ISA
by LaSalle

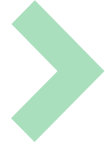
Insights
Strategy
Analysis

OUTLOOK NORTH AMERICA 2025

Published on December 3, 2024

LaSalle®

Investing today. For tomorrow.



NORTH AMERICA

A partly cloudy sunrise

The global themes around the "dawn of a new cycle" certainly ring true in our outlook for the US and Canada markets. We use these themes to frame our outlook, which is broadly structured as a review of the economic outlook, an exploration of distress in the market, real estate fundamentals and then our capital markets outlook.

THE MORNING SKY: FALLING RATES BUT RISKS ON THE HORIZON

Economic outlook

The summer and autumn of 2024 saw growing optimism among real estate investors. The belief that the dawn of 2025 would open with sunny skies for the real estate market was driven by falls in interest rates from peak levels, fading economic growth concerns and real estate valuations now more aligned with market transactions. For Canada, optimism is perhaps a bit more contained as economic performance has lagged (see NA-a), due in part to the greater bite that rising interest rates has taken out of consumer spending.

More uncertainty crept into the picture in late 2024, especially around longer-term interest rates. Since the start of the fourth quarter, long-bond rates have moved higher. As of the time of writing, 10-year Treasury rates are still below the peaks seen last fall, but they are up almost 80 bps from a low of 3.64% in mid-September (see NA-b).[1] As was the case last year, real estate values remain closely tied to interest rates, in part because fundamentals are generally sound with demand steady and new supply falling sharply. Two challenges that emerge from performance being linked so closely to interest rates include the difficulty in forecasting interest rates, and the dynamic it can create where good economic news leads to higher rates but then is perceived as bad news for real estate values.

Our *ISA Outlook 2025* Global chapter focuses on four themes for the year ahead. The North American chapter is organized according to these four themes, providing region-specific insight for each of them.

THE MORNING SKY
Falling rates but risks on the horizon

THE CAPITAL STACK HANGOVER
Clear-headed investors have an advantage

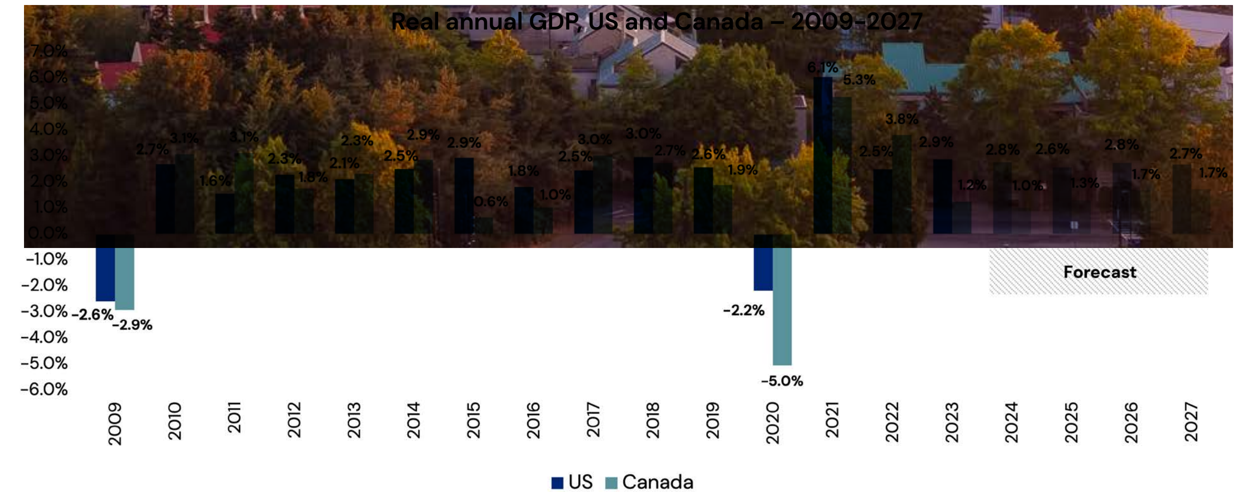
THE BREAKFAST MENU
Making sense of complex investment options

THE EARLY BIRD
The best market entry points tend to be early in the cycle

1. Source: Bloomberg, data as of November 13, 2024.

Vancouver, Canada

NA-a | US growth beats expectations, Canada lags



Source: US Bureau of Economic Analysis, Statistics Canada, Oxford Economics. LaSalle. Data and forecast most recent as of November 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue or that any forecasts shown herein will materialize as expected.

IN HINDSIGHT

Looking back on key calls from last year's *ISA Outlook* North America chapter.

Right / Mostly right

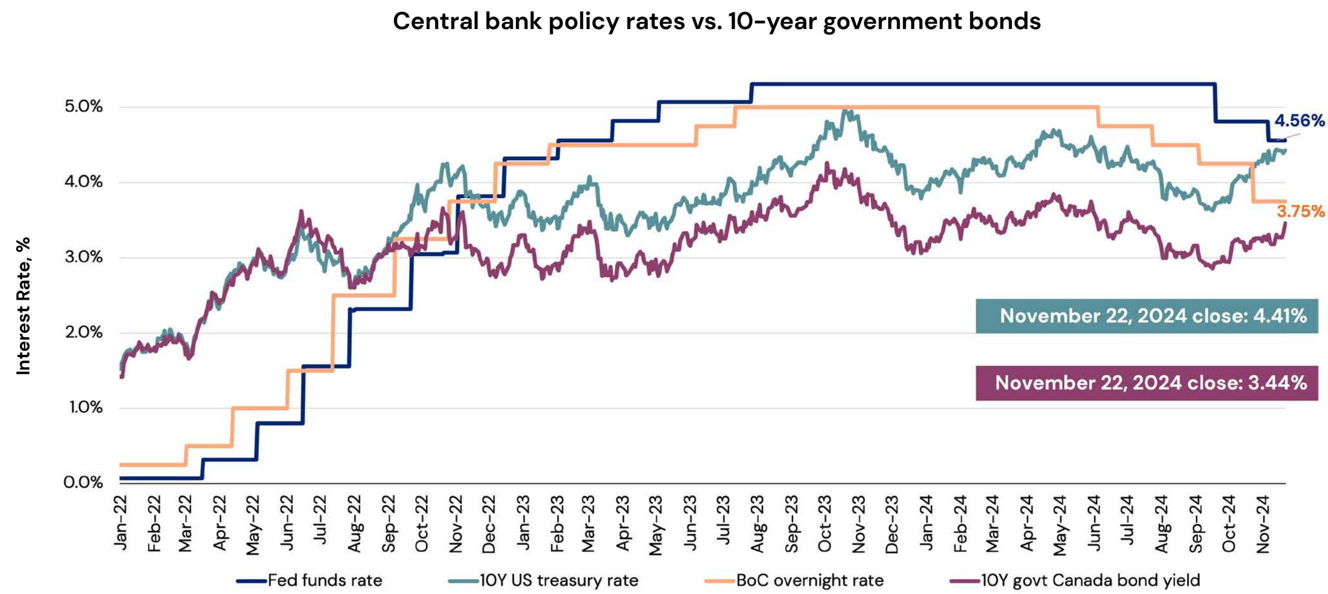
Remains to be seen

Not right / Not quite right

"A meaningful recovery in transaction volume is not likely to occur in the first half of 2024. Activity, however, may pick up in the second half as pressure to transact mounts." (*ISA Outlook 2024* p. NA-52)

Quite accurate. The acceleration in the second half was perhaps not that robust, but sentiment seemed to shift as 2024 progressed.

NA-b | Long-term rates rising as short-term rates fall



Source: Bloomberg, Economy.com.

US 10-Year Treasury Rate and 10-Year Government Canada Bond as of November 13, 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue or that any forecasts shown herein will materialize as expected.

