

Commercial Real Estate Update Market Volatility

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CBRE

The Return to the Office

The Capital Markets

TOTAL RETURNS

Multifamily offers critical benefits beyond returns.

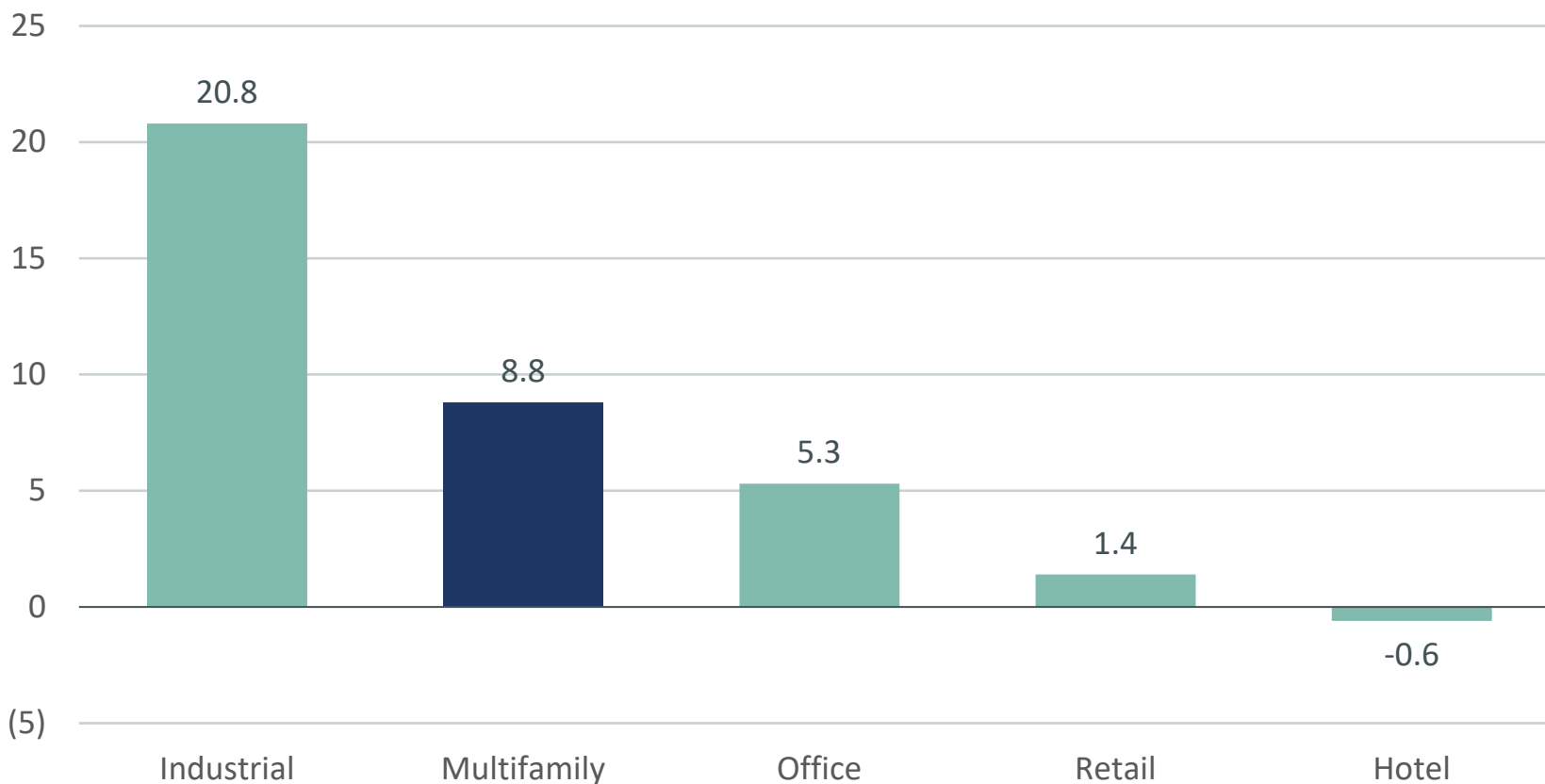
Easier to place large amounts of capital

Best inflation hedge

Incredible stability

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Average Annual Total Returns (last 5 years, %)



