

# DLA Piper Global Real Estate Annual State of the Market Survey



# Transactional volume is at an all-time high; are we nearing a peak, or will technological advancements or other opportunities keep the good times rolling?

Nearly a decade of strong economic growth in the US was evident in 2018 with several exciting developments in the commercial real estate space, including a flurry of opportunity zone activity, impacts from the Tax Cuts and Jobs Act, big corporate headquarters announcements and continuing growth of e-commerce and the sharing economy. 2018 beat 2015 as the best year of the current cycle for global commercial real estate (CRE) investment, with the US leading the pack at 52 percent of global volume and 15 percent growth in annual investment volume.<sup>1</sup>

Yet, it was also the worst year for US stocks since 2008. Market uncertainty about trade relations, monetary policy, inflation and regulation of the tech sector drove substantial volatility in equity markets. By the end of 2018, the Dow had fallen 5.6 percent, the S&P 500 was down 6.2 percent and the Nasdaq fell 4 percent. It was in this environment that respondents opined on the state of the real estate market in DLA Piper's annual *State of the Market Survey*.

Only 42 percent of respondents in this survey said they were bullish about the CRE market, a significant drop from the 60 percent who were bullish in 2017. This is the third consecutive decline in confidence levels among respondents to DLA Piper's survey and the first time a majority of respondents have felt bearish since 2011. Since the close of the survey, the Dow saw a rise of 7.2 percent, the best January since January 1985<sup>2</sup> and the Federal Reserve announced that it would take a "wait and see" approach to interest rate hikes.<sup>3</sup>

However, survey responses to numerous questions demonstrate that any optimism in the CRE market is fragile, with three-data points standing out alongside the topline bullish vs. bearish numbers:

- Nearly one-third were concerned by domestic political and geopolitical issues, reflecting broad cross-industry jitters over policy uncertainty.
- 28 percent noted inevitable market correction as the reason for their doubts.
- 90 percent believed interest rates are on the rise.

This builds on the previous survey's conclusion: the good times are rolling – but for how long?

Despite a trend toward bearishness, however, signs of dynamism are still evident. Survey respondents expressed keen insights into how technological change will both disrupt and open new opportunities within the CRE market. "The continued digitization of our economy will result in additional efficiencies that are not evident today but will have outsized effects on commercial real estate," said John McKinnerney, founding principal at Castle Hill Partners. "The continued growth in the sharing economy, co-working, big data and more will result in better utilization of space in property markets. In effect, this will add additional inventory resulting in a decline in rates and occupancy in the worst locations and the opposite in the best locations."

This is consistent with sentiment from other reports, which show trends toward lower confidence and potentially declining asset values, but that also reference 2018's high deal volume.

## The cascading impacts of technology on the future of real estate

The rise of e-commerce and the disruption of retail have been prominent themes in CRE discussions, but this survey shows that respondents remain concerned about ongoing industry-wide impacts. Two forces in particular are raising questions.

First, a portion of foot traffic is being replaced by mobile commerce, which continues to grow and accounted for 40 percent of US retail sales in Q3 2018.<sup>4</sup> This may be one reason that amid a potential wider industry slowdown, the demand for industrial warehousing space remains quite strong.<sup>5</sup> Indeed, logistics and warehousing tied for first among respondents' favored categories for investing.

<sup>1</sup> "2018 Sets Record for Global Investment, Driven by Strong U.S. Market," CBRE Global Market Flash, January 31, 2019

<sup>2</sup> "US stocks having best January in 30 years," *Fortune*, February 1, 2018

<sup>3</sup> "Instant View: Fed holds rates steady," *Reuters*, January 30, 2018

<sup>4</sup> "Mobile commerce is on the rise in the US and it already accounts for most sales in several other countries," *Business Insider*, January 4, 2019

<sup>5</sup> "Industrial Warehouses: Riding the 'Last Mile'?" *GlobeSt.*, June 29, 2018

Second, the growth in ride-sharing and the prospect of autonomous vehicles suggests that much of the parking we rely on for foot traffic will no longer be necessary. One respondent predicted a 70 percent decline in parking, and another its eventual elimination. The opportunity to repurpose these spaces will prove an important element in the future of CRE.

But disruptors and change were also embraced. Respondents held increasingly positive views towards the use of blockchain and offered continued enthusiasm for urban and transit oriented mixed-use development.

### **A major shift away from Chinese investment**

The survey results demonstrate there is a rise in a new and important cohort of foreign investors who will remain bullish on US real estate. In the previous two surveys, China topped the list of expected foreign investors. Chinese investors have spent tens of billions of dollars in recent years, often paying record

prices and favoring major metro areas such as New York, Los Angeles, San Francisco and Chicago. A notable example includes HNA's 2017 acquisition of 245 Park Avenue in Manhattan for US\$2.2 billion.

In this survey, there was a dramatic shift. China dropped to eighth place, with Canada landing on top and the Gulf countries, Singapore, South Korea, Germany, Israel and Norway all moving ahead. Canadian investors are increasingly taking large stakes in US real estate, such as the recent joint venture between Ivanhoe Cambridge and Oxford Properties that acquired the Brookfield-sponsored real estate fund's industrial portfolio, and Toronto-based Brookfield's acquisition of Cleveland-based Forest City Realty Trust with a portfolio of office space, warehousing, life sciences and multi-family units in major US cities, including New York, San Francisco and Washington, DC.

