



OUTLOOK FOR THE REAL ESTATE MARKET & MULTIFAMILY SECTOR OVERVIEW

RCLCO Monthly Webinar

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TODAY'S PANELISTS



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AGENDA

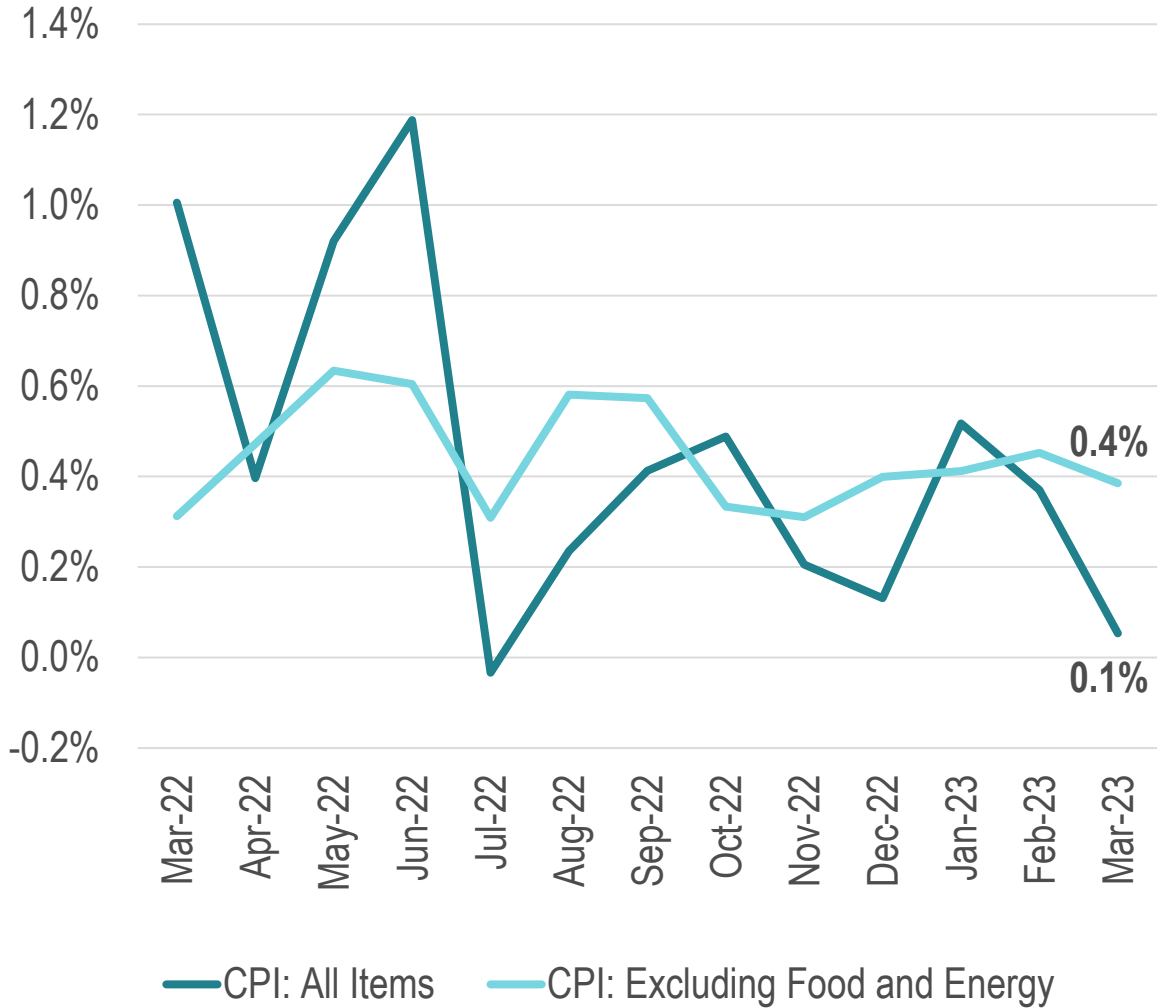
- ▶ **Macroeconomic Update**
- ▶ **Multifamily Market Fundamentals**
- ▶ **Multifamily Capital Markets**
- ▶ **Q&A**

ECONOMIC UPDATE

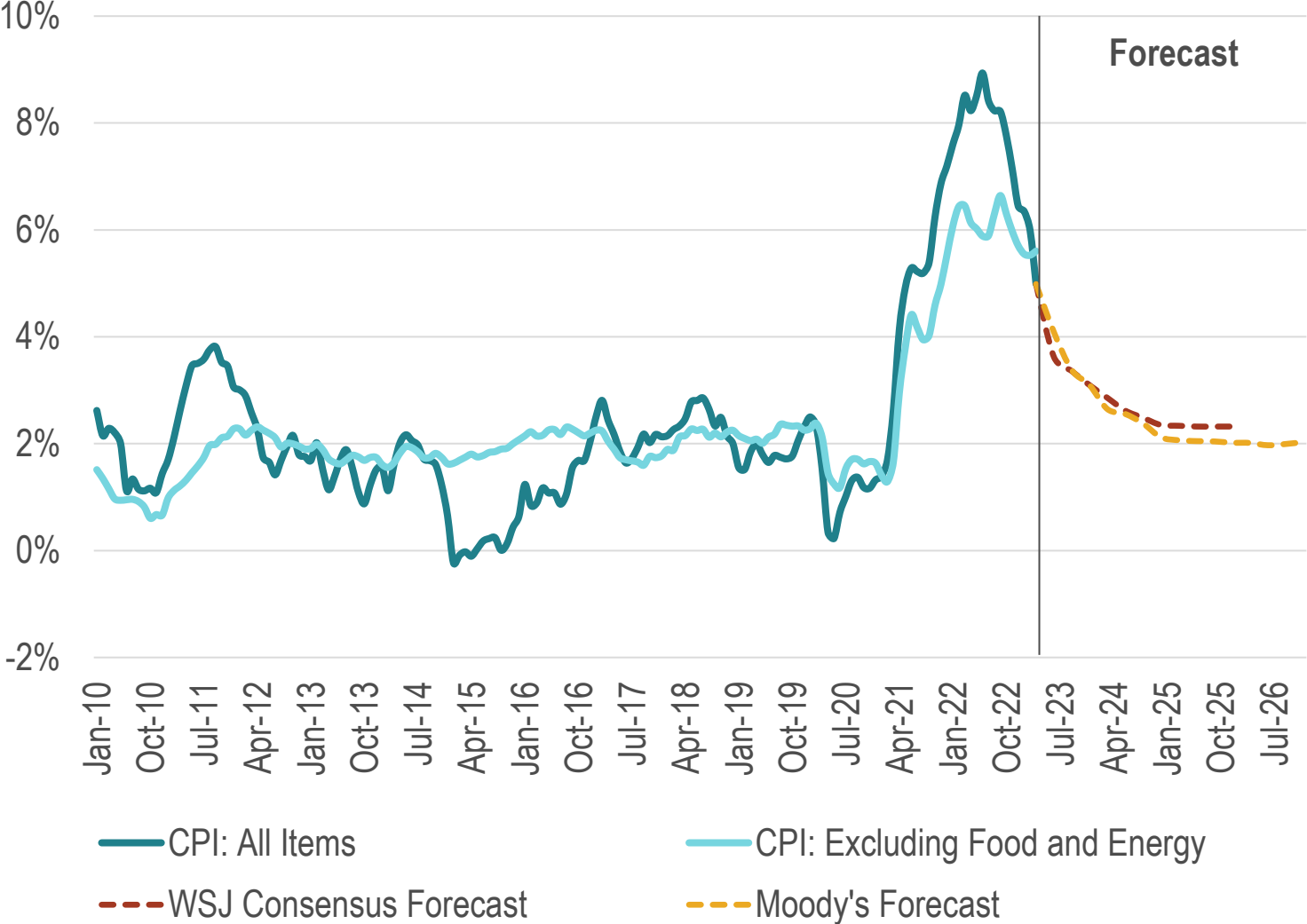
CORE INFLATION INCREASED 10 BPS DESPITE HEADLINE CPI DECREASE

The Fed Will Have to Balance Continued Inflation Fight with Recent Financial Instability in Its May Meeting

Month-over-Month CPI Change



Trailing 12-Month CPI Change



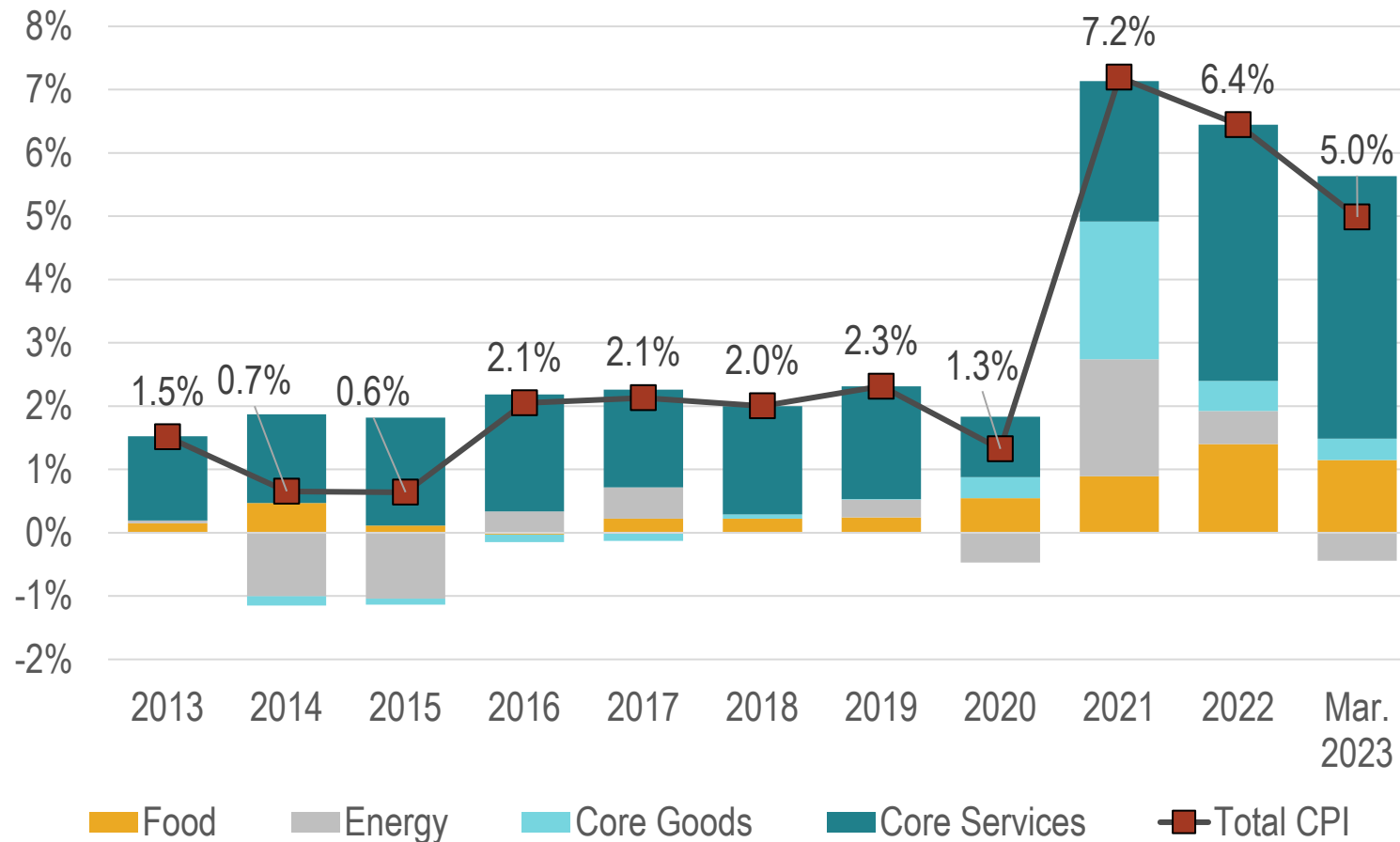
Data are as of March 2023.
 Note: Figures represent seasonally adjusted CPI.

Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis; Moody's Analytics; WSJ Consensus Forecasts

SHELTER COSTS (INCLUDED IN SERVICES) DROVE 60% OF THE CORE CPI INCREASE IN MARCH

Energy Prices Fell YoY, Contributing to the Deceleration of All Items Inflation

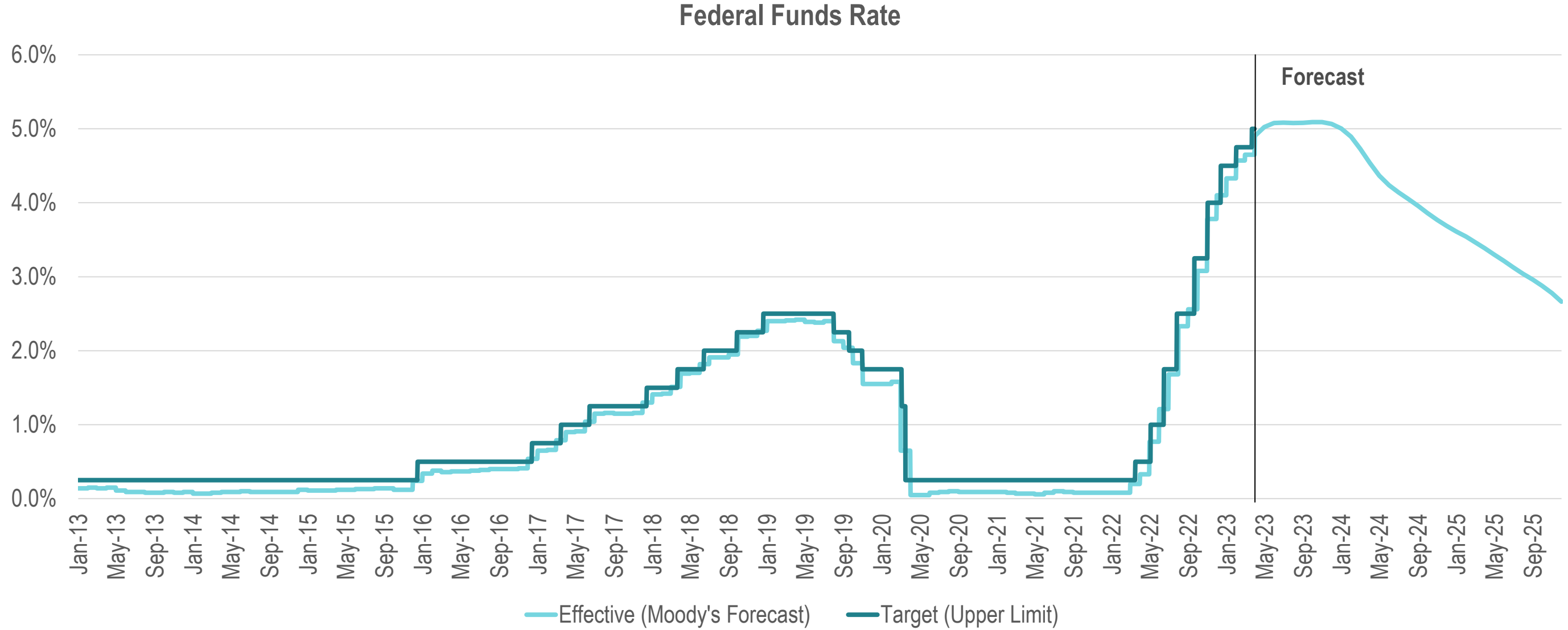
Annual CPI Inflation



March 2023 Inflation		
	Monthly	Trailing 12-Month
Apparel	0.3%	3.2%
Education & Communication	0.2%	1.4%
Food & Beverages	0.0%	8.2%
Other Goods & Services	0.5%	6.1%
Housing	0.3%	7.8%
Shelter	0.6%	8.2%
Medical Care	-0.3%	1.5%
Recreation	0.1%	4.9%
Transportation	-0.5%	-0.9%
Food	0.0%	8.5%
Energy	-3.5%	-6.4%
Core Goods	0.2%	1.6%
Core Services	0.4%	7.1%
Total Core	0.4%	5.6%
All Items	0.1%	5.0%

THE FED ISSUED A 25-BPS RATE HIKE IN MARCH WITH ANOTHER LIKELY IN MAY

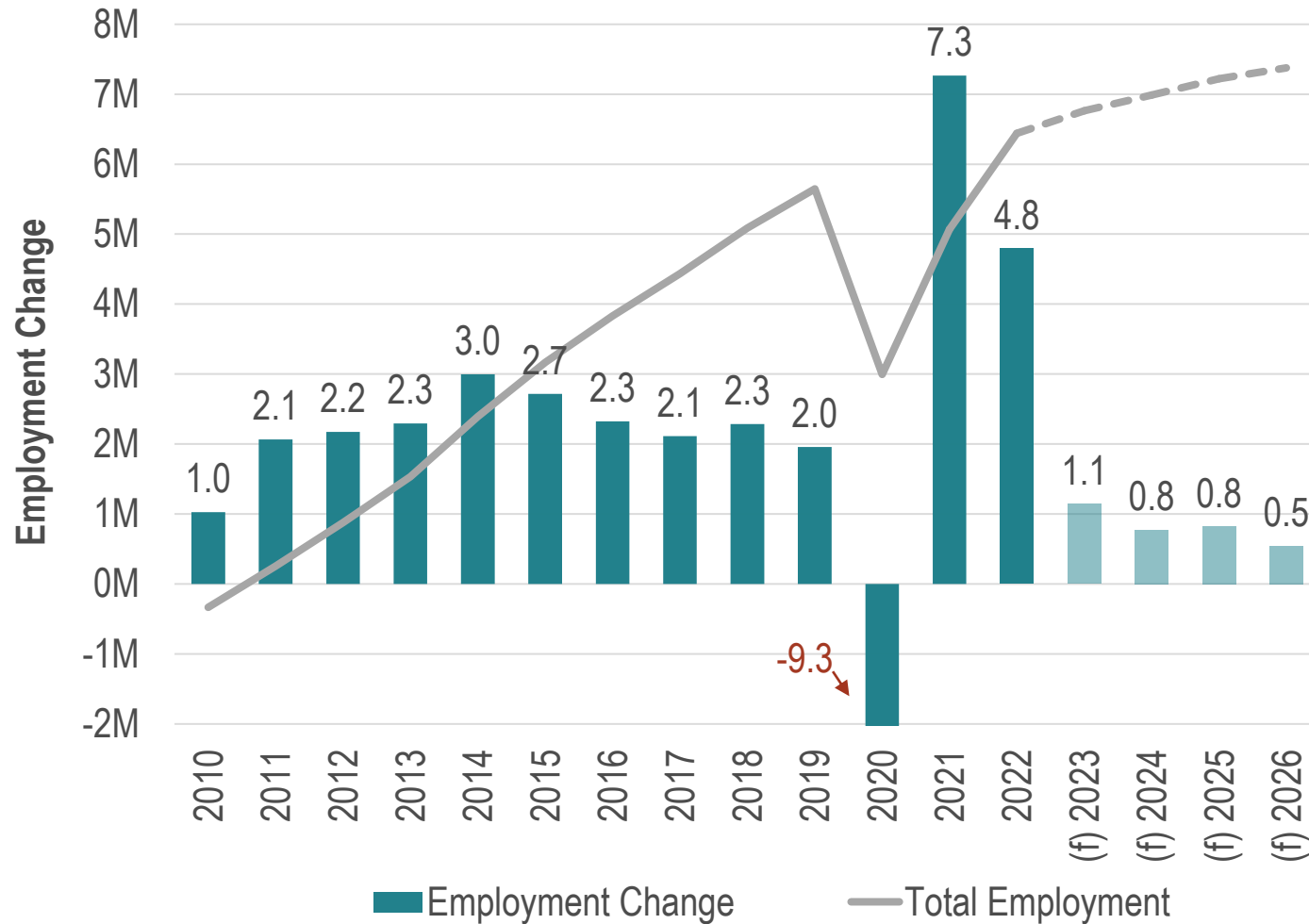
Rates Are Expected to Remain Elevated Through 2023 with Rate Cuts in Early 2024



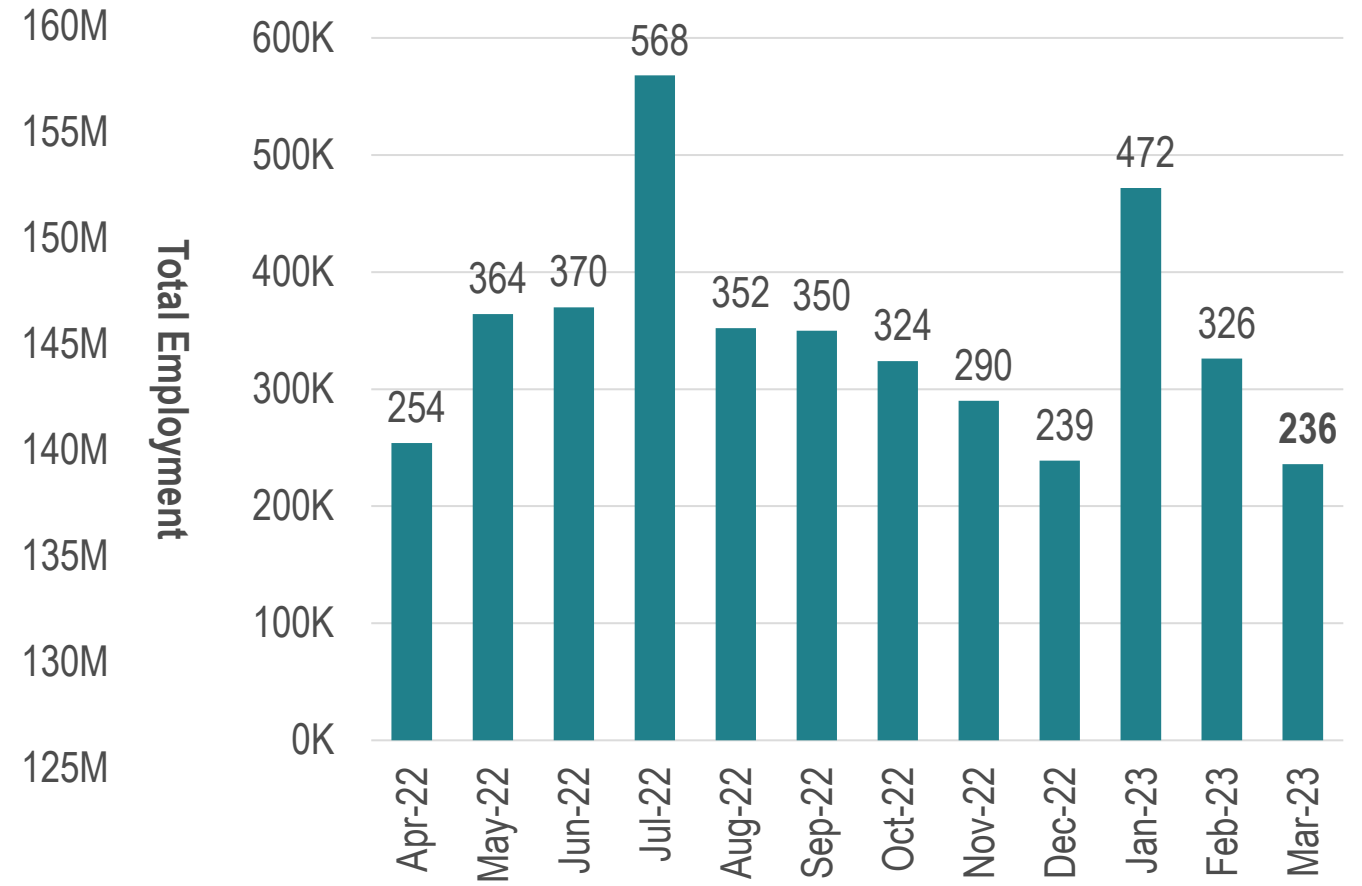
MARCH EMPLOYMENT GROWTH SLOWED BUT REMAINED ABOVE 2011-19 AVERAGE OF 180K

Labor Market Remains Tight but Is Likely to Continue Cooling with Possible Job Losses in H2 2023

