



UPDATE AND OUTLOOK FOR REAL ESTATE CAPITAL MARKETS

RCLCO Monthly Webinar

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RCLCO
REAL ESTATE CONSULTING

TODAY'S PANELISTS



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AGENDA

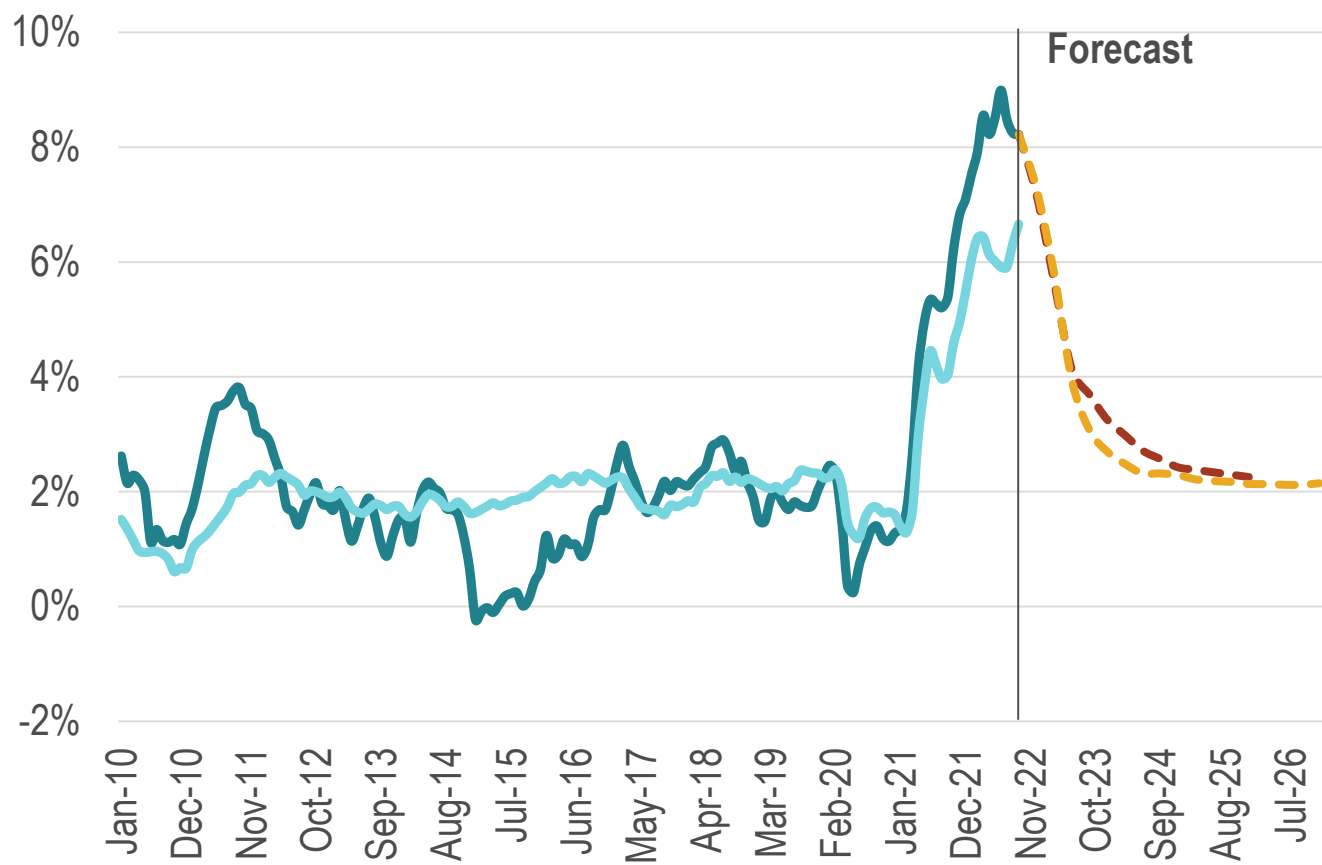
- ▶ **Overview of the Macroeconomic Environment**
- ▶ **Implications for Real Estate Capital Markets**
- ▶ **Q&A**