# Highlights of DLA Piper's Survey

- For the first time since the 2011 survey, the majority of respondents have a bearish outlook on the commercial real estate market over the next 12 months.
- 42 percent of respondents felt bullish. Forty-eight percent cited an abundance of capital still chasing deals as their top cause for confidence and a close second was the strength of the US economy at 46 percent. Foreign investment was pointed to by only 2 percent of respondents, a 4 percent decline from the last survey.
- 30 percent of bearish respondents cited domestic political and geopolitical uncertainty as the top reason for their lack of confidence. Inevitable market correction ranked second with 28 percent. Other top factors included rising interest rates at 20 percent and unsustainable capitalization rates coming in at 14 percent.
- 50 percent of respondents felt co-working spaces were the most likely catalysts of disruption within commercial real estate in the coming year. With prominent co-working companies expanding and evolving, respondents may watch for related business opportunities. Continuing a trend from the last survey, almost as many respondents cited e-commerce as a key disruptor. Other highly cited disruptors included continued evolution of logistics and warehousing, cited by 40 percent, and the sharing economy, cited by 30 percent.
- The importance of blockchain is increasing: approximately 40 percent of respondents indicated they plan to use the distributed ledger technology in the near or long term. Such quick adoption of a technology that many did not know existed only 24 months earlier is remarkable. If 40 percent of the market actually adopts blockchain, the manner in which we conduct CRE transactions will be radically transformed.
- Canada was cited by 56 percent of respondents as the most likely source of foreign investment in US commercial real estate. Following Canada were Gulf countries, at 41 percent, then Israel, Singapore and South Korea, each tied with 24 percent of respondents. China, which held the top spot in the previous two surveys, dropped to eighth.
- The top categories for investors in this survey were urban and transit oriented mixed-use development and logistics and warehousing. Each was favored by 43 percent of respondents, followed by the multifamily category at 34 percent.
- 64 percent of respondents believe private equity investors will be the most active equity investors in the US in 2019. Pension funds/endowments were ranked second with 52 percent. Despite the rise of tech and the sharing economy, crowdfunding ranked last at 8 percent.
- 90 percent of respondents believe interest rates will increase in the next year; this is similar to the 92 percent figure in the previous survey and comes after rates increased four times in 2018. As the cost of capital increases, transactional volume would be expected to decrease – putting pressure on cap rates and sellers.
- Investors are close to evenly split on whether or not to invest in the opportunity zones created by the Tax Cuts and Jobs Act, some citing the attractiveness of new incentives and others noting concerns about structuring requirements that may reduce their practical value.
- Despite continued concerns with regards to Brexit, London was noted as the international city most attractive for investment during the next 12 months. Berlin, Frankfurt, Hong Kong and Sydney were also highly ranked. This is similar to the last survey, with four of the top five cities holding steady and Hong Kong displacing Paris.
- The majority of respondents believe climate change will significantly impact commercial real estate. 2018 brought major destructive storms including Hurricane Florence and Hurricane Michael; environmental resiliency may be an increasing consideration when it comes to CRE investments.

# Verbatims

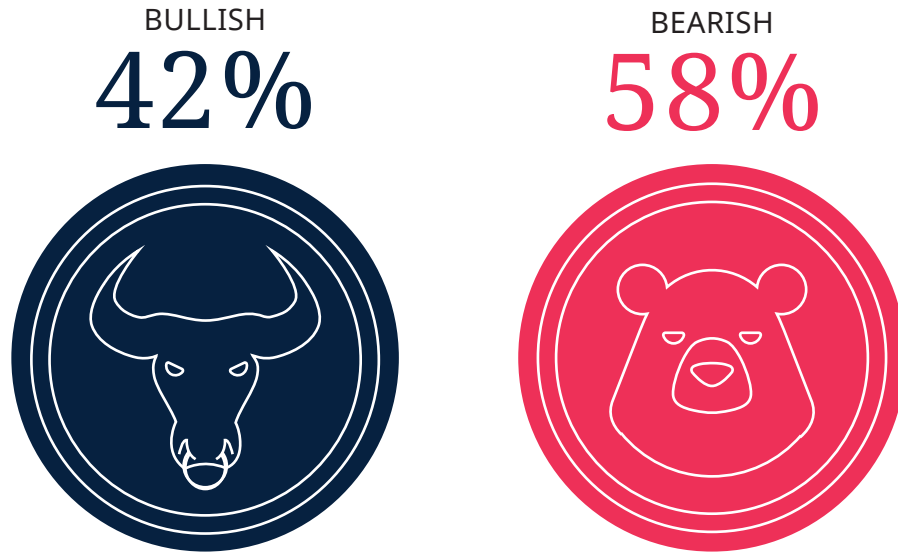
## Describe your futuristic vision for commercial real estate given technological advancements and innovation.

- Commercial real estate will increasingly move toward being an on-demand service, even within the environments of firms that find it advantageous to enter into long-term leases.
- Office space will be considerably more efficient with employees tele-commuting, autonomous cars reducing parking requirements, and e-commerce creating restructuring of shopping centers.
- Real estate will become much more efficient and collaborative, and technology will drive continued innovation. Legacy real estate will have to reinvest and adapt to these changes to evolve with the needs of tenants and enterprises.
- There will still be a need for brick-and-mortar retail. Those places will change in terms of size and scope, but that means there will be many transactions in the marketplace as this market redefines itself.
- The “product offering” of real estate will look more like a service than a space offering. We are seeing the early stages of this already: shorter leases, more services, network effects, and more. Real estate owners are effectively becoming service partners to their tenants and in some cases, even helping provide capital and scaling solutions alongside their network of other benefits and solutions.
- We’ll see greatly reduced parking, a heavy focus on wellness and healthy workplaces, and a heavier use by enterprise companies of co-working spaces to address short-term needs.

## Why will you or won’t you invest in opportunity zones?

- Opportunity zones provide an excellent tax benefit for long-term development and redevelopment opportunities.
- The stimulus package is attractive and there will be opportunities in opportunity zones that are made better [by the Tax Cuts and Jobs Act].
- There are certain opportunity funds that fall within urban redevelopment areas that can produce long-term equity values.
- There is a nice added return, but it is not enough to make a bad deal a good one. We still need to find solid fundamentals when investing.
- There is a long-term hold period and it will take 8-10 years to be able to realize the benefit of opportunity zones.
- By nature, opportunity zones are in secondary markets. They would be the first to experience problems during the next downturn.
- Managing tax risks and interacting with tax attorneys for each investor will be a large, risky task when it comes to opportunity zones.
- The intense focus on any well-located properties in an opportunity zone will drive pricing far beyond its value. In addition, the long-term hold requirements only benefit the wealthiest individuals or end users.

## 1. How would you describe your 12-month outlook for the US commercial real estate market?



- For the first time since 2011, DLA Piper’s survey shows most respondents feeling bearish about the US commercial real estate market. Despite the high volume of CRE deals and investments in 2018, confidence stands at 42 percent, reflecting a dramatic 18 percent dip from the firm’s 2017 survey. This is the third consecutive survey where confidence has fallen since 2014, when it stood at 89 percent.
- Other indices show hesitation in the market as well. The US Consumer Confidence Index had grown since the previous survey but is now back at the same level and trending downward. Similarly, the Dow Jones Industrial Average, which soared to almost 27,000 in September 2018, underwent a three-month plunge back to 23,000 by year end.<sup>6</sup> However, since the survey closed, the Dow, S&P 500 and Nasdaq have seen large gains.
- The findings also align with views expressed in The Real Estate Roundtable’s Q4 2018 Sentiment Index, which states that “current market conditions are positive and [we] expect such conditions to continue into the new year. However, some respondents continue to question, ‘How much longer can this last?’” The Q4 Index pointed to increasing costs for construction projects making yield increasingly hard to find, and a large proportion of respondents felt that asset values will also start declining.

