



Demographics and Real Estate Demand

CBRE ECONOMETRIC ADVISORS CLIENT FORUM
FALL 2019



ARE WE LOOKING AT THE JAPANIFICATION OF THE WEST?

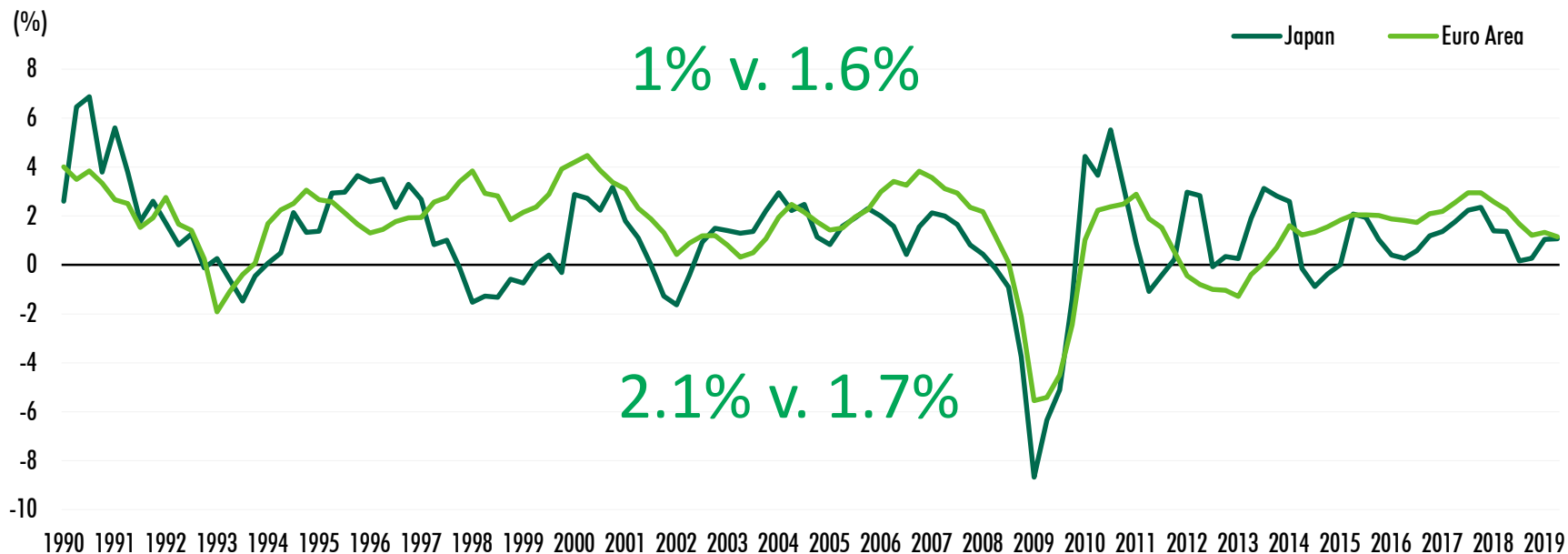
DR. RICHARD BARKHAM, GLOBAL CHIEF ECONOMIST, HEAD OF GLOBAL RESEARCH

WHAT IS JAPANIFICATION?



LOW GROWTH, CONSTANT NEAR RECESSION

REAL GDP GROWTH, QUARTERLY Y-O-Y %

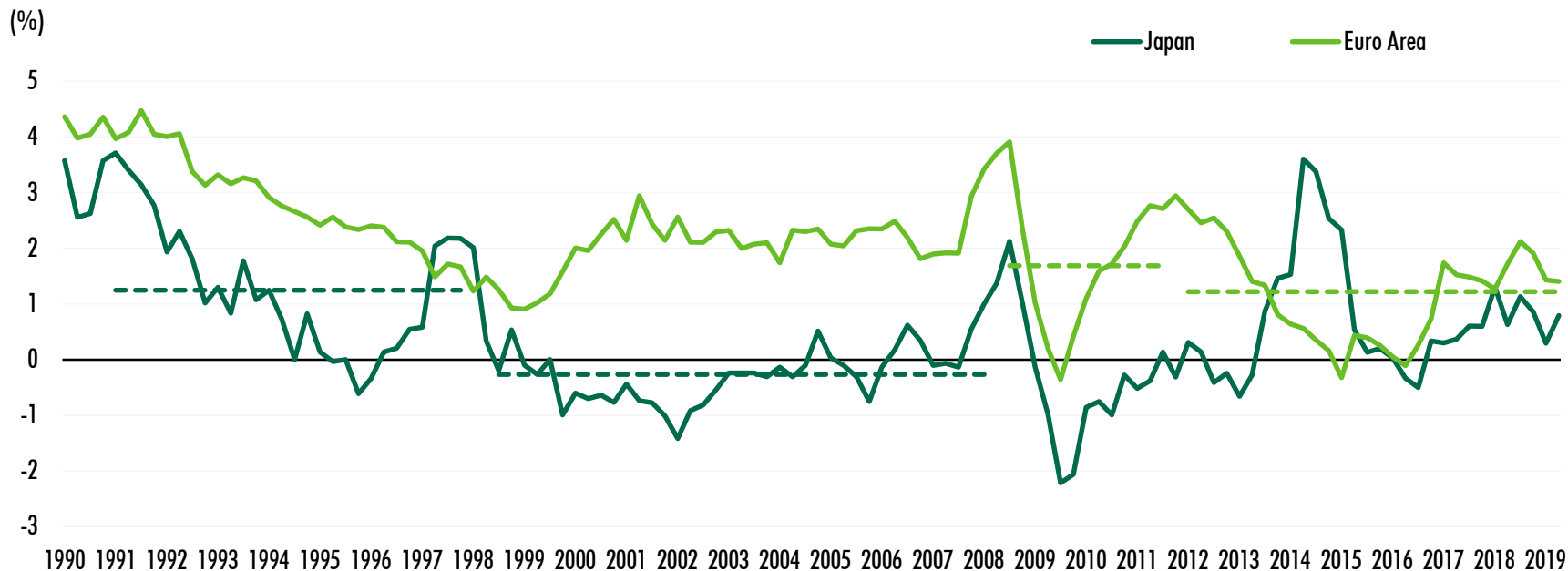


Source: Oxford Economics, CBRE Research, Q2 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

LOW INFLATION... DISINFLATION

DISINFLATION: JAPAN IN THE 1990S

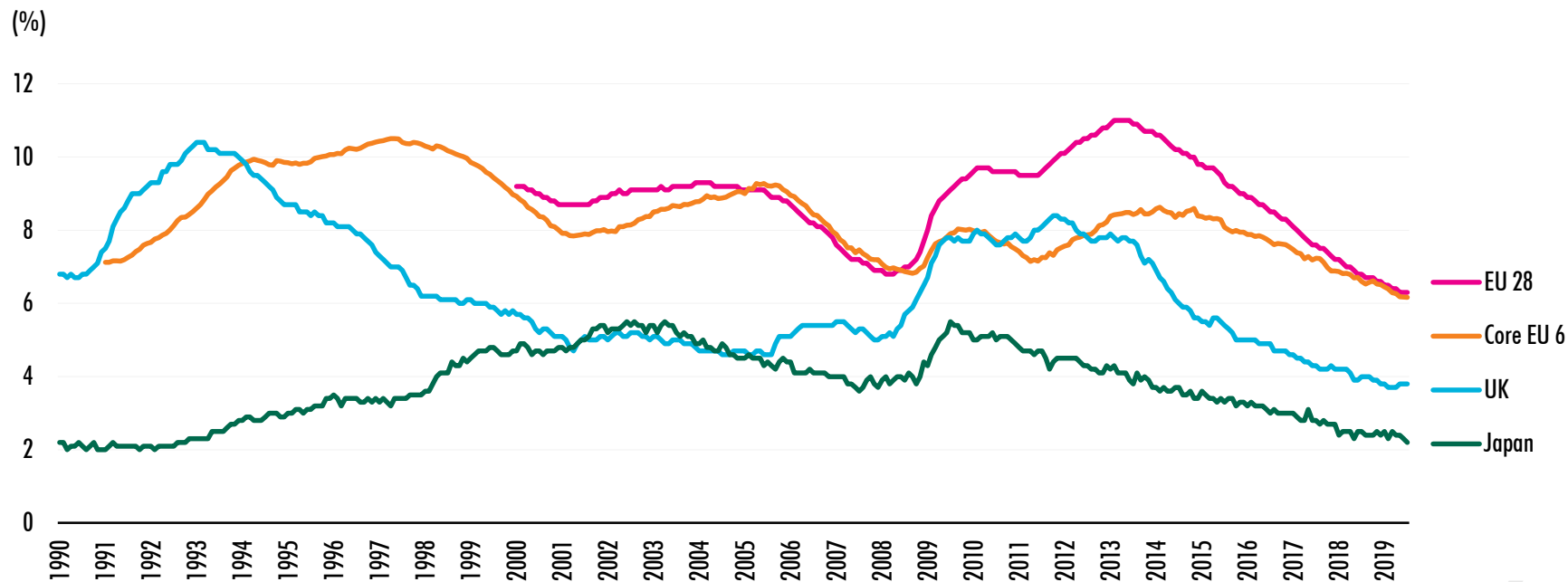


Source: Oxford Economics, CBRE Research, Q2 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

BUT LOW UNEMPLOYMENT

HARMONISED UNEMPLOYMENT RATE (%)

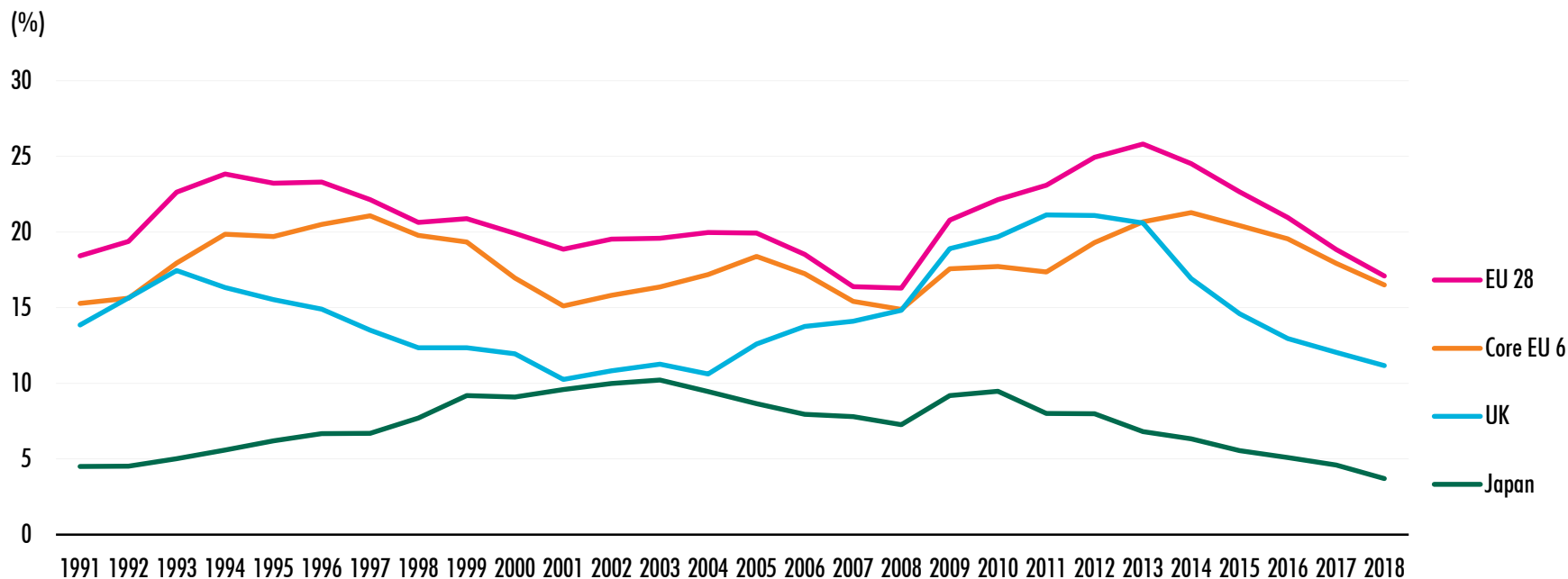


Source: OECD, CBRE Research, July 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

