

DLA Piper Global Real Estate Annual State of the Market Survey

An unprecedented year translates to uncertainty in the market despite optimism for recovery

The year 2020 has been remarkable and incomparable. The impact of COVID-19 on all facets of life across the globe will continue to be measured and felt for years to come, and it is within this context that DLA Piper fielded the *2020 DLA Piper Annual State of the Market Survey*. Conducted between August and September of 2020, the results of the State of the Market Survey are undoubtedly influenced by COVID-19 and provide a current perspective into how real estate experts view the virus's impact on the commercial real estate (CRE) market.

To understand the impact of COVID-19 on the CRE market, we should first look back at last year's sentiment. Fielded over the summer of 2019, last year's State of the Market Survey was conducted during a time of long-term economic growth and expansion in the US.¹ As such, respondents in 2019 were moderately bullish and optimistic that growth would continue. No one could have expected the pandemic, which caused the largest drops in the FTSE and Dow Jones Industrial Average since 1987.² In response, this year's Survey results dramatically shift away from that moderately bullish outlook among CRE executives. The majority of respondents in 2020, 59 percent, anticipate a bearish market for at least the next 12 months. The swing from bullish to bearish is mostly indicative of the uncertainties surrounding the pandemic, including how it will manifest in and impact the US and global economies in the future.

While the CRE market expects to recover, a full economic recovery may take longer

Not surprisingly, the State of the Market Survey findings are consistent with the expectations of economists about the recovery for global and national economies returning to pre-2020 levels of growth. According to research by the International Monetary Fund, global growth is forecasted to be negative 4.4 percent in 2020 – leaving the projected 2021 global GDP just 0.6 percent above that of 2019.³ At the same time, economists are confident of an eventual recovery but disagree about the length of time it will take to fully rebound. According to the Survey, more than three in four respondents believe that it will take at least 18 months for the US GDP to return to pre-COVID-19 levels. However, a recent “Economic Forecasting Survey” by the *Wall Street Journal* found that optimism about the US economy is building, with 23.9 percent of respondents expecting the GDP to “increase at an annualized rate

of growth” in the third quarter of 2020 compared to just 18.3 percent from the previous survey (released in August).⁴

The one constant is uncertainty. Despite a majority believing US GDP will return to pre-COVID-19 levels in 2022, respondents to the State of the Market Survey expressed mixed expectations when it comes to the shape of the financial recovery. Thirty-nine percent of respondents believe the financial recovery will be slow and steady, but nearly as many – 31 percent – believe it will be inconsistent, shaped like a “W.” Fewer respondents, roughly one in four, believe the recovery will be rapid after an extended recession, shaped like a “U.”

Despite the uncertainty, there are areas of optimism within the CRE industry

Even in a shaky, unpredictable economy, respondents are enthusiastic about the volume of capital in the CRE market. In the 2020 Survey, 58 percent of respondents cited an abundance of available investment capital as the top reason for an optimistic economic outlook, an increase of 15 percentage points from the 2019 Survey. When asked which type of equity investment will be active in the coming year, half indicate private equity. This aligns with findings from a joint report by PwC and the Urban Land Institute, *2020 Emerging Trends in Real Estate Report*, which found experts to be generally enthusiastic about capital in the market with the volume of private equity capital allocated to CRE being estimated to exceed \$100 billion.⁵

The 2020 Survey identified two CRE sectors as representing the most attractive risk adjusted opportunities in the US for real estate investors: warehouse and logistics as well as life science and biotech. Building on a trend that has been emerging in CRE for several years, respondents are more committed than ever to logistics and warehousing as the most attractive investment opportunity for the second year in a row, increasing from 58 percent in 2019 to 68 percent in 2020. Data from IBM's *US Retail Index*⁶ indicates that warehouses and other logistic properties – particularly those fitted with automation – are among the real estate asset classes most well-positioned to weather changes in the real estate market. The pandemic accelerated the significant growth of e-commerce and the shift away from physical stores to digital shopping. The same IBM index indicates that e-commerce

is projected to grow nearly 20 percent this year. The State of the Market Survey respondents were equally enthusiastic about e-commerce. When asked which elements of CRE would be the most impactful to the CRE market in 2021, 87 percent of respondents chose e-commerce.

Life science and biotech real estate, which rose to 58 percent, a 15 percentage points increase from the last Survey, was identified by Survey respondents as representing the second most attractive investment opportunity – coming in behind warehouse and logistics. While life science and biotech was already known to be a growth area in CRE, with the race to develop a COVID-19 vaccine well underway and many large pharmaceutical manufacturers in the mix, the demand for medical R&D and other life science and biotech real estate has increased.

The State of the Market Survey also finds investment interest dramatically rising in several cities outside the traditional large markets where CRE investors have been focused for several years. These traditional large cities include Los Angeles, San Francisco, Chicago and Philadelphia, which show a significant drop in attractiveness year-over-year, as COVID-19 continues to impact densely populated metros with high-rise buildings and a strong dependency on mass transit (although Los Angeles is not impacted in the same way by mass transit). By contrast, when asked about potential investment in 2020, respondents ranked Austin number one at 49 percent, followed closely by Nashville, Denver, Charlotte and Raleigh-Durham. Interestingly, these findings align closely with a study by the Johns Hopkins Center for Health Security, which monitored infection rates among America's 50 largest metropolitan areas. According to their study, cities with large population bases living in suburban areas, including Austin, Nashville, Denver and Charlotte, have smaller rates of infection. By comparison, in the spring, Chicago and New York were among the first cities with high infection rates, and Miami and Los Angeles followed with similar spikes in infection rates over the summer.⁷

Bright spots in CRE seen as dependent on certain solutions to the pandemic

In a year dominated by the global pandemic, it is not surprising that economic outlooks and growth projections are largely dependent on the availability of COVID-19-related solutions and effective governmental policies. This is also true for the CRE market. A strong majority of Survey respondents, 85 percent, believe that additional federal stimulus will play an integral role in the recovery. The development of a COVID-19 vaccine is also viewed by respondents as significant to the future health of the

CRE market. Seventy-six percent of respondents said that the development of a vaccine will have the greatest impact on the CRE industry.

An overwhelming majority of respondents stated that how and when people return to the workplace will also have a significant impact on the CRE market in the upcoming year. Remote working takes the lead as the most impactful factor in the CRE market in the upcoming year at 90 percent, followed by retail market and space changes at 86 percent and decreased tourism at 79 percent. According to a JLL report, the second quarter of 2020 global office leasing activity was 59 percent lower than a year ago.⁸ It remains to be seen whether this reflects a reaction to the pandemic that will reverse once there is a vaccine and/or herd immunity, a decision by companies to permanently reduce their in-person office footprints, or a combination of the two.

Will companies with large real estate footprints attempt to negotiate their way out of long-term lease commitments or will they repurpose that space? Will this cause a devaluation of CRE? It is unclear how long the trend of remote working will last or how it will disrupt CRE, but it is clear that the sudden increase in remote working that resulted from the pandemic is causing many companies to rethink their space needs. The State of the Market Survey indicates that respondents are considering these important questions. In the office sector, healthy workplaces at 68 percent and office redesigns at 65 percent were identified by Survey respondents as impactful elements in the future of CRE, as well as data centers at 51 percent, while the sharing economy at 32 percent, PropTech at 31 percent and autonomous vehicles at 9 percent are identified as less impactful elements compared to last year's Survey.

