



# GLOBAL OUTLOOK

## Real Estate During a Crisis

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### Executive Summary

**The outbreak of COVID-19 has quickly translated into a severe shock for the global economy and real estate markets. Near-term indicators of performance have turned sharply downward, and the situation is fast-moving.**

At the same time, some lessons for what is to come can be drawn from past downturns, although causes and effects are, as always, different this time. Values are set to remain under pressure in the near term owing to stress in occupier and investment markets — and the range of possible outcomes is wide — but there are some reasons for optimism.

Attractive investment themes can be grouped as follows:

#### Global

- **Accelerated structural trends**, including rising online sales demand that translates into logistics requirements and a need to increase provision of modern, affordable housing units in and around major cities
- **Defensive focus** on assets with secure cash flow, such as in the residential sector, as well as debt investments that offer near-term outperformance potential and a significant opportunity set owing to refinancing requirements in coming years
- **Cyclical opportunities**, arising from a potential rebound in values after a correction — notably in low-supply office markets in Europe and trade-dependent economies in Asia Pacific

#### Americas

- **Infill Industrial:** Adoption of online retail is set to become accelerated by the current crisis. Logistics assets with easy access to areas with significant spending power typically command higher rents — even for older properties.
- **Suburban Apartments:** Rising household size among millennials points toward growing requirements for larger apartments located in suburban areas.

- **Rising Senior Housing Demand:** COVID-19 is currently weighing on senior housing demand and profitability, but anticipated growth of the over-75 population points to rising demand — and significant new supply requirements — in the next decade.
- **Supplier Diversification Driving Mexico Industrial Demand:** COVID-19 is accelerating a shift to more-diversified supply chains that was already under way, creating demand for industrial real estate in Mexico.

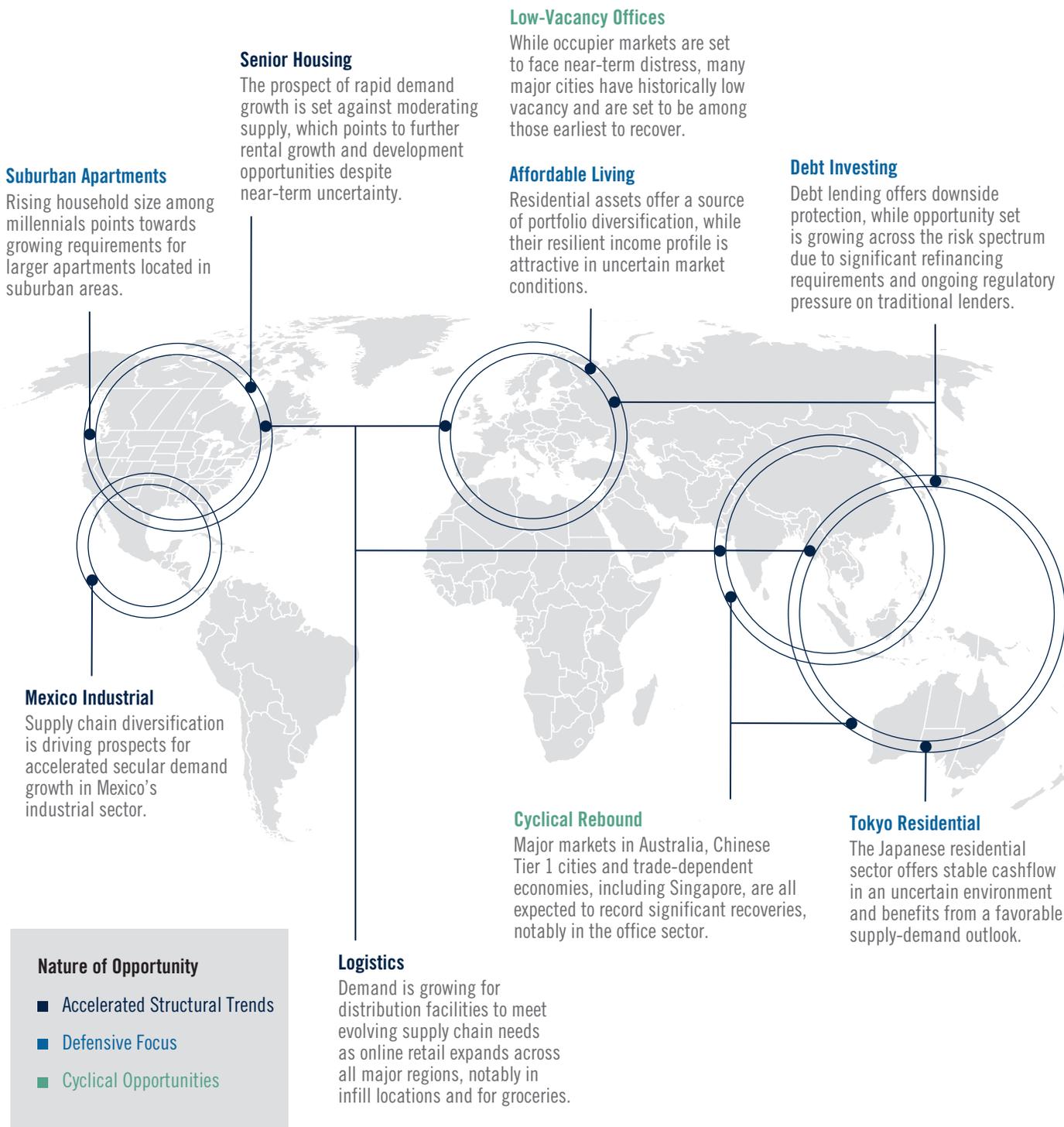
## Asia Pacific

- **Logistics:** Structural trends supporting opportunities in logistics — particularly relating to grocery supply chains — are being accelerated by COVID-19.
- **Japan: Residential to Offer Resilience:** The Japanese residential sector offers stable cash flow in an uncertain environment and benefits from a favorable supply-demand outlook.
- **Australia: Defensive Debt, Cyclical Office:** Near-term uncertainty points toward debt opportunities as a source of defensive cash flow, while office markets are eventually set to record a strong recovery.
- **China: Focus on Tier 1 Markets:** Tier 1 cities continue to exhibit a shift toward services, driving ongoing demand for office space. The prospect of a value correction points toward an attractive entry point.
- **Upswing in Trade-Dependent Economies:** Hong Kong, Singapore and South Korea are volatile markets that are already recording value declines but are well-placed for a strong cyclical recovery.

## Europe

- **Early Recovery Office Markets:** Liquid CBDs and markets that can keep vacancy down through the crisis are set to offer a significant opportunity set during an office recovery.
- **Accelerated Structural Trends:** Rising online spending and a growing need for provision of modern residential stock in major cities are set to provide ongoing opportunities for investors.
- **Debt-Funding Requirements:** Elevated lending to real estate in recent years points to refinancing opportunities for nontraditional lenders, while alternative debt providers can look to capitalize on any distress in the market.

# GLOBAL INVESTMENT OPPORTUNITY MAP



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