



# U.S. Commercial Real Estate Chartbook

November 21, 2024

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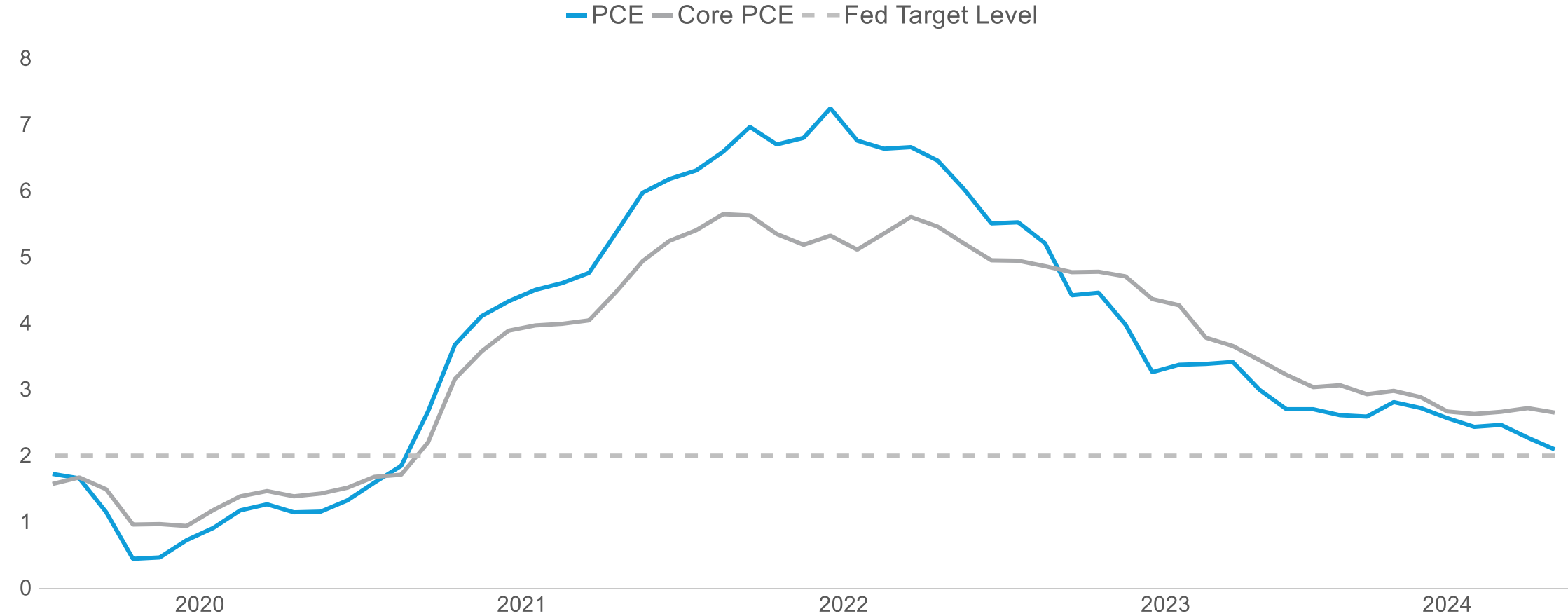
# Executive Summary

- Inflation is moving back toward the Fed's target and job growth remains healthy. The emerging soft landing will allow the Fed to slowly move interest rates to the neutral rate.
- We expect that 2024 commercial real estate investment activity will increase modestly compared to 2023. The recovery in investment activity will likely continue in 2025.
- Real estate spot market values bottomed in Q4 2023 for all sectors aside from office, which remains the laggard. Appraisal-based values are beginning to bottom for all sectors aside from office.
- Despite a wave of new supply coming onto the market, strong demand has allowed apartment vacancy to improve. Falling new construction starts sets the stage for further strengthening in fundamentals during 2025 and 2026.

# U.S. Economic Outlook

# Inflation has Stabilized in 2024 as “Soft Landing” Comes into View

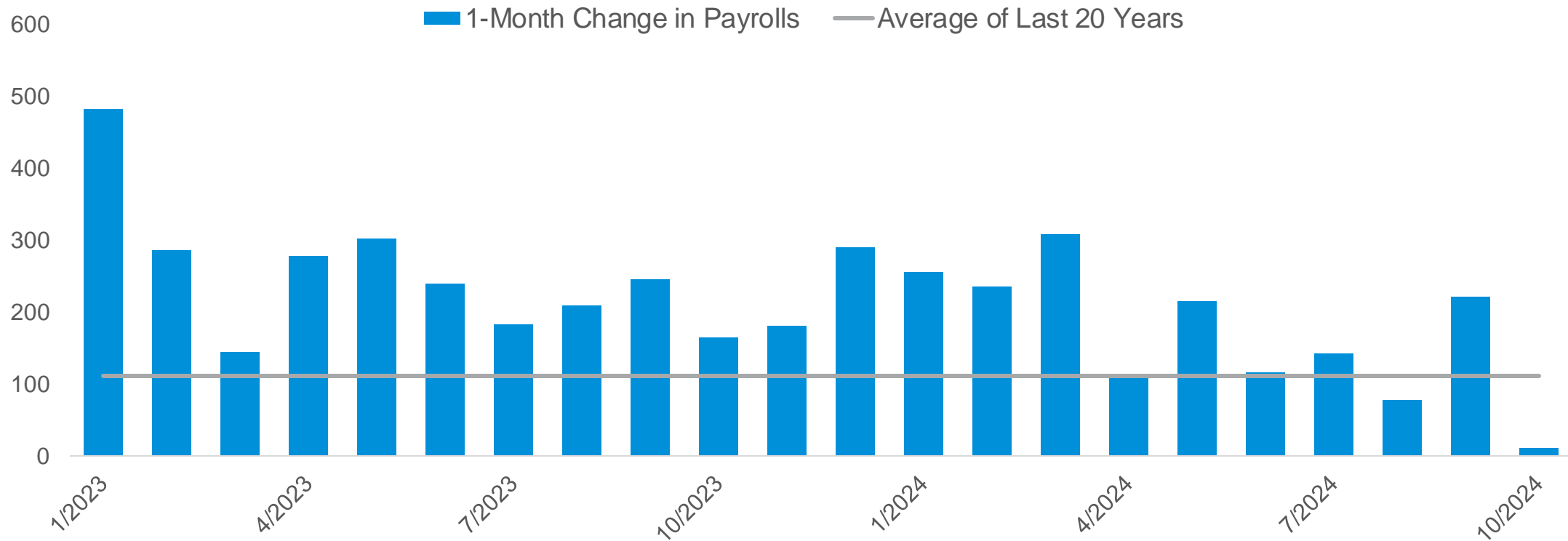
Core PCE Inflation % Year-Over-Year



Sources: MIM, BEA, seasonally adjusted. Data as of September 2024.

# Job Growth was Very High in 2023 and is at a Healthy Level Today

Monthly Change in Nonfarm Payrolls (Seasonally Adjusted, Thousands)



Sources: MIM, BLS. Data as of October 2024.

# Job Openings Declining to Normal Levels

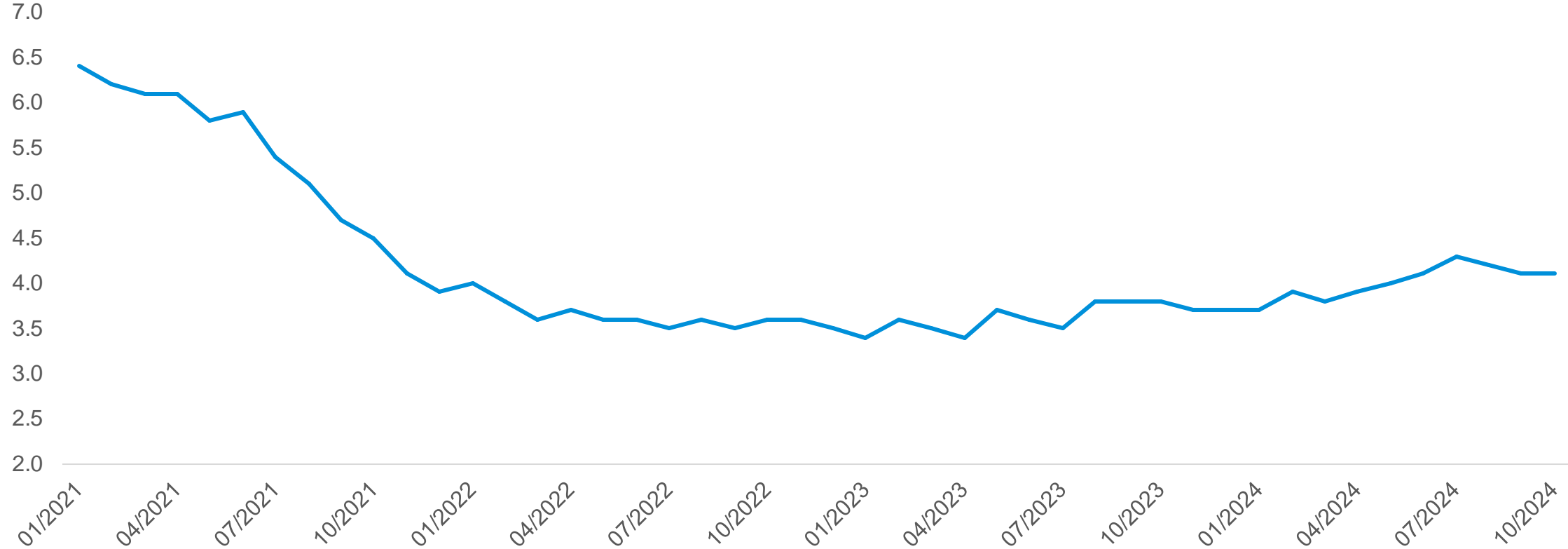
Job Openings (Millions)



Sources: MIM, BLS. Data as of September 2024.

