



LaSalle Macro Quarterly Q2 2024

April 3, 2024

Investing today. For tomorrow.

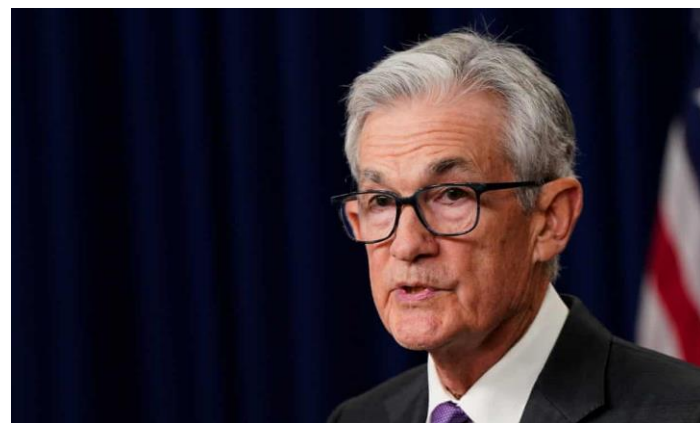
Q1 2024 macro review

Japan ends negative rates; Fed holds steady; election results roll in; and sea traffic faces disruption.

Central Banks faced packed March schedule



Bank of Japan Chief Kazuo Ueda hiked rates for the first time in 17 years, ending the era of negative rates.
March 19th 2024
Credit: Shuji Kajiyama/Pool via AP



Jerome Powell announced that the US Federal Reserve would maintain its interest rate unchanged in March but foreshadowed likely cuts in the near future.
March 20th 2024
Credit: Elizabeth Frantz/Reuters

A year of elections: results so far.



Vladimir Putin wins landslide majority, securing 5th presidential term.
March 17th 2024
Credit: Maxim Shemetov/Reuters



Portuguese centre-right parties claim a narrow win in highly fragmented result, whilst far-right Chega party makes inroads.
March 10th 2024
Credit: Tiago Petinga/EPA-EFE

Shipping incidents and trade disruptions



True Confidence vessel after Houthi missile attack in the Red Sea.
March 7th 2024
Credit: DVIDS/Reuter



Collapse of Baltimore's Francis Scott Key Bridge after it was hit by the DALI.
March 26th 2024
Credit: Dwayne Senior/Bloomberg

Q1 2024 quotes

March central bank activity

Fed: “We’re doing the best of anybody. We’ve got the strongest growth and the lowest inflation of the advanced economies”

– Chairman Powell during testimony to US Congress, March 7th 2024

Turkey: “Both the markets and the citizens can rest assured”

– President Erdogan after central bank increased policy rate to 50% to fight runaway inflation, March 19th 2024

BOJ considers that QQE, YCC and negative rates policies “have fulfilled their roles.”

– BOJ Statement after pushing rates back into positive territory for the first time since 2016, marking first rise in 17 years, March 19th 2024

ECB: “By June we will have a new set of projections that will confirm whether the inflation path we foresaw in our March forecast remains valid,”

– Christine Lagarde in a conference in Frankfurt, March 20th 2024

BOE: “There is a range of views among members on the extent to which the risks from persistent inflationary pressures have receded”

– BOE Statement after 8-1 majority vote to hold rates unchanged, March 21st 2024

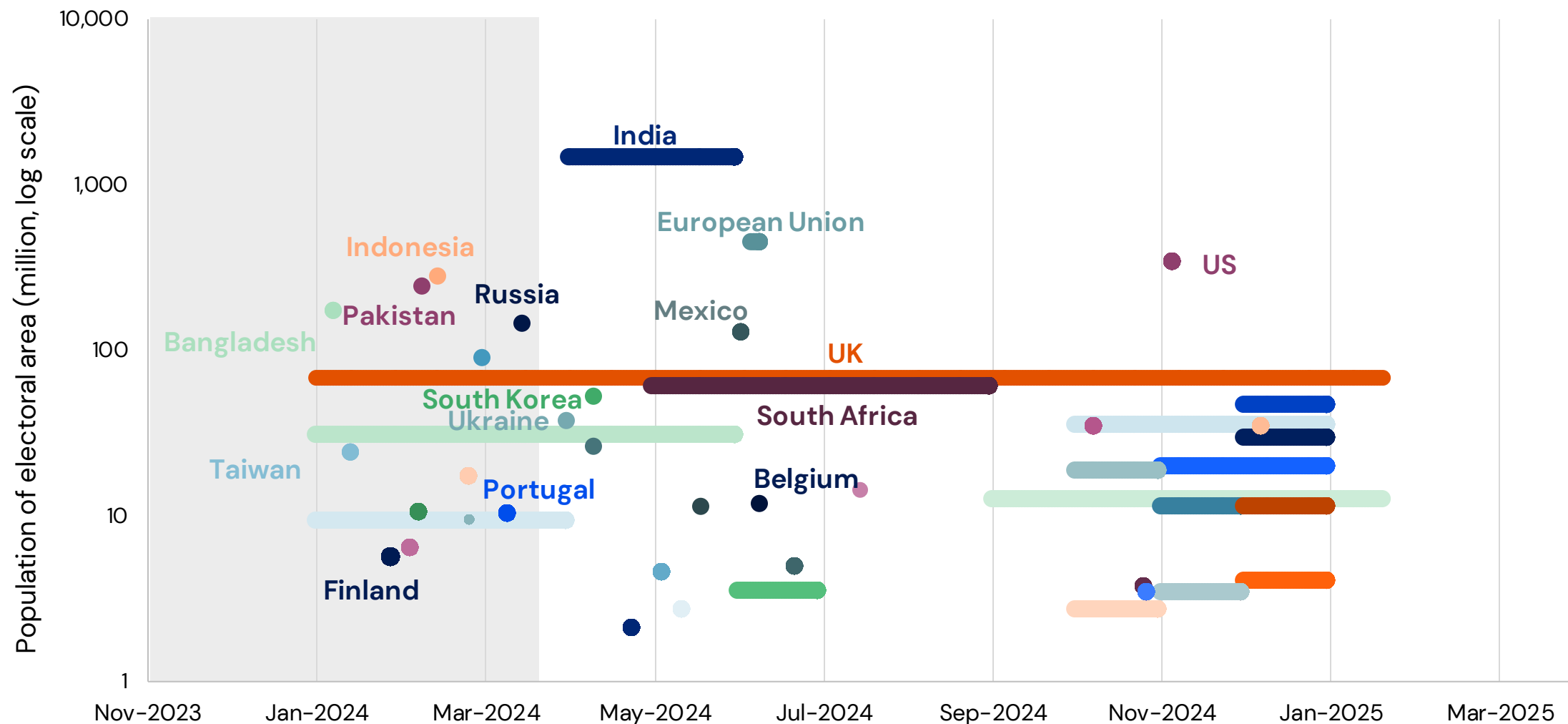
TikTok: This is “not an attempt to ban TikTok. It's an attempt to make TikTok better. Tic-tac-toe— a winner, a winner.”

– Nancy Pelosi speaking on the US House floor debating a Bill that could force ByteDance to divest from the company, March 13th 2024

A busy electoral timeline for 2024

Global election activity set to be a constant through the year albeit a concentration of notable elections expected over the second half of 2024

World election* timeline and country population



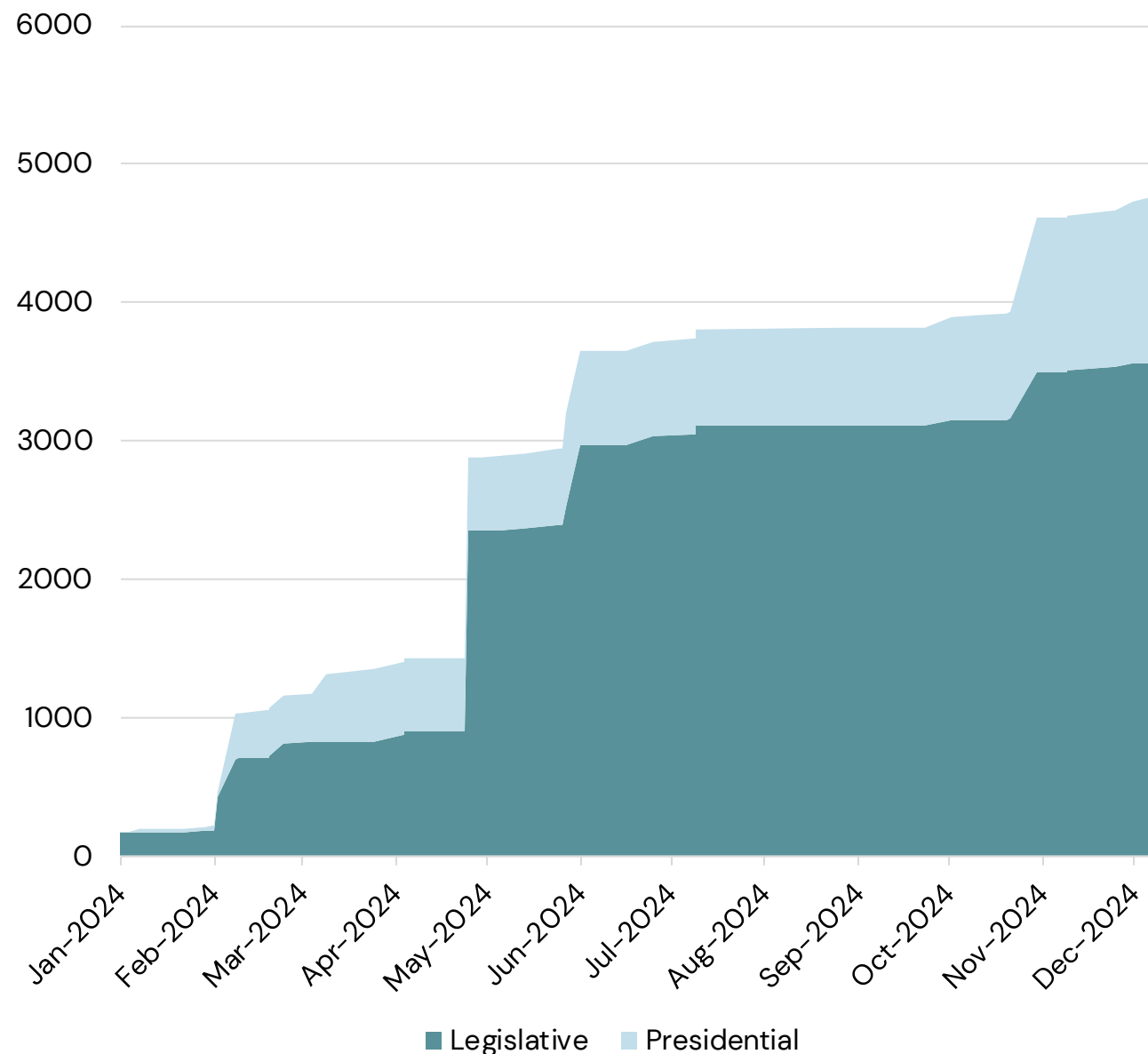
2024 is set to be a year with a busy electoral schedule. At the time of publishing, the results of some of these are already known. For example, the re-election of President Putin in Russia, a new conservative government in Portugal, and a surprise victory for independent candidates in Pakistan aligned with jailed former prime minister Imran Khan were all decided. Over the remainder of 2024, elections are set to be held in countries or areas with large populations, such as India and Mexico. Perhaps most critically from an institutional real estate lens, US presidential elections are scheduled for November and parliamentary elections are expected in the UK and EU are expected mid-2024.

*National and supranational elections are shown on the timeline. Where an election's timing is uncertain but bounded by a certain timeframe, we have displayed the range of dates during which the election is expected to take place.

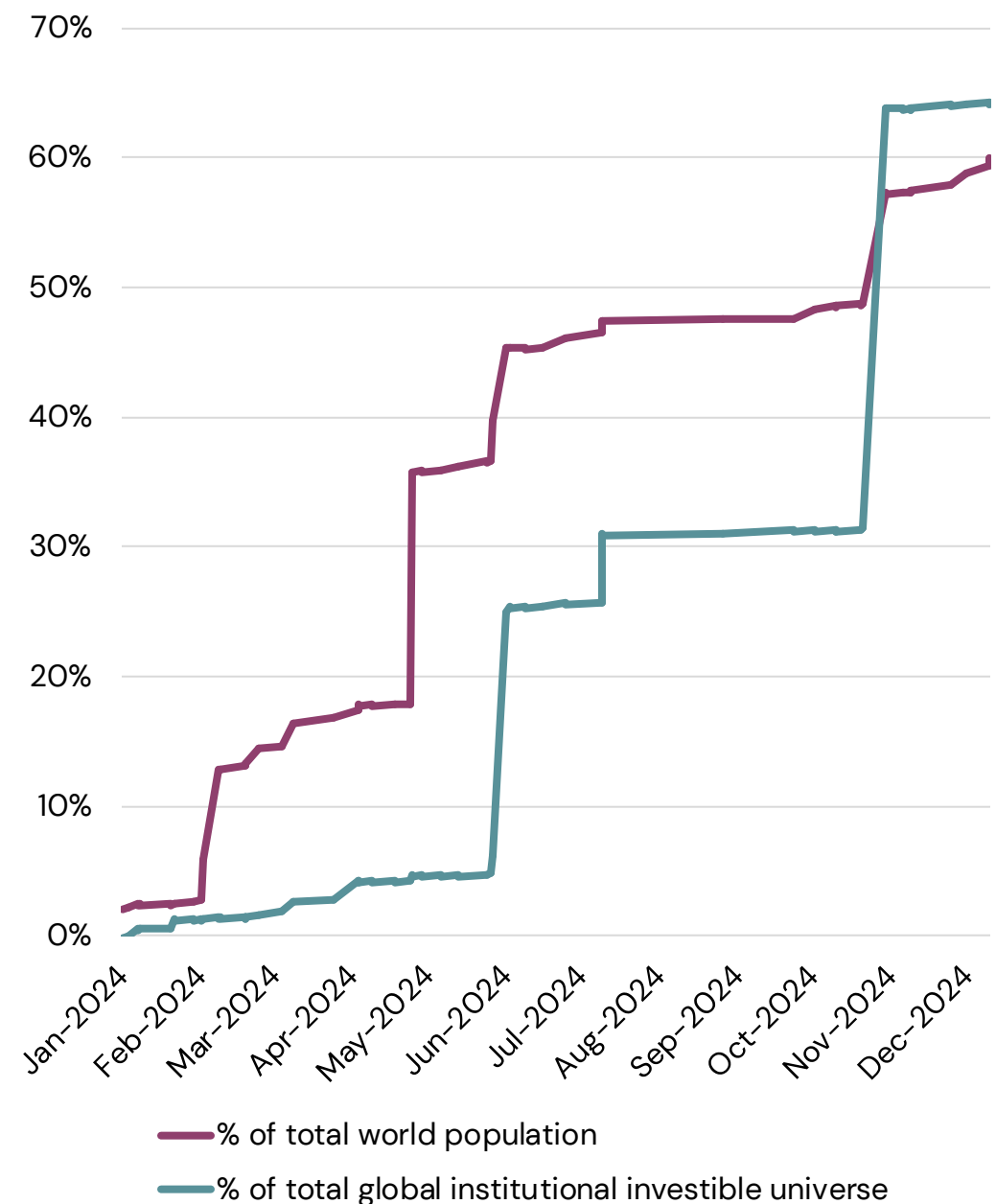
Source: Time (12/23) and LaSalle (3/24)

Elections will cover around 2/3 of world population and investable universe in 2024

Cumulative population with national or supranational election by type
[millions of people]



Cumulative share of world population and institutional real estate investable universe holding elections



Note: Legislative elections include those for national parliaments, congresses, senates, houses, assemblies *et al.* National and supranational elections are shown on the timeline. Where an election's timing is uncertain but bounded by a certain timeframe, we have assumed the election will take place at the mid-point of the range of dates during which the election is expected to take place.

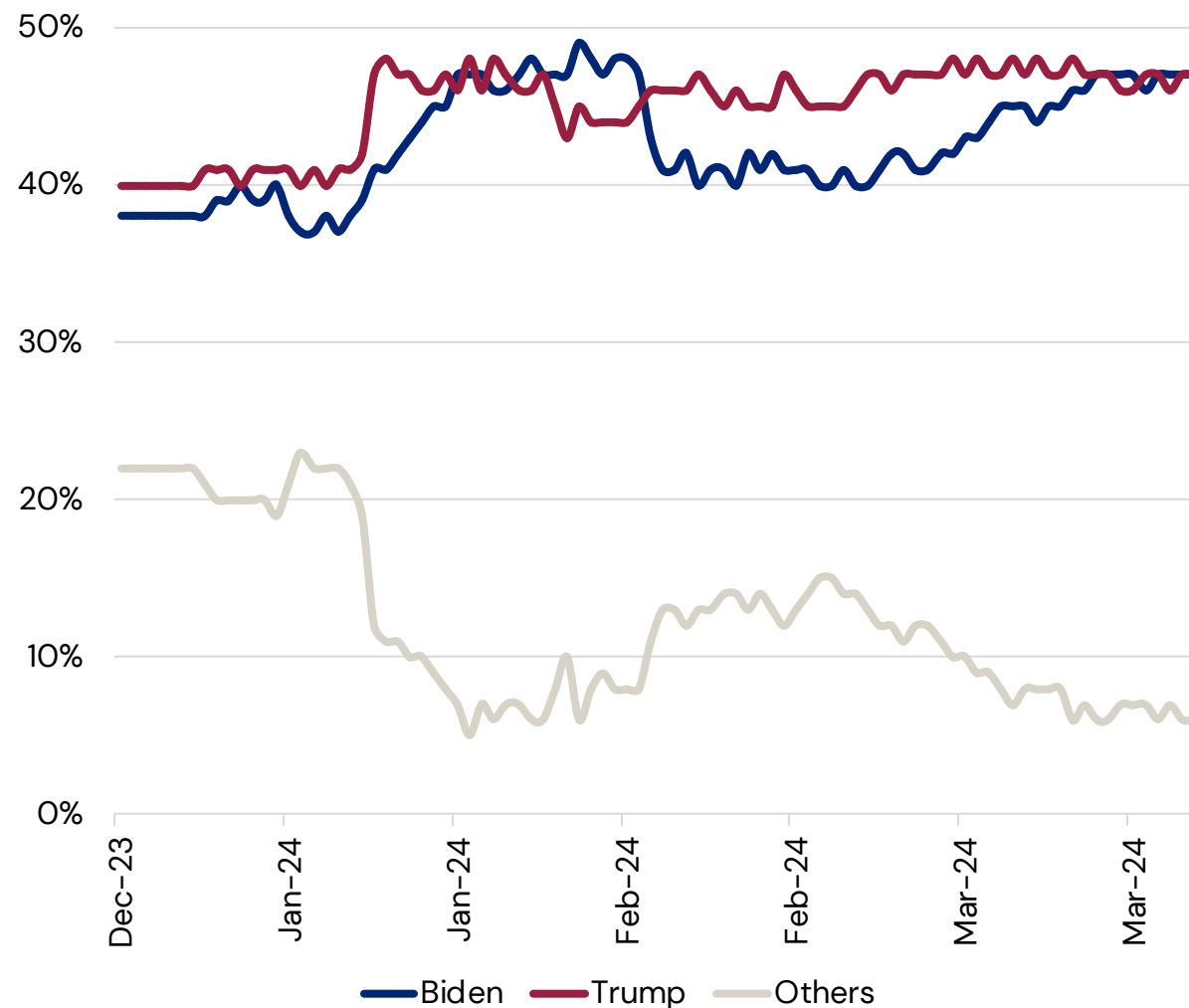
Source: Time (12/23), LaSalle' Investable Universe estimates (07/23)

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Betting odds suggest close US presidential race

House and Senate odds lean Republican but with tangible probability of split control

