

# Global Economic And CRE Outlook

August 22, 2024

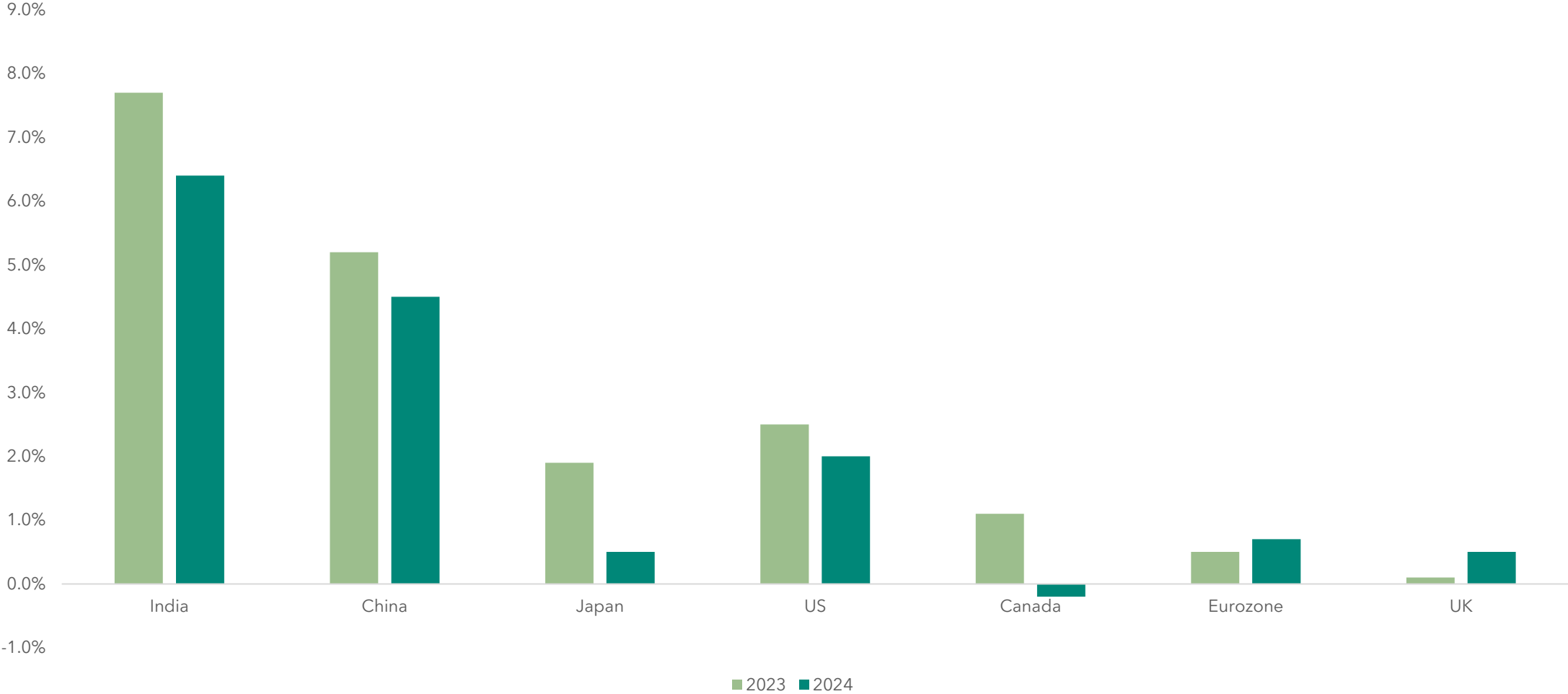
Ryan Severino, CFA

Chief Economist and Head of Research

# Global Economic Context

# Global GDP Growth Slowing Marginally

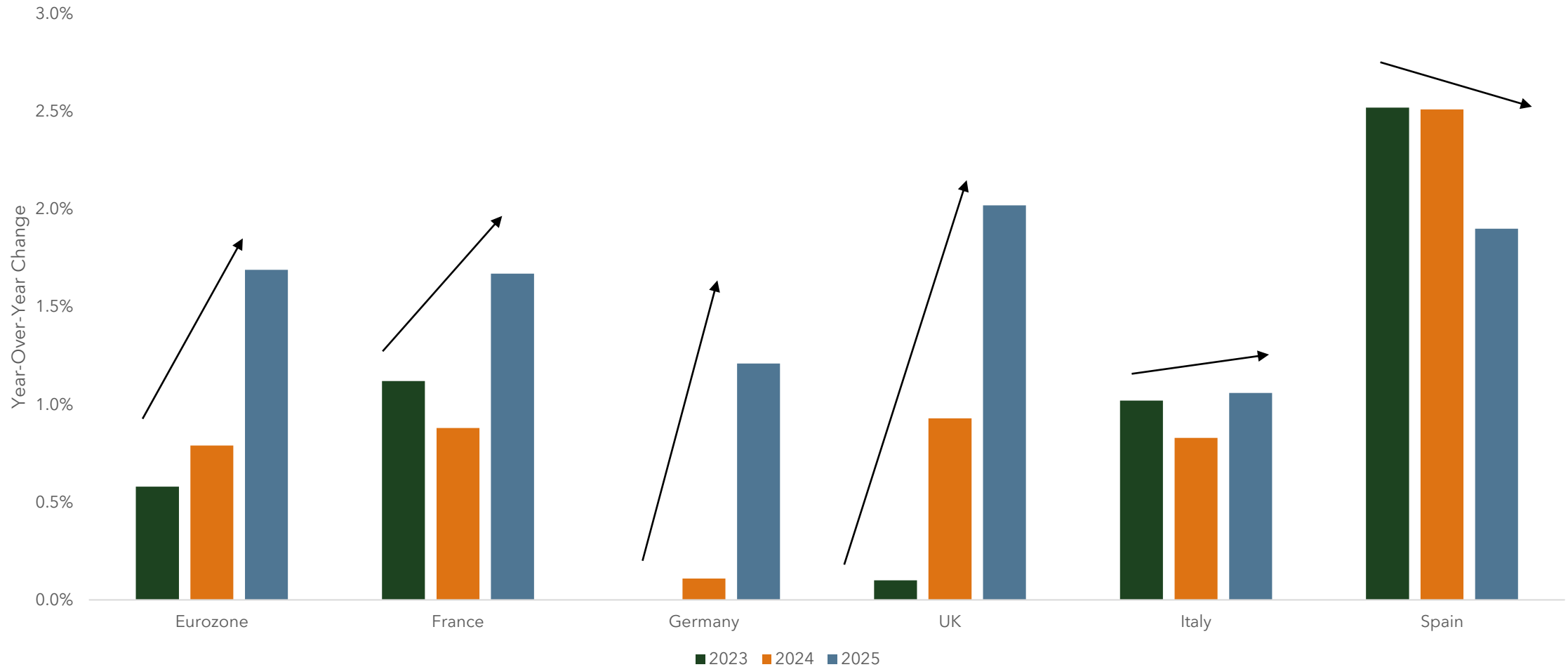
Notable Variation By Region



Sources: Oxford Economics, BGO Economics and Research

