PULSE REPORT

AFIRE INTERNATIONAL INVESTOR SURVEY

FALL/WINTER 2024

CONTENTS

ABOUT AFIRE

AFIRE is the association for international real estate investors focused on commercial property in the US.

AFIRE is an essential forum for real estate investment thought leadership – AFIRE members gather throughout the year to help each other become Better Investors, Better Leaders, and Better Global Citizens through conversations, research, and analysis of real estate capital markets, cross-border issues, policy, economics, technology, and management. Representing the "who's who" in the global real estate investment industry, AFIRE membership is exclusive to principals and senior executives.

For more than thirty years, AFIRE has produced this annual international investor survey as a tool for investors, regulators, and the media to understand the goals, challenges and impacts of international investments on US real estate opportunities.

About the cover: A photo of the Washington Monument in Washington, DC, against a clear blue sky. As viewed from the Jefferson Memorial, across the tidal basin. November 2024. Photo by Benjamin van Loon.

Please contact Benjamin van Loon, Managing Director and Editor-in-Chief, bvanloon@afire.org, for hi-res graphics, data sets, reprints, and other uses.

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LETTER FROM THE CEO

The results of this quarter's pulse report point to the uncertainty felt by cross-border investors. Despite lowered inflation and the US Federal Reserve and Central Banks pulling back a bit on interest rates, transaction volume in 2024 has not returned to previous levels. The real estate industry has not completely recovered from the wild swings of the COVID era, with valuations tenuous and debt less than abundant.

The US elections contributed to uncertainty. AFIRE rarely surveys members about politics but given the concerns expressed by many members, we felt it important to understand the potential impact each candidate and their respective parties might have on cross-border investments. Although most respondents did not have different business strategies for the eventuality of different election outcomes, there was significant concern expressed.

Keep in mind that these questions were asked in the middle of an election season, and opinions are likely to have shifted somewhat now that the votes have been counted and President Trump is finalizing his cabinet in advance of taking office in January. Depending on how much and how forcefully the new administration's policies are implemented, there could be some dampening of cross-border investing. Geopolitics and conflicts around the world also weigh heavily on many investors' minds, as do new taxes and regulation.

With the election over, we can step back from fears of a worst-case-scenario to focus on the realities of the moment—especially the risks and the opportunities likely to be found in 2025. The shortage of affordable housing is now understood outside of real estate circles, and both sides of the political spectrum at the federal and local levels are engaged in the process of removing obstacles to development.

There are new opportunities for the regulatory environment to support instead of standing in the way of new housing. Insurance companies this year did us all the backhanded favor of pricing climate risk through rapidly increasing insurance premiums. And thanks to yet another year of record-breaking temperatures and storms, a clear majority of respondents believe that migration trends—for decades flowing from the north to the Sunbelt—will be impacted by climate change. These factors may well force a strategic re-think.

Real estate investors are a hardy sort of people, well prepared to adjust strategies to meet the moment. But there are still unanswered questions. Are we at or near the bottom? Will the new administration facilitate and encourage growth? Can we meet the challenges of housing and climate?

We will certainly find answers in the months ahead.

Gunnar Branson, CEO
November 27, 2024

EXECUTIVE SUMMARY

For more than thirty years, the AFIRE International Investor Survey has gathered the opinions of AFIRE members, comprised of more than 180 institutional investors, pension funds, asset managers, and other leading global organizations from twenty-five countries with approximately US$3 trillion AUM.

The results of this bi-annual process produce this benchmark opinion report; a useful tool for understanding the goals, challenges, and long-term thinking underscoring the international view of commercial real estate opportunities in the US.

This report, underwritten by Holland Partner Group, our longtime survey sponsor, provides a snapshot of what global real estate investors are thinking *right now* for cross-border investment—and how events today will impact future strategy.

Based on the diversity of ideas presented in this report, global capital in general—and commercial real estate in particular—are entering into a major era of change, especially as geopolitics turns a new world chapter in the years ahead. With continued inflationary pressures stressing many consumers, tense war conflicts in Europe and the Middle East, and the threat of tariffs putting markets on edge, investors are exercising caution and hedging their portfolios.

This survey was conducted in October and November 2024 by the AFIRE team in partnership with Ferguson Partners, a global professional services firm specializing in executive and board recruitment, to capture the direct insights of several AFIRE members. Their verbatims are included throughout this document.

Collectively, the findings reported here underscore the vitality of cross-border collaboration and conversation—especially in a future increasingly driven by the confluence of technological acceleration, political reorganization, and climate extremes.

RESPONDENTS SAY:

82% believe **all types of multifamily** development should be prioritized for alleviating US housing availability and affordability **(Exhibit 09)**

81% agree that there is a visible point on the investment h orizon where **climate change will have a meaningful impact on migration** (Exhibit 16)

67% of respondents predict that the US election decision will be **detrimental to cross-border investment activity** (Exhibit 05)

43% of investors believe that global politics and trade issues will have the **greatest impact on cross-border investment** over the next year **(Exhibit 06)**

40% of the US population (roughly 98 million people) **did not vote** in the 2024 US presidential election **(Exhibit 01)**

KEY THEMES:

US Election Outcomes
implementation of new US government policies will have global implications

Geopolitical Rebalancing
partnerships, trades, and alliances will reshape cross-border activity in 2025

Housing Solutions
national housing challenges and consumer pressures persist—but real change will begin at the local level

Climate Risk
climate events, insurance trends, and economic conditions are already transforming the US demographic landscape

