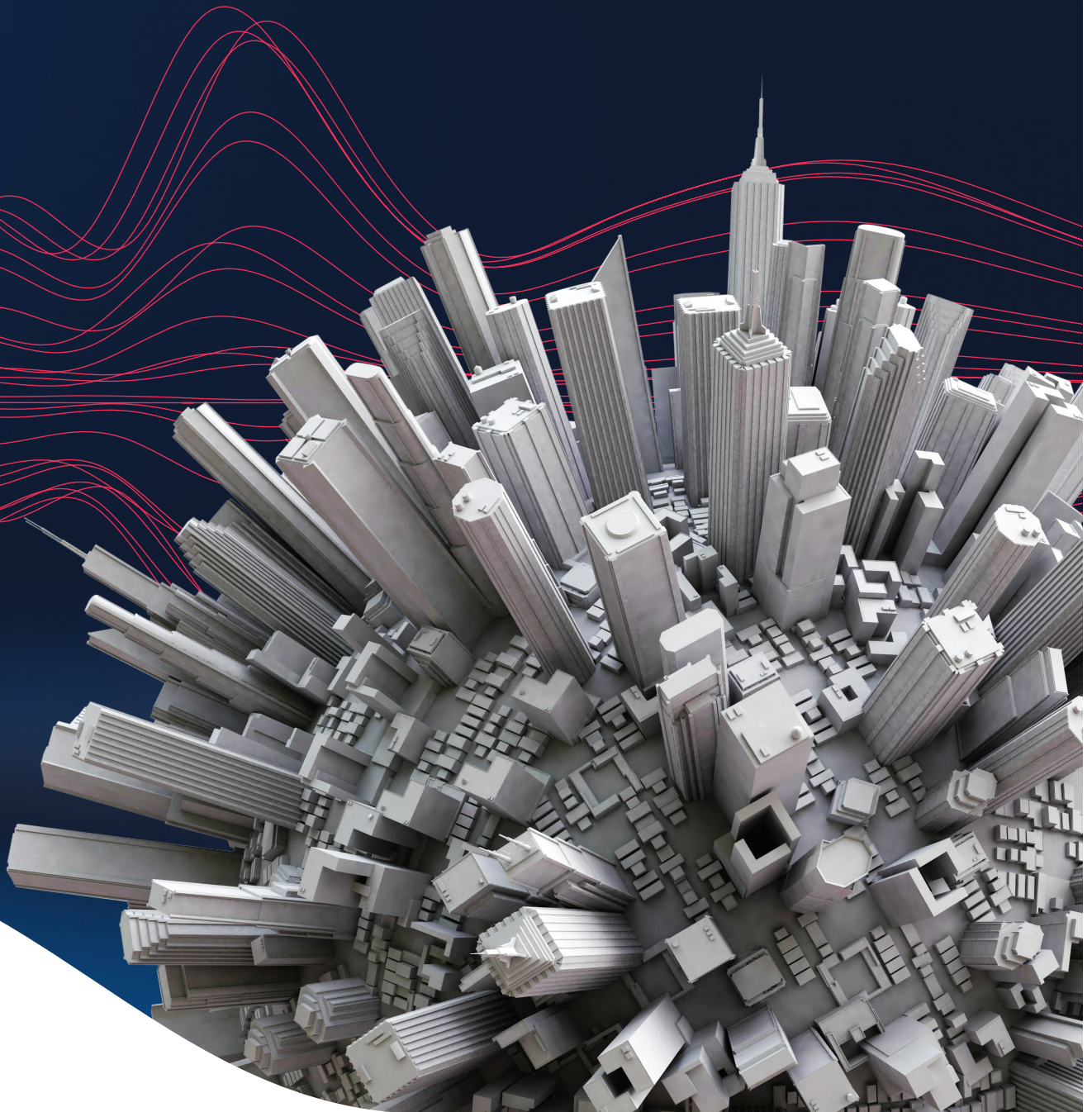


DLA Piper Global Real Estate Annual State of the Market Survey

MAY 2021



Optimism in the market is a beacon of light as the uncertainty of 2020 begins to fade

With the COVID-19 vaccine rollout offering a glimmer of hope to many around a pandemic-wearied world, DLA Piper fielded its *2021 Annual State of the Market Survey*. This year's Survey sees a dramatic return of optimism for both the overall economy and commercial real estate (CRE) market. Conducted in February and March 2021, 74 percent of *State of the Market Survey* respondents anticipate a bullish market in the next 12 months – up from 21 percent in the 2020 Survey and on par with pre-pandemic levels indicated in the 2019 Survey. This year's Survey underscores the true resiliency and solid fundamentals of the CRE industry.

The optimistic outlook aligns with global economists' overall confidence in pandemic-related recovery efforts. According to Oxford Economics, the world economy will grow by roughly 6 percent in 2021, the fastest rate in almost half a century, as vaccine implementation plans are expected to ease pandemic restrictions and allow businesses to reopen. In particular, the US is anticipated to make a bigger contribution to global growth than China this year for the first time since 2005.¹ Economists at Goldman Sachs share the bullish sentiment as they expect an 8 percent GDP growth for the US economy.² *State of the Market Survey* respondents indicate that their bullishness is largely driven by the rollout of the COVID-19 vaccines, with 41 percent noting vaccines as the primary reason for their confidence in the market. This sentiment is consistent with the Organization for Economic Development (OECD)'s recent economic outlook, which noted that economic recovery is tied to an expectation that, "...countries with effective track and trace systems and rapid deployment of vaccines will perform most strongly."³

The vaccine rollout is undoubtedly a contributor to the resurgence of the CRE market, but there is still uncertainty about what the new normal will look like. Fifty-eight percent of respondents believe there will be an increase in the number of office workers who spend less than 50 percent of their working time in office buildings (as compared to the time before the pandemic). PwC also reports that some version of a permanent work-from-home scenario is appealing to employees and finds most companies are heading toward a hybrid workplace.⁴ However, a survey by Gartner says 30 percent of leaders are concerned about maintaining corporate culture with a hybrid work model.⁵ A vast majority of Survey respondents think it will take a while for office building vacancy to return to pre-pandemic levels – 84 percent of

respondents anticipate it will take at least two years for US office building vacancy to decrease to previous levels and nearly half, 46 percent, say it will take more than three years. However, Survey respondents are optimistic about the pace of return to work with 60 percent anticipating roughly three in four office workers will be back in their offices full-time 12 months from now. The inconsistency between the return to office occupancy levels and return to work might be due to the anticipated hybrid work model.

Vaccine rollout and potential return to work are not the only factors contributing to higher levels of economic optimism. One third of respondents see an abundance of capital as a primary factor driving confidence. A smaller but not insignificant 18 percent consider the US economic outlook to be a factor and experts agree, noting that as the economy turns around, the CRE industry should enter into recovery mode as well.⁶ Investors who held back capital out of concern for market uncertainty are expected to reenter the CRE market in 2021. Such a large injection of capital will boost the CRE market, but what will be the most attractive asset classes and locations for investors?

The CRE market is strong and adaptable even as the pandemic remains top-of-mind

While 2020 was a year unlike any other, including incalculable hardships for so many, the year demonstrated the resiliency of certain industries. The CRE market experienced some significant challenges but has remained strong overall even as the pandemic changed the commercial landscape. The adaptability of the industry, in particular, added to its resilience and will be an important characteristic looking forward.

Two bright spots within the CRE market – examples of the industry's endurance despite the pandemic– are logistics and warehousing and life science/biotech. For several *State of the Market Surveys* in a row, these two sectors have been identified as the most attractive risk-adjusted opportunity in the US for real estate investors in the next 12 months. As a critical component in the growth of e-commerce and the focus on the last mile and same-day deliveries, COVID-19 may have served to accelerate that growth in the logistics and warehouse sector. Likewise, by shining a spotlight on the importance of domestic R&D and biomanufacturing, the pandemic likely increased the already-growing demand for life sciences related real estate. This year's Survey finds 57 percent of respondents indicating life science/ biotech as an attractive opportunity, on par with 58 percent in the 2020 Survey and up by 14 percentage points from the 2019 Survey. Experts find that the rapid pace of innovation coupled with supply challenges is increasing the demand for biotech manufacturing capacity and infrastructure.⁷ The 2020 Survey numbers were a clear indication of enthusiasm around the race to develop a potential vaccine, while this year's figures demonstrate the ongoing confidence in the sector as the vaccine rollout ramps up and continues around the world.

However, it was logistics and warehousing that topped this year's most attractive opportunities at 61 percent, a slight 6-percentage point decrease from the 2020 Survey. The pandemic forced the retail industry to change and adapt as consumers continued an existing shift to e-commerce and some retail locations closed. According to the US Department of Commerce, in Q3 2020, e-commerce comprised 14.3 percent of total retail sales, compared to 11.8 percent in Q1 2020.⁸ The 2021 Survey finds, for the second time in a row, that e-commerce will remain the most impactful element on the CRE market over the next 12 months at 86 percent. The large shift to and reliance on e-commerce is causing retailers not to pull out of the CRE industry completely but to adapt and invest in industrial and last-mile logistics facilities, a sign of how resilient the market is even in the face of unexpected challenges.

