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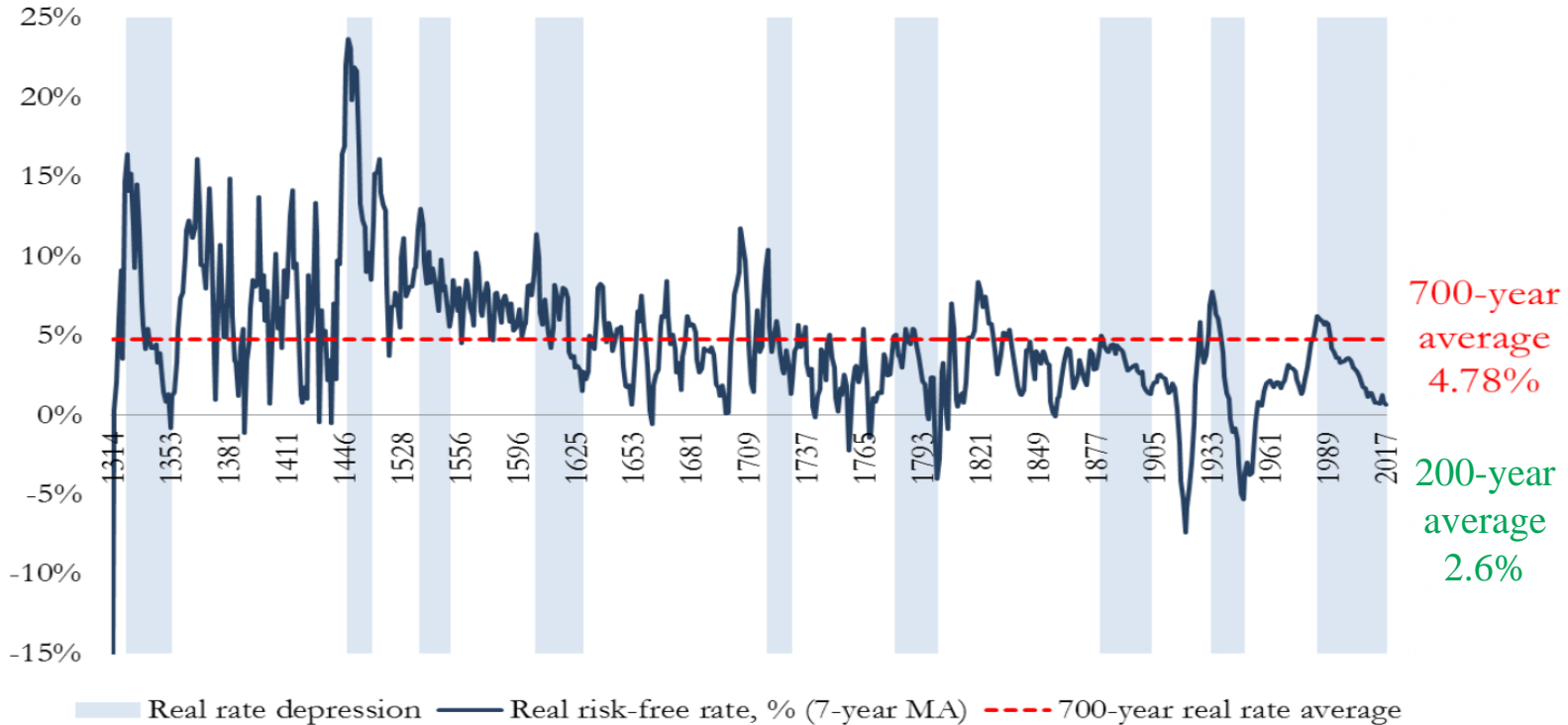
# Interest rates in the ultra-long run

