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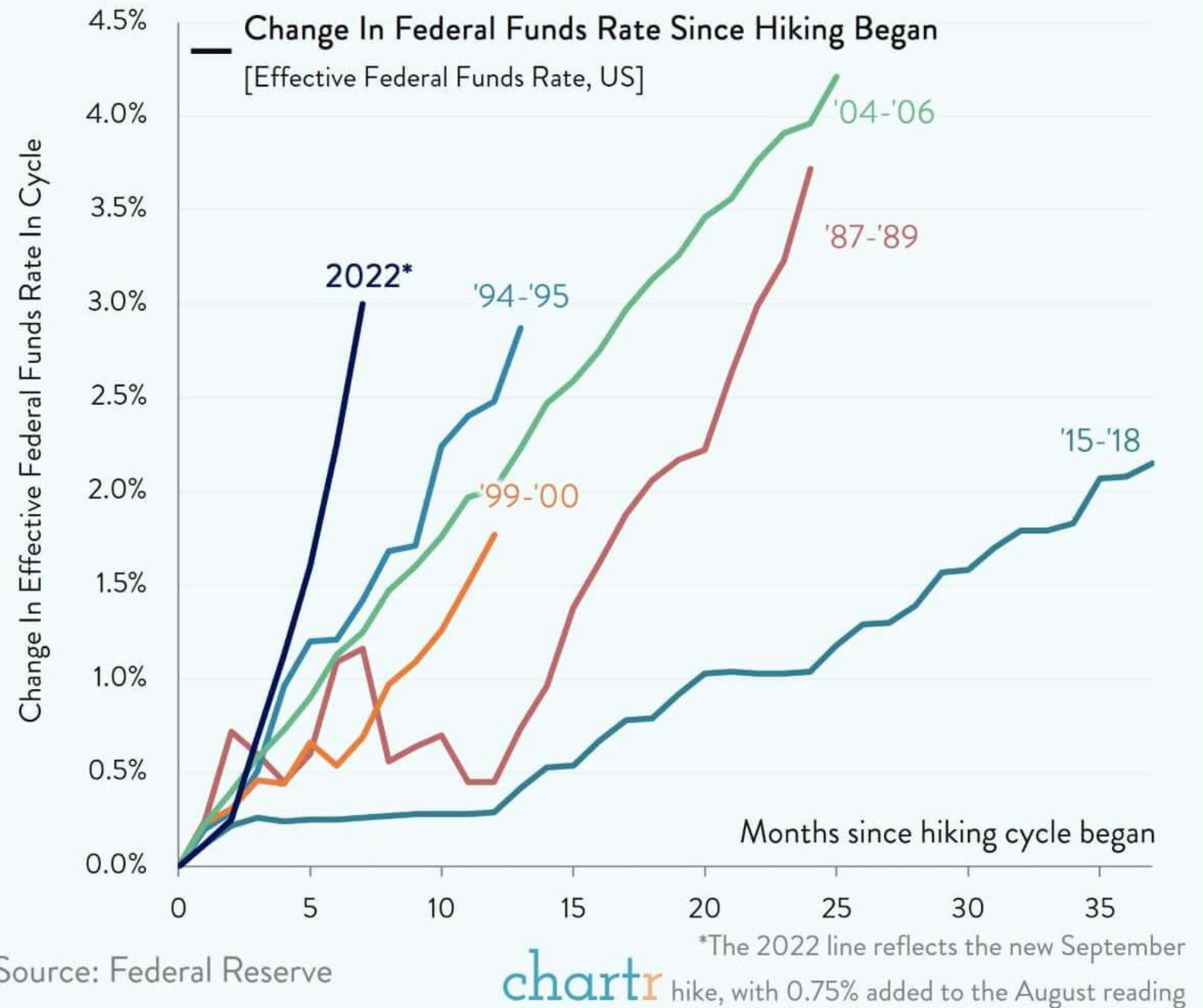
PINEHURST, NC
MARCH 2, 2023



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Fed Hikes Fastest in History





PONG

CAPITAL MARKETS VS FUNDAMENTALS

MARKET FORECAST

THE
WeeklyTAKE

Richard Barkham

Global Chief Economist
CBRE

EPISODE 401

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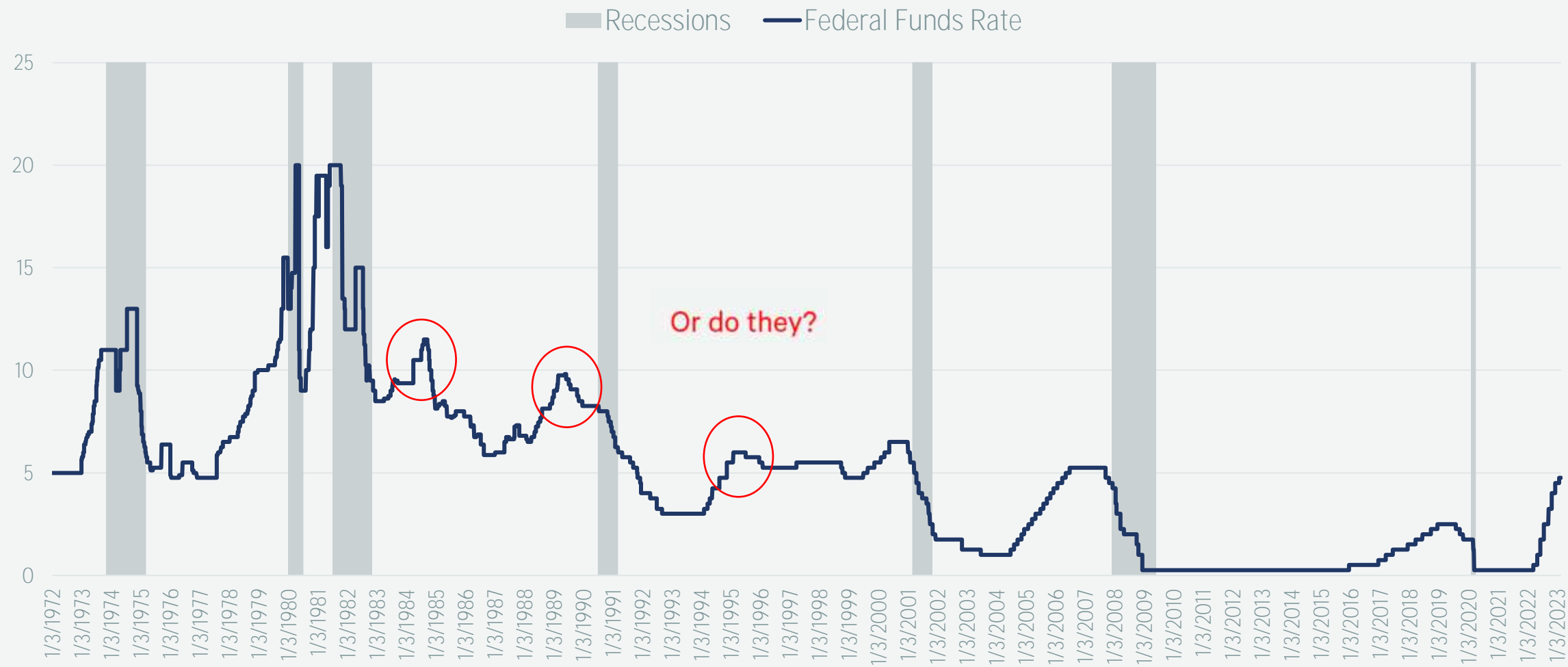
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EL-ERIAN

Interest Rates Always Win

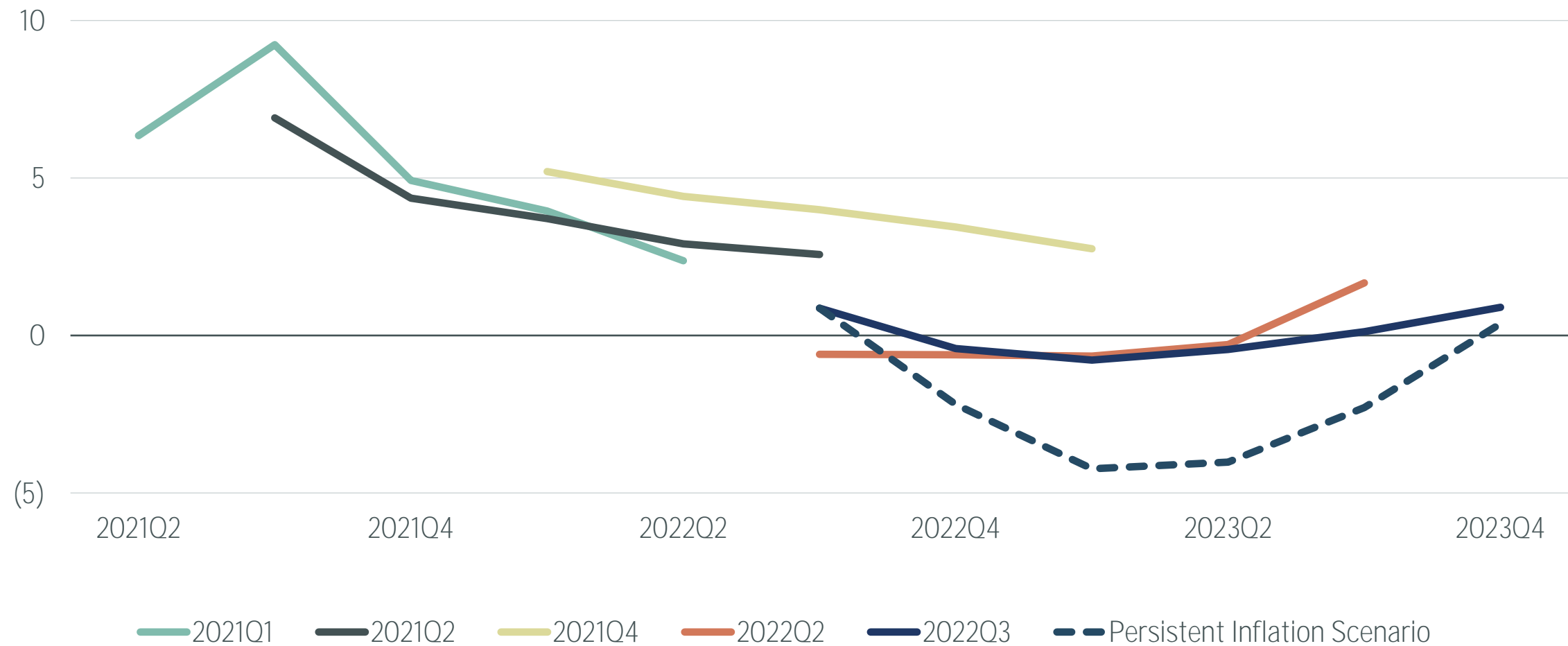
Federal Funds Rate (%) and Recessions



Source: NBER, CBRE Research, Q1 2023

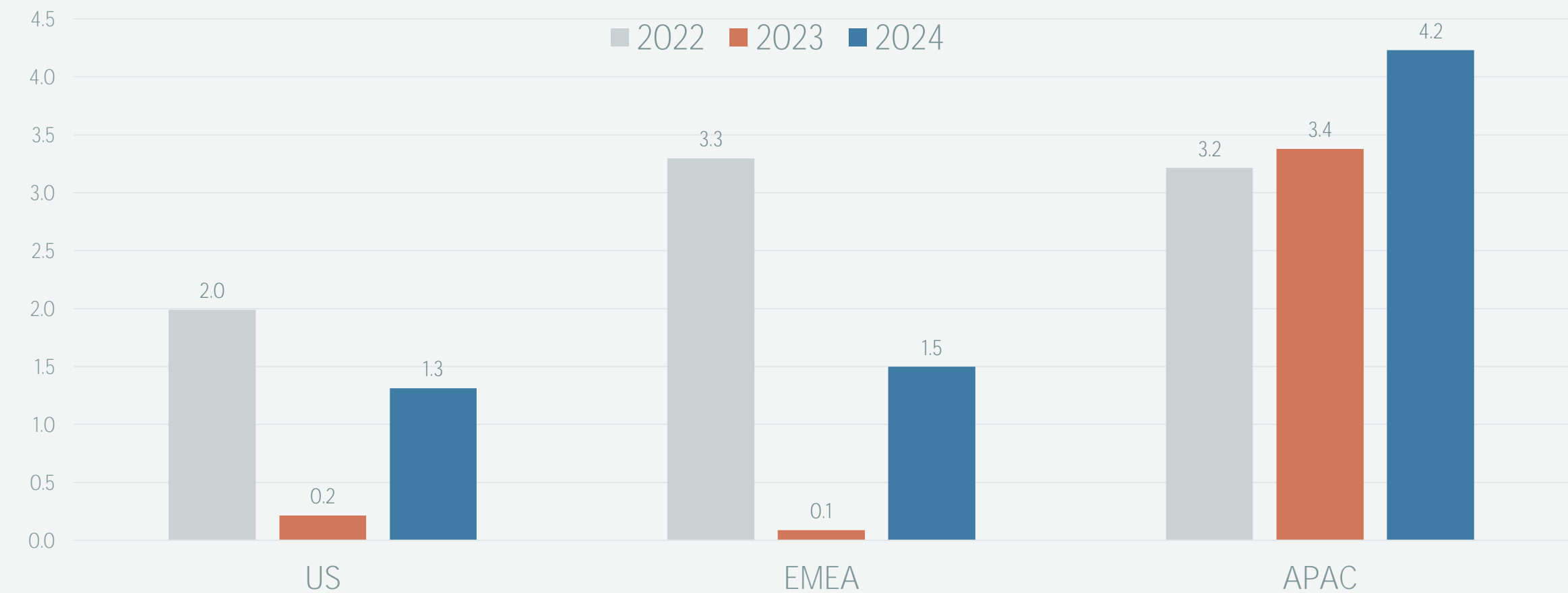
We expect a Mild Recession in 2023

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



Moderate Recession – with Downside Risks

GDP Growth (Y-o-Y%)

