



MAKING DECISIONS IN REAL TIME  
AMID UNCERTAINTY  
RCLCO Monthly Round-Up

Featuring: Adam Ducker, Taylor Mammen and Bill Maher

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# TODAY'S PANELISTS



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# MAKING DECISIONS IN REAL TIME AMID UNCERTAINTY

## Topics

- Recession
- Property Markets
- Interest Rates
- Cap Rates
- Construction Costs
- Industrial
- Single Family
- Office

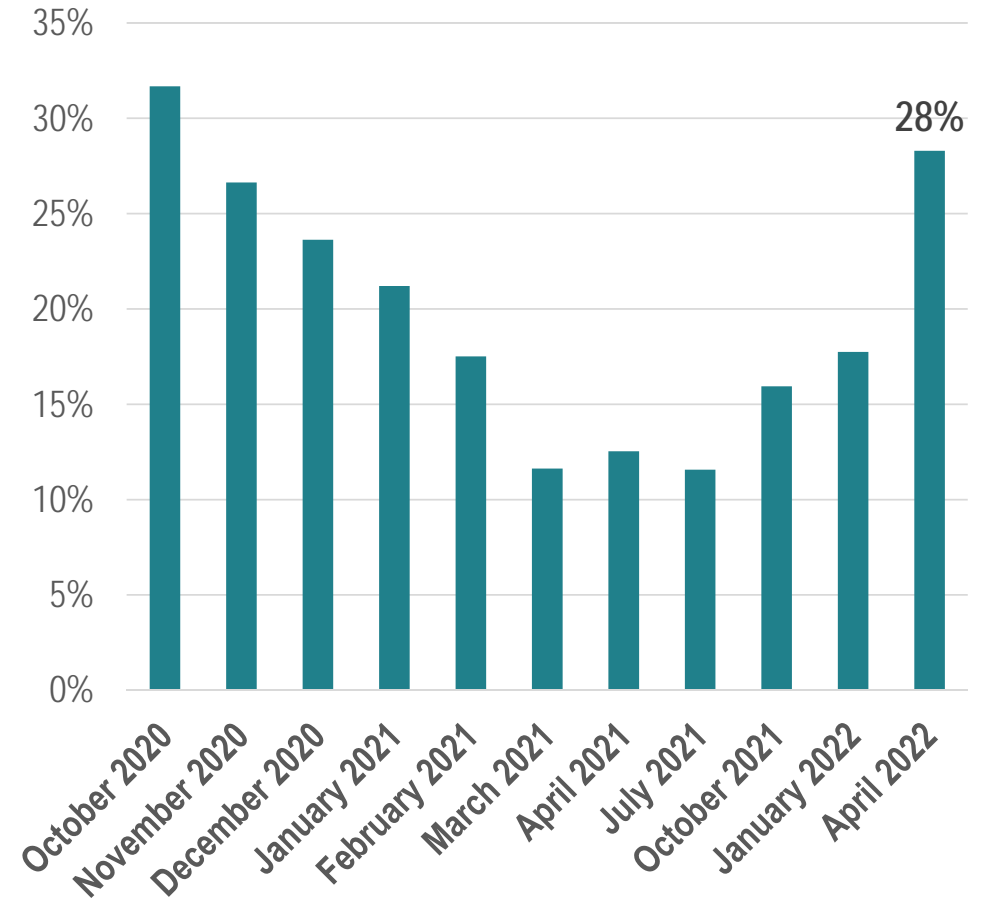
# ARE WE HEADING INTO A RECESSION?

## Recession Fears Increase as Fed Looks to Combat Inflation

### Probability of Recession

	As Of	Timeframe (mos.)	Probability
Morgan Stanley	May-22	12	25%
WSJ Average	Apr-22	12	28%
Goldman Sachs	May-22	12-24	30%
Bankrate's Economic Indicator	1Q 22	12-18	33%
S&P Global	May-22	12	35%
Reuters	Apr-22	24	40%
Moody's	May-22	24	50%
Deutsche Bank	Apr-22	12	100%

