

REAL ESTATE INVESTING



A MACRO APPROACH

Presented By:

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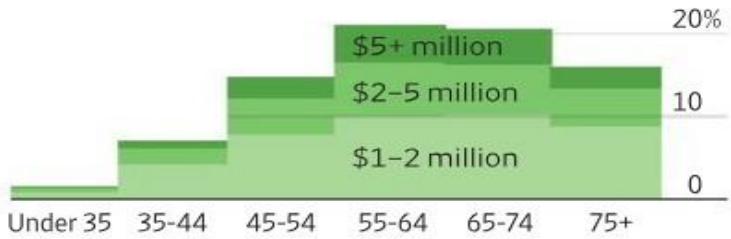
PRESENTATION OUTLINE

1. US Macro Economic Outlook
2. Real Estate Market Conditions
3. Real Estate Investment Outlook

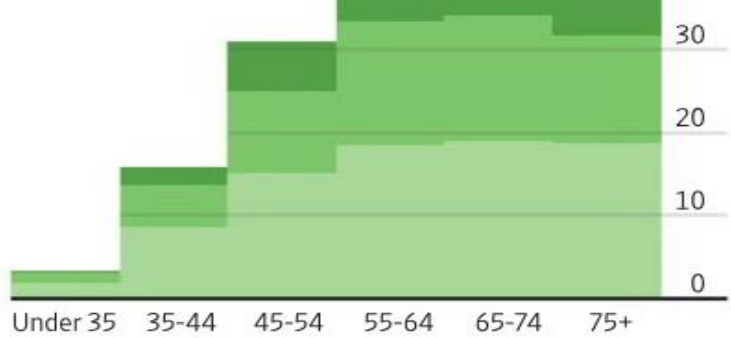


US MACRO ECONOMIC OUTLOOK

Share of families who are millionaires, by age group

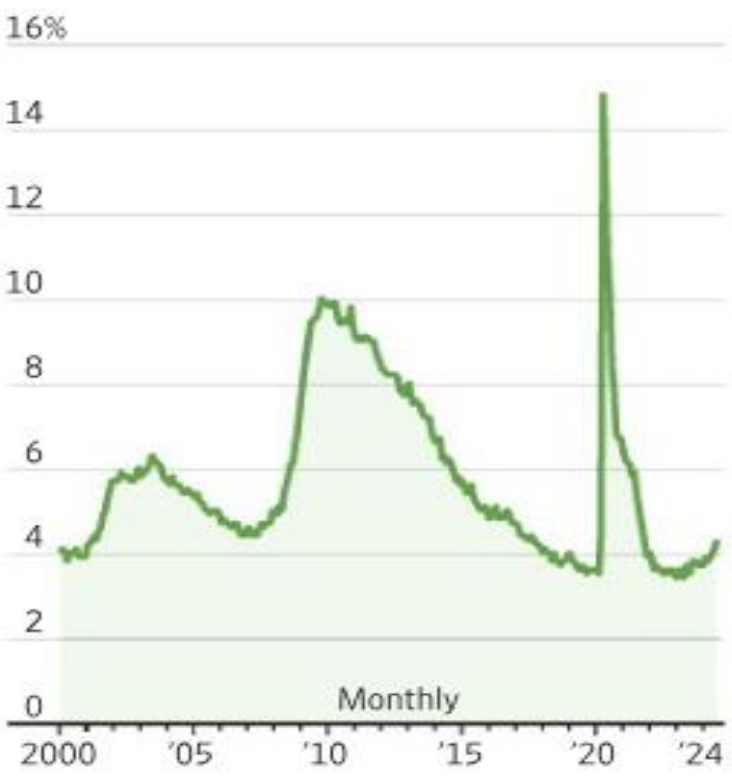


Share of families headed by college graduate who are millionaires



Source: Federal Reserve's Survey of Consumer Finances

U.S. unemployment rate

