



CUSHMAN &  
WAKEFIELD

# TIME SCORE

TIMING THE  
INVESTMENT  
MARKET  
ENTRY/EXIT

# C&W TIME Score

## Frequently asked questions

### What is the purpose of the TIME score?

Like market timing strategies, the TIME score utilises historical real estate market data, economic indicators, to predict future movements, shifts in sentiment and anticipate a pick-up in growth. Investors often use these strategies to help enter or exit the market to optimise profits and minimise losses. Through the creation of the TIME score, we've developed a simplified way to illustrate changes in several crucial indicators that investors find valuable for evaluating and predicting shifts in sentiment and growth.

### Which scenarios is it most advantageous to utilise the TIME score?

The predictive nature of the TIME score should indicate the optimal time to invest when all metrics signal the beginning of an upturn. Equally, the TIME score will help in recognising periods of uncertainty, prompting potential changes in investors' strategies when all metrics begin to signal the beginning of a downturn. During periods of stabilisation, or when the TIME score suggests we are currently in the transition/inflection phase, it becomes necessary to review the TIME performance thus far to anticipate whether the TIME score will increase or decrease.

### Why doesn't the TIME score attain its maximum value?

Firstly, there are two categories of indices: ranged indices, for example, the Purchasing Managers' Index reading can range between 0 and 100, and open-ended indices, like the S&P 500, which does not have an upper limit. The TIME score is a range index.

The TIME score has yet to reach its maximum because CRE and economic conditions are not ideal (a score of 5) across all aspects. There are conflicting factors, such as during periods of high liquidity when prime yields may already be very low, leaving limited room for compression, and overall returns remain stable. However, this does not imply that achieving a score of 5 in all categories is impossible.

# C&W TIME Score – Framework

Encompasses a comprehensive range of factors essential for devising and timing investment strategy

## TIME



By Sector
All Property
Offices
Retail
Logistics
Residential (Europe only)
Hospitality (Europe only)

By Location
Europe
Germany
France
Netherlands
Italy
UK
Spain




### Cyclical

- How well-positioned are the sectors for growth?
- Which sectors have recovered faster?
- How do investment performance prospects vary at the country/sector level?



### Momentum

- How does liquidity influence investors' access to capital, or impact their investment positions during different market conditions?
- Which markets will recover quicker?
- Where will the market opportunity open up first?



### Risks

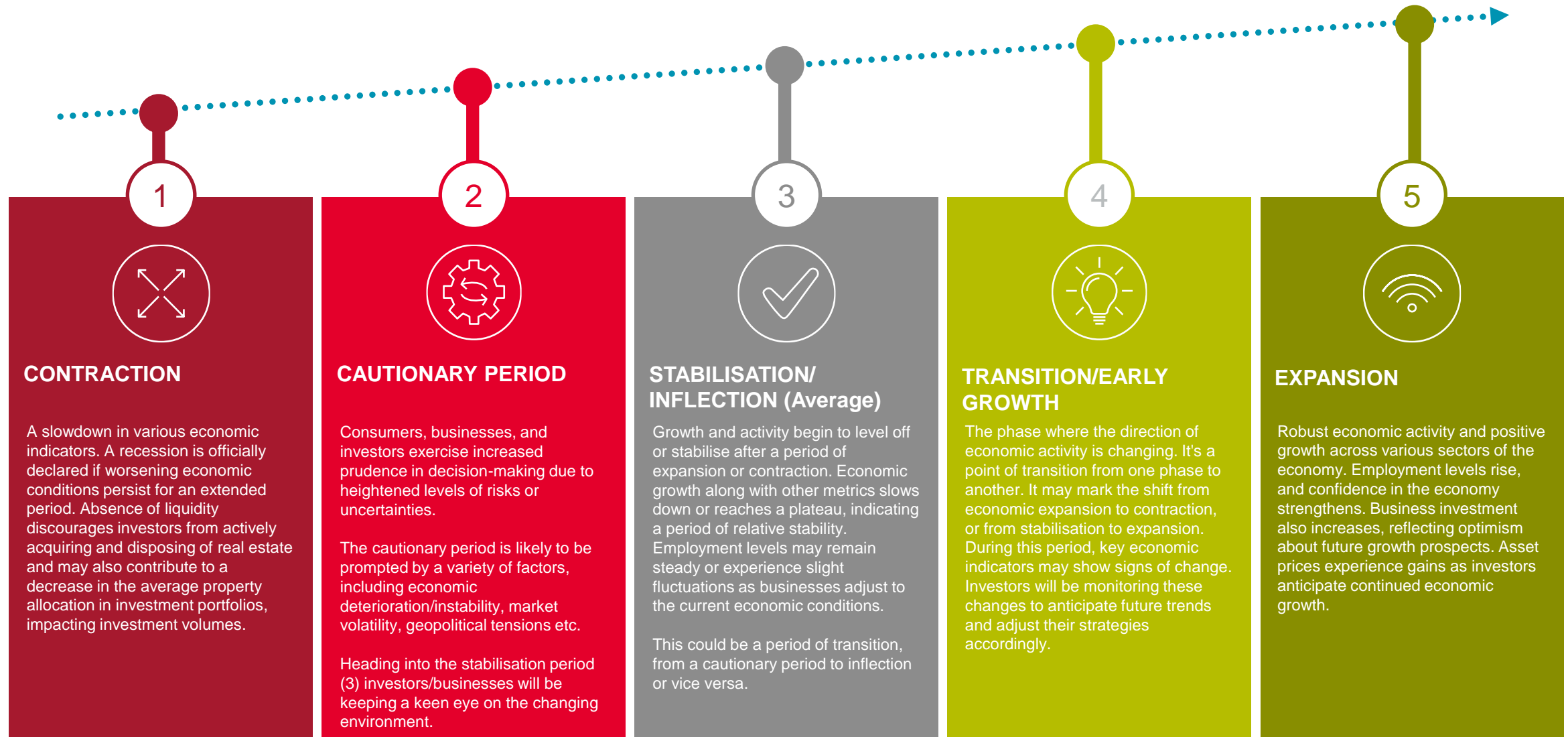
- How will risk impact investors' expectations of returns?
- How does assessing risk help align investment strategies?
- How do various factors like geopolitical events influence markets, investors making decisions process?



