Real Estate and Economic Outlook

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Headed to Economic Recession?

- No data to confirm
- Near Record Stock Market Wealth but overvalued?
- Near Record Housing Wealth (appears on solid ground)
- Job Gains were weakening
- Consumers not happy
- Consumers are defaulting on loans

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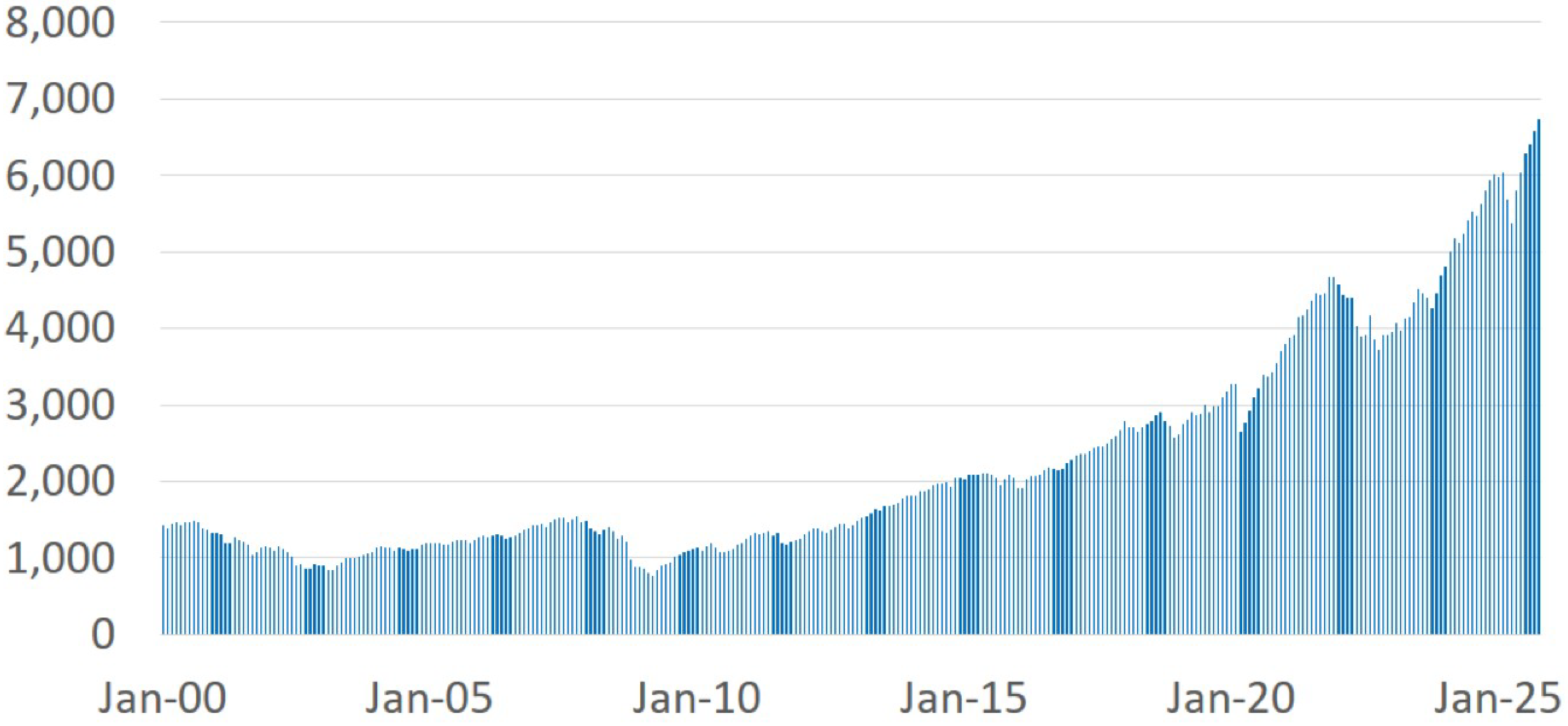
Stock Market … S&P 500 Index



Source: Standard & Poor's

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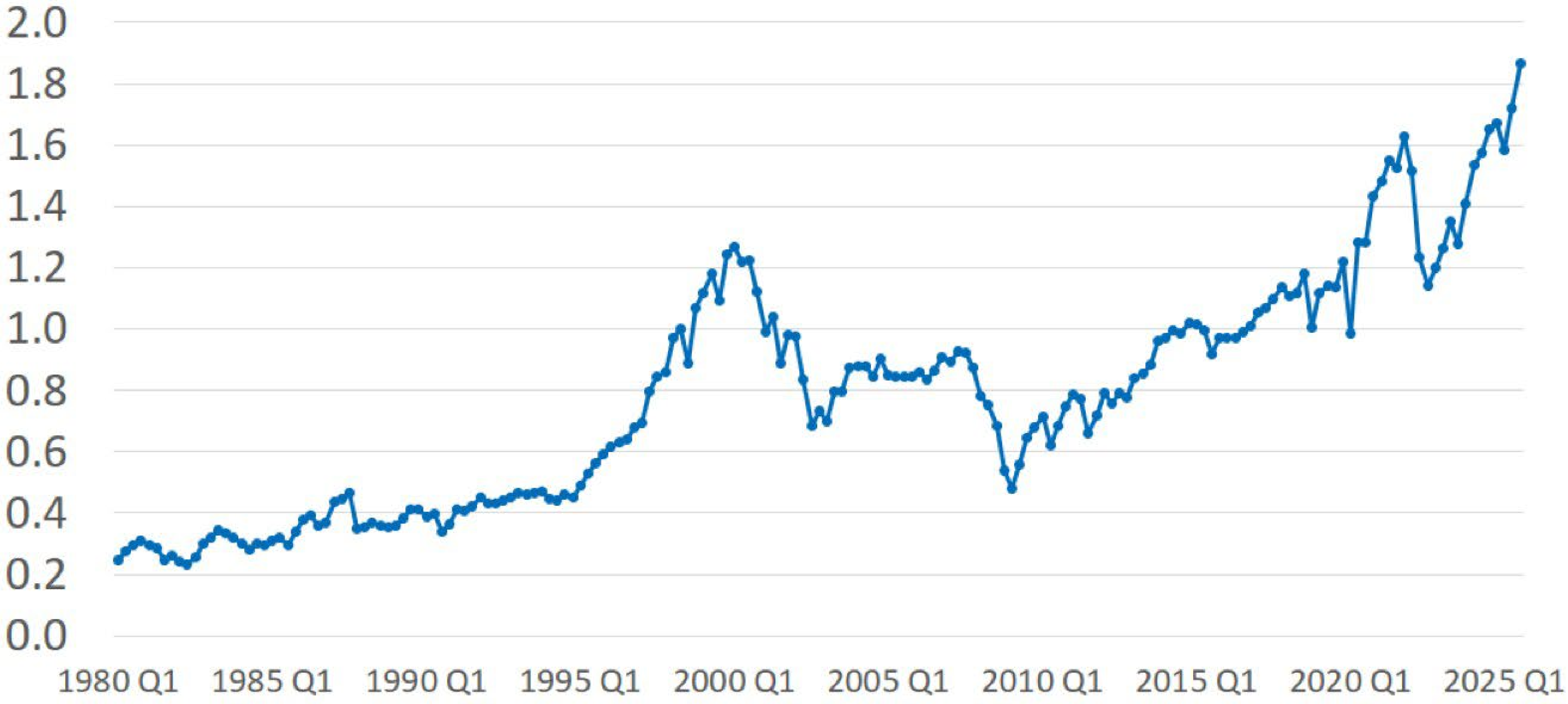
Warren Buffett Ratio … Indicating Very High Valuation
(S&P 500 Market Capitalization to Nominal GDP)



Source: NAR calculation

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Stock Dividend Yield

Source: Standard &Poor's

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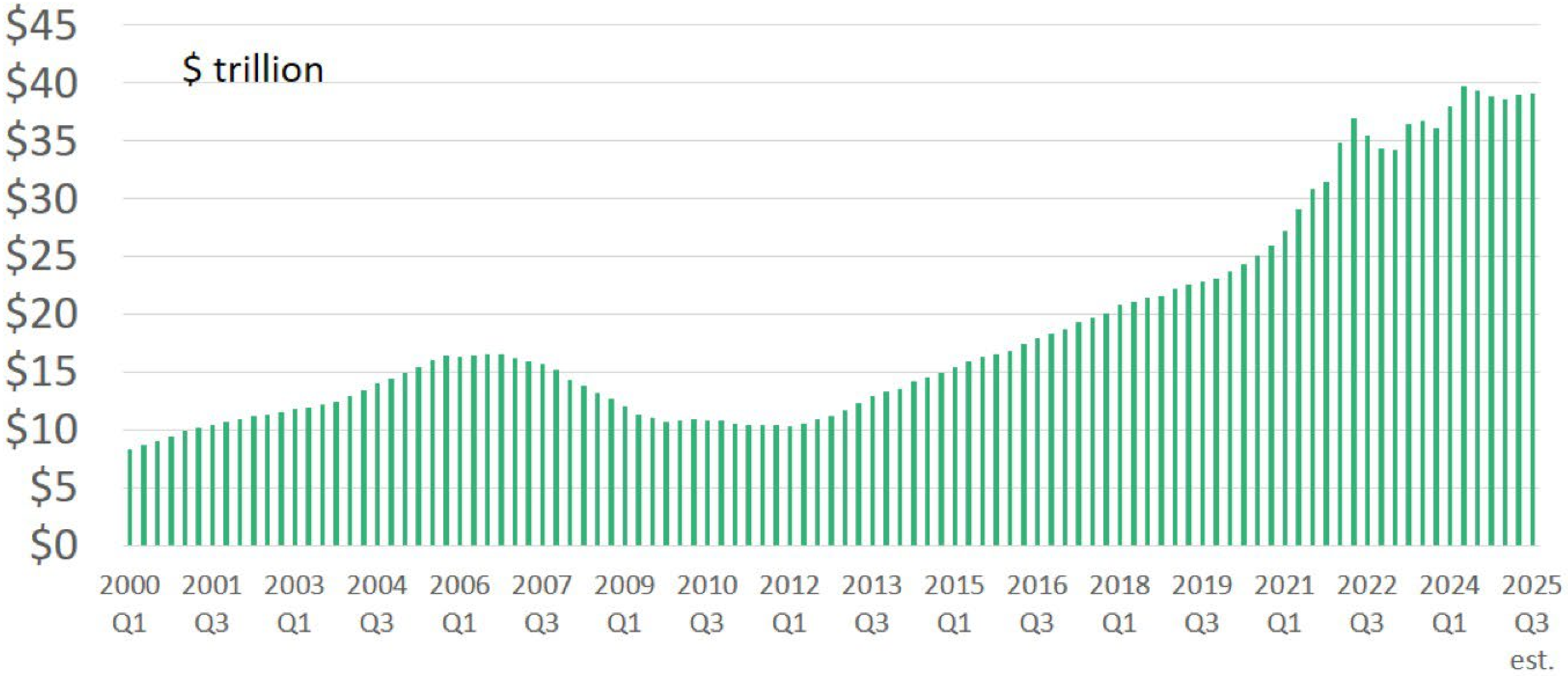
Housing Net Worth



Source: Federal Reserve

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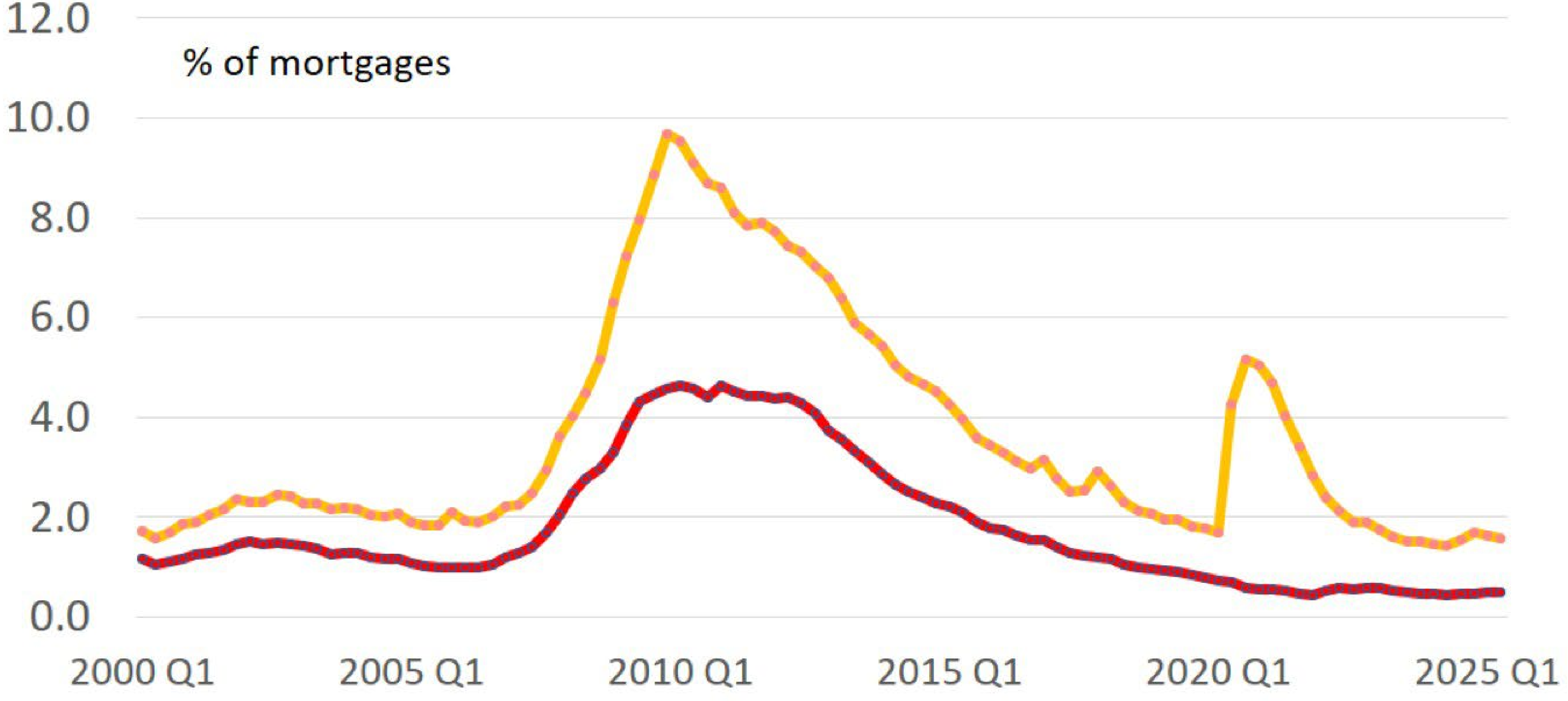
Seriously Delinquent Mortgages and Foreclosure (90+ days late or in foreclosure)



