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NOV. 14-16 // ANAHEIM, CA



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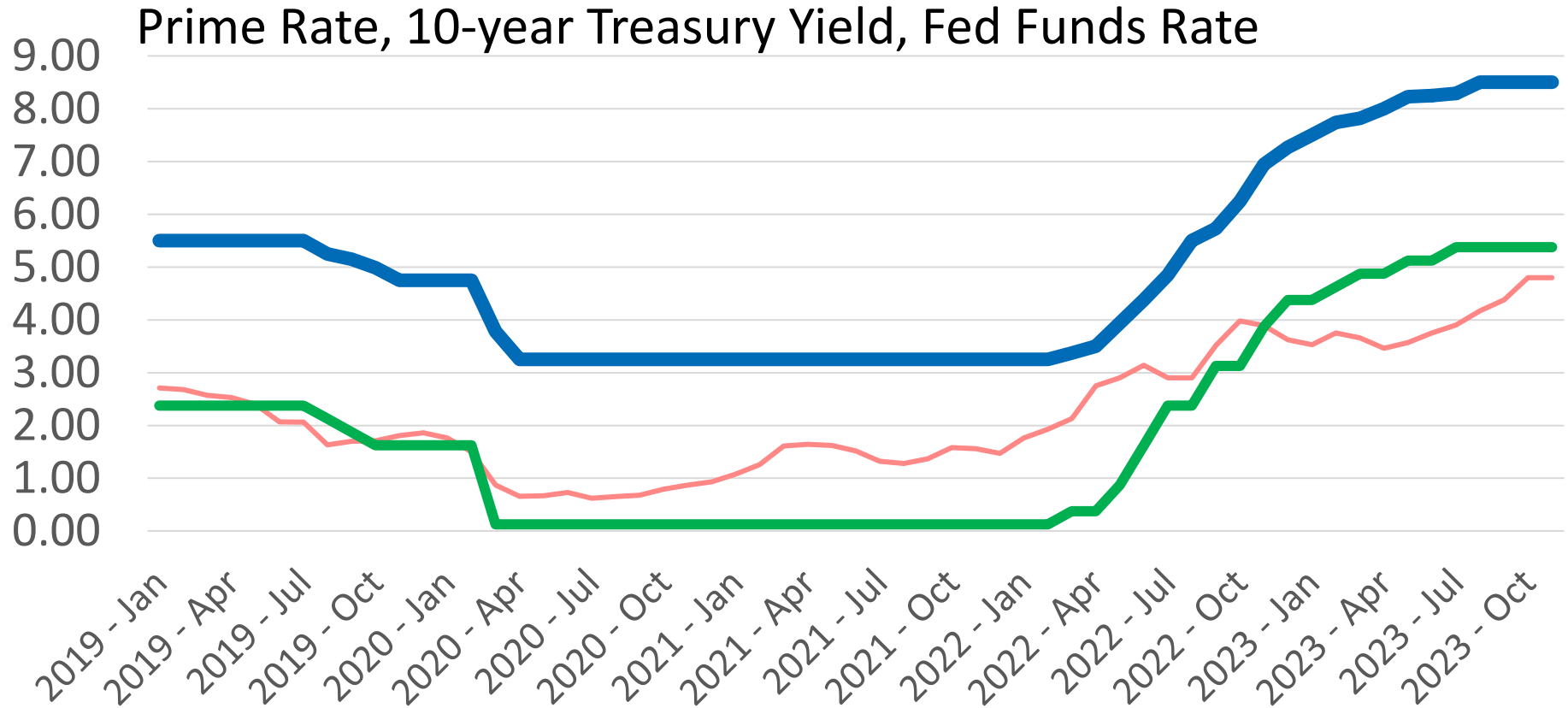
Commercial and Economic Outlook

