2Q23

United States Capital Markets Report

NEWMARK

Market Observations

- **Economy**. The U.S. economy has proven surprisingly resilient to rising rates. Real gross domestic product grew at a 2.4% annual rate in the second quarter, a strong showing. Employment continues to grow robustly with some possible slowing on the margin. Labor markets are extremely tight, with 1.6 jobs still available for every unemployed person. Wage growth has moderated but remains at the highest levels since the late 1990s. A broad range of metrics show that inflation peaked in the Fall of 2022 but remains above target. The continued strength of the economy provides the Federal Reserve with justification to maintain a hawkish monetary policy stance, hence the recent hike to 5.25 to 5.50% and leaving the door open to further hikes. The Federal Reserve has been clear that it does not anticipate any rapid reduction in rates, a message that financial markets have resisted taking to heart. <u>It cannot be stressed enough that a soft landing for the economy means higher rates for longer.</u>
- **Debt Markets.** CRE debt origination activity has remained constrained in the first half of 2023, down 52% year-over-year and 31% compared to pre-pandemic. It's not just dollar volumes – there are 32% fewer active lenders in the market today compared to a year ago. Originations are down sharply across property types and lending sectors, though office, debt funds and CMBS/CRE CLO are negative outliers. The bigger issue is that the small and regional bank lending engine that has driven the CRE market is rapidly slowing with no clear replacement. All this is occurring at the same time as the market is set to absorb $1.4 trillion in debt maturities in 2023-2025—debt that will mature with significantly higher debt costs than when loans were originated. Additionally, many loans are underwater or nearly so, especially recent loan vintages of most property sector and broad swaths of office debt. <u>We estimate that $626 billion in debt maturing in 2023-2025 is potentially troubled.</u>
- **Equity Markets.** <u>Investment sales declined 62% year-over-year in the first half of 2023</u>. Granted, the first half of 2022 was historically strong, but sales in the first half of 2023 were still down 30% compared to the 2017 to 2019 average. Momentum is negative as sales declined 12% quarter-over-quarter in the second quarter of 2023. Sales declined year-over-year across property sectors in the second quarter of 2023 and in the first half of the year. Multifamily, office and industrial sales rose slightly quarter-over-quarter but not enough to suggest a trend. Investment allocations continue to evolve. Multifamily has returned to its pre-pandemic share while office and industrial allocations have risen. The office share continued to contract in the first half of 2023. Investment has declined across capital groups, but institutional investors and REITs have declined most dramatically – likely due to higher sensitivity to cost of capital.
- **Supply of Capital.** Dry powder at closed-end funds currently sits at a record $261 billion. The capital is concentrated in opportunistic and value-add vehicles, while debt strategies have pulled back. We estimate that 75% of this capital is targeting residential and industrial assets. While much of this dry powder was raised prior to the turn in market conditions, <u>new fundraising at close-end funds accelerated in the second quarter of 2023, particularly for opportunistic vehicles</u>. In contrast, contributions to ODCE funds declined to a post-GFC low in the second quarter of 2023 with many funds facing redemption queues. Similarly, new fundraising in the REIT sector has slowed to a halt. Nontraded REITs have been forced to limit redemptions, even as they've had success in bringing in new institutional partners and post surprisingly high returns.
- **Pricing and Returns.** Transaction markets now show clear increases in transaction cap rates, belatedly following the public markets. Even so, <u>both in the private and public markets, cap rates appear distinctly unattractive relative to the cost of debt capital, possibly excepting office REITs</u>. This is not surprising in the private markets where transaction volumes are muted and reflect selection bias and appraisal-based valuations lag market conditions. Extremely narrow cap rate spreads in the REIT markets are harder to justify and seem to require a rapid decline in debt costs, historically abnormal NOI growth or a combination of the two. Notwithstanding the structural deficiencies in NCRIEF valuations during periods of rapid change like today, NCREIF NPI total returns were broadly negative in the second quarter of 2023. Hotel and retail outperformed on the margin. Returns were negative in 59% of metro markets, including 82% of office markets.

Strategy Recommendations

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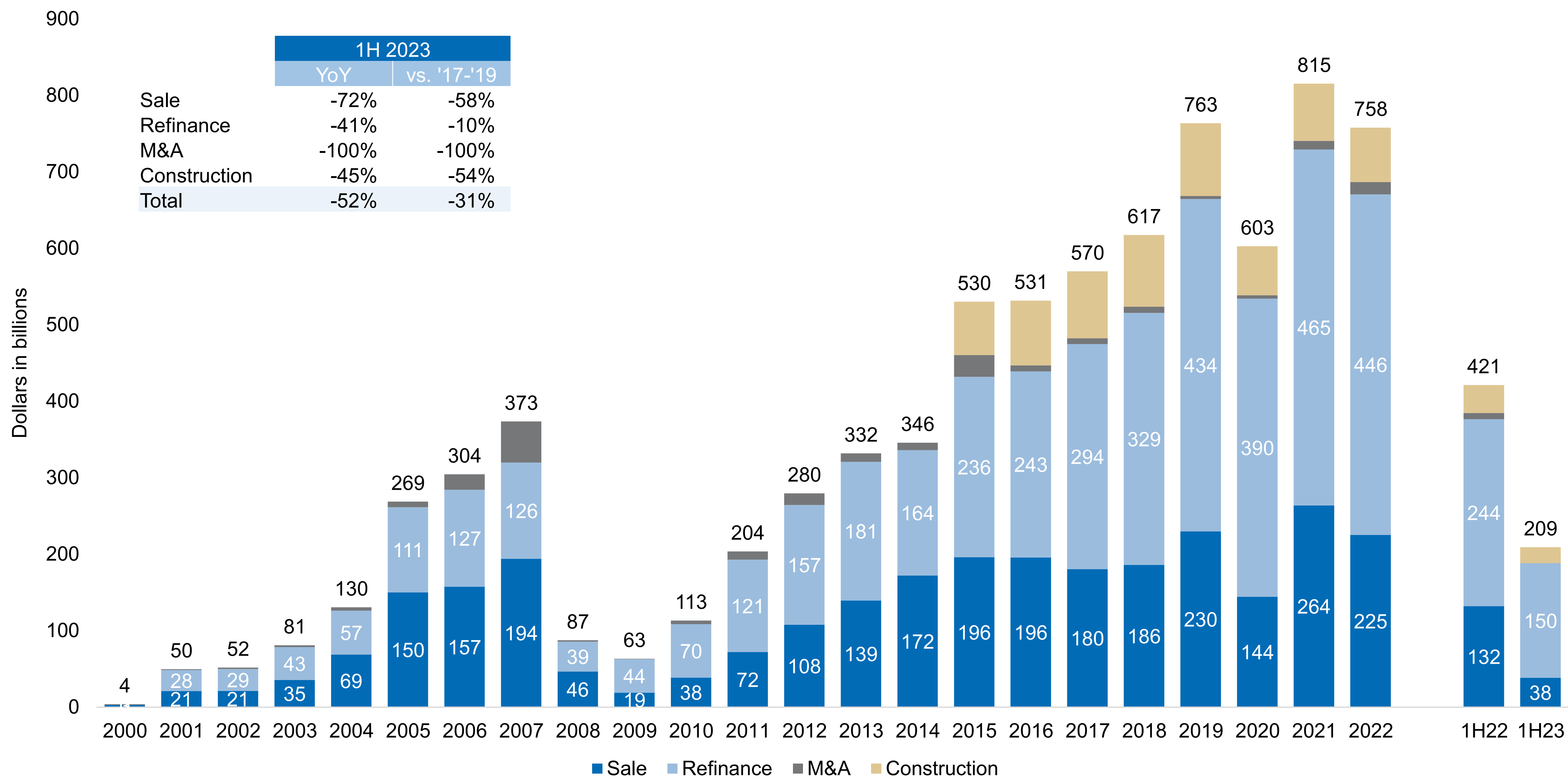
Debt Capital Markets

Debt Origination Down 52% Year-over-Year in The First Half of 2023

Not surprisingly, acquisition financing has declined the most both on a year-over-year basis and as compared with the pre-pandemic period. This remains an important reference point due to the highly inflated levels of transaction activity in 2021 and the first half of 2022. Refinancing volumes declined somewhat less year-over-year and were only slightly down from pre-pandemic. This was not opportunistic and is most likely a result of record loan maturities in 2023.

Commercial Real Estate Debt Origination Volume*

	1H 2023	
	YoY	vs. '17-'19
Sale	-72%	-58%
Refinance	-41%	-10%
M&A	-100%	-100%
Construction	-45%	-54%
Total	-52%	-31%

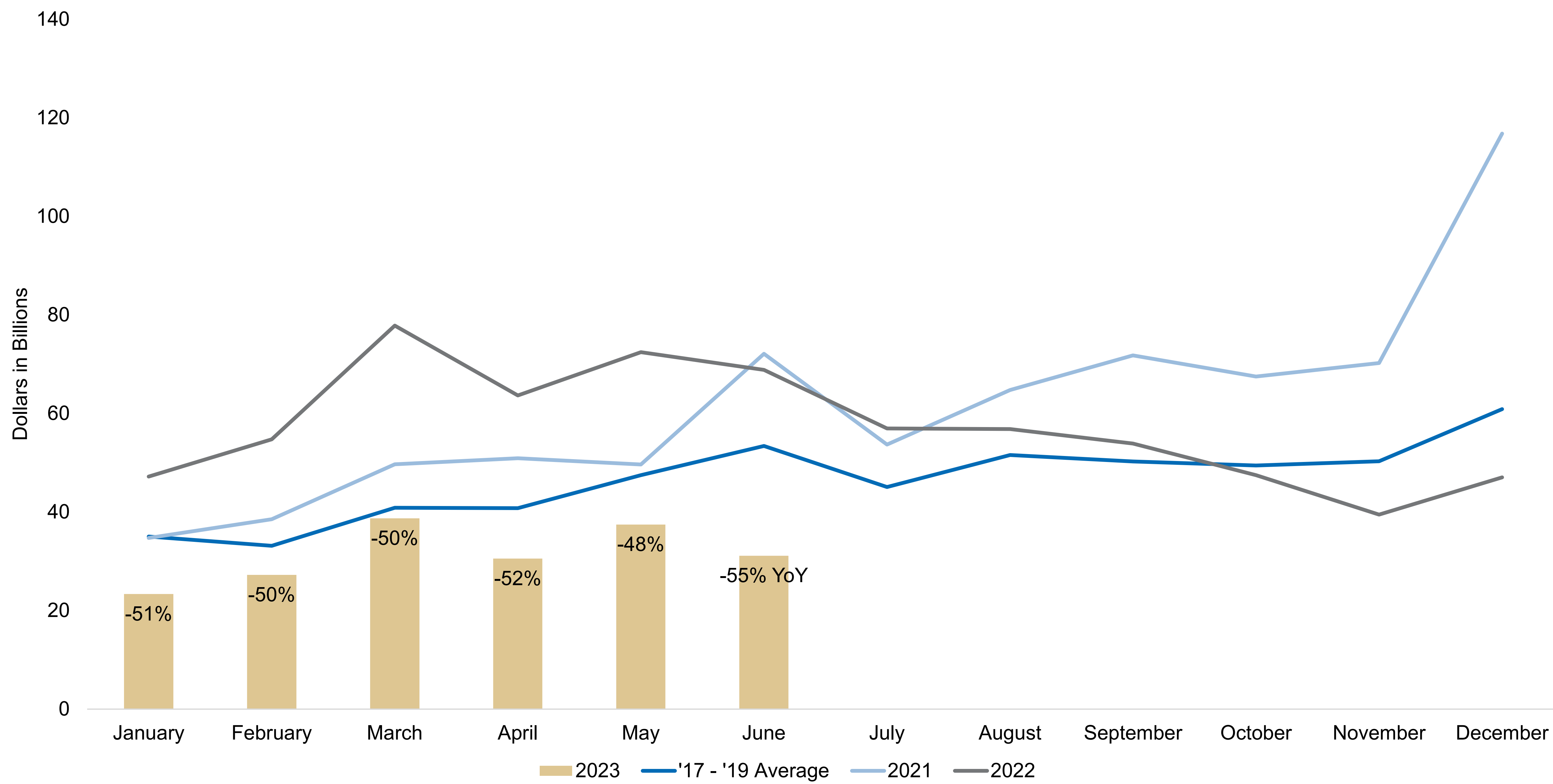


Source: RCA, Newmark Research as of 7/24/2023
* Data is based preliminary loan sums, which are subject to future revision – potentially significant.

Monthly Origination Activity Range-Bound in First Half of 2023

With the proviso that second quarter figures remain immature, the upward trend of originations leading into March appears to have faltered subsequently. On a percentage basis, the year-over-year declines have remained mostly constant and even nominal volumes in the last four months have been circumscribed. The pre-pandemic comparison is perhaps more useful going forward, and it is here where gaps seem to be widening.

Monthly Commercial Real Estate Debt Origination Volume*



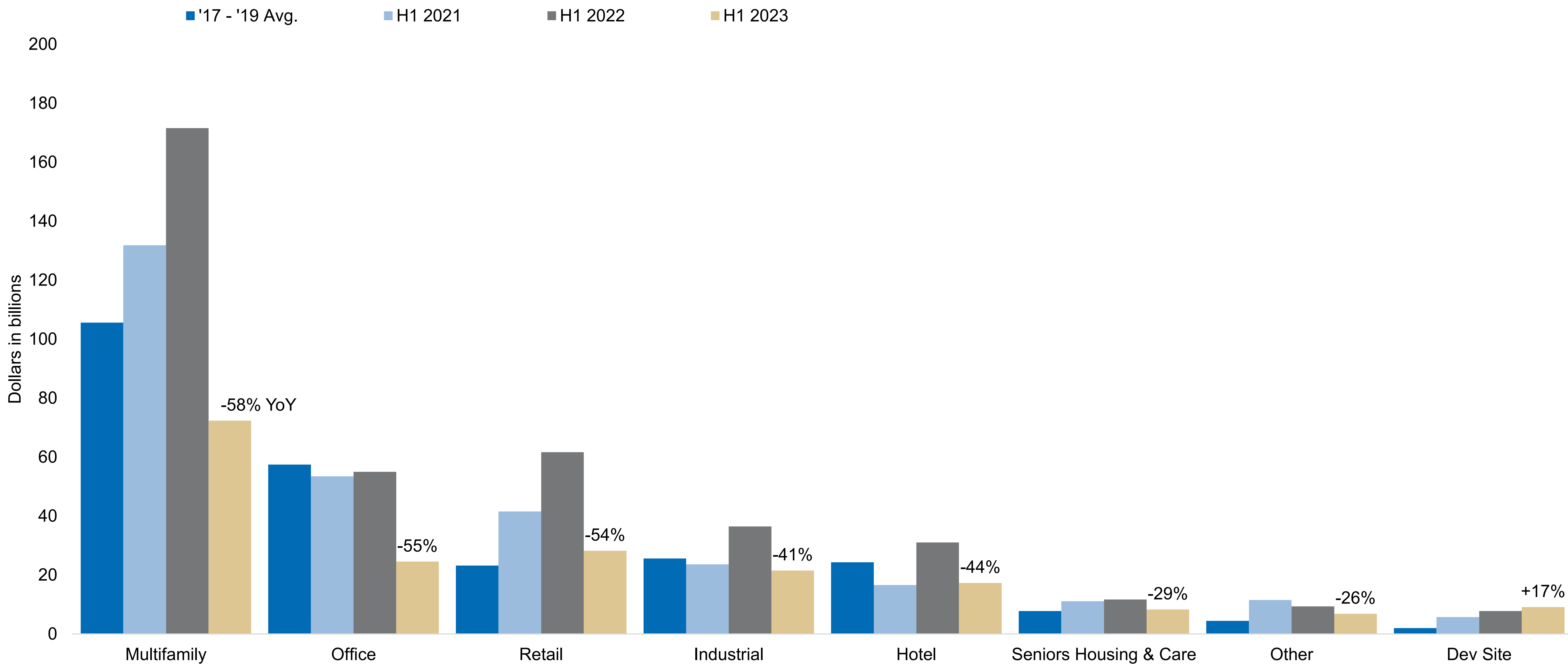
Source: RCA, Newmark Research as of 7/24/2023
* Data is based preliminary loan sums, which are subject to future revision – potentially significant.

The Number of Active Lenders Has Declined 32% Since Peaking in 2Q22

Originations Down across Property Types, but Most Dramatically for Multifamily

The 58% year-over-year multifamily decline is not just an artifact of inflated activity last year; lending is still down 32% compared with pre-pandemic. Office compares poorly to either period.

Commercial Real Estate Debt Origination Volume*

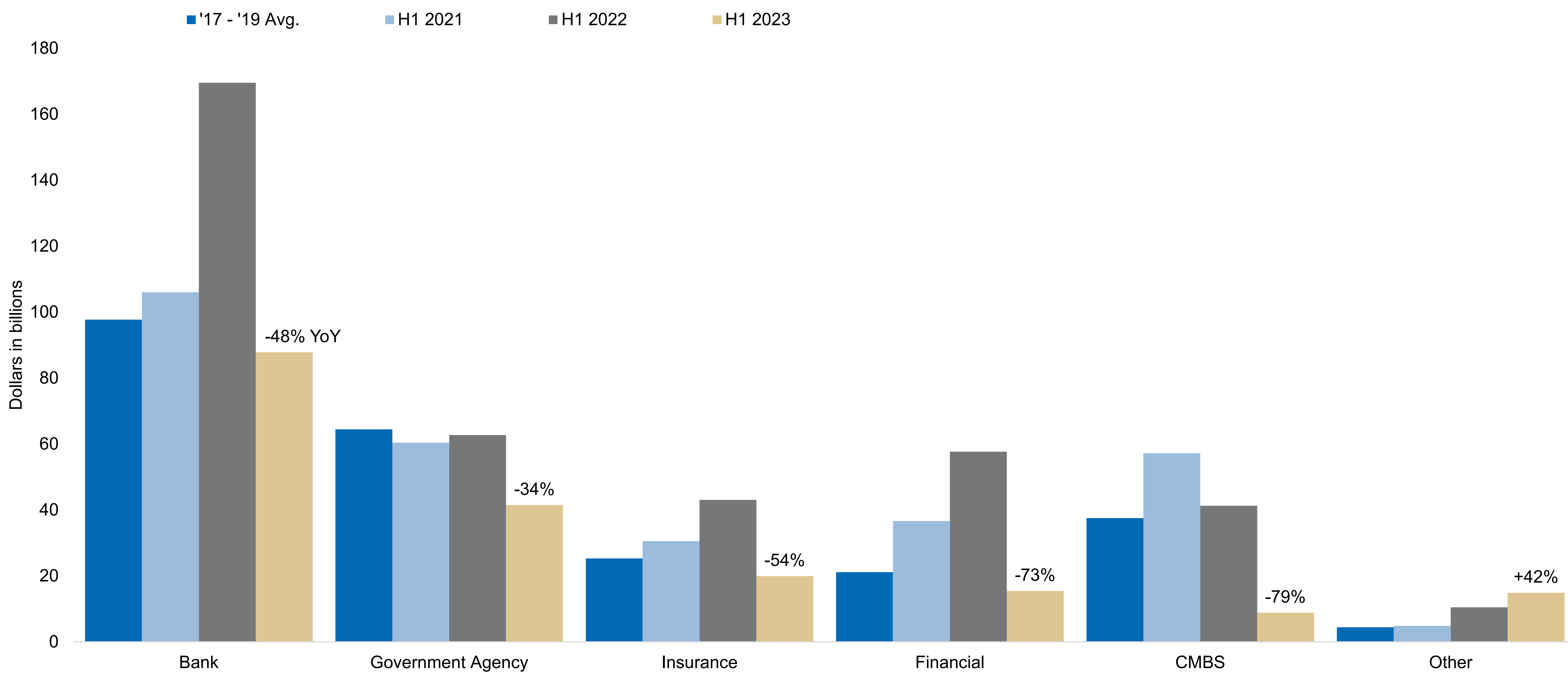


Source: RCA, Newmark Research as of 7/24/2023
* Data is based preliminary loan sums, which are subject to future revision – potentially significant.

Explosive Rise in Bank, CMBS and Debt Fund Lending Now Crashing to Earth

Loan originations by financial lenders (i.e., debt funds) collapsed 73% year-over-year. CMBS and CRE CLO-related loan origination fell similarly. From a sheer volume standpoint, the greatest change has come in the bank sector, where volumes were down 48% year-over-year. Insurance lending declined more than bank volumes, though second quarter volumes exhibited some improvement. "Other" lending – namely lending by HNW individuals was a lone bright spot.

Commercial Real Estate Debt Origination Volume

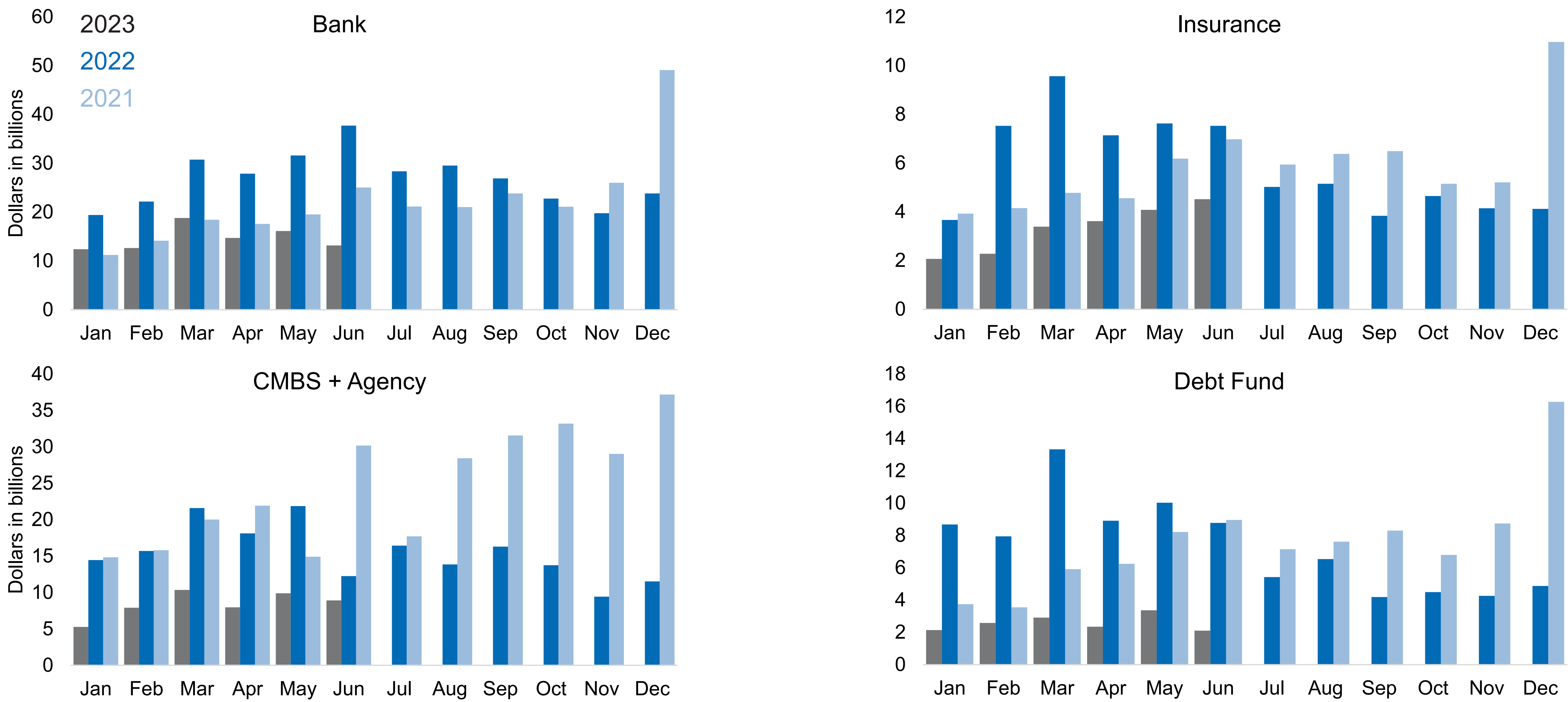


Source: RCA, Newmark Research as of 7/24/2023
Note: Data is based preliminary loan sums, which are subject to future revision – potentially significant.

