

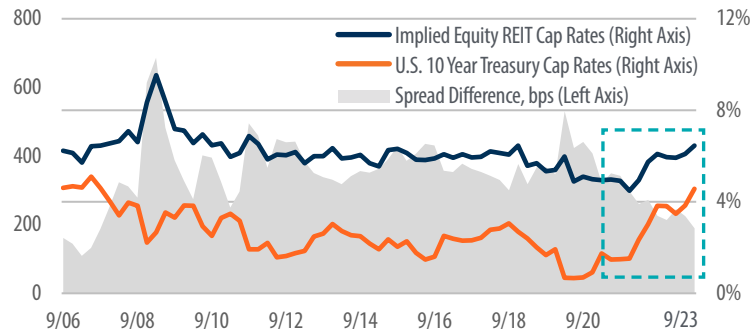


## Rates and Financing Challenged Commercial Real Estate Valuations in 2023. Will Financing be a Tailwind or Headwind from Here?

Surging interest rates and cap rates negatively impacted commercial real estate (CRE) valuations and nearly halted transactions.

### Implied Cap Rates for Equity REITs and the 10-Year U.S. Treasury rate increased in 2023.

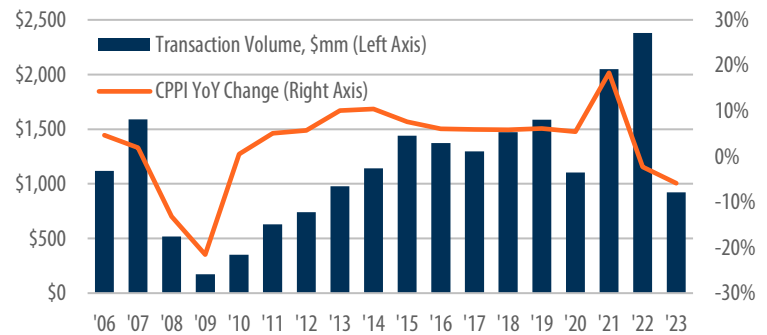
September '06 to September '23



Source: NAREIT, Bloomberg. Data from 9/30/06-9/30/23. Most recent data available. Bps refers to basis points.

### CRE Transaction Volumes and Property Prices were Down -61% and -5.9%, respectively in 2023.

December '06 to December '23



Source: Real Capital Analytics, Bloomberg. Data from 12/30/06-12/29/23. Most recent data available.

Amidst an uptick in delinquency rates, new loans were originated with lower leverage owing to stricter underwriting standards.

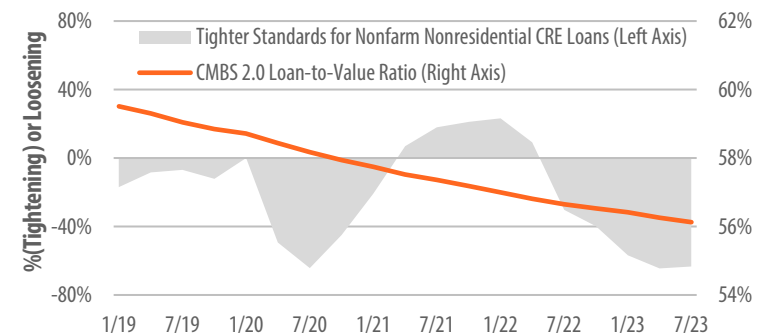
### Commercial Real Estate Loan Delinquency



Source: Intex, Loans held in Conduit 2.0 CMBS. Data from 12/1/10 - 12/1/23.

### Senior Loan Officer Survey of Bank Lending Practices

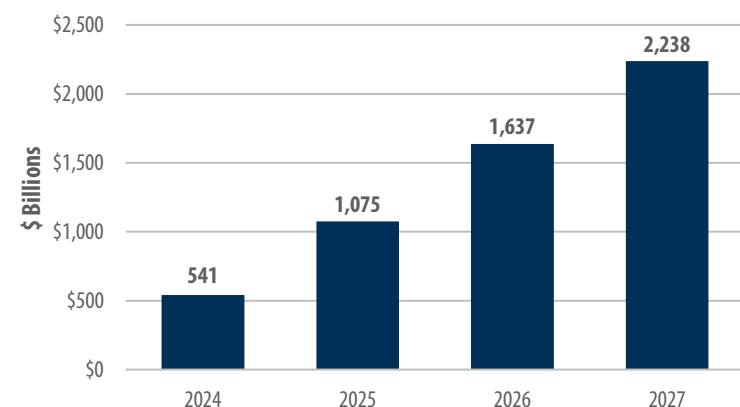
Loan-to-Value Ratio: 56%



Source: Board of Governors of the Federal Reserve System, Intex. Data from 1/1/19 - 7/1/23. Most recent data available.

Unscalable Heights? Can approximately \$800 billion of Private Fund Capital help surmount a \$2+ trillion debt maturity wall?

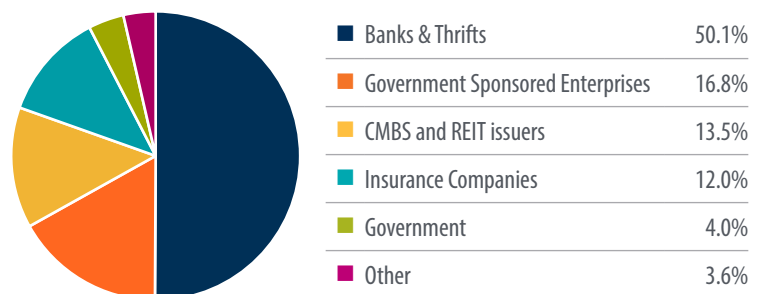
### Cumulative CRE Loan Maturities



Source: Trepp Inc., Savills, Realfin. Data as of 7/23. There is no assurance any projection will be achieved.

