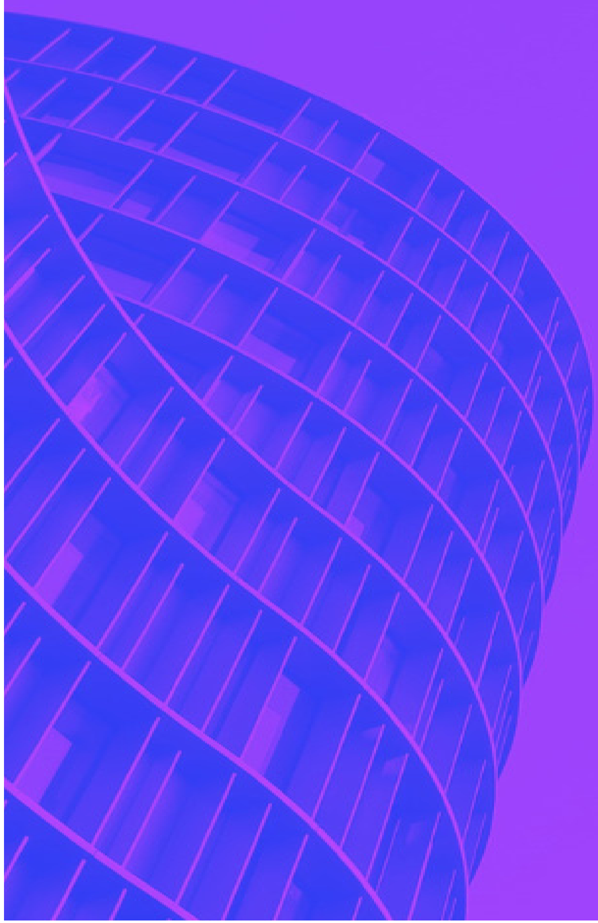
ValTrends
2Q 2024 Report

Shifting Tides

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

SitusAMC



The commercial real estate (CRE) market is seeing some shifting tides. The market is expressing some glimmers of optimism following the doom-and-gloom over the past couple of years. While CRE still faces significant challenges, particularly in the office segment, there are signs of green shoots.

According to respondents in our quarterly survey, capital availability is near the highest level since the Fed began its aggressive rate hikes in June 2022; underwriting standards are the loosest over the same time frame. Still, the capital markets are rated as historically tight.

Valuations appear to be stabilizing, with aggregate values remaining flat and the gap between price and value narrowing amid improving investor sentiment. Bidder pools are becoming more robust suggesting a renewed interest in property types excluding office. For apartments, lease trade outs have narrowed recently, with some even turning positive, easing concerns for this sector. Seasonal effects may have influenced these positive signs, but the general sentiment is cautiously optimistic, with multifamily valuations projected to see slight positive growth in third quarter 2024. In the retail sector, valuations are either holding steady or increasing, primarily driven by strong net operating income (NOI) growth. Office valuations remain in decline, albeit at a slower pace than observed at the end of 2023 and the beginning of 2024.

Commercial property prices, as measured by MSCI Real Assets' National All-Property CPPI, notched three consecutive months of growth through July after nearly two years of price declines. The industrial sector saw the most appreciation, with prices rising 0.8% month over month (MoM) in July. Industrial prices have risen for 15 consecutive months, reaching a record high. Retail saw modest pricing appreciation, which has been relatively steady since mid-2023. Office prices may have bottomed out, with a slight MoM increase in July for the first time in more than two years. Apartment was the lone sector to see a pricing decrease in July, dropping 0.7% MoM.

Overall CRE performance improved in the second quarter, with NCREIF Classic NPI returns up about 70 bps QoQ. While returns have remained negative for seven consecutive quarters, second quarter's returns represent the highest figure over that period. All property types except office notched positive returns in second quarter. Apartment returns posted their first positive figures in the last six quarters, improving about 110 bps quarter over quarter (QoQ). Retail returns continued their momentum from the previous quarter, improving over 25 bps to the highest level in the last two years. Industrial performance was modest. Second quarter Classic NPI office returns were -2.4% representing a notable 145 bps jump QoQ yet still the seventh consecutive quarter of negative returns.

SitusAMC is seeing the CRE debt markets starting to stabilize. Excluding the embattled office segment, performing product bond and loan spreads have been flat to slightly tighter over the last few months. SitusAMC notes that lenders are engaging in modifications and extensions, which is keeping asset managers busy. Nevertheless, many are wondering if market prices have bottomed out which is catalyzing the growth of new funds and loans that aim at transitional real estate.

Despite some evidence of shifting tides in valuations, pricing, returns and the debt markets, transaction volumes have yet to pick up. A blip increase in overall CRE transaction volume in June was followed by a substantial decline in July. Total CRE deal activity fell 49% MoM in July to $23 billion, as measured by MSCI Real Assets. July was among the slowest months for deal activity since the Fed began its aggressive rate hikes. Transaction volumes were down for all major property types over the month, most notably for multifamily.

Still, there is reason to believe that the tides will soon shift in transaction volume. Investor optimism for the transaction market is building following the recent rate cut by the Fed. This could reduce borrowing costs and stimulate CRE investment and enable properties in need of refinancing to obtain loans. Market participants are also encouraged that the Fed will be able to bring inflation down toward its 2% target while keeping the economy poised for a soft landing. The jump in long rates following the Fed's easing reflected the market now discounting the potential of a recession.

01

CAPITAL MARKETS

CRE Capital Markets Should Begin to Benefit from Declining Rates

Financial & Capital Markets

Following the Fed's announcement, Treasury's closed at 3.7% on September 18, the highest since September 5 but 100 bps below the peak on April 24. Market participants are encouraged that the Fed will be able to bring inflation down toward its 2% target while keeping the economy poised for a soft landing. The jump in long rates following the Fed's easing reflected the market now discounting the potential of a recession.

For the CRE market, declining rates could result in lower borrowing costs, rising property valuations, increasing transaction volumes and improving cash flows due to reduced monthly debt service payments. Perhaps most importantly, it could ease the bottleneck of maturing loans having difficulty refinancing at significantly higher rates than their existing financing.

According to the Mortgage Bankers Association (MBA), commercial and multifamily mortgage debt outstanding increased by $31.4 billion (0.7%) in second quarter, reaching a total of $4.7 trillion. Multifamily mortgage debt alone rose 0.9% over the quarter to $2.1 trillion. Due to fewer loans being paid off, CRE mortgage balances have continued to

CRE & Investment Alternatives

	YTD[6]	1-Year Trailing	3-Year Trailing	5-Year Trailing	10-Year Trailing	15-Year Trailing
NPI[1]	-1.2%	-5.5%	2.3%	3.4%	6.1%	7.3%
NFI-ODCE[1]	-3.2%	-10.0%	1.0%	2.3%	5.5%	6.6%
NAREIT Index (All Equity REITs)[2]	-2.2%	5.8%	-1.6%	3.4%	6.1%	11.7%
Consumer Price Index[3]	0.8%	3.2%	5.2%	4.2%	2.8%	2.6%
Dow Jones Industrial Average[2]	4.8%	16.0%	6.4%	10.3%	11.3%	13.4%
Nasdaq Composite[4]	18.1%	28.6%	6.9%	17.2%	14.9%	16.3%
NYSE Composite[4]	7.0%	13.5%	2.9%	6.7%	5.1%	7.7%
S&P 500[2]	15.3%	24.6%	10.0%	15.0%	12.9%	14.8%

