



# U.S. Commercial Real Estate Chartbook

August 20, 2024

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# Executive Summary

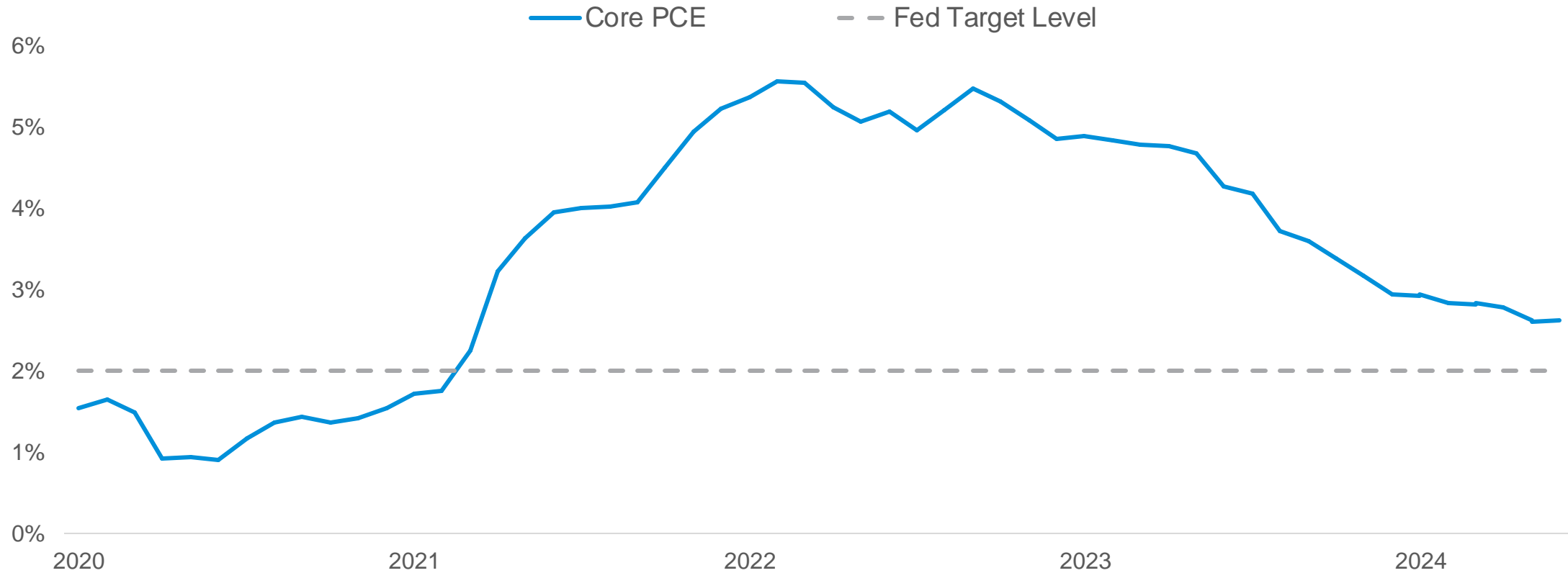
- Inflation is moving back toward the Fed's target, and with job growth slowing, the Fed's focus is shifting to the labor market. This sets the stage for interest rate cuts beginning in September.
- Commercial real estate investment has stabilized, and with the prospect of lower interest rates, H2 2024 and 2025 are likely to see a modest rebound in activity compared to 2023.
- Real estate spot market values bottomed in Q4 2023 for all sectors aside from office, which remains the laggard.
- Though vacancy rates have risen this year for multifamily and industrial, slowing construction sets the stage for stronger fundamentals in 2025 and 2026.

A photograph of a modern, multi-story apartment building with glass balconies and lush green trees in the foreground. The image is overlaid with a semi-transparent blue filter. A white rectangular box is centered on the image, containing the title text.