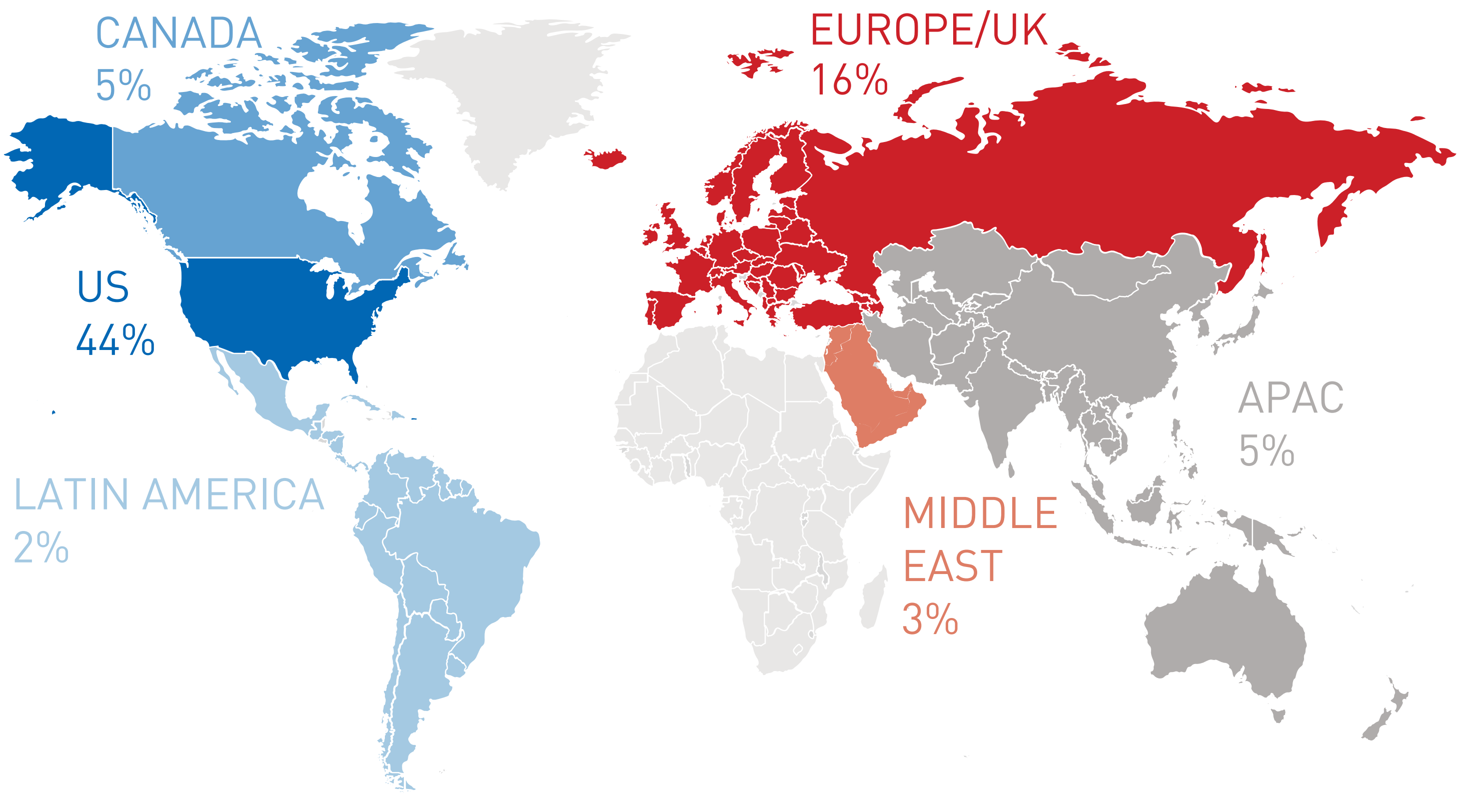
RESEARCH OVERVIEW

Members of AFIRE represent more than 180 organizations from twenty-five countries, with approximately US$3 trillion in assets under management (AUM) in the US, with an overall membership profile that includes general and limited partners, including institutional investors, fund and investment managers, family offices, publicly listed companies, and related services.

This survey was conducted in October and November 2024, with the survey window closing just days before the US presidential election on November 5, 2024.

The survey utilized a dual online methodology, providing survey invitations and a generic survey registration option. The survey collected more than eighty unique responses from AFIRE members who are responsible for global real estate investment activities within their organizations.

The AFIRE research team gathered and aggregated anonymized insights from respondent, with the results presented in this report. Ferguson Partners, a global professional services firm specializing in executive and board recruitment, also conducted a series of one-on-one interviews with a selection of survey respondents. Highlights from those conversations are also included in this report.



ASSETS UNDER MANAGEMENT	GLOBAL	US	US% OF GLOBAL
ALL	$1.7 T	$910.6 B	53%
NON-US	$743.5 B	$179.5 B	24%
US	$934.8 B	$684.7 B	73%

EXECUTIVE INSIGHTS

During the survey period of October and November 2024, AFIRE's research partners at Ferguson Partners conducted a series of one-on-one interviews with a selection of survey respondents, providing a deeper dive into the topics assessed in the online questionnaire.

The interviews have been anonymized and relevant statements are included throughout this report.

The general profile of the respondents includes CEOs, Chief Investment Officers, Managing Directors, and other with fiduciary responsibility for US commercial real estate investment decisions on behalf of global capital. Topics of note generally fell into four categories:

ELECTION OUTCOMES

"You'll start to see **global investors coming off the sidelines**, and I believe the US will get a large share of that non-US capital, regardless of administration."

"A Trump presidency will be unstable on many fronts, and **volatility is bad for real estate**."

"**Local elections carry significantly more weight in the commercial real estate business**. We're focused on the outcomes in our investment markets, and the impact that will have on local zoning and regulation."

GEOPOLITICS

"We're **bullish on nearshoring**, especially in light of Trump's victory. Non-US investors are building factories in Mexico and shipping goods to the US to circumvent tariffs."

"**Interest rates are going down** and that's a positive impact on the denominator for [foreign capital]."

"I see our **allocation going back to normal levels** regardless of the election outcome."

HOUSING SOLUTIONS

"We need to **increase density levels in all markets**, but more importantly we need to reduce the cost of developing."

"The lack of affordable supply coupled with dwindling available supply is going to hit a **critical point in the near future**."

"Increasing supply will only be driven at a local level by **alleviating regulatory barriers and promoting incentives for development**."

CLIMATE RISK

"**Climate risks are incorporated into how we think** about our assets, capital budgets, acquisitions. You name it, it's always a part of the equation."

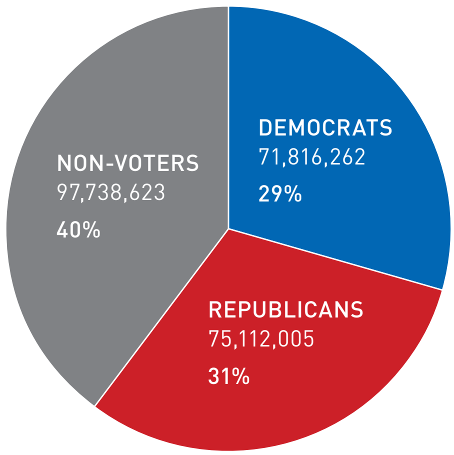
"I think our industry as a whole is still head-in-the-sand about climate in terms of really understanding how to **factor in climate risk to investment decisions**."

