

The Weekly Take

SEASON 7 EP 4

Spencer Levy

The new year brought in a symbolic fresh start for the commercial real estate business. And as you continue to get your year started, we're pleased to add a variety of fresh outlooks on the business. On this episode, we set up shop at the recent Power of WE conference in Los Angeles, organized by the CBRE Women's Network for its 25th anniversary. We convened a virtual round table to help us look at key markets and sectors around the nation and the world. We have a lot of talent on the show today, so for now, we'll skip the formalities and introduce each of them along the way. Coming up, let's get right to it. An all-star cast sharing unique perspectives on today's commercial real estate landscape and markets that are worth keeping an eye on. Insights and inspiration for your thinking about the year ahead. I'm Spencer Levy, and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly take from Los Angeles from the Power of WE event, 25th anniversary of the Women's Network. What a privilege to be here. Let's start off with Sabina Reeves, the Head of Insights and Intelligence for CBRE Investment Management. Sabina, thanks for coming out.

Sabina Reeves

Thanks for having me, Spencer.

Spencer Levy

Great to have you. So Sabina, what's the data telling you today? Just give me the big picture. How is the real estate market today? Big picture.

Sabina Reeves

Big picture, and remember, we're global investors. What we're seeing from the data is that the repricing we're mostly through it, which is good news, with the exception of maybe some of that secondary office. And actually, we've got cap rates coming in across the world on the strongest sectors, including modern office. And I know, Spencer, you are a big advocate of RTO and that office was not dead. So we're saying that in the data. But more negatively, I think we are still seeing a bit of weakness in leasing, particularly in US logistics multifamily. We hope that's going to burn off. We think we're set for a good 26. And the data is also showing us returning liquidity. So we're seeing the debt market moving again, transactions volume activity picking up. So early signs of a good year to come, one hopes.

Spencer Levy

So you have a big job in terms of you see the world. When you're speaking to your colleagues at investment management and you're saying, well, you know, I think the opportunities are better in Europe or in Asia or the US, how do you attack that question?

Sabina Reeves

So we spend a lot of time both looking at data and trying to forecast market trends. So the big structural mega trends that are gonna drive long-term investment activity, our average hold period is nearly eight years and we're often selling to someone who's gonna hold for another eight to 10 years. So we need to spot the mega trends but also where we are in the cycle to get where relative value is. And those prop forecasts in our house for you really guide. Help make the world a little bit smaller for our PMs and our CIOs, because a lot of them have discretionary capital, so they truly can go where they spot that relative value.

Spencer Levy

And relative value is really what we're talking about here, because I often say some of the best assets are hard to get value. How do you get past the this is really good real estate versus I can get an outsized return? It's kind of going from core to core plus kind of thinking.

Sabina Reeves

Yeah, exactly. And a lot of our investors tend to be income seeking. So for them, it's all about what is the income return? What is the dividend yield they can get on their real estate relative to that local government bond yield or whatever is their benchmark cost of borrowing. And so it can lead you to sort of slightly odd sounding results. So, for example, in our forecasts, the UK has the highest forecast total return over the next five years, my home market. That's not the reason why it has the highest total return, by the way.

Spencer Levy

It absolutely is.

Sabina Reeves

But it also has one of the highest bond yields for the next five years. So actually we're tactically underweight UK. We want to see a really healthy income premium provided by real estate relative to the bond yield. We wanna see potentially some dislocations so we can come in at a discounted entry price. That gets around your price to perfection point. Hopefully we're not typically buying plain vanilla in the market. That's how we try and ecat a bit of value. And then for all of our folks on the asset management operator side of the business, we're hoping to grow that NOI. I think the days when we could just clip the coupon sadly is over and we are so reliant on the operational excellence to really drive those returns through now.

Spencer Levy

For more insights into that search for value and returns, we turn to other thought leaders from CBRE and beyond, starting right where we're sitting, in L.A.

Jessica Lall

Great to be here and it's wonderful to welcome you to Los Angeles.

Spencer Levy

That's Jessica Lall, the head of CBRE's downtown L.A. office. She brought us up to speed on a town that's still the heart of the movie business, of course, but will soon be center stage as a host city for both the 2026 World Cup and the 2028 Summer Olympics.

