

Economy and Property Market Outlook 2022

18 January 2022



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What a
Year 2021
Was!

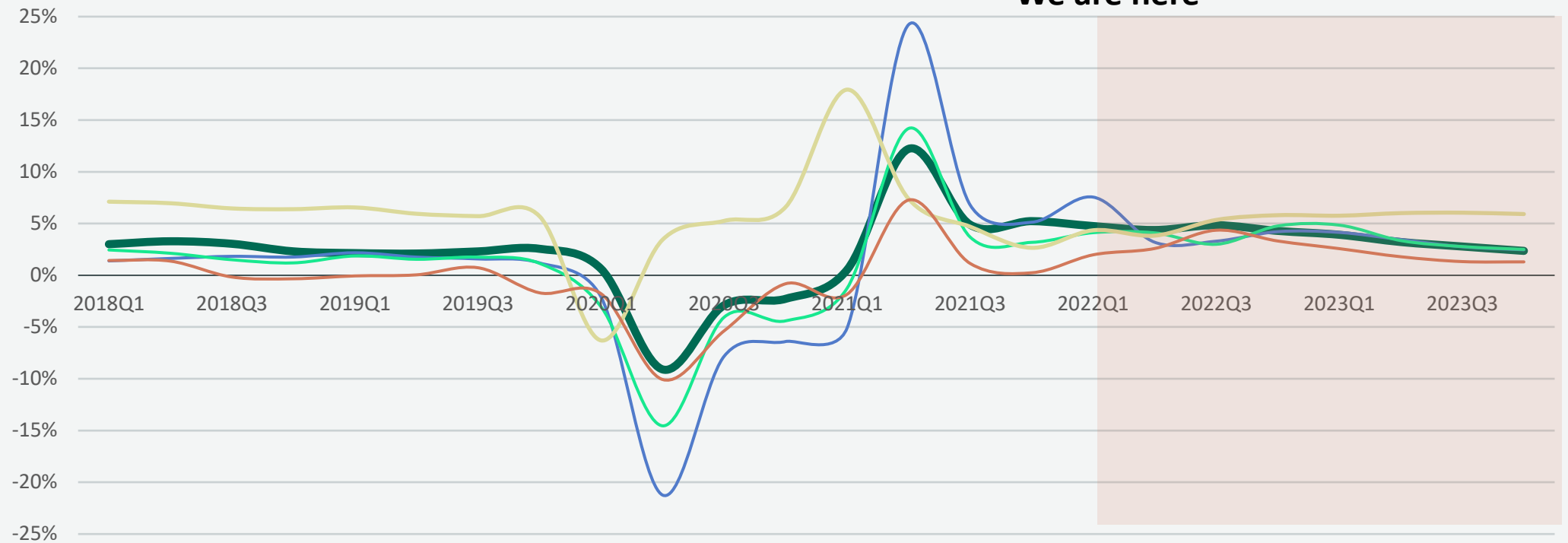
Global GDP Rebound Was Strong and Consistent

Quarterly Year Over Year GDP Growth

U.S. Euro Area China UK Japan

We are here

A Stunning Economic Rebound



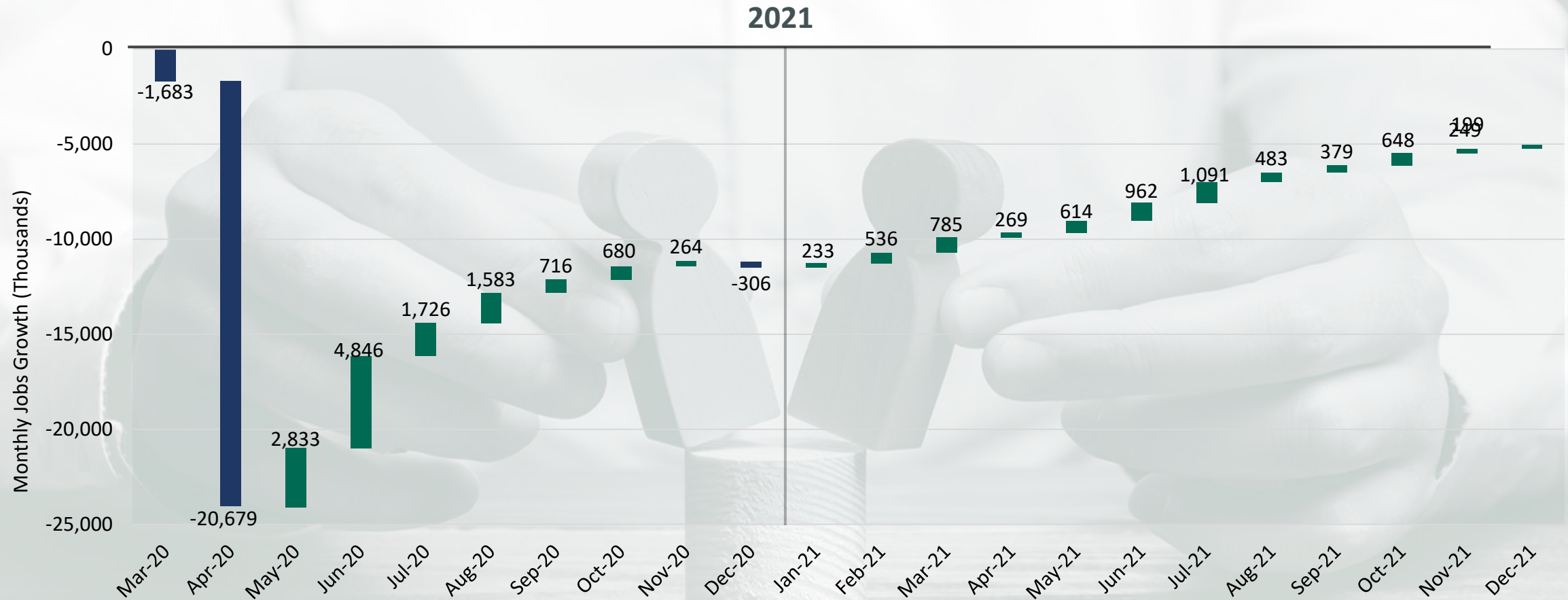
Source: CBRE House-View, CBRE Research, 5 Jan 2022.

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6.7 Million Jobs Created

U.S. Monthly Jobs Growth
Thousands



Source: BLS, CBRE Research, Macrobond, January 2022.

Multifamily Rents Grew by 10%

Multifamily Rent Q4 2019 vs Q3 2021

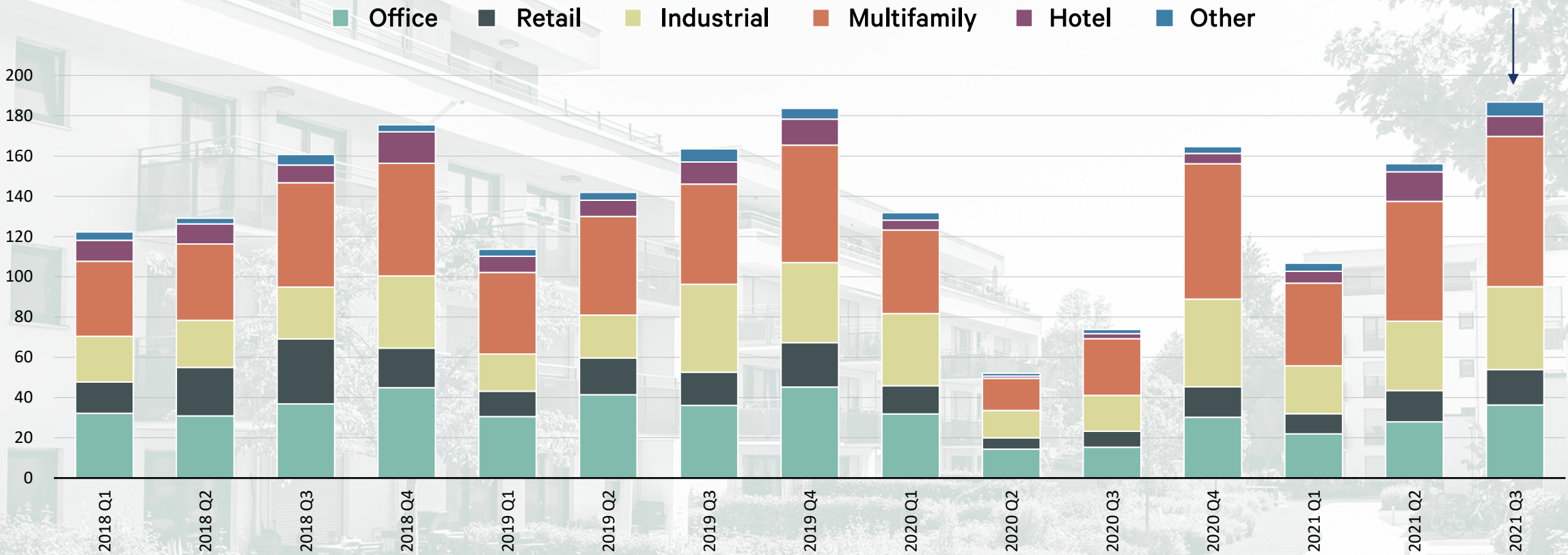


Source: CBRE EA, CBRE Research, 5 Jan 2022.