AND LOW YOUTH UNEMPLOYMENT

UNEMPLOYMENT OF LABOR FORCE AGES 15-24

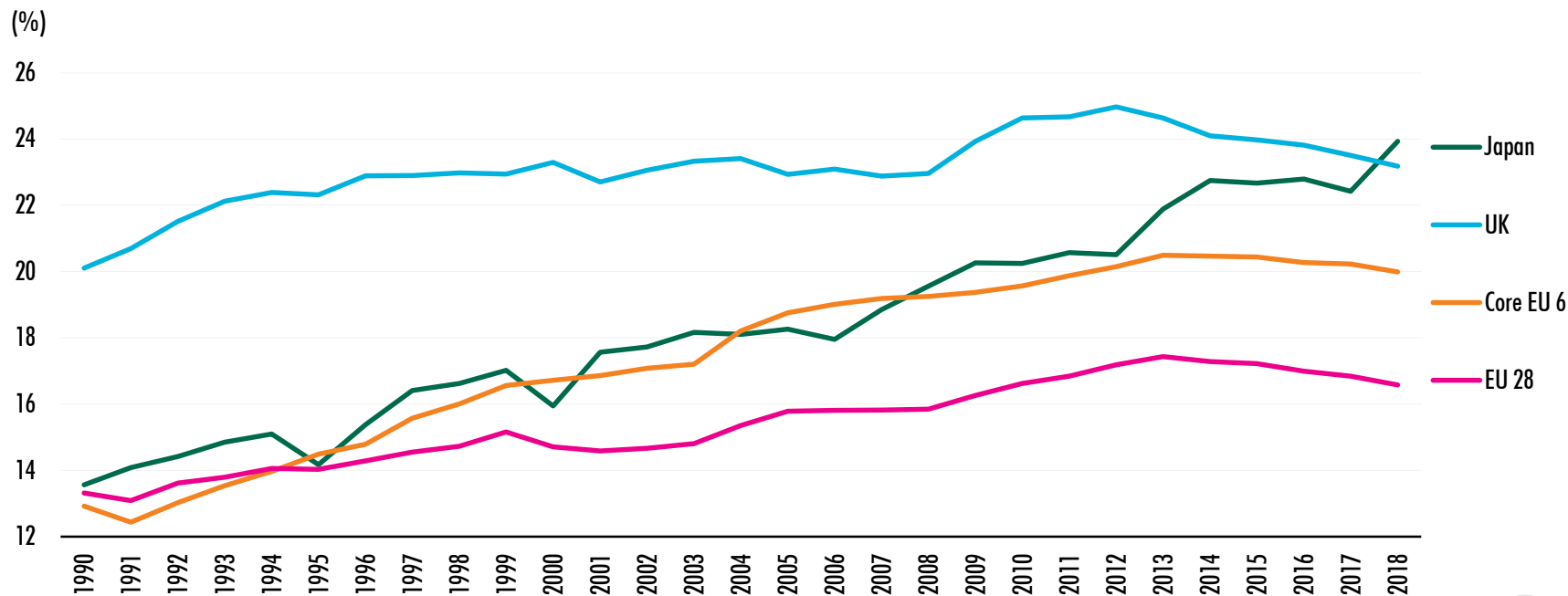


Source: World Bank, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

AND ONLY MILDLY MORE PART-TIME WORKERS

PART-TIME (LESS THAN 30 HOURS A WEEK) EMPLOYMENT RATE



Source: OECD, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

WHAT CAUSED JAPANIFICATION?

DOES IT APPLY TO EUROPE?

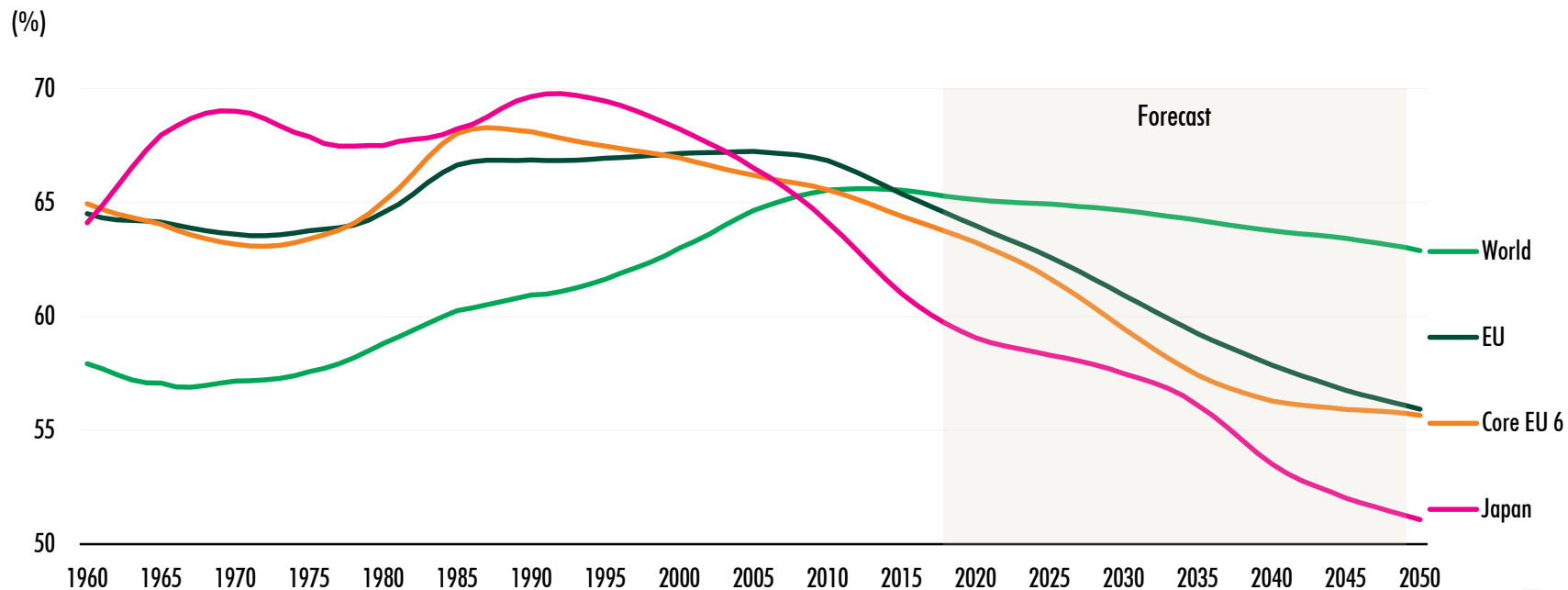


A photograph of a crowd of people walking outdoors, likely on a path or trail. In the foreground, an elderly man with white hair is seen from behind, wearing a grey vest over a light-colored long-sleeved shirt. To his left, a person in a blue jacket and a blue bucket hat is also seen from behind. Further back, a person in a grey cap and a person in a blue jacket are visible. The background is filled with more people walking, and the trees have yellow and orange autumn leaves. The text "DEMOGRAPHICS?" is overlaid in white, bold, sans-serif font in the upper right quadrant.

DEMOGRAPHICS?

