

Outlook on the Economy and Commercial Real Estate

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NYSSA

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Factors Driving Uncertainty in U.S. Economy

In 2022, a confluence of factors have increased the uncertainty surrounding the U.S. economic outlook.

Mixed Economic Growth Results

- Real GDP Growth Rates: 2022Q1 = -1.6%; 2022Q2 = -0.6%; 2022Q3 = 2.9% .

Waning Job Gains

- Total Nonfarm Payrolls: Nov. '22= 263,000; YTD 2022 Average = 392,000.

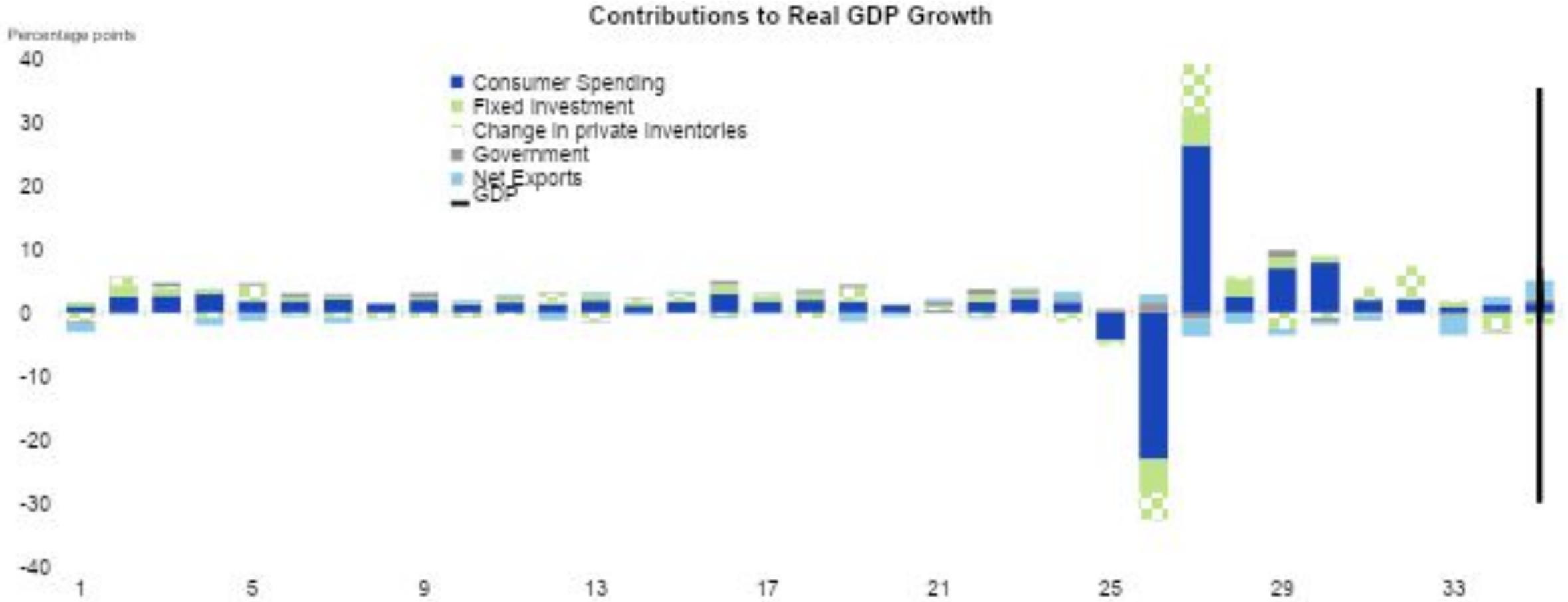
Elevated Inflation

- CPI All Urban Consumers: Oct. '22 = 7.8% over year ago; Dec. '20 = 1.3% over year ago.

