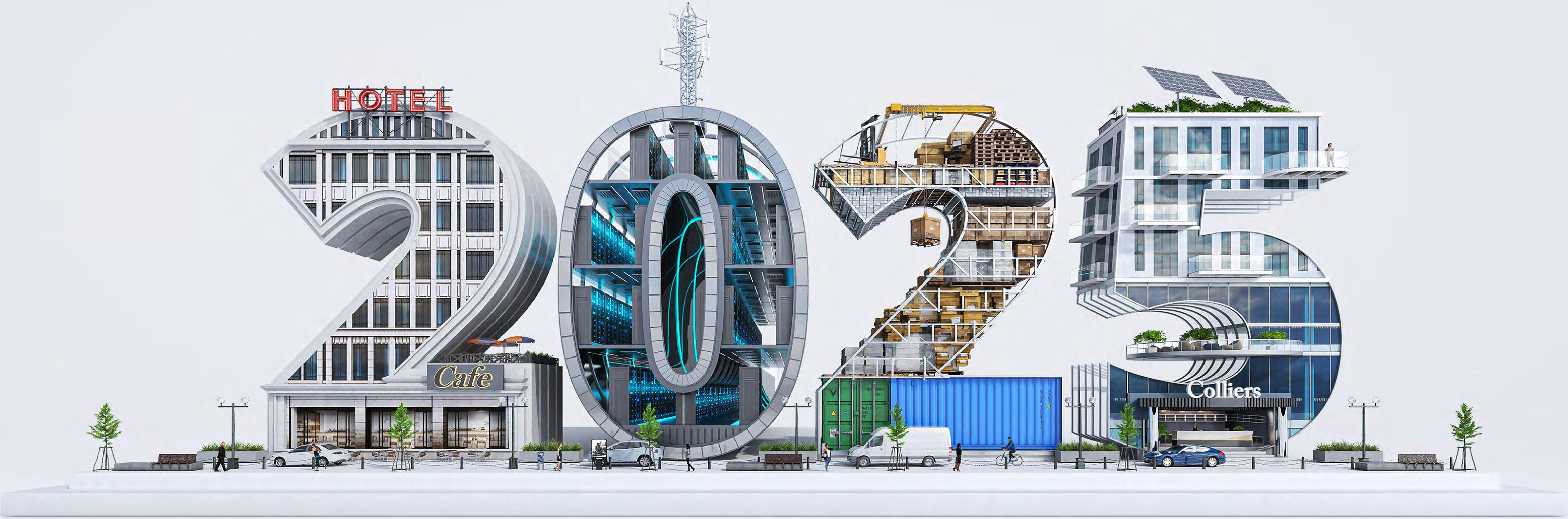


Global Investor Outlook

GLOBAL CAPITAL MARKETS

2025 Global Investor Outlook

Now in its fifth year, the Colliers Global Investor Outlook synthesises views from our senior experts around the world and our research data. The report provides a comprehensive, in-depth look at the trends set to dominate the commercial real estate investment market and most importantly, where we think the most promising opportunities lie in the year ahead.

FOREWORD

Stronger sentiment, positive momentum

— ***Luke Dawson**, Head of Global and EMEA Capital Markets*

Commercial real estate markets worldwide are showing signs of positive momentum, with stronger sentiment growing as asset values stabilise. Investor confidence is rising, and while gross transaction volumes remain modest, conversations and fund-raising activity indicate that markets are moving past their low point.

Several factors are driving this renewed optimism. With inflation easing, major central banks are cutting interest rates, and recent national elections have clarified market outlooks. Back-to-office mandates are accelerating, though workplace norms vary by region. As valuations approach a perceived bottom, deal activity is increasing and the gap between buyer and seller expectations is narrowing.

Uncertainties remain, with risks such as a potential resurgence in inflation that could disrupt rate policy. Other challenges include limited inventory, low new supply, and regulatory pressures—such as rent controls, data centre energy limits, and planning constraints impacting construction.

However, the global market now offers diverse opportunities. While multifamily and industrial & logistics (I&L) have been strong themes, the office sector is gaining traction, especially in key gateway cities where core capital is returning. We are also seeing new interest in once-unloved assets, particularly prime shopping malls. Additionally, more investors are exploring hotels and alternatives like data centres, which face intense competition due to limited available product and competition from infrastructure capital.

"The global market now offers diverse opportunities."

The investor landscape has also broadened, with equity-led private wealth players stepping in amid rising interest rates, creating a more resilient base. As 2025 unfolds, a favourable policy environment and a growing pipeline of real estate opportunities are expected to drive this expanded investor pool from planning to action, lifting transaction volumes as the year progresses.

GLOBAL

Key Themes

Market and pricing dynamics

Return of momentum as interest rates retreat

With the interest rate cycle finally beginning to turn in 2024, some investors have been holding off on deals, expecting conditions to improve further. In 2025, the new environment of lower rates will likely become embedded, encouraging market activity even without a return to the ultra-easy monetary policy seen during the previous investment cycle.

The pricing gap continues to narrow

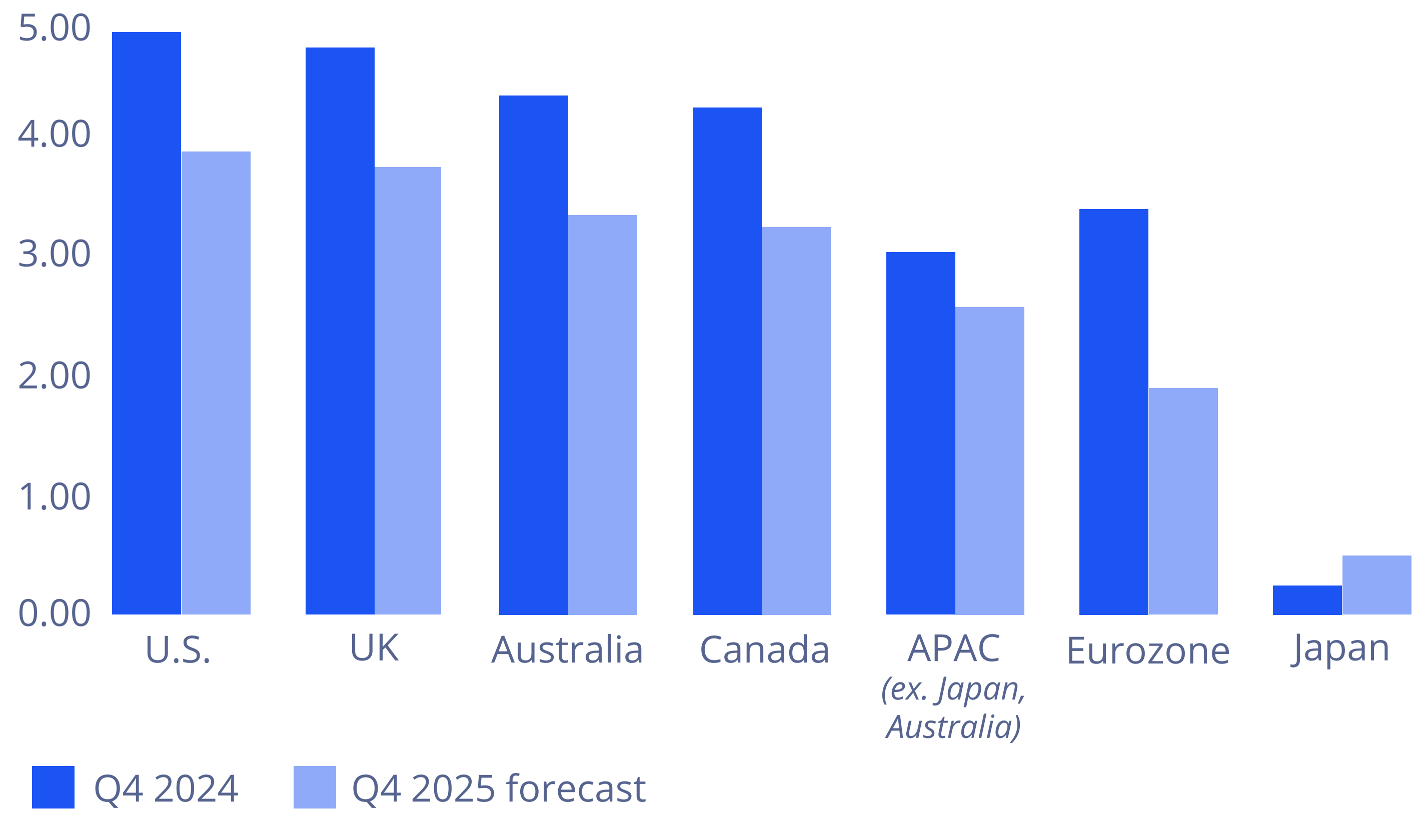
The bid-ask spread is starting to close and will be a key driver of investment volumes across all sectors, especially in office. More investors will start to see 2025 as an opportune time to buy prime office, which should accelerate capital flows.

Geopolitics, inflation to shape sentiment

The wave of national elections in 2024 removed the regulatory overhang in some markets, clarifying the political outlook and contributing to investor confidence. At the same time, this could impact policy direction, delaying rate cuts and dragging on investor sentiment. The possibility remains that inflation may reemerge, for instance in the event of oil shocks stemming from conflict in the Middle East.

Central bank policy rates

Q4 2024 vs Q4 2025 forecast



Source: FactSet

Capital deployment

Office bifurcates between best and the rest

While core offices in desirable cities are seeing growing investor interest, the outlook is weaker for offices in second-tier locations. In some locations, the value-add play is gaining traction, with increasing volumes of office space being acquired for renovation or redevelopment. Return-to-office mandates are gaining momentum in many countries, and investors are increasingly aware that, in some instances, valuations have reached excessively low levels, suggesting that the bottom of the market may have passed as financing conditions improve.

Developers face hurdles

Construction costs remain punitive in some markets, discouraging investors from taking on development risk and creating a supply bottleneck. Lower inflation in this sector, and more robust occupier demand may resolve the shortage, albeit with a lag, given planning and construction lead times.

Data centres remain popular, but dependent on tech and energy trends

Around the world billions of investment dollars are chasing data centres, but the sizeable energy needs of such facilities are running into supply and planning constraints in some markets. Moreover, technological advances that reduce processing or storage requirements could disrupt assumptions about the growth in demand for data storage.

> "Billions of investment dollars are chasing data centres globally, but the sizeable energy needs are running into supply and planning constraints."

