



# Global Capital is back

**2022 Global Investor Outlook Report**

Global Capital Markets

# Global capital is back as pandemic-related uncertainty and travel restrictions remain in flux.

In 2021, real assets – across all property asset classes – played an increasingly prominent role in global investment strategies in a show of impressive resilience. Looking ahead, property will continue to demonstrate a strong investment trajectory amid less-than-ideal conditions, with investment volumes set to match the 5 year average.

As investors race to deploy capital in 2022, they face an increasingly complex and competitive marketplace, buoyed by multiple growth opportunities in expanding economies and populations. New regulations and legislation – particularly regarding ESG – will continue to shape the investment landscape and decision-making process.

**Tony Horrell**

Head of Global Capital Markets & CEO UK & Ireland

**Damian Harrington**

Director, Head of Research, Global Capital Markets & EMEA

## The key trends shaping global real estate investment markets in the year ahead include:

**Investing with intent.** Social and environmental trends are a clear priority, increasingly woven into long-term investment strategies and performance targets. We expect environmental attributes and asset performance to drive market turnover as investors re-calibrate their assets under management. Three quarters of investors surveyed globally are taking action, with at least 25% in advanced planning stages on whether to hold or dispose assets. Social trends point to affordable housing as a significant growth opportunity globally when expertly managed.

**The race to core assets.** As investors upgrade and future-proof their portfolios, the race to core will impact asset pricing. An estimated 1% of global office assets meet Net Zero standards, yet core-plus offices in major cities top the global strategy pick, with 60% of investors confirming this as preference. This investment-demand versus supply imbalance correlates with the consensus that core offices will increase in value up to, or more than 10% over the next 12 months. Current yield/cap rates for offices in many major cities price them at a discount to other asset types, making offices a compelling route to deploy capital at scale. Tier-1 global markets of London, New York, Tokyo, and Paris top the wish-list.

**How low can you go?** As competition for core assets heat up, investors should not be surprised to be outbid. The recalibration of portfolios will also likely result in a wave of non-conforming assets coming to market creating an

impetus for investors to dispose early before discounted prices take hold. Yet to be seen is how deeply prices will be discounted and how the cost of retro-fitting will accentuate a shift in pricing. Large bid-ask spreads is likely to diminish market activity short-term, but we expect markets to reconcile on pricing by 2023.

## Rising construction costs the primary market constraint.

In addition to impacting cost and the ability to retro-fit, the constrained supply of materials and labour creates positive and negative impacts. On a negative note, it will delay production of new supply and product. On a more positive note, it will limit space availability just as occupier demand is expanding, strengthening core and core-plus asset values in particular. It will also accelerate modern methods of construction, adding an extra dimension to the race to create the new core and stimulate joint venture and M&A activity.

## Partnership is key to diversified portfolios.

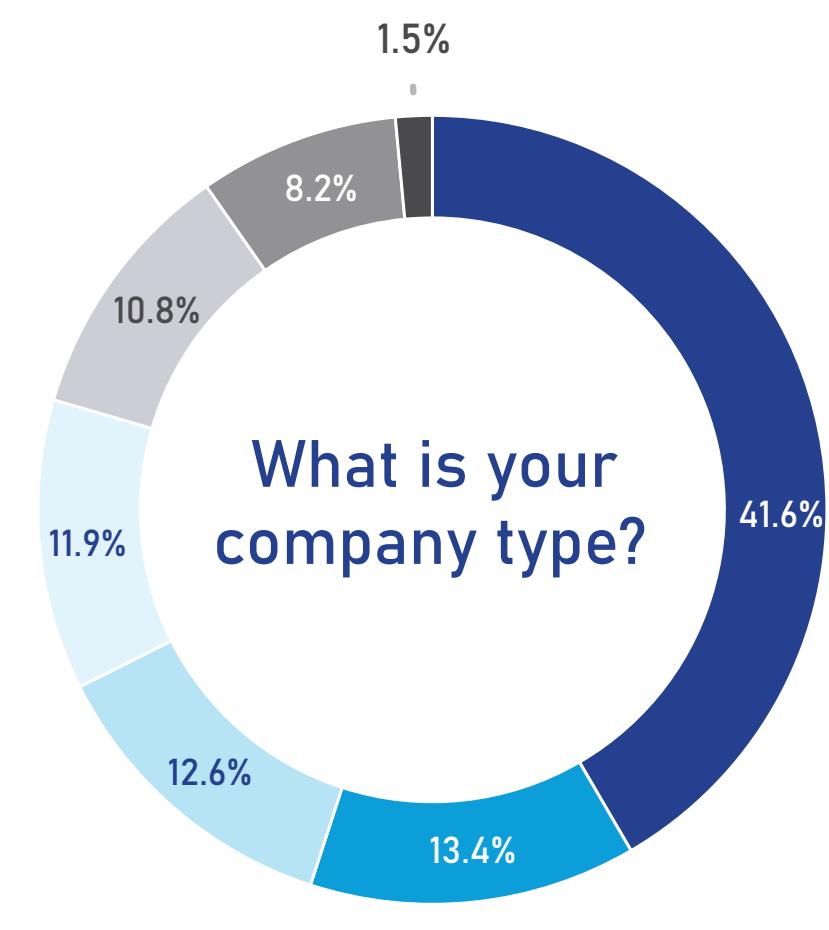
Investors are looking for more ways to fortify and diversify their portfolios, turning to specialised assets like data centres, life science facilities, affordable and student housing. The path to success for investors will come from effective joint ventures with partners that have operational knowledge, local expertise and skills in related sectors and assets.

We look forward to extending partnerships with our clients throughout the year ahead, applying our knowledge and expertise to ensure the success of their strategies as the property investment landscape is redefined.



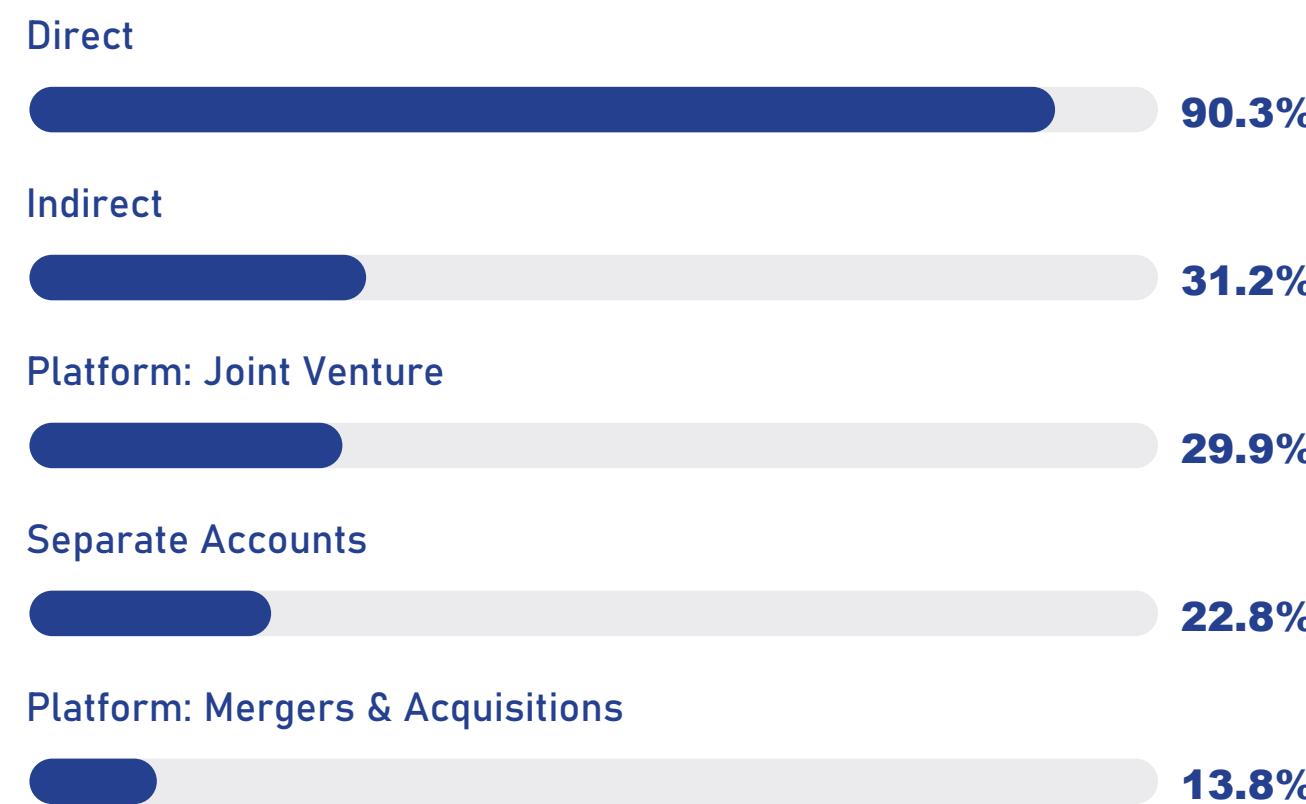
# Background

The second edition of our annual outlook for global property investors is again based on a focused survey undertaken by 300+ investors across the globe and in-depth interviews with our regional Capital Markets leaders. The findings and opinions featured in this report are shaped by their responses.



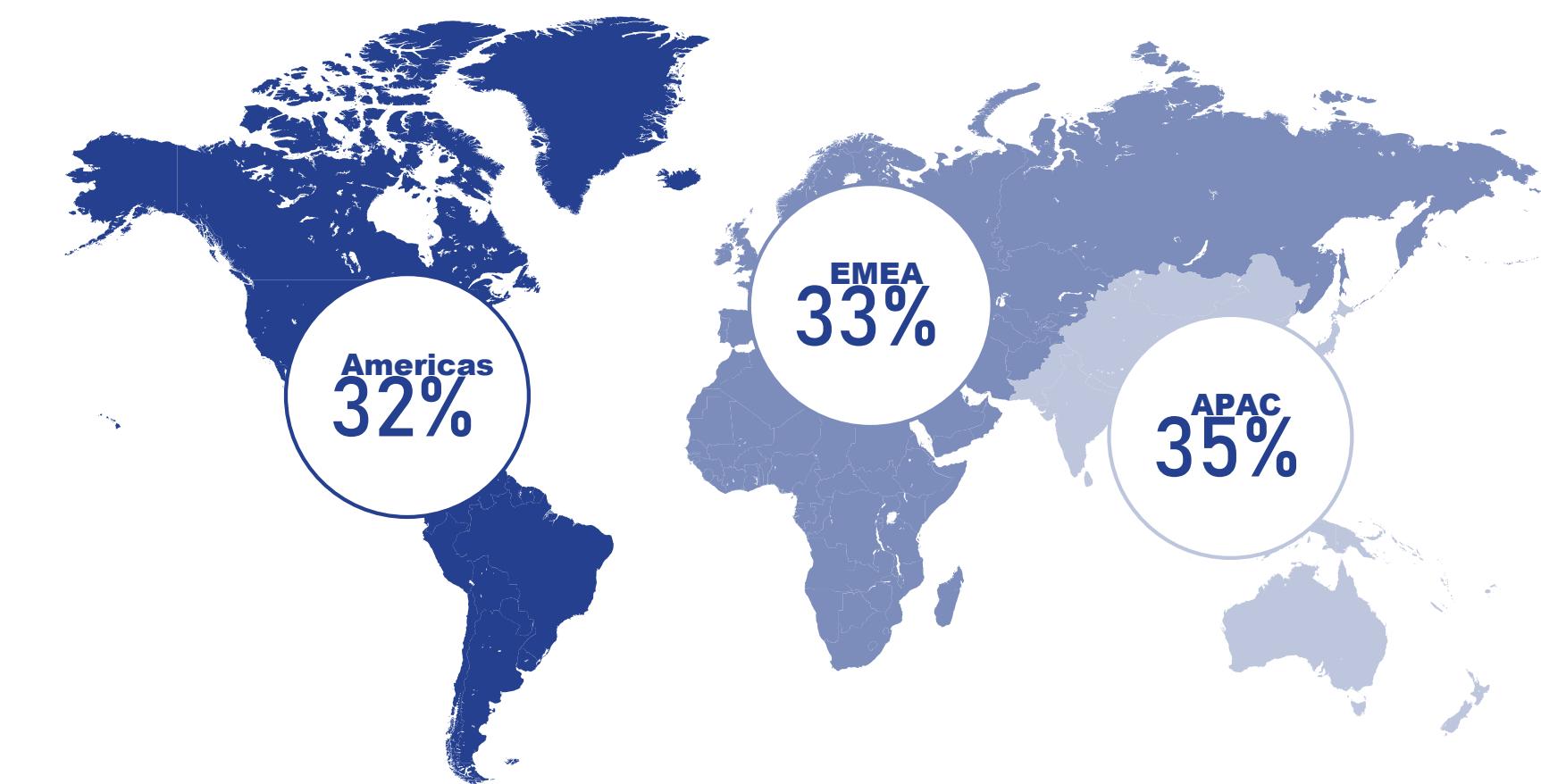
- Investment Manager
- Other (e.g. Developer)
- Listed Property Company (e.g. REIT)
- Institution (e.g. Pension Fund, Insurance Company, Sovereign Wealth Fund)
- Private Equity
- Private Investor / Family Office / Family Trust
- Lender (e.g. Bank, Debt Fund)

## How do you manage and deploy capital?\*



\*This chart represents how often each selection was chosen relative to total responses provided. For each selection, the % figure indicates the percentage of investors surveyed who chose this specific selection, whereby each investor could choose multiple answers.

## In what regions is your company considering new investment in 2022?





Global Capital Markets  
**2022 Investor Outlook**

# What's inside?

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# 2022 Global Key Themes

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**James Gingerich**  
Head of Global Capital Markets  
& CEO UK & Ireland



**Boyd Thompson**  
Director,  
Global Capital Markets



# Across the globe, investors are bullish on economic growth prospects for 2022

2022 is likely to be a benchmark year for the industry as global capital activity increases and economies stabilise and expand.

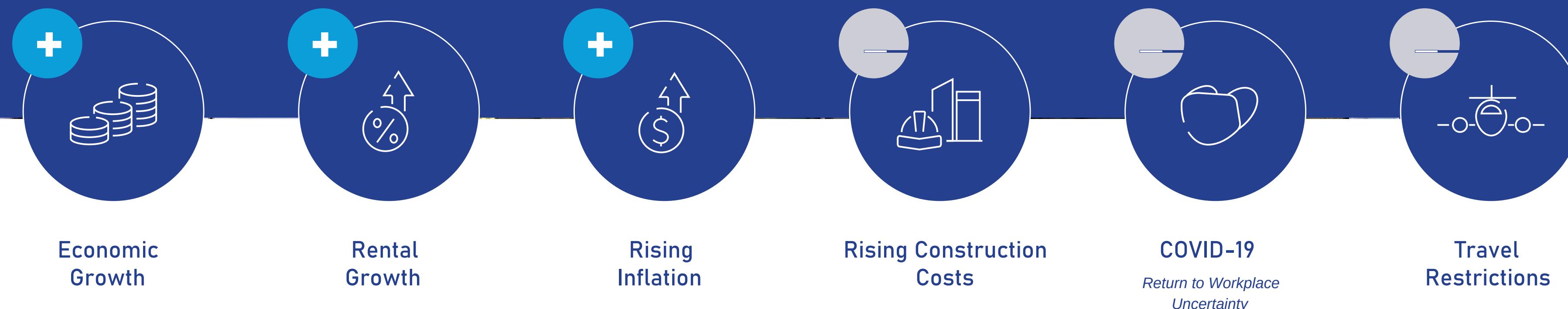
Investors are markedly positive on property market fundamentals, supporting high real estate allocations across the Americas, Asia Pacific (APAC), and Europe, the Middle East and Africa (EMEA). This demonstrates the continued allure of the asset class, enabling 2022 investment volumes to at least match those of 2021. There has been a rapid acceleration in the number of transactions closing in Q3, that is expected to continue well into 2022.

**"Global capital is back and 2022 should be turbocharged in terms of dry powder looking to act. Both domestically and cross border we're going to see real growth of major transactions across all key sectors."**

- Tony Horrell, *Head of Global Capital Markets & CEO UK & Ireland*

# Global Challenges

*Positive vs. Negative*



## Rising construction costs, travel and mobility restrictions top the list of challenges.

The **rising cost of construction is the major global concern** cited by 80% of investors. This was ahead of city mobility and travel restrictions resulting from the COVID-19 pandemic, which featured as a major negative factor for 60% of investors.

Given the strong appetite for development, and the growing need to retrofit and repurpose existing stock, rising construction costs are clearly weighing heavily

on investors minds. However, tightening supply side conditions should reinforce existing values, particularly for core assets. Equally, existing bottlenecks should drive the acceleration of modern methods of construction as a means of bringing more sustainable, energy efficient and emission compliant product to market.

While construction costs topped the list of concerns, rising rates of core **inflation was viewed with more positivity**

This reflects the ability of standing assets to act as an inflation hedge. That said, a strong number of investors were concerned that rising interest rates would impact the cost of debt.

**Government policy and regulations were also high on the list of concerns**, covering a range of factors from local lockdown protocols to tax hikes.

# Growing focus beyond financials: sustainability no longer a “nice to have”

Environmental, Social and Governance (ESG) considerations, particularly environmental ones, are prominent on the investor agenda, with three quarters of investors integrating Environmental factors into their strategies.

Some 21% are in the consideration stage, with only 4% considering it as not applicable to them. Investors are also largely unconvinced so far that ESG-compliant assets are likely to command a

significant (i.e. over 5%) price premium, except in the office segment, where expectations are higher.

Sentiment is clear that more progress is needed on standards and performance metrics for ESG integration to reach the next stage. “More explicit rules and standards are key to driving further ESG adoption, particularly among smaller investors, as the major institutional investors are already quite advanced when it comes to integration and

reporting,” says Damian Harrington, Director, Head of Research for Global Capital Markets & EMEA.

