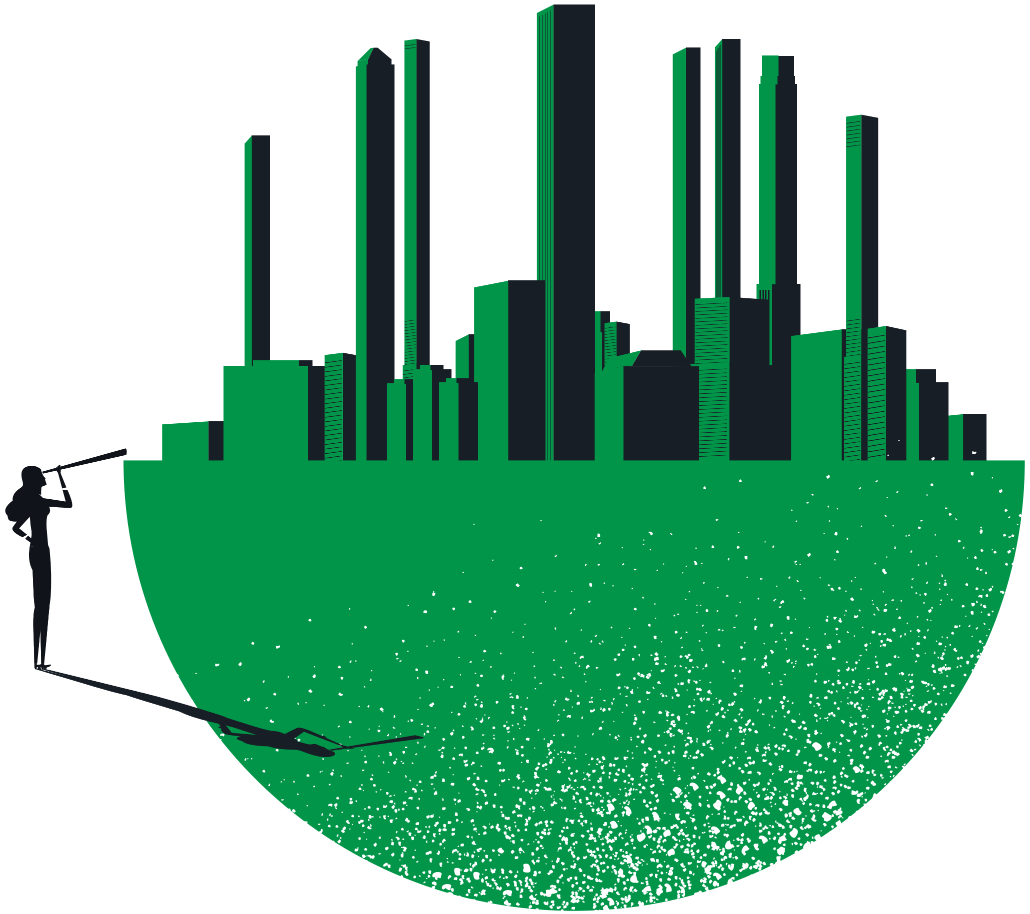


Irish Real Estate Market Outlook 2024

Finding Terra Firma

Key Takeaways

Cyber risk, regional political instability and climate-related regulatory action are the top macroeconomic concerns for financial performance in 2024.
Political Instability rose from 5th place to 2nd place in this year's ranking.

Meds, beds, sheds and tech to continue to dominate sector preference, while in contrast, offices are set to face another difficult year.
The digital economy, defined as data centres and cell towers, ranks number one. It is deemed the most attractive, risk adjusted opportunity through 2024 in Europe.

Cost of capital and capital availability are noted as the weakest fundamentals for real estate in 2024.
Close to 60% of respondents see cost and availability of capital worsening in 2024. However, expectations for vacancy and leasing activity levels saw the largest change from last year.

2024 to bring a change to the sector, owner and lender landscape as both structural and cyclical changes will be at play.
Valuation adjustments, ESG metrics, WFH policies, economic uncertainty and interest rates continue to impact decisions by market participants across the full property life cycle. However, new entrants or existing players will change the market make up.

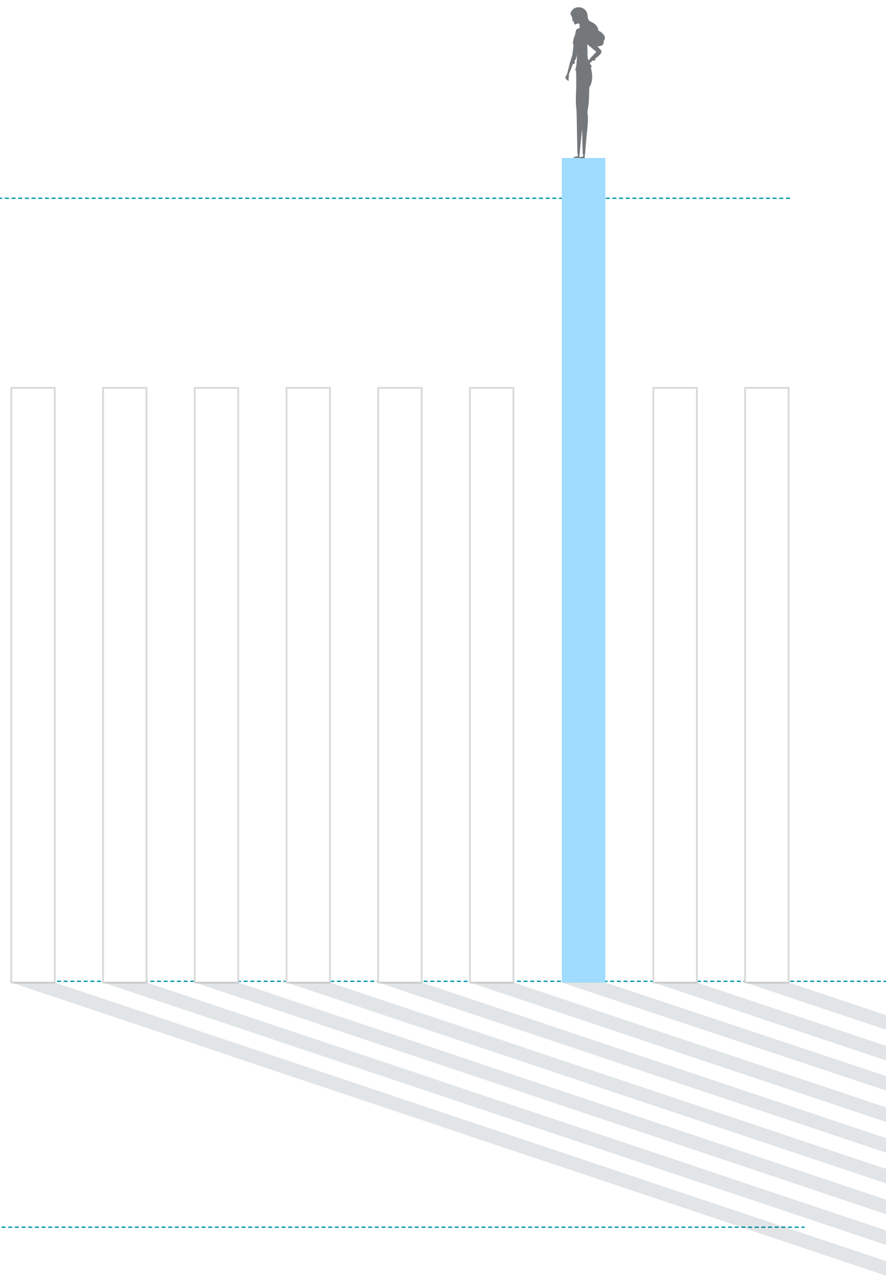
Introduction

2023 has been yet another challenging and volatile year for the global economy and real estate markets, and thus so too the Irish economy and real estate market.

