Commercial Real Estate Briefing

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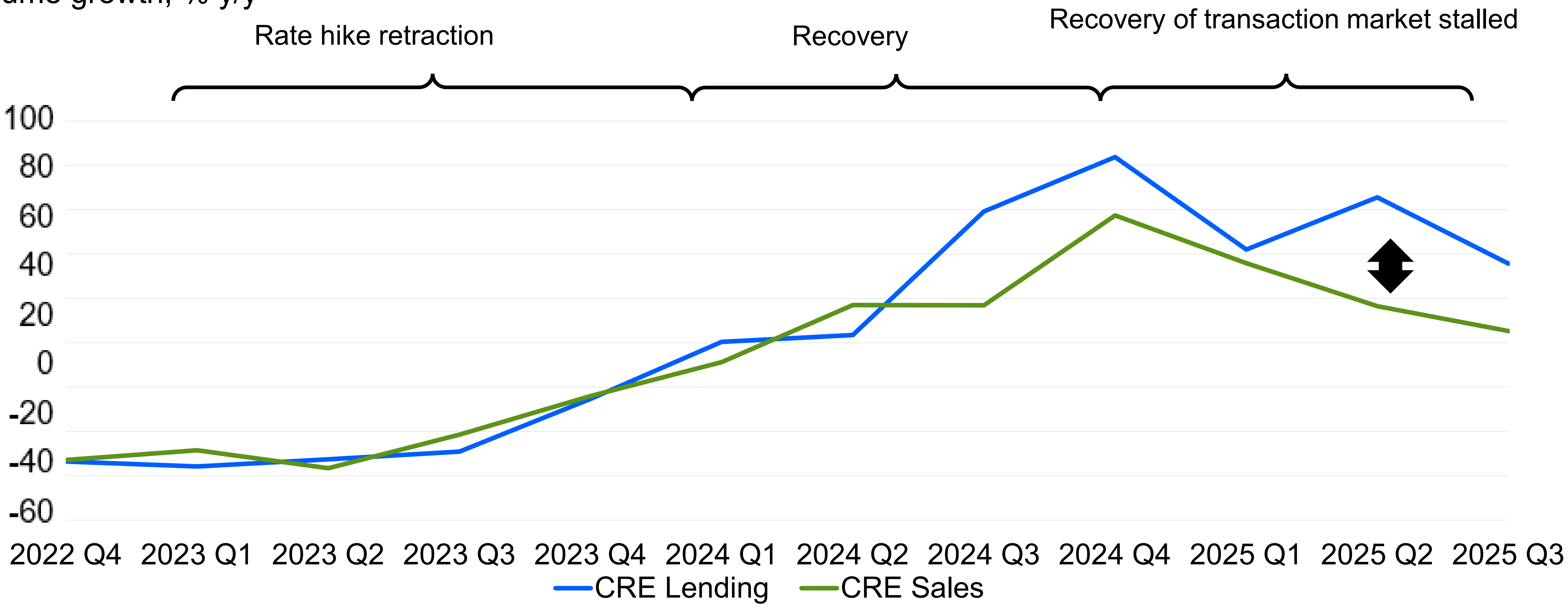
Two Capital Market Roads Diverged in a Wood

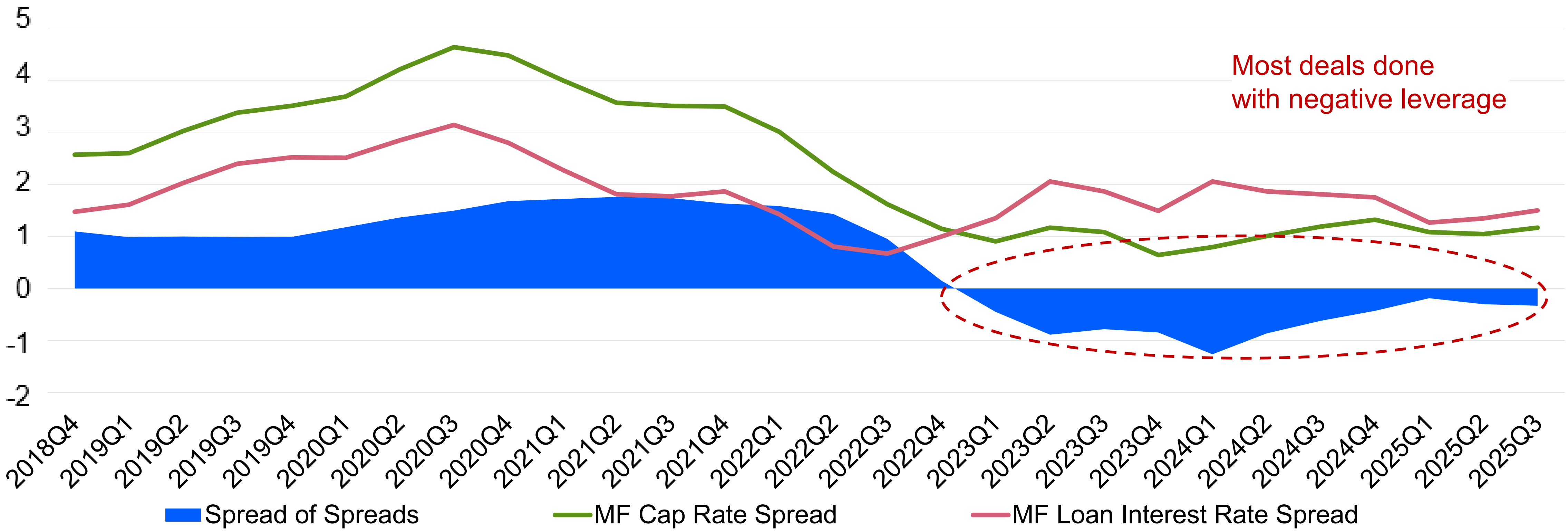
Volume growth, % y/y



Sources: Mortgage Bankers Association, Moody's Analytics

High Rates, Tight Pricing and Uncertainty Constrain Growth

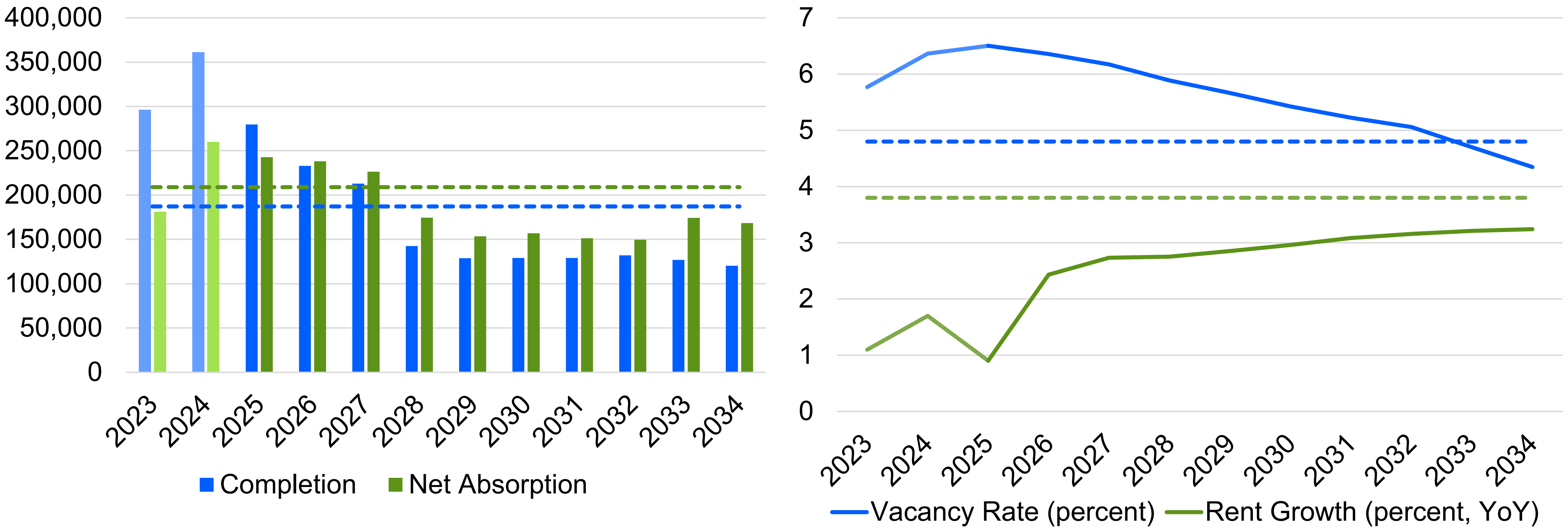
Multifamily cap rate and loan interest rate spreads