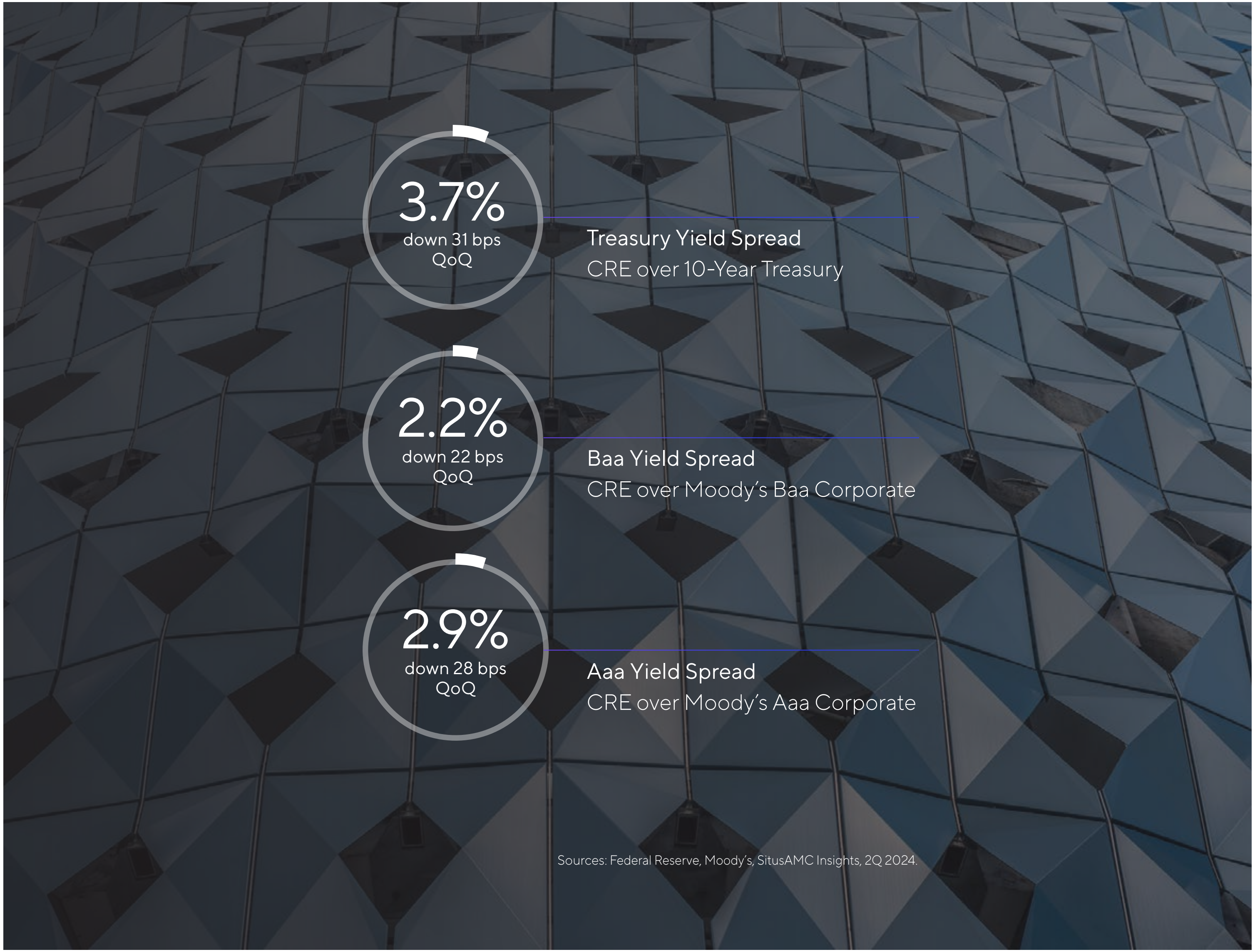
	2Q 2024	2Q 2023	2Q 2021	2Q 2019	2Q 2014	2Q 2009
10-Year Treasury Bond[5]	4.4%	3.6%	1.6%	2.3%	2.6%	3.3%

[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, 2Q 2024.

grow in recent quarters despite a marked fall-off in the volume of loans being made.

Spreads between RERC real estate yields and the 10-year Treasury compressed in second quarter, with a nearly 30 bps increase in the Treasury rate and a 3 bps decline in real estate yields. Second-quarter real estate yields and 10-year Treasury spreads were the lowest since the end of 2022 and the second lowest since 2007, amid the GFC.

Second quarter real estate yield spreads over Moody's Baa and Moody's Aaa also compressed as bond rates increased and real estate yields decreased. Real estate yield spreads over Aaa corporate bonds were the narrowest since fourth quarter 2022 and on par with those during the GFC. Spreads over Baa corporate bonds were among the widest in two years, but well below the long-term average (LTA).



CRE & Investment Alternatives

Investor preference for CRE and cash increased in the second quarter, while preference for stocks and bonds declined. Despite the decline, stocks remained the most preferred asset class for the second consecutive quarter. Investors in our survey note that the stock market has had a good, prolonged bull run and seems poised to continue its winning streak.

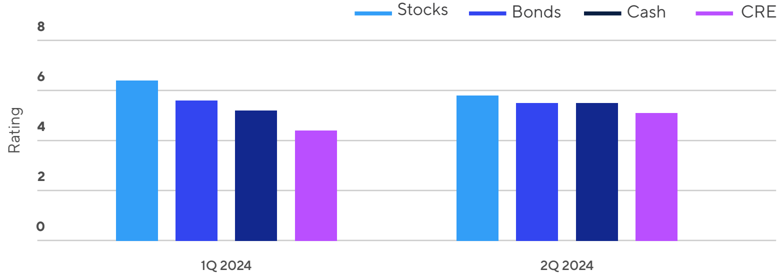
Investor preference for bonds and cash were tied for second place. Investors appreciate bonds' combination of reduced volatility, more predictable returns, and the comfort of a maturity value, while cash offers safety and liquidity in an uncertain investment environment. However, our survey ratings for bonds and cash were among the lowest in two years and well below their LTAs.

Despite a substantial jump in ratings, CRE was the least preferred asset class, as it has been for three consecutive quarters. Though CRE is difficult to buy with high interest rates and a disconnect between buyers and sellers on pricing, there is opportunity in possibly being able to pick up distressed properties at a discount, according to investors in our survey.

"[Stocks offer] liquidity with upside."

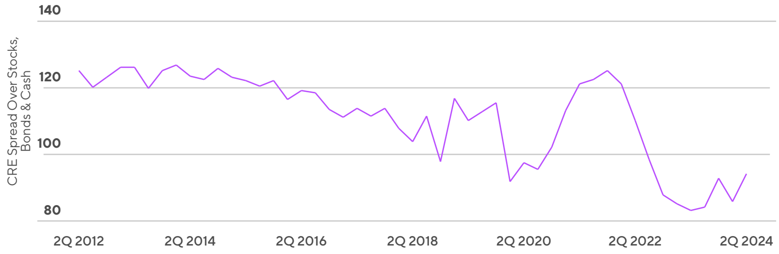
- EAST REGION RESPONDENT

Ratings of Investment Alternatives



Ratings are based on a scale of 1 to 10, with 10 being excellent.
Sources: RERC, SitusAMC Insights, 2Q 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, 2Q 2024.

