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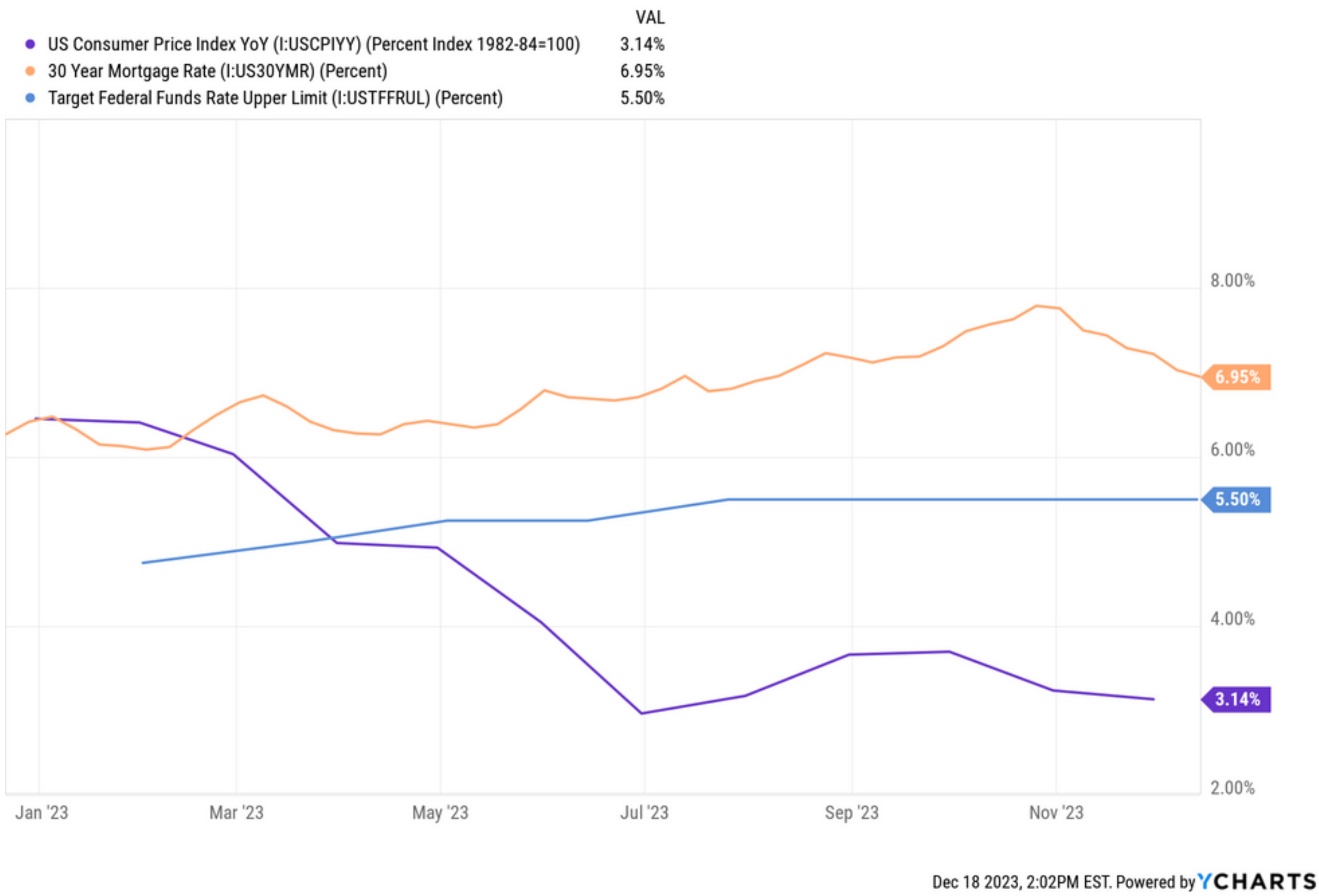
U.S. REAL ESTATE YEAR-END 2023

