



U.S. Commercial Real Estate Chartbook

August 20, 2024

Executive Summary

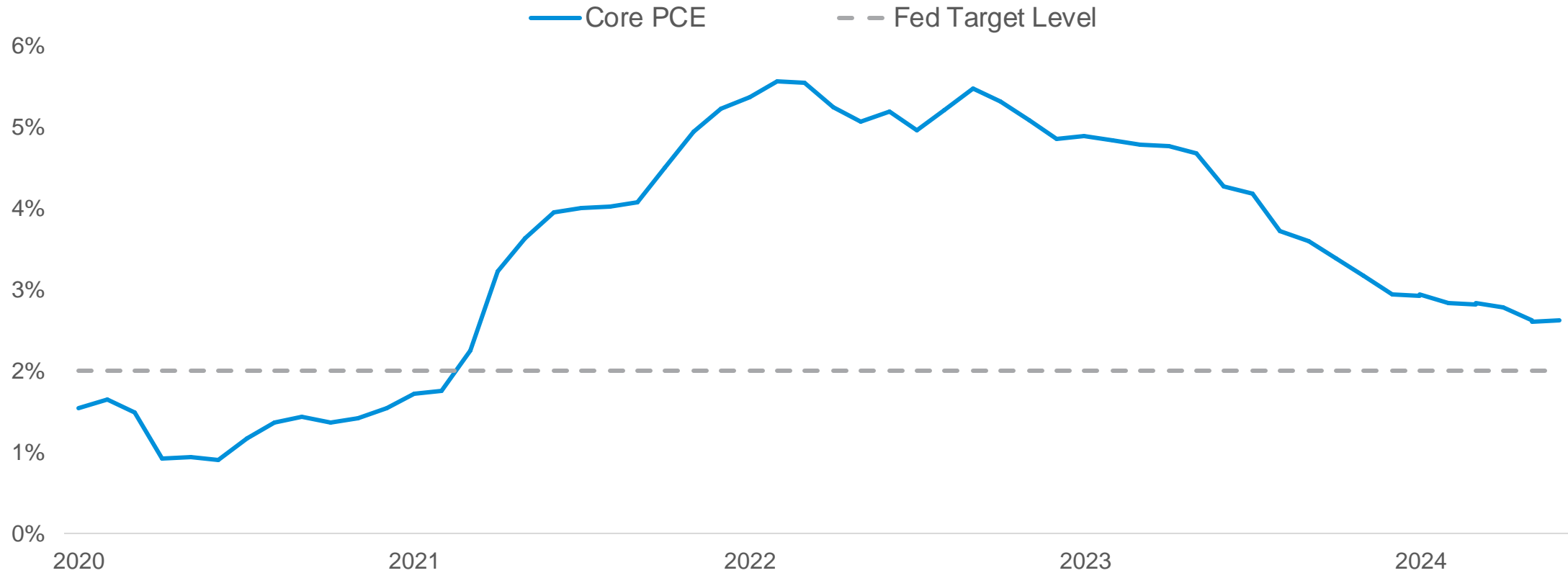
- Inflation is moving back toward the Fed's target, and with job growth slowing, the Fed's focus is shifting to the labor market. This sets the stage for interest rate cuts beginning in September.
- Commercial real estate investment has stabilized, and with the prospect of lower interest rates, H2 2024 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