Note: CMBS data benchmarked to 10-yr Treasury as risk-free reference rate
Sources: Federal Reserve, Moody's Analytics

Below-Average Demand Has Long-Lasting Impact

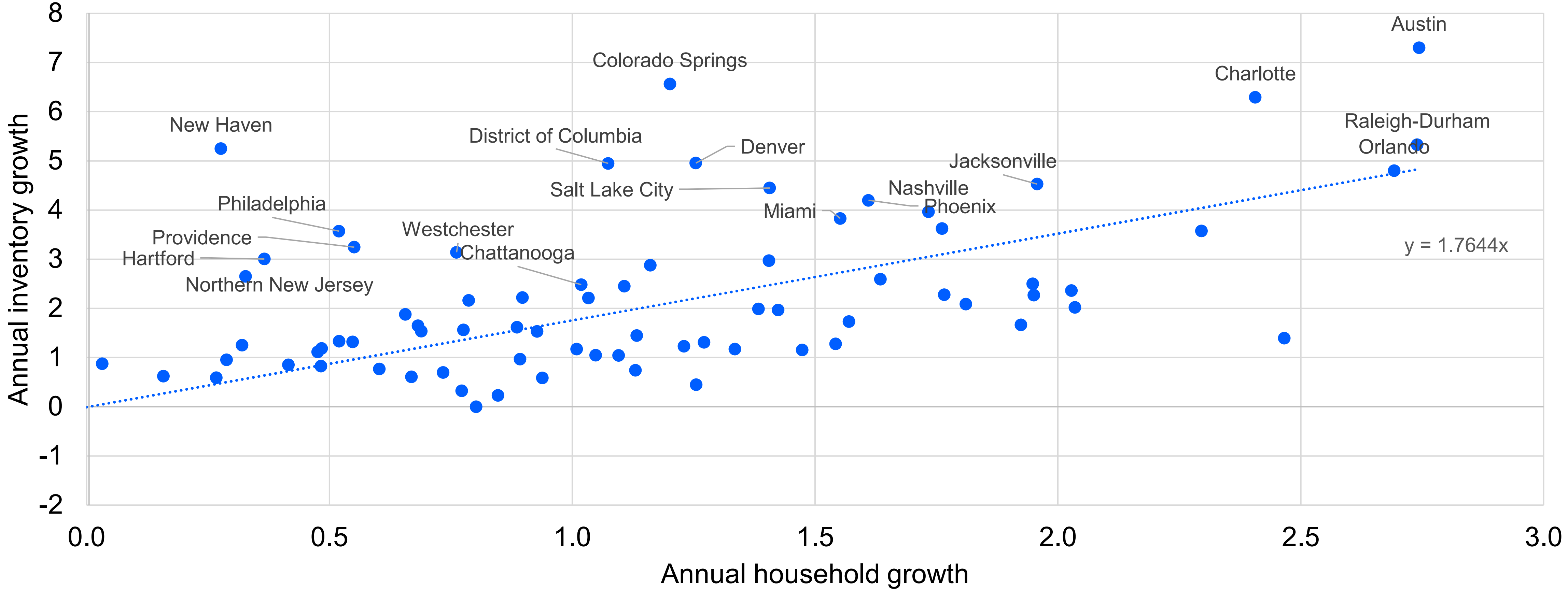
Units (L), % (R)



Source: Moody's Analytics

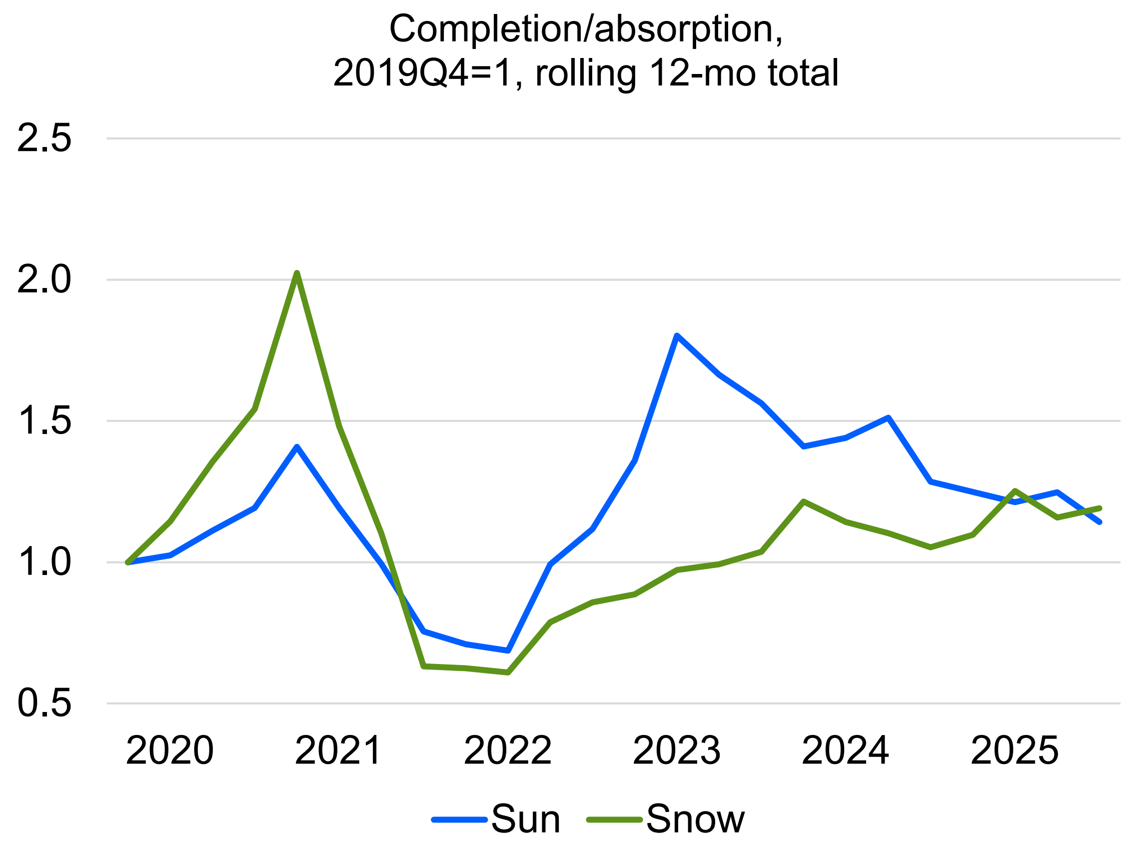
Inventory Multiplier Explains Market Vacancy Dynamics

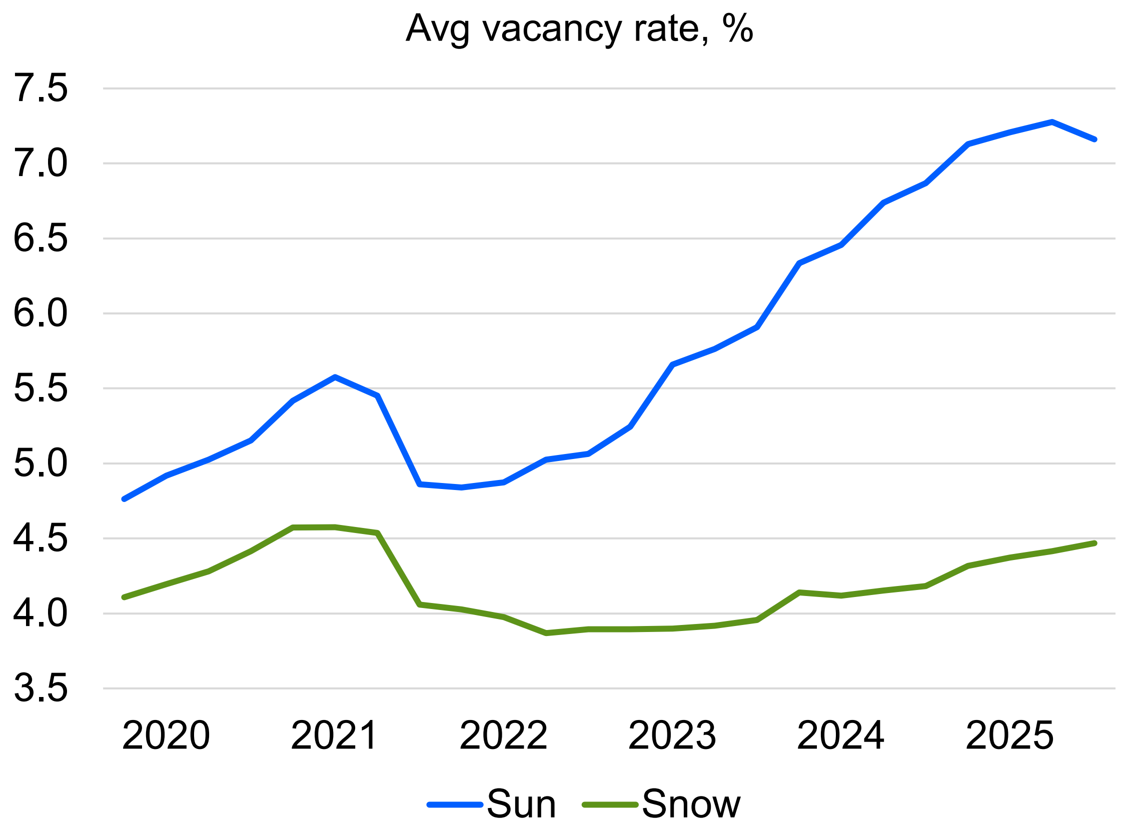
X-axis: % yr-over-yr growth ; Y-axis: % yr-over-yr growth



