HIGHER INTEREST RATES WEIGH ON GLOBAL INVESTMENT VOLUME

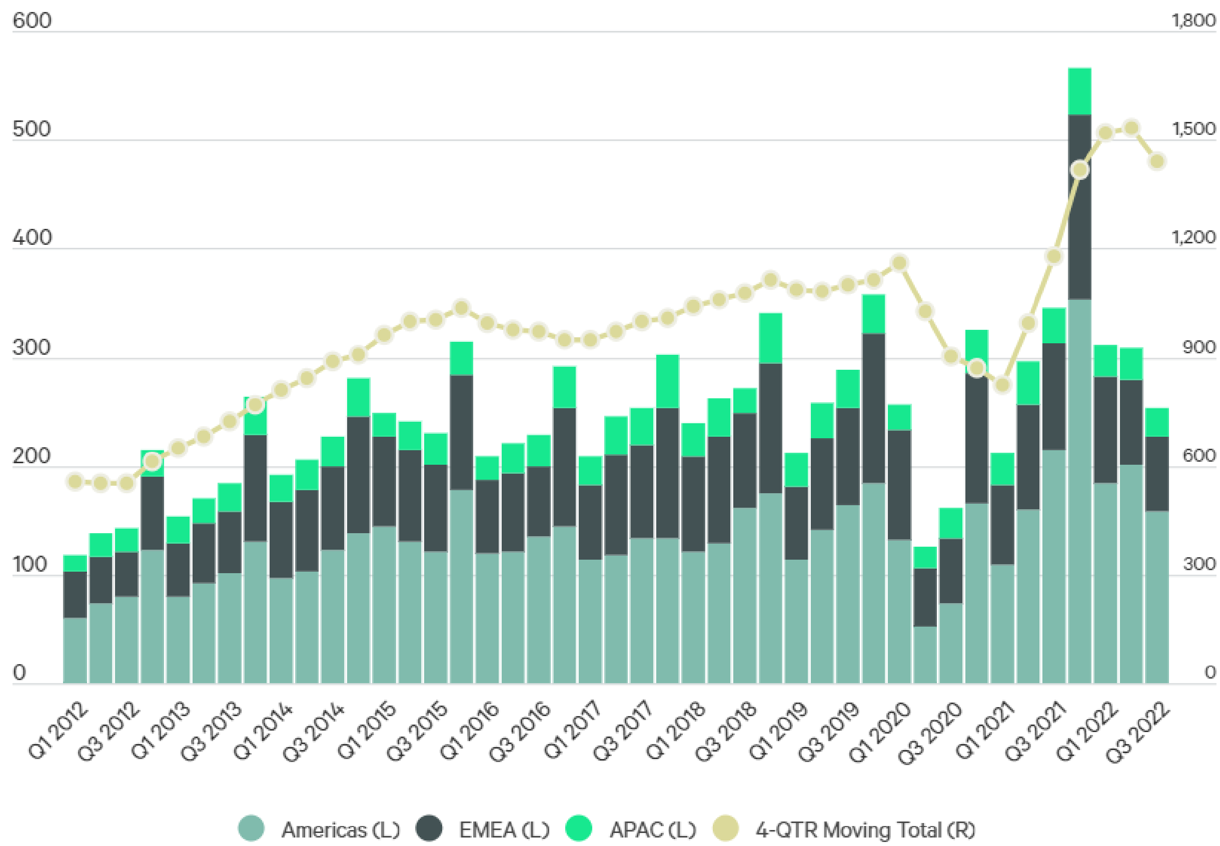
- Global commercial real estate investment volume fell by 27% year-over-year in Q3 2022 to US$254 billion. Volumes fell across all regions, with a 26% decrease in the Americas and respective declines of 30% and 18% in Europe and the Asia-Pacific region.
- Rapidly rising interest rates and a worsening macroeconomic outlook weighed on investment activity. In addition, a strong U.S. dollar amplified lower investment volumes outside of the U.S. In local currency, global investment volume was down by 22%.
- CBRE forecasts a 16% decrease in full-year 2022 global investment volume from 2021's record level and an 11% decrease in 2023 from 2022 levels. Nevertheless, 2022 and 2023 volumes are expected to exceed the pre-pandemic high in 2019.

