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# In Recovery Comes Opportunity

**A Focus on the 2022 Global Property Markets and Sectors**

**02 DECEMBER 2021**

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# Today's Speakers



**MICHAEL ACTON**

*AEW Research, U.S.*



**HANS VRENSEN**

*AEW Research, Europe*



**GLYN NELSON**

*AEW Research, Asia Pacific*

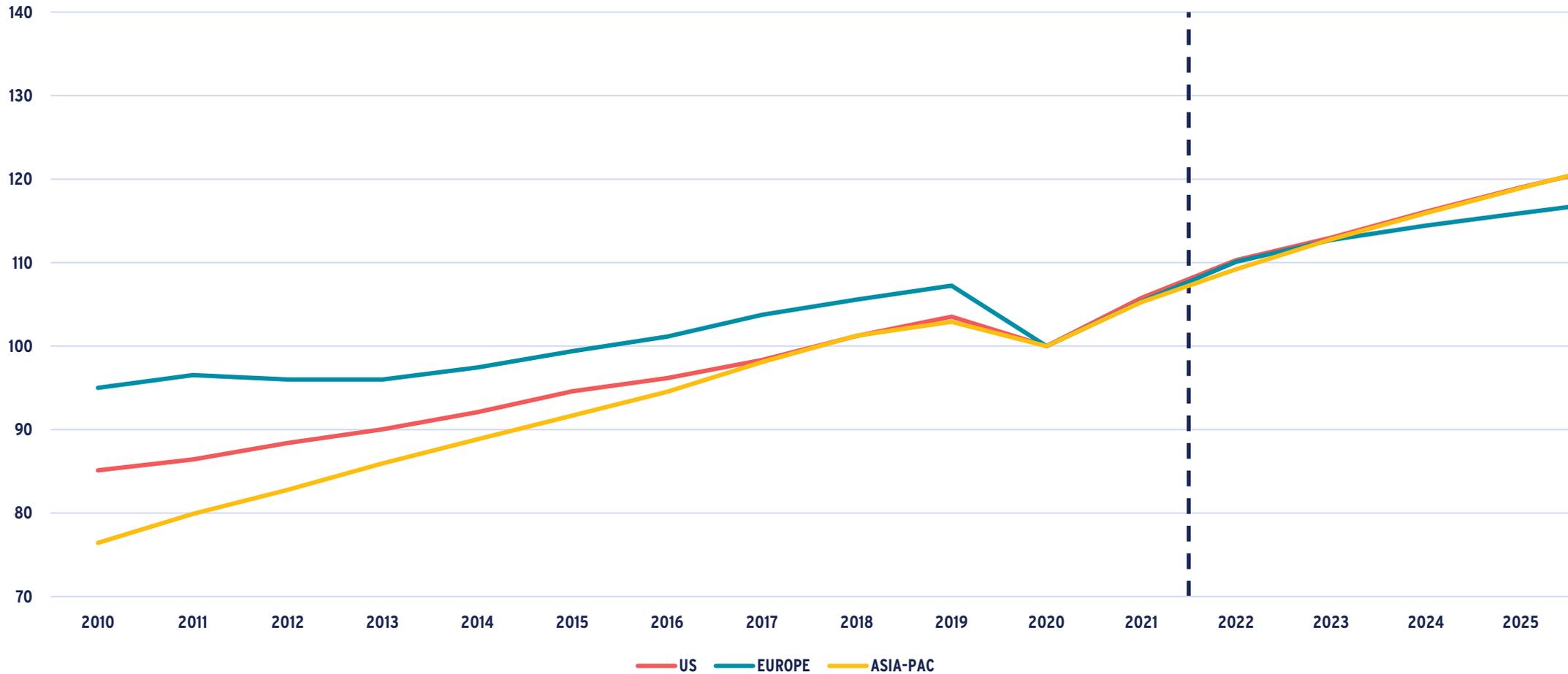
SECTION I

Economic Backdrop

2021 OUTLOOK

# Europe Expected to Lag Longer-Term

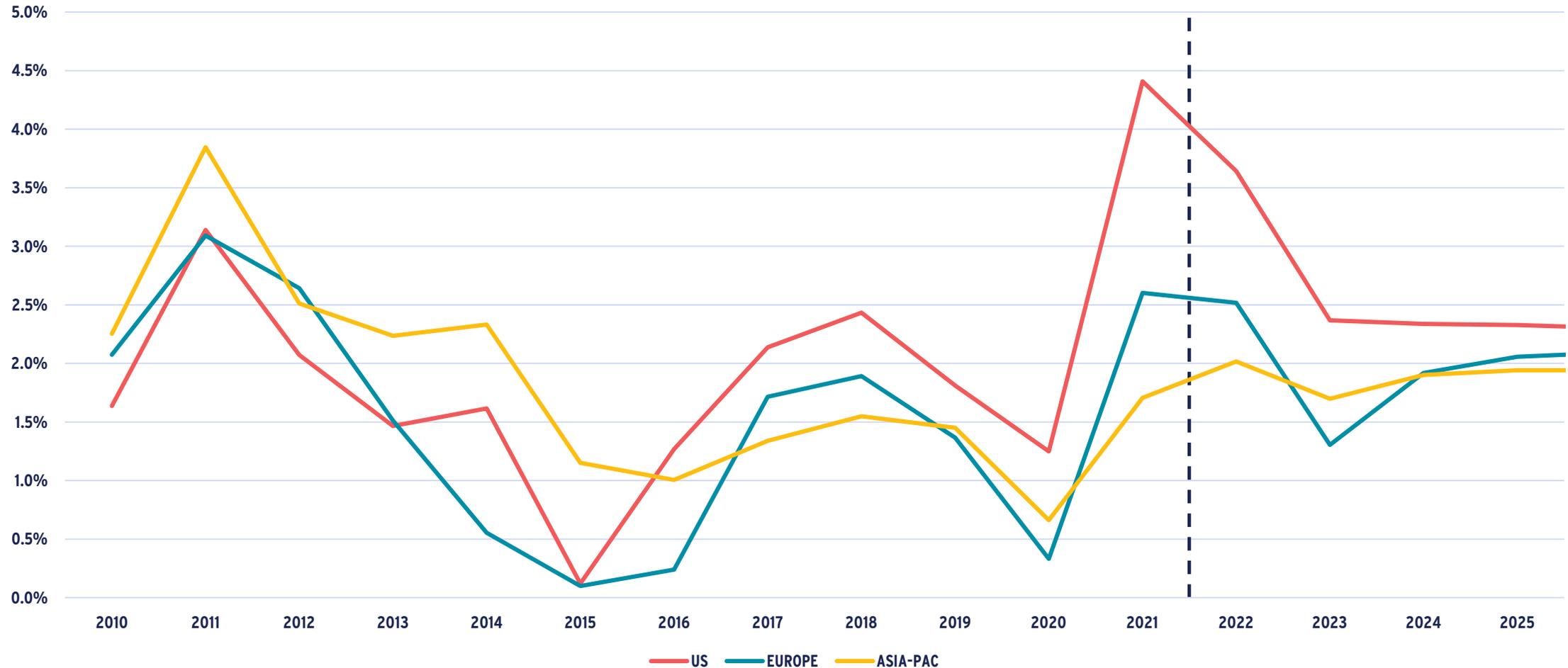
REAL GDP, INDEX 2020 = 100



2021 OUTLOOK

Elevated Near-Term Inflation Risk in U.S.