Source: Census Bureau, Moody’s Analytics

Regional Dynamics: Is Sun Belt's Exuberance Over?

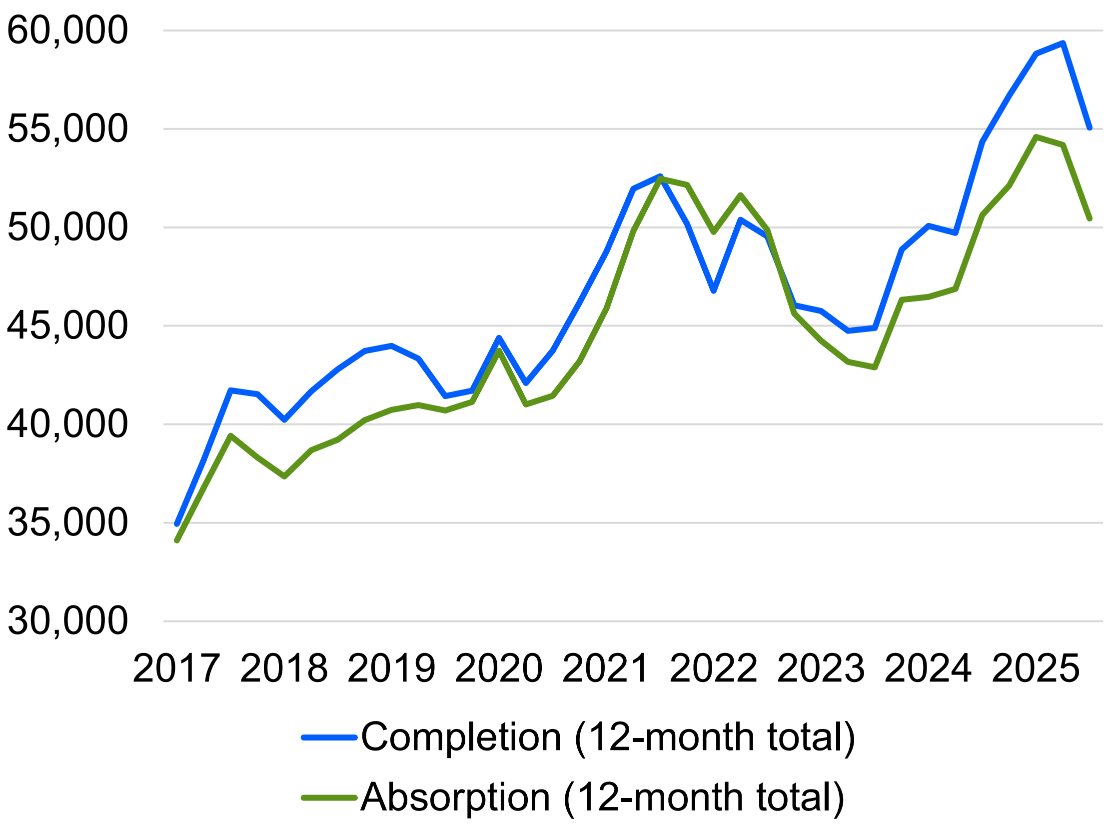




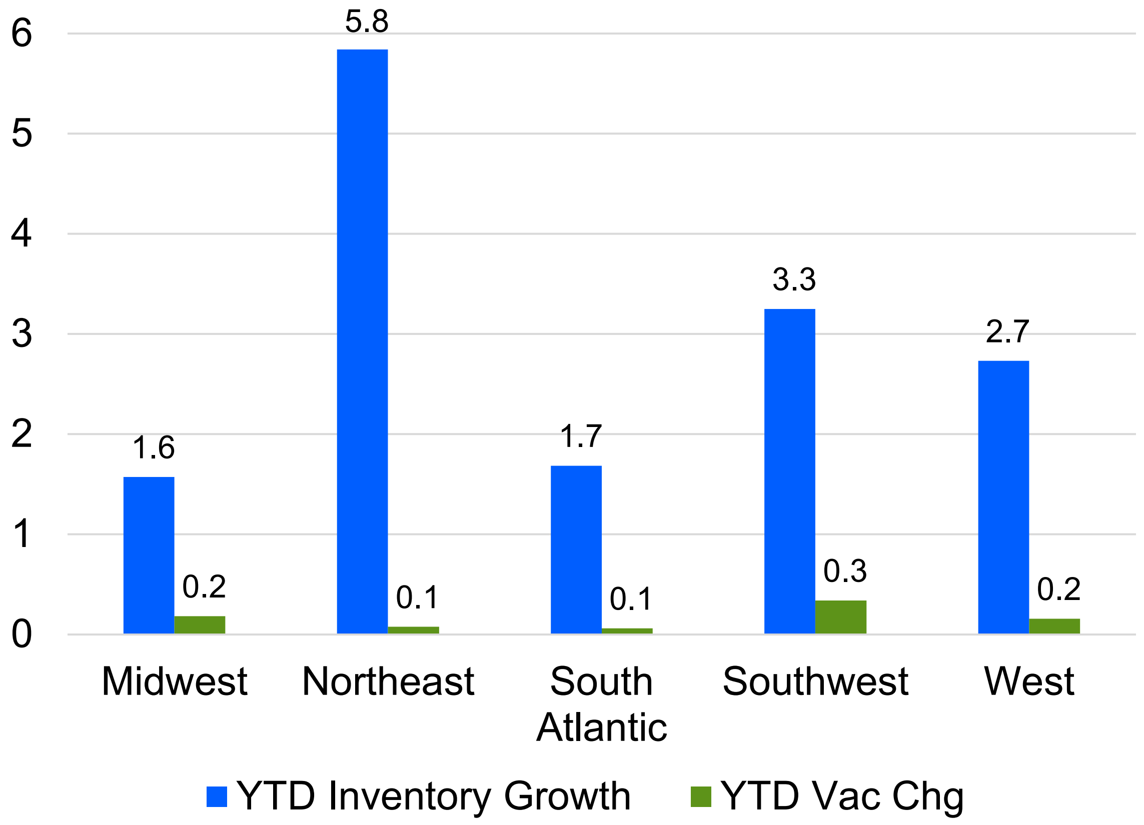
Source: Moody's Analytics

Affordable Housing Supply and Demand

Y-axis: # of units



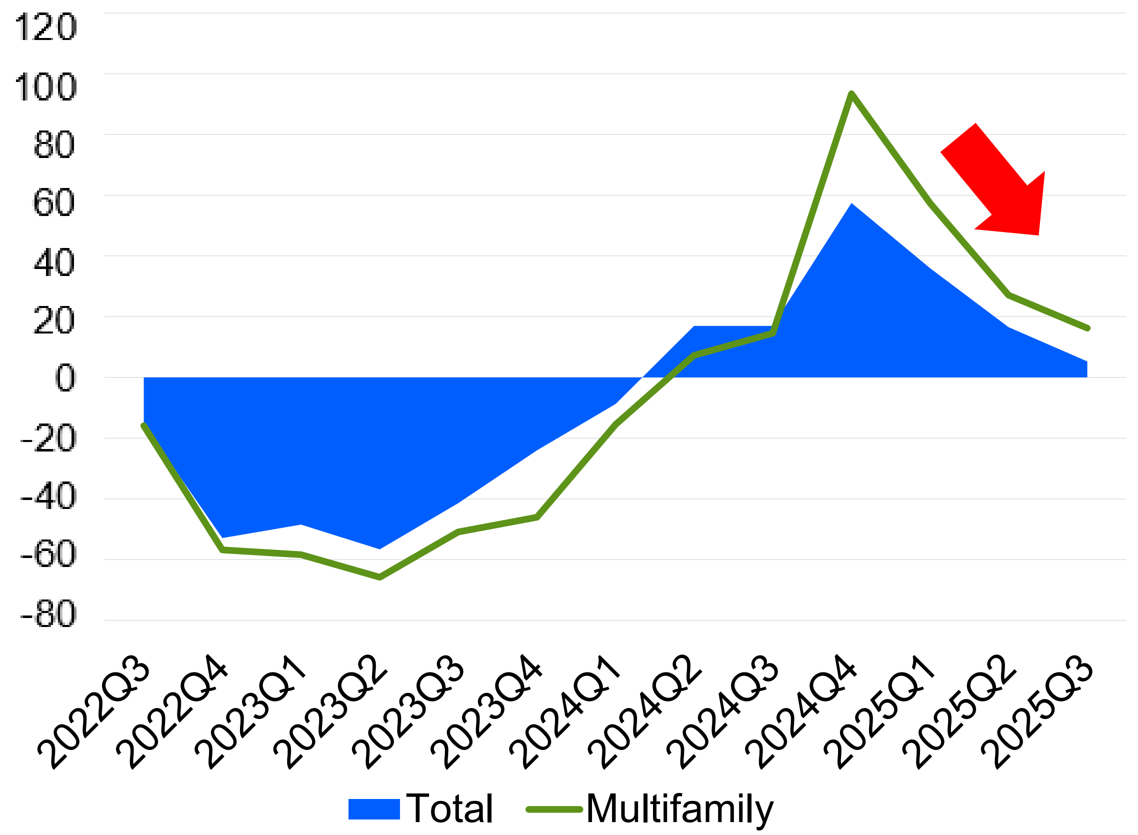
Y-axis: %



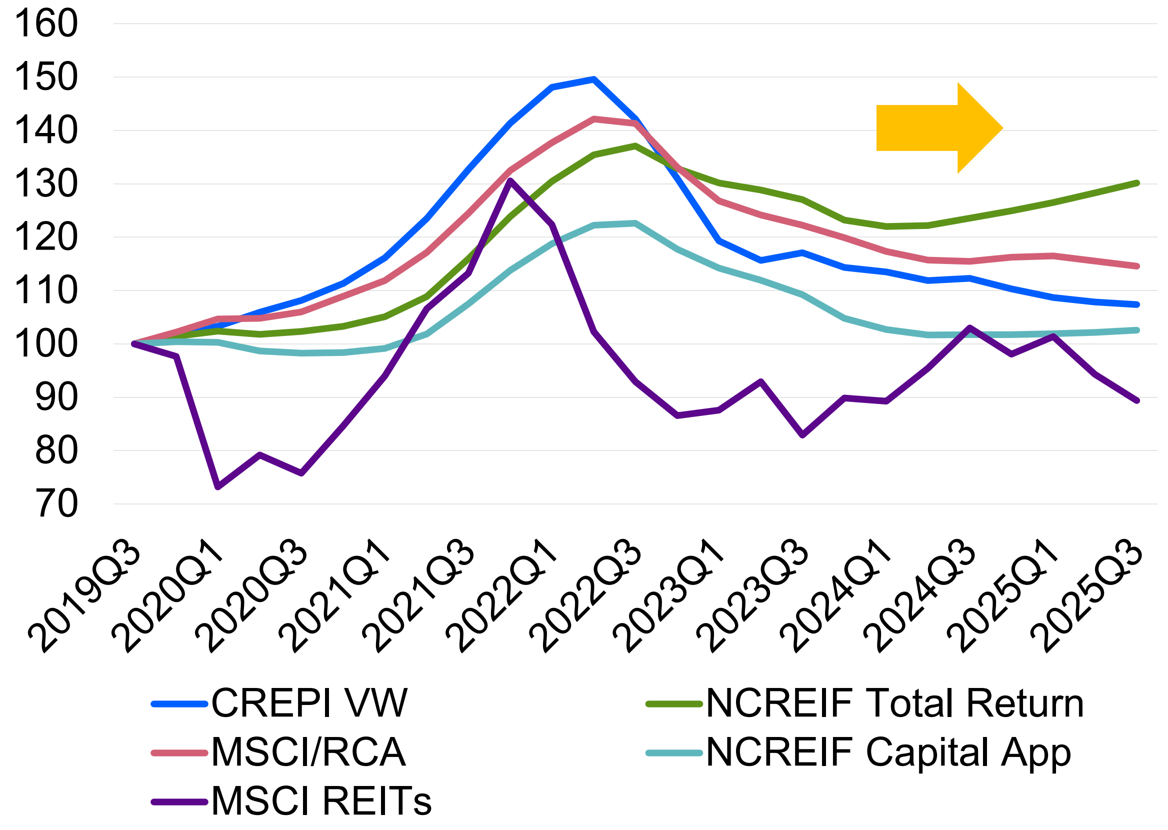
Source: Moody's Analytics

Multifamily Faces Headwinds, Despite Excess Housing Demand

Sales volume, % y/y growth



Multifamily price indexes, 2019Q3=100



Sources: MSCI, NCREIF, Moody's Analytics

Retail Performance

Metrics are adjusting as spending growth plateaus

- Vacancy declined by 10 bps for neighborhood and community shopping centers in Q3. At 10.4%, the vacancy rate has more or less held steady, with a dearth of new supply offsetting softening demand.
- Asking rents increased by 0.2% and effective rents increased by 0.3% in Q3.

Quarterly

Year	Qtr	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	3	2.7	$21.14	0.5%	$18.50	0.4%	10.2%
2018	4	1.5	$21.23	0.4%	$18.58	0.4%	10.2%
2019	1	17.2	$21.35	0.6%	$18.69	0.6%	10.2%