Loan Originations Have Declined across Lender Groups

Declines have been particularly sharp among banks, debt funds and lending for securitization. Insurance lending is still down year-over-year, but even with preliminary data, volumes have been increasing steadily.

Loan Origination Volume

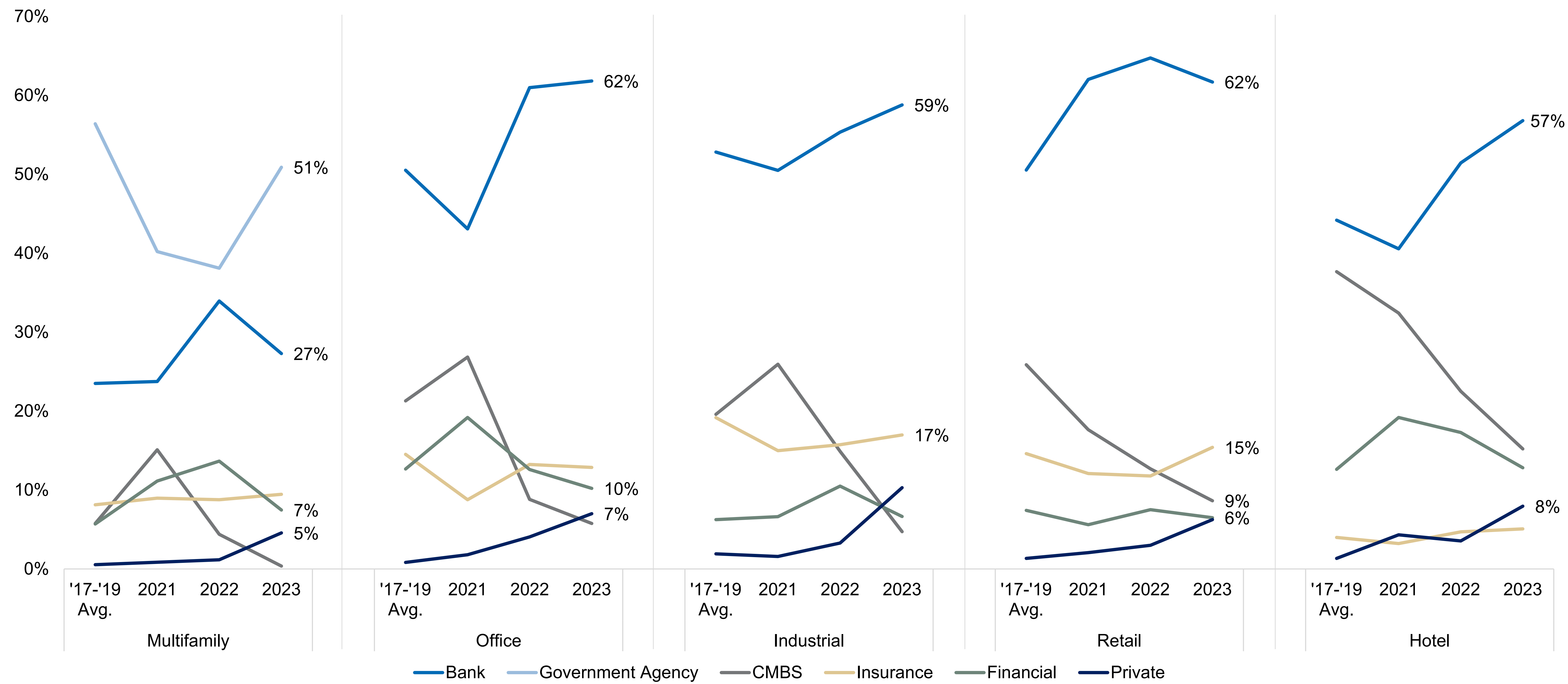


Source: RCA, Newmark Research as of 7/24/2023
Note: Data is based preliminary loan sums, which are subject to future revision – potentially significant.

Despite Turmoil, Bank Share Remains above Pre-Pandemic Levels

Debt funds' share, however, has pulled back across property sectors, most notably for office. The same is true of CMBS/CRE CLO. In contrast, GSE's are increasing share in multifamily finance, fulfilling their role of balancing liquidity in the sector despite an increased focus on mission-driven lending.

Composition of Commercial Mortgage Debt Originations



Source: RCA, Newmark Research as of 7/24/2023
Note: Data is based preliminary loan sums, which are subject to future revision – potentially significant.

Small and Regional Banks Aggressively Grew Their CRE Loan Books

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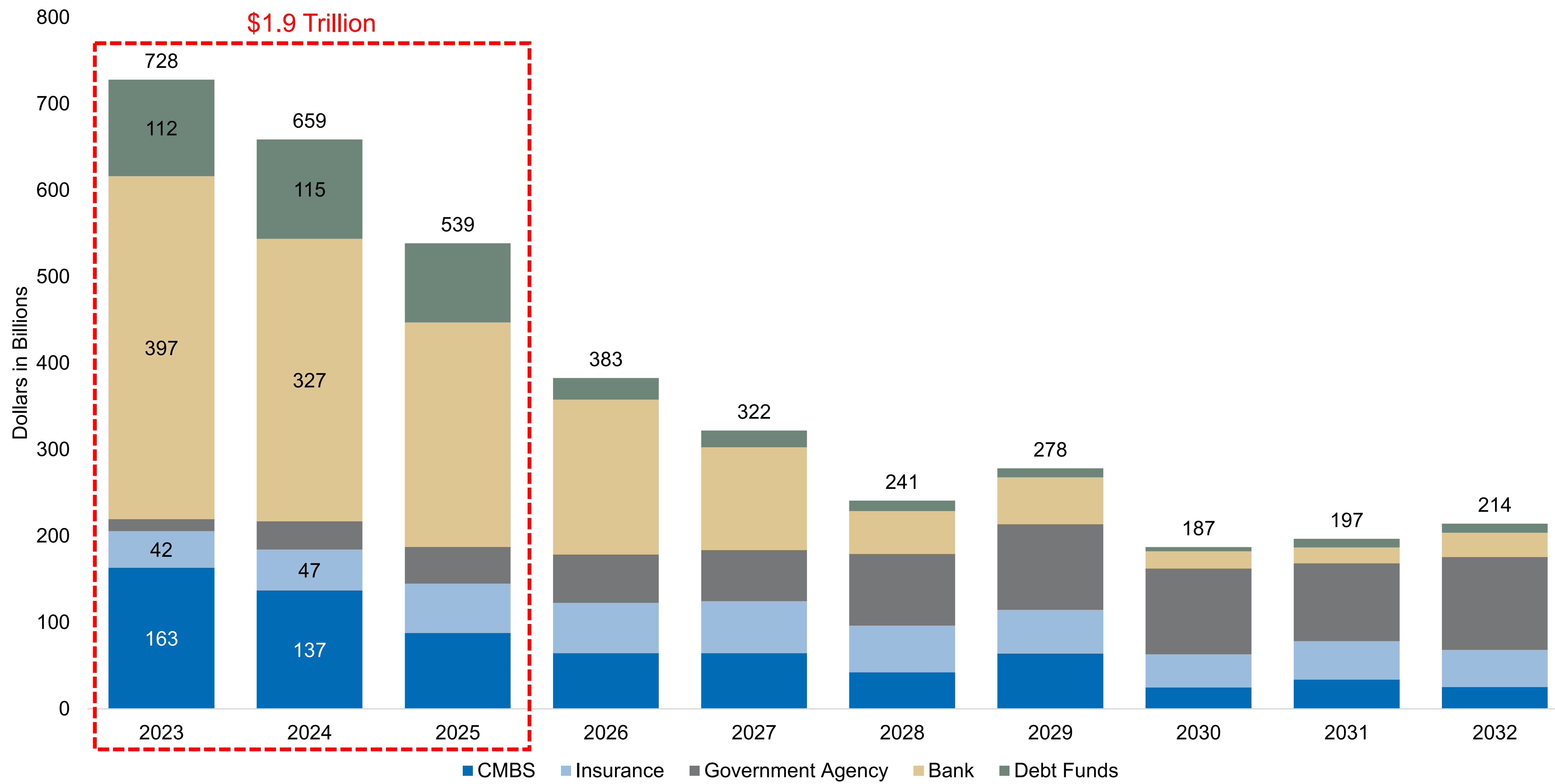
The Market Faces Record Maturities

Bank, CMBS/CRE CLO and debt fund maturities are particularly heavily front-loaded over the next 18 months.

Commercial Mortgage Maturities



Source: MBA, Newmark Research

Office and Multifamily Maturities Particularly Elevated in 2023 to 2024

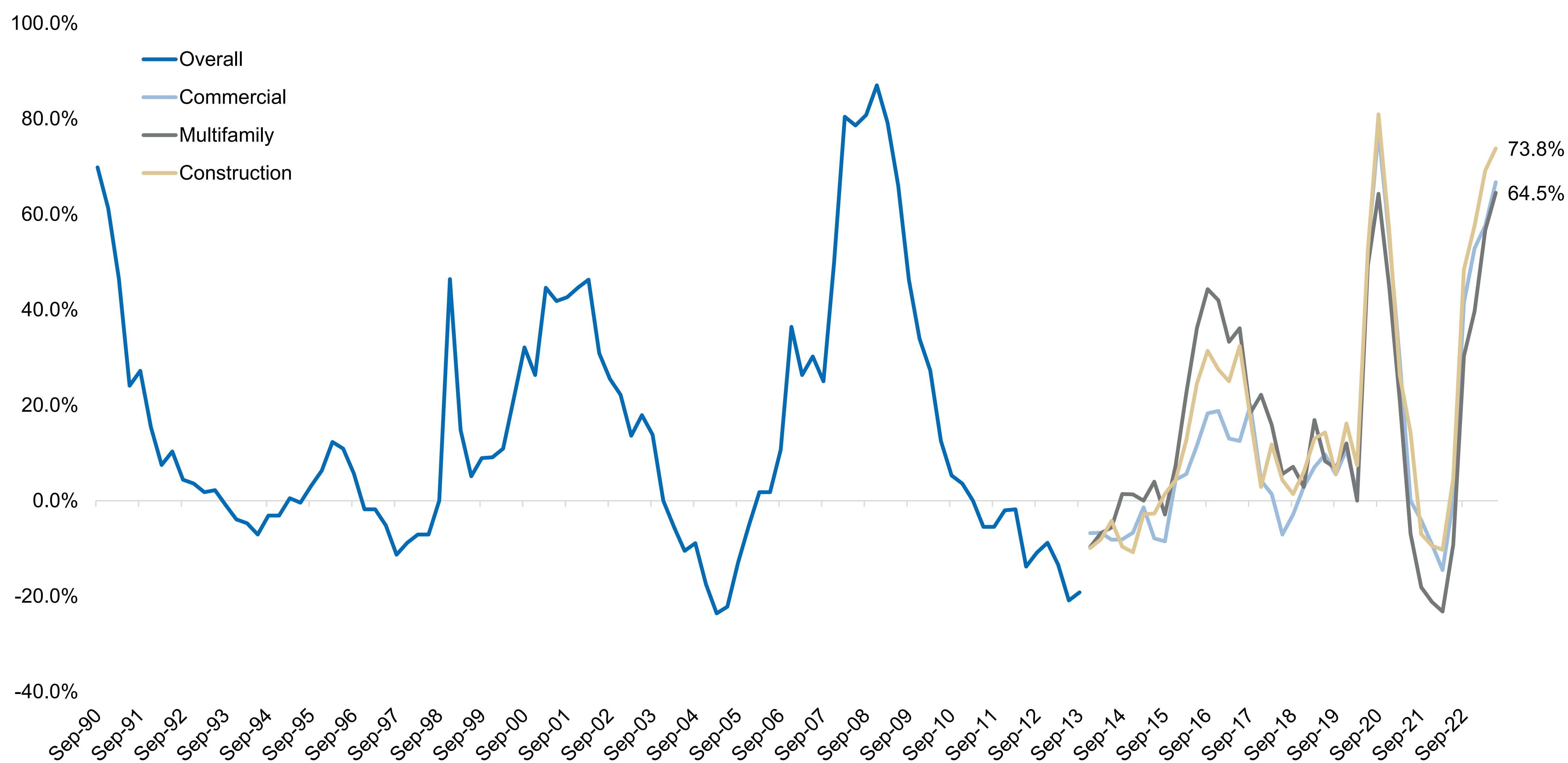
A Third of Loans Maturing Were Originated at Record Low Rates, High Valuations

Where Will Liquidity Come From?

Bank Lending Standards Were Already Rapidly Tightening Pre-SVB

The resurgence of bank lending has been short-lived. Banks are tightening their lending standards which, as in 2020, means shrinking the profile of not only assets but sponsors to whom they are willing to lend. While delinquencies remain low, bank managers anticipate increased distress across their credit portfolios, including within their CRE books.

Net Percentage of Banks Tightening Lending Standards

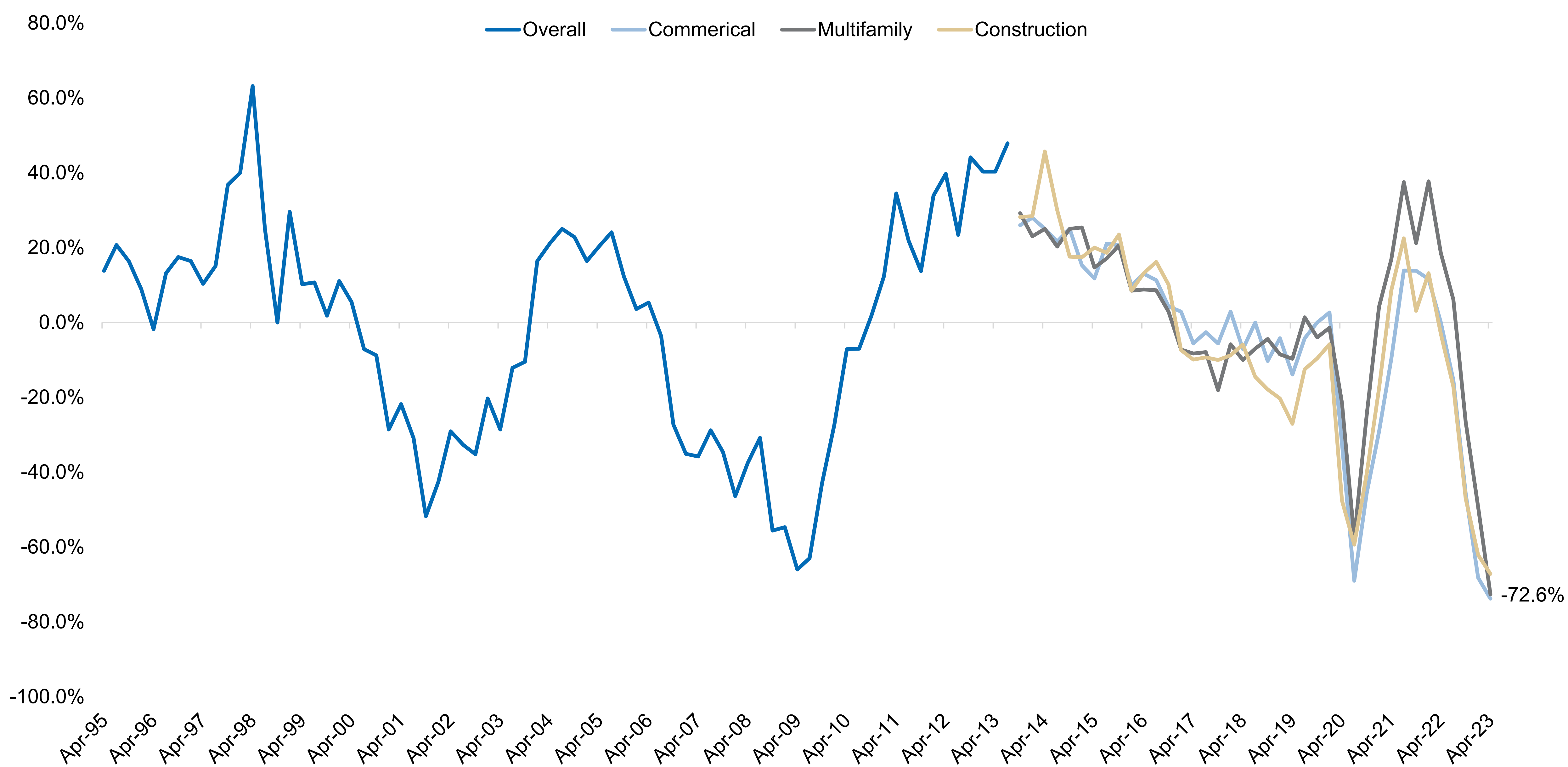


Source: Federal Reserve, Newmark Research as of 7/26/2023

Demand for Bank CRE Credit Collapsing

The same trends are playing out across the banking industry – not just regional banks.

