

# Outlook on the Economy and Commercial Real Estate

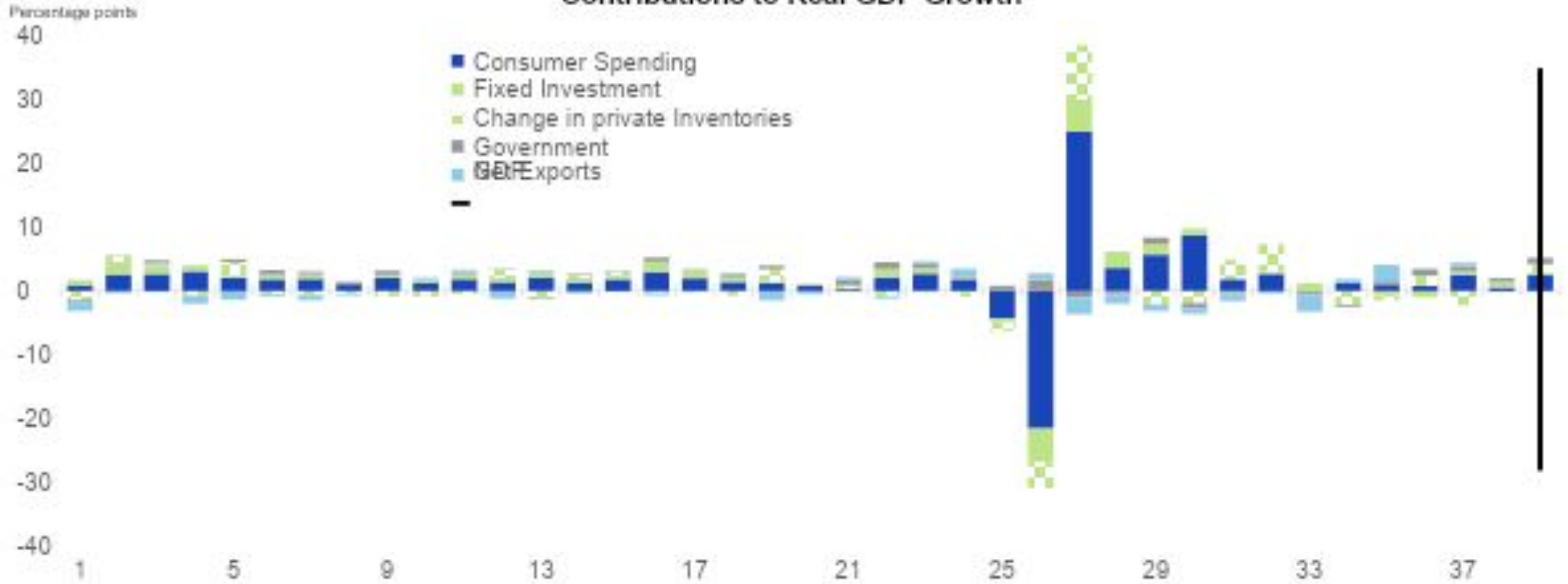
**Nicole Funari**

**NYSSA**  
**January 4, 2023**



# Real GDP Growth

Contributions to Real GDP Growth

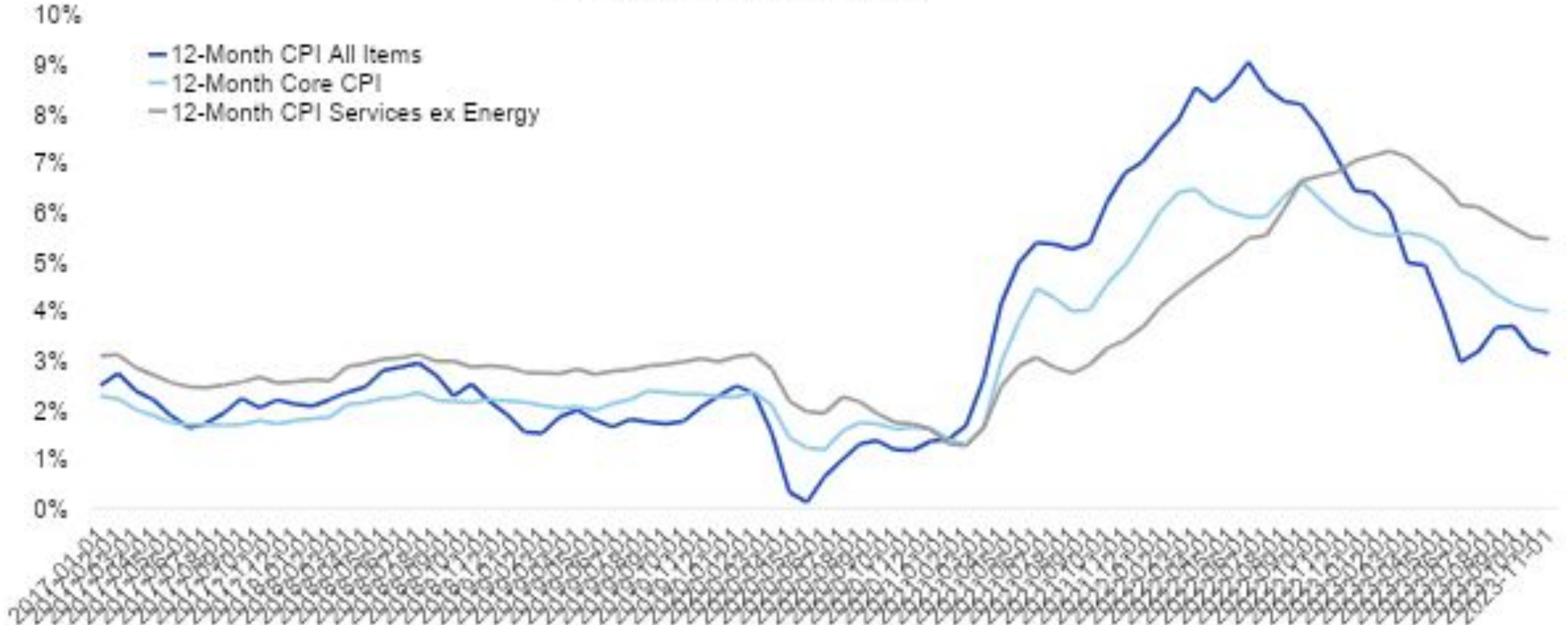


Source: Bureau of Economic Analysis, 2014Q1-2022Q3.

