Research Programme
2011–2015

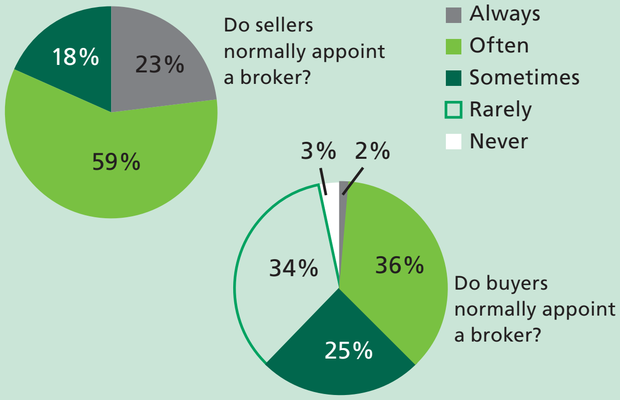
UNRAVELLING LIQUIDITY IN INTERNATIONAL COMMERCIAL REAL ESTATE MARKETS

JANUARY 2016

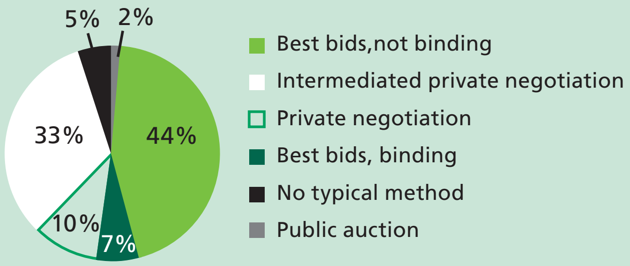
AT A GLANCE

Global coverage

Brokerage models

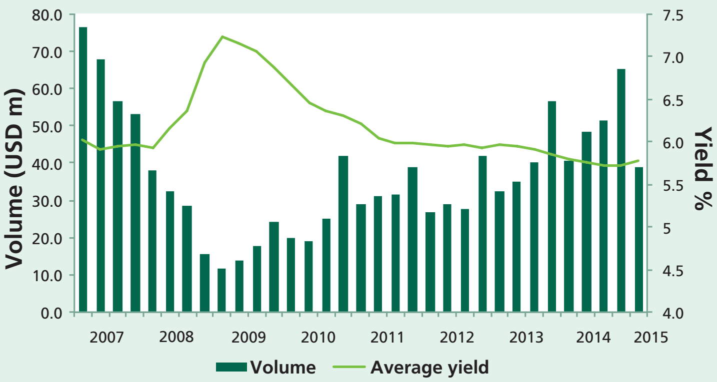


Most common methods of sale

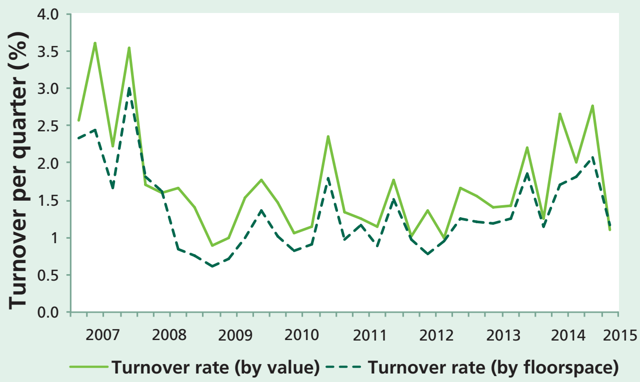


Average time to transact

Transaction volumes and yields, 2007 – 2015 (36 city office markets)



Average turnover rate, 2007 – 2015 (36 city office markets)



Key Points

- The research considers how liquidity in direct commercial real estate varies between markets and how these variations impact upon real estate prices. Additonally, the study looks at how transaction processes and activity vary for office markets in a range of locations.
- The most favoured methods of **transaction** are non-binding best bids or intermediated negotiation.
- **Brokers** are not considered essential by buyers in many markets. Most countries adopt a one-broker model, representing the seller only.
- Over 90% of brokers (for both buyers and sellers) provide all of a pre-defined choice of **services**, including, as applicable, advice on indicative asking/purchase price, method of sale, marketing strategy, marketing, asset valuation, negotiations, due diligence and contract support.
- The predominant method of calculating **brokerage fees** is to charge a percentage of the agreed transaction price.
- **Time to transact** is between 12 and 26 weeks across markets, with almost two-thirds of transactions executed within a few weeks of the typical total sale period.
- **Transaction volumes** are highest in the major global cities of London, New York, Tokyo and Paris.
- **Turnover rates** are highest in US, Australian, UK and Chinese cities. Mainland European cities generally have the lowest rates.
- The research illustrates the diversity of indicators related to market liquidity. The quality of data, rather than mode of transacting, sets apart less transparent from more transparent markets.
- Transaction volumes are a stronger indicator of liquidity than turnover rates. Market size and transparency are correlated with the relative pricing of office markets, whereas transaction costs and turnover rates appear to be unrelated.