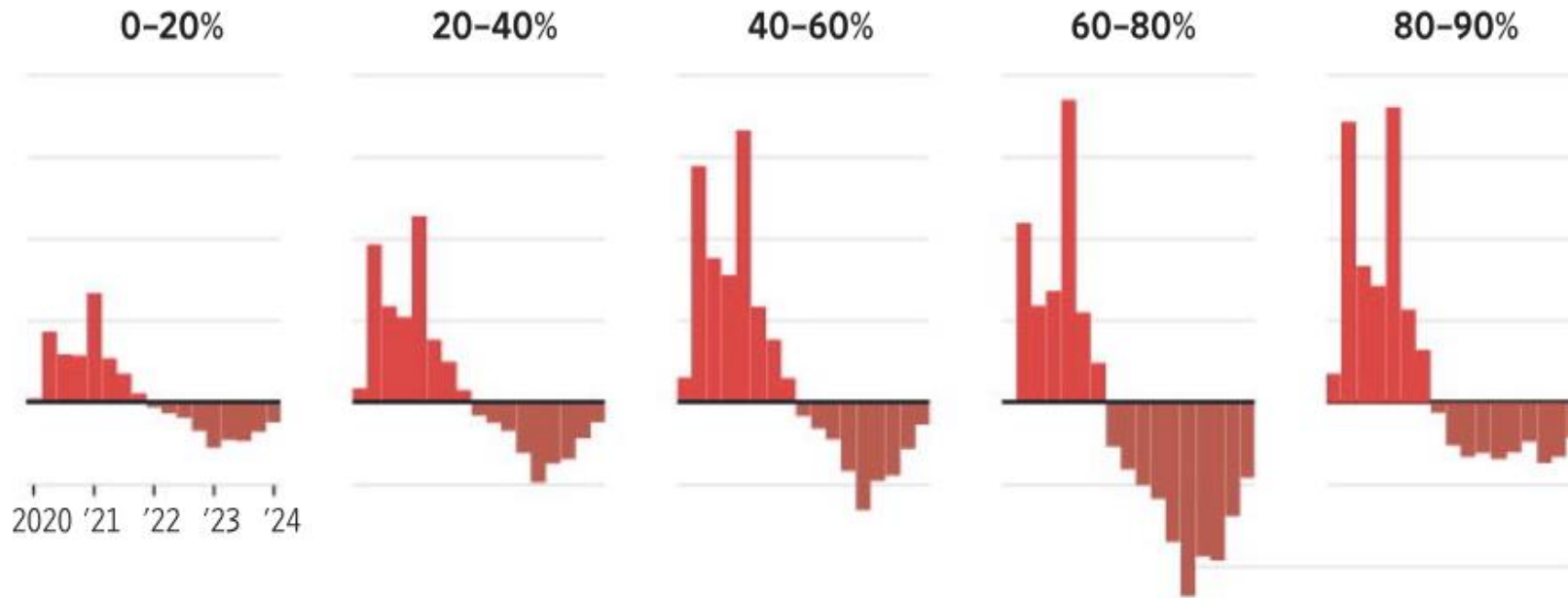


Source: St. Louis Federal Reserve

MACRO ECONOMIC OUTLOOK

Underlying Conditions are Robust

Excess savings by income group



*Seasonally adjusted at annual rates †For first payment on balance

Sources: Bureau of Economic Analysis (interest paid on debt); Bankrate (credit-card payments); Federal Reserve Bank of New York (delinquency); Intuit Credit Karma (change in debt); CreditForecast, Moody's Analytics (write-offs and bankruptcies); Moody's Analytics, Federal Reserve Board, Bureau of Economic Analysis, Census Bureau (excess savings)