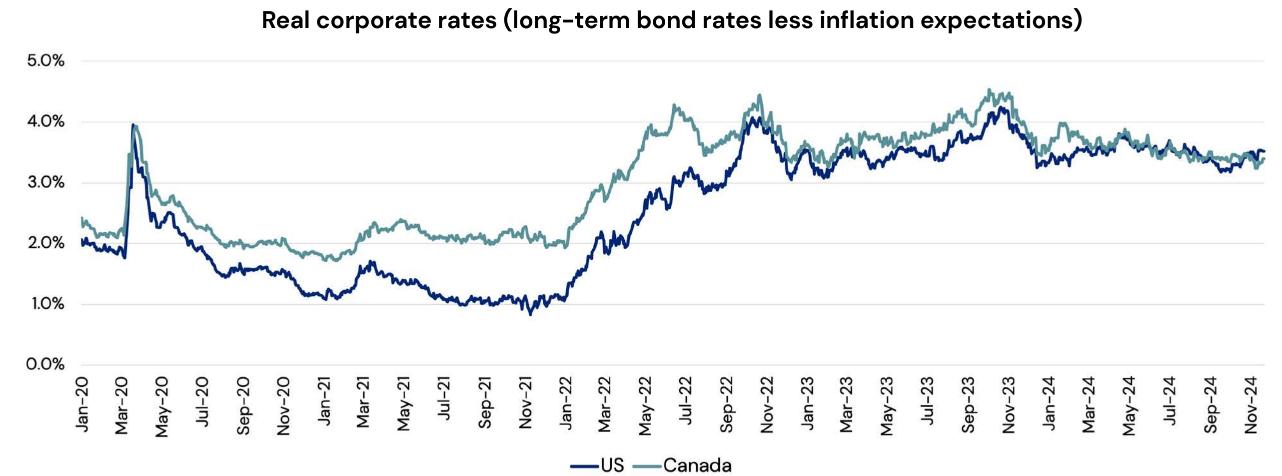
The recent rise in interest rates is a reminder of the unpredictable path they can take, with long rates moving higher even as the Fed has started reducing short-term rates. Events linked to the rise in rates were initially better than expected economic data[2] and then the election of Donald Trump, which the markets seemed to read as pro-growth but with higher inflation risks[3]. The Fed's long-term outlook on rates remains consistent with a 10-year rate of around 4%[4], but the market has become skeptical they will remain on as steep an easing path as before. On the other hand, Canada's central bank has so far been more aggressive in lowering its policy rate, cutting by 125 basis points in 2024 through November, with further cuts expected in December and in 2025. While inflation has fallen more sharply in Canada than the US, the US and Canada remain linked, driving concern that lower Canadian rates could negatively impact the Canadian dollar and make imports more expensive. Furthermore, President-elect Trump's overtures on tariffs, immigration and a potential renegotiation of the USMCA trade agreement could have impacts on Canada in the coming years.

The recent volatility is a reminder that the goldilocks environment referenced in *ISA 2019* has still not returned. Pandemic-era reverberations continue as we adjust to a new normal that includes at least the fear of higher inflation – if not higher inflation itself. But it is too simplistic to look at nominal interest rates in isolation. A look at real corporate rates pulls out the part of higher rates that are due to higher inflation expectations, while also accounting for the economic risk measured by corporate bond spreads (see NA-c). Throughout 2022 and 2023, higher nominal interest rates were closely linked to increases in the real corporate rate. Recently, however, higher interest rates have been driven by higher inflation expectations and corporate bond spreads have compressed. This blunts the impact on real estate values because real estate investments can generate higher returns with higher inflation and the risk spread for corporate bonds is often used as a proxy for real estate risk.[5]

Looking beyond the near-term cyclical dynamics, a long-term positive for the US and Canada has been population growth boosting overall GDP and job growth (see NA-d). Population

2. Interest rates moved higher following the strong September jobs report on October 4, 2024.
3. See our *ISA Briefing Note regarding the impacts of the election outcome.*
4. The Fed dot plot median is 2.9-3.0%, with 100 bps spread to the 10-year being in the normal range.
5. Many forecasters, including Green Street Advisors, use the Baa Corporate Bond rate as a starting point for assessment of relative real estate value.

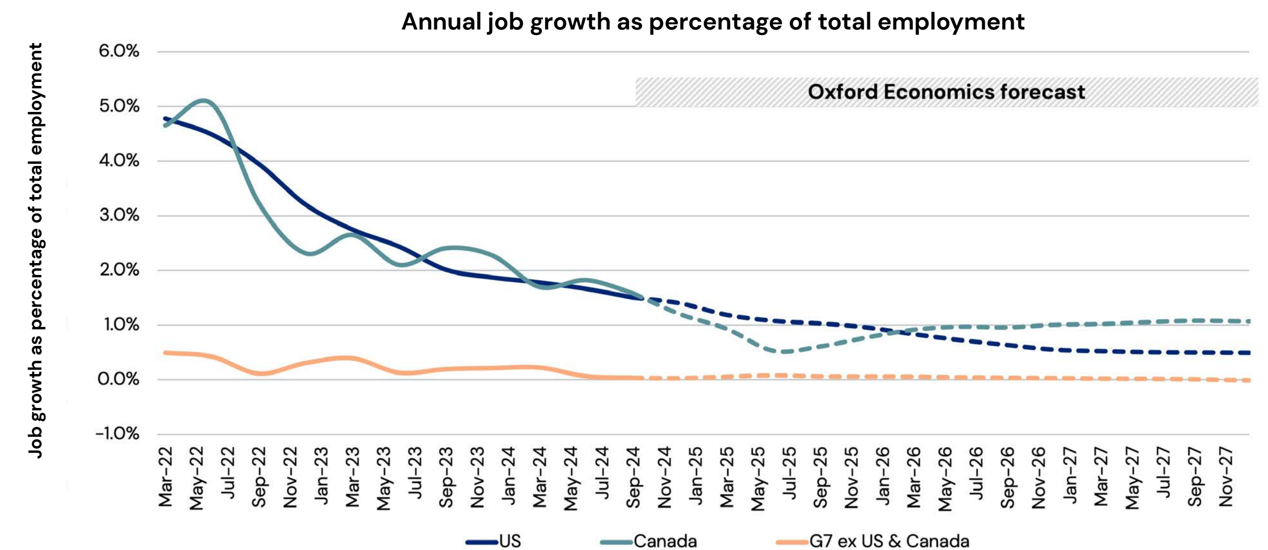
NA-c | Real corporate rates stable as interest rates rise



Source: LaSalle Securities, Bloomberg, Economy.com. Data through November 11, 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue or that any forecasts shown herein will materialize as expected.

NA-d | Migration helps US and Canada growth lead G7



Source: BLS, Oxford Economics. LaSalle Investment Management. Historical data through Q3 2024. Latest available as of November 4, 2024.

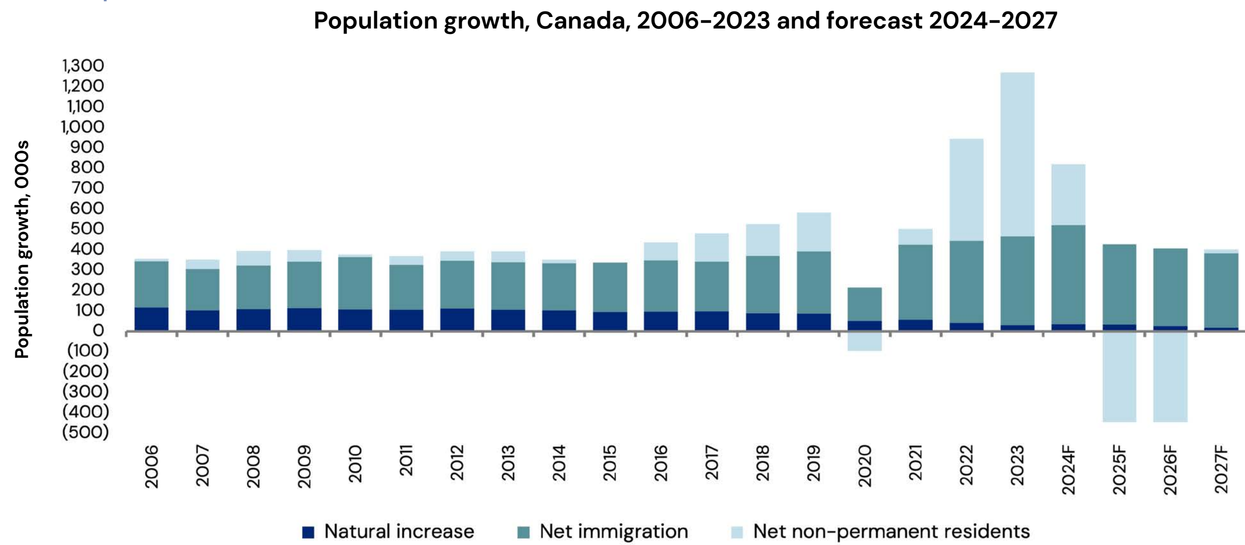
Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue.

IN HINDSIGHT

"Interest rates will continue to be more important to real estate performance than economic growth… [Lower rates] will be a net positive for existing real estate portfolios while "higher for longer" will be a net negative…" (ISA Outlook 2024 p. NA-52)

If pricing in the public market is any guide, it seems that the best performance came from news that supported a "soft-landing" more than the "no-landing" scenario.

