Calming or non-calming inflation?

CPI % change from a year ago
Federal Reserve Policy on Fed Funds Rate
Fed Funds Rate and 10-Year Treasury Yield

2019 - Jan
2019 - Mar
2019 - May
2019 - Jul
2019 - Sep
2019 - Nov
2020 - Jan
2020 - Mar
2020 - May
2020 - Jul
2020 - Sep
2020 - Nov
2021 - Jan
2021 - Mar
2021 - May
2021 - Jul
2021 - Sep
2021 - Nov
2022 - Jan
2022 - Mar
2022 - May
2022 - Jul
2022 - Sep
2022 - Nov
2023 - Jan

5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Silicon Valley Bank Failure and Impact

$1 million safe asset at 2% coupon rate ($20,000)

=  

$500,000 safe asset at 4% coupon rate ($20,000)

Regional Banks do not have enough capital
Regional Banks do not have enough money to lend

But Federal Reserve will pay $1 million original price to help banks meet depositors
Commercial Mortgages

Source: MSCI and NAR forecast
Commercial Property Transactions to Decline
(Properties valued at $2.5 million and over)

Source: MSCI and NAR forecast
Cap Rates by Commercial Property Types

Source: CoStar and U.S. Treasury
Commercial Real Estate Price Index
... 2% off peak

Source: Federal Reserve
Commercial Appraisal Value ... 16% off peak

Source: Green Street Advisors
Re-look at Cap Rates with rent growth

Source: CoStar and U.S. Treasury
Apartment Rent Growth

Source: CoStar
Consumer Price Inflation Component on Rent (includes single-family and multifamily rentals)

Source: BLS Rent Component
Industrial Rent Growth

Source: CoStar
Retail Rent Growth

Source: CoStar
Warehouse Construction High
Retail/Mall Construction Low

$ billion annualized

Source: Department of Commerce; Retail includes food/drink establishments and drug stores
Online Shopping (non-store retailer)

$ million annualized

Source: Census
National Industrial Vacancy Rate

Source: CBRE and NAR Forecast
National Retail Vacancy Rate

Source: CBRE and NAR Forecast
Multifamily Construction
High
Office Construction Low

$ billion annualized

Source: Department of Commerce; Retail includes food/drink establishments and drug stores
National Office Vacancy Rate

Source: CBRE and NAR Forecast
National Apartment Vacancy Rate

Source: CBRE and NAR Forecast
Payroll Job Growth from Pre-covid to Latest March 2020 to January 2023
National Debt (cumulative of all deficits)

Source: U.S. Treasury
Why? Federal Outlay (blue bar) > Tax Receipts (orange line)

Source: U.S. Treasury
C5+CCIM GLOBAL SUMMIT

COMMERCIAL REAL ESTATE x ECONOMIC IMPACT

GLOBAL SUMMIT
9.28-9.30 ATLANTA
THANK YOU