**“But a lot more technical clarity is needed in terms of asset characteristics. That should come by mid-2022 in Europe which is at the sharp-end of this, but we expect global markets to become more aligned in due course. Clarity will give the markets more certainty in terms of the CAPEX required and impact on values, driving activity.”**

## Does your ESG strategy alter by region?

Yes

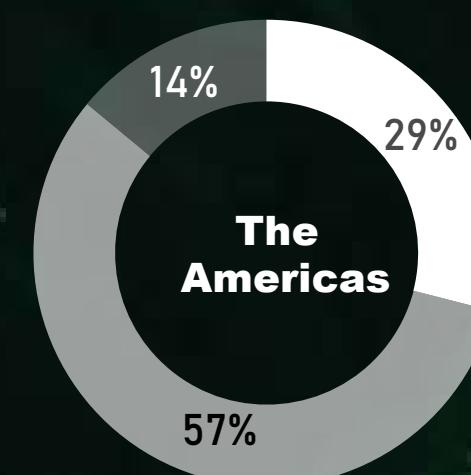
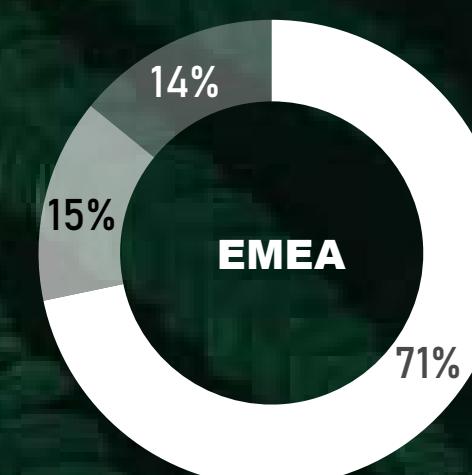
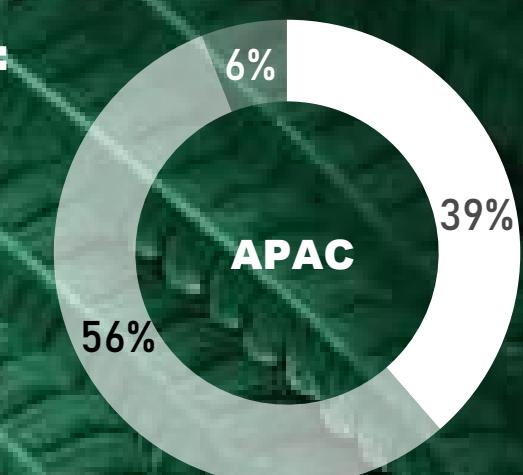
11%

No

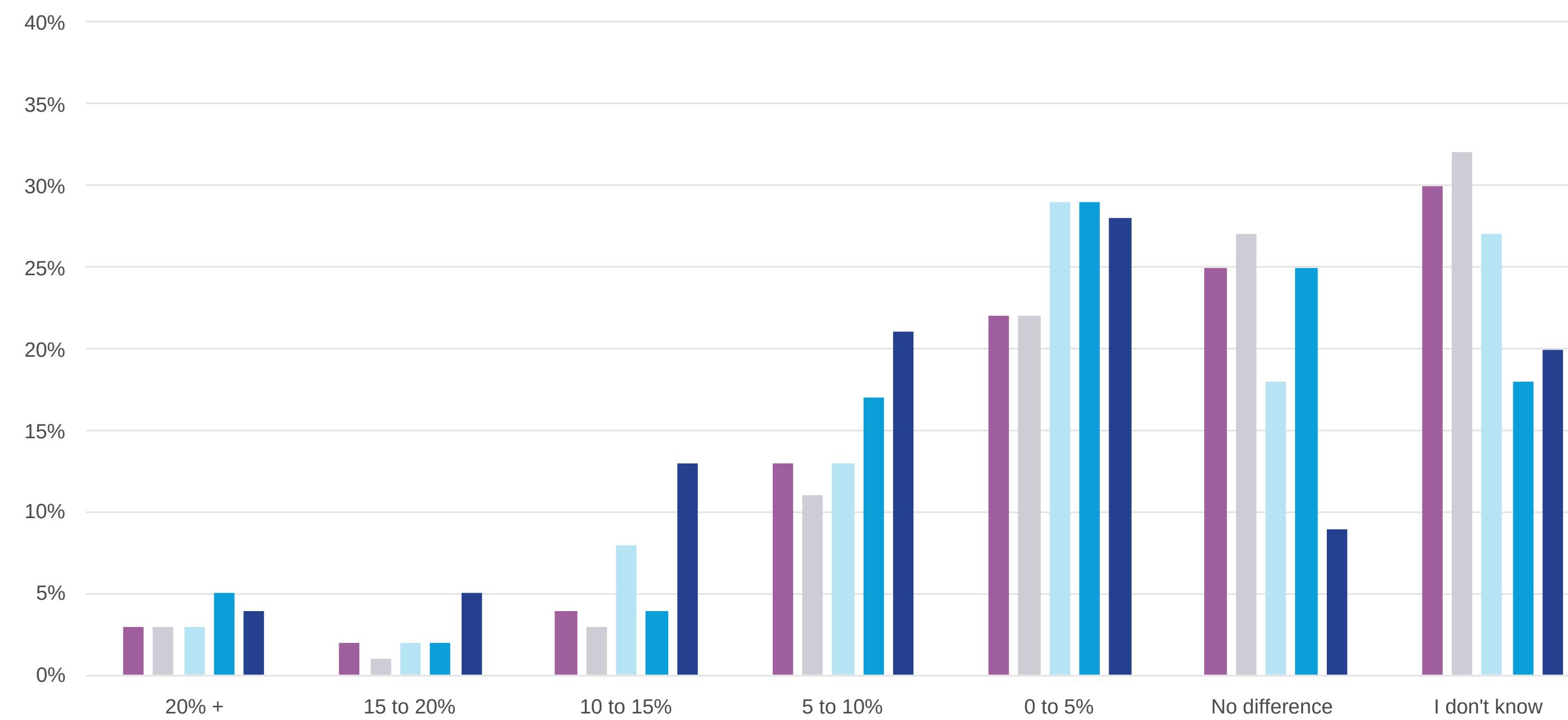
89%

## Specified Focus:

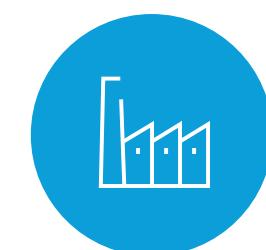
- Strong focus
- Some focus
- No focus



## Do you expect ESG compliant assets to achieve a *value premium* over the next three years in the following sectors?



Office



Industrial &amp; Logistics



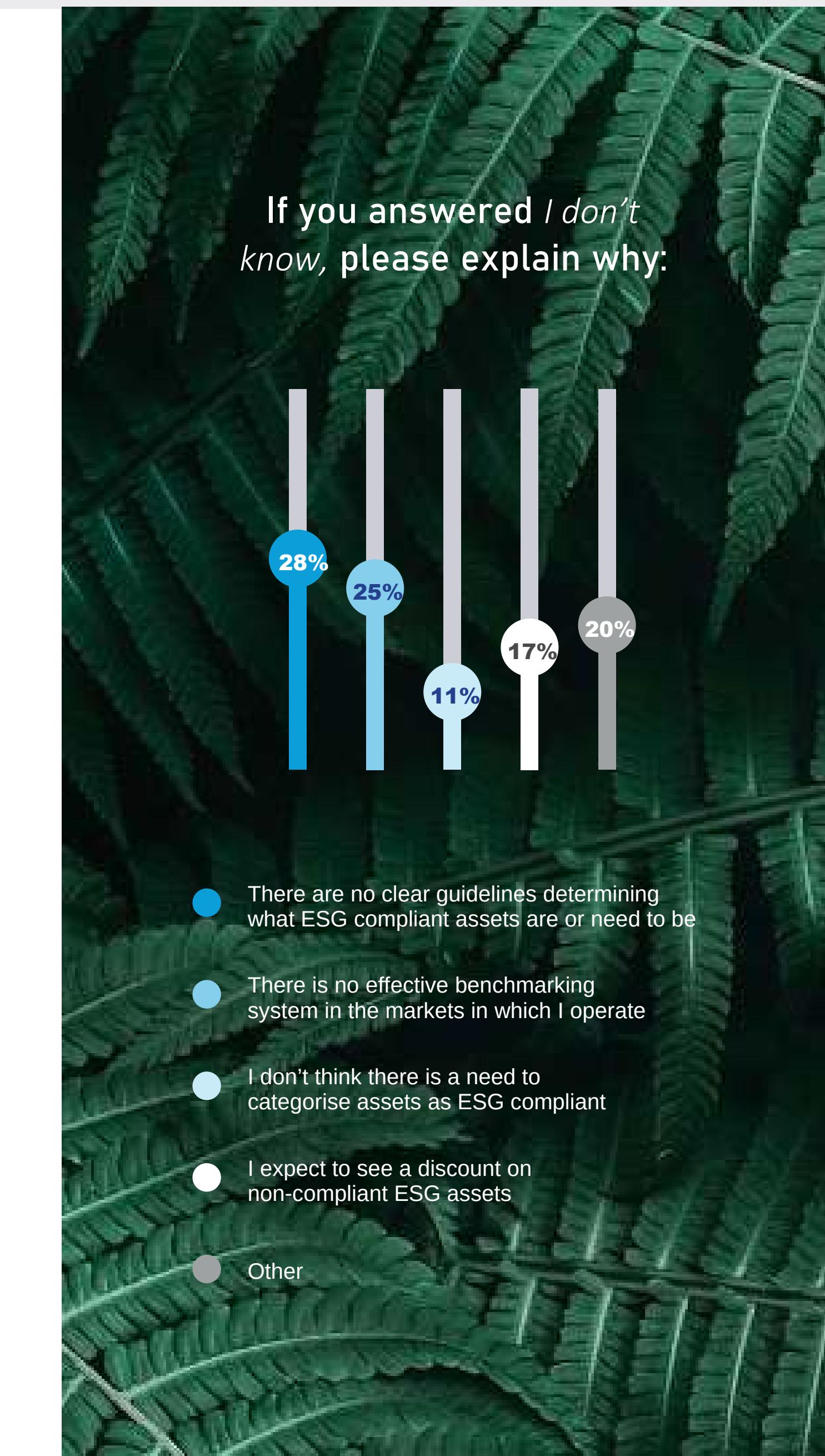
Multifamily / BTR



Retail



Hotel





### Environmental Factors

Are you taking action on the environmental performance of your assets?

A capital improvement, disposal and acquisition strategy is in place to meet environmental asset performance targets

**10%**

All assets have been assessed in terms of their energy efficiency and emissions performance

**30%**

Currently being integrated, with new protocols & performance benchmarks established

**34%**

Only a consideration, yet to be integrated into business operations

**21%**

Not applicable

**4%**

Percentage (%)

### Social Factors

To what degree does the health and wellness profile of your assets factor into investment decisions?

We always consider certifications such as WELL or Fitwell to benchmark and manage our assets

**17%**

We are beginning to make measurements on this topic

**38%**

Only a consideration, yet to be integrated into investment decisions

**35%**

Not applicable

**10%**

Percentage (%)

### Governance

How well established is the Governance in your company, to manage and integrate E&S factors into your overall strategy?

ESG Governance benchmarks, disclosure and reporting in place

**48%**

Only a consideration, yet to decide on benchmarks to adopt to drive our ESG Governance

**43%**

Not applicable

**9%**

Percentage (%)

## Alternatives edge further into the mainstream

In a low-yield environment, **investor appetite for specialised assets such as data centres, social housing and life science facilities is set to rise as investors venture further in search of product and yield.** Investors are bullish on these assets because of their connection to demographic and economic trends. However, activity is likely to be limited by the specialised knowledge and strategic alliances needed to invest successfully in these sectors, which also tend to cluster geographically around key nodes of expertise and infrastructure. Successfully deploying capital tends to be dependent on **strong local partnerships, M&A activity or relationships with best-in-class operators.**

## Big deals, platforms and local JVs in favour

**A major potential growth constraint to activity in 2022 is a lack of product** still too much money chasing too few deals. This tends to favour consolidation, development and larger players, and there is a belief that M&A activity will expand in real estate as investors look to get scale quickly.

**Engaging with local expertise in specific sectors is also proving effective to source product and enhance returns** and the survey highlights that this strategy as a means to deploy capital is clearly on the rise.

**"We expect to see an increase in both capital consolidation and JV platform investment globally in 2022. The huge demand for AUM growth, means there will be an insatiable appetite for consolidation within the REIT and fund management market."**

- Chris Pilgrim, Director, Global Capital Markets



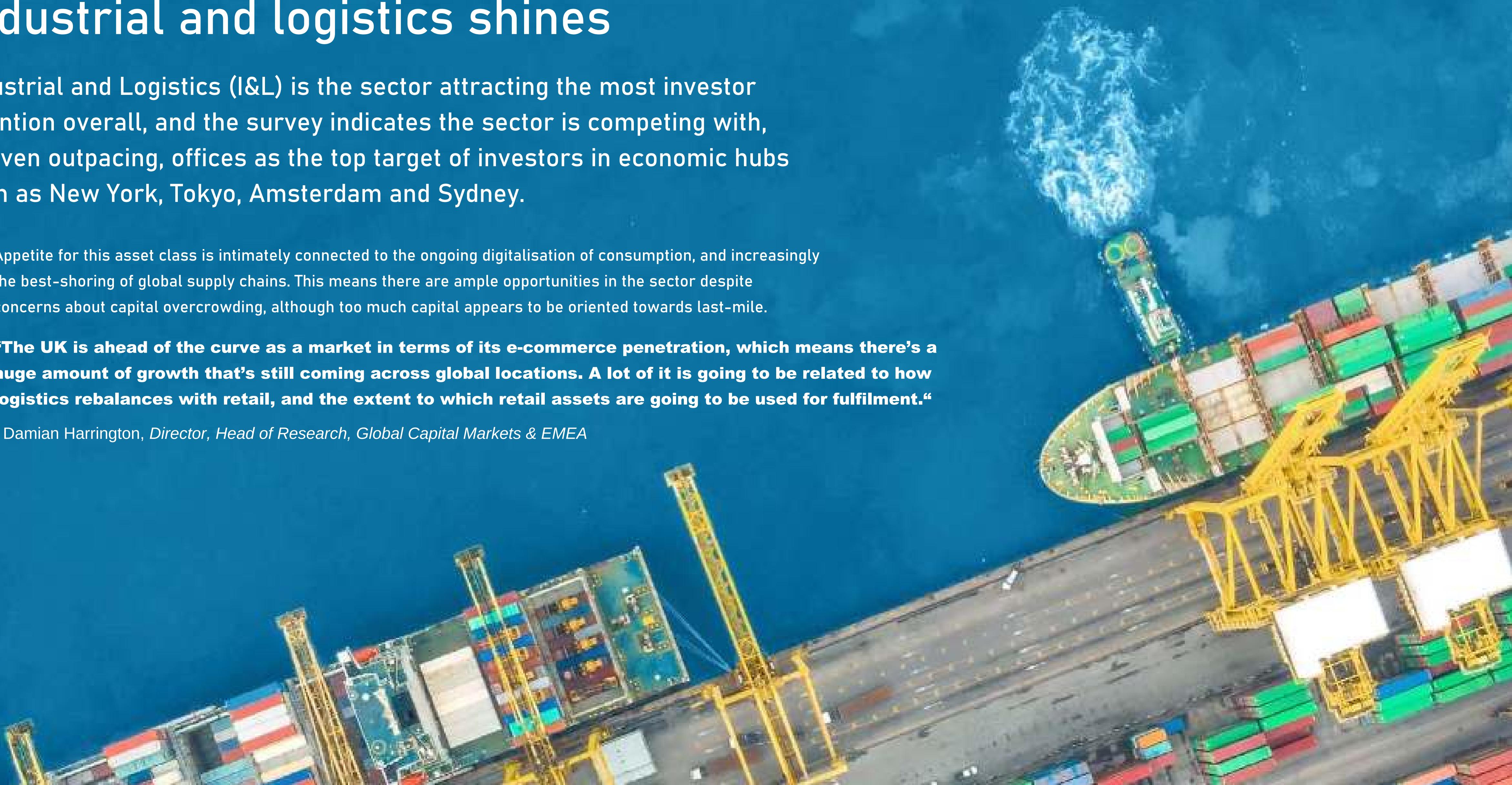
# Industrial and logistics shines

Industrial and Logistics (I&L) is the sector attracting the most investor attention overall, and the survey indicates the sector is competing with, or even outpacing, offices as the top target of investors in economic hubs such as New York, Tokyo, Amsterdam and Sydney.

Appetite for this asset class is intimately connected to the ongoing digitalisation of consumption, and increasingly the best-shoring of global supply chains. This means there are ample opportunities in the sector despite concerns about capital overcrowding, although too much capital appears to be oriented towards last-mile.

**“The UK is ahead of the curve as a market in terms of its e-commerce penetration, which means there’s a huge amount of growth that’s still coming across global locations. A lot of it is going to be related to how logistics rebalances with retail, and the extent to which retail assets are going to be used for fulfilment.“**

- Damian Harrington, Director, Head of Research, Global Capital Markets & EMEA



**“Offices have effectively been subjected to the greatest modern-day experiment that could have been created in the laboratory. Companies will occupy offices in different ways, but that doesn’t mean in our view that any less space is needed, and the long-term trend for offices is still positive.”**

- Tony Horrell, Head of Global Capital Markets & CEO UK & Ireland

## Office sector retains allure

**Core office assets in tier-1 cities like London, New York and Paris** are set to be the top pick of investors in these deep and diverse, global cities, as recently evidenced by the resurgence in the trading of trophy assets and developments. This underlines that agile work policies won’t reduce demand for office space overall, especially at the upper end of the market where occupational densities have been tight.

## Residential diversification

There is also notable **optimism surrounding the broader range of residential opportunities differentiated by cities’ varying demographic, economic and policy conditions. From student housing to single-family rentals and senior living** sector offers investors several routes to market.

As more people opt to rent rather than buy homes, **multifamily/BTR residential is emerging as another clear zone of potential**, the survey showing robust appetite for both core/core-plus and development projects in major urban centres.

