

# Patterns of Global Capital Flow

Real Estate Capital Flows (from one continent to another) have been more than \$100 billion in each of the last three years

## North America

...was the largest source of cross-regional capital flows every year between 2007 and 2015, but was been overtaken in 2016.

Over the last ten years that amounts to over \$300 billion globally, 80% of which was spent in Europe.

## Asia

...has leapt as a source of real estate investment in the rest of the world, from 6% of flows in 2007 to 37% in 2016.

Europe was the favoured destination of Asian Capital, but has been overtaken by North America in 2015/16.

## Europe

European investors generally account for around 15% of cross-regional flows.

Their cross-border purchases within Europe are four times higher than their purchases outside Europe.

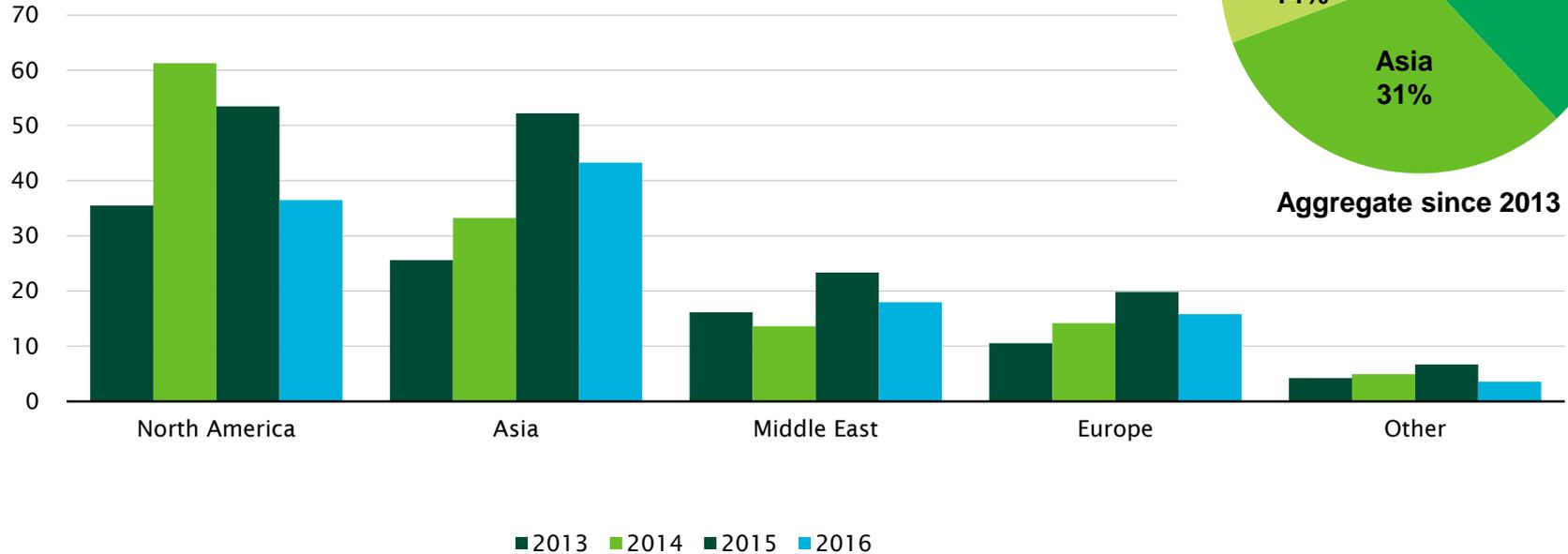
## Middle East

...is a steady source of cross-regional investment on a par with Europe.  
60% of flows out of the Middle East end up in Europe.

