Intelligent Investment

2023 U.S. Investor Intentions Survey

REPORT FIGURES ———————— CBRE RESEARCH
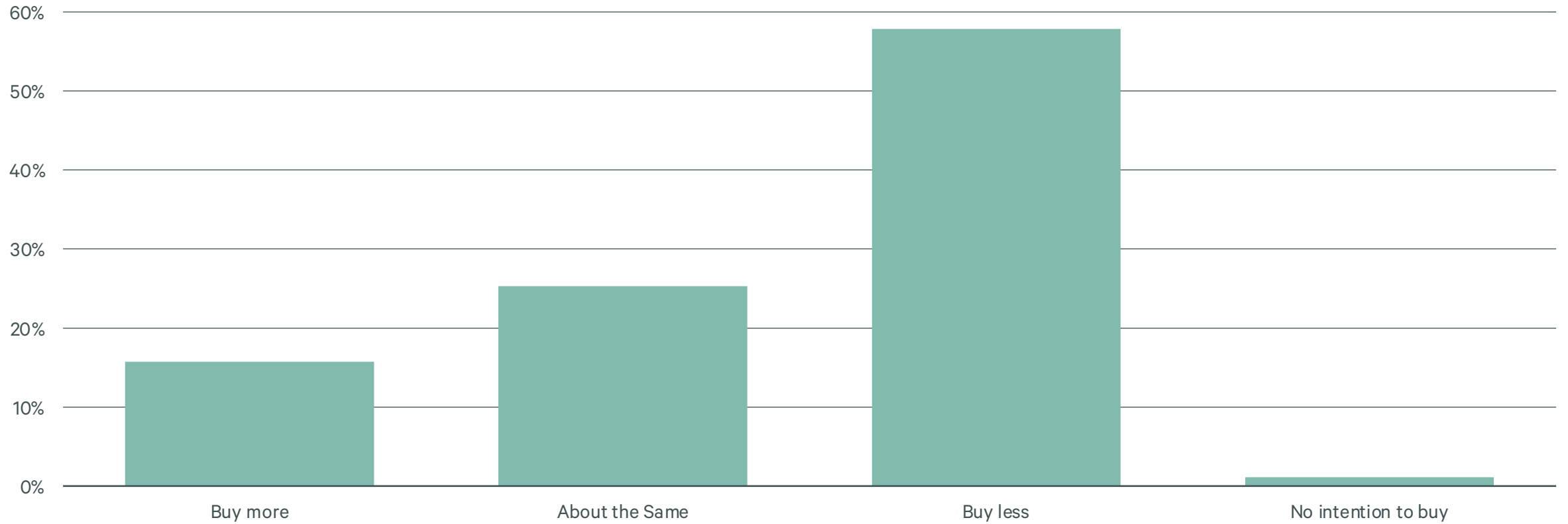JANUARY 2023

CBRE

01

Investment Activity Outlook
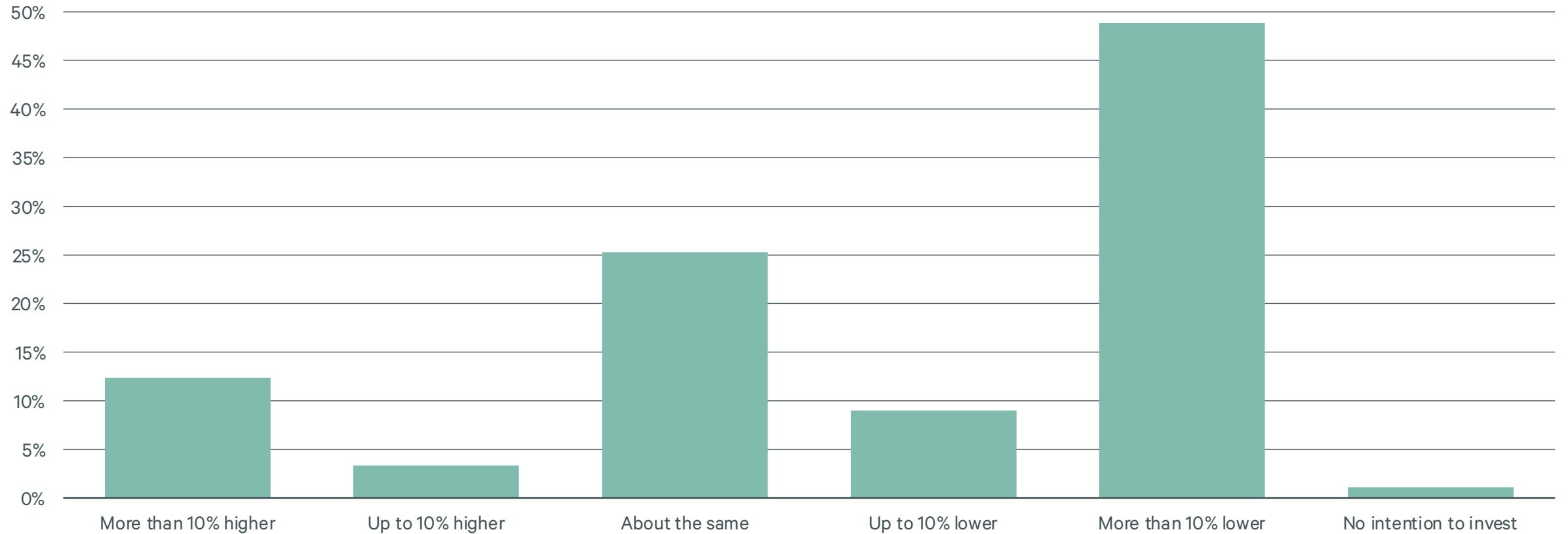
Most investors expect to buy less in 2023

FIGURE 1: Purchasing activity expectations

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Nearly half of investors expect to decrease purchasing by more than 10%
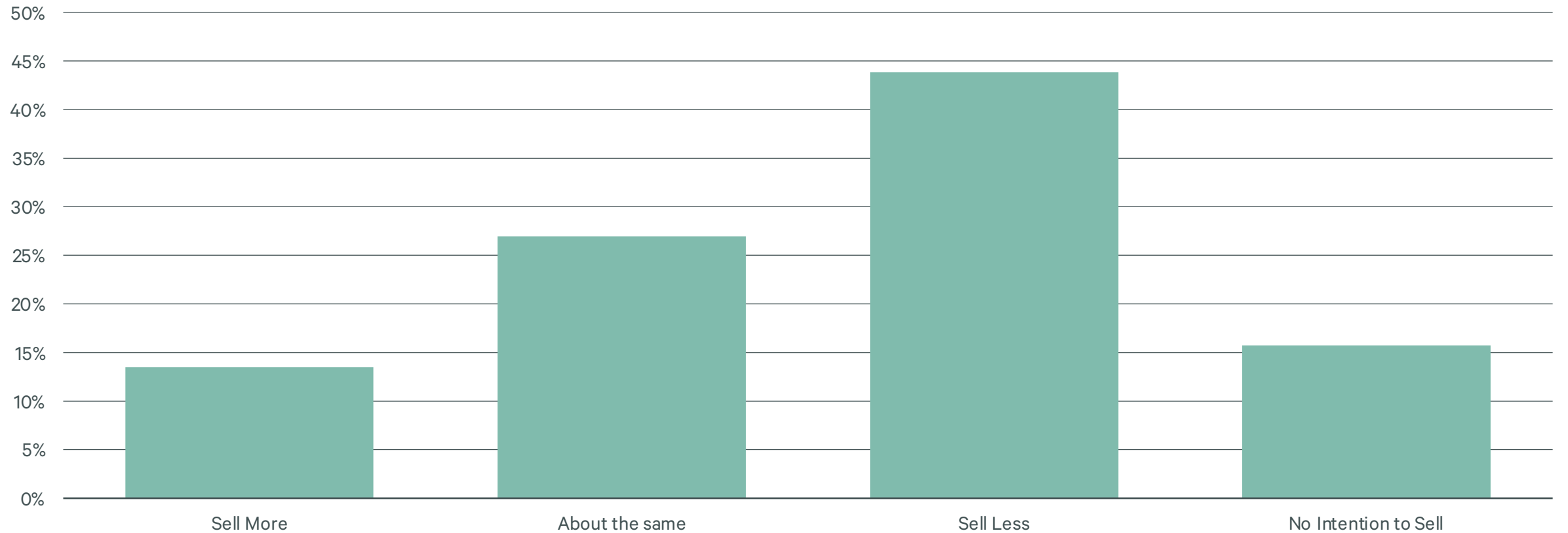
FIGURE 2: Purchasing activity expectations