# Inflation Slowing

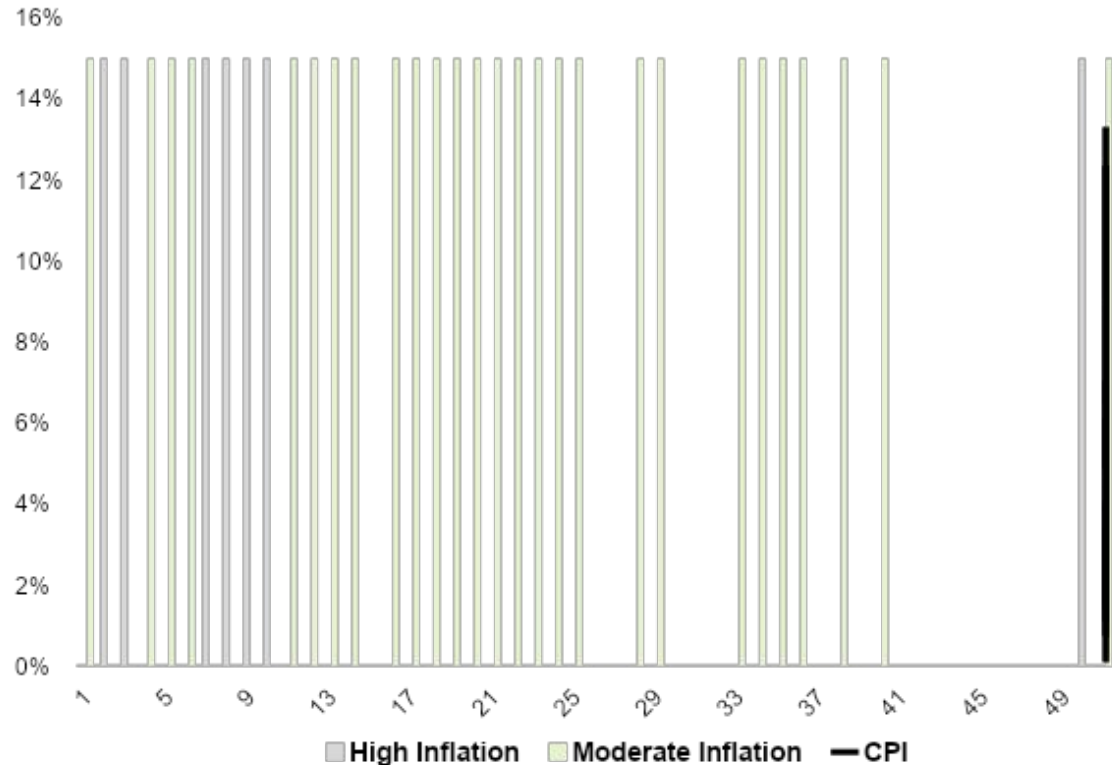
January 2017 to November 2023

U.S. Consumer Price Index

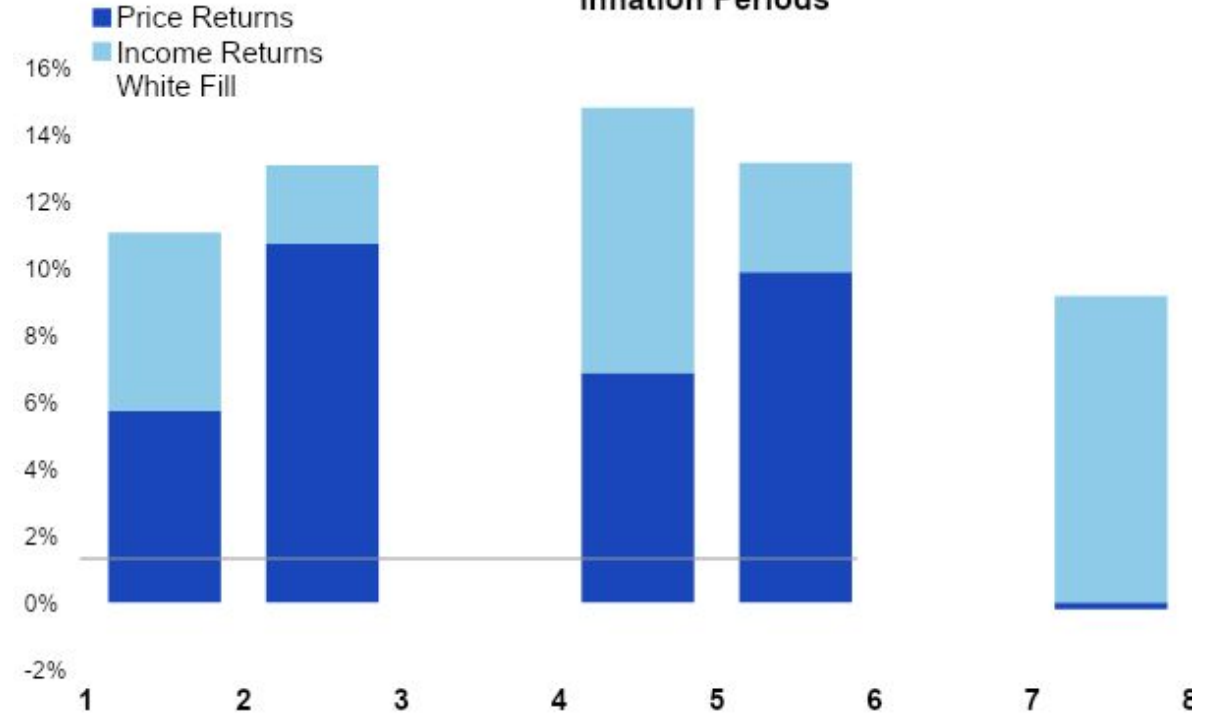


# REIT Performance At Different Inflation Levels

Annual Inflation Rate, All Urban Consumers, Not Seasonally Adjusted



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



- The U.S. has not had periods of high inflation since the 1970s and 80s when it was as high as 13% annually
- During periods of high inflation, REITs' total return was higher than the S&P 500 while having comparable returns in periods of low and moderate inflation

Note: Low inflation includes the years where inflation was 2.5% or lower, moderate inflation is between 2.5% and 7.0% (one standard deviation over the average), and high inflation is for years with inflation of 7.0% and higher.