Lawrence Yun, Chief Economist

Anaheim Convention Center, Room 252 A, 200 Level
- North Building

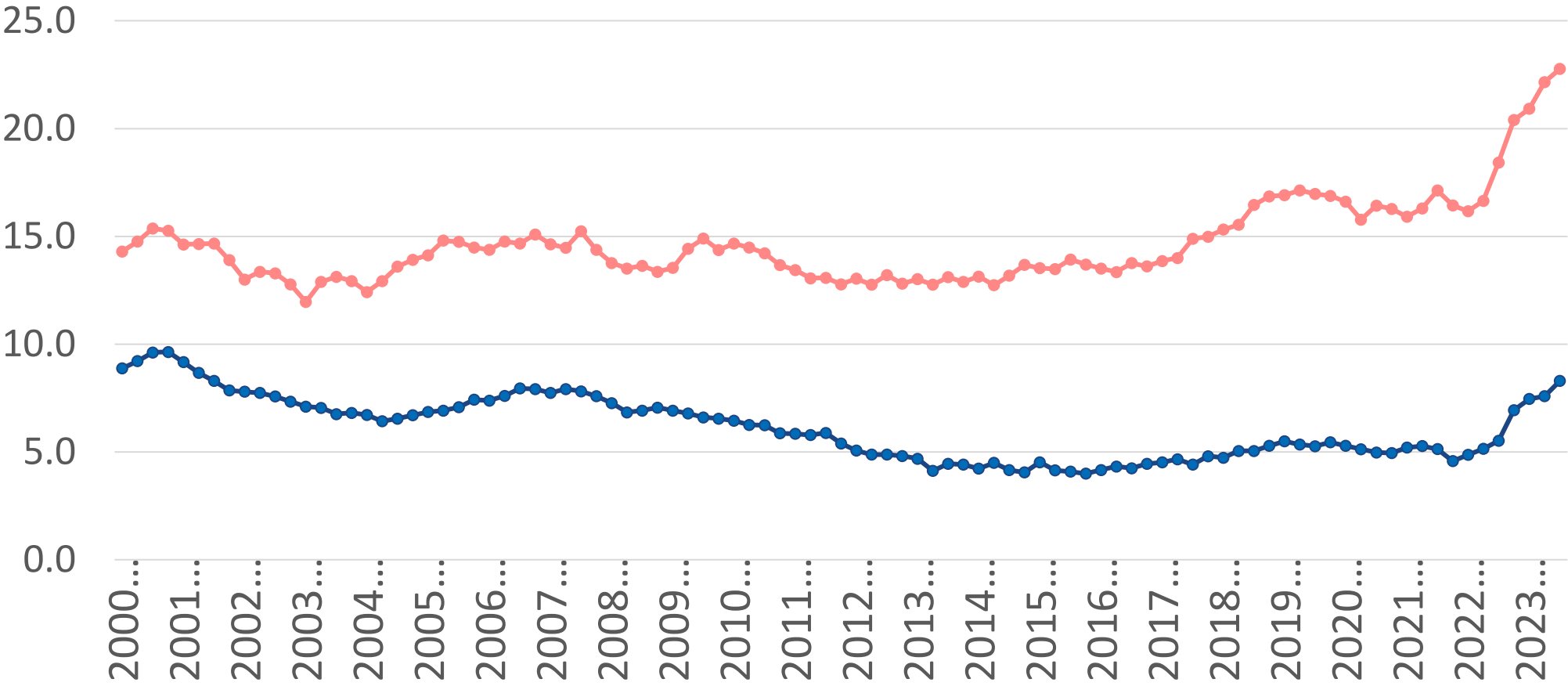


High Interest Rates Hindering Borrowing and Refinance Costly



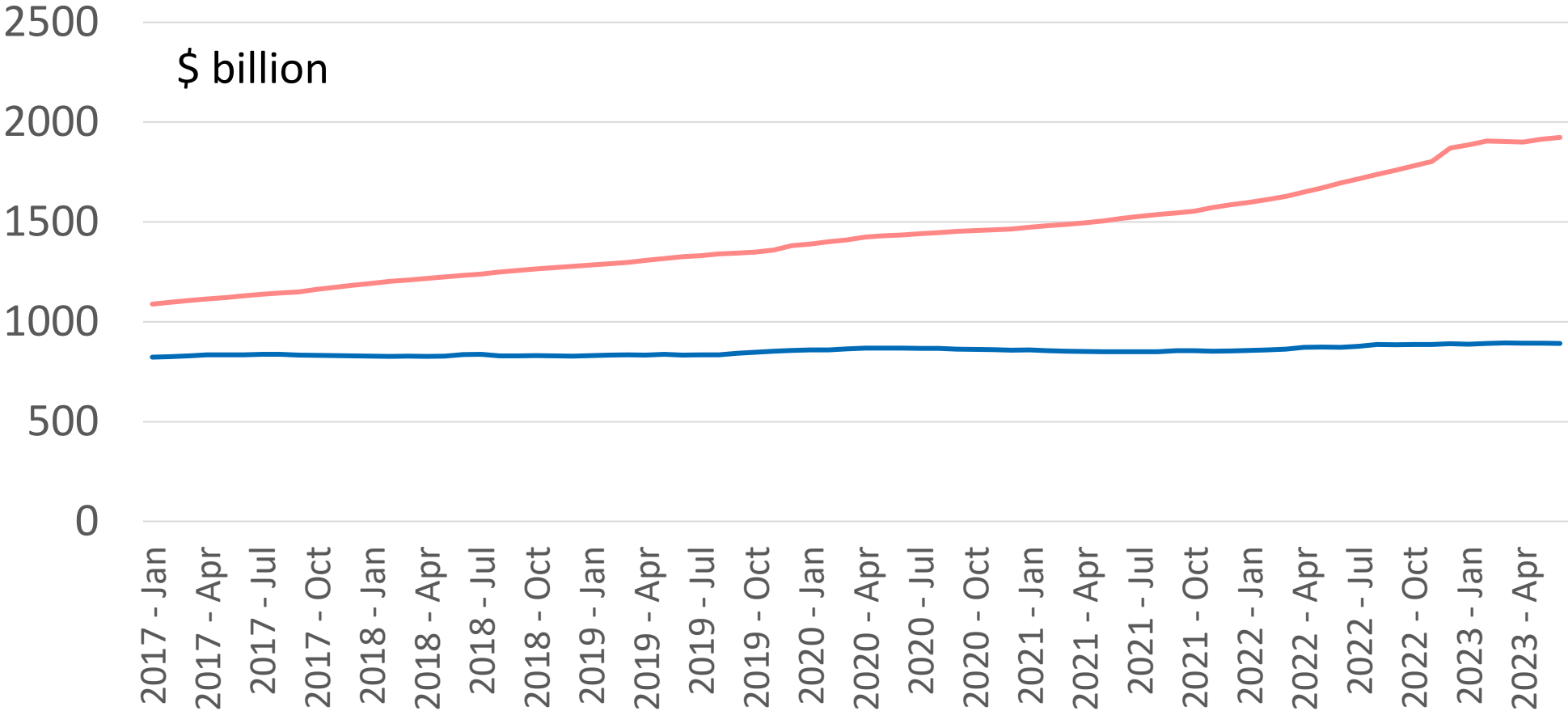
Source: Federal Reserve and U.S. Treasury

Average Interest Rates: Credit Card and New Car Loan





Source: Federal Reserve

Fed Rate Hikes Have Hurt Small-Sized Banks ... Commercial Real Estate Loans by Small Banks > Top 25 Large Banks



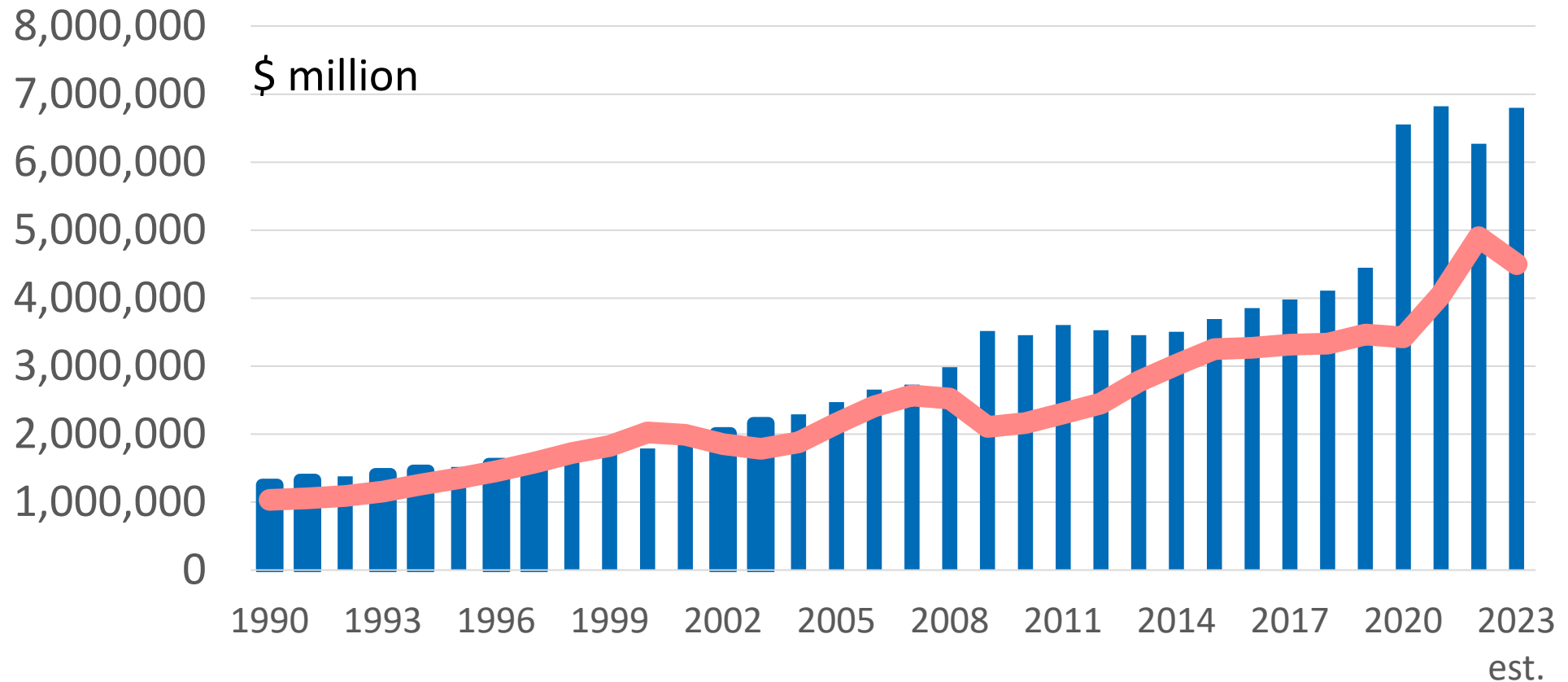
Source: Federal Reserve

Change in Commercial Loan Lending Standards

Construction and Land Development Loan	2022 Q2	2023 Q2	Loans secured by Commercial Building	2022 Q2	2023 Q2
Tightened	50% 	73%	Tightened	43% 	68%
Unchanged	48%	25%	Unchanged	55%	32%
Eased	2%	1%	Eased	2%	0%