CBRE ECONOMETRIC ADVISORS CLIENT FORUM

NEIL BLAKE, PHD | EMEA CHIEF ECONOMIST, GLOBAL HEAD OF FORECASTING

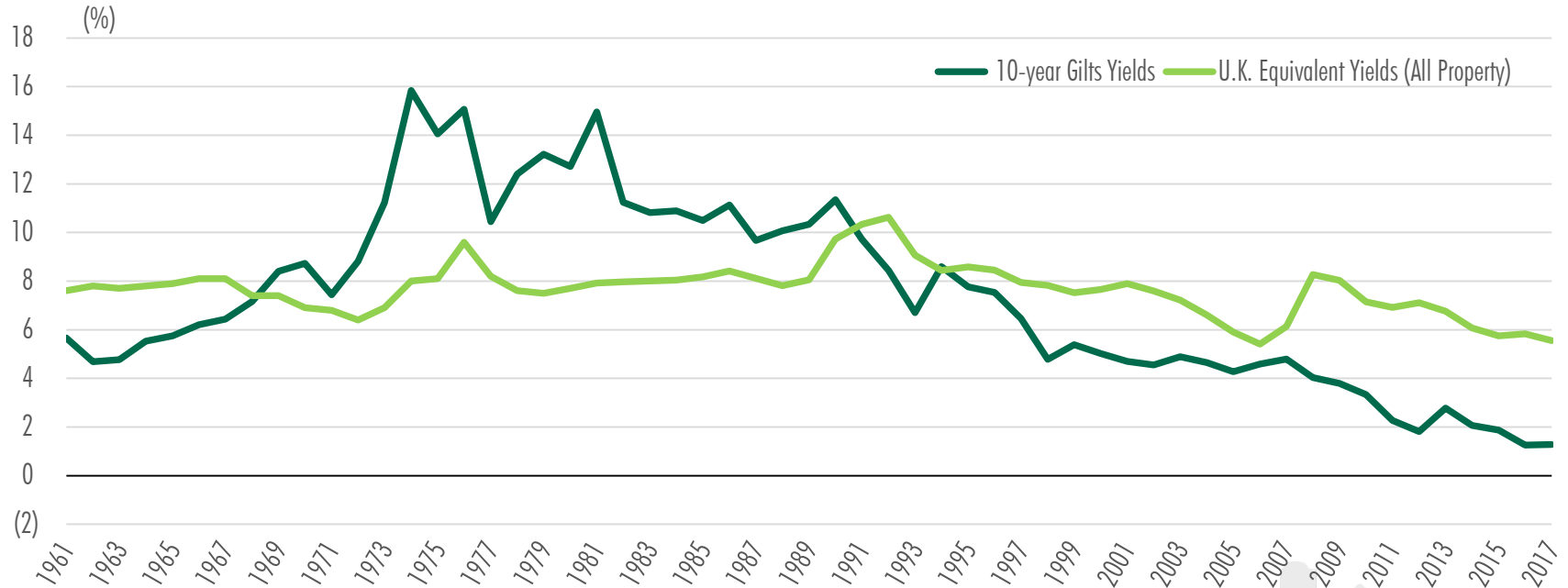
RICHARD BARKHAM, PHD MRICS CRE | GLOBAL CHIEF ECONOMIST

