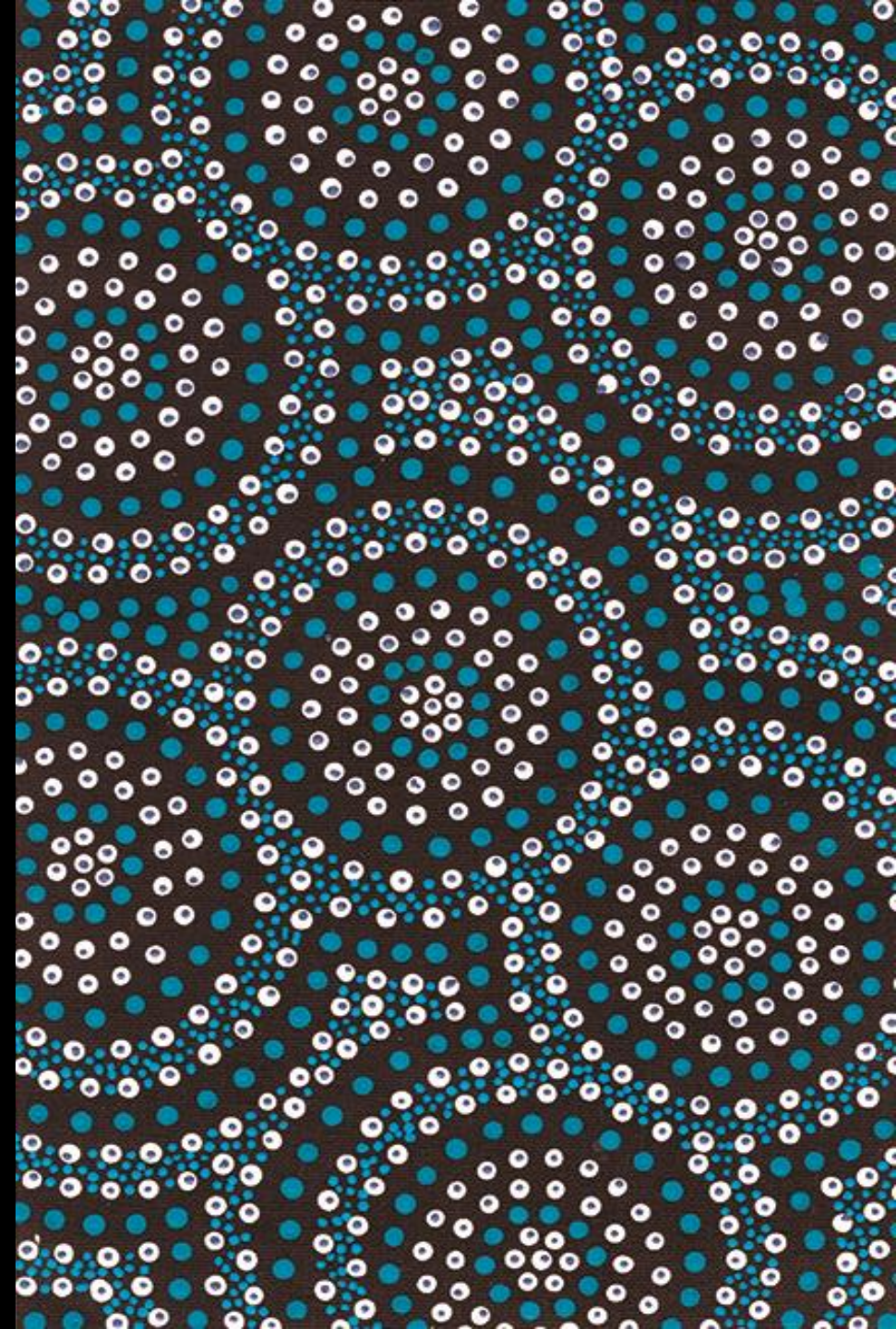


2025 Commercial real estate outlook - Turning the corner

13 November, 2024

Acknowledgement of Country

In the spirit of reconciliation,
Deloitte acknowledges the Gadigal
people of the Eora Nation,
Traditional Custodians of the land on
which we meet, and pay our
respects to their Elders past, present
and emerging.



2025 Commercial real estate outlook

Today's agenda

Topic	Speakers	Timing
Guest arrival <ul style="list-style-type: none">- Light breakfast and coffee- Networking		8am-8.25am
Welcome & opening remarks	David Hagger	8.30am-8.40am
CRE Outlook 2025 results	Kathy Feucht - Deloitte Tim Coy - Deloitte	8.40am-9.10am
Panel discussion	Paige Muggeridge - Blackstone Belinda Cheung - Centuria	9.10am-9.30am
Q&A		9.30am-9.45am
Vote of thanks / closing	David Hagger	9.45am-9.50am

Event speakers



Kathy Feucht | Global Real Estate Sector Leader, Deloitte

Kathy is a partner in the U.S. office with 25 years of experience. She serves as lead client service partner for both public and private clients in the Chicago and Milwaukee marketplaces, with a focus in the real estate and hospitality sectors. She works collaboratively with clients to provide attest services and assist with technical accounting matters, including working through transactions such as mergers, acquisitions, divestitures and IPOs. She is the Global Real Estate leader and Advisory Partner on our University Relations team for the University of Wisconsin–Madison. She also serves on the US Board Council.



Tim Coy | Research Manager, Commercial Real Estate, Deloitte

Tim is the Research Manager for the Commercial Real Estate industry within the Center for Financial Services, based out of New York City.

Prior to Deloitte he spent more than 5 years working as a lead researcher for two of the premier commercial real estate brokerages, CBRE and Cushman & Wakefield.



Deloitte Australia

2025 commercial real estate outlook event:

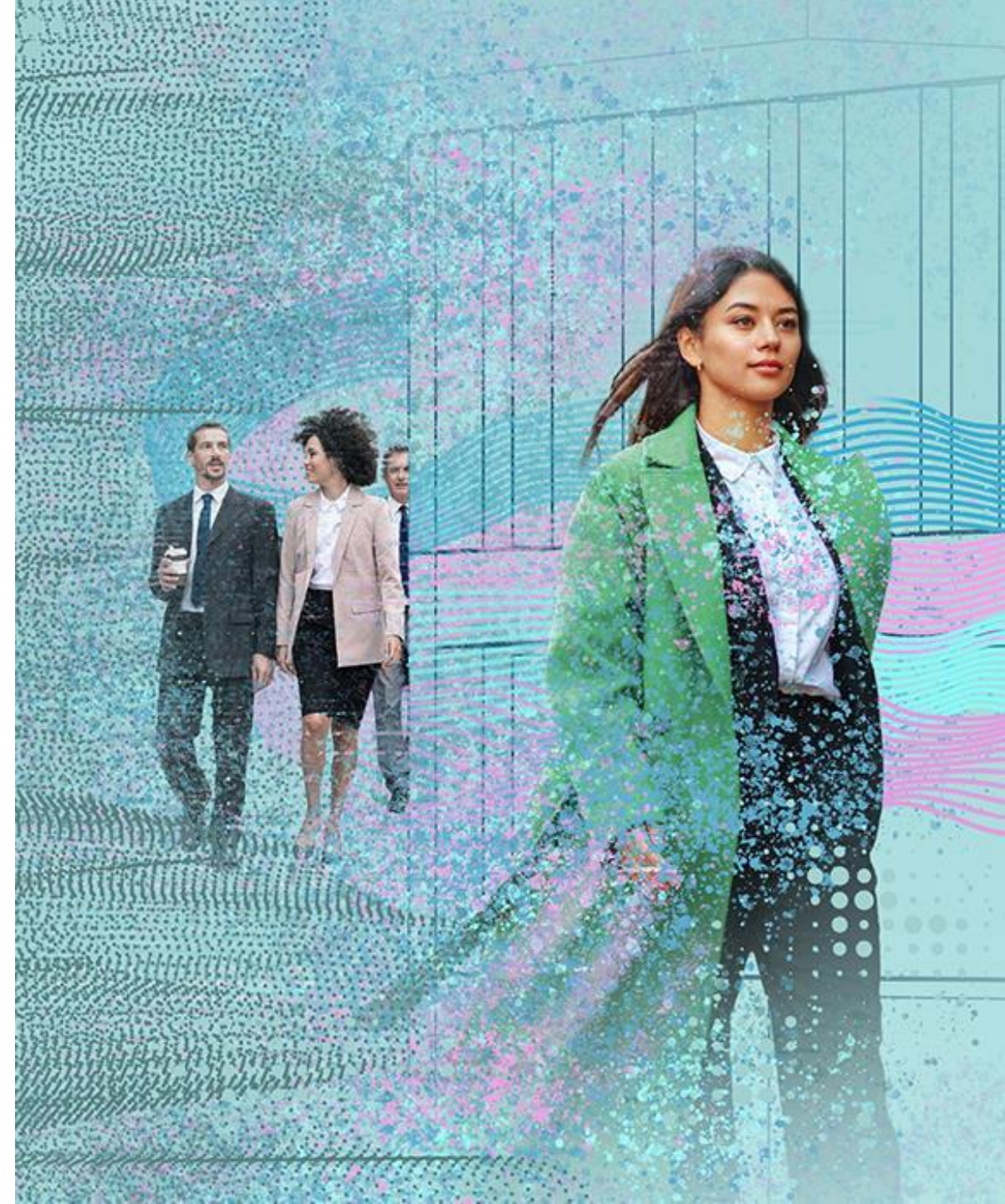
Turning the corner

November 2024

Kathy Feucht, Global real estate leader, Deloitte & Touche LLP

Tim Coy, Commercial real estate research leader, Deloitte Services LP

Center for Financial Services



Section Overview

1 Can global economic growth and falling inflation bring stability to CRE?

2 Where are CRE companies looking to deploy capital in 2025?

3 Can property climate resilience coexist with financial viability?

4 How can CRE be an attractive career destination for next generation talent?

5 Is the CRE industry ready for the AI revolution?





2025 commercial real estate outlook: Turning the corner

There may be a generational opportunity to position businesses and properties for what's around the corner

EXECUTIVE SUMMARY

The commercial real estate (CRE) industry has faced a myriad of uncertainties in recent years, primarily brought on by elevated interest rates and high inflation, shifts in how—and where—tenants occupy commercial space, the impacts of climate change on buildings, and the emergence of technologies like generative AI. Organizations have likely been taking more defensive postures—fortifying their balance sheets, shoring up core capabilities, and focusing inward—rather than being on the offensive.

The good news is that there may be more clarity in the next 12 to 18 months, which should create an opportunity for a shift in that posture. This year's commercial real estate outlook aims to help leaders turn the corner on the recent challenging years to better position their organizations for the road ahead.

Survey methodology

The Deloitte Center for Financial Services conducted a survey of over 880 C-level executives (CEOs, CFOs, and COOs) and their direct reports at major commercial real estate owners and investment companies.

Respondents were asked to share their opinions on their organizations' growth prospects and workforce, operations, and technology plans for the coming 12 to 18 months.

- Respondents were distributed among three regions: North America (Canada, Mexico, and The United States); Europe (France, Germany, The Netherlands, Spain, and The United Kingdom); and Asia Pacific (Australia, India, Japan, Mainland China, and Singapore).
- The survey included real estate companies with assets under management of at least US\$75 million and was fielded in June and July of 2024.

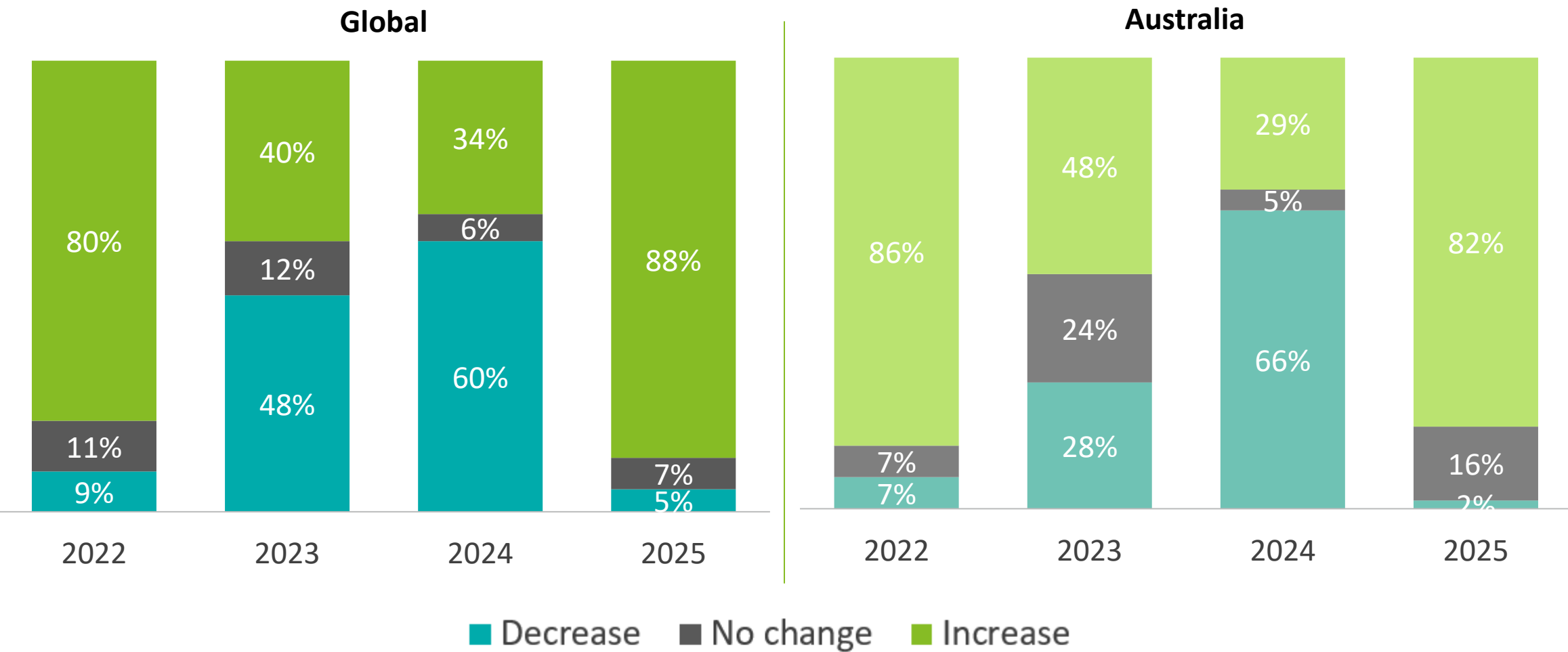


Can global economic growth and falling inflation bring stability to CRE?