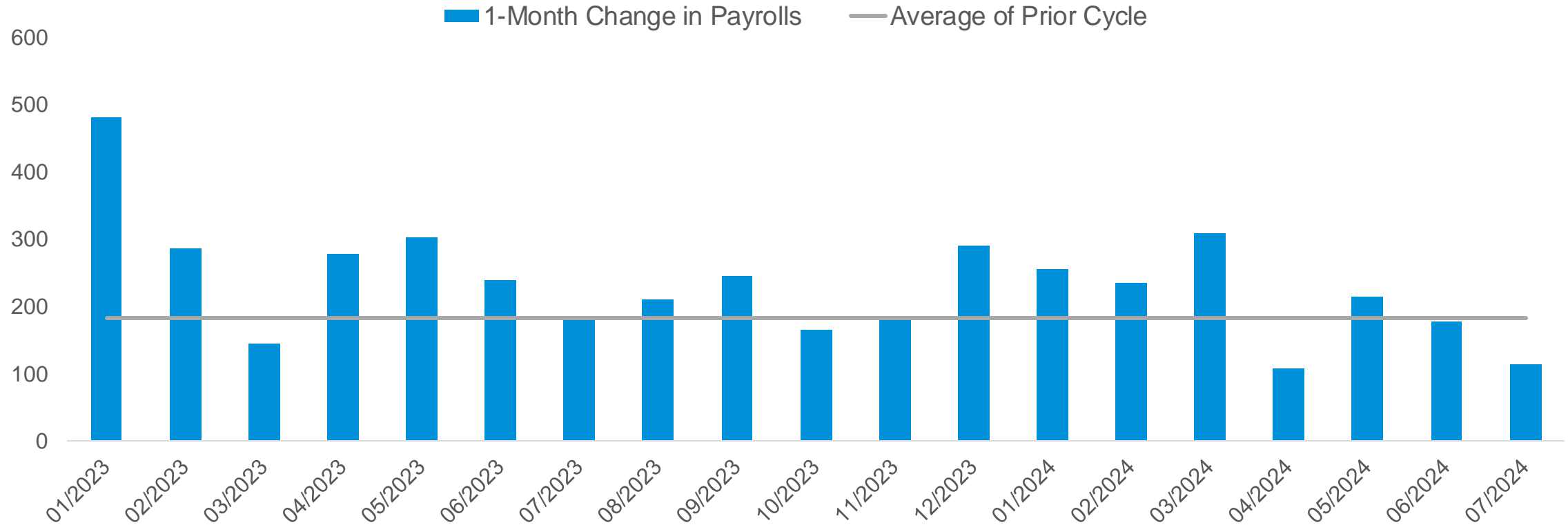
Core PCE Inflation y/y



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

With job growth slowing, Fed's focus shifts to labor market

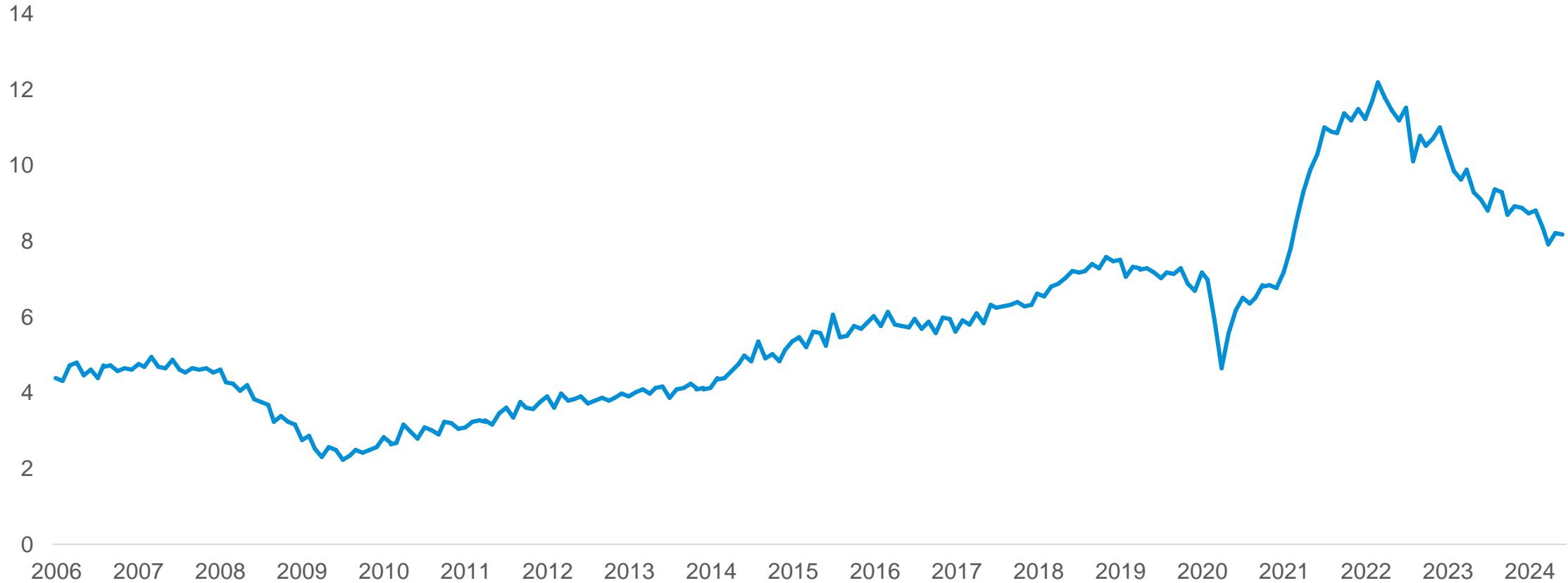
Monthly Change to Nonfarm Payrolls (Seasonally Adjusted, Thousands)



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

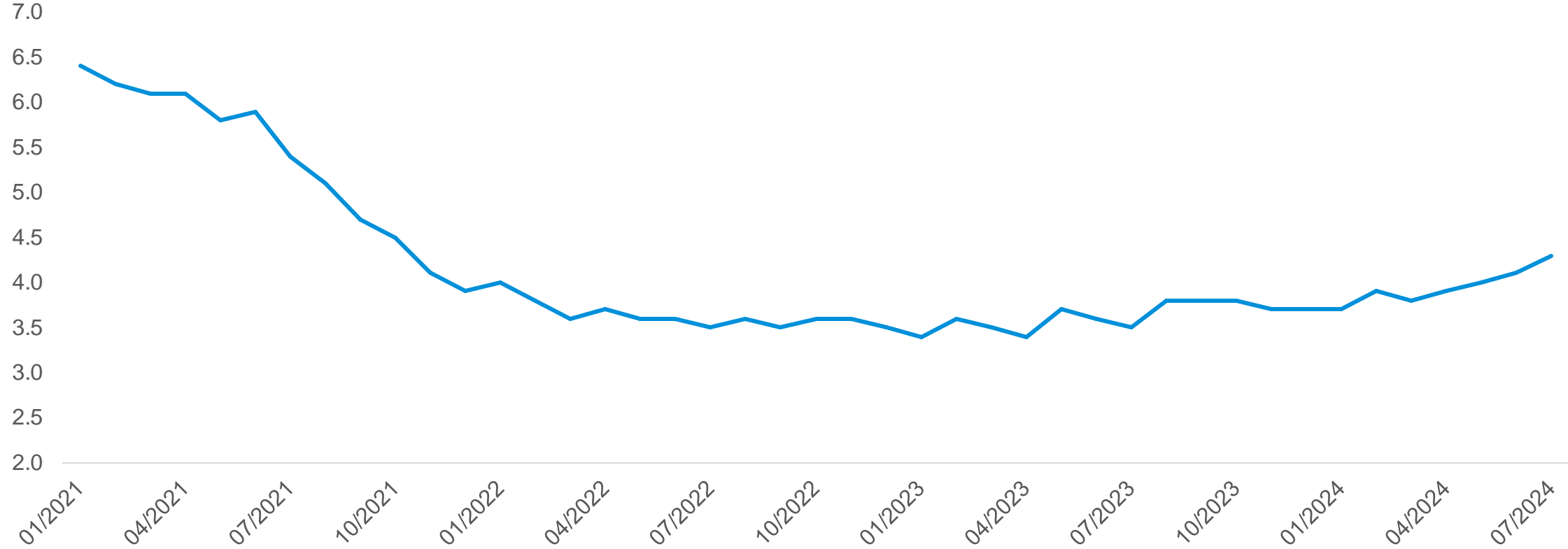
Job Openings (mm)



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

Unemployment relatively low, but has risen to highest level since Q1 2021

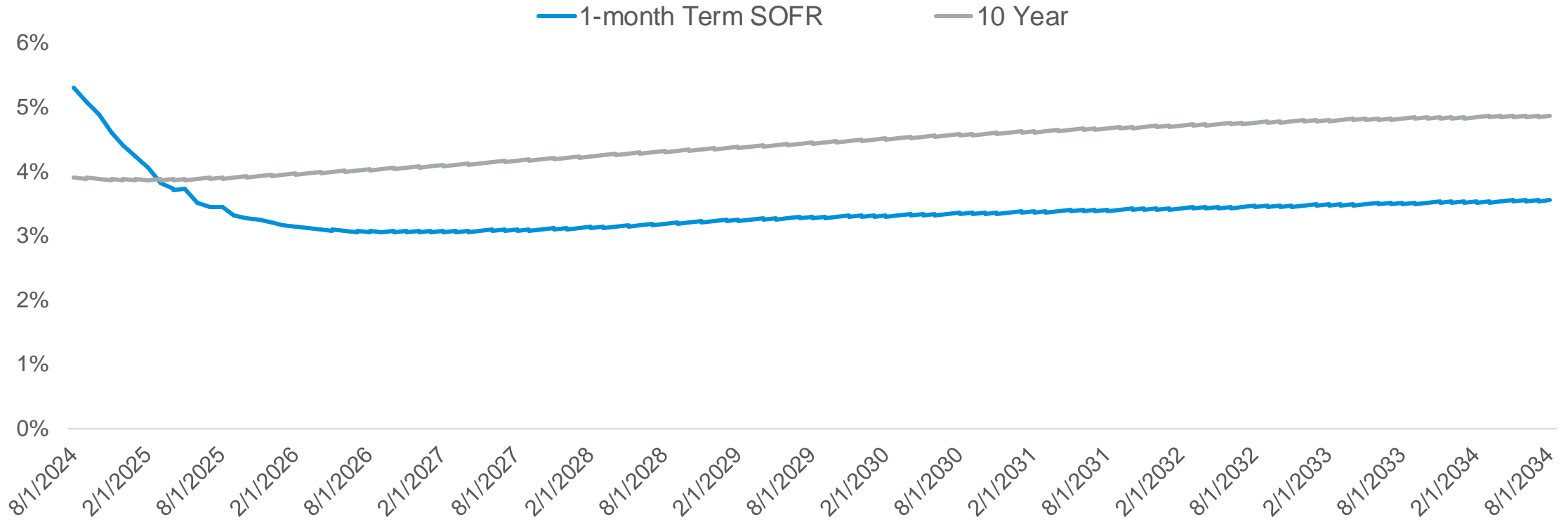
Unemployment Rate (%)



