MOODY'S

Quarterly Commercial Real Estate Briefing: Recovery on Pause

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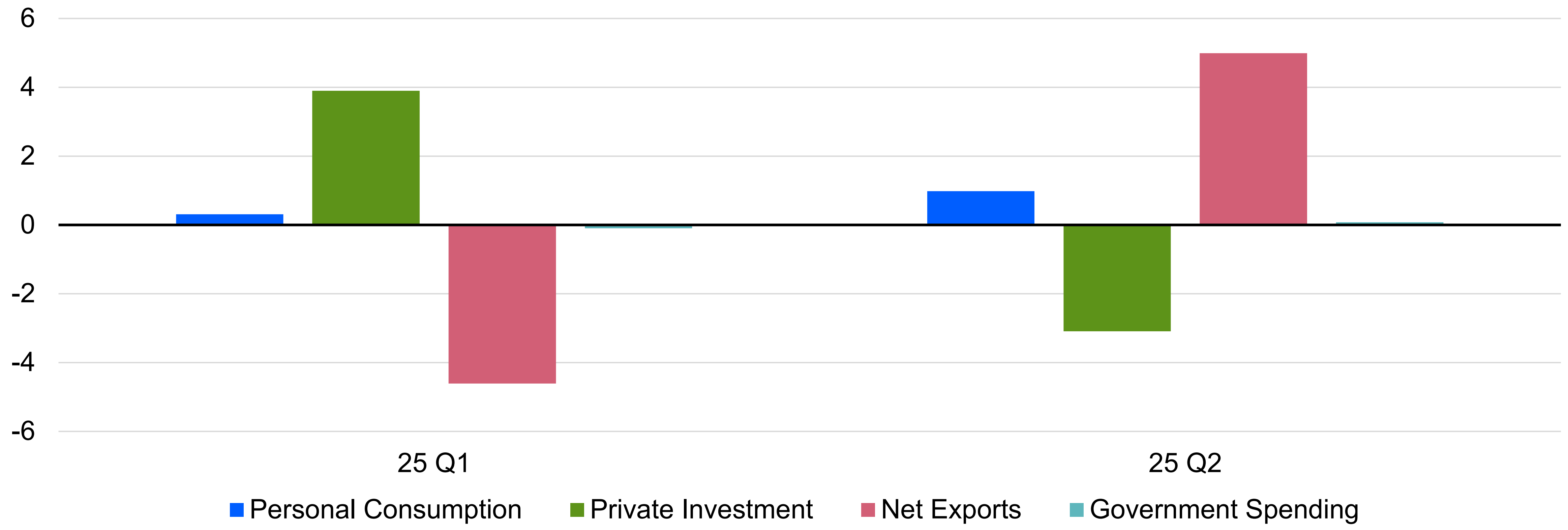
U.S. Economic Outlook

GDP Growth Heavily Influenced by Trade Policy Rhetoric and Action

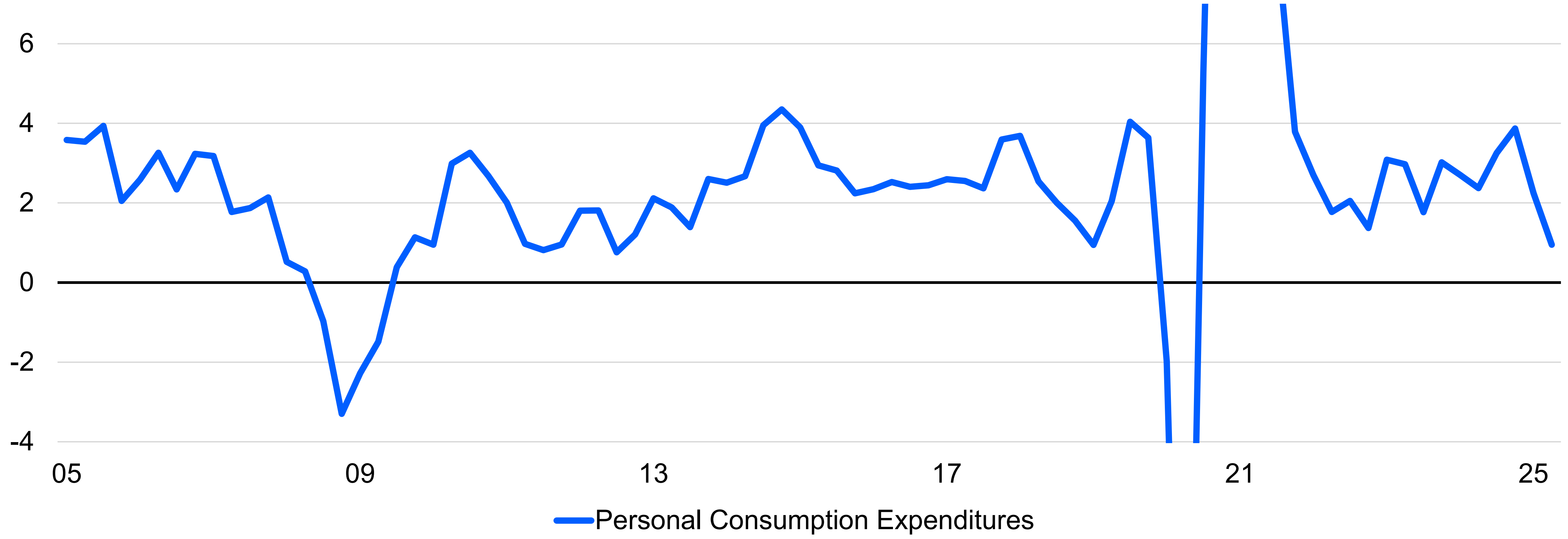
Contributions to GDP % growth



Sources: BEA, Moody's Analytics

Consumer Momentum has Vanished

Annualized % change, 2-quarter moving average, inflation adjusted



Sources: BEA, Moody's Analytics

Employment Growth is Anemic

Annualized % change, 3-month moving average

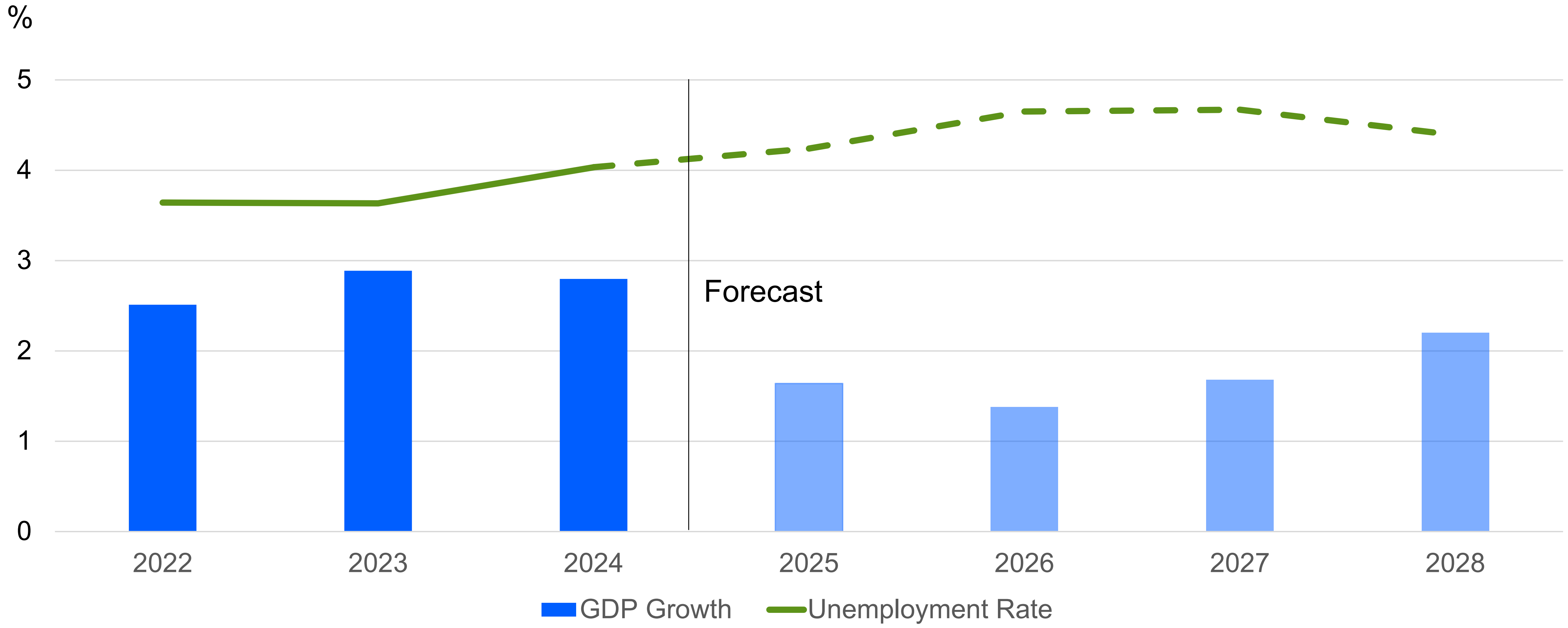
Sources: Bureau of Labor Statistics, Moody's Analytics

Confidence Rebounding

Index, Expectations 6-months hence

Sources: The Conference Board, Moody's Analytics

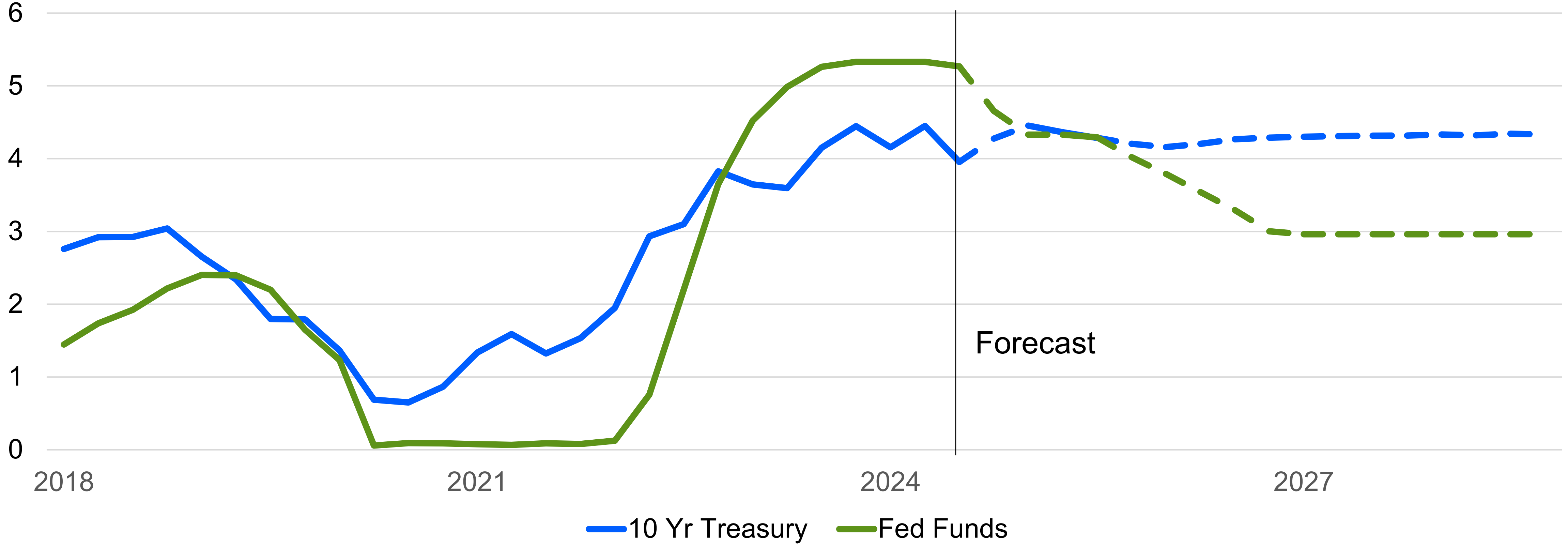
Economic Outlook: Baseline Forecast is for Moderate Growth



Source: Moody's Analytics

Fed Funds Decline to Reverse Inversion, but 10-yr Treasury Stays Put

%, UST-10yr forecast scenarios



Source: Moody's Analytics

Commercial Real Estate Space Markets

Office Performance

The sector continues its search for the bottom

- Negative net absorption deepened in Q2, pushing the vacancy rate up by 20 bps in the quarter. At 20.6% at the end of Q2, the vacancy rate once again set a record high.
- Asking rents and effective rents grew mildly in the second quarter, increasing by 30 bps and 20 bps, respectively.

Quarterly

Year	Qtr	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	2	3.0	$33.08	0.7%	$26.84	0.8%	16.6%
2018	3	5.0	$33.22	0.4%	$26.95	0.4%	16.7%
2018	4	9.7	$33.45	0.7%	$27.14	0.7%	16.7%
2019	1	8.5	$33.58	0.4%	$27.27	0.5%	16.7%
2019	2	5.3	$33.87	0.9%	$27.49	0.8%	16.8%
2019	3	10.3	$34.14	0.8%	$27.72	0.8%	16.8%
2019	4	14.6	$34.33	0.6%	$27.88	0.6%	16.8%
2020	1	0.8	$34.47	0.4%	$28.00	0.4%	17.0%
2020	2	3.4	$34.46	0.0%	$27.91	-0.3%	17.0%
2020	3	-4.3	$34.53	0.2%	$27.87	-0.1%	17.4%
2020	4	-6.5	$34.50	-0.1%	$27.73	-0.5%	17.8%
2021	1	-13.8	$34.41	-0.3%	$27.52	-0.8%	18.2%
2021	2	-2.0	$34.44	0.1%	$27.46	-0.2%	18.5%
2021	3	22.9	$34.47	0.1%	$27.52	0.2%	18.2%
2021	4	11.4	$34.49	0.1%	$27.55	0.1%	18.1%
2022	1	7.3	$34.58	0.3%	$27.63	0.3%	18.1%
2022	2	-0.5	$34.87	0.8%	$27.85	0.8%	18.4%
2022	3	4.5	$35.04	0.5%	$27.98	0.5%	18.5%
2022	4	-3.6	$35.15	0.3%	$28.05	0.3%	18.7%
2023	1	-4.4	$35.30	0.4%	$28.12	0.2%	19.0%
2023	2	10.5	$35.47	0.5%	$28.30	0.6%	18.9%
2023	3	-11.8	$35.50	0.1%	$28.26	-0.1%	19.2%
2023	4	-10.9	$35.55	0.1%	$28.19	-0.2%	19.6%
2024	1	-3.1	$35.61	0.2%	$28.19	0.0%	19.8%
2024	2	-12.2	$35.72	0.3%	$28.18	0.0%	20.1%
2024	3	6.8	$35.81	0.3%	$28.27	0.3%	20.1%
2024	4	-10.0	$35.88	0.2%	$28.29	0.1%	20.3%
2025	1	-0.7	$35.99	0.3%	$28.38	0.3%	20.4%
2025	**2**	**-9.5**	**$36.11**	**0.3%**	**$28.45**	**0.2%**	**20.6%**