# U.S. Economic Outlook

# Inflation Continues To Move Slowly Back To Target

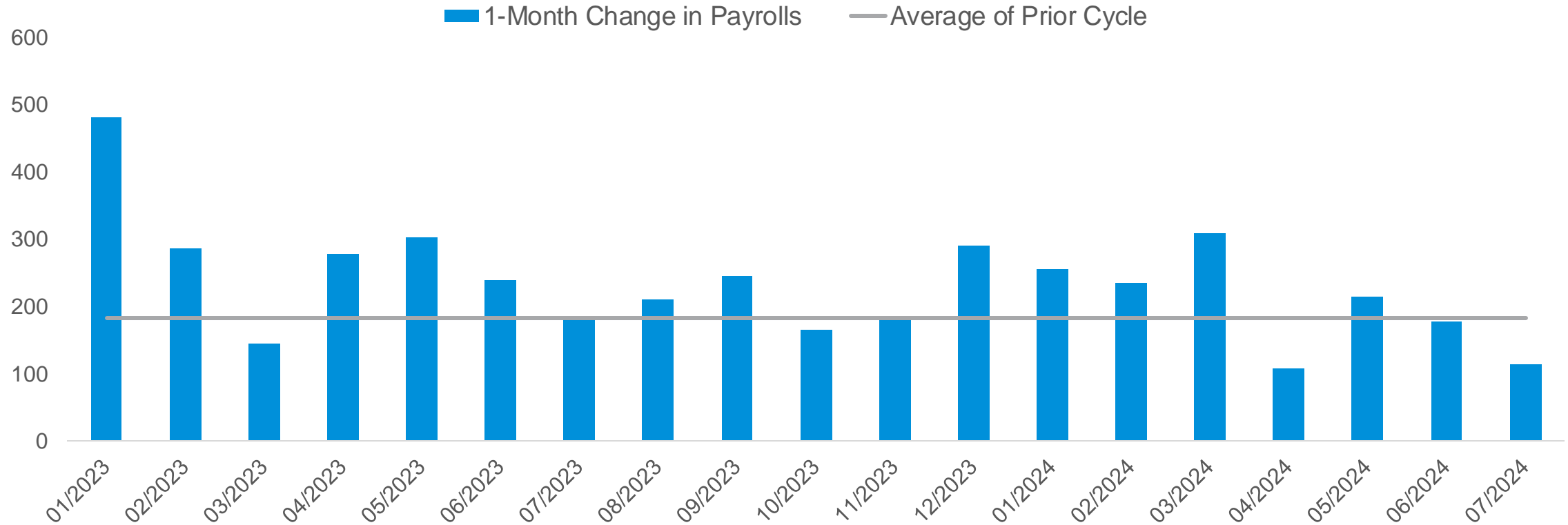
Core PCE Inflation y/y



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

# With Job Growth Slowing, Fed's Focus Shifts To Labor Market

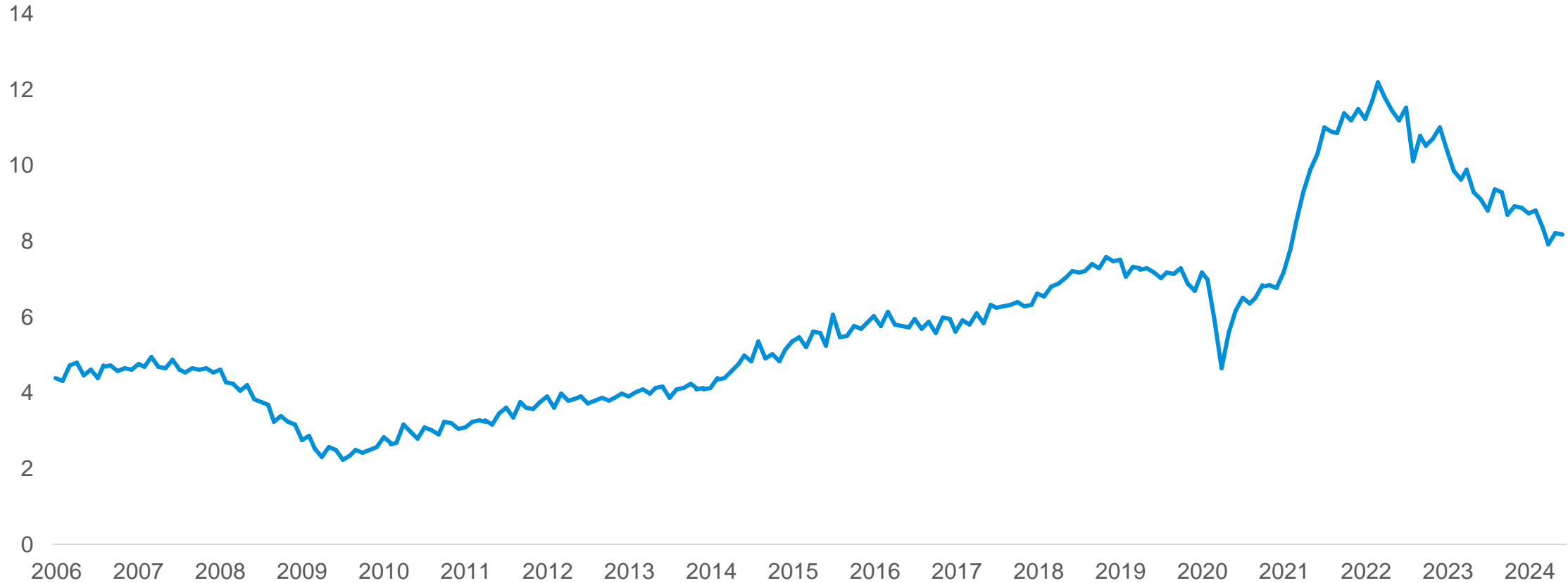
Monthly Change To Nonfarm Payrolls (Seasonally Adjusted, Thousands)



Sources: MIM, BLS. Data as of July 2024.  
Note: Prior cycle is an average of monthly job growth from 2010 to 2019.

# Job Openings Are Falling, But From Elevated Levels

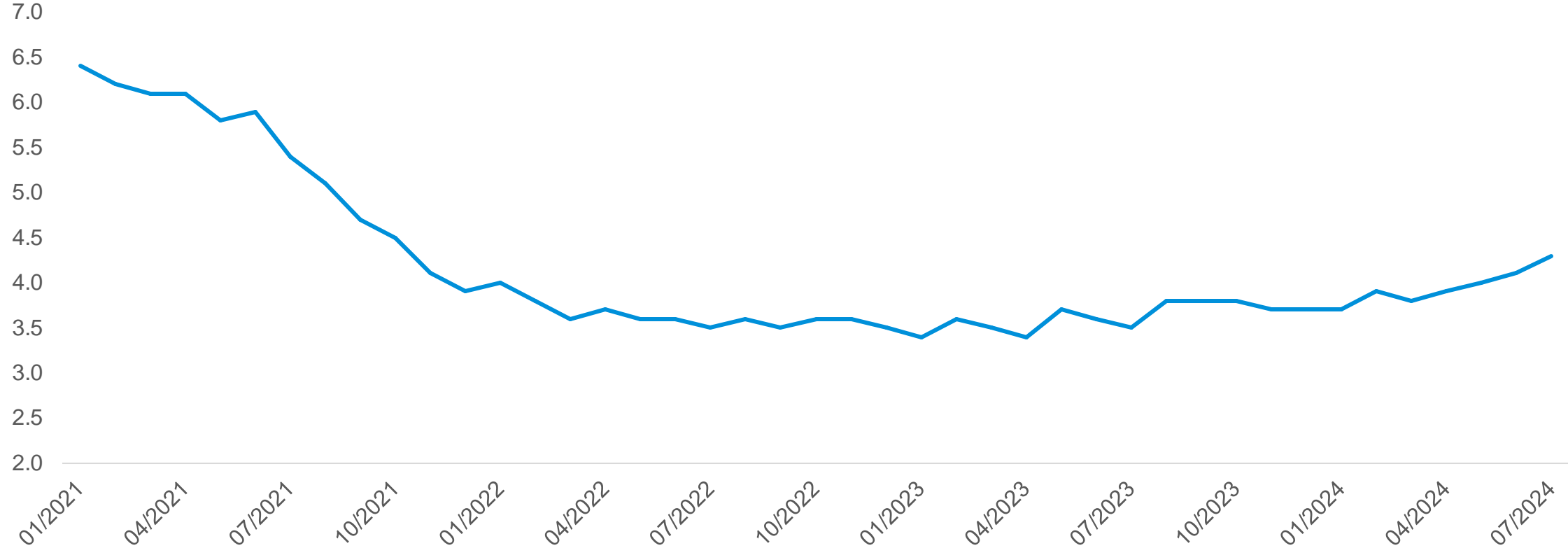
Job Openings (mm)



Sources: MM, BLS. Data as of June 2024.

# Unemployment Relatively Low, But Has Risen To Highest Level Since Q1 2021

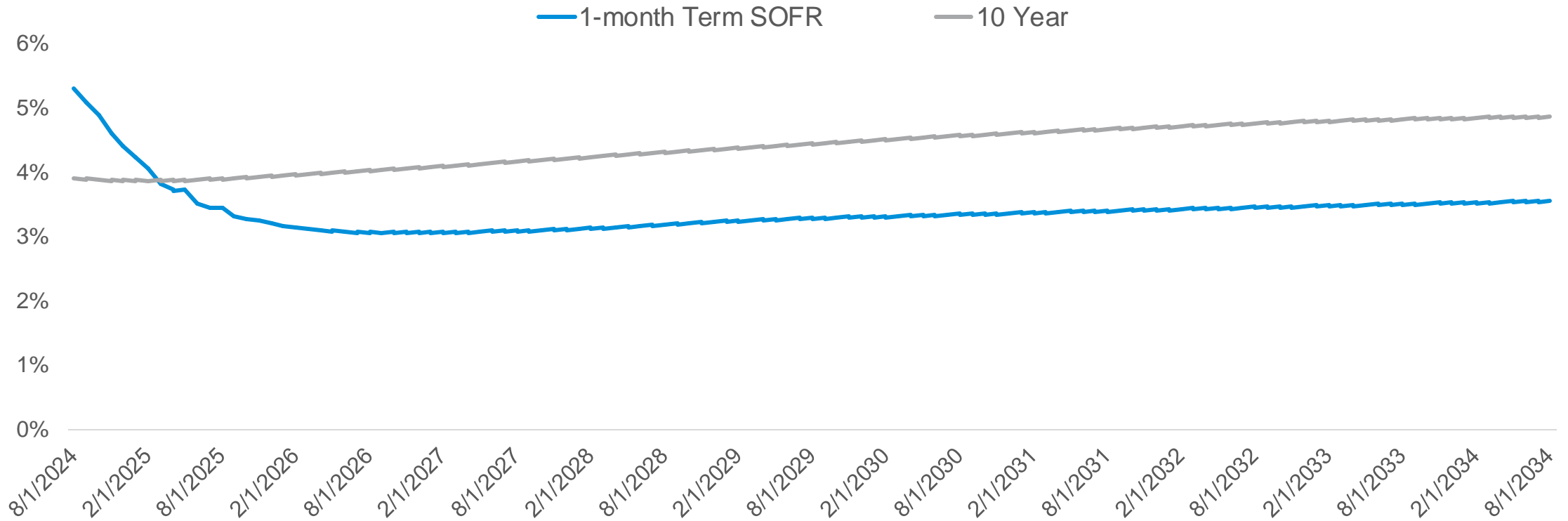
Unemployment Rate (%)



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

# Market Interest Rates Have Fallen In Anticipation Of Fed Rate Cuts

1-Month Term SOFR And 10-Year Treasury Forward Curves



Sources: MIM, Chatham Financial. Data as of August 6, 2024.

