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Global Real Estate Perspective

Investor and Corporate

SEE A BRIGHTER WAY

Contents

Executive Summary

Economy

Growth prospects: The global economic narrative was dominated in the first quarter by news from the new U.S. administration. Regular announcements about the imposition and postponement of tariffs created an atmosphere of uncertainty and unpredictability that weighed on business confidence and created disruption in financial markets. Ultimately, the world changed with the announcement on April 2nd of reciprocal individual country tariffs on 180 nations and subsequent 90-day pause on many measures, together with the imposition of a 25% levy on automotive imports, and the prospect of further sectoral tariffs to come.

Even before this watershed, the effects on the global economy in Q1 were real. Businesses in the U.S. sought to stockpile supplies, driving up imports, and the trade deficit, to a multi-decade high. Elsewhere, expectations for future growth softened, and forecasts for inflation diverged. The outlook for the year ahead is exceptionally uncertain and depends on U.S. trade policy and the trade, fiscal and monetary response from across the rest of the world.

Global Capital Flows

Interest rates: The past five years have brought a number of periods of changing market dynamics and investor sentiment. While the investment community has come to expect volatility and has been operating during periods of heightened uncertainty, each new market inflection point causes an initial disturbance, followed by a period where investors need to evaluate the impact on their investments and capital deployment strategy. Concerns about the economic impact of tariffs and the potential for monetary policy divergence across regions are resulting in a change in sentiment, with some investors adopting more conservative underwriting practices, pressure-testing underwriting and reviewing income defensibility and the underlying tenant credit. However, it should be noted that the commercial real estate sector has entered this period of renewed uncertainty in a relatively healthy state following protracted asset value resets during the past three years which have effectively de-risked the asset class. At the same time, relative value vis-a-vis public market investment alternatives is favorable, while the performance of existing assets will benefit from waning supply pipelines in many mature markets.

Pricing dynamics: After stabilizing during 2024, asset values generally held steady into the first quarter of 2025. Although variable bond indices put some pressure on underwriting, especially in tightly priced sectors in the U.S. like industrial & logistics, going-in yields on transactions were largely steady due in part to broadening bidder pools. Prime pricing is broadly holding firm and even compressing in certain markets in EMEA, while yields have stabilized in most Asia Pacific markets except China and Hong Kong. Investors will in some cases await more clarity on the outlook before refining their bidding and capital deployment strategy, which may slow some bidding momentum to start the second quarter.

Debt markets: Debt market activity strengthened further during the first quarter, with a particularly robust lending market in the United States. Spreads saw minor fluctuations during Q1, which coupled with variable index rates led to some changes to borrowing costs. But there were no dramatic swings, making it easier for investors to underwrite acquisitions. Spreads have been more variable in the U.S. and Europe to start Q2, but availability of credit continues to be very strong. Debt markets have improved for transactions of scale, and with most lender constituents anticipating higher allocations for commercial mortgages in 2025 this will continue to support liquidity, even against the backdrop of uncertainty.

Investment activity: Direct transaction activity totaled US$185 billion in the first quarter of 2025, rising 34% year-over-year. Several factors coalesced to drive continued growth in activity, including liquid debt markets, increased institutional bidding activity, a gradual uptick in transactions of scale, and a rise in cross-border transactions. Globally, cross-border investment rose by 57% year-over-year in Q1. This marks the highest first quarter level since 2022 and evidences how the continued improvement in capital markets dynamics during much of the quarter led to additional normalization of cross-border activity, only to face increased disruption at the start of Q2.

Sector dynamics: Investor strategies around property sector allocations were generally consistent with previous quarters in Q1, with industrial & logistics, living and selected alternatives remaining the most sought-after. With capital appreciation still relatively subdued, investors are focusing on asset quality, tenant credit and sectors in the path of secular growth. The share of capital invested in the retail sector marked a slight increase to 16%, representing a heightened share compared to the past five years, but transactions of scale are still below potential. Bifurcation across and within sectors persists, most notably within the office sector in the U.S., although office transaction volumes have improved to start the year.

Property Sectors

Offices: Global office leasing continued to recover in Q1 despite a volatile economic backdrop. Take-up volumes declined by 11% from the previous quarter, in line with normal seasonal patterns, but were 9% above levels from a year earlier. All three regions saw activity increase from Q1 2024, with volumes rising by 15% in North America, by 4% in Europe and by 3% in Asia Pacific. Renewals and extensions are accounting for a higher share of activity across regions amid limited new supply in North America and Europe, combined with rising rents and fit-out costs.

The global vacancy rate increased by a further 10bps to 16.9% in Q1, with vacancy higher in North America and Europe but falling in Asia Pacific. Groundbreakings have fallen to a new record low in the U.S., and while construction is rising in Europe, supply in central submarkets remains exceptionally tight. This is expected to contribute to vacancy peaking and beginning to fall in both regions this year. With less new space coming to the market and availability concentrated in less desirable buildings and locations, occupiers will need to explore options earlier as competition for the best space intensifies.

Logistics: Industrial leasing activity showed signs of stabilizing in Q1 despite the unpredictable environment and occupier caution. While volumes in North America fell by 19% from the previous year, the rate of decline slowed from previous quarters. In Europe, take-up was largely unchanged from Q1 2024, whereas absorption in Asia Pacific rose by 20% year-over-year.

However, the imposition of new tariffs by the U.S. administration following the end of the quarter has led to heightened uncertainty as companies wait for additional developments and assess the impact to supply chains, production and the economy. The situation continues to be highly dynamic, and the implications varied across industries and organizations. In this context, occupiers are prioritizing short-term planning and flexibility.

Retail: Global consumer spending growth is expected to remain positive in most major markets through 2025, although sales are likely to slow in locations impacted by growing consumer caution and trade restrictions. Retailers' recent trading results are showing an increasingly mixed picture in performance across categories, while many are reviewing potential impacts of U.S. tariffs on their supply chains and taking short-term steps to manage volatility.

Retail market performance was varied across regions during Q1, with rising store closures in the U.S. contributing to the first quarter of negative net absorption for four years. Although power and neighborhood center vacancy is likely to continue increasing through the year, the market is still supply-constrained for newer, Class A space.

In Europe and higher-growth or tourism-oriented economies in Asia Pacific, retailer demand remains healthy for premium central space.

Living: Despite challenging geopolitical and economic conditions, the long-term structural positive fundamentals for living assets continue to drive growth in investment. First quarter activity was robust across the U.S., EMEA and Asia Pacific, pushing each region to higher volumes versus the previous year.

U.S. living investment volumes surpassed US$22 billion during the quarter, ahead of the US$20 billion total in Q1 2024. Institutional investors continue to be active, with bidding activity finishing Q1 46% above the first quarter of last year. The living sector maintained its position as the largest in Europe for transactional volumes at the start of 2025, with the Q1 total of US$19.2 billion reflecting both an uplift on Q4 and more than double the level in the same period last year. In Asia Pacific, the positive trends recorded at the end of 2024 were maintained as regional Q1 transaction volumes rose to US$4.2 billion, building on the previous quarter and 175% above Q1 2024.

Hotels & hospitality: While Global Revenue Per Available Room (RevPAR) kept up its record-setting pace, growing 3.9% through the first two months of 2025, a renewed wave of uncertainty is on the horizon amid increasing geopolitical tensions and economic volatility. Much of this stems from the United States, the world's largest outbound travel market post-Covid. Despite possible future travel pullback, current demand remains strong with all three regions posting growth over the year to date.

Performance continues to be uneven, with demand across Asia Pacific and EMEA accelerating while the Americas has begun to show some softness. Global resort and leisure-heavy markets, which were generally the first to recover following the Covid-19 pandemic, have started to see some normalization in demand underpinned by slowing consumer spending amid some contraction in savings. Conversely, demand for urban markets has accelerated significantly, though it could be at risk of a slowdown should the current volatility have a more pronounced impact on international travel. Slowing supply growth combined with the return of group and corporate travel is expected to fuel 2% to 4% global RevPAR growth in 2025.

Economy

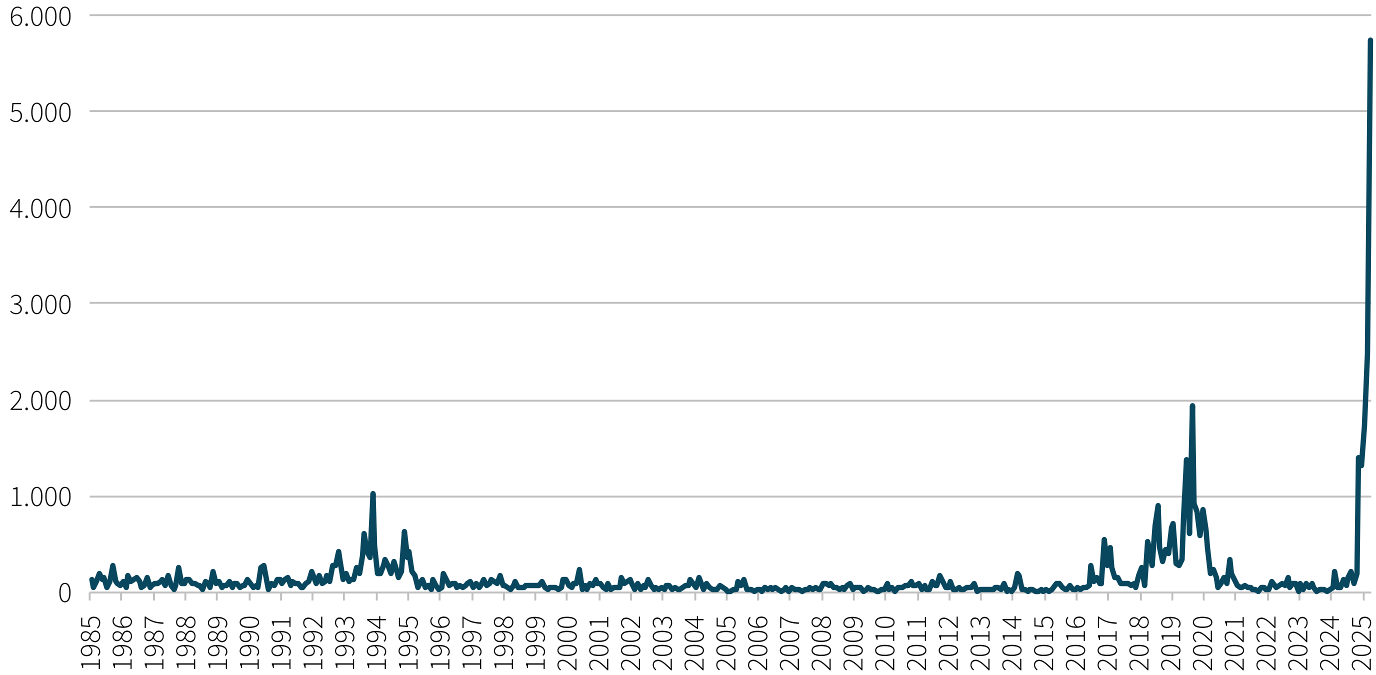
Growth prospects

Policy uncertainty reaches new heights

The global economic narrative was dominated in the first quarter by news from the new U.S. administration. Regular announcements about the imposition and postponement of tariffs created an atmosphere of uncertainty and unpredictability that weighed on business confidence and created disruption in financial markets. Although new tariffs were only imposed by the U.S. on Canada, Mexico, China, and steel and aluminum imports in Q1, other measures were promised, leaving countries and businesses around the world in limbo. Ultimately, the world changed with the announcement on April 2nd of reciprocal individual country tariffs on 180 nations and subsequent 90-day pause on many measures, together with the imposition of a 25% levy on automotive imports, and the prospect of further sectoral tariffs to come.