MACROECONOMIC ENVIRONMENT

CORE CPI INCREASED 6.7% YOY; HOUSING CONSTITUTES 40%

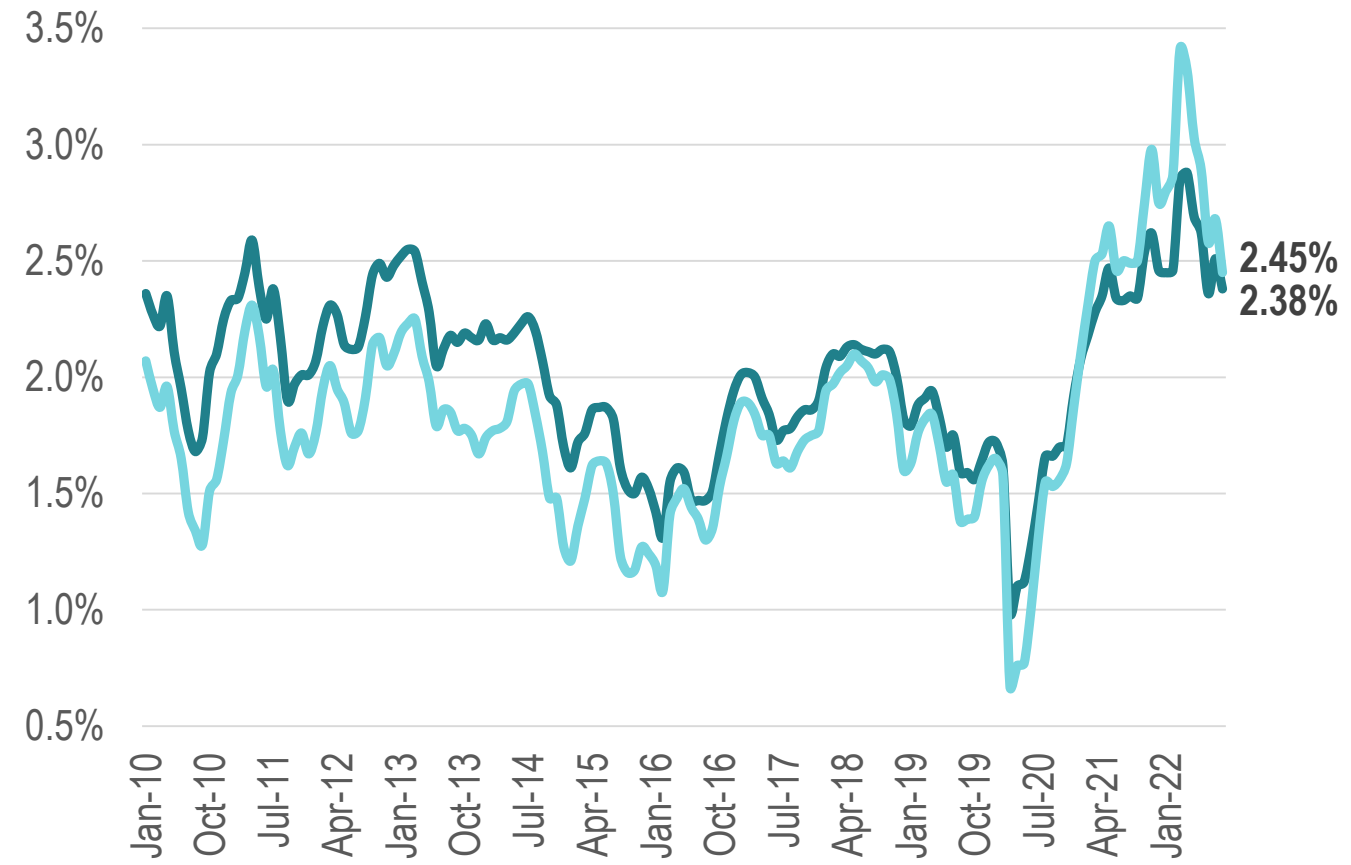
5-Year TIPS-Implied Breakeven Inflation Rate at Lowest Level Since Feb 2021

Trailing 12-Month CPI Change



- CPI: All Items
- CPI: Excluding Food and Energy
- - - WSJ Consensus Forecast
- - - Moody's Forecast