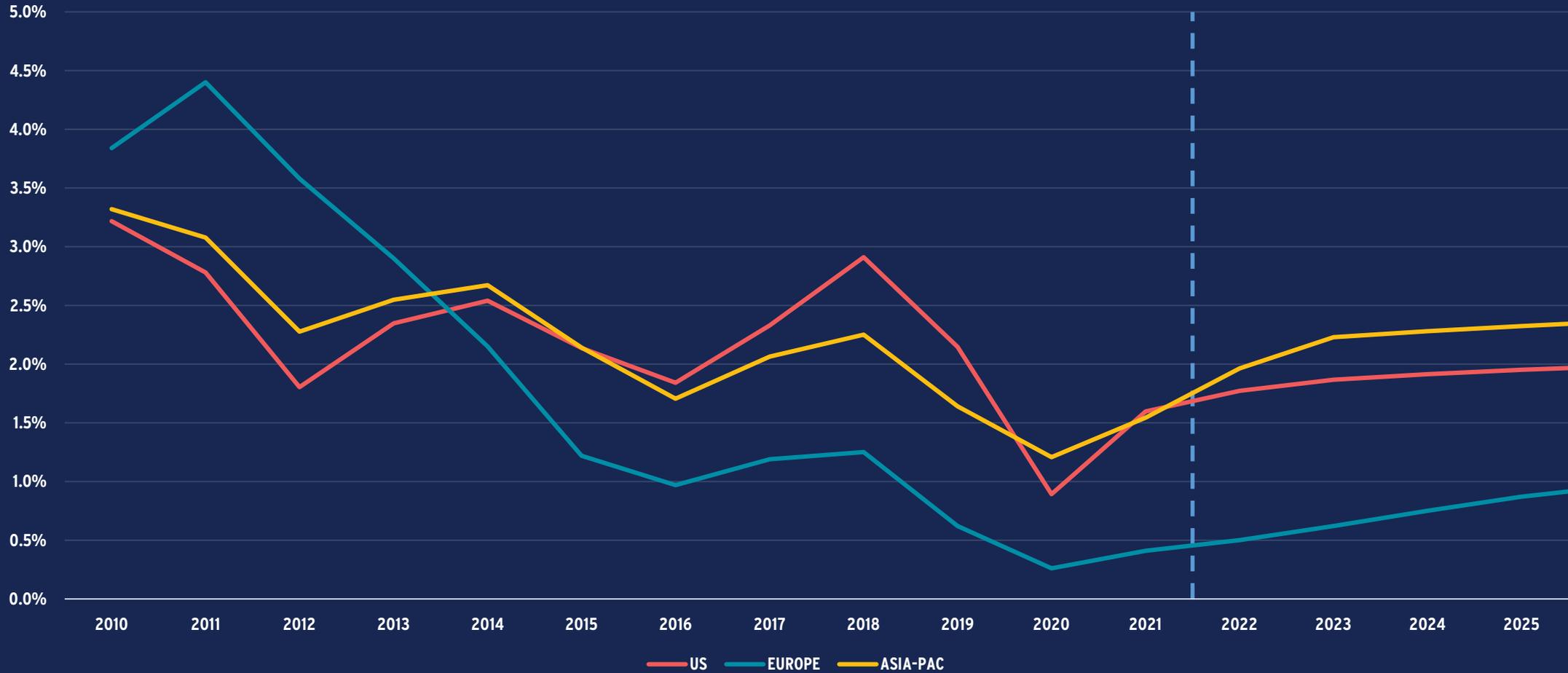
YEAR-OVER-YEAR PERCENT CHANGE IN CONSUMER PRICES