Even before this watershed, the effects on the global economy in Q1 were real. Businesses in the U.S. sought to stockpile supplies, driving up imports, and the trade deficit, to a multi-decade high. Elsewhere, expectations for future growth softened, and forecasts for inflation diverged. Financial market break-even expectations for inflation in the U.S. rose sharply – on the basis of higher future tariffs as well as the impact of other domestic measures such as tax cuts and tighter immigration policy – while in the rest of the world the potential increased for future declines in inflation due to the negative economic consequences of tariffs.

U.S. Trade Policy Uncertainty Index



Sources: "Measuring Economic Policy Uncertainty" by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com.

Diverging inflation trajectories anticipated

The actual prevailing inflation environment in Q1 was mostly unchanged from the end of last year. Although not defeated, CPI inflation continued to edge lower in Europe and North America, with core inflation also tipping down. Canada saw a bounce from a low of 1.8% in December to end the quarter at 2.3%, though this was still within the Bank of Canada's 1% to 3% target range. In Asia, headline inflation remained high in Japan, averaging 3.8% over the first three months of the year, up from a low of just 2.2% in October. Indications from wage bargain negotiations suggest unions and employers in Japan are baking in higher inflation into their demands for the first time in decades. In contrast, China continues to battle to escape deflation: headline and core CPI both slipped into negative territory in February and March, the first time in a year the index has fallen.

Ahead of April's tariff announcement, monetary policy continued to diverge. The U.S. Fed, looking at strong economic performance and near-3% inflation, opted to hold rates steady.

In Europe, the ECB, the Bank of England and the Swiss National Bank all continued to loosen monetary policy, and markets were unanimous in expecting more moves before year end. The Reserve Bank of Australia (RBA) made its first rate cut of the cycle in February and was forecast to make one to two more moves. Conversely, the Bank of Japan continued its rate tightening policy, executing its third hike to bring the headline interest rate to 0.5%.

The outlook for rates has changed since the beginning of April. Markets expect tariffs to have negative economic consequences, causing trade and production to fall and GDP growth to take a hit. While the inflation outlook is polarized (tariffs will likely cause higher inflation in the U.S., but the economic hit will depress inflation in the rest of the world), markets expect central banks will now loosen monetary policy or loosen more quickly. As of April 28th, two cuts from the U.S. Fed, one more from the ECB and four more from the Bank of England are priced in before year end. This picture will, without doubt, change as countries respond to the tariffs and their economic impact.

Wide range of potential outcomes

Tariffs were not the only change of import during the quarter. Before Germany went to the polls in February, the government enacted a substantial fiscal stimulus package that will see an additional minimum of €500 billion of defense spending over the next five years and another €500 billion of infrastructure spending over the next decade. The European Commission also announced an €800 billion increase in defense spending for the EU. These policies, together with increased spending among Germany's neighboring countries, will be a sustained boost to the European economy and defense sector.

The outlook for the year ahead is exceptionally uncertain. It depends on U.S. trade policy and the trade, fiscal and monetary response from across the rest of the world. There is no common basis of assumptions on which to make forecasts, so there is limited value in turning to them until the dust settles.

Global Capital Flows

Interest rates

Unpredictability ushers in renewed period of volatility for investors

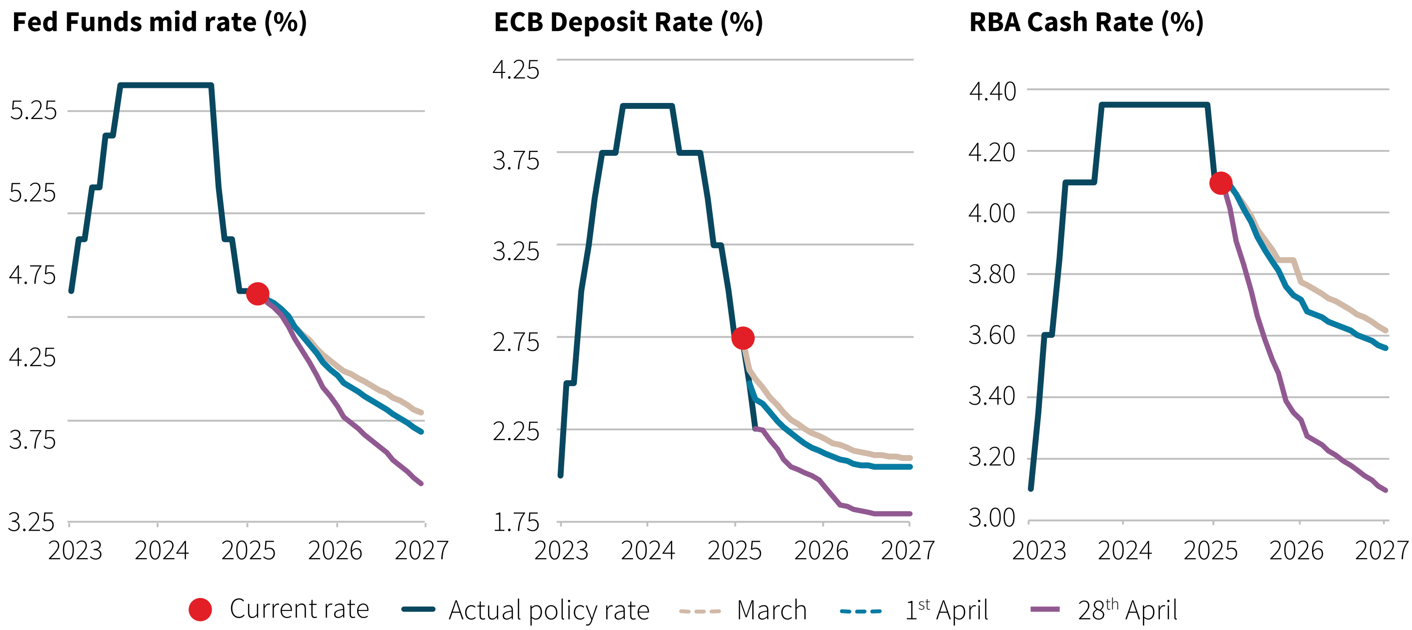
The past five years have brought a number of periods of changing market dynamics and investor sentiment, including the disruption in capital deployment during the depths of the COVID-19 pandemic in 2020, the swift pace of monetary tightening during 2022 and into 2023, and again the notable market volatility that stemmed from the U.S. government's announcements around tariffs on April 2nd, 2025 dubbed 'Liberation Day'. While the investment community has come to expect volatility and has been operating during periods of heightened uncertainty, each new market inflection point causes an initial disturbance followed by a period where investors need to evaluate the impact on their investments and capital deployment strategy.

It should be noted that the commercial real estate sector has entered this period of renewed uncertainty in a relatively healthy state. The protracted asset value resets during the past three years have effectively de-risked the asset class, and the sector's relative value vis-a-vis public market investment alternatives also presents a favorable backdrop. At the same time, debt and credit levels across the globe are healthy. And supply pipelines in many mature markets have been waning, which will help the performance of existing assets.

Concerns about the economic impact of tariffs are resulting in a change in sentiment. Some institutional investors, while not fundamentally backing away from real estate as an asset class, are adopting more conservative underwriting practices, and, in some instances, pausing on transactions as they await more clarity. There are also a growing number of cases where investment committees are pressure-testing underwriting and/or looking at recessionary scenarios in some markets. Income defensibility and the underlying tenant credit are also increasingly in focus.

Monetary policy is likely to start to diverge across regions, which will influence regional investment strategies. The ECB cut rates by 25bps on April 17th, and the RBA cut rates on February 17th and is widely expected to announce another rate cut in May. The Bank of Korea also reduced base rates by 25bps in February to address expectations of weaker growth. The Reserve Bank of India made a second 25bps cut as well on April 9th in direct response to heightened risks on trade. On the other hand, the U.S. Federal Reserve may find itself in a difficult position to cut rates if the economy weakens while inflation holds firm or faces upward pressures from tariffs.

Financial markets' forward expectations of policy rates



Source: Refinitiv, JLL. Based on OIS rates. As of April 2025

From an economic growth standpoint, economists' forecasts for growth have generally been notched down. However, month-by-month economic indicators in many cases show continued strength, such as in the U.S. job market.

Greater uncertainty over the path of growth is leading investors to underwrite acquisitions more cautiously. With that said, there is little consensus emerging to date as to any impact on asset values across the board.

Pricing dynamics

Values generally steady, while bidding intensity shows signs of plateauing after an active start to the year

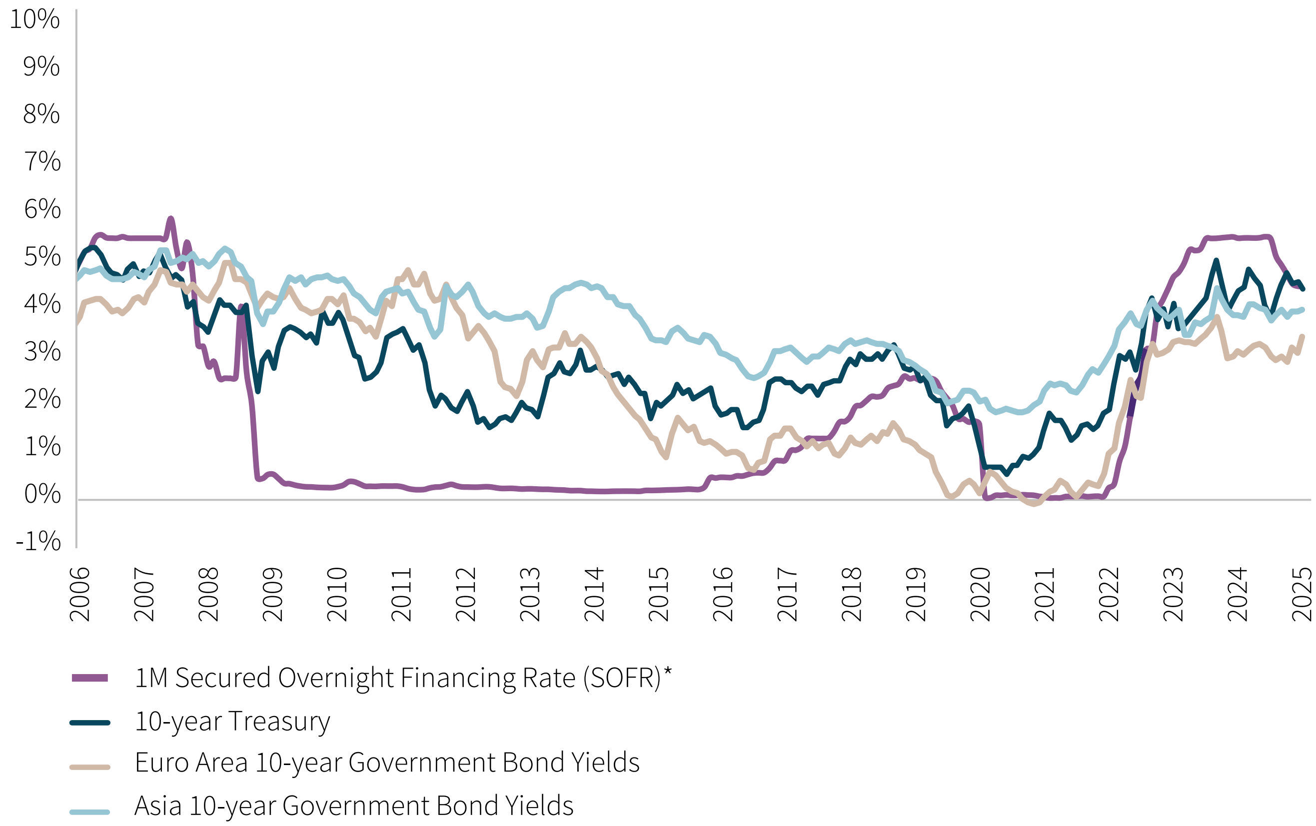
After stabilizing during 2024, asset values generally held steady into the first quarter of 2025. While variable bond indices put some pressure on underwriting, especially in tightly priced sectors in the U.S. like industrial & logistics, going-in yields on transactions were largely stable due in part to broadening bidder pools.