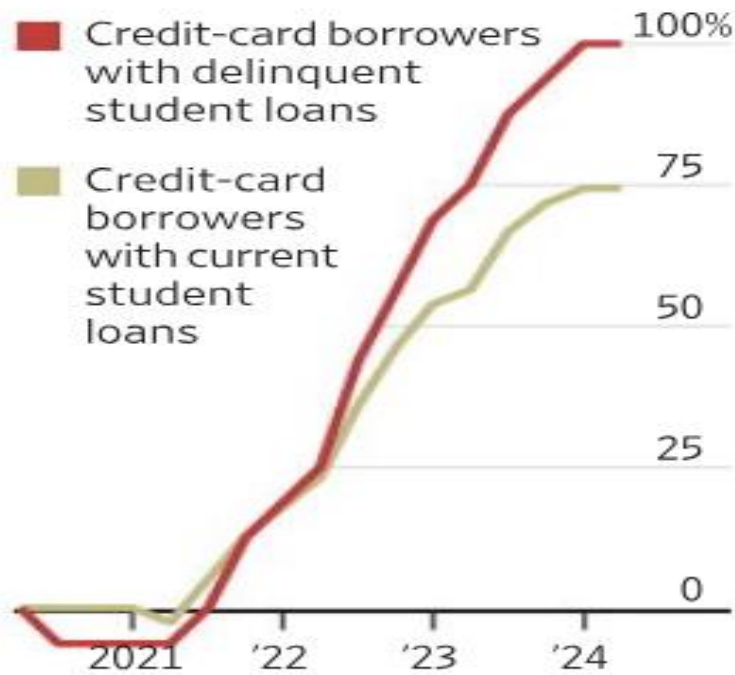
Print design by ERIK BRYNILDSEN/WSJ

MACRO ECONOMIC OUTLOOK With Some Signs of Weakness

Share of credit-card balances that went into delinquency, by borrower utilization rate



Percentage change in average debt from 2Q 2020, by status of student loans at pandemic onset