Source: Mortgage Bankers Association

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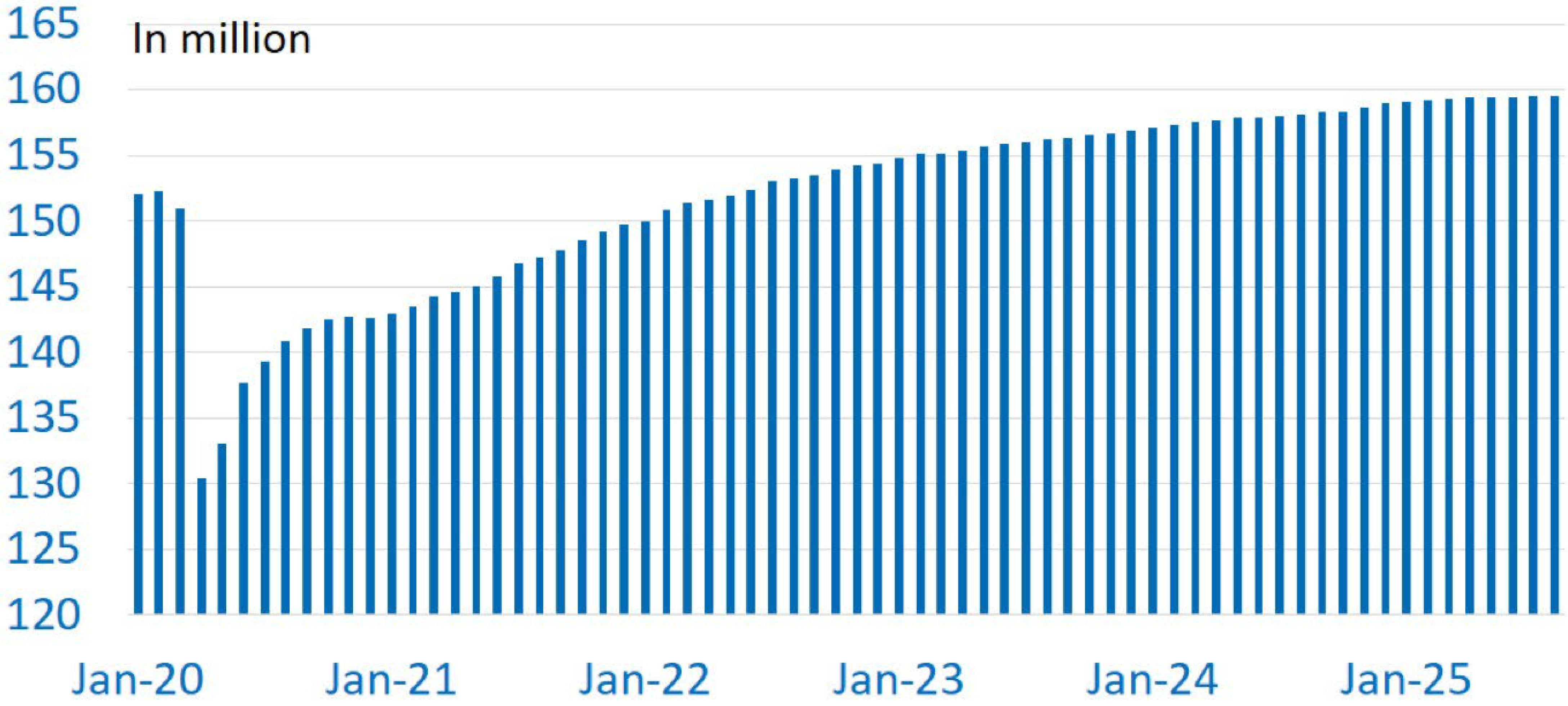
Total Payroll Jobs (as of August … nothing since) Record High and +7.2 Million from Pre-COVID



Source: BLS

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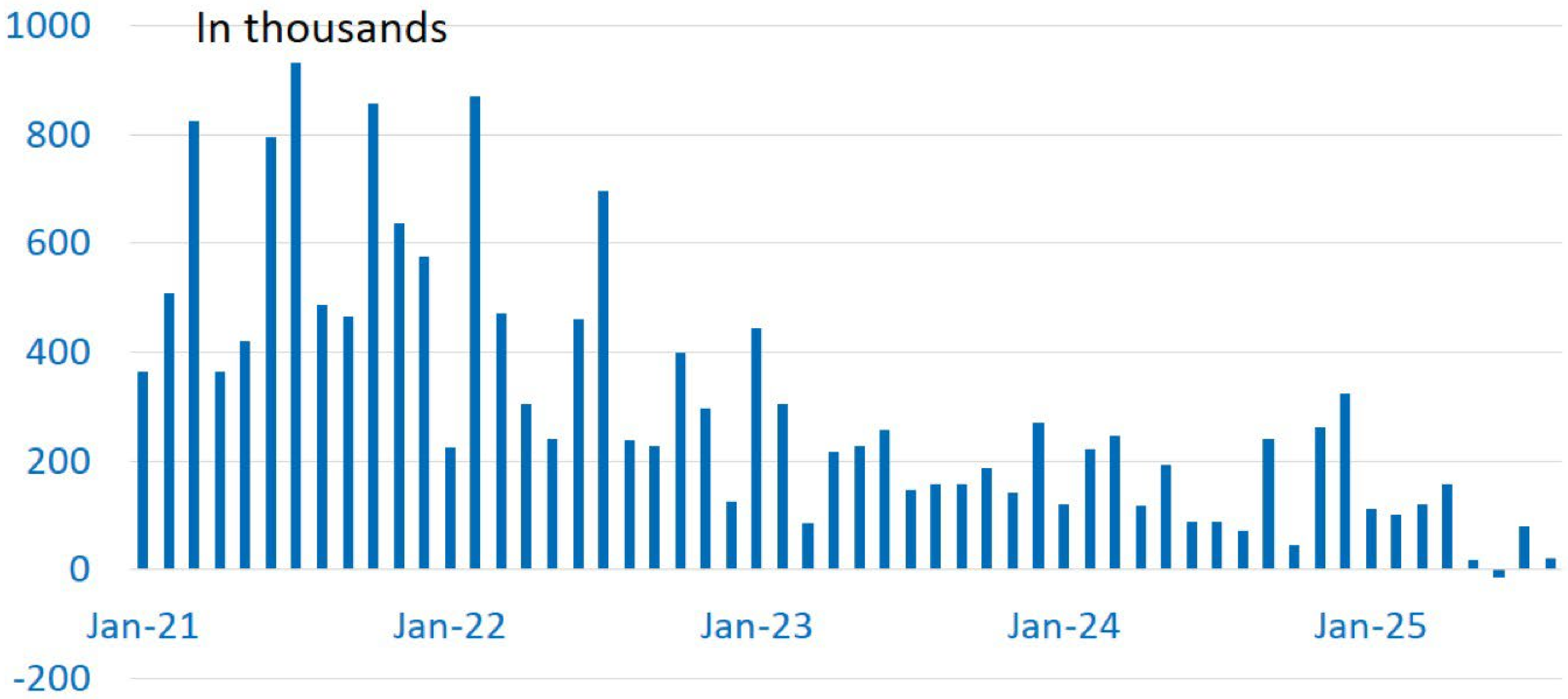
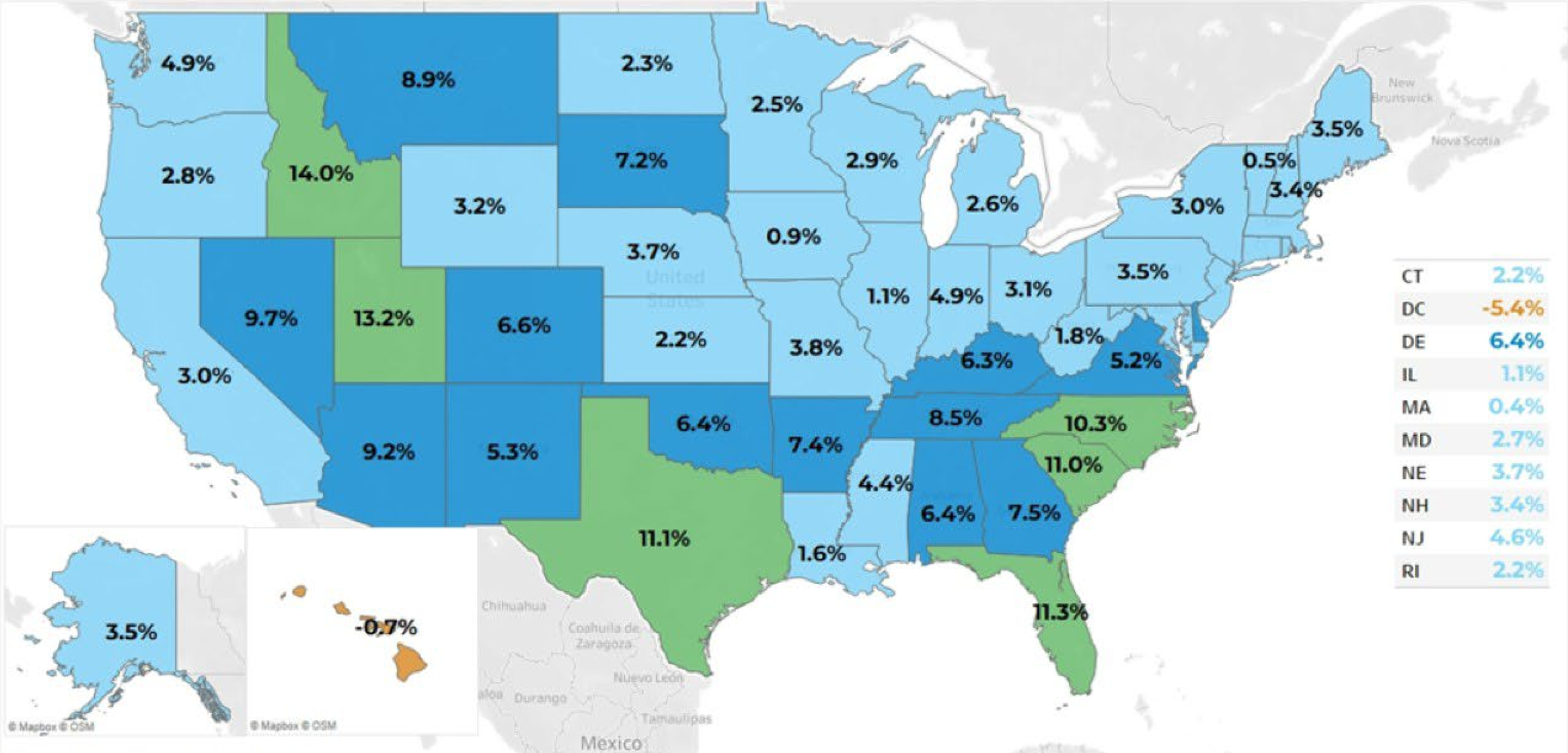
Monthly Job Changes



Source: BLS

Job Gains Since Pre-COVID Record High Payroll Employment
(% change from March 2020 to August 2025)



CT	2.2%
DC	-5.4%
DE	6.4%
IL	1.1%
MA	0.4%
MD	2.7%
NE	3.7%
NH	3.4%
NJ	4.6%
RI	2.2%

Source: U.S. Bureau of Labor Statistics

Source: NAR Analysis of BLS data

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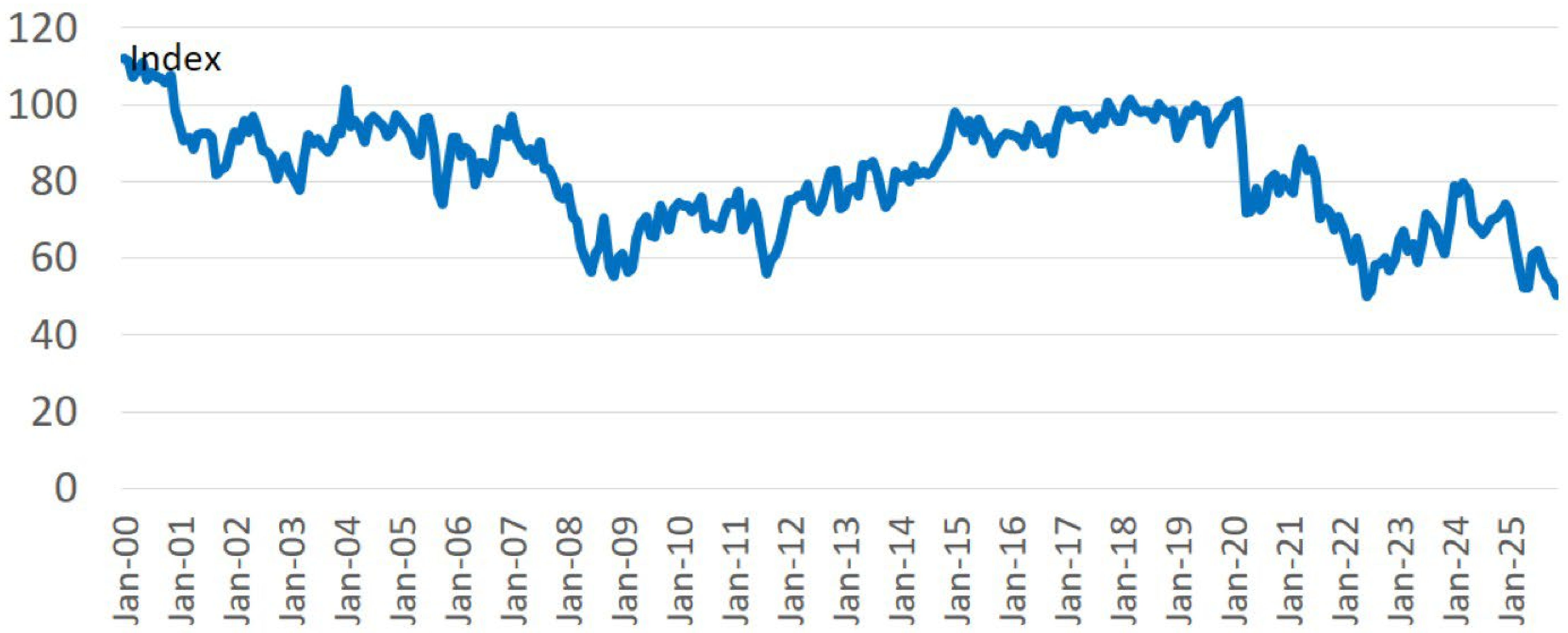
Consumer Sentiment
(Overall Index)



Source: University of Michigan

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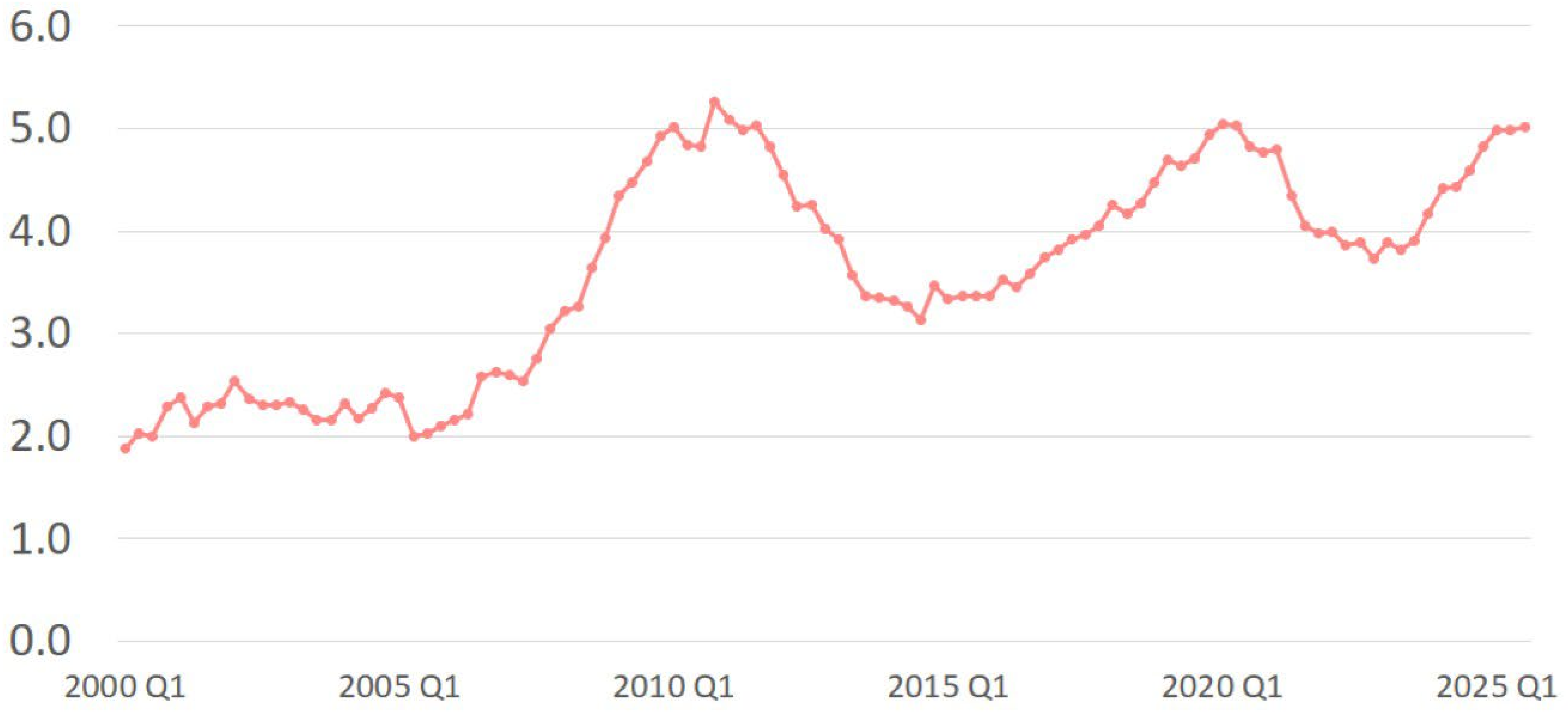
Auto Loan 90+ Days Delinquency