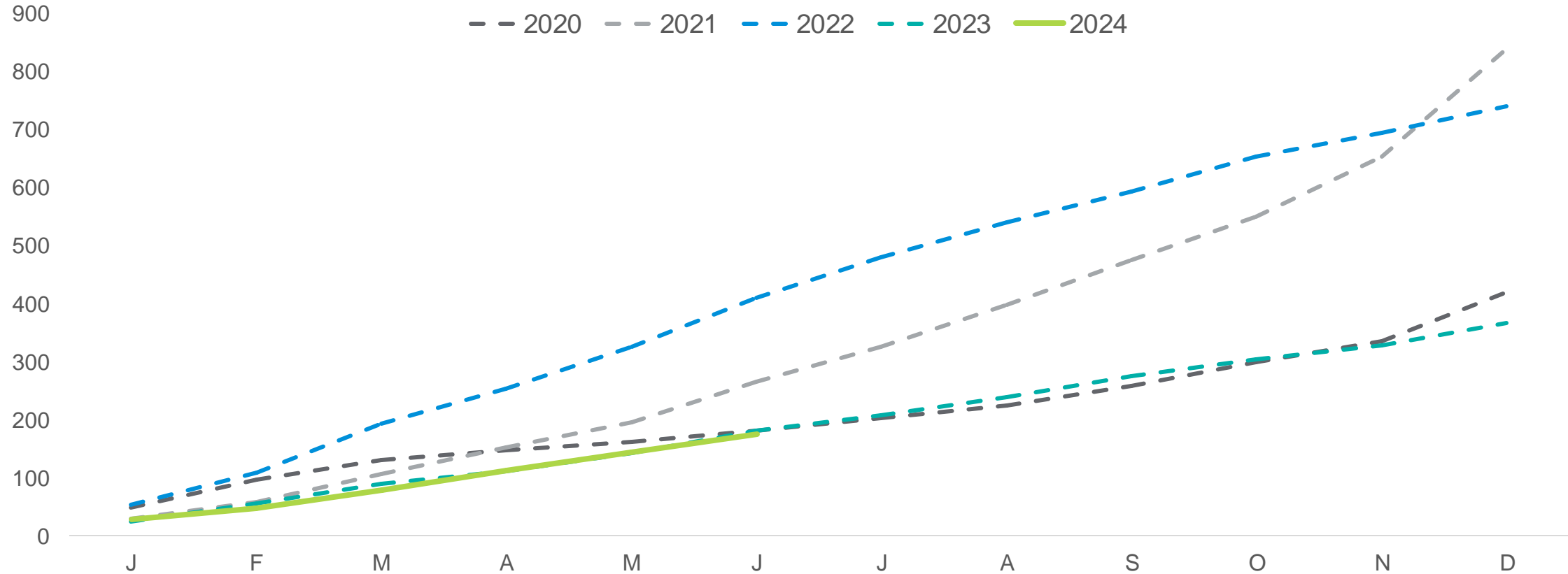


A photograph of a modern multi-story apartment building with balconies, partially obscured by lush green trees. The image has a blue and green color overlay. A white rectangular box is centered over the image, containing the title text.

# Commercial Real Estate Capital Markets Conditions

# 2024 Investment Is Tracking 2023; Lower Rates Should Steepen The Curve

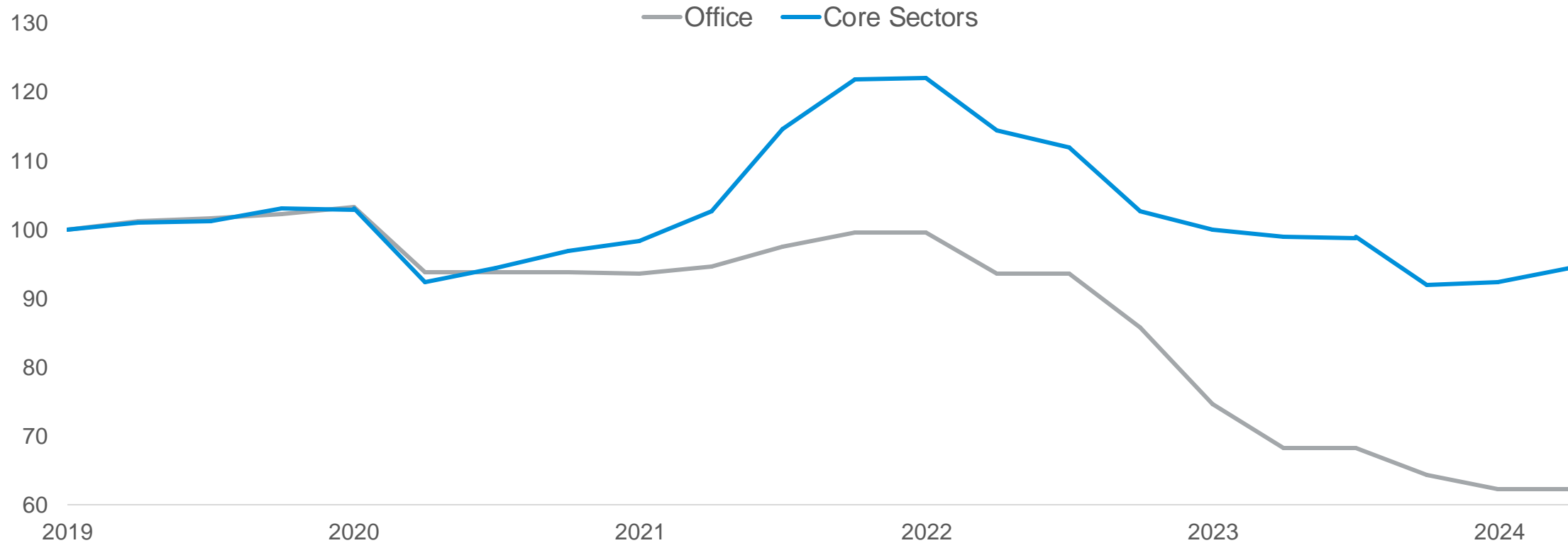
CRE Cumulative Transaction Volume (\$ Billions)



Sources: MIM, RCA. Data as of June 2024.  
Note: Q2 2024 investment volumes include MIM projections.

