



GLOBAL
INVESTOR
INTENTIONS
SURVEY 2021

CBRE RESEARCH

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EXECUTIVE SUMMARY

Pricing: Investors are trying to negotiate price discounts for value-add office, retail and hotel assets but securing them is very challenging. Distressed hotel sales are growing but sellers are largely holding firm for other property types.

Risk Appetite: As economic recovery varies across regions, global investors exhibit different risk appetites. Americas investors are the most risk-tolerant, while EMEA investors are the most risk-averse.

ESG: Global investors are taking Environmental, Social and Governance (ESG) investment criteria into greater consideration. EMEA investors lead in ESG adoption while Americas investors who have adopted ESG principles contribute the most capital to this strategy.

Note: CBRE's 2021 Global Investor Intentions Survey included 1,041 global investors regarding their investment plans and preferred strategies, sectors and markets. The survey was conducted between Nov. 9, 2020 and Feb. 2, 2021.

In this chartbook, global totals are an average of all three regions weighted by each one's share of global investment volume, roughly 50% for the Americas, 35% for EMEA and 15% for Asia Pacific. Totals by investor type are not weighted.

KEY FINDINGS

Strategies & Returns

- Investors' risk appetite is growing in search of higher returns. Globally, a survey-record 24% of investors are targeting opportunistic and distressed assets in 2021.
- Core returns have largely recovered from COVID lows, while non-core returns differ across markets.

Sectors & Markets

- Pricing will remain aggressive for logistics and multifamily assets, while discounts are expected for other asset types.
- Americas investors prefer U.S. Sun Belt markets, while EMEA and APAC investors continue to favor primary markets.

Other Key Findings

- Occupiers are more optimistic than investors about office demand in the next three years. Office values held up relatively well in 2020.
- Nearly 60% of survey respondents have adopted ESG criteria as part of their investment strategy.

GLOBAL INVESTOR INTENTIONS SURVEY 2021

ACTIVITY

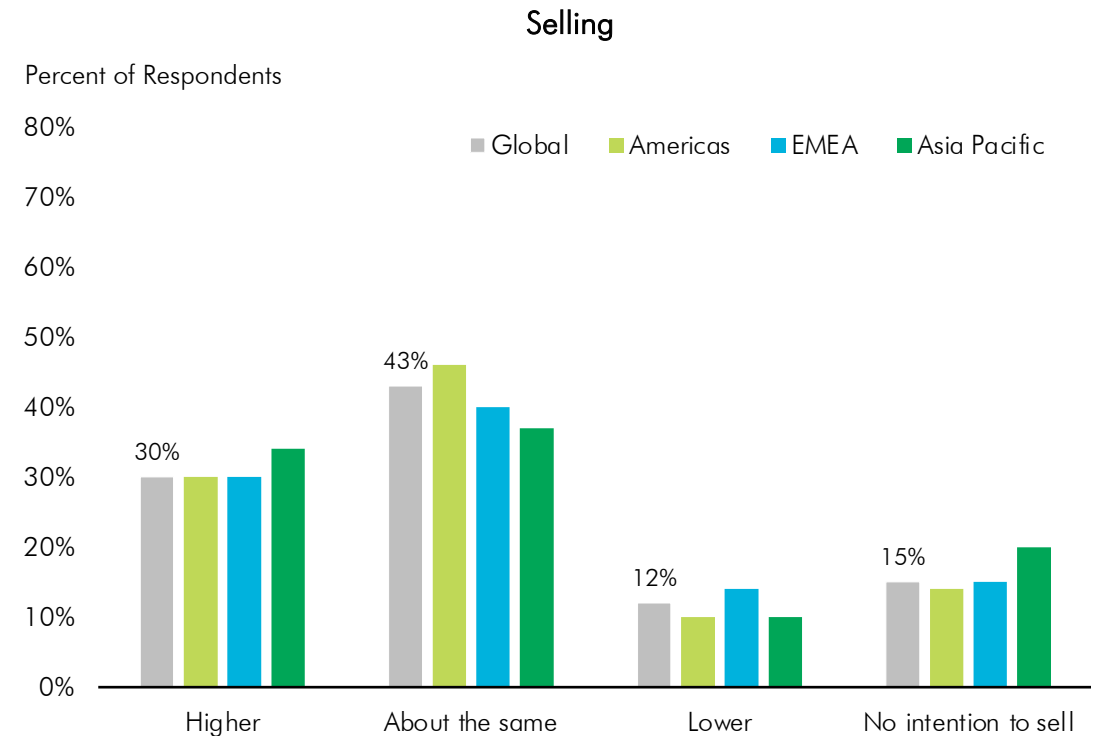
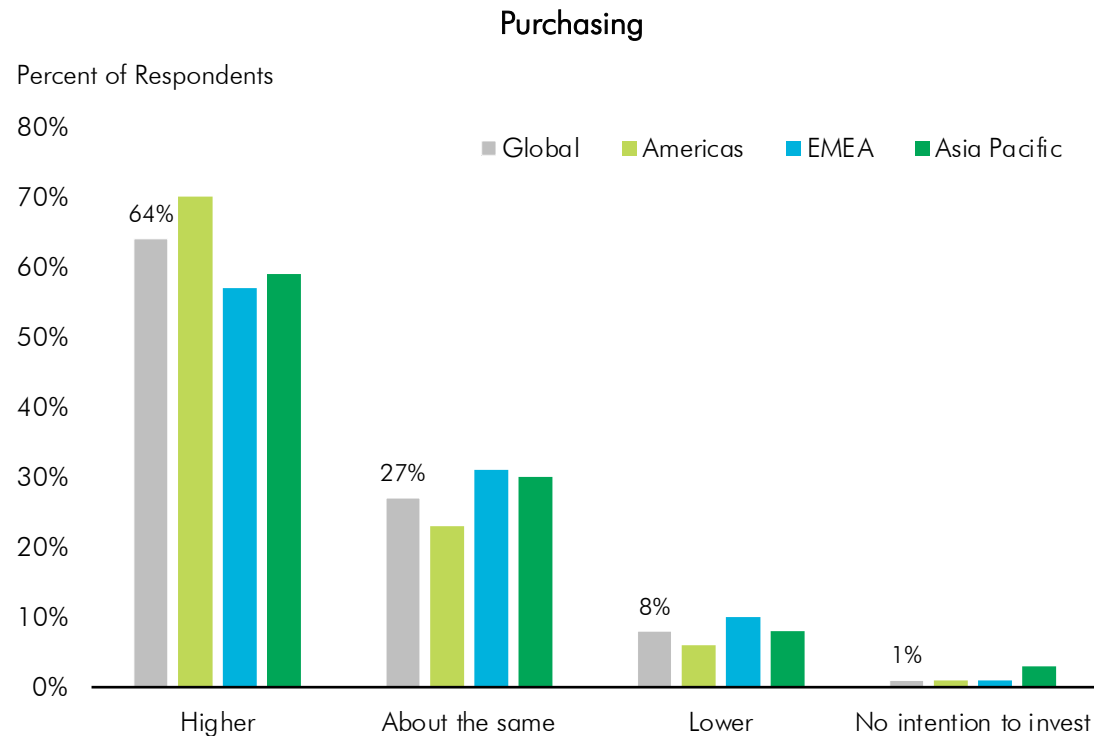


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PURCHASING ACTIVITY EXPECTED TO REBOUND STRONGLY

- Buyers intend to deploy more capital into real estate worldwide in 2021, driven by a global economic recovery and abundant dry powder.
- Sellers are more cautious, intent on preserving asset value through uncertain times.
- The weight of capital chasing limited supply of available assets may help to stabilize prices.

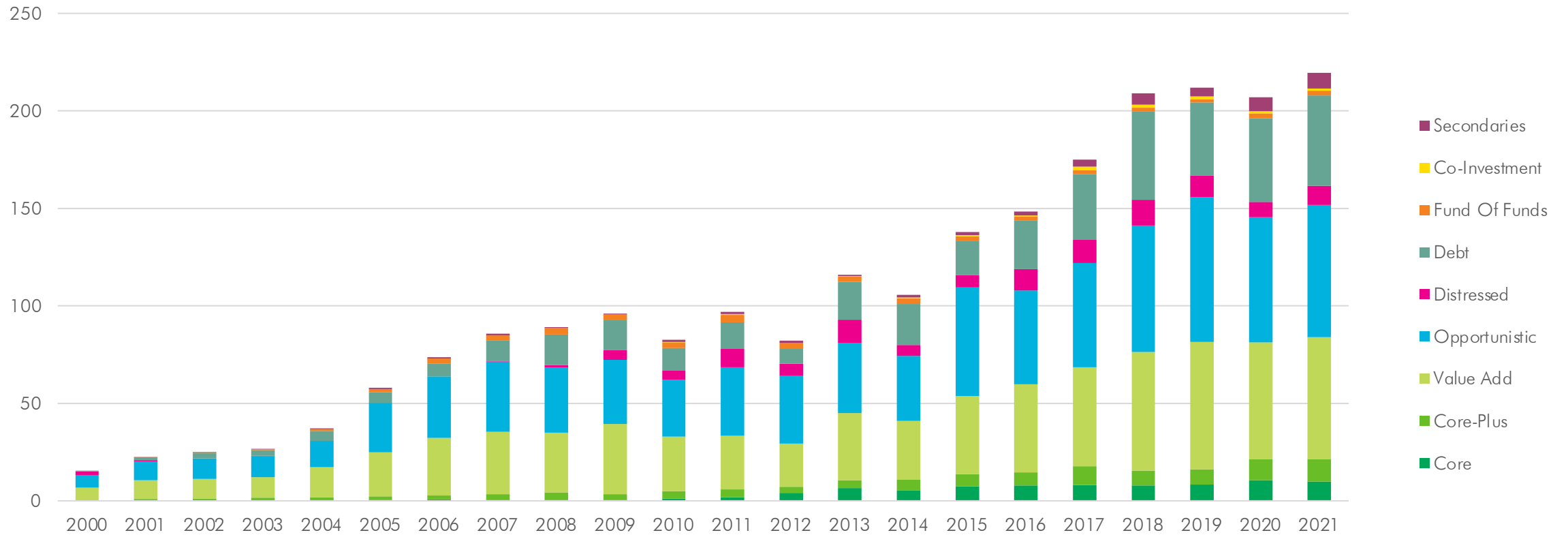
Figure 1:
INVESTMENT ACTIVITY EXPECTATIONS



CAPITAL AVAILABILITY REMAINS HIGH FOR REAL ESTATE

Figure 2:
GLOBAL REAL ESTATE DRY POWDER BY STRATEGY

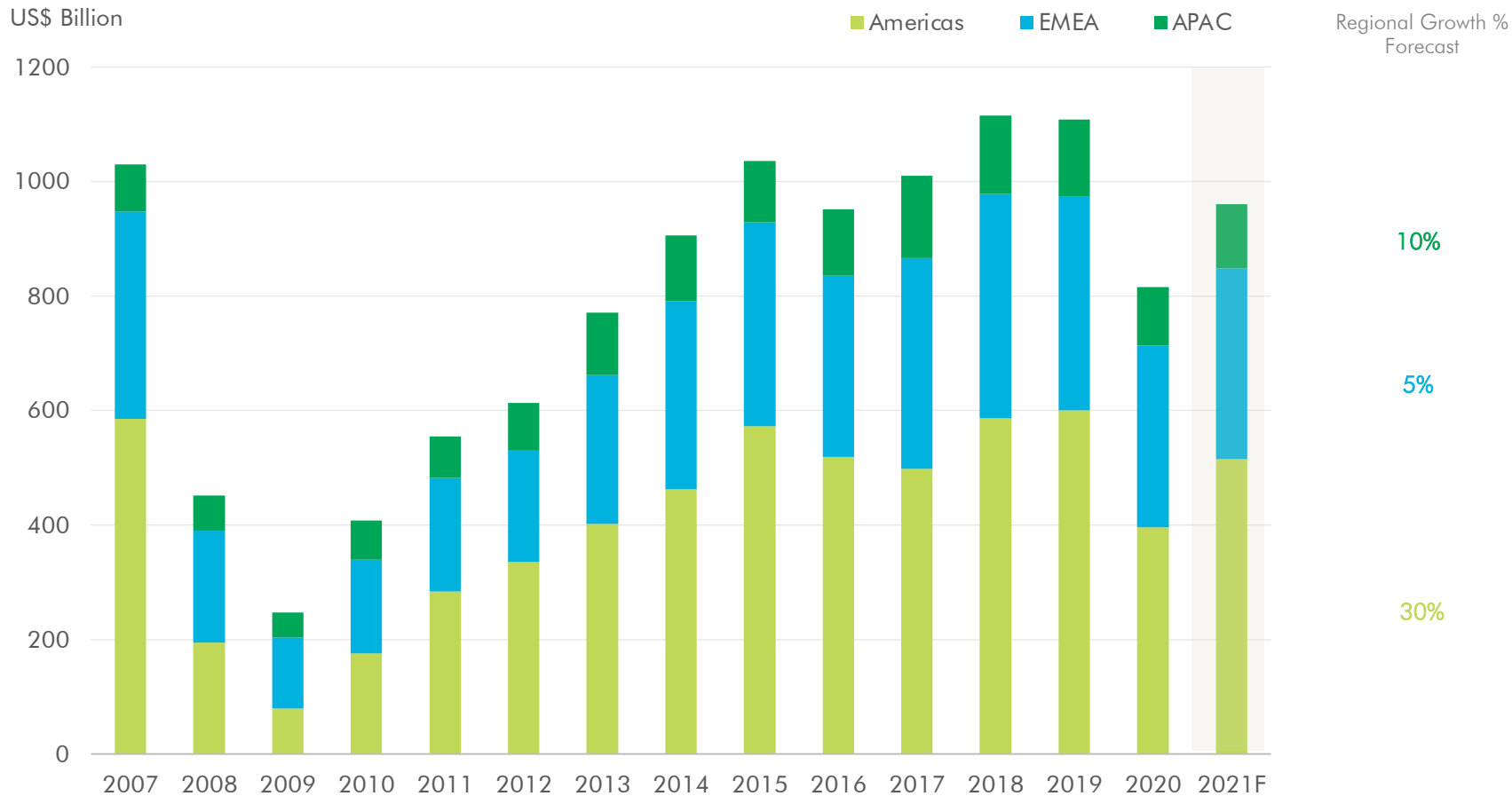
US\$ Trillion



Source: Preqin, Q1 2021.