Two of the hardest hit sectors – hospitality and multifamily – poised to rebound

Some sectors of the CRE market have weathered the pandemic better than others, and this year's Survey shows interesting signs of recovery. Multifamily, affordable housing and hotels/ lodging have gained significant momentum, with 49 percent, 32 percent and 22 percent of respondents, respectively, finding them attractive for investors. In the 2020 Survey, only 35 percent of respondents identified multifamily as an attractive investment. CBRE reported that suburban multifamily had the most markets reporting cap rate decreases from the second half of 2019 to the second half of 2020.⁹ Perhaps optimism about multifamily is

growing after the industry's worst concerns were mitigated and fears about a significant decline in rental income did not come to fruition. The National Multifamily Housing Council's Rent Payment Tracker finds that 94 percent of apartment households made a full or partial rent payment by the end of November 2020, compared to 95 percent paid in November 2019.¹⁰ In fact, housing is viewed by some as coming back stronger and multifamily is rebounding given the robust capital markets as well as strong underlying business fundamentals.¹¹

While the hospitality and travel industries experienced declines, they too are poised to rebound, albeit slowly. Eighty-three percent of respondents believe decreased tourism and business travel will continue to impact the CRE market over the next 12 months. Conversely, 22 percent of respondents see the hospitality sector as attractive for investment, a 16-percentage point increase from the last Survey and surpassing pre-pandemic optimism for that asset class. According to CBRE, US hotel occupancy is expected to return to pre-COVID-19 levels completely by 2025, predicting that economy and midscale chains will recover by late 2022, upper midscale and upscale chains will take until 2023 or 2024 and upper upscale and luxury chains will take the longest, recovering in late 2024 or 2025.¹² Taken together, concerns persist that travel and hotel stays are unlikely to return to pre-pandemic levels in 2021; however, there appears to be confidence that the sector will rebound in the coming years and leading real estate companies are finding a renewed interest in this sector in the post-pandemic world.¹³

Sun Belt cities are experiencing the most growth

In addition to specific CRE market sectors such as retail and hospitality, the Survey results suggest that the pandemic may change the nature of cities themselves. Most Survey respondents believe the impacts of COVID-19 will have a significant and lasting impact on American cities, with only 14 percent believing that the pandemic will not have any material long-term impact on CRE in major urban areas. One way this is manifesting is in the growth of Sun Belt and Mountain West cities in the US. Similar to the 2020 Survey, this year, Austin at 53 percent and Nashville at 46 percent remain the number one and number two US cities for investment during the next 12 months, respectively. Raleigh-Durham at 40 percent takes over the third spot with Denver and Charlotte falling to the fourth spot, both at 32 percent. Following the Sun Belt trend, Miami is up 17 percentage points from the 2020 Survey at 25 percent.

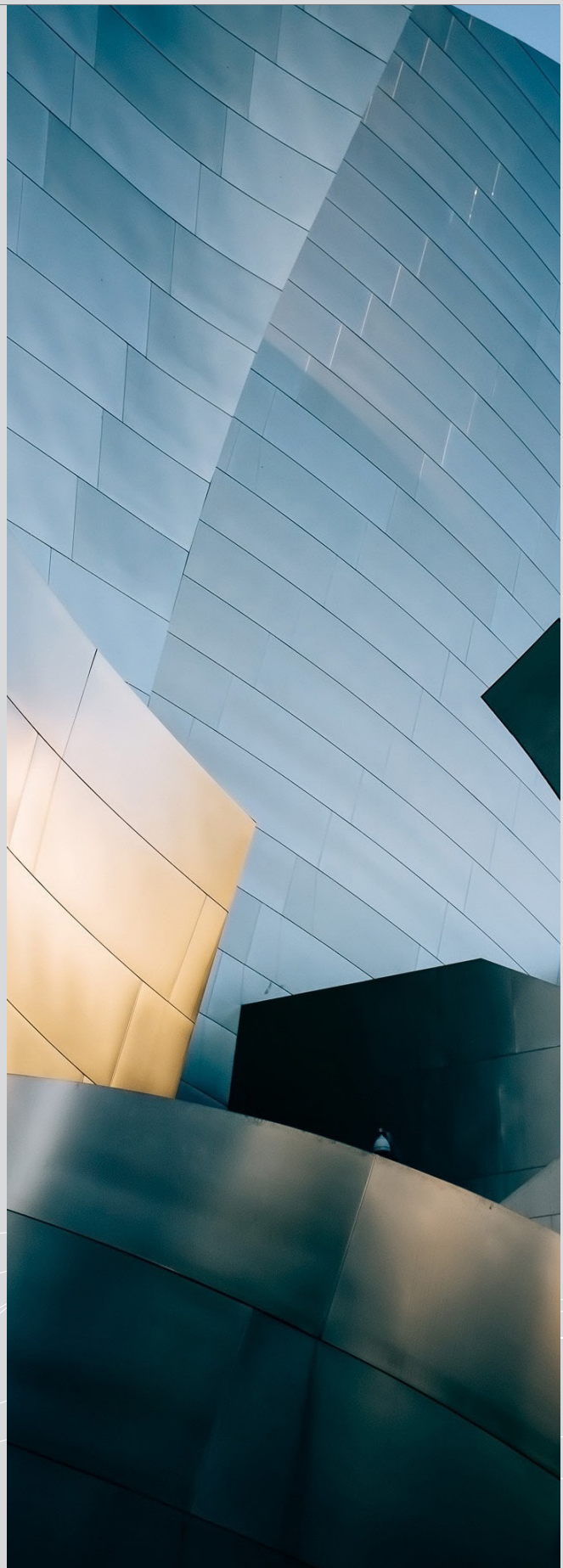
Pandemic impacts aside, this strong trend of growth in primarily non-coastal cities follows data showing increases in both investments and rising populations in these cities. According to

recent JLL research, cities including Austin, Charlotte, Denver, Miami, Nashville and Raleigh experienced a population growth between 10 and 30 percent over the last decade, outpacing the growth of the US population, which is roughly 7 percent.¹⁴ At the same time, domestic and foreign institutional investments are significantly increasing in many of these same cities. Investments from foreign investors, for example, increased by 300 percent in Charlotte and between 100 percent and 200 percent in Austin, Miami and Raleigh in the last four years according to the same JLL research. Prior to the pandemic, some large companies, specifically in tech, began to move and build campuses in southern cities to avoid higher taxes and cost of living variables.

As some smaller cities continue to grow, larger coastal cities, such as New York, Los Angeles, San Francisco, Silicon Valley and Washington, DC, continued to see a decrease in attractiveness, likely accelerated by the pandemic. However, some larger cities such as Miami and Phoenix, two hotspots for growth during the pandemic, saw a significant increase in attractiveness – an assumed indication of a return to larger metro areas mixed with the appeal of cities with warmer climates. From a macro level, while large cities are experiencing the effects of COVID-19, they will rebound quickly and have done so before and after previous financial hardships given their overall appeal and market assets.¹⁵ This downturn may be seen as an opportunity for some buyers. It can be assumed that large cities will always be of importance, especially with some tech giants recently reaffirming their commitments to New York¹⁶ and 2021 Survey respondents selecting London again as the international city that is most attractive for investment.

CRE is poised to rebound

Mirroring overall optimism and signals that global economies are beginning to recover from COVID-19, the 2021 Survey indicates that the CRE market is poised to rebound. Through smart adaptations and new solutions to respond to working-from-home, social distancing and robust R&D investments in sectors such as retail, warehousing and logistics, life sciences and even housing, the sector has found opportunities for growth. At the same time, suburban areas and smaller metropolitan areas are seeing a tremendous amount of growth. Resiliency is the new normal for CRE as the industry is poised to overcome the post-pandemic changes and challenges.



Highlights of the State of the Market Survey

- A majority, 74 percent, anticipate a bullish market in the next 12 months, up from 21 percent in the previous Survey and on par with levels from the 2019 Survey. The dramatic change is largely driven by the rollout of the COVID-19 vaccines, as 41 percent indicate the vaccine as the primary reason for their confidence in the market. Additional factors unrelated to the pandemic are contributing to this confidence such as an abundance of capital, identified by 35 percent of the respondents.
- Logistics and warehousing and life science/biotech, at 61 percent and 57 percent, respectively, remain the most attractive risk-adjusted opportunities in the US for real estate investors in the next 12 months. Multifamily, affordable housing, senior housing and hotels/lodging at 49 percent, 32 percent, 25 percent and 22 percent, respectively, have gained significant momentum since the 2020 Survey in being attractive risk-adjusted opportunities. Other asset classes such as student housing at 10 percent and retail and parking lots and facilities, both at 9 percent, continue to be perceived as the least attractive asset classes over the next 12 months. These results show strong appeal for housing types across the board.
- Among the 26 percent of respondents who anticipate a bearish market in the next 12 months, much of the pessimism is driven by the pandemic. Thirty-five percent cite the continuing impact of the pandemic as the reason for their lack of confidence and 24 percent attribute this to the long-term effects of working from home.
- Current respondents are also more optimistic about the future of US GDP than in the 2020 Survey. Roughly half of Survey respondents believe US GDP will return to pre-COVID-19 levels in the next 18 months, up from 19 percentage points in the 2020 Survey. When asked why they selected this timeframe, most respondents mentioned the possibility of broader vaccine distribution leading to herd immunity, the pent-up consumer demand generated from the inability to spend and economic reopening and revitalized business activity.
- The majority of respondents, 53 percent, believe the continuing impact of the pandemic will be the greatest contributing factor to the state of the global CRE market, closely followed by the global economic outlook, 50 percent, the US economic outlook, 45 percent, and tourism and business travel, 40 percent. Meanwhile, global political instability as an impact on the US GDP dropped by 37 percentage points from the 2020 Survey, US trade wars with other countries dropped by 22 percentage points and US immigration policies declined by 7 percentage points, exhibiting steep declines in the perceived importance of all three factors.
- As is the case with virtually every other global asset class, the pandemic is expected to continue to impact CRE. Respondents, when asked to rank impact independently, believe remote working/work-from-home and retail/restaurant occupancy, both at 86 percent, and decreased tourism and business travel at 83 percent will be among the most impactful elements on the CRE market over the next 12 months. The increased wealth gap at 47 percent, inflation due to stimulus spending at 41 percent and redemption queues for open end funds at 32 percent, are seen as less impactful elements comparatively.
- In addition, most respondents believe these impacts will have a significant and lasting influence on American cities – only 14 percent agree the COVID-19 pandemic will not have any material long-term impact on CRE in major urban areas.
- Respondents are enthusiastic about returning to the workplace, with 60 percent anticipating roughly three in four office workers will be back in their offices full-time 12 months from now. However, nearly as many agree that one of the long-term effects of the pandemic will be that office workers will spend less time overall in a physical office. Fifty-eight percent of respondents believe there will be an increase in the number of office workers who spend less than 50 percent of their working time in office buildings. As a result, many expect it will take longer for office building vacancy to return to pre-pandemic levels – 84 percent of respondents anticipate it will take at least two years for US office building vacancy to return to pre-pandemic levels and 46 percent of respondents say it will take more than three years.
- Among metro areas targeted for CRE activity, Austin holds the top spot with 53 percent of respondents noting it as the US city most appealing for investment during the next 12 months. Nashville at 46 percent, Raleigh-Durham at 40 percent and Denver and Charlotte, both at 32 percent, ranked among the top cities as well. Other cities such as Phoenix and Miami increased in popularity from the 2020 Survey with an uptick of 11 percentage points and 17 percentage points, respectively.
- Three in four respondents, 74 percent, predict that interest rates will increase during the next 12 months – up from 19 percentage points in the 2020 Survey. Of the respondents who predict a rate increase, 67 percent expect interest rates to increase slightly, while 7 percent anticipate interest rates to increase significantly. While 2 percent expect that interest rates will drop, 24 percent of respondents believe there will be no change.