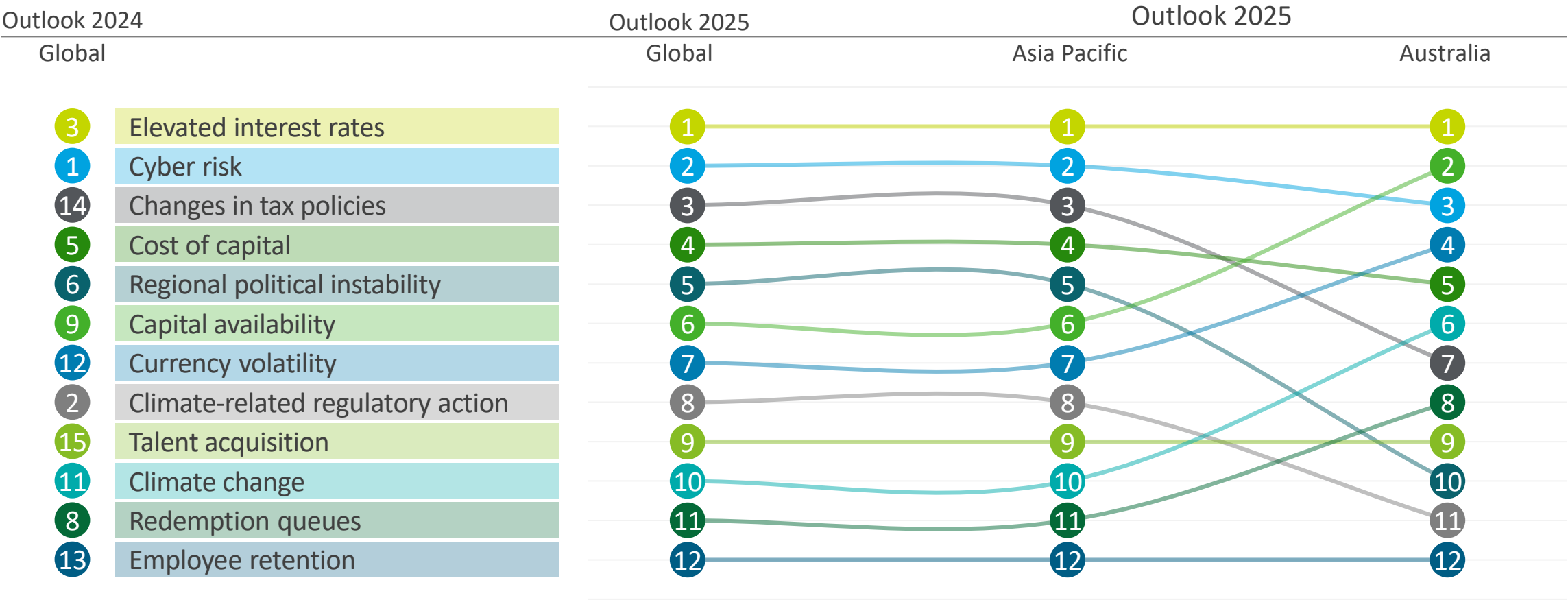
Revenue expectations reverse course in the 2025 survey; Australian optimism returns

What is your company's revenue forecast for 2024 compared to 2023?



Although a less volatile interest rate environment is expected, cost of capital are still top of mind for respondents

Which of the following trends do you think pose the greatest risk of negative impacts to your company’s financial performance in the next 12-18 months?



Source: Deloitte 2025 commercial real estate outlook survey, Deloitte 2024 commercial real estate outlook survey.



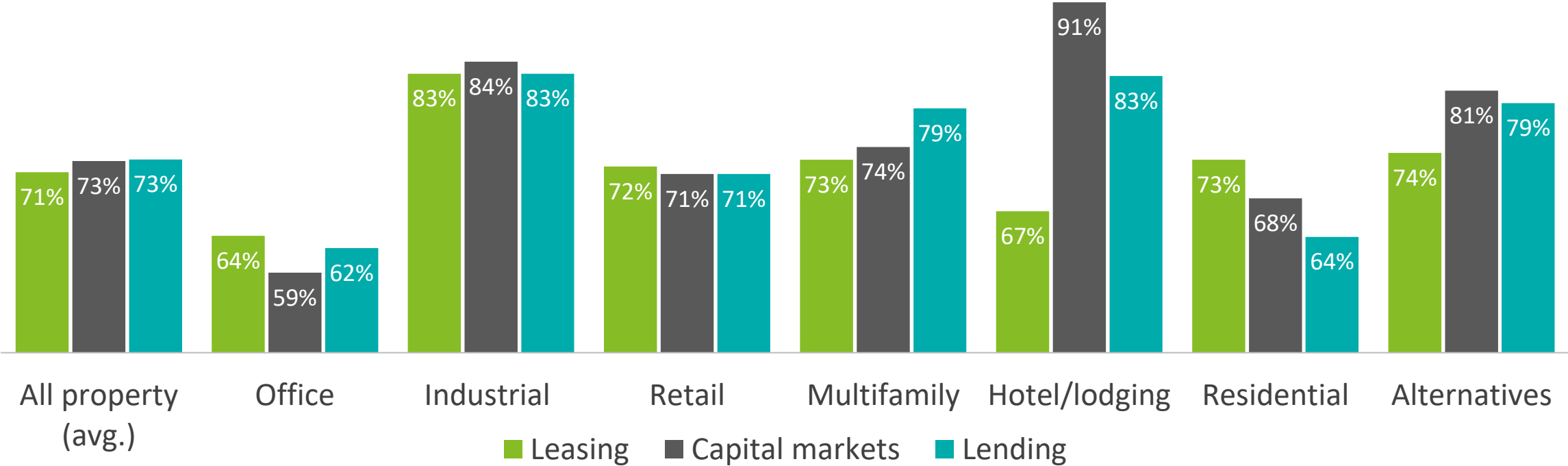
Where are CRE companies looking to deploy capital in 2025?



Asia Pacific respondents expect improvements in fundamentals across property sectors

How do you expect each of the following aspects of real estate fundamentals to change for the property type you specialize in over the next 12-18 months compared to current levels?