# CRE Troughed In Q4 2023, While Office Remains The Laggard

Green Street CPPI

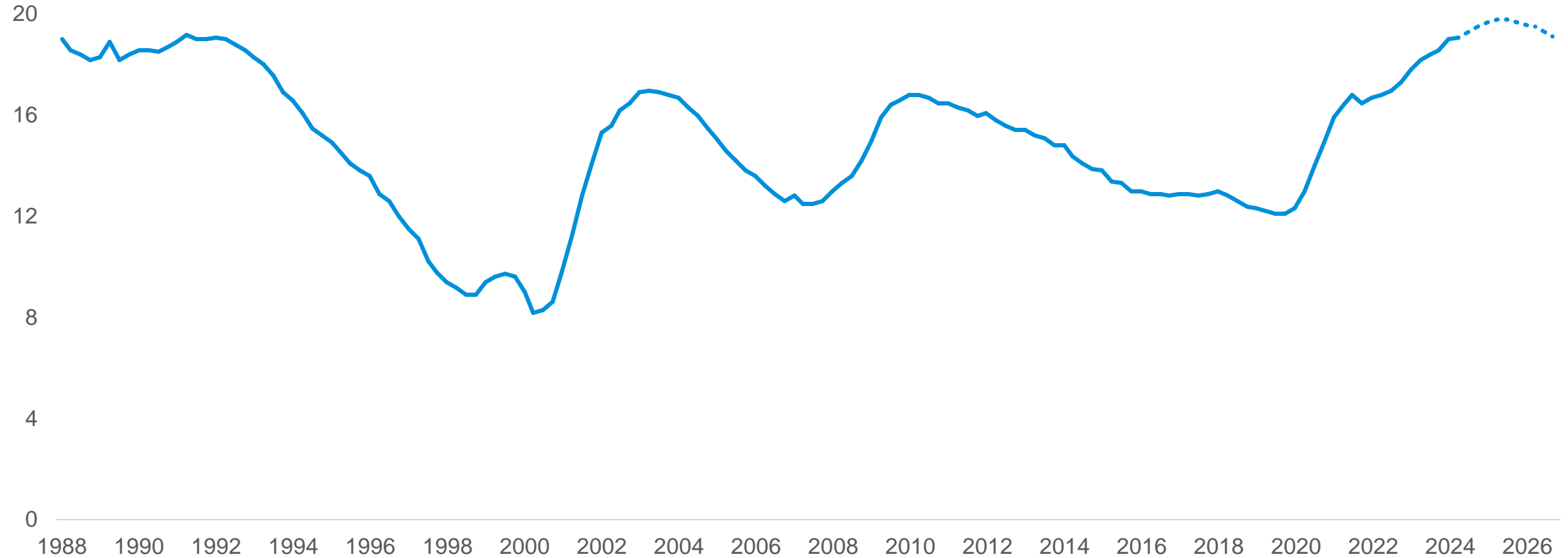


Sources: MIM, Green Street. Data as of June 2024.

# Property Type Trends

# Office Vacancy Beginning To Level Off, Expected To Peak In Early 2025

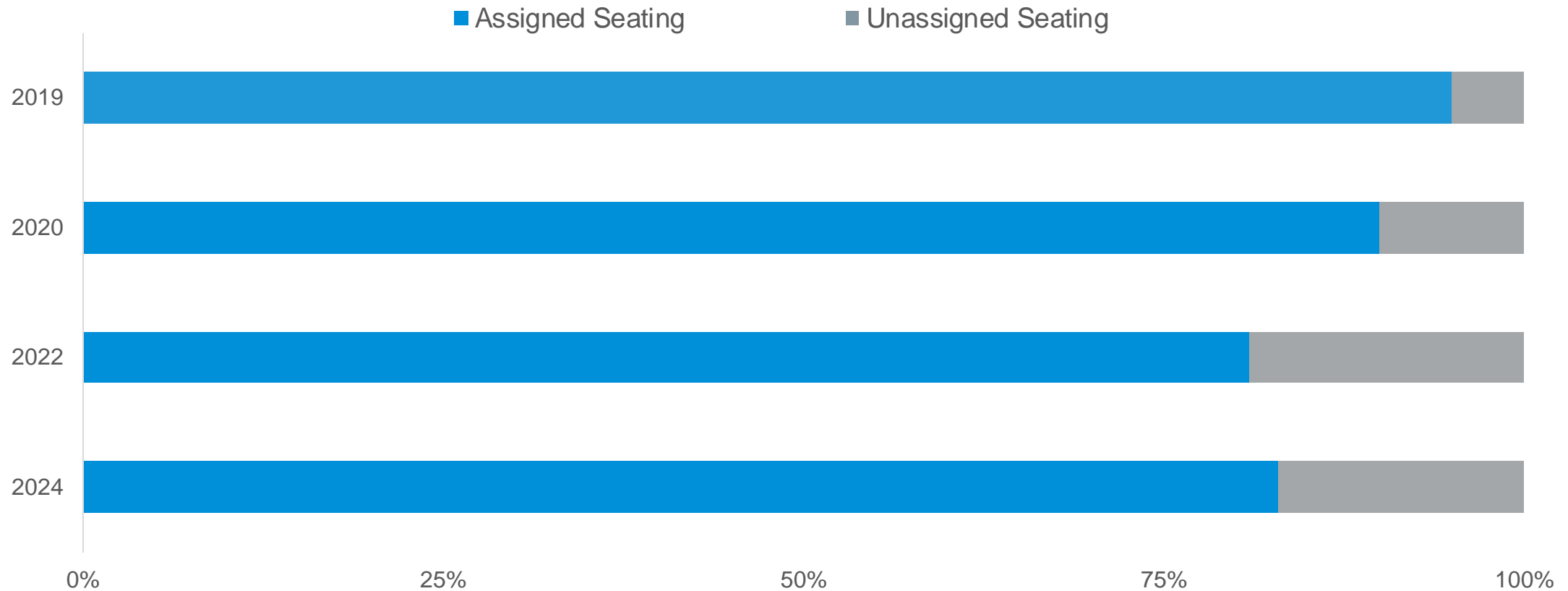
U.S. Office Vacancy With Forecast (%)



Sources: MIM, CBRE-EA. Data as of 2Q 2024.

# Office Desk Sharing Is Declining

Assigned Desks In Offices



Sources: MIM, Gensler. Data as of April 2024.