## 2. What is the primary reason for your confidence?

Abundance of capital still chasing deals	48%
Strength of the US economy	46%
Foreign investment in the US	2%
Other	5%

- There are fewer respondents who feel bullish, but their reasons are similar to those cited in the previous survey. Most respondents cited abundance of capital as their primary reason for confidence; the strength of the US economy was a close second.
- Only 2 percent of respondents cited potential foreign investment as their primary reason of confidence. This is a decline from 6 percent in the last survey. Curiously, this comes even as 48 percent fully or somewhat agree that foreign investment in the US will be strong this year in question 14.
- Those who felt confident for other reasons pointed to rapid household formation in key markets and continuing corporate growth.

<sup>6</sup> “U.S. Indexes Close With Worst Yearly Losses Since 2008,” *The Wall Street Journal*, January 1, 2019

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

Domestic political and geopolitical uncertainty	30%
Rising interest rates	20%
Inevitable market correction	28%
Reduced foreign investment in the US market	0%
Unsustainable cap rates	14%
Tighter underwriting standards	1%
Decreasing investor appetite	2%
Other	4%

- Those without confidence in the US market cited domestic political and geopolitical uncertainty as their top concern at 30 percent, similar to the findings in our previous survey. However, inevitable market correction came closely in second place with 28 percent.
- Another concern included fear of rising interest rates, which earned 20 percent of votes compared to just 15 percent in our previous survey. Unsustainable cap rates garnered almost 15 percent.

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

Up significantly	5%
Up slightly	85%
No change	8%
Down	3%

- At 85 percent, the vast majority of respondents believe interest rates will increase slightly in the next 12 months, with another 5 percent saying they would do so significantly. These numbers are very similar to 2017 responses, when 85 percent also anticipated a slight increase in rates and 7 percent expected a more significant rise.
- This sentiment is likely due to interest rates being raised four times in 2018. However, since this survey closed, the Federal Reserve announced that it plans to hold rates steady for the time being.<sup>7</sup>

<sup>7</sup> "Most Economists Expect Fed Will Hold Rates Steady at Least Until June," *The Wall Street Journal*, January 10, 2019

## 5. Which of the following will have the most significant impact on commercial real estate? Select up to three.

E-commerce	47%
Continued evolution of logistics and warehousing	40%
Tokenization of real estate (blockchain)	5%
Co-working	50%
Small living spaces	0%
Prop-tech	20%
The sharing economy	30%
Autonomous vehicles	22%
Sustainability initiatives	6%
Healthy workplaces (e.g. wellness initiatives)	8%
Artificial intelligence/Machine learning	14%
Augmented reality/Virtual Reality	2%
Big data	15%
Smart contracts	0%

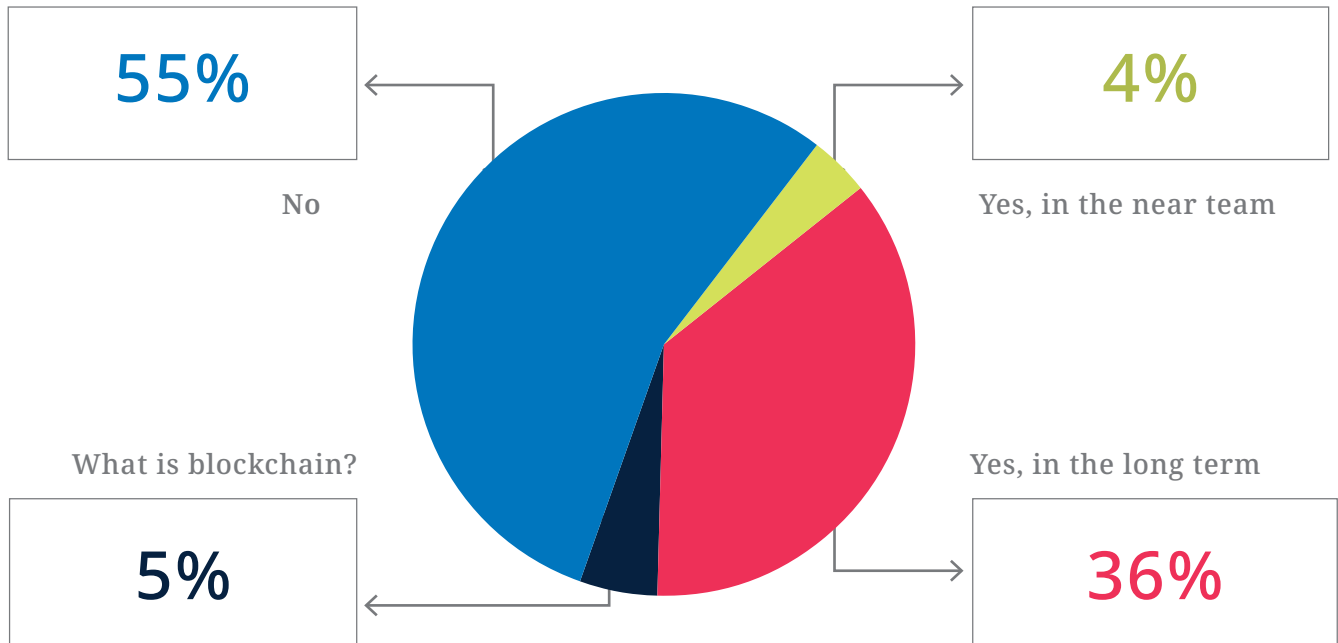
- When asked to choose three disruptors likely to make a significant impact on commercial real estate, co-working spaces rose to the top with a full 50 percent pointing to them as a key area to watch. It is predicted that the global number of co-working spaces will rise to more than 30,000 by 2022, with 5.1 million members.<sup>8</sup>
- Chosen by 47 percent, e-commerce ranked second as a potential disruptor to commercial real estate, followed by the continued evolution of logistics and warehousing. The rise of e-commerce is actually helping logistics and warehousing to evolve. For each incremental US\$1 billion growth in e-commerce sales, an additional 1.25 million square feet of distribution space is needed to support it.<sup>9</sup>
- The sharing economy dropped from second to fourth place, possibly because many of the benefits may be realized through the growth of co-working spaces.