**“In the U.S. over the last 12 months, this sector is around 40% of all volumes, and that’s a highly developed market relative to places like the UK and Australia,” Pilgrim explains. “That points to huge future growth potential. It’s seen more and more as an institutional-grade investment.”**

## Retail repositioning

Appetite for **retail is bifurcated. Food/grocery anchored convenience assets are proving to be the most sought-after asset type across all three global regions**, market activity also demonstrates that **e-resilient luxury-backed assets are helping to satisfy investor demand across the globe, with Australia recently witnessing some of the biggest high-end retail destination deals in its history.** Activity is likely to be concentrated at these opposing ends of the retail spectrum, but with growing interest in repositioning existing mainstream retail assets that are more vulnerable to e-commerce.

**"There are compelling repurposing opportunities available in retail – for example from malls into last-mile logistics, or even mixed-use assets combining medical services and flexible offices."**

- Tony Horrell, *Head of Global Capital Markets & CEO UK & Ireland*

## Hotels behind on the comeback trail

Though investor sentiment for **hotels is viewed as less positive**, <sup>with</sup> **recovery expectations** and **investment activity** already evident in some markets and segments with prices perceived as closer to fair-value levels.

Activity in 2022 is likely to be concentrated in markets where domestic consumption and a travel rebound is already evident, such as Europe and the U.S.

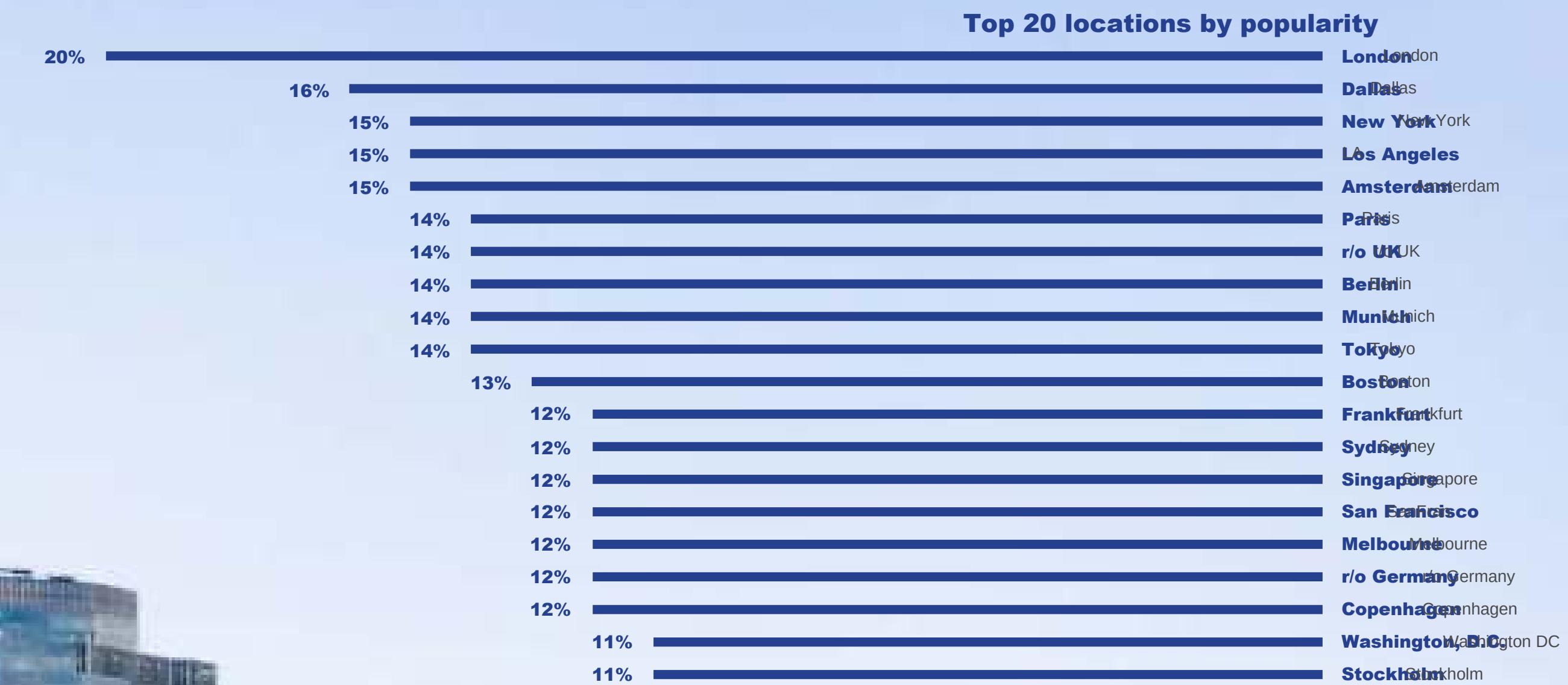
**"At the beginning of the year there was a real spread in the bid-ask; what investors wanted to pay and what vendors wanted to sell for," says Harrington. "That's started to move into more realistic levels, which suggests more transactional activity going into 2022."**



# Alternate destinations on the radar, even with tier-1 markets back in favour

Although investors continue to focus on well-established centres like London, New York, Tokyo and Sydney, fast-growing metropolitan areas such as Dallas are moving up the rankings.

Cities like Dallas present a stack of sector opportunities. Demographics and growth are driving record volumes in the Southeast and Southwest U.S., amid significant migration to the Sunbelt. Dallas in particular is a notable U.S. hotspot for investors pursuing core and development strategies for big-box and light industrial/flex assets. It has also become a preferred location for multifamily.





# APAC Outlook

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# Unprecedented year expected as pent-up demand unleashed

2022 is likely to be a standout year for the APAC region, according to Elmston experts, with more investors prepared to put ambitious plans into action after a year in which there was less progress on reopening than expected.

**“2022 will be the year investors start to make big decisions around asset classes and whether they diversify,” says John Marasco, Managing Director, Capital Markets & Investment Services, Australia & New Zealand.**

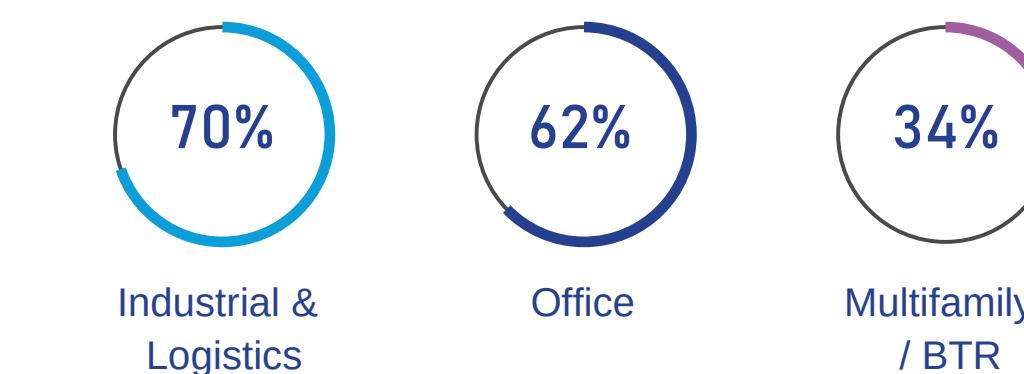
“While 2021 was strong in terms of turnover, it was disappointing in that there were higher expectations for the return of travel and business activity. Once borders open up and more people return to the office it will be easier to determine demand – and that will drive investment... 2022 will be a redefining year, because it will set new standards, and see increased global capital flows. Organisations can then start to make decisions for the medium term.”

**“With pent-up demand from investors, buoyed by ample liquidity in the markets such as South Korea and Singapore, demand for commercial assets will continue, with investment activities picking up and improving throughout 2022.”**

- Terence Tang, Managing Director, Capital Markets & Investment Services, Asia



**Tokyo, Japan** the #1 location to invest in during 2022



The top three sectors investors are most likely to invest in during 2022\*

\*These charts represent how often each asset class was chosen relative to total responses provided. For each asset class, the % figure indicates the percentage of investors surveyed who chose this specific sector, whereby each investor could choose multiple asset classes.

**“2022 will be a redefining year, because it will set new standards, and see increased global capital flows. Organisations can then start to make decisions for the medium term.”**

- John Marasco, Managing Director, Capital Markets & Investment Services, Australia & New Zealand

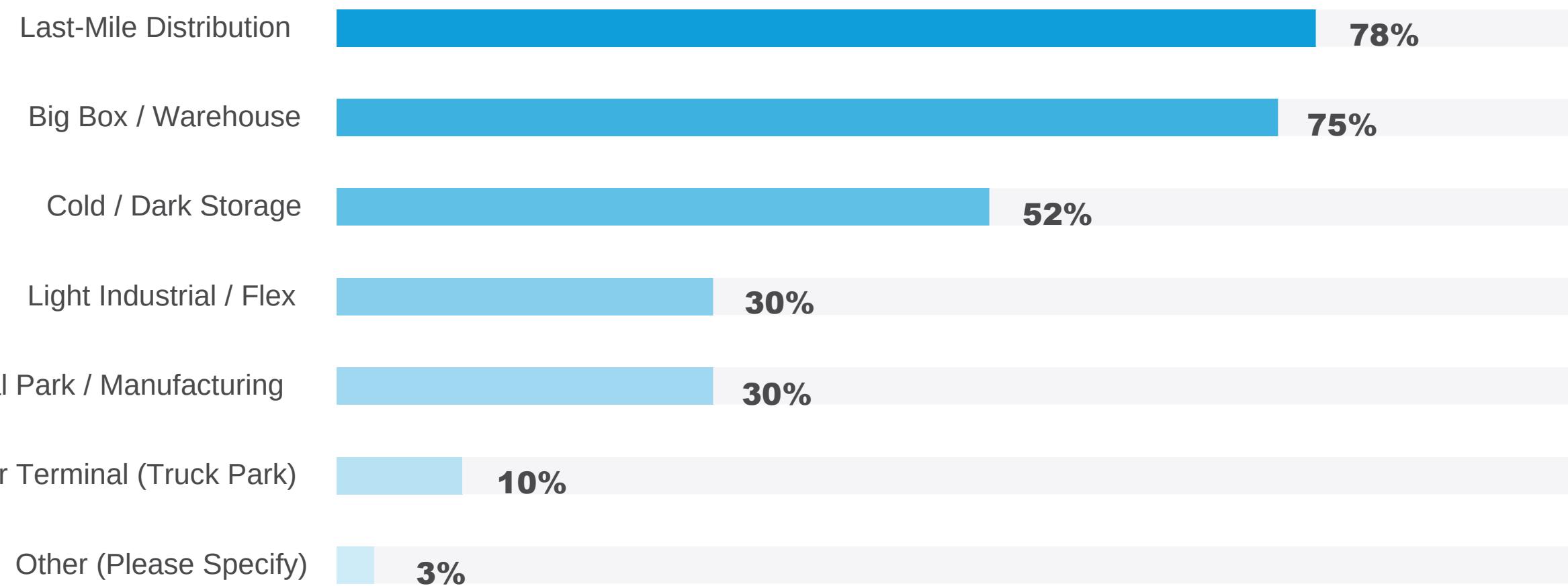


**I&L assets are the most sought-after in APAC overall, according to the survey, with sky-high expectations for appreciation.** Over 20% of investors anticipate 10-20% capital value gains in value-add I&L assets this year, versus 9% expecting the same in value-add offices, with I&L growth supported by tailwinds and large-scale economic transformation.

### Diving into development

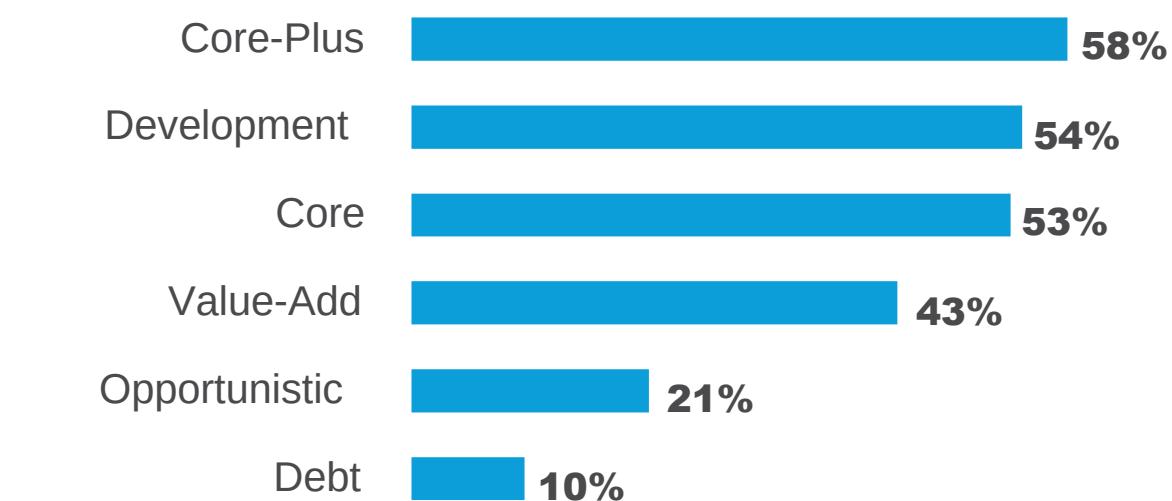
While the focus on I&L is on core/core-plus assets, **investors are also increasingly eyeing development opportunities** with over half of likely I&L investors keen to explore this category - particularly in the big-box/last-mile distribution sectors as these are closely tied to e-commerce trends. “**The surge in e-commerce globally, with Asia Pacific leading this growth, as a result of a burgeoning consumer class in the region connecting and transacting online, has created new opportunities for growth and property investment in many key gateway cities,” says Tang.**

### Types of industrial & logistics assets investors intend to invest in during 2022, in APAC.\*



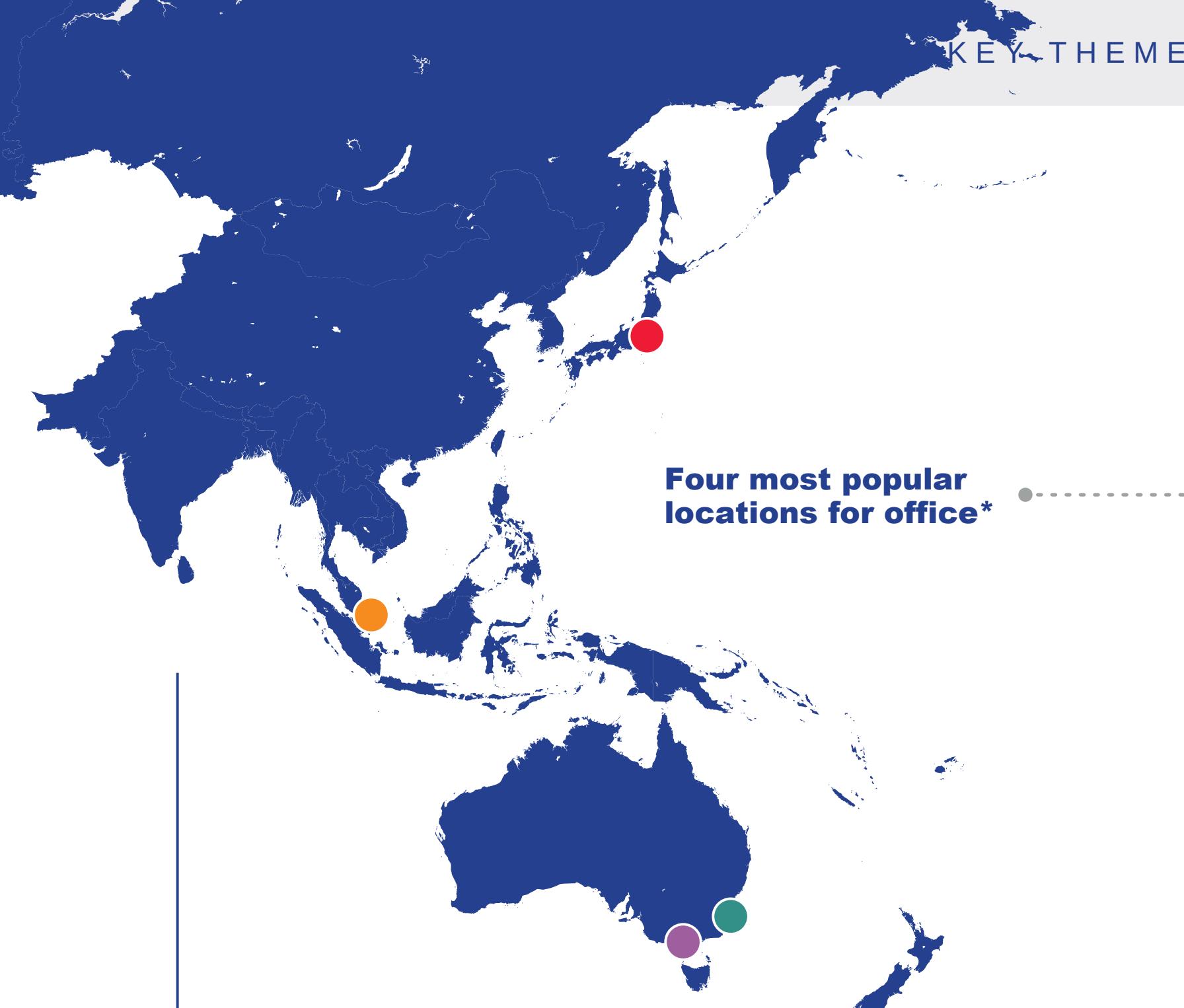
\*The chart represents how often each I&L asset was chosen relative to total responses provided. For each I&L asset, the % figure indicates the percentage of investors surveyed who chose this specific I&L asset, whereby each investor could choose multiple assets.

### Industrial & logistics interest by risk profile\*



\*This chart represents how often each risk profile was chosen relative to total responses provided. For each risk profile, the % figure indicates the percentage of investors surveyed who chose this specific risk profile, whereby each investor could choose multiple profiles.





Tokyo  
31%



Singapore  
29%



Sydney  
29%



Melbourne  
26%

\*This figure shows the percentage of survey respondents who expressed a preference for the Office asset class in the four most popular cities. Since the respondents were free to express a preference for Offices in more than one city, it does not represent the percentage of total preferences expressed.