- London and Berlin remain the top-ranked international cities for investment during the next 12 months, according to 40 percent and 27 percent of respondents, respectively. Those cities are followed by Frankfurt and Sydney, both at 19 percent. Though not as attractive for investment today, some cities – including Mumbai at 14 percent, Mexico City at 12 percent, Brussels at 9 percent and New Delhi at 7 percent – show signs of rebounding after taking significant declines at the outset of the pandemic and as reflected in the 2020 Survey.
 - Respondents continue to expect private equity investors to be the most active investors in the US CRE over the next 12 months at 51 percent, followed by domestic pension funds/endowments at 19 percent and family office at 13 percent.
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Verbatims

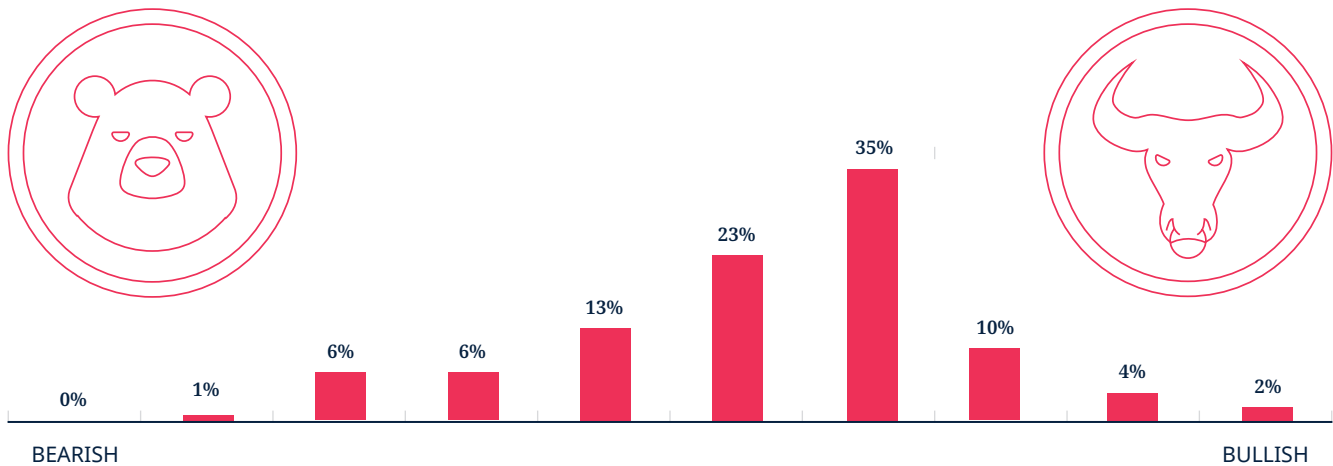
What are you most excited about in the next 12 months when it comes to the commercial real estate market?

- The rollout and efficacy of the COVID-19 vaccine.
- A return to normalcy.
- Business travel returning: This could prove to be a catalyst or obstacle for the overall growth of the US economy.
- The opportunity for increased yields through repositioning and redeveloping retail and office projects.
- The pent-up demand will overcome the pandemic and political unrest of 2020.
- The return to the workplace with renewed vigor and appreciation for the benefits of collaboratively working together and that promote a healthy, safe and productive environment.
- The likelihood of achieving herd immunity within the next three to six months.
- Significant accrued personal capital on the sidelines will be released quickly when travel again returns quickly.
- E-commerce will continue to increase demand for warehouse space throughout the US, benefitting the industrial sector.
- The restart of the hotel/lodging industry.
- The rebound in the major cities will be stronger than expected due to some decreased pricing and the demand for improved quality density.

What are you most apprehensive about in the next 12 months when it comes to the commercial real estate market?

- Office space usage post-pandemic.
- The rapid run up in US interest rates, major stock market downturn and continued devaluation of the US dollar.
- The low use of public transportation.
- The long-term pandemic impact on various asset classes and how small business closures will affect CRE.
- The pandemic's impact on multifamily development in major urban markets.
- Global political instability and long-term effects of climate change accelerating.
- Allocation, planning and asset pricing will become increasingly difficult without a clear picture of interest rates.
- Retail weakness and continued shift away from brick-and-mortar traditional retail centers.
- Work-from-home impacts on office directly and ripple effect to restaurants, transportation, etc.
- Increased taxation by revenue starved cities.

1. How would you describe your outlook for the US commercial real estate market over the next 12 months?



- Bullishness in CRE has returned to pre-COVID-19 levels as 74 percent of respondents feel optimistic about the CRE market over next the 12 months, matching the confidence in the 2019 Survey. This is also a 53-percentage point increase from the 2020 Survey.
- The Survey asks respondents to rank their outlook on a scale from one to 10 (one being the most bearish and 10 being the most bullish). More than two thirds of those who are bullish are at the seven mark or higher, indicating substantial optimism.
- This sentiment could be driven in part by the anticipated return to normal as people look beyond the pandemic. The *Conference Board Consumer Confidence Index*[®] finds confidence in the US rose in March 2021 to its highest level since the pandemic started as consumers express more optimism about business and labor market conditions in the coming months. As vaccines have been rolling out and economic recovery shows signs of accelerating, the March index marks the third consecutive monthly increase.¹⁷

2. What is the primary reason for your confidence?

Continued rollout of COVID-19 vaccines	41%
Abundance of capital still chasing deals	35%
US economic outlook	18%
Additional stimulus provided by the federal government	2%
Foreign investments in the US	1%
Political changes in the US federal government	1%

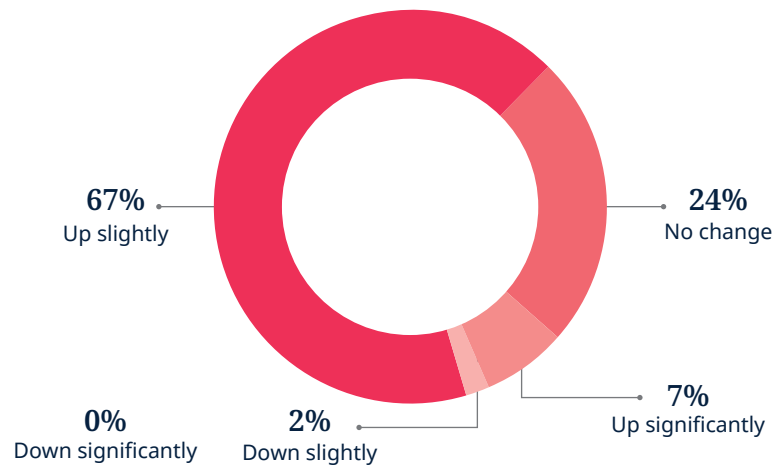
- This year, the continued rollout of COVID-19 vaccines, at 41 percent, was the top reason for confidence in the CRE market among the respondents who are bullish. It is expected that the US will have enough vaccine doses for 300 million Americans by Fall 2021, which will lead to businesses and schools reopening and a new normal.¹⁸
- Other factors that are driving confidence levels among respondents are an abundance of capital still chasing deals, 35 percent, and US economic outlook, 18 percent. A significant amount of capital is expected to hit the CRE investment market in 2021 as more than US\$200 billion sat on the sidelines in 2020 waiting out the market uncertainty.¹⁹

3. What is the primary reason for your lack of confidence?

Continuing impact of the pandemic	35%
Long-term effects of work-from-home	24%
Uncertainty in underwriting and valuation of commercial property	15%
US economic outlook	13%
Political changes in the US federal government	9%
Continuing social unrest	2%
Reduced foreign investment in the US market	0%
Lack of equity capital	0%
Lack of debt capital	0%