INVESTMENT VOLUME EXPECTED TO INCREASE IN 2021

Figure 3:
GLOBAL INVESTMENT VOLUME 2007-2021

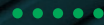


- CBRE estimates that global investment volume will grow by 15% to 20% year-over-year in 2021, primarily driven by a strong rebound in the Americas, where 70% of purchasers plan to buy 20% more this year.
- Boosted by the latest \$1.9 trillion fiscal stimulus, U.S. investor confidence is particularly robust.
- A sizeable increase in investment volume is expected in the second half of 2021, as developed markets like the U.S. and U.K. reach herd immunity to COVID-19 due to widespread vaccinations.
- Developing markets may lag significantly in vaccinations, adding to remaining uncertainties.

Source: CBRE Research, Q1 2021.

GLOBAL INVESTOR INTENTIONS SURVEY 2021

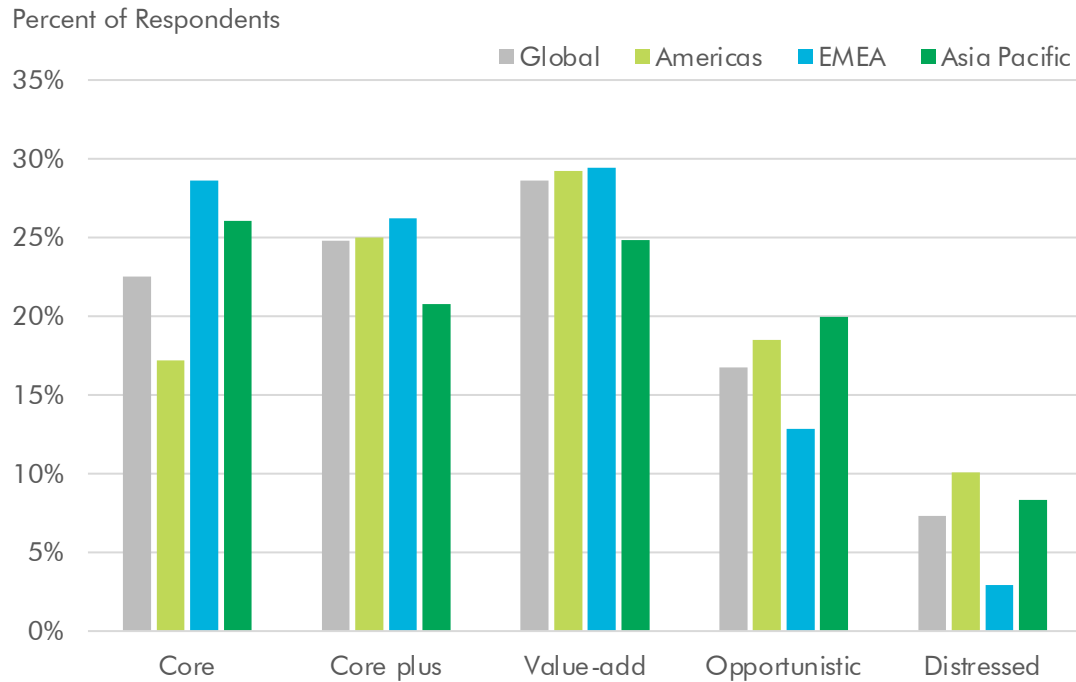
STRATEGY



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CAPITAL FLOWS ACROSS THE RISK SPECTRUM

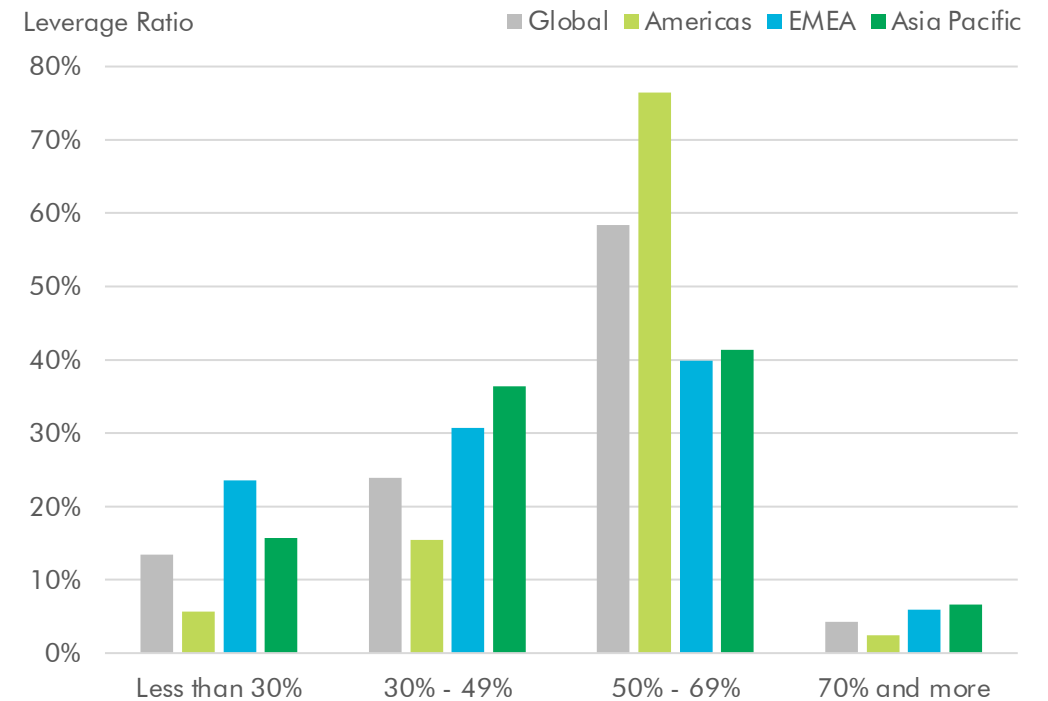
Figure 4:
PREFERRED INVESTMENT STRATEGY 2021



- Americas investors are the most risk-tolerant, with the highest preference among all regions for distressed assets.
- EMEA investors remain the most risk-averse, with the highest preference for core assets, mainly due to lingering uncertainty and slow economic recovery.
- APAC investors adopt two-tier risk strategies, focusing primarily on core but also showing more appetite for opportunistic and distressed assets as markets are at varying stages of recovery.

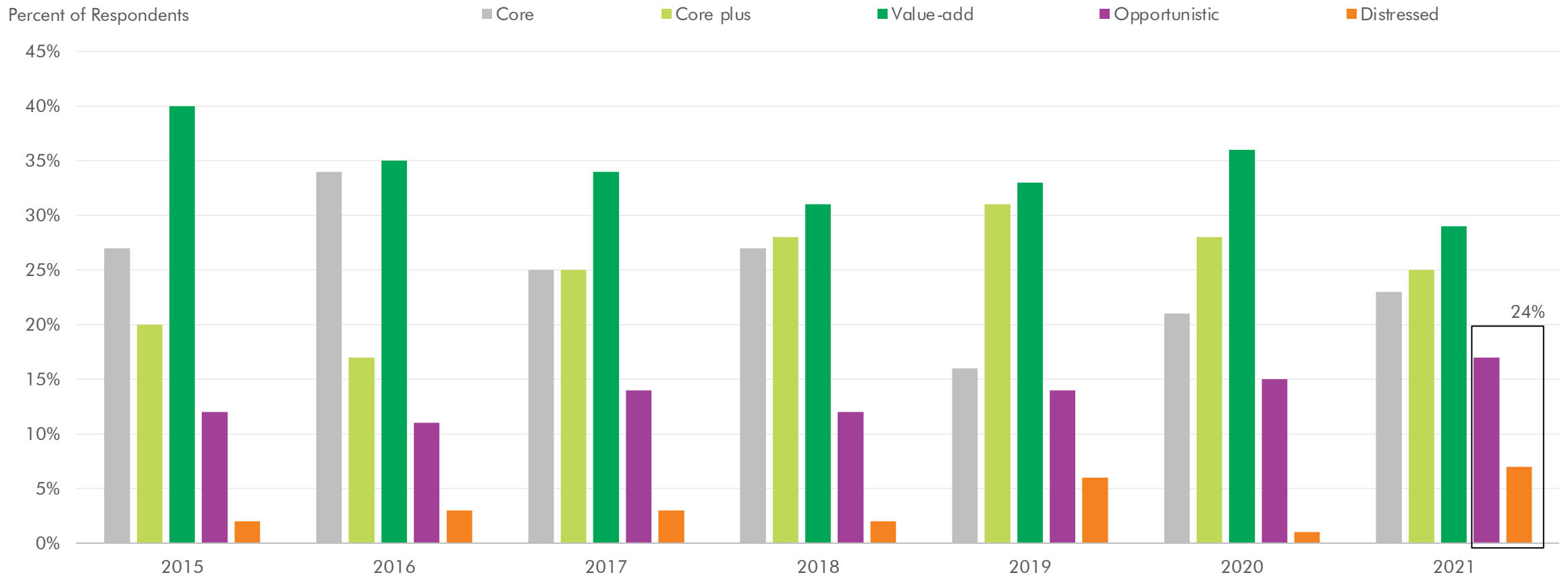
Figure 5:
PLANNED LEVERAGE RATIOS

- The global average leverage ratio equals 51%.
- The lending market has been active and aggressive in the Americas on the back of monetary easing and the Fed’s firm low interest rate posture until 2023.
- Meanwhile, EMEA and APAC investors focus on cash-on-cash returns.



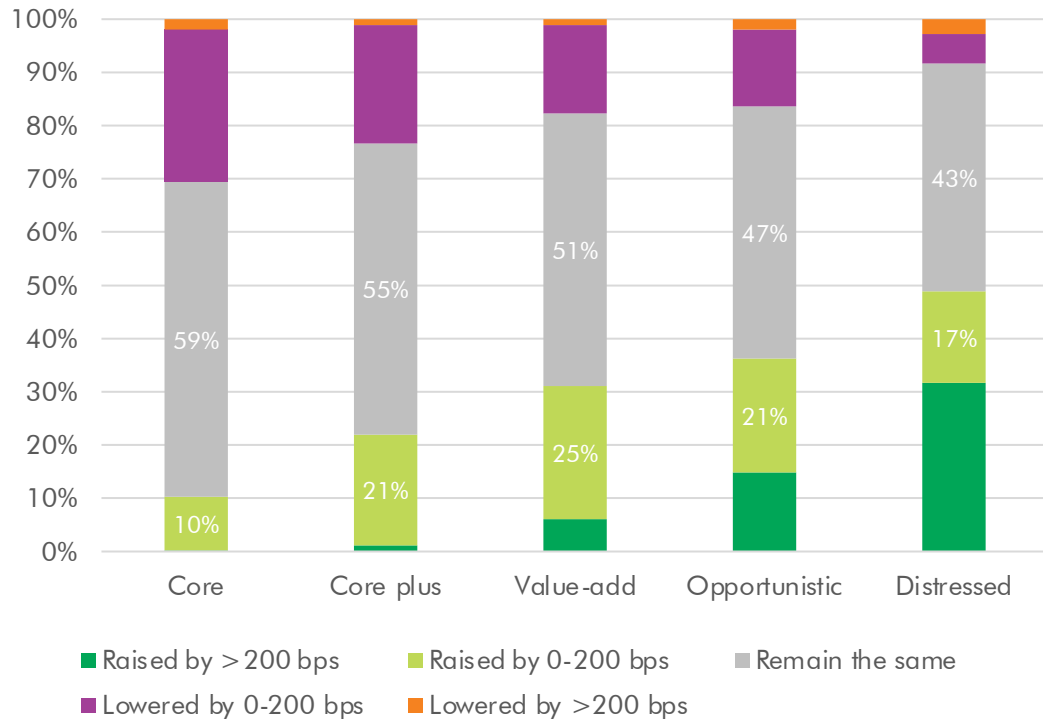
RISK APPETITE REACHES RECORD HIGH IN SURVEY HISTORY