Total Non-Farm Employment

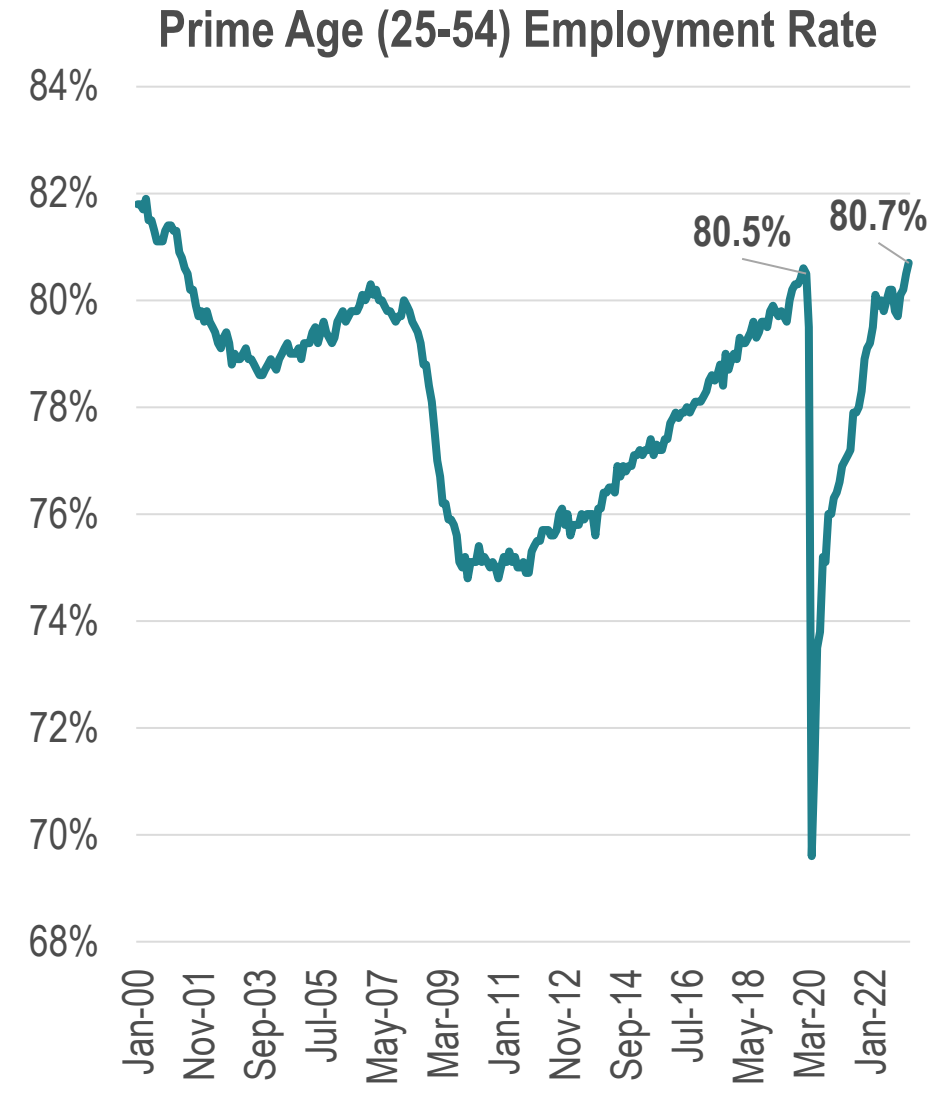
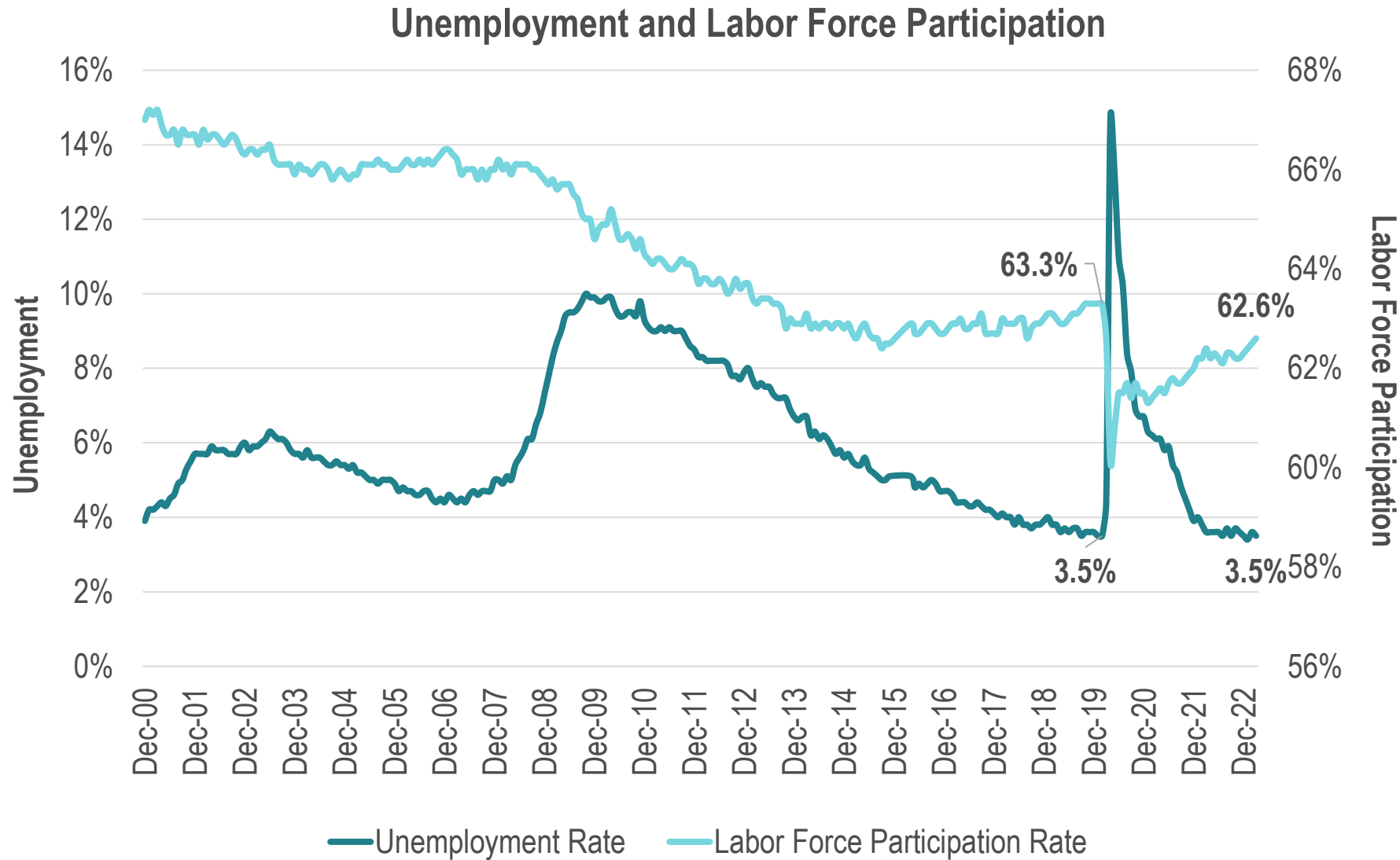


Monthly Change in Employment



MARCH UNEMPLOYMENT RATE FELL 10 BPS TO 3.5%, CLOSE TO 50-YEAR LOW

Labor Force Participation Rose for the Fourth Month in a Row, Up 10 bps; Prime Age Rate Fully Recovered