Source: Federal Reserve Bank of NY

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Credit Card 90+ Days Delinquency

Source: Federal Reserve Bank of NY

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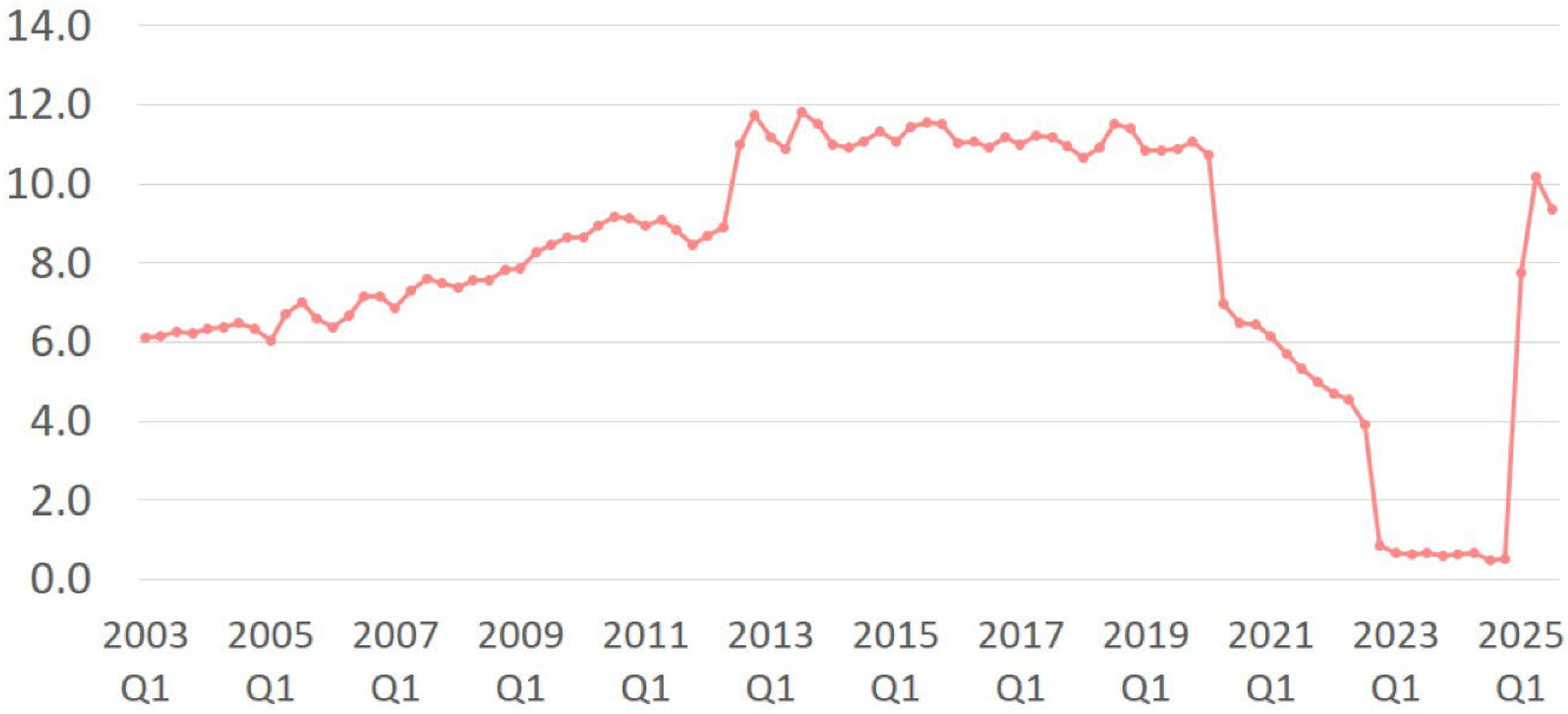
Student Debt 90+ Days Delinquency



Source: Federal Reserve Bank of NY

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Commercial Real Estate Fundamentals

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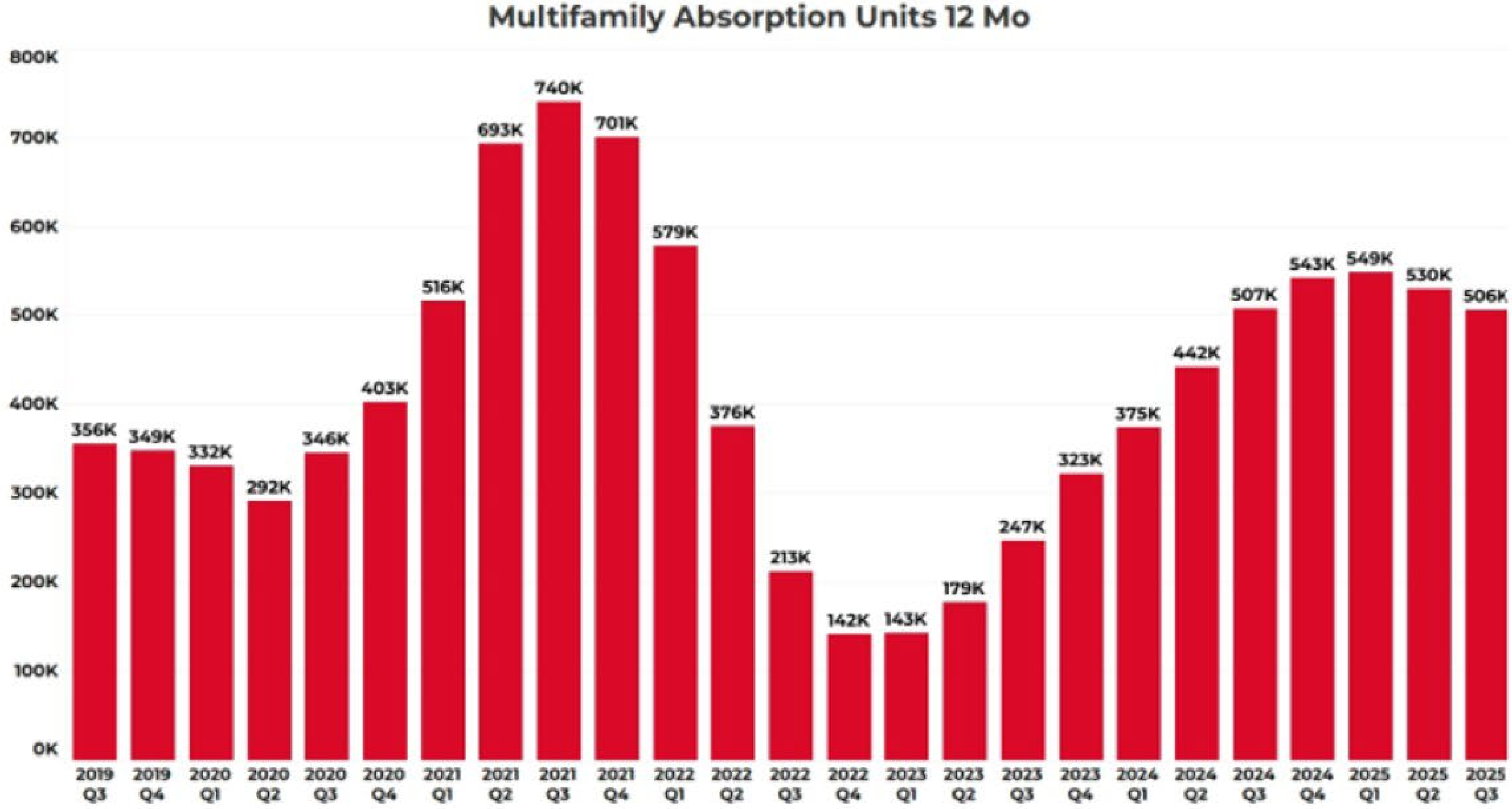
Apartment Demand … Strong, but expect sharp weakening in Class C lower-end



Source: NAR analysis of CoStar data

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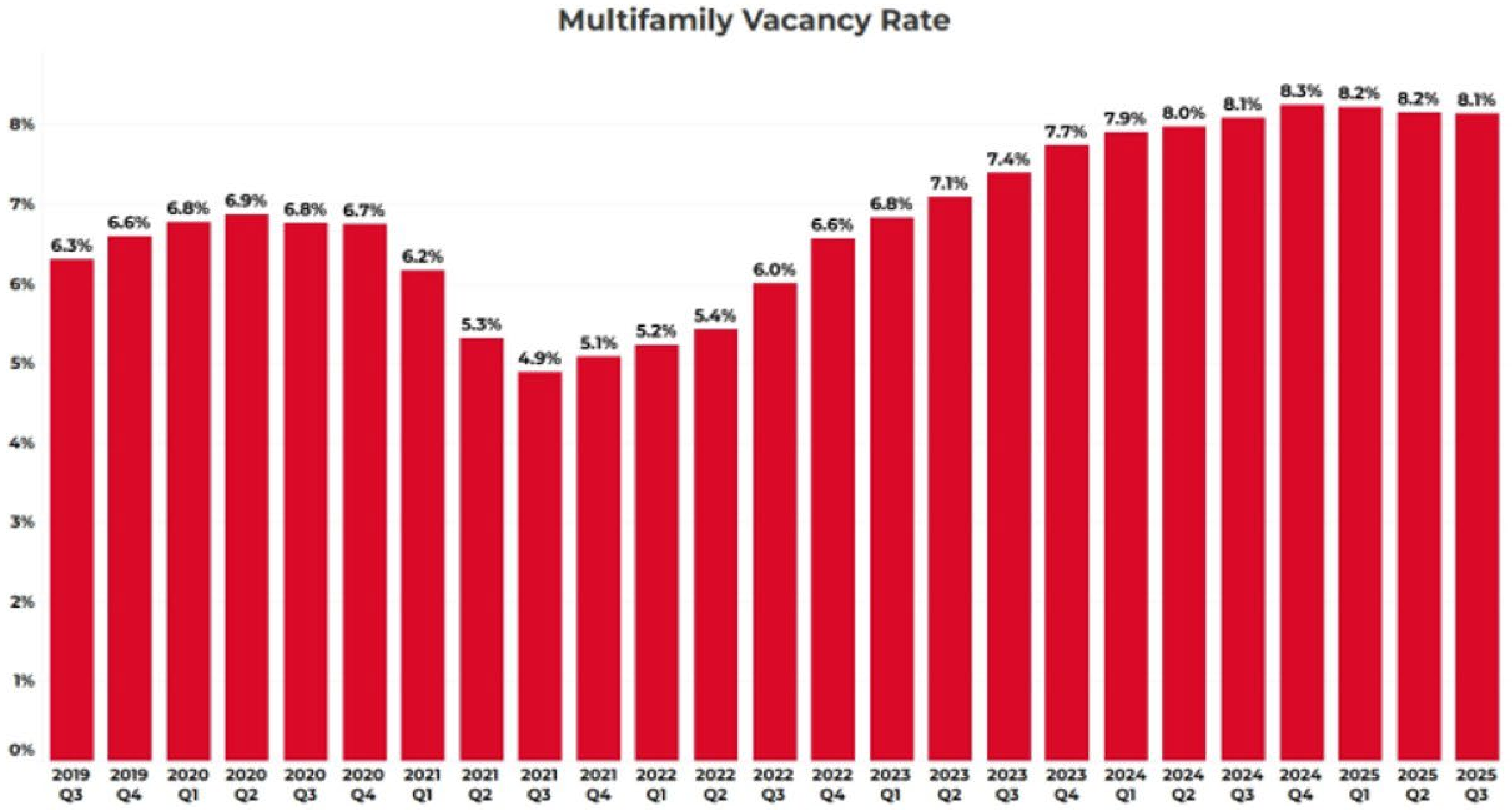
Apartment Vacancy Rate High … from overproduction



Source: NAR Analysis of CoStar data

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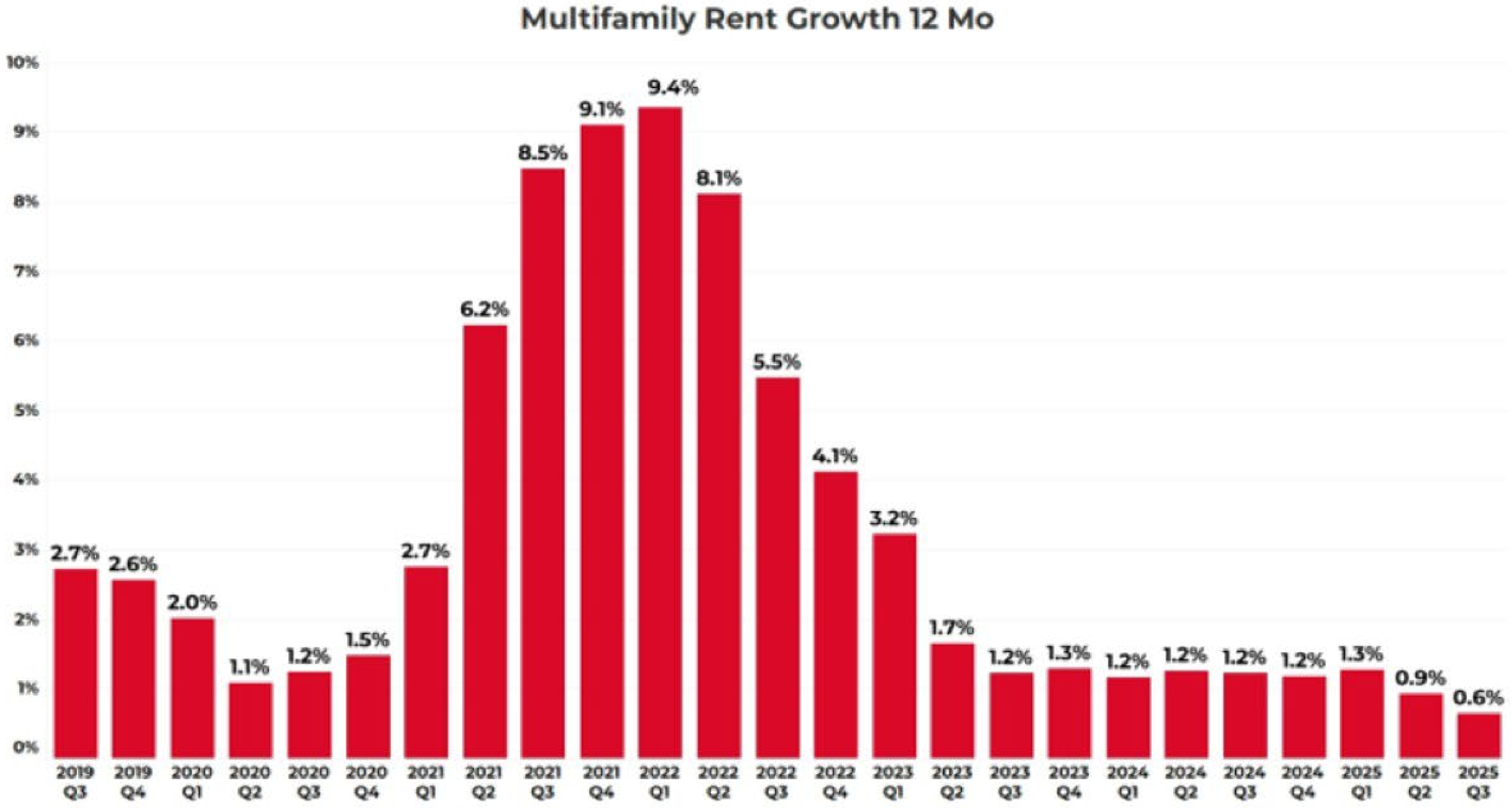
Private Sector Data: Apartment Rents Barely rising