Rising Interest Rates

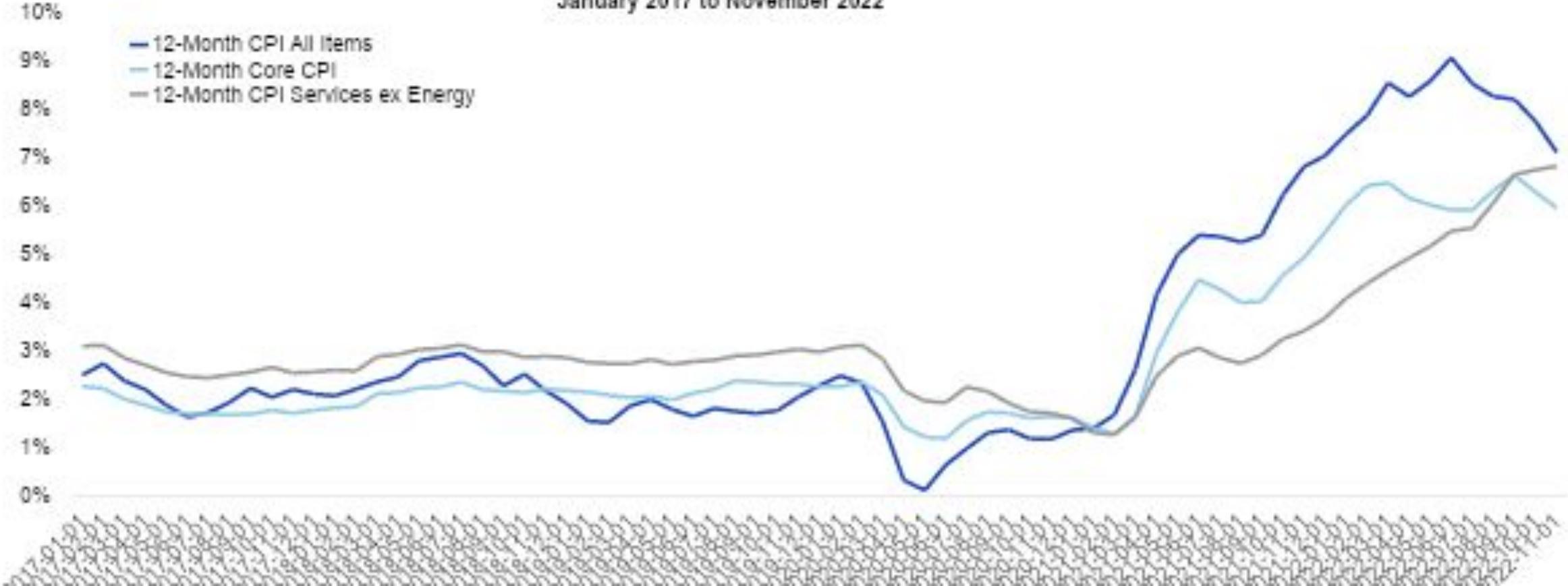
- 10-Year Treasury Yield: 2021Q4 = 1.52%; 2022Q3 = 3.83%.