# REAL LONG-TERM INTEREST RATES SINCE 1311



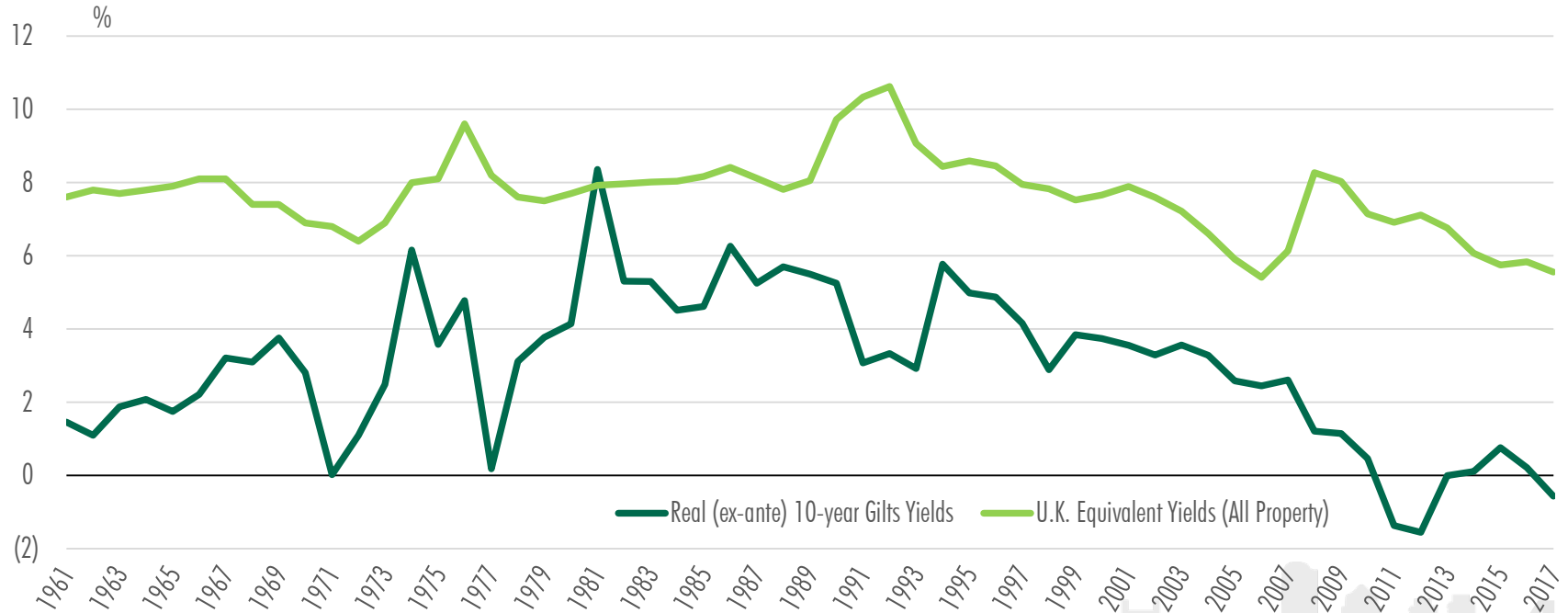
Source: Schmelzing, 2017.

# UK OFFICE YIELDS AND NOMINAL LONG-TERM INTEREST RATES



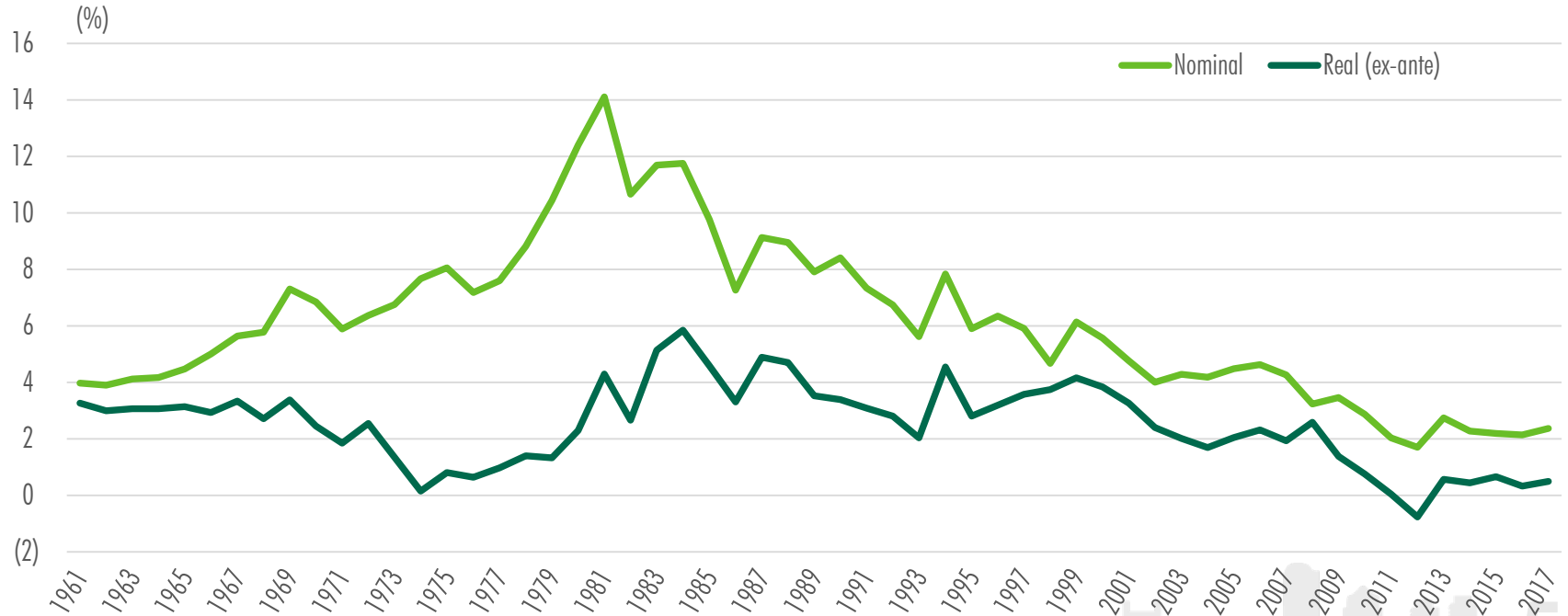
Source: CBRE/Macrobond, MSCI/IPD, August 2018