Figure 6:
HISTORICAL COMPARISON 2015-2021



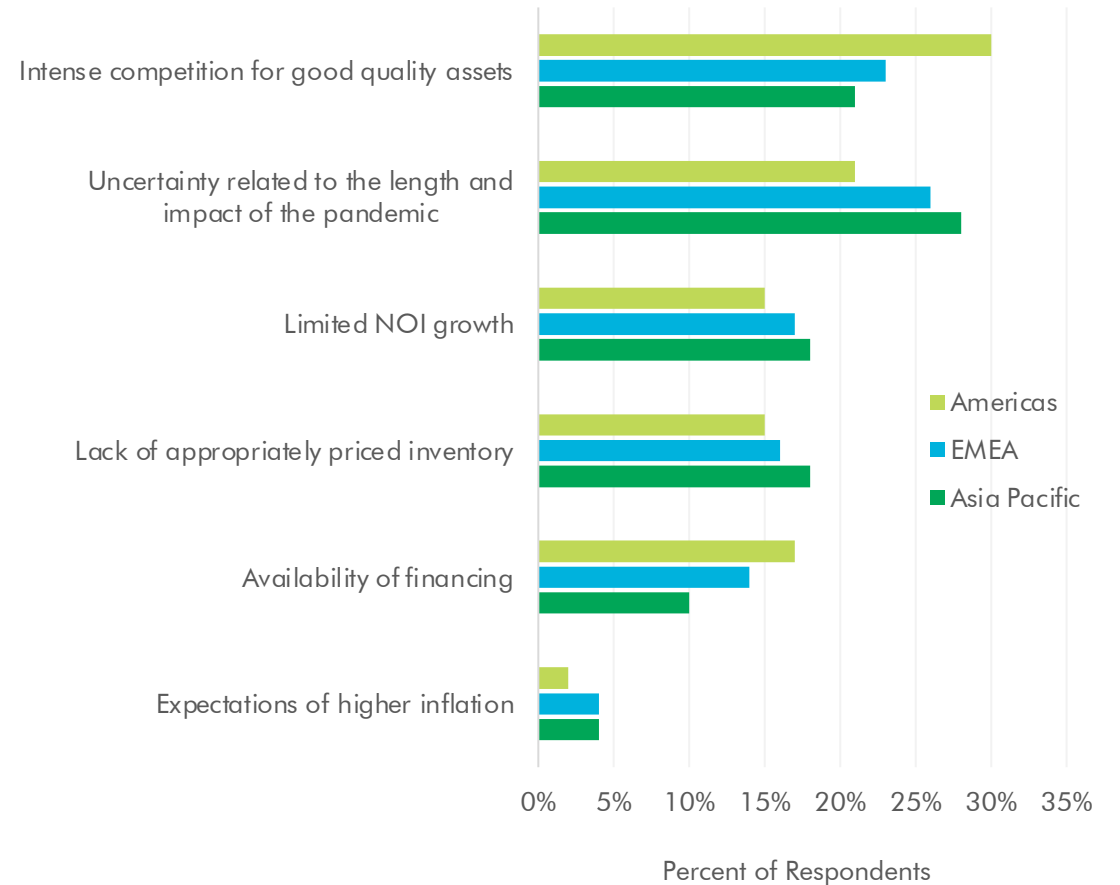
HIGHER RETURNS EXPECTED FOR RISK

Figure 7:
EXPECTATIONS FOR UNLEVERED TARGET RETURNS



- Higher risk appetite is mainly driven by the prospect for higher returns.
- While opportunistic and distressed investments are expected to outperform, most survey respondents believe returns will largely remain the same.

Figure 8:
CONTRIBUTING FACTORS TO ADJUSTED RETURNS



SOME RETURNS HAVE RECOVERED TO PRE-COVID LEVELS

Figure 9:
GLOBAL RETURNS OF CORE FUNDS (LOCAL CURRENCY, QUARTERLY)

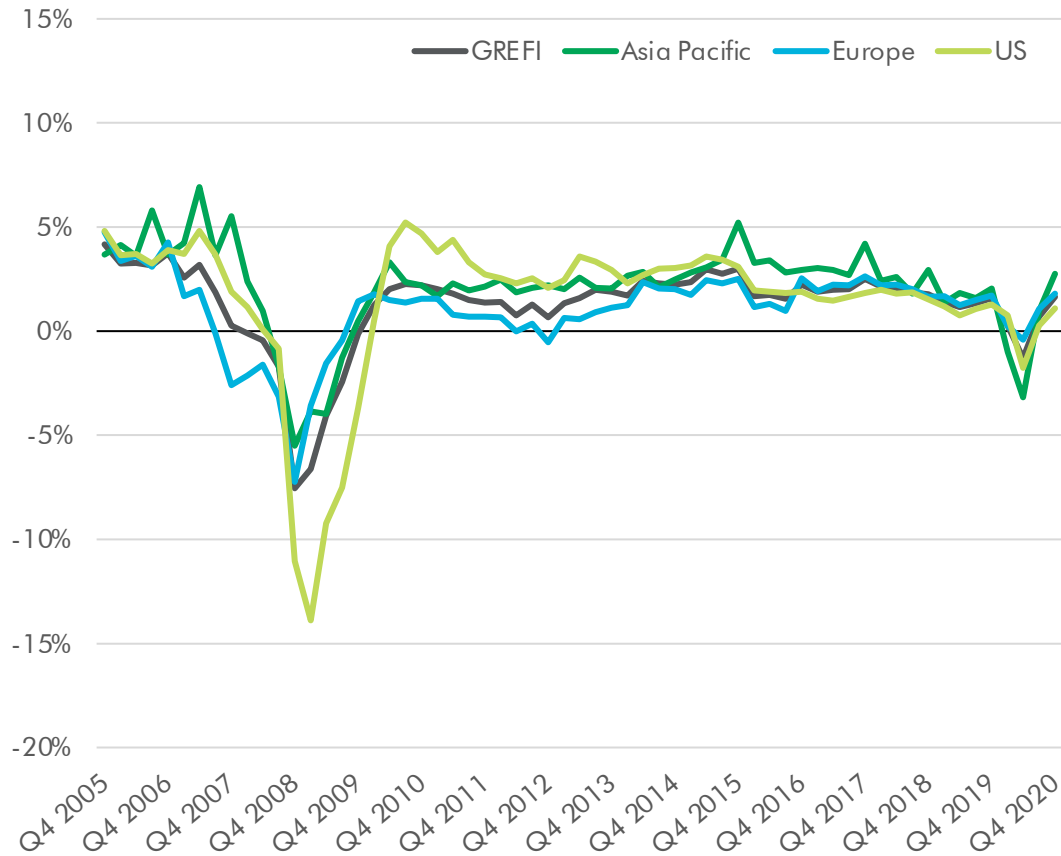
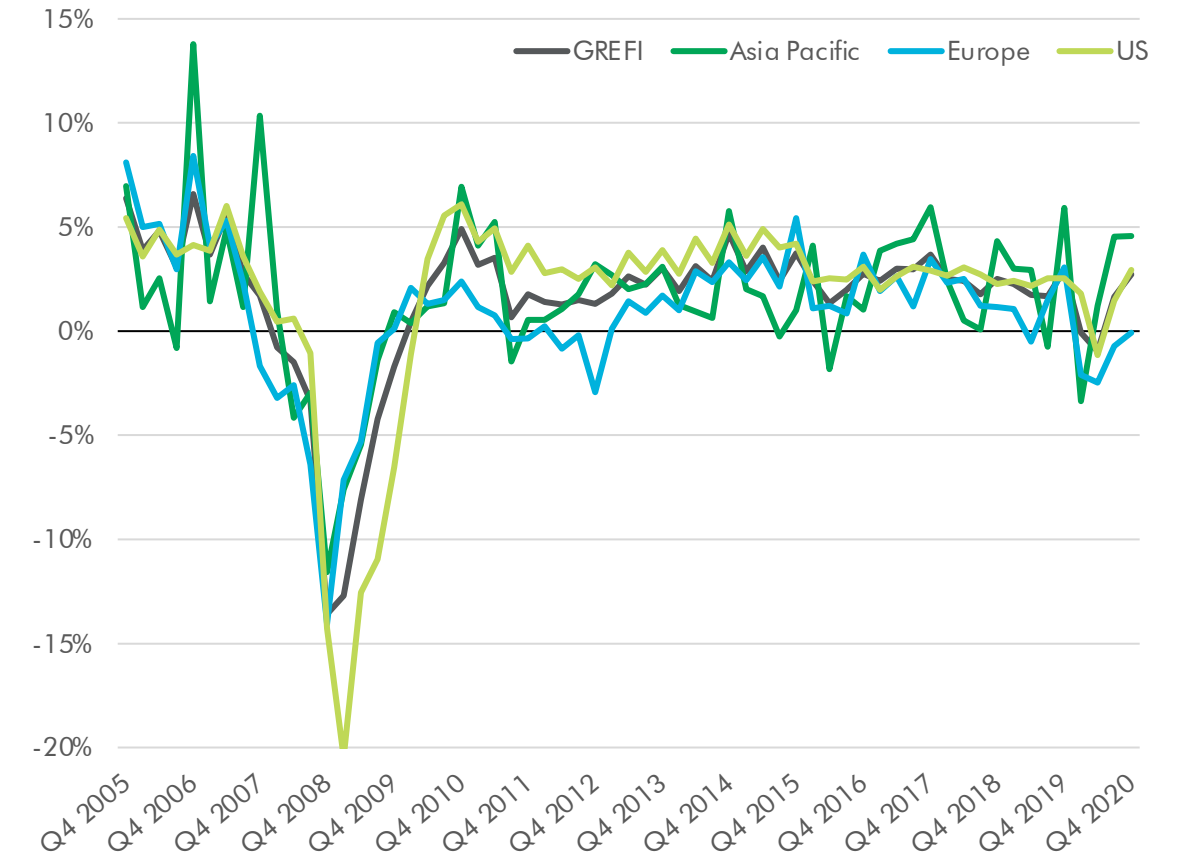


Figure 10:
GLOBAL RETURNS OF NON-CORE FUNDS (LOCAL CURRENCY, QUARTERLY)



Source: Global Real Estate Fund Index (GREFI), Q4 2020.
The GREFI is jointly produced by INREV, ANREV and NCREIF and measures the performance of non-listed real estate vehicles on a global scale.

REAL ESTATE FUNDS OUTPERFORMED S&P 500 IN PAST 10 YEARS

Figure 11:
GLOBAL ANNUAL RETURNS OF REAL ESTATE FUNDS (LOCAL CURRENCY)

YEAR	CORE	NON-CORE
2011	6.7%	9.1%
2012	4.1%	5.5%
2013	6.8%	9.7%
2014	8.7%	12.1%
2015	11.1%	13.0%
2016	7.2%	8.5%
2017	8.4%	12.1%
2018	7.9%	9.2%
2019	5.5%	8.6%
2020	1.3%	3.3%

Sharpe Ratio (2011-2020)