<sup>8</sup> "How Coworking Impacts Innovation for Startups and Small Businesses in the U.K.," *Entrepreneur*, May 24, 2018

<sup>9</sup> "The Quest to Keep E-Commerce Buyers Buying," *GlobeSt.*, January 9, 2019



## 6. Do you anticipate using blockchain in your commercial real estate business?



- Many experts are embracing blockchain as a technology that may simplify and transform numerous industries. It has been called a potential backbone for the introduction of smart contracts and increased speed, and banks and regulators have discussed using the technology to cut fraud. Yet, the technology is so new that its regulatory future is uncertain. For example, the Securities and Exchange Commission (SEC) recently put strict regulations in place, possibly causing hesitation for commercial real estate practitioners.<sup>10</sup>
- Despite this, 40 percent of survey respondents still plan to apply blockchain to their business in the near or long term, suggesting that the perceived benefits are attracting practitioners regardless.<sup>11</sup> Strikingly for such a new and complex technology, only 5 percent of respondents still wonder, “What is blockchain?”

<sup>10</sup> “How Blockchains Will Transform The Real Estate Industry,” *Forbes*, November 13, 2018

<sup>11</sup> “Three Ways Blockchain Technology Will Revolutionize Real Estate in 2019,” *Forbes*, November 15, 2018

## 7. Which industry sectors present the most risk-adjusted attractive opportunity for US real estate investors in the next 12 months? Select up to three.

Multifamily	34%
Urban/transit oriented mixed-use development	43%
Data centers	19%
Office Downtown	15%
Office Suburban	12%
Retail	9%
Senior Housing	21%
Affordable Housing	20%
Student Housing	13%
Industrial (excluding logistics and warehousing)	8%
Logistics and warehousing	43%
Hotels/lodging	4%
Other	4%

- Leading the pack in attractive, risk-adjusted opportunities are urban and transit oriented mixed-use development as well as logistics and warehousing. Both were chosen by 43 percent of respondents. Mixed-use developments are increasingly popular because they meet consumer desire for convenience and provide investors a diverse real estate investment.<sup>12</sup>
- With the rise of giant e-commerce platforms, logistics and warehouse real estate are also booming and expected to continue to grow. E-commerce generated warehouse demand could grow by an additional 191.2 million sq. ft. from 2018 to 2020.<sup>13</sup>

<sup>12</sup> "Why is Mixed-Use the Newest Gem in U.S. Development?" *National Real Estate Investor*, May 3, 2018

<sup>13</sup> "Warehouse Demand to Grow with Rising E-commerce Sales," CBRE US MarketFlash, December 4, 2018

## 8. Where will you be investing in the year ahead? Select all that apply.

Chicago	41%	Raleigh-Durham	22%
Denver	34%	Miami	19%
Washington, DC	34%	Seattle	19%
Los Angeles	33%	Phoenix	19%
Austin	32%	Houston	17%
Boston	31%	Silicon Valley	17%
New York	28%	Portland	16%
Nashville	26%	San Diego	14%
Dallas/Fort Worth	24%	Orlando	14%
Minneapolis/St. Paul	24%	Philadelphia	13%
Charlotte	24%	Other	13%
Atlanta	22%	Pittsburgh	8%
San Francisco	22%	Sacramento	6%

- Chicago took first prize when respondents identified where they will make investments. Despite a shrinking population and financial difficulties, Chicago is still the third largest US city, and 41 percent of respondents chose it as a top investment target. Tied for second, Washington, DC and Denver rounded out the top three. In the past two years, Denver has experienced a nearly 4 percent population growth and a 2.8 percent employment growth, boosting the city's real estate market.<sup>14</sup>
- Notably, New York came in seventh place, perhaps reflecting the sentiment that office has been overbuilt in recent years in New York.
- Los Angeles came in fourth among investment targets. The city will be hosting the 2028 Summer Olympics and is expected to make significant investments in infrastructure, safety and transportation, a key factor in its appeal to developers in the coming decade.

<sup>14</sup> "The Best and Worst Cities to Own Investment Property," *GoBankingRates*, December 23, 2018

## 9. Tell us what your sleeper cities are.

- When it comes to “sleeper cities,” or locations that may receive less investment than they deserve, Nashville was a popular choice. The Midwest holds many of the chosen sleeper cities, with 21 percent of the results citing cities in Michigan, Minnesota, Wisconsin, Illinois and Indiana. This aligns with reports that smaller cities such as Kansas City, Minneapolis and Des Moines are growing faster than some of their larger neighbors, for example, Detroit, Cleveland and Pittsburgh.<sup>15</sup>

## 10. What types of equity investors do you expect will be most active in the US in 2019? Select up to three.

Foreign investors (excluding sovereign funds)	29%	Pension funds/Endowments	52%
Sovereign funds	17%	Private equity	64%
Individual investors	31%	Public REITs	13%
Crowdfunding	8%	Family office	39%

- Private equity funds are anticipated to be the most active investors in US commercial real estate in 2019. This stands out from previous surveys in 2016 and 2017, which both showcased the expectations that foreign investors would be the most active equity investors in the US, followed by private equity and then pension funds.
- A decline in foreign investment was predicted in the 2017 survey and aligns with a broad, general shift in the foreign investment landscape. This survey also separated foreign investors into two response options, non-sovereign and sovereign funds, which may account for some of the decline.

<sup>15</sup> “The Midwest Is Booming - Just Not Where You Think,” *The Daily Beast*, April 27, 2018

## 11. Which of the following factors will have the greatest impact on the global commercial real estate market? Select up to three.

Slowing global economy	54%
Slowing US economy	52%
US trade wars with other countries	52%
US relations with China	49%
Brexit developments	22%
Climate change policies	12%
US immigration policies	12%
Increasing tensions in the Middle East	10%
US relations with western alliances	7%
Other	4%
US relations with Russia	3%
US relations with North Korea	0%