# Some Cities Are Seeing Gradual Improvements In Vacancy

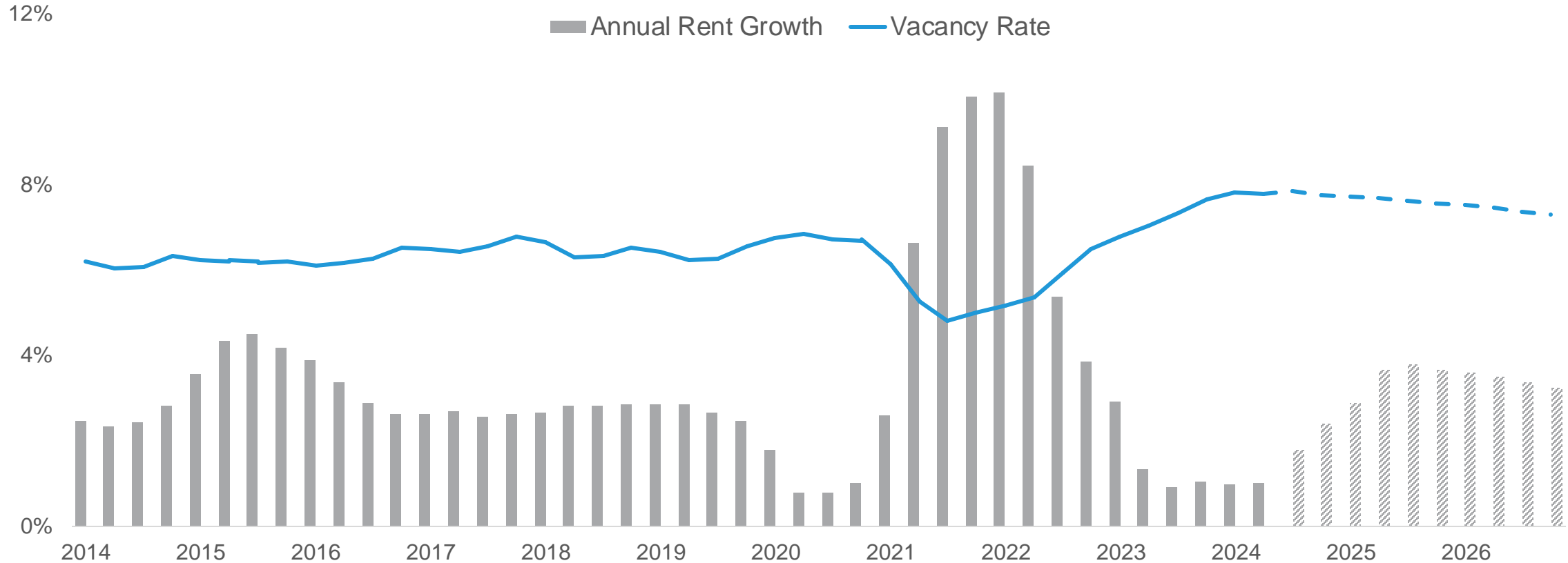
## Office Vacancy Changes By Market (Sorted By Vacancy)

| Market                  | Q2 Vacancy   | QoQ       | YoY       | Market         | Q2 Vacancy | QoQ | YoY  |
|-------------------------|--------------|-----------|-----------|----------------|------------|-----|------|
| San Francisco           | 25.2%        | 40        | 310       | Northern NJ    | 19.0%      | 30  | 50   |
| Portland                | 24.4%        | 20        | 200       | Washington DC  | 18.9%      | -10 | 70   |
| Dallas                  | 24.3%        | 30        | 140       | Nashville      | 18.6%      | -80 | -140 |
| Houston                 | 24.2%        | -10       | 0         | Orange Co      | 17.4%      | -60 | -90  |
| Minneapolis             | 23.4%        | 120       | 210       | Boston         | 17.1%      | 110 | 320  |
| Denver                  | 22.7%        | 90        | 260       | Sacramento     | 16.9%      | 0   | 10   |
| Austin                  | 21.9%        | 50        | 210       | Baltimore      | 16.4%      | -20 | 30   |
| Atlanta                 | 21.8%        | 10        | 190       | Philadelphia   | 15.8%      | -20 | -10  |
| Los Angeles             | 21.6%        | 10        | 150       | Manhattan      | 15.3%      | 0   | 10   |
| East Bay                | 21.5%        | 50        | 130       | Tampa          | 15.2%      | 30  | -30  |
| Chicago                 | 21.4%        | 20        | 150       | San Diego      | 14.4%      | -40 | -30  |
| Phoenix                 | 21.3%        | -20       | 130       | Orlando        | 13.4%      | -10 | 90   |
| San Jose                | 21.2%        | -40       | 240       | Ft. Lauderdale | 12.6%      | -60 | -90  |
| Charlotte               | 20.7%        | -10       | -20       | Miami          | 11.1%      | -90 | -140 |
| Seattle                 | 20.2%        | -50       | 250       | Palm Beach     | 10.2%      | 0   | 50   |
| <b>National Average</b> | <b>19.1%</b> | <b>10</b> | <b>90</b> | Inland Empire  | 8.6%       | -10 | -80  |

Sources: MIM, CBRE-EA. 2Q 2024.

# Multifamily Fundamentals Stabilized, Positioned For Improvement Ahead

## Multifamily Rent Growth And Vacancy Forecast

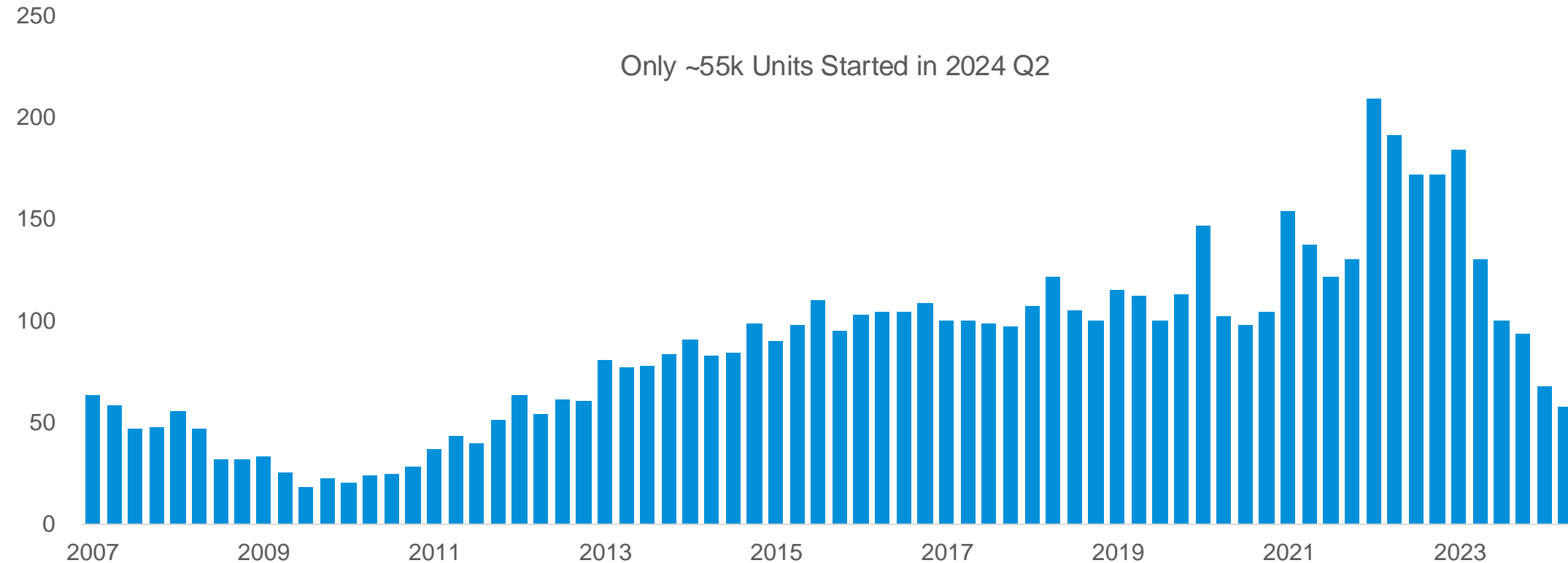


Sources: MIM, CoStar. Data as of 2Q 2024.



