

STATE OF THE MARKET

JEOPARDY!



PRESENTED BY:

SPENCER LEVY

Global Client Strategist | Senior Economic Advisor

Columbus | December 1, 2022

CBRE

BIG PICTURE

MACRO

MICRO

CAPITAL MARKETS

BIG IDEAS

BIG PICTURE

THIS WILL BE THE
BIGGEST ECONOMIC
CHALLENGE OF THE
NEXT DECADE

WHAT IS
LABOR?

**HELP
WANTED**

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Big Downgrades to 2023 Forecast – But Start is Q4 2022

CBRE House View, April 2022 vs October 2022

United States	GDP 2022	GDP 2023	CPI 2022	CPI 2023	10 Yr 2022	10 Yr 2023
April 2022 House View	3.5	2.1	7.2	3.2	2.4	2.6
July 2022 House View	1.9	0.1	8.1	4.0	3.3	2.6
October 2022 House View	1.6	-0.2	8.1	4.7	3.7	2.7

Euro Area	GDP 2022	GDP 2023	CPI 2022	CPI 2023	10 Yr 2022	10 Yr 2023
April 2022 House View	2.6	2.0	5.9	7.0	0.3	0.8
July 2022 House View	2.5	0.0	7.5	2.8	2.0	1.9
October 2022 House View	3.0	-0.04	8.0	4.6	2.5	2.4

Note: German bond yields used for European 10 year
Source: CBRE Research Q4 2022

WHAT DOES THIS
MEAN TO YOU?

BANK

The image shows a close-up, low-angle view of a modern building's exterior. The building features a combination of materials: a curved glass facade on the left and a section of light-colored, rectangular stone or concrete panels on the right. Mounted on the stone section is the word "BANK" in large, three-dimensional, light-colored capital letters. The glass panels reflect the surrounding urban environment, including other buildings and the sky. The overall aesthetic is contemporary and architectural.



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Thins Oil-based Paint, Stains & Varnish
Use On Brushes & Equipment



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almacenar este producto.

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J9259





THE
WeeklyTAKE

Richard Barkham

Global Chief Economist
CBRE

EPISODE 320

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MACRO

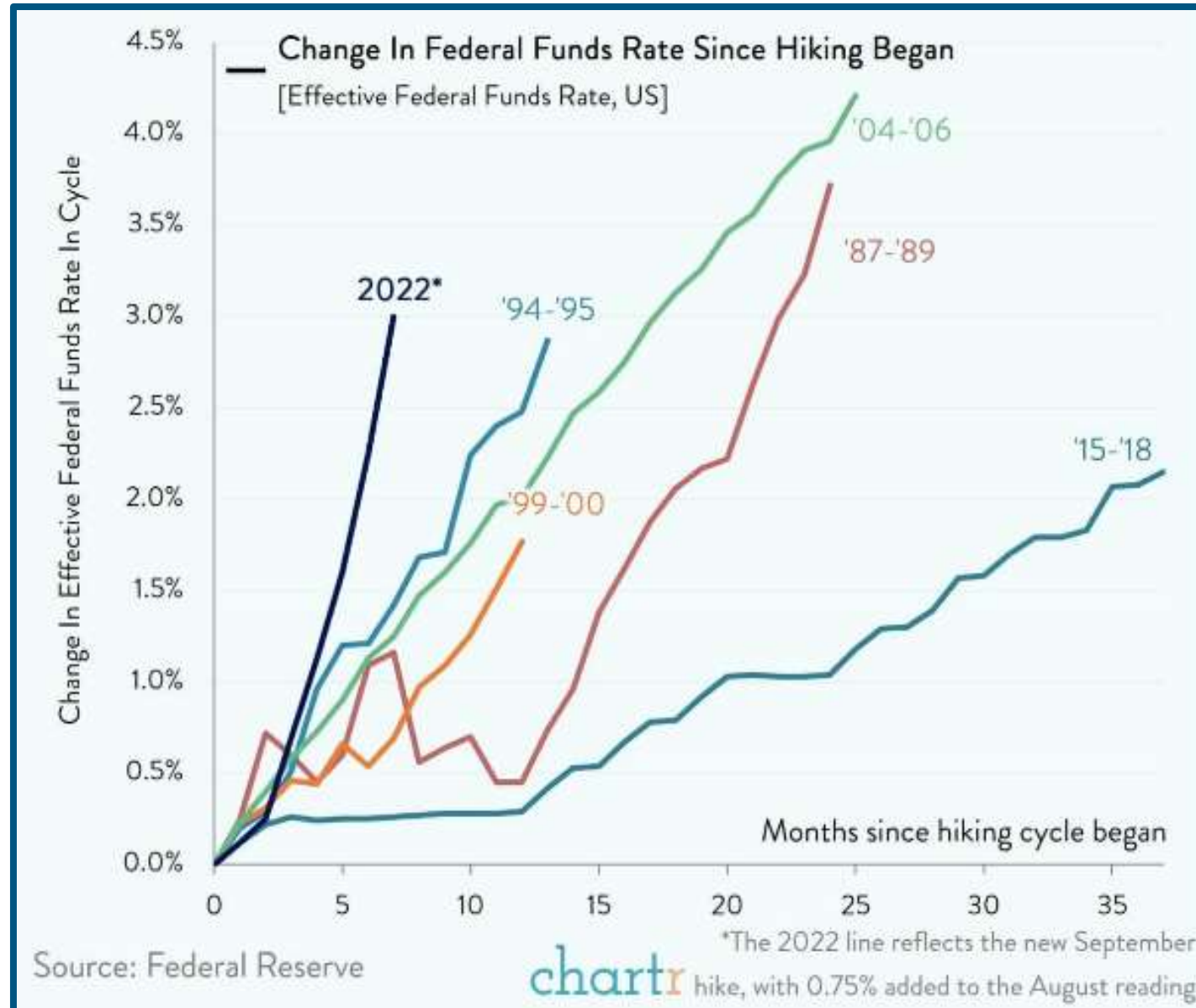
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WHO ARE THE FOUR
HORSEMEN OF THE
APOCOLYPSE?





Fed Hikes: Fastest in History



Latest Forecasts

Short-term Interest Rates

Geography	2021	2022	2023	2024	2025	2026
US	0.13	3.72	4.63	1.95	1.44	1.76
UK	0.13	3.22	5.50	3.24	2.34	1.99
EU	0.00	2.02	3.25	2.27	1.78	1.66

CBRE Econometric Advisors, October 2022

3

Latest Forecasts

Long-term Interest Rates						
Geography	2021	2022	2023	2024	2025	2026
US	1.5	3.7	2.7	2.6	2.9	3.1
UK	0.9	4.2	3.5	3.2	3.0	2.9
EU	0.2	2.9	2.7	2.6	2.6	2.6
China	2.9	2.8	3.1	3.6	3.6	3.7

CBRE Econometric Advisors, September 2022

2



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D** **N
E** **F** **L** **A** **T** **I** **O** **N**

Latest Forecasts

CPI						
Geography	2021	2022	2023	2024	2025	2026
US	4.7	8.1	4.7	2.9	2.5	2.4
UK	2.6	9.0	6.0	2.9	2.1	1.4
EU	2.6	8.0	4.6	1.7	1.0	1.4
China	0.9	2.3	2.2	2.0	2.4	2.5

CBRE Econometric Advisors, October 2022

The Expectation of Inflation Matters More than Inflation Itself

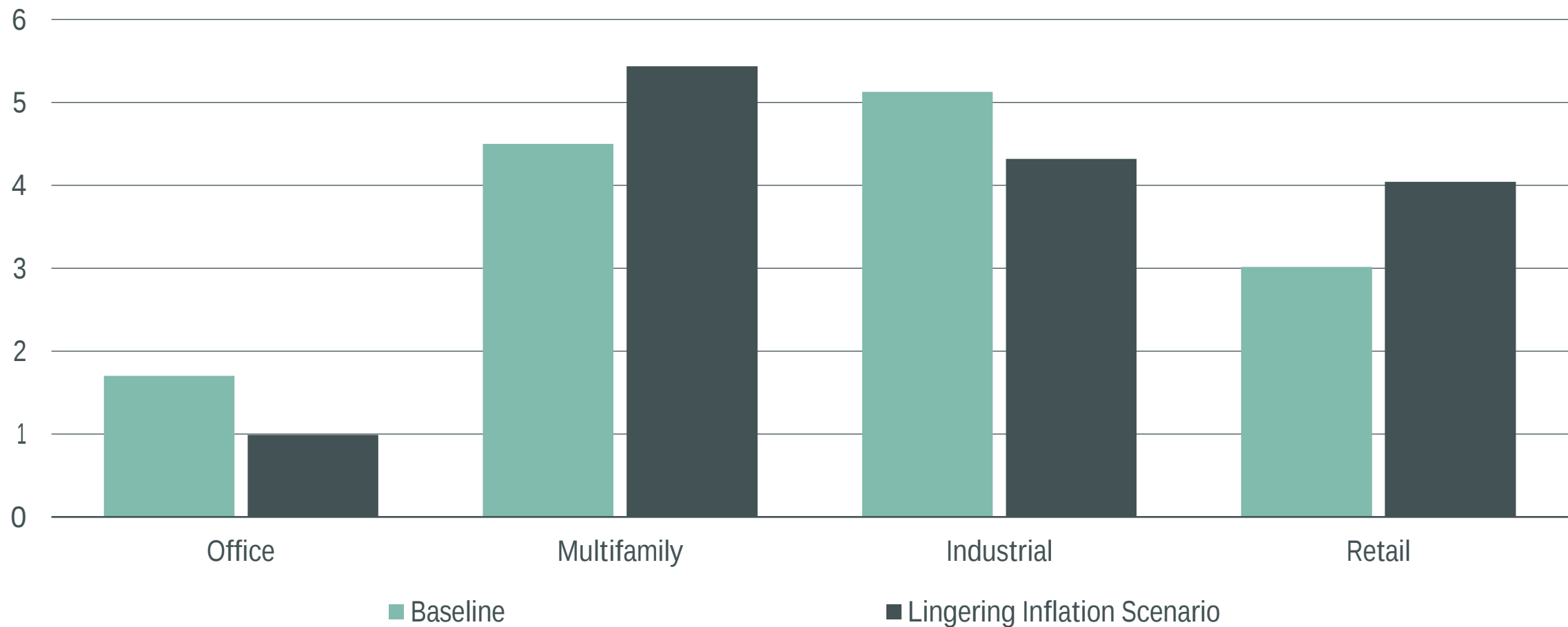
10-Year Breakeven Inflation Rate (%)



