

REALTORS[®] LEGISLATIVE MEETINGS 2024

MAY 4-9 • WASHINGTON, DC



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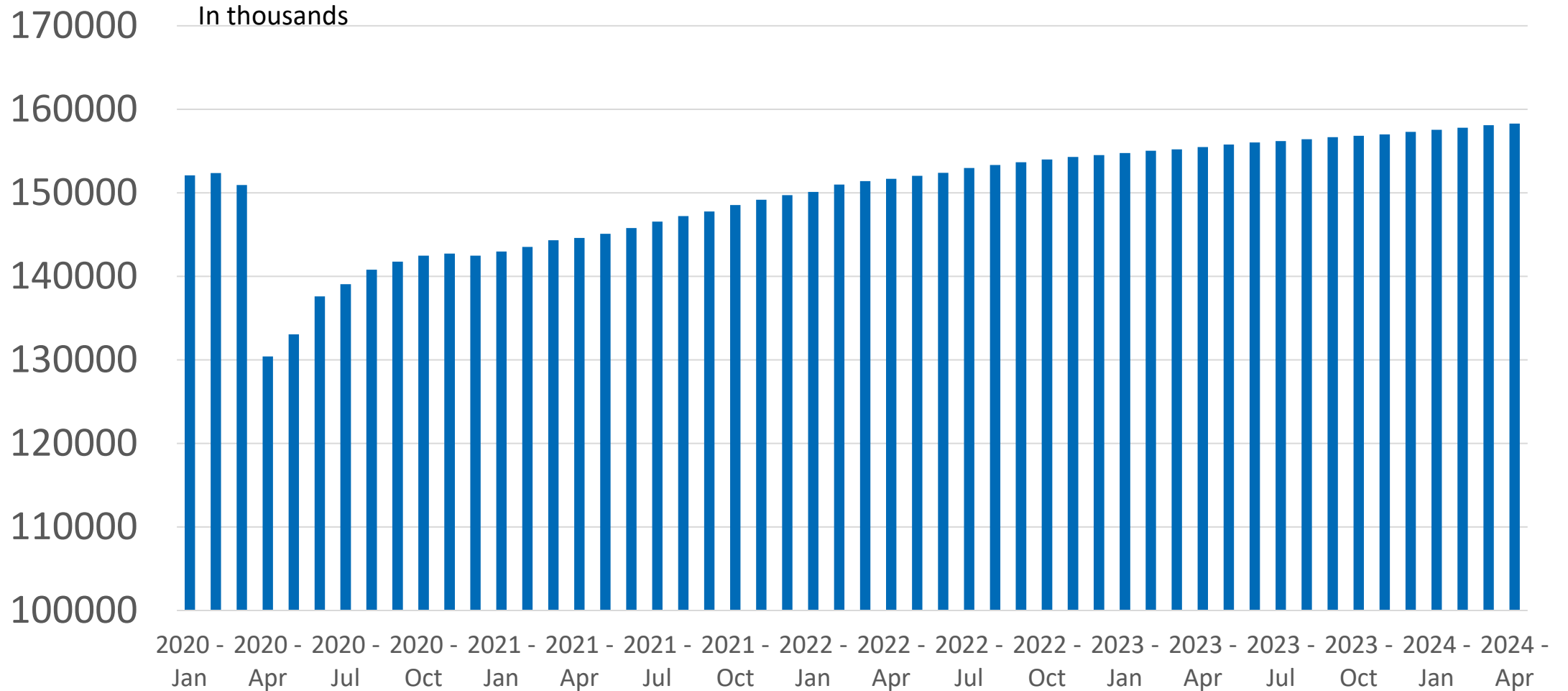
nar.realtor

#NARLEGISLATIVE

Commercial Update

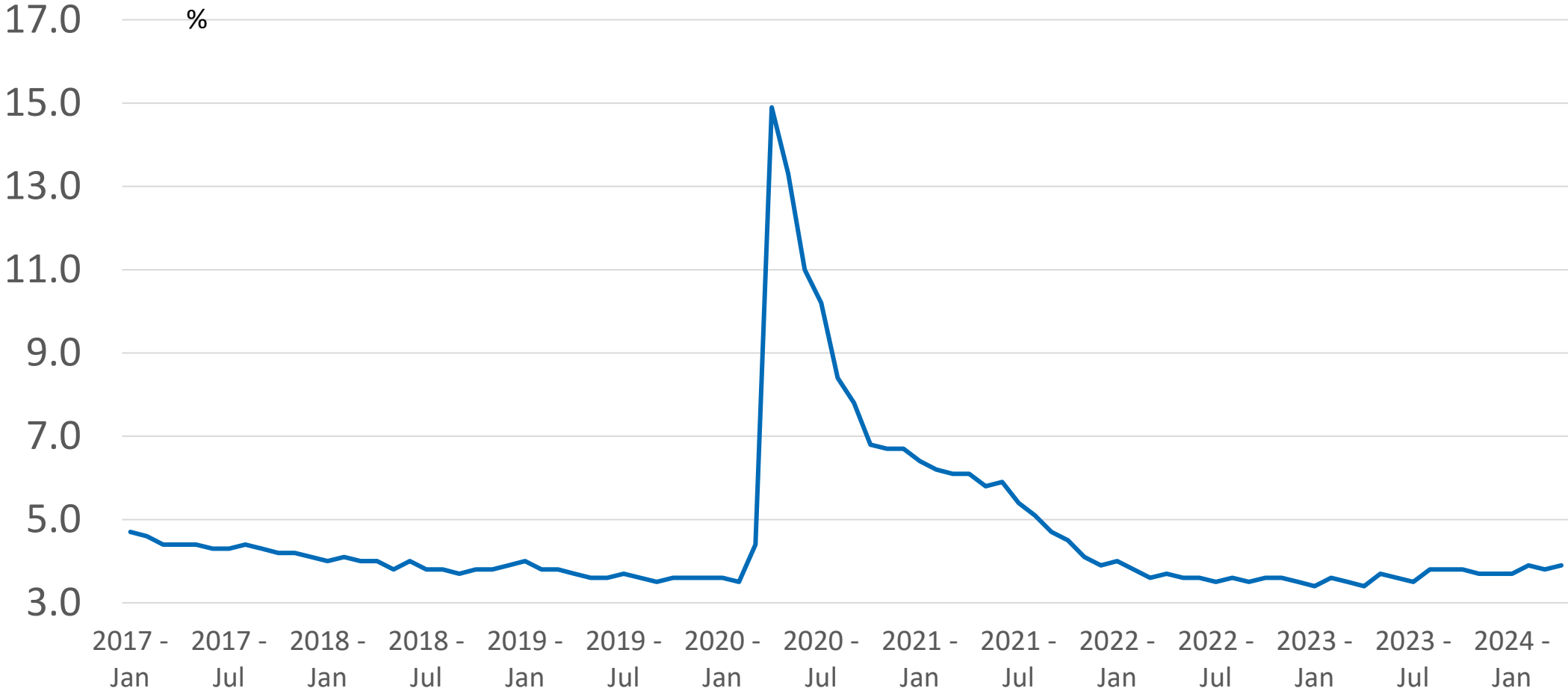
Lawrence Yun, NAR Chief Economist

+175,000 Payroll Jobs in April 6 million more compared to pre-covid highs



Source: BLS

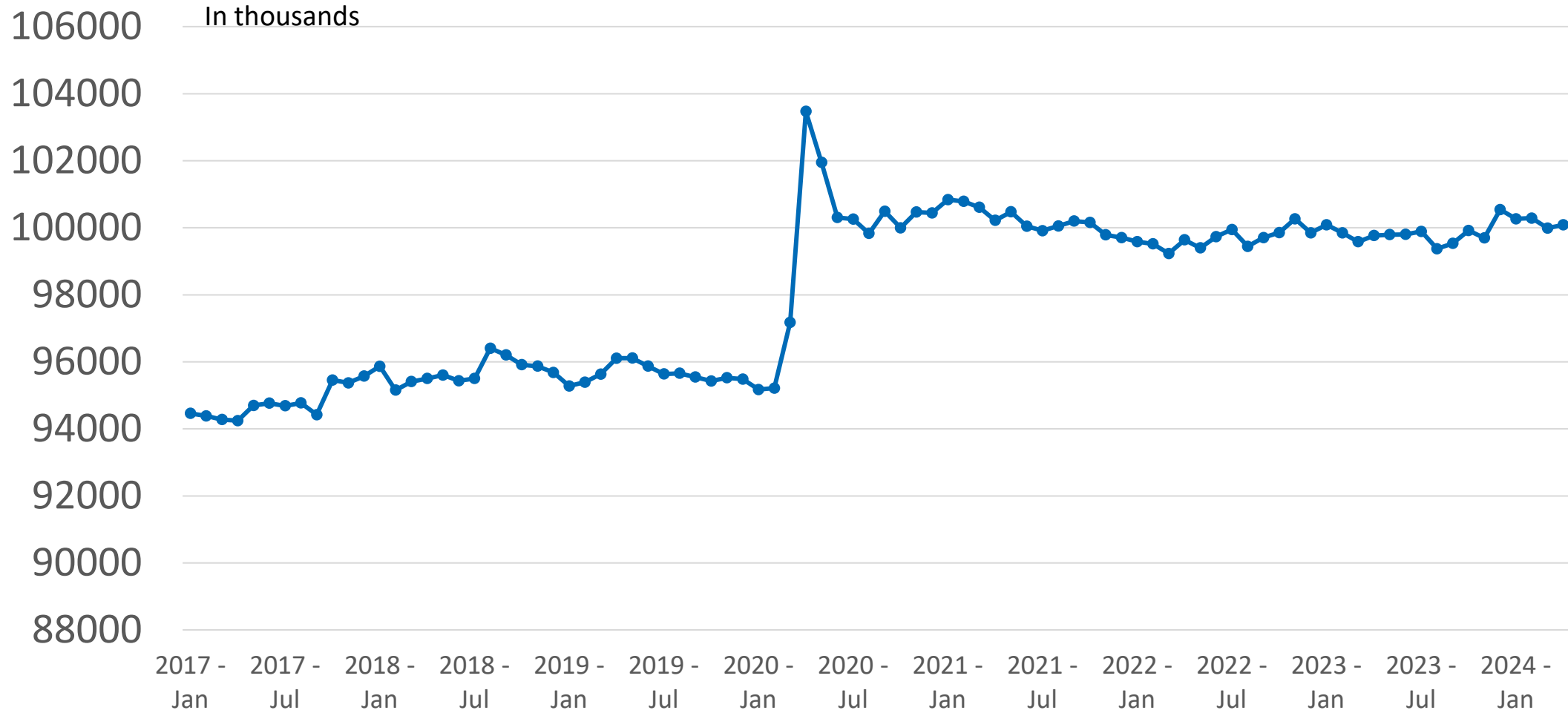
Unemployment Rate



Source: BLS



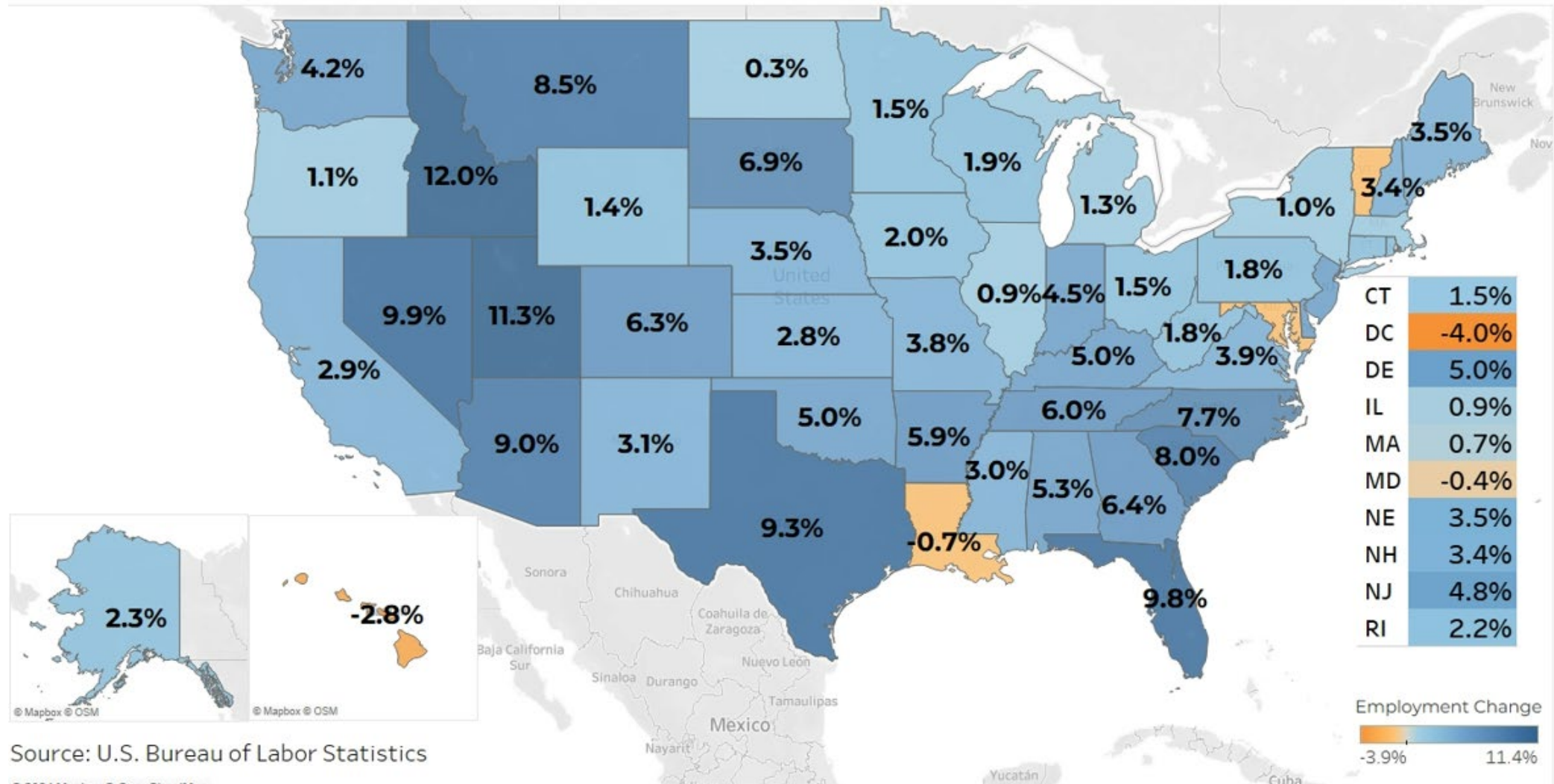
Out-of-Labor Force (retired, students not working, and others not looking for job)