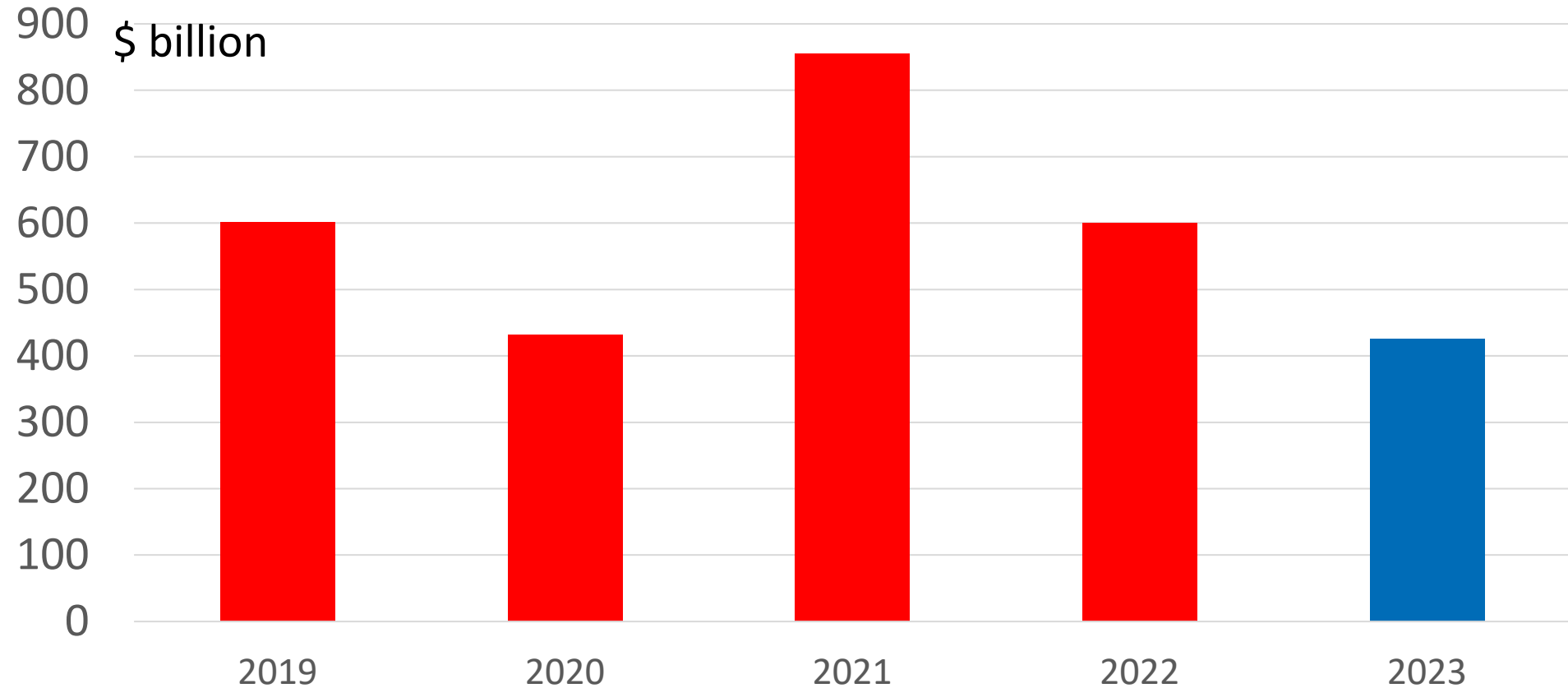
Source: Federal Reserve

Government Deficit Further Pressuring Rate Rise? Government Outlay > Tax Revenue



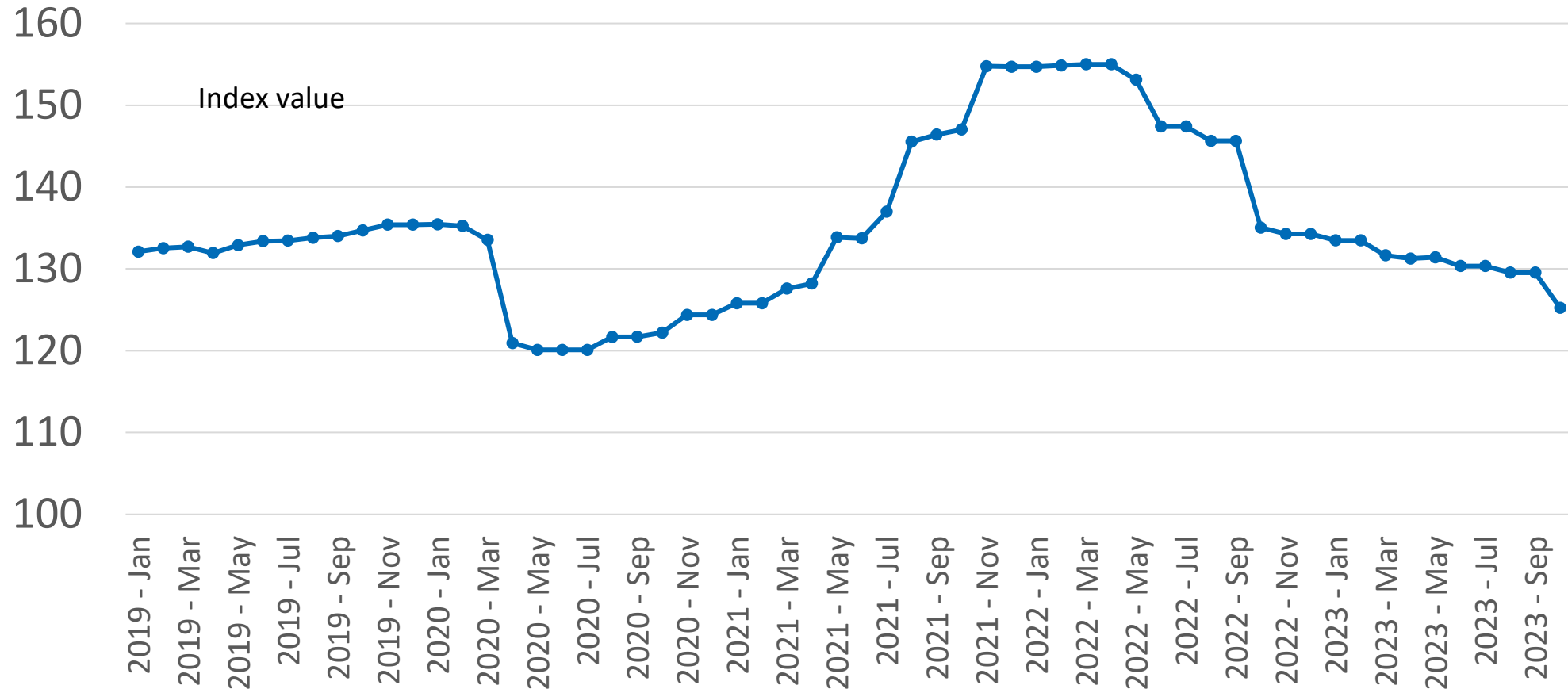
Source: Congressional Budget Office

Commercial Transaction Volume Cut in Half in Two Years



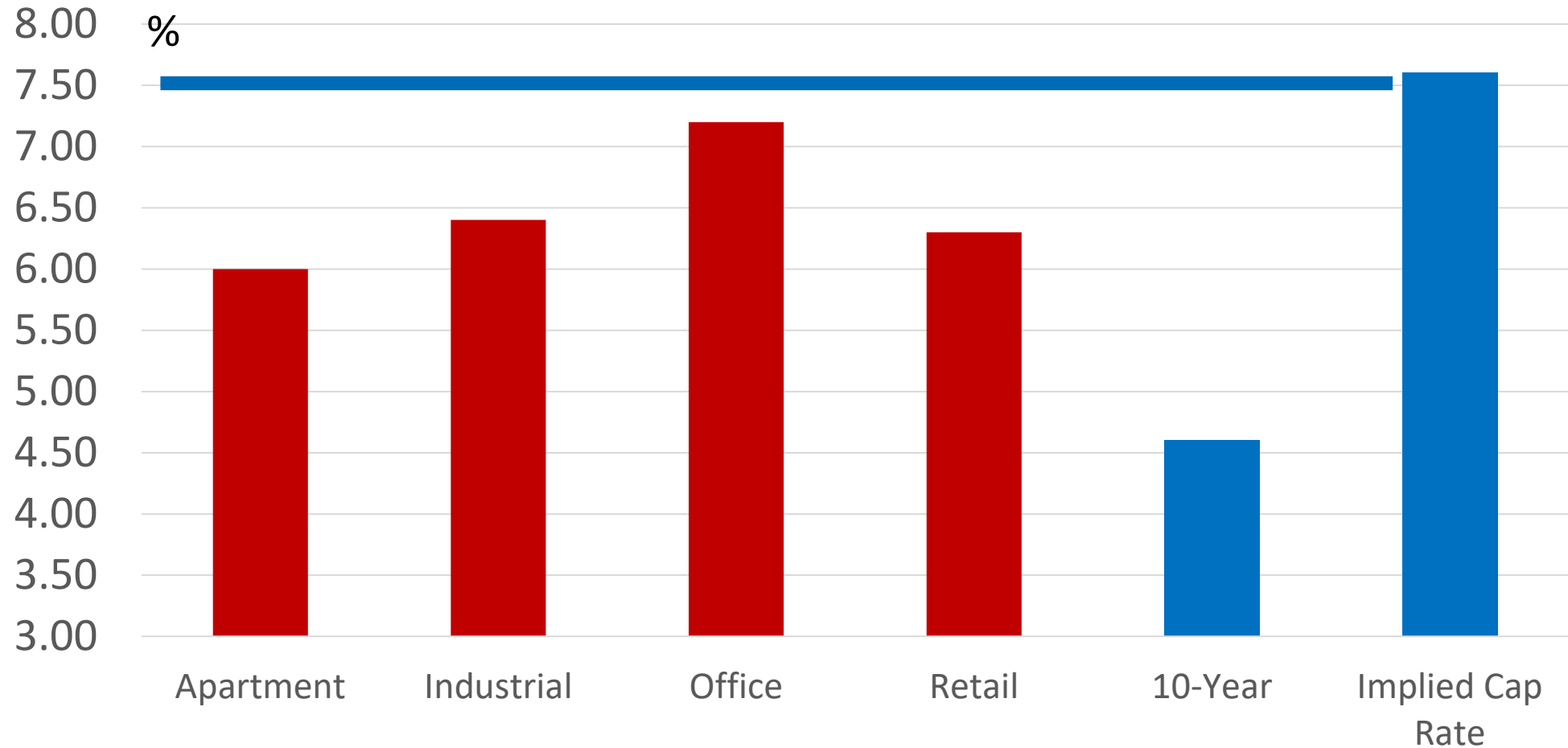
