

ValTrends
2Q 2024

July 23, 2023
2:00pm EST

First Look Webinar



**JEN
RASMUSSEN, Ph.D.**

Vice President
SitusAMC Insights



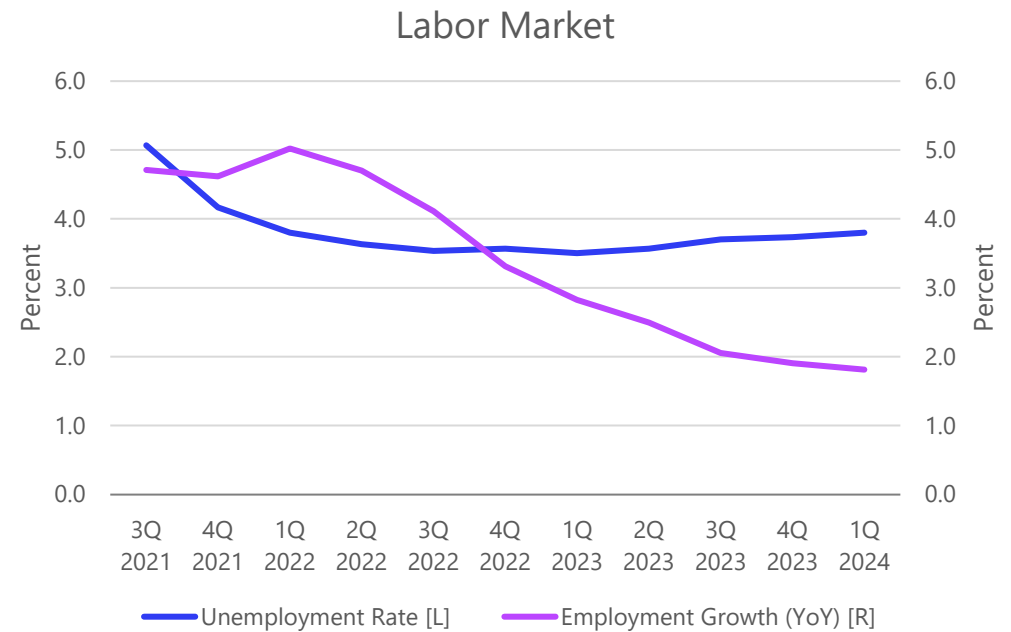
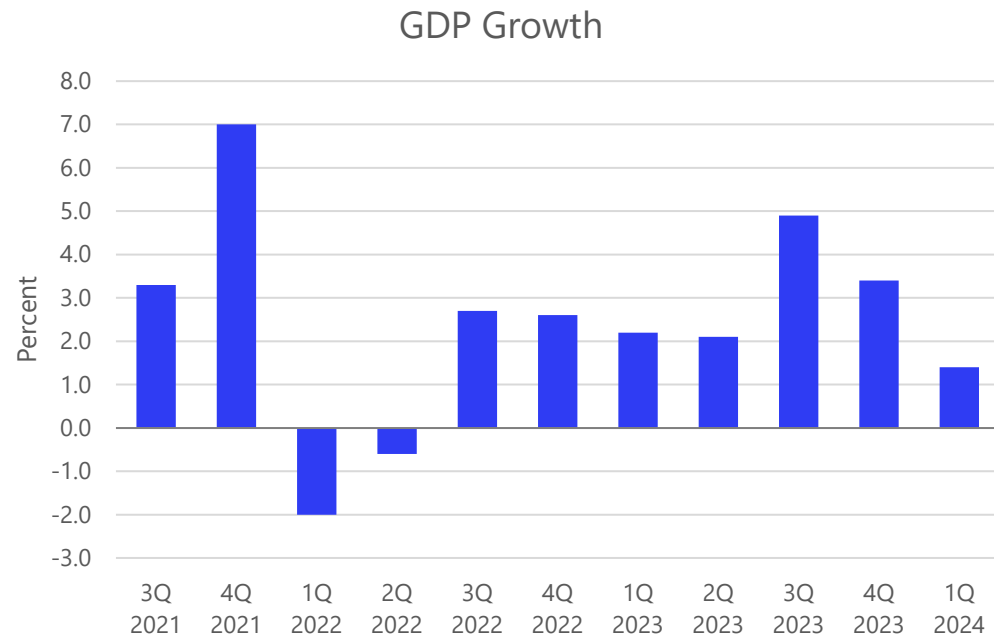
**PETER
MUOIO, Ph.D.**

Senior Director
SitusAMC Insights

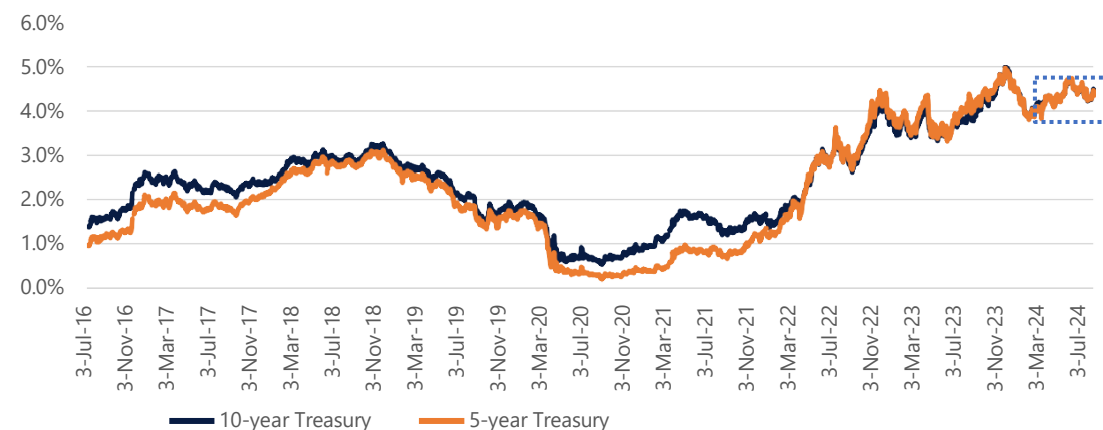
1.0

Macro Environment

Growth Continues but Is Cooling, Notwithstanding Interest Rate Shock



Treasury Roller Coaster Continues



Sources: FRB, SitusAMC Insights

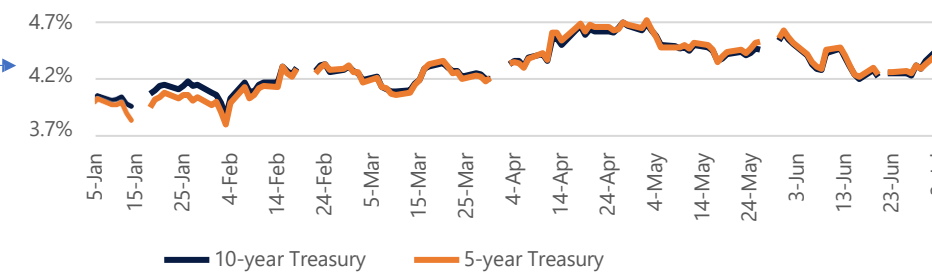
FORECASTS

	SitusAMC Insights	Moody's	Wells Fargo	Goldman Sachs	WSJ Econ. Survey*
2022	3.0%	3.0%	3.0%	-	-
2023	4.0%	4.0%	4.0%	3.9%	-
2024(F)	4.3%	4.2%	4.2%	4.3%	4.0%
2025(F)	4.0%	4.1%	3.8%	4.1%	3.8%
2026(F)	4.0%	4.0%	-	-	3.8%
2027(F)	4.1%	4.0%	-	-	-
2028(F)	4.0%	4.0%	-	-	-

Sources: Moody's, Wells Fargo, Goldman Sachs, WSJ, SitusAMC Insights

*:WSJ Economic Survey reflects closing yield

U.S. TREASURIES - 2024 YTD



BY THE NUMBERS

Current as of 07/19/24

10-year Treasury

4.25%

5-year Treasury

4.16%

Mo-to-Mo Change (Bps)

10-year Treasury

0

5-year Treasury

-10

Yr-to-Yr Change (Bps)

+41

+7

8-Year Average

2.48%

2.26%

CRE Mortgage Rates Continue to Dip From Record Highs at End of 2023



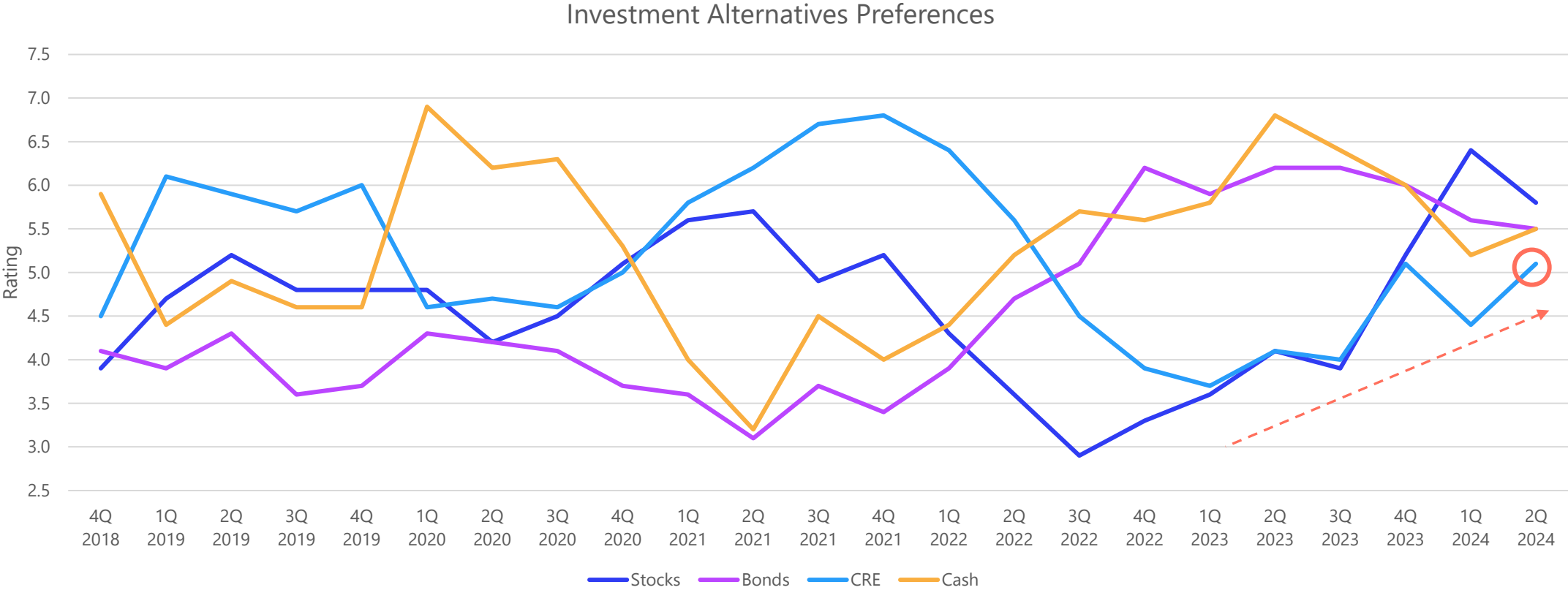
BY THE NUMBERS

	Commercial	Multifamily
Current as of April 2024	7.0%	5.8%
Mo-to-Mo Change (Bps)	+16	+3
Yr-to-Yr Change (Bps)	+54	+40
8-year Average	4.9%	4.4%