Source: BLS

Job Gains Since Pre-COVID Record High Payroll Employment

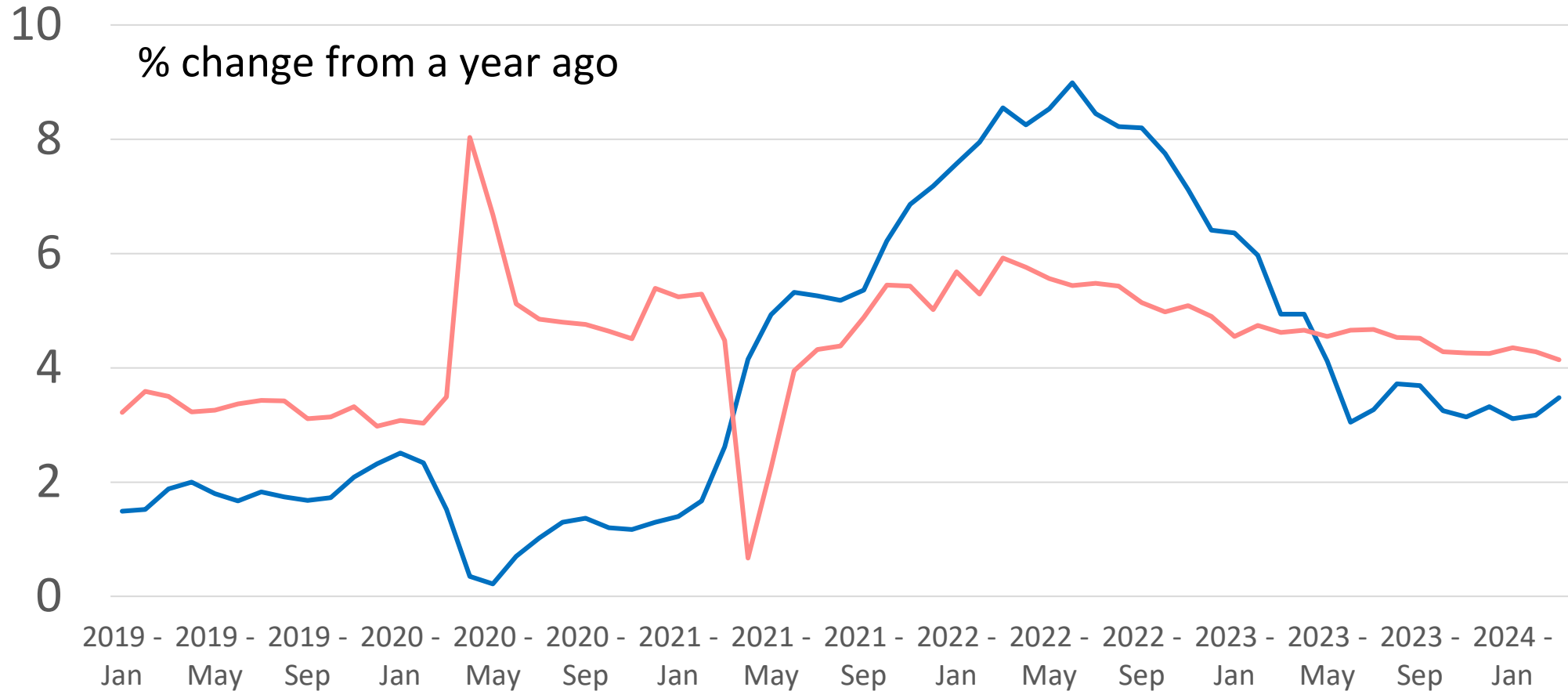
% change from March 2020 to March 2024



Source: U.S. Bureau of Labor Statistics

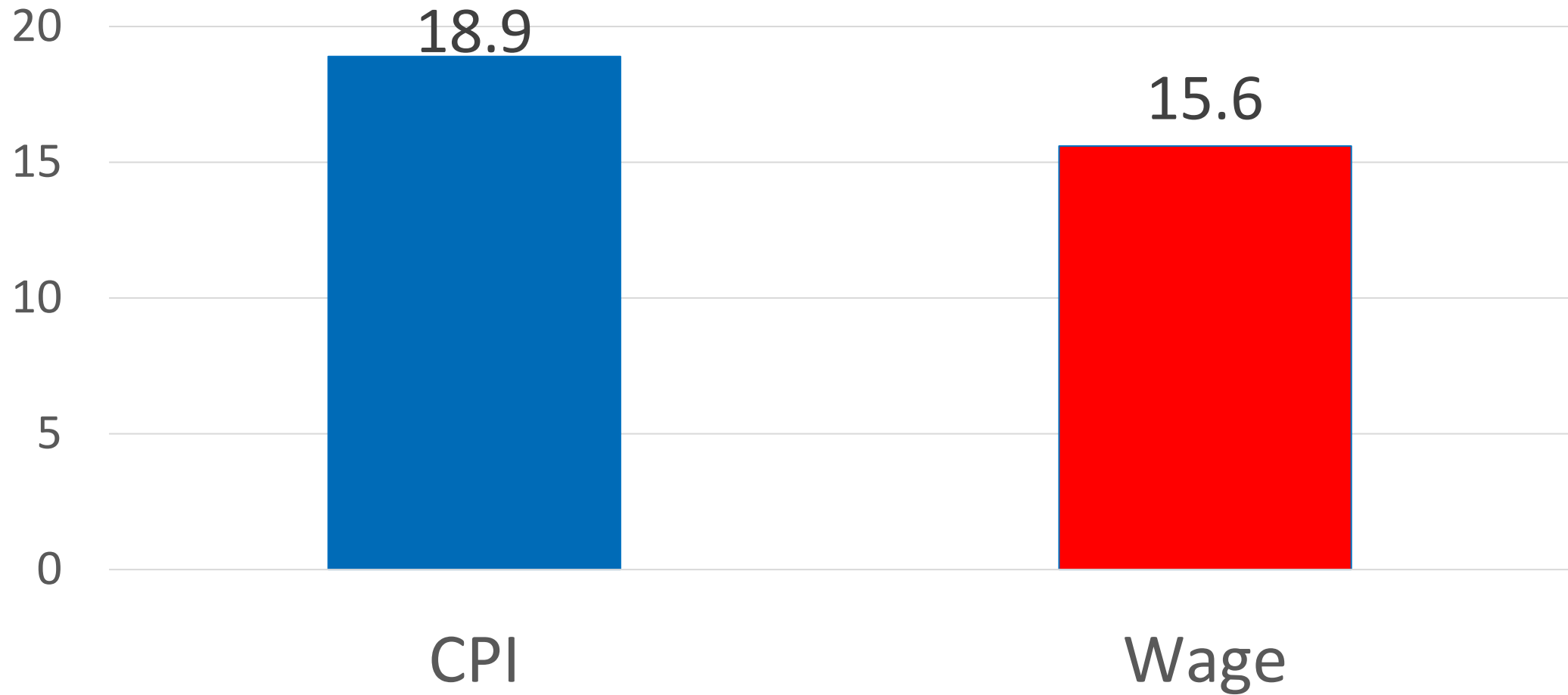
Source: NAR Analysis of BLS data

Wages Rising 4% Higher than Consumer Price Rises ... 3.5%



Source: BLS

Cumulative Consumer Price Increase and Wage Gain Since President Biden Inauguration

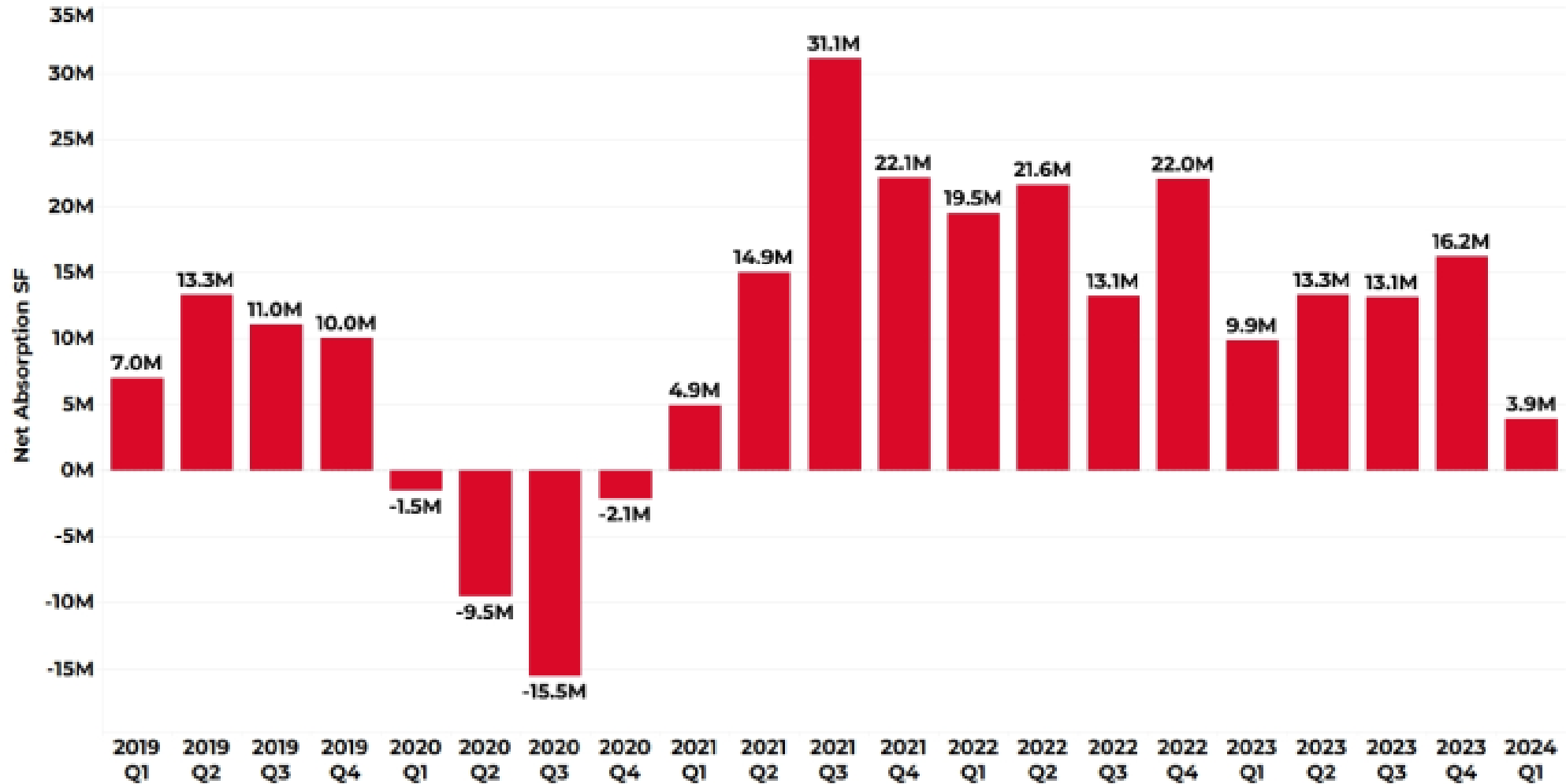


Source: NAR Analysis of BLS data

Job Creating Economy

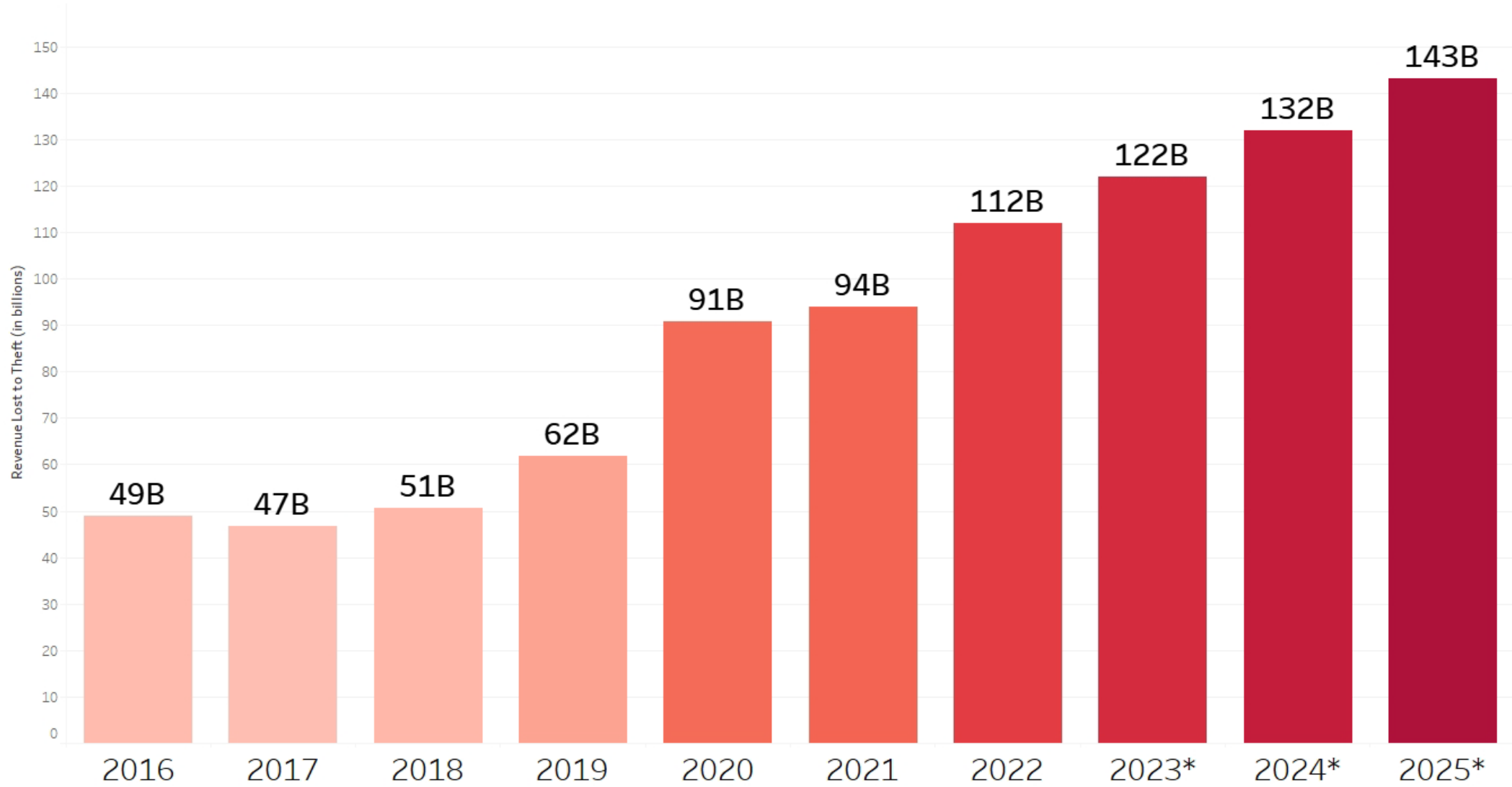
But Lackluster Demand for Commercial Spaces

Retail Net Absorption ... Tapped Out?