# Unemployment Modestly Rose from 2022/2023 to a Healthier Level

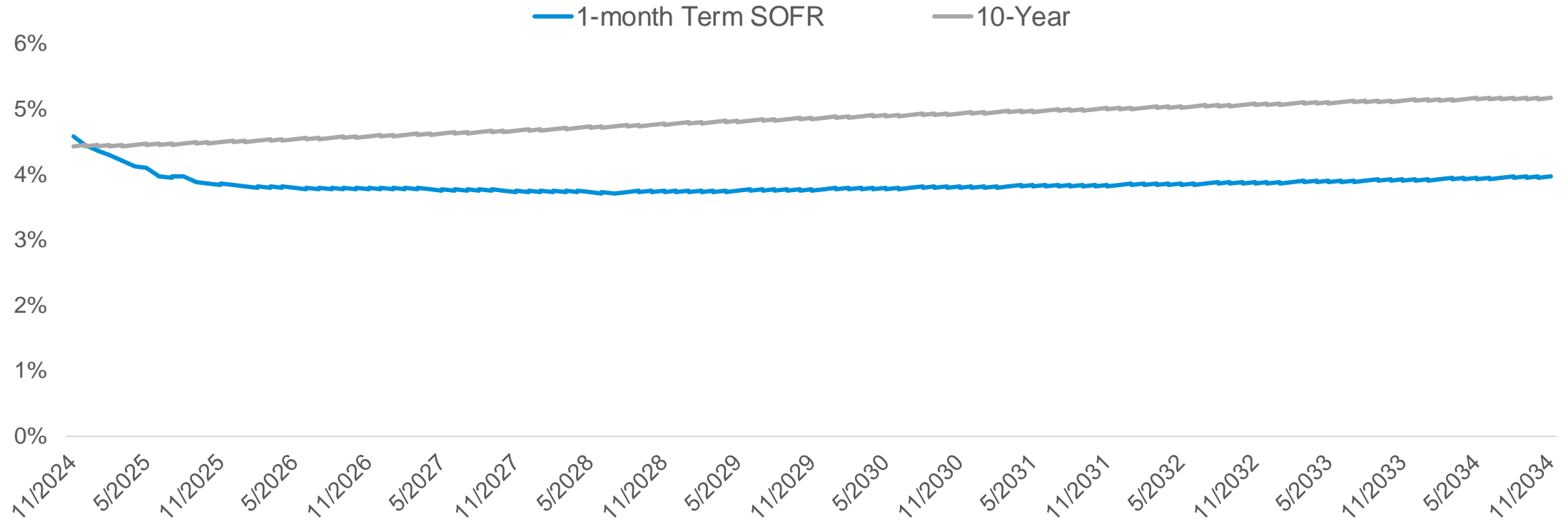
Unemployment Rate (%)



Sources: MIM, BLS. Data as of October 2024.

# 10-Year Treasury Expectations Rose After Nov 5<sup>th</sup> Election

1-month Term SOFR and 10-Year Treasury Forward Curves



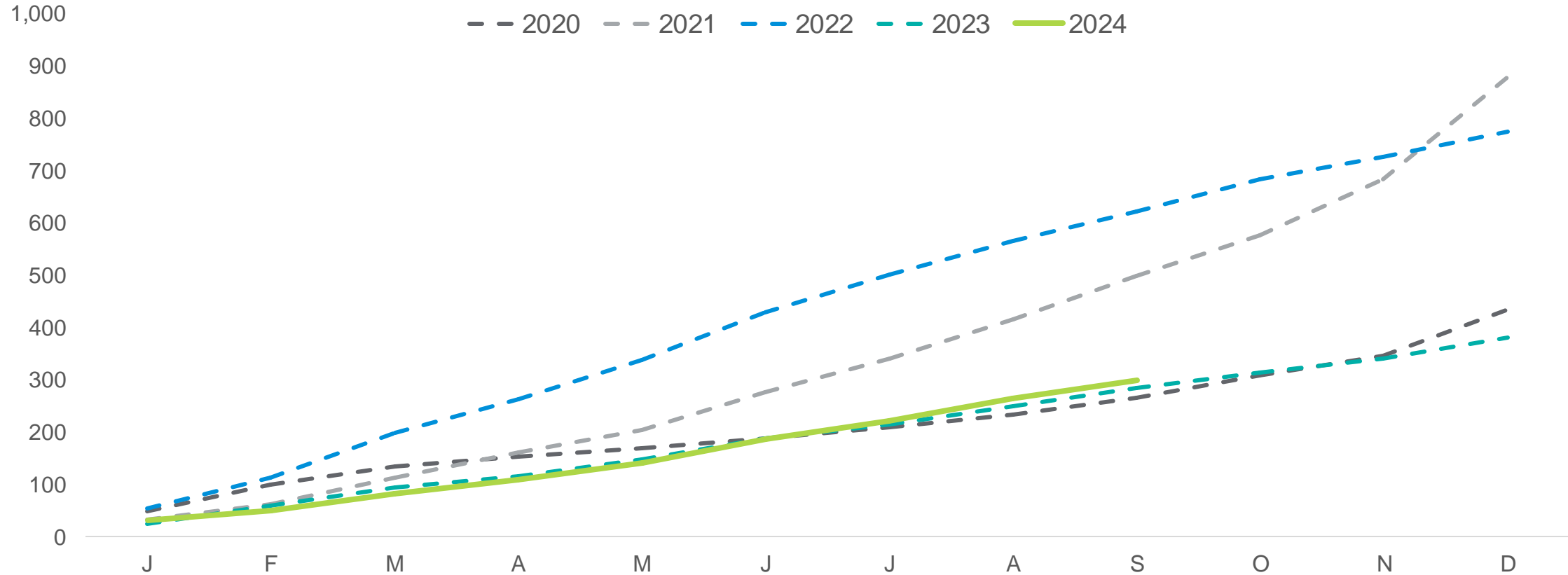
Sources: MIM, Chatham Financial. Data as of November 14, 2024.



# Commercial Real Estate Capital Markets Conditions

# 2024 Transaction Volume Slightly Higher than 2023, but Below Long-Term Average

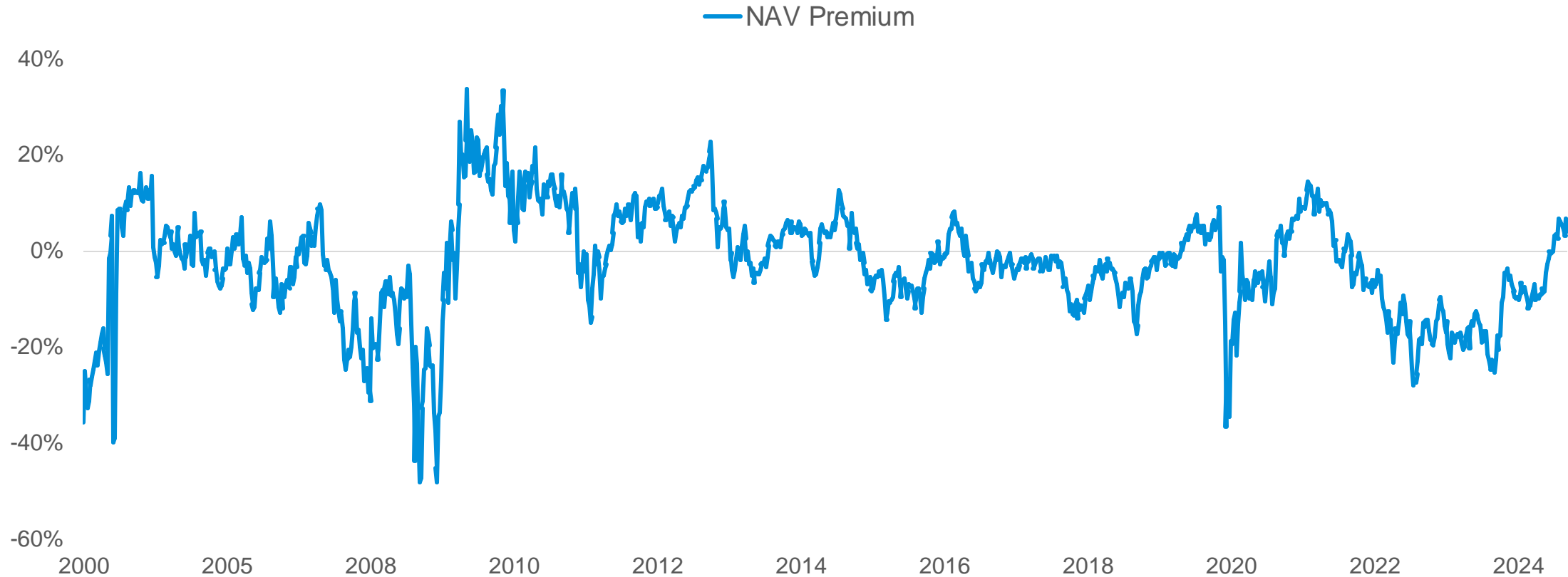
CRE Cumulative Transaction Volume (\$ Billions)



Note: Q3 2024 investment volumes include MIM projections.  
Sources: MIM, RCA. Data as of October 2024.

# REIT Price / NAV Suggests Capital Flowing to CRE

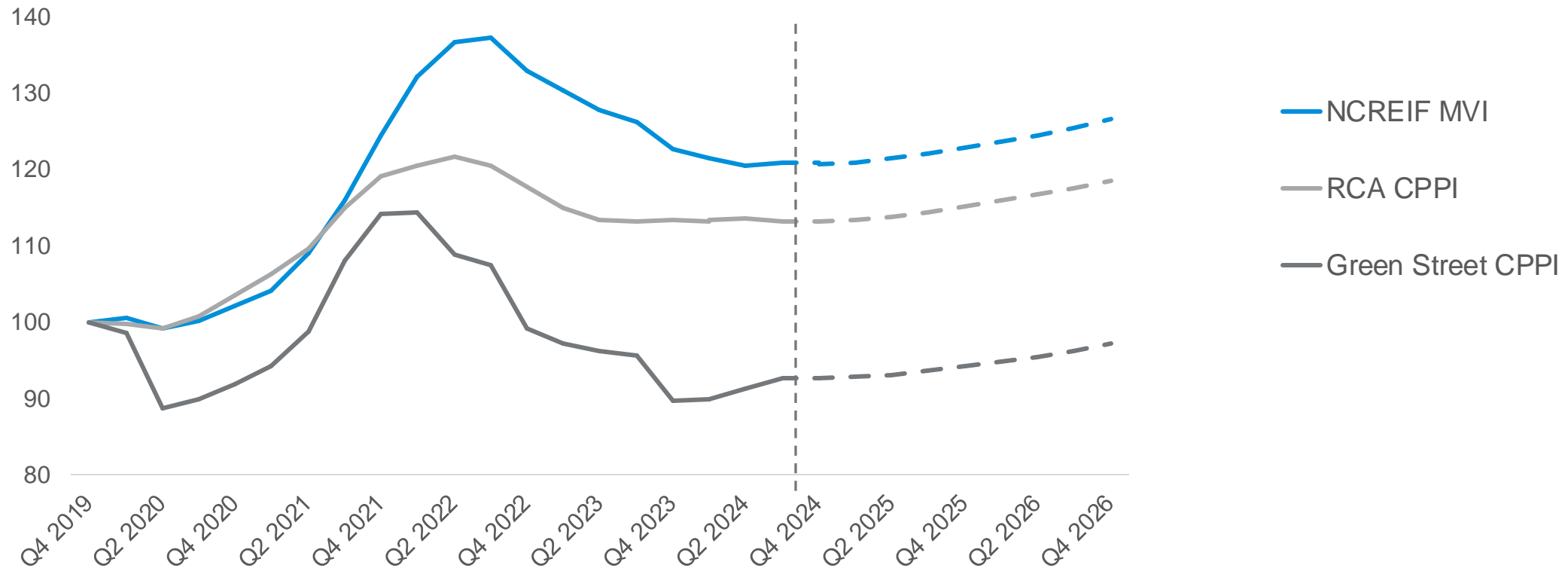
REIT Price / NAV



Sources: MIM, Green Street. Data as of November 2024.