> "More private generational wealth is likely to be put into play in real estate, even as monetary easing assists debt-backed participants."

Family offices, generational wealth to be a greater presence

In terms of capital flows, the private wealth sector will continue to expand into real estate. As interest rates escalated, the market saw many equity-only buyers with private wealth stepping in to fill the gap left by the retreat of credit-backed investors. This trend is expected to continue as the market recovers. More private generational wealth will likely be put into play in real estate, even as monetary easing assists debt-backed participants.

Shift back from credit to equity

Over the past two years, many investors have sought to shift away from traditional equity investments, feeling credit-led structures offered stronger risk-adjusted returns. However they have faced challenges in deployment, primarily due to an increasingly competitive credit market (with more newcomers to the space), asset holders refraining from absorbing higher costs, and more complex capital structures. In 2025, we expect some of that capital to be reallocated back into equity and towards relatively straightforward and traditional structures such as joint ventures (JVs), re-capitalisation (recaps) and mergers & acquisitions (M&A). We will continue to see significant recaps of existing funds, with larger real estate private-equity firms seeking access to platforms, pipelines and proven managers rather than single assets.

OUTLOOK

Asia Pacific

"Optimism is rising in the Asia Pacific (APAC) real estate market as interest rate cuts pave the way for increased transactions. With a narrowing pricing gap and growing investor interest in sectors like office and logistics, 2025 promises significant opportunities for cross-border investments and renewed market activity."

Chris Pilgrim
Managing Director | Global Capital Markets | Asia Pacific

68% of investors targeting APAC destinations in 2025 highlighted the region's economic growth as a key opportunity across the region.

Source: Colliers 2025 Investor Outlook Survey

Rate cut hopes and narrowing pricing gap to fuel transactions

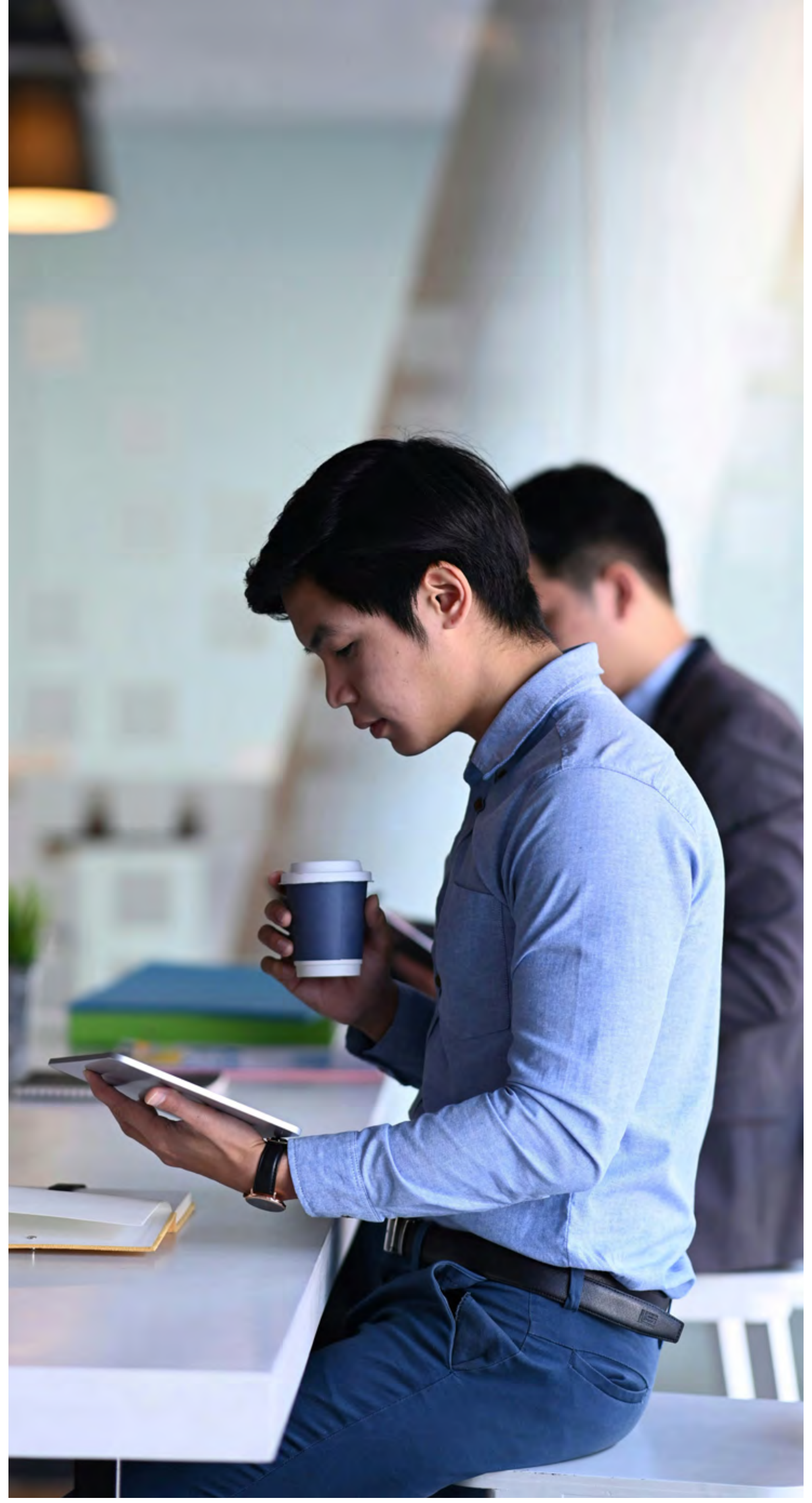
Following the U.S. Federal Reserve's (the Fed) decision to cut interest rates, and with central banks in APAC markets like New Zealand and Hong Kong following suit, investors are hopeful of further and more broad-based cuts across the region by the latter end of Q1 2025. Lower rates will trigger an uptick in transactions as investors move to deploy the dry powder amassed over the past two to three years. The narrowing buyer-vendor pricing gap is expected to be the other key driver of volumes in 2025, especially in the office sector.

Secular trends to attract offshore capital to key markets

APAC remains a hub for cross-border investments. Both regional and international investors are expected to turn to key markets, such as Japan and Australia, which offer depth and variety, particularly in the office, I&L and multifamily sectors. Other markets in APAC will draw offshore capital with their economic growth and demographics, which in turn, should support activity in alternatives or sub-sectors of core asset classes, such as data centres, cold storage and student accommodation.

"There's a lot of demand for alternatives as investors look to diversify the way they invest in real estate. However the biggest challenge, not just in APAC but globally, is that there's still a lack of investable grade assets in a lot of these sectors, whether it is senior living or life sciences. We don't expect supply to ramp up in 2025, but as future strategies they have really strong potential."

*— **Chris Pilgrim**, Managing Director | Global Capital Markets | Asia Pacific*



Office sector set for significant pickup in investor interest

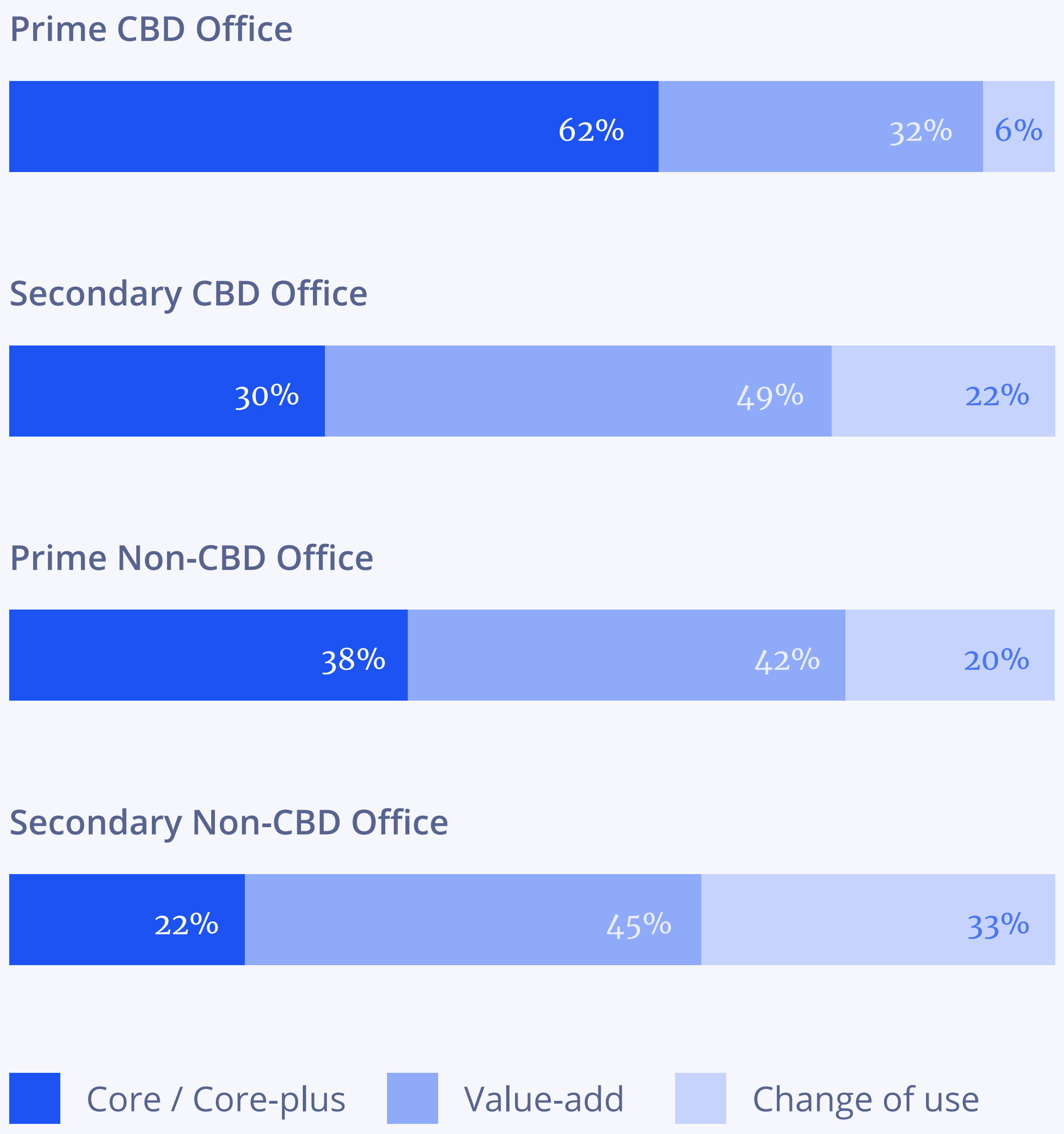
The office sector in APAC is attracting a significant amount of investor attention, particularly in highly sought-after markets like Japan, Australia and South Korea. Pricing adjustments are being viewed as close to bottom for quality assets in key locations, which will assist the recovery of transaction volumes over 2025. As the return-to-office trend picks up pace in the region, high quality assets, especially those with green credentials, will enjoy higher occupancy levels, and the value of properties conforming to environmental, social and governance (ESG) benchmarks will grow at a faster rate.