2019	2	2.7	$21.43	0.4%	$18.77	0.4%	10.2%
2019	3	2.4	$21.50	0.3%	$18.83	0.3%	10.2%
2019	4	0.7	$21.51	0.0%	$18.85	0.1%	10.2%
2020	1	1.4	$21.55	0.2%	$18.88	0.2%	10.2%
2020	2	-0.3	$21.45	-0.5%	$18.76	-0.6%	10.2%
2020	3	-2.3	$21.41	-0.2%	$18.70	-0.3%	10.4%
2020	4	-1.6	$21.35	-0.3%	$18.61	-0.5%	10.5%
2021	1	0.5	$21.33	-0.1%	$18.59	-0.1%	10.6%
2021	2	2.0	$21.34	0.0%	$18.60	0.1%	10.6%
2021	3	6.1	$21.38	0.2%	$18.67	0.4%	10.4%
2021	4	3.6	$21.39	0.0%	$18.69	0.1%	10.4%
2022	1	1.7	$21.42	0.1%	$18.71	0.1%	10.4%
2022	2	3.6	$21.44	0.1%	$18.73	0.1%	10.4%
2022	3	2.3	$21.45	0.0%	$18.74	0.1%	10.4%
2022	4	2.7	$21.49	0.2%	$18.78	0.2%	10.4%
2023	1	3.0	$21.54	0.2%	$18.82	0.2%	10.4%
2023	2	3.8	$21.57	0.1%	$18.87	0.3%	10.4%
2023	3	1.7	$21.62	0.2%	$18.91	0.2%	10.4%
2023	4	1.1	$21.65	0.1%	$18.94	0.2%	10.4%
2024	1	1.0	$21.70	0.2%	$18.98	0.2%	10.4%
2024	2	0.5	$21.75	0.2%	$19.03	0.3%	10.5%
2024	3	4.3	$21.79	0.2%	$19.09	0.3%	10.4%
2024	4	0.5	$21.85	0.3%	$19.15	0.3%	10.4%
2025	1	0.3	$21.91	0.3%	$19.20	0.3%	10.4%
2025	2	0.0	$21.93	0.1%	$19.23	0.2%	10.5%
2025	**3**	**1.7**	**$21.97**	**0.2%**	**$19.28**	**0.3%**	**10.4%**