DEMOGRAPHICS IS PART OF THE STORY

WORKING AGE (15-64) % OF TOTAL POPULATION

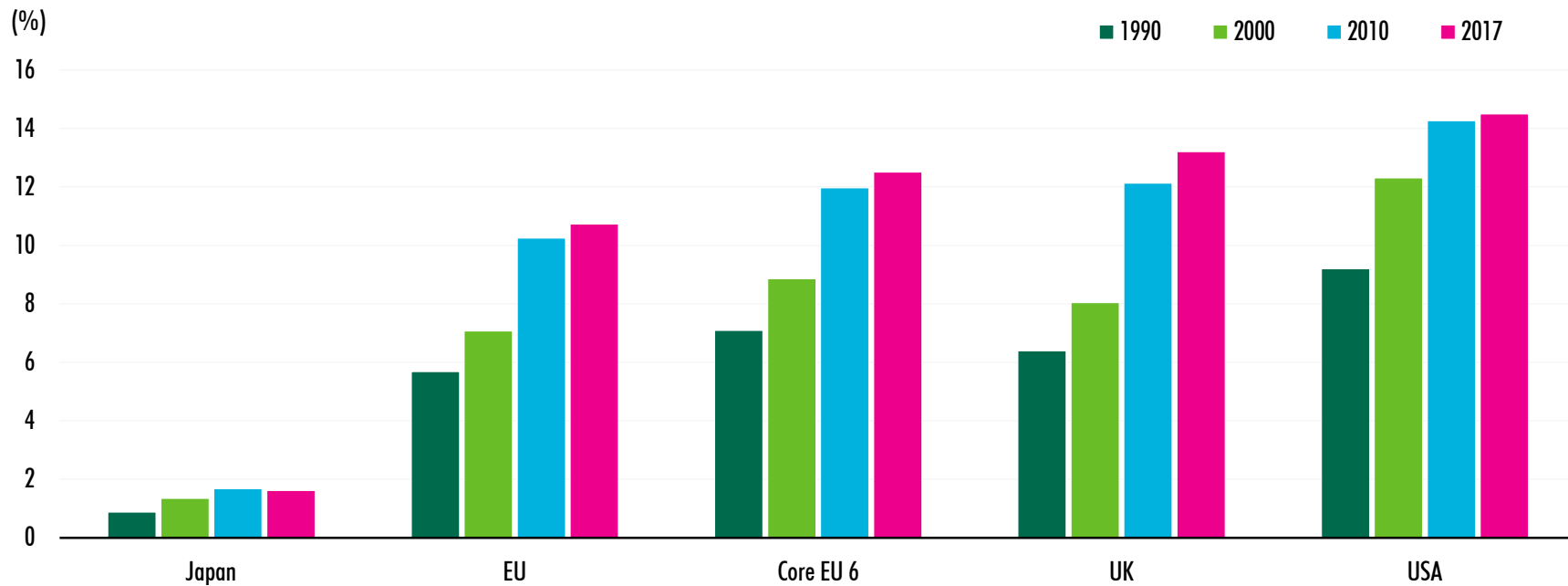


Source: World Bank, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

WHICH IS A SOCIAL CHOICE

PERCENT OF FOREIGN-BORN RESIDENTS

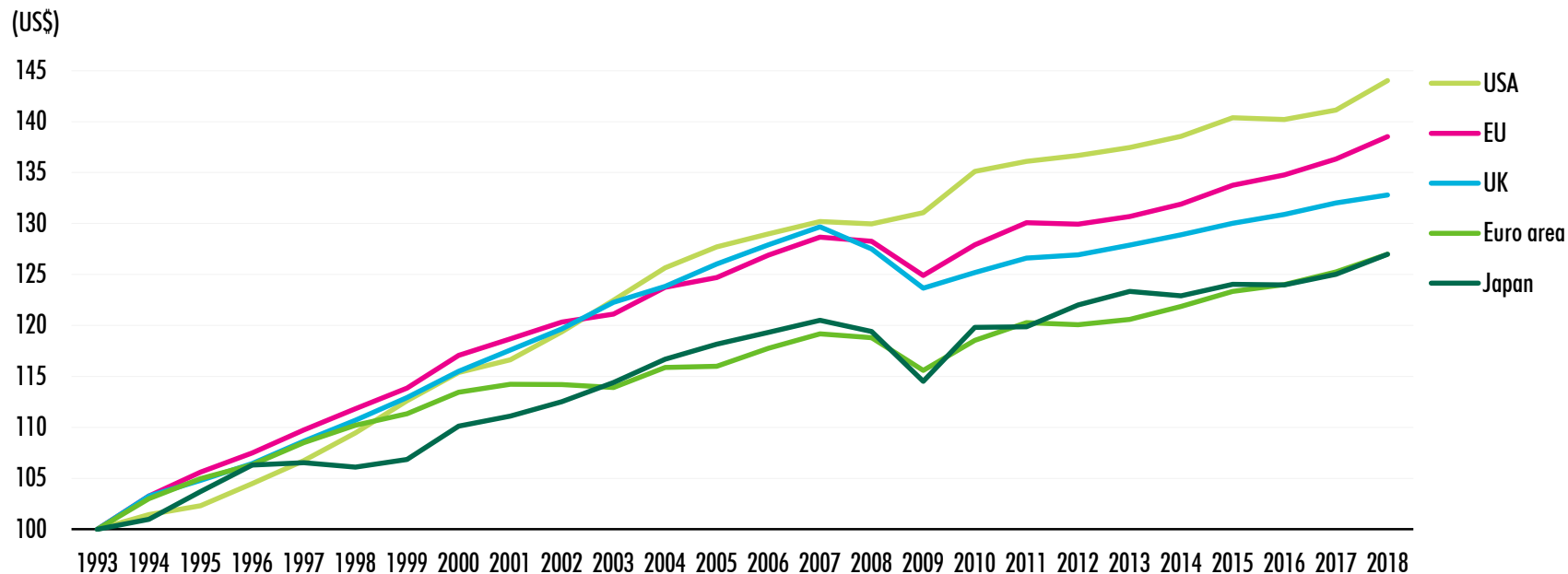


Source: World Bank, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

BUT JAPAN'S ADJUSTED GROWTH...NOT TOO BAD

GDP PER PERSON EMPLOYED (CONSTANT 2011 PPP \$)

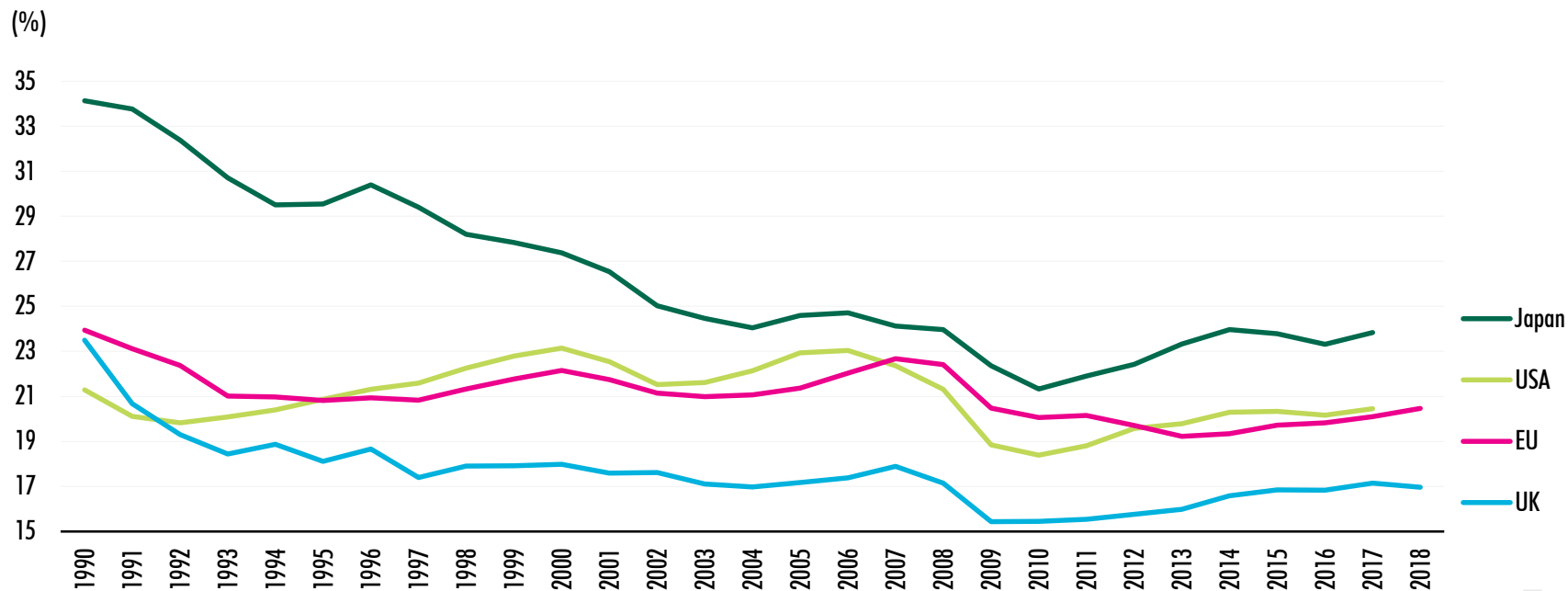


Source: World Bank, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

AIDED BY HIGH LEVELS OF INVESTMENT

GROSS FIXED CAPITAL FORMATION (% OF GDP)



Source: World Bank, CBRE Research, 2019.

