

# What to watch for—and what to watch *out* for— in commercial real estate in 2019

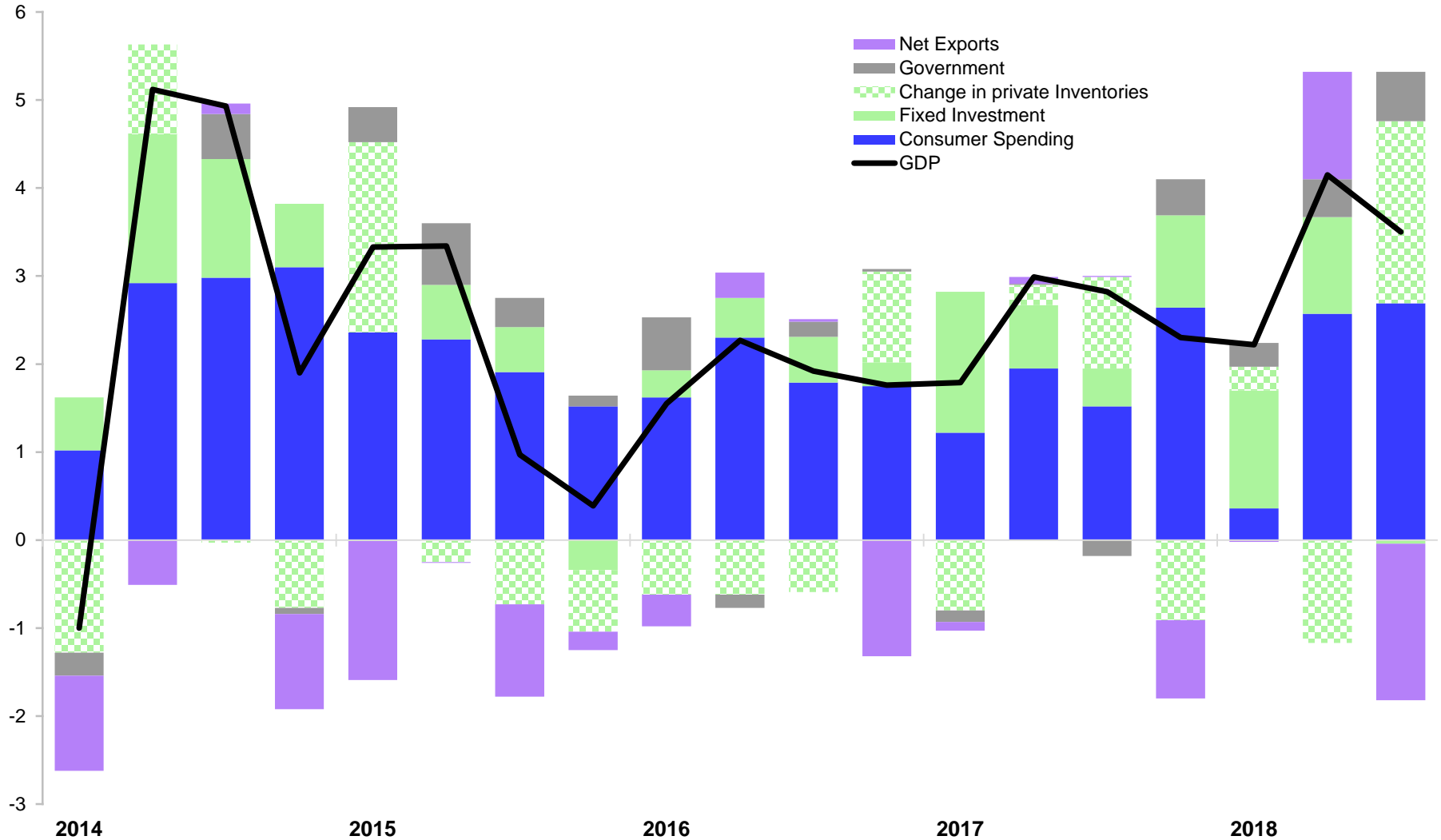
January 8, 2019  
Calvin Schnure  
SVP, Research & Economic Analysis



# GDP Growth Stays Above Trend

## Consumer and business spending remain robust

Percentage point contributions to real GDP growth



# How Long Can This Expansion Go On?

Several analysts have the baseball inning moving from the 9th inning to the 8<sup>th</sup> and even 7<sup>th</sup>, while clocks move backward.