Real GDP Growth



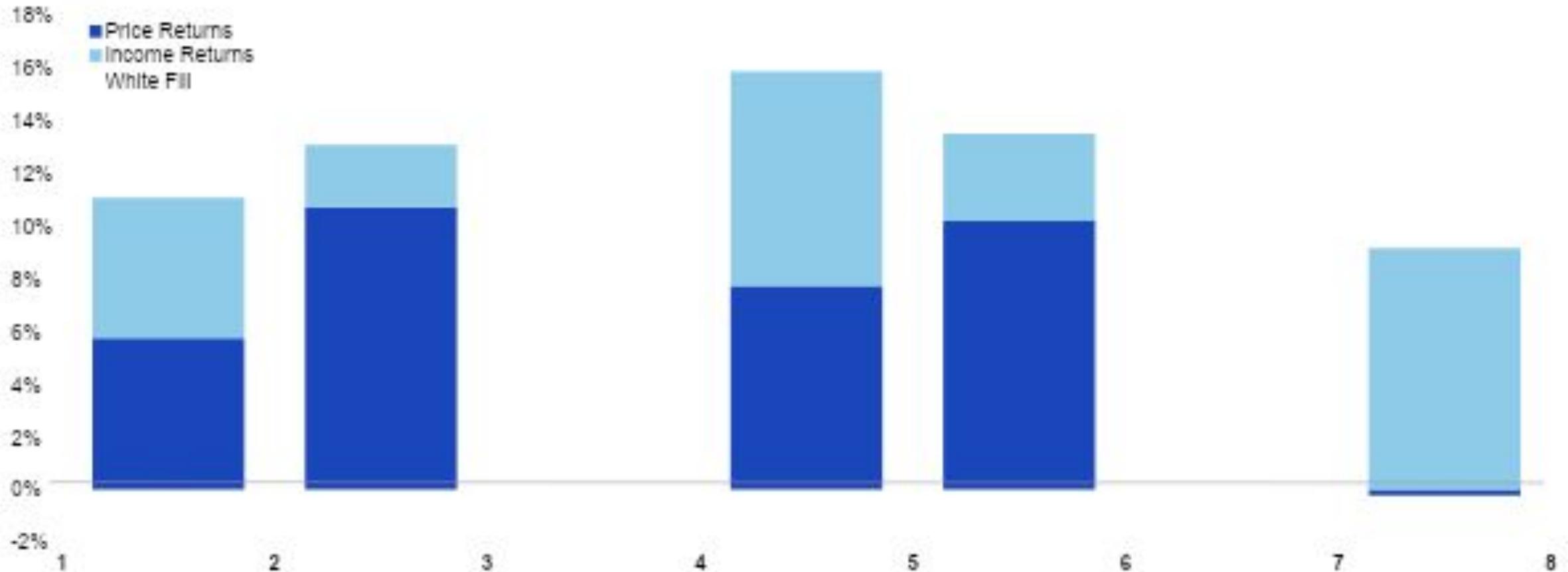
Inflation Slowing

U.S. Consumer Price Index
January 2017 to November 2022



Real Estate Provides Inflation Protection

REIT Returns Compared to S&P 500 Returns During Different Inflation Periods