# CRE Prices Likely Bottomed Around 2023Q4, Although Some Indices May Lag

Commercial Real Estate Price Indices (Index 2019Q4 = 100)



Sources: MIM forecasts, NCREIF, RCA, Green Street. Data as of September 2024.

# Assets Traded for 2.1% Below Appraised Values in 3Q2024

Appraisal Discount / Premium to Transaction Price

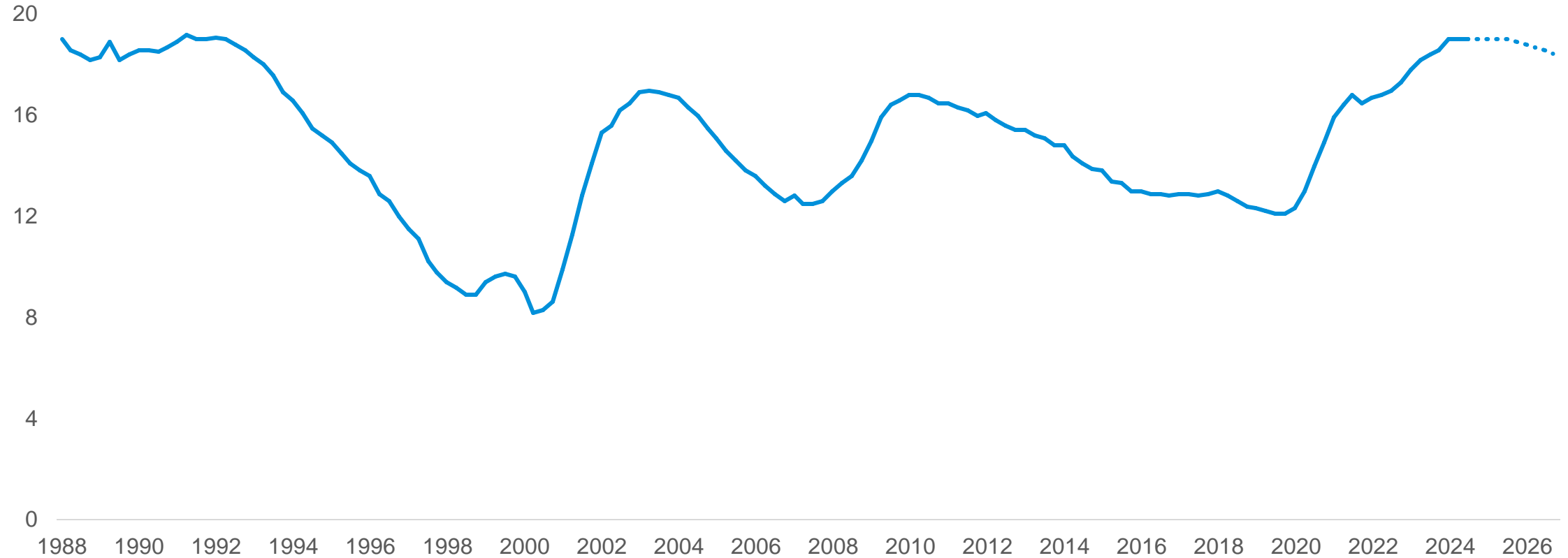
	Apartment	Industrial	Office	Retail	Total
20-yr Average	0.6%	2.5%	-0.1%	-1.2%	-0.8%
4Q Trailing	-5.9%	-1.6%	-10.3%	-4.1%	-5.3%
3Q 2024	-2.0%	1.2%	-12.3%	-1.5%	-2.1%

Sources: MIM, NCREIF. Data as of 3Q 2024.

# Property Type Trends

# Office Vacancy May have Peaked

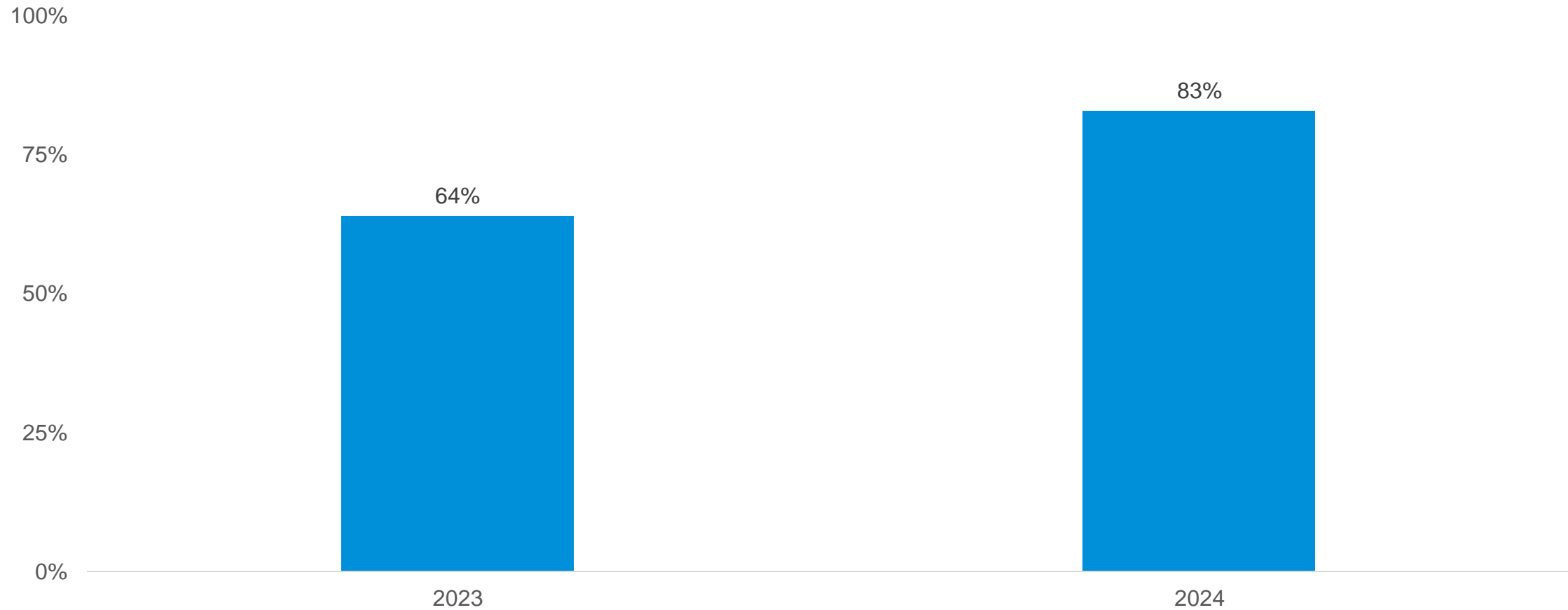
U.S. Office Vacancy with Forecast (%)



Sources: MIM, CBRE-EA. Data as of 3Q 2024.

# CEOs Expecting Return-to-Office; Several Large Firms Announced RTO in Sep/Oct/Nov

% of CEOs Expecting a Full Return-to-Office Within 3 Years

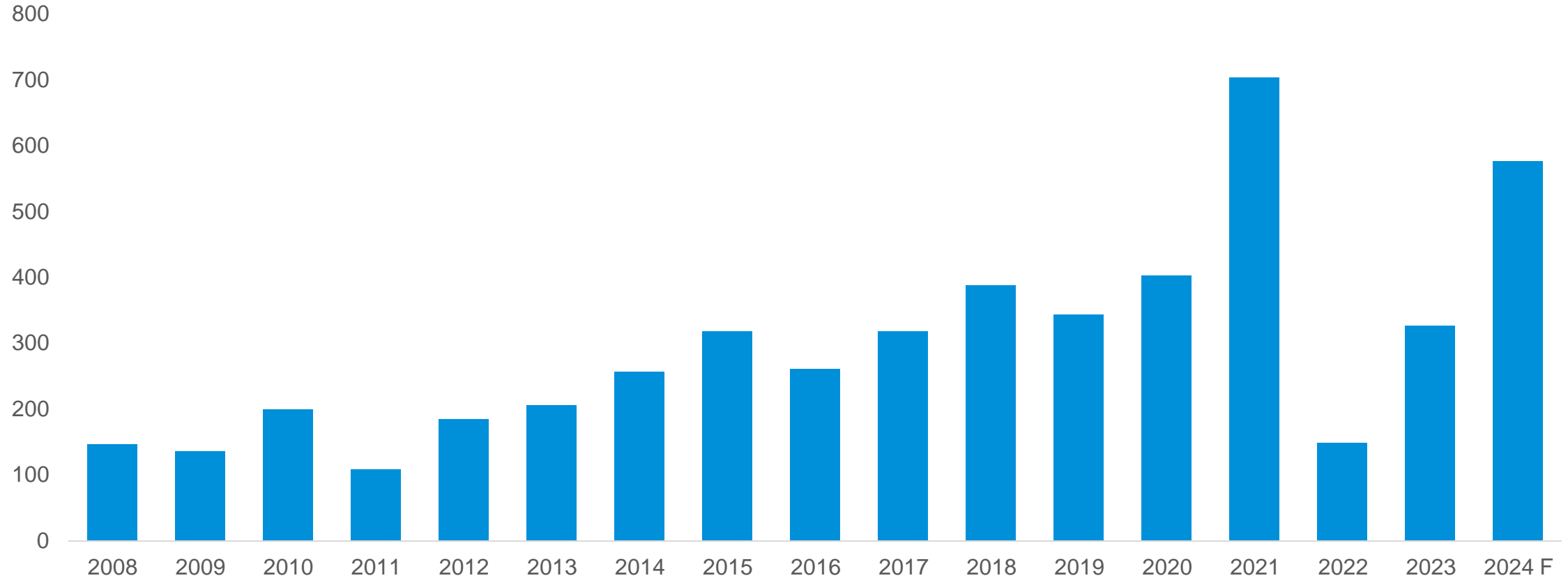


Sources: MIM, KPMG 2024 CEO Outlook Survey. Data as of September 2024.