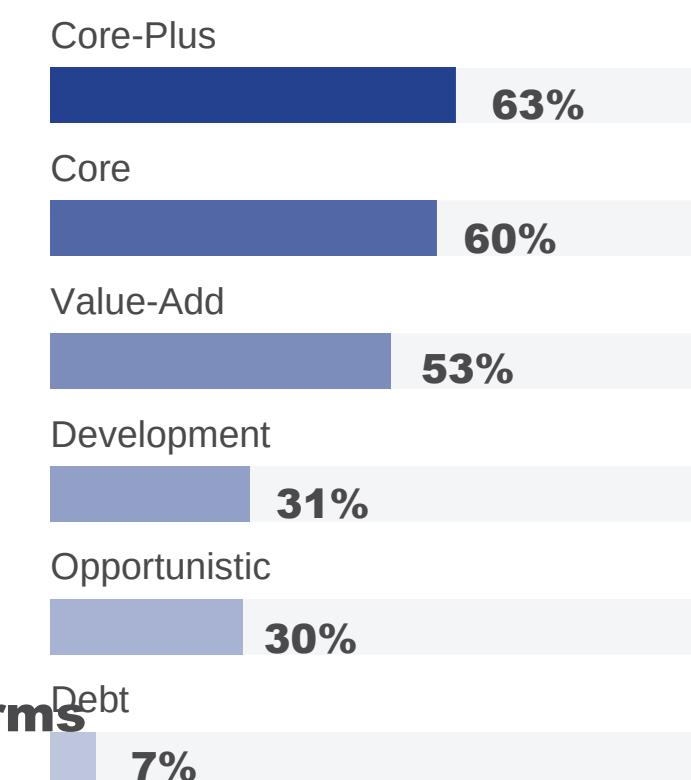
Notwithstanding surging appetite for I&L assets, **significant interest continues to surround core-plus offices**, which remain the most popular asset class for regional investors in tier-1 cities like Singapore, Sydney and Tokyo, with 63% of respondents planning to invest in these assets versus 54% last year. This signals confidence in both the stability and capital growth prospects of these markets, despite growing experimentation with remote and hybrid working models.

Marasco notes a **major flight to quality is evident in markets like Australia** ESG becoming a more important consideration. More investors are also following the shift to decentralised offices, business parks and flex/coworking spaces. "Many office building owners/landlords are working closely with coworking platforms to cater to a growing demand for flex space," says Teighes such as Shanghai, Hong Kong and Singapore, we've also seen growing demand for business parks. Overall it's a remarkably resilient asset class."

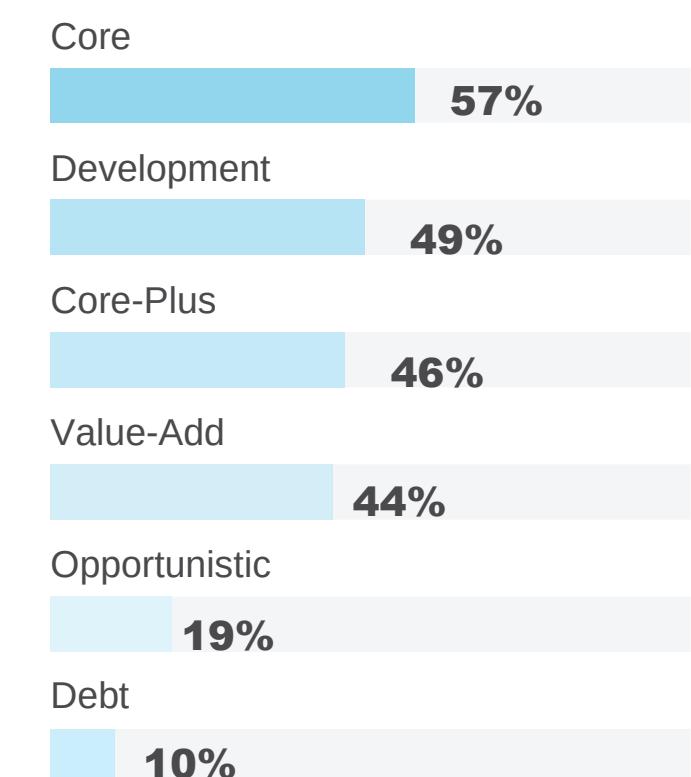
"**BTR is essentially following the development of new infrastructure, which is a strategy we recommend across all asset classes,**" Marasco says. "You need to look at what and where governments are building, the fundamentals of the land and invest in assets you can repurpose if required."

**Multifamily/BTR is also an increasingly sought-after asset class** among investors targeting both core and development projects. Nicholas Wilson, Director and Head of Research, Capital Markets, Asia, believes this trend is connected to the different propositions presented by markets like Japan, where the sector is well-established and has long attracted foreign core capital, and Australia, where it's an emerging asset class with development opportunities.

#### Office interest by risk profile\*



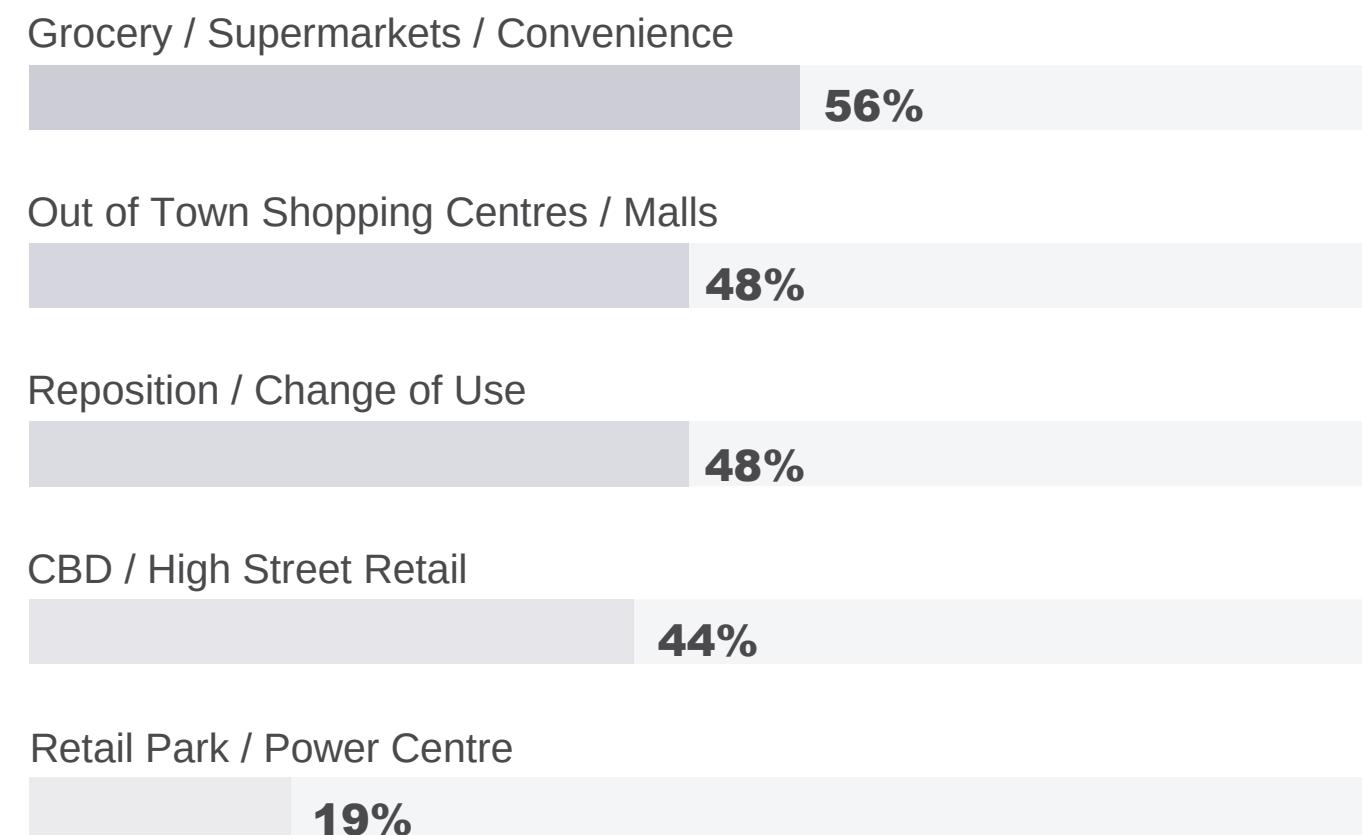
#### Multifamily/BTR interest by risk profile\*



\*These charts represent how often each risk profile was chosen relative to total responses provided. For each risk profile, the % figure indicates the percentage of investors surveyed who chose this specific risk profile, whereby each investor could choose multiple profiles.

# Retail is a target for opportunistic investments

The tougher approach to the pandemic adopted by many APAC markets is likely to remain a headwind for retail in 2022. However the survey shows investors see significant potential for appreciation and repurposing of retail assets. Around a third of the investors mulling retail allocations are targeting opportunistic (including change of use) investments.

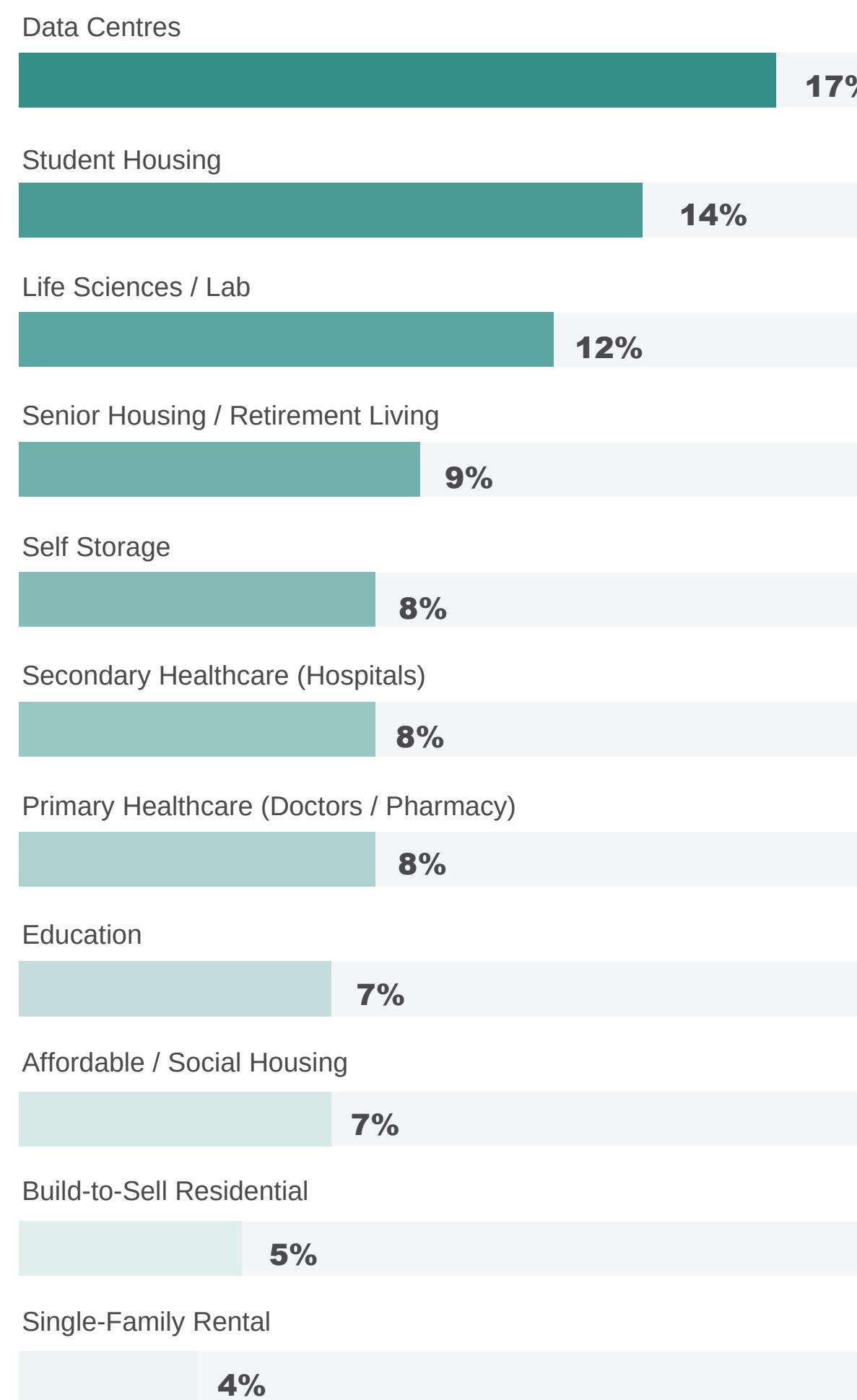


\*The chart represents how often each retail asset was chosen relative to total responses provided. For each retail asset, the % figure indicates the percentage of investors surveyed who chose this specific retail asset, whereby each investor could choose multiple assets.

**Hotels are also an opportunistic target,** with 38% of investors looking at this sector. Tang highlighted that both hotel and retail sectors offer good opportunities in cities with large domestic markets, like Japan, Australia and Korea. "However, bid-ask spreads still need to narrow a bit," says Wilson.



### Interest in specialised assets by type



### Specialised assets, particularly data centres, life sciences

**and healthcare, are expected to help boost investment volumes in 2022** with student housing also poised for a comeback as Australia, the region's main market, opens up to international visitors. "2022 will also be a benchmark year for healthcare, which is the only sector where we're seeing really long-term leasing commitments," Marasco notes.

Tang notes these assets can require a different approach. "This interest in alternative assets will continue to grow

most Asian markets, as investors seek new avenues of growth and returns amid the changes brought about by ongoing technological evolution and healthcare needs," he says. "However, investors would need to work closely with operators and relevant experts to identify the right opportunities in order to extract returns from these specialised asset classes, which will be expected to become highly competitive."



**Specialised assets, particularly data centres, life sciences and healthcare, are expected to help boost investment volumes in 2022.**



“Optimism across the Asia Pacific region continues to gather momentum and investors have a clear appetite to expand their portfolios. Transaction volumes are recovering back to their pre-COVID highs, and asset operating performances remain in a cyclical upswing.”

- Terence Tang, *Managing Director, Capital Markets & Investment Services, Asia*

ESG has become a strong focus in real estate. According to Marasco it's increasingly seen as a way to differentiate assets, and will soon be a priority in investment decisions. government and corporate tenants pressure landlords to raise ratings up. Wilson notes **sustainability** could even impact the **way investors look at the alternatives**.

**"There's a dilemma in the sense that some of the best performing asset classes, like data centres, are extremely resource intensive,"**  
**Wilson says.**



The research found investors to be sanguine when it comes to economic risks, with the vast majority expecting economic growth to be a positive rather than a negative factor, and inflation also viewed more positively than negatively.

### **"Investors have realised the pandemic is at heart a health, not an economic, crisis," says Marasco.**

That said, with many regional borders still closed, pandemic-related issues remain a significant concern. Travel restrictions and return to work uncertainty are cited as the biggest risk factors next year. Rising construction costs and a shortage of viable product are also flagged as issues, reflecting the depth of capital waiting to be deployed.

These worries also speak to bottled-up demand and delayed transactions that will translate into momentum throughout 2022. "In Australia cross border investment is still roughly in line with previous years, but we're likely to see it return in a big way to markets where it's declined noticeably, like China and Korea," says Wilson.

"Global economic recovery is expected to pick up further momentum in the new year," says Tang. "Investors, bolstered by improving sentiment, swelling amounts of liquidity in the market, low interest rates and confidence in governments who are proactively supporting economic growth and infrastructure development, will be looking to an array of viable opportunities."

**"2022 will be an exciting year, and we are confident investment volumes will pick up across almost all major markets and sectors, as capital flowing into real estate asset strategies continue to increase."**

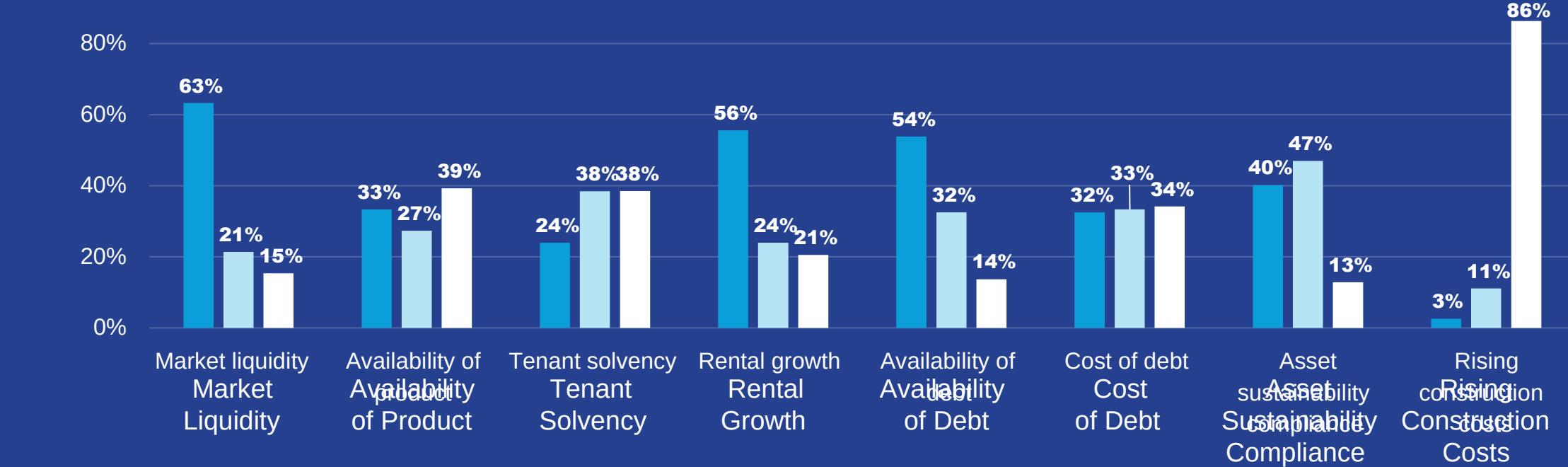
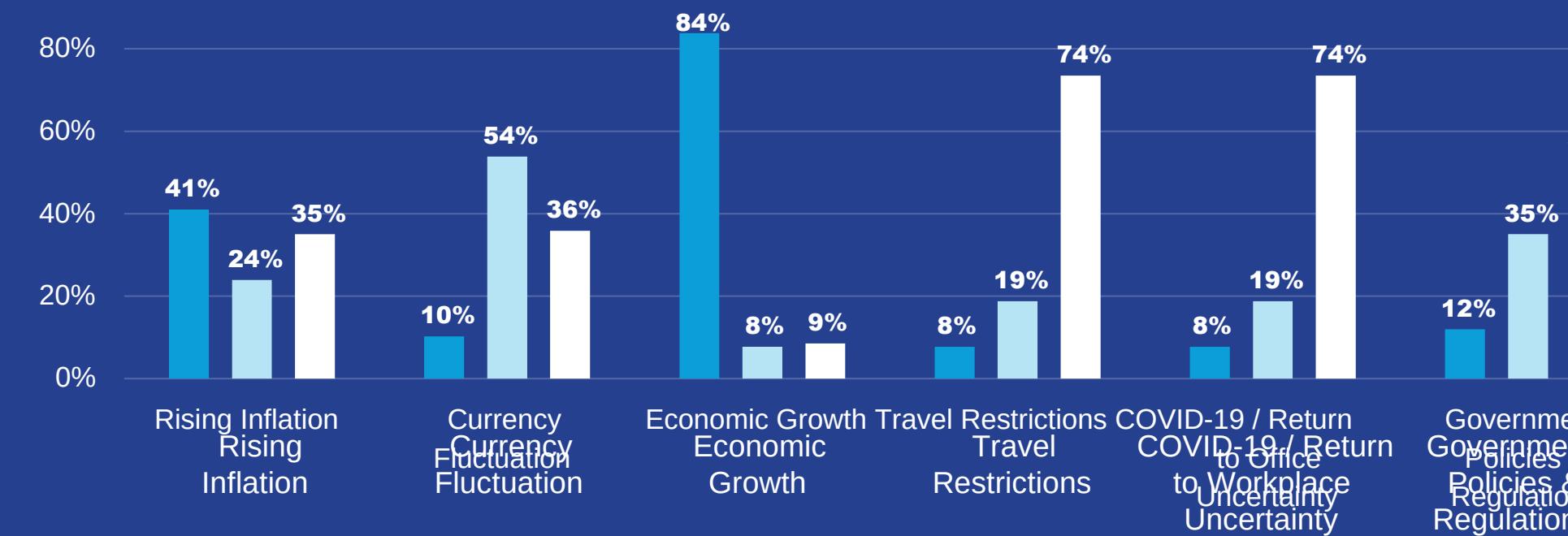
- Terence Tang, Managing Director, Capital Markets & Investment Services, Asia

**Click here to view the full APAC 2022 Investor Survey Results**

## Macro Factors

● Positive Impact      ● No Impact      ● Negative Impact

## Market Factors



The % figure represents the percentage of investors surveyed who chose these specific response as a key market and macro challenge.