# Europe's Economic Outlook Brightens

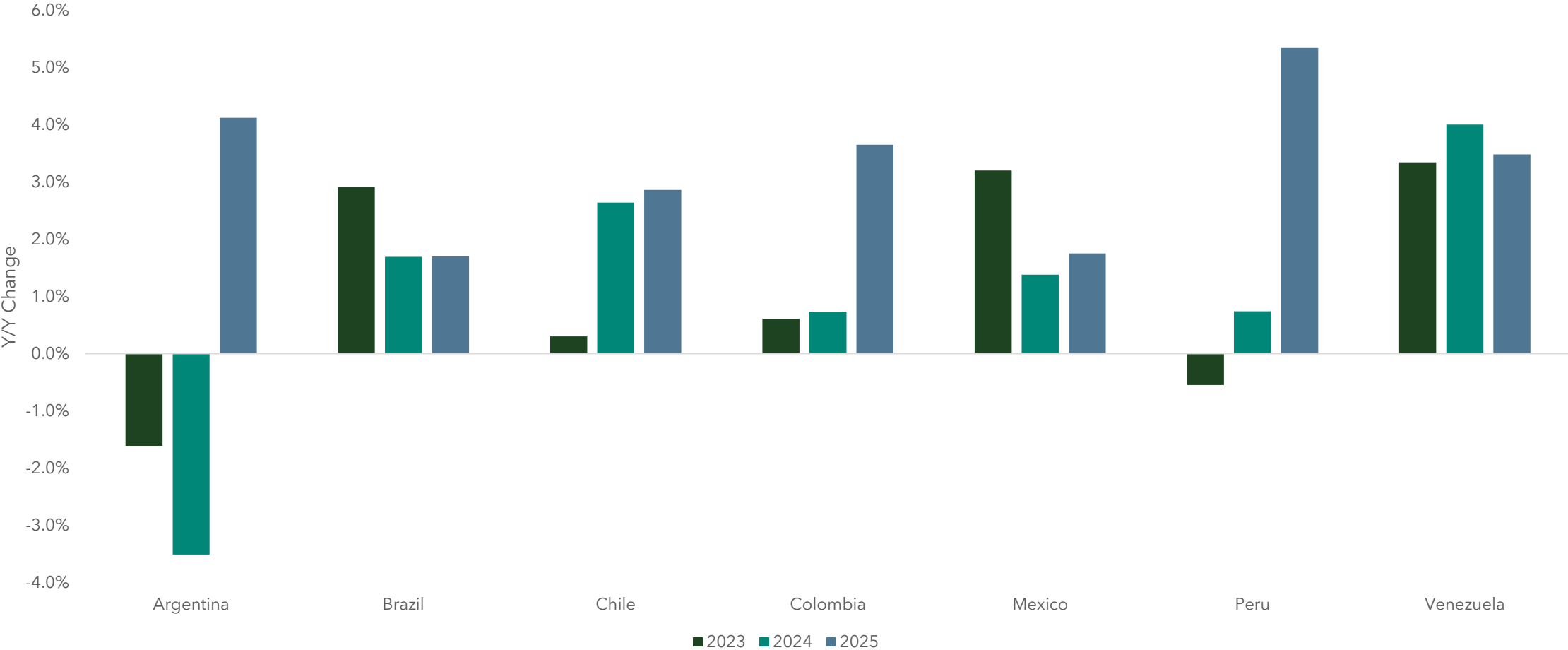
Real GDP



Sources: Oxford Economics, BGO Economics and Research

# GDP Growth In Latin America Is Diverse

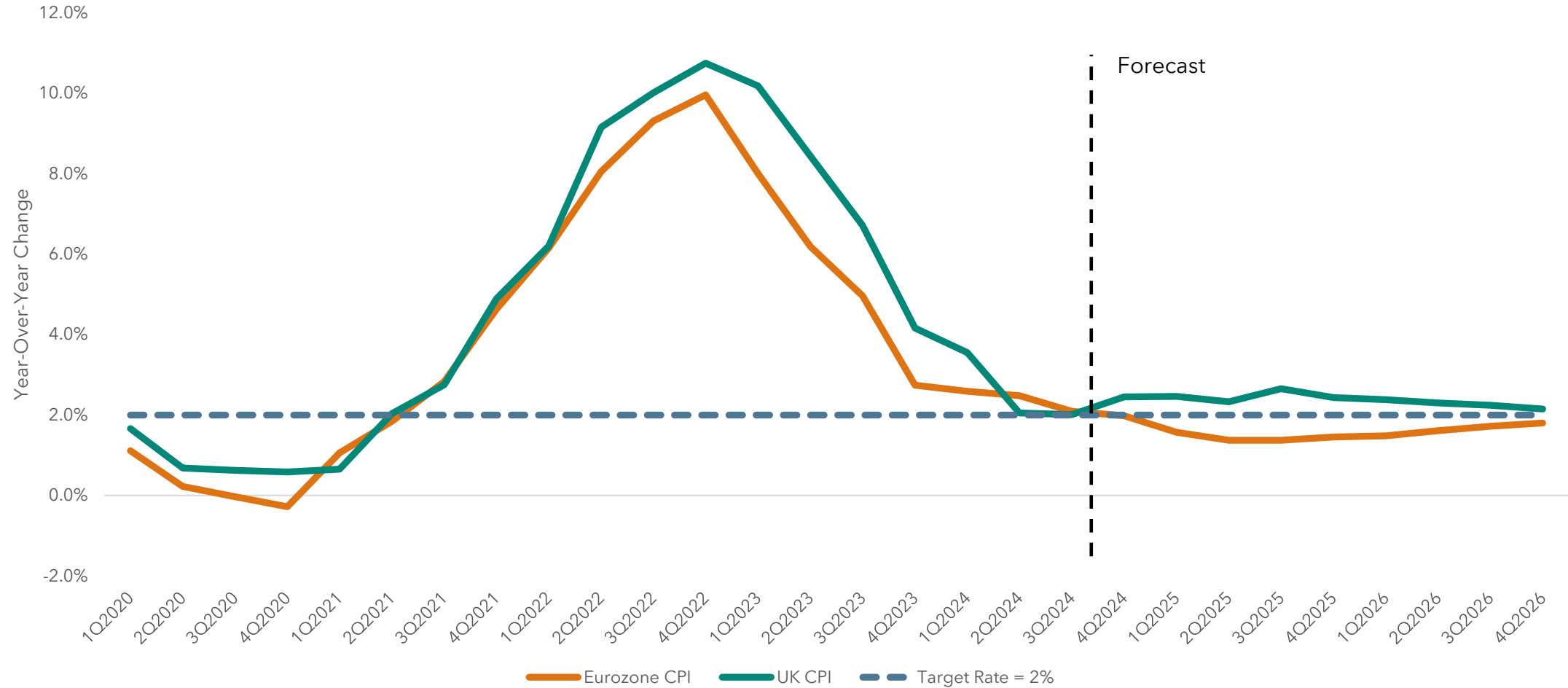
Notable Variation By Country



Sources: Oxford Economics, BGO Economics and Research