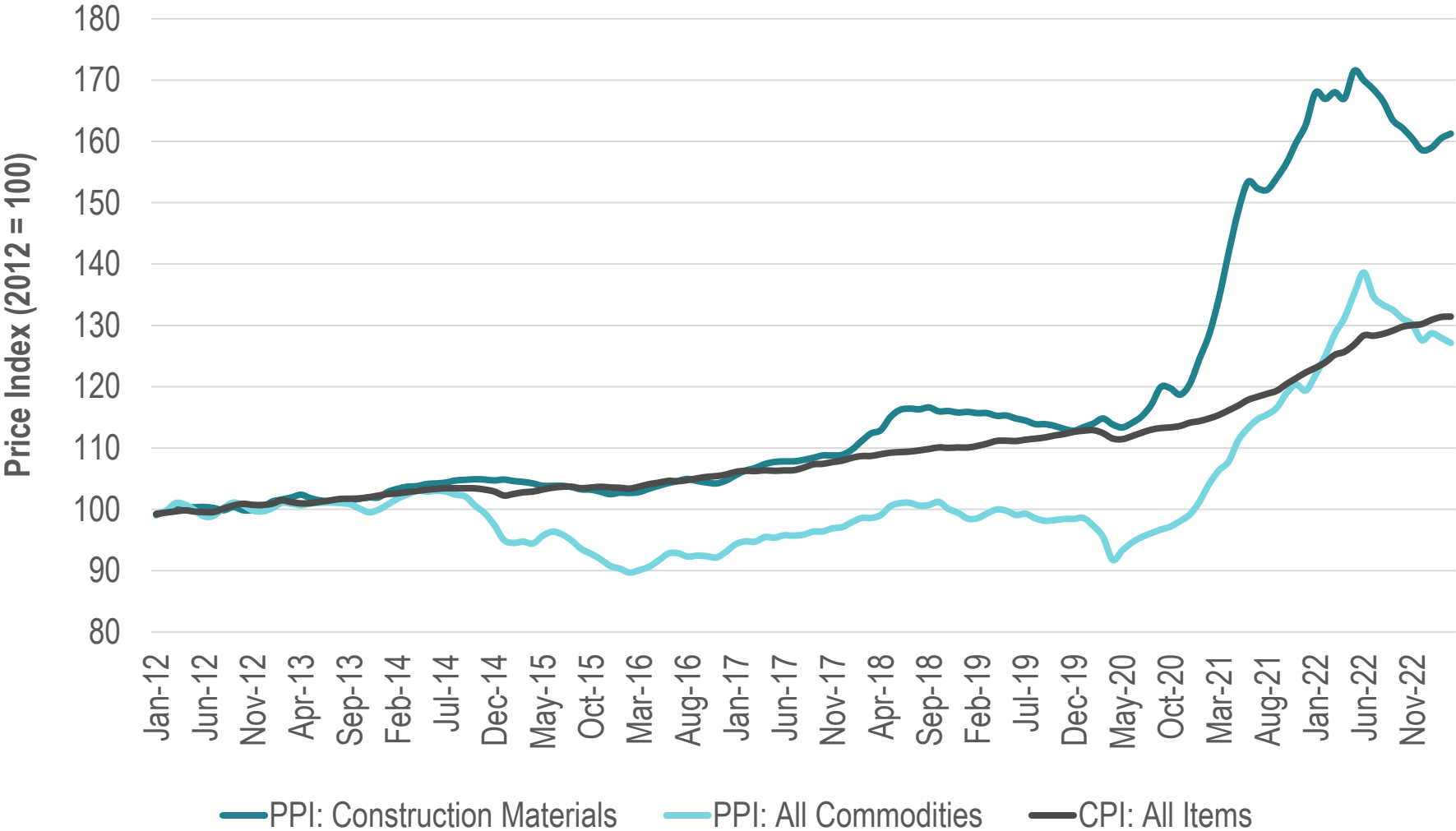


Data are as of March 2023.
 Source: U.S. Bureau of Labor Statistics; U.S. Census Bureau; Federal Reserve Bank of St. Louis

PRODUCER PRICES CONTRACTED FOR SECOND MONTH IN MARCH

Construction Costs Ticked Up 1.7% Cumulatively in Q1 2023 but Remained Down 4% YoY

Production and Consumer Price Indices



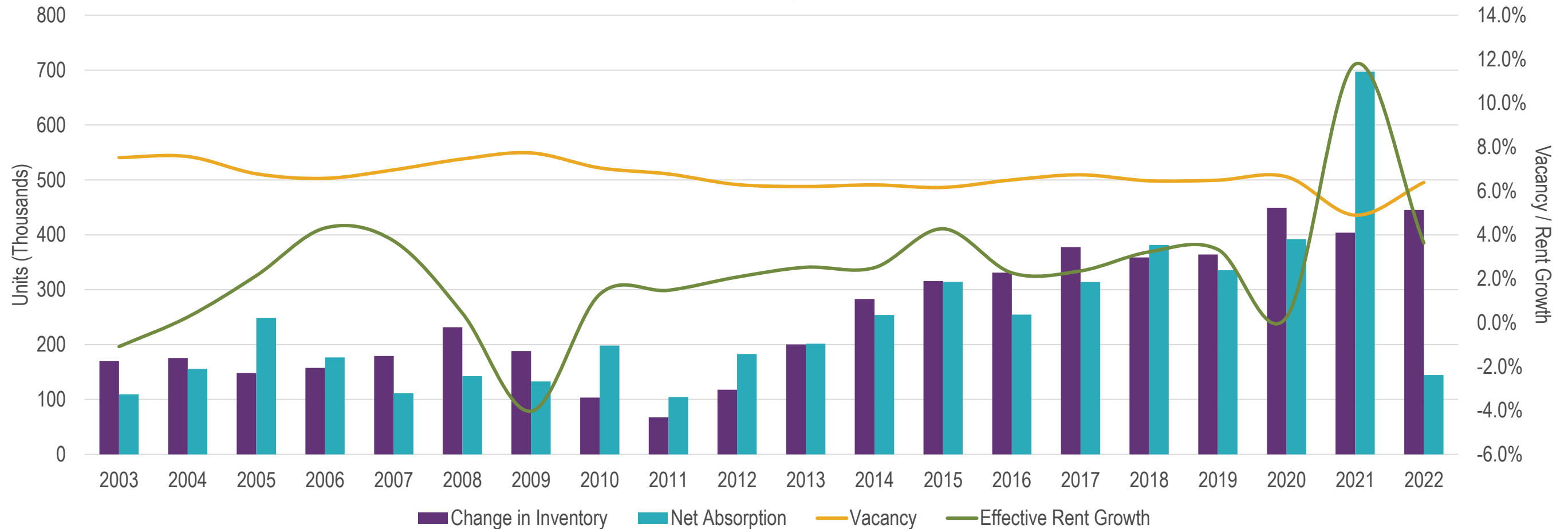
March 2023 Inflation			
	Monthly	Annual	10-Yr Annual Avg
PPI: Construction Materials	0.5%	-4.0%	4.7%
PPI: All Commodities	-0.6%	-1.2%	2.3%
CPI: All Items	0.1%	5.0%	2.7%

MULTIFAMILY MARKET FUNDAMENTALS

AFTER RECORD-SETTING DEMAND AND RENT GROWTH IN 2021, THE MARKET STABILIZED SOMEWHAT DURING 2022

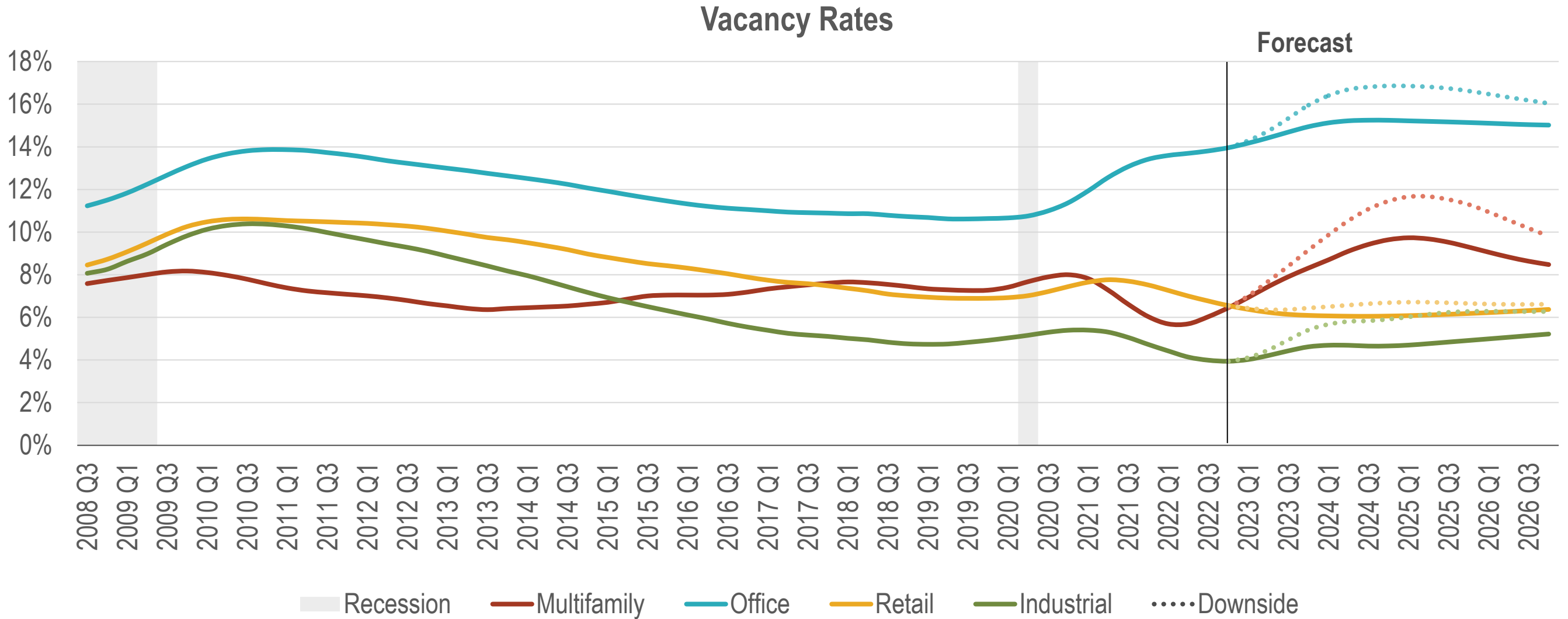
Vacancy Rates Remain Below The Long-term Average And Rents Grew By 3.6%

Apartment Deliveries, Net Absorption, Rent Growth, and Vacancy
United States; 2005-2022



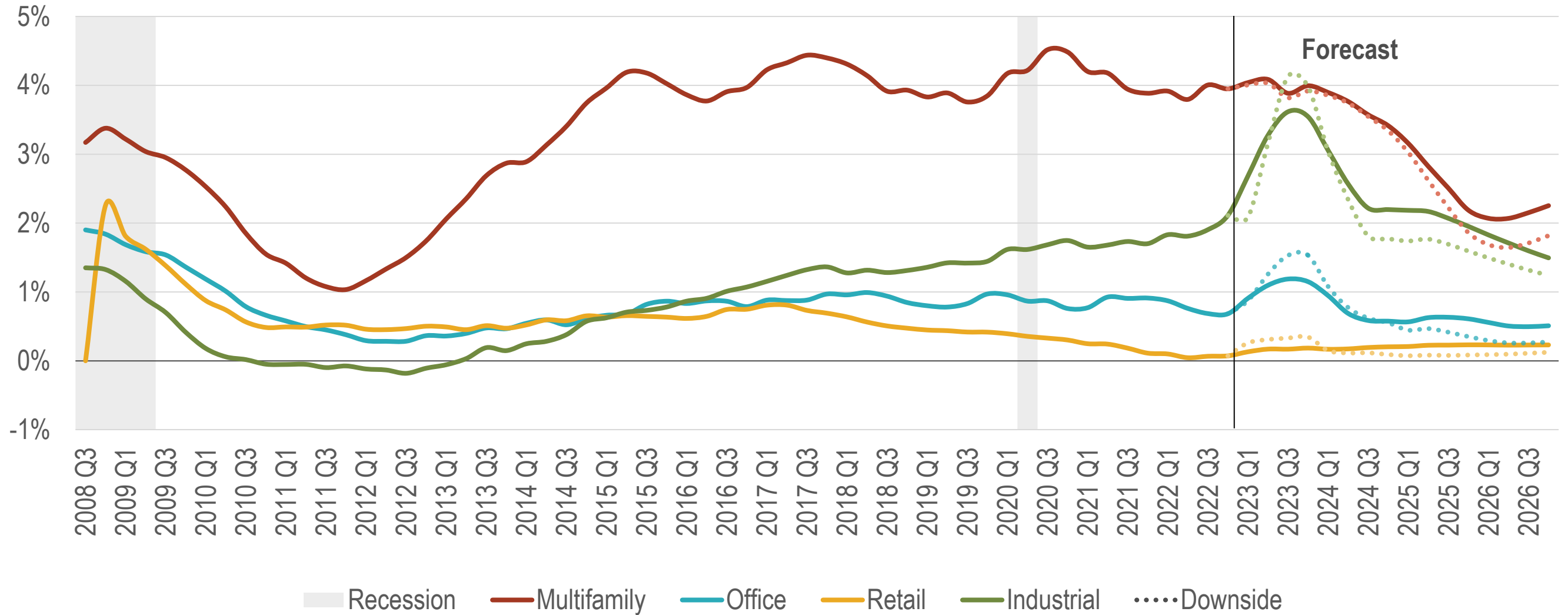
APARTMENT VACANCY RATES CLOSE TO ALL TIME LOWS