Source: FRED

Some Property Types Can Pass on Higher Costs More Than Others

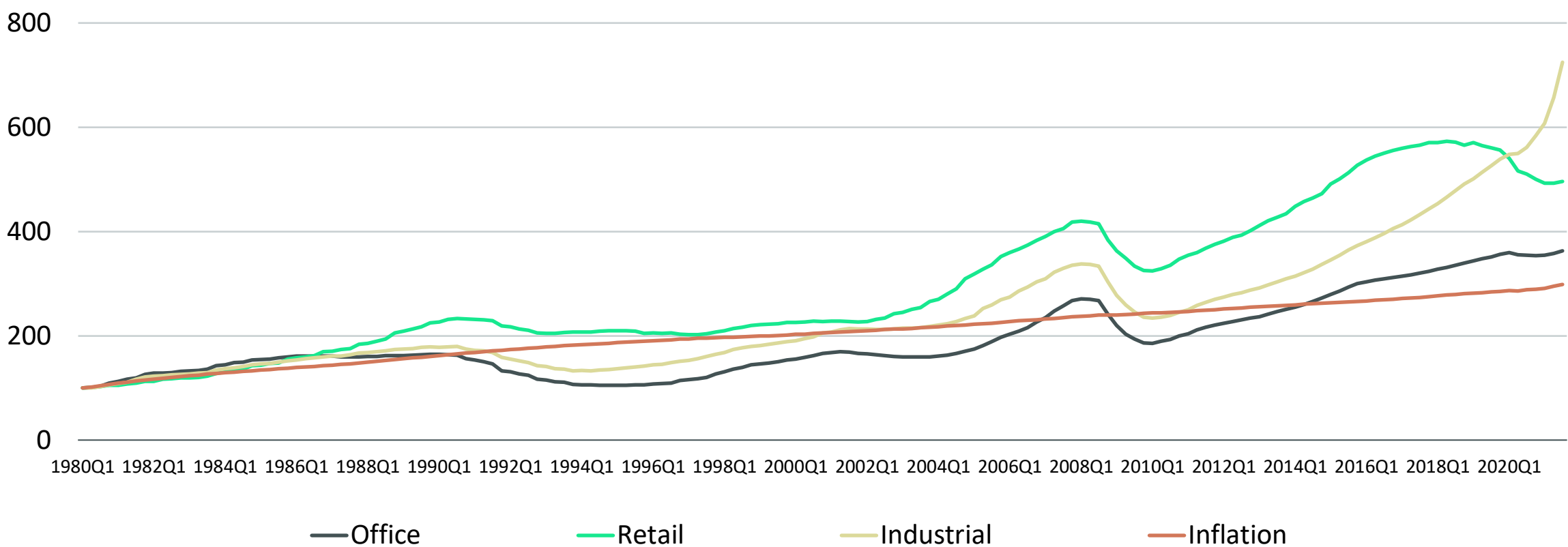
Rent CAGR, 2022 – 2026 (%)



Source: CBRE Econometric Advsiors

In the Long-Run Capital Values Have Risen More Than Inflation

Capital Values vs Inflation / Core PCE (Index 1980Q1 = 100)



Source: CBRE House-View, CBRE Research, 5 Jan 2022.

1



Latest Forecasts

GDP						
Geography	2021	2022	2023	2024	2025	2026
US	5.9	1.6	-0.2	1.9	3.0	3.3
UK	7.4	3.4	-0.3	1.7	2.9	2.3
EU	5.2	3.0	-0.4	1.9	2.1	2.1
China	8.1	3.2	4.7	5.3	5.0	4.8

CBRE Econometric Advisors, October 2022

MICRO

THE
WeeklyTAKE

Chris Ludeman

Global President
Capital Markets
CBRE

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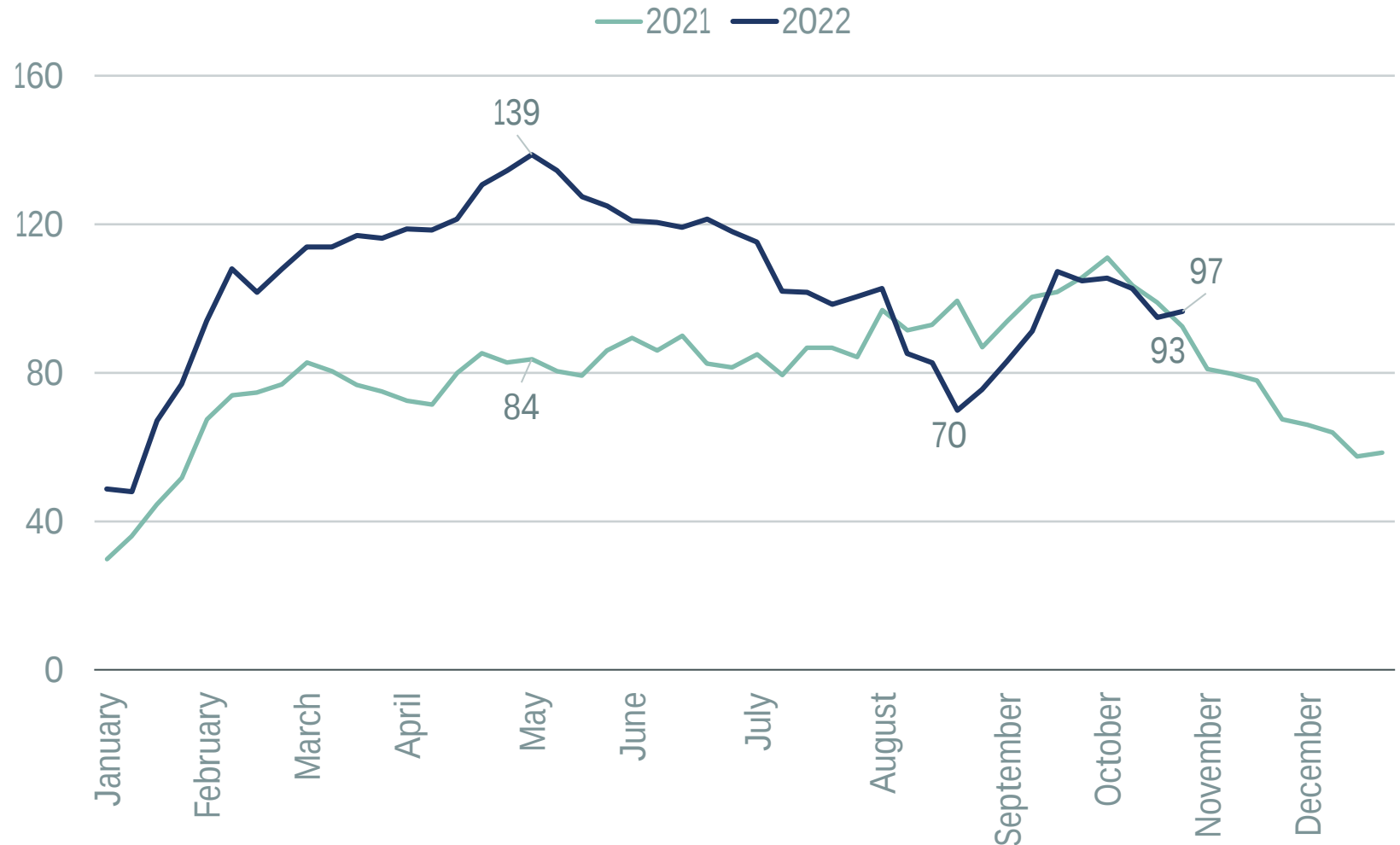
PRICE DISCOVERY

Number of Deals Launched

4-WK MOVING AVERAGE, 2021 – 2022 YTD

— As of the week of October 23rd the 4-week moving average of deals launched is:

- Down 30% since the peak in mid-May (139 vs. 97).
- In 2021, the number of deals launched was up 10% (84 vs. 93).
- The 4-week moving average saw an uptick of 39% since mid-August (70 vs. 97).