Source: NAR analysis of CoStar data

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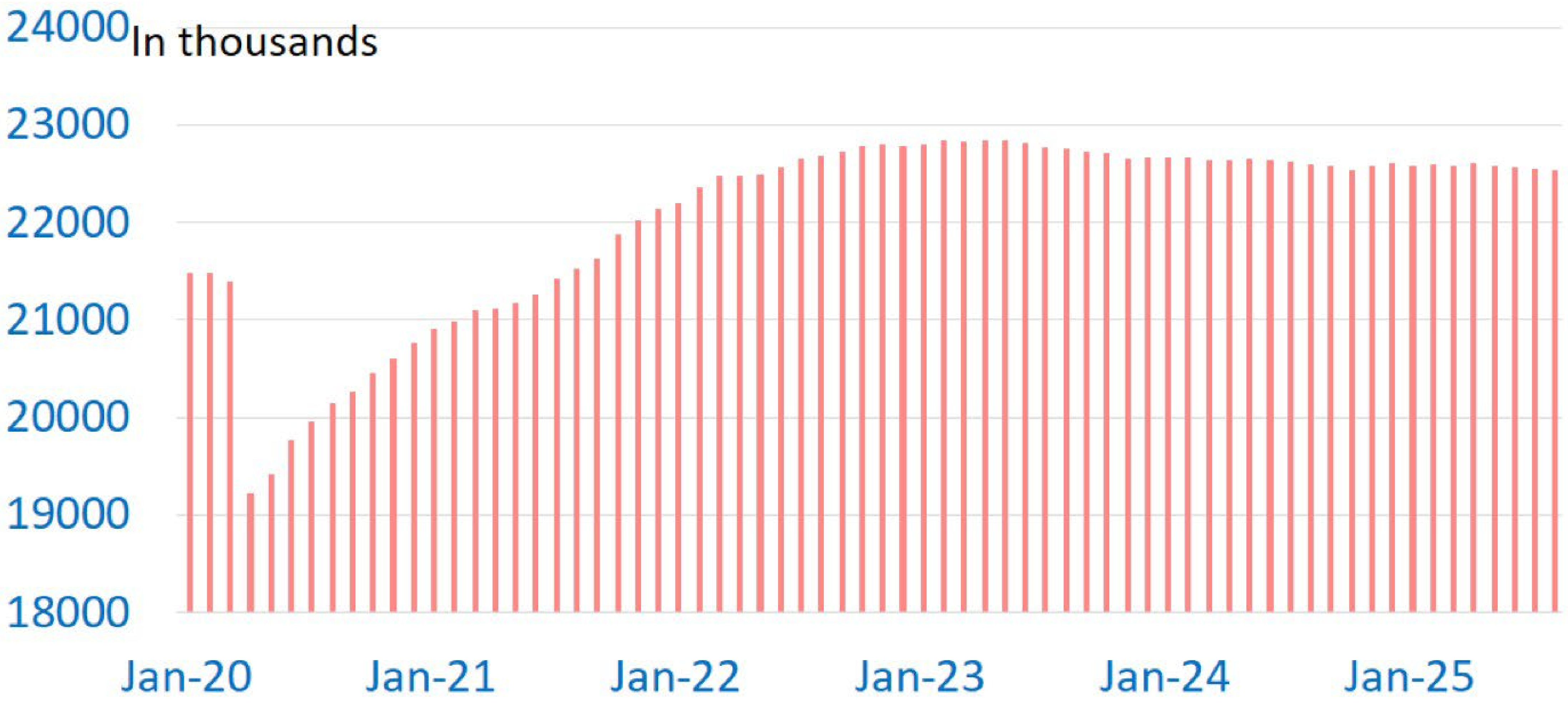
Office Using Jobs (+1 million from pre-covid)
(Professional Business Service and Financial Industry)



Source: BLS

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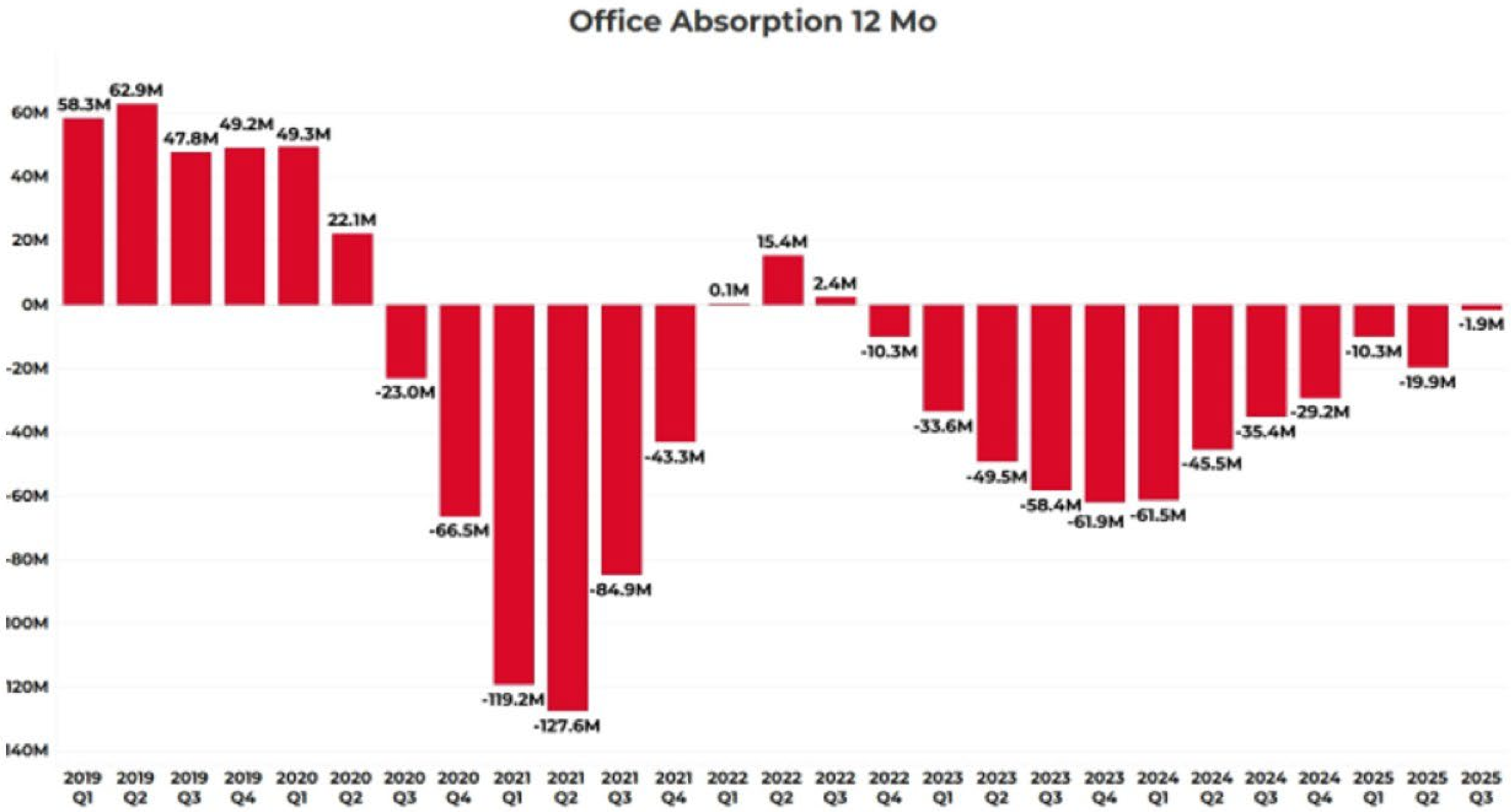
Office Net Absorption in past 12 months … Stops Bleeding



Source: NAR analysis of CoStar data

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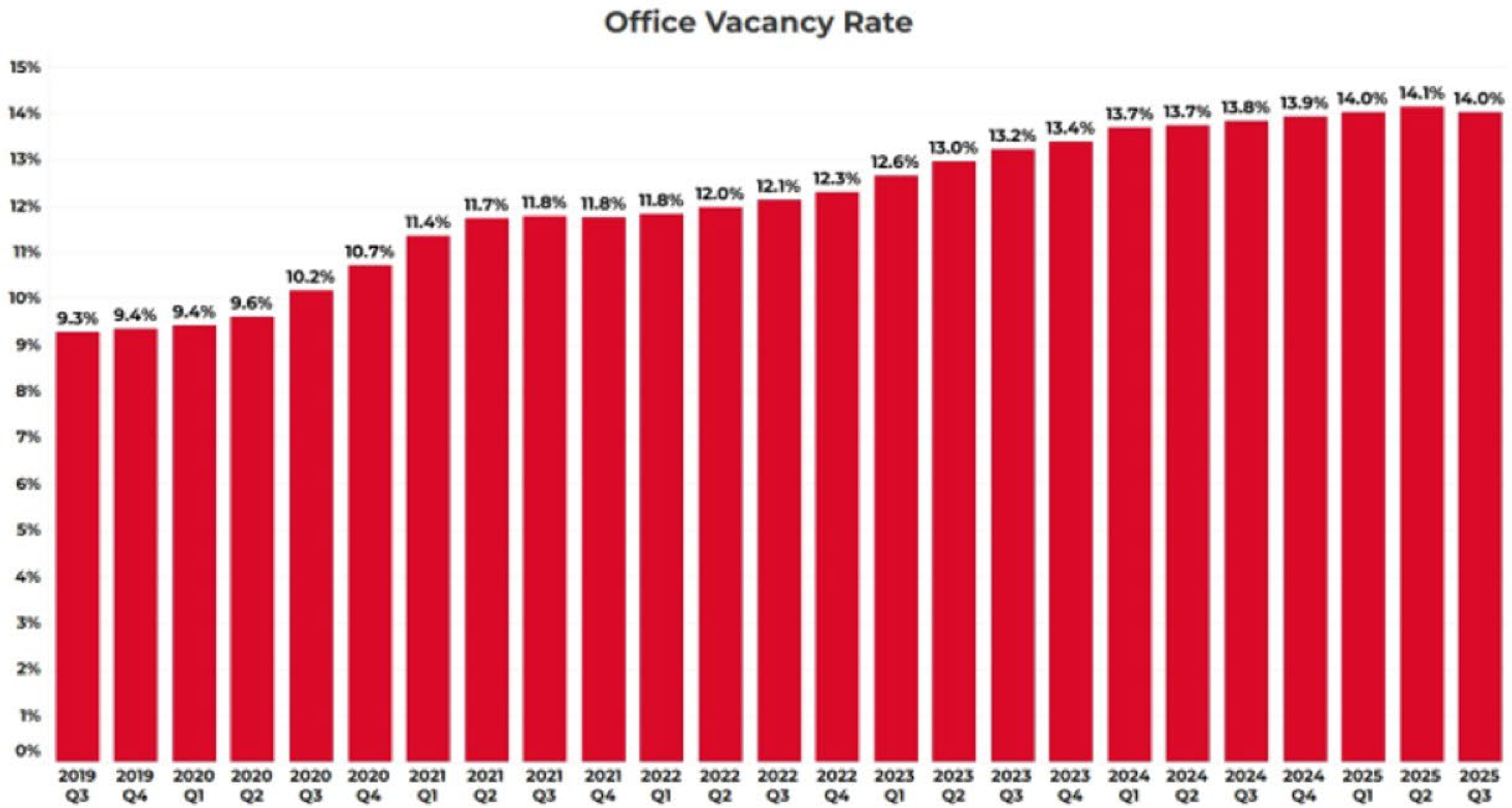
Office Vacancy Rising … from lack of demand



Source: NAR Analysis of CoStar data

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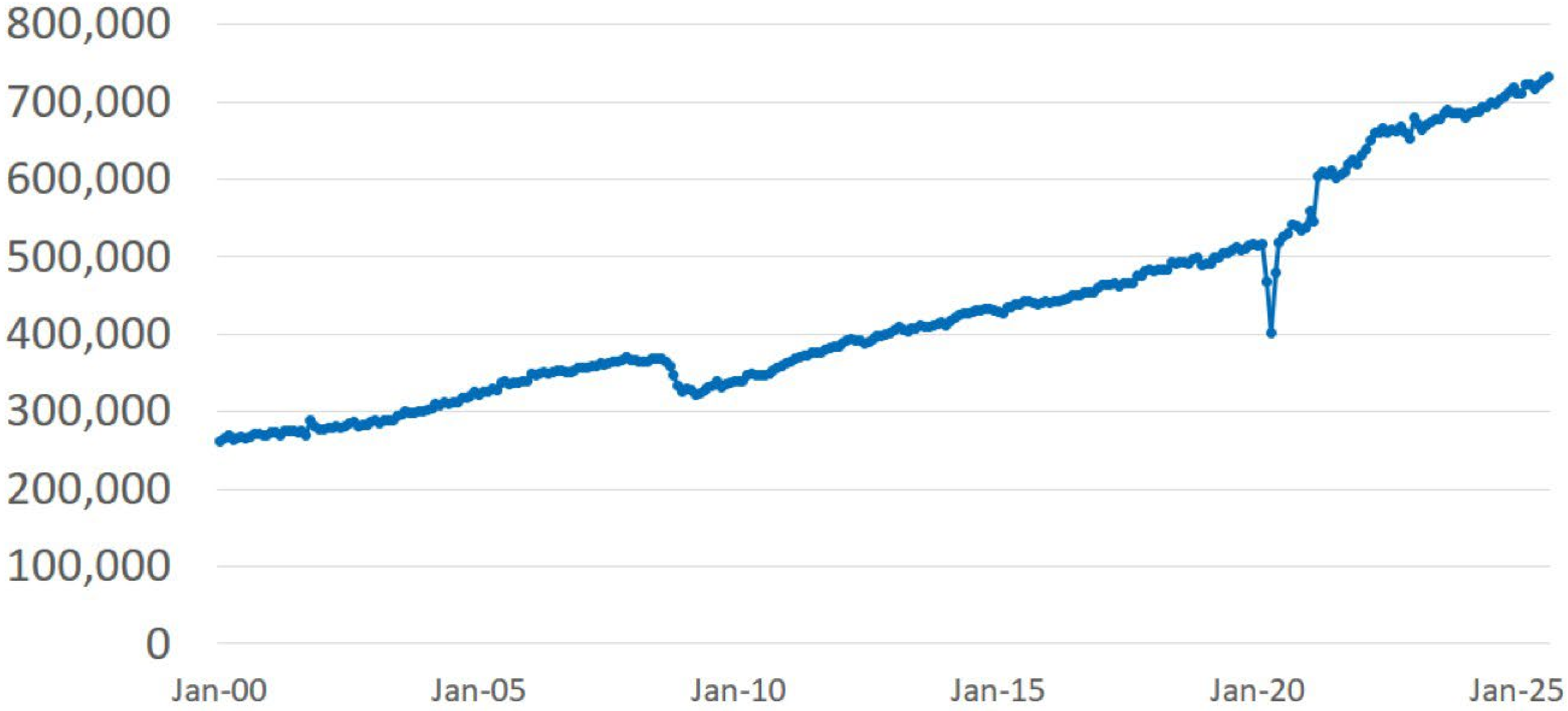
Retail Sales
(In $ million to August 2025)



Source: Census

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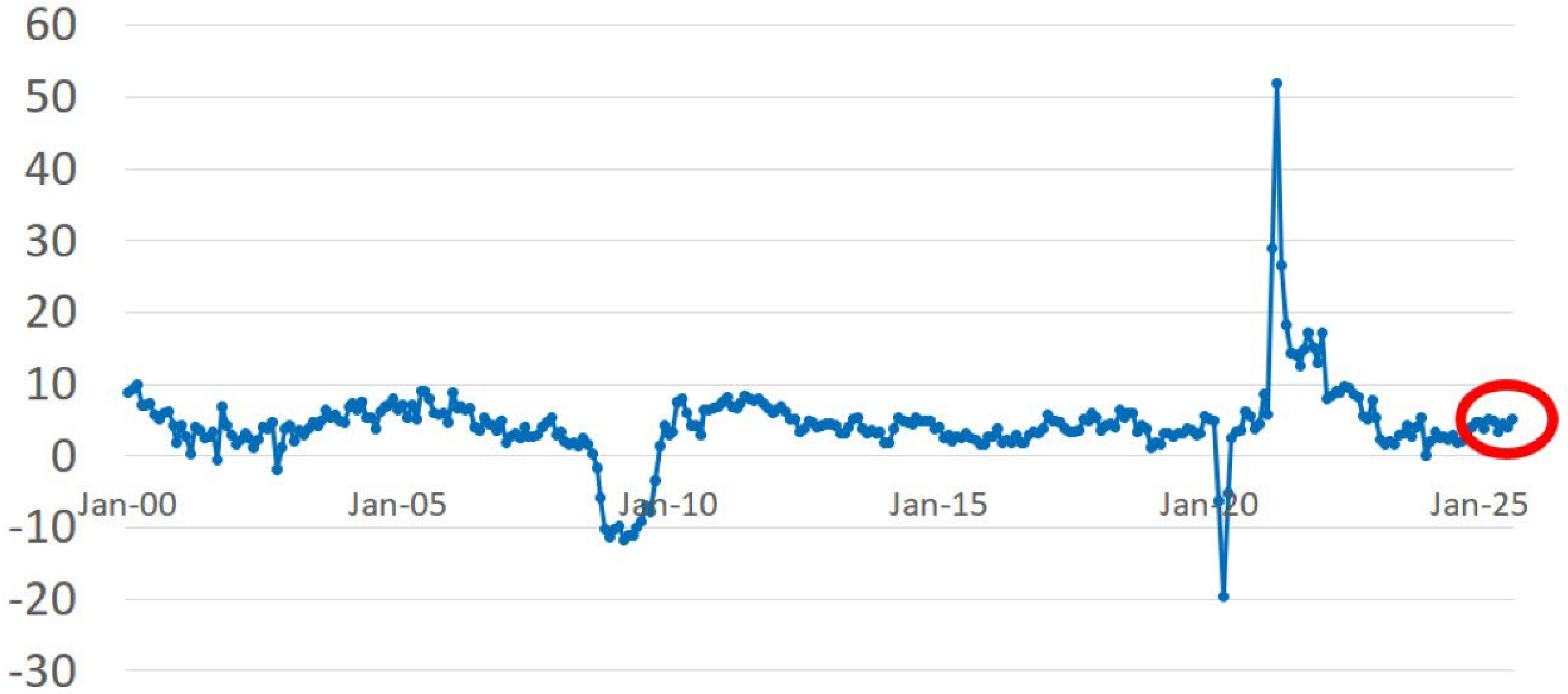
Retail Sales Growth Rate … Respectable 5%
(% change from a year ago)