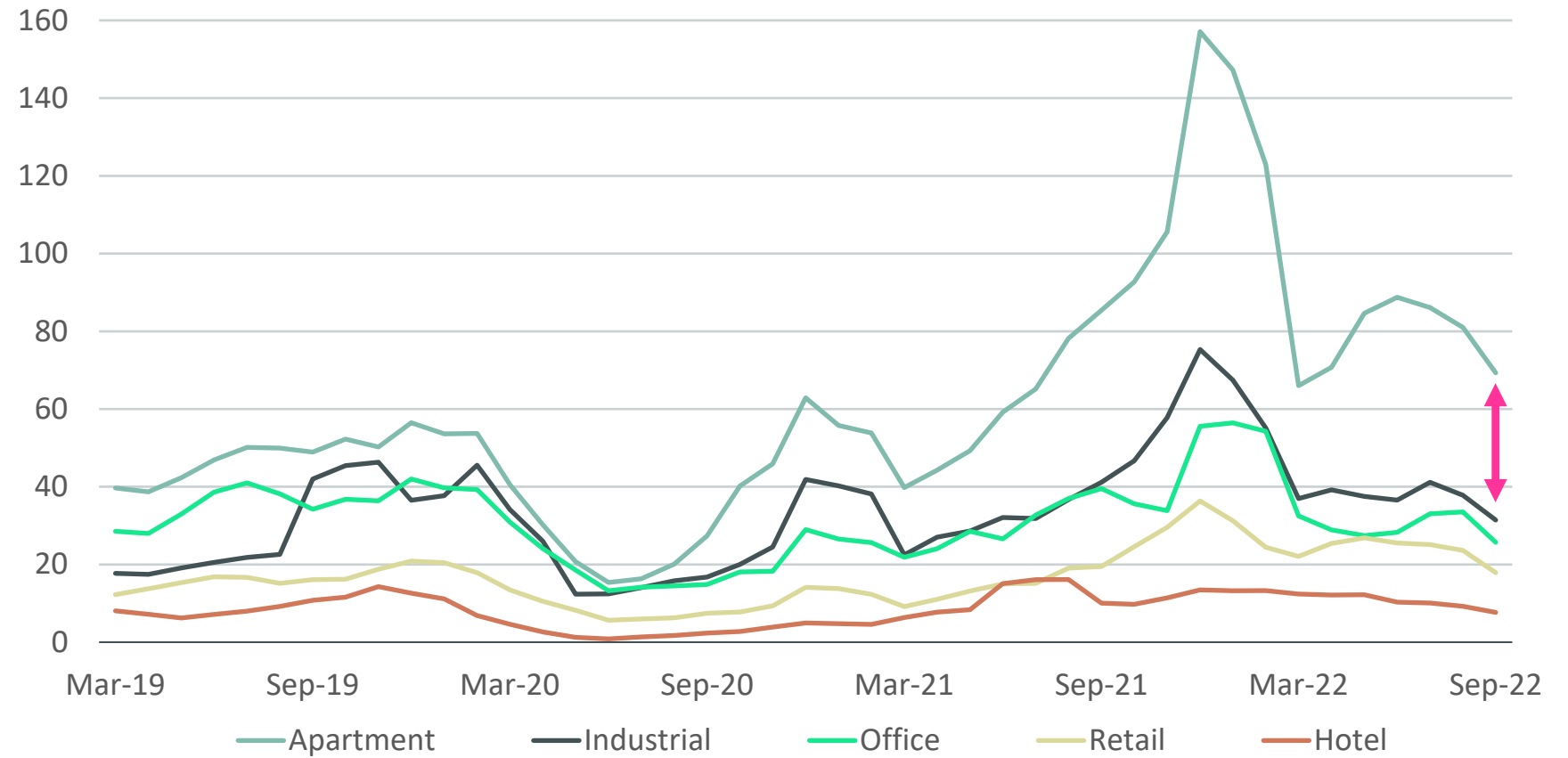
Source: CBRE Research, NCREIF, Q3 2022

Investment volumes began declining in Q2

Multifamily still remains more than twice Industrial.

Agency lending is buoying multifamily investment.