Apartment Vacancies Projected To Trend Upward, Particularly In Downturn



APARTMENT DELIVERIES TO REMAIN ELEVATED IN 2023 BEFORE MODERATING

Deliveries as % of Inventory (trailing 4Q)



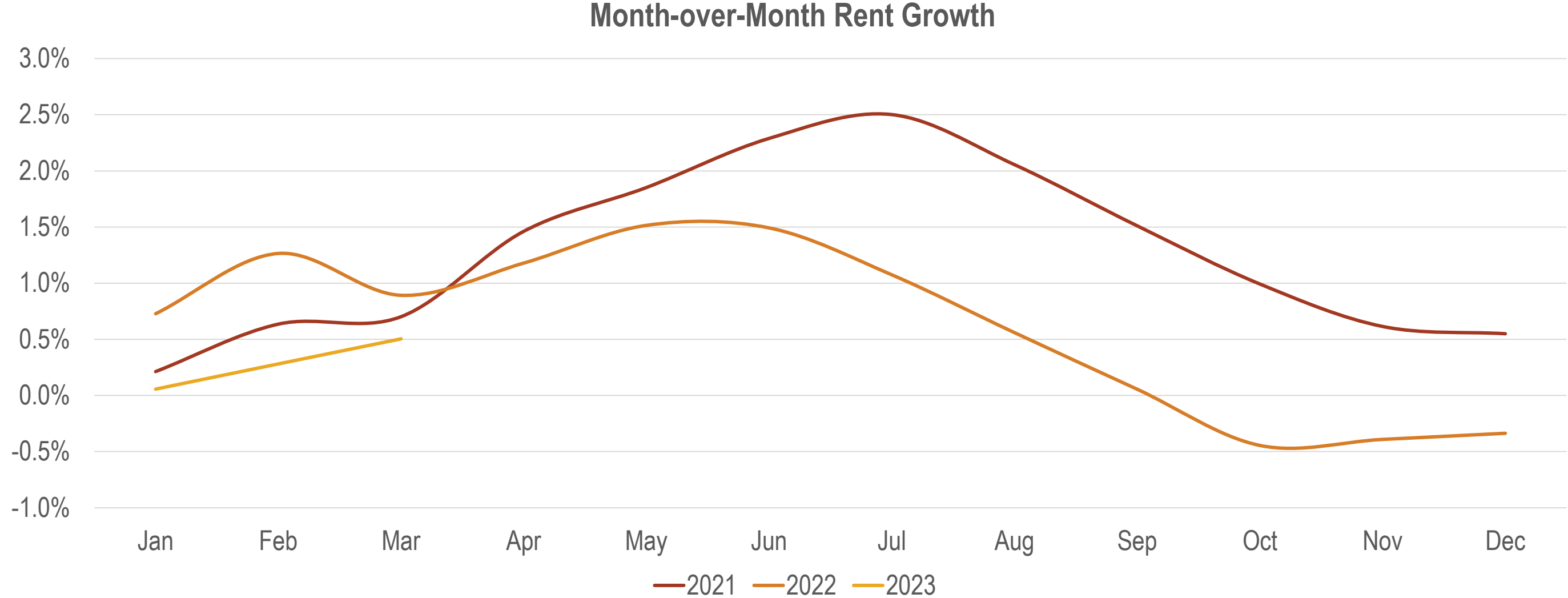
Data as of January 2023.

Notes: Retail data refer to neighborhood centers; office and apartment data are filtered for Class A & B.

Source: CoStar

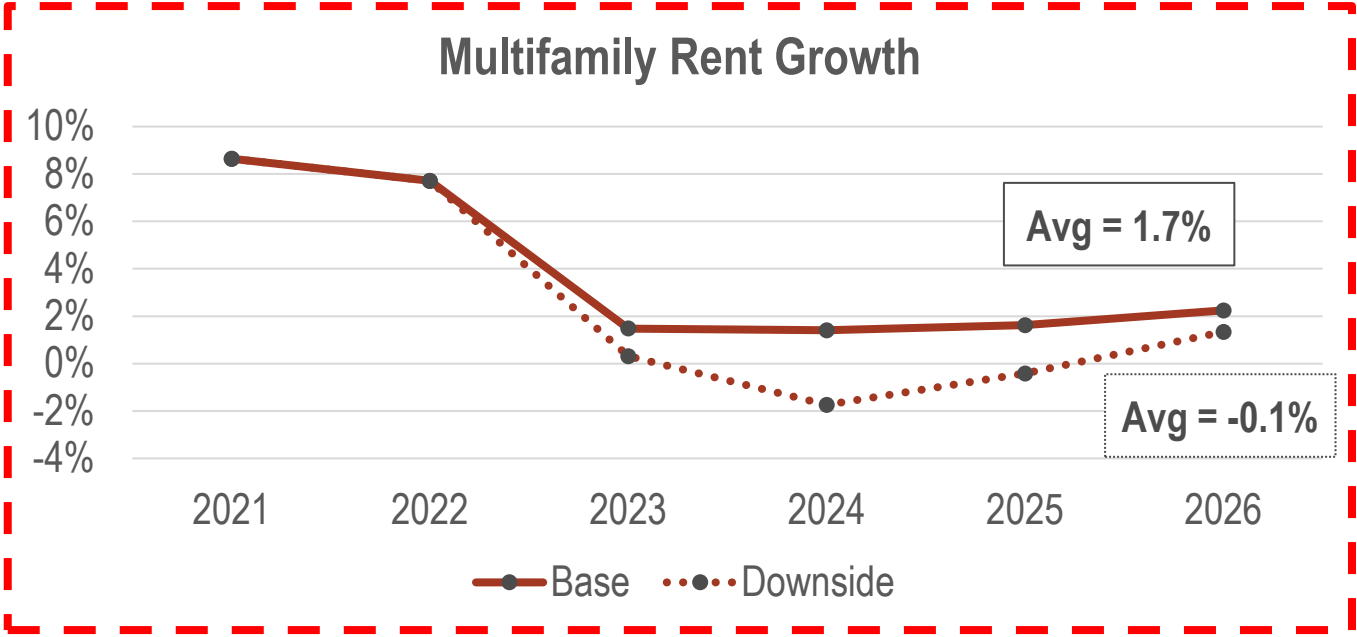
PEAK RENT GROWTH IS BEHIND US

Since April 2022, Month-over-Month Rent Growth Has Been Lower than the Prior Year