Source: Nareit analysis of prices for the FTSE Nareit All Equity REIT Index and S&P 500 Index; 1972-2023Q3; inflation measured for all items, all urban consumers.

# Vacancy Rates for U.S. Markets

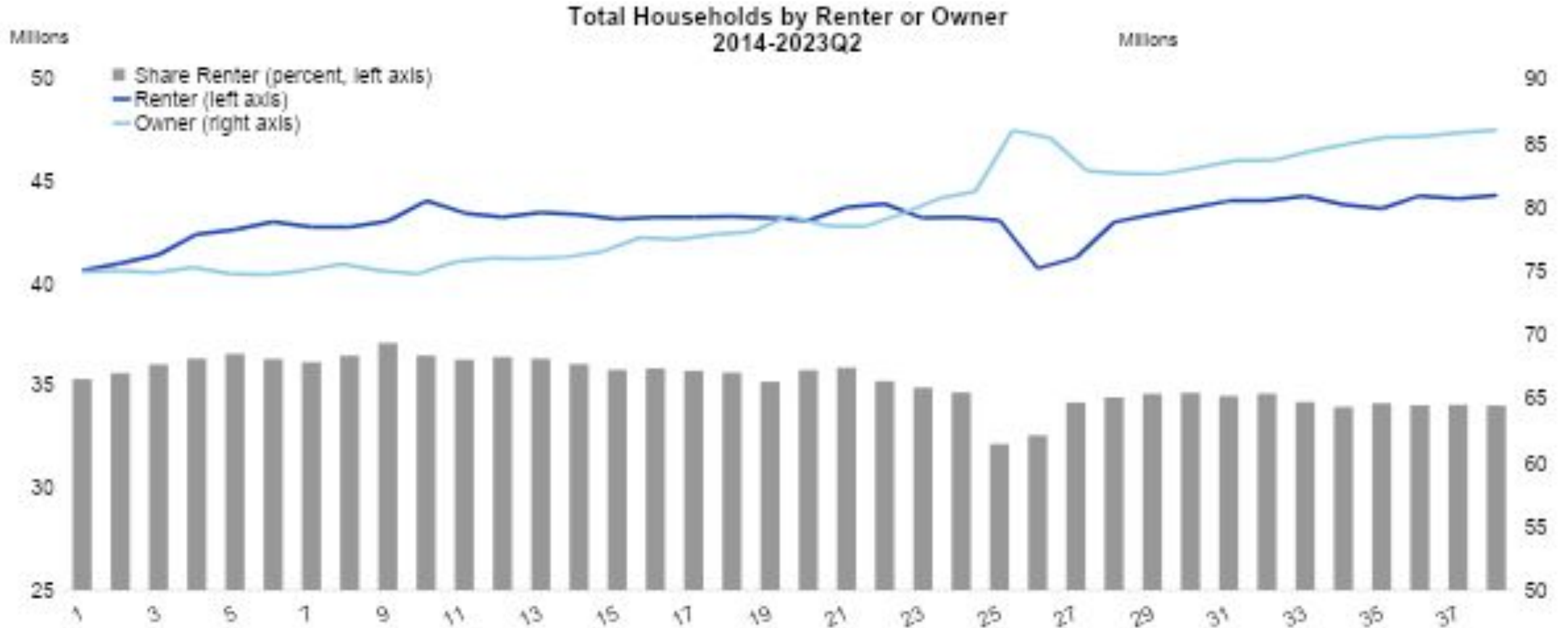
Vacancy rates moved down in 2023:Q3 for retail. Office, industrial, and multifamily rates increased.



Source: CoStar Data as of 2023:Q3.



