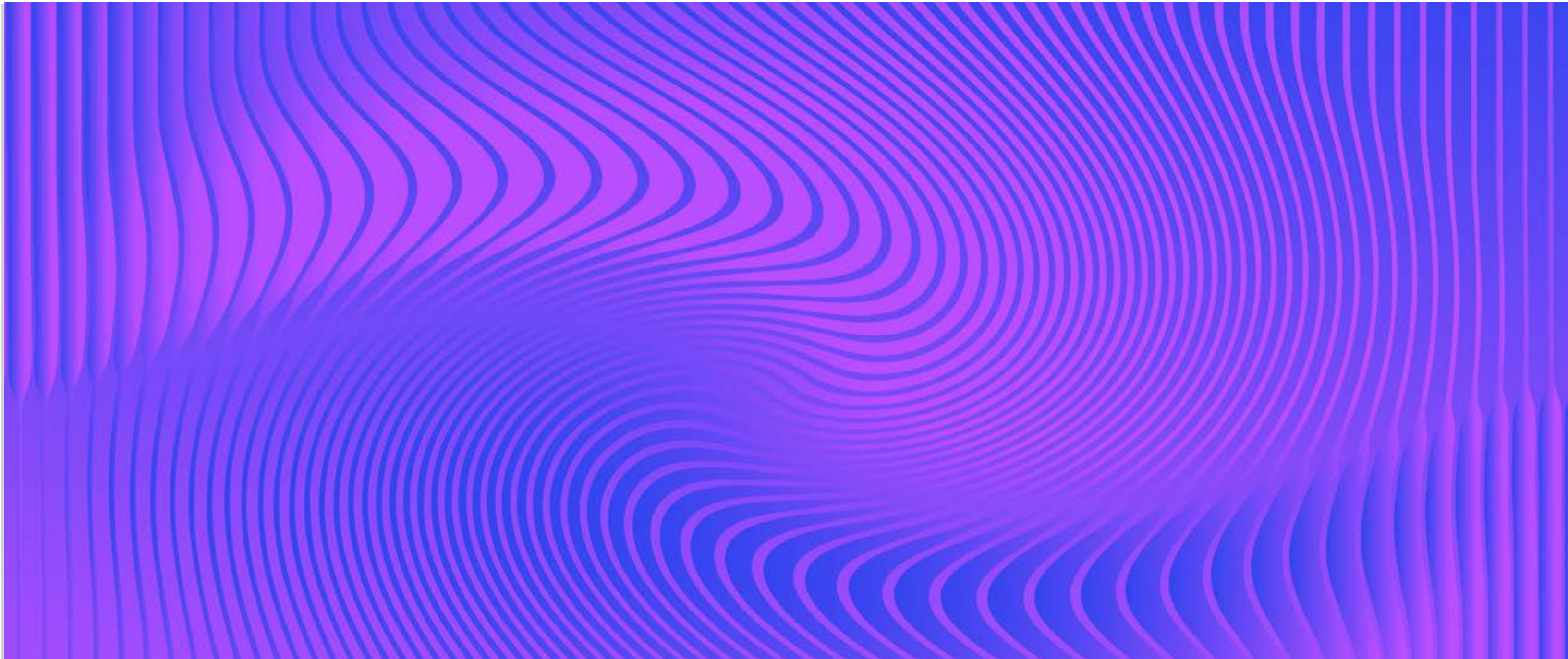
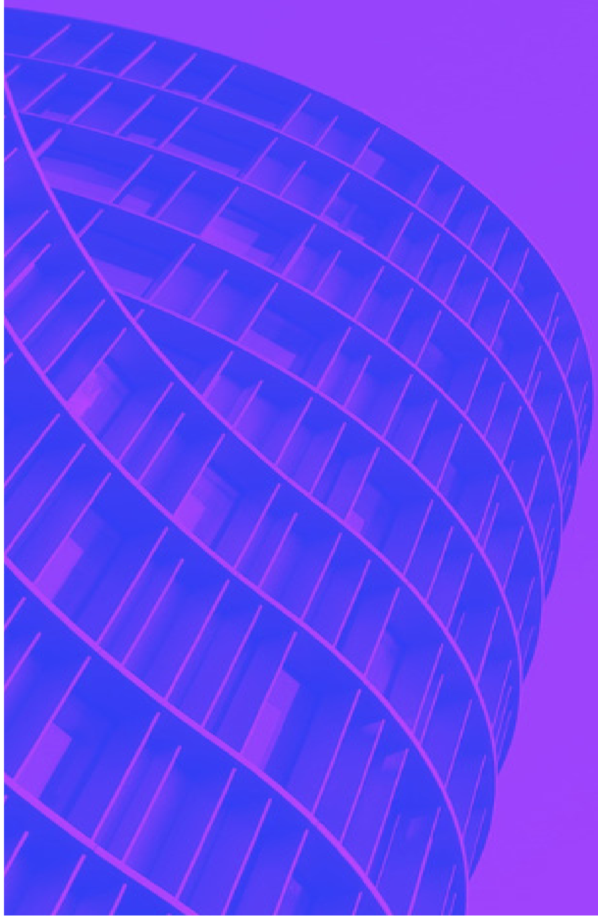
ValTrends
1Q 2024 Report

In the Crosscurrents

Since 1931, the most trusted investment analysis in the commercial real estate industry.



SitusAMC



*The commercial real estate (CRE) market finds itself **in the crosscurrents**. While the world moves quickly, CRE tends to adapt slowly as an industry of fixed assets. COVID-19 and its aftermath have led to choppiness in the market that will likely persist for the long term. The CRE capital markets have been in disarray as the Fed embarked on a series of aggressive interest rate hikes to tame 40-year high inflation rates. With interest rates near 20-year highs, the cost of capital has soared, CRE transactions have stalled and prices for most property types have fallen. With the Fed leaving rates unchanged in June and indicating only one this year, SitusAMC expects rates will be higher for longer.*

At the same time, structural changes have profoundly affected the property types. Most notably, remote work has fundamentally changed office usage and shifted retail demand away from the central business districts (CBD). The supply chain disruption during the early pandemic has largely stabilized, but trends such as nearshoring have changed the demand for industrial properties. A chronic single-family housing shortage has helped lead to affordability constraints and boosted demand for multifamily rentals.