2021 OUTLOOK

# Zero or Negative Real Yields for Another Decade?

SOVEREIGN BOND YIELDS

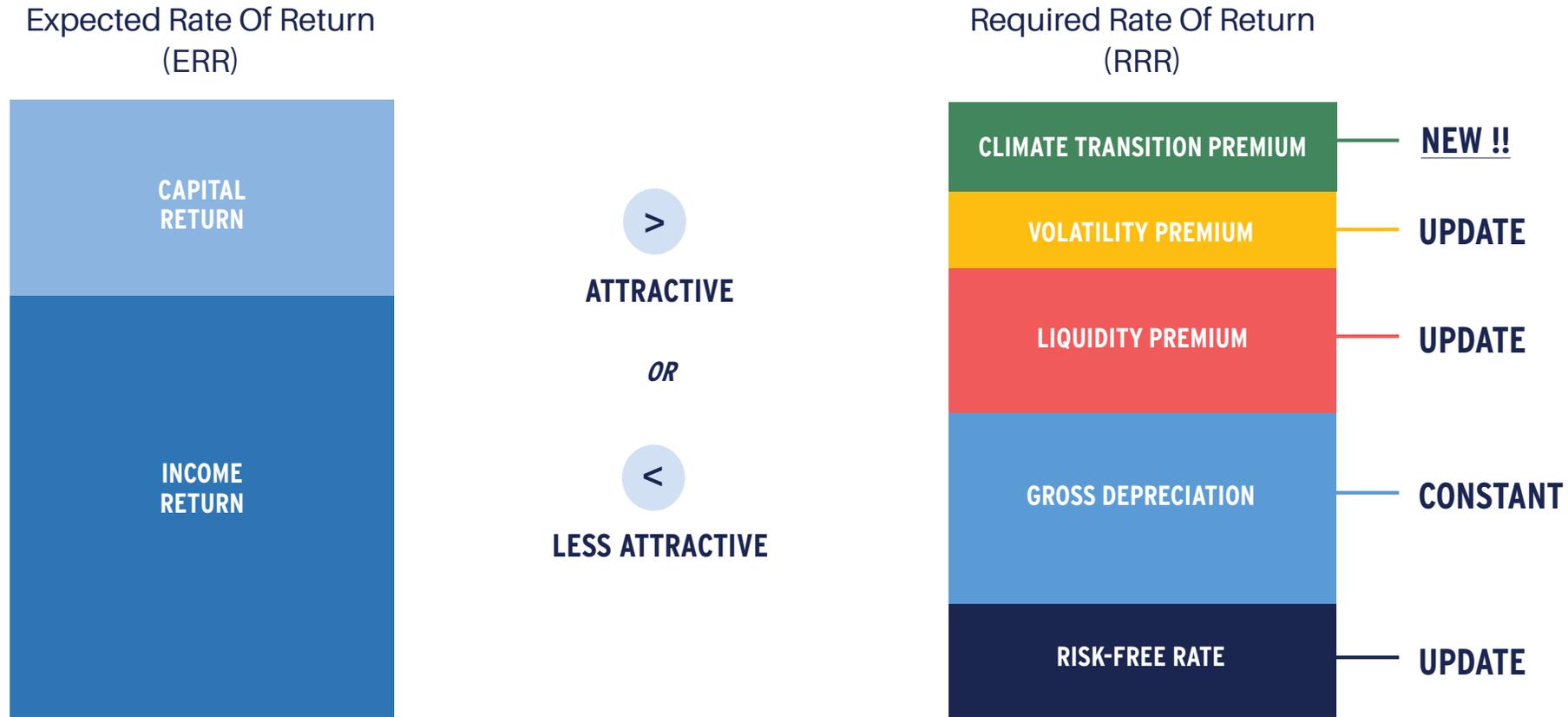


SECTION II

Risk Adjusted Approach

2021 OUTLOOK

# Risk-Adjusted Return Methodology



2021 OUTLOOK

# Approach for Climate Transition Premium

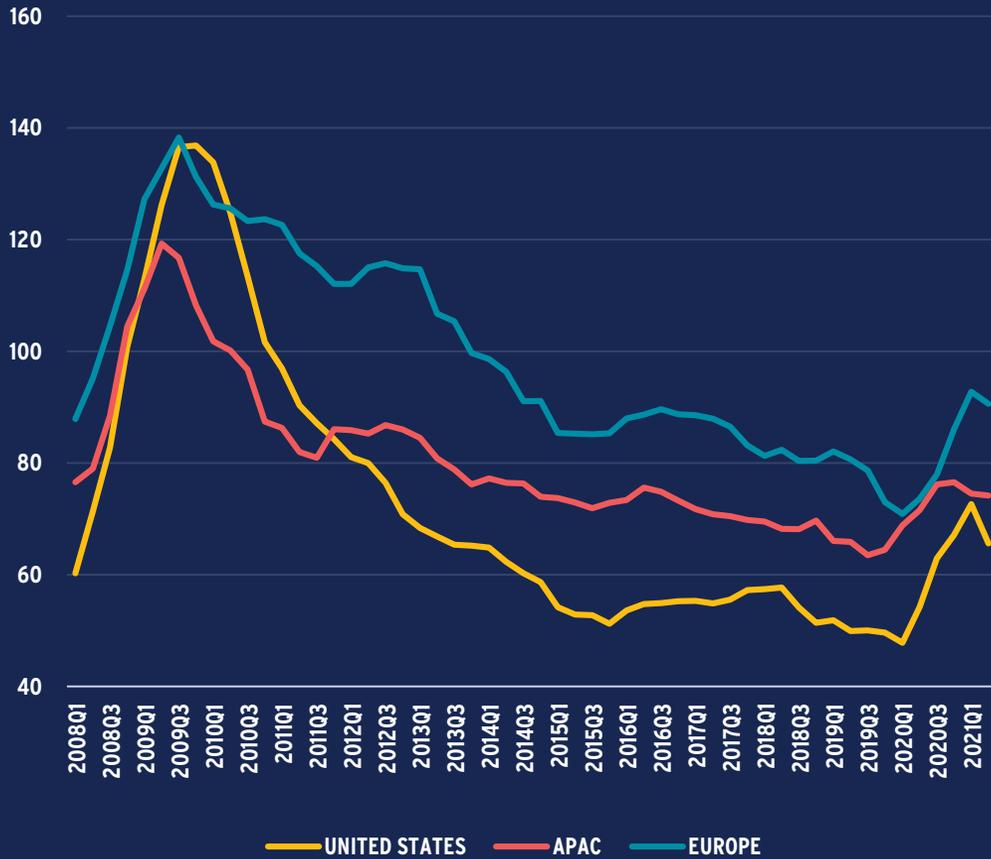
## FIVE STEPS TO CALCULATE ENERGY INTENSITY REDUCTION COSTS



2021 OUTLOOK

# Liquidity Up & New Climate Transition Premium

EVOLUTION OF LIQUIDITY PREMIUM BY REGION OVER TIME



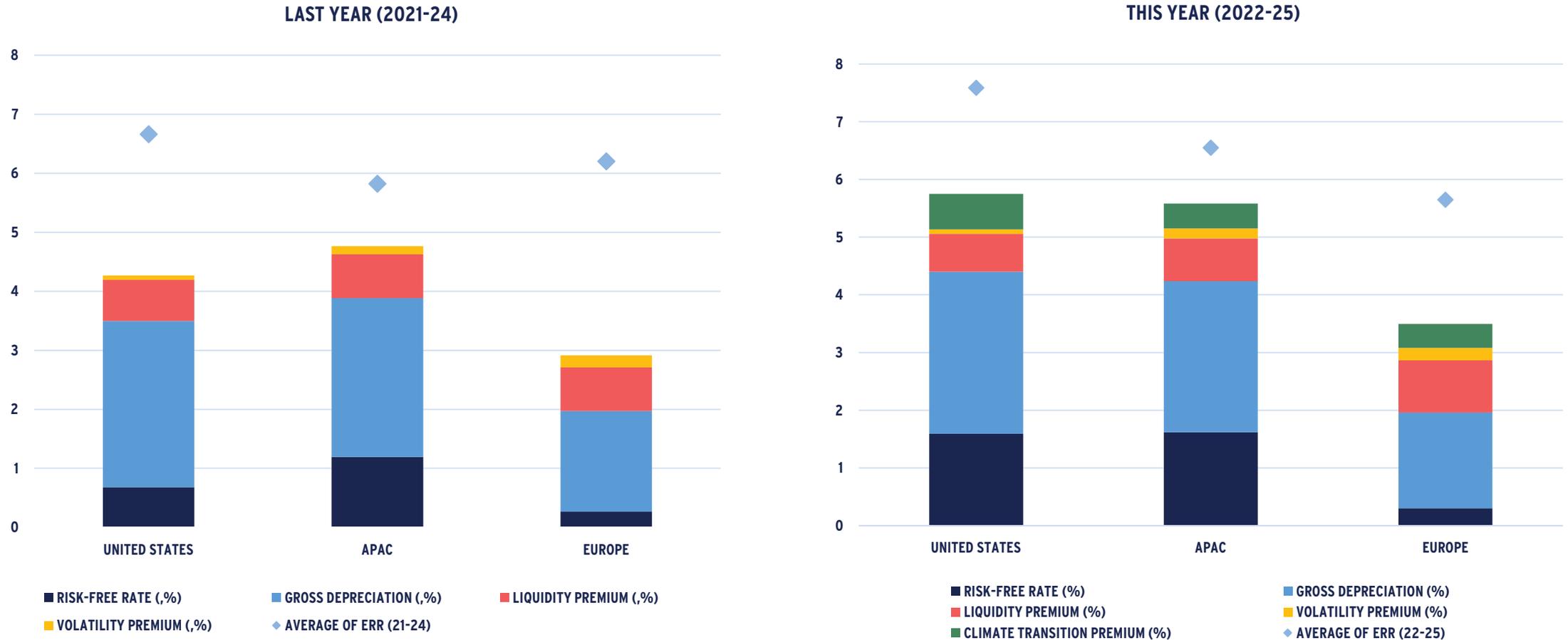
CLIMATE TRANSITION PREMIUM BY REGION (2021)



## 2021 OUTLOOK

# Both ERR & RRR Move up from Last Year

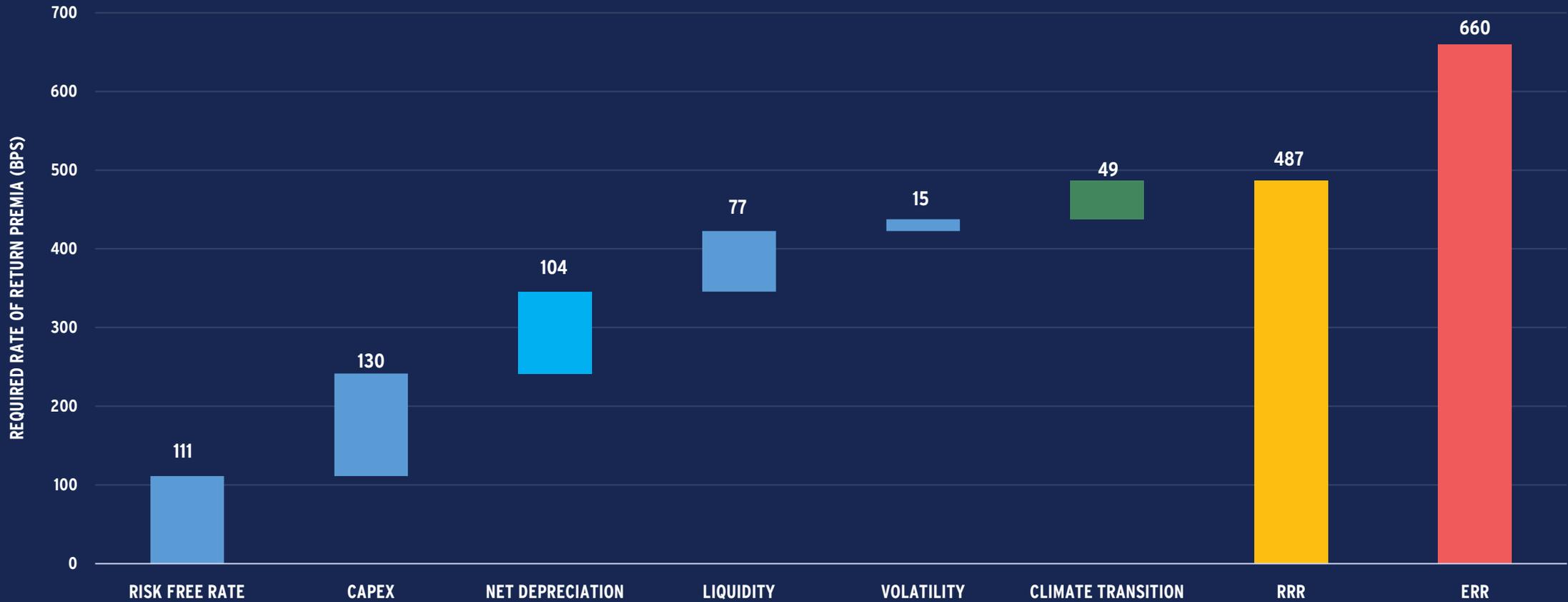
COMPOSITION OF ALL-PROPERTY AVERAGE REQUIRED & EXPECTED RATES OF RETURN (%)