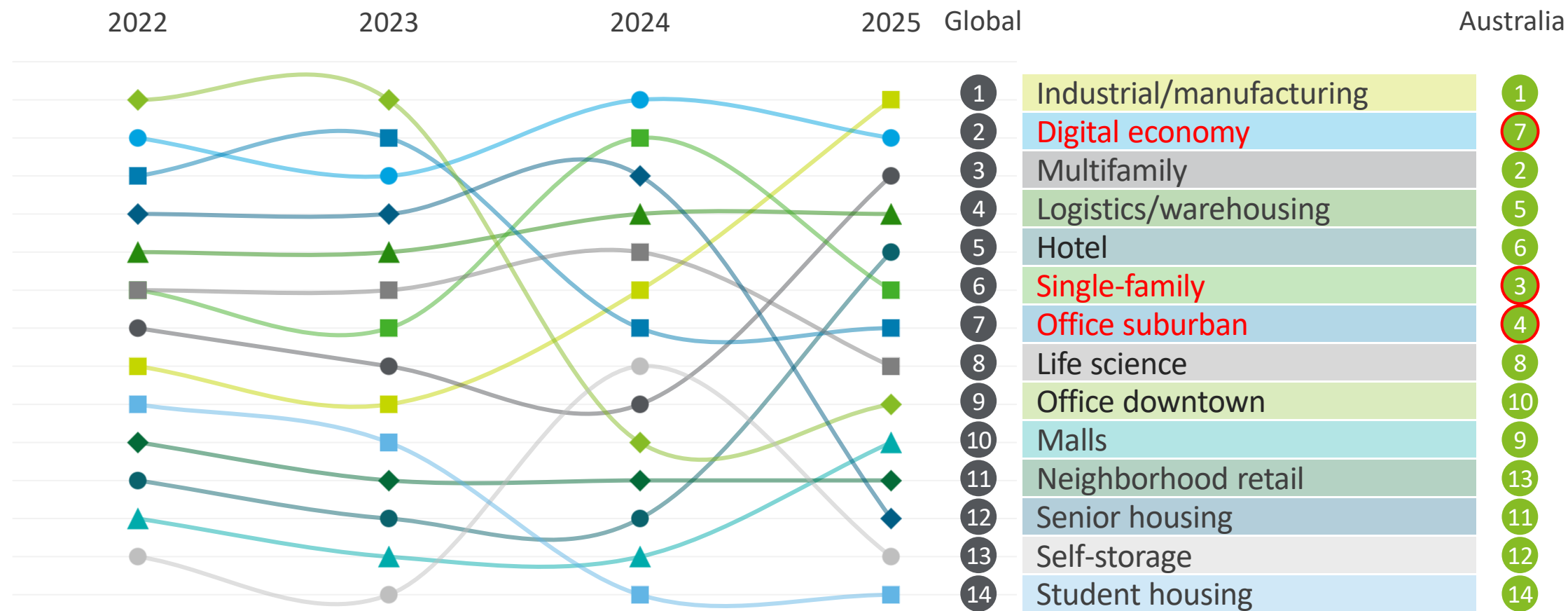
Percentage of respondents that expect fundamentals to improve



Source: Deloitte 2025 commercial real estate outlook survey.
Note: Leasing includes expectations for growth in rental rates, leasing activity, and vacancies; capital markets includes expectations for growth in property prices and transaction activity; lending includes expectations for cost of capital and capital availability. Alternatives include digital economy, life sciences and self-storage properties. Residential includes single family rentals, senior housing, and student housing properties.

Australian respondents prioritize industrial and residential most often

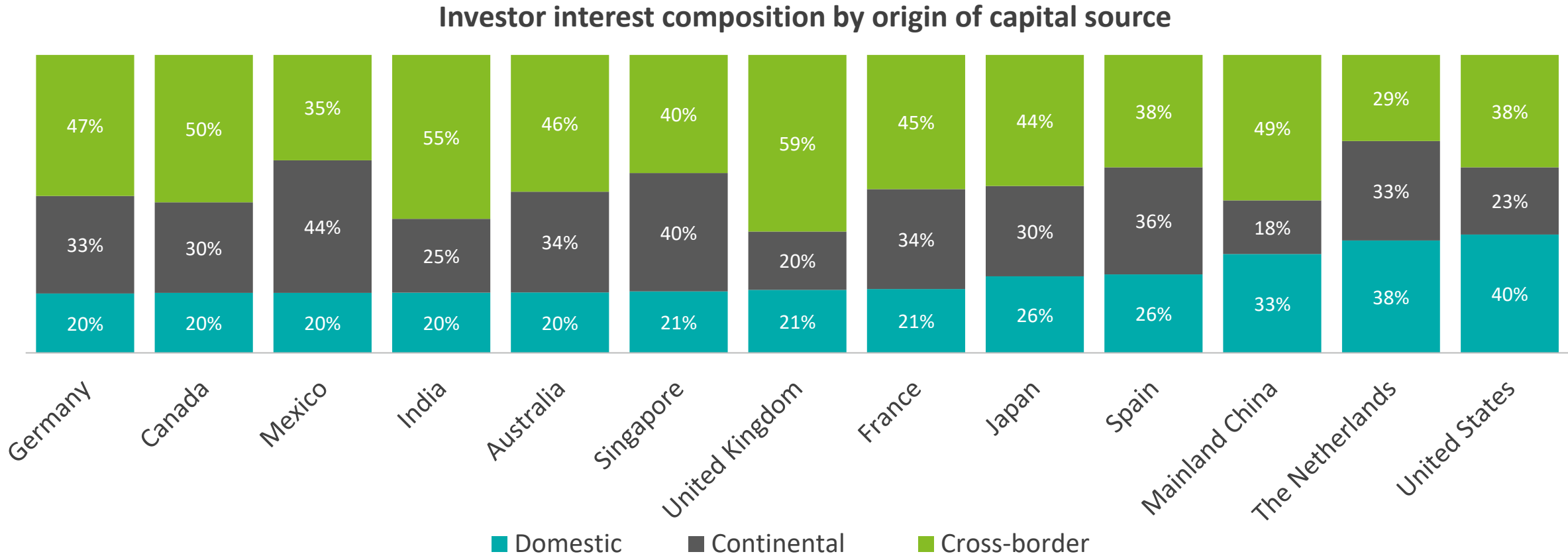
Which asset classes do you believe will present the greatest opportunity for real estate owners and investors over the next 12-18 months?



Source: Deloitte 2025 commercial real estate outlook survey, Deloitte 2024 commercial real estate outlook survey, Deloitte 2023 commercial real estate outlook survey, Deloitte 2022 commercial real estate outlook survey.