Multiple factors, from a pandemic-era recovery that shifted how and where people work, to more recent geopolitical uncertainties mean the coming year is expected to be pivotal in real estate firms' ability to recover and build up. Marked by a myriad of mixed signals about the health and trajectory of our industry, real estate leaders may need to find their footing as they shape the next phase of real estate ownership and investment. Deloitte released its global 2024 commercial real estate outlook in September. This piece included a survey of 750 chief financial officers (CFOs) and their direct reports at major commercial real estate owners and investment companies around the world. The survey was fielded in June 2023.

This report will discuss the European results for several questions in the Global outlook. In Europe, there were 250 respondents, located across France, Germany, Spain, the Netherlands and the UK.

This will act as a lens to analyse the Irish real estate market, which in many respects mirrors what is experienced elsewhere. Importantly, the report will discuss how the Irish real estate market will evolve in 2024.



Greatest Risks to 2024

Unsurprisingly, 2023's survey revealed changes to the greatest risks posed to the financial performance of the real estate sector in the next 12-18 months. Perhaps a reflection of developments throughout 2023; cyber, political stability, interest rates/cost of debt and climate topped the rankings.

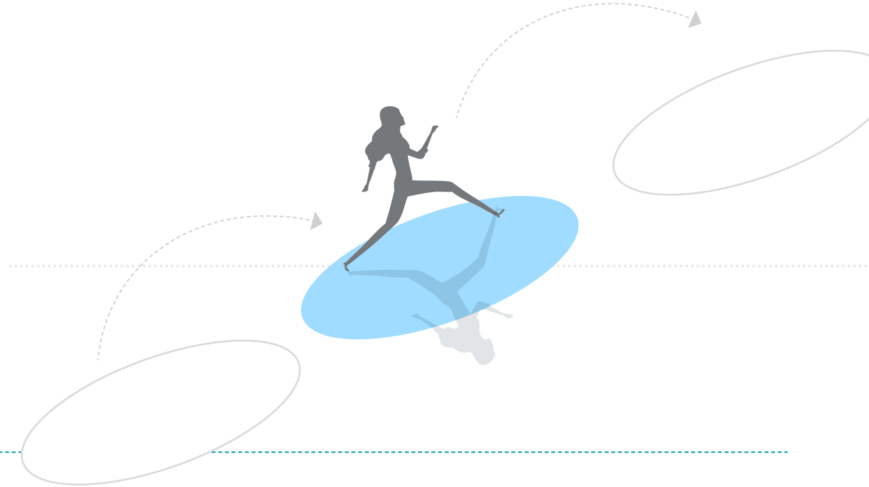
Rising interest rates saw the largest year-over-year increase of all responses, jumping 10 spots from last year's survey. In Europe, a similar rise was recorded, with interest rates jumping from 11th to 4th position. This is unsurprising given the ECB has increased interest rates by 450 basis points since July 2022.

Linked to rising interest rates, sustained high inflation and cost of capital also ranked highly (5th and 6th).

Regional political stability ranked 2nd in the European results, 5 places higher than the global rankings and up from 9th position last year. As the war continues in Ukraine, 2024 is set to be an important election year. Estimates suggest that close to 2bn people will cast ballots next year across the world, the first time this has occurred.[1]

Climate related answers prove interesting both at a global and European level. Climate related regulatory action ranked 2nd globally and 3rd in Europe. This was expected as the European Performance of Buildings Directive (EPBD) saw draft amendments adopted by the European Parliament and put forward for negotiations between the Council and the Commission. There is also a looming deadline for the Corporate Sustainability Reporting Directive (CSRD). Such developments are furthering the conversation within the market regarding the potential for stranded assets and the need for refurbishing and/or repurposing.

Although the regulatory concern surrounding climate ranked second, climate change itself as a concern declined. In last year's survey, climate change ranked as the number one concern, however it has fallen to 10th in this edition. This move may reflect other issues detracting from the topic; with focus instead placed on more immediate or tangible concerns such as rising interest rates and political instability. It also shows that regulation is useful and required to ensure the market makes changes to aid the ESG agenda.



Where to next for interest rates in Europe?

No one can be certain when looking to the future of interest rates in Europe. What one can do, is study the language of the ECB. Press releases following the last two Governing Council meetings indicate rates may have peaked. They also made clear that rates will hold at their higher levels for quite some time. In October they stated, "based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that, maintained for sufficiently long, will make a substantial contribution to this goal". This goal is referring to its target inflation rate of 2%.

It is worth noting the outlook survey was conducted in June, at which time the potential peak was not as clear. The language of the ECB, as referenced above, has changed since June.

As 2023 draws to a close, market sentiment has evolved even further. Monthly inflation data in Europe has continued to trend downward, with flash core inflation even falling to 3.6% in November. This, combined with a weakening German economic outlook, has raised hopes of interest rate cuts in 2024, with swaps markets even pricing in rate cuts as early as Q1. At present, this looks bullish. The ECB will likely require further consistent declines in core inflation and will be cognisant of also not unwinding too quickly and reversing the trend.

As stated already, no one can be certain when looking to the future of interest rates, but language used at and after monetary policy meetings gives us the best steer... December 14th is up first.

ECB Monetary Policy Meetings next 12 months

14/12/2023 | 25/01/2024 | 07/03/2024 | 11/04/2024 | 06/06/2024 | 18/07/2024 | 12/09/2024 | 17/10/2024 | 12/12/2024

Which poses the greatest risk to your institution's financial performance over the next 12 to 18 months?

Global survey 2023 ranking	Global survey 2024 ranking		North America	Europe	Asia/Pacific
3	1	**Cyber risk**	1	1	7
4	2	Climate-related regulatory action	2	3	3
13	3	**Rising interest rates**	7	4	5
2	4	Sustained high inflation	3	5	9
	5	**Cost of capital**	4	6	8
5	6	Supply chain disruptions	8	9	4
12	7	Regional political instability	11	2	2
	8	Redemption queues / short-term liquidity concerns	13	7	1
	9	Capital availability	6	11	11
7	10	Climate change	9	10	10
6	11	Accelerating technology capabilities	14	8	6
14	12	Currency volatility	5	13	15
	13	Employee retention	10	12	14
8	14	Changes in tax policies	12	14	13
	15	Talent acquisition	15	15	12

By region: North America, Europe, Asia/Pacific

Notes: Respondents could make multiple selections, blank indicate response options that were not included in last year's survey, results compared against prior year's 2023 Real Estate Outlook Survey responses.