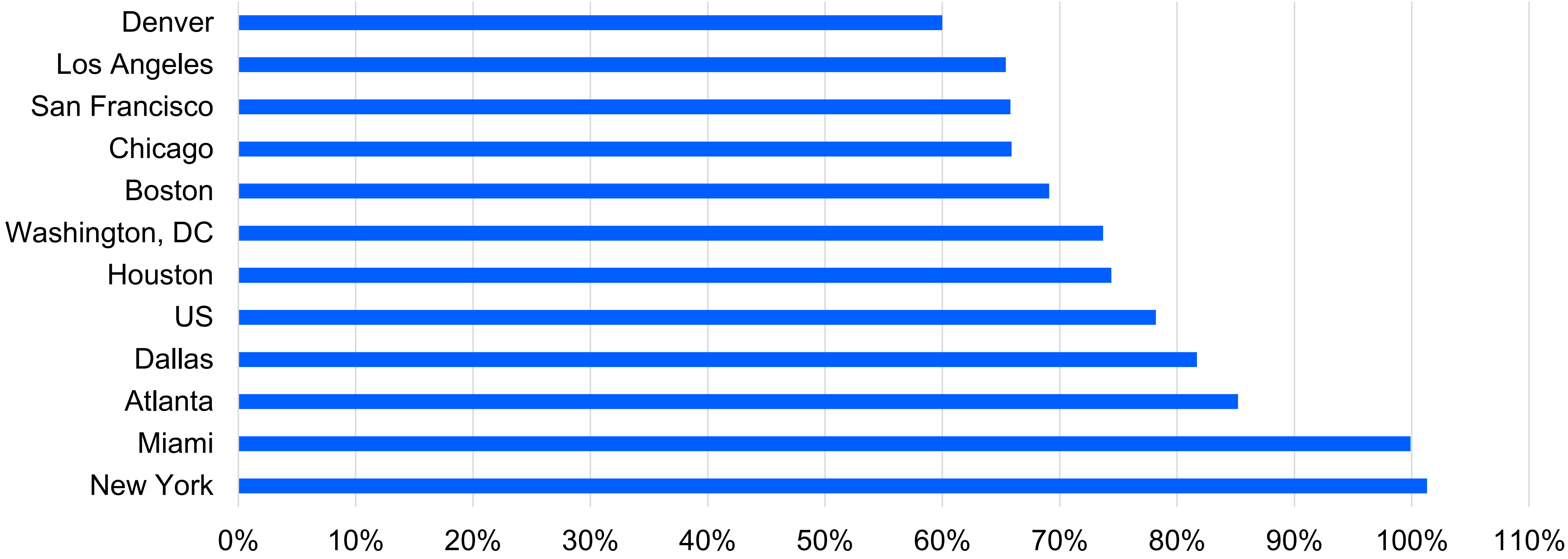
Annual

Year	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2015	38.0	$31.28	3.4%	$25.32	3.6%	16.5%
2016	29.3	$32.00	2.3%	$25.95	2.5%	16.2%
2017	23.3	$32.57	1.8%	$26.42	1.8%	16.4%
2018	23.0	$33.45	2.7%	$27.14	2.7%	16.7%
2019	38.7	$34.33	2.6%	$27.88	2.7%	16.8%
2020	-6.6	$34.50	0.5%	$27.73	-0.5%	17.8%
2021	18.5	$34.49	0.0%	$27.55	-0.6%	18.1%
2022	7.7	$35.15	1.9%	$28.05	1.8%	18.7%
2023	-16.7	$35.55	1.1%	$28.19	0.5%	19.6%
2024	-18.5	$35.88	0.9%	$28.29	0.4%	20.3%
2025	**0.4**	**$36.30**	**1.2%**	**$28.57**	**1.0%**	**20.8%**
2026	**28.3**	**$36.87**	**1.6%**	**$29.01**	**1.5%**	**20.8%**
2027	**39.8**	**$37.46**	**1.6%**	**$29.53**	**1.8%**	**20.3%**
2028	**46.2**	**$38.13**	**1.8%**	**$30.14**	**2.1%**	**19.7%**
2029	**47.6**	**$38.83**	**1.8%**	**$30.82**	**2.3%**	**19.1%**

Note: 79 of 190 Office Markets Net absorption figures are in millions of square feet.
Source: Moody's Analytics

Office Utilization Growth Surges

Recovery rate (July 2025 compared to July 2019)



Sources: Placer.ai, Moody's Analytics

Office Market Performance

Change in leased space over a 5-yr period (2020Q2 to 2025Q2)

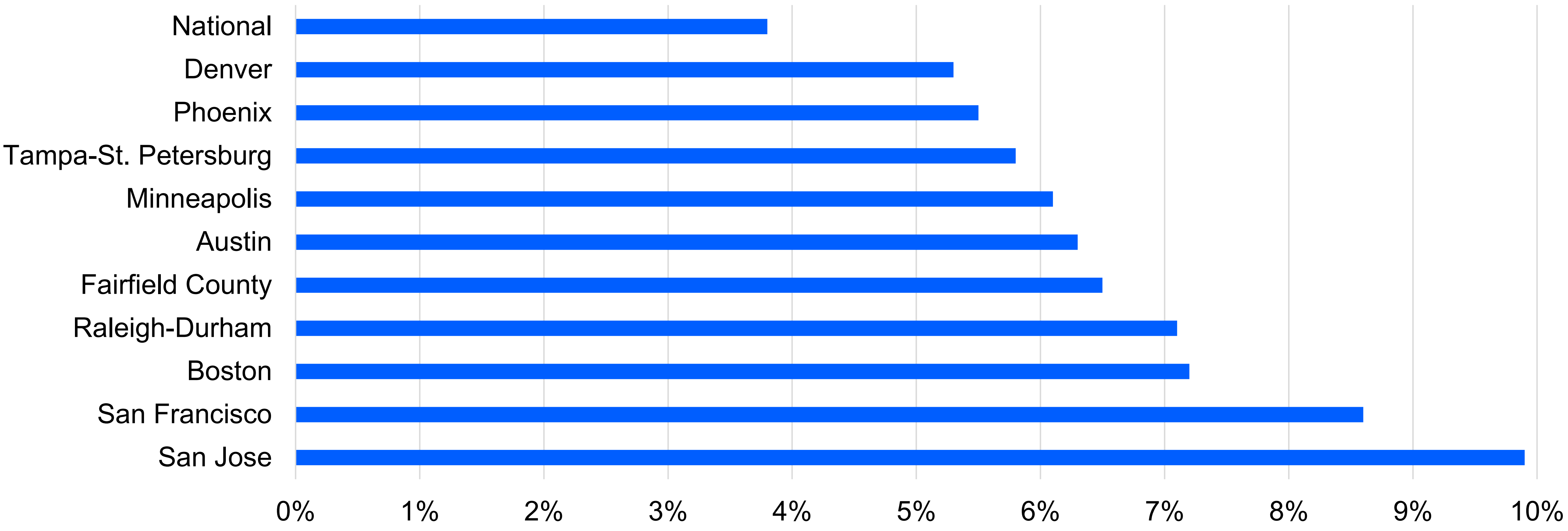
Top 10	
Metro	**Occupied Stock (% change)**
Nashville	13%
Wichita	9%
Miami	8%
Dayton	7%
Knoxville	7%
Omaha	6%
Atlanta	6%
Palm Beach	5%
Lexington	5%
San Bernardino/Riverside	5%

Bottom 10	
Metro	**Occupied Stock (% change)**
Tulsa	-5%
St. Louis	-5%
New Orleans	-5%
Louisville	-5%
Oakland-East Bay	-5%
Milwaukee	-6%
Chattanooga	-6%
Portland	-6%
Denver	-7%
San Francisco	-11%

Source: Moody's Analytics

Office Sublet Vacancy Rates

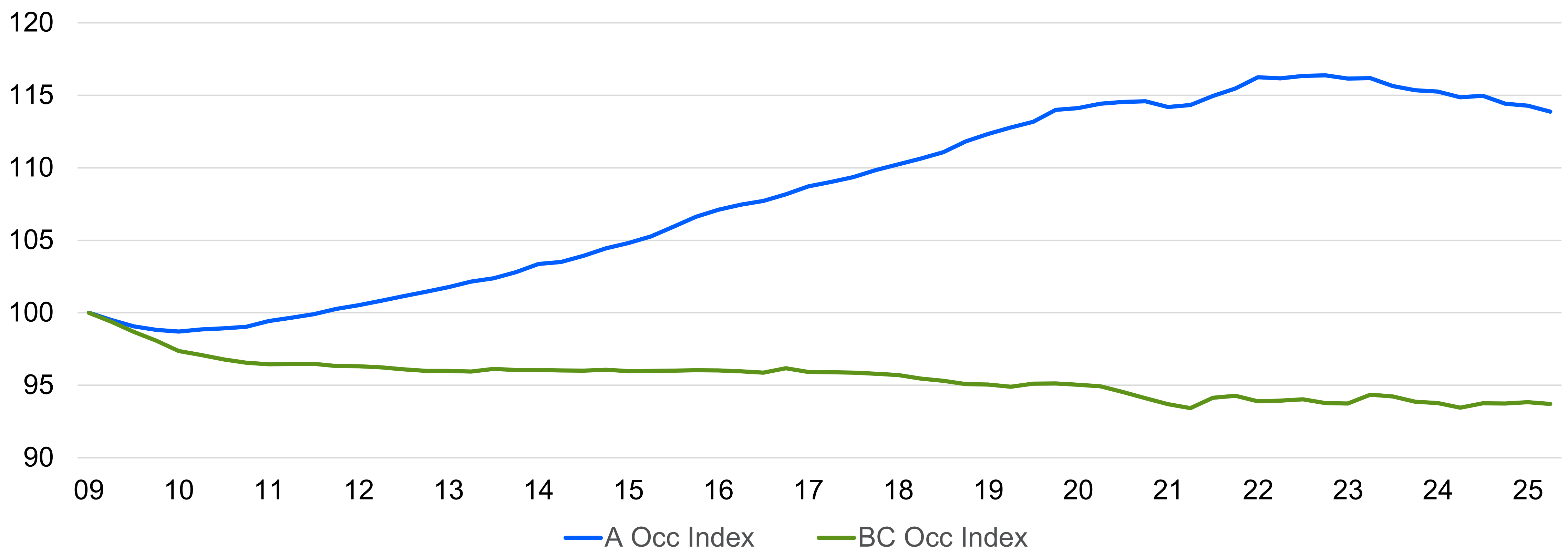
Top 10 metro sublet vacancy rates as of 2025Q2



Source: Moody's Analytics

Quality Is no Longer Enough

Class cuts reveal that despite slowing construction, absorption is falling at a faster pace

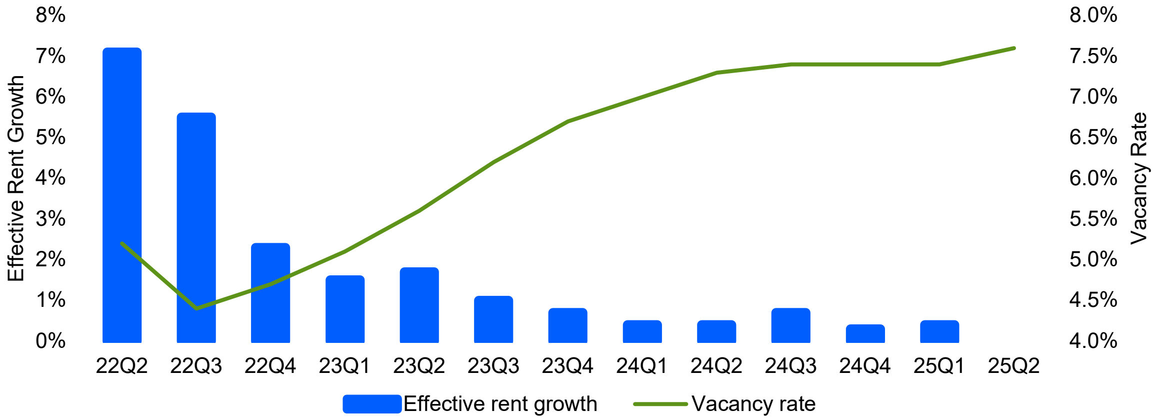


Source: Moody's Analytics

Industrial Performance

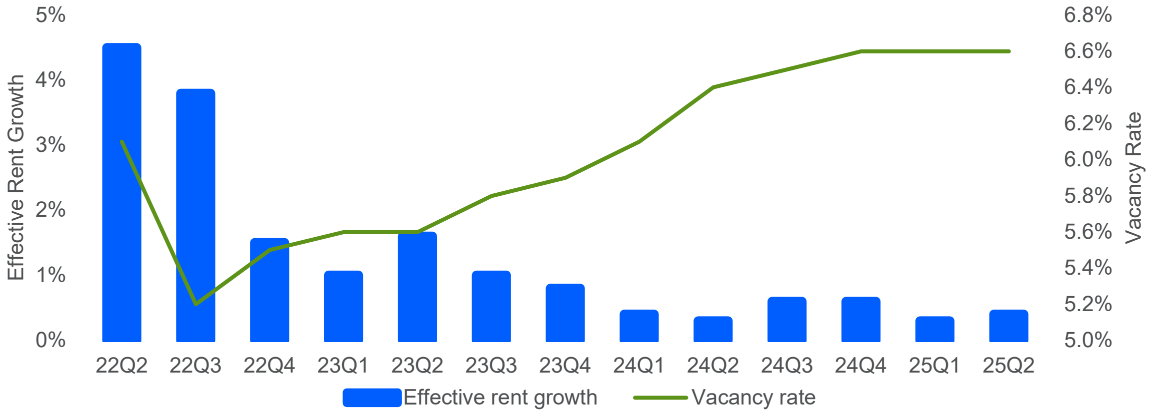
Warehouse/ Distribution

- Warehouse/distribution vacancies increased 20 bps from the previous quarter to end the second quarter at 7.6%.
- Effective rent growth was flat in Q2, making no contribution to the expected 1.7% effective rent growth for the year.



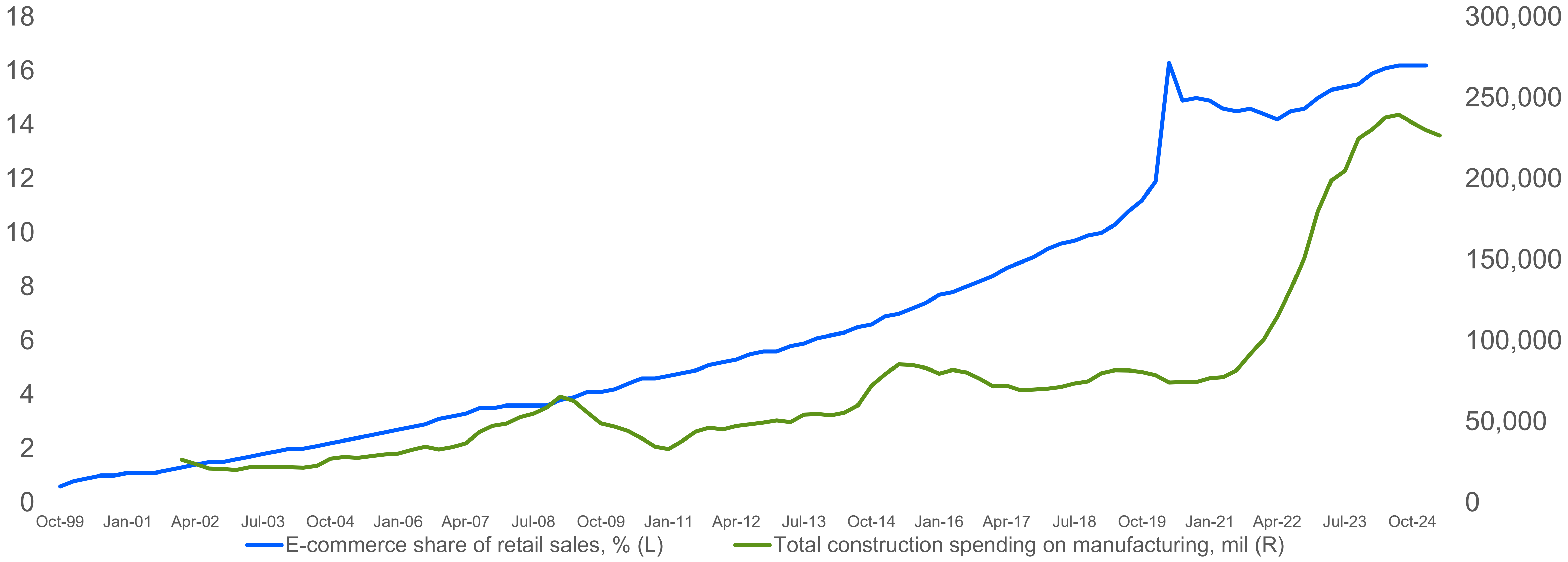
Flex/R&D

- At 6.6%, flex/R&D vacancies remained unchanged from the previous quarter.
- Effective rents grew by 0.4% in the second quarter of the year, a sizeable contribution to projected growth of 2.1% in 2025.