With demand increasingly focused on prime office assets in prime locations, new investment opportunities are set to emerge. As highlighted in our recent APAC investor outlook survey, investors are identifying value-add potential in secondary-grade office assets within CBD areas. At the same time, in non-CBD locations, there is a preference for acquiring secondary assets that could be converted to residential use where feasible.

"The Bank of Korea's base interest rate cut to 3.25% in October 2024 is boosting investor sentiment. Seoul's office market remains landlord-favoured due to limited supply, with transaction volumes gradually rising alongside a stable leasing market."

— ***Sungwook Cho***, *Managing Director, Head of Capital Markets & Investment | Korea*

Which office assets will you invest in APAC during 2025?



Source: Colliers 2025 Investor Outlook Survey

22% of respondents indicated a desire to invest in data centres in 2025 compared to 15% last year, showing a significant shift in appetite to invest in this growing sub-asset class.

Source: Colliers 2025 Investor Outlook Survey

I&L, multifamily sectors in focus

The I&L sector continues to attract high levels of allocations from investors across APAC, as well as offshore capital. We expect the focus on investment into the I&L sector to continue through 2025, although with a return to more normalised investment conditions as core capital becomes more active across the region. Investors will become more discerning when they look for assets, and more sensitive to supply-demand dynamics and rental growth.

"The I&L sector remains the top choice for global capital in APAC, which to date has been led by U.S. investment into Japan, Australia and Singapore. Strong fundamentals and rising demand for automated, specialised assets like data centres and cold storage, underpinned by societal and demographic shifts, are driving cross-border flows."

*— **Gavin Bishop**, Managing Director, Industrial & Head of Industrial Capital Markets | Australia*

Other sub-sectors in the spotlight are the student housing market, mainly in Australia, and the multifamily build-to-rent (BTR) space, whose income-generating capabilities investors have come to recognise, especially in markets like Japan.

"Japan's multifamily market is attractive, with expected rent increases drawing in many investors. Japan remains one of the top destinations for cross-border investments due to its favourable yield gap, market size, transparency, strategic reforms and resilient economy."

*— **Hisakazu Iso**, Deputy Managing Director & Co-Head, Capital Markets | Japan*

Top Asset Classes & Locations in Asia Pacific

01.
Industrial & Logistics
In Sydney, Seoul and Tokyo

02.
Office
In Seoul, Sydney and Tokyo

03.
Multifamily/BTR
In Tokyo, Sydney and Melbourne

Source: Colliers 2025 Investor Outlook Survey, order of location is based on investor preference

Hotel, retail sectors benefit from tailwinds

Hotels are drawing strong interest from global and APAC investors across the region, especially in Japan and Australia. Hotels have seen a strong post-pandemic recovery and with rate cuts on the horizon, should benefit from a boost in disposable incomes, improving consumer sentiment and growth in events-related tourism.

Retail is another sector where fortunes are closely tied to interest rates and rate cuts will underpin a recovery in 2025, with a rebound in investment activity already emerging. Given retail has been heavily repriced in the past five-plus years, we expect investment volumes to accelerate in 2025.

"The APAC retail sector has rebounded strongly from challenges like the pandemic and inflation, becoming the most traded commercial asset class in markets like Australia, highlighted by the Westpoint Blacktown deal (c.AUD$900m). The outlook for 2025 continues to be positive, supported by anticipated central bank monetary easing which will stimulate consumer spending."

*— **Lachlan MacGillivray,** Managing Director, Asia Pacific | Retail Capital Markets*

Global events, domestic policies, limited stock are key risks

Geopolitical factors, such as unrest in the Middle East, present significant risks to APAC's 2025 outlook. This could prolong global uncertainty and drive further inflation by disrupting supply chains and raising oil prices, thereby sustaining high interest rates. Capital flows may also be influenced by regulatory changes specific to certain markets or sectors. Investor strategies will be affected by limited stock availability across several APAC asset classes, guiding capital deployment into specific assets unless investors are prepared to assume development risk.

"Lower interest rates and a narrowing price gap will drive activity through 2025, as recent rate cuts boost investor confidence with further cuts anticipated. Capital inflows are expected to rise with the APAC region continuing to benefit from both global capital interest as well as strong inter-regional capital flows."

— ***Joanne Henderson**, National Director, Research | Australia*

Opportunities & Considerations

Opportunities

- New value opportunities emerging across sectors may see cross-border capital broaden their APAC focus.
- Investment into high-demand living sectors with access to growing population markets.
- Scale of development pipeline brings early access opportunity for investors to gain exposure to alternative asset classes.

Considerations

- Rising construction and operational costs challenge investment returns.
- Government policy on foreign investment and land tax considerations could deter more active investment strategies.
- Ongoing inflation, intensified by geopolitical tensions, could increase the expected hurdle rate for foreign investors.

OUTLOOK

EMEA

"EMEA's investment landscape is positioned for a recovery in 2025, supported by stronger fundamentals and a renewed emphasis on quality assets. As liquidity improves and investor strategies adapt, we expect a gradual rebound across sectors, providing opportunities amid ongoing market adjustments."

Luke Dawson
Head of Global & EMEA Capital Markets

“We anticipate a rebound in EMEA investment in 2025, driven by diverse global sources.”

Global capital to reawaken

Investment in EMEA has been below trend, but we anticipate a rebound in 2025, driven by diverse global sources. Asian capital is shifting from China to Europe, while Middle Eastern investors, who have focused locally in recent years, are now exploring opportunities in the European market, particularly in the UK—the top destination for international investments. North American investors are recognising that Europe’s return-to-office dynamics are stronger than in the U.S. and are adjusting their strategies accordingly. Additionally, private family wealth from Latin America is increasingly flowing into Iberia.

Financial liquidity to drive EMEA activity

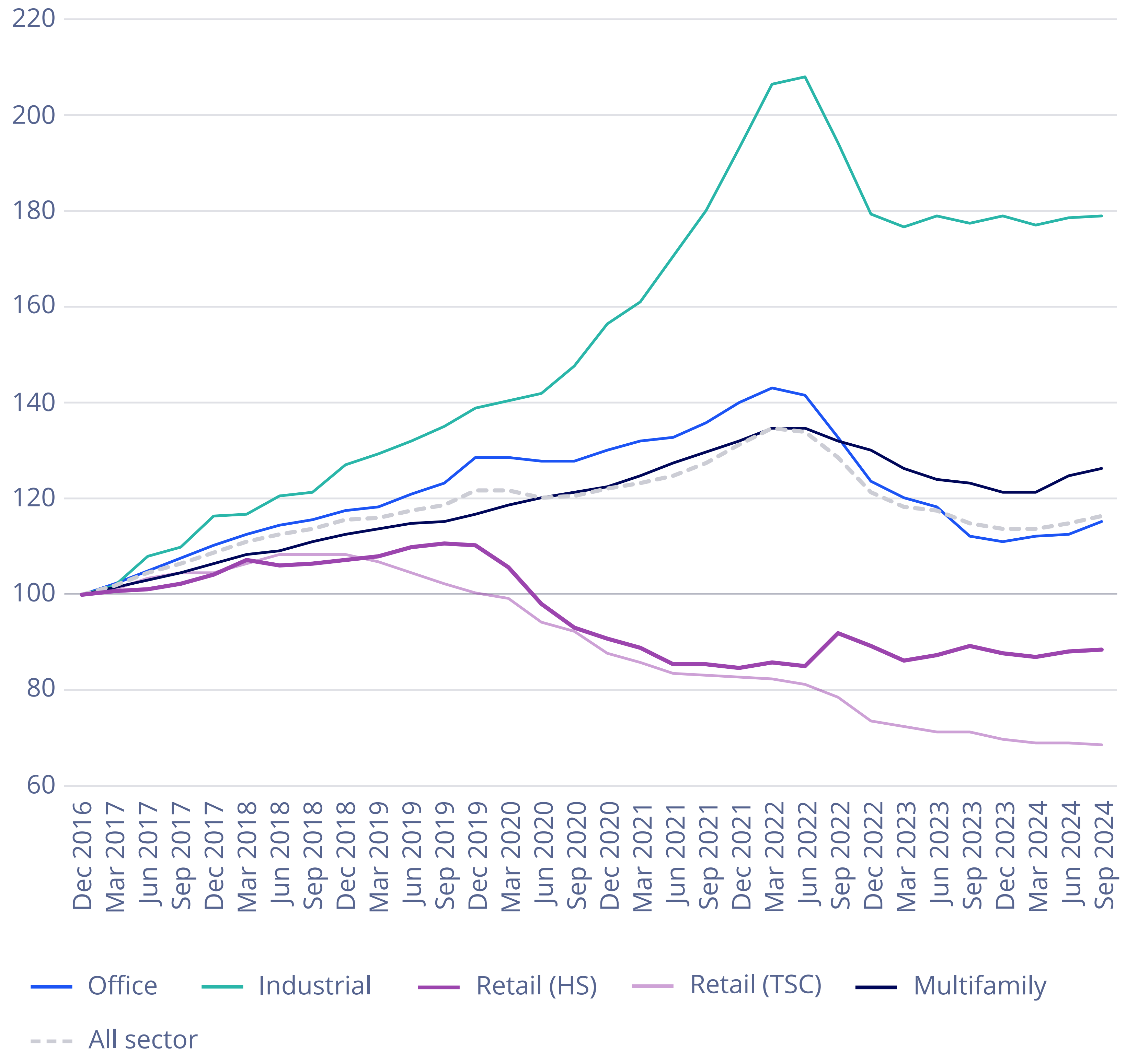
Investment activity in 2024 was hindered by substantial equity erosion due to rising yields and declining capital values. However, anticipated rate cuts in 2025 should boost value growth and yield compression, improving equity erosion and narrowing bid-ask spreads, thus injecting much-needed liquidity into the market, especially in the office sector, which has seen the most significant value impairment. While banks have currently supported distressed investors with bridge credit and extended facilities, a shift in their approach in 2025 could increase market inventory.