2.0

Capital Markets

CRE Remains Unfavored but Better than 2023



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

POLL QUESTION

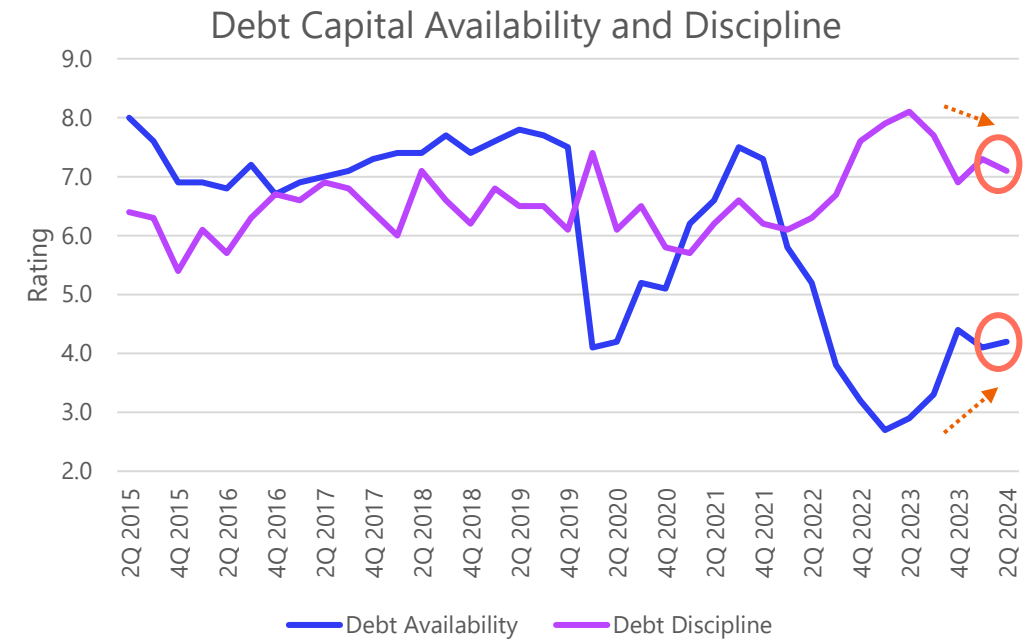
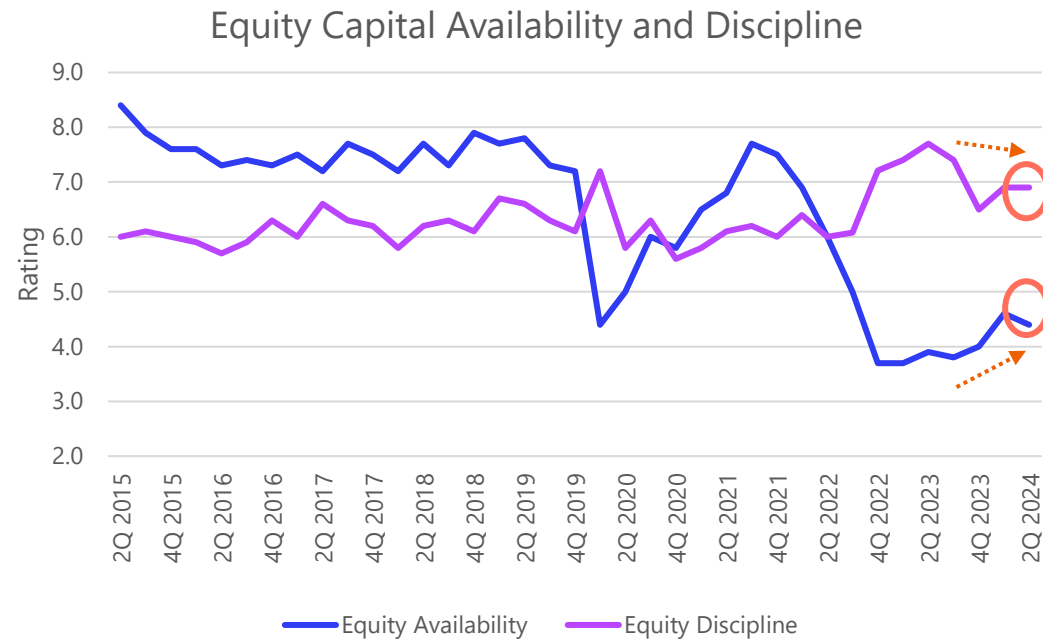
How has capital availability changed since the beginning of the year?

A. More Available

B. Less Available

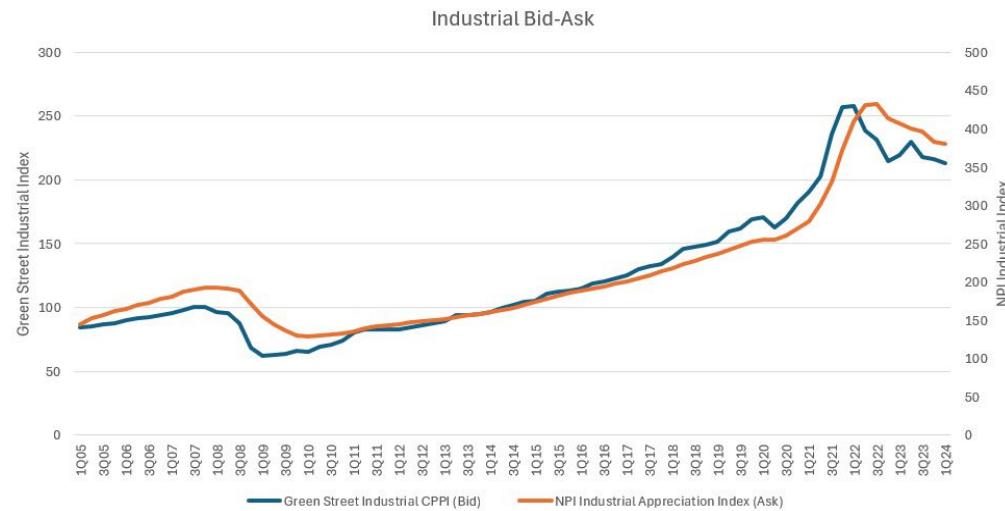
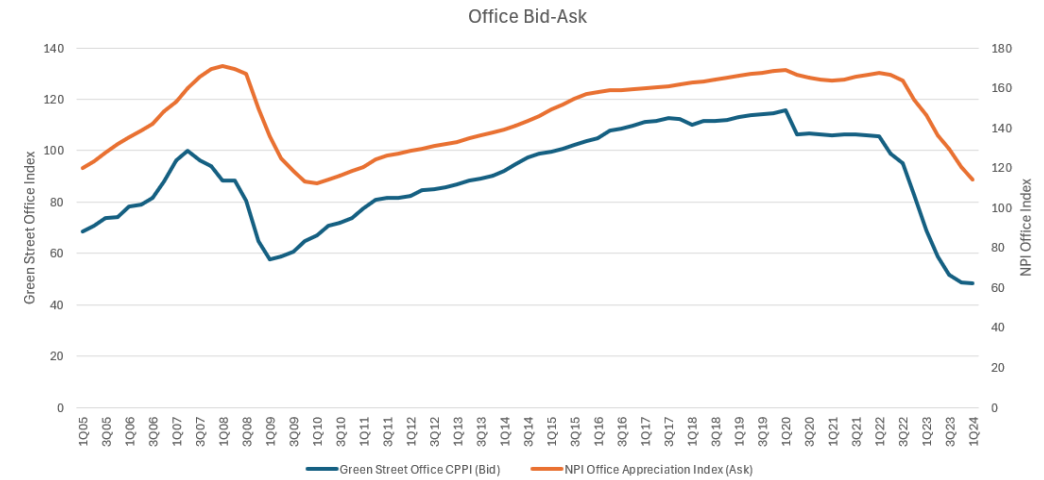
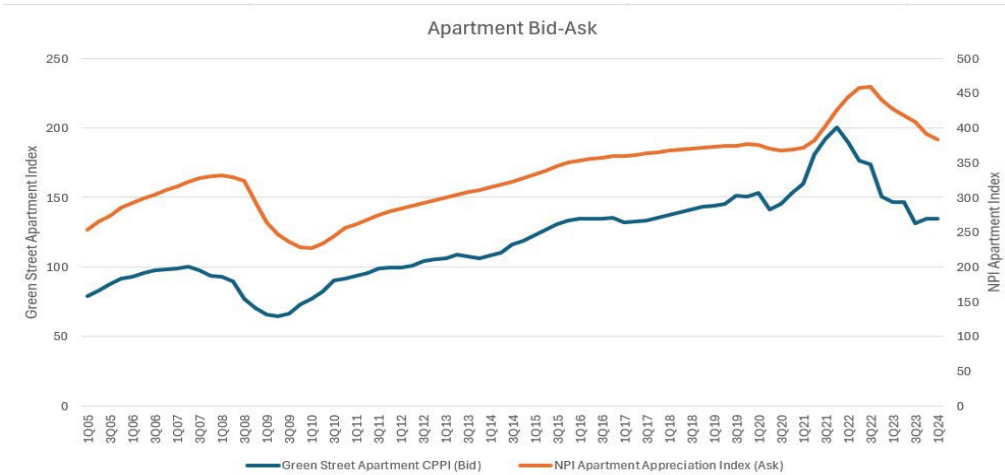
C. About the Same

Overall Story Is that Equity and Debt Capital Availability Have Improved but Remain Tight



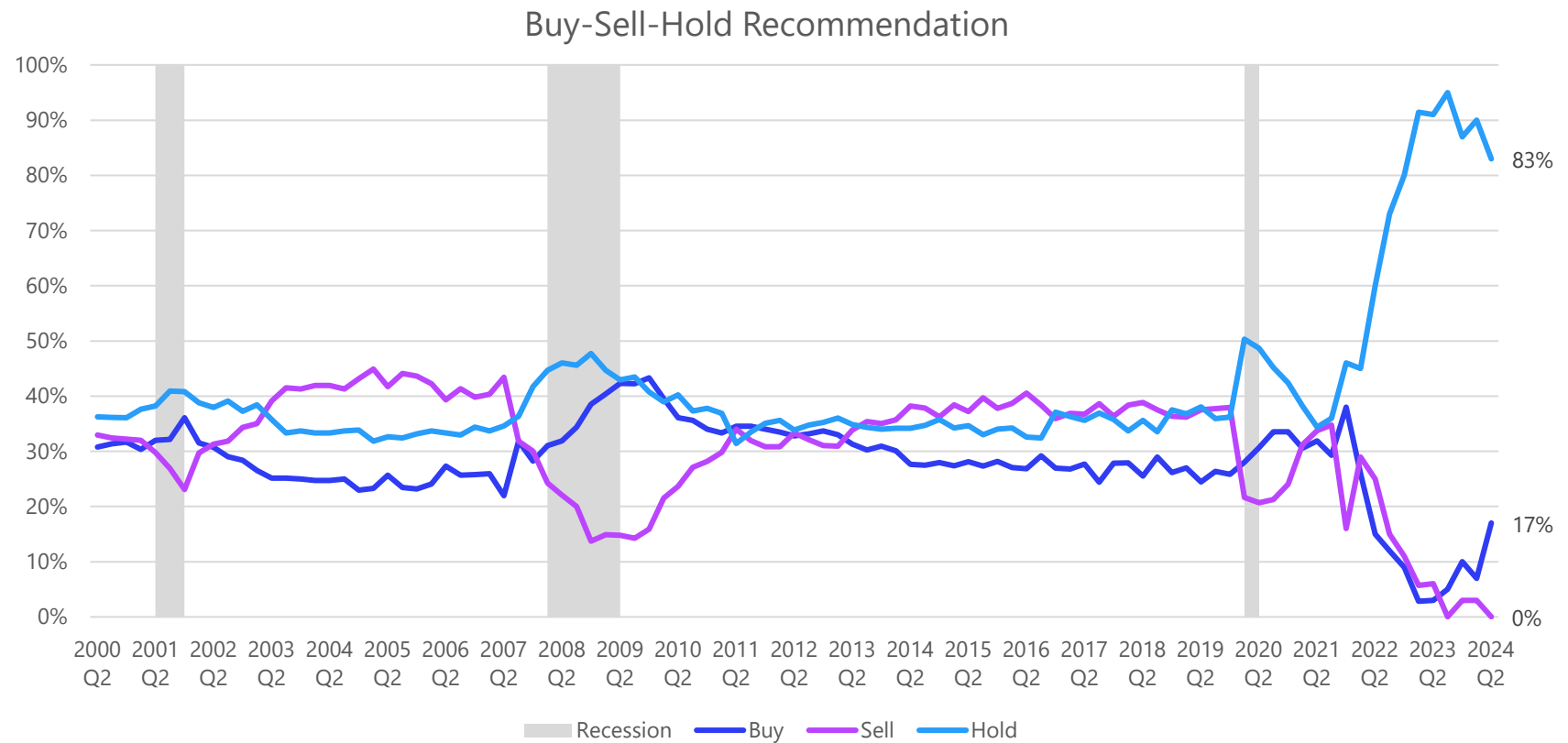
Availability ratings are based on scale of 1 to 10, with 10 being plentiful. Discipline ratings are based on a scale of 1 to 10, with 10 being extremely restrictive.
Sources: RERC, SitusAMC Insights.