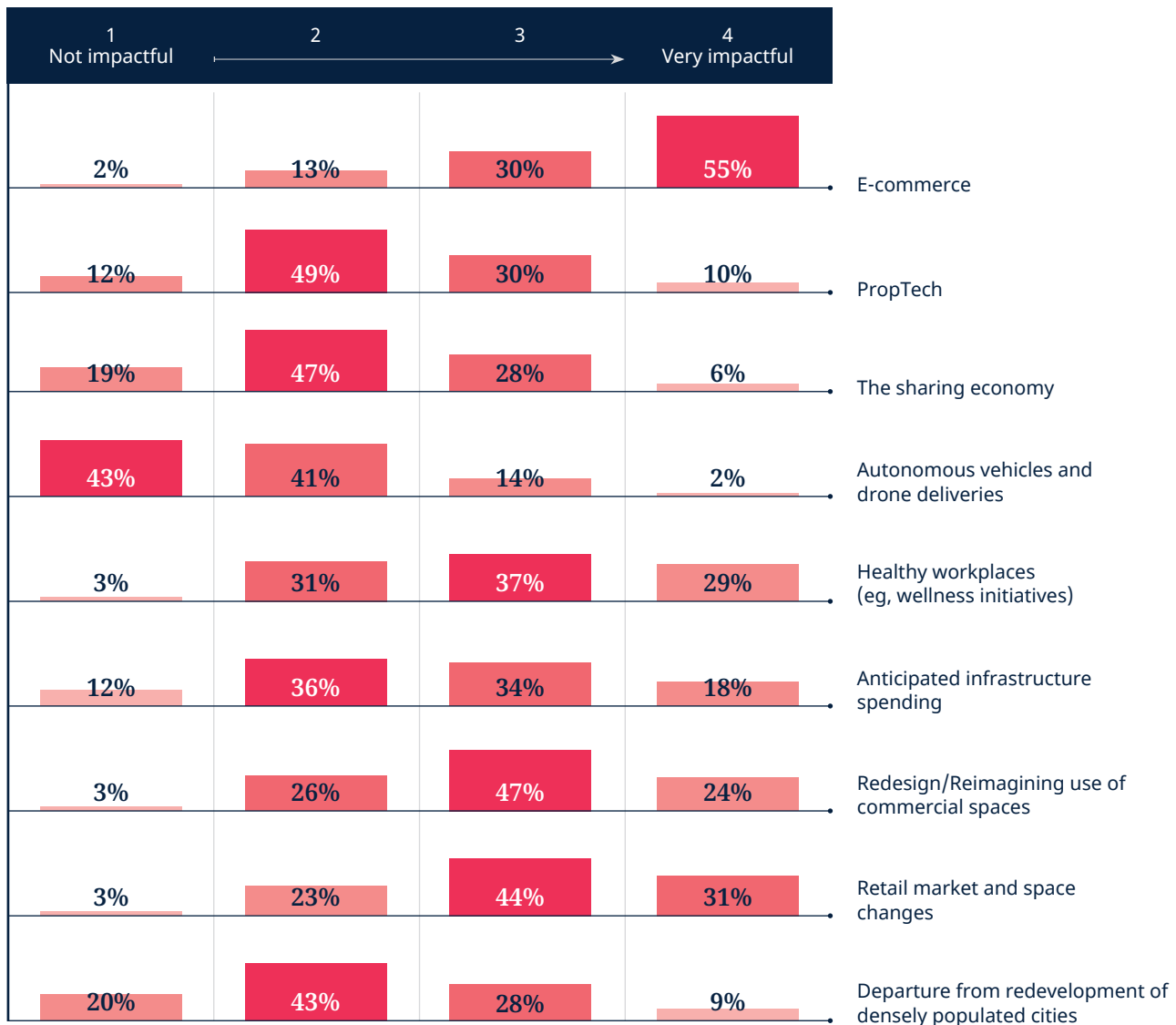
- Among respondents who have a bearish outlook on the CRE market over the next 12 months, the reasons for their lack of confidence are related to the pandemic. Thirty-five percent of the bearish respondents attribute their pessimism to the continuing impact of the pandemic, 24 percent cite long-term effects of working from home, and another 15 percent refer to the uncertainty in underwriting and valuation of commercial property.
- According to a study from the Pew Research Center, more than half of employees prefer to keep working from home post-pandemic regardless of vaccine efficacy.²⁰ This sentiment has the potential to influence the amount of office space needed in the future.

4. Where do you think interest rates are headed during the next 12 months?



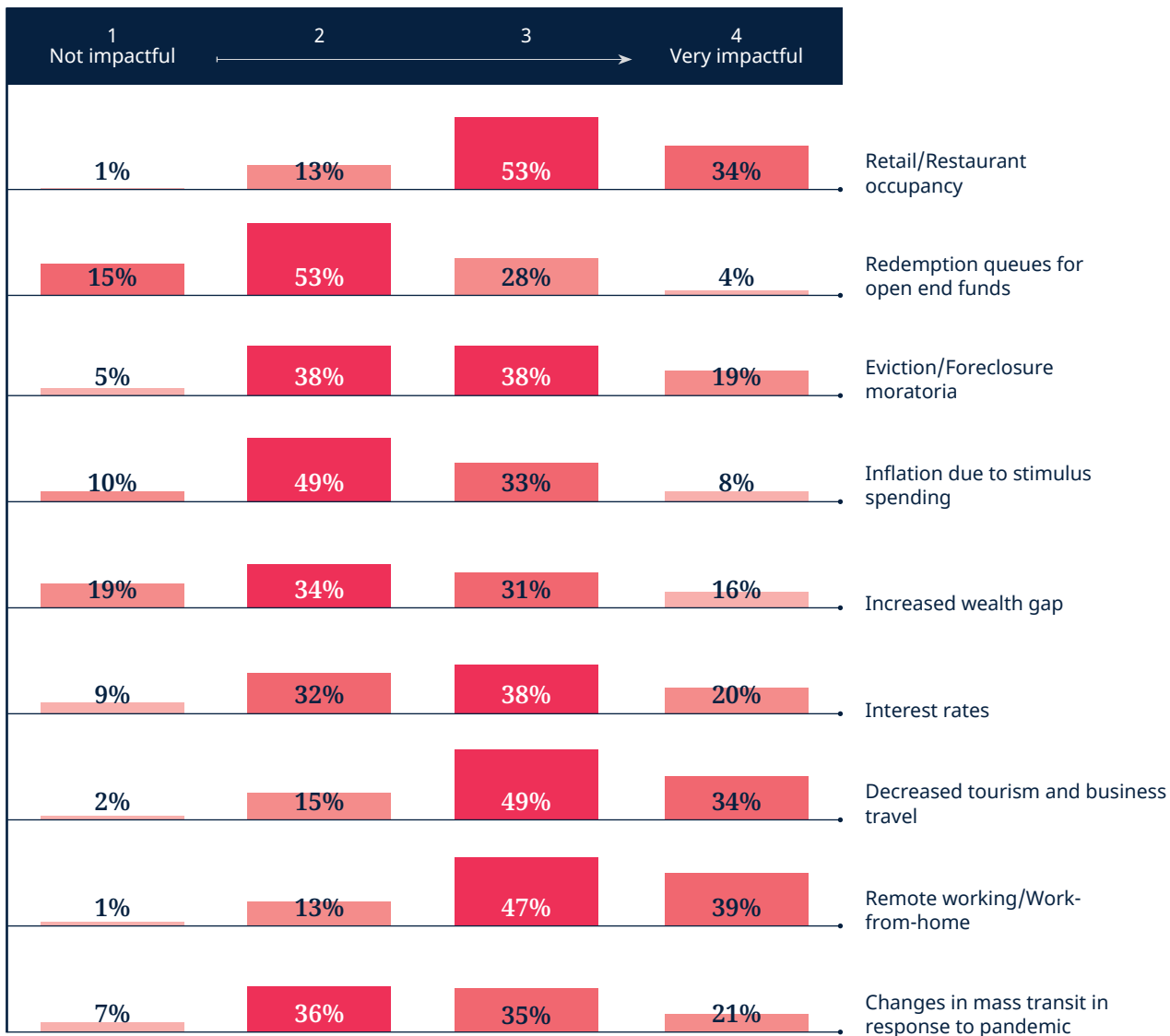
- A majority of respondents believe interest rates will not change or only change up and down slightly, at 93 percent, collectively, echoing the consistency from the Federal Reserve to date. Toward the end of 2020, the Federal Reserve kept interest rates at a very low range, between 0 percent and 0.25 percent, since the emergency cut when the pandemic began.²¹ Through Q1 2021, the Federal Reserve did not make any changes to interest rates. The Federal Reserve has indicated that low rates will remain, and an interest rate hike appears to be unlikely through 2023.²²
- Roughly two thirds of respondents predict a slight increase in interest rates during the next 12 months, an increase of 50 percentage points from the previous Survey, and about a quarter believe there will be no change. This may be due to the historic low interest rates brought on by the pandemic and the cuts that took place in 2019.
- While the Federal Reserve anticipates an economic rebound by the second half of 2021, it plans to maintain rates and buying bonds to support economic growth to help with economic recovery and avoid potential bubbles in the stock market.²³

5. Please rank each of these topics on a scale of 1 to 4, where 1 means they will be “not impactful” and 4 means they will be “very impactful” on the commercial real estate market over the next 12 months.