# Ongoing Inflation Progress

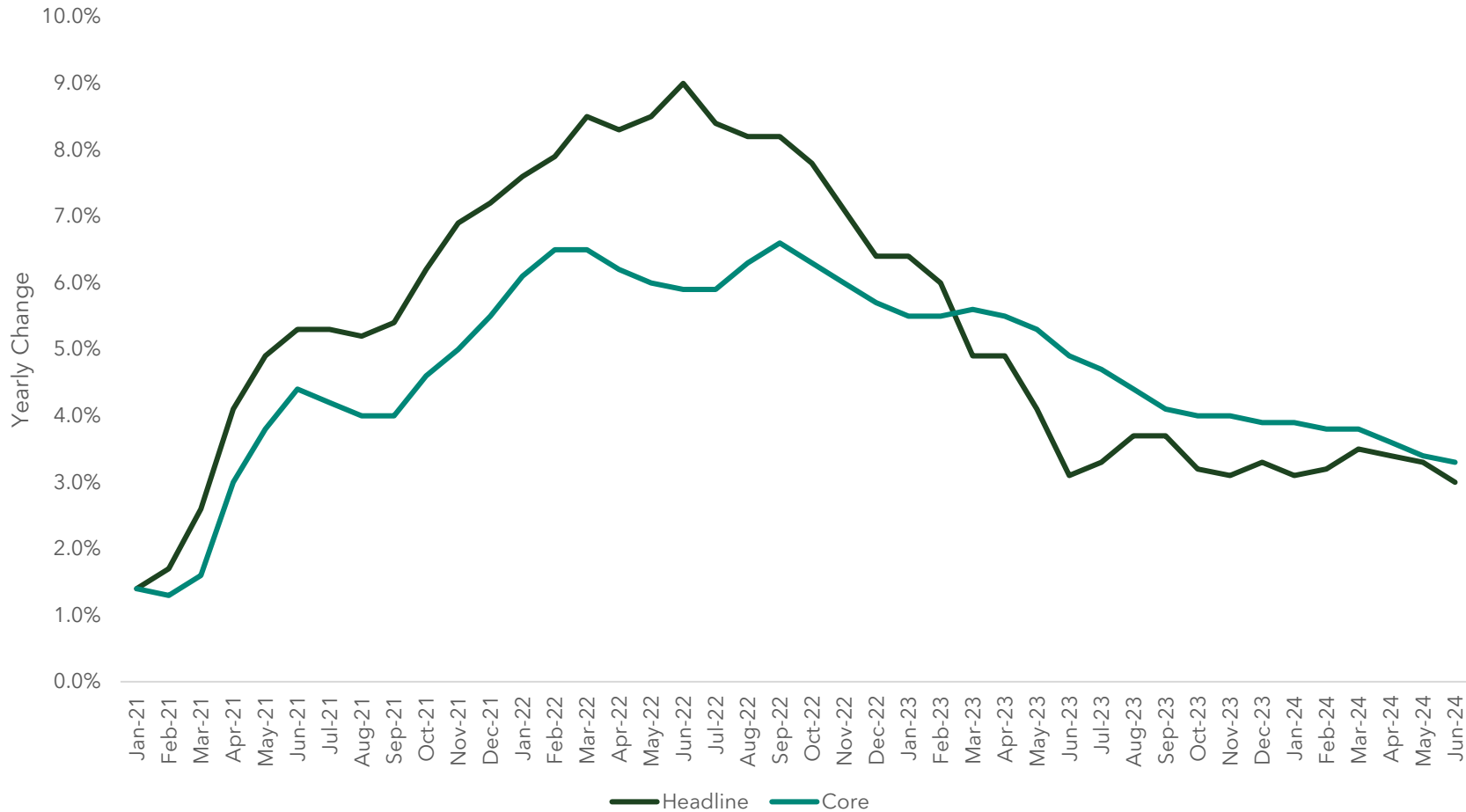
At or Near Target



Sources: Oxford Economics, BGO Economics and Research

# Inflation Still Slowing

## Consumer Price Index

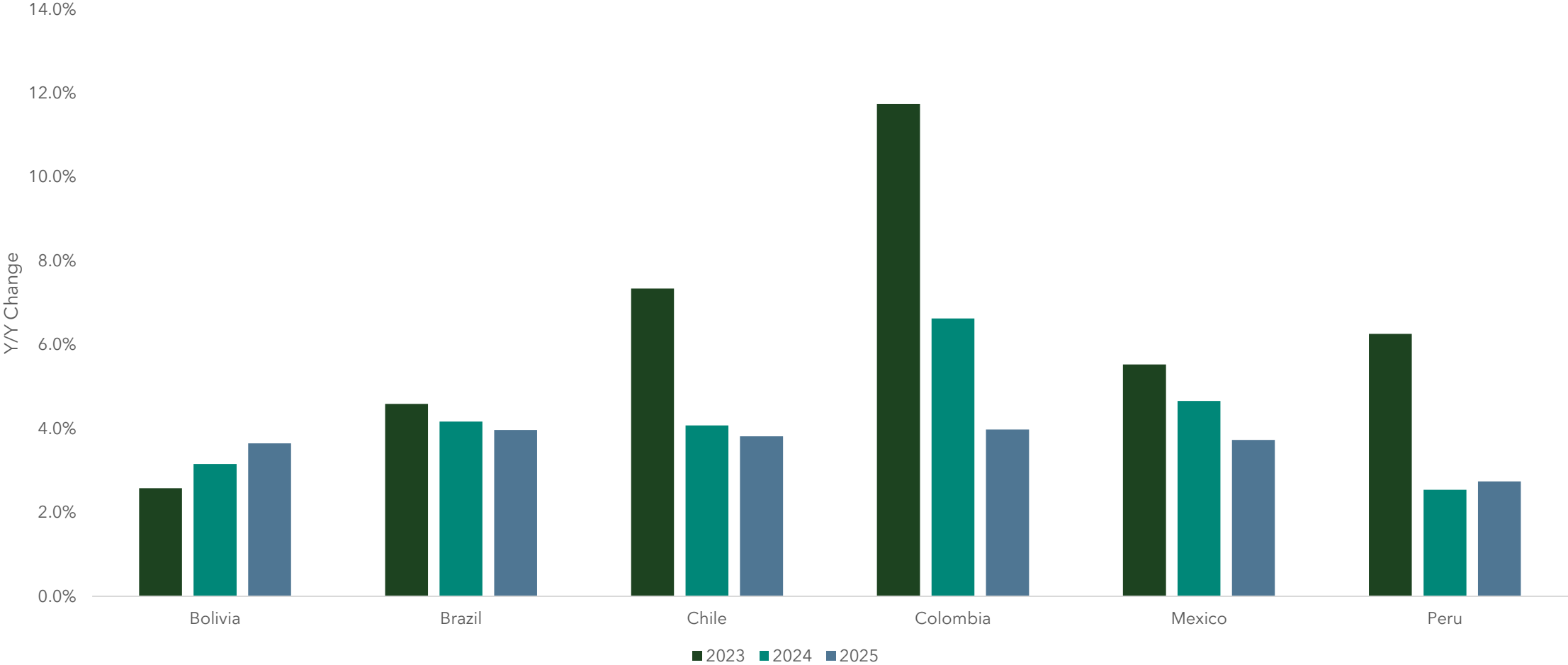


- Slowing growth reducing demand pressure.
- Supply side largely recovered.
- Housing still overstating key US inflation rates.