Net Percent of Banks Reporting Stronger CRE Loan Demand

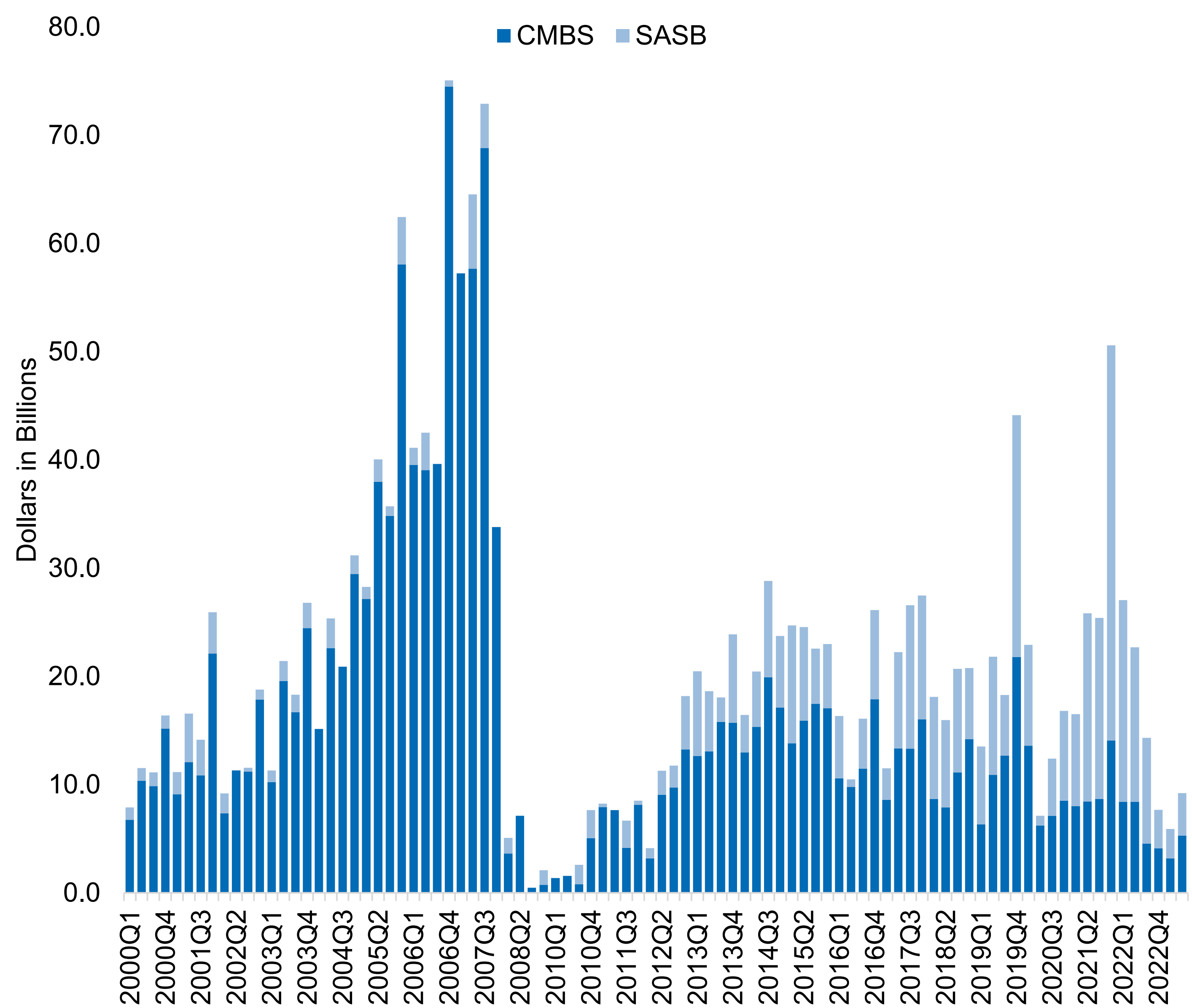


Source: Federal Reserve, Newmark as of 7/26/2023

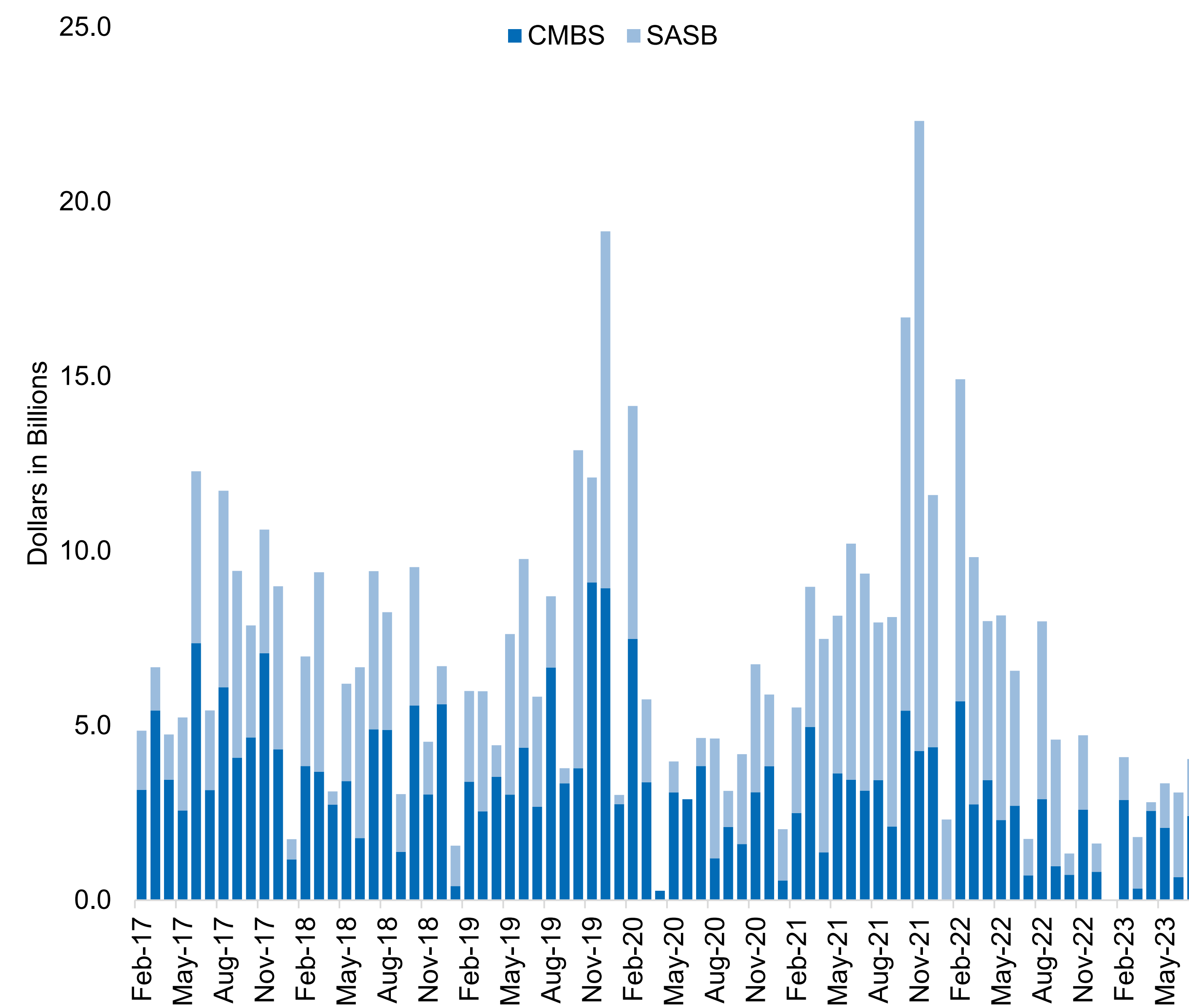
Securitized Markets in Doldrums

CMBS issuance collapsed towards the middle of 2022. The first quarter of 2023 was the weakest for issuance going back to the immediate post-GFC period. Issuance rose 57% in the second quarter on a sequential basis but was still down 59% year-over-year. SASB and conduit CMBS have both experienced setbacks, the former to a greater degree compared to the SASB bonanza of 2021-2022. The upshot is that at present, there is little to suggest that securitized markets could make up for the expected pullback in bank finance.

Quarterly CMBS Issuance



Monthly CMBS Issuance

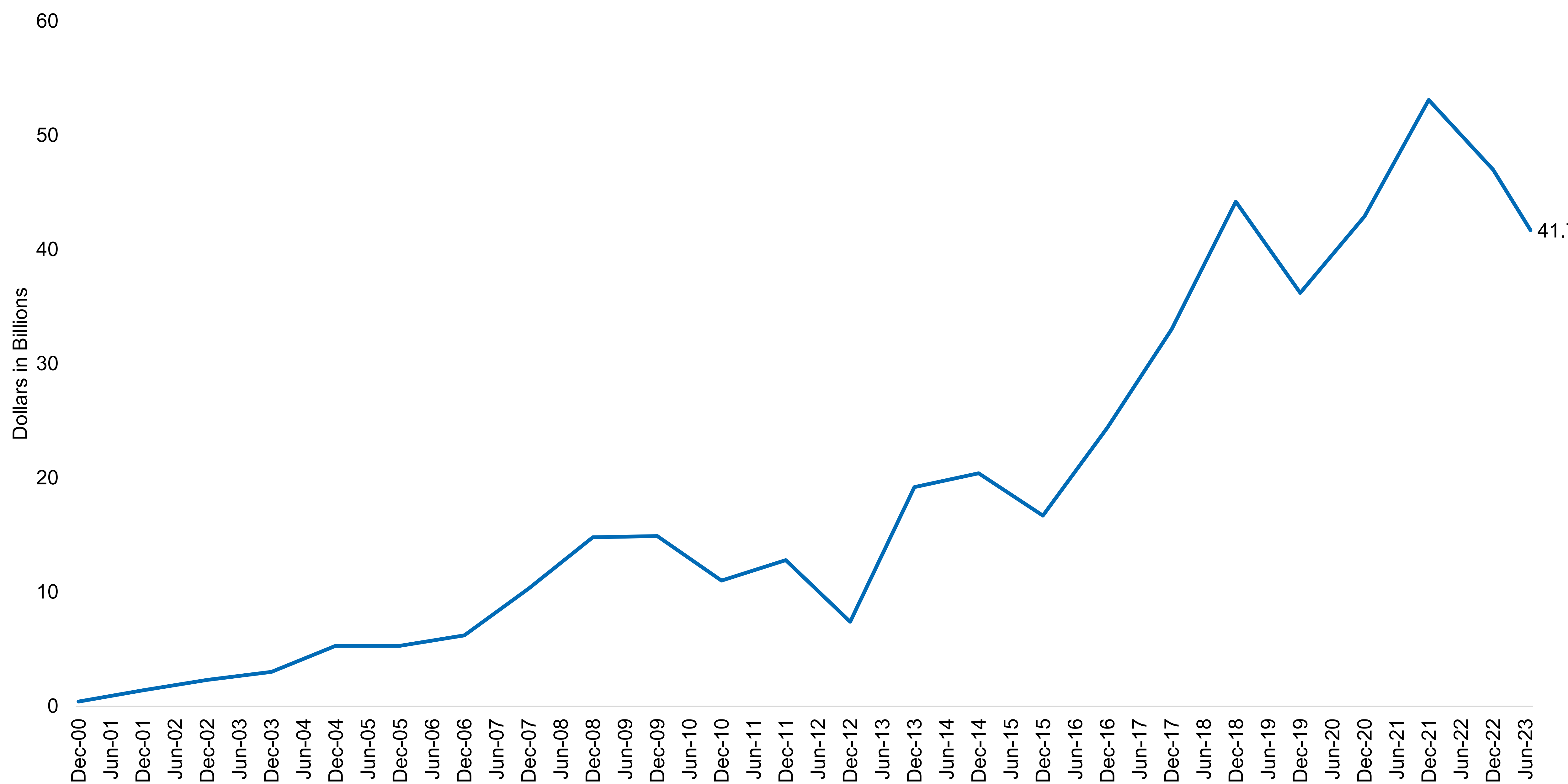


Source: Green Street, Ishares, Newmark Research as of 5/11/2023

Debt Funds Have Dry Powder, but Not Enough to Fill the Hole (for Now)

The re-hypothecation channel is impaired by bank hesitancy and securitization market illiquidity. Additionally, debt funds expanded dramatically in the liquidity bubble and focused on transitional and high leverage finance – loan profiles likely to be under the greatest stress. Legacy portfolio issues are likely to further constrain activity, though on average, it seems likely that debt funds are better prepared to take back assets. Longer term, a smaller bank role offers opportunities for private capital.

Debt Fund Dry Powder

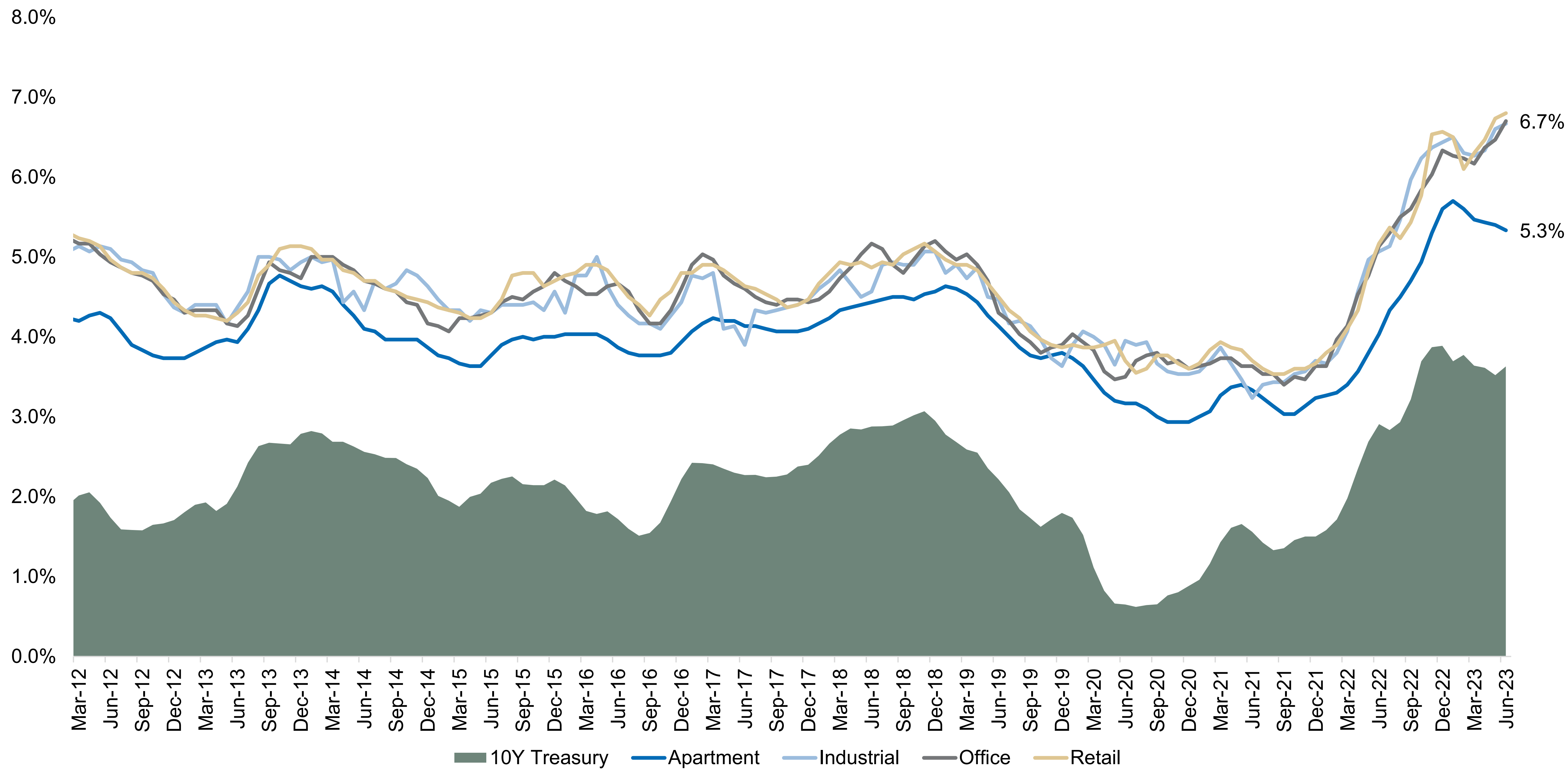


Source: Newmark Research, Preqin as of 7/26/2023

Fixed Rate Debt Costs Rising in Private Transaction Market

The Fed's hiking cycle and the concomitant increase in yields across the Treasury curve drove the initial increase in the cost of CRE debt. In recent months, Treasury yields have been volatile but essentially range-bound – briefly testing extremes of over 4.0% and under 3.6% but mostly meandering between 3.6% and 3.8%. Most data, however, indicate a rising cost of capital for non-multifamily debt. Recent multifamily financing costs have, in fact ,retreated, possibly reflecting a greater GSE (and therefore subsidized) role in the market.

Average Interest Rate on Fixed Rate CRE Originations

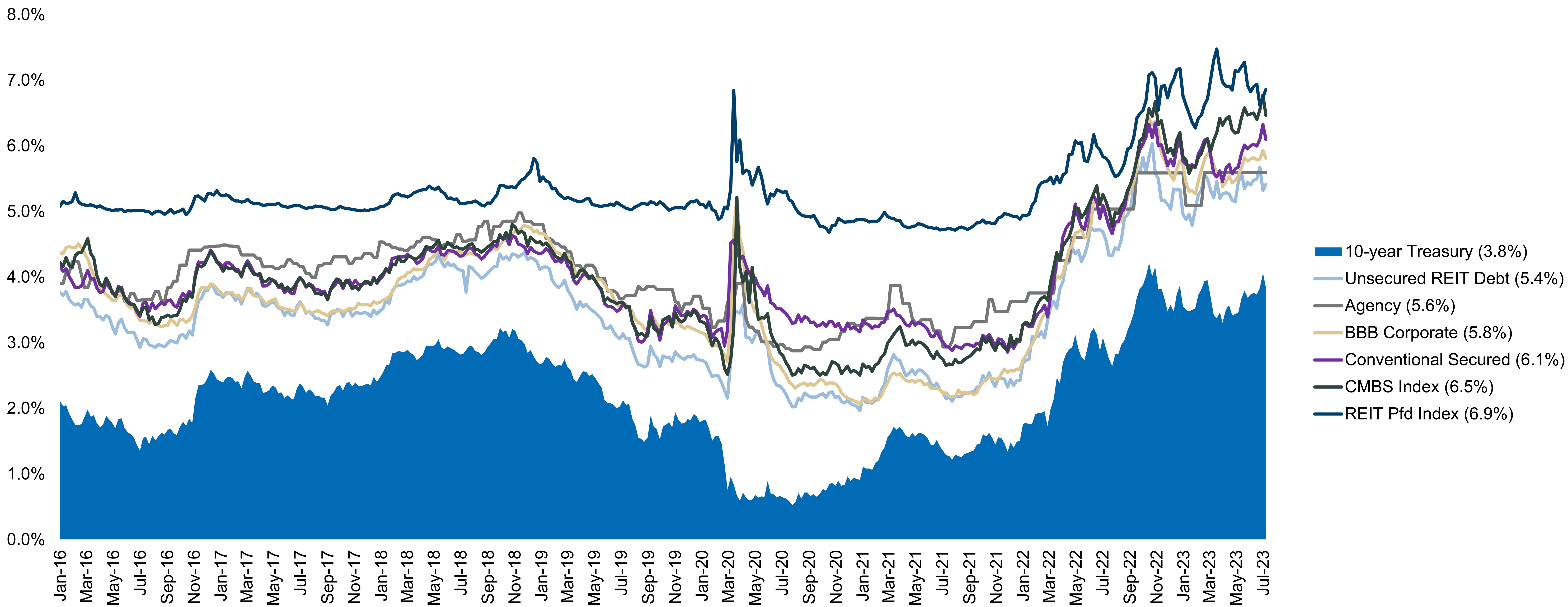


Source: Real Capital Analytics, Newmark Research as of 5/3/2023

Public Market CRE Benchmarks Have Increased as Well, Now Range-Bound

Public market benchmarks were faster to rise as compared with private transaction-based measures. Both through direct lending and by purchasing publicly-traded instruments, fixed income investors are now able to pick up additional yield by investing in CRE relative to corporate credit. This should attract some capital inflows from lenders with optionality, namely life insurance companies. This is in accord with the recent upward trend in life insurance originations – though overall volumes remain inhibited.

Public CRE Cost of Debt Benchmarks vs. Treasuries, Corporate Bonds

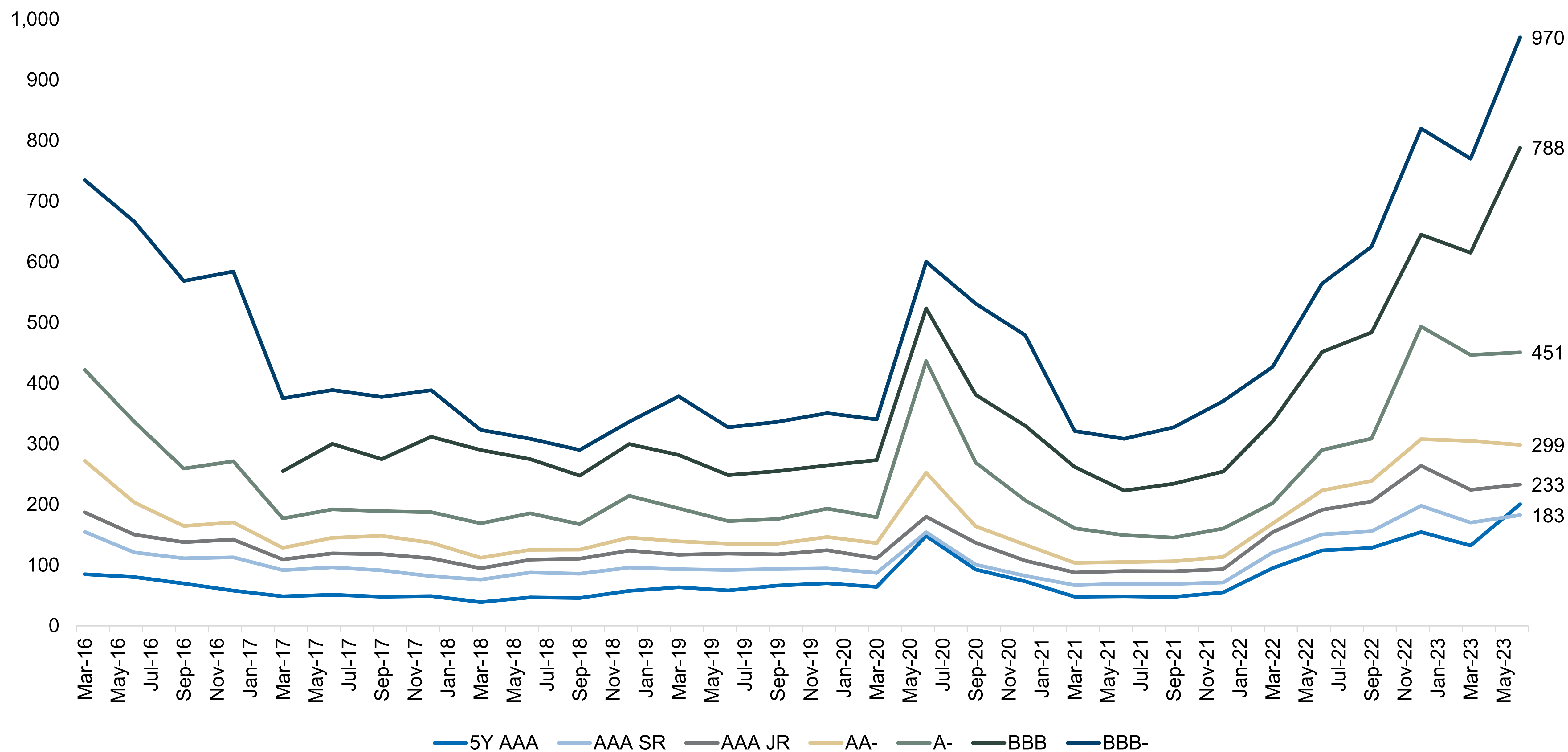


Sources: Newmark Research, Green Street as of 7/26/2023

Spreads Have Widened Rapidly across CMBS Risk Tranches

The CMBS market was the first part of the CRE market to begin pricing in the new risk-and-rate environment. Recently, spreads have been relatively stable for the AA- tranches and above while riskier tranches have turned asymptotic. All-in yields have increased across tranches due to continued rate hikes. The further declines in prices for the lower tranches represents a problem for issuers, who are required to keep “skin in the game.” This alone may influence banks’ willingness to securitize.