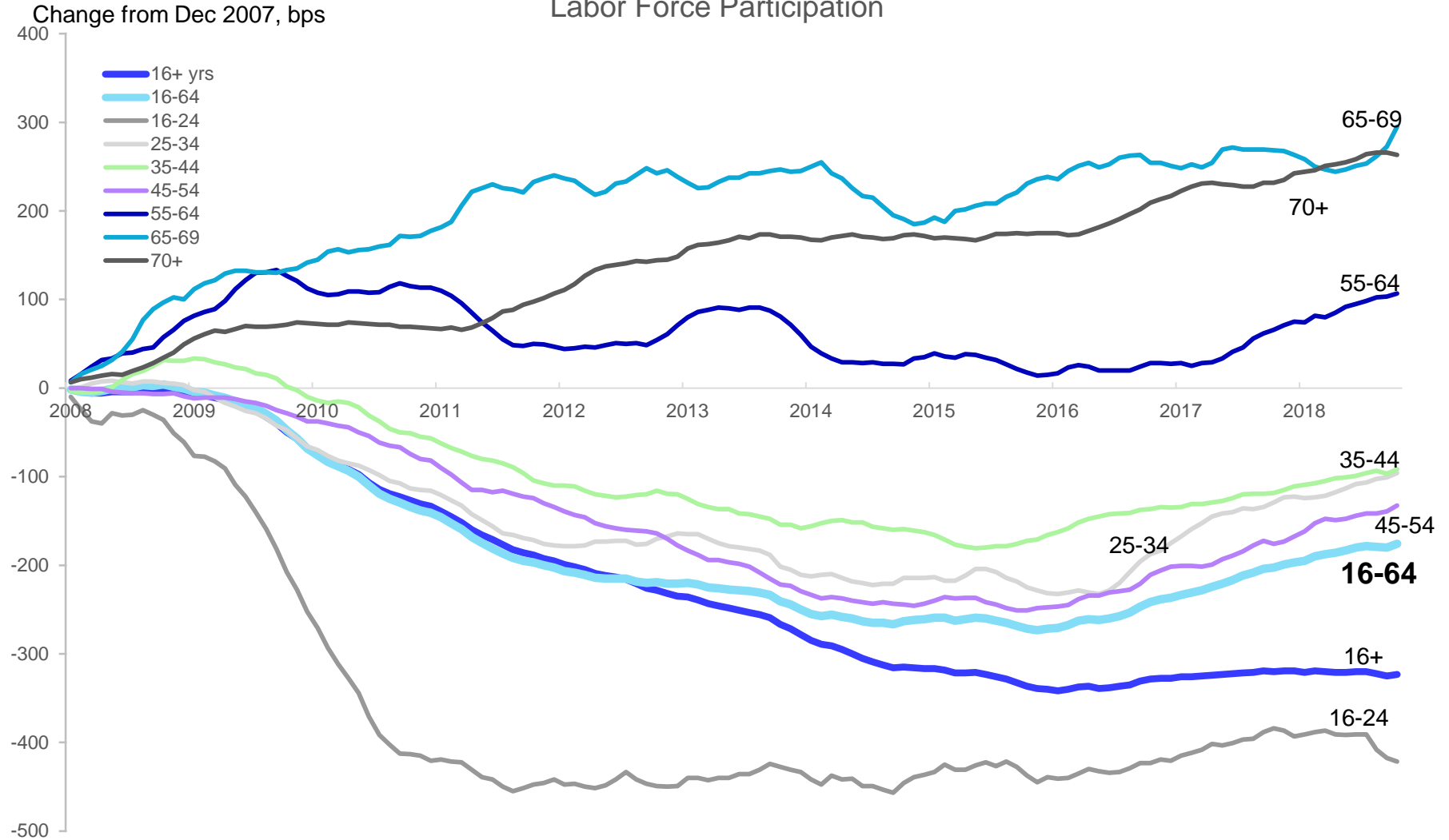


“Think a fifth set at Wimbledon without a tie break.” --Pimco

# The Job Market Has Room To Run

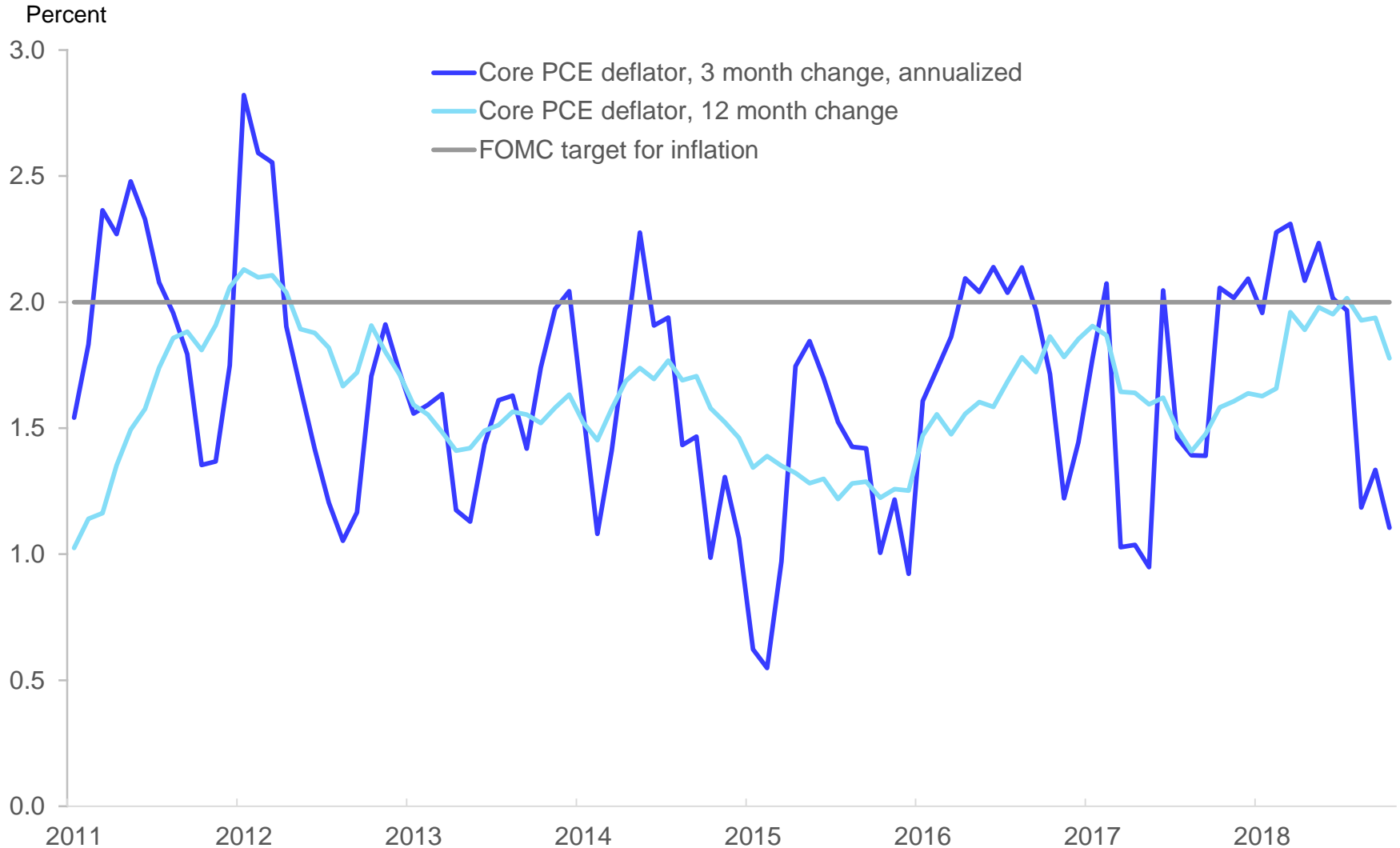
The economy is not running out of workers, as low labor force participation rates hide slack