“An increase in core fundraising suggests higher volumes may emerge by mid-2025. With anticipated rate cuts, we expect yield compression to further drive market activity.”

— ***Luke Dawson**, Head of Global & EMEA Capital Markets*

EMEA capital value change

All sector capital value indices (2016=100)



Source: Colliers

New supply vital for EMEA recovery

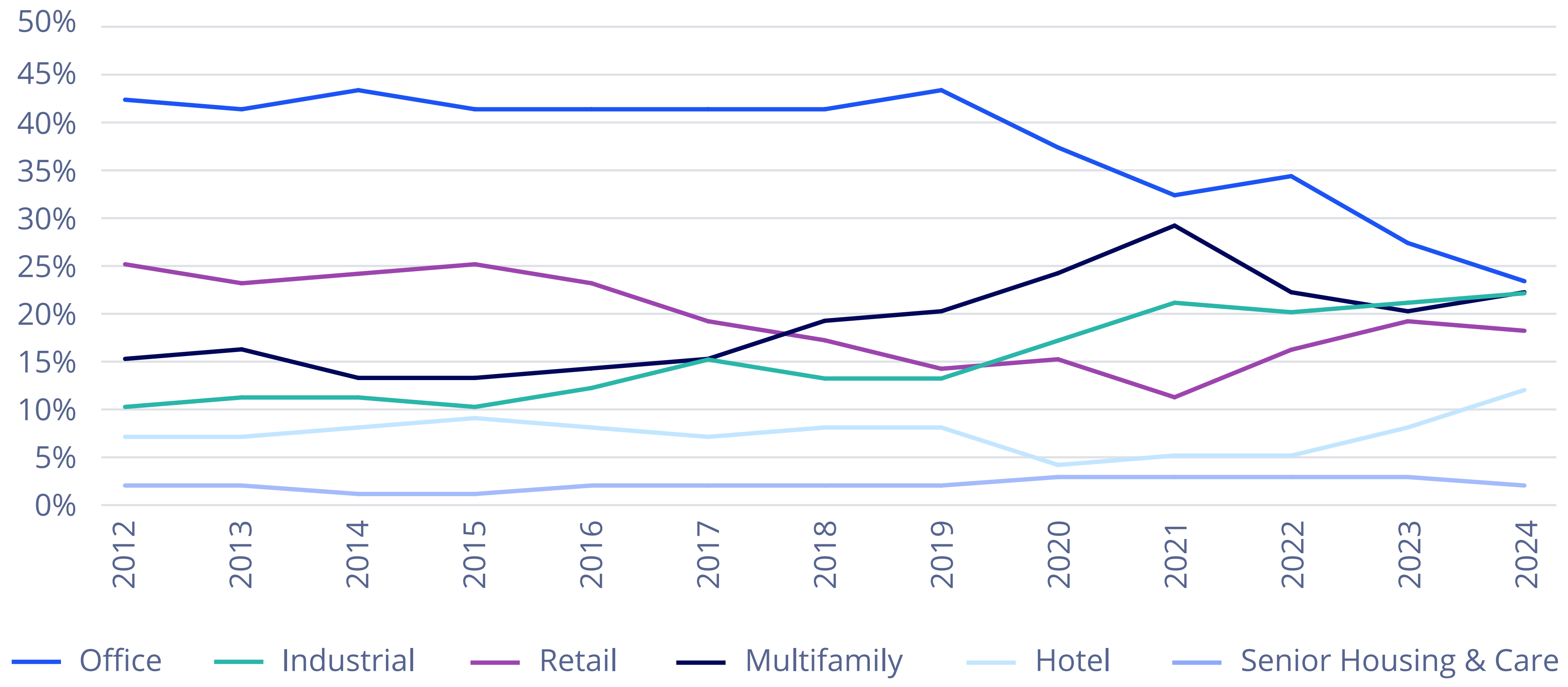
Despite reduced occupier demand over the past 18 months, balanced vacancy rates across sectors will support a 2025 recovery. Positive fundamentals exist, though growth is hindered by a lack of quality supply, particularly in industrial, logistics and prime office spaces. The housing market also presents opportunities as investors shift focus from rentals to sales amid affordability challenges, prompting political interventions. The strongest investment recoveries will occur where suitable supply emerges, with the UK expected to lead, followed by the Nordics, France, Spain, and Italy. High-grade assets will see strong demand, while lower-quality offices will continue to provide redevelopment opportunities.

“Approximately 20% of office purchases in Europe over the past year were for renovation to higher-quality offices or repurposed for different uses. This is a clear sign the sector is re-calibrating and on its way back.”

*— **Damian Harrington**, Director, Head of Research | Global Capital Markets and EMEA*

EMEA investment market share

By sector, %



Source: Colliers, MSCI Real Capital Analytics

20%

of office was purchased to renovate or redevelop

Based on 2023-24 office acquisitions

Top Asset Classes & Locations in EMEA

01.
Office
In London, Paris and Berlin

02.
Industrial & Logistics
In Paris, Amsterdam Berlin, Frankfurt and Milan

03.
Living*
In Madrid, Copenhagen and Milan

**Multifamily, Build-to-rent, Build-to-suit*

“Shopping centres and retail parks show strong fundamentals with rental growth and low asset management costs.”

Traditional shopping centres make a comeback

For the first time in decades, investors are increasingly eyeing prime shopping centres in EMEA and finding attractive risk-reward scenarios. Shopping centres and retail parks show strong fundamentals, driven by rental growth, low asset management costs, and rising consumer confidence.

Hotels still going strong

Investment is thriving in both tourist and business hotels, which have become more profitable post-pandemic due to leaner operations. Occupancy rates are exceeding pre-COVID levels, fuelling investment interest, including mergers of small family-owned hotels. Although hotel investment is above historical averages, we expect activity to plateau in the next year or two.

“Investors have existing joint ventures and separate managed accounts for quick deployment in ‘beds and sheds.’ Currently, discussions about joint ventures in other sectors are increasing, but establishing these will take time as the investment community seeks comfort with expanding mandates.”

*— **Matthew Ardron**, Director | EMEA Capital Markets*

Rising demand for quality I&L assets

In 2024, a significant flight to quality in I&L assets emerged, driven by lower obsolescence risk and a focus on zero-carbon credentials. Pension funds now favour core-plus assets. This trend is expected to continue into 2025, with a continuation of increasing demand for specific formats like open and cold storage, which yield attractive returns, and particularly for opportunities meeting investors ESG criteria. Gaining access to stock will continue to steer capital towards strategic platforms and direct development opportunities.

Data centres lead the alternatives segment

Investor interest in data centres, driven by the rise of cloud computing and artificial intelligence (AI), remains strong for both hyperscalers and co-location models. However, the high energy demands have restricted investment volumes across EMEA, and most notably in the core markets of London, Paris, Frankfurt and Amsterdam, which is limiting supply.

"A significant gap is closing between rental growth in big-box and urban warehousing, with the latter still favoured by investors. As the market recovers, big-box performance is expected to improve as occupiers begin to put large requirements back on the agenda, with industrial open storage (IOS) experiencing notable growth along with the strongest urban locations."

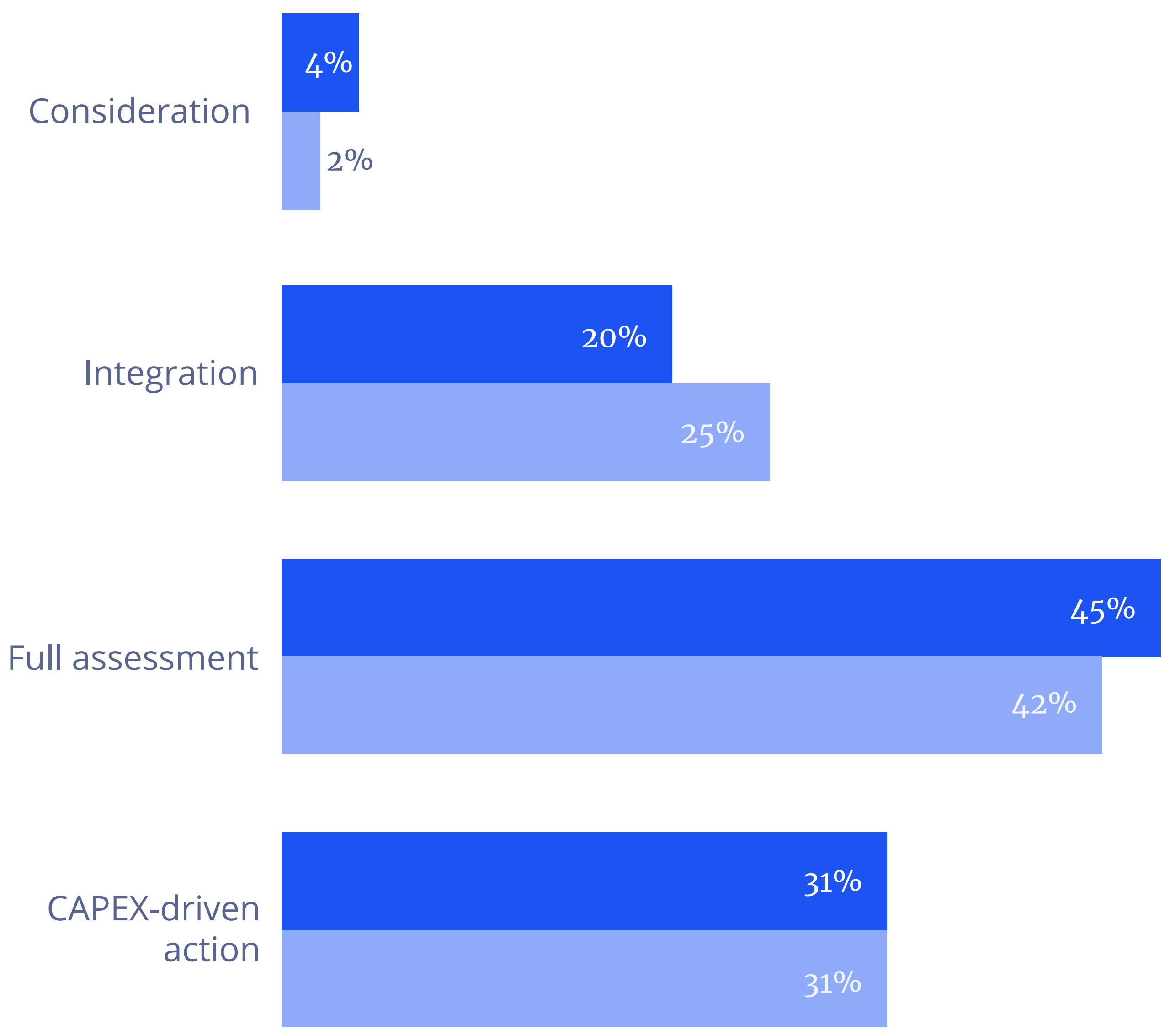
*— **Edward Plumley**, Director, EMEA Capital Markets | Co-head, Industrial & Logistics Practice Group EMEA*

ESG and regulations create a nuanced picture

The European Union and the UK are promoting energy efficiency in the built environment, raising awareness among investors about the risk of stranded assets if upgrades are not made. Our recent EMEA investor outlook survey reveals that while some investors have fully integrated ESG assessments, the number with CAPEX-driven strategies remains unchanged. A significant portion (25%) of investors remains uncertain about retrofitting costs, despite general consensus being around 10% of the asset value. As capital values stabilise and retrofitting knowledge improves, asset upgrades will enhance market liquidity moving forward.

