

Research

Global | February 2025

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Global Real Estate Perspective - Highlights

Investor and Corporate



Overview

A positive but nuanced outlook for 2025

The economic outlook for the remainder of 2025 is broadly positive despite persistent uncertainty. Higher yields on government bonds and benchmark debt costs have tightened financial conditions over recent months, while risks remain from geopolitics and policy shifts, supply chain

disruptions and the potential for a resurgence in inflation. While there are plenty of challenges, there are also reasons for optimism as labor markets are still tight, unemployment rates low and real wage growth positive in most countries.

Global Capital Flows

Interest rates

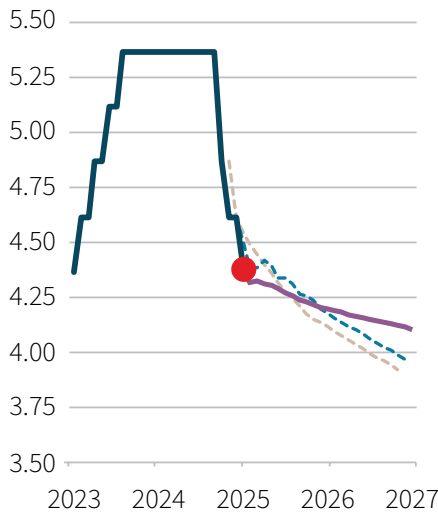
Interest rate uncertainty picks up again and volatility signals rise

A more optimistic outlook during the third quarter of 2024 led to significant increases in transaction activity, with a recovery in capital markets activity evident over the full year. With that said, the momentum of the third quarter and the first part of the fourth quarter is at risk of decelerating – largely driven by the emergence

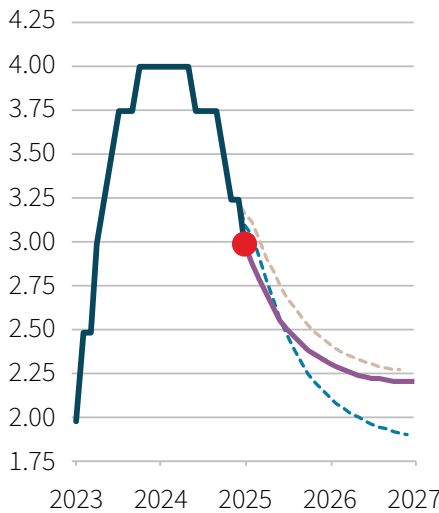
of a more tempered view on central banks’ rate cut trajectory, particularly in the U.S., as well as increases in long-duration bond yields. In markets where inflation settles further, investors will be able to price a more accommodating rate cut environment and start to forecast real estate fundamentals with greater confidence. Dry powder levels globally are still high, most recently at US\$600 billion, and are expected to support continued growth through 2025.

Financial markets’ forward expectations of policy rates

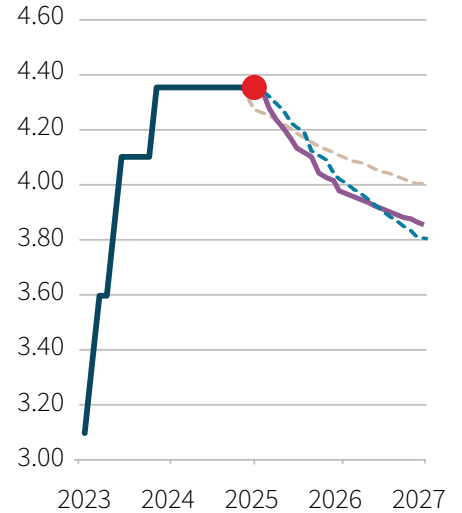
Fed Funds mid rate (%)



ECB Deposit Rate (%)

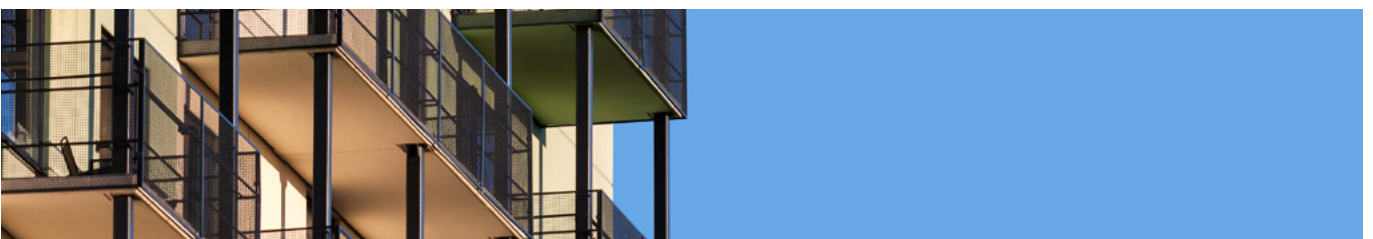


RBA Cash Rate (%)