### Labor Force Participation



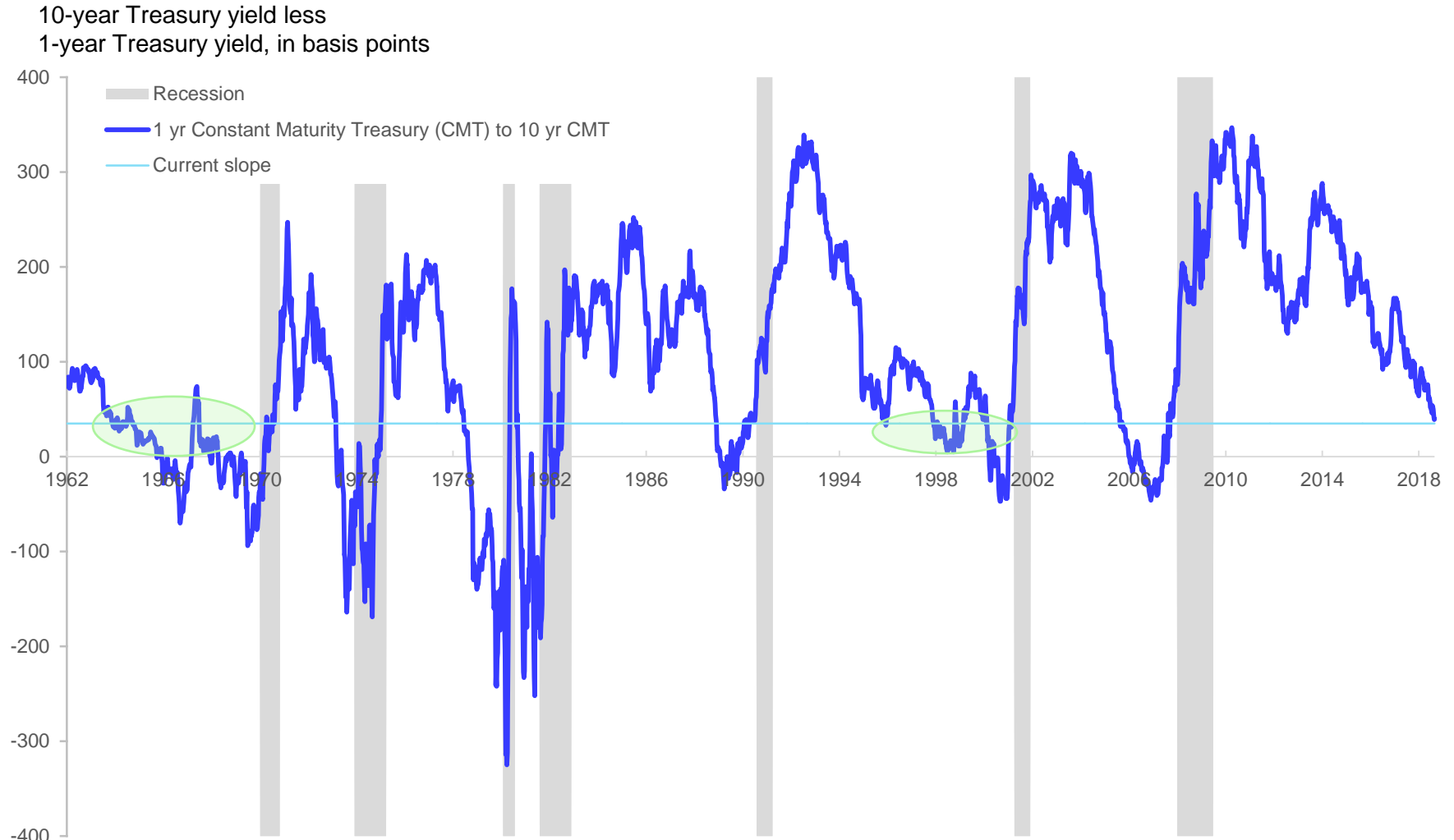
# Interest Rates and Inflation—Not Too Hot

The Fed's preferred inflation measure has moved back below the 2 percent target.



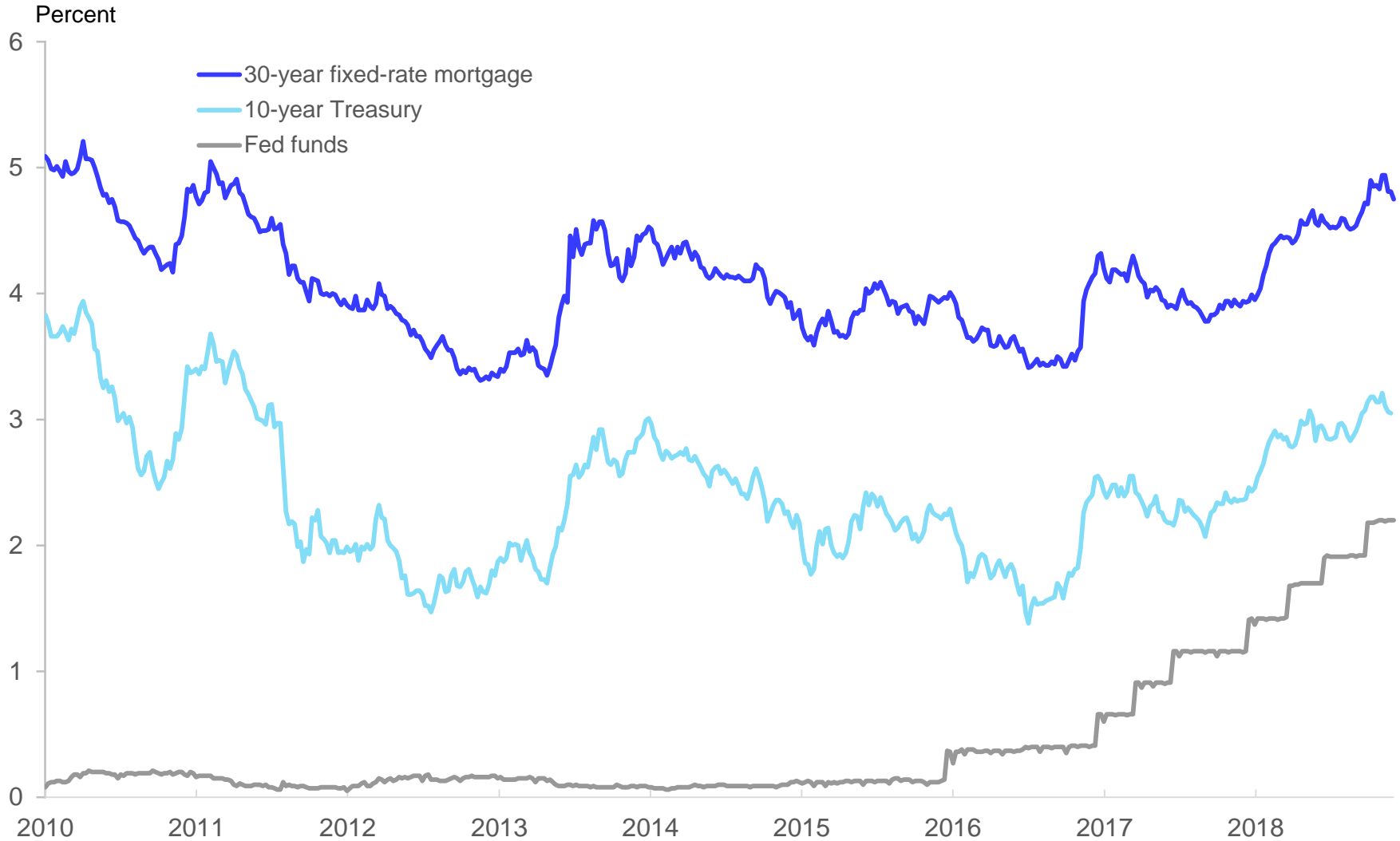
# Treasury Yield Curve—We've Seen This Before

During two periods of sustained growth in a low-inflation environment (1963-1969, 1995-1999), the yield curve was consistently flatter than it is today