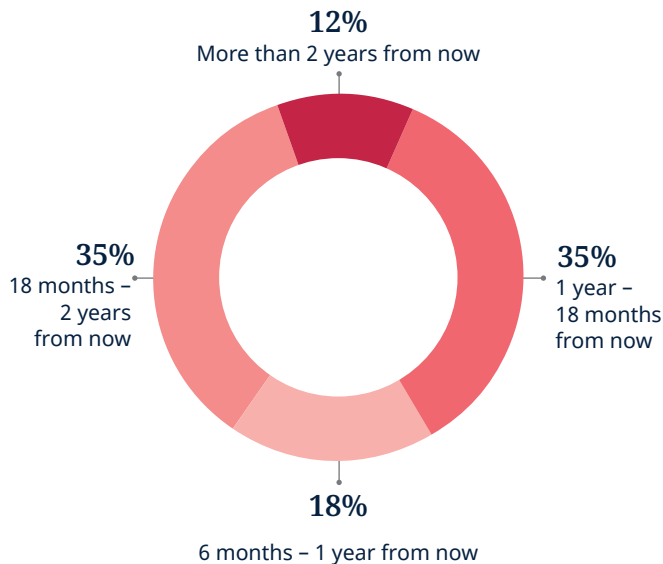
- In a continuation from the previous two Surveys, e-commerce is expected to be the most impactful element on the CRE market over the next 12 months, with 86 percent of respondents citing it as impactful. Within the last six months, the focus on “last mile” distribution for everything from groceries to vaccines has only accelerated the focus on e-commerce.²⁴
- Seventy-five percent of respondents identify challenges in the retail market and retail space changes as likely to be an impactful element in the coming year. On a similar note, redesign and the reimagining use of commercial spaces is the third most impactful element at 71 percent. This is a clear by-product of both e-commerce and COVID-19 as within the next 12 months, the way the industry thinks about the use of shared spaces will continue to evolve.
- The effort to return to work safely is evident with 66 percent of respondents choosing healthy workplaces as an impactful element. Additionally, it supports PropTech’s 9 percentage point increase from the previous Survey as building owners, developers and employers consider how to maintain wellness in their buildings and spaces. Overall, the CRE industry will be central in helping employers figure out how to create healthy spaces.²⁵

6. Thinking specifically about the impacts the pandemic has had and will continue to have on the commercial real estate market, please rank each of these topics on a scale of 1 to 4, where 1 means they will be “not impactful” and 4 means they will be “very impactful” on the commercial real estate market over the next 12 months.



- As the CRE industry looks to create healthy workplaces and companies rethink their physical office spaces, it is no surprise that 86 percent of respondents believe remote working and work-from-home will continue to impact the CRE market in the next 12 months.
- In tandem with remote work cutting out commutes altogether, 57 percent of respondents believe that changes in mass transit will be impactful, which further underscores the influence remote working has on the industry.
- Eighty-six percent of respondents agree that retail and restaurant occupancy will be a COVID-19 specific impact on the CRE market over the next 12 months.
- The hospitality sector has experienced a downturn during the pandemic; however, parts of the sector are starting to show a rebound. According to CBRE, economy and midscale lodging chains are positioned to regain pre-COVID-19 revenue per available room levels by late 2022, while upscale and luxury chains may take more time.²⁶ This can be attributed to the decreased tourism and the lack of business travel over the past year, which 83 percent of respondents believe will continue to impact the CRE market in the next 12 months.

7. When do you anticipate the US GDP returning to pre-COVID-19 levels?



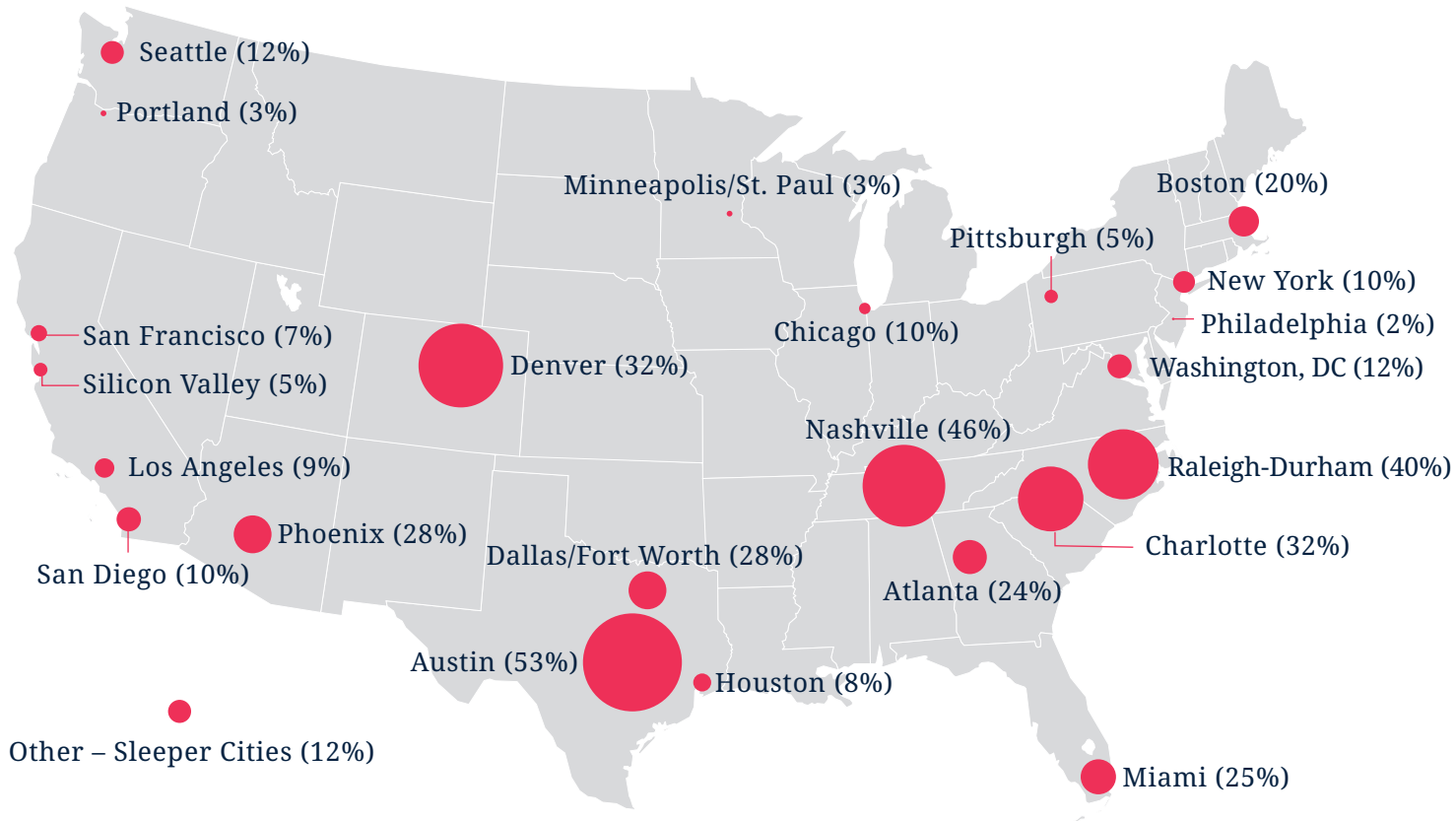
- Echoing the overall bullish sentiment towards the CRE industry, more than half of the respondents anticipate the US GDP will return to pre-COVID-19 levels within 18 months.
- Further, 18 percent of respondents anticipate the US GDP will return to pre-COVID-19 levels within six to 12 months from now, up from just 4 percentage points in the previous Survey.
- Many respondents connect their timeframe with the global rollout of the COVID-19 vaccines and significant pent-up demand in the market, while others point to government stimulus and herd immunity. For example, one respondent explains their selected timeframe by saying, "In terms of CRE, the bottom of the market will be sometime in early 2022 and then we will begin to move up from there." Another writes, "We are still very early on in understanding the long-term impact. It was only 12 months ago that the world changed."

8. Which asset classes present the most attractive risk-adjusted opportunity in the US for real estate investors during the next 12 months?