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



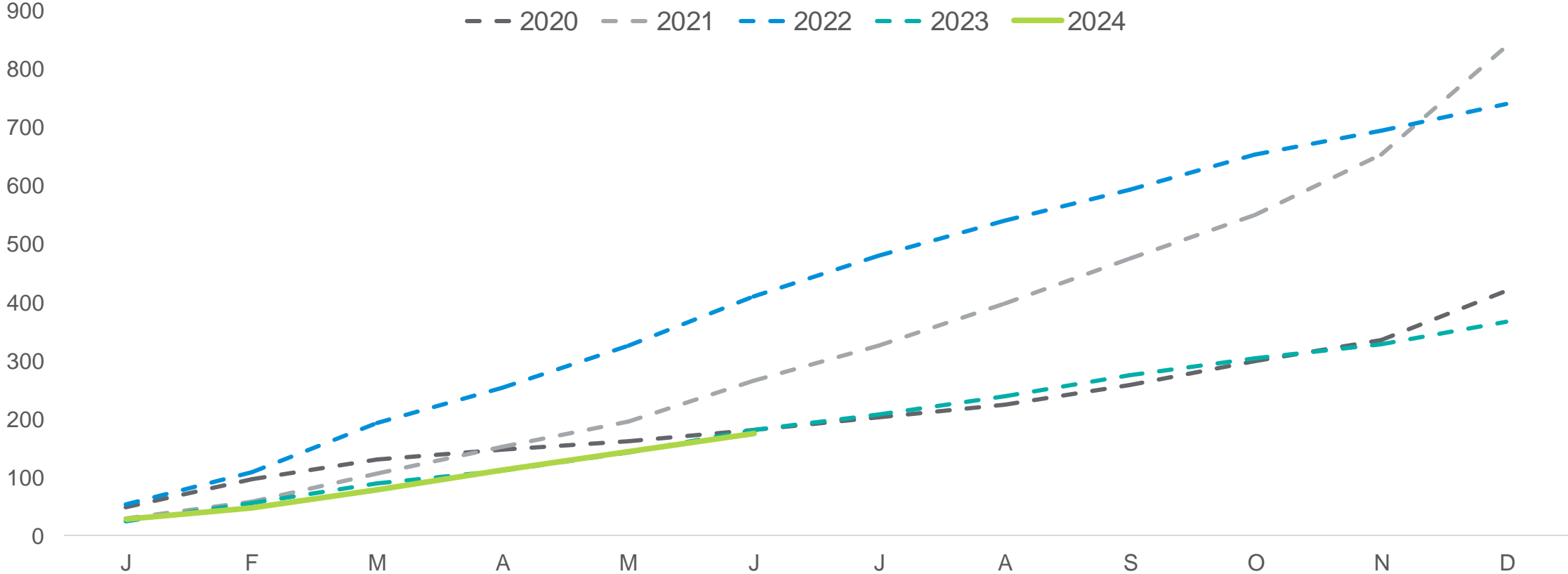
Sources: MIM, Chatham Financial. Data as of August 6, 2024.

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

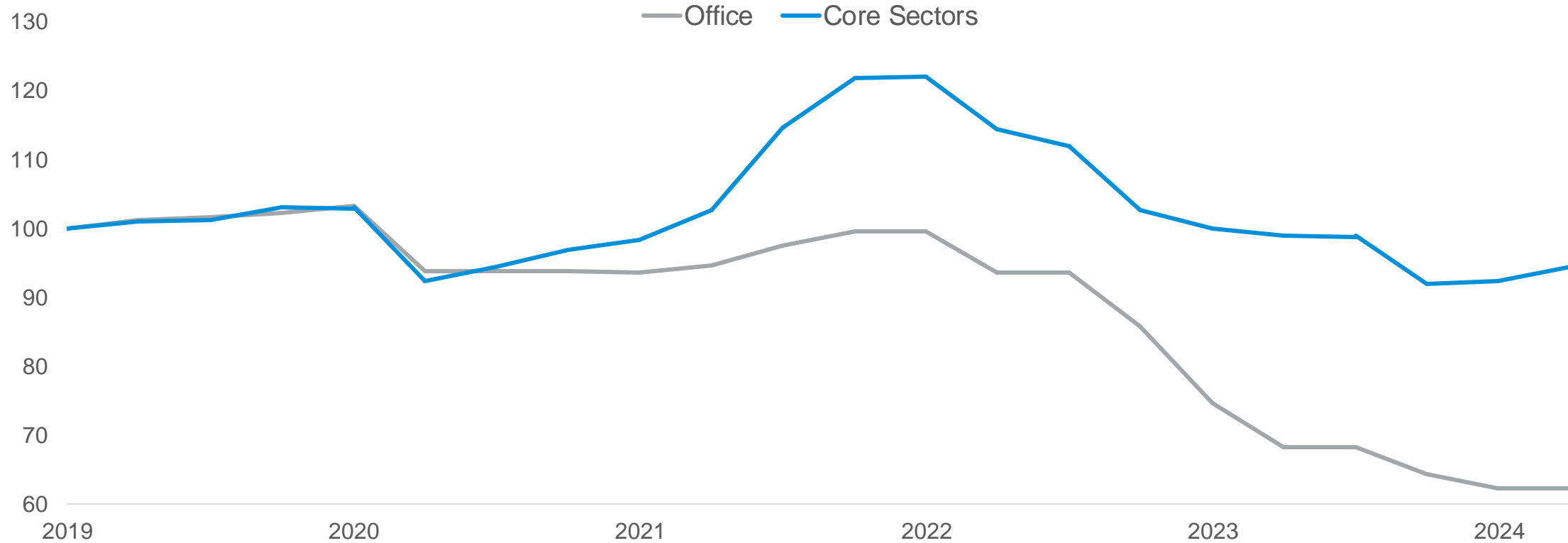
CRE Cumulative Transaction Volume (\$ Billions)