"We're watching the Southeast, Southwest, and California as the **highest climate risk regions**, but we have a red line around Florida."

US PRESIDENTIAL ELECTION OUTCOMES

At the conclusion of election day on November 5, 2024, the US electorate* eschewed the "business as usual" candidate in Vice President Kamala Harris for the alternative, Donald Trump, whose viability as a US presidential candidate, criminal record, and mishandling of state secrets has been the source of global consternation for the past decade–if not longer.

EXHIBIT 01: US VOTER PARTICIPATION AND DISTRIBUTION IN THE 2024 ELECTION



In an AFIRE survey from March 2024 **(Exhibit 02)**, when President Joe Biden was still the prospective Democratic candidate, respondents were asked if they had different US business strategies planned based on the potential election outcomes. Around 60% of respondents indicated no alternative plans, with another 36% indicating no strategic adjustments, regardless of the outcome.

However, in the weeks leading up to the election, during the survey period for this report, the share of those indicating no strategic adjustments shrank to 7%, and organizations with alternative planned strategies expanded to 16%.

It is likely that this percentage has further increased in recent weeks, following predictions about Trump's potential cabinet selections and planned policies.

During this same pre-election period, amidst a period of modest cross-border transaction activity, respondents ranked what kind of impact a Harris or Trump presidency might have on cross-border investment **(Exhibit 03)**.

A Harris presidency was expected to mostly see business as usual, with nearly 75% of respondents indicating no serious changes. Alternately, a Trump presidency was (and is) expected to potentially see a 50% decline in cross-border investment. Time will tell.

EXHIBIT 02: AGREE/DISAGREE: "OUR ORGANIZATION HAS DIFFERENT BUSINESS STRATEGIES PREPARED DEPENDING ON THE US ELECTION OUTCOME."

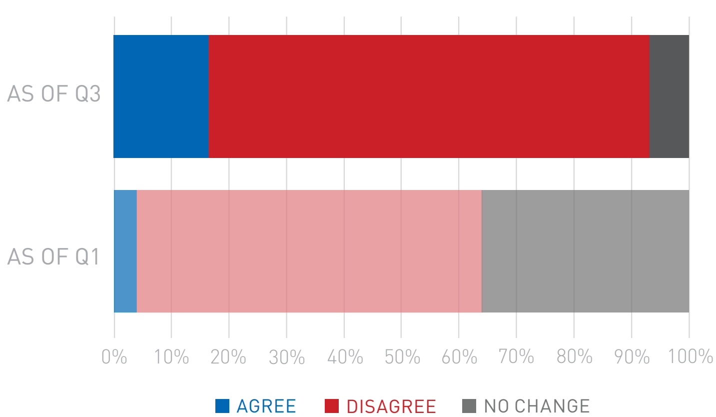
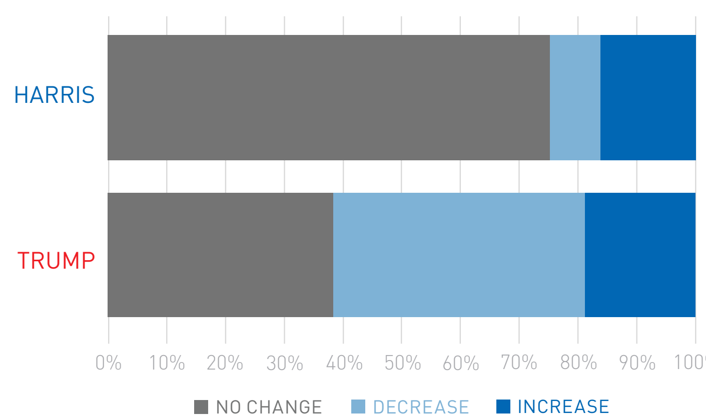


EXHIBIT 03: WHAT KIND OF IMPACT DO YOU PREDICT FOR CROSS-BORDER INVESTMENT BASED ON A HARRIS OR A TRUMP ADMINISTRATION?



* election.lab.ufl.edu/2024-general-election-turnout/

US PRESIDENTIAL ELECTION OUTCOMES

In addition to the presidency itself, control of both legislative branches (Congress and Senate) was also on the table for this election cycle. The survey asked respondents to weigh potential legislative branch outcomes based on a Harris or Trump presidency, mapping which balance of power would be most beneficial or most detrimental to cross-border investment.

As shown in **Exhibit 04**, respondents indicated that a Harris presidency would have been most beneficial overall—by a large margin. A Democrat-controlled Congress and Senate was indicated as the most beneficial, no matter if it was Harris or Trump selected.

Alternatively, while there was some indication that a Harris presidency would have had some detriment to cross-border investment activity (in ways not much different than the Biden administration), respondents overwhelmingly indicated that a Trump presidency with a GOP-controlled Congress and Senate would be the most damaging outcome (**Exhibit 05**).

"If you look over time, there is not a significant correlation between election years, results, and the performance of the commercial real estate industry. Big picture, I don't think it's going to have a huge impact."

EXHIBIT 04: WHICH BALANCE OF POTENTIAL EXECUTIVE AND LEGISLATIVE OUTCOMES WOULD BE **MOST BENEFICIAL** TO CROSS-BORDER INVESTMENT INTO THE US?