NA-e | Lower immigration targets will slow Canada's strong population growth



Notes: Data is trailing 12 months ending December 31, in thousands. Natural increase is births, deaths, and residual deviation. Net immigration is permanent immigrants, emigrants, returning emigrants and net temporary emigrants (excludes non-permanent residents).

Sources: Statistics Canada, RBC Capital Markets, LaSalle.

Note: No assurances are given that these trends will continue or materialize as expected.

declines can be detrimental to real estate demand, while population growth helps create new investment opportunities in building the real estate that people need. Migration has been a key driver of North America's positive economic performance but currently there is elevated uncertainty regarding migration levels in both the US and Canada. President-elect Trump has long made curtailing immigration a key part of his messaging. His success in this area was mixed during his first term, but his second-term pledges include restrictions that could negatively impact real estate demand, hitting apartment demand most directly. Canada has been more open to migration than the US, but high levels of temporary foreign worker and student admissions to Canada following the pandemic are likely to be lowered sharply in 2025 and 2026 to ease pressure on the housing market. Permanent immigration will continue (see exhibit NA-e), but likely at levels roughly 20% lower than in 2023 and 2024.[6] Canada should continue to lead the G7 in the rate of population growth, but at lower levels than in recent years.

Local, rather than national, policies are often more important for real estate performance, especially relative performance. Local policies impacting performance and strategy in recent years include rent control, restrictions on how residential landlords can operate, industrial development restrictions (e.g. AB 98 restrictions in California[7]) and carbon/energy efficiency mandates. A positive result for real estate in the recent elections was the defeat in California of yet another attempt to remove the Costa-Hawkins state-wide restriction on new rent controls. But the idea of rent control as a solution to housing affordability issues continues to be raised in California and other places. While rent control can be a clear negative for real estate investors,[8] even seemingly business-friendly policies like Florida's "Live Local" law, which encourages affordable residential development, can lead to more new supply and impact the performance of existing real estate. Broadly speaking, national and local policy leans towards being marginally negative for apartments, while restrictions on industrial development could have a positive impact on industrial performance. Climate and energy rules are likely to remain local, and require detailed assessment of how each property is positioned relative to the risks around current and potential future policies.

6. For further details see the Canadian government immigration plan.
7. This recently passed law will restrict the locations in California where industrial development is allowed.
8. For additional detail on this complex topic see LaSalle's PREA Quarterly article on a new wave of rent control from 2020.

THE CAPITAL STACK HANGOVER

Distress

As a morning can be affected by the night before, some market segments and assets will continue to be impacted by recent excesses. Some assets will remain stressed under any realistic outlook for economic growth and interest rates. The Global chapter discusses how interest rates are not likely to repeat the dramatic declines at the outset of other recent cycles. This means that many capital stacks will not be cured by lower rates, and the "pretend and extend" approach to distressed assets will eventually require some resolution.

In North America, distress in US office is rising fast (see exhibit NA-f), with US residential and retail seeing some limited distress. MSCI estimates that there is US$50 billion of office distress outstanding from a total US$65 billion potential distress, while for apartments there is US$76 billion potential distress, of which only US$14 billion is currently outstanding.[9] In Canada, the number of distressed commercial properties in 2024 is expected to double from 2023 levels; however, on a dollar-volume basis this is a small fraction of US levels, with much of the distress in construction receiverships of new condominium and apartment developments.

9. MSCI/RCA US Distress Tracker, published October 31, 2024. This differs slightly from CMBS delinquency because of the limited amount of apartment loans in CMBS loan pools.

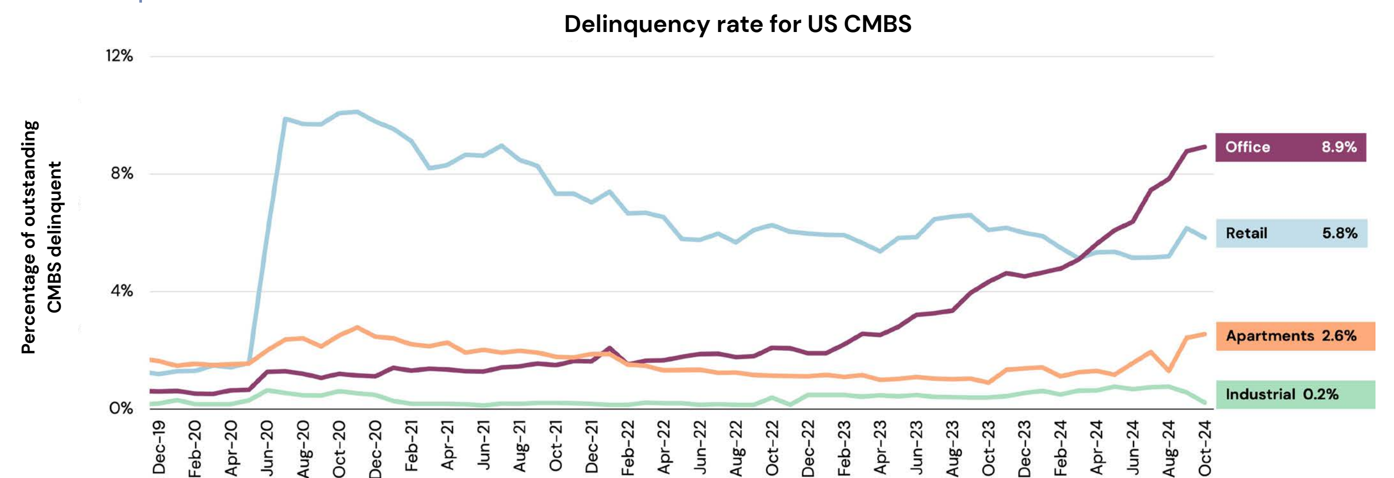
IN HINDSIGHT

"Supply will weigh on real estate fundamentals in 2024. Vacancy will likely climb, and rents should fall nationally for US apartments and in several industrial markets."
(ISA Outlook 2024 p. NA-52)

The industrial outlook was accurate with rising national vacancy, but rents are falling in only some markets. Apartments outperformed expectations due to strong demand, and rental growth stayed marginally positive.

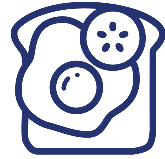
For US office, there are many situations where existing equity is likely to be wiped out. Some of these are moving towards resolution, with lenders taking control of assets or sales processes. New equity is taking control and is positioned to invest the capital required to preserve and grow asset value. This is often done in conjunction with existing debt-adjusting terms to help create an investment opportunity not otherwise available. Apartment distress is less severe, and we think it will be addressed with more limited pain for lenders, with the pain falling to existing equity investors. With apartment values often above the loan balance, but below a level that can be refinanced, we expect investment opportunities to come from working with the existing capital stack and identifying structured entry points. These might be high-leverage debt, preferred equity, or new partnerships with existing investors.

NA-f | Office delinquency rising; other sectors stable



Source: JPMorgan. Data through August 2024, latest as of September 27, 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue..



MAKING SENSE OF COMPLEX INVESTMENT OPTIONS: THE BREAKFAST MENU

Real estate fundamentals

The metaphor of a wider menu of investment options certainly applies to North America. And like a New York diner menu, there is a lot available, but you should be careful what you pick. A market summary like this one is not sufficient to address the nuance in terms of sector, market and asset quality. Instead, we share generalized views and ask the reader to understand there is a wide range of variation within segments. We expect that variation to become more important because the impact of sector selection on relative performance is likely to continue to diminish (see exhibit NA-g). This is not to say sector allocation will become unimportant, especially in terms of allocation to specialty sectors, but market, micro-location, sub-type and quality will become more meaningful.

Apartments – The performance of US and Canada multi-family has diverged in recent years due to different supply and demand dynamics. In 2025, US apartments will still be dealing with the hangover from a supply boom that followed spiking rents, low cap rates and soaring values in 2021 and 2022. While there are market level differences, our national view is that 2026 will be the year that hangover clears, while 2025 will be another year to muddle through. It seems some investors are looking past the near-term challenges. We believe there are bright days ahead and current entry points are not a great opportunity for core investors today. For higher-return investors with structured entry points into the capital stack, the view can be quite different; 2025 might be the optimal year to act.