● Current rate — Actual policy rate - - - 1st November - - - 1st December — 17th January

Source: Refinitiv, JLL. Based on OIS rates. As of February 2025



Pricing dynamics

Yield compression and bidding intensity flatten out after gains in Q3

Overall values globally stabilized in late 2023 to early 2024, and going-in yields generally marked some compression for prime assets and in-favor property sectors during the second half of 2024. However, pricing dynamics continue to be nuanced and varied across markets and sectors. Investors are closely watching asset pricing in the first few weeks of the year, and as they have more clarity, they will refine their bidding and capital deployment strategy. This stands to slow some momentum but not fundamentally change the outlook for a gradual recovery during 2025.

Debt markets

Broadening of debt market activity buoying capital markets liquidity

Debt markets strengthened further during Q4, with a particularly robust lending market in the United States. Spreads generally compressed at various points in 2024 and an abundance of debt capital is likely to result in more compression in 2025. Activity across lender types is more balanced than during other points over previous cycles. With that said, activity continues to be more heavily weighted towards refinances rather than acquisition and construction loans. Credit markets are expected to stay strong even as fluctuating bond indices lead to continued bid-ask variability. Most lender constituents anticipate higher allocations for commercial mortgages in 2025 and this will support liquidity.



Investment activity

Continued strength in transactions in Q4 despite fluid bond markets

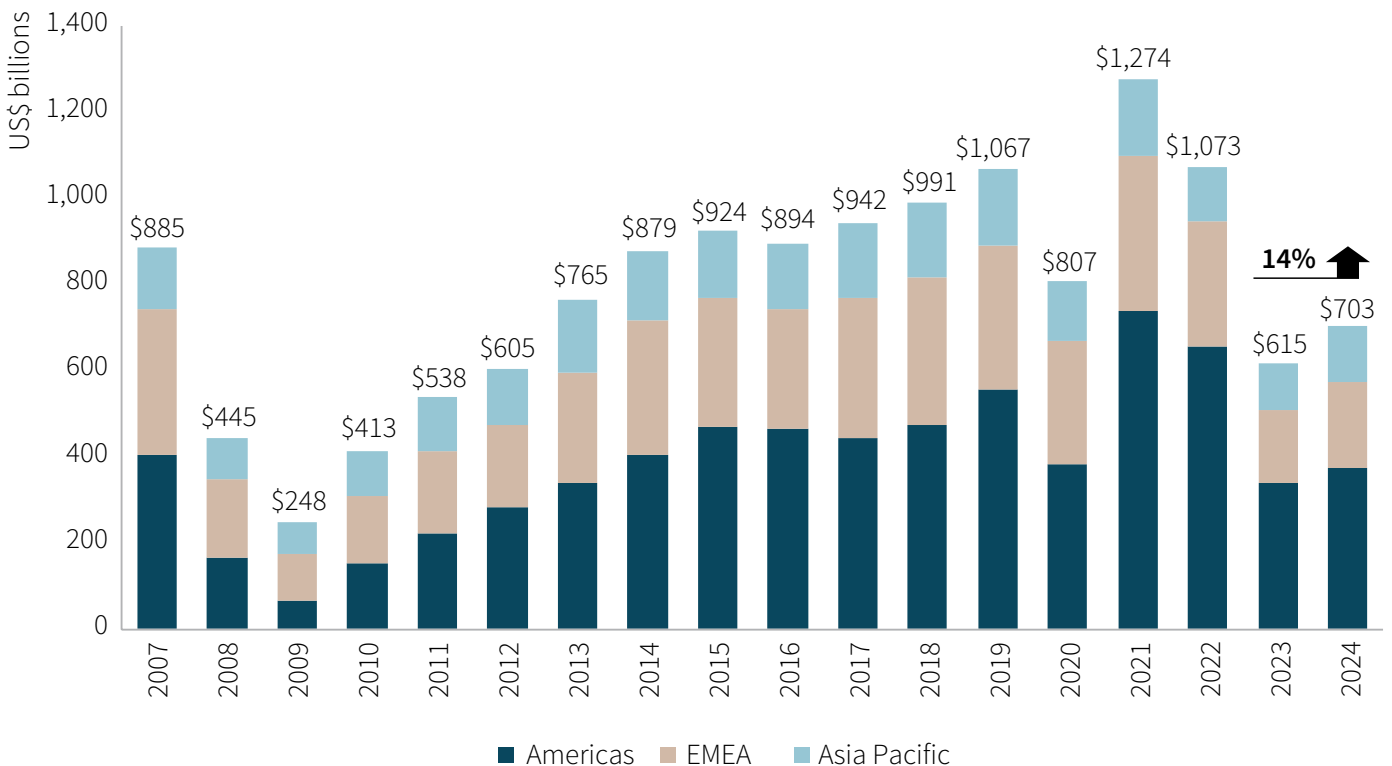
Transaction activity accelerated in the fourth quarter, with year-over-year volumes rising 37% to US\$232 billion, up from 23% growth globally in the third quarter. This brought full-year 2024 volumes to US\$703 billion, reflecting a 14% increase. Momentum persisted as institutional investors and, increasingly, global capital reemerged to complete transactions of scale. Cross-border investment also grew in the fourth quarter, up 70% year-over-year, solidly positioning 2023 as the cyclical bottom for cross-border volumes. Looking to 2025, cross-border activity is expected to be supported by geographic diversification strategies, the opportunity to acquire assets below prior-peak valuations and increasing debt liquidity.