Contents →

In EMEA, prime pricing is generally holding firm and compressing in certain markets. In Asia Pacific, yields have stabilized in most markets except China and Hong Kong, and pricing in Q1 broadly remained stable against the fourth quarter. Pricing is believed to be near its trough in Australia, has marked some improvement in South Korea amid lower borrowing costs, and is expected to remain steady in Japan given strong investment demand.

Investors will in some cases await more clarity and will then refine their bidding and capital deployment strategy. This may slow some bidding momentum to start the second quarter.

Benchmark yields, 2006 – April 2025



Source: JLL; Bloomberg Finance L.P., as of October 2024; *30D LIBOR used prior to Sept. 2019; U.S. is used as a global benchmark

Debt markets

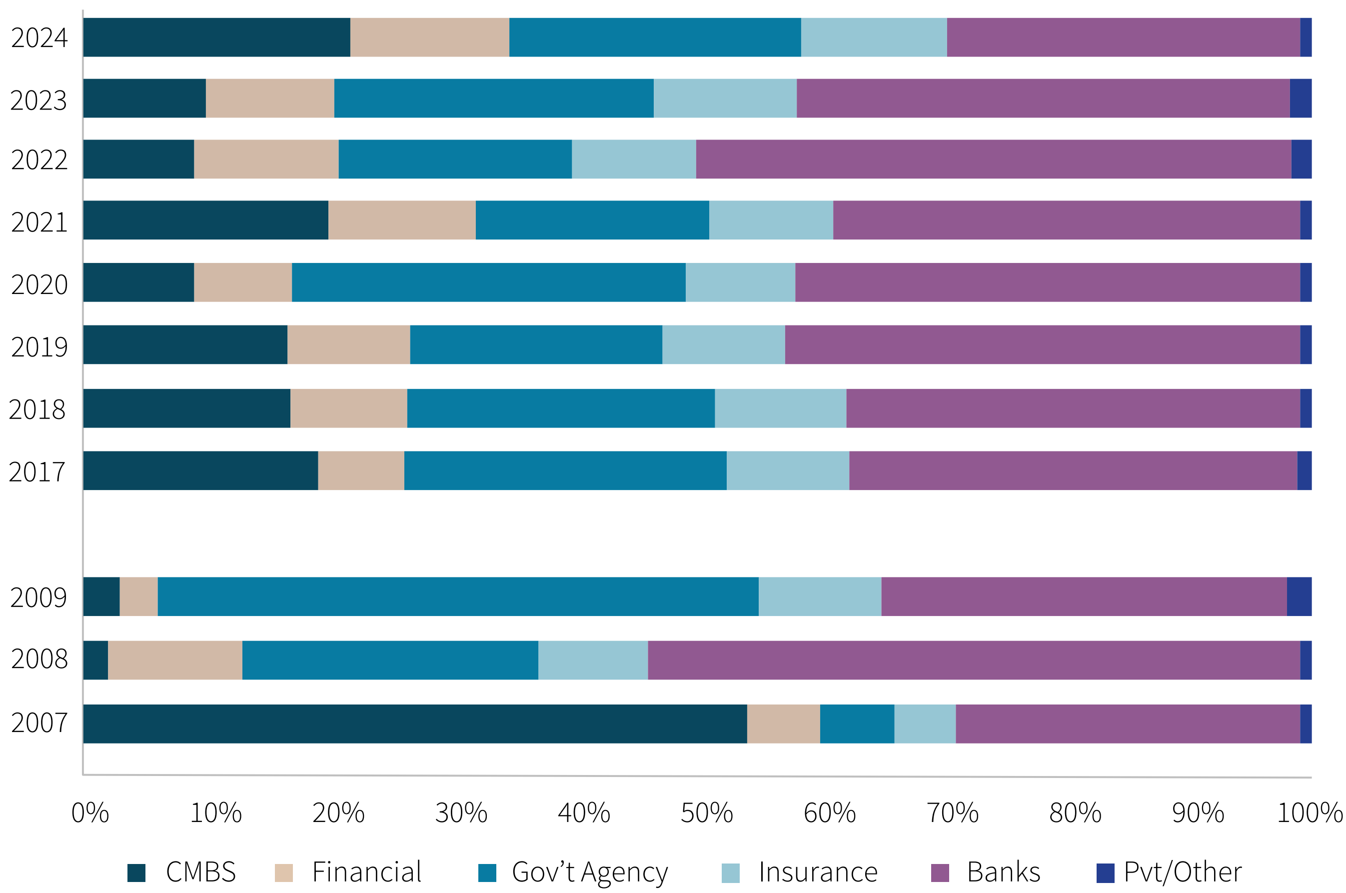
Liquid debt markets supporting capital markets activity

Debt market activity strengthened further during the first quarter, with a particularly robust lending market in the United States. Spreads saw minor fluctuations during the quarter, which coupled with variable index rates led to some changes to borrowing costs. But there were no dramatic swings during the quarter, making it easier for investors to underwrite acquisitions.

To start the second quarter, spreads have been more variable in the U.S. and Europe, with lenders generally widening spreads by 15-20bps in the U.S., but availability of credit continues to be very strong. The supply/demand dynamics for debt capital continue to favor borrowers as all lender types are active with higher loan allocations to deploy in 2025.

Activity across lender types is balanced, more so than during other points over previous cycles. With that said, activity continues to be more heavily weighted towards refinances rather than acquisition and construction loans in the U.S., and since April an increased share of activity relates to refinance activity.

U.S. loan origination volumes by lender type, 2007 – 2024



Source: JLL, Real Capital Analytics, April 2025

In EMEA, the recent volatility in bond markets has seen margins widen, albeit with swap rates coming in, allowing domestic lenders to remain competitive given reasonably strong levels of liquidity. Asia Pacific is seeing a reduction in borrowing costs for floating-rate loans, except in Japan and Hong Kong, which is supporting transactions.

Banks have faced pressures due to reserve requirements and asset value declines, but an increase in loan payoffs has created more balance sheet capacity. In April, banks represented the most active lender type. Money center banks are again quoting and closing larger loans on their balance sheet.

Furthermore, debt markets have improved for transactions of scale. Most lender constituents anticipate higher allocations for commercial mortgages in 2025 and this will continue to support liquidity, even against the backdrop of uncertainty.

Investment activity

Strength in transactions in Q1, but sentiment shifts notably in late March-early April

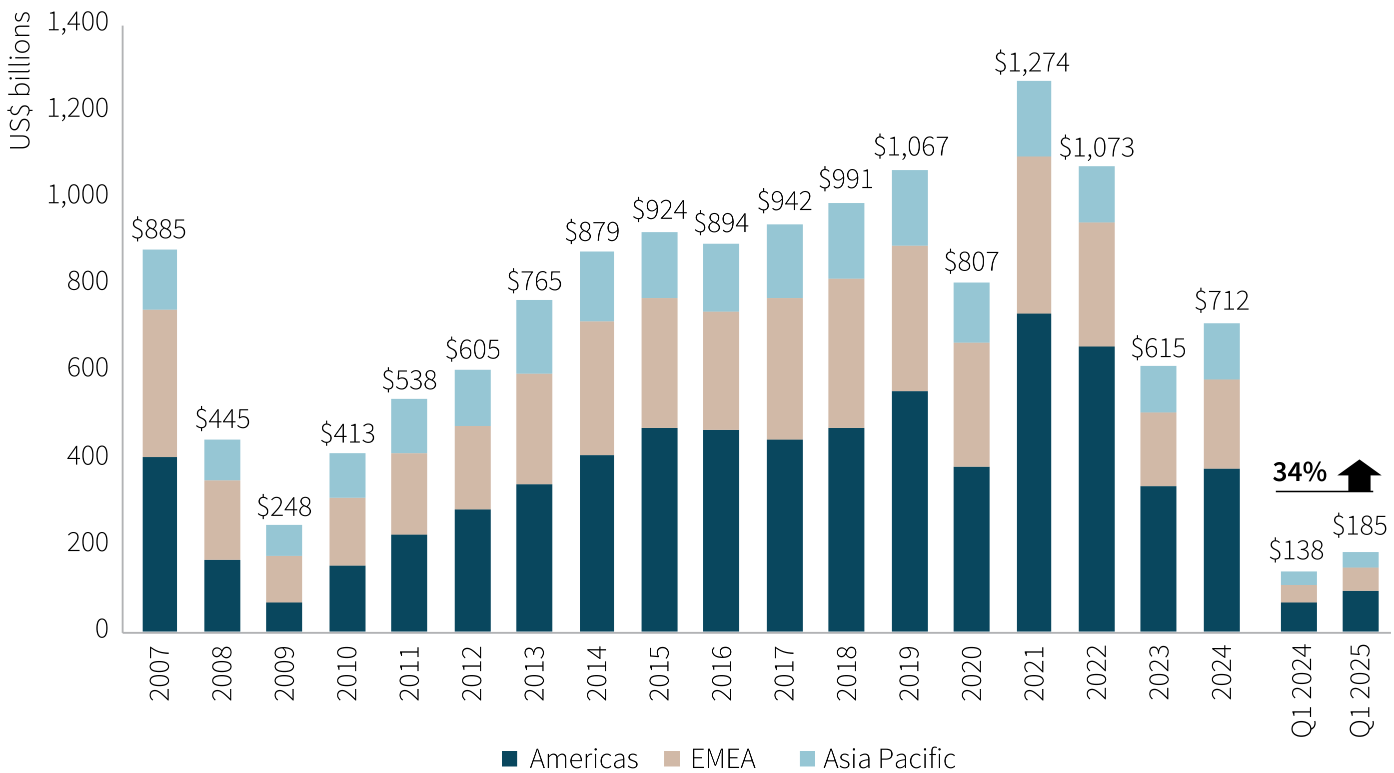
Direct transaction activity totaled US$185 billion in the first quarter of 2025, rising 34% year-over-year. The pace of growth is in part driven by relatively low volumes in the first quarter of 2024. Several factors coalesced in Q1 to drive continued growth in activity, including liquid debt markets, increased institutional bidding activity, a continued gradual uptick in transactions of scale and a year-over-year rise in cross-border transactions.

- Transaction volumes in the Americas in Q1 reached US$93 billion, up 37% year-over-year. The U.S. grew 42% year-over-year to US$87 billion, with strength across living and industrial, and a continued increase in office transactions. Growing appetite for investment from institutional investors abroad boosted cross-border investment into the United States by 32% year-over-year and the entire Americas region by 26% in the first quarter.
- EMEA transaction volumes totaled US$55 billion in Q1, marking a 41% increase year-over-year. Large markets saw healthy growth in the first quarter led by the UK, up 83% year-over-year to US$19 billion, followed by Germany, up 39% to US$8 billion, and France up 32% to US$5 billion. However, it is worth noting that the UK Ministry of Defence purchased 36,000 military homes in the first quarter totaling US$7.5 billion, which set the record for the largest living transaction. Without this transaction, UK and EMEA volumes posted more modest growth at 9% and 22% year-over-year respectively. Cross-border investment to EMEA was also strong and saw a 51% uptick compared to the first quarter of 2024.
- In Asia Pacific, transaction volumes in Q1 totaled US$36 billion, rising 20% year-over-year. Japan recorded US$14 billion, up 20% year-over-year, followed by South Korea up 58% to US$7 billion, Australia up 30% to US$4 billion and Singapore up 16% to US$2 billion. Unlike other markets across the globe, the office sector was a major contributor to year-over-year growth in Asia Pacific, notably in Japan and South Korea. Meanwhile, China saw a 33% decrease in transaction activity in the first quarter due to weakening sentiment over domestic challenges, and geopolitical concerns around escalating trade wars. As a result, major global investors in China have started further decoupling from the market, as evidenced by BlackRock forfeiting its Shanghai office building "Waterfront Place" in February after an unsuccessful marketing process. Asia Pacific overall saw a 152% year-over-year uptick in cross-border capital to the region and select markets, like Japan, closed record-breaking foreign investment transactions.