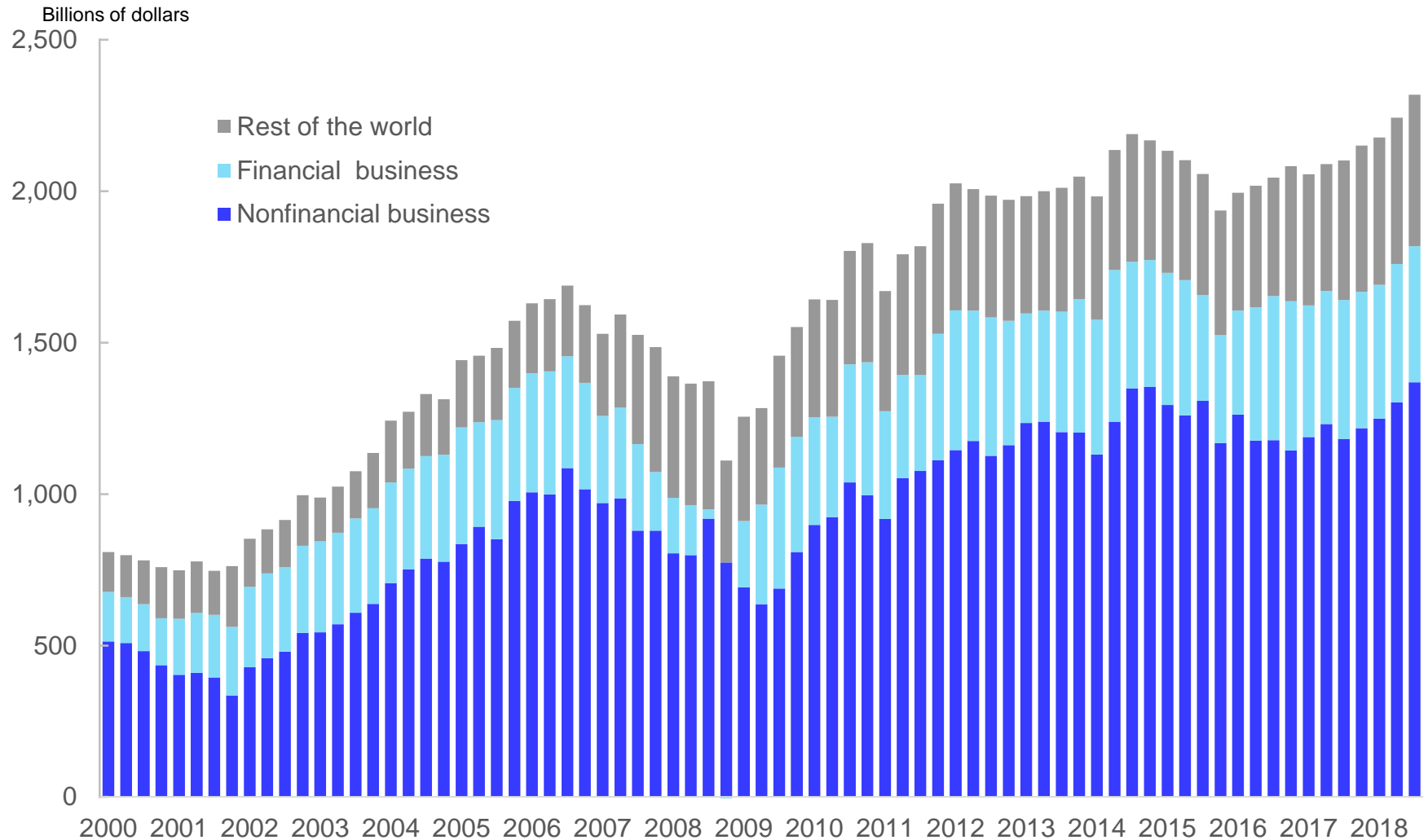
# Interest Rates Are Moving Up

Mortgage rates are the highest since February 2011



# Corporate Profits

Profitability remains high, which drives hiring and investment

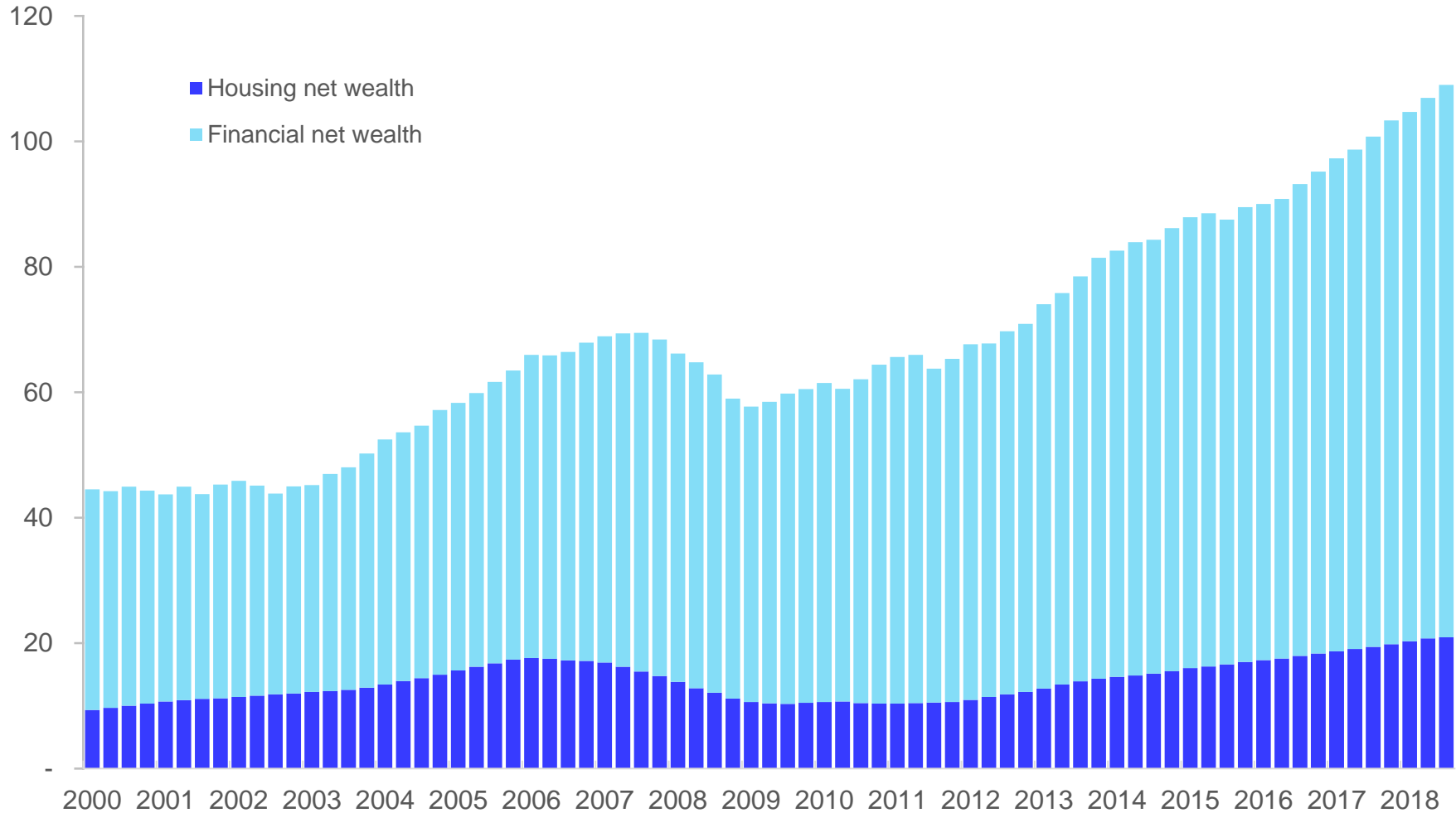




# Household Balance Sheets Have Healed

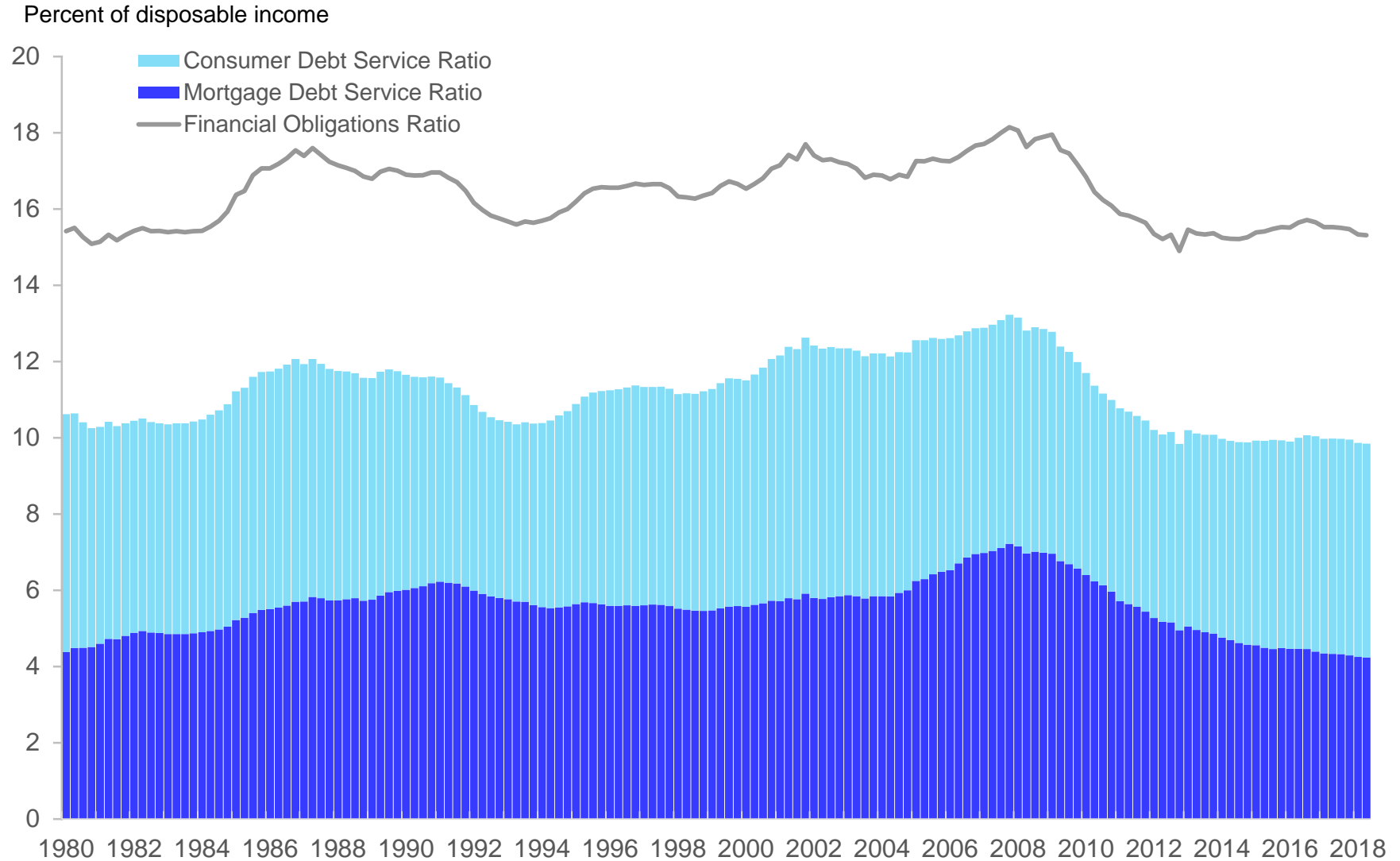