Jessica Lall

Los Angeles is in a moment of reinvention, and we're up for the challenge, I can say that much. And what I love about Los Angeles is we're 88 cities within L.A. County. We constantly are reinventing and looking to the future with pride and optimism. We've got a lot ahead of us. If you look at the challenges, they'll start there first. We're low on housing supply. We are seeing lumpiness with return to office still across LA. Places like Century City, as you mentioned, are outperforming almost the rest of the country, and then we're still seeing high vacancy in places like downtown LA. But I will say, even within downtown LA, we're seeing a tale of two cities. Buildings that have stable ownership, where they're investing in TI, you're seeing those buildings exceed 92% occupancy. So we have our work cut out for us, but we have the leadership, we have creativity. We have the track record of being able to overcome this. And I think when you look at these world events that are going to be putting L.A. on the center stage, starting with the World Cup next year, all the way through the 2028 Olympics, it presents a really rare opportunity to seize the moment.

Spencer Levy

Tell me just a little bit more about what L.A. is doing to prepare for these events. One of the things that made L.A. attractive for these events is that it's held them before. It has the venues. But you are doing improvements to infrastructure among other things. Tell us a little more about how the city is preparing for that and what kind of economic impact you think it might have.

Jessica Lall

Correct so we are as you mentioned we're not going to be actually needing to build additional venues which is a huge plus and allows us to focus on large-scale infrastructure that's going to live here past the games. I think if you look at the metro investment and the lines across L.A. County unprecedented across the country and we're going to see stations pop up all over really connecting the network. We're constantly looking at the cultural institutions that are able to invest, and we're gonna be connecting all parts of Southern California, really, through these games. And that hasn't really been done before. And so we're going to be able to revitalize some of the older stadiums and venues that haven't been utilized in this kind of capacity before, and then also taking advantage of stadiums like SoFi. The LAFC BMO stadium. So it's really gonna present an opportunity, really not just for the investment, but to really coalesce people around a deadline, which I think sometimes in L.A. we can be seen as fragmented, different jurisdictions, having different levels of responsibility, that the games really serve as a point to orient our goals and objectives.

Spencer Levy

I think there is a unified Southern California economy that we don't talk about a lot. But how does L.A. fit into the broader Southern California economy?

Jessica Lall

That's a great point. So the city of L.A. is four million people.

Spencer Levy

Yeah.

Jessica Lall

LA County, 20 million people, 88 cities within L.A. County alone. So when you talk about LA, people mean different things. And we have cities within cities. And so this is really the diversity of the market, the diversity, of the industries. Really being able to work together

and come together is really important. But we're seeing places pop up. Offices taking off industrial in different parts. And what this allows for is us to be able to learn best practices of what's working and what's not working together. And so the L.A. economy can't be overstated. I mean, California as a whole, sixth largest economy in the world and L.A. plays a huge part of that. So I'm optimistic about the future and I'm glad we're all here to sort of experience the diversity of our market and what it has to offer.

Spencer Levy

Let's talk about the entertainment industry by itself for just a moment. I know it's had some of its challenges, as I mentioned, but how's it going right now? How much of a driver of L.A. will that be going forward?

Jessica Lall

Look, this is a part of our ethos as a city and you absolutely can't take it for granted. And I think we've seen over the years, the industry kind of be taken for granted in terms of making sure that it is thriving and we've seen backlash. And however, I would say right now, I think there's some positive momentum in terms of what the governor has recently done. You know, you've seen the city put in people around key leadership, around keeping the industry here. We're doing a lot of work around sound stage development and people think it's dead and it's absolutely not. People want to be here. People literally aspire, as you just pointed out, grow up thinking about coming to Los Angeles and being a part of this industry and it is redefining itself on its own. And we talked about reinvention. It's in a moment of reinvention itself, but I think we're seeing focus and collaboration and a shift in how the business is done for sure. But I think in terms of real estate, we're seeing positive green shoots in terms of a revitalization. There's a whole variety of industries here that really diversify our economy. So we're not solely reliant on one. And why that is important is when we go through these moments of reinvention, we're able to weather the storm, if you will. Even our downtown L.A. market, we've got financial services, legal services, government, higher education, a variety just with even in our downtown L.A. ecosystem. And so when you extrapolate that on a broader level, we're actually seeing a real coming back of fashion and apparel and design in our market. So I'm very optimistic and anyone who doubts L.A. I think does so at their own peril.

Spencer Levy

Staying on location in LA. Now, let's break down the investment story where Southern California's industrial scene has played a dramatic role. To do that, we welcomed a pair of national capital markets leaders who are based in LA, Lily Khao of AEW Capital Management, who co-heads the firm's asset management platform and CBRE Vice Chair, Barbara Perrier.