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

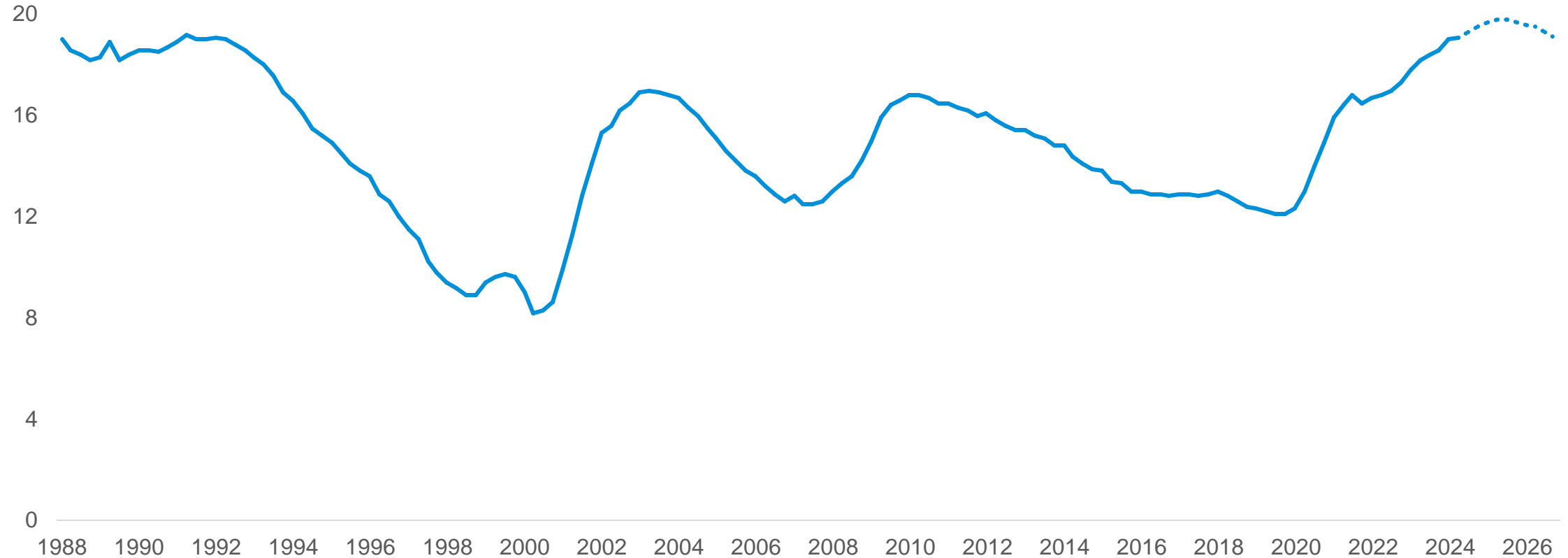


Sources: MIM, Green Street. Data as of June 2024.

Property Type Trends

Office vacancy beginning to level off, expected to peak in early 2025

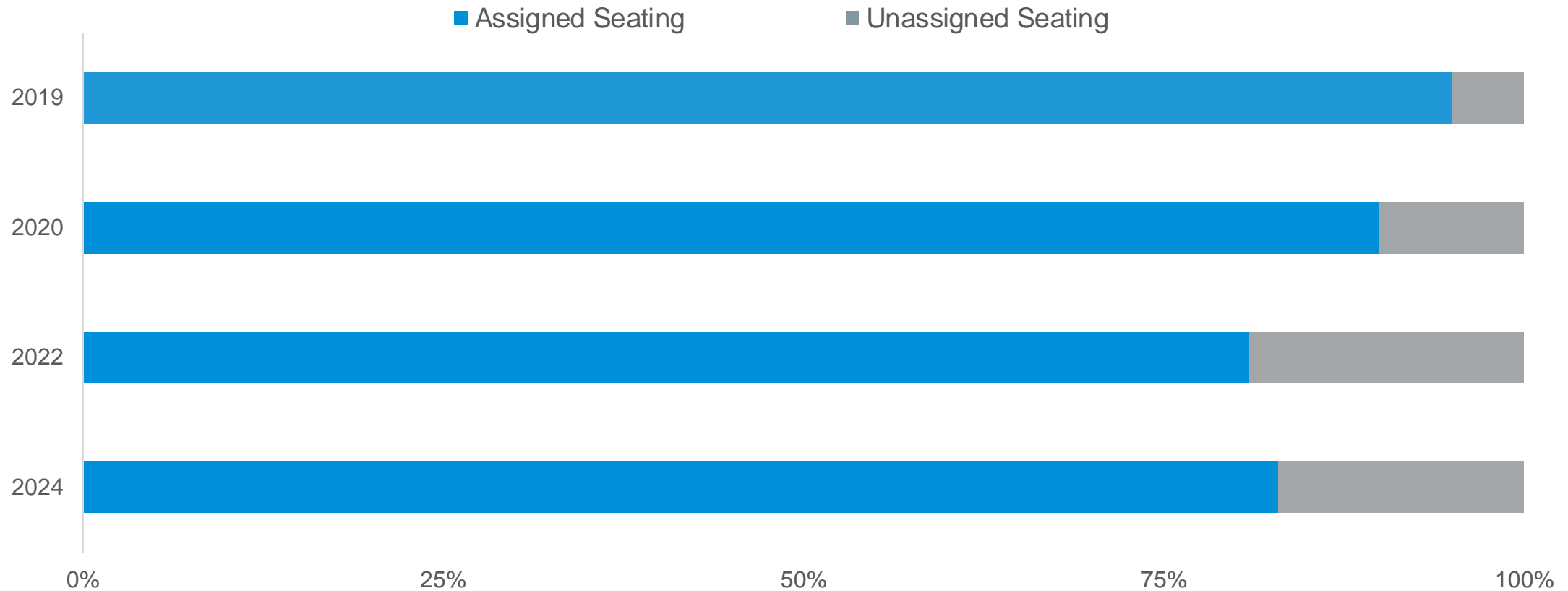
U.S. Office Vacancy with Forecast (%)