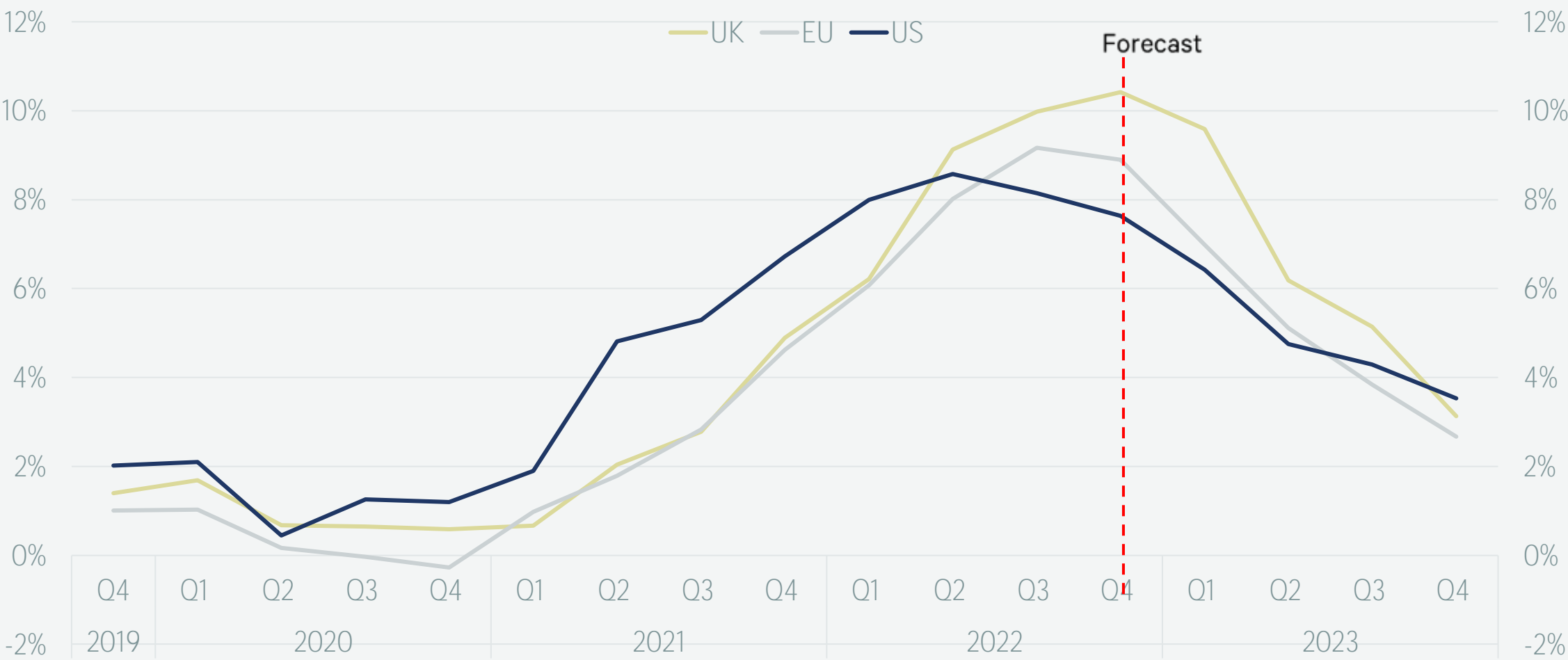


Source: CBRE Houseview, CBRE Research, Q1 2023



Inflation Continue to Ease

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



Source: OECD, CBRE Research, Q4 2022

Latest Forecasts

CPI (Q4)						
Geography	2021	2022	2023	2024	2025	2026
US	6.7	7.2	4.0	2.7	2.5	2.4
Euro Area	4.6	9.9	2.5	2.1	1.0	1.8

Latest Forecasts

Short-term Interest Rates (3-mo)

Geography	2021	2022	2023	2024	2025	2026
US	0.13	3.70	4.88	2.47	1.68	1.82
UK	0.13	2.83	4.50	3.16	2.89	2.86
EU	0.00	1.81	3.50	2.77	2.28	2.00