Investors from our most recent quarterly survey are seeing the market crosscurrents. After a rally at the end of 2023, investor optimism for CRE has faded. As higher interest rates continue to take their toll, CRE was rated as the least preferred asset class compared to stocks, bonds and cash in the first quarter. However, several investors have indicated that CRE was close to the bottom and thus offered upside potential. Still, uncertainty plagues the CRE market and our survey respondents overwhelmingly recommend a hold strategy.

April deal volume was the lowest yet in this downcycle, with all four major property segments posting monthly declines. Overall CRE deal activity, as measured by MSCI Real Assets, fell 44% month over month (MoM) to just $17 billion. Preqin estimates about $240 billion in dry powder is earmarked for real estate. However, should interest rates start to stabilize and pricing become more transparent, investors may come off the sidelines. Of the property types, hotel was the only segment to see an uptick in deal activity in April, with returns performing relatively well over the past year. Volume increased 8% over the month, reaching $1.9 billion. Hotel allocations nearly doubled in April, reaching 11% of total deal volume, more than 350 bps above the long-term average (LTA).

Commercial property prices, as measured by the MSCI Real Assets' National All-Property CPPI, experienced a slight increase in April; it was the first monthly increase since August 2022. However, the rise in prices was entirely attributable to a 0.6% monthly jump in industrial; prices in all other segments notched down.

Overall CRE performance showed some improvement in the first quarter, with NCREIF Classic NPI up 200 bps quarter over quarter (QoQ). However, returns remained negative as they have for the six consecutive quarters. One-year trailing returns were -7.2%, among the worst since the GFC.

Crosscurrents exist among the property types. Hotel returns have been positive for the last three years, though following a 100 bps decline, first quarter's return was the lowest since second quarter 2021. One-year trailing returns were a robust 8.7%, the only segment with positive returns. Retail returns were in the black for the first time in one year at 0.6%, an increase of more than 175 bps from last quarter. Industrial returns jumped 240 bps in first quarter to 0.1%. It was the first positive return for the segment in six quarters. However, one-year trailing industrial returns were -3.1%, among the lowest since the GFC.

Apartment and office performance trends are bleaker. Apartment returns were negative for the sixth consecutive quarter, per the Classic NPI, falling 200 bps to -1.0%. Similar to the industrial segment, a large drop in returns has ensued following the significant run-up in 2021. Though increasing 160 bps QoQ, office returns were still in the red in first quarter. It was the seventh consecutive quarter of negative returns for the segment. Office has posted the lowest total returns of all major segments in the NPI for more than two years.

01

CAPITAL MARKET VALTRENDS

Capital Markets Under Strain from Higher Interest Rates

Economy & Financial Markets

GDP increased at a 1.3% annual rate in first quarter (second estimate), continuing its deceleration from the 4.9% seen in third quarter 2023. It was the slowest rate of growth in almost two years. First quarter's growth was primarily attributable to increases in consumer spending, residential and nonresidential fixed investment, and state and local government expenditures.

Following a cooling in April, the labor market was hotter than expected in May, adding 272,000 jobs. The unemployment rate ticked up 10 bps in May to 4.0%, the highest rate since January 2022.

The 10-year Treasury generally declined through mid-June, dropping below 4.3% after the May inflation report, down from 4.5% the prior month. The May CPI report showed inflation cooler than expected, flat with the previous month, with the core CPI index also coming in lower than expectations at 0.2%. Core personal consumption expenditures (PCE), the Fed's preferred inflation measure, was unchanged between February and April at 2.8%.

CRE & Investment Alternatives

	YTD[6]	1-Year Trailing	3-Year Trailing	5-Year Trailing	10-Year Trailing	15-Year Trailing
NPI[1]	-1.0%	-7.2%	3.6%	3.8%	6.4%	6.9%
NFI-ODCE[1]	-2.6%	-12.0%	2.5%	2.6%	5.8%	6.0%
NAREIT Index (All Equity REITs)[2]	-1.3%	8.0%	2.5%	4.0%	6.9%	13.6%
Consumer Price Index[3]	0.2%	3.2%	5.7%	4.2%	2.8%	2.6%
Dow Jones Industrial Average[2]	6.1%	22.2%	8.7%	11.3%	11.8%	14.4%
Nasdaq Composite[4]	9.1%	34.0%	7.3%	16.2%	14.6%	17.1%
NYSE Composite[4]	8.7%	19.1%	5.5%	7.6%	5.7%	9.1%
S&P 500[2]	10.6%	29.9%	11.5%	15.0%	13.0%	15.6%

	1Q 2024	1Q 2023	1Q 2021	1Q 2019	1Q 2014	1Q 2009
10-Year Treasury Bond[5]	4.2%	3.6%	1.3%	2.7%	2.8%	2.7%

[1]NCREIF NPI is a property-level (unleveraged) total return index, gross of fees; NCREIF NFI-ODCE is a fund-level (leveraged equity) total return index, net of fees.
[2]Based on total return index, and includes the dividend yield.
[3]Based on the published data from the Bureau of Labor Statistics (seasonally adjusted).
[4]Based on price index, and does not include the dividend yield.
[5]Based on average quarterly T-bond rates.
[6]Year-to-date (YTD) averages are not compounded annually except for CPI and NAREIT.
Sources BLS, Federal Reserve Board, S&P, Dow Jones, NCREIF, NAREIT, compiled by SitusAMC Insights, 1Q 2024.

The Fed unsurprisingly left rates steady in June but also signaled that they will cut rates just once before the end of the year, indicating continued fortitude to ensure inflation is tamed before acting and reinforcing a higher for longer prediction.

Commercial and multifamily mortgage rates continued to decline from their December high, measuring 7% for commercial in March, down 9 bps in the month, according to MSCI Real Assets. Multifamily mortgage rates were 5.8% in March, down 12 bps in the month.

Spreads between RERC real estate yields and the 10-year Treasury expanded in first quarter, with the decline in the Treasury rate outpacing the decrease in real estate yields. First-quarter spreads were the highest since second quarter 2023, but still among the lowest since the GFC.

First quarter real estate yield spreads over Moody's Baa and Moody's Aaa also expanded as bond rate declines outpaced the decrease in real estate yields. Real estate yield spreads over Aaa corporate bonds were the widest in one year and spreads over Baa corporate bonds were the widest in two years, but were both well below their LTAs.