Average CMBS Conduit New Issuance Spreads to SOFR



Source: Trepp, Newmark Research as of 7/26/2023

Borrowers Will Face Starkly Higher Costs as Loans Mature

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Most Loans Will Be Able to Absorb Higher Interest Costs – But Many Will Not

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Falling Asset Values Means That Some Loans Are Already Underwater

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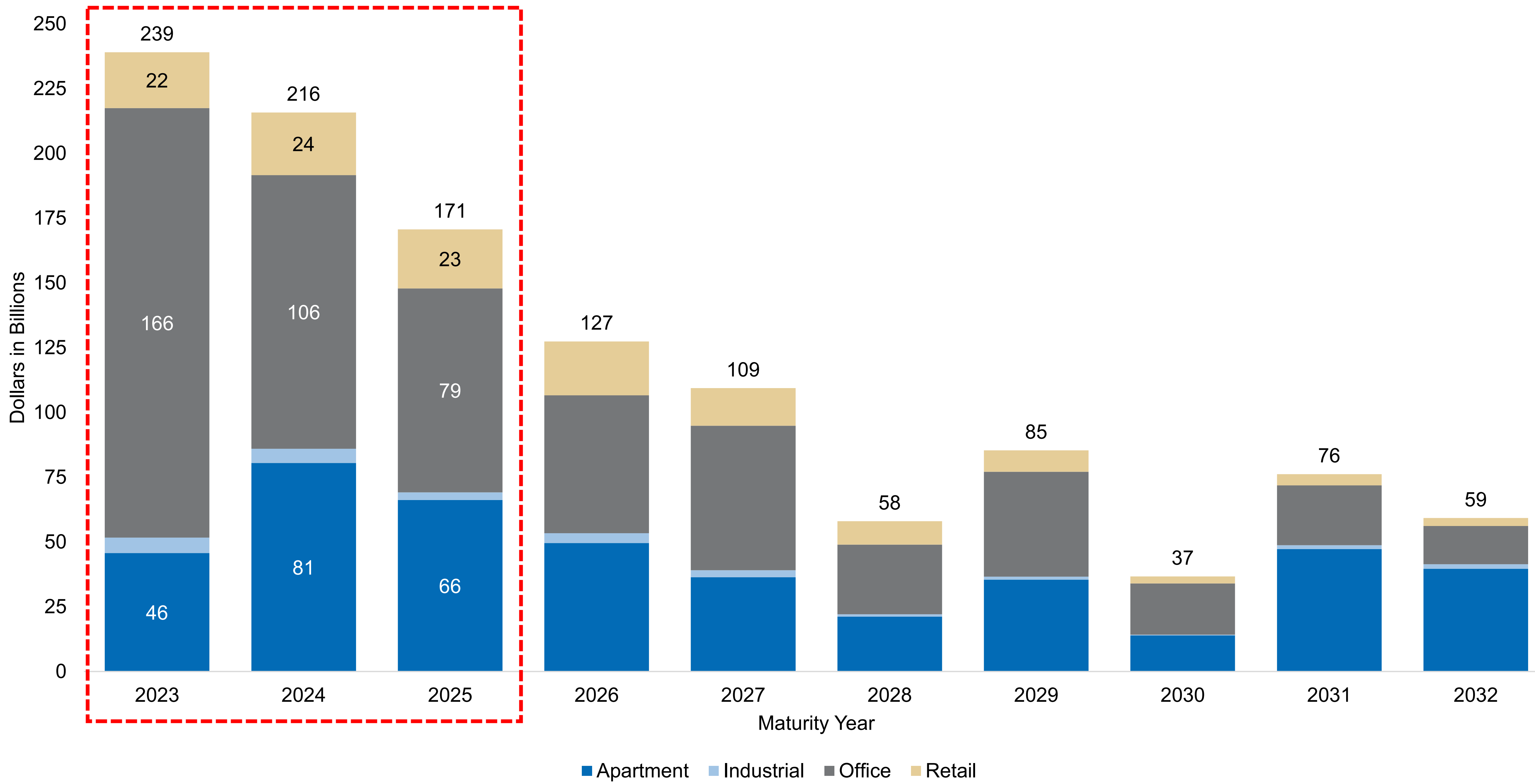
$1.2T of Outstanding CRE Debt is Potentially Troubled, $626B Maturing in '23-'25

Combining our analysis of mark-to-market LTVs with the structure of debt maturities, we estimate the volume of debt that currently is potentially troubled.* Office and multifamily loans constitute most potentially troubled loans, particularly in the 2023 to 2025 period. The high office volume results from most loans being underwater. The distribution of LTV ratios for multifamily are more favorable overall, but the greater size of the multifamily market and the concentration of lending during the recent liquidity bubble drive high nominal exposure.

Potentially Troubled Loans by Maturity Year*



Source: Green Street, NCREIF, RCA, Trepp, MBA, Newmark Research
*Loans with an estimated senior debt LTV of 80% or greater are potentially troubled. The loans are marked-to-market using an average of cumulative changes in the Dow Jones REIT sector price indices, REIT sector enterprise value indices and Green Street sector CPPI.

Banks, Debt Funds and CMBS/CRE CLO Face the Greatest Challenges

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Structural Health and Impairment in the Office Sector

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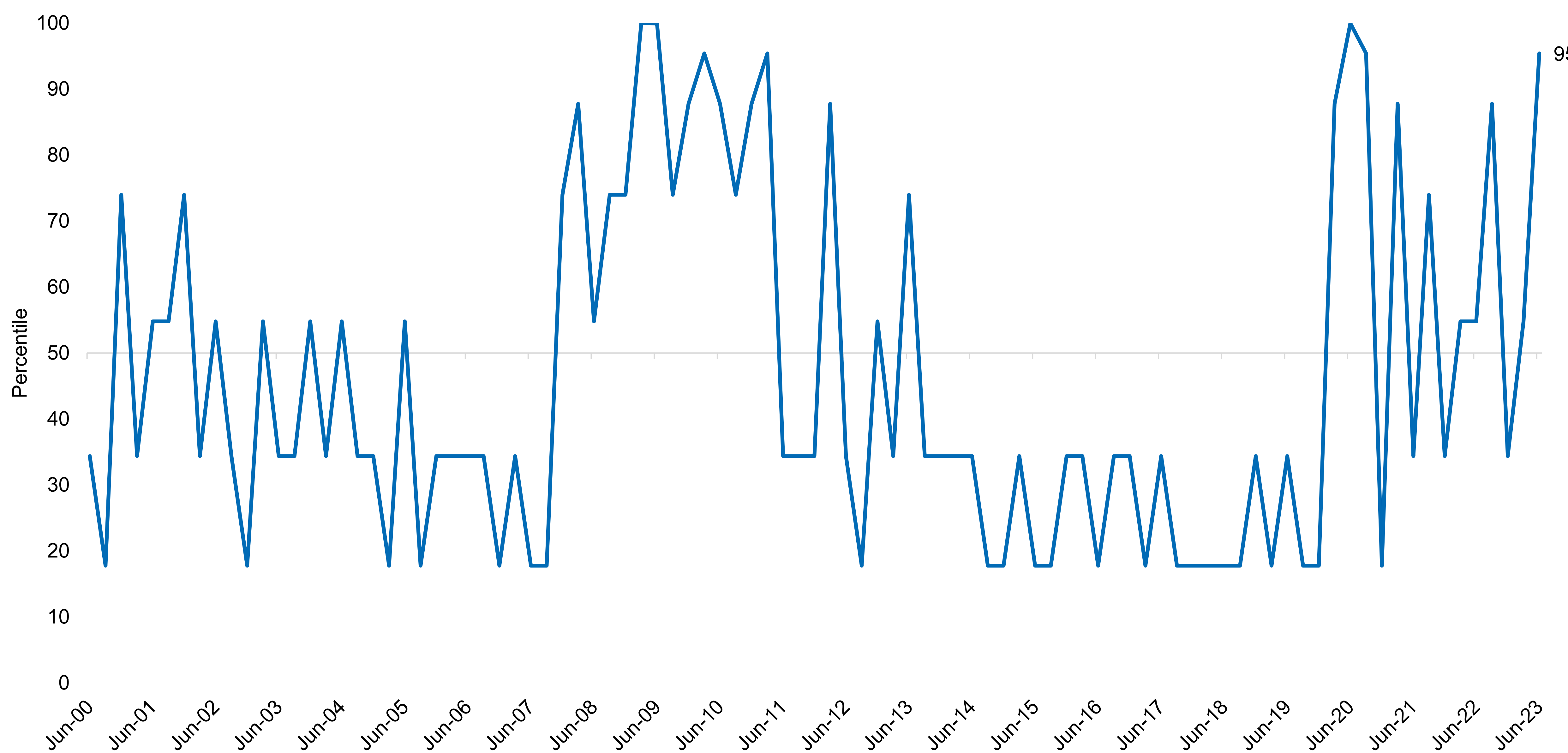
Interest in Loan Sales near Record Highs

While it is difficult to estimate the volume of loan dispositions given their opacity, interest in the topic has clearly increased, matching the levels seen in mid-2020 and during the GFC.

CRE Loan Sales Story Frequency*



Source: Green Street, Newmark Research as of 8/15/2023
*Based on Commercial Mortgage Alert and Real Estate Alert stories that mention loan sales. Percentile calculated using on normal sampling distribution.

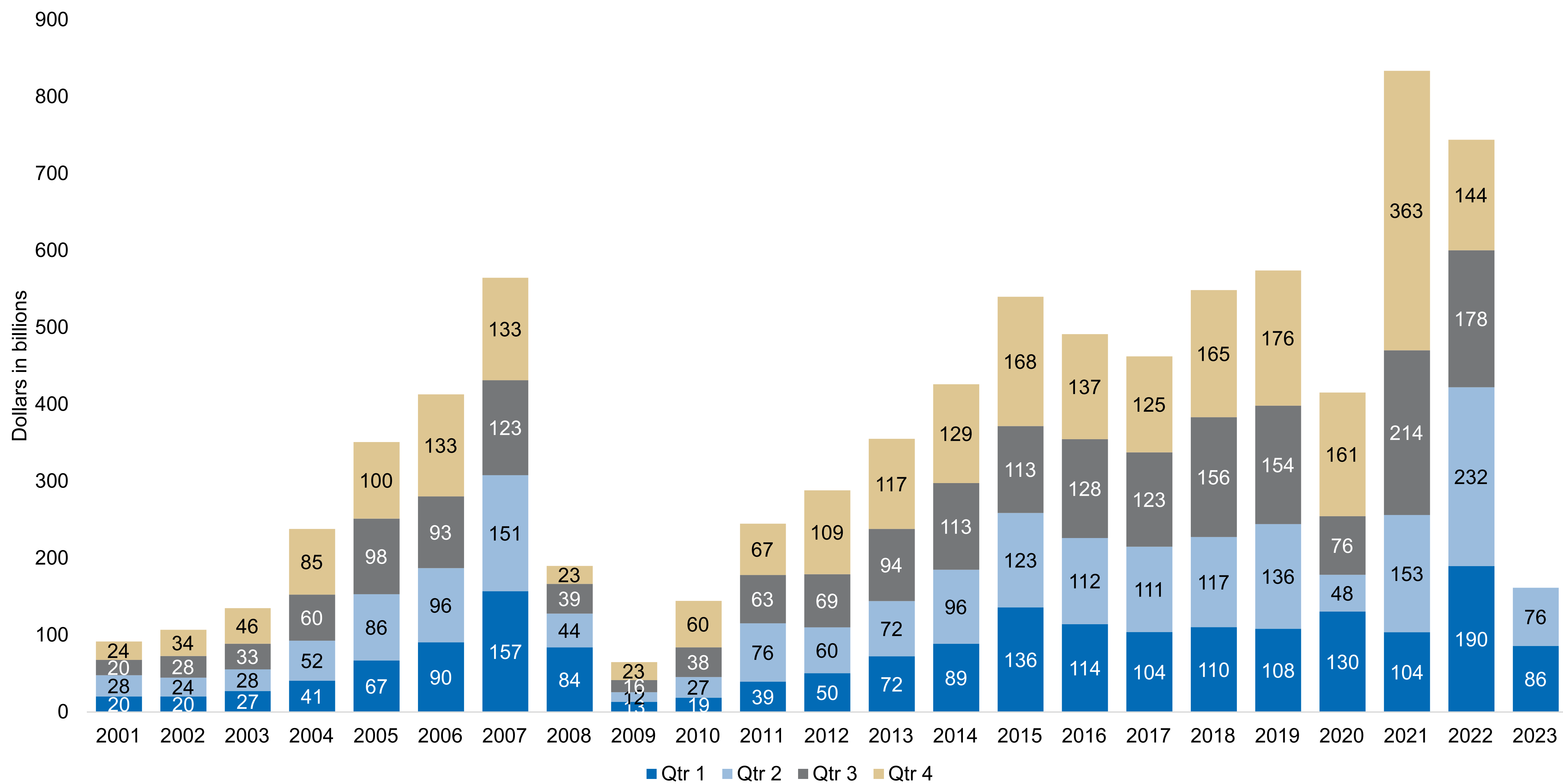
2Q23 CAPITAL MARKETS REPORT

Investment Activity

Sales Declined in Q2 from Already Low Levels, Resulting in Weakest H1 since 2013

Sales declined 62% year-over-year in the first half of 2023 and negative 30% compared with the 2017 to 2019 average. Debt is expensive and, for some segments of the market, essentially unavailable. The values of assets are falling with the result that not only do potential buyers and sellers face a still volatile outlook, but buyers especially are wary of catching a falling knife. This is even more the case given the large number of buildings on their way to becoming distressed. Loans will need to be restructured before these assets can trade.

U.S. Investment Sales

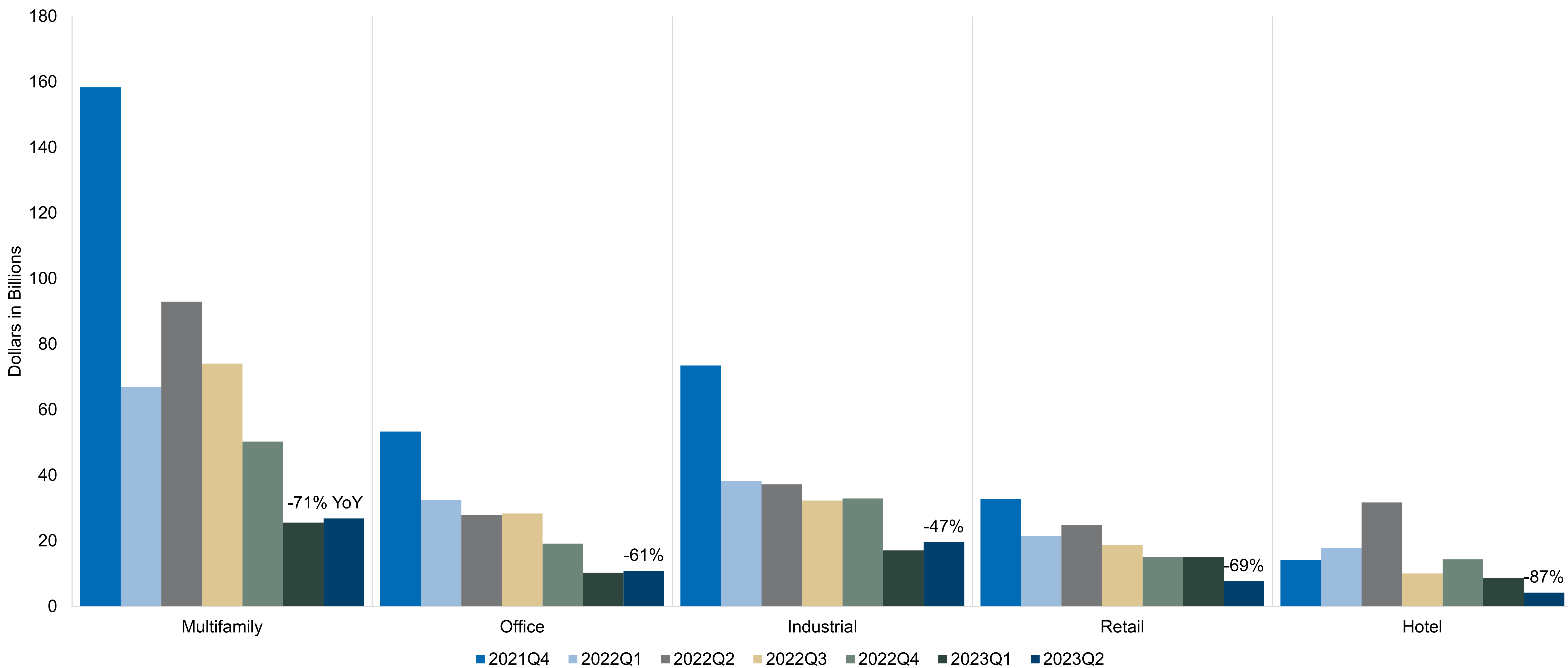


Source: RCA, Newmark Research as of 7/24/2023

Transaction Activity Fell 67% Year-over-Year in Q2, Impacting Every Property Sector

Multifamily and hotel sales fell the most on a year-over-year basis. However, multifamily also increased from the first quarter of 2023 – along with office and industrial. Retail and hotels, which had been relative bright spots in the last several quarters, finally capitulated in the second quarter of 2023.

Investment Sales Volume

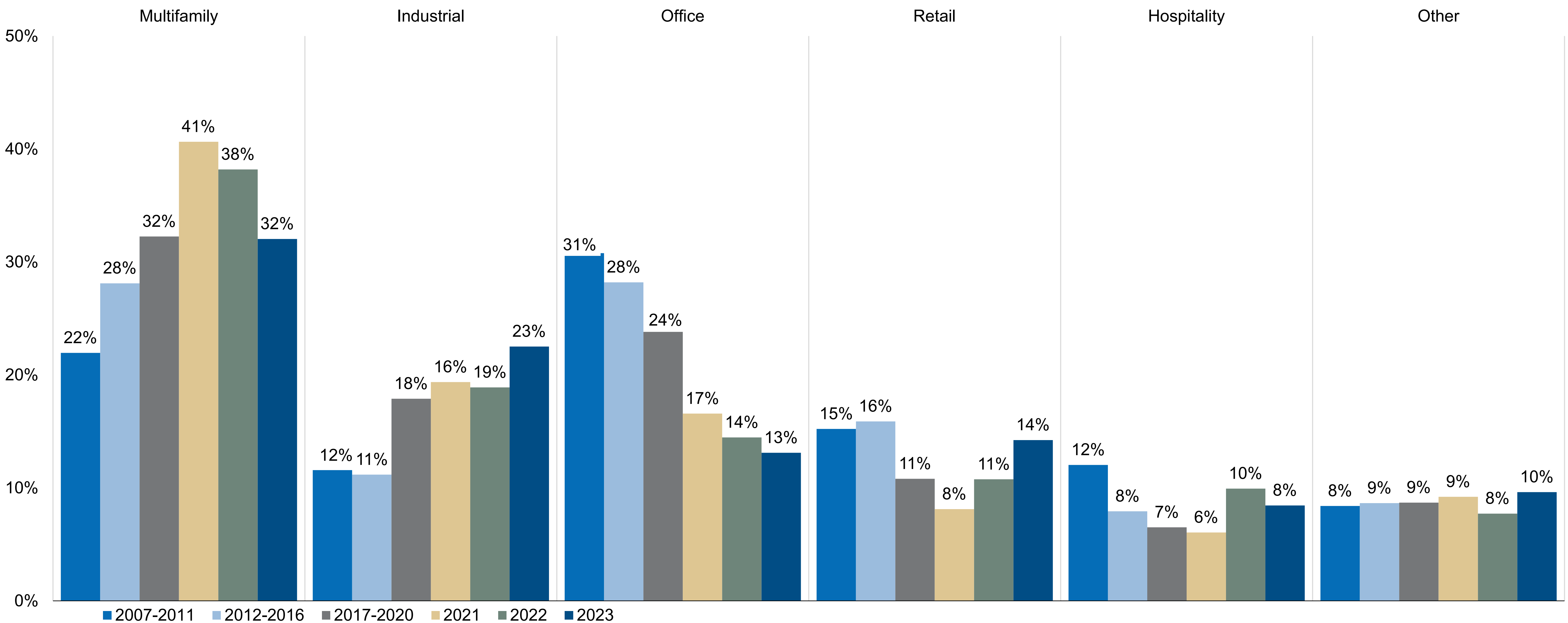


Source: RCA, Newmark Research as of 7/24/2023

Investor Allocations in Flux in 2023

Multifamily allocation dropped sharply in the first half following two years of highly elevated share. Office allocation continues to fall. The star performers are industrial, retail and hospitality – all of which are above their share in the 2017 to 2020 period. Industrial assets were inflated during the pandemic liquidity bubble, but they have been better supported by NOI growth compared with other bubble sectors. This helps account for diminished sales, but growing share. Retail and hotel skipped the “punchbowl” and are better for it now.

Investor Allocation Over Time

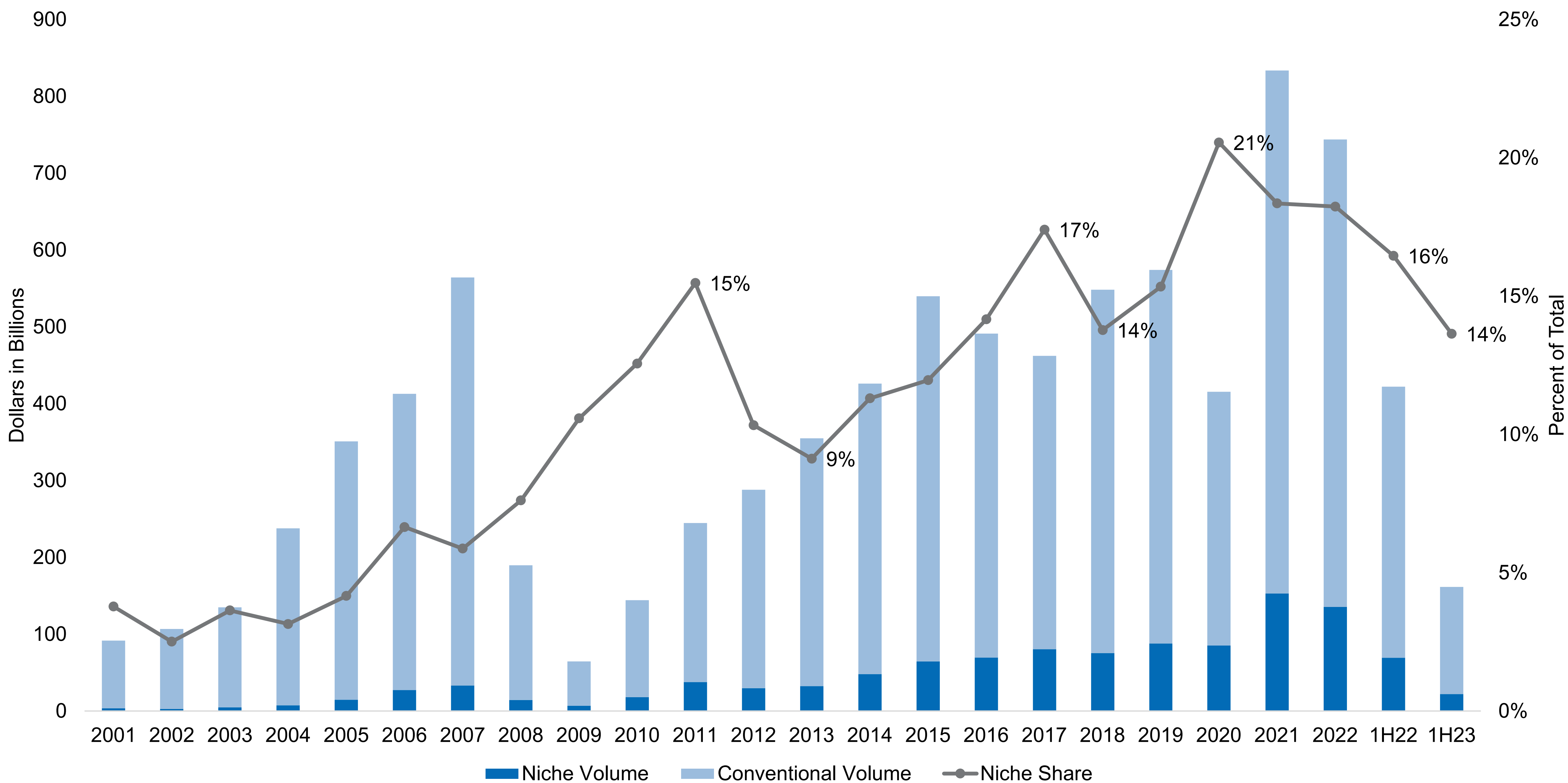


Source: Real Capital Analytics, Newmark Research as of 7/24/2023

Niche Sector Volumes Contracted 68% Year-over-Year in 1H23

Niche investment categories, such as life science, student housing, cold storage etc., saw investor interest increase significantly in 2020 to 2022, driving sales volume to $153 billion in 2021 or 18% of total transaction volume. 2022 was also a strong year for niche investment both in dollar and share terms. However, in 2023, niche investment has proven subject to the same forces impacting conventional sectors; indeed, more vulnerable as the niche share has fallen to 14% of sales.