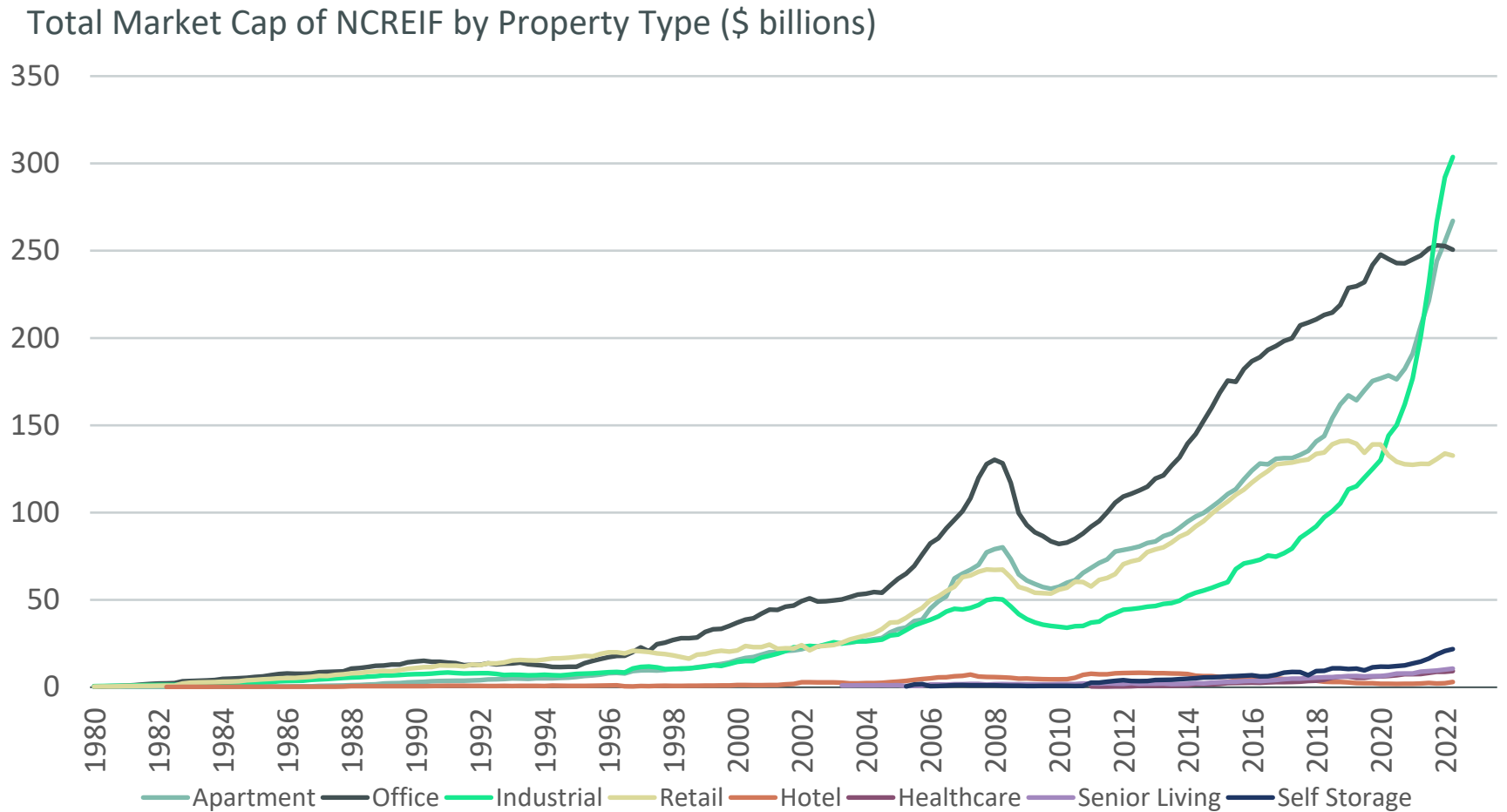
Total Investment Volume (rolling 3-month total, \$ billions)



Source: CBRE Research, Real Capital Analytics, Q3 2022.

Multifamily overtakes Office for the first time in Q2—right behind Industrial

A trend not likely to reverse itself any time soon.



Source: CBRE Research, Real Capital Analytics, Q3 2022

The rising cost of debt is putting upward pressure on cap rates—and causing them to move.

Average multifamily cap rates now up 75-100 bps since Q1.

Cap Rate vs. Coupons vs. Treasuries (%)