Source: Census

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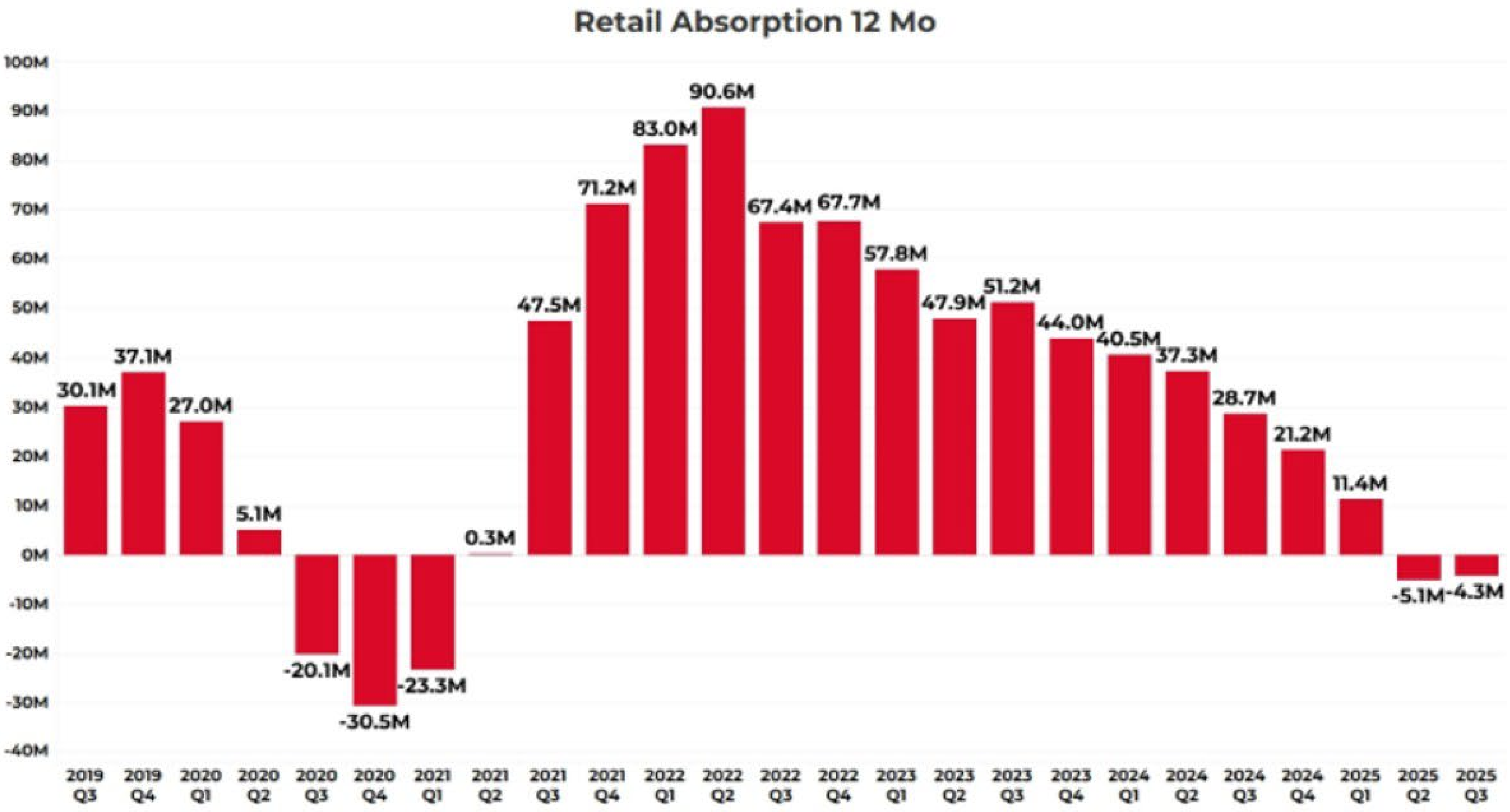
Retail Net Absorption ... turning Negative



Source: NAR analysis of CoStar data

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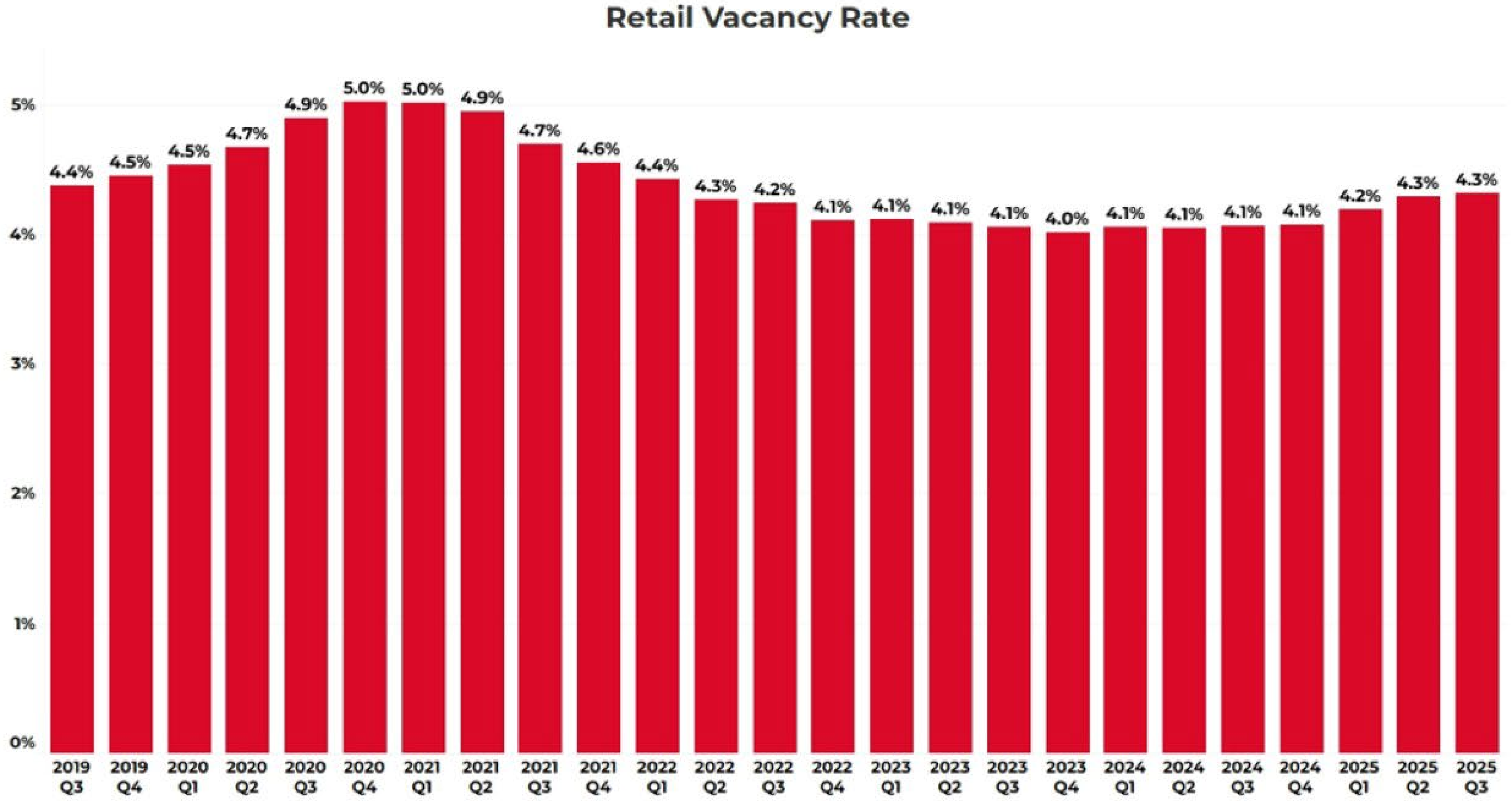
Retail Vacany Rate Low … from restrained production



Source: NAR Analysis of CoStar data

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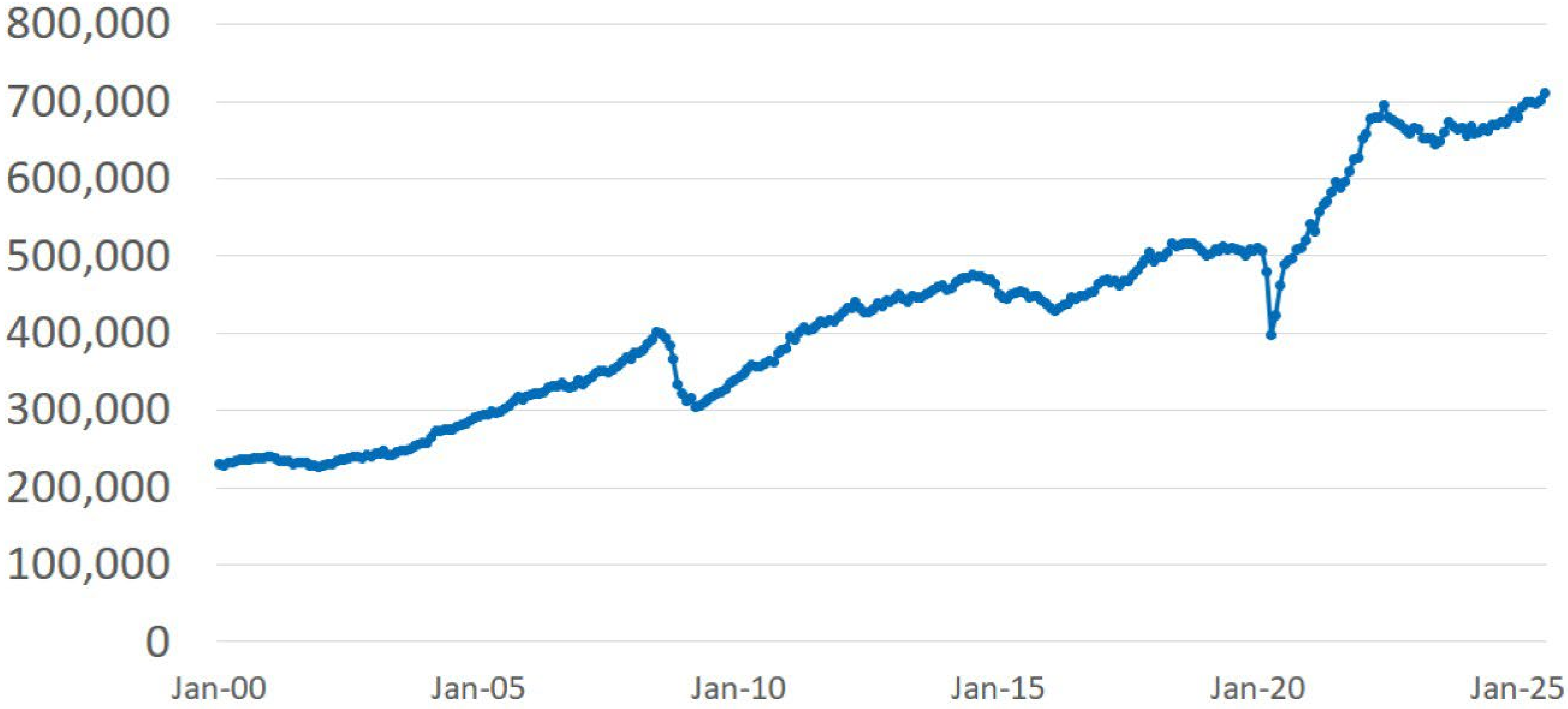
Merchant Wholesaler Sales
(In $ million to July 2025)



Source: Census

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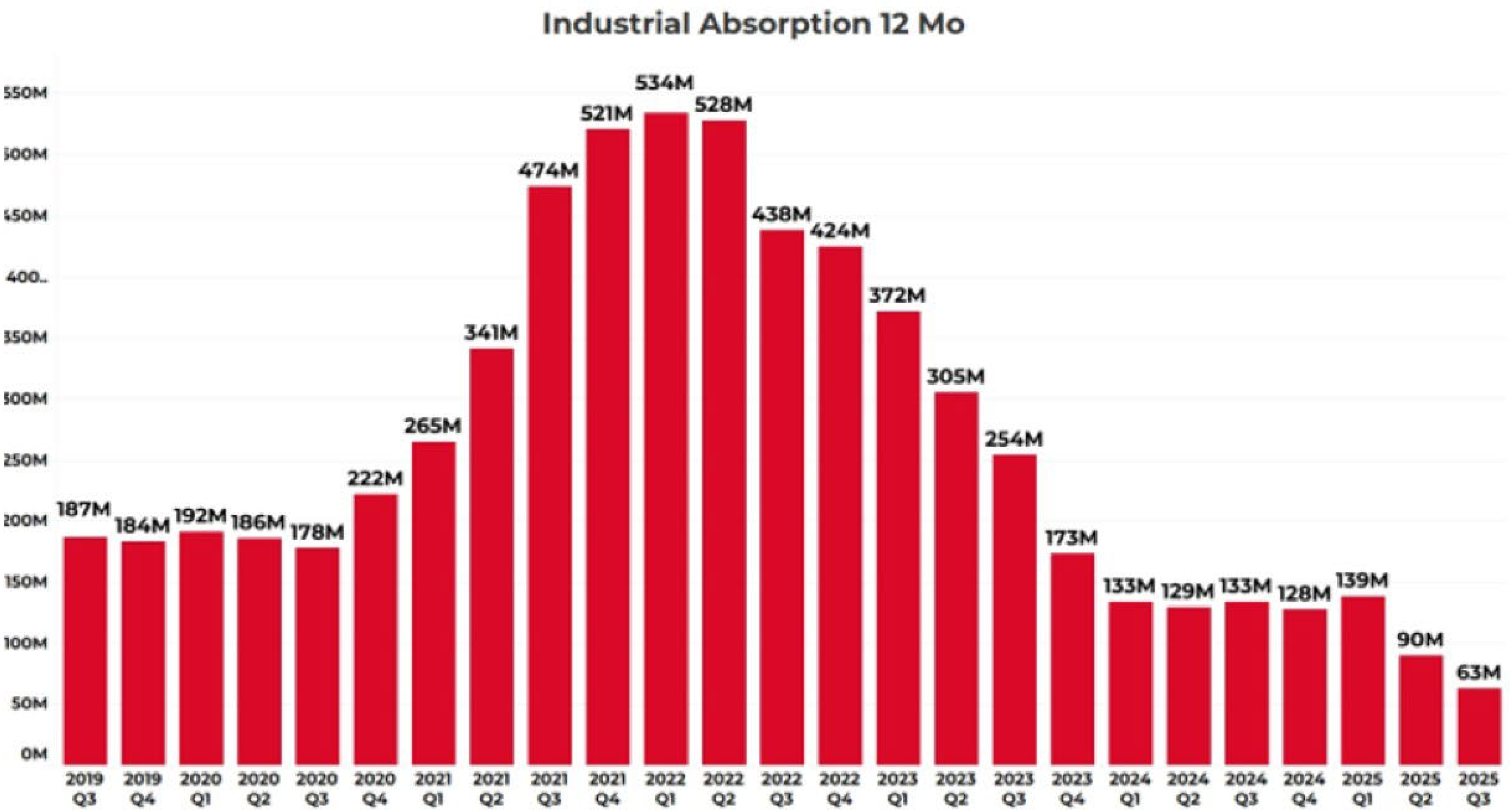
Industrial Space Net Absorption … Tariff Impact ?