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

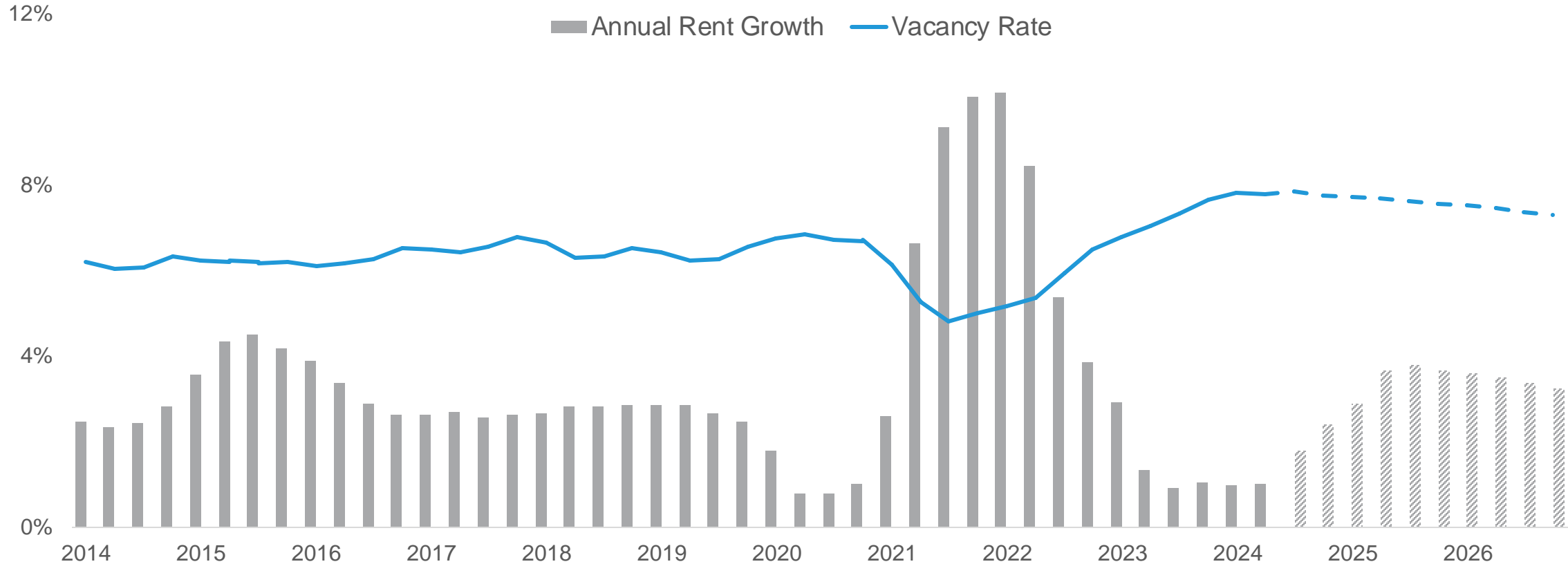
Office Vacancy Changes by Market (sorted by Vacancy)

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
National Average	19.1%	10	90	Inland Empire	8.6%	-10	-80

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

Multifamily fundamentals stabilized, positioned for improvement ahead

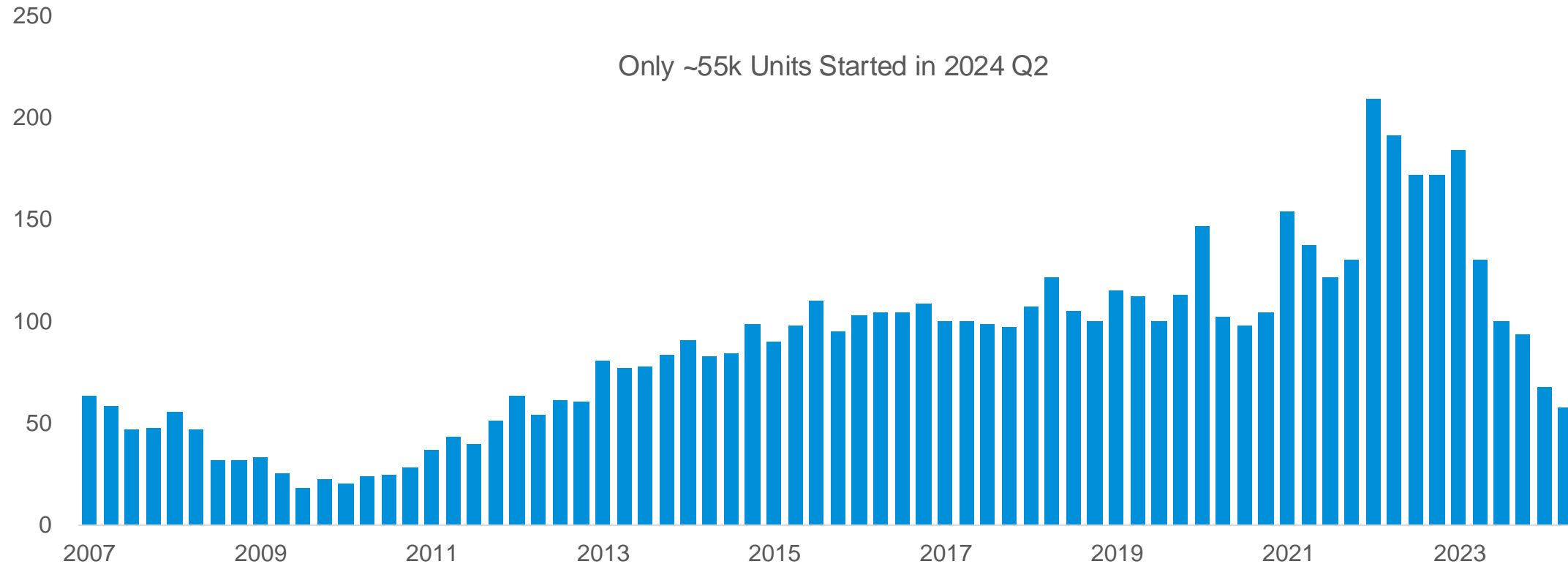
Multifamily Rent Growth and Vacancy Forecast