Availability & Discipline of Capital

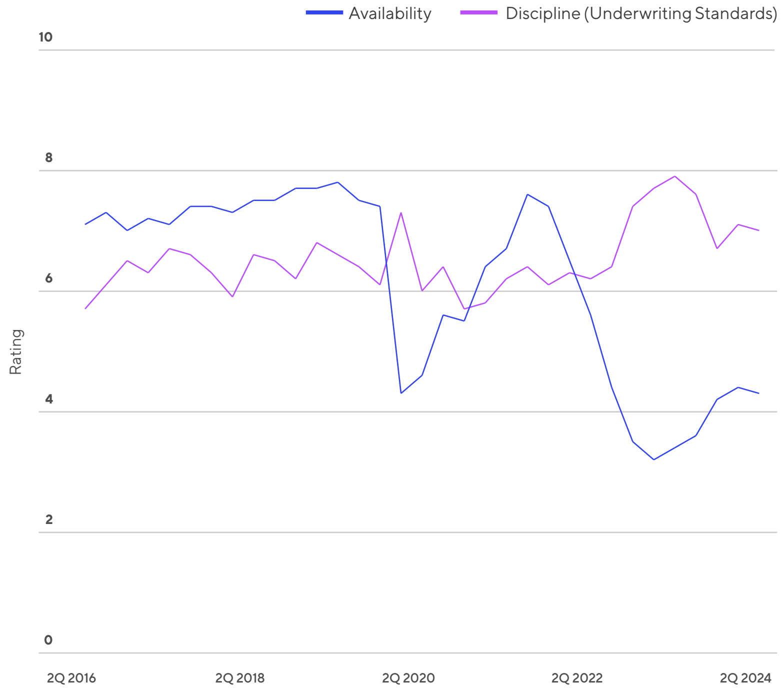
Investor ratings for capital availability and discipline were essentially unchanged in the second quarter. Though near the highest level since the Fed began its aggressive rate hikes in June 2022, capital remains constrained by historical standards. Underwriting standards were rated as the loosest since mid-2022, but also remain historically tight. Investors in our survey note that lenders are very selective in their decisions, focusing on borrower debt coverage ratios and creditworthiness and stress-testing new loans.

Equity capital availability contracted in the second quarter, while debt capital was tight, but eased. Still, equity capital remains more slightly more plentiful than debt. According to investors in our survey, there has been an increase of properties entering special servicing with debt expenses high and it is difficult to be profitable in this market.

In the second quarter, ratings of equity discipline were unchanged, while debt discipline eased slightly; however, both remain historically tight. Debt underwriting standards continued to be more disciplined than equity as they have for over two years.

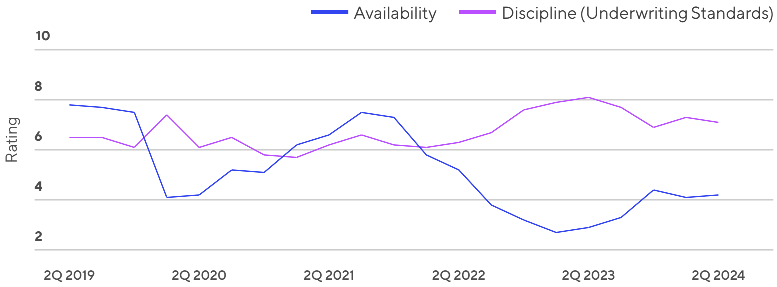
> "Banks are restrictive on new loans."
>
> - SOUTH REGION INVESTOR

Historical Availability & Discipline of Capital – Equity & Debt Combined

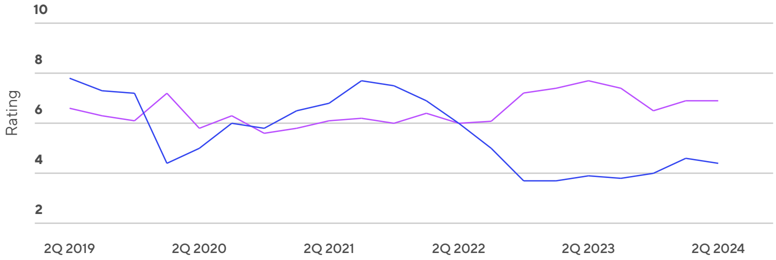


Ratings are based on scale of 1 to 10, with 10 being excellent.
Sources: RERC, SitusAMC Insights, 2Q 2024.

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, 2Q 2024.