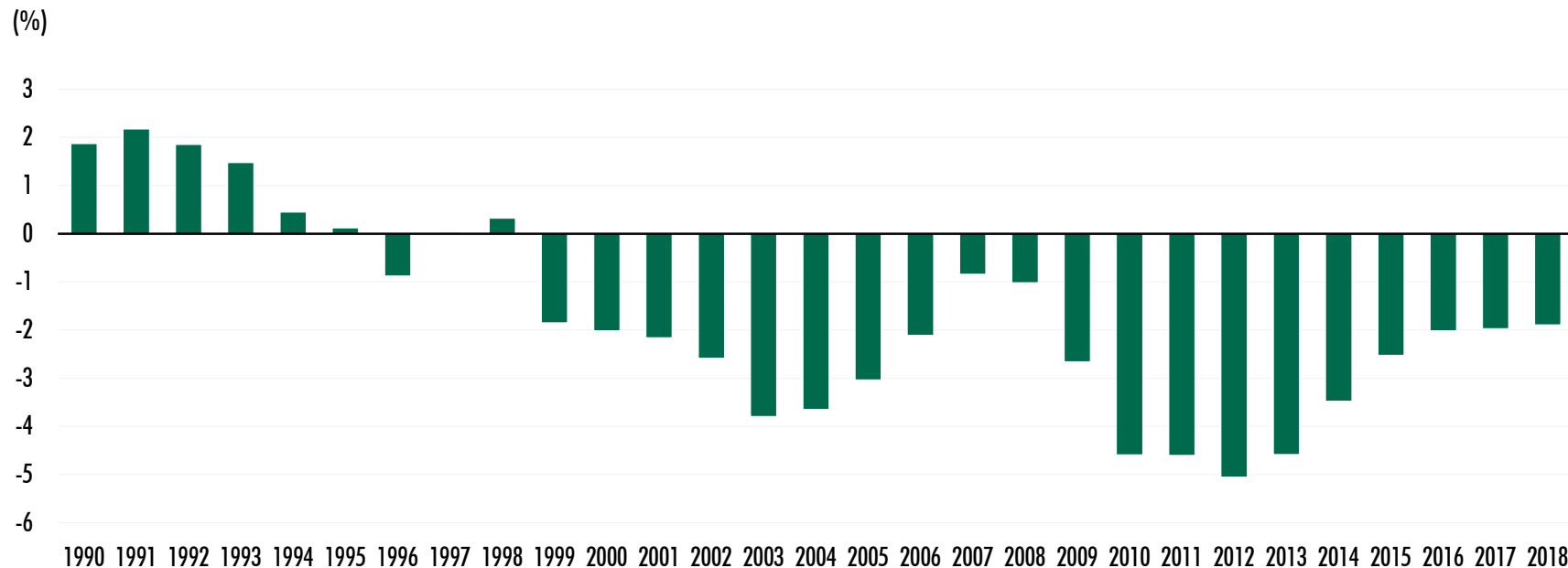
CBRE ECONOMETRIC ADVISORS CLIENT FORUM



**WHAT ABOUT
POLICY?**

FISCAL POLICY TOO TIGHT AT FIRST

JAPAN'S FISCAL BALANCE AS % OF NOMINAL GDP

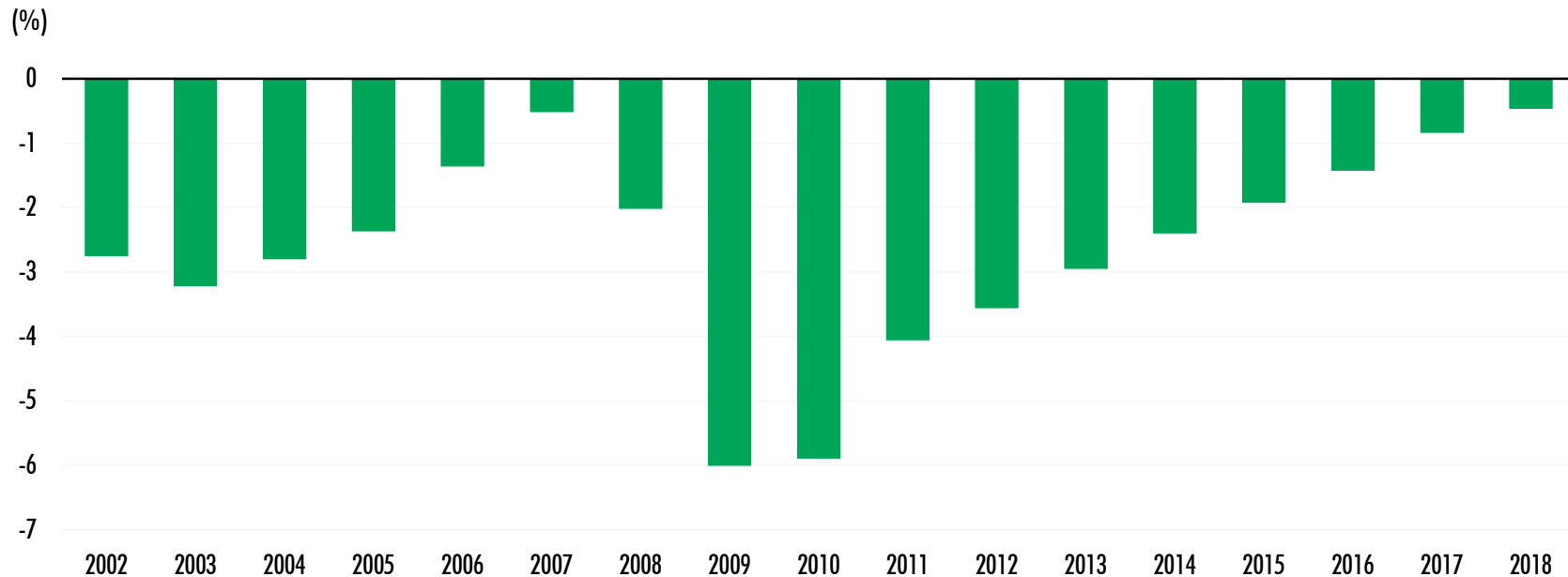


Source: Japanese Ministry of Finance, Japanese Cabinet Office, Macrobond, CBRE Research, Q2 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

MAY ALSO BE A PROBLEM IN THE EU

EU EX. UK NET FISCAL DEFICIT AS % OF NOMINAL GDP



Source: Eurostat, U.K. Office for National Statistics, Macrobond, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

PARTICULARLY FOCUSING ON CORE EU

CORE EU 6 NET FISCAL SURPLUS AS % OF NOMINAL GDP

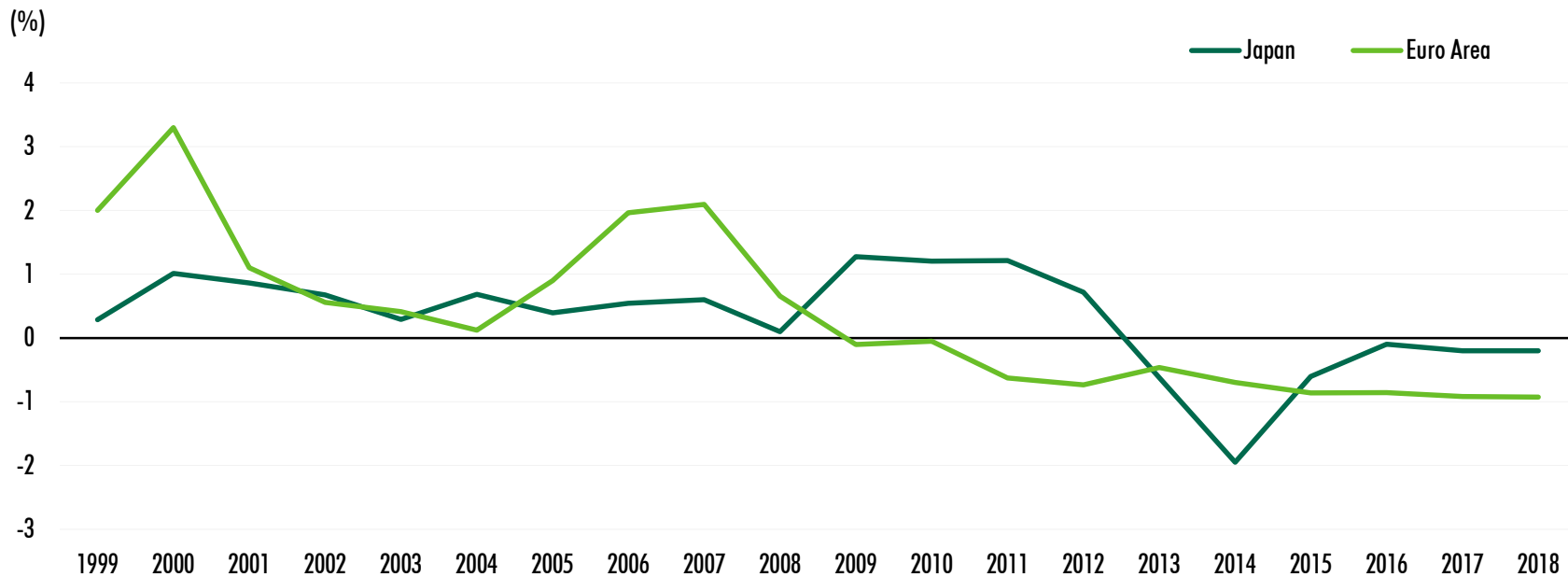


Source: National Sources, Macrobond, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

INTEREST RATES TOO HIGH FOR TOO LONG

REAL SHORT-TERM INTEREST RATE (POLICY RATE – CORE CPI, %)

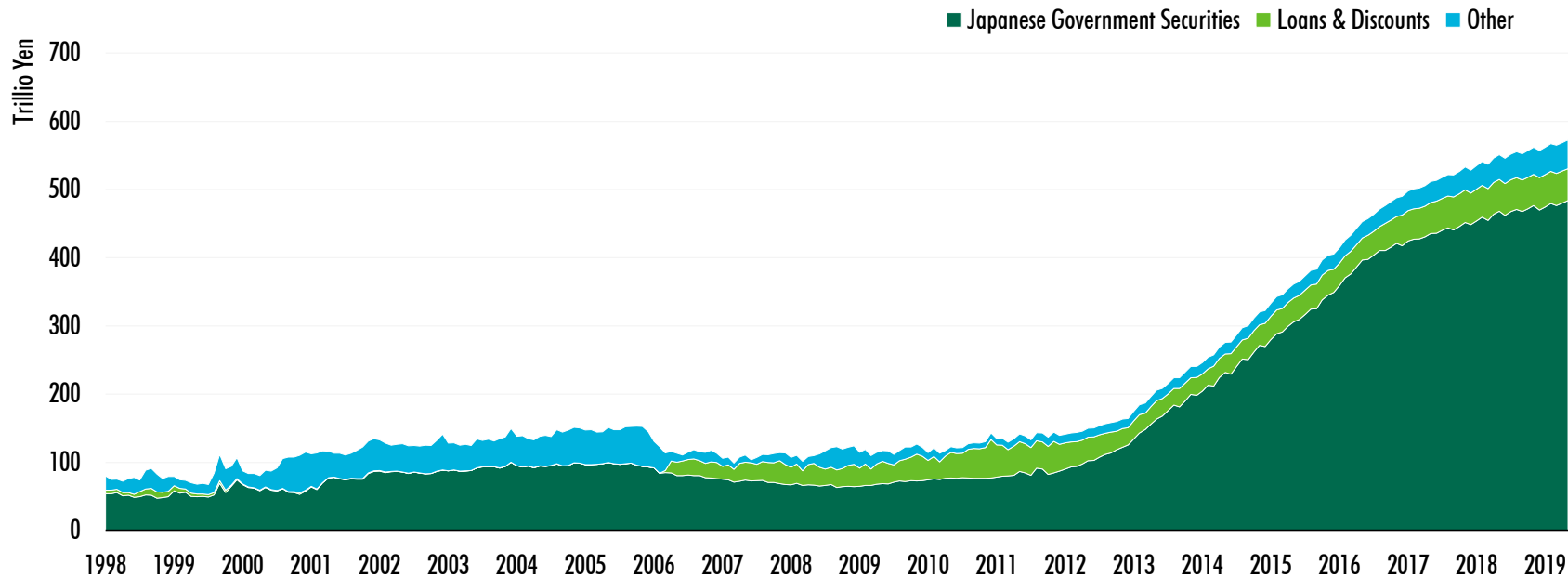


Source: Japanese Statistics Bureau, Eurostat, Macrobond, CBRE Research, August 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

UNCONVENTIONAL MONETARY POLICY WAY TOO LATE

BOJ BALANCE SHEET, TRILLION YEN

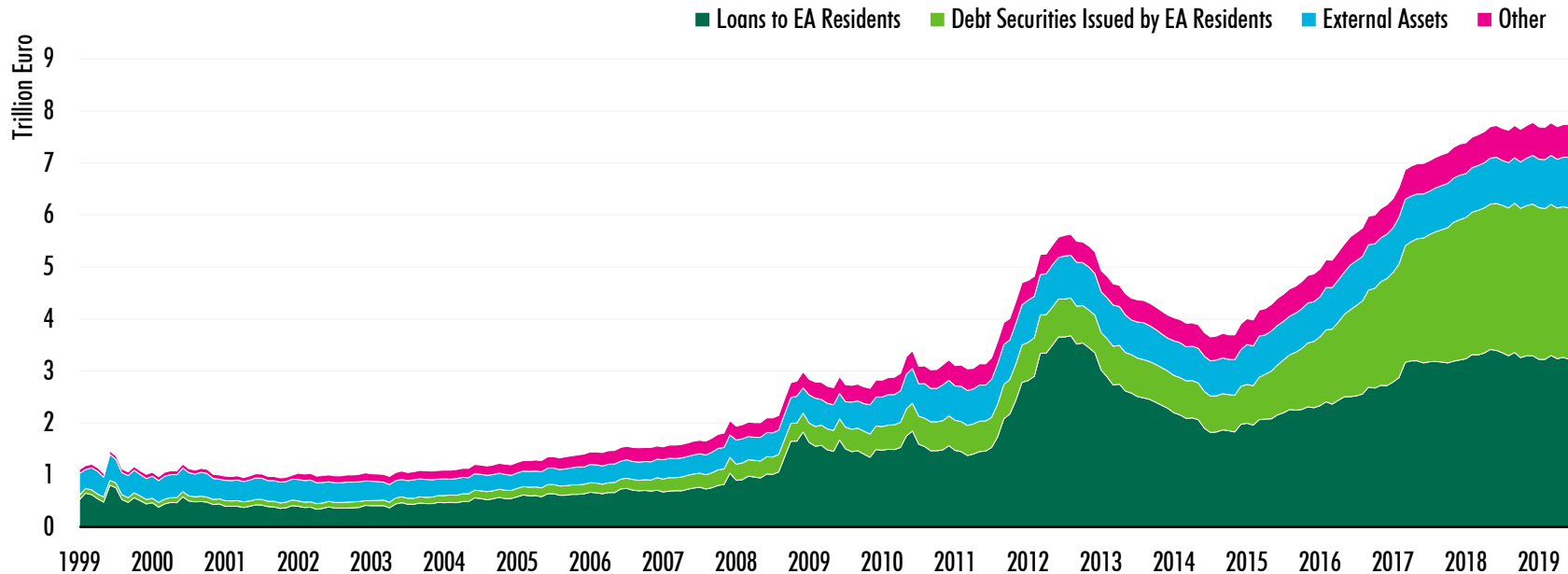


Source: Bank of Japan, Macrobond, CBRE Research, August 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

NOT EXACTLY THE CASE IN THE EU

ECB BALANCE SHEET, TRILLION EURO



Source: European Central Bank, Macrobond, CBRE Research, July 2019.

