



# THE GLOBAL ECONOMY AND REAL ESTATE MARKETS

Raymond Torto

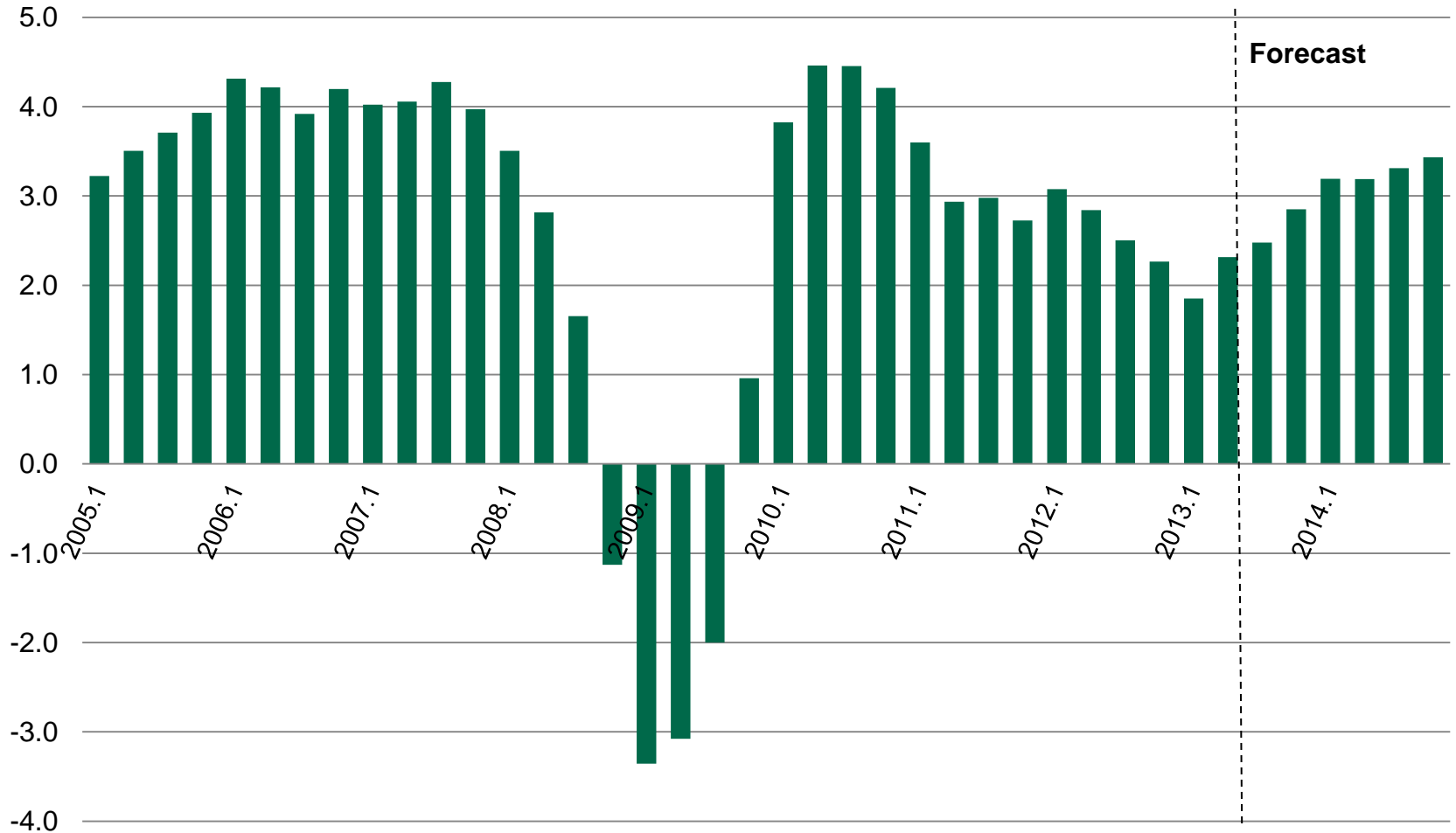
Chairman, Global Research

**CBRE**



# GLOBAL OUTLOOK: MODEST BUT IMPROVING!

Quarterly Real GDP, Year-over-Year % Change

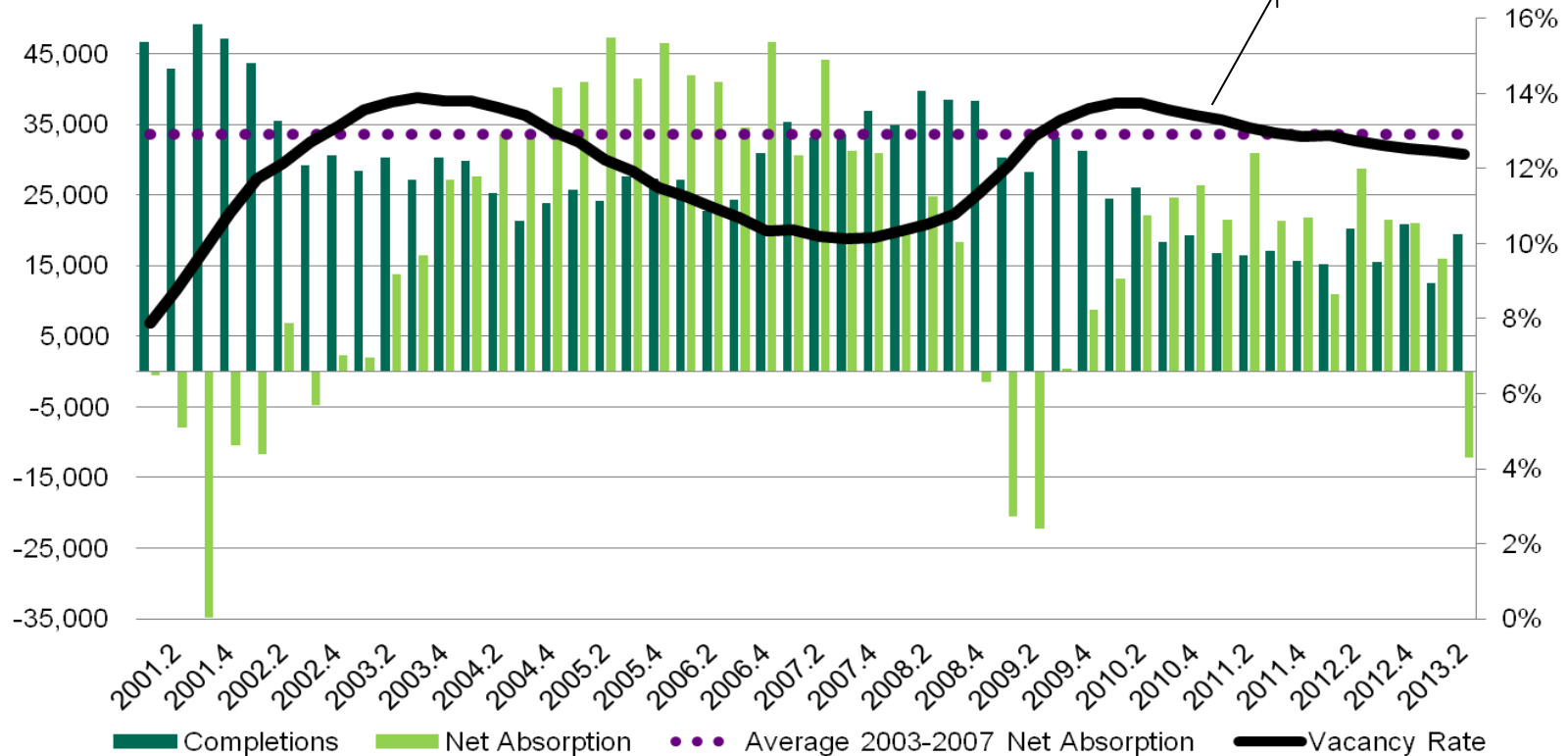


Source: IHS Global Insight, Q3 2013.

# GLOBAL SUPPLY AND DEMAND

Net Absorption and Completions, Thousands Sq. Ft.

Vacancy Rate, % of Total Stock



- The global series is a simple aggregation of the three regional series; EMEA, Asia, US/Canada.
- The Asian markets include: Beijing, Shanghai, Guangzhou, Hong Kong, Taipei, Tokyo, Seoul, Singapore, Bangkok, Manila, HCMC, Hanoi, Kuala Lumpur, New Delhi, Mumbai, and Bangalore.
- The EMEA markets include: Amsterdam, Barcelona, Berlin, Brussels, Copenhagen, Dublin, Frankfurt, London City, London West End, Madrid, Munich, Paris, Prague, Vienna, Warsaw and Zurich.
- The US and Canadian Markets include CBRE-Econometric Advisors' Sum of Markets.
- This chart covers all office stock, not just prime.

Source: CBRE Research Q2 2013





# **U.S. INTEREST RATES AND COMMERCIAL REAL ESTATE PRICING**

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# CONCEPTUAL CAP RATE COMPOSITION (%)

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Cap rate (%) is composed of:

⊕ Risk free rate

⊕ Risk premium

⊕ Liquidity premium

⊖ Expected NOI growth

Susceptible to Rate Shock?





