



MONTHLY
WEBINAR

2023 YEAR-END SENTIMENT, STEMDEX METRO RANKINGS & DECEMBER UPDATE FOR REAL ESTATE CAPITAL MARKETS

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TODAY'S PANELISTS



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AGENDA

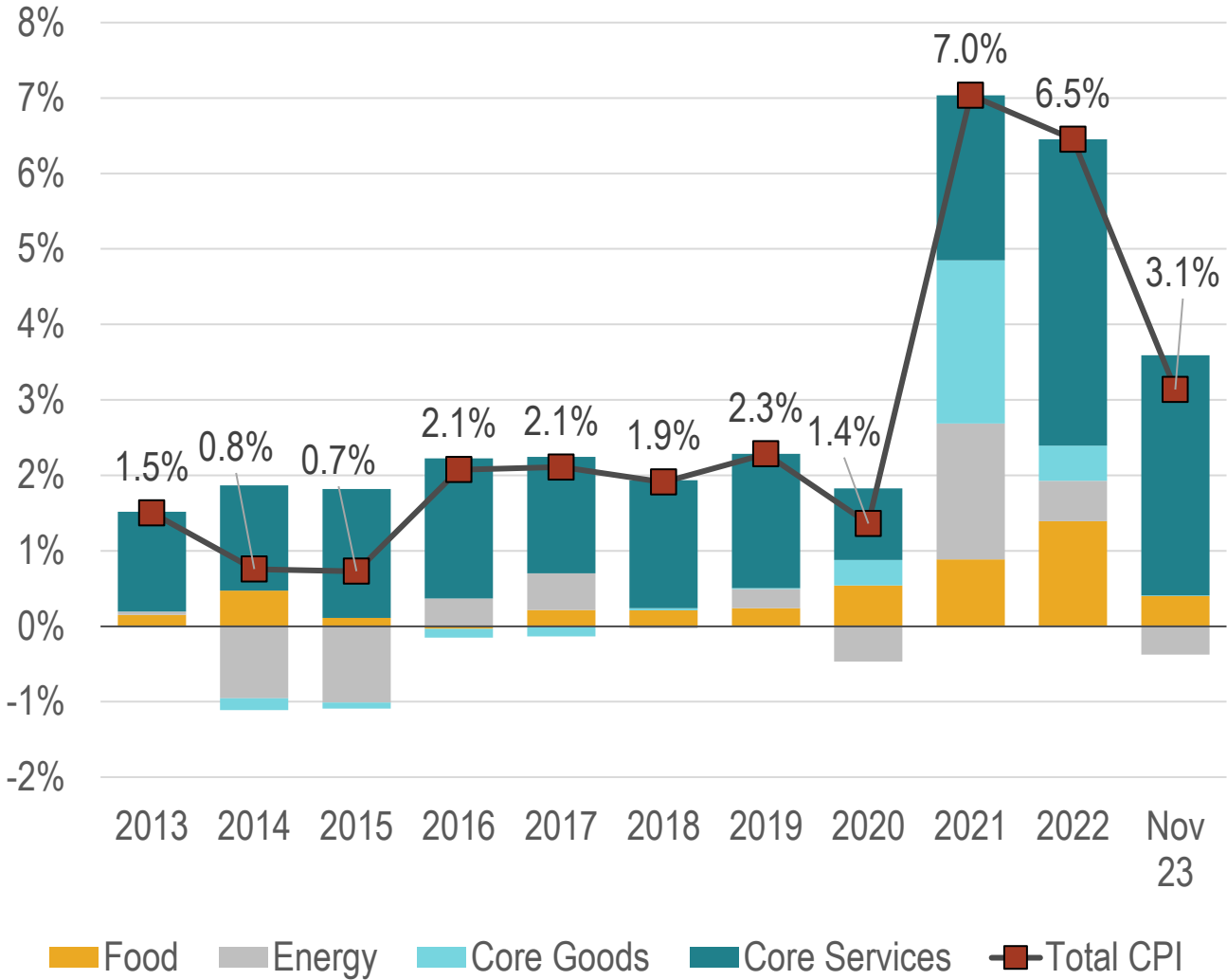
- ▶ **Macroeconomic Update**
- ▶ **End-of-Year Sentiment Survey**
- ▶ **2023 STEM Job Growth Index (STEMdex)**
- ▶ **Q&A**

MACROECONOMIC UPDATE

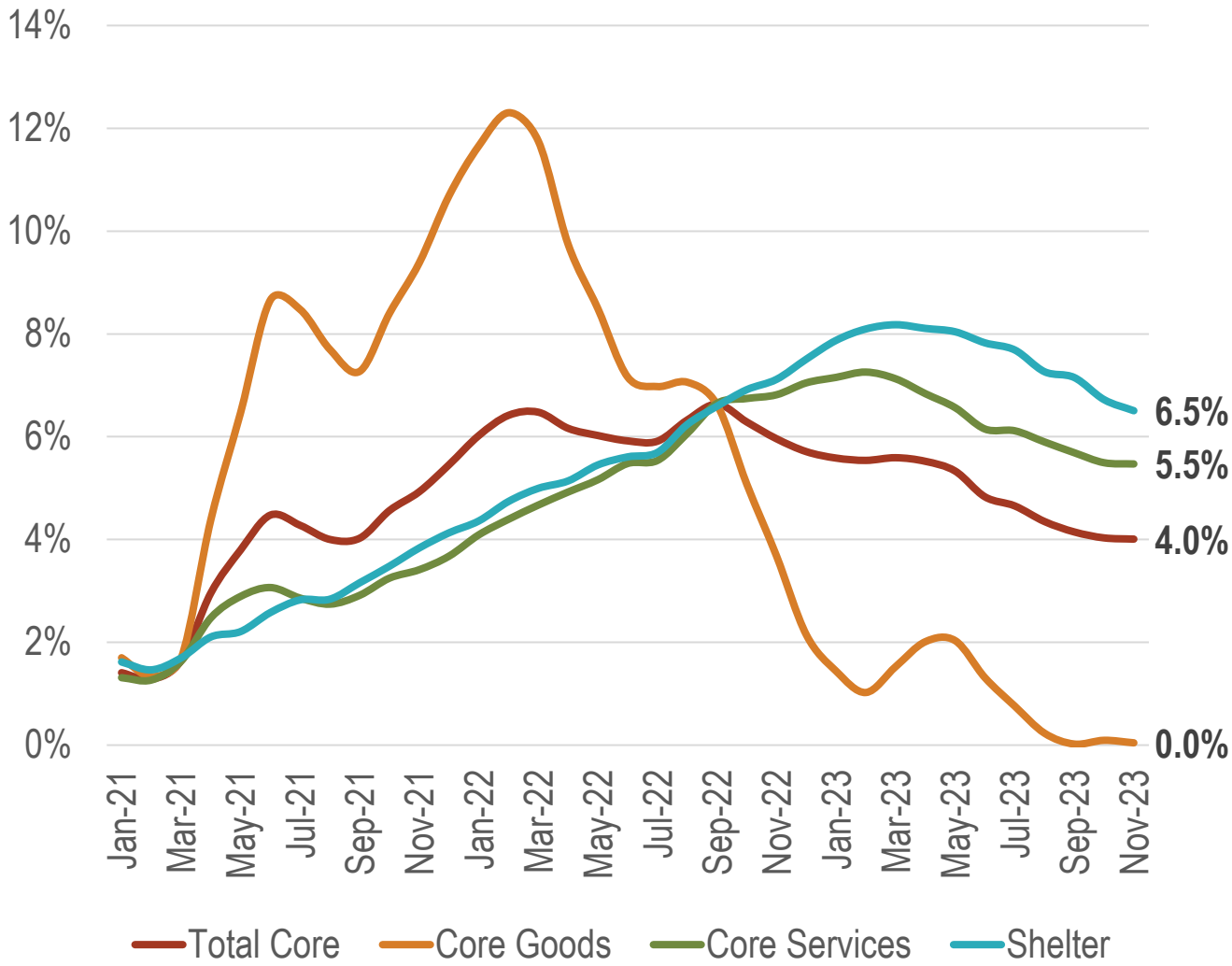
CORE SERVICES (INC. SHELTER) INFLATION CONTINUED TO DRIVE CPI

Inflation Has Cooled Notably but Housing Costs Remain Elevated; Fed Says It Is Premature to Declare Inflation Victory