Implied US presidential election winner odds



Implied event outcome odds*

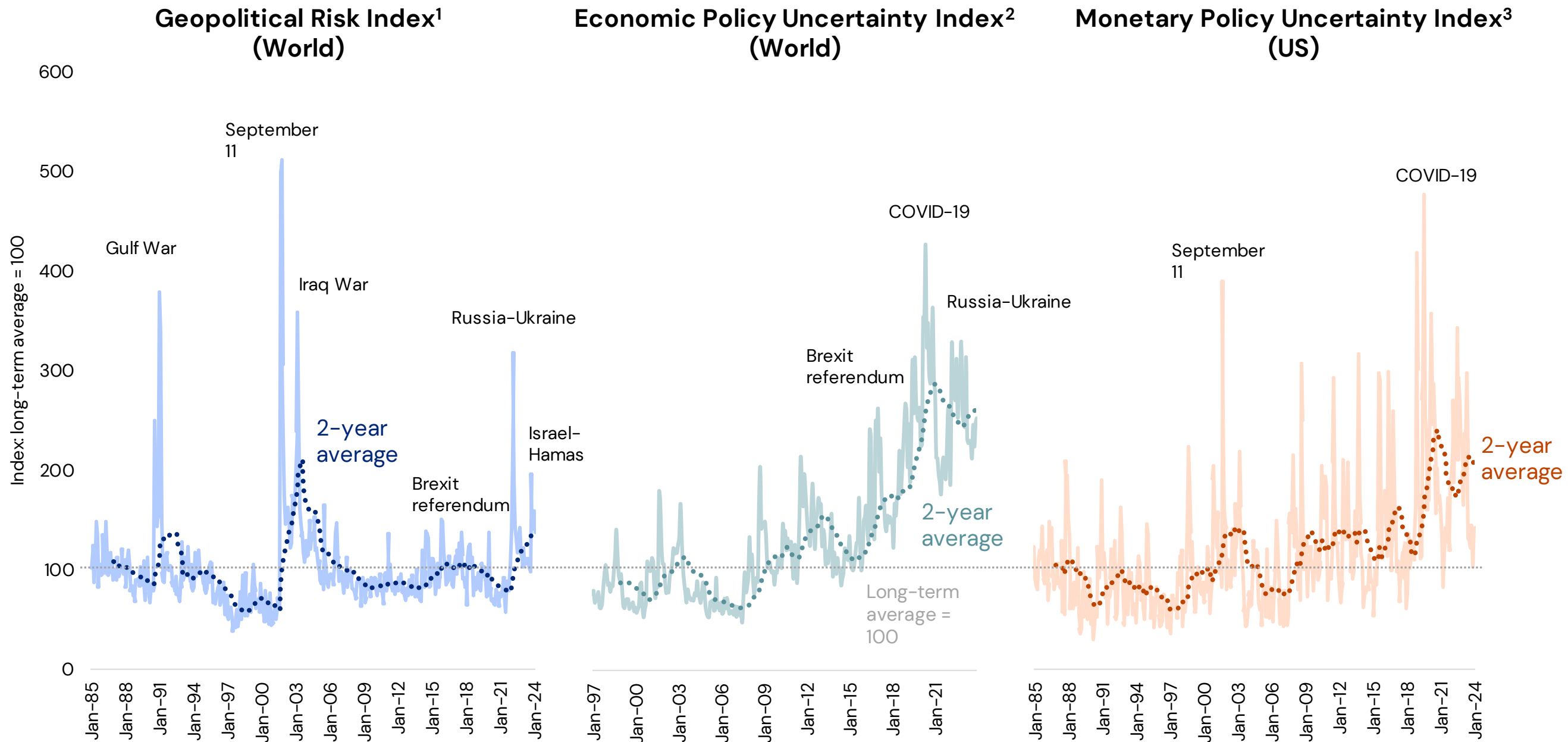
Event	Outcome	Probability
 UK Election Winner	Labour	83%
	Conservatives	3%
	No Majority	13%
 US Senate Control	Republican	87%
	Democrat	23%
 US House Control	Republican	71%
	Democrat	29%
 Australian Election	Labour	64%
	Coalition	36%
 Canadian Election	Conservative	62%
	Liberal	50%

*Note that where coalitions or third parties may sway election results the probabilities may not add up to 100%.

Source: Predictit (03/24), Smarkets (03/24) data as at 26th March 2024.

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Geopolitical and economic policy uncertainty down from recent peaks



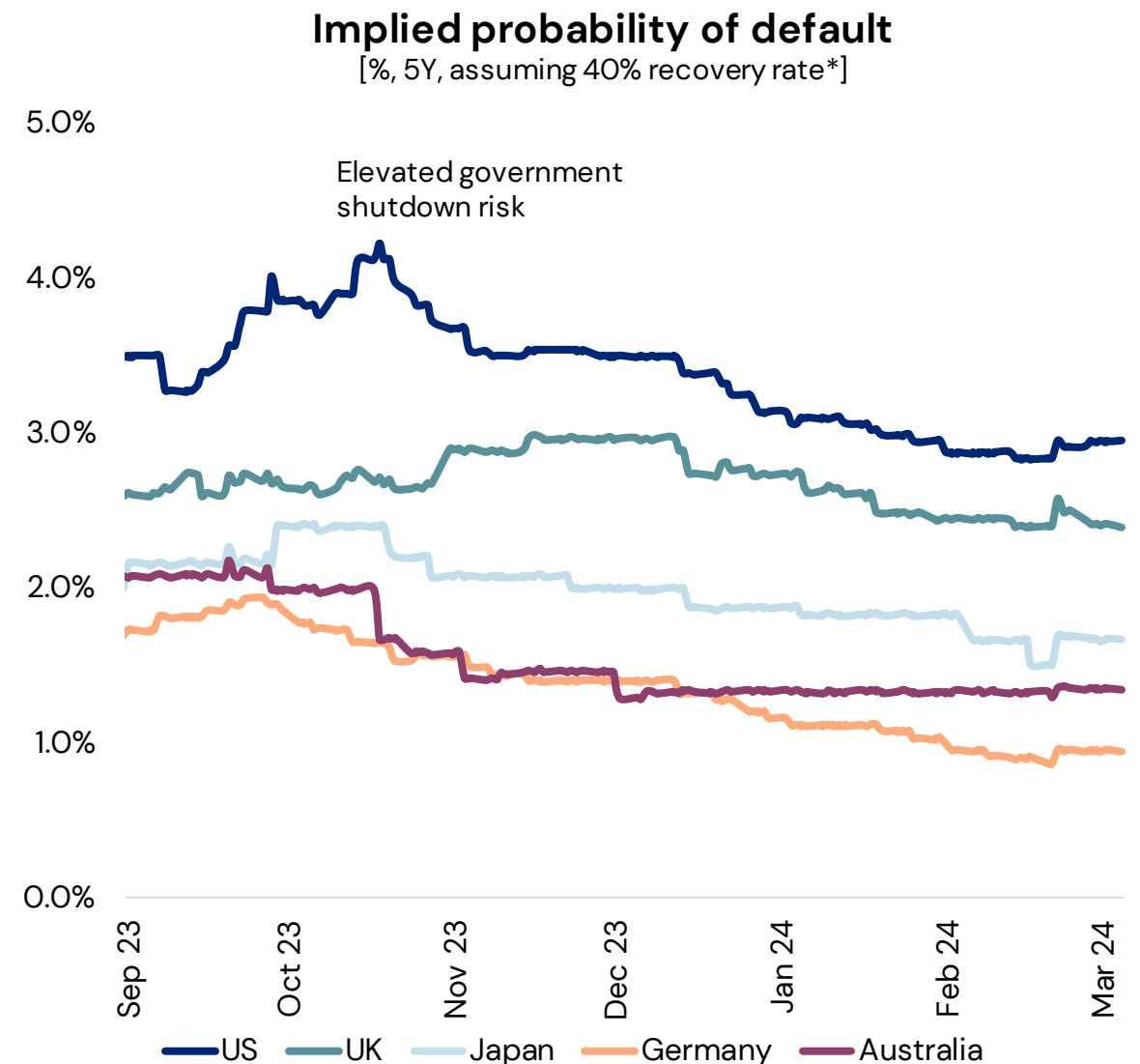
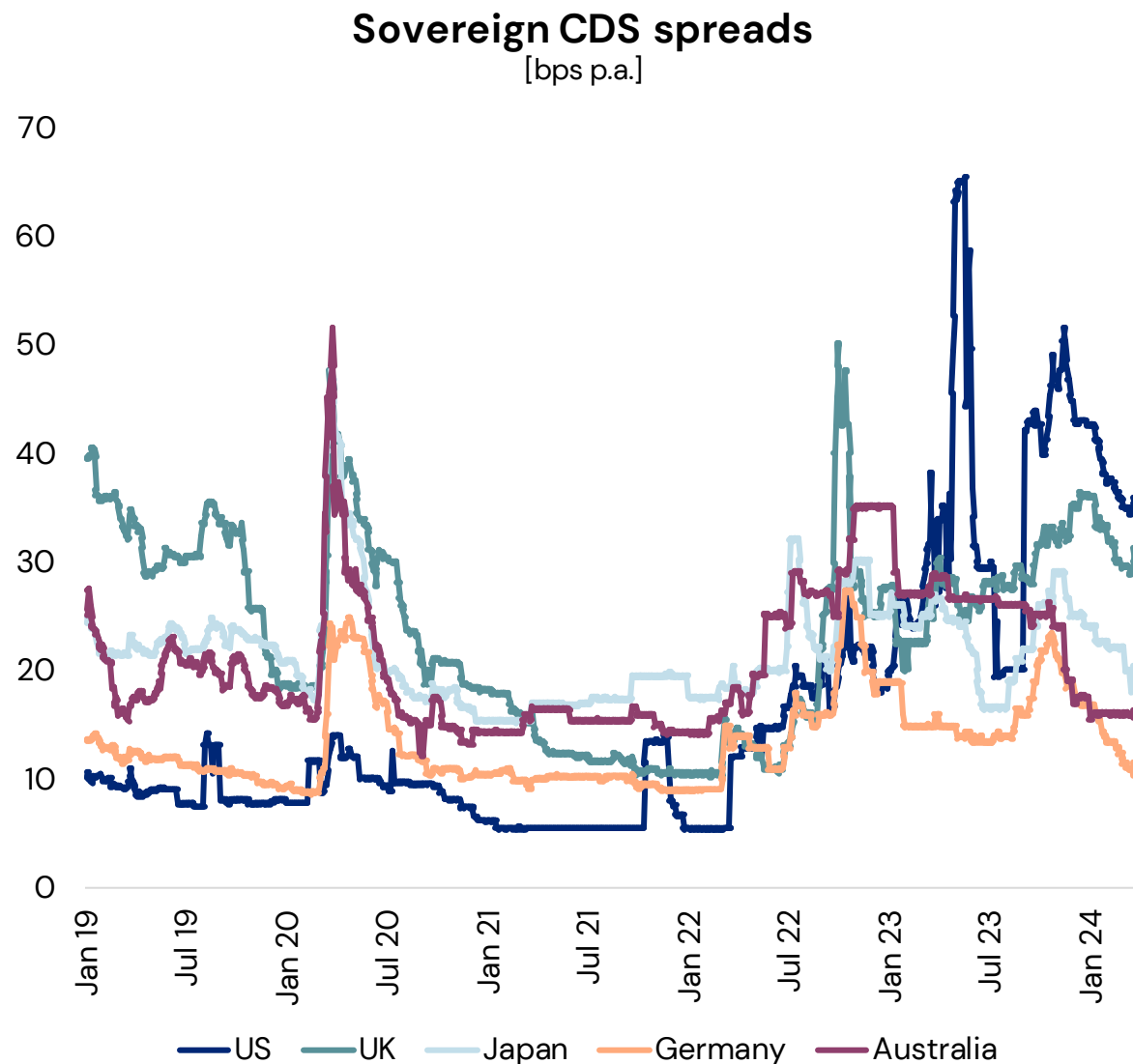
¹Measure of adverse geopolitical events based on a tally of newspaper articles covering geopolitical tensions and examine its evolution and economic effects. The search is organized in eight categories: War Threats (Category 1), Peace Threats (Category 2), Military Buildups (Category 3), Nuclear Threats (Category 4), Terror Threats (Category 5), Beginning of War (Category 6), Escalation of War (Category 7), Terror Acts (Category 8). ²EPU Index is a GDP-weighted average of national EPU indices for 21 countries and reflects the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy (E), policy (P) and uncertainty (U). ³Baker-Bloom-Davis US Monetary Policy Uncertainty index is constructed as scaled frequency counts of newspaper articles that discuss monetary policy uncertainty.

Source: Baker, Bloom and Davis (www.policyuncertainty.com) (03/24)

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CDS spreads on downward trend

US default probability down sharply from peak after concerns of a potential government shutdown receded



Credit default swap (CDS) spreads reflect the cost of insurance against sovereign default. The spread between Germany and Japan vs. the UK and US has widened since 2020.

The analysis above calculates the implied sovereign probability of default using similar assumptions across markets. Risks around US debt ceiling and budget have receded over recent months.

*40% is the market convention assumption for this type of analysis. A higher recovery ratio would lead to higher implied probabilities of default.

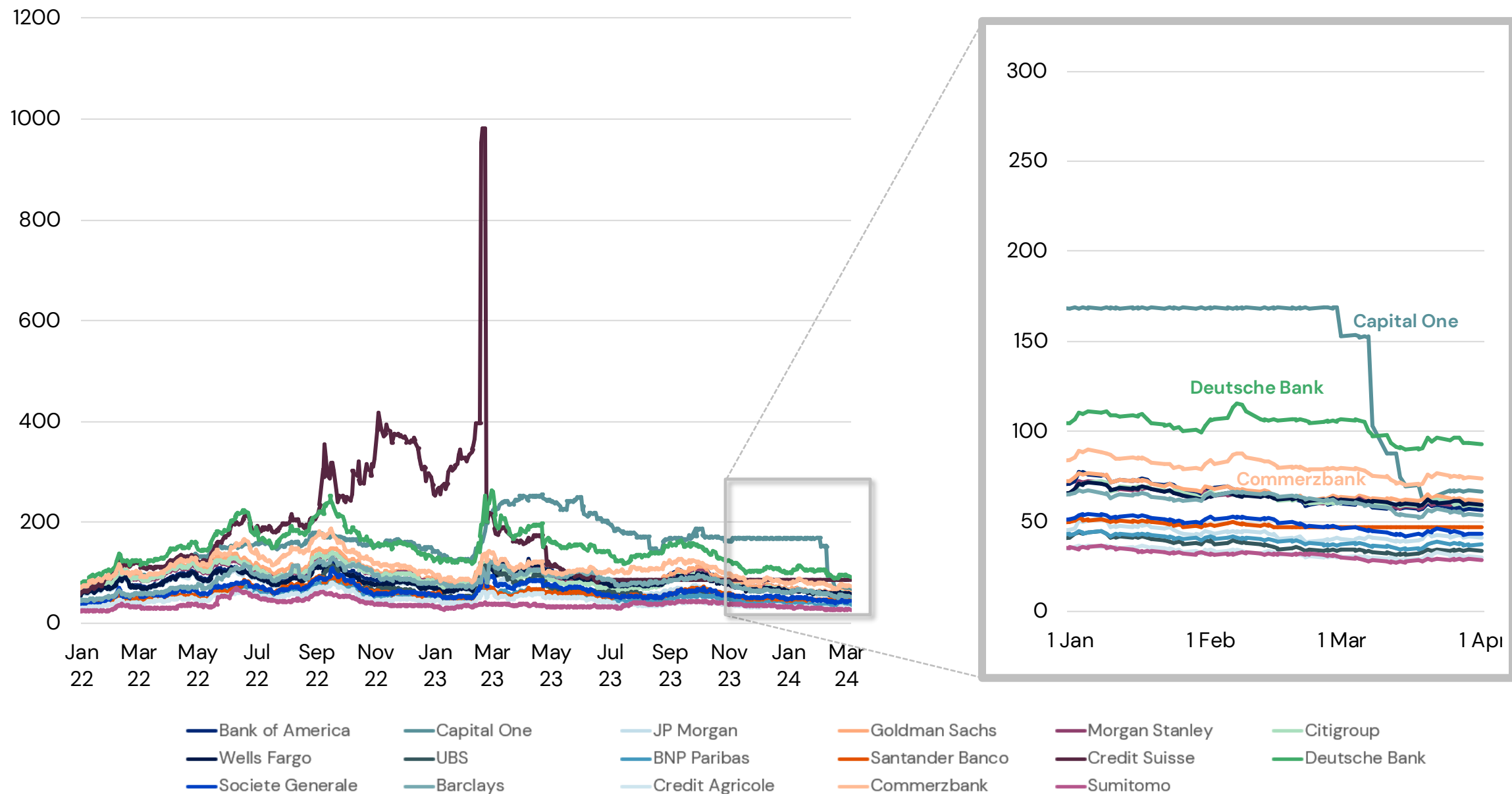
Source: Bloomberg, Refinitiv, LaSalle Global Solutions Portwatch, LaSalle calculations as of April 2, 2024.

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Bank CDS spreads trend since last year

Fallout from SVB and Credit Suisse collapse was contained through major policy interventions

5-year CDS spreads on key global banks



CDS spreads can be a relevant signal for potential distress, but with some additional caveats relative to the past, such as during the Global Financial Crisis (GFC). Bloomberg reports that trading activity in CDS was greater in 2008–09. They report that a small amount of trading activity had an outsized impact on moving Deutsche Bank’s CDS, reflecting the view of a very small number of market participants.

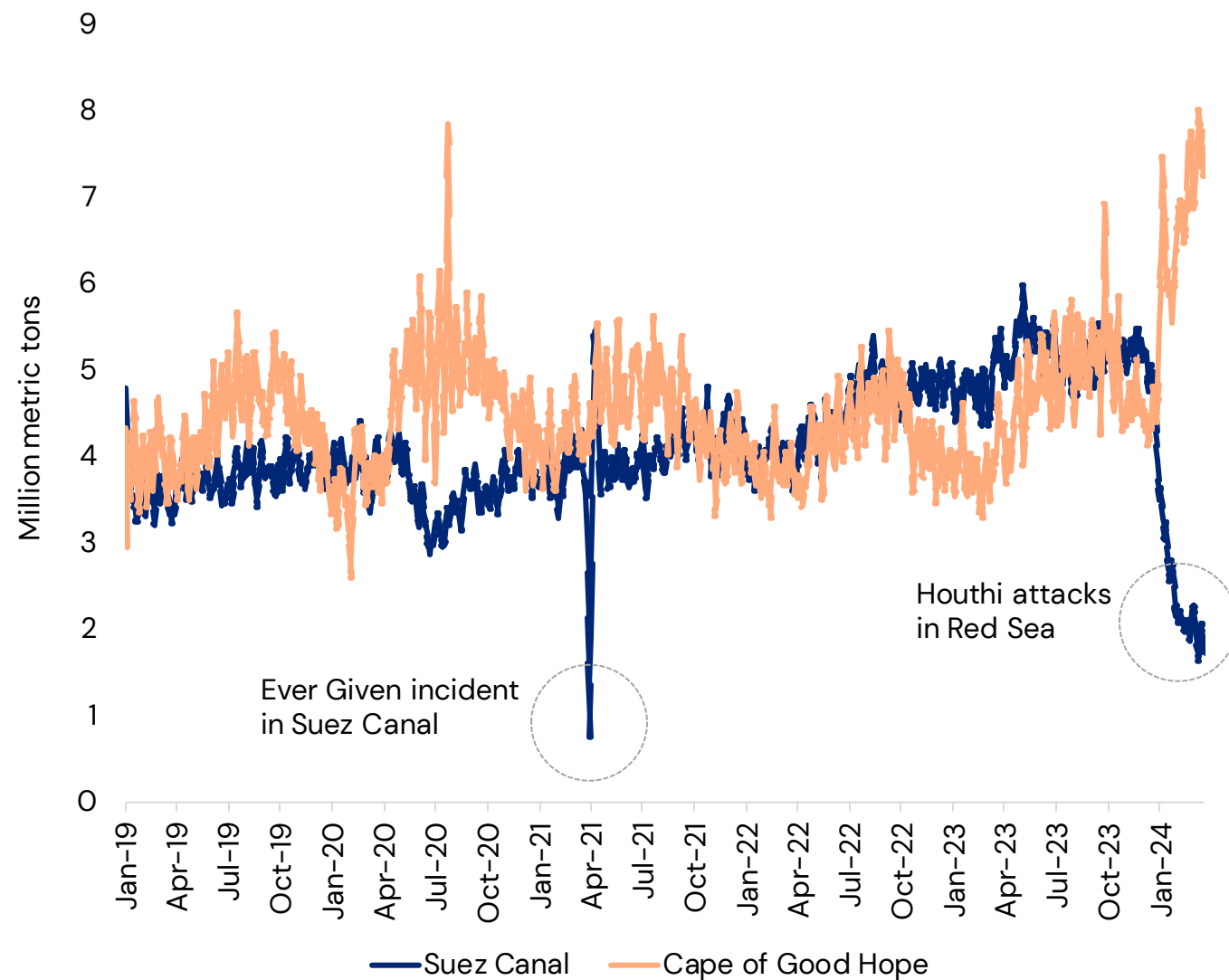
Source: Bloomberg, Refinitiv. As of April 2, 2024.