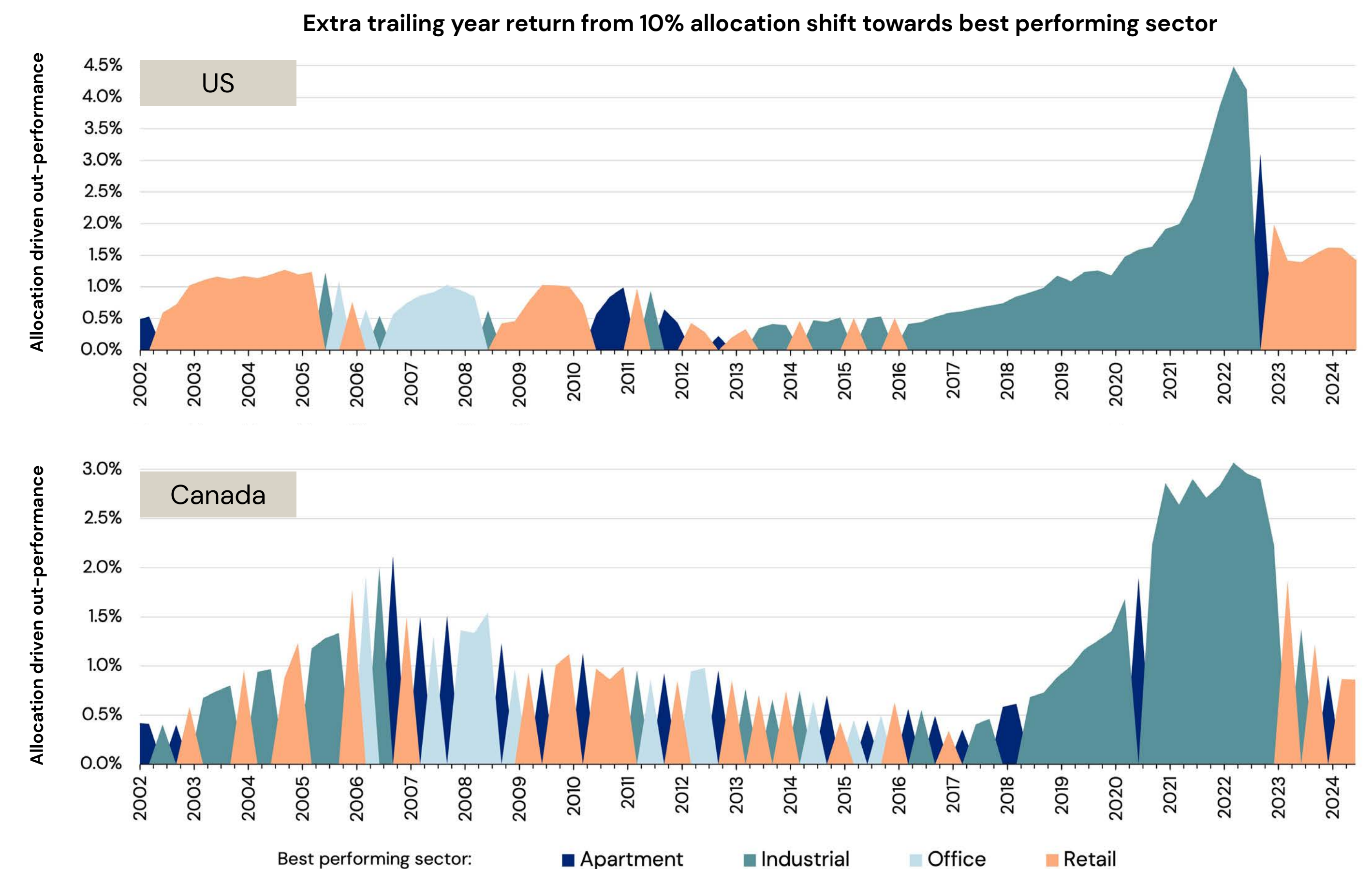
"The performance of US and Canada multi-family has diverged in recent years due to different supply and demand dynamics."

It is worth noting the patchwork of rent regulations in the US is growing more complex and apartment investors need to carefully navigate these. Rent regulations are made at the state or local level and are becoming more fluid. At the margin, this increases the risk of apartment investment, and makes it more difficult to identify superior investment opportunities.

In Canada, apartment fundamentals remain strong due to migration-related demand drivers, but competing factors are changing the dynamic. The federal government's planned slowing of immigration levels from 2025 – 2027 will cool the frothy demand of recent years and vacancy will increase modestly from the 40-year low levels recorded in 2024. Furthermore, shadow supply competition from rental condominiums is easing availability pressures in some locations. However, high construction financing costs have pushed some developers to delay or cancel new apartment projects, maintaining downward pressure on vacancy. Canada has its own patchwork of rent regulations investors must navigate, mainly annual rent increase guidelines in several provinces that move based on CPI inflation. However, there is generally less change expected in these rules than in the US.

Vaughan Mills
Ontario, Canada

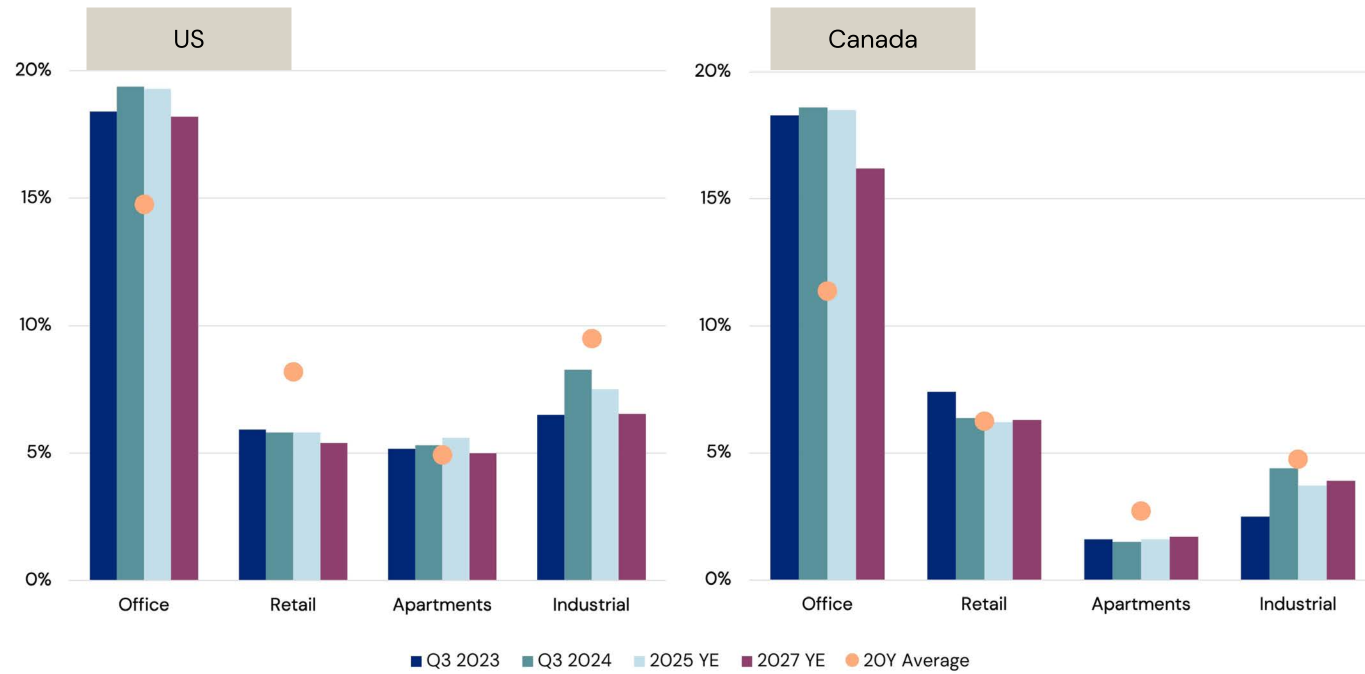
NA-g | Sector selection impact diminishing



Source: MSCI/REALPAC Canada Annual Property Index, NCREIF Expanded National Property Index, LaSalle Investment Management. Data as of Q2 2024 and Q3 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue or that any forecasts shown herein will materialize as expected.

NA-h | Vacancy forecast to decline for most sectors



Source: Realpage (US Apartments), CBRE EA (US and Canada Industrial and Office), CoStar (US Open-Air Retail), MSCI (Canada Retail) and CMHC (Canada Apartments). Historical data to Q3 2024, forecasts as of Q2 and Q3 2024 - latest available as of October 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue or that any forecasts shown herein will materialize as expected.

Industrial – Our view of industrial performance in 2025 is more favorable than for apartments, largely because the supply hangover is already ending, leaving fundamentals better positioned. In addition, it appears there has been greater repricing, perhaps because apartments are seeing stronger capital flows from private investors while industrial transaction activity is more dependent on more constrained institutional capital flows.