2021 OUTLOOK

# Risk-Adjusted Return Framework - Global

REQUIRED (RRR) VS EXPECTED RATE OF RETURN (ERR) INCLUDING THE TRANSITION RISK PREMIUMS - ALL PROPERTY AVERAGE



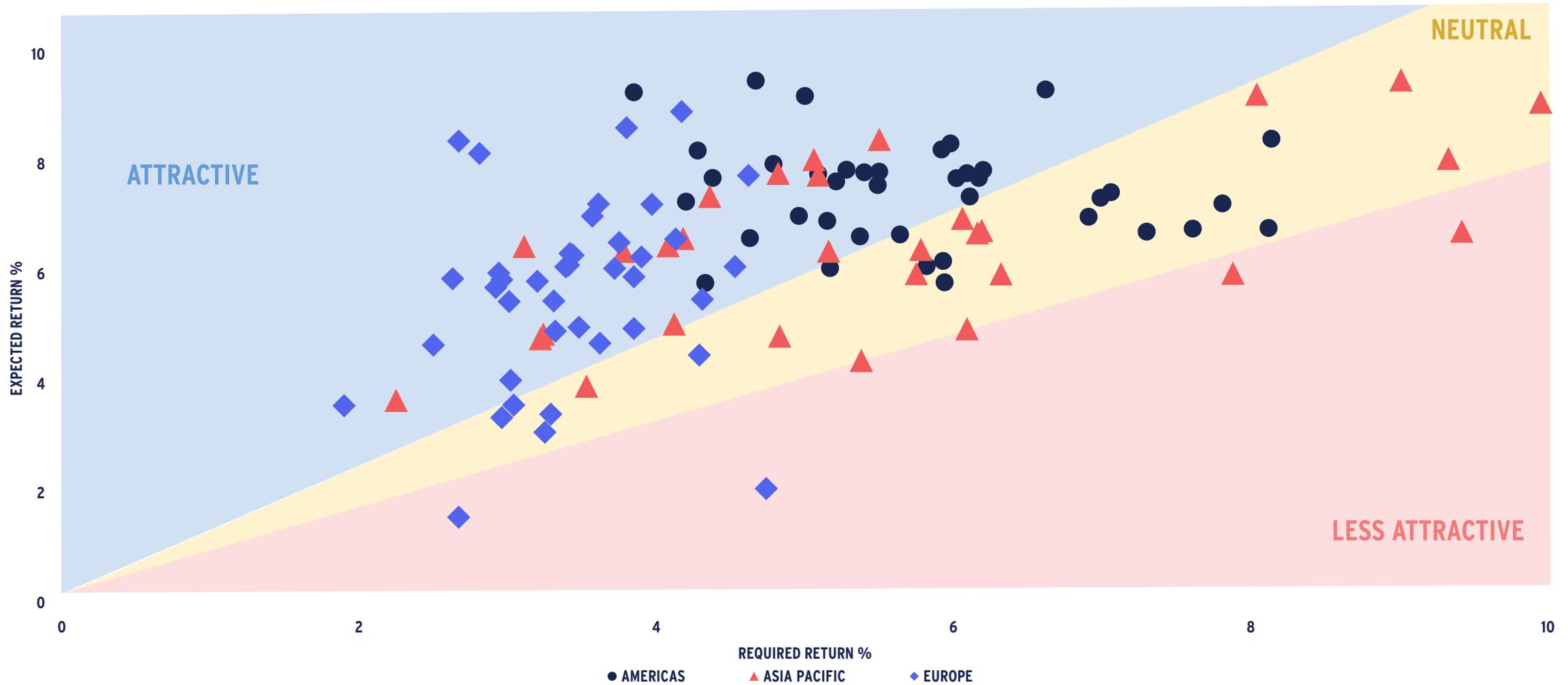
SECTION III

Relative Value Views

## 2021 OUTLOOK

# Global Markets Attractiveness Remains

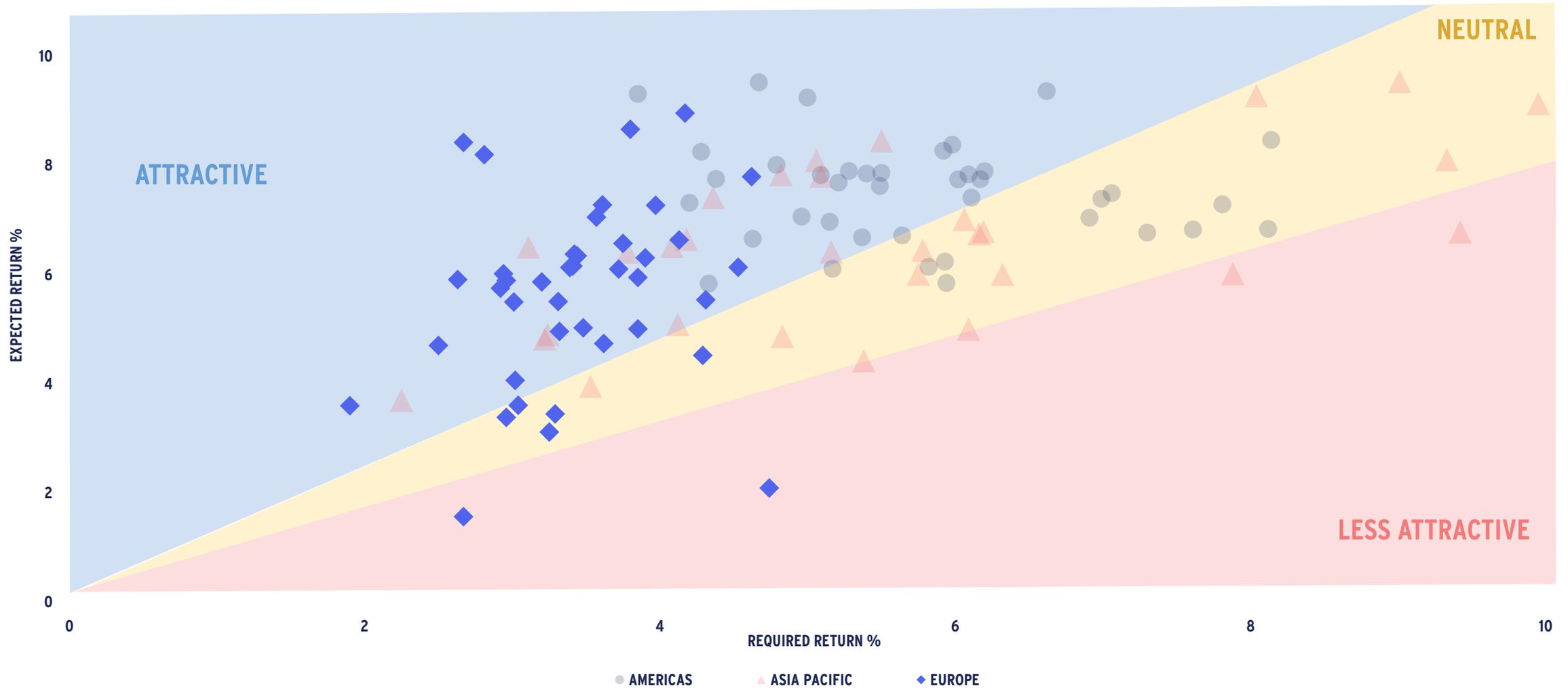
### 2022-2025 EXPECTED VS. REQUIRED RETURNS



## 2021 OUTLOOK

# Global Markets Attractiveness Remains

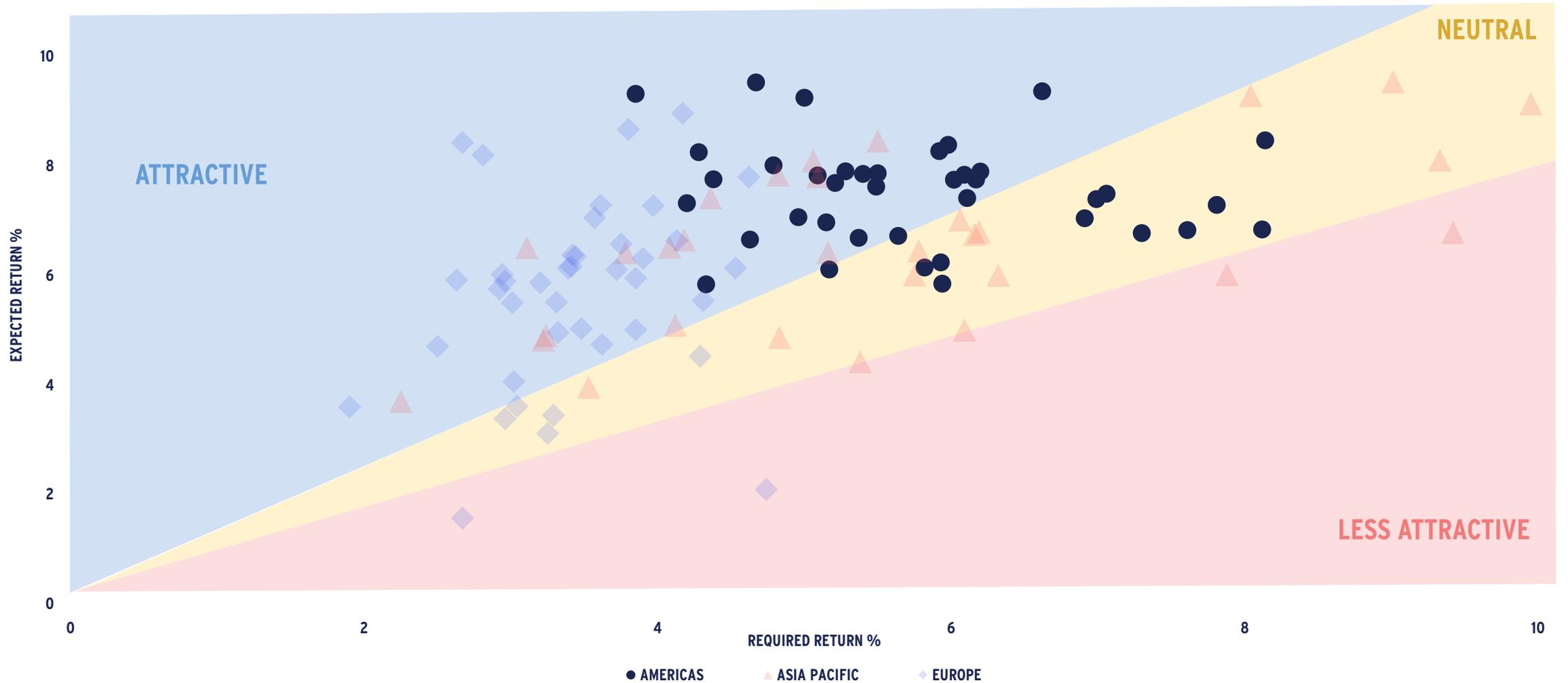
### 2022-2025 EXPECTED VS. REQUIRED RETURNS