Bid-Ask Spreads Still Gumming Up the Transaction Market

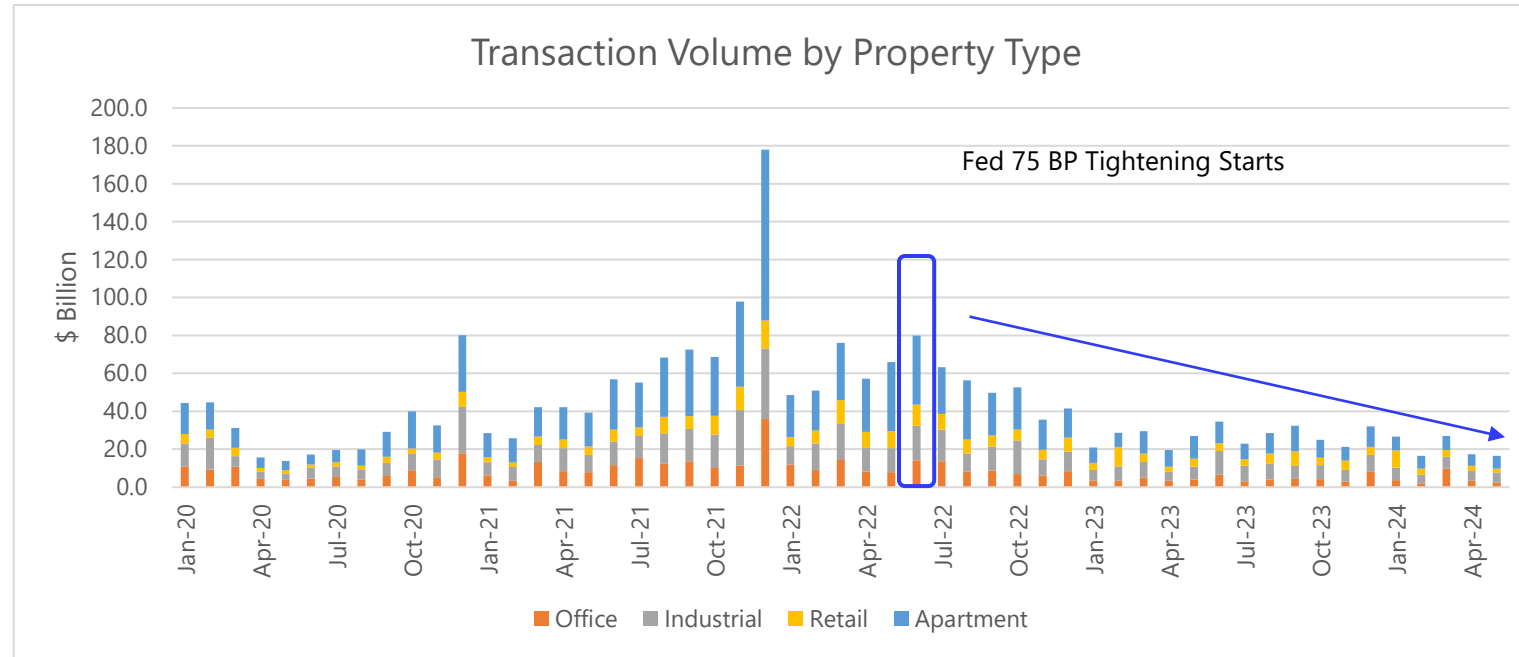


While Still an Overwhelming Hold Signal, There are Signs That Transaction Activity May Increase

- GFC High
 - Hold: 48%
- GFC Lows
 - Buy: 31%
 - Sell: 14%

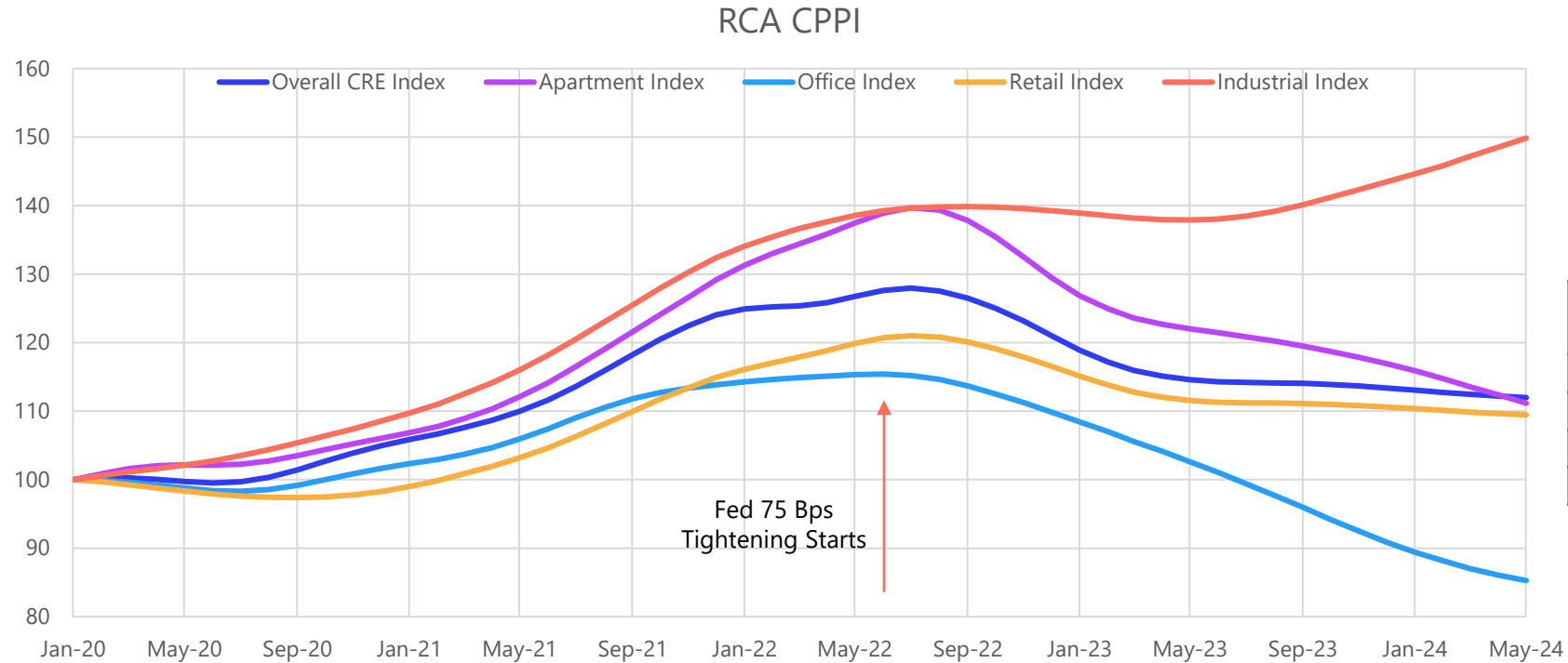


Deal Volume Remains Tepid



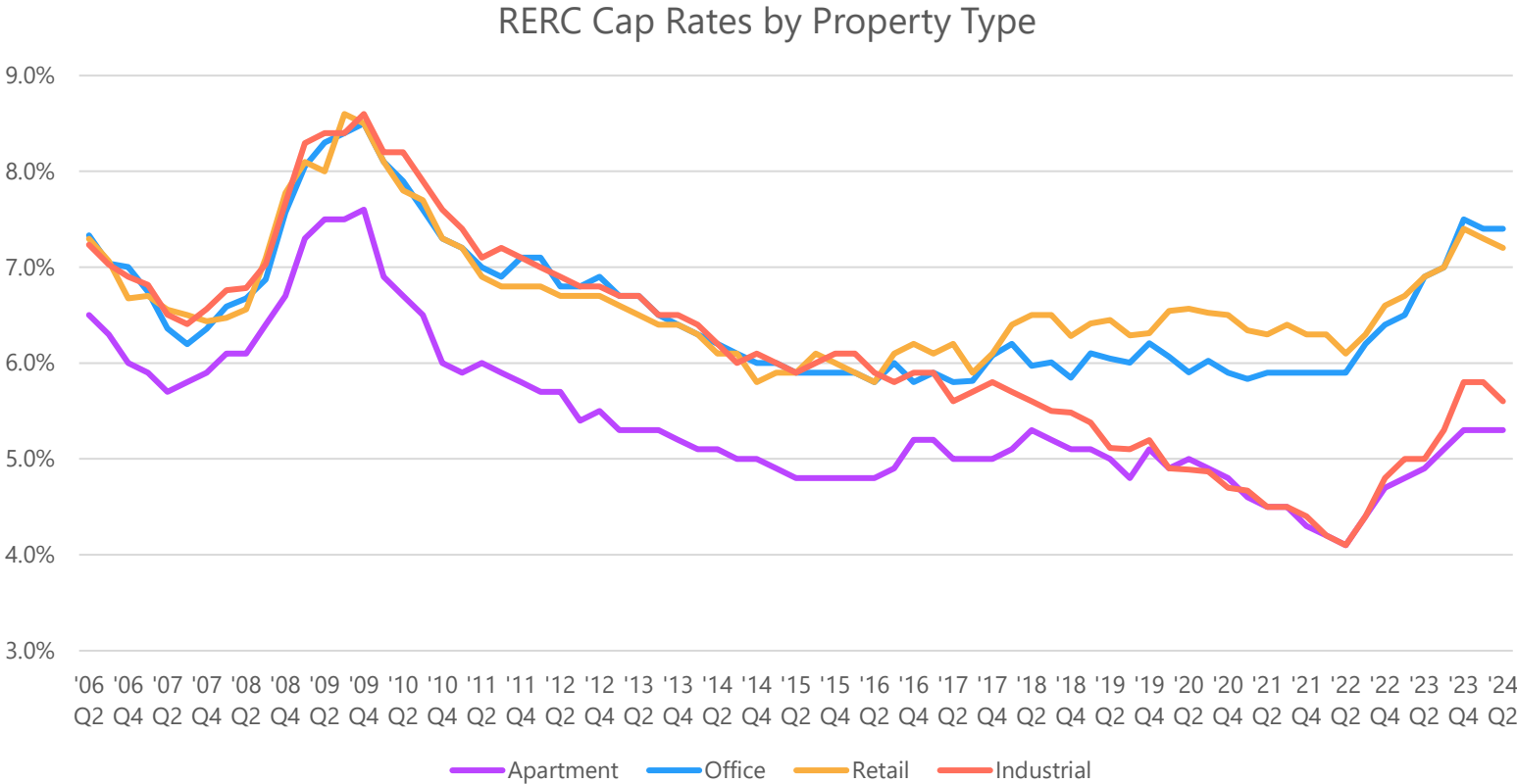
	Change Since Aggressive Fed Tightening in June 2022	GFC Peak to Trough
Industrial	-70.6%	-95.1%
Retail	-81.4%	-94.3%
Apartment	-81.5%	-96.4%
Office	-83.6%	-98.7%

Office Prices Down More Than 25% from Recent Peak; Industrial Prices Resilient



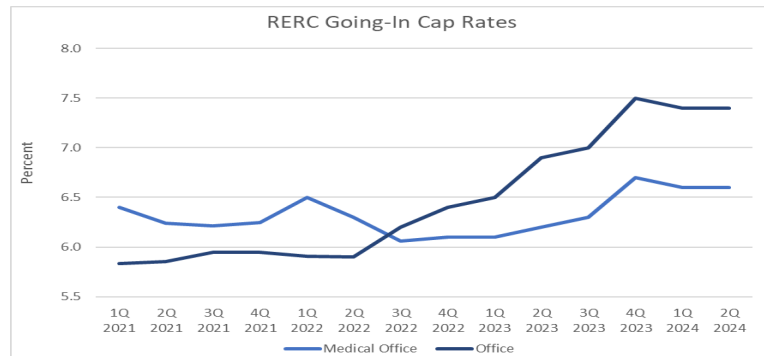
	Price Change Since Most Recent Peak
Industrial	+7.3%
Retail	-9.5%
Apartment	-20.4%
Office	-26.0%

Second Quarter Retail and Industrial Cap Rates See Slight Compression; Office and Apartment Stable But Highest Since GFC

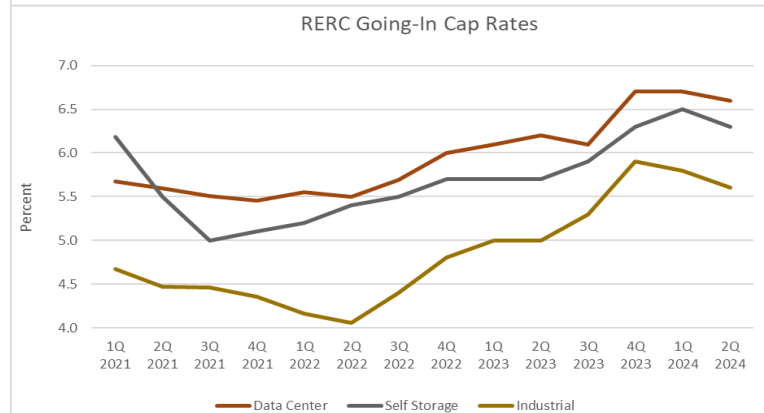


	Change Since Aggressive Fed Tightening in June 2022
Retail	+110 bps
Apartment	+120 bps
Industrial	+150 bps
Office	+150 bps

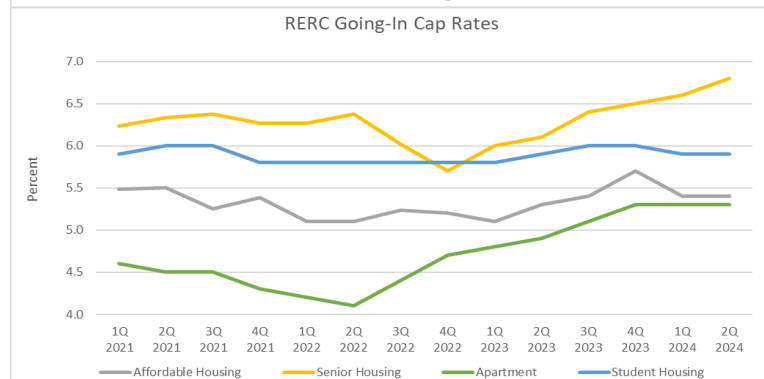
Alternative Asset Classes Outperform Traditional Property Types Following Aggressive Rate Hikes



	Cap Rate Change Since Aggressive Fed Tightening in June 2022
Medical Office	+ 30 bps
Office	+ 150 bps



	Cap Rate Change Since Aggressive Fed Tightening in June 2022
Self-Storage	+ 90 bps
Data Center	+ 110 bps
Industrial	+ 150 bps

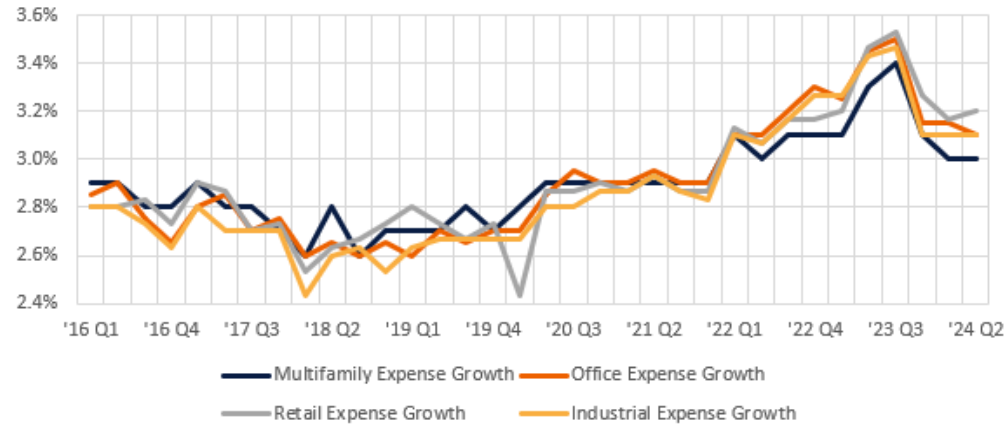


	Cap Rate Change Since Aggressive Fed Tightening in June 2022
Student Housing	+ 10 bps
Affordable Housing	+ 30 bps
Senior Housing	+ 40 bps
Apartment	+ 120 bps

Note: Cap rates are for institutional-quality properties.
Sources: RERC, SitusAMC Insights.