Investment Sales Volume

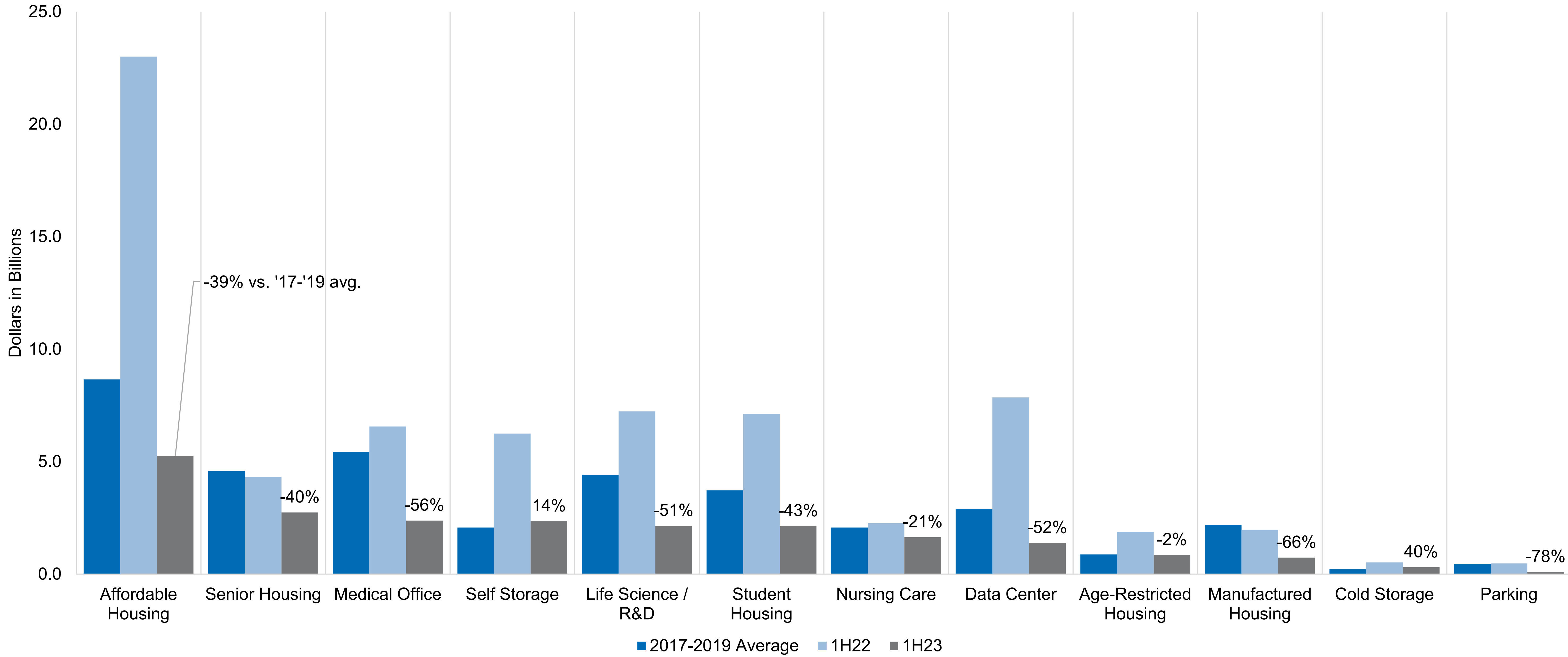


Source: RCA, Newmark Research as of 7/24/2023

Niche Asset Sales Were Below Pre-Pandemic Levels in 1H23

Sales contracted year-over-year across niche asset sectors in the first half of 2023. More significantly, sales also contracted compared to the pre-pandemic baseline with the sole exception of self storage. Age-restricted housing and nursing care facilities outperformed on the margin while manufactured housing, medical office, data center and life science / R&D underperformed in the first half of 2023 compared to the pre-pandemic baseline.

Investment Sales Volume

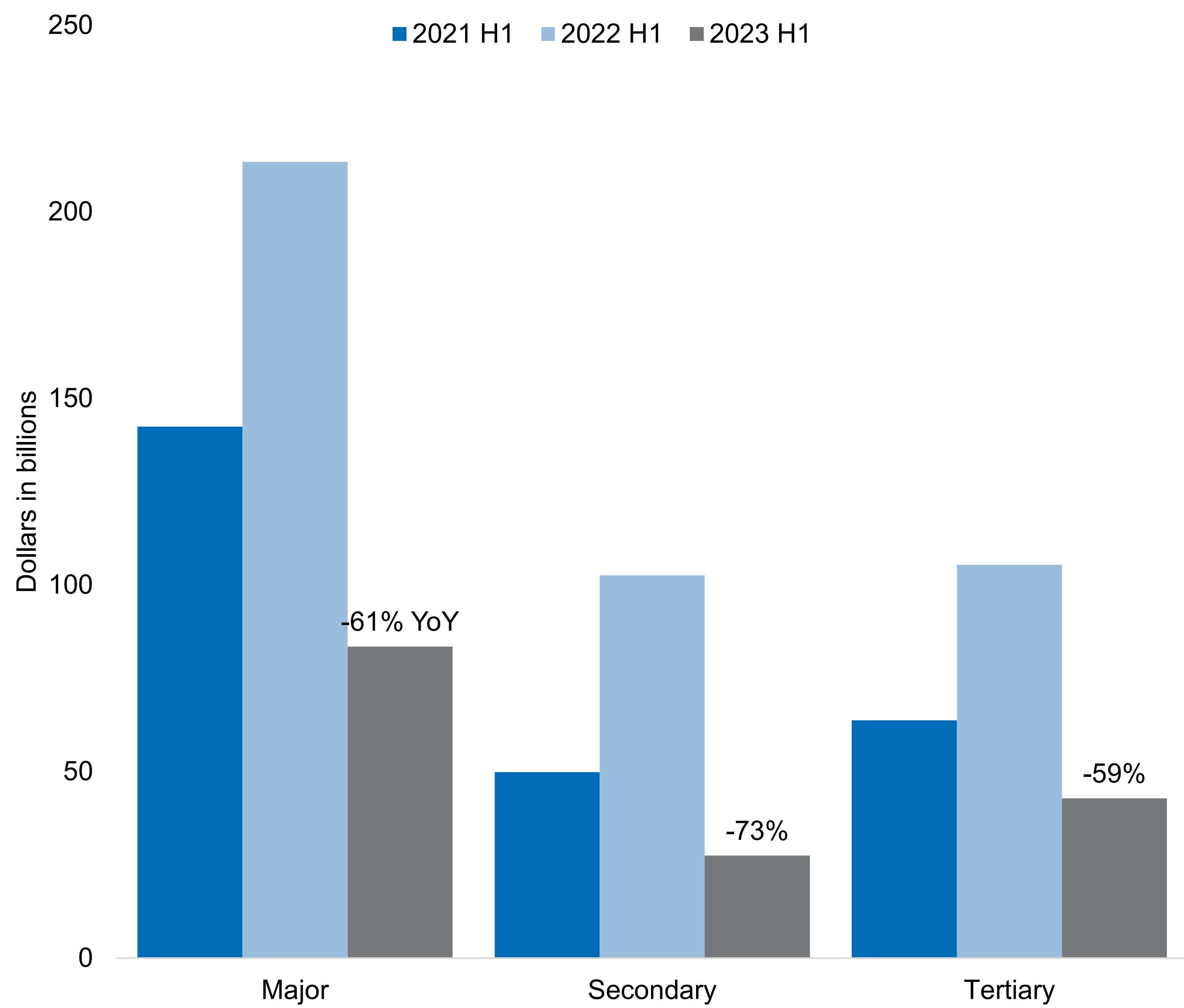


Source: RCA, Newmark Research as of 7/24/2023

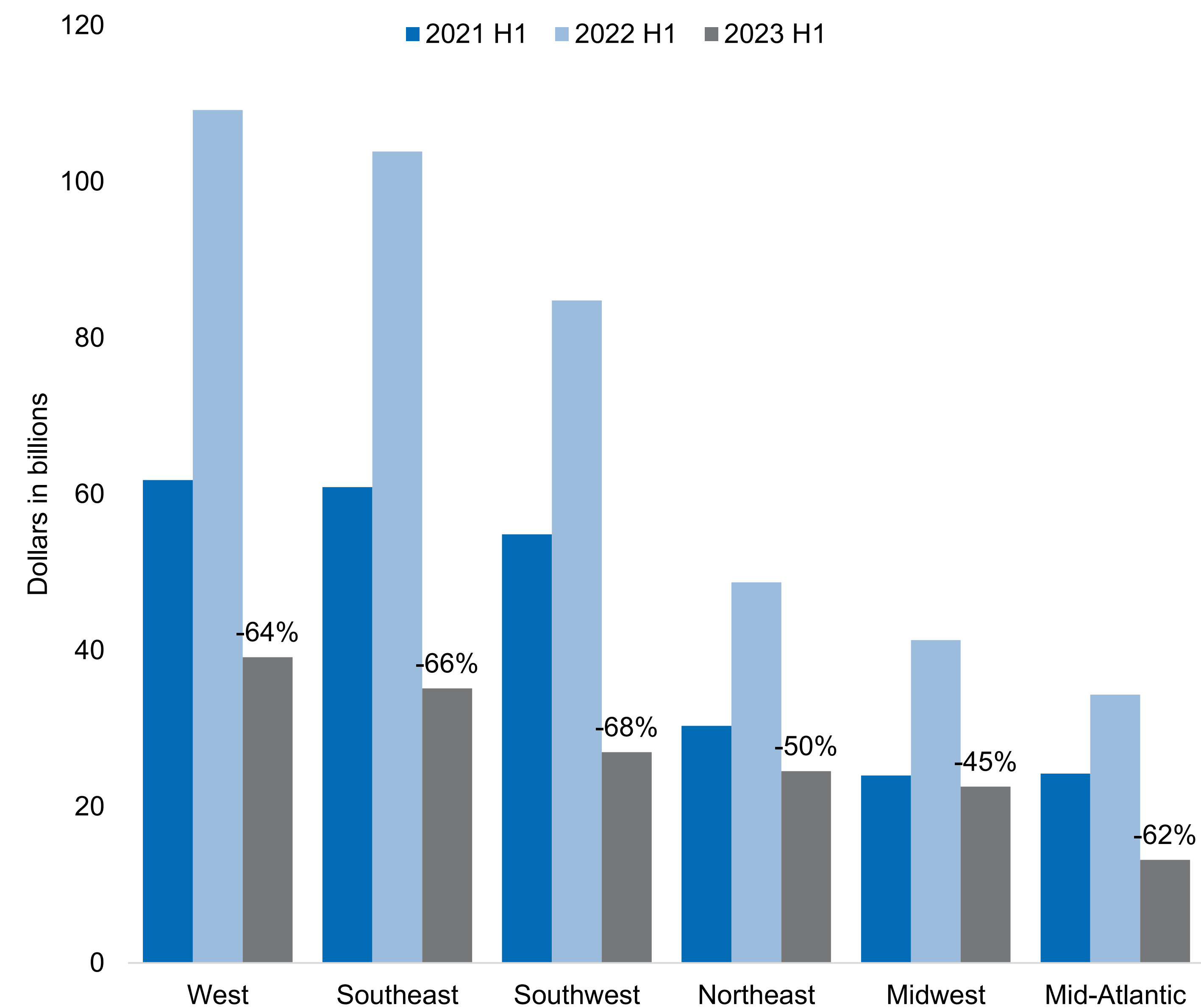
Sales Volume Continue to Fall Sharply across Market Tiers and Regions

Against this negative backdrop, major and tertiary markets have been moderately less impacted. Indeed, tertiary market sales volume exceeded that of secondary markets. The West and Southeast regions were the most liquid overall, while the Midwest and Northeast contracted least both compared to 2022 H1 and 2021 H1.

Investment Sales by Market Tier



Investment Sales by Region

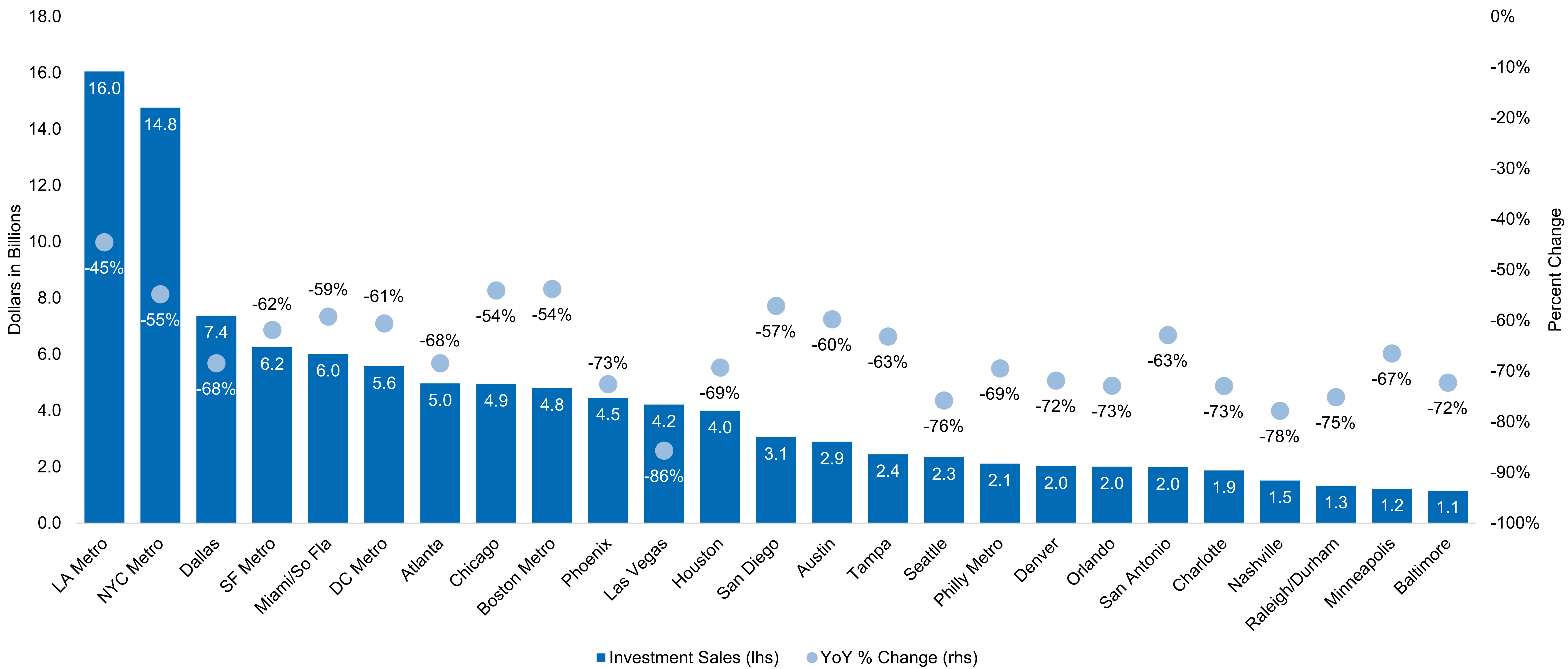


Source: RCA, Newmark Research as of 7/24/2023

Top United States Markets by Investment Sales Volume

NYC Metro and LA Metro were the top markets by investment volume in the US in the first half of 2023. While volumes were down year-over-year in all the top 25 markets, NYC Metro and LA Metro outperformed on the margin, off 55% and 45%, respectively. Gateway markets such as SF Metro, DC Metro, Chicago and Boston Metro as well as Sunbelt stalwarts Dallas, Miami, Atlanta and Phoenix, rounded out the top 10.

Top 25 Metro Markets by 2032 H1 Sales Volume

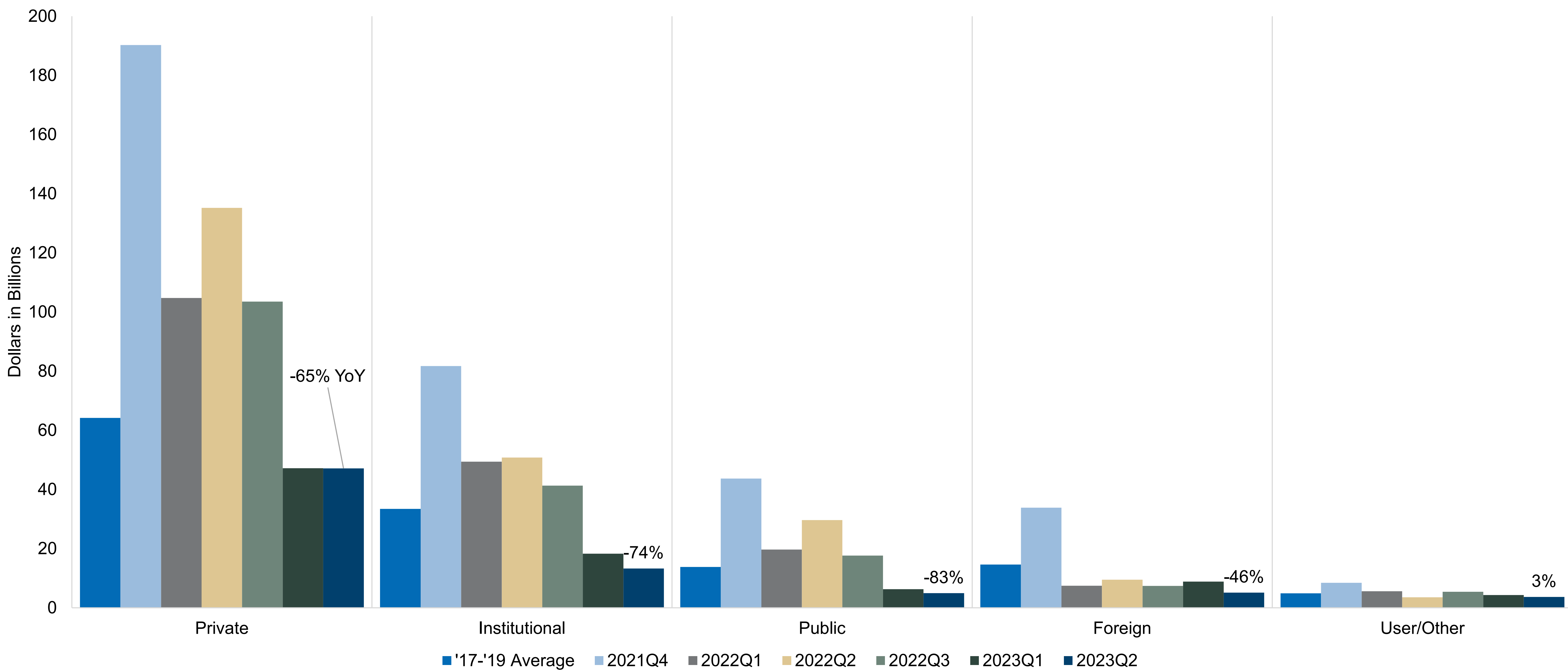


Source: RCA, Newmark Research as of 7/24/2023
Note: excludes tertiary markets from ranking.

Acquisitions Down Sharply across Investor Groups

Private capital – privately held developer/owner/operators and non-traded REITs – remains the largest investor group followed by institutions. Both groups have reduced acquisitions, but private capital seems to have stabilized in the second quarter of 2023 while institutions reduced activity further. REITs were essentially inactive as were foreign groups.