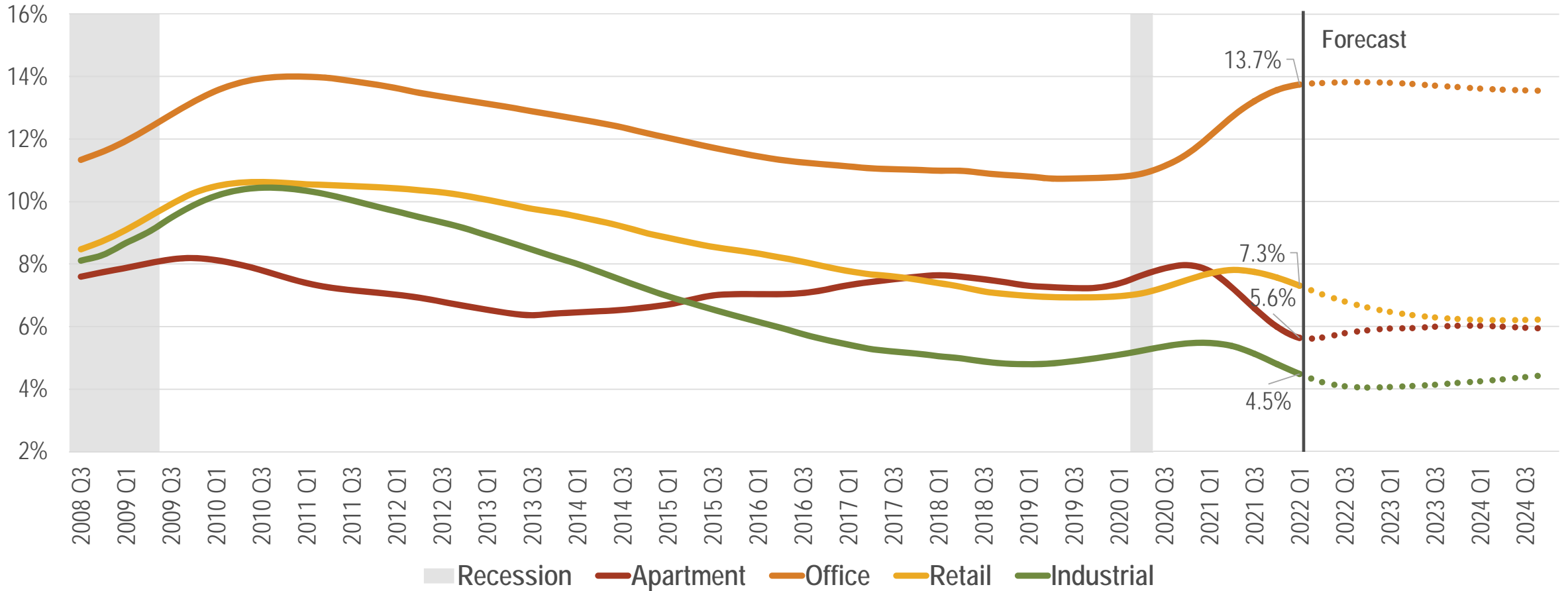
WSJ Probability of Recession in Next 12 Months