TIPS-Implied Breakeven Inflation Rate



- 10-Year Breakeven
- 5-Year Breakeven

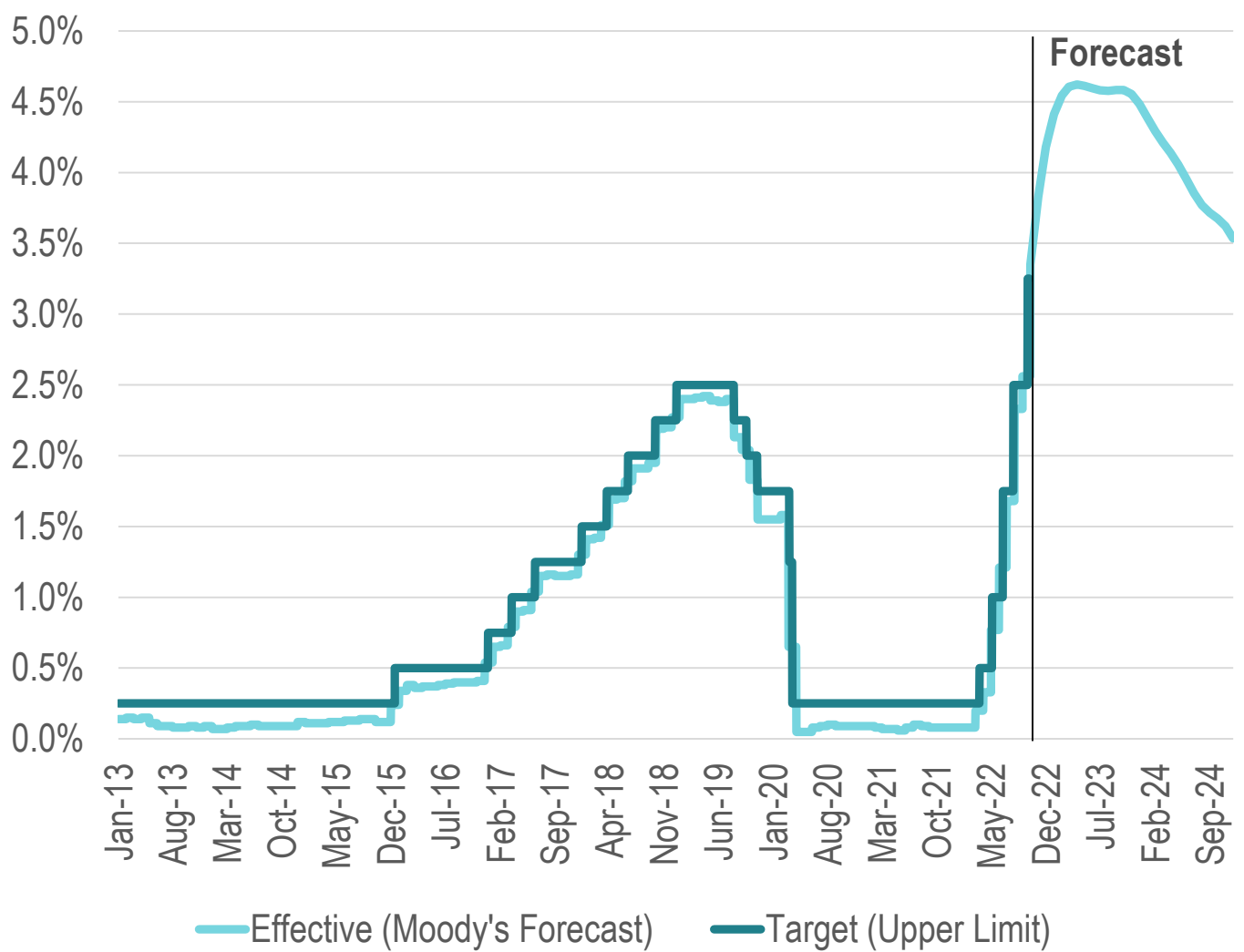


Source: Bureau of Labor Statistics; Federal Reserve Bank of New York; Wall Street Journal; Moody's Analytics