GREFI Core	1.72
GREFI Non-Core	2.33
S&P 500 Index	0.83

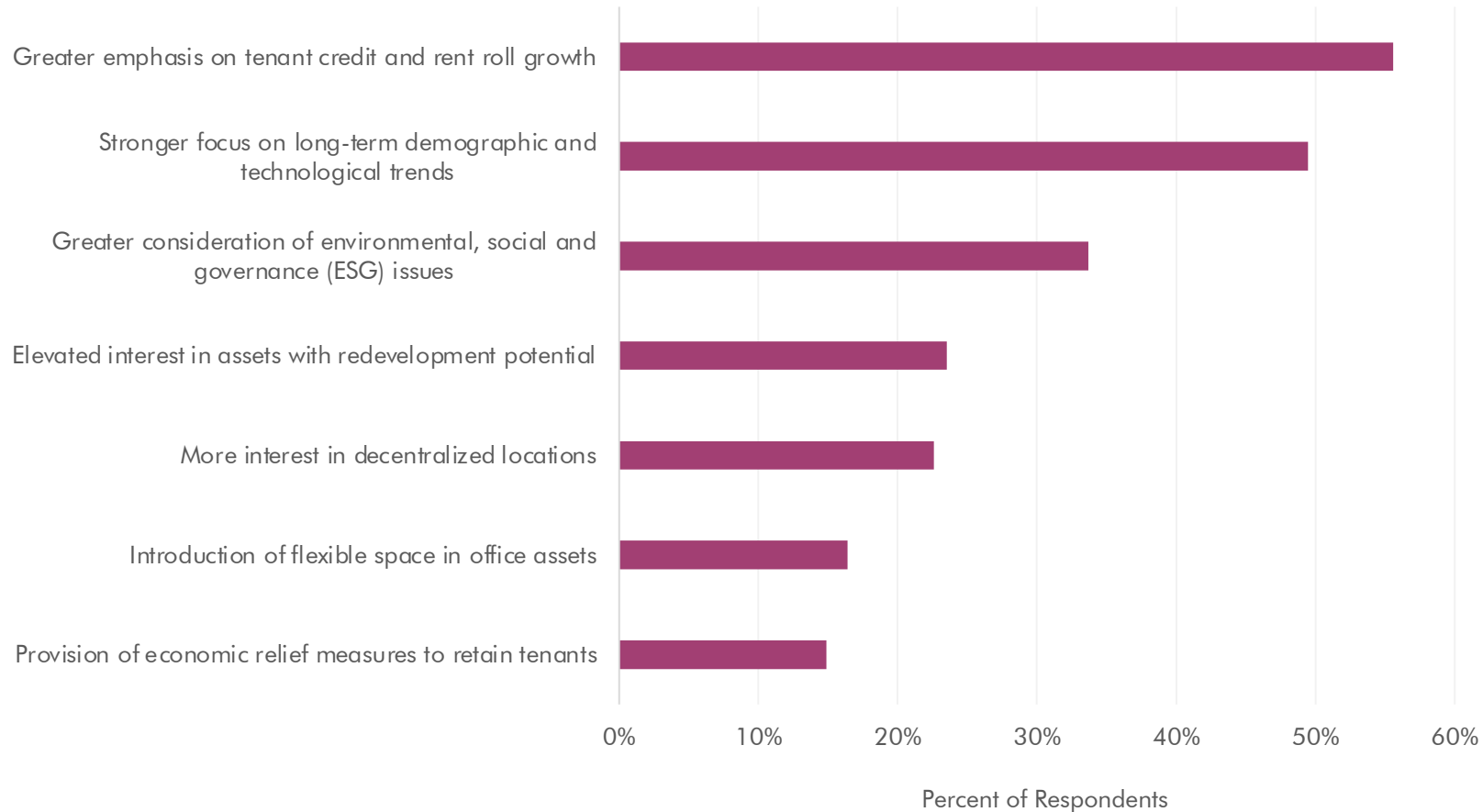
The Sharpe Ratio measures risk-adjusted returns. Over the past 10 years, both core and non-core real estate funds have provided better returns, relative to the investment risk they have taken, than the S&P 500 Equity Index.

This explains the steady growth of fund formations and the amount of capital raised for real estate investment. Non-core funds have a ratio higher than 2, which is considered very good.

Source: Global Real Estate Fund Index (GREFI), Q4 2020.

INVESTORS FOCUS ON CREDIT QUALITY & LONG-TERM TRENDS

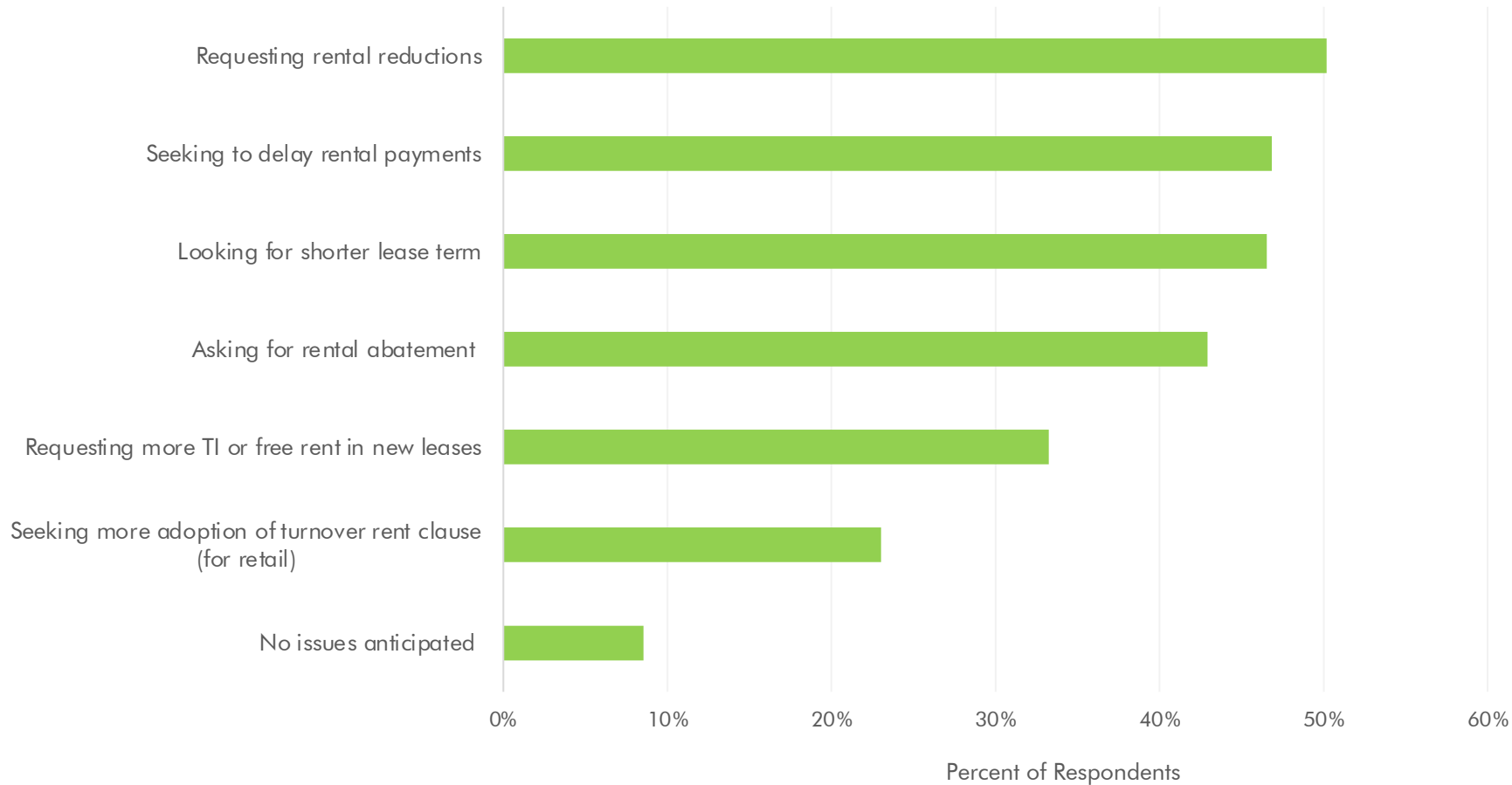
Figure 12:
TOP OPERATING STRATEGY IN COVID ERA



- EMEA and APAC investors put stronger emphasis on tenant credit and rent growth, whereas Americas investors focus more on long-term trends in technology and demographics.
- More than 30% of respondents from all regions have greater consideration of ESG.

CONCERNS ABOUT RENTAL INCOME

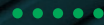
Figure 13:
ANTICIPATED TENANT DEMANDS



Regional differences:

- EMEA and APAC investors are more concerned about tenant requests for rent reductions and short-term leases.
- Americas investors appear to have relatively positive outlooks on long-term income growth and therefore concentrate on near-term cash flows. They anticipate more issues with delays in rent payments and requests for more tenant improvement allowances or free rent.

SECTOR PREFERENCE



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SECTOR OUTLOOKS LARGELY STABLE WITH REGIONAL DIFFERENCES

Figure 14:
PREFERRED MAINSTREAM SECTOR AS INVESTMENT TARGET

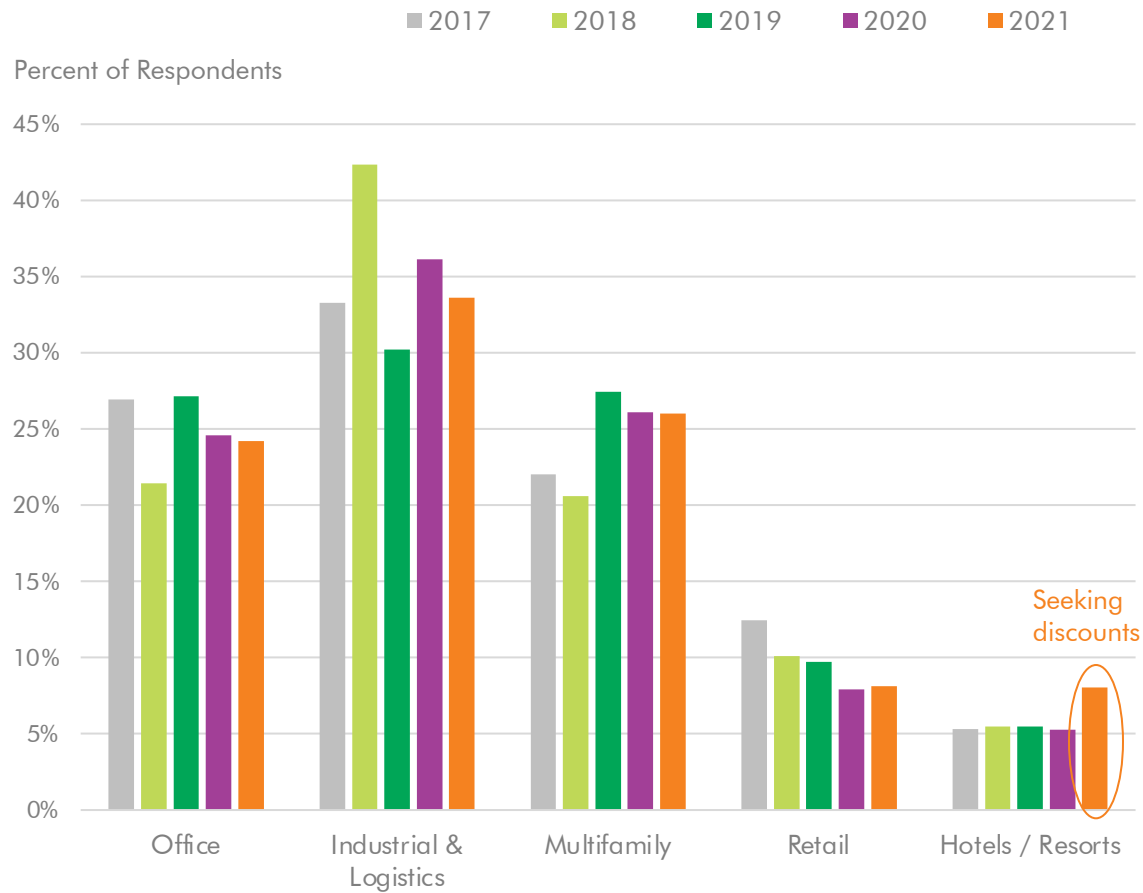
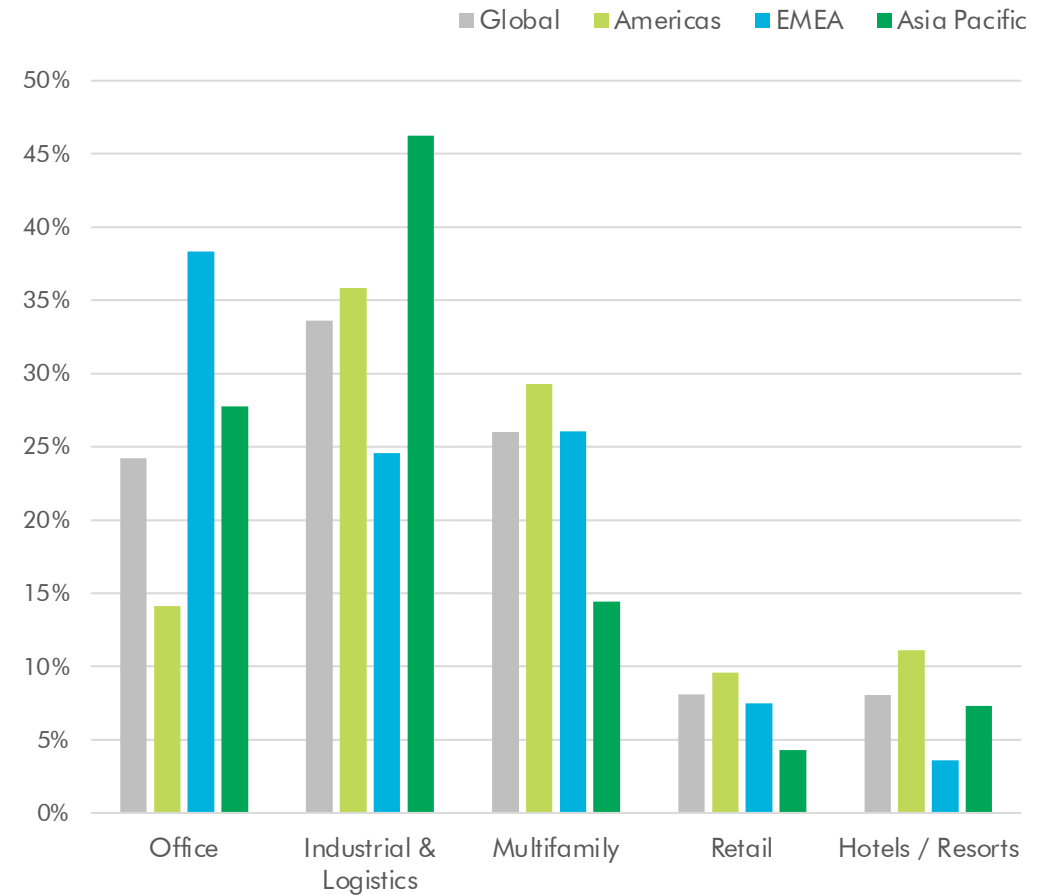
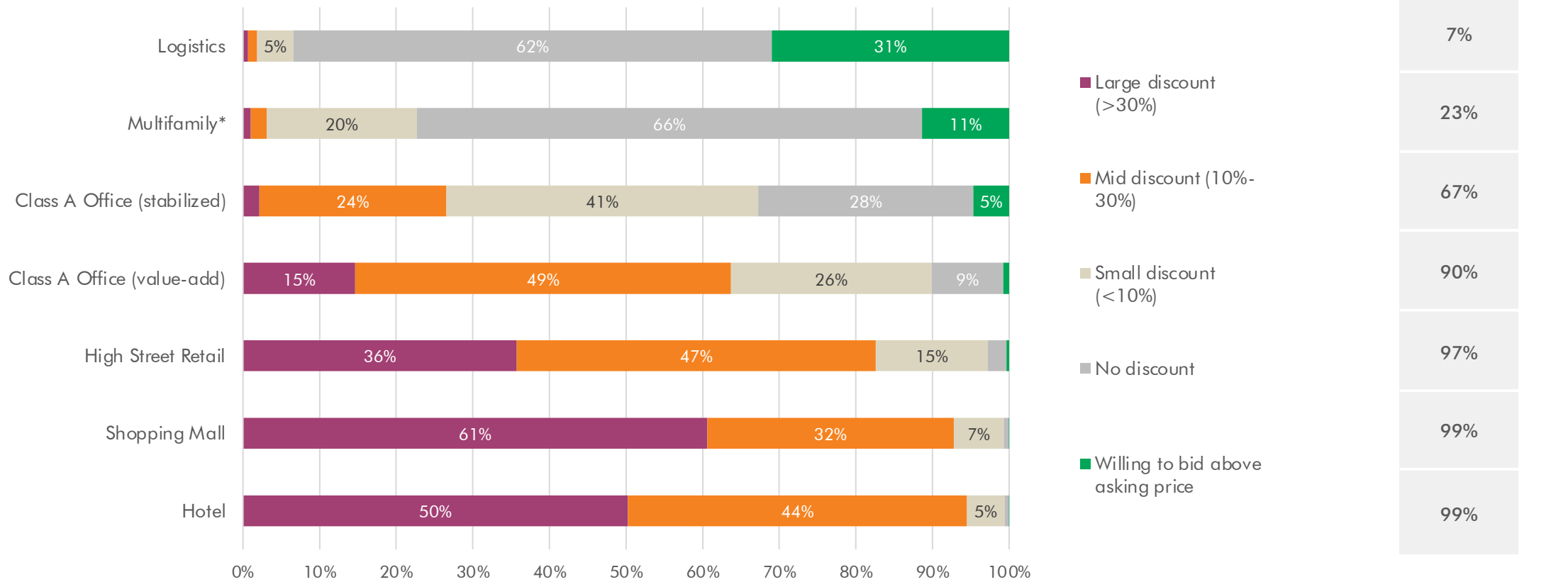