Neighborhood & community shopping centers

Annual

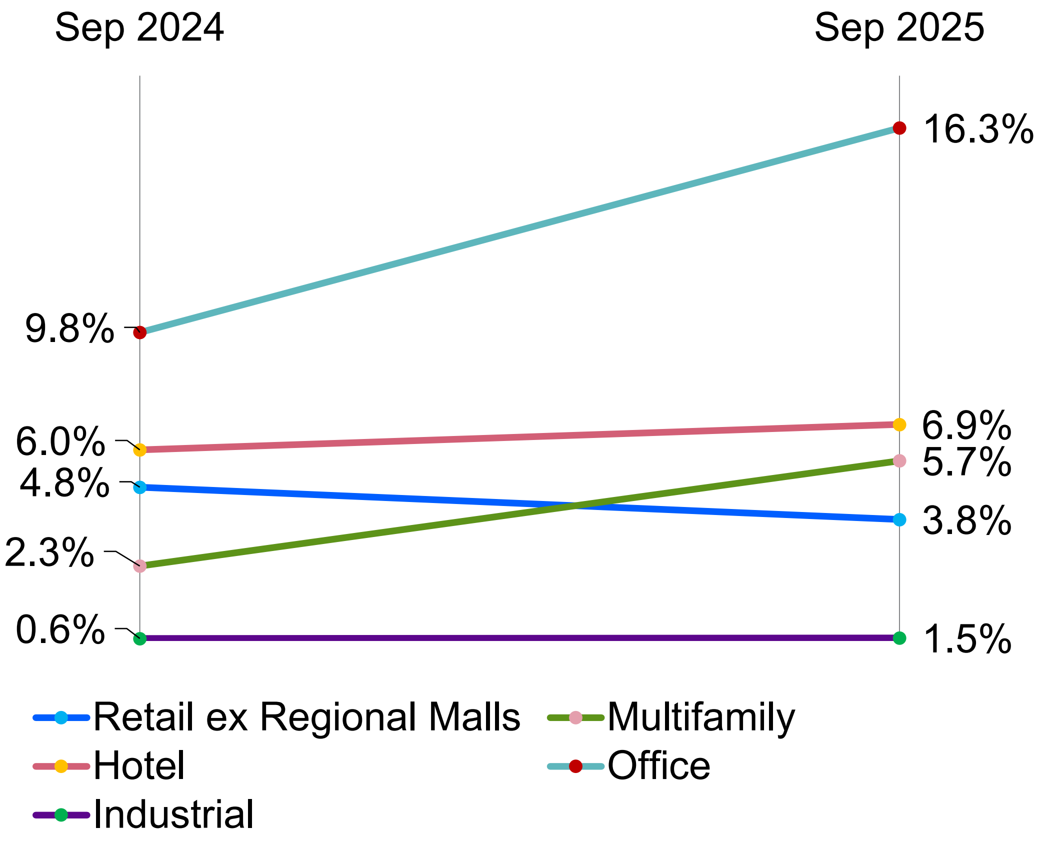
Year	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2015	12.3	$20.12	2.1%	$17.56	2.2%	10.0%
2016	12.7	$20.49	1.8%	$17.91	2.0%	9.9%
2017	9.7	$20.89	2.0%	$18.27	2.0%	10.0%
2018	1.2	$21.23	1.6%	$18.58	1.7%	10.2%
2019	22.9	$21.51	1.3%	$18.85	1.5%	10.2%
2020	-2.7	$21.35	-0.7%	$18.61	-1.3%	10.5%
2021	12.3	$21.39	0.2%	$18.69	0.4%	10.4%
2022	10.4	$21.49	0.5%	$18.78	0.5%	10.4%
2023	9.7	$21.65	0.7%	$18.94	0.9%	10.4%
2024	6.3	$21.85	0.9%	$19.15	1.1%	10.4%
2025	**5.3**	**$22.04**	**0.9%**	**$19.32**	**0.9%**	**10.5%**
2026	**9.2**	**$22.40**	**1.6%**	**$19.64**	**1.7%**	**10.4%**
2027	**10.3**	**$22.86**	**2.1%**	**$20.04**	**2.0%**	**10.2%**
2028	**11.2**	**$23.37**	**2.2%**	**$20.47**	**2.1%**	**10.0%**
2029	**10.0**	**$23.94**	**2.4%**	**$20.96**	**2.4%**	**9.8%**

