

Global Real Estate Demand Remains Strong

RESEARCH ARTICLE

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The CBRE *Global Investor Intentions Survey 2015*, a study of nearly 700 investment firms from around the world, found that 53% of respondents plan to increase their real estate investments this year – down from 61% in 2014. Although the measure is lower this year, global real estate capital flows increased to \$835 billion in 2014, nearly four times greater than the \$232 billion recorded in 2009, indicating that 2015 should expect strong capital inflows as well. The impact of increased capital flowing into real estate was evident in the survey results, as the responses reinforce three trends we have observed: 1) high-quality acquisitions are challenging for nearly all investors, 2) U.S. real estate is continuing to attract foreign capital, 3) and the number of domestic firms pursuing international investments has more than doubled since 2014.

Half of the respondents consider asset pricing to be the biggest obstacle to increasing their real estate allocation. Availability of assets ranked second (21%) followed by competition from other investors (19%). Collectively, these results suggest that real estate demand is escalating while reasonably priced assets are in short supply. Nevertheless, investor intentions remain positive. Based on the historical relationship between survey sentiment and investment volumes in previous years, CBRE expects global real estate investment volume will increase by 10-15% in 2015, potentially approaching the \$1 trillion mark.

Cross-border investments (to the U.S.) have been increasing in recent years, and roughly 20% of the foreign- investors surveyed plan to allocate more capital to the U.S. this year. In the first six months of 2015, foreign investors placed \$50 billion in direct foreign investment in U.S. commercial, more than the \$47 billion placed in all of 2014, which was an all-time high. The \$50 billion inflow represents a quarter of all U.S. transaction activity in the first half of 2015, and does not include foreign investment in U.S. real estate funds.

United States investors are pursuing international opportunities at a high clip as well. More than 37% of investors from the Americas intend to invest internationally, up substantially from 14% just a year ago. As the U.S. economic outlook continues to strengthen, it has encouraged a global investment strategy. As a result, domestic investors are planning to allocate capital within the country, but also in overseas markets. The strengthening U.S. dollar is also supporting the flow of U.S. capital into other global markets.

The *2015 Global Investor Intentions Survey* indicates that real estate investors around the globe are confident in their intentions to allocate capital to real estate, and as a result, we expect 2015 will be another healthy year for global real estate investment markets.

CREDITS & DISCLOSURES



Dr. Will McIntosh
Global Head of Research
Phone: 210-641-8416
Email: will.mcintosh@usrealco.com



Mark Fitzgerald, CFA, CAIA
Research Analyst
Phone: 210-690-6706
Email: mark.fitzgerald@usrealco.com



John Kirk, CCIM
Research Analyst
Phone: 210-690-6715
Email: john.kirk@usrealco.com

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