CBRE Econometric Advisors, January 2023

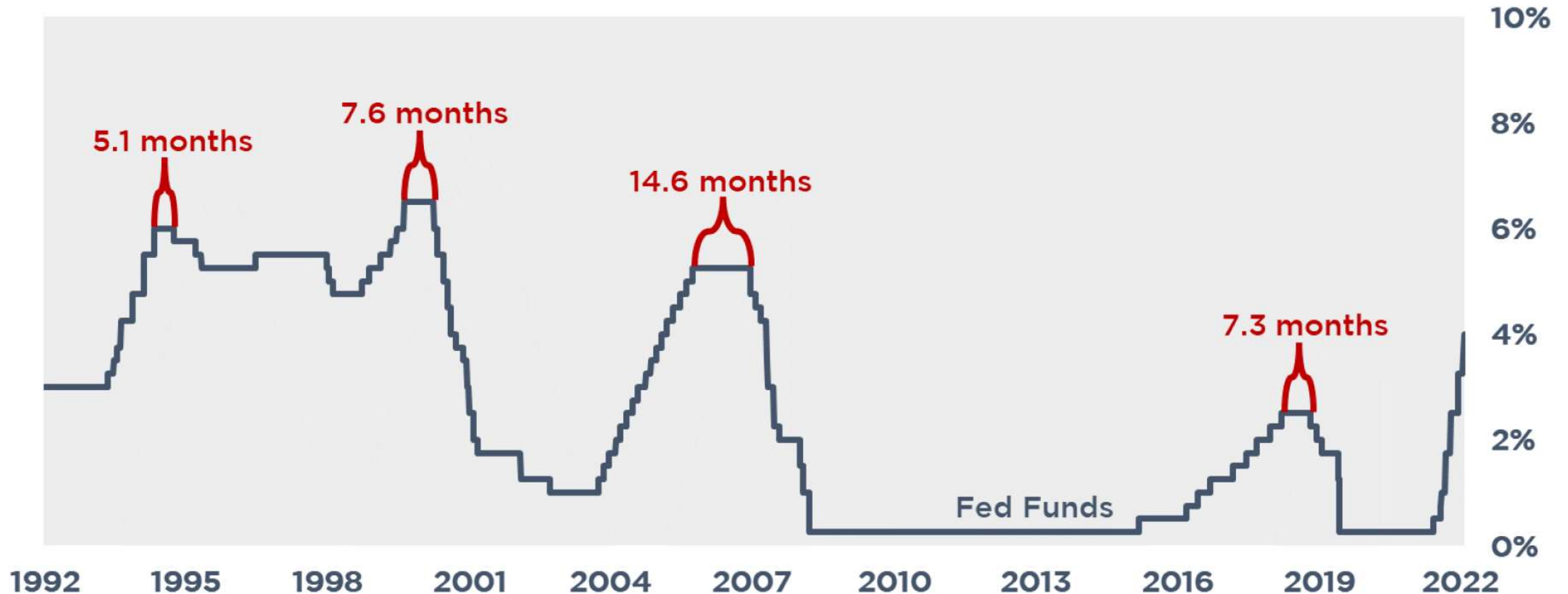


Time Until Next Cut – From Last Hike

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

- Averaged 8.7 months
- Never exceeded 14.6 months

Source: Pensford Capital

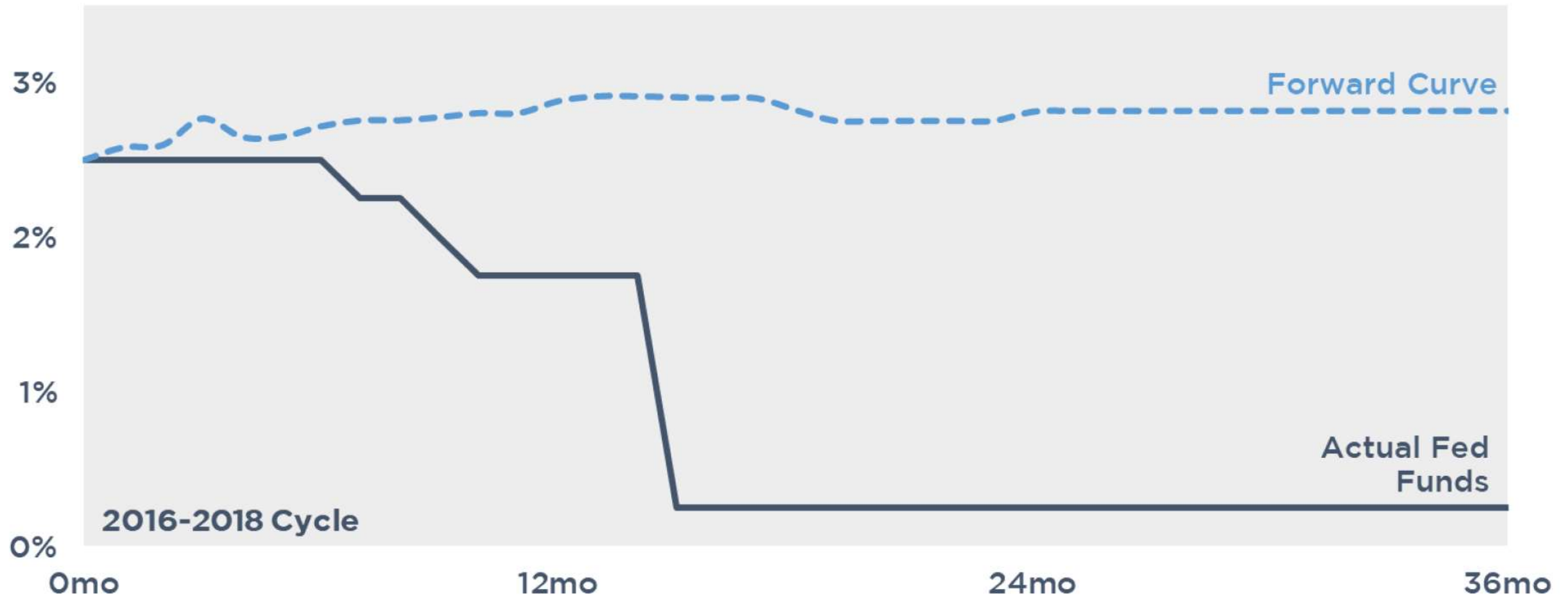




Leveling Off | 2016-2018 Tightening Cycle

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

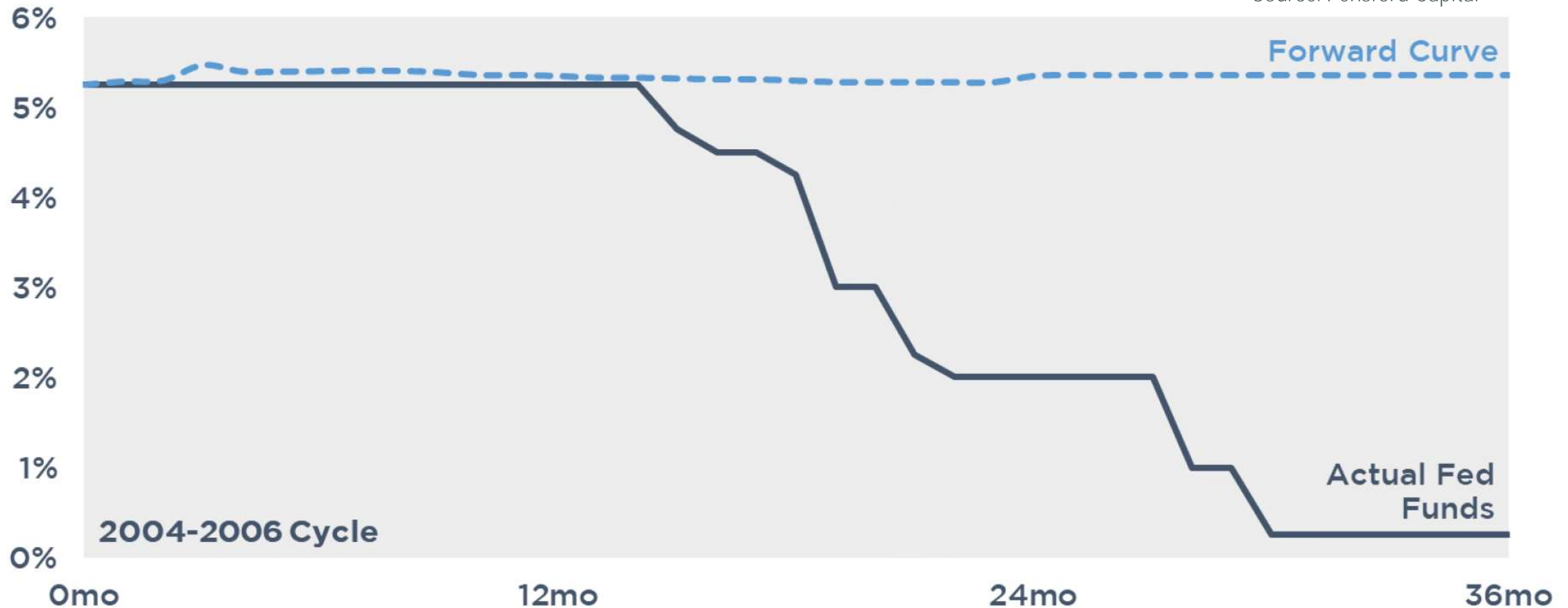
Source: Pensford Capital



Leveling Off | 2004-2006 Tightening Cycle

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

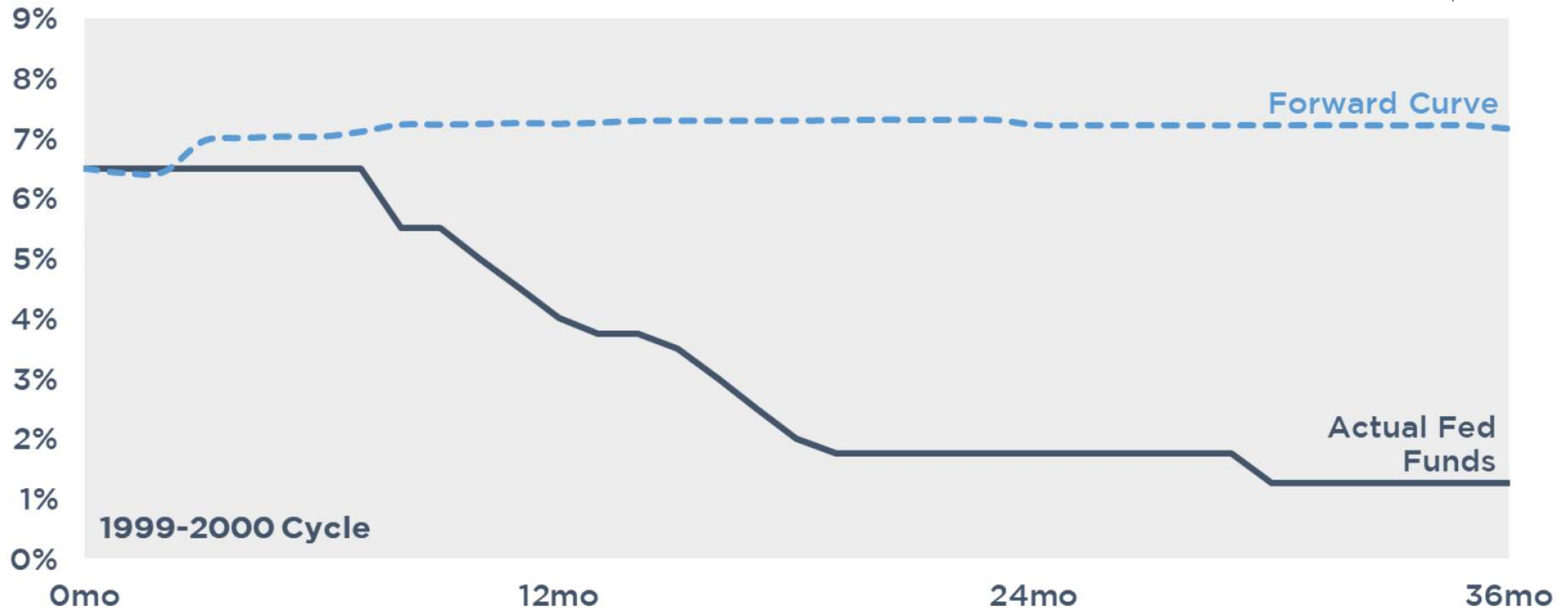
Source: Pensford Capital



Leveling Off | 1999-2000 Tightening Cycle

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

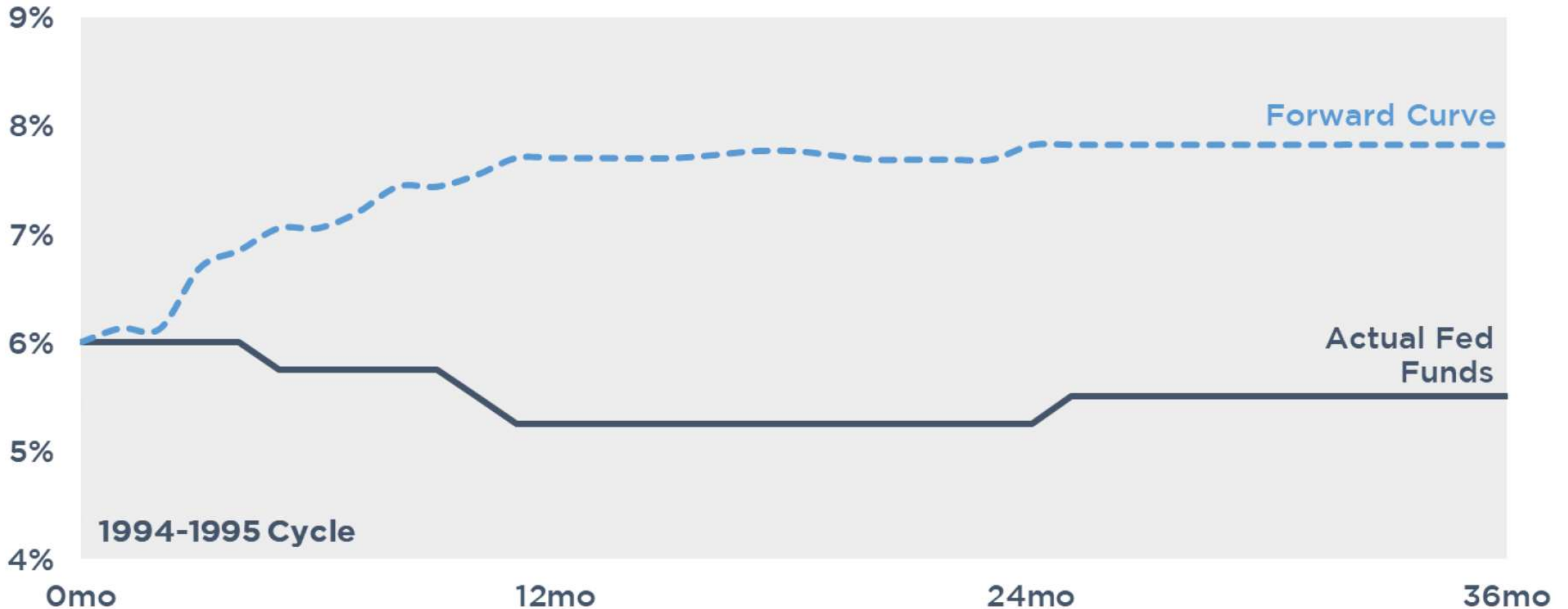
Source: Pensford Capital



Leveling Off | 1994-1995 Tightening Cycle

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

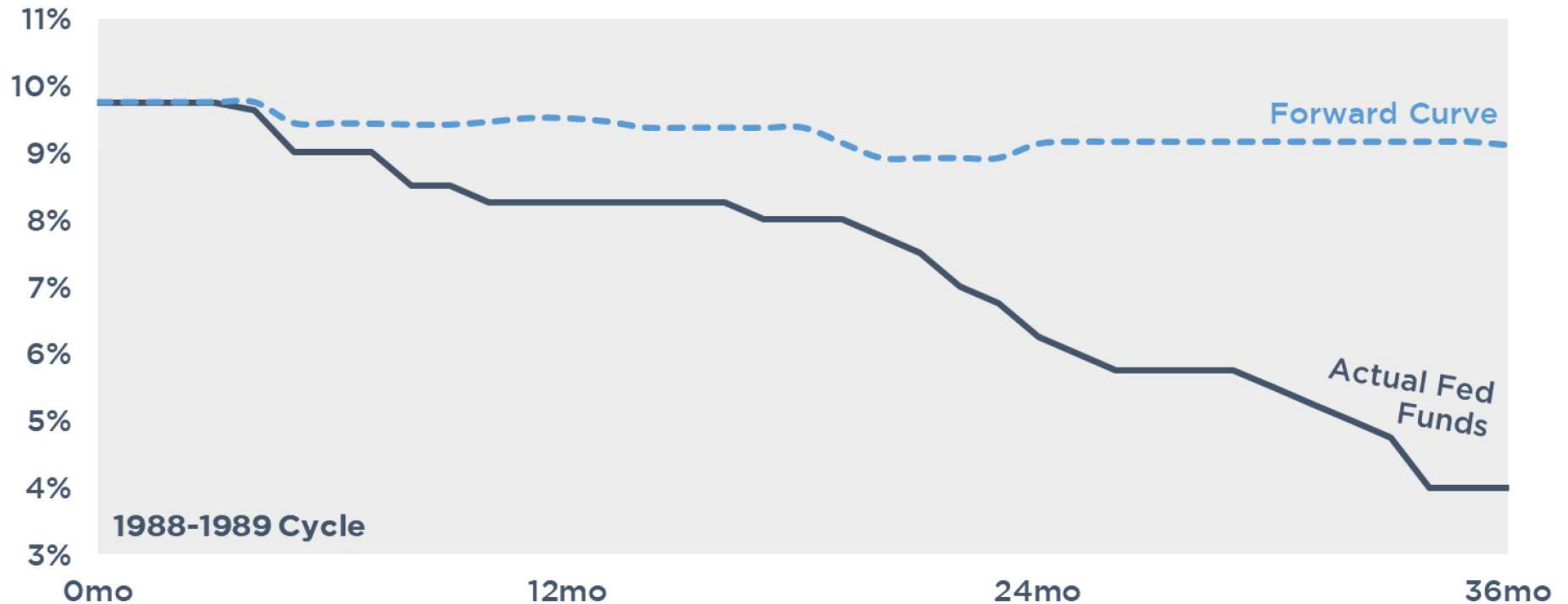
Source: Pensford Capital



Leveling Off | 1988-1989 Tightening Cycle

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

Source: Pensford Capital



I'm Dropping the Mic: Interest Rates Will Come Down

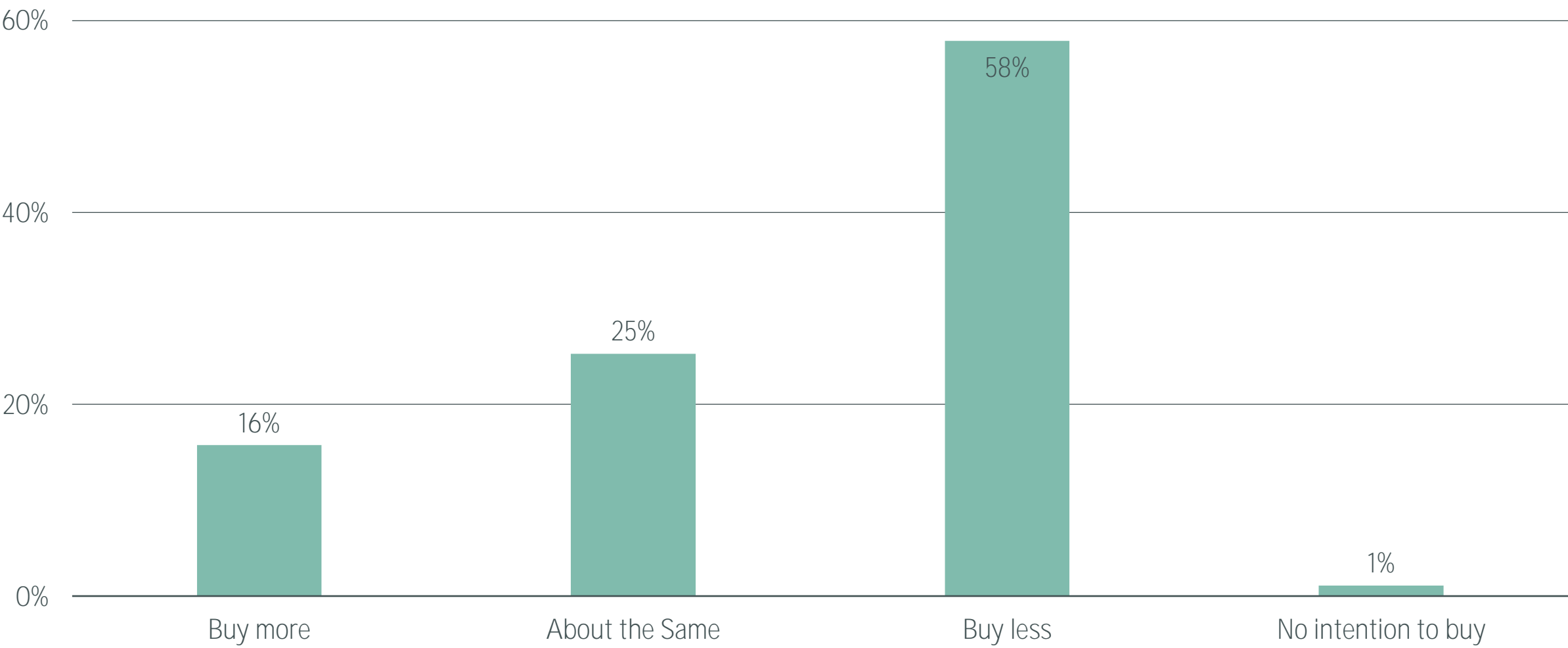


INVESTMENT OUTLOOK



Over Half of Investors Expect to Buy Less in 2023

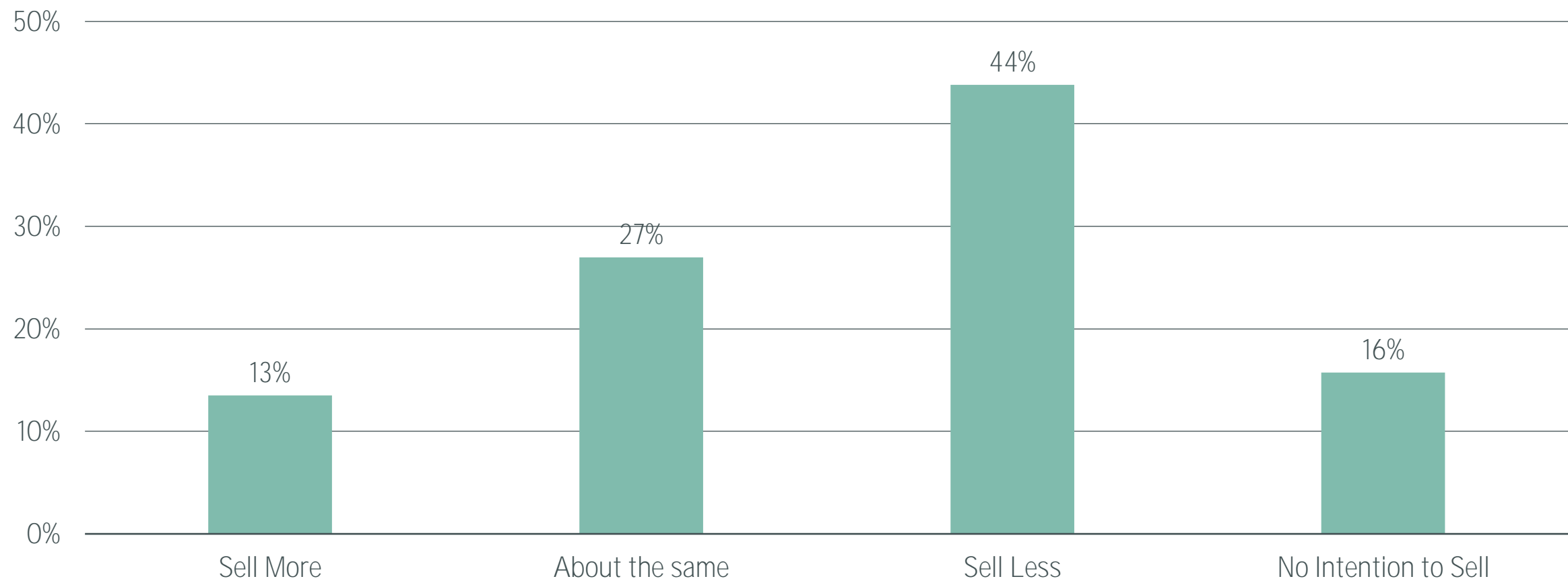
United States 2023 Purchasing Activity Expectations