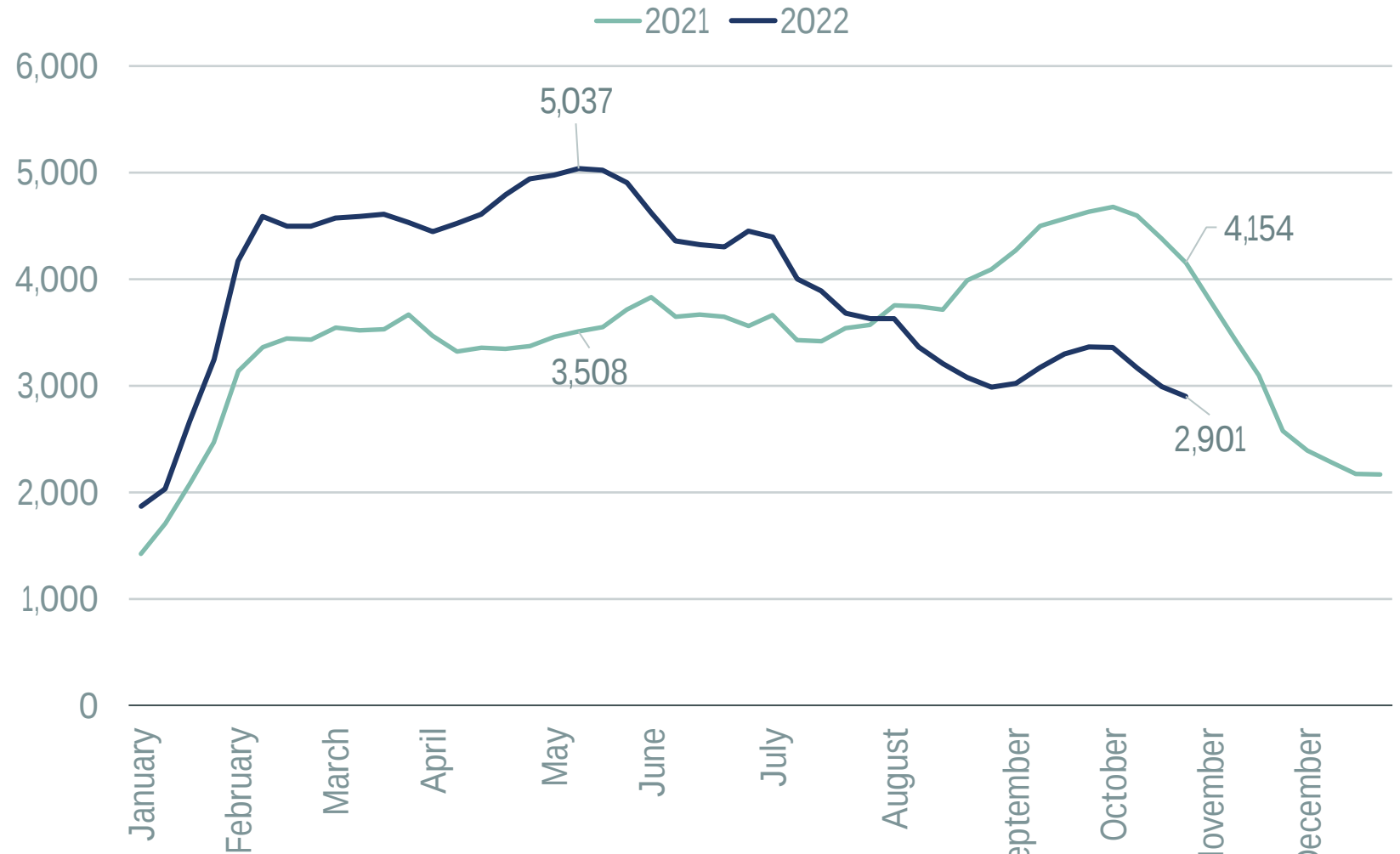


Number of Confidentiality Agreements (CAs) Signed

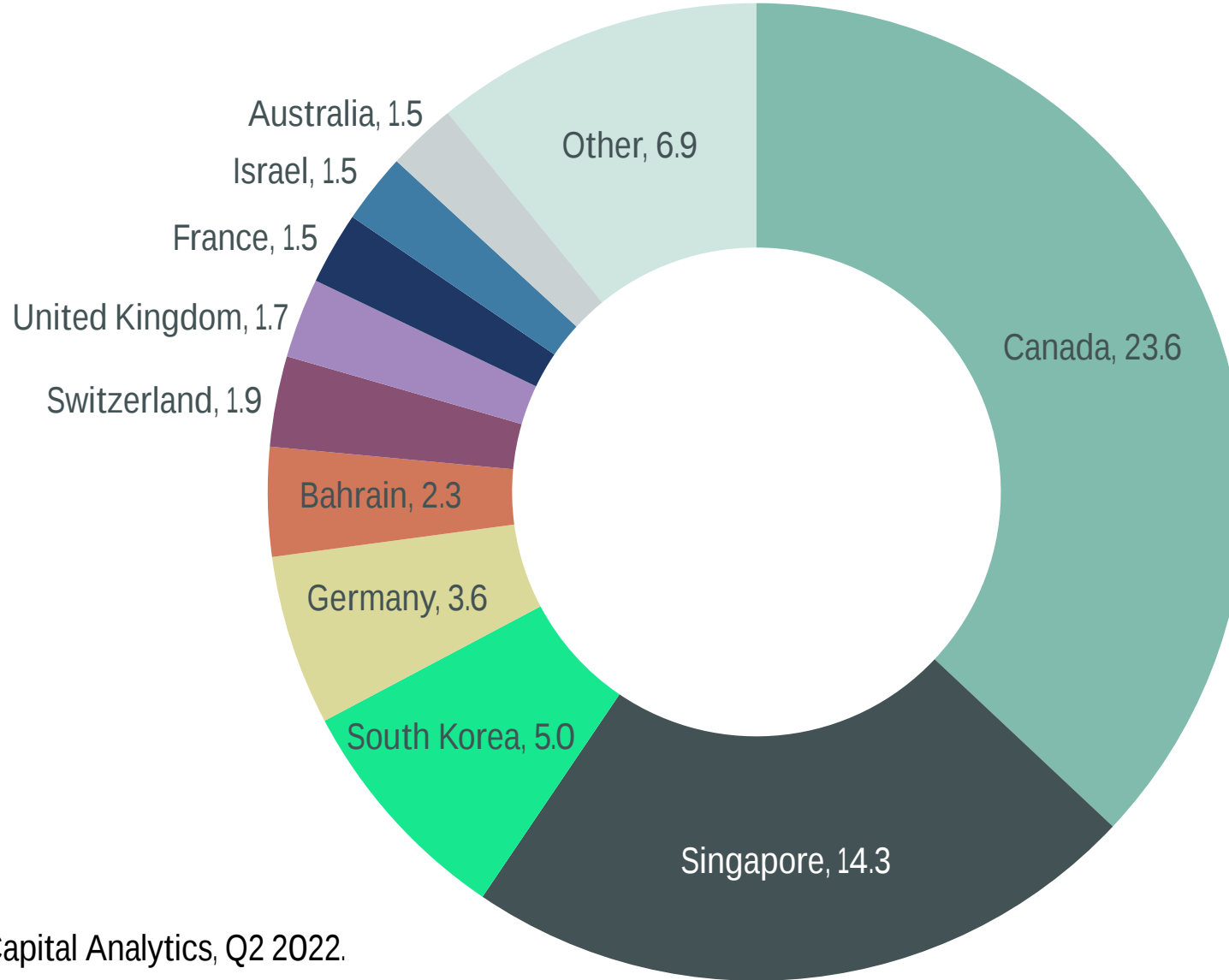
4-WK MOVING AVERAGE, 2021 – 2022 YTD

— As of the week of October 23rd the 4-week moving average of CAs signed is:

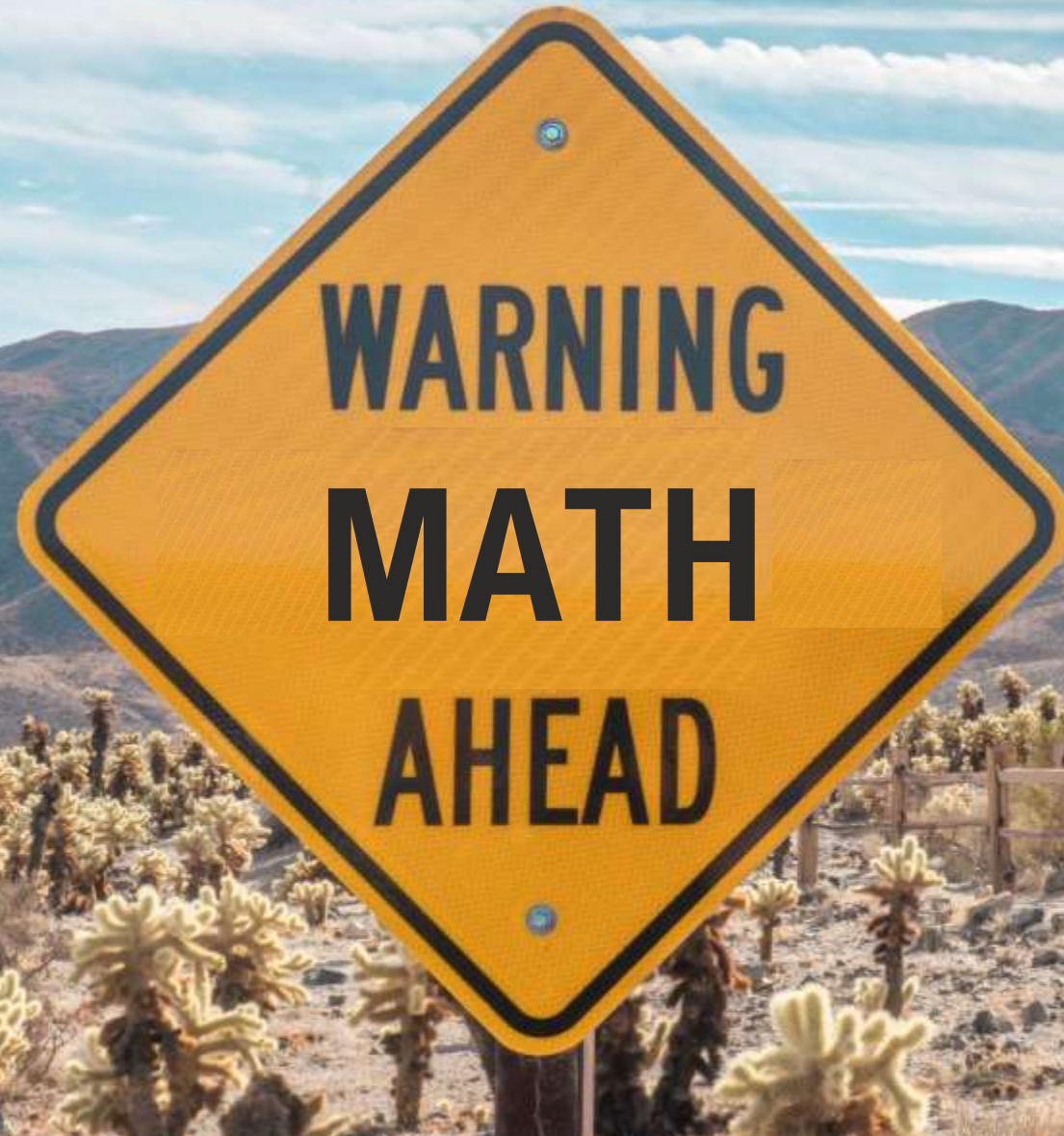
- Down 42% since the peak in mid-May (5,037 vs. 2,901).
- In 2021, the number of CAs signed was up 18% (3,508 vs. 4,154).