# 2024 has Been a Strong Year for Multifamily Demand

Multifamily Absorption (Thousands of Units)

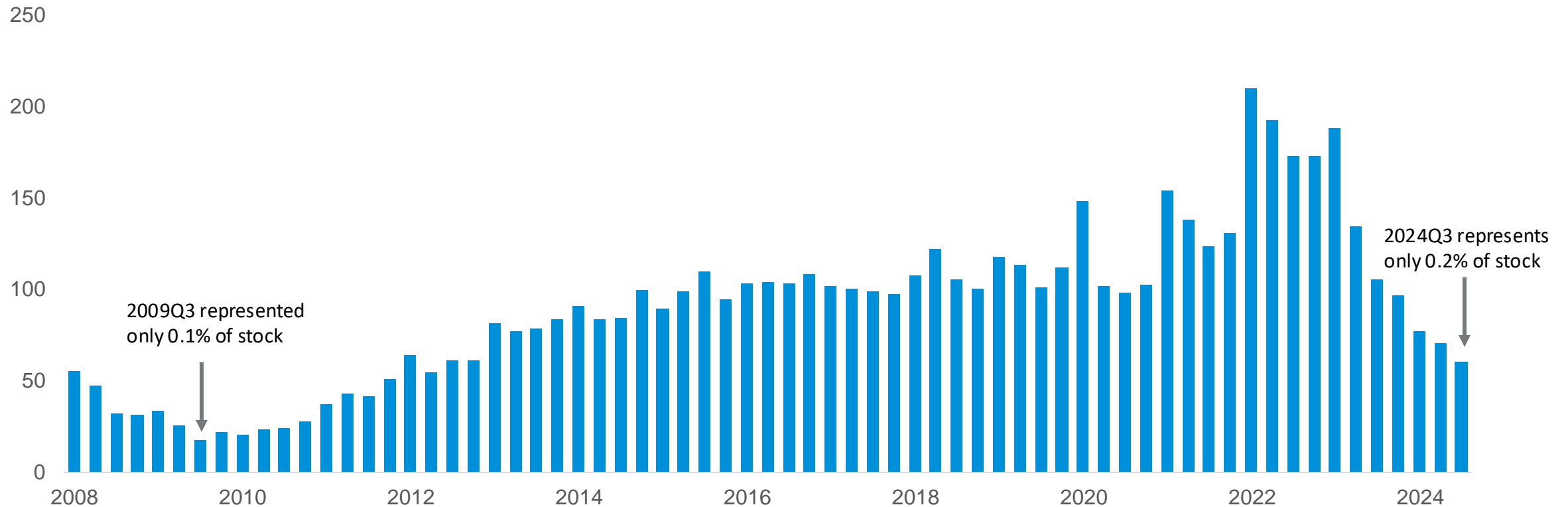


Sources: MIM, CoStar. Data as of 3Q 2024.

# Falling Multifamily Construction Should Boost Fundamentals

Multifamily Construction Starts (Thousands of Units)

Only ~60k Units Started in 2024 Q3



Sources: MIM, CoStar. Data as of 3Q 2024.

# “Gateway” Apartment Markets Should Outperform in the Near Term

Apartment Vacancy Trends by Market, Ranked by Variance to Historical Average

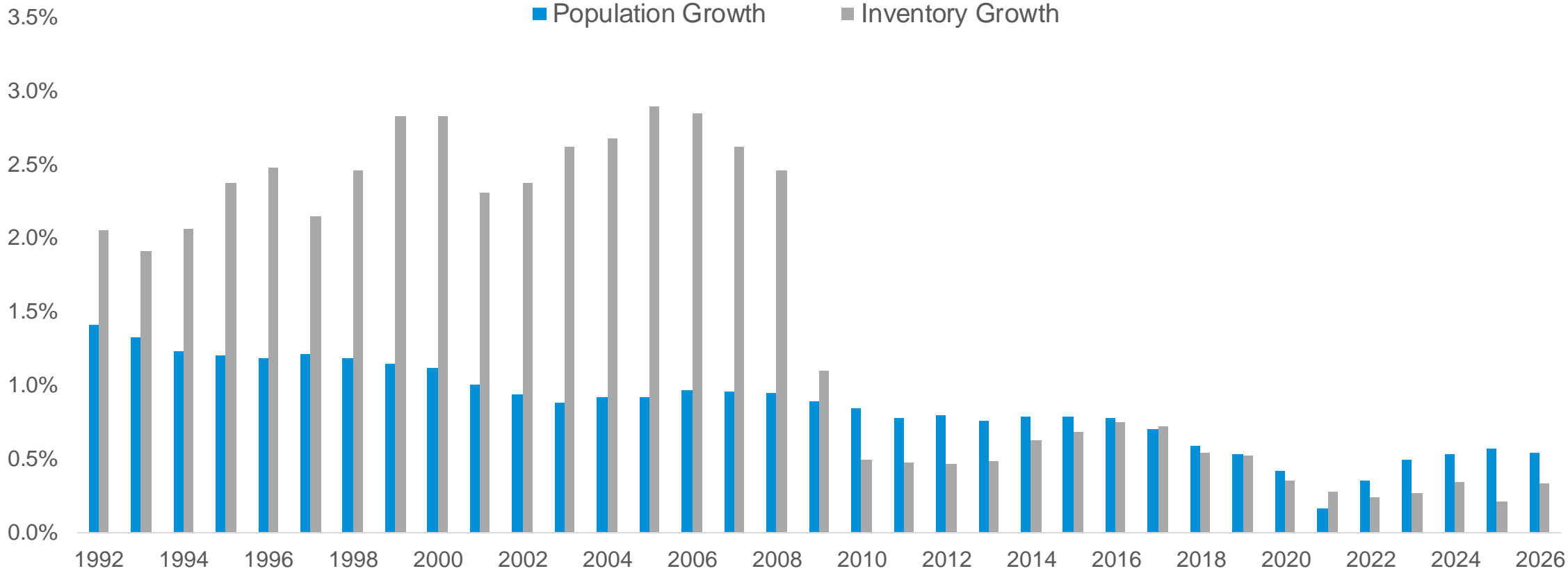
Geography Name	Designation	2024 Q4 (F)	Hist. Average	2024 Q4 vs. Hist. Average
Chicago	Gateway	5.6%	7.0%	-1.4%
San Jose		4.7%	5.3%	-0.6%
New York	Gateway	2.7%	3.1%	-0.4%
Orange County		4.2%	4.5%	-0.3%
Washington	Gateway	6.7%	6.4%	0.3%
Seattle	Gateway	6.9%	6.4%	0.5%
Boston	Gateway	5.5%	4.9%	0.6%
Baltimore		6.7%	6.1%	0.6%
No. New Jersey		5.6%	4.9%	0.7%
San Francisco	Gateway	6.1%	5.4%	0.7%
Inland Empire	Sunbelt	6.2%	5.5%	0.7%
Los Angeles	Gateway	5.4%	4.6%	0.8%
Sacramento		6.6%	5.7%	0.9%
Miami	Sunbelt	6.3%	5.2%	1.1%
San Diego		5.8%	4.6%	1.2%
Portland		6.8%	5.6%	1.2%

Geography Name	Designation	2024 Q4 (F)	Hist. Average	2024 Q4 vs. Hist. Average
Fort Lauderdale	Sunbelt	7.6%	6.1%	1.5%
Philadelphia		7.8%	6.2%	1.6%
East Bay		6.6%	4.9%	1.7%
Average		8.1%	6.4%	1.7%
Minneapolis		7.6%	5.8%	1.8%
Houston	Sunbelt	11.3%	9.5%	1.8%
Orlando	Sunbelt	10.1%	7.9%	2.2%
Palm Beach	Sunbelt	10.0%	7.6%	2.4%
Dallas	Both	11.2%	8.7%	2.5%
Phoenix	Sunbelt	11.5%	8.8%	2.7%
Denver		10.3%	7.4%	2.9%
Tampa	Sunbelt	10.6%	7.6%	3.0%
Atlanta	Both	12.6%	8.9%	3.7%
Nashville	Sunbelt	12.5%	7.0%	5.5%
Charlotte	Sunbelt	13.4%	7.9%	5.5%
Austin	Sunbelt	15.2%	8.7%	6.5%

Sources: MIM, CoStar. 3Q 2024.