Figure 15:
REGIONAL SECTOR PREFERENCES IN 2021



PRICE DISCOUNT EXPECTATIONS IN 2021

Figure 16:
EXPECTED PRICE DISCOUNTS BY ASSET TYPE

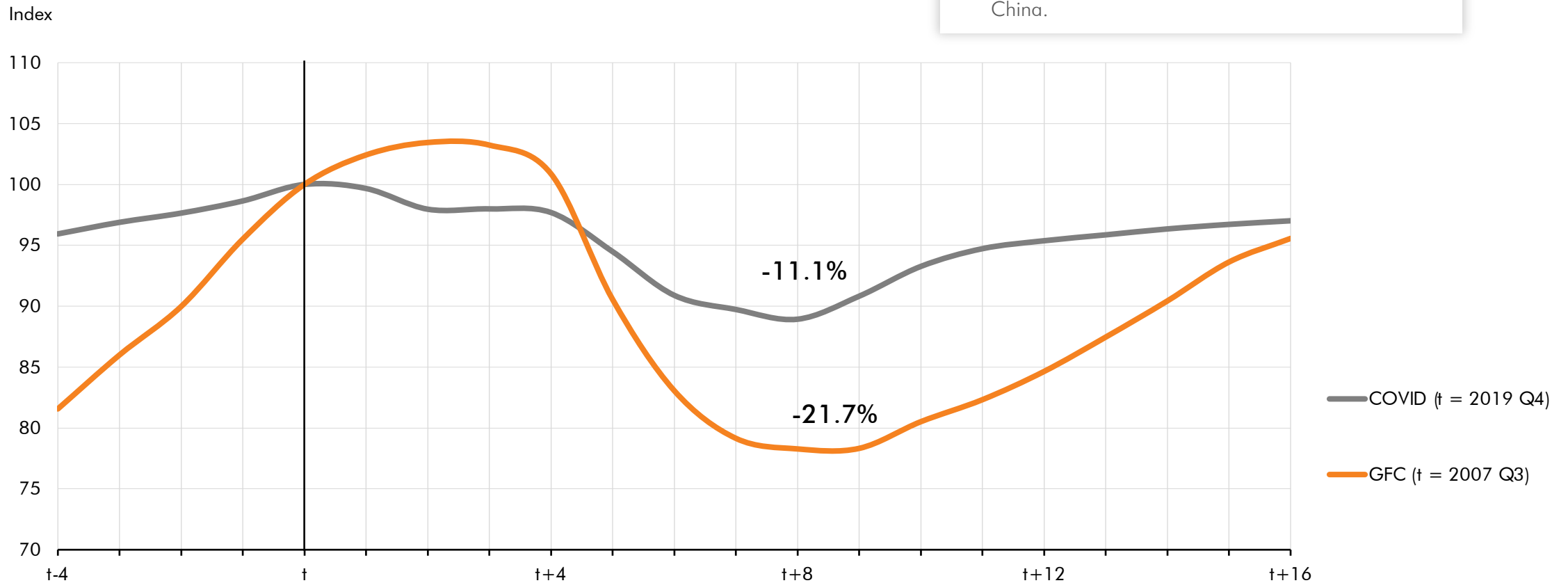


*Multifamily results only came from the Americas survey. EMEA and APAC surveys did not ask about pricing expectation on multifamily assets.

FOCUS ON OFFICE VALUATION

Figure 17:
GLOBAL OFFICE CAPITAL VALUE INDEX*

- Office value has held up especially well in EMEA during the pandemic.
- Office value has softened the most in APAC. This trend pre-dated COVID, particularly in Greater China.

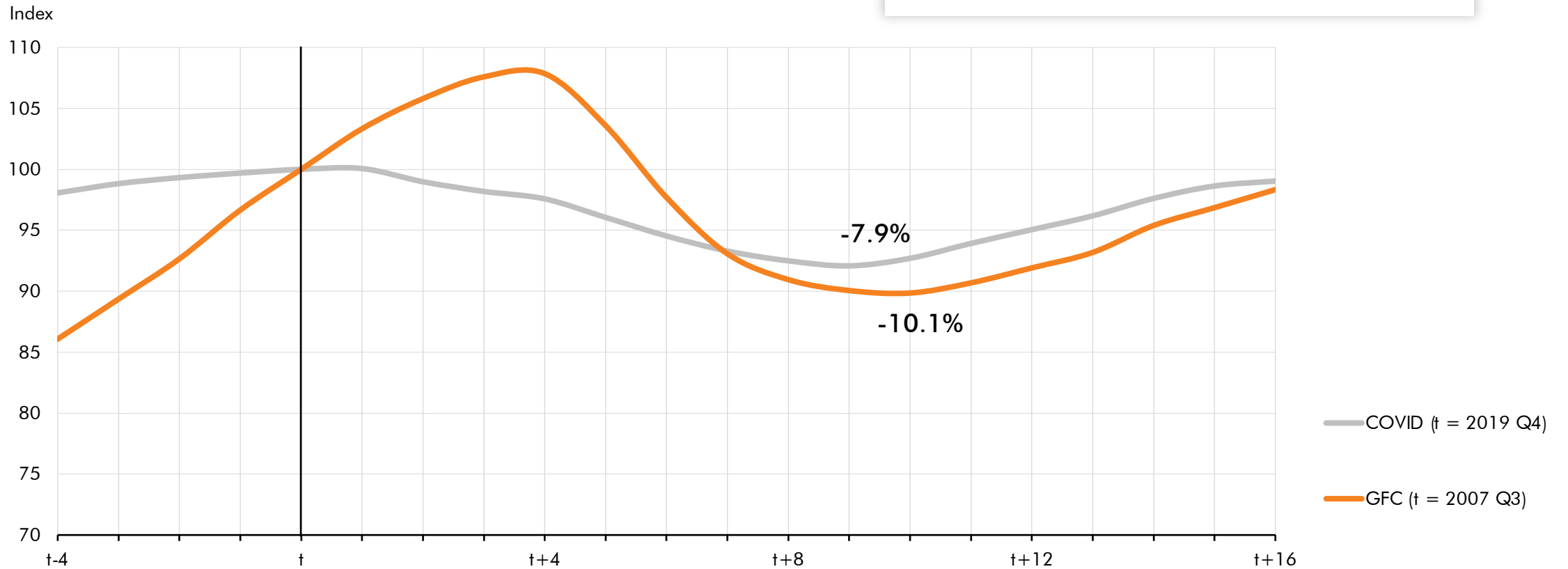


Source: CBRE Research, Q1 2021. *A syndicate global index dating back to 2003 and based on local market inputs from all three regions (Americas, EMEA and APAC) at CBRE. Search for "Global Rent and Capital Value Indices" to read more at <https://www.cbre.com/research-and-reports>. COVID data beyond Q4 2020 is CBRE's forecast.

MILD DROP IN RENTAL INCOME

Figure 18:
GLOBAL OFFICE RENT INDEX*

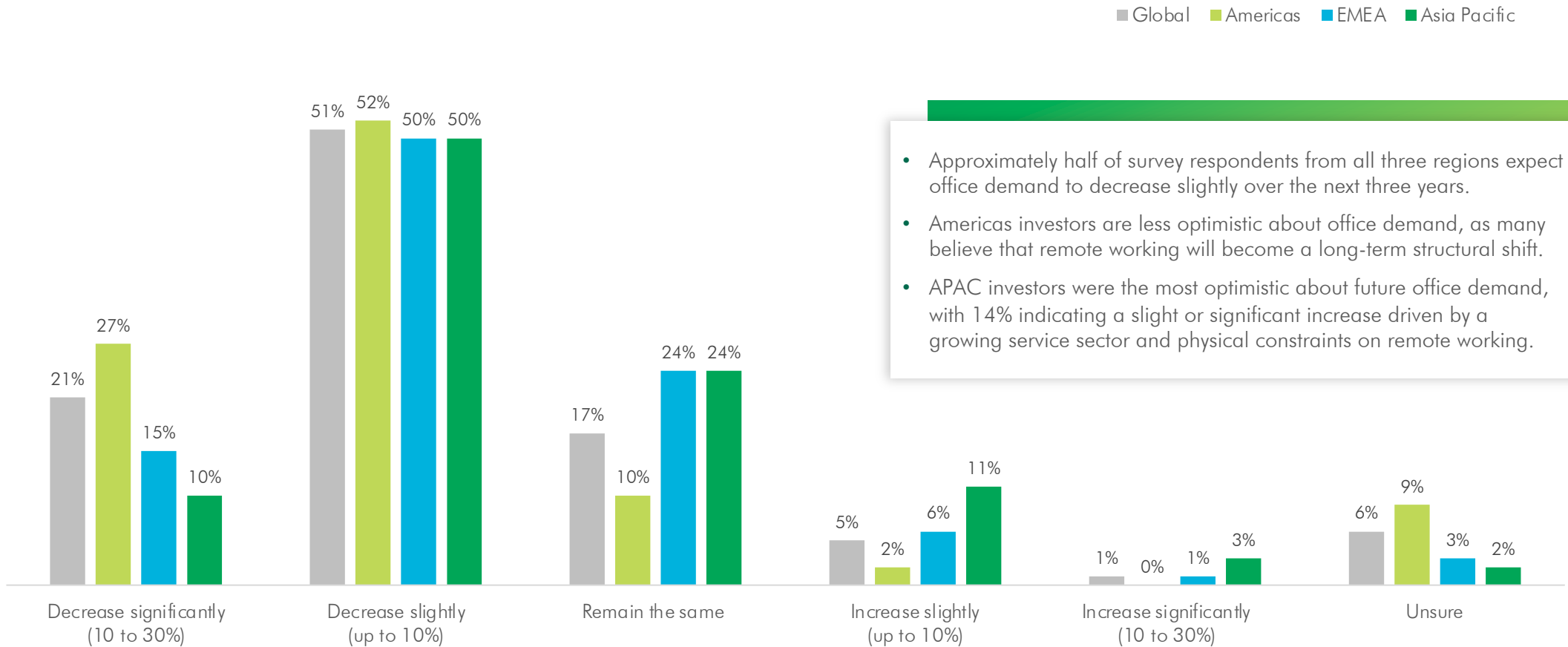
- Office rent has been the most stable in the Americas, with the index down by only 0.5% in 2020.
- APAC rents softened in step with capital values.
- Further softening in rents is expected in 2021 as businesses delay leasing decisions and tenants seek rent reductions.