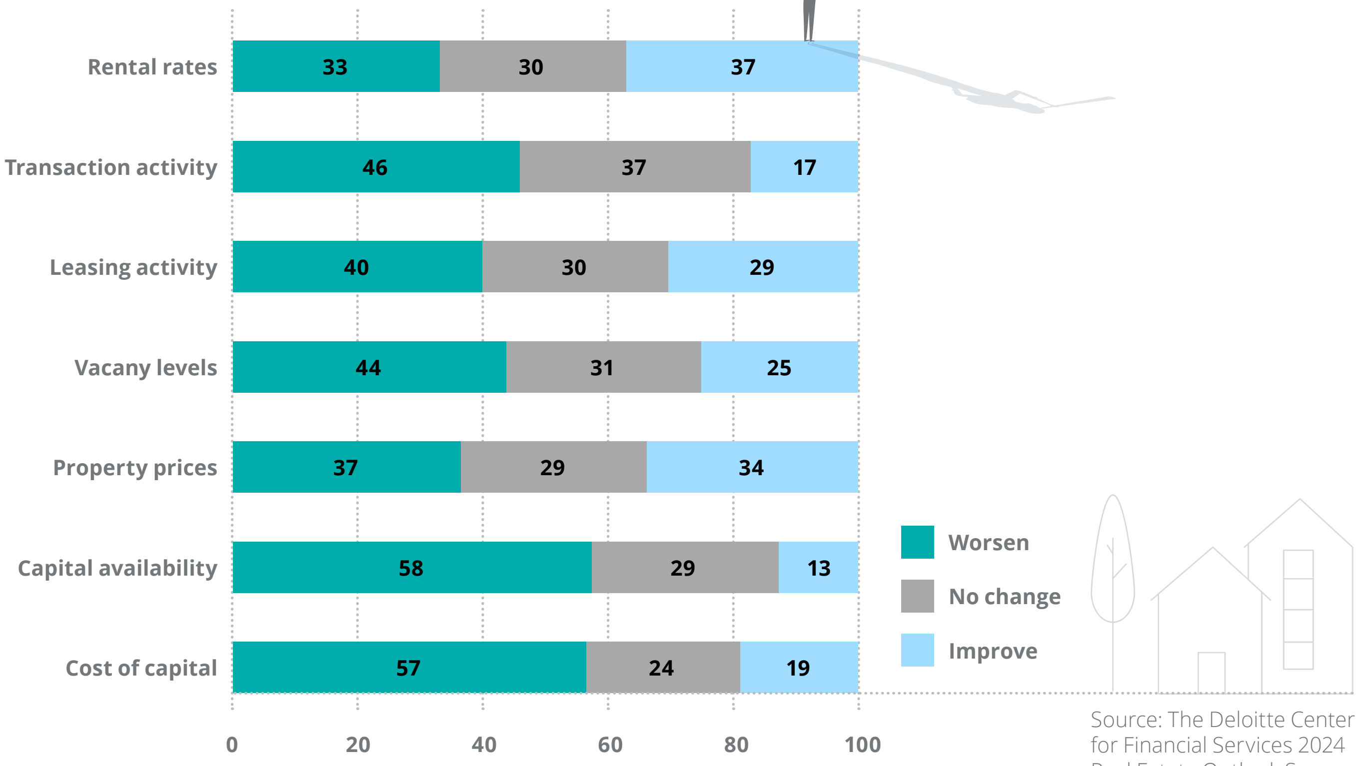
Source: The Deloitte Center for Financial Services 2024 Real Estate Outlook Survey.

Shifting structural expectations across the property market

Spurred by the uncertain economic outlook, rising interest rates and changing valuations, this year's survey revealed a deterioration in sentiment levels for market fundamentals. The greatest concerns highlighted were the elevated cost of capital and capital availability, mirroring last year's survey results. Close to 60% of survey respondents expect both the cost and availability of capital to worsen through 2024.

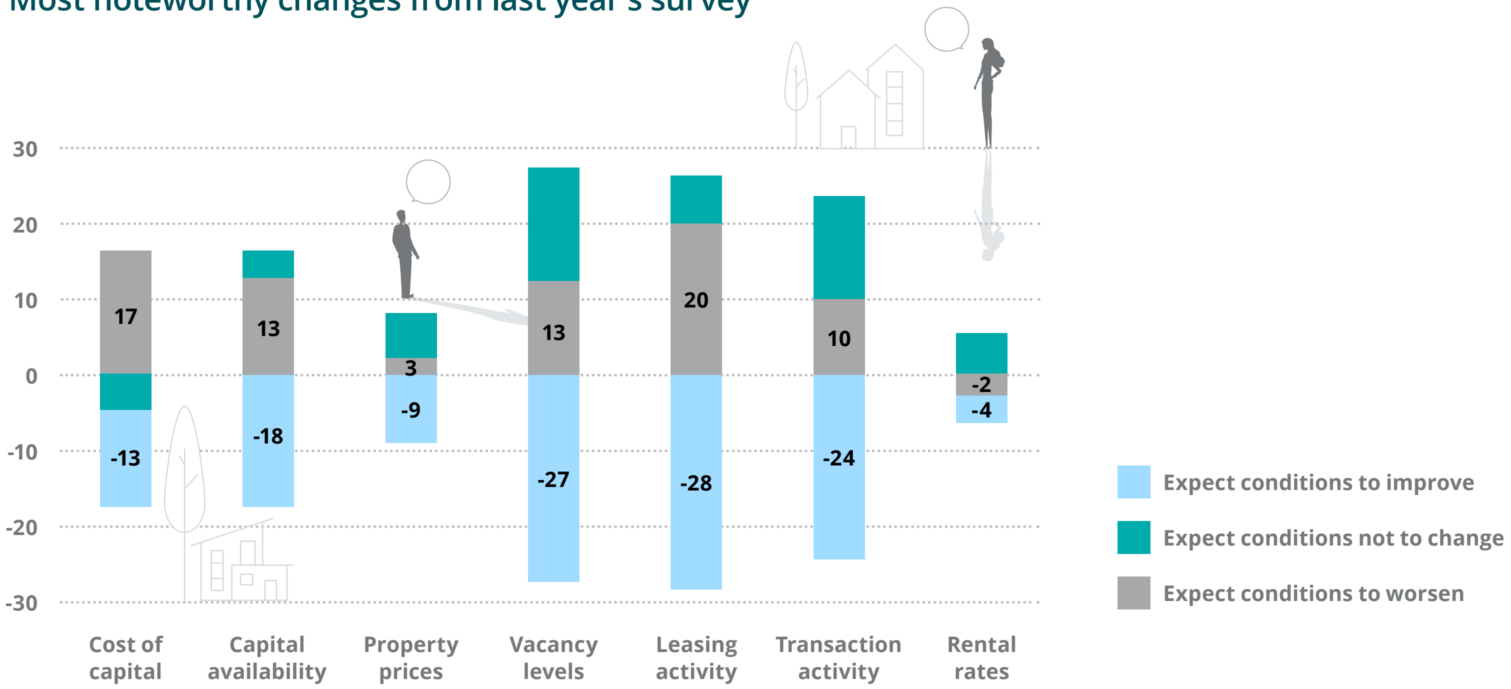
However, the largest shift in sentiment this year surrounds vacancy levels, leasing activity and transactions activity. Indeed, 40% of respondents expect leasing activity to worsen over the remainder of 2023 and in 2024. This compares to just 20% in the 2022 survey. Interestingly, the rental growth outlook was more favourable, with two thirds anticipating rents to hold or improve. This is important, as it supports a change in investor strategy, from a capital value play to an income play.

Changes anticipated in property sector fundamentals over the next 12 to 18 months



Source: The Deloitte Center for Financial Services 2024 Real Estate Outlook Survey

Most noteworthy changes from last year's survey



Source: The Deloitte Center for Financial Services 2024 Real Estate Outlook Survey

Totals may be impacted by rounding

European and Irish Transaction Volumes

Across Europe, transaction activity has slowed. MSCI reported €119.0bn of commercial real estate assets traded in the first nine months of 2023, representing a decline of 54%.[2] Within Ireland, investment activity was equally as disappointing. A total of €1.4bn transacted in the first three quarters[3], significantly lower than recent years, including 2020. This decline was anticipated. A rapid change in interest rates saw changes in swap rates and yields move outward. The term "price discovery" has been frequently used, with most unsure as to where true values lie. Lower transaction values have exacerbated this bid-ask spread.

Leasing Activity and Vacancy Rates

The expectation for leasing activity and vacancy rates to worsen in 2023 and 2024 in Europe is applicable to sentiment in Ireland also. However, what is not evident in this, is the scale of change across different sectors.

Solely focussing on Ireland, MSCI data highlights a significant divergence across the three core sectors; office, retail and industrial. Offices have recorded a large increase in vacancy over the past twelve months, sitting at 14.9% as of Q3 2023. This is the highest rate since Q1 2014. In contrast, the logistics market continues to record low single digit vacancy rates, while retail has recorded an improvement in its vacancy levels.