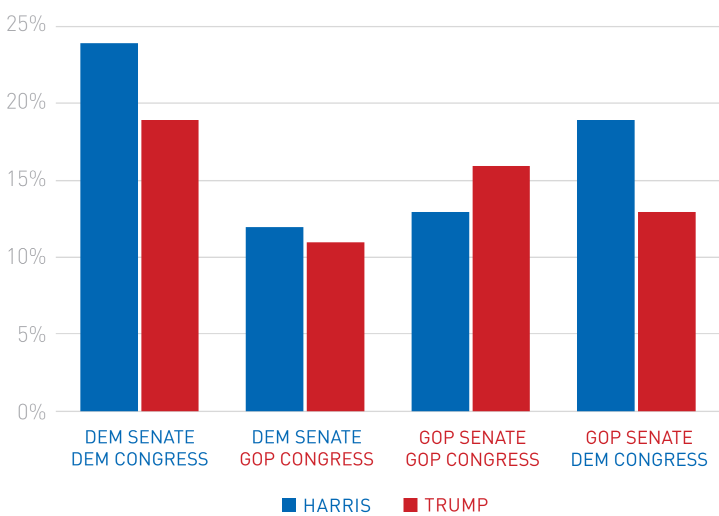
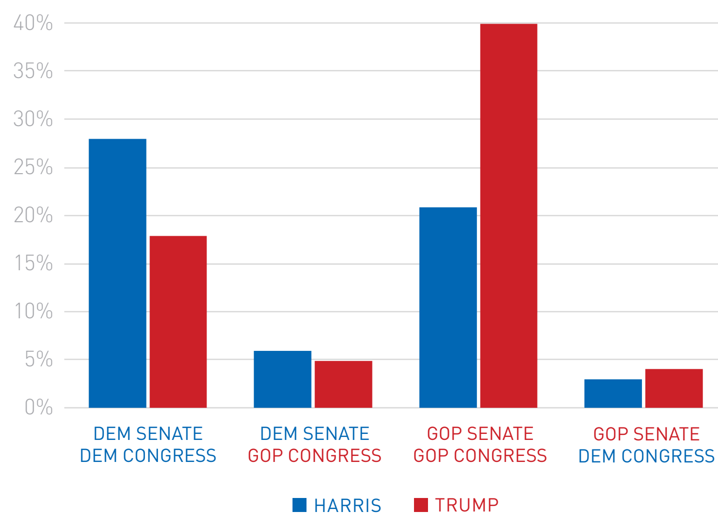


EXHIBIT 05: WHICH BALANCE OF POTENTIAL EXECUTIVE AND LEGISLATIVE OUTCOMES WOULD BE **MOST DETRIMENTAL** TO CROSS-BORDER INVESTMENT INTO THE US?



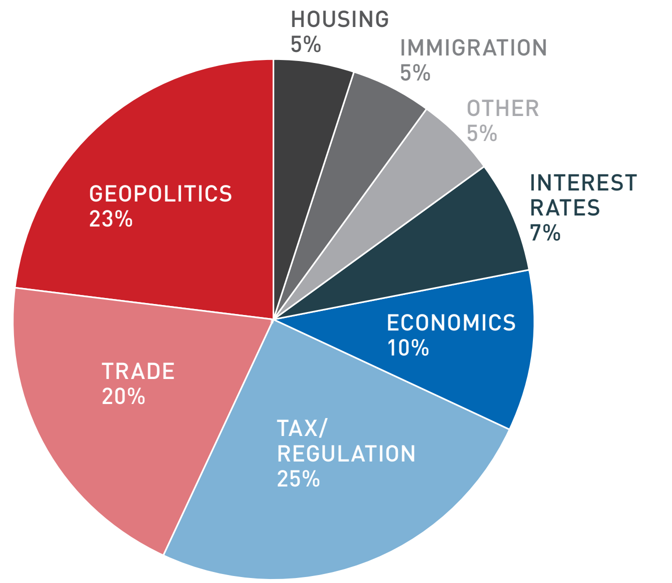
"A Trump presidency will be unstable on many fronts, and volatility is bad for real estate."

US PRESIDENTIAL ELECTION OUTCOMES

There are several fundamentals within and beyond real estate that impact cross-border investment activity—especially trade, labor, and economic output. In **Exhibit 06**, survey respondents suggest that the key trends to watch over the coming years fall along these same lines, with trade and geopolitics as leading global concerns (43%), followed by national economic concerns (42%), and other regional trends.

> "Interest rates are going down and that's a positive impact on the denominator for us [foreign capital]. I see our allocation going back to normal levels regardless of the election outcome."

EXHIBIT 06: WHAT POLITICAL OR REGULATORY TRENDS DO YOU BELIEVE WILL HAVE THE GREATEST IMPACT ON CROSS-BORDER INVESTMENT TRENDS INTO THE US OVER THE NEXT YEAR?

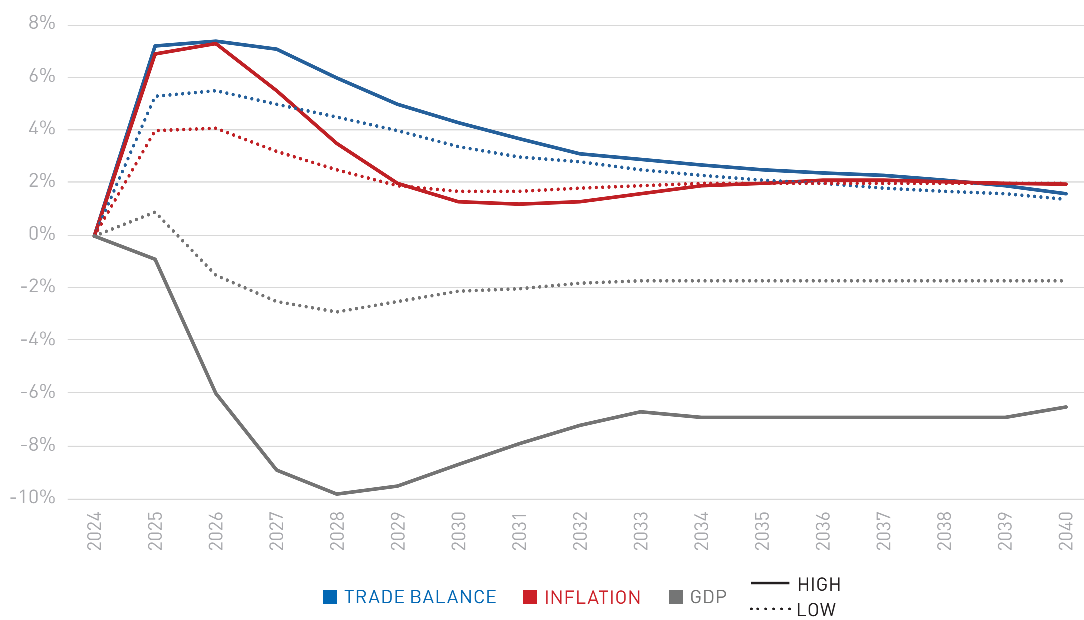


Recent reportage from the Peterson Institute for International Economics (**Exhibit 07**), which will contain the below three charts affirms these concerns, as policies implemented by the Trump administration are expected to have a negative effect across all domains.*

The severity of the negative effects, and potentially a key variable in similar forecasting, depends on the international response to new US policy.