Acquisitions Volume by Capital Group



Source: RCA, Newmark Research as of 7/24/2023

Institutions Have Pulled Back on Investment across Property Sectors

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Despite Low Investment, Institutions & Foreign Investors Were Net Acquirors in 1H23

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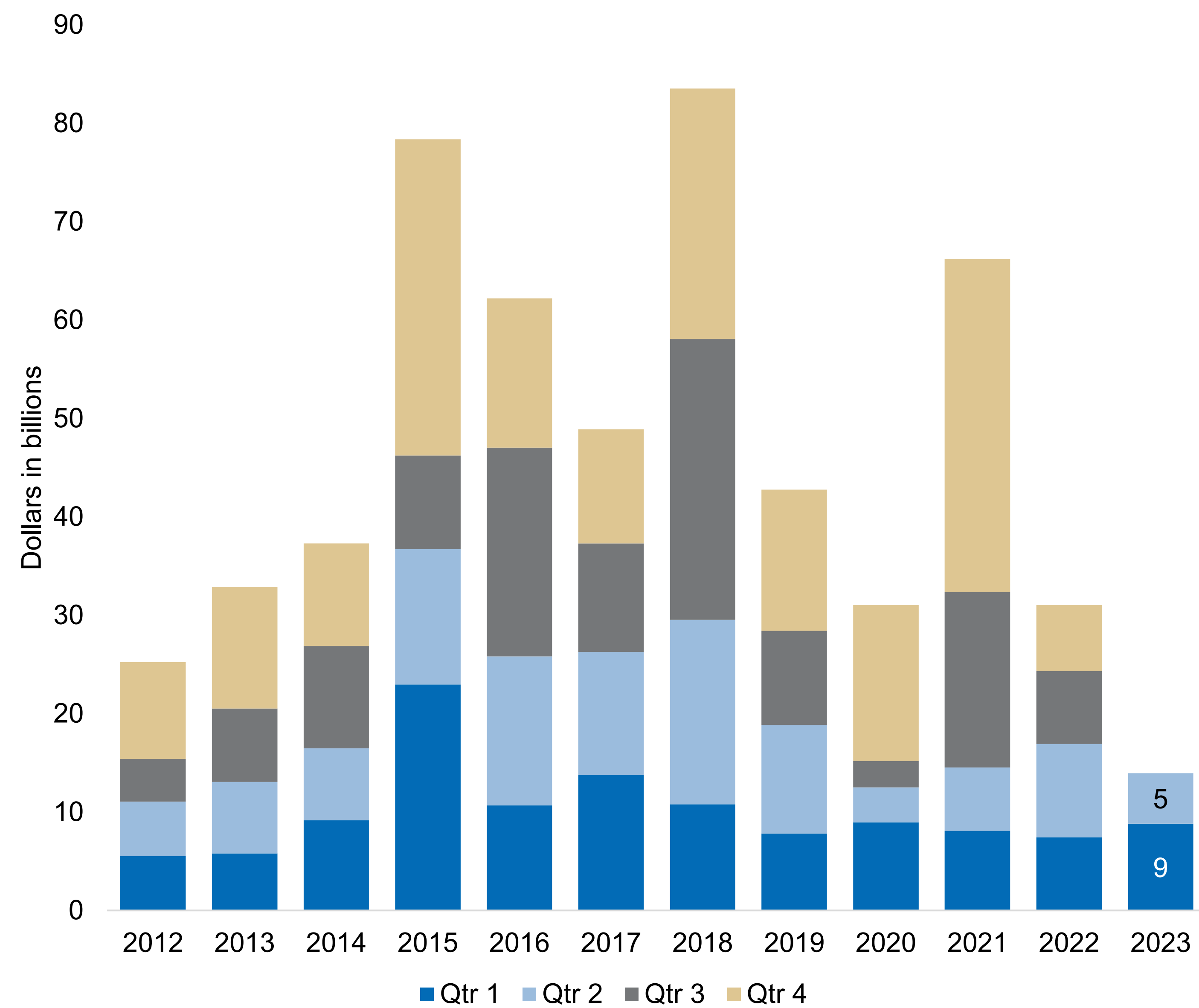
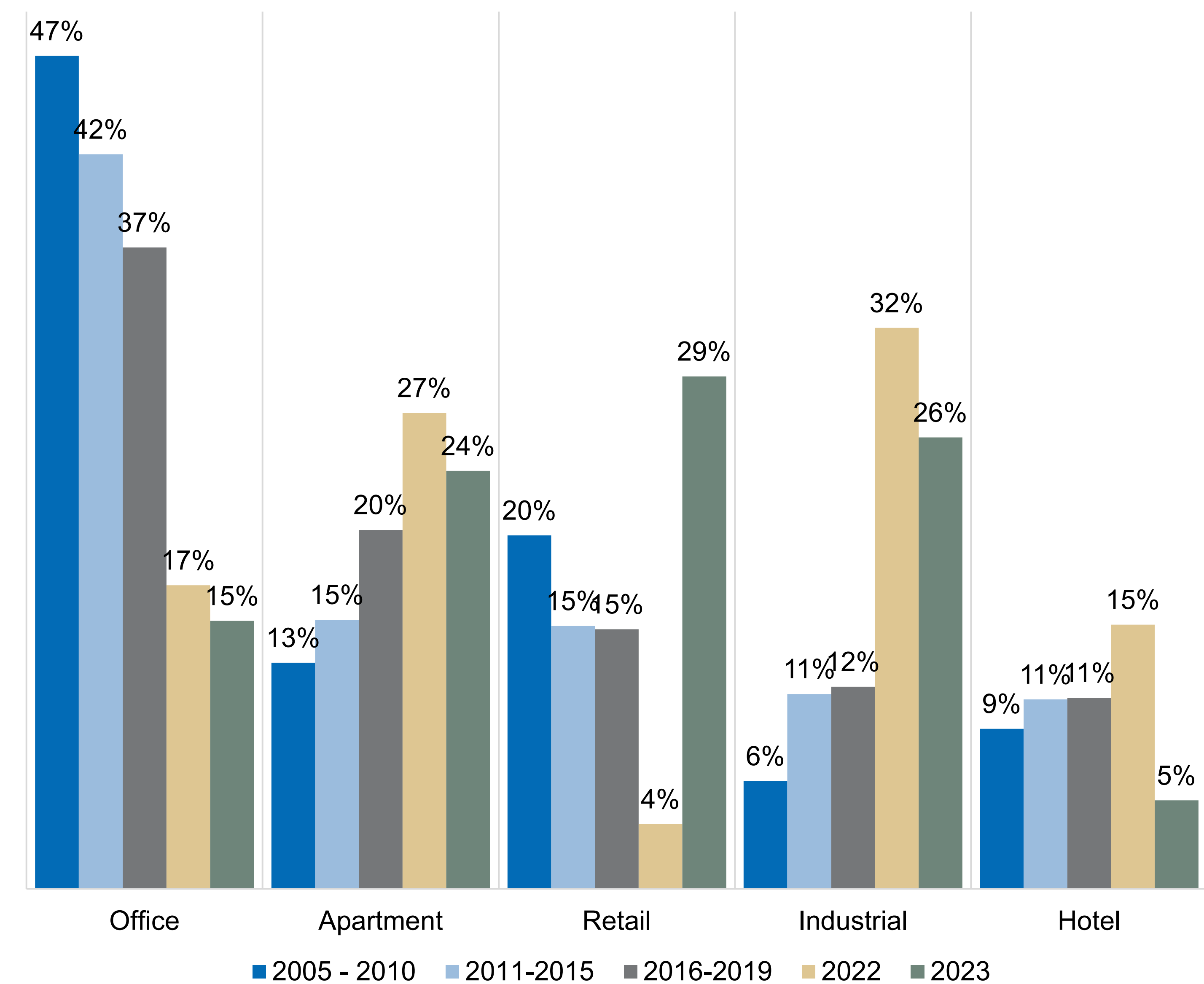
Foreign Investment Declined 18% Year-over-Year in the First Half of 2023

The decline was somewhat more spectacular if focusing on the second quarter of 2023 alone. And yet, the overall picture is one of broad stability over the last several years in contrast to clearly collapsing investment by other capital sectors. In terms of allocations, retail spiked in the first half at the expense of all other property types. While a shift back to retail is sensible, the magnitude seems idiosyncratic. The overall shift in allocations away from office and towards multifamily and industrial remains intact.

Cross-Border Acquisitions Volume



Allocation of Cross-Border Capital Shifting To Residential and Industrial

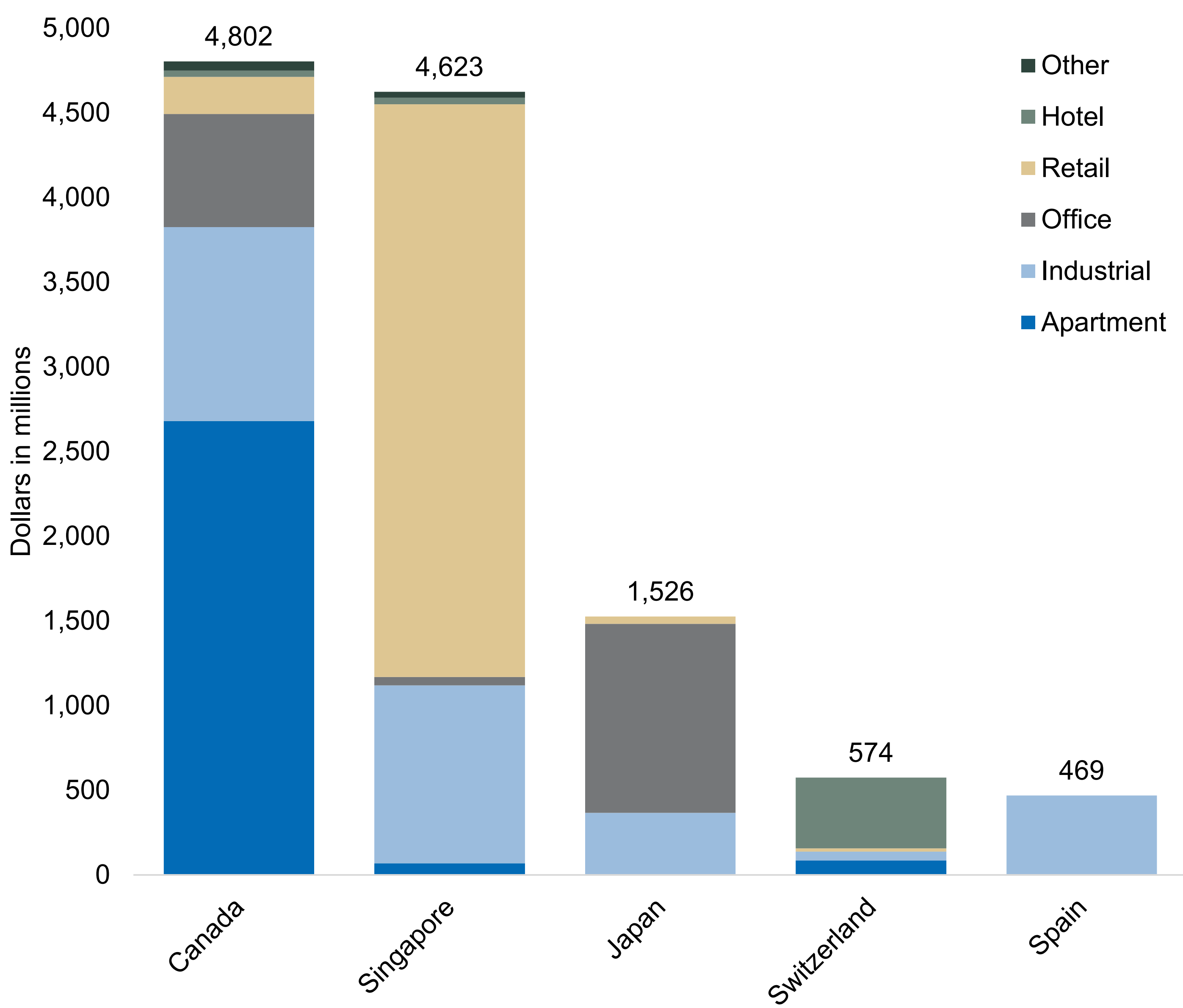


Source: Newmark Research, Real Capital Analytics as of 7/24/2023

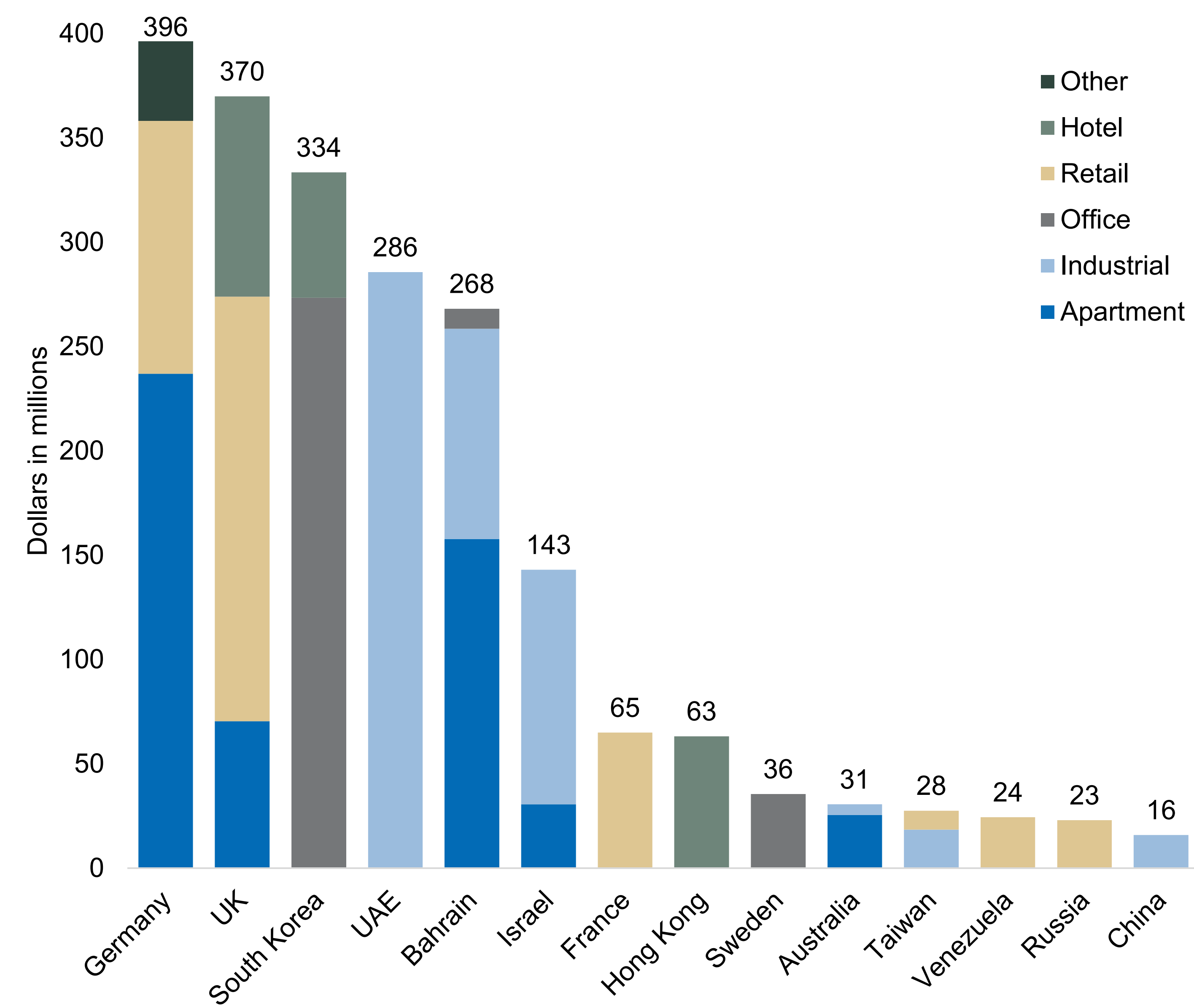
Sources of Inbound Capital

Canada, per usual, led inbound investment in the year to date with a pronounced focus on industrial and multifamily investment. Singapore followed, accounting for essentially all of the spike in retail acquisitions. Japan, Switzerland and Spain round out the top five.

Top Five Sources of Inbound Capital: 2023 YTD



Remaining Sources of Inbound Capital: 2023 YTD



Source: RCA, Newmark Research as of 7/23/2024

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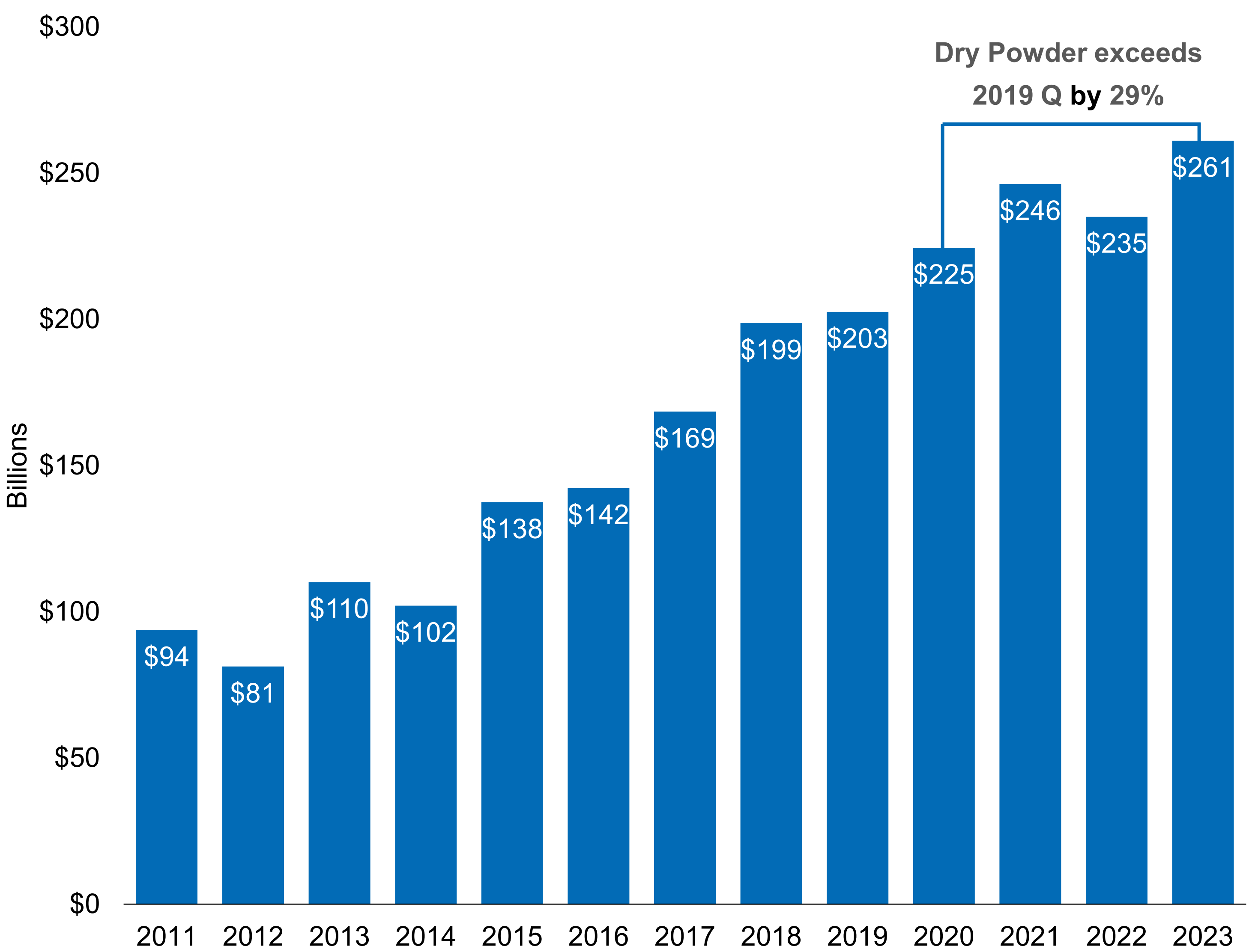
Supply of Capital

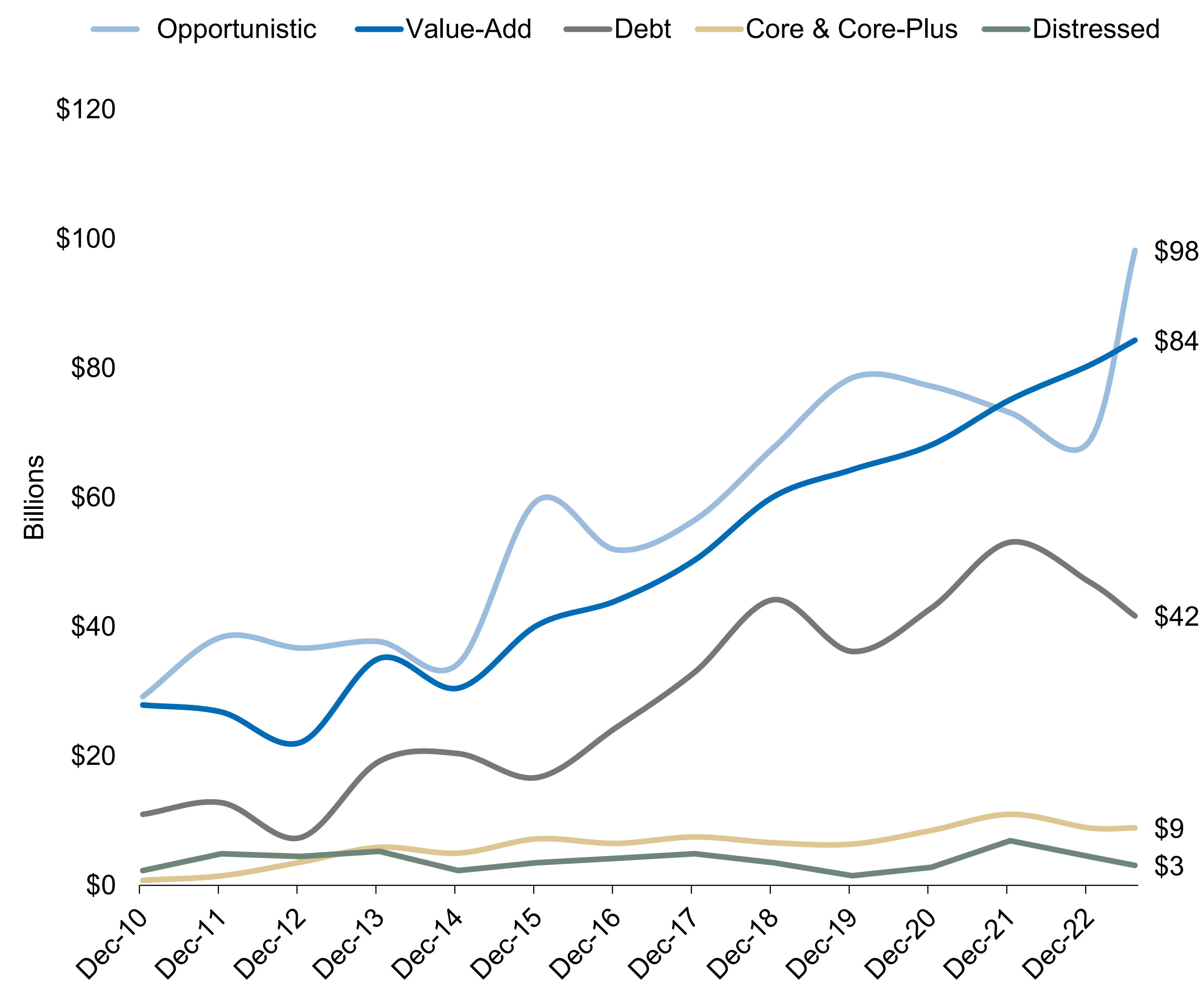
Private Equity Dry Powder Set New Record in 2023

Dry powder at closed-end funds has increased by 11% since the start of the year. The increase is due to continued growth in value-add funds and a sharp increase in dry powder at opportunistic vehicles, reversing a multi-year decline. These were more than able to offset declines in dry powder at debt and distressed funds – off very low levels in the latter case. Record fundraising by opportunistic funds in the second quarter of 2023 appears to have driven the increase as investors gear up to take advantage of asset repricing.