Source: NAR Analysis of CoStar data

Revenues lost yearly



Source: Capital One Shopping Research

Impact of Retail Crime

\$125.7B

in economic losses nationwide

\$39.2B

in lost wages nationwide

685,374

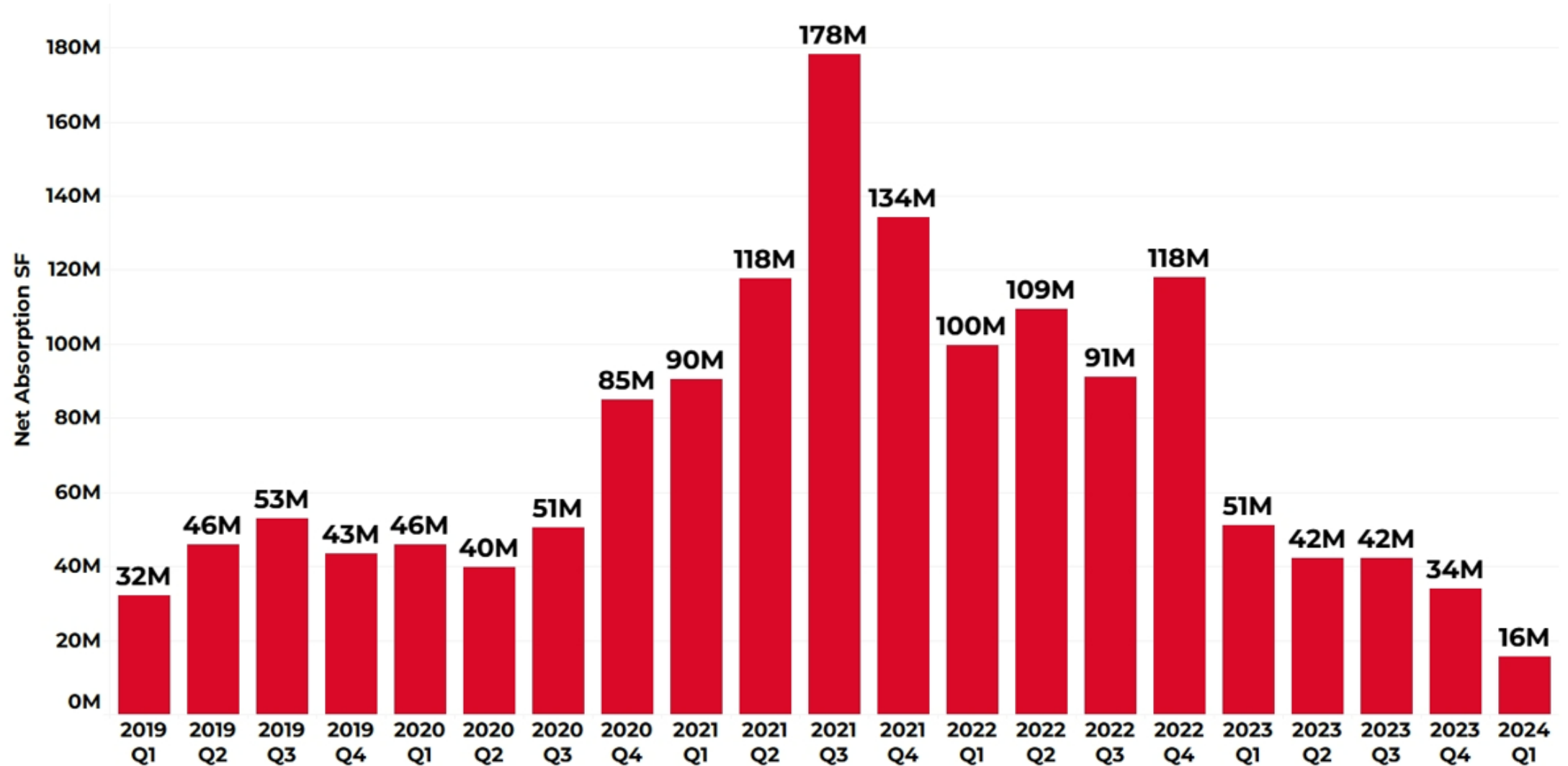
jobs lost nationwide

\$14.9B

in lost federal, state, and local tax revenue

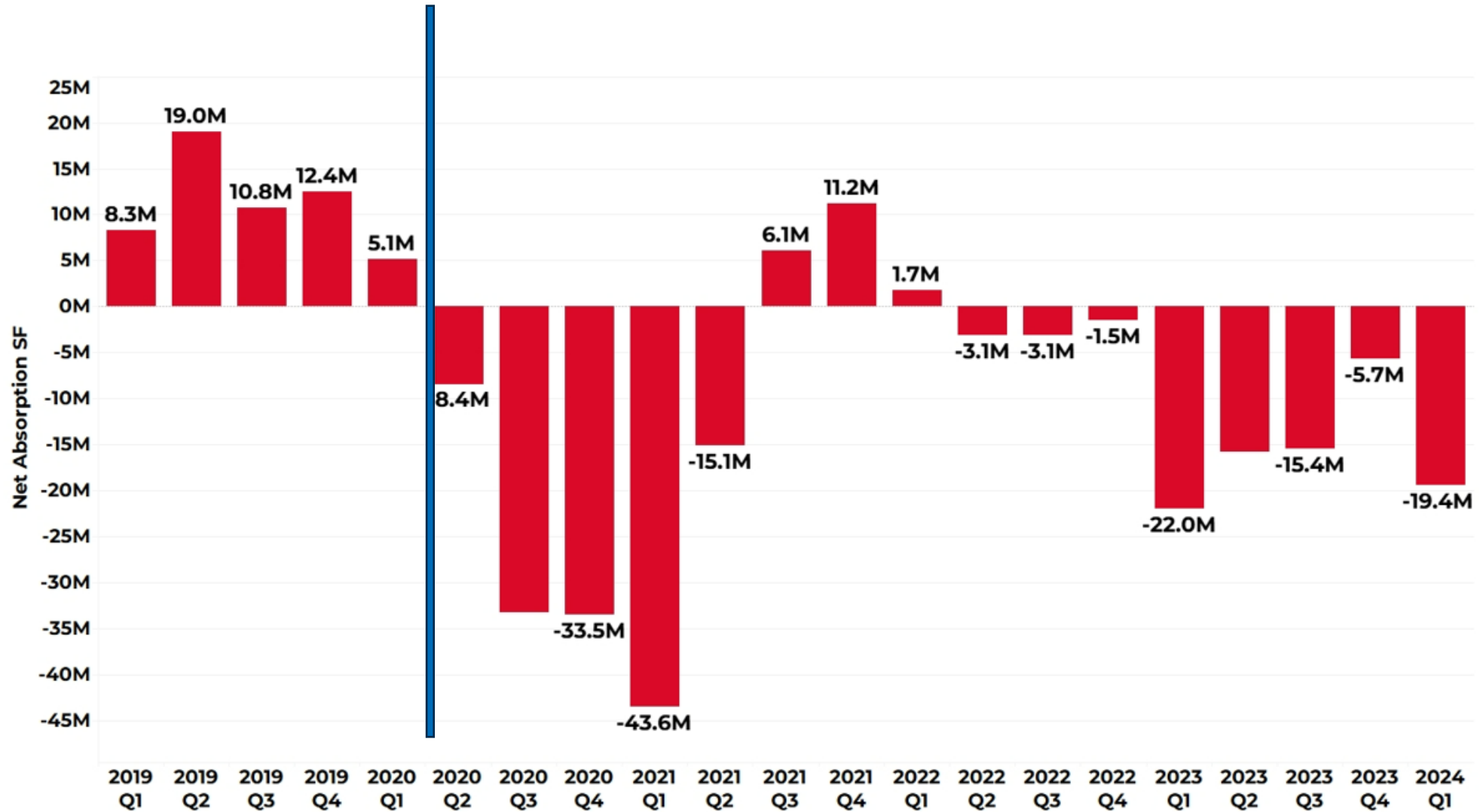
Source: Chamber of Commerce

Industrial Net Absorption ... Tapped Out?