# Retail Fundamentals will Continue to Be Boosted by Lack of Construction

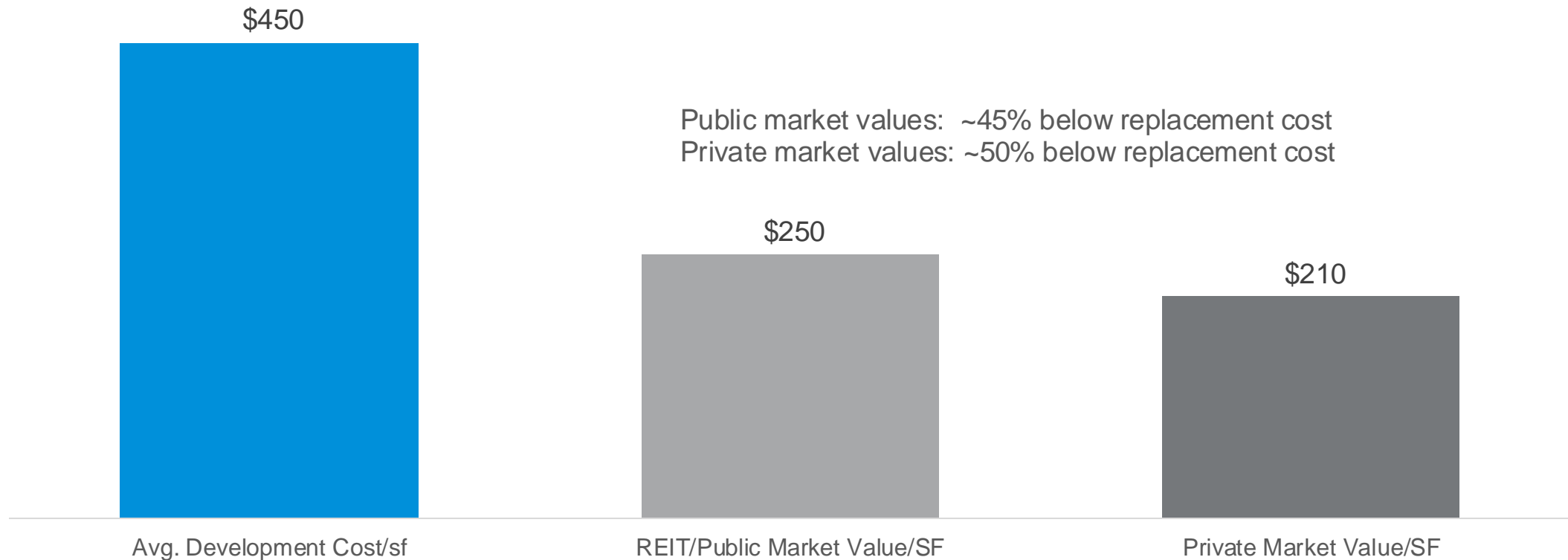
Population Growth/Retail Inventory Growth



Sources: MIM, Oxford Economics, CBRE-EA. Data as of 3Q 2024.

# Private Retail Assets Trading Below REIT Implied Values and Replacement Cost

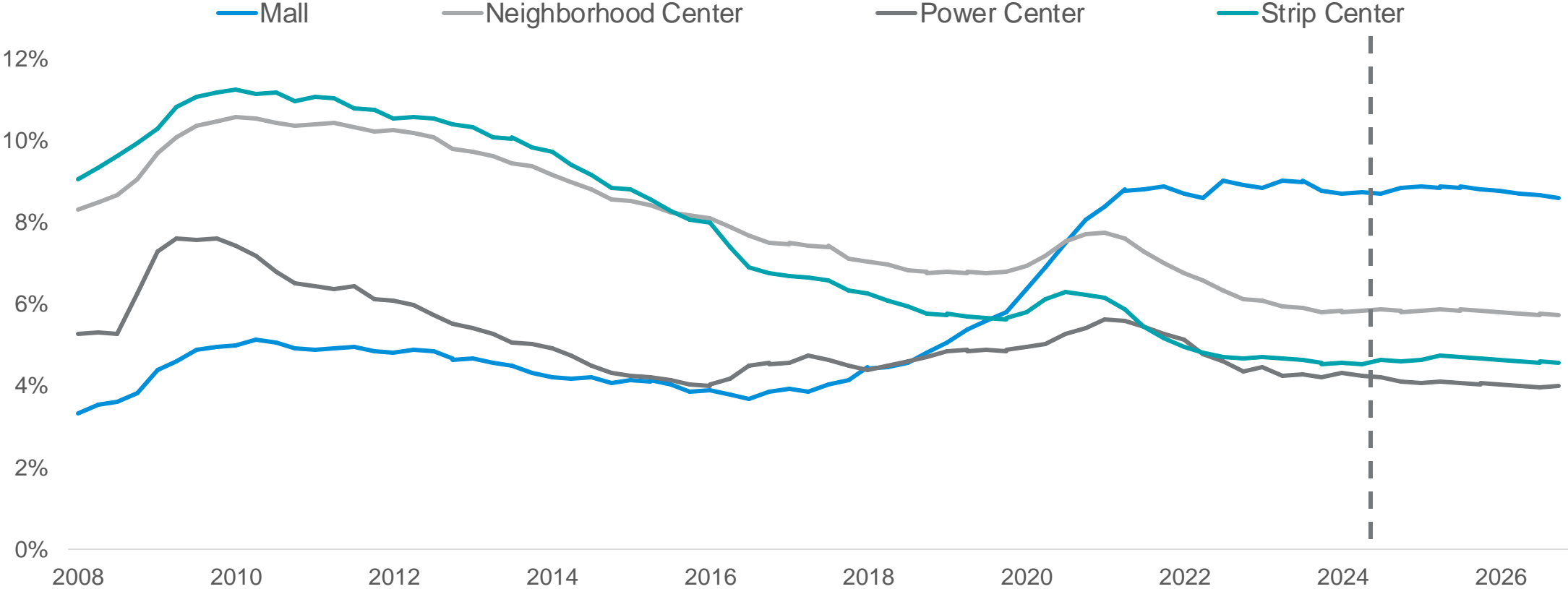
Three Ways to Consider Current Retail Values



Sources: MIM, Green Street. Data as of 3Q 2024.

# Retail Vacancy is at Historic Lows, Aside from Malls

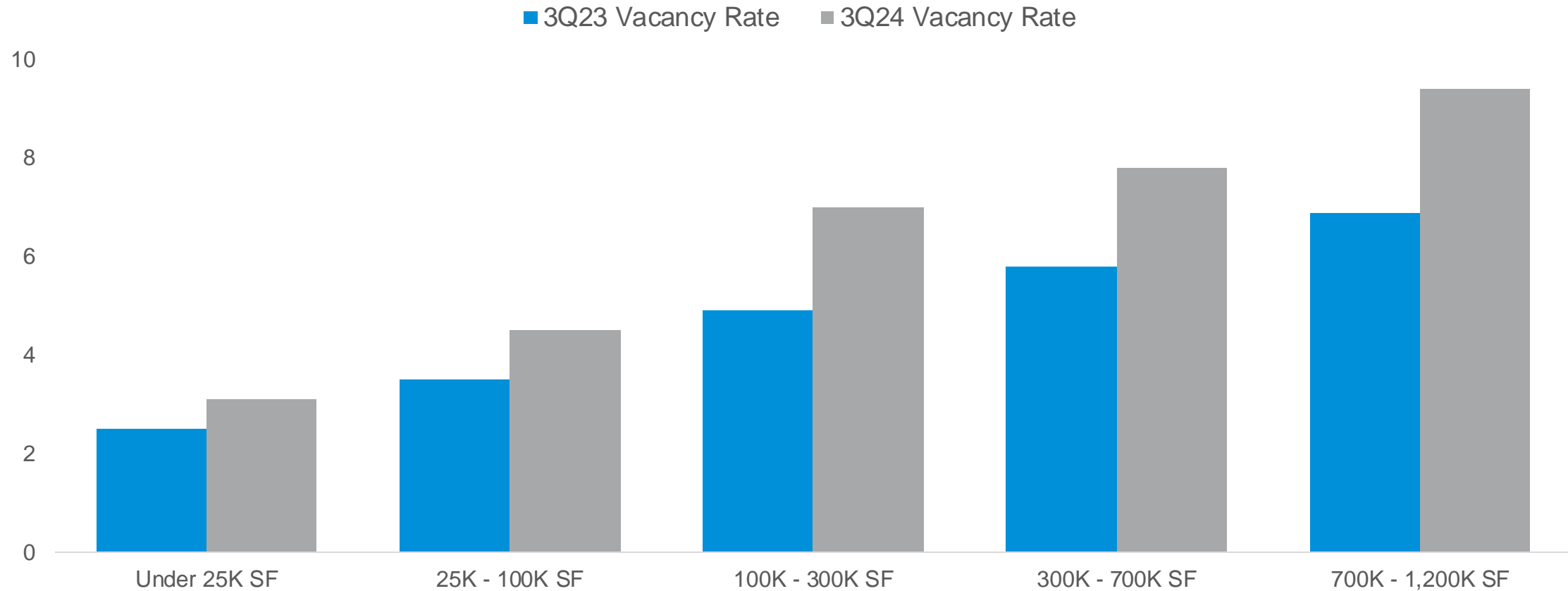
Retail Vacancy Rate by Subtype



Sources: MIM, CoStar. Data as of 3Q 2024.

# Small, Infill Industrial Facilities Facing Less Competition from New Supply

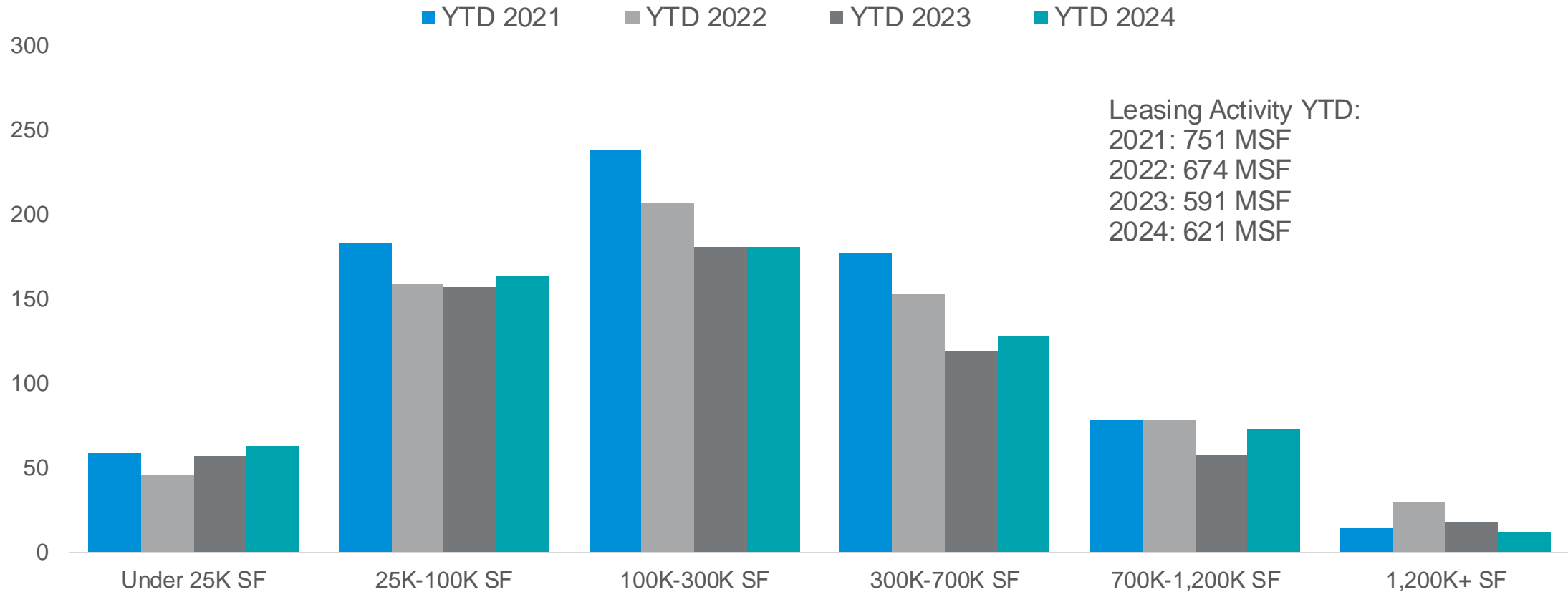
Industrial Vacancy Distribution by Property Size (%)



Sources: MIM, CBRE-EA. Data as of 3Q 2024.