Expense Growth Remains Generally Stable But Still High for All Property Types; Multifamily and Retail Renewal Probabilities Decline in Second Quarter

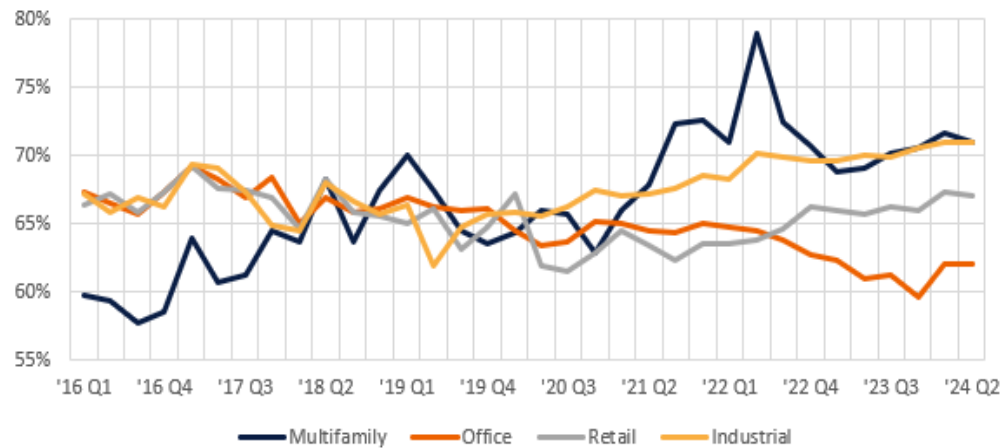
EXPENSE GROWTH



BY THE NUMBERS

	Multifamily	Office	Retail	Industrial
Current as of 2Q 2024	3.0%	3.1%	3.2%	3.1%
Qtr-to-Qtr Change (Bps)	0	0	-10	0
Yr-to-Yr Change (Bps)	-30	-10	-3	-17
8-year Average	2.9%	2.9%	2.9%	2.9%

RENEWAL PROBABILITY



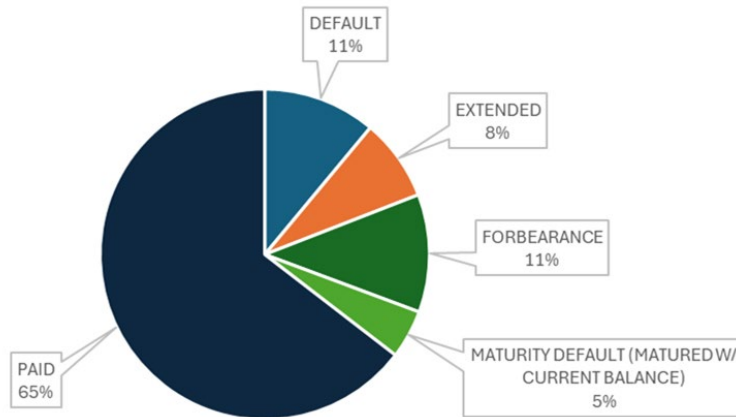
	Multifamily	Office	Retail	Industrial
Current as of 2Q 2024	71.6%	62.0%	67.3%	70.9%
Qtr-to-Qtr Change (Bps)	-60	0	-30	+10
Yr-to-Yr Change (Bps)	+190	+105	+137	+97
8-year Average	67.1%	64.8%	65.3%	67.6%

POLL QUESTION

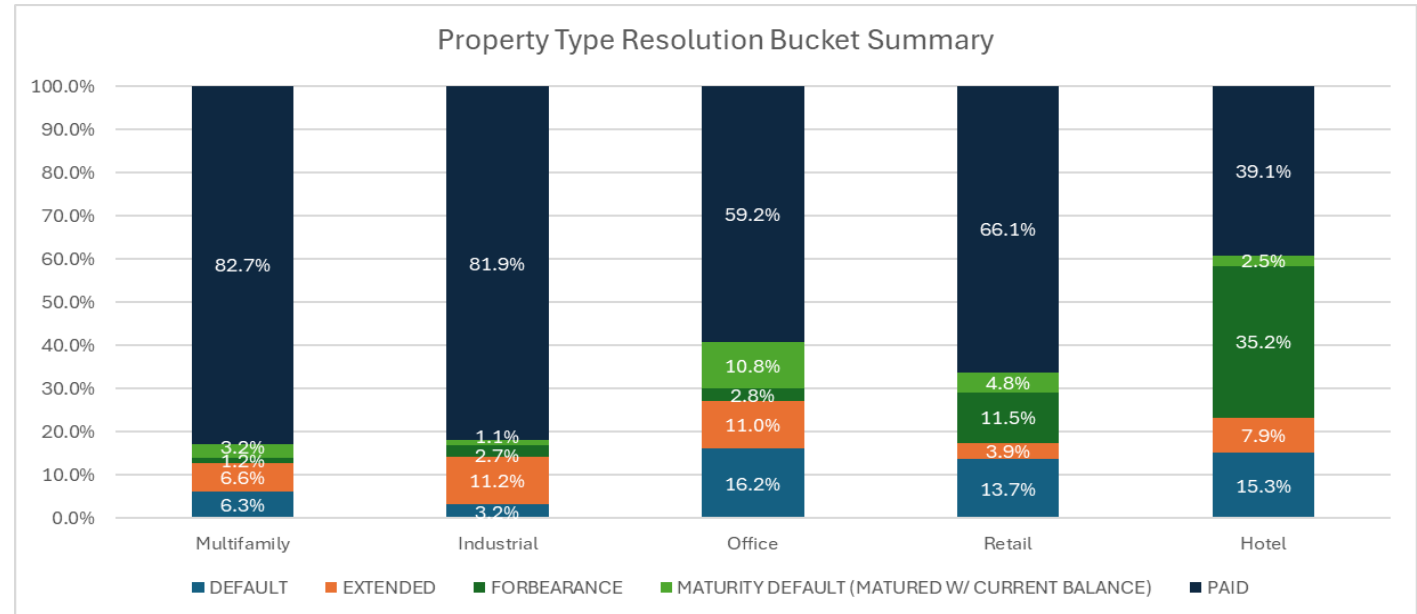
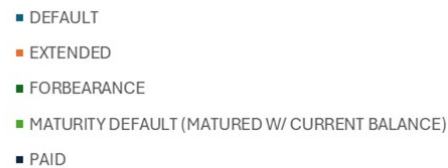
What percentage of CMBS loans reaching maturity have been paid off?

- A. 0% to 25%**
- B. 26% to 50%**
- C. 51% to 75%**
- D. 76% to 100%**

Only 2/3 of CMBS Loans That Have Reached Maturity Have Been Paid Off

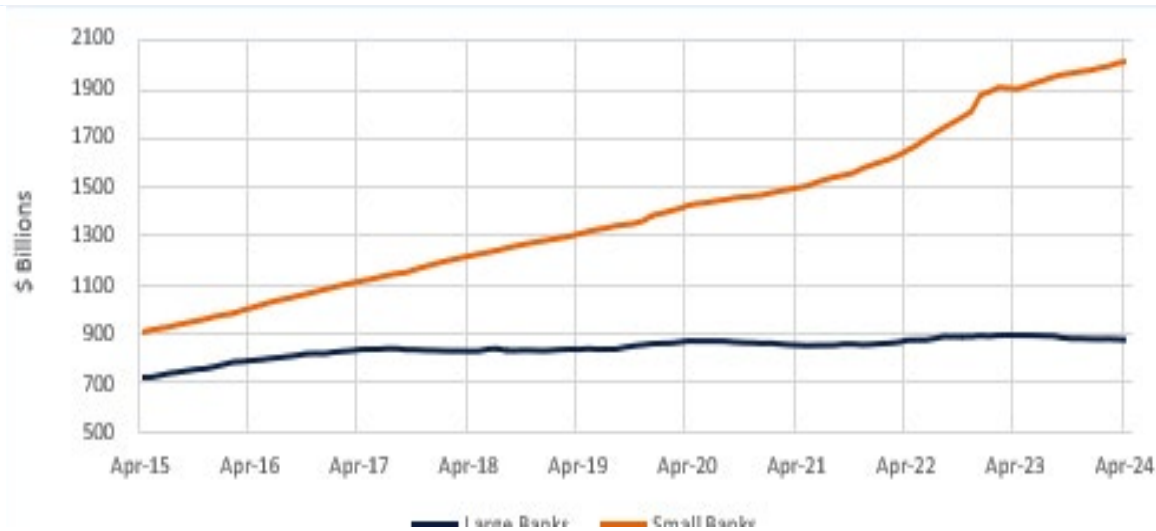


Resolution Bucket Distribution



Among Bank Lenders, Small Banks Are Most Active

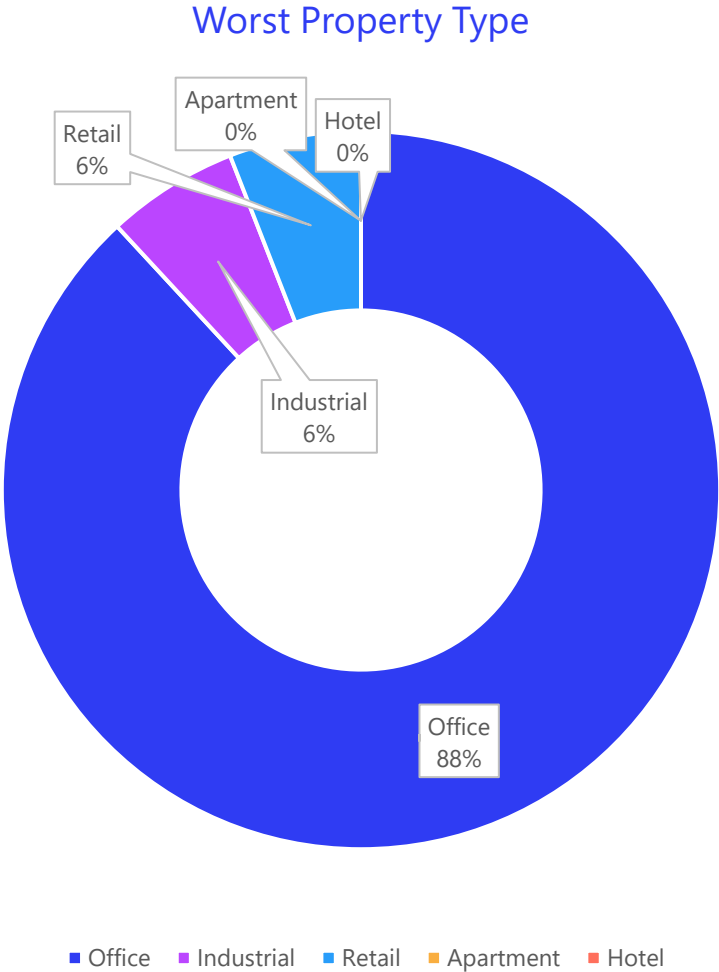
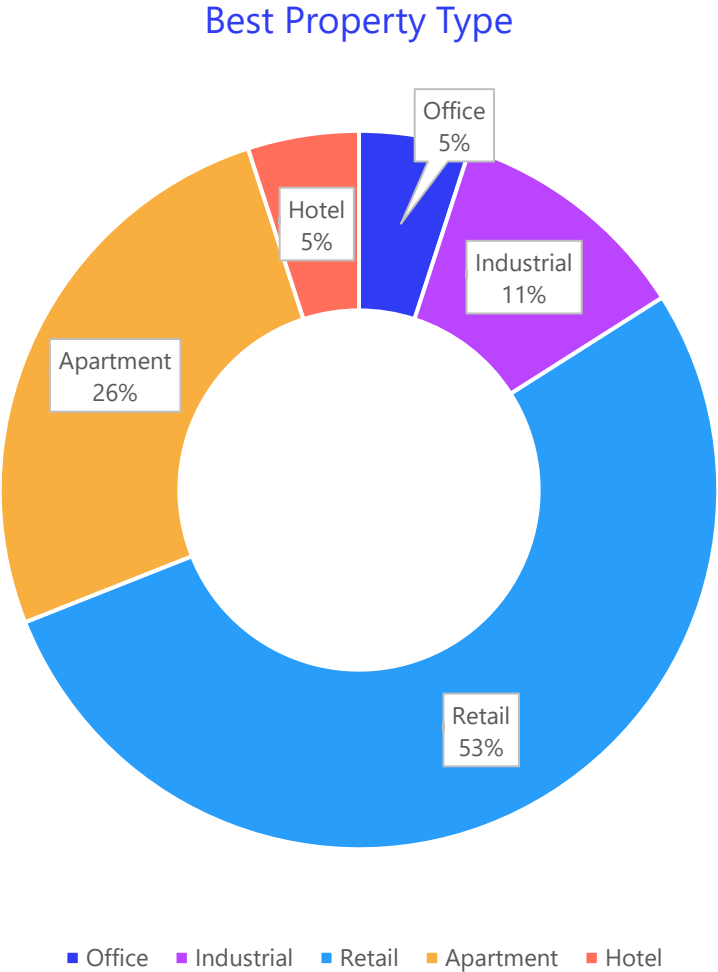
CRE LOAN DELINQUENCIES