# SOURCE OF CROSS-REGIONAL CAPITAL FLOWS

## NORTH AMERICAN CAPITAL HAS TAILED OFF IN 2015-16

US dollars (billion)

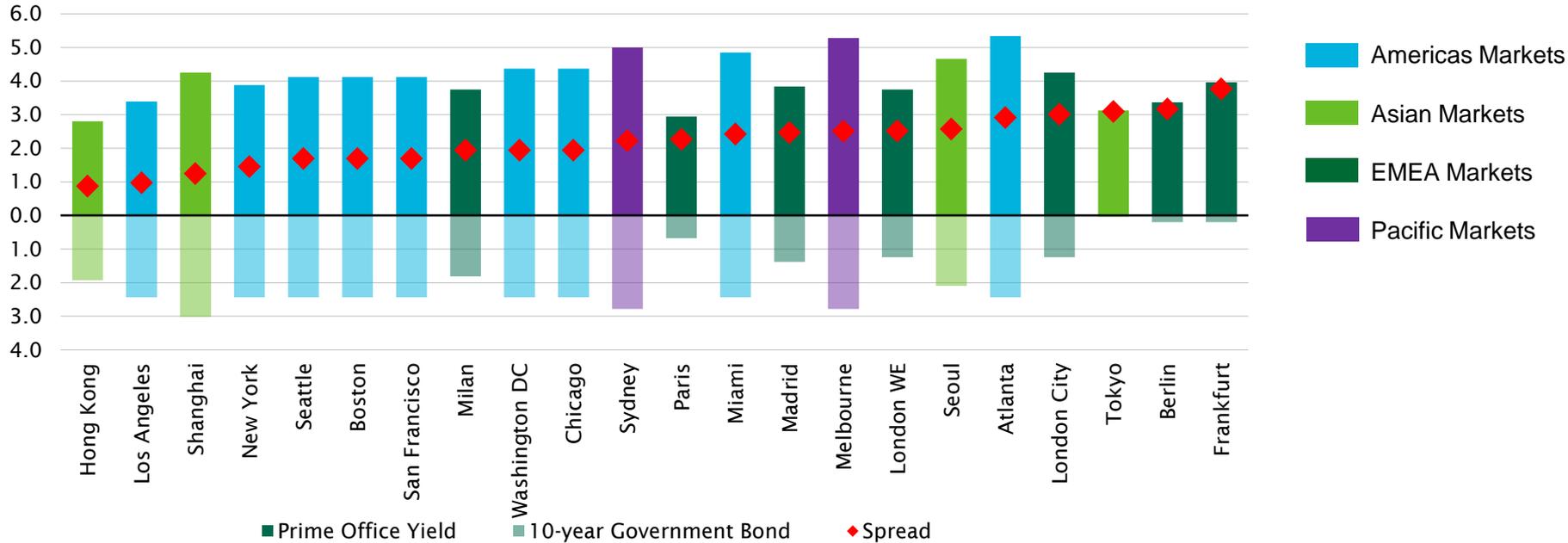


Source: CBRE Research, 2016.

# REAL ESTATE SPREADS OVER GOVERNMENT BONDS

## EUROPE IS THE BIGGEST RECIPIENT OF CROSS-REGIONAL CAPITAL

Prime office yield (net) relative to 10-year government bond, Q4 2016



Source: CBRE Research, Macrobond, Q4 2016.

# North American Capital is more diverse

All cross-regional capital is strongly biased to offices and to gateway markets, but North American capital goes deeper into the market than others

## Example 1: Gateway Cities

Gateway cities account for a huge proportion of cross-regional investment – typically the top ten **global** cities receive 60%\* of such flows.

North American capital is far less concentrated. The top ten cross-regional destinations for North American capital account for only 33%\* of the total.

## Example 2: Sector Choice

The European market typically\* breaks down 43% offices, 24% retail, 9% industrial. Mixed-use and mixed portfolios make up about 4% of transactions.