Multifamily Investment Hit a 15 Year High

U.S. CRE Investment by Sector
 USD Billion, Floating Exchange Rates

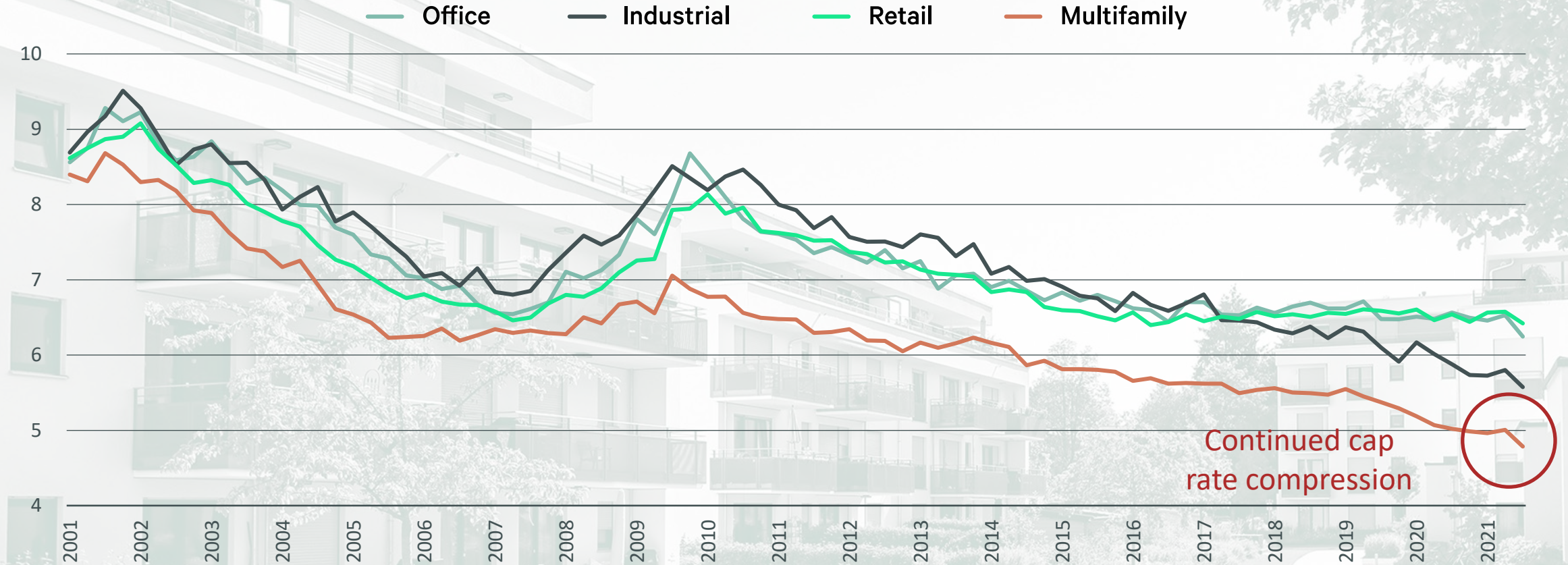
15 Year High For
 Multi Investment



Source: Macrobond, CBRE Research, Q3 2021.

With Cap Rate Compression To Boot

U.S. Cap Rate by Sector



Source: RCA, CBRE Research, Q3 2021.

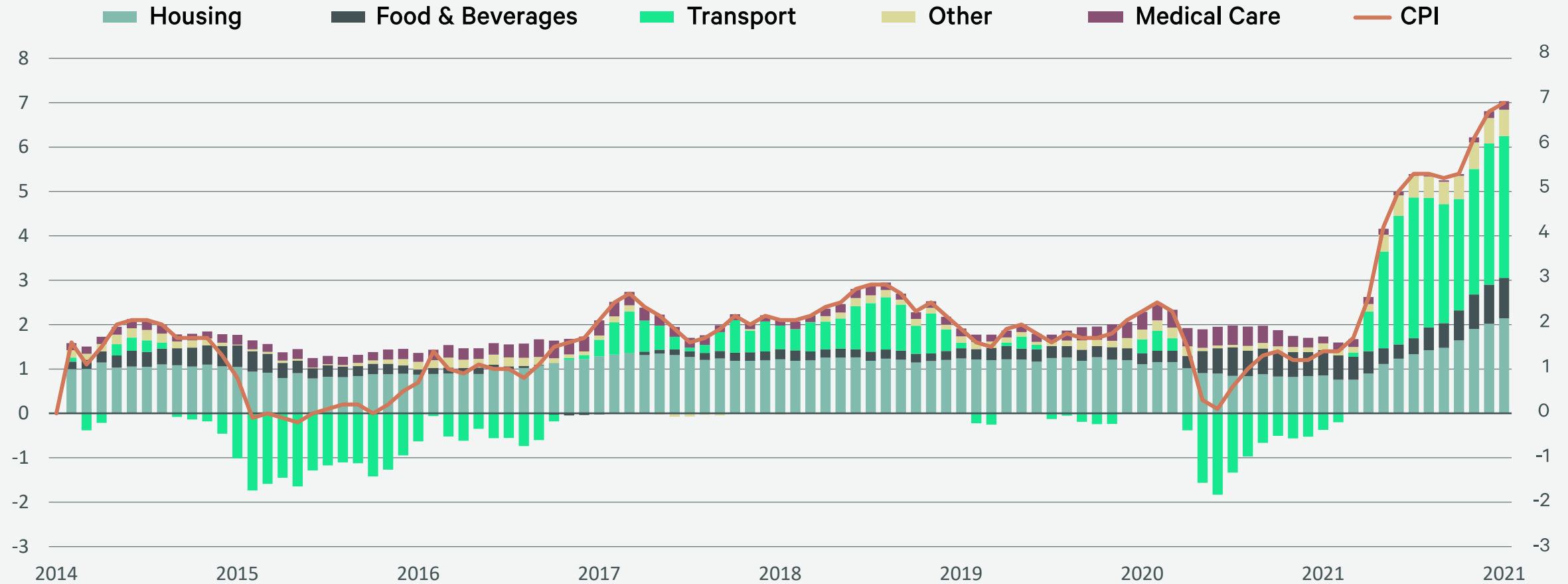
2022

Headwinds

Emerging

1. Inflation Has Surged – The Fed Looks Panicked

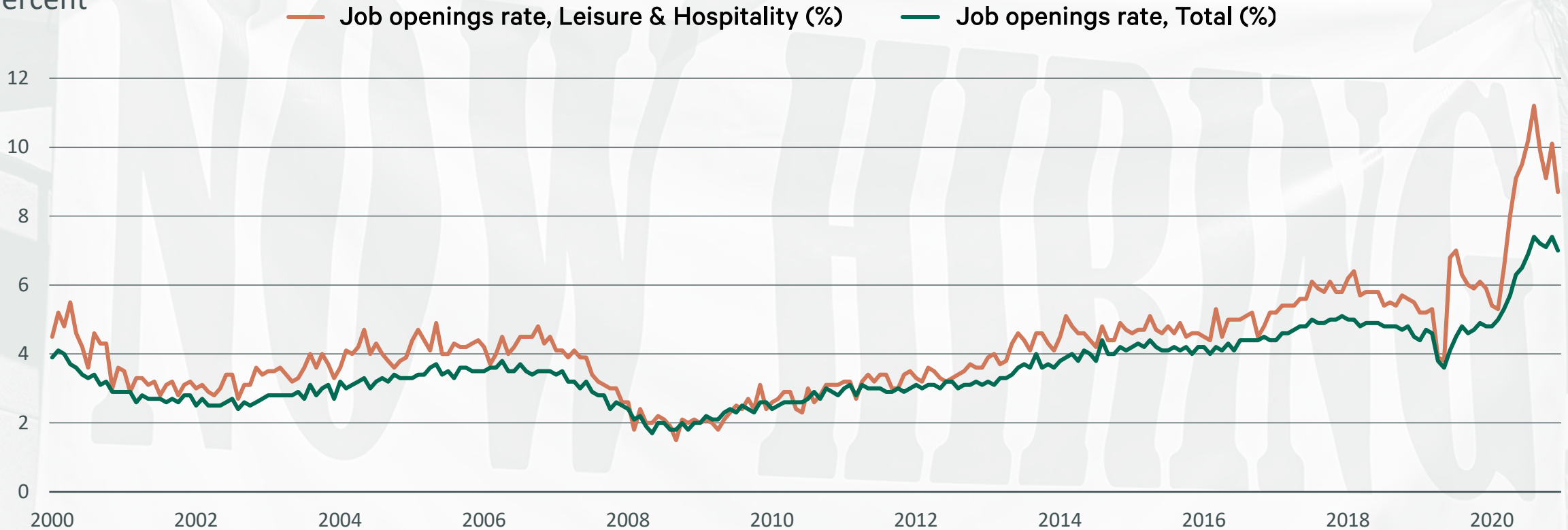
Consumer Price Index (% Year Over Year)



Source: CBRE EA, CBRE Research, January 2022.

2. The Labor Market is as Hot As Can Be

Job Openings Rate
Percent



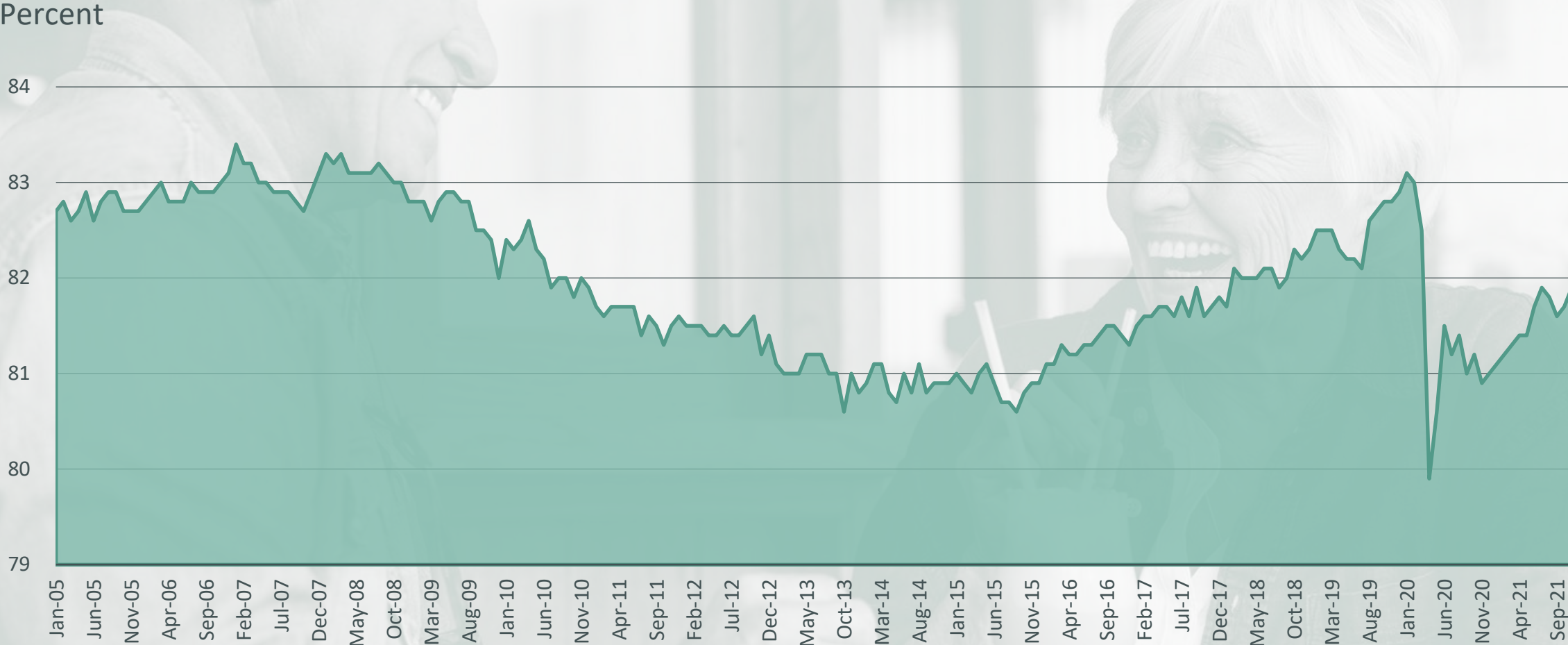
Source: BLS, CBRE Research, January 2022.