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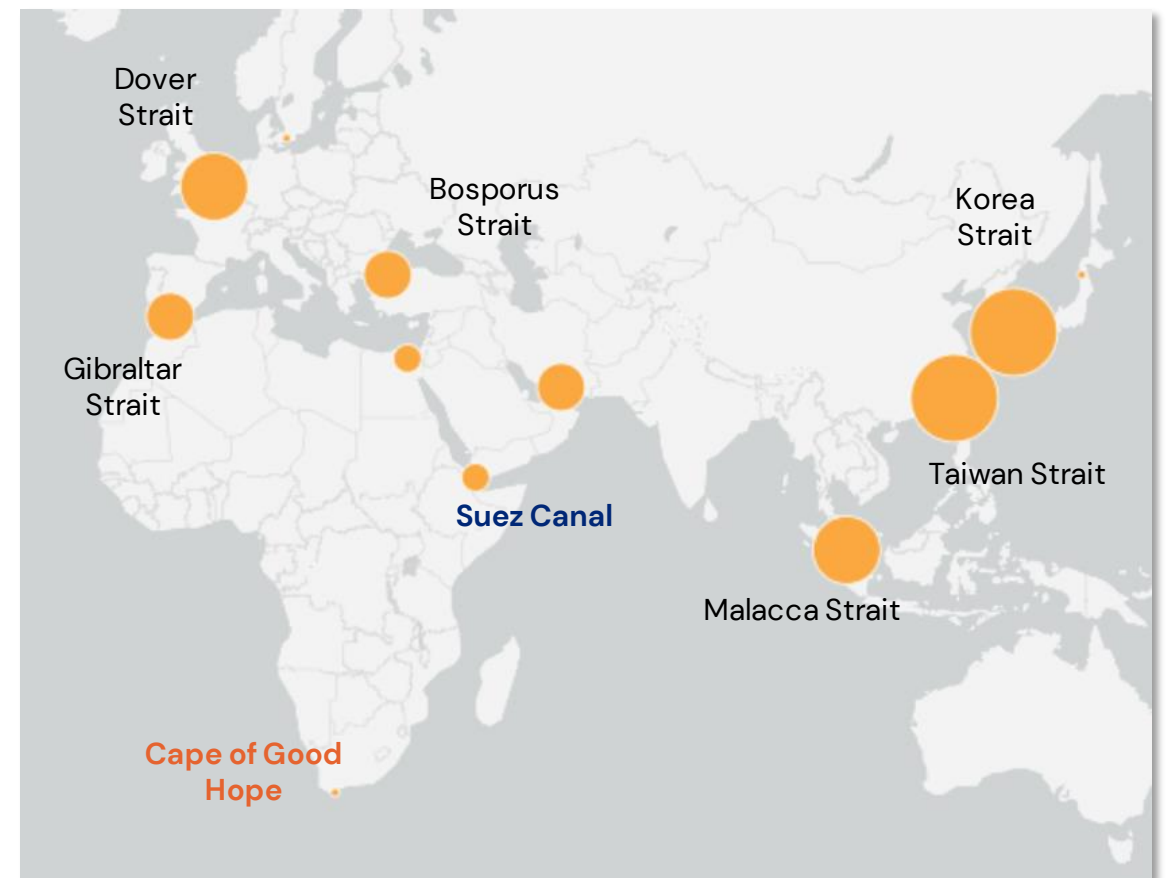
Red Sea attacks causing freight diversion

Suez Canal has seen sharp drop in freight traffic since Red Sea attacks tied to Hamas–Israel conflict

Transit trade volume by chokepoint



Major shipping chokepoints
[Bubble size represents number of vessels]



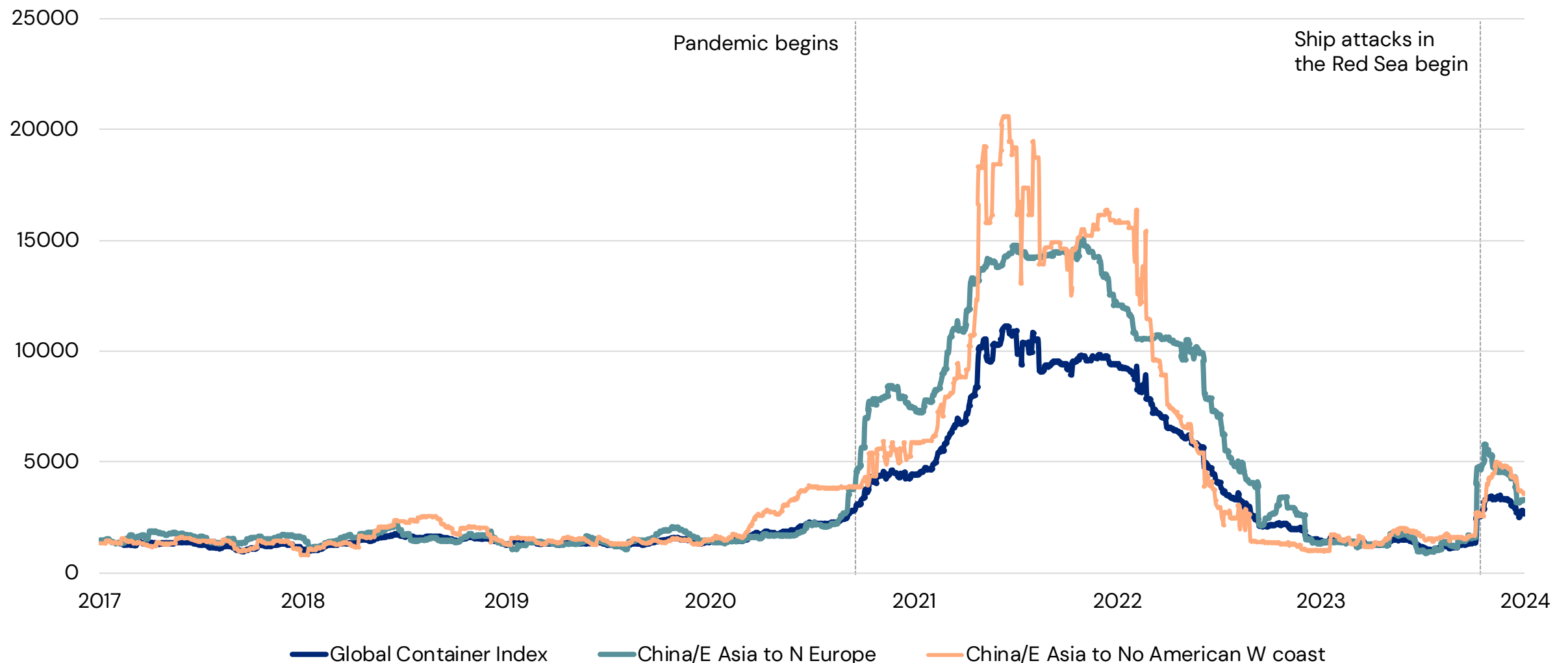
Following the start of the Israel–Hamas conflict, Houthi forces have attacked vessels crossing the Suez Canal. The Suez Canal is a major chokepoint for sea freight traffic, and is particularly linked to petrochemical, mining–related and agricultural goods. Transit volumes through Suez have dropped in response to the attacks to levels not seen since the Ever Given incident in 2021. At the same time, the volume of goods passing through the Cape of Good Hope, have increased dramatically.

Source: UN Global Platform/IMF PortWatch March 2024.

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Shipping costs have increased since Red Sea attacks but well below pandemic highs

Freightos Baltic container indices
[\$ per 40ft container]



On the back of the attacks on container ships in the Red Sea, global shipping costs increased by more than 240% from their mid-2023 levels at their 2024 peak. Shipping costs on aggregate have fallen back from that level and are now only 164% above their lows. Put into a wider context, even at their early 2024 peak, they were -69% lower than their pandemic highs, when global supply chains were most affected by lockdowns and other disruptions.

Source: Refinitiv as of March 29, 2024.

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Stability continues in global natural gas prices

European gas prices have fallen to levels seen prior to Russia's February 2022 invasion of Ukraine



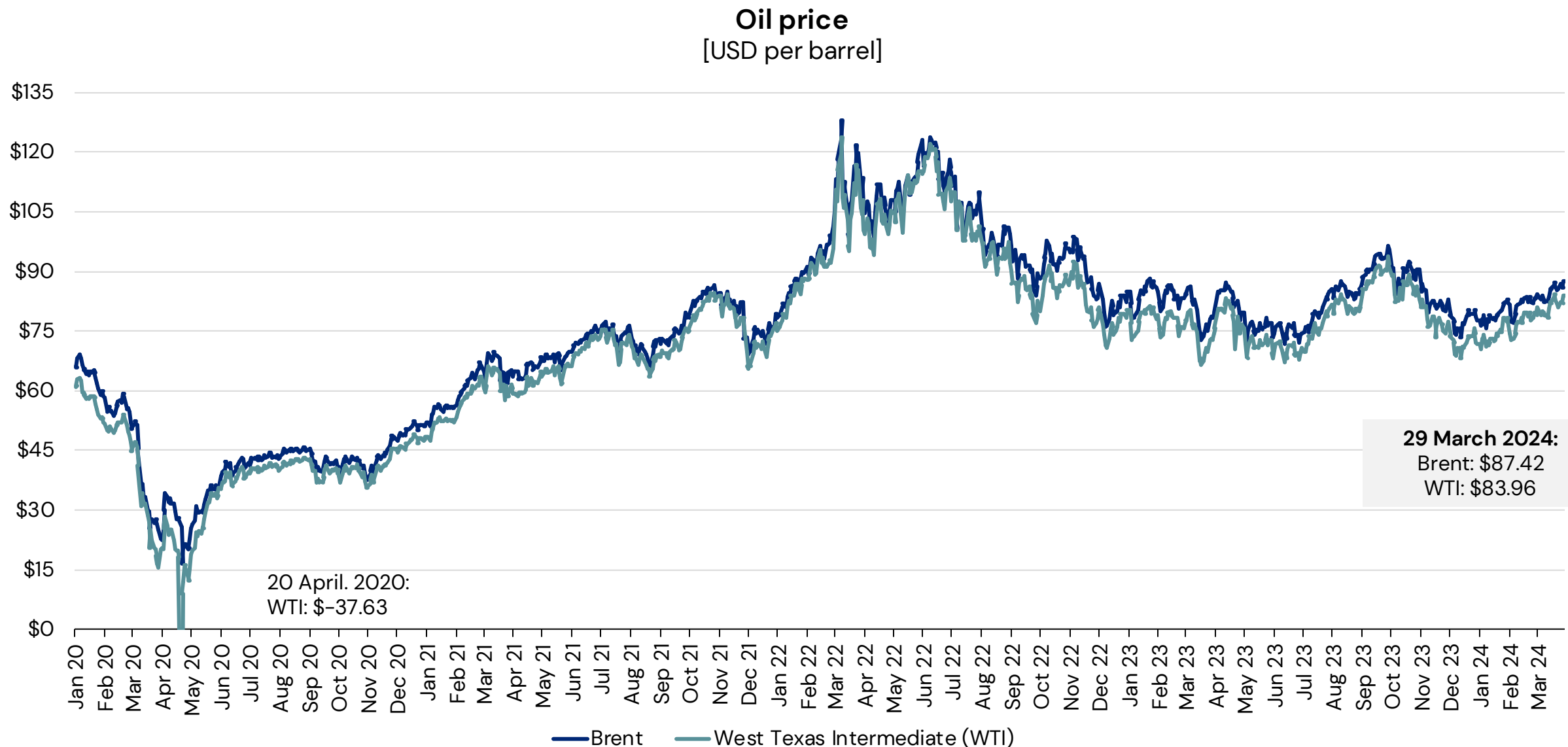
The EU is expected to exit the 2023/24 heating season with storage 54% full assuming that countries continue to reduce demand by 15%. So far this winter, both London and Frankfurt have experienced below-average heating demand, with London at 14% below average and Frankfurt at 25% below average. This can be attributed to the mild winter conditions this year. As the heating season in Northwest Europe is already about 80% complete, any sudden cold spells are unlikely to greatly affect the final outcome at this stage.

Source: LaSalle analysis of New York Mercantile Exchange and Intercontinental Exchange data via Refinitiv. Gas storage data via GIE. As of March 29, 2024.

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Brent crude oil price increased by +13% over Q1

OPEC+ extends voluntary oil output cuts of 2.2 million barrels per day until mid-year



Oil prices have risen by 13% since the beginning of the year due to a tightening of supply as a result of OPEC+ maintaining their commitment to production cuts, combined with ongoing tensions in the Middle East and between Russia and Ukraine. The total cuts by OPEC+ are expected to decrease to 3.66 million barrels per day once the voluntary curbs expire at the end of June 2022. The next OPEC meeting (53rd) is scheduled for April 3rd. However, any significant changes to oil output policies are unlikely to be announced until a full ministerial gathering in June.

Source: AAA, New York Mercantile Exchange and Intercontinental Exchange data via Refinitiv. As of March 29, 2024.

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Core inflation may ease as wheat prices -11% YTD

This contrasts with metal prices rising increased 1% YTD; up 3% m/m

Wheat futures

Next month contract, Chicago Board of Trade



London metals exchange price index

Based on prices of copper, aluminium, tin, zinc, lead, and nickel



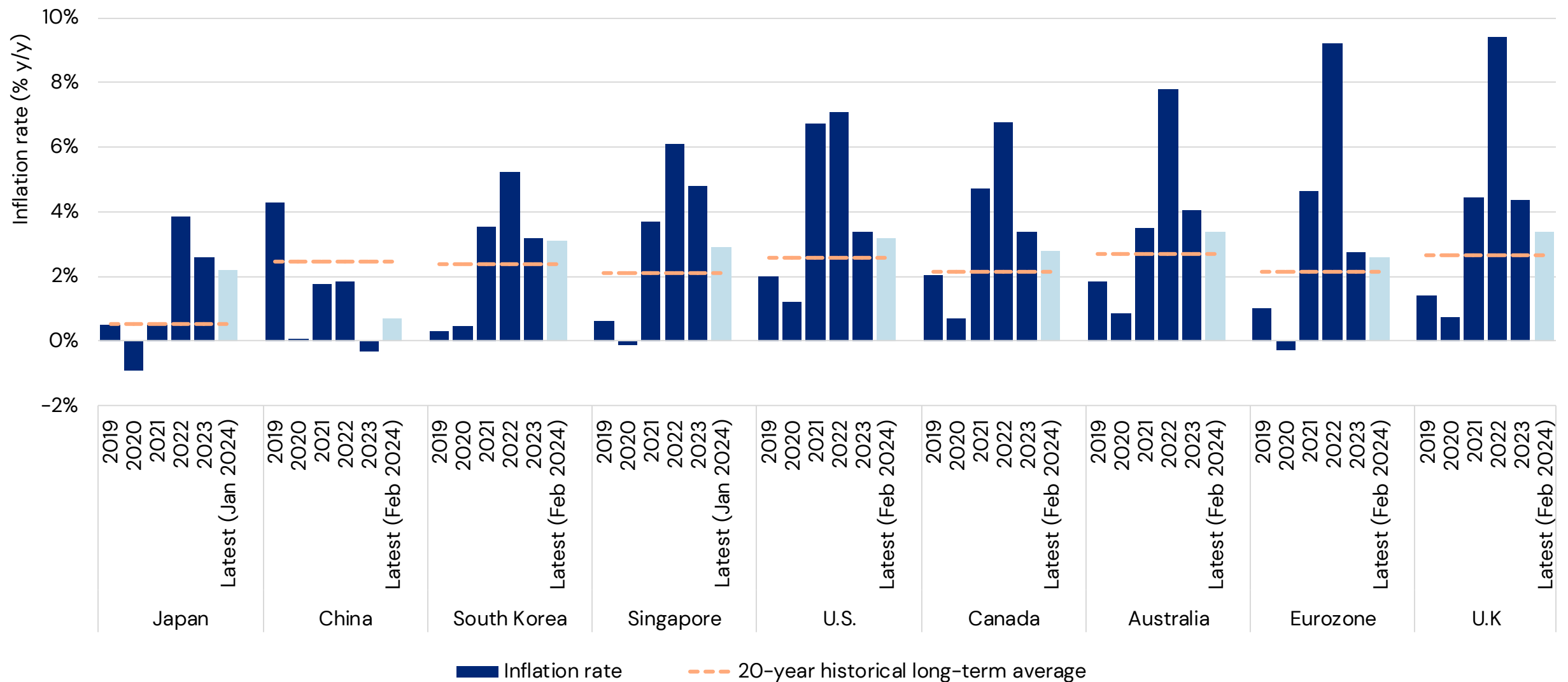
Source: Bloomberg. Wheat price as of April 1, 2024. London Metals Index as of April 1, 2024. Latest data available as of April 1, 2024.

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Inflation cools, especially in US, Canada and Eurozone

Japanese inflation well above long-term average

Inflation trend by country



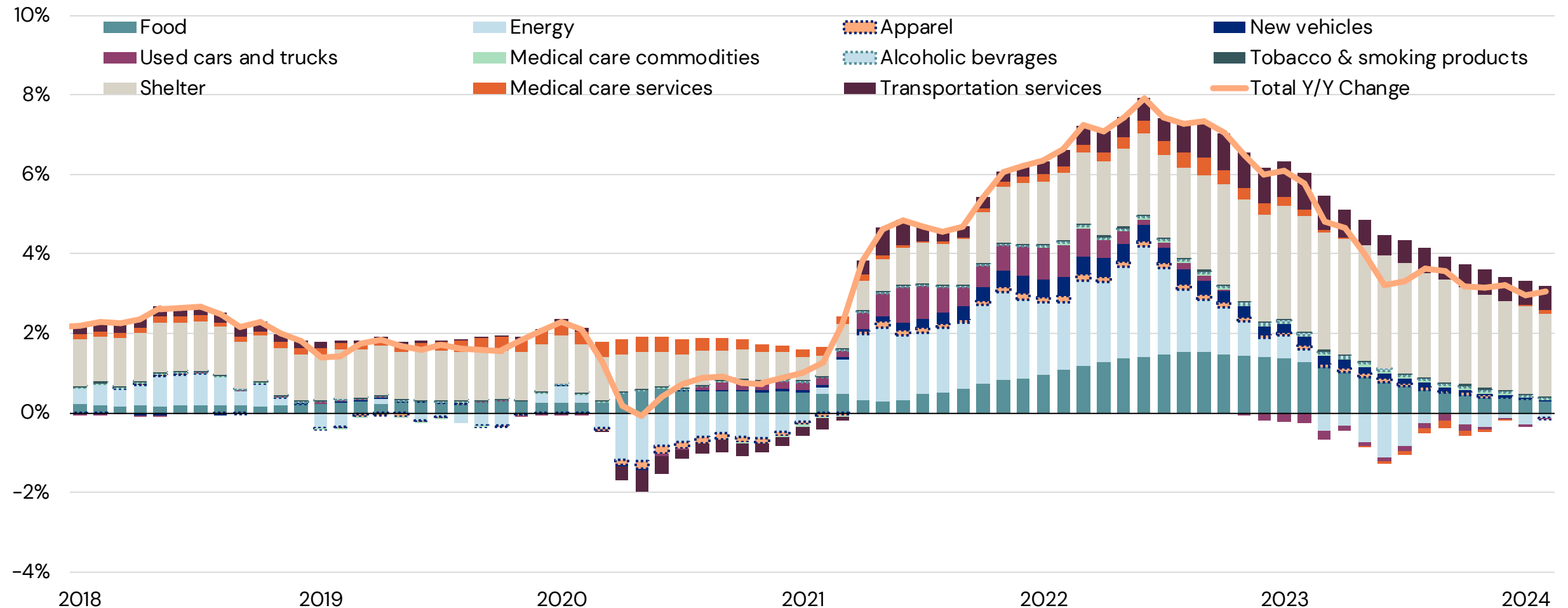
Annual inflation rates remain above their 20-year average in major markets, bar China. UK inflation (including all housing costs) rose 6.3% y/y in May 2023, down from 10.75% in Q4 2022 and the 6.4% reading in July. The Eurozone reported preliminary Y/Y September inflation of 4.3%, easing from its Q4 2022 reading of 9.2% Y/Y.