Source: Moody's Analytics

Headwinds Accelerate as Sentiment Shifts



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Source: US Census Bureau, Moody's Analytics

Retail Performance

Metrics are decelerating as spending growth plateaus

- » Vacancy change was flat for neighborhood and community shopping centers in the second quarter. At 10.4%, the vacancy rate has held steady with a dearth of new supply being enough to offset shrinking demand.
- » Asking and effective rents each increased by 0.1% in Q2.

Quarterly

Year	Qtr	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	2	-4.0	$21.04	0.3%	$18.42	0.3%	10.2%
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	3.1	$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	1.6	$21.62	0.2%	$18.91	0.2%	10.4%
2023	4	1.0	$21.65	0.1%	$18.94	0.2%	10.4%
2024	1	0.8	$21.69	0.2%	$18.98	0.2%	10.4%
2024	2	0.5	$21.74	0.2%	$19.03	0.3%	10.5%
2024	3	4.1	$21.79	0.2%	$19.09	0.3%	10.3%
2024	4	0.2	$21.85	0.3%	$19.15	0.3%	10.4%
2025	1	0.1	$21.90	0.2%	$19.20	0.3%	10.4%
2025	**2**	**-0.6**	**$21.93**	**0.1%**	**$19.22**	**0.1%**	**10.4%**

Neighborhood & Community Shopping Centers

Annual

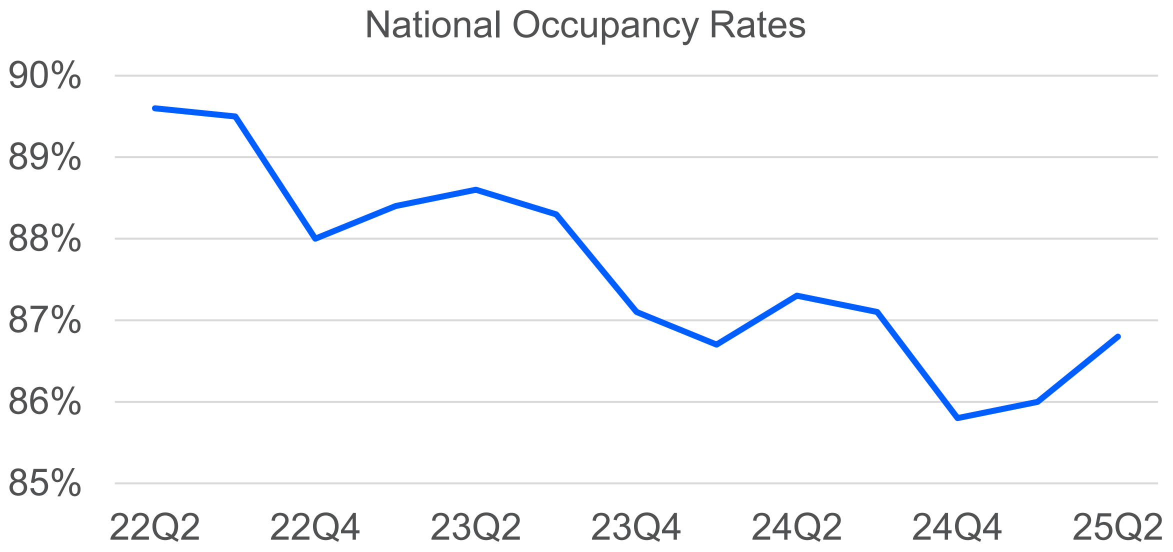
Year	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2015	12.3	$20.12	2.1%	$17.56	2.2%	10.0%
2016	12.7	$20.49	1.8%	$17.91	2.0%	9.9%
2017	9.7	$20.89	2.0%	$18.27	2.0%	10.0%
2018	1.2	$21.23	1.6%	$18.58	1.7%	10.2%
2019	22.9	$21.51	1.3%	$18.85	1.5%	10.2%
2020	-2.7	$21.35	-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	9.6	$21.65	0.7%	$18.94	0.9%	10.4%
2024	5.5	$21.85	0.9%	$19.15	1.1%	10.4%
2025	**3.3**	**$22.10**	**1.1%**	**$19.40**	**1.3%**	**10.5%**
2026	**9.0**	**$22.46**	**1.6%**	**$19.74**	**1.8%**	**10.5%**
2027	**12.4**	**$22.94**	**2.1%**	**$20.15**	**2.1%**	**10.2%**
2028	**11.2**	**$23.46**	**2.3%**	**$20.59**	**2.2%**	**10.0%**
2029	**10.1**	**$24.04**	**2.5%**	**$21.09**	**2.4%**	**9.8%**

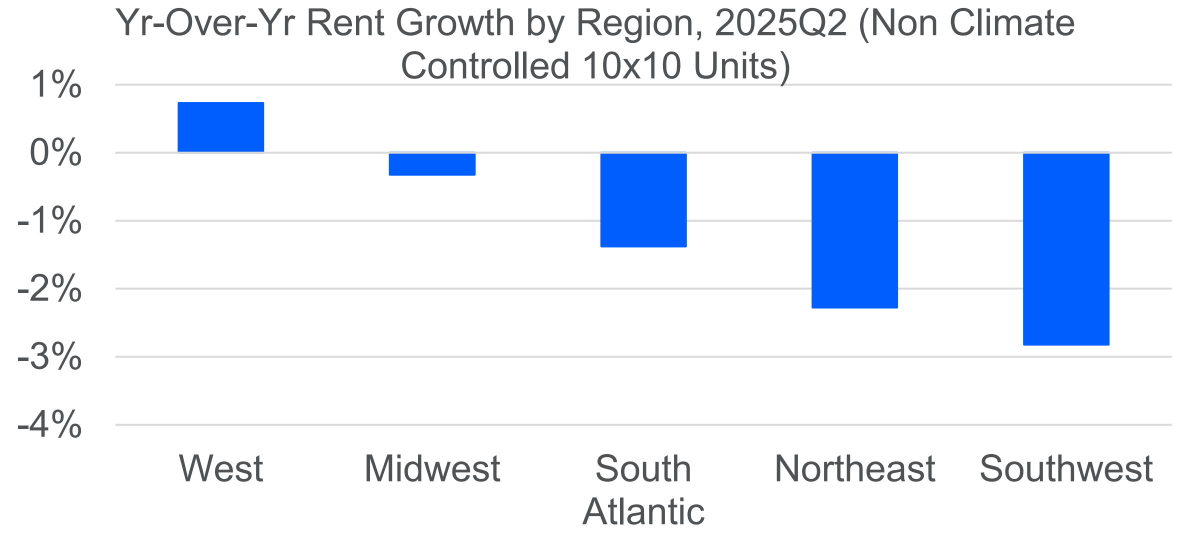
77 of 190 Retail Markets
Net absorption figures are in millions of square feet
Source: Moody's Analytics

Self Storage Performance

» Occupancy ticked up in Q2. Despite an 80 bps increase from the prior quarter, at 86.8%, the percentage remains below the typical level associated with second quarters in recent years, as demand remains suppressed.

» Four regions posted negative asking rent growth yr-over-yr for 10x10 non-climate-controlled units, with three of those still significantly negative in magnitude. However, the West has turned a corner, with demand recovery that has propelled year-over-year asking rent growth for the region into positive territory.





Source: Moody’s Analytics

Housing

National Apartment Market Performance

Quarterly & annual market conditions

- Supply-side pressure eased as demand caught up. The average vacancy held flat at 6.5% in the second quarter, **pausing a 13-quarter trend of increasing vacancy rates.**
- Higher rent from new constructions has kept **nominal rent growth positive, for now.**
- **Performance forecast softened** as uncertainties arose

Source: Moody's Analytics

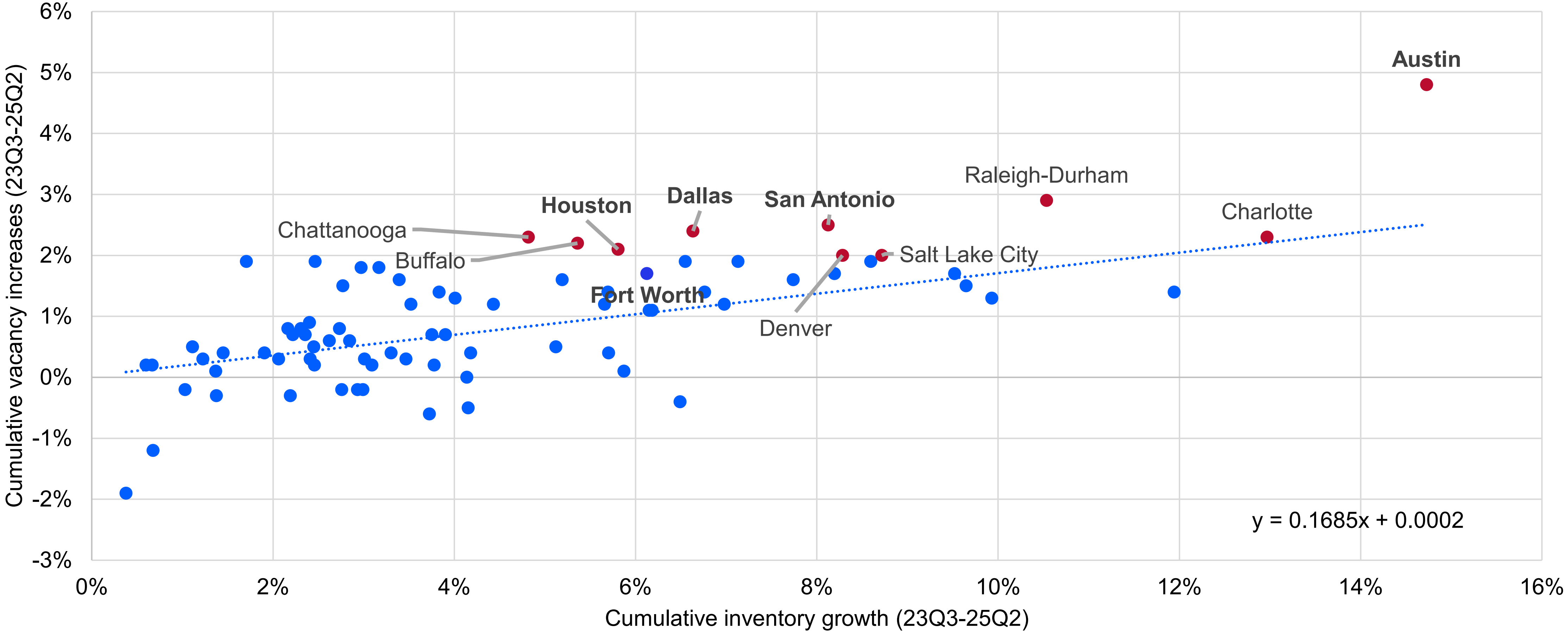
Quarterly

Year	Qtr	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	2	$ 1,443	1.5%	$ 1,374	1.5%	4.7%
2018	3	$ 1,464	1.5%	$ 1,393	1.4%	4.7%
2018	4	$ 1,478	1.0%	$ 1,406	0.9%	4.8%
2019	1	$ 1,487	0.6%	$ 1,414	0.6%	4.7%
2019	2	$ 1,508	1.4%	$ 1,434	1.4%	4.6%
2019	3	$ 1,522	0.9%	$ 1,449	1.0%	4.6%
2019	4	$ 1,530	0.5%	$ 1,456	0.5%	4.7%
2020	1	$ 1,536	0.4%	$ 1,463	0.5%	4.8%
2020	2	$ 1,531	-0.3%	$ 1,458	-0.3%	4.9%
2020	3	$ 1,507	-1.6%	$ 1,435	-1.6%	5.1%
2020	4	$ 1,492	-1.0%	$ 1,420	-1.0%	5.3%
2021	1	$ 1,493	0.1%	$ 1,421	0.1%	5.4%
2021	2	$ 1,514	1.4%	$ 1,441	1.4%	5.4%
2021	3	$ 1,631	7.7%	$ 1,559	8.2%	4.8%
2021	4	$ 1,687	3.4%	$ 1,613	3.5%	4.8%
2022	1	$ 1,736	2.9%	$ 1,661	3.0%	4.9%
2022	2	$ 1,789	3.1%	$ 1,714	3.2%	4.9%
2022	3	$ 1,825	2.0%	$ 1,750	2.1%	4.9%
2022	4	$ 1,860	1.9%	$ 1,783	1.9%	5.0%
2023	1	$ 1,857	-0.2%	$ 1,780	-0.2%	5.3%
2023	2	$ 1,877	1.1%	$ 1,800	1.1%	5.3%
2023	3	$ 1,888	0.6%	$ 1,804	0.2%	5.4%
2023	4	$ 1,880	-0.4%	$ 1,785	-1.1%	5.8%
2024	1	$ 1,884	0.2%	$ 1,790	0.3%	5.8%
2024	2	$ 1,897	0.7%	$ 1,802	0.7%	6.0%
2024	3	$ 1,906	0.5%	$ 1,811	0.5%	6.1%
2024	4	$ 1,913	0.4%	$ 1,817	0.3%	6.4%
2025	1	$ 1,916	0.2%	$ 1,820	0.2%	6.5%
2025	**2**	**$ 1,928**	**0.6%**	**$ 1,832**	**0.7%**	**6.5%**

Annual

Year	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2020	$1,492	-2.5%	$1,420	-2.5%	5.3%
2021	$1,687	13.0%	$1,613	13.6%	4.8%
2022	$1,860	10.2%	$1,783	10.5%	5.0%
2023	$1,880	1.1%	$1,785	0.1%	5.8%
2024	$1,913	1.8%	$1,818	1.8%	6.4%
2025	**$1,960**	**2.4%**	**$1,859**	**2.3%**	**6.4%**
2026	**$2,011**	**2.6%**	**$1,905**	**2.5%**	**6.2%**
2027	**$2,066**	**2.7%**	**$1,956**	**2.7%**	**6.0%**
2028	**$2,125**	**2.9%**	**$2,012**	**2.9%**	**5.8%**
2029	**$2,188**	**3.0%**	**$2,071**	**2.9%**	**5.7%**
2030	**$2,254**	**3.0%**	**$2,134**	**3.0%**	**5.4%**
2031	**$2,324**	**3.1%**	**$2,200**	**3.1%**	**5.2%**
2032	**$2,398**	**3.2%**	**$2,270**	**3.2%**	**5.1%**
2033	**$2,475**	**3.2%**	**$2,344**	**3.3%**	**4.7%**
2034	**$2,556**	**3.3%**	**$2,419**	**3.2%**	**4.3%**