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But Workers Have Quit the Labor Force

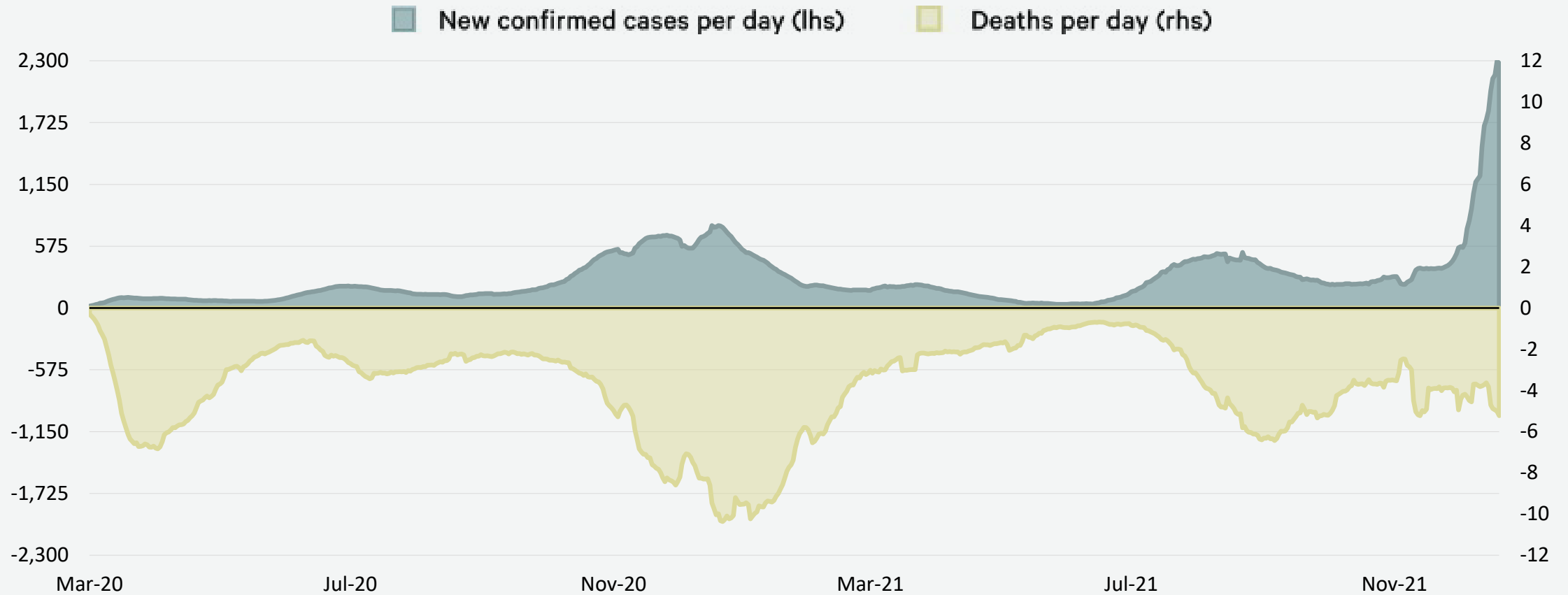
Labor Force Participation, Aged 25-54



Source: BLS, CBRE Research, January 2022.

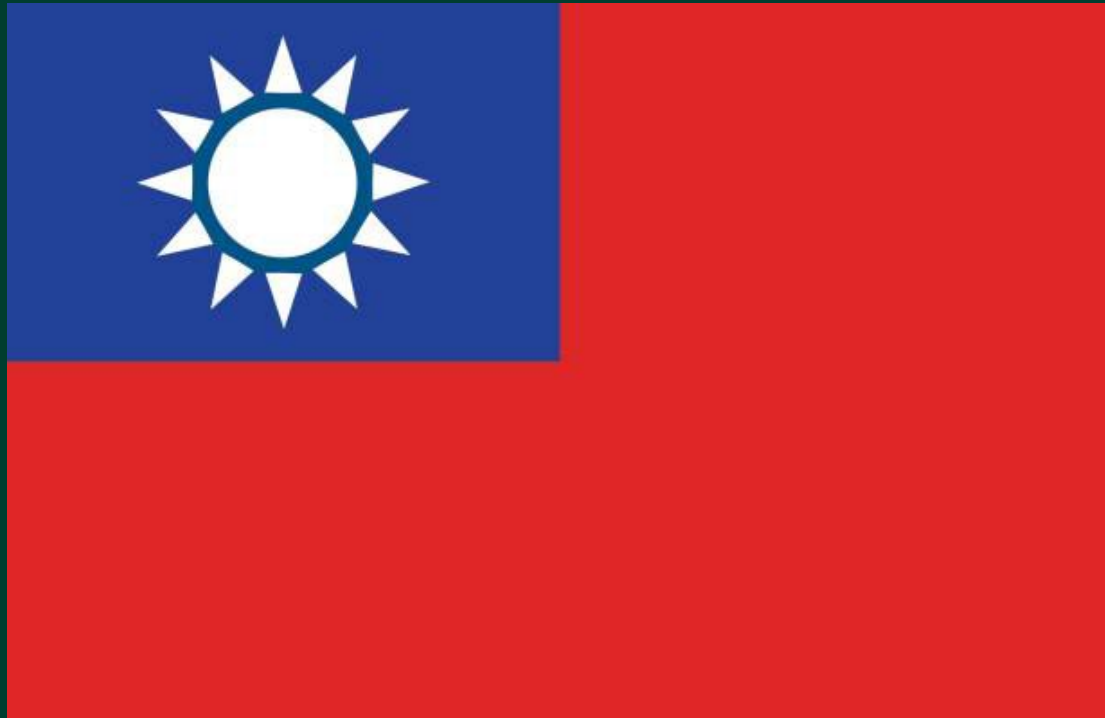
3. We Have Another Covid Surge

U.S. Daily New Cases & Deaths
7-day moving average, per capita



Source: COVID Tracking Project, Oxford University, Our World in Data, CBRE Research, 13 Jan 2022.