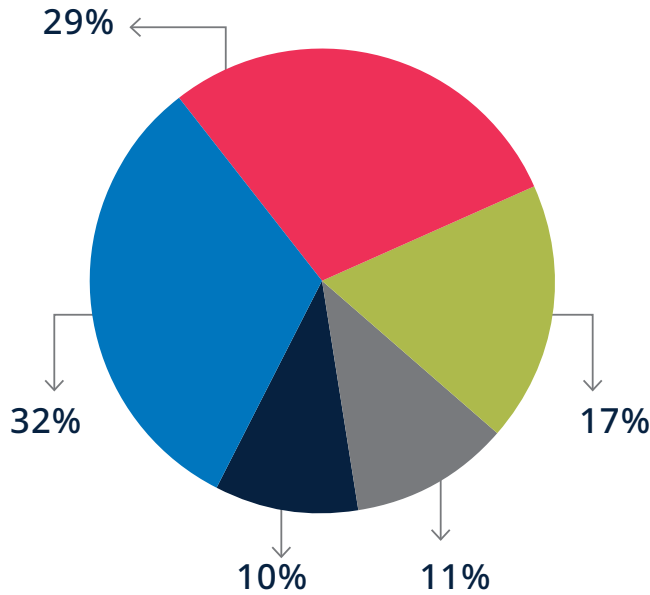
- The survey showed clear concern over the impact of slowing US and global economies on commercial real estate, both being selected by more than 50 percent of respondents, even though strength in the US economy was one of the top choices for confidence in question 2. In the US, real GDP growth is expected to slow from 3.1 to 2.4 percent in 2019.<sup>16</sup> Globally, economic growth is predicted to slow in key markets such as Europe and Japan.
- US relations with China are also expected to impact investment as bilateral trade tensions continue. The relationship has faced real and potential political pressures from both sides, with Beijing tightening capital outflows and overseas acquisitions and Washington, DC imposing China-specific trade protection measures. The third quarter of 2018 was the first quarter since 2008 in which Chinese investors sold more US property than they bought, and this repeated in Q4.<sup>17</sup>
- Interestingly, Brexit was also cited as a concern by more than 20 percent of respondents, even though London still earns the top spot as a destination for investment in international cities.

<sup>16</sup> "19 Trends That Will Shape The World In 2019," *Forbes*, December 14, 2018

<sup>17</sup> "Chinese Dumped \$1 Billion of U.S. Real Estate in Third Quarter, Extending Recent Retreat," *The Wall Street Journal*, December 4, 2018

## To what extent do you agree with the following statements?

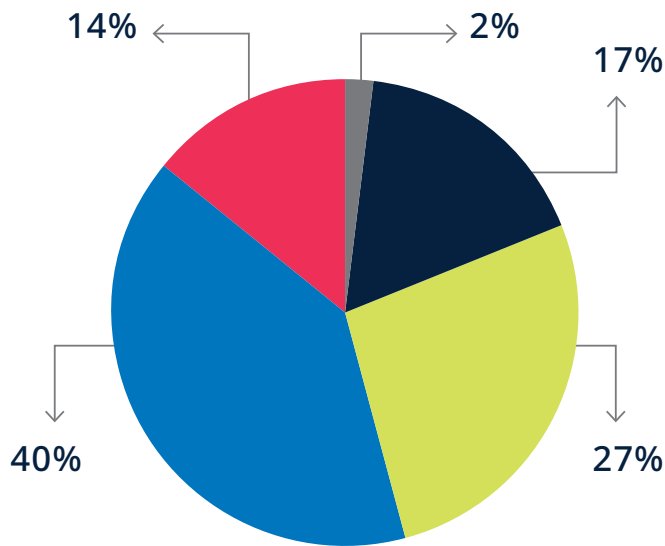
### 12. Climate change will significantly impact commercial real estate.



- More than 60 percent of respondents agree or somewhat agree that climate change will significantly impact commercial real estate. Commercial real estate owners may have to consider the environmental resiliency of their commercial real estate properties due to the increase in strong storms and the rise in sea levels threatening coastal cities.<sup>18</sup>



### 13. Domestic, direct institutional buyers will find US property acquisitions that match their investment parameters and yield requirements during the next 12 months.



- Respondents believe that US institutional investors are likely to find US property acquisitions that match their investment parameters and yield requirements. The properties, however, might not be located in primary US cities.
- Investors are looking to focus on secondary markets to earn the most yield and return. Due to high prices and limited opportunities in primary US metros, investors are continuing their focus on secondary markets, which are seeing double-digit growth in investment activity and much stronger price increases than the primary markets.<sup>19</sup>

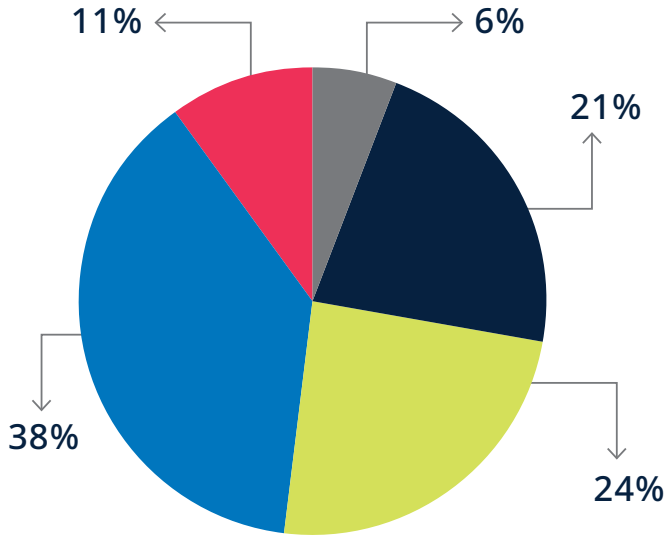


<sup>18</sup> "Climate Change's Inexorable Approach to CRE," *GlobeSt.*, September 13, 2018

<sup>19</sup> "18 Commercial Real Estate Trends to Dominate in 2019," *Bisnow*, December 11, 2018

## To what extent do you agree with the following statements?

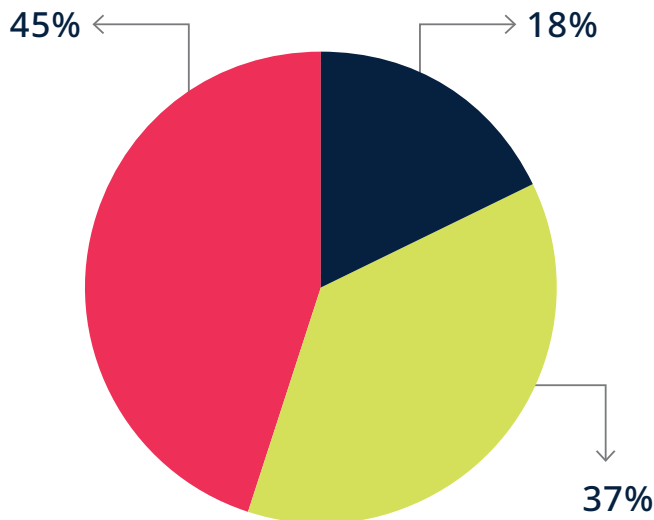
### 14. Foreign investments in the US will be strong during the next 12 months.