GLOBAL INVESTMENT FALLS 27% YEAR-OVER-YEAR TO US$254 BILLION IN Q3

Global commercial real estate investment volume fell 27% year-over-year in Q3 2022 to US$254 billion. Investment fell by 27% in the Americas, 30% in Europe and 18% in Asia-Pacific (APAC). Higher interest rates, tighter lending conditions, worsening macroeconomic conditions and a strong U.S. dollar weighed on volumes during the quarter. In local currency, global volume was down by 22%.

Multifamily remained the largest sector with US$81 billion in investment, down by 32% from a year ago. Office investment fell by 27% year-over-year to US$66 billion, while industrial investment fell by 24% to US$51 billion. Retail investment was relatively resilient, falling by just 10% to US$31 billion.

FIGURE 1: GLOBAL COMMERCIAL REAL ESTATE INVESTMENT VOLUME (US$ BILLIONS - FLOATING)



Source: CBRE Research, Real Capital Analytics, Q3 2022.

AMERICAS VOLUME SLIPS AMID RISING INTEREST RATES, ECONOMIC CONCERNS

In the Americas, commercial real estate investment volume fell by 26% year-over-year in Q3 to US$158 billion. Higher interest rates and more conservative lending standards weighed on investment activity, particularly larger deals. Capital is still available but it is more expensive and selective.

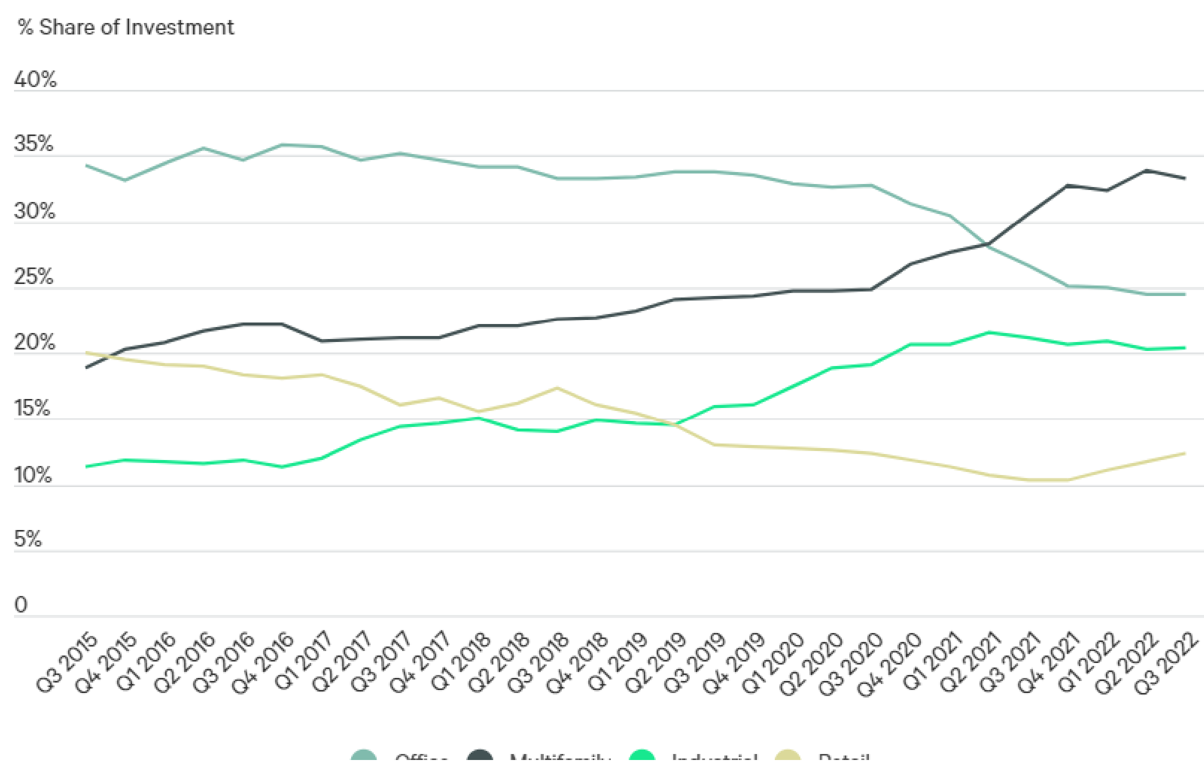
Multifamily remained the top sector for investment in the Americas with a total of US$70 billion in Q3, a 21% decrease from a year ago. While multifamily market conditions have somewhat weakened, the sector's overall outlook remains strong.