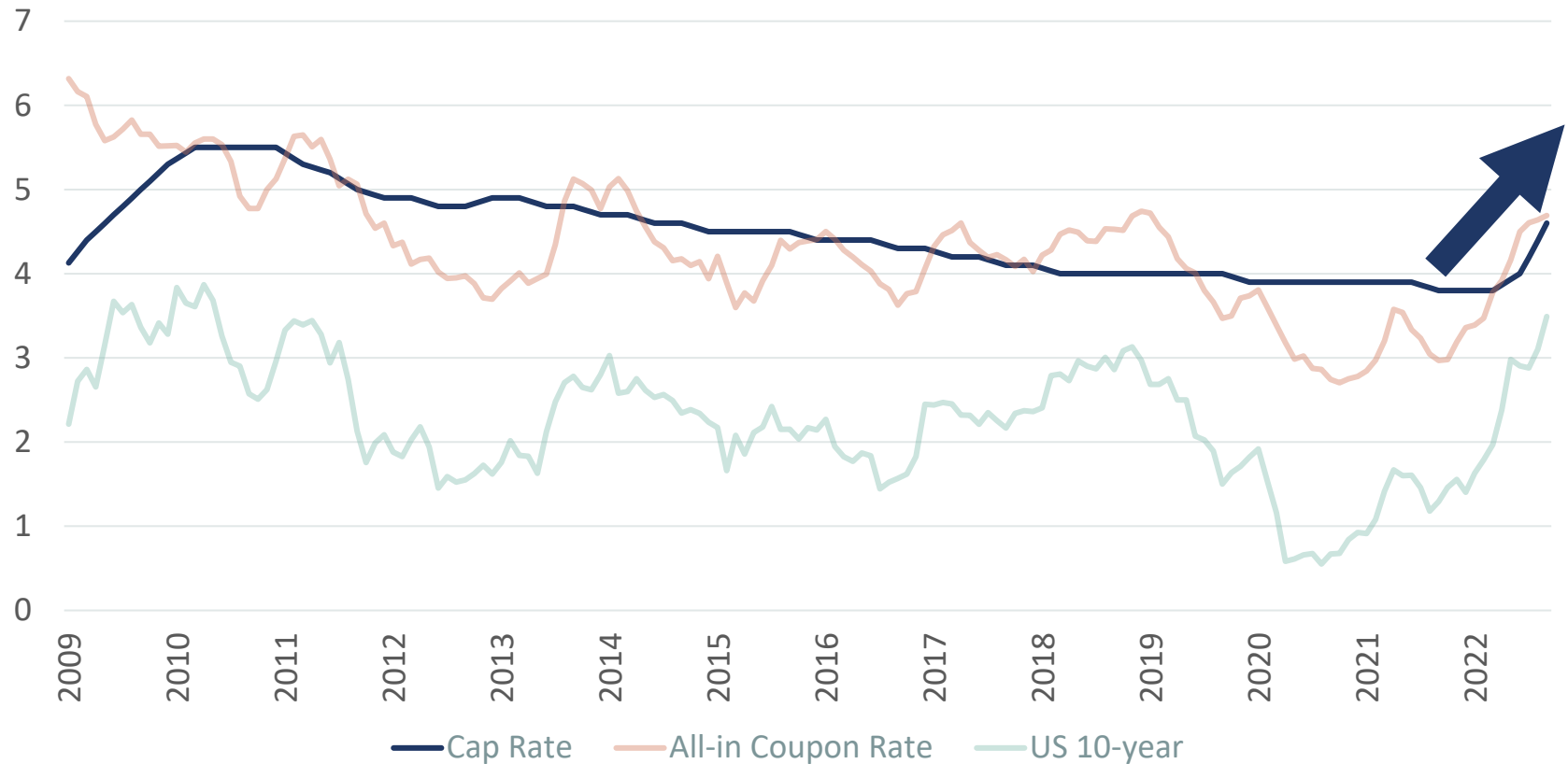


Source: CBRE Research, CBRE Econometric Advisors, Fannie Mae, September 2022

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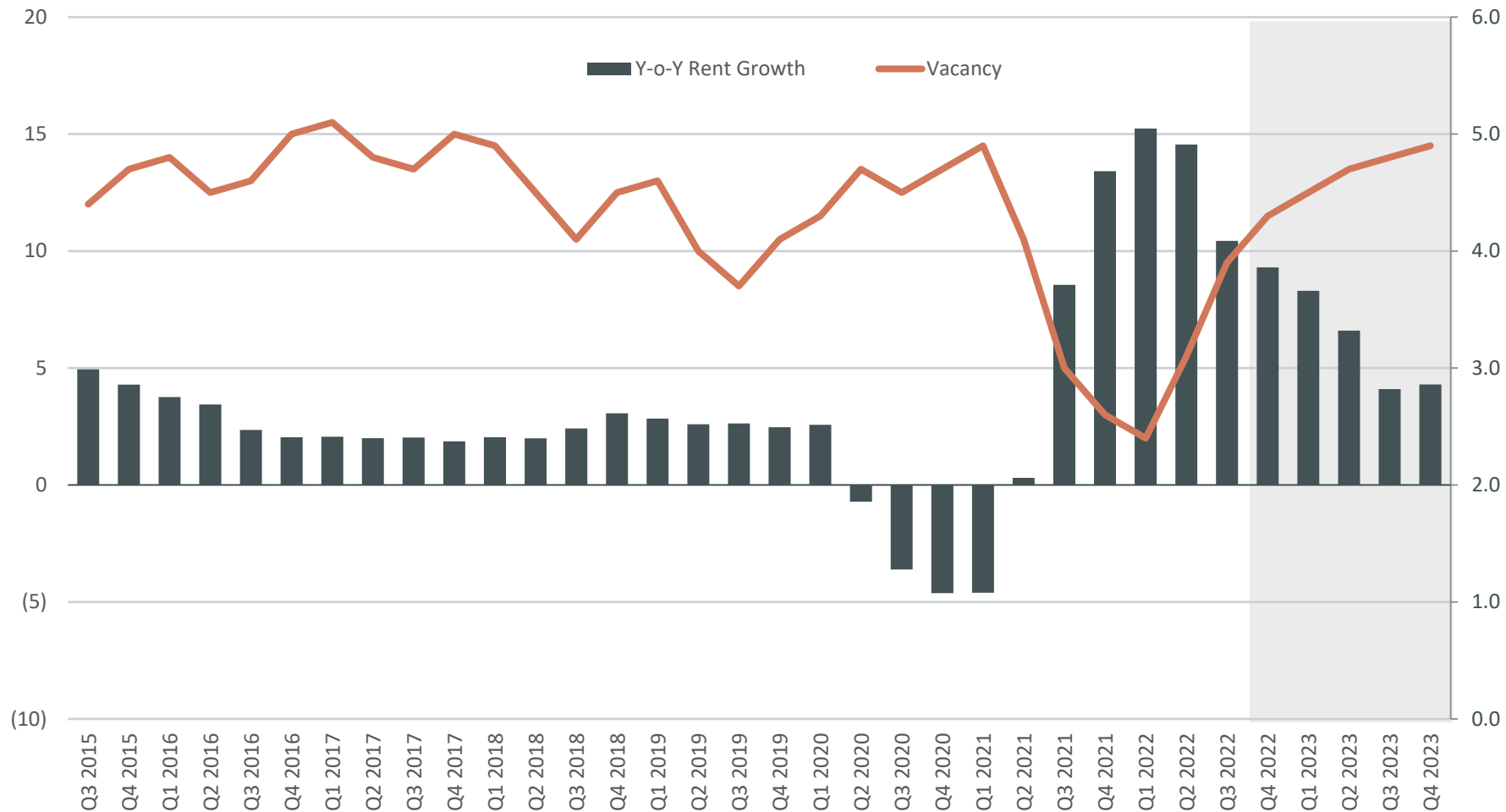
Multifamily Fundamentals