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

# Investors are hesitant to sell assets amid diminished value environment

FIGURE 3: Selling activity expectations

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Rising interest rates and macroeconomic uncertainty will reduce 2023 investment volume, although it will remain historically healthy

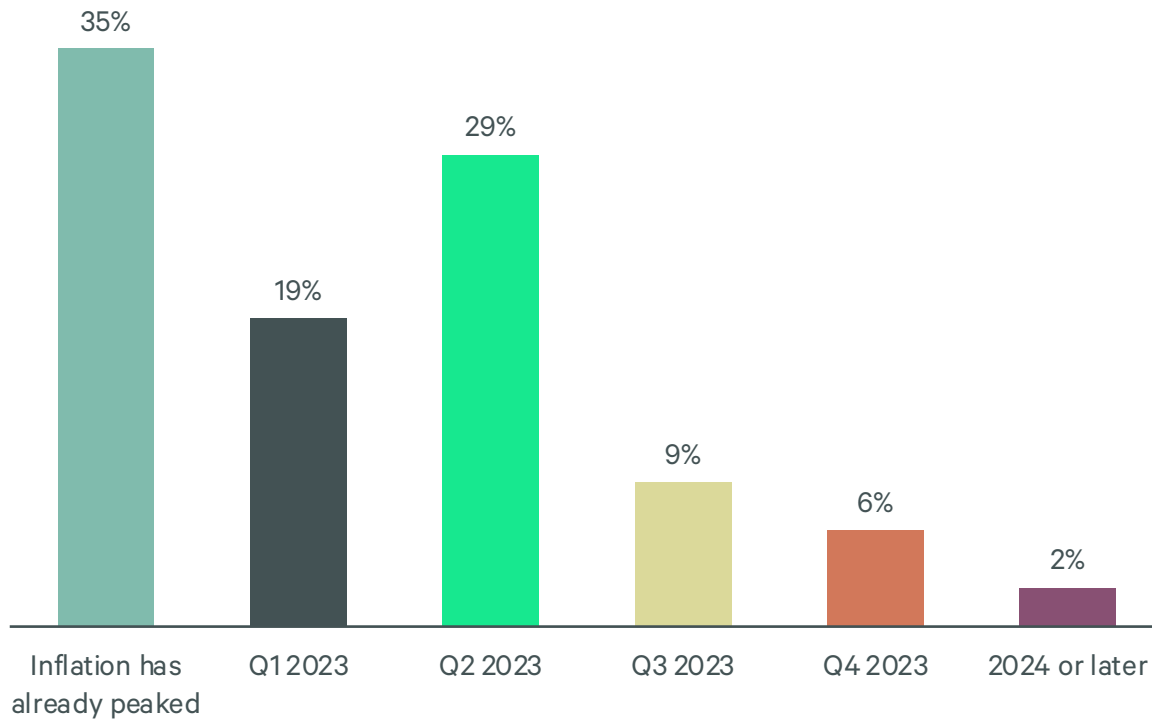**FIGURE 4: U.S. commercial real estate investment volume**
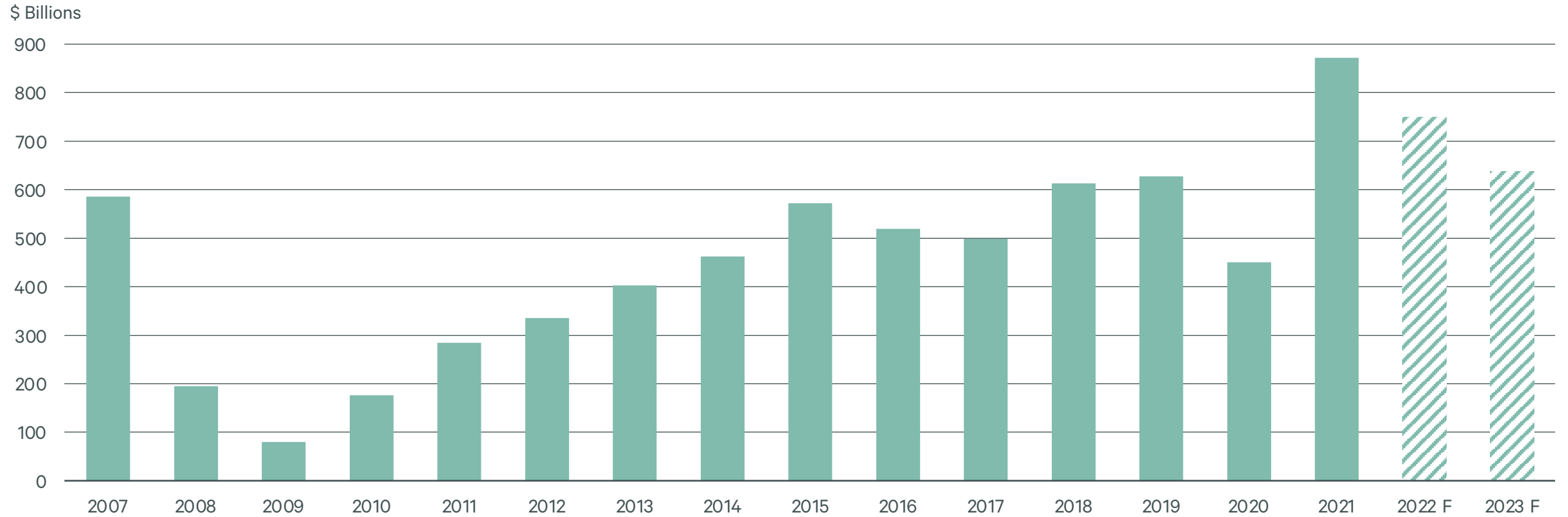
$ Billions

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Most investors expect inflation will peak by H1 2023 but remain elevated

FIGURE 5: Expectation of when inflation will peak
When do you expect inflation will peak?

Inflation has already peaked	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2024 or later
35%	19%	29%	9%	6%	2%

FIGURE 6: Expected inflation rate at year-end 2023
What do you think the inflation rate will be at year-end 2023?

0.0% to 1.0%	1%
1.0% to 2.5%	5%
2.5% to 4.0%	36%
4.0% to 5.5%	45%
5.5% or greater	13%

