

# NAI Global.

## Fall '19

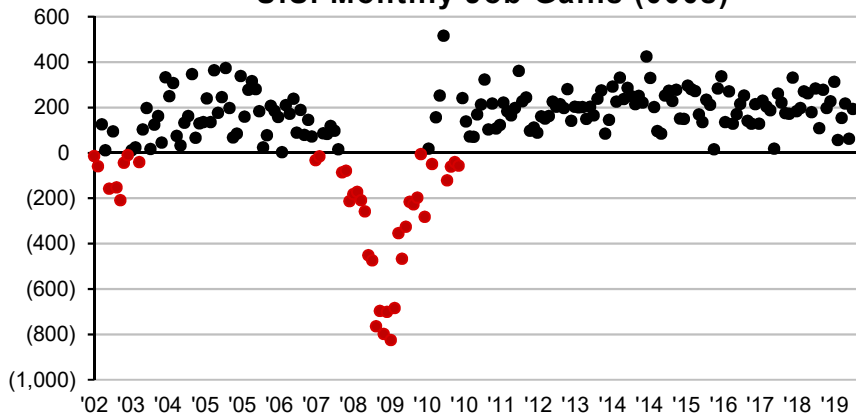
### CRE Market Update

Powered by Green Street Advisors

## Economic Overview

- Continued low unemployment rates have contributed to solid wage gains
- Slowing job and GDP growth, global concerns, and political uncertainty all led to the Fed's decision to cut rates
- Tariff threats and market volatility suggests consumer confidence might have tempered in August

U.S. Monthly Job Gains (000s)



Recent Economic Releases

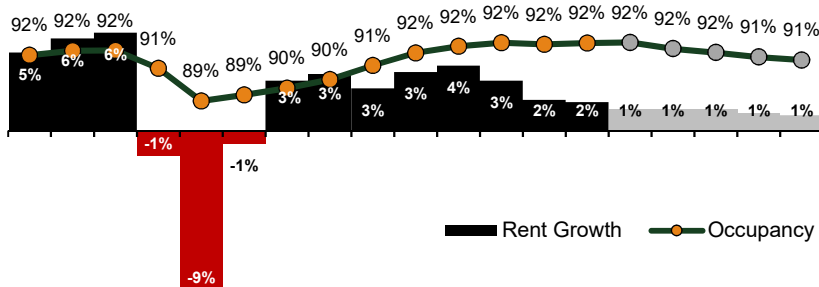
	Date	Cons.	Actual	
NF Payrolls	8/2	151 K	164 K	+
Unempl Rate	8/2	3.6%	3.7%	-
Retail Sales	8/15	0.3%	0.7%	+
CPI	8/13	0.2%	0.3%	+
CPI ex F&E	8/13	0.2%	0.3%	+
ISM Manuf	8/1	51.9	51.2	-
New Home Sales	8/23	645 K	635 K	-
Housing Starts	8/16	1,259 K	1,191 K	-
Consumer Conf	7/30	125.0	135.7	+
Personal Income	7/30	0.3%	0.4%	+

## Operating Fundamentals

- Industrial rents continue to reap the benefits from an ecommerce demand shock that is severely hurting malls
- Supply > demand in most other property types and will likely continue for the remainder of the cycle
- Modest economic growth and pops in supply growth means M-RevPAF growth is limited to inflationary-like gains

Occupancy and Rent Growth

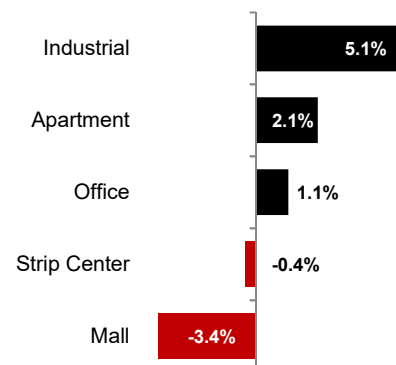
Major Sector Avg.