Source: NAR analysis of CoStar data

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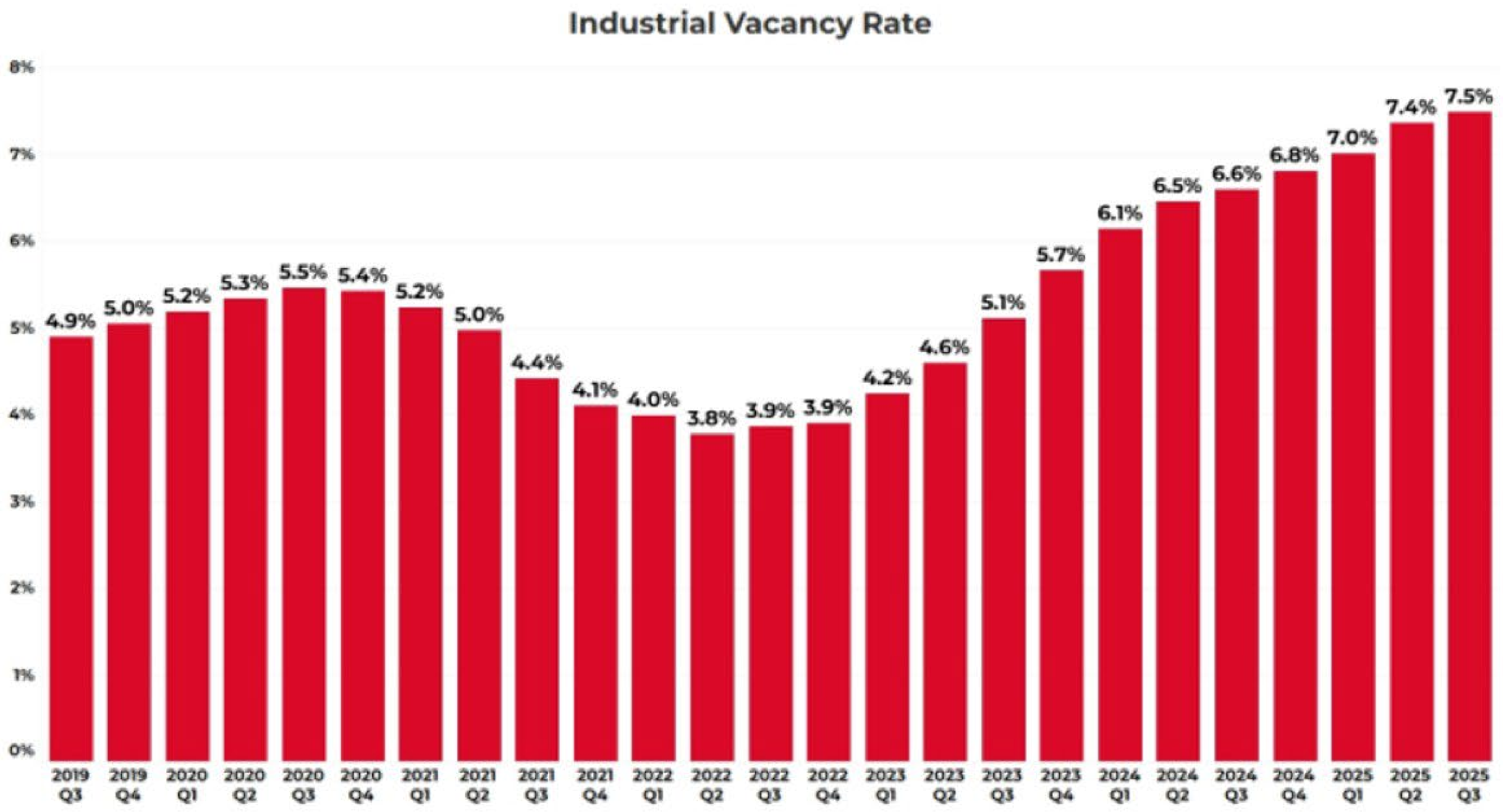
Industrial Vacancy Rate ... from overproduction



Source: NAR Analysis of CoStar data

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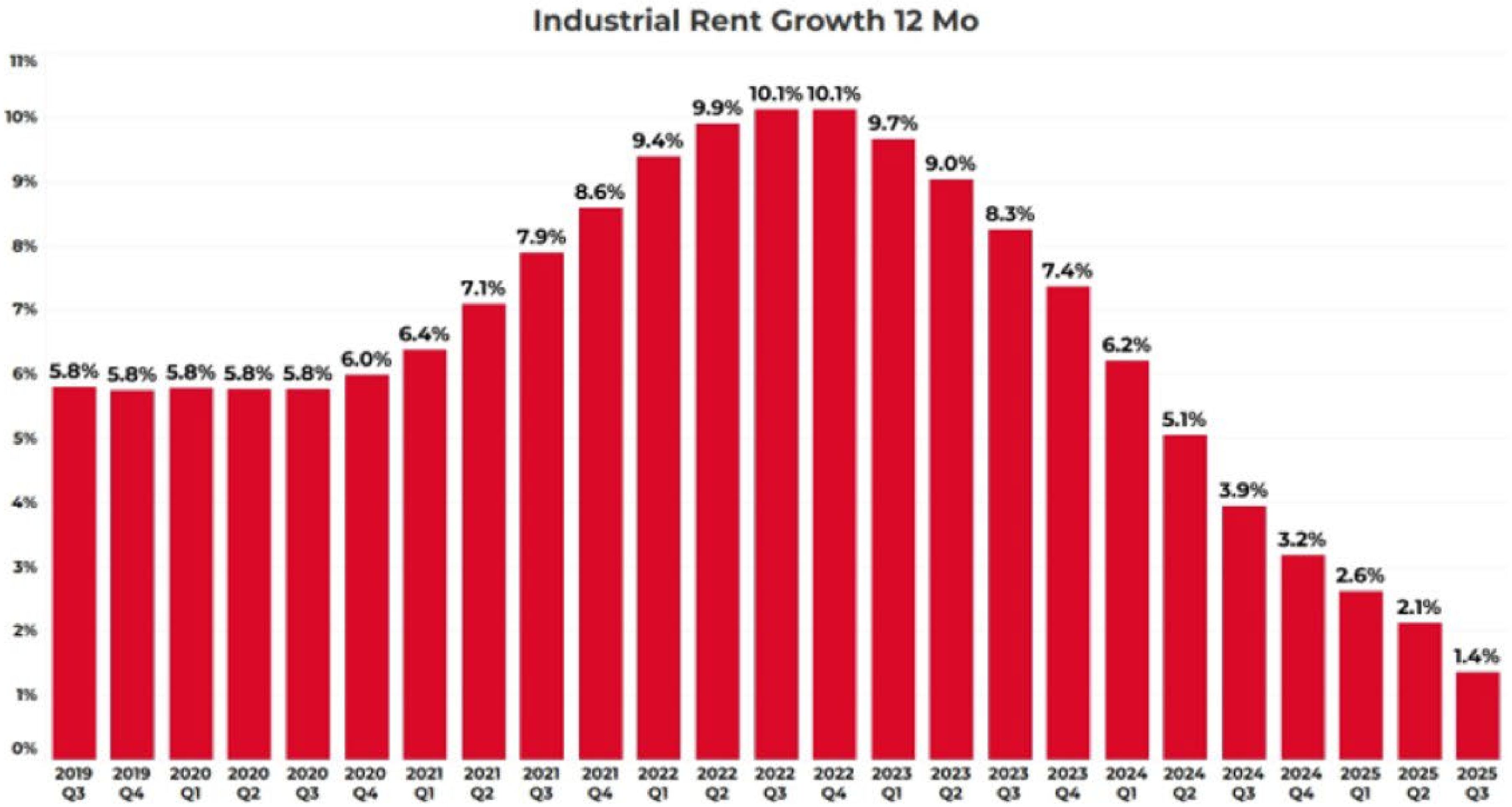
Rents Softly Rising
Industrial barely positive



Source: NAR analysis of CoStar data

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Commercial Real Estate Loan Distress?

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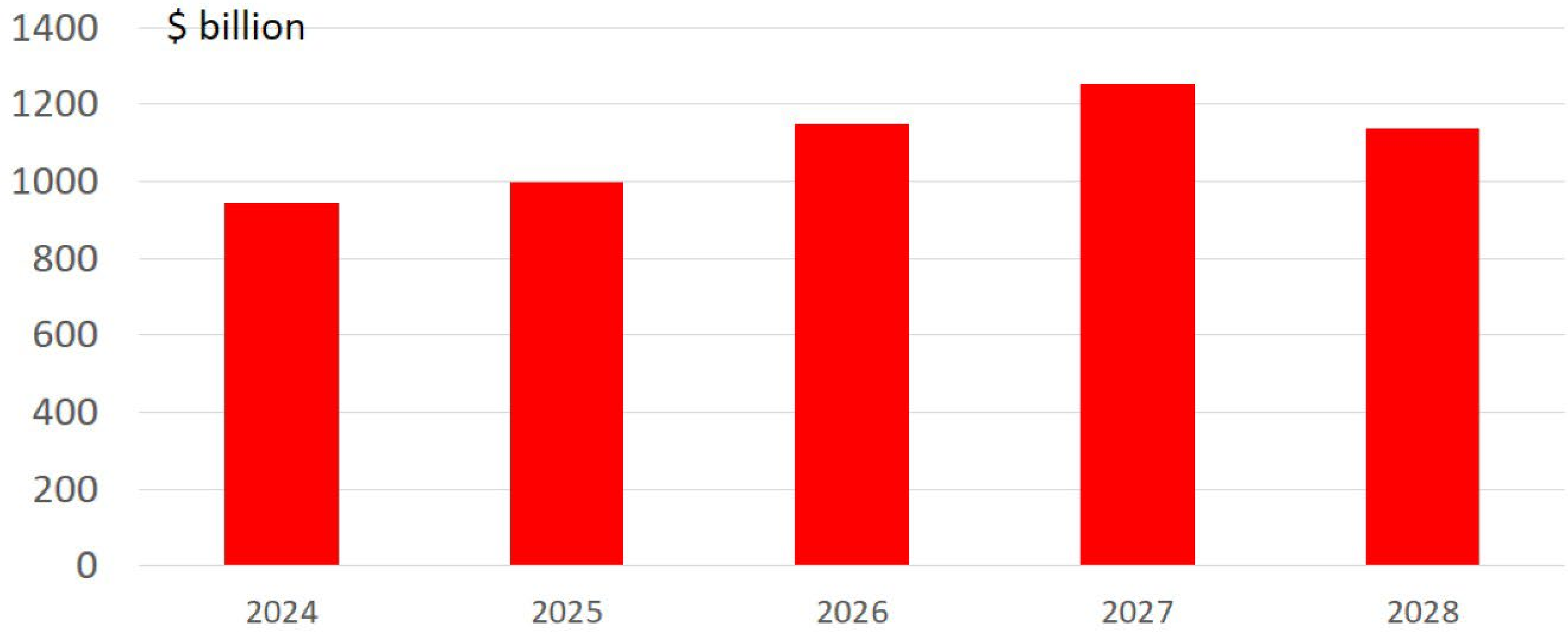
CRE Loan Requiring Refinancing …
At Higher Interest Rate and Lower Collateral Value



Source: S&P Global

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Commercial Property Prices … Still not Recovering

Source: Federal Reserve

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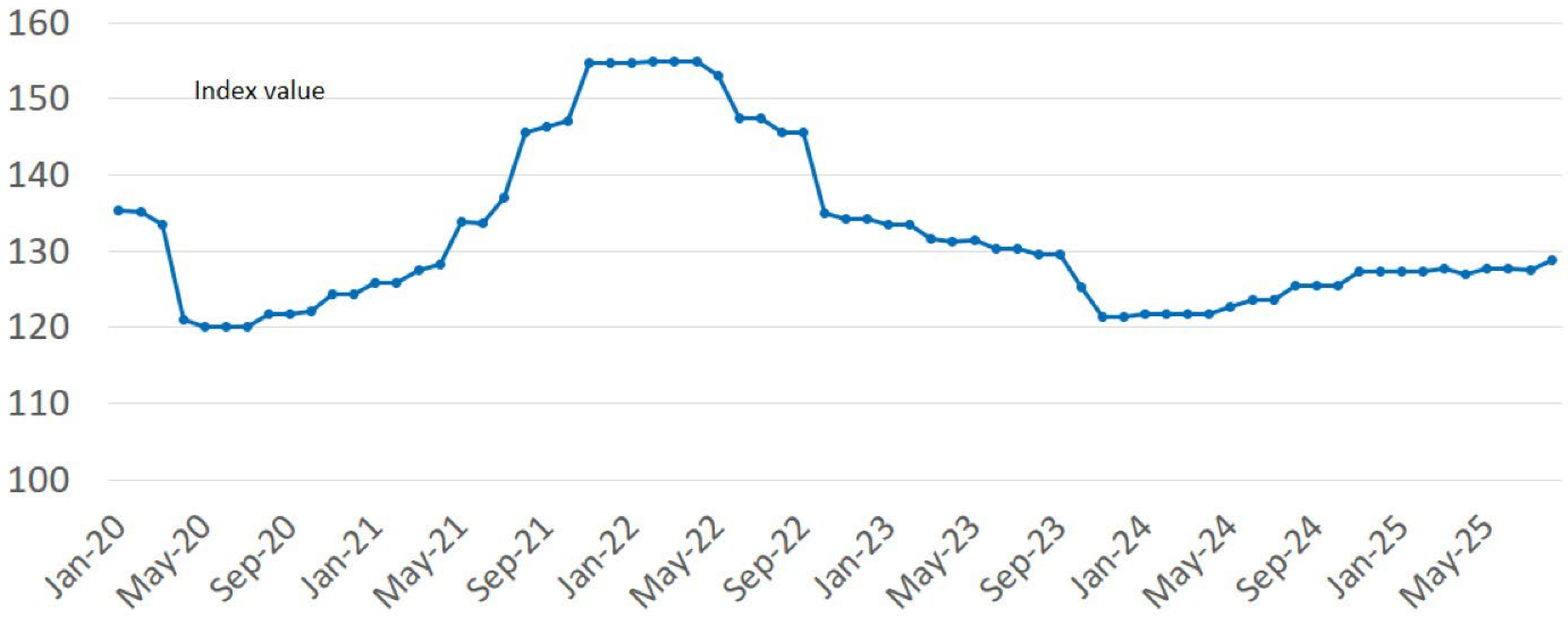
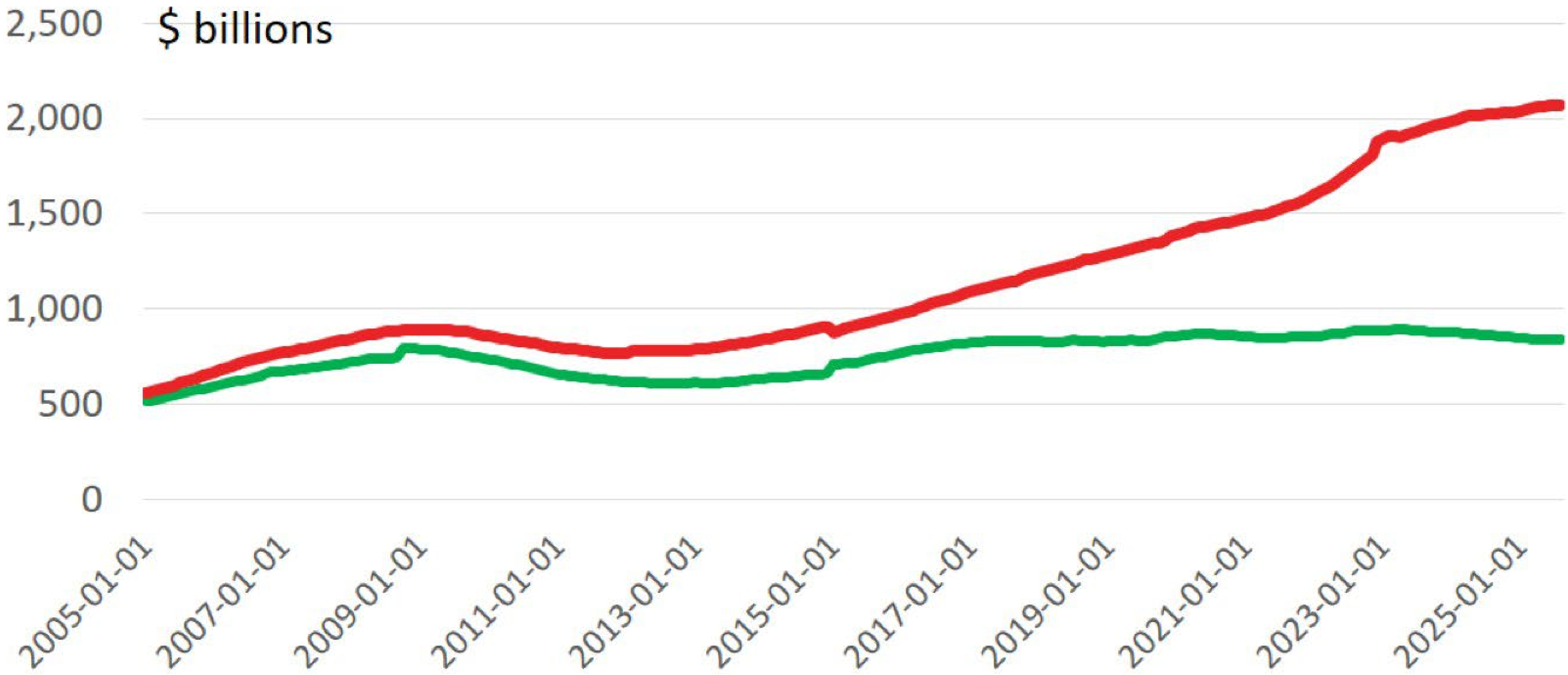
Commercial Appraisal Value Index ... Stabilizing