Dry Powder – Closed-End Funds



Dry Powder by Strategy*



Source: Newmark Research, Preqin as of 7/26/2024
*Not shown: Fund of funds, co-investments, and secondaries strategies

Dry Powder Heavily Biased towards Residential, Industrial Investment

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Niche Dry Powder Concentrated in Self-Storage, Senior Housing and Healthcare

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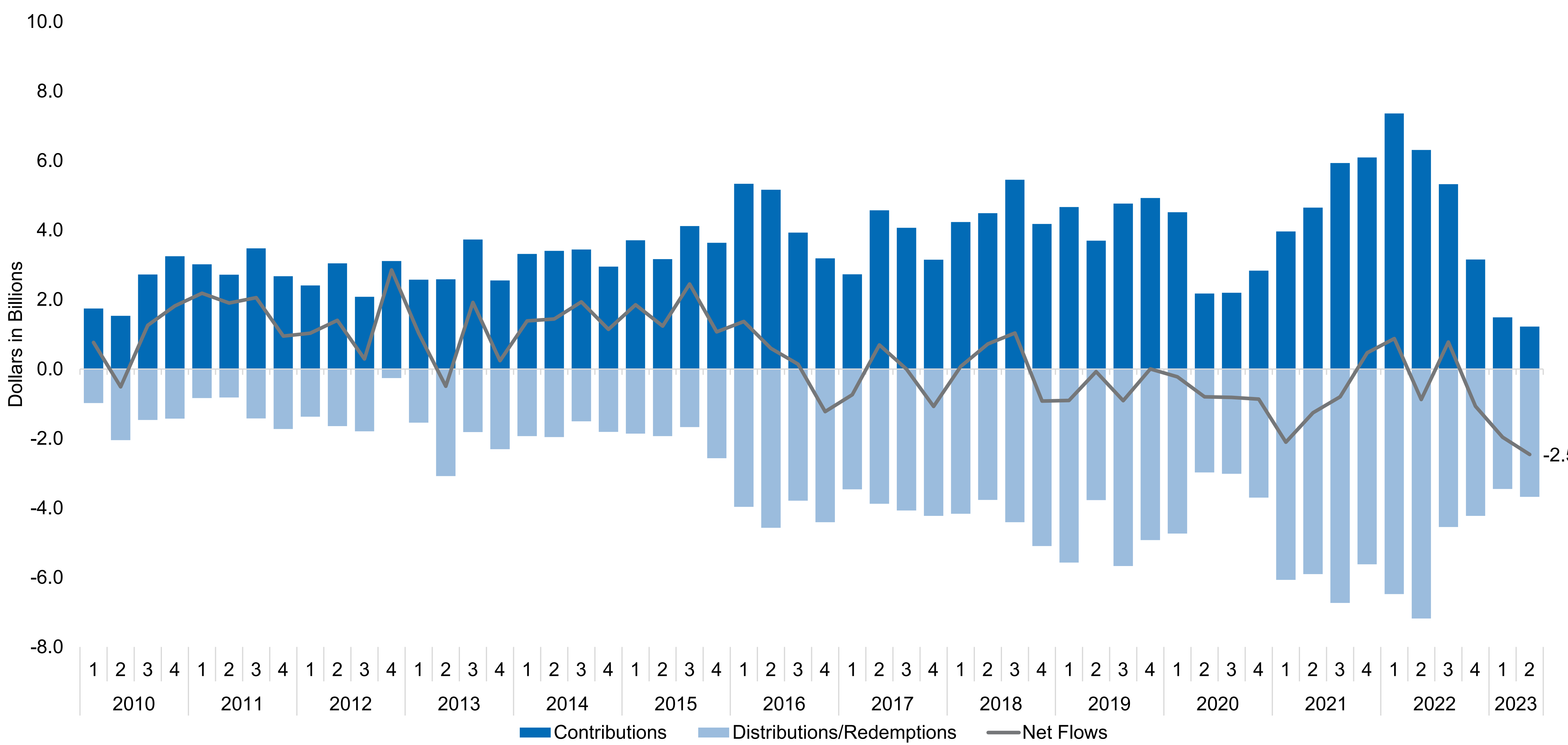
ODCE Fund Flows Continue to Deteriorate

Contributions to ODCE funds have collapsed to the lowest levels since the immediate aftermath of the GFC. Distributions have also slowed due to fewer asset sales and despite anecdotal reports of growing redemption queues. The result is that cash flows were negative to the tune of $2.5 billion – the worst outflow in the history of the index in nominal terms. While ODCE funds have been taking capital charges in each of the last several quarters, assets remain at a premium to fair market value, ensuring continued outflows.

ODCE Fund Flows ($B)

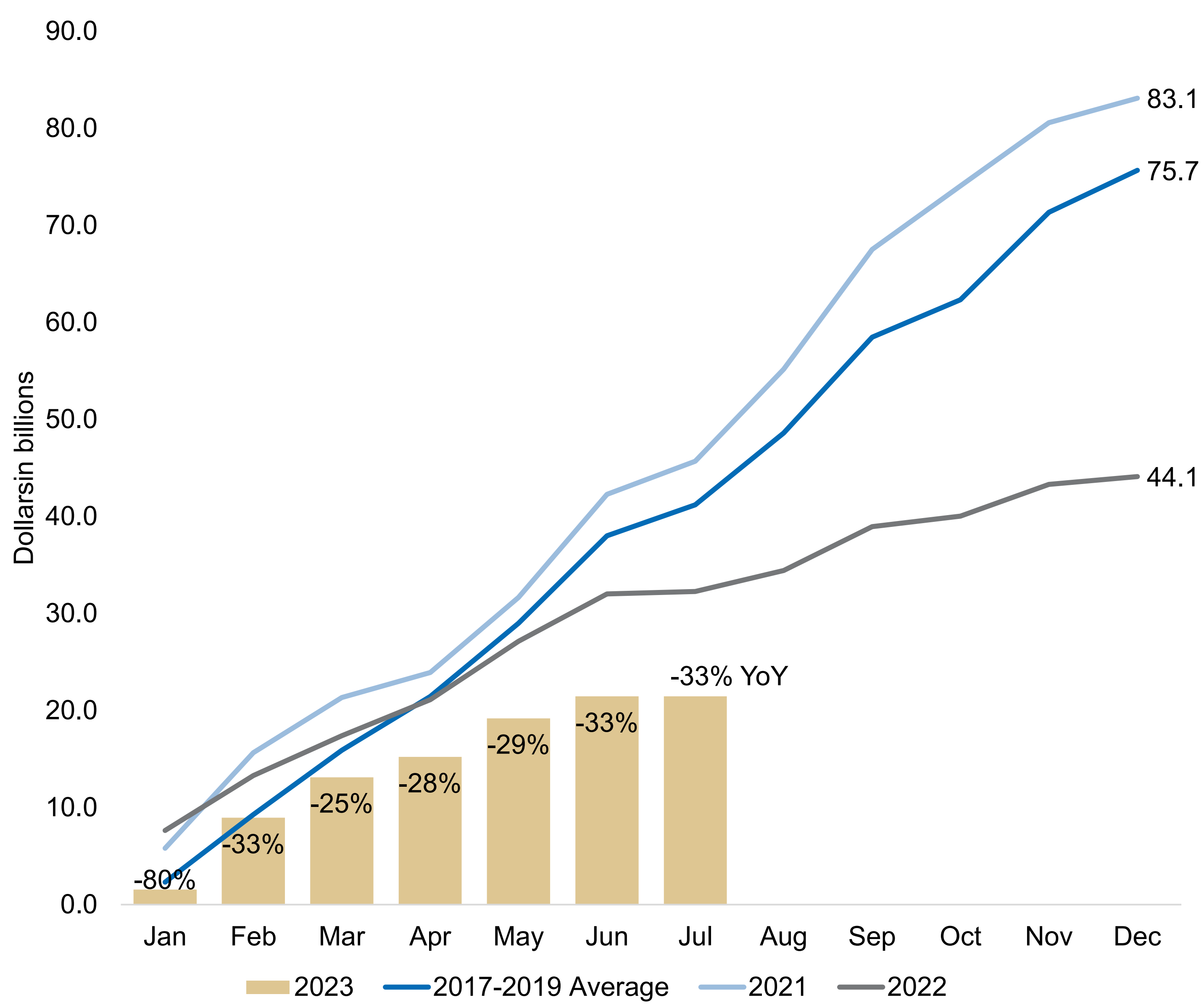


Source: Newmark Research, NCREIF as of 7/31/2023

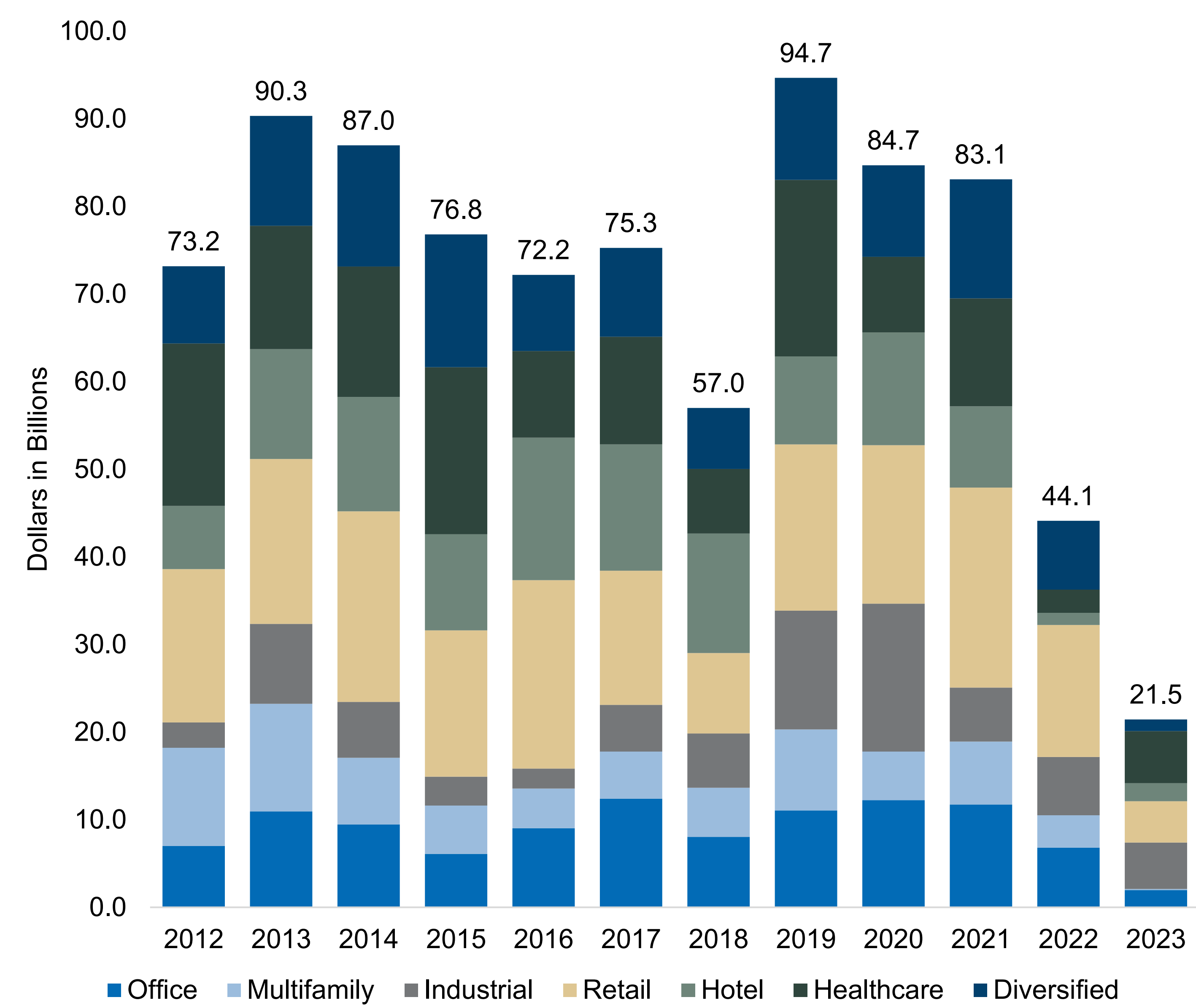
Public Capital Raising Down 33% Year-over-Year

Capital raising was already down 42% in 2022 compared with the 2017 to 2019 average. 2023 is now running at 48% below the pre-pandemic average. In the first half of the year, new fundraising has declined most notably in the multifamily (-96% YoY), diversified (-81%) office (-67%) and retail (-43%) sectors, in contrast to industrial (+12%) and healthcare (+152%).

Real Estate Security Offerings: Cumulative Year-to-Date



Real Estate Security Offerings



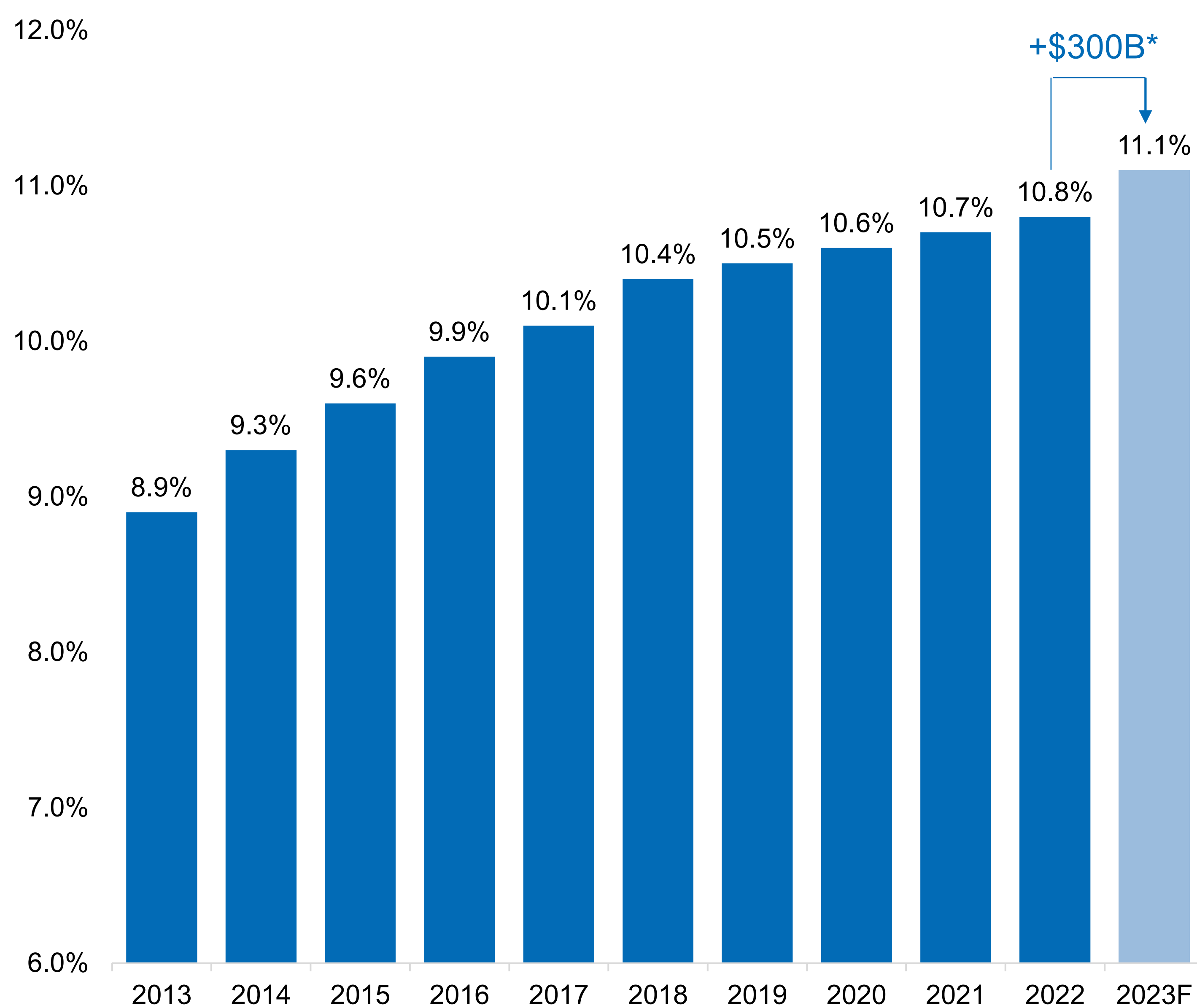
Source: S&P Capital IQ, Newmark Research as of 7/31/2023
Excludes offerings with no listed property type target. Excludes manufactured housing, casino and specialty product types.

Net Capital Flows into Nontraded REITs Slowing Sharply

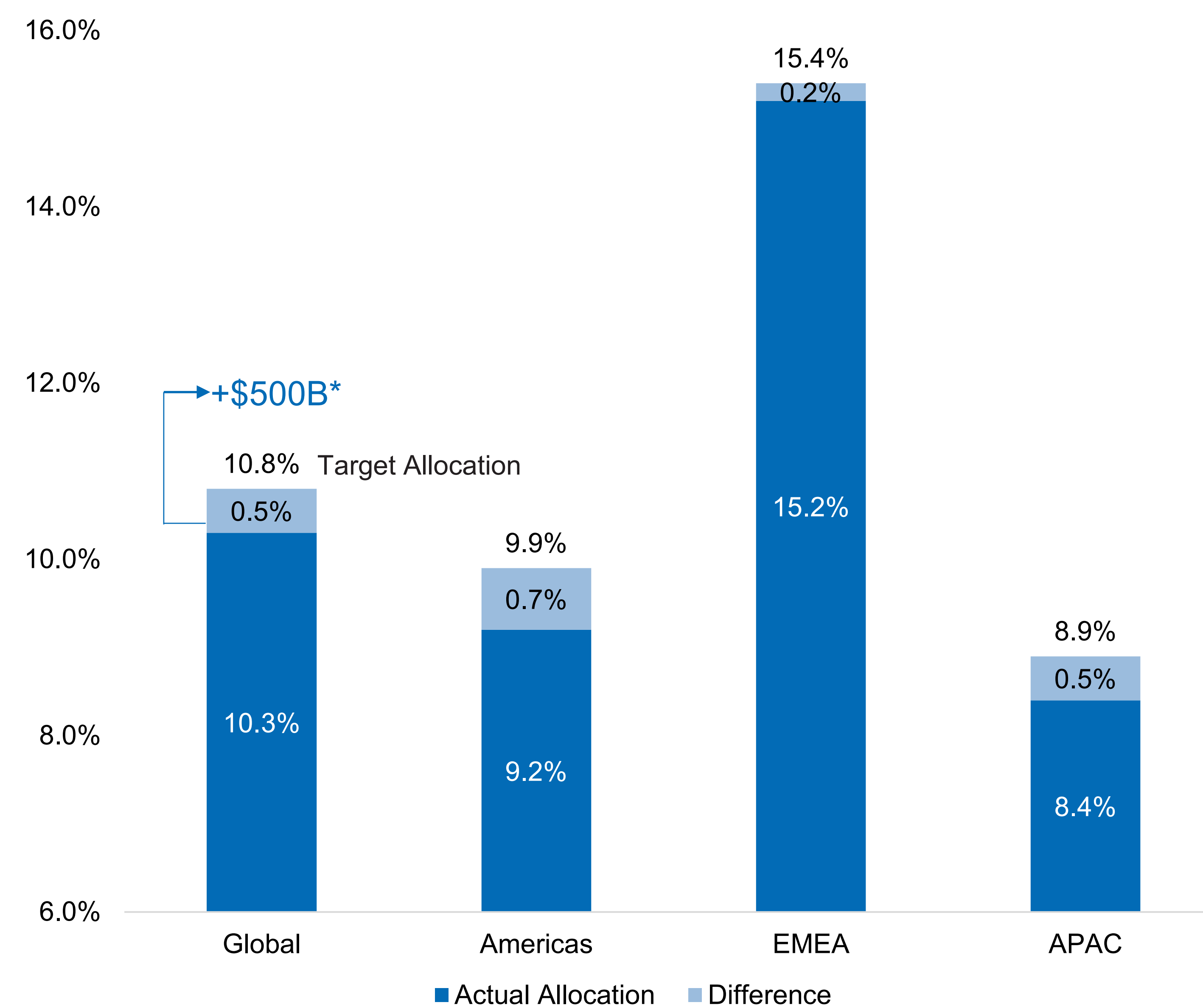
Despite Headwinds, Institutional Allocations to Real Estate Continue to Rise

When Hodes-Weill, a consultancy, surveyed 173 global institutions with $11.0 trillion in AUM, they found that 1) institutions continued to be materially below their real estate allocation targets and 2) 28% intended to increase their allocations in 2023 with only 9% decreasing. This suggests that once market conditions improve, there is strong latent pressure from LP's to put capital to work. The market is starting to see this in the form of the recent robust fundraising for opportunistic funds.