# WILL REAL ESTATE FUNDAMENTALS HOLD UP IN A RECESSION?

Industrial, Apartment and Grocer Retail Well Below Average

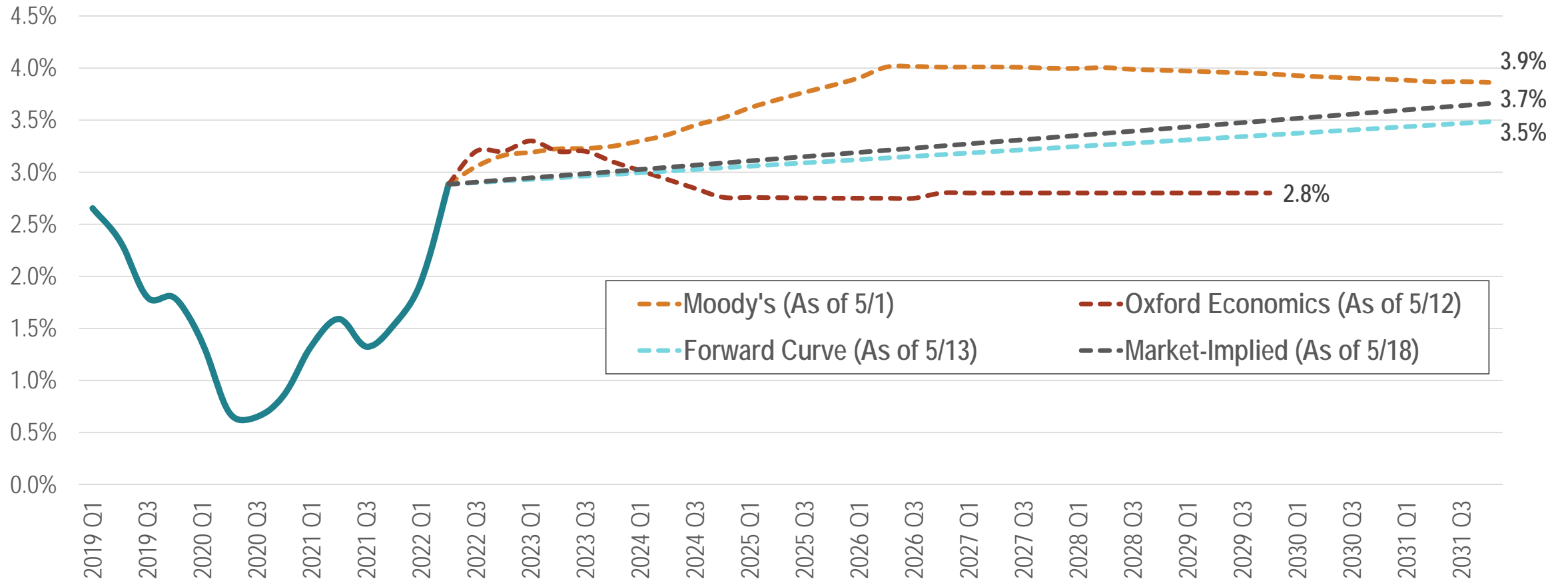
Vacancy Rates



# WHERE ARE INTEREST RATES HEADING?

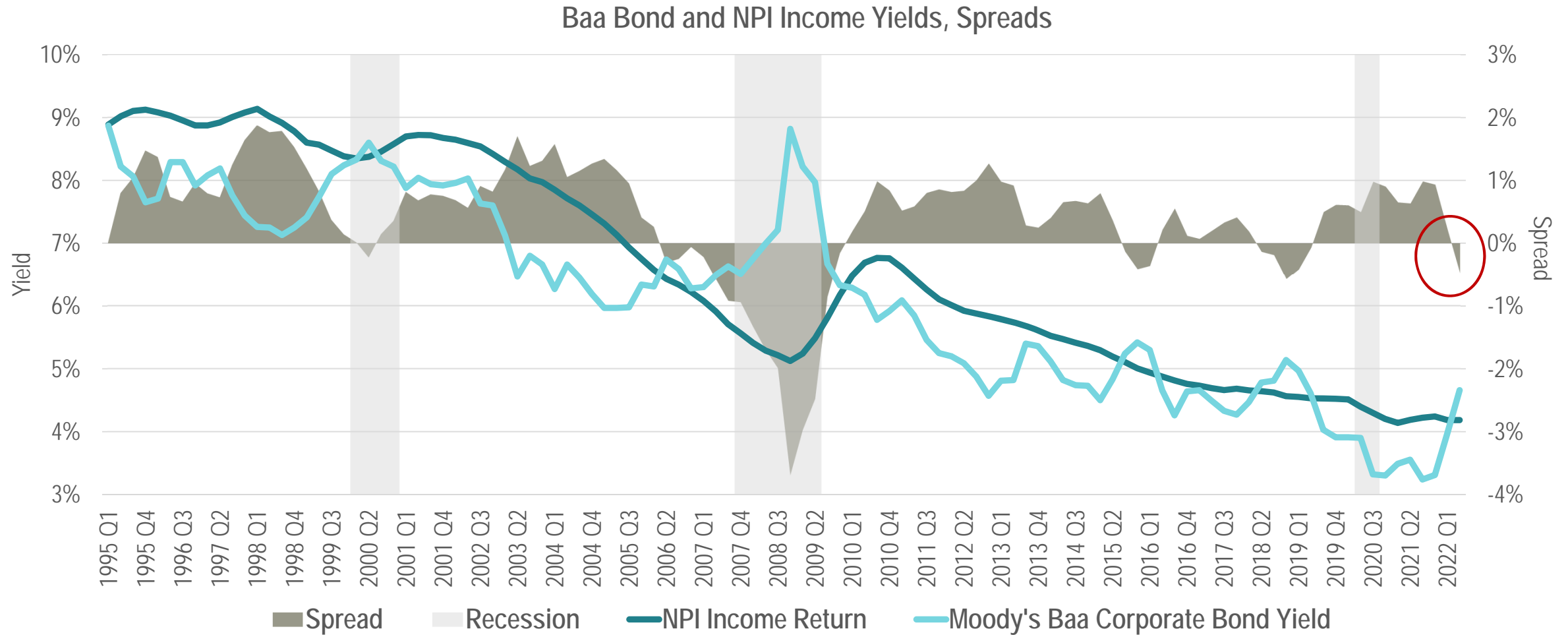
Long-term Interest Rate Forecasts Vary but Up Moderately

10-Year US Treasury Yield and Forecasts: Quarterly



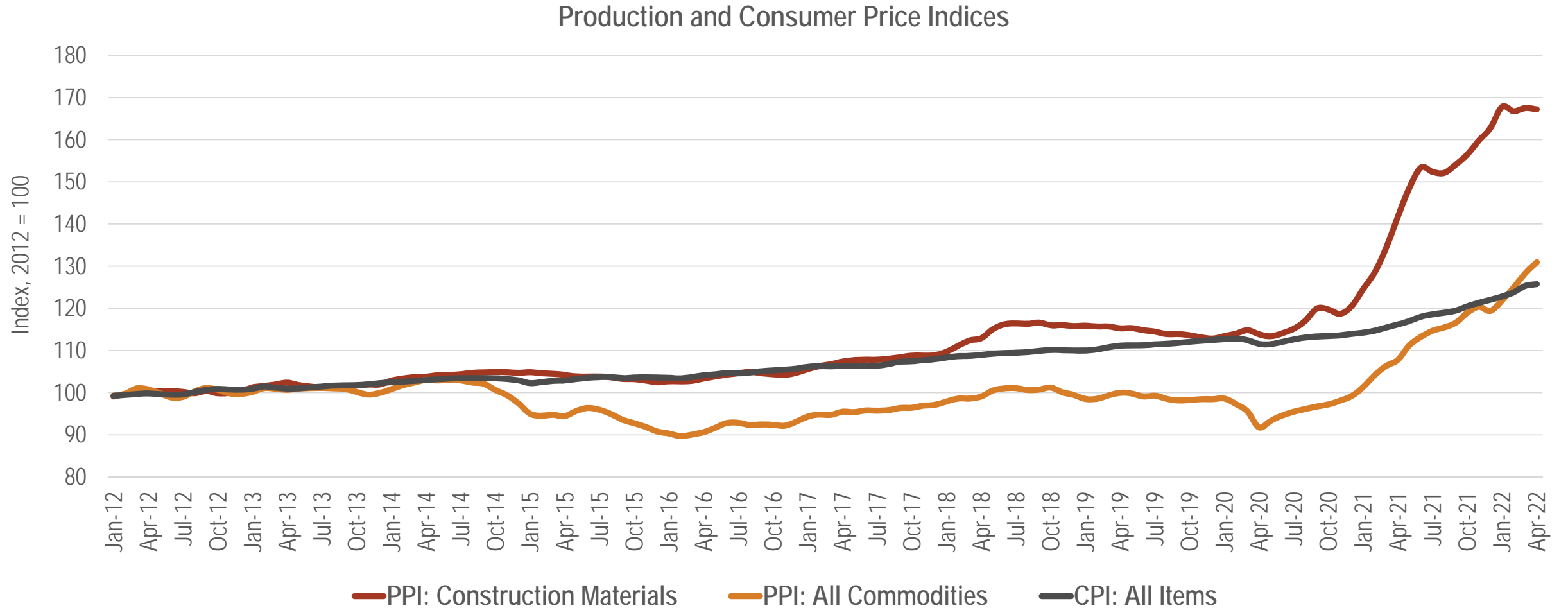
# WHAT ABOUT REAL ESTATE CAP RATES?