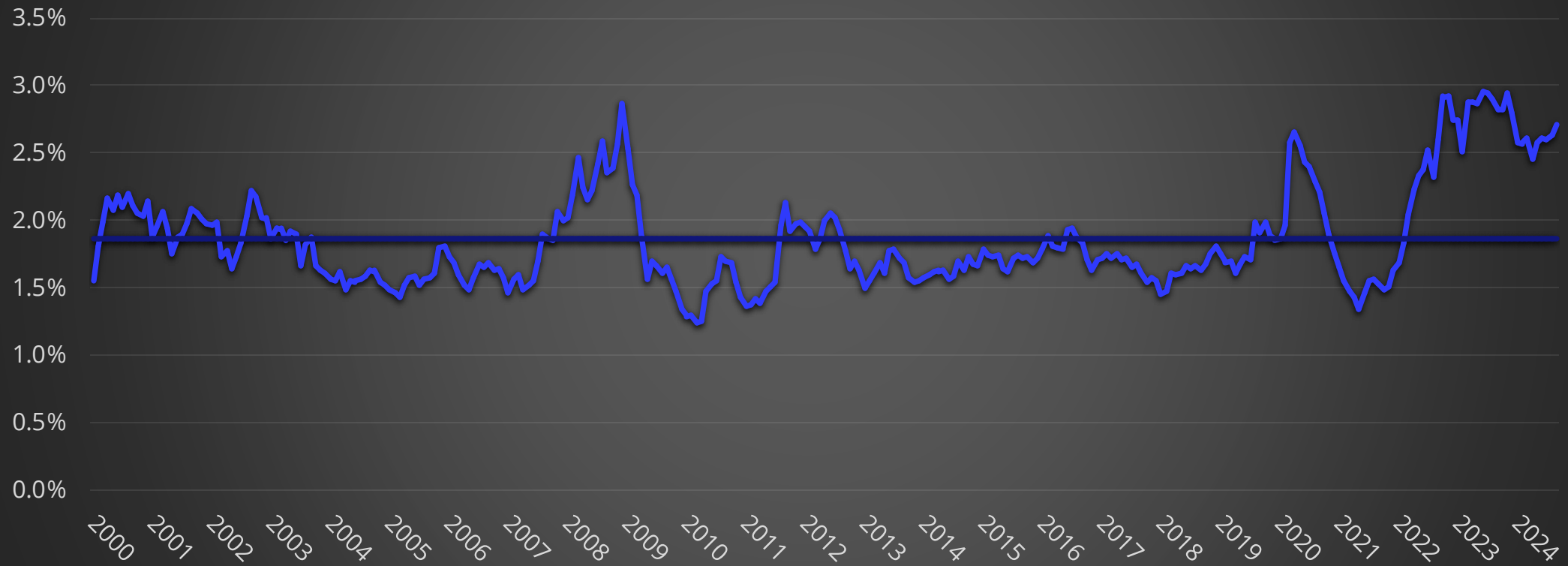
MACRO ECONOMIC OUTLOOK

With Some Signs of Weakness (Cont.)