CRE Returns, Volume & Pricing

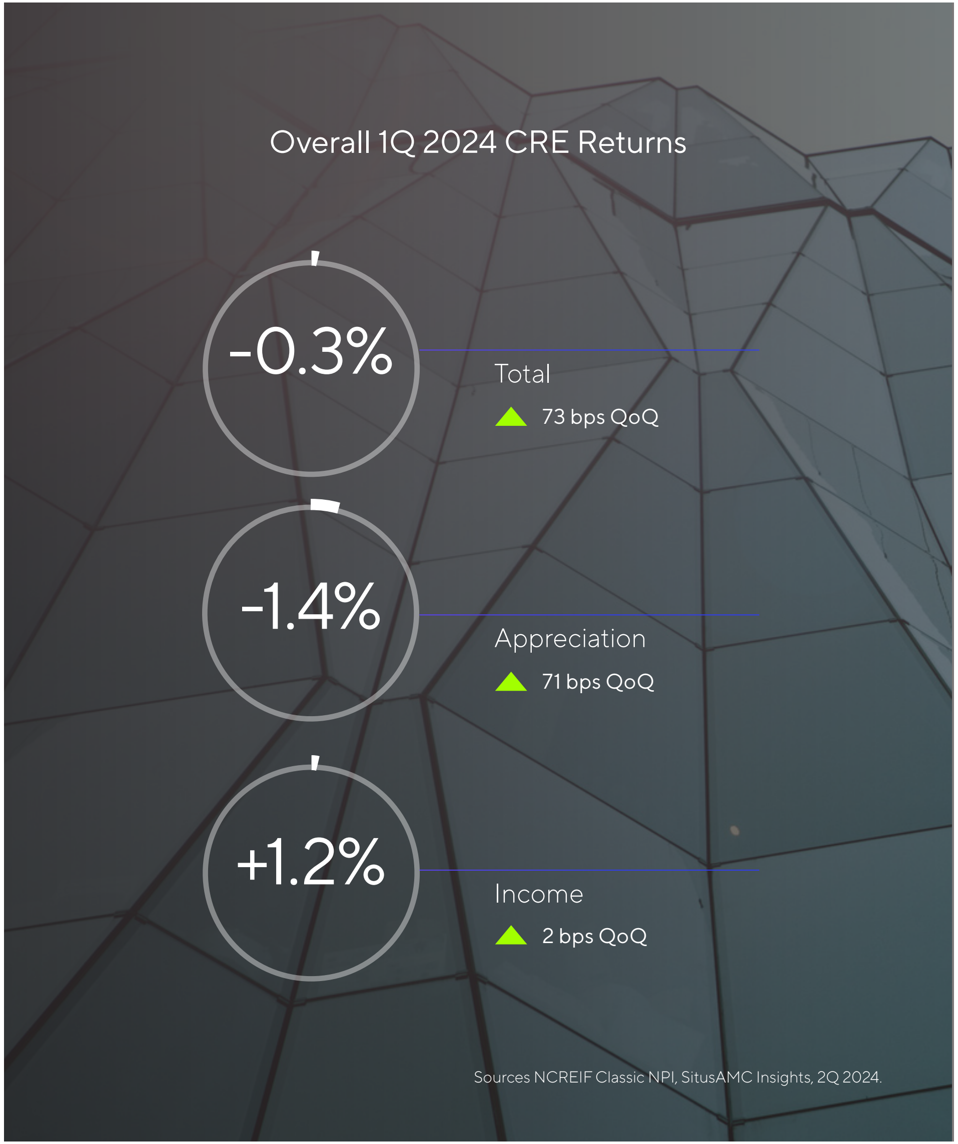
Returns

Overall CRE performance improved in the second quarter, with NCREIF Classic NPI returns up about 70 bps QoQ. While returns have remained negative for seven consecutive quarters, second quarter's returns represent the highest figure over that period.

Second quarter Classic NPI office returns were -2.4% representing a notable 145 bps jump QoQ yet still the seventh consecutive quarter of negative returns. Of the five main property sectors, office stands out as the lone sector to post negative returns this quarter. Quarterly office returns were 380 bps below the LTA and one-year trailing returns were -14.4%, levels not seen since the GFC.

Industrial performance was modest, with Classic NPI returns up 0.2%, up slightly from 0.1% the previous quarter but still down significantly from the fourth quarter 2021 peak of 13.3%. While appreciation remains negative, it has stayed steady over two quarters near -0.8%.

Per NCREIF's Classic NPI, retail returns continued their momentum from the previous quarter, improving over 25 bps to 0.9% – the highest level in the last two years. Retail maintained its position as the sector with the second-highest returns, behind hotels. While appreciation remains negative, it has seen three consecutive quarters of improvement, driving much of the recovery in total returns.



Apartment returns posted their first positive figures in the last six quarters, improving about 110 bps QoQ to 0.2%, according to the Classic NPI. This figure still represents a significant dip from the peak levels of 6.8% in fourth quarter 2021. One-year trailing returns were -5.1% – the highest figure in four quarters yet still near GFC-levels.

In second quarter, Classic NPI hotel returns improved to 2.1%, up about 125 bps QoQ, with both income and appreciation also improving notably. Hotels have seen 12 consecutive quarters of positive returns and lead all sectors in total returns this quarter. While one-year trailing returns remain elevated, they have slowed for four consecutive corners, pointing to slowing momentum in the sector.

Volume

A blip increase in overall CRE transaction volume in June was followed by a substantial decline in July. Total CRE deal activity fell 49% MoM in July to $23 billion, as measured by MSCI Real Assets. July was among the slowest months for deal activity since the Fed began its aggressive rate hikes. Transaction volumes were down for all major property types over the month, most notably for multifamily. However, investor optimism for the transaction market is building following the recent rate cut by the Fed and narrowing bid-ask spreads.

Apartments continued to see the most deal activity of all segments in July in the very quiet market, accounting for 36% of total volume in July, about 600 bps below its LTA. July's apartment deal volume of $7.5 billion represented a 67% decline in monthly transactions. Apartment volume has averaged $9.9 billion per month in 2024, the slowest average monthly pace of deal activity in a decade.

The industrial sector had the second-highest percentage of total deal volume in July at 26%. It was the largest allocation to industrial in almost one year. Nonetheless, July's $5.5 billion represented an 18% monthly decline in volume. It was the slowest month for the segment since February 2024.

Office deal volume was muted in July, accounting for only 16% of total monthly transactions, well below the historical average of 30%. Total office volume fell 30% MoM in July. At $3.4 billion, it was the slowest month for the segment since April 2024 and nearly 60% below the LTA.

Despite steady retail fundamentals and performance over the past year, transaction volume fell 32% MoM in July to $2.8 billion. It was the slowest month for retail in more than one year. Retail comprised 13.5% of total deal volume in July, about 400 bps below the LTA.

Hotel deal volume in July was $1.7 billion, down 32% over the month and the slowest since February 2024. Hotels gained investor interest in July, accounting for 8% of total transaction volume, a 200 bps increase MoM, but consistent with the segment's LTA.

Pricing

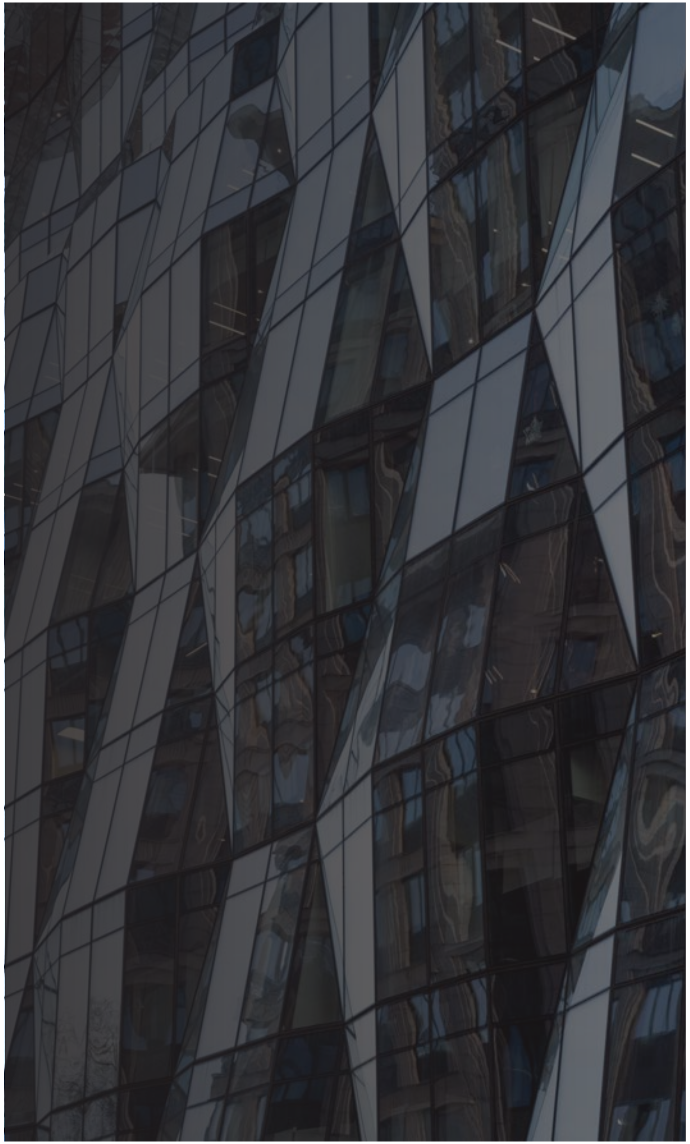
Commercial property prices, as measured by MSCI Real Assets' National All-Property CPPI, notched three consecutive months of growth through July after nearly two years of price declines.

The industrial sector saw the most appreciation, with prices rising 0.8% MoM in July. Industrial prices have risen for 15 consecutive months, reaching a record high.