CRE & Investment Alternatives

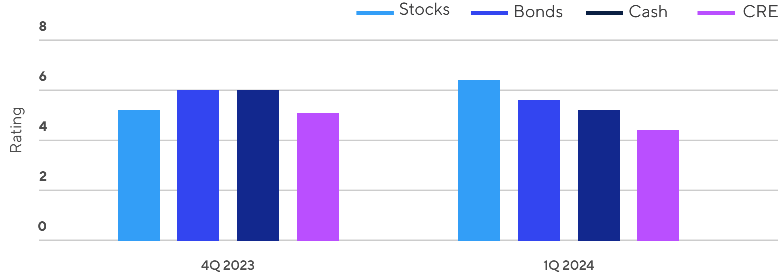
Coinciding with strong stock market performance in the first quarter, investor preference for stocks increased, reaching a record high. Stocks were, by far, the most preferred asset class. Second-quarter ratings for stocks are expected to remain high.

After a rally last quarter, investor optimism for CRE faded. CRE's rating was the lowest among the asset classes following a significant quarterly decline. First quarter's rating was well below its LTA. Some investors from our survey indicated that CRE was close to bottom and thus offered opportunity for investors to capture upside but the increasing consensus of rates staying higher for longer continues to take its toll on CRE preference.

Preference for bonds fell to the lowest level since third quarter 2022 and preference for cash fell to the lowest level since second quarter 2022. They both remained well above their LTAs. With interest rates poised to decline or remain stable, bond and real estate values should benefit more than stocks. Nonetheless, enough uncertainty remains that cash is still the safe bet.

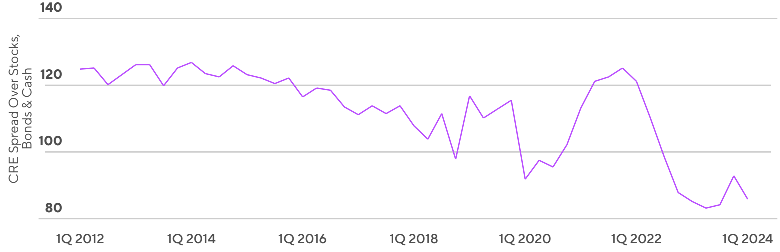
> "The Fed will cut rates at some point this year which would make CRE investing much more desirable."
>
> - INSTITUTIONAL INVESTOR

Ratings of Investment Alternatives



Ratings are based on a scale of 1 to 10, with 10 being excellent.
Sources: RERC, SitusAMC Insights, 1Q 2024.

CRE Attractiveness Index[1]



[1]The RERC Attractiveness Index shows CRE investors' changing preferences for CRE over the traditional asset classes. The baseline of 100 indicates that investors feel traditional assets and cash, on average, are as attractive as CRE. Sources: RERC, SitusAMC Insights, 1Q 2024.

Availability & Discipline of Capital

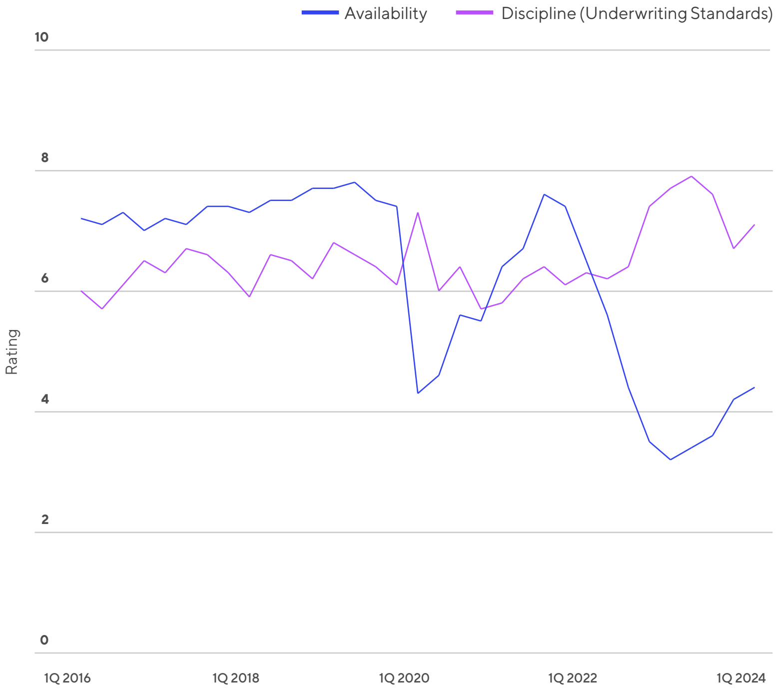
Investor ratings for capital availability rose for the fourth consecutive quarter to the highest level since third quarter 2022. Still, capital availability remains constrained. Underwriting standards loosened slightly but remain very conservative.

Both equity and debt underwriting loosened in the first quarter, according to investors in our survey. However, debt continues to be more disciplined than equity as it has for the past two years. Lenders are cautious and underwriting standards are tight due to the risk of property value losses in some sectors and are hyper-focused on occupancy and tenant creditworthiness.

Equity capital availability was tight, but eased, in first quarter, while debt capital availability contracted. Capital remains restrained for both debt and equity. According to investors from our survey, most projects need to resort to raising more equity because of the higher cost of capital. This has resulted in a relative shortage of available equity and has forced underwriters to become more discerning about investment decisions.

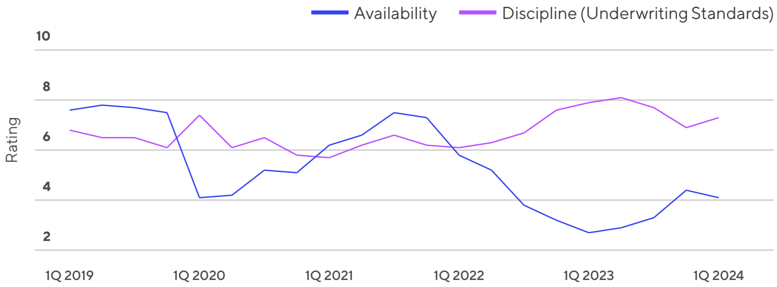
> "Negative leverage is the stumbling block."
>
> - INSTITUTIONAL INVESTOR

Historical Availability & Discipline of Capital – Equity & Debt Combined

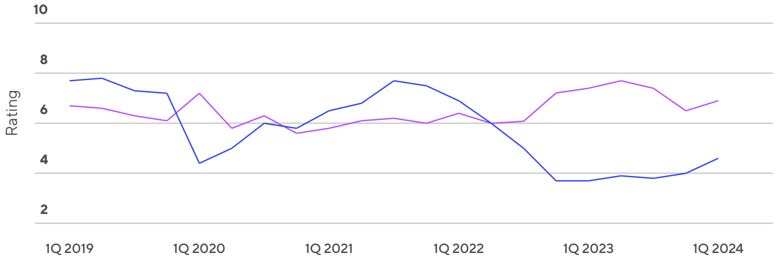


Ratings are based on scale of 1 to 10, with 10 being excellent.
Sources: RERC, SitusAMC Insights, 1Q 2024.