# Industrial Leasing has Picked Up Compared to Last Year

Industrial Leasing by Size Range (Million Square Feet)

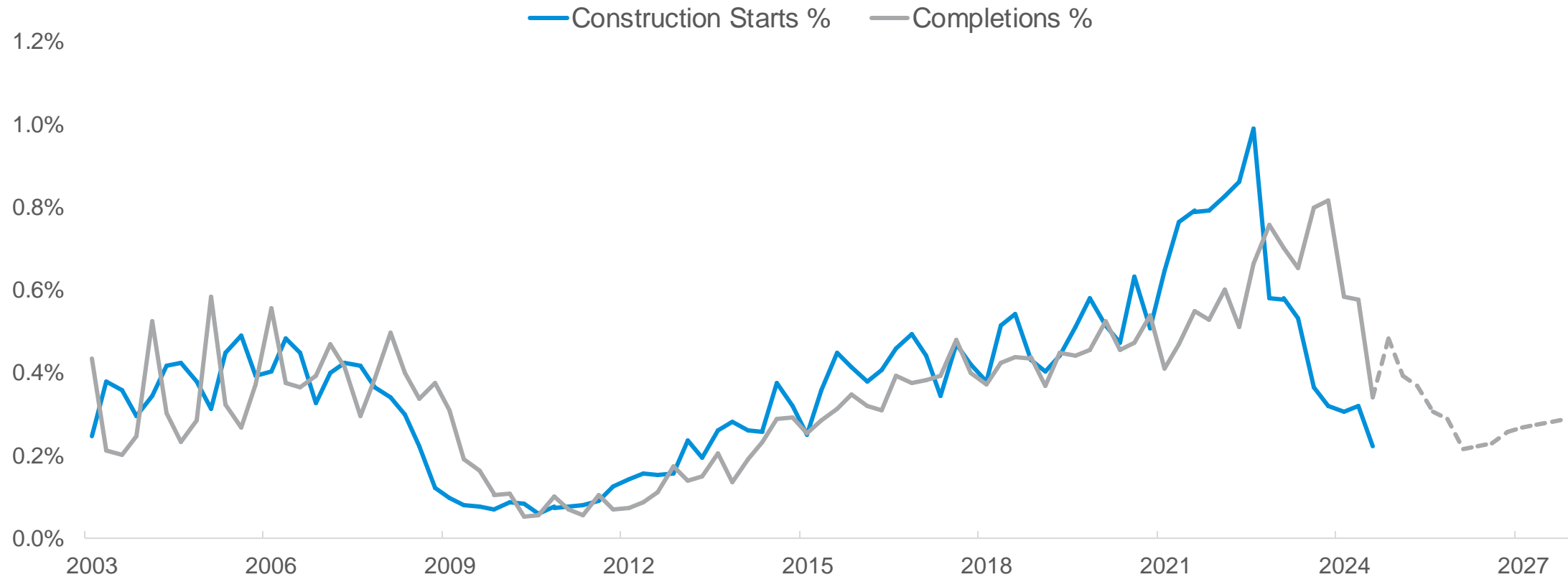


Note: New leases and renewals signed 1/1 to 9/30.  
 Sources: MIM, CBRE Research. Data as of 3Q 2024.



# Industrial Starts are Slowing, Which Will Lead to Less New Supply in Coming Years

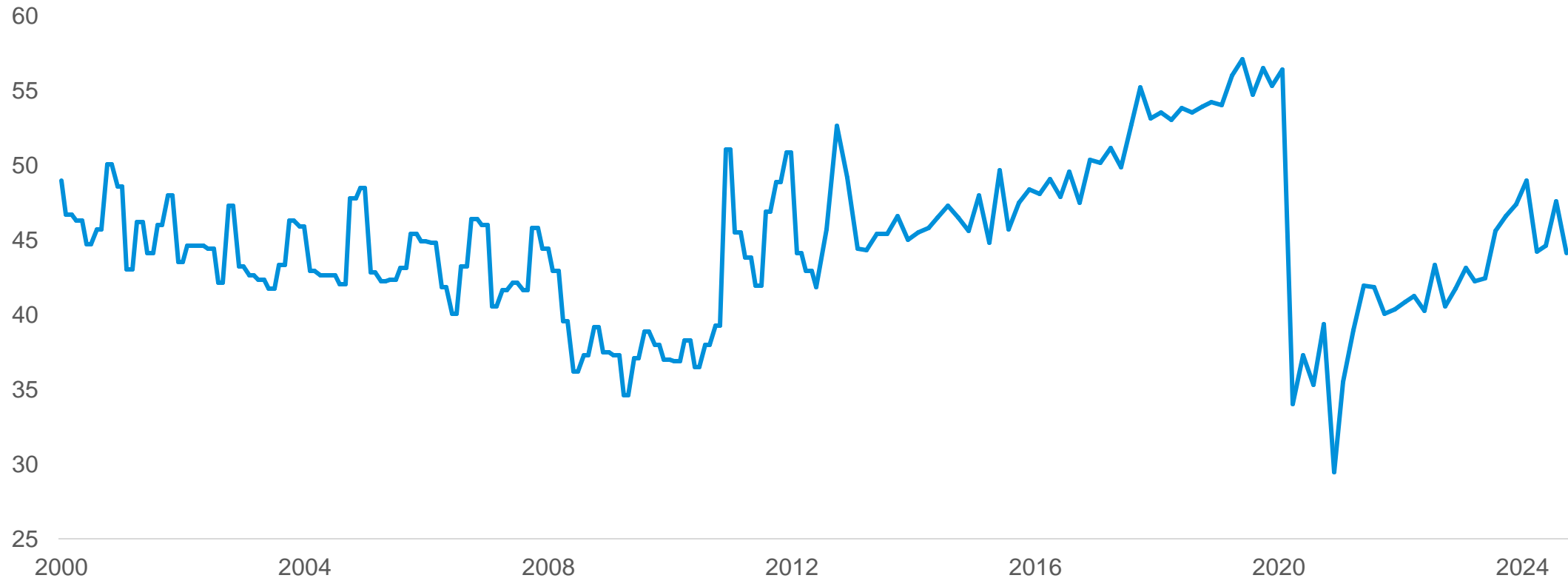
Industrial Construction Starts as a % of New Inventory



Sources: MIM, CoStar. Data as of 3Q 2024.

# Travel Demand Remains Strong, With Travel Intentions Still Rebounding

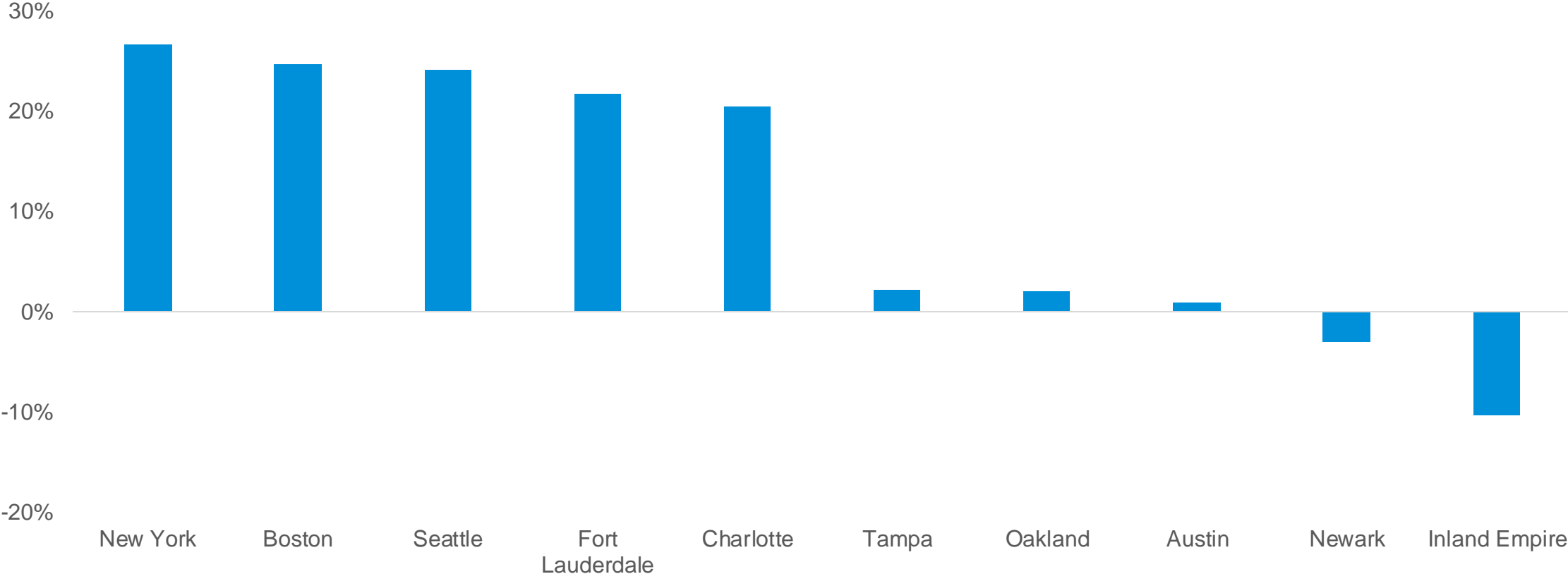
U.S. Consumer Survey – Travel Intended in Next 6 Months (%)



Sources: MIM, Conference Board. Data as of October 2024.