Household net worth continues to rise, supporting consumer spending and economic growth

Trillions of dollars



# Households Are More Prudent Than Last Time

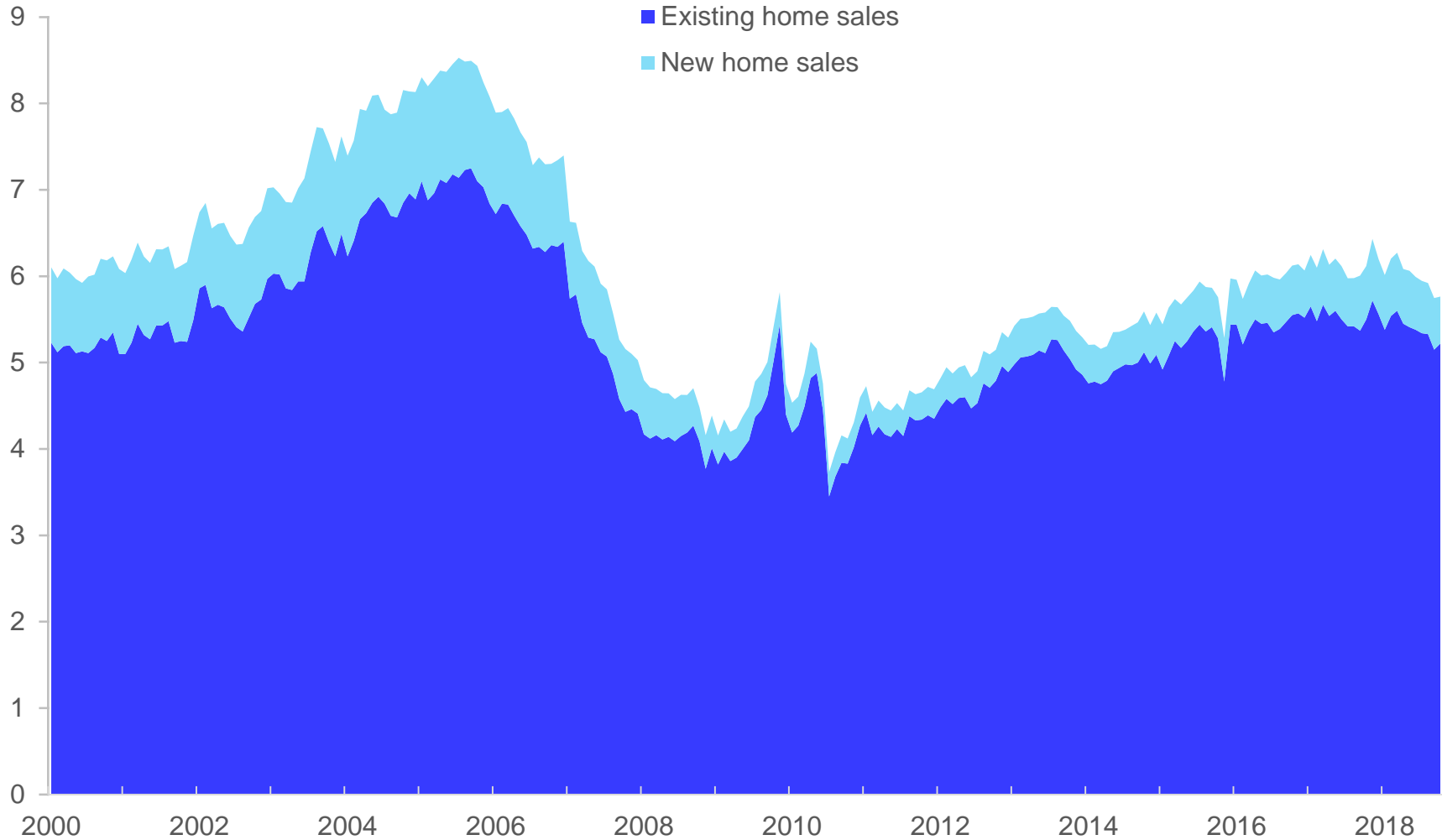
Household debt and lease obligations are low, relative to incomes