Sector dynamics

Capital continues to cluster around in-favor property sectors

Diversification remains a top priority in the current investment climate. Large LPs' and investment managers' approach to capital deployment across sectors is broadly unchanged from previous quarters, with industrial & logistics, living sectors and select alternatives among the most sought-after sectors. With capital appreciation still subdued, investors are focusing on asset quality and/or income growth, and sectors in the path of secular growth.

Direct investment by region, 2007 – 2024



Source: JLL, February 2025

Property Sectors

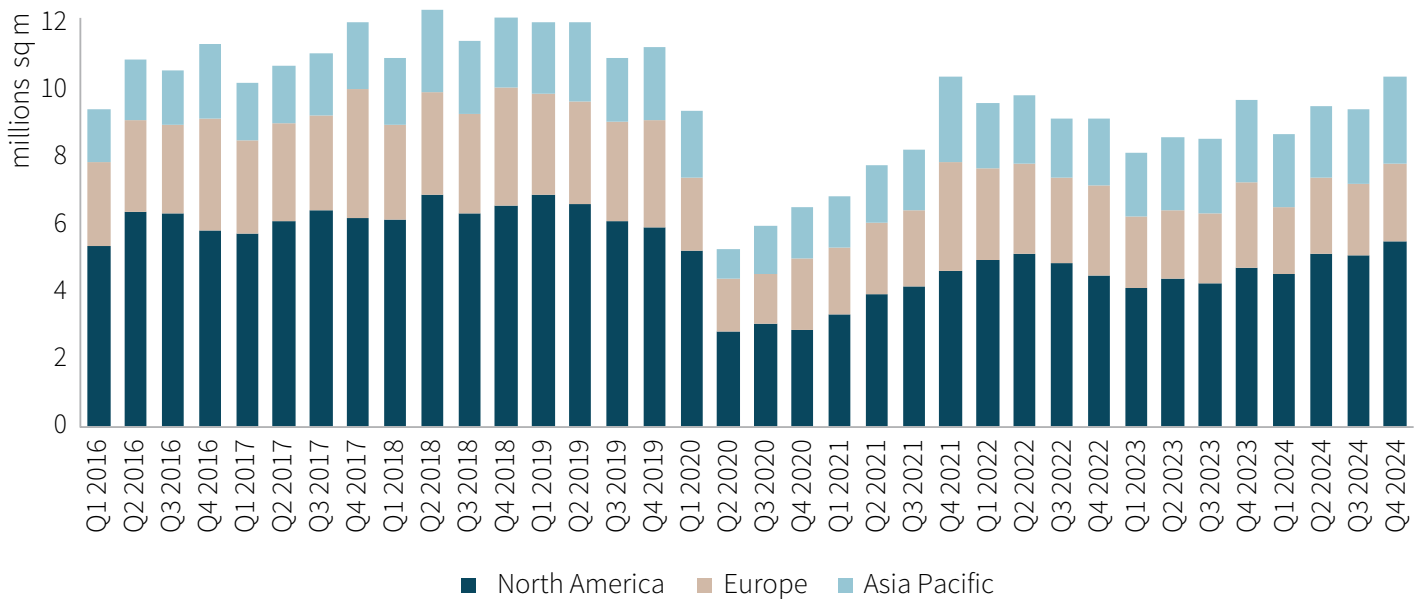
Offices

Global leasing activity at highest level since 2019

Global office leasing activity continued to increase in the final quarter of 2024 with volumes 10% higher over the quarter. This pushed full-year 2024 leasing up by 9% to the highest annual total since 2019. The U.S. saw the strongest growth with volumes 18% above 2023, as progress on

office attendance policies and headcount growth provide occupiers with greater clarity on workplace planning and lead to moderated downsizing trends. Volumes in Asia Pacific rose by 5% in 2024, while activity in Europe was largely unchanged over the year despite a growing pipeline of requirements as deal processes continue to be prolonged.