Barbara Perrier

So it's interesting, I've been doing this for a long time, and I've never in my career seen people worried about the Southern California market. It's always been other parts of the country. And it's finally changing. People have felt we've hit bottom and we're coming back. And there is a degree of optimism, just feeling like next year is going to be a positive year. And the reason is, is that the fundamentals have been the issue. And right now, the fundamentals are stabilizing. And so if we can get stable fundamentals and people understanding where lease rates are and absorption, we're gonna be in a much better spot in the capital markets next year.

Spencer Levy

To be specific, the best market in the country for years was the Inland Empire. And maybe they overbuilt, maybe there was some challenges. But you're saying that have rents bottomed and now coming up?

Barbara Perrier

Rents have bottomed. We're starting to see some green shoots of coming up, but it has been a little slow. The reason it happened in the Inland Empire was we had a hockey stick effect of rents after COVID, and we had so much rent growth so fast, it wasn't sustainable.

Spencer Levy

You probably had like five years of rent growth in one year.

Barbara Perrier

Yes, nobody predicted it. And so then, coming to where we are today, we've seen probably the biggest decreases in rent. Well, investors don't like decreases in rent, especially when they come down very quickly. So it's been a very challenging time for the Inland Empire, but I feel like we have hit bottom and are on our way back up.

Spencer Levy

So Lily, let's go into fundraising for a moment. So you don't have to identify your investors, but are these endowments, pension funds, high net worth, sovereigns, and how have each category kind of come together?

Lily Khao

Yeah, sure. I mean, what we've seen more of this year is kind of more of the same. So a lot of public pension, domestic public pension fund, as well as foreign pension fund. And then we've seen an uptick and an increase in insurance companies as well.

Spencer Levy

I've heard, and again, without naming names, that some of the endowments, excuse me, the university endowments have been a little bit slower because they've had some funding challenges and they haven't been able to recommit. Is that a fair statement?

Lily Khao

Yeah, I think so. We haven't seen really an uptick or much movement in that space.

Spencer Levy

Talking about the core fund. And the core business is the one where I think people, the last couple of years have been tough, and they've been tough because of redemption queues, they've been tough because you had a concentration in office. How do you see core investing today?

Lily Khao

Yeah, there's definitely a transition, private capitals following what the REITs have already been doing for a long time, which is getting into the alternatives. And I would say now it's almost not an alternative, right? Because NACREIF changed their categorization, where it's no longer just, it used to be the four main sectors, office, industrial, retail, multifamily, and then there was hotels. But now self-storage is considered its own category, seniors housing is considered its own, I should say, sector, not category. And then some of the alternatives that you're talking about have been classified within the main sectors. So they're becoming more mainstream. There is more investor interest in these alternatives and there's more liquidity which can make it more core-like, right? So you can invest in

these spaces, even in a core strategy because you might be taking on some operational risk, but you're really investing in a way that can be more core like. So I think you're gonna continue to see more capital. You touched on it, Spencer, it's the ODCE funds have been around since as early as the 1970s. And so just like everything else, we have to transition. So whereas there was a lot of capital in the past that was in traditional office, and in traditional retail, we've seen capital come away from those two sectors. And there's a lot more interest in the alternatives. I think you're gonna see capital continue to be interested in these alternatives, places, if you can find the right income durability and looking for a little bit of that appreciation upside.

Spencer Levy

While we're in the industrial space, notwithstanding they may have had some near-term fundamental issues with what we talked about, the Inland Empire, what are some of the big trends you're seeing today in industrial?

Barbara Perrier

Well, it's interesting. I just ran into Christina Metzger, who runs our data center business, and we have a site that we're going to be looking at. And the first question is how much power, right? Is there a hidden little nugget that we could turn this into a data center? And she said, I get 100 emails like that a day. So that tells you that data center is hot, right. And then the industrial outdoor storage has struggled a bit just because of some of the tariffs and things that have been going on. But I think it's a sleeper, and people are going to start looking at that. Also, food and beverage. We are starting to see a real pick-up.

Spencer Levy

That's cold storage?

Barbara Perrier

Cold storage. And the reason is those facilities are some of them are very antiquated and people need new state-of-the-art facilities so we're seeing an influx of build-a-suits for food and cold storage

Spencer Levy

Now for some more food for thought. We stay on the West Coast with a trio pulling up to our roundtable. Nicole Welch, a Managing Director at Clarion, joins us with Lauren Achtemeier, VP of Investments at Prologis, who makes it a family affair on our air, which is actually not a first for this show, as Lauren is here alongside her mom, CBRE Vice Chair for capital markets, Val Achtemeier.