We believe secular tailwinds for industrial will continue, with e-commerce a positive and policy oriented towards boosting domestic manufacturing a growing benefit. Local policy oriented towards making industrial development more difficult is also a benefit to owners of existing stock. We expect 2025 to be the start of a solid recovery for industrial; entry points today appear attractive.

Retail – The retail outlook continues to improve after an extended period as the least-favored sector; and that has been recognized by investors. Across North America, retail construction has been and is expected to remain very low. This has helped fundamentals, especially for the best centers in growing markets and sub-markets. Rent growth remains moderate as tenants' ability to bear higher rents is constrained, but we believe entry yields in some retail sub-segments provide an attractive investment opportunity.

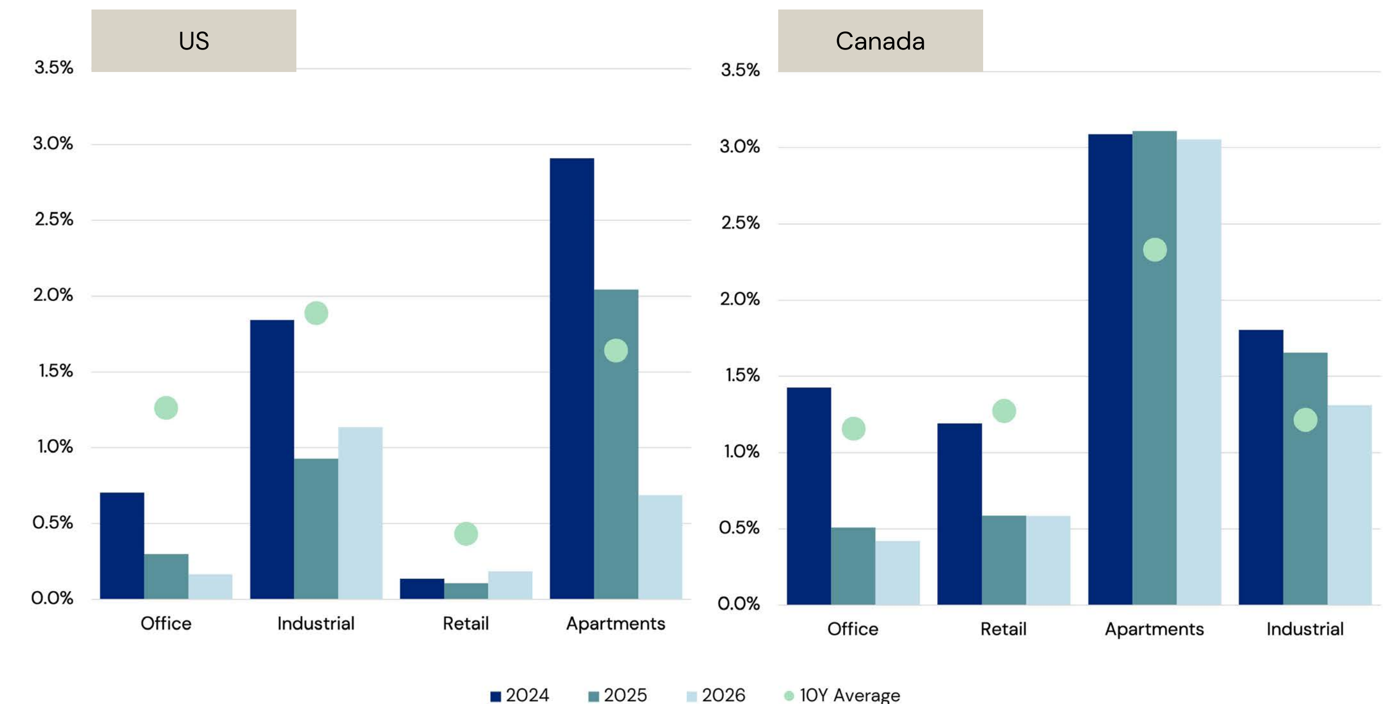
However, the depth of appealing properties in retail is much narrower than in other sectors, and in both the US and Canada there are situations where pricing runs past what we believe is justified based on a center's NOI growth outlook. Retail will likely provide investment opportunities, but it requires detailed asset selection. Some raise concerns about the risks created by inflation or weak consumer confidence, but we believe good retail properties can deliver durable performance through varying economic environments.

Office – US office continues to generate headlines in the popular press and it remains the most discussed sector in the investment community. Our expectation that remote working is a major negative impact on office demand remains, but at some point economic growth will outweigh that negative factor.[10]

10. For a more detailed discussion of the dynamics of a recovering property type please see our report *ISA Focus: Rebalancing past and present.*

Buckeye85
Arizona, United States

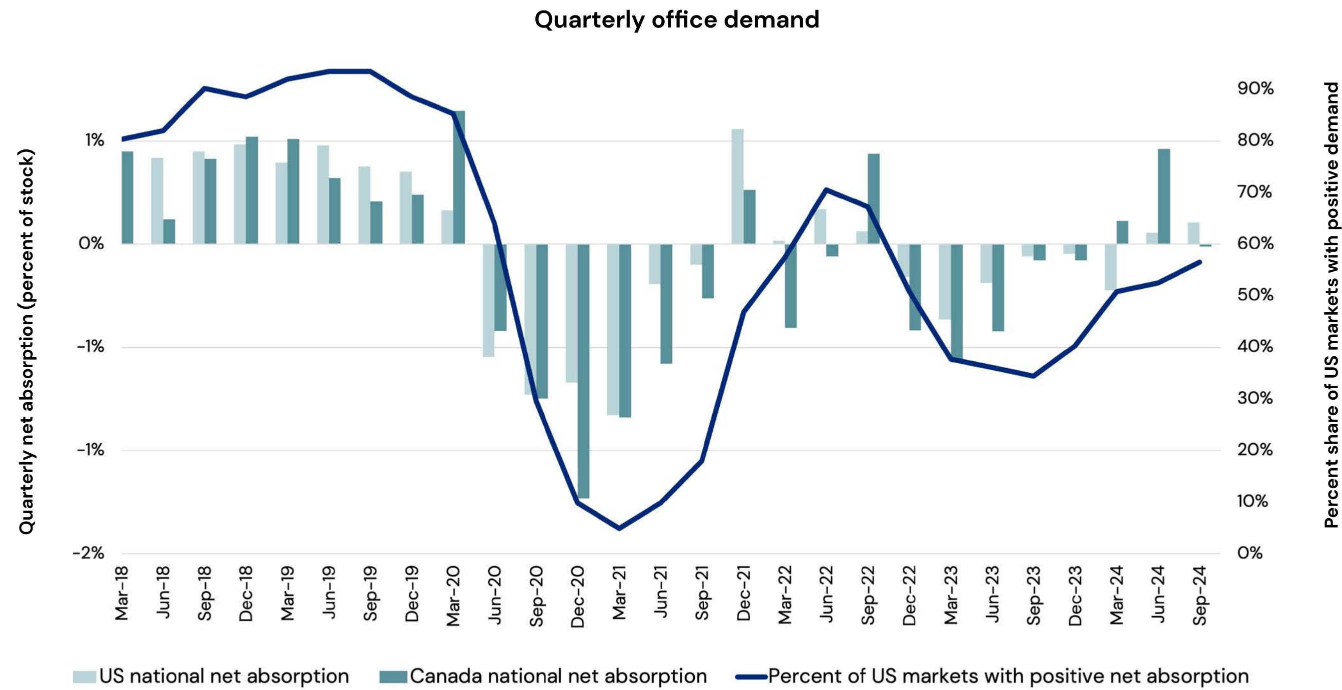
NA-i | Slowing new supply boosts outlook



Sources: CBRE Canada, CBRE-EA, CMHC, LaSalle. Data to Q3 2024 for office and industrial, H1 2024 for retail and year-end 2023 for apartments. US data to Q3 2023.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue or that any forecasts shown herein will materialize as expected.

NA-j | Office demand stabilizing after extended decline



Sources: CBRE-EA, LaSalle. Data to Q3 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue or that any forecasts shown herein will materialize as expected.

This applies to both the US and Canada, but in Canada leasing economics remain more favorable to landlords than in the US. A few other details on our office outlook:

- **Demand** — The impact from remote working can be viewed as a one-time demand shock. The magnitude can be debated, but it has been significant, pushing US and Canada office vacancy rates to all-time highs. Our view is we are reaching a peak in vacancy. Going forward, we expect fewer tenants will downsize as leases roll and more will take additional space for planned growth. Indeed, in recent quarters, net absorption has moved positive nationally in both the US and Canada (see exhibit NA-j). But the pace of net absorption means vacancy rate declines are likely to be slow. Market-level performance continues to vary, often based on overall economic growth

- **Quality** — Asset quality is an important driver of asset performance. Analysis by JLL finds newer buildings are outperforming in terms of occupancy, leasing activity and rent levels.[11] Top-tier buildings are running out of space; the question is if that will lead to out-sized rent growth in top tier buildings or spill-over demand to the next tier of buildings.

