# The Weekly Take

## Slow Ride: PwC's Carlock & CBRE's Barkham on where CRE is going in 2023

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**Spencer Levy**
Happy New Year, folks. Hope you enjoyed your holidays. 2022 was a year of recovery and revival, but also reassessment and rethinking, of some real estate sectors more than others. Meanwhile, the economy at large saw its ups and downs, too. Many businesses returning to the office, inflation running high around the world, and global central banks hitting the brakes to keep things from overheating. On this episode, we try to solve the emerging economic puzzle that lies ahead.

**Richard Barkham**
You can collect all of the data. You can know everything about the data. But you still don't actually understand the deal. You need to interpret it.

**Spencer Levy**
That's Richard Barkham, CBRE's Global Chief Economist and Global Head of Research. A familiar voice whose perspective we turn to when looking at the big picture and trying to read the tea leaves. Richard's one of the lead authors featured in CBRE's recently published U.S. Real Estate Market Outlook for 2023.

**Byron Carlock**
This next cycle is going to be all about development and redevelopment as we reimagine the built environment.

**Spencer Levy**
And that's Byron Carlock, who heads the real estate practice at PwC, the largest professional services firm in the world. Byron is one of the leaders behind the annual forecast by PwC and the Urban Land Institute. Emerging Trends in Real Estate 2023, which covers a range of investment, development and other real estate issues throughout the United States and Canada. Coming up, what to expect as we flip the calendar into 2023. I'm Spencer Levy, and that's right now on The Weekly Take.

**Spencer Levy**
Welcome to The Weekly Take, and this week, we're going to be talking about our 2023 outlook with two of the industry leaders thinking about where we are and where we're going. First, my old friend, Byron Carlock, a delight to have you on the show for the first time. Byron, thanks for coming on.

**Byron Carlock**
Thank you, Spencer.

**Spencer Levy**

And then, my old friend, Richard Barkham.

**Richard Barkham**
Great to be here. Thanks, Spence.

**Spencer Levy**
Let's start off with the big picture. And first of all, both of you are coming on the heels of two tremendous reports, a PwC’s annual trends report. And Richard, your annual outlook. They're very similar in terms of how their outlook is for the economy and for the various asset types. But perhaps, Richard, we'll start with you. Give us the big picture on the economy.

**Richard Barkham**
So we're not yet at the peak of the rate cycle. That will happen in 2023, towards the end of the year. And, of course, rates have been rising very rapidly through 2022 in order to combat inflation. It's the most aggressive rate hike in history. Interest rates in the United States are the highest they've been in 15 years. So that is all going to be rather suppressive of economic activity in 2023 and will lead us probably into a moderate recession over the course of the year. But on the upside, I do think it will be enough to bring inflation under control. Inflation isn't going to drop like a stone, but it will decrease over the course of 2023, allowing rates to be cut and a revival in the economy in 2024. That's the big picture.

**Spencer Levy**
Byron, do you agree or, I’d love your perspective?

**Byron Carlock**
I do agree. Sadly, I think we're going to be settling into a new normal of higher rates. We've been addicted to cheap debt for over ten years, and I think that the industry is going to recalibrate accordingly. Sadly, it comes at a time when there's such healthy demand for certain product types on the street that really has put a stop and a slowdown to developer pipelines and plans at a time when, frankly, our cities and many of our skylines need to be reimagined and redeveloped. So I'm hoping that we can find this new normal quickly. I agree with Richard that it's probably 2024 before we'll start seeing rates temper and capital become more readily available. Although there are some early signs that lenders are coming back into the market and the non-bank lenders, the unregulated lenders are actually quite active right now.

**Spencer Levy**
Well, let's stay on that for just a moment, Byron, both on the rates and the capital availability side. So on the rates, we've seen, the ten year, the long end of the curve dropped significantly in the last six, eight weeks, down from about 4.2 to around 3.45, today. But it's the shorter end of the curve that still has not seen its peak yet. But at the same time, I think that if you look at what we have projected, we think the long end of the curve is about where it's going to be. Maybe it's going to get a little bit lower. But the short end of the curve, while it's not going to start to decline towards, until towards the end of next year, may decline a lot after that. What's your point of view, Byron?