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

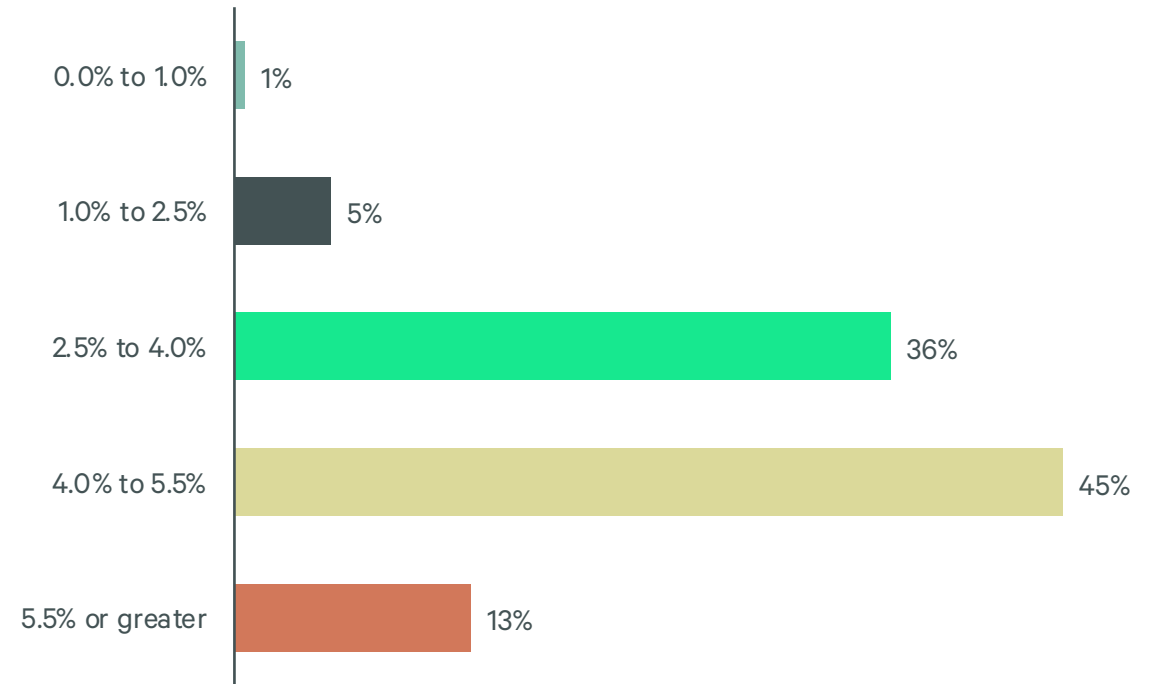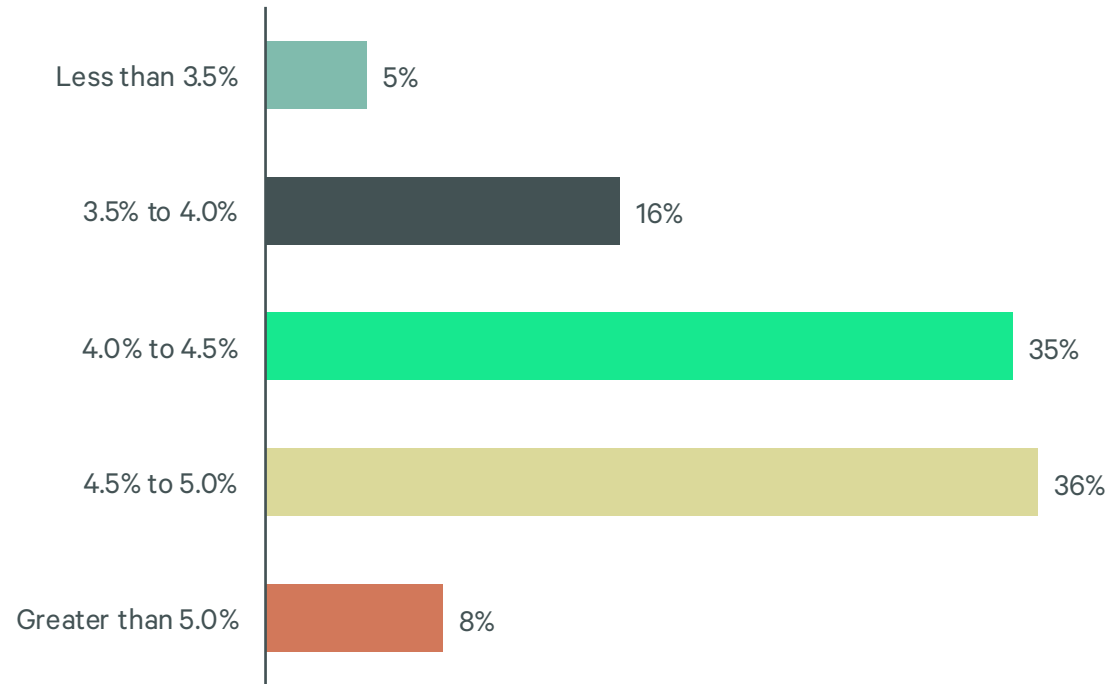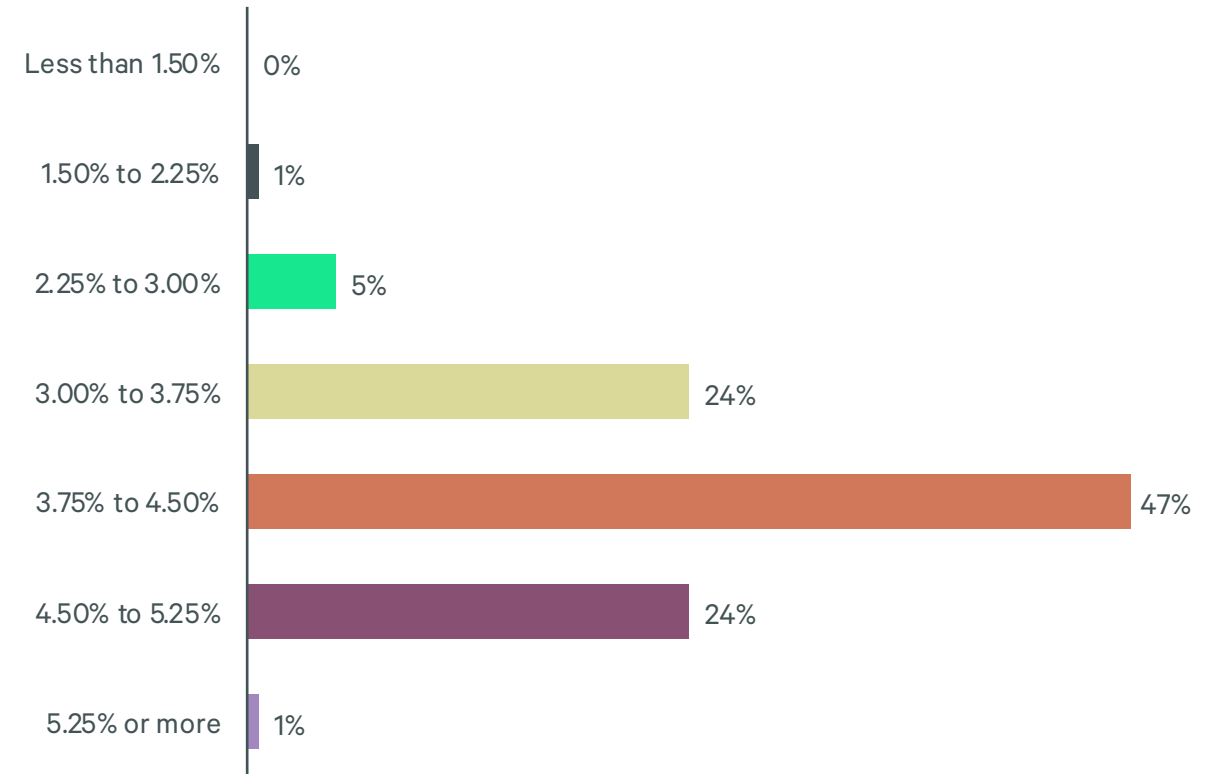# Most investors expect inflation will peak by H1 2023 but remain elevated

FIGURE 7: Expected federal funds rate at year-end 2023
What do you think the federal funds rate will be at year-end 2023?

Category	Percent
Less than 3.5%	5%
3.5% to 4.0%	16%
4.0% to 4.5%	35%
4.5% to 5.0%	36%
Greater than 5.0%	8%

FIGURE 8: Expected 10-year Treasury rate at year-end 2023
What do you think the 10-year Treasury rate will be at year-end 2023?

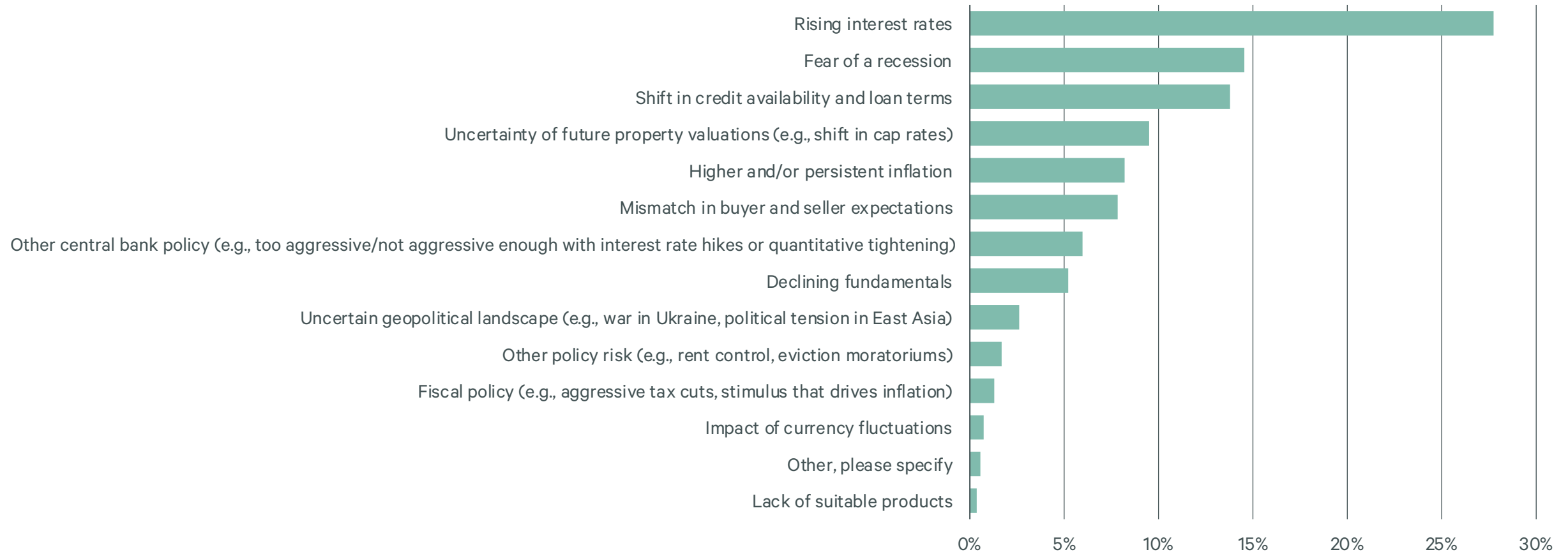| Category	Percent
Less than 1.50%	0%
1.50% to 2.25%	1%
2.25% to 3.00%	5%
3.00% to 3.75%	24%
3.75% to 4.50%	47%
4.50% to 5.25%	24%
5.25% or more	1%