Spread to NPI Income Inverts in April as Baa Yields Increase



# WILL HIGHER MATERIALS COSTS SLOW DOWN CONSTRUCTION?

Construction Materials Rising Much Faster than CPI and PPI

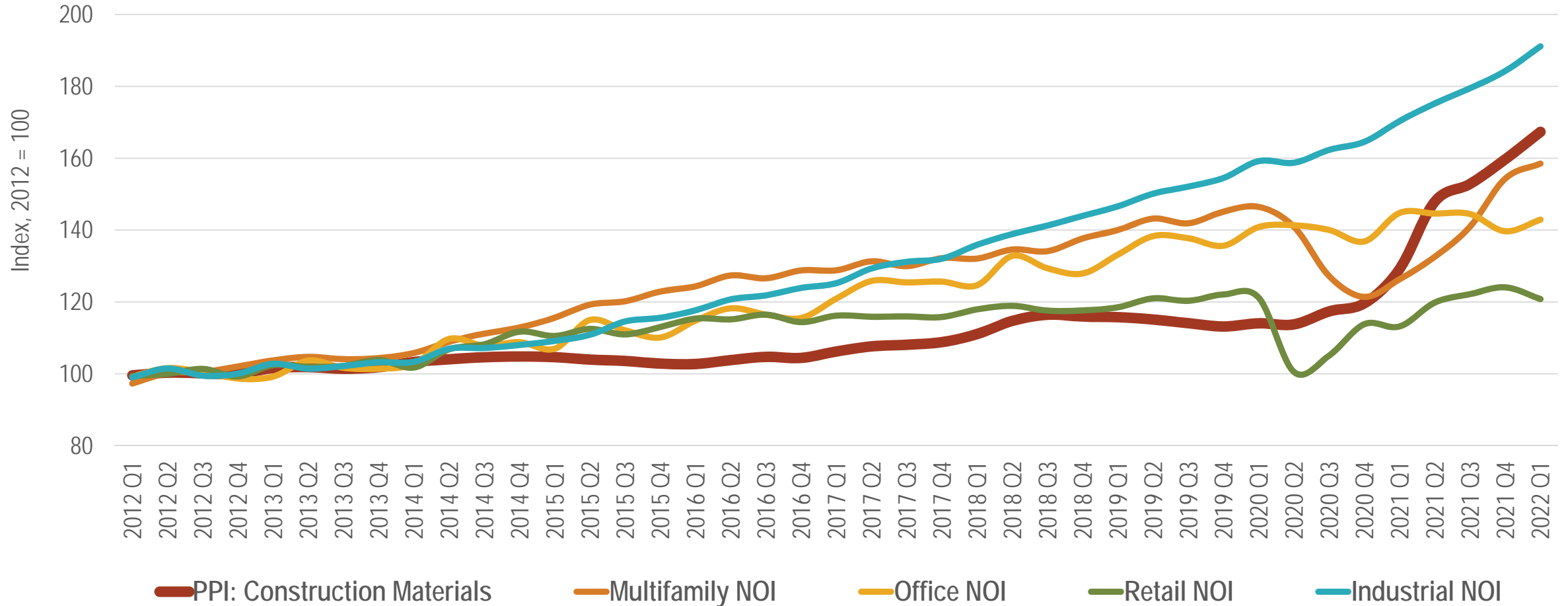




# WILL HIGHER CONSTRUCTION COSTS SLOW DOWN CONSTRUCTION?

Industrial NOI Growth Has Outpaced Construction Inflation Since 2012, Multifamily Close