Source: CBRE Research, Q1 2021. *A syndicate global index dating back to 2003 and based on local market inputs from all three regions (Americas, EMEA and APAC) at CBRE. Search for "Global Rent and Capital Value Indices" to read more at <https://www.cbre.com/research-and-reports>. COVID data beyond Q4 2020 is CBRE's forecast.

EMEA & APAC INVESTORS MORE OPTIMISTIC ABOUT OFFICE DEMAND

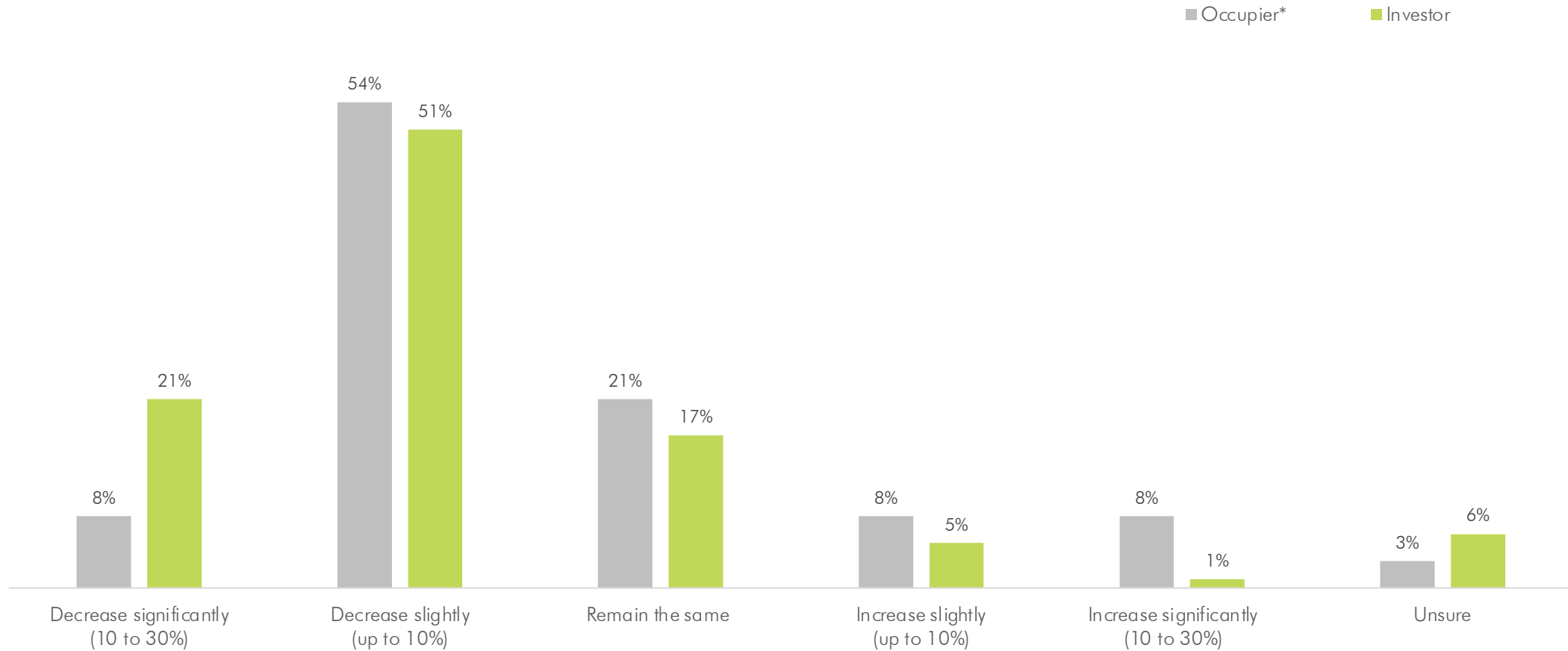
Figure 19:
EXPECTATIONS FOR OFFICE DEMAND OVER NEXT THREE YEARS



- Approximately half of survey respondents from all three regions expect office demand to decrease slightly over the next three years.
- Americas investors are less optimistic about office demand, as many believe that remote working will become a long-term structural shift.
- APAC investors were the most optimistic about future office demand, with 14% indicating a slight or significant increase driven by a growing service sector and physical constraints on remote working.

OCCUPIERS MORE OPTIMISTIC THAN INVESTORS ABOUT OFFICE DEMAND

Figure 20:
GLOBAL OCCUPIER & INVESTOR EXPECTATIONS FOR OFFICE DEMAND



*The occupier view comes from preliminary data collected by CBRE's Global Occupier Sentiment Survey in March 2021.

ALTERNATIVES GAIN TRACTION AMID SEARCH FOR YIELD

Figure 21:
ALTERNATIVE INVESTMENT PREFERENCE

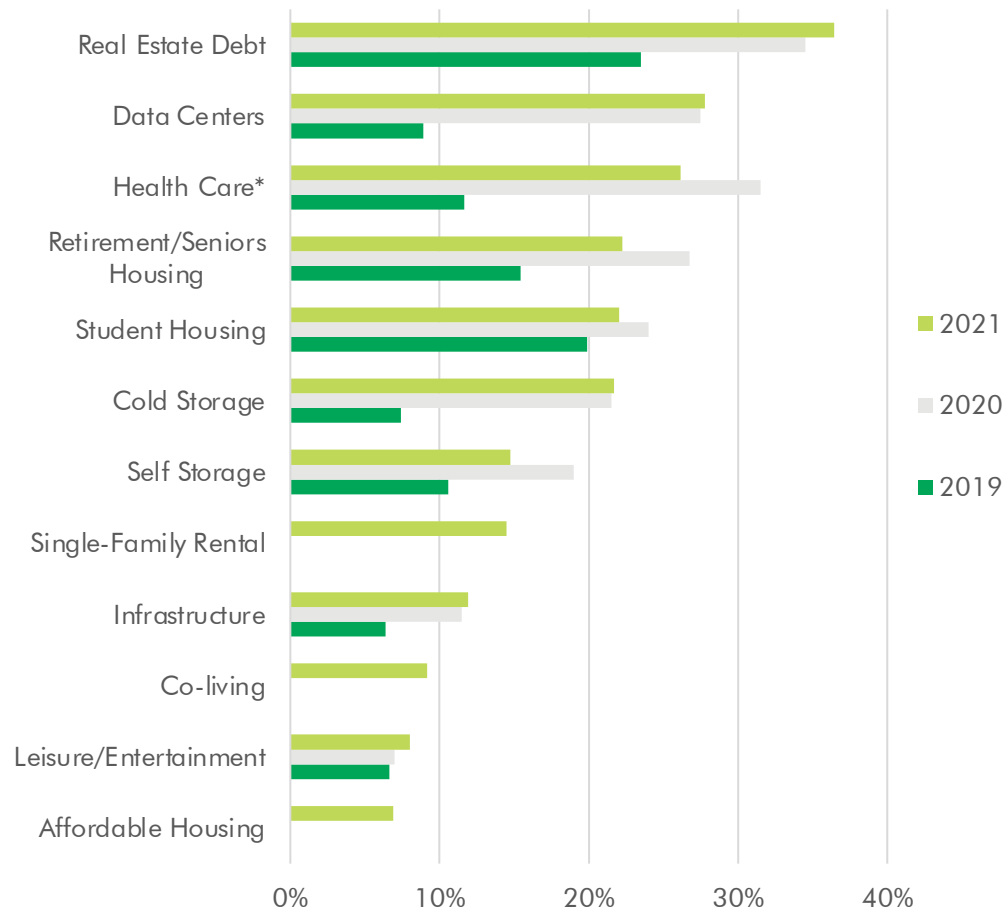
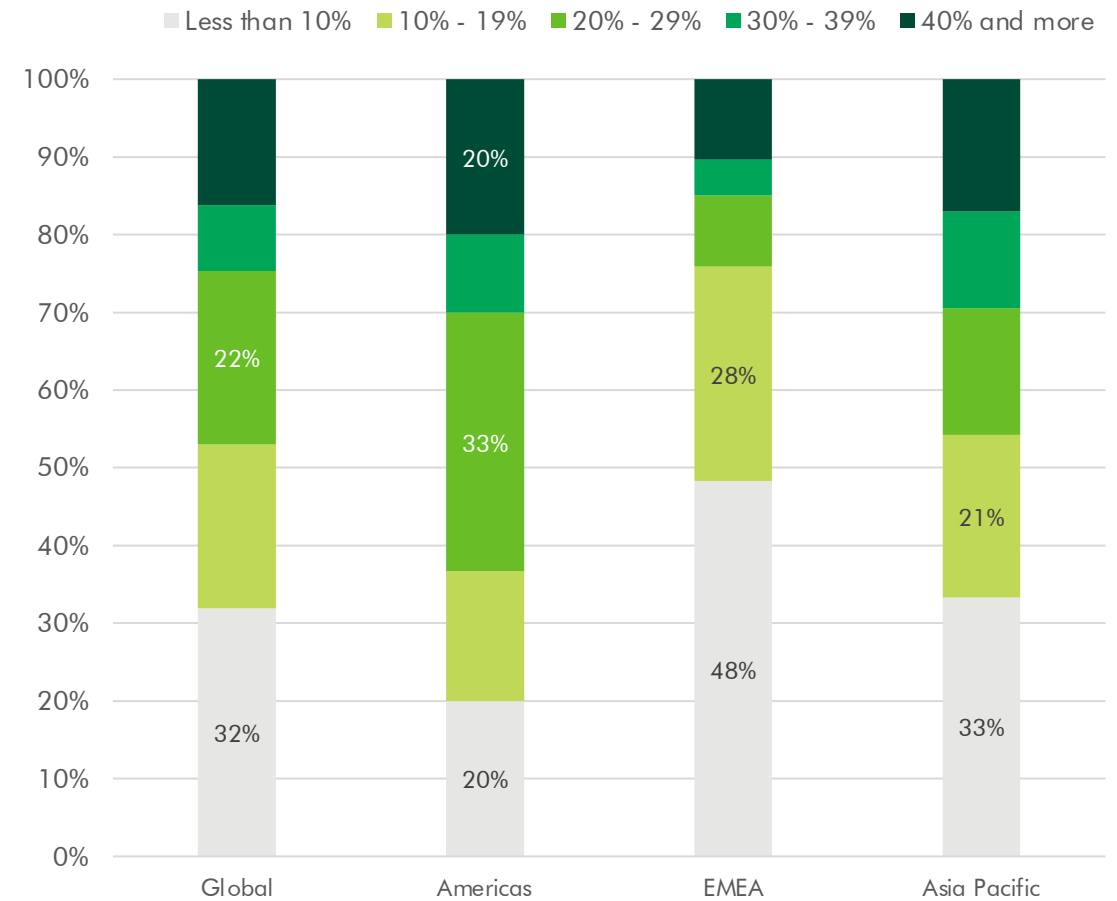


Figure 22:
PLANNED ALLOCATION TO REAL ESTATE DEBT



*Health care includes life sciences and medical offices.