Sources: BLS, BGO Economics and Research

# Inflation Outlook Improves

Significant Slowing

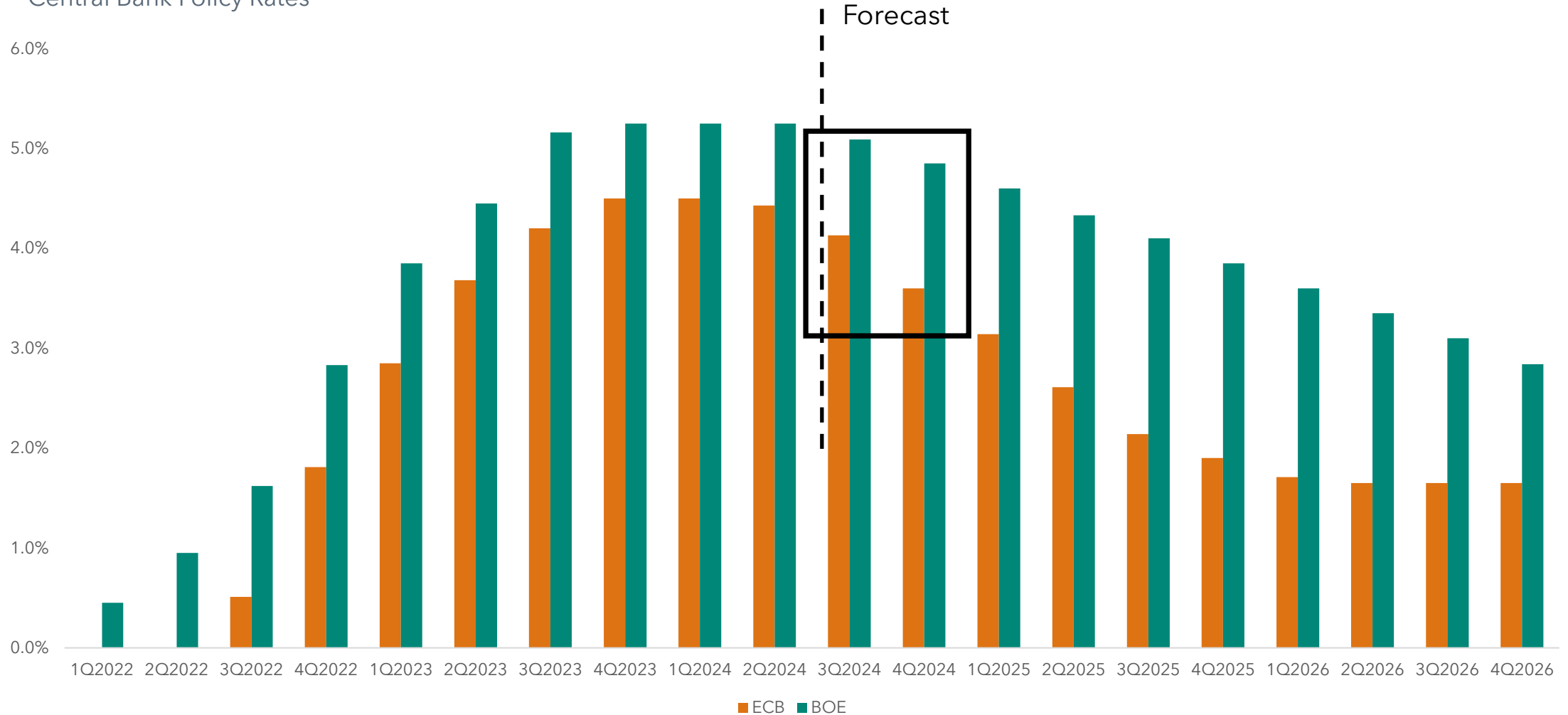


Sources: Oxford Economics, BGO Economics and Research



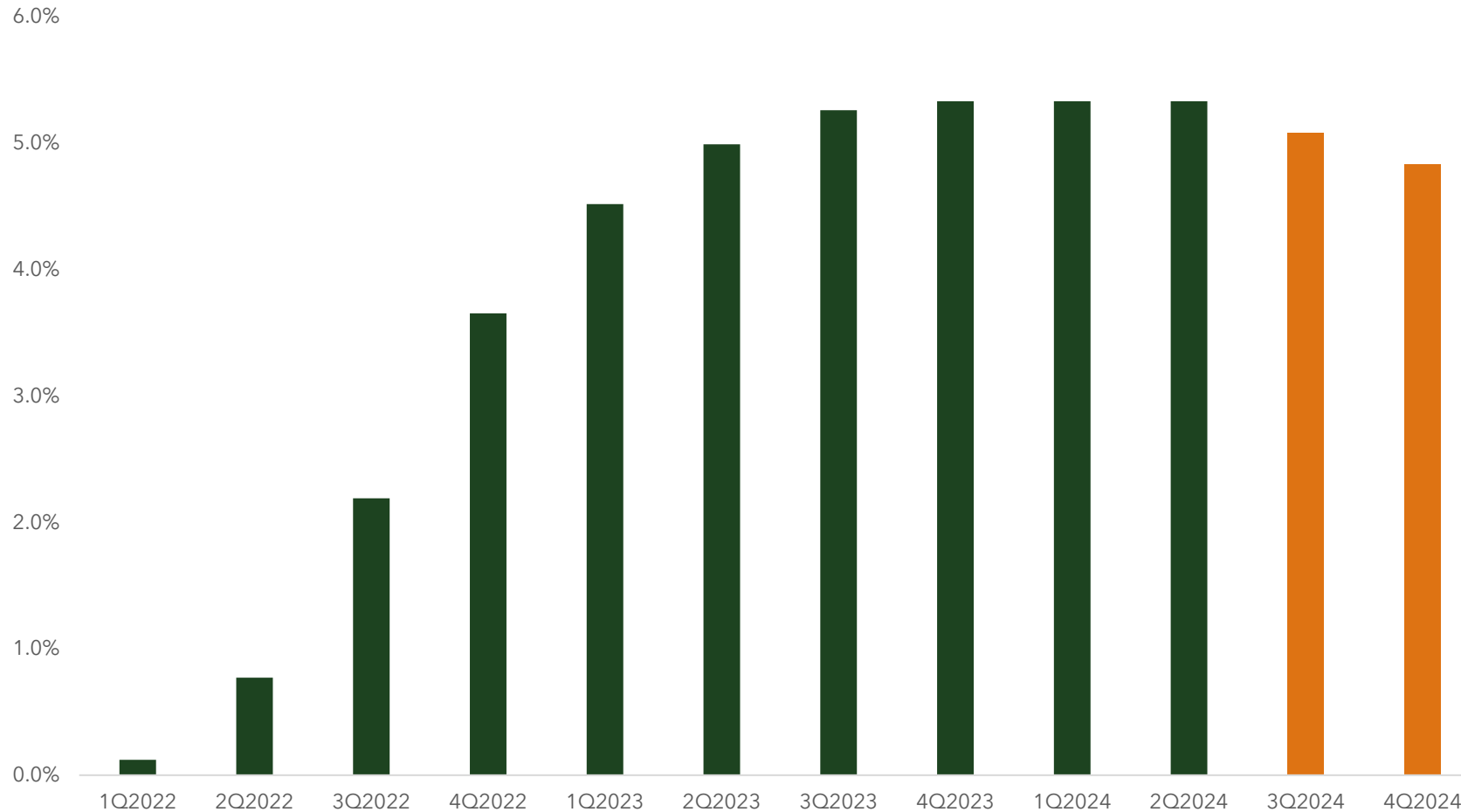
# European Monetary Policy Already Shifting

Central Bank Policy Rates



# Not Changing Our US Interest Rate Outlook

## Fed Funds Rate

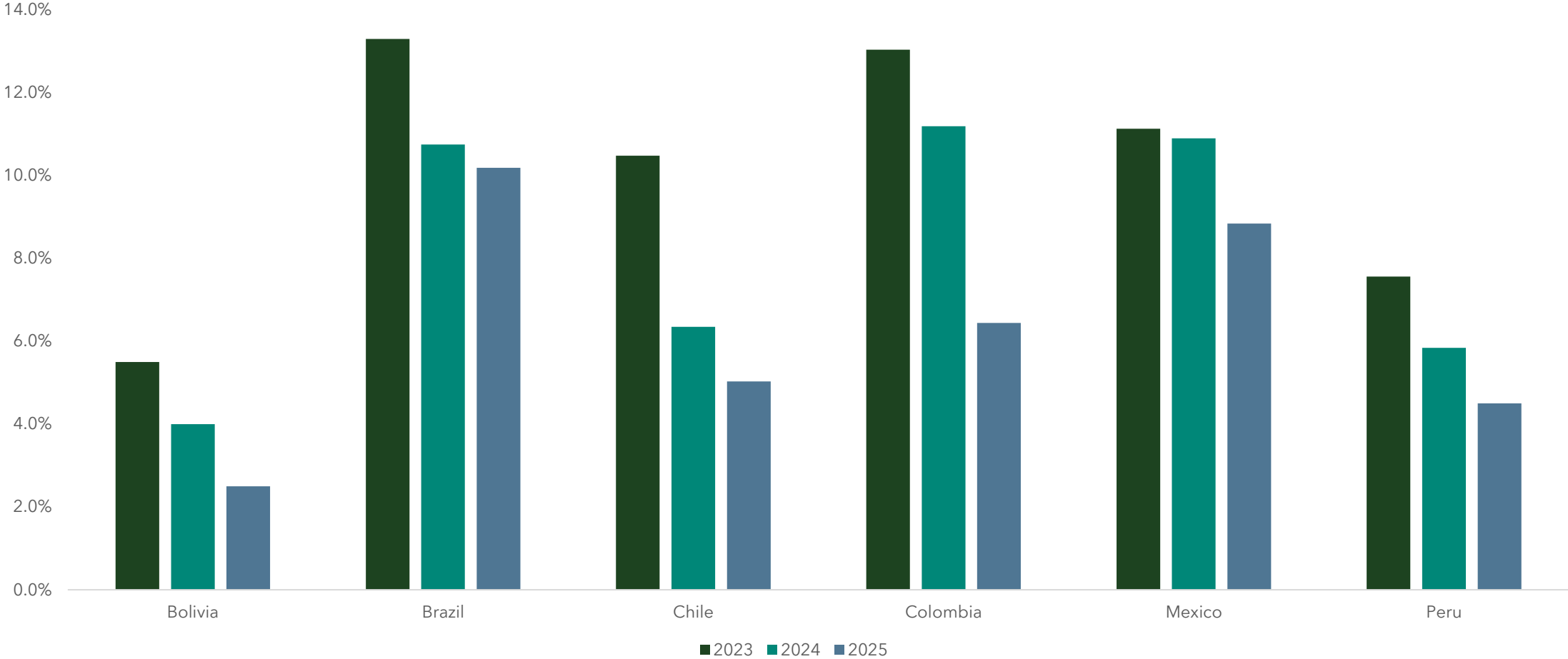


Sources: Federal Reserve, BGO Economics and Research

- Fed has all the evidence it needs to start cutting in September.
- 1 or 2 cuts highest probability.
- Repricing of CRE risk would occur quickly.