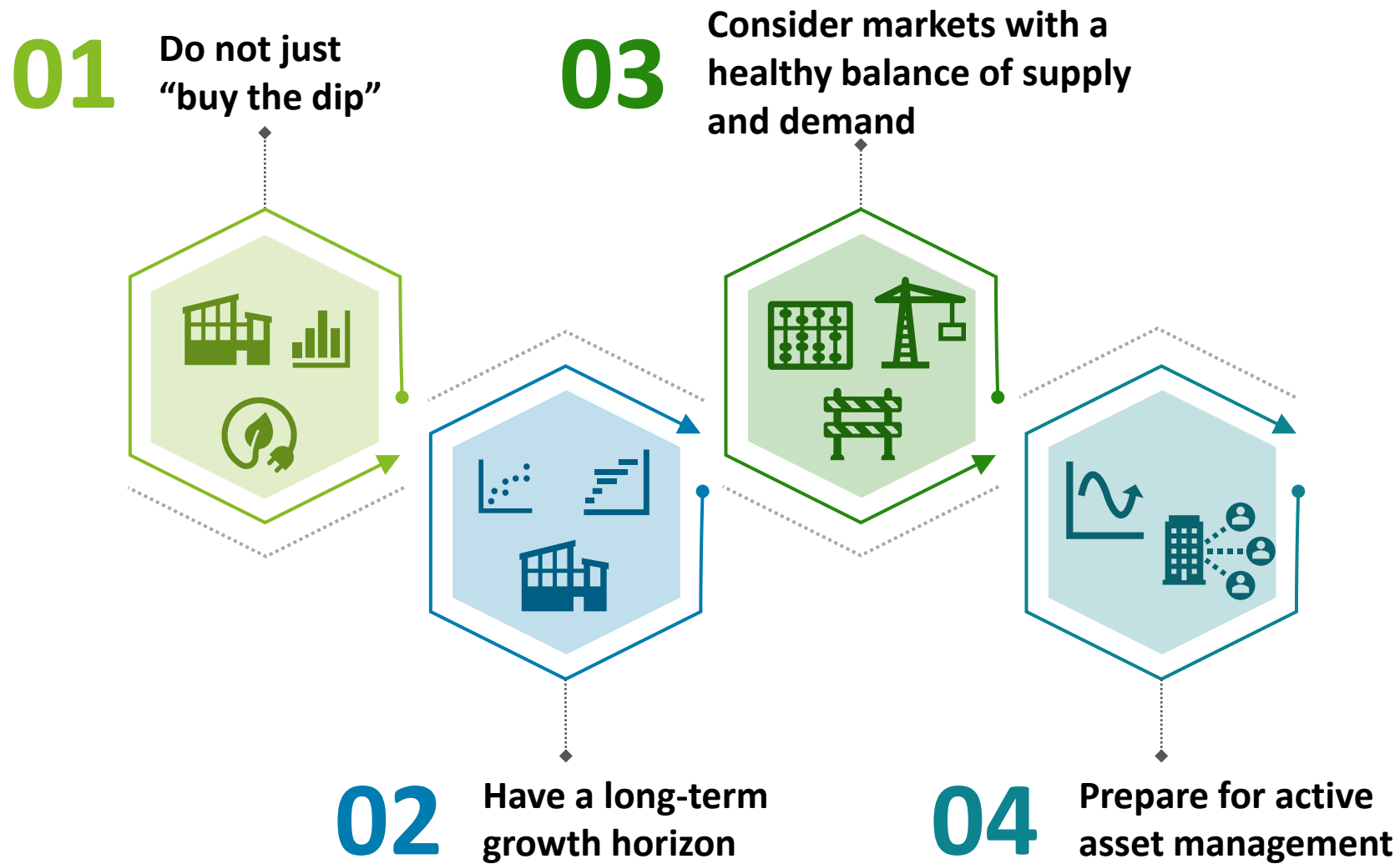
Interest in German and Canadian real estate predominantly coming from international sources; US, Dutch, and Chinese mainland interest hold larger share of domestic interest

Which of the following markets do you believe will present the greatest opportunity for real estate owners and investors over the next 12-18 months?



Source: Deloitte 2025 commercial real estate outlook survey.
Note: Continental refers to respondents that see opportunity in countries within the continent that they are also domiciled. Cross-border refers to respondents that see opportunity in countries outside of the continent that they are also domiciled. Totals may not add up to 100% due to rounding.

Actionable guidance to consider



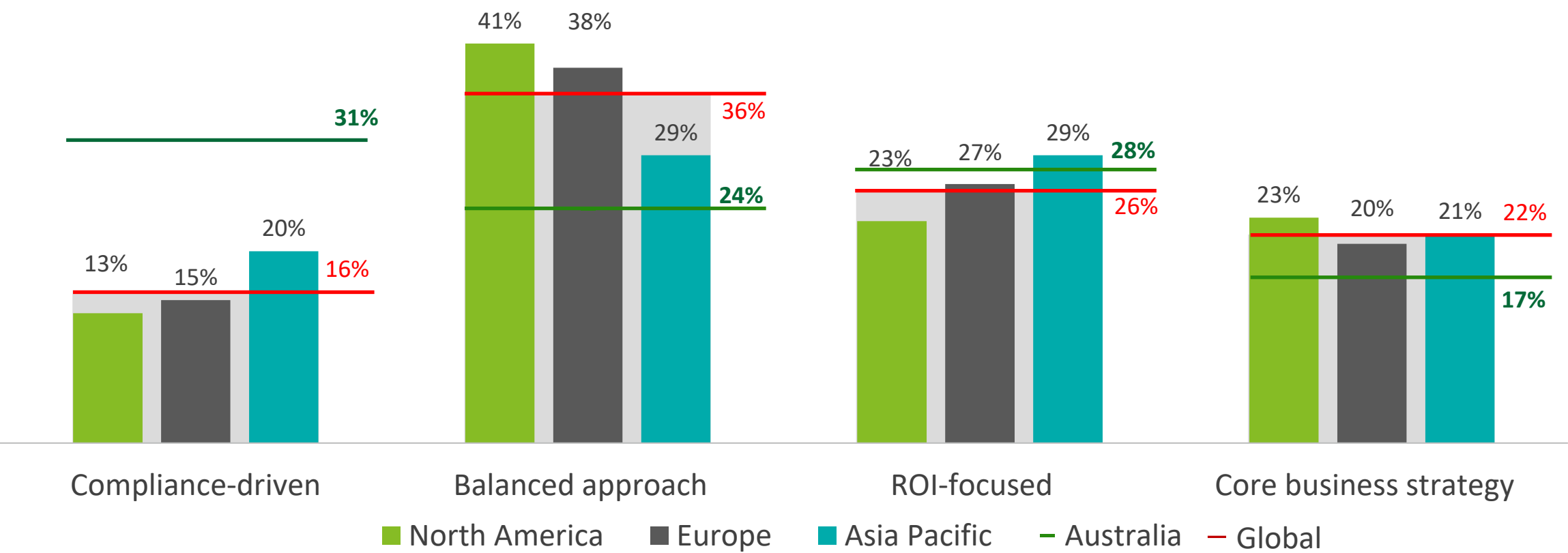


Can property climate resilience coexist with financial viability?



Respondents at Australian CRE organizations are more compliance-driven in their sustainability investment

Based on your company’s motivations and expected outcomes from sustainability-related investments, how would you define your company’s sustainability strategy?



Source: Deloitte 2025 commercial real estate outlook survey.
Note: Percentages may not add up to 100% due to rounding.

Physical building limitations and financial constraints could deter more deep energy retrofitting

What are the greatest challenges that might deter your company from undertaking building retrofits for energy efficiency?

Ranks	Global	North America	Europe	Asia Pacific	Australia
Financial constraints	1	1	1	2	1
Building age or design limitations	2	2	2	4	2
Difficulties identifying/prioritizing target properties within the portfolio	3	5	5	1	5
Insufficient sustainability data	4	6	3	3	4
Occupant disruptions	5	3	4	5	3
Split incentives between tenants and property owners	6	4	6	6	6

Source: Deloitte 2025 commercial real estate outlook survey.
Note: Percentages may not add up to 100% due to rounding.