# UK OFFICE YIELDS AND REAL LONG-TERM INTEREST RATES



Source: CBRE/Macrobond, MSCI/IPD, August 2018

# REAL AND NOMINAL YIELDS ON 10-YEAR U.S. TREASURY BONDS

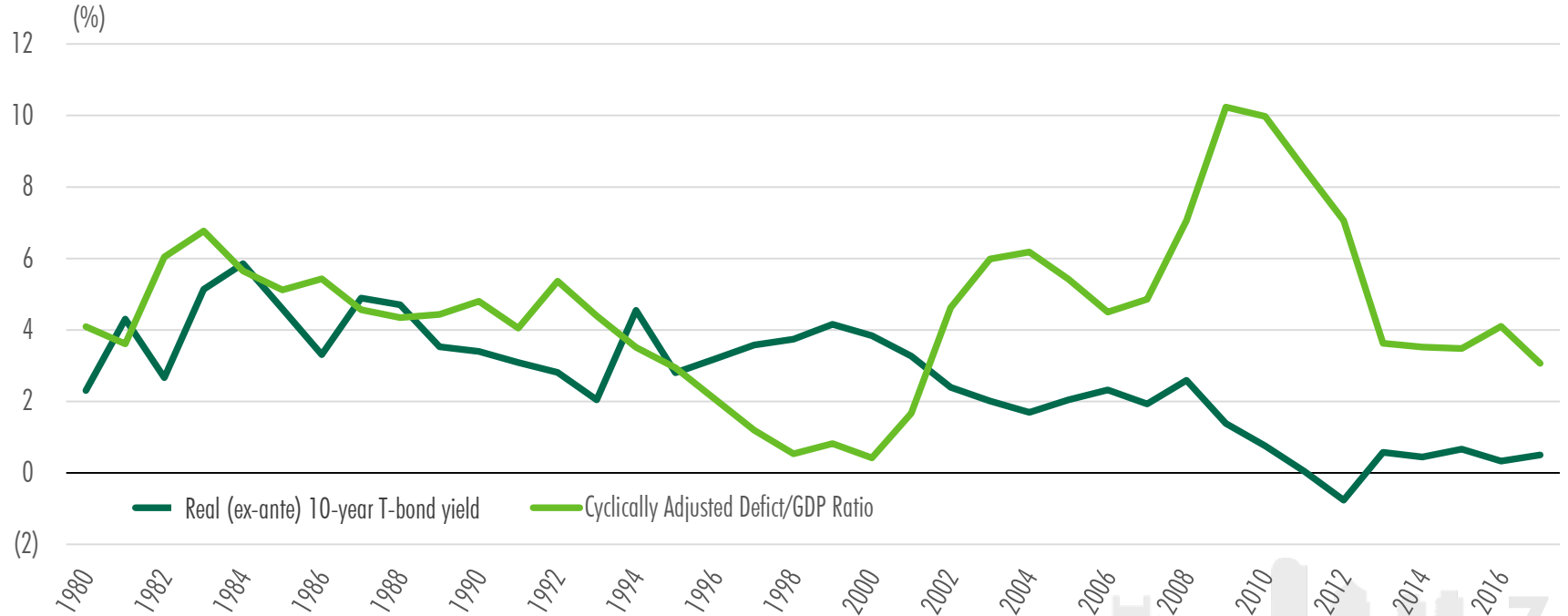


# APPROACH

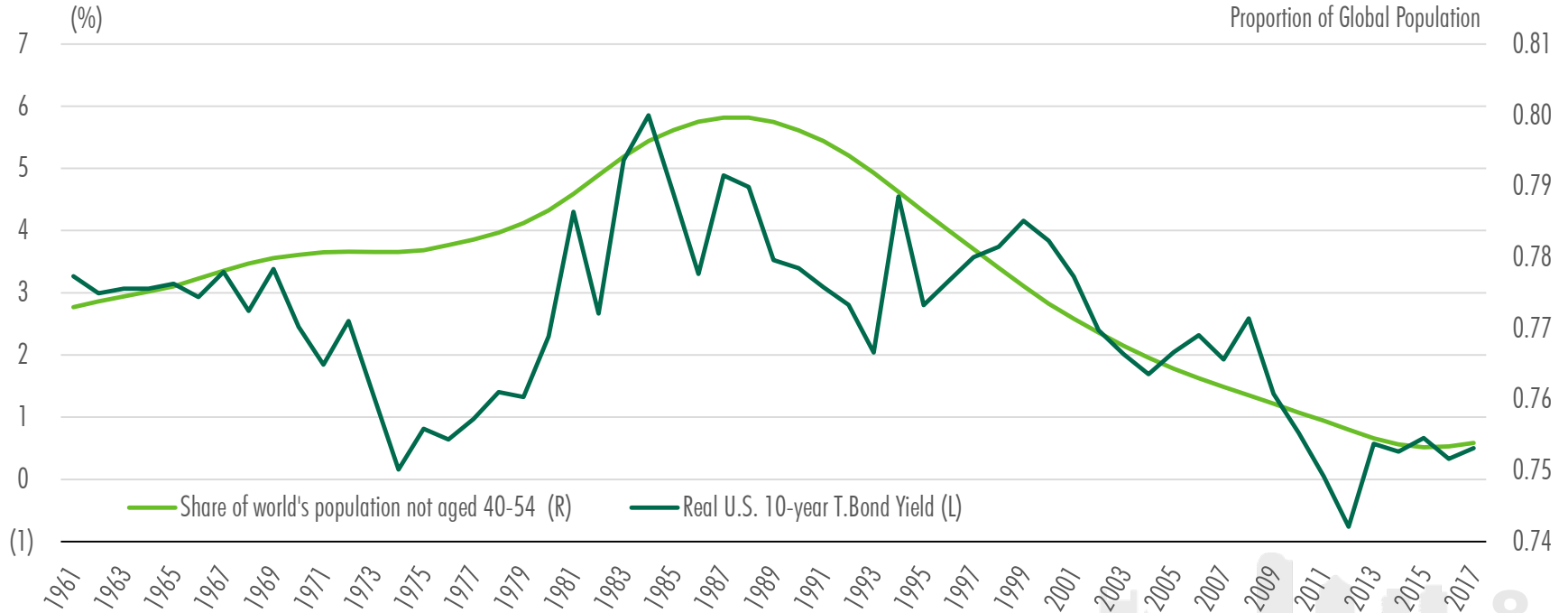
## LOOK AT:

- INFLATION (ADAPTIVE EXPECTATIONS)
- GDP GROWTH
- DEMOGRAPHICS
- QUANTITATIVE EASING
- RISE OF CHINA
- INCREASE IN HIGH NET WORTH INDIVIDUALS
- FALLING PRICE OF INVESTMENT GOODS
- GOVERNMENT DEFICITS