**Byron Carlock**
This next cycle is going to be all about development and redevelopment as we reimagine the built environment, try to make it more environmentally sensitive and appropriate, add more green space, trees, walking paths, make our urban centers more livable and

walkable. And that's going to require a lot of development, which requires, as you know, a lot of short term floating debt from the banks. And this is a Fed driven, top-down driven slow down to tame inflation. And they typically come down in rate reductions much more slowly and deliberately than they have gone up as we've watched these big increases. So that tells me we're in this for at least a year, maybe longer. And I think, Richard saying 2024 is about the soonest we can expect short term rates to start falling. And we have to also remember the Fed typically comes down slower than they go up and they've jacked these pretty dramatically throughout the Western world. So I'm hoping that we can maintain the demand signals that we're getting from the marketplace because some of the newer product that's being built is very nice, very appropriate, and frankly, users are happy to pay the higher rates for them. And so I really want to see us continue this reimagining our built environment.

**Spencer Levy**
Richard, let's stay with the macro environment. What's your point of view of, prepare for the worst but hope for the best?

**Richard Barkham**
Well, in all honesty, there's still a lot about inflation that we don't get right. We fail to see it picking up as aggressively as it has done. And we may be overstating how slow it will be for inflation to come down. So we may well get some upside surprises, if you like, on inflation in 2023, which will allow monetary easing. On the other hand, I think there are downside risks as well. One is, you've got very high rates of wage inflation in the economy right now and that might prove sticky. And the Fed isn't just looking at the headline rate of inflation, it is also looking at 6.2% wage increases. So the labor market has to cool down substantially for rates to come down. And I'm also looking at international factors. It may seem a million miles away from America, but China's exit from COVID is very problematic for China. But China has been a deflationary factor in the global economy over the course of 2022. If it springs back into life, that's going to make the battle with inflation more difficult in 2022. I think there are upside and downside possibilities on inflation, but on balance rates to stay elevated throughout 2023 and then to pick up quite sharply, I would think because the Fed certainly doesn't want to disrupt the economy too much, particularly as we go into a presidential election year. That's how I see the situation. Risks are evenly balanced, I would say.

**Spencer Levy**
Well, let me put one number out there. And that number is zero, which is approximately where our house model is on growth for 2023. It's approximately where the Fed is. Fed is slightly above that, but I'm not as afraid of zero as others because zero is real growth, not nominal because the nominal growth, meaning before you strip out inflation, is actually quite strong. And I think that does show up in commercial real estate fundamentals. Would you agree with that, Richard?

**Richard Barkham**
Yes. I mean, the difference between the short and the long term. So nominal growth might consist of high inflation, relatively weak real growth, but it all feeds through interesting cash flows. And that's, of course, one of the advantages of holding real estate. But in the longer term, those cash flows do keep track with inflation, some better, some worse. But on balance, it's a relatively good long term capital preserver.

**Spencer Levy**

So Byron, let's go back to the topic that you open the door to, which is this transformation we're going through in real estate, and we can have an entire episode on just that word transformation, maybe in every asset class, but in particular in office. And the reason why the rise in interest rates is coming at such an inopportune time isn't just because fundamentals are generally very, very good in real estate. It's because there are some segments where they are not very, very good, or at least there is tremendous risk, particularly when you're dealing with B quality and below office in CBDs. What do you see happening there and what do you see as going forward?