Val Achtemeier

I feel as though the debt market is actually leading the equity markets right now. We have tremendous robust liquidity, kind of across the capital stack actually, a little bit property reliant or sector reliant, but liquidity has really improved. We've seen nice spread movement. I think in general, the market has absorbed the shocks of the tariffs and you're starting to see a lot of transactions take place again. Debt transactions are up throughout the country. And lenders are really leaning in, so both the debt and the equity markets are improving with better volume, deeper bid sheets, but clearly the debt market is, I think, leading this time, maybe a step ahead of the equity market.

Spencer Levy

So, Nicole, how are you seeing the markets?

Nicole Welch

You know, we're seeing a very similar thing on the leasing side of things, right? We are seeing more active tenants in the market. We're seeing more RFPs, more tours, and we're finally starting to see the conversion. I think the corporates are back. We've seen a bit of a top-down recovery. We're saying big box actually feeling a little bit scarce depending upon what market you're in. If you need a million square feet in several of these markets, you have zero to two options. So we're seeing scarcity and we think the users are coming back. They're looking at build-a-suits. They're starting to think about their '26, '27, '28 business plans, and there's a lot of capital going into these facilities. They're not small spends, so they've got to get in front of their boards early and really start thinking about how they're going to ramp up that facility between now and then.

Spencer Levy

Where are you seeing the greatest bulk of demand?

Nicole Welch

It's in that mega box. I would say kind of 700,000 square feet and up is probably driving the market. And then that tends to have a little bit of a multiplier effect, because there's a lot of vendors that come alongside them. There's other kind of middle market tenants that tend to follow suit. So I think it's the corporates and it's credit, right? I'm saying like big corporate occupiers, maybe Fortune 500 that are really starting to come back. And that's what we've been waiting for. There's been an overall lack of credit, I think in the markets.

Spencer Levy

And Lauren, you were nodding along there. What's your perspective?

Lauren Achtemeier

We're seeing a similar thing that, as Nicole mentioned, your rents do remain soft in Southern California, but we're seeing an uptick on leasing activity and had a really strong third quarter. Big box demand in particular has been really good momentum with Fortune 100 companies and a lot of our big users. And so I think it's a bit of a normalization to pre-pandemic levels after some unprecedented rent growth that we saw during COVID. And so we feel, you know, good about the year ahead.

Spencer Levy

There's no sector of the economy, I think, that is more impacted, either directly or at least in a perception, from macro stuff than industrial. And that's why people look at the ports. People take a look at the border between the U.S. and Mexico. And I think port volumes are at or near record levels now and getting better. Trade between the US and Mexico, record levels getting better, how do you look at it, Lauren?

Lauren Achtemeier

You know, earlier this year, Q2, we did see a slowdown with a lot of the tariff volatility, but we have seen an uptick in Q3, and, you know, hopefully nearing the bottom on both vacancy and on rents, and, really allows long-term Southern California to be, you know, very dependent on the ports and the very large population base as well.

Nicole Welch

Yeah, for California specifically, you're not going to bet against that population. You're not gonna bet against the fourth largest economy in the world. You're not gonna bet on the diversity in our tenant base. It's, you know, it's important.

Spencer Levy

Cutting away from the capital city of entertainment to our nation's capital, we turn to a region some call the DMV. That is, the District of Columbia, Maryland, and Virginia – DMV! We bring in a pair of Washington real estate insiders, Kim Sinkovic, Senior Director at FINRA, the regulator of registered financial brokers and broker-dealer firms and CBRE Vice Chair Cathy Del Coco.

Cathy Del Coco

We also represent a lot of defense contractors. And without getting political, the politics of today do affect what's happening in our market, probably more than any other market. Agencies are looking at—do we expand or do we contract? There's a lot of uncertainty in the market. So I would say, you know, we are a market influx right now in uncertainty.

Spencer Levy

Got it. Washington, DC, I think comes in third or fourth on the most educated, talented area in the country. Is that a driving factor behind your space decisions?

Kim Sinkovic

It is a bit. We have had deep roots in that area. We had a larger campus in the Rockville area, and then we always had a building in Washington, D.C., of course, for that proximity. So our talent pool, from a technology perspective, is growing in the Northern Virginia area, which has helped us and then created an ability to open that Northern Virginia Tyson's office.

Spencer Levy

So Cathy, you have many clients that are national, sometimes international in scope. How do you handle that as a professional trying to meet their space needs in markets that aren't your home market?