The COVID-19 pandemic was an exogenous event that significantly disrupted the CRE market and one that will continue to meaningfully impact the market on both a short- and long-term basis. Although most Survey respondents anticipate a difficult market environment in the short-term, certain asset classes – most notably logistics, life science real estate and data centers – were identified as attractive investment opportunities. Further, just more than 50 percent of Survey respondents anticipate a recovery to pre-COVID-19 levels in 18 to 24 months. In summary, while the adverse impact of COVID-19 on the global economy and the CRE market is evident throughout the Survey, there are bright spots within CRE, opportunities for attractive investments in the short-term and optimism about the ability to avoid a prolonged downturn.

Highlights of the State of the Market Survey

- The majority of respondents, 59 percent, anticipate a bearish market in the next 12 months – a significant increase from 26 percent in 2019. Caution toward the market stems primarily from concern about an additional COVID-19 wave at 41 percent, the US economic outlook in general at 32 percent and growing concern over domestic political and/or international political uncertainty at 12 percent.
- More than three in four respondents believe it will take at least 18 months for the US GDP to return to pre-COVID-19 levels. Fifty-one percent of respondents anticipate a pre-COVID-19 recovery to take place 18 months to two years from now, while nearly one in three say it will take more than two years.
- Respondents exhibit mixed expectations when it comes to how the financial recovery will take shape. Thirty-nine percent of respondents believe the financial recovery will be slow and steady, but nearly as many at 31 percent believe it will be shaped like a “W,” and roughly one in four believe it will be shaped like a “U.” Only 6 percent believe the financial recovery will be “V” shaped. The vast majority of respondents, 85 percent, believe that additional federal stimulus measures will be required to aid the economic recovery in the next 12 months.
- When it comes to the drivers of the recovery of the global CRE market, the majority of respondents, 76 percent, believe COVID-19 vaccine development will be the greatest contributing factor, followed by the recovery of the global economy at 49 percent, the 2020 US elections at 44 percent and US GDP recovery at 40 percent. Factors such as global political instability at 18 percent, US trade wars with other countries at 9 percent and US relations with China at 9 percent exhibit steep declines in importance and are seen as less impactful factors overall than they were in 2019.
- A majority of the survey respondents, 90 percent, also believe remote working will be among the most impactful elements of the CRE market next year. Other top elements include e-commerce, retail market and space changes and decreased tourism, at 87, 86, and 79 percent, respectively. Healthy workplaces at 68 percent, office redesigns at 65 percent and data centers at 51 percent are also seen as impactful elements in the future, while the sharing economy at 32 percent, PropTech at 31 percent and autonomous vehicles at 9 percent are seen as less impactful elements compared to the previous Survey.
- Logistics and warehousing, earning 68 percent, continue to be seen as the most attractive risk adjusted opportunity in the US for real estate investors in the next 12 months; however, life science/biotech at 58 percent and suburban office at 21 percent gained momentum since the 2019 Survey. Other asset classes that are particularly vulnerable to the impacts of the pandemic, such as student housing at 44 percent, senior housing at 13 percent and urban/transit-oriented mixed-use development at 10 percent exhibit the steepest declines in interest since the 2019 Survey and are perceived as the least attractive asset classes over the next 12 months.
- Private equity is still perceived as the most active source of equity in 2020, being selected by exactly half, 50 percent, of the respondents, followed by family office and domestic pension funds/endowments at 19 and 14 percent, respectively.
- More than half of respondents, 56 percent, believe there will be growing investor activity from Gulf countries in the US CRE market in the next 12 months, while activity from investors based in Canada at 34 percent, Singapore at 15 percent, Japan at 9 percent and Norway at 7 percent will be less active compared to 2019 levels.
- Smaller cities have emerged as top US locations for investment during the next 12 months. Austin was ranked number one at 49 percent, followed closely by Nashville at 43 percent, Denver at 40 percent, Charlotte at 37 percent and Raleigh-Durham at 32 percent.
- Larger US cities such as Los Angeles at 12 percent, San Francisco at 9 percent, Chicago at 6 percent and Philadelphia at 1 percent show a significant drop in attractiveness year-over-year as COVID-19 continues to impact highly populated metros where mass transit is commonly used (true for all of these cities aside from Los Angeles).
- Two-thirds of respondents believe interest rates will not change over the next 12 months – a 36 percent increase from 2019, likely due to the COVID-19 caused interest rate cuts and expectation that interest rates will need to remain low to stimulate recovery. Only 17 percent predict that rates will increase slightly, and 15 percent expect rates will decrease slightly, a 37 percent drop from the 2019 Survey.

- London at 32 percent, Frankfurt at 22 percent, Berlin at 20 percent and Sydney at 18 percent remain the top international cities for investment during the next 12 months. Mumbai at 5 percent and Mexico City at 3 percent were less appealing for investment and both experienced a 12 percent drop from 2019. New Delhi and Sao Paulo, both at 2 percent, also decreased year-over-year.
- Perhaps due to the status of the US amid the COVID-19 crisis and limitations on travel, only 21 percent of respondents believe foreign investments in the US will be strong next year, a 19 percent drop from last year's Survey.

Verbatims

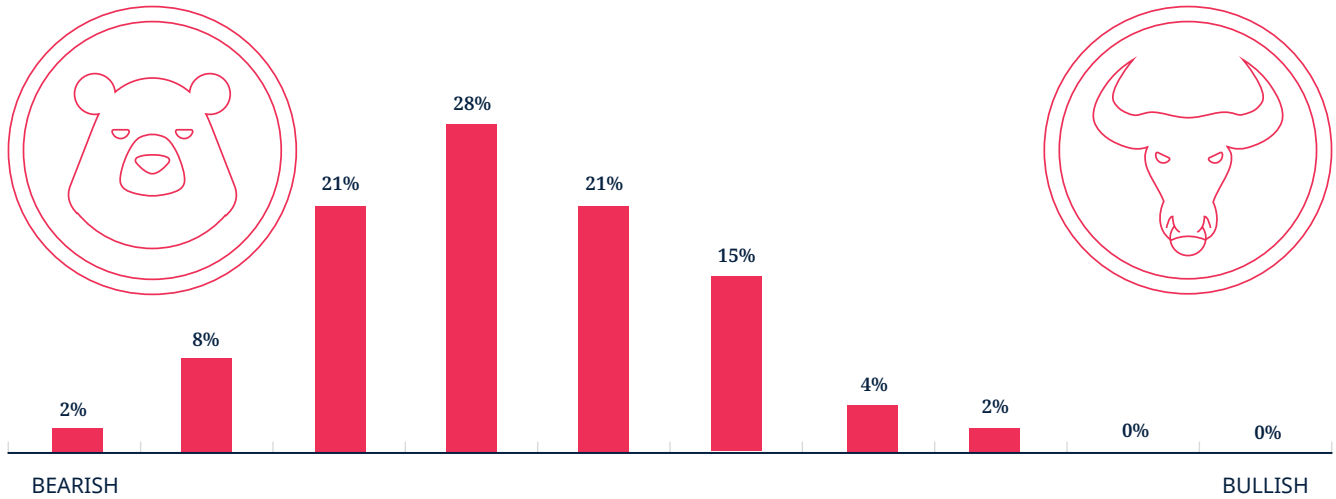
What are you most excited about in the coming year when it comes to the commercial real estate market?

- Development of a COVID-19 vaccine.
- Progress in building techniques and housing products that can begin to make housing meaningfully more affordable.
- Potential investment opportunities based on asset re-pricing.
- Return to the office work environment.
- Buying distressed opportunities.
- How outdoor spaces and urban street sections will be altered by our new lifestyles.
- Low cap rates on the assumption that you will be able to grow rents in a down economy.
- The ability to monetize assets at aggressive cap rates and harvest profits going into a period of uncertainty.
- Continued growth in e-commerce.