# Housing Markets Are Slowing

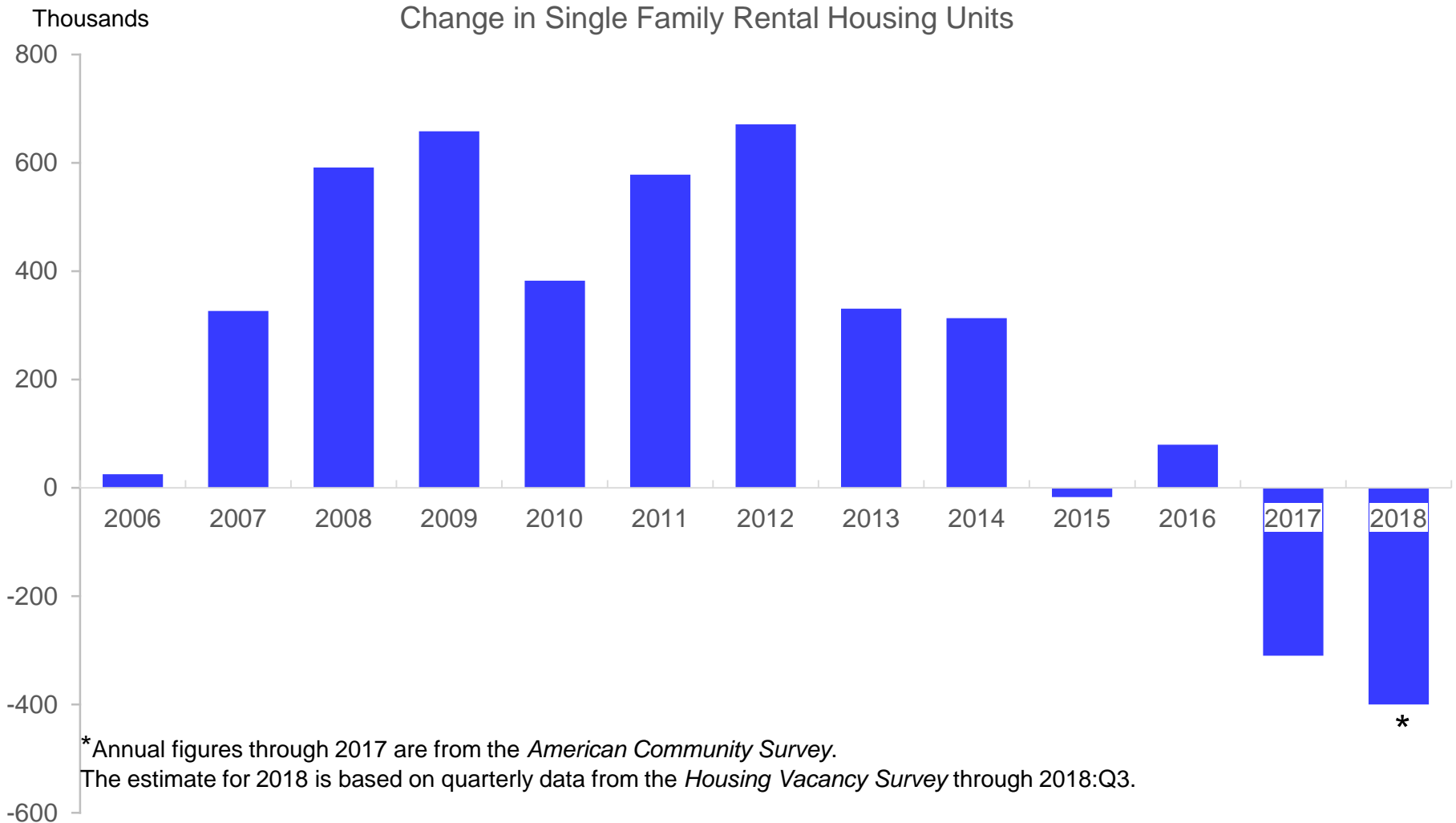
Home sales cooled in 2018 as higher mortgage rates checked demand