2023 - YEAR IN REVEIW

2023 was home to the highest Federal Funds Rate in 22 years, with a record 11 straight rate hikes throughout the year. This led to a restriction on lending practices, making buying and selling much harder. Mortgage rates peaked at around 8%, and inflation, initially resistant to rate hikes, eventually dropped to the low 3% mark. **The impact was felt unevenly across regions, with over 80% of metro areas experiencing home price increases, led by the South in single-family existing-home sales, and the Midwest showing substantial year-over-year price increases in several metro areas.** However, places like Austin and Phoenix saw price declines. The high mortgage rates and rising home prices posed significant challenges, especially for first-time homebuyers, as the typical monthly mortgage payment for a starter home rose notably. The interest in sustainable living influenced housing preferences, shifting towards eco-friendly designs and energy-efficient homes. **Government policies, alongside inflation and employment patterns, played a crucial role in shaping market dynamics.** Despite these challenges, the retail, industrial, and multifamily sectors showed resilience in 2023, while the office sector continued to struggle with high vacancy rates since 2020. The housing market's impact on inflation was evident as transaction volumes slightly decreased. However, many cash-strapped buyers kept the market buoyant by foregoing financing throughout the year. **Now, towards the end of the year, there's a more hopeful outlook for rate cuts in 2024**



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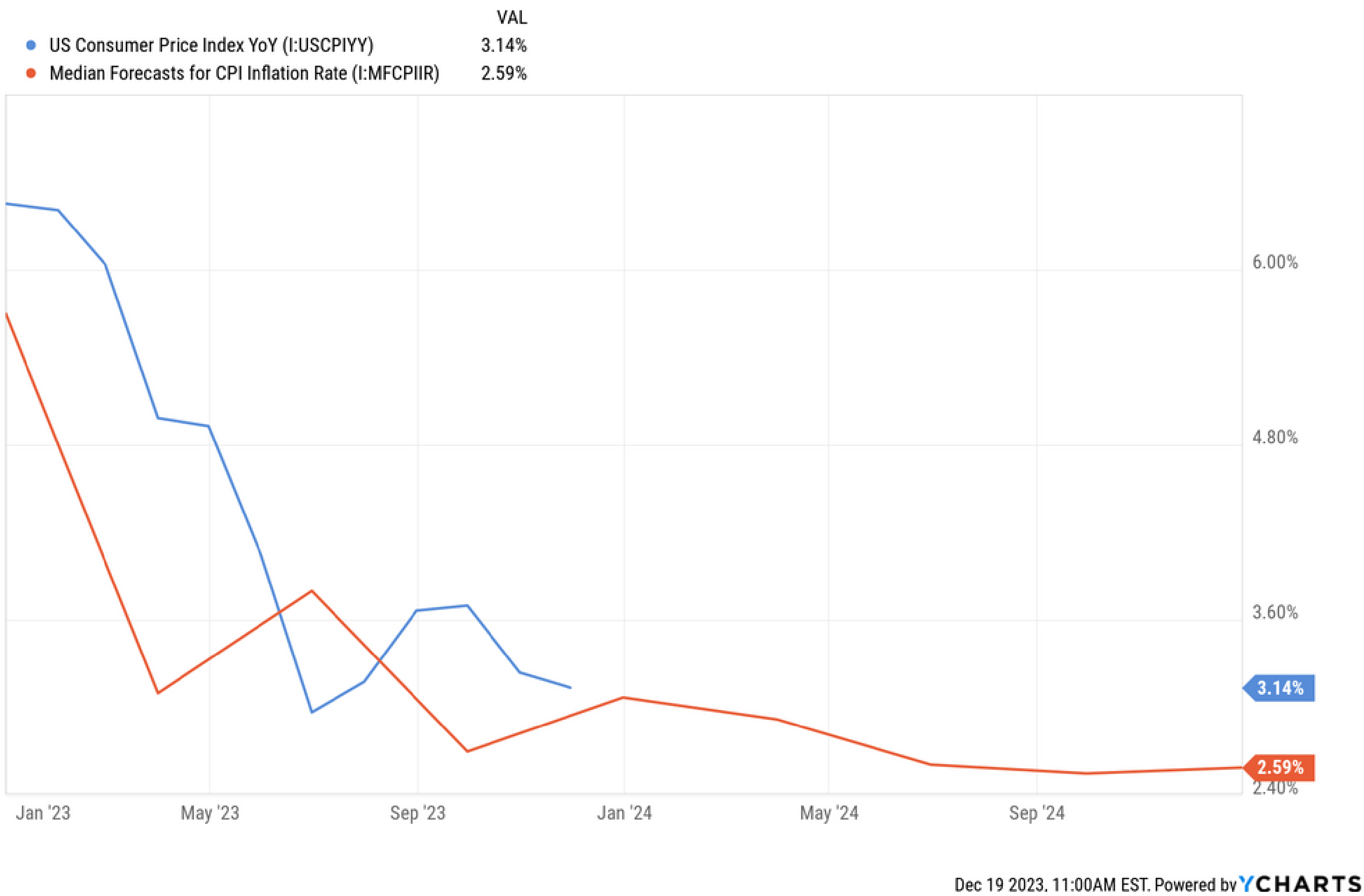
2024 MACROECONOMIC TRENDS