Unparallelled Responses



Source: Moody's Analytics

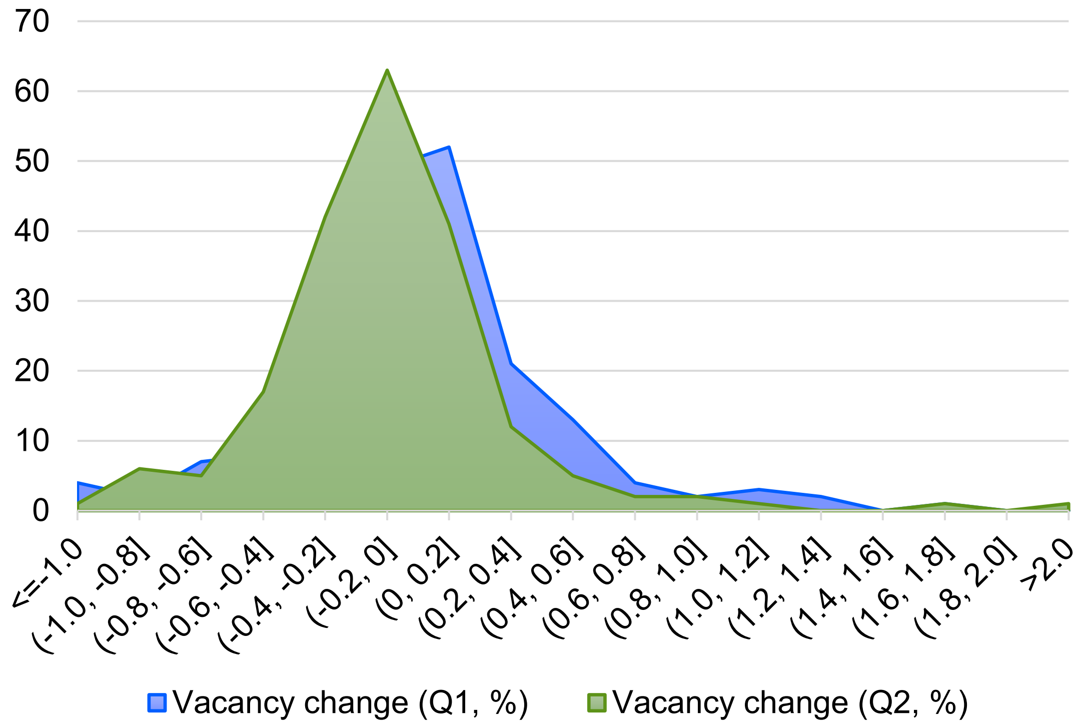
Major Metro Areas Reversed Young Population Trend in 2023 and 2024

Metro	Young Population Increase (21-22)	Young Population Increase (23-24)	Rent Growth (Annual)	Vacancy Changes (Annual)	Homeownership Rate (25Q1)
New York	-170558	128825	1.5%	0.7%	47%
Los Angeles	-90106	1645	0.9%	0.1%	49%
San Francisco	-82595	8578	1.0%	-0.1%	49%
Chicago	-37300	48814	4.4%	0.2%	64%
District of Columbia	-9264	37125	3.4%	1.8%	64%
San Jose	-17205	25900	4.1%	0.4%	51%

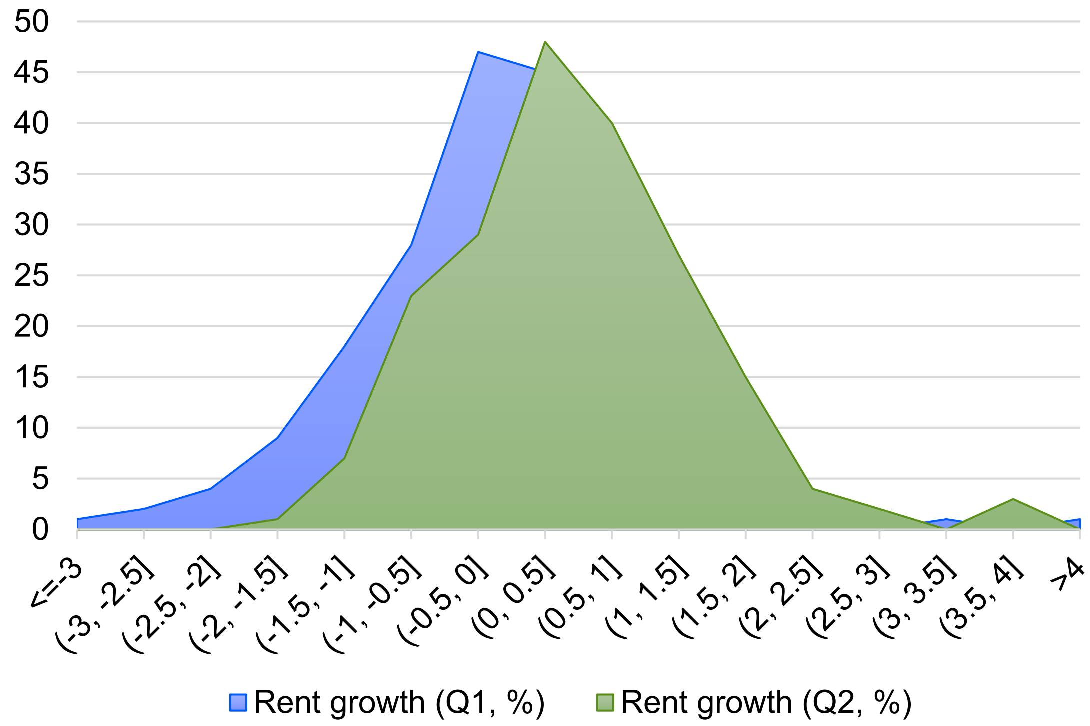
Source: U.S. Census Bureau, Moody's Analytics

Subtle but Promising Shift

Quarterly vacancy change distribution shifted further left



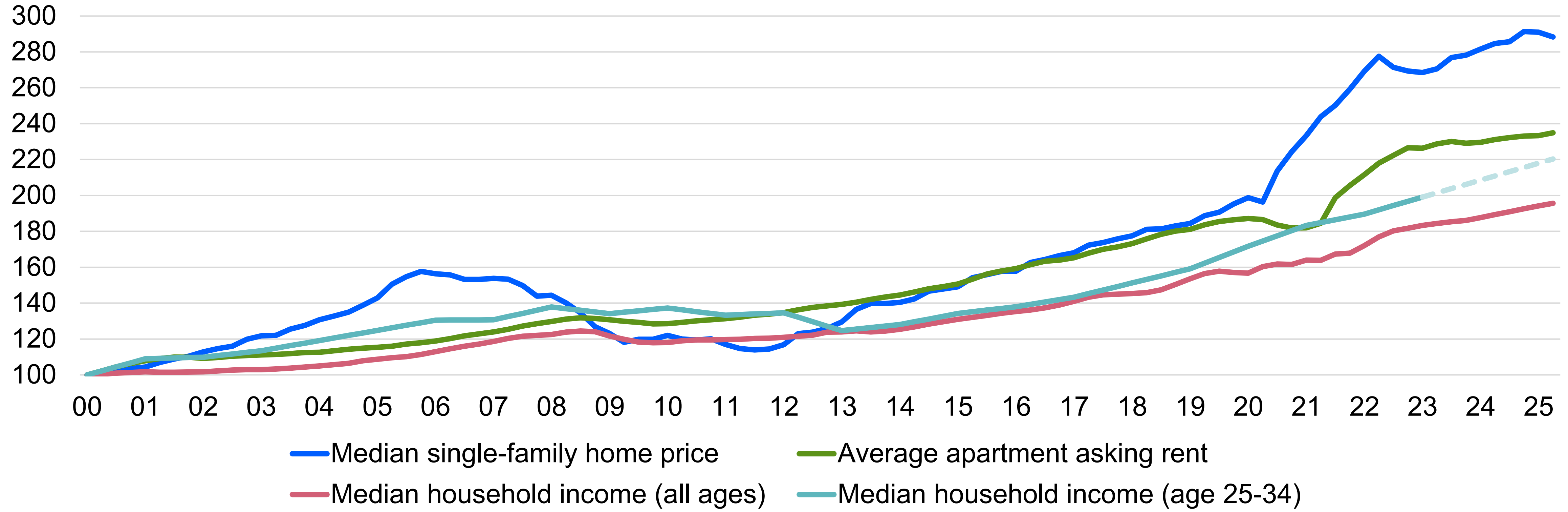
Quarterly rent growth distribution shifted further right



Source: Moody’s Analytics

A Hard-to-Substitute Market: Unaffordable Homeownership

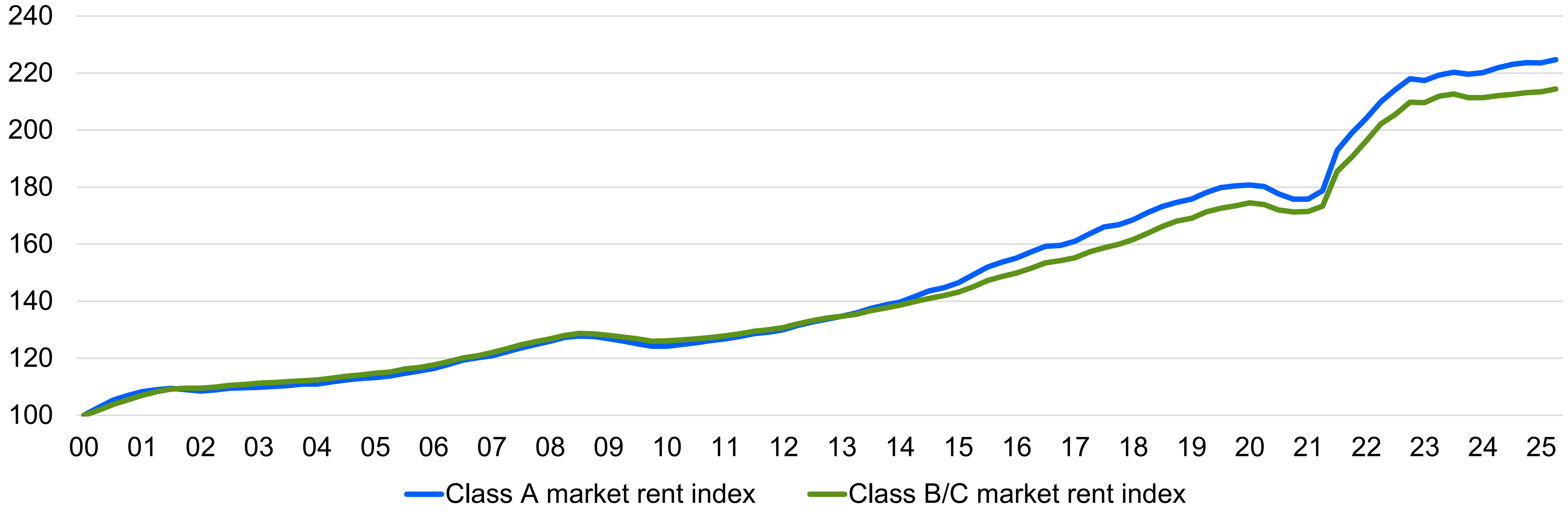
Index 2000 Q1 value = 100 for all data series. Median household income for ages 25-34 is linearly extrapolated after 2023.



Source: U.S. Bureau of Labor Statistics, National Association of Realtors, Moody's Analytics

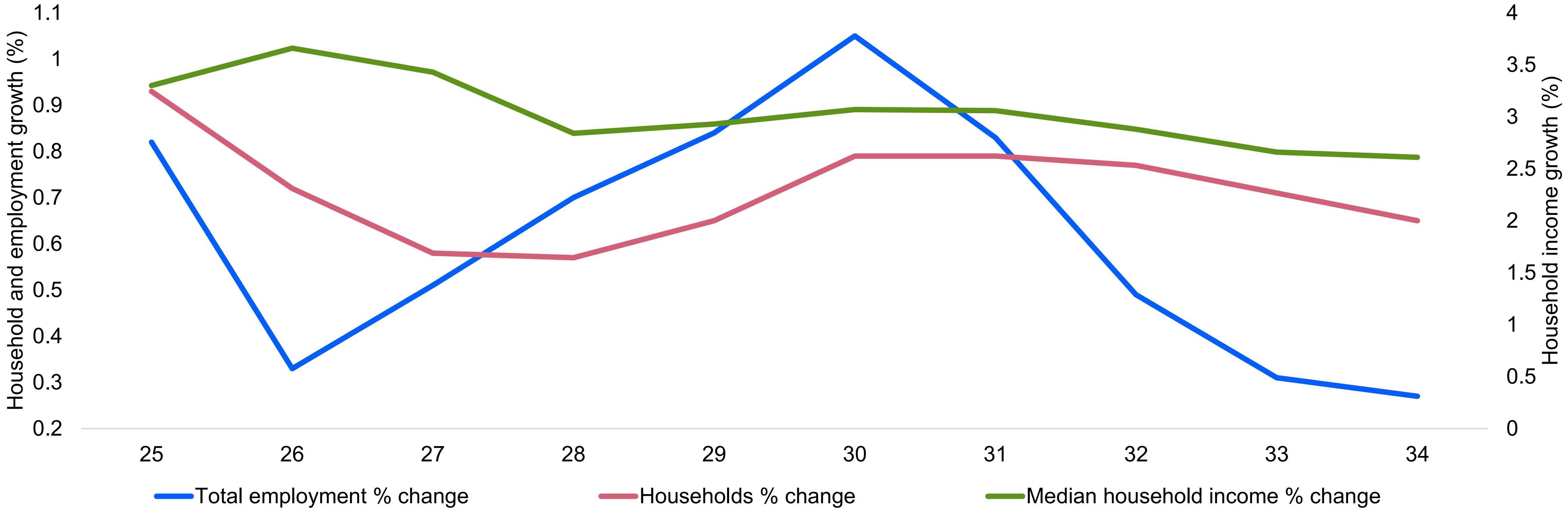
A Hard-to-Substitute Market: Limited Affordable Rental Options

Index 2000 Q1 value = 100



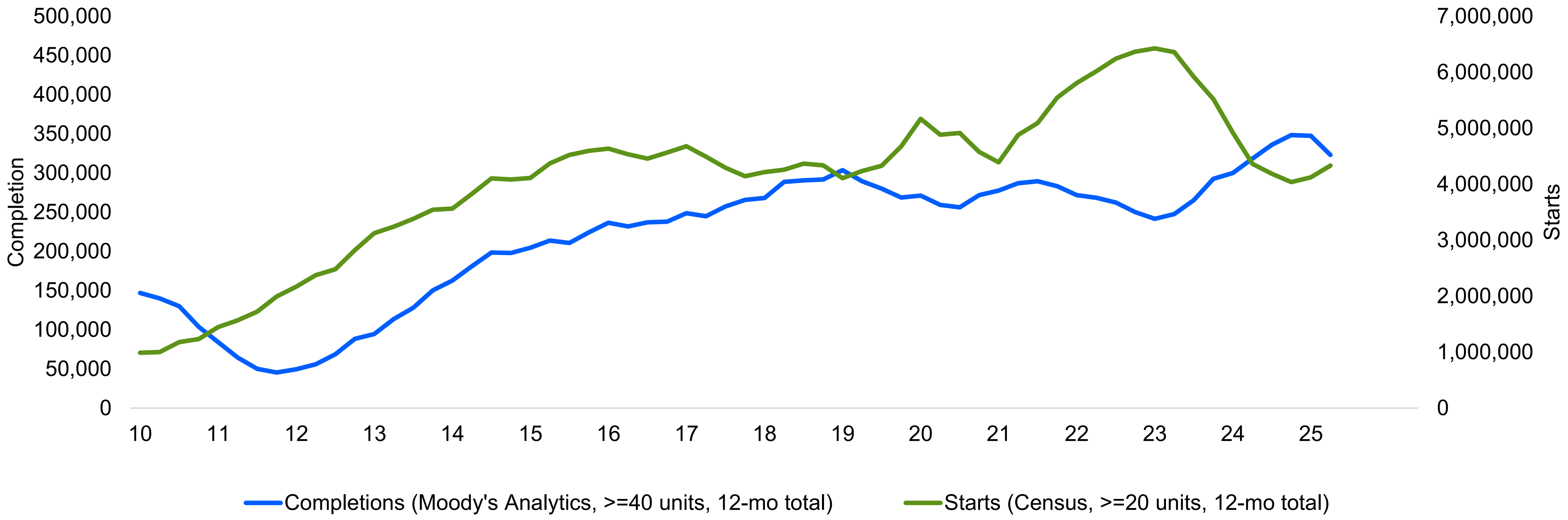
Source: U.S. Bureau of Labor Statistics, National Association of Realtors, Moody's Analytics