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

# Greatest challenges for investors in 2023: rising rates, fear of a recession and credit availability

FIGURE 9: Major challenges facing real estate investment in 2023

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Real estate allocations expected to remain relatively stable in 2023 vs. 2022

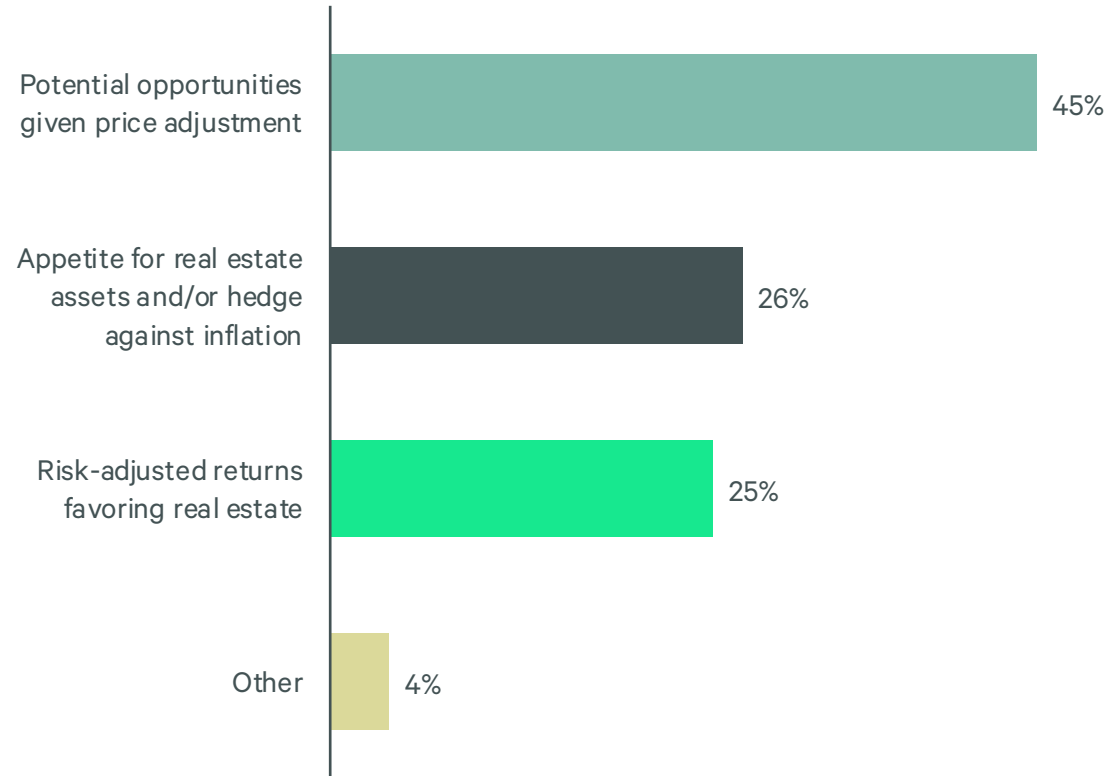FIGURE 10: Real estate allocation by AUM expectations in 2023
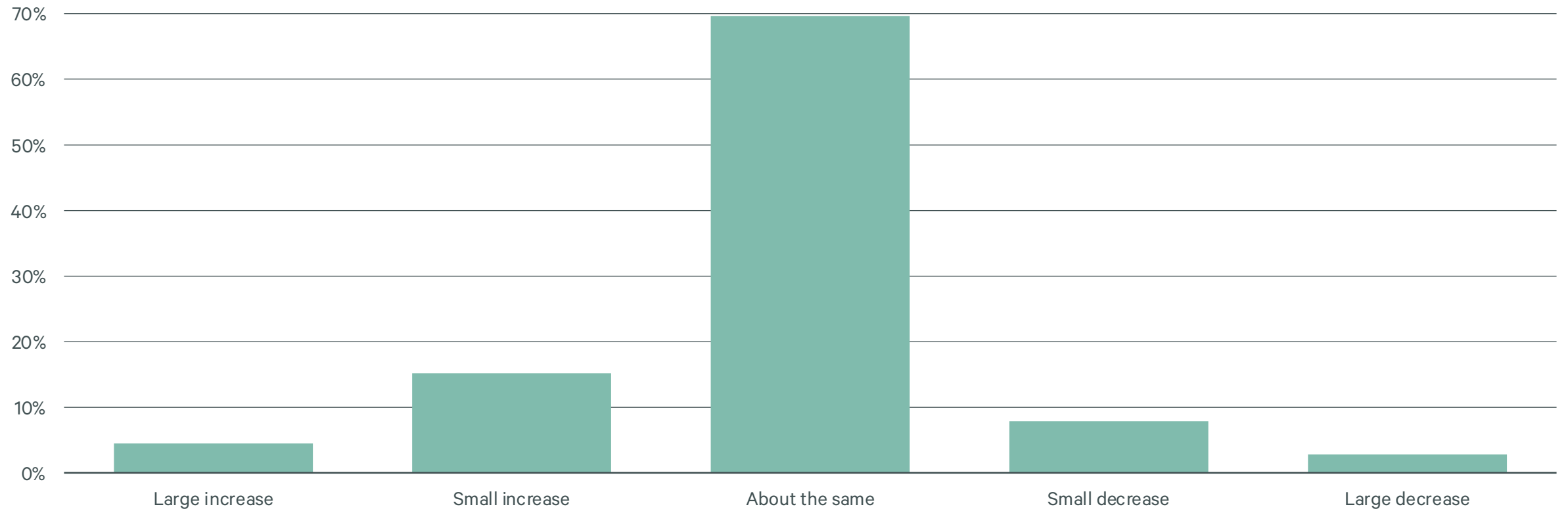
Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

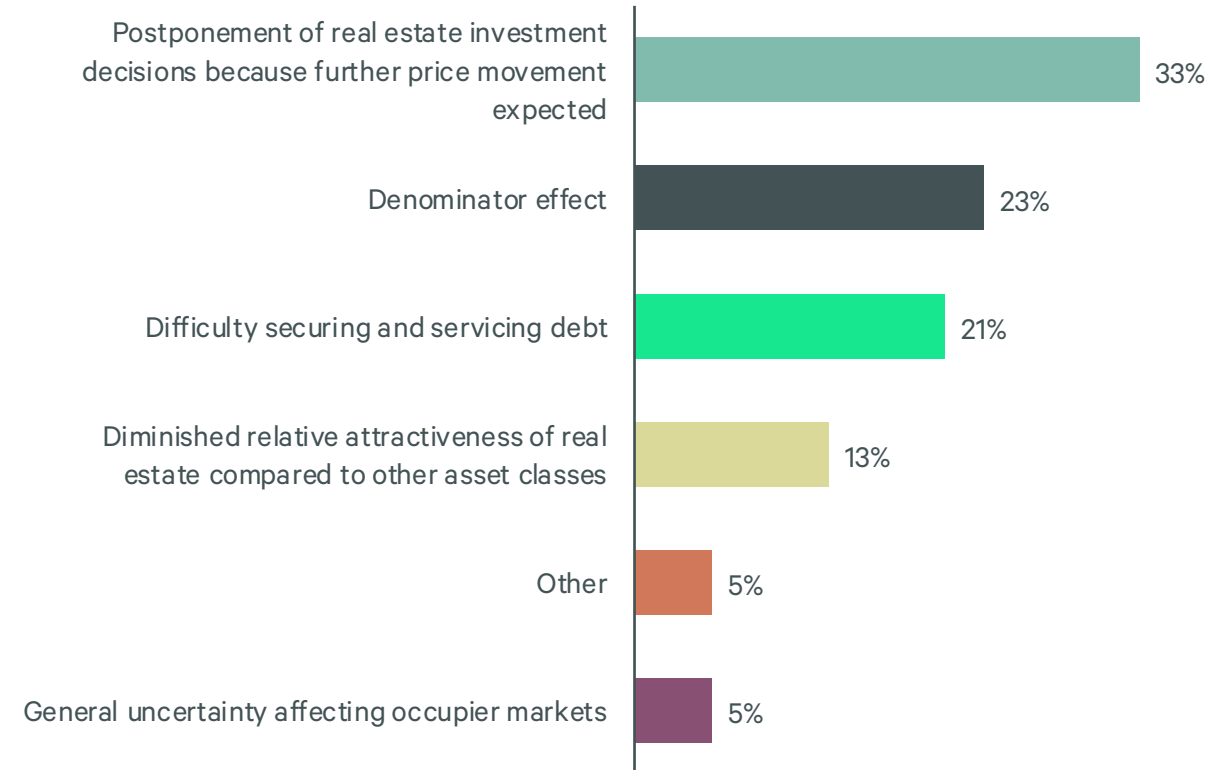# Repricing is a key factor in real estate allocation decisions