# U.S.: REAL INTEREST RATES VS. THE BUDGET DEFICIT



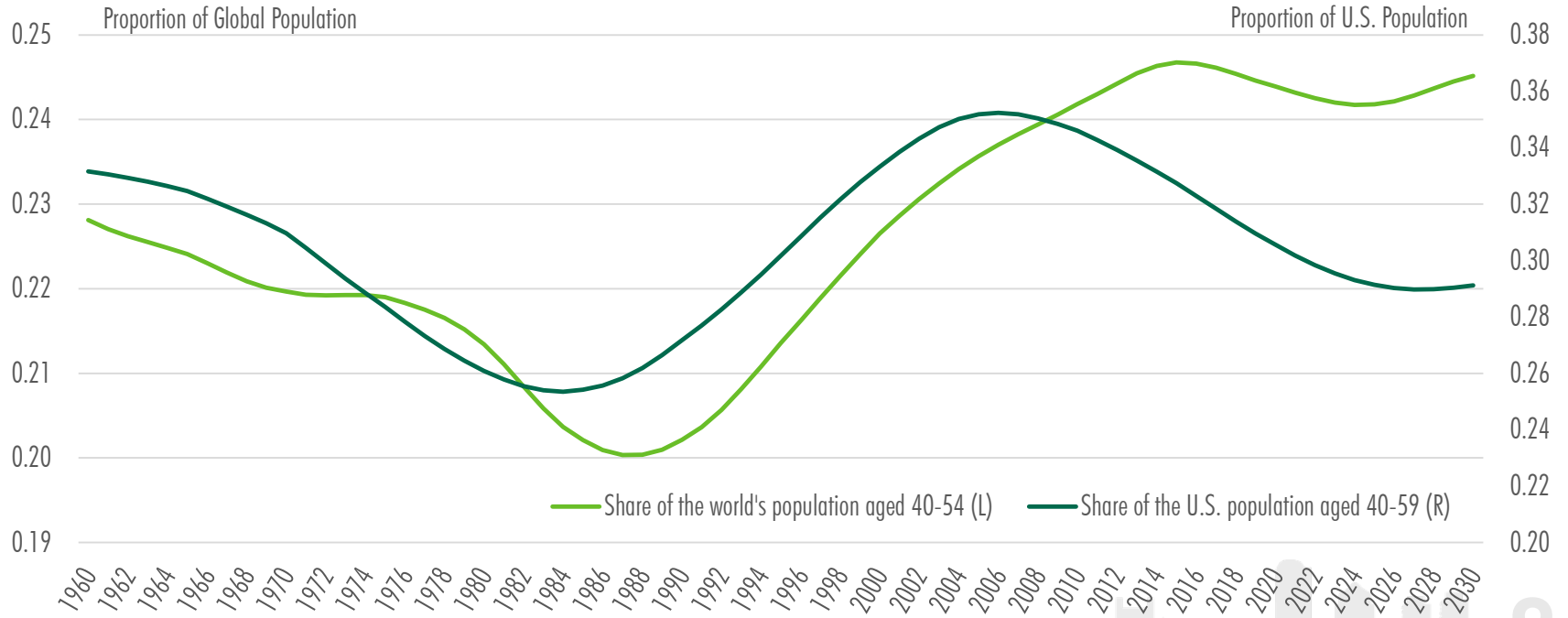
# REAL 10-YEAR U.S. TREASURY BOND YIELDS AND DEMOGRAPHICS



Source: CBRE/Macrobond, UN, 2017.



# COMPARATIVE DEMOGRAPHIC SHARES



Source: U.N., 2017.

## REAL LONG-TERM INTEREST RATES

	U.S.	U.K.	Germany
end-2017	0.5	-0.5	-0.8
2028			
CBRE analysis	0.9	0.5	0.2
"Consensus"	1.6	1.4	1.0
Full Normalization*	2.4	3.1	2.7

assumes a 50% reversal of QE from end-2017

\*Full normalization is defined as interest rates returning to their 2000-2007 average.