Demand Drivers Face Near-Term Risk but Will Remain Positive



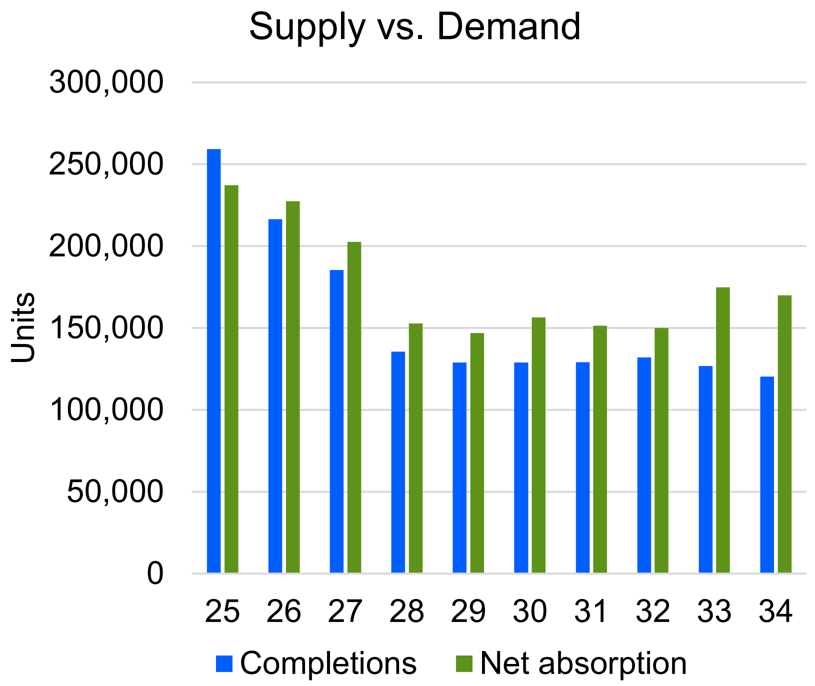
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, Moody's Analytics

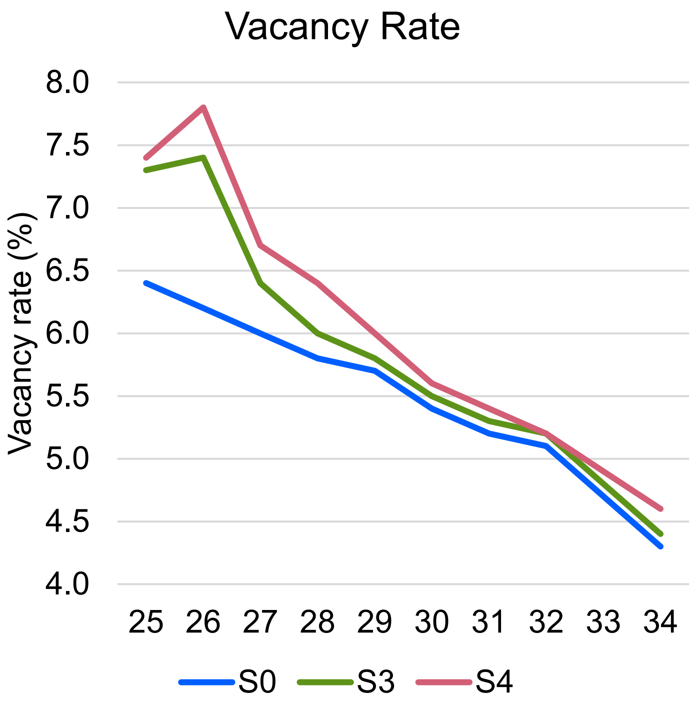
Not Too Optimistic Yet

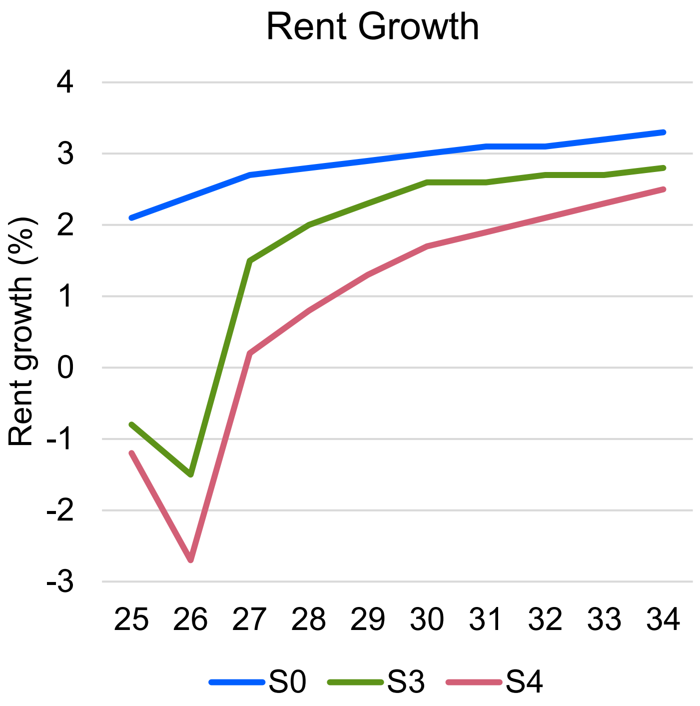


Sources: U.S. Census Bureau, Moody's Analytics

Baseline Forecast Weakened





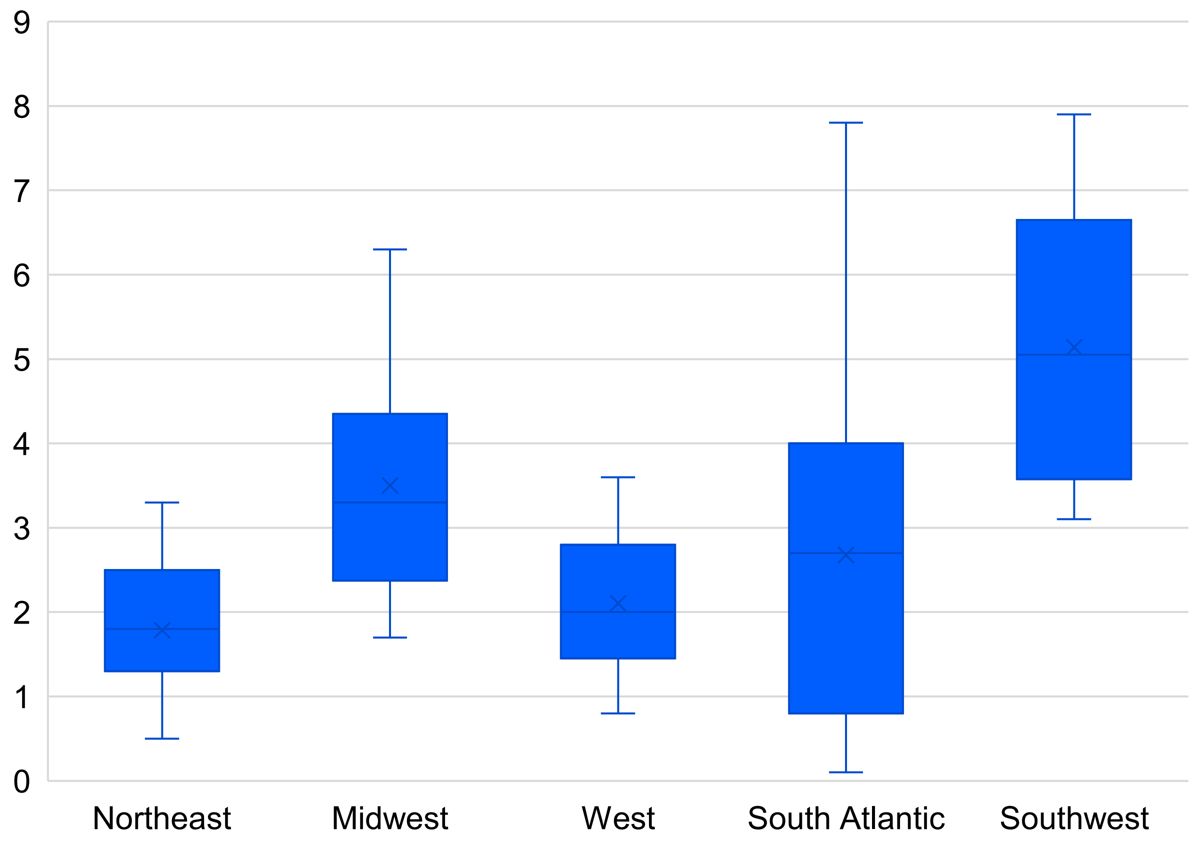


Source: Moody's Analytics

LIHTC Performance Across Regions

Regional vacancy distribution, %

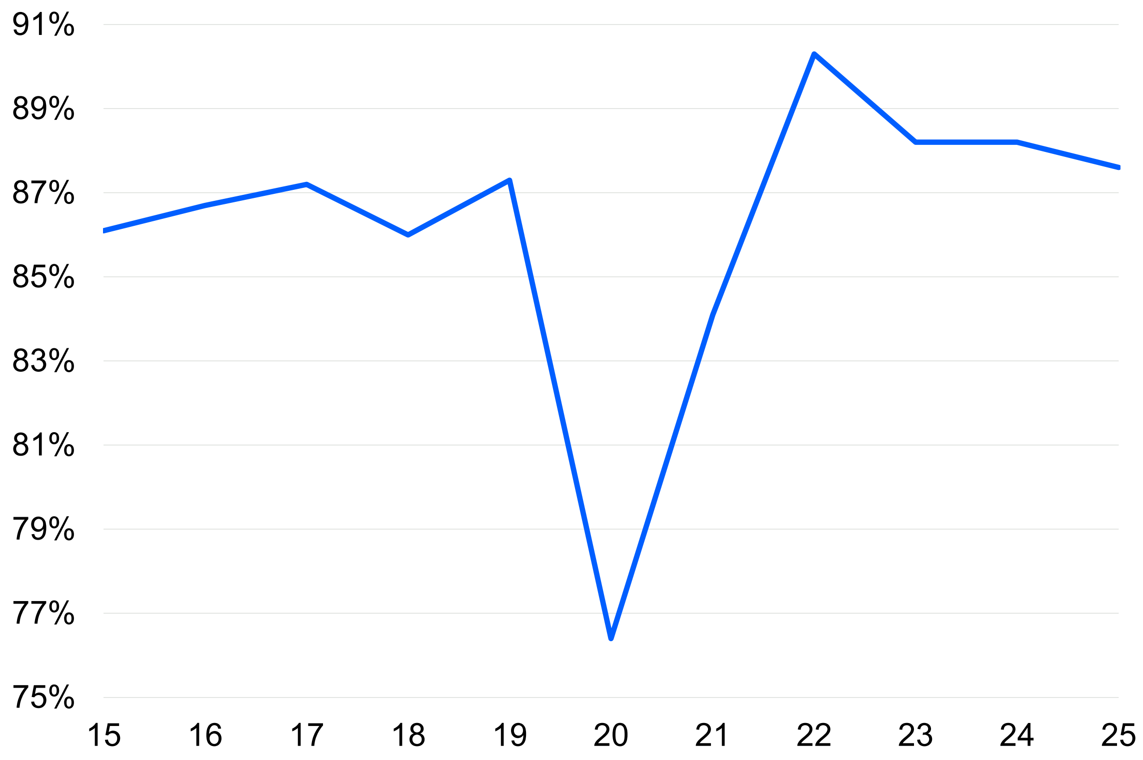
- Vacancy rate edged up 10 bps to 2.8% in Q2 due to stronger-than-expected construction delivery.
- Asking rent was up 0.9%, on par with the average rent growth for the previous 9 yrs.
- Market performance forecast revised slightly up due to strong demand.



Source: Moody's Analytics

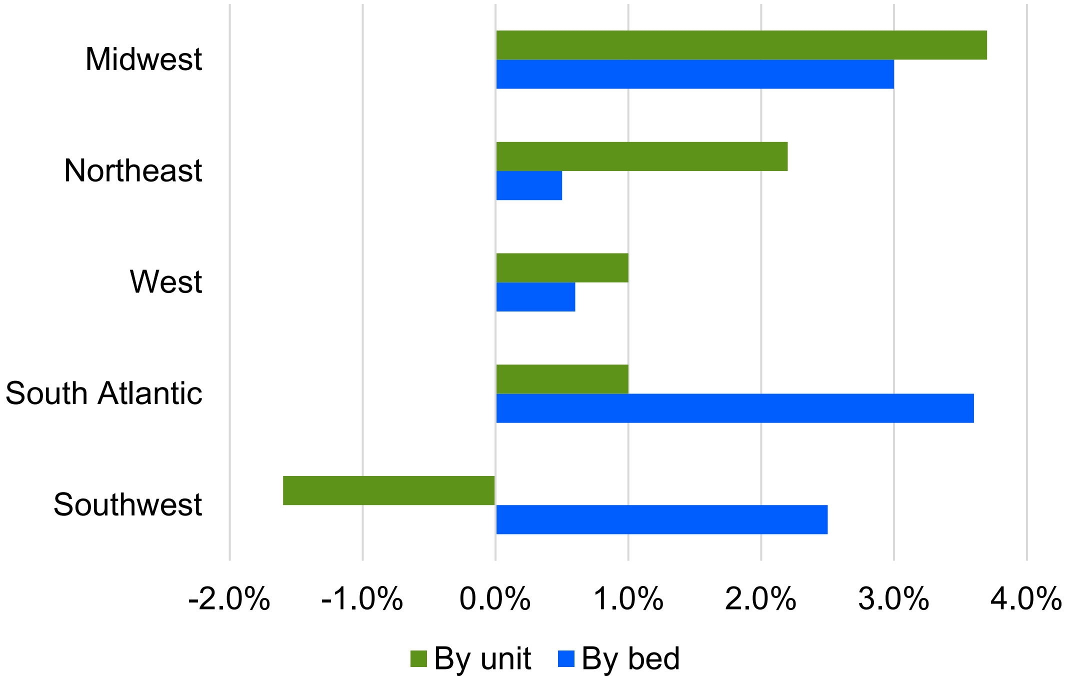
Student Housing in the Second Quarter

US Q2 Prelease, %



Source: Moody's Analytics

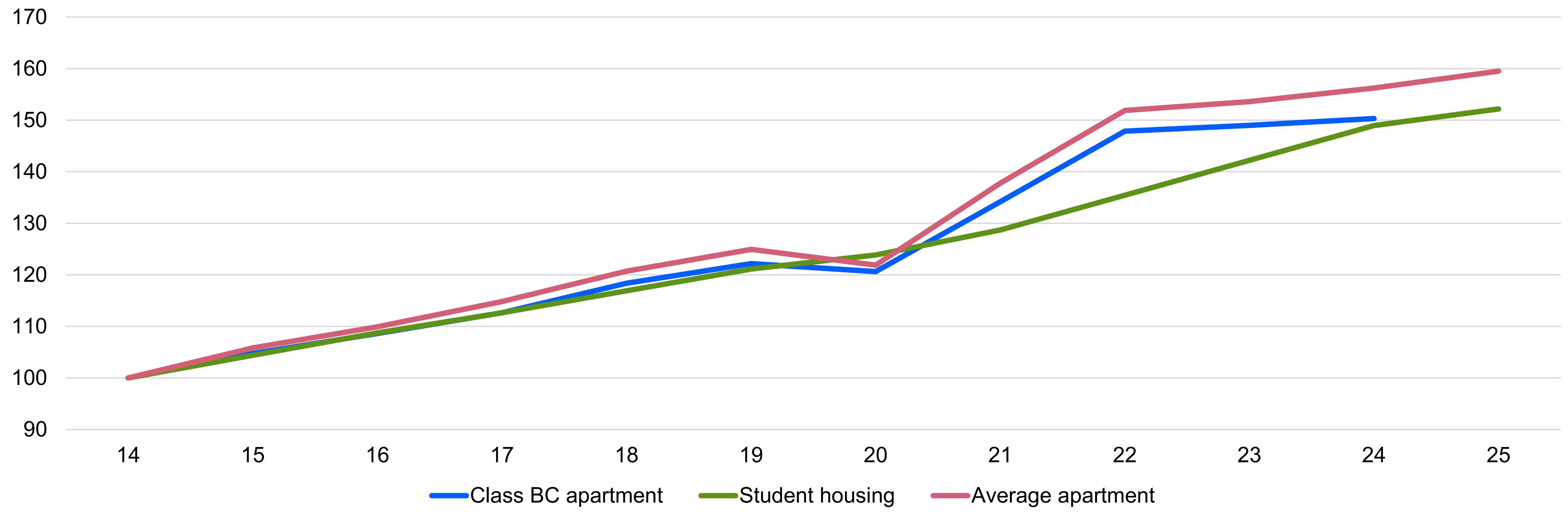
Regional rent growth fall 2025 – fall 2026