Retail saw modest pricing appreciation, growing by 0.2% MoM. Retail pricing has been relatively steady since mid-2023, but are about 8% below the peak in September 2022.

Office prices may have bottomed out, with a slight MoM increase in July for the first time in more than two years. Office prices are down 24% since the Fed began aggressive rate hikes in June 2022 – the largest decline of any property type. Office pricing continues to be a tale of two sub-property-types, with CBD office prices continuing their precipitous fall while suburban office prices stabilize. Suburban office pricing has exceeded CBD pricing since July 2023.

Apartment was the lone sector to see a pricing decrease in July, dropping 0.7% MoM. Apartment prices have slid every month since the Fed began its aggressive rate hikes, down 20% between June 2022 and July 2024.

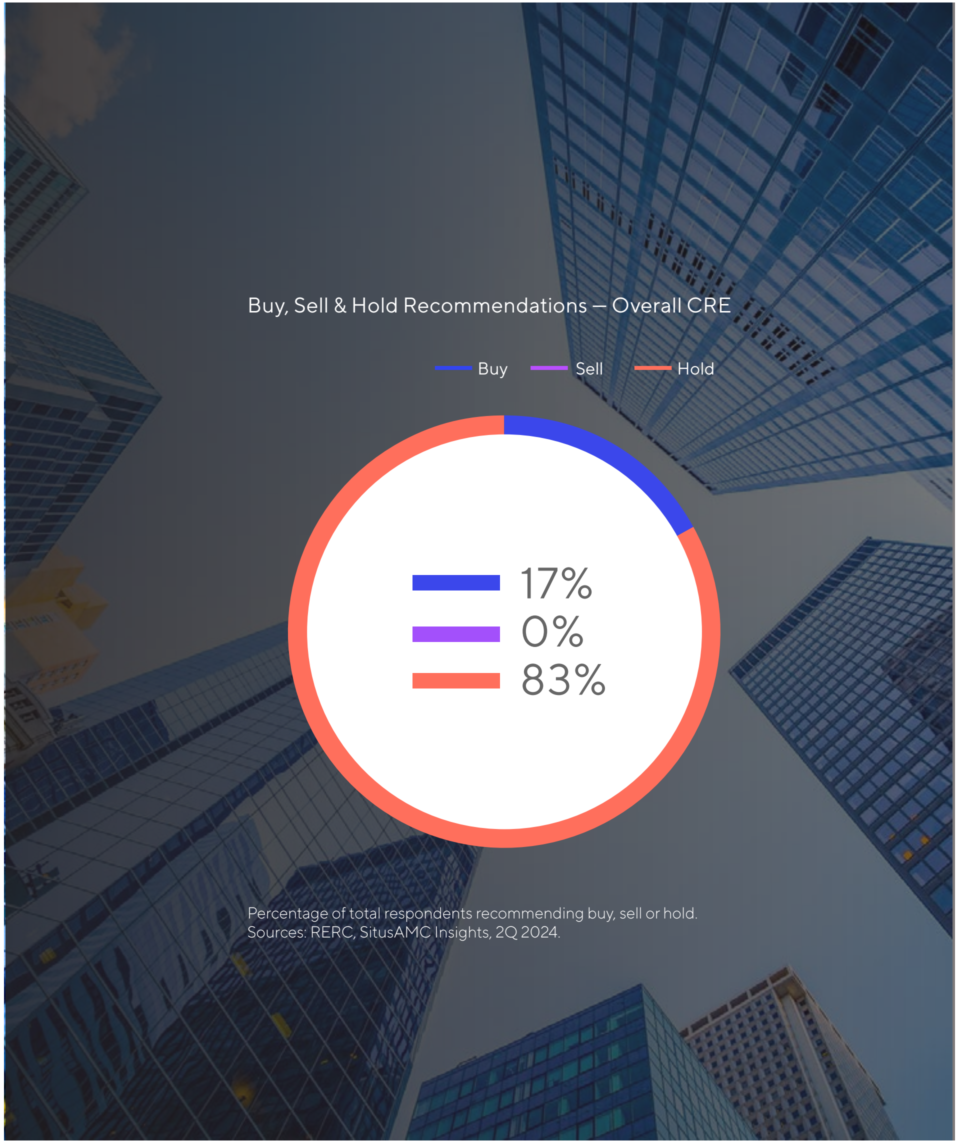


RERC Buy, Sell or Hold

Citing large bid-ask spreads and a lack of transactions, investors in our quarterly survey once again overwhelmingly recommended a hold position in the second quarter. However, the recommendation to hold continues to drop falling 7 percentage points to 83% in the second quarter. It was the fourth year in which Investors preferred to hold. The recommendation to buy increased from 7% last quarter to 17% in second quarter, the highest buy rating since first quarter 2022. No investors recommended selling, down from 3% last quarter.

Investors recommended holding for the majority of property types: R&D, flex, power center, neighborhood/ community centers, apartments and hotel. Investors are bearish on CBD and suburban office, with each receiving a sell recommendation. Investors selected buy as the top strategy for warehouse and regional malls.

> “Not a high degree of certainty in investment decisions at present.”
>
> -INSTITUTIONAL INVESTOR



Percentage of total respondents recommending buy, sell or hold.
Sources: RERC, SitusAMC Insights, 2Q 2024.

02

PROPERTY TYPES

Sentiment Positive for Retail; Office Dynamics Remain Poor

RERC Perceived Return Relative to Risk

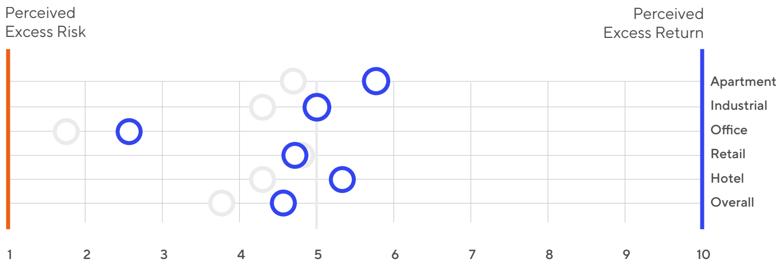
Investors were more optimistic about the return/risk balance in CRE in the second quarter with ratings for overall CRE and each of the property types except retail improving, according to institutional respondents in our quarterly survey. Despite the overall perception of less risk relative to returns for overall CRE, the rating remains considerably below the LTA.

Apartment ranked best among the property segments, with perceived returns outweighing risk, with second quarter ratings above the LTA. Investors note that apartments are less risky than other property segments, given that the single-family housing market remains unaffordable, with high barriers to entry.

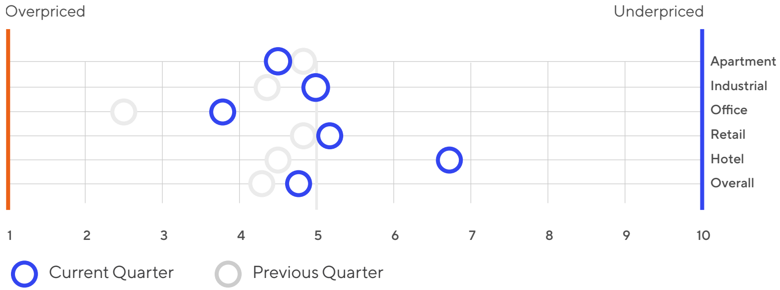
Though ratings for office improved substantially QoQ, the segment ranked the worst among the property types and well below the LTA. Retail ratings dipped QoQ, but on par with the historical average.