Summer 2022 marked a turning point for multifamily fundamentals.

Unseasonably weak leasing was met with steady new deliveries.

Vacancy is up 150 bps since Q1.

U.S. Rent Growth vs. Vacancy (%)



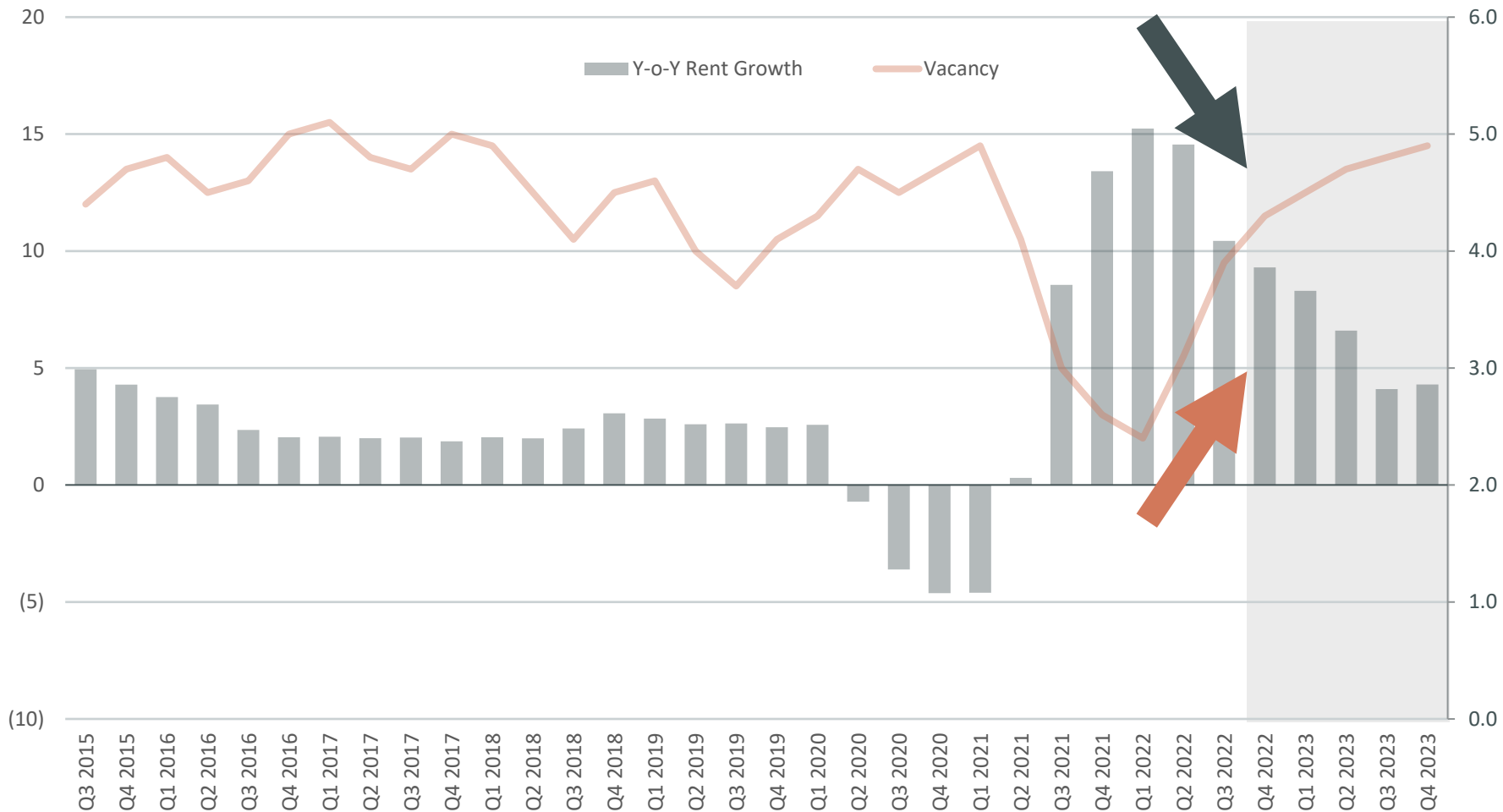
Source: CBRE Research, CBRE Econometric Advisors, RealPage Inc., Q3 2022