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

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

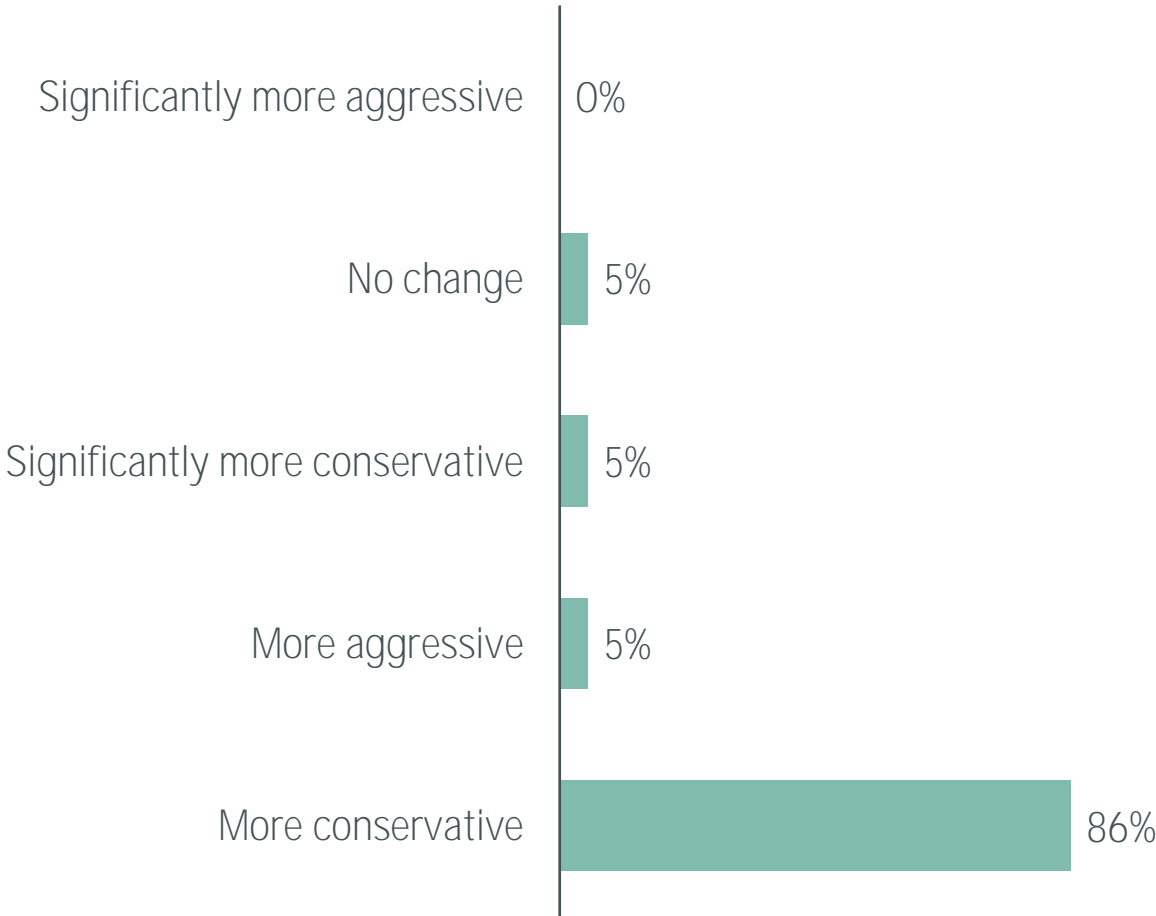
United States 2023 Selling Activity Expectations



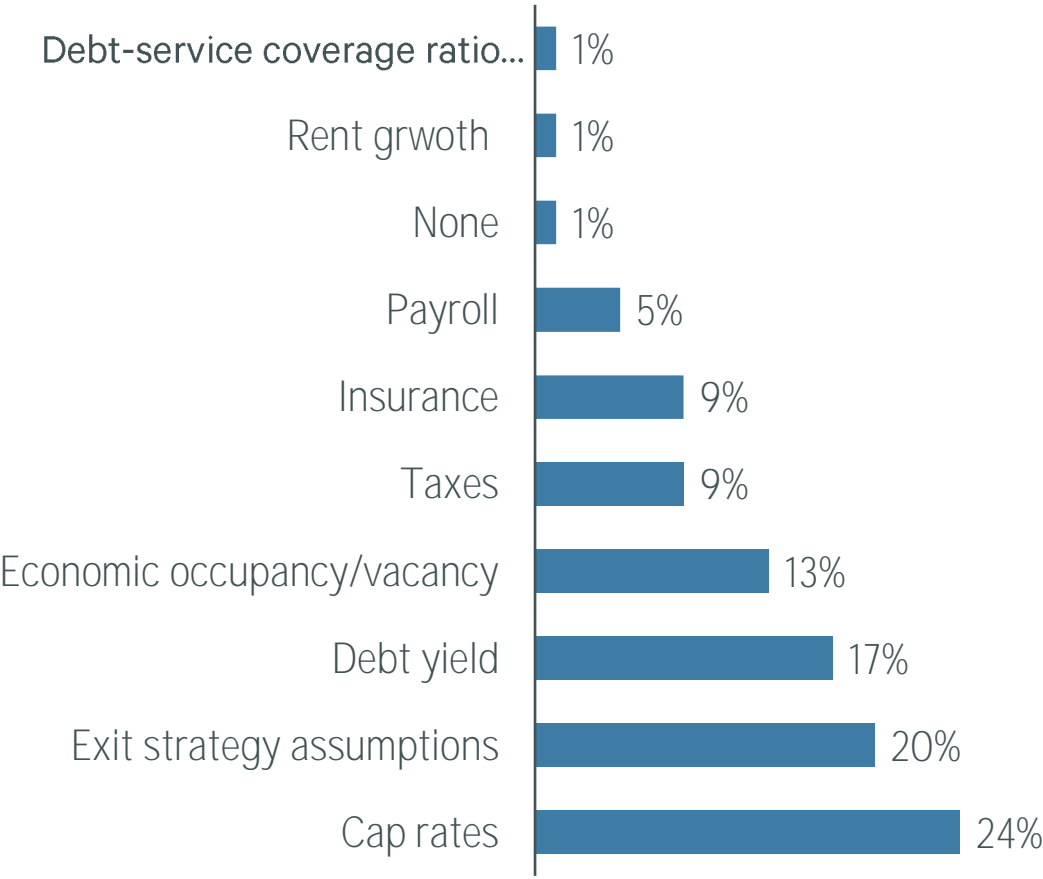
Source: Source: U.S. Investor Intentions Survey, CBRE Research, December 2022

Debt Markets Remain Tough in 2023

Expected Changes to Underwriting Assumptions in 2023



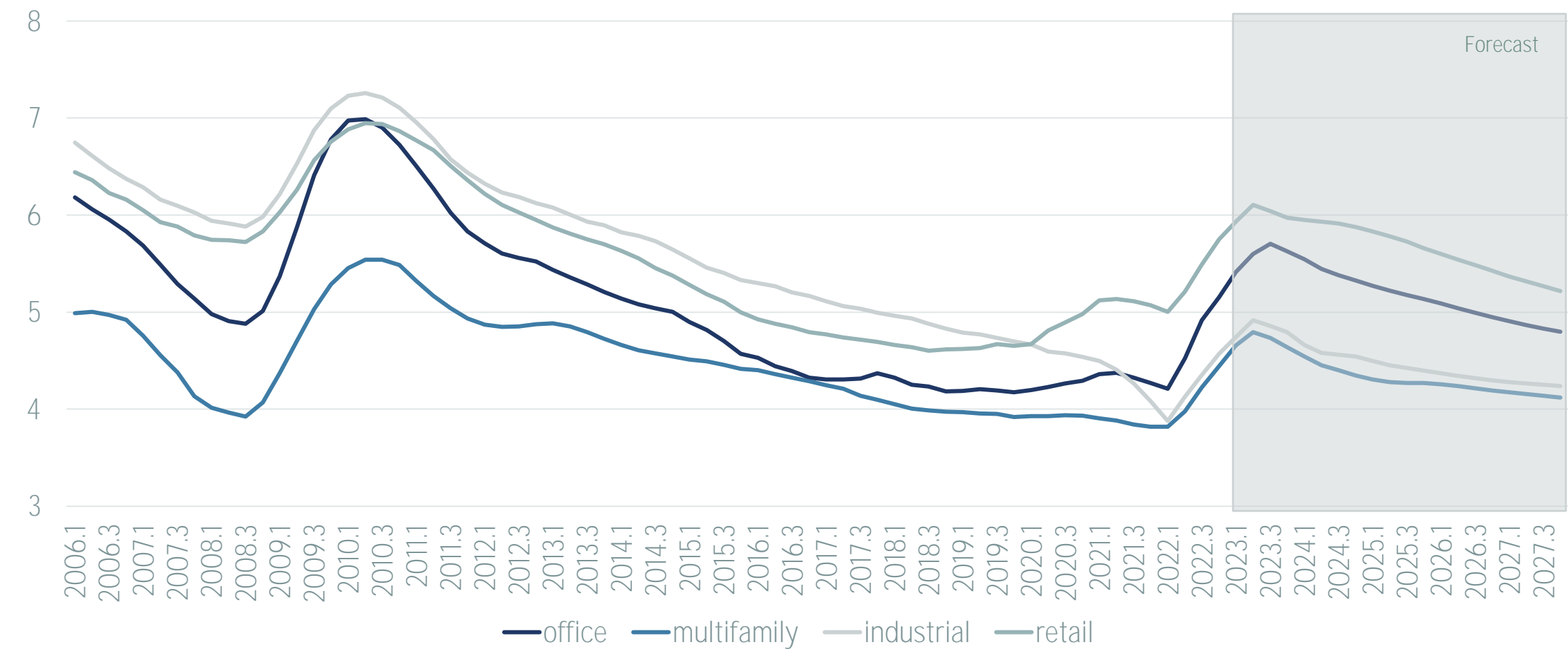
Main Areas of Changes in Pro Forma Underwriting Assumptions



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

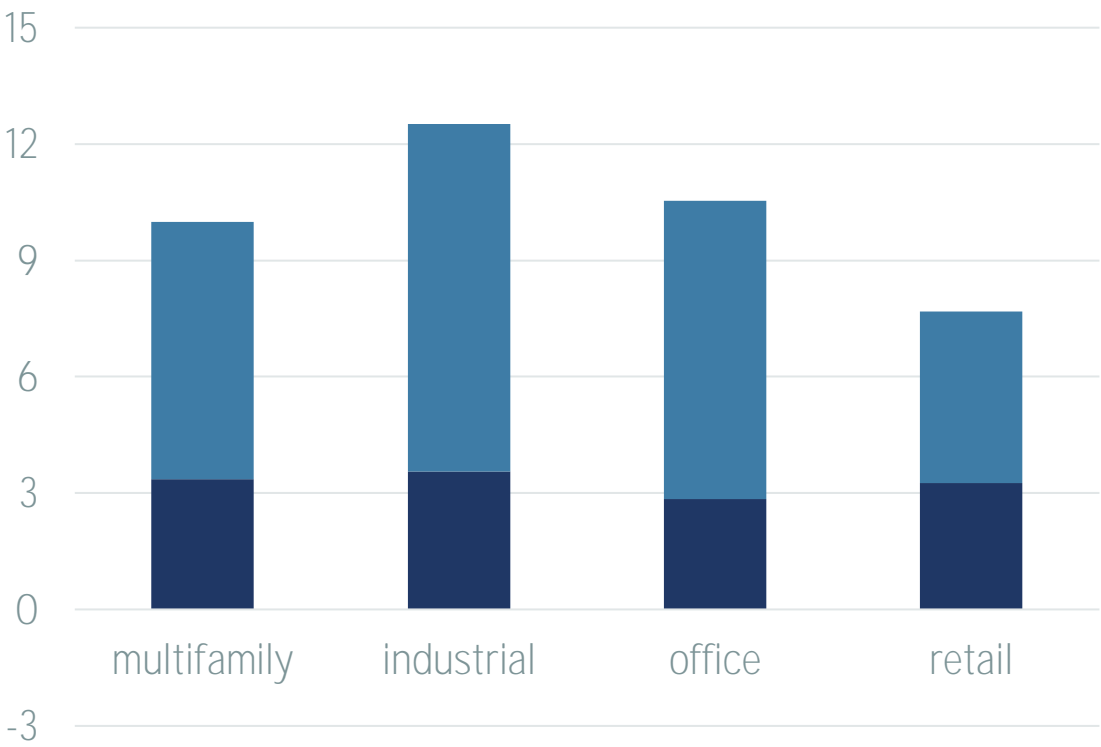
Higher Debt Cost Puts Upward Pressure on Cap Rates

Cap Rates (%)