The actions EMEA investors are taking on environmental performance of their assets in 2025

Based on investor AUM EUR 1 billion plus



Source: Colliers 2025 investor outlook survey

Opportunities & Considerations

Opportunities

- Core to opportunistic: Stabilised and expanding prime capital values across all sectors provide a broad range of strategy options.
- Enhanced liquidity is expected in the office sector in 2025 as lower policy rates reduce the drag impact of equity erosion and the debt gap.
- Shopping centres are back in play as a higher-yielding investment option across Europe.

Considerations

- Global geopolitical events require careful monitoring, given the risk of inflation and slowing of policy rate normalisation.
- European, national and local legislation changes will continue impacting real estate in multiple ways, including utility management, housing affordability and planning/construction controls on embedded carbon.
- Disparities in construction costs and project management methods will impact the ability to respond to market opportunities.

OUTLOOK

United States

"With capital reserves at record highs and interest rates set to decline, the U.S. market is poised for renewed investment activity. Strong fundamentals—led by high demand in multifamily, industrial and alternative assets—alongside sustained cross-border interest, create a promising growth outlook through 2025."

David Amsterdam
President, Capital Markets | U.S.

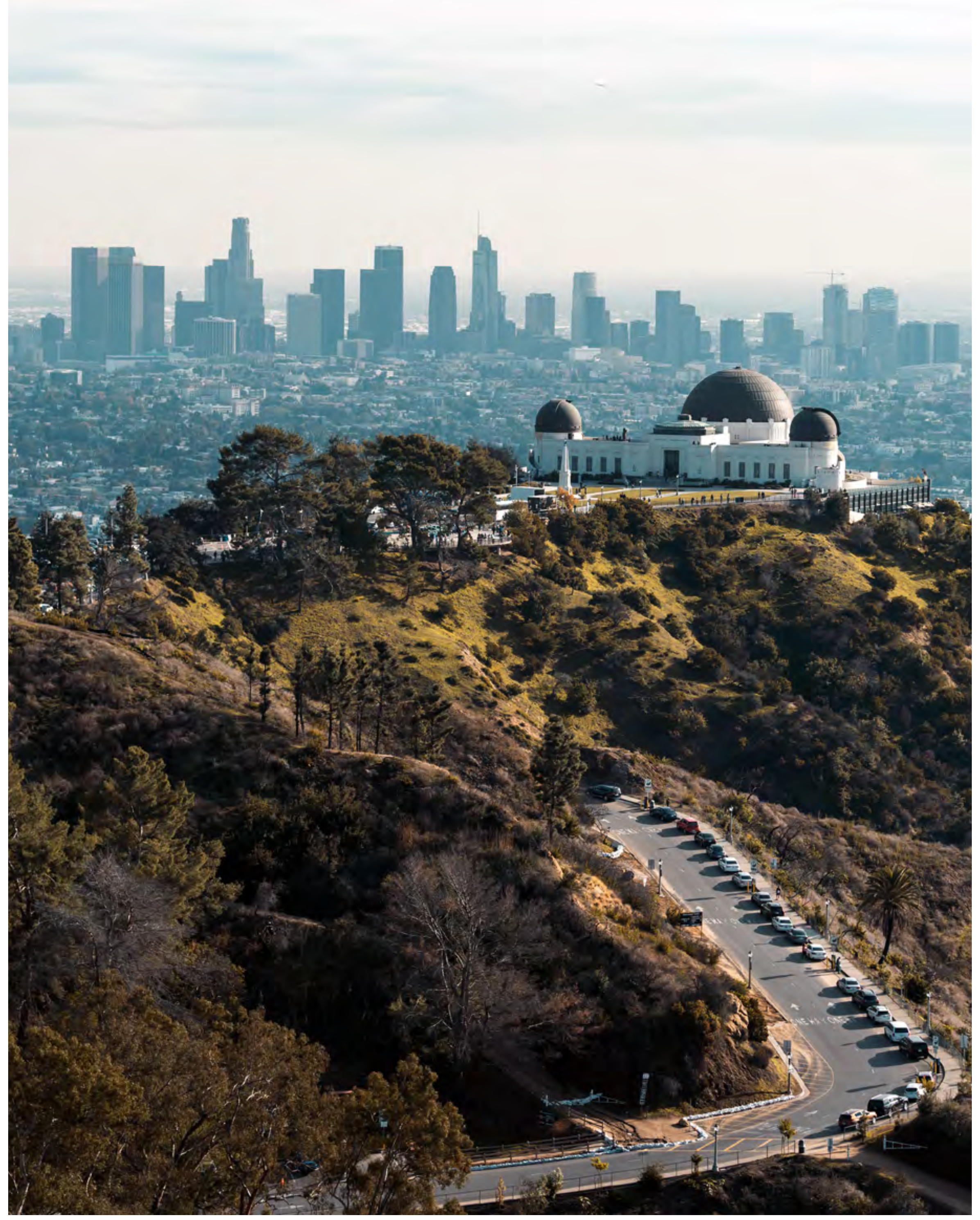
“Pricing in the U.S. adjusted faster than in other parts of the globe.”

Revival in activity driven by brighter conditions

The amount of capital on the sidelines waiting to be deployed remains near a record high. Investors have been patient during the Fed’s interest rate hike cycle but can now look forward to falling interest rates and better market conditions. The Fed has broadcast a path of lower interest rates into the future, with cuts expected throughout 2025. A tailwind of declining rates will be supportive of a market rebound over the next several quarters.

“With this cycle’s wave of development wrapping up, vacancies are due to fall in the near term, resulting in improved fundamentals and a better outlook for rent growth. Structural tailwinds, such as the cost of homeownership and demographics within the U.S., make multifamily an investor favourite.”

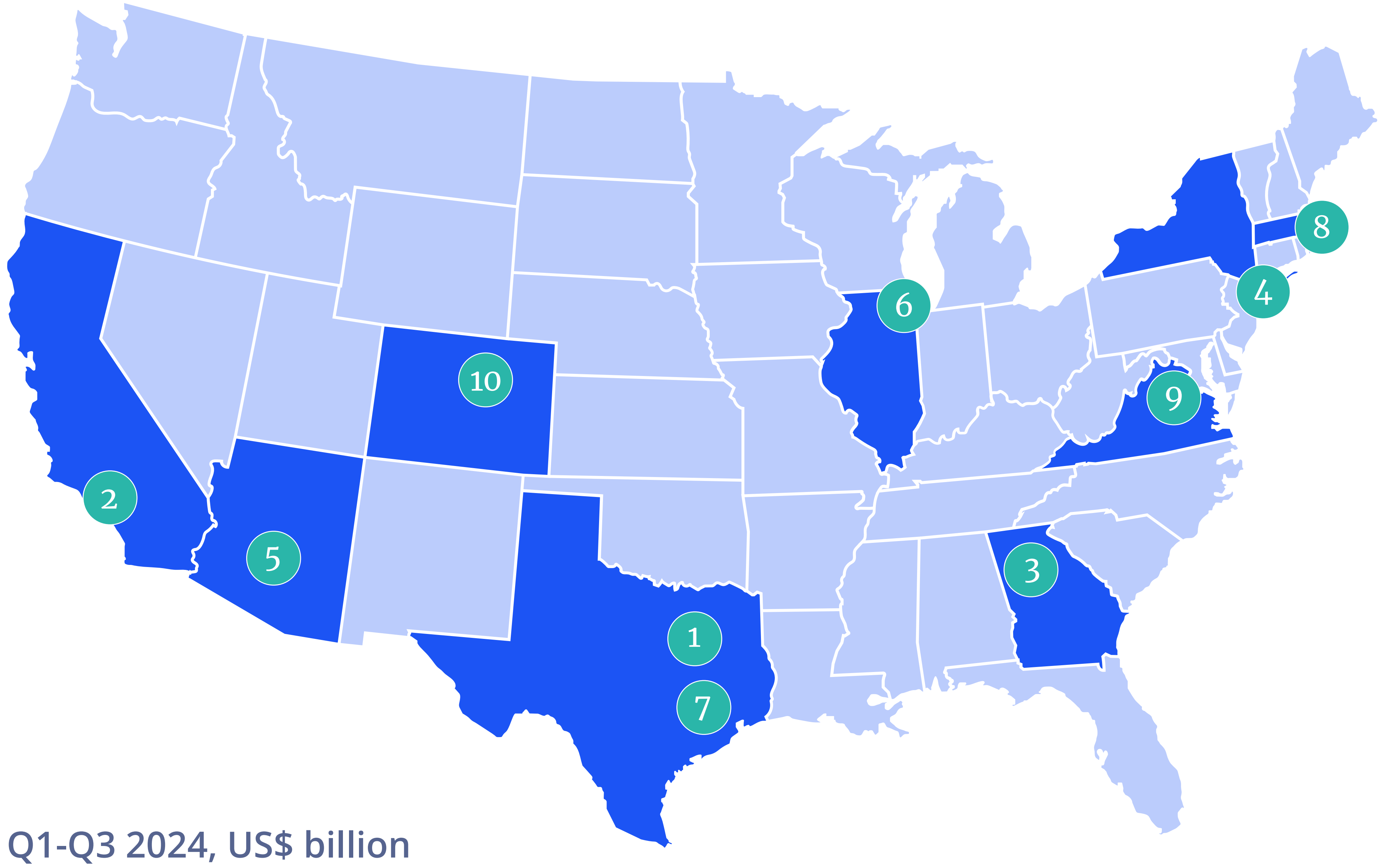
*— **David Goodhue**, Head of Multifamily Capital Markets | U.S., Executive Managing Director | Boston*



Sustained international interest despite dollar strength

The dollar may strengthen, leading to relatively more expensive cross-border transactions. However, pricing in the U.S. adjusted faster than in many other parts of the globe, making the basis for acquisition very attractive on both a cap rate and a price/sq ft/unit basis. Investor sentiment may be bolstered as greater clarity on the direction of economic policy emerges post-election. Positive long-term demographics also play a key role, allowing investors to plan for future demand growth, leading to firmer fundamentals and rent growth. Domestic investors are also likely to pivot back to the U.S. now that rates are falling. Increased cross-border interest is expected in higher-barrier markets such as Boston, Los Angeles, Manhattan, San Francisco, and Washington, D.C.