Historical Availability & Discipline of Capital – Debt



Historical Availability & Discipline of Capital – Equity



Ratings are based on scale of 1 to 10, with 10 being excellent.
Sources: RERC, SitusAMC Insights, 1Q 2024.

CRE Returns, Volume & Pricing

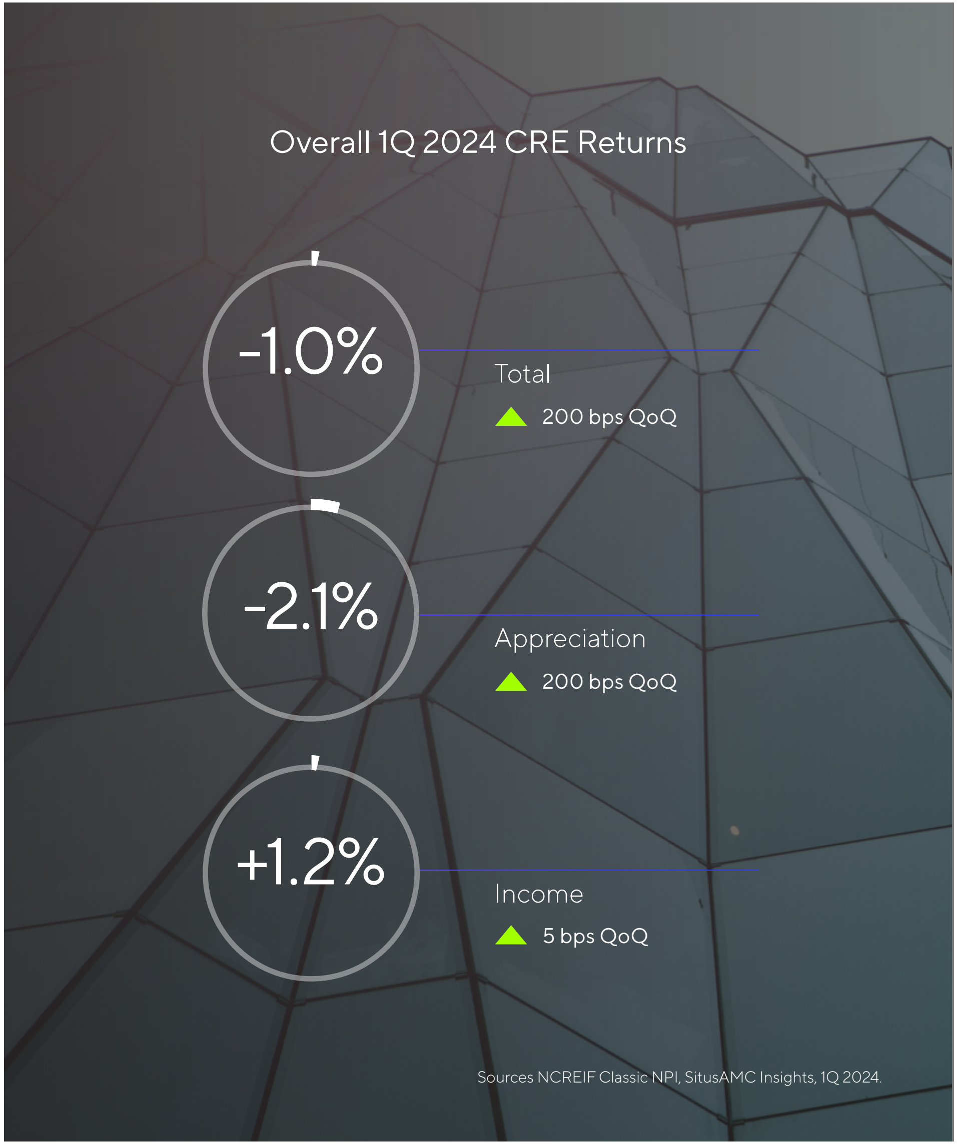
Returns

Overall CRE performance improved in the first quarter, with NCREIF Classic NPI returns up 200 bps QoQ. However, returns remained negative as they have for the six consecutive quarters. One-year trailing returns were -7.2%, among the worst since the GFC.

Retail returns were in the black for the first time in one year at 0.6%, an increase of more than 175 bps from last quarter, per NCREIF's Classic NPI. Retail had the second highest return among the major property types, lagging only that of hotel. First quarter's retail return was the highest in almost two years. Though income returns were the highest since mid-2014, appreciation was almost 180 bps below the most recent peak in first quarter 2022. One-year trailing returns were -0.8%.

Industrial returns in the Classic NPI jumped 240 bps in first quarter to 0.1%. It was the first positive return for the segment in six quarters. Industrial returns have fallen precipitously from their peak of 13.3% in fourth quarter 2021 and are currently more than 250 bps below their LTA. One-year trailing returns were -3.1%, among the lowest since the GFC.

Apartment returns were negative for the sixth consecutive quarter, per the Classic NPI, falling 200 bps to -1.0%. It was the second worst performance among the major property types, behind only office. Similar to the industrial segment,



a large drop in returns has ensued following the significant run-up in 2021. First quarter returns were about 780 bps below their fourth quarter 2021 peak and almost 300 bp below the LTA. One-year trailing returns were -6.3%, among the lowest since the GFC.

Though increasing 160 bps QoQ, office returns were in the red in first quarter. It was the seventh consecutive quarter of negative returns for the segment. Office has posted the lowest total returns of all major segments in the NPI for more than two years and first quarter returns were almost 525 bps below the LTA. One-year trailing returns were -17.4%, the second worst since the GFC, trailing only last quarter's performance.

Hotel returns have been positive for the last three years, though following a 100 bps decline, first quarter's return was the lowest since second quarter 2021. First quarter returns were over 50 bs below the LTA. One-year trailing returns were a robust 8.7%, the only segment with positive returns.

Volume

April deal volume was the lowest yet in this downcycle, with all four major property segments posting monthly declines. Overall CRE deal activity, as measured by MSCI Real Assets, fell 44% MoM to just $17 billion. However, should interest rates start to stabilize and pricing become more transparent, investors may come off the sidelines.