Logistics and warehousing	61%
Life science/Biotech	57%
Multifamily	49%
Data centers	44%
Medical offices	37%
Cold storage	36%
Industrial (excluding logistics and warehousing)	33%
Affordable housing	32%
Senior housing	25%
Hotels/Lodging	22%
Urban/Transit oriented mixed-use development	15%
Office suburban	13%
Office downtown	11%
Student housing	10%
Retail	9%
Parking lots and facilities	9%
Other	1%

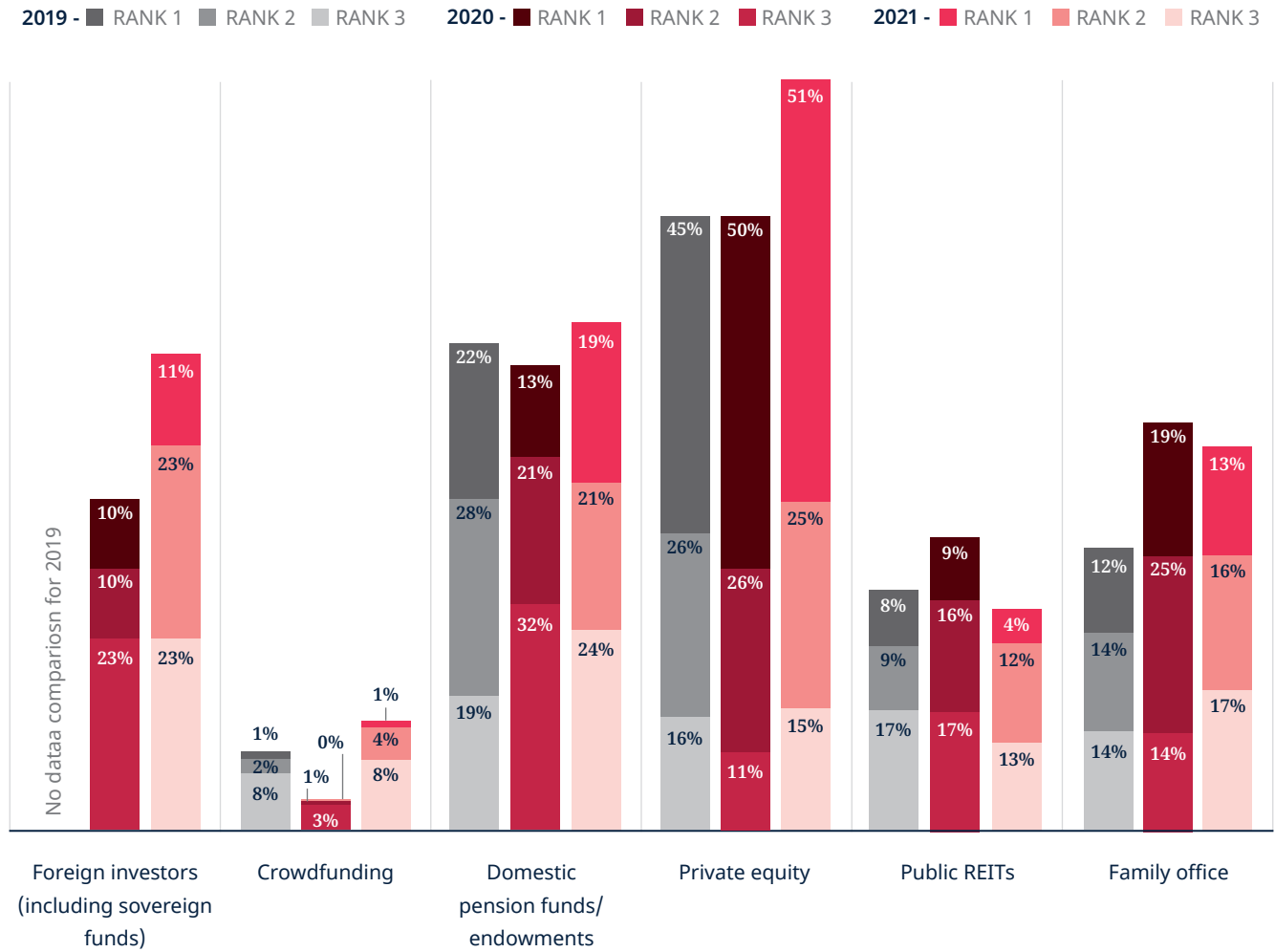
- Consistent with the previous Survey, logistics and warehousing and life science/biotech remain the most attractive risk-adjusted opportunities in the US for real estate investors during the next 12 months. Both classes play a continued role in keeping the COVID-19 vaccine efforts underway and are bright spots for the CRE industry.
- Multifamily housing almost completely returns to 2019 Survey levels with 49 percent of respondents selecting it as the most attractive opportunity, down only 1 percentage point from the 2019 Survey. Experts point to financial flexibility as a driver of the rebound and expect a complete return to pre-pandemic occupancy levels this year with rent prices returning to pre-pandemic levels by 2022.²⁷ All housing sectors – senior housing, affordable housing and student housing – exhibits an increase in attractiveness and return to the sentiment shown in the pre-pandemic 2019 Survey.
- Another rallying sector is hospitality, with a 16-percentage point increase from the last Survey, reaching 22 percent and surpassing pre-pandemic levels. With travel and leisure activity increasing, the hospitality sector is poised to begin its recovery.
- The temporary surge in suburban office demand is reflected in its decrease in popularity from 21 percent in the 2020 Survey to 13 percent this year.

9. What are the top US cities for investment during the next 12 months?



- Austin maintains its status as the number one US city for investment during the next 12 months at 53 percent, a 4-percentage point increase from the 2020 Survey. Nashville holds second place again with 46 percent. Raleigh-Durham, at 40 percent, takes over the third spot with Denver and Charlotte falling to the fourth spot, both at 32 percent. These results show a strong trend in investments in the non-coastal South.
- The largest cities such as New York, Los Angeles, San Francisco and Washington, DC continued to see a decrease in attractiveness, likely due to impacts from the pandemic. For example, Washington, DC and Silicon Valley both decreased by 8 percentage points from the 2020 Survey.
- However, Austin, Phoenix and Miami saw a significant uptick from the 2020 Survey with increases of 4 percentage points, 11 percentage points and 17 percentage points, respectively, which could predict the coming boom back to larger southern cities but still on trend with investments in warmer climates. Due to younger demographics being drawn to jobs, social opportunities and public services, experts predict that large cities will bounce back - as they have after previous crises - especially in locations with robust vaccine compliance.²⁸
- Tampa was the most common write-in answer as a “sleeper city” followed by Salt Lake City and Charleston.

10: What types of equity investors do you expect will be most active in the US during the next 12 months?



- In line with the two previous Surveys, private equity investors are expected to be the most active type of equity investor in the US CRE market in the next 12 months at 51 percent.
- Foreign investors (including sovereign funds) notably gained 12 percentage points as the second most anticipated active type of equity investor in the next 12 months. Combining favorable debt terms and pent-up demand, the appetite for US real estate is strong among foreign investors.²⁹

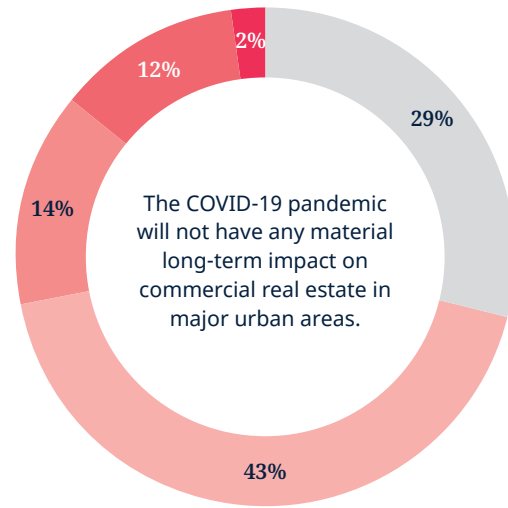
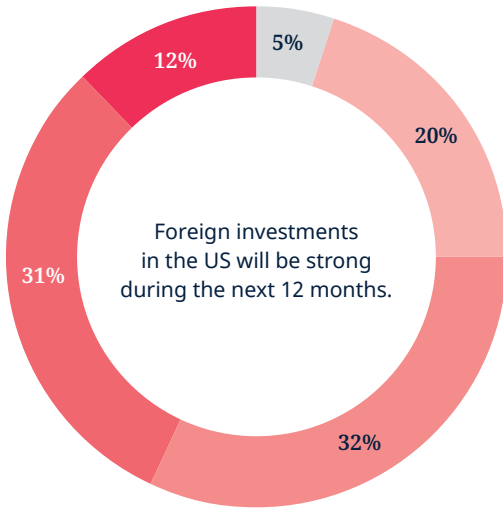
11: Which of the following factors will have the greatest impact on the global commercial real estate market?

Continuing impact of pandemic generally	53%
Global economic outlook	50%
US economic outlook	45%
Tourism and business travel	40%
Impact of pandemic on use of space	34%
US relations with China	19%
Political changes in the US federal government	13%
Global political instability	10%
Climate change policies	7%
Brexit implementation/EU developments	4%
US trade wars with other countries	3%
US relations with western alliances	3%
US immigration policies	2%
Tensions in the Middle East	1%
Other	1%

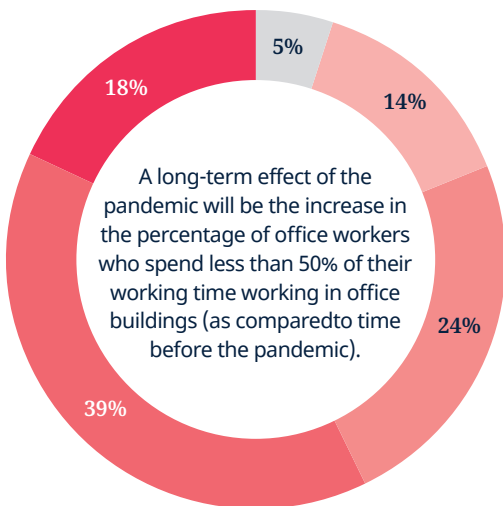
- In the 2019 and 2020 Surveys, global political instability and US relations with other countries were expected to be the most impactful on the global CRE market; however, those factors are down to 10 percent and 3 percent this year, respectively, making room for new influences.
- This year, 53 percent believe the continuing impact of the pandemic generally will be the most impactful, followed by tourism and business travel at 40 percent.

12: Listed below are statements that express a range of attitudes and opinions people may have about the commercial real estate market. Please rate each on a scale of 1 to 5, with 1 meaning that you “completely disagree” with this statement, and 5 meaning you “completely agree” with this statement.