Target Allocation to Real Estate, All Institutions



2022 Actual vs. Target Allocation by Region of Institution



Source: Hodes-Weill Institutional Real Estate Allocations Monitor November 2022, Newmark Research
*Per Hodes-Weill, assumes global institutional AUM of $100 trillion

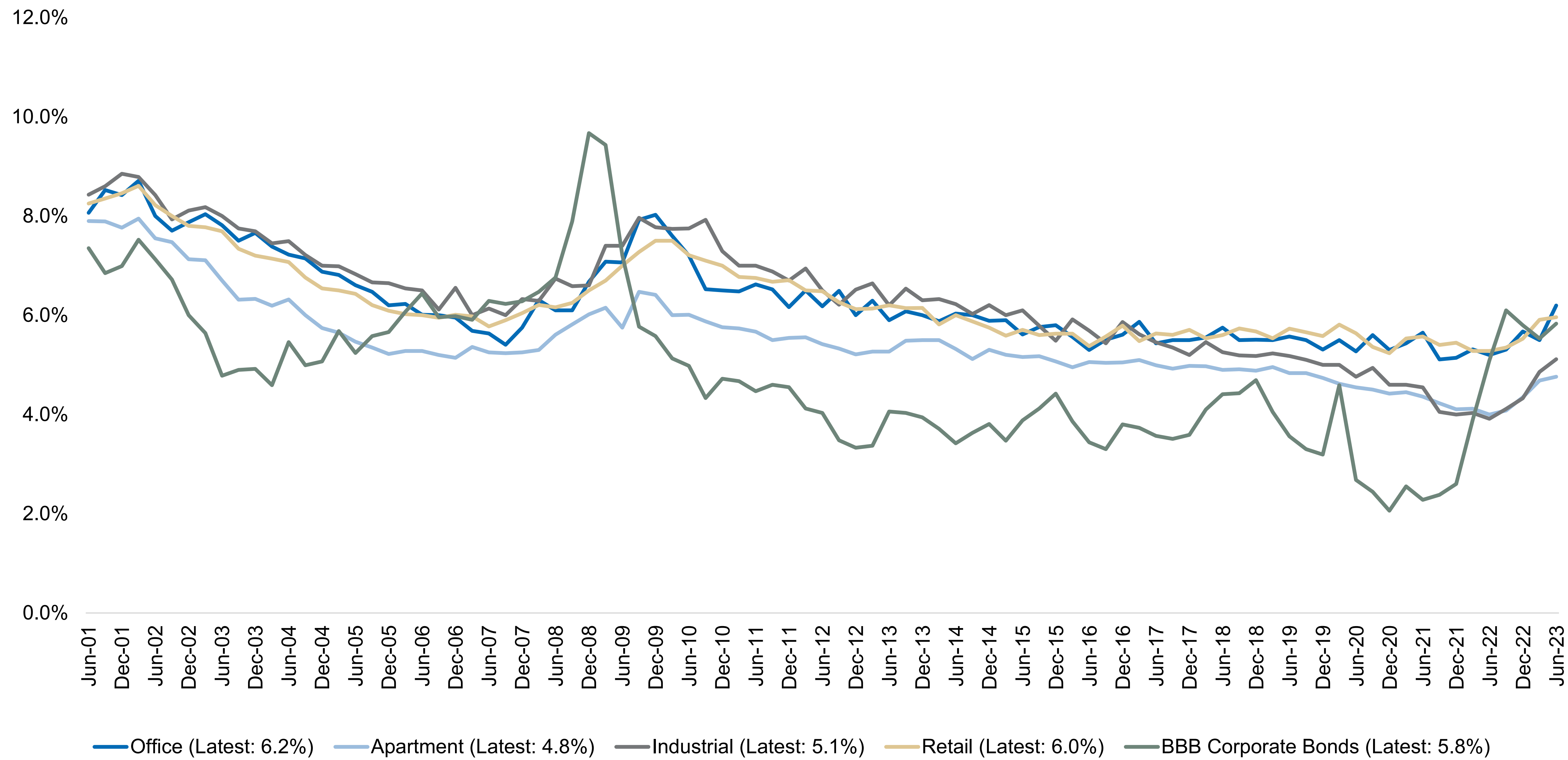
2Q23 CAPITAL MARKETS REPORT

Pricing and Returns

Transaction Cap Rates Continued to Climb in the Second Quarter of 2023

Spreads to BBB corporate bonds – historically, a good proxy for low-leverage, fixed-rate CRE financing – remain extremely tight relative to history or outright negative. This is an unsustainable dynamic and strongly implies further cap rate expansion.

Top Quartile Transaction Cap Rate*

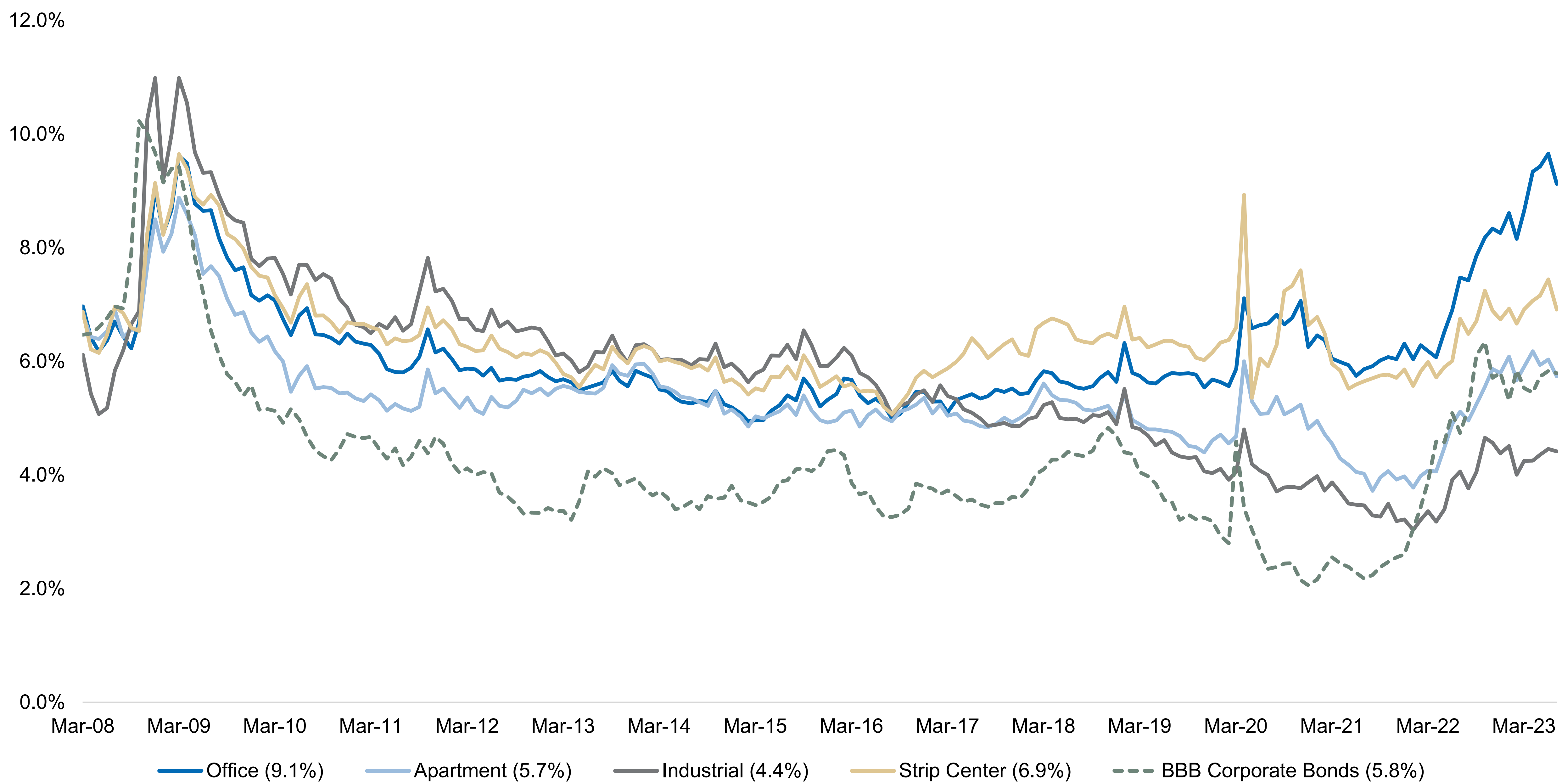


Source: Real Capital Analytics, Federal Reserve Bank of St. Louis, Moody's as of 7/31/2023
*Quarterly

Public Markets More Responsive, but Spreads Remain Narrow Relative to History

Office spread is 89th percentile relative to history*, apartment 11th, industrial 2nd and strip center 19th. Excepting office, these are not spreads that have been associated with strong forward returns.

REIT Implied Nominal Cap Rate

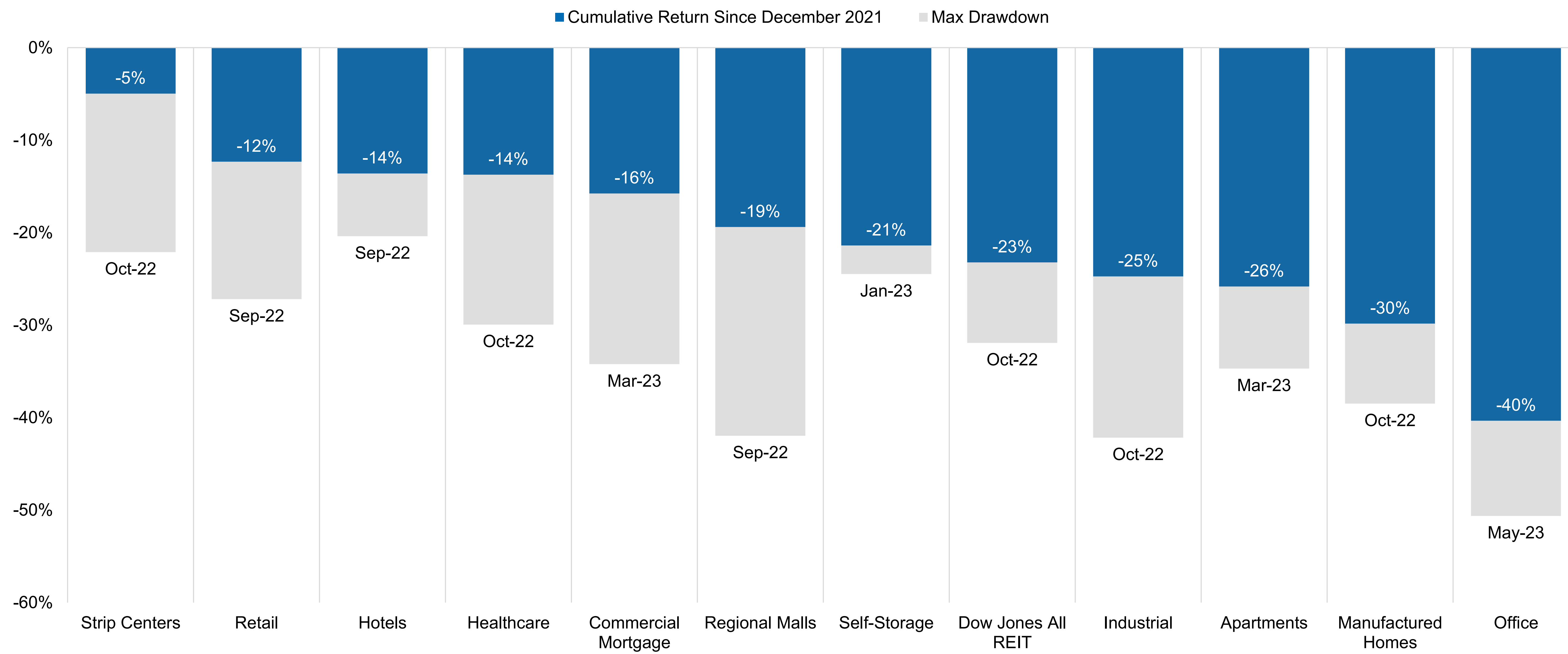


Source: Green Street, FRED, Moody's, Newmark Research as of 7/31/2023
*Using normal distribution

REITs Have Fallen across Sectors since the Start of the Hiking Cycle

However, every sector has rebounded from the lows - which for most occurred in the fall of 2022. In 2023, equity REITs have returned 2.4% led by the apartment (+13%), industrial (+12%) and healthcare (+8%) sectors.

Dow Jones REIT Index Total Returns

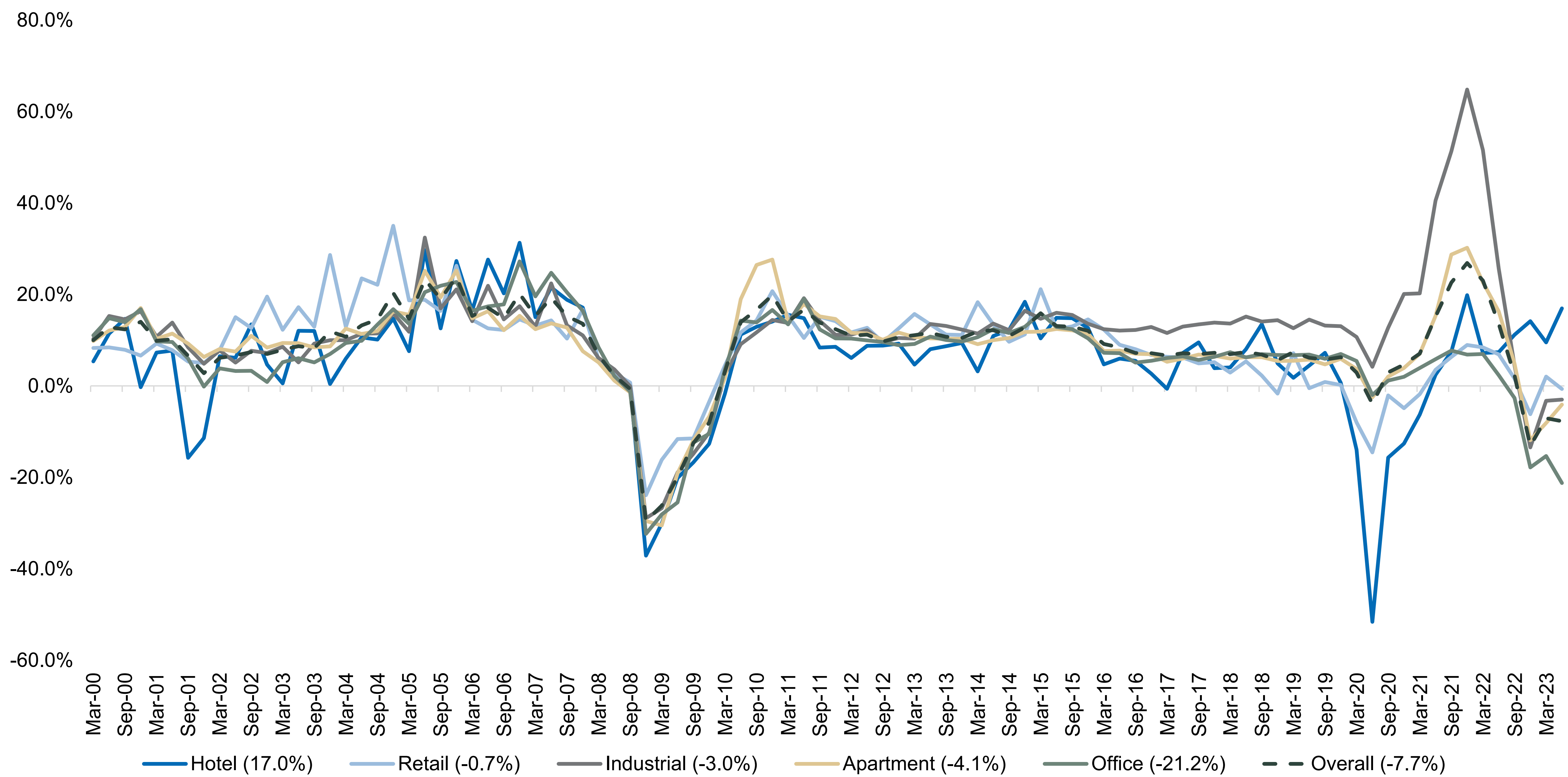


Source: Dow Jones, Moody's, Newmark Research as of 8/10/2023

Private Market Core Properties Returned -7.7% Annualized in 2Q23

All major property types (with the notable exception of hotels) generated negative returns in the second quarter. Office continues to be a clear outlier to the downside as returns continued to decelerate and seem to be on a path to match the depths of the GFC. Apartment and industrial returns were negative though far more modestly, even improving on the margin. Retail decelerated into negative territory but continues to outperform. Keep in mind that appraisal-based returns are especially unreliable in illiquid periods like the current one.

NCREIF National Property Index Quarterly Annualized Total Return

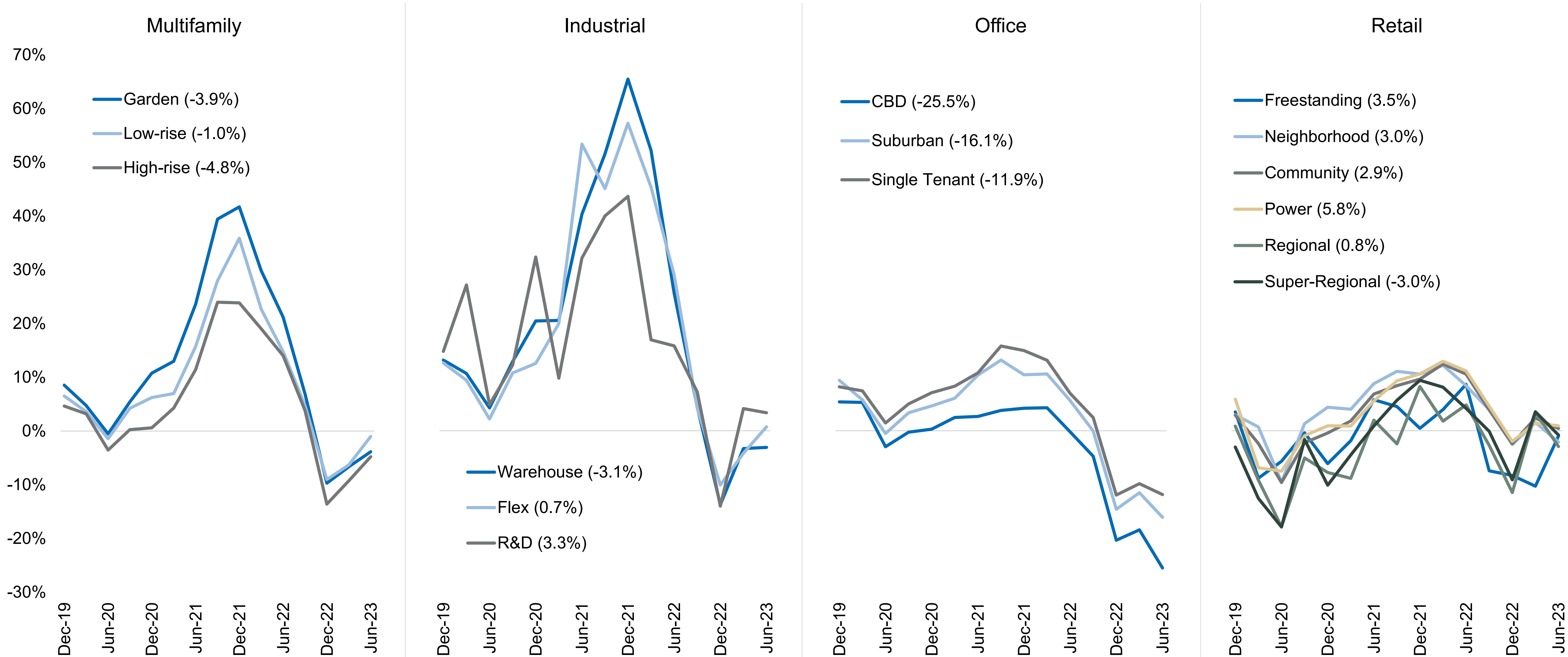


Source: NCREIF, Newmark Research as of 8/1/2023

Returns Remain Broadly Negative across Property Subtypes

Industrial and multifamily returns increased on the margin, with low-rise and garden apartments continuing to outperform high-rise properties. Flex and R&D properties generated positive returns in contrast to warehouse. Office returns are negative across segments, though suburban of single-tenant properties outperform on the margin. Retail outperformance is clearer when looking at specific property categories. Returns were positive for every segment except for super-regional malls.

NCREIF National Property Index Quarterly Total Return (Percent Annualized)



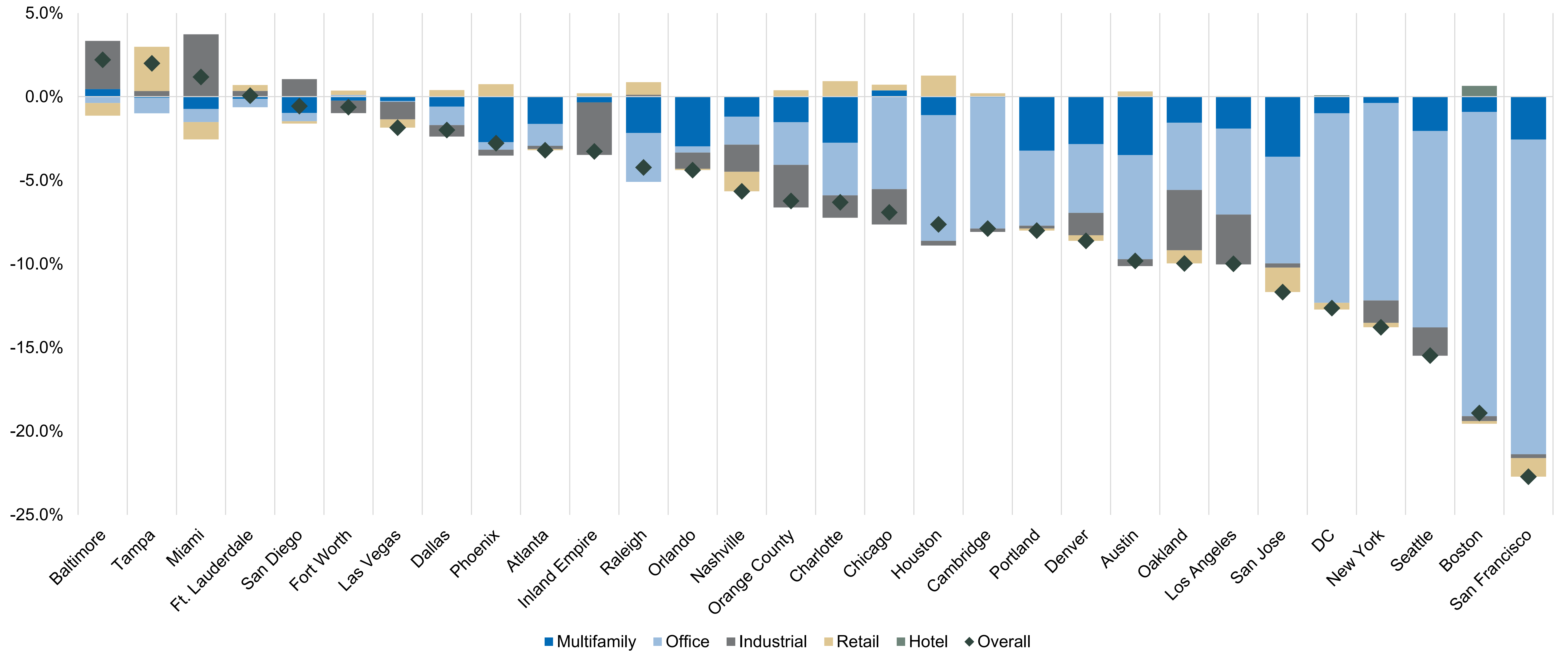
Source: NCREIF, Newmark Research as of 8/1/2023

NCREIF Returns Negative in 59% of Markets, but Variation by Property Type

2Q23 Returns Were Negative in 26 of Top 30 Markets

Sunbelt markets outperformed while traditional gateway markets underperformed, weighed down by sharp contractions in office values. Several high-flying multifamily markets (PHX, ORL, CLT) gave back some of their previously strong performance.

NCREIF Total Return Attribution by Property Type: 2023 Q2 (annualized)



Source: NCREIF, Newmark Research as of 8/1/2023

Private and Public Are Still Telling Different Stories

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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