# Revenue-Per Room Growth Strongest in New York, Boston and Seattle

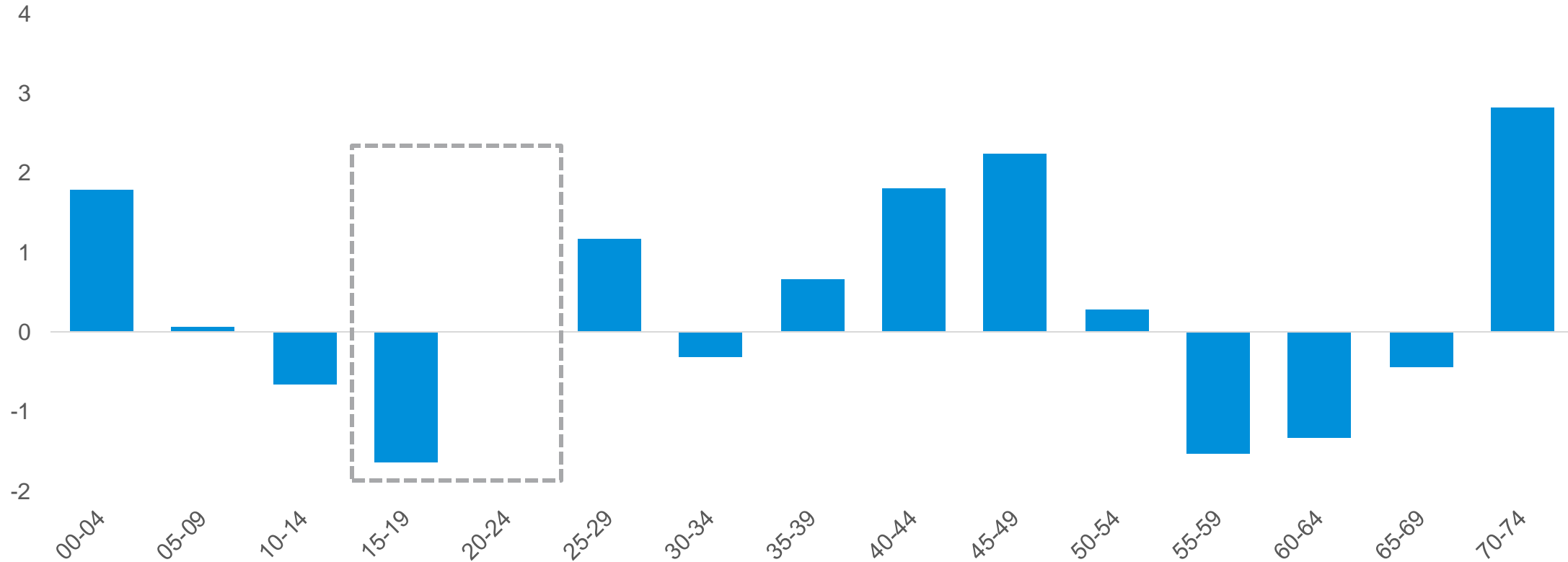
Top and Bottom 5 Primary Markets by 5-Year Projected Hotel RevPAR



Sources: MIM, CoStar. Cumulative RevPAR. 3Q 2024.

# Student Housing Facing Demographic Headwinds

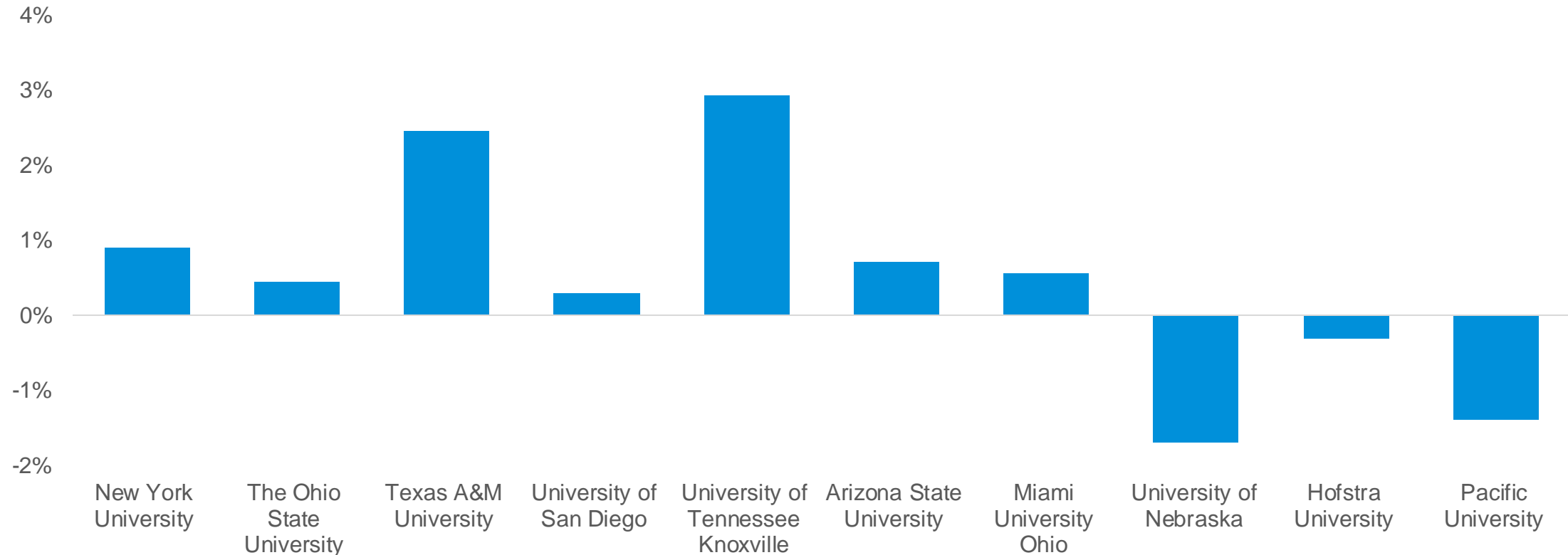
Net population growth by age group (2023-2032) (Millions)



Sources: MIM, Oxford Economics. Data as of 3Q 2024.

# Students are Seeking Value: Not All Universities are Suffering

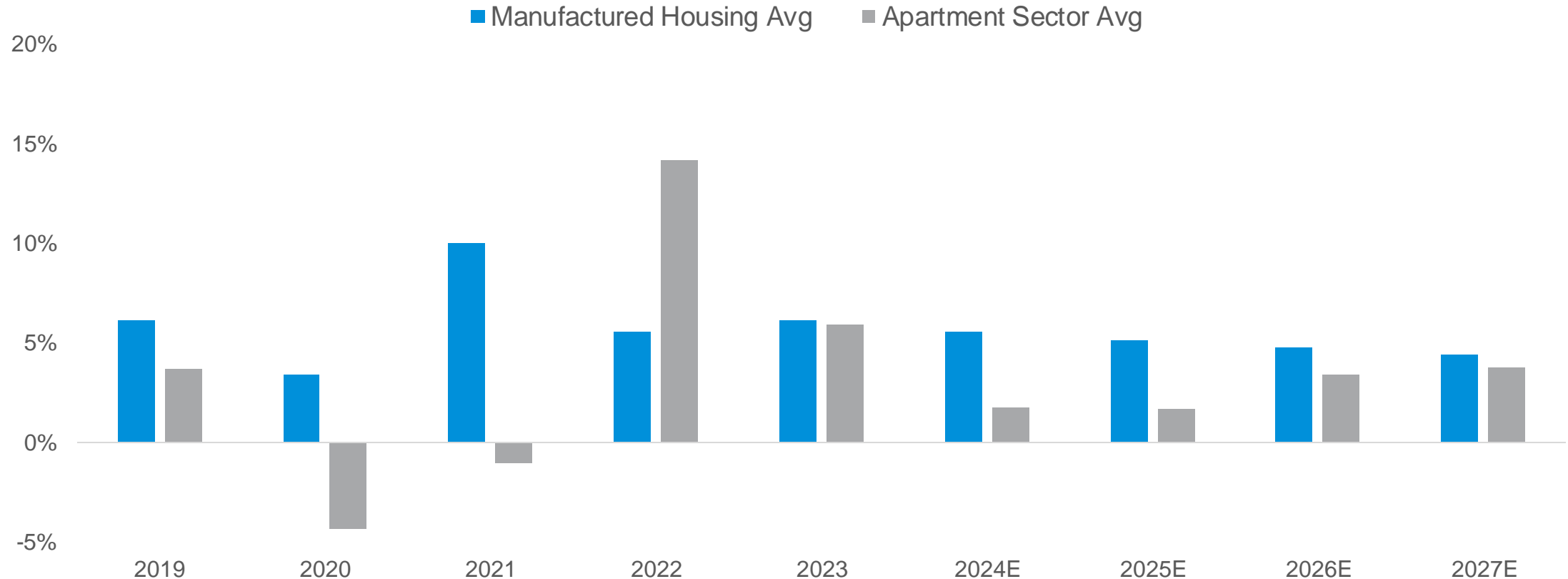
2023 to 2026 Average Enrollment Growth Forecast



Sources: MIM, CoStar. Data as of 3Q 2024.