Taiwan

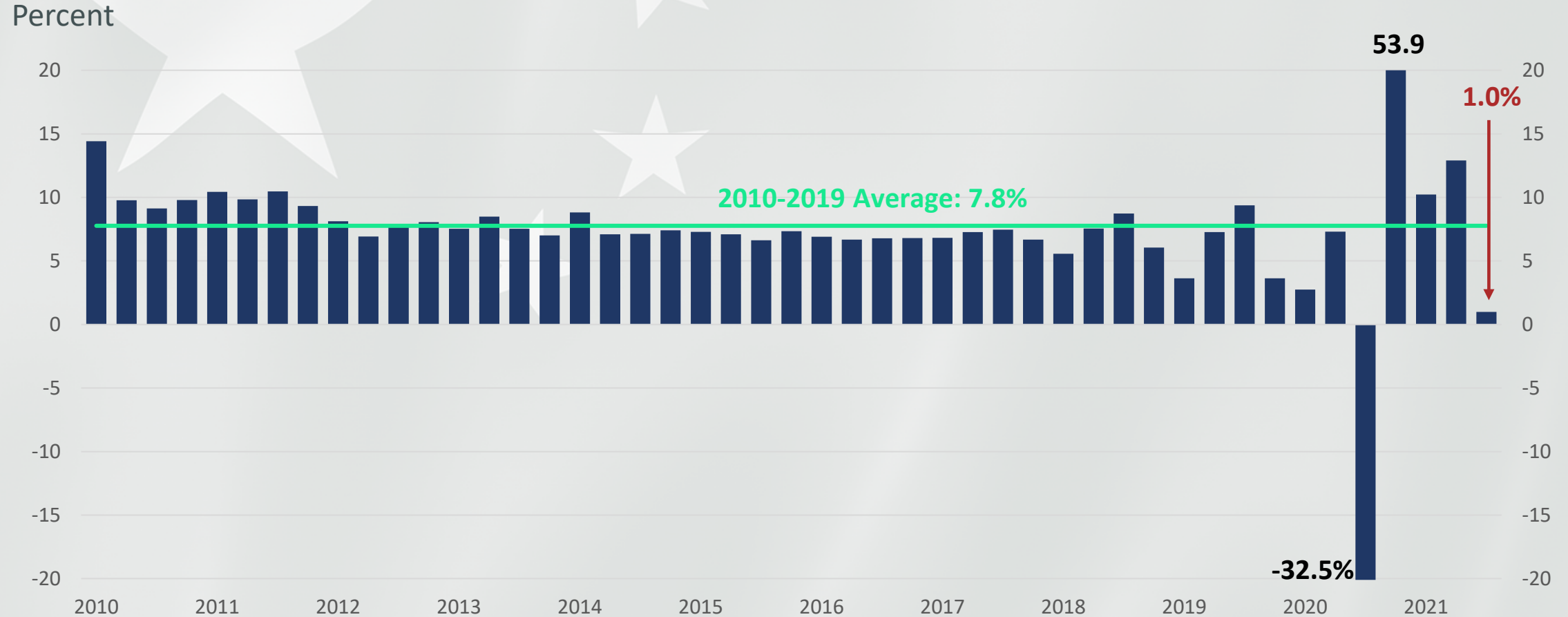


Ukraine

5. China's Economy Has Run Into Trouble



China Annual GDP SAAR

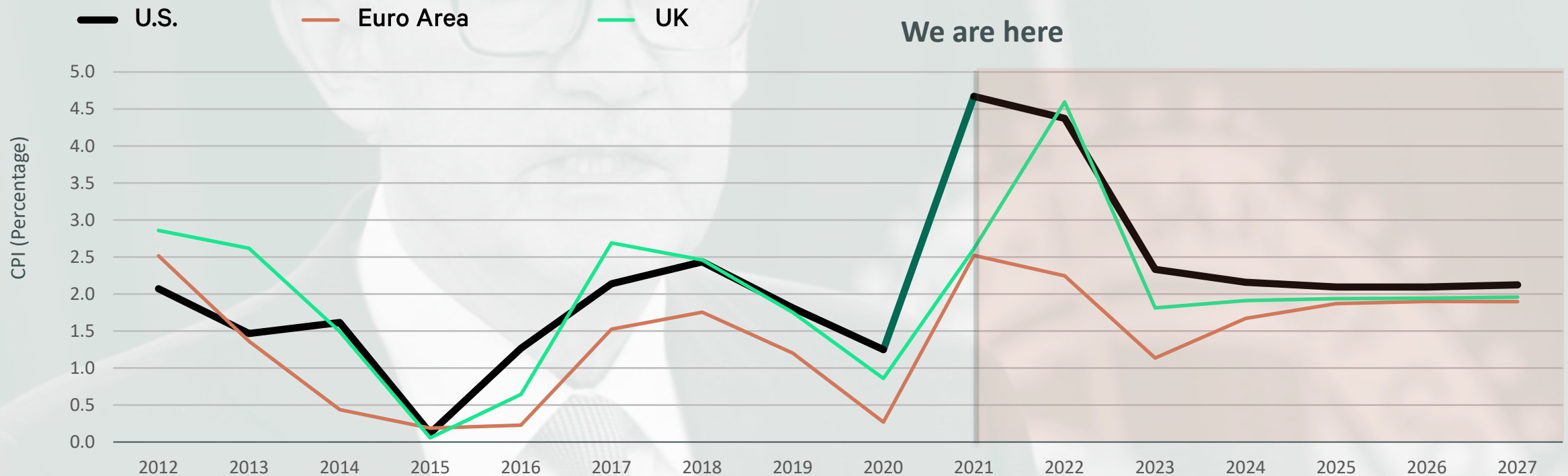


Source: CBRE Research, October 2021.

How Will it
Play Out?

The Rate of Inflation Will Ease Back

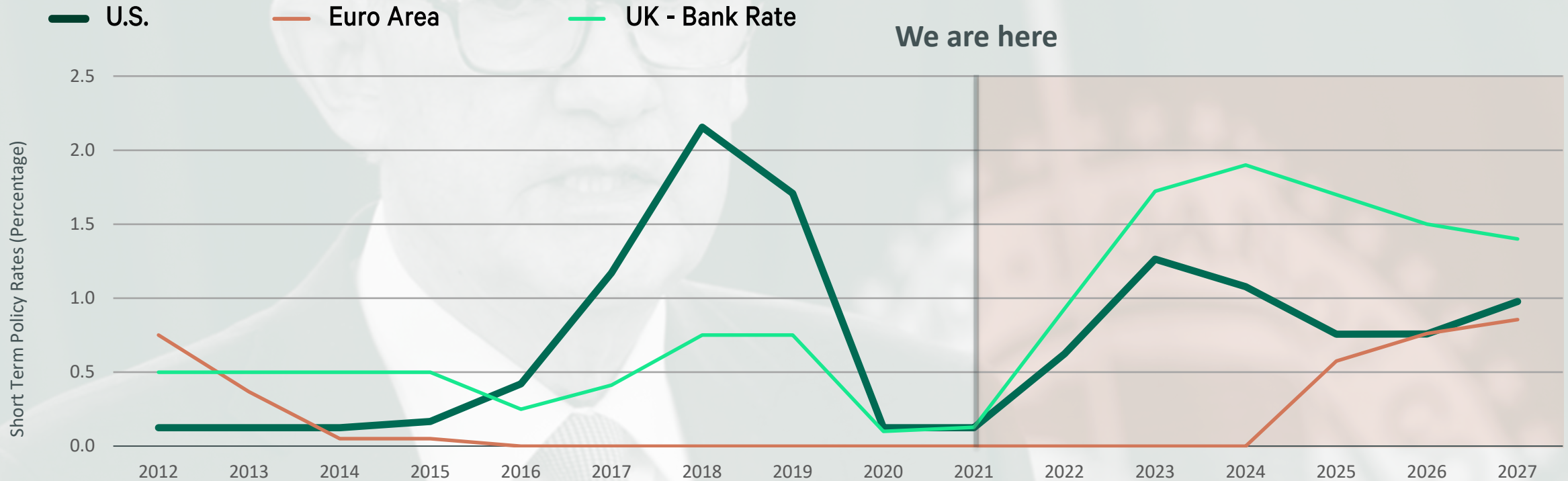
CPI (Headline) Inflation (Annual Averages) - House View



Source: CBRE House-View, CBRE Research, 5 Jan 2022.

But Get Ready for Interest Rates Hikes

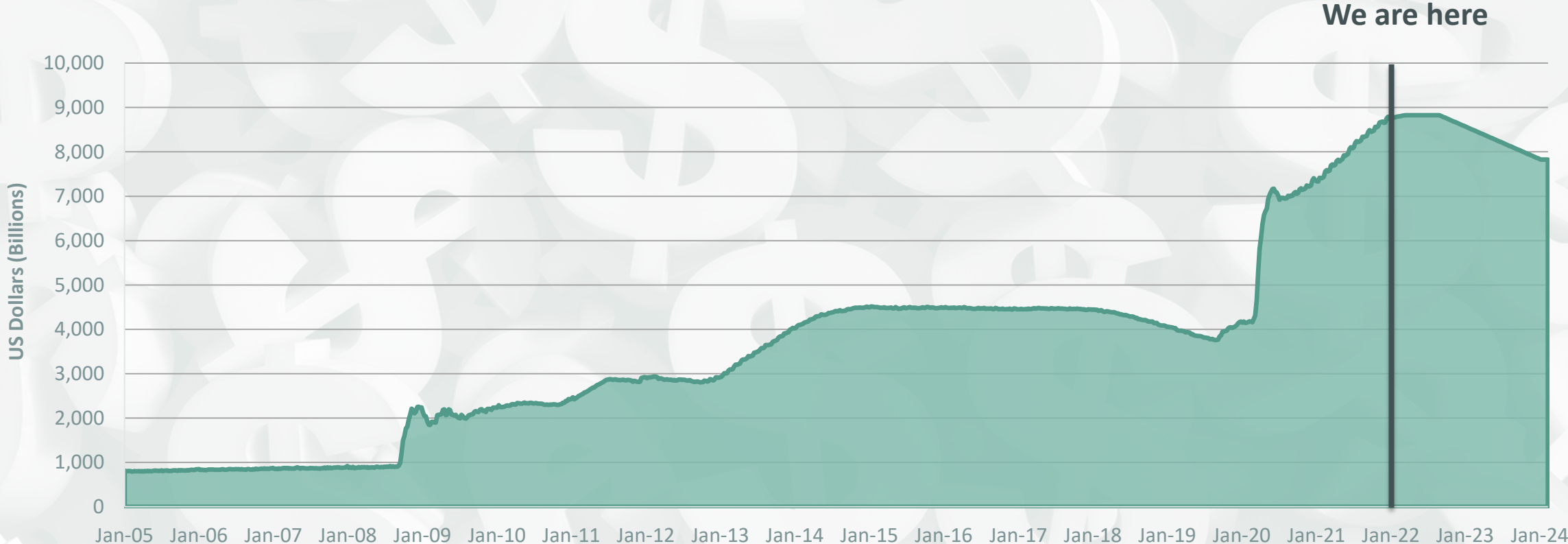
Short-term Policy Rates - House View



Source: CBRE House-View, CBRE Research, 5 Jan 2022.

And a Reduction in Quantitative Easing

Federal Reserve Balance Sheet

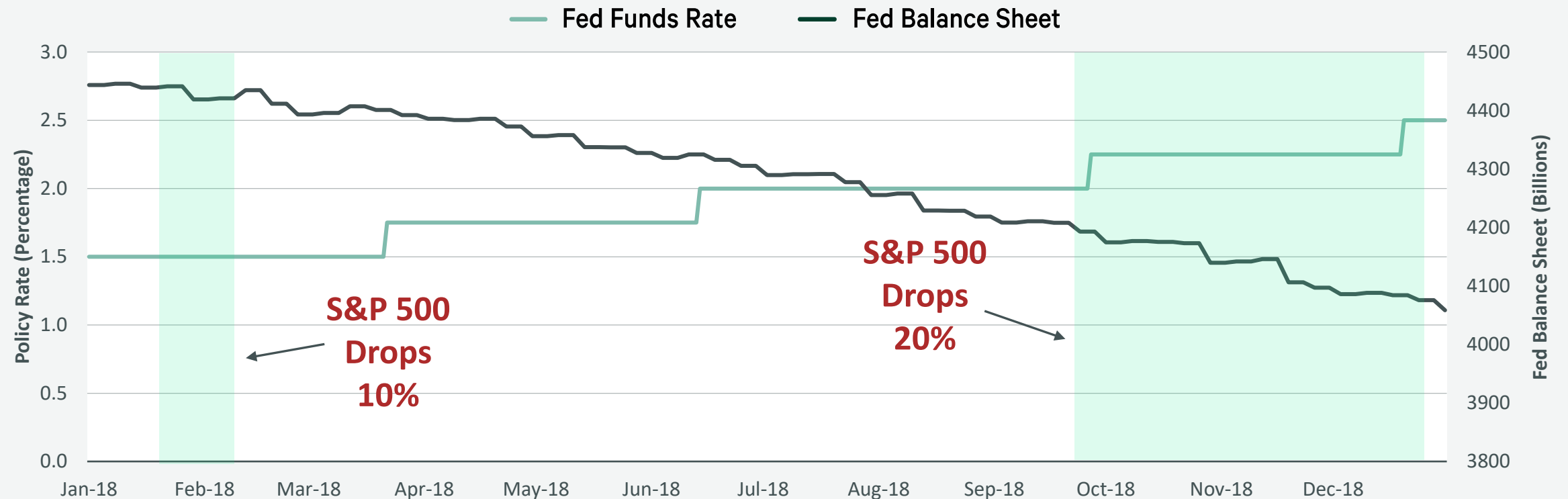


Source: Federal Reserve, CBRE Research, January 5, 2022.