## 2021 OUTLOOK

# Global Markets Attractiveness Remains

### 2022-2025 EXPECTED VS. REQUIRED RETURNS



### 2021 OUTLOOK

# Global Markets Attractiveness Remains

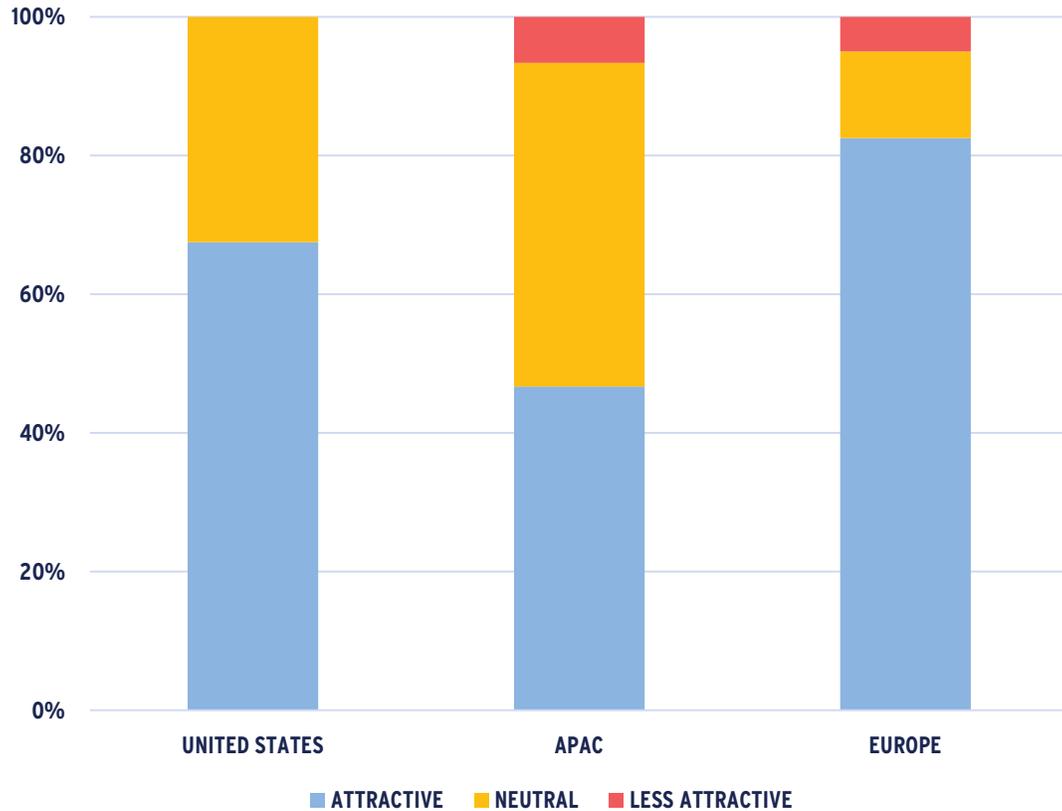
## 2022-2025 EXPECTED VS. REQUIRED RETURNS



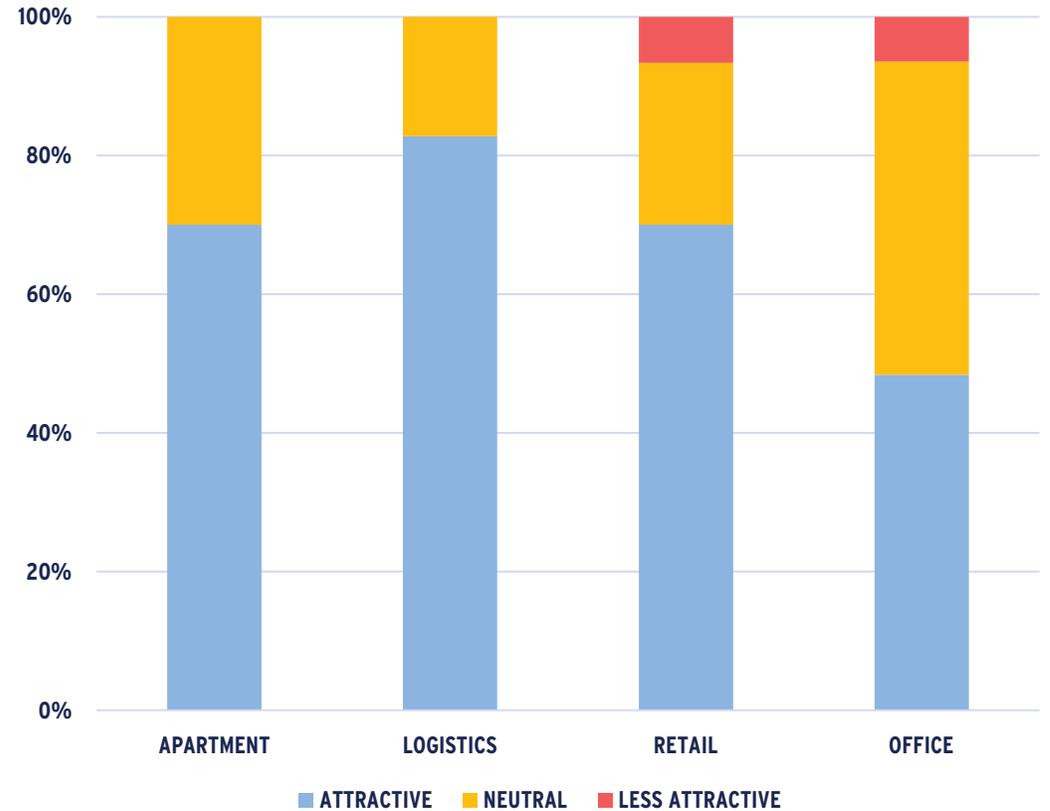
2021 OUTLOOK

# Logistics Momentum Continues

% OF REGIONAL MARKETS BY ATTRACTIVENESS (110 GLOBAL MARKETS)



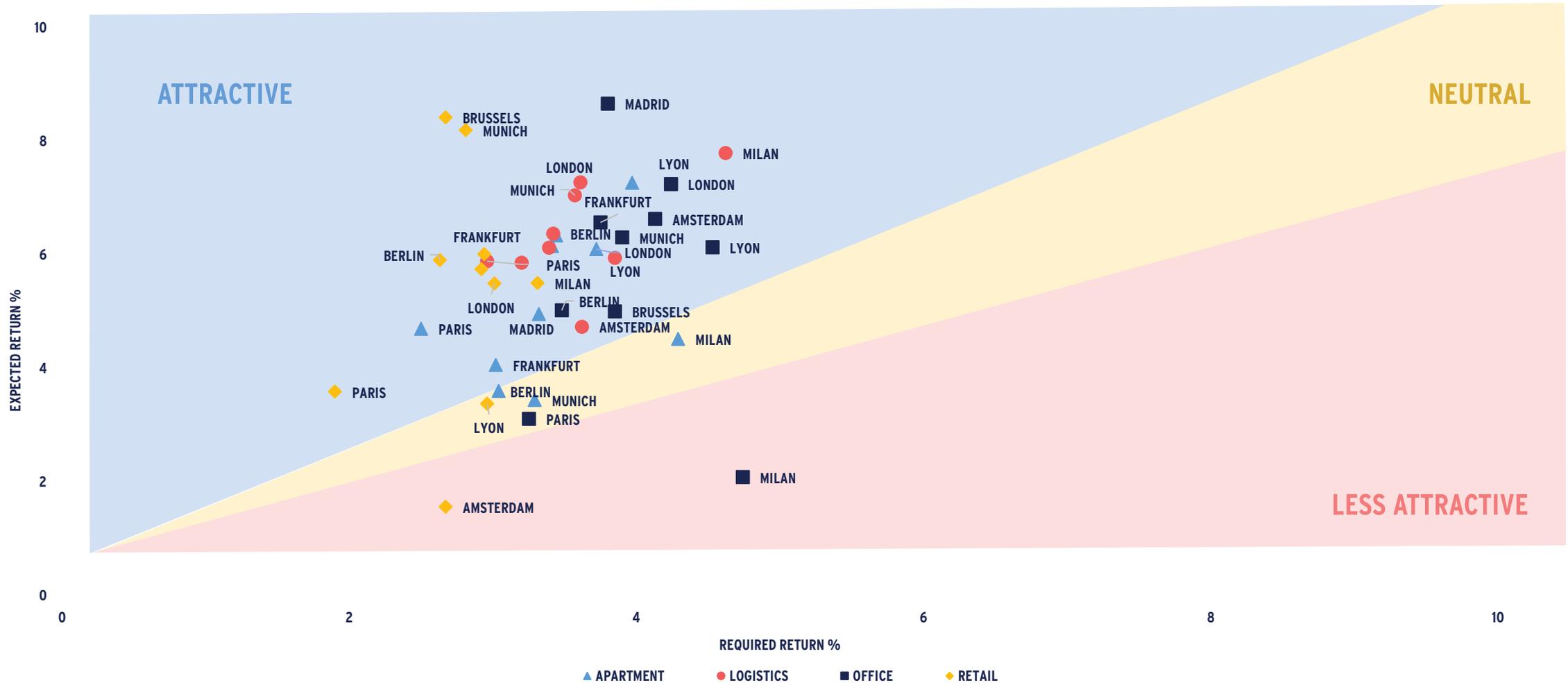
% SECTOR MARKETS BY ATTRACTIVENESS (110 GLOBAL MARKETS)