# EMEA Outlook

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Head of Capital Markets,  
Germany



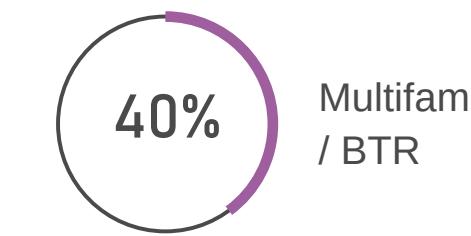
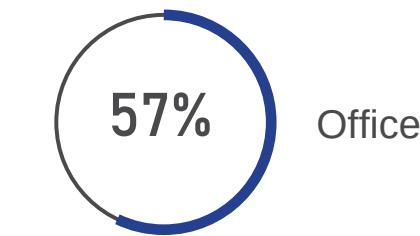
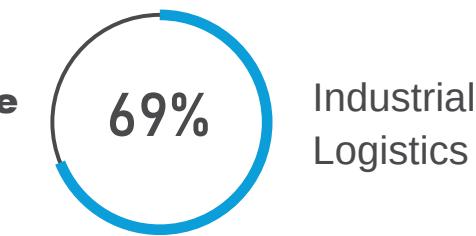
# Optimism surrounds prospects for property, despite broader macro uncertainty



**London, UK** is the #1 location to invest in during 2022

Despite the sporadic pace of reopening and recovery, **2021 proved to be a resilient year for the EMEA market, particularly for trophy assets in prime locations.** Further growth in volumes and activity is expected in 2022 as work and travel edge back towards pre-pandemic normality, even if this progress is at times fitful.

The top three sectors investors are most likely to invest in during 2022\*



"On a European level, we're seeing a lot of buyers looking to build up a platform, so that when they reach the next level of maturity they're in a position where they can almost see a premium return just by virtue of their scale."

- Luke Dawson, Managing Director, EMEA Cross Border Capital Markets

\*These charts represent how often each asset class was chosen relative to total responses provided. For each asset class, the % figure indicates the percentage of investors surveyed who chose this specific sector, whereby each investor could choose multiple asset classes.



## Great expectations for Industrial & Logistics (I&L)

Investor interest in I&L is exceeding interest in offices in major European economic hubs such as Amsterdam, Frankfurt and Madrid, and the asset class remains in high demand in UK markets outside of London.

Overall, investors have **high capital appreciation expectations for the I&L segment in 2022** ahead of all other sectors. Over one-third (35%) of those interested in I&L expect gains of at least 10% in the core and core-plus categories, with almost the same proportion (28%) expecting the same for value-add.

Given the low vacancy rates across European markets are now below 5% on average, coupled with growing demand and a lack of available

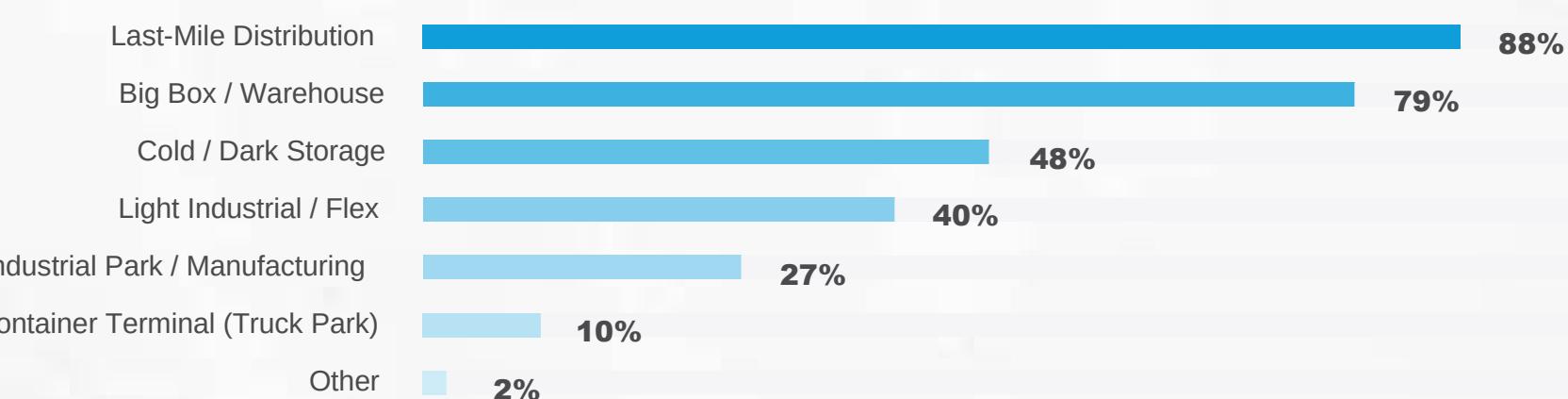
product for sale values are expected to rise. Take-up is on the rise across locations, driving positive net absorption in 2021, and this marks a shift in strategy from the stability and diversification drivers that have encouraged investment into the sector of late.

Investor appetite is being driven by the shortage of availability, and the expectation of a nationalisation of UK distribution that's emerged from the pandemic and changes resulting from Brexit. Everyone realises that they need to de-risk supply chains by bringing more activity back on shore, and reduce reliance on the global network. The UK is predicted to see the strongest rental growth in logistics across Europe in 2022.

**"Although expensive and highly competitive, logistics has the strongest fundamentals in terms of supply/demand dynamics. It offers long, secure income and lower capital expenditure requirements compared to other asset types."**

- Richard Divall, Director, EMEA Cross Border Capital Markets

### Types of industrial & logistics assets investors intend to invest in during 2022, in EMEA.\*



\*The chart represents how often each I&L asset was chosen relative to total responses provided. For each I&L asset, the % figure indicates the percentage of investors surveyed who chose this specific I&L asset, whereby each investor could choose multiple assets.

**"People still accept the logic of the office as a central place, certainly in the key gateway markets. We're seeing real evidence that a lot of investors are looking at offices as a potential area where they can actually see returns versus the market."**

- Christian Kadel, Head of Capital Markets, Germany

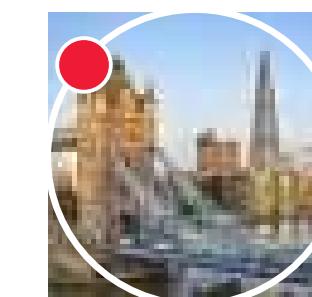
### Tier-1 offices are back

**European offices remain compelling to investors,** high degree of confidence in their performance, especially quality assets in leading cities such as London, Berlin and Paris. Elmston' experts perceive clear momentum in the return of staff to offices, notwithstanding a possible winter pandemic surge in some European countries. Mental health considerations have been playing an important part in winding down remote working. **City mobility has been rising in the second half of 2021, with staffing levels back to 80% of their pre-pandemic levels in major European cities.** Although utilisation densities are likely to soften amid the advent of agile working, very high office densities that preceded this shift means this will not correspond to a reduction in space required. It translates into a need for better, higher quality and flexible office space footprints that meet evolving occupier demands. As evidenced by activity in 2021, multiple office transactions have, despite the myriad of travel restrictions, taken place. This bodes well for growth in activity in 2022.

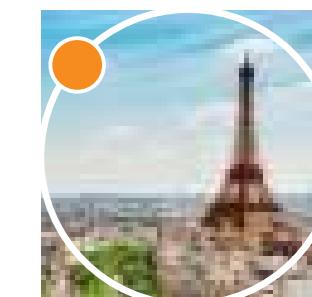
**"What surprised me was the number of office deals that were concluded throughout 2021 without travel. If you were in the right location, with the right asset, it traded, even though people were buying blind."**

- Andrew Thomas, Head of International Capital Markets, London

### Four most popular locations for offices\*



London  
45%



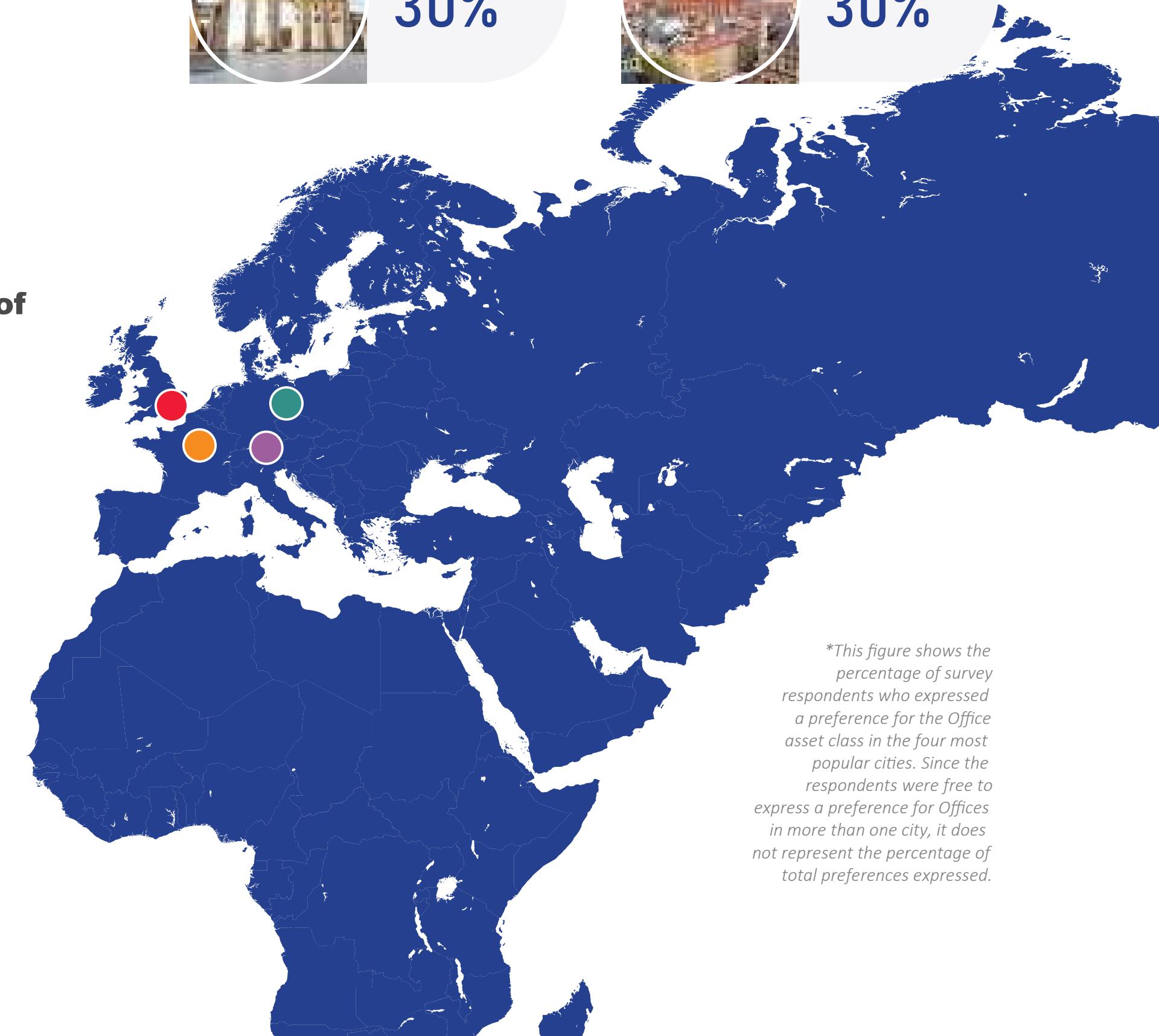
Paris  
30%



Berlin  
30%



Munich  
30%



\*This figure shows the percentage of survey respondents who expressed a preference for the Office asset class in the four most popular cities. Since the respondents were free to express a preference for Offices in more than one city, it does not represent the percentage of total preferences expressed.

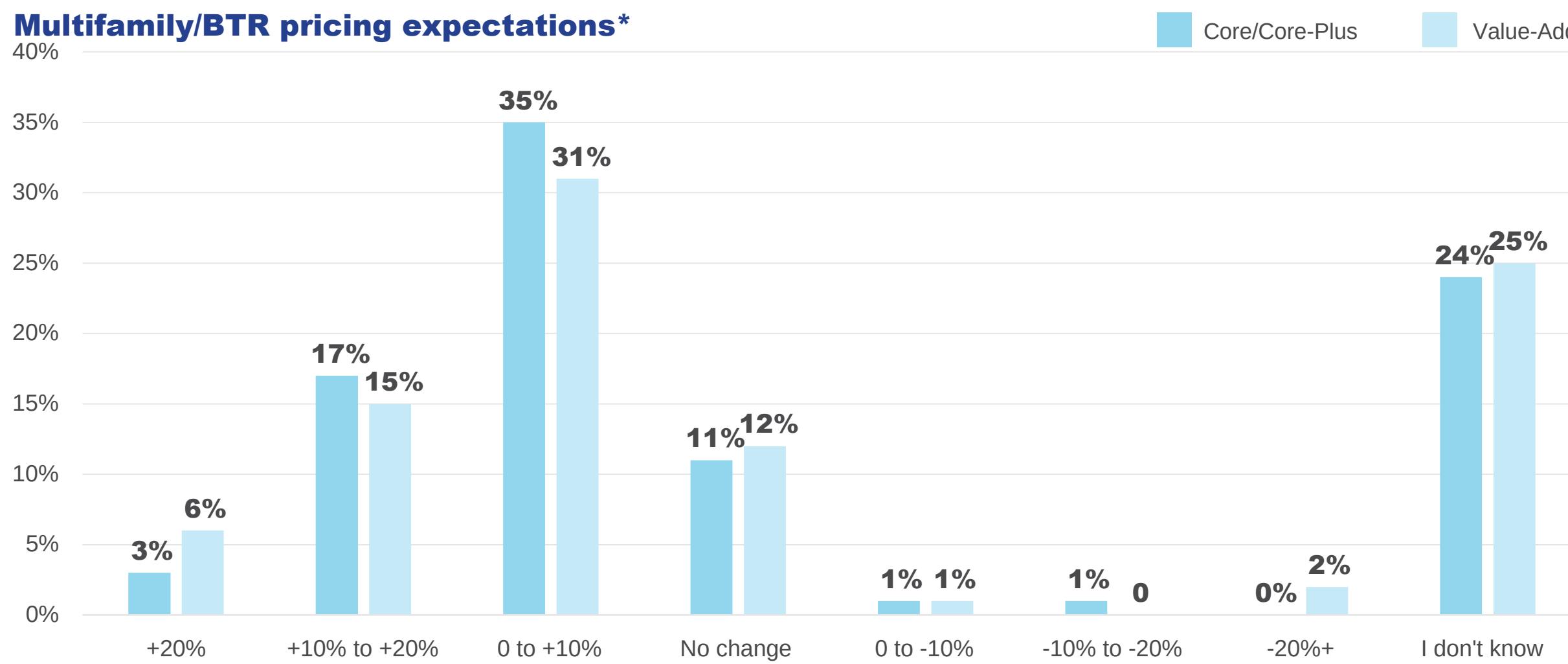
## Expansion of residential options

**Multifamily assets are gaining appeal,** interest is expanding beyond the core German, Benelux and UK markets. Of particular interest to investors are the Nordics and Southern Europe, and traditional homeowners' markets such as Poland are attracting significant interest. Social and economic trends point to more people renting. The preferred route to market continues to be for core assets, but build-to-rent and develop-

to-core strategies are also clearly very popular, as the availability of product remains restricted.

Outside of the multifamily block, **investors are increasingly looking at other forms of residential**. In markets like the UK and Germany, there's a growing trend towards providing for the socially underserved, which is increasingly starting to feature in investor strategies.