Annual CPI Inflation



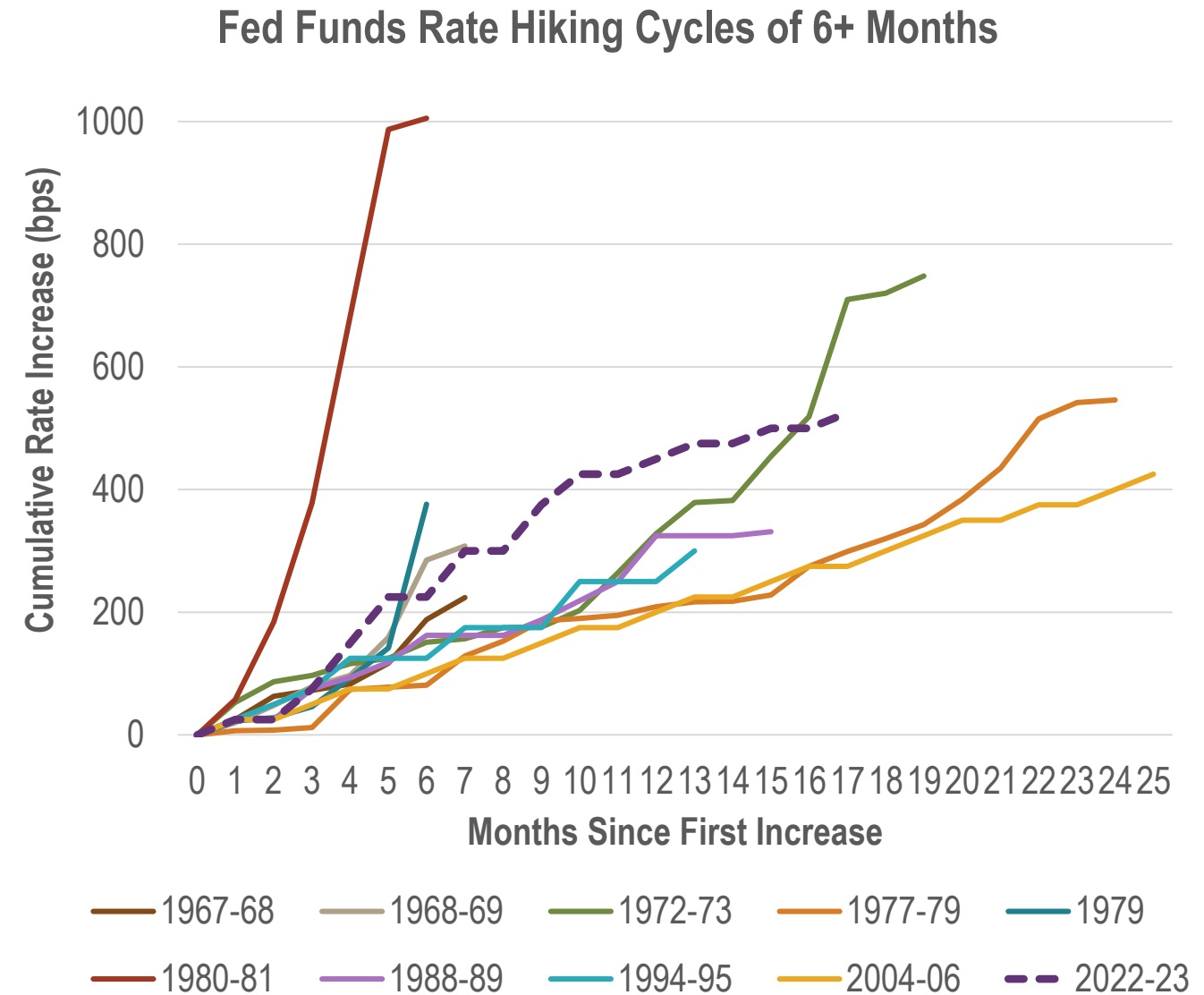
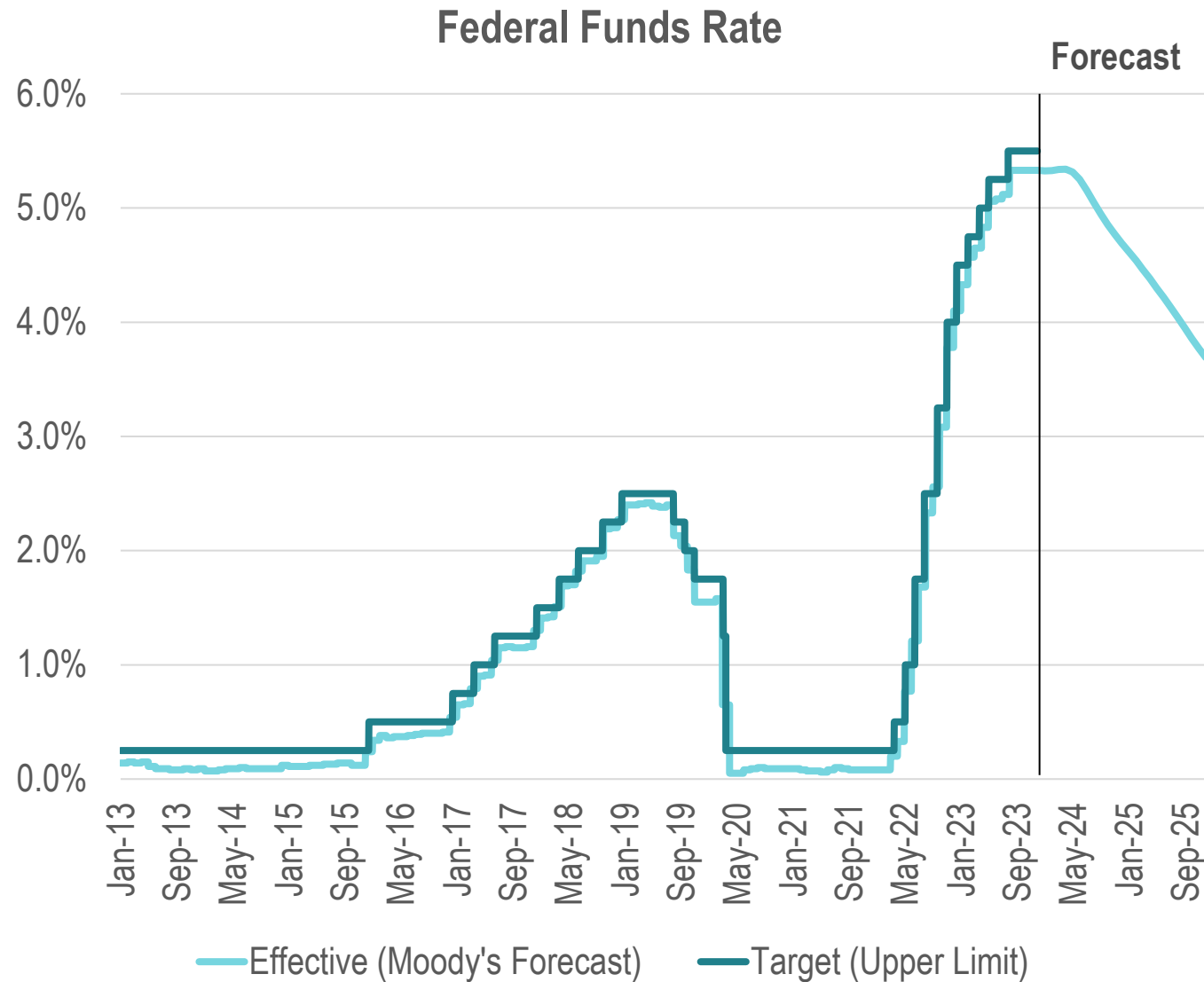
Annual CPI Inflation by Component