As In 2018 Monetary Policy Changes May Shock Equity Market

In 2018 the Fed tried to raise rates and run off the balance sheet simultaneously

This resulted in two stock market corrections

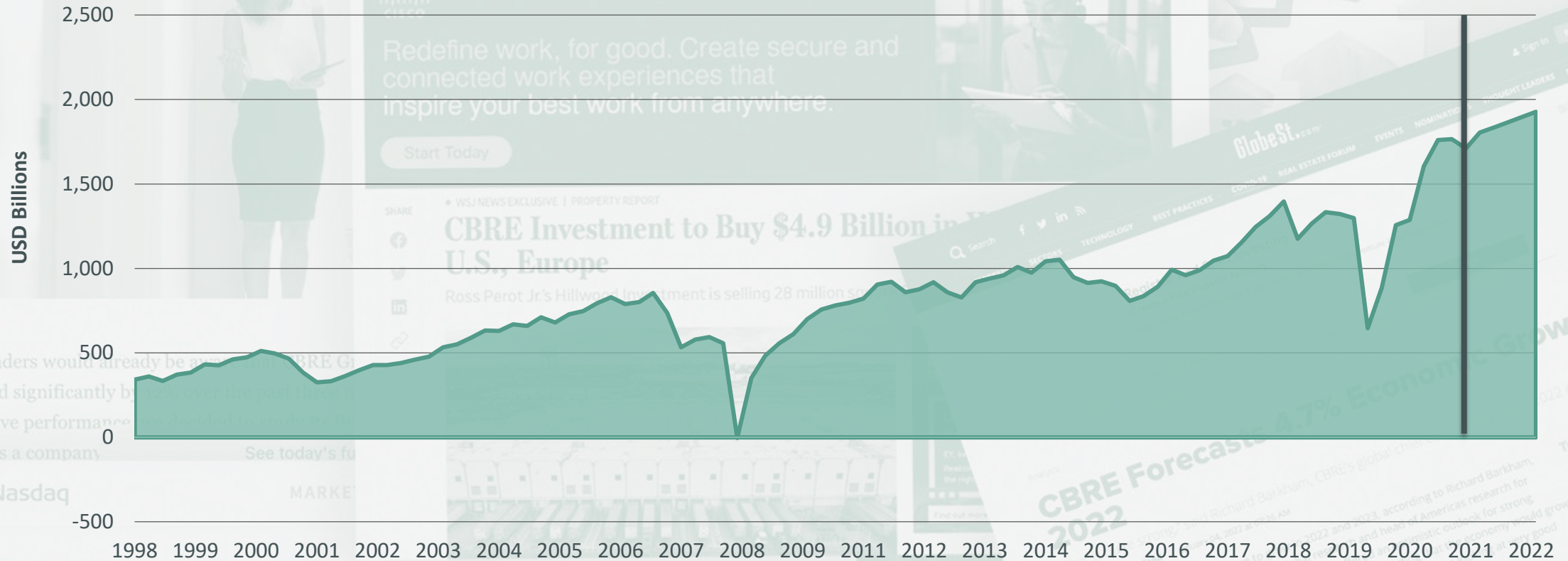


Source: Federal Reserve, S&P Dow Jones Indices, CBRE Research, January 5, 2022.

Strong Corporate Earnings Will Provide Some Stability

S&P 500 Earnings

USD Billions



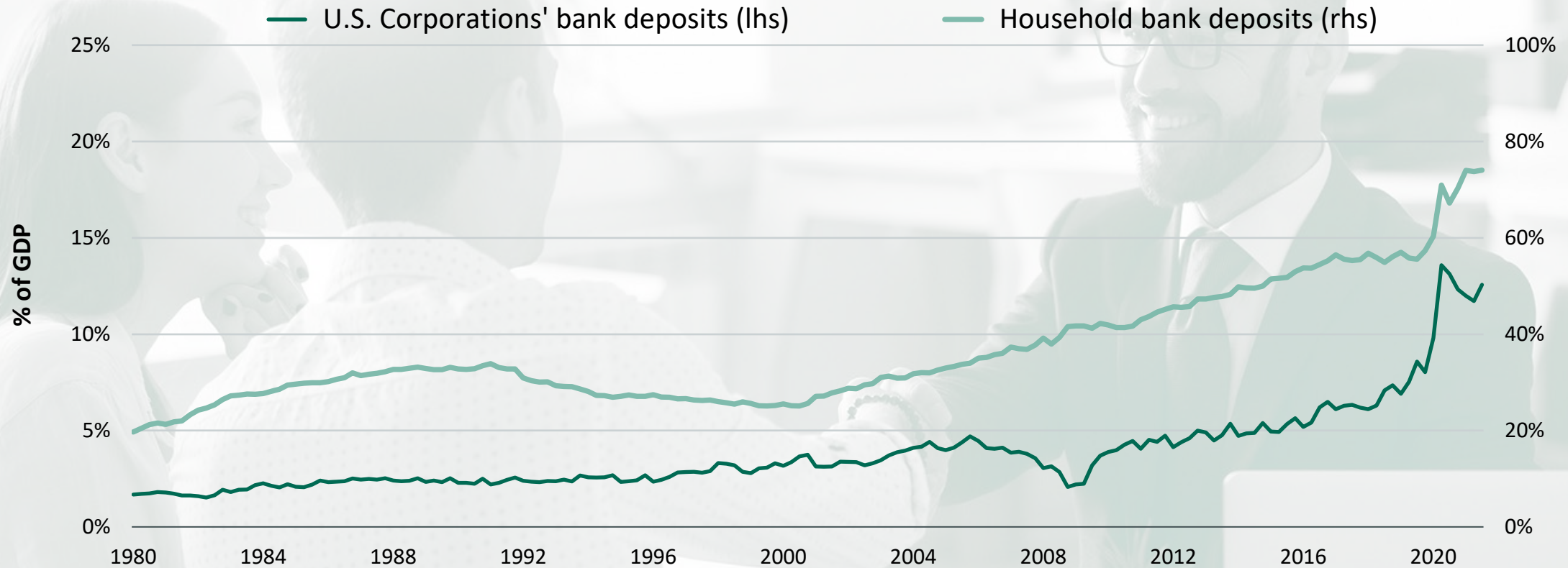
Source: S&P 500, Yardeni Research, CBRE Research.

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The Labor Market Will Normalize as People Spend Their Cash

U.S. Private Sector Bank Deposits
% of GDP



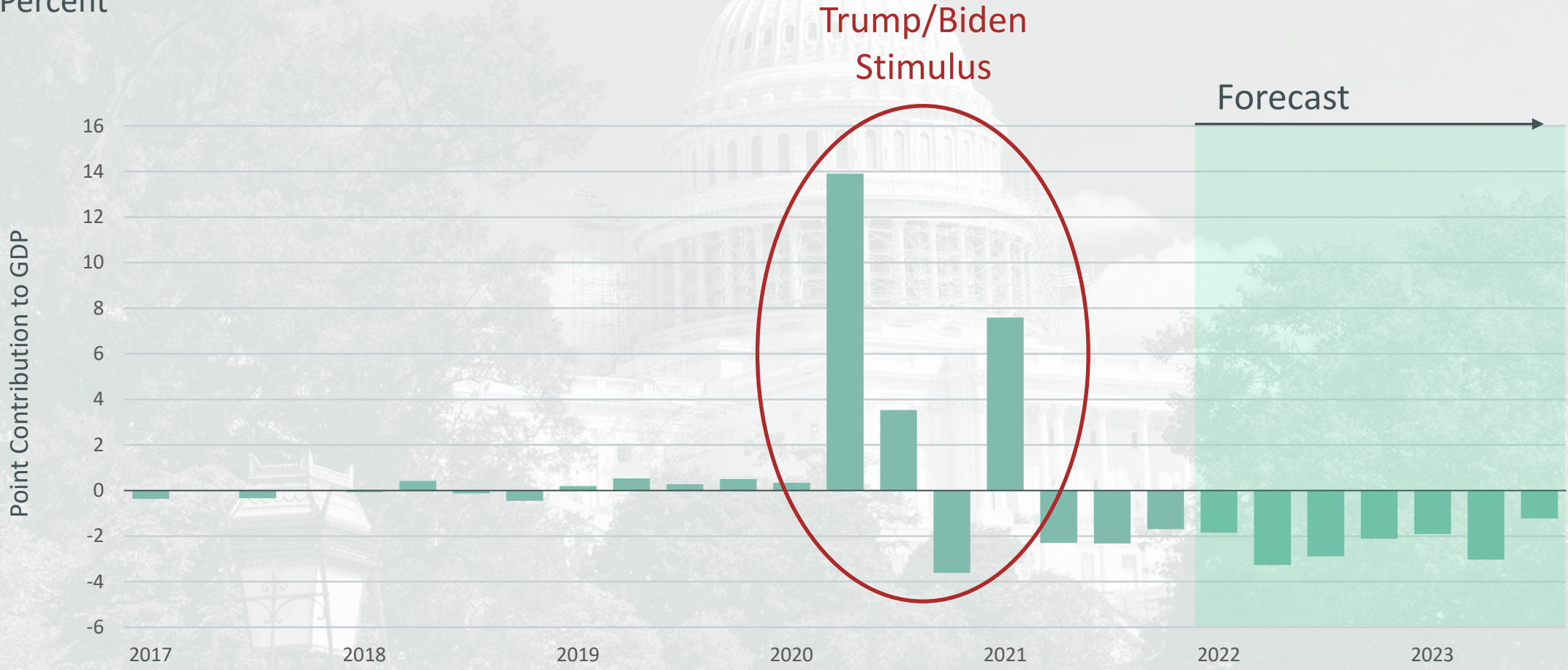
Source: Federal Reserve, CBRE Research, Q2 2021.