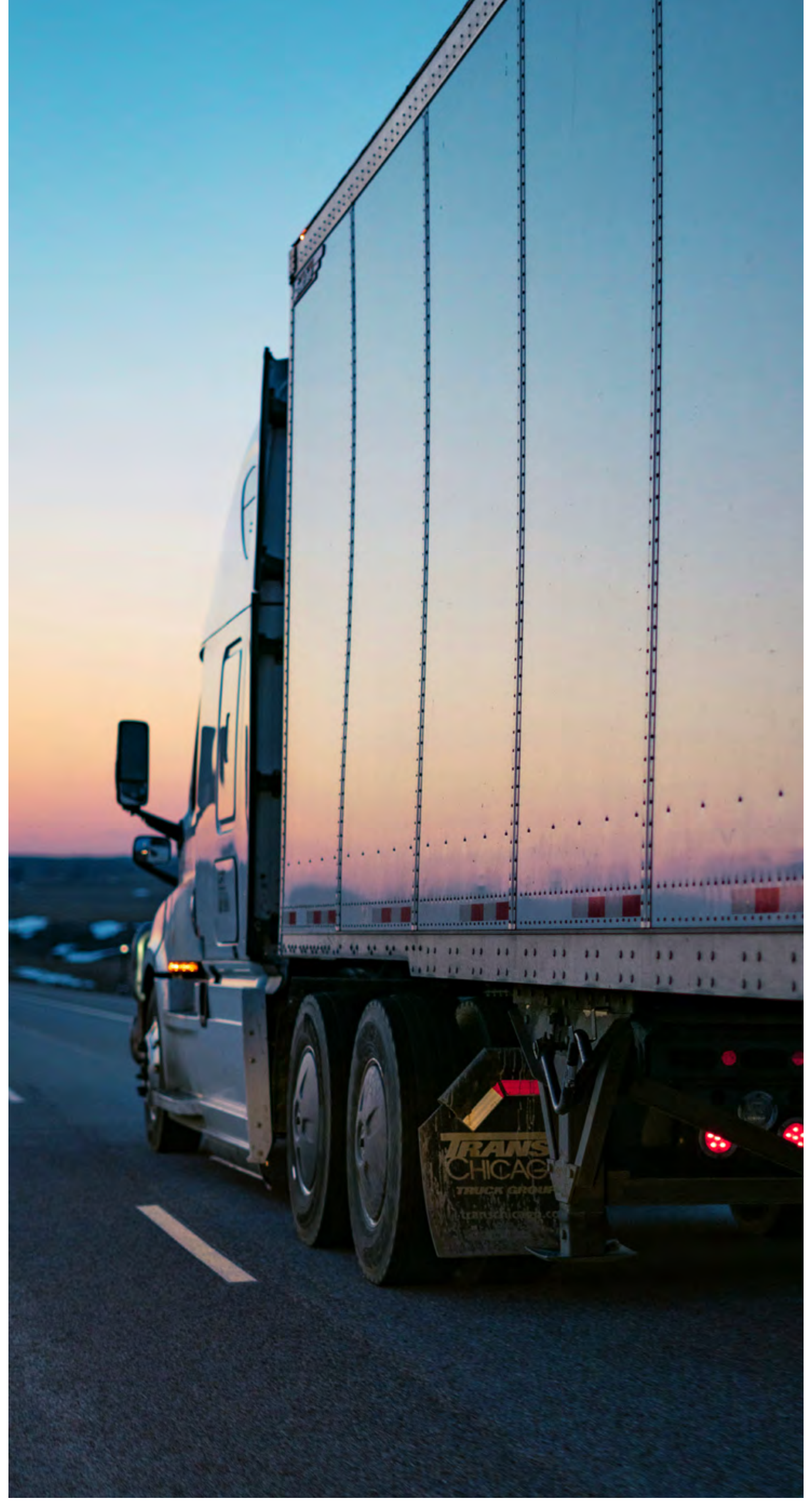
Top U.S. markets by volume



Q1-Q3 2024, US$ billion

1	Dallas, Texas	$13.1	6	Chicago, Illinois	$8.3
2	Los Angeles, California	$12.9	7	Houston, Texas	$8.2
3	Atlanta, Georgia	$10.3	8	Boston, Massachusetts	$7.3
4	Manhattan, New York	$9.9	9	D.C. VA Suburbs, Virginia	$6.7
5	Phoenix, Arizona	$9.3	10	Denver, Colorado	$6.1

Source: Colliers, MSCI Real Capital Analytics



Multifamily and industrial driving transaction activity

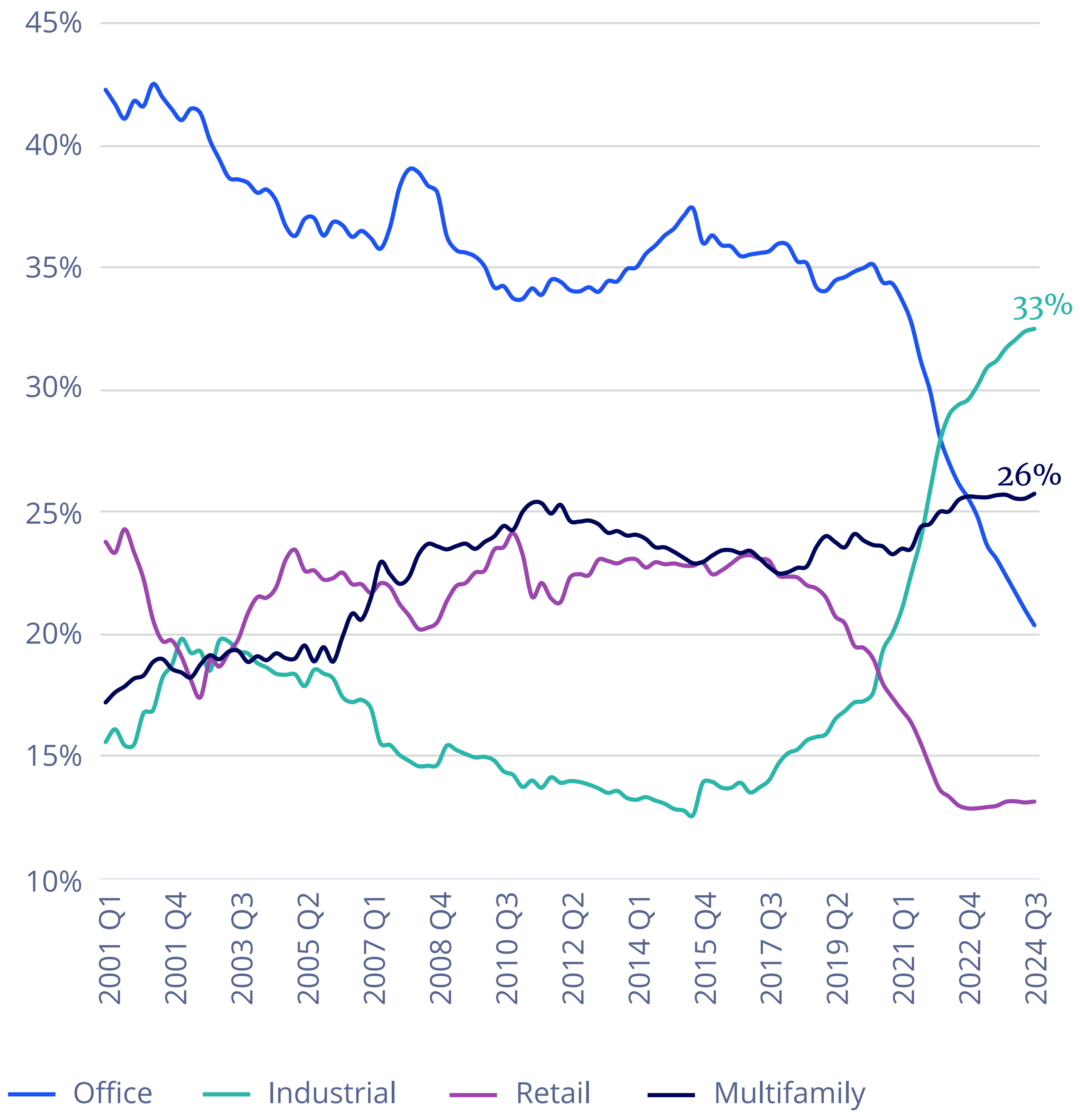
Multifamily and industrial are expected to lead in aggregate sales volume yet again. Industrial continues to see its share of the NCREIF Property Index increase. This extends a decade-long trend that has seen institutional allocations to industrial surging from 13% to 33% of the index. Institutional investors are active in the space on both the buy and sell sides, with a reemergence of institutional buyers in markets from California to Texas to Florida. Meanwhile, multifamily remains a highly sought-after asset class due to the perpetual need for housing in the U.S. and the high cost of home ownership. Growth markets in the Southeast and Southwest remain top targets despite the recent wave of development, while coastal markets continue to attract core investors.

"Vacancies are nearing peak levels for multifamily and industrial, while retail remains undersupplied. Meanwhile, hospitality is benefiting from record travel volumes, and office is showing signs of improved return-to-office statistics. Together, these factors will attract capital back into the market, significantly increasing investment sales volume in 2025."