Cross Border Investment By Country



Source: CBRE Research, Real Capital Analytics, Q2 2022.



**WARNING
MATH
AHEAD**

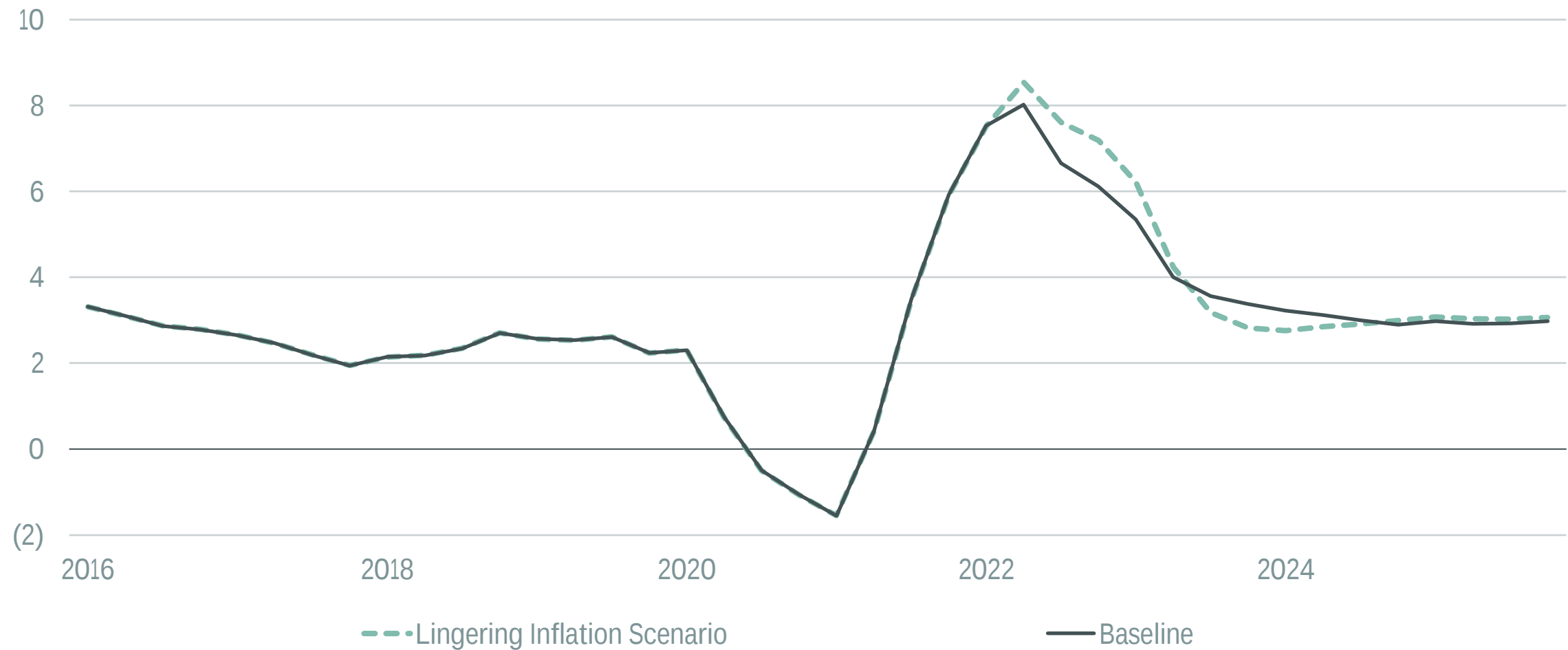
U.S National Cap Rate Forecast



Source: NCREIF, Federal Reserve, CBRE-EA

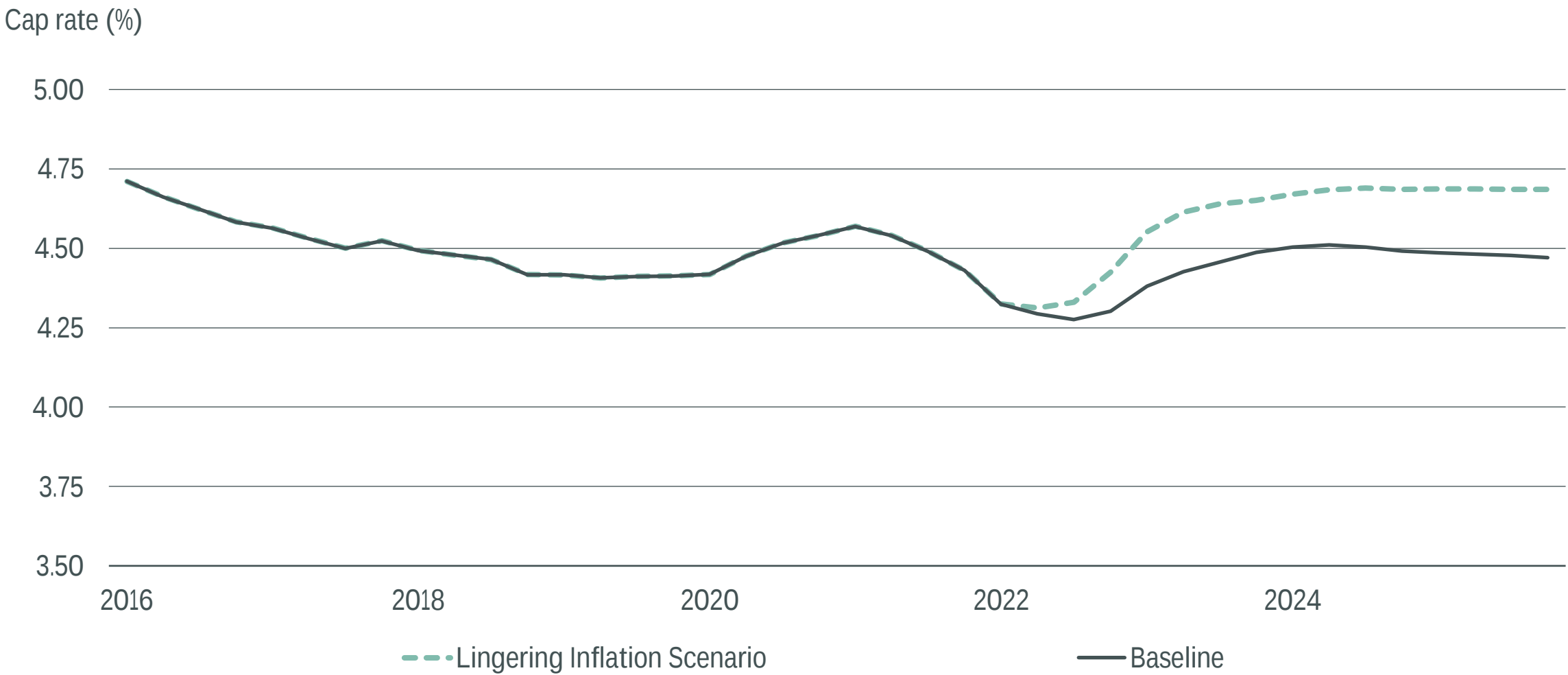
Higher Inflation Might Bolster Rents, But NOT Valuations

Rent growth, Y-o-Y (%)