Global office gross leasing volumes, Q1 2016 – Q4 2024



23 markets in Europe; 61 markets in North America; 23 markets in Asia Pacific
 Source: JLL, February 2025

The global vacancy rate increased by 10bps to 16.8% in Q4, with vacancy higher in Europe and North America but declining in Asia Pacific. New supply is set to fall during 2025 in Europe and North America, where new groundbreakings have fallen to their lowest level on record in the United States. This is

expected to contribute to vacancy peaking and starting to decline in both regions over the next 12 months; with less new space coming to the market and availability concentrated in less desirable buildings and locations, competition for the best space will continue to intensify.

Logistics

Activity slows in 2024 as occupiers delay decisions

Industrial leasing was broadly stable in Q4, with volumes higher than the previous quarter across all three regions. However, activity continued to decline over the full year as occupiers focus on increasing utilization of existing space and delay transactions amid uncertainty and high costs. Despite extended decision-making timelines, demand remains poised for further growth at more sustainable levels. Supply chains continue to evolve in conjunction with persistent e-commerce growth and increasing demand for last-mile facilities, which combined with an emphasis on nearshoring or diversifying manufacturing operations will underpin the sector’s long-term prospects.

Leasing volumes in North America were marginally higher during Q4 than the previous quarter but 30% lower year-over-year, bringing annual volumes to 27% below 2023 levels. Take-up in Europe rose by 19% over the quarter, with full-year volumes 5% below 2023 and in line with 2019 levels. In Asia Pacific, net absorption was 10% above Q3; however, 2024 marked a slowdown from the record levels of 2023 with absorption 13% lower over the year.

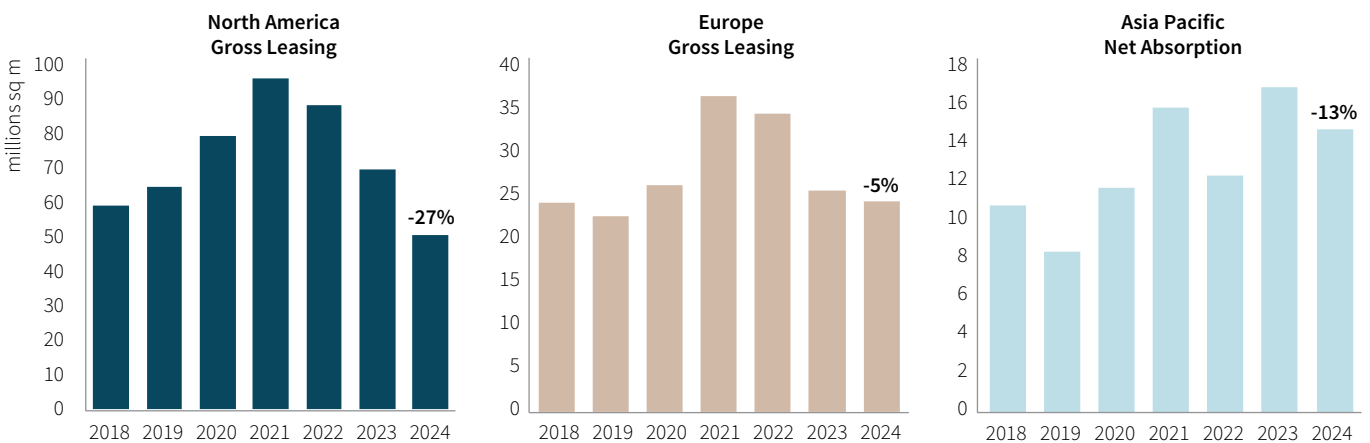
Retail

Retail leasing demand stays strong

Retailer demand for space in prime locations remained robust in the fourth quarter despite subdued consumer sentiment in a number of major markets and lackluster global spending growth over the year. The retail sales outlook for 2025 is positive as stronger consumer spending growth is expected in most major markets, driven by rising real wages, resilient household balance sheets and continued increases in tourism spending.

Although retail bankruptcies have risen in the U.S. and Europe, availability is limited and space coming onto the market is being absorbed again quickly. Retailer activity also remains healthy in high-growth and tourism-oriented markets in Asia Pacific. Leasing activity globally is likely to be constrained in 2025 by falling new construction levels and low vacancy in mature markets. As a result, prime rents are expected to pick up in more locations due to increased competition among retailers for the best space.