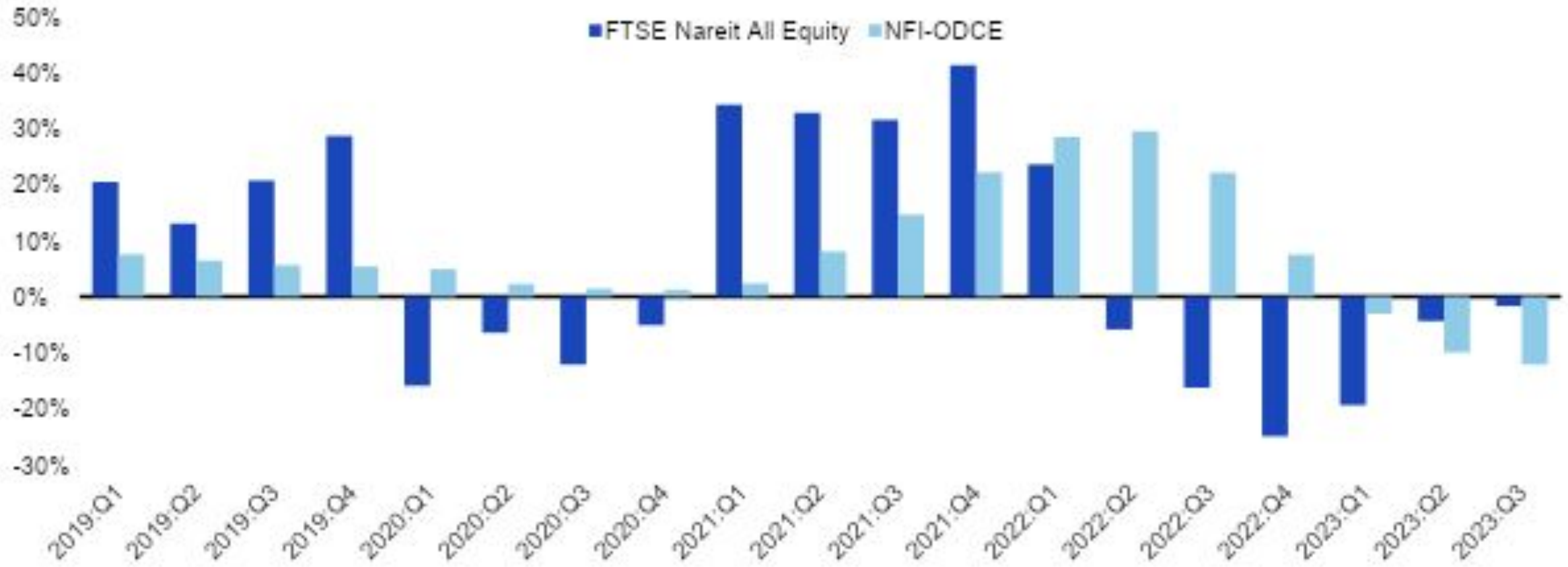
# Household Formation



# Returns: Public and Private Real Estate Divergence

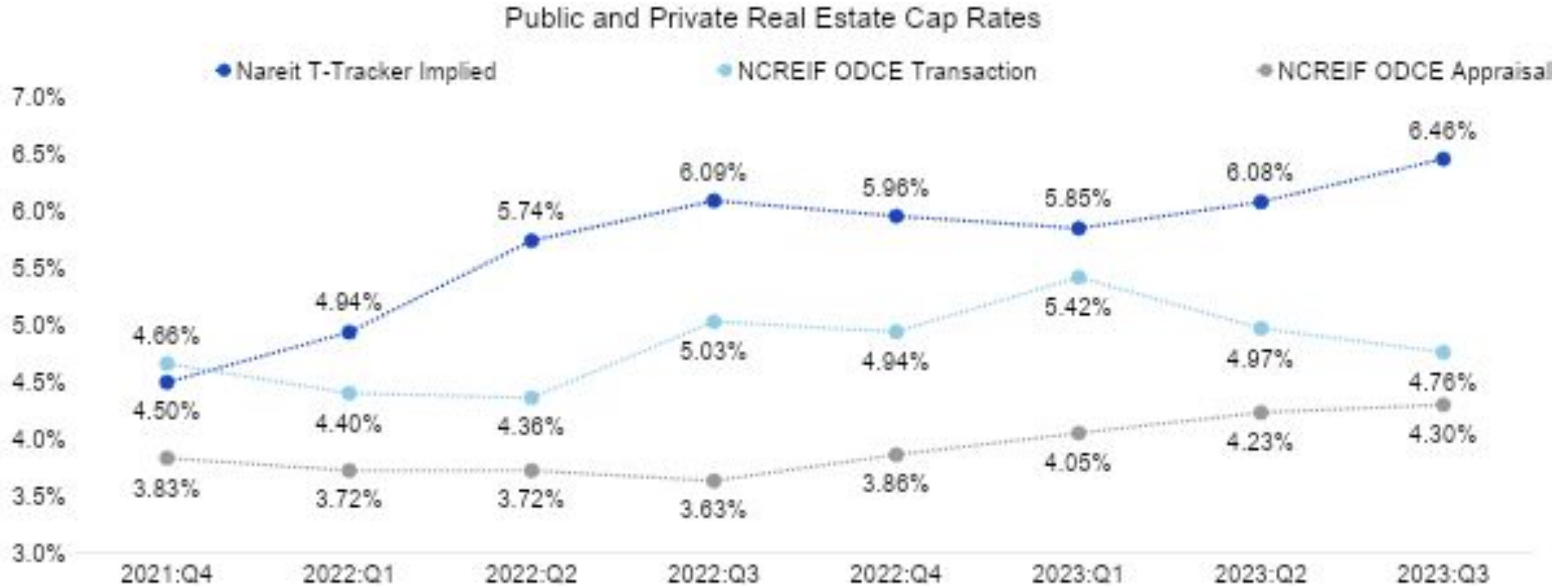
Divergence between public and private real estate markets that started in 2022 can be captured by differences in rolling four-quarter total returns

Rolling 4-Quarter Public & Private Real Estate Total Returns  
(2019Q1-2023Q3)