Note: 20-year historical long term average inflation rate is the average quarterly inflation rate from Q2 2003 to Q1 2023.
 Source: Oxford Economics; latest monthly data from Australia Bureau of Statistics (Australia), Eurostat (Eurozone), Singapore Department of Statistics (Singapore), Statistical Bureau (Japan), Statistics Korea (South Korea), National Bureau of Statistics (China), Statistics Canada (Canada), Office for National Statistics (UK), US Bureau of Labor Statistics (US). Latest data available as of September 30, 2023.
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US inflation components show reasons for change

Shelter is the largest contributor to the headline CPI change, albeit this metric tends to lag.

Year-over-year change in Consumer Price Index (CPI)
Percentage point contribution by category, Seasonally Adjusted



The US CPI in February rose +3.2% y/y, again slowing from its recent record growth pace. Shelter remains to be the primary driver of total inflation increasing roughly 100-bps above its long-term average of 1.1%. The contribution of energy prices to total inflation has turned into a drag on price levels over the last year, this contrasts with the net positive impact of energy prices seen between 2021 and 2022.

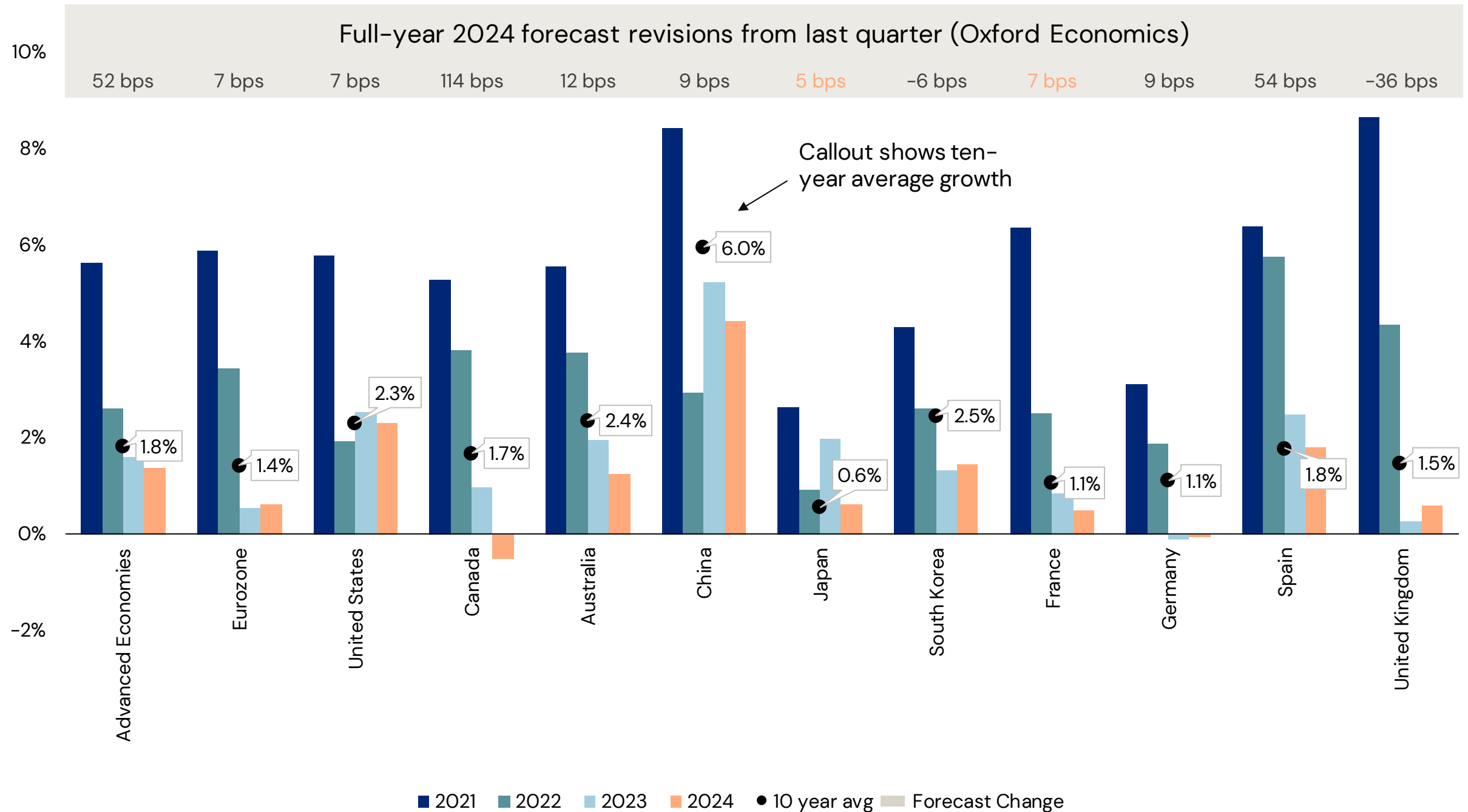
Source: Economy.com. Historical data through February 2024 and last updated in March 2024.

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2024 economic outlook subdued

Following a surprisingly resilient 2023, growth is forecasted to continue being weak

Oxford Economics global annual GDP forecasts



*Aggregation based on Oxford Economics country classification: <https://services.oxfordeconomics.com/api/definitions/WDMacro/GlobalMacroEconomicDatabank.pdf>

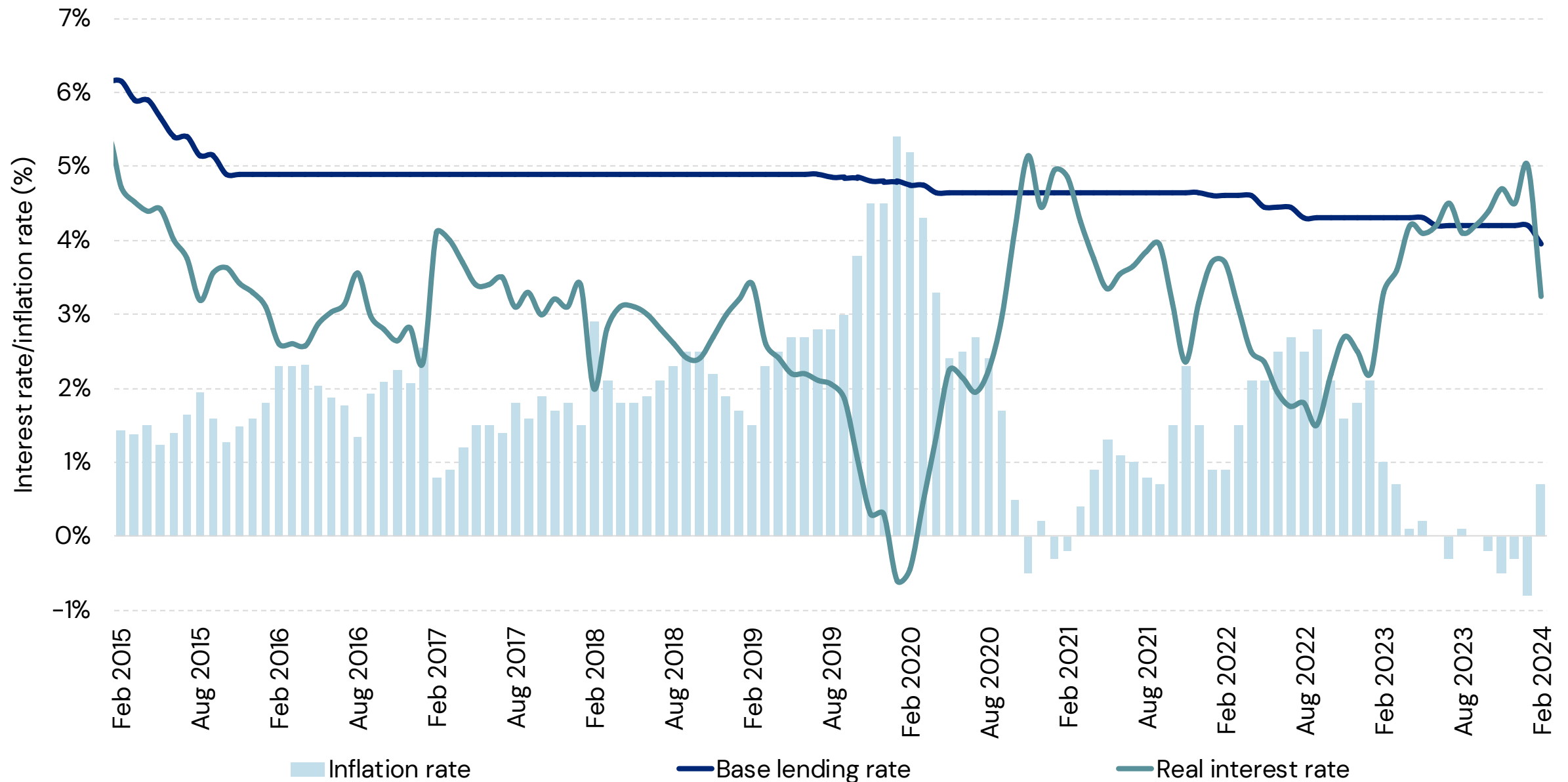
Source: Oxford Economics Forecast most recent as of April 2, 2024

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China's monetary policy is tilting toward a loosening bias

The high real interest rate provides the PBOC with some room for monetary easing if necessary¹

China inflation, base lending rate and real interest rate²



Note:

1. The PBOC stands for the People's Bank of China. Real interest rate = base lending rate minus inflation rate

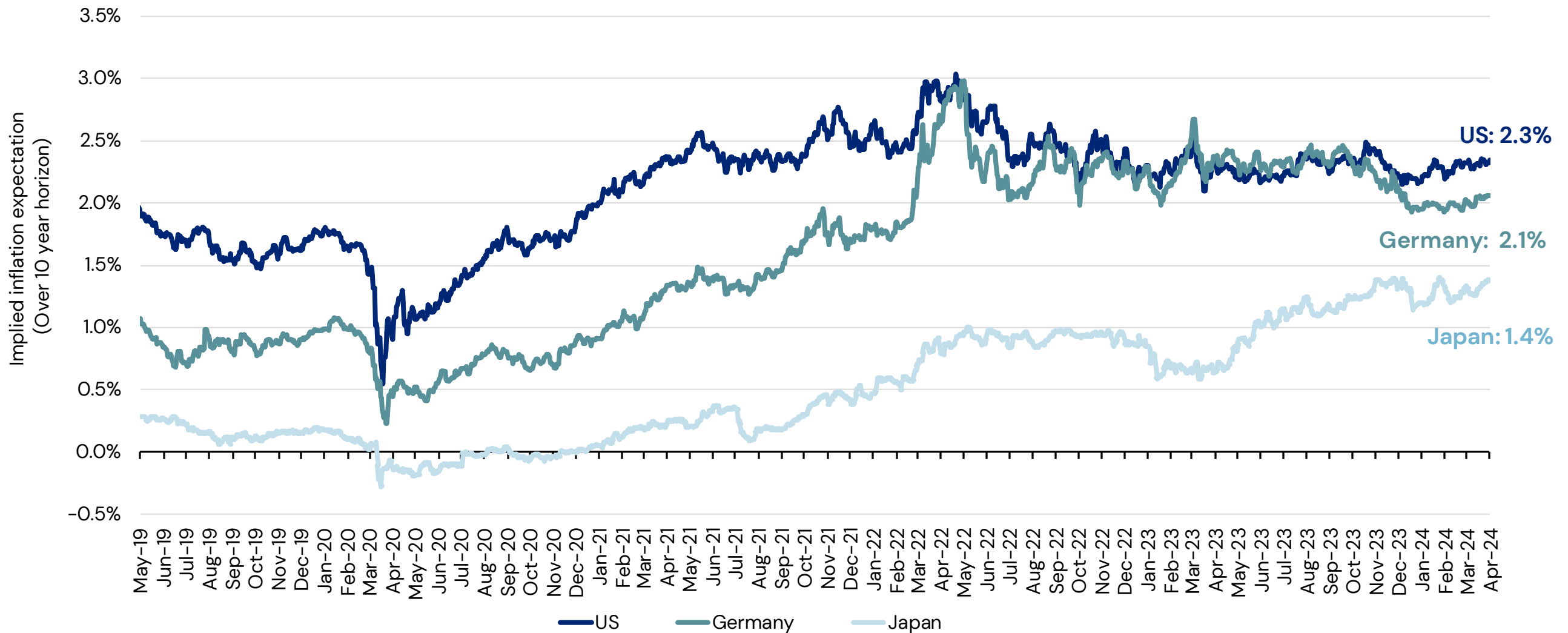
2. The base lending rate refers to the 5-year loan prime rate (LPR) for the period since August 2019. For the period before August 2019, it refers to the base rate for medium- to long-term loans (5-year +).

Sources: The PBOC (base lending rate), as of February 2024; The National Bureau of Statistics of China (inflation rates), as of February 2024; LaSalle Investment Management (real interest rate), as of February 2024

US and German breakeven inflation outlook remain generally unchanged

Japanese inflation-protected yields also points to deceleration but at a notably lower level

Expected long-term inflation:
Breakeven rate between nominal and inflation-protected risk-free rates



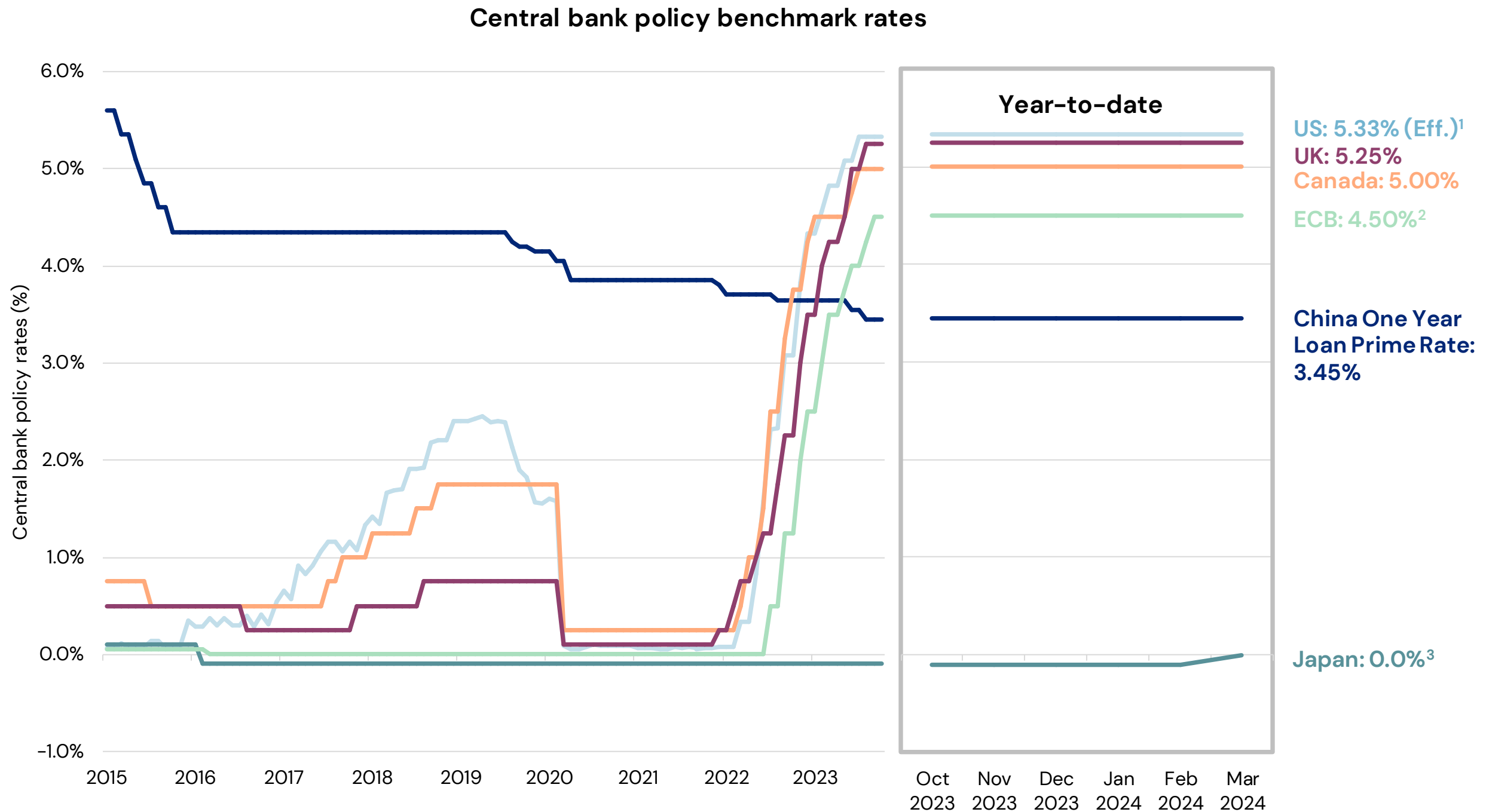
Breakeven inflation rates rose from pandemic lows to about 3% at the end of April 2022. Since then – coinciding with more aggressive central bank action and slowing growth signals – long term inflation expectations have moved slightly lower. Japan 10Y breakeven exceeds 1% at the end of May 2023, the highest rate recorded since 2014.