Globally, cross-border investment climbed by 57% year-over-year in Q1. This marks the highest first quarter level since 2022, evidencing how the continued improvement in capital markets dynamics during much of the quarter led to additional normalization of cross-border activity, only to face increased disruption at the start of the second quarter.

Fundraising continues to face headwinds in terms of investors' outbound queues, legacy fund issues related in some cases to over-exposure to offices, and the overall more cautious market environment. Fundraising activity across closed-end fundraising totaled US$30 billion in Q1, according to data from Preqin. This represents a 17% decrease in fundraising year-over-year. The largest investment managers are garnering robust fund commitments; for example, Blackstone's real estate debt fund reached a final close size of US$8 billion in March. Higher-yielding strategies continue to comprise a greater proportion of closed-end funds' capital raising activity. Among the U.S. core open-ended (ODCE) funds, redemption queues have eased from their peak, which is paving the way for their eventual return to growing inbound queues.

Direct investment by region, 2007 - Q1 2025



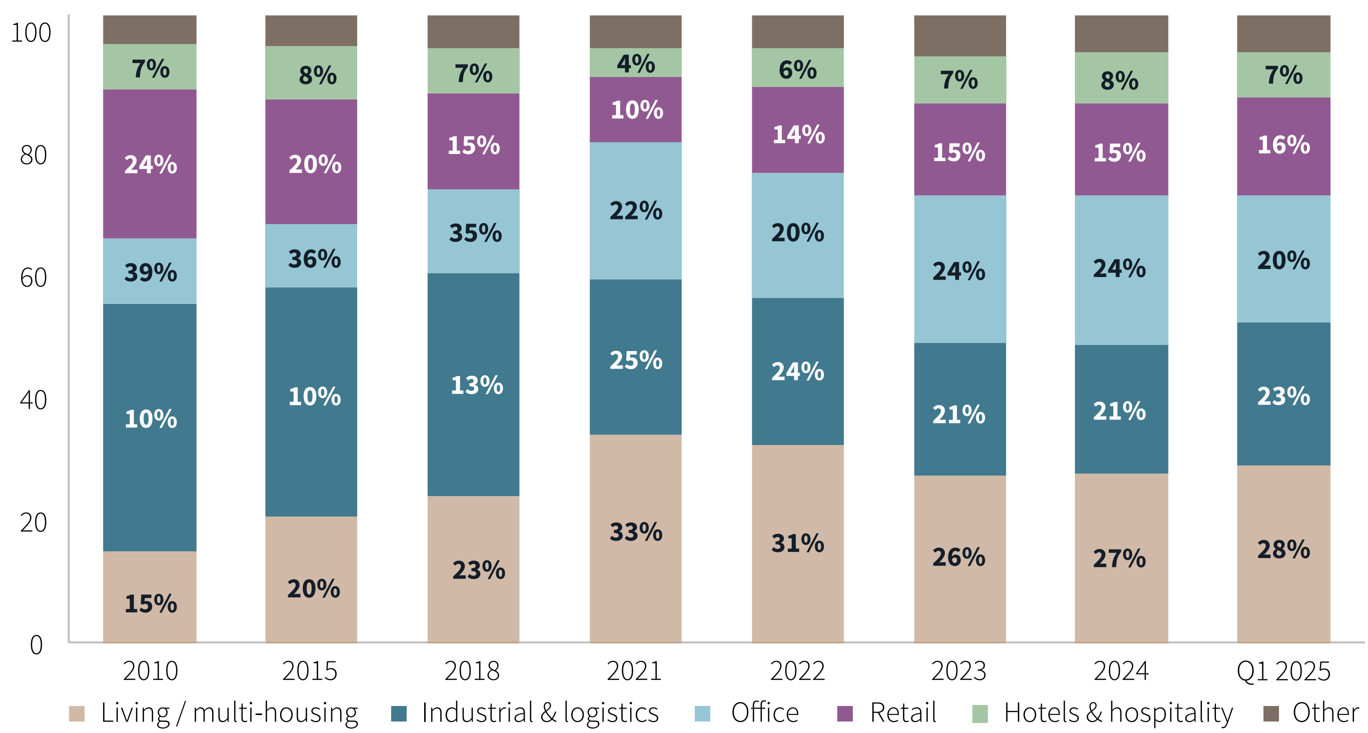
Source: JLL, April 2025

Sector dynamics

Capital focused on in-favor property sectors, although evolving economic fundamentals may lead to divergent performance

Investor strategies around property sector allocations were generally consistent with previous quarters in Q1, with industrial & logistics, living and selected alternatives remaining the most sought-after. With capital appreciation still relatively subdued, investors are focusing on asset quality, tenant credit and sectors in the path of secular growth. The share of capital invested in the retail sector marked a slight increase to 16%, representing a heightened share compared to the past five years, but transactions of scale are still below potential. Bifurcation across and within sectors persists, most notably within the office sector in the U.S., although office transaction volumes have improved to start the year.

Share of transaction volumes by sector, 2010 – Q1 2025



Source: JLL, April 2025

- Industrial & logistics transactions rose by 19% year-over-year globally in the first quarter. Investor sentiment during the quarter was generally steady, and appetite for larger industrial transactions in the U.S. expanded. Sentiment has now shifted – the industrial sector is generally the most affected by the tariff announcements – which is now impacting leasing decisions in some markets, especially in the United States. Investors in these markets are adopting a more cautious stance as they underwrite transactions, lowering their expectations for rental growth. In EMEA, the industrial & logistics sector posted growth during Q1 and is expected to further benefit from recent initiatives by the EU and particularly Germany to unlock spending on infrastructure and defense, along with earlier initiatives supporting regionalized production in critical sectors such as pharmaceutical and medical supplies. In Asia Pacific, industrial & logistics real estate supporting export-focused industries within export-oriented economies is one area to be cautious about. In China, investors are assessing the risk profile of tenants and those focused on locally manufacturing goods for local consumers will be relatively resilient.
- The living sector continues to benefit from strong demographic trends and supply shortages in many markets; in the U.S., absorption is still surprising to the upside despite record deliveries. First quarter investment volumes grew 70% year-over-year globally as investors targeted opportunities in the U.S. (+50%), UK (+331%) and Germany (+184%). Growth in the UK was driven by the government's US$7.5 billion purchase of 36,000 military housing units; excluding that

transaction, the market still saw growth of 45% year-over-year. Uncertainty around tariffs is leading to expectations for a potential increase in construction costs in the U.S., which could delay a recovery in development pipelines, bolstering the performance of existing assets.

- The office market posted 29% growth in transactions in the first quarter as the sector rebounds further from its trough in liquidity. Improved sentiment and institutional transactions across the regions boosted volumes. The market volatility brought on by tariff announcements will have a less direct impact on office tenant demand. However, rising loan spreads stand to increase borrowing costs and put a renewed focus on seller and incumbent lender financing.
- Retail fundamentals remain healthy, with investors acquiring high-quality assets in strategic locations. Retail investment grew 26% year-over-year in the first quarter. There is renewed concern that the U.S. market could see pressure on margins from tariffs, but overall, fundamentals across key global markets continue to be solid. More capital is expected to rotate into retail during the course of the year.
- Hotel investment grew by 9% year-over-year in Q1; performance varied by region, with Asia Pacific seeing 41% year-over-year growth in transactions. The Americas saw lesser growth of 15% given a general lack of large-ticket sales, and transaction volumes in EMEA decreased by 8% year-over-year. While global revenue per available room (RevPAR) kept up its record-setting pace, growing 3.9% through the first two months of 2025, renewed uncertainty is on the horizon amid geopolitical tensions and economic volatility. Much of this stems from the U.S., which has overtaken Mainland China as the largest outbound travel market post-Covid.
- The transactions market for data centers is still relatively nascent, with the bulk of capital markets activity related to development financing; investment was down 18% globally. The Asia Pacific region is seeing increased investment activity, notably across Malaysia and the Philippines. In the U.S., a persistent bid-ask gap is keeping transactions of individual stabilized data centers below potential. Despite challenges like power constraints, land availability and concerns around asset obsolescence – as well as data center REIT volatility during the first quarter brought on by announcements of new, more efficient computing technology – investors will continue to aggressively pursue the sector given its strong performance fundamentals.

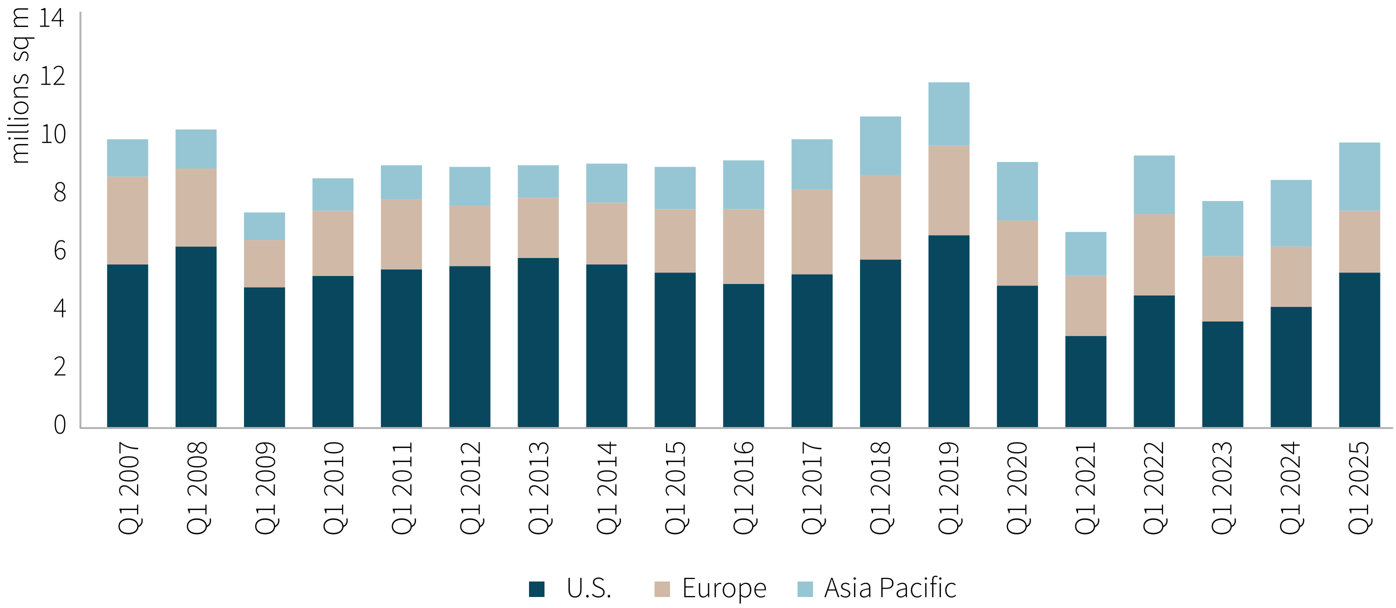
Property Sectors

Offices

Global office leasing recovery continues in Q1

Global office leasing volumes declined by 11% from the previous quarter during Q1, in line with normal seasonal patterns, but were 9% above levels from a year earlier. All three regions saw activity increase from Q1 2024, with volumes rising by 15% in North America, by 4% in Europe and by 3% in Asia Pacific. Renewals and extensions are accounting for a higher share of activity across regions amid limited new supply in North America and Europe combined with increasing rents and fit-out costs.

