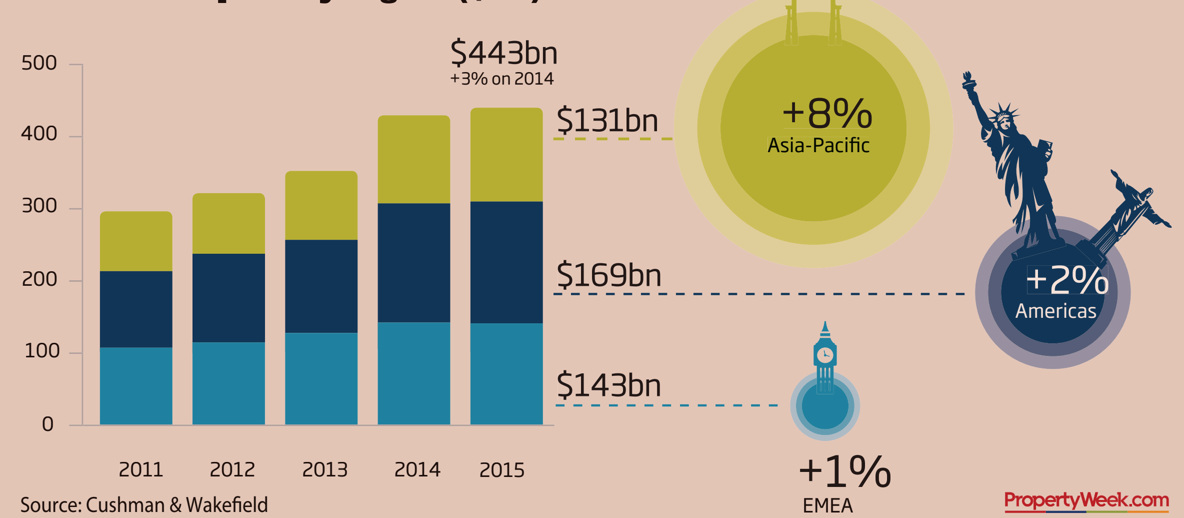
Forecast

Wall of money rises to record height, but growth slows

■ Report says $443bn is available to invest in global real estate but this is only 3% up on the previous year

BY ANDREW DON



Source: Cushman & Wakefield

The 'wall of money' available to invest in global real estate has reached record heights this year - but the rate at which it is growing has slowed markedly.

That is the key finding in new research from Cushman & Wakefield (C&W), released at Mipim in Cannes this week, which shows there is $443bn (£308bn) of global capital available to invest in commercial real estate this year - the highest amount ever recorded by C&W's Great Wall of Money report.

However, the amount of capital available for investment grew by just 3% last year - considerably less than the 21% growth recorded in 2014.

This comes after a cumulative global growth rate of 48% since 2011 - and 32.9% in Europe, the Middle East and Africa (EMEA).

Record volumes

The Asia-Pacific region, which was bolstered by the closing of several funds, enjoyed the strongest growth rate last year, with the amount of available capital rising 8% year on year to $131bn. In contrast, available capital increased by 2% to $169.3bn in the Americas, and 1% in EMEA to $143bn.

"We have seen investment volumes reach a record in the UK," says Nigel Almond, C&W's head of capital markets research. "In the rest of Europe, especially southern Europe and central and eastern Europe, they are a little further behind."

Almond says the ever-increasing flow of global capital across borders is having a profound effect on commercial property markets.

"The weight of cross-border flows continues to transform real estate markets across the globe. Most notably, more than 40% of capital targeting both the Asia-Pacific and EMEA is from outside their respective regions, with North American-sourced capital dominating," he says. "As all regions are targeted by this great wall of money, investment levels will likely reach record or near record levels in an increasing number of markets."

> **"Investors are not dissuaded from real estate"**
> Nigel Almond, C&W

In a change from 2014, actual capital raised declined 1% to $407bn, indicating that investment funds that have raised capital are now more focused on deploying it. This is especially true for EMEA, where raised capital fell 4% over 2015 to $131bn.

In contrast, Asia-Pacific saw a modest rise of 3%, while the Americas posted a 1% increase - although some of this growth reflects the closing of funds during 2015.

Nevertheless, the amount of capital currently being raised has significantly increased over the past year, up from $21bn to $36bn, with the upsurge attributed to a hike in interest in global mandates, as well as a pick-up in activity in the Asia-Pacific and EMEA regions.

Divided opinions

"This increase in raising capital reflects a recent flurry of announcements from well-established multibillion funds, such as Blackstone, which have excelled at deploying significant amounts of capital throughout 2015, and are returning to the market with another fund," says Almond. "It is clear that investors are not dissuaded from investing in real estate."

Going forward, Almond says growing global economic uncertainty will create divided opinions on pricing, and that those funds with more flexible strategies and approaches to pricing and allocation are likely to emerge as the winners.

However, Almond says the longer-for-lower interest rate environment and further quantitative easing in some regions means real estate will continue to remain attractive to investors.

"Continued volatility in equity markets is also supporting flows of capital in direct markets," he adds. "As a result we anticipate record levels of new capital for investment in commercial real estate, supporting the 4.2% growth in investment activity predicted for 2016."

Although the wall of money targeting commercial estate may be growing more slowly, it is showing no signs of falling away, and it seems many markets around the globe could be set for record levels of investment this year. ■