# Regional Monetary Policy Shifting

Latin America Central Bank Policy Rates

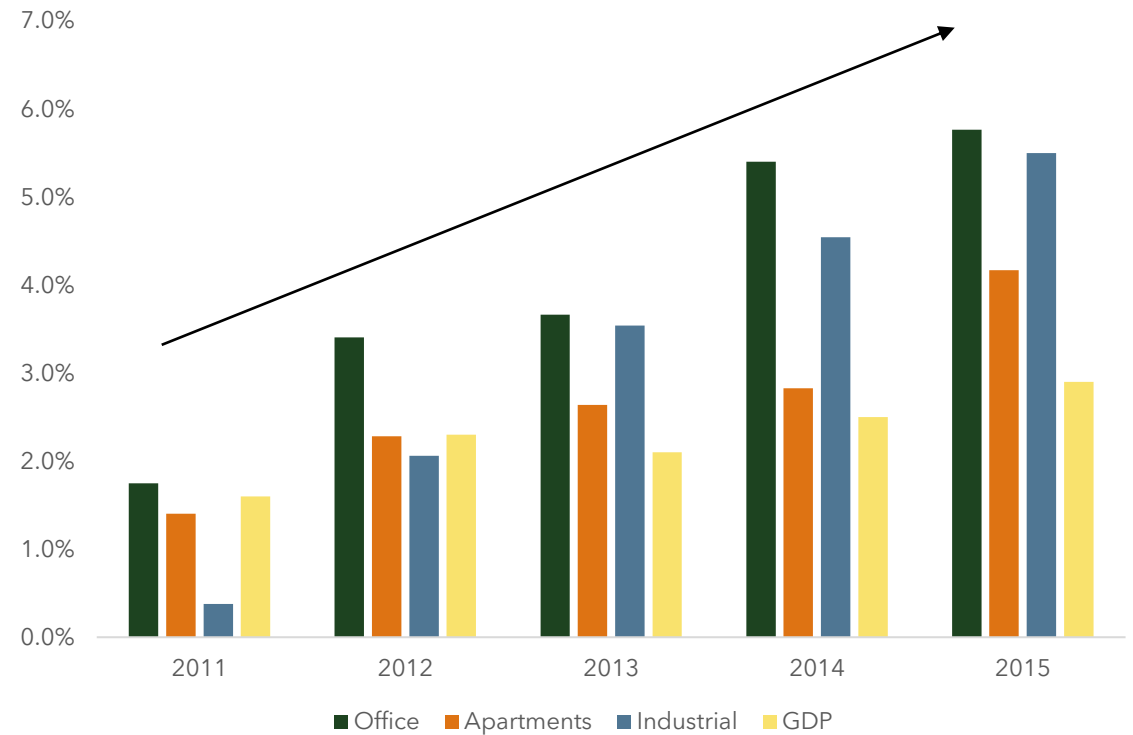
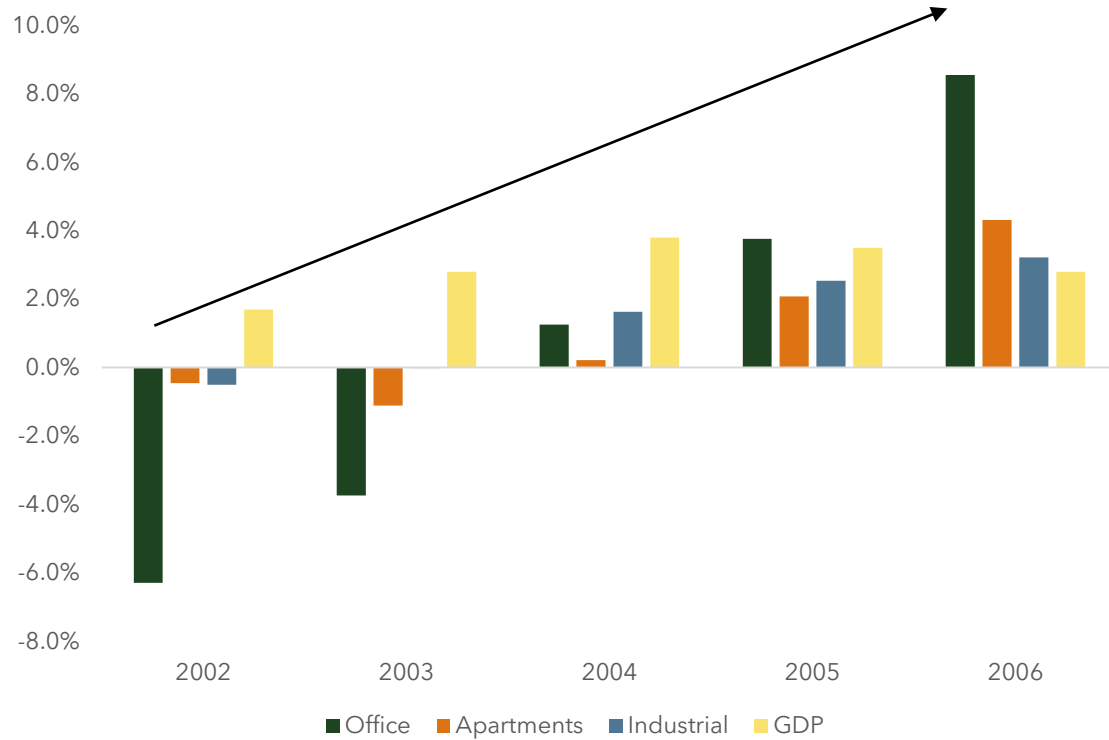