Apartment continued to garner the most investor interest in April, with transactions accounting for over 26% of total deal volume. Investors from our quarterly survey cite the long-term potential of the segment due to structural challenges in the single-family housing market as the primary driver of their interest in the segment relative to others. Still, monthly allocations to apartment were among the lowest over the past year and 150 bps below the LTA. Apartment transactions were down 36% in April to $4.5 billion. It was the slowest month for the segment in more than 12 years.

At just over 23.5%, industrial allocations in April were greater than the LTA by almost nine percentage points. However, deal activity fell 33% to $4 billion during the month. It was the lowest monthly level since the onset of the pandemic.

Office allocations have plummeted during the pandemic amid the shift to remote work. Office accounted for just 17% of total CRE volume in April, a substantial decline from the pre-pandemic average of 30%. Transaction volume was $2.9 billion in April, one of the slowest months since the GFC.

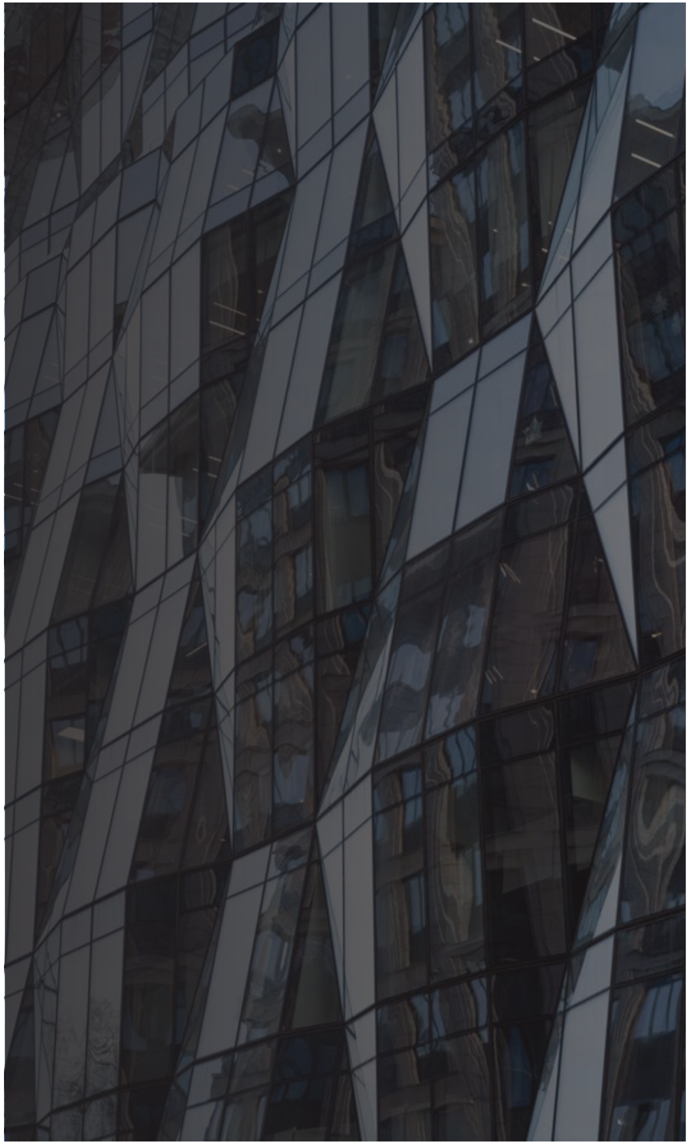
With hotel returns performing relatively well over the past year, investor interest in the sector has grown. Hotel was the only segment to see an uptick in deal activity in April. Volume increased 8% over the month, reaching $1.9 billion. Hotel allocations nearly doubled in April, reaching 11% of total deal volume, more than 350 bps above the LTA.

Despite relatively strong fundamentals and returns, retail volume fell 35% in April to $2.3 billion. It was the slowest month since August 2020. Allocations to retail increased roughly 200 bps over the month, but were well below the LTA.

Pricing

Commercial property prices, as measured by MSCI Real Assets' National All-Property CPPI experienced an increase in April; it was the first monthly increase since August 2022. Unsurprisingly, office experienced the most depreciation in April, with prices falling 0.6% during the month. Office prices have been on the decline since July 2022. Apartment prices fell almost 0.4% in April and retail prices declined 0.3%. Industrial was the only segment with a price gain in April – a relatively substantial 0.6%. Industrial prices have increased each month for almost a year.

Prices were down substantially in April from their 2022 peaks for overall CRE and all segments except industrial. Office prices have fallen the most from their peak, down 24%. Office is extremely bifurcated, with CBD losses of more than 50% since the peak, but suburban down 16%. Apartment prices have fallen 18% from their peak and retail by 10%. Industrial prices have grown 6% from their most recent trough in May 2023.