What are you most apprehensive about in the coming year when it comes to the commercial real estate market?

- Another wave of COVID-19 that causes lockdowns.
- The impact of the pandemic on major northeast urban areas, especially New York City, Boston and Philadelphia.
- The economic recovery in the US.
- What our traditional workplaces will look like in the coming year. There will be a dramatic difference in how people use office space, commute, use retail, etc.
- A very low demand environment for a couple of years in multifamily and office in urban gateway markets.
- A slow employment recovery.
- Underfunded public pension retirements.
- Highly taxed states will experience an increase in the loss of population which will increase the fiscal stress they will experience.
- Tenant activity and overall office demand.
- Deflation of asset values after the November election could impact lender capital ratios and reduce real estate liquidity.

1. How would you describe your 12-month outlook for the US commercial real estate market on a scale of 1 to 10, where 1 is bearish and 10 is bullish?



- When ranked on a scale from one to 10 (one being the most bearish and 10 being the most bullish), 28 percent of the respondents cite their sentiment at a four; however, 36 percent of respondents hold a neutral outlook, ranking their sentiment at a five and six. With the pandemic still a threat to the US, there appears to be more cautious uncertainty on economic outlooks than overt pessimism, which is surprising.
- This is a moderate shift from the 2019 Survey, which uncovered the first increase in bullish optimism since the 2015 Survey, with 50 percent of respondents describing their 12-month outlook on US CRE as bullish.
- COVID-19 continues to impact the economy and employment in the US. Due to a spike in COVID-19 cases over the summer, consumer confidence reached a new pandemic low in August, according to the *Conference Board Consumer Confidence Index*. In August 2019, the same index marked optimism close to its highest score since late 2000.⁹

2. What is the primary reason for your confidence?

Abundance of capital still chasing deals	58%
Anticipated COVID-19 vaccine	17%
US economic outlook	13%
Foreign investments in the US	4%
Stimulus provided by the federal government	4%
Flight to safety – due to stock market volatility	4%
2020 US presidential election	0%
Other	0%

- This year, the abundance of capital still chasing deals rose as the top reason for those who have an optimistic outlook in the economy at a significant 58 percent, an increase of 15 percent from the 2019 Survey.
- As testing for the COVID-19 vaccines continues,¹⁰ three-quarters, 76 percent, of respondents said that the development of a vaccine will have the greatest impact on the CRE industry.

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

Concern about an additional COVID-19 wave	41%
US economic outlook	32%
Domestic political and/or international political uncertainty	12%
Difficulty in underwriting and due diligence	8%
Lack of investment capital (including debt)	2%
Continuing social unrest	1%
Lack of debt capital	1%
Reduced foreign investment in the US market	0%
Lack of equity capital	0%
Other	3%

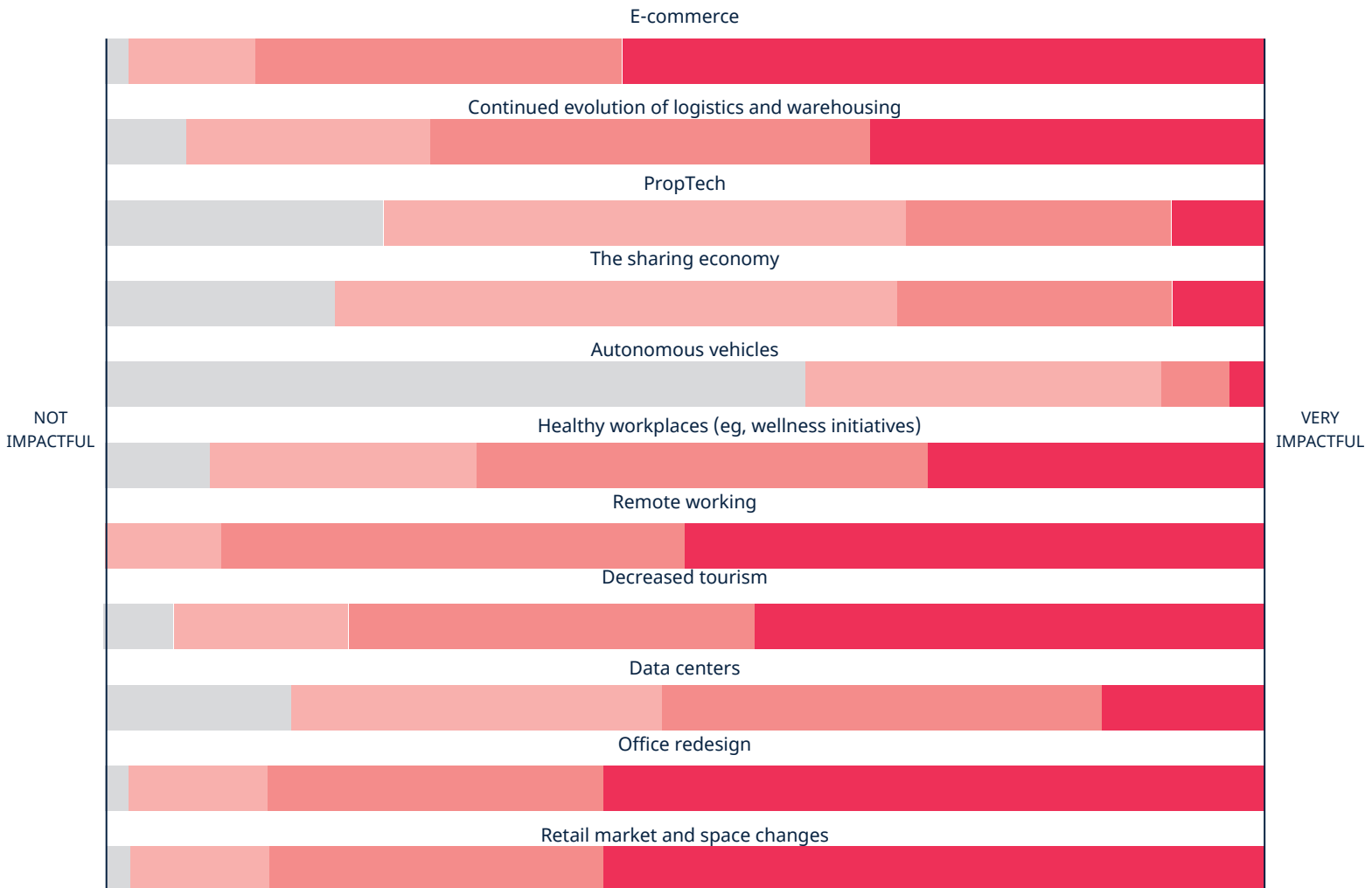
- Despite a possible vaccine in the near future, concern about an additional COVID-19 wave is creating cause for pessimism. Forty-one percent of respondents fear a potential second wave and that it will negatively affect CRE.
- Following worries of COVID-19, 31 percent of respondents also cite the US economic outlook and 12 percent cite domestic political and/or international political uncertainty as reasons for skepticism about the health of the CRE industry.