■ COMPLETELY DISAGREE ■ DISAGREE ■ NEUTRAL ■ AGREE ■ COMPLETELY AGREE



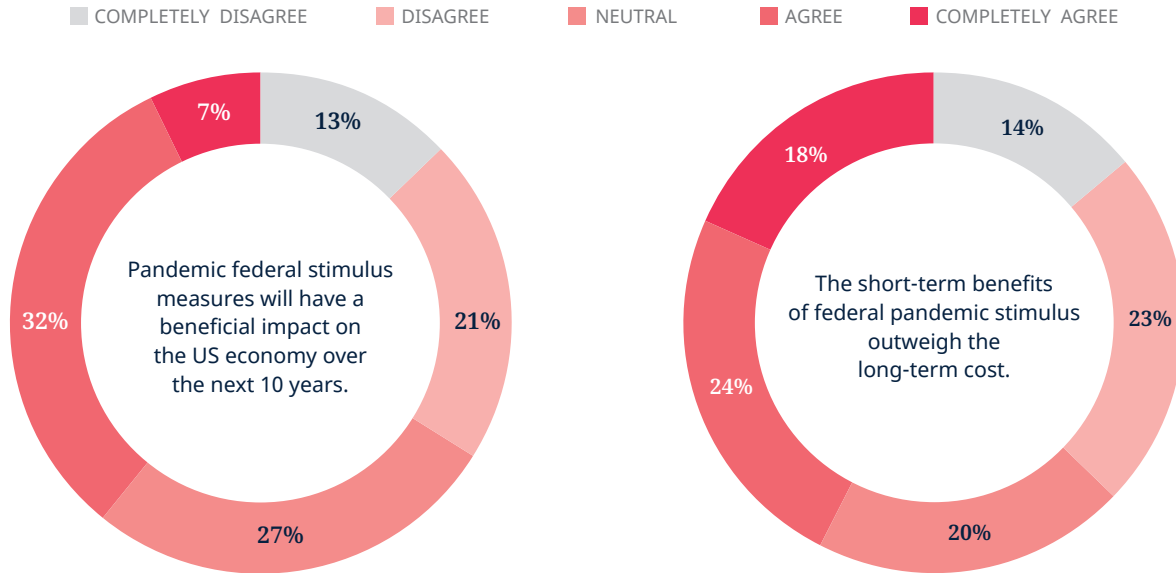
- Foreign investments slowed during the pandemic; however, Survey respondents are optimistic that foreign investment levels will return. Forty-three percent of respondents agree that foreign investments in the US will be strong during the next 12 months, up 21 percentage points from the 2020 Survey. Experts predict there will be major flows of foreign capital in 2021 as investors seek diversification.³⁰
- When looking at the post-pandemic CRE landscape, 72 percent of Survey respondents disagree that COVID-19 will not have any material long-term impact on CRE in major urban areas. However, industry experts are optimistic and note that as monumental as 2020 was, 2021 could be even more so as the recovery process presents the industry with opportunities to become even more resilient.³¹



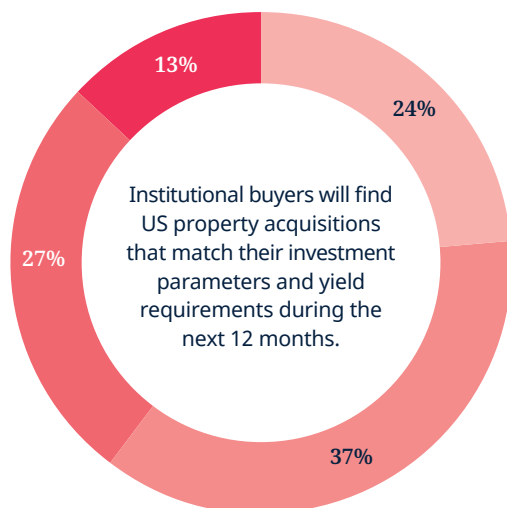
- Consistent with the focus on office space noted in question six, 58 percent of respondents agree that a long-term effect of the pandemic will be an increase in the percentage of office workers who spend less than 50 percent of their working time in office buildings.

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(continued) Listed below are statements that express a range of attitudes and opinions people may have about the commercial real estate market. Please rate each on a scale of 1 to 5, with 1 meaning that you “completely disagree” with this statement, and 5 meaning you “completely agree” with this statement.

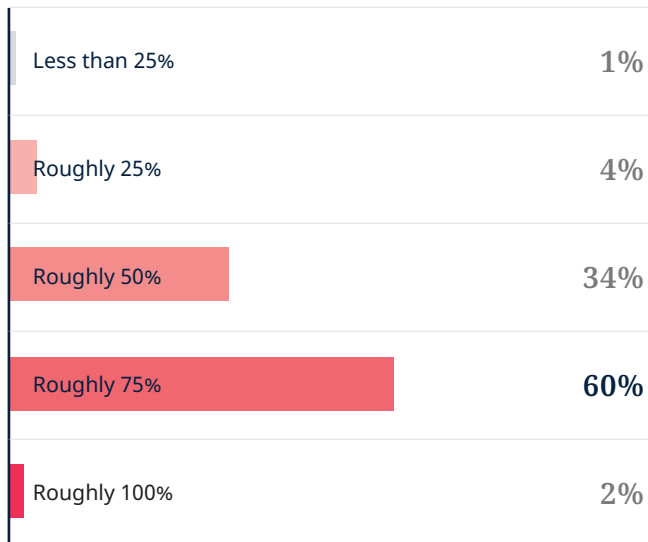


- Overall, 39 percent of Survey respondents agree that the pandemic federal stimulus measures will be beneficial to the US over the next 10 years and 43 percent agree that the short-term benefits of the federal pandemic stimulus outweigh the long-term cost. Experts say that while stimulus efforts have helped keep businesses afloat, new formulations and approaches to stimulus offerings can help accelerate a recovery specifically for the CRE industry.³²



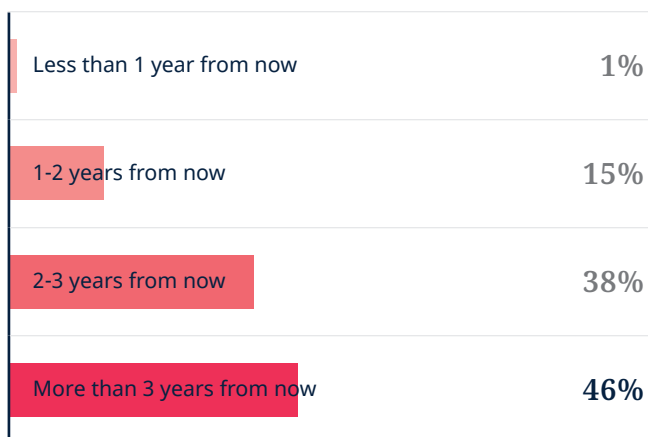
- Remaining steady across the past three Surveys, 39 percent of this year's respondents agree that institutional buyers will find US property acquisitions that match their investment parameters and yield requirements during the next 12 months.

13: What percentage of office workers will be back in their offices full time 12 months from now?



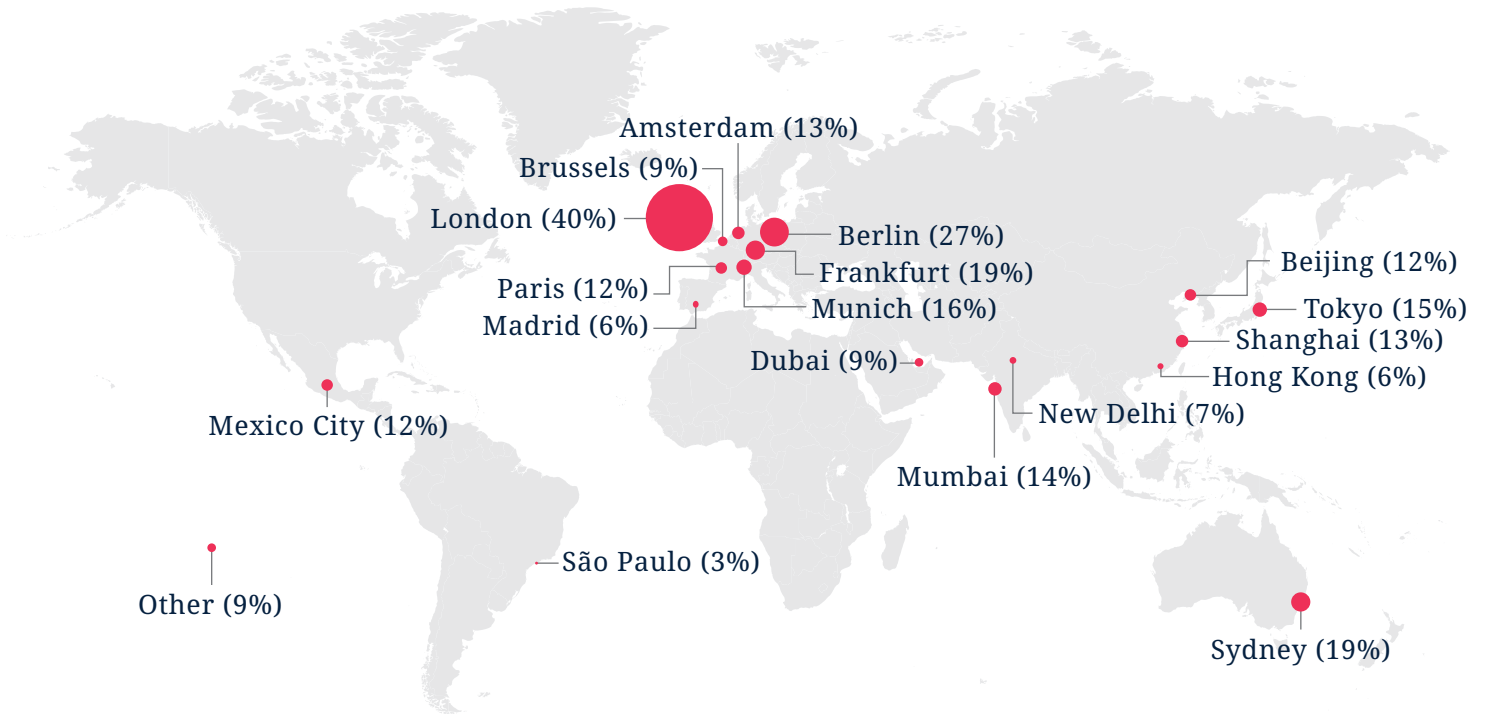
- While some industries are embracing the remote work culture, others are starting to reopen their workspaces to employees.³³ Regarding a return to the office, 60 percent of respondents believe that roughly 75 percent of workers will be back in their offices full time within 12 months.
- Vaccine rollouts and video conference fatigue are two factors driving the return to the office; however, most companies are preparing for a hybrid model,³⁴ a nod to the continued impact healthy workplaces and remote work will have in the future on the CRE industry.