# Cap Rates: Public and Private Real Estate Divergence

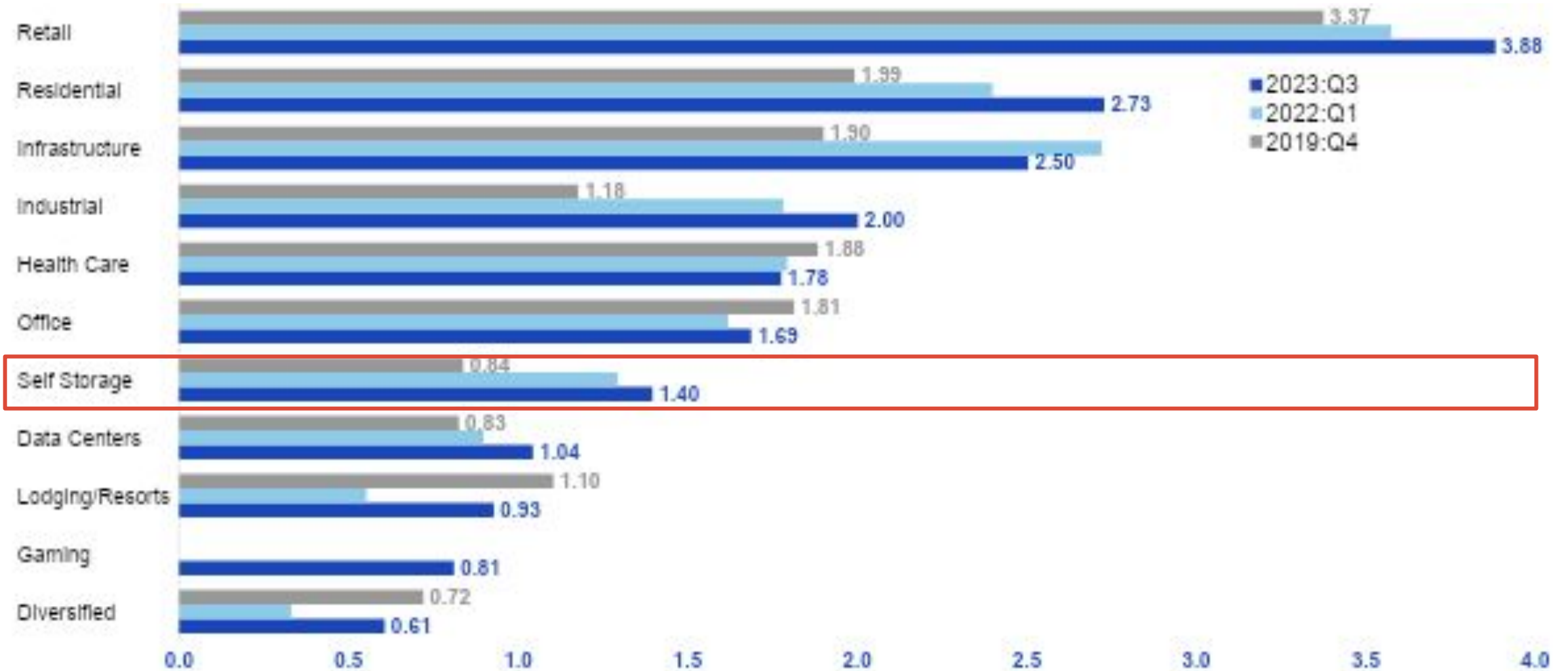
Cap rate differences also capture the divergence between public and private property markets. The valuation adjustment process has been making progress, but its wheels turn slowly