Cathy Del Coco

Yeah. Well, hey, without making this a commercial about CBRE, we are the largest commercial real estate company in the world. So what I find is we have professionals all over the world, I'm working with two clients right now that are looking for space in Poland. You know, you would think, geez, do you have professionals there? Yes, we have multiple professionals. Actually, I'm working with multiple ones with these assignments. Also, last year did a transaction in Ukraine. So, very exciting. To work with our professionals in other cities. So on a national basis, if you look at the NFL cities, both CBRE and our competitors all have a presence. We have a bigger presence and more market knowledge than all the other firms do. And so what it does is makes my job easier. I can count and rely on the information they're providing me. And I think Kim would say in the cities that we've worked, that we had very good representation. So I don't have to get on a plane and fly, I can rely on the market knowledge.

Kim Sinkovic

Absolutely. They've been great partners from that local market aspect, from project management to, obviously, transactions.

Spencer Levy

Switching locations and sectors, we now turn to Kelli Carhart, President of CBRE Multifamily Capital Markets, to look at her area of expertise and places where investment dollars are moving into housing, and a number of markets you might want to have on your radar.

Kelli Carhart

We were pretty optimistic to start 2025. We were lined up for rent growth, and what happened was, while we had some strong absorption, the rent performance has been a little underwhelming, and the underwhelming piece is really driven by record supply that continues to be delivered and absorbed throughout the country. So that rent growth is probably being pushed out a bit further than a lot of us thought, which is impacting the ability to underwrite and transact deals today. I think we were all hopeful that we have a better year than 2024. We will have a better year, but it's not going to be 20% better. There's been quite a few opportunities. We're seeing activity primarily in the gateways that's leading the platform and the country. And the Sun Belt's still a little depressed, and that's really due to the rent growth story, which isn't there.

Spencer Levy

Well, I think we can get it all fancy talk here, but I'm going to get real simple here. It's a supply story in that the supply story and the gateways is that they don't have a lot of new supply, hence the value accretion. And the Sun Belt, the smile states in Texas have too much supply, and that's why they don't have the value and or fundamental accretion. Is that a fair way to put it?

Kelli Carhart

Yeah, I think that's a great way to put it. And a lot of people want to be in the Sun Belt long-term because they see the demographic trends and they see job growth opportunities in net migration. But quite frankly, all the growth in rent is spent in the areas that have the least supply, Midwest, Northeast, some of the West Coast gateway markets.

Spencer Levy

And I think the supply story is tapering a bit. I think we had record deliveries in 24 was because all the shovels went in the ground in 21 and when interest rates were low and then we had this material change in the interest rate environment, which is really going to slow new supply. I've seen the statistics, but what's your point of view on new supply?

Kelli Carhart

It's a supply cliff, right? A lot of people think it might be a supply step down, but it's certainly a supply cliff. And we're gonna be back to kind of that 250,000 annual deliveries when things rebound. But the financing environment has improved significantly. That's been one bright spot in all commercial real estate, but significantly in multifamily. However, equity is still pretty challenging to come by. And they're—

Spencer Levy

Equity for new build.

Kelli Carhart

Correct, development equity.

Spencer Levy

So types of investors, so we had the institutional investors sitting on the sidelines for certainly for new build. But are there any new investors that you say, wow, look at the foreign investors, look at the high net worth individuals, and I can go right down the list, but they seem to be more active than the institutions today. Is that a fair statement?

Kelli Carhart

Yes, I think the institutions are really struggling on how to deploy capital. They see the opportunity, but the math is not necessarily favorable for them. And when you look at yield, they want to be north of a five cap rate. Development is starting to be a little more attractive given where current cap rates are on existing assets, and it's challenging to buy some quality product. You may have a better story to build it. But the investor base is pretty bifurcated. I mean, we're still seeing private investors participate as the majority investor class. However, you said foreign capital. We are seeing Japanese capital show up, not just in the coast, but in larger markets like Dallas and Atlanta, places they hadn't been before. Canadian capital still has a fairly large presence and interest in the US. So those two groups are large. And then we see family offices that are participating. In several of our bidding processes across the country and their capital is very deep. And another category, billionaires. Billionaires are buying trophy assets because core capital is not there. And their capital's more flexible. They have long-term hold and they see the opportunity to have assets they never would have had access to before.

Spencer Levy

So one of the big stories, Kelli, as you're aware, for the last year because of the fall off in office last couple of years has been conversion. What's the real activity in conversion?