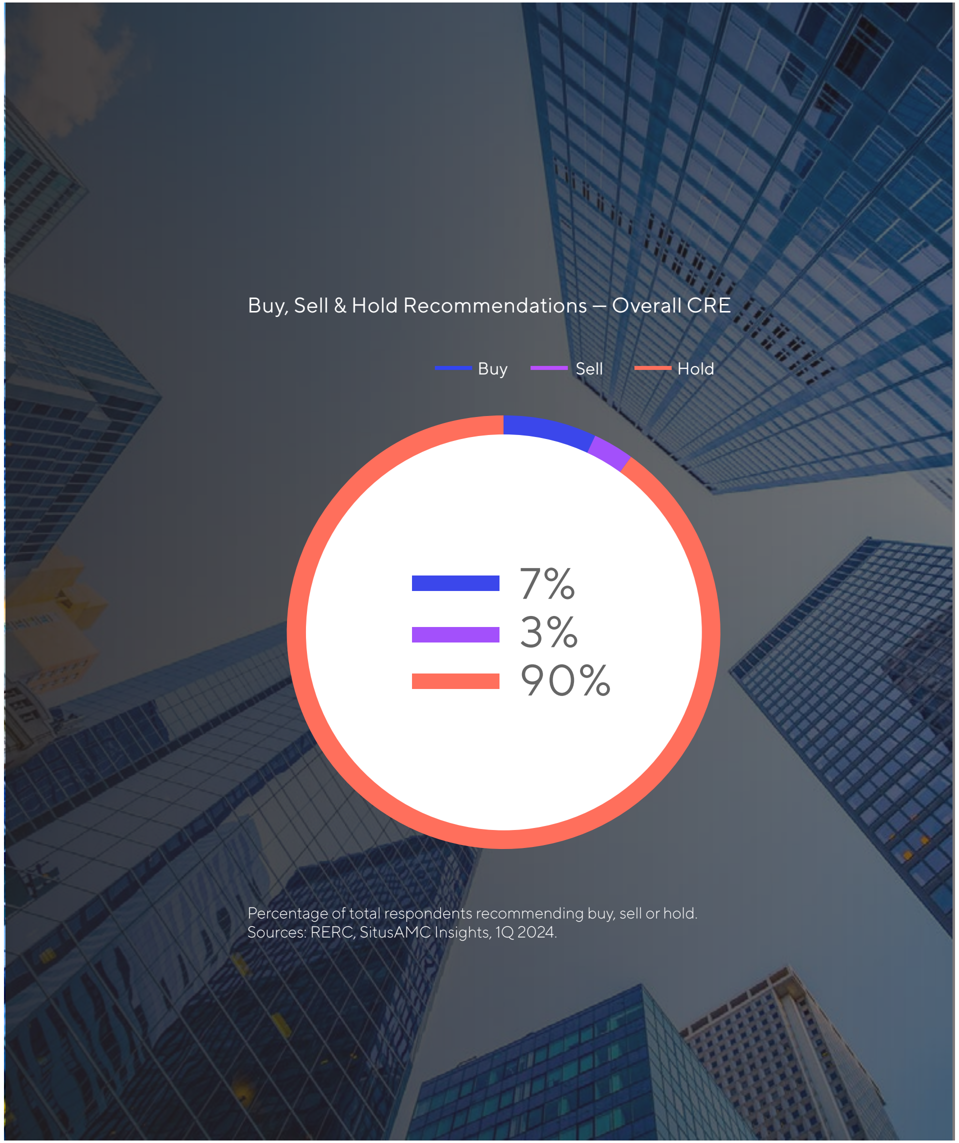


RERC Buy, Sell or Hold

Citing a lack of transactions and ongoing uncertainty, investors in our quarterly survey recommended a hold position in the first quarter. The recommendation to hold increased 3 percentage points to 90%; it was the eleventh consecutive quarter in which Investors preferred to hold; the hold strategy was almost double the level seen during the GFC. The recommendation to buy declined from 10% last quarter to 7% in first quarter and the recommendation to sell was unchanged. Ratings for buy and sell remained near record lows at 24 percentage points and 11 percentage points below GFC levels, respectively.

Investors recommended holding for almost all property types: suburban office, warehouse, R&D, flex, regional mall, power center, neighborhood/ community centers, apartments and hotel. Investor pessimism for CBD office is evident in its sell recommendation.

> "The Fed could potentially cut rates, which would create a more opportunistic outlook in CRE investments."
>
> -INSTITUTIONAL INVESTOR



Percentage of total respondents recommending buy, sell or hold.
Sources: RERC, SitusAMC Insights, 1Q 2024.

02

VALTRENDS BY PROPERTY TYPE

Retail is Belle of the Ball; Office is the Black Sheep

RERC Perceived Return Relative to Risk

Ratings for overall CRE and each of the property types except retail deteriorated in the first quarter, according to institutional respondents in our quarterly survey. Overall CRE received its lowest rating since second quarter 2023 and was well below its LTA, indicating returns do not compensate for the amount of risk in the asset class.

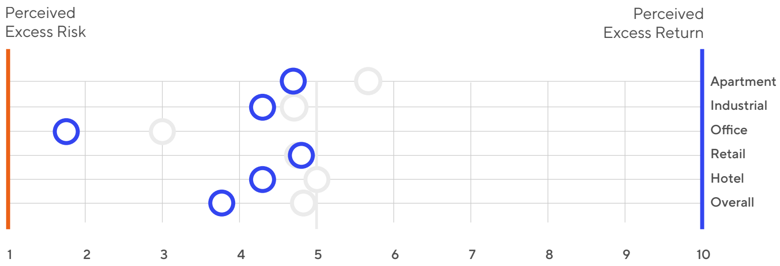
With a slight increase in first quarter, retail ranked the best of the segments, with perceived risk and reward roughly in equilibrium. Investors from our survey cite the benefit of triple net leases for retail, which limits landlord exposure to increasing expenses, as a major benefit of the segment, although owners do need to worry about the impact of increasing costs on the retailer's ability to pay rent.

Investors also believe that retail occupancy levels will be relatively high over the holding period.

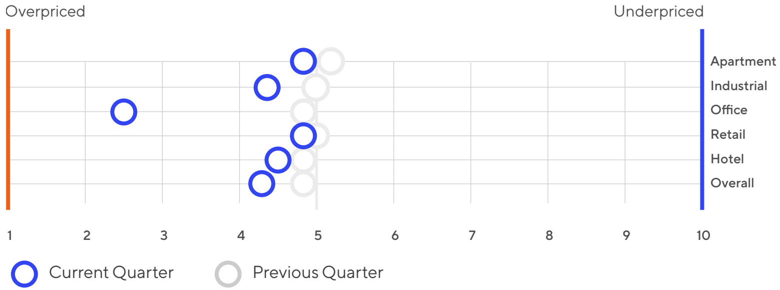
Office ranked the worst among the segments in perceived returns relative risk. First-quarter rankings were, by far, the lowest on record; the segment is still seen as exceptionally risky relative to return. Apartment also suffered a large quarterly decline in ratings, falling below the LTA.

Industrial and hotel ratings indicated lower perceived returns relative to risk in the first quarter after falling below their LTAs. Investors from our survey believe that the hotel segment has likely peaked and there is not much room for future growth after the last few years.

RERC Perceived Return Relative to Risk



RERC Relative Value Sentiment



Ratings are based on a scale of 1 to 10, with 10 indicating that return far exceeds risk or value far exceeds price. Sources: RERC, SitusAMC Insights, 1Q 2024.

RERC Relative Value Sentiment

Overall CRE and all the property types were seen as overpriced, following a decline in ratings in the first quarter. Except for last quarter, overall CRE has been rated as overpriced since 2020.