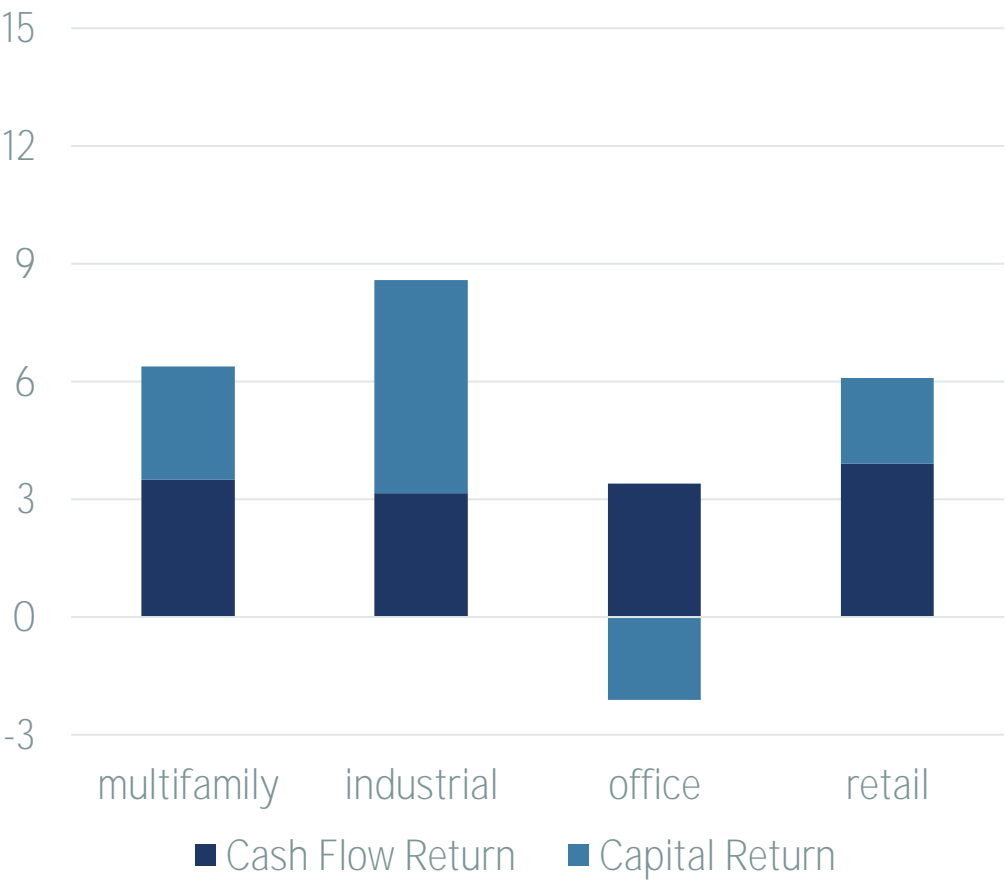


Expect Less of a Boost From Appreciation in Coming Years

2015 - 2019



Q4 2022 – Q3 2027



■ Cash Flow Return ■ Capital Return

:CBRE Econometric Advisors Q3 2022

Sunbelt and Secondary Markets Expected to Outperform

FIGURE 20: Top 10 markets for performance

1	Dallas / Ft. Worth
2	Miami / South Florida
3	Austin
4	Nashville
5	Raleigh - Durham
6	Charlotte
7	Atlanta
8	Los Angeles
9	Denver
10	San Diego



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BentallGreenOak

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

Investment Risk Base Case Scenario: Ranked by Score

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

MULTIFAMILY

WHAT IS MARIO'S
LAST NAME?

MARIO

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Daryl Carter

CEO
Avanath Capital

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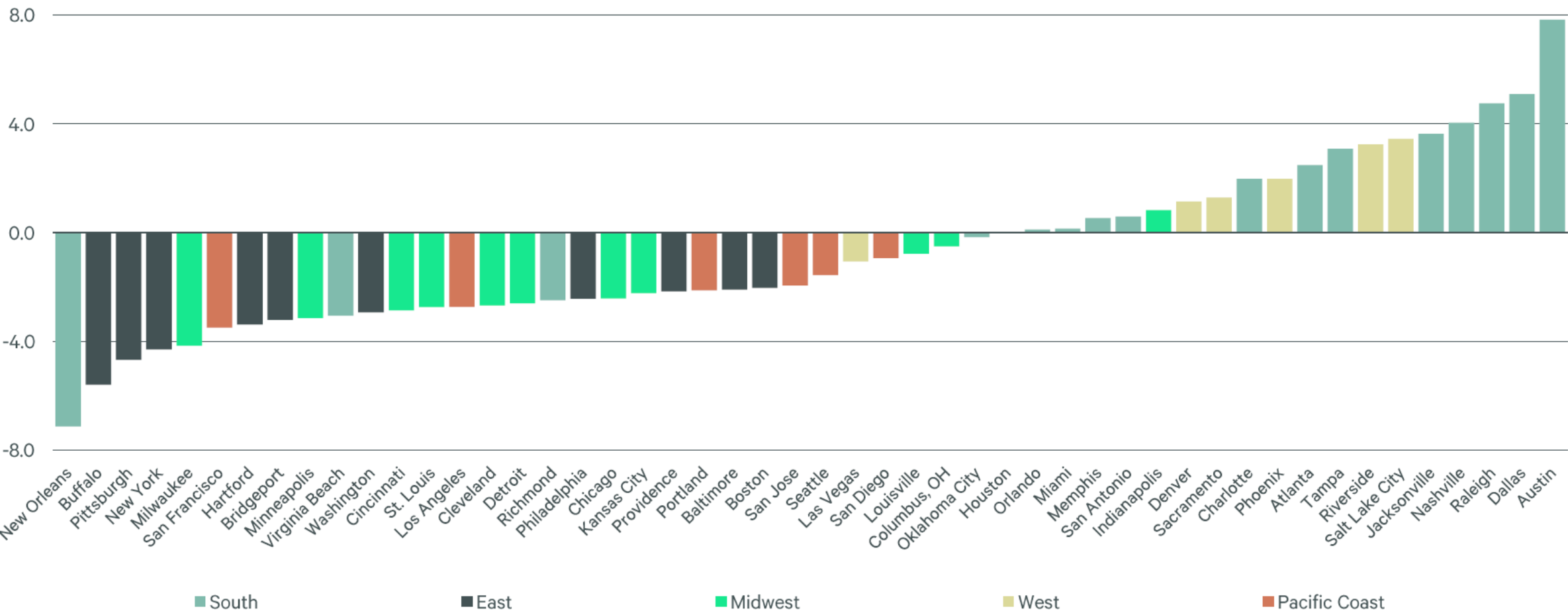
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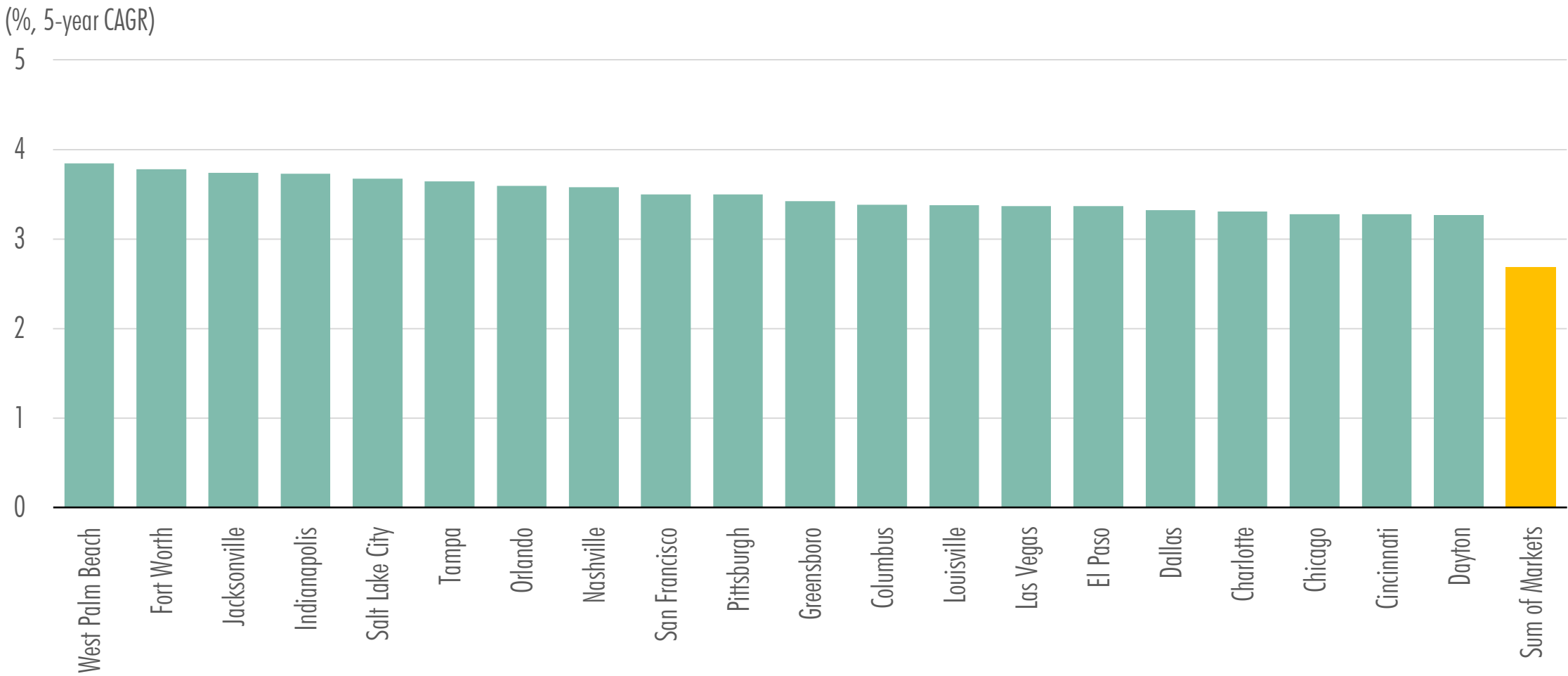
The Economic Expansion Favors the South and West

CURRENT EMPLOYMENT RELATIVE TO FEBRUARY 2020 LEVELS (%)



Bureau of Labor Statistics, 2022.

Multifamily Rent Forecast: 5-year CAGR

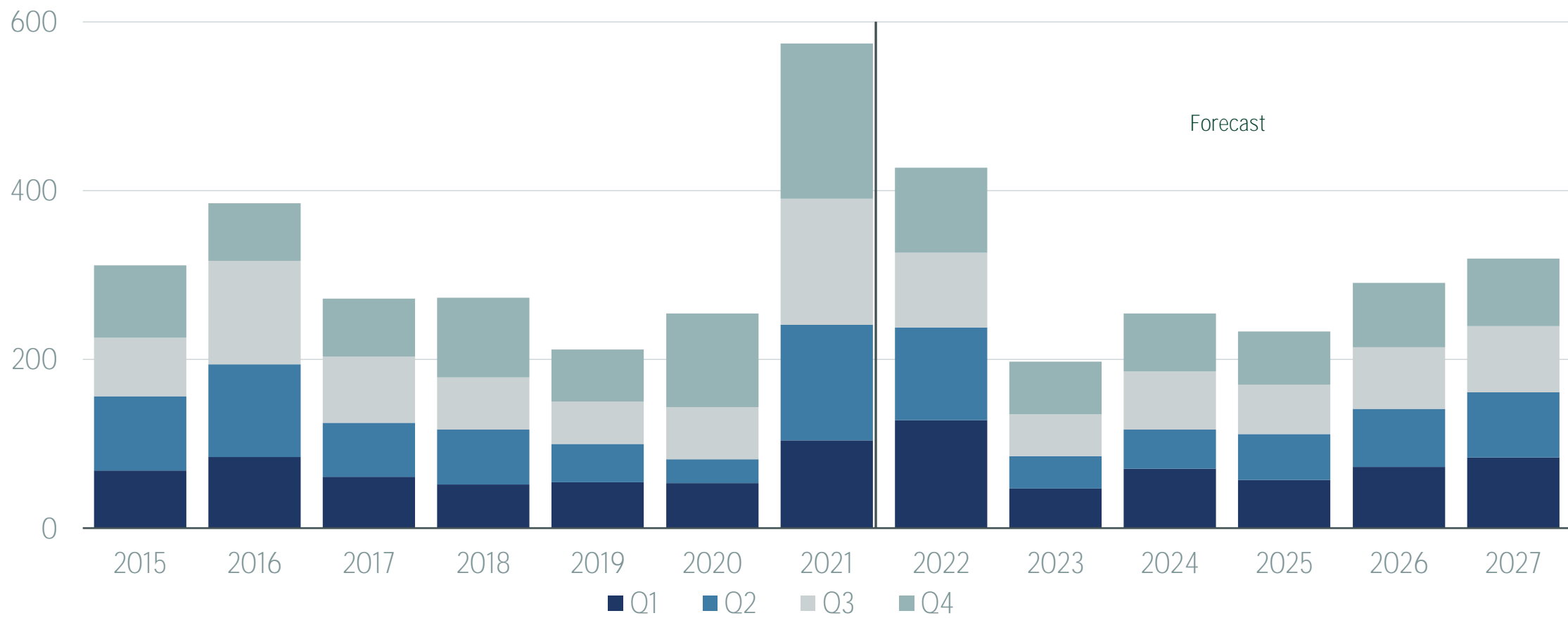


CBRE Econometric Advisors, RealPage Inc., Q3 2022.