EXHIBIT 07: FORECASTED ECONOMIC IMPLICATIONS OF TRUMP ADMINISTRATION POLICY IMPLEMENTATION

LOW and HIGH forecasts indicate minimal or maximal implementations of Trump administration policies



* piie.com/publications/working-papers/2024/international-economic-implications-second-trump-presidency

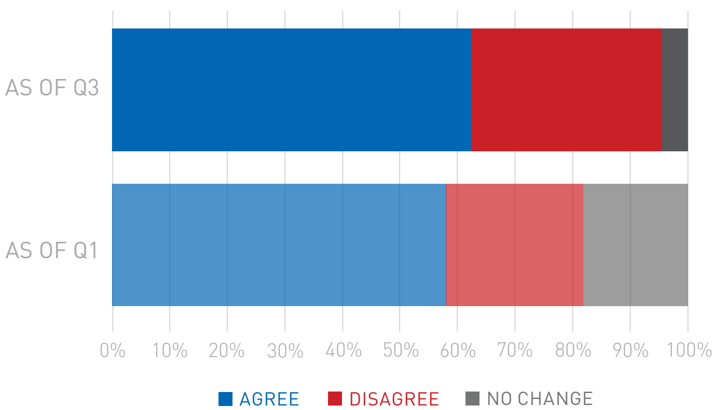
THE FUTURE OF HOUSING

Aside from the sundry fearmongering that dominated much of the US presidential campaign cycle, one of the key issues that came up on both sides of the aisle was housing, suggesting that housing affordability and availability issues that have been well-understood within the commercial real estate space over the past decade have now reached public awareness.

Investor concerns for US housing have seen some slight change in kind, as shown in **Exhibit 08**. In March 2024, the AFIRE survey asked respondents if they agree or disagree with the statement that the most important issue in US real estate over the next five years will be housing affordability and availability. Roughly 57% of respondents agreed.

As of Q3, that number has reached nearly 63%, while the number of those with no opinion has diminished from 18% to 4%.

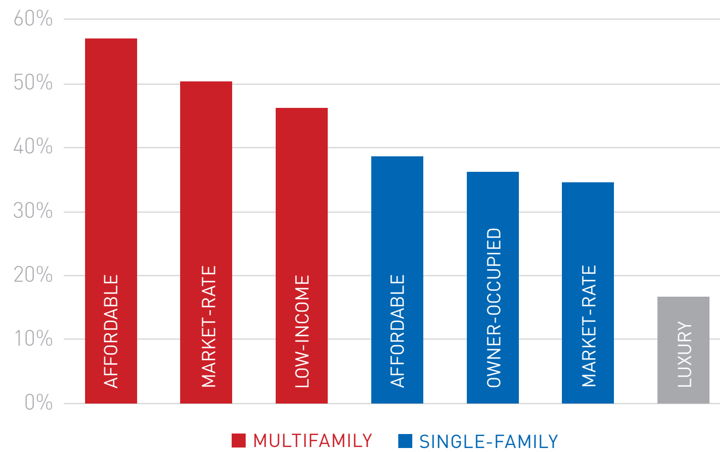
EXHIBIT 08: AGREE/DISAGREE: "THE MOST IMPORTANT ISSUE IN US REAL ESTATE OVER THE NEXT FIVE YEARS WILL BE HOUSING AFFORDABILITY AND AVAILABILITY."



"We are chewing through the supply that was delivered in the last few years. Very soon it will turn into a landlords' market as supply gets absorbed."

To address the known shortage of housing, in a ranked list of housing types, investors overwhelmingly agree that prioritizing affordable multifamily housing will be the most expeditious *development* solution (**Exhibit 09**), followed by market-rate and low-income (i.e., subsidized) housing.

EXHIBIT 09: WHICH HOUSING DEVELOPMENT SHOULD BE PRIORITIZED FOR REDUCING THE US HOUSING SHORTAGE?

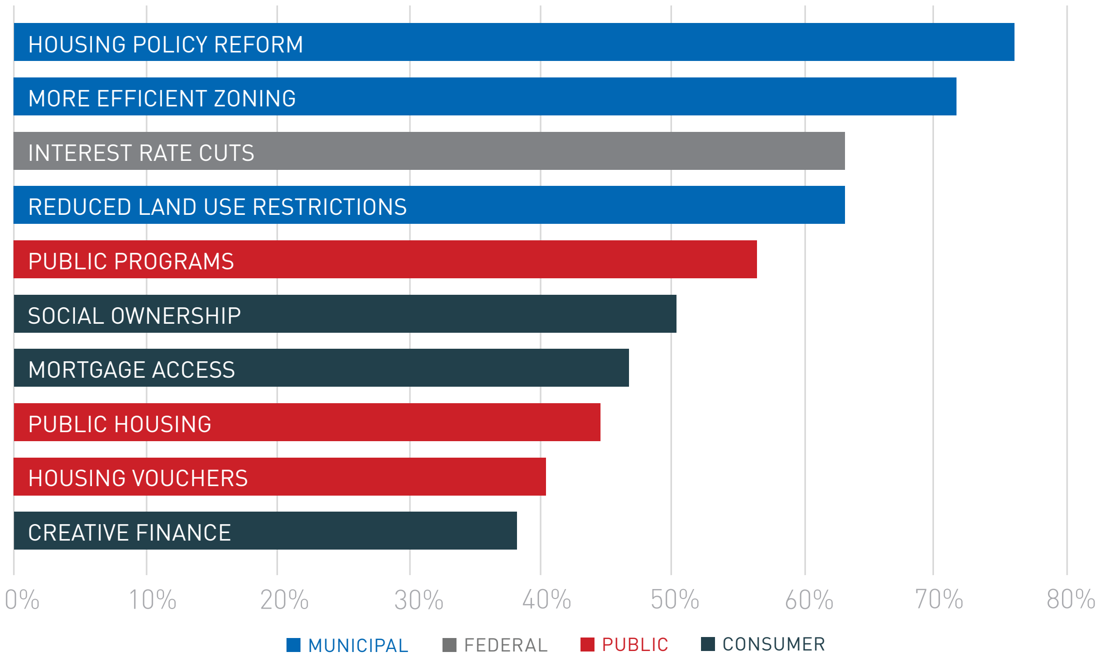


"The lack of affordable supply coupled with dwindling available supply is going to hit a critical point in the near future."

THE FUTURE OF HOUSING

In another ranked choice question, going beyond a development solution and into policy and commercial solutions for housing, investors' answers can be divided into four distinct buckets: municipal, federal, public, and consumer (**Exhibit 10**).

EXHIBIT 10: WHICH HOUSING SOLUTIONS SHOULD BE PRIORITIZED FOR SUPPORTING HOUSING AFFORDABILITY?