### Commercial Real Estate Lenders by Source

Banks are a major capital source for CRE. However, other lenders may need to increase their overall share.



Source: Federal Reserve, Trepp Inc.. Data as of 6/30/23, most recent data available.

## Retail and Industrial outperform other property types. Industrial valuations continue to increase and have yet to decline.

### CRE Snapshot

Cap Rate (%)	10/31/23	Change YoY
Office	7.71%	1.34%
Apartments	5.37%	0.66%
Retail	6.70%	0.34%
Industrial	5.96%	0.92%

Cap Rate Spreads vs. U.S. 10 Year Treasury (bps)	10/31/23	Change YoY
Office	278	46
Apartments	44	-22
Retail	177	-54
Industrial	103	4

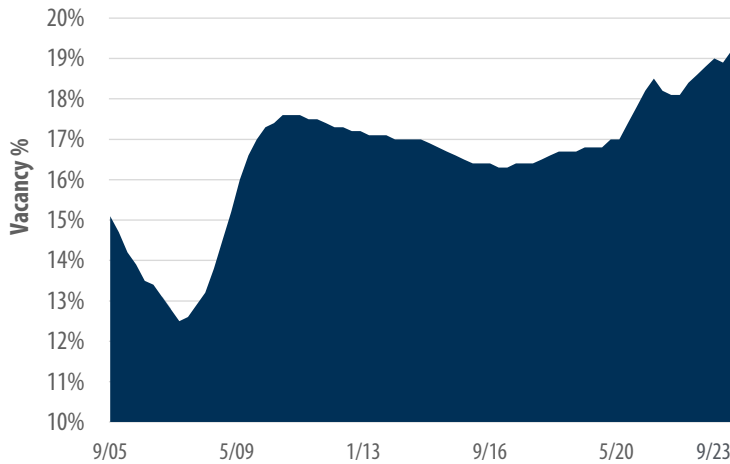
Commercial Property Price Index (CPPI)	Change YoY%	% Change from Peak 2022 to 10/31/23	% Change Prior Peak (2007) to Trough (2011)
Office	-9.50%	-11.21%	-38.8%
Apartments	-13.71%	-16.27%	-30.7%
Retail	-7.17%	-8.71%	-35.4%
Industrial	1.45%	N/A	-33.1%

Sales Volume (\$mm)	10/31/23	10/31/22	Change YoY%
Office	\$10,365	\$21,676	-52.2%
Apartments	\$30,916	\$74,498	-58.5%
Retail	\$14,225	\$16,266	-12.5%
Industrial	\$19,185	\$36,781	-47.8%

Source: Real Capital Analytics, Bloomberg. As of 10/31/23, most recent data available.

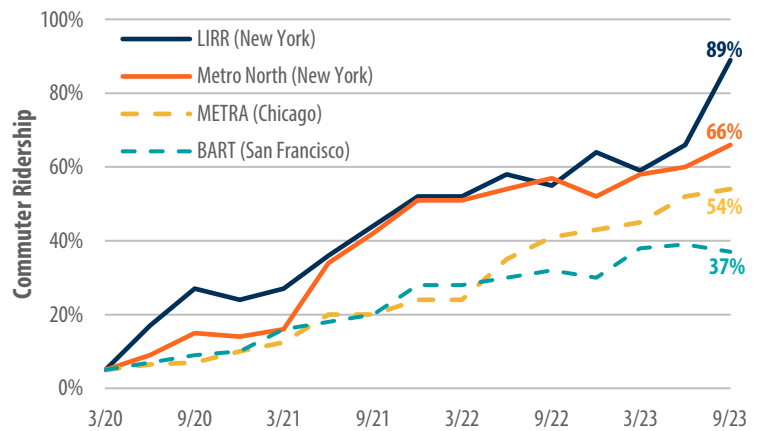
## Start Spreading the News: While overall office space demand suffers, New York City's more vibrant downtown is a bigger draw than other major downtown metros.

### National Office Vacancies



Source: REIS Inc., Bloomberg. Office Real Estate Vacancy Percentage US Metro Total data from 9/2005 - 9/2023, most recent data available.

### Commuter Data Since the Start of the Pandemic for Long Island Rail Road (LIRR) and Metro North (New York), METRA (Chicago), and BART (San Francisco)



Source: MTA, BART, METRA. Data from 3/31/20 - 9/30/23, most recent data available.

## Definitions

**Cap Rate:** The capitalization rate, or cap rate, is a measure of expected return on a real estate investment. It's determined by dividing the property's expected net income by its value, expressed as a percentage.

**Commercial Property Price Index (CPPI):** Commercial Property Price Index is a transaction-based index that measures property prices at a national level. The index covers Apartment, Retail, Office, and Industrial sectors.

**Commercial mortgage-backed securities (CMBS):** Fixed-income investment instruments that are backed by commercial and multifamily mortgages.

**Senior Loan Officer Survey of Bank Lending Practices:** The Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS) is a quarterly survey of up to 80 large domestic banks and 24 branches of international banks. Conducted by the Federal Reserve Board, the survey is completed in time to be discussed at Federal Open Market Committee (FOMC) meetings. The FOMC uses the surveys to get a clearer picture of credit and lending, which can impact decisions on setting interest rates and discount rates.

**Loan-to-Value Ratio:** The loan-to-value ratio, or LTV, is the ratio of the loan amount to the value of the real estate collateral. It is used as a measure of risk in financing real estate.

**Office Real Estate Vacancy Percentage US Metro Total (ROFFUSMV Index)** measures office real estate vacancies across US Metros.

**Year-over-Year (YoY)** is a calculation that helps compare growth over the previous 12 months and automatically negates the effect of seasonality.

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