Data are as of November 2023.
 Note: Annual inflation figures refer to year-over-year inflation at the end of the year; figures are not seasonally adjusted.
 Source: U.S. Bureau of Labor Statistics

THE FED HELD RATES STEADY IN DEC., PENCILED THREE RATE CUTS FOR 2024

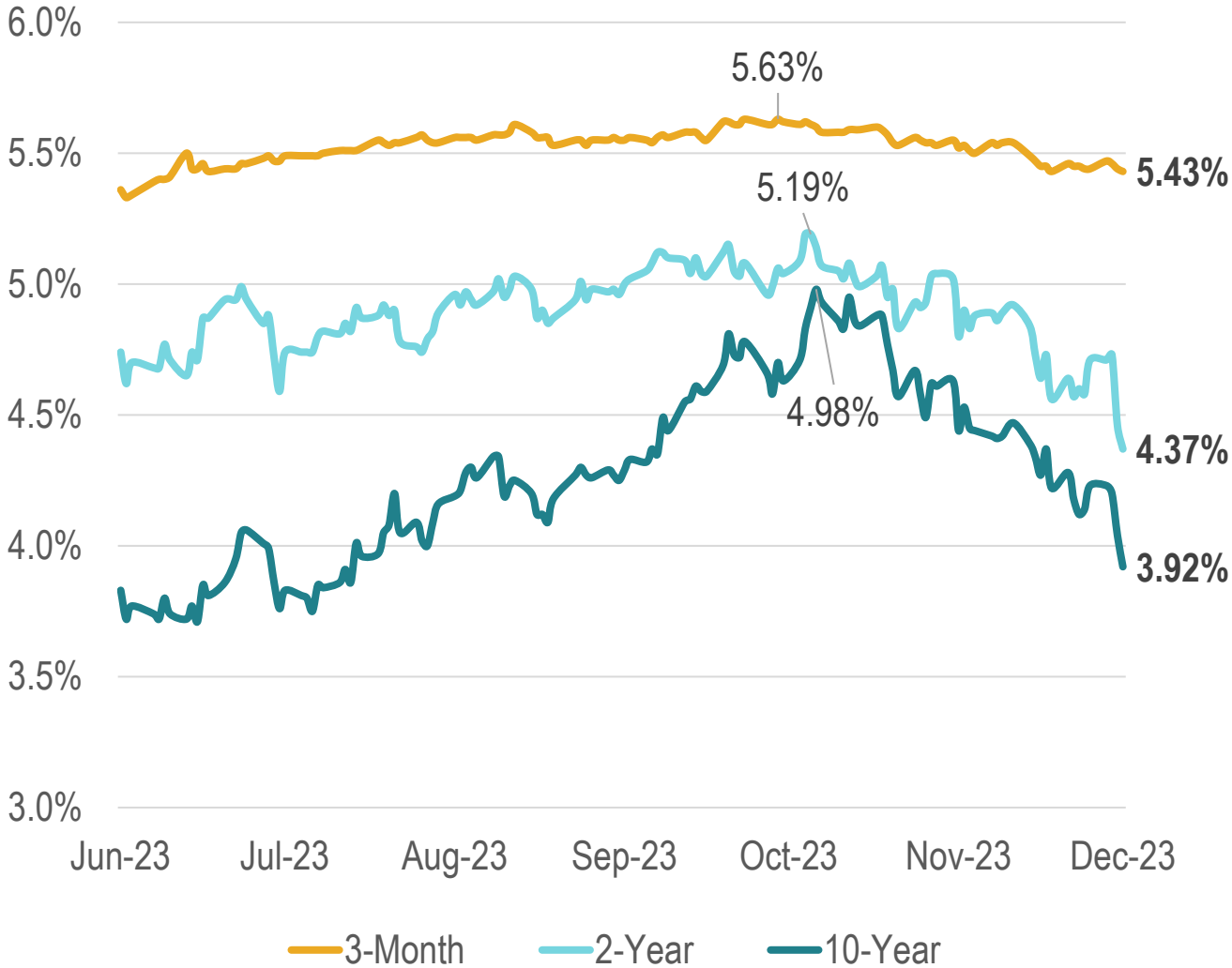
The End Appears to Be in Sight for the Fed's Most Aggressive Rate Tightening Regime in Decades