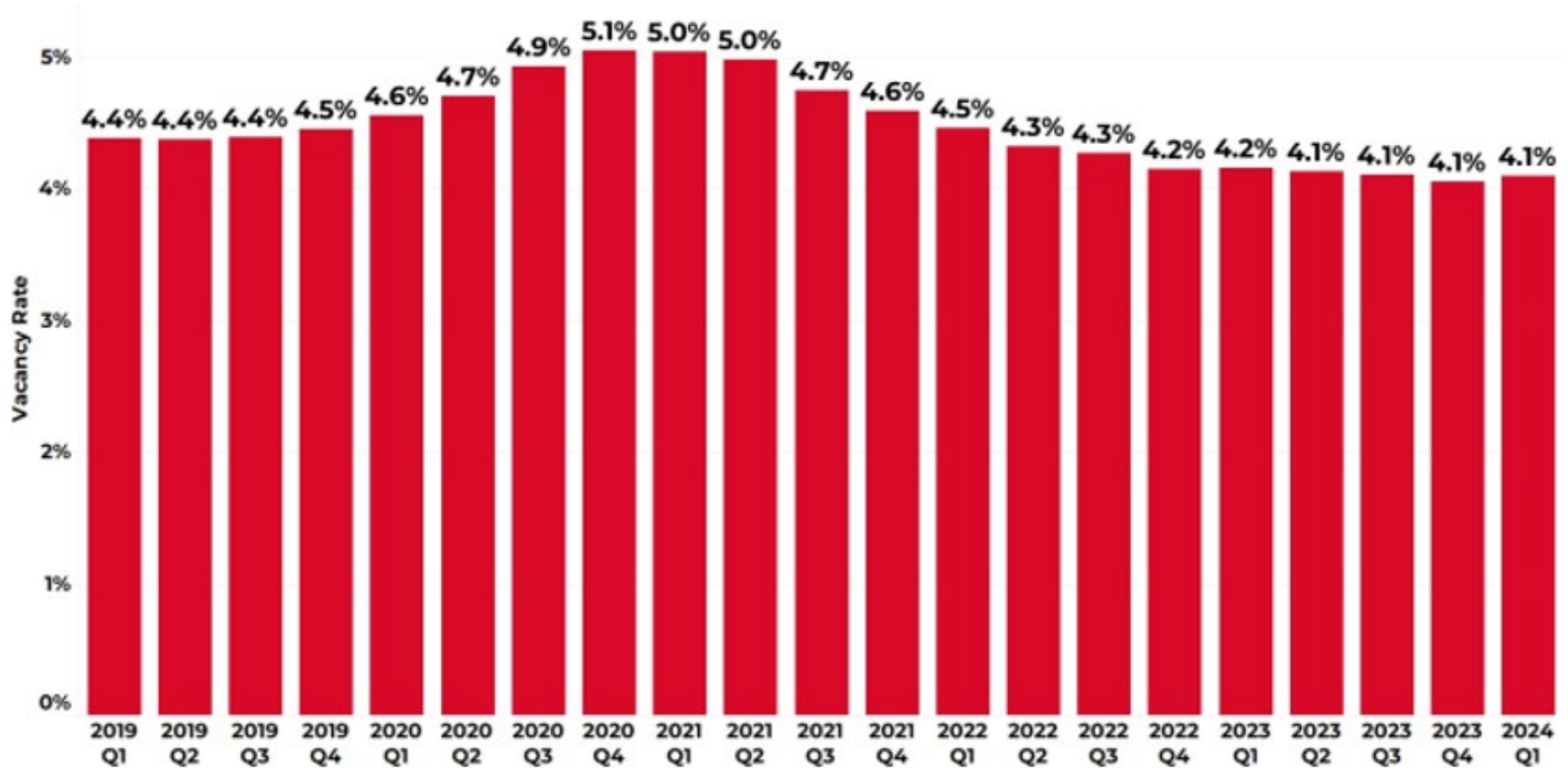
Source: NAR Analysis of CoStar data

Negative Office Net Absorption ... Post Covid



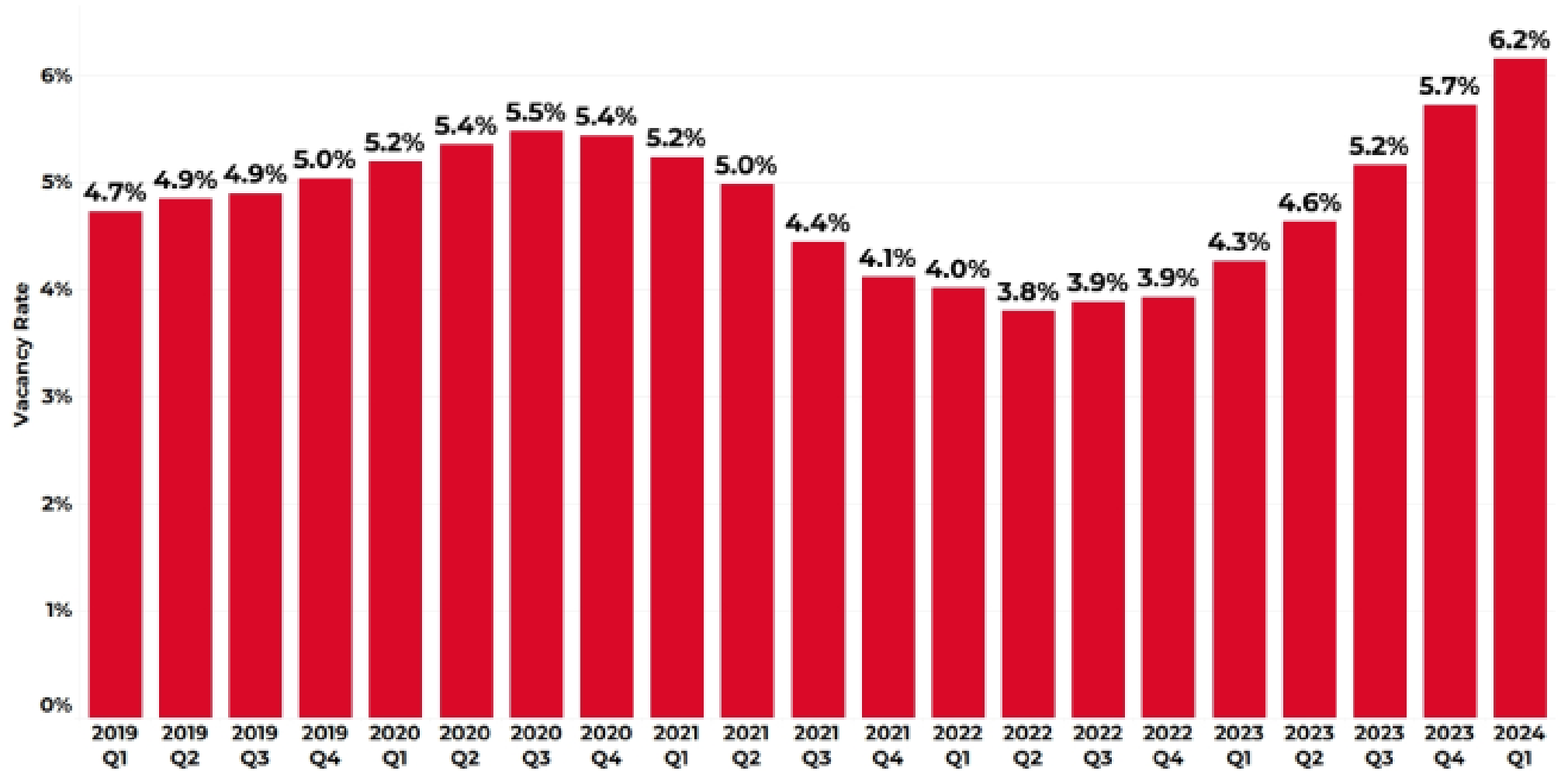
Source: NAR Analysis of CoStar data

Retail Vacancy Rate



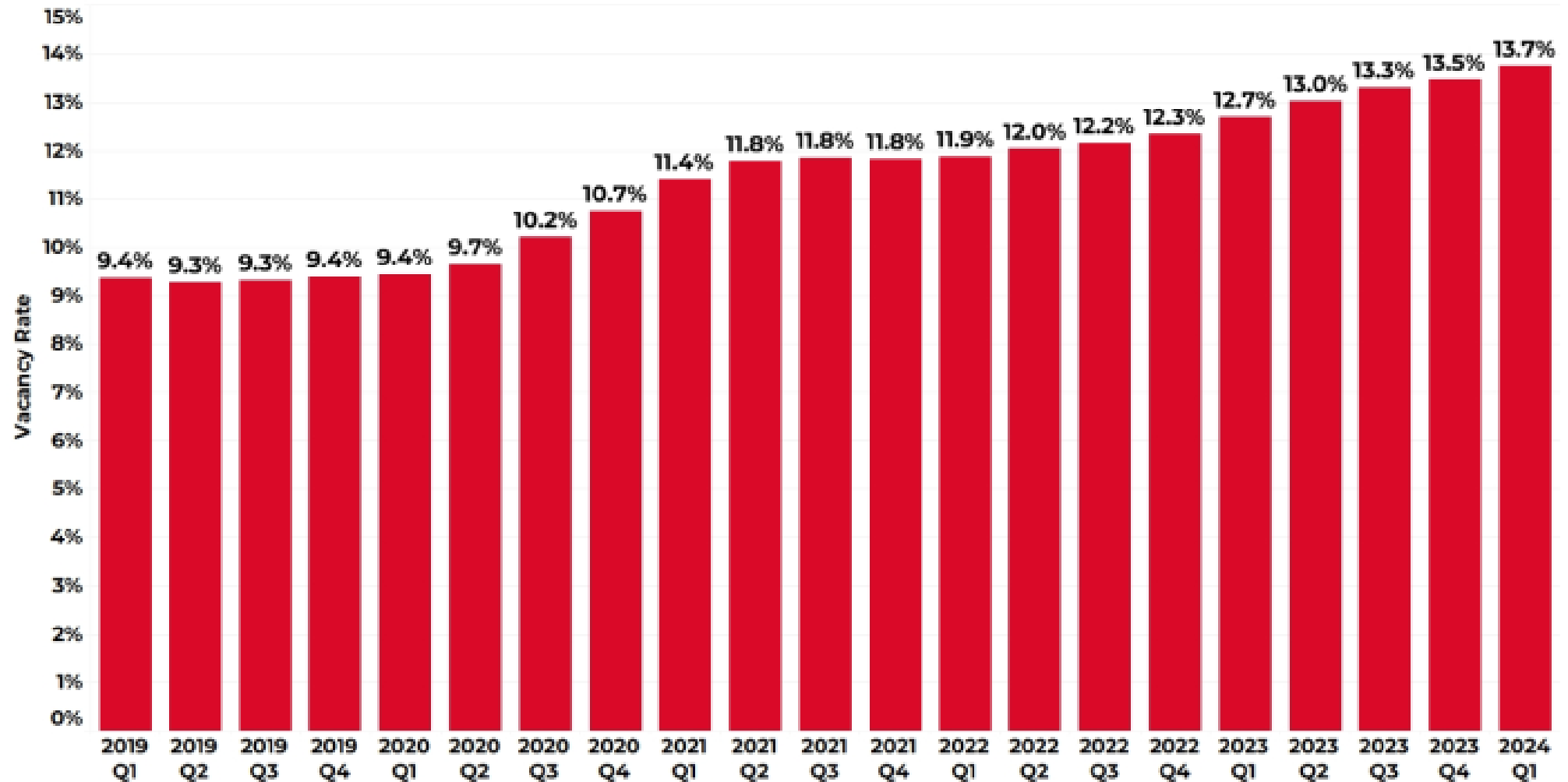
Source: NAR Analysis of CoStar data

Industrial Vacancy Rate



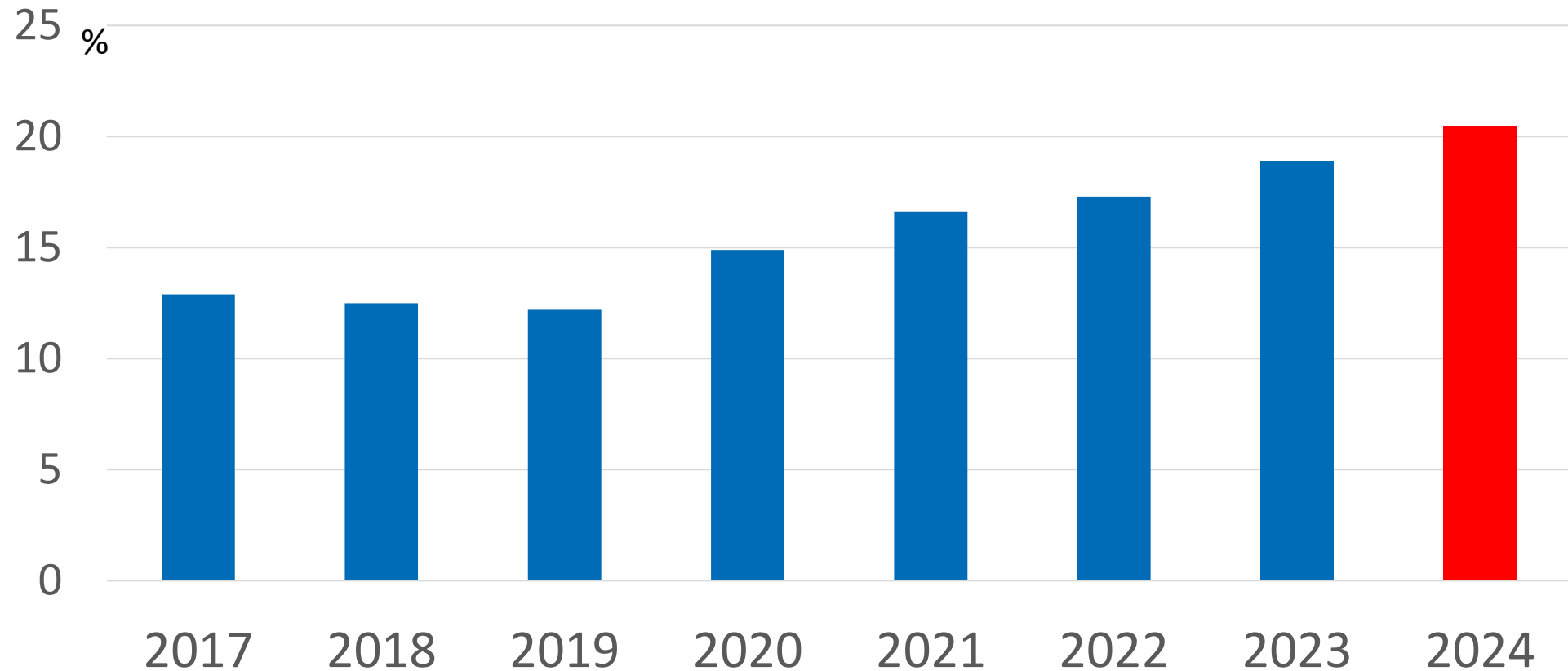
Source: NAR Analysis of CoStar data