'05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19E'20E'21E'22E'23E

'19-'23E RevPAF Growth

Rent plus Occ. Changes

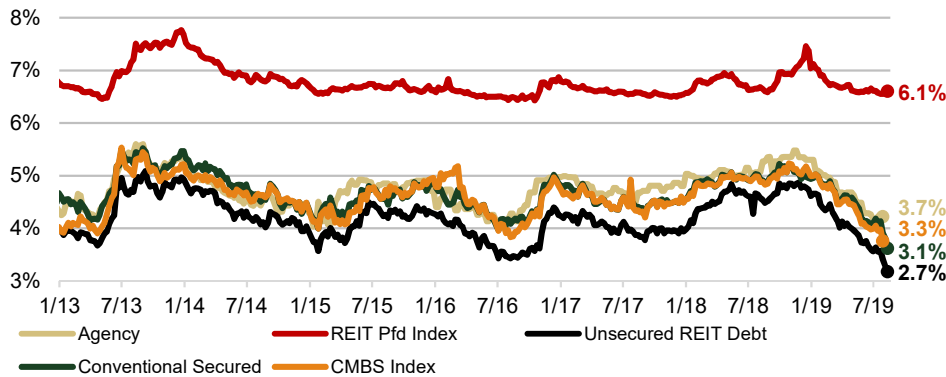


Source: BEA, BLS, Census Bureau, Federal Reserve, and Green Street Advisors.

## Real Estate Debt Markets

- The Fed lowered rates in July for the first time since '08; future pricing hints at an additional 2 or 3 cuts in '19
- Debt markets remain wide open for developers, especially in the favored industrial sector
- Commercial real estate companies have taken advantage of the low rate environment

### CRE Debt Costs by Type

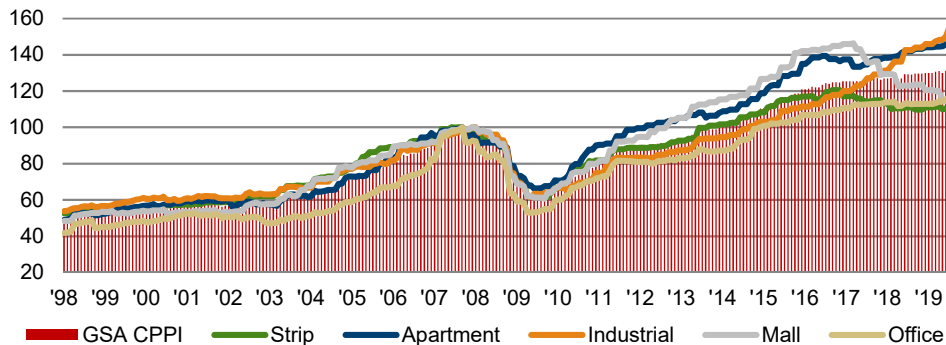


Metric	Rate	Δ (bps)	
		1mo	12mo
10-Yr Treasury	1.53%	-54	-128
Fed Funds	2.25%	-25	+25
1-Mo LIBOR	2.15%	-9	+7
Baa Corp 30 yr	3.87%	-38	-85
High Yield	5.73%	-9	-46
Conv Secured	3.09%	-54	-126
CMBS Index	3.25%	-22	-107
Agency 10 yr	3.72%	-1	-105
REIT Pref Index	6.14%	+9	+4
30-Yr Mortgage	3.73%	-14	-67

## Public and Private Market CRE Pricing

- Property values remain relatively steady, with exceptions of industrial rising and malls falling
- Despite declining Treasury yields, economic uncertainty will likely keep a lid on price appreciation
- Real estate is fairly valued vs REITs and slightly cheap vs. investment and non-investment grade bonds

### CPPIs: Indexed to 100 in 2007



Sector	Index Value	CPPI Changes	
		1mo	12mo
Apartment	146	0%	3%
Industrial	156	0%	9%
Mall	115	0%	(7%)
Office	116	0%	2%
Strip	111	0%	(0%)
<b>Major Sectors</b>	<b>132</b>	<b>0%</b>	<b>3%</b>

### REIT NAV Premiums / Discounts



Sector	Prem to NAV	Total Returns	
		1mo	12mo
Apartment	3%	2%	23%
Industrial	12%	2%	25%
Mall	(18%)	1%	(11%)
Office	(18%)	4%	4%
Strip	(7%)	3%	6%
<b>Major Sectors</b>	<b>(7%)</b>	<b>0%</b>	<b>11%</b>

Note: Pricing as of August 2019.

Source: BAML, Bank Rate, Bloomberg, CommercialBanc, CWSG, Federal Reserve, ICE Benchmark Administration, Moody's, U.S. Treasury, and Green Street Advisors.

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