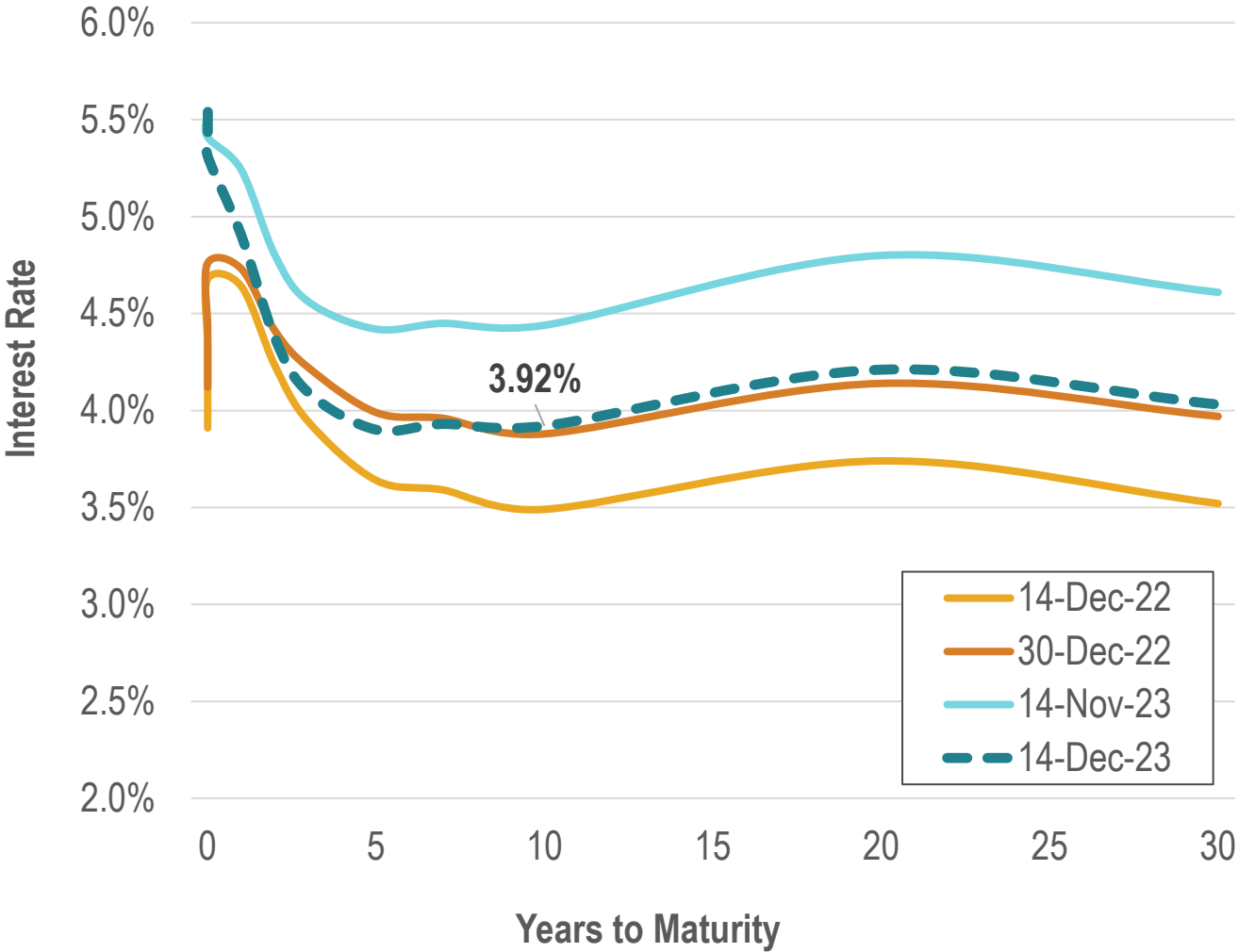
MEDIUM- AND LONG-TERM RATES DOWN CONSIDERABLY FROM MID-OCTOBER

Short-term US Treasury Rates Remain Highly Elevated on Inverted Yield Curve

US Treasury Yields (Daily)



US Treasury Yield Curve

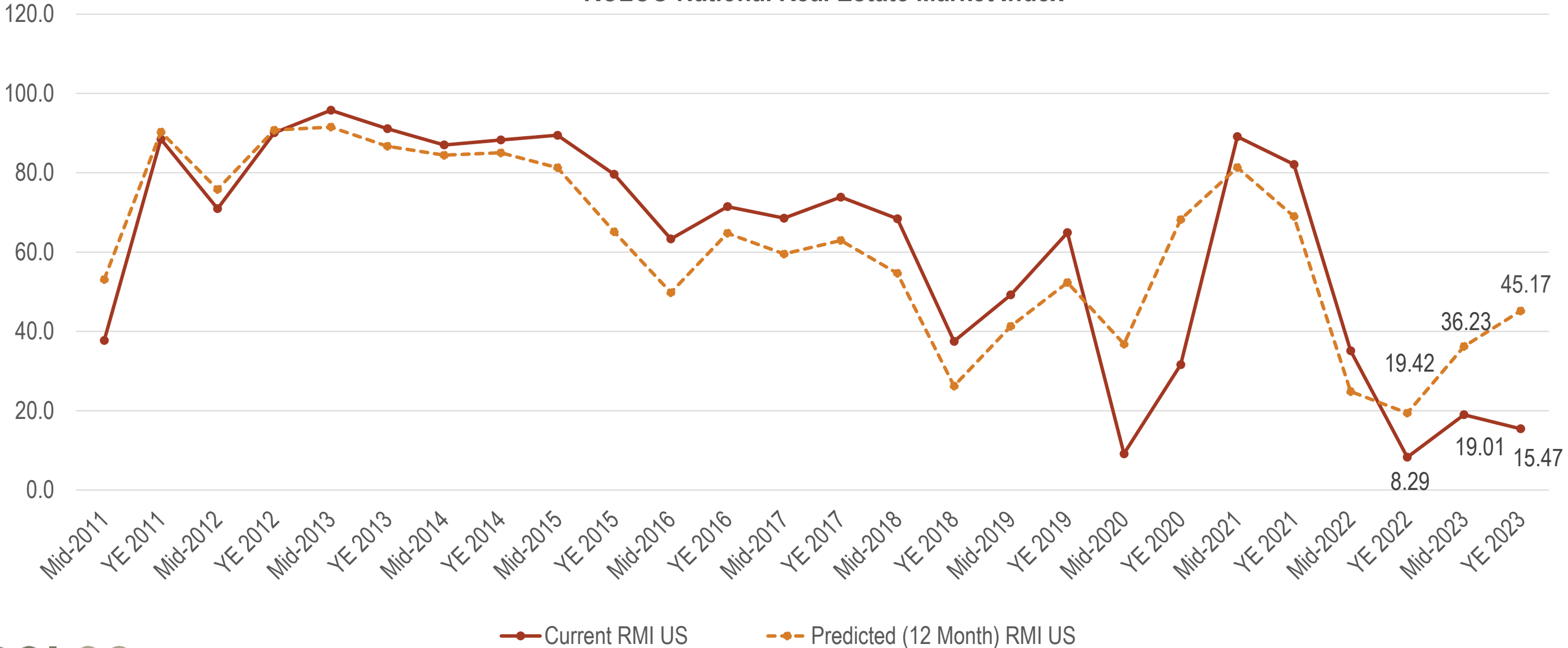


END-OF-YEAR SENTIMENT SURVEY

SENTIMENT SURVEY RESULTS

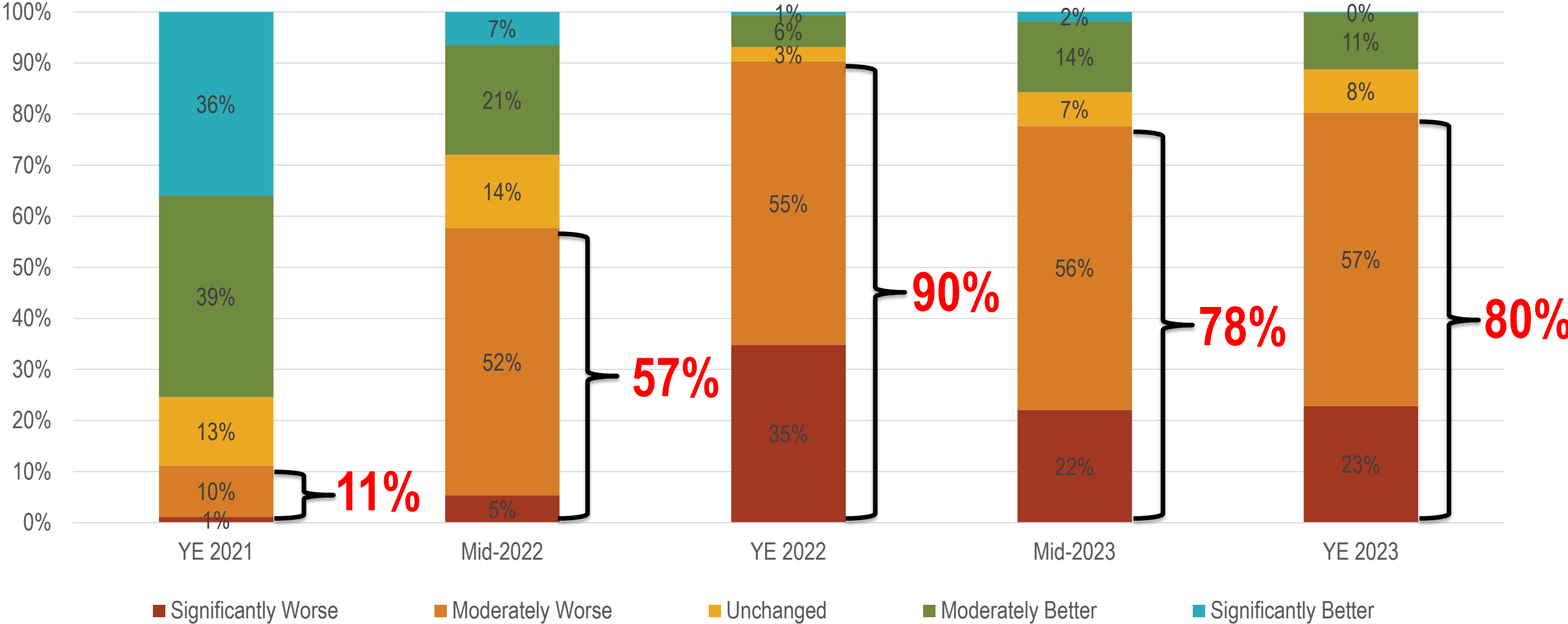
Future Outlook is Optimistic, Current Conditions Remain Low and Flat

RCLCO National Real Estate Market Index



SENTIMENT SURVEY RESULTS

How would you rate National Real Estate Market Conditions Today compared with One Year Ago?