2021 OUTLOOK

# Re-Alignment Leaves Europe Attractive

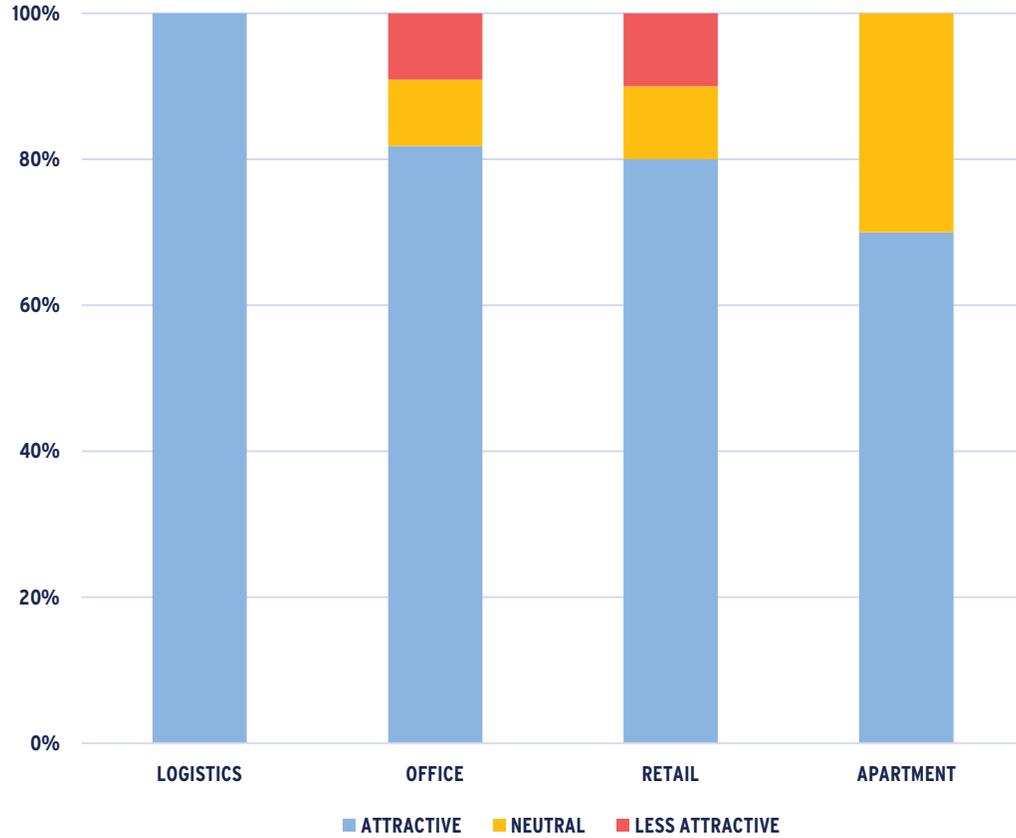
2022-2025 EXPECTED VS. REQUIRED RETURNS



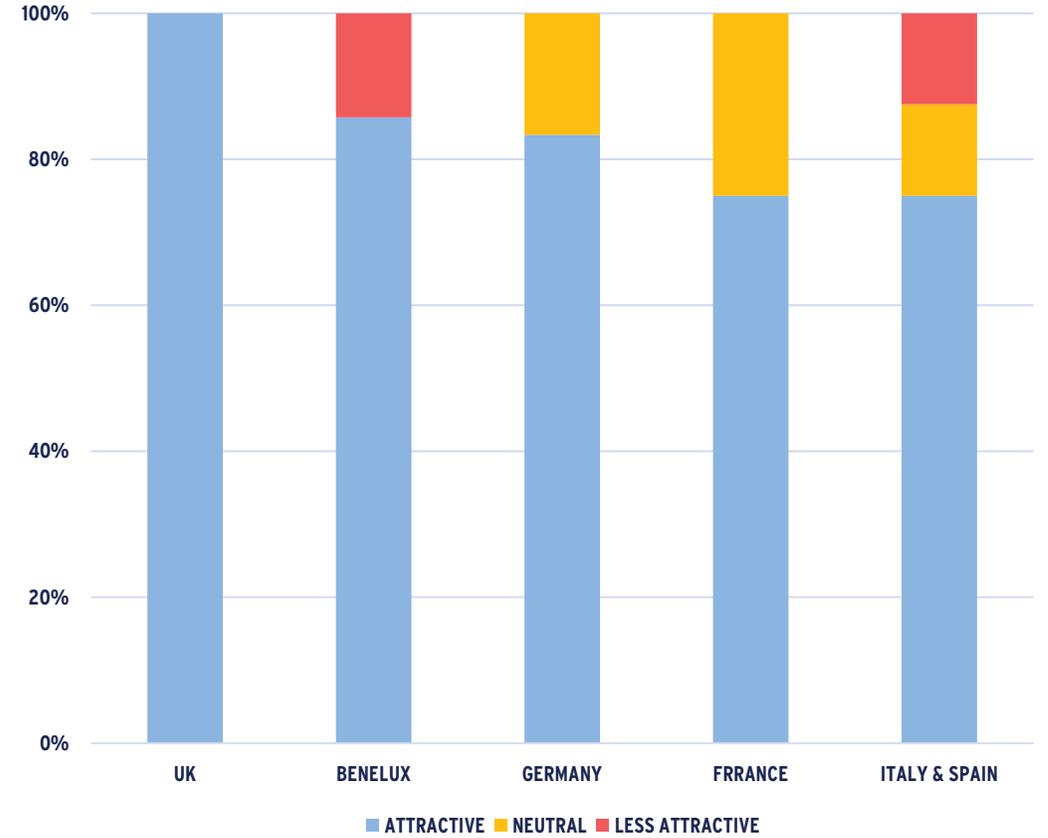
2021 OUTLOOK

# European Retail Back in Line after Repricing

% OF REGIONAL MARKETS BY ATTRACTIVENESS (40 EUROPEAN MARKETS)



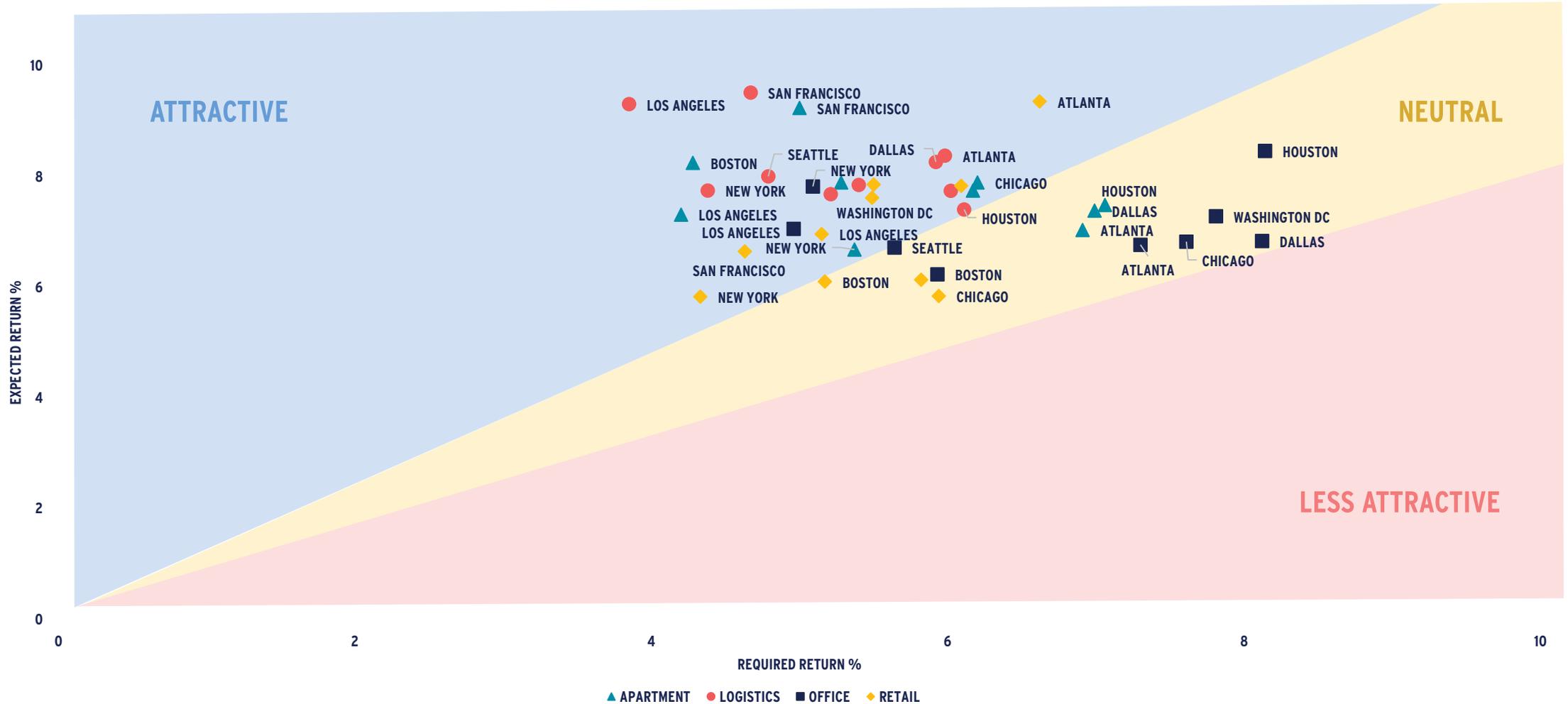
% SECTOR MARKETS BY ATTRACTIVENESS (40 EUROPEAN MARKETS)