**Byron Carlock**
So that's a great question and observation, Spencer, and it shouldn't be a big surprise. 80% of our office stock was built in the eighties or before. And so rethinking how we want this next cycle to be with respect to the type of space we want to use and how we want to use it is going to be very instructive as we continue transformation, frankly, across several of our product types, not just office. Retail's transformation continues to march forward, we are rethinking the way we live and where we live, the way we use space. When we do convene in the office, how we function in that space compared to how we did. I think we are moving into a flexible work environment season that is both and, not either or. COVID was, you know, stay at home, don't come in. Now, the private sector is largely going back in. We need to see that same cooperation from the public sector. But when people are in the office, it's for more collaborative time and whiteboarding, brainstorming, business planning, mentoring, training, product introduction. And so we see users changing the way they design and interact with their space. The large landlord recently walked down to the loading dock with me and he said, look at this loading dock. It looks more like a furniture store than an office building. And we saw cubicles literally piled in the dumpster in favor of sofas and chairs going into the space for more collaborative space. I think if you look at how people are using the space, it shows and is demanding a new type of product and a new type of design. And frankly, that will cause some of the buildings to fall into irrelevance. And those irrelevant buildings will have to be repurposed, redeveloped or even demolished. But that's the logical cycle of evolving toward higher and better use of each site. I think we're just now beginning to see especially talk of major conversion of space in our downtown cores, from office to residential, where that's possible. In some buildings it's not possible, but where it is, we know that we're under- housed. We're under housed by as many as 5 million units. And with the development pipeline slowing, we're going to get further behind. And so the need for housing and the need for conversion is a innovative and appropriate response to the way we are changing the way we use office.

**Richard Barkham**
Well, the first thing I would say is I think we're still in the tail end of the COVID pandemic. It's still reverberating. So I don't disagree with what Byron has said, but the next cycle is going to be around the conversion. It's actually going to be stronger. It's about the fundamental reinvention of the office economy, I think. And it's a welcome goodbye to those brown and beige cubicles that inhabit the office landscape. Office occupancy, I think, is hovering around 50, 55%. That's partly due to the strength of the labor market, partly due to the confidence people are feeling. And I do think that that will trend up. We've seen that in Europe and Asia, so I don't think we're at the end of that story. I think we would probably be a little bit more pessimistic on the fundamental drop in demand for offices looking at somewhere between 10 and 15% fundamental drop in demand because folks will be working more flexibly and not wedded to the office in the same way. You know, the days of the office 4.2 pre-crisis, pre-Covid, may be going down to maybe just a little under three, maybe just a little over three on average. So space planners won't be able to harvest all of that space. So I'm sure all of these arguments, because of peak loading,

because collaborative offices have more space per worker, but nevertheless a drop in steady state demand for office between around 10 and 15% in the fullness of time.

**Spencer Levy**
What do you see, Byron?

**Byron Carlock**
We've been seeing around 62% over the last 60 days, weighted heavily toward the private sector. And the interesting thing is some of this absorption analysis that Richard was just referring to is going to depend on the rebound of the tech and innovation users and they frankly, have been the slowest to return to the office. If you look at absorption over the last 5 to 7 years, it's been largely driven by tech and health care and life sciences related users, and those are heavily dependent on capital funding, both in the venture capital to private equity to then ultimately the public markets. The return of those capital activities, I think, is going to drive a lot of the absorption and the return to office over time. In our survey for Emerging Trends 2023, three days a week in, two out was the overwhelming response across the 2000 folks surveyed. And I think there is a heavy weighting in the public sector and the tech sector of not requiring people to return to the office, but in financial services and investments, we're seeing a big return to the office.

**Richard Barkham**
I would just add to that, just specify my chip in, the tech sector has obviously slowed and is one of the areas scheduled for job cuts. But just to be correct, it only amounted for 15 to 20% of take up over the last five years. So it would be unfair, I think, to present the impression that the office sector depends on tech. It's been very important, but there are other sectors going to lead the occupation of the office sector.

**Spencer Levy**
Well, let's talk about some of those other sectors. Byron, starting with you. First of all, your emerging trends report, really a must read. It's terrific. It's on PwC's website. And the other sectors that seem to be doing extraordinarily well within the office sector include life sciences, include medical office, includes obviously the best of the best product as well. So we're not seeing offices by any stretch of the imagination going by the wayside. We're just saying that it may be in other segments. Would you agree with that, Byron?