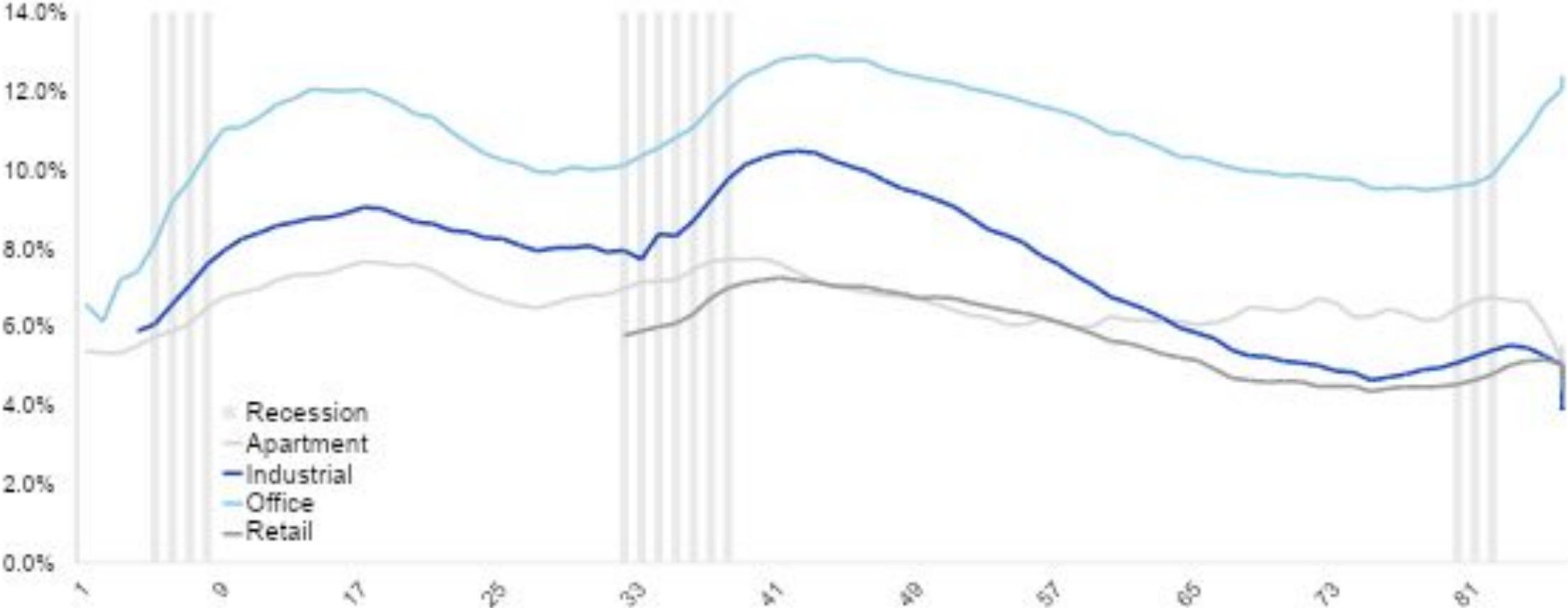


Labor Market is Slowing but Strong



Vacancy Rates for U.S. Markets

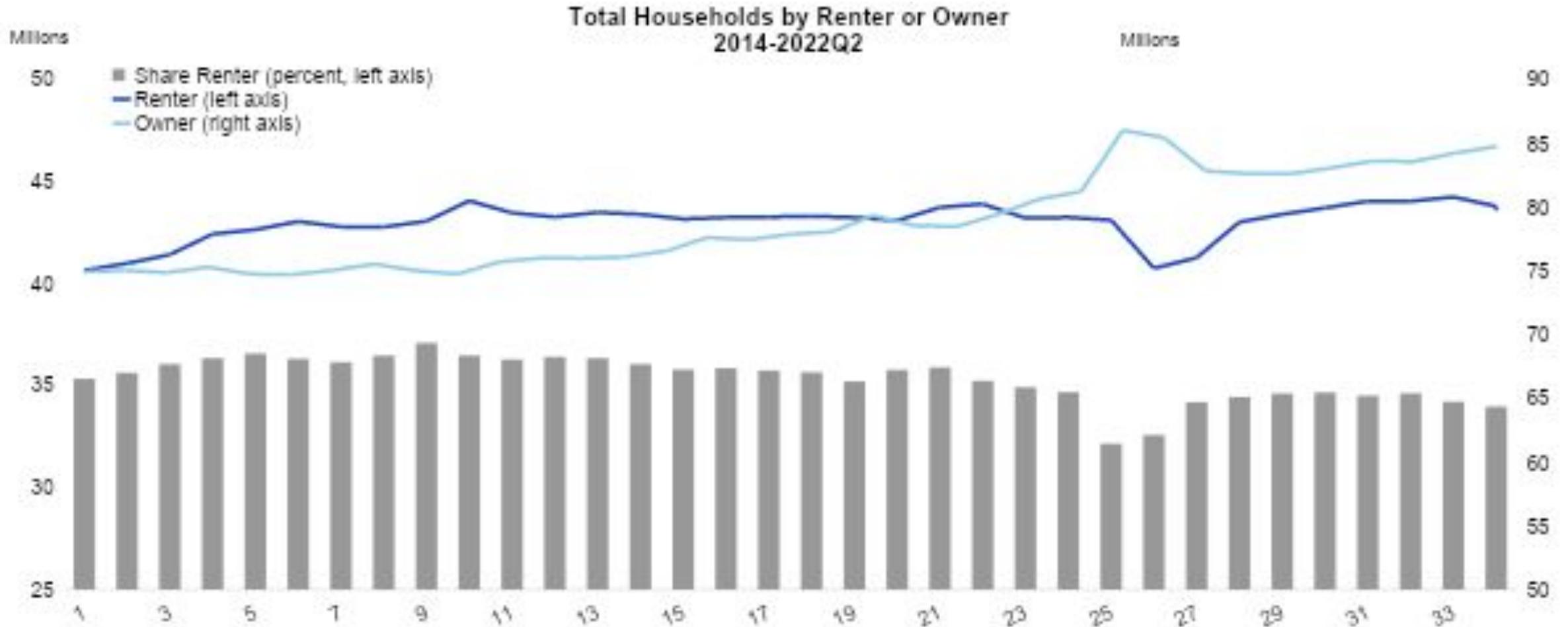
Vacancy rates moved down in 2022:Q3 for retail. Office, industrial, and multifamily rates increased slightly.