### Growth Trajectory

- What are the market expectations for future interest rates?
- Which sectors are positioned for outsized near-term growth?
- Which sectors are positioned for near-term muted growth?

# C&W TIME Score – Dissecting the SCORE



# C&W TIME Score – Q1 2024

Are we there yet?

## Macroeconomy

**When will the European Central Bank (ECB) and the Bank of England (BoE) make the first interest rate cut? What are the market expectations for future interest rates? Which sectors are positioned for near-term growth?**



## Our view:

- We are 'nearly there' on inflation; good progress on inflation made, and underlying pressures of inflation are easing.
  - Both the ECB and the BoE will remain data-dependent.
  - The pricing of swaps indicates a strong likelihood that the ECB will commence rate cuts in June, we believe the ECB will lead and will begin to cut in June, followed by the BoE, expected to cut rates in August.
  - Economic growth is expected to continue at a sluggish pace.
- We are 'almost there' - the correction in CRE started mid-2022 and the industry has already seen a major adjustment in asset values. As interest rate changes have stabilised, values in segments of the market have also stabilised. This revaluation has happened faster compared to previous cycles. Looking ahead, valuations will improve as interest rates start to fall.
  - Historically, the best time to buy property is when the ECB and BoE begin to initiate rate cuts (this tends to coincide with a bottoming and inflection in property values).

# C&W TIME Score – Q1 2024

Are we there yet?

## CRE Credit, Debt Markets & Outlook

**How does liquidity influence investors' access to capital, or impact their investment positions during different market conditions?**

**How will risk impact investors' expectations of returns? How do various factors like geopolitical events influence markets, and investors' decision-making process? What needs to occur to enable the debt markets to loosen up? When can we expect investment deal volume to pick up?**

### Our view:

- The commercial real estate sector has faced significant pressure. The balance of risk has shifted; downside risks should start to dissipate.
- In the last 18 months, banks have encountered financial stability risks stemming from their exposure to CRE. Despite varying exposure levels across countries, banks are more resilient to losses thanks to larger capital reserves.
- Stringent lending criteria from both banks and non-bank lenders is expected to continue, although we expect gradual loosening to occur over H2 2024, as stress eases, confidence rebounds, and financial sector conditions improve.

### Our framework for the capital markets recovery is as follows:

1. **Early Recovery Phase:** interest rates are stable and expected to decrease soon, allowing for CRE values to stabilise. As the ECB and BoE pivot and start cutting rates (but not going back to zero-bound), the market repricing creates opportunities, offering more appealing entry points for investors, with more fairly priced market.
2. **Advanced Recovery Phase:** This phase is marked by increased investment and rising optimism. As the asset competition increases, we will start seeing improvements in valuations.