National Student Housing Market, Fall 26- Fall 26				
	Vacancy Rate	Vacancy Chg, BPS	Rent Growth	Inventory Growth
Bed	2.7%	10	2.5%	0.8%
Unit	2.6%	10	1.8%	1.6%

Competitive Stock Helps Ease Affordability Pressure

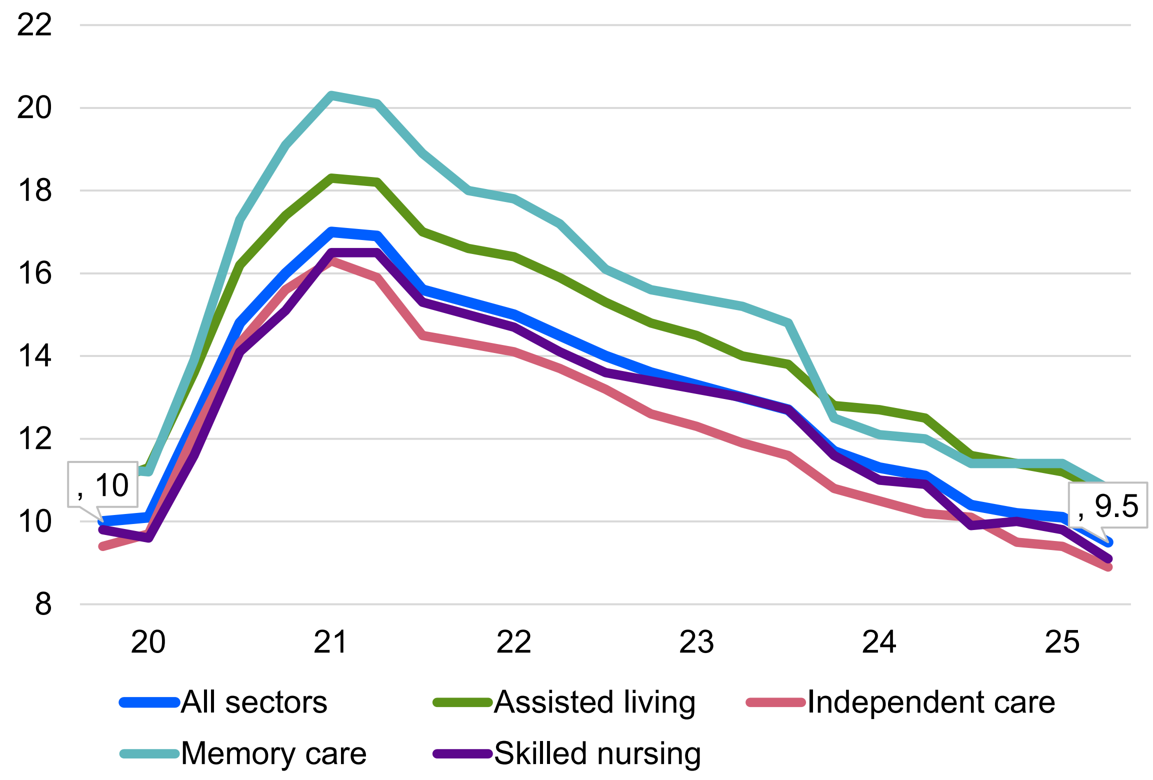
Index 2014 value = 100



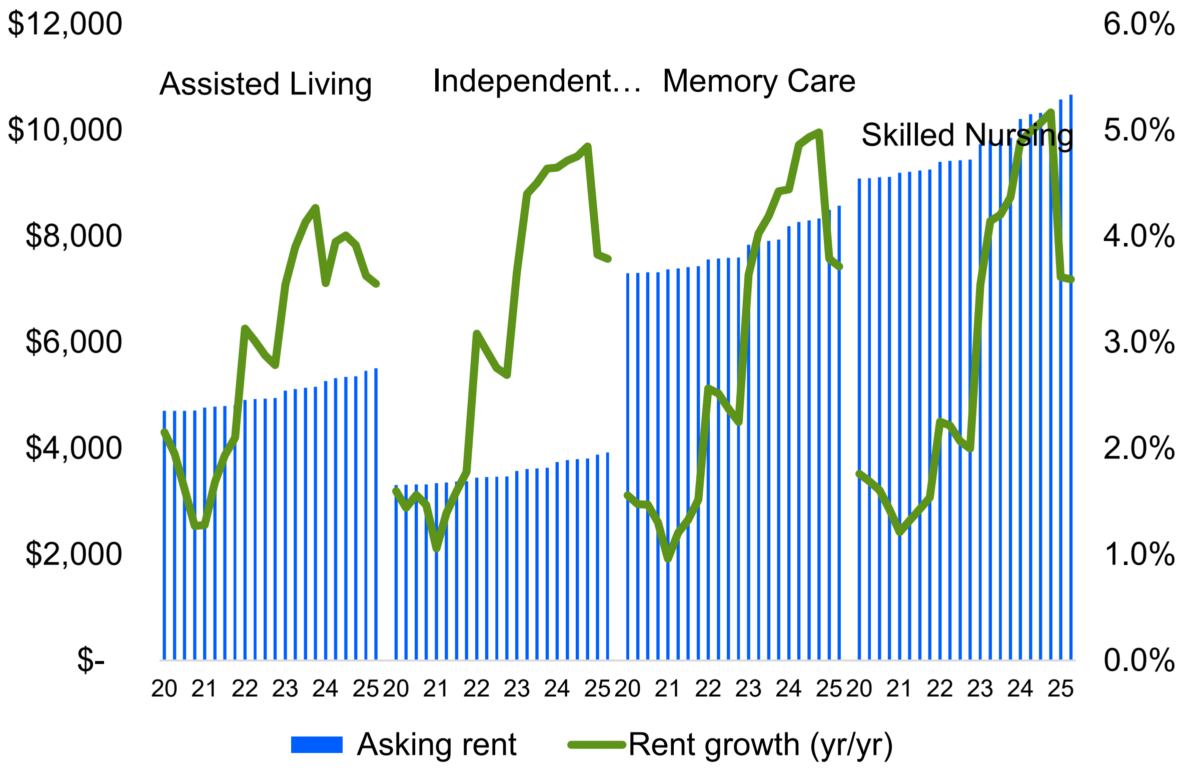
Source: Moody's Analytics

Senior Housing in the Second Quarter

Vacancy rate, 2019 Q4 – 2025 Q2



Asking rent level (L-axis) and growth rate (R-axis)



Source: Moody's Analytics

CRE Capital Markets: Recovery on Pause

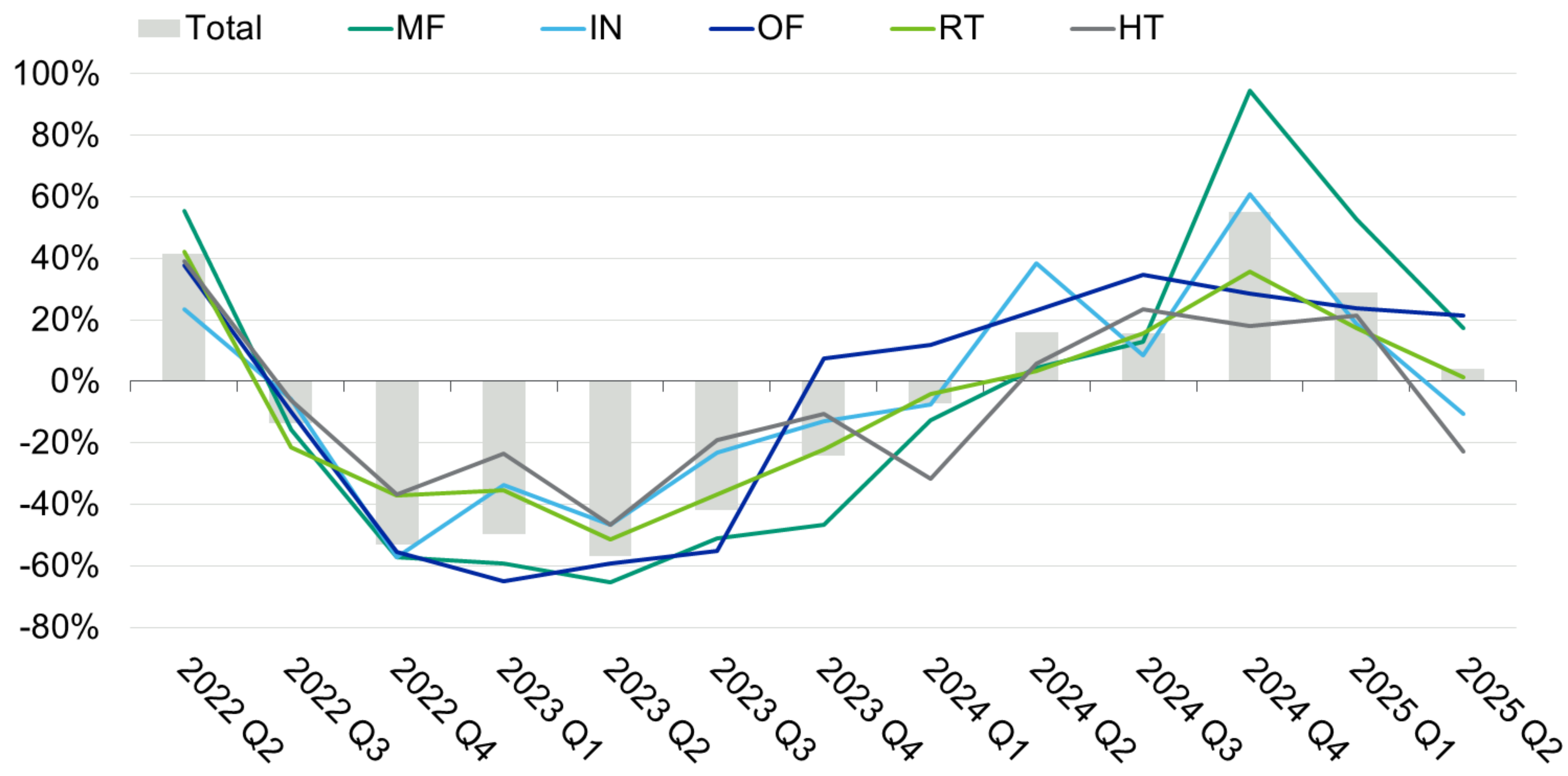
The Story: Recovery on Pause

CRE capital market cycle as of 2025Q2

	Indicator	Status	2025 Outlook
Transaction Volume	→	5 quarters up, though Q2 nearly flat	Year-over-year recovery likely flat until 2026; but if recession avoided, rate cuts will help the bid-ask gap
Lending Volume	→	6 quarters up YoY, but pace has slowed	Growth dependent more on refinancing than acquisitions; rate cuts will help
Property Values	→	Lack of any real momentum as buyers and sellers stand off	Buyers will still have negotiation power & suppress prices into 2026
Credit	↘	Delinquencies continue ramping; more than office now	3 of 5 core property types will get worse before better

Source: Moody's Analytics

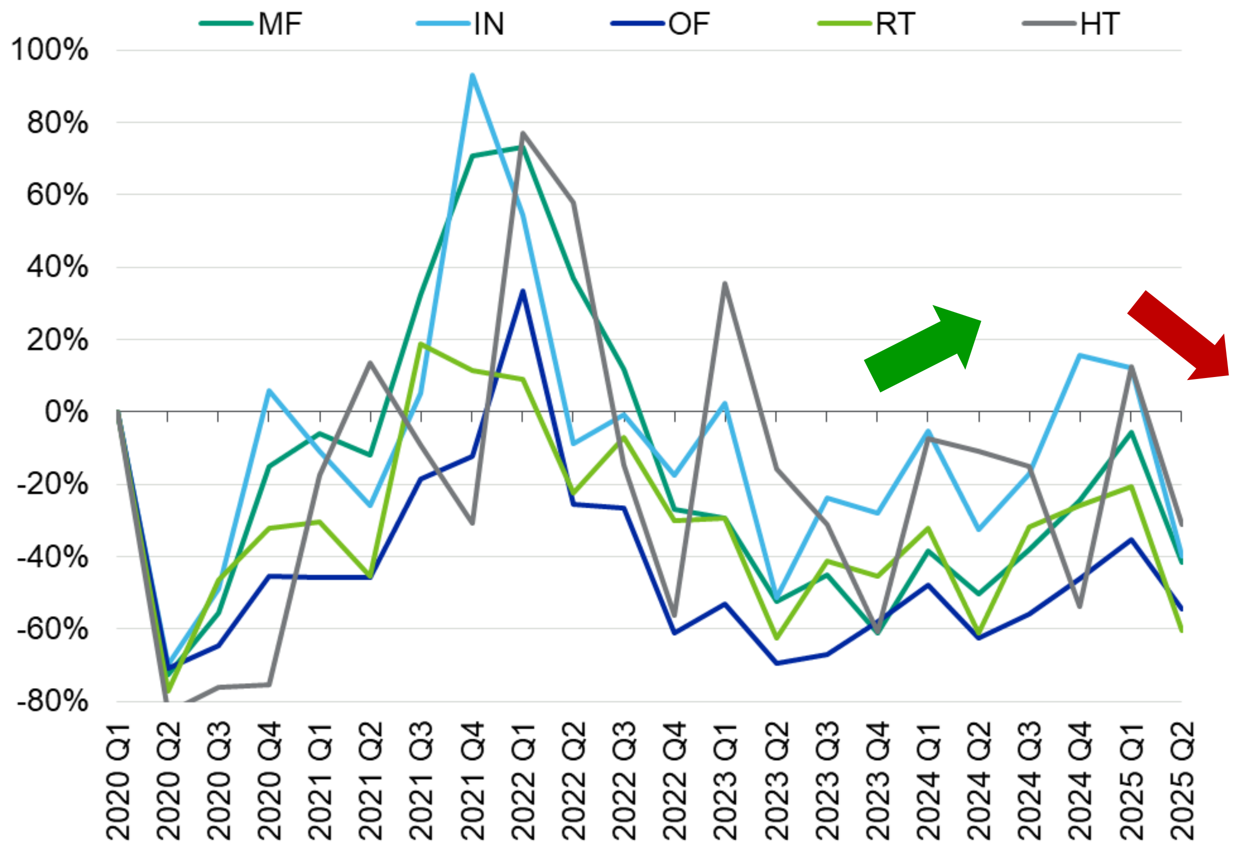
Sales Activity Flattens Out on Business Uncertainty