**Byron Carlock**
I think the right office, yes. I think the conversion opportunities, yes. The continued growth in data centers, life sciences and then the conversion to housing, I think it offers the most promise for underutilized office. We're seeing some crazy additional uses. Indoor hydroponic growing, last mile delivery fulfillment. Just as we saw when the B and C malls began closing, a lot of the fulfillment uses crept in and began taking over those large retail spaces. We're now seeing some of that same activity in office. And so I go back to your point a moment ago, Spencer, there's some stuff that just needs to come down and be redeveloped. And this is going to be a sorting of the sheep and the goats. And I think that ESG measurement standards are probably going to be the arbiters of those buildings that stay relevant and then those that require demolition or over complete redevelopment.

**Spencer Levy**
So, Richard, back to you. Moving beyond the office sector, we do see tremendous strength in multifamily. We're way short of the number of units we need. And so certainly conversion is one of the options. But a lot of my clients, a lot of our clients, prefer ground-up, starting new, because conversion is very expensive. It requires, sometimes zoning and

other types of changes. So how is multifamily doing and where are we going to get these new units from?

**Richard Barkham**
I think our figure is about 4 million short. It could be 5 million, but it's not just in the United States. The Western world is grossly short of homes, so the fundamental demand remains in place. I think the fact that mortgage rates are still around 6% means that people aren't going to be buying homes over the next 12 months. That pushes people into the multifamily sector for a whole range of reasons. High density living done correctly is more green. It's more energy efficient. Where is it going to come? I mean, I think the majority of new multifamily is going to come from ground- up developments, particularly as we have to encompass new technologies and new ways of energy saving into the environment. But this whole conversion from old office is going to take place. I think you're right. City authorities and the public sector may well, if they want the cities to adapt quicker, will have to deregulate a little bit. Maybe bring in some subsidies to allow this kind of conversion to happen, I think is very desirable. And then I think there are some cities that will do better than others. You've pointed yourself to that maybe the eighties and nineties, concrete and glass, large floor developments which are losing tenants at the moment, not so easy to convert. There are some cities, perhaps the older cities, that have some advantages in conversion just because of the lower density, the cellular structure of the buildings, but largely ground up, but an increasing proportion coming from conversions. And that's a public policy choice as well. If we get some more public policy that's supportive, than we can increase that rate of conversion. And we should, I would say.

**Spencer Levy**
And there are new innovations coming into place. When we think about conversion, we think about new options. We have to think with all these options on the table, especially those that use new technology to do it faster, cheaper, better. Byron, what do you think?

**Byron Carlock**
I'm very encouraged by Proptech and all of the new innovations around modular housing and new types of more efficient construction. Offsite panel construction, slips panels. Everything that is driving cost out of the construction site and waste out of the construction site only makes it more efficient. I spoke at Melbourne's Proptech conference about three weeks ago. I was very encouraged by everything from robotic painting to synthetic concrete, resin based concrete. All of this is offering more affordable alternatives to the contractors with new techniques to deliver these houses. And of course, what's been a very expensive supply chain over the last two and a half years. So I'm encouraged. It's interesting to me that in the capital markets, Proptech has continued to get investment for second and third rounds of funding. Some of those fundings have gone in at lower valuations, but there is the belief that Proptech will lead us to some of the innovation that you and Richard were just speaking of.

**Spencer Levy**
And I think we're still, even though we've made tremendous progress, we're still at the beginning stages. You mentioned.

**Byron Carlock**
It's a new industry.

**Spencer Levy**

And we can talk about it, I think, in two basic realms. One realm I would put is the physical realm, which is the better materials, cheaper, faster. In fact, I had a joke on the show. Somebody mentioned Green Steel, and I said, well, that sounds like it could be a great superhero or maybe professional wrestler, but nevertheless, it's also a new way to do steel, so you don't use as much energy and it's a more efficient product. There's this whole other side to Proptech that I think we are just scratching the surface, which is data analysis, artificial intelligence. Richard, what's your point of view on the state of progress of data AI and how it relates to innovation?