INDUSTRIAL

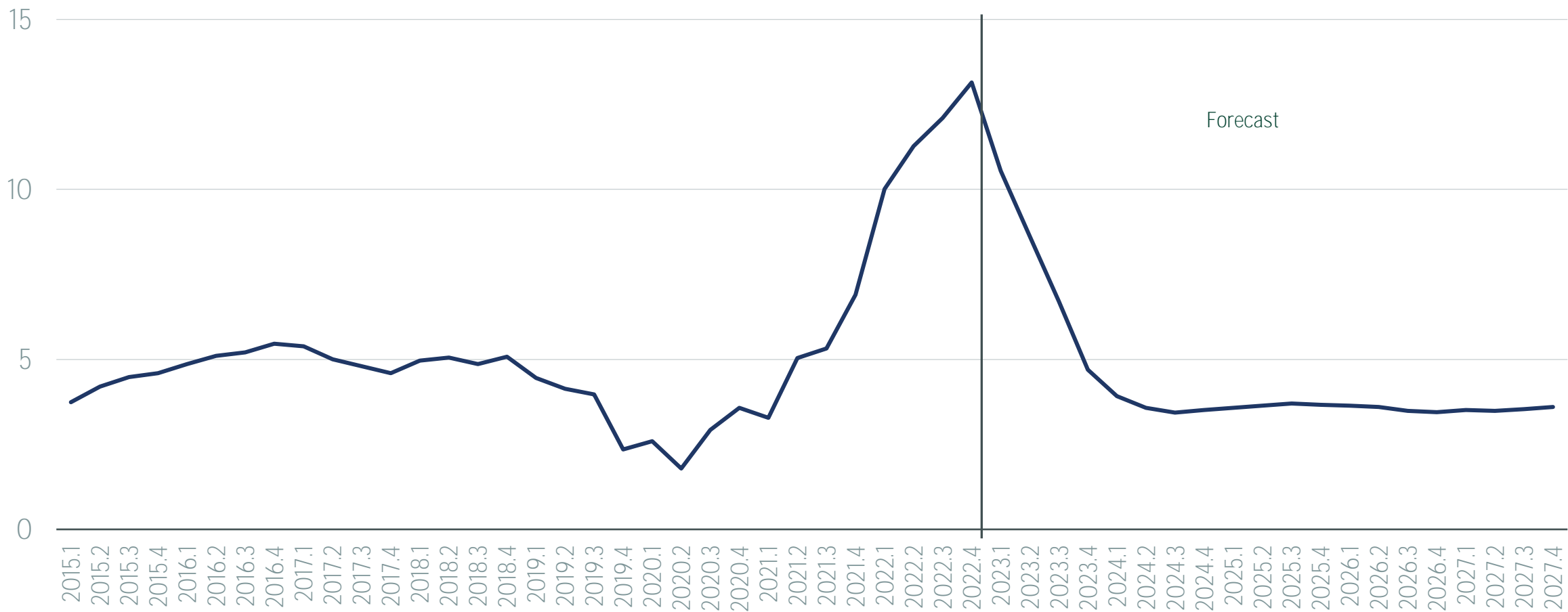
Steady Demand Uphold Market Fundamentals

Industrial Net Absorption - Sum of Markets (MSF)



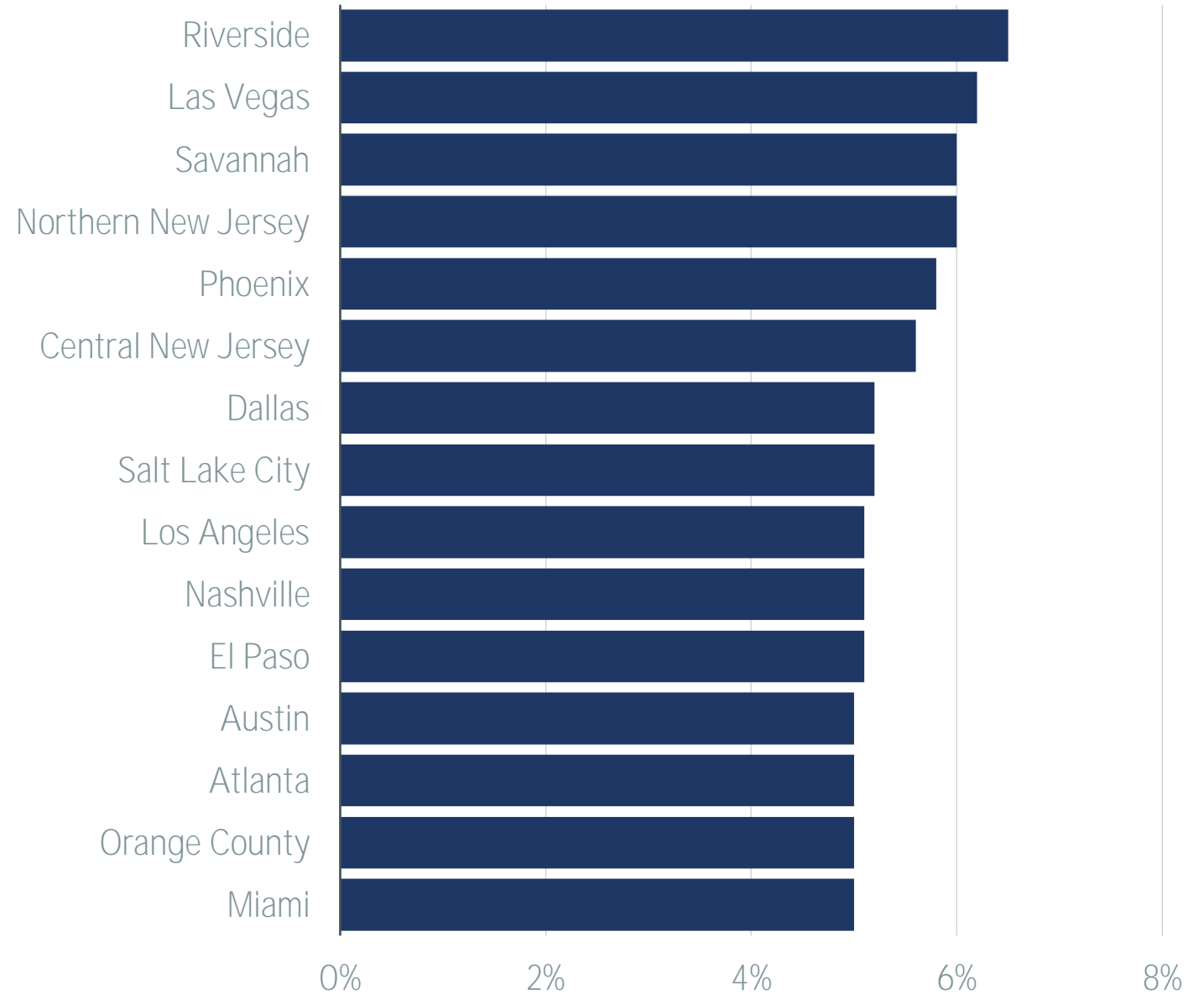
Industrial Rents See Favorable Growth Expectations

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



Top Rent Growth Markets

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

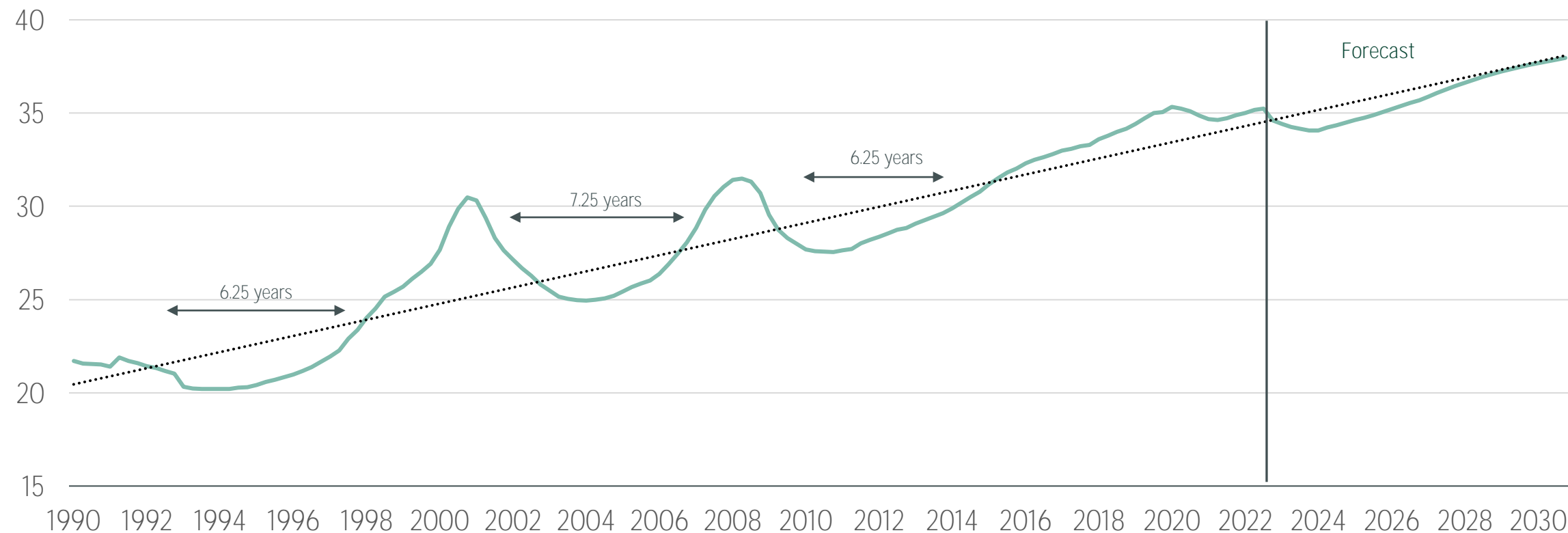


OFFICE

Asking Rent Decline Remains Muted Compared with Past Cycles

U.S. Office Market Time to Recovery

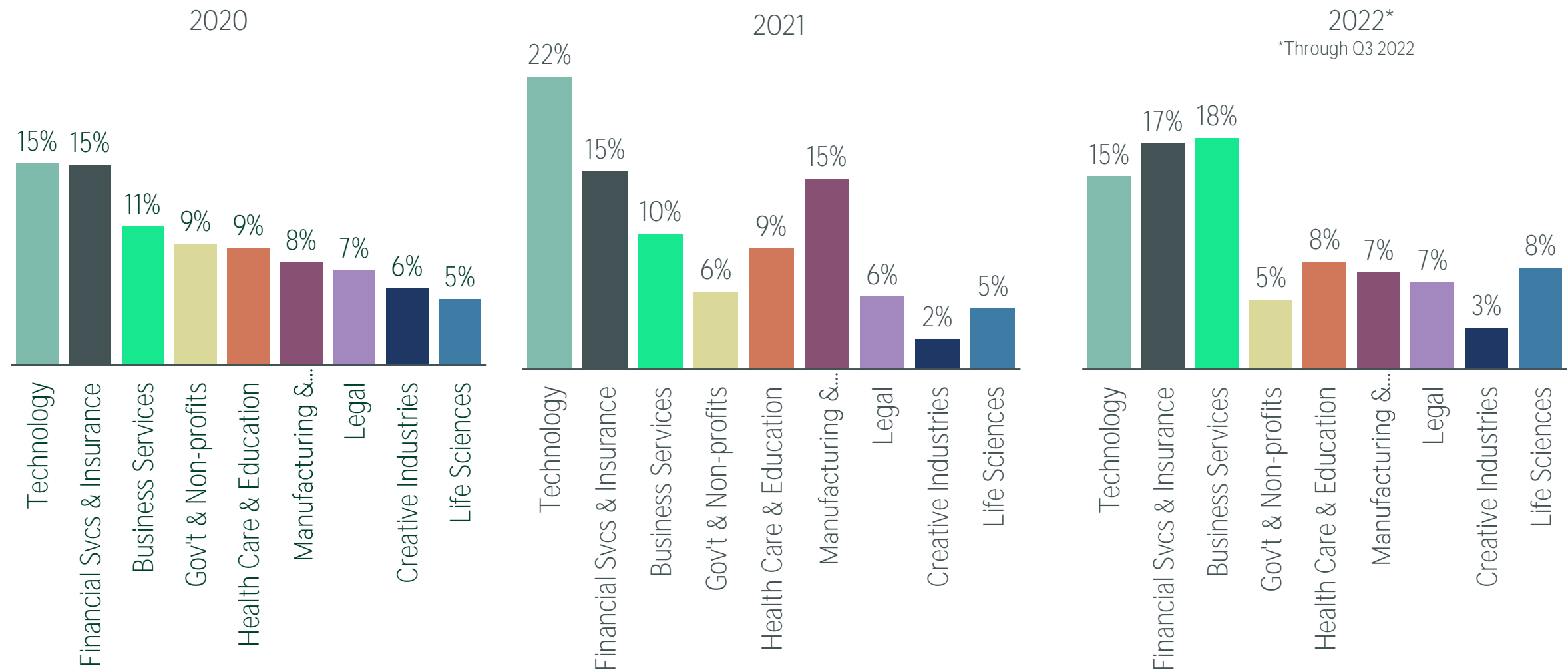
EA Asking Rent (\$/SF)



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

Life Science Grows While Tech & Manufacturing Pull Back

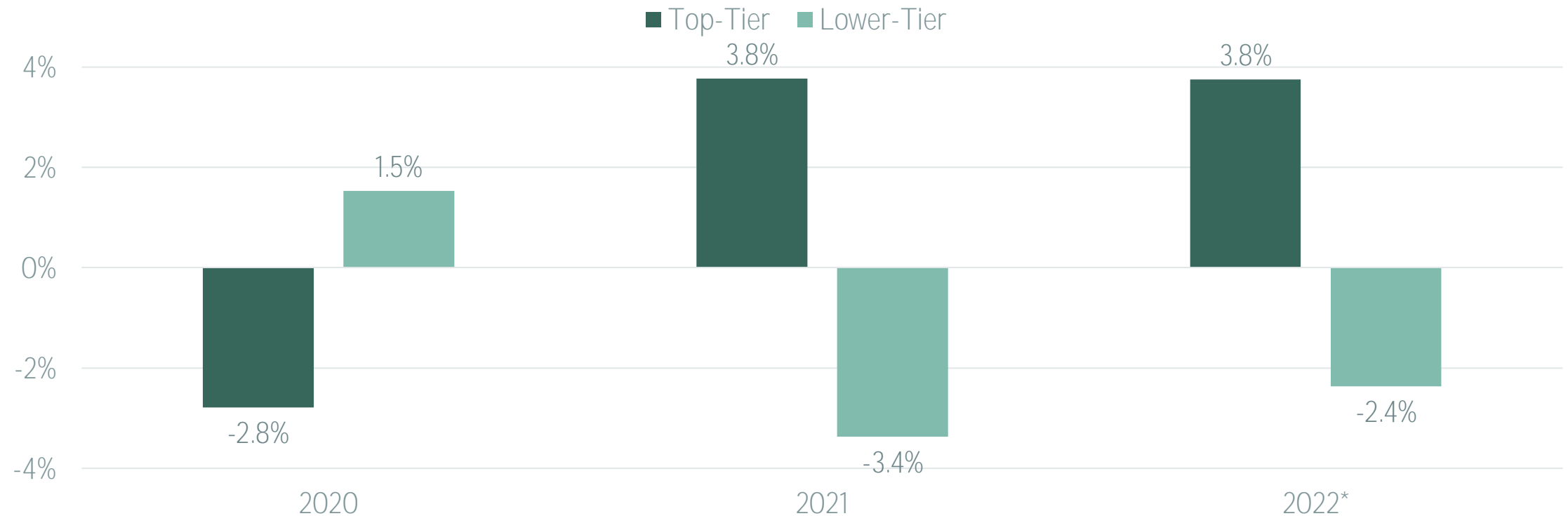
Share of U.S. Office Leasing Transactions by Sq. Ft.