Source: NCREIF, CBRE Econometric Advisors

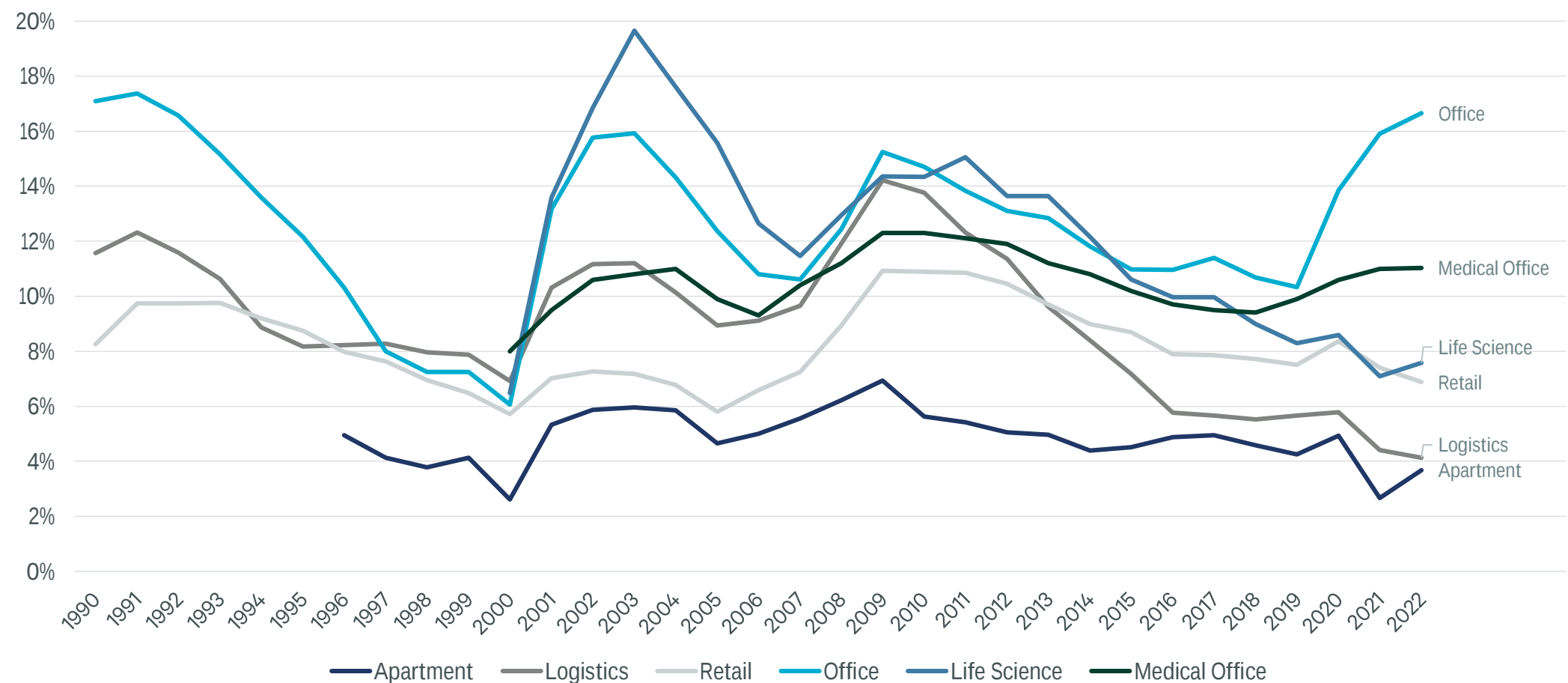
Higher Inflation Might Bolster Rents, But NOT Valuations



Source: NCREIF, CBRE Econometric Advisors

FUNDAMENTALS

Vacancy by Asset Type

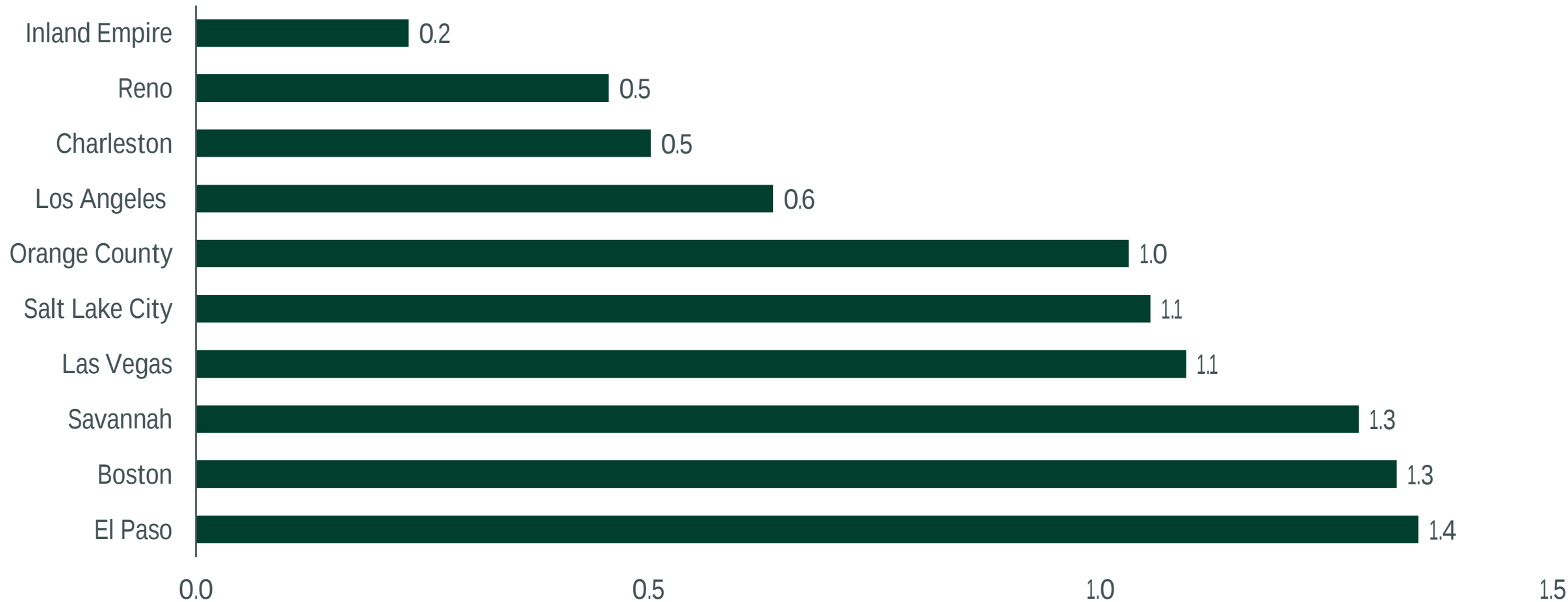


Source: CBRE Econometric Advisors (office, retail, logistics); RealPage (apartments); CoStar (medical office, life science)

The Land of Milk & Honey



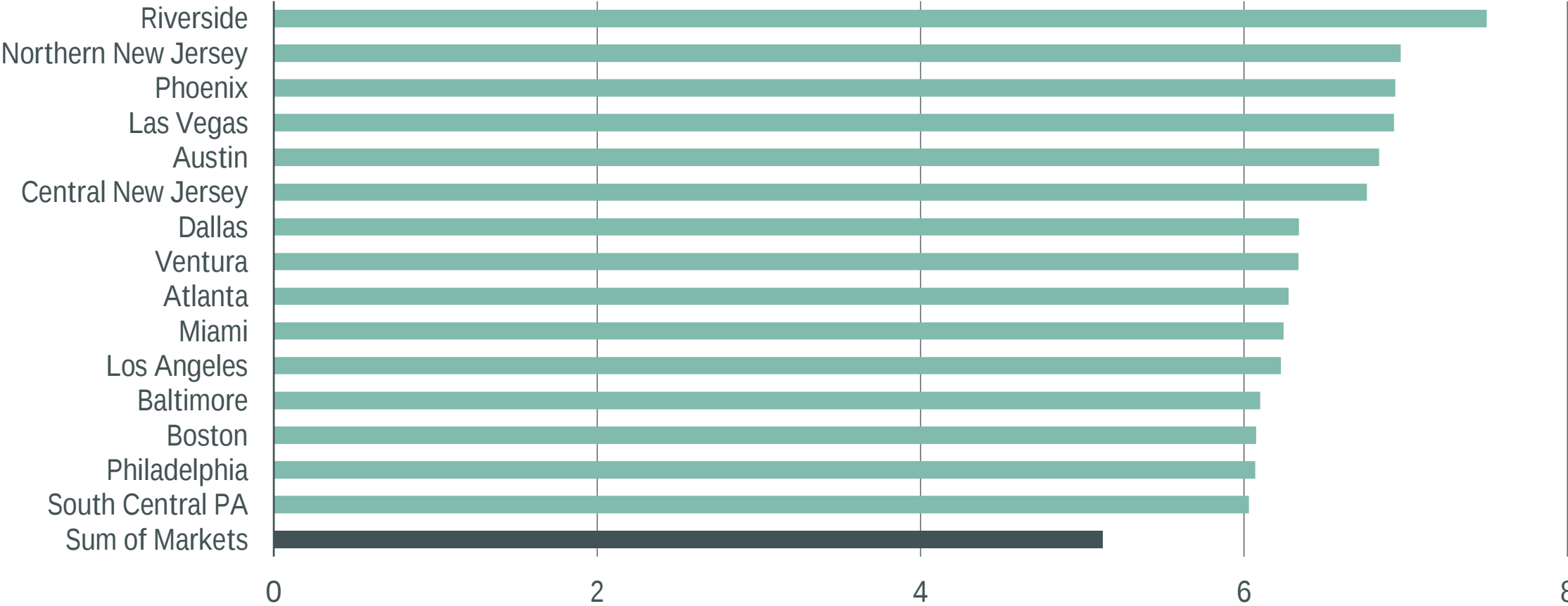
Today: Tightest U.S. Industrial Markets – Market Vacancy(%)



Source: CBRE Research, Q2 2022.

Tomorrow: Where Will the Highest Rent Growth Occur?