**Richard Barkham**
I do think we're in the early stages. You know what it's like in real estate. You can collect all of the data. You can know everything about a deal, but you still don't actually understand the deal. You need to interpret it. Every building is different. Every locality is different. It's going to take a while, I think, for artificial intelligence and the data collection management and visualization techniques that are coming in to be able to really give you an accurate view. But it's coming and it's coming from lots of angles. You've got much more careful monitoring of usage patterns versus much more intensive understanding of the way, for instance, the sunlight affects the street. And as all of those data collection applications move together, then you end up with more comprehensive and usable data. But I would say it's in its early stages.

**Spencer Levy**
So let's talk about some of the other asset types for just a moment. And you know, before I do that, actually, I'm going to say, many of my clients, Byron, don't buy office, industrial, retail, multifamily, they buy submarkets. What's your point of view on that, Byron? Is the future of real estate submarkets or are we still going to stratify it by asset type?

**Byron Carlock**
So I think the future of real estate as we see it today, based on the research and the data we're collecting, is about quality of life. You're in a city right now that's done a beautiful job of remaking itself, and it's a very desirable place across many product types because of the quality of life that a city like University City offers in it. It speaks to the city in a city, the heart's desire to live in Mayberry, the 15 minute lifestyle, the live-work-walk abilities. I think so many of the neighborhoods in London, Richard, have done the same thing. It's all about quality of life and how we relate to the space where we function. And that means the way we relate to retail and food. It means the way we relate to greenspace and dog parks and bike trails. It's to the type of office environment where we choose to do our vocational pursuits, whether that's a home office or a traditional office building. And then, of course, logistics is all around us affecting the way we consume and use goods. So I think you're onto something there, that it's not everything in the four traditional major food groups. It's how we use real estate to enhance our lives.

**Spencer Levy**
So, Richard, similar question to you. I have continued to shift my belief towards submarkets when asset types do not. So I would rather have not the best asset in a great submarket versus having the best asset in a second tier submarket. What do you think, Richard?

**Richard Barkham**
Well, I hate to mention this, Spencer, but when I started teaching real estate back in, let's say somewhere around the mid 1980s, my opening statement to my class was, there's no such thing as a real estate market. All you've got is a jumble of technically inefficient

submarkets. So I've always believed in submarkets. If you don't understand submarkets, you don't understand real estate. You know, Los Angeles, got 70 separate submarkets in offices. So I absolutely, wholeheartedly agree. Submarkets change and one submarket bumps into the next. What I do think is going to happen, I do think if we could just bring a kind of broader urban perspective in. I do think the remote working was there prior to COVID, but it's been accelerated by COVID a little, does mean a little bit, I don't think we should overstate it, rebalancing between the downtown area and the suburbs and the last 20 years was really all about heavy investment in downtown areas. I think we're going to see more investment in suburban areas. And I think some of the suburban submarkets, the ones that we've talked about with live-work-play characteristics, are also going to be emerging and perhaps be more popular and investable than they have been for the last 20 years or so.

**Spencer Levy**
So a note to my producers, I want you to replay that comment where Richard said, I quote, wholeheartedly agree with me, because that is the first time that has ever happened. And so you heard it here first. Now, hopefully you'll hear a second. So, Byron, let's go back to your terrific report, the PwC report. And it took a different tone this year in that not only did it have the great nuts and bolts on the economy, the asset types and everything we're talking about here, but it also started talking about impact investing. It started talking about not just what will be the most valuable type of real estate moving forward, but I'll go one step further. It says, what is the responsibility of the commercial real estate community to help push those changes? Our responsibility on affordable housing, our responsibility on sustainability and how we can push those change forward. What's your point of view, Byron?