Hotel had the second best return relative to risk profile among the main property types, following a quarterly jump in ratings. It was the highest rating in three quarters and well above the LTA. Though industrial ratings improved in second quarter, with risk and return perceived in equilibium, the rating was below the LTA. According to investors, industrial risks are attenuated by being able to pass through operating expenses.

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, 2Q 2024.

RERC Relative Value Sentiment

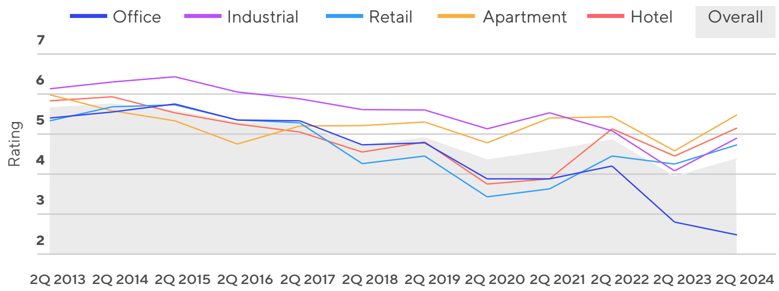
Overall CRE continued to be seen as overpriced in second quarter, weighed down by office and apartment ratings. Except for the fourth quarter 2023, overall CRE has been rated as overpriced since 2020.

Apartment ratings declined over the quarter, turning from fairly priced to overpriced; the second quarter had the lowest rating over the past year and was lower than the LTA. Investors note that the apartment segment is still working through a large amount of supply, which has undermined rents. Though experiencing a quarterly increase in ratings, office was still perceived as extremely overpriced with a second quarter rating well below the LTA. Investors are concerned as demand dwindles amid too much supply.

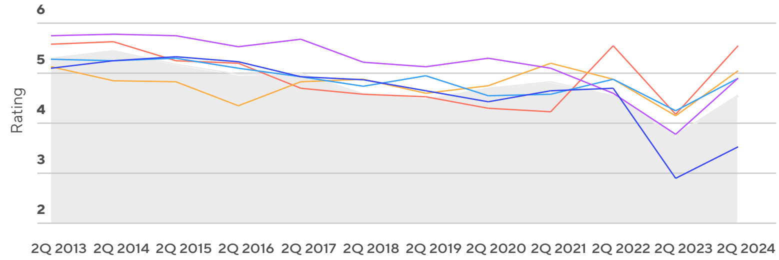
Hotel experienced a large upswing in its relative value rating in the second quarter. The segment was seen as the most underpriced since at least 2007, when RERC began collecting these ratings. Investors are optimistic that the lack of new supply will help lift room rates.

With slight upticks in ratings, industrial and retail were seen as fairly priced in the second quarter. Retail's rating was the highest in nearly two years, while industrial rating was below the LTA. According to investors, a bifurcation still exists in retail with regional malls and large community centers underperforming triple-net retail and smaller in-line shopping centers.

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, 2Q 2024.

SitusAMC Office Insights

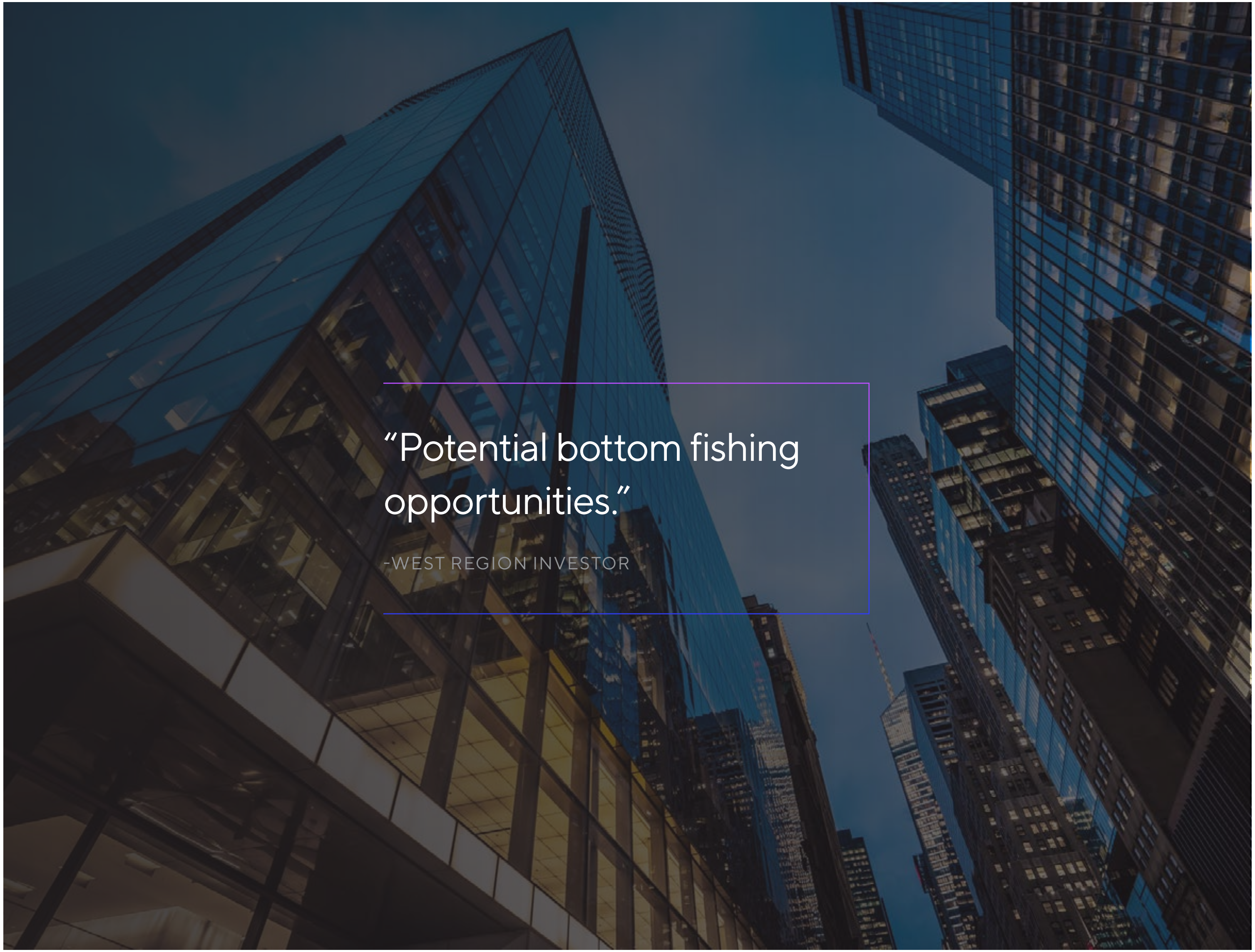
Investor sentiment around the office sector was steady in second quarter, with 5% viewing office as the top sector.