Source: MSCI, Real Capital Analytics

Commercial Property Prices Falling ... Below Pre-COVID



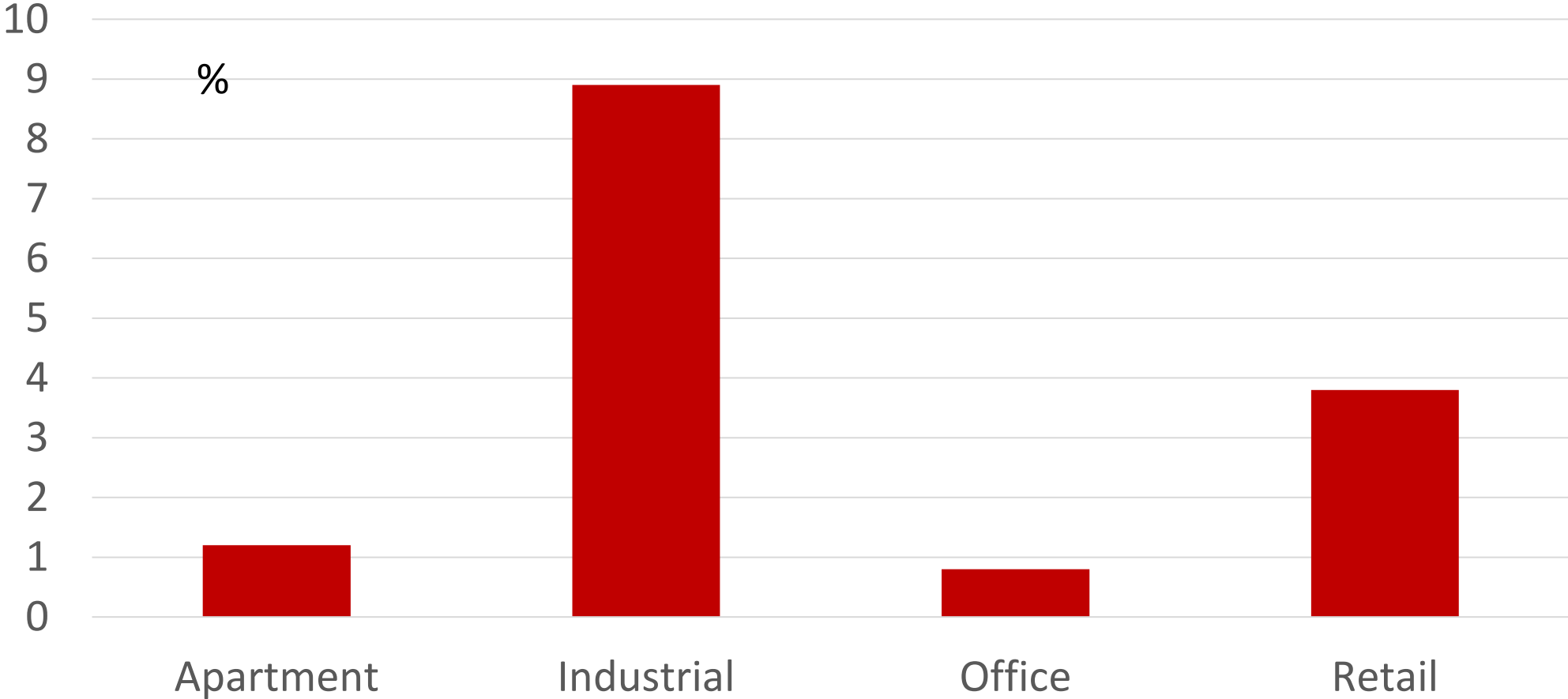
Source: Green Street

Cap Rates Rising but Still too Low? ... Further Price Reduction



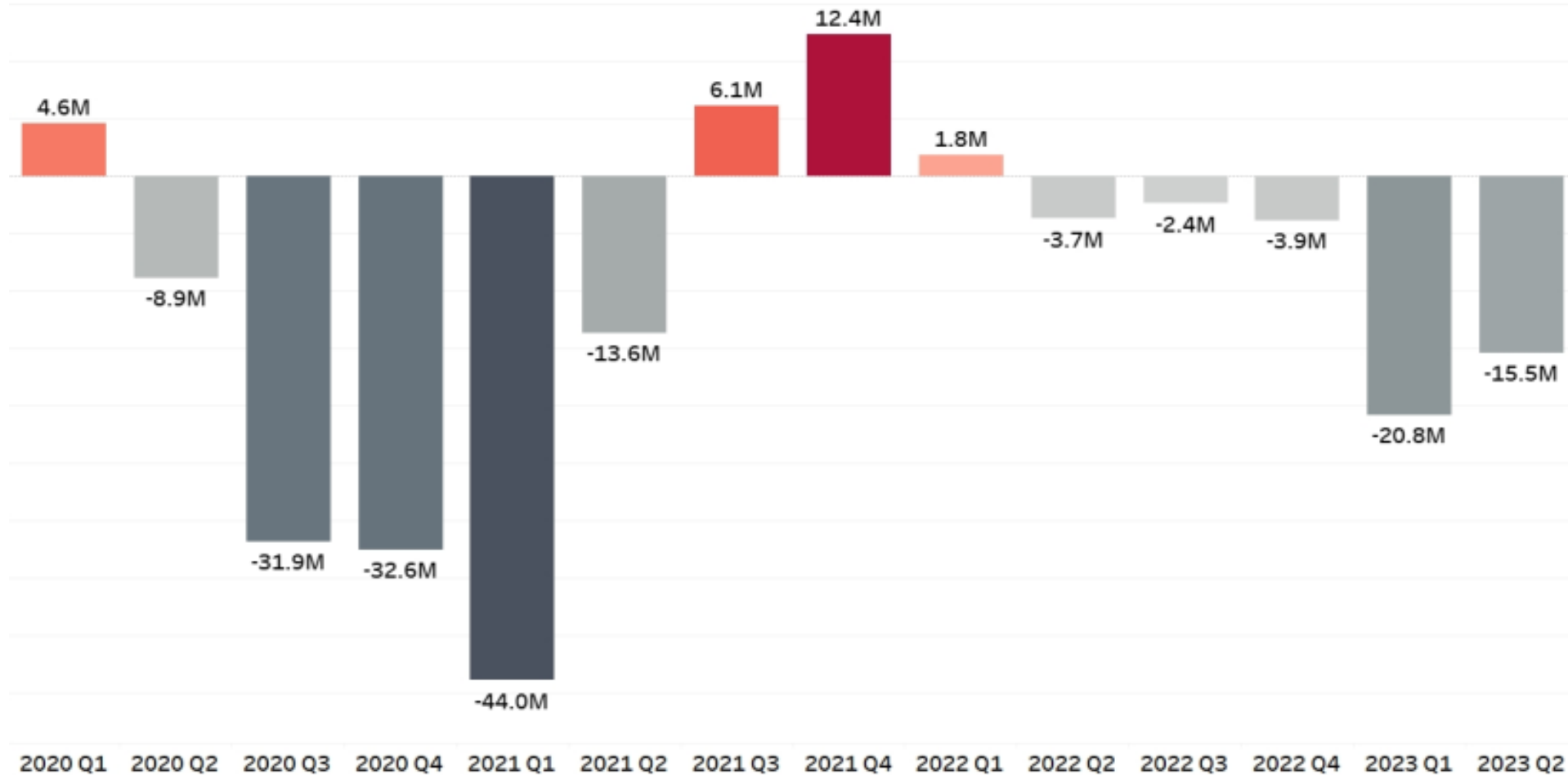
Source: CoStar and U.S. Treasury