# Quarterly FFO of All U.S. Equity REITs

Billions of dollars



# Same Store Net Operating Income (SS NOI)

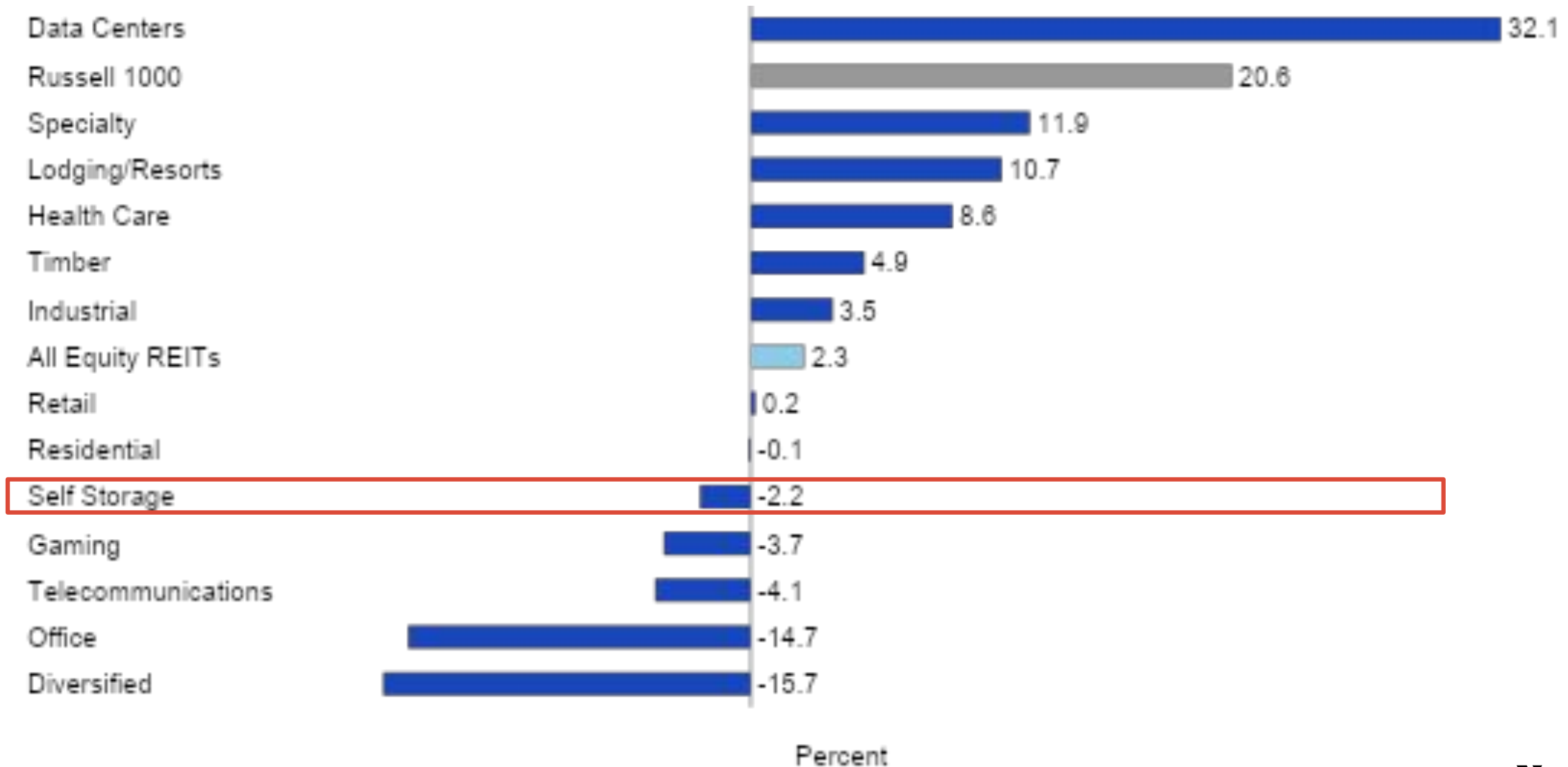
All listed U.S. equity REITs

<i>Percent change over year ago</i>	2021.2	2021.3	2021.4	2022.1	2022.2	2022.3	2022.4	2023.1	2023.2	2023.3
<b>Office</b>	3.1	6.9	6.9	5.3	5.9	4.0	3.0	3.8	2.3	1.6
<b>Industrial</b>	5.7	5.0	5.3	7.1	7.0	8.8	8.8	11.6	9.5	8.1
<b>Retail</b>	22.3	16.0	14.4	10.3	3.4	1.1	3.0	2.5	1.9	3.8
<b>Shopping Centers</b>	22.7	15.0	10.9	8.2	3.5	2.4	4.0	3.7	2.6	3.7
<b>Regional Malls</b>	20.0	23.0	39.8	27.7	3.3	(4.0)	0.1	(2.5)	(0.0)	4.6
<b>Free Standing</b>	-	-	-	-	-	-	-	-	-	-
<b>Residential</b>	0.7	6.0	9.6	11.3	13.4	12.3	10.0	8.9	6.0	4.3
<b>Apartments</b>	(4.1)	3.9	9.3	12.0	16.0	14.9	12.2	10.3	6.6	4.0
<b>Manufactured Homes</b>	18.4	11.9	8.3	7.7	3.9	5.5	5.8	6.2	5.6	5.9
<b>Single Family Homes</b>	9.7	10.6	11.6	11.4	11.6	8.8	4.4	5.1	4.0	3.7
<b>Diversified</b>	6.6	7.6	12.1	12.5	9.6	9.1	6.1	3.2	0.6	3.4
<b>Lodging/Resorts</b>	-	-	-	-	-	-	-	-	-	-
<b>Self Storage</b>	20.8	23.4	17.5	22.4	20.8	16.4	14.1	9.9	5.1	1.7
<b>Health Care</b>	(4.9)	(2.1)	(2.4)	6.5	4.6	4.7	8.9	8.5	8.1	9.8
<b>Timber</b>	-	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	-	-	-	-	-	-	-	-	-
<b>Data Centers</b>	-	-	-	-	-	-	-	-	-	-
<b>Gaming</b>	-	-	-	-	-	-	-	-	-	-
<b>Specialty</b>	-	-	-	-	-	-	-	-	-	-
<b>All Listed Equity REITs</b>	5.6	7.2	7.7	8.4	7.9	6.8	6.4	7.0	5.0	4.6

Source: Company reports, S&P Capital IQ Pro, Nareit T-Tracker®. Data as of 2023:Q3.  
Gaming was introduced as a new sector in FTSE Nareit indexes as of 2023:Q2. Results have been recomputed back through 2021:Q1.