Source: CBRE Research, Q3 2022.

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

Annual Effective Rent Growth by Type



*Through Q3 2022

Source: CBRE Research, Q3 2022.

2022 Scoring Tech Talent

#1 85.52 SF Bay Area	#2 79.39 Seattle	#3 68.93 Toronto	#4 67.88 Washington, D.C.	#5 67.08 NY Metro	#6 65.19 Austin	#7 62.38 Boston	#8 62.19 Vancouver	#9 58.57 Dallas/Ft. Worth	#10 57.53 Denver
#11 57.16 Atlanta	#12 57.12 L.A./Orange Co.	#13 55.51 Ottawa	#14 55.19 Baltimore	#15 54.78 Montreal	#16 54.00 Phoenix	#17 53.49 San Diego	#18 52.47 Salt Lake City	#19 50.76 Raleigh-Durham	#20 49.57 Chicago
#21 48.68 Minneapolis/ St. Paul	#22 47.34 Philadelphia	#23 46.84 Portland	#24 45.24 Waterloo Region, Canada	#25 43.74 Detroit	#26 42.88 Pittsburgh	#27 41.58 Charlotte	#28 41.54 Calgary	#29 41.32 Orlando	#30 40.52 Madison
#31 40.34 Columbus	#32 40.07 Kansas City	#33 40.05 South Florida	#34 39.48 Tampa	#35 38.72 Edmonton	#36 37.54 Houston	#37 36.69 Indianapolis	#38 36.66 St. Louis	#39 36.48 Quebec City	#40 33.44 Sacramento
#41 32.98 Nashville	#42 31.76 Cleveland	#43 30.73 Cincinnati	#44 29.92 Hartford	#45 29.35 Milwaukee	#46 28.32 Jacksonville	#47 27.84 San Antonio	#48 24.19 Virginia Beach	#49 24.08 Richmond	#50 18.72 Inland Empire

Estimated One-Year Tech Company Costs by Market

500 Employees, 75k SF
Cost for Rent + Wages

San
Francisco
\$69.2M

New York
City
\$60.5M

Seattle
\$58.0M

Raleigh
\$47.8M

Charlotte
\$47.2M

Columbus
\$42.8M

Pittsburgh
\$42.5M

Cincinnati
\$42.2M

Nashville
\$40.9

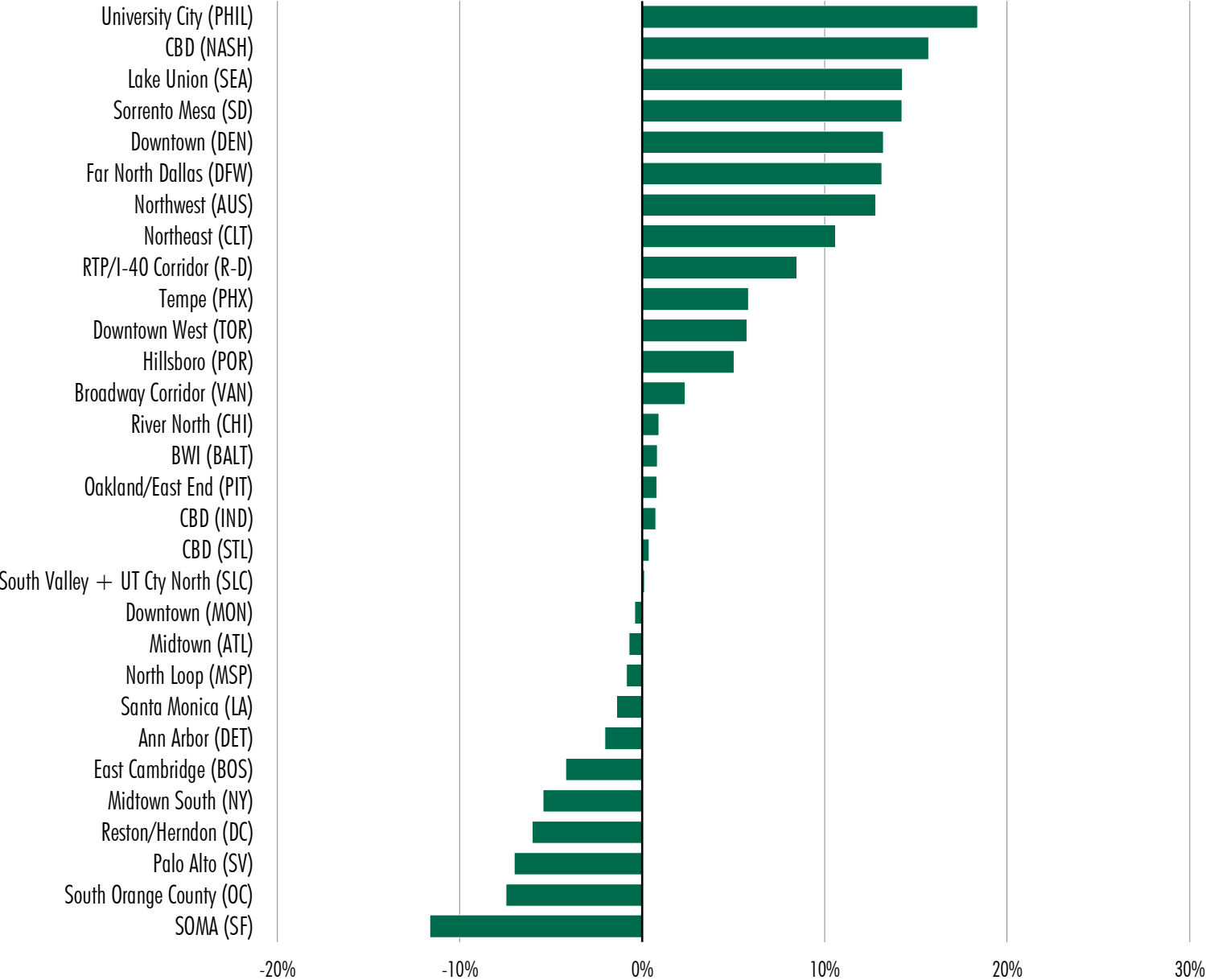
Source:
CBRE Research,
Q3 2022.

Rents Are Rising in the Tech Submarkets

Office Rent growth top tech submarket

Q2 2022 vs. Q2 2021

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



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Thomas Neltner

Head of Enterprise
Workplace Services
Fifth Third Bank

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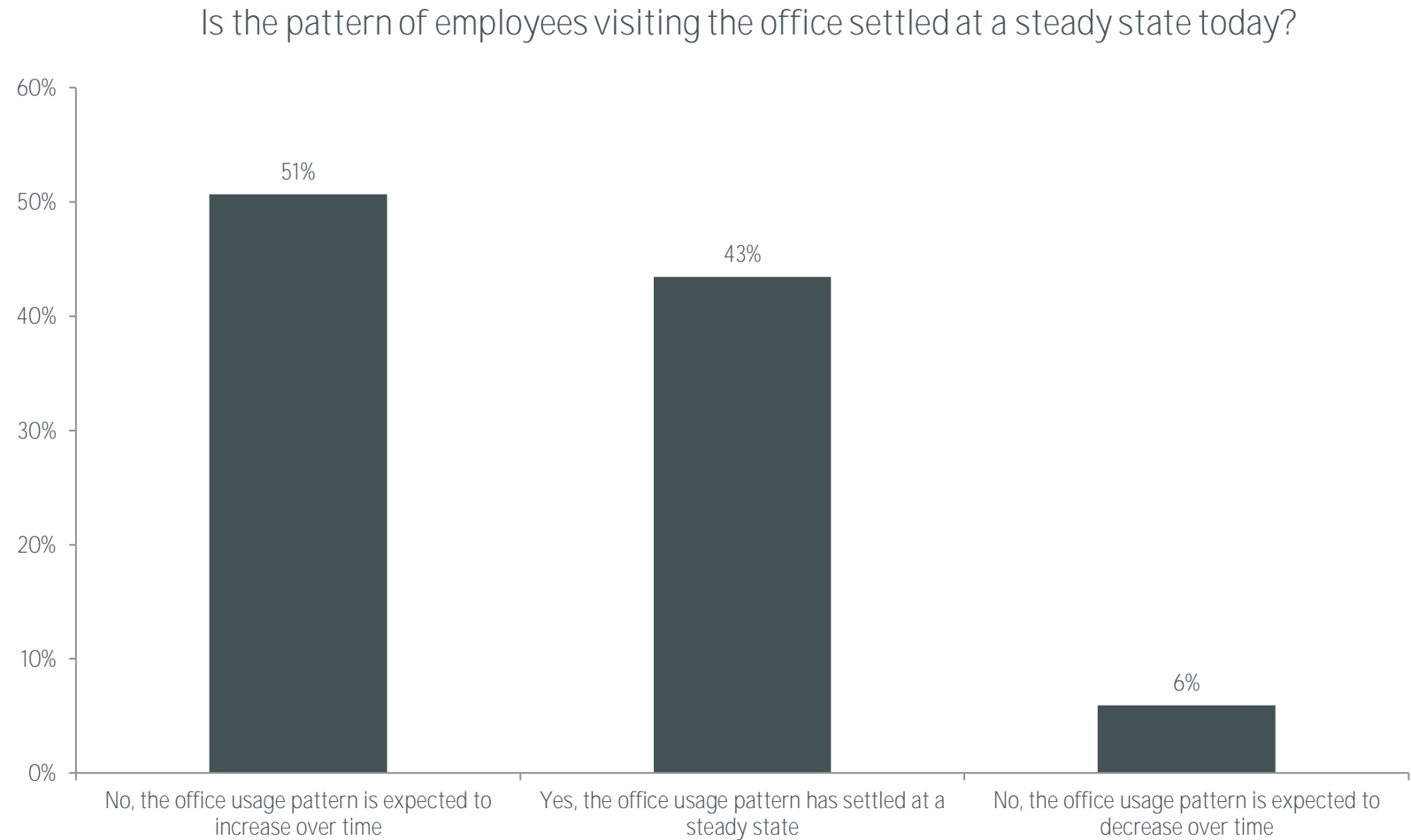
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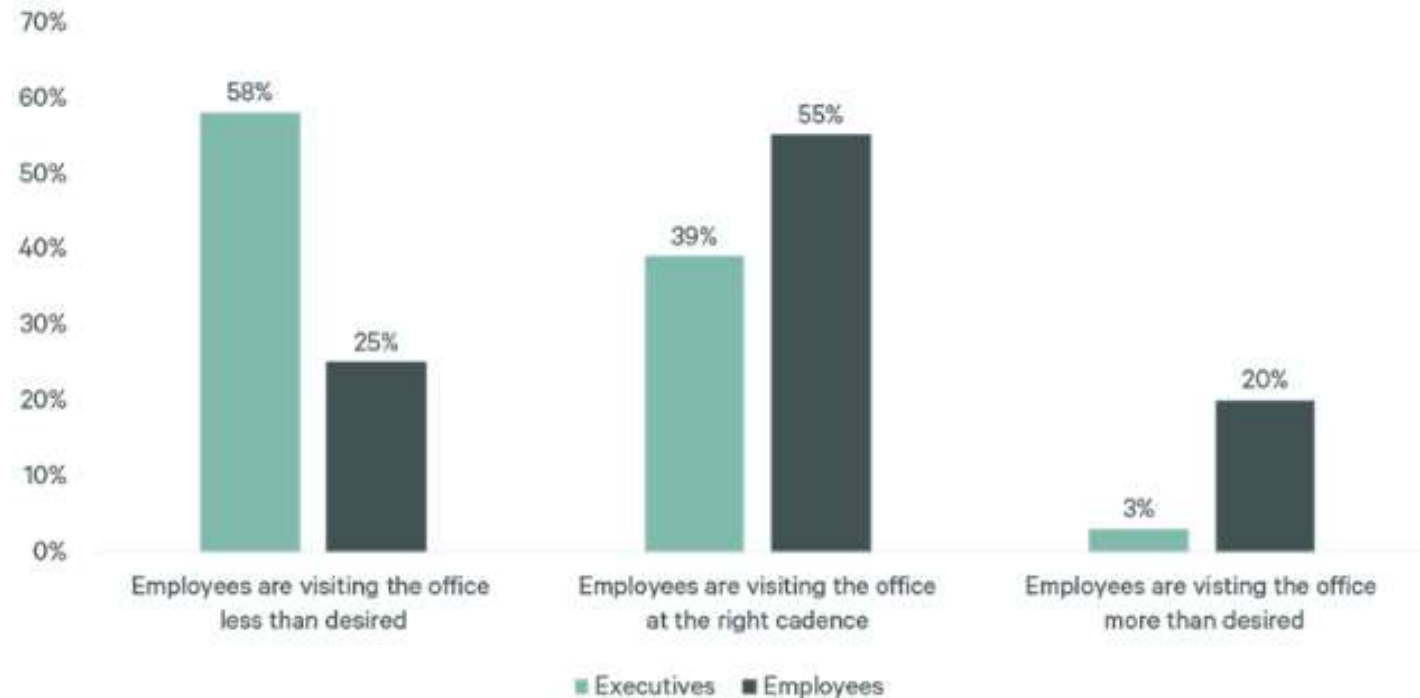
Majority of Corporate Users Believe Return to Office Has Not Yet Reached a Steady State...