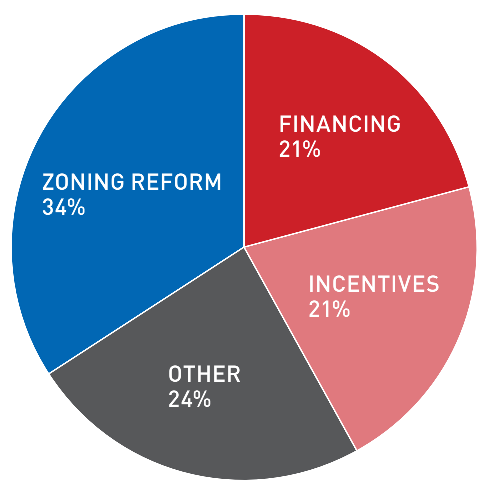


By a large margin (**Exhibit 11**), respondents suggest that municipal solutions, including zoning reform, and housing policy reform in general (i.e., density, parking minimums, and other state/municipal-level policy, etc.), should be prioritized for freeing up development projects and partnerships. At the federal level, interest rate cuts would ease access to capital for both developers and would-be buyers and tenants.

While they may make renting or ownership more *affordable* for some individuals and families, public programs (e.g., public housing, housing vouchers, etc.) and consumer solutions (e.g., crowdfunding, social ownership, rent control, etc.) are far less efficacious for transforming housing *availability*. And of course, availability is at the root of affordability.

"The housing crisis is not a problem the commercial real estate industry can solve alone. It's going to take a lot more partnerships between public, private, and philanthropic entities. Between us, the government, and philanthropic capital, we need to address this problem at the local level."

EXHIBIT 11: IS THERE A "SILVER BULLET" FOR JUMPSTARTING HOUSING DEVELOPMENT AND CREATION IN THE US?



"We are concerned about rent control and very, very focused on markets that are trending toward additional regulation. On the other hand, we're happy to buy rent-controlled assets as long as we feel like we'd receive the expected returns."

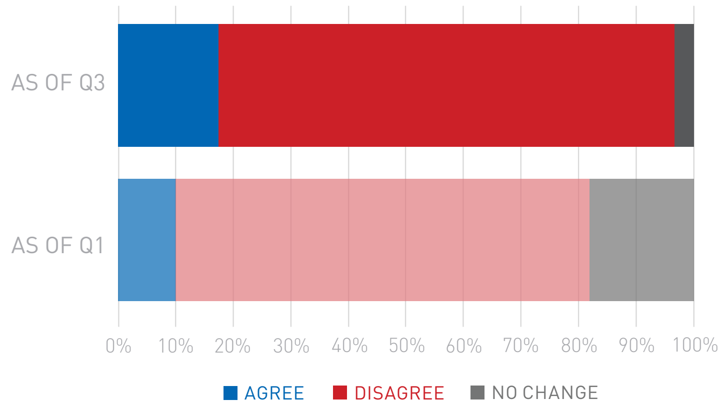
THE INSURANCE QUESTION

As an extension of housing concerns in the US, trends in the insurance industry can sometimes serve as portents, or as evidence. At the junction between the global, environmental effects of climate change and the frequently counterintuitive logic of homeowners, renters, and consumers in the US, the question of insurance is best understood as an analogy.

For example, earlier in 2024, AFIRE asked investors if they agreed or disagreed with the sentiment that the industry is appropriately pricing climate risk (i.e., insurance premia, capex, etc.) in its pro formas and valuations **(Exhibit 12)**.

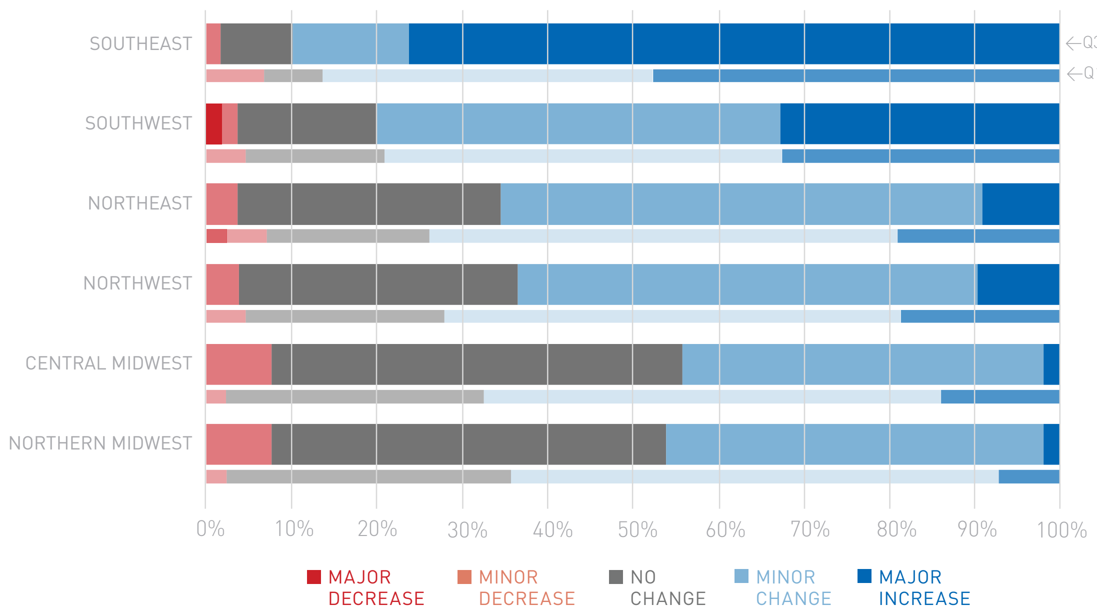
At Q1, roughly 72% of respondents marked "disagree", or believed that the industry had not caught up with climate realities. Nearly 20% had no opinion at all. By Q3, the share of those with no opinion diminished to around 3%, ultimately increasing the share of those agreed (18%) that the industry is beginning to appropriately price climate risk. But the "disagree" number has reached nearly 80%, suggesting that despite roughly nine months of climate events, insurance adjustments, and new climate evidence, not much has changed.

EXHIBIT 12: AGREE/DISAGREE "THE INDUSTRY IS APPROPRIATELY PRICING CLIMATE RISK IN ITS PRO FORMAS AND VALUATIONS."