Actionable guidance to consider

01

Take a more integrated approach



03

Mindset adjustments when considering deep energy retrofits



05

Link building performance with underwriting



02

Green bonds, loans or government-backed programs can help finance sustainability initiatives



04

Carbon markets can help in achieving net zero goals



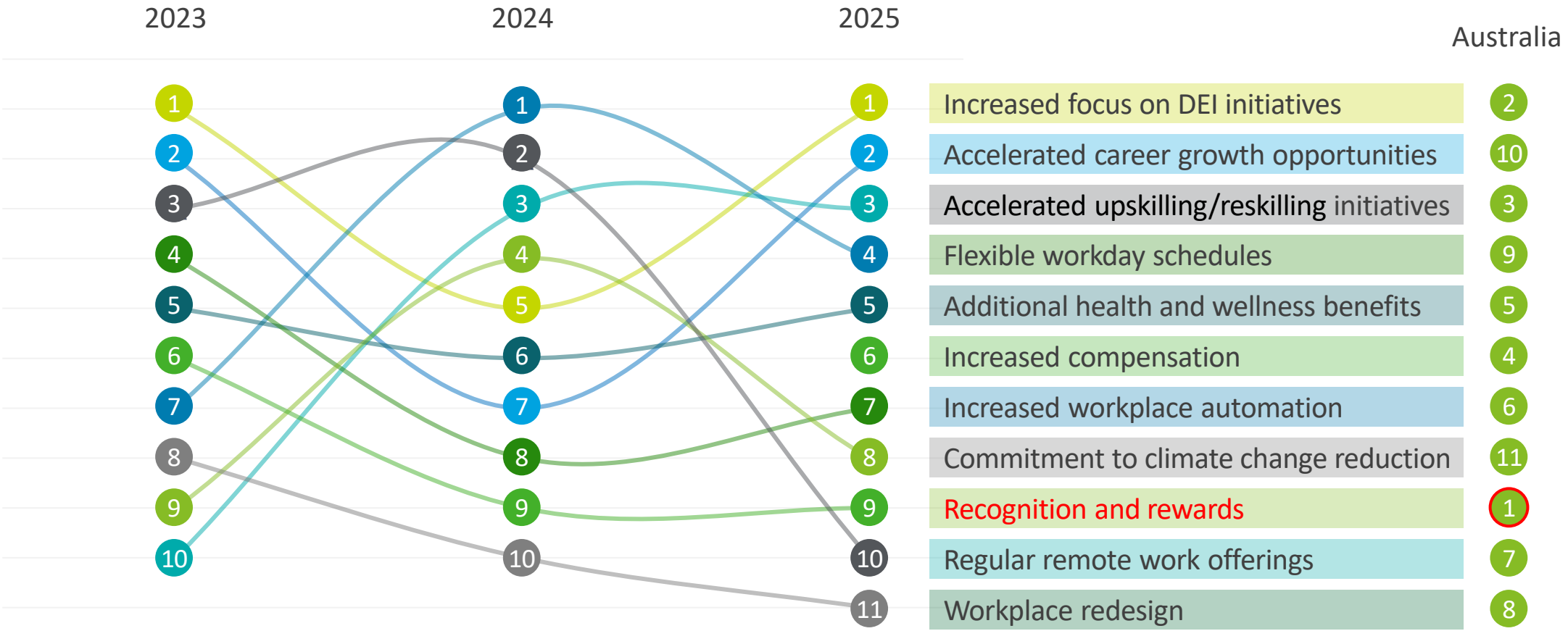


How can CRE be an attractive career destination for next generation talent?



Upskilling and reskilling initiatives is among the top three actions to attract and retain talent for the second consecutive year

Which of the following actions is your company most likely to consider over the next 12-18 months to attract and retain talent?



Actionable guidance to consider

01

Proactive succession planning should be a board level priority



03

Shift toward a skills-based organization and away from a role-defined organization



02

Make sure expertise does not walk out of the door



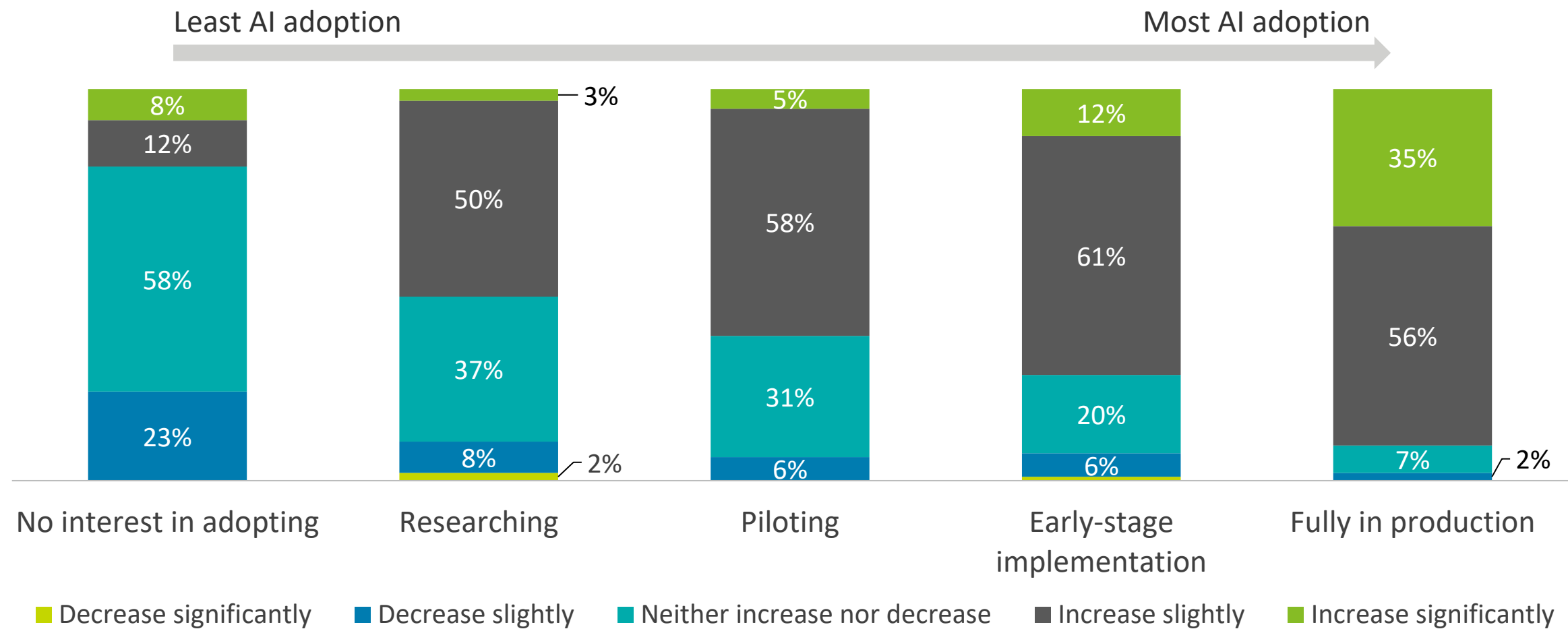


Is the CRE industry ready for the AI revolution?