AUDIENCE SURVEY SAYS....

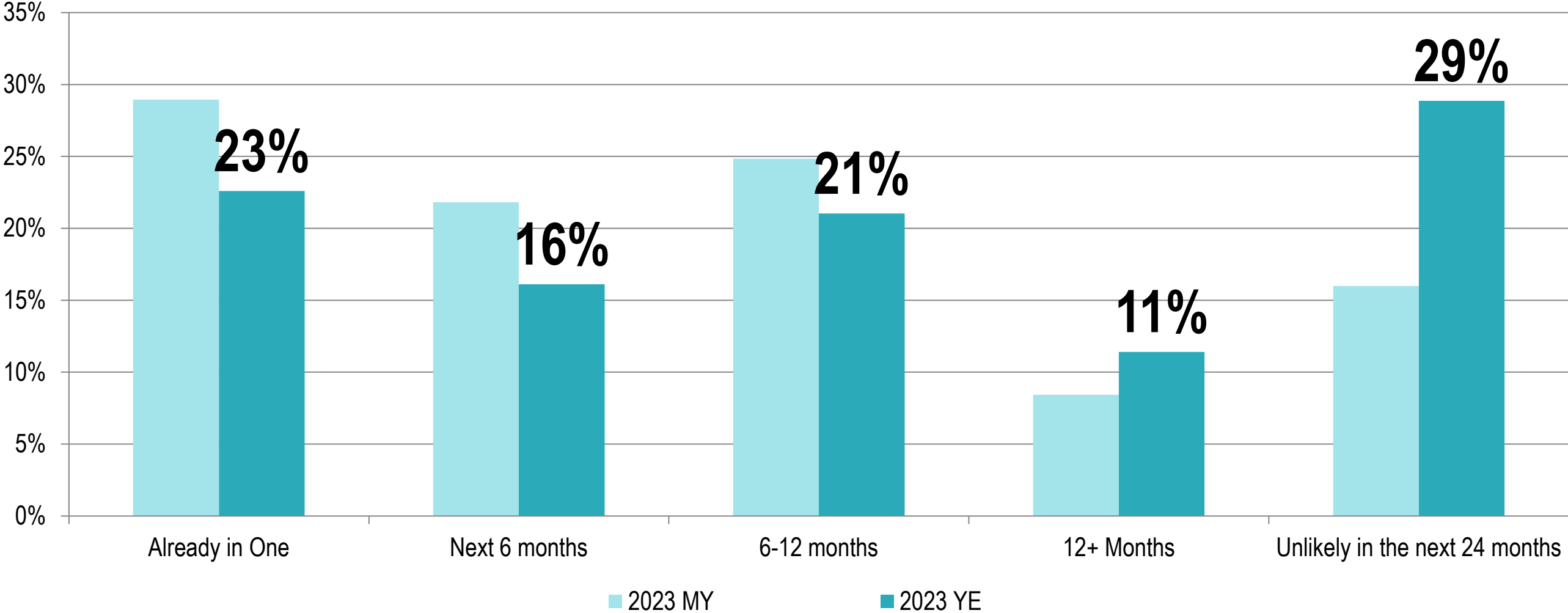
Two-part question:

1. Will the U.S. economy enter into a recession sometime over the next 18 months?
 - a) Yes
 - b) No
 - c) Not sure

2. If you believe the U.S. will be in a recession in the next 18 months, when do you believe it will start?
 - a) Already in one
 - b) Next 6 months
 - c) 6-12 months
 - d) 12+ months
 - e) Unlikely in next 24 months

SENTIMENT SURVEY RESULTS

When will the next U.S. recession occur?



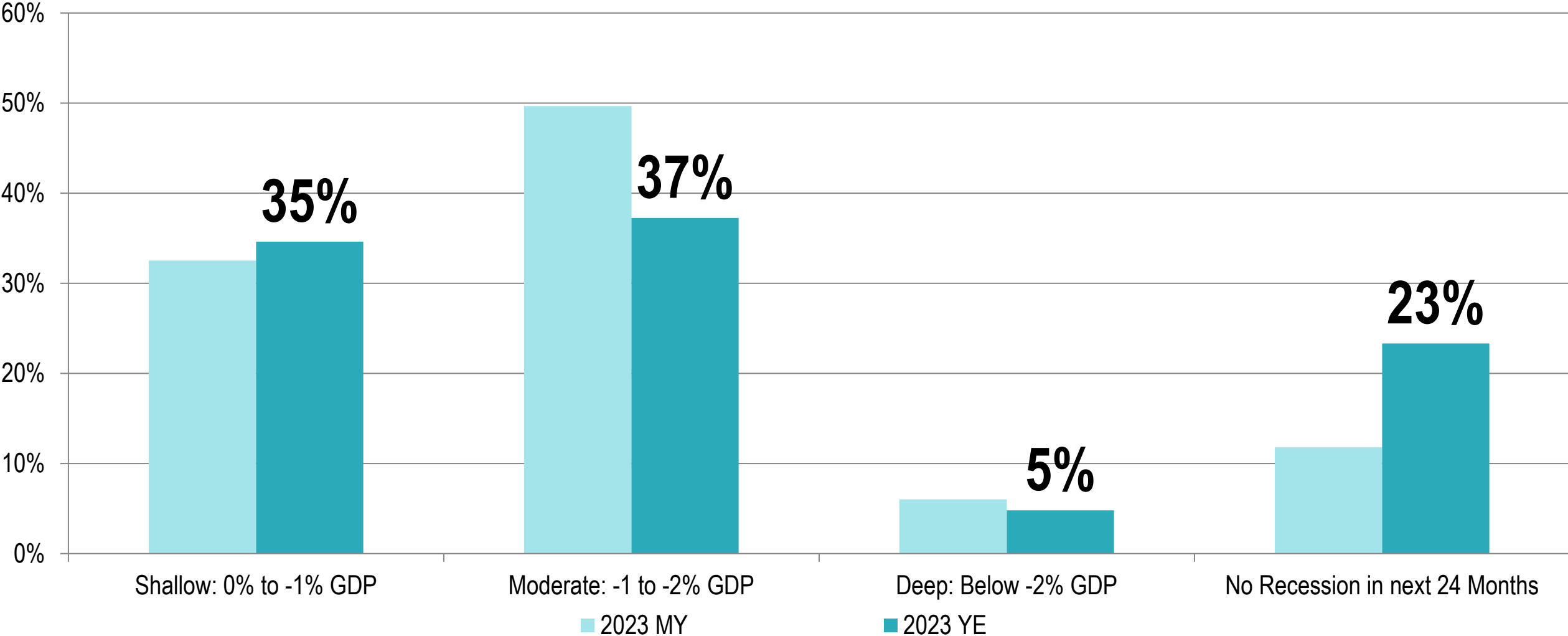
AUDIENCE SURVEY SAYS...

For those of you who believe the U.S. economy will be in a recession sometime over the next 18 months, what do you believe the depth of the potential recession will be:

- a) Shallow: 0% to -1% GDP growth
- b) Moderate: -1% to -2% GDP growth
- c) Deep: Below -2% GDP growth
- d) None: no recession, weren't you listening...

SENTIMENT SURVEY RESULTS

When will the next U.S. recession occur?



AUDIENCE SURVEY SAYS...