FIGURE 11: Main reasons to increase real estate allocation
What are the main reasons to increase your real estate allocation? (multiple choice)

Reason	%
Potential opportunities given price adjustment	45%
Appetite for real estate assets and/or hedge against inflation	26%
Risk-adjusted returns favoring real estate	25%
Other	4%

FIGURE 12: Main reasons to decrease real estate allocation
What are the main reasons to decrease your real estate allocation? (multiple choice)

Reason	%
Postponement of real estate investment decisions because further price movement expected	33%
Denominator effect	23%
Difficulty securing and servicing debt	21%
Diminished relative attractiveness of real estate compared to other asset classes	13%
Other	5%
General uncertainty affecting occupier markets	5%

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Investors plan to take advantage of market conditions with distressed and opportunistic strategies

FIGURE 13: Preferred strategy

■ All respondents 2023 ■ All respondents 2022 ■ All respondens 2021
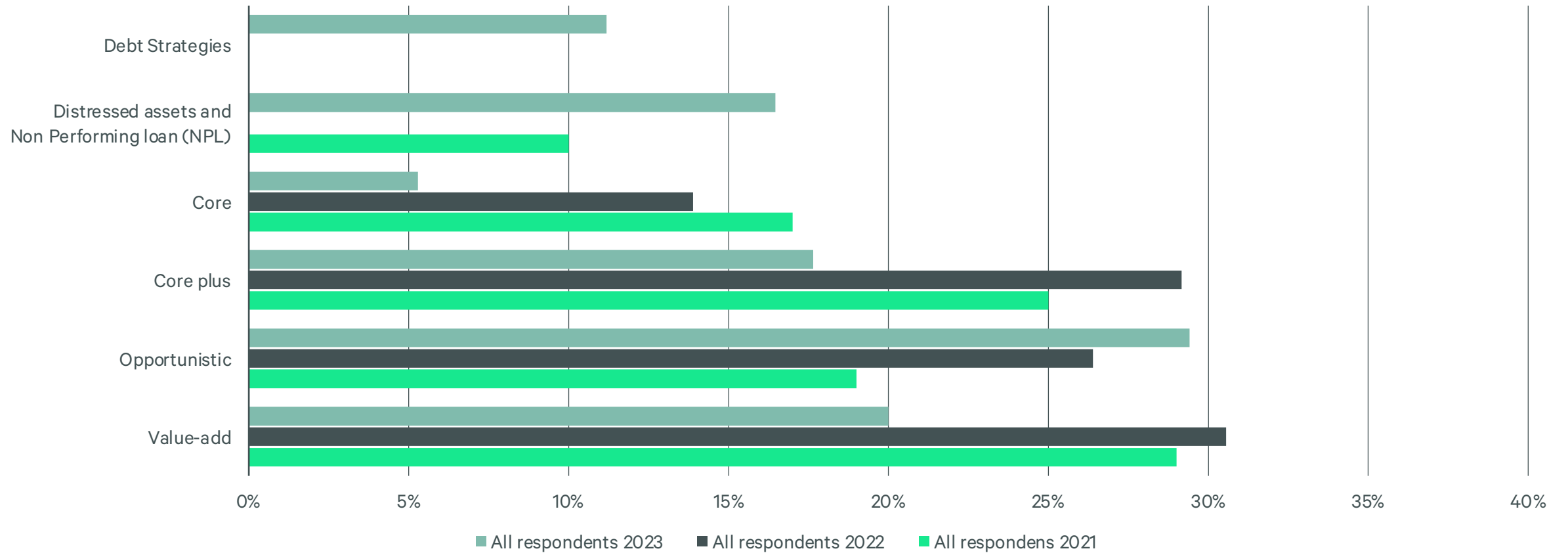
Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Multifamily and industrial remain most sought after sectors; bifurcation in office market expected to continue
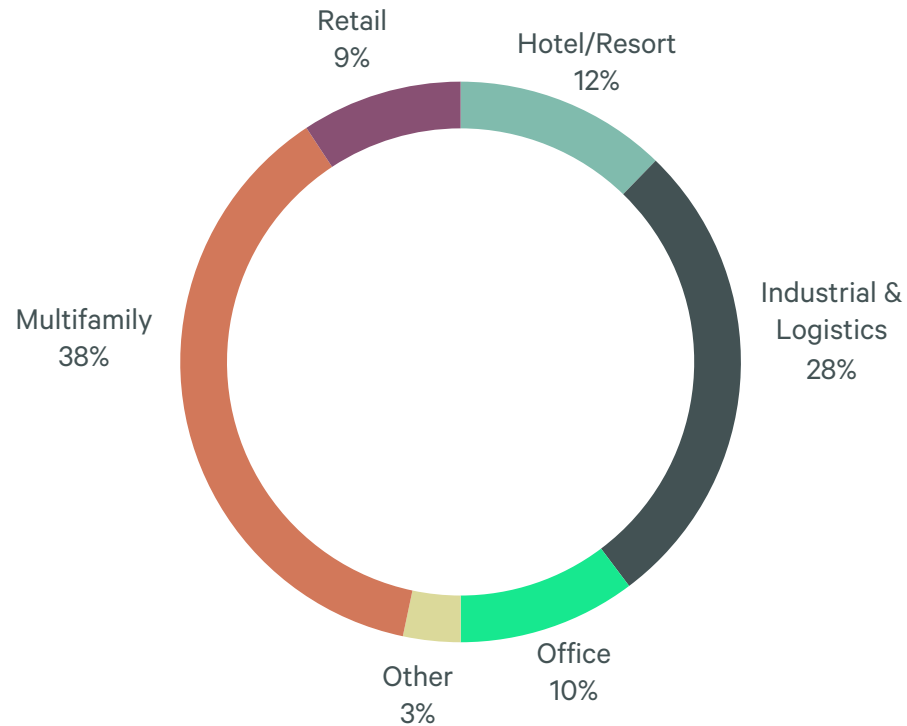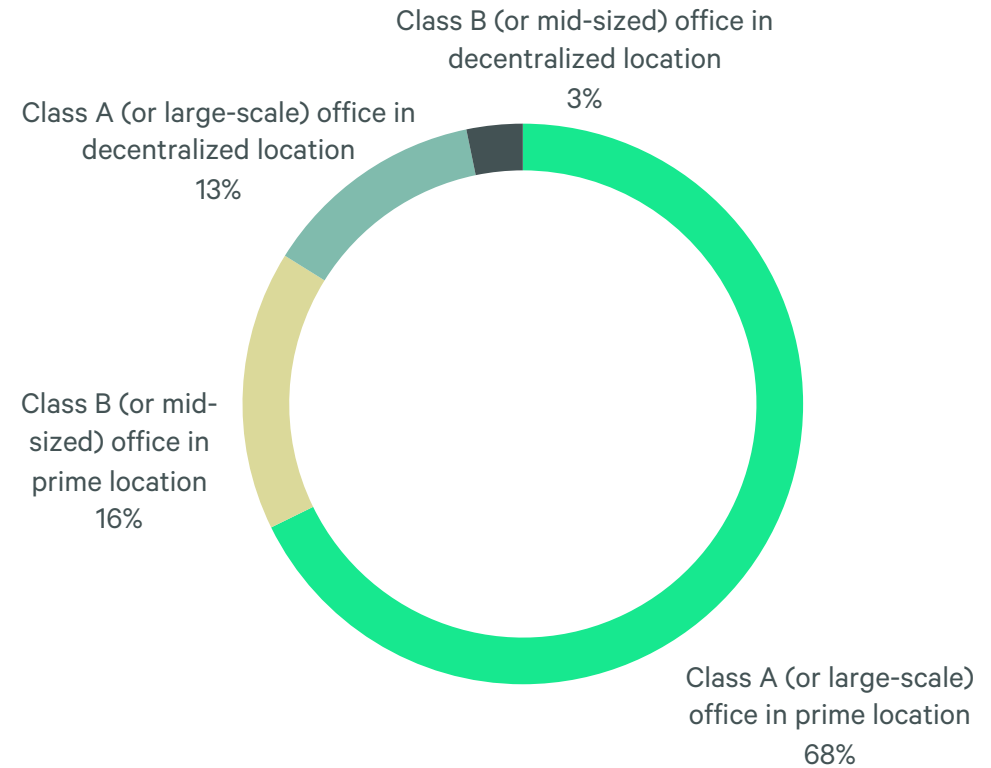
FIGURE 14: Sector preference