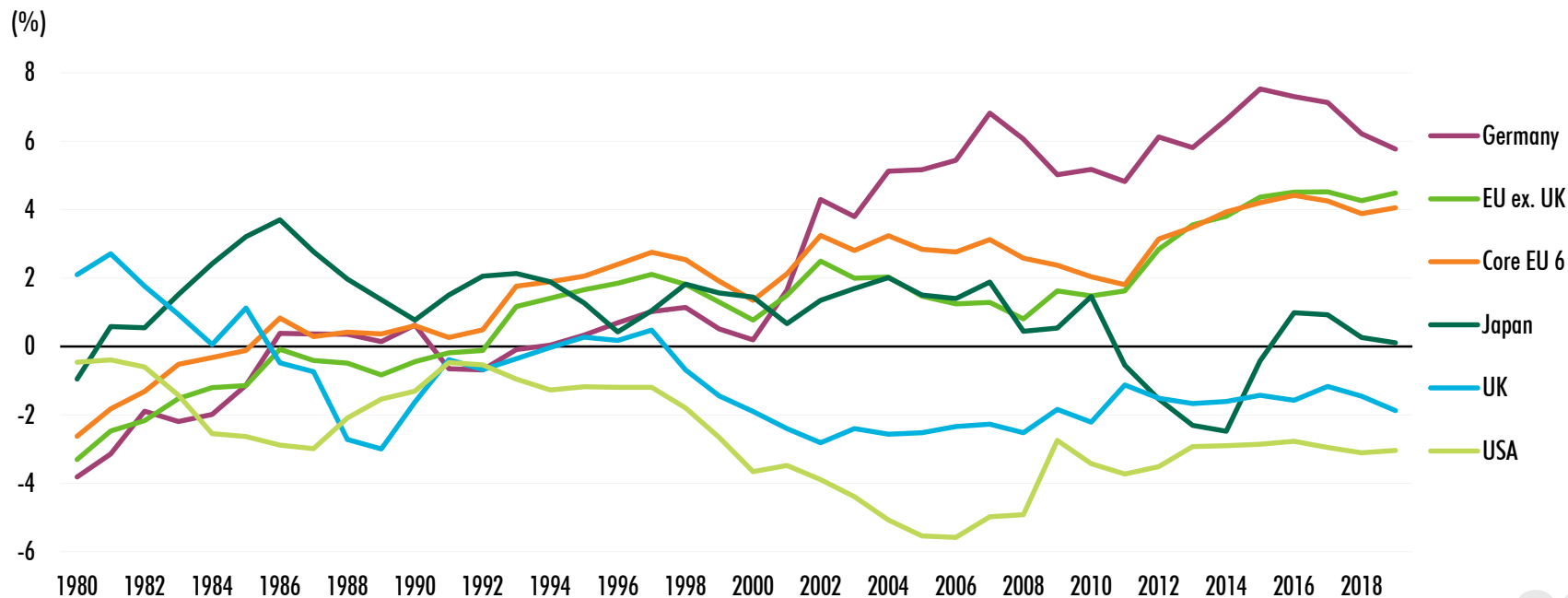
CBRE ECONOMETRIC ADVISORS CLIENT FORUM



OTHER FACTORS?

EXPORT DEPENDENCE?

TRADE BALANCE (EXPORTS – IMPORTS) TO GDP (%)

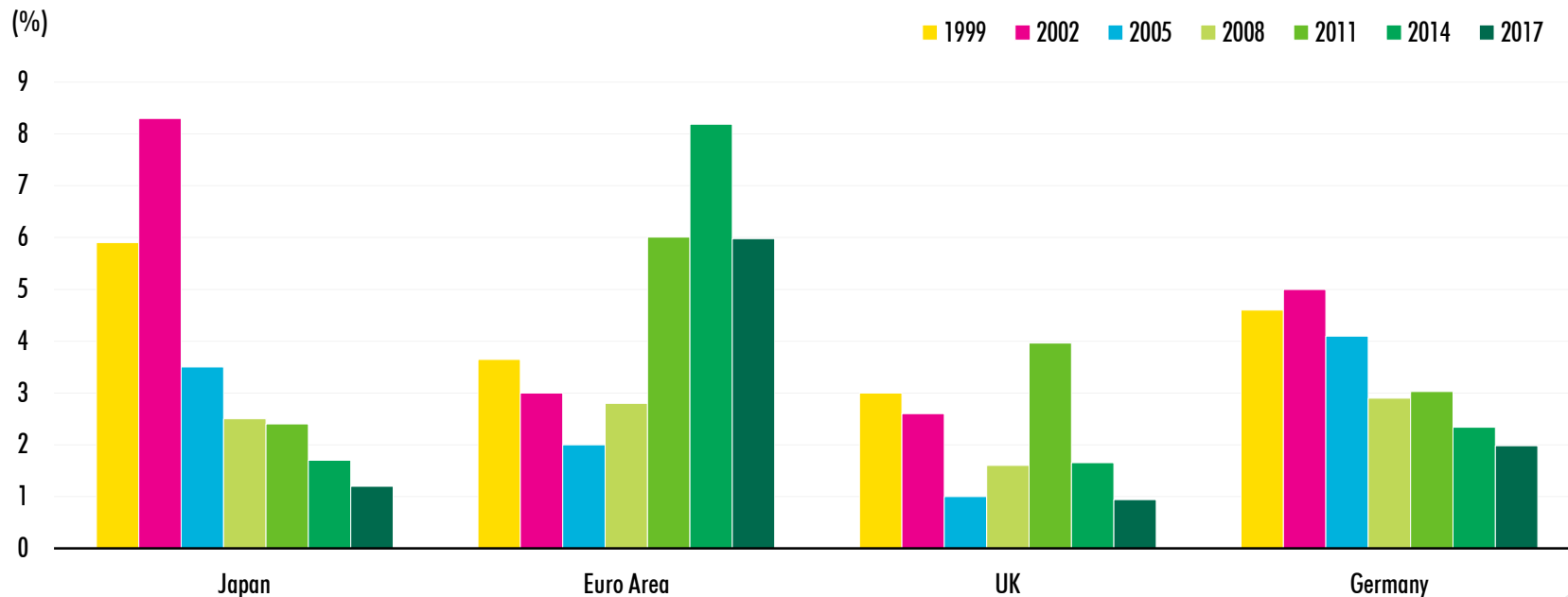


Source: Oxford Economics, National Sources, Macrobond, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

BAD DEBTS?

NON-PERFORMING LOANS TO TOTAL GROSS LOANS (%)

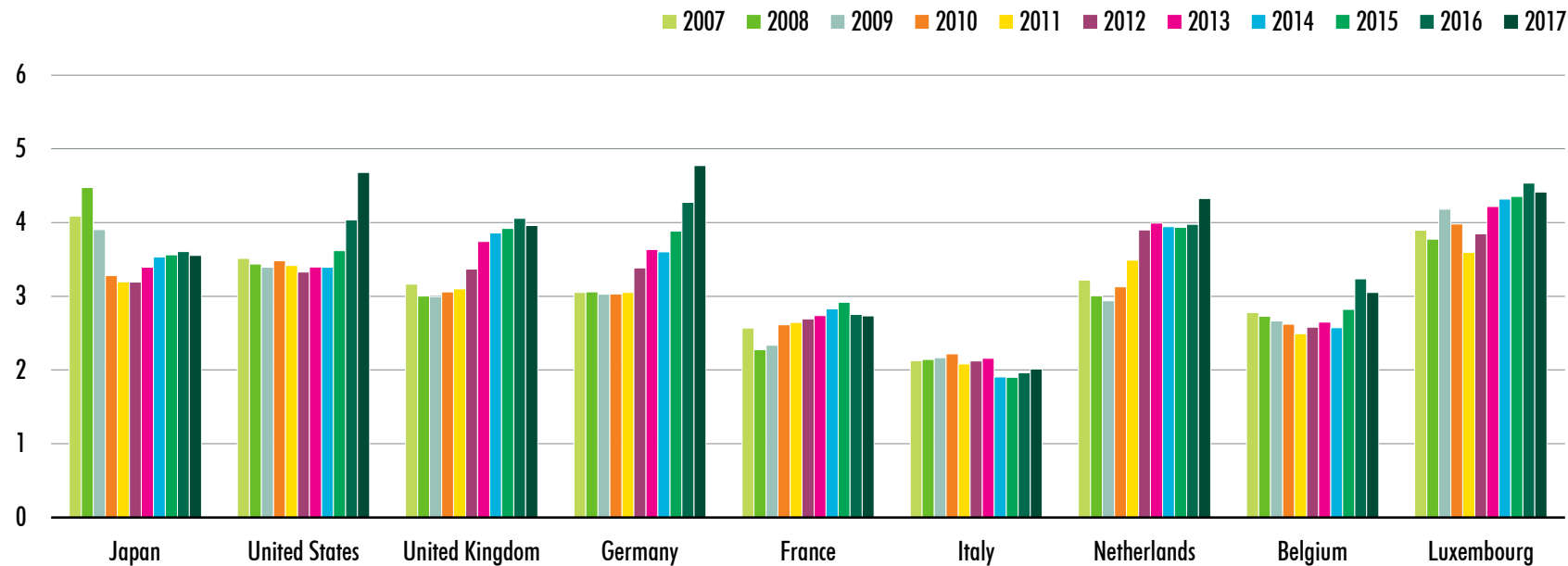


Source: World Bank, National Sources, Macrobond, CBRE Research, 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

OVER REGULATION?