Industrial investment volume in the Americas fell by 28% year-over-year in Q3 to $33 billion. There is still high demand for industrial space from occupiers. Although worsening economic conditions will weigh on the sector, net absorption should remain positive and keep the overall vacancy rate relatively low. These strong fundamentals, along with the continued growth of e-commerce, will continue to make industrial properties attractive to investors.

Office investment fell by 38% year-over-year in Q3 to $26 billion. Aside from Class A buildings, financing is difficult to obtain for office transactions in the current environment. There are signs of distress in Class B and C segments, particularly for those properties that need refinancing over the coming year. Return to the office levels have been much lower in the Americas than in Europe and APAC.

The retail sector had a relatively strong Q3, with volume down by just 9% year-over-year to US$19 billion. Low vacancy and tight supply have drawn investors to the retail sector, with grocery-anchored retail centers particularly attractive.

Figure 2: Share of Global Investment Volume



Source: CBRE Research, Real Capital Analytics, Q3 2022.

DETERIORATING ECONOMIC CONDITIONS, STRONG U.S. DOLLAR WEIGH ON EUROPEAN INVESTMENT

European investment volume fell by 30% year-over-year in Q3 to US$69 billion. The decrease in activity can be attributed to rising interest rates, economic uncertainty and the strength of the U.S. dollar. For context, European investment volume was down by 18% in local currency.

Office investment fell by 16% year-over-year in Q3 to US$25 billion. While office occupancy rates are higher in Europe than in the U.S., there has been a similar flight to quality. Consequently, there is strong investor preference for prime assets compared with lower-quality buildings that do not meet certain environmental, social and governance (ESG) standards.

Industrial investment in Europe fell by 5% year-over-year in Q3 to US$15 billion. This was the smallest year-over-year decrease in the region across the main commercial real estate sectors. Investor demand for industrial assets was driven by low vacancy and tight supply.

European retail investment fell by 20% year-over-year in Q3 to US$8 billion. While store reopenings buoyed the European retail sector in the first half of the year, high inflation and a worsening economic outlook weighed on investment in Q3.

Q3 multifamily investment decreased by 63% year-over-year in Europe to US$11 billion. A lack of assets and concerns about the economy weighed on investment volume in the sector.

RISING INTEREST RATES WEIGH ON APAC INVESTMENT VOLUME

Asia-Pacific investment volume decreased by 18% year-over-year in Q3 to US$29 billion, largely due to rising interest rates and the strong U.S. dollar. For context, volume was down by 11% in local currency.

Office investment in APAC fell by 18% year-over-year in Q3 to US$15 billion, led by several major deals in Australia and mainland China. Prime office space continued to attract investors but higher financing costs pushed bid-ask spreads wider.

Industrial investment volume in APAC plunged 47% year-over-year in Q3 to US$4 billion. This large drop was somewhat amplified by historically high volume in the sector last year.

APAC retail investment increased 8% year-over-year n Q3 to US$4 billion. Growth in Japan and Singapore was offset by relatively weak activity in Australia and Korea. Investor demand likely will remain strong for well-located properties in tourist-driven markets.