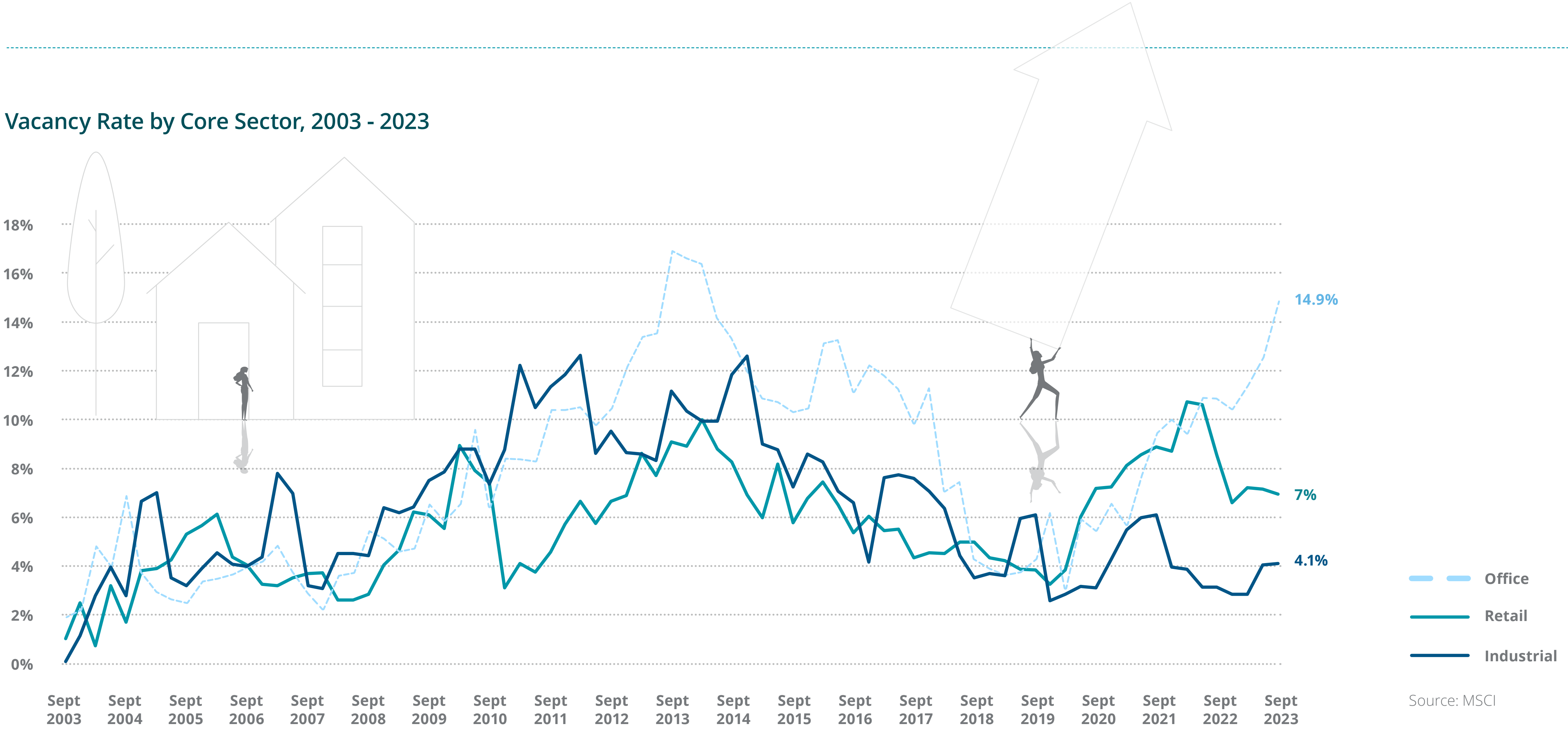
What is different in offices? Available sublease space is on the rise, along with new stock being added to the market are key components of this trend, alongside weaker leasing activity in 2023. Leasing activity has disappointed in the first three quarters of the year, sitting at just under 93,000 sq m, or 40% lower than the same period in 2022.[4] To put into context, take up in 2023 now looks set to fall to 2010/2011 levels. It is important to note that deals are still taking place. However, the size of these transactions has lowered, with activity focused on smaller lot sizes.

Further increases in the vacancy rate are anticipated into 2024. Deloitte Real Estate Research estimates 382,000 sq m of space is under construction as of Q3 2023, of which over 70% is due to reach completion by the end of 2024. Although project timelines may alter, their impact on vacancy is likely to be the same.

Outside of Dublin, Cork is experiencing similar increases as the vacancy rate today (10.8%[5]) sits higher than pre Covid-19. Galway, in some part due to its size, is not following the same pattern.

Commentary on 2024 office vacancy levels will continue to look at the overall trend, however it will also place great emphasis on the breakdown of this vacancy into, at the very least, stock which meets high energy rating standards (B3 or higher) and those that don’t; or pushing it further, stock which has other ESG credentials, such as LEED, BREAM, WIRED SCORED, WELL etc. This breakdown is important, as many occupiers will automatically exclude from their search for new space, available floor plates that do not match their ESG criteria.

Vacancy Rate by Core Sector, 2003 - 2023



Source: MSCI

Sector Preferences Evolve

This year's survey shows some large swings in sector preferences. These changes reflect not only a changing real estate market, but also technological and economic advances. Respondents were asked which property types present the most attractive risk-adjusted opportunity over the next 12-18 months. In Europe, the Digital economy (defined as data centres and cell towers) topped the rankings. This compares to 6th last year. It also mirrors trends reported in ULI's *Emerging Trends in Real Estate Report, 2024*.

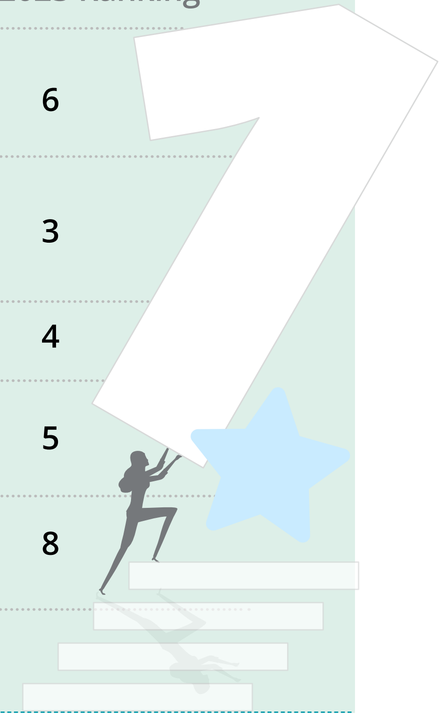
Build-to-rent/single family rentals rank second, following a high ranking in the previous year. Housing markets across many jurisdictions continue to experience demand constraints. Within Ireland this is no different. Population has surpassed expectations while delivery has struggled to meet targets and remains below forecasted demand figures.

Senior care, life sciences/biotech and logistics/warehousing round out the top 5 asset classes deemed the most attractive, risk-adjusted opportunity. The tag line "beds, sheds and meds" shines through.

Investors' preference for office assets declined notably in the rankings. This is consistent with transactional activity trends. In Q2 2023, MSCI reported the worst quarter historically for office sales in Europe. In Ireland, 2023 to date has recorded similarly disappointing volumes, as large ticket assets remain absent from the data. The future of the office, rising vacancy and price uncertainty has weighed on investor sentiment.

Which asset classes present the most attractive risk-adjusted opportunity for real estate owners and investors over the next 12-18 months?
Top 5 Ranking, 2024, Europe

	2024	2023 Ranking
Digital Economy	1	6
Single-family rentals/Build-to-rent	2	3
Senior Care	3	4
Life sciences/ Biotech	4	5
Logistics & Warehousing	5	8