# Plummeting Multifamily Construction Will Boost Future Fundamentals

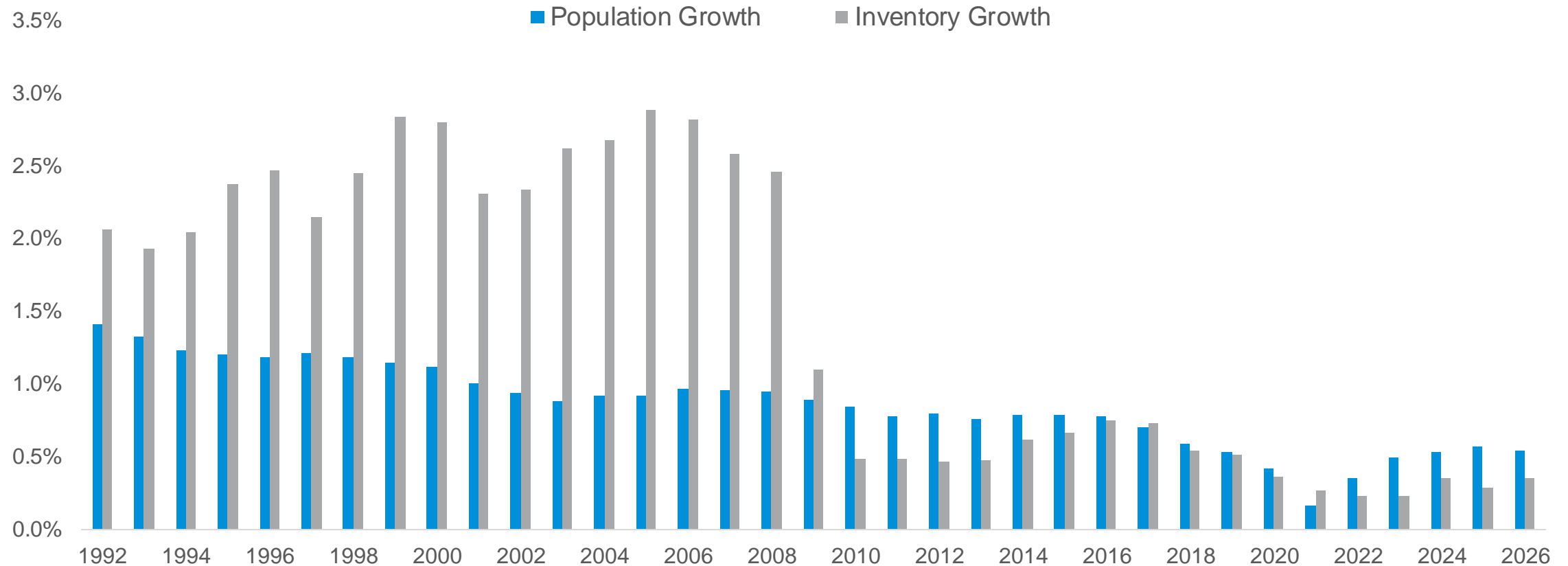
## Multifamily Construction Starts



Sources: MIM, CoStar. Data as of 2Q 2024.

# Retail fundamentals will continue to be boosted by lack of new product

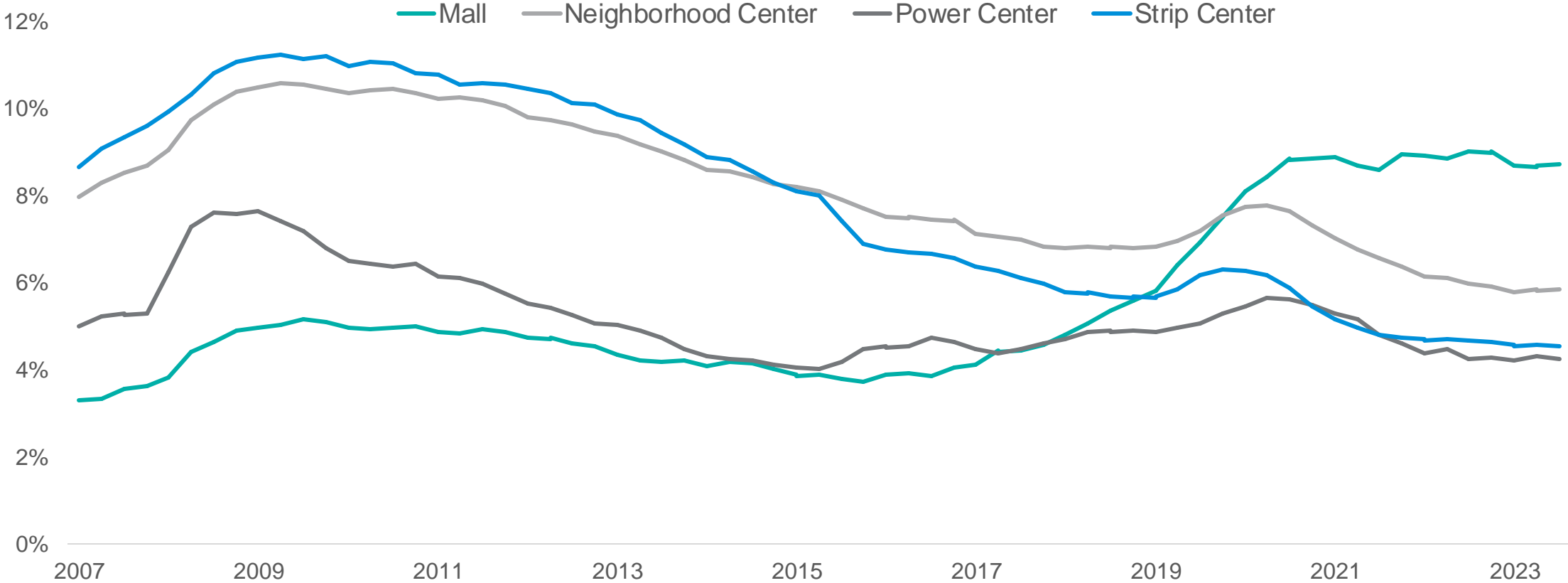
Population Growth/Retail Growth



Sources: MIM, Oxford Economics, CBRE-EA. Data as of 2Q 2024.