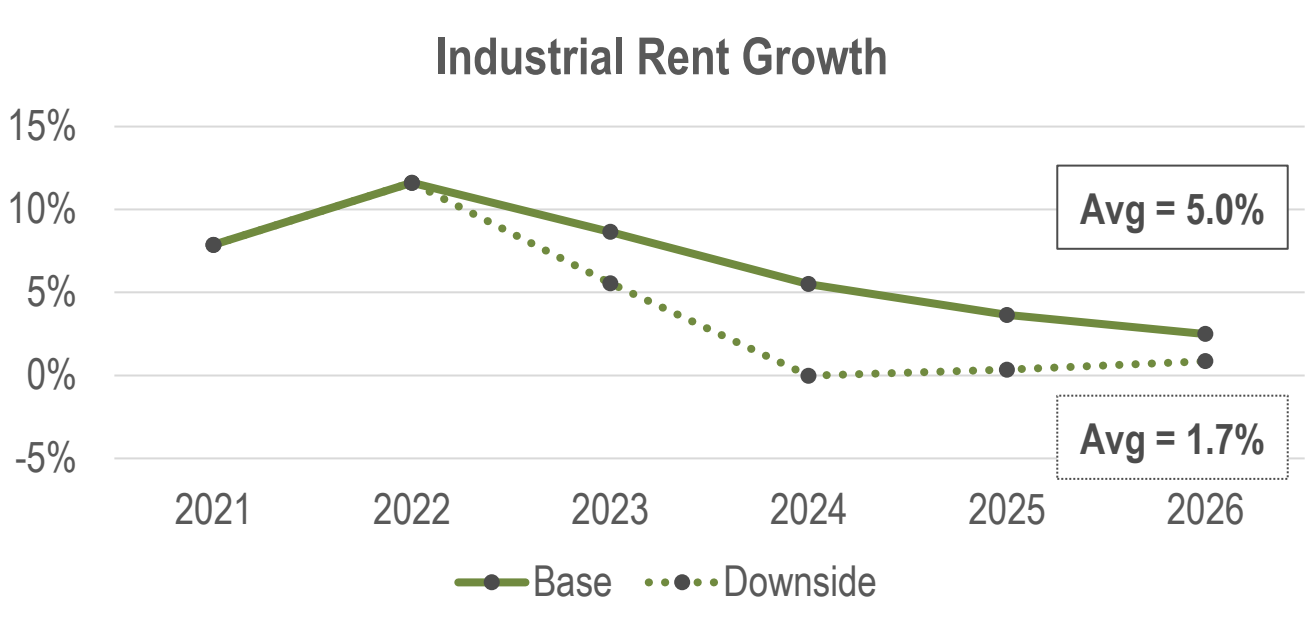


MF RENT GROWTH LIKELY TO CONTINUE SLOWING BUT REMAIN POSITIVE

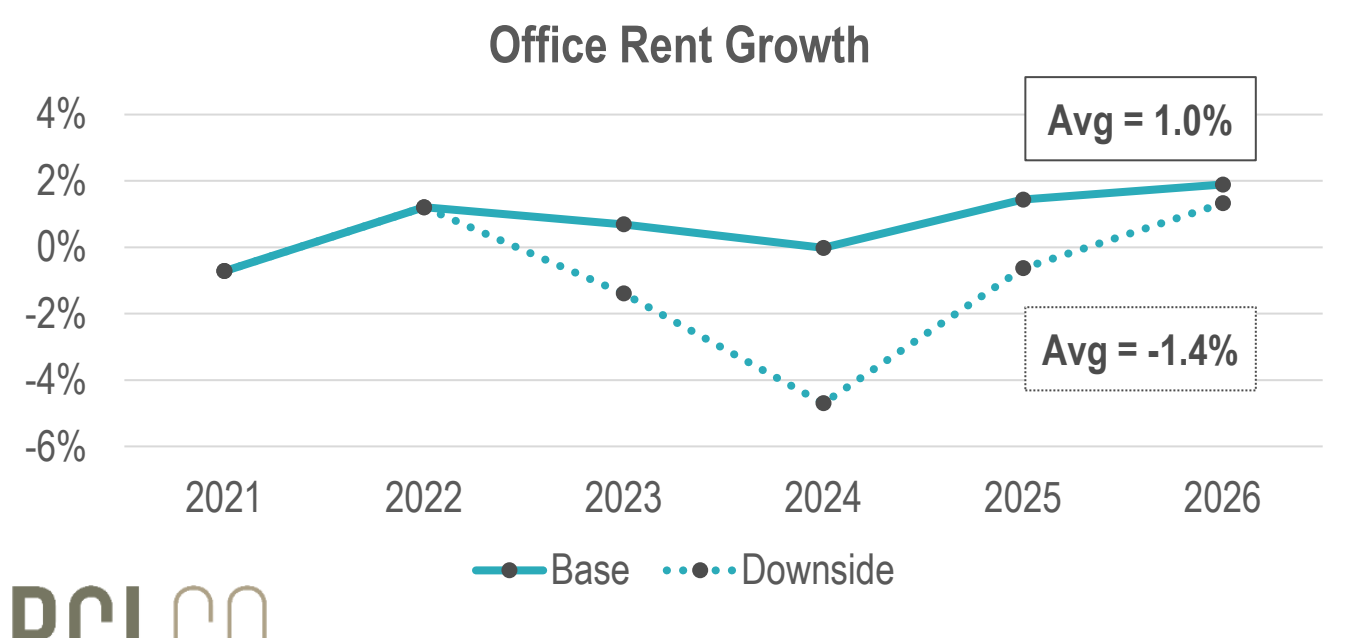
Multifamily Rent Growth



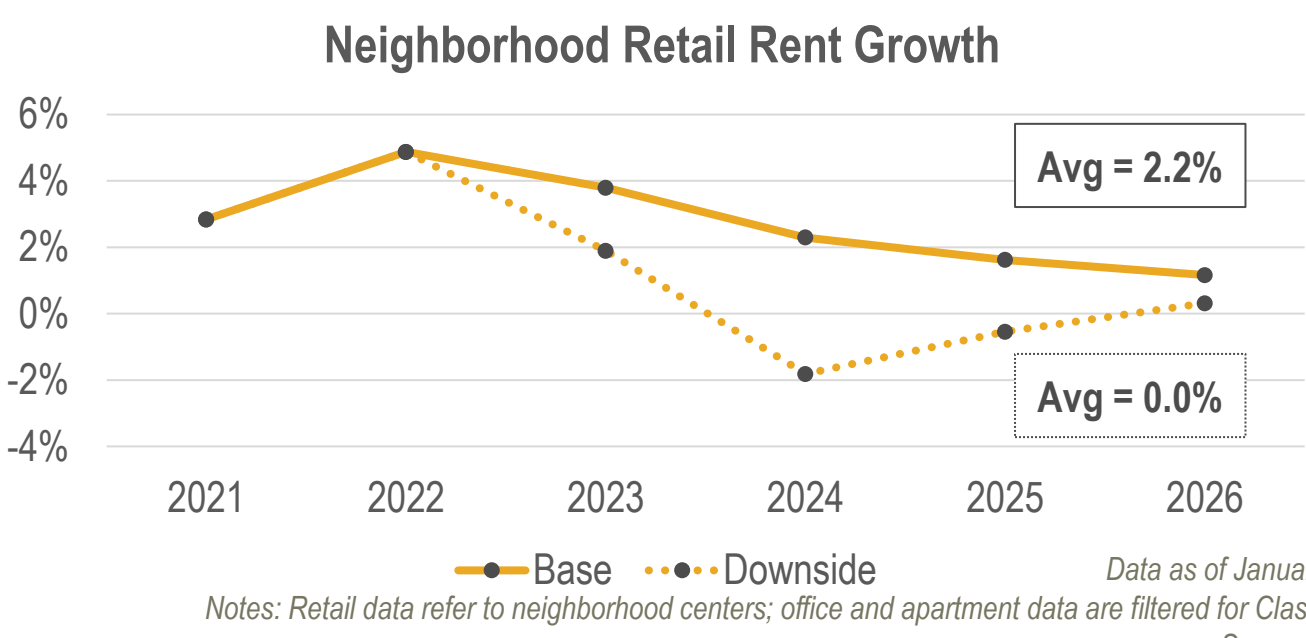
Industrial Rent Growth



Office Rent Growth



Neighborhood Retail Rent Growth



Data as of January 2023.

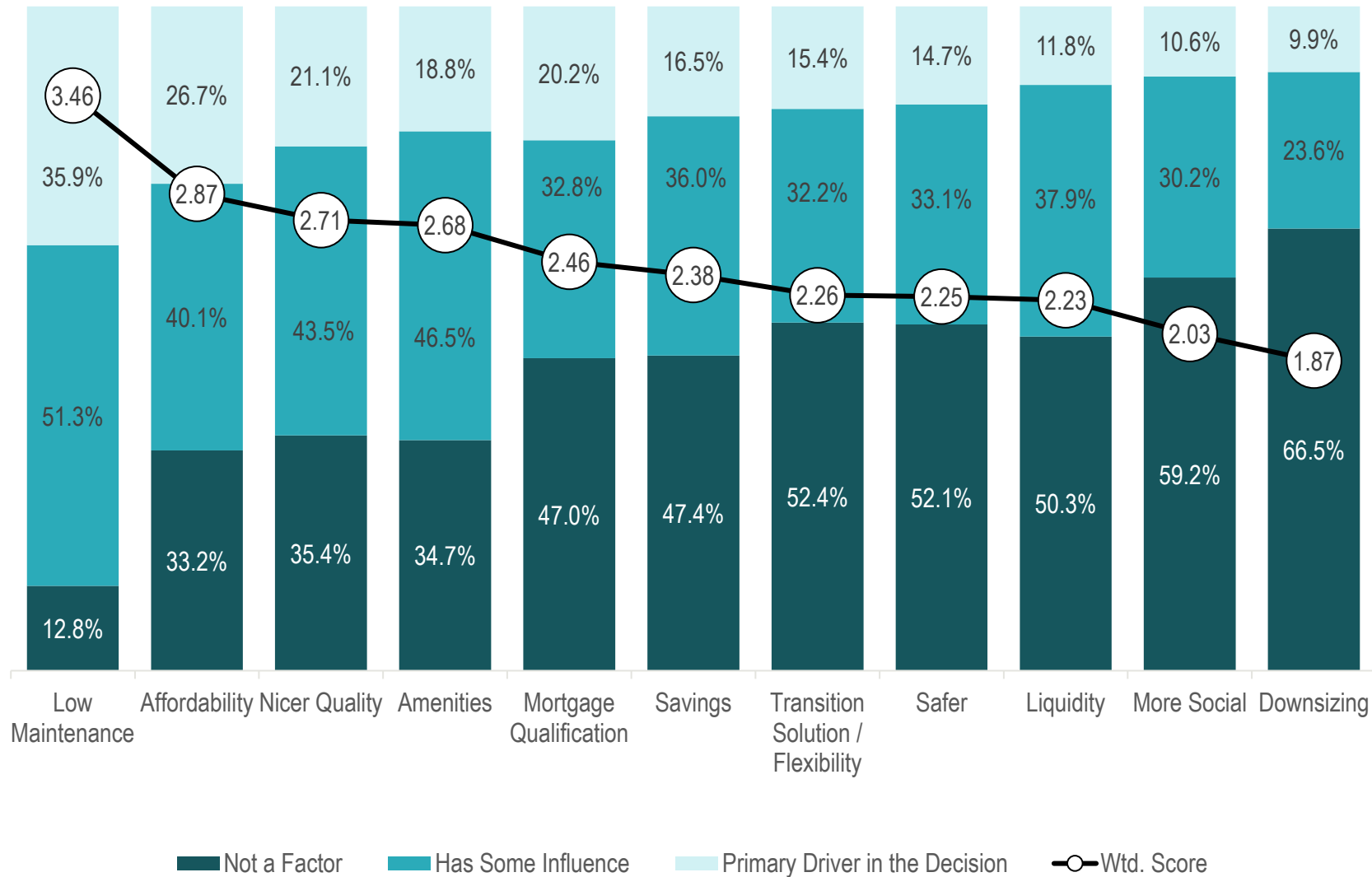
Notes: Retail data refer to neighborhood centers; office and apartment data are filtered for Class A & B.

Source: CoStar



WHY HOUSEHOLDS RENT

Affordability is a Primary Driver of Rental Decisions, but the Renter-by-Choice Segment Remains Strong



Why Current Renters Plan to Own Next Residence	Total Responses	% of Total Responses
Want to live in a single-family home	258	31.5%
Want to control own space	254	31.1%
Want to build equity	158	19.3%
Want to control housing costs	110	13.5%
Preferred location is primarily for-sale product	18	2.2%
Other	20	2.4%
TOTAL	818	100%

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CONSISTENT WESTERN MIGRATION, BUT WITH A PULL TOWARD THE SOUTH AND SOUTHEAST MORE RECENTLY

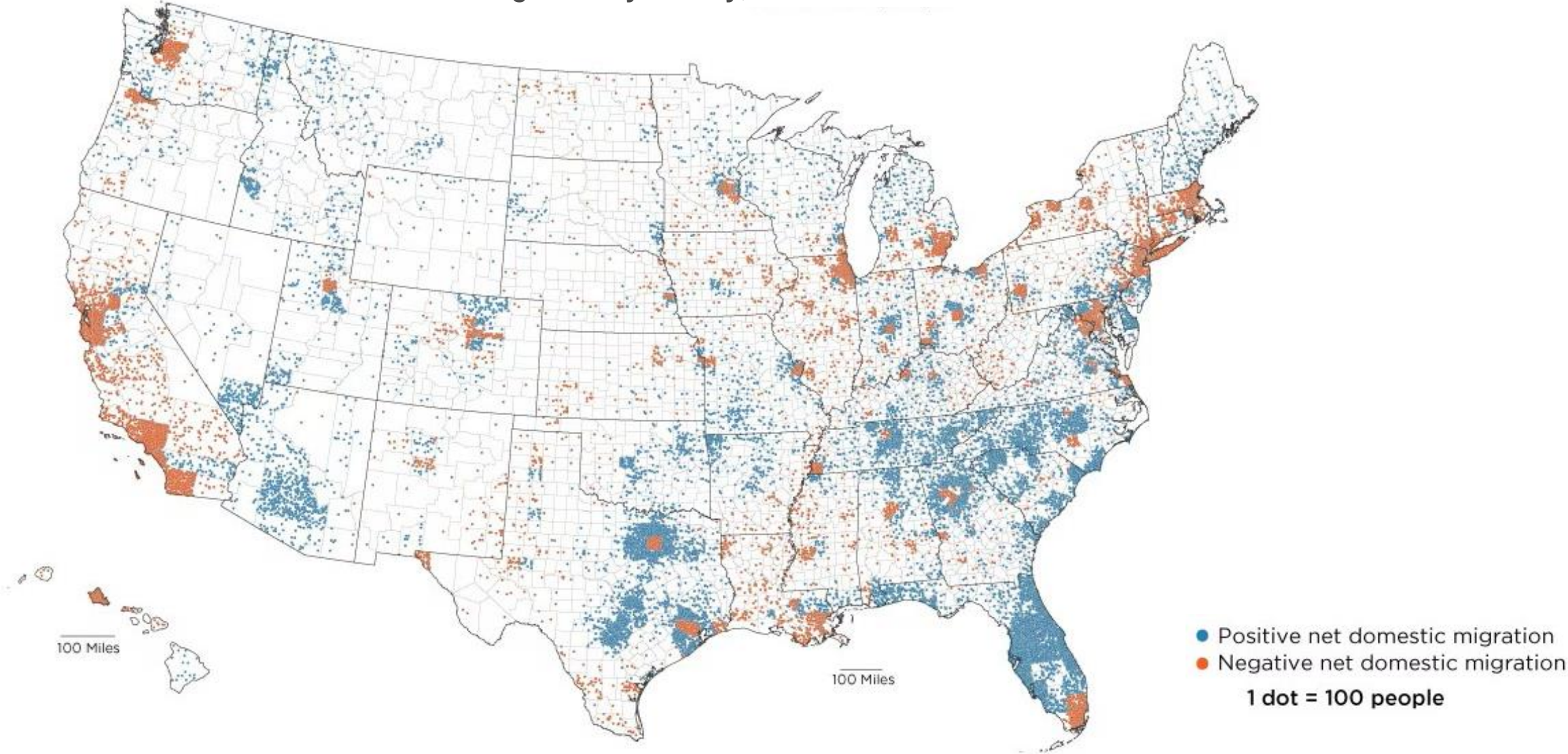
Between 2010 And 2020, the Pace of Western Movement Slowed Considerably