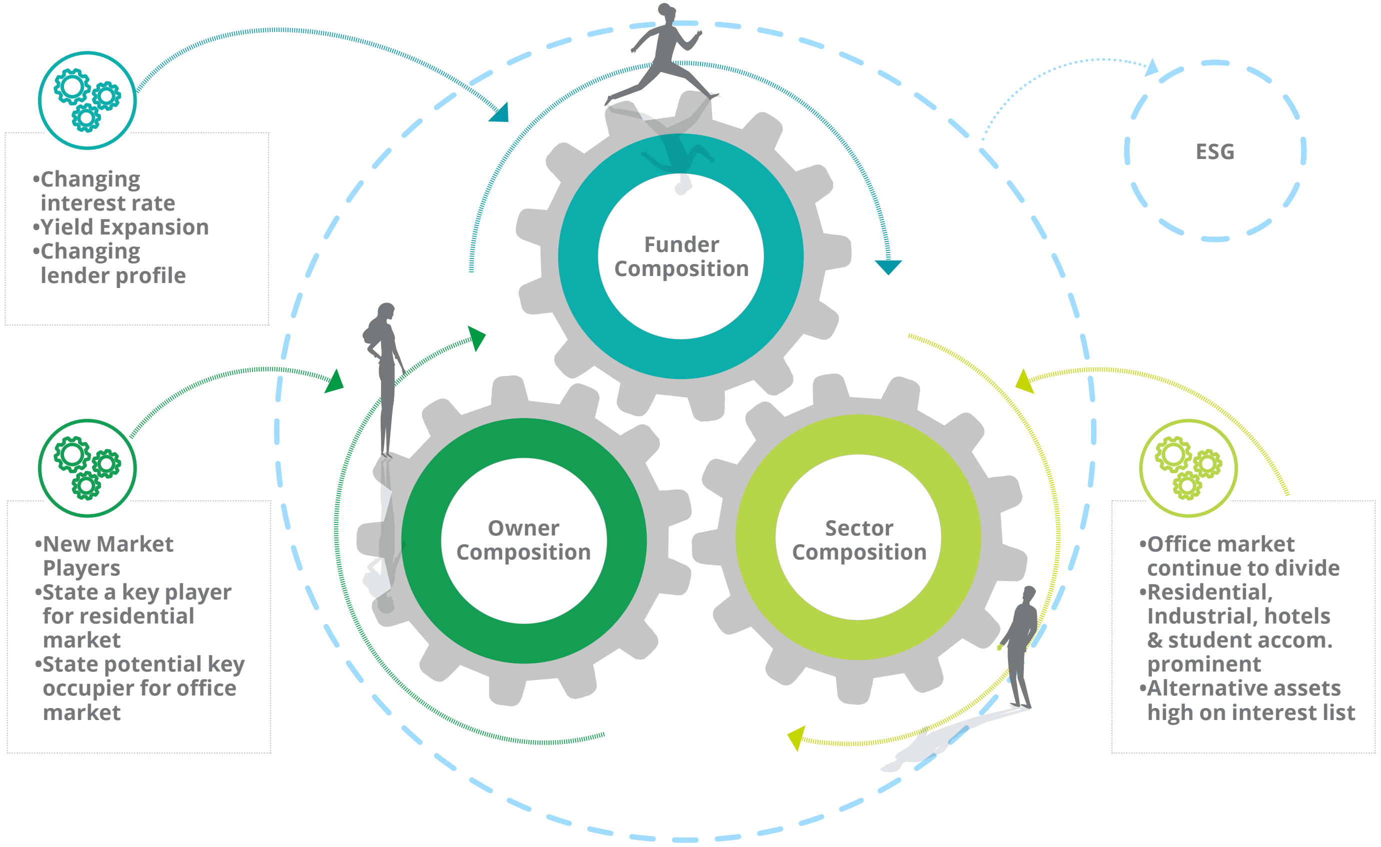
What does this mean for Irish Real Estate?

Assessing the results of the survey, and applying them to the Irish market, clear trends emerge which will shape how the market evolves in 2024. These trends are concentrated in three areas: the sector composition, owner composition and funder composition of the market. Importantly, running through each of these elements is ESG, as climate regulations and climate change influences decision making. This is influencing decisions made by occupiers, investors and lenders alike.

The remainder of this section will discuss each of these areas separately.

A new era for Real Estate

As 2024 will lead to further changes

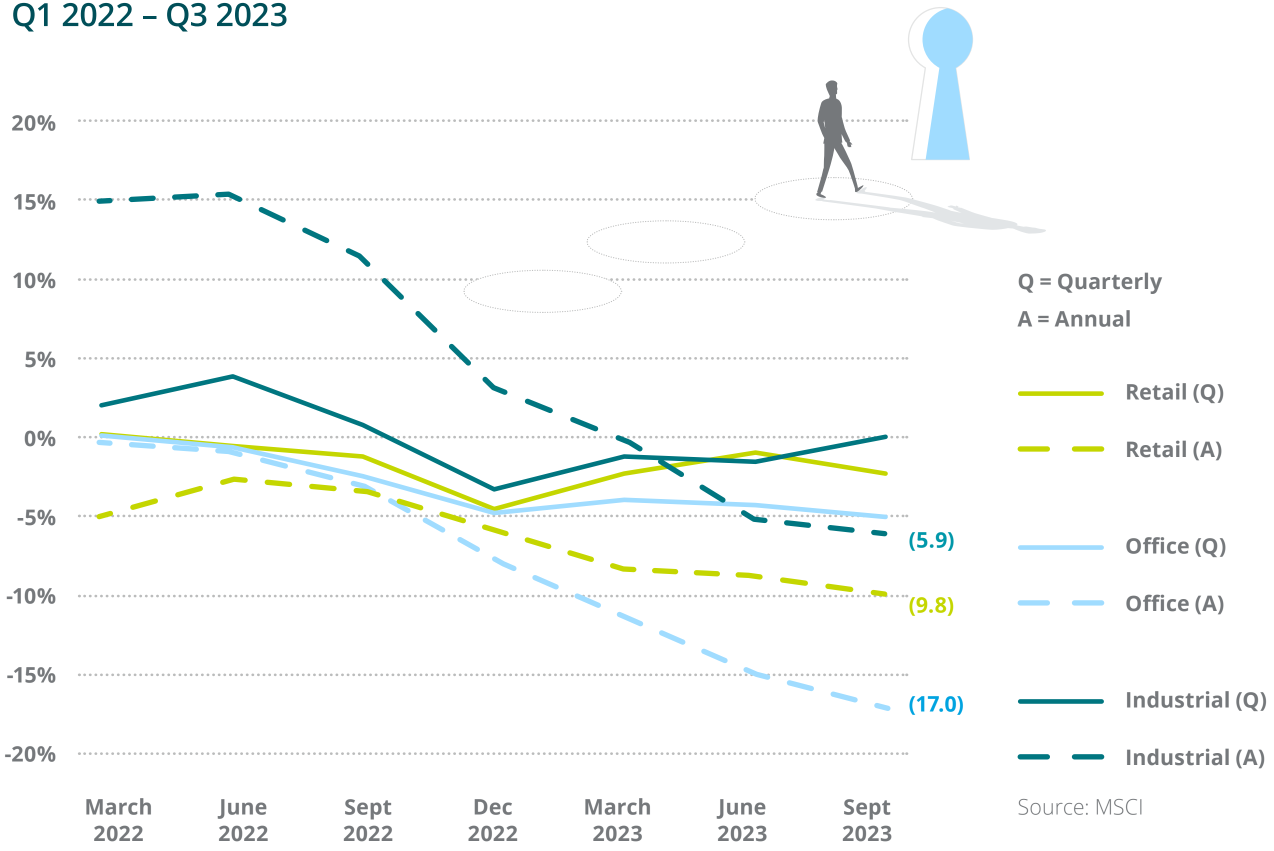


Sector Composition – 2024

As the macro-environment evolves, investor preferences change as evidenced by the survey results. In Ireland, this is no different. Alternative asset classes such as the digital economy, life sciences and self-storage all generate growing interest, however, scale, current ownership structures and availability of product all act as a barrier to entry or prevent the sectors from appearing high in any analysis on investment volumes.

Beds and sheds are high on investors preference lists, with the asset classes also seeing greater lender appetite. For **logistics**, low single digit vacancy rates, along with solid occupier demand continues to provide strong fundamentals for the sector. Although not immune to headwinds, the sector has outperformed core asset classes. According to MSCI, logistics recorded annual rental growth of 11.2% in Q3 2023, compared to 1.5% for retail and a marginal decline of -0.5% for offices. Total returns and capital value growth signalled declines for industrial, however posting significantly lower contractions than offices.