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No Further Stimulus – and That Is a Good Thing

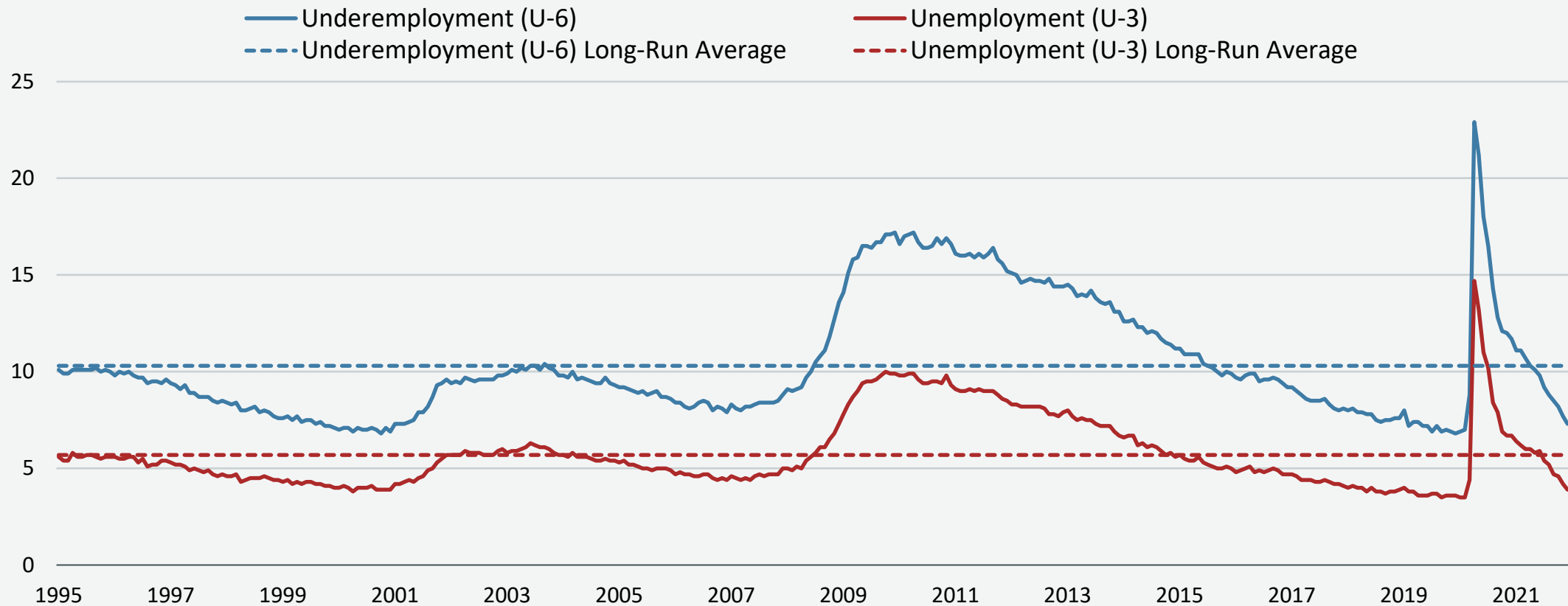
U.S. Fiscal Policy Impact on GDP
Percent



Source: Hutchins Center on Fiscal & Monetary Policy, CBRE Research, January 2022.

The U.S. Economy is Now Almost Fully Healed

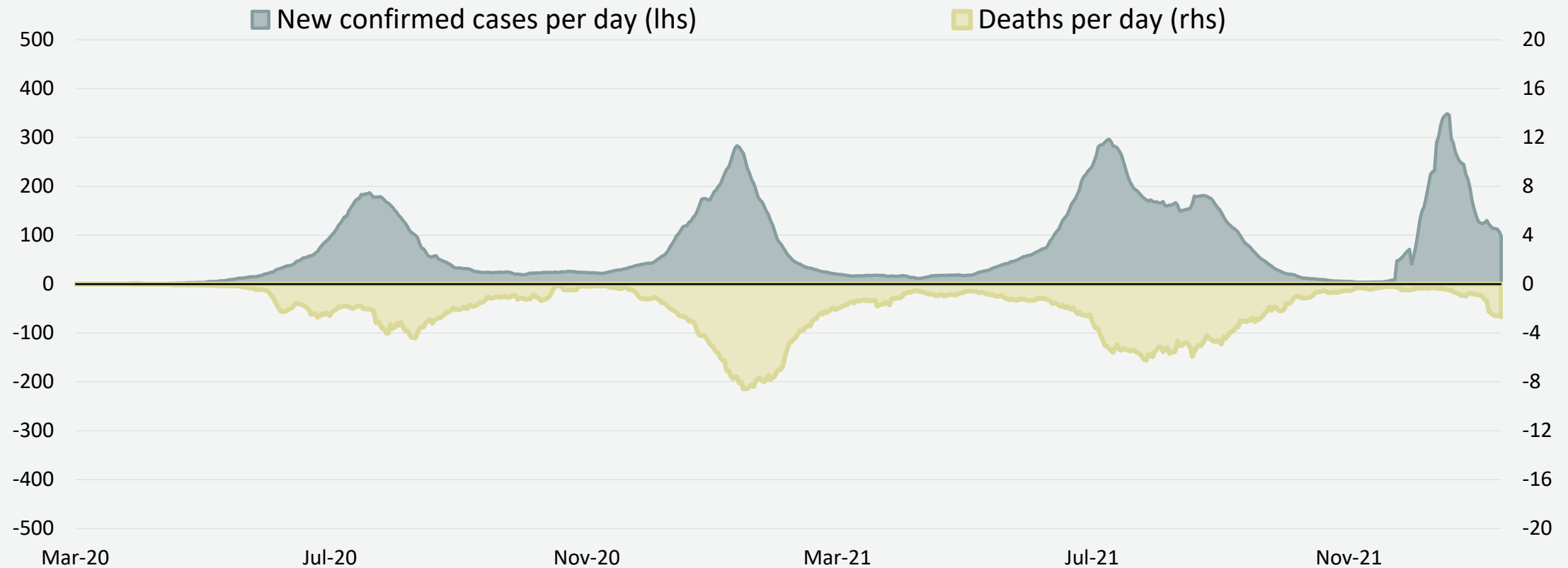
U.S. Unemployment (U-3) and Underemployment (U-6)
Percent



Source: National Sources, CBRE Research, January 2022.

There's "Good News" on the Pandemic from South Africa

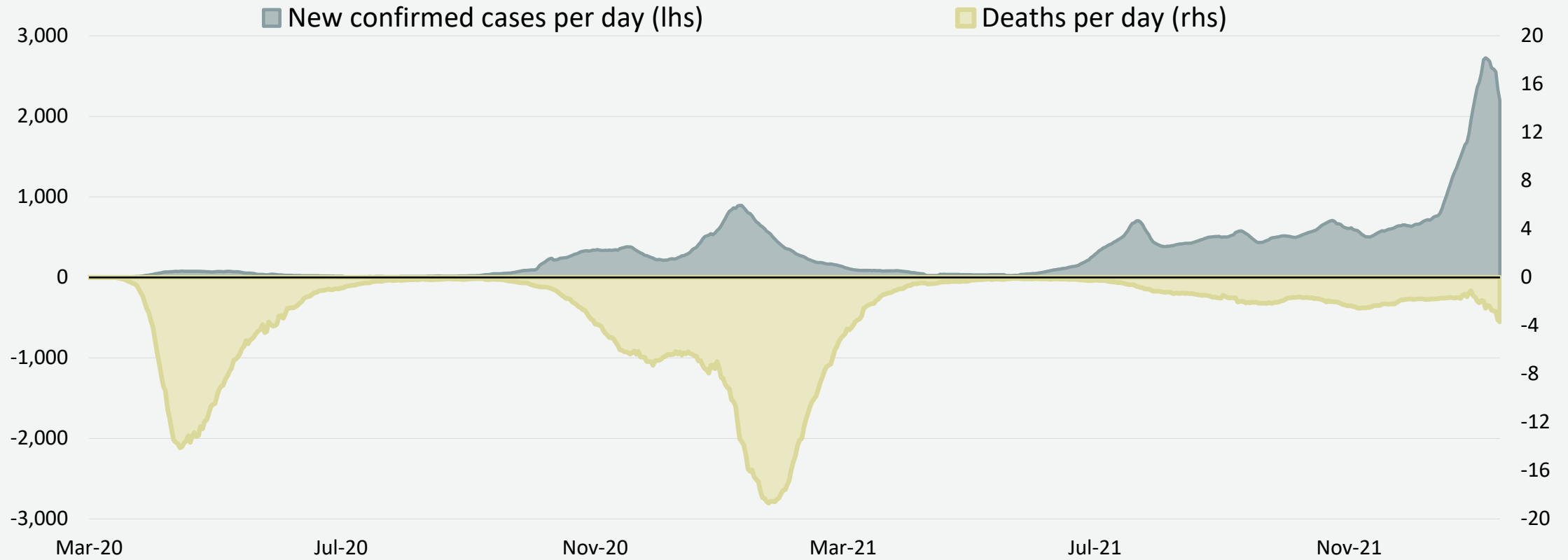
South Africa Daily New Cases & Deaths
7-day moving average, per capita



Source: COVID Tracking Project, Oxford University, Our World in Data, CBRE Research, 13 Jan 2022.

And the UK

UK Daily new cases & deaths
7-day moving average, per capita



Source: COVID Tracking Project, Oxford University, Our World in Data, CBRE Research, 13 Jan 2022.