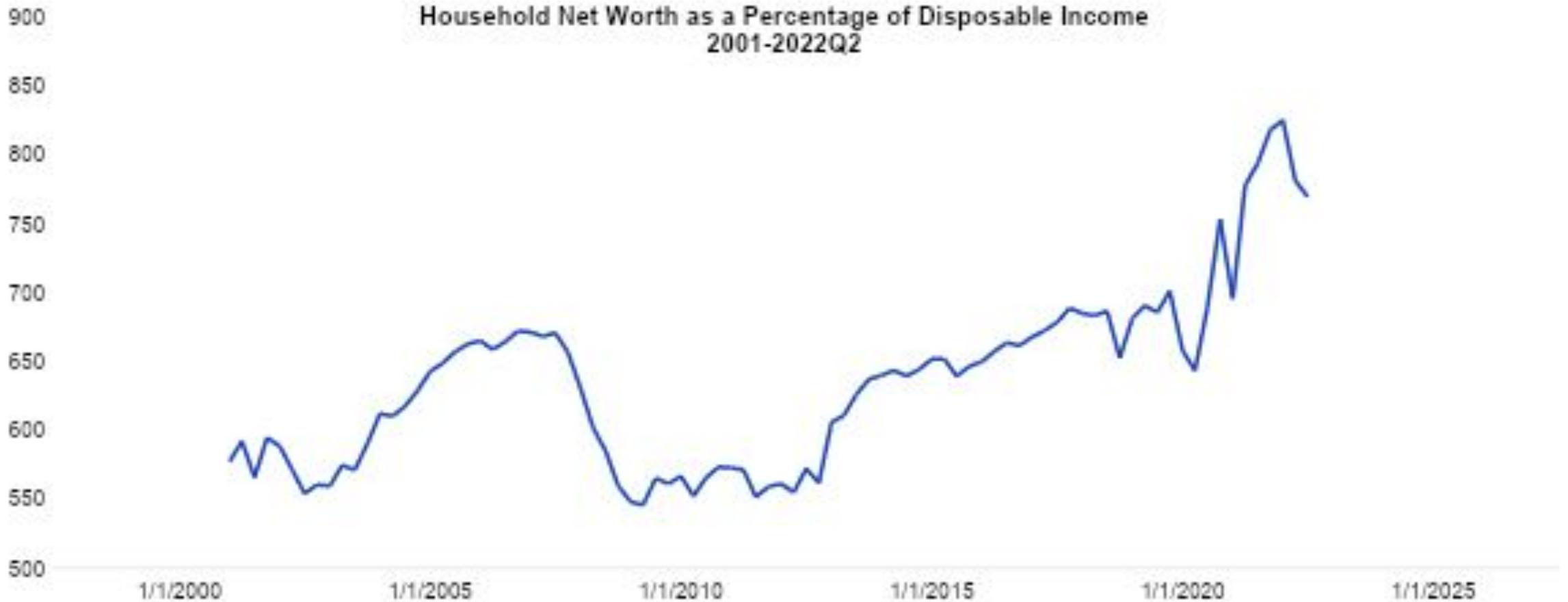
Work From Home Remains Popular



Household Formation



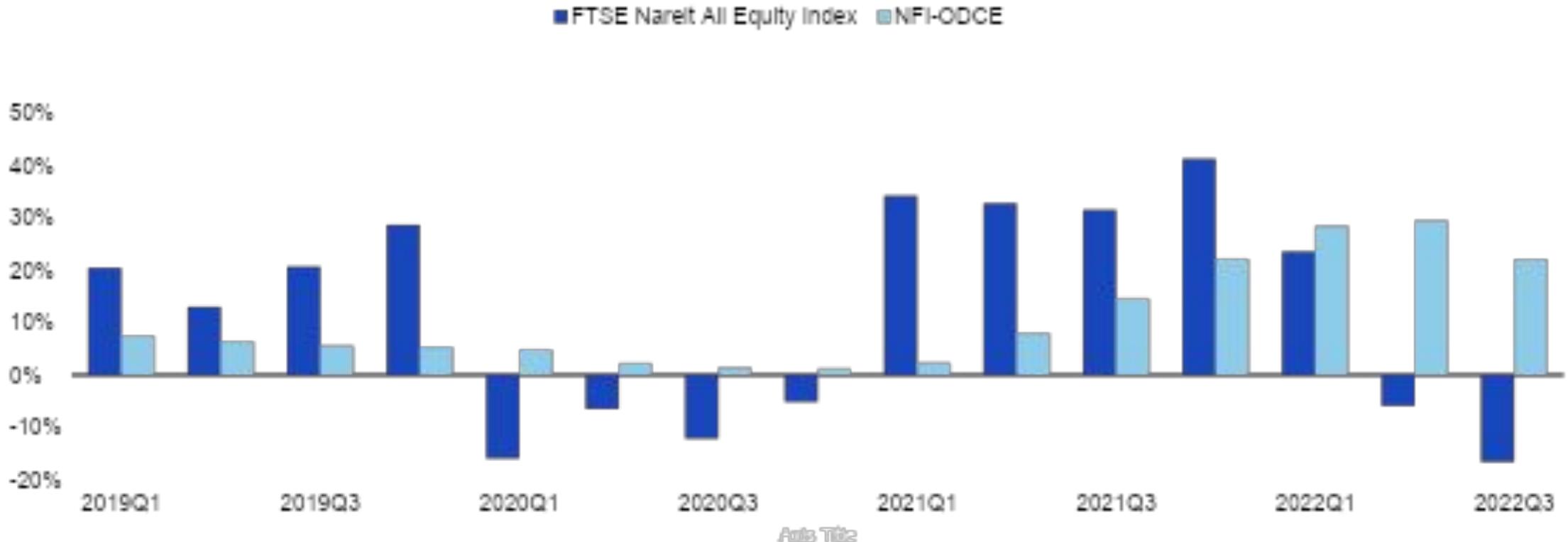
Household Net Worth Still High After Market Drops



Public and Private Real Estate Total Returns

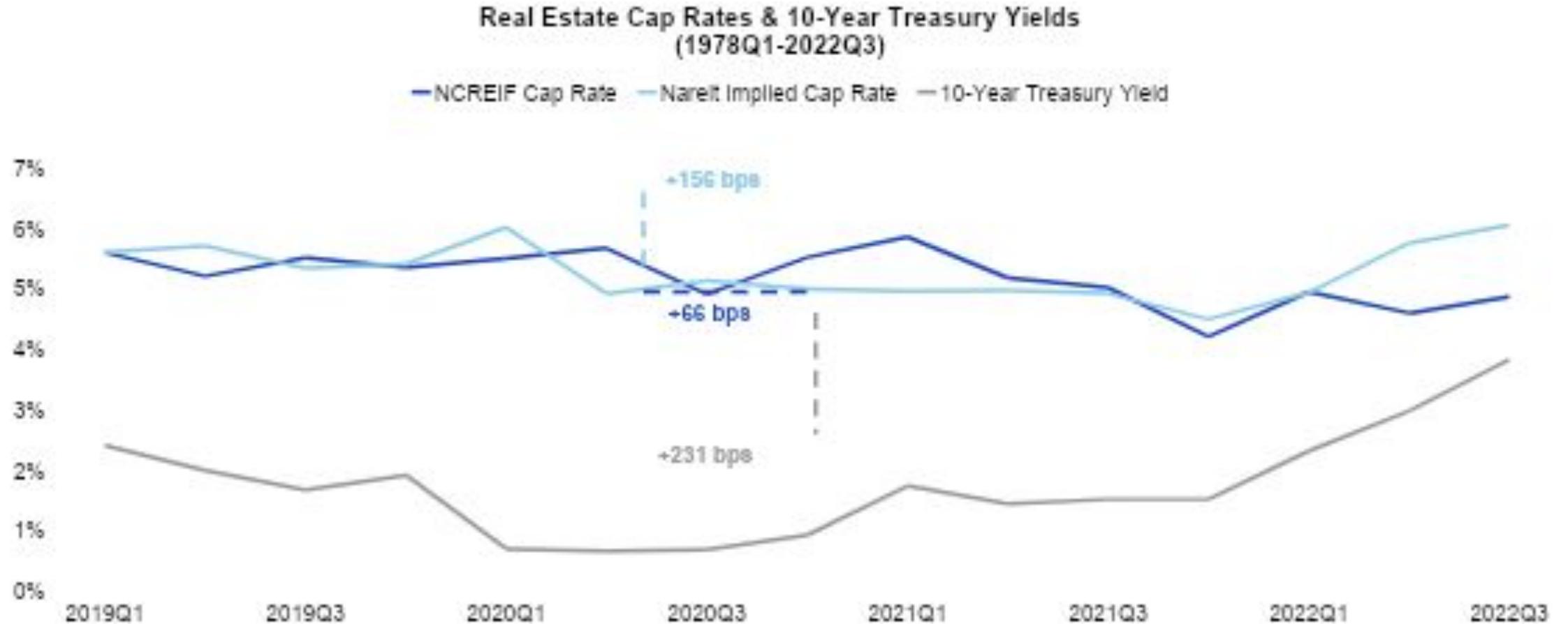
There is a significant divergence between public and private real estate performance. REIT performance tends to lead its private market counterpart by 6 to 18 months.