BURDEN OF GOVERNMENT REGULATION INDEX, 1-7 (BEST)



Source: World Bank, CBRE Research, 2018.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

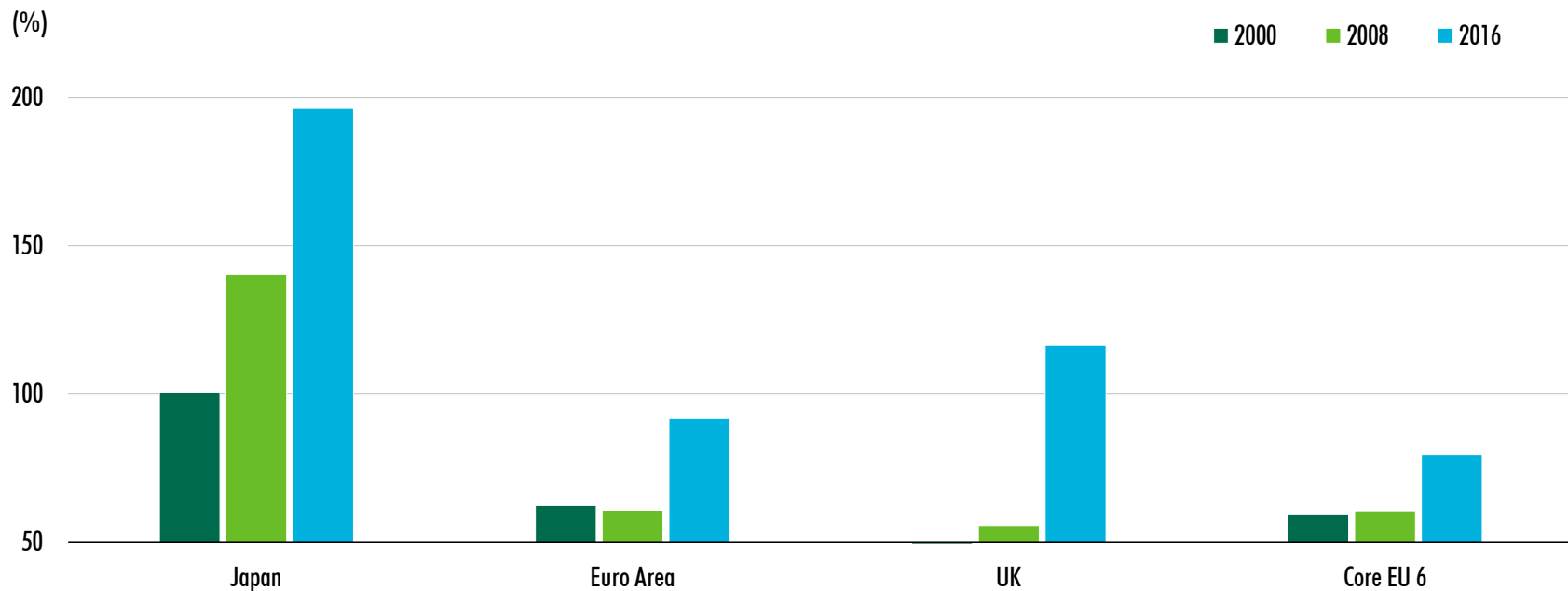
LEARNINGS



- Japan's situation mainly due to policy and broad social choices – not so much demographics
- In any case, demographics is not destiny, it's a choice
- Japan's problems derive from allowing deflation to become endemic – this is key lesson
- Recent ECB moves show that the EU is not Japan – so also does immigration
- But the fiscal conservatism of Germany and the core EU is a real problem
- It is creating tension in the EU - and with the wider world
- Brexit might move the needle, but also expect the U.S. to weigh in

WILL EU USE ITS FISCAL CAPACITY?

CENTRAL GOVERNMENT DEBT TO GDP %



Source: World Bank, National Sources, Macrobond, CBRE Research, 2018.

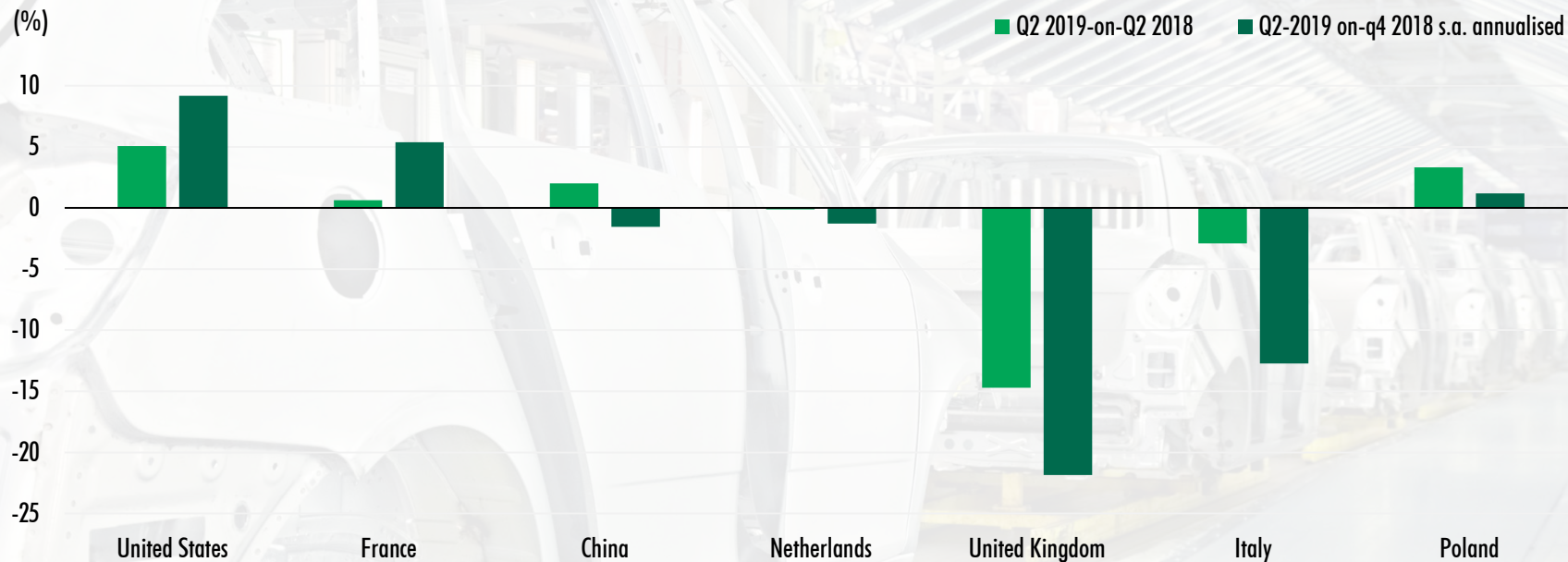
CBRE ECONOMETRIC ADVISORS CLIENT FORUM

NEAR-TERM OUTLOOK?



GERMANY'S EXPORT MACHINE FALTERS

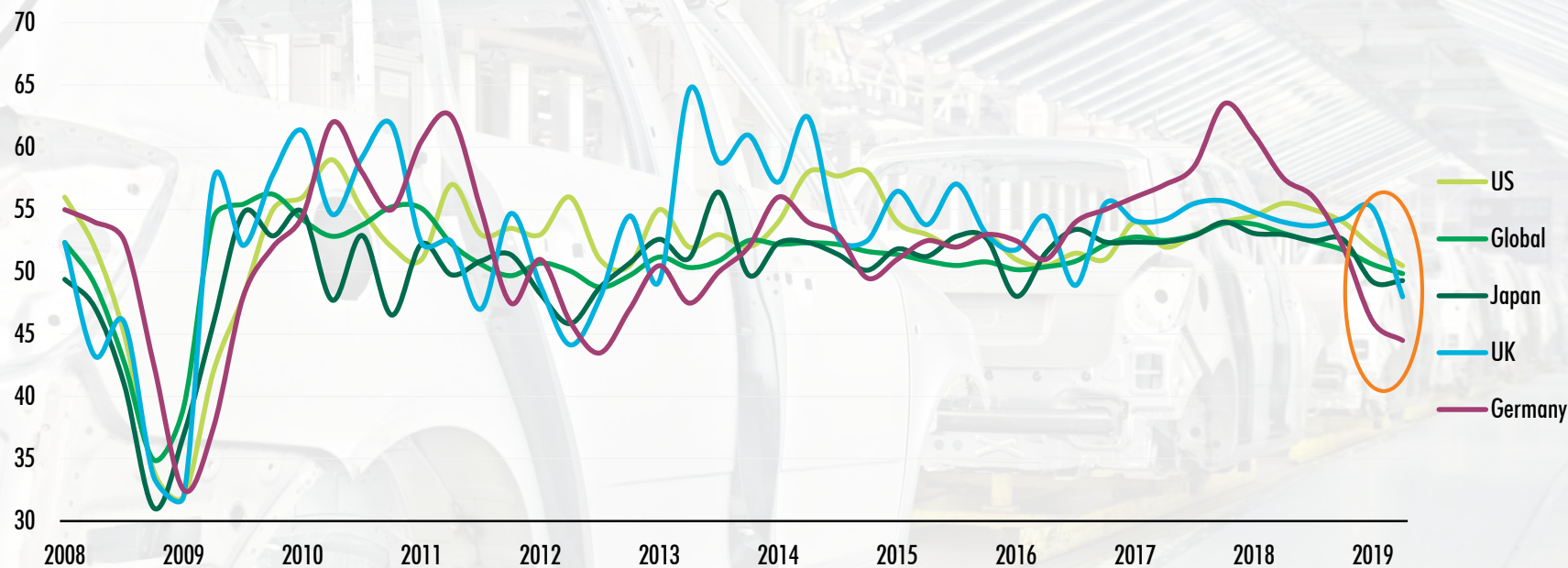
EXPORT GROWTH (% PER ANNUM)



Source: National Sources, Macrobond, CBRE Research, Q2 2019.