In other words, insurance is neither wholly a portent nor wholly evidence, but representative of a larger illogic, as detailed in **Exhibit 13.** Even as population and internal migration trends have shown larger influxes of growth in the US southeast and southwest regions (the "Sunbelt"), these are precisely the same regions that investors ranked as most likely to see increases in insurance costs.

EXHIBIT 13: WHICH US REGIONS ARE LIKELY TO SEE THE GREATEST CHANGES IN INSURANCE COSTS OVER THE NEXT YEAR?



"I think our industry as a whole is still head-in-the-sand about climate in terms of really understanding how to factor in climate risk to investment decisions."

"Climate risks are incorporated into how we think about our assets, capital budgets, acquisitions. You name it, it's always a part of the equation."

"Institutional shops will say climate assessment is a part of their diligence and underwriting package. Whether or not it actually tells them if they should or shouldn't make the deal, I don't know."

THE INSURANCE QUESTION

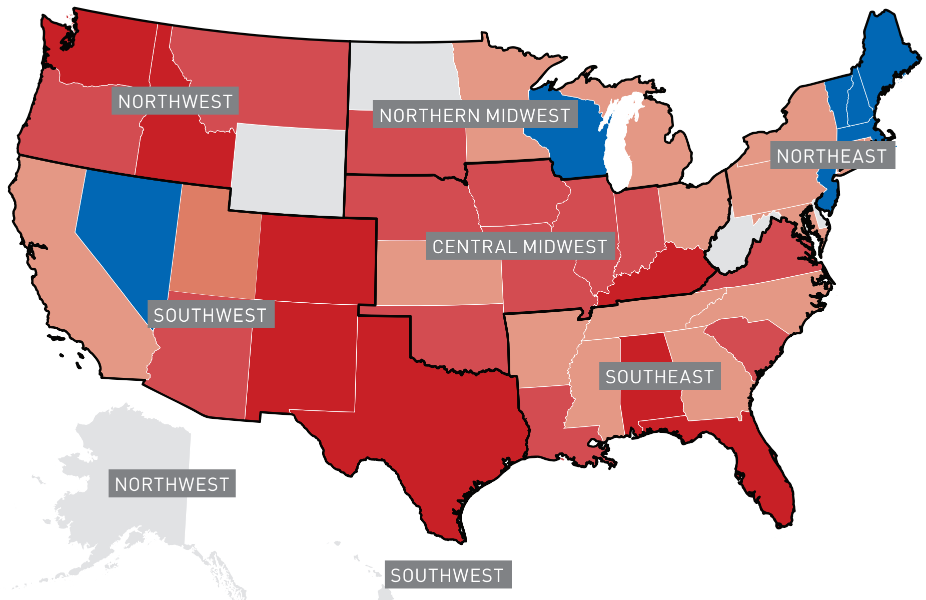
And diving further into the comparative data here, which weighs Q1 insurance cost predictions against Q3 cost realities, 90% of respondents indicated a rise in costs in the southeast, and 80% in the southwest, as of Q3.

And of course, with inflationary pressures also affecting insurance pricing, respondents expect costs to rise in most regions, though the regions investors consider to be least "at risk" for climate change–the central and northern Midwest–correlate with the regions least likely to see major increases in insurance costs (**Exhibit 14**).

"We're watching the Southeast, Southwest, and California as the highest climate risk regions, but we have a red line around Florida."

"There will reach a point where areas like Florida are uninsurable. We're seeing it start to happen."

EXHIBIT 14: AVERAGE HOME INSURANCE PREMIUM INCREASE BY STATE, 2021-2023*



- OVER 40%
- 30%-40%
- 20-30%
- UNDER 20%
- INSUFFICIENT DATA

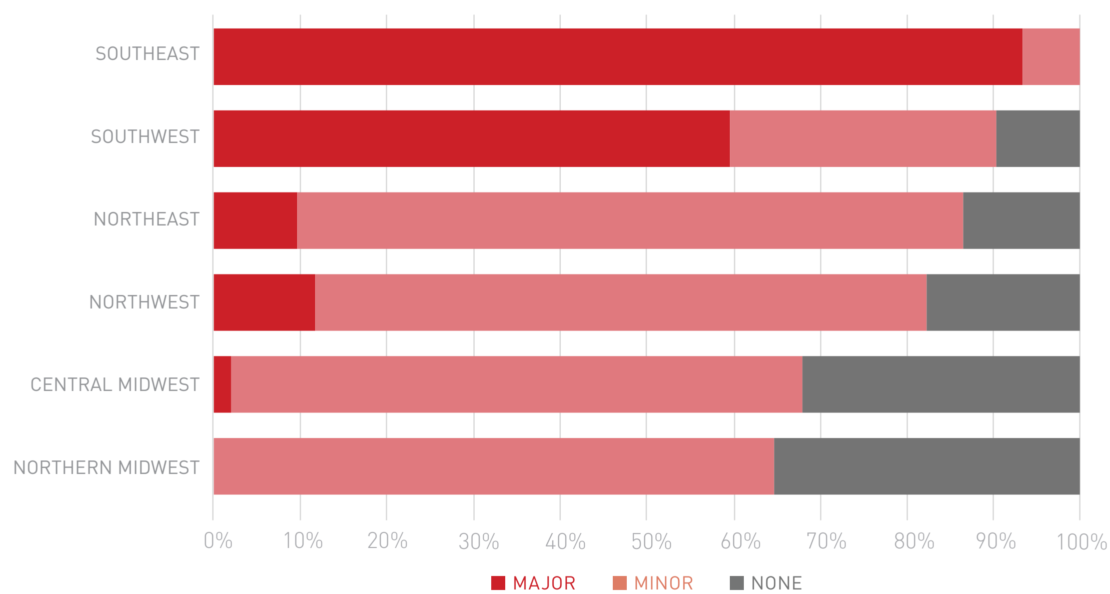
HIGHEST INCREASES

1. FLORIDA: 68%
2. NEW MEXICO: 47%
3. COLORADO: 46%
4. IDAHO: 46%
5. TEXAS: 46%

LOWEST INCREASES

1. VERMONT: 7%
2. WISCONSIN: 14%
3. MASSACHUSETTS: 15%
4. NEVADA: 16%
5. NEW HAMPSHIRE: 16%

EXHIBIT 15: WHICH OF THESE US REGIONS DOES YOUR ORGANIZATION CONSIDER TO BE THE MOST "AT RISK" FOR CLIMATE CHANGE AND RELATED CLIMATE EVENTS?