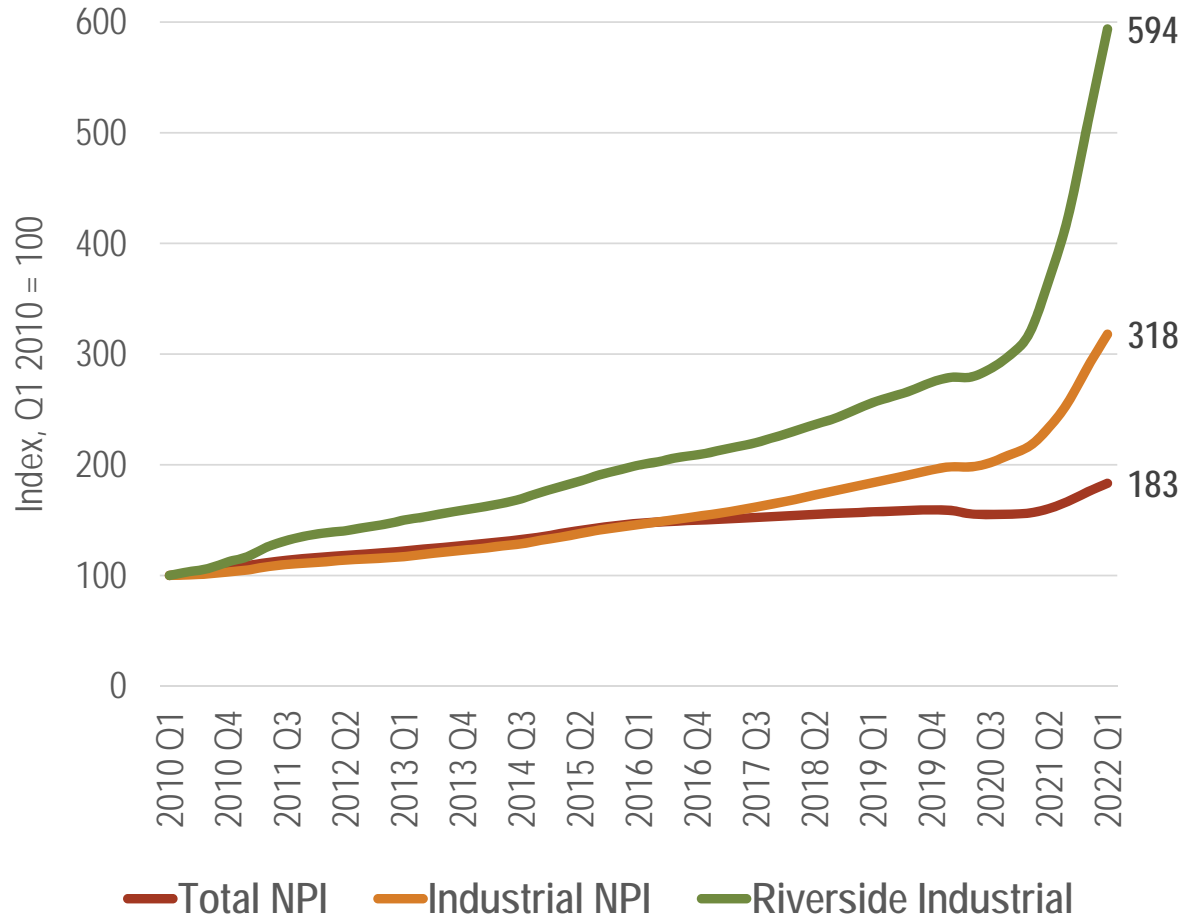
### Construction Costs and Real Estate NOI



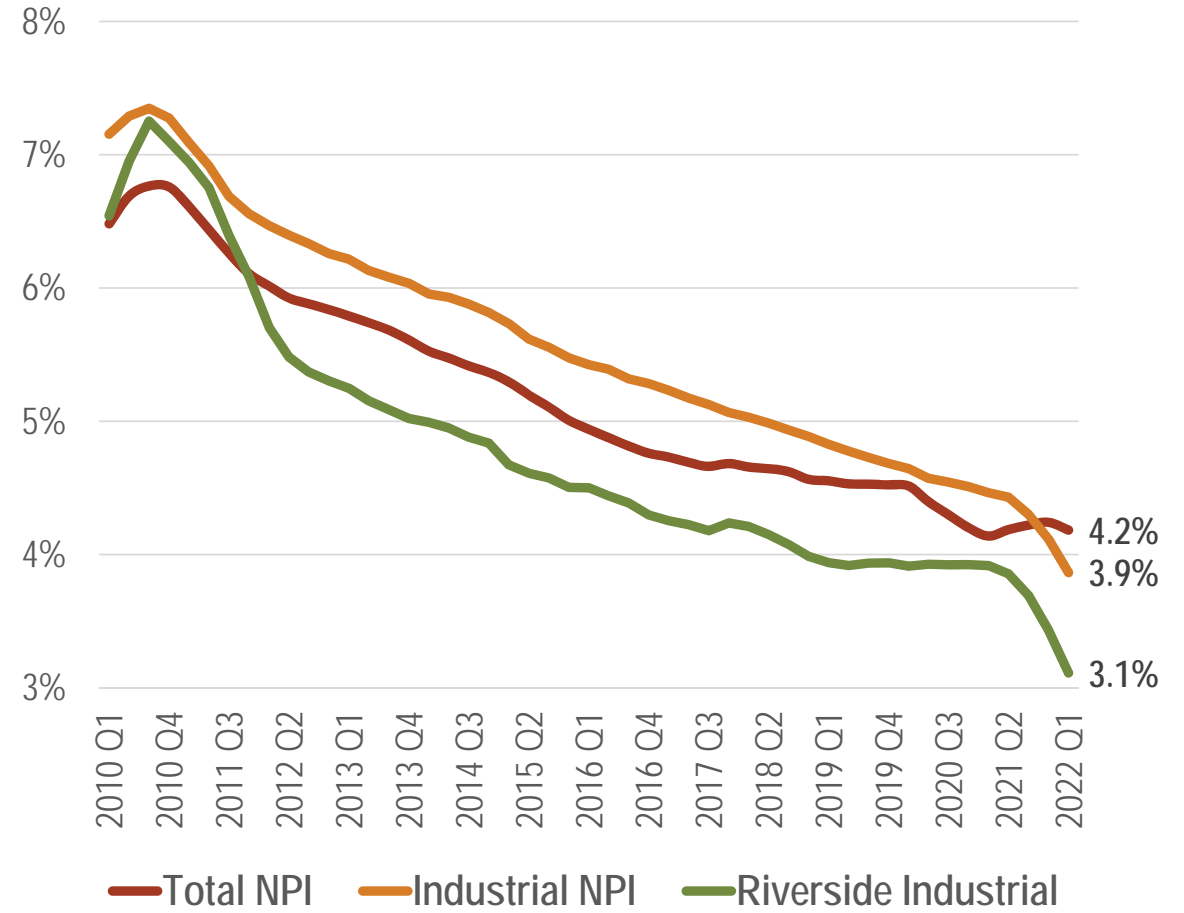
# IS THERE AN INDUSTRIAL BUBBLE?