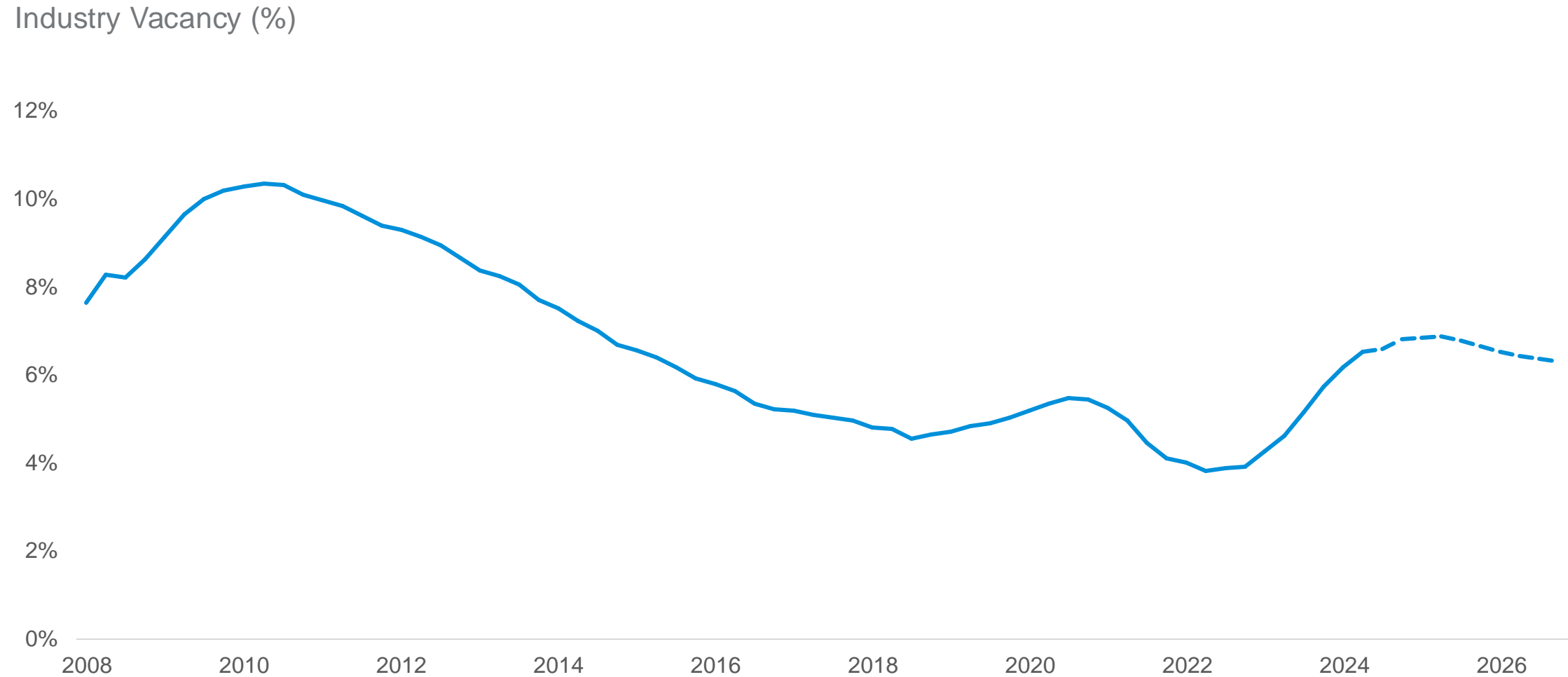
# Retail Vacancy Is At Historic Lows, Aside From Malls

Retail Vacancy Rate By Subtype



Sources: MIM, CoStar. Data as of 2Q 2024.

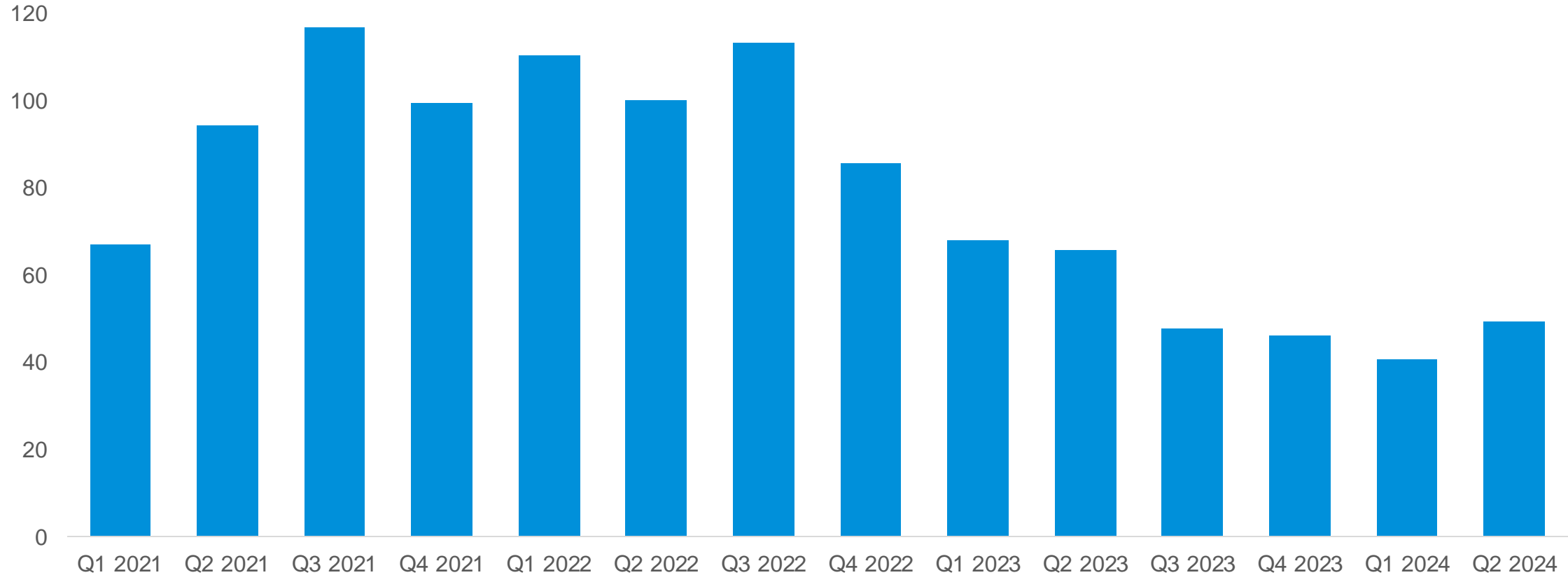
# Industrial Vacancy Will Increase Modestly Over The Next Year



Sources: MIM, CoStar. Data as of 2Q 2024.

# Significant Decline In Industrial Starts Will Boost Future Fundamentals

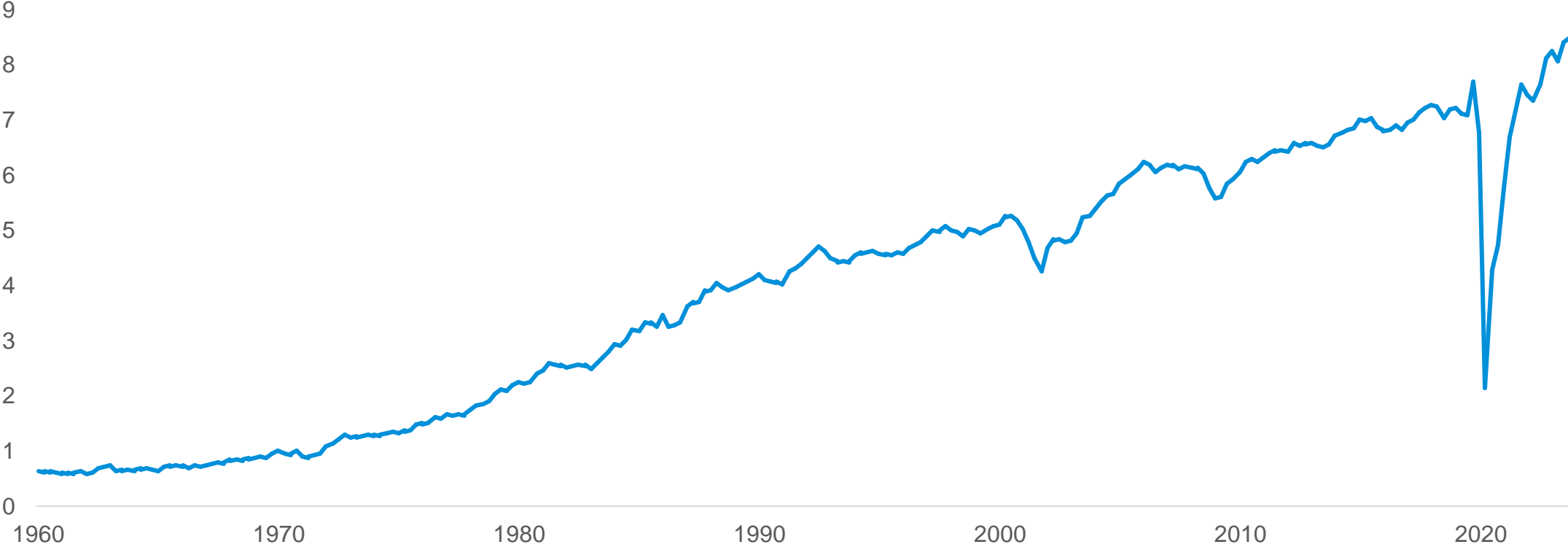
Industrial Construction Starts (mm sq. ft.)