MANUFACTURING ACTIVITY FALLING QUICKLY

IHS MARKIT PMI INDEX (50 = NO CHANGE)



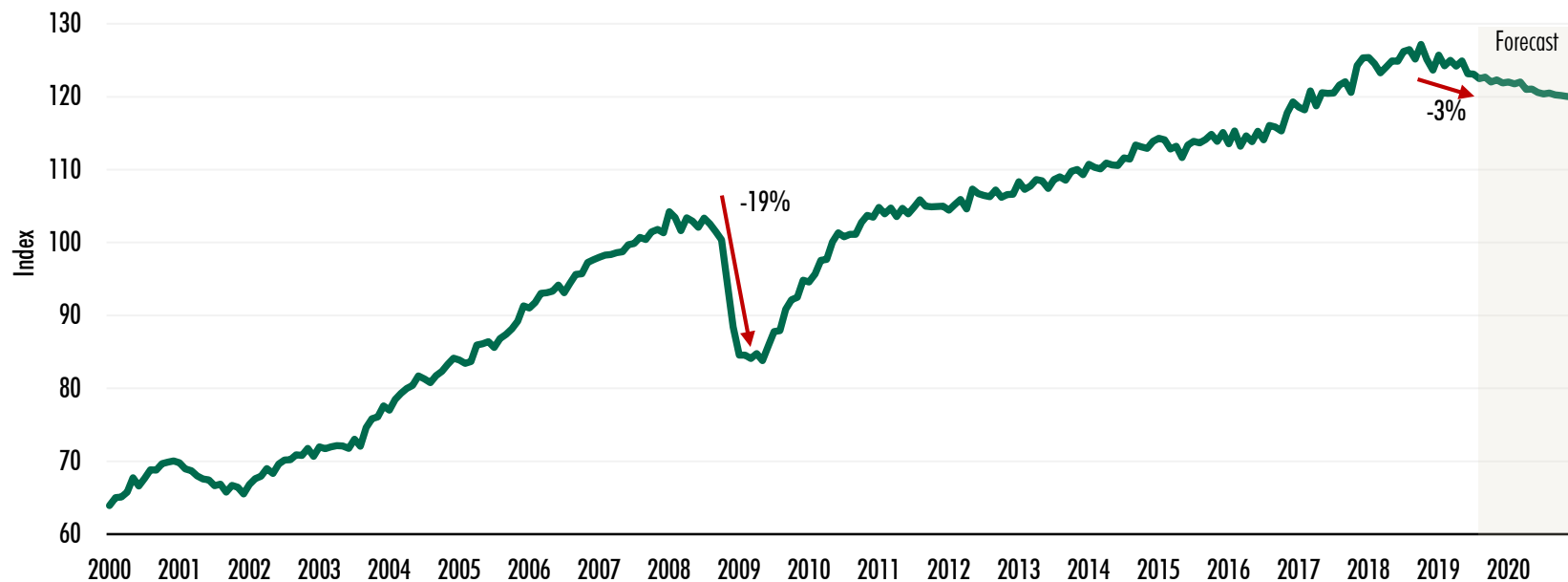
Source: IHS Markit, CBRE Research, Q2 2019.

THE TRADE WAR



WORLD TRADE HAS SLOWED

WORLD TRADE VOLUME INDEX

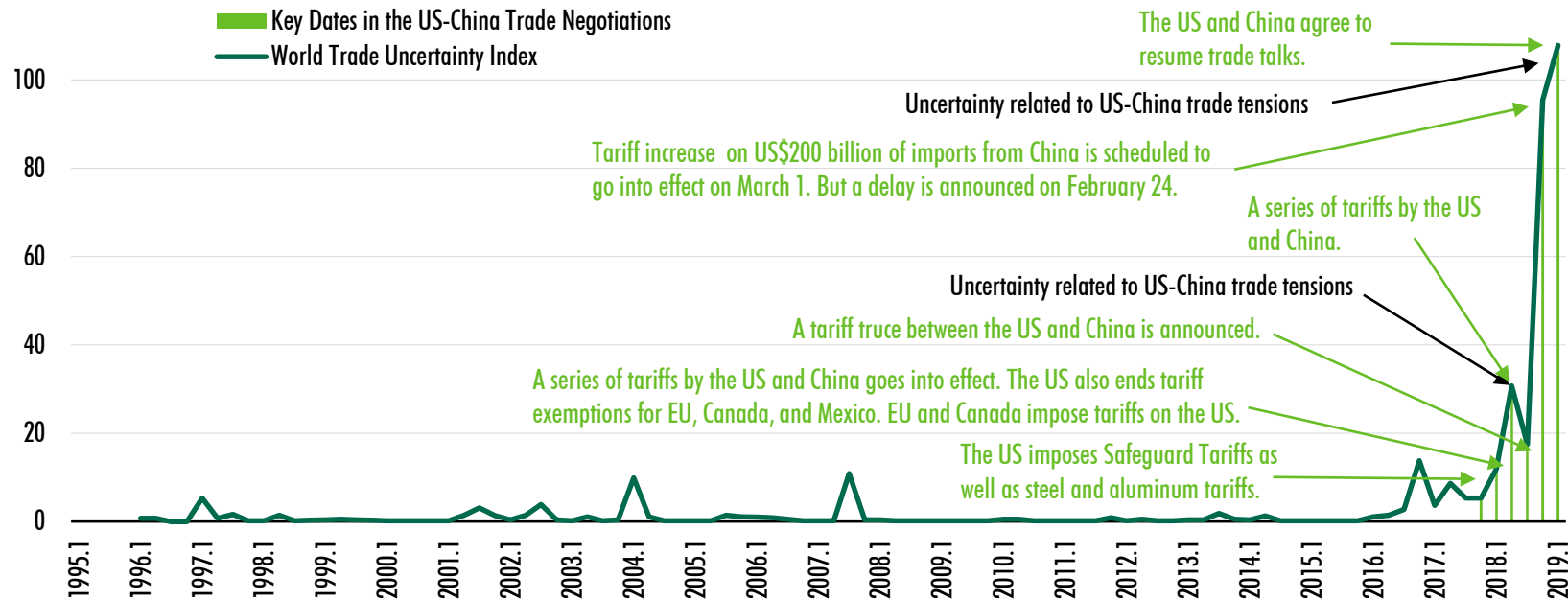


Source: CPB, Macrobond, CBRE Research, June 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

UNCERTAINTY SURGES

WORLD TRADE UNCERTAINTY INDEX, GDP WEIGHTED AVERAGE

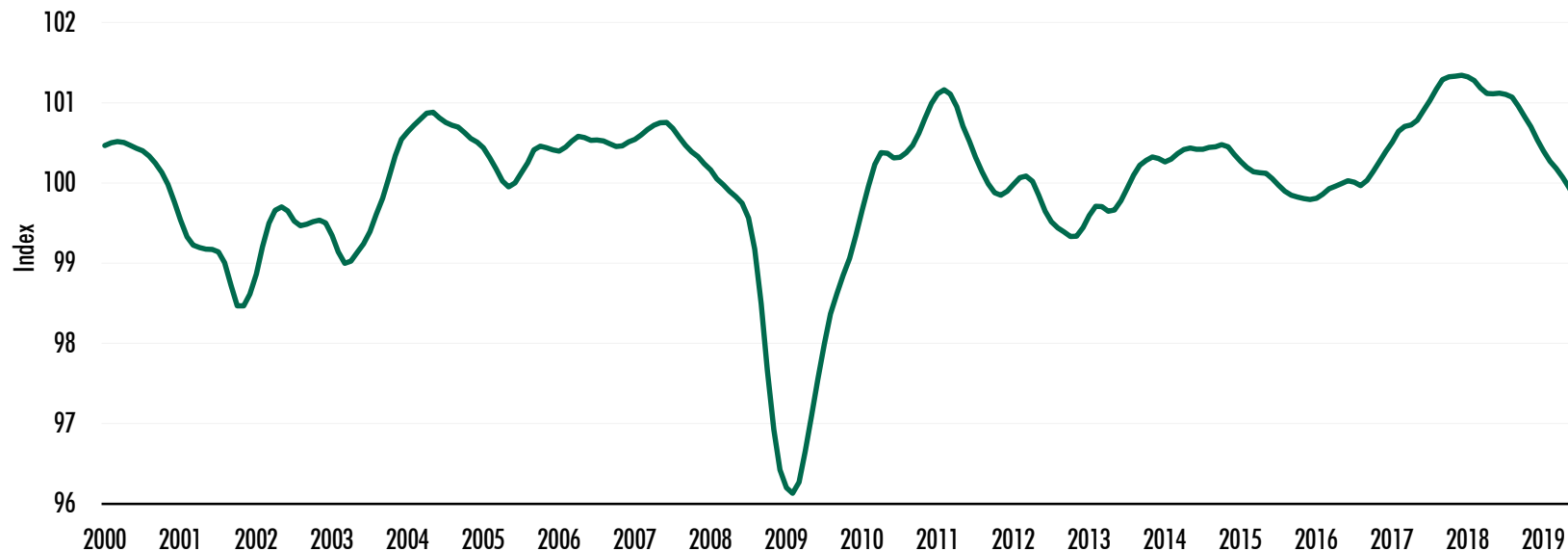


Source: World Uncertainty Index. Ahir, Bloom, Furceri (2018).

The source for the data on key dates in the US-China Trade negotiations comes from Bown and Kolb (2019).

BUSINESS CONFIDENCE IS IN DECLINE

(100 = NO CHANGE)

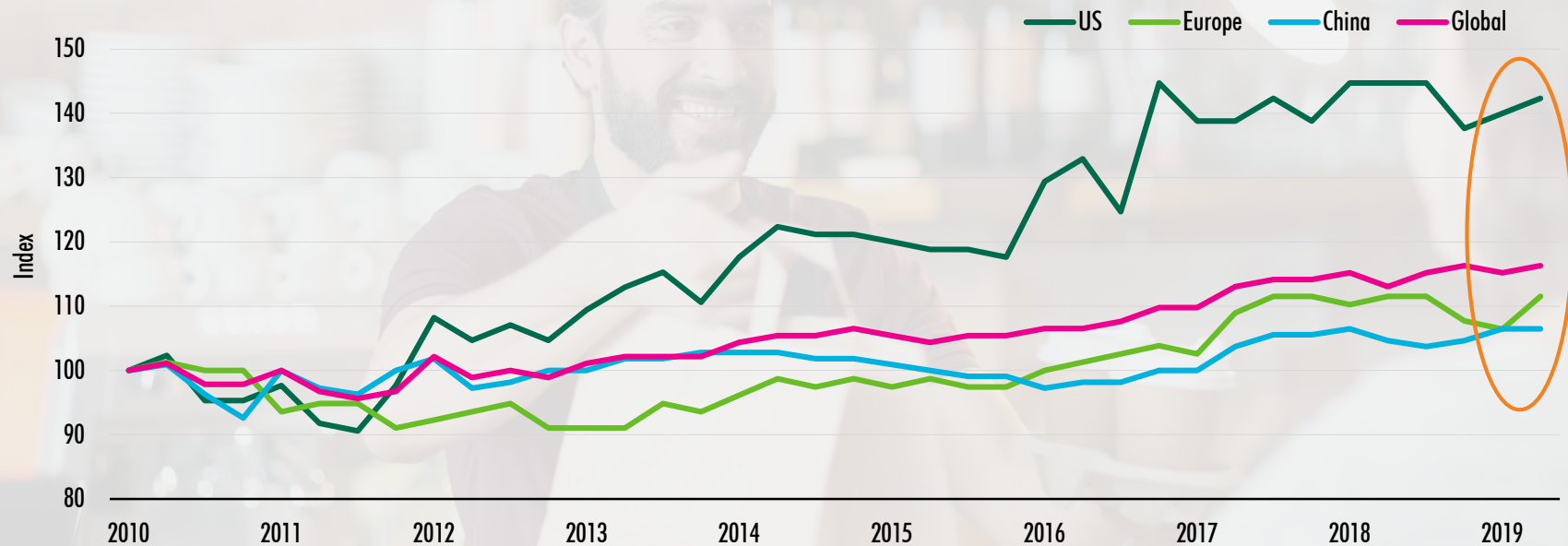


Source: OECD, CBRE Research, Q2 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