Industrial Appreciation Outpaces NPI, Riverside Leads Industrial Pack

### NPI Real Estate Appreciation



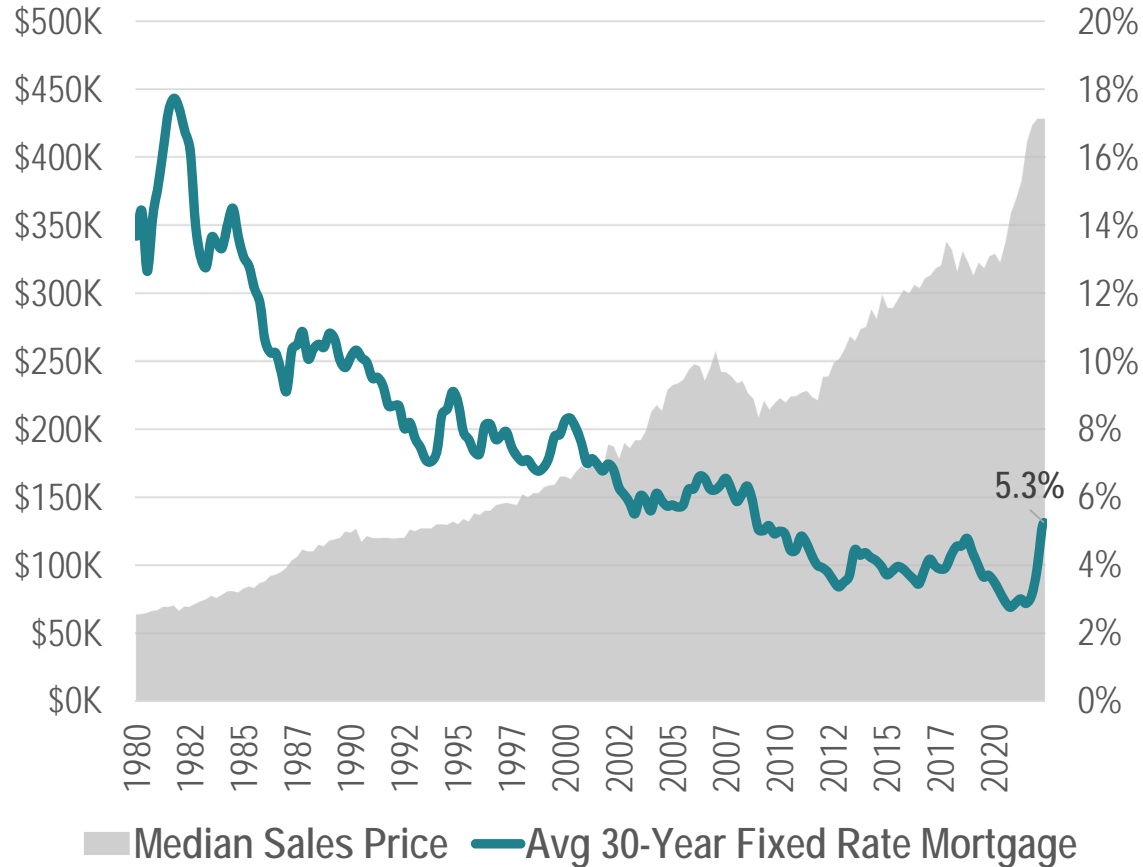
### NPI Trailing 4Q Income Yields



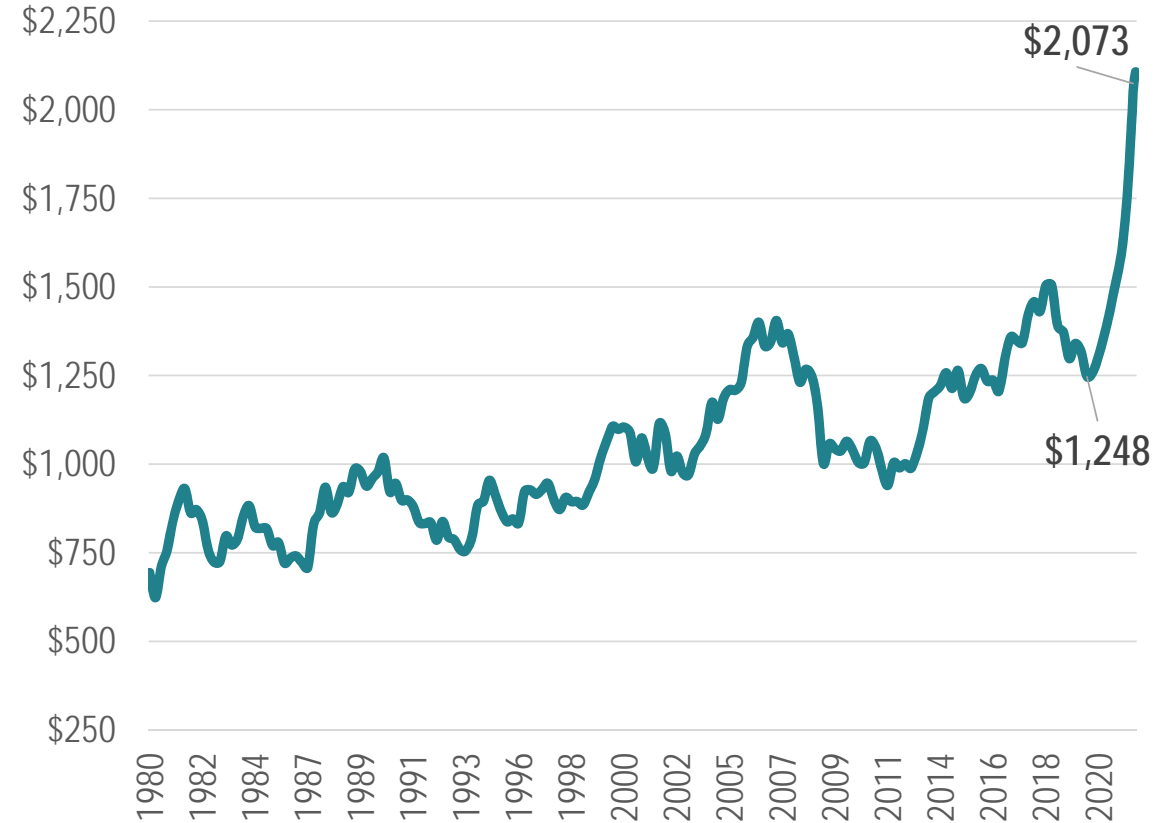
# WILL RISING PRICES, INTEREST RATES IMPACT HOUSING MARKET?

Rising Home Prices Keep Monthly Costs High Despite Low Rates