**Byron Carlock**
Well, it's interesting you bring that up, Spencer, because that consumed most of the narrative of this year's report. It's so interesting that it was very clear on the investment side that industrial and multifamily captured the bulk of the investment interest by the 2000 respondents. The top 30 markets, the standard deviations between attractiveness of the top 30 markets was not that far apart, except that the big gateway markets of the past really fell down in the list and the smile state markets really went up. But then the rest of the conversation, Spencer, was about the gauntlet of responsibility for social change falling on the shoulders of our real estate industry, on topics ranging from environmental responsibility and ESG and driving the environmental change of our built environment, plus affordable housing, workforce housing, neighborhood redevelopment, housing and neighborhood inclusiveness, diversity and inclusion. All of those topics were elevated in stature. The top three topics in the report this year, of course, related to inflation, higher interest rates and ESG. But right beneath that was all of the impact oriented actions that our industry is trying to take leadership in, ranging from rethinking the way we use infrastructure dollars as they are allocated, the interplay between infrastructure, philanthropy and private investment as we reimagine our built environment, and then overlaid with this desire, as we do that to solve some of these social problems related to attainable housing and workforce housing, affordable housing, and doing it in a more economically, environmentally responsible way.

**Spencer Levy**
Well, Richard, Matt Vance, our colleague who leads our multifamily practice and also our friends at Yardi, who are one of our data providers, they came out with a study which talked about which markets are both benefited and burdened by certain things, such as environmental risk, political risk, energy scarcity, water scarcity. And when I discussed that

with our friends in the investment community, including our research community, they said that, yeah, that's where the ball is going in terms of how we should underwrite real estate. But that's not where the ball is today. Most of our investors are saying, okay, that's not quite here yet. We're still going to do it basically on fundamentals and capital markets. Do you agree with that? And do you think we are in fact the ball moving towards including those other factors?

**Richard Barkham**
We've just done a global ESG survey and it has many interesting and rich conclusions. But one of the things that I noticed in it was we asked occupiers when they wanted to achieve net zero and occupiers are saying 2030. The same question asked to investors and they say 2050. So I think the investment community needs to realize that occupiers are moving ahead in terms of a whole range of social objectives, but in particular, energy efficiency. And I would agree that the ball isn't quite there yet, but I think the investment community is going to find itself with a problem if it doesn't move a little bit more quickly to embrace some of these issues and figure out what the fundamental use of demand is, what the fundamental user sensibilities are, and start to move real estate assets to meet that.

**Byron Carlock**
I agree with Richard. This was the first year we saw it show up as a top three issue in our Emerging Trends report, and I think people are waking up to it. And yes, office has led the way. I think as you look at the catalyst for interest, it started with the European investors. If you have a European investor in any of your partnerships, you know that they require extensive environmental reporting attached to the financial reports of the building, and they are much more aggressive in measuring building effectiveness by GRI, GRESB or well-building institute standards. And that's obviously mostly office. On the housing side, I think we are just now seeing innovations that are moving us toward greater environmental responsibility with home environmental management systems, energy uses, energy star capabilities being introduced into the multifamily and build to rent communities. Zero cost housing, which some of the California developers began trying to pioneer a few years ago. The new Tesla battery wall. There is a lot of innovation that we're seeing come into the residential investment space that we've not seen before. And it's high time because I think we've been functioning behind the curve as it relates to these environmental issues, and I think we'll see it accelerate. I think Richard's right.

**Richard Barkham**
Yeah. And one of the things, we did some research on is there still a green premium this year, and there appears to be a green premium of between 4 and 6%. And we looked specifically at the office sector. What surprised me in the study that we did was something like 80% of offices in downtown areas are LEED certified, but in the suburban areas, it's 20%. So even in the office sector, there's quite a wide spread. Nobody's to blame. But we need to get on our bikes here and start to move or the world will pass us by in terms of upgrading and changing and converting and providing real estate assets that meet the challenges of the next decade.