BY THE NUMBERS

	Large Banks	Small Banks
Current as of April 2024	\$873	\$2,011
Mo-to-Mo Change	-0.3%	+0.4%
Yr-to-Yr Change	-2.1%	+6.0%
8-year Average	\$851	\$1,458

Retail Still Favored Most by Investors Following Sharp Increases in First and Second Quarter; Investors Remain Pessimistic on Office



- 1Q 2024 Best Property Type
 - **Retail: 40%**
 - Industrial: 29%
 - Apartment: 26%
 - Office: 5%
 - Hotel: 0%

3.0

Property Types

3.1 Apartment

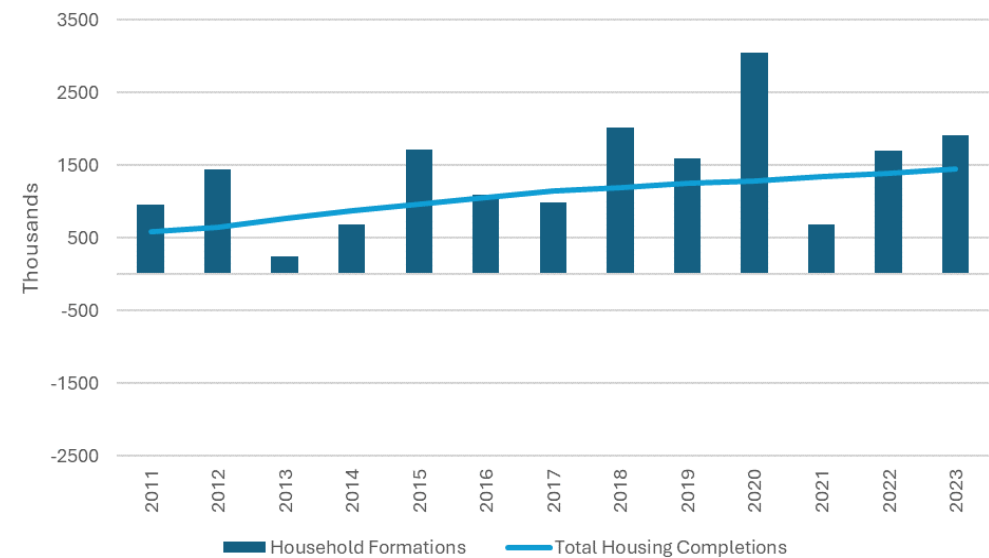
POLL QUESTION

Since 2011, the U.S. has underbuilt housing units relative to household formations by:

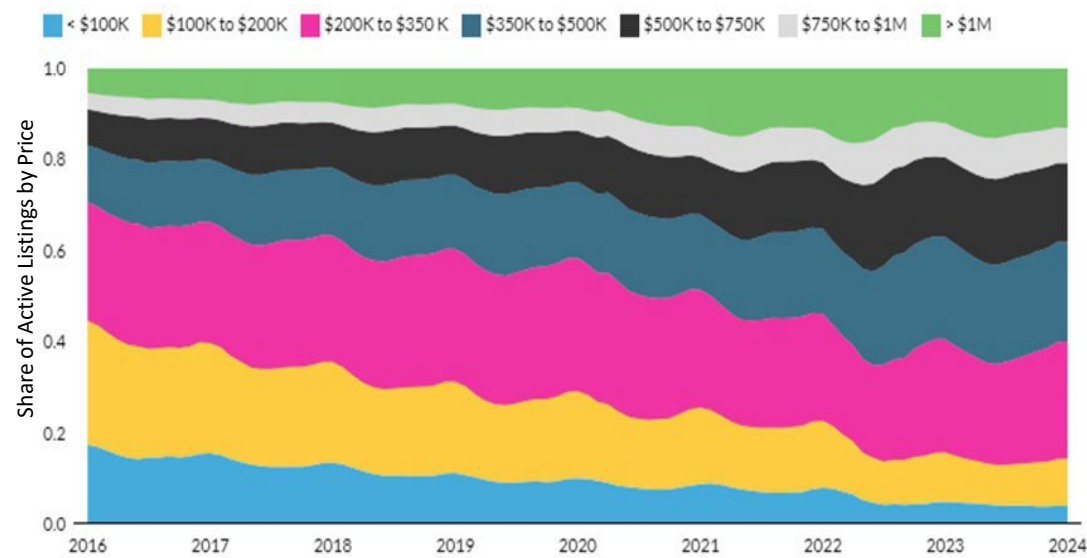
- A. 0 to 1 Million
- B. 2 to 3 Million
- C. 4 to 5 Million
- D. More than 5 Million

US Has Severe Housing Shortage, Particularly for Starter Homes

HOUSING COMPLETIONS AND HOUSEHOLD FORMATIONS



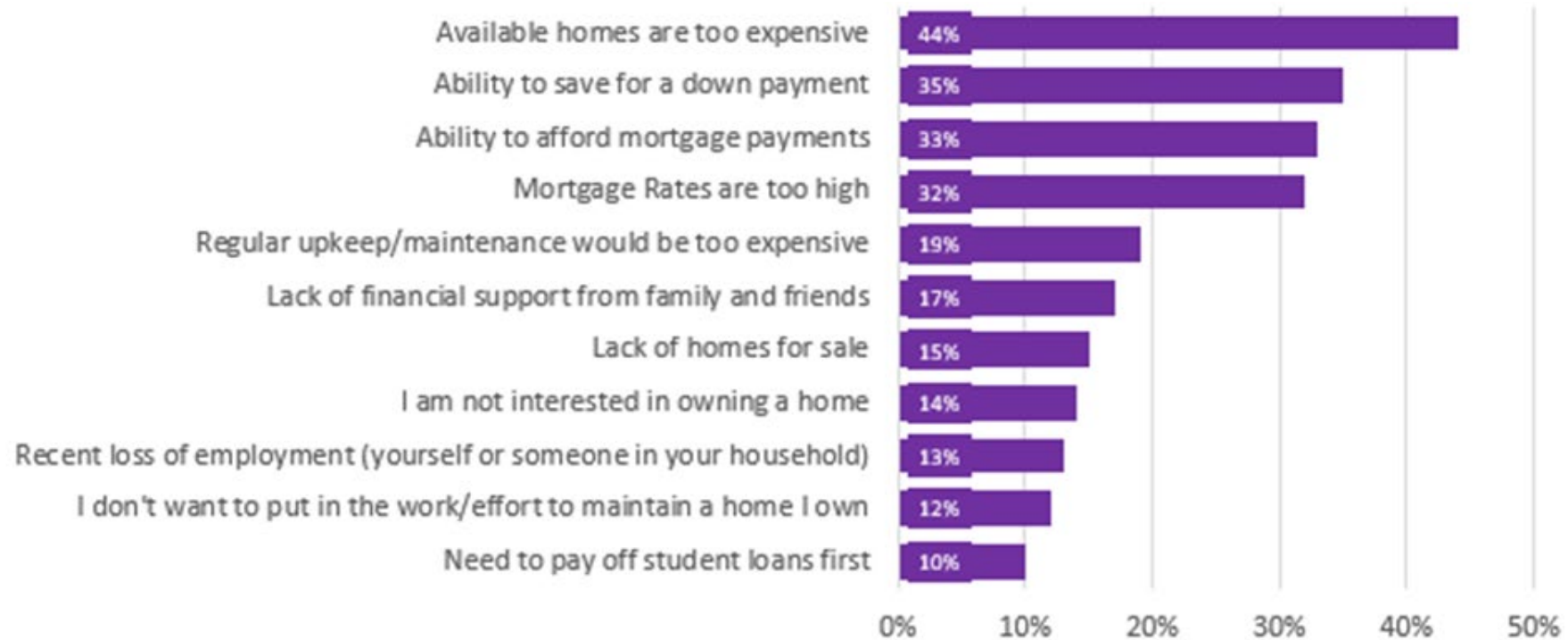
SHARE OF ACTIVE SINGLE-FAMILY LISTINGS BY PRICE



Completions lag household formations by 4.1 million since 2011

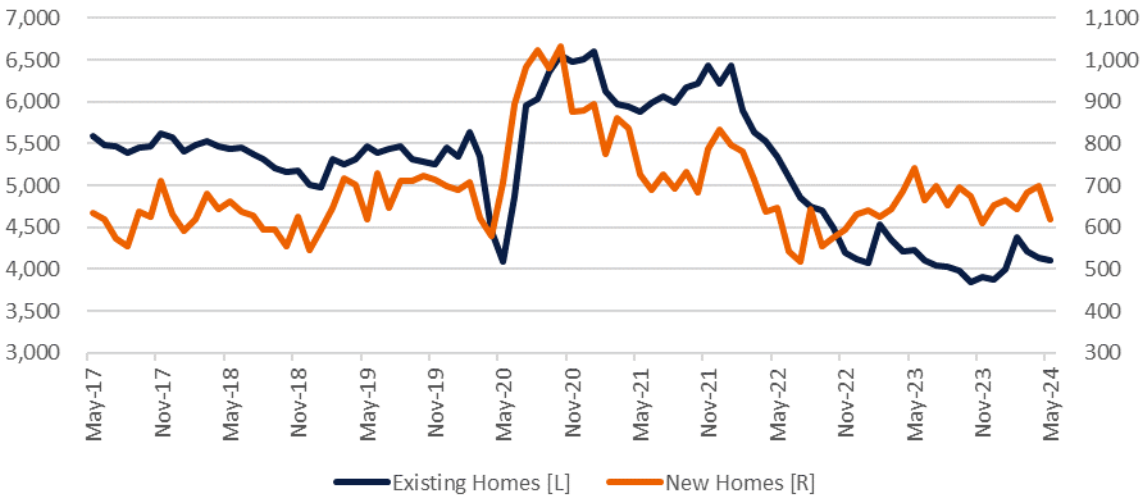
Renters Cite High Costs as the Reason for Not Becoming Homeowners

Redfin Survey of 1,000 Renters: Which of the following are reasons you aren't likely to purchase a home in the near future?

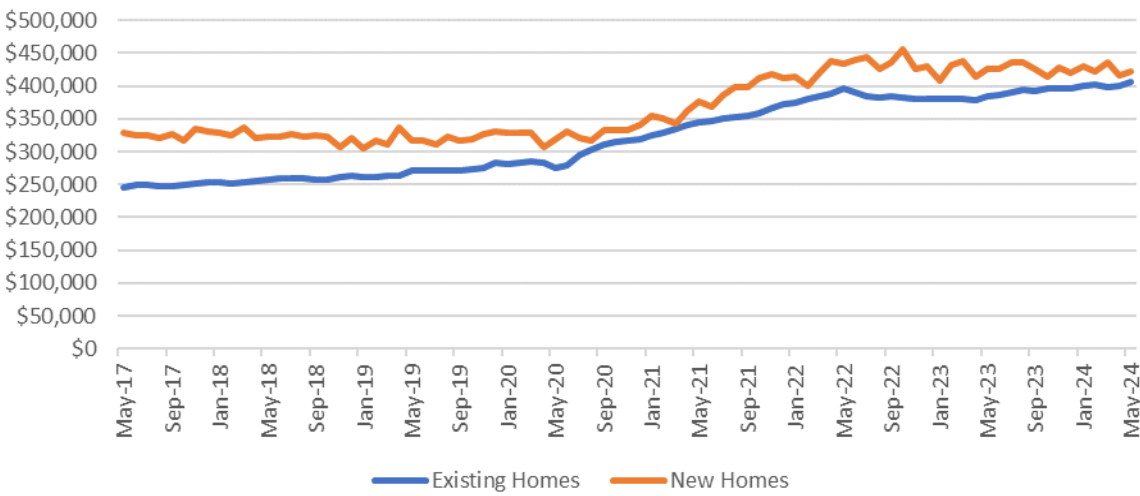


New Home Sales Drop and Existing Home Sales Remain Tepid; Home Prices Remain Elevated

Monthly US Home Sales (Ths. #, SAAR)



Median Home Sales Price



BY THE NUMBERS

	Existing	New
May 2024 (Ths. #, SAAR)	4,110	619
Mo-to-Mo Change	-0.7%	-11.3%
Yr-to-Yr Change	-2.8%	-16.5%
8-Year Change	-24.9%	11.1%
8-Year Average (Ths. #, SAAR)	5,259	678