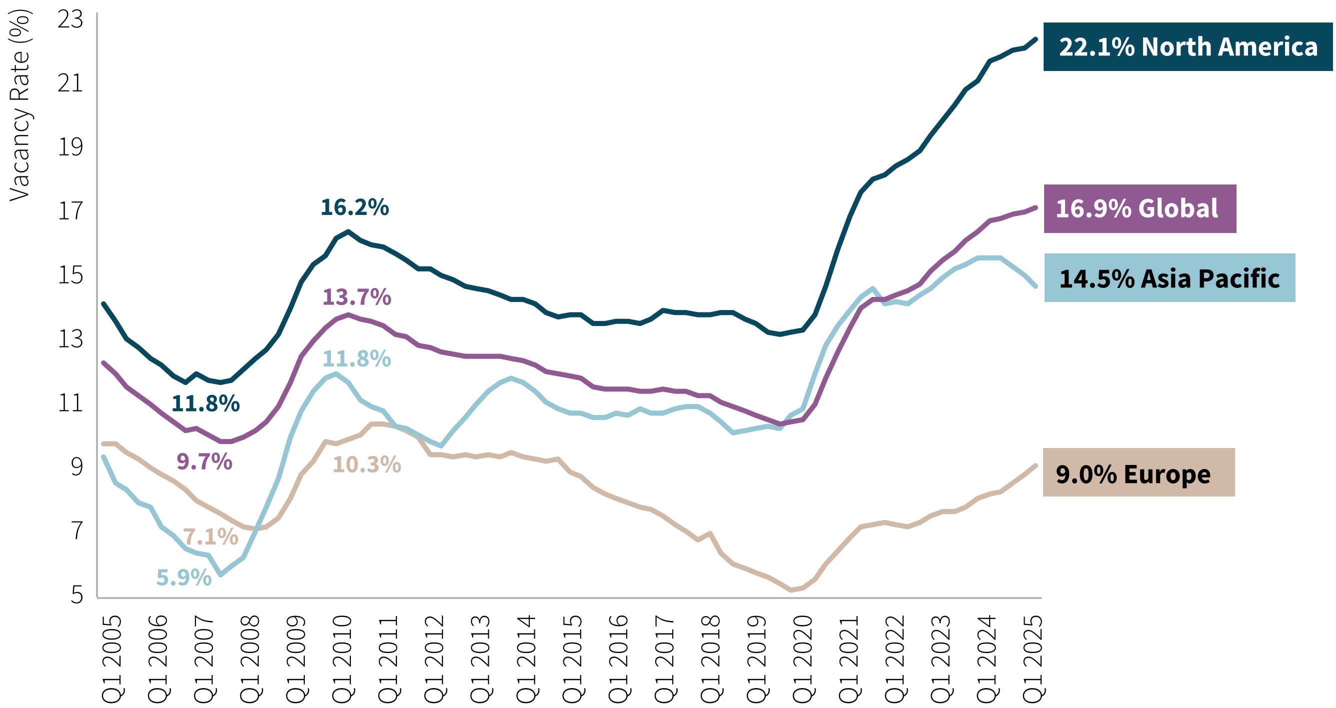
Global office gross leasing volumes, Q1 2007 – Q1 2025



23 markets in Europe; 53 markets in the U.S.; 22 markets in Asia Pacific
Source: JLL, April 2025

The global vacancy rate increased by a further 10bps to 16.9% in Q1, with vacancy higher in North America (+29bps) and Europe (+24bps) and falling in Asia Pacific (-32bps). Groundbreakings have declined to a new record low in the U.S., and while construction is rising in Europe, supply in central submarkets remains exceptionally tight. This is expected to contribute to vacancy peaking and beginning to fall in both regions this year. With less new space coming to the market and availability concentrated in less desirable buildings and locations, occupiers will need to explore options earlier as competition for the best space intensifies.

Global and regional vacancy rates, Q1 2005 – Q1 2025



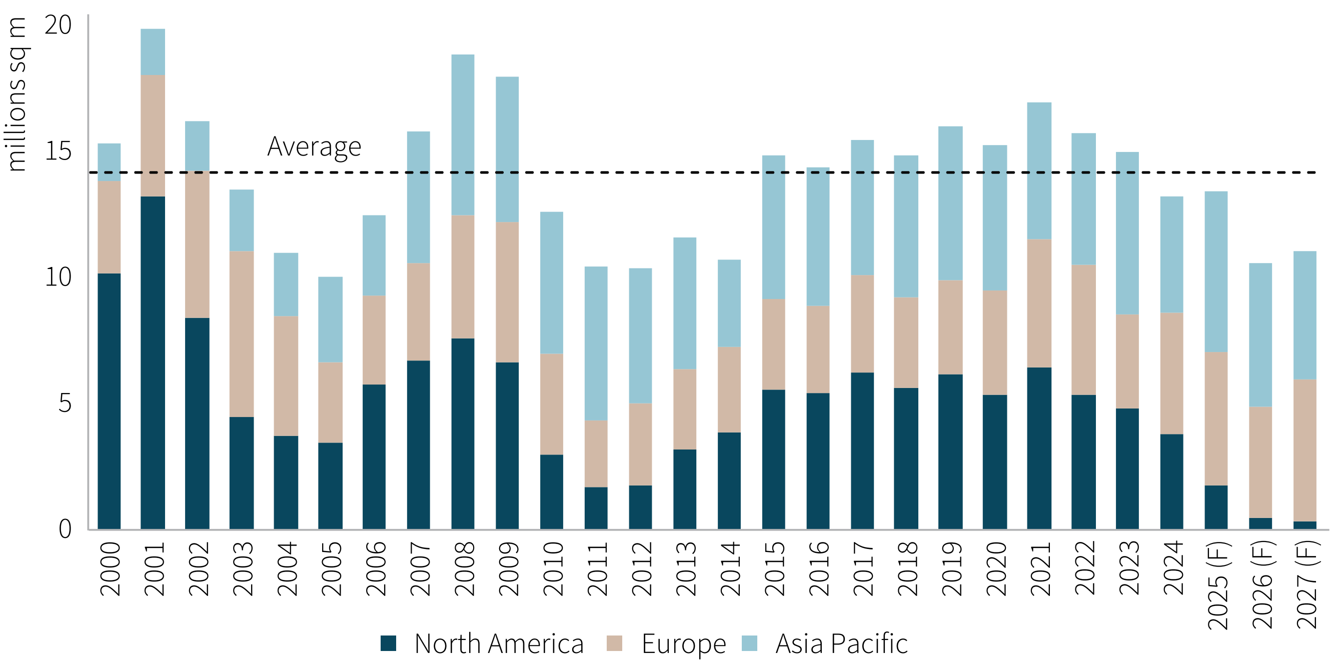
61 markets in the U.S. and Canada; 23 markets in Europe; 25 markets in Asia Pacific. Grade A space vacancy only for Asian markets.
Source: JLL, April 2025

North America: First quarter leasing activity in the U.S. office market fell slightly from the post-pandemic high established in Q4 2024 but increased by 16% year-over-year. Over the past 12 months, office leasing has returned to 87% of pre-pandemic levels nationally. Following positive absorption in the previous quarter, occupancy losses returned in Q1, elevated by federal lease terminations, federal contractor sublease additions, and buildings removed for conversion. Negative absorption of 8.1 million square feet still reflects an improvement of 60% from Q1 2024, when occupancy losses exceeded 20 million square feet. In Canada, take-up was flat over the year while absorption was negative for the fourth quarter in a row. Direct asking rents in the U.S. have been largely stable, whereas effective rents are growing more quickly than base rates, as incentive allowances for renewals, which are becoming a dominant share of the market, continue to stabilize. First-generation new leasing has declined by more than 50% over the past six quarters due to a lack of available space, while renewal volumes have grown almost 30% during that same period. Groundbreakings continue to be scarce, with 72% of space under development already preleased. With conversions and redevelopments still active, overall U.S. national inventory declined by over 11 million square feet in the first quarter.

Europe: European leasing volumes in Q1 fell by 17% from the previous quarter but were 4% above Q1 2024. Despite improving leasing sentiment in many markets over the past year, transaction timelines remain lengthy and may be impacted further by growing uncertainty. The affordability of premium CBD office space is also increasingly feeding through to leasing activity, with many occupiers choosing between lower-tier products in prime CBD locations and high-quality space in central areas outside of the CBD. European office vacancy has continued to increase, and at 9.0% is at the highest level since 2014. Even so, vacancy is primarily concentrated in older and out-of-town locations, while prime submarkets remain exceptionally tight. Poor-quality office stock is facing pricing pressures, but the top end of the market continues to see rental spikes in several markets and, at 7.0%, annual rental growth across the region is still well above the 10-year average of 4.4%.

Asia Pacific: Asia Pacific leasing activity was resilient in Q1, declining by 14% from Q4 2024 but registering a modest 3% year-over-year increase. India emerged as a key driver of this performance, with both domestic and international occupiers maintaining a robust appetite for premium space. The migration of occupiers towards higher-specification buildings across the region is being fostered by a significant supply pipeline and an increased emphasis on sustainable workplaces. This has bolstered leasing activity and contributed to a slight reduction in vacancy rates on a quarter-over-quarter basis, despite an increase in the volume of new completions during the quarter. Most markets outside Greater China registered stable to positive rental appreciation in Q1, with aggregate rents increasing for the fifth consecutive quarter. However, cost-consciousness remains a primary concern in the uncertain economic climate, and a significant proportion of tenants are electing to renew existing leases.

Global office development, 2000 – 2027(F)



23 markets in Europe; 61 markets in the U.S. and Canada; 22 markets in Asia Pacific
Source: JLL, April 2025

Future trends

Rising need for repositioning and investment to meet workplace expectations

Short-term: Although an unpredictable economic outlook is likely to slow decision-making, the office leasing recovery is expected to continue in 2025. In the U.S. and Europe, activity will be supported by continuing office re-entry programs, reduced downsizing rates and a build-up of lease expiries. In Asia Pacific, an elevated supply pipeline will contribute to activity and allow tenants to upgrade into new space.

Long-term: Limited new construction and high pre-leasing rates will intensify competition for high-quality central space in many markets. With prime rents and fit-out costs continuing to rise, companies will need to review their requirements and plan for lease expiries early to manage costs. This will place additional emphasis on flexibility, renewals and extensions, while also contributing to stronger demand for refurbished projects and non-CBD submarkets. Vacancy will remain elevated in older and non-core buildings at risk of stranding, leading to more repositioning and conversion activity.

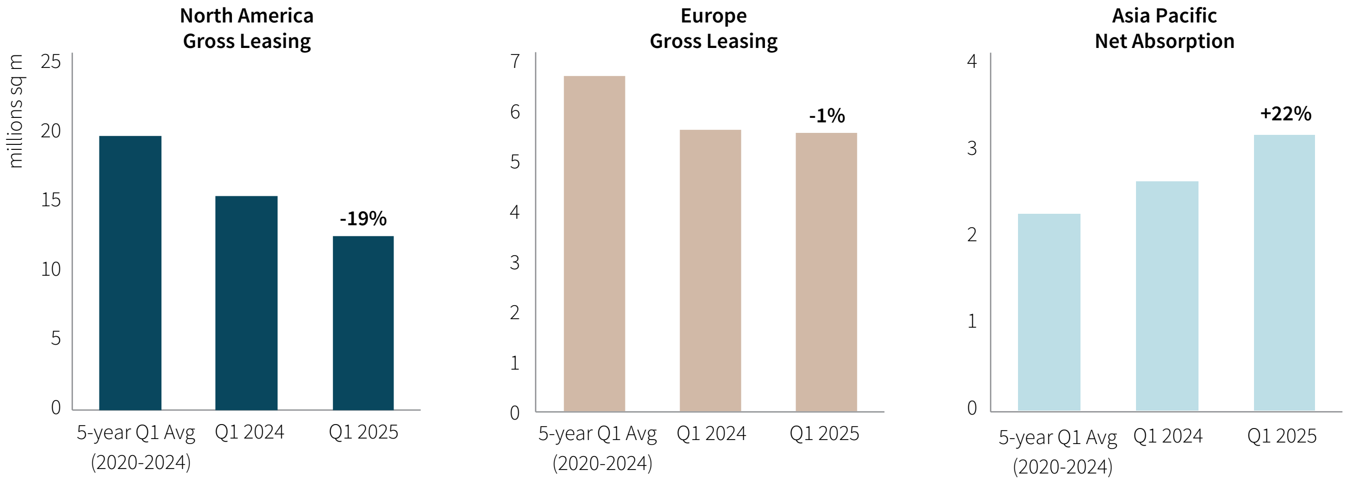
Logistics

Signs of stabilizing demand in Q1, while uncertainty clouds the outlook

Industrial leasing activity showed signs of stabilizing in Q1 despite a backdrop of unpredictability and occupier caution. While leasing volumes in North America fell by 19% year-over-year, the rate of decline slowed from previous quarters. In Europe, take-up was largely unchanged from Q1 2024, and absorption in Asia Pacific rose by 20% year-over-year.