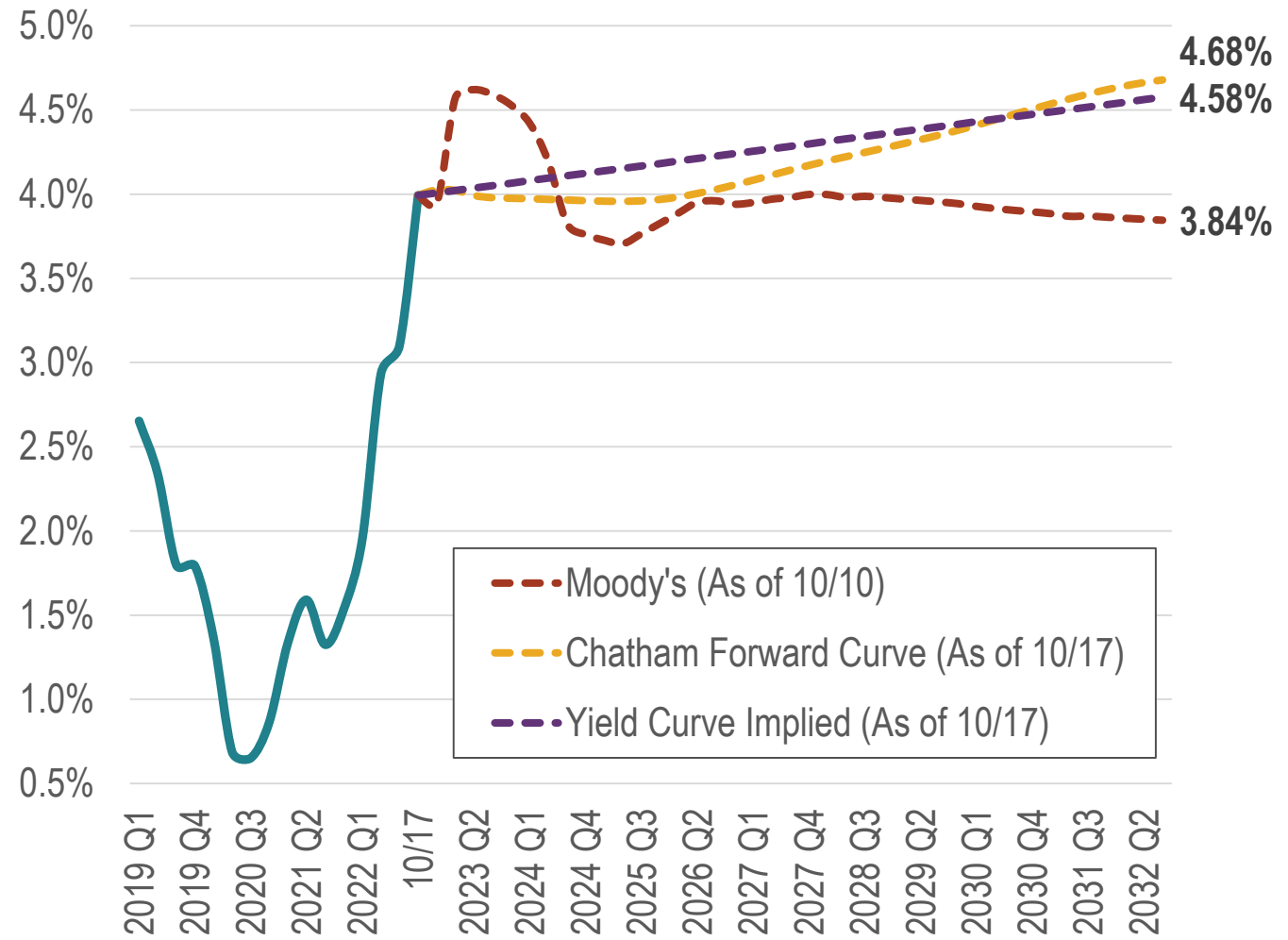
THIRD CONSECUTIVE 75-BPS RATE HIKE IN SEPT; FOURTH EXPECTED