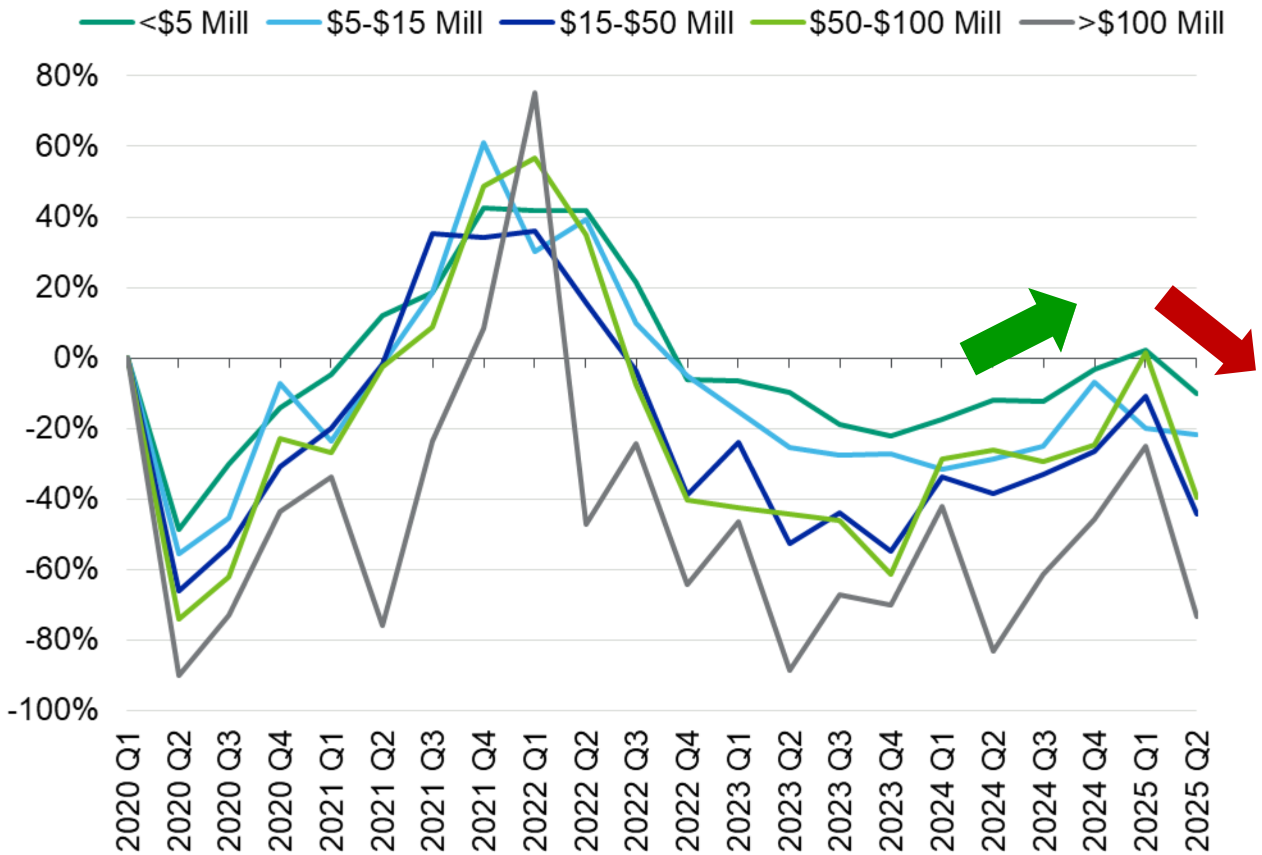
Source: Moody’s Analytics

The Picture of a Paused Recovery

Transaction volume growth, **vs pre-Covid** by prop type



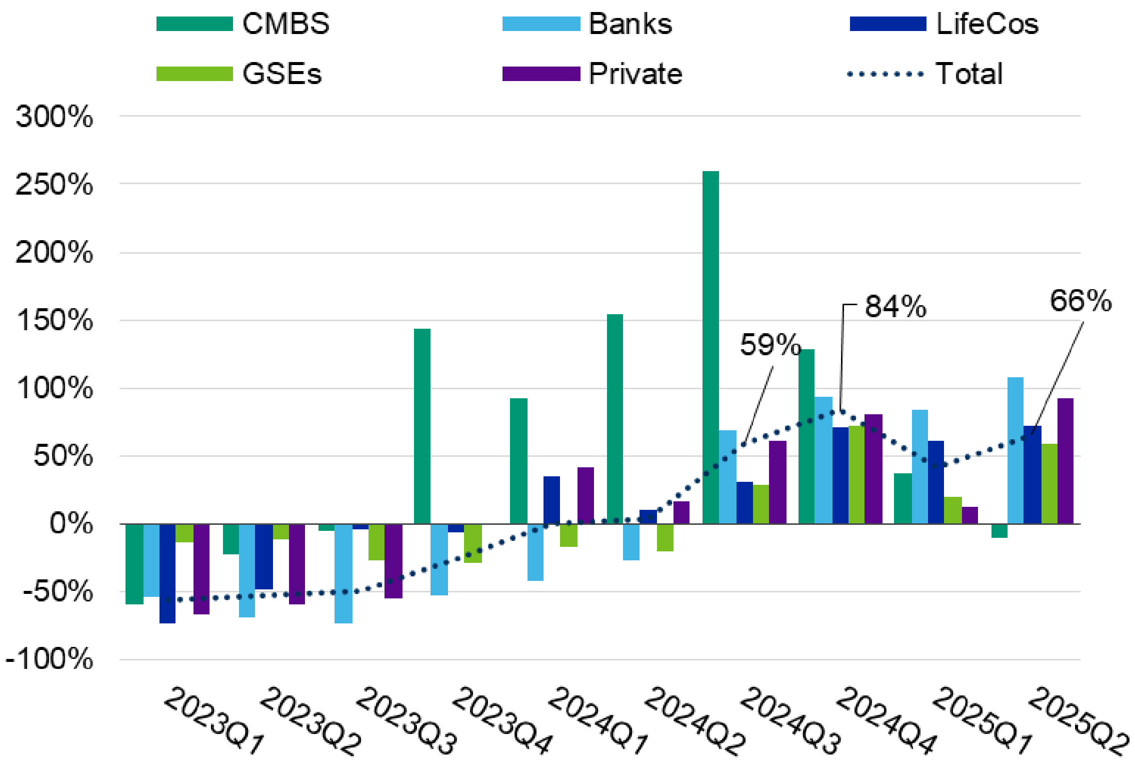
Transaction volume growth, **vs pre-Covid** by sale size



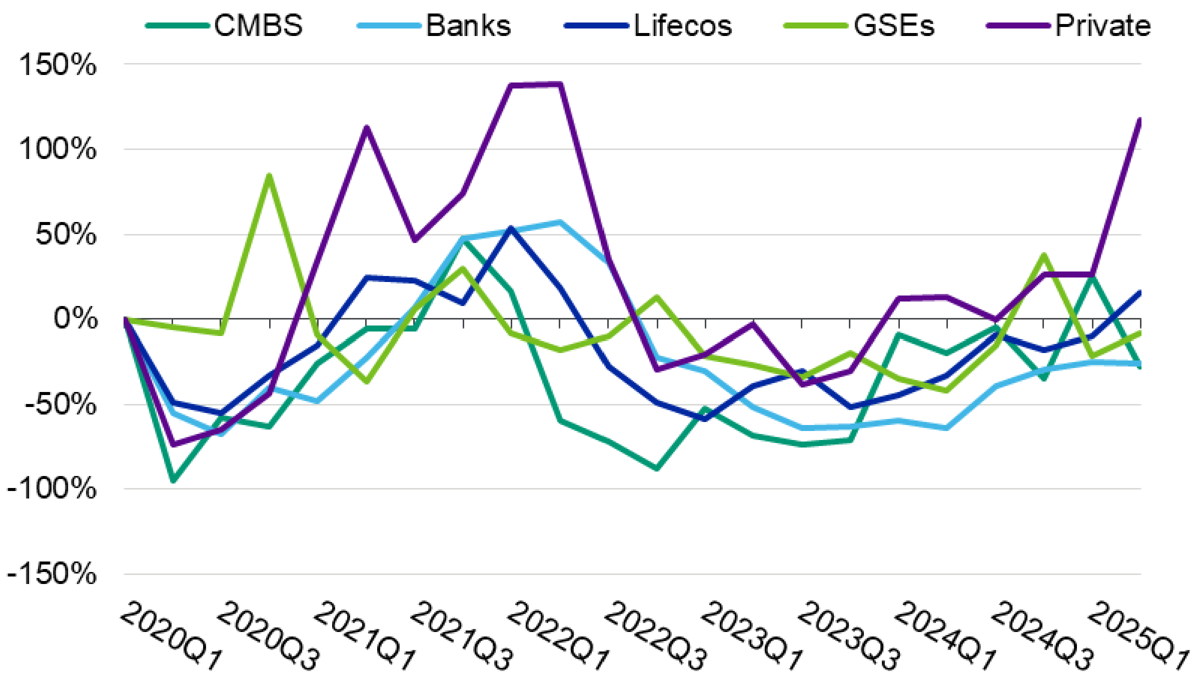
Source: Moody's Analytics

Lending Volume Growth Substantial, but Cooled Slightly

Lenders' origination growth year-over-year



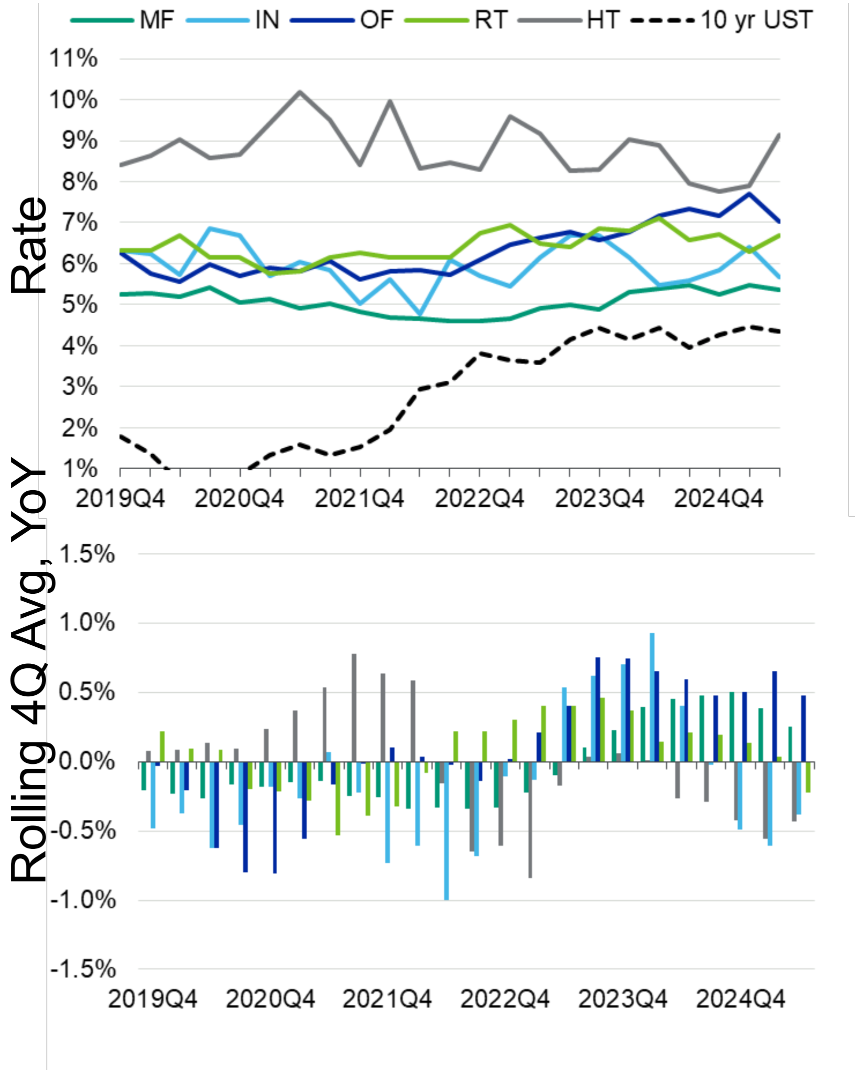
Lenders' origination growth vs. equivalent pre-Covid period