BUT CONSUMERS ARE CONFIDENT

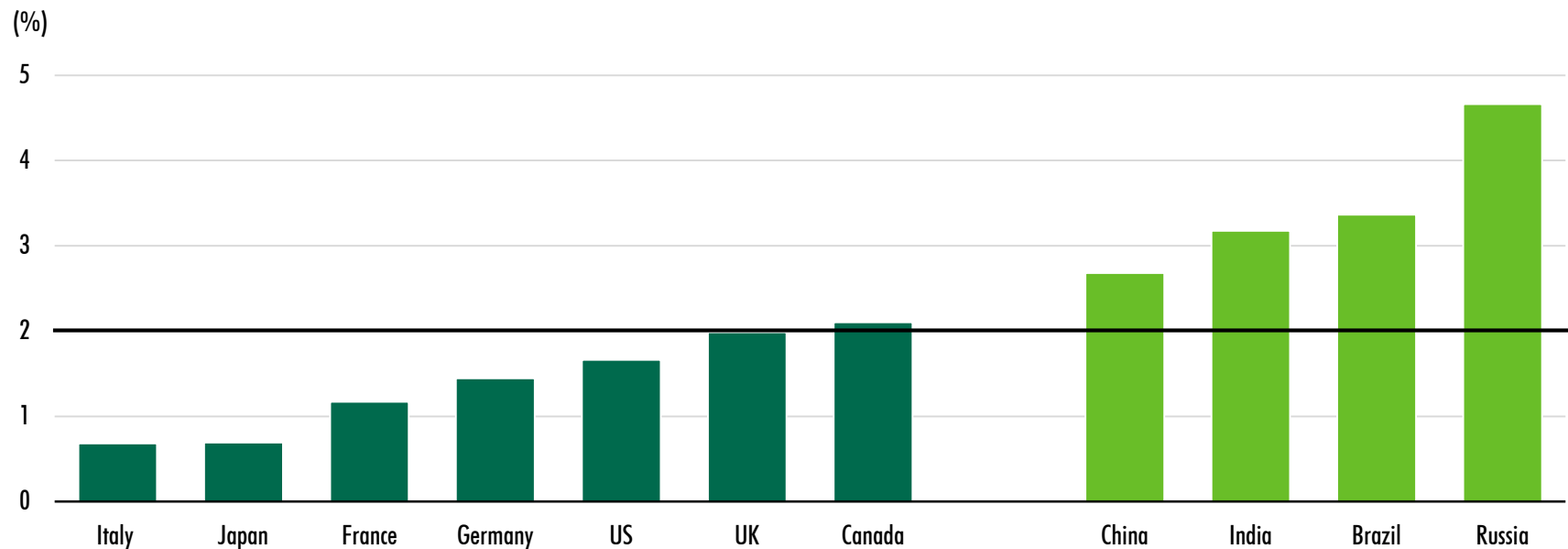
NIELSEN CONSUMER CONFIDENCE INDEX (Q1 2010 = 100)



Source: Nielsen, CBRE Research, Q2 2019.

GLOBAL INFLATION IS SUBDUED

G7 & BRIC HEADLINE CPI INFLATION (Y-O-Y, %)

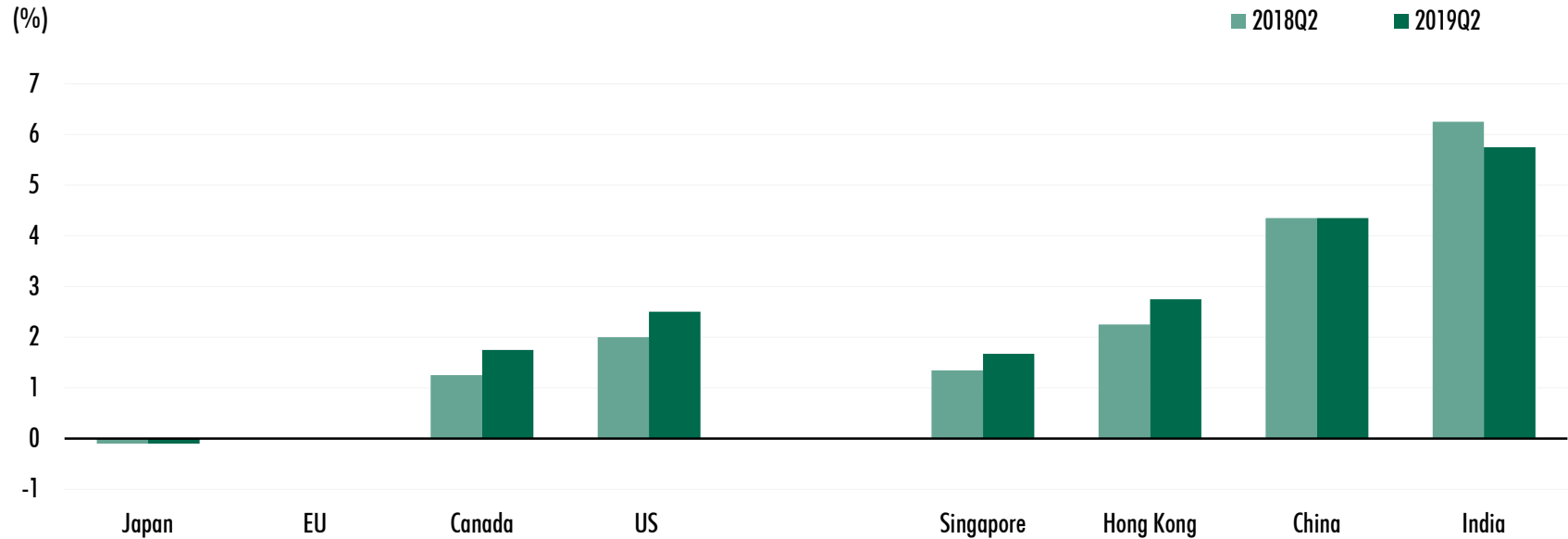


Source: National Sources, Macrobond, CBRE Research, Q2 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

GIVING SOME ABILITY TO CUT RATES

CENTRAL BANK POLICY RATES (END-OF-PERIOD, QUARTERLY)



Source: Oxford Economics, CBRE Research, Q2 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

QUANTITATIVE EASING IS BACK

Central Bank	Monetary Policy Measures
Federal Reserve	The Fed continues to normalize its balance sheet at a slower pace than before, counterbalancing the runoff of MBS holdings with an increase in Treasury securities.
European Central Bank	The ECB has cut the deposit rate 10 basis points to a record low -0.5% from -0.4% and will restart bond purchases of €20 billion a month from November.
Bank of Japan	The BOJ's rate of assets purchased indicates significant signs of tapering off, as it continues its QE program.
People's Bank of China	PBOC has cut banks' reserve ratios, freeing up \$126 billion for loans.

AND FISCAL STIMULUS IS POSSIBLE

THE WALL STREET JOURNAL.

In Reversal, Trump Says He Is No Longer Considering Tax Cuts

President had said Tuesday he wanted to bolster the economy by reducing capital gains, payroll taxes



REUTERS

EU begins rethinking fiscal rules as economy slows

FINANCIAL TIMES

UK chancellor signals an end to the 'age of austerity'

Sajid Javid's spending review puts Tories on election footing with string of new commitments

Bloomberg

Economics

China Considering Increasing Local Debt Sales to Boost Stimulus

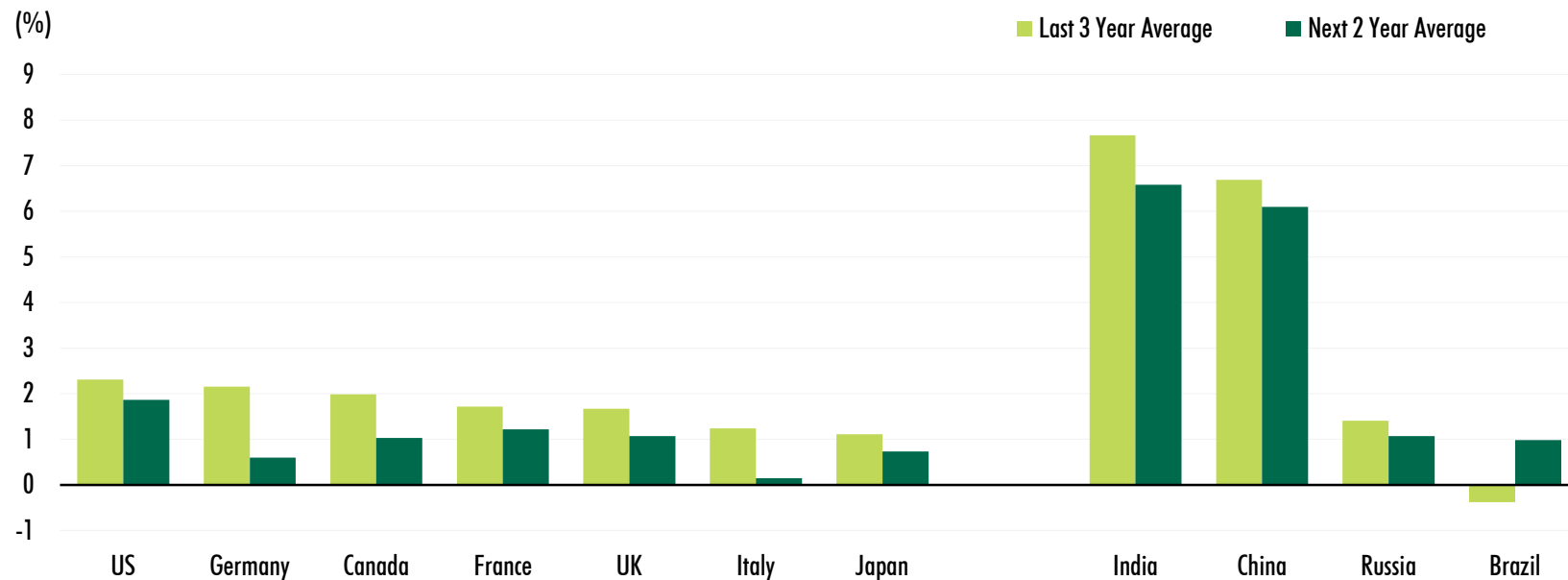


REUTERS

Japan government eyes record budget spending, fiscal reform in doubt

GDP GROWTH LIKELY WEAKER NEXT 2 YEARS

G7 & BRIC (%)



Source: CBRE Research, Oxford Economics, Q2 2019.

CBRE ECONOMETRIC ADVISORS CLIENT FORUM



CBRE

THANK YOU

CBRE ECONOMETRIC ADVISORS CLIENT FORUM