- 48 percent of respondents agree or somewhat agree that foreign investment will be strong through 2019, a significant decline from 70 percent in 2017. Experts predicted a decrease in global foreign investments, specifically in developed countries due to fewer cross-border deals and a lower return on the investment.<sup>20</sup>
- Data from the US Bureau of Economic Analysis shows a US\$51.3 billion fall in foreign investments in Q1 2018, a 37 percent drop from the same quarter in 2017, which is often attributed to uncertainty around trade regulations and tariffs.<sup>21</sup> Indeed, one survey respondent noted, "Foreign investment fears political uncertainty."



### 15. Will you invest in opportunity zones?



- From April through June of 2018, the US Treasury designated "opportunity zones" to spur investment in distressed communities in waves, ultimately approving areas in all 50 states, Washington, DC and five US possessions.
- Despite the tax incentives, survey respondents are roughly split in their plans to invest in opportunity zones. Forty-five percent have no plans. Another 37 percent are likely to invest, and 18 percent are highly likely, which may attribute to the focus on secondary markets from investors.
- The hesitation likely stems from the novel structure of the investment and a long-term hold period, despite predictions that banks, asset managers, advisers and funds would "be tripping over one another to solicit wealthy investors."<sup>22</sup>

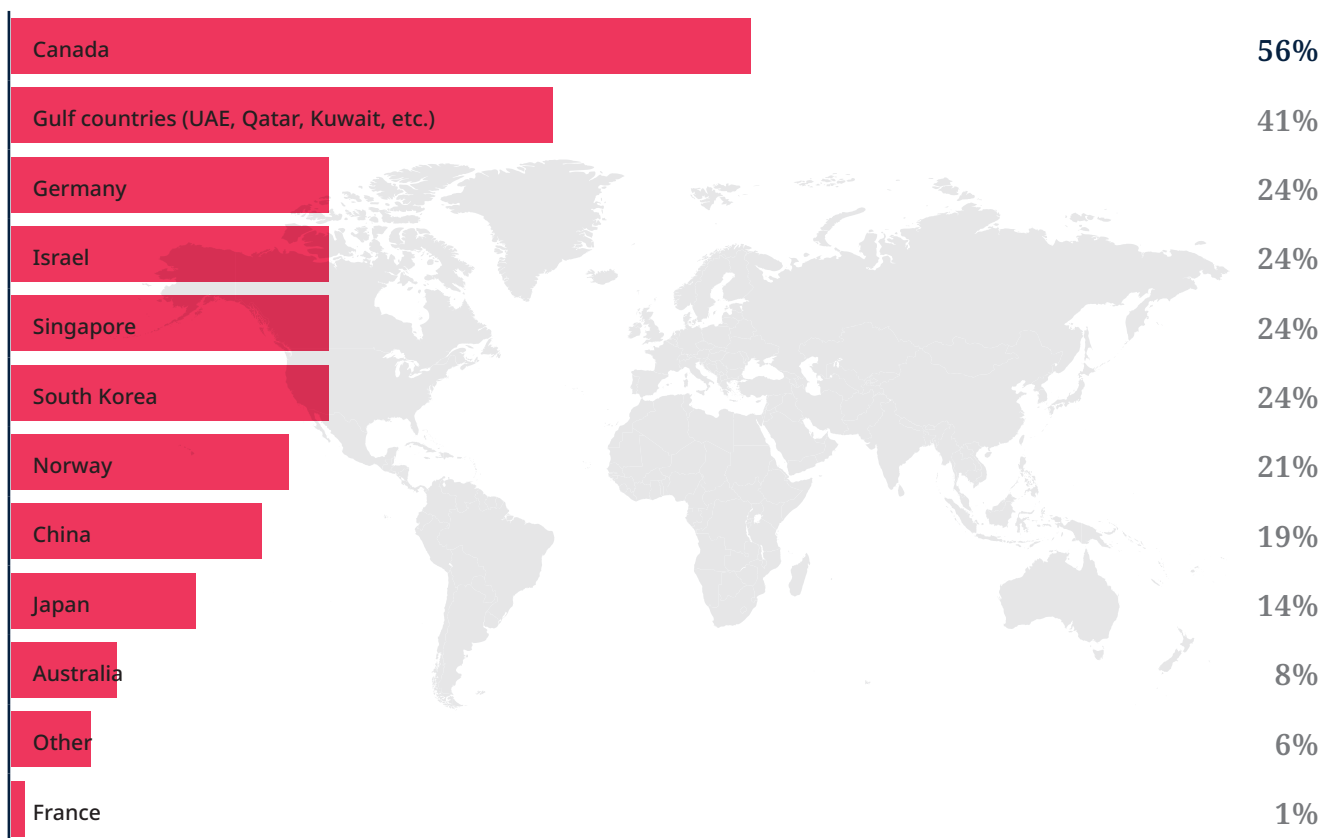


<sup>20</sup> "World Investment Report 2018," United Nations Conference on Trade and Development, June 6, 2018

<sup>21</sup> "Foreign investment in U.S. dropping dramatically under Trump," *CBS News*, September 10, 2018

<sup>22</sup> "A Big Tax Break for Socially Responsible Investing," *The New York Times*, November 9, 2018

## 16. Investors from which of the following countries will be most active in the US commercial real estate market during the next 12 months? Select all that apply.