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

Up significantly	2%
Up slightly	17%
No change	66%
Down slightly	15%
Down significantly	0%

- Two-thirds of respondents predict there will be no change in interest rates during the next 12 months. Those who expect that interest rates will change believe they will change only slightly in either direction, up slightly at 17 percent or down slightly at 15 percent.
- In late 2019, after three interest rate cuts, the Federal Reserve announced there would be no interest rate cuts in 2020;¹¹ however, this was before COVID-19 was a threat.
- In an effort to stimulate economic growth, interest rates continued to drop in 2020. In mid-September, the Federal Reserve released projections that interest rates will remain near zero through at least 2023 in an attempt to rebuild the economy.¹²

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 in the upcoming year.



- Remote working takes the lead with 90 percent ranking it as an impactful topic in the CRE market in the upcoming year. With COVID-19 ushering in social distancing practices, many companies closed their offices and sent employees home to minimize the spread of infection.
- Office leasing across major US cities is down. According to Colliers International and as reported in *The Real Deal*, Midtown Manhattan’s leasing activity is down 50 percent from last year.¹³ It is unclear how long the trend of remote work will last, but it is clear that it will change the way companies think about their physical office space moving forward.
- In addition to remote working, COVID-19’s effect on the CRE market extends into the retail market and space changes, decreased tourism, office redesign and healthy workplaces. All these topics can be considered consequences of COVID-19.
- Consistent with last year’s pre-pandemic Survey, e-commerce remains very impactful in the COVID-19 landscape. Last year, e-commerce was affecting the way we shop and now this year it is crucial to the way we shop; therefore, 87 percent see e-commerce as impactful.
- The effort to stop the spread of COVID-19 is evident in the steep decline of the sharing economy, which was down almost 50 percent from its expected impact in the 2019 Survey.

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

6 months – 1 year from now	4%
1 year – 18 months from now	15%
18 months – 2 years from now	51%
More than 2 years from now	29%

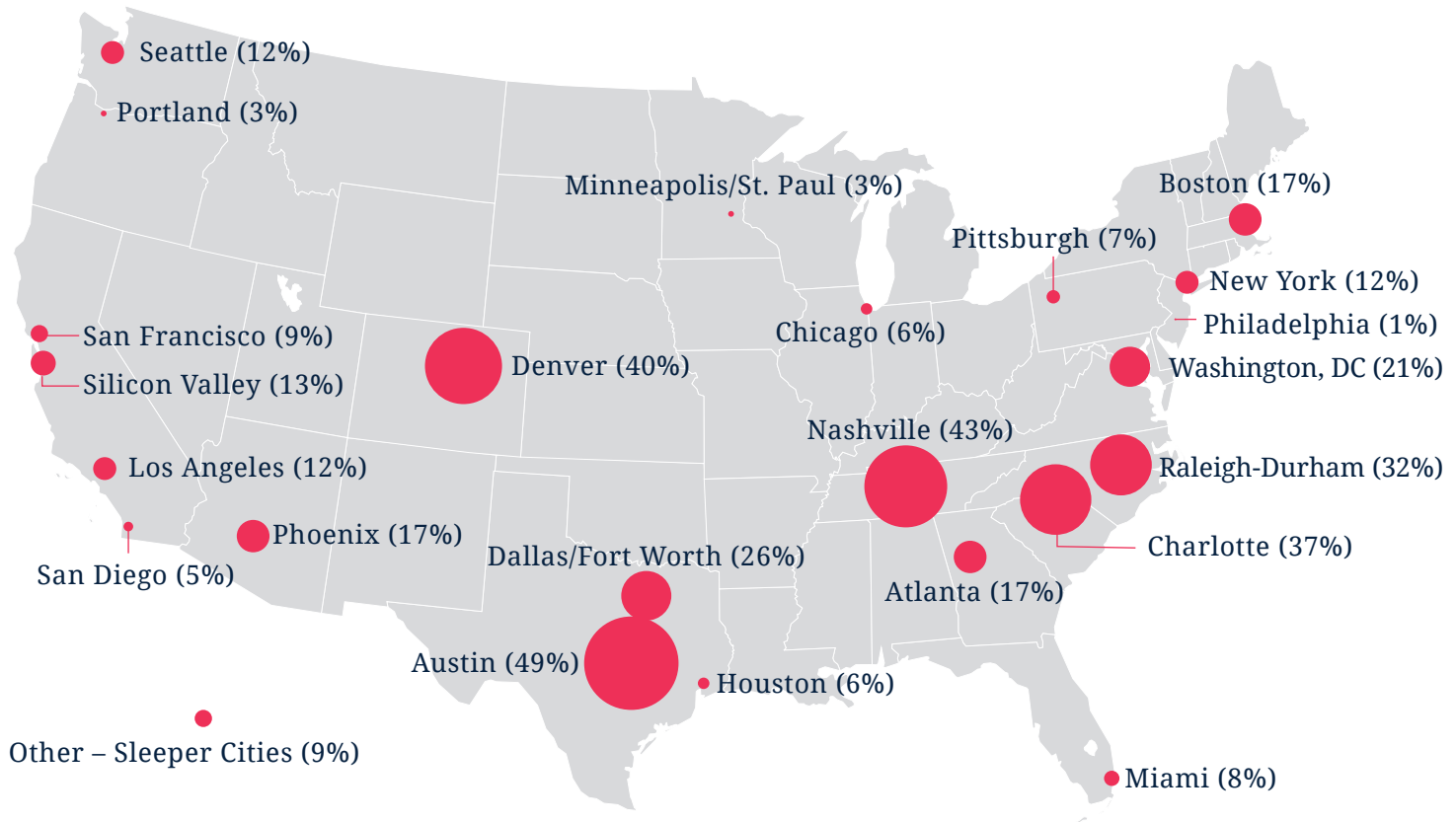
- More than 70 percent of the respondents believe the US GDP will return to pre-COVID-19 levels in two years or less. The optimism around a quick return to normal GDP growth could reflect the strength of the CRE market.
- Many of the respondents associate their timeframe to the development of an effective vaccine and herd immunity, while others qualify their answers with the economic toll of the virus, citing unemployment rates, evictions and lack of consumer spending.
- Approximately one-third of the respondents anticipate the recovery will extend beyond two years. The concern about a second wave and delays in finding a vaccine are common themes among respondents of this choice.

7. Which asset classes present the most attractive opportunity for US real estate investors in the next 12 months? Select all that apply.

Logistics and warehousing	68%
Life science/biotech	58%
Data centers	46%
Multifamily	35%
Industrial (excluding logistics and warehousing)	35%
Medical offices	31%
Cold storage	26%
Affordable housing	21%
Office suburban	21%
Senior housing	13%
Urban/transit-oriented mixed-use development	10%
Hotels/lodging	6%
Other	6%
Office downtown	5%
Student housing	4%
Parking lots and facilities	4%
Retail	3%