GLOBAL INVESTOR INTENTIONS SURVEY 2021

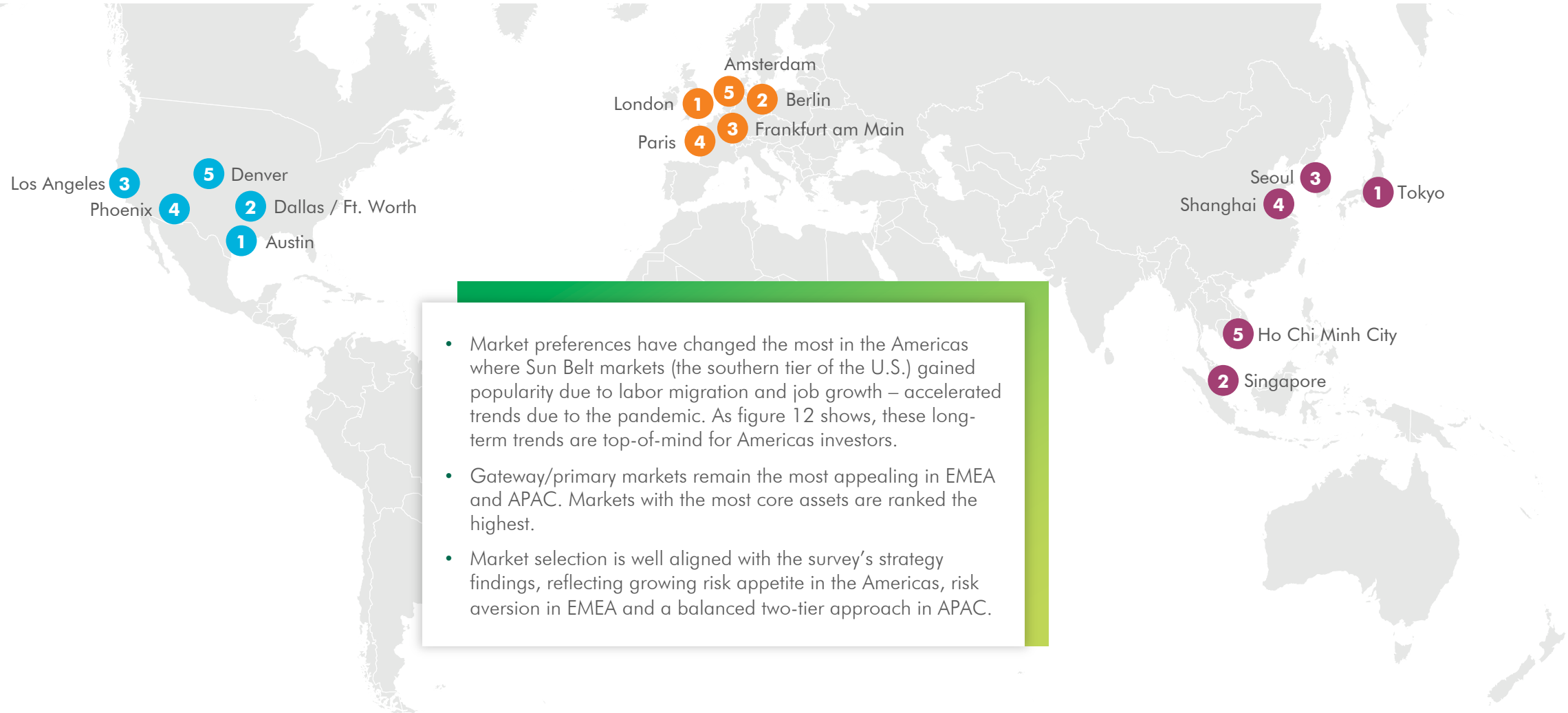
MARKET SELECTION



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Figure 23

TOP-RANKED INVESTMENT DESTINATIONS IN 2021



- Market preferences have changed the most in the Americas where Sun Belt markets (the southern tier of the U.S.) gained popularity due to labor migration and job growth – accelerated trends due to the pandemic. As figure 12 shows, these long-term trends are top-of-mind for Americas investors.
- Gateway/primary markets remain the most appealing in EMEA and APAC. Markets with the most core assets are ranked the highest.
- Market selection is well aligned with the survey’s strategy findings, reflecting growing risk appetite in the Americas, risk aversion in EMEA and a balanced two-tier approach in APAC.

■ Americas ■ EMEA ■ APAC

Note: EMEA and APAC surveys include respondents domiciled in a different country and excludes domestic respondent views to eliminate home-base bias.

MARKET PREFERENCE REFLECTS RISK APPETITE

Figure 24:

TOP 10 PREFERRED CITIES/METROS BY REGION

RANK	AMERICAS	EMEA	ASIA PACIFIC
1	Austin	London	Tokyo
2	Dallas/Ft. Worth	Berlin	Singapore
3	Los Angeles	Frankfurt am Main	Seoul
4	Phoenix	Paris	Shanghai
5	Denver	Amsterdam	Ho Chi Minh City
6	Atlanta	Munich	Beijing
7	Miami/South Florida	Hamburg	Shenzhen
8	San Francisco	Zurich	Sydney
9	Seattle	Warsaw	Osaka
10	New York City	Lisbon	Melbourne

Note: EMEA and APAC surveys include respondents domiciled in a different country and excludes domestic respondent views to eliminate home-base bias.

ASIAN INVESTORS PLAN MOST CROSS-BORDER INVESTMENT

Figure 25:
CROSS-BORDER INVESTMENT DESTINATIONS

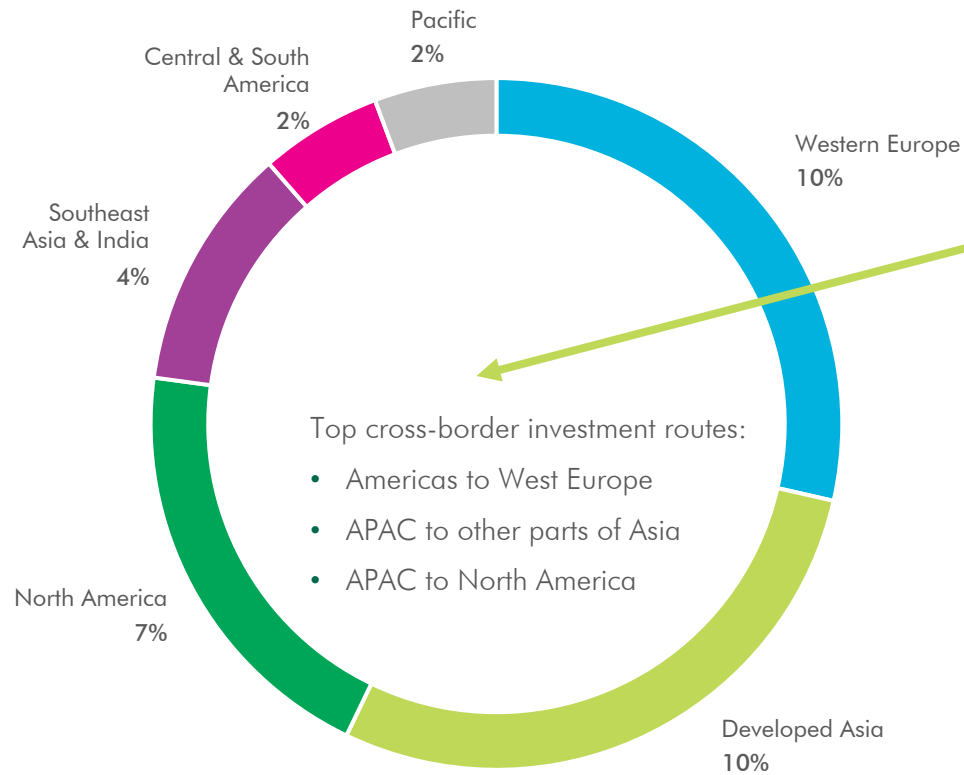
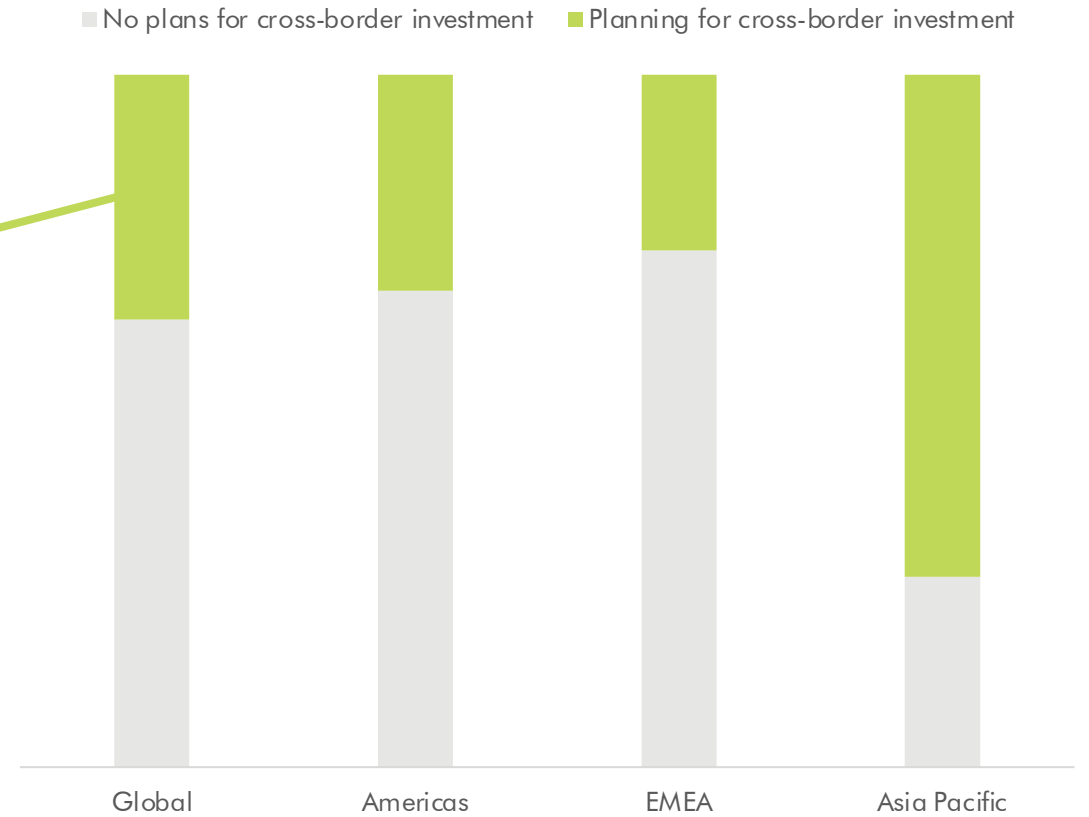