### Housing Prices and Mortgage Rates



### Avg Monthly 30-Yr Fixed Mortgage Payment at Median Sales Price



Data as of May 19, 2022.

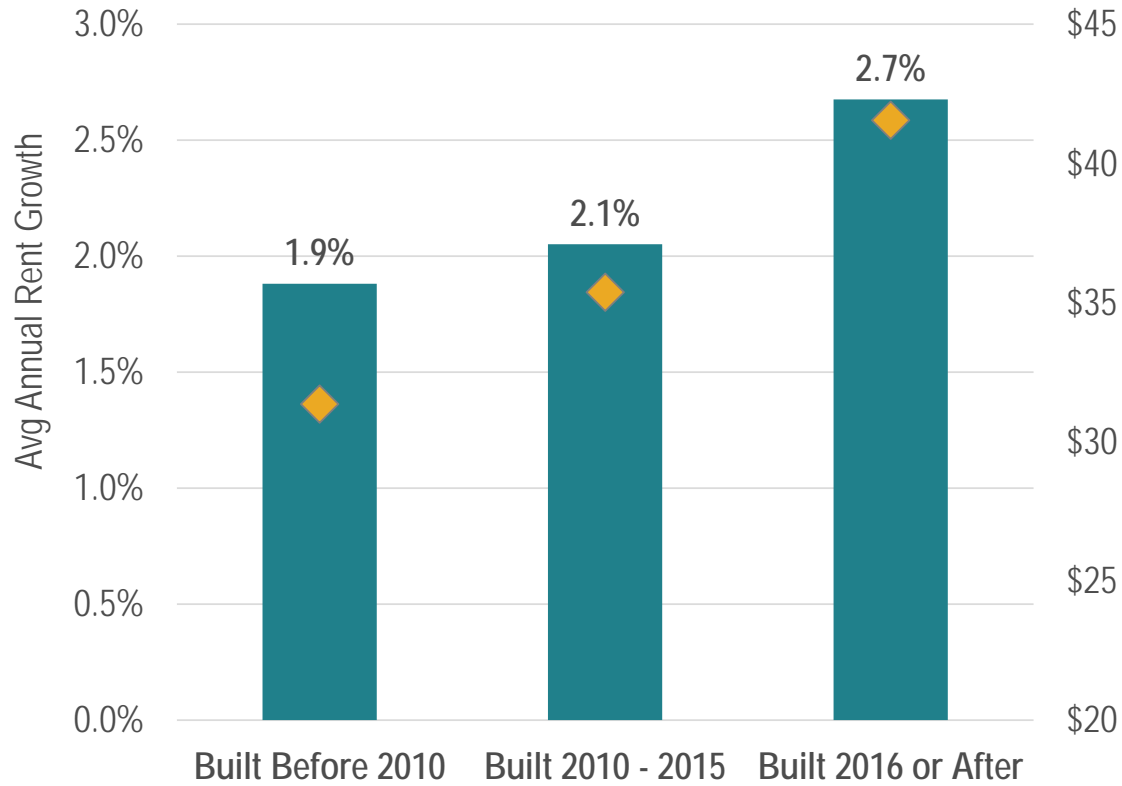
Note: Monthly payments reflect principal and interest payments on a 30-year fixed rate mortgage with an 89% LTV at the prevailing median home sales price and average mortgage rate; payment does not include insurance, property tax, HOA dues, or PMI.