Tight Labor Market Likely to Keep Pressure on the Fed

Federal Funds Rate



10-Year US Treasury Yield and Forecasts

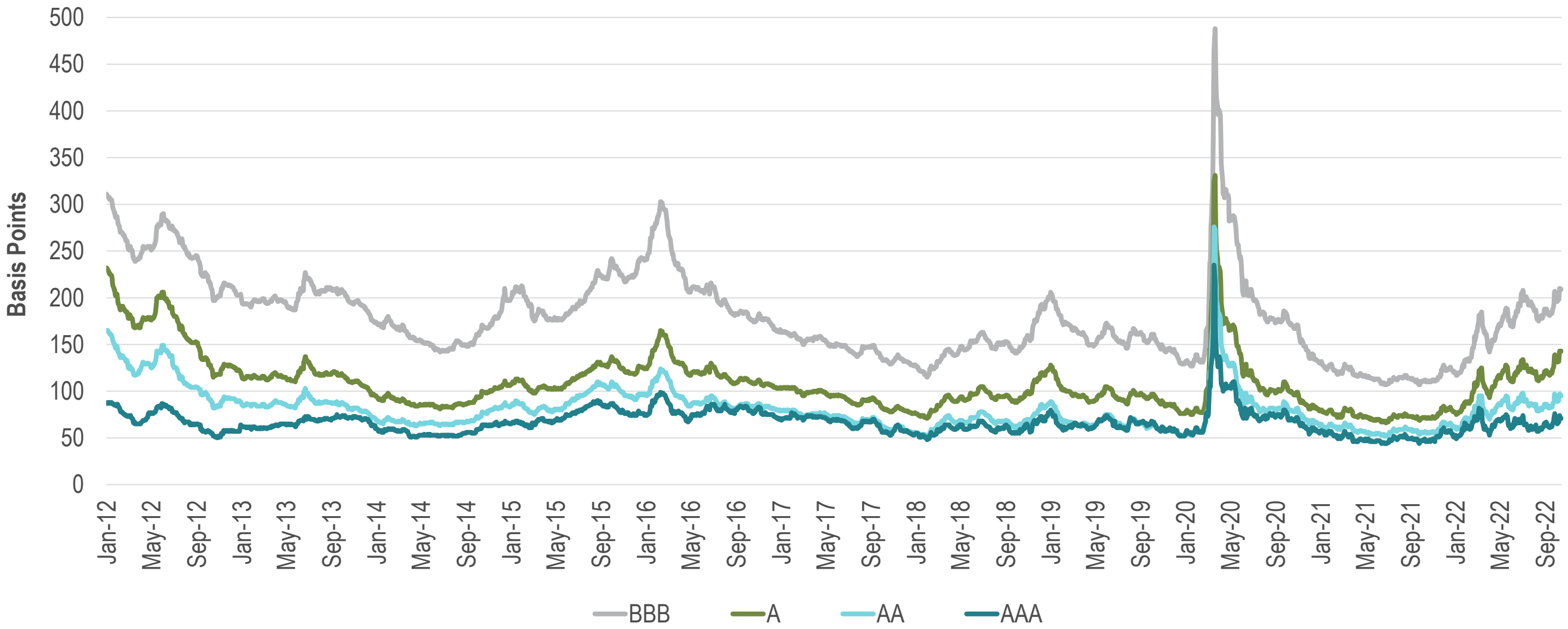


Source: Federal Reserve Bank of St. Louis; Moody's Analytics; Oxford Economics; Chatham Financial