Figure 26:
CROSS-BORDER INVESTMENT INTENTIONS



GLOBAL INVESTOR INTENTIONS SURVEY 2021

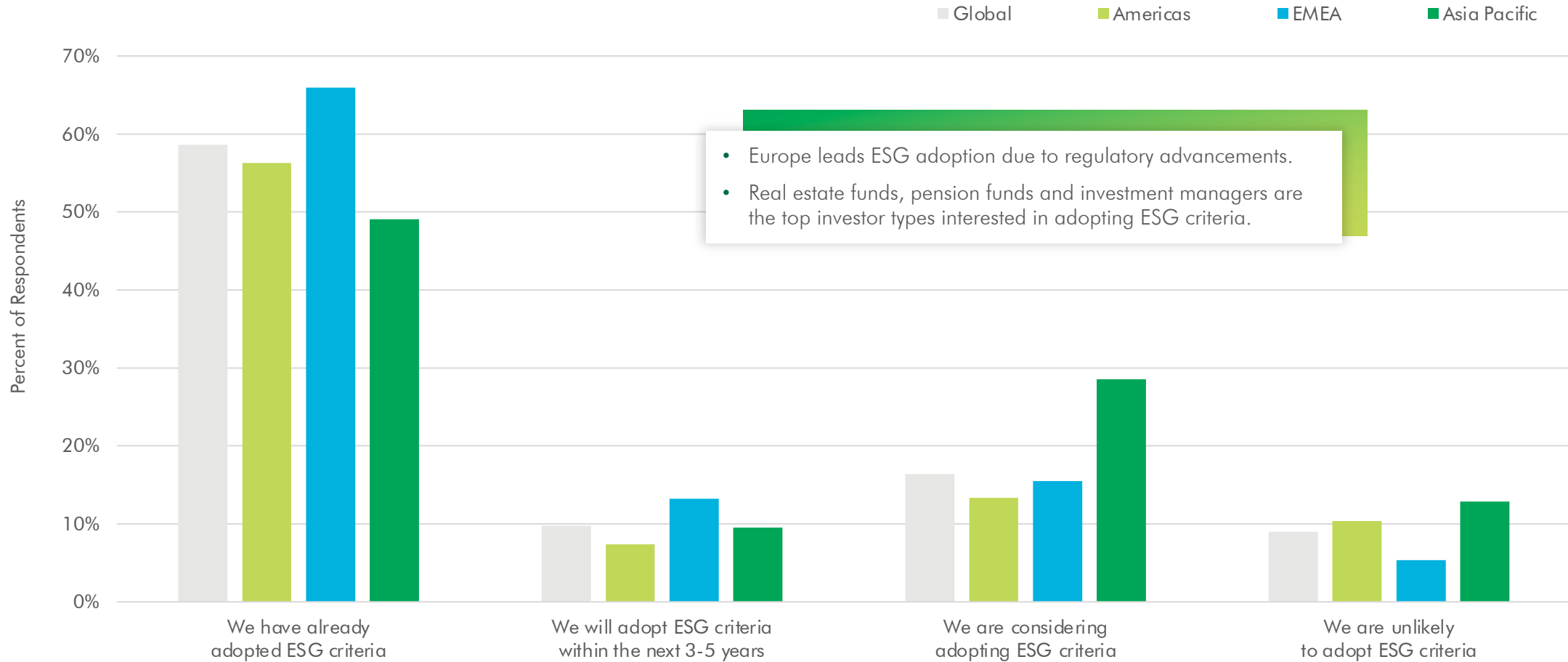
ESG



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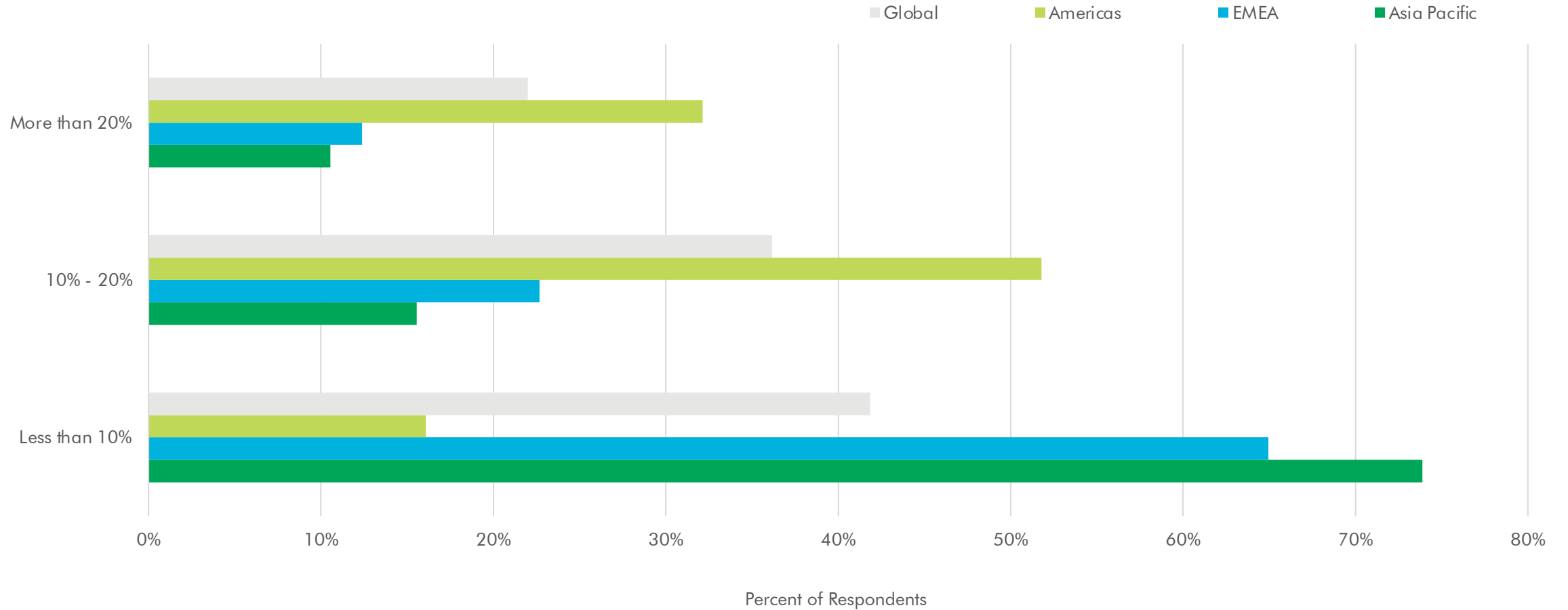
MORE THAN HALF OF INVESTORS ADOPT ESG CRITERIA

Figure 27:
ESG ADOPTION



INVESTORS' CAPITAL ALLOCATION LEVELS TO ESG

Figure 28:
PLANNED CAPITAL ALLOCATION TO ESG



WHO RESPONDED TO THE SURVEY?



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RESPONDENT PROFILE

Figure 29:
PERCENTAGE OF RESPONDENTS BY INVESTOR TYPE

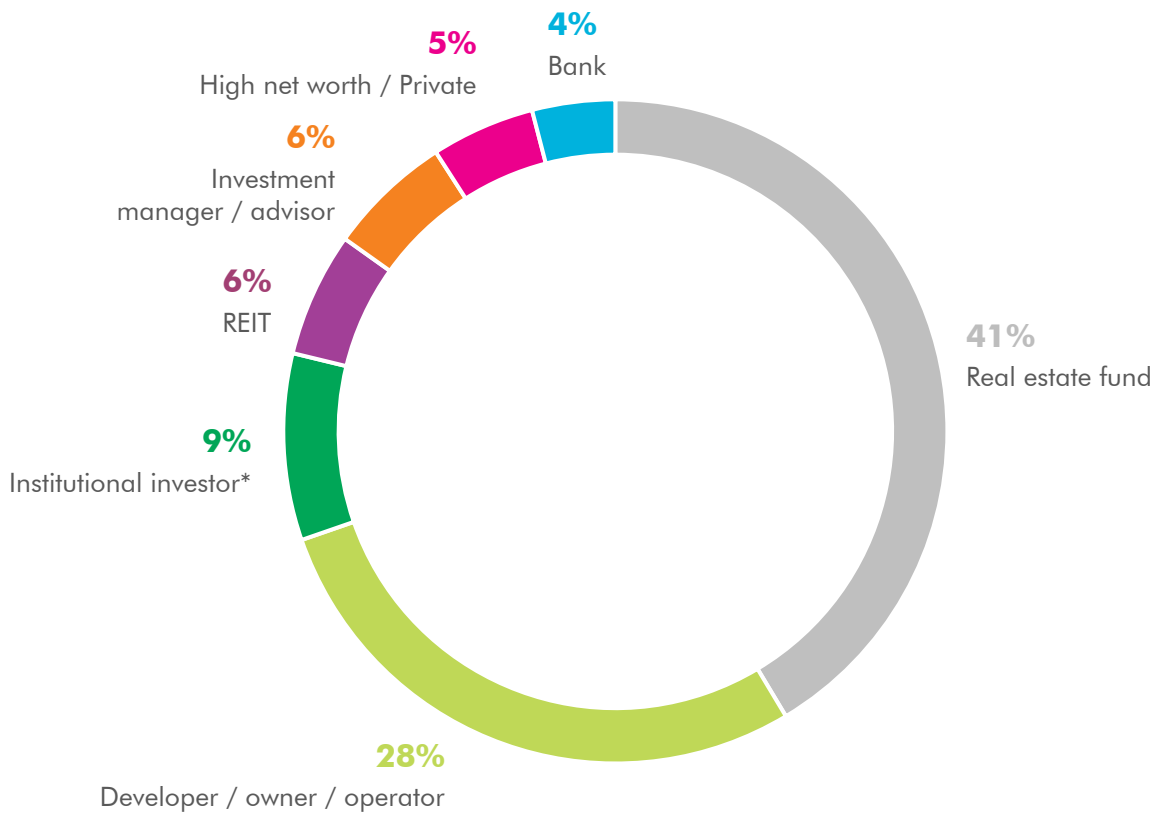
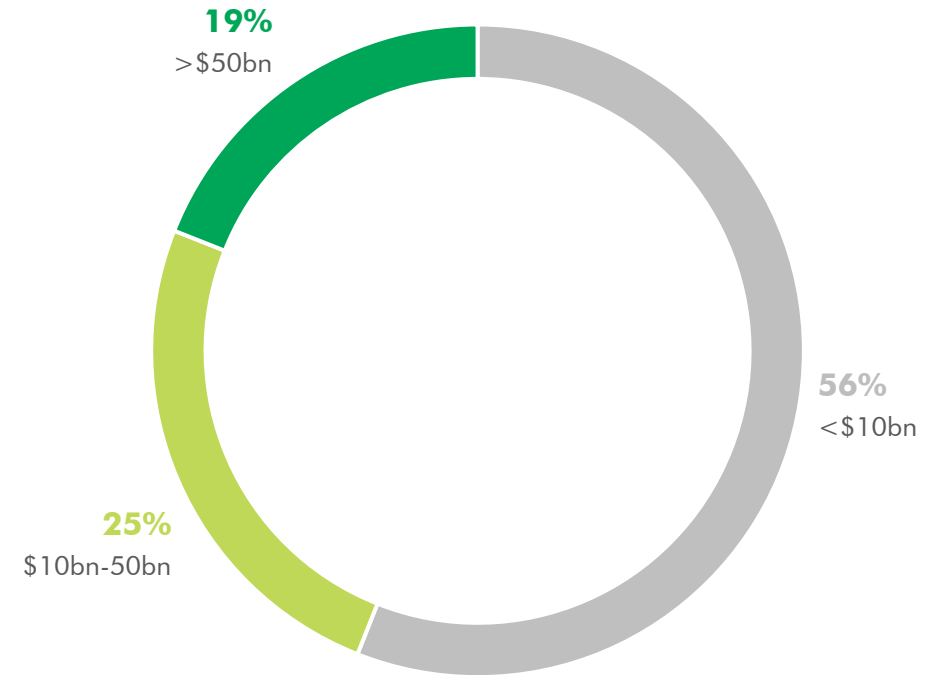


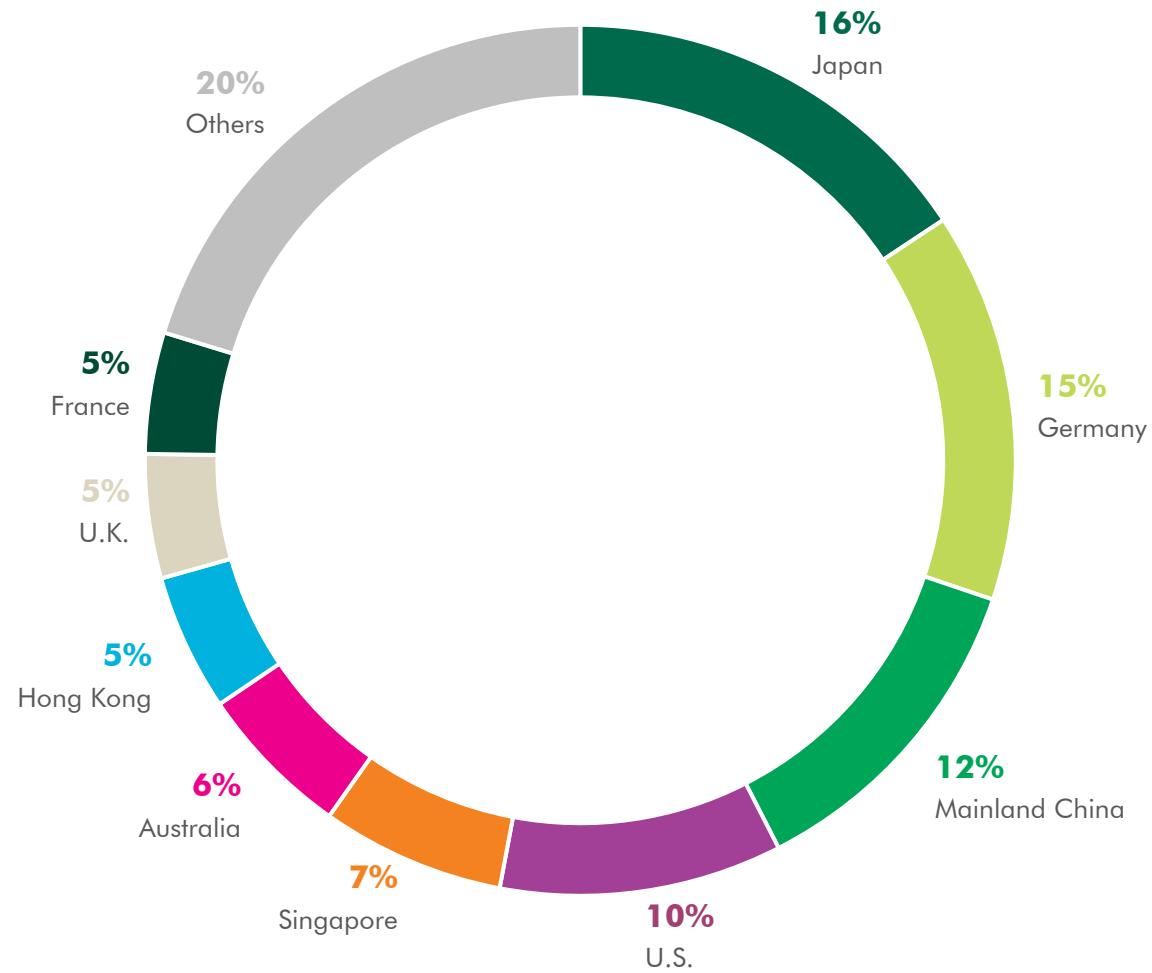
Figure 30:
PERCENTAGE OF RESPONDENTS BY AUM



*Institutional investors include pension fund, insurance company and sovereign wealth fund.

RESPONDENT PROFILE

Figure 31:
PERCENTAGE OF RESPONDENTS BY LOCATION



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INVESTOR INTENTIONS SURVEY 2021



CBRE RESEARCH

This report was prepared by the CBRE Global Investor Research Team, which forms part of CBRE Research—a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate.

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