**Byron Carlock**
Spencer, I think the good news is, there are lots of products around which we can rally to do our parts individually from more efficient energy management systems that are available not only for commercial buildings but for residential use. Solar shingles and solar panels are becoming more affordable, but also come with very attractive energy credits. The Inflation Reduction Act allowed folks that don't need the tax credits to transfer those credits or sell those credits. And that's a big thing. The new ability to have your own

system in your home that releases energy to the grid if you are creating more than you can use. All of that is an effort to catch up using technology to be more environmentally responsible as we all seek to do our part. And I think the wakeup call is before us and we are seeing people begin to respond.

**Spencer Levy**
Well, I'm going to try to wrap it up where we started. We've got this big picture out there that we know is next 12 months or so, we're going to be tough sledding from a capital markets perspective. And I think we don't need to go through our forecast again, Richard. But I want you to talk to our investor clients and say what should you do for the next year to 18 months to maximize the return on your existing assets or maybe find opportunities to buy or lend to new ones? What advice would you give, Richard?

**Richard Barkham**
Well, although we're going to get an economic slowdown, I think you really ought to be looking at the growth of the digital economy and to look at the sectors that are powered by the digital economy and also medical technological change. I think that there are obviously areas to to follow and look at and you just keep a very close eye on as central banks are thinking they may change over the course of the year. A close of the digital economy. A close eye on financial conditions, I think is what's needed for next year.

**Spencer Levy**
Thank you, Richard. Byron, you advise clients every day, just like we do. What are you telling them? How do you maximize your returns over the next 18 months?

**Byron Carlock**
Well, back to our economics 101. Remember, in times of inflation, real estate has always been a classic inflation hedge. And so those investors that have not been plagued by denominator effect issues are trying to increase their allocation to alternatives, which is largely private equity in real estate. So there is some capital still available for the industry. Secondly, we were on a very healthy march to consider redevelopment of our cities and there is infrastructure activity going on from allocations that have been long overdue for improved roads, bridges, water systems, grid enhancements. With that comes real estate development opportunity. And I'll just say the third area where I find continued interest is the smile state development and redevelopment of those cities that have great attractiveness from a quality of life perspective, ranging from Raleigh-Durham to Nashville to Austin to Salt Lake City. Those smile states are still getting great demand interest and is being followed by development interest. And also utilization of underutilized buildings and infrastructure for new development. I think that is worth looking at. And there seems to be regional bank and community bank interest in supporting that type of development, even though the big banks have shied away.

**Spencer Levy**
So on behalf of The Weekly Take, what a great discussion of 2023, and if I were to summarize the message for next year is, tough sledding from an economic perspective, but great opportunity, maybe for the very same reason. And with that, I'd like to thank Byron Carlock, my old friend and U.S. real estate leader, PwC. Byron, thank you so much for joining the show.

**Byron Carlock**
Thank you, Spencer.

**Spencer Levy**
And my also old friend Richard Barkham, the Global Chief Economist, CBRE. Richard, thanks again.

**Richard Barkham**
Thank you.

**Spencer Levy**
For more on the forecasting we just discussed, including the reports our guests helped create, it can be found online. CBRE’s U.S. real estate market outlook is published at CBRE.com/USOutlook, and the trends report from Byron's team is posted on PwC's website and ours, with more information at CBRE.com/TheWeeklyTake. Our new year covering the world of commercial real estate continues next week with the founders of Victrex, in a niche investment business that's very much on the rise. A conversation about office conversions and the timely issue of adaptive reuse. We're also working on an episode about a market that's a thriving college town and a city in the sports spotlight of late, namely Philadelphia, with one of the owners of the NBA's 76ers, who's also a leader in the student housing sector. Join us for those highlights. Lots more to come in 2023. Finally, as we kick off our fourth year on the air, one of our top priorities is to continue building our loyal audience. So if you like what we do, we hope you'll share the show with your network and please remember to subscribe, rate and review us wherever you listen. Thanks again for tuning in. I'm Spencer Levy. Be smart. Be safe. Be well.