Source: Green Street Commercial Price Index

Commercial Real Estate Loans

Growth Primarily from Small Banks (red); Not Big Banks (green)



Source: Federal Reserve

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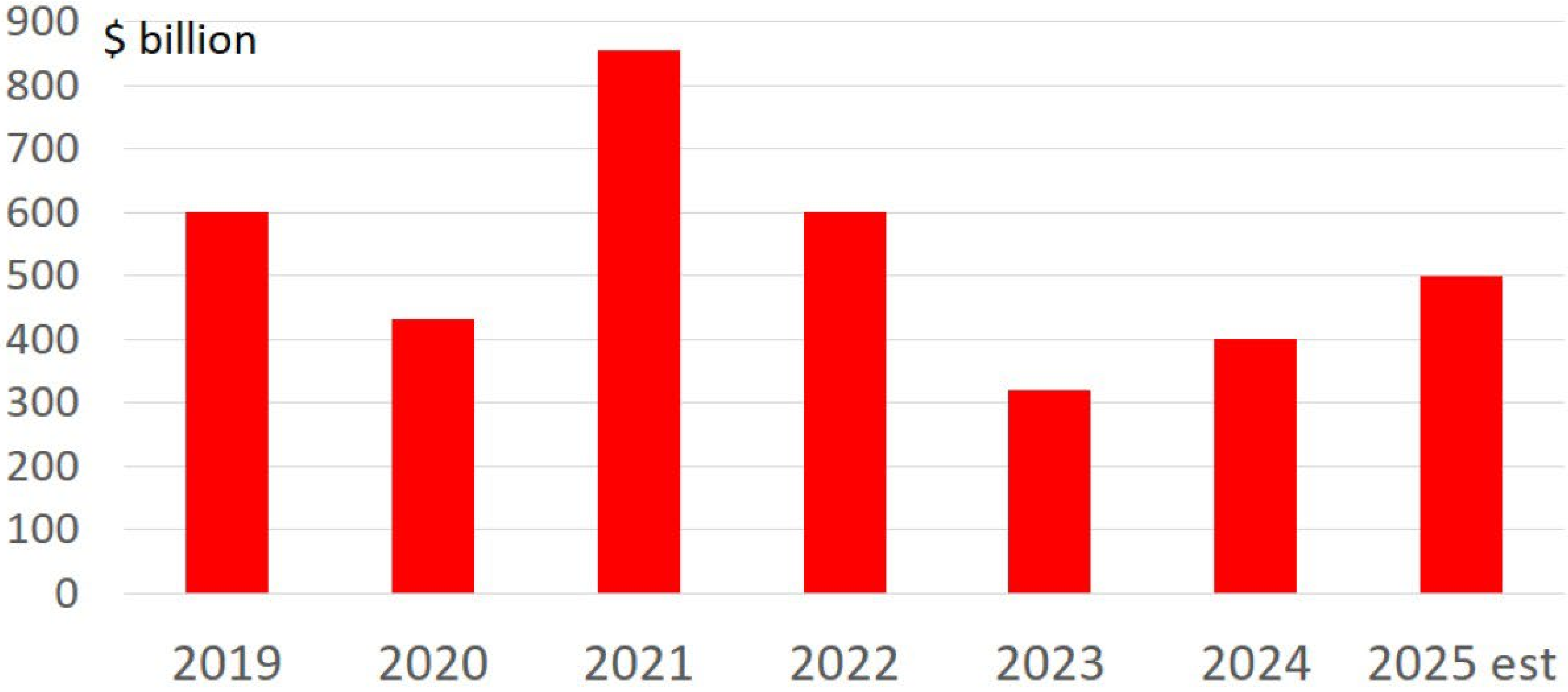
Commercial Transaction Volume ...
Below Pre-Covid ... Now Picking Up



Source: MSCI, Real Capital Analytics

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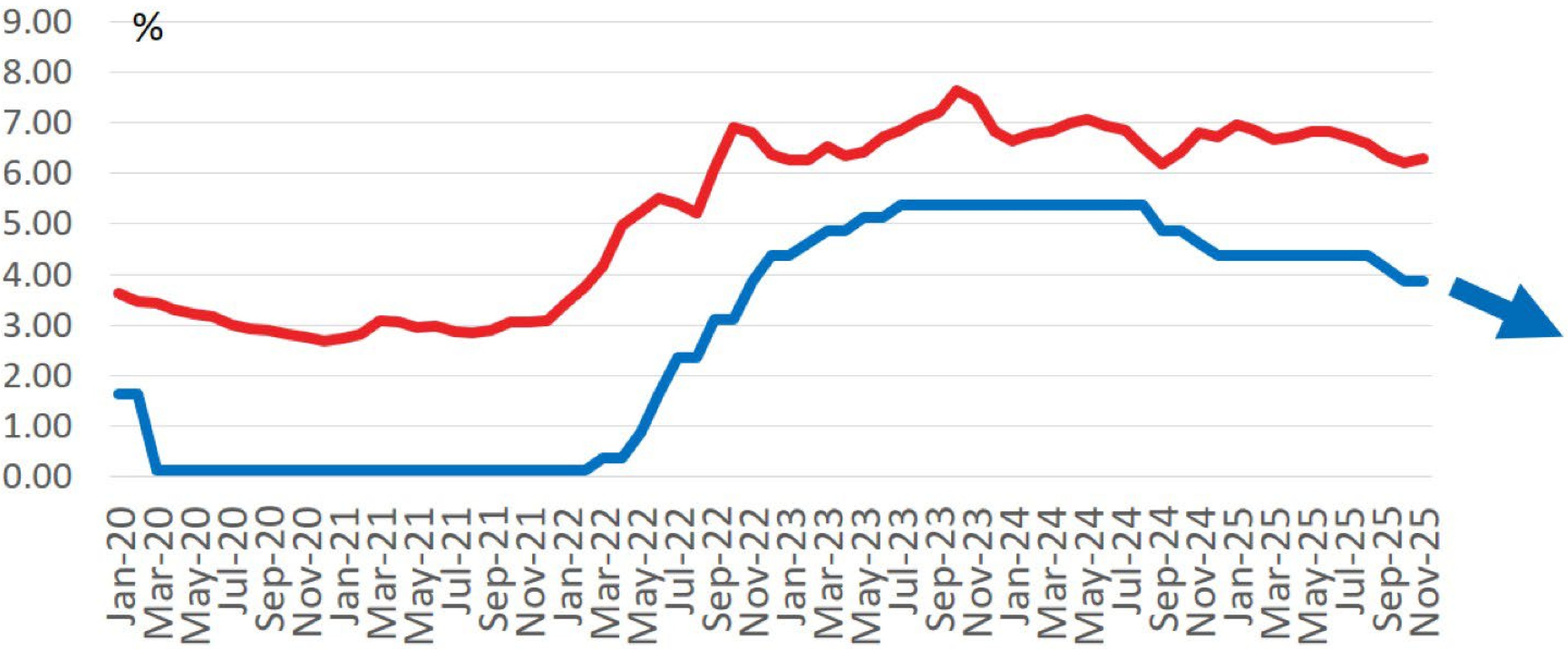
Fed Rate Cuts to Save the Day?

Mortgage Rates (red)
Fed Funds Rate (blue)



Source: Federal Reserve and Feddie Mac Mortgage Rate

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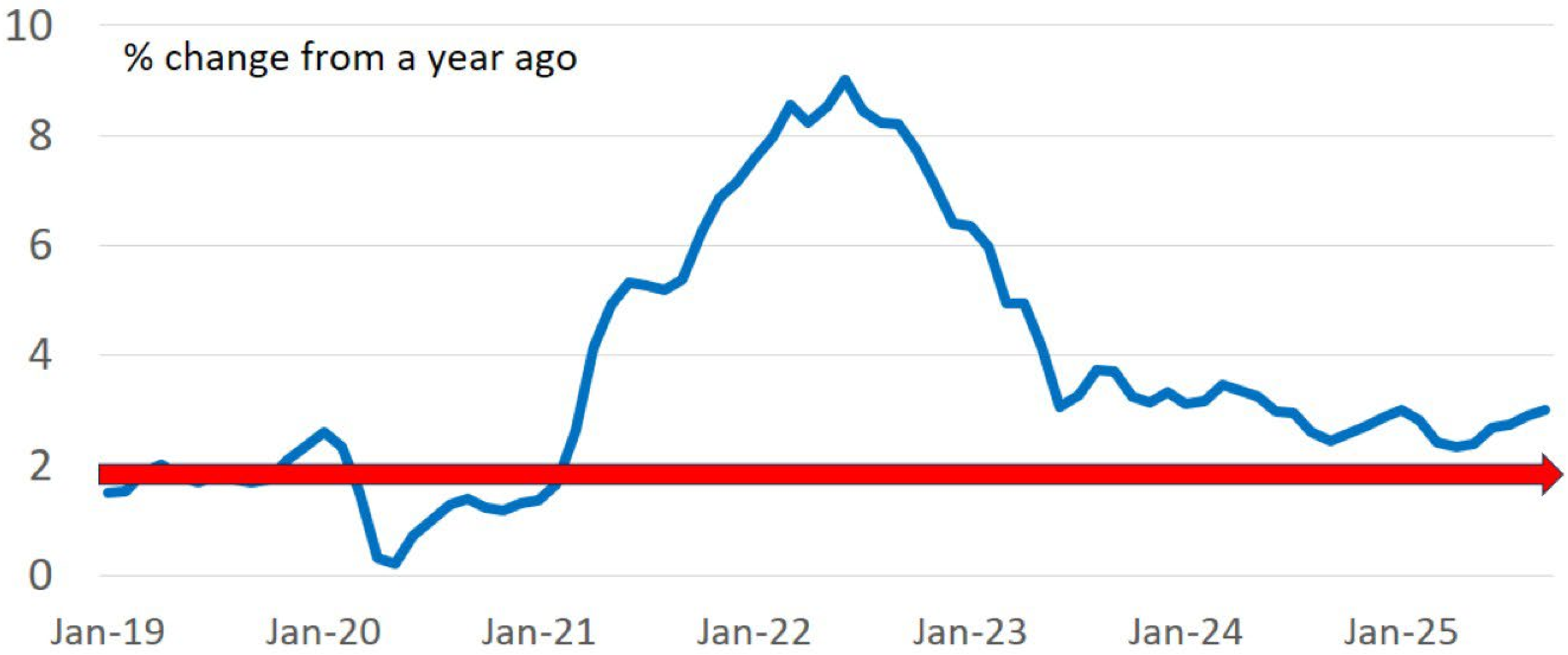
Consumer Price Inflation at 3.0% in September Still Above 2% Target



Source: BLS

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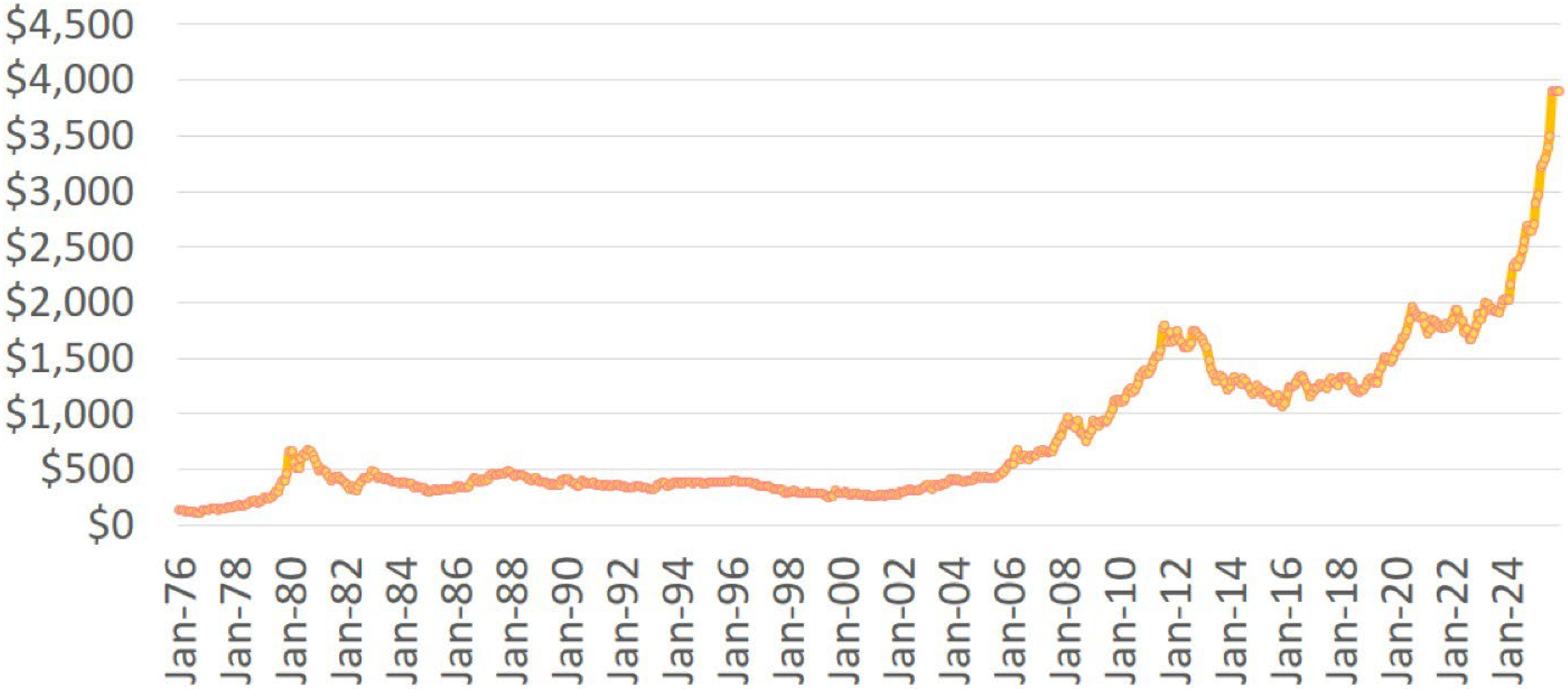
Gold Price Reflecting … Permanently Higher Inflation?