*— **David Amsterdam,** President, Capital Markets | U.S.*

Industrial continues to rise

Asset class share of NCREIF NPI

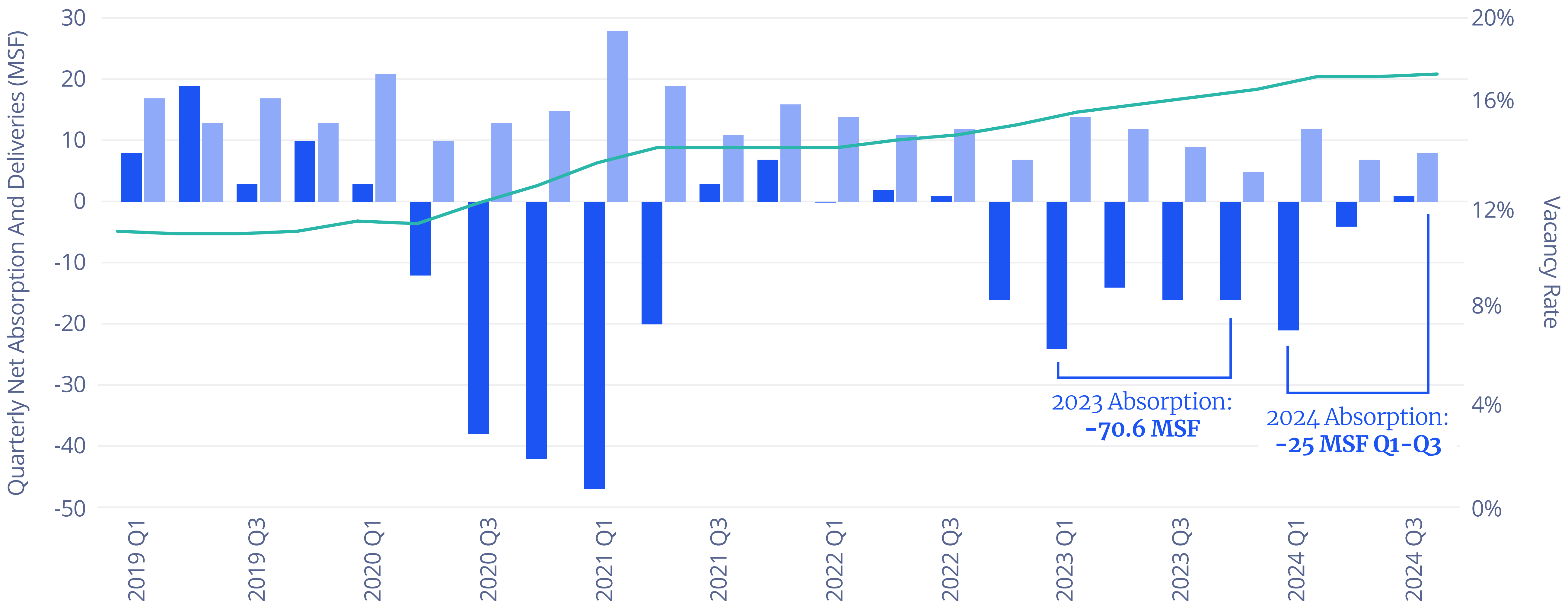


Source: Colliers, NCREIF

Office acquisitions reflecting risk appetite

Vacancies have shown signs of stabilisation, though a wave of maturities and refinancings needs to be worked through. However, as the return-to-office improves and new construction remains limited, the sector offers an attractive acquisition target for risk capital. Core office assets are not trading and are unlikely to in the immediate future, as better assets with stronger cash flow, lease term, and credit are not receiving appropriate pricing value.

Market shifting towards recovery



Source: Colliers

Top Asset Classes & Locations in the U.S.

01. Multifamily
In Dallas, Los Angeles and Atlanta

02. Industrial
In Los Angeles, Dallas and Chicago

03. Office
In Manhattan, Los Angeles and Boston

Alternatives present opportunities in the near and long-term

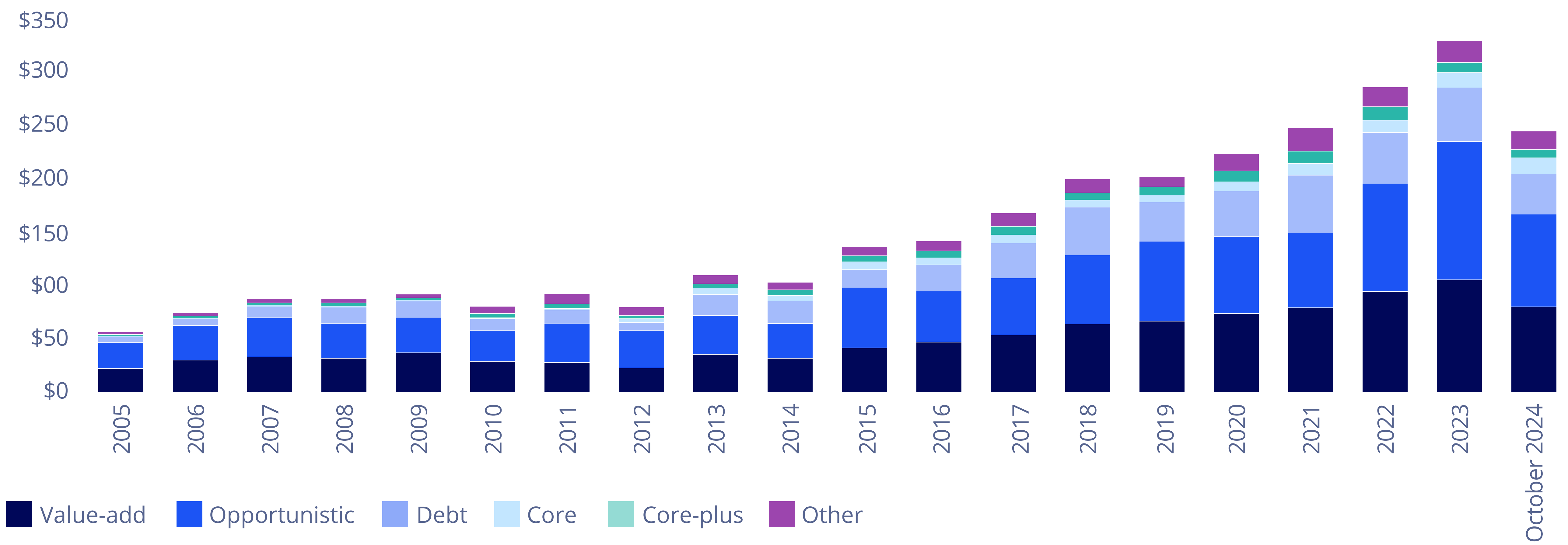
Data centres represent a high-conviction asset class for the near term, attracting immense capital. New development projects are announced weekly in established markets, such as Northern Virginia, and secondary locations in states like Indiana and North Dakota, representing major investments that reach billions of dollars each. Vacancies are low, and demand is through the roof, especially from hyperscalers and AI. Meanwhile, scientific advancements position the life science asset class as a strong long-term bet, even as near-term supply-side pressure softens fundamentals in major and secondary markets.

"Investors are once again segmenting the landscape into core/higher barrier-to-entry markets and secondary/tertiary markets, leading to wider cap rate spreads between them. Core capital looks to focus on historically more stable markets along the coasts, while value-add and opportunistic capital will chase demographics in the Sunbelt."

*— **Aaron Jodka**, Director of Research, Capital Markets | U.S.*

Uninvested capital targeting North America near record highs

US$, billion



Source: Colliers, Preqin

Opportunities & Considerations

Opportunities

- Acquire properties below replacement cost for compelling investments.
- Expected rate cuts may activate sidelined capital and prompt restructuring needs.
- Growth in alternative assets, such as data centres, with a focus on development and equity needs, unlocks investment potential.

Considerations

- The Fed's rate cut timeline remains uncertain, impacting capital strategies.
- Global geopolitical tensions could curb investor sentiment and capital flow.
- Stabilising asset fundamentals hint at recovery but may temper investor caution.

OUTLOOK

Canada

"With domestic institutions poised for a comeback and rising global interest, Canada's real estate market is primed for growth. Necessity-based retail benefits from demographic trends and drives demand, while multifamily assets continue to capitalise on a significant supply-demand imbalance. Industrial and logistics remain highly sought-after, and office properties may experience a recovery as valuation adjustments and leasing activities create new opportunities in 2025."

Lucas Atkins
President, Capital Markets | Canada

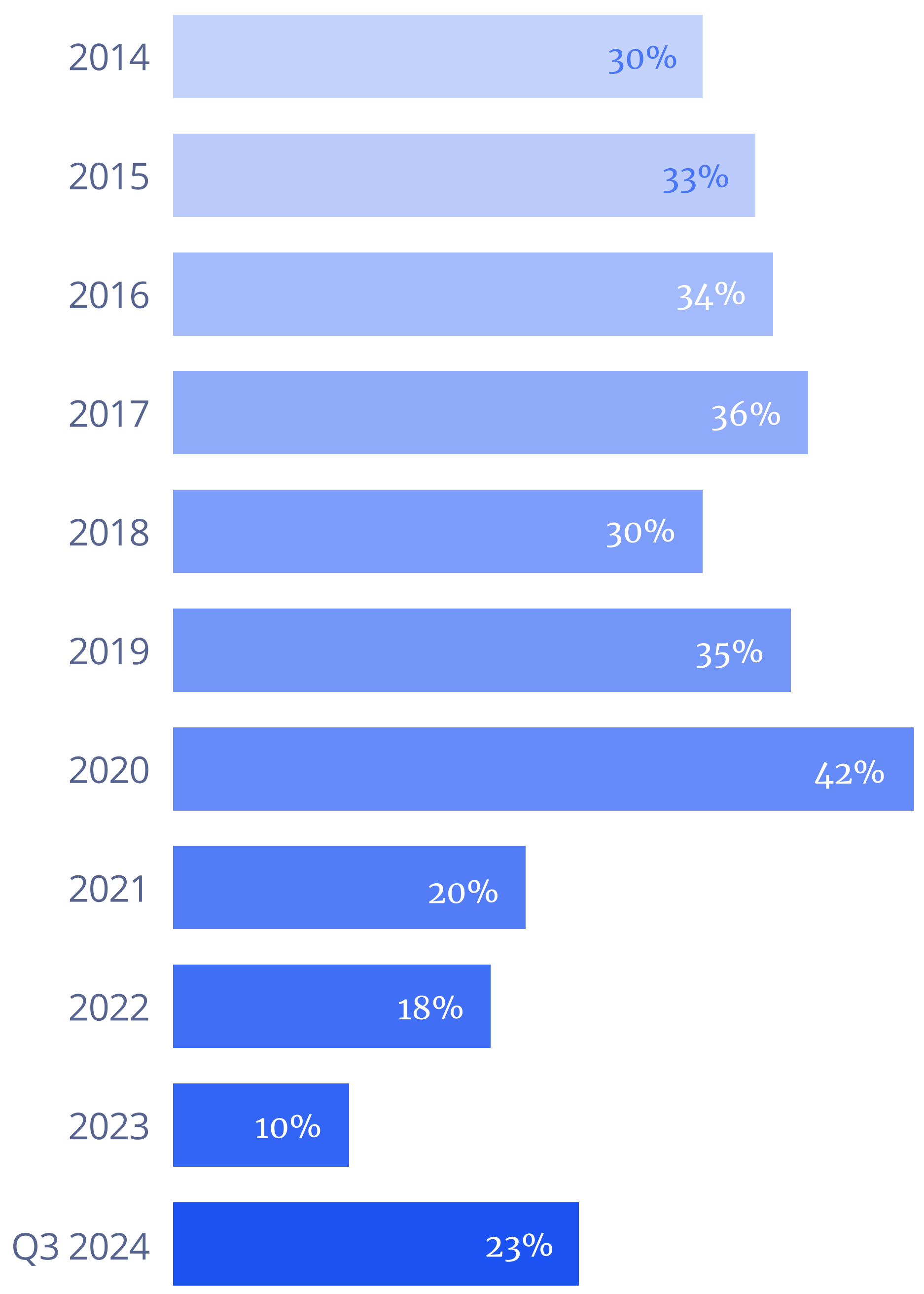
“Improved interest rates and narrowing pricing gaps will lead to an uptick in transaction activity during 2025.”