However, the imposition of new tariffs by the U.S. administration following the end of the quarter has led to heightened uncertainty as companies wait for additional developments and assess the impact on supply chains, production and the economy. The situation remains highly dynamic, and the implications varied across industries and organizations. In this context, longer-term decision-making is likely to be delayed as occupiers prioritize short-term planning and flexibility.

Regional logistics demand, Q1 2024 – Q1 2025



North America: based on 55 city markets in the U.S. and 9 city markets in Canada; Europe: based on 13 countries; Asia Pacific: based on 35 city markets.
Source: JLL, April 2025

North America: Leasing activity in the U.S. during the first quarter was down by 20% year-over-year, yet increased by 8% from Q4, posting its best quarter since Q1 2024. In Canada by contrast, volumes were nearly flat year-over-year but declined by 49% from the previous quarter. In the U.S., absorption rose by 25% over the quarter and by 43% over the year, bolstered by several large-scale move-ins of build-to-suit projects. Mid-sized leases ranging between 100,000-500,000 square feet accounted for nearly half of leasing volumes, while there were only 4 mega-sized deals of over 1 million square feet in Q1 – compared to 12 in Q1 2024 – indicating that tenants are seeking facilities that offer sufficient scale for efficiency while maintaining flexibility. 68% of all leases signed during the first quarter were new leases as occupiers remain focused on quality, with 63% of new leases in Class A buildings. Although manufacturing leases only accounted for 3% of Q1 leasing volumes, the sector will be a crucial component of the industrial landscape over the long term.

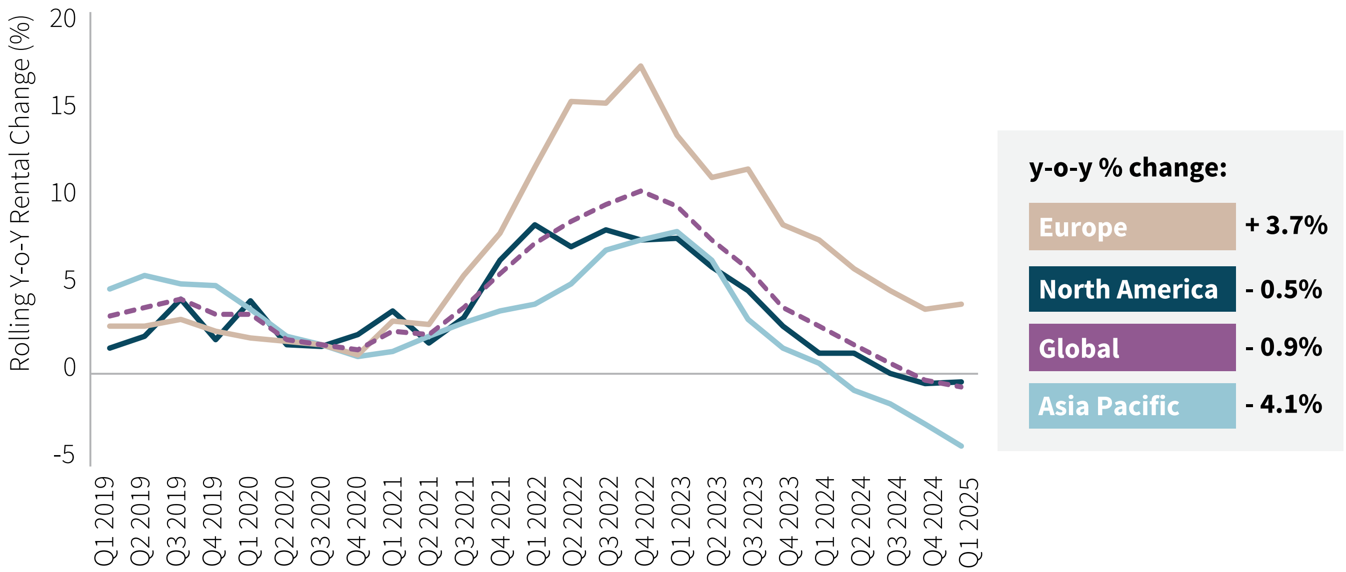
Due to the scale and complexity of most advanced manufacturing projects, their construction timelines are often longer than those of a traditional warehouse facility. The semiconductor, battery and electric vehicle (EV) industries have had a major impact on the current development pipeline, although the volume of new deliveries in Q1 continued to taper off, and the construction pipeline has contracted by 29% year-over-year. National vacancy has increased to 7.3% in the U.S., but higher material and construction costs mean that new supply will continue to fall. Meanwhile, build-to-suit and owner-user projects are starting to account for a larger share of development as users seek more financial independence and asset ownership. The slowdown in construction may also create opportunities for redevelopment or renovation of existing assets as occupiers seek to optimize their current spaces in lieu of new construction options.

Europe: A backdrop of mounting economic and geopolitical uncertainty is delaying decision-making in Europe's logistics markets, with more occupiers adopting a wait-and-see approach or renewing their existing space. Regional aggregate take-up during Q1 declined by 17% over the quarter following a strong performance in Q4 but was only 1% below Q1 2024. 3PLs, the largest occupier group across all markets, added to softer activity with difficult tender negotiations resulting in fewer new contracts over the quarter.

However, there are signs of continuing momentum with international e-retailers, led by Chinese marketplaces, continuing their quest to rapidly expand their European footprint and placing select XL requirements either directly or through collaboration with 3PLs. Food and beverage, pharmaceutical, advanced manufacturing, and defence and aerospace occupiers have also been more active recently. Occupational demand is increasingly shifting towards buildings able to support strategic long-term operational requirements, with a focus on strong ESG credentials in core locations.

Average prime rents rose by 3.7% in Q1, the first increase in the rate of rental growth for eight quarters, as new high-quality space registered robust growth in several markets. While vacancy rates are elevated in secondary and tertiary markets, supply in core locations remains low. Regulatory impediments and more intense competition for land are likely to lead to additional pent-up demand in prime markets, putting further upward pressure on rents.

Logistics annualized rental change, Q1 2019 – Q1 2025



North America based on 55 city markets in the U.S. and 9 city markets in Canada; Europe based on 23 city markets; Asia Pacific based on 40 city markets (staggered starting point for some markets)

Source: JLL, April 2025

Asia Pacific: While tariff-related headwinds may filter through over the next few quarters, logistics activity across the region remained healthy in Q1. At 3.1 million square meters, absorption fell by 32% from the previous quarter – less than the typical first quarter decline – and was 20% higher year-over-year.

At a market level, Tokyo registered the highest volume of activity, with absorption up strongly over the quarter and year. The market is being driven by e-commerce and 3PL companies, although high rents are slowing potential demand, particularly in peripheral areas. Absorption also rose from the previous year in Seoul, with the North submarket seeing the strongest growth. In Greater China, Beijing's activity stayed low by historic standards but rebounded after the New Year, spurred by low rents and large-scale demolitions of illegal warehouses, while tenants upgrading space amid falling rents supported absorption in Shanghai. The market in Singapore improved from the previous quarter but was still sluggish with limited new deals. In Australia, Sydney saw in improvement in pre-lease activity.

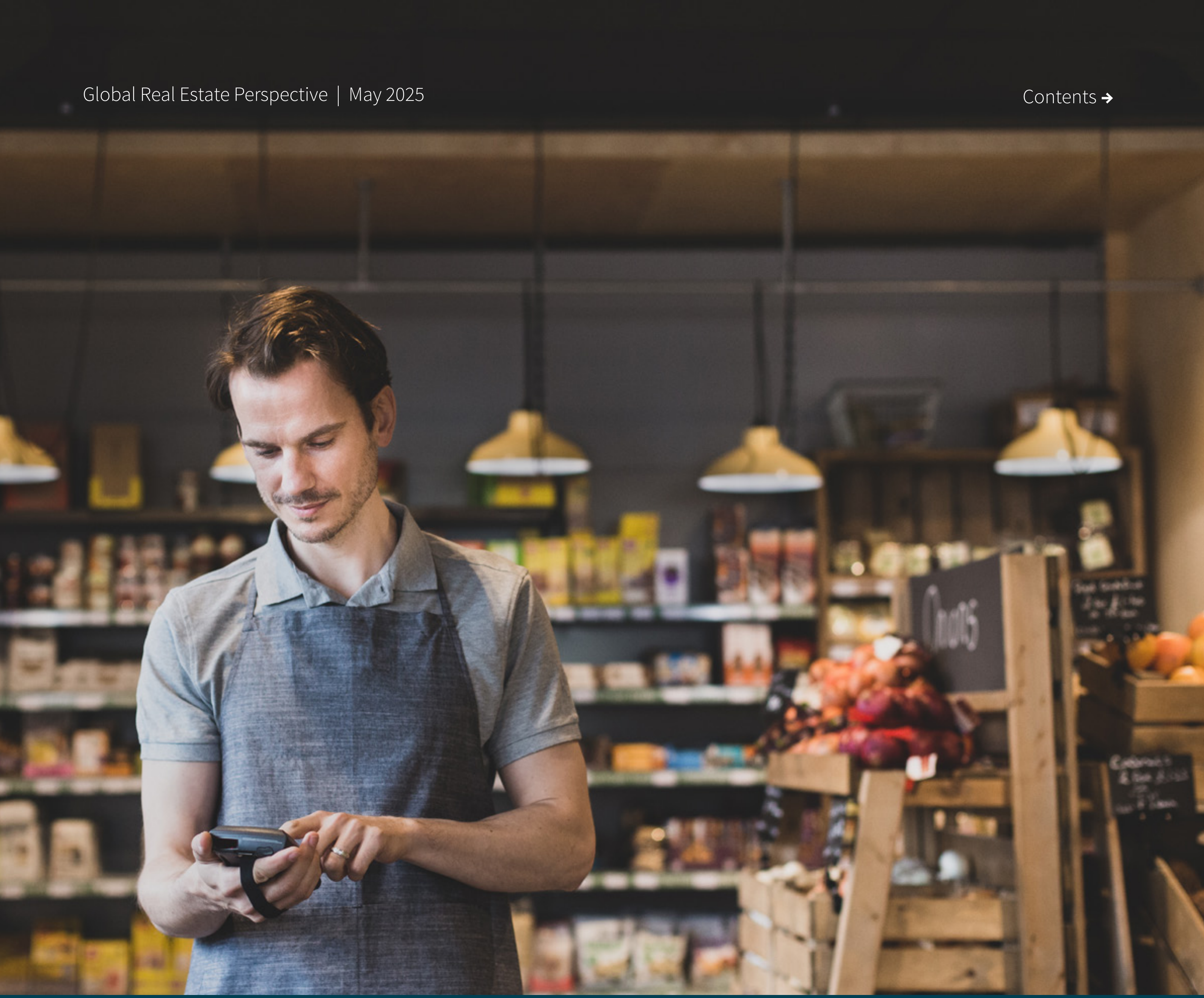
Vacancy rose further across most major cities during the first quarter following robust construction in recent years, although aggregate new supply has been declining since its peak in Q2 2024. Rents continued to fall for a fifth consecutive quarter in Greater China but were broadly stable or edged higher elsewhere.