## Multifamily/BTR pricing expectations\*



\*This chart represents how often each asset type and capital value was chosen relative to total responses provided. For each asset type and capital value, the % figure indicates the percentage of investors surveyed who chose this specific asset type and capital value, whereby each investor could choose multiple options.

## Multifamily/BTR interest by risk profile\*

### Core

57%

### Development

52%

### Value-Add

46%

### Core-Plus

41%

### Opportunistic

24%

### Debt

22%

\*This chart represents how often each risk profile was chosen relative to total responses provided. For each risk profile, the % figure indicates the percentage of investors surveyed who chose this specific risk profile, whereby each investor could choose multiple profiles.

**“Single-family rentals has developed strongly as a theme during the last 12 months, and we can see this featuring as an emerging strategy. Families are turning to rentals for affordability and mobility reasons. They tend to stay for longer than younger renters, increasing their attractiveness to investors.”**

- Richard Divall, Director, EMEA Cross Border Capital Markets



## Is now the time to buy hotels?

**Europe's hotel sector is once again on the investor radar thanks to a nascent revival of travel and tourism.**

Although the staycation model continues to feature heavily, the rapidity of the turnaround in overseas leisure travel late summer has encouraged a rebound in activity, particularly in the Spanish market. In some cases prime hotel prices have rebounded, reflecting the anticipated rise in RevPAR levels as the industry recovers and travel rebounds. Yet RevPAR remained at 70% of pre-pandemic levels on average across Europe at the start of Q4 2021, highlighting the risk of pricing in further improvements in value on the basis of international travel returning in earnest.

Equally, many full service hotels have been left struggling to return to standard levels of service, which has protracted investor uncertainty around the sector.

**"Reflecting this, repurposing hotels remains a trend that is attracting value-add players** says Christian Kadel, Head of Capital Markets Germany.



## Grocery led retail still top of the menu

The situation facing the **retail sector** is more nuanced. "You've got to look at shopping centres very differently to grocery-anchored retail, or to high street retail," notes Dawson. According to the survey, some investors expect price increases in retail, mostly around luxury hotspots, convenience and food-anchored assets. Although the grocery segment is stable, traditional shopping centres will likely undergo a period of transition, with the ongoing repositioning of department stores a potential prelude to near and mid-term trends.

### Retail assets investors intend to invest in during 2022 in EMEA\*

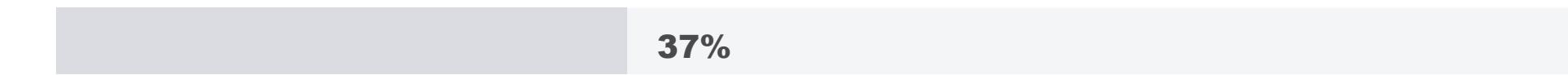
#### Grocery / Supermarkets / Convenience



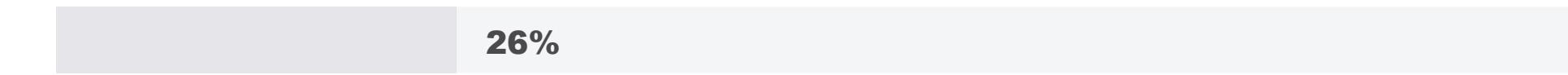
#### Retail Park / Power Centre



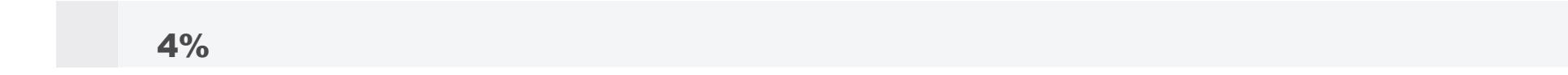
#### CBD / High Street Retail



#### Reposition / Change of Use



#### Out of Town Shopping Centres / Malls



\*The chart represents how often each retail asset was chosen relative to total responses provided. For each retail asset, the % figure indicates the percentage of investors surveyed who chose this specific retail asset, whereby each investor could choose multiple assets.

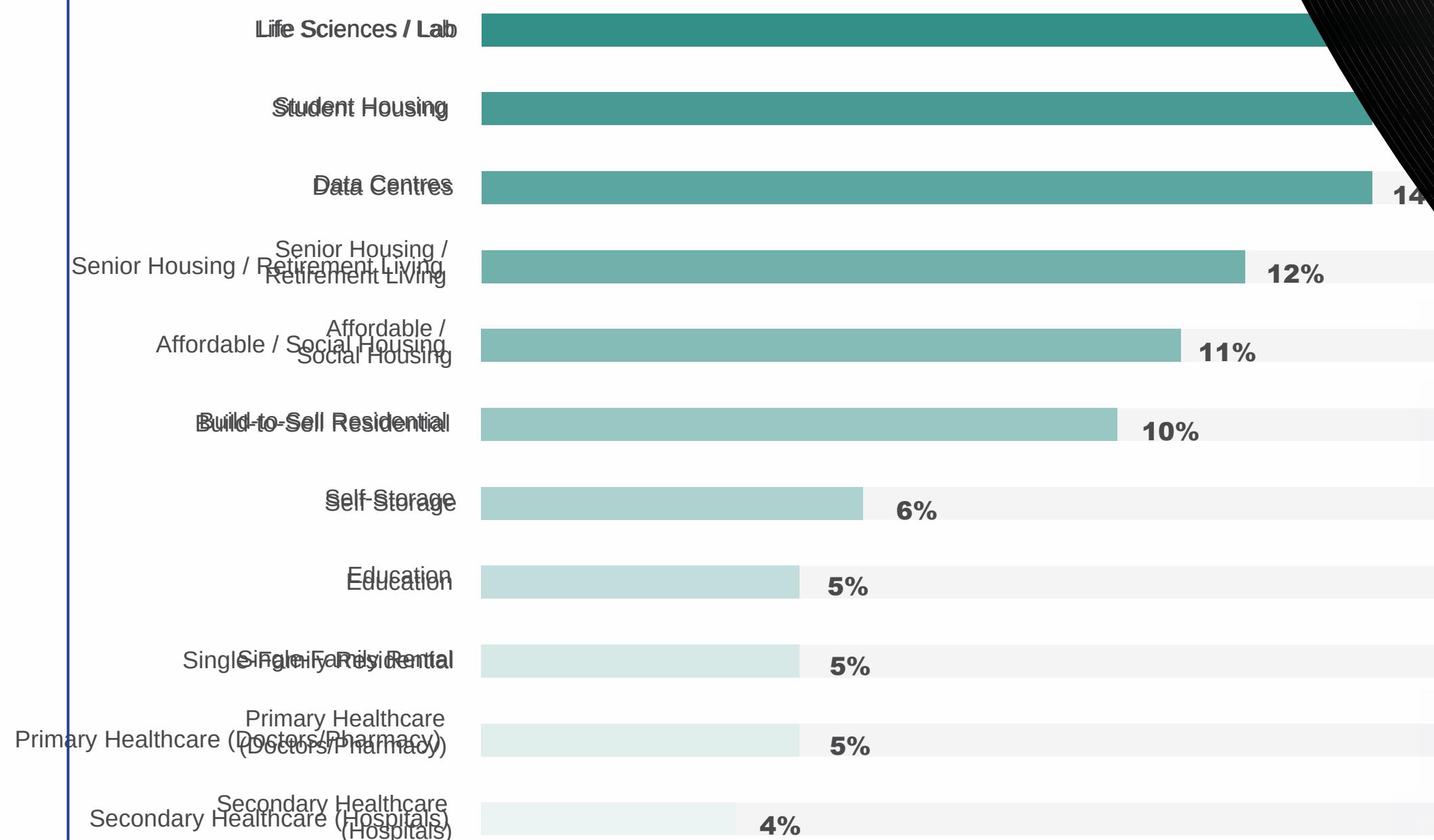
## The attractiveness of alternatives

### The alternatives segments attracting the most capital

Housing, affordable housing and data centres

The science market in Europe isn't as mature as it is in the U.S. or Asia. It is more concentrated and cluster-specific. This is a key driver of investment into Japan. Investors are looking to access the sector, and also into development. For specialised assets, these are core and development strategies as their preferred route to market.

### Popularity of specialised assets



## Assessing the bigger picture

In evaluating prospective risks and opportunities, survey respondents and Elmston experts are positive on the economic growth prospects for 2022.

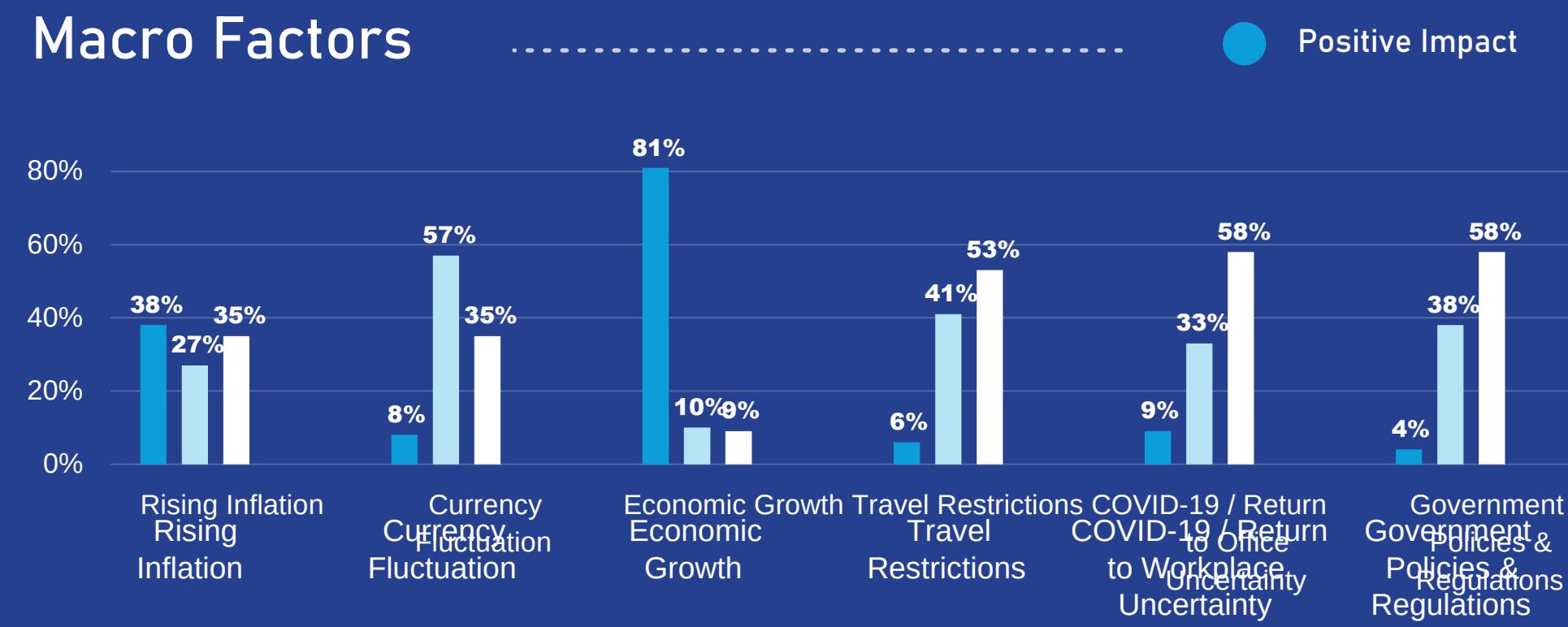
Investors are broadly neutral on the impact of rising inflation in the region. "I do think interest rates will go up, but not significantly," says Harrington. "Most real estate is index-linked anyway, so even if there is core inflation we're hedged against it, which would reflect this balanced view."

The biggest potential macro downsides identified by survey respondents were COVID-19 and its impact on workplaces, unsurprisingly given tightening restrictions in parts of Europe amid surging winter caseloads. From a market perspective, **rising construction costs were cited as a negative factor by 80% of the investors surveyed**, limiting the ability of investors into development strategies and curtail the speed and cost-effectiveness at which they can retro-fit assets. Conversely, however, this will underpin existing rents and values, especially as vacancy rates continue to diminish.

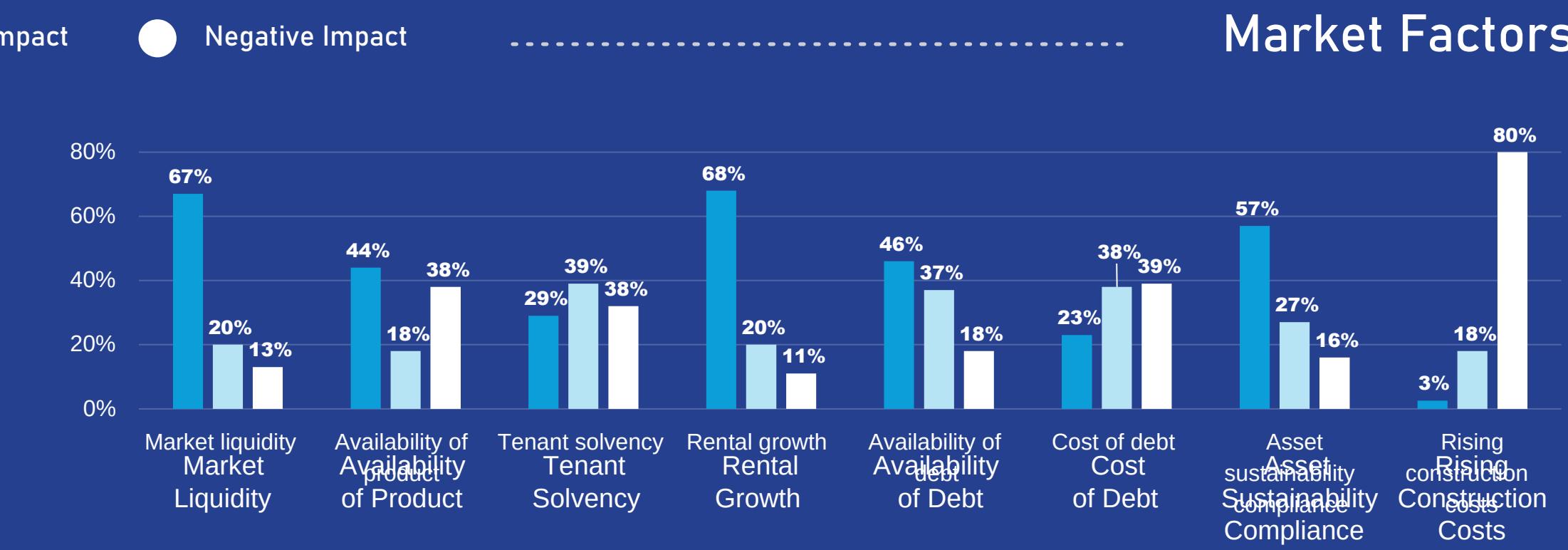
**"Although economic growth rates will generally be lower than the rebound rates witnessed in 2021, we're still looking at GDP rising by over 6% for major European economies. That is translating into occupier expansion and jobs growth."**

- Damian Harrington, Director, Head of Research, Global Capital Markets & EMEA

## Macro Factors



## Market Factors



## Europe leads the way on ESG

**Europe is a pioneer in terms of environmental and social standards** European Union's (EU) Sustainable Finance Disclosure Regulation coming into effect in March 2021 and likely to further intensify focus on ESG, according to Elmston research. The region's investors are similarly ahead of the curve. However, even in the EU, **there are still no clear technical standards for what qualifies as a "green" building, obscuring the costs of future compliance** Elmston notes.

The social aspect of ESG could also prove costly, given increasing political attention on the affordability of multifamily assets, and mounting planning opposition to highly automated logistics facilities that generate relatively few jobs to offset the traffic and air quality concerns surrounding their operations.

These complexities have done little to dampen the enthusiasm surrounding European property going into the new year, amid expectations for a solid economic recovery and interest rates that will remain low by historic standards.

**"There's a huge sense of positivity amongst investors. 2022 is the year for action and the market is already preparing itself for a bullish start."**

- Luke Dawson, Managing Director, EMEA Cross Border Capital Markets

[Click here to view the full EMEA 2022 Investor Survey Results](#)





# The Americas Outlook

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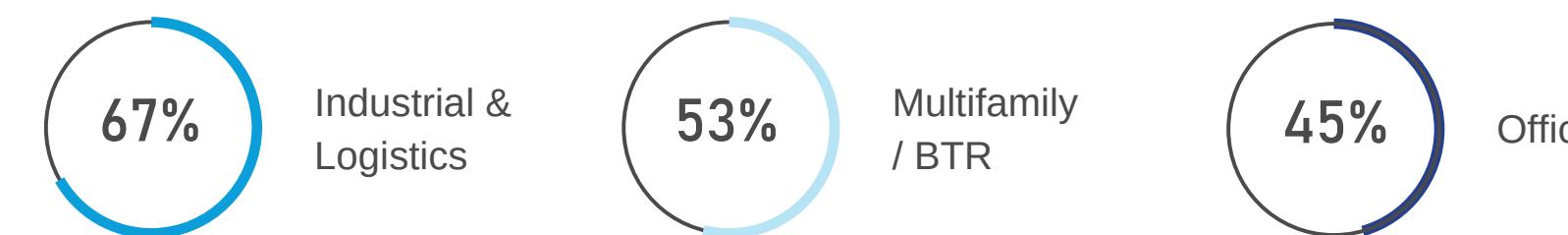


# Investment activity set to scale new heights

The prospects for real estate investment look bright for the Americas. **The U.S. is expected to post a record year for volumes in 2021** without major coastal markets fully recovering, and 2022 could be even stronger according to David Amsterdam, President, U.S. Capital Markets and Northeast Region.