Return of domestic institutions

Domestic institutional buyers, historically responsible for 30-40% of Canada’s long-term average investment volume, have been largely absent from the real estate market in recent years, focusing instead on internal development, asset management and higher-yield opportunities abroad. However, improving interest rates and a narrowing pricing gap between buyers and sellers are expected to draw these institutions back to the local market, likely boosting transaction activity by late 2025.

Institutional share of buy side

Canada, last decade



Source: MSCI Real Capital Analytics

Diversity of international capital

Rising international interest in Canadian real estate assets will continue. With private investors currently dominating the market, activity will broaden beyond more prominent U.S. private equity players and Asian institutions to sources from other global regions, such as Europe, and more diverse mid-sized investors. The trend is based on the growing awareness of Canada as a safe haven for capital, characterised by strong macroeconomic fundamentals, population growth and a relatively stable political outlook. While the Greater Toronto Area remains the primary target for global investment, Vancouver and Montreal are also gaining attention.

“Foreign buyers have been behind most of the largest deals of the last couple of years. Many groups are looking to invest in Canada because of the country’s strong fundamentals and macro tailwinds.”

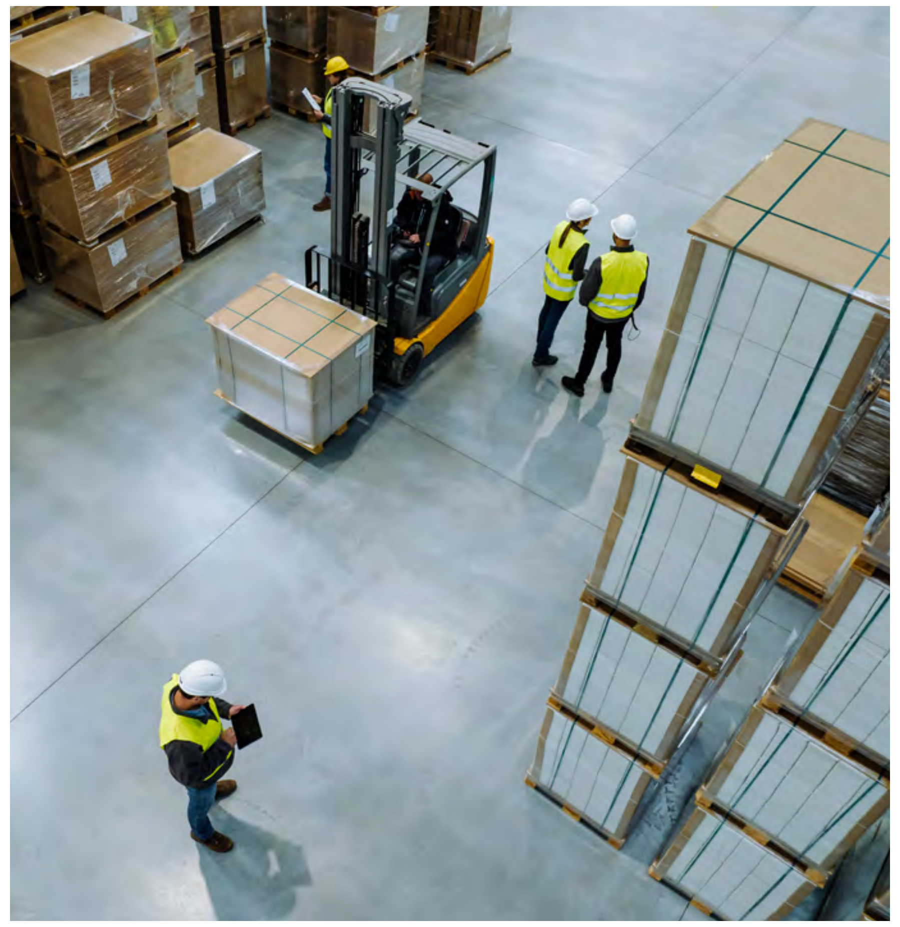
*— **Johann Rodrigues**, Vice President, Capital Markets | Canada*

I&L remains a key pillar for investment activity

Industrial and logistics is expected to remain a preferred asset class in 2025 and beyond, driven by Canada's growing e-commerce sector and demand for mid- and large-bay warehouses and fulfilment centres. Although new supply, primarily large-bay warehouses in fringe core locations, has increased vacancies in major cities, the amount of industrial space under construction decreased by nearly 40% year-over-year in 2024. Compared to other major global markets, industrial rents in Canada still have room for growth.

"Canada's industrial and logistics market has moderated but remains a key 'net buy' for investors. There is ongoing bifurcation by property type, with favourable interest in small- and mid-bay assets from both institutional and private capital, along with robust demand for corporate sale-leasebacks of critical facilities. Prime distribution centres in select mid-sized markets like Ottawa, Kitchener-Waterloo-Cambridge, Hamilton, Winnipeg and Saskatoon also present compelling opportunities where leasing fundamentals are strong."

*— **Reid Taylor,** Senior Vice President, Capital Markets | Canada*



Retail supported by fundamental trends

A rising population, broadly positive economic outlook and limited availability of product will all support Canada's retail sector in 2025, with a marked increase in investment activity surrounding regional malls in secondary and tertiary markets throughout 2024. Redeveloping aging assets into more contemporary, versatile and experiential retail spaces for consumers is a strategy that larger landlords continue to dedicate capital to, as is the exploration of residential intensification on many urban and transit-oriented centres. There is a noticeable rise in private investors acting on what they perceive as long-term growth potential in the sector. Demand remains highest for high-street and daily necessity-based retail assets in major markets, but the supply of opportunities are scarce.

Top Asset Classes & Locations in Canada

01.
Grocery-anchored retail
In Greater Toronto Area, Vancouver and Montreal

02.
Multifamily
In Greater Toronto Area, Calgary and Ottawa

03.
Industrial & Logistics
In secondary markets with strong leasing fundamentals

Return-to-office may lure investors as well as workers

The Canadian city-centre office market has struggled, but the federal return-to-office mandate and shifting power back to employers in a cooling job market could signal a turnaround. With valuations significantly down and recent major transactions in cities like Vancouver and Calgary gaining traction, renewed leasing interest in prime suburban properties may encourage more owners to accept write-downs to jumpstart sales.

"The cost of borrowing has come down a lot in the last year, but many people are confident it will continue to fall. Activity often has more to do with sentiment than dollars and cents, and rate cuts and lower inflation will certainly improve sentiment."

— ***Adam Jacobs,*** *Head of Research | Canada*

Opportunities & Considerations

Opportunities

- Prime distribution centres in mid-sized markets with strong fundamentals.
- The undervalued office sector could yield deals for patient investors.
- Zoned land presents ample opportunity for selective and strategic buyers.

Considerations

- High seller expectations may prolong sidelined capital and delay deals.
- A possible U.S. recession could attract Canadians to a widening U.S. opportunity set.
- Patience is required, as the market may take another 6–12 months to stabilise.

GLOBAL

Key Takeaways

Stress-test financing scenarios

Although lower rates are anticipated, cuts may not be as aggressive as expected. With fierce competition for prime assets from new equity entrants, investors should assess their yield assumptions across various mid-term scenarios and ensure their financing structures align with these evaluations.

Assess the fundamentals and prepare to move quickly

Multifamily and I&L have dominated investments, but momentum is building across offices, hotels, retail, and data centres. Broad-brush assumptions about a sector can miss pockets of opportunity. Investors should adopt a detailed, asset-by-asset approach to uncover opportunities and ensure financing structures facilitate quick execution in 2025.

Consider mid- to long-term opportunities in redevelopment

With limited high-quality, fit-for-purpose assets in key markets, investors should consider redevelopment directly or through forward funding. While office conversions to mixed-use, hotels or multifamily may face challenges like layout constraints, rezoning, construction costs or profit margins, they have proven successful in some cases. Redevelopment can be a viable way to bring new supply to market, meeting shifting demand and regulatory pressures.

Stay sensitive to regulatory conditions

The rapidly evolving regulatory environments across APAC, EMEA and North America can significantly affect investment strategies, from tax code changes to rent caps. Global investors should collaborate with expert advisers to navigate these regulations at the local level, ensuring they fully understand the potential impact on returns.

Mind the supply-demand gap in alternatives

Investor demand for alternative assets like data centres, senior housing and life science is strong, driven by portfolio diversification and trends like aging populations and AI growth. However, regional differences impact availability—some areas lack assets, while others face regulatory hurdles. Energy availability and cost are key factors, especially for data centers. Partnerships or JVs with specialised developers can enhance access to these alternative investments.

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Annual Revenue	Countries we operate in	Assets under management	Lease and sale transactions	Square feet managed	Professionals
$4.5B+	70	$99B	46,000	2B	22,000

Number of countries includes affiliates

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