Source: Federal Reserve Bank of St. Louis; Freddie Mac

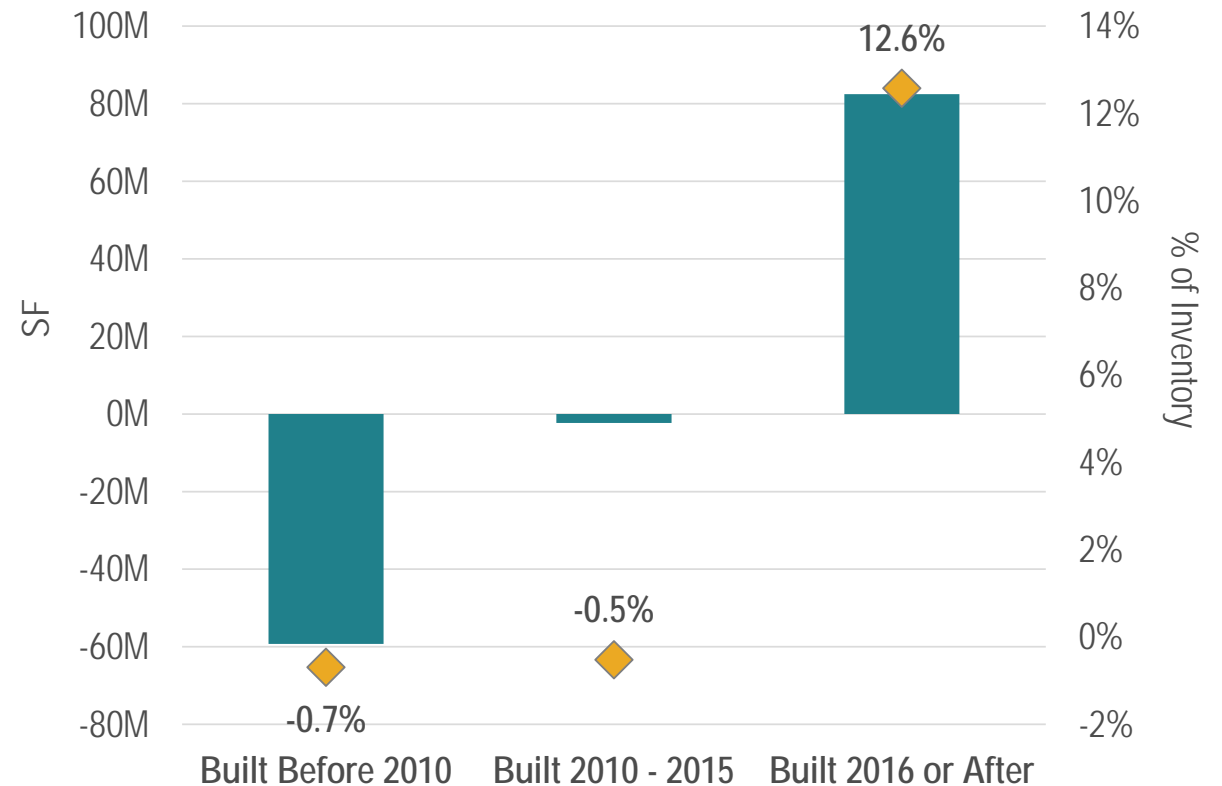
# WHAT IS OUR VIEW ON THE OFFICE MARKET?

Offices Built After 2016 See Highest Rent, Strongest Rent Growth and Absorption

### Market Rents by Vintage



### 12-Month Net Absorption by Vintage



■ 5-Yr Avg Annual Rent Growth    ◆ Market Rent/SF

■ Net Absorption (M SF)    ◆ Net Absorption (% of Inventory)



The information contained in this report is confidential, may be legally privileged, and is intended only for the use of select clients of RCLCO Fund Advisors.

Note: CoStar data are filtered for class A&B; rent figures refer to market asking rent.  
Source: CoStar

# THANK YOU!



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