Retail
9%

Hotel/Resort
12%

Industrial &
Logistics
28%

Office
10%

Other
3%

Multifamily
38%

FIGURE 15: Favored office sub-sector

Class B (or mid-sized) office in
decentralized location
3%

Class A (or large-scale) office in
decentralized location
13%

Class B (or mid-sized) office in
prime location
16%

Class A (or large-scale)
office in prime location
68%

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Investors prefer traditional multifamily and build-for-rent residential, well-located logistics facilities and grocery-anchored retail centers

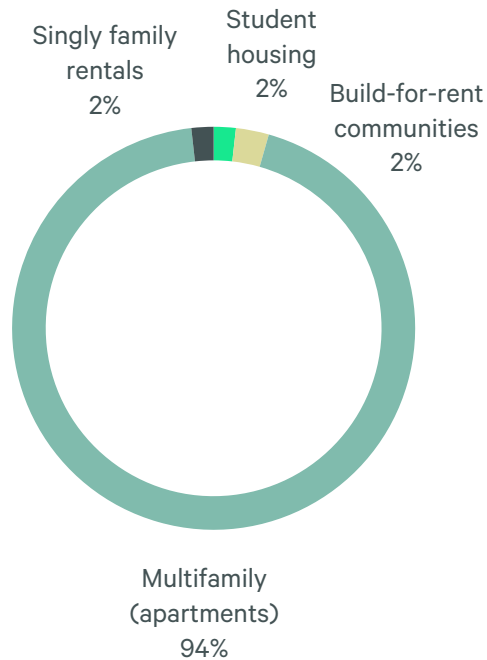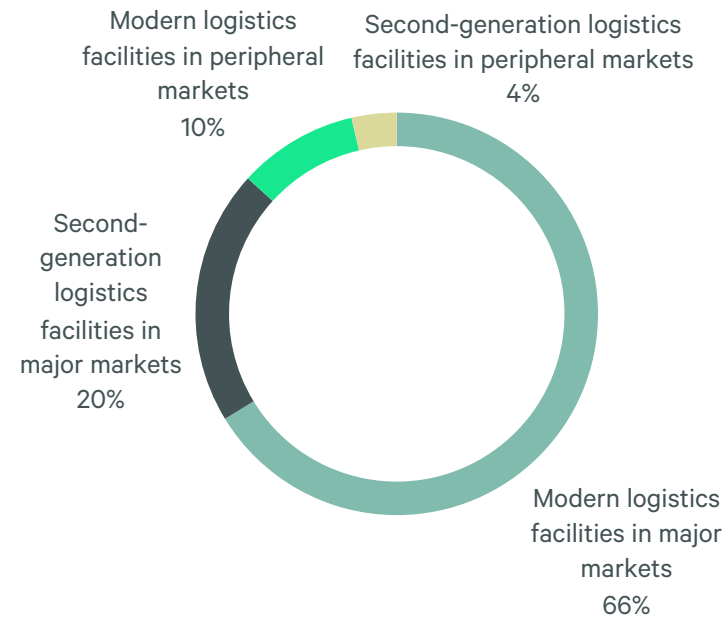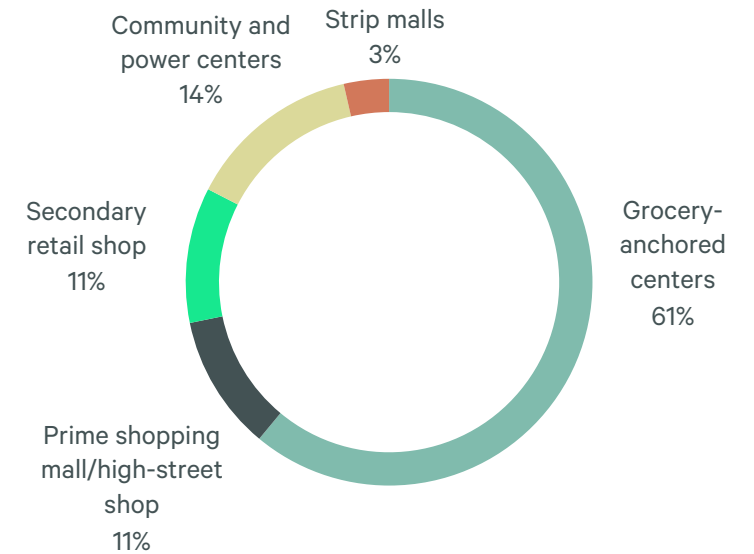**FIGURE 16: Favored multifamily sub-sector**

Singly family rentals
2%

Student housing
2%

Build-for-rent communities
2%

Multifamily (apartments)
94%

FIGURE 17: Favored logistics sub-sector

Modern logistics facilities in peripheral markets
10%

Second-generation logistics facilities in peripheral markets
4%

Second-generation logistics facilities in major markets
20%

Modern logistics facilities in major markets
66%

FIGURE 18: Favored retail sub-sector

Community and power centers
14%

Strip malls
3%

Secondary retail shop
11%

Grocery-anchored centers
61%

Prime shopping mall/high-street shop
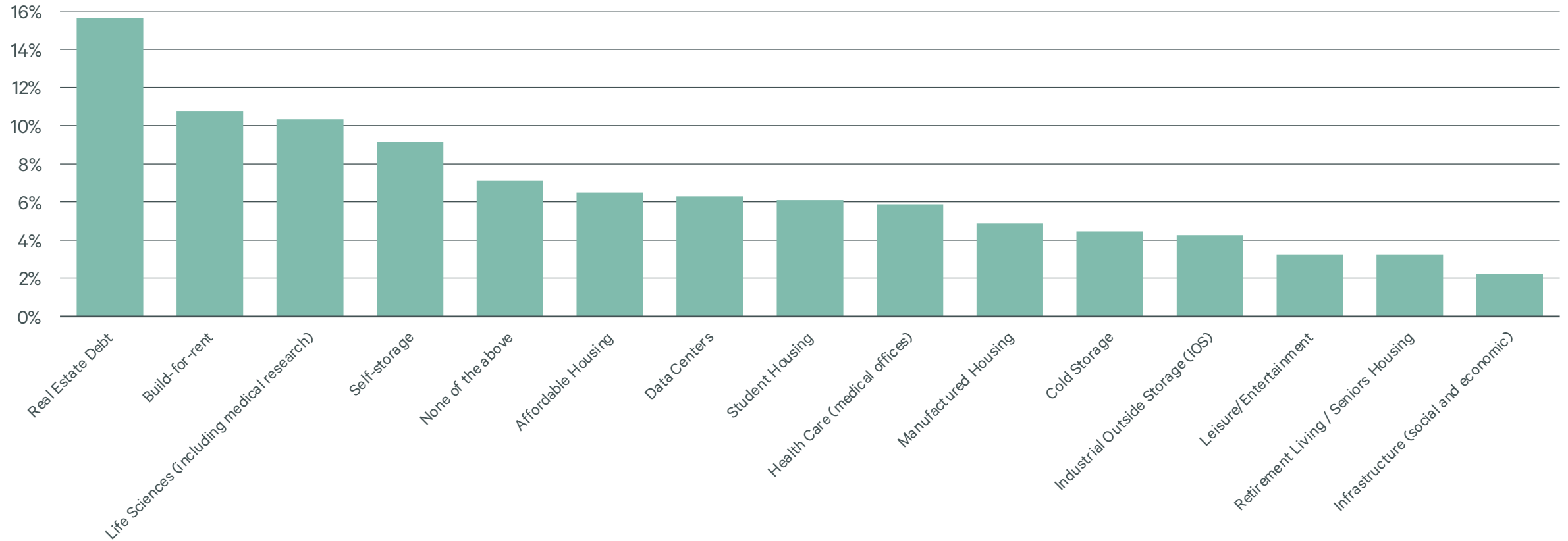11%

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Debt is the most attractive alternative for investors in a high interest rate environment

FIGURE 19: Alternative investment sector preference

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Investors see Sun Belt markets outperforming in 2023