Source: Wall Street Journal

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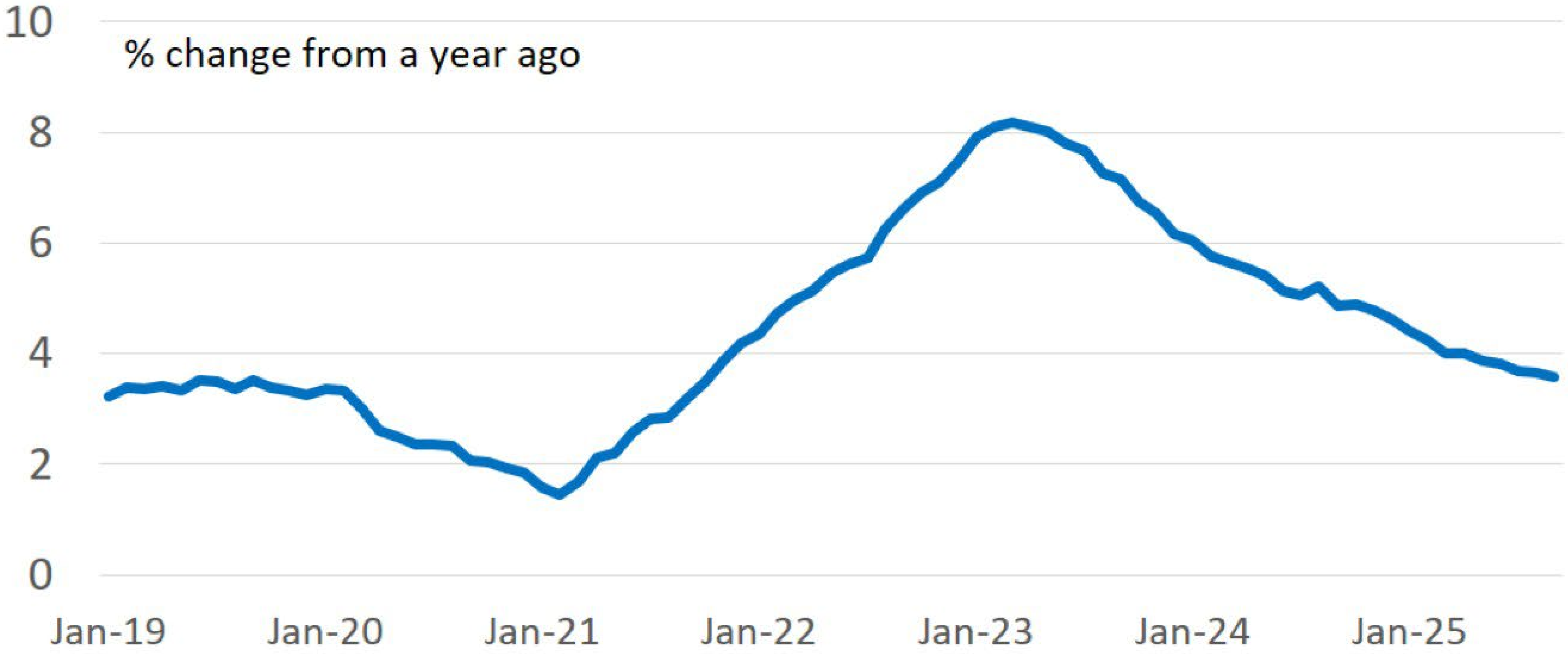
Housing Shelter Cost Component of Consumer Price Inflation at 3.6% in September



Source: BLS

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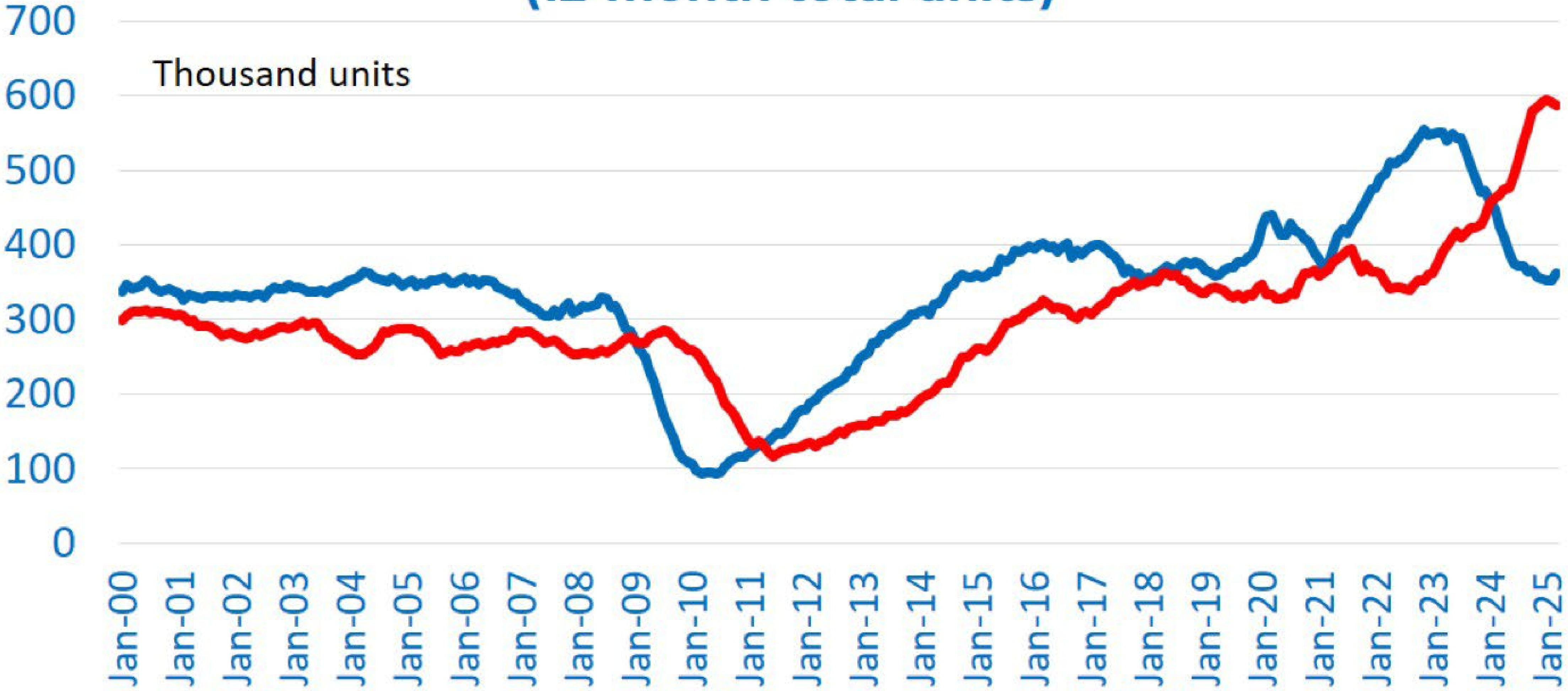
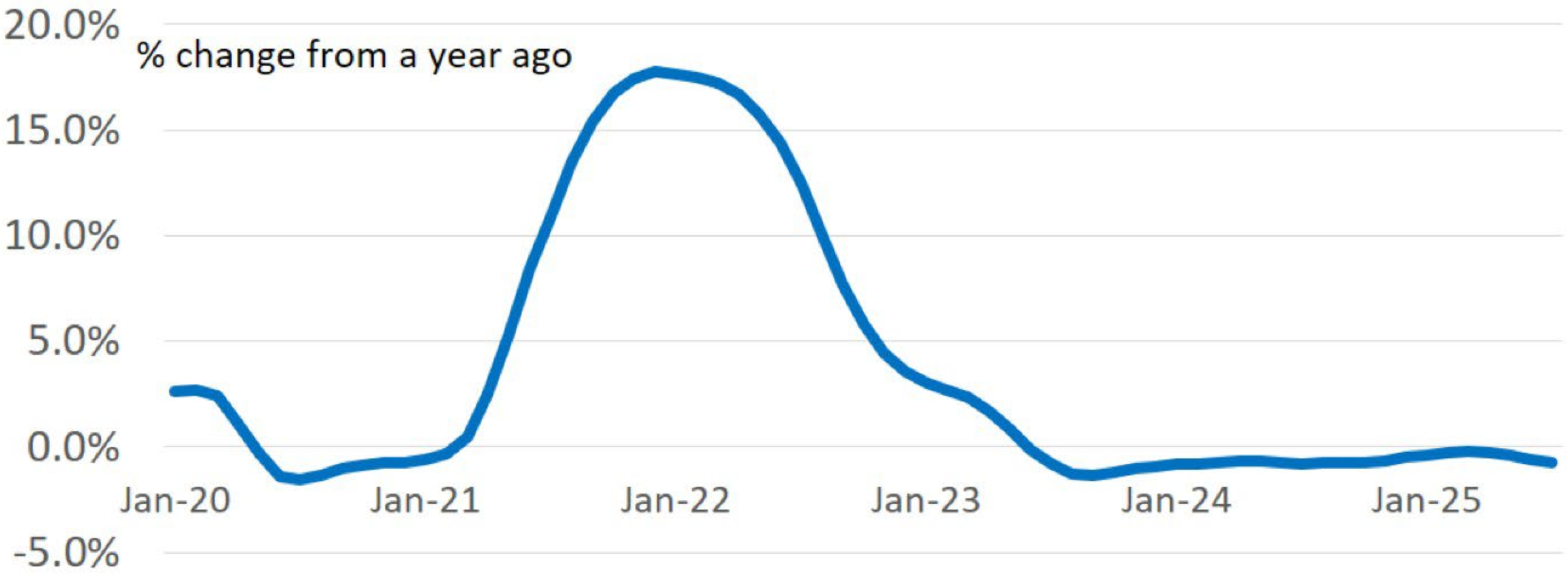
Multifamily Housing Starts and Completions
… Abundance now and Shortage tomorrow?
(12-month total units)



Source: HUD/Census

Private Sector Data showing No Rent Growth

If Official Data shows no rent growth … Fed can make deep rate cuts



Source: Apartment List

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Commercial Market Forecast

- Federal Reserve Rate Cuts … Big Help

- Job Growth to Turn Around … Boost Demand?
- Positive Net Absorption … More Leasing
- Vacancy Rates Peaking … Easier to Market Property

- Supply Picture is Mixed
- Temporary Oversupply in Multifamily and Industrial
- Permanent Oversupply in Office
- Restrained Supply in Retail

- Need Lower Rates … More Investment Sales + Price Growth

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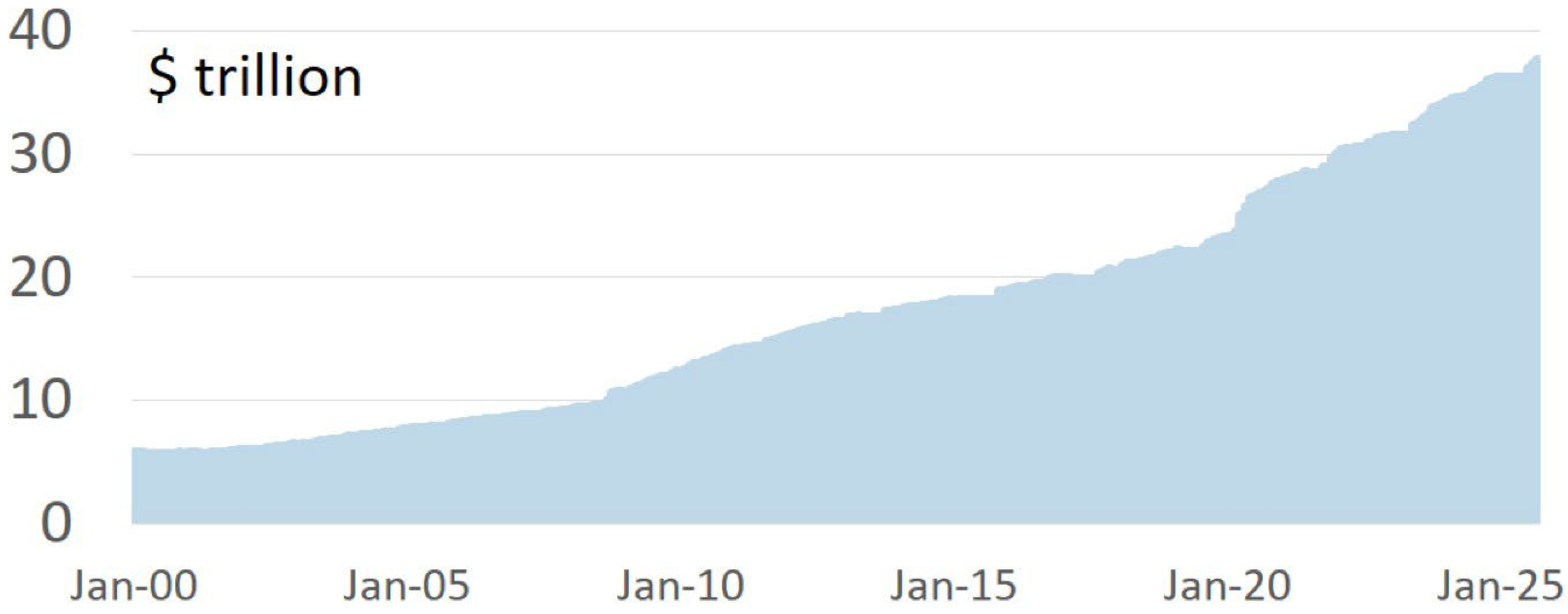
Ongoing Risk
Federal Government Cumulative Debt



Source: NAR analysis of monthly Treasury statements

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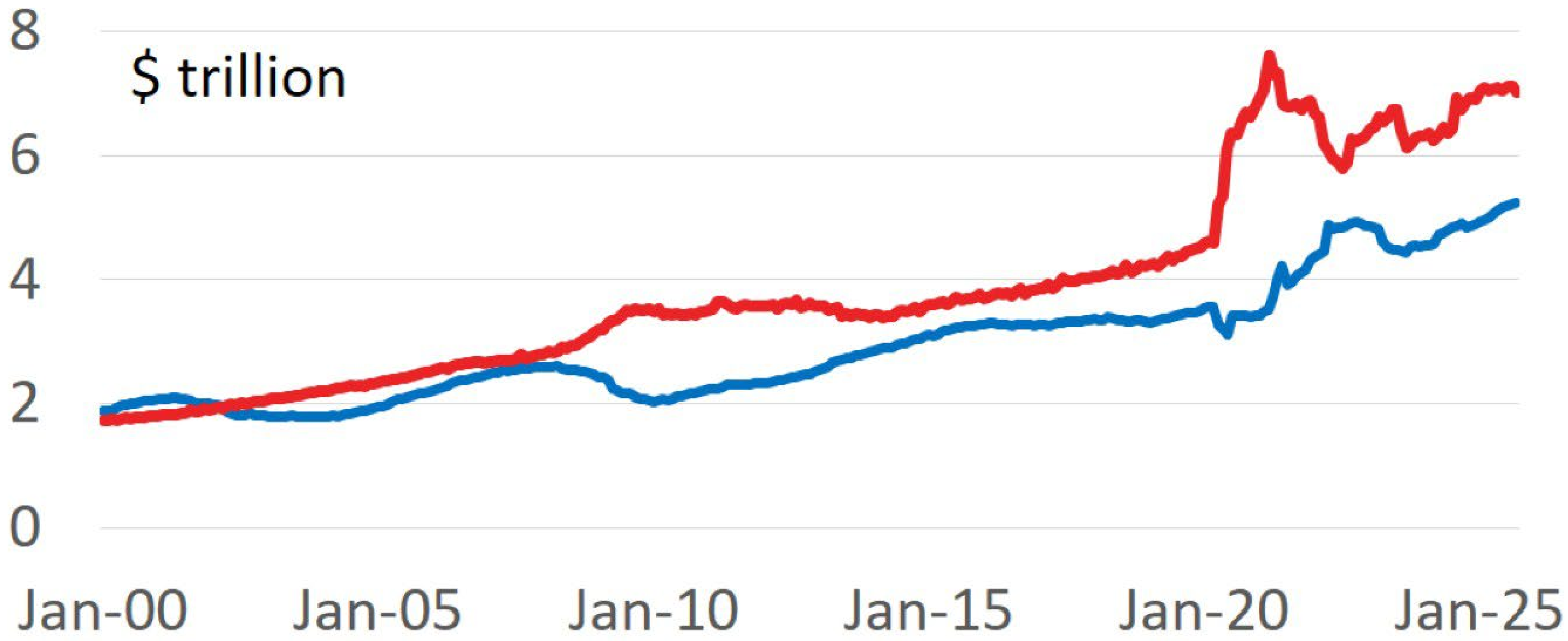
Federal Government Outlays and Receipts

(rolling 12-month total)



Source: NAR analysis of monthly Treasury statements

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