MACRO ECONOMIC OUTLOOK

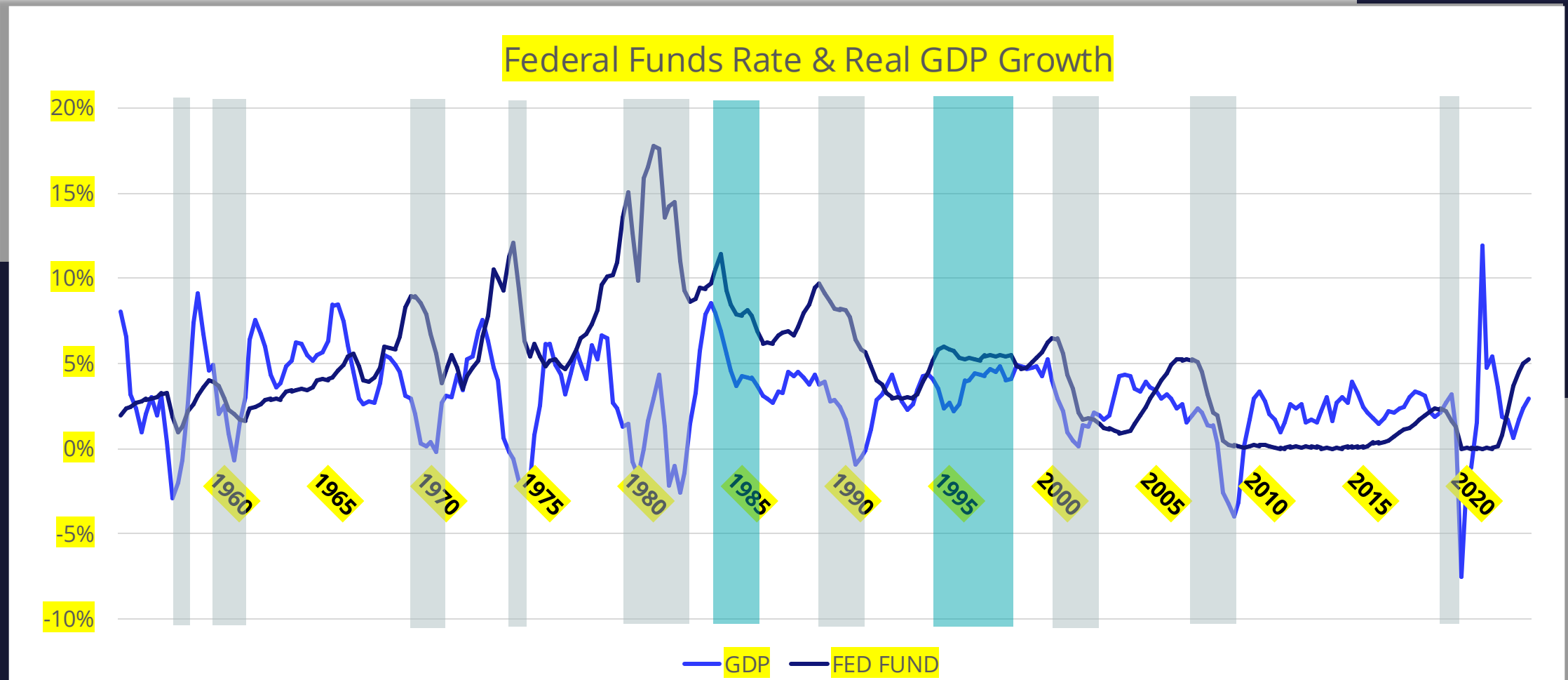
Unusual Interest Rate Behavior

Spread - 30-YR Fixed Minus 10-YR Treasury



MACRO ECONOMIC OUTLOOK

The Meaning of an Economic “Soft Landing”



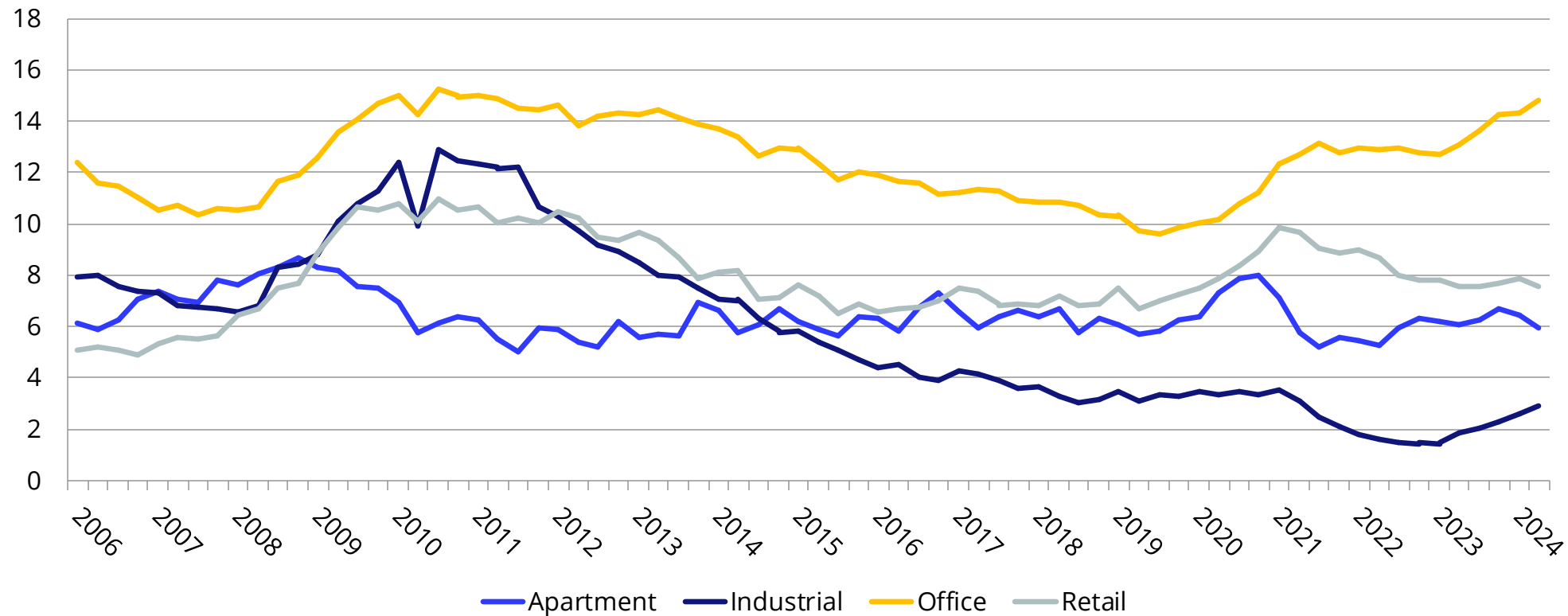


REAL ESTATE MARKET CONDITIONS

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Vacancies Remain Low