FIGURE 20: Top 10 markets for performance

1	Dallas / Ft. Worth
2	Miami / South Florida
3	Austin
4	Nashville
5	Raleigh - Durham
6	Charlotte
7	Atlanta
8	Los Angeles
9	Denver
10	San Diego

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Investors prefer Sun Belt and high-performing secondary markets

FIGURE 21: Top 10 most preferred markets

1	Dallas / Ft. Worth
2	Austin
3	Miami / South Florida
4	Los Angeles
5	Nashville
6	Atlanta
7	Charlotte
8	Phoenix
9	Boston
10	Raleigh - Durham

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Discounts expected across all sectors, highest for shopping malls and value-add office

FIGURE 22: Pricing expectations in 2023 vs. 2022

Legend:
- Discount of 30% +
- Mid discount (10-30%)
- Small discount (less than 10%)
- No discount
- Willing to bid above asking prices (up to 10%)
- Unsure
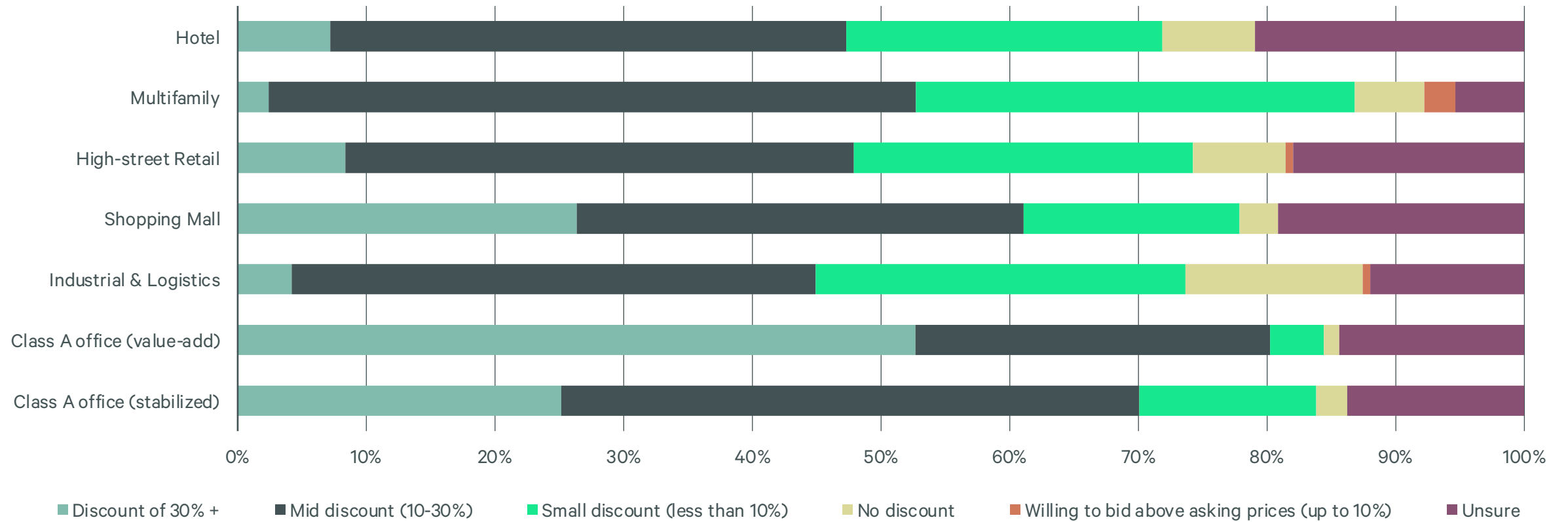
Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

02

ESG and Investment

Geopolitical and macroeconomic climate will have little impact on Environment, Social and Governance (ESG) adoption

FIGURE 23: Is the geopolitical and macroeconomic climate impacting investor adoption of ESG criteria?
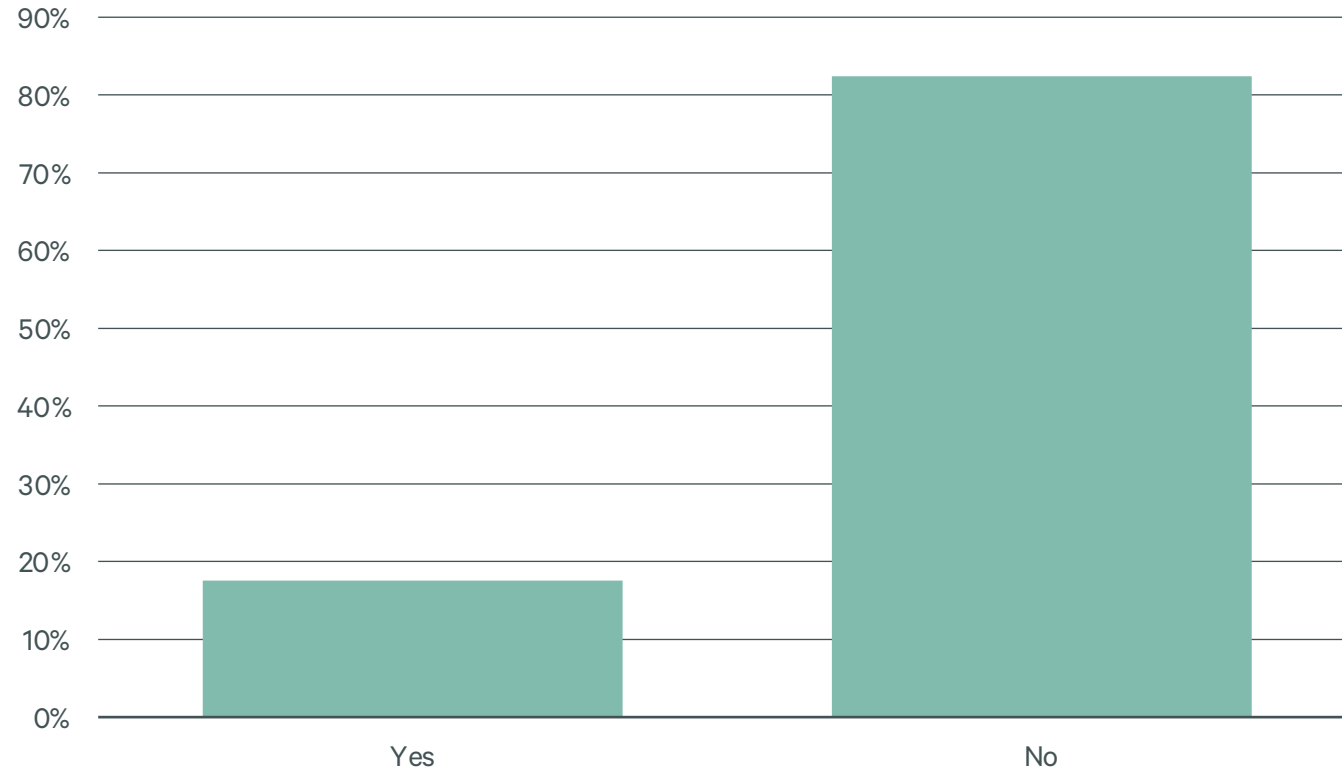
Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Some investors reconsidering levels of ESG adoption in the current environment

FIGURE 24: ESG adoption levels
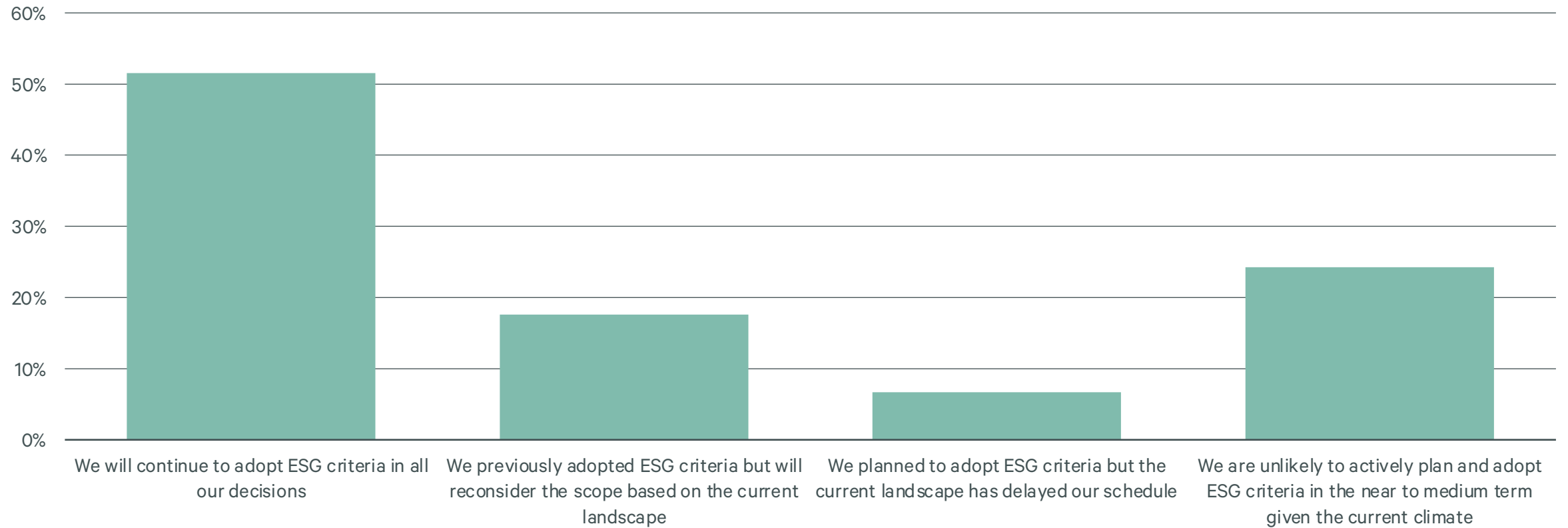
Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