77 of 190 net absorption figures are in mil of square ft

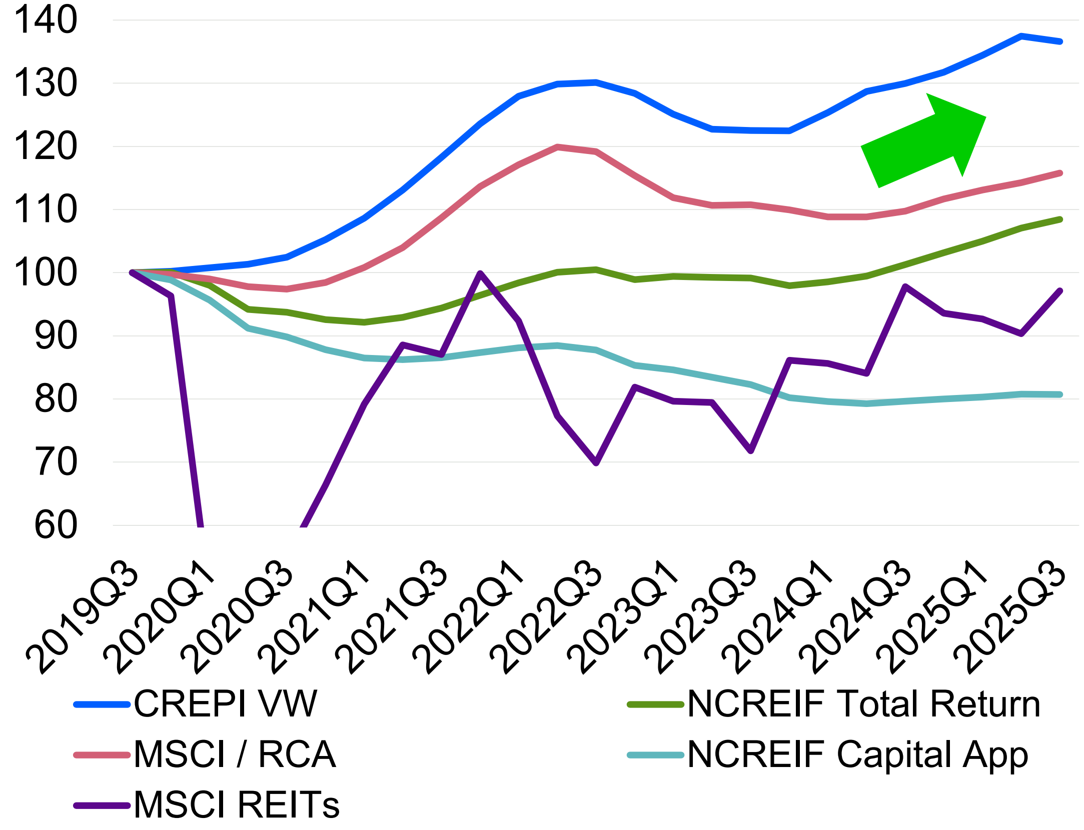
Source: Moody's Analytics

Most Signs Point to the End of the Retail Apocalypse

CMBS loan delinquency rate by property type



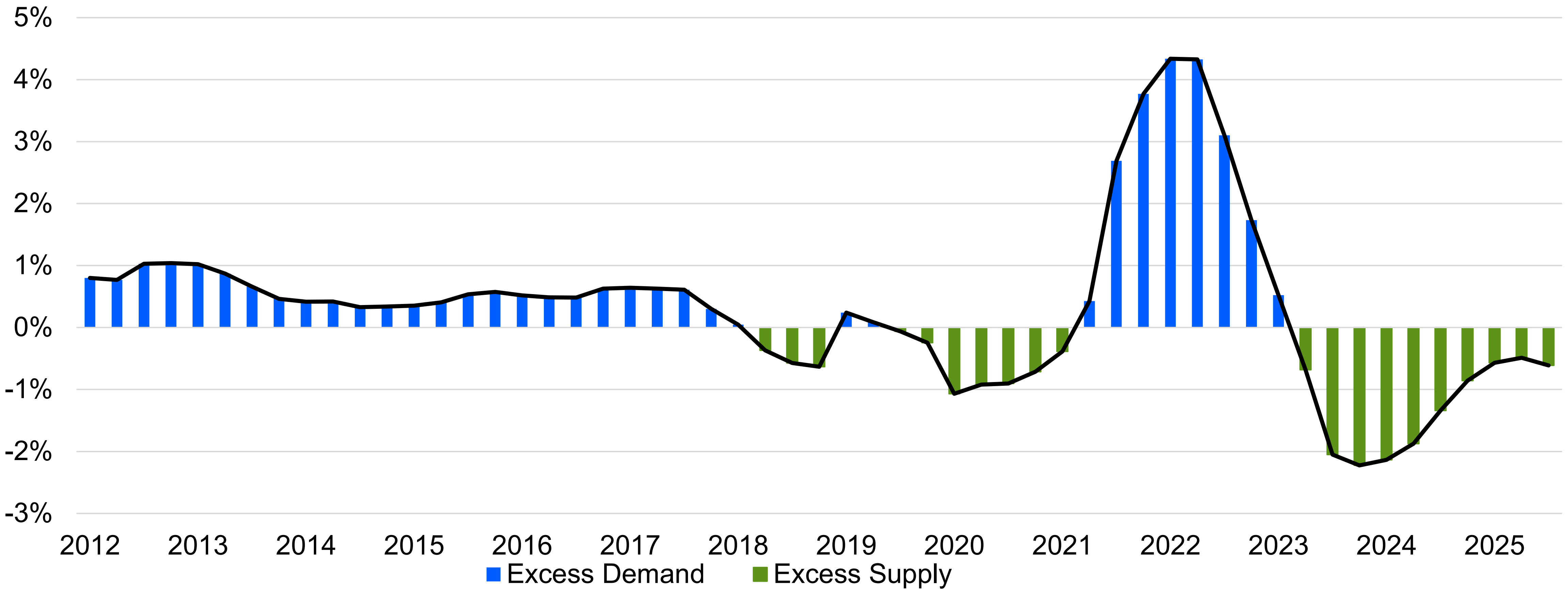
Retail property price indexes, 2019Q3=100



Sources: Trepp, Moody’s Analytics

Oversupply Headwinds Persist

Excess supply to inventory

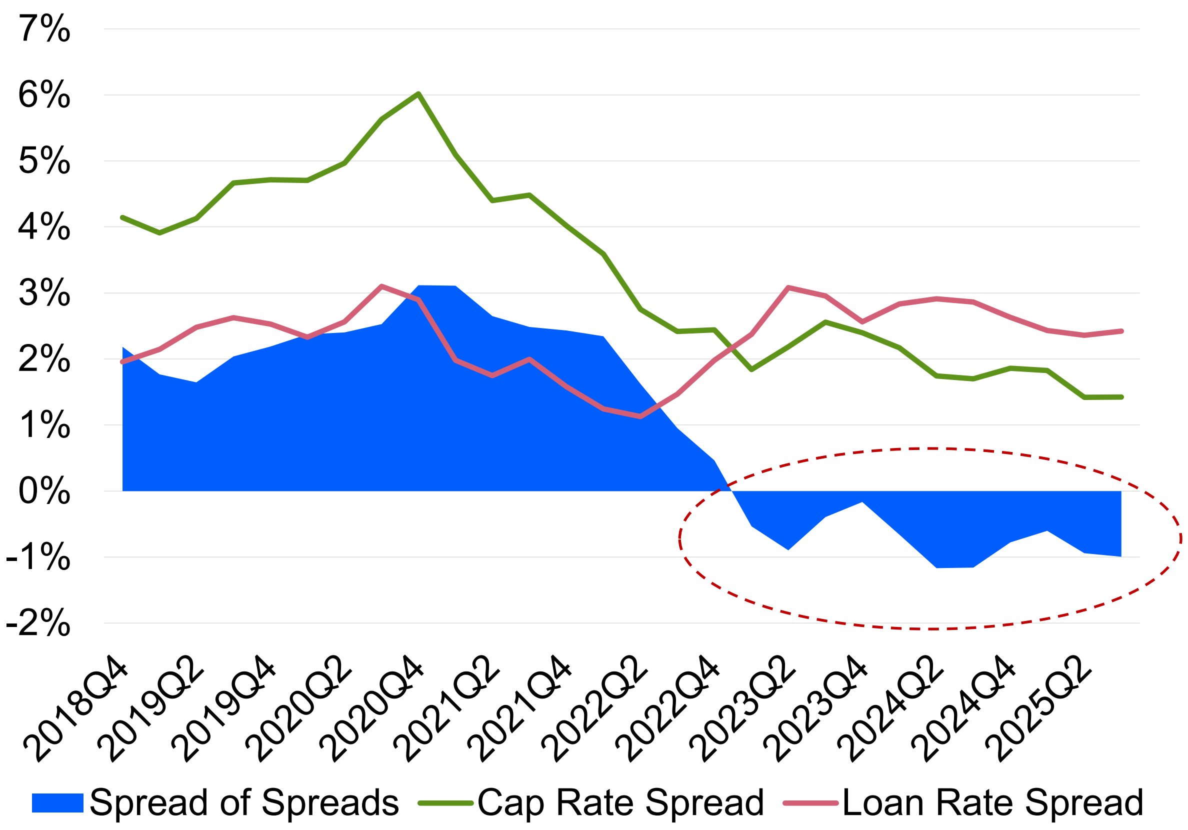


Excess demand is defined as net absorption less total completions on a rolling 12-mo basis divided by inventory.