Source: Bloomberg. As of April 1, 2024

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BoJ ends an era of negative interest rates

Japan increased central bank rate for the first time since 2007, but rate stands low at 0%

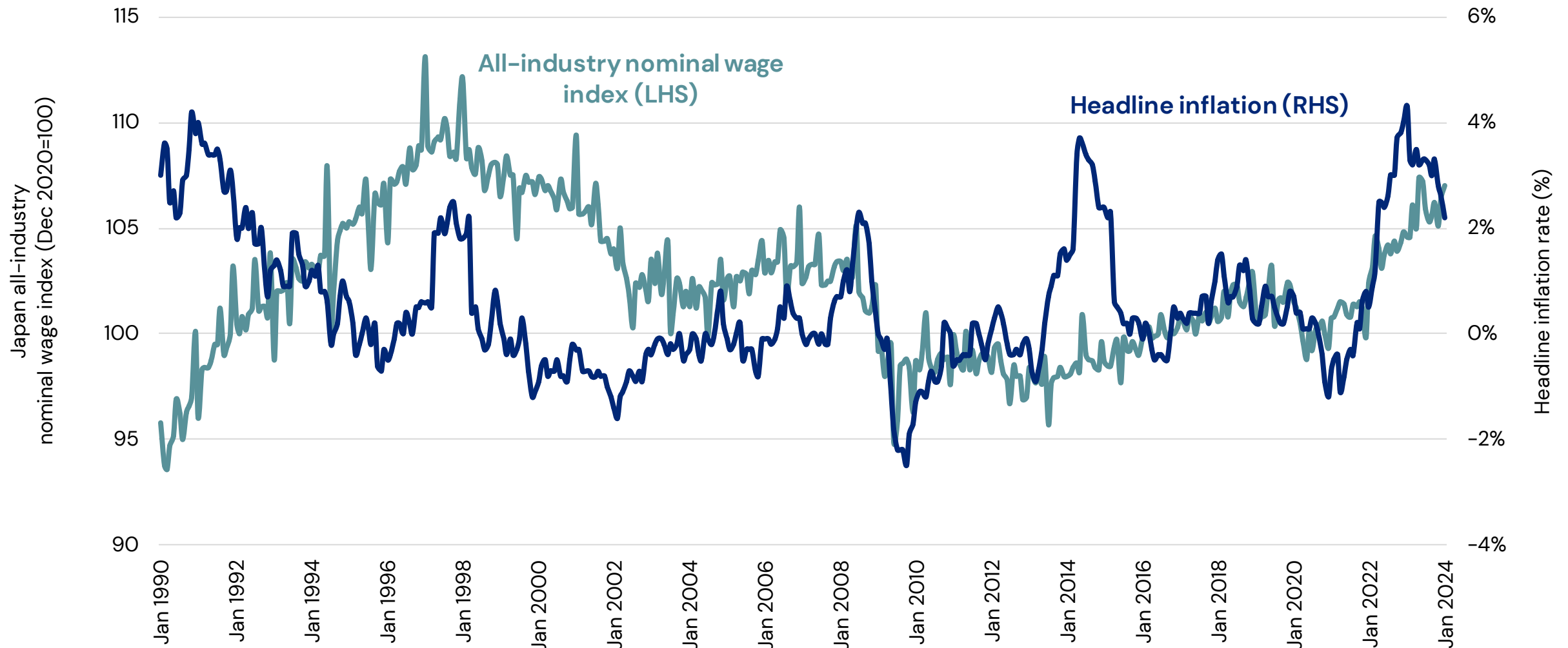


Notes 1. Effective Fed Funds rate shown rather than target range. 2. ECB main refinancing rate shown. 3. Negative interest rates in Japan apply to marginal increases to reserves. Japan cash rate / complementary Deposit Facility. Source: Refinitiv, central bank websites, LaSalle. Data through March 29, 2024.

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The BoJ hiked interest rates given positive wage and inflation expectations

Japan all-industry nominal wage index* (December 2020=100) vs. headline inflation rate¹



The BoJ stated that “it came in sight that the price stability target of 2% would be achieved in a sustainable and stable manner”² in the coming years

Note: *The seasonally adjusted all-industry nominal wage index includes the scheduled cash earnings and overtime pay but excludes summer and year-end bonuses. The index includes companies that have 30 or more employees.

Source: 1) The Japan Statistics Bureau (all-industry nominal wage index and inflation rate), as of January 2024; 2) The Statement on Monetary Policy by the Bank of Japan, as of March 19, 2024

Australia's tight labor market suggests there is little urgency to cut rates in the near term

Australia unemployment rate

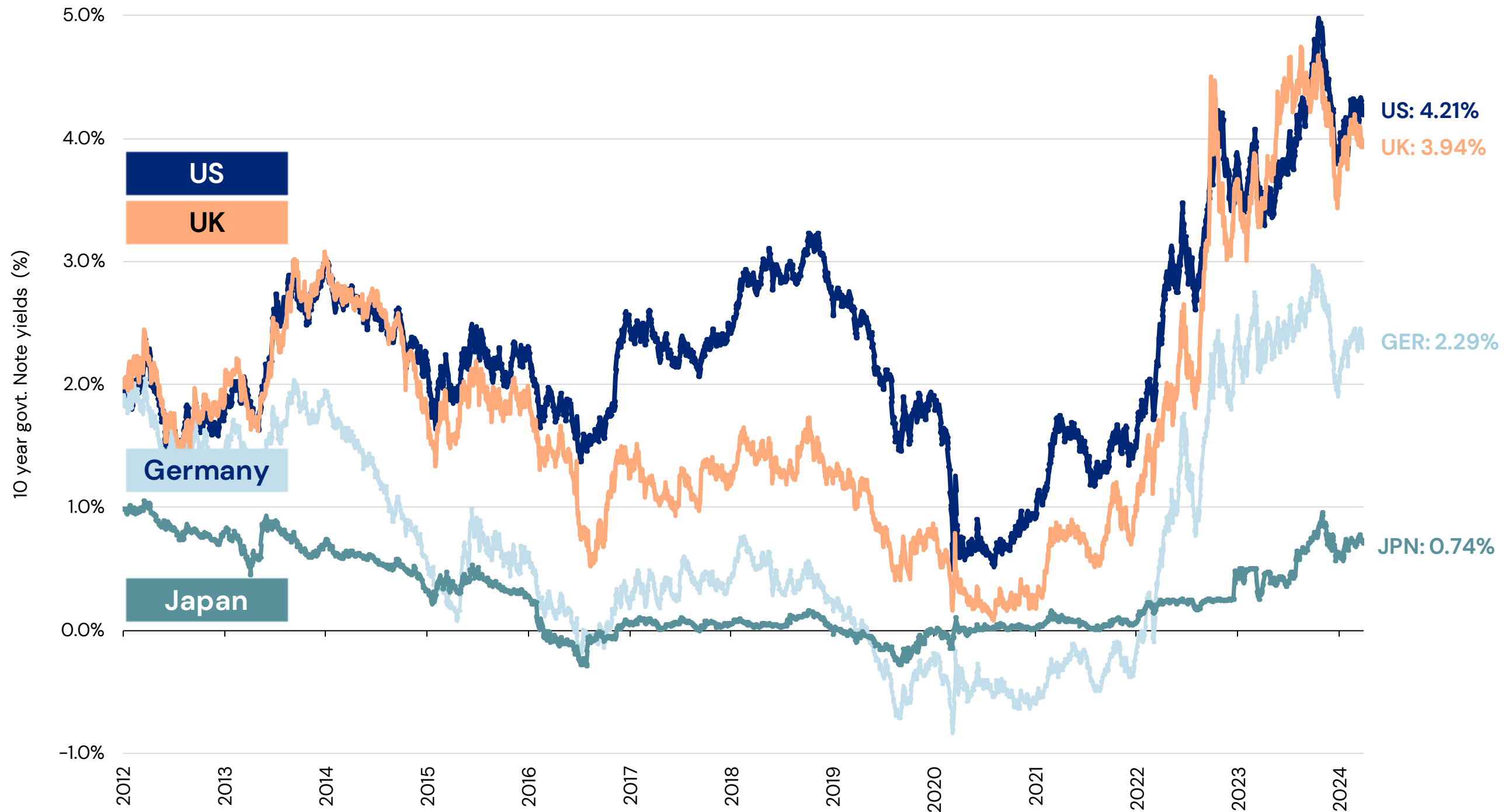


Source: The Australian Bureau of Statistics, as of February 2024

Risk-free interest rates up slightly in Q1 2024

In Q1, UK, US, German, and Japan 10Y rates were up by 40bps, 34bps, 26bps and 11bps, respectively

10-year government note rates

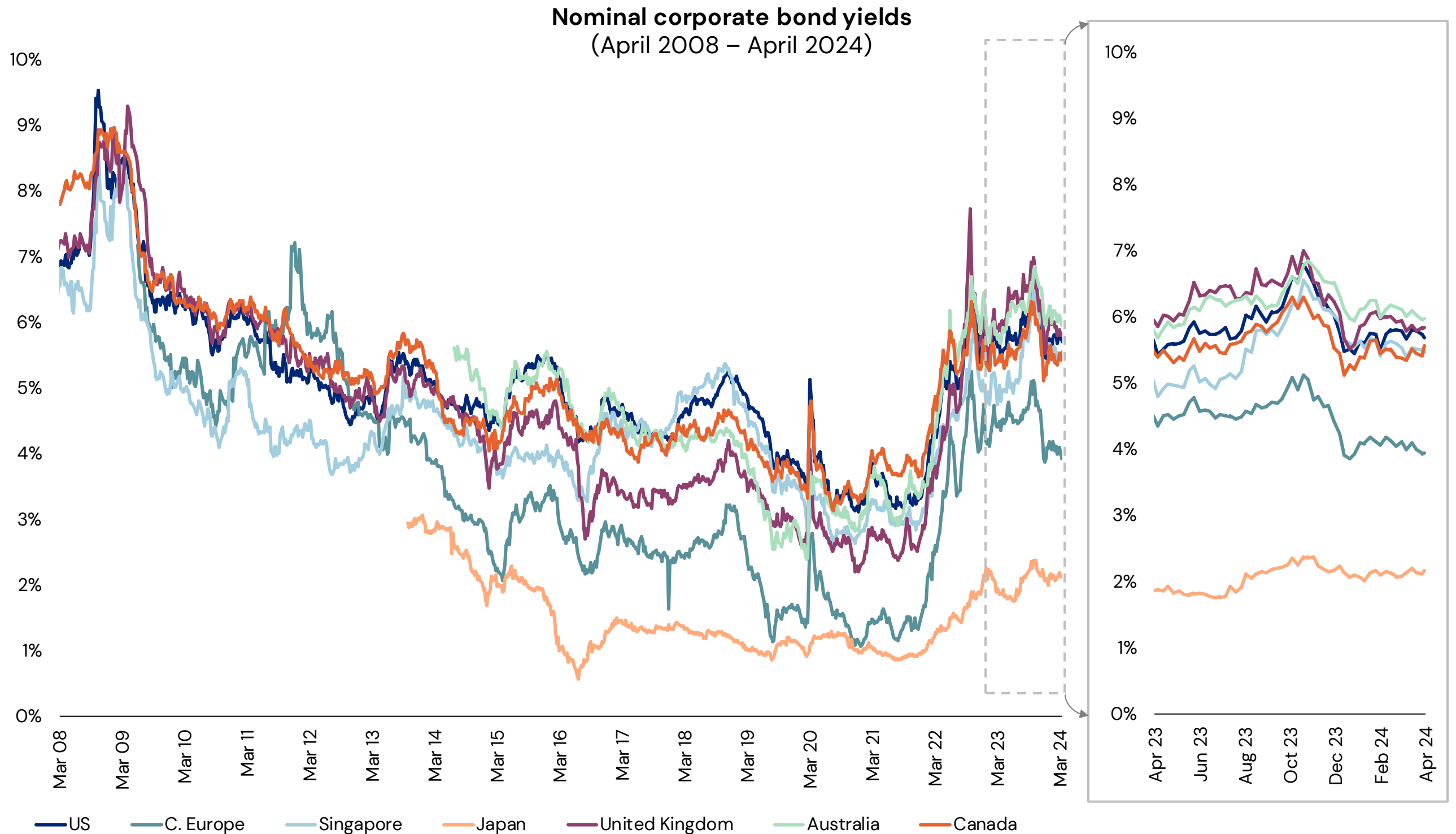


Source: Refinitiv. Data through March 29, 2024.

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Corporate bond yields up marginally YTD

Tight labor markets, and delayed expectations of monetary policy pivot generally behind increases

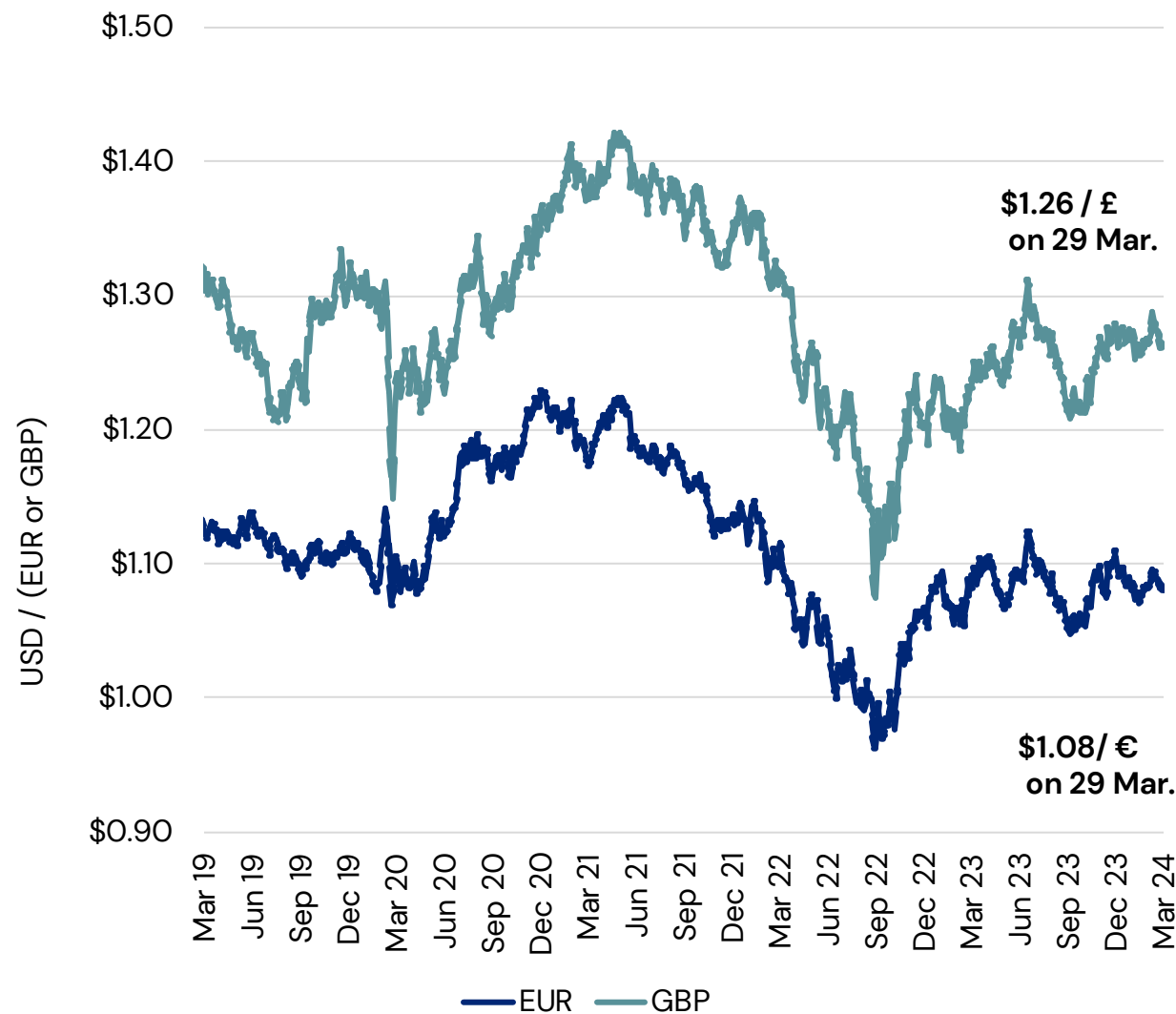


Source: LaSalle Global Solutions, Bloomberg data through April 2, 2024. The bond indices above are based on Moody's Baa US bonds with terms of 20 to 30 years. In other countries, comparables are used of similar credit quality and term. Note: No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

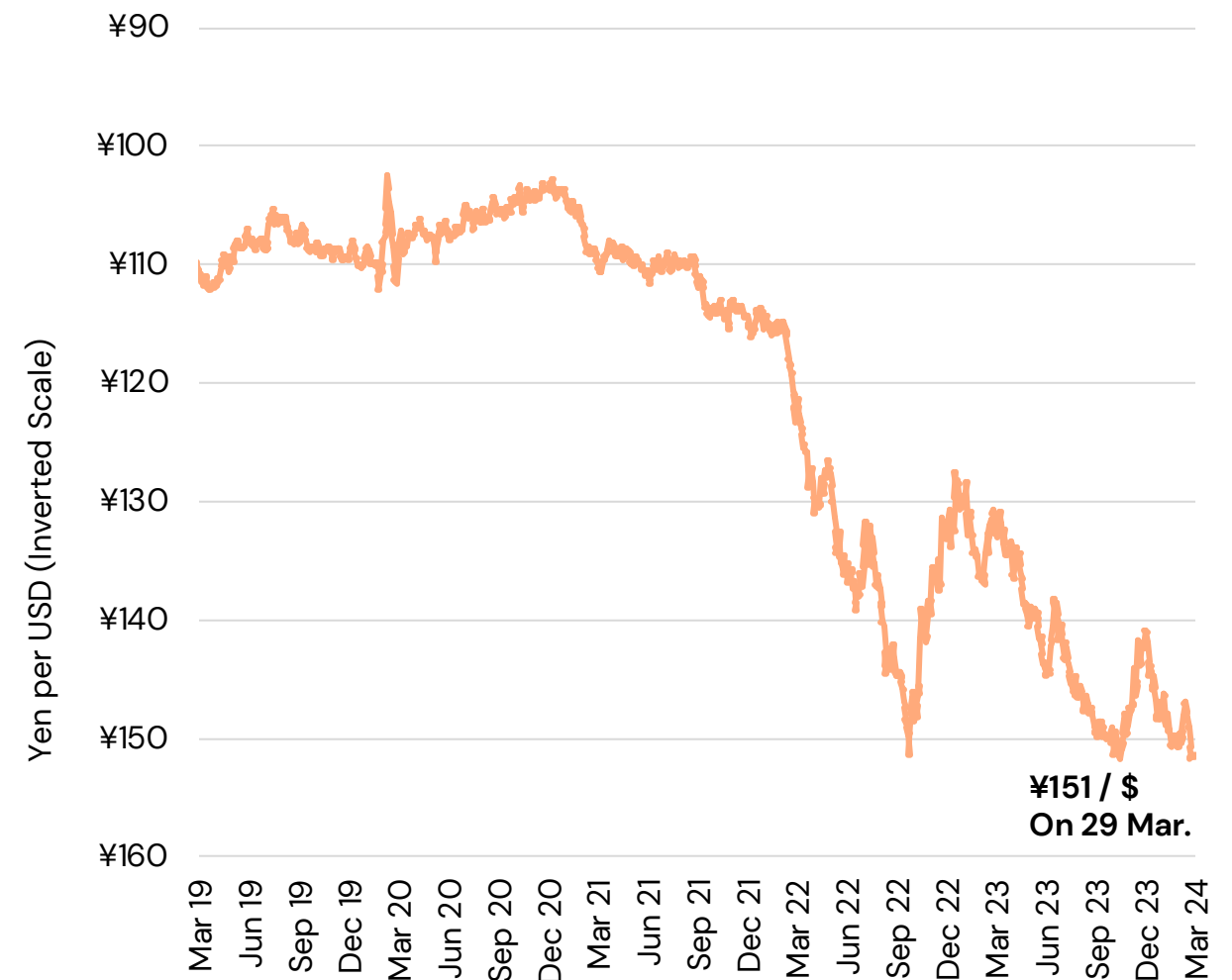
Yen weakened -7% vs. US dollar in Q1

Sterling and Euro weakened slightly vs. US dollar last quarter

USD / € and USD / £ Exchange rate



Yen – USD Exchange rate



The USD had appreciation of 0.9%, 2.2%, and 7.3% against GBP, EUR, and JPY, respectively. Despite the rate hike by the BoJ (see pg. 19), the yen reached its lowest level against the US dollar in 34 years, making it the weakest major currency during the first quarter. This likely stems from the large gap between US and Japanese policy rates. Rapid depreciations have in the past led to currency market interventions. The Finance Ministry's last intervention occurred in September and October of 2022, when it purchased 9.2 trillion yen (equivalent to USD 60.8 billion) and sold dollars to halt the decline of the yen. However, Nomura reports that if there are expectations of an additional rate hike in July, it could lead to upward pressures on the Japanese yen.