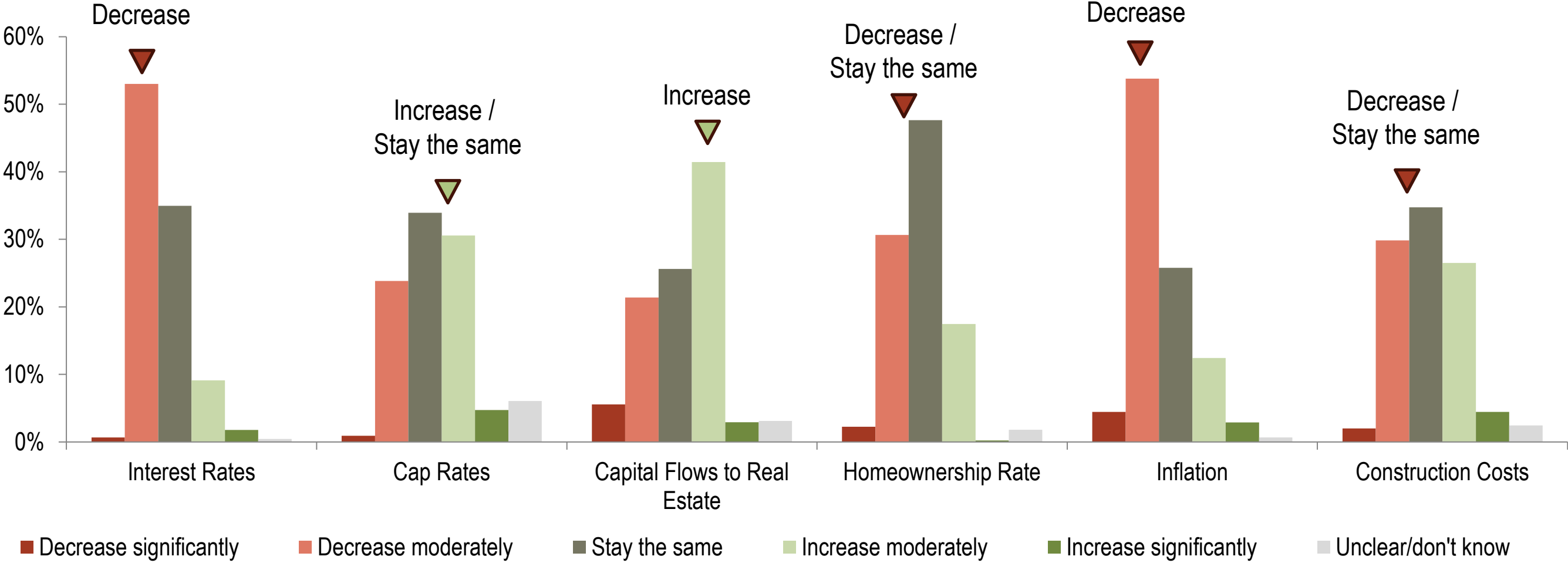
Which of the following do you think best reflects the Fed action on interest rates in 2024:

- a) Hold steady at current levels throughout 2024
- b) Begin reducing rates in H1 2024
- c) Begin reducing rates in H2 2024
- d) Increase rates further in 2024
- e) Not sure

SENTIMENT SURVEY RESULTS

6-12 Month Outlook of Various Economic Indicators

What do you expect to happen with the following economic indicators over the next 6 to 12 months nationally?



AUDIENCE SURVEY SAYS...

What percentage do you think multifamily values will be down peak-to-trough?

- a) No decline (...are you sure you want to pick this one?!)
- b) 0% to 5% down
- c) 6% to 10% down
- d) 11% to 15% down
- e) 16% to 20% down
- f) More than 20% down

AUDIENCE SURVEY SAYS...

What percentage do you think multifamily values will be down peak-to-trough?

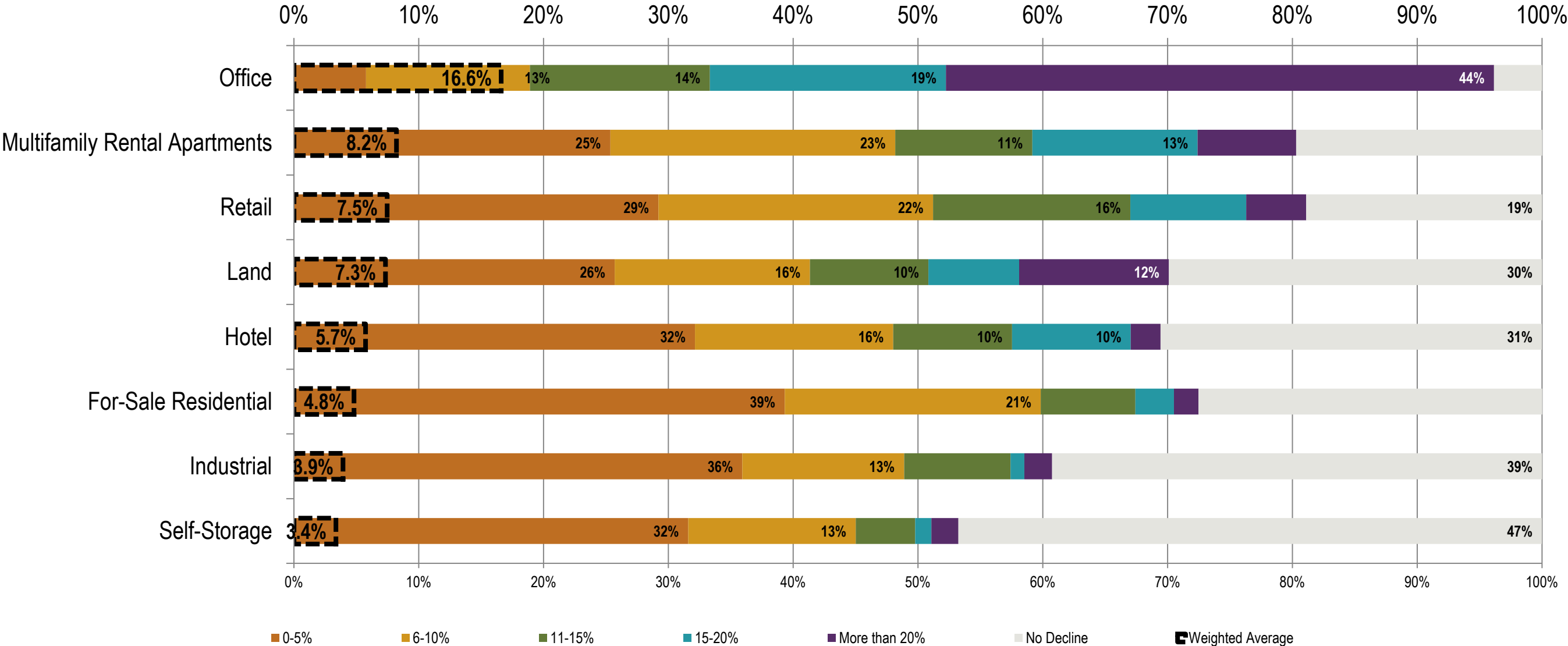
- a) No decline (...are you sure you want to pick this one?!)
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- c) 6% to 10% down
- d) 11% to 15% down
- e) 16% to 20% down
- f) More than 20% down