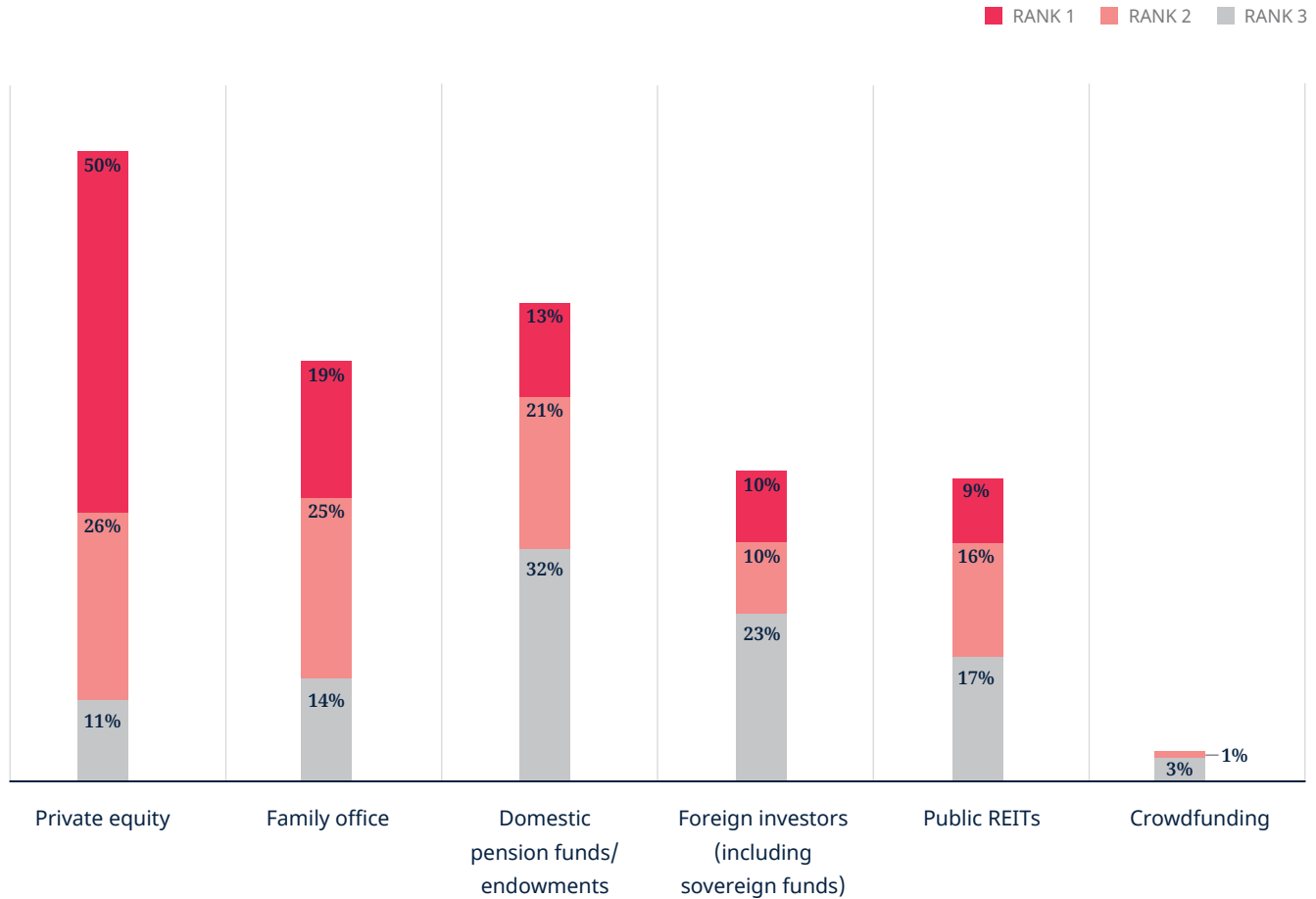
- Consistent across the last two Surveys, logistics and warehousing takes the lead as the most attractive risk adjusted opportunity in the US for real estate investors at 68 percent. Earning 58 percent last Survey, this year marks a 10-point increase.
- Life science and biotech rose to 58 percent from 43 percent in the previous Survey; while this area was already growing in popularity, the race for a vaccine is presenting this segment of the CRE market with an opportunity to expand not only in size but also in geographical location.¹⁴
- Data centers continue to offer investment opportunities in CRE, up 9 points this year and coming in at 46 percent. Remote working has forced companies to transition to cloud-based computing, increasing demand in this submarket.
- Another result of COVID-19 and its limitations on shopping and travel, urban/transit-oriented mixed-use development dropped nearly 20 percent from its 2019 level, down to 10 percent this year.

8. Where are the top cities you will be investing in the year ahead?



- Austin is cited as the top city for investments at 49 percent, an increase from 22 percent in the 2019 Survey. Nashville at 43 percent and Denver at 40 percent are a close second and third with Charlotte at 37 percent and Raleigh-Durham at 32 percent also making their way up the list. This shows a rise of interest in smaller cities, which is in part being fueled by the exoduses from large, populated metros due to COVID-19. In fact, both San Francisco and New York saw 80 percent more people leave than move in during the months of March and June 2020.¹⁵
- However, interest in these smaller cities was anticipated for 2020 last year; according to the *2020 Emerging Trends in Real Estate Report* by PwC and the Urban Land Institute, Austin, Raleigh-Durham, Nashville, Charlotte and Boston were listed as the top five markets to watch in 2020.
- In the 2019 Survey, Boston was ranked as the top city at 26 percent, with Denver at 25 percent and Los Angeles at 24 percent rounding out the top three. New York, San Francisco and Chicago fell dramatically from last year with New York and San Francisco each dropping by half of the 2019 level and Chicago seeing a decrease in interest of almost 75 percent.
- Similar to last year's results, Tampa and Salt Lake City were the most popular write-in answers as a "sleeper city."

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



- With the volume of private equity capital into real estate around \$200 billion,¹⁶ 50 percent of respondents rank private equity as being the most active type of equity investors in the US CRE market in the next 12 months.

- This year, family office replaced pension funds/endowments as the second most active type of equity investors in 2020. Family offices are planning to increase their investments in real estate, in part due to diversifying their assets and seizing an opportunity.¹⁷

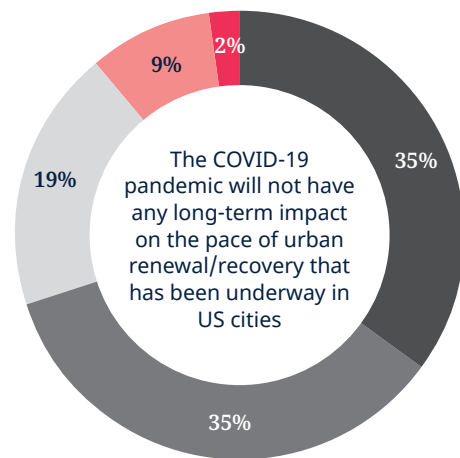
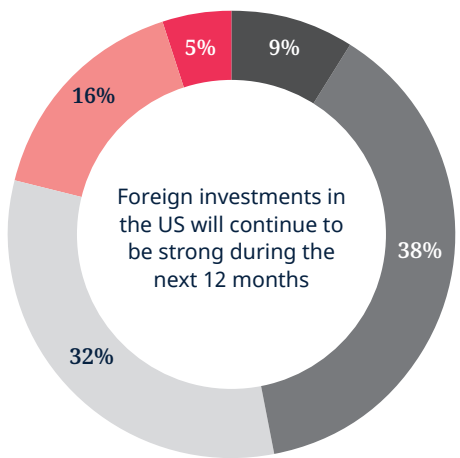
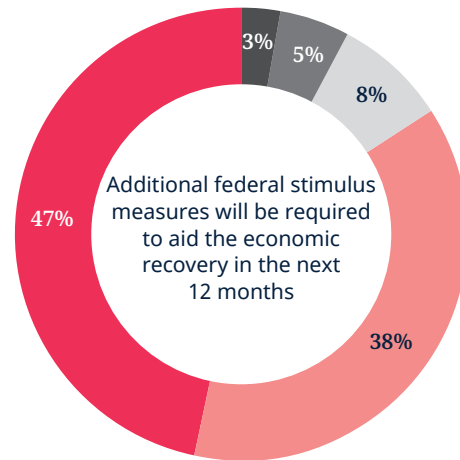
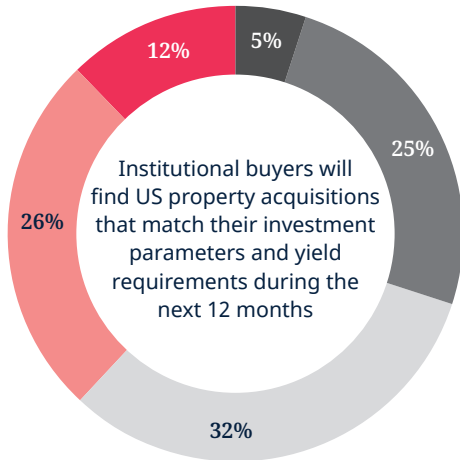
10. Which of the following factors will have the greatest impact on the global commercial real estate market?