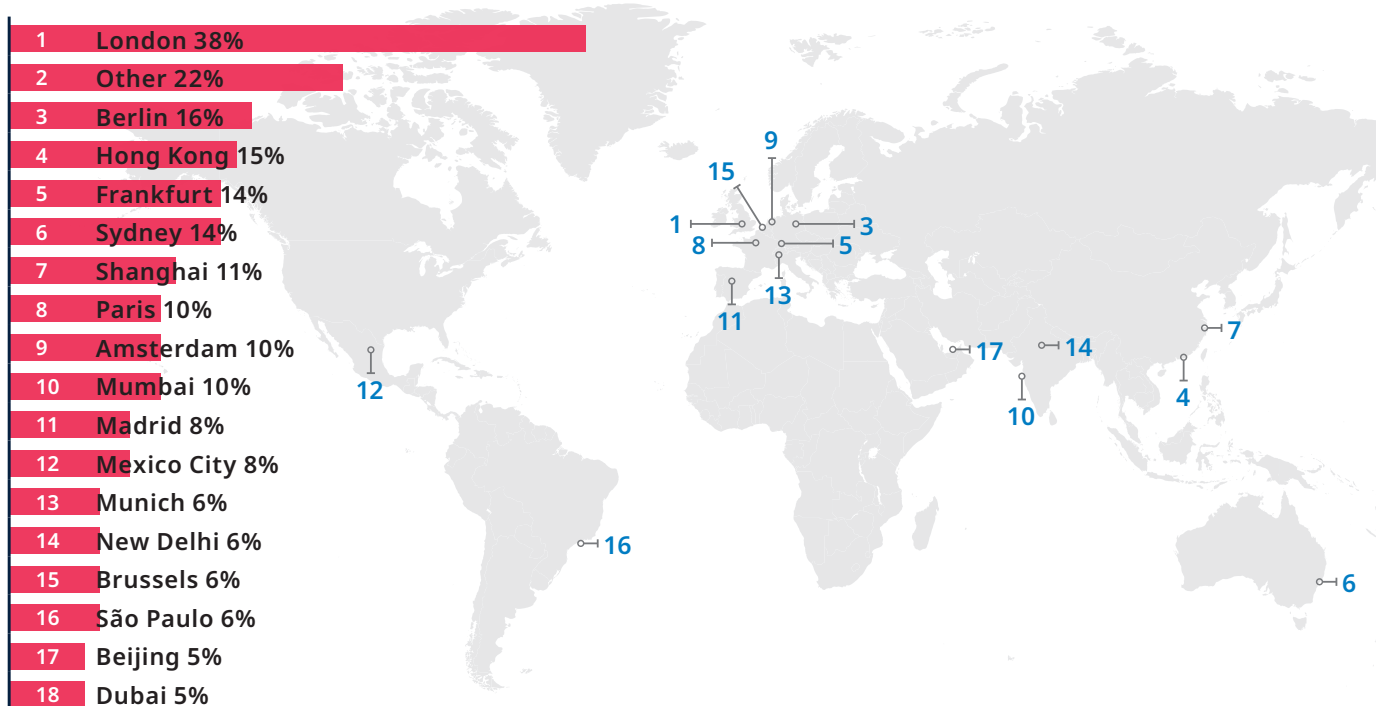
- Canada, which ranked fourth with 31 percent in the previous survey, overtook China to top the chart. Fifty-six percent of survey respondents view Canada as the country likely to be most active in the US real estate market this year. This would follow an active year of investment in 2018, when Canada bought nearly US\$20 billion in US real estate according to Real Capital Analytics.
- After topping the list for two consecutive surveys, China was ranked eighth by respondents. Nineteen percent of respondents selected it as the country most likely to be active in US commercial real estate this year, a drop from nearly 60 percent in the last survey. Chinese investment in US real estate has already begun trending downward, as a result of Chinese efforts to stabilize its currency and increasing tensions over trade fueled by US policy decisions.<sup>23</sup>
- These rankings are strikingly different from previous years, reflecting both new options for investors that remain bullish, substantial shifts in the market and less consensus among respondents. One new option, Singapore, ranked high enough to join Germany, Israel, the US and South Korea in a four-way tie for third place. Singapore's investments in commercial property globally rose to US\$28.4 billion in 2017, beating a record set in 2015.<sup>24</sup>

<sup>23</sup> "China Reversing Big U.S. Real Estate Buying Spree That Had Helped Boost Prices," *The Wall Street Journal*, July 24, 2018

<sup>24</sup> "Singapore Overtakes China as Largest Asian Investor in U.S. Property," *Bloomberg*, January 28, 2018



## 17. Which of the following international cities are most attractive for investment during the next 12 months? Select all that apply.