2021 OUTLOOK

# Most U.S. Markets Stay Attractive

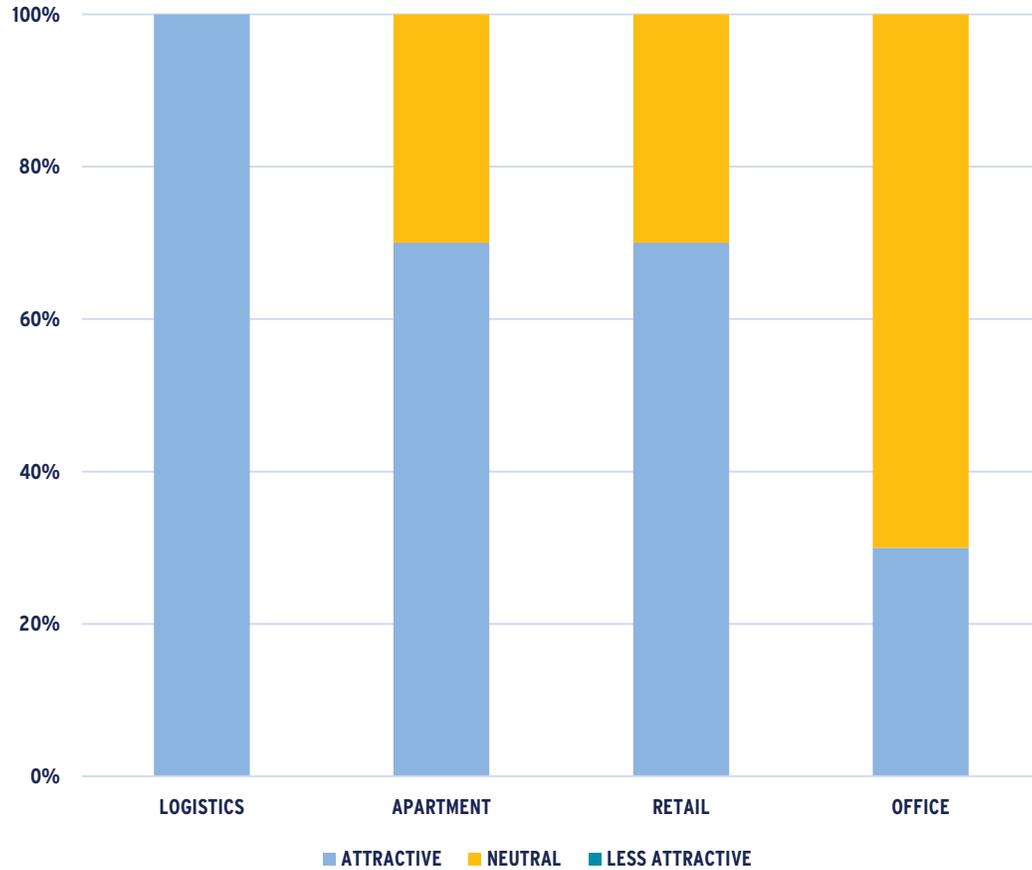
## 2022-2025 EXPECTED VS. REQUIRED RETURNS



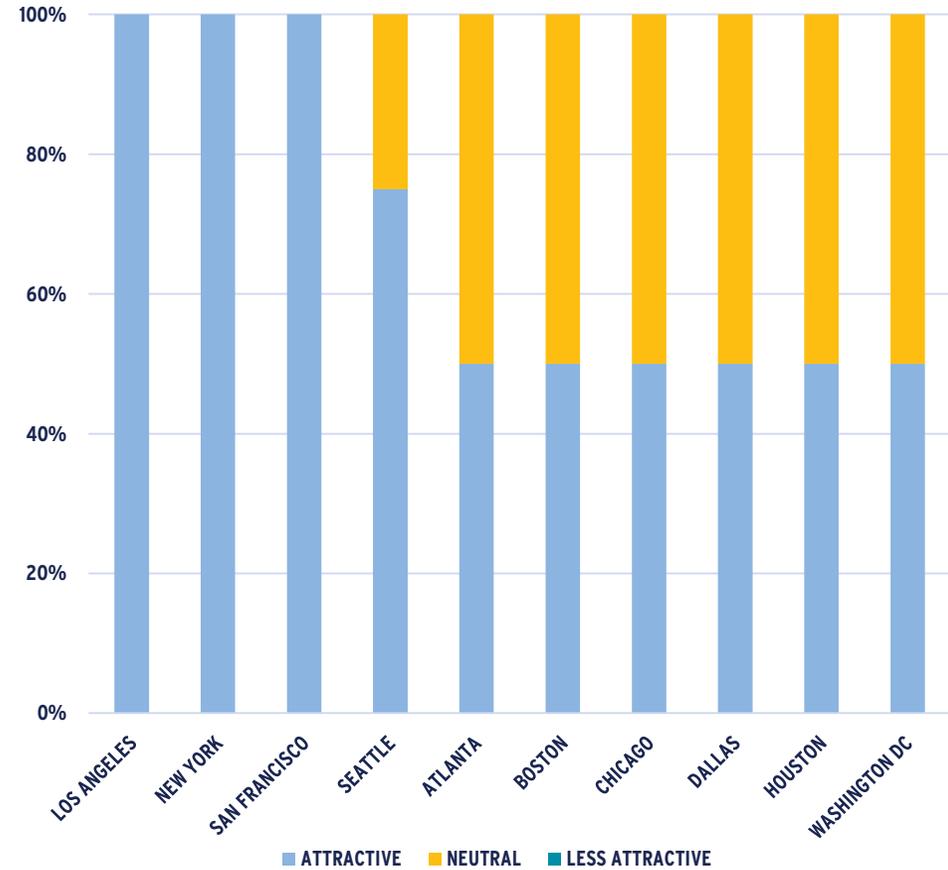
2021 OUTLOOK

# U.S. Working from Home Hurts Offices

% SECTOR MARKETS BY ATTRACTIVENESS (40 US MARKETS)



