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SAVILLS IMPACTS FORECASTS OUTLOOK FOR 2022 REAL ESTATE

Savills has forecast the key ESG, investment and leasing trends for 2022 in 36 cities around the world as part of its 2021 global [Impacts](#) research programme.

The international real estate advisor predicts that, globally, tech occupiers are set to dominate leasing activity, offices will be the most popular investment sector, prime real estate yields are set to remain largely static, and Asian cities are seemingly lagging behind others around the world when it comes to prioritising sustainable investment.

Key findings include:

- Yields remaining static: overall, most Savills research heads expect **prime yields to remain static over the 12 months to Q2 2022, but the exception are the industrial and residential sectors**, where more expect yields to move in than to remain static or rise, reflecting increased investor interest in these sectors. Offices are set to be largely resilient, with 97% of Savills researchers anticipating yields to remain static or fall.
- **Office leasing should return to pre-pandemic levels by 2022** – but there are variations: emerging markets such as China, Indonesia and Vietnam are the most bullish on leasing activity. **Tech occupiers are expected to lead demand across the board**, with 79% of Savills researchers anticipating higher leasing activity in their markets than in 2019.
- **Offices are expected to be 2022's dominant asset class**: in Shenzhen, Beijing, Guangzhou and Seoul, 60% of all investment is expected to flow into this sector. Logistics and residential are the next top picks as investors pivot to 'beds and sheds' strategies, with investors in North America in particular expected to favour residential, the world's biggest market for investable product in this space. In 2022, international capital is expected to surge into the real estate investment markets: Savills research heads expect, on average, 47% of all investment to come from international investors (of which just under half from neighbouring countries) and 53% from domestic sources.
- **75% of Savills research heads indicated that sustainability is an important part of investors' strategies**. However, researchers in several major cities in Asia-Pacific said it is **not yet deemed important by buyers, including Hong Kong, Tokyo, Jakarta, and Seoul**. Savills says that this is likely to change soon, given the global focus on the ESG agenda. In terms of motivation behind embracing a sustainability-led investment strategy, a majority of Savills researchers (54%) believe that company reputation is the strongest driving factor, while 46% indicated the opportunity to increase returns was also a significant motivator.

Savills researchers' 2022 predictions of dominant asset class for investment, by city:

City	Region	Dominant sector for investment in 2022	Predicted % of total investment in 2022
Beijing	Asia Pacific	Office	60%
Guangzhou	Asia Pacific	Office	60%

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Shenzhen	Asia Pacific	Office	60%
Seoul	Asia Pacific	Office	60%
Delhi	Asia Pacific	Office	55%
London	Europe	Office	50%
Shanghai	Asia Pacific	Office	50%
Zurich	Europe	Office	50%
Prague	Europe	Office	50%
Hong Kong	Asia Pacific	Office	48%
Athens	Europe	Office	45%
Dublin	Europe	Residential	45%
Taipei	Asia Pacific	Logistics	45%
Auckland	Asia Pacific	Logistics	45%
Bangkok	Asia Pacific	Logistics	45%
Singapore	Asia Pacific	Office	40%
Oslo	Europe	Office	40%
Tokyo	Asia Pacific	Office	40%
Warsaw	Europe	Office	40%
Dubai	Middle East	Logistics, Residential	40%
Berlin	Europe	Office, Residential	35%
Madrid	Europe	Office	35%
Lisbon	Europe	Office	35%
Milan	Europe	Office	35%
Sydney	Asia Pacific	Logistics	35%
New York City	North America	Residential	35%
Los Angeles	North America	Residential	35%
San Francisco	North America	Residential	30%
Ho Chi Minh City	Asia Pacific	Office, Logistics	30%
Amsterdam	Europe	Logistics	30%

Kuala Lumpur	Asia Pacific	Logistics	30%
Stockholm	Europe	Office, Residential	25%

Source: Savills World Research. NB. only 32 cities included, as 4 out of Savills 36 researchers did not answer question

Simon Hope, head of Savills global capital markets, comments: “Based on G7 assumptions, 2022 should herald a return to business as usual for real estate markets around the world. According to our researchers it appears that normality should return to the offices sector too, both in terms of leasing - where tech occupiers are predicted to be particularly active - and investment activity, with yields potentially hardening in some areas.

In the residential and industrial fields, both of which have benefitted from lockdowns, we see continuous prosperity for investors. With the vaccine rollout and the assumption that business travel resumes, this is likely to lead to more international demand, which, when combined with existing domestic demand, is expected to result in a further strengthening in pricing and capital values.

Assuming the bond market remains resilient we anticipate demand and pricing in the sustainable sectors to improve. Based on high levels of Government expenditure on capital projects, from the USA to Europe, this could be a strong decade for investment.”

Sophie Chick, director in Savills World Research team, adds: “It’s interesting that, in the opinion of our researchers, reputational threat seems to be a higher motivating factor than seeking higher returns in pursuing an ESG-led investment strategy.

Although some studies show that assets with high ESG credentials deliver higher rents and therefore better income returns, it’s still hard to separate out how much sustainability plays a factor here and how much is due to these often simply being the newest and best assets in their markets. This highlights the challenges for the industry in assessing the ‘green premium’. Nonetheless, the fact the vast majority believe sustainable investment is here to stay is a good thing, and in those locations where it’s not currently top of the agenda, it’s inevitably only a matter of time.”

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Notes to Editors:

Impacts is Savills global thought leadership publication and research programme. This year, Impacts is centred around the theme of “Evolve”: Covid-19 led to many changes in how we use and view real estate, but many sectors were already evolving significantly in response to ongoing market, technological, social and environmental trends. Impacts 2021 puts these changes in historic context to consider what comes next.

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