Companies further along in the AI journey are more likely to increase headcount for 2025

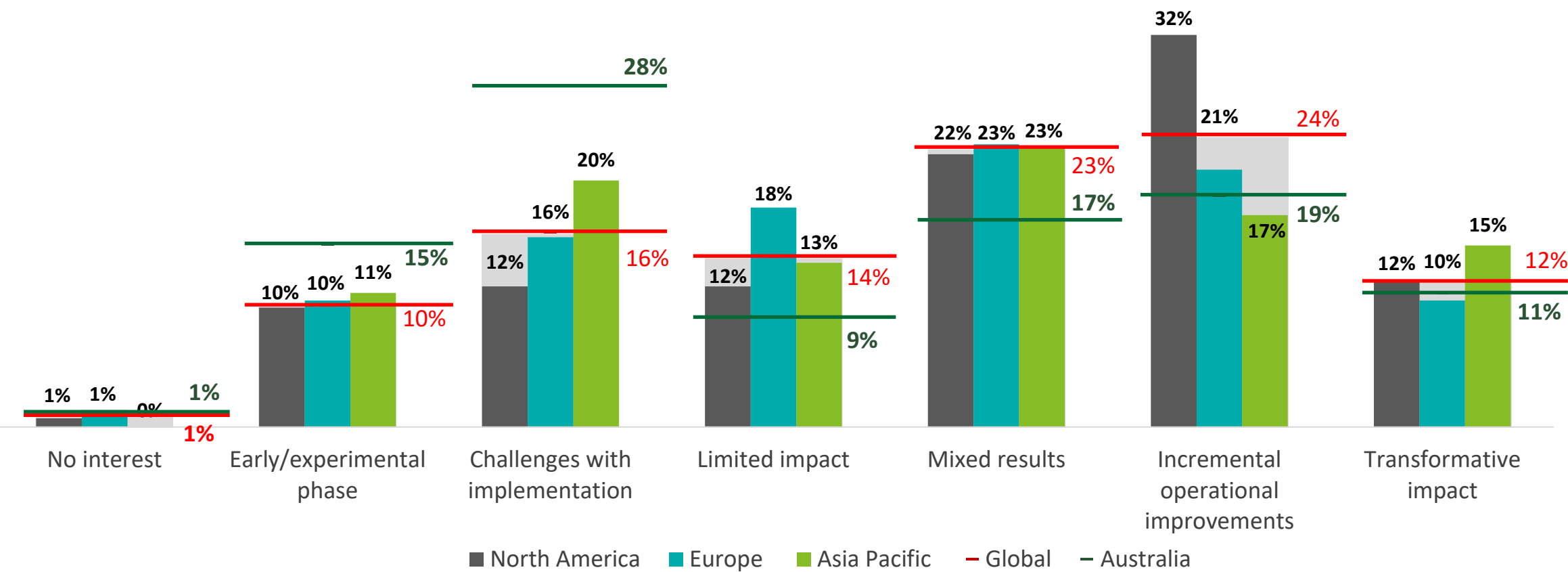
How do you anticipate your company’s employee headcount will change in the next 12 to 18 months compared to your present count?



Source: Deloitte 2025 commercial real estate outlook survey.
Note: Percentages may not add up to 100% due to rounding.

Australian survey respondents potentially be facing challenges with gen AI implementation

How would you classify your overall experience with integrating gen AI into your organizational workflows?



Source: Deloitte 2025 commercial real estate outlook survey.
Note: Percentages may not add up to 100% due to rounding.

Actionable guidance to consider

01

Determine if data is trustworthy, secure, accessible, and organized



03

Think about change management early on and across the enterprise



02

Tackle security and confidentiality head-on





Turning the corner on an uncertain past



2025 commercial real estate outlook: Turning the corner



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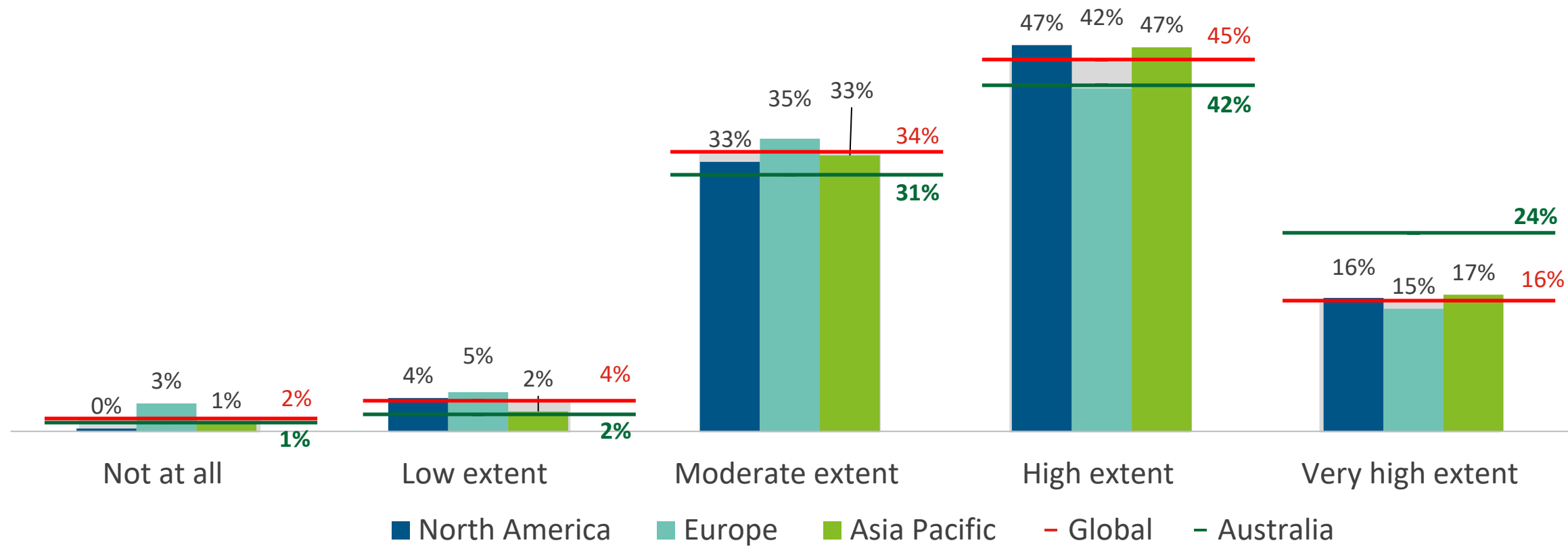
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Global and Australian CRE leaders place a high priority on building performance standards for due diligence