Quarterly & Annual Capital Value Growth, Core Sectors, Q1 2022 – Q3 2023



Source: MSCI

Switching to "**beds**", there are nuances to this demand. **Inclusive of residential, student accommodation and hotels**, the asset class has recorded increased demand in 2023 and is anticipated to continue to do so in 2024. For example, Deloitte's *Annual European Hotel Industry Survey* highlighted Dublin moving up 3 places, to rank 8th most attractive European city for hotel investment in 2024.

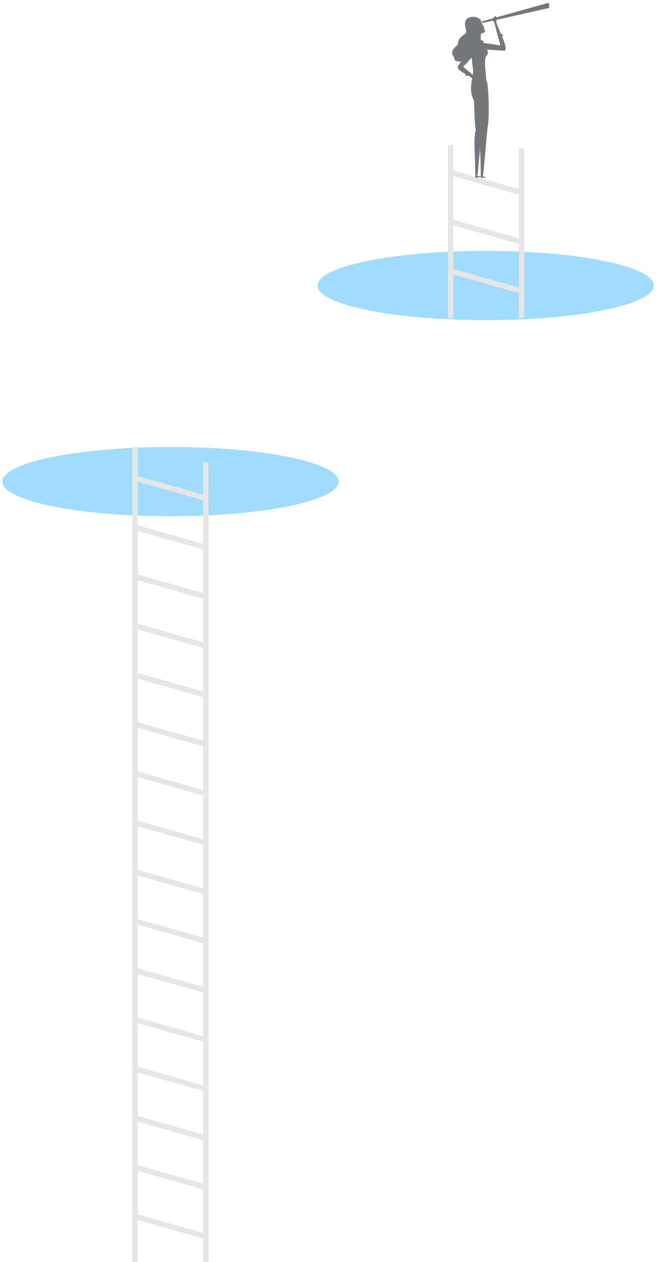
For residential, continued population growth and economic resilience, coupled with persistent supply side shortages keeps the sector to the fore. However, it has challenges. In particular, yield expansion following interest rate hikes, coupled with construction costs, planning risk and rental caps have exacerbated viability concerns for PRS/Multifamily investment. This change is best summarised by Q3 2023 investment statistics, which reported no residential investment transactions.

Government support is however upholding activity and demand in other parts of the residential market. This is evident by cost rental and affordable housing developments underway through collaboration between private sector and public sector bodies.

Retail experienced a return in 2023. In the first nine months of the year, retail accounted for 33%[6] of total investment volumes. Demand is focused on regional shopping centres, out of town parks, and supermarkets, with shopping centres and high street units experiencing less demand.

In contrast, offices experienced difficulty in 2023, and this is expected to continue in 2024. Historically, offices have dominated the investment market, consistently accounting for a significant proportion of investment activity. This investor interest, and thus funder interest, was driven by strong occupier fundamentals.

Watch out for our Irish Hotel Market update on Deloitte.ie



Office Market in Focus

How we got here

Following a strong recovery in leasing activity in 2022, the office market experienced a disappointing 2023, as remote working and the tech sector downturn weighed heavily on decision making and thus leasing activity. In Dublin, take up in the first nine months of the year is estimated to have reached 92,375 sq m, approximately 40% lower than the same period last year[7]. The third quarter alone recorded just 27,785 sq m leased. To put into context, prior to Covid-19 quarterly leasing activity sat between 50,000 – 70,000 sq m, with the 10-year annual average at 240,000 sq m[8]. This slowdown created a rise in vacancy rates, as previously discussed, and is expected to see further short-term vacancy increases as a significant volume of new space completes construction and is added to the market.

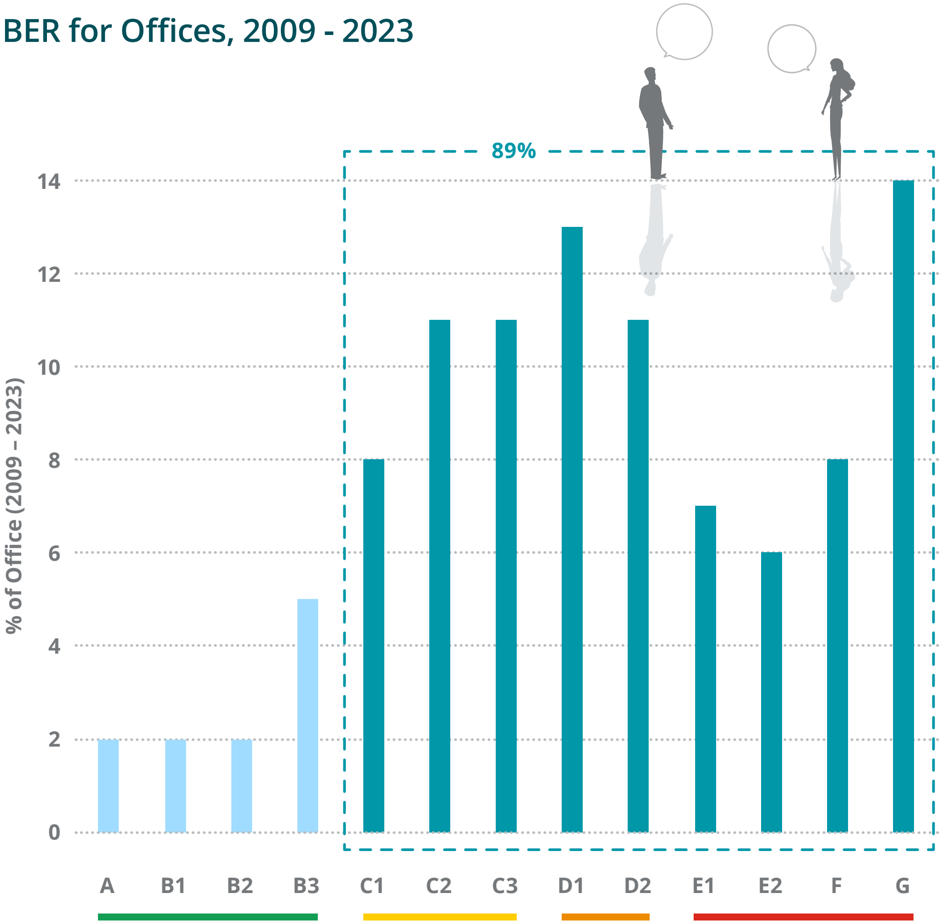
Limited investment activity in the sector, fuelled by price discovery, framed office investment in 2023, similar to trends reported across other markets. Large ticket, prime asset transactions were largely absent, creating further uncertainty as to where pricing truly lies. The emergence of French funds, such as Corum Asset Management, Remake Asset Management and Iroko Zen, have created trades. The largest of these was George's Quay House, which closed for a reported €80m and a yield of 6%.