Source: CBRE, August 2018; Consensus Economics, April 2018.

# NOMINAL LONG-TERM INTEREST RATES

	U.S.	U.K.	Germany
end-2017	2.4	1.3	0.4
2028			
CBRE analysis	2.9	2.5	2.0
"Consensus"	3.7	3.5	2.8
Full Normalization*	4.5	4.7	4.3

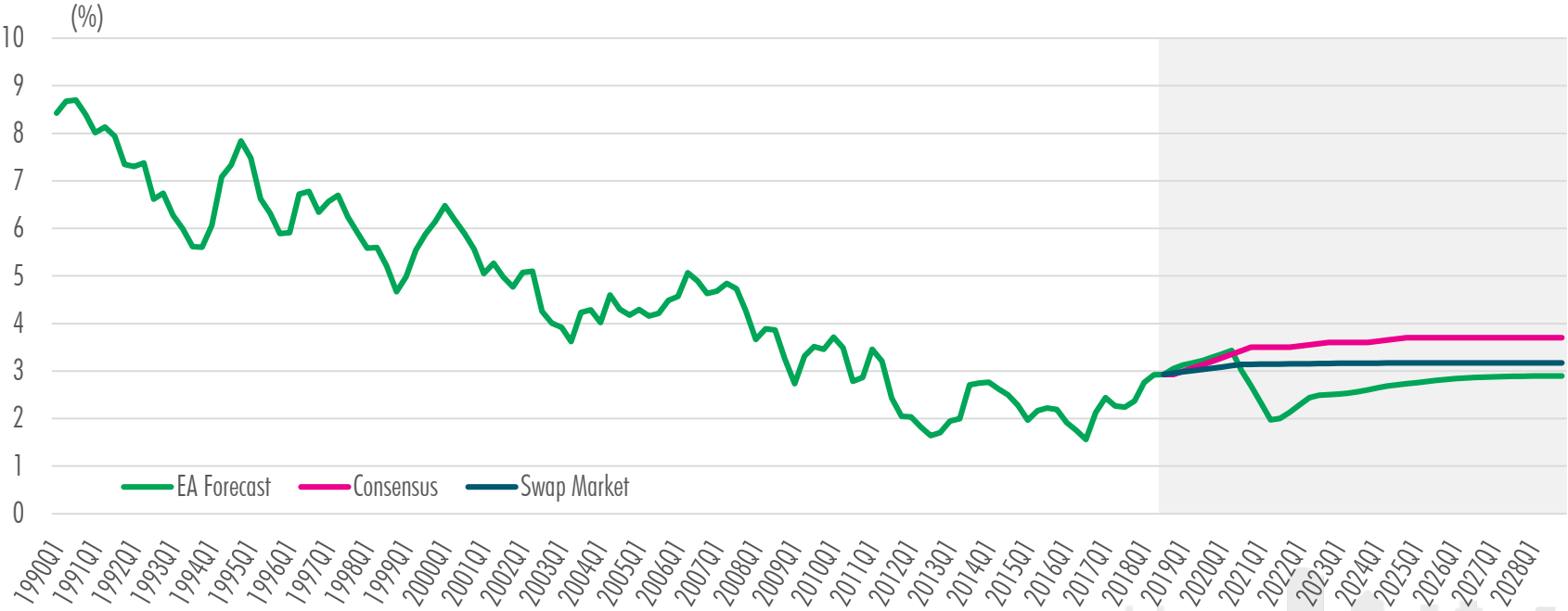
assumes a 50% reversal of QE from end-2017

\*Full normalization is defined as interest rates returning to their 2000-2007 average.

Source: CBRE, August 2018; Consensus Economics, April 2018.



# YIELD ON 10-YEAR T-BILLS – THE TEN YEAR FORECAST



Source: CBRE EA; Consensus Economics, April 2018; Macrobond.

# SUMMARY

- It's all about demographics and the savings-investment balance.

*But*

- That doesn't mean we've seen the end of the cycle in long-term interest rates.



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**THANK YOU**

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