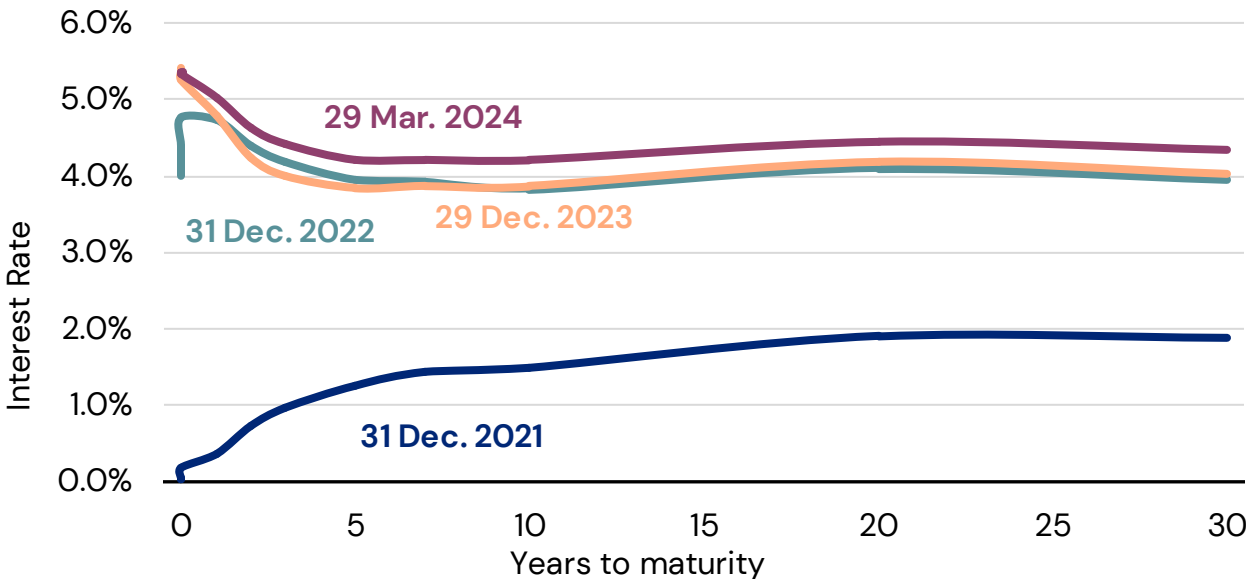
Source: Refinitiv. Latest data available as of March 29, 2024.

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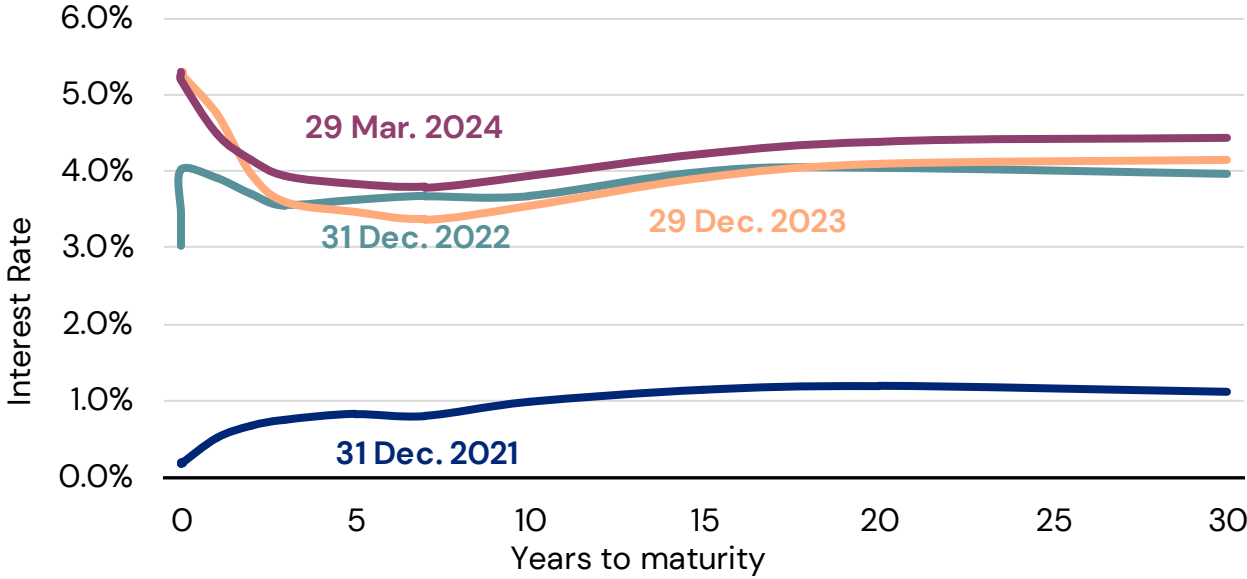
Yield curves remain inverted in US, UK

UK yield curve shifted lower over March, just marginally lower for the US

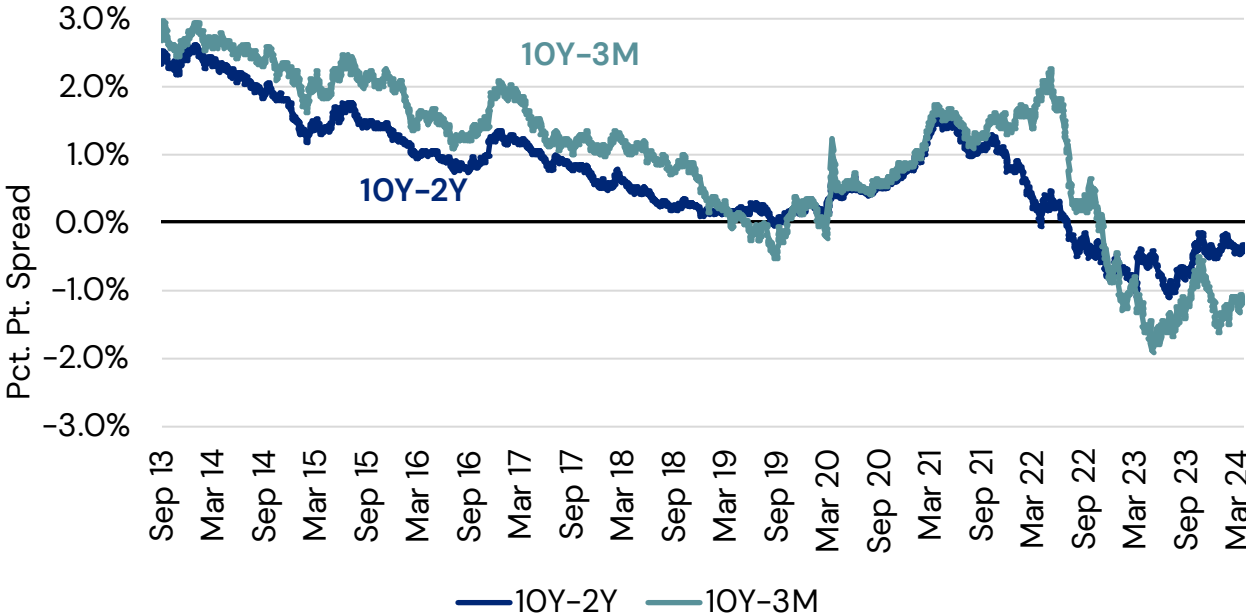
US yield curve over time



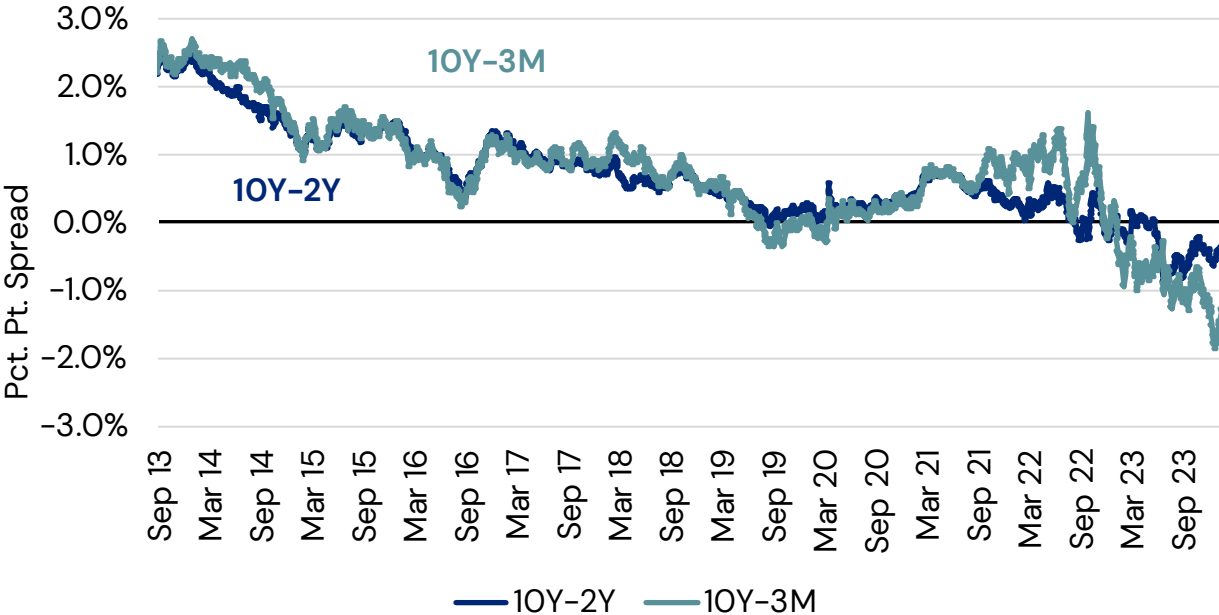
UK yield curve over time



US yield curve spreads



UK yield curve spreads



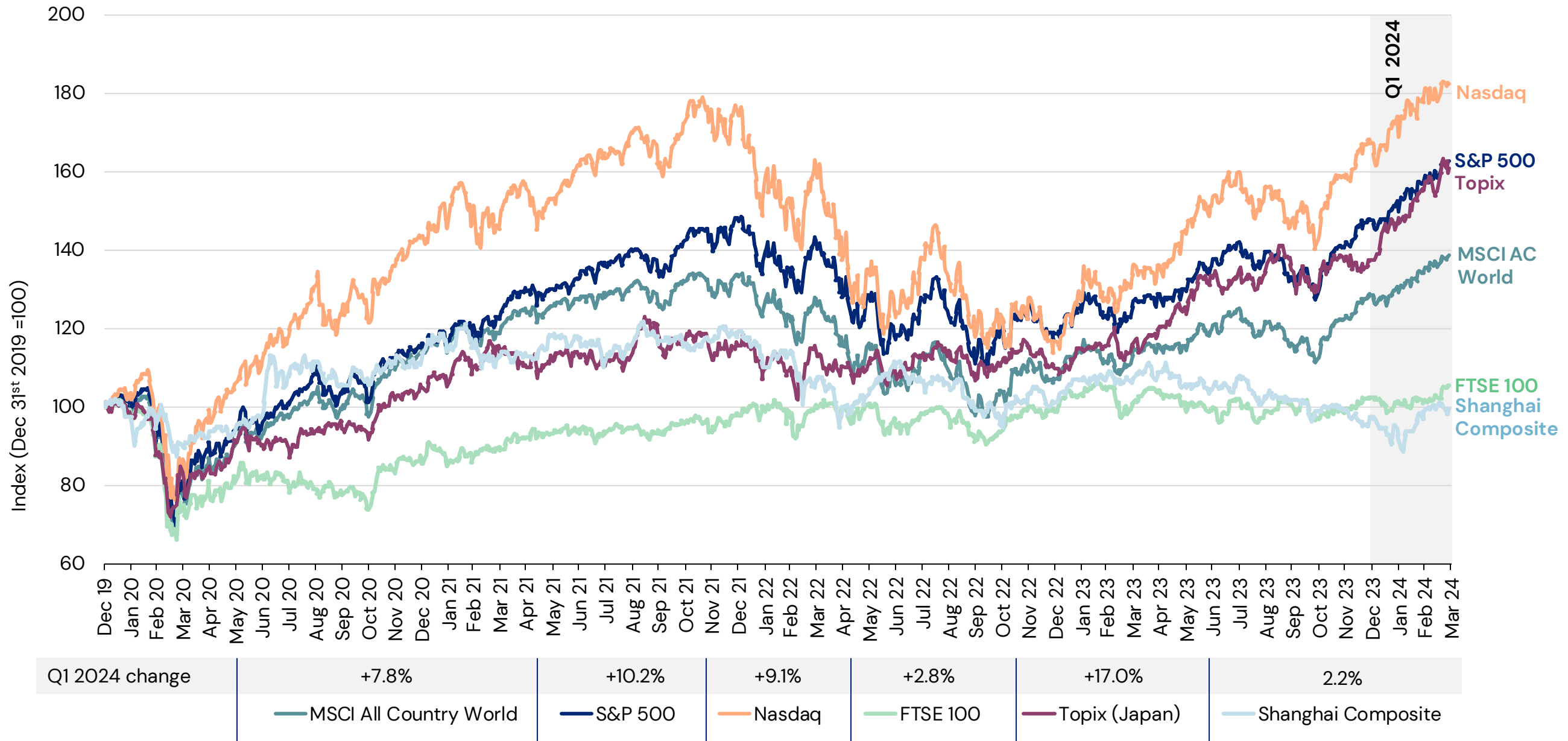
Source: LaSalle analysis of Refinitiv data. Data through March 29, 2024.

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Global equity indices up +8% in Q1

S&P, Nasdaq, FTSE, Topix, and Shanghai Composite were all up over the quarter

Global equity indices (December 31, 2019 = 100)



The first quarter of the year concluded positively for the global equity market, as it achieved the strongest performance for this period in the past five years. This was primarily influenced by lower inflation levels and indications of potential interest rate cuts by central banks. The AI boom had also significantly contributed to the overall gains of global stock markets during these past three months with chip designer Nvidia adding more than \$1tn to the market value. Additionally, Japanese stocks exhibited remarkable growth, with the TOPIX index surpassing a record high set 34 years ago.

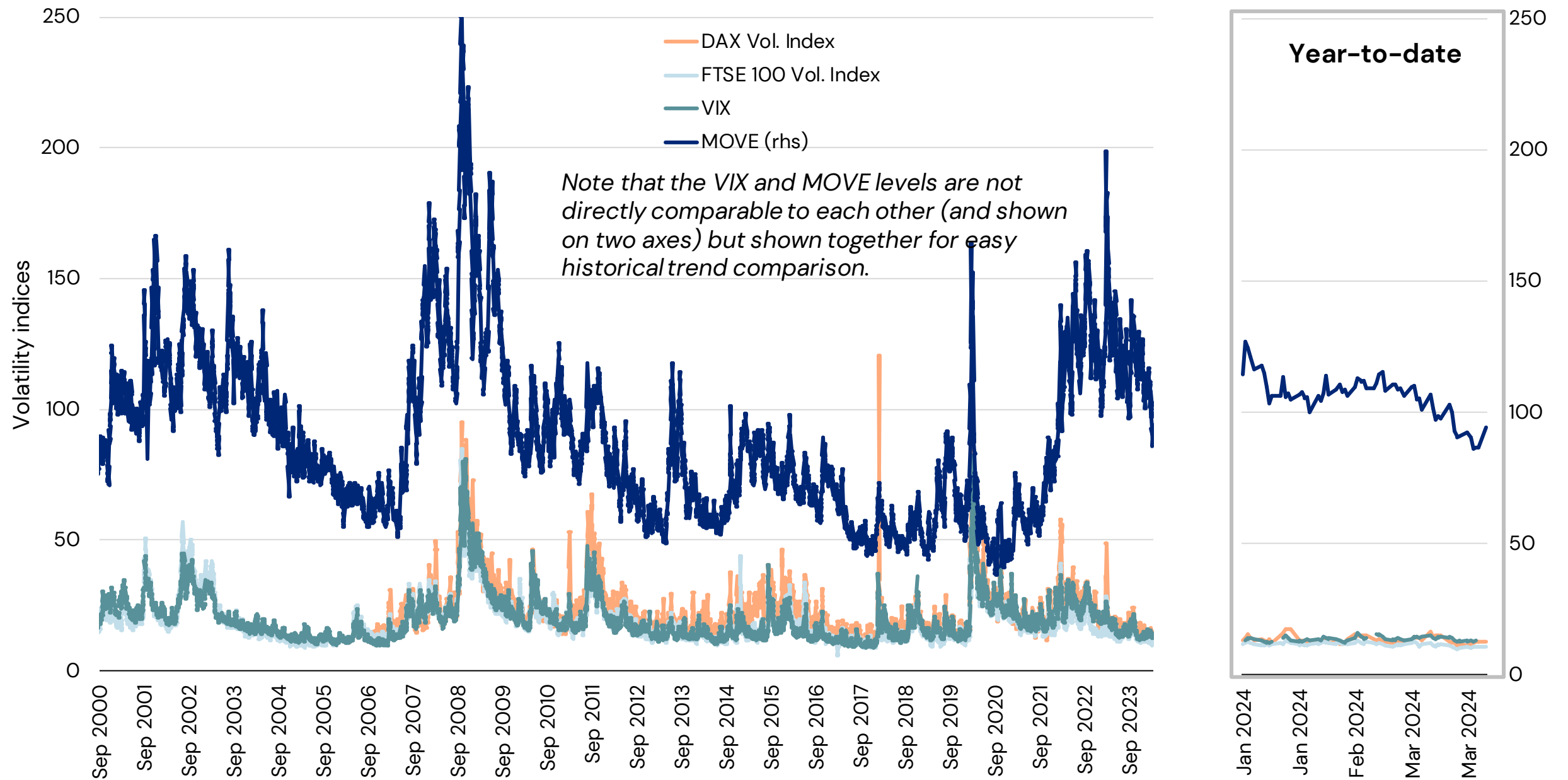
Source: Refinitiv. Data through March 29, 2024.

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Bond market volatility still elevated vs. equities

Volatility expectations have been stable in 2024: low for equities but elevated for rates

Market volatility indices



The MOVE index is based on the implied volatility on one month US Treasury options, weighted based on 2, 5, 10 and 30-year contracts for the next 30-day period. It reflects both price uncertainty and risk aversion.

*VIX is the Chicago Board Options Exchange's CBOE Volatility Index. Source: Refinitiv, LaSalle. Data through April 1, 2024.