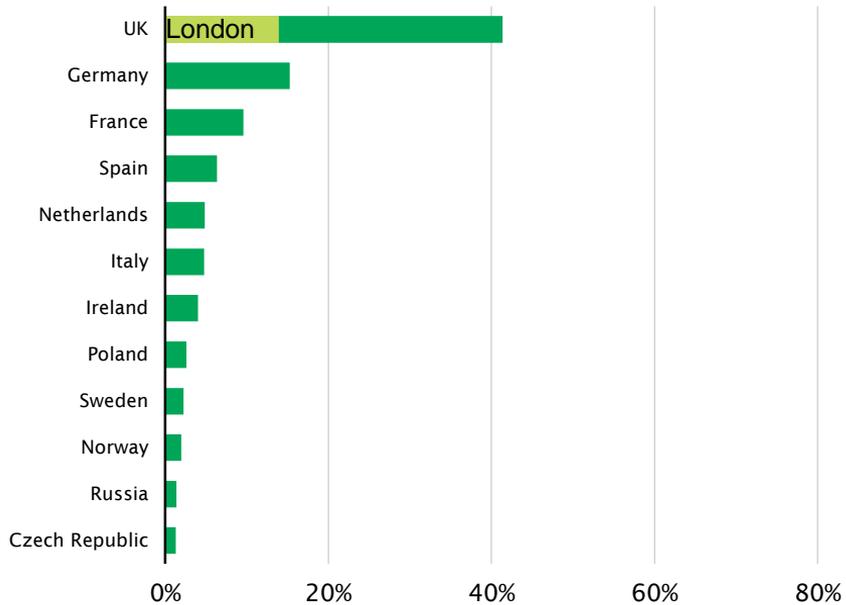
Investment from Asia and the Middle East is biased to the office sector – 62%.

North American investment is underweight offices 39% and overweight industrial (13%) and mixed-use (9%)