Investors unwilling to pay a premium for ESG-compliant assets

FIGURE 25: Premium willing to pay for ESG-compliant assets
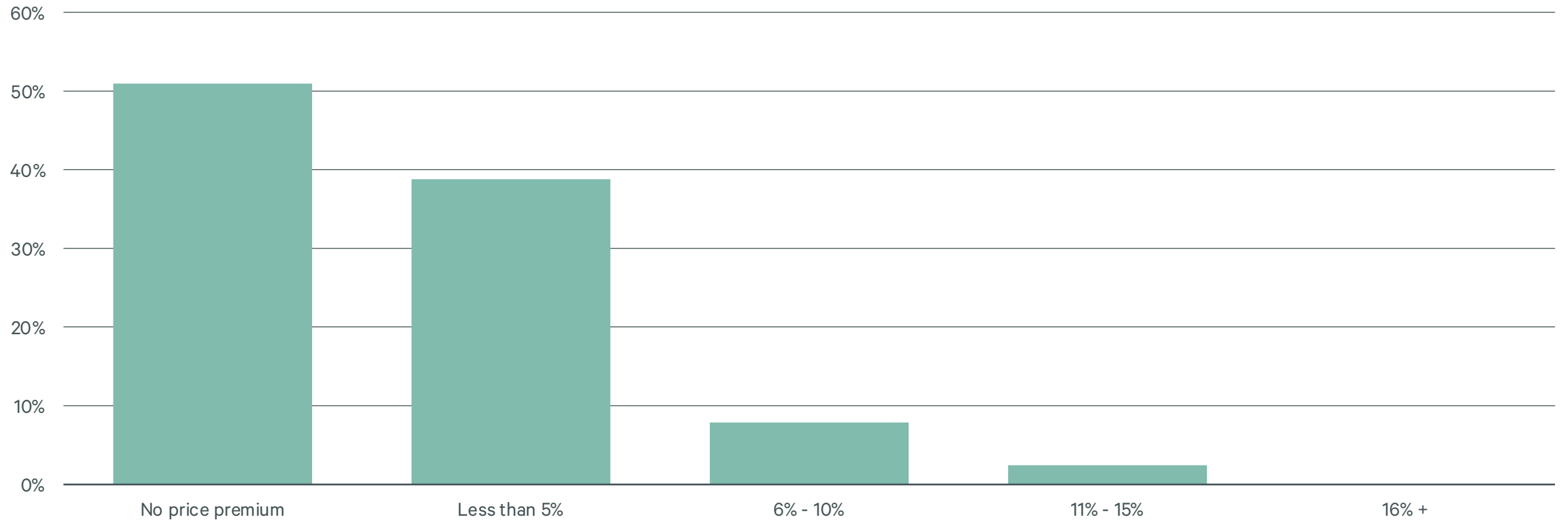
Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

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Respondent Profile

Respondent Profile and Total Responses ~ 180

FIGURE 26: Percentage of respondents by real estate assets under management
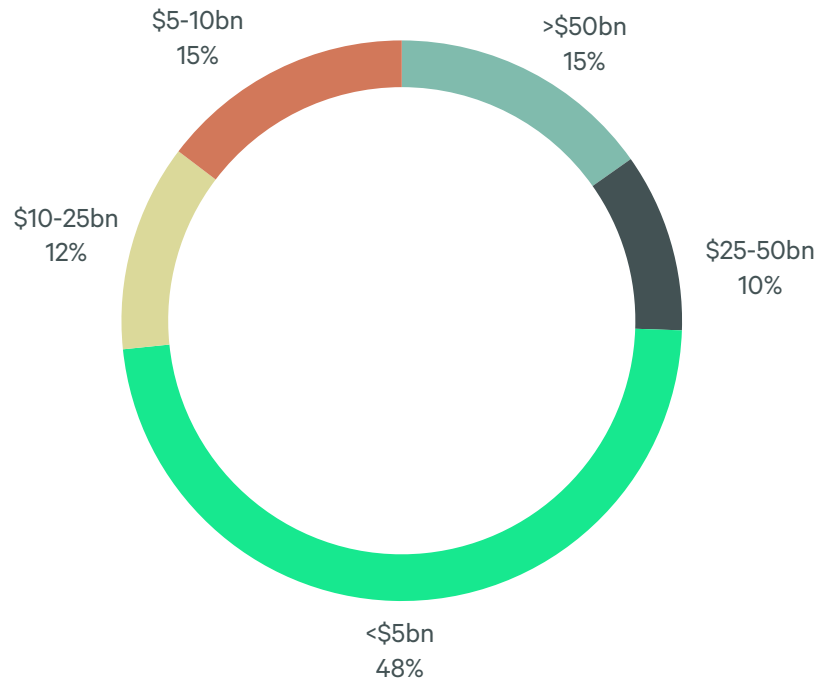
FIGURE 27: Percentage of respondents by investor type

$5-10bn
15%

>$50bn
15%

$10-25bn
12%

$25-50bn
10%

<$5bn
48%

Pension Fund
2%

Insurance Company
4%

Bank
1%

Sovereign Wealth Fund
1%

Private Equity Fund
20%

Real Estate Fund
21%

REIT
6%

Developer/Owner/Operator
39%

High Net Worth Individual/Private Individual Investor/Family Office
6%
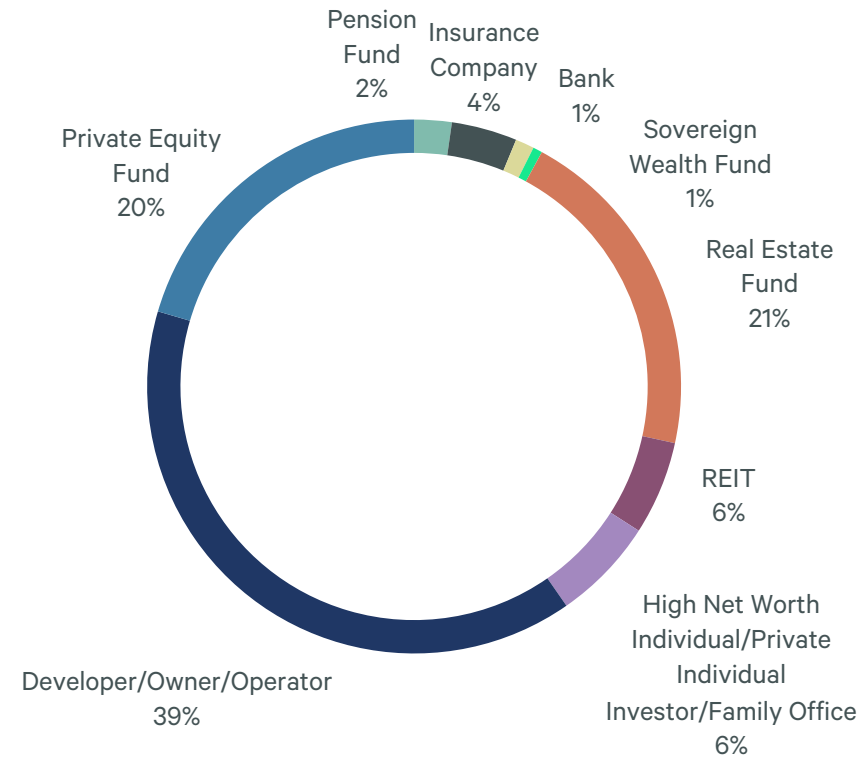
Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

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