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# Global logistics markets set to return to normality before year end; offices markets see some signs of stabilisation

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A return to normal is on the cards for the global industrial investment market in the final months of 2023, says Savills, as the interest rate hiking cycle bottoms out and global inflation cools.

The global offices investment volumes remain suppressed,  however buyers are starting to return in many areas.

In the industrial and logistics sector, once the 2020-22 anomalous record years are removed, Savills says that Q2 2023 saw global investment volumes 10% above equivalent Q2 2019 levels. Benchmark prime yields rose again in Q2 in some markets, but the international real estate advisor says a yield of c.5% in the US, Australia, and UK is beginning to attract investors again, given prospects for more stability in interest rates over the coming 12 months and continued upwards pressure on rents.

Mark Russo, Senior Director, Head of Industrial Research, Savills North America, comments: “Although activity is a far cry from the frenzy of the last few years, several major industrial portfolios, involving some of the world’s largest asset managers, have transacted this year. Across many metrics we are getting back to pre-Covid levels, which implies a robust market. At the present moment our expectation is a return to steady rental growth with accelerating investor activity before the year is out, given many remain as enthusiastic as ever regarding the medium and long-term growth prospects for the sector.”

While office investment transactional volumes remain low, with global Q2 volumes 60% down YOY, certain markets are starting to show signs of stabilisation, says Savills. Despite the low transaction levels, there is still some liquidity, particularly for smaller lot sizes where cash-rich private buyers continue to capitalise on the lack of competition in the market, and Savills says it is also seeing the first signs of US private equity buyers returning to participate in equity transactions. Benchmark prime office yields rose again in July in Sydney, Madrid, Frankfurt, and Los Angeles, although there is more stability evident in the Asia Pacific region compared with Q1, with London too showing signs of stabilising, absent further interest rate volatility.

Rasheed Hassan, Head of Global Cross Border Investment at Savills, adds: “Recent office volumes and yield data doesn’t yet acknowledge that inflation has likely peaked and that we’re probably nearing the end of the interest rate rises. There are nascent signs of a corner being turned. We’re seeing more buyers than sellers in the market, indicating that they anticipate conditions will strengthen. In addition, we’re noting increasing examples of owners refinancing assets, despite often unfavourable terms and having to inject equity – the fact they’re doing this rather than exiting demonstrates that they do believe the market is likely to strengthen.”

Read Savills Capital Markets Quarterly reports in full here