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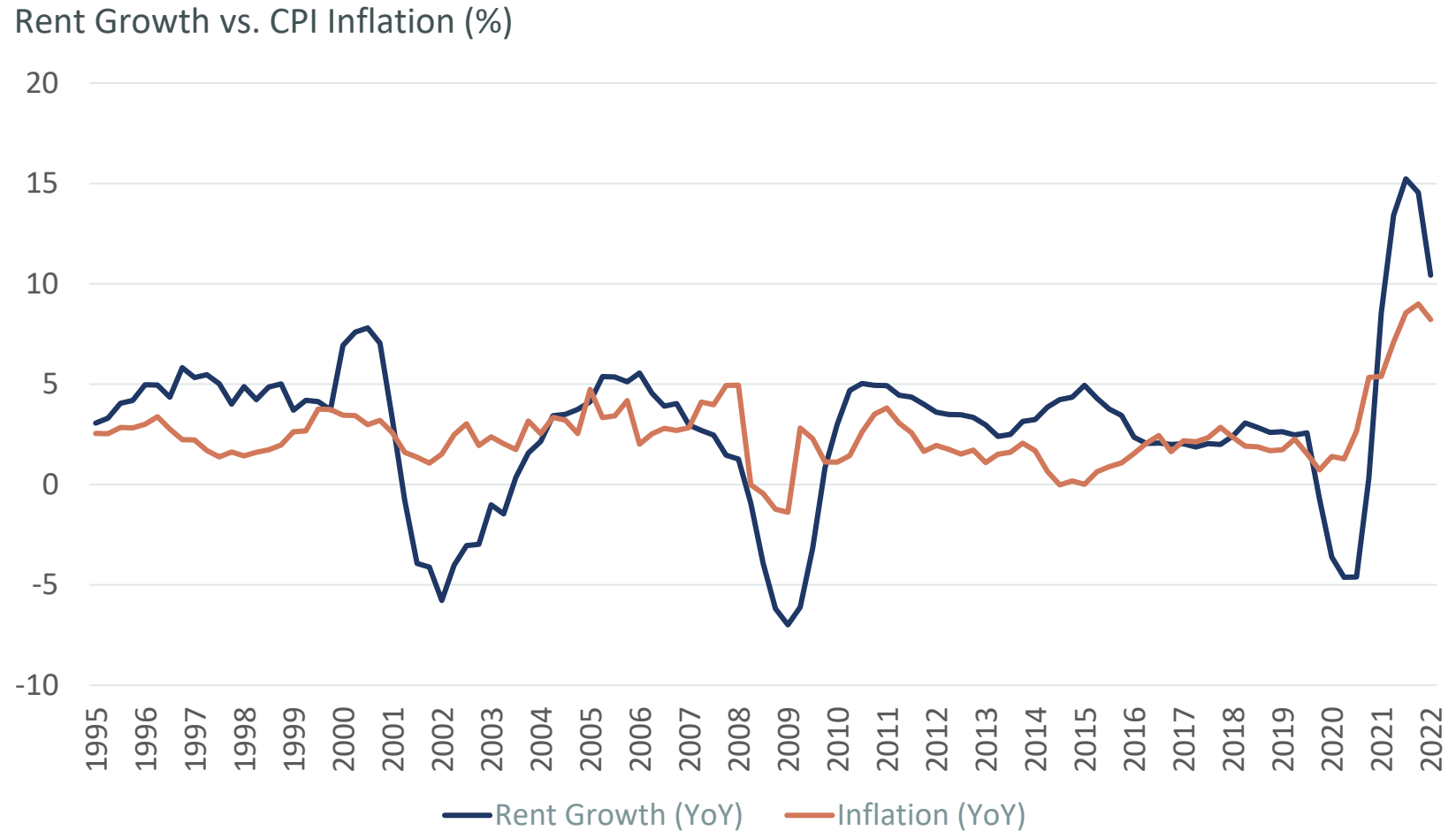
U.S. Rent Growth vs. Vacancy (%)