Office Vacancy Rate



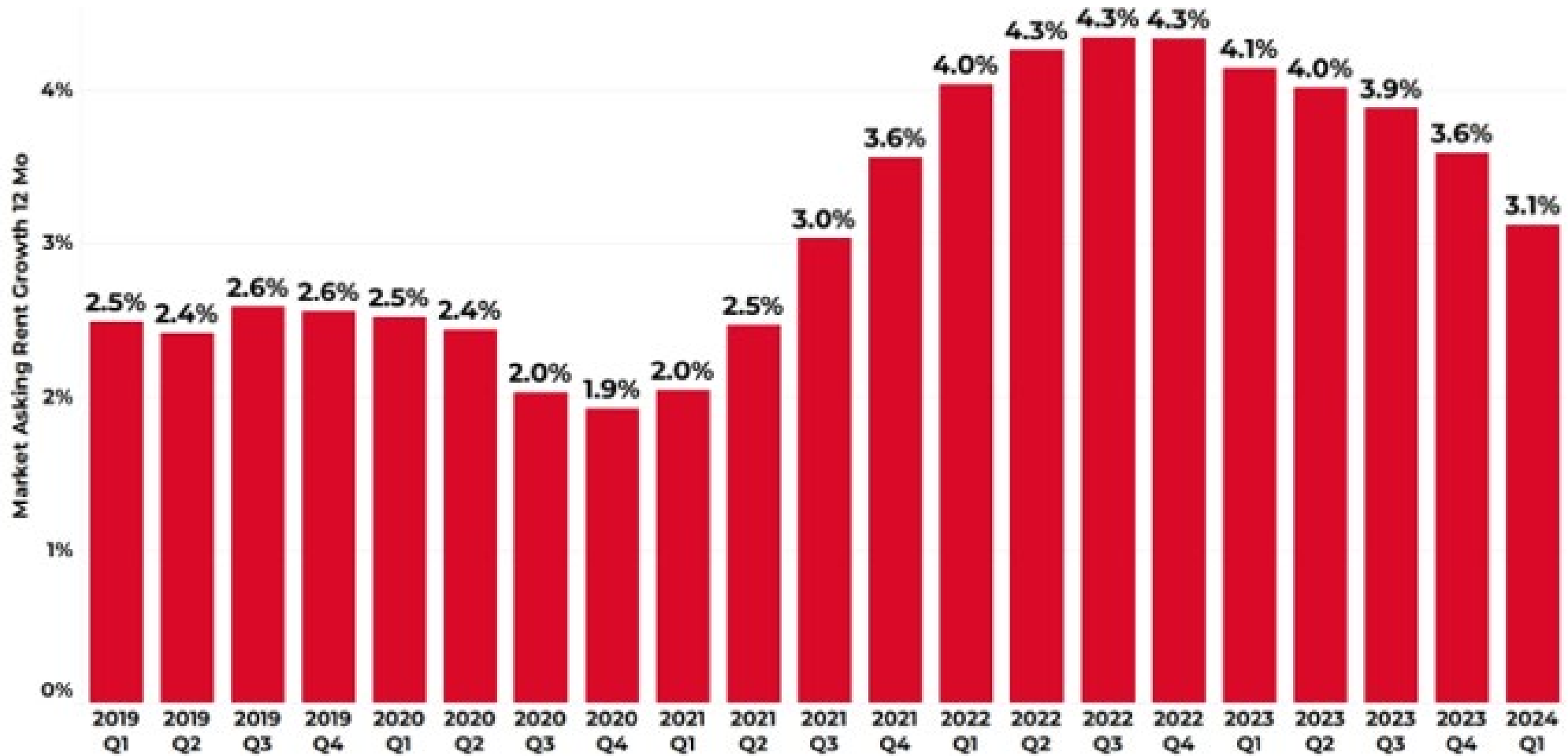
Source: NAR Analysis of CoStar data

Alternate Measure of Office Vacancy Rate



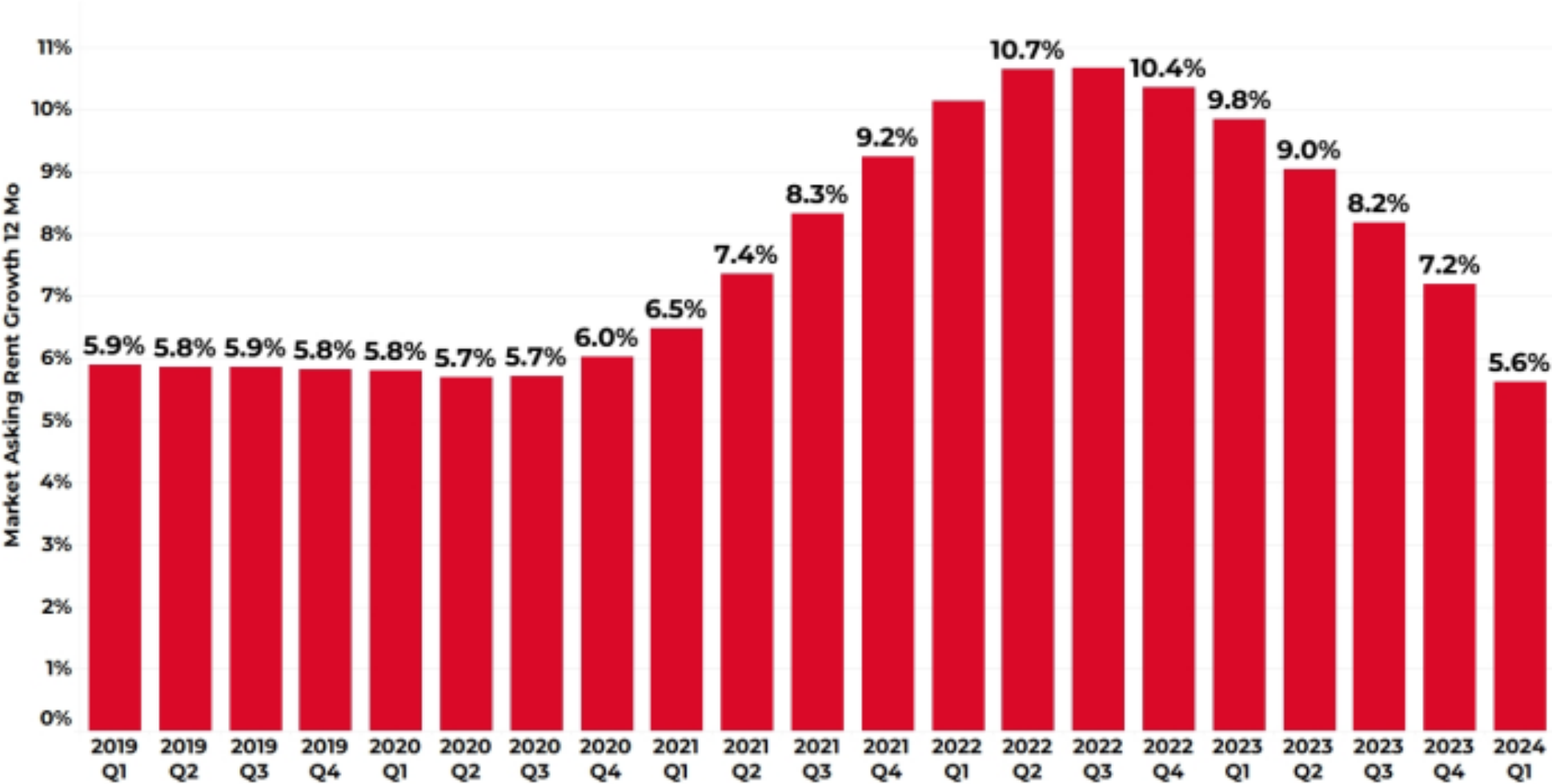
Source: CBRE/ULI and NAR Forecast

Retail Rent Growth of 3.1% ... Respectable



Source: NAR Analysis of CoStar data

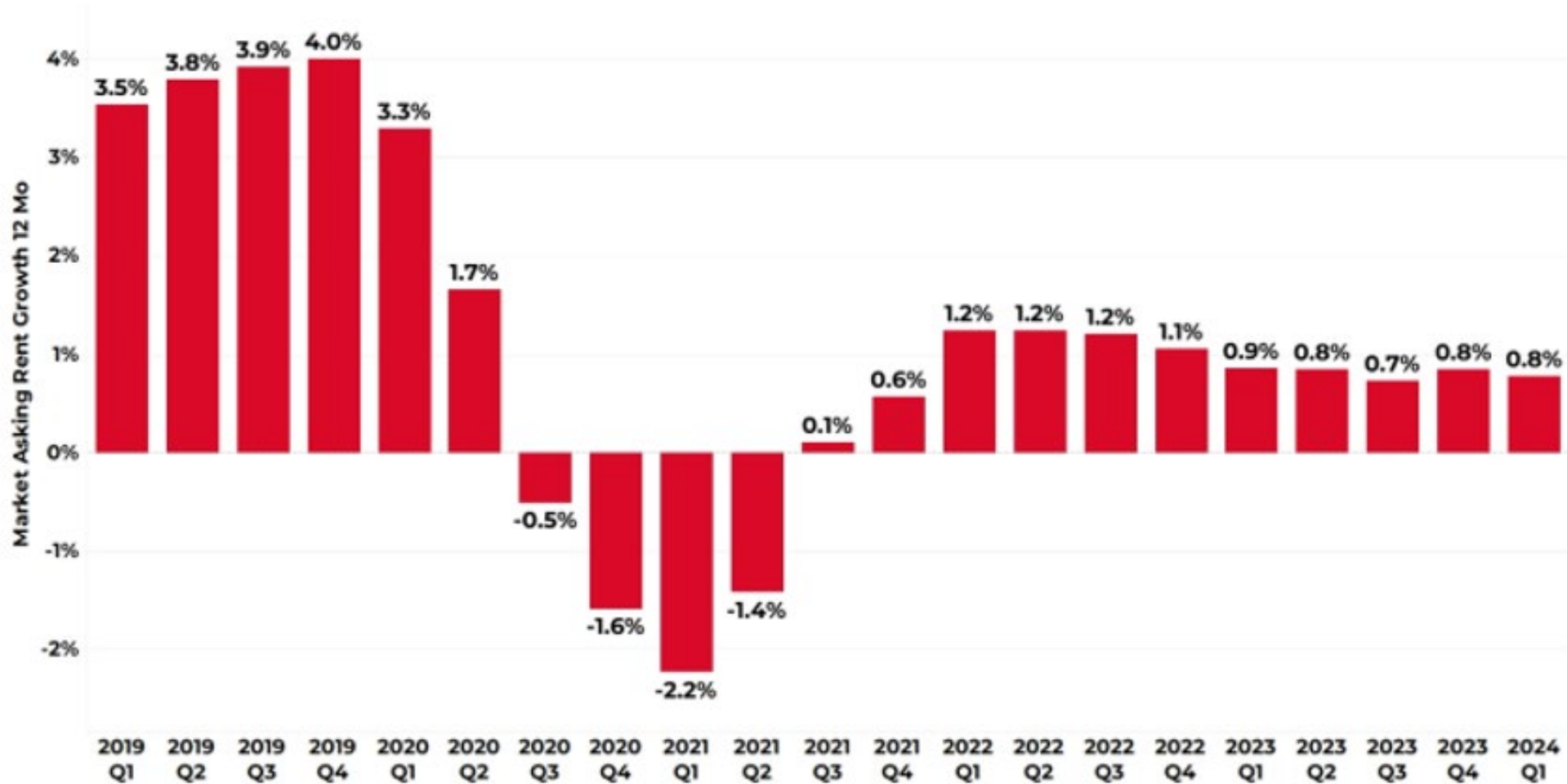
Industrial Rent Growth of 5.6% ... Good



Source: NAR Analysis of CoStar data