Future trends

Challenges and opportunities for industrial real estate

Short-term: The outlook for industrial real estate is highly dynamic amid an uncertain policy and trade backdrop and economic outlook. Many companies impacted by tariffs are prioritizing short-term planning and flexibility. In this environment, some are accelerating, rerouting or pausing shipments while utilizing overspill space; others are looking for short-term deals or renewals as they put additional decision-making on hold. More domestically focused companies across markets will see less of an immediate impact, though may look to increase inventory levels to build resiliency.

Long-term: The industrial real estate sector faces both challenges and opportunities. E-commerce growth and urbanization will be a continuing stalwart of demand, while the longer-term effects of evolving trade policy are still uncertain and will vary at the city, country and company level depending on tariff levels, industry composition and product substitutability. Supply chains typically require an extended period to adjust, with manufacturing facilities generally taking 3-5 years to bring online; this will slow overall decision-making for companies dependent on international trade until greater clarity emerges. The reshoring of high-value manufacturing operations which are competitive with import costs is likely to keep increasing while diversification efforts will accelerate, leading to greater demand for industrial space equipped to handle advanced production processes and related supply chains in markets less impacted by trade barriers.



Retail

Mixed performance as consumer caution rises

Global consumer spending growth is expected to stay positive in most major markets through 2025, although sales are likely to slow in locations impacted by growing consumer caution and trade restrictions. Retailers' recent trading results are showing an increasingly mixed picture in performance across categories, while many are reviewing the potential impacts of U.S. tariffs on their supply chains and taking short-term steps to manage volatility.

Retail market performance was varied across regions during Q1, with rising store closures in the U.S. contributing to the first quarter of negative net absorption for four years. Although power and neighborhood center vacancy is likely to continue increasing through the year, the market remains supply-constrained for newer, Class A space. In Europe and higher-growth or tourism-oriented economies in Asia Pacific retailer demand remains healthy for premium central space.

Contents →

U.S.: Major retailers in the U.S. have announced the closure of nearly 10,000 stores, accounting for roughly 150 million square feet of retail space, since the beginning of 2024. As these closure announcements play out, the effects on retail real estate fundamentals are becoming more evident, with net absorption totaling -2.7 million square feet, its first decline into negative territory in 16 quarters. Leasing activity also continues to wind down, dropping for the fourth straight quarter and falling by 25% year-over-year. With the highest number of closures over the last year coming from discount and dollar, drug and apparel stores, much of the decline in absorption was in power centers and neighborhood centers.

As more closures take place over the remainder of 2025, they will have a meaningful impact on the availability of retail space, but the sector continues to be supply constrained. The national vacancy rate remained flat at 4.1% in Q1 as deliveries dipped slightly from the previous quarter, and space under construction is at its lowest level since 2011. Nearly 30% of available space is located in Class C retail properties and less than 25% was built this century, meaning that expanding retailers looking for newer, higher-quality space are finding limited options.

Europe: Europe's key retail leasing markets remain active, with most retailers aiming to expand or enter new markets in prime locations across major European cities. This trend is driven by efforts to improve retail footprints, capitalize on expected growth in physical retail spending, enhance omnichannel experiences and revive growth strategies. Momentum is anticipated to carry over into the remainder of 2025, with continued demand for high-quality space and a gradual broadening of locations for expansion.

Strong demand for prime retail space drove moderate rental growth in key European high street and shopping center markets during Q1. While the outlook is dependent on consumer confidence and economic uncertainty, rental growth is anticipated to persist into the second quarter with further increases in cities including London, Barcelona, Madrid and Milan, before broadening to select major German cities in the second half of the year. Prime shopping center rents are forecast to see the strongest growth over the next five years in Hungary, Germany, Finland, the Czech Republic and Poland, while Prague, Berlin and Paris are set to see some of the strongest growth in high street rents.

Asia Pacific: Retail market performance was varied across Asia Pacific during Q1, influenced significantly by consumer sentiment and tourism. Fashion, apparel, F&B and entertainment tenants drove leasing activity, with prime locations attracting international brands as retailers prioritized store optimization and cautious expansion. The first quarter registered a marked deceleration in shopping center supply following the robust momentum of the previous year. Despite this moderation, vacancy rates edged upward, pushed by a softening in demand across several markets, strategic asset enhancements and tenant relocations. Aggregate rents declined marginally for the second consecutive quarter, primarily driven by ongoing softness in Greater China, with other markets in the region demonstrating more resilience.

China's retail leasing environment continued to be tepid in Q1 with some retailers closing stores due to operational pressures. While Hong Kong's retail sector faced persistent challenges, there were signs of improvement in the tourism industry and leasing activity was firm, supported by mass market retailers.

Elsewhere in the region, demand remained broadly stable. In Australia, retailers are still cautious and prioritizing premium locations with favorable lease conditions and competitive rental rates.

Leasing was strong for prime shopping malls in Seoul, while record-breaking tourism and rising consumer spending continued to support demand for Tokyo's prime high street space, though new openings have slowed with limited availability. In India and Southeast Asia, robust retailer demand was maintained in Q1, with retailers looking for expansion opportunities.

Future trends

Divergent performance as retailers assess growth outlook and supply chains

Short-term: Divergence in retail market performance is likely to continue through 2025. In the U.S., supply chain concerns will lead to varied responses as retailers assess the impacts of evolving trade policy and explore options including accelerating shipments to build inventory, pausing imports and seeking alternative suppliers. Markets with strong household balance sheets, higher GDP and income growth, and tourism-oriented destinations – including Central and Eastern and Southern Europe, the Middle East, India and Southeast Asia – are expected to see the most resilient consumer spending growth. With limited new construction in mature markets, prime locations will remain supply constrained.

Long-term: The landscape of online retail has undergone significant changes over the last decade. The increase in fulfillment costs is a particularly striking example, with global fulfillment costs as a percentage of net retail sales for e-commerce companies nearly doubling over a 10-year period to reach 23% in 2024. This can be attributed to rising transportation costs, higher salaries and escalating operational expenses. In contrast, brick-and-mortar retailers in shopping centers face more stable occupancy costs as a percentage of in-store revenue, typically ranging from 11% to 17% in 2024. This disparity has made in-store fulfillment often more cost-effective than home delivery. As a result, retailers have gained renewed confidence in physical stores, with many opting for larger formats that incorporate click-and-collect services for online purchases. This hybrid approach offers several advantages: it improves profit margins, encourages impulse buying when customers collect their orders and reduces storage costs for retailers.

Living

Global living investment continues to rise across regions

Despite challenging geopolitical and economic conditions, the long-term structural positive fundamentals for living assets continue to drive growth in investment. First quarter activity was robust across the U.S., EMEA and Asia Pacific, pushing each region to higher volumes versus the previous year.

U.S.: The living sector in the United States began 2025 with steady but cautious momentum. Above-expectation job growth continues to drive record absorption, and bidding activity has risen well above 2024 levels.

U.S. apartment absorption served as the headline figure in Q1, with over 138,000 units absorbed from January to March. This is the highest Q1 absorption figure on record – an emphatic statement of apartment market health despite broader economic uncertainty. The record is a continuation of a trend that began in late 2024, with the final two quarters of last year both finishing among the five highest quarters of absorption in U.S. history. Elevated supply (+116,000 units) continues to be counteracted by these absorption figures, pushing national occupancy up 1.2% from Q1 2024 to a three-year high of 95.2%. This supported another quarter of steady rental growth (+1.1% year-over-year nationally).

U.S. living investment volumes surpassed US$22 billion during the quarter, ahead of the US$20 billion total in Q1 2024. Institutional investors continue to be active in bid fields, with bidding activity finishing Q1 46% above the first quarter of last year.

EMEA: The living sector maintained its position as the largest in Europe for transactional volumes at the start of 2025. The Q1 total (combining multi-housing and healthcare) of US$19.2 billion reflects both a rise on Q4 and more than double the level in the same period last year. Even excluding the US$7.7 billion purchase of 36,000 military homes by the UK government's Ministry of Defence, quarterly investment was 26% higher than Q1 2024, with notable large deals in Germany, the UK and the Nordics. Healthcare assets saw a particularly strong uplift of 85% due to rebounds in the UK and Germany. The number of transactions has also increased, particularly within the multi-housing sector, where yields have been largely stable since the end of 2023.

Construction cost growth continues to be low following a period of rapid rises, with annual growth slowing to 1.6% on average across key markets in Europe by the end of 2024. Although cost levels remain high, forward investment transactions are becoming more prominent.

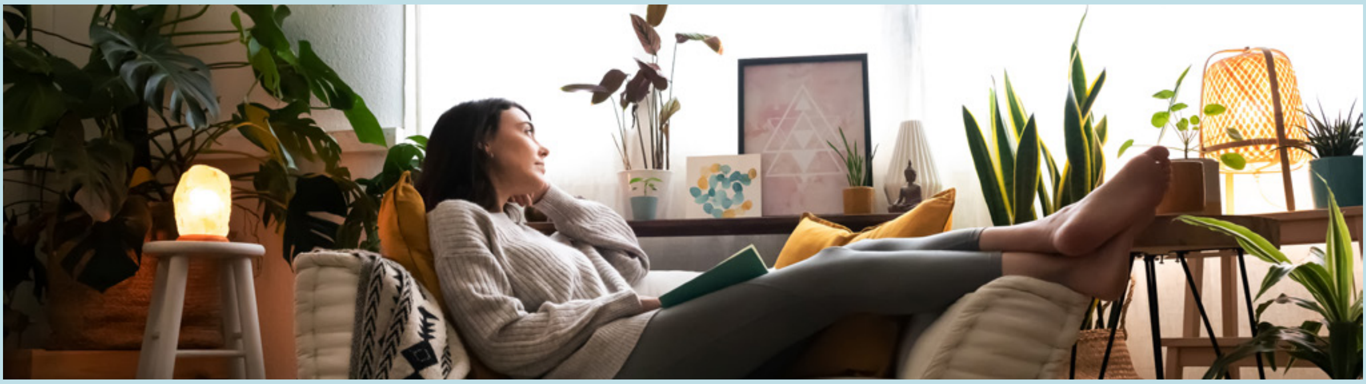
Rental growth has followed a similar trend; while staying elevated in the most constrained markets, it is normalizing in many that have already experienced the largest increases. Some rent controls also show signs of being relaxed, for example in Ireland, as governments seek to encourage investment after failing to meet national housing targets.

Asia Pacific: The positive trends recorded in Asia Pacific living investment at the end of 2024 continued into the first quarter of 2025. Regional transaction volumes rose to US$4.2 billion, building on the US$2.5 billion registered in the final quarter of 2024 and 175% above Q1 2024.

The majority of activity was concentrated in Japan, which accounted for 60% (US$2.6 billion) of the regional total. Transactions in Japan have been predominantly in the smaller end of the market, despite two portfolios trading for US$809 million (six properties) and US$650 million (four properties). Even with these larger portfolio deals, only four assets traded for over US$100 million, with the average building changing hands for US$35 million.

China saw close to US$1 billion worth of transactions in what is a burgeoning property sector for the country, with all of the transactions recorded in Beijing and Shanghai. The living sector is one of the few property types to continue to see foreign capital investing, with Invesco and Warburg Pincus JVs involved in two of the seven trades during Q1.