Kelli Carhart

There's absolutely conversion activity happening, primarily in the gateway markets, New York, where you are tight on vacancy and have rent growth, so undersupplied. We've seen some in Washington, D.C. Chicago as well. It's really not as a percentage of the housing stock. It's a pretty small percentage. I think it's less than 10%. So while it is a headline, the actual impact to overall housing is small and really kind of, you have to have the perfect building to be able to convert, and you need incentives to make that happen. And so these municipalities really have to partner with these developers to find a solution and be motivated to do so. There's a lot of, how do we say this? The cost overrun potential on—

Spencer Levy

Conversion.

Kelli Carhart

—a conversion is significant, right? What you put in your budget is like 30% versus five.

Spencer Levy

Well, I mentioned that some of the best opportunities in America today are some of those in those areas that are oversupplied. But to be very direct with you, Kelli, I think these issues are opportunities. What's your point of view?

Kelli Carhart

Well, the capital certainly has flown to red states in the recent years. So where we've seen capital participation has been, and they wanted to catch the demographics, but we're seeing that reverse and going back to gateways, which historically have had more rental regulation or opportunity for rental regulation. Chicago's an example of a city that doesn't have rental regulation, but they haven't had supply. They have an onerous tax structure. And they're 97% occupied with 8% rent bumps and you can get five and a quarter cap rates on a new product, feels like a good opportunity invest, right? And I can see why, you know, as a Big Ten graduate, I went to Wisconsin, the first place you want to live out of college is Chicago. It's a great city. So I'm long in Chicago. As a young person, and I shouldn't just say young person, people want to live in the city. So, when you look at the

vacancy rate and the lack of supply, and the discount replacement costs on some of these towers, it feels good.

Spencer Levy

I think San Francisco feels good too, and I say this with some pride, even though I've gotten thrown out of many a meeting for saying this a few years ago, I said San Francisco is the most oversold opportunity in America in multifamily. And guess what our number one rent growth story is? San Francisco.

Kelli Carhart

Yeah. Speaking of cities that have below-peak rents, San Francisco is an example where they're still below peak rents which was 2019. Austin is now below peak rents and the rent to income ratios in those cities are really low. You know, they're at like 20% versus New York and others where you're north of 30. So I think there's room to run in those cities and despite the supply in Austin, there's a really great case for investing there.

Spencer Levy

I'll give one more case, speaking out of both sides of my mouth, because I'm a big believer in major metros and job growth and infrastructure, all the same things you believe in, Kelli, but there's another area here that I think is undersold. And I think that is that the reshoring of manufacturing is a big deal. And I was just in Columbus, Ohio last week. And the multifamily story there, very attractive, particularly a pertinent to or servicing some of the new manufacturing that's happening in places like that. Any merit to that Midwest multi-family manufacturing zone story?

Kelli Carhart

Yeah, I think the secret's out on Columbus. Most people understand, like, look, you have The Ohio State University – and I put that in quotes because it's just funny to say “The” Ohio State – but then you look at, you know, Chase and some of the limited brands who are based there. Like, it's super dynamic. Columbus has had rent growth for the last 10 years, and it's steady. So people know about it. They want to invest there. I think there's definitely going to be beneficiaries in the Midwest on this story. But, you know, the question is, what's the exit liquidity? So you're building it for eight. Who's your buyer when you exit? And that's not for Kansas City. I'm just saying some of these smaller markets that I think that would be the question mark.

Spencer Levy

Well, Kansas City, do you know what they just did? They just rebuilt their airport. And infrastructure to me is the second most important factor after labor. Did I sell you on Kansas City, Kelli?

Kelli Carhart

I was sold on Kansas City. The airport was terrible. So that is a significant upgrade. But that's been a very stable market. And I think a lot of opportunity we've seen more institutional capital enter Kansas City along with some of these other Midwestern cities. So I think you'll continue to see that as people look for yield and opportunities in rent growth. And so that capital migrates away from the Sun Belt in the near term. I think if you have a longer term bet, you're probably going to put your money in the Sunbelt. There's a lot of opportunity to be had. In the next 12 to 18 months in those markets. And, I think the exit liquidity will be there because you're going to have more capital participation in multifamily, right? When the core capital returns, everyone's going to go back to their weight class. You'll have more regional buyers participating in competitive. And they still participate in

those markets, including Detroit. It's much more local. But we see some New York capital go, family office go to markets like Detroit, Indianapolis, Louisville because they want you.