What's ahead

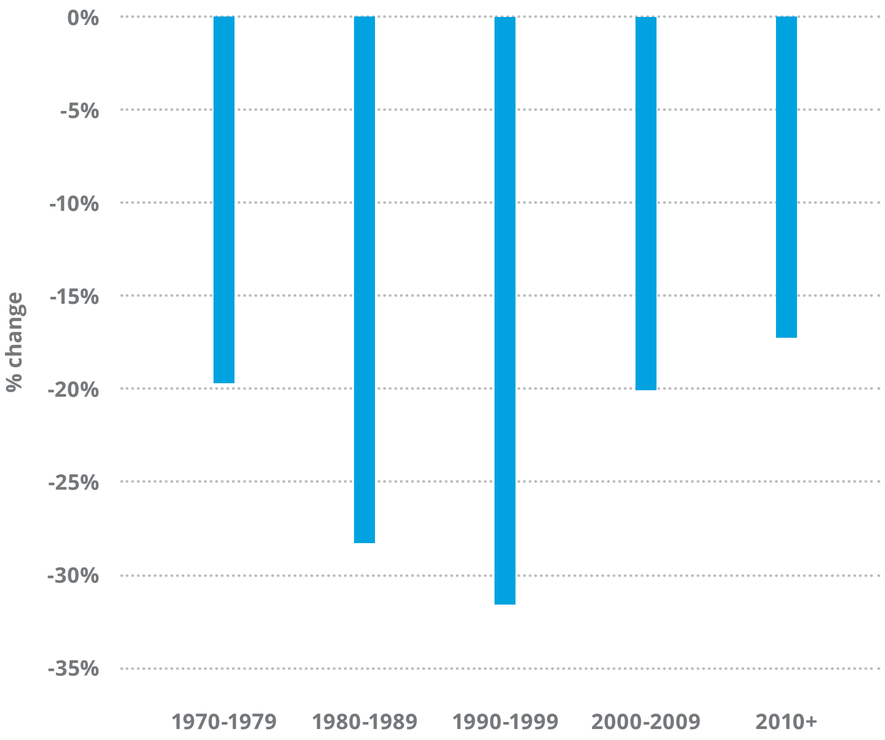
2024 is set to be another difficult year for the office-occupier and investor market. Vacancy levels will see a further temporary rise, while transaction activity may continue to be muted.

1. Obsolete stock, or the potential for obsolete stock will feature heavily in discussions as the market tilts further towards energy efficient buildings. Approximately 89% of all office stock with BER certificates in Ireland, are rated C or lower[9], presenting the scale of the challenge ahead. This differs by location. Within Dublin, an estimated 60% of purpose-built office stock is rated C or lower[10], while 32% is aged 30+ years old. Capital values for older, poorer energy rated buildings have recorded greater declines and are anticipated to continue to do so.
2. How we use and interact with our offices will continue to be discussed, with policies across workplaces adapting. At present, the average number of days in the office across France, Germany and the UK ranges from 2.2 to 3.5 days per week, with the commute time and commute cost reported as the largest barriers to working from the office[11]. This feeds into the wider discussion in talent recruitment and retention. In Deloitte's Global Outlook Survey, 43% of firms stated offering flexible workday schedules was an action to attract and retain talent. This was the highest voted action.
3. With muted occupier activity, financing bridges may be required for new developments which have not reached leasing milestones. This began in 2023 and is expected to feature again in 2024.
4. Market intelligence suggests that for many, offices are on the "no-go" investment list, however this is not consistent across all players. Some will seek to find assets suitable for energy improvements (small and large), or redevelopment opportunities. Finding such assets is where the difficulty lies, as values and costs often act as a barrier.
5. Lastly, despite the negativity surrounding the short-term outlook for the market, in the long-term it is widely agreed that the office will continue to play a vital role. Well located, quality assets located close to transport links will continue to attract demand. With limited new development starting, delivery of this type of office will slow significantly as we move beyond 2024 and 2025.

BER for Offices, 2009 - 2023



Capital Value (Mar '20 – Sep. '23), by Building Age



Source: CSO, MSCI

Residential Market in Focus

How we got here

The residential market has undergone significant change in recent years. From the homeownership perspective, after rapid price growth in 2022, which peaked at 15% nationally, 2023 saw prices moderate. As of September, annual price inflation of just 1.4% was recorded, with Dublin at -2.0%[12]. Monthly data shows the decline is not persistent however, with Dublin recording rises each month since June. While mortgage approval figures overall declined in 2023, the First-Time Buyer cohort soared, with approvals up 22.2% from the same period in 2019. On the rental side, availability is critically low, pushing further rental inflation. Just 1,800 homes were available to rent as of November 1st[13].

From an investor perspective, institutional investment within the sector began to grow in 2017, before absorbing the largest share of investment activity in 2019. This growth, and the activity that followed, took place during a time comprised of low interest rates and yield contraction. It was largely focussed on forward commit transactions for large scale apartment delivery (PRS/Multifamily) in Dublin. Further underpinning interest in the sector was demand/ supply constraints and Ireland's strong economic performance.

However, a demand/supply imbalance, combined with a resilient economy remains a feature. Therefore, pressure on Ireland's housing market remains a feature. Government supports on both the prospective developer and homeownership side, have aided sentiment for development of affordable and social homes, with this segment of the market driving activity at present.

What's ahead

Notwithstanding planning challenges which do persist, lender, investor and developer appetite for residential remains strong. Although a difficult environment to navigate, sentiment is lifted by the level of state supports. On the supply side, schemes such Project Tosaigh, Croí Cónaithe (Cities), and the Secured Tenancy Affordable Rental Investment Scheme (STAR) set out to activate and incentivise the delivery of cost rental and affordable purchase units. The LDA targets 5,000 units to be delivered through Project Tosaigh, while a further 9,000 homes are targeted for delivery through STAR and Croí Cónaithe (Cities) combined.

1. Further joint ventures between the state and private players for the delivery of housing is anticipated in 2024, stimulated by the schemes listed previously. As with any new policy, a learning period will be required for all parties involved, with insights from projects to date key to developers, investors and public bodies navigating the new environment in 2024 and beyond.
2. Commencements surprised many in 2023, reaching just over 23,900 units in the nine months to September. This improvement we expect to uphold in 2024, however there remain concerns over the medium to long-term delivery numbers. Market intelligence indicates availability of serviced zoned land is noted as a barrier for the future pipeline of many developers. Limited visibility on future pipeline needs to be addressed.
3. Affordable purchase and affordable rental development is anticipated to dominate the sector, bolstered by government supports and incentives.
4. A year of reviews: 2024 will see the publication of the National Planning Framework (NPF) Review, the Housing Need Demand Assessment (HNDA) review and the Private Residential Sector Review. Each review will garner significant attention from market players, for varying reasons. The HNDA and NPF reviews are critical to ensure planning permissions and therefore construction is not prevented due to conservative assumptions regarding population, household size, strict development ceilings and over estimated planning to delivery conversion ratios. For the private rental market, the review needs to reflect change that will revitalise supply, creating the correct incentives, while also supporting renters.
5. In October, the Planning and Development Bill was approved by cabinet. The third longest bill in history is currently before Dáil Éireann at the second stage, with nine more stages before it becomes signed into law, with more amendments possible through out this.

Owner Composition

As any market evolves, new entrants emerge, or existing players pivot towards different classes. In 2023 to date, the Irish real estate market experienced just this. In retail, where values have adjusted greater, a rising number of transactions took place. These transactions primarily focussed on regional shopping centres. New entrants in this space include Realty Income and Inter Gestion REIM. Realty Income Corporation, a US REIT acquired City East Plaza Retail Park & Blackwater Retail Park for a reported €45.9m. Similarly, French investor Inter Gestion REIM purchased B&Q Liffey Valley for a reported €26.6m. Both acquisitions were in H1 2023. Iroko Zen, a French REIT, although not new to Ireland in 2023, increased its activity by acquiring both retail and office assets. French investors played a pivotal role in office investment volumes. In addition to Iroko Zen, there was Remake Asset Management and Corum.