Sources: Oxford Economics, BGO Economics and Research

# CRE Recovery Ahead

# Historical Recovery Patterns

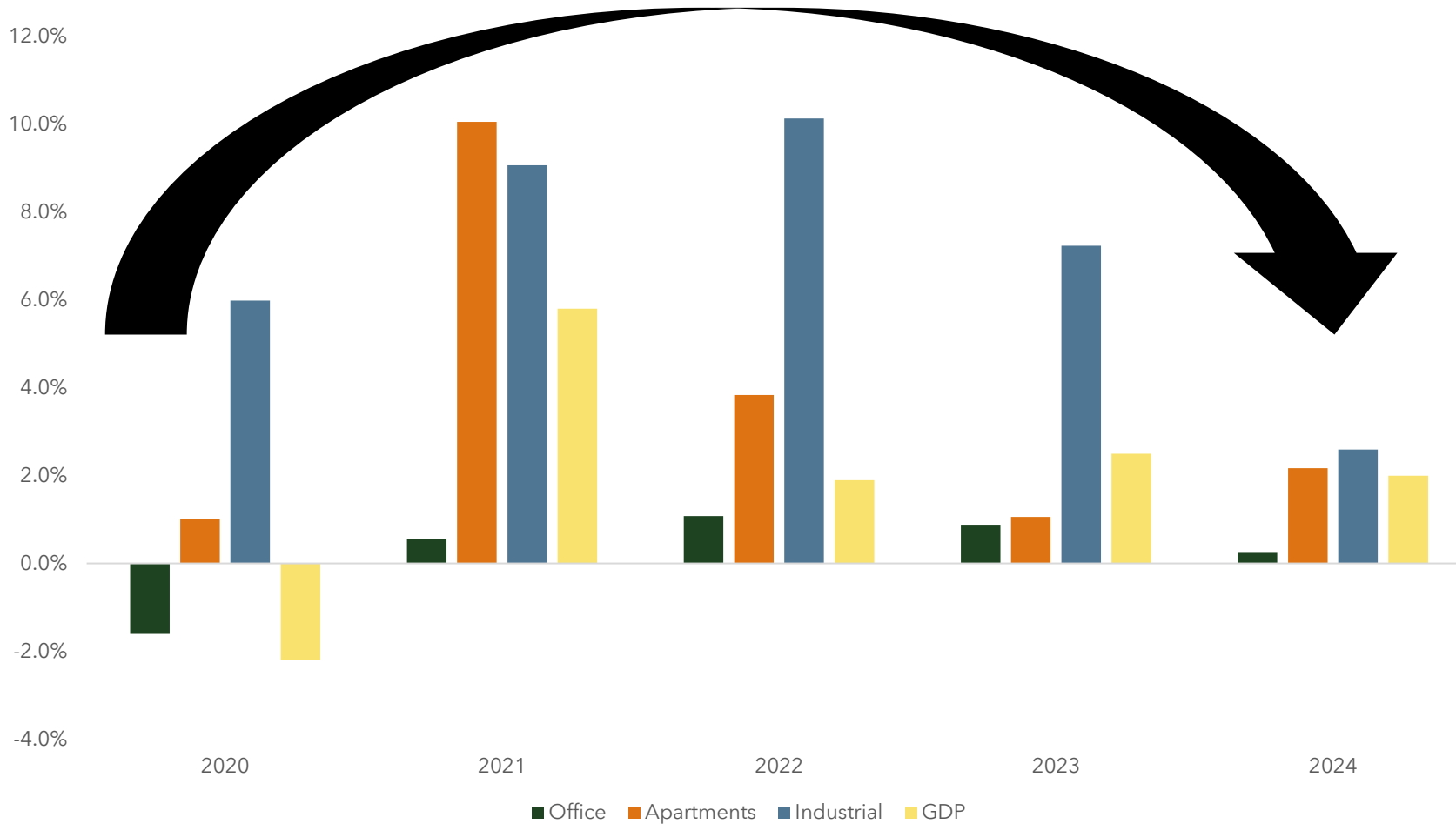
## Yearly Change In Rent Vs. GDP



Sources: BEA, CoStar, BGO Economics and Research

# Current Divergence

## Yearly Change In Rent Vs. GDP

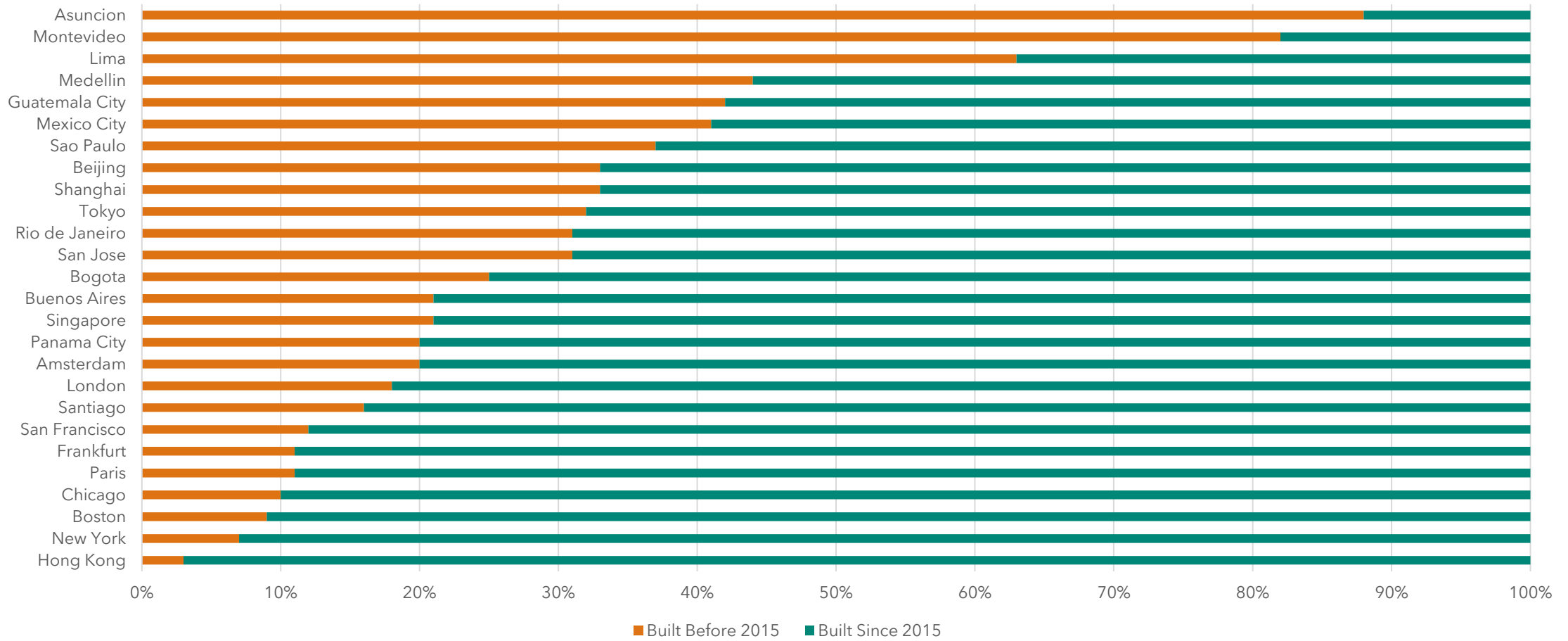


Sources: BEA, CoStar, BGO Economics and Research

- Growth concentrated earlier in recovery.
- Systematic growth should prove less helpful for CRE fundamentals, especially office.
- Focus on idiosyncratic factors.