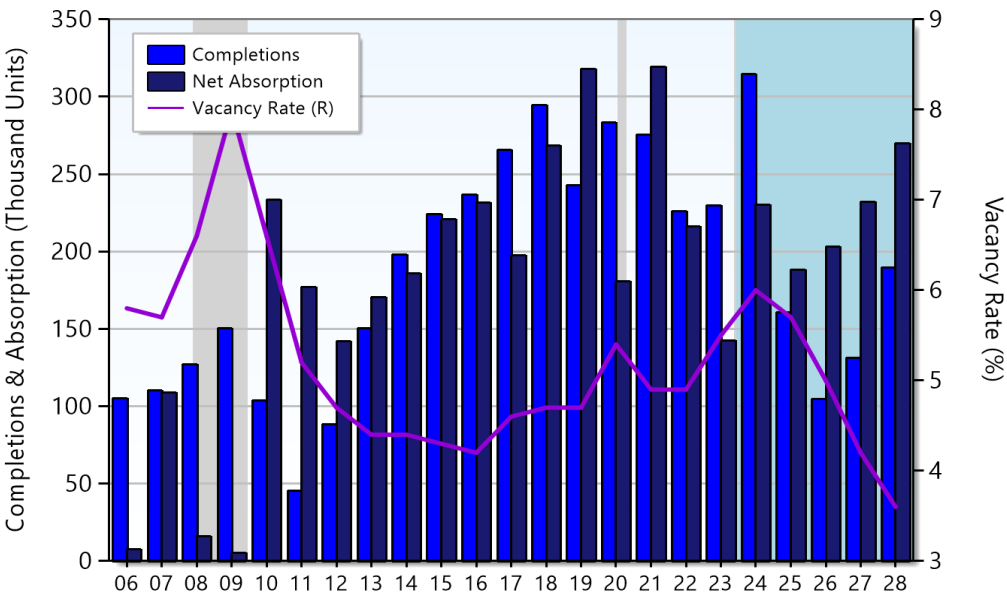
	Existing	New
Current as of May 2024	\$405,673	\$421,961
Mo-to-Mo Change	1.6%	1.4%
Yr-to-Yr Change	5.7%	-1.0%
8-Year Change	73.8%	33.1%
8-Year Average	\$311,524	\$360,609

Sources: National Association of Realtors; U.S. Census Bureau; Moody’s Analytics, SitusAMC Insights

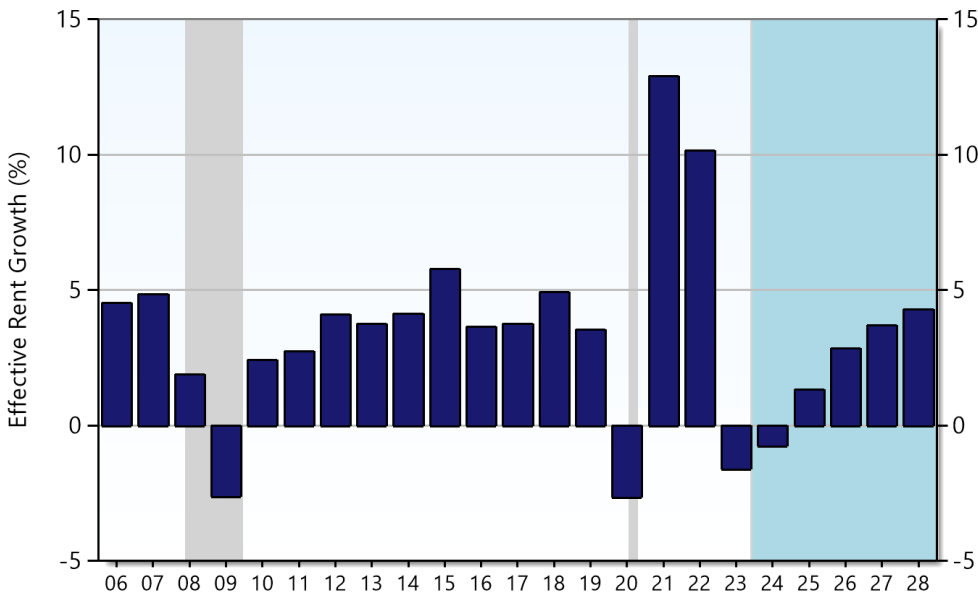
Apartment Rent Growth Looks to Be Slightly Negative in 2024 as Vacancies Rise Amid Strong Completions; Fundamentals Should Improve as Completions Moderate

SitusAMC Insights Apartment Fundamentals Forecasts

Supply/Demand

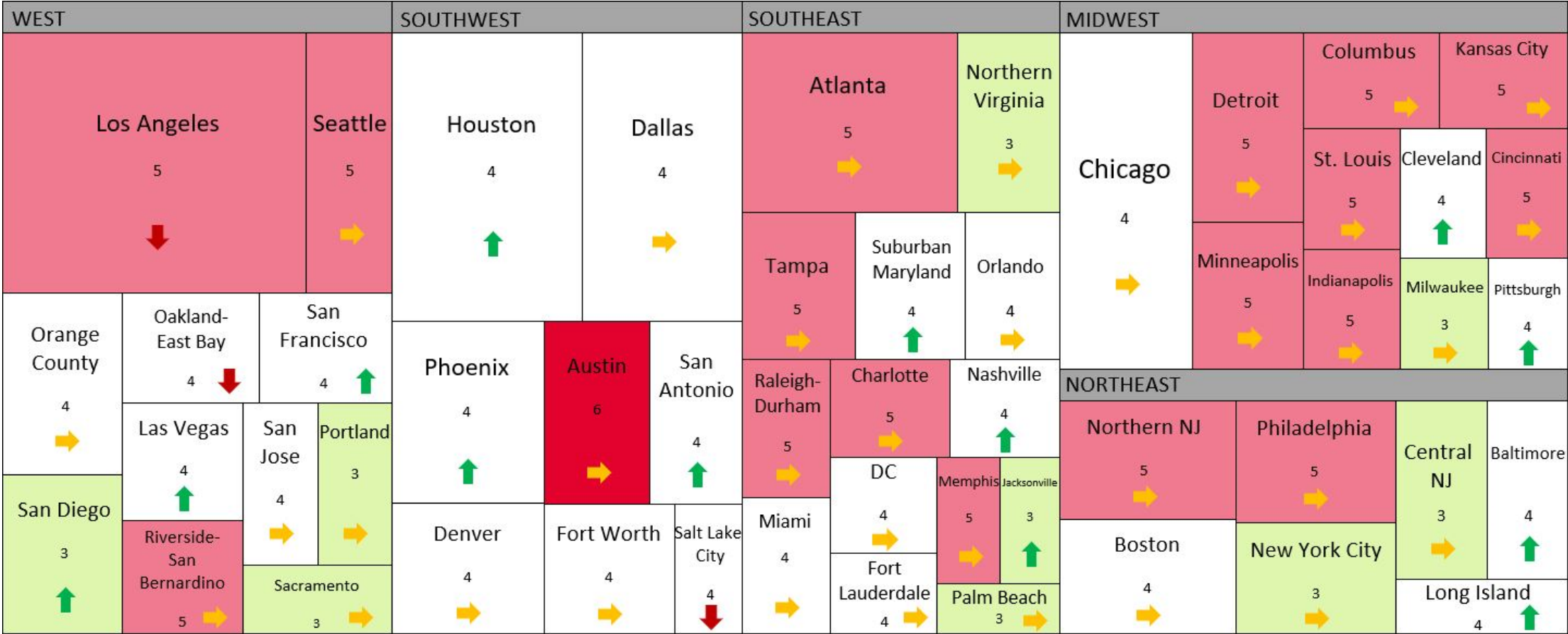


Effective Rent Growth



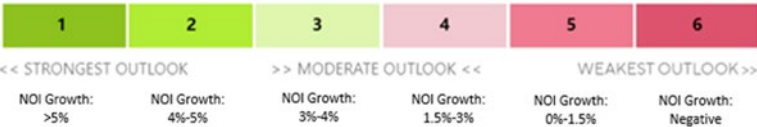
Gray shading represents a recession. Blue shading represents the forecast.
Sources: Reis, NBER, SitusAMC Insights Forecasts.

SitusAMC Insights Apartment NOI Heat Map: Northeast and West Regions Have Best Overall Rankings



NUMERICAL RANKINGS & COLORS

These represent the current and projected strength of each market through 2027.



ARROWS

- ▲ IMPROVED
- ▬ UNCHANGED
- ▼ DETERIORATED

The arrows represent how each market is trending according to our most recent quarterly analysis. An upward arrow denotes an improved rating, a bar means the market is unchanged, while a down arrow signifies deterioration.

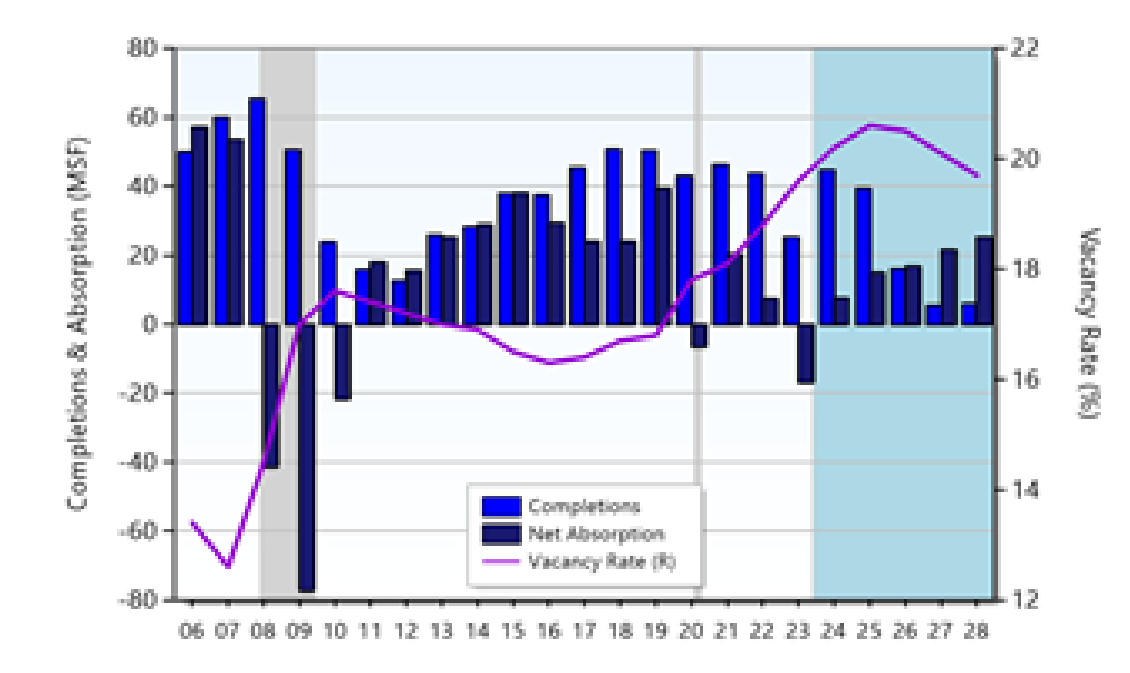
Sizing: The size of each market box represents each market's size by population for economic heat maps. The metros are aggregated by region; the combined size of each regional box represents the relative size of each region, enabling an at-a-glance take on regional conditions.