GLOBAL FORECAST

Weakening macroeconomic conditions and rising interest rates will weigh on commercial real estate fundamentals and investment volumes in Q4 2022 and into

2023. As central banks end rate hikes and economic conditions stabilize in the second half of 2023, we expect commercial real estate investment activity to pick up again.

CBRE forecasts a 16% (in U.S. dollars) decrease in global investment volume for 2022, with a 14% drop in the Americas and decreases of 20% in Europe and 10% to 15% in APAC. For 2023, CBRE forecasts an 11% (in U.S. dollars) decrease in global investment volume, with decreases of 15% in the Americas and 5% to 10% in Europe, while APAC volume will be unchanged.

Figure 3: Global Investment Volume by Sector (US$ Billions)

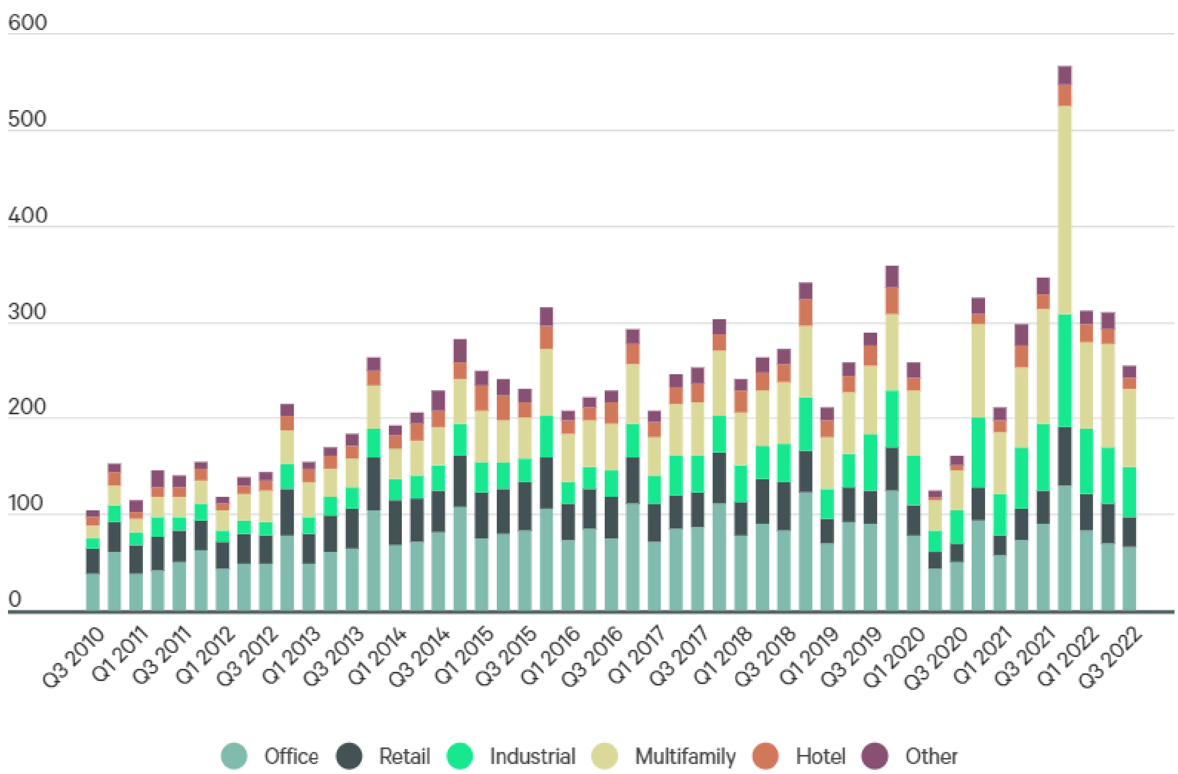


Figure A1: Seasonally Adjusted Investment Volume (US$ Billions - Floating)