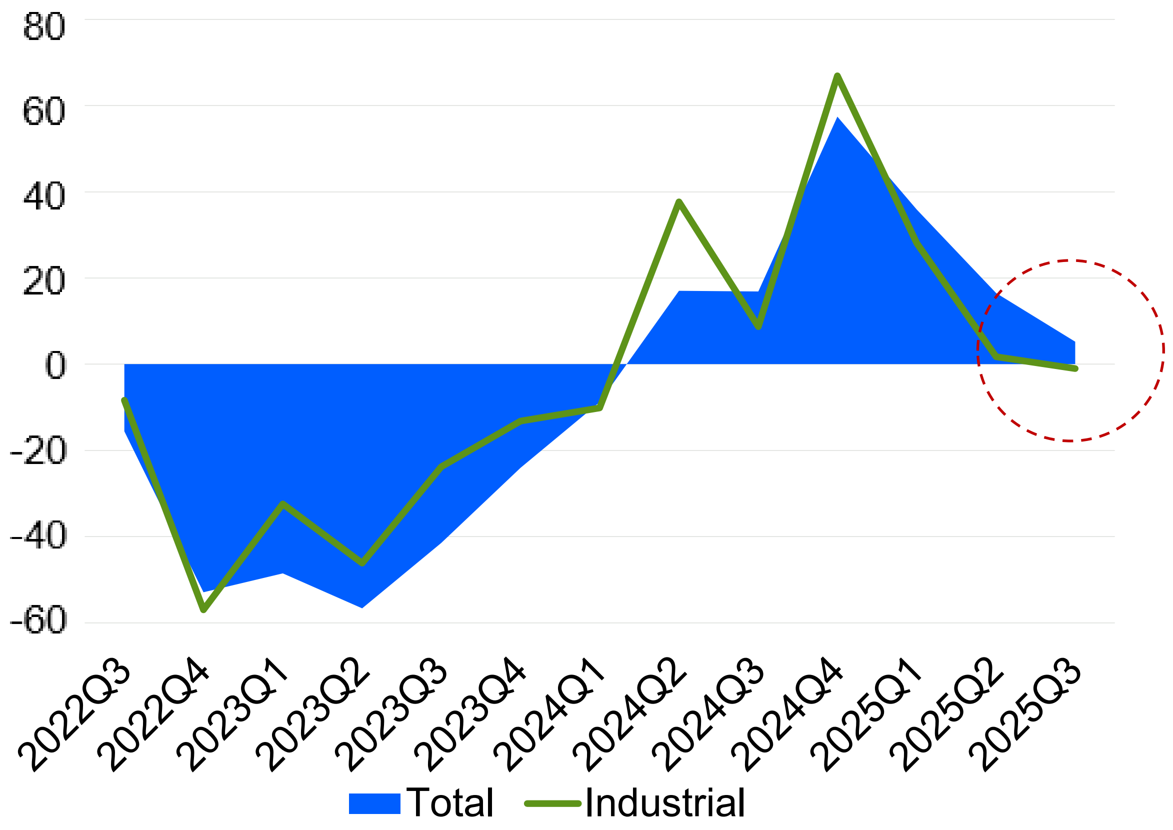
Source: Moody’s Analytics

Industrial Remains a Darling, but Pricing Margins Are Razor Thin

Industrial cap rate and loan interest rate spreads

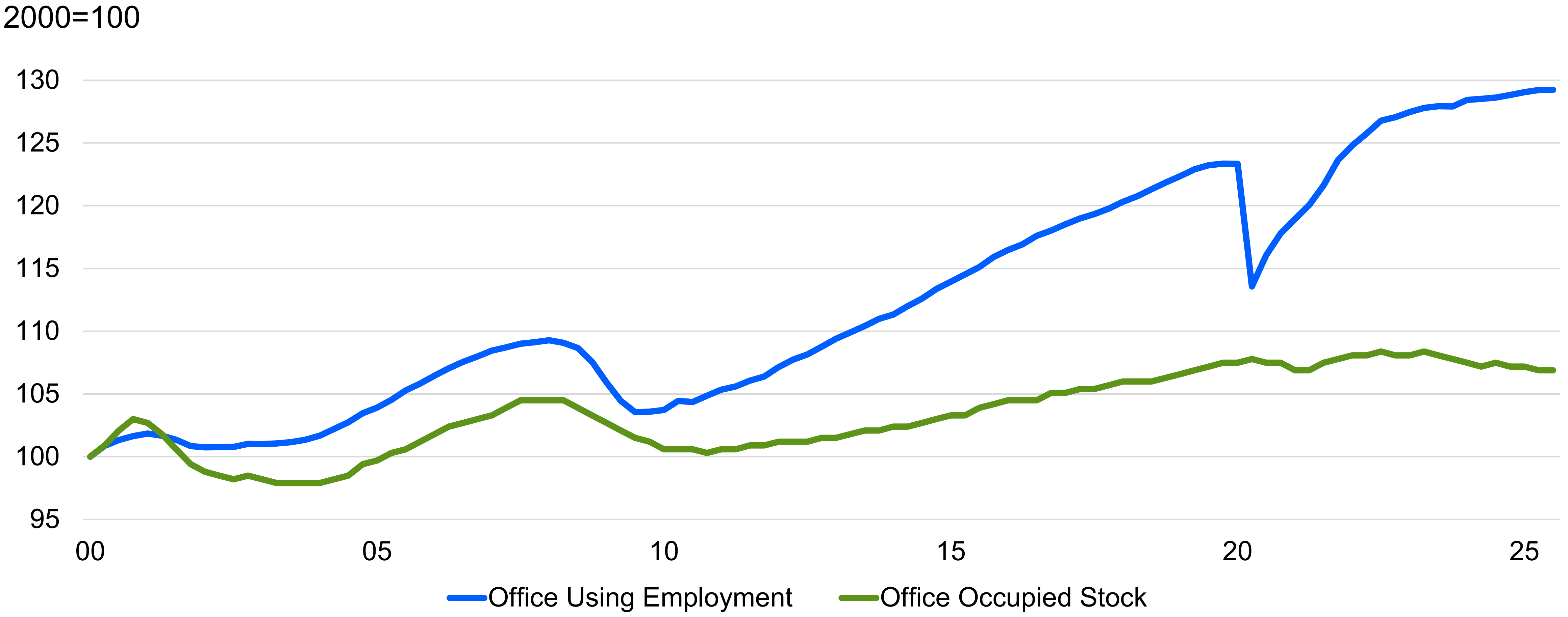


Sales volume growth, % y/y



Sources: Federal Reserve, Moody’s Analytics

Office Struggles Are Nothing New



Source: Moody's Analytics

Office Market Performance

Change in leased space over a 5-yr period (2020Q3 to 2025Q3)

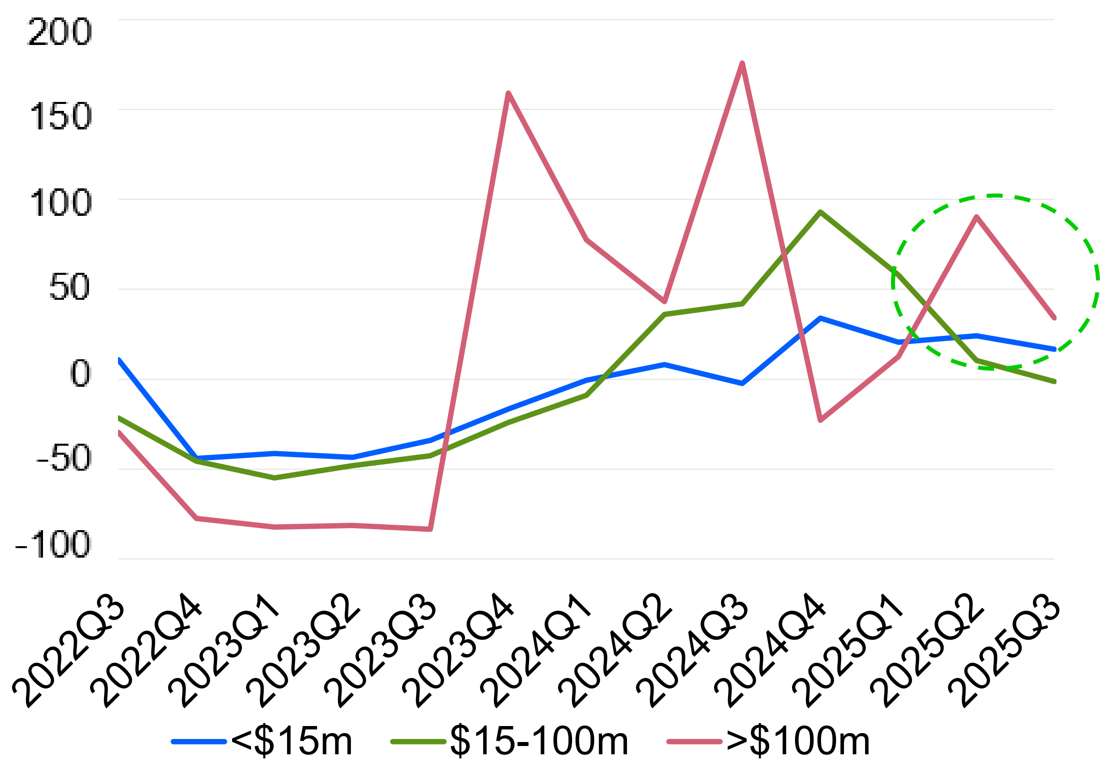
Top 10	
CRE Market	**Occupied Stock (% change)**
Nashville	12%
Dayton OH	10%
Wichita KS	9%
Miami	8%
Lexington KY	7%
Knoxville TN	7%
Atlanta	7%
Palm Beach FL	7%
Omaha NE	6%
Tucson AR	5%

Bottom 10	
CRE Market	**Occupied Stock (% change)**
Hartford CT	-4%
Oakland-East Bay CA	-4%
San Jose CA	-4%
St. Louis	-5%
Milwaukee	-5%
Tulsa OK	-6%
Chattanooga TN	-6%
Denver	-7%
Portland OR	-8%
San Francisco	-13%