3.2 Office

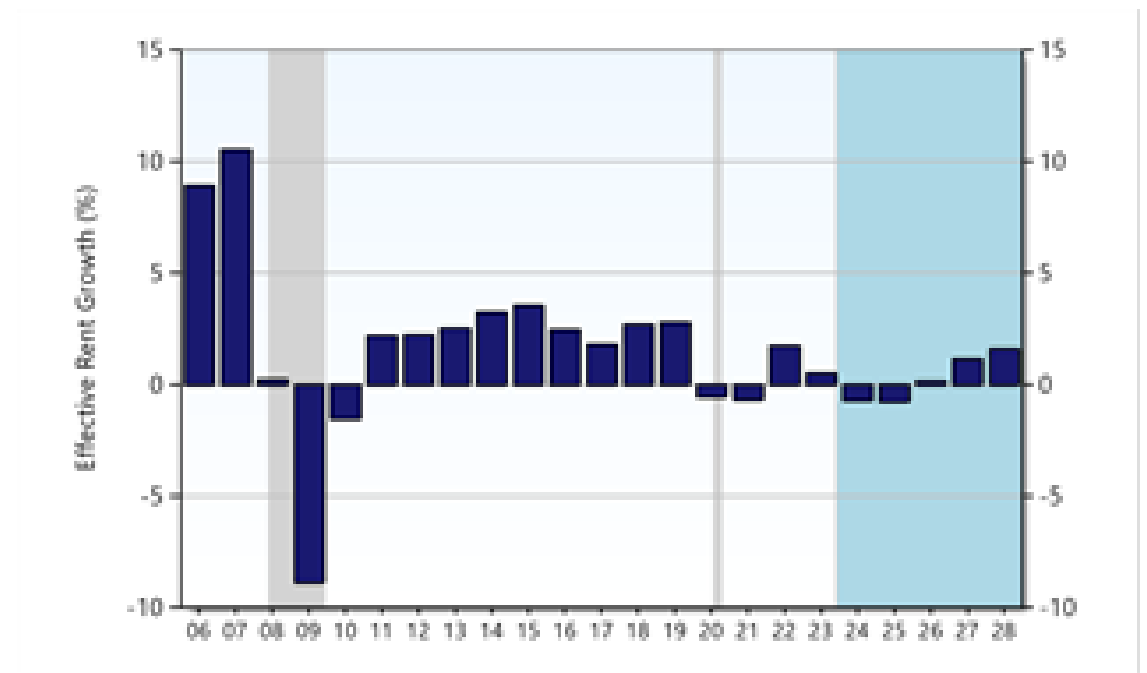
Office Oversupply and Weak Demand Persist

SitusAMC Insights Office Fundamentals Forecast

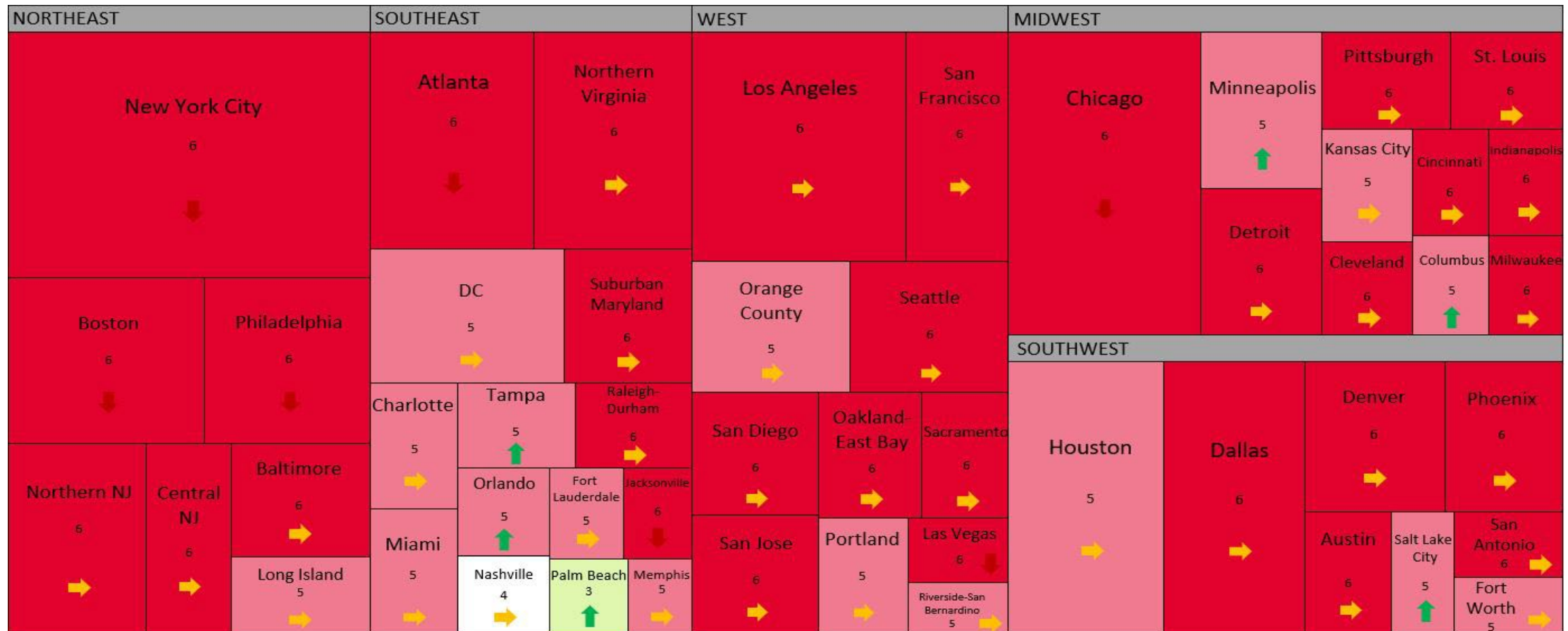
Supply/Demand



Effective Rent Growth



SitusAMC Insights Office NOI Heat Map: Northeast Sees the Most Downgrades



NUMERICAL RANKINGS & COLORS

These represent the current and projected strength of each market through 2027.



ARROWS

- ▲ IMPROVED
- ▬ UNCHANGED
- ▼ DETERIORATED

The arrows represent how each market is trending according to our most recent quarterly analysis. An upward arrow denotes an improved rating, a bar means the market is unchanged, while a down arrow signifies deterioration.

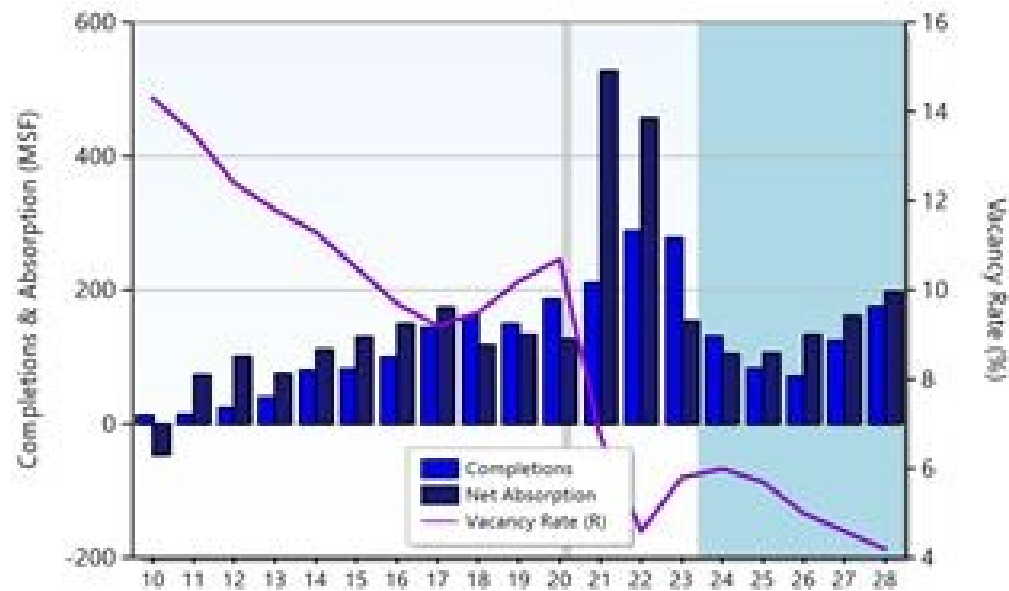
Sizing: The size of each market box represents each market's size by population for economic heat maps. The metros are aggregated by region; the combined size of each regional box represents the relative size of each region, enabling an at-a-glance take on regional conditions.

3.3 Industrial

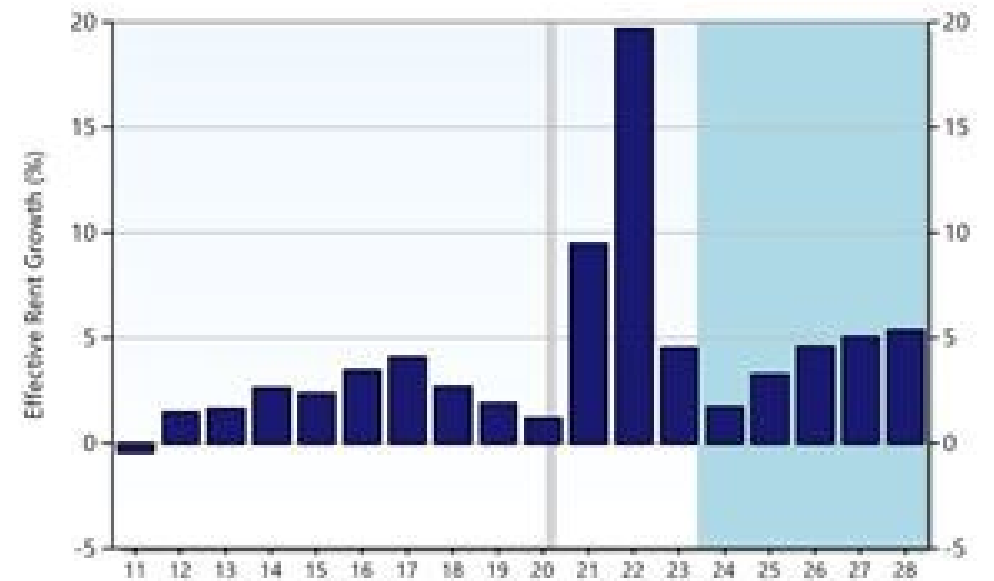
Industrial to See Weaker Fundamentals in 2024 Before Gaining Steam

SitusAMC Insights Industrial Fundamentals Forecasts

Supply/Demand



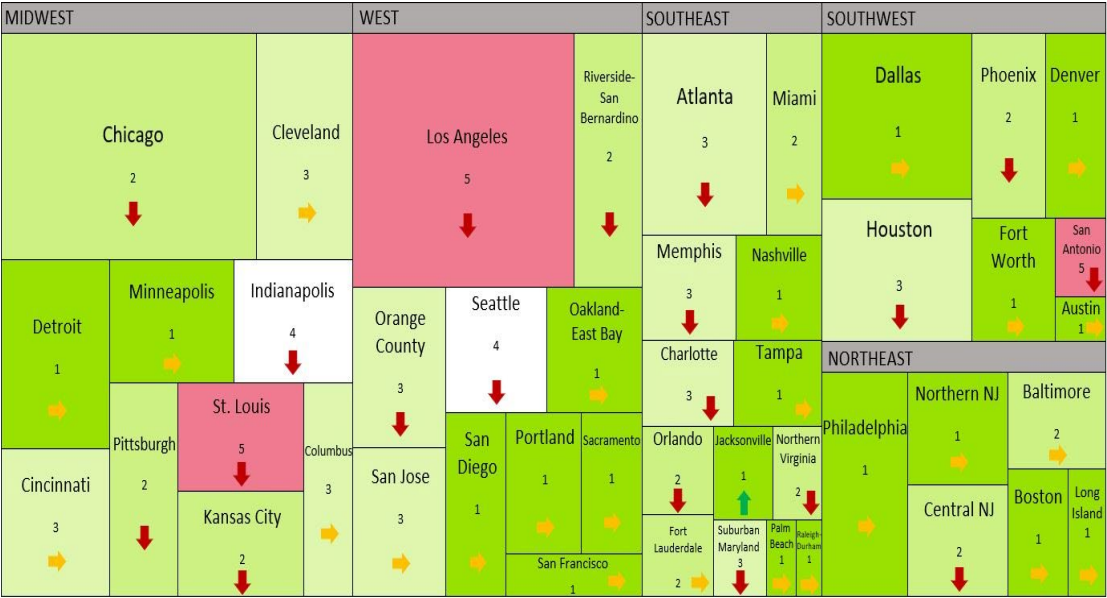
Effective Rent Growth



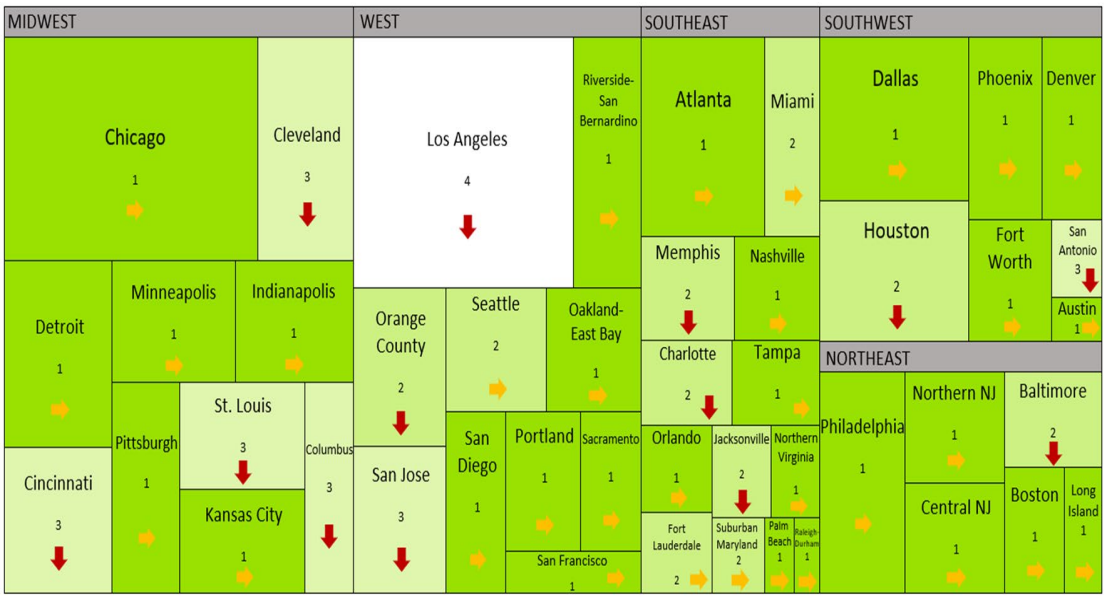
Gray shading represents a recession. Blue shading represents the forecast.
Sources: Reis, NBER, SitusAMC Insights Forecasts.