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

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

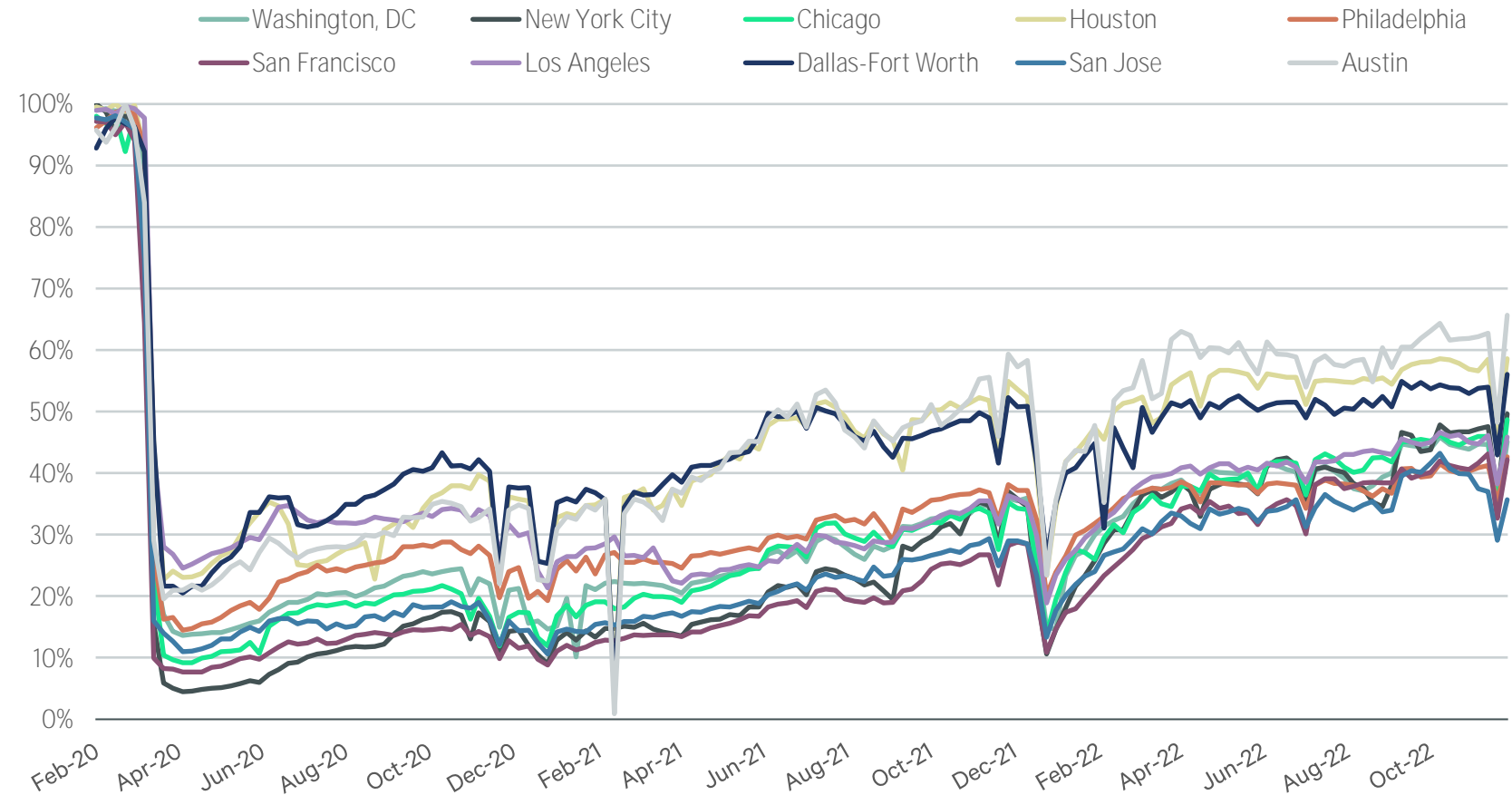
Executive Sentiment vs. Their Perception of Employee Behavior Regarding Return to Office



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

Sunbelt cities in the U.S. lead the return-to-office, while dense downtown markets struggle to realize a sustained uptick in occupancy.

U.S. Office Occupancy

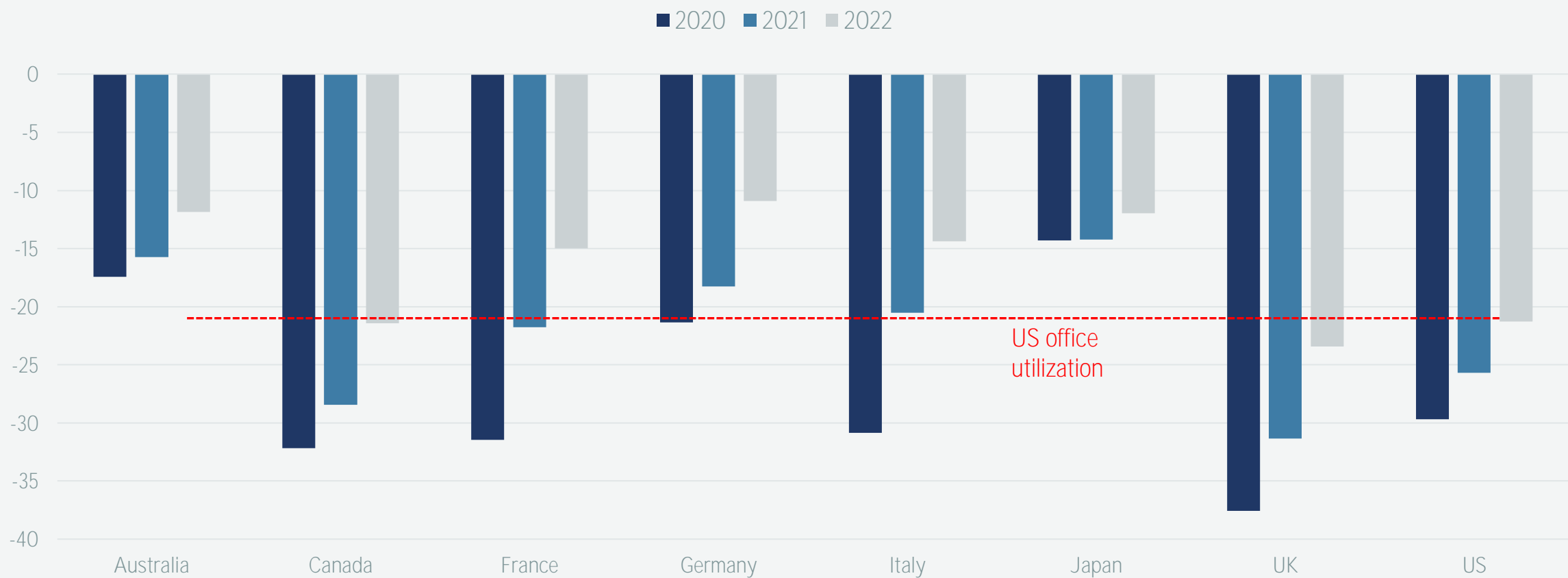


Source: CDC, Kastle Systems, "Back to Work Barometer", November 2022.

Note: Occupancy data is indexed (February 2020 = 100).

Office Utilization is Struggling to Rebound in the US

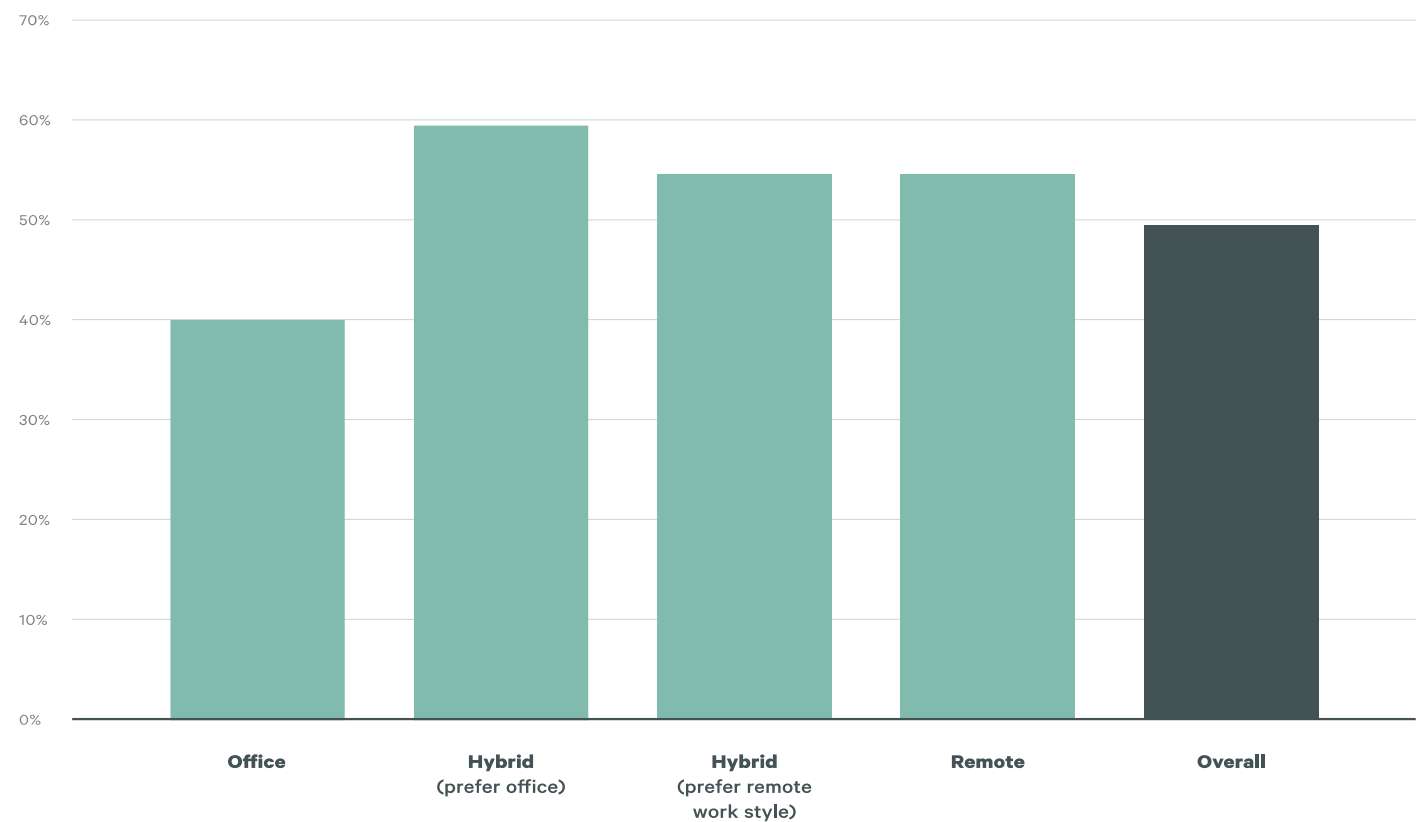
Office Utilization, % Change from 2019 Levels



Source: Google Mobility, CBRE Research, Q1 2023

The shift to hybrid working has engendered more trust in employees

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



Source: CBRE Research, 2022.





RETAIL

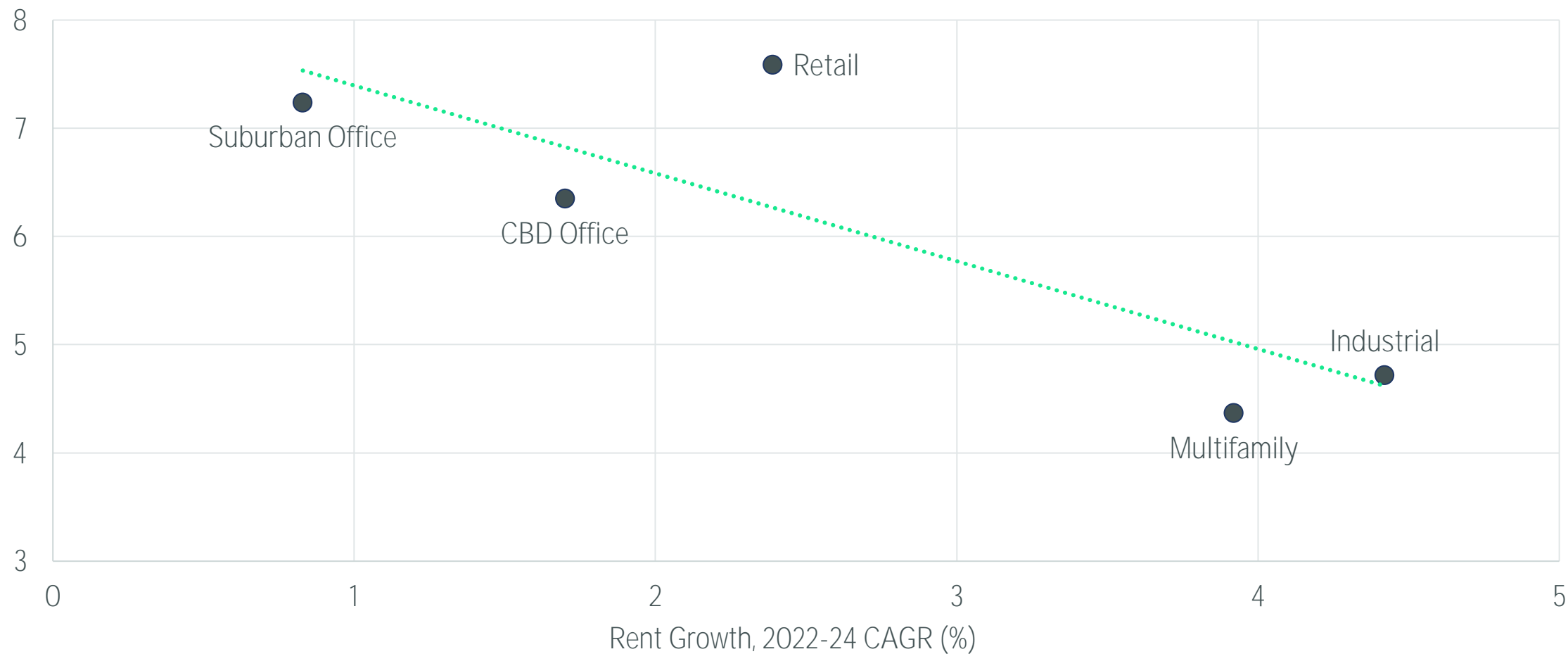
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The H2 2022 Cap Rate Survey Highlighted Risks and Opportunities

Asset Pricing Relative to Forecasted Rent Growth

Cap Rate (%)



Source: CBRE Research, Q3 2022.

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SENIOR ECONOMIC ADVISOR

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MARCH 2, 2023



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