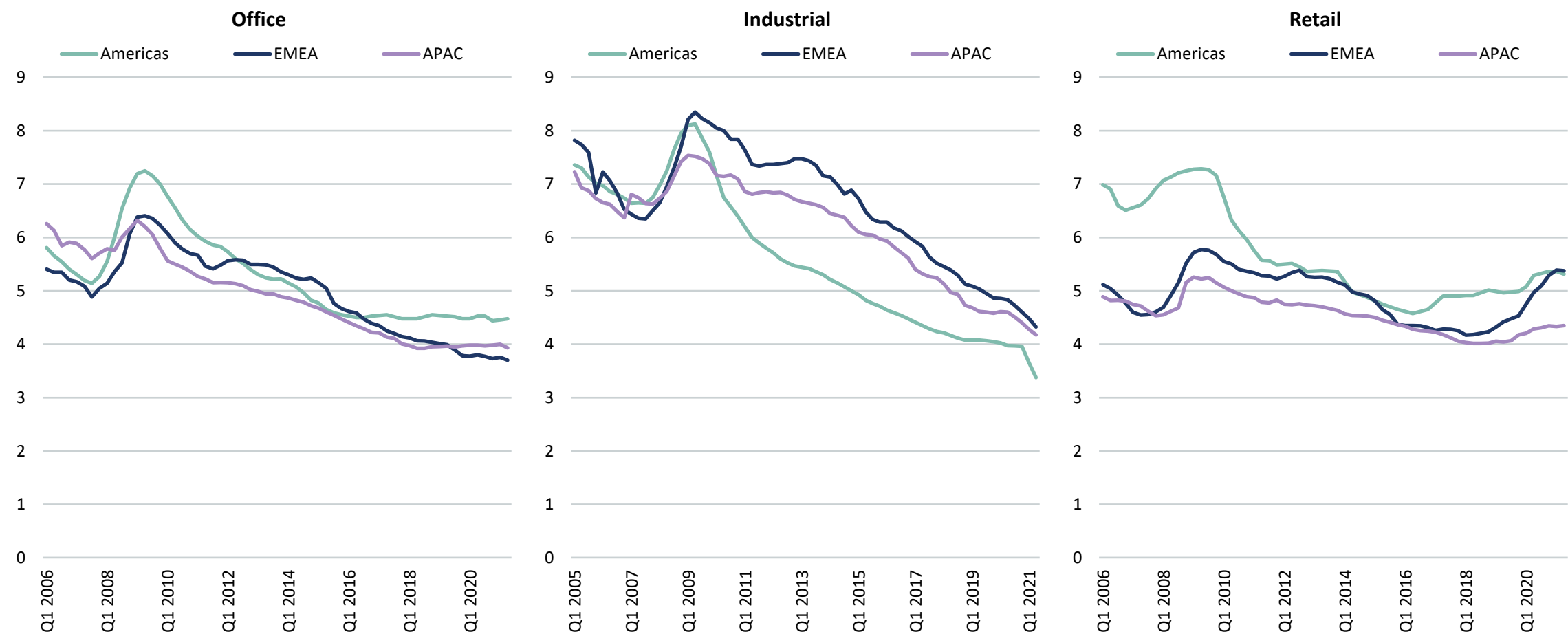
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Composite Cap Rates

Global Composite Cap Rates by Sector



Source: CBRE Research, Q2 2021.