SitusAMC Insights Industrial NOI Heat Map: Slight Deterioration But Still Strong Outlook

1Q 2024

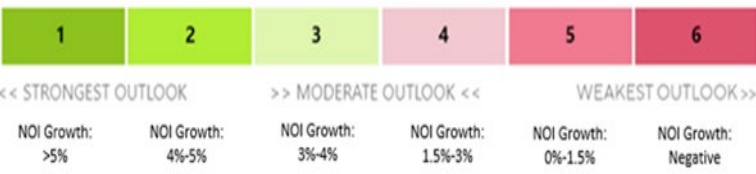


4Q 2023



NUMERICAL RANKINGS & COLORS

These represent the current and projected strength of each market through 2027.



ARROWS

- IMPROVED: The arrows represent how each market is trending according to our most recent quarterly analysis. An upward arrow denotes an improved rating, a bar means the market is unchanged, while a down arrow signifies deterioration.
- UNCHANGED
- DETERIORATED

Sizing: The size of each market box represents each market's size by population for economic heat maps. The metros are aggregated by region; the combined size of each regional box represents the relative size of each region, enabling an at-a-glance take on regional conditions.

Average Score

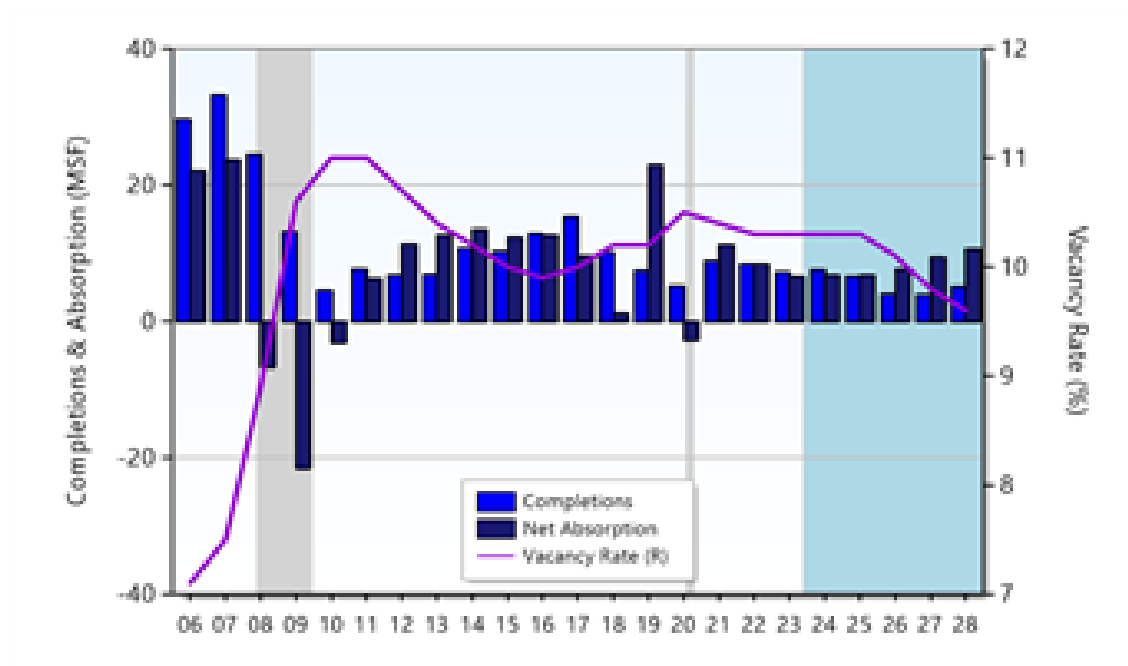
- 1Q 2024: 2.1
- 4Q 2023: 1.5

3.4 Retail

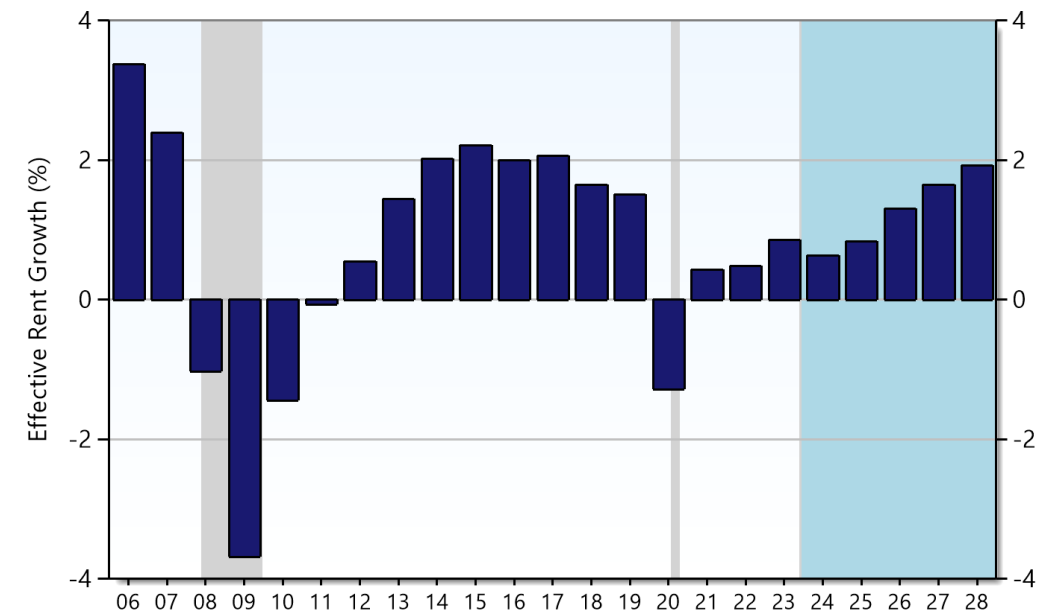
The Short-Term Outlook for Retail Remains Slow and Steady Followed by Moderate Growth

SitusAMC Insights Retail Fundamentals Forecasts

Supply/Demand

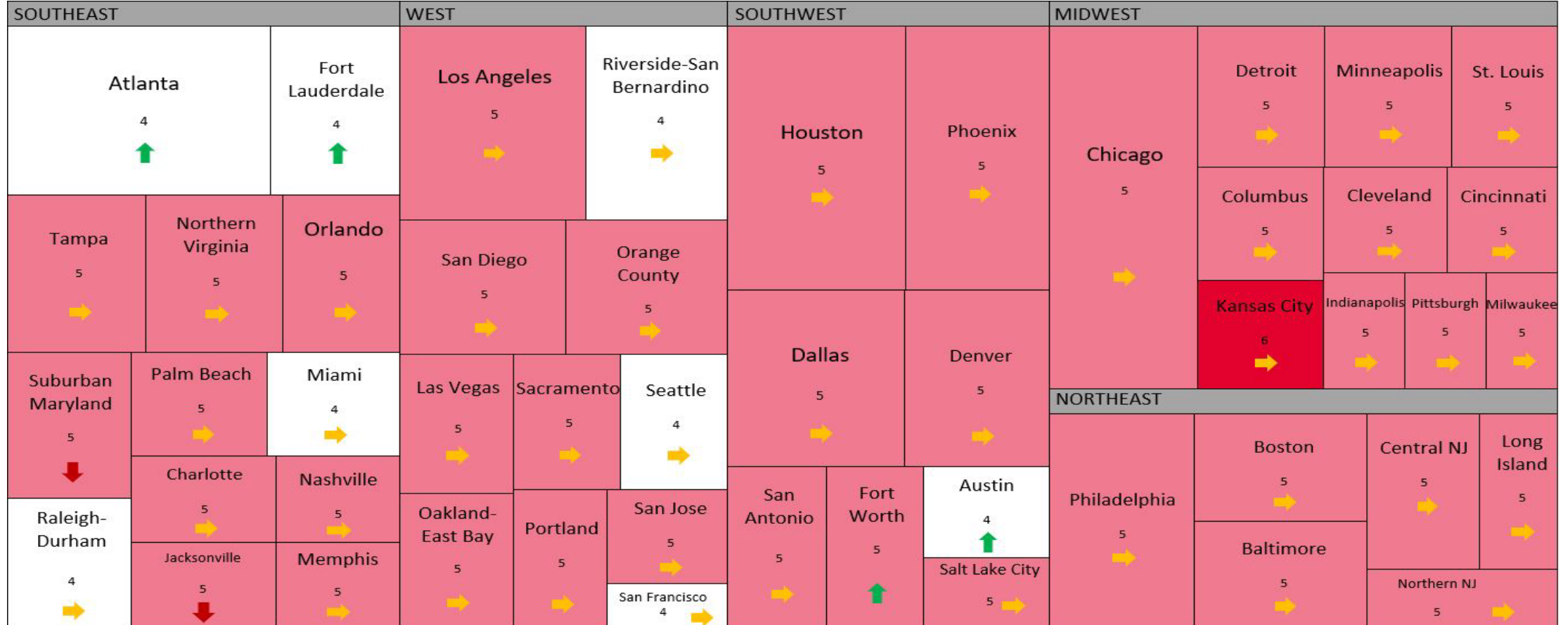


Effective Rent Growth



Gray shading represents a recession. Blue shading represents the forecast.
Sources: Reis, NBER, SitusAMC Insights Forecasts.

SitusAMC Insights Retail NOI Heat Map: Midwest is the Weakest



NUMERICAL RANKINGS & COLORS

These represent the current and projected strength of each market through 2027.



ARROWS

- ↑ IMPROVED
- UNCHANGED
- ↓ DETERIORATED

The arrows represent how each market is trending according to our most recent quarterly analysis. An upward arrow denotes an improved rating, a bar means the market is unchanged, while a down arrow signifies deterioration.

Sizing: The size of each market box represents each market's size by population for economic heat maps. The metros are aggregated by region; the combined size of each regional box represents the relative size of each region, enabling an at-a-glance take on regional conditions.

Thank You

Contact Us



Peter Muoio, PhD

Senior Director
SitusAMC Insights
petermuoio@situsamc.com



Jen Rasmussen, PhD

Head of Market Commentary
SitusAMC Insights
jenniferrasmussen@situsamc.com



Jodi Airhart

Head of Data
SitusAMC Insights
jodiairhart@situsamc.com



Cory Loviglio

Head of Bespoke Research & Analytical Tools
SitusAMC Insights
coryloviglio@situsamc.com



Powering
opportunity
everywhere.

Disclaimer

General

This disclaimer applies to this document and any and all verbal or written comments of any person(s) presenting it. This document, taken together with any such verbal or written comments, is referred to collectively as this “Proposal.” SitusAMC taken together with its respective affiliates and subsidiaries are collectively referred to as “SitusAMC.” The terms of this Proposal are for discussion purposes only and not intended to constitute a final definitive agreement for services, which each party reserves the right to negotiate and enter into at its sole discretion.

Confidentiality, Distribution of Proposal

This Proposal is produced solely for you and your internal purposes and may not be transmitted, reproduced (in whole or in part) or made available to any other person without the prior express, written consent of SitusAMC. By accepting receipt of this Proposal, you agree that you will acknowledge and agrees to confidential nature of this Proposal, and shall treat this Proposal accordingly. This reminder should not, in any way, limit the terms and conditions of any documentation containing confidentiality provisions that you (or your organization) executed with SitusAMC.

Forward-Looking Statements

Forward-looking statements (including estimates, opinions or expectations about any future event(s)) contained in this Proposal are based on a variety of estimates and assumptions made by SitusAMC. These estimates and assumptions are inherently uncertain and are subject to numerous business, competitive, financial, geopolitical, industry, market and regulatory risks that are outside of SitusAMC’s control. There can be no assurances that any such estimates and/or assumptions will prove accurate, and actual results may differ materially. The inclusion of any forward looking statements herein should not be regarded as an indication or representation that SitusAMC considers such forward looking statement to be a reliable prediction of future events and no forward looking statement should be relied upon as such. SitusAMC makes no representation or warranty regarding any forward looking statement.

Past Performance

In all cases for which historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as such.

No Reliance, No Update, and Use of information

This Proposal is for informational purposes only. This Proposal does not purport to be complete on any topic(s) addressed herein. The information included in this Proposal is provided to you as of the dates indicated and SitusAMC does not intend to update the information after this Proposal is distributed to you. Certain information contained in this Proposal includes calculations and/or figures that have been prepared internally and have not been audited or verified by a third party. This Proposal may contain the subjective views of certain SitusAMC personnel and may not necessarily reflect the collective view of SitusAMC or certain SitusAMC business units.

No Advice

This Proposal is not intended to provide, and should not be relied upon, for advice of any kind, including, without limitation, accounting, investment, legal and/or tax advice.

Current Data

Unless otherwise noted, the information presented herein is as of the date of this Proposal.

Logos, Trade Names, Trademarks and Copyrights

Certain logos, trade names, trademarks and copyrights included in this Proposal are strictly for identification and informational purposes only. Such logos, trade names, trademarks and copyrights may be owned by companies or persons not affiliated with SitusAMC. SitusAMC makes no claim that any such company or person has sponsored or endorsed the use of any such logo, trade name, trademark and/or copyright. The Interlocking Circles design, SitusAMC, and Realizing Opportunities in Real Estate are registered trademarks of SitusAMC. © 2021 SitusAMC.

Financial Services and Markets Act

Nothing contained in this Proposal is intended to constitute a financial promotion for the purpose of Section 21 of the Financial Services and Markets Act 2000.0