14: When do you anticipate US office building vacancy returning to pre-pandemic levels?



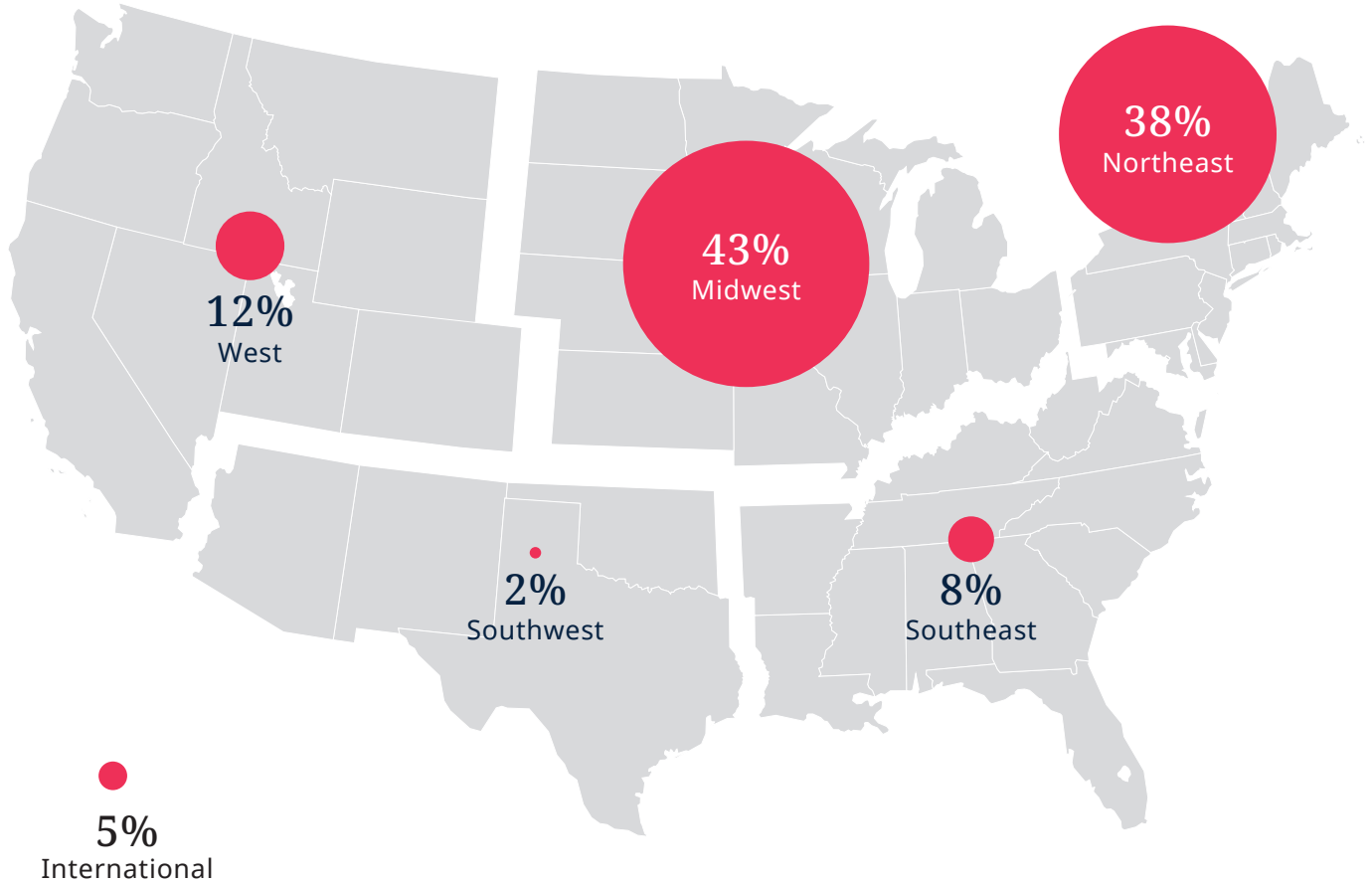
- While respondents believe offices will begin to fill up within the next 12 months, many expect it will take longer for office building occupancy to return to pre-pandemic levels – 84 percent of respondents anticipate it will take at least two years for US office building occupancy to fully rebound.
- While total office space vacancy rose to 17 percent at the end of 2020³⁵ and only 16 percent of the respondents expect a full recovery in less than two years, there is reason for renewed optimism in office space. According to KPMG's *CEO Outlook Pulse Survey*, only 17 percent of respondents plan to downsize their company's office space footprint.³⁶

15: Which of the following international cities are most attractive for investment during the next 12 months?



- For the third consecutive time, London is identified as the most attractive international city for investment during the next 12 months at 40 percent, an increase from 32 percent in the 2020 Survey. According to Colliers' Foreign Investment Map, overseas investment into UK CRE made up a record half of the market share, reaching £48.6 billion in 2020.³⁷
- Berlin overtakes the second spot, moving up from third in the 2020 Survey, with 27 percent. Frankfurt and Sydney are tied with 19 percent to round out the top three.
- Some cities that saw significant changes in this category from the 2020 Survey are Mexico City and Mumbai, both up by 9 percentage points, and Beijing and Brussels, both up by 6 percentage points.

16. Where is your primary residence?



Methodology

Between February 22, 2021 and March 22, 2021, DLA Piper distributed a survey to experts within the commercial real estate industry via LinkedIn and email lists. These experts include CEOs, COOs, CFOs, real estate developers, real estate debt providers, real estate investors, third-party brokerage, property and asset managers and other real estate professionals. The survey was completed by 173 respondents in total. Due to rounding and multi-select questions, percentages used in some of the questions may not equal 100 percent.

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Real Estate at a glance

Recent representative matters

DLA Piper represents clients in many of the most significant recent commercial real estate transactions, among them:

- **Hines** in the acquisition, entitlement, financing and development of the US\$2.0 billion mixed-use 678-foot tower and new public bus terminal in the air rights about the South Station Transportation Center in Boston, MA.
- **Ventas, Inc.** in the US\$1.015 billion acquisition and financing of a life-science portfolio in the San Francisco Bay Area.
- **HYM Investment Group** in obtaining zoning approvals from the City of Boston for the redevelopment of the Suffolk Downs race track, a project that includes more than 10.5 million square feet of residential and commercial space on approximately 102 acres and is the largest development project ever approved in Boston.
- **Equity Residential** in a US\$495 million Fannie Mae Credit Facility secured by 9 properties located throughout the US.
- **Harrison Street Real Estate** in the US\$533 million acquisition and financing of 21 assisted living senior housing facilities located throughout the US.
- **Berkshire Residential** in the acquisition of a 13 asset portfolio of multifamily properties and the simultaneous negotiation of a US\$710 million Master Credit Facility Agreement with Prudential Multifamily Mortgage and Fannie Mae.
- **Fosun International** in a US\$1.025 billion loan from Deutsche Bank and HSBC to refinance its 60 story mixed-use tower at 28 Liberty Street in New York City.
- **Oxford Properties Group** in a joint venture with another non-US investor for the US\$3.7 billion acquisition of a logistics company with a portfolio of more than 110 operating assets covering approximately 31 million square feet, 35 development projects covering approximately 16 million square feet, and 33 land parcels, located throughout the US.
- **Related Midwest** in the acquisition and development of a US\$1 billion mixed use development at 400 North Lake Shore Drive, Chicago involving two high rise towers with a combined 1,100 apartments, and the completion of a river walk along the Chicago River and funding for the long-delayed 4.5 acre DuSable Park.
- **Landmark Development Services Company** in obtaining entitlements and structuring public and private financing for the development of more than 22 million square feet of transit, retail, entertainment, residential, office, hospitality, innovation/education and public amenity improvements on air rights property above rail yards located in between McCormick Place and Soldier Field/Museum Campus on Chicago's lakefront.
- **The Taubman Company** in the redevelopment of the 1.5+ million ft.² super-regional shopping center into a transit-oriented, mixed-use development through a multi-disciplined, multi-track approach of amending the Fairfax County Zoning Ordinance parking requirements, the Comprehensive Plan recommendations for these strategic 100+ acres, and the site's zoning designation in order to seek up to 4.5 million ft. of residential, office, hotel, entertainment and retail development.

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A Top 5 Real Estate Law Firm (10 consecutive years) - *Commercial Property Executive & Multi-Housing News 2020*

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