| NPI Trailing 1-Year Appreciation Returns | Total | Apartment | Industrial | Office | Retail |
|--|--------|-----------|------------|--------|--------|
| Miami | -4.7% | -5.1% | 0.2% | -11.1% | -13.0% |
| Dallas | -7.3% | -7.4% | -7.6% | -13.2% | 1.6% |
| San Diego | -9.1% | -9.5% | -8.0% | -13.4% | -5.1% |
| Atlanta | -9.4% | -10.8% | -5.8% | -17.0% | -5.3% |
| Riverside | -8.0% | -12.4% | -7.9% | - | -4.0% |
| Houston | -11.6% | -10.5% | -9.2% | -22.2% | -4.7% |
| Phoenix | -11.0% | -15.9% | -6.6% | -16.5% | -7.7% |
| Orange County | -11.1% | -12.0% | -8.5% | -22.6% | -5.3% |
| Chicago | -12.4% | -8.7% | -9.9% | -21.4% | -10.4% |
| Austin | -12.5% | -11.1% | -7.4% | -21.1% | -1.3% |
| Cambridge, MA | -12.5% | -11.2% | -3.3% | -15.6% | -3.5% |
| Oakland | -13.1% | -15.7% | -11.1% | -18.2% | -8.9% |
| Los Angeles | -13.5% | -15.2% | -9.4% | -22.1% | -5.1% |
| Denver | -14.4% | -12.9% | -13.0% | -21.9% | -7.2% |
| San Jose | -14.5% | -17.5% | -8.9% | -18.2% | -4.8% |
| Washington DC | -15.3% | -9.9% | -5.3% | -21.7% | -10.7% |
| New York | -16.2% | -7.9% | -10.5% | -24.0% | -9.1% |
| Seattle | -17.3% | -15.3% | -10.2% | -26.2% | -4.0% |
| Boston | -17.9% | -10.7% | -8.5% | -23.3% | -10.1% |
| San Francisco | -21.9% | -18.1% | -4.9% | -24.7% | -14.7% |
| United States | -12.1% | -11.1% | -8.5% | -21.1% | -6.3% |

Note: Returns are trailing 4Q NPI appreciation returns as of 2023 Q3. Source: NCREIF

SENTIMENT SURVEY RESULTS

Peak to Trough Values by Asset Type, Office Tops the List

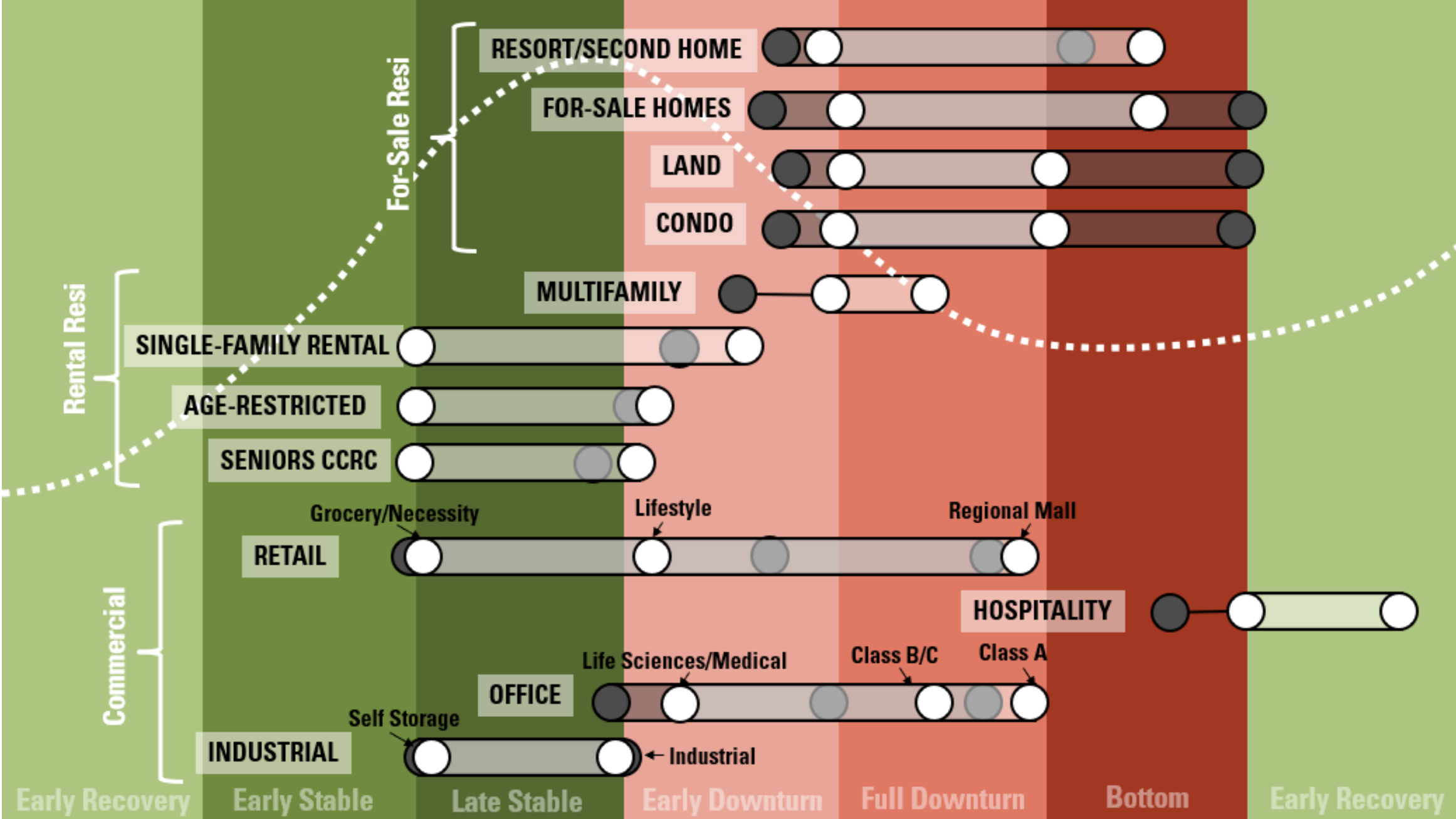


RCLCO REAL ESTATE CYCLE CHART

Mid-2023

YE 2023

Longer range = less consensus



RCLCO & RCLCO FUND ADVISORS' HOUSE VIEW

Base Case As of November 2023, ~70% Probability

- ▶ The US economy remained on solid footing through Q3 2023 as fears of a downturn haven't yet materialized
 - » Base case (70% probability): Material slowdown
 - » Upside (15% probability): Soft landing
 - » Downside (15% probability): Steeper downturn
- ▶ Inflation continues to subside in 2024 and approaches 2% target by 2025
- ▶ The Federal Reserve begins rate cuts in Q3 2024
- ▶ The 10-Year UST hovers in the 4.25-4.75% range for the next several years, with periods of volatility likely
- ▶ Real estate capital markets to remain constrained in 2024
 - » High borrowing costs
 - » Prices reset 20-40% below peak
 - » Appraised values to correct further
 - » Activity may pick up by late 2024