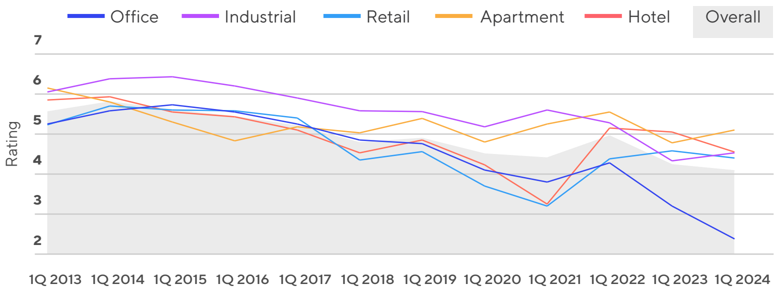
Investors from our survey state that there is a price and value disconnect in office and that softening operating fundamentals are hitting this capital-intensive asset class. First quarter office ratings were the second lowest on record, following a substantial decrease in ratings QoQ. Citing softening occupancy rates, hotel was also seen as more overpriced in first quarter with ratings well below the LTA.

Industrial was perceived as more overpriced in first quarter following a sizeable decline in ratings. Investors note that rents are declining but expect the sector will find its new floor over the next 12 months.

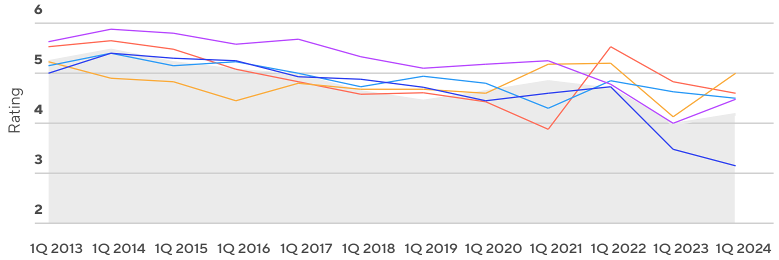
As the investment market resets, transaction activity should resume.

Despite slight declines QoQ, apartment and retail were generally rated as fairly priced. First quarter ratings for these segments were above their LTA. Though apartment fundamentals and returns have been deteriorating, the severe single-family housing shortage should boost demand for rentals as multifamily supply starts to ease.

RERC Perceived Return Relative to Risk — Average Annual Ratings



RERC Relative Value Sentiment — Average Annual Ratings



Ratings are based on a scale of 1 to 10, with 10 indicating that return far exceeds risk or value far exceeds price. Data represent four quarter moving averages. Sources: RERC, SitusAMC Insights, 1Q 2024.

SitusAMC Office Insights

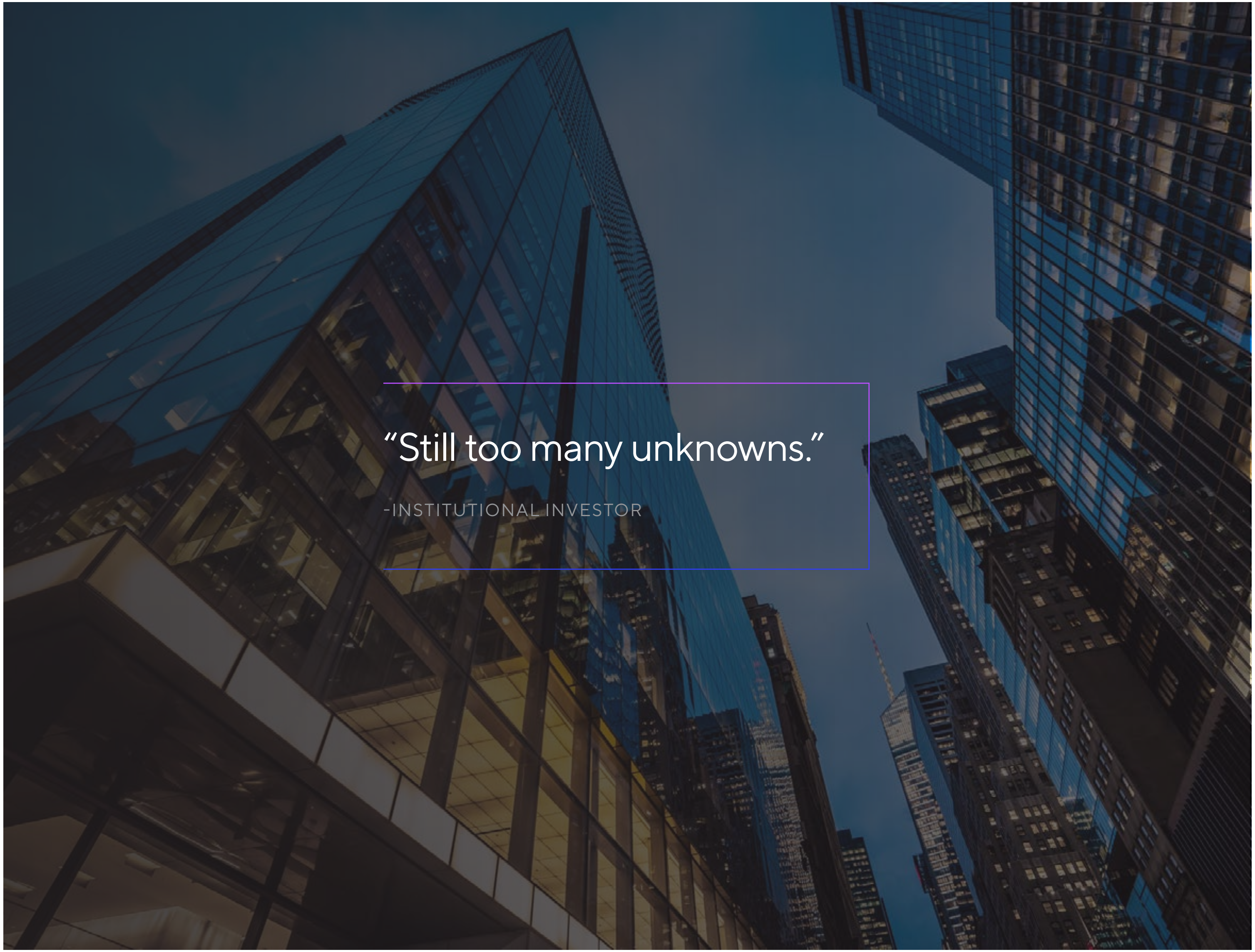
Office fundamentals continued to weaken with occupancy falling 20 bps to a record low in first quarter and net absorption remaining negative for the third consecutive quarter. Effective rents were essentially unchanged, declining just 0.04% QoQ. However, the Wall Street Journal reports that landlords are using concessions, such as months of free occupancy and expensive interior build-outs to keep rents steady. The only bright spot for the segment is that new supply should ease with completions dropping 36% QoQ to the lowest levels since 2013.