Rent Growth Strongest in Industrial and Weakest in Office



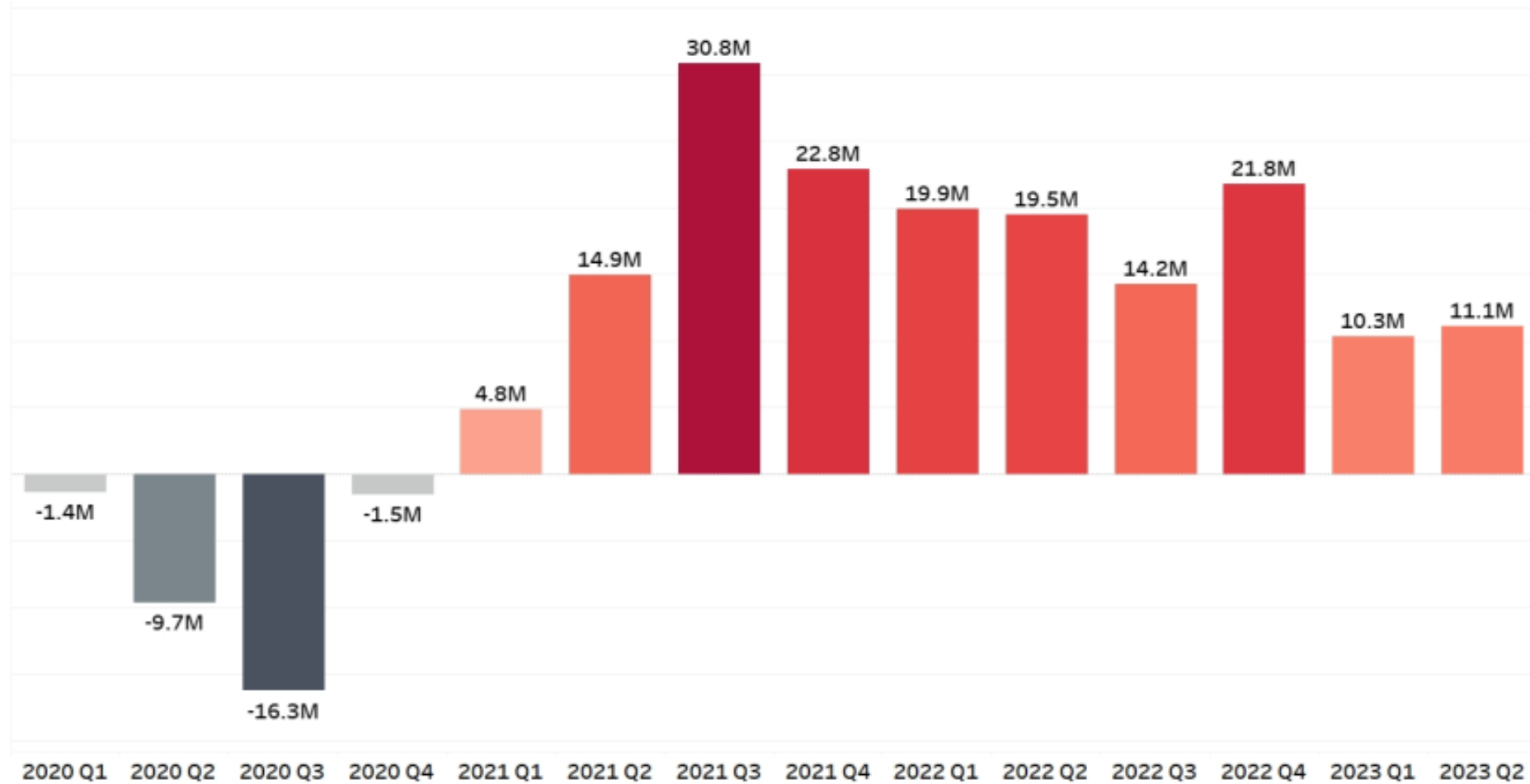
Source: NAR analysis of CoStar data

Office Net Leasing .. Negative



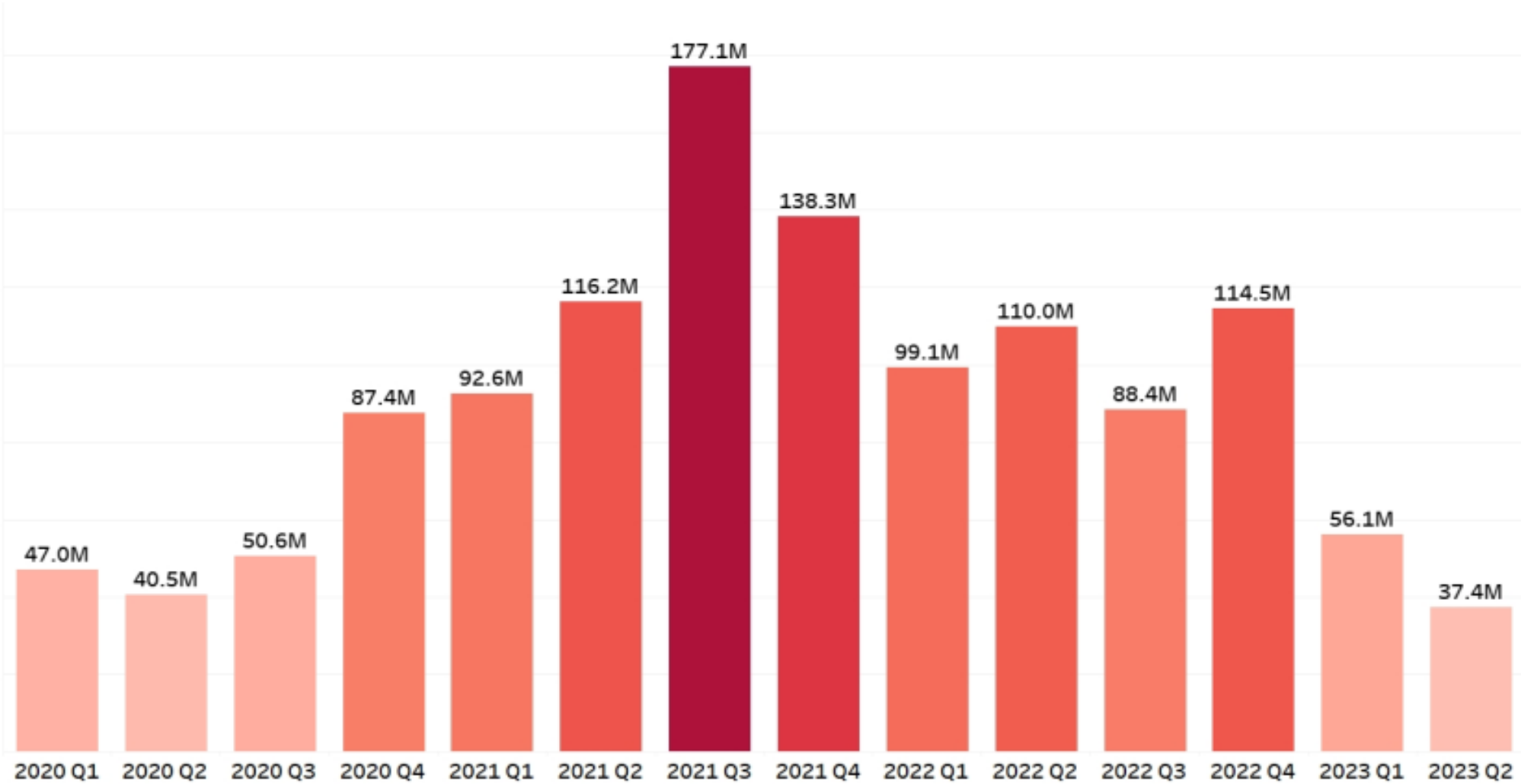
Source: NAR analysis of CoStar data

Retail Leasing ... Fizzling Out



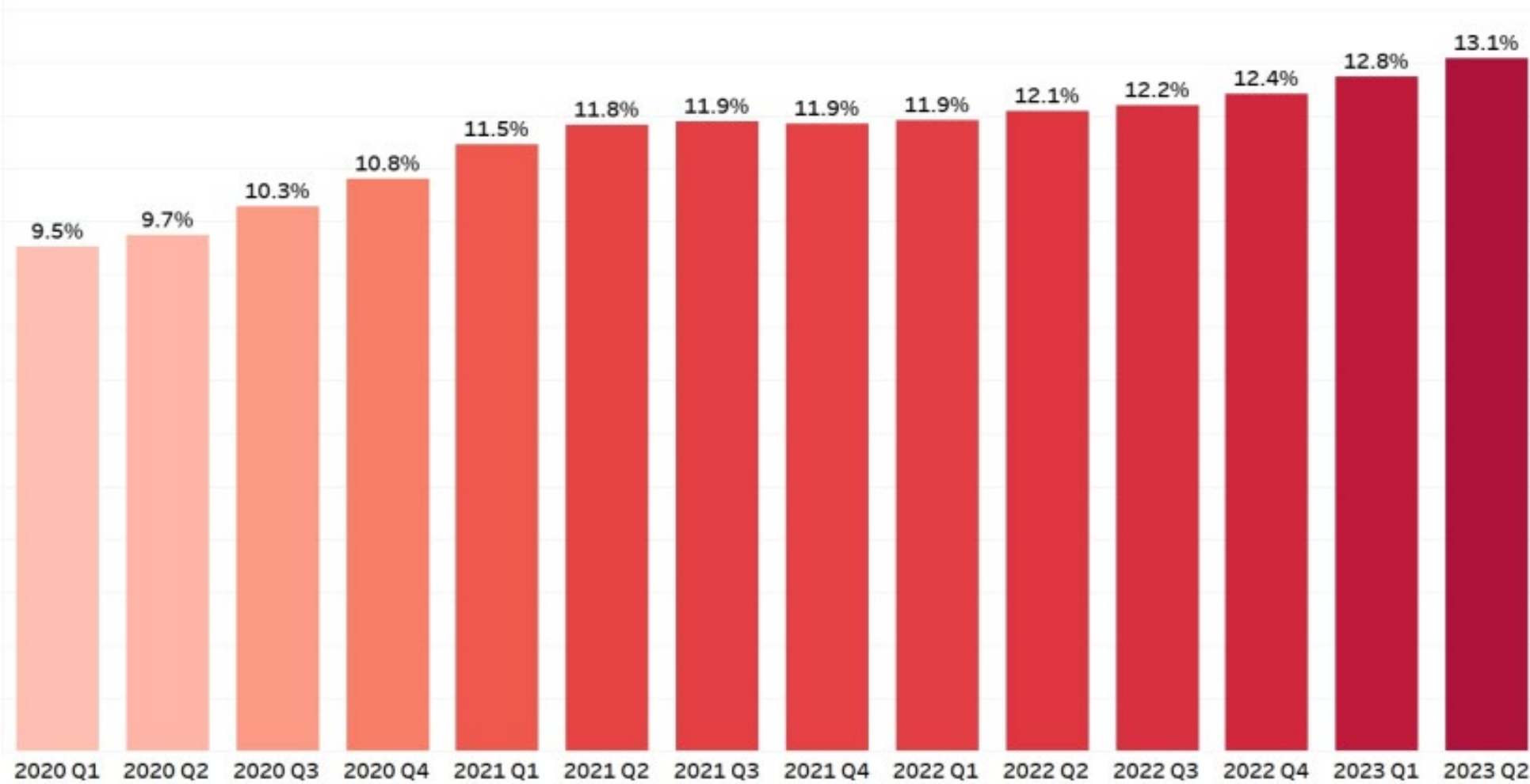
Source: NAR analysis of CoStar data