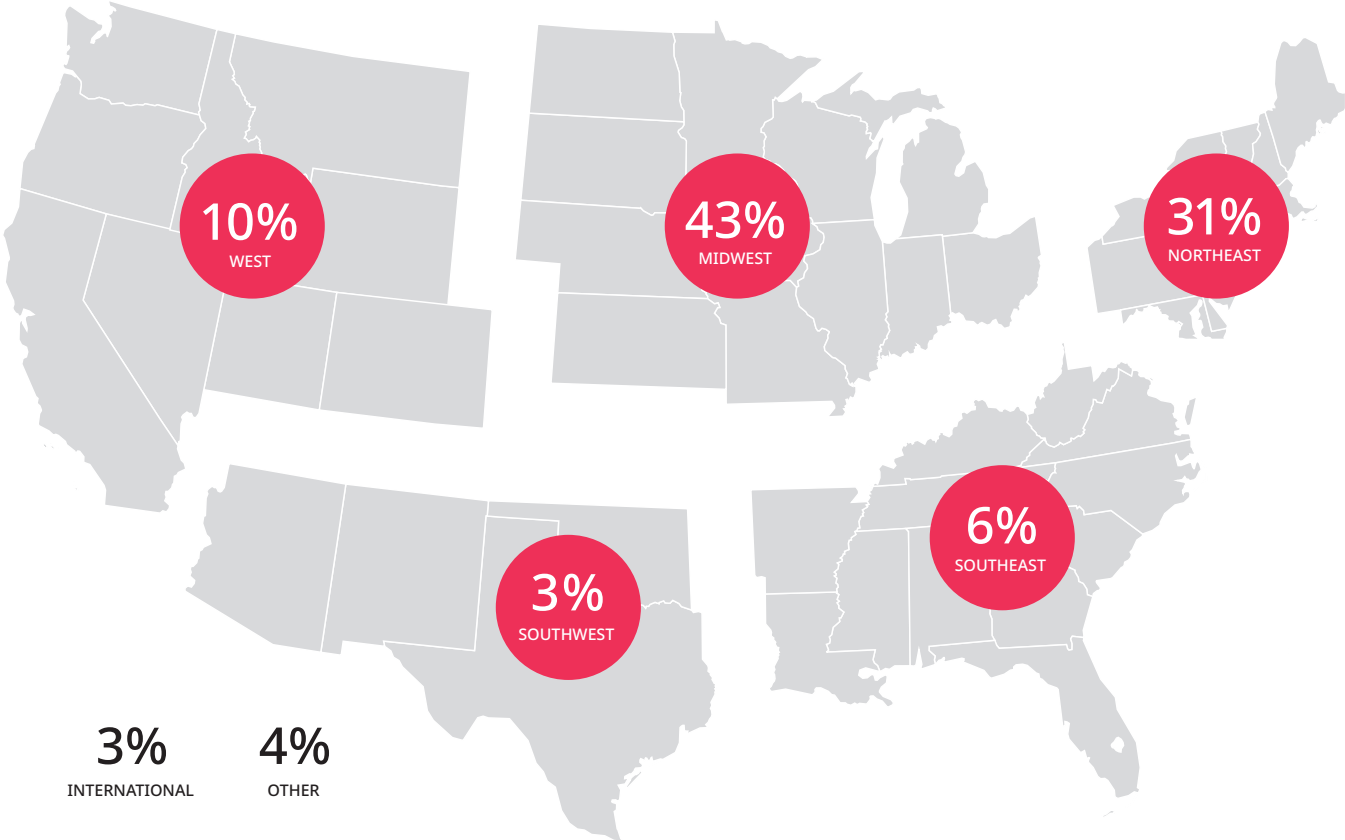


- London, even in the final stages of plans to exit the European Union, remains an attractive city for investments. Concerns around Brexit have been quelled by a strong market performance and its magnetic global hub.<sup>25</sup>
- In 2017, Frankfurt and London were tied at the top, but London has taken the lead with more than half of the respondents selecting it as the most attractive international city for investments. Four out of the top five cities from 2017 remain, with Hong Kong displacing Paris.
- Despite uncertain relations between China and the US, Hong Kong was an attractive choice for foreign investment. Its unique and strategic history bridging the east and the west and its strong global financial ties have proven resilient amid political changes.<sup>26</sup>

<sup>25</sup> "London remains most attractive city for businesses and employees," *Relocate Global*, March 15, 2018

<sup>26</sup> "Future Returns: Negotiating Hong Kong's Mighty Real Estate Market," *Barron's*, December 18, 2018

18. In which market is your office located?



# Methodology

Between November 28, 2018 and January 2, 2019, DLA Piper distributed a survey via email to top executives 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 143 respondents. Due to rounding, percentages used in some of the questions may not equal 100 percent.

# Real Estate at a glance

## One of the largest Real Estate practices in the world

Over 200 Real Estate lawyers in the US

Over 500 Real Estate lawyers worldwide

## Accolades

Two-time winner of the *Chambers USA Award for Excellence* recognizing DLA Piper as the top Real Estate practice in the US

Law Firm of the Year in real estate for 14 consecutive years (*Who's Who Legal*, 2018)

Practice Groups of the Year, Hospitality (*Law360*, 2018)

Named a top 5 Real estate law firm (*Commercial Property Executive and Multi-Housing News*, 2018)

Real Estate Team of the Year (*Legal Business Awards*, 2018)

Law firm of the year (*Property Investor Europe*, 2018)

## Recent representative matters

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

- Advising The Walt Disney Company with respect to the real estate portion of its US\$71.3 billion acquisition of 21st Century Fox, involving over 350 properties worldwide.
- Advising Harrison Street Real Estate in its approximately US\$1 billion sale of 21 student housing properties across the US.
- Advising North American Properties in its US\$2.5 billion residential, retail, entertainment, marina, office and hotel development project in New Jersey, one of the largest mixed-use project in that state's history.
- Advising Cottonwood Management in all aspects of its US\$900 million development of Echelon Seaport, one of the largest development project in Boston. The project will include 733 luxury condominiums and apartments in three towers built over a 125,000 square foot retail podium.
- Advised ASB Capital Management in the acquisition, and subsequent sale, of its US\$1.8 billion US data center business.
- Advised AEW Capital Management with respect to joint ventures, acquisitions, financings and sales of office, multifamily, logistics and retail properties located throughout the US, including the US\$385 million acquisition of a private REIT that owns a prominent office tower in New York City.
- Advised a pension fund in its acquisition of a 180-property US logistics portfolio valued at approximately US\$4.0 billion.
- Advised CBRE Global Investors on the refinancing of its logistics pan-European fund covering 7 countries (France, Luxembourg, Germany, Spain, Portugal, the Netherlands and Belgium).
- Advised Aareal Bank AG on an up to €1 billion pan-European real estate loan to Invesco Real Estate used to refinance a portfolio of properties in France, Germany, Italy, The Netherlands, Poland, Spain and the UK, including an accordion facility to enable expansion.
- Advised Aviva Investors on the sale of its Central European Industrial Fund comprising a 90-asset logistics portfolio in Czech Republic, Hungary, Poland and Romania to Partners Group and Valad.
- Advised real estate private equity firm Gaw Capital Partners on its acquisition of Ocean Towers, a 25-story Grade A office building located at People's Square in Shanghai. The acquisition was done through a fund managed by Gaw Capital together with a consortium of partners.
- Advised China Orient Asset Management on the resort acquisition and development in the Maldives through a leasehold structure, including entering into a BVI joint venture arrangement with a local Maldives entity.

# DLA Piper at a glance

DLA Piper is a global law firm with lawyers located in more than 40 countries throughout the Americas, Europe, the Middle East, Africa and Asia Pacific, positioning us to help clients with their legal needs around the world.

## Our clients

Our clients range from multinational, Global 1000 and Fortune 500 enterprises to emerging companies developing industry-leading technologies. They include more than half of the Fortune 250 and nearly half of the FTSE 350 or their subsidiaries. We also advise governments and public sector bodies.

At DLA Piper, we focus on the core services that our clients need us to deliver globally. Our diversified practice and sector focus allows us to work for the world's leading mature and emerging companies everywhere in the world.

## Global practice areas

- Corporate
- Employment
- Finance and Projects
- Intellectual Property and Technology
- Litigation and Regulatory
- Real Estate
- Restructuring
- Tax

## Global sectors

- Consumer Goods and Retail
- Energy and Natural Resources
- Financial Services
- Industrials
- Infrastructure, Construction and Transport
- Insurance
- Life Sciences
- Media, Sport and Entertainment
- Real Estate
- Technology

## Rankings

Global M&A deal volume for the ninth consecutive year  
(*Mergermarket* 2018)

Best in the world for Real Estate, Franchise and Entertainment  
(*International Who's Who* 2017)

Law firm providing value for the dollar to in house counsel  
(*BTI Client Service A-Team* 2019)

Most powerful law firm brand in the world  
(*Acritas* 2018)

Law firm for global reach and breadth of international work  
(*Law360* 2018)

Law firm for client service  
(*BTI Client Service A-Team* 2019)

Named one of the most innovative law firms in Europe in 2017 and North America in 2018  
(*Financial Times*, *Innovative Lawyers Report*)

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## REALWORLD

DLA Piper REALWORLD is an online guide to legal issues in international real estate covering Europe, the US and Asia Pacific. It provides answers to the typical legal questions faced when entering overseas markets. Topics include sale and purchase, leases, real estate taxes, finance, construction, planning and zoning, and corporate structures for investments. [dlapiperrealworld.com](http://dlapiperrealworld.com)