REAL ESTATE BORROWING COSTS AND SPREADS HAVE RISEN

Lenders Pricing in More Risk

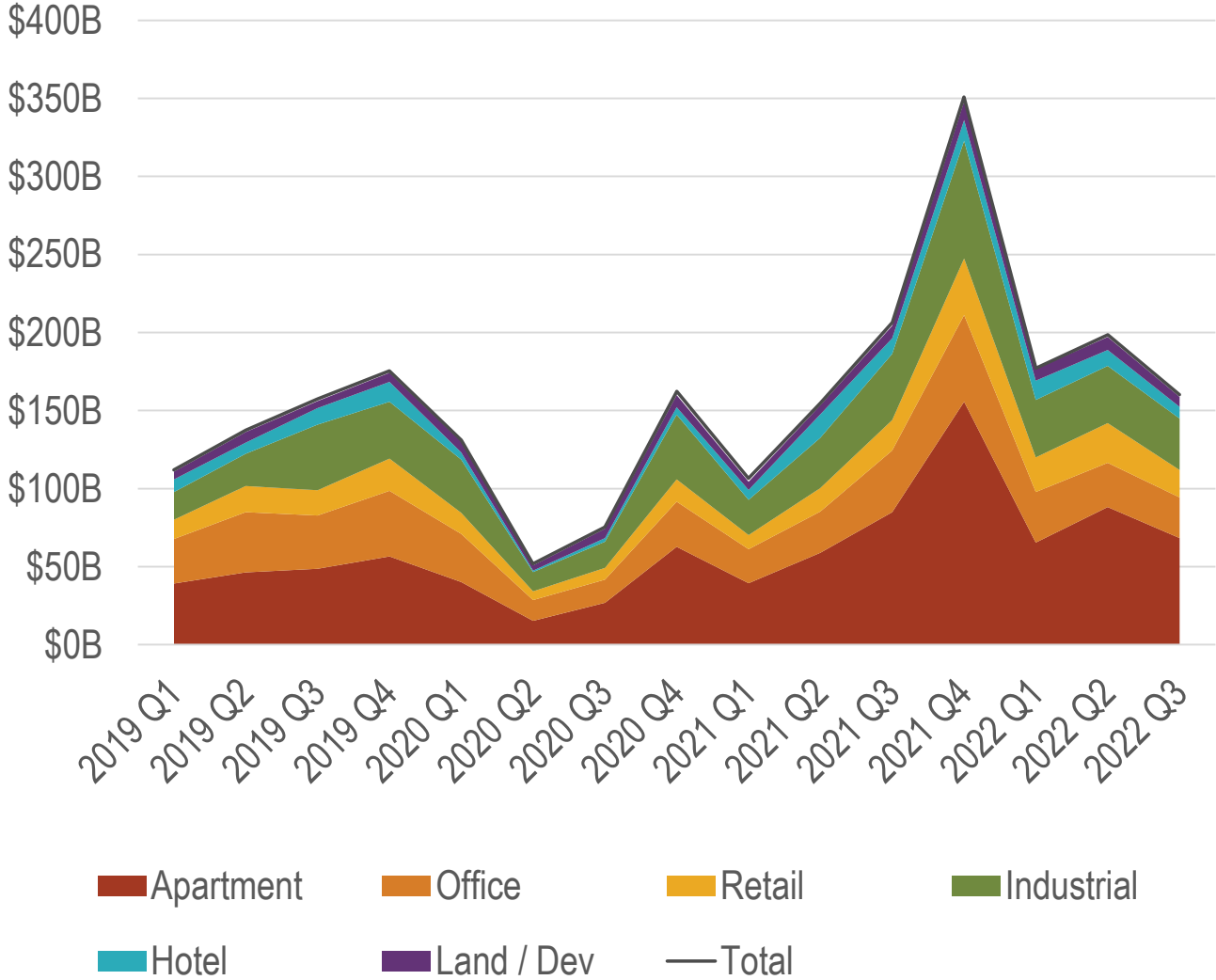
U.S. CMBS Spread to 10-Year Treasury



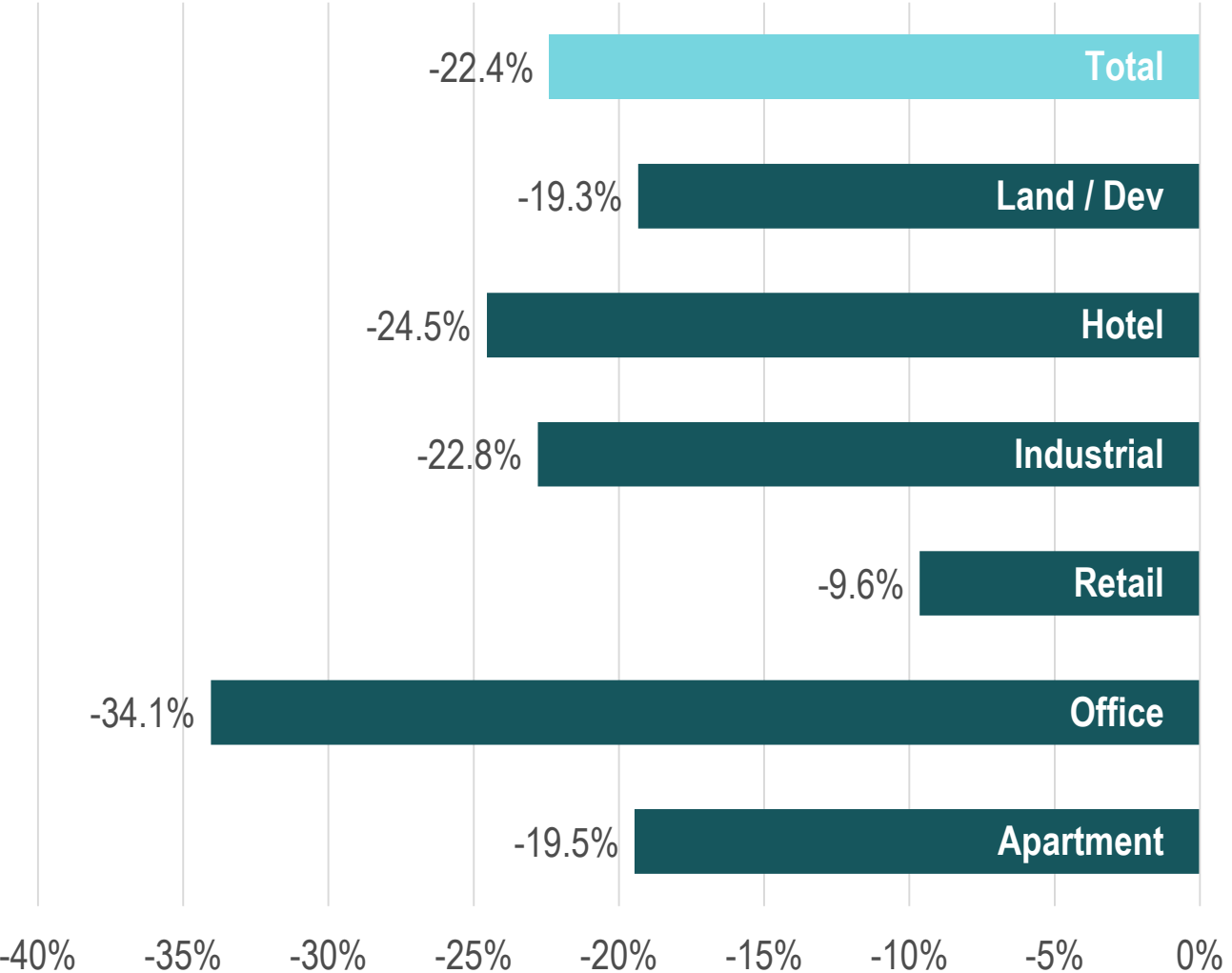
TOTAL REAL ESTATE TRANSACTION VOLUMES DOWN 22% YOY IN 3Q