Market rent CAGR, 2022 - 2026 (%)



Source: CBRE Econometric Advisors

THE
WeeklyTAKE

Rachel Friedman

CEO
TENSOURCE & TENFOLD

EPISODE 308

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Multifamily Rent Growth Forecast – 5 Years

Market	Rentable Inventory	Rentable Completions	Net Absorption		Vacancy		Same Store Rent Index		
	Current Lvl.	Level	Rate	Level	Rate	Forecasted Rate	Change	Forecasted Level	Change
	(Units)	(Units)	(%)	(Units)	(%)	(%)	(BPS)	(\$)	(%)
San Francisco	251,527	2,209	0.90	1,808	0.70	4.20	60	4,339	6.70
Orlando	230,028	11,986	4.70	10,371	4.20	4.50	240	2,174	5.50
Austin	246,564	15,364	5.60	13,518	5.10	5.00	220	2,093	5.40
Houston	659,950	14,064	2.00	9,736	1.50	6.30	260	1,635	5.30
San Jose	168,120	2,374	1.40	1,933	1.20	3.90	100	3,673	5.30
Nashville	162,885	8,569	4.80	7,317	4.20	5.00	250	1,994	5.20
New York	2,410,993	32,851	1.30	23,476	1.00	3.20	170	4,204	5.20
West Palm Beach	120,929	3,609	2.80	2,688	2.20	5.10	310	2,972	5.00
Miami	312,176	7,360	2.30	5,762	1.80	3.60	210	2,774	4.90
Fort Lauderdale	201,642	5,263	2.50	3,973	1.90	4.50	260	2,846	4.80
Tampa	267,385	8,964	3.10	6,944	2.50	5.10	290	2,157	4.70
San Antonio	204,431	7,892	3.60	6,247	3.00	6.10	280	1,517	4.70
Seattle	410,919	10,209	2.40	8,839	2.10	4.10	120	2,494	4.60
Raleigh	151,319	6,825	4.20	5,717	3.60	5.30	240	1,830	4.50
Dallas	583,721	17,056	2.80	12,908	2.20	5.40	280	1,832	4.50
Boston	515,823	9,204	1.70	6,802	1.30	4.30	200	3,133	4.40
Chicago	782,956	6,395	0.80	4,016	0.50	4.20	140	2,188	4.40
Jacksonville	118,150	5,822	4.50	4,897	3.90	5.50	260	1,810	4.40
Phoenix	374,125	16,031	4.00	13,531	3.50	5.00	230	2,035	4.40

Source: CBRE Econometric Advisors

Underwriting Multifamily Including Political and Environmental

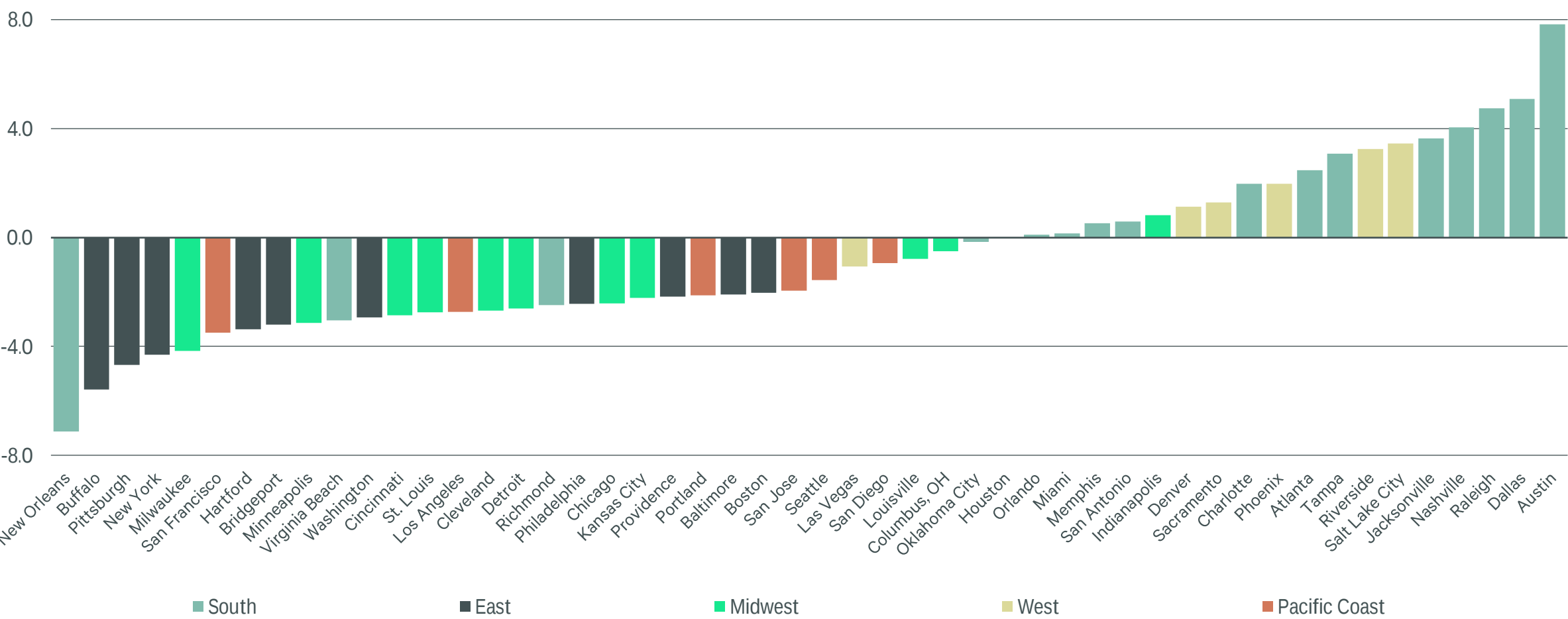
FRAMEWORK FOR GROWTH POTENTIAL

Weighting			50%			30%				10%			10%			100%
			FUNDAMENTALS			INFRASTRUCTURE				POLITICAL RISK			ENVIRONMENTAL RISK			OVERALL RATING
Weighting			35.0%	50.0%	15.0%	25.0%	25.0%	25.0%	25.0%	40.0%	40.0%	20.0%	33.3%	33.3%	33.3%	
MARKET	POPULATION (2020)	AVERAGE RENT (August 2021)	Supply/Demand Balance	Quality of Tech Labor Market	Affordability	Water	Energy	Transportation	Schools	Philosophy Toward Affordability	Urban Policing/ Security	Tax Burden/ Pension Liability	Natural Disasters	Pollution (Air & Water)	State & Local Government	
Salt Lake City	2,738,788	\$1,384	2	3	2	2	2	3	3	3	3	3	3	1	2	2.50
Raleigh-Durham	2,012,432	\$1,452	1	3	2	3	3	2	2	3	3	3	2	2	2	2.33
Colorado Springs	753,839	\$1,461	3	3	2	1	3	1	2	2	1	1	2	3	2	2.32
Indianapolis	2,373,525	\$1,052	3	1	3	3	3	2	3	3	2	3	2	2	2	2.29
Philadelphia	6,528,923	\$1,549	3	3	2	1	1	1	2	2	3	1	2	2	3	2.25
Austin	2,295,303	\$1,594	1	3	2	2	2	3	3	3	2	2	1	3	1	2.23
Tampa	3,988,515	\$1,568	3	2	2	3	1	2	2	2	3	3	1	3	1	2.20
Phoenix	5,059,909	\$1,507	2	2	2	1	3	3	3	2	2	1	3	2	2	2.16
Atlanta	6,087,762	\$1,561	3	2	2	2	3	3	1	2	1	1	2	1	2	2.16
Charlotte	2,660,179	\$1,413	1	2	3	3	3	3	3	3	1	3	2	1	1	2.15
Minneapolis	3,875,188	\$1,394	1	2	2	3	3	3	3	2	1	2	3	2	3	2.15
Boston	5,296,946	\$2,472	1	3	1	3	3	2	2	1	3	2	1	2	3	2.15
Denver	4,012,813	\$1,751	1	3	1	2	2	1	3	2	3	2	2	2	3	2.07
Pittsburgh	2,309,246	\$1,211	2	2	3	1	2	2	2	3	3	1	2	2	2	2.06
Portland	2,510,259	\$1,604	1	3	1	2	2	3	2	0.5	1	3	3	2	2	2.03
Seattle	3,104,708	\$2,054	1	3	1	3	2	2	1	1	1	3	2	2	3	1.97
Washington D.C.	6,426,004	\$1,933	1	3	1	3	2	2	1	0.5	3	2	1	1	3	1.95
New York	14,088,270	\$3,508	1	3	1	3	1	2	1	1	2	2	1	3	3	1.92
Nashville	1,986,619	\$1,465	1	2	2	3	3	2	2	2	2	2	2	1	1	1.91
Kansas City	2,295,742	\$1,075	2	1	3	2	1	3	3	3	1	2	3	1	2	1.90

Source: CBRE Research, Yardi Matrix, U.S. Census Bureau

The Economic Expansion Favors the South and West

CURRENT EMPLOYMENT RELATIVE TO FEBRUARY 2020 LEVELS (%)