Rolling 4-Quarter Public and Private Real Estate Total Returns (2019Q1-2022Q3)



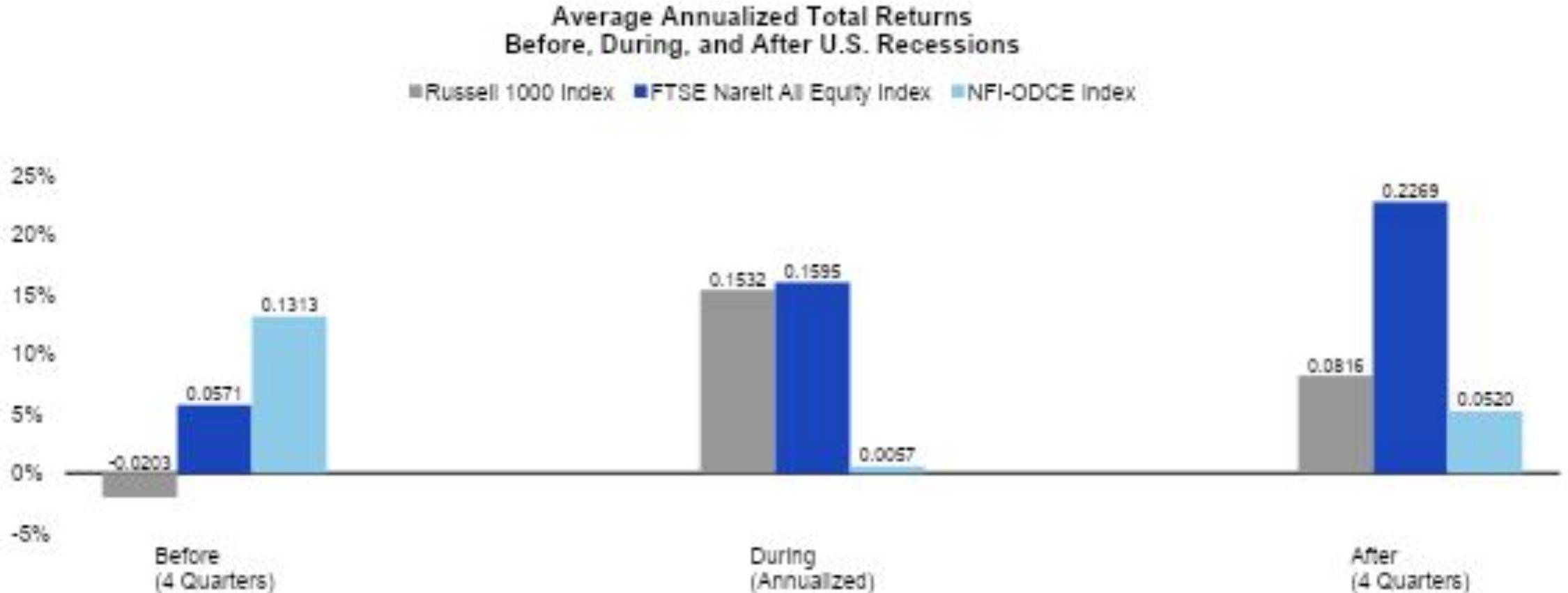
Cap Rates and 10-Year Treasury Yields

The public market has had a greater reaction to the surge in 10-year Treasury yields. As of 2022Q3, the REIT implied cap rate exceeded the private real estate cap rate by over 100 bps.