# C&W TIME Score – Q1 2024

Location: Europe										
Sector: All-Property										
C&W TIME - Europe All-Property	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	
<b>Cyclical</b>										
REITs total return	3	2	2	2	2	3	3	4	4	
C&W prime total return	3	3	3	2	1	1	1	2	2	
Degree of overpricing	2	1	1	2	2	2	3	3	3	
Yield shift	2	1	1	1	1	1	1	2	2	
Available credit	3	1	1	1	1	1	1	2	1	
<b>Momentum</b>										
Liquidity / scale to deliver	3	3	3	3	3	2	2	2	1	
% of cross border capital	2	2	2	3	1	1	1	1	1	
Average deal size	2	2	3	4	2	4	4	3	3	
Economic sentiment	4	4	2	3	3	2	2	3	3	
<b>Risks</b>										
Risk premium	3	3	2	3	3	3	3	3	3	
Country risk	3	3	3	3	3	3	3	3	3	
<b>Growth Trajectory</b>										
Business investment	4	3	3	3	3	3	3	2	3	
Sector-based emp. Expectations	3	4	5	4	3	3	3	3	2	
5-years swap rate	3	3	1	1	2	1	1	3	1	
GDP growth expectations	4	3	2	2	2	2	3	3	3	
<b>TIME Score</b>	<b>2.9</b>	<b>2.4</b>	<b>2.2</b>	<b>2.3</b>	<b>1.9</b>	<b>2.0</b>	<b>2.2</b>	<b>2.7</b>	<b>2.5</b>	

The score ranges from 1 to 5, where a reading near the higher end (5) suggests that the current conditions are favourable, signaling an opportune time to invest as most variables align positively.



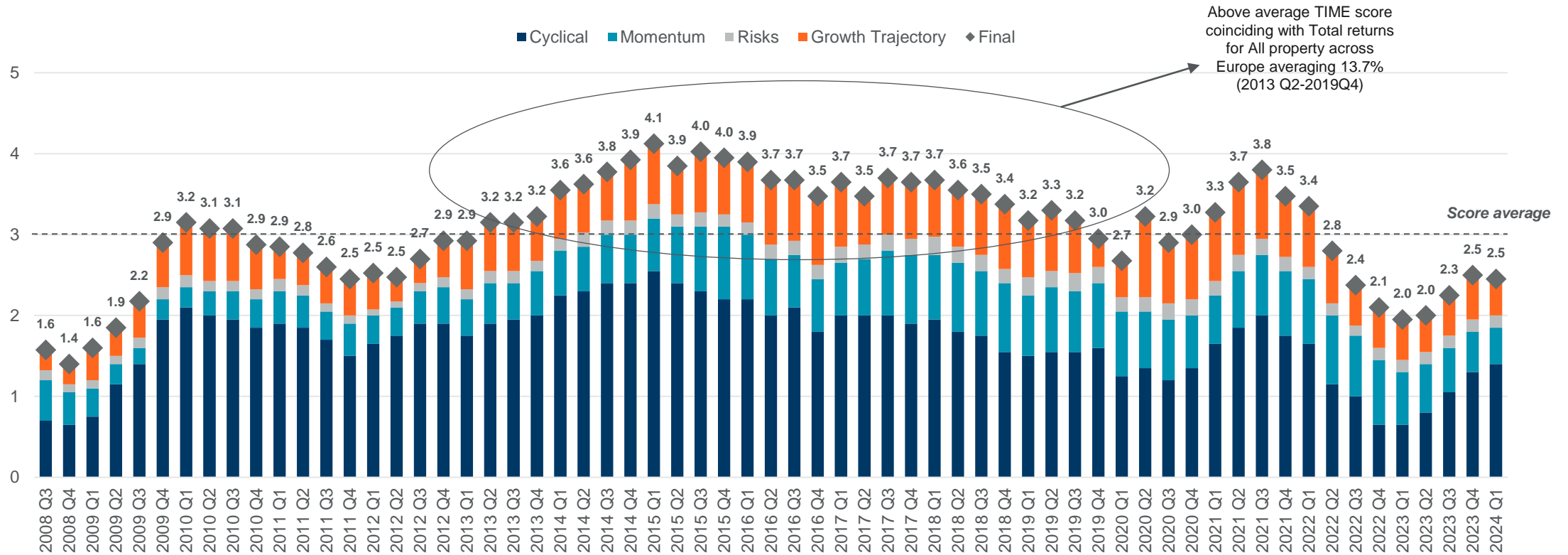
## At the turning point

According to the TIME score the commercial real estate market is in a transition phase, and the key factors for the next few months remain issues related to momentum i.e. liquidity as the cost of debt remains high.