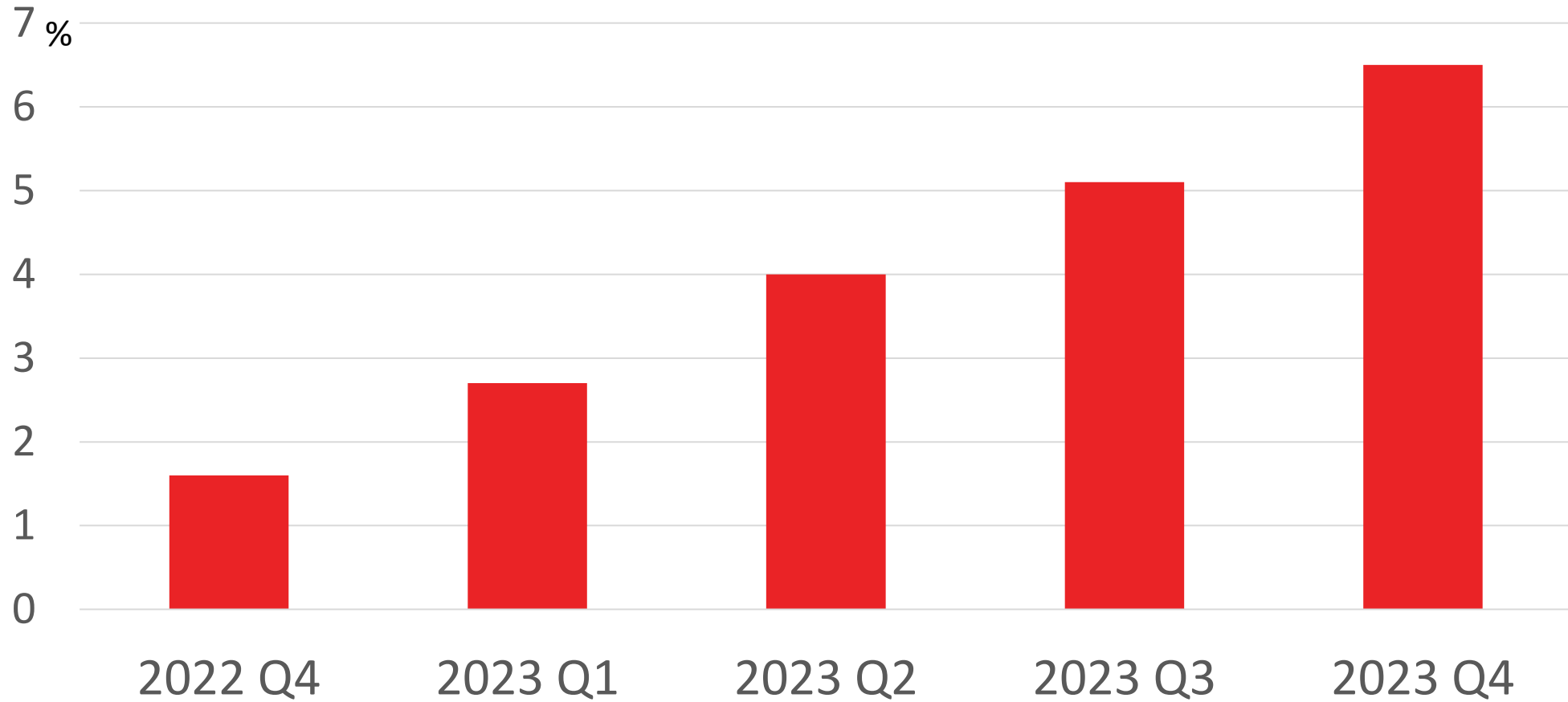


Office Rent Growth of 0.8% ... Stinks



Source: NAR Analysis of CoStar data

Office Loan Delinquency Rate



Source: Mortgage Bankers Association

Repurposing Office Spaces into

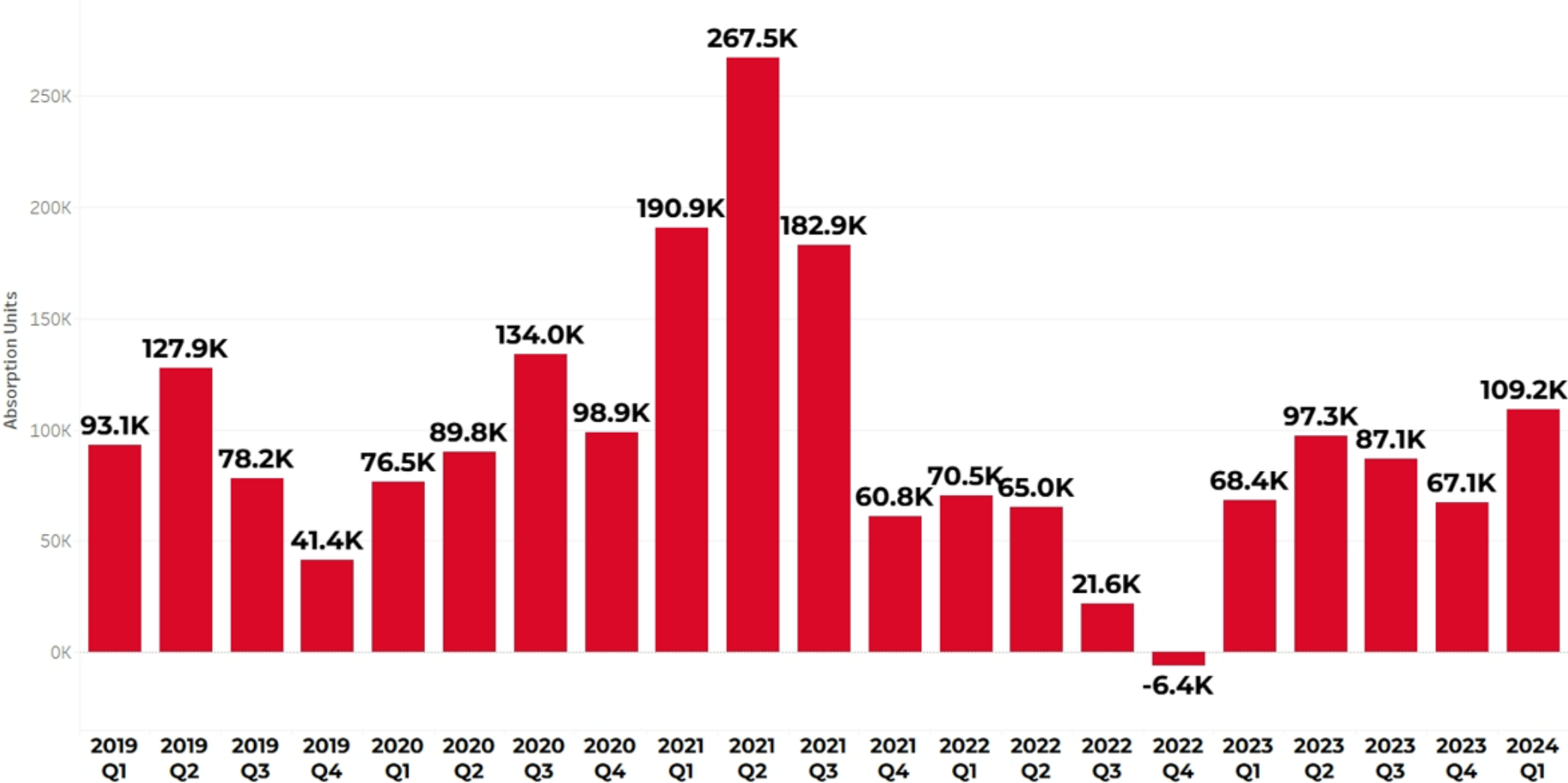
Residential Units ... Difficult to do

Why Not? Retail/Restaurant Spaces

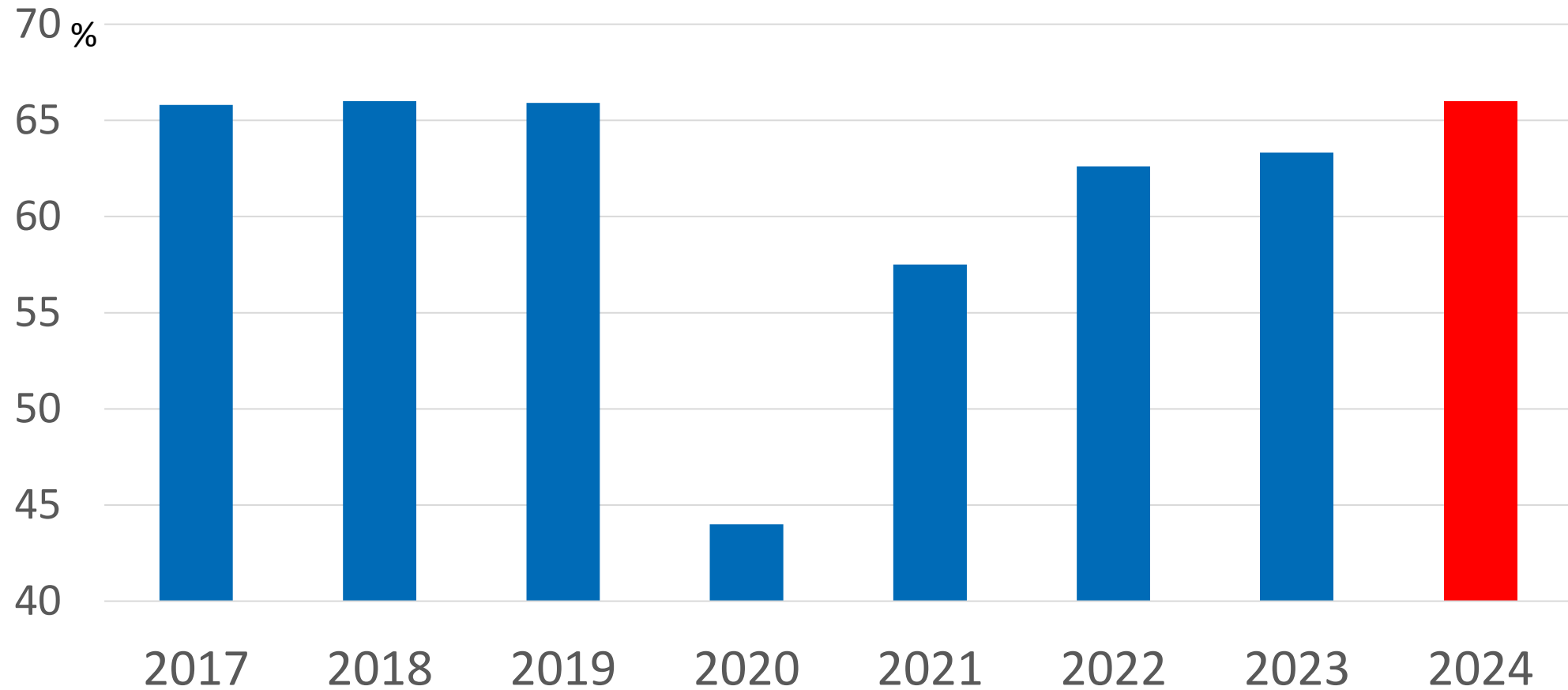
Why Not? Private School Learning Centers