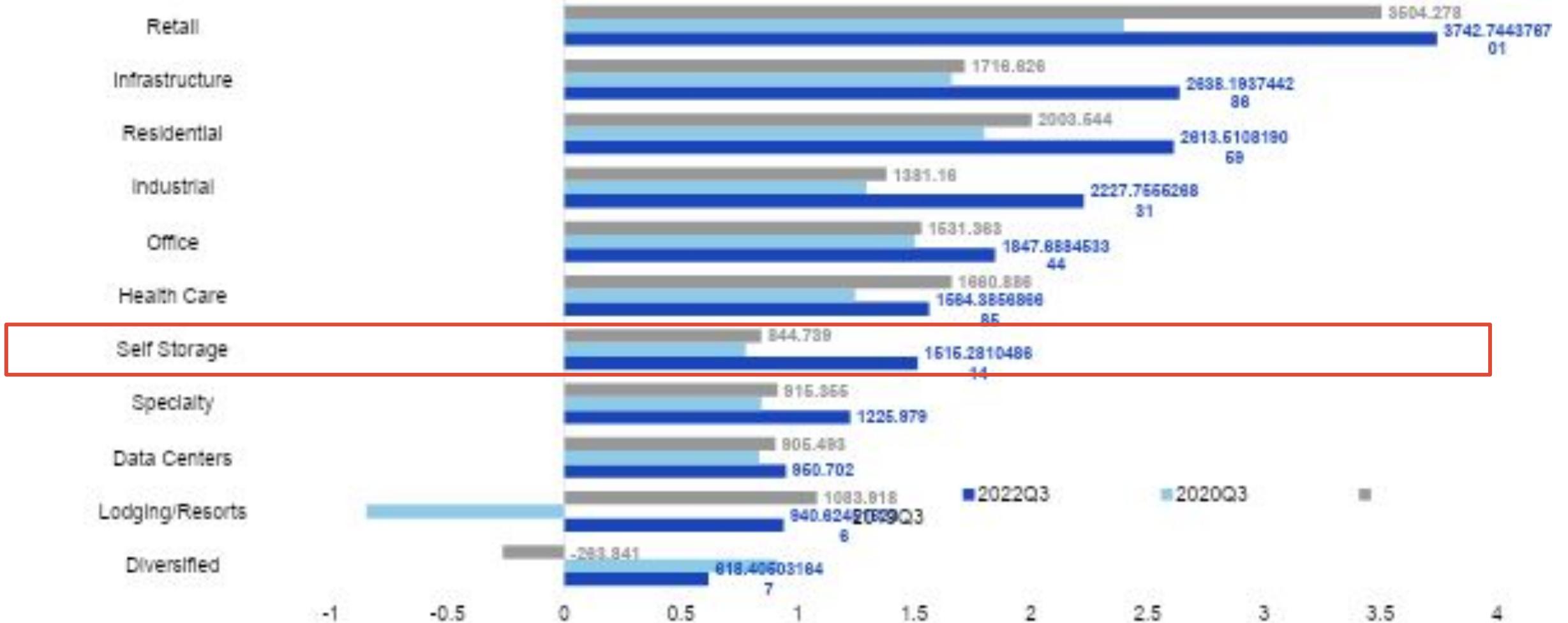
Asset Performance and Recessions

REITs, on average, have outperformed private real estate *during* and *after* recessions. REITs have also outperformed the equity market *before*, *during*, and *after* recessions.



Quarterly FFO of All U.S. Equity REITs

Billions of dollars



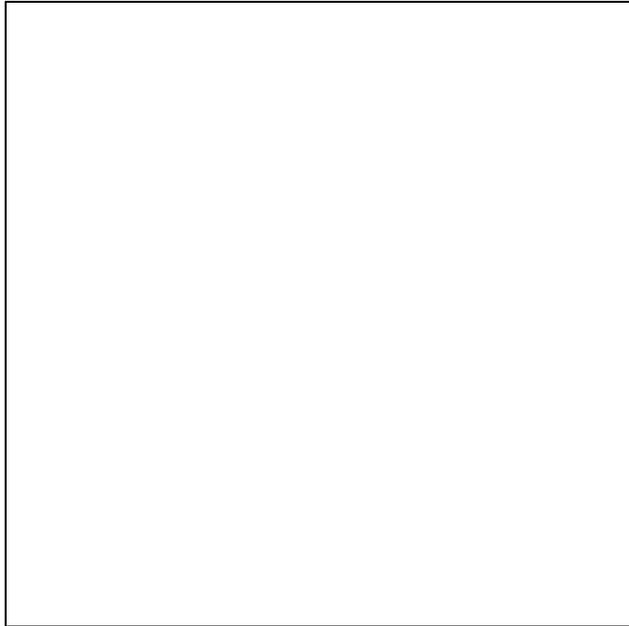
Same Store Net Operating Income (SS NOI)

All listed U.S. equity REITs

<i>Percent change over year ago</i>	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2022.1	2022.2	2022.3
Office	(0.3)	(3.7)	(3.0)	(1.7)	3.1	6.9	6.9	5.3	5.9	4.0
Industrial	2.3	3.0	2.6	3.0	5.7	5.0	5.3	7.1	7.0	8.8
Retail	(20.6)	(19.3)	(13.8)	(8.4)	22.3	16.0	14.4	10.3	3.4	1.9
Shopping Centers	(18.8)	(12.0)	(10.1)	(4.7)	22.7	15.0	10.9	8.2	3.5	2.6
Regional Malls	(22.2)	(24.8)	(27.4)	(24.0)	20.0	23.0	39.8	27.7	3.3	(3.5)
Free Standing	-	-	-	-	-	-	-	-	-	-
Residential	(2.4)	(4.9)	(6.6)	(6.5)	0.7	6.1	9.7	11.4	13.4	12.3
Apartments	(3.9)	(8.3)	(10.0)	(10.2)	(3.9)	4.1	9.5	12.1	15.9	14.8
Manufactured Homes	2.0	4.2	3.9	3.0	18.4	11.9	8.3	7.7	3.9	5.5
Single Family Homes	0.9	3.7	3.9	4.3	9.7	10.6	11.6	11.4	11.6	8.8
Diversified	(9.7)	(8.2)	(10.0)	(8.0)	6.6	7.6	12.9	12.5	9.6	11.4
Lodging/Resorts	-	-	-	-	-	-	-	-	-	-
Self Storage	(5.2)	(2.6)	3.0	7.4	20.8	23.4	17.5	22.4	20.8	16.4
Health Care	(8.9)	(11.4)	(10.4)	(15.3)	(4.9)	(2.1)	(2.4)	6.5	4.6	5.1
Timber	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-
Data Centers	-	-	-	-	-	-	-	-	-	-
Specialty	-	-	-	-	-	-	-	-	-	-
All Listed Equity REITs	(7.4)	(8.0)	(5.3)	(4.3)	5.6	7.2	7.8	8.4	7.9	7.1

