

Undeterred by Covid-19, private capital continues to invest in commercial real estate

According to Knight Frank's 2021 edition of *The Wealth Report*, private capital has been undeterred by the Covid-19 pandemic and has continued to invest in commercial real estate globally. The volume of private capital invested globally was approximately \$232bn - 9% above the 10-year average, albeit down on 2019 levels.



Looking forward, the Knight Frank Attitudes Survey highlights that a quarter of ultra-high-net-worth individuals (UHNWIs) plan to invest in commercial real estate assets in 2021.

Victoria Ormond, capital markets research partner at Knight Frank said: "There are a number of drivers set to shape markets throughout 2021 – the move to safe havens – large, relatively liquid, transparent markets should continue to attract global investment; global travel disruptions also provide opportunity for private investors to leverage understanding and ties to more local markets, which under usual circumstances might face larger competition for assets by institutional investors; ESG – something private investors cannot afford to ignore and the rise of data centres – where there is huge potential for investment opportunities."

The Wealth Report 2021 also reveals the amount of private capital invested into real estate in 2020 split by sector:

Sector	2020* US\$bn	2019* US\$bn (for comparison)
Apartments	88.9	124.3
Offices	59.2	89.6
Industrial & Logistics	34.0	48.7
Retail	27.7	43.5
Hotels	13.0	29.5
Senior Housing & Care	7.1	8.8
Residential condominiums	1.9	2.6

Source: RCA *Data provisional

Alex James, partner, head of private client advisory, commercial at Knight Frank said: "Commercial real estate provides investors with a relatively high yielding stable income return, the potential for capital value growth and diversification. These are all key drivers in preserving wealth for future generations and protecting against the impact of the global pandemic.

"While the pandemic has impacted the way we live, work and do business, there is renewed optimism in 2021 that as travel restrictions reduce and the rollout of the vaccination programmes reaches advanced stages, private capital will look to increase its exposure in familiar markets and focus on sectors with strong long-term fundamentals."

The US (\$141.7bn), Germany (\$11.1bn) and the UK (\$10.6bn) are the top three countries for private capital real estate investments in 2020* with the majority of countries in the top 10 relying on domestic investment over cross-border investment.

Country	2020* US\$bn	Domestic investors	Cross-border investors	2019* US\$bn (for comparison)
US	141.7	97%	3%	227.3
Germany	11.1	67%	33%	15.8
UK	10.6	47%	53%	10.9
Sweden	8.3	100%	-	6.6
France	7.5	95%	5%	11.8
South Korea	6.0	100%	-	4.0
Japan	5.5	92%	8%	10.6
Canada	5.4	99%	1%	7.2
Netherlands	5.4	83%	17%	5.6
China	3.7	99%	1%	5.8

Source: RCA *Data provisional

Knight Frank's Attitudes Survey shows that the average asset allocation in UHNWIs real estate investment portfolio is as follows:

Q. Which sectors are becoming of more interest?	Regional average
Residential private rented sector (PRS)	32%
Logistics	28%
Development land	24%
Offices	18%
Industrial	17%
Healthcare	17%
Retirement	14%
Hotels and leisure	13%
Agricultural	12%
Infrastructure	11%
Data centres	11%
Retail	11%
Student housing	9%
Education	6%

Download the [full Knight Frank Wealth Report 2021](#).

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