Geographic Mean of Population; United States; 1790-2020



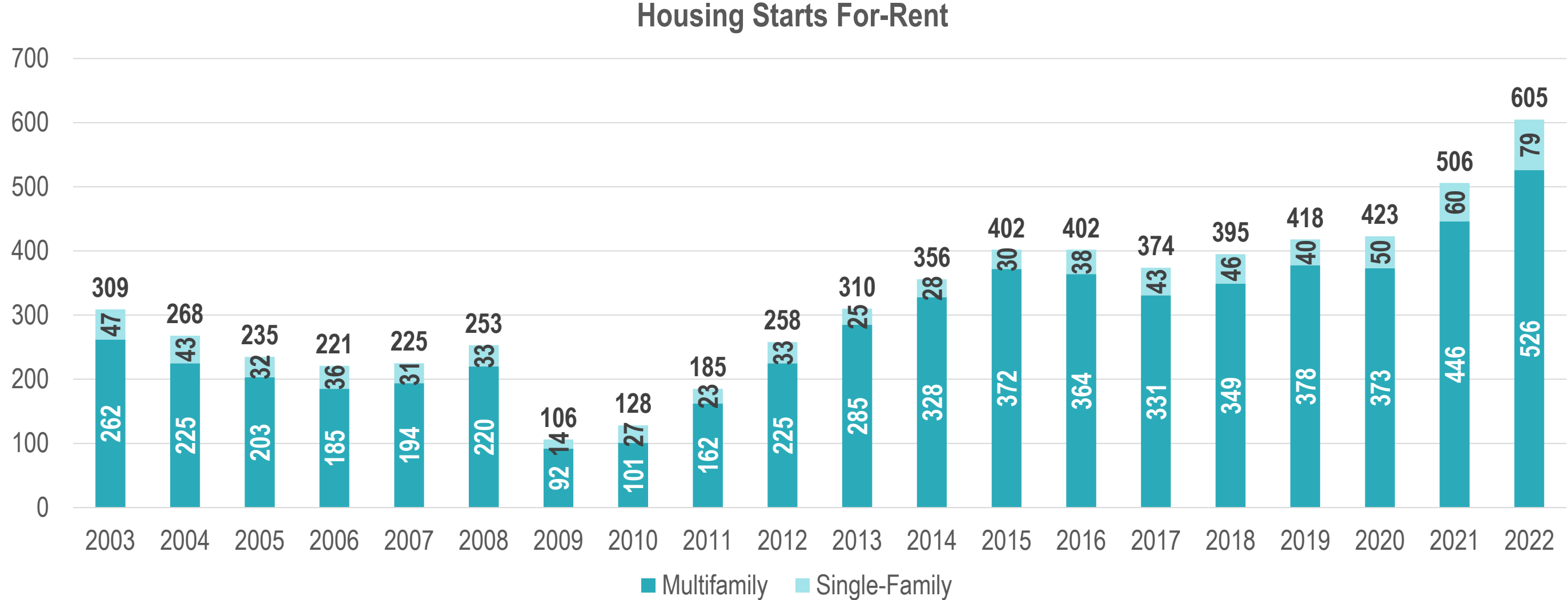
MIGRATION PATTERNS RETURNING TO PRE-PANDEMIC PATTERNS

Net Domestic Migration by County; 2021-2022



HOUSING STARTS FOR-RENT AT A RECORD HIGH IN 2022 (605K UNITS)

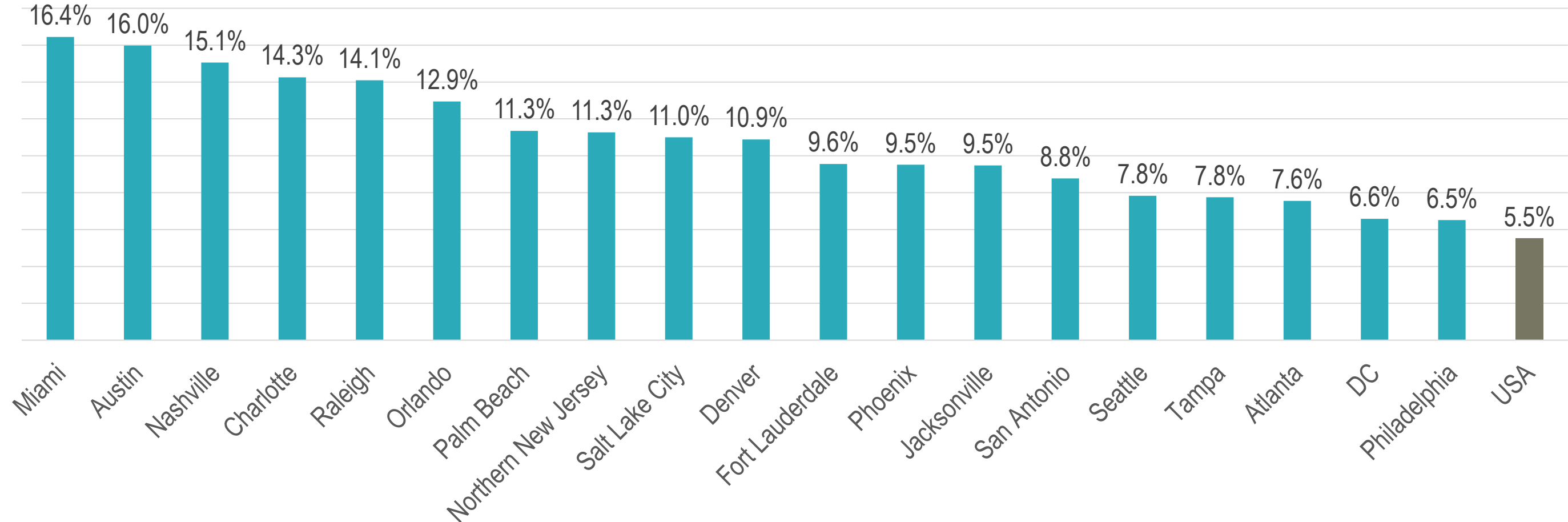
Increased by 20% In 2021 and Again By 20% In 2022



UNITS UNDER CONSTRUCTION REPRESENTS 5.5% OF EXISTING APARTMENT INVENTORY ACROSS THE COUNTRY

Twenty regions with most units under construction comprise 44% of construction activity across the country. Six of the top 20 markets are in Florida.

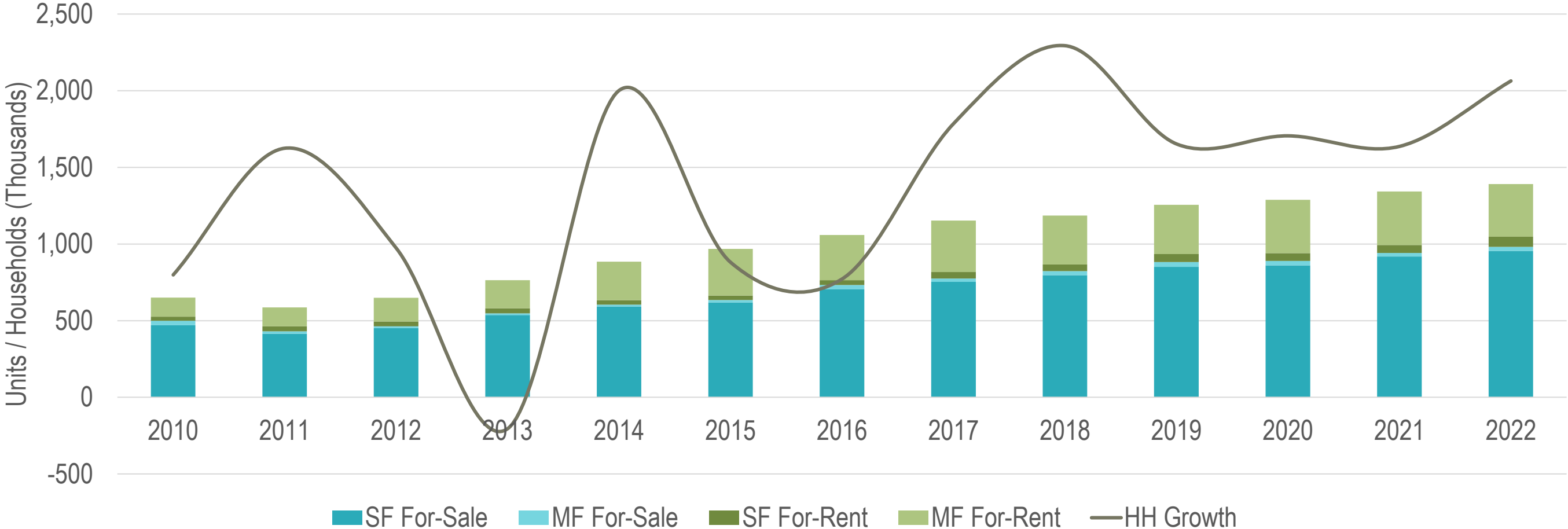
UC % of Inventory



DESPITE INCREASING CONSTRUCTION ACTIVITY, COUNTRY STILL FACES A HOUSING SHORTAGE

Since 2010, The US Has Grown By 18 Million Households vs. Only 13.2 Million Units Completed

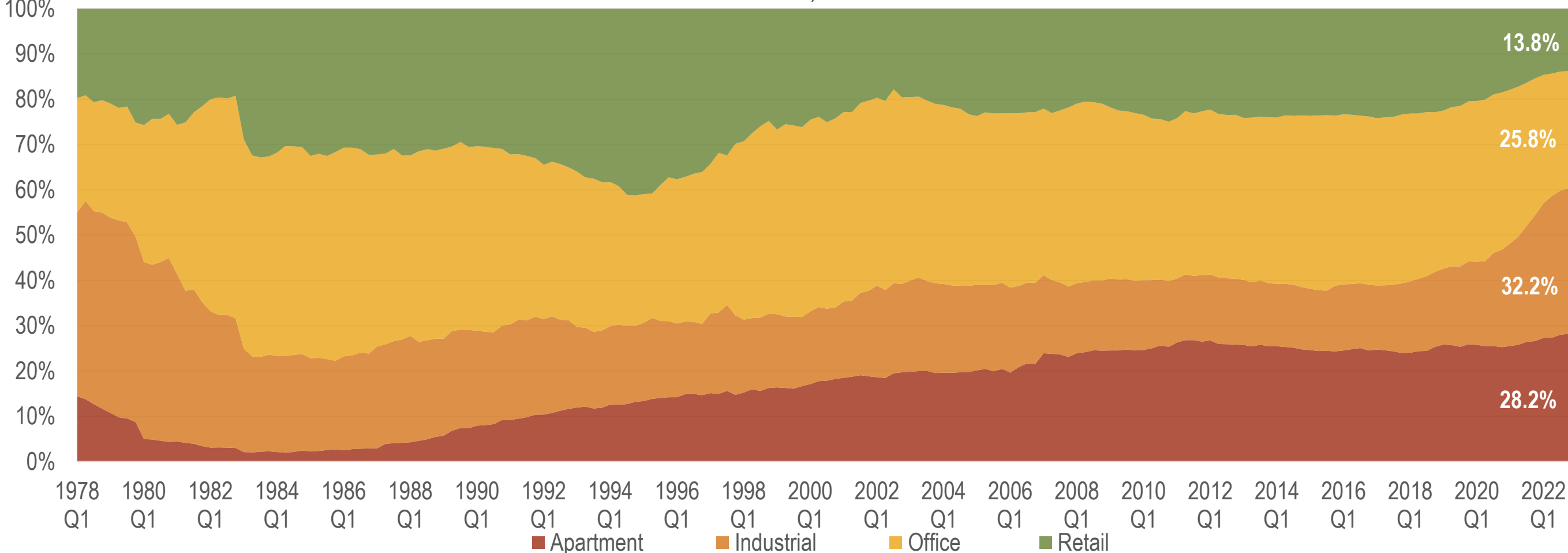
Residential Completions vs. Household Growth