# Office Age Matters

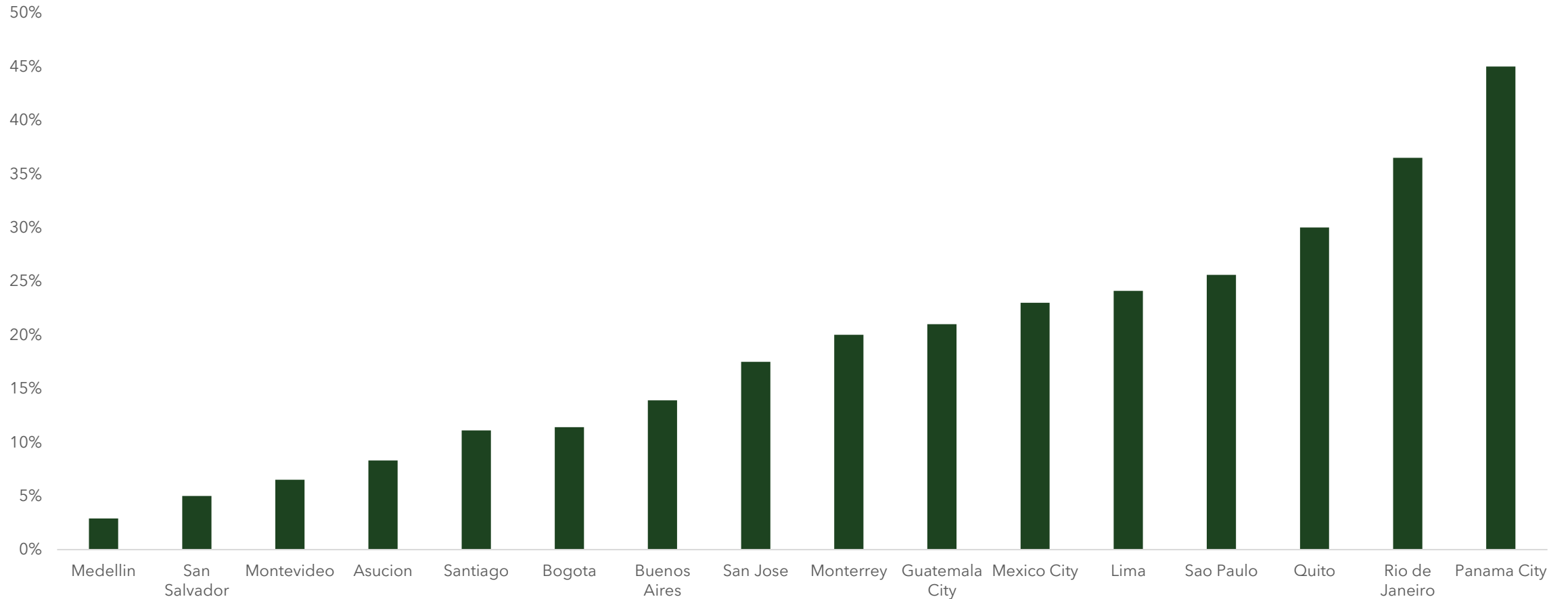
## Total Inventory



Sources: JLL, BGO Economics and Research

# Office Performance Differs

## Vacancy Rates

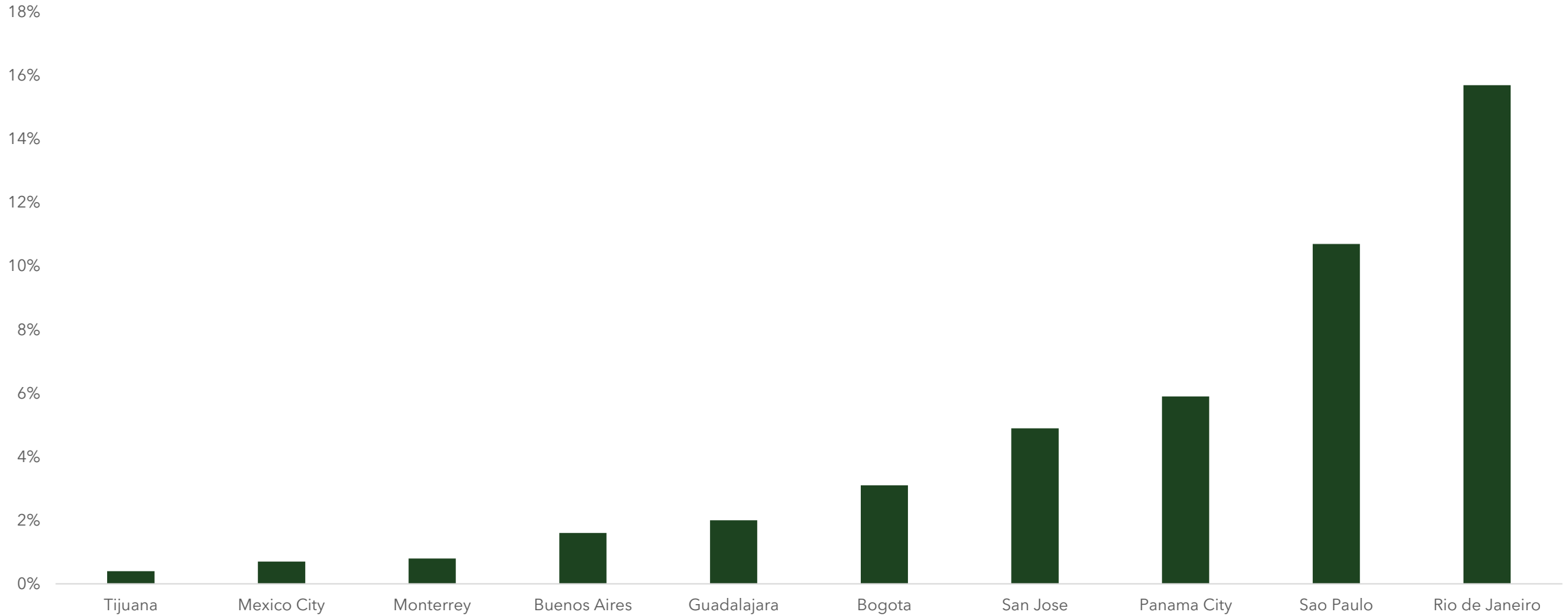


Sources: JLL, BGO Economics and Research



# Industrial Remains Strong

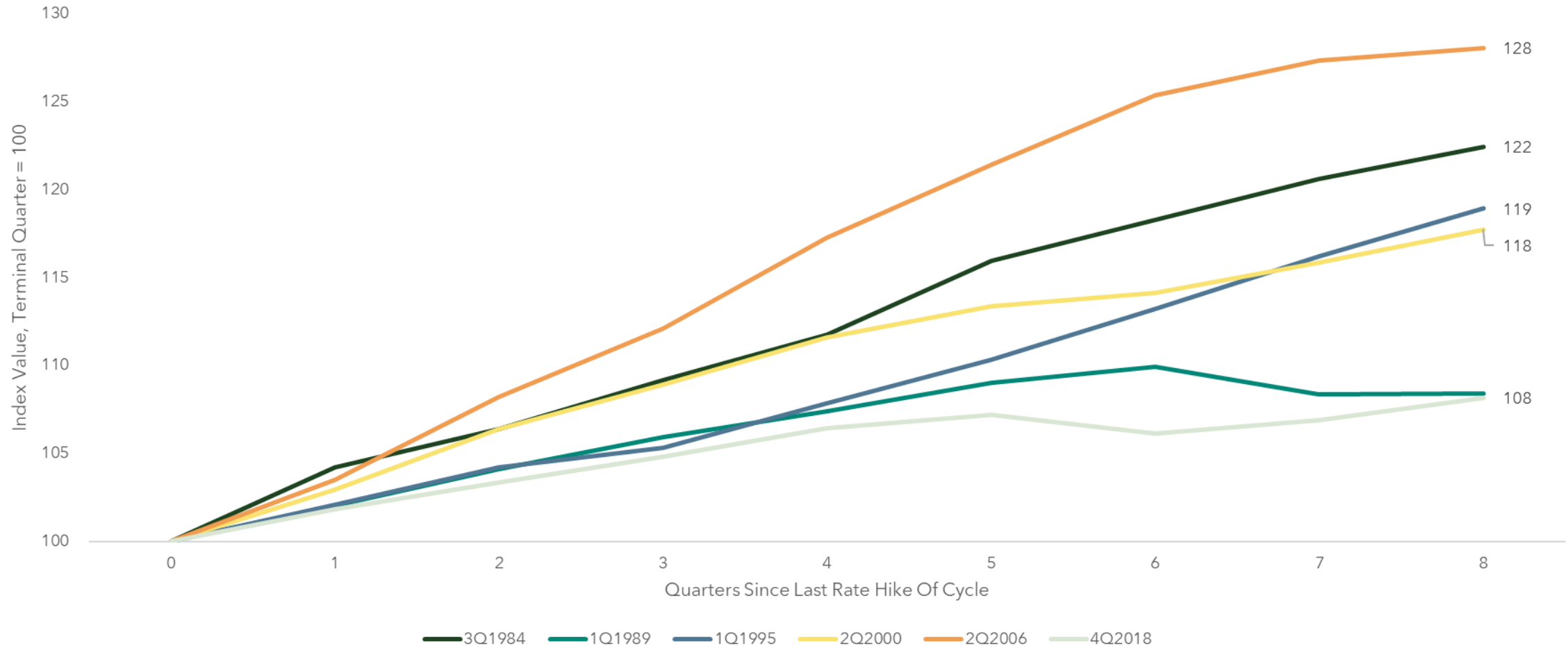
## Vacancy Rates



Sources: Newmark, BGO Economics and Research

# Where To Next?

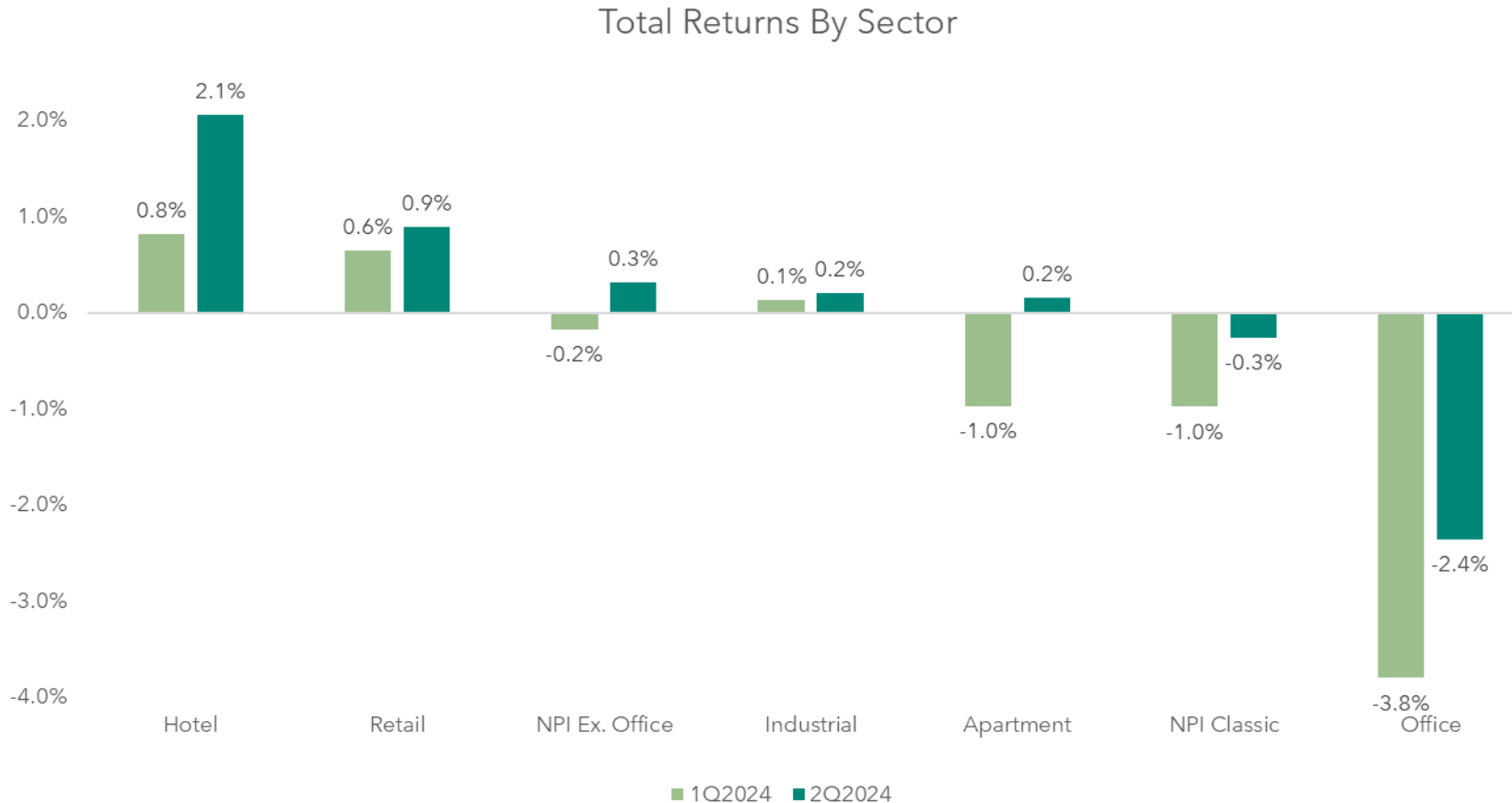
## Positive CRE Returns Post-Monetary Tightening



Sources: NCREIF, BGO Economics and Research

# CRE Returns Holding True To Form

## First And Quarter Returns

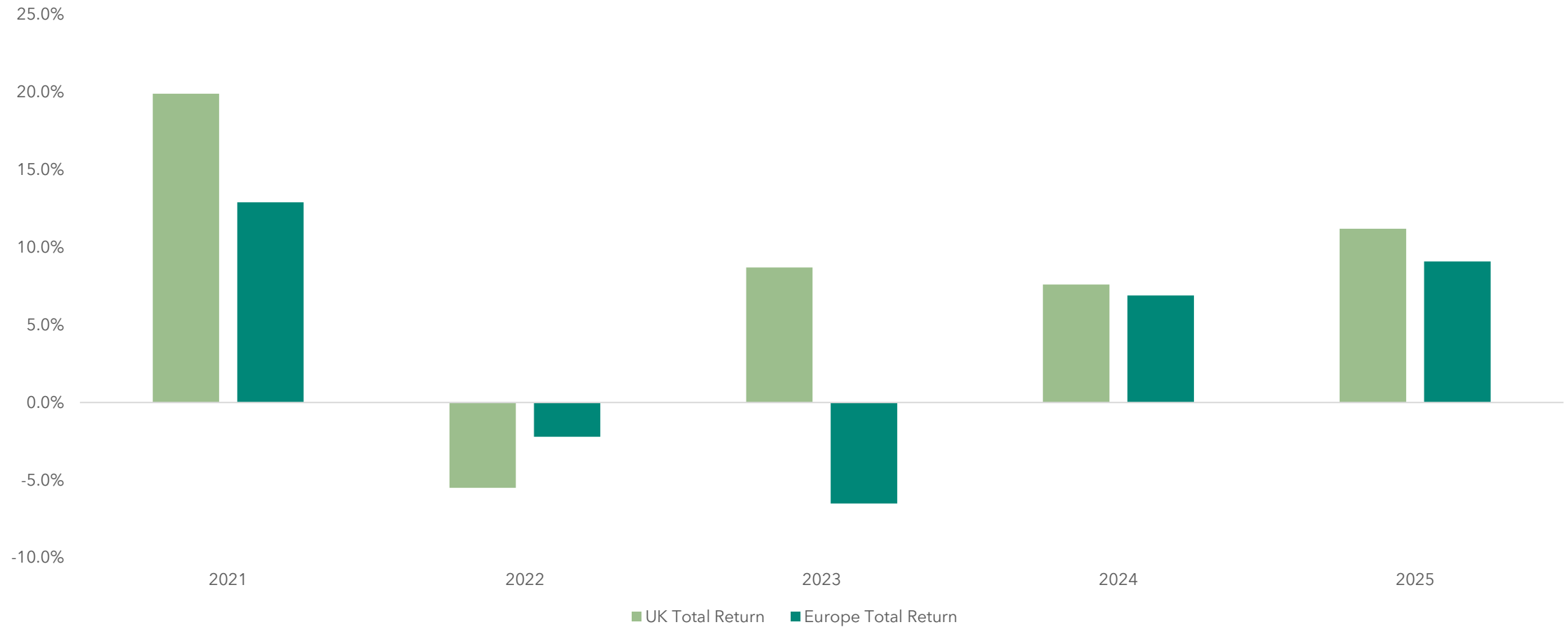


- Rebound in returns after Fed tightening.
- Office's challenges skewing overall returns.
- Not out of the woods yet, but the Fed can help by cutting rates.

Sources: NCREIF, BGO Economics and Research

# European Returns Set To Improve

## All-Property Performance



Sources: C&W, BGO Economics and Research

# My Newsletter Is Also Awesome! (Just saying...)



<http://BGO.com/thechiefeconomist>

NEWSLETTER

## **The Chief Economist**

Ryan Severino, Chief Economist for BGO, shares valuable insights on the world's most important economies and real estate markets.

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# Thank You

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