Source: CBRE Research, CBRE Econometric Advisors, RealPage Inc., Q3 2022

The relationship between rent growth and inflation is not one-to-one.

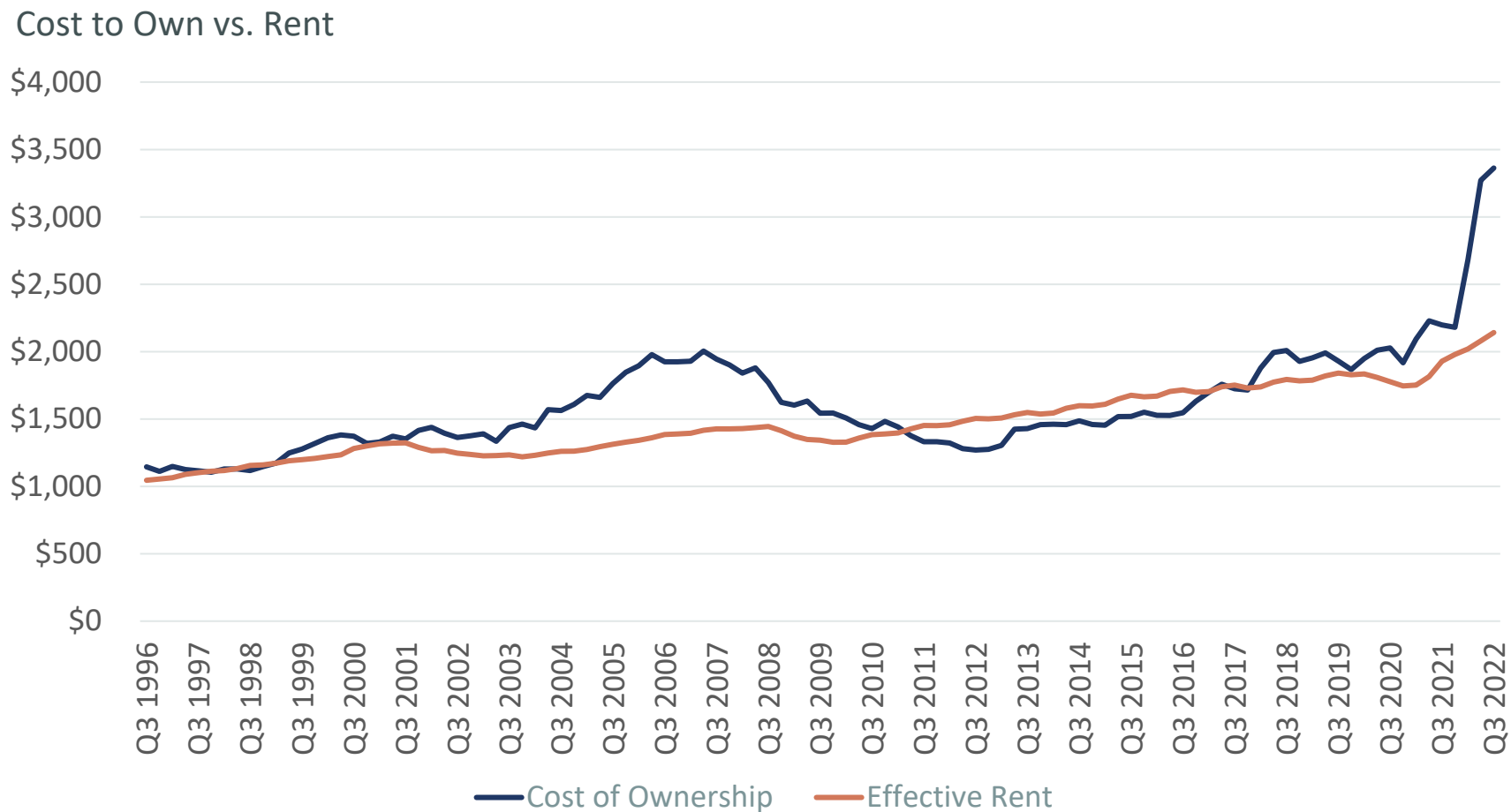
Rent growth is much more volatile, and real rents growth remains exceptionally high.