Spencer Levy

Another interesting market is on the coast in the eastern sunbelt, South Carolina, that is, an up and comer with a cool vibe. More on that in the next segment with Adi Mayan, Head of Asset Management for UBS, along with CBRE's Audrey Frey, market leader in the Palmetto State.

Audrey Frey

South Carolina is extremely dynamic, extremely dynamic. If you look at different asset types from an industrial lens, we've got the port in South Carolina, in Charleston, rather. We've got the inland port in Greenville. We have high-performing demand for office as well. Our biggest challenge across the state of South Carolina is there is not enough product. There is not enough product. There is so much demand from occupiers, almost more so than investors, and trying to get the math to work to bring additional investors into South Carolina is something that we are focused on day in and day out.

Spencer Levy

I think that some of the mega trends, most notably the reshoring of manufacturing, may be one of South Carolina's many calling cards. Even though I'm not a big fan of saying that places are less expensive, I always say low cost is a race to the bottom, nevertheless, you've got all of this positive top line economic force with still this very moderate cost of living. How do you see it?

Audrey Frey

Relatively speaking, that is correct. When I moved from Atlanta to South Carolina, I was actually shocked at the residential cost of living in downtown Greenville because there is so little

Spencer Levy

It's not as developed as some other places.

Audrey Frey

It's not as developed. Thank you. You took the words out of my mouth. It is less developed, so it's hard to find the space and therefore it increases the cost of living there. But a lot of people want to be in South Carolina.

Spencer Levy

So Greenville,

Audrey Frey

Yes.

Spencer Levy

Charleston.

Audrey Frey

Yes.

Spencer Levy

The BMW plant. In the next 30 seconds, when people think about South Carolina in real estate, they should think about blank.

Audrey Frey

Opportunity. Opportunity. Come to South Carolina. There is so much growth, there is so much demand and I would say come before you miss that opportunity. If you're waiting to see different trends, by the time those trends hit, you will have missed that opportunity

Spencer Levy

Ok. How do you, how do you look at the world Adi?

Adi Mayan

We actually have a couple of industrial assets and we spent some time together and a few weeks ago we had a wonderful dinner so there's also great food to the foodies among us.

Spencer Levy

Yeah.

Adi Mayan

So I am, I'm a believer.

Spencer Levy

Now we're getting to the most important part. When you say great food Adi, you can't just get away with that comment. What exactly did you have and what was so good in South Carolina?

Adi mayan

Oh my god, I forgot the name of the restaurant because I'm pretty sure that didn't mean anything.

Audrey Frey

I will tell you, it was the wine cellar at Soby's. Great, great food scene.

Adi Mayan

In a wine cellar atmosphere, the crab cake was delicious.

Audrey Frey

The food was great, yeah.

Adi Mayan

The atmosphere was great, a lot of great friends, we had a great conversation about the market.

Spencer Levy

I think this is an important point because, you know, let's just go completely off the rails and talk food for a moment. When I talk about markets, I often use the word cool, right? And the reason I use the words cool is because we're not just there for the industrial assets or for the office or you want to have a vibe there, but vibe is hard to put into a spreadsheet. Yeah. How do you look at vibe when you're looking at a market in which to invest?

Adi Mayan

Oh, I don't look at a vibe, but I actually look at where you want to live, right? And where you wanna live is where there's vibe and there's cool restaurants, and when you can have just walkable to other restaurants and shopping destination. And I think, again, if we look at that, you need to attract talent. Talent and labor, it's still a key, and on everyone's mind. So where people want to live is where there's a vibe and it's cool. And restaurants is part of it.

Spencer Levy

The final stop on our tour brings us full circle back across the country with Jessica Levin, Managing Director of West Coast and Associate CIO at the Intercontinental Real Estate Corporation. She took us up the California coast to a city that's endured some volatility despite its undeniable track record for innovation and talent.

Jessica Levin

San Francisco fundamentally we're seeing it's strong. I do think there's a lot of opportunity because a lot of the other markets I still think are shying away from San Francisco. I think on the West Coast it's a market that we know and love, but like you said, it is volatile, it's cyclical. They could have very high peaks and low troughs, but I do think right now since they are sort of at the bottom that there are some great opportunities out there for purchases, and I think in all asset classes too.

Spencer Levy

Any other markets that you would point to as being hidden gems on the west coast?

Jessica Levin

I mean, fundamentally, this could be controversial with Seattle, because I know that they've had high vacancy rates, especially in the office, and a little bit slower growth year over year. But our multifamily portfolio there has definitely still been strong with, you know, strong tradeouts. We just have to keep an eye on the political environment and everything going on there.