Sources: MIM, CBRE Research. Data as of 2Q 2024.

# Hotel Stays Continue To March Higher

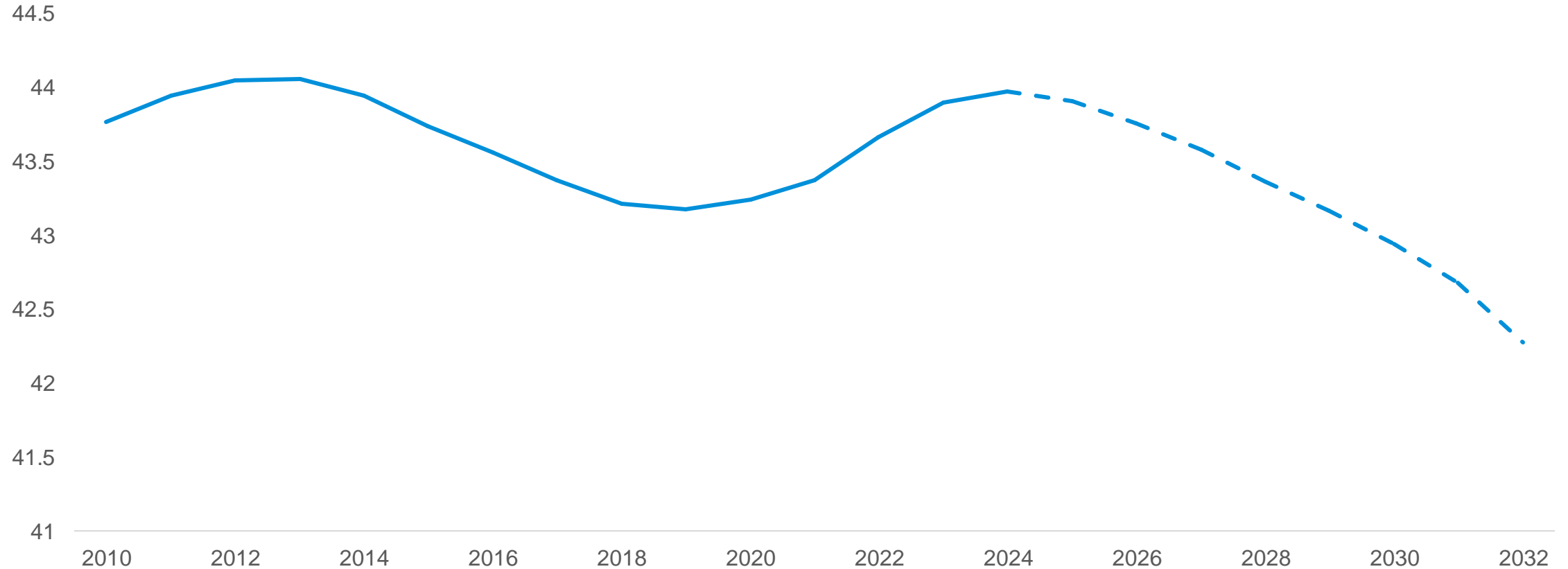
Average Room Stays Per Year Per Capita



Sources: MIM estimate based on data from BEA, Oxford Economics, CoStar, and CBRE\_EA. Data as of April 2024.

# Student Housing Facing Demographic Headwinds

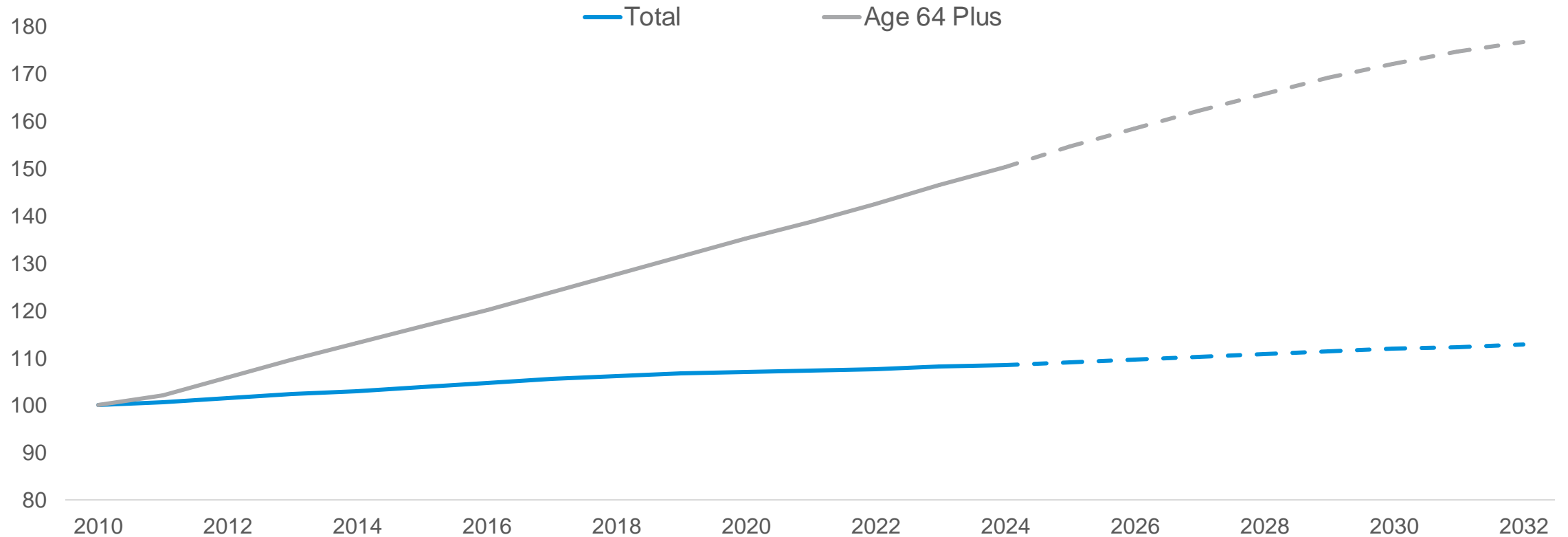
Population Age 15-24 (mm)



Sources: MIM, Oxford Economics. Data as of 2Q 2024.

# Senior Housing Seeing Strong Demographic Tailwinds

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



Sources: MIM, Oxford Economics. Data as of 2Q 2024.



# MetLife Investment Management Property Type Scorecard

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

Source: MIM. Based on a June 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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