Office occupancy continued its decline, dropping 30 bps QoQ to 79.9%, a historic low, according to Reis. Rents declined slightly, by 0.1%. Net absorption was negative for the sixth consecutive quarter and dropped the most since first quarter 2021. New deliveries have declined for two straight quarters and have remained below the LTA for almost two years, potentially improving the office sector's investment outlook in the long term.

SitusAMC special servicing notes that while pricing varies by market, bondholders as well as owners are finally starting to realize that they will have to endure losses as losses are more palatable than foreclosure. The potential for an economic downturn in the aftermath of Fed tightening raised concerns about a wave of distress. Although it still possible, it appears

less likely that office will have to endure distress to the level once thought. Nevertheless, prices have fallen, and as the bid-ask spread narrows, the question becomes when firms and investors with a stock of dry powder will take advantage of these reduced office prices.

There continues to be a notable gap in performance between CBD and suburban office properties. According to the WSJ, valuations of downtown/ CBD office properties have dropped by 50% from their early-2022 peak, while suburban office valuations have declined a more manageable 18%. Of the under-$10 million mortgage securities (a proxy for suburban offices) that had matured by the end of May, 72% were paid off on time, while only 27% of loans worth over $100 million (a proxy for CBD offices) were paid back.



SitusAMC Industrial Insights

Survey respondent appetite for the industrial sector declined 18 percentage points to 11% in second quarter.

Warehouse occupancy continued its steady decline from its post-pandemic peak, dropping 10 bps to 93.5%, its lowest point in seven quarters, according to Reis. However, this is still high from a historical perspective. Effective rent growth was slightly positive at 0.3% but has slowed significantly from the extreme increases we were seeing post-pandemic, while quarterly net absorption dipped slightly negative for the first time since 2010. Quarterly completions have declined for four consecutive quarters and are at their lowest level since 2013.

SitusAMC notes that industrial properties with long weighted average lease terms (WALT) are under scrutiny as rents lag market expectations, highlighting a disconnect in price discovery for these assets.

Reshoring efforts present tailwinds for the industrial sector, with the LA Times reporting that over 300 major manufacturing facilities have been announced in the U.S. since 2020, representing $400 billion in pledged project investment. New construction is projected to expand the footprint of U.S. manufacturing space by 6% to 13% over the next decade.

NPI Total Return **0.2%**

Warehouse Occupancy Change **-10** bps QoQ

Warehouse Effective Rent Growth Change **0.3%**

> "Weaker demand following COVID-related bump."
>
> -EAST REGION INVESTOR

Sources: NCREIF Classic NPI, Reis, SitusAMC Insights, 2Q 2024.

SitusAMC Retail Insights

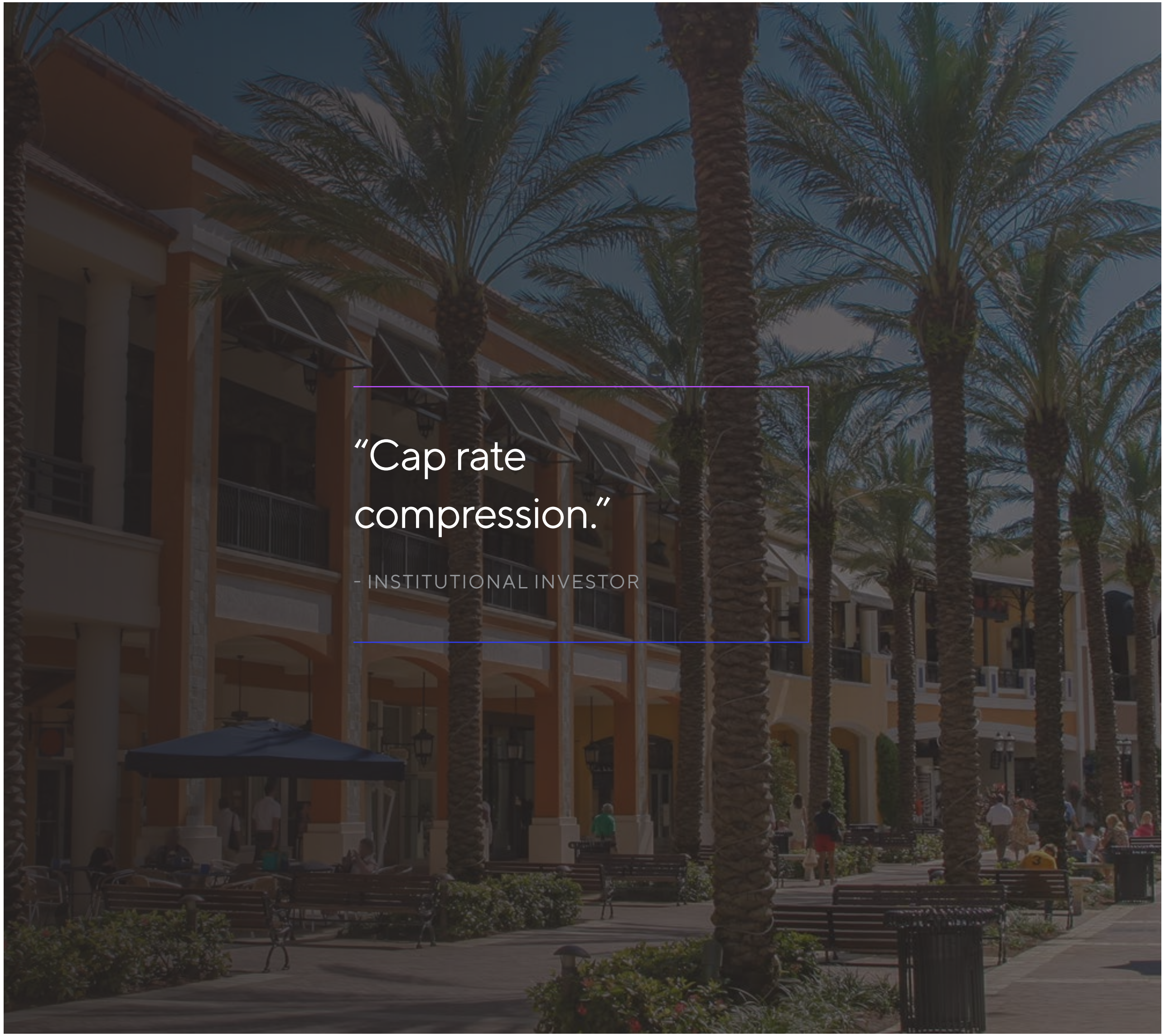
Investors in SitusAMC Insights’ quarterly survey remained most bullish on retail for the second consecutive quarter, with the sector’s favorability surging from 40% to 53%.

Retail demand in second quarter was steady, with occupancy unchanged and rent growth up 0.3% QoQ, according to Reis. Occupancy has hovered just under 90% for eleven consecutive quarters, showing resilience in the post-pandemic recovery. Net absorption dipped slightly negative for the first time in over two years. Completions have slowed dramatically over the past five quarters, with only 275,000 sf delivering in second quarter – only 6.5% of the LTA – likely signifying tailwinds for rent growth moving forward.

SitusAMC is seeing retail sector valuations either holding steady or increasing, primarily driven by strong NOI growth.

“Foodetainment” (food and entertainment venues) are a bright spot for retail, according to Placer.ai. Dave & Buster’s and Main Event, saw foot traffic increase by 6.9% and 4.7% YoY, respectively, in the second quarter. Placer.ai also finds that consumers are flocking to discount chains, with Aldi, Five Below and Big Lots experiencing between a 15% and 20% increases in store visits YoY.