With interest rates expected to be higher for longer, landlords are looking to renegotiate their debt with their existing lender, even when that debt is not immediately coming due. Office has always been a capital-intensive asset class, but the risk of investing additional capital has never been more intense, particularly as landlords expect cash flow to dwindle as tenants fail to renew or decrease their space needs. Landlords are increasingly likely to hand the keys back

to the lender rather than throw good money after bad until the loans mature.

SitusAMC is seeing a slow pace of office loan underwriting. However, CMBS office originations are starting to tick up, mostly from alternative lenders instead of institutions. Not surprisingly, we are seeing heavy volume of office forensic diligence. Banks are increasingly taking back properties and planning for longer hold periods as they know it is unlikely that the properties can be flipped quickly.

According to the Wall Street Journal, $38 billion of US office buildings are facing defaults, foreclosures and other distress, the highest level since the GFC. Over the next year, about $18 billion of securitized office loans will mature and Moody's projects that 73% of loans will be difficult to refinance due to the properties' income, debt levels, vacancy rates and looming lease expirations.



SitusAMC Industrial Insights

Warehouse occupancy declined for the sixth consecutive quarter, to the lowest level in over two years, according to Reis. Still, occupancy was about 400 bps above pre-pandemic levels and the LTA. Net absorption slowed to the lowest level since 2010, though it remained positive. First quarter completions were the lowest since 2015. Declining new supply may help boost rent growth, which grew at the slowest pace since the onset of the pandemic.

SitusAMC is seeing a lot of capital seeking industrial from dedicated funds that have a lot of dry powder. Properties for sale are receiving several bids and going through multiple negotiation rounds. This is driving transparency on pricing.

Census Bureau data show that the pace of e-commerce growth is slowing following the boom from early in the pandemic. Preliminary first-quarter data show a 2.1% quarterly increase for e-commerce sales, about half the LTA. Moody's projects that e-commerce's share of total retail sales will decelerate over the next decade, resulting in slower price and rent appreciation than the previous decade.

Amazon is becoming more active in industrial real estate after sitting on the sidelines more recently. According to the Commercial Observer, the company has signed three leases, each for over one million square feet, in Southern California this year.

NPI Total Return **+0.1%**

Warehouse Occupancy Change **-20** bps QoQ

Warehouse Effective Rent Growth Change **+0.3%**

> "Construction costs hampering new building."
>
> -MIDWEST REGION INVESTOR

Sources: NCREIF Classic NPI, Reis, SitusAMC Insights, 1Q 2024.

SitusAMC Retail Insights

Retail demand was relatively stable in first quarter with the occupancy rate unchanged and net absorption increasing just 0.7%, according to Reis. Retail occupancy has remained at the highest level since the early pandemic over the past year. Still, first-quarter occupancy was about 110 bps below the LTA. Retail completions fell to the lowest on record in first quarter. This will likely boost the segment's stagnant rent growth, which has stayed at 0.2% for the past four quarters.

SitusAMC notes that while traditional centers may have experienced a decline in foot traffic over the year, price-conscious retailers, like Aldi's, are seeing an increase in customer activity. Power centers appear to be returning to favor with investors and Class A++ malls are performing well. However, quality matters for every subtype of retail; cap rates can vary widely across the quality spectrum. One area of concern is operating expenses. The extent to which tenants cannot manage their occupancy costs will determine the ability of the landlord to continue to push rents.

A challenge for valuations is the lack of core transactions. Sales have been occurring primarily in secondary and tertiary markets and for grocery-anchored centers less than $50 million. The buyer pool for large centers is limited due to the operational expertise required to run them.

Executives at the May International Council of Shopping Centers (ICSC) convention were positive on the retail segment, according to Commercial Property Executive. The limited new development over the past decade has supported the fundamentals of existing space. Investors are finding opportunities by converting anchor tenant space into urgent care centers and educational spaces, such as community colleges and charter schools.

“High occupancy and a dearth of new supply provide favorable market conditions.”

- SOUTH REGION INVESTOR

SitusAMC Apartment Insights

Apartment demand remained relatively weak in first quarter, per Reis. The occupancy rate remained unchanged QoQ, but was among the lowest since 2011. Net absorption improved slightly QoQ, yet was half of the LTA. Effective rent growth was slightly negative in first quarter, with rents the lowest since second quarter 2022. Much of the weakness in apartment fundamentals has been due to strong supply during the COVID-19 era; however, first-quarter completions fell by 53% QoQ to the lowest level since 2014, boding well for an improving investment environment in the medium- to long-term.

New lease trade-outs in several markets are flat or negative while the renewal lease trade-outs have generally remained positive. With more competitive rents for new leases, tenants may decide to move rather than shoulder an increase in rents upon renewal.

SitusAMC is seeing bigger buyer pools with more aggressive underwriting. There is a competitive bidding process, especially for assets with large discounts to replacement costs. There is still a wide gap between buyer and seller expectations – as much as 40 to 50 bps – and the gap between buyer underwriting for actual transactions and current valuations can still be wide.

Bank of America released its Homebuyer Insights Report in May, which found that 80% of Baby Boomer renters prefer renting to buying in the current environment, a substantial increase from last year's 63%. Baby Boomers cite the not being responsible for maintenance and repairs, freedom from financial stress and the ability to easily relocate as reasons for the preference.

NPI Total Return **-1.0%**

Occupancy Change **0** bps QoQ

Effective Rent Growth Change **-0.2%**

"Saturation of product."

-WEST REGION INVESTOR

Sources: NCREIF Classic NPI, Reis, SitusAMC Insights, 1Q 2024.

SitusAMC Hotel Insights

Seasonally adjusted hotel occupancy dropped nearly 240 bps in the first quarter, falling to the lowest rate in almost a year. Still, occupancy was about 345 bps above the LTA. Reis projects that occupancy will rise throughout 2024, reaching near record levels by the end of the year. Seasonally adjusted room rates increased 2.0% in first quarter to the highest rate on record. However, RevPAR declined slightly QoQ owing to the decline in occupancy.

Hotel conversions last year were the highest on record, according to GlobeSt. Conversions were up 39% YoY in 2023, resulting in over 4,500 new apartment units. About 60% of these conversions came from Class B hotels. Conversions to apartments from hotels are often faster and more cost-effective than those from other types of structures because the necessary infrastructure is often already in place.

ValTrends by SitusAMC

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