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

Plummeting multifamily construction will boost future fundamentals

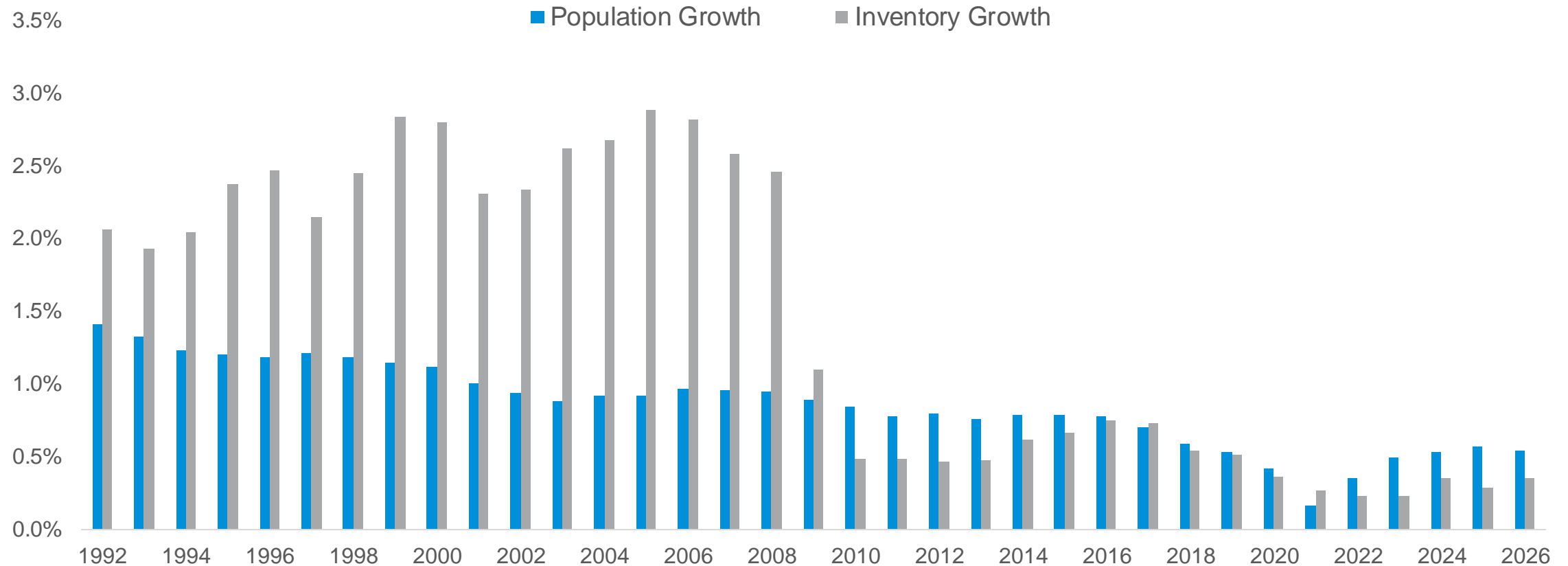
Multifamily Construction Starts



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

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

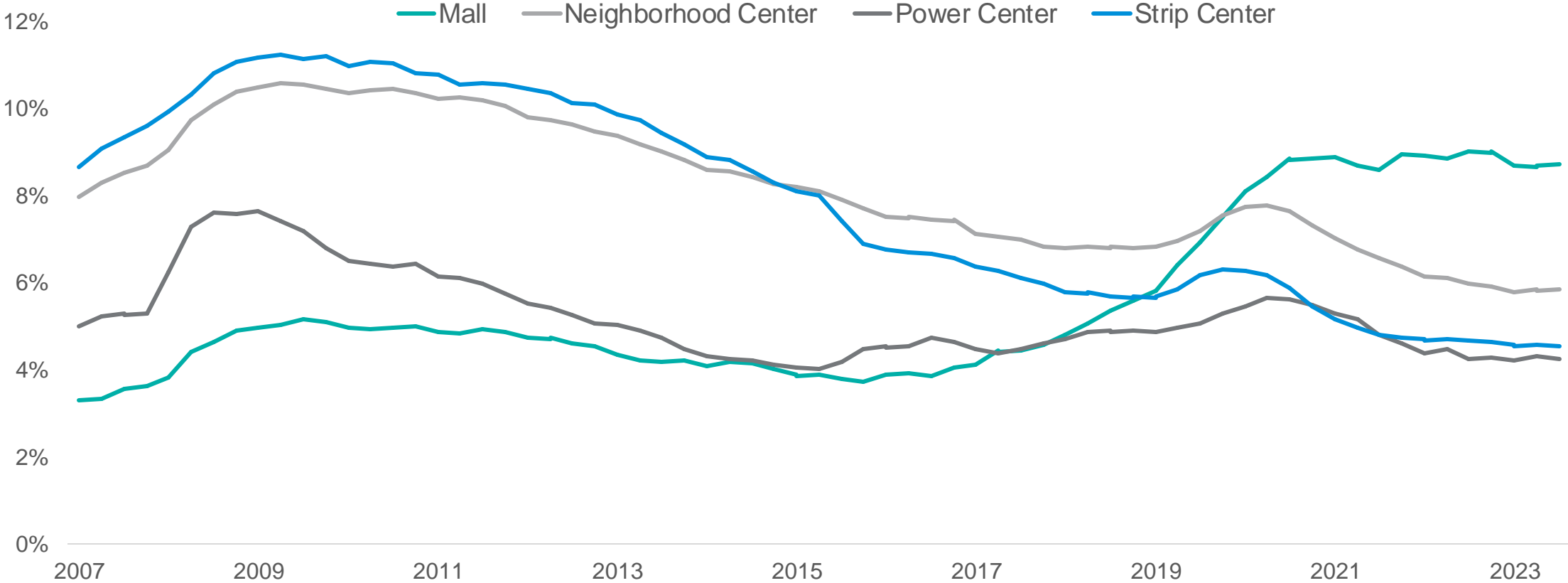
Population Growth/Retail Growth



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

Retail vacancy is at historic lows, aside from malls