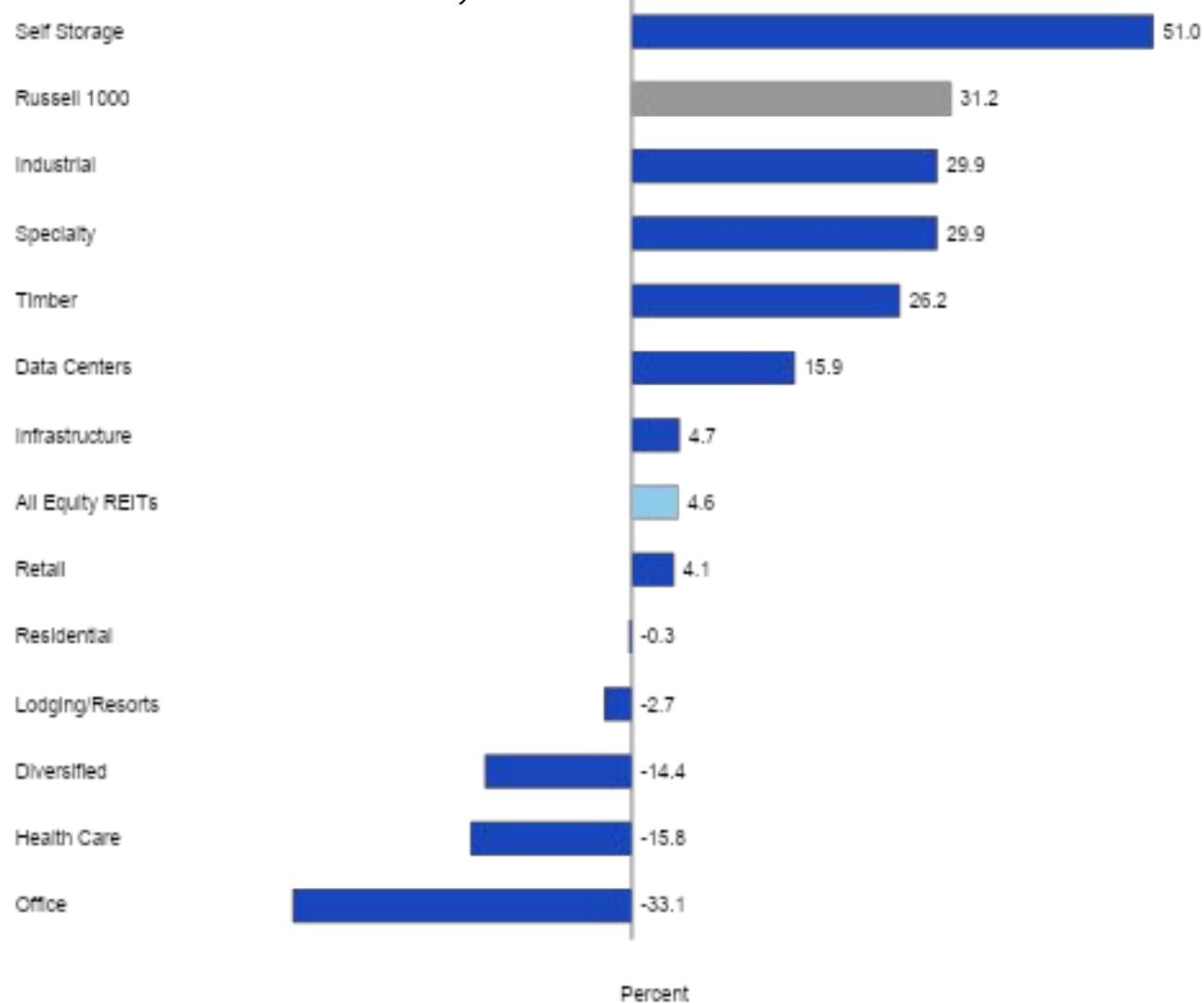
Debt to Total Assets

All listed U.S. equity REITs



U.S. REIT Property Sector Performance

Total Returns over Pandemic Period, Feb 2020 – Nov 2022



Contact

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