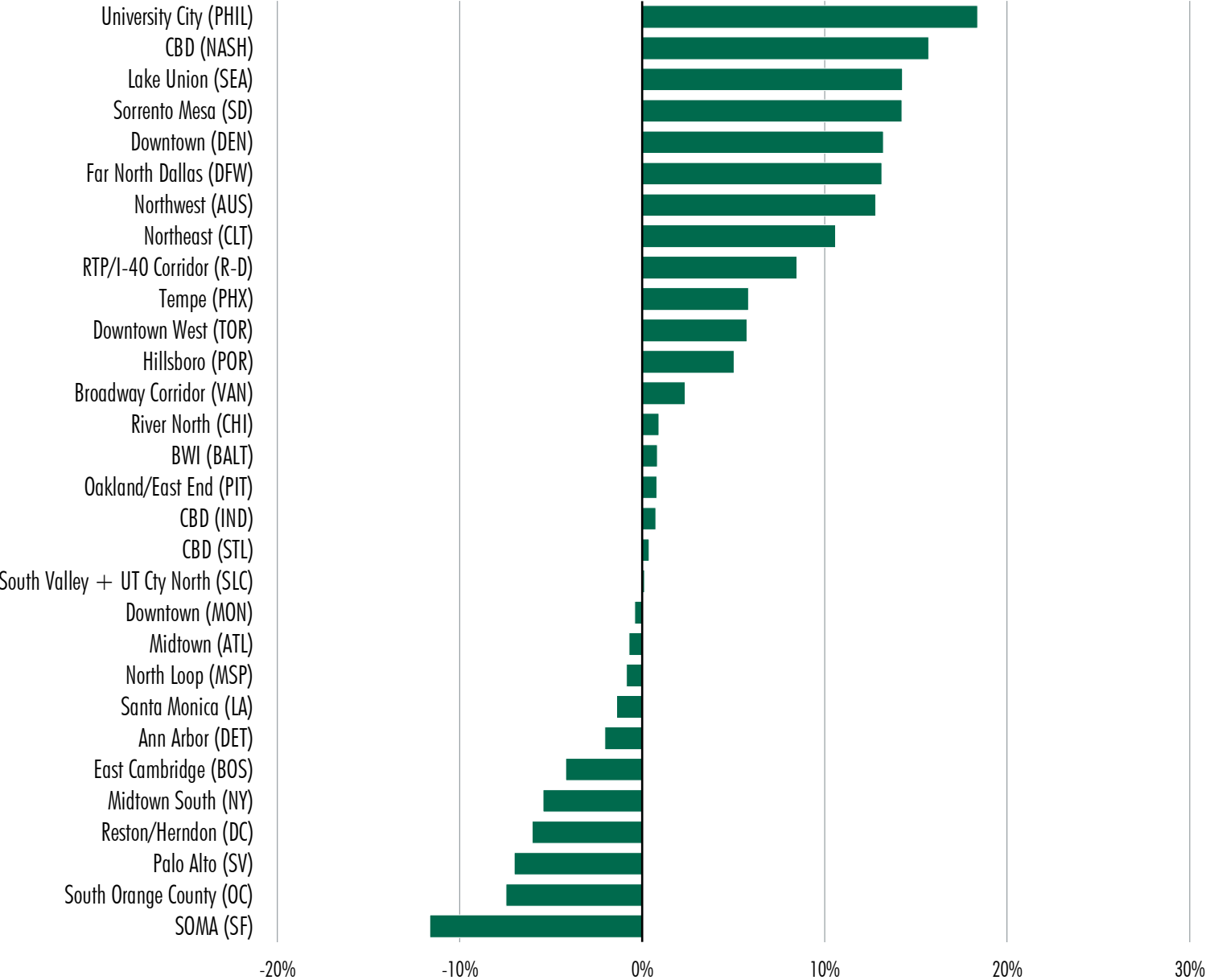
Source: Bureau of Labor Statistics

Rents Are Rising in the Tech Submarkets

Office Rent growth top tech submarket

Q2 2022 vs. Q2 2021

Figure 6.2: Rent Growth Top Tech Submarket
Q2 2022 vs. Q2 2020



Source: CBRE Research, Q2 2022.

Source: CBRE Research, Q2 2022.

BIG IDEAS

Stephen
Baldwin

Gabriel
Byrne

Chazz
Palminteri

Kevin
Pollak

Pete
Postlethwaite

Kevin
Spacey



the **Usual Suspects**

FIVE CRIMINALS. ONE LINE UP.
NO COINCIDENCE.

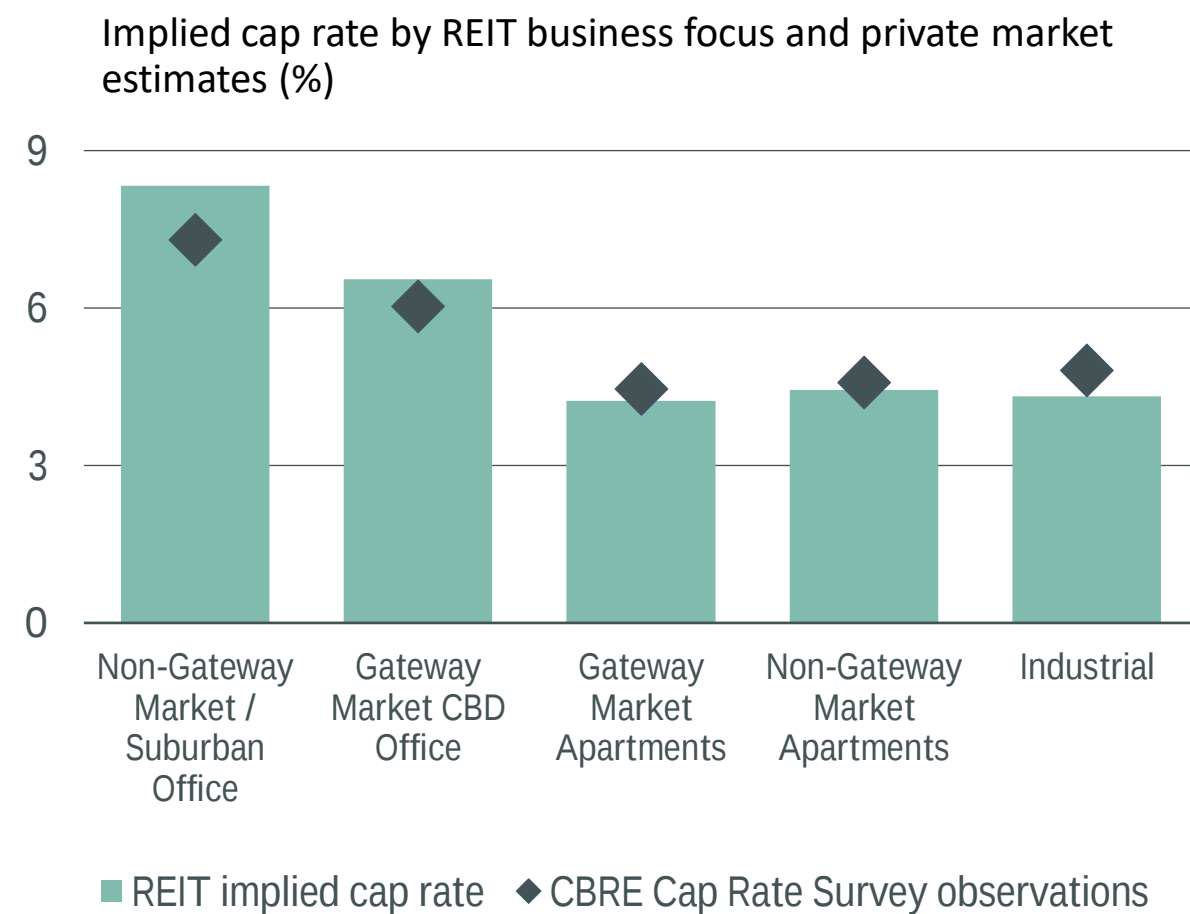
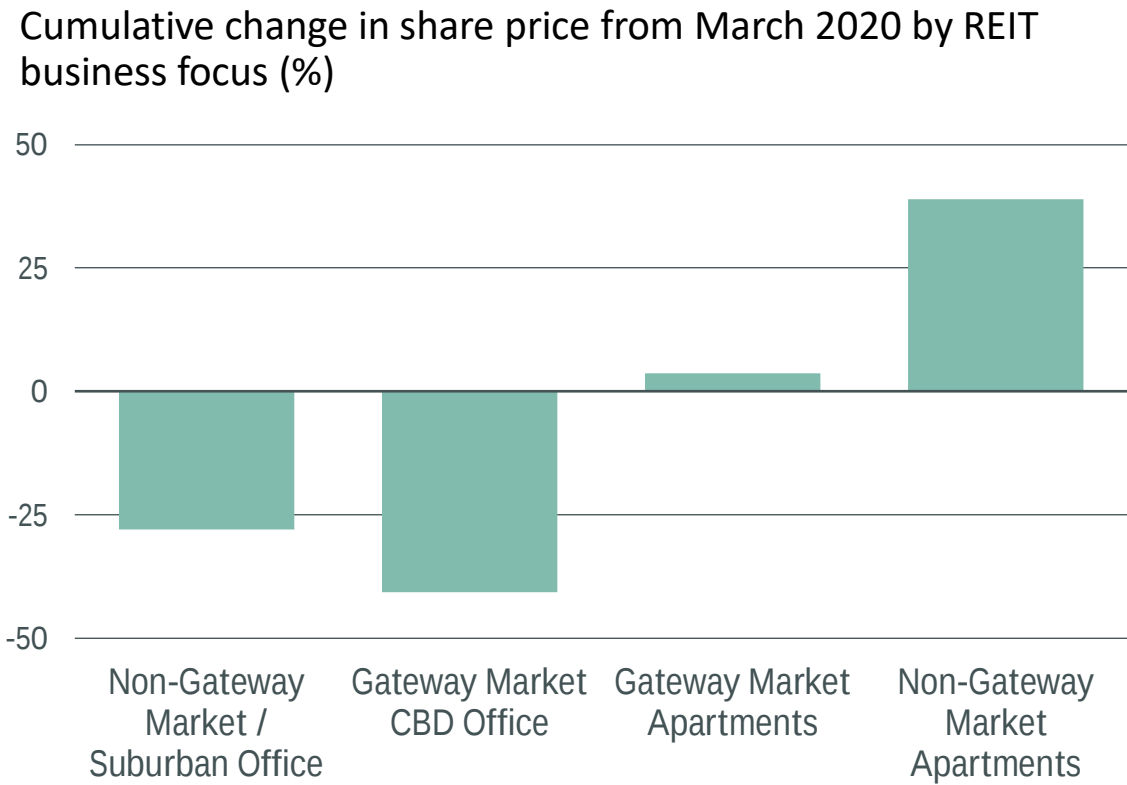
POLYGRAM FILMS ENTERTAINMENT and SPELLING FILMS INTERNATIONAL present a BLUE PEARL / RABBIT HARRY PRODUCTION BRYAN SINGER'S film THE USUAL SUSPECTS
STEPHEN BALDWIN GABRIEL BYRNE CHAZZ PALMINTERI KEVIN POLLAK PETE POSTLETHWAITE KEVIN SPACEY COSTUME DESIGNER SOFIA AMES BENICIO DEL TORO GIANCARLO ESPOSITO MUSIC BY JOHN OTTMAN
DIRECTOR OF PHOTOGRAPHY NEWTON THOMAS SIGEL EXECUTIVE PRODUCERS ROBERT JONES HANS BROCKMANN PRODUCED BY PHANTOM DISPLAY ART DIRECTION BY CHRISTOPHER MCGARRIE
PRODUCED BY BRYAN SINGER MICHAEL McDONNELL WRITTEN BY BRYAN SINGER
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What Does the REIT Market Tell Us?