COVID-19 vaccine development	76%
Recovering global economy	49%
2020 US elections	44%
US GDP recovery	40%
Impacts of social distancing	19%
Global political instability	18%
US trade wars with other countries	9%
US relations with China	9%
US immigration policies	3%
US relations with western alliances	3%
Brexit implementation/EU developments	3%
Climate change policies (or lack thereof)	2%
Other	2%
Tensions in the Middle East	1%

- This year, COVID-19 vaccine development is anticipated to have the greatest impact on the global CRE market at 76 percent. The need for a vaccine greatly impacts office space, hotels and retail spaces – all of which are key real estate classes. In relation to the vaccine development, a recovering global economy ranked as the second most impactful on the global CRE market with 49 percent.
- Rounding out the top three at 44 percent is the 2020 US elections. Real estate experts often look closely at races beyond the presidential election – such as the Senate and House of Representatives¹⁸ – that could guide legislative policy and spending and thereby affect the investment market.
- In comparison to last year, US relations with China dropped by about 75 percent from 39 percent down to 9 percent. It remains unclear how much US relations with China and other global forces will impact the US CRE market.

11. Listed below are statements that express a range of attitudes and opinions people may have about the real estate markets. Please rate each on a scale of 1 to 5, with 1 meaning that you completely disagree with the statement.

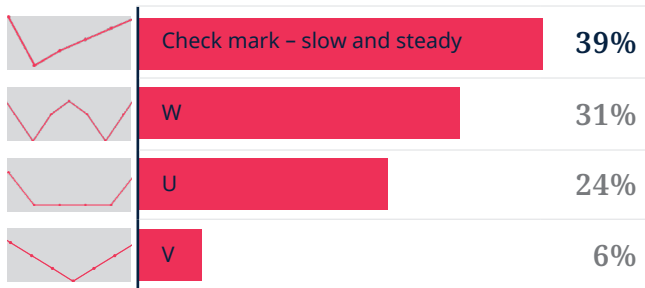
■ COMPLETELY AGREE ■ AGREE ■ NEUTRAL ■ DISAGREE ■ COMPLETELY DISAGREE



- Regarding the CRE market, there is an overwhelming agreement, 85 percent, that additional federal stimulus will play an integral role in recovery. Experts look to the federal stimulus to encourage consumer spending which greatly impacts the CRE markets and the broader economic recovery.¹⁹
- With the rise of opportunity zones and technology, urban renewal in cities across the US has been a focus for the CRE

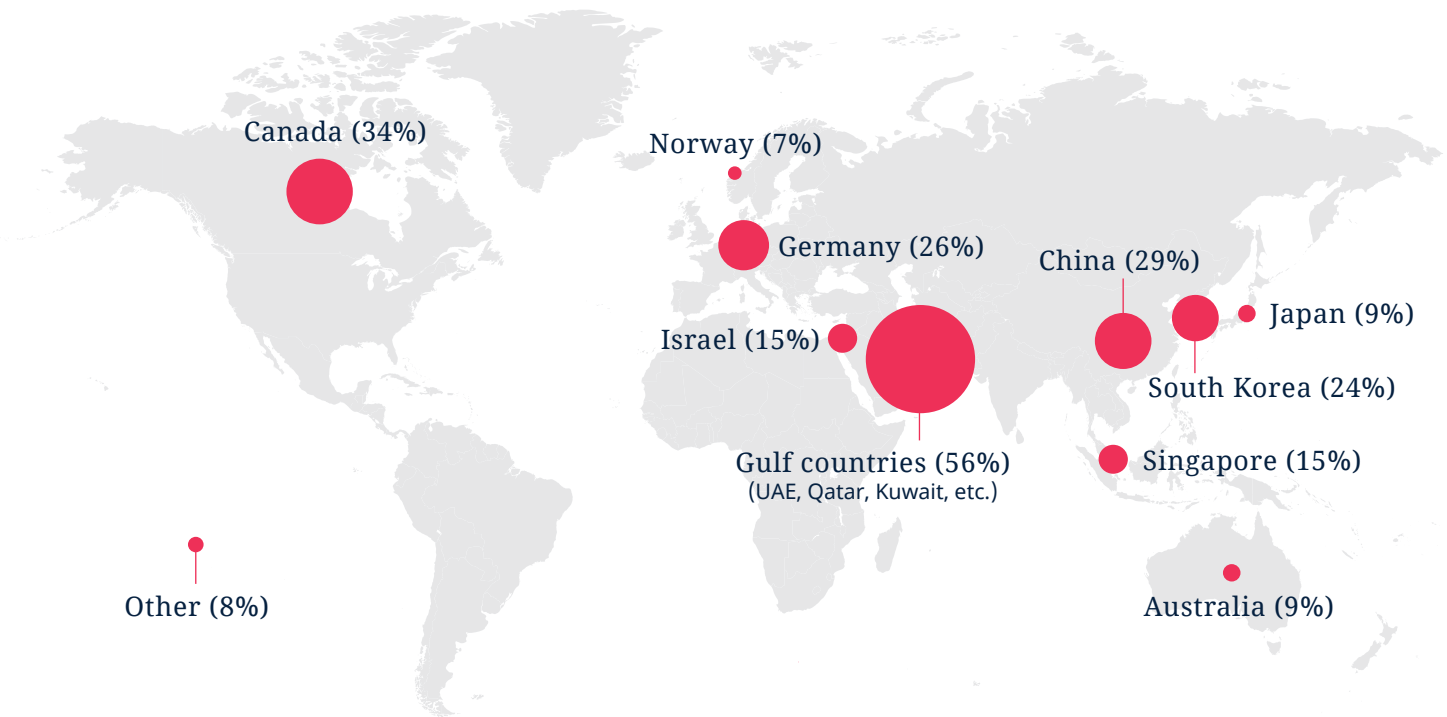
market over the past years; however, COVID-19 is causing a shift in desirability for large metropolitan areas. Only 11 percent of respondents believe that the COVID-19 pandemic will not have any long-term impact on the pace of urban renewal/recovery. Furthermore, the Survey also finds that cities such as New York and Chicago are less attractive for investments in the coming year compared to last year.