In Residential, a changing investor profile also emerged. Although reduced activity overall, the LDA, Tuath and Respond all featured in the purchasers list. M&G Real Estate and Pontegadea also acquired residential assets in 2023. This list marks a change from top investments in 2016-2017, or indeed from 2018-2019. During this period, a sample of notable purchasers included Patrizia, SW3 Capital, Kennedy Wilson, Greystar, Avestus, Carysfort Capital and Urbeo.

The emergence of the LDA, AHBs and local authorities in the purchaser list is expected to continue in 2024, as they seek turnkey opportunities. The focus here lies on delivering social and affordable homes, the later in the form of cost rental or affordable purchase. This focus will also be on collaboration between the public and private sector players, as neither can deliver the units required on their own.

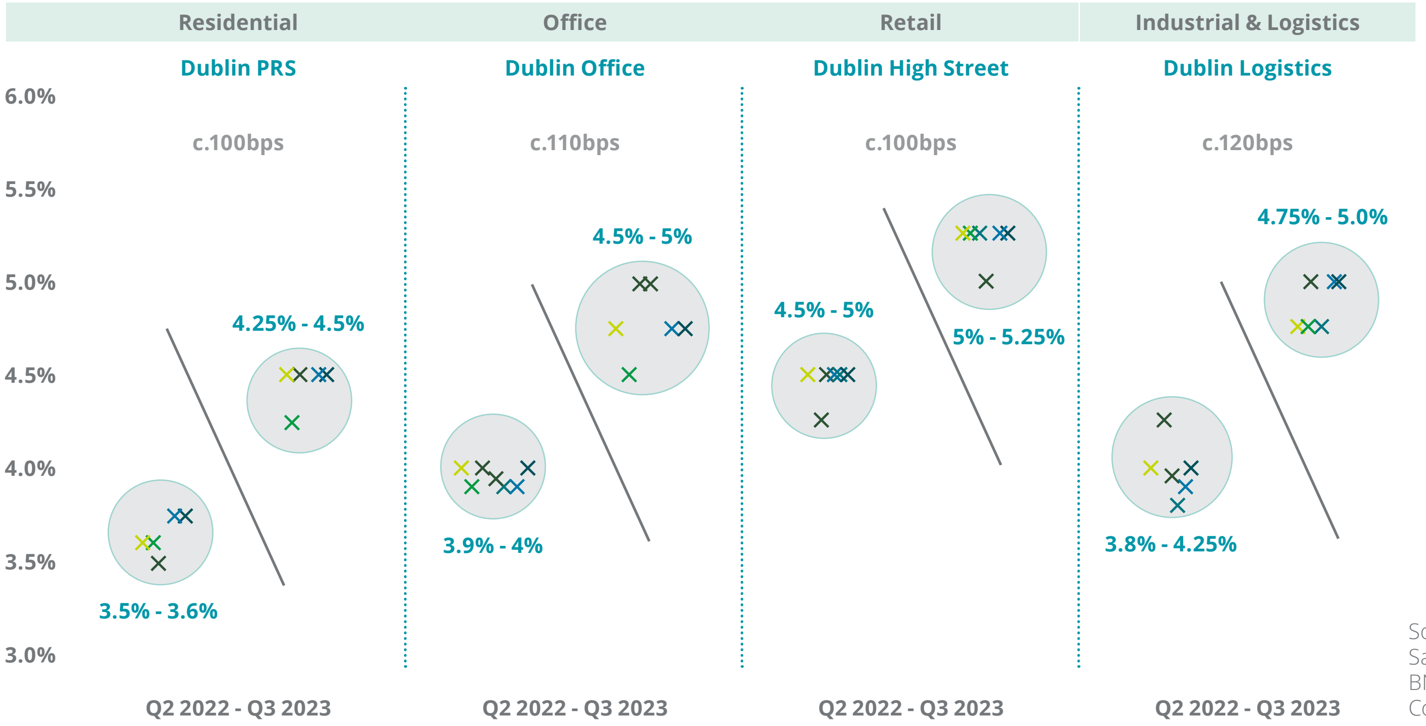
Lastly, as pricing adjustments continue through out Europe and in Ireland, the market is likely to see assets, purchased during 2017 to 2020 return to the market, or seek to be sold off market.

Funder Composition

Interest rates have increased 425 basis points since July 2022. Combined with a rise in the Euribor, this has had an immediate impact on the real estate market in Europe and in Ireland. As the cost of debt rose, outward yield movement was recorded.

In Ireland, prime yields are reported to have increased by between 100bps and 120bps since Q2 2022 across key sectors. This is based on the lowest prime yield in Q2 2022 and the highest prime yield in Q3 2023 reported by large commercial real estate companies for each sector. However, as previously noted, the real estate market continues to experience a pricing gap between vendor and purchaser, and therefore further yield expansion is anticipated in 2024.

Prime Dublin Yields, Q2 2022 – Q3 2023



Source: Deloitte, Savills, CBRE, BNPPRE, C&W, Colliers, Bannon

Given the current interest rate environment, the lending market is primarily focused on the Interest Cover Ratio (ICR), and it is this metric which significantly influences the level of Loan-to-Value (LTV) achieved. Senior lenders are being conservative on LTVs and will continue to do so as further valuation adjustments are anticipated in 2024[14].

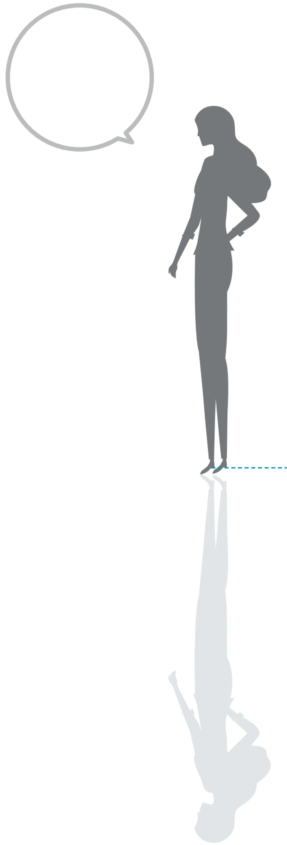
Senior debt funding levels have tightened significantly, while traditional lenders are being increasingly selective and shielded away from some asset classes considered too risky. This risk-averse strategy is expected to remain present in 2024, as significant focus is placed on NPL ratios for commercial real estate. Although this without doubt creates challenges, it has also provided an opportunity for alternative lenders to finance less core assets or provide products across the capital stack.

Financing appetite remains strongest for residential, logistics and hotels, each with their own differences. For logistics, despite a decline in take-up, single digit vacancy rates and the wider structural shift in consumer patterns continues to underpin the sector. This is one of the few sectors which is showing appetite for speculative development. For hospitality, appetite is driven by the strong performance of the sector this year. In Dublin City, occupancy rates sat at 85.8%[15] in October, with average daily room rates at €192.59. In the year to date, average RevPAR in Dublin city centre was 15.3% higher than the same period last year. Lastly, for residential, continued strong demand combined with government supports for delivery are aiding sentiment within this sector. Market intelligence within Deloitte indicates that due to the level of supports now available, international lenders view Ireland with a different lens to other parts of the EU, where significant challenges are present. Competitive tension is evident on schemes with state involvement, to the benefit of many borrowers.

Conclusion

Developments across the commercial real estate industry will likely be under the microscope in 2024. Central Banks will continue to monitor the industry and the consequences of repricing globally and in Ireland.[16] How industry leaders choose to navigate the year could be crucial in establishing a sturdy base of operations for the long term.

Recent changes to the real estate landscape could forever shape the trajectory of the industry. Some property sectors are poised to exhibit drastically different fundamentals than ever before, as we detailed the change in lender and owner landscape. Sustainability considerations should be paramount through the entire life cycle of buildings, not only for environmental preservation but also for property value preservation. Hybrid work is likely here to stay, and employers should adapt their workplaces to "earn" their employees' commute. Efficiencies gained through operations and technology transformation can transform the industry. Leaders that treat these industry shifts as new foundational realities could position their firms with the stable footing needed to build for the future.



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