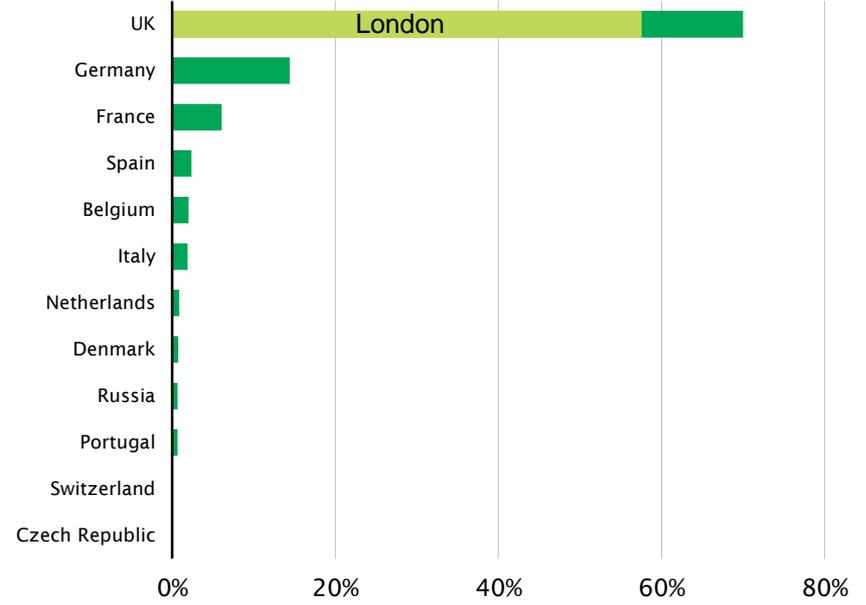
\*Based on 2013-2016

# KEY DESTINATIONS IN EUROPE: TOP COUNTRIES 2013-2016

Total investment from North America, % of total



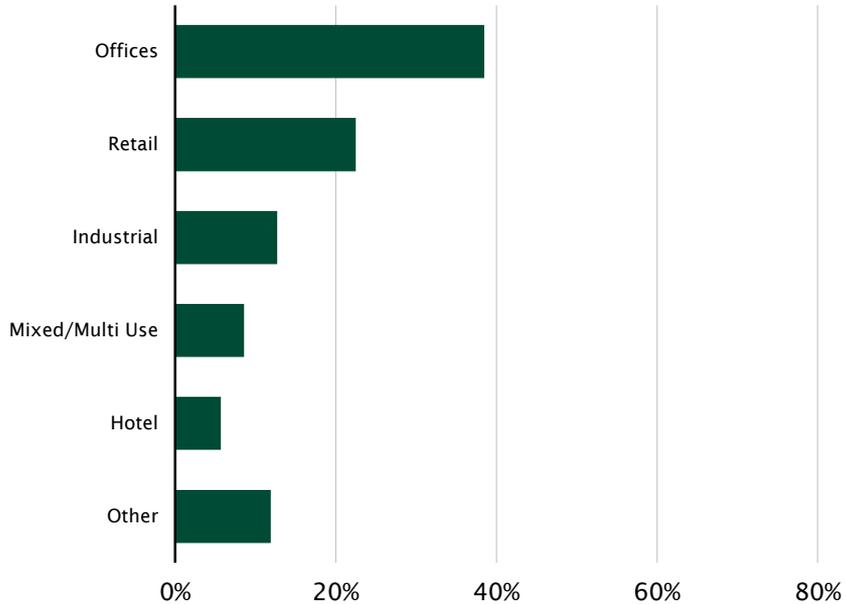
Total investment from Asia, % of total



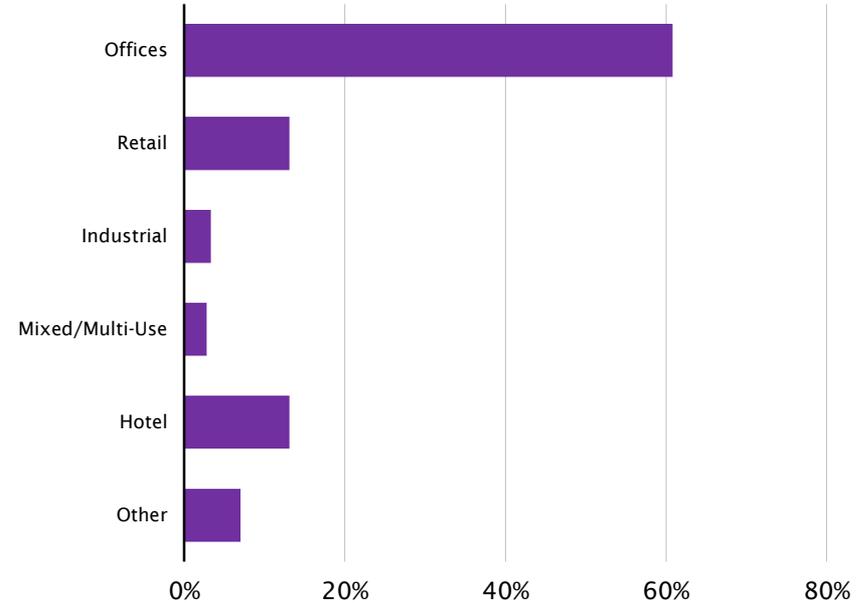
Source: CBRE Research, 2016.

# SECTOR CHOICE OF CROSS-REGIONAL INVESTORS IN EUROPE

Investment from North America, % of total 2013-2016



Other Cross-regional investment, % of total 2013-2016



Source: CBRE Research, 2016.

# Early mover advantage

US investors into have a reputation for anticipating the cycle and being early movers in recovering markets

## Spain

The Spanish market was very badly hit by the GFC and market activity fell to 20% of the pre-crisis level.

There was a strong recovery in 2014 and 2015.

US investors represented over 25% of transactions in Spain in 2013 and 2014 moving in ahead of the recovery (against only 10% over the rest of the last decade.

## Italy

US investors have transacted more than 25% of real estate transactions in Italy in 2013-2015

Over that time

- transaction activity increased by over 200%,
- prime office yields in Milan dropped from 5.3% to 4%.