**In Canada low interest rates and private investment continue to drive the market.**

**The top three sectors investors are most likely to invest in during 2022\***



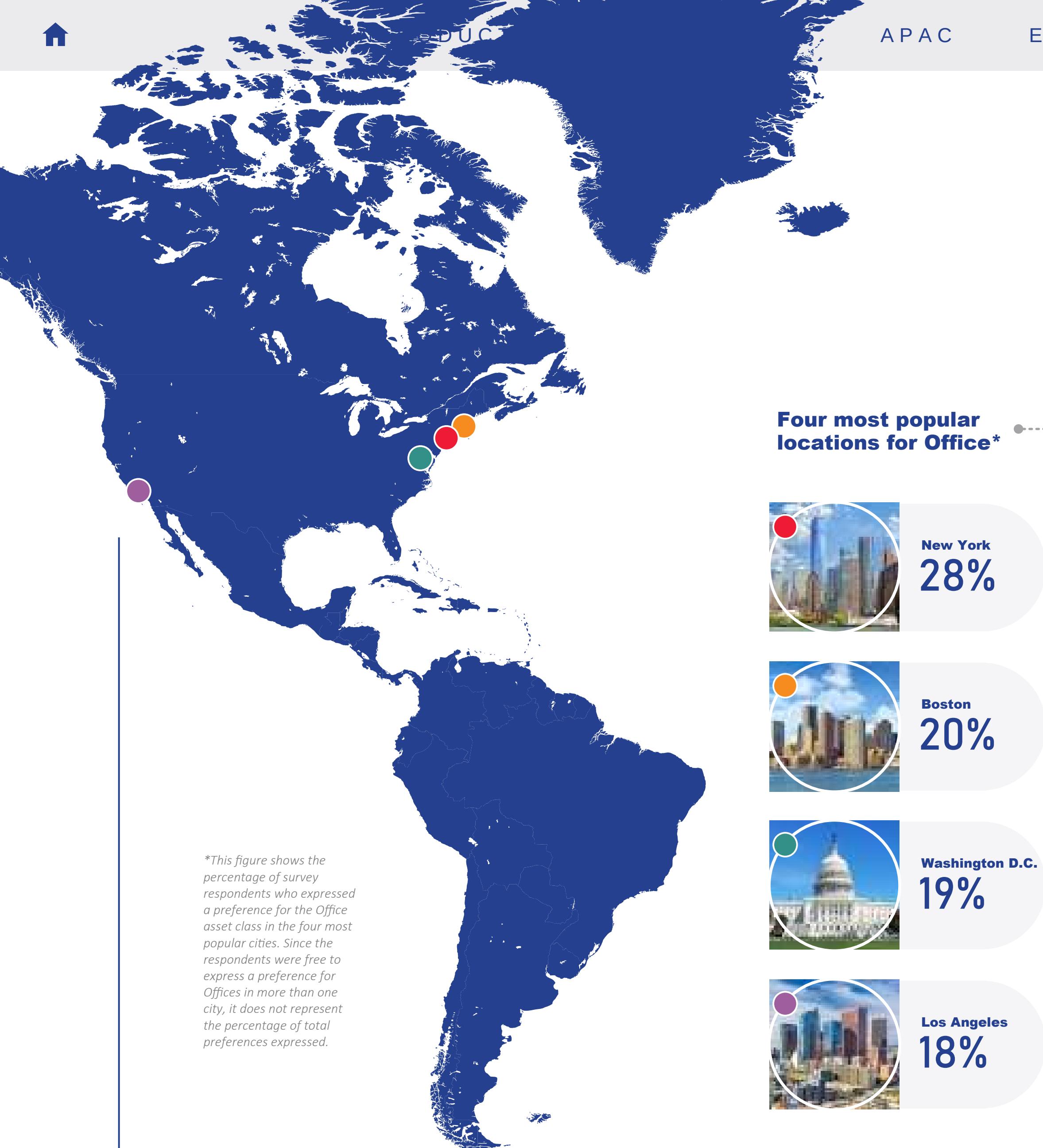
**“With strong capital flows and political and tax policy uncertainties, 2021 should be a historic year from an investment sales perspective.”**

- David Amsterdam, President, U.S. Capital Markets and Northeast Region



**Dallas, Texas, U.S.**  
is the #1 location to  
invest in during 2022

\*These charts represent how often each asset class was chosen relative to total responses provided. For each asset class, the % figure indicates the percentage of investors surveyed who chose this specific sector, whereby each investor could choose multiple asset classes.



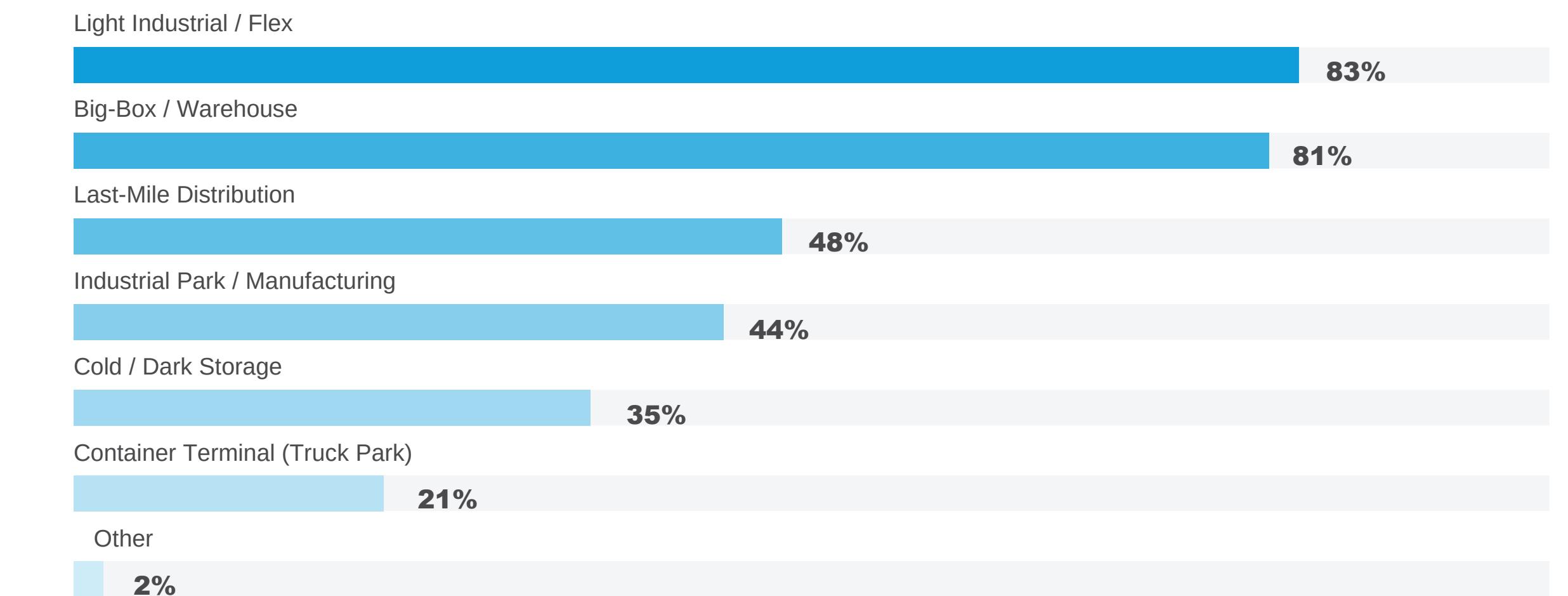
## Industrial remains red hot

As was the case last year, **industrial was a sector of major interest among survey respondents** with a solid majority targeting investment in the sector and predicting positive performance in 2022. Big-box and light industrial/flex assets in major cities across North America are attracting capital, with Dallas, Texas a notable hotspot.

## Office is gaining momentum

While the survey indicates slightly lower expectations for the office sector relative to industrial, optimism about office investment is growing, with more companies urging their staff to return to physical locations. **Offices remain the most sought-after asset class in key markets within the U.S. such as New York and Boston, while Toronto and Vancouver were most popular in Canada.**

## Industrial interest by type\*



\*The chart represents how often each I&L asset was chosen relative to total responses provided. For each I&L asset, the % figure indicates the percentage of investors surveyed who chose this specific I&L asset, whereby each investor could choose multiple assets.

## Multifamily residential is another major driver of growth

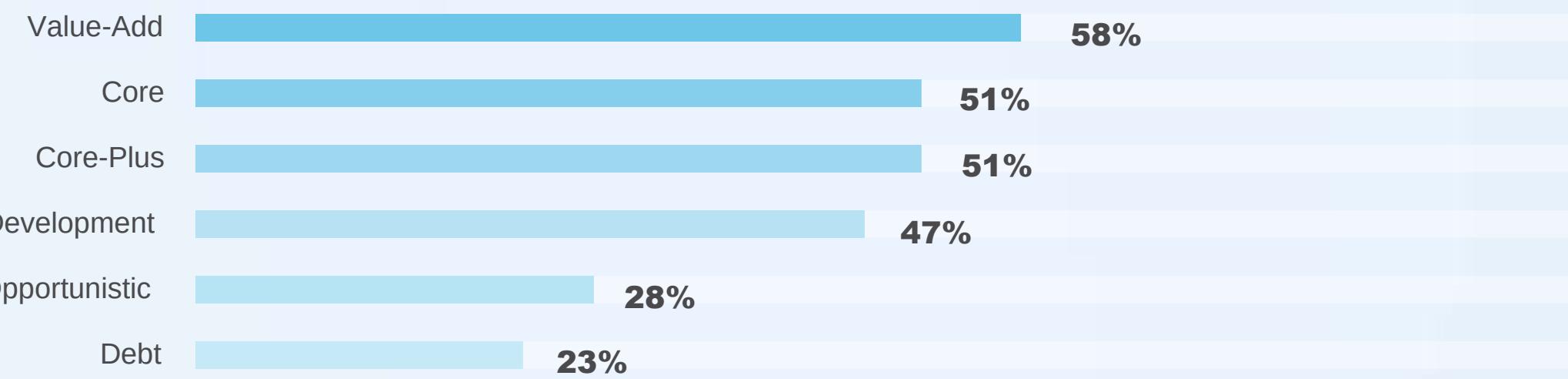
A lack of supply is driving up rents and propelling investor demand.

**"Foundationally, the real driver has been the sustained, low interest rate environment," says Hal Collett, Chief Operating Officer of Elmston Mortgage. "The resiliency of multifamily has been outstanding."**

The survey identified rental growth as one of the factors likely to drive the market in 2022, with 72% citing it as a positive.

There is a relatively equal focus on core/core-plus and development opportunities, and demographics and growth are driving record volumes **particularly in the Southeast and Southwest U.S., amid significant migration to the Sunbelt**. Multifamily has also become a preferred asset class in markets such as Dallas. Declining vacancy rates in central urban markets also made New York, Toronto, and Montreal popular choices.

### Multifamily interest by risk profile\*



\*This chart represents how often each risk profile was chosen relative to total responses provided. For each risk profile, the % figure indicates the percentage of investors surveyed who chose this specific risk profile, whereby each investor could choose multiple profiles.

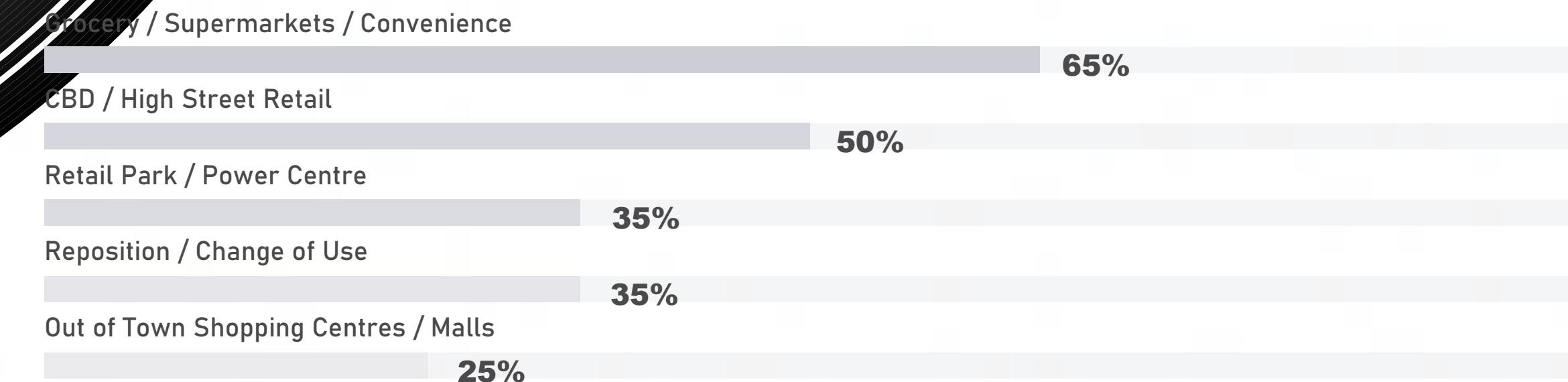




## The retail market is stabilising

"Retailers' views on the capital appreciation potential of retail assets are still neutral to negative on the capital appreciation potential of retail assets," says Aaron Jodka. "But some segments, such as grocery, are doing well and the pace of store closures is easing. 'The retail market is stabilising,' notes Aaron Jodka, Director of Research, U.S. Capital Markets. 'Retailers are figuring out what omnichannel really means, mixing in-store experiences with curbside pick-up and online ordering, appealing to consumers and capturing spending.'

### Retail assets investors intend to invest in during 2022 in the Americas\*



\*The chart represents how often each retail asset was chosen relative to total responses provided. For each retail asset, the % figure indicates the percentage of investors surveyed who chose this specific retail asset, whereby each investor could choose multiple assets.

## Hotels offer opportunities

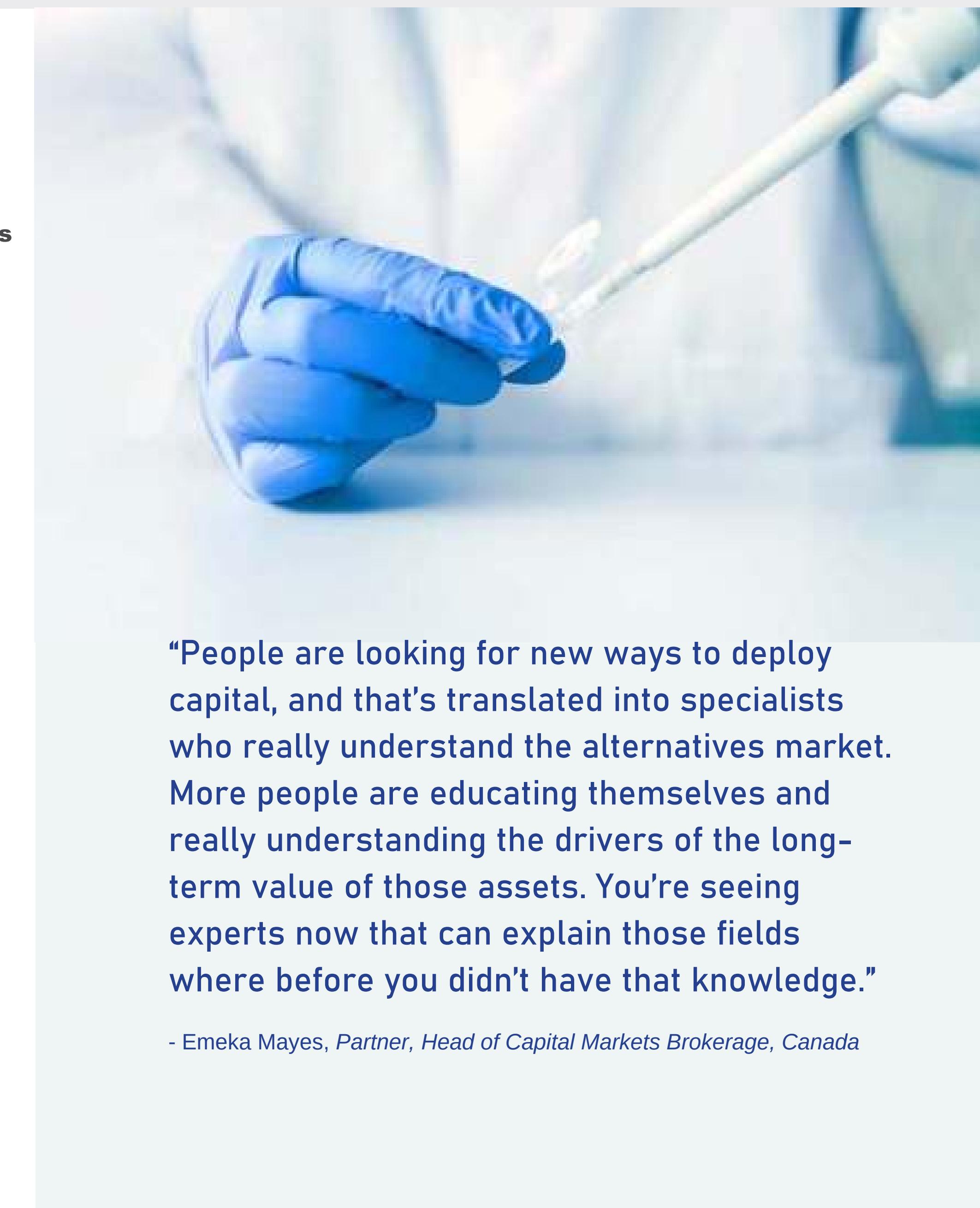
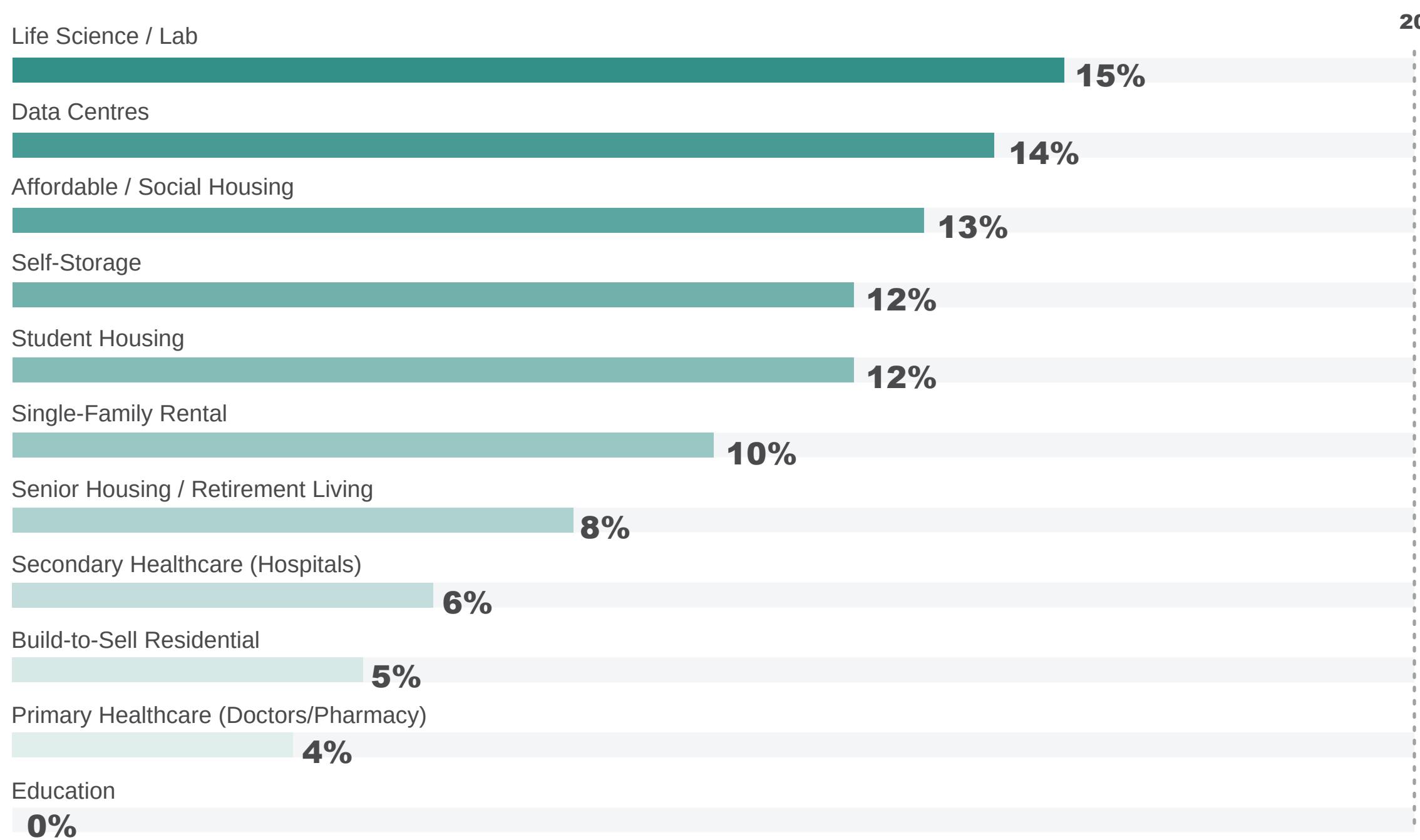
The **hotel sector**, which like retail saw extensive disruption as a result of the pandemic, is benefiting from a pickup in business and leisure travel in North America and the return of convention activity, although RevPAR may take some time to recover fully. **Recent deals are pricing at, or above 2019 levels. Investors are betting on a return to normality**, we expect to see increased sales activity as a result.