# Supply Growth Limited in Manufactured Housing, a Tailwind for Income Growth

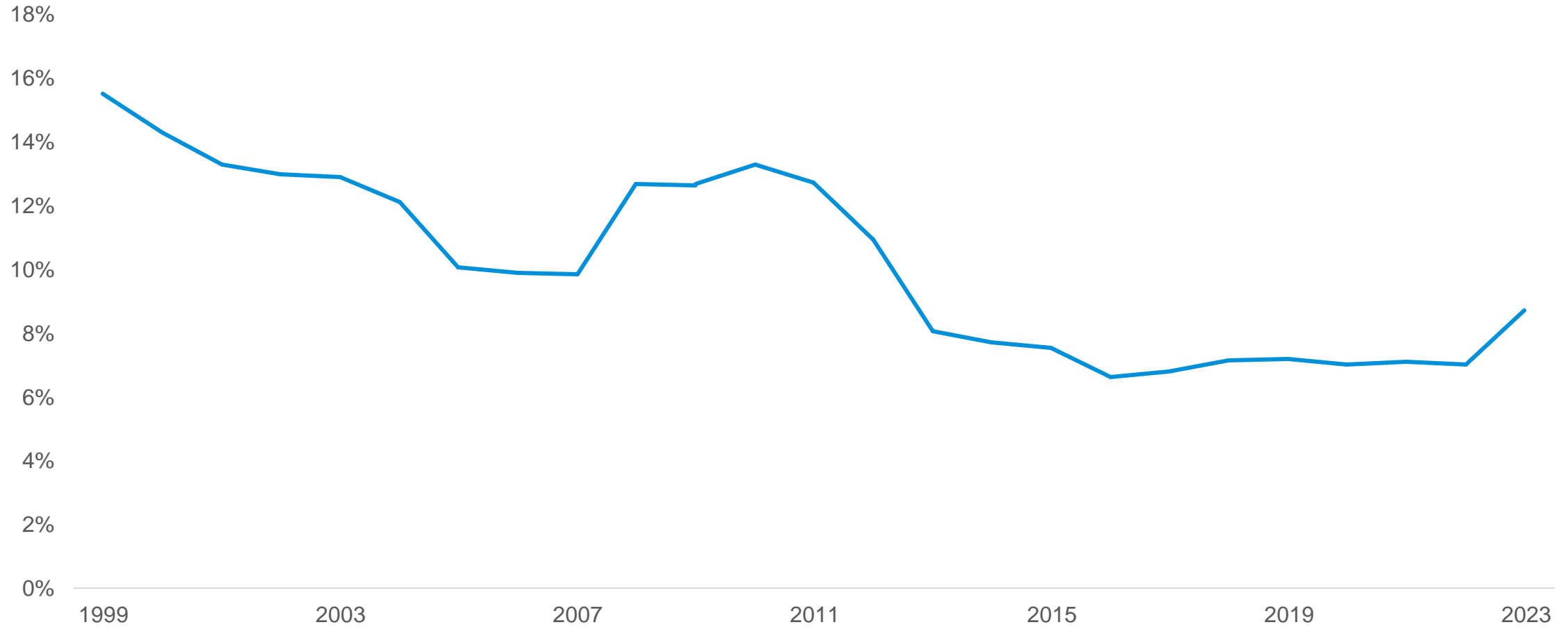
Property Net Operating Income Growth



Sources: MIM, Green Street. Q2 2024.

# Despite Recent Uptick, Starter Homes Remain a Small Share of New Homes Built

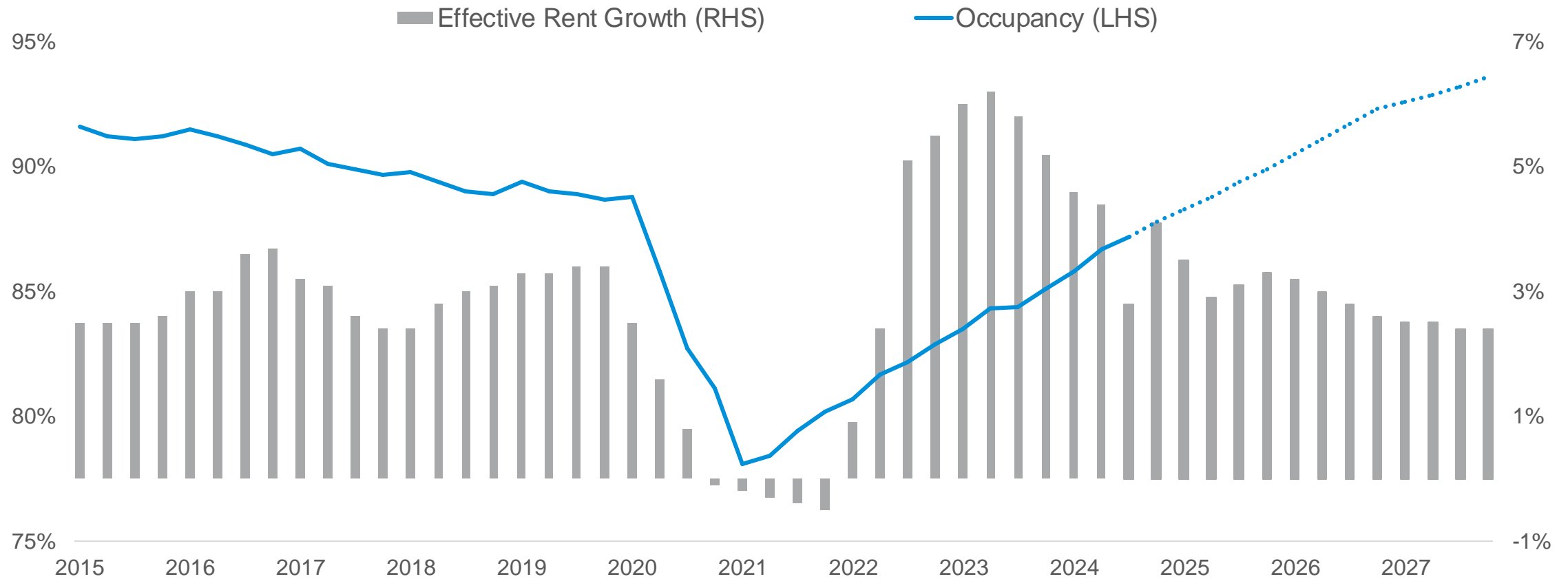
Starter Homes as % of Total Home Construction



Note: Starter homes is defined as a home with less than 1,400 square feet.  
Sources: MIM, Census Bureau. Data as of 2023.

# Senior Housing Continues to Grow

Senior Housing Effective Rent Growth and Occupancy

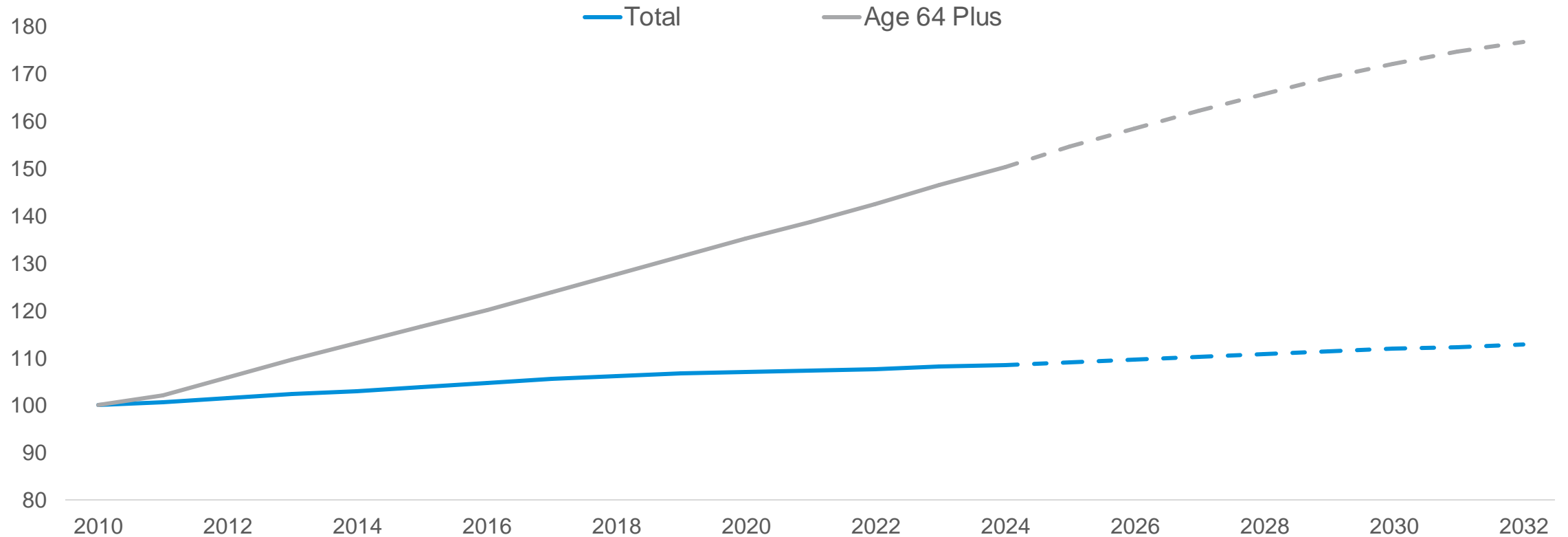


Sources: MIM, Green Street. Data for top 50 Markets. 3Q 2024.



# Senior Housing and Medical Office Seeing Strong Demographic Tailwinds

U.S. Population Growth (Index: 2010 = 100)



Sources: MIM, Oxford Economics. Data as of 3Q 2024.

# MetLife Investment Management property type scorecard

Sector	Rank	Strategy	Benchmark Allocation	Recommended Target Allocation
Medical Office	1	Overweight	2%	3%
Retail- Net Lease	2	Overweight	1%	2%
Self Storage	3	Overweight	3%	4%
Manufactured Housing	4	Overweight	3%	4%
Infill Warehouses	5	Overweight	10%	15%
Seniors Housing (IL)	6	Neutral+	3%	4%
Cold Storage	7	Neutral+	1%	1%
Data Centers	8	Neutral+	2%	3%
Retail- Mall	9	Neutral	4%	4%
Moderate Income Housing	10	Neutral	1%	1%
Regional Warehouses	11	Neutral	15%	15%
Limited-Service Hotels	12	Neutral	1%	1%
Single-Family Rentals	13	Neutral	1%	1%
Retail- Strip/Neighborhood	14	Neutral-	4%	3%
Life Science	15	Neutral-	4%	3%
Office (Excludes Life Science/Medical)	16	Neutral-	15%	12%
Full-Service Hotels	17	Underweight	1%	1%
Traditional Apartment	18	Underweight	22%	18%
55+ Housing	19	Underweight	1%	1%
Student Housing	20	Underweight	2%	1%
Retail- Grocery Anchored	21	Underweight	4%	3%

Source: MIM. Based on an October 2024 Delphi consensus survey of MIM's acquisitions staff for current market pricing, aggregated portfolio information, and ratings from vendors including CoStar and Green Street. External sources include REIT and Market information from MIM vendors including CBRE-EA, and Green Street.

Note: Pricing analysis is only focused on Core and Stabilized assets.

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<sup>2</sup> Source: Pensions & Investments Managers Ranked by Total Worldwide Institutional Assets Under Management as of December 31, 2023. L1124045082[exp.126][Global]