Rental Housing Focus

Multifamily Net Absorption Reviving

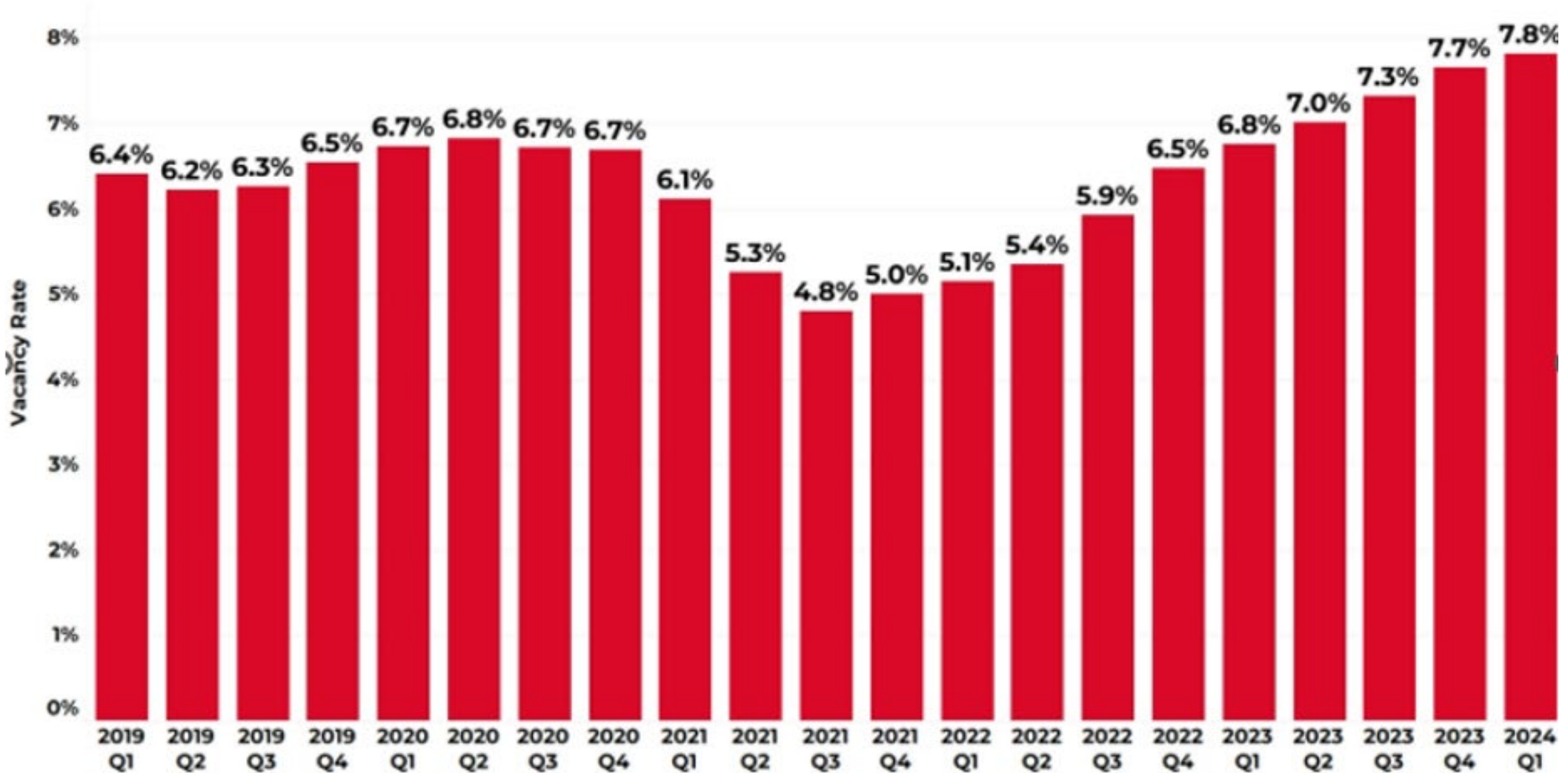


Rising Hotel Occupancy Rate ... Proxy for Rising Short-term Rentals

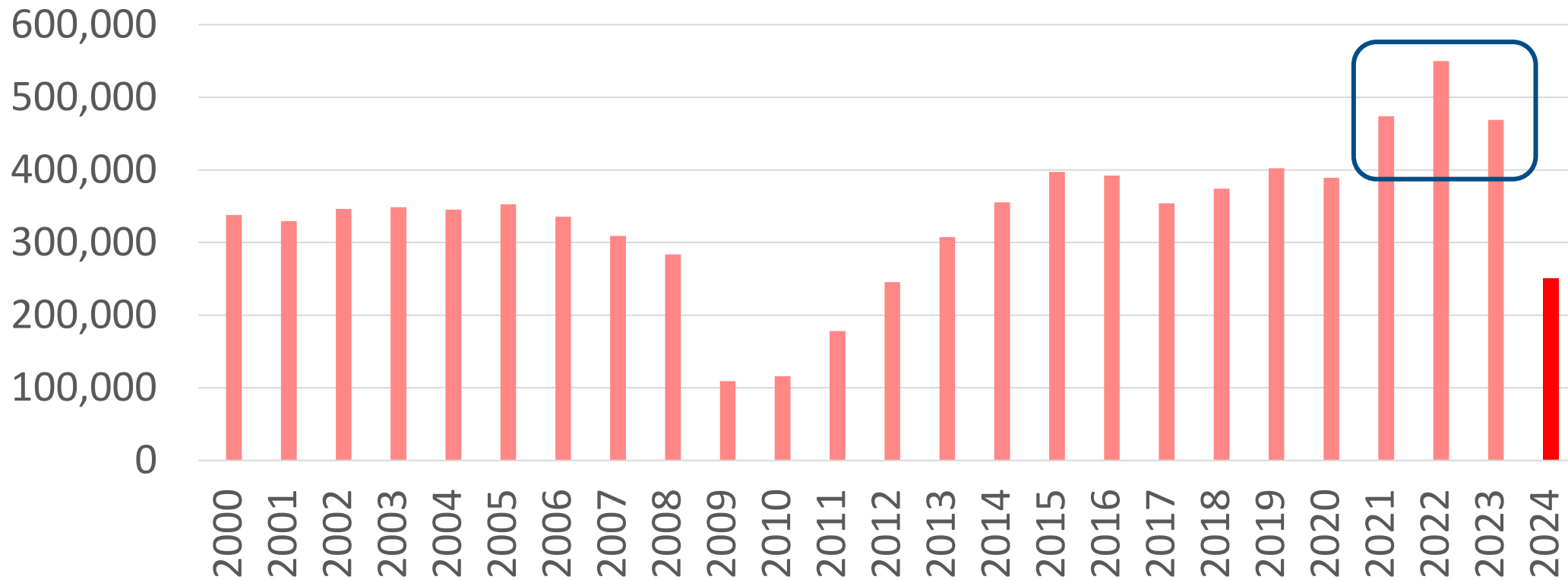


Source: CBRE/ULI and NAR Forecast

Multifamily Vacancy Rate

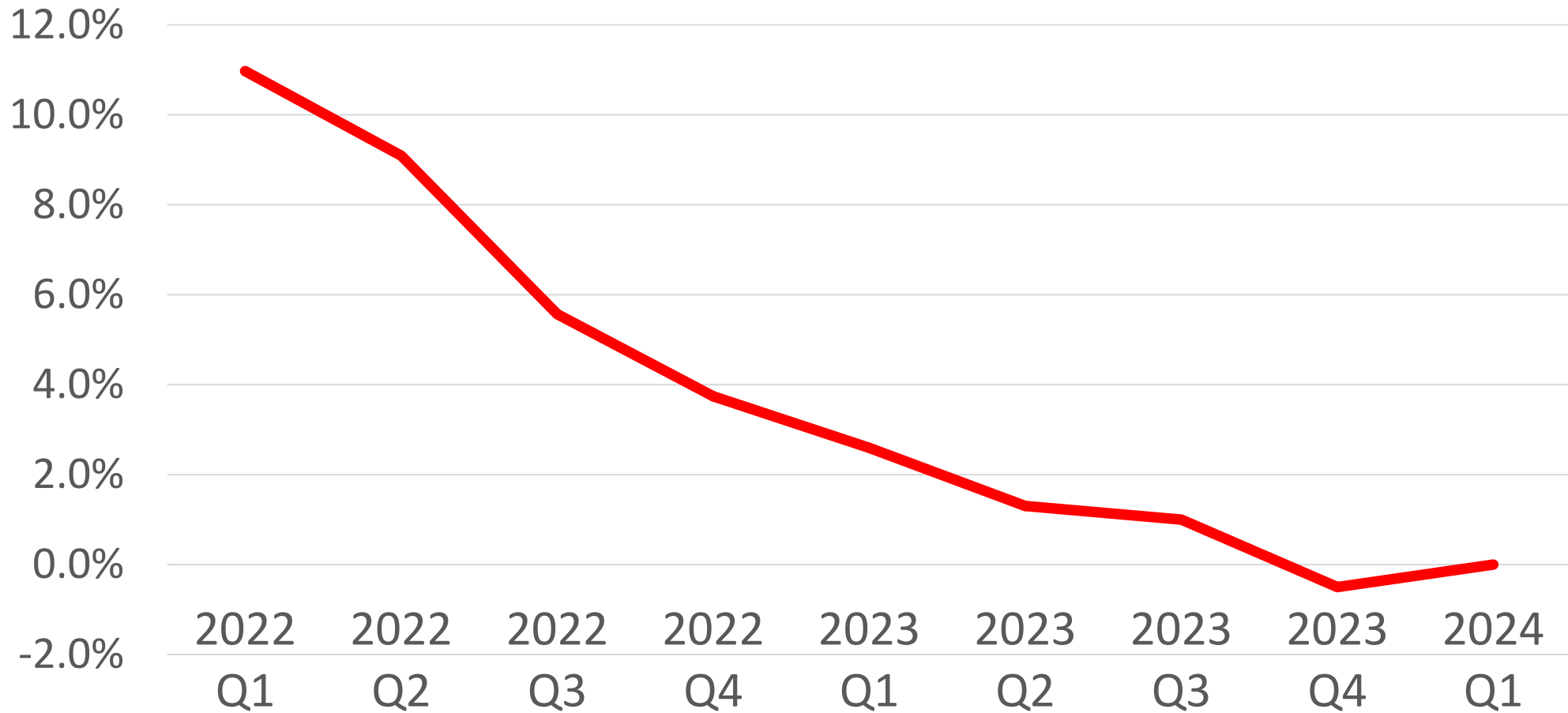


Annual Apartment Construction at 40-year Highs in 2021, 2022, 2023 ... Low likely in 2024



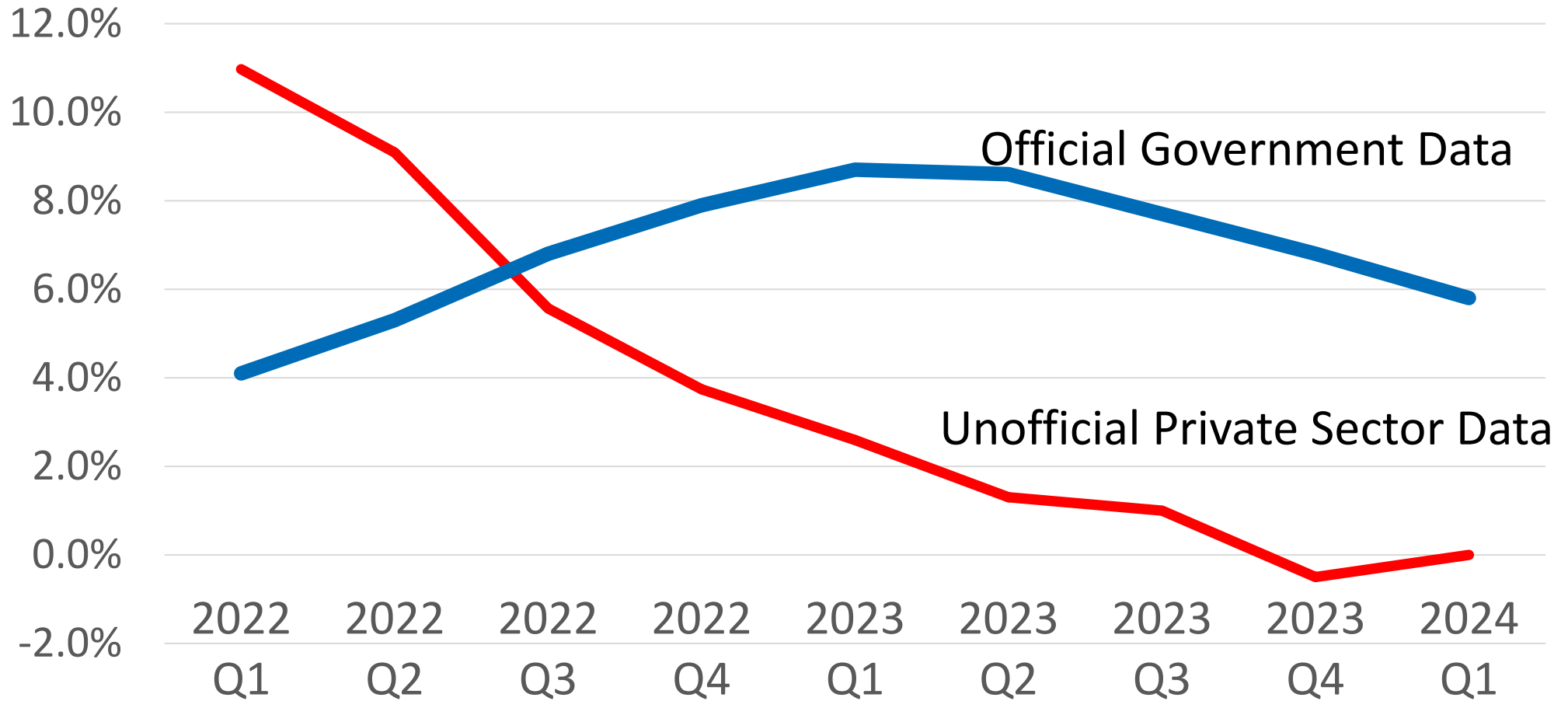
Source: Census/HUD

Rents no longer Rising



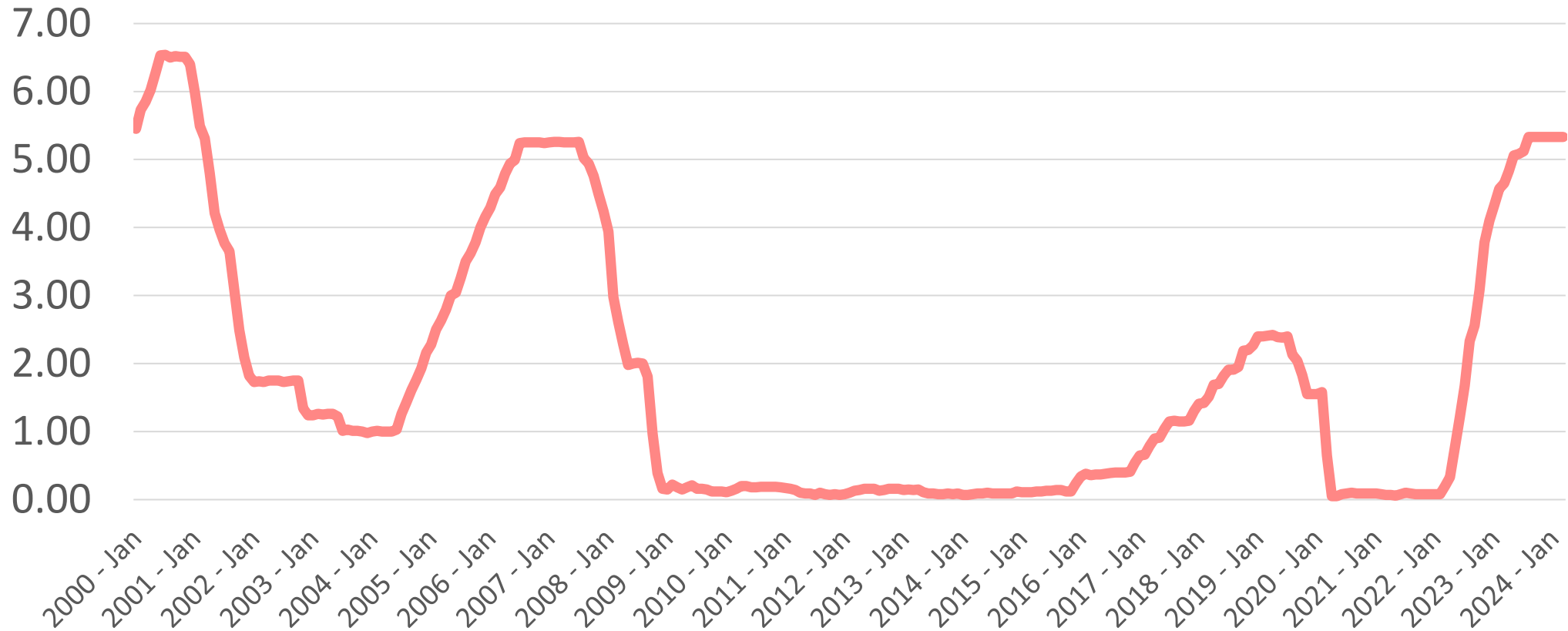
Source: NAR Analysis of CoStar data

Rents are Rising at 5.7% in Government CPI data



Source: BLS and CoStar

Fed Funds Rate Cuts Later in the Year?