- **Leasing economics** — Most of the pain for office landlords has come from reduced occupancy and higher tenant improvement (TI) burdens impacting effective rent levels. Face rents have been surprisingly stable, at least on a nominal basis. This positions office for a recovery when occupancy improves, as long as capital expenditures can be controlled through more strategic leasing arrangements.

11. JLL, October 2024.

In 2025 we expect attractive office investment opportunities to emerge, with pricing at least 50% below prior levels. Office investment will require pricing discipline as every discount opportunity is unlikely to be a good one; asset selection will be key. Canada will also likely provide opportunities, but the required discount to the prior peak is likely to be less due to better landlord leasing economics.

Specialty sectors: The depth of the US real estate market continues to offer new specialty sectors to evaluate and assess investment merits. We find some – but not all – specialty sectors attractive. LaSalle has been active in US medical office buildings for over two decades and we continue to see appealing value in this segment, although deal flow is limited. The outlook for single-family homes for rent (SFR) is varied. The long-term location dynamics of many build-to-rent projects appears challenging; meanwhile, infill scattered site has appealing fundamentals, but pricing is challenging because of a strong for-sale housing market and portfolio trades are limited. Industrial outdoor storage (IOS) is our preferred emerging specialty sector. Infill locations in major markets provide a mix of growth, capex profiles and yields that is very appealing.

Specialty sectors are less developed in Canada, but data centers are an area where it has unique advantages relative to other markets. The climate in Canada is friendlier to running these cooling-intensive assets and abundant hydropower in some locations is another advantage. It remains to be seen how these advantages will play out as large companies increase their investment in computing power, but Canada could emerge as a leader in this sector. Recent immigration-driven student population growth in Canada makes student housing compelling there, alongside population-driven sectors such as self-storage.

Creekview Crossing
Oregon, United States

THE EARLY BIRD:
THE BEST MARKET ENTRY POINTS TEND TO BE EARLY IN THE CYCLE

Capital markets

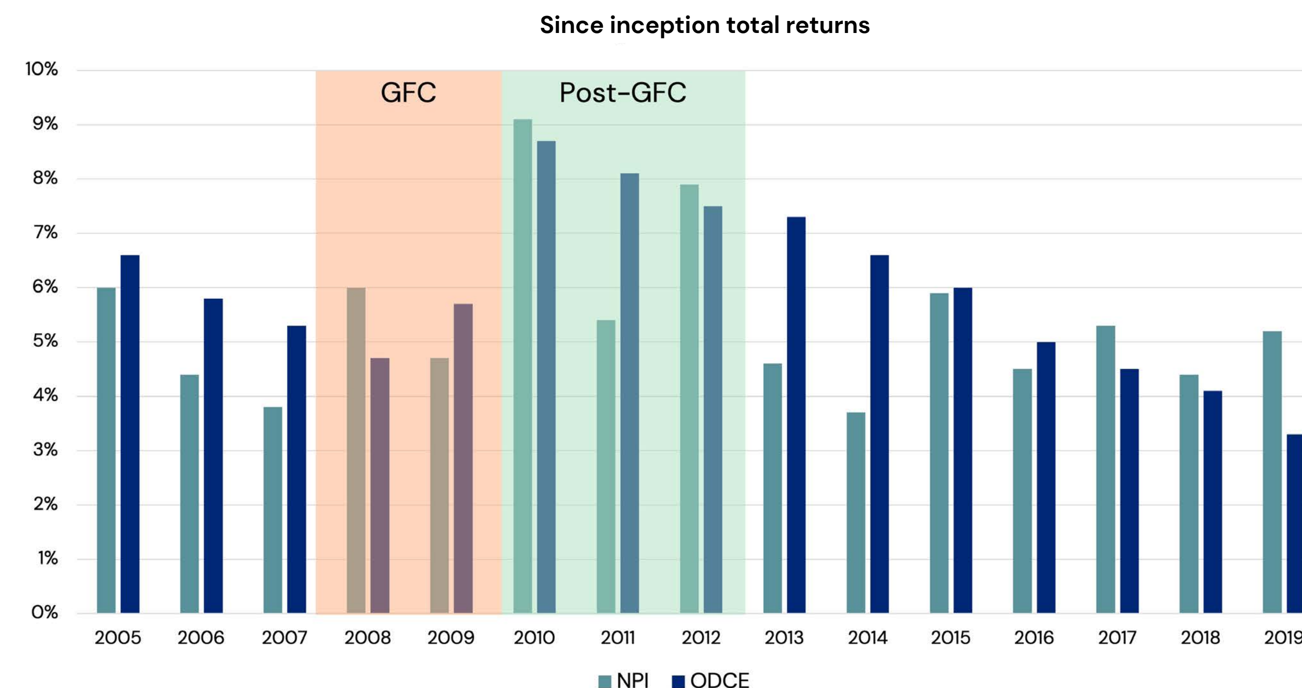
As discussed above and in the Global chapter, we believe there are signals that we are at the start of a new cycle, and there are good reasons to invest early in a new cycle. Looking back at historical real estate returns, timing matters regardless of the investment vehicle. Exhibit NA-k shows that the years right after the Global Financial Crisis (GFC) represented exceptionally strong vintage years for investment. We expect 2025 to be the best year in this cycle for entry into appraisal-based funds, and second best to 2024 for entry at market pricing. But we caution that our view on interest rates not falling back to the low levels from the last cycle means pricing dynamics will not likely enable returns at the same level as in that post-GFC period.

Despite our expectation of a strong vintage year, we believe transaction volume will only grow slowly throughout 2025 (see exhibit NA-l). We expect that many sellers will look ahead and believe that lower interest rates and stronger fundamentals are coming in 2026 and thus delay sales. On the buyer side, challenges to growing capital flows will remain as capital slowly moves back into real estate.

Predictions of capital flows start with the performance of the broader capital markets and the implications for real estate allocations, which then impact real estate capital flows (with a lag). US pension fund data in exhibit NA-m shows that changes in real estate allocations are often driven by the performance of other asset classes. The last two years of strong stock market performance have increased the total value of institutional portfolios, and with real estate values now lower, real estate allocations have moved down. With actual allocations declining, and no trend of reducing target allocation targets, we expect an increase in capital commitments in 2025.

But there are challenges that could impact capital flows. The first is the slow return of capital from closed-end funds over the last few years as fund managers wait for stronger market conditions to close positions. Exhibit NA-n shows closed-end fund distributed capital being slow in recent years across vintages. And for the capital allocated to closed-end funds, deployment is challenging because leverage and growth are not giving enough lift to returns. If interest rates come down and fundamentals improve as expected through 2025, the leverage and growth equation should help closed-end capital flows.

