INDUSTRIAL RESEARCH

FACT OF THE WEEK

A Cushman & Wakefield Research Publication

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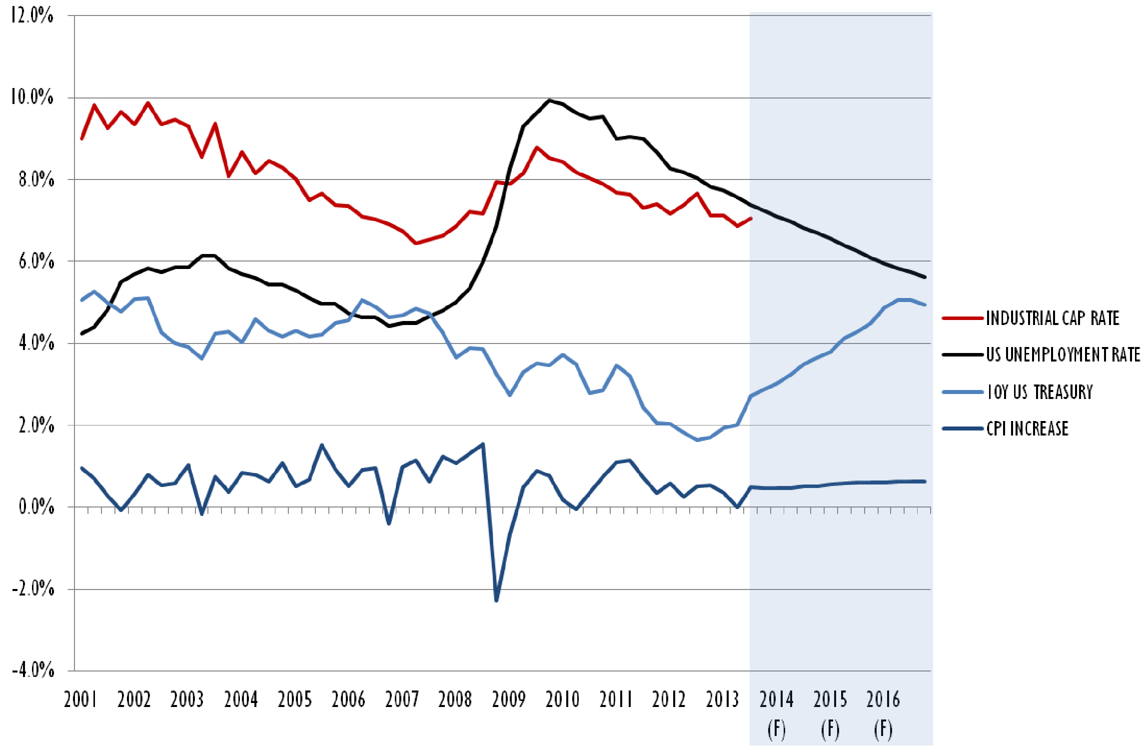
RISING INTEREST RATES HAVE LITTLE IMPACT ON REAL ESTATE VALUE



KEY FACTS

- While there is often some volatility in spot pricing in the immediate aftermath of interest rate spikes, cap rate trends have historically shown little correlation to movements in interest rates, and are instead more closely tied to economic growth expectations.

- Real estate sectors with higher tenant turnover, including hotels, multi-family, and self-storage, have the greatest agility to respond to rising interest rates by quickly marking cash flows to market, but even sectors with longer term leases can mitigate jumps in inflation via rent escalation clauses and increases in expense pass-throughs.

- Since treasury rates typically rise during periods of economic growth and expanding employment, these periods of improving macroeconomic fundamentals in turn generally result in more bullish investor sentiment and increased appetite for risk.

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Source: Cushman & Wakefield Research. Moody's Analytics, RCA

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