MULTIFAMILY CAPITAL MARKETS

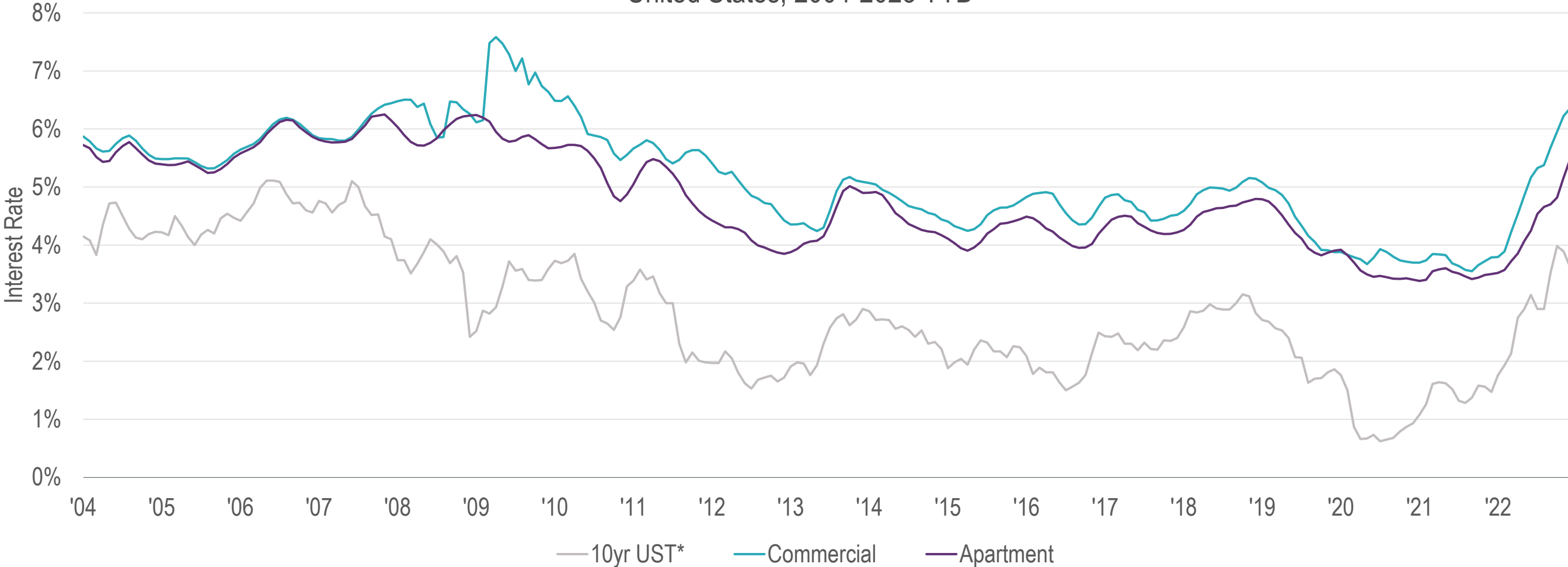
APARTMENT AND INDUSTRIAL ARE INCREASING THEIR SHARE OF NPI WHILE CAPITAL SHIFTS AWAY FROM UNDERPERFORMING ASSET TYPES

NPI Market Value Distribution by Asset Type
United States; 1978-2022

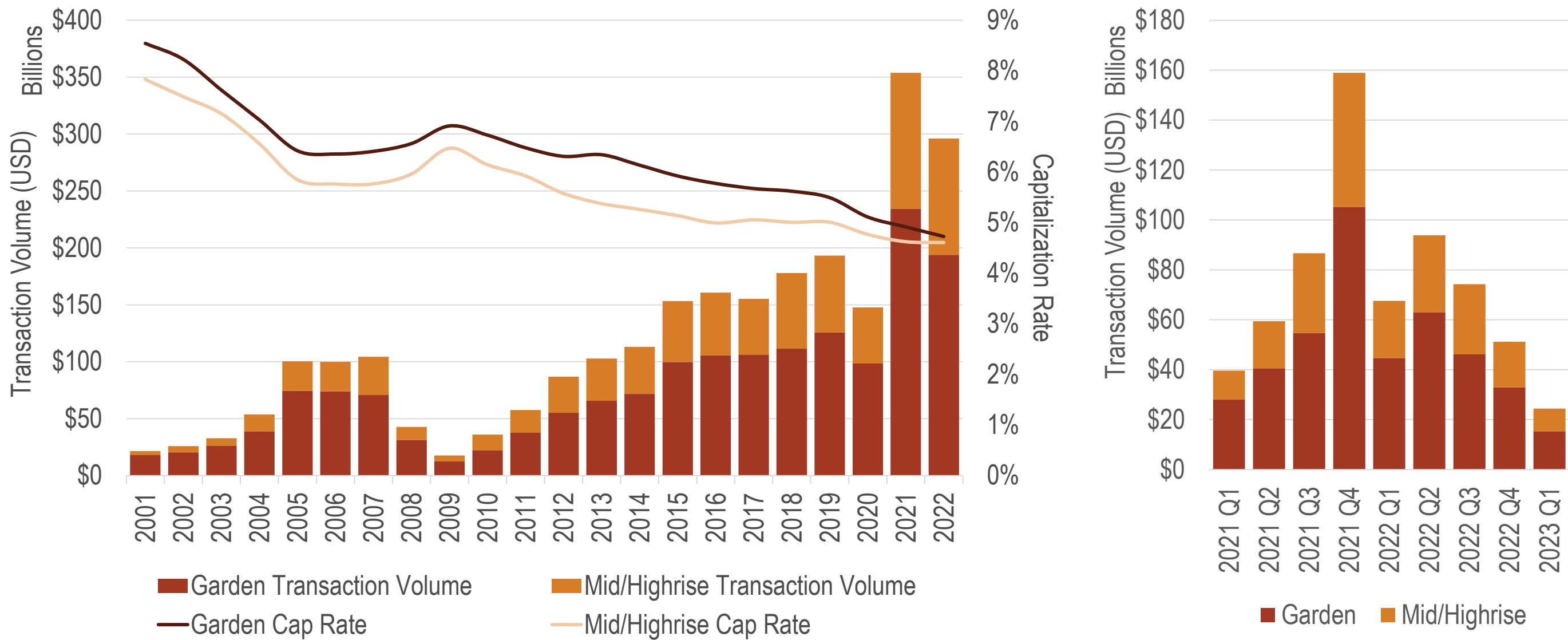


WHILE RATES ARE RISING AND LENDERS ARE TIGHTENING RESTRICTIONS, MULTIFAMILY REMAINS A FAVORED ASSET CLASS AMONG LENDERS

Commercial and Apartment Average Mortgage Rate and 10-Year Treasury Rate
United States; 2004-2023 YTD



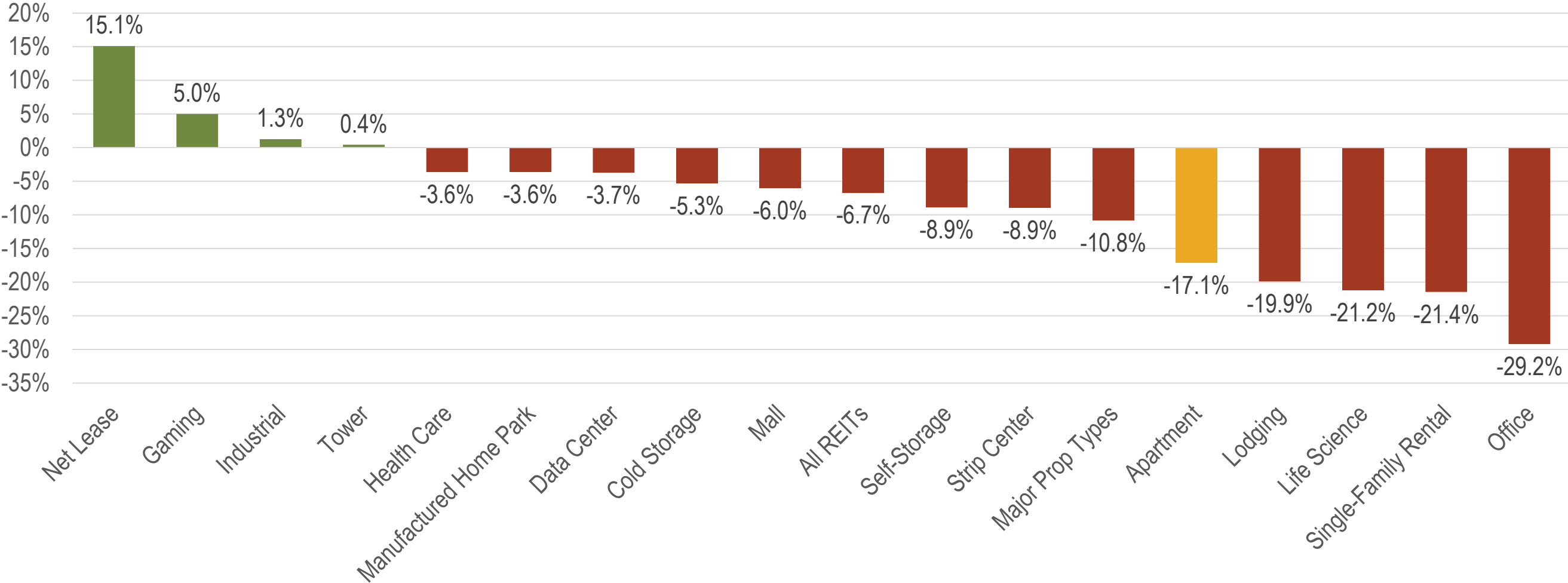
CAP RATES SHOWING SIGNS OF GRADUAL EXPANSION AND TOTAL TRANSACTION VOLUME MODERATING FROM RECORD LEVELS IN 2021



REIT PRICING REFLECTS MEANINGFUL DISCOUNTS TO PRIVATE VALUES

Apartments Have One of the Largest Pricing Misalignments

US REIT Gross Asset Value (GAV) Premia (Discount) to Private Values



Data as of March 31, 2023.

Source: GreenStreet

Note: Major property types include apartment, industrial, office, and retail REITs, weighted by enterprise value.

THANK YOU! – QUESTIONS?



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