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Investor sentiment improved in the early 2024

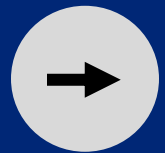
Optimism is high in Asia Pacific and improving from low levels in US and Europe

Global real estate sentiment

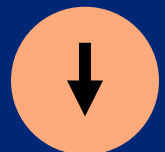
Over the next six months, do you think market conditions will:



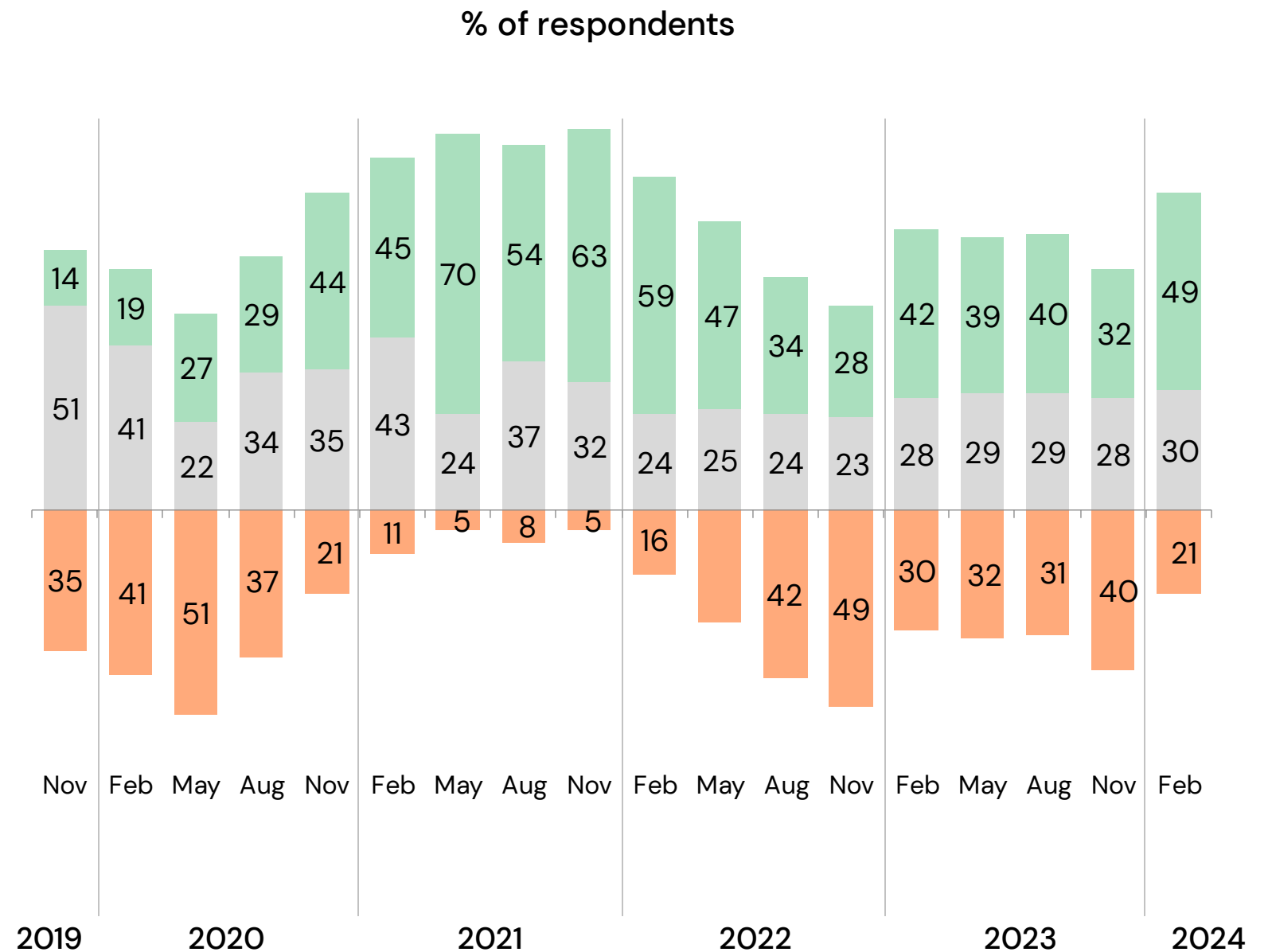
Improve



Stay the same



Worsen



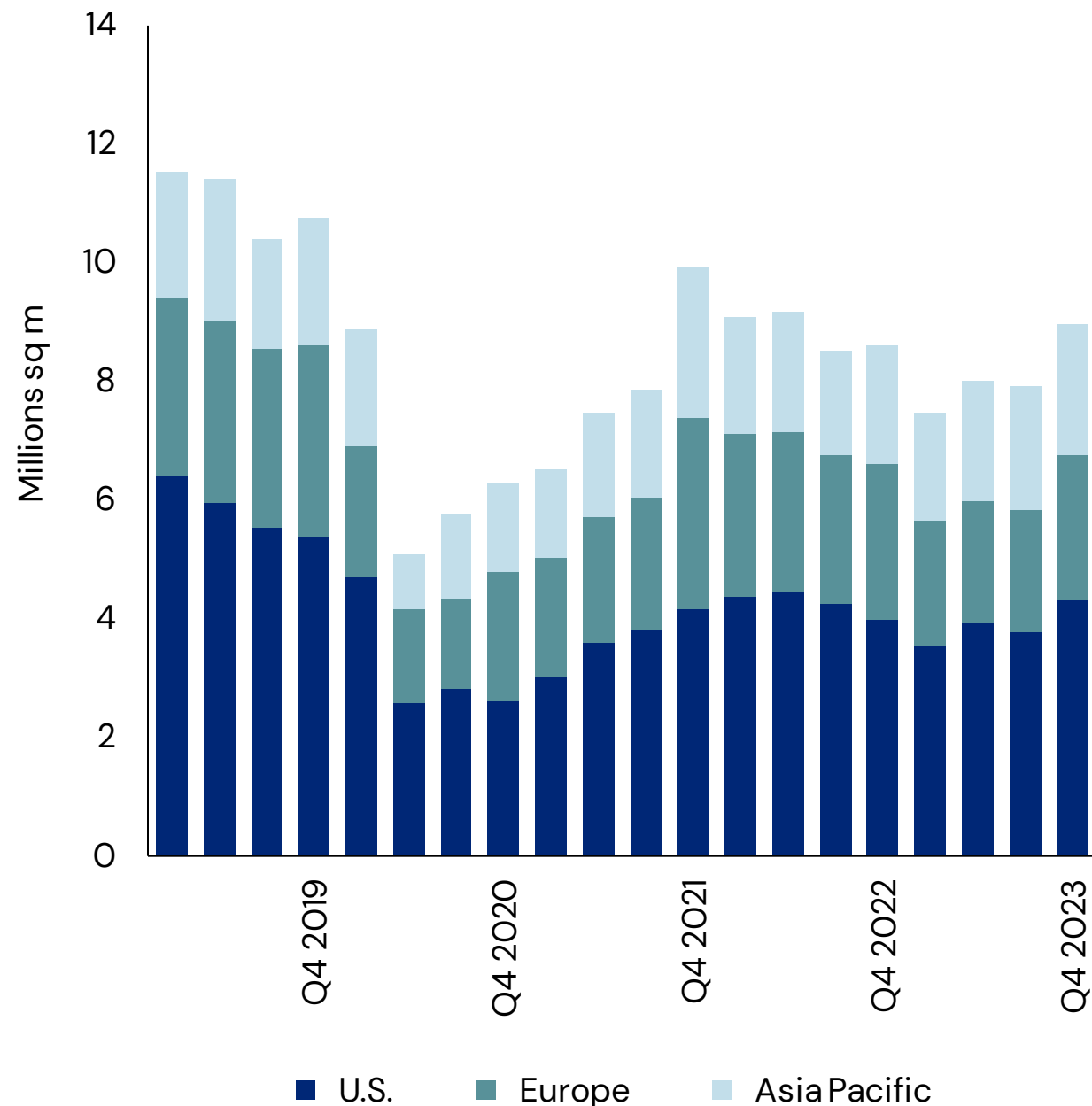
Source: JLL Research, Latest February 2024.

Note: No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

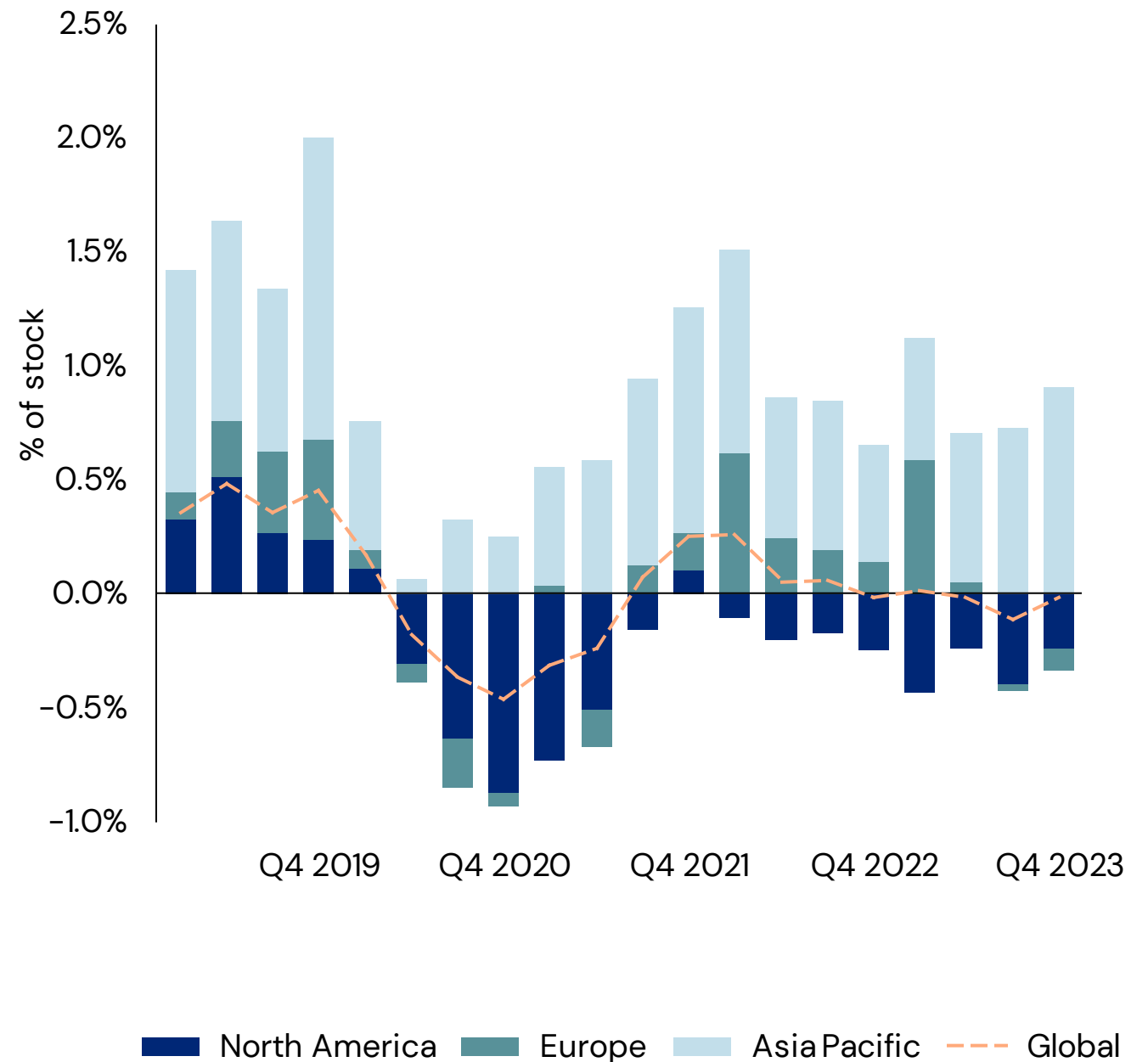
Office net absorption only positive in Asia Pacific

Net demand negative in Europe for second quarter running; US office demand remains negative.

Gross leasing by region



Net absorption by region



23 markets in Europe; 50 markets in the US; 22 markets in Asia Pacific.

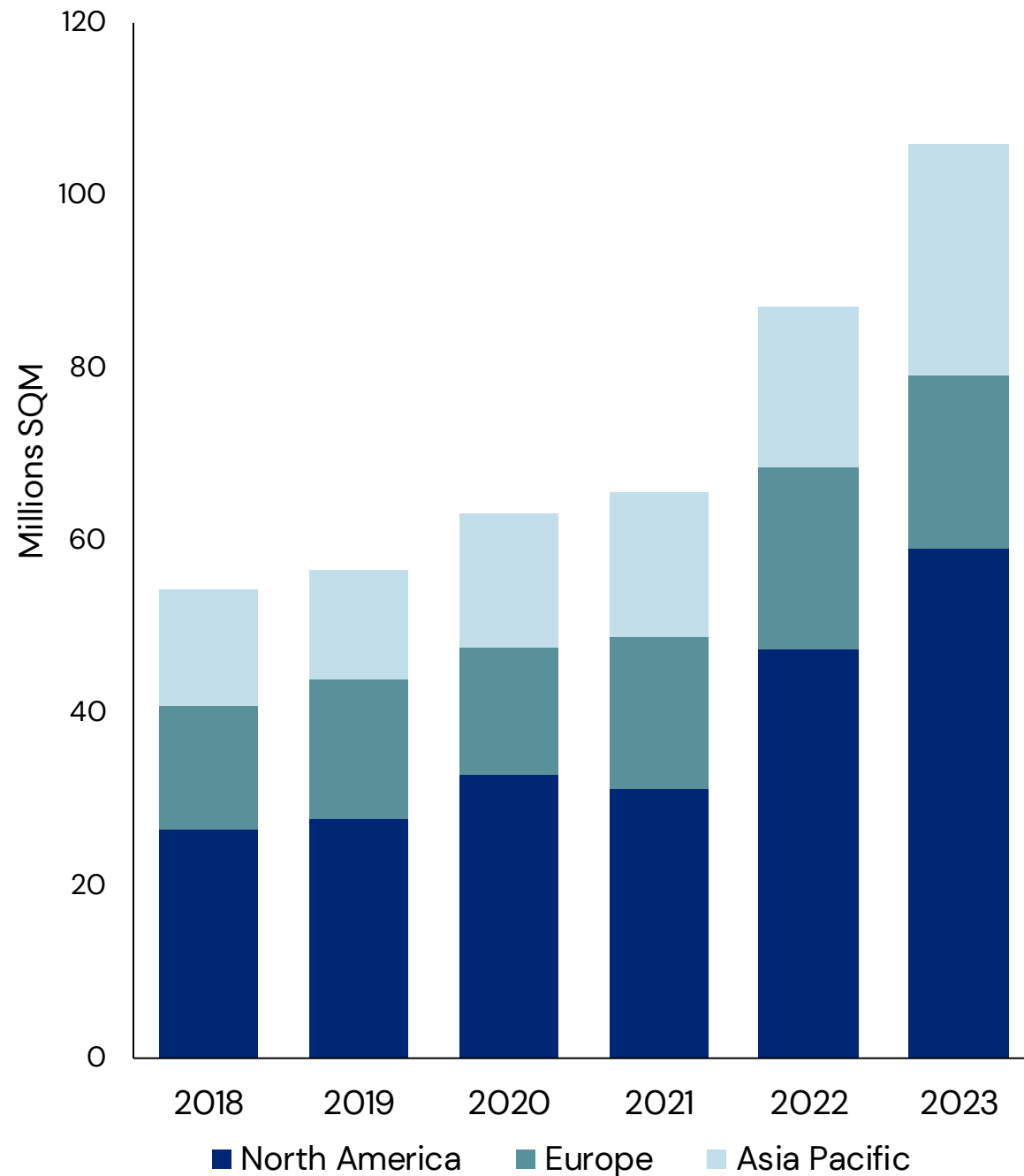
Source: JLL Research. Data to Q3 2023

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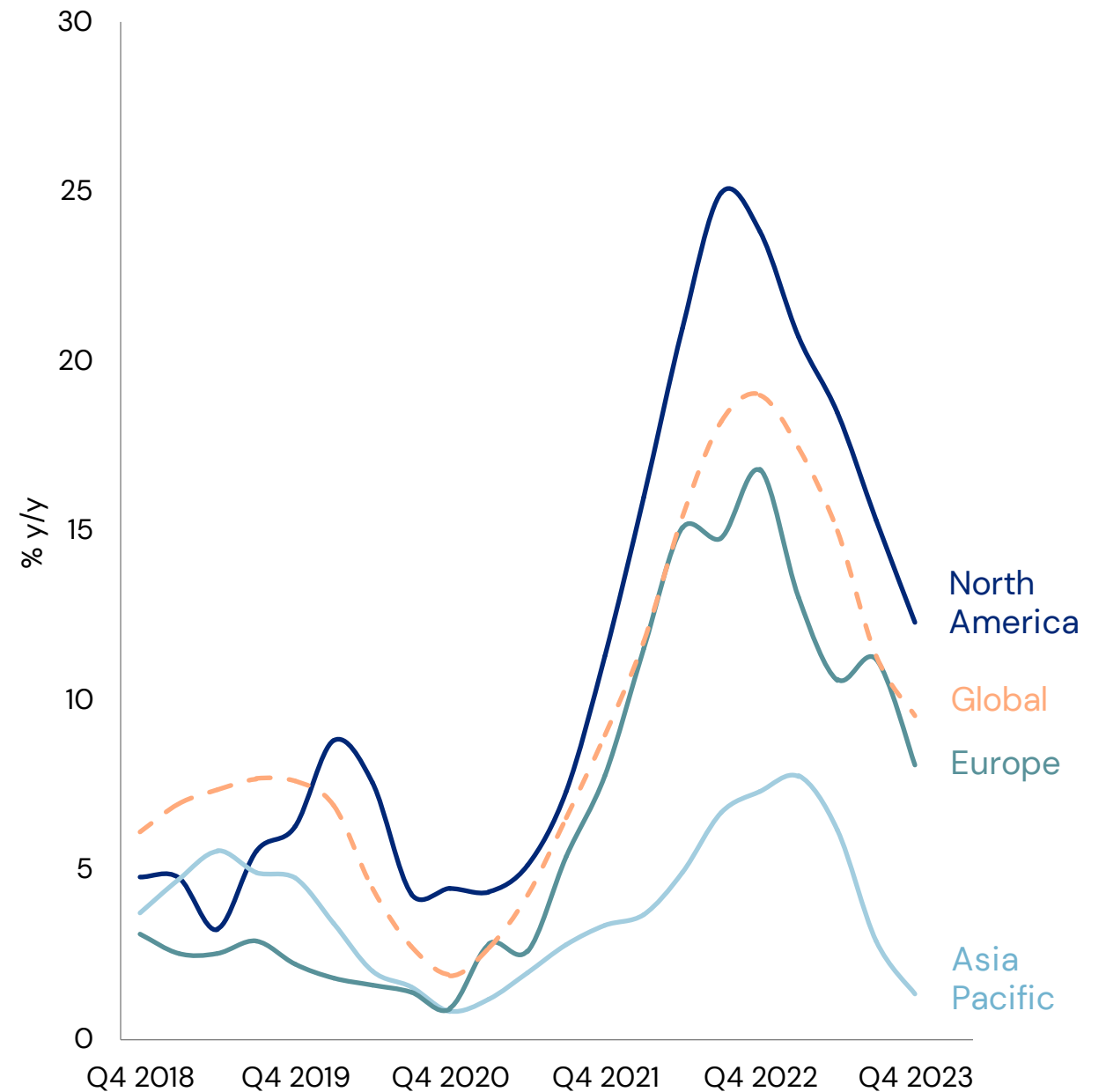
Rising logistics supply helps cool rental growth

Double digit rental growth is coming off the boil in major regions

Logistics completions by region



Annual logistics rental growth by region

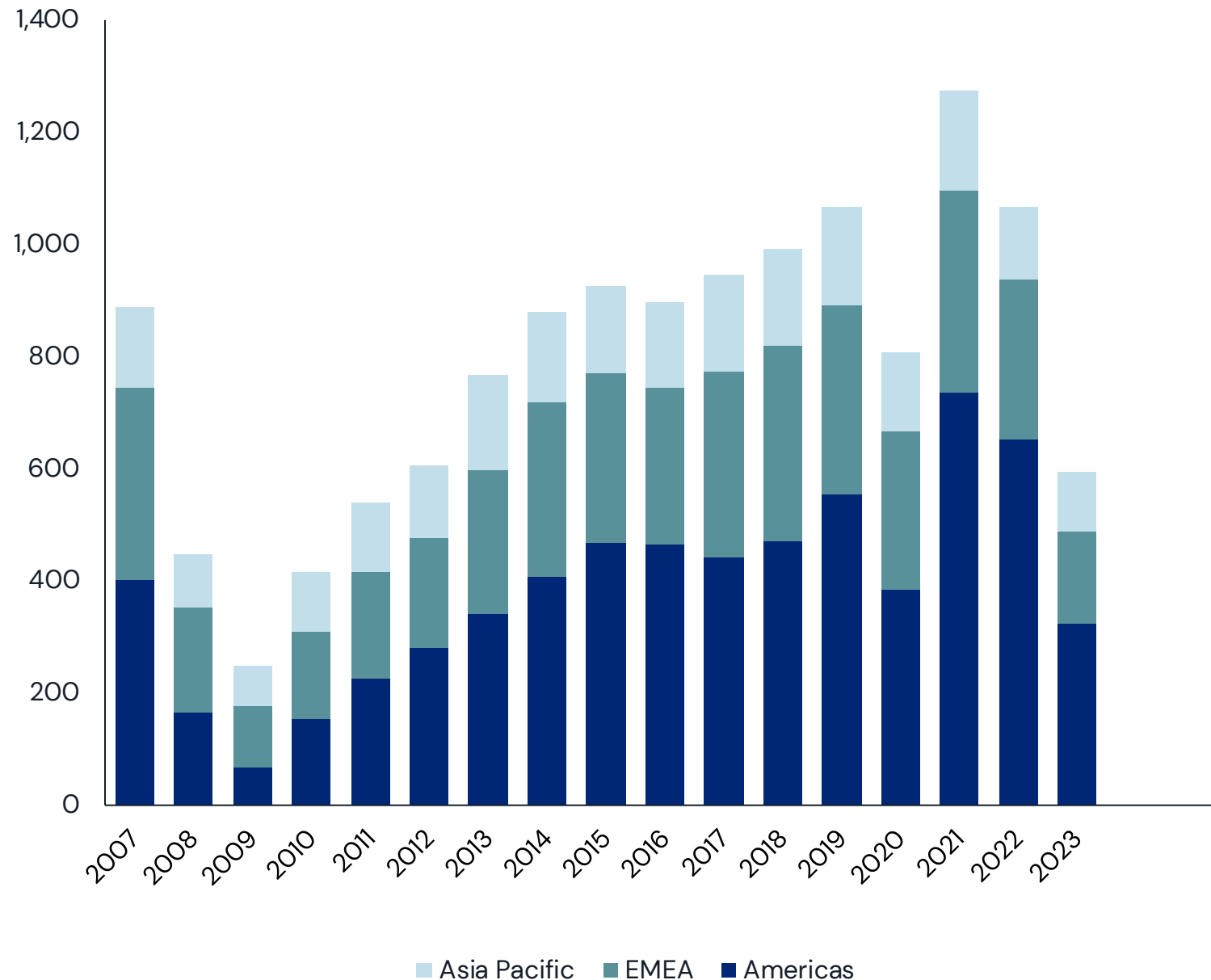


For the completions data we use the following definitions: North America is based on 55 city markets in the U.S. and 9 city markets in Canada; Europe: based on 13 country markets; Asia Pacific: based on 35 city markets. The rents data utilizes the following definitions: North America: average asking rents (inclusive of all stock A/B/C gradations) based on 55 city markets in the U.S. and 9 city markets in Canada; Europe: aggregate nominal rental growth based on prime headline rents in 23 city markets (weighted by city nominal GDP); Asia Pacific: based on net effective rent in 40 city markets (unweighted). Global: weighted average according to region's (US/Europe/Asia Pacific) share of total GDP
 Source: JLL as at February 2024. Note: No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

Americas and EMEA drive drop in transactions

YTD global direct real estate investment volume fell by 50% compared to Q1-Q3 2022.