# U.S. REIT Property Sector Performance

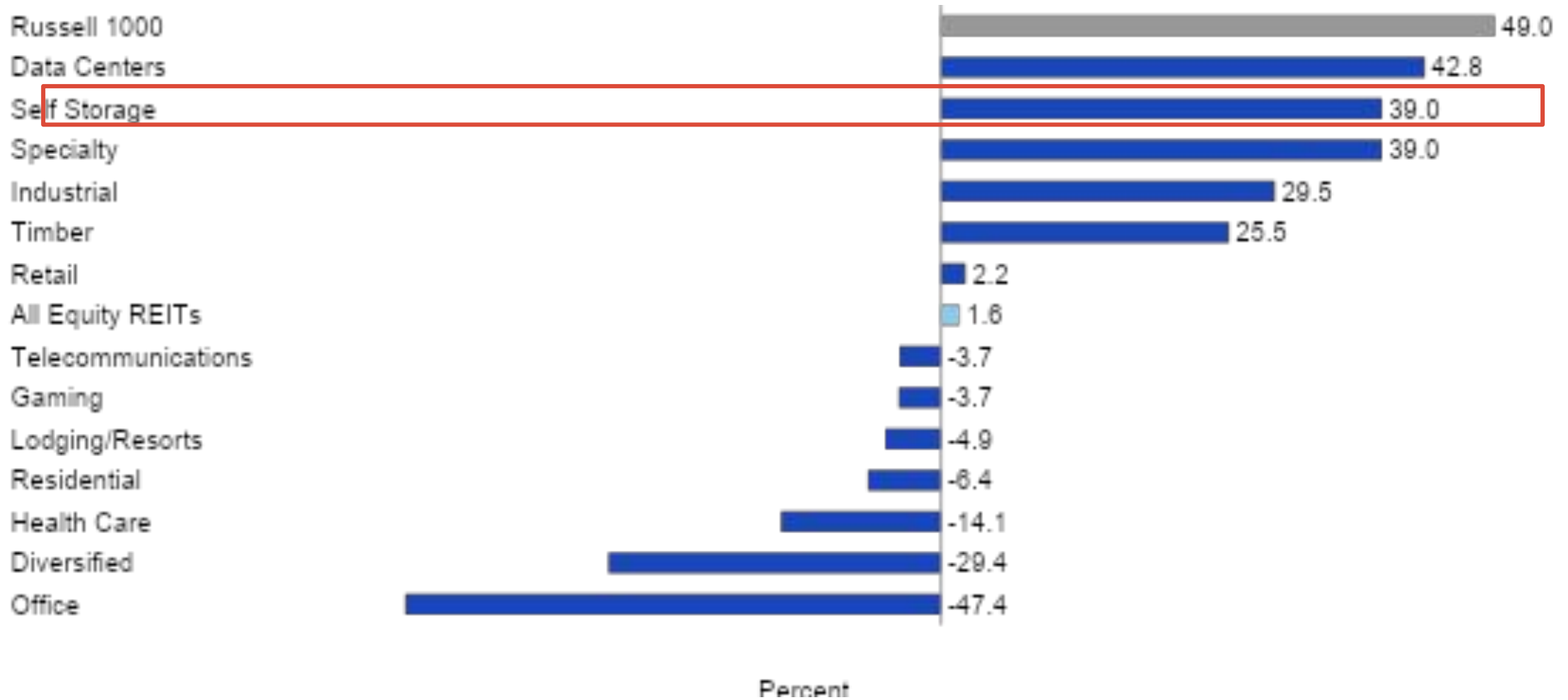
YTD Total Returns as of Nov. 30, 2023



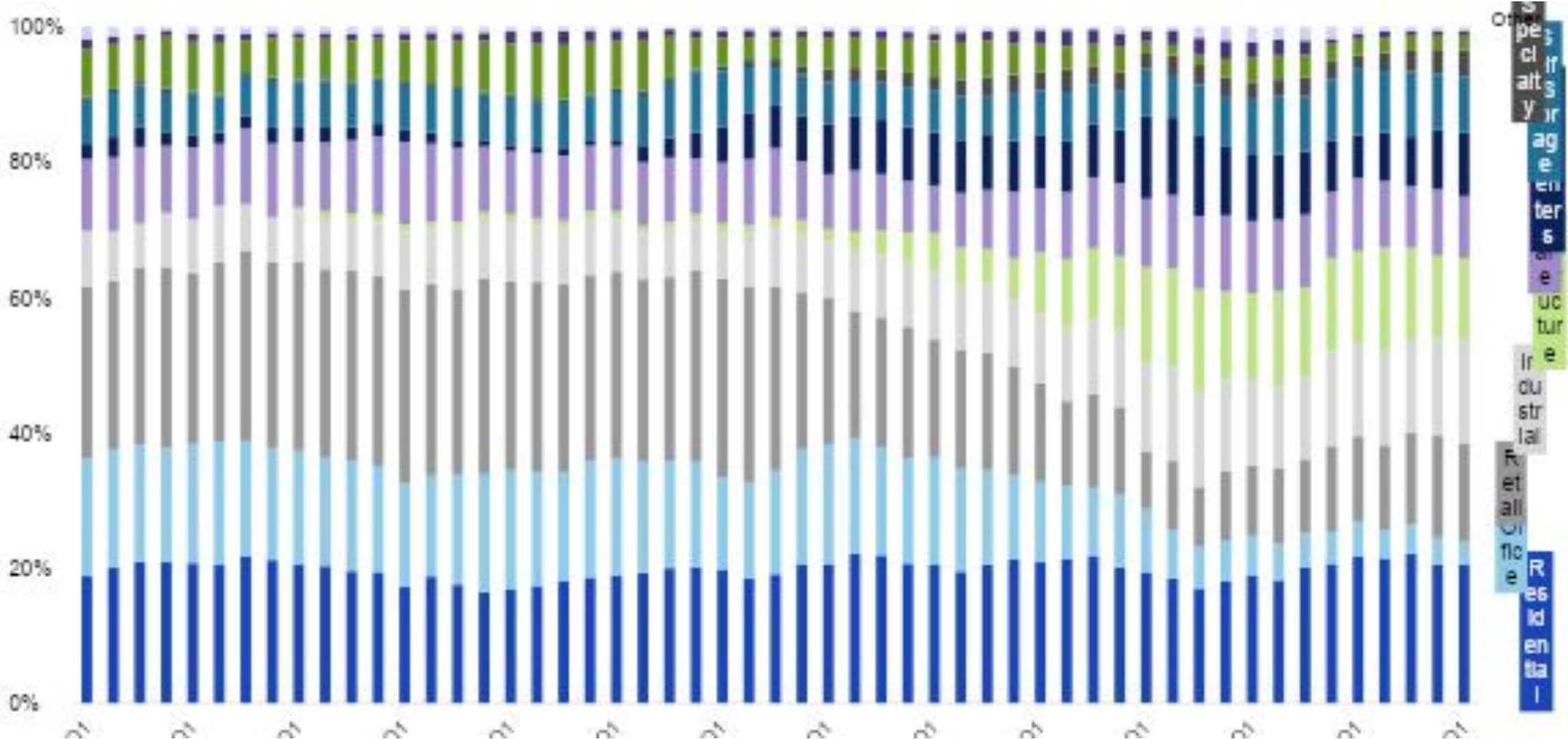
Source: Nareit analysis of returns from FactSet Dec. 31, 2022 to Nov. 30, 2023.