NA-k | Best vintage years come after challenges

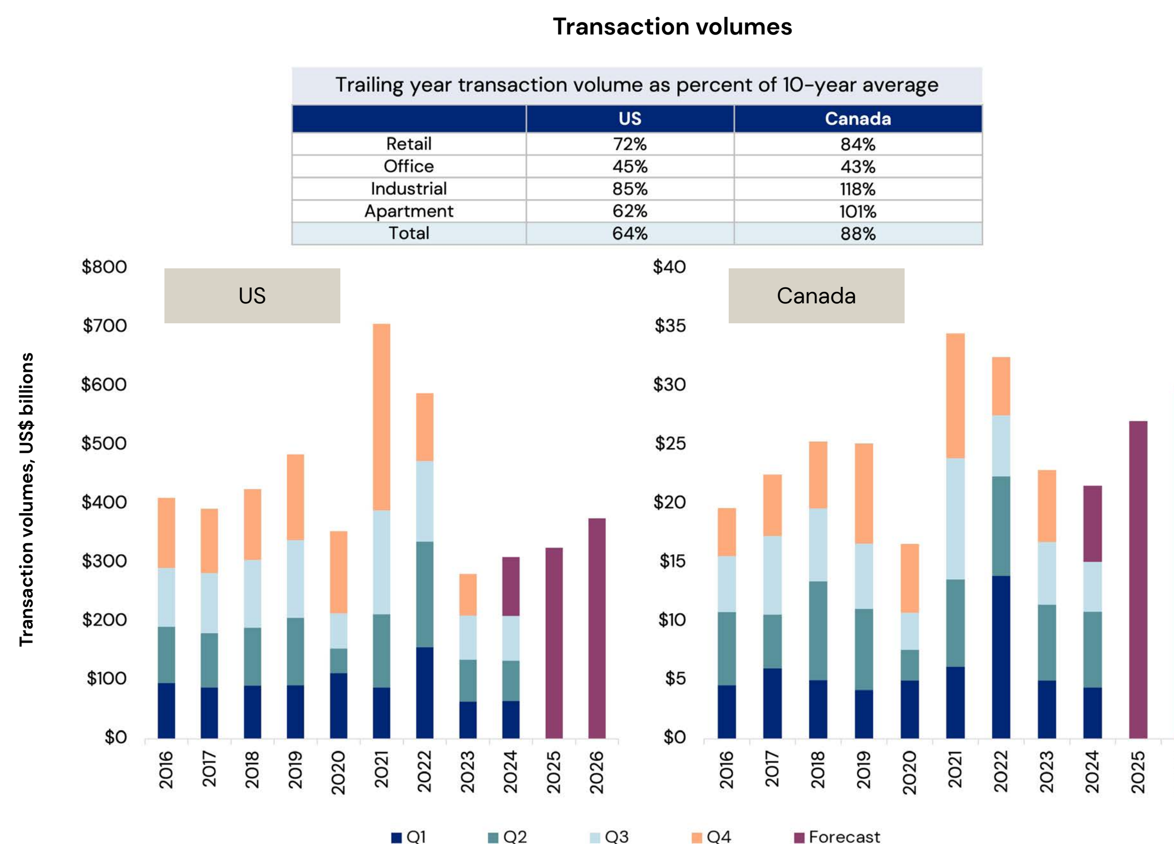


Methodology: Returns are annualized through Q2 2024. NPI is calculated from respective vintage year start dates, while ODCE returns are annualized from Q1. For NPI, each vintage year starts in Q2 and includes all investments executed in that calendar year. ODCE includes all active investments (non-vintage) in each quarter.

Source: LaSalle analysis on NCREIF NPI and ODCE (Q2 2024).

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue.

NA-l | Capital markets improve, but slow rebound in transaction volume forecast



Transaction volumes

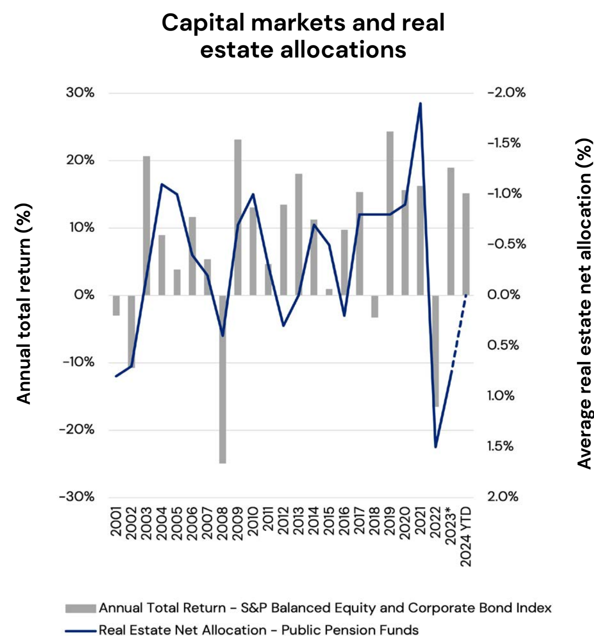
Trailing year transaction volume as percent of 10-year average

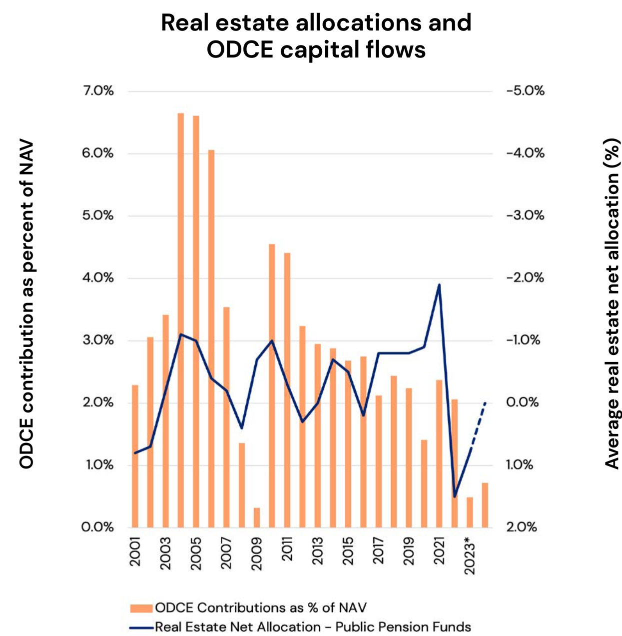
	US	Canada
Retail	72%	84%
Office	45%	43%
Industrial	85%	118%
Apartment	62%	101%
Total	64%	88%

Source: RCA, Bloomberg. Note: Closed transactions; excludes privatizations, hotels, senior housing, and development sites. Excludes transactions with a gross value of less than US$5 million. Data through September 2024. Most recent as of October 29, 2024.

Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue.

NA-m | Capital markets improve, but slow rebound in transaction volume forecast





*Note: 2023 Public Pension Fund data is partial and includes information for 66% of the 228 Pension Funds surveyed. Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue.

Source: LaSalle analysis on Public Plans Database (September 2024), NCREIF (Q2 2024) and Bloomberg (September 2024). Public pension funds database includes information from 228 for a total value of US$4.8 trillion as of December 2022.

Another challenge for capital flows has been appraisal lag. Open-end core and core-plus funds are popular investment vehicles for institutions and individual investors, and pricing for these is based on appraisals. The appraisal lag means fund values do not bottom at the same time that market values bottom. So, while market pricing seems to have hit bottom at the end of 2023,[12] for the first half of 2024 the early bird targeting open-end funds might not have gotten the worm as appraisal values continued to trend lower.[13] But we believe the lag has run its course, and the opening of 2025 could be the time investors get comfortable with appraised values. This would help capital flows, but investors might still be troubled by funds with large redemption queues, and we agree it is better to have new capital contributions helping buy real estate rather than redeeming other investors.

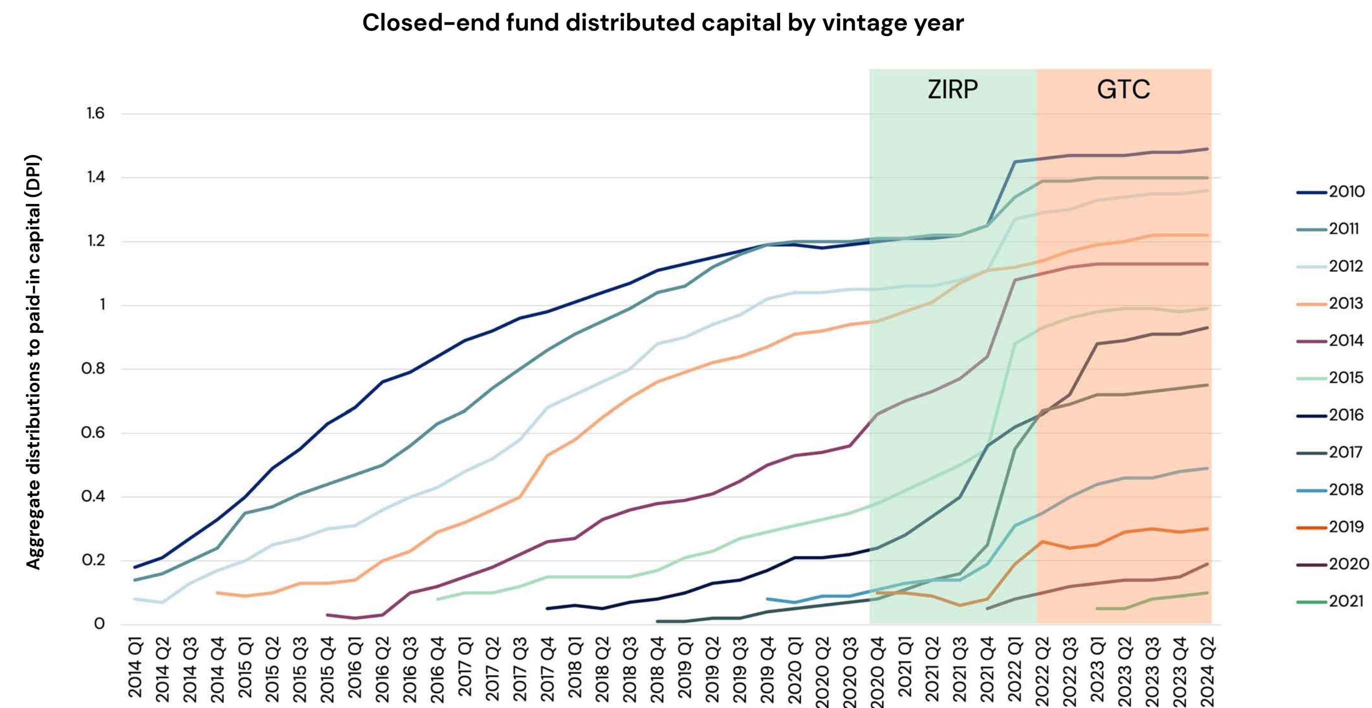
Another entry point is through the public REIT market, but that turning point has already occurred, with REITs up 7.6% YTD (and up 35% from their trough in late October 2023.)[14] This is not to say REITs are over-priced, and LaSalle's recent paper[15] makes the case for REITs ability to use share price premiums and attractively priced unsecured debt to acquire attractively priced real estate and generate strong returns.