In 2024, the U.S. economic forecast anticipates significant impacts from the Federal Reserve's response to inflation, particularly through the Federal Open Market Committee's (FOMC) **planned three rate cuts. This move, influenced by a steady decline in inflation with the CPI at 3.2% as of October and down from a high of 9.1% in June 2022, aims to adjust the policy interest rate to around 4.625% by year-end 2024.** These monetary policy adjustments are expected to affect the real estate market notably. Lower interest rates encourage real estate transactions by making borrowing more affordable. However, with an initial imbalance of supply outweighing demand, **there may be fluctuations in sales prices and transaction volumes, particularly in the first half of the year.** As the economy stabilizes and lending for real estate increases, **the market could see a more robust recovery in the latter half of 2024.** This dynamic reflects the interplay between monetary policy, consumer expenditure trends, and the real estate sector in shaping the economic trajectory.



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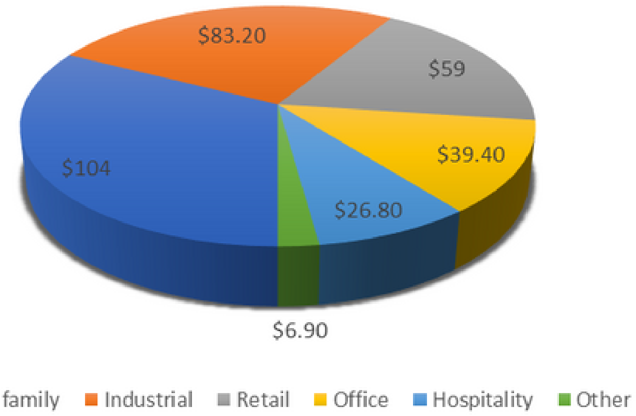
U.S. REAL ESTATE FORECAST 2024

2024 FORECAST

In 2024, the real estate market anticipates a favorable shift with projected rate cuts and a potential decline in inflation, factors likely to boost home sales and stabilize prices. The U.S. economy, poised to avoid a recession, is expected to experience a soft landing despite a slowdown in growth and heightened risks. Commercial real estate, however, has seen a significant drop in transaction volume, **falling from $912.5 billion in 2021, $730.7 billion in 2022, to $319.3 billion in 2023 (see chart below).**

Total US Transaction Volume (Billions of Dollars)

2023 - $319.3 billion



As a result of the shift in macroeconomic trends and financial underwriting for real estate investment property, **2024 is projected to see a compression in asset valuations and associated metrics, such as price** per square foot (see chart below), coupled with some inflation of capitalization rates across all Asset Types.

The residential market will see a surge in new apartment supplies, likely to curb rent growth and improve affordability. Lastly, a growing interest in data center development is anticipated to redirect institutional investment away from offices towards alternative real estate assets.

Sales Price For Each Asset Type (1 year Forecast)

Quarter	Multifamily*	Hospitality**	Retail	Industrial	Office
2024 Q4	$205,171	$137,001	$219	$144	$246
2024 Q3	$204,072	$143,504	$225	$144	$250
2024 Q2	$207,579	$150,891	$235	$145	$258
2024 Q1	$214,154	$155,553	$242	$146	$267
2023 Q4 EST	$226,416	$157,056	$248	$149	$286
2023 Q3	$230,700	$150,921	$247	$150	$291
2023 Q2	$233,672	$145,665	$245	$149	$295
2023 Q1	$239,656	$141,647	$243	$150	$302

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