Real estate survey: Your thoughts for 2023

In the autumn of 2022, we conducted an online survey of 102 real estate industry participants. While the results are subject to the limitations of sample-based information, they do provide an indication of broader market sentiment. The results are anonymized and presented in aggregate.

Section 1: Deal making opportunities

Question 1: How would you describe the outlook for the sector in which you are primarily active in the short term (six to 12 months)?

- Uncertain: 38%
- Cautiously optimistic: 35%
- Pessimistic: 14%
- Optimistic: 13%

Question 2: How would you describe the outlook for the sector in which you are primarily active in the long term (12 to 36 months)?

- Cautiously optimistic: 44%
- Optimistic: 31%
- Uncertain: 21%
- Pessimistic: 4%

Question 3: Within the sector(s) in which you are primarily active, which region—or city—do you expect to see most growth in capital deployment in the next 12 months?

- Western Europe: 38%
- Central Europe: 17%
- North America: 12%
- Middle-East: 3%
- Africa: 6%
- Singapore: 6%
- Southern Europe: 3%
- Australia: 1%
- Beijing: 1%
- Hong Kong SAR: 1%
- Japan: 1%
- Seoul: 1%
- Shanghai: 1%
- South America: 1%

Question 4: Which types of M&A deals do you think are most likely over the next 12 months within the sector in which you operate/invest?

- Off-market transaction: 28%
- Distressed/Restructurings: 26%
- Single Asset: 15%
- Platform: 13%
- Public to private (P2P): 11%
- Competitive auction: 7%
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Question 5: How would you describe your organization’s strategic position in the short term (next 12 months)?

- Focus on organic growth: 50%
- Net-buyer: 28%
- Passive: 14%
- Net-seller: 8%

Question 6: Within the primary sector in which you are active, how would you describe your organization’s strategic position in the long term (12 to 36 months)?

- Focus on organic growth: 48%
- Net-buyer: 40%
- Net-seller: 11%
- Passive: 1%

Section 2: Fundraising

Question 7: What strategies do you think new (currently being raised) real estate-focused funds are most likely to pursue?

- Opportunistic: 32%
- Value add: 24%
- Development: 19%
- Core: 16%
- Asset class specific: 3%

Question 8: In your opinion, should real estate fund managers be considering the use of open-ended fund structures in the current economic climate?

- Yes: 69%
- No: 31%

Section 3: ESG

Question 9: Which of the following two options do you think real estate fund managers holding assets (either on balance sheet or via funds they manage) are most likely to pursue?

- Seed a new production/fund/vehicle: 51%
- Transfer into a continuation or similar fund: 49%

Question 10: From your perspective, how are the market players in your sector positioned to meet investor-driven ESG requirements?

- Still finding their way: 70%
- Well positioned: 15%
- Not well prepared: 15%
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Question 11: In your opinion, which stakeholder group will face the most scrutiny for ESG and sustainability issues?

- Developers: 38%
- Investors/Asset fund managers: 27%
- Operators: 18%
- Financiers/Lenders: 16%

Question 12: Which sector do you think is most likely to outperform expectations in terms of value in the next 12 months?

- Digital infrastructure: 20%
- Healthcare/Life Sciences: 18%
- Living/Residential: 15%
- Logistics/Industrial: 12%
- Retail: 9%
- Healthcare/Life Sciences: 9%
- Infrastructure: 7%
- Hospitality & Leisure: 6%

Question 13: Which sectors do you think are most likely to underperform against expectations in terms of value in the next 12 months?

- Offices: 28%
- Retail: 22%
- Living: 15%
- Logistics/Industrial: 15%
- Hospitality & Leisure: 14%
- Digital infrastructure: 5%
- Healthcare/Life Sciences: 2%

Question 14: To what extent do you agree with the following statement: “CVAs, restructuring plans—or another insolvency event—will have a material impact on your business in the next 12 months.”

- Strongly agree: 8%
- Agree: 10%
- Neutral: 48%
- Disagree: 10%
- Strongly disagree: 10%
Question 15: How do you anticipate the current inflation levels will affect your organization?

- Concerns over construction/development costs: 28%
- Wait-and-see approach to deal-making: 27%
- Concerns over cashflows: 14%
- Concerns over leverage levels: 13%
- Concerns over workforce/payroll: 10%
- Concerns over energy costs: 7%

Question 16: How is volatility of cap and swap pricing likely to affect sponsors’ appetite for leverage within the sector in which you are active?

- Decreased appetite: 51%
- Unchanged: 34%
- Increased appetite: 15%

Question 17: Do you anticipate an uptick in portfolios of non-performing loans (secured by real estate) coming to market in the next 12 months?

- Yes: 79%
- No: 21%

Question 18: In your opinion, what will be the biggest macro-economic risks over the next 12 months for the sector in which you operate/invest?

- Inflation: 29%
- Interest rates: 29%
- Energy costs: 13%
- Currency volatility: 7%
- Supply chain issues: 7%
- Labor shortages: 5%
- Regional conflicts: 4%
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Question 19: In your opinion, what will be the biggest operational risks over the next 12 months for the sector in which you are active?

- Construction costs/resource availability: 30%
- Availability/price of debt: 27%
- Stability of cashflows: 12%
- Liquidity: 10%
- Land supply/availability: 9%
- Availability/price of debt: 5%
- Major default scenarios: 4%
- Asset obsolescence: 4%
- Cybersecurity: 4%

Question 20: In your opinion, what will be the biggest socio-political risks over the next 12 months for the sector in which you are primarily active?

- Environmental issues: 22%
- Social impacts of land use and development: 12%
- Political instability/uncertainty: 30%
- Impact of political sanctions, both direct and indirect: 12%
- Societal change in habits: 12%
- Social impacts of land use and development: 12%
- Workforce management: 9%
- Land banking: 4%

Question 21: How concerned is your organization with staff retention/recruitment over the next 12 months?

- Not concerned: 47%
- Concerned: 38%
- Very concerned: 15%

Question 22: In your experience, how has the approach to underwriting changed as compared to 12 months ago, in response to the volatile macroeconomic climate?

- Significantly changed: 39%
- Moderately changed: 44%
- Unchanged: 11%
- Not applicable/currently not investing: 6%
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Section 6: Technology

Question 23: How important is technology and digital integration to future-proofing your organization?

Very Important: 53%
Important: 33%
Not Important: 14%

Question 24: What type of technology is your business incorporating into its operations currently, or considering incorporating in the near future?

- Data analytics: 33%
- Automation: 17%
- Upgraded hardware: 16%
- Virtual reality: 12%
- Artificial intelligence: 11%
- Blockchain: 8%
- Other: 3%

Section 7: Future trends

The following statements have been rated on the scale from one to five, with five being the most accurate and one—the least accurate.

Question 25: Staff retention/recruitment is holding back performance

- Least accurate: 11%
- Very inaccurate: 19%
- Inaccurate: 19%
- Basically accurate: 18%
- Accurate: 14%

Question 26: There will be a prolonged period (12 months+) of uncertainty leading to a wave of default and distressed scenarios

- Least accurate: 21%
- Slightly inaccurate: 19%
- Close to accurate: 26%
- Accurate: 23%
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Question 27: With sufficient downside protection in the underwriting model, there is nothing to fear in the current climate

Question 28: Availability and pricing of debt is the main factor driving deal activity

Question 29: ESG/Sustainability will be the #1 concern for the next 12 months