Even Warehouse/Industrial Space Leasing .. No



Source: NAR analysis of CoStar data

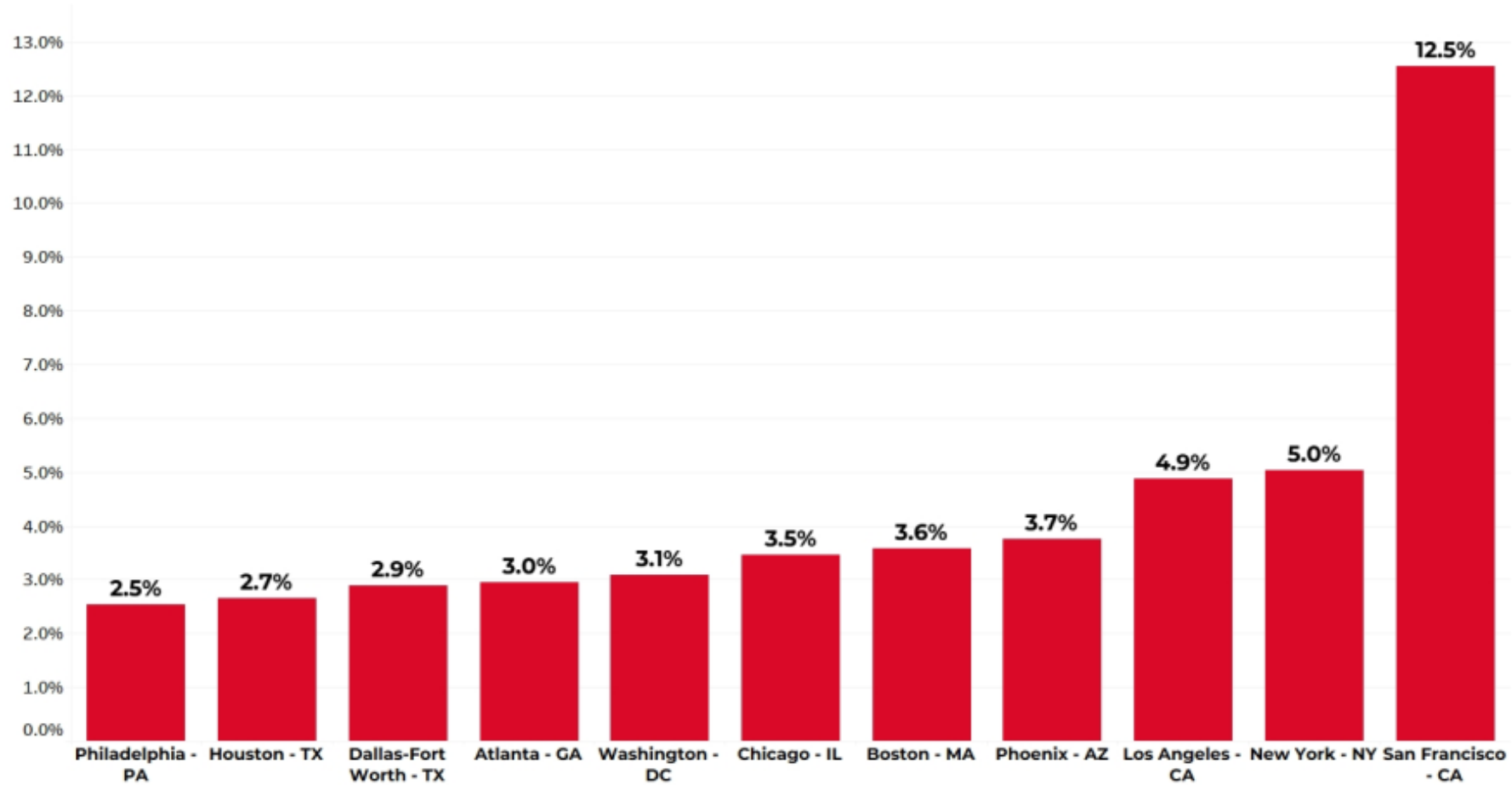
Office Vacancy Rate Rising and to Rise Further



Source: NAR analysis of CoStar data

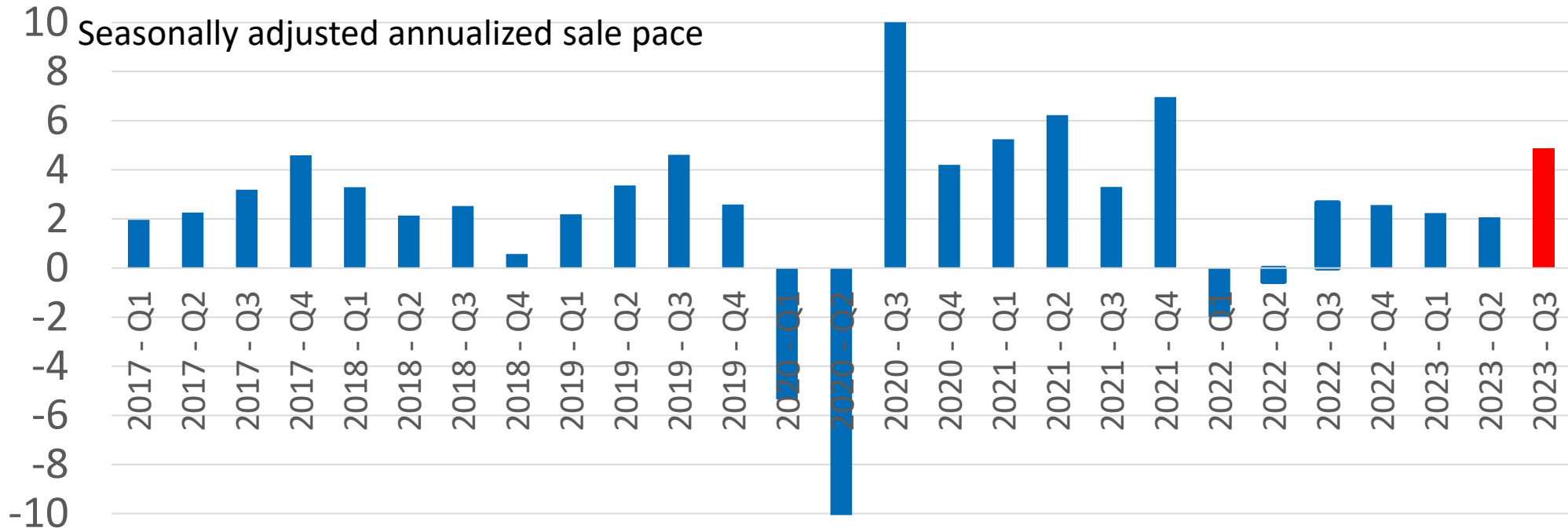
San Francisco Dying ... Rise in Office Vacancy from Pre-COVID