Millions, annual rate



# Home Ownership Is Coming Back

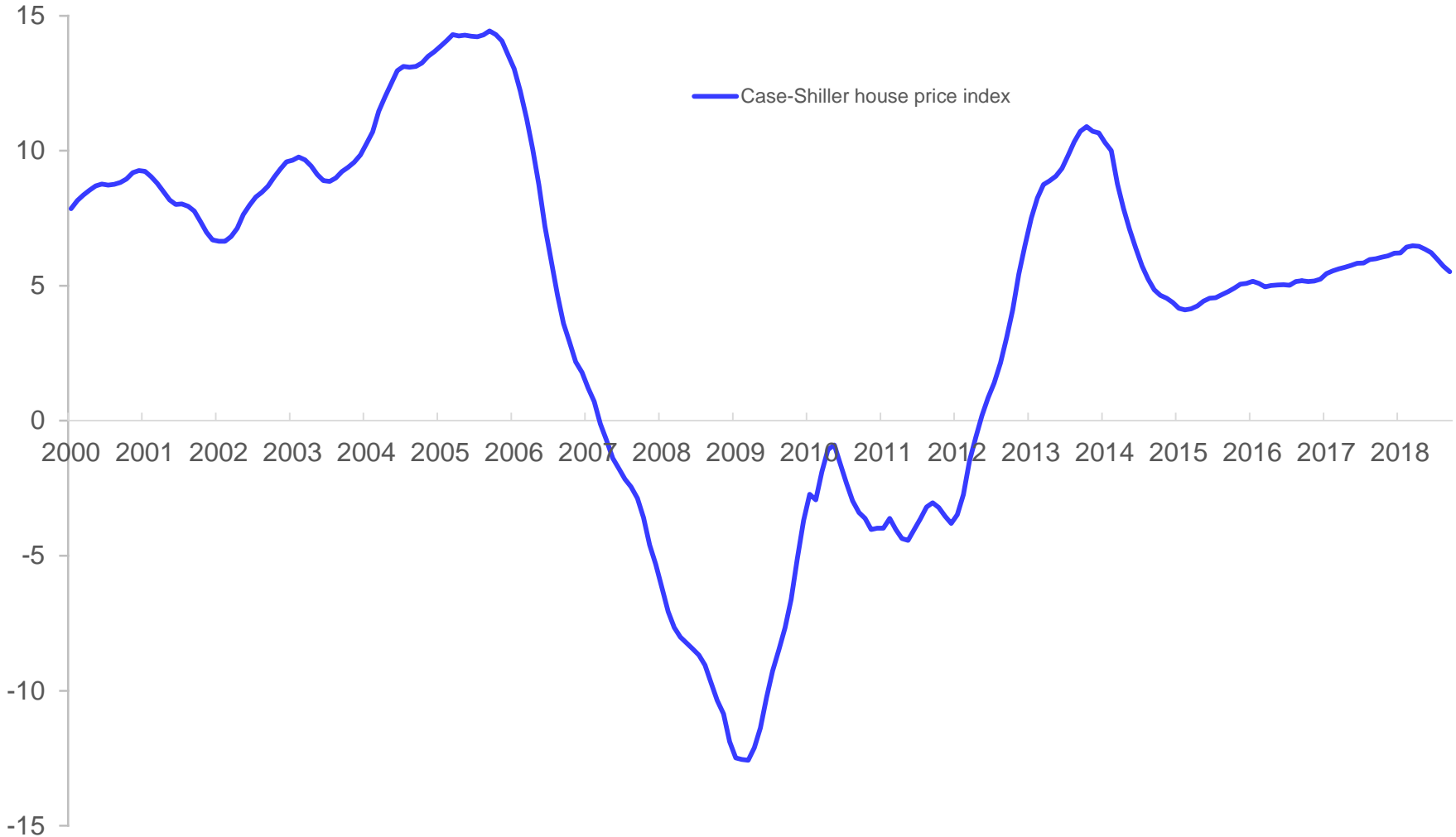
Single family rental (SFR) housing rose sharply as households faced financial distress during the financial crisis. SFR are declining as household finances improve.