The best path to access the market today is with capital placed directly into new acquisitions. Direct real estate investment enables this, but that is only available to the largest investors. Co-investment alongside a fund can also fill this need and provide an investor an important tactic for market entry. Short of those options, investors should seek out funds where new capital is being placed in the market rather than being used to pay redemptions to existing investors.

The cycle for debt investment is distinct from equity investment and requires different framing. Debt investments are particularly attractive when the upside from equity is more than outweighed by the downside protection in a debt position. That time seems to have passed, but there are still reasons to allocate to debt in today's environment. First, interest rates remain high relative to historic levels, which is a benefit to investors seeking high absolute current cash yields. Second, there are structural tailwinds to private real estate debt investment as banks dial back direct mortgage activity in favor of providing cross-collateralized "back-leverage" to debt portfolios. Finally, debt can have a role to play in investment portfolios across cycles by offering diversification, income-driven returns, and downside protection. These features can be particularly appealing in periods of elevated volatility, like we are in today.[16]

12. Green Street Advisor's CPPI shows the value trough at the end of 2023.
13. NCREIF ODCE index had negative appreciation through Q3 2024 and negative total returns in H1 of 2024.
14. Based on S&P's U.S. Equity All REIT index total returns. As of November 21, 2024.
15. See LaSalle's report *ISA Briefing: A new "golden era" for REITs and real estate?*
16. For additional detail see LaSalle's report *ISA Focus: Investing in real estate debt*.

NA-n | Slow return of capital from closed-end funds in recent years



Source: LaSalle analysis of Cambridge Associates data (through Q2 2024).
Note: Past performance is not indicative of future results. There is no guarantee that any trends shown herein will continue.

ZIRP: Zero Interest Rate Policy – Pandemic and post-pandemic periods of zero interest rates
GTC: Great Tightening Cycle – Inflationary period of rising interest rates

LOOKING AHEAD

- Real estate transaction volumes should continue their slow recovery. Market conditions should bring more liquidity, but the appetite to sell and capital to buy will remain below average for the next year.
- Real estate index returns should trend higher, with income providing most of the total return and appreciation adding a small lift.
- Industrial rent and value growth should outperform apartments as fundamentals recover faster due to a supply pipeline that is falling faster to below-average levels.
- Office investment is expected to be back on the menu for investors seeking higher returns. Risks remain elevated and pricing could run past what we consider attractive value, but early signs are that attractive options will be available.
- Climate change and residential rental affordability challenges increase the risk that local regulations will impact investment performance. We expect this to be a growing priority for investors to navigate those local dynamics as national policy in these areas is limited.

Managing editors

Petra Blazkova
Europe Head of Core and Core-plus Research and Strategy

Eduardo Gorab
Managing Director, Global Research and Strategy

Richard Kleinman
Head of Americas Research and Strategy, Co-CIO Americas

Brian Klinksiek
Global Head of Research and Strategy

Chris Langstaff
Canada Head of Research and Strategy

Ben Lentz
CIO, Global Quantitative Strategy, LaSalle Global Solutions

Daniel Mahoney
Europe Head of Research and Strategy

Wayne Qin
Associate Strategist, Asia Pacific

Dominic Silman
Europe Head of Debt and Value-Add Capital Research and Strategy

Fred Tang
Managing Director, Head of Research and Strategy, Greater China

Elysia Tse
Asia Pacific Head of Research and Strategy

Contributors: Research and Strategy team

Mary Burke
Frederik Burmester
Zuhaib Butt
Simone Caschili
Jade Cheong
Amanda Chiang
Ryan Daily
Carly Ellis
Heidi Hannah
Kayley Knight
Tobias Lindqvist
Sierra Pierre
Chris Psaras
Wayne Qin
Kyra Spotte-Smith
Sophia Sul
Matthew Wapelhorst
Jen Wichmann
Dennis Wong
Jannie Wu
Hina Yamada

LaSalle leadership

Louis Bowers
Global Chief Financial Officer

Keith Fujii
Head of Asia Pacific

Mark Gabbay
Global Chief Executive Officer

Brad Gries
Head of the Americas

Samer Honein
Global Head of Investor Relations

Lisa Kaufman
Head of LaSalle Global Solutions

Tim Kessler
Global Chief Operating Officer

Philip La Pierre
Head of Europe

Julie Manning
Global Head of Climate and Carbon

Kunihiko Okumura
Head of Japan and Co-Chief Investment Officer, Asia Pacific

Gordon Repp
Global General Counsel

Darline Scelzo
Global Head of Human Resources

Matt Sgrizzi
Co-Chief Investment Officer, LaSalle Global Solutions

Claire Tang
Head of Greater China and Co-Chief Investment Officer, Asia Pacific

Dan Witte
Co-Chief Investment Officer, LaSalle Global Solutions

Jon Zehner
Vice Chairman of LaSalle

Michael Zerda
Head of Debt and Value-Add Strategies, Europe, and Co-Chief Investment Officer, Europe

Contributors: Marketing and Communications

Joshua Coger
Alexandra Constantin
Liam Fitzpatrick
Joe Oslawski
Joe Poljski

Investing today.
For tomorrow.

Amsterdam
Atlanta
Baltimore
Chicago
Denver
El Segundo
Hong Kong
London
Los Angeles
Luxembourg
Madrid
Munich
New York
Paris
San Diego
San Francisco
Seoul
Shanghai
Singapore
Sydney
Tokyo
Toronto
Vancouver
Washington DC

lasalle.com

Important notice and disclaimer

This publication does not constitute an offer to sell, or the solicitation of an offer to buy, any securities or any interests in any investment products advised by, or the advisory services of, LaSalle Investment Management (together with its global investment advisory affiliates, "LaSalle"). This publication has been prepared without regard to the specific investment objectives, financial situation or particular needs of recipients and under no circumstances is this publication on its own intended to be, or serve as, investment advice. The discussions set forth in this publication are intended for informational purposes only, do not constitute investment advice and are subject to correction, completion and amendment without notice. Further, nothing herein constitutes legal or tax advice. Prior to making any investment, an investor should consult with its own investment, accounting, legal and tax advisers to independently evaluate the risks, consequences and suitability of that investment.

LaSalle has taken reasonable care to ensure that the information contained in this publication is accurate and has been obtained from reliable sources. Any opinions, forecasts, projections or other statements that are made in this publication are forward-looking statements. Although LaSalle believes that the expectations reflected in such forward-looking statements are reasonable, they do involve a number of assumptions, risks and uncertainties. Accordingly, LaSalle does not make any express or implied representation or warranty and no responsibility is accepted with respect to the adequacy, accuracy, completeness or reasonableness of the facts, opinions, estimates, forecasts, or other information set out in this publication or any further information, written or oral notice, or other document at any time supplied in connection with this publication. LaSalle does not undertake and is under no obligation to update or keep current the information or content contained in this publication for future events. LaSalle does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication and nothing contained herein shall be relied upon as a promise or guarantee regarding any future events or performance.

By accepting receipt of this publication, the recipient agrees not to distribute, offer or sell this publication or copies of it and agrees not to make use of the publication other than for its own general information purposes.

Copyright © LaSalle Investment Management 2024. All rights reserved. No part of this document may be reproduced by any means, whether graphically, electronically, mechanically or otherwise howsoever, including without limitation photocopying and recording on magnetic tape, or included in any information store and/or retrieval system without prior written permission of LaSalle Investment Management.