Vacancy Rate Change among large cities



Source: NAR analysis of CoStar data

Strong Economy: GDP Growth at 4.9%



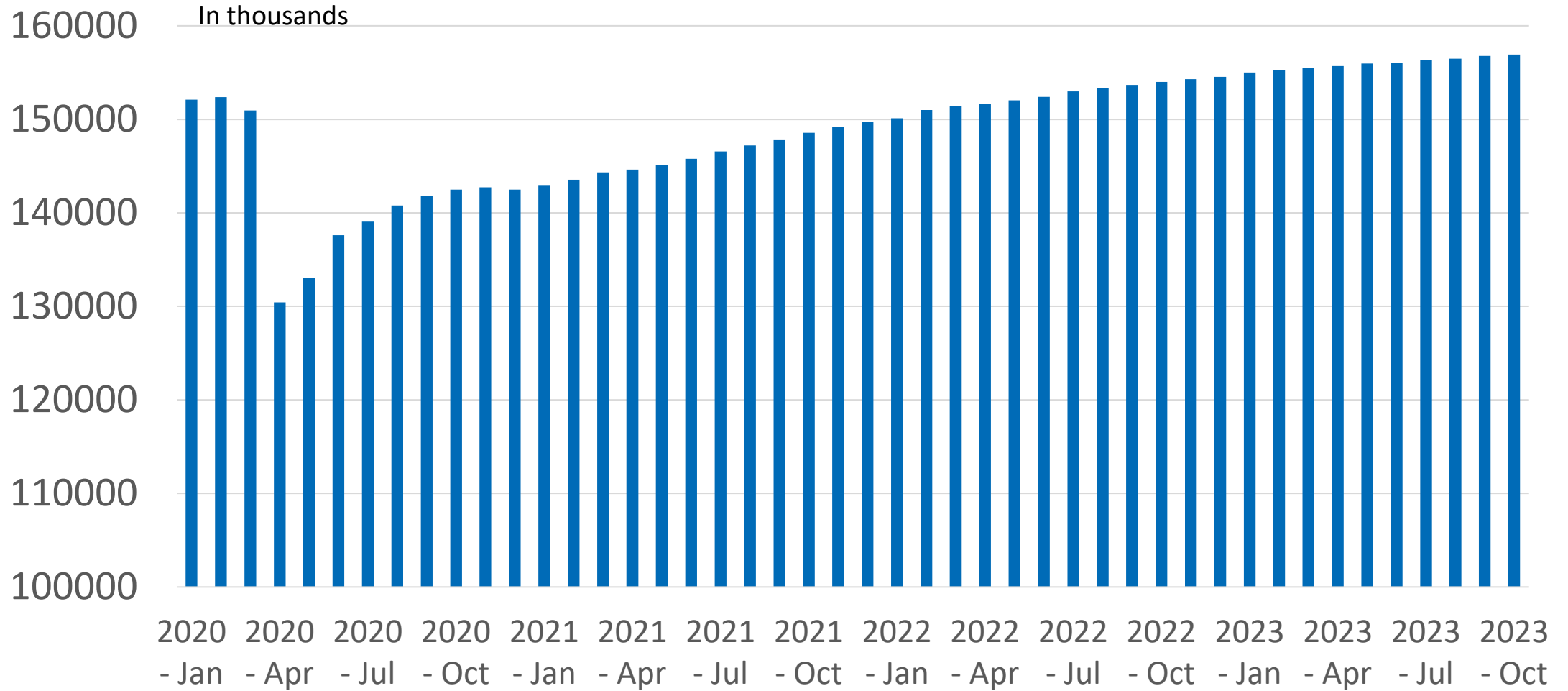
Source: NAR

Reasons for GDP Growth at 4.9% and Worrying Signs



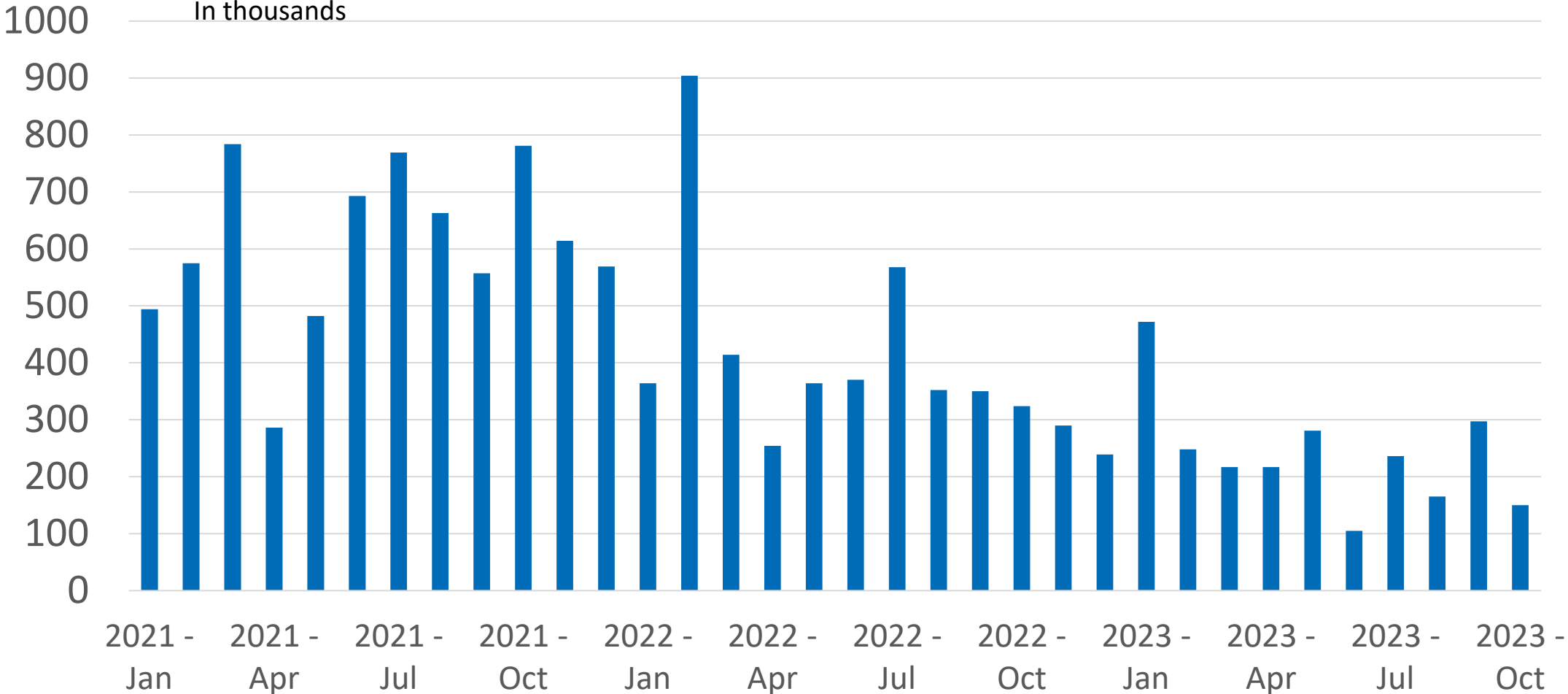
Source: Department of Commerce

Total Payroll Jobs ... 4.5 Million More from Pre-COVID



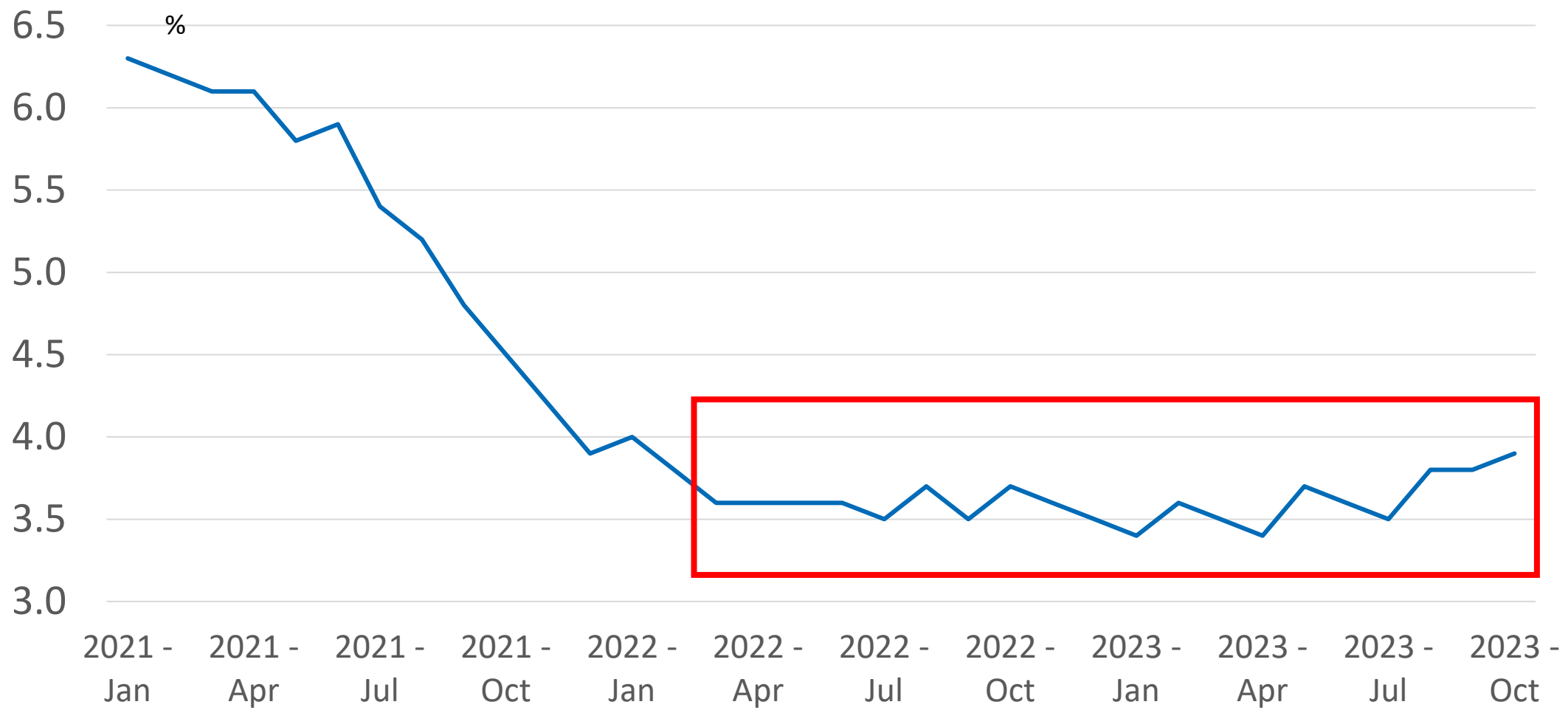
Source: BLS

Monthly Job Gains Softening



Source: BLS

Unemployment Rate ... Highest in Nearly 2 Years



Source: BLS



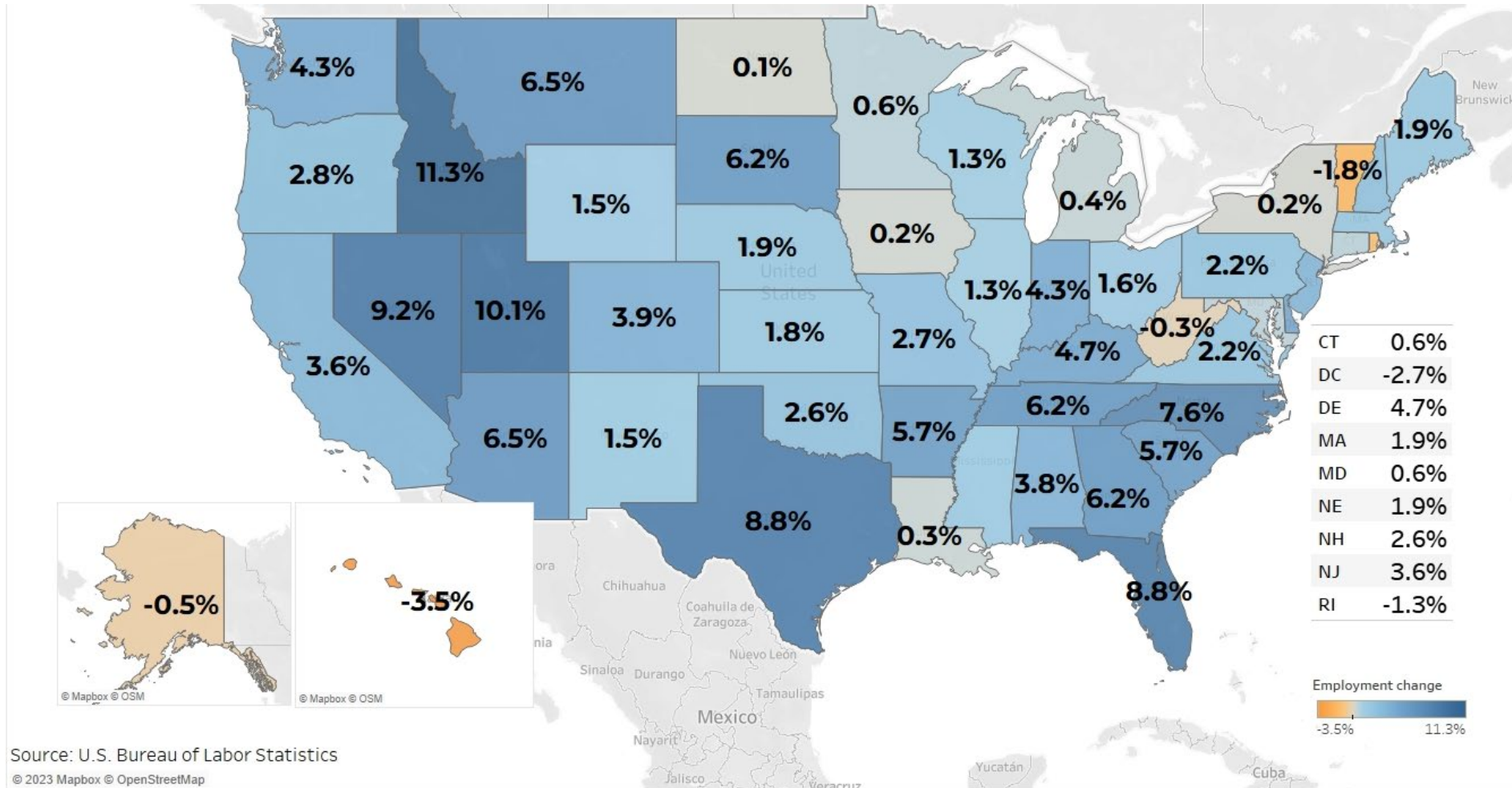
Wage Growth ... Weakest in 2 ½ Years



Source: BLS

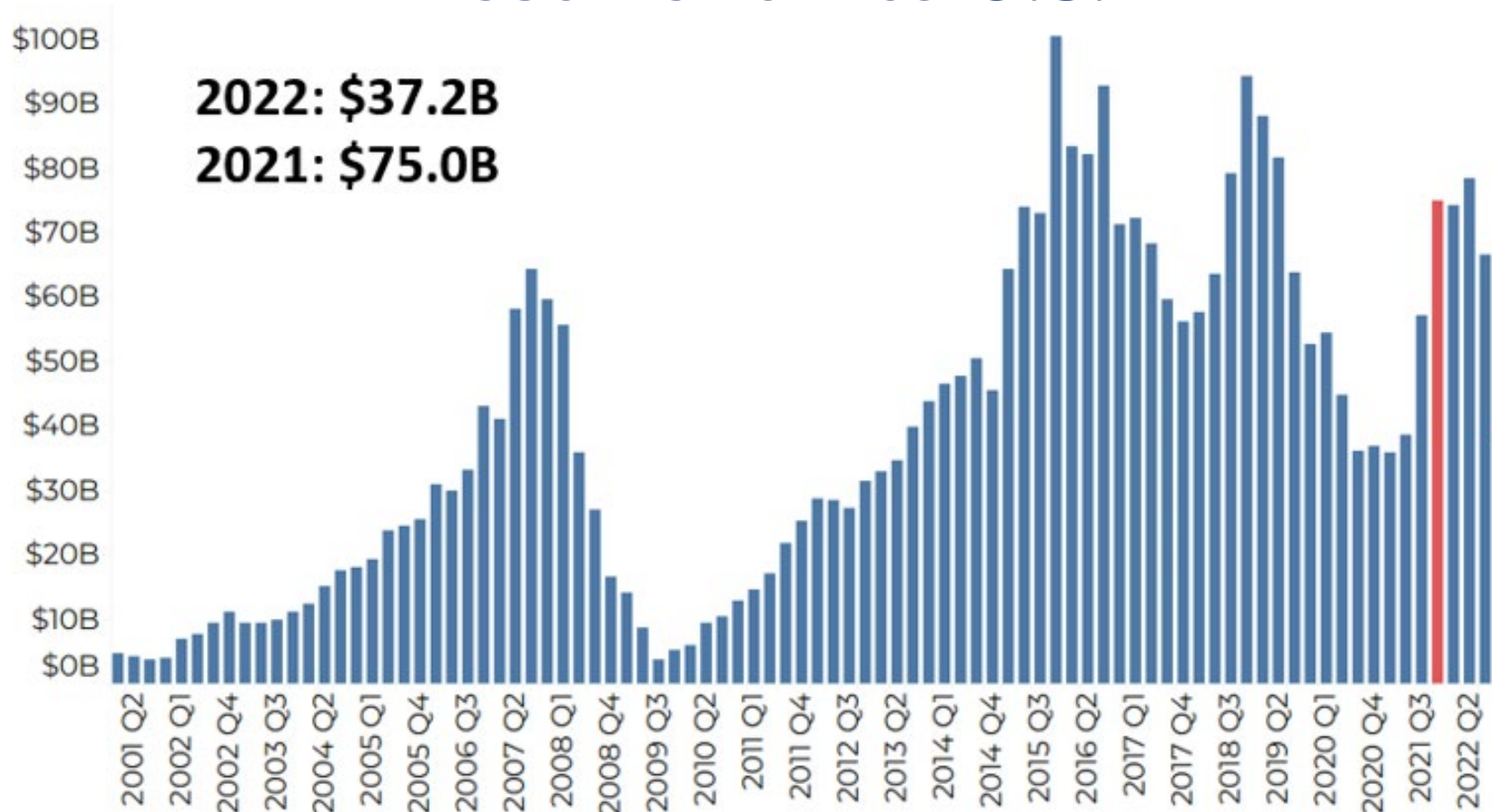
Job Gains Since Pre-COVID Record High Payroll Employment

(% change from March 2020 to September 2023)



Source: NAR Analysis of BLS data

Cross-border Commercial Real Estate Investment into U.S.



Source: Real Capital Analytics

Top Countries Invested in U.S. Commercial Real Estate

Canada	\$15.98B
Singapore	\$10.85B
Japan	\$2.91B
Switzerland	\$2.34B
South Korea	\$2.17B
Spain	\$1.82B
Bahrain	\$1.58B
Israel	\$1.38B
United Kingdom	\$0.98B
Germany	\$0.95B

Source: Real Capital Analytics

Top 10 Most Direct Foreign Investment

	2022	2021	%Change (2022-2021)
United States	\$285.1B	\$387.8B	-26.5%
China	\$189.1B	\$181.0B	4.5%
Hong Kong, China	\$117.7B	\$140.2B	-16.0%
Australia	\$61.6B	\$20.9B	194.9%
Sweden	\$46.0B	\$21.1B	117.5%
France	\$36.4B	\$30.9B	17.9%
Spain	\$34.8B	\$22.0B	58.5%
Japan	\$32.5B	\$24.7B	31.9%
Poland	\$29.5B	\$29.6B	-0.4%
Israel	\$27.8B	\$21.5B	29.2%

Source: United Nations Conference on Trade and Development

2024 Outlook Depends on Fed Policy

Fed to Cut Interest Rates in 2024 ... Maybe 4 times

- Rents will calm down further ... Holds down CPI ... will make the Fed pivot from raising to neutral and to cut
- Community banks are suffering from high-interest rates and special funding swap ends in March
- Momentary swings in price discovery, capital availability
- Commercial Property Prices Stabilize (except Office)
- GDP growth adds to net leasing and investment sales

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