As for Geopolitics – They Don't Normally Impact the Cycle

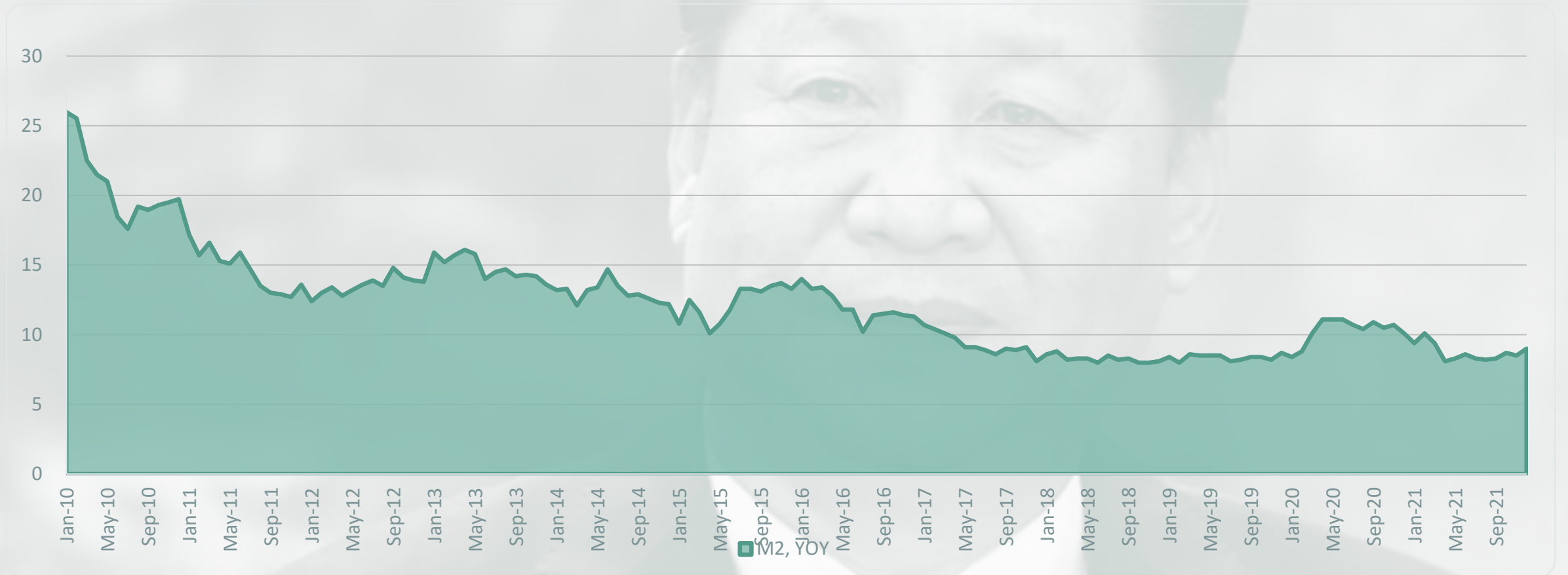
U.S. Economic Cycle as Indicated by Unemployment %



Source: BLS, Wikipedia, CBRE Research, June 2021.

China Has Started to Stimulate Its Economy Again

Monetary Supply, Year Over Year Change
Percent

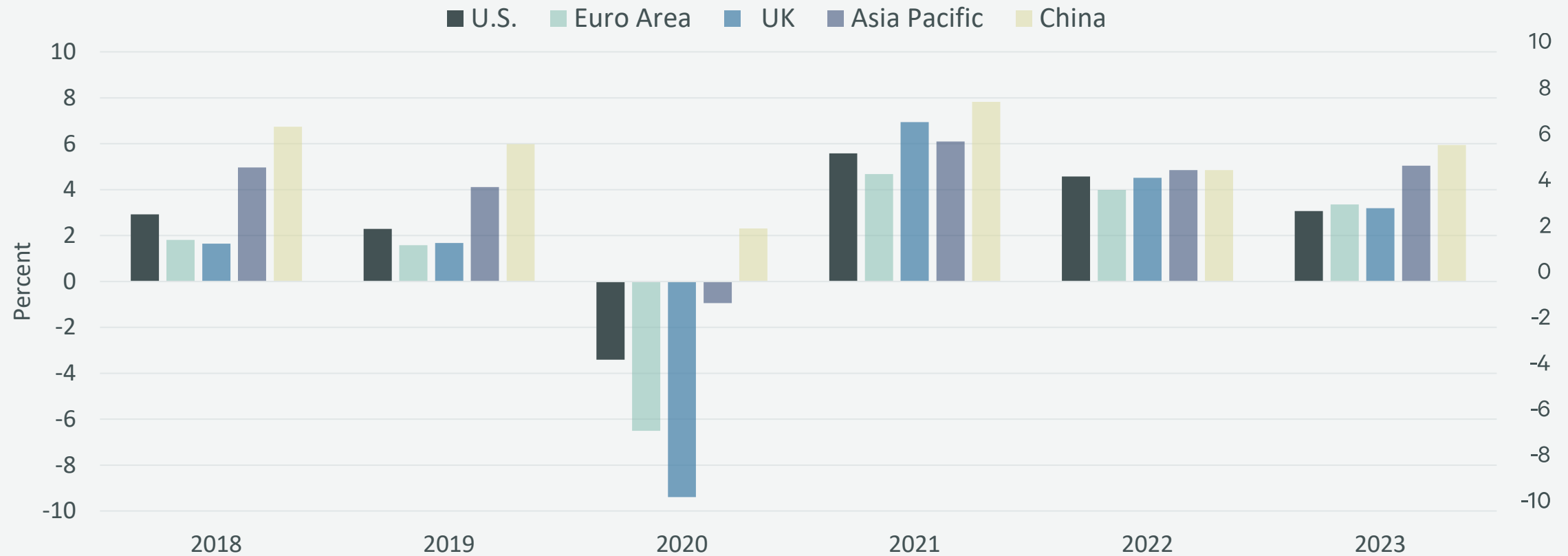


Source: WIND, CBRE Research, October 20221

The View for 2022

Global GDP Recovery Continues

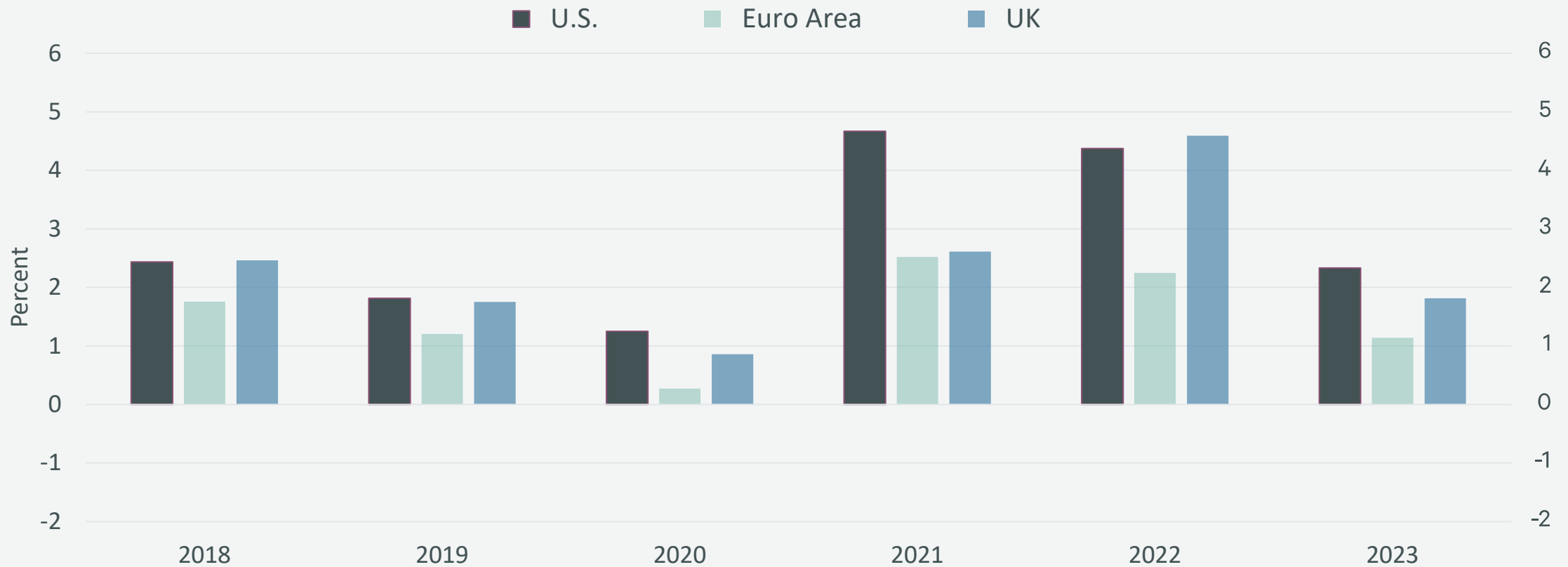
Annual GDP Growth Rate
Percent



Source: CBRE House-View, January 2022.

Inflation Will Remain Messy for a While

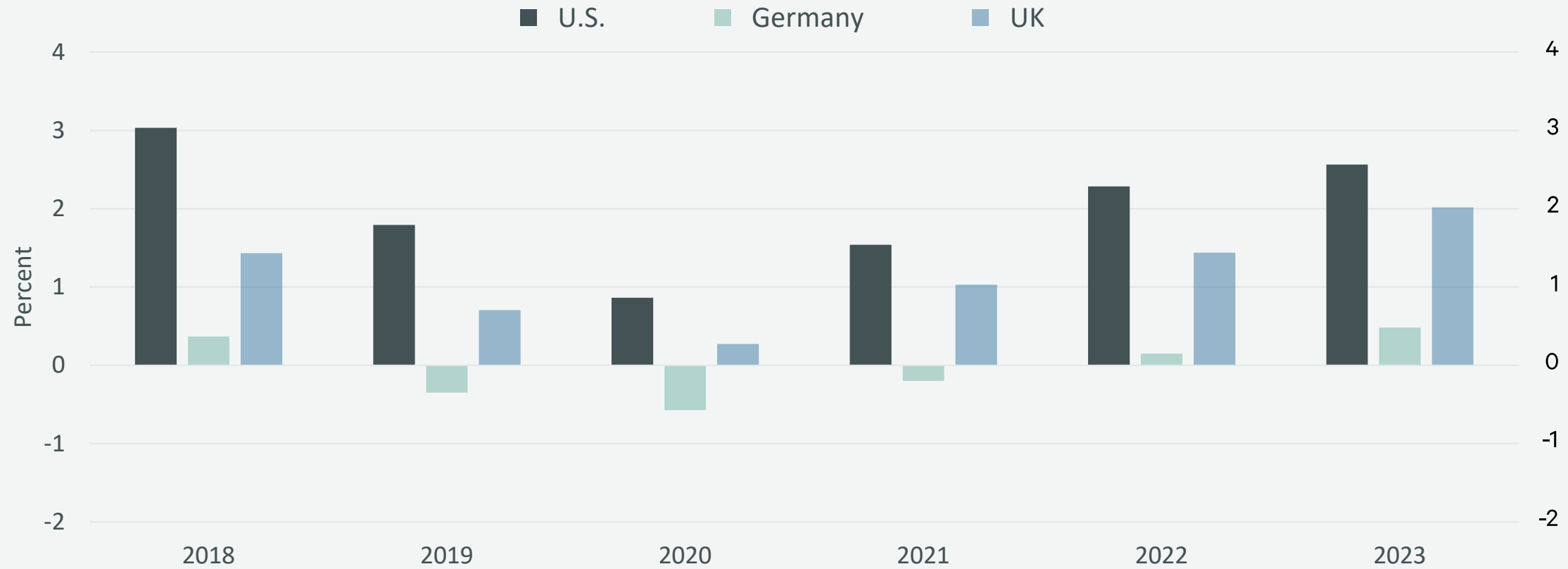
CPI (Headline) Inflation (Annual Averages) - House View
Percent



Source: CBRE House-View, January 2022.