* policygenius.com/homeowners-insurance/home-insurance-pricing-report-2023/

CLIMATE CHANGE AND FUTURE MIGRATION

Following the interrelated questions of housing and insurance, the emergent question for the future of migration (and shifting opportunities in the housing market) is if there is a point on the visible investment horizon where climate effects in at-risk regions will have a meaningful impact on migration trends.

As shown in **Exhibit 16**, respondents overwhelmingly agree (81%) that this point is already visible (but insurance pricing might not be the most reliable indicator for larger demographic sea change.)

This turning point will likely not be unique to the US, as the Institute for Economics & Peace (IEP), an international thinktank, forecasts that climate change is likely to displace 1.2 billion people by 2050.* Such migration will be spurred by actual climate events—such as heatwaves and climate-accelerated disasters—as well as related resource constraints, disinvestment, insurance withdrawals, and heightened costs of living. The global south will be most heavily affected,** including southern regions in the US.

Notably, data from the Climate Impact Lab at the University of Chicago*** provides a historic and future view of summer temperatures in the US based on moderate carbon emissions. The historical averages from 1986 to 2005 **(Exhibit 17)** serve as a reliable baseline for mapping the predicted extremes over the next several decades.

Based on a similar moderate carbon emission output, the median probability of average summer temperatures from 2020 to 2039 will make larger parts of the US Sun Belt dangerous or uninhabitable (or too cost prohibitive to be habitable). And farther into the future, by 2059, summer temperatures will grow even hotter, underscoring the reality of IEP's 2050 prediction.

With these and other similar forecasts largely in agreement, the question for cities, developers, and investors will be: what can we do *now* to be ready for when that point on the horizon becomes the rising sun?

EXHIBIT 16: DO YOU BELIEVE THERE IS A POINT ON THE VISIBLE INVESTMENT HORIZON WHERE CLIMATE EFFECTS IN AT-RISK REGIONS WILL HAVE A MEANINGFUL IMPACT ON MIGRATION TRENDS?

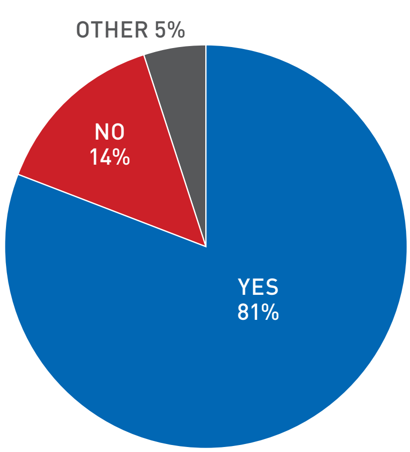
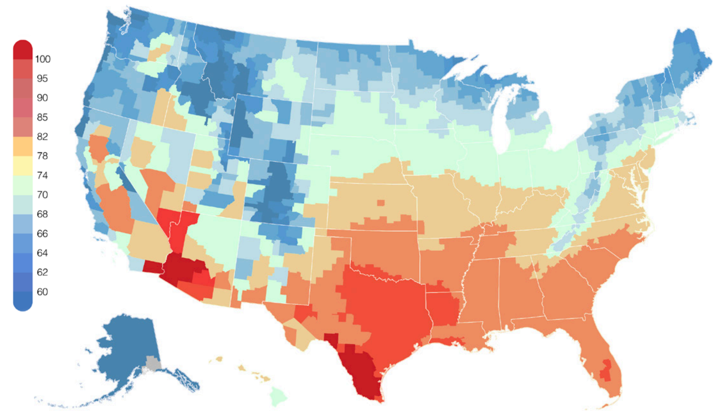
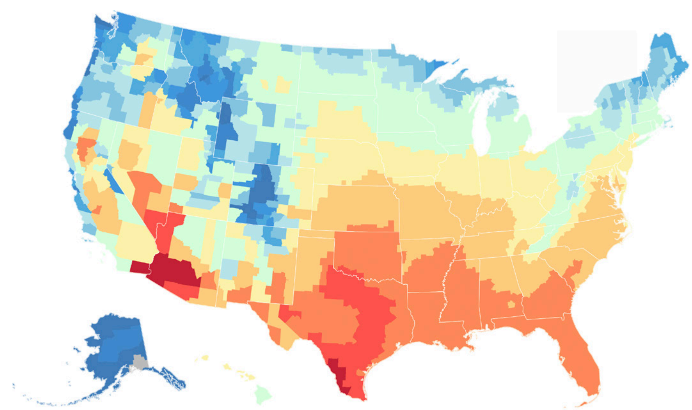


EXHIBIT 17: AVERAGE SUMMER TEMPERATURE OUTLOOK, 1986–2059

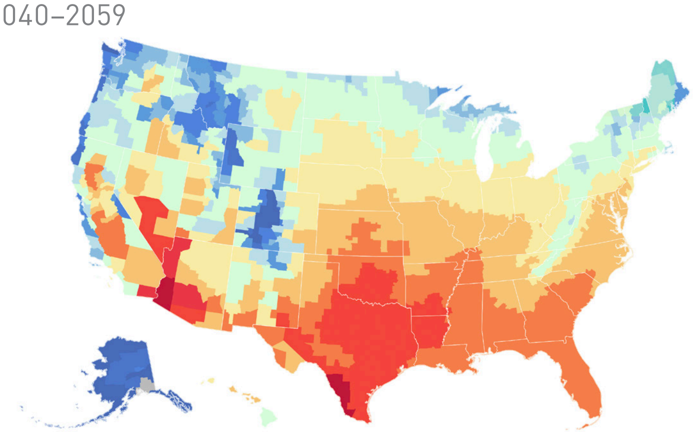
1986–2005



2020–2039



2040–2059



* economicsandpeace.org/wp-content/uploads/2020/09/Ecological-Threat-Register-Press-Release-27.08-FINAL.pdf

** pmc.ncbi.nlm.nih.gov/articles/PMC10037158/#R5

*** impactlab.org/

ABOUT

AFIRE is the association for international real estate investors focused on commercial property in the United States.

ABOUT

Established in 1988 as an essential forum for real estate investment thought leadership, AFIRE provides a forum for its senior executive, institutional investor, investment manager, and service provider members to help each other become Better Investors, Better Leaders, and Better Global Citizens through conversations, research, and analysis of real estate capital markets, cross-border issues, policy, economics, technology, and management. AFIRE has nearly 180 member organizations from 25 countries representing approximately US$3 trillion in assets under management.

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