Source: CBRE Research, CBRE Econometric Advisors, Q2 2022

The gap between the cost to own vs. rent is higher than ever.

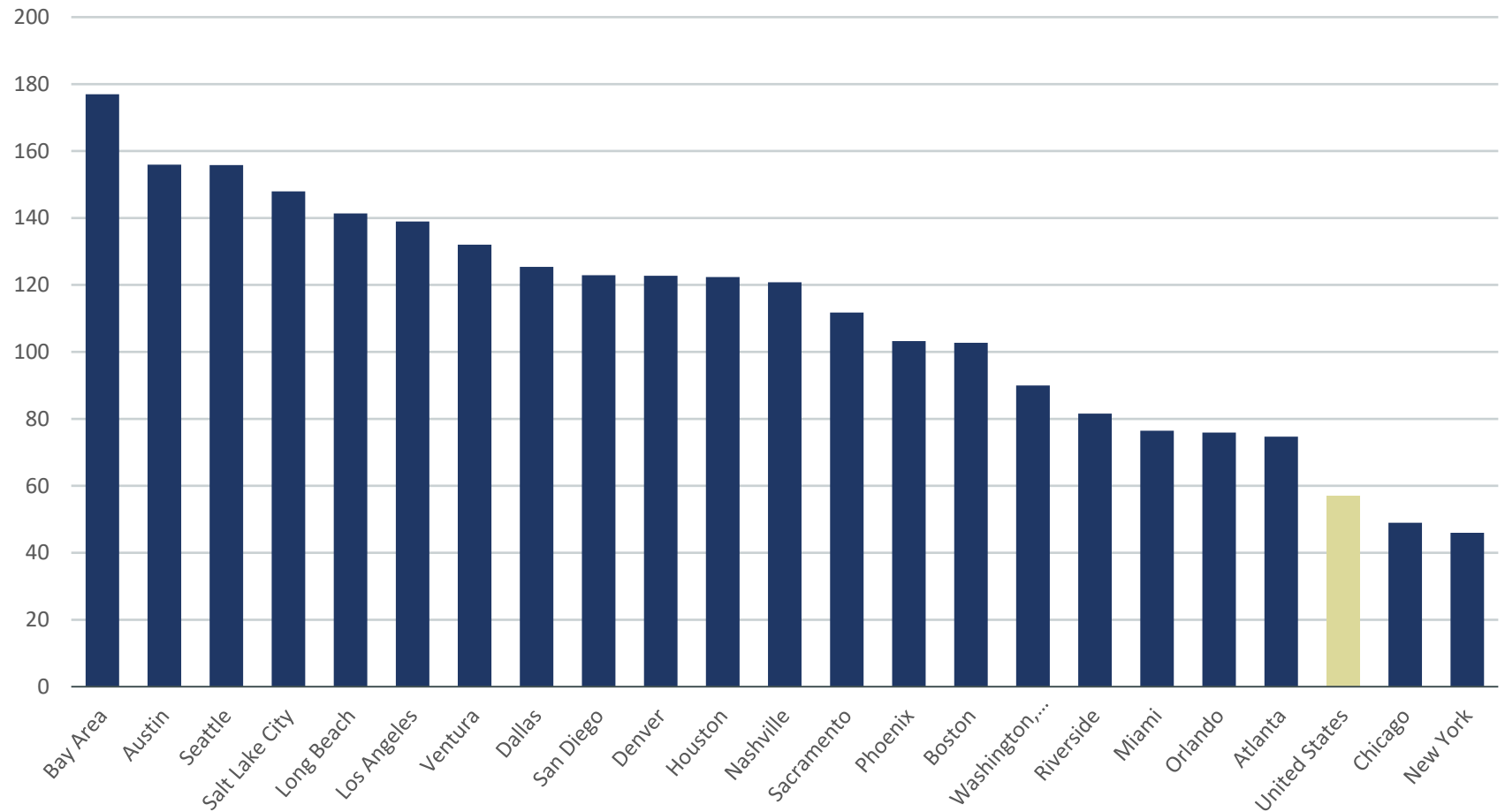
This will continue driving renter demand and keep occupancy rates higher for longer.



Source: CBRE Research, CBRE Econometric Advisors, Realtor, Freddie Mac, August 2022

The combined effect of dramatic home price appreciation and rapid expansion of mortgage rates have made owning a challenge—especially in the West.

Monthly Payment Premium of Owning Over Renting (%)



Source: CBRE Research, CBRE Econometric Advisors, Realtor.com, U.S. Census, Q3 2022