Bond Yields are Headed Up

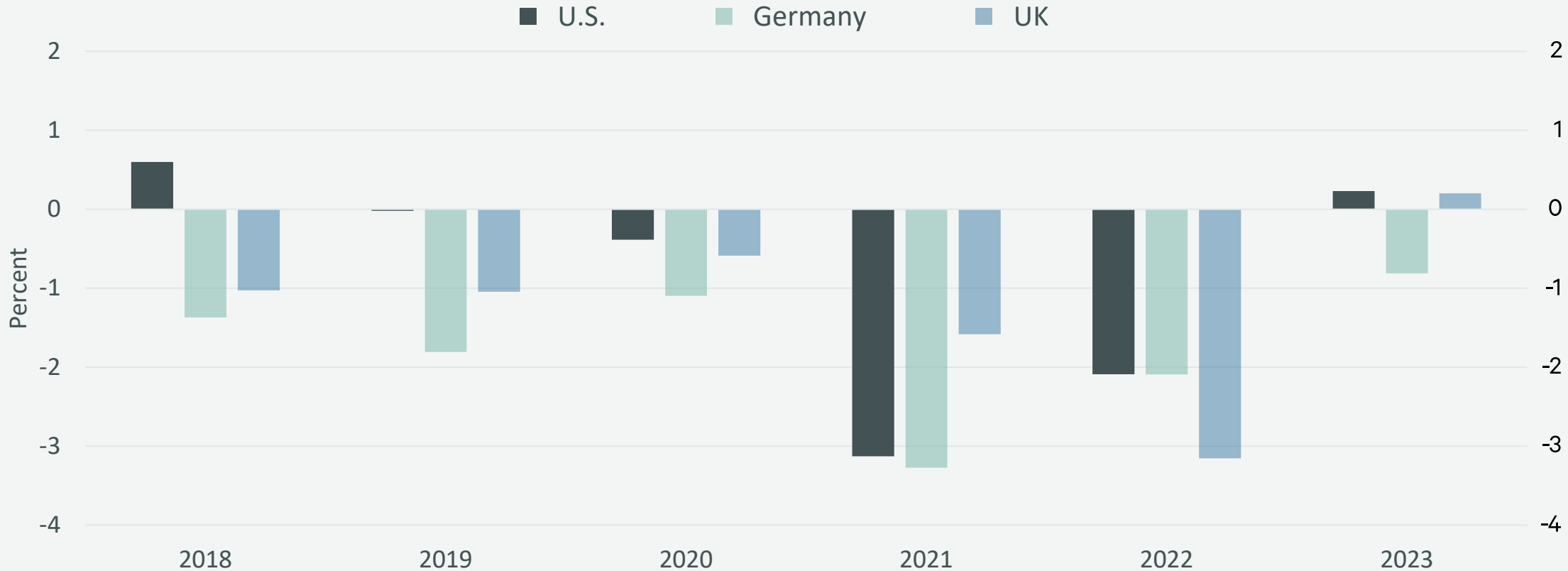
10-year Government Bond Yields - House View
Percent



Source: CBRE House-View, January 2022.

But They Will Remain Negative in Real Terms

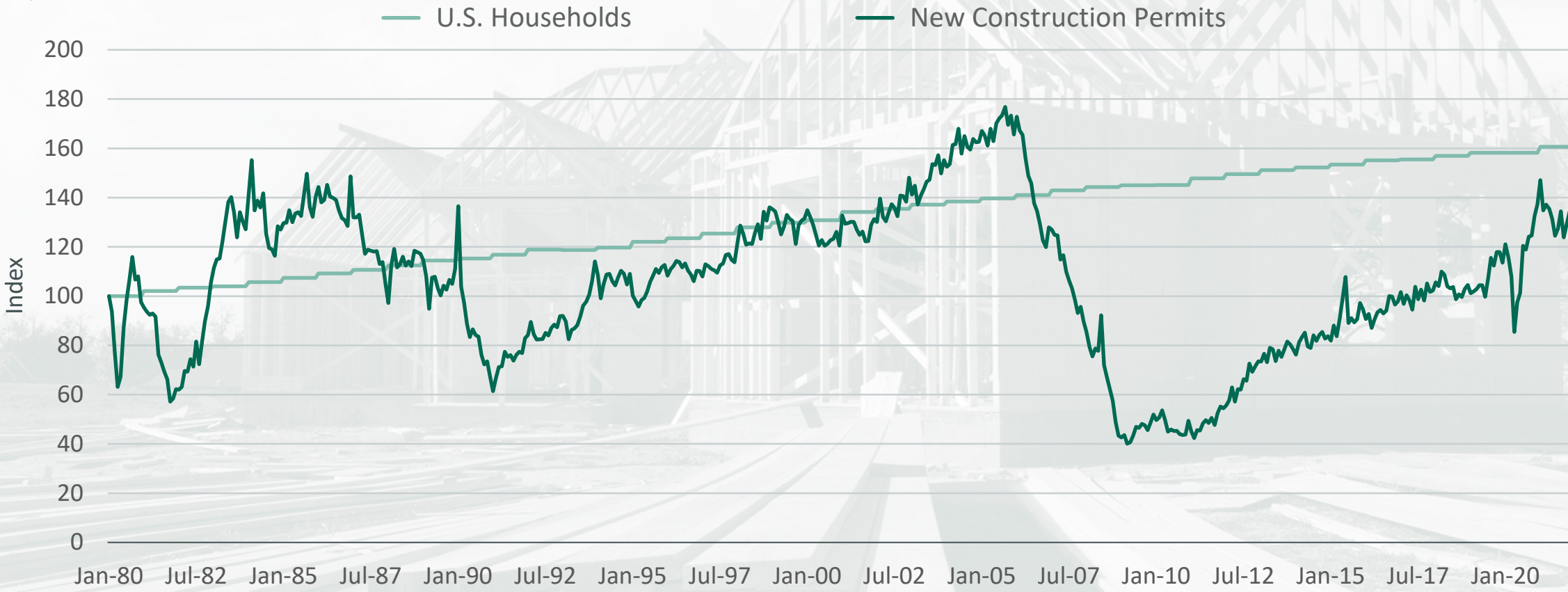
10-year Government Bond Yields Less Headline Inflation
Percent



Source: CBRE House-View, January 2022.

Meanwhile the Housing Shortage Continues

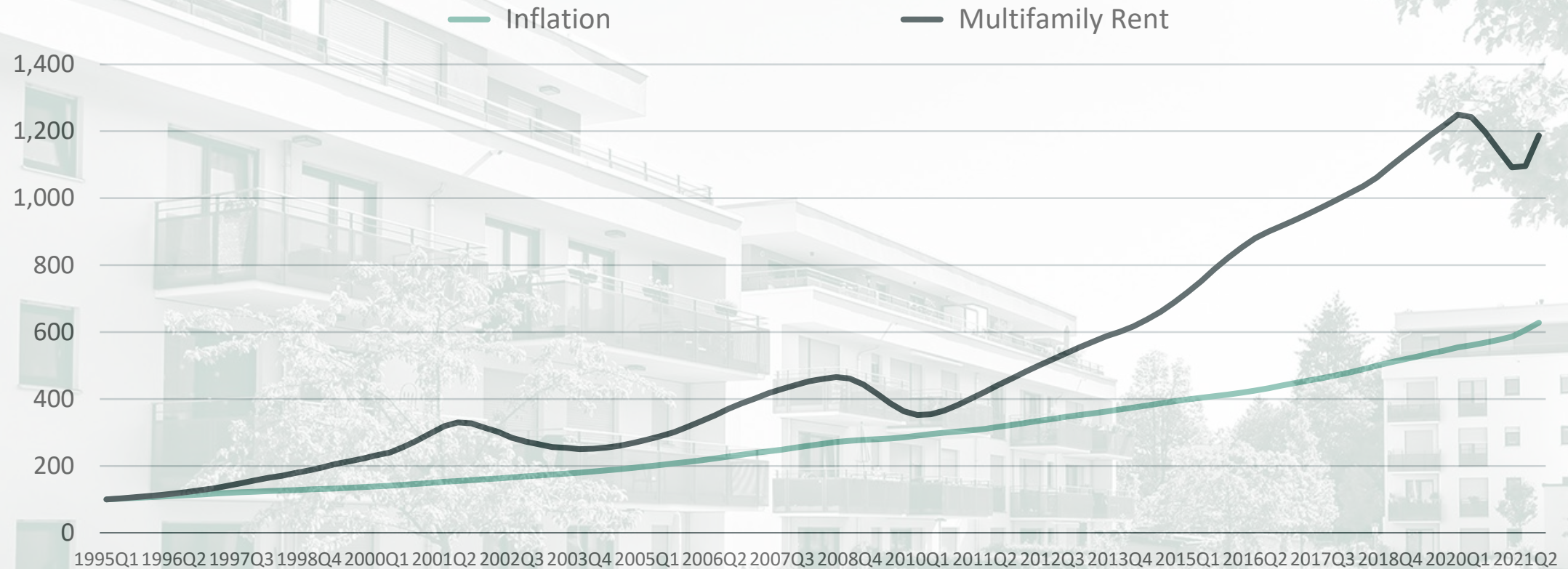
Number of U.S. Household Growth and New Construction Permits (Index 1/1/1980 = 100)



Source: National Association of Realtors, Macrobond, U.S. Census Bureau, CBRE Research, January 2022.

So Multifamily Rents Set to Continue Strong

Multifamily Rent vs Inflation (Core PCE %)



Source: CBRE House-View, CBRE EA, CBRE Research, 5 Jan 2022.

How Will 2022 Compare to 2021

- Growth will be strong, but not as strong as 2022 – inflation will ease;
- Households and business will be driving growth, as Government and the Fed tighten up;
- Capital markets could run into chop, as stimulus is withdrawn – **Key domestic risk**;
- Geopolitics will re-emerge as the pandemic fades – **Minor risk**;
- But the next cycle is underway, we should see some catch up from the office sector;
- Fundamentals support multi family – **Policy risk**;
- China's economy should pick up with further stimulus – **Key external risk**

Thank You.

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