Spencer Levy

Well, I'll be in Seattle in a week. Maybe I'll check out some of your assets. I love seeing the clients' assets. But I think Seattle's the kind of market that has a lot of the same characteristics of San Francisco, in terms of the quality of the town, the quality of the companies, and they've improved their infrastructure. I mean, you go to Bellevue. I remember Bellevue, oh, probably 15 years ago, did some deals. I sold the shops at Bellevue was one of the deal many, many moons ago. But it was a small little town. Now Bellevue might be bigger than Seattle, or maybe not bigger, but certainly newer real estate and I think a lot of that has to do with the connection of the rail line there. Infrastructure being a big part of the Seattle story is what I'm saying.

Jessica Levin

No, I agree. I agree we just completed and delivered a building last year on the real line in the U district and we built on top of it. And I think that was one of the impetuses of our decision.

Spencer Levy

What about markets like Phoenix markets like Salt Lake City, some markets that have been that used to be secondary markets or now I know Phoenix is I would think most

people consider to be if not gateway certainly one step below that primary market. Salt Lake city may be a step below that. What are your thoughts there?

Jessica Levin

We own Phoenix. We have industrial in Phoenix, along with multifamily. I think we have seen lease trade-outs on the multifamily side soften a bit with concessions. Definitely, I think the industrial market and certain pockets are still very strong. We're looking at a deal right now on the industrial side. But I do think, I don't know that I would call it a gateway market, maybe primary, secondary plus. But I do think fundamentally there's certain pockets. I think that's the story here in real estate in general right now in this market. There's certain packets everywhere where I think it's good to invest in and pockets that we would stay away from. Another market that we had not entered until right now we have a deal closing in two weeks is actually Boise, back to the alternative asset classes. We're closing on a student housing deal in Boise. The fundamentals there, they were oversupplied the last two years on the multi-side and the student housing side. That's been absorbed and we think it is poised for rent growth there.

Spencer Levy

Well, I'm not surprised because I had never been to Boise, but now, two years ago, I went there three times, one of them for a multi-family conference, because even though Boise is very small, it is, I think, the second fastest growing city in America.

Jessica Levin

They have had phenomenal rent growth, which I think was the impetus of some of the oversupply that was delivered, but they have a lot of solid companies growing there and people are moving there. It's a quality of life. It's a cost of living. You're close to the mountains and I had never been there before this deal and it is a great place.

Spencer Levy

To me, this live-work-play thing is not just a thing. It's everything. When I say everything, it's not everything, but it's a lot. Because to me, the ability to have the ski mountains an hour or so away, the ability to, we're here in L.A. right now. You could, you know, can't quite throw a rock at the ocean, but it's right here and it's beautiful. And we have a, just a wonderful live-work-play environment in Los Angeles. So let's talk about Los Angeles, we are here. What do you think?

Jessica Levin

I love Los Angeles. It's a tough environment right now, I think, to transact real estate-wise, but a market that we own in and will continue to buy in.

Spencer Levy

So we just had, sitting in your seat a few minutes ago, Jessica Lall, who is our head of the downtown L.A. office. She talked about the Olympics, she talked about.

Jessica Levin

World Cup.

Spencer Levy

The World Cup, how are those things going to help drive this market?

Jessica Levin

I mean, I do think we're getting a lot of infrastructure upgrades in anticipation of the Olympics, LAX major upgrade, their public transportation. Obviously, it will help bring in tourism dollars as well. But I think infrastructure is where we're going to benefit the most.

Spencer Levy

And I say this with love, please make it easier to get in and out of LAX. That to me, if you do that one thing, the Olympics were worth it.

Jessica Levin

I think everybody would agree with you.

Spencer Levy

Great. Well, first 25 years of the Women's Network, I guess the 12th, 13th year of the Power of We event, one of the truly great events in this entire industry. And I'm privileged to be here. And I am privileged to be here with you, Jessica. Thank you for coming out today, Jessica.

Jessica Levin

Thank you for having me.

Spencer Levy

And thanks to all of our terrific guests today at the Power Of WE, 25th anniversary in Los Angeles. What a great series of conversations. Thanks for listening to The Weekly Take. We hope you enjoyed this tour of markets to keep an eye on, and there's more to come as our new season is picking up steam. To catch up on any of the highlights you may have missed last year, our archive is available on our website [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake) and on all the podcast platforms where you find the show. We'll be back next week, as always, and look forward to you joining us again soon. Thanks for listening. I'm Spencer Levy. Be smart. Be safe. Be well.