Institutional Dry Powder Down Due to Denominator Effect

Transaction Volume

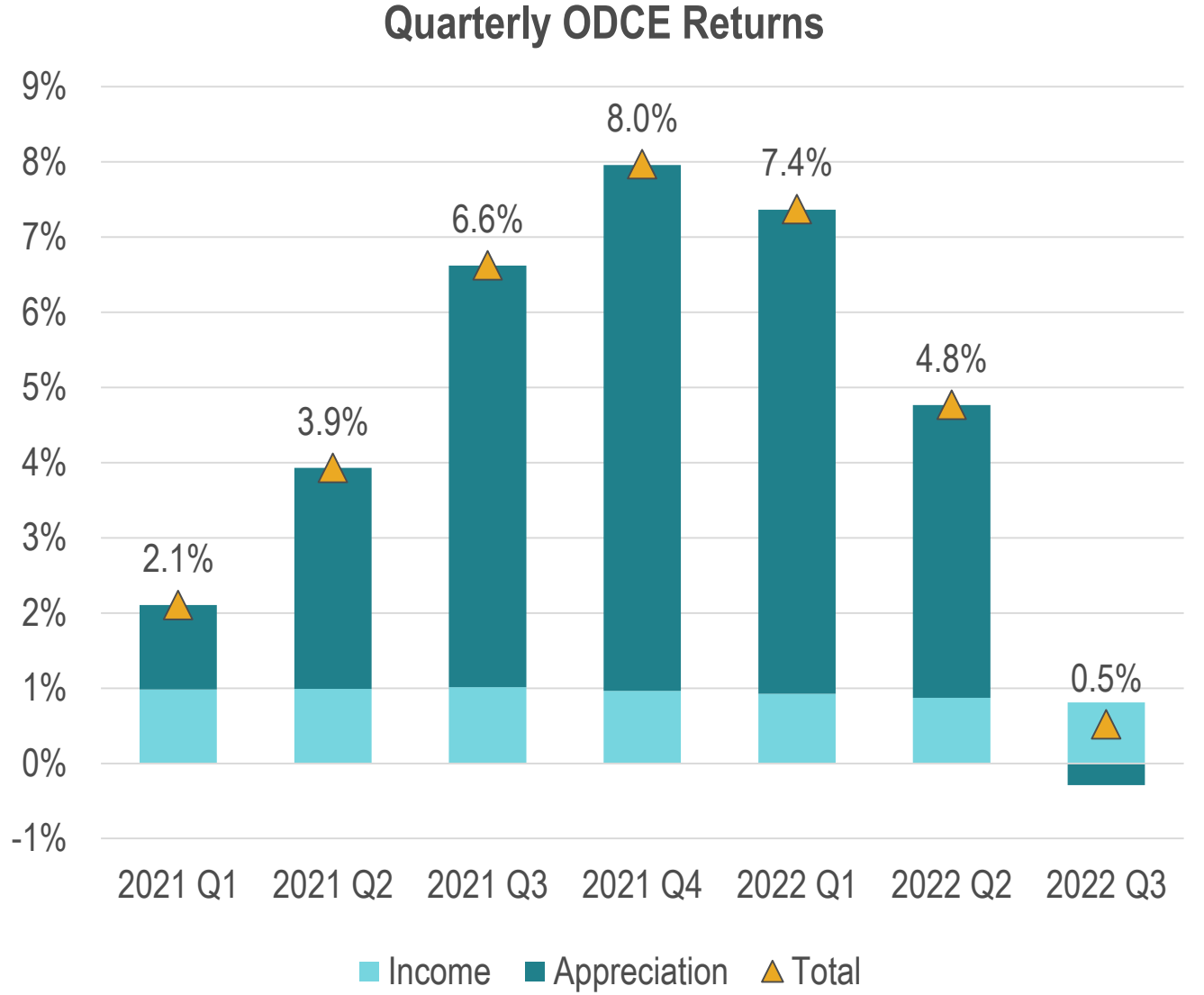
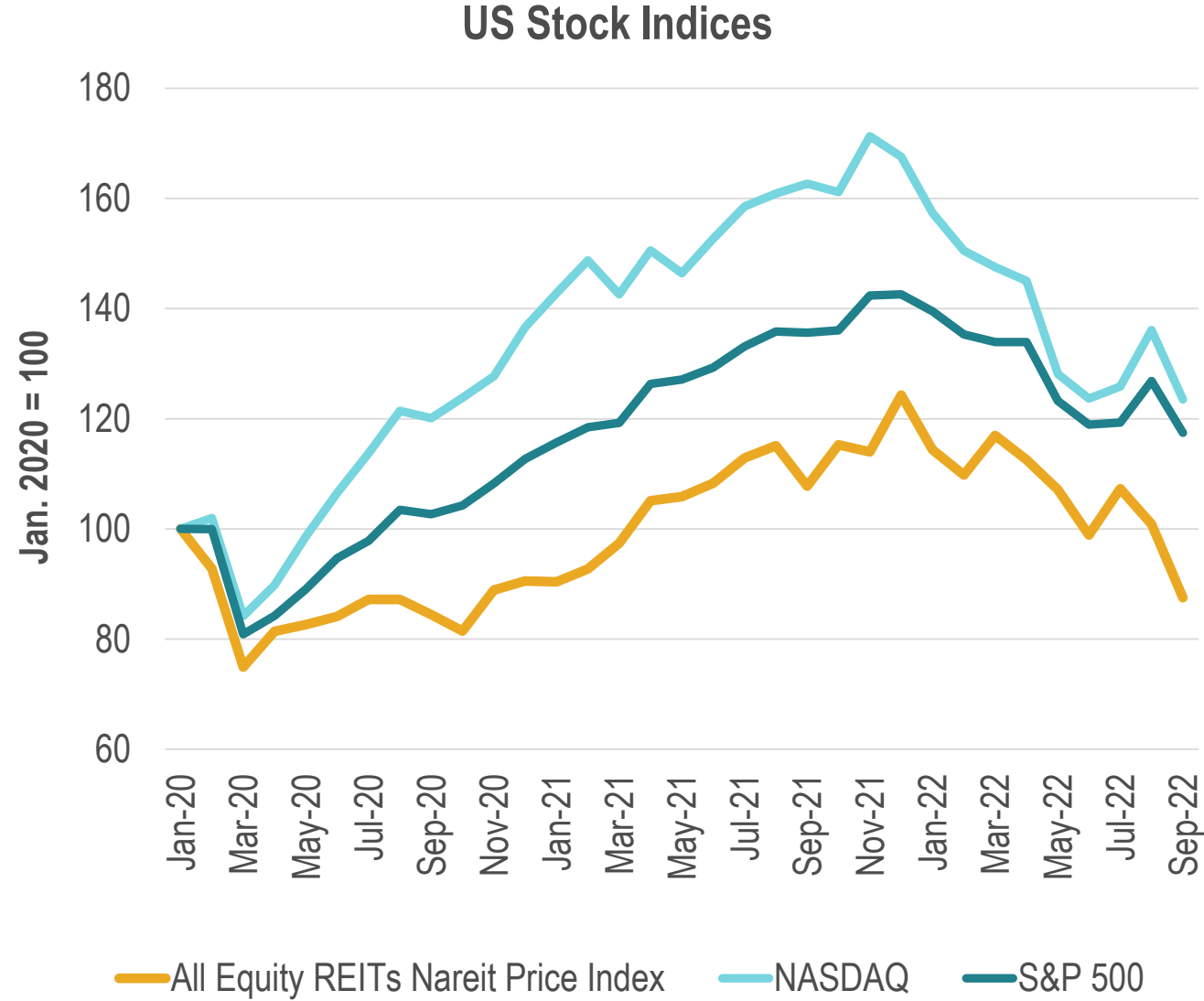


Transaction Volume, 3Q 2022 vs 3Q 2021



PUBLIC & PRIVATE REAL ESTATE VALUES DECLINING

REITs Have Fallen YTD with Broader Public Equities Market



REAL ESTATE CAPITAL MARKET IMPLICATIONS

HOT TOPICS

- ▶ **Current Valuation Trends**
- ▶ **Factors Impacting Demand**
- ▶ **Near Term Outlook**

THANK YOU! – QUESTIONS?



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