12. Which of the following graphs best depicts the likely shape of the financial recovery?



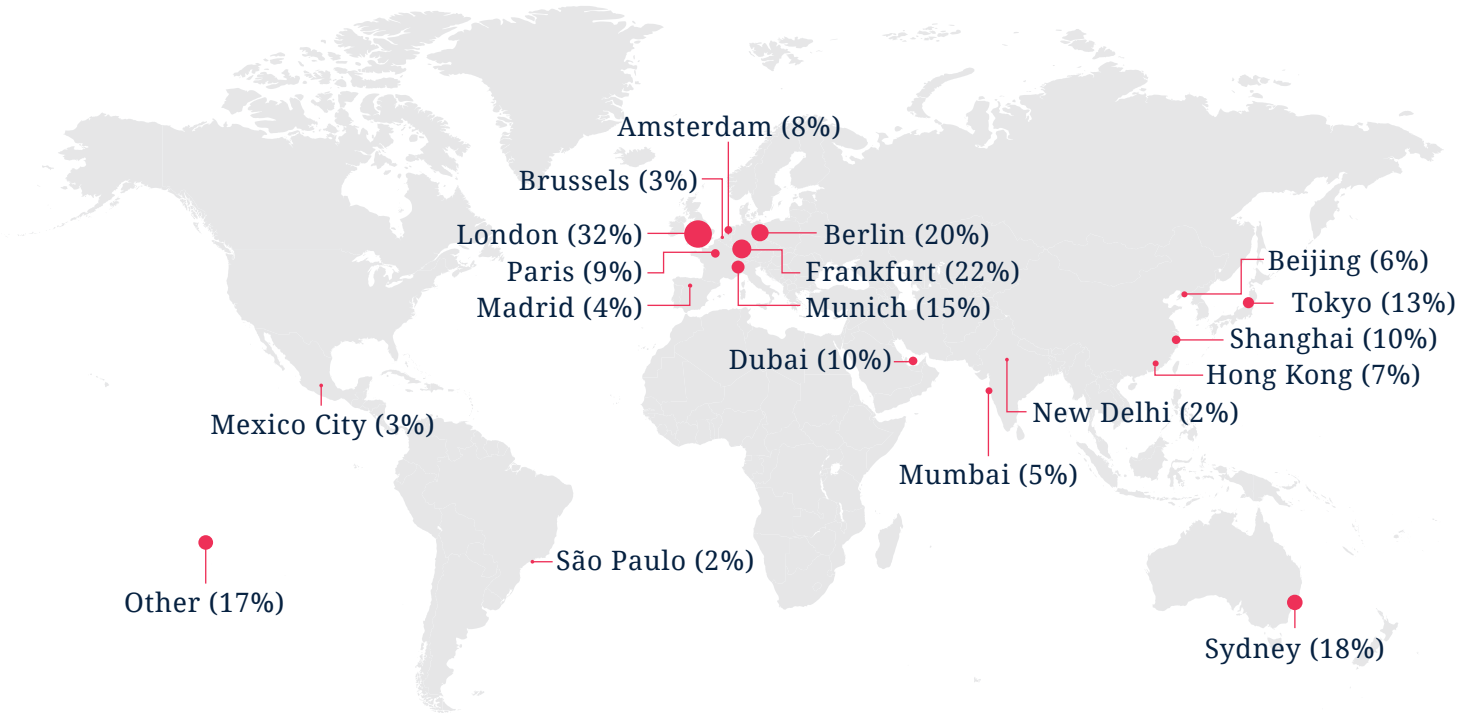
- While respondents exhibit mixed expectations when it comes to how the financial recovery will take shape, 39 percent of respondents believe the recovery will be slow and steady. Respondents share the viewpoint that there will be a gradual recovery in some segments and that the market will reflect stability once a vaccine is developed.
- Respondents who selected the “W” or double-dip recovery share concerns over a second wave due to prematurely forgoing social distancing measures as well as an overall pullback this fall due to uncertainty around the elections.

13. Investors from which of the following countries will be most active in the US commercial real estate market during the next 12 months?



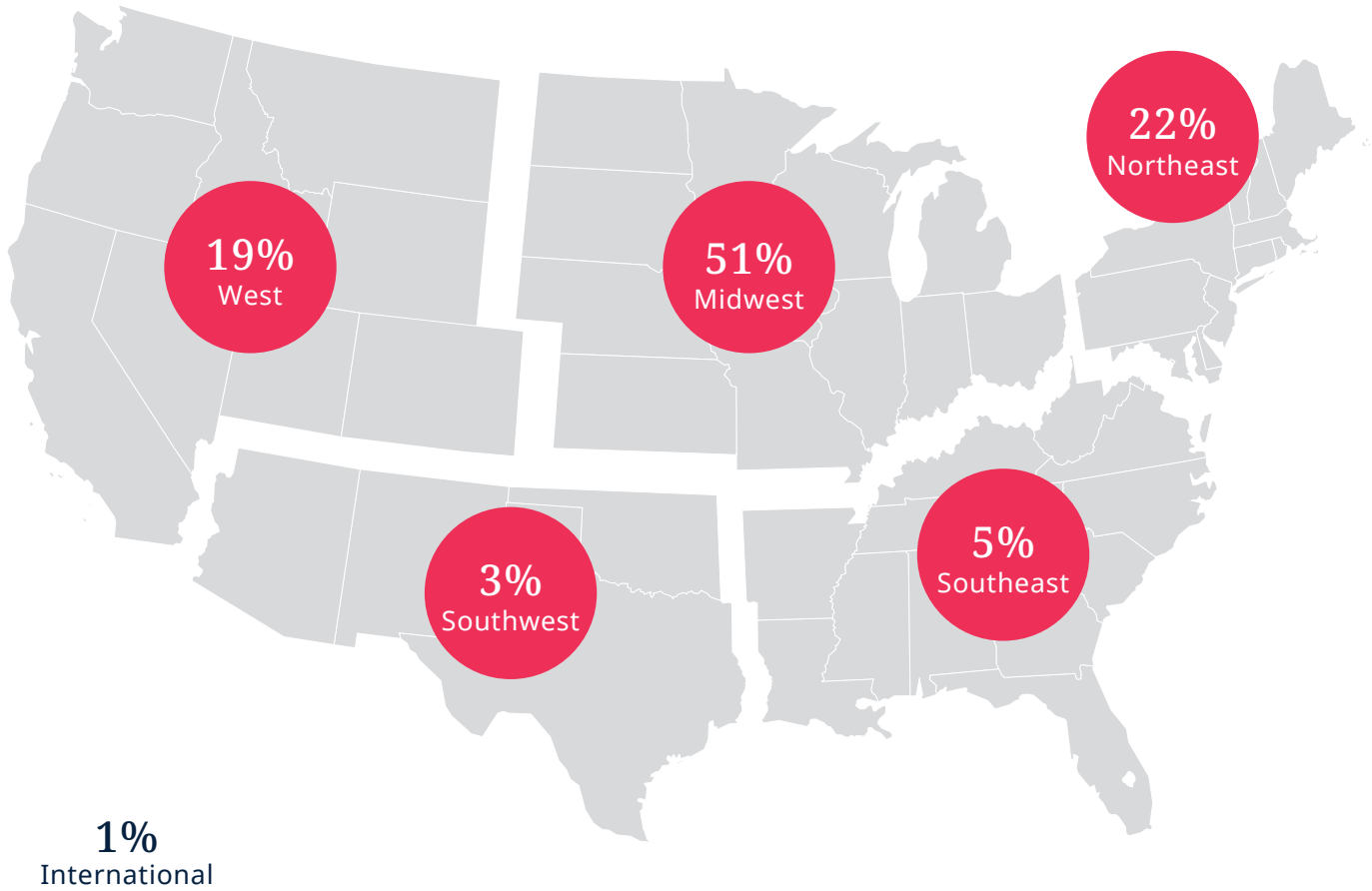
- The Gulf countries, at 56 percent, rank number one as the most active foreign investor in the US CRE market during the next 12 months, swapping places with Canada, 34 percent, which ranks in second place this year.
- Despite continued tensions between the US and China and fears of a tech cold war,²⁰ China ranks third at 29 percent, up from 20 percent in the 2019 Survey, where it was ranked eighth.
- Due to travel restrictions and decreased people flow caused by the pandemic, the stream of foreign capital has been impacted and many companies have tightened their rules on international investment,²¹ which will likely continue to play out in the next 12 months.