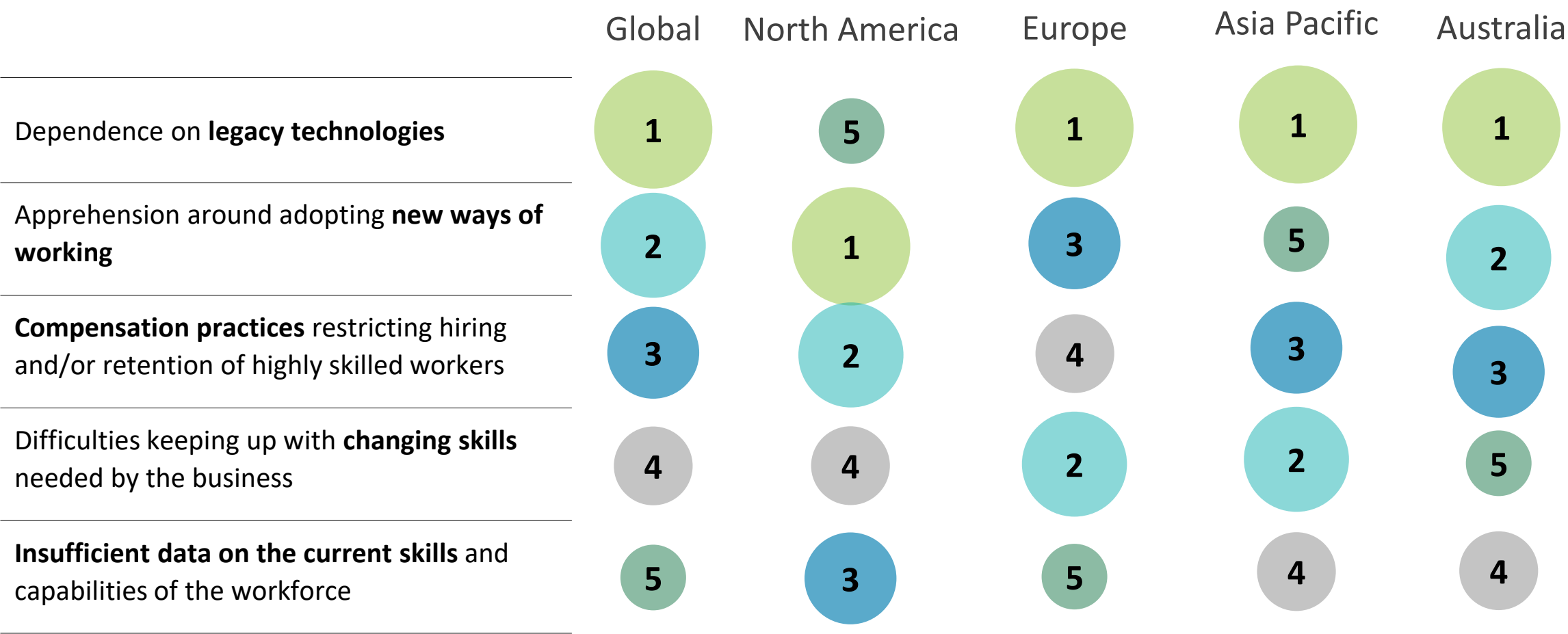
To what extent does your company consider building performance standards (BPS) during due diligence for prospective sale or lease transactions?



Source: Deloitte 2025 commercial real estate outlook survey.
Note: Percentages may not add up to 100% due to rounding

For those who are not entirely confident in the skills of their workforces, several key challenges were identified

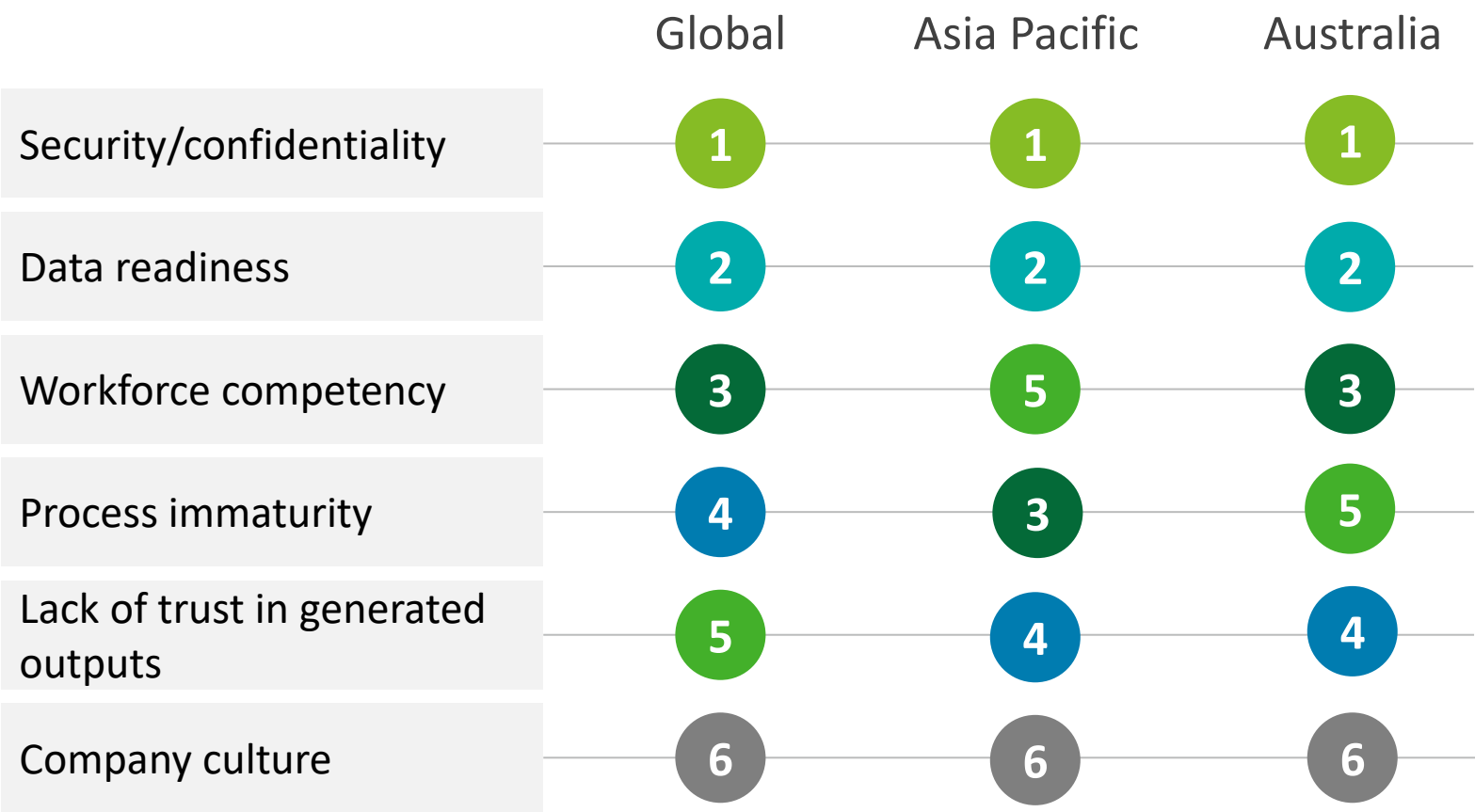
What challenges does your company face in building better technical workforce readiness?



Source: Deloitte 2025 commercial real estate outlook survey.

Security/confidentiality, data readiness emerged as the top two challenges in gen AI implementation

What are the greatest challenges your company faces with further gen AI implementation?



Source: Deloitte 2025 commercial real estate outlook survey.

Event speakers



Paige Muggeridge | Principal, Blackstone

Paige is a Principal in the Real Estate Group, primarily focussed on new acquisitions. Since joining the Real Estate team in New York in 2015 and Sydney in 2018, she has been involved in transactions across the office, industrial, multifamily, student accommodation and hotel sectors. Ms Muggeridge received a BS in Economics from Duke University.



Belinda Cheung | Fund Manager, Centuria Office REIT

Belinda is the Fund Manager for Centuria Office REIT (COF) which is Australia's largest domestic pure-play office Real Estate Investment Trust (REIT) listed on the ASX.

Belinda has overall responsibility for the operation, performance, ESG initiatives and strategy of COF, which includes 19 assets worth \$1.9 billion (at June 2024).

She joined Centuria in 2018, holding various roles including COF Assistant Fund Manager. She has over 14 years experience across listed and unlisted real estate funds management, strategy & analysis, financial reporting & assurance.



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