Elsewhere in the region, a worker dormitory portfolio of four assets traded in Singapore for US$556 million, with Bain Capital purchasing the assets from Blackstone, while in Australia three student assets changed hands for US$136 million. Despite the lack of transactions in South Korea this quarter, several groups are looking at living opportunities, from multifamily to co-living assets. The further liberalization of the Korean 'Jeonse' rental housing system (whereby tenants pay a large deposit instead of rent) is also encouraging investors to look closely at the sector, with many regional and global investors announcing their intention to invest during the quarter.



Future trends

Investor conviction supporting larger deals and increasing institutionalization

Short-term: Undersupply continues to be a pressing concern for housing markets around the world, with urbanization, international mobility and shrinking households contributing to growing rental demand. Despite the influx of new deliveries in the U.S. over the last 24 months, multifamily construction starts have declined by 77% from recent peak levels as of Q1. Meanwhile in Europe, higher construction costs and the effects of a slowdown in forward funding over 2022-2023 will continue to stifle deliveries this year. Despite the volatile outlook, investor conviction in the sector will support the growth of larger platform, portfolio and entity-level deals in 2025.

Long-term: Growing institutionalization of housing markets as investors allocate more capital to living sectors and diversify into new markets is expected to lead to the number of countries achieving average annual investment of over US$500 million expanding to over 20 by 2030. Living is forecast to maintain its position as the largest sector for investment volumes with a further US$1.4 trillion in transactions over the next five years.

Hotels & hospitality

Global hotel performance remains strong

While Global Revenue Per Available Room (RevPAR) kept up its record-setting pace, growing 3.9% through the first two months of 2025, a renewed wave of uncertainty is on the horizon amid increasing geopolitical tensions and economic volatility. Much of this stems from the United States, the world's largest outbound travel market post-Covid. Despite possible future travel pullback, current demand remains strong with all three regions posting growth over the year to date. Performance continues to be uneven, with demand across Asia Pacific and EMEA accelerating while the Americas has begun to show some softness. Global resort and leisure-heavy markets, which were generally the first to recover following the Covid-19 pandemic, have started to see some normalization in demand underpinned by slowing consumer spending amid some contraction in savings. Conversely, demand for urban markets has accelerated significantly, though it could be at risk of a slowdown should the current volatility have a more pronounced impact on international travel. Slowing supply growth combined with the return of group and corporate travel is expected to fuel 2% to 4% global RevPAR growth in 2025.

Global hotel investment volumes remained sluggish in Q1 2025, sinking to the lowest first quarter total in more than a decade at US$9.3 billion, driven by a lack of portfolios and high-value trades. The former, which historically comprises 30% of Q1 liquidity, reached just US$830 million, by far the lowest total in history. Renewed fears of rising inflation and uncertainty surrounding interest rates have pushed many investors back to the sidelines as they wait for clarity to reemerge. The velocity of transactions is anticipated to meaningfully accelerate in 2025, catalyzed by the near US$100 billion of loans slated to mature and many hotels grappling with ongoing profitability challenges, which could become exacerbated by recent uncertainty. Deferred capex is also front-and-center as brands reinstitute PIP requirements. Private equity, family offices and select foreign investors will likely be the most acquisitive, with must-have assets in global urban markets expected to be the largest beneficiaries of capital. Major global hotel brands have also indicated a willingness to use their balance sheets to acquire other brands or OpCos to drive shareholder value as global hotel supply growth slows.

Americas: Driven by record-high Average Daily Rates (ADR), Americas RevPAR reached a historic February high, exceeding 2019's benchmark by 20.6%. RevPAR growth has slowed over the past six months though, underpinned by declining consumer savings and a noticeable pullback in leisure travel. Renewed fears of rising inflation amid a possible escalating trade war have exacerbated these trends, with markets that rely heavily on inbound international travel, particular from Canada, experiencing a meaningful contraction in hotel demand. Conversely, group and corporate travel continue to surge, which has mitigated some of the negative impacts elsewhere and fueled generally strong performance in most urban markets, with those such as New York and Toronto generating historic RevPAR. With the cost-to-buy significantly below the cost-to-build and pricing still generally below pre-pandemic levels, investors are expected to inject capital into urban markets, with irreplaceable assets likely to garner the most interest. Expect private equity to be the most acquisitive, with hotels on opposite ends of the spectrum – luxury and select-service – likely to be the most in demand.

EMEA: EMEA hotel performance continued to set records through the first two months of 2025, with RevPAR exceeding 2019 levels by 30% and growing 4% versus 2024. The region is still benefiting from exceptionally strong inbound international travel, particularly from the U.S., as Americans capitalize on a strong dollar. Markets such as Dubai, Paris and Rome have led the charge and should see further growth in the coming months driven by a multitude of events including the highly anticipated Oasis Tour scheduled to begin in July. There are some concerns that travel from the U.S. may slow amid rising geopolitical tensions; however, this should be mitigated by strong domestic, intraregional, and inbound Asian travel. Despite robust fundamental performance, 2025 transaction volumes got off to a slow start, with Q1 liquidity declining by 60% relative to 2024. While single-asset deals were in line with prior years, portfolio transactions were all but absent following last year's record total. Activity should accelerate through the year, with select U.S. investors and domestic private equity, family offices and HNWIs increasingly acquisitive. Luxury assets in high barrier-to-entry markets are likely to be the largest recipients of capital.

Asia Pacific: Asia Pacific RevPAR meaningfully accelerated through the first two months of 2025, growing by 4% relative to 2024. Performance continues to lag 2019 though, down 13.7%, underpinned by ongoing visa challenges and a slowing economy in China. Conversely, international travel into the region has soared driven by depreciating currencies, particularly the Japanese yen. Resultantly, RevPAR in markets such as Sydney and Tokyo has skyrocketed and should grow further throughout 2025. China's recent implementation of visa facilitation measures has begun to spur increased demand, though regional RevPAR is unlikely to reach a full recovery until late 2025. This uneven performance, combined with rising geopolitical tensions, has resulted in some softness in hotel investment volumes, with Q1 liquidity declining by 9% relative to 2024. Akin to other regions, single-asset activity remains robust, while portfolio deals have sunk to historic lows. Select U.S. and European investors are expected to capitalize on strong currencies, with domestic private equity injecting capital into urban markets; Australia and South Korea are likely to be the largest beneficiaries. India and Japan have also emerged as focal points for global investors, given expected growth over the coming decade and a favorable currency hedge respectively.

Future trends

Global hotel brands shift strategic priorities

Short-term: Amid a challenging and high-cost construction environment, hotel brands are increasingly using their balance sheets to fuel net unit growth (NUG), a key driver of shareholder value. Hilton and Hyatt were the most aggressive in 2024, acquiring Graduate Hotels & Nomad and Standard International respectively. Hyatt has since announced plans to acquire Playa Hotels & Resorts for US$2.7 billion. More brand M&A is expected to materialize throughout 2025 as global hotel supply will grow only 1.7%, 250bps less than its long-term average. Third-party hotel management companies, non-traditional lodging brands, and hotels in the lifestyle sector are likely to attract the most capital.

Long-term: The global portion of branded hotels managed by third parties (i.e., franchised) increased 3.8pp in 2024 and should accelerate further in the next three-five years as most major hotel brands look to mitigate risk and fuel shareholder value. All major brands have signaled a willingness to shift management contracts into franchise agreements, which should free up capital to help facilitate transactions and increase brand-acquisition activity. This should create opportunity in the highly fragmented third-party management space with new players, increased partnerships and M&A likely to emerge. Owners will increasingly embrace this shift in operating models, particularly those faced with ongoing profitability challenges.

Global Real Estate Health Monitor

Global Real Estate Health Monitor

	Economy	Real Estate Investment Markets		Real Estate Occupier Markets			
	Metro Area GDP	Investment Volumes	Investment Change	Rental Change	Net Absorption	Vacancy Rate	Supply Pipeline
Amsterdam	1.8%	1.3	35.6%	5.5%	-2.5%	8.4%	3.9%
Beijing	4.9%	2.1	-48.5%	-16.6%	0.4%	12.4%	6.1%
Berlin	1.1%	6.8	67.3%	4.5%	-0.7%	7.7%	3.4%
Boston	2.2%	10.1	0.3%	-1.8%	0.1%	22.5%	0.6%
Brussels	1.0%	1.9	136.1%	6.7%	-1.6%	7.9%	3.4%
Chicago	1.8%	11.1	3.1%	6.1%	-0.1%	26.9%	0.1%
Dallas	2.6%	21.9	34.1%	1.7%	-0.2%	26.0%	0.9%
Delhi	8.1%	0.4	1046.6%	2.2%	8.7%	21.4%	10.9%
Dubai	3.5%	1.7	-11.1%	16.2%	na	8.6%	2.3%
Frankfurt	0.1%	1.5	59.4%	6.4%	-2.3%	10.6%	1.8%
Hong Kong	1.9%	4.9	12.0%	-8.4%	0.6%	13.7%	5.5%
Jakarta	6.0%	0.3	33.0%	1.3%	1.9%	35.2%	0.0%
London	1.5%	16.8	19.9%	14.3%	0.7%	8.9%	8.1%
Los Angeles	2.0%	18.3	5.5%	3.4%	-0.1%	28.2%	0.6%
Madrid	3.0%	4.8	86.3%	6.4%	1.8%	9.0%	1.7%
Mexico City	1.3%	0.3	552.4%	-0.2%	3.0%	19.7%	4.5%
Milan	1.0%	3.5	104.4%	5.7%	-0.9%	9.2%	5.2%
Mumbai	7.1%	0.2	29.7%	7.0%	5.0%	11.9%	8.2%
New York	2.0%	24.6	23.7%	2.8%	0.3%	15.8%	0.7%
Paris	1.0%	12.4	1.0%	9.1%	-1.8%	10.5%	3.4%
San Francisco	2.8%	2.3	31.8%	4.6%	-1.1%	35.4%	0.0%
Sao Paulo	1.1%	4.0	13.5%	25.0%	8.1%	18.3%	9.1%
Seoul	0.9%	16.3	39.9%	7.0%	0.8%	2.8%	3.3%
Shanghai	4.7%	9.1	-16.2%	-15.4%	3.6%	23.5%	11.4%
Singapore	2.8%	11.8	64.6%	1.7%	2.3%	8.1%	3.4%
Stockholm	2.5%	5.4	171.5%	3.3%	-1.4%	14.4%	1.3%
Sydney	2.2%	7.0	50.3%	10.0%	1.2%	17.5%	2.2%
Tokyo	0.6%	23.5	41.1%	8.3%	5.7%	2.5%	8.7%
Toronto	1.8%	7.6	-19.3%	-1.3%	-0.3%	18.2%	1.3%
Warsaw	4.7%	1.5	101.2%	5.6%	1.7%	10.4%	3.4%
Washington DC	1.2%	13.2	8.1%	5.8%	-0.2%	23.2%	0.1%

Real estate data as at end Q1 2025

Definitions and Sources
Metro Area GDP: Change in Real GDP. Metropolitan Area Projection, 2025. Source: Oxford Economics
City Investment Volumes: Direct Commercial Real Estate Volumes. Metro Area Data. Rolling Annual Total in USD Billion. Source: JLL
City Investment Volumes Change: Direct Commercial Real Estate Volumes. Metro Area Data. Rolling Annual Change. Source: JLL
Rental Change: Prime Office Rents. Year-over-Year Change. Latest Quarter. Source: JLL
Net Absorption: Annual Net Absorption as % of Occupied Office Stock. Rolling Annual. Source: JLL
Vacancy Rate: Metro Area Office Vacancy Rate. Latest Quarter. Source: JLL
Supply Pipeline: Metro Area Office Completions (2025-2026) as % of Existing Stock. Source: JLL

To find out how we can support your global real estate market strategy with research insights and strategic advice, please contact one of the members of the global research team.

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