**GROWTH IS NOT ENOUGH**

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## A CHANGING WORKFORCE



**50%** of the US workforce is predicted to be independent contractors by 2020.

Source: U.S. Bureau of Labor Statistics



**40%** of knowledge workers will have abandoned or removed their desk phone by the end of 2013.

Source: Gartner Research

## A WAR FOR TALENT



CEOs have a new strategy in the unending war for talent. They are creating more open and collaborative cultures – encouraging employees to connect, learn from each other and thrive in a world of rapid change.

Source: IBM Global CEO Insights Report 2012

## UNDERUTILIZATION OF SPACE



Traditional office space has a utilization rate of

**50%**

Source: Various Industry Studies



Real estate currently represents one of the

**largest costs**

of doing business, second only to labor.



# BOSTON CENTER OF GRAVITY

March 5, 1770

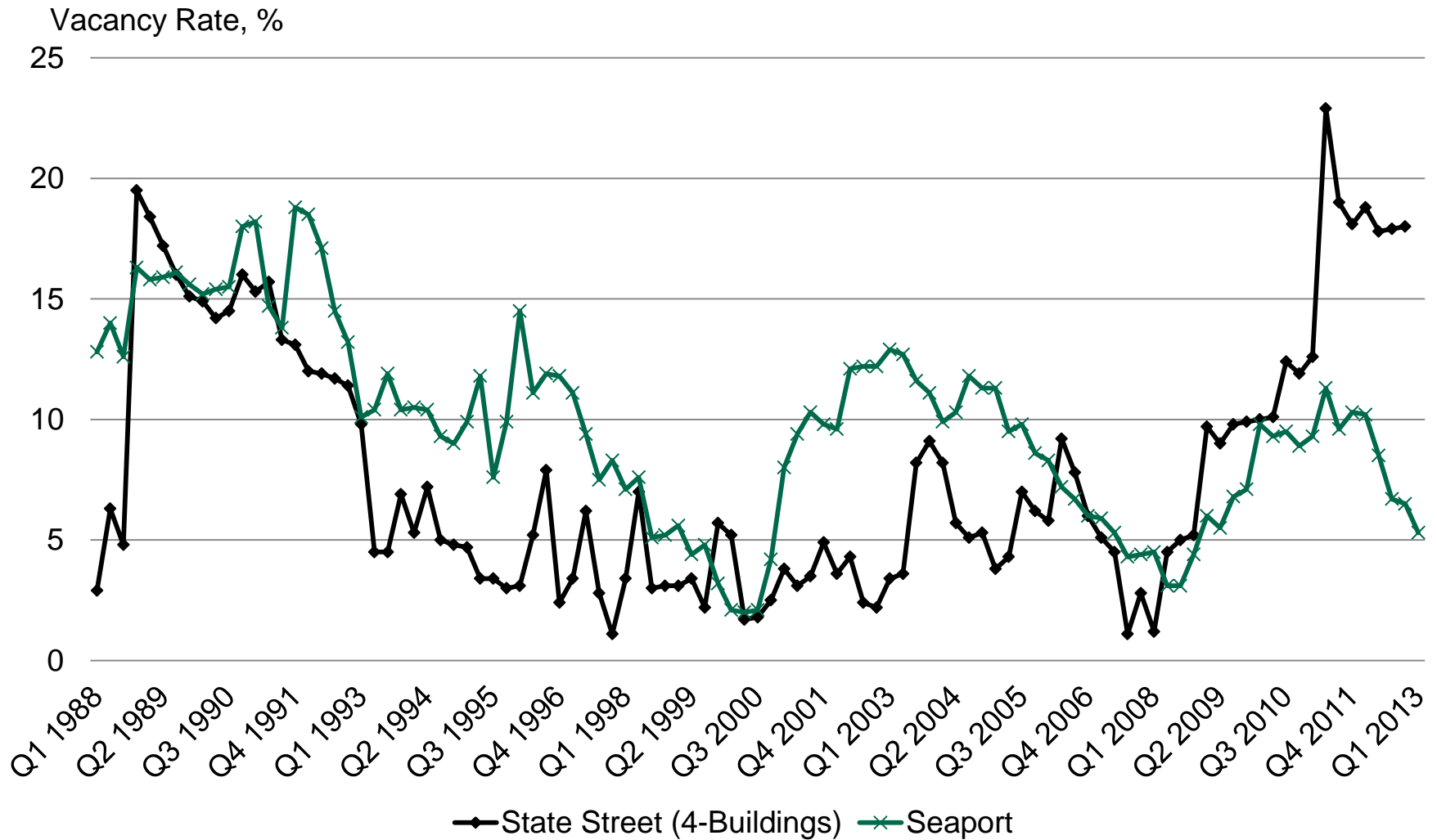


Built in 1705





# BOSTON 4 TOWERS AT CENTER VS. SEAPORT SUB-MARKET



Source: CBRE Econometric Advisors, data as of Q4 2012.