## Alternative asset classes continue to gain appeal for investors

Demand for self-storage facilities is rising as North Americans seek additional room for their possessions, creating 'sticky' rents. **There is also strong appetite for highly specialised segments like life sciences and cold storage.**

"You're going to see further reallocation to alternatives, and that will continue to be a focus for us in the years to come," says Amsterdam. "It's not a 2022 event, it's the next 20 years, and it won't just be an industrial conversation - it's going to be a myriad of alternatives that will capture interest."

### Alternative (Specialised Assets By Type)

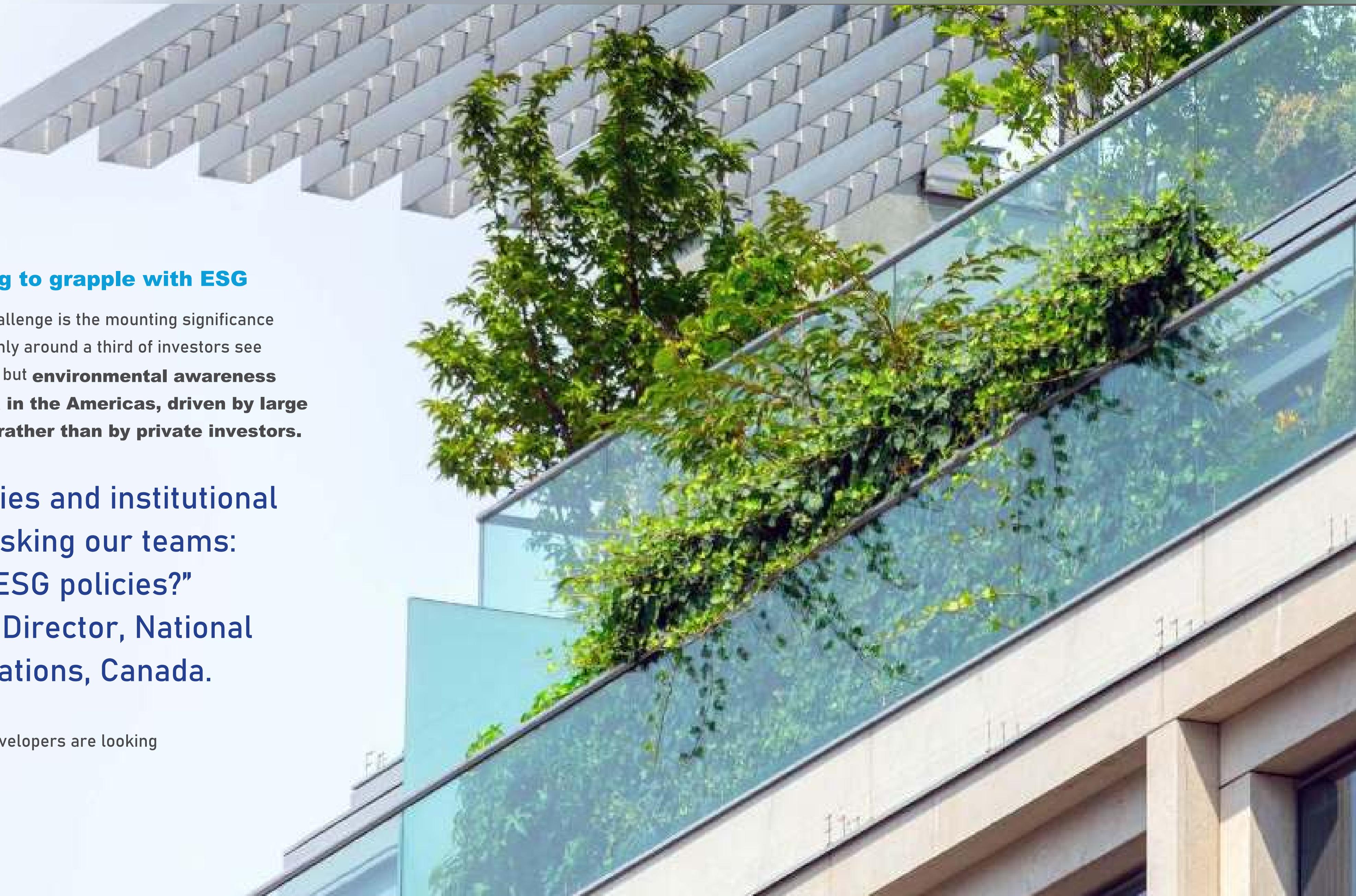


## Investors beginning to grapple with ESG

One potential near-term challenge is the mounting significance of ESG factors. Currently, only around a third of investors see this as being a major focus, but **environmental awareness is rising up the agenda in the Americas, driven by large corporates and banks rather than by private investors.**

**“Public companies and institutional investors are asking our teams: what are your ESG policies?” notes Leo Lee, Director, National Research Operations, Canada.**

Investors, occupiers and developers are looking for guidance from Europe.



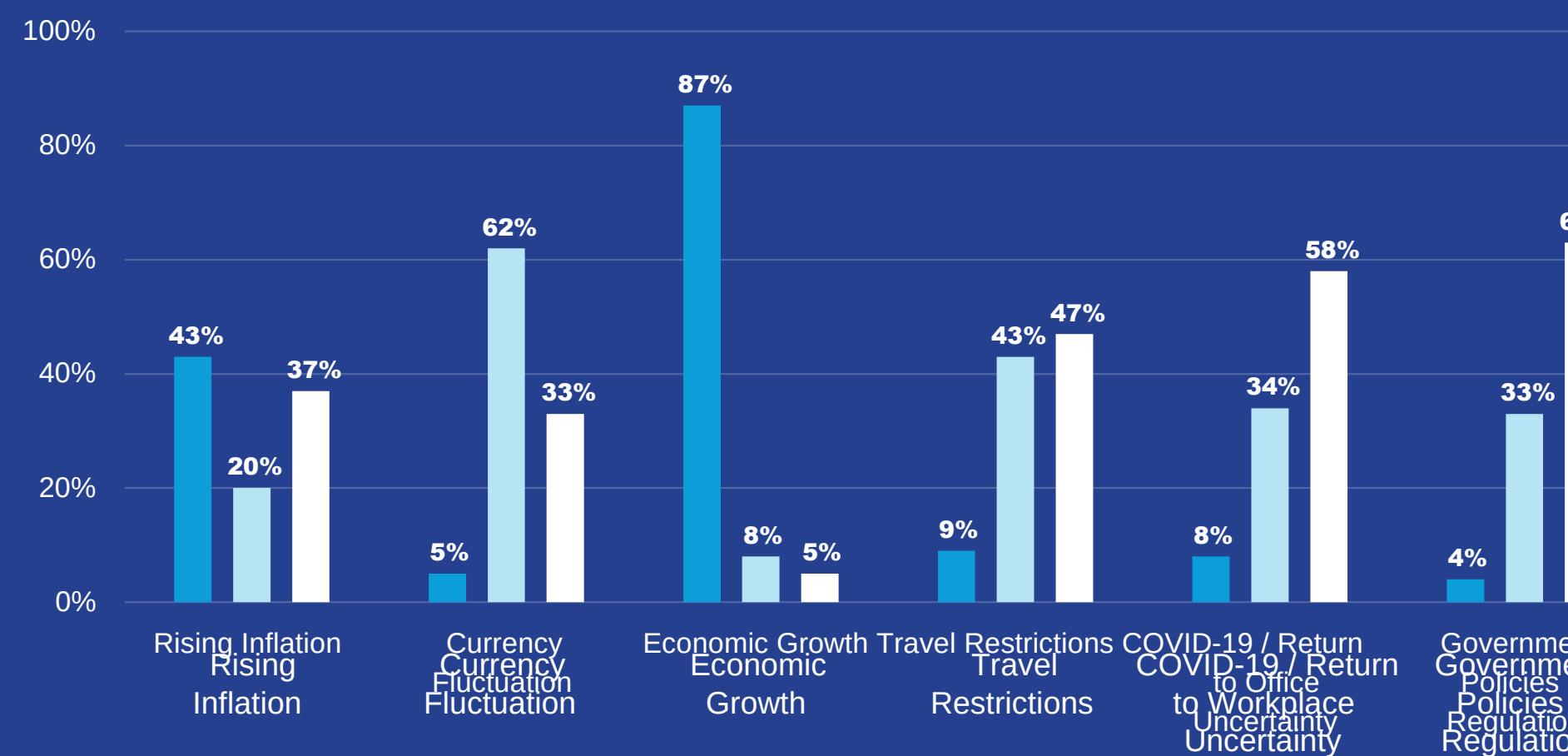
Survey respondents are broadly split over whether inflation will be positive or negative for investment strategies in 2022, except in the specific case of rising construction costs, which are widely viewed as a significant risk. **Nevertheless, confidence in the growth picture is strong, with investment funds outstripping available supply and placing a premium on new builds.**

"More and more groups are combining forces to engage in development in order to deploy capital, because they can't get at assets through acquisitions the way that they did in the past," says Mayes.

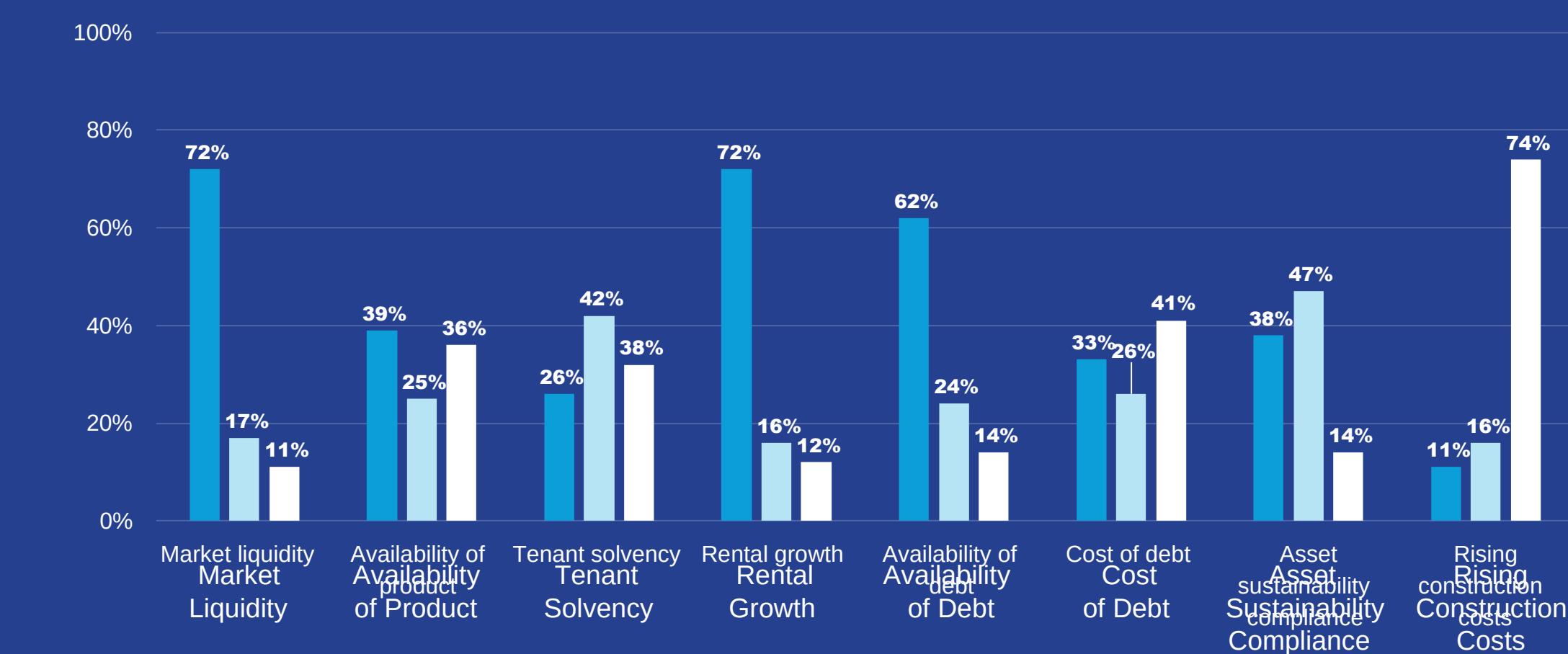
**Tax, regulation and pandemic-related uncertainties remain the other most likely drags on activity in 2022.** Positive performance driven by demographic and consumer trends, and a continued shift to specialised assets, are expected to be the major trends supporting activity in the Americas, with a massive amount of capital sitting on the sidelines waiting to be deployed into property. **"We're going to be flying with clear skies in 2022 compared to 2021," says Amsterdam.**

[Click here to view the full Americas 2022 Investor Survey Report](#)

## Macro Factors



## Market Factors

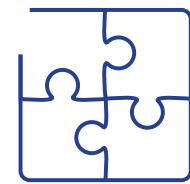


The % figure represents the percentage of investors surveyed who chose these specific response as a key market and macro challenge.

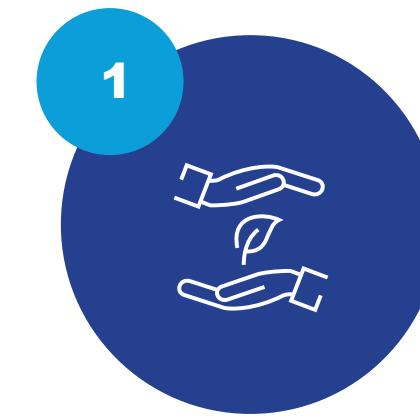
**“Investors are optimistic about today's market liquidity, with many commenting on the incredible levels currently available. After a record-setting 2021, 2022 is lining up to be even stronger.”**

- David Amsterdam, *President, U.S. Capital Markets & Northeast Region*

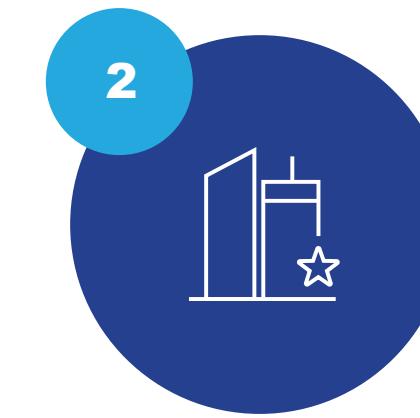




# Key Takeaways



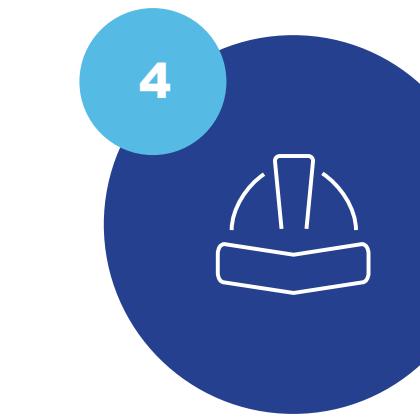
**Social and environmental**  
trends are a **clear priority for investors**  
2022 and beyond.



**Tier-1 global markets**  
London, New York, Tokyo  
and Paris are **at the top of investors' wish-list.**



As competition for **core assets heat up**,  
investors should not be surprised  
to be **outbid.**



**Rising construction costs** is the primary  
**market constraint**  
**for 2022**



**Partnership is key**  
investors as both a buying  
strategy and to diversify  
portfolios.



**\$4.0B**

Annualised Revenue

**65**

Established in Countries

**2B**

Square Feet Managed

**54,000**

Lease/Sale Transactions

**\$46B**

Assets Under Management

**18,000**

Professionals

*All statistics are for 2020, are in US dollars and include affiliates***2022 Global Investor Outlook**

Elmston Global Capital Markets

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