Per the WSJ, department stores are struggling to retain their once-dominant role in shopping malls as they face competition from discounters and specialty stores. Major department stores now occupy less than half of all anchor spots in enclosed malls, with roughly 500 vacant spaces nationwide. Despite some efforts to revitalize the sector, department store sales and visits have declined significantly since 2019, signaling challenges for this sub-property-type moving forward.



SitusAMC Apartment Insights

SitusAMC Insights survey shows investor sentiment for the apartment sector was stable QoQ at 26% favorability, maintaining its position as the second-most-favored sector after retail.

Apartment occupancy dropped 10 bps QoQ to 94%; it was the sixth consecutive quarter of below-95% occupancy, per Reis. Quarterly net absorption remained positive and above the LTA. Effective rent growth was positive, at 0.4%, after two quarters of declines. An influx of new supply continues to temper apartment fundamentals, though the high interest rate environment of the past two years has slowed construction, reducing medium-term new supply.

According to SitusAMC, amid rising delinquencies and oversupply, apartment negative lease trade outs have been a significant worry. However, these lease trade outs have narrowed recently, with some even turning positive, easing concerns for this sector.

Seasonal effects may have influenced these positive signs, but the general sentiment is cautiously optimistic, with multifamily valuations projected to see slight positive growth in third quarter 2024.

SitusAMC advisory notes that following industry-wide investigations into fraud, underwriters are now required by GSEs to perform more rigorous analyses, including reconciling rent rolls with actual leases and validating rent increases resulting from property upgrades. This extra layer of due diligence is being driven by pressure from B-piece buyers, particularly in light of rising delinquency rates in the multifamily sector. Despite the increased scrutiny, there has been a significant increase in multifamily underwriting volume and a robust pipeline of deals. This is partly due to the GSEs' reduced lending activity, which has created opportunities for banks and non-bank lenders to fill the gap. However, values for some of these deals are coming in lower than initially projected.

NPI Total Return: 0.2%

Occupancy Change: -10 bps QoQ

Effective Rent Growth Change: 0.4%

"Development has met demand and the market needs to get back to equilibrium."

-WEST REGION INVESTOR

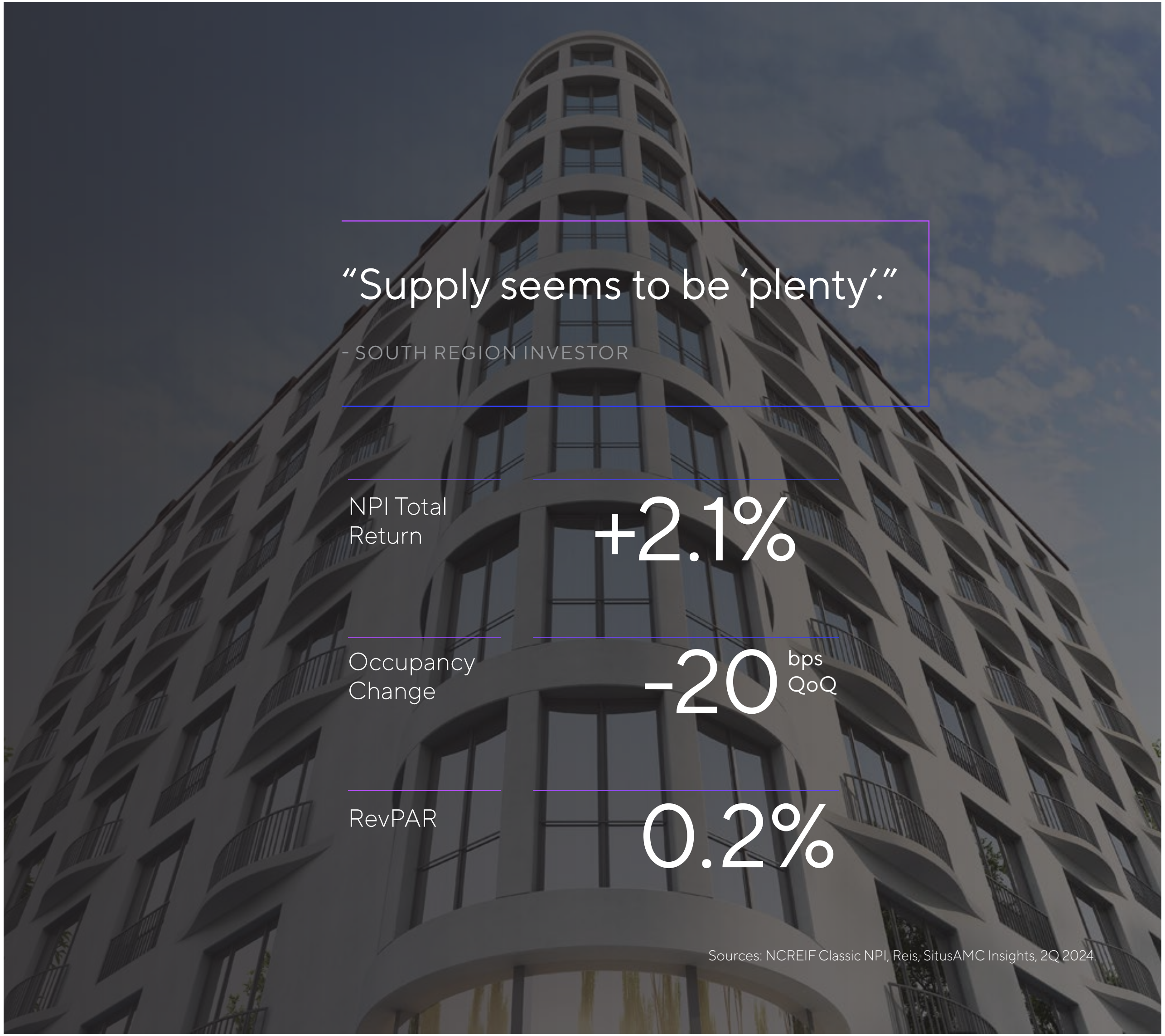
Sources: NCREIF Classic NPI, Reis, SitusAMC Insights, 2Q 2024.

SitusAMC Hotel Insights

While investor appetite for hotels remains low, its favorability improved to 5% of investors having the sector as their top CRE property type, up from 0% in first quarter.

Per Reis, hotel occupancy declined 20 bps QoQ to 64.8%, its third consecutive quarterly decrease, though has shown signs of stabilizing after years of pandemic-driven volatility. Room rates grew 0.4% QoQ but RevPAR growth was essentially unchanged at 0.02% and has declined significantly from its recent peak of 6.7% in third quarter 2023.

There are signs of a growing gap between high- and low-income spending on travel. The New York Times reports that travel spending was largely driven by consumers with discretionary income. Low-to-moderate-income consumers were pulling back because of tighter household budgets.



> "Supply seems to be 'plenty'."
>
> - SOUTH REGION INVESTOR

NPI Total Return	+2.1%
Occupancy Change	-20 bps QoQ
RevPAR	0.2%

Sources: NCREIF Classic NPI, Reis, SitusAMC Insights, 2Q 2024.

ValTrends by SitusAMC

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