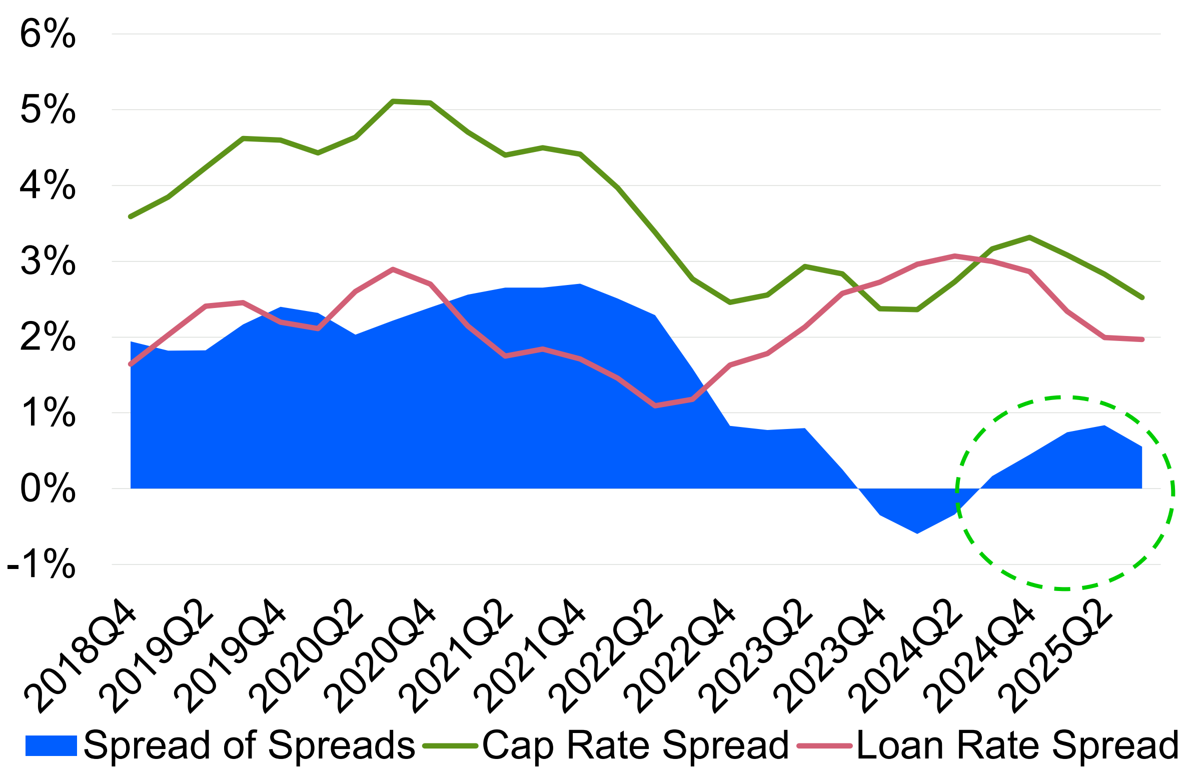
Source: Moody's Analytics

Segments of Performing Office Drive Nascent Recovery

Sales volume growth, % y/y



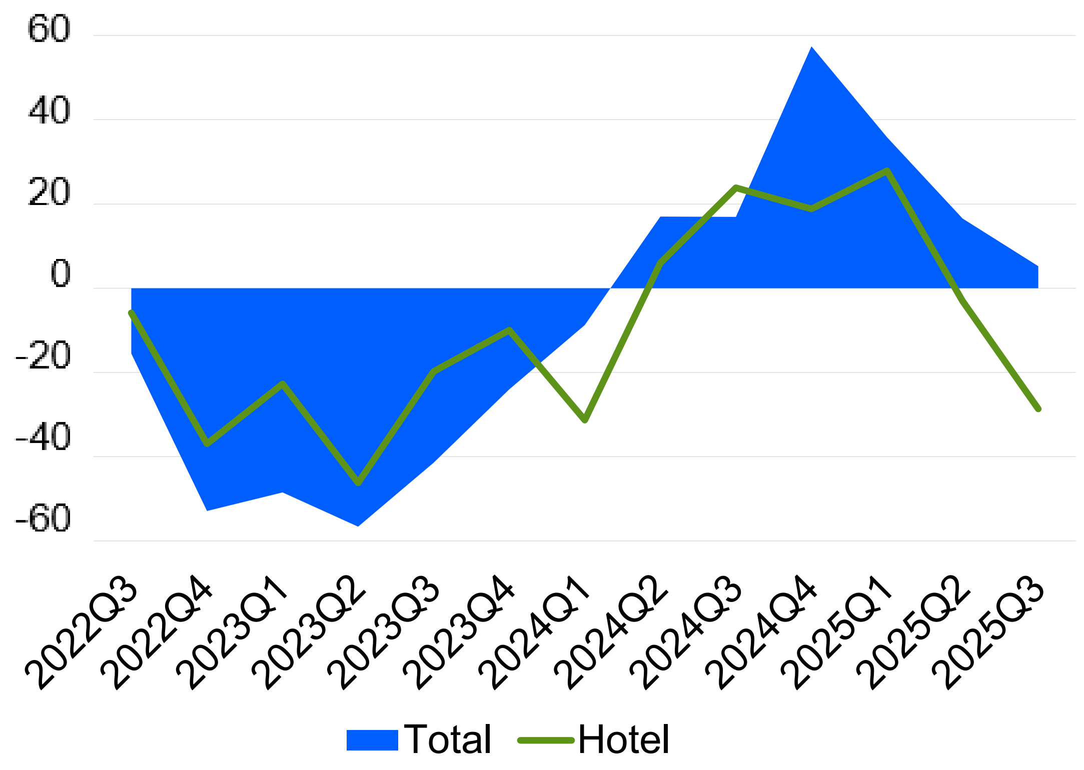
Office cap rate and loan interest rate spreads



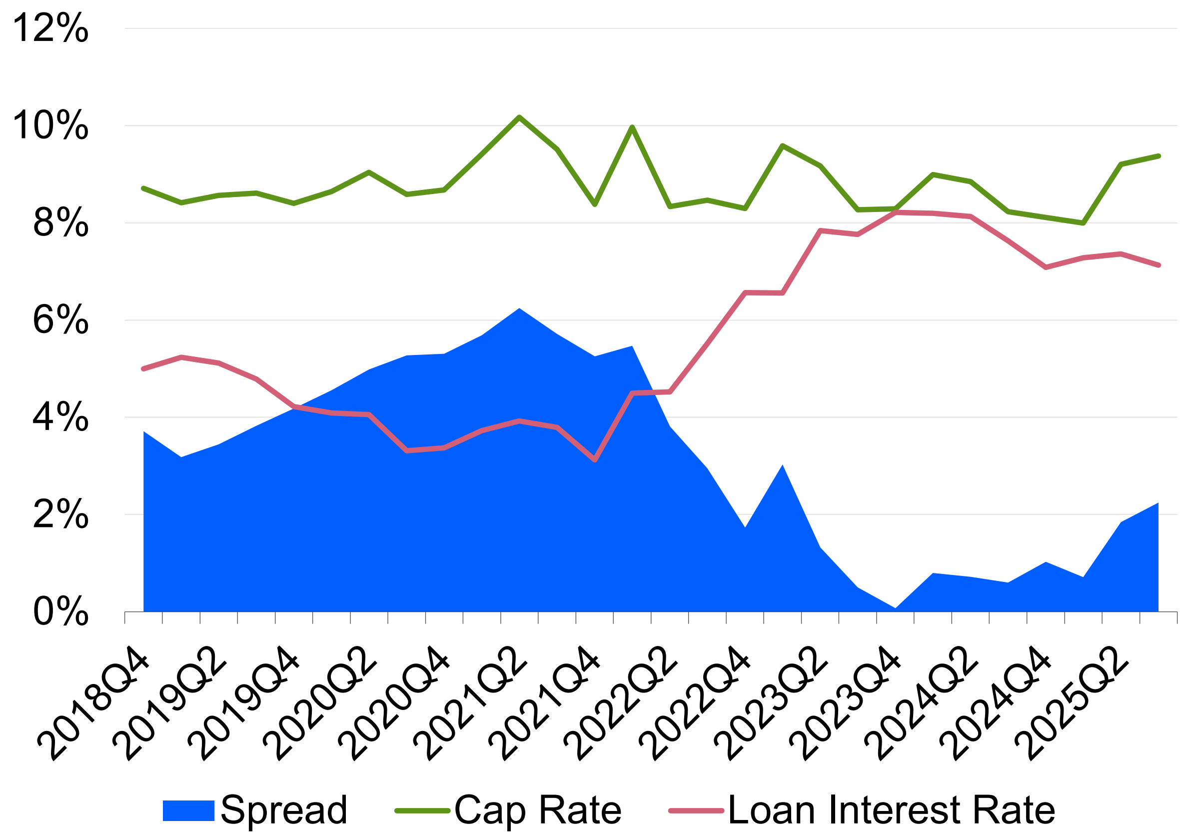
Source: Moody’s Analytics

Investors and Lenders Feeling Shaky on Procyclical Hotel Sector

Sales volume growth, % y/y



Hotel cap rate and loan interest rate spreads



Source: Moody's Analytics

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Thank you

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