Direct global investment volumes
US\$ billion



Americas

-55%
2023 YoY

- **US\$324.9b** in volumes 2023, down 50% on 2022; Q4 volumes were down 31% on Q4 2022
- Transaction momentum at start of Q4 subdued with run-up in 10-yr UST; Late 2023 decrease in 10-yr UST improved market sentiment

EMEA

-51%
2023 YoY

- **US\$162.5b** in 2023, down by 43%; Q4 21% lower to US\$46.0bn
- Steady activity in some markets including Spain (+51% YoY in Q4), Switzerland (+43%) and the UK (+29%)

Asia Pacific

-24%
2023 YoY

- **US\$106.8b** volumes in 2023, down 17% YoY; Q4 volumes up 3% YoY
- Mixed results, with situational growth in China (+10% YoY in 2023) and increased caution emerging in Japan with policy tone shift

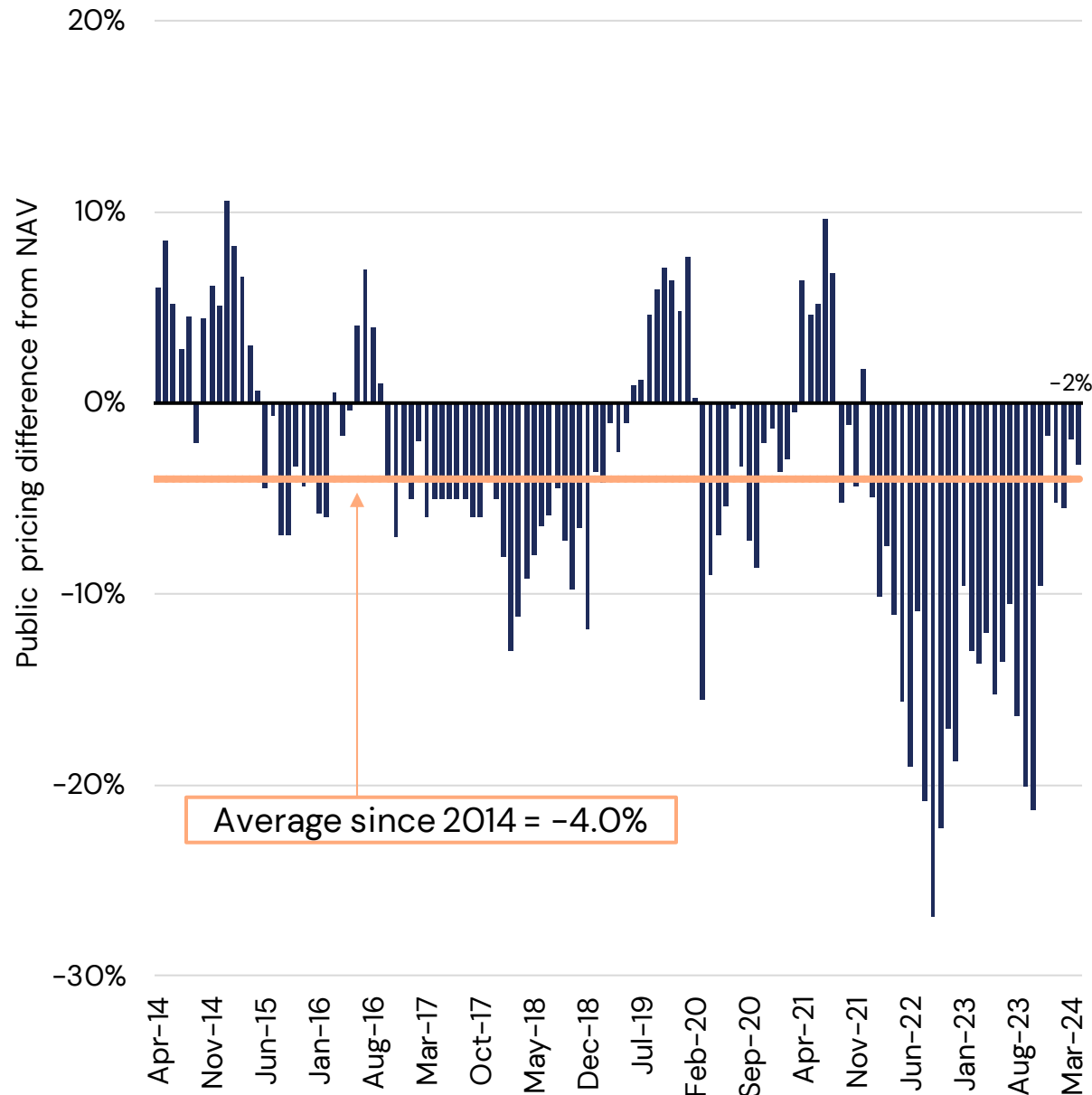
Source: JLL Research, Latest October 2023.

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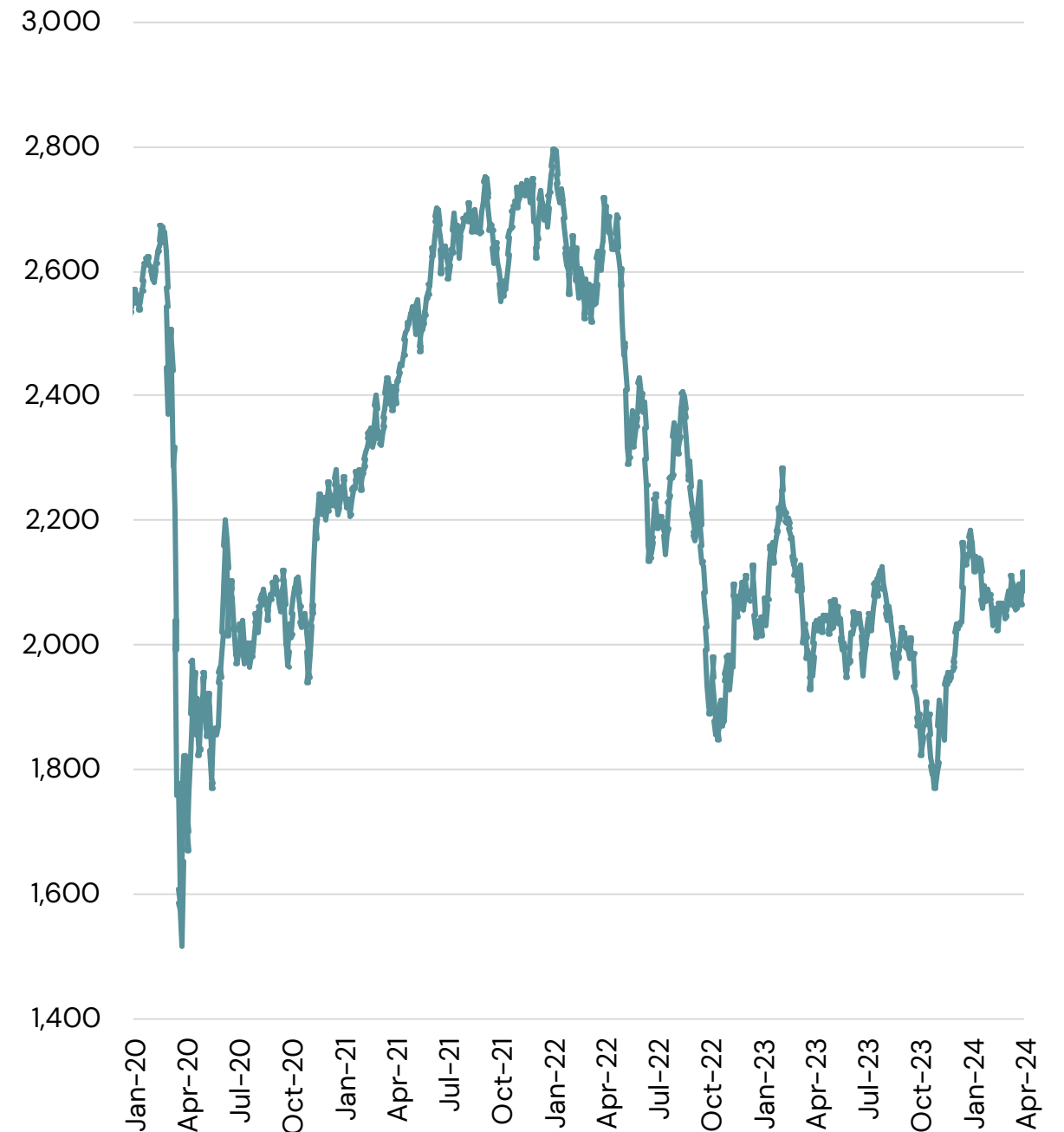
Global REIT discount to NAV narrowed to -2%

After a strong recovery in Q4 2023, global listed real estate securities down 3% YTD

Global RE securities premium / discount to NAV



EPRA / NAREIT global index



Source: EPRA/NAREIT, LaSalle Investment Management Securities. Discount to NAV data to April 1, 2024. EPRA/NAREIT data to April 1, 2024

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ISA Briefing



ISA Focus



Proprietary Research

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[Europe market view – Q2 2023](#)

[The evolution to net zero carbon real estate](#)

[Insights into value add investing in Europe](#)

[How to choose, use, and better understand climate-risk analytics – ULI & LaSalle report](#)

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ISA Outlook



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Global macro indicators summary

Latest data as of end of March

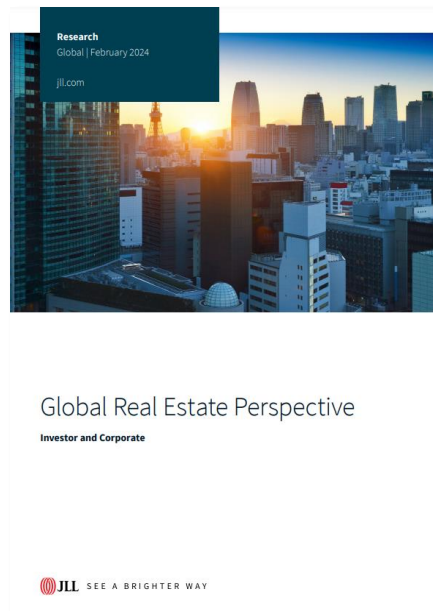
	United States	United Kingdom	Germany	France	Japan	China	Australia	Canada
Official interest rate (target rate)	5.25% to 5.5%	5.25%	4.5%	4.5%	0.1%	3.45% ¹	4.35% [↑]	5.0%
GDP(Q/Q) annualized	3.4% (Q4)	-1.2% (Q4)	-1.1% (Q4)	0.2% (Q4)	0.4% (Q4)	5.2% (Q4) (Y/Y)	0.8% (Q4)	1.0% (Q4)
CPI inflation (Y/Y)	3.2%	3.8% (CPIH)	2.5%	2.3%	2.8%	0.7%	4.1%	2.8%
Industrial production (Y/Y)	-0.2%	0.5%	-5.4%	0.8%	-3.4%	6.8%	0.0%	1.6%
Unemployment rate	3.9%	3.9%	3.2%	7.5%	2.6%	5.3%	3.7%	5.8%
Retail sales (latest Y/Y change)	1.5%	0.5%	-2.8%	1.0%	4.6%	7.4% ²	1.6%	1.0%
Stock market price index 2024 YTD (local)	9.9%	2.8%	10.4%	8.8%	15.0%	3.4%	4.0%	5.9%

Note: Changed data from last update is highlighted in bold. ¹One Year Loan Prime Rate. ²China retail sales data as of Q4 2023.

Source: Eurostat, The Economist <https://www.economist.com/markets-data>, Bloomberg. Latest data available as of April 1, 2024.

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**Global Real Estate Perspective,
February 2024**
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[Global Real Estate Outlook](#)
[Global Capital Outlook](#)



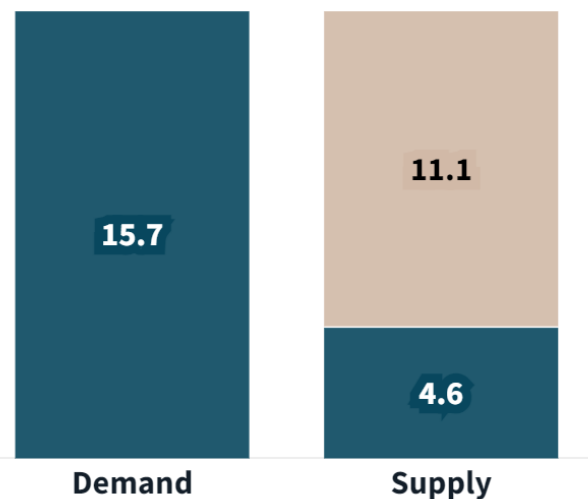
Global Data Center Outlook 2024

The exponential progress of artificial intelligence (AI) and machine learning is fueling a wave of transformative shifts in data center design, site selection, and investment strategies.

Our research delves into the crucial considerations for data center developers and operators.

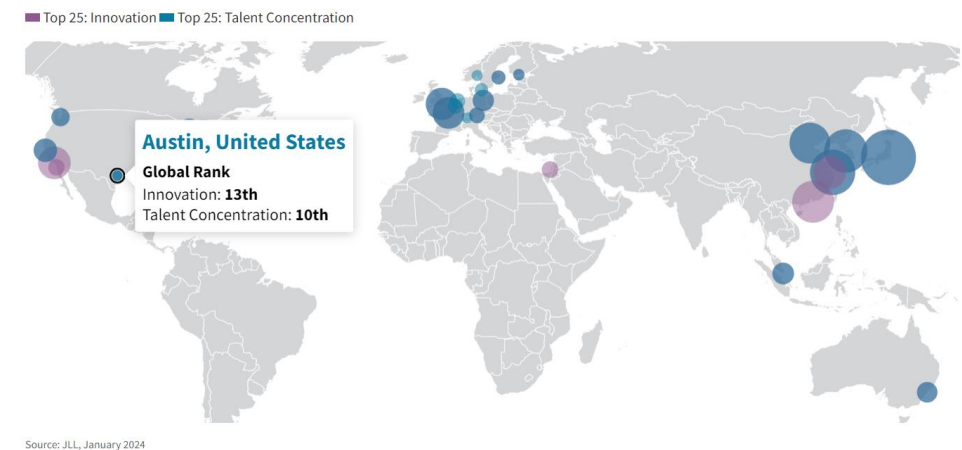
The Green Tipping Point

The impacts of carbon commitments will materialize in lease markets in the next 12 to 24 months.. This shift is creating both urgency and opportunity for investors who seize this moment and can communicate measurable progress around a building's carbon performance.



~70% unmet demand

For every three square meters of global demand for low carbon, sustainable office space, less than one square meter is in the current pipeline



Innovation Geographies 2024

Explore our latest research, to find out how migration to affordability, reshoring and increasing market specialization are changing the global geography of innovation. We reveal which cities are set to benefit most and highlight the opportunities for occupiers and investors.

LaSalle Global Research and Strategy

Brian Klinksiek

Global Head of Research and Strategy
Chicago

brian.klinksiek@lasalle.com

Eduardo Gorab

Head of Global Portfolio Research and Strategy, LaSalle Global Solutions

London

eduardo.gorab@lasalle.com

Julie Manning

Global Head of Climate and Carbon
Chicago

julie.manning@lasalle.com

Simone Caschili

Data Strategist
Chicago

simone.caschili@lasalle.com

Frederik Burmester

Munich

Tobias Lindqvist

London

Kyra Spotte-Smith

Chicago

Rich Kleinman

Americas Head of Research and Strategy and Americas Co-CIO

Chicago

richard.kleinman@lasalle.com

Petra Blazkova

Europe Head of Core and Core-plus Research and Strategy

Munich

petra.blazkova@lasalle.com

Zuhaib Butt

Head of Investment Risk Strategy and Management

London

zuhaib.butt@lasalle.com

Chris Psaras

Senior Strategist

London

chris.psaras@lasalle.com

Amanda Chiang

Singapore

Sophia Sul

Chicago

Matt Wapelhorst

Chicago

Elysia Tse

Asia Pacific Head of Research and Strategy

Singapore

elysia.tse@lasalle.com

Dominic Silman

Europe Head of Debt and Value-add Capital Research and Strategy

London

dominic.silman@lasalle.com

Fred Tang

China Head of Research and Strategy
Shanghai

fred.tang@lasalle.com

Heidi Hannah

Senior Strategist

Chicago

heidi.hannah@lasalle.com

Ryan Daily

London

Sierra Pierre

Toronto

Jannie Wu

Shanghai

Daniel Mahoney

Europe Head of Research and Strategy

London

daniel.mahoney@lasalle.com

Chris Langstaff

Canada Head of Research and Strategy

Toronto

chris.langstaff@lasalle.com

Dennis Wong

Senior Strategist

Singapore

dennis.wong@lasalle.com

Jen Wichmann

Senior Strategist

Chicago

jen.wichmann@lasalle.com

Hina Yamada

London

Wayne Qin

Singapore

This edition's contributors include Frederik Burmester, Matt Wapelhorst, Hina Yamada, Ryan Daily, Dennis Wong, Amanda Chiang, Zuhaib Butt, and Eduardo Gorab.

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