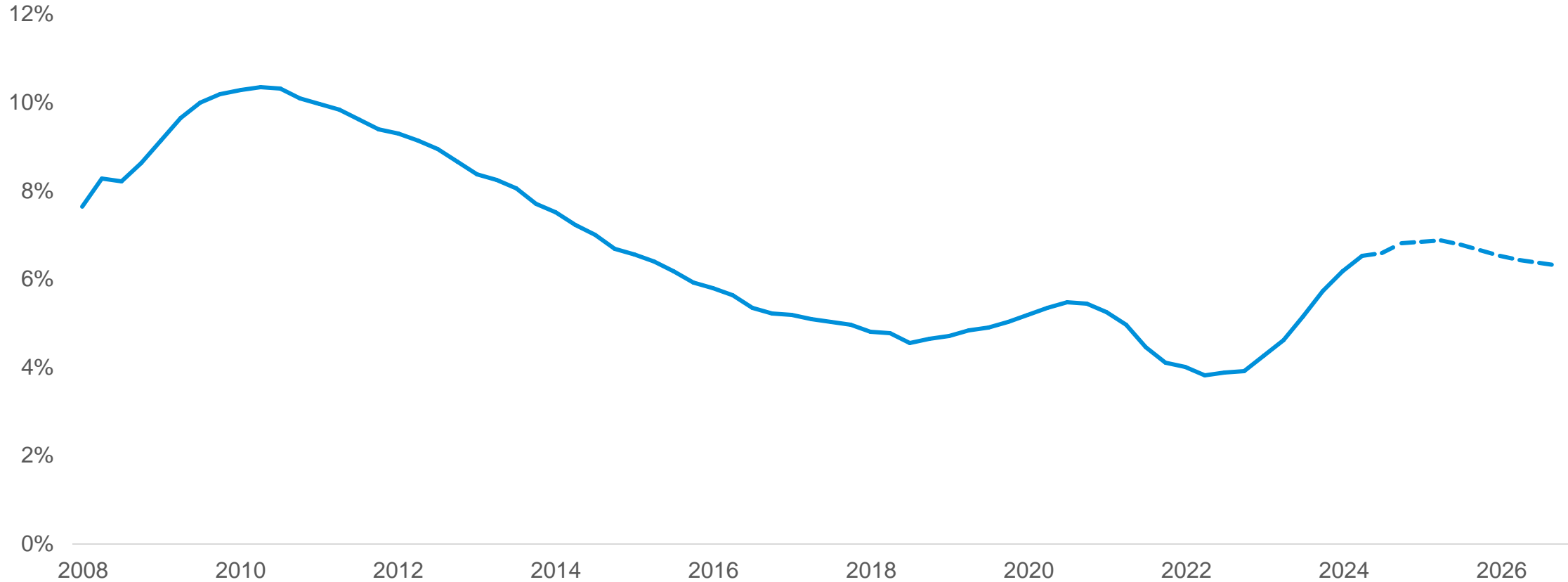
Retail Vacancy Rate by Subtype



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

Industrial vacancy will increase modestly over the next year

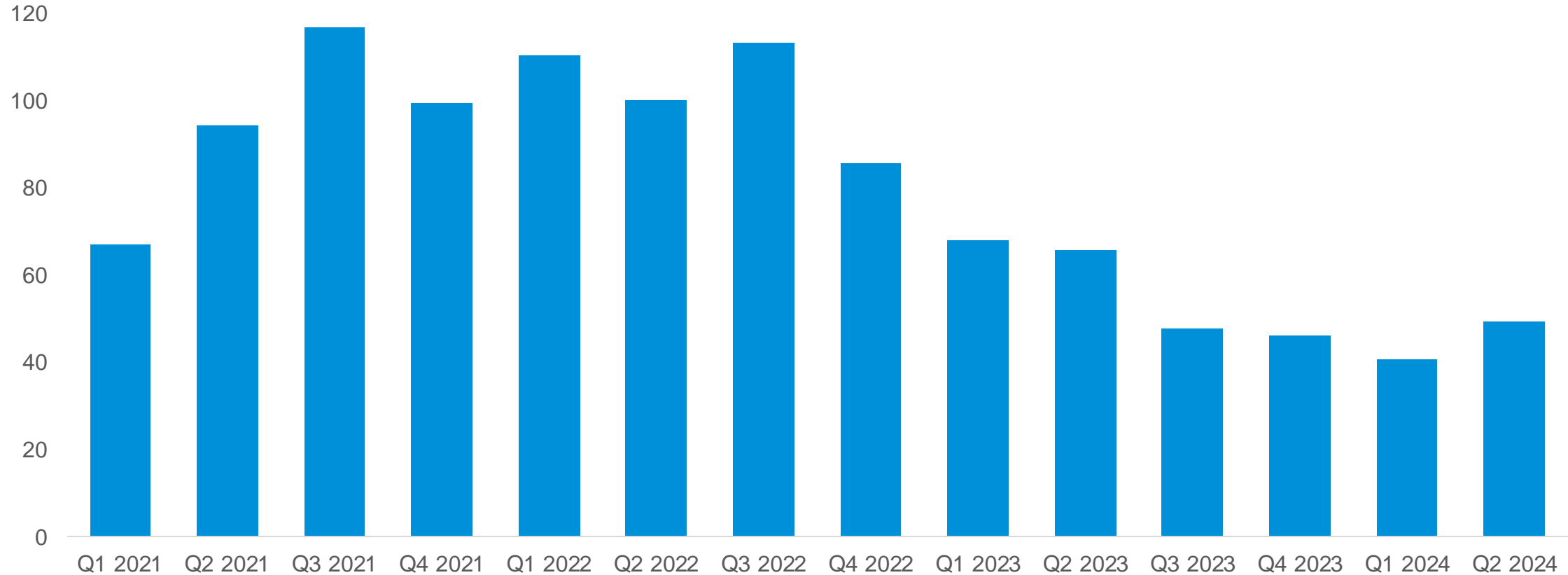
Industry Vacancy (%)



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

Significant decline in industrial starts will boost future fundamentals

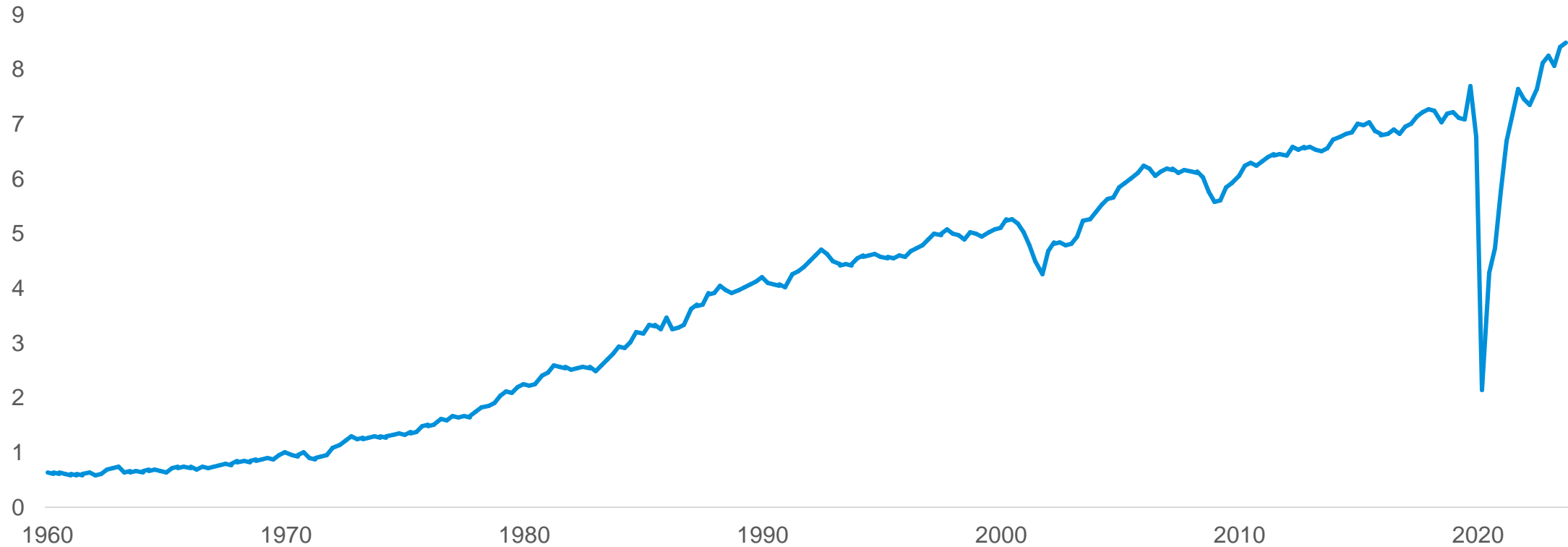
Industrial Construction Starts (mm sq. ft.)