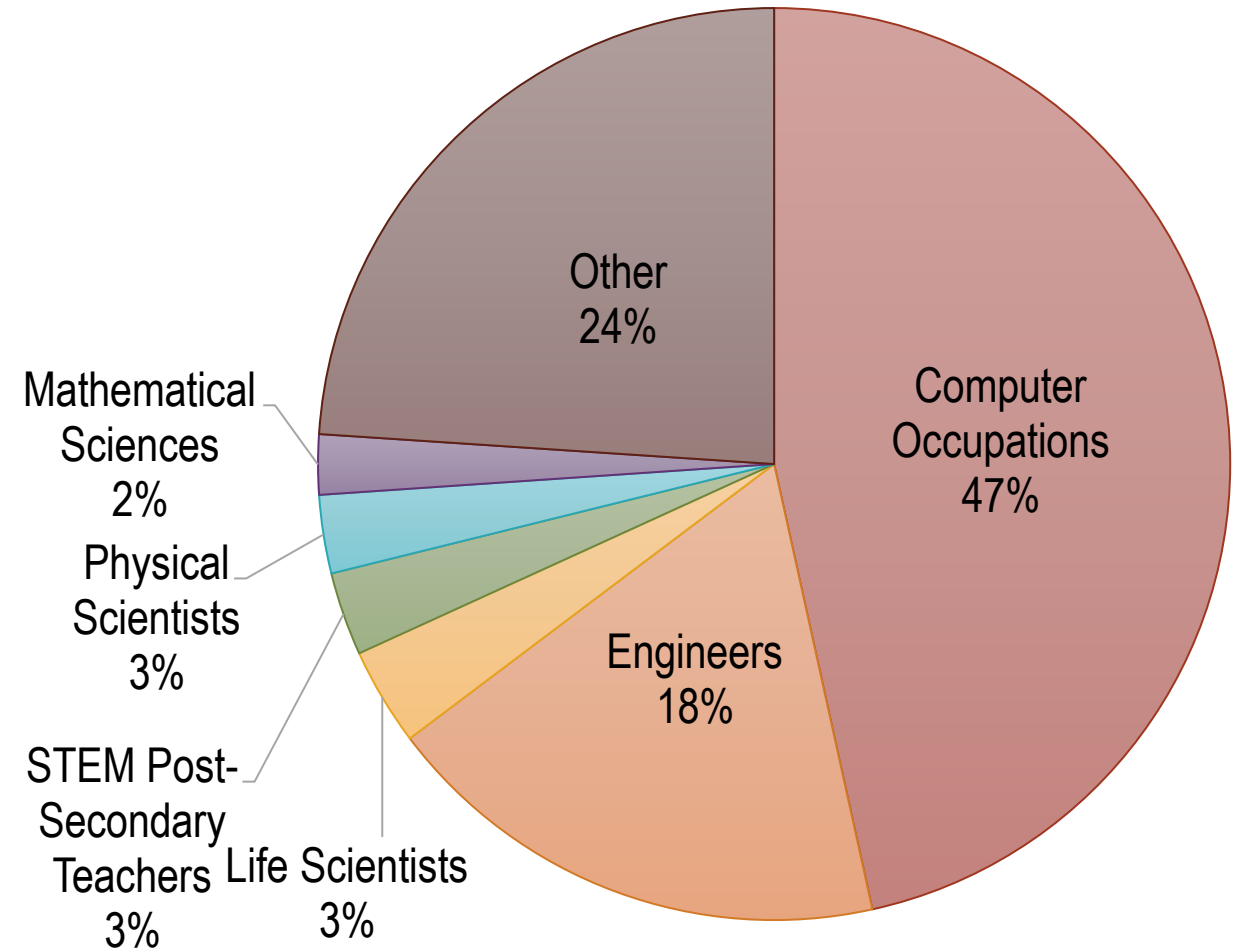
2023 STEM JOB GROWTH INDEX

INCREASES IN STEM EMPLOYMENT

Industry Growing at 5x the Rate of Non-STEM Jobs

- ▶ 2022 USA Employment:
 - » STEM: 10,360,000 (6%)
 - » Non-STEM: 154,000,000
- ▶ 2022-2032 USA Employment Growth
 - » STEM: 10.8% (1.1 million new jobs)
 - » Non-STEM: 2.3%
- ▶ BLS projects the fastest growing STEM sectors over the coming decade are projected to be in Data Science, Statistics, and Information Security

Current Composition of STEM Jobs by Industry



WHERE ARE STEM JOBS CONCENTRATED TODAY?

The Location Quotient, Explained

- ▶ Location Quotient (“LQ”) is a measure of the concentration of jobs in an industry compared to the concentration of the overall US economy
- ▶ A MSA LQ above 1.0 indicates that the industry is more concentrated than the US overall
 - » The share of STEM jobs in San Jose (LQ = 3.15) is 3.15x larger than in the US overall
- ▶ RCLCO Employment Core analysis suggests that jobs tend to gravitate in existing clusters of industry employment due to efficiencies in attracting talent, accessing materials, and supply chain infrastructure

| RANKED BY LQ | CITY | 2023 LQ | STEMDEX RANK |
|--------------|-------------------|---------|--------------|
| 1 | San Jose, CA | 3.15 | 8 |
| 2 | Washington, DC | 1.76 | 5 |
| 3 | San Francisco, CA | 1.72 | 6 |
| 4 | Austin, TX | 1.69 | 1 |
| 5 | Seattle, WA | 1.60 | 3 |
| 6 | San Diego, CA | 1.53 | 17 |
| 7 | Raleigh, NC | 1.50 | 4 |
| 8 | Boston, MA | 1.49 | 9 |
| 9 | Detroit, MI | 1.48 | 30 |
| 10 | Denver, CO | 1.44 | 2 |

STEMDEX FACTORS

Metrics are Divided into Four Categories

STEM Trends and Other Economic Factors

- ▶ 5-Year Annual Net Migration
- ▶ Historic STEM Occupation Growth
- ▶ STEM Location Quotient
- ▶ Average STEM Wage
- ▶ Young Population (25-40) Growth Rate
- ▶ Projected Growth in Office-Using Employment

Workforce Quality

- ▶ Percent Change in the Population with a Bachelors Degree +
- ▶ Share of Population Between 25-40
- ▶ Educational Attainment Score
- ▶ Current Share of Population with a Bachelors Degree +

Quality of Life

- ▶ Rent Index
- ▶ Home Price to Income Ratio
- ▶ Share of Population Beneath Poverty Line
- ▶ Walk/Transit/Bike Score
- ▶ Share of Culture Jobs as a % of Total Employment
- ▶ Quality of Life Index
- ▶ Median Commute Time

Business Climate

- ▶ State Business Tax Climate
- ▶ State/Local Tax Burden Per Capita
- ▶ Class A Office Rent
- ▶ Growth in Office Sale Price and Rent Per Square Foot
- ▶ Airport Passenger Enplanements as a Share of US Total

2023 STEM JOB GROWTH INDEX

Where STEM Jobs are Likely to Go In the Coming Years

- ▶ STEMdex is a tool to understand where jobs are both concentrated today and where they are likely to go over the coming years
- ▶ STEMdex measures momentum based on a weighting of the factors described on the previous slide
- ▶ New entrant Richmond, VA replaces NYC, while Orlando and Richmond both moved up 5 spots compared to last year
 - » Orlando: Lockheed Martin, Raytheon, Northrop Grumman and The Nation Center of Simulation are all part of the regions multibillion-dollar modelling, simulation and training industry
 - » Richmond: VCU Medical Center and VA Bio+Tech Park is one of the most economically impactful research parks and business incubators in the country

| RANK | MSA | 2023 v 2022 |
|------|--------------------|-------------|
| 1 | Austin, TX | ↔ 0 |
| 2 | Denver, CO | ▲ 2 |
| 3 | Seattle, WA | ▲ 2 |
| 4 | Raleigh, NC | ▼ -1 |
| 5 | Washington, DC | ▼ -3 |
| 6 | San Francisco, CA | ↔ 0 |
| 7 | Portland, OR | ↔ 0 |
| 8 | San Jose, CA | ↔ 0 |
| 9 | Boston, MA | ↔ 0 |
| 10 | Dallas, TX | ▲ 1 |
| 11 | Minneapolis, MN | ▲ 1 |
| 12 | Salt Lake City, UT | ▼ -2 |
| 13 | Orlando, FL | ▲ 5 |
| 14 | Charlotte, NC | ↔ 0 |
| 15 | Atlanta, GA | ↔ 0 |
| 16 | Nashville, TN | ▲ 4 |
| 17 | San Diego, CA | ↔ 0 |
| 18 | Richmond, VA | ▲ 5 |
| 19 | Baltimore, MD | ▼ -3 |
| 20 | Philadelphia, PA | ▼ -1 |

THANK YOU! – QUESTIONS?



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