Source: S&P Global, CBRE Econometric Advisors

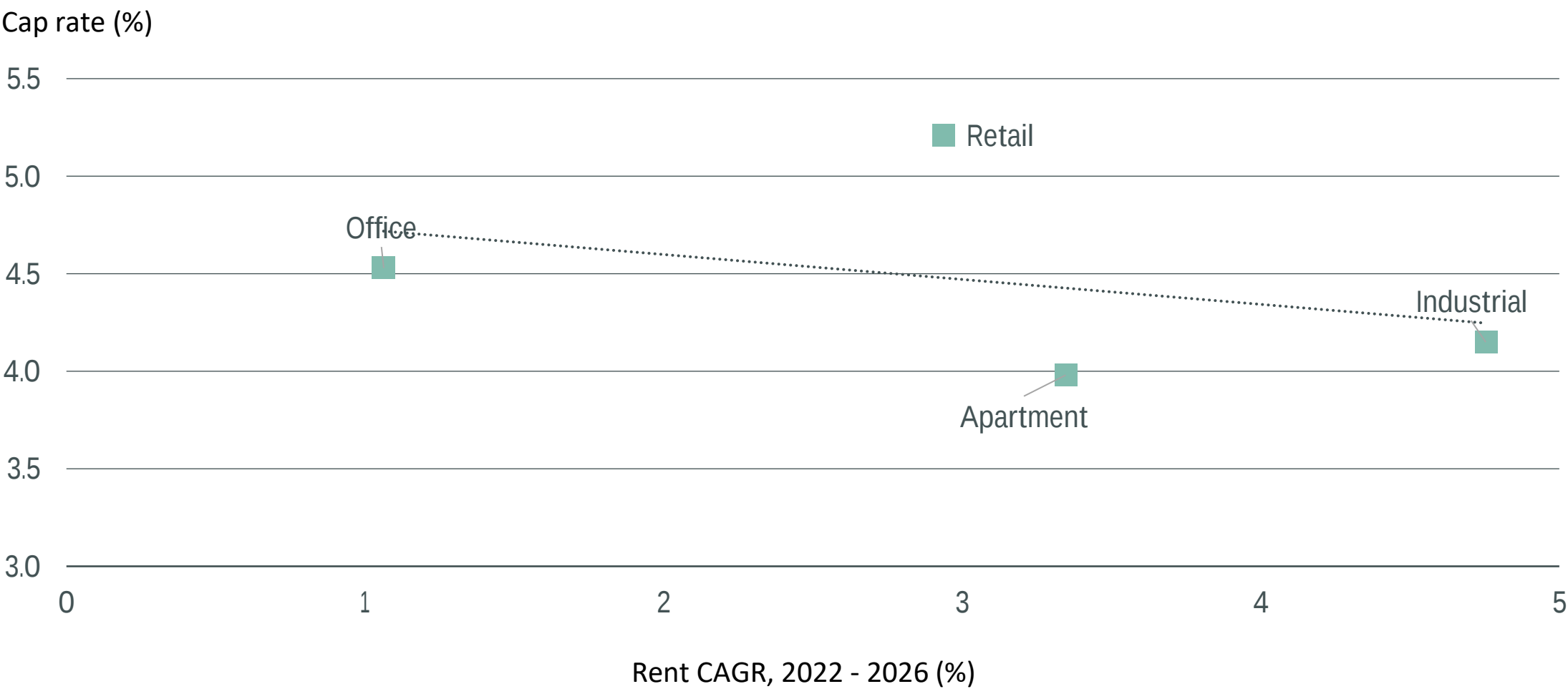
The unusual suspects







Retail Presents an Opportunity



Source: CBRE Econometric Advisors, CBRE Research, Q1 2021.





Overseas Investment Hasn't Been This Attractive in Years

NOMINAL ADVANCED FOREIGN ECONOMIES U.S. DOLLAR INDEX, JAN 2006=100



Source: FRED

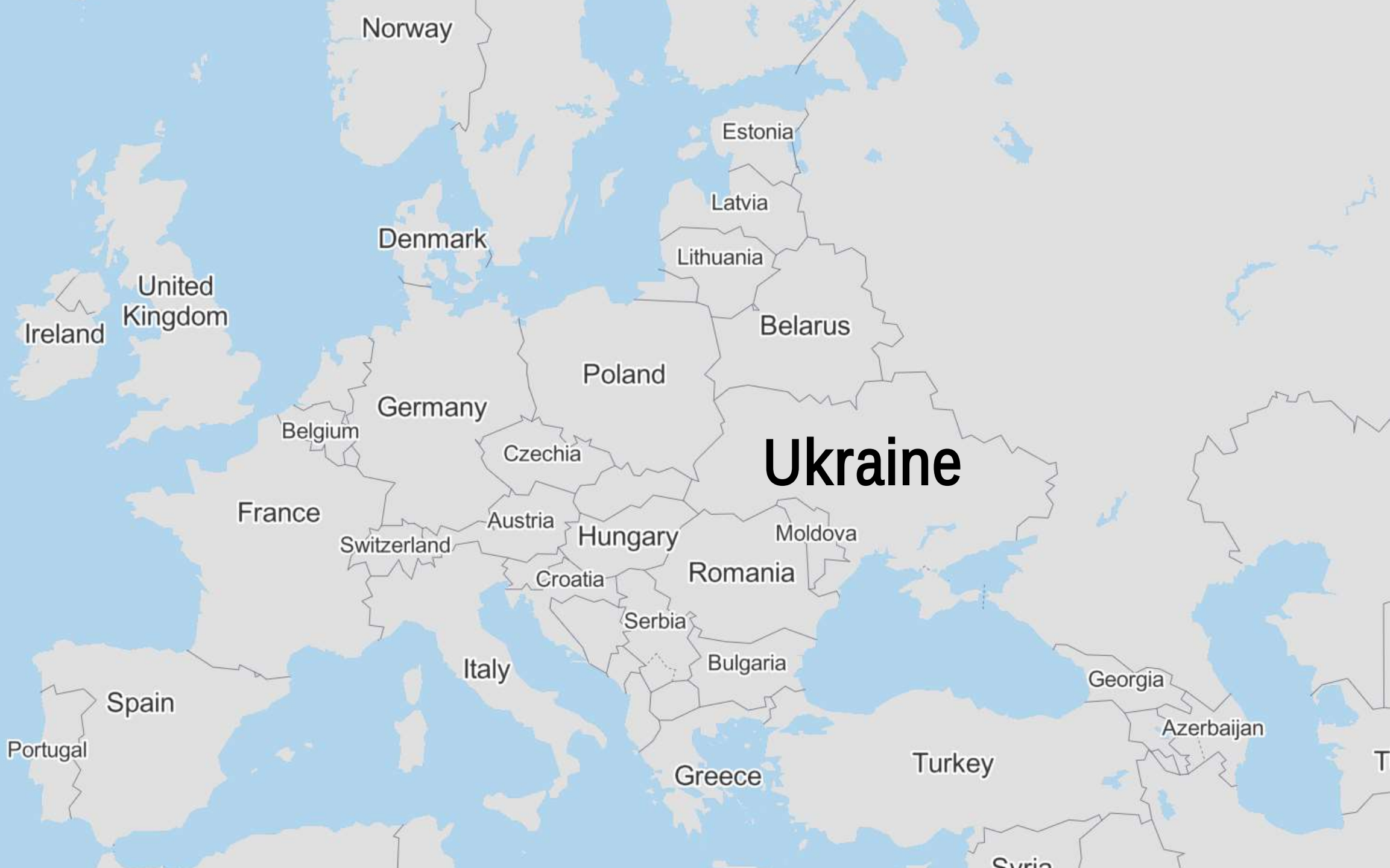
FINAL JEOPARDY!

THE CLUBBER LANG OF ECONOMICS

WHO IS
JEROME POWELL?







Ukraine

BANK

The image shows a close-up, low-angle view of a modern building's exterior. The building features a combination of materials: a curved section with a dark, reflective glass curtain wall on the left, and a section with large, light-colored rectangular stone or concrete panels on the right. Mounted on the stone panels is the word "BANK" in large, three-dimensional, light-colored serif capital letters. The glass reflects the surrounding cityscape, including other buildings and the sky. The lighting is bright, suggesting daytime.

MY DOG SPOT

WRITTEN AND ILLUSTRATED BY
#1 NEW YORK TIMES BESTSELLING AUTHOR
Jack E. Levin

AND
Norma R. Levin

WITH A PREFACE BY THEIR SON
Mark R. Levin









7.2%





11/10/22

STATE OF THE MARKET

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Global Client Strategist | Senior Economic Advisor

Columbus | December 1, 2022

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