# Home Prices Are Still Rising

Home prices have slowed to a more sustainable pace

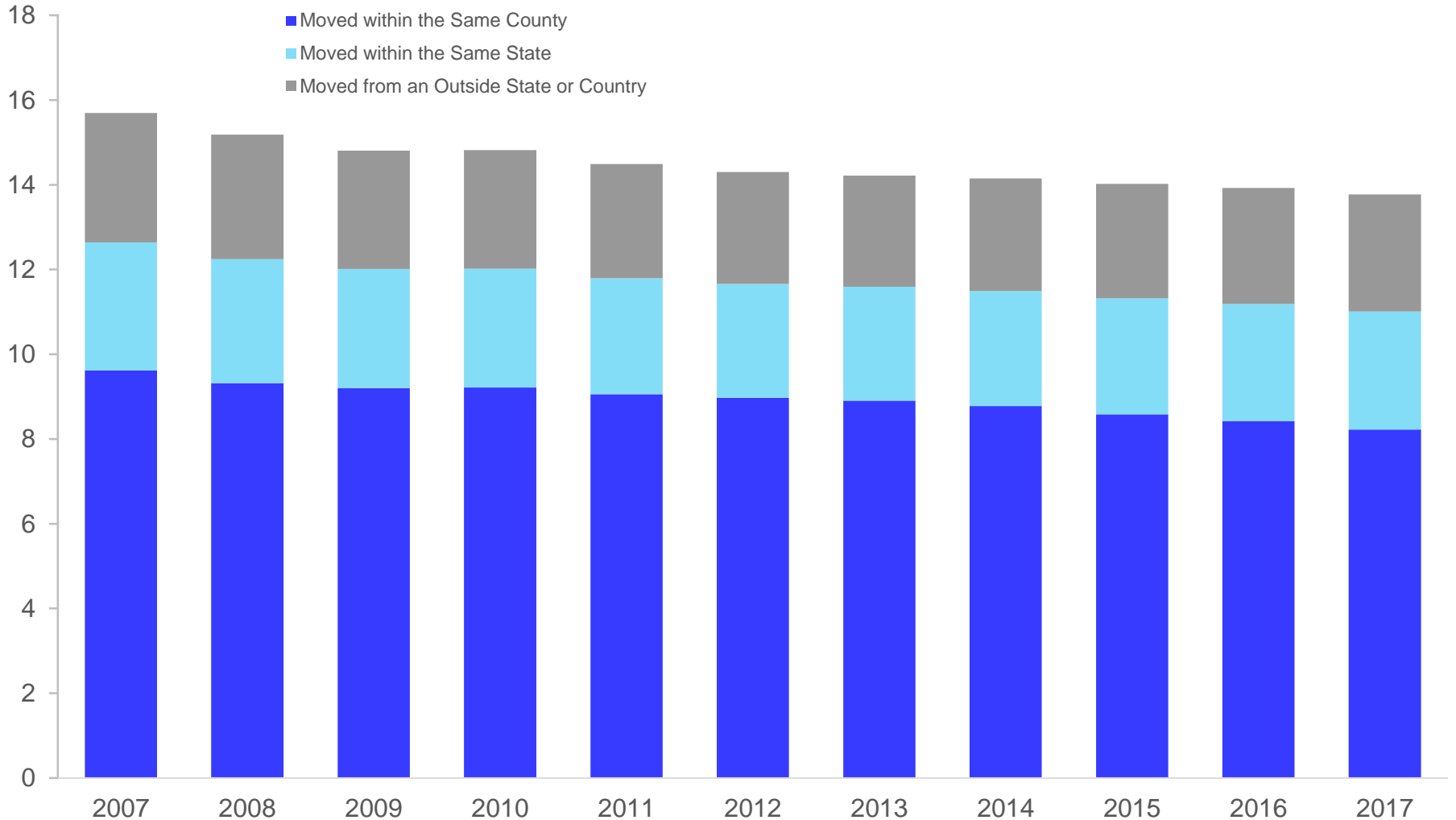
Percent change over year ago



# Household Mobility Is Low

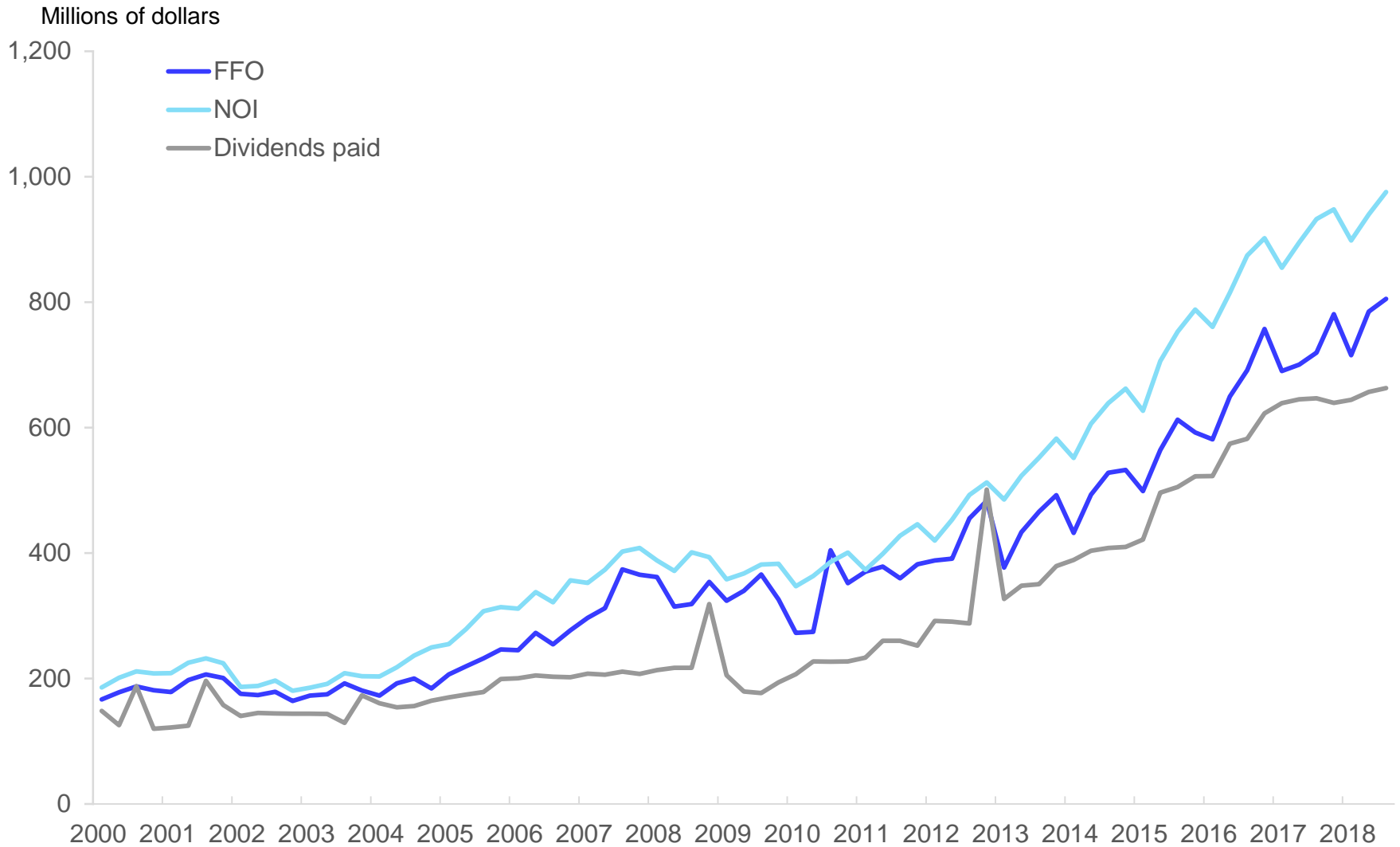
Mobility declined during the financial crisis and has continued to move lower

Percent of U.S. households



# Self Storage REITs

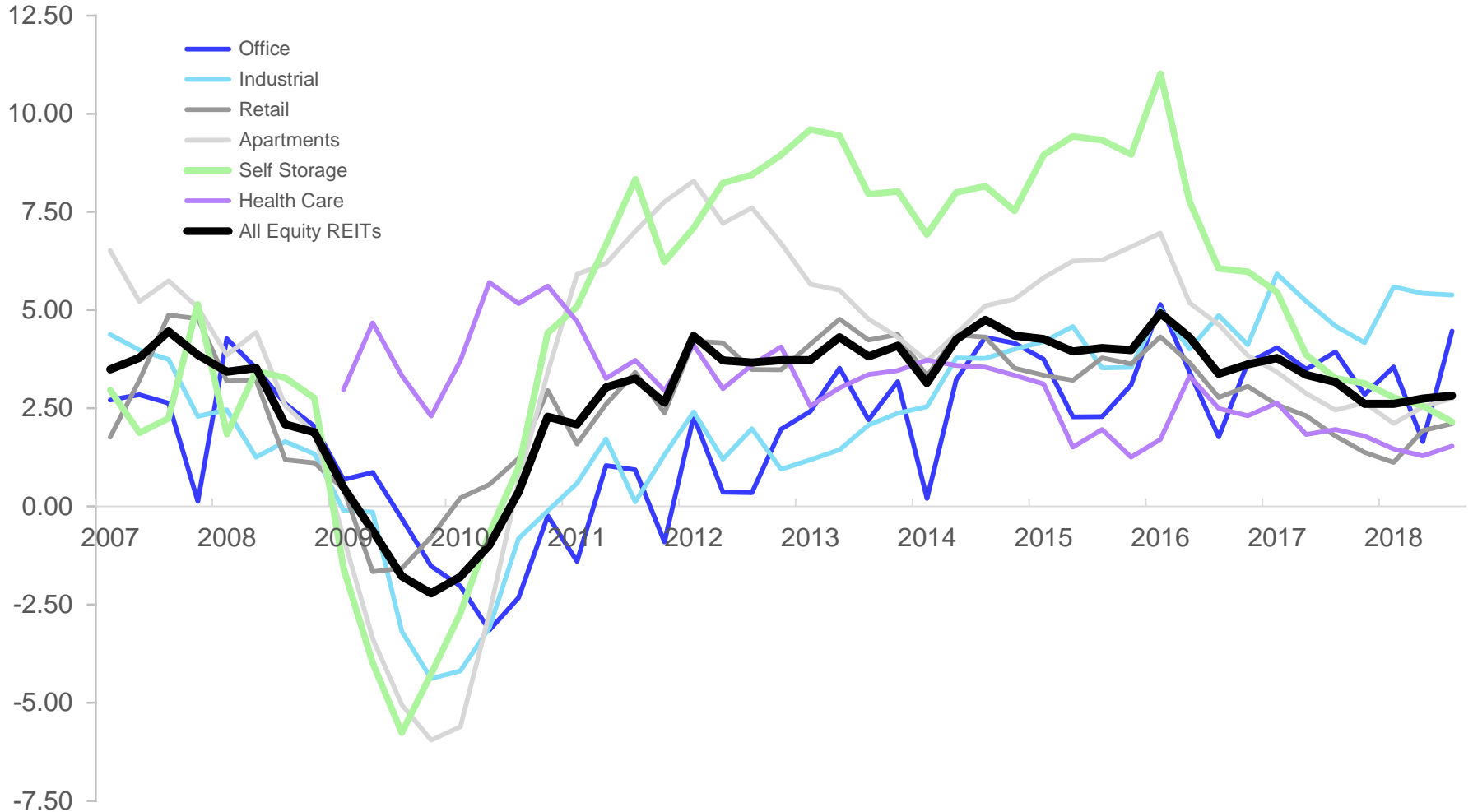
Self Storage REITs have had steady growth of FFO, NOI and Dividends Paid



# Self Storage REITs

Growth of Same Store NOI has decelerated across all REIT sectors

Percent change over four quarters





# Contact

**If you have any questions, please contact the team**

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