Source: Federal Reserve

Future Rent Growth should be Calmer

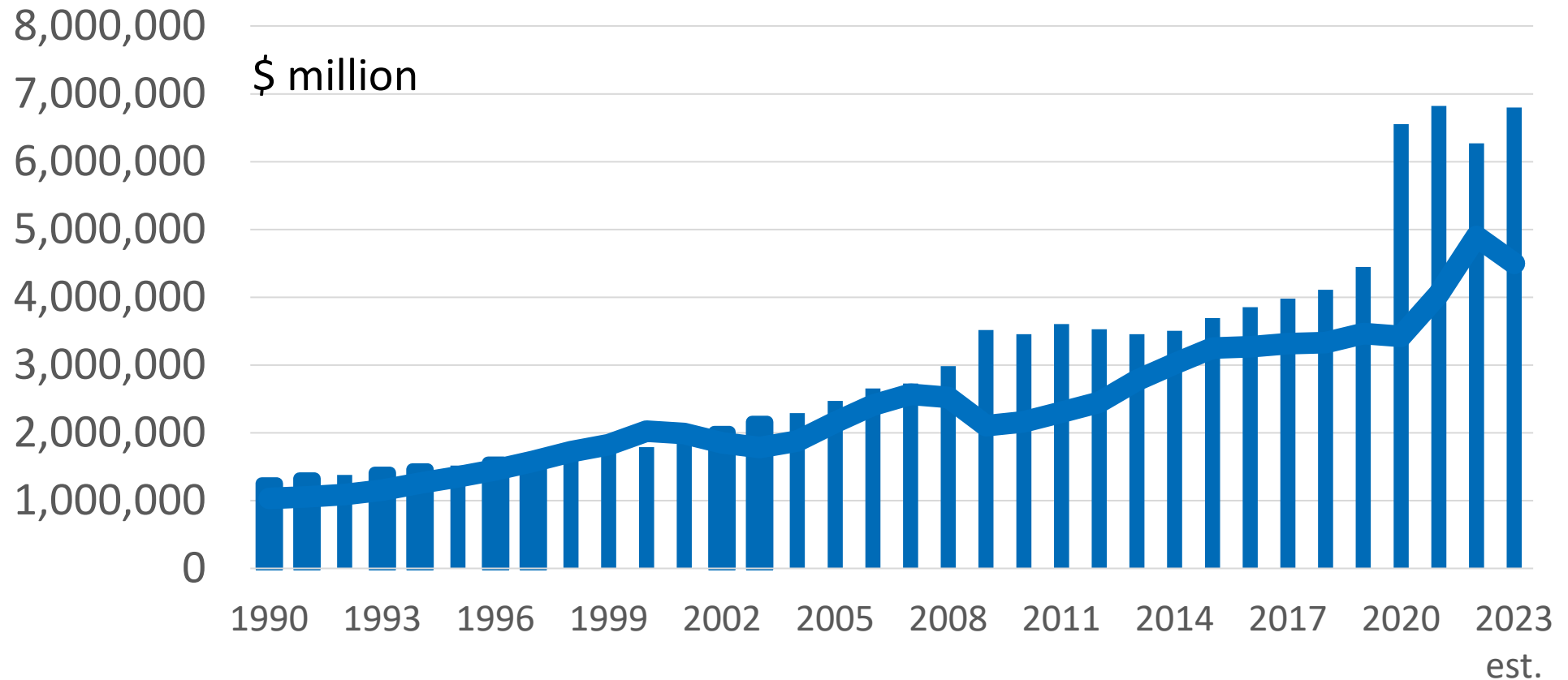
Future CPI should be Calmer

The Fed can cut interest rates

But

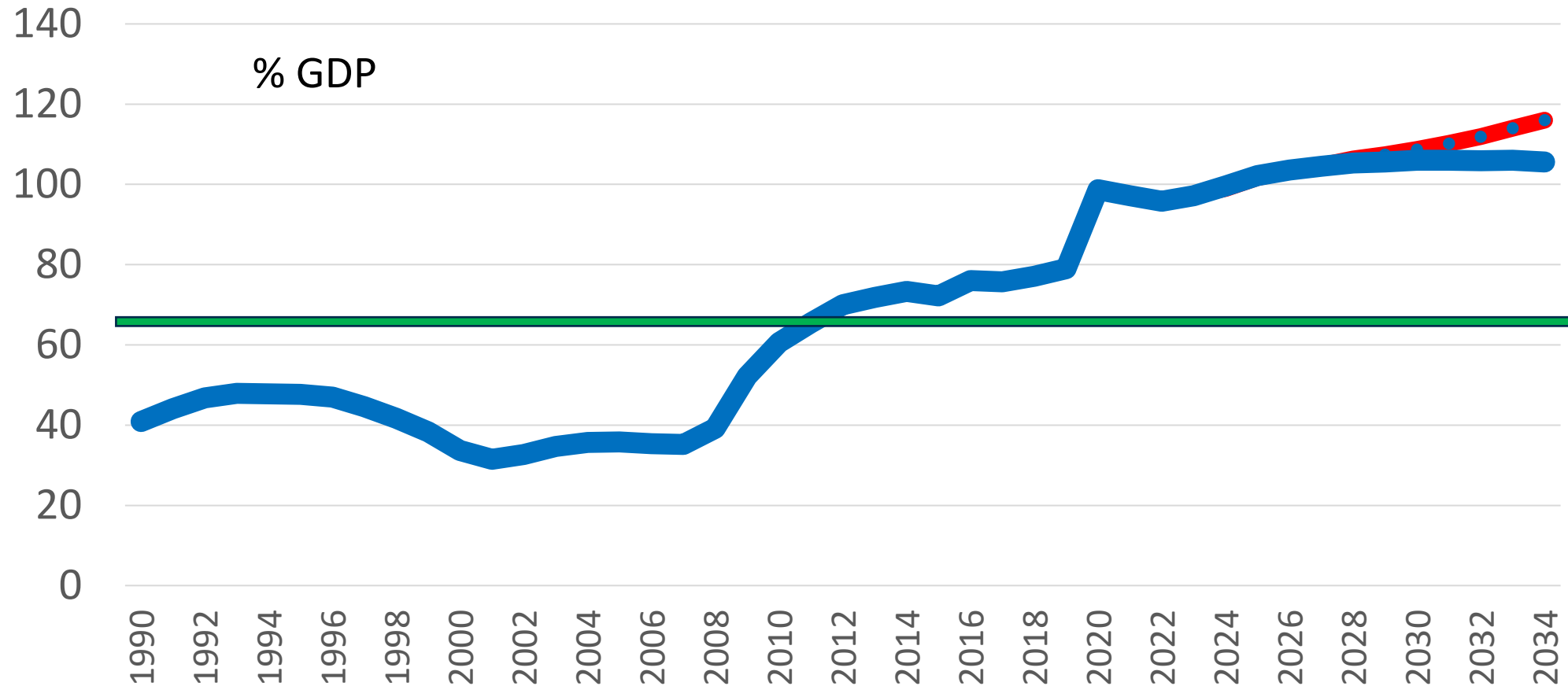
Further Pivot could be limited by Budget Deficit

Government Deficit Further Pressuring Rate Rise? Government Outlay > Tax Revenue



Source: Congressional Budget Office

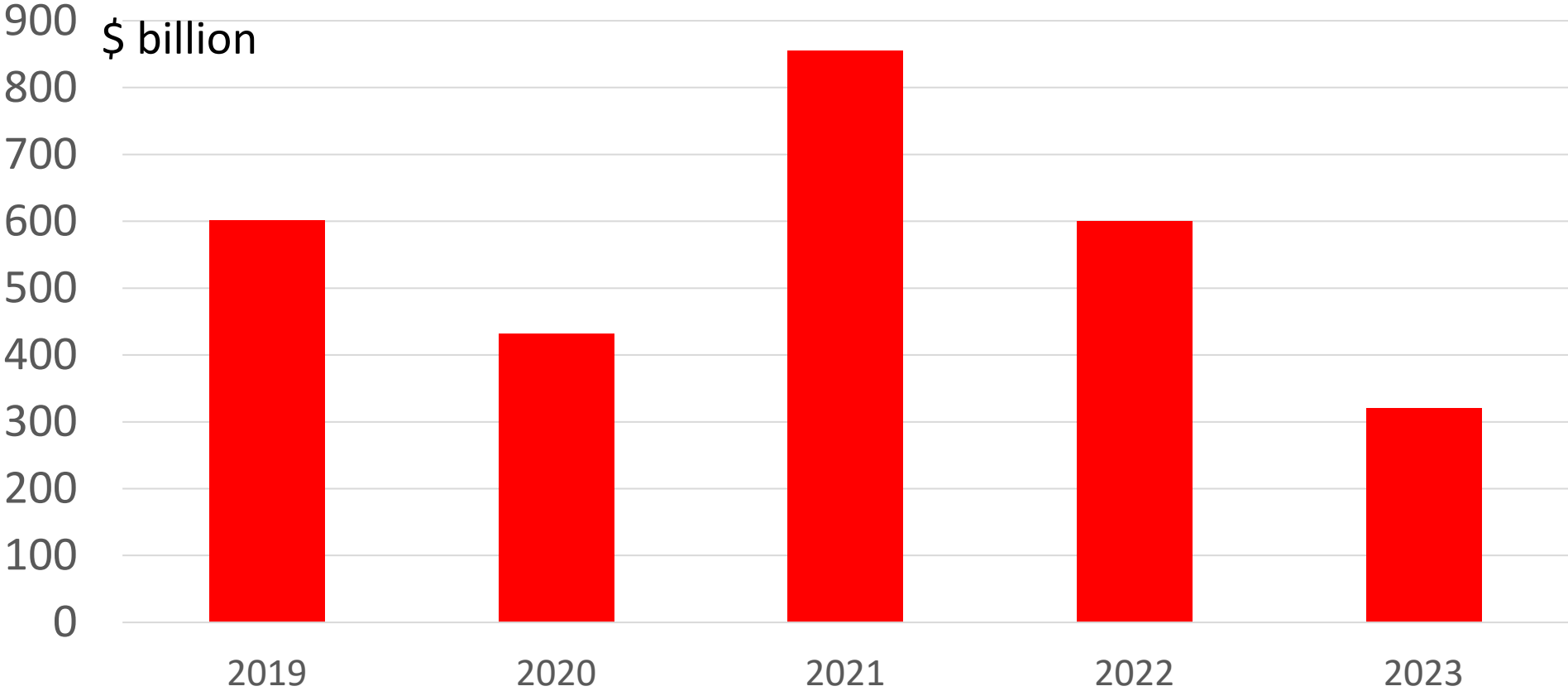
National Debt as % of GDP .. higher than 60%



Source: Congressional Budget Office and OMB

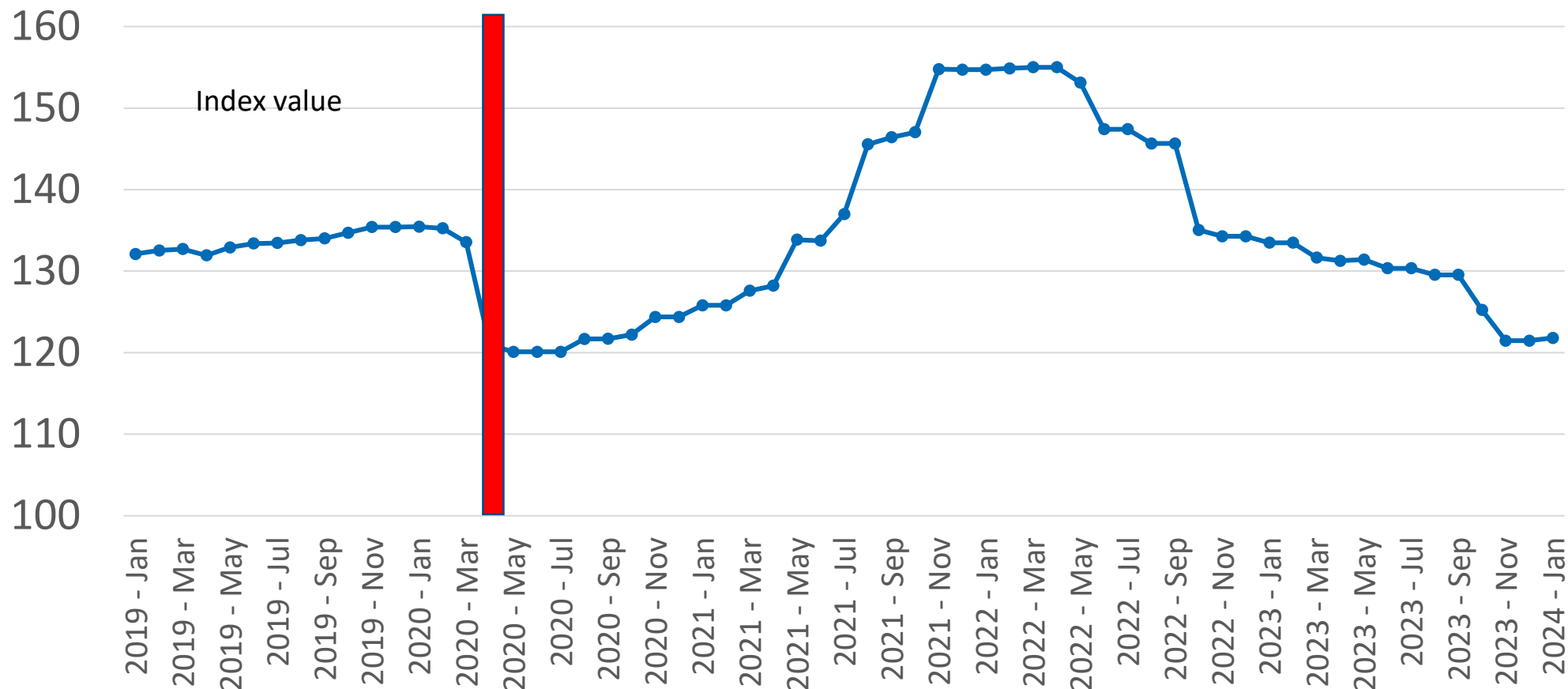
**High Interest Rate
Not Good for Commercial Real Estate**

Commercial Transaction Volume ... Below Pre-Covid



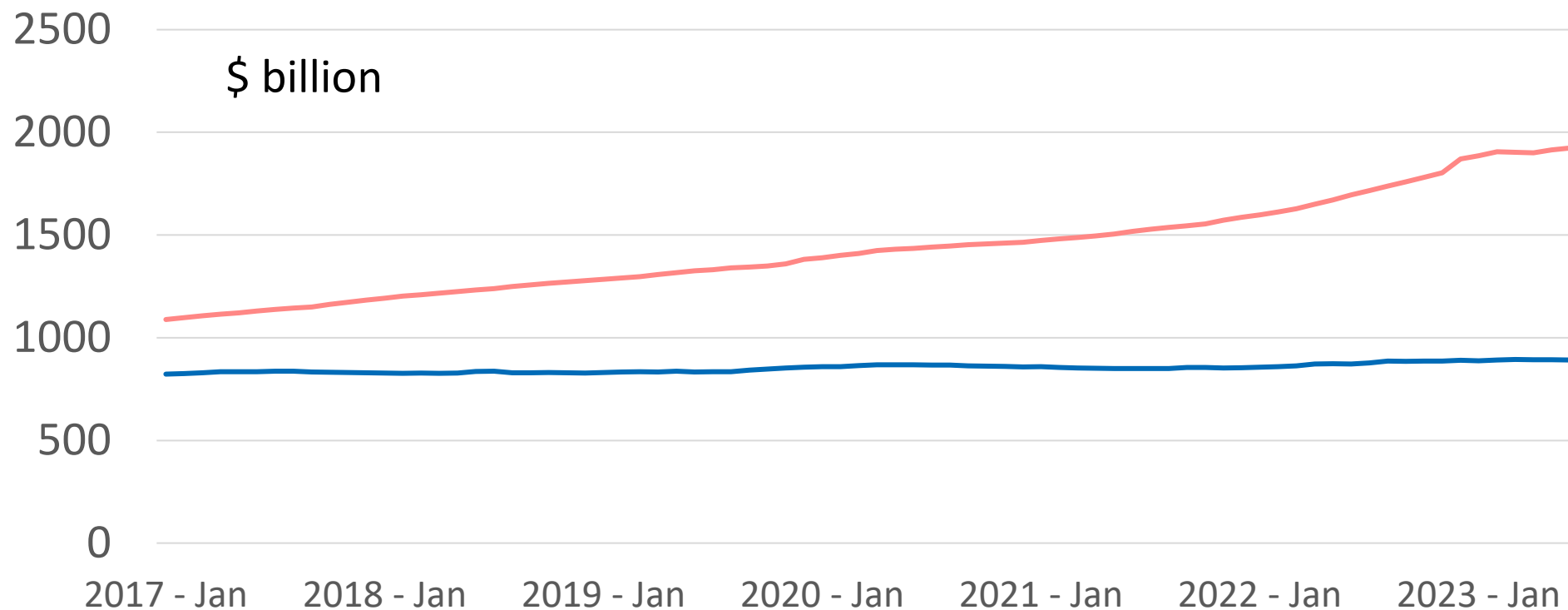
Source: MSCI, Real Capital Analytics

Commercial Property Prices Falling ... Below Pre-COVID



Source: Green Street

Fed Rate Hikes Have Hurt Small-Sized Banks ... Commercial Real Estate Loans by Small Banks > Top 25 Large Banks



Source: Federal Reserve

Long-term Interest Rates to Fall?

- 1. Rents will calm down further ... Holds down CPI ... and make the Fed cut interest rates**
- 2. Community banks are suffering from high interest rates**
- 3. Spread with benchmark 10-year Treasury is abnormally high**

2024 Outlook

- **Fed to Cut Interest Rates in 2024 and 2025 ... Maybe 6-8 times**
- **10-year Treasury yield settle down at 3.5%**
- **Commercial Property Prices Stabilize and Recover (except Office)**
- **Moderate GDP growth still adds to net leasing and investment sales**
- **Land and Single-family development to do well**

THANK YOU



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