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

Hotel stays continue to march higher

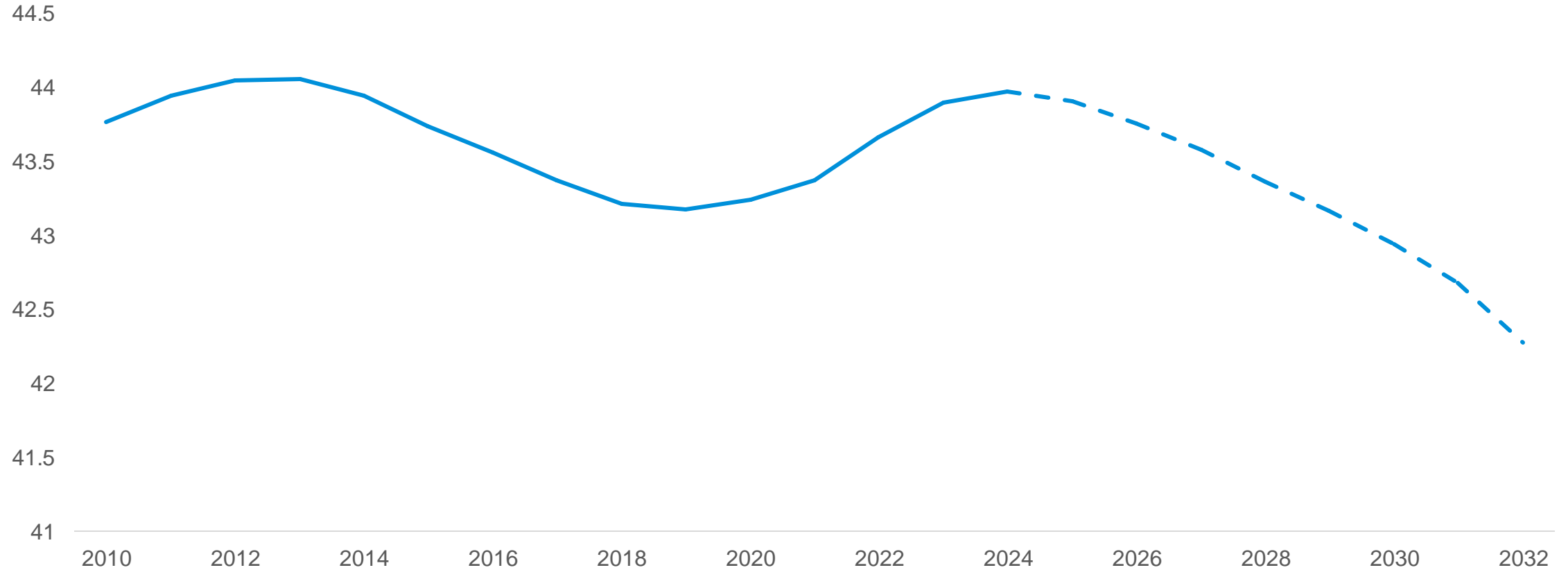
Average room stays per year per capita



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

Student housing facing demographic headwinds

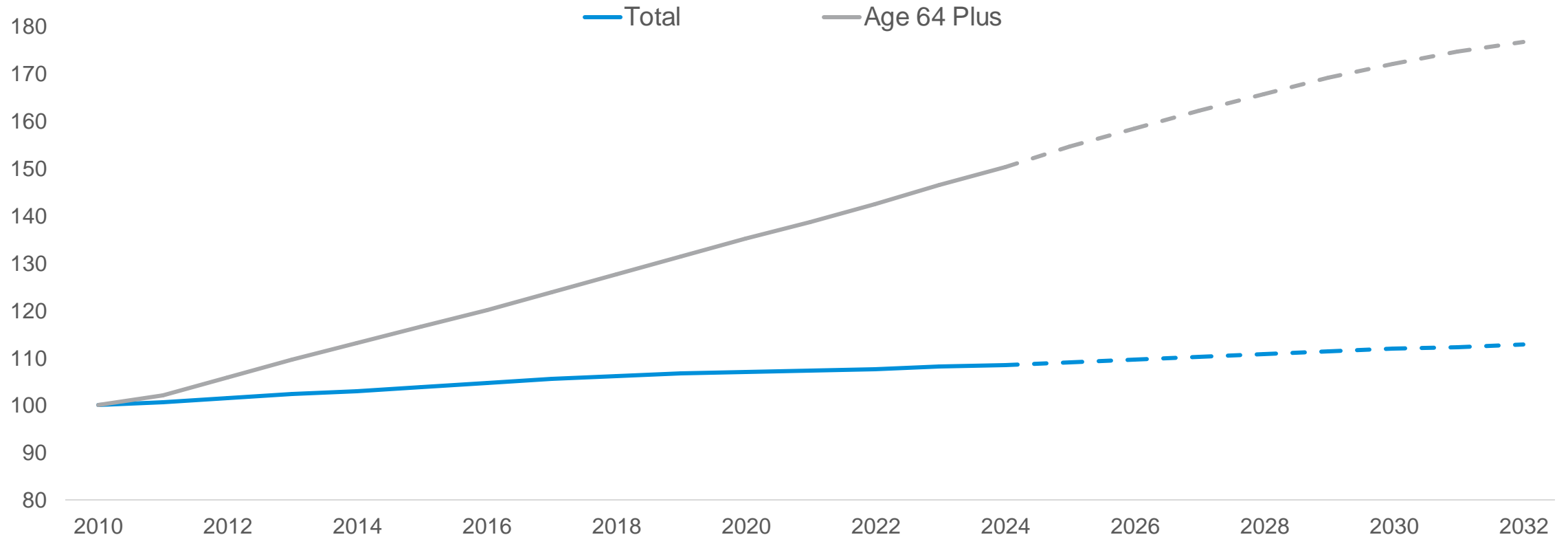
Population Age 15-24 (mm)



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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