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



- As in the 2019 Survey, London remains the most attractive international city for investment during the next 12 months. This is not surprising given only 3 percent of respondents believe Brexit will have the greatest impact on the global CRE market.
- Frankfurt at 22 percent and Berlin at 20 percent also maintain their positions in the top three although they switched order from last year. Despite its proximity to the US, Mexico City was ranked 16th with only 3 percent of respondents seeing it as an attractive market for investment. This is a significant drop from last year's rankings, where Mexico City held the fifth spot at 16 percent.
- "Unsure" was the most common write-in answer among the 17 percent who selected Other, which speaks to the uncertainty among respondents.

15. In which market is your office located?



Methodology

Between August 6, 2020 and September 9, 2020, DLA Piper distributed a Survey via email to experts within the real estate industry, including CEOs, COOs, CFOs and others, among them real estate developers; real estate debt providers; real estate investors; and third-party brokerage, property and asset managers and other real estate professionals. The Survey was completed by 117 respondents. Due to rounding, percentages used in some of the questions may not equal 100 percent.

Endnotes

- 1 "This is Now the Longest US Economic Expansion in History," CNBC, July 2, 2019
- 2 "Coronavirus: A Visual Guide to The Economic Impact," BBC, June 30, 2020
- 3 "A Long and Difficult Ascent," International Monetary Fund, October 2020
- 4 "WSJ Survey: Overall Economy is Recovering Faster than Economists Expected," *Wall Street Journal*, September 10, 2020
- 5 "Emerging Trends in Real Estate," PwC, August 2019
- 6 "US Retail Index" IBM, August 24, 2020
- 7 "COVID-19 United States Cases by County," Johns Hopkins University, March 2020
- 8 "Global Real Estate Perspective August 2020," JLL, August 7, 2020
- 9 "Consumer Confidence Tumbles to New Pandemic Low After Summer Viral Outbreak," *MarketWatch*, August 25, 2020
- 10 "AstraZeneca Covid-19 Vaccine Trial in US on Hold Until at Least Midweek, Sources Say," CNBC, September 14, 2020
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- 12 "Fed Pledges Low Rates for Years, and Until Inflation Picks Up," *New York Times*, September 16, 2020
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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:

- **Oxford Properties Group**, the real estate investment subsidiary of the Ontario Municipal Employees Retirement System, in the approximately US\$3.7 billion acquisition of IDI, a logistics company with a US 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, in each case located throughout the country. The transaction included the acquisition of a management platform. We also represented Oxford in a joint venture with another non-US investor for this acquisition.
- **Ventas** in one of the largest property acquisitions since the pandemic began — the approximately US\$1 billion acquisition of a life-science portfolio in South San Francisco. The transaction involved three buildings totaling almost 800,000 square feet. We also represented Ventas in a related acquisition loan.
- **Hines** in the negotiation of an agreement between the Massachusetts Bay Transportation Authority and the Boston Redevelopment Authority to acquire the air rights above Boston's main transit station and the closing of a US\$870 million construction loan for the first phase of the project.
- **Transform Midco** in its US\$1 billion sale to Costco Wholesale Corporation of Innoval Solutions, a leading provider of third-party, end-to-end logistics solutions. The transaction involved 130 properties, both fee and leased sites, across the US and Puerto Rico, including 11 distribution and fulfillment centers, and more than 100 final-mile, cross-dock centers, with warehouse space and call centers totaling more than 16.5 million square feet.
- **Real estate investor and Treasure Island owner Phil Ruffin** in the US\$825 million acquisition and financing of MGM Resort's Circus Circus hotel and casino property on the Las Vegas Strip. Originally opened in 1968, today the Circus Circus property has 2,300 employees and is home to the Adventuredome (a 5-acre indoor amusement park), a 10-acre RV park, and 37-acre festival grounds. The acquisition was comprised of 2 separate parcels of land and several different entities and involved 3 separate loans with 3 different lenders secured by 3 different properties.
- **Tysons Development, LLC**, the owner and developer of The View Project located in Tysons, Virginia, in the successful rezoning of a US\$2.5+ billion, transit-oriented, mixed-use project known as The View in Tysons Virginia, featuring what will be the Washington DC region's tallest office tower (once constructed, exceeding the height of The Washington Monument). The View will envelop the Metro Silver Line Springhill Landing with a noteworthy series of offices, a sky park, luxury hotel and condominiums, a US\$20 million community theater, restaurants, retail and lauded urban amenities.
- **Harridge Development Group** in obtaining all of the land use entitlements from the City of Los Angeles required to develop the US\$1 billion+ Crossroads Hollywood project, one of the largest, highest profile developments in recent memory in the City of Los Angeles.

Accolades

Law Firm of the Year
in Real Estate for
15 consecutive years
*International Who's Who
of Business Lawyers 2019*

Tier 1 in Real Estate for
four consecutive years
The Legal 500 USA 2020

Tier 1 in Land Use & Zoning
for 10 consecutive years
The Legal 500 USA 2020

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

Tier 1 in Real Estate Law and
Land Use & Zoning Law
*US News & World Report and
Best Lawyers 2019*

Two-time Winner of the
Award for Excellence in
Real Estate
Chambers USA

Hospitality Practice Group
of the Year
Law360 2019

Law Firm of the Year
REFI European Awards, 2020

Band 1 for Investment Funds
– Real Estate Funds –
Hong Kong
IFLR 1000, 2014-2020

DLA Piper at a glance

We're more than a law firm — we're a team of diverse and talented professionals committed to thinking outside the box and crafting practical, business-savvy solutions for complex issues.

Who we are

We strive to be the leading global business law firm by delivering quality, value, and exceptional client service.

- We are a global and dynamic team of lawyers who work at the highest levels in their respective areas to advise our clients anywhere they invest and operate.
- We strive to be a passionate force for societal change. Efforts to embrace, value, and incorporate diversity and inclusion are woven into our culture, allowing us to attract the best talent, build the most effective teams, and deliver the highest level of client service.
- Our clients range from multinational, Global 2000 and Fortune 500 enterprises to start-up companies developing game-changing innovations. They include more than half of the Fortune 250 and nearly half of the FTSE 350 or their subsidiaries.

What we do

We are a go-to firm to provide counsel on complex and bet-the-company deals and litigation. We employ novel strategies to help clients solve their problems and achieve their goals, no matter what the challenge.

- **Global and comprehensive services.** We offer legal counsel on a wide range of issues in every major business, financial, and technology center, and anywhere else our clients do business.
- **Collaborative and holistic guidance.** We collaborate with our global network and connect ideas across practices to provide our clients with solutions from a 360° perspective.
- **Flexible and agile teamwork.** We scale teams up or down to meet client needs – vertically to increase team size on a deal, or horizontally across our eight global practices, including:
 - Real Estate
 - Corporate
 - Employment
 - Tax
 - Intellectual Property and Technology
 - Litigation and Regulatory
 - Restructuring
 - Finance and Projects

90+

offices around the world

1,400+

lawyers in the US

4,500+

lawyers around the world

1

global network

Client Service
A-Team Top 10

BTI Consulting 2020

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