# U.S. REIT Property Sector Performance

Total Returns over Pandemic Period, Feb. 2020 – Nov. 2023



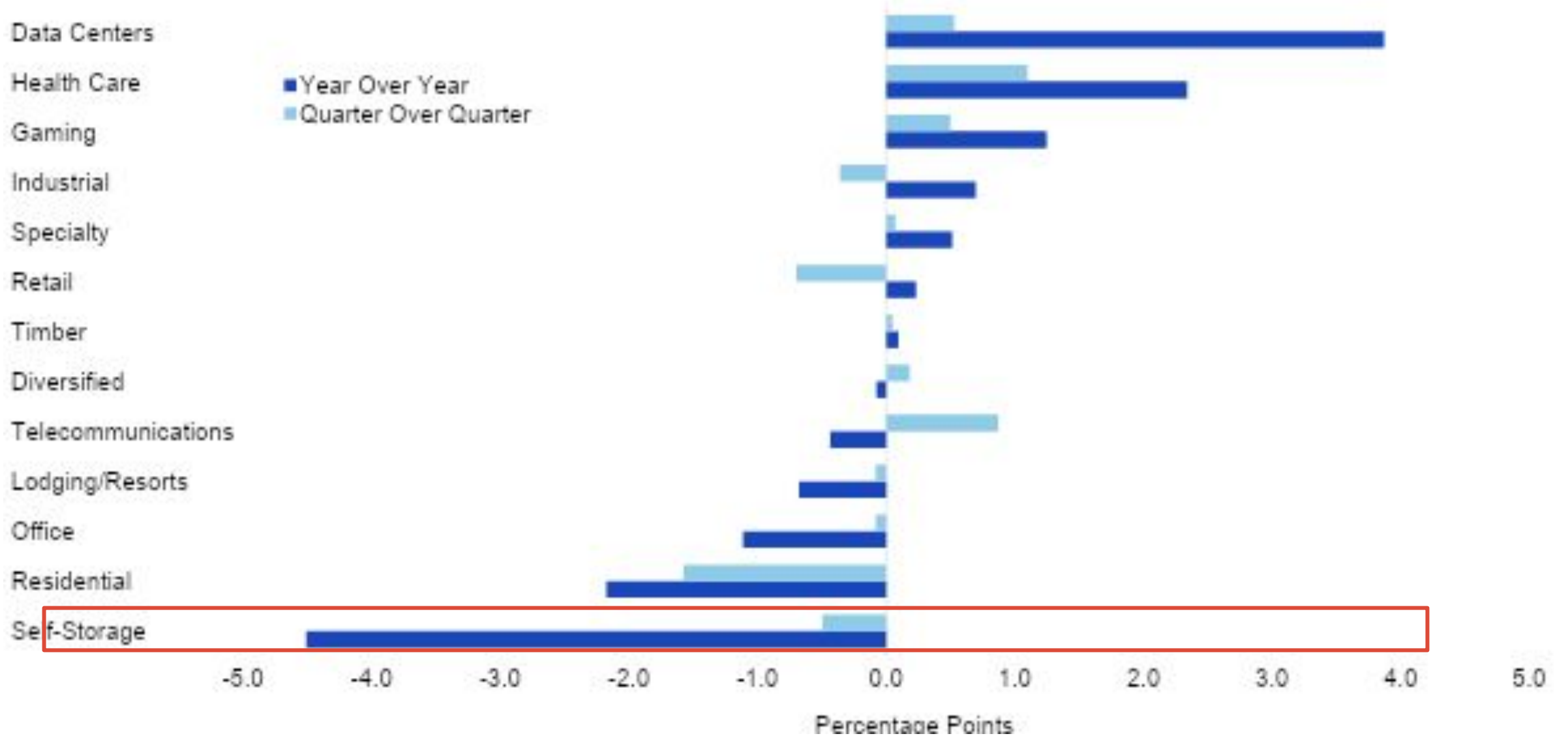
# Weight by REIT Property Sector



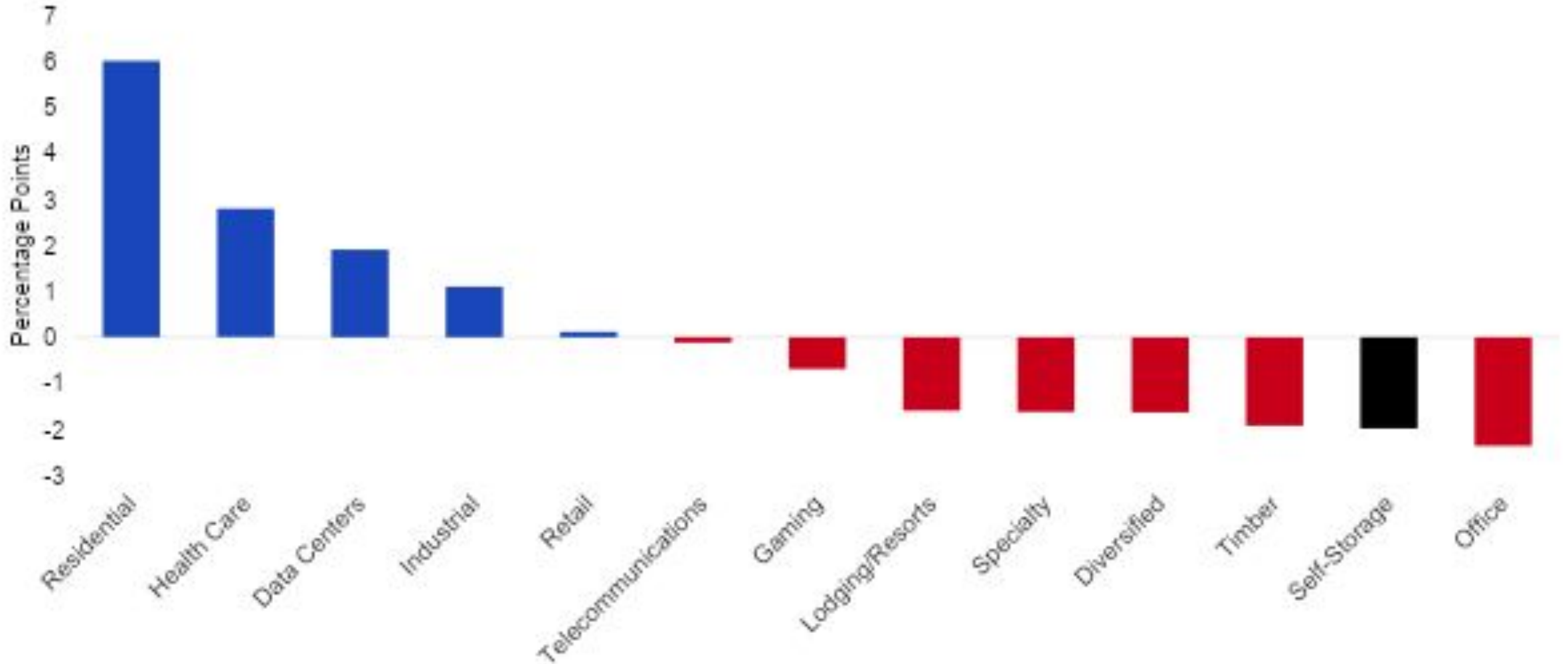
Note: Other contains Lodging/Resorts, Diversified, Timber  
 Source: Morningstar Direct data on the 28 largest actively managed real estate funds, FTSE.



# Change in Weight by Property Sector: 2023Q3



# Share of Property Sector in Actively Managed Funds Vs. FTSE Nareit All Equity Index: 2023Q3



# Contact

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