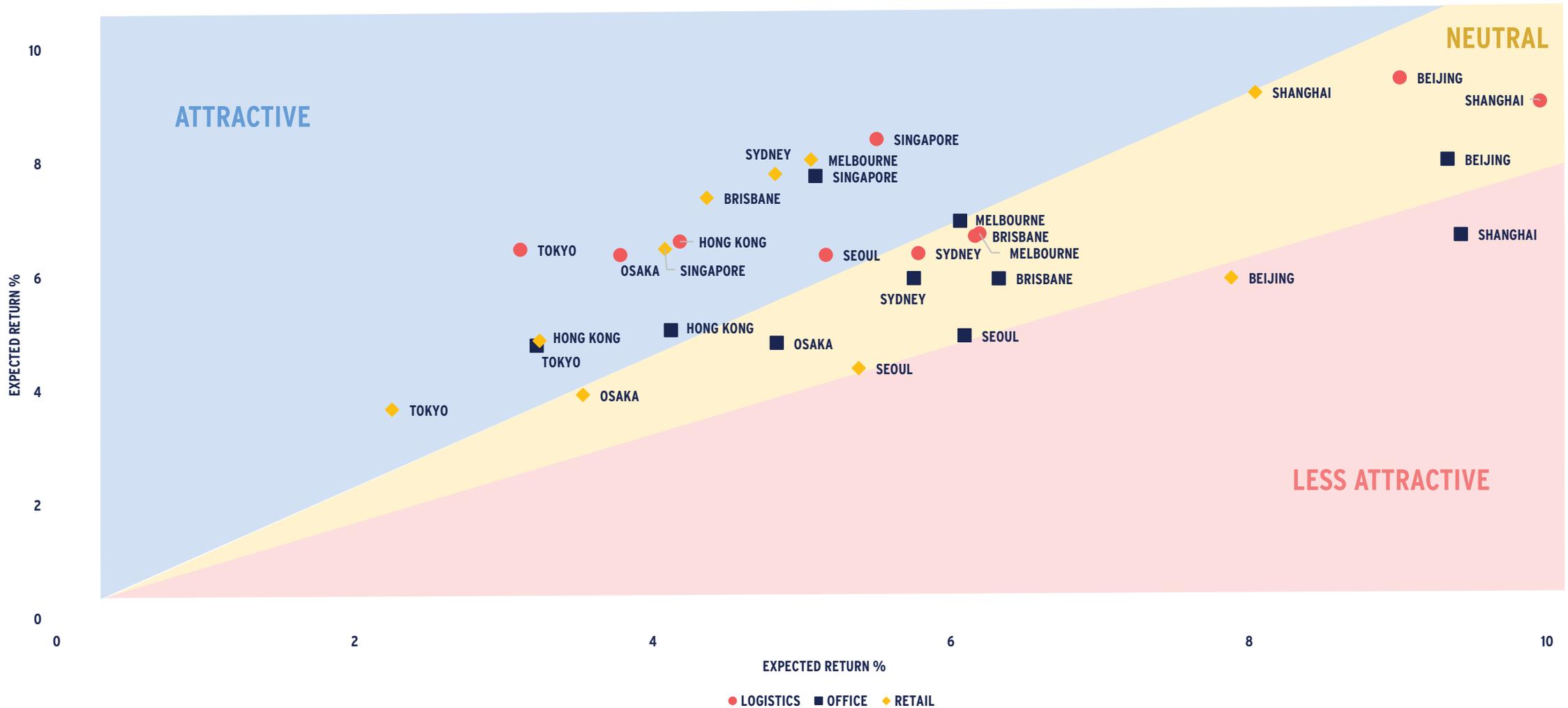
% OF EACH METRO AREA'S PROPERTY TYPES BY ATTRACTIVENESS



2021 OUTLOOK

Wide Range of Attractive APAC Opportunities

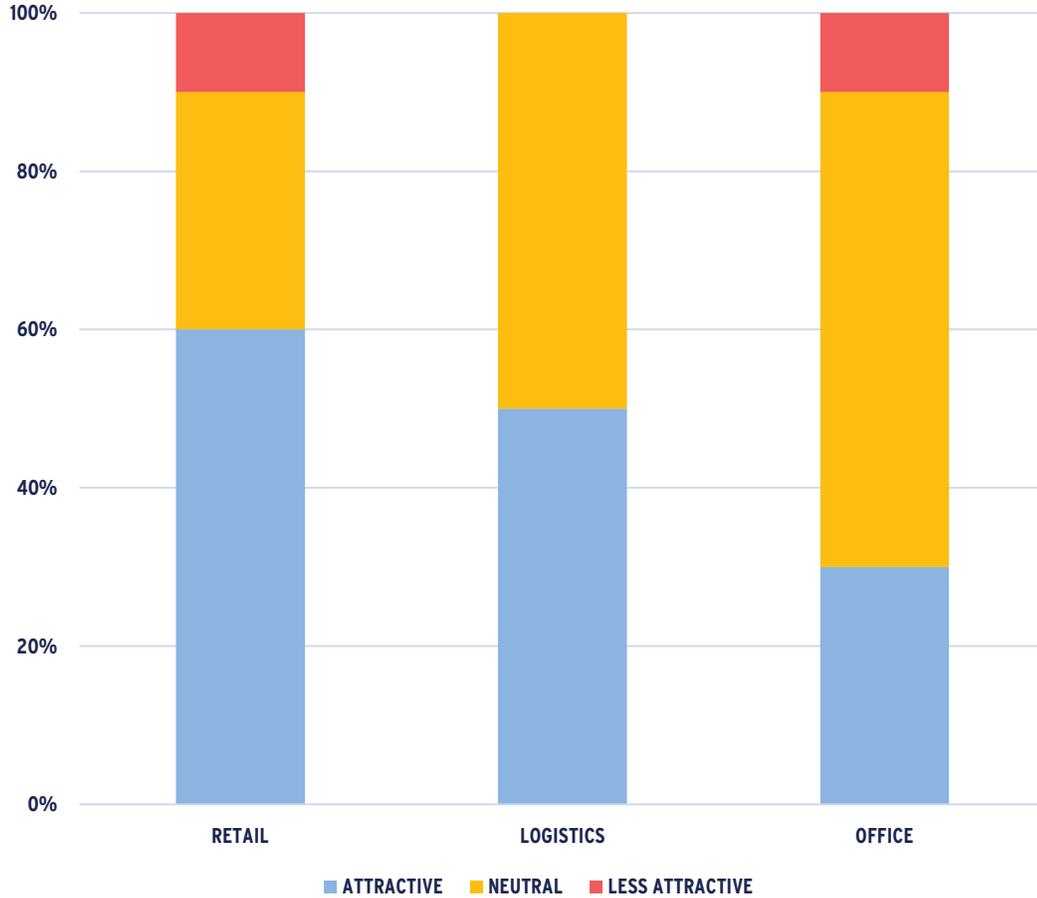
2022-2025 EXPECTED VS. REQUIRED RETURNS



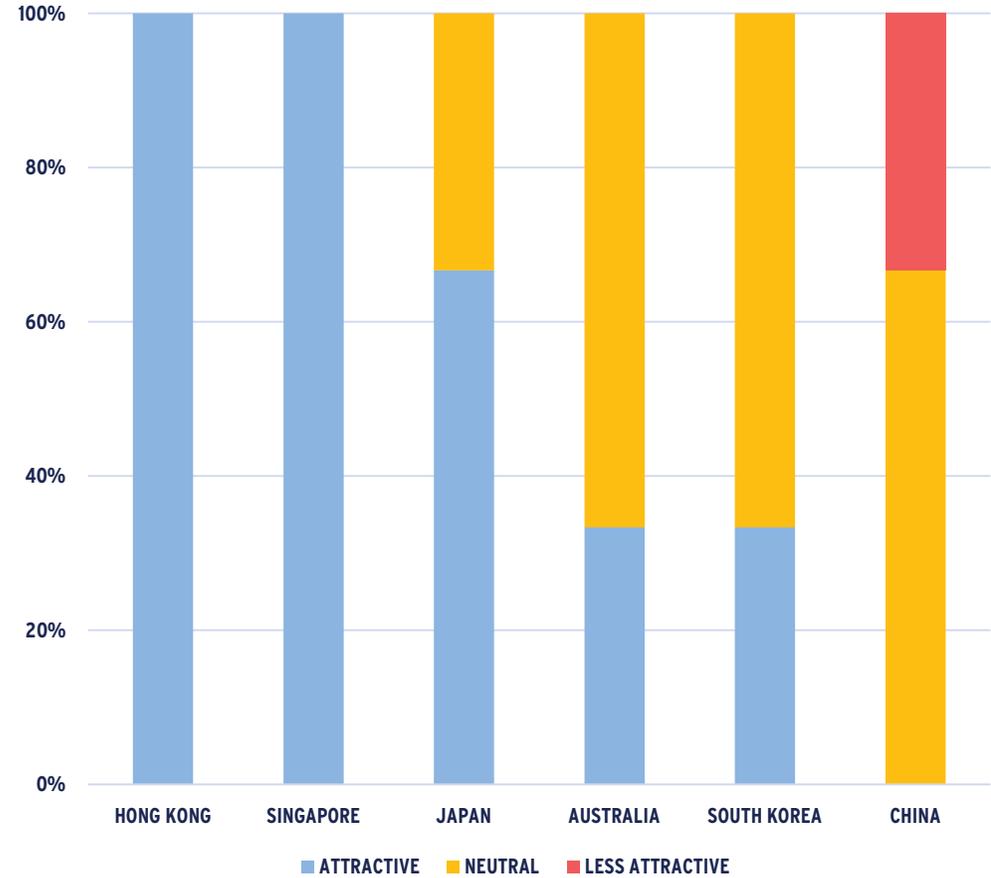
2021 OUTLOOK

# Hong Kong and Singapore Most Attractive

% OF REGIONAL MARKETS BY ATTRACTIVENESS (30 APAC MARKETS)



% SECTOR MARKETS BY ATTRACTIVENESS (30 APAC MARKETS)



SECTION IV

Key Views

# Key Global Views



## EUROPE

- Most attractive region with retail re-pricing
- All ten logistics markets remain attractive
- UK and Benelux most attractive countries



## UNITED STATES

- Broadly attractive but most office markets move into neutral
- Logistics remains nearly uniformly attractive
- LA, NY and San Francisco most attractive



## ASIA PACIFIC

- Near 50% of markets attractive, selective focus essential
- Largest excess returns in logistics and retail
- Hong Kong and Singapore stand out as most attractive

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Thank you