Regional logistics demand, 2018 – 2024



North America: based on 55 city markets in the U.S. and 9 city markets in Canada; Europe: based on 13 national markets; Asia Pacific: based on 35 city markets.

Source: JLL, February 2025

Living

Global living investment rises across regions in 2024

Despite challenging geopolitical and economic conditions, the long-term structural positive fundamentals for living assets continue to drive growth in investment. Fourth quarter activity was robust across the U.S., EMEA and Asia Pacific, pushing each region to higher overall full-year volumes versus 2023. Transaction volumes finished the year up 11% in the U.S., 14% in EMEA and 5% in Asia Pacific, with further investment growth across all three regions anticipated in 2025.

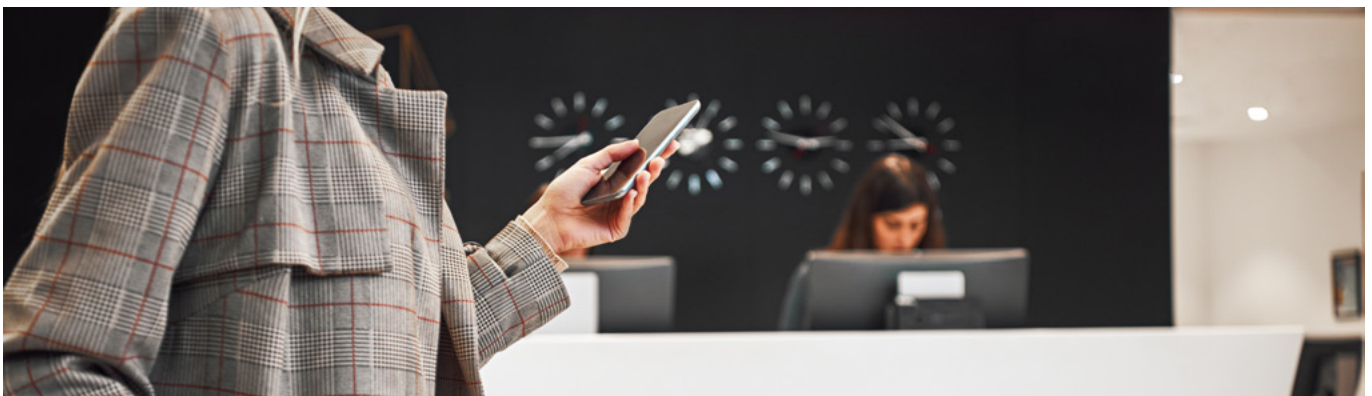
Despite rising Treasury yields contributing to a choppy fourth quarter in the U.S., some US\$31 billion in transactions closed, raising the full-year total to US\$127 billion (+11% from 2023). Near-record dry powder continues to target living assets, setting the stage for increased transaction activity. European living investment reached its highest quarterly level since 2022 in Q4; direct transaction volumes of €15 billion in the quarter reflected growth of 36% year-over-year, while the annual total of €44 billion was up 14% from 2023. In Asia Pacific, the end of 2024 was characterized by a flurry of smaller deals across the region, which pushed 2024's total to just above US\$7 billion, a 5% increase on 2023.

Hotels & hospitality

Global hotel performance remains resilient

Despite another challenging year in many respects, the global hotel industry remained resilient in 2024. Through November, global hotel demand reached a staggering 4.8 billion room nights, 102 million more than 2023, resulting in Revenue per Available Room (RevPAR) growth of 3.7%. Resort and leisure-heavy markets, which were generally the first to recover following the Covid-19 pandemic, have started to see some normalization in demand. By contrast, demand for urban markets has accelerated significantly. Slowing supply growth combined with the return of group, corporate and international travel should fuel 3% to 5% global RevPAR growth in 2025.

EMEA hotel performance continued to set records throughout 2024, exceeding 2019 levels by 25.3% and growing 5.6% versus 2023. Taylor Swift's Eras Tour, the Paris Olympics and a strong US dollar all contributed to exceptionally robust demand. Asia Pacific RevPAR grew a modest 1.6% relative to 2023 but continues to lag 2019 performance, impacted by ongoing visa challenges and a slowing economy in China. Conversely, international travel into the region has soared, driven by depreciating currencies. In the Americas, RevPAR reached a historic high as of November 2024 but increased only 1.9% year-over-year, a result of declining consumer savings and a noticeable pullback in leisure travel.



To find out how we can support your global real estate market strategy with research insights and strategic advice, please contact one of the members of the global research team.

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