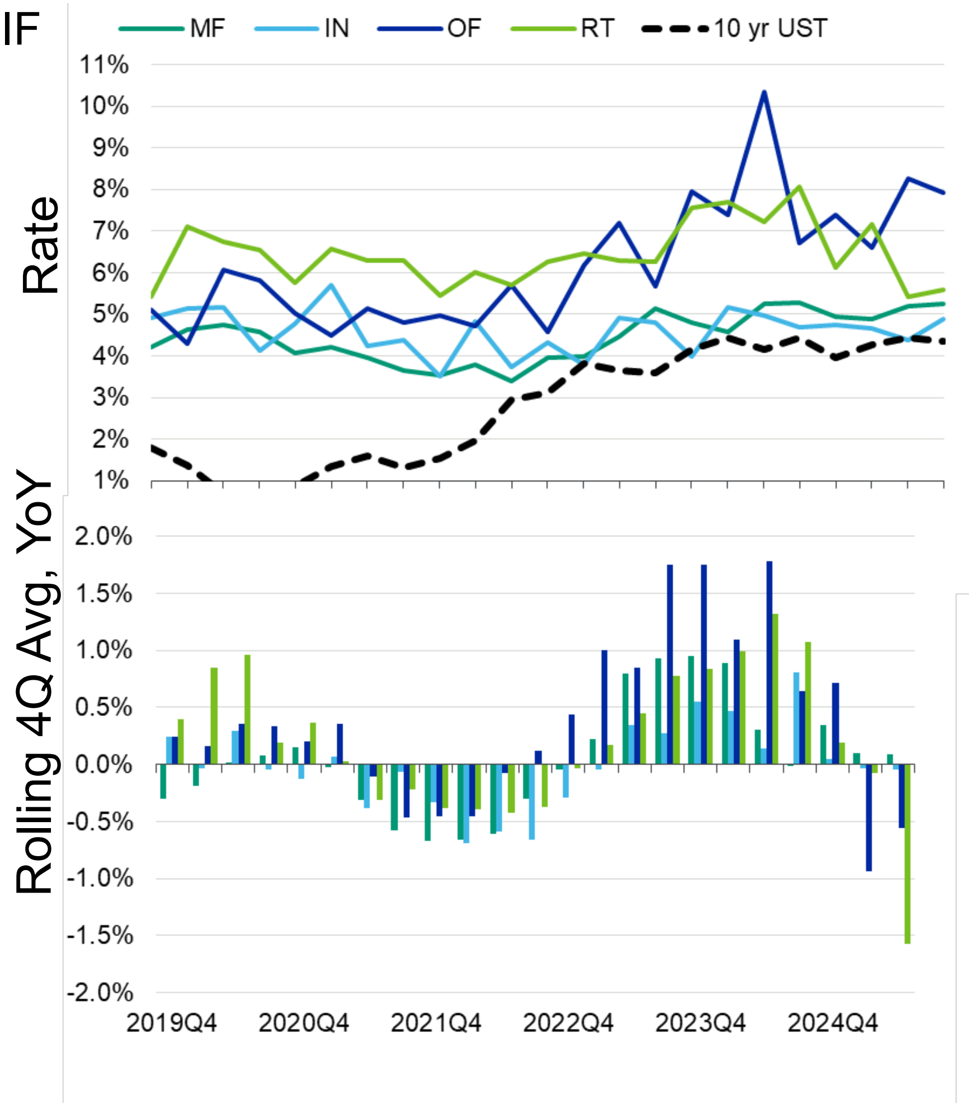
Sources: MBA, Moody's Analytics

Cap Rate Trends Reflect the Pressure From Sustained High Interest Rates

CMBS



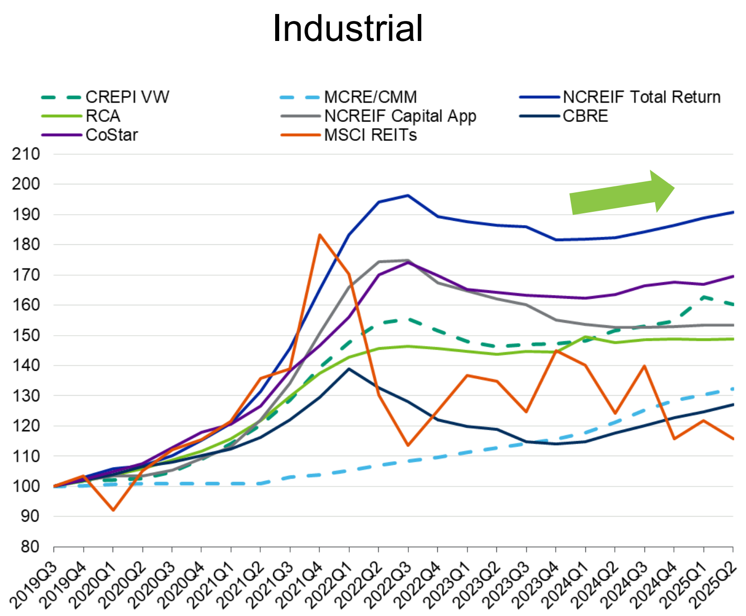
NCREIF

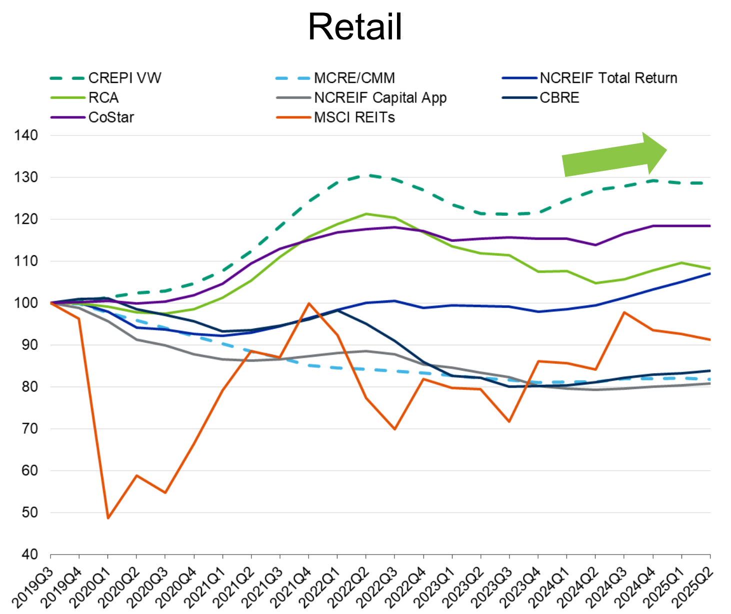


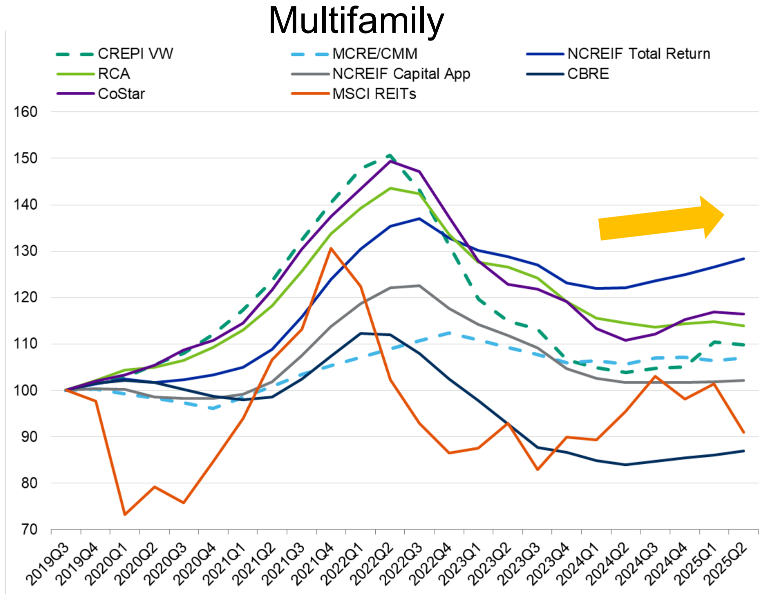
Property Value Indexes Show What May Be a U-Shaped Recovery

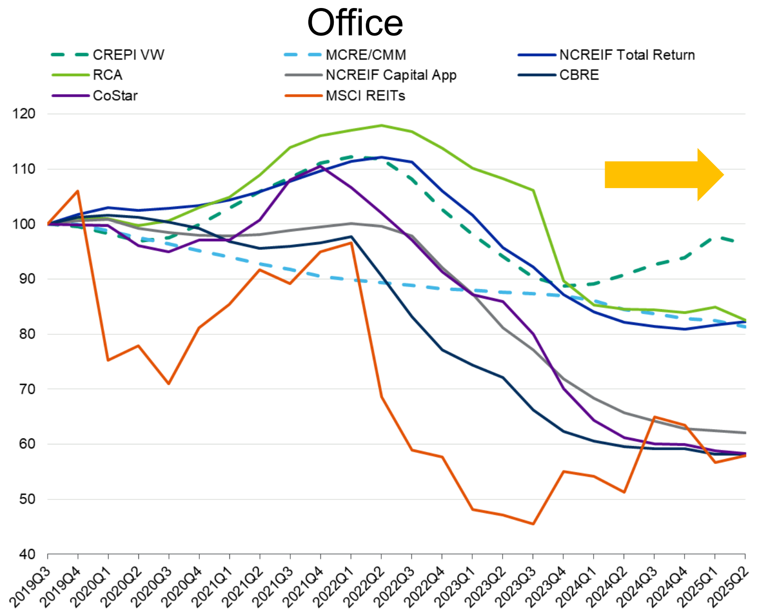
Value Trend Takeaways

- » Industrial still strong, but couple signs of slipping, esp in REITs; our index shows first quarterly decline in 2 years
- » Retail: Weakness in Q2 but still strong story YoY across all. 3 Q declines for retail REITs.
- » Multifamily still listing sideways under the weight of rate adjs; half of value measures down on Q; big drop in REITs
- » Office indices showing resistance; 3 of 8 are up or flat for both Q and Y; Still, U-shaped recovery may be a sideways C on avg for sector





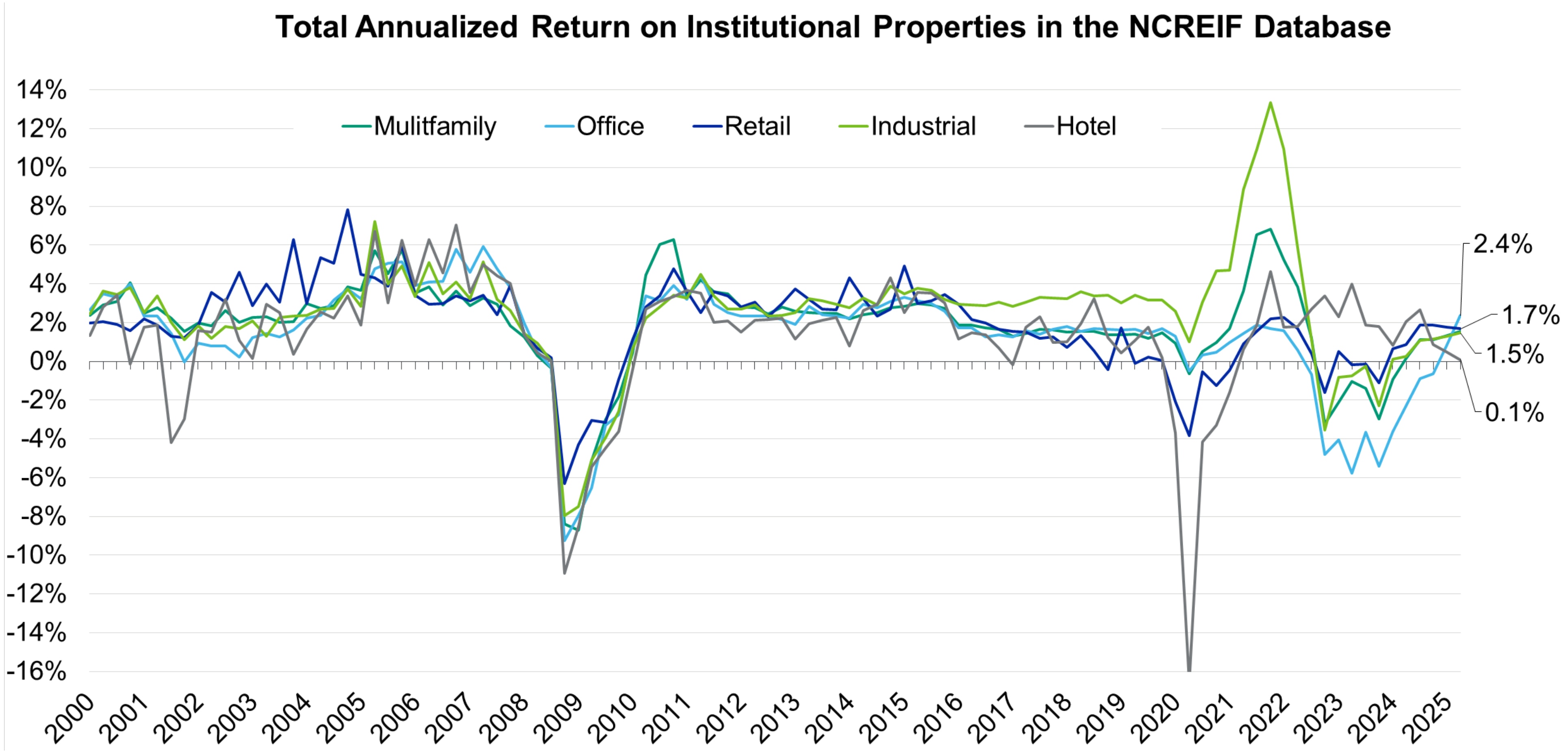




Sources: Moody's Analytics, various as shown

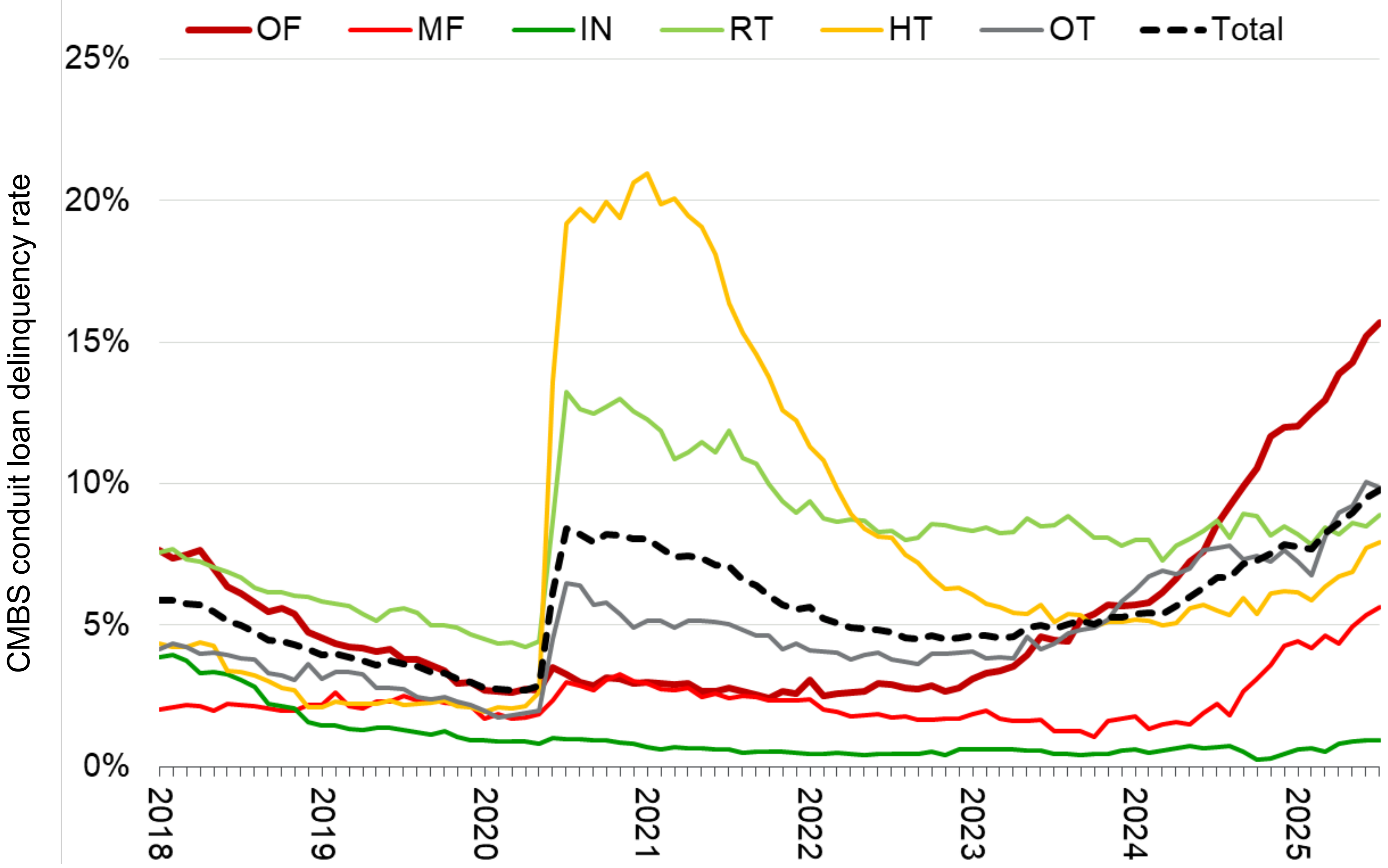
Institutional CRE Returns Paint a Slightly Rosier Picture

All sectors positive in total return; office rebounds, hotel nears negative for first time since 2020



Sources: NCREIF, Moody's Analytics

Delinquencies March Upward as Rates Stay High While Economy Slows



Source: Moody's Analytics

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Thank you

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