Although there is still uncertainty over the past few months, actual opportunities are beginning to open up - and this is a shift we can see since the end of last year and being picked up in the cyclical section, with pricing stabilising at 3.

# C&W TIME Score – Q1 2024

Correlations provide a way to anticipate future patterns based on past data and observed links between variables



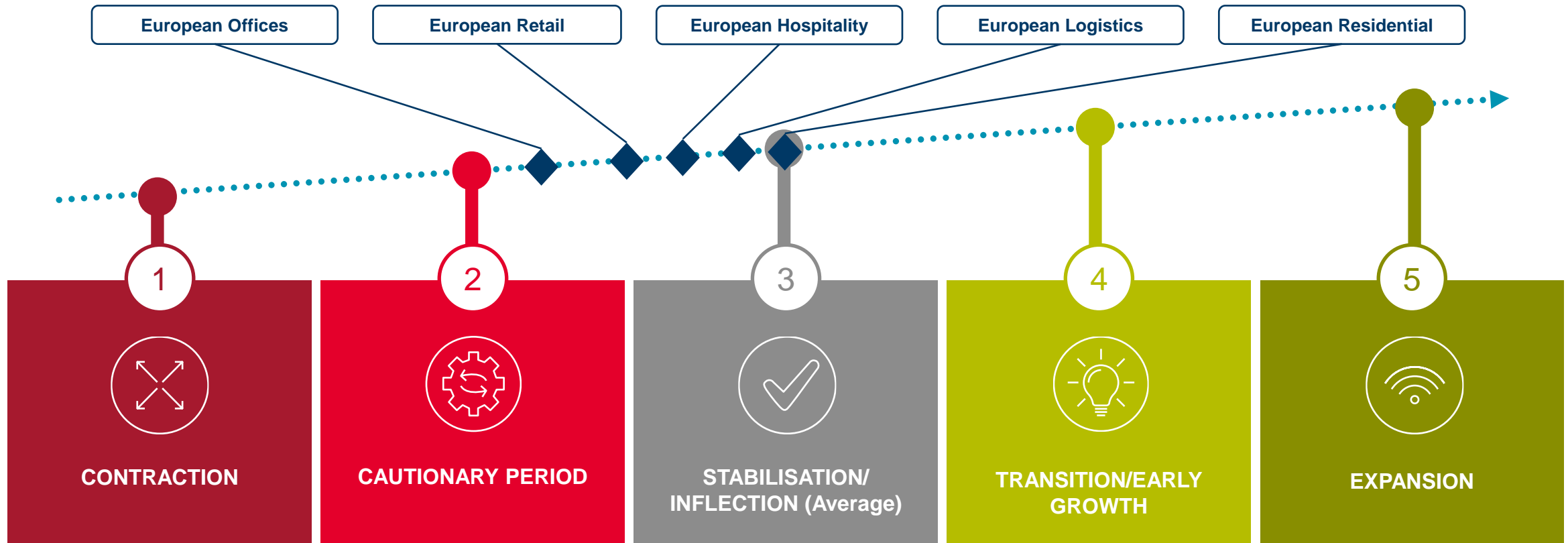
Source: Cushman & Wakefield Research

The TIME score is focused on the near-term and can pick up a change in sentiment and conditions. It has a strong correlation with total returns and investment volumes; TIME score leads total returns by two quarters.

The TIME score has already identified that the turning point in real estate is here, as conditions improve total returns are poised to increase.



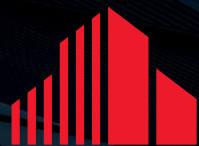
# C&W TIME Score – Q1 2024



At a pan-European level, all of the sectors covered by TIME, with the exception of Offices, have moved from a cautionary period to an inflection period.

It appears that the stability in the score from Q4 indicates consistent conditions during that period. However, the anticipated tightness in credit availability could potentially limit investment transactions.

As we progress through the year, the momentum category should start making greater contributions and the score will increase.



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Disclaimer: The European real estate market is diverse, encompassing various sectors such as offices, retail, logistics, residential, etc., each with its unique fundamentals. The impact of both adverse conditions and favourable conditions will differ across sectors. Opportunities may arise at different stages in the cycle. Even amid more widespread negative sentiment, certain real estate segments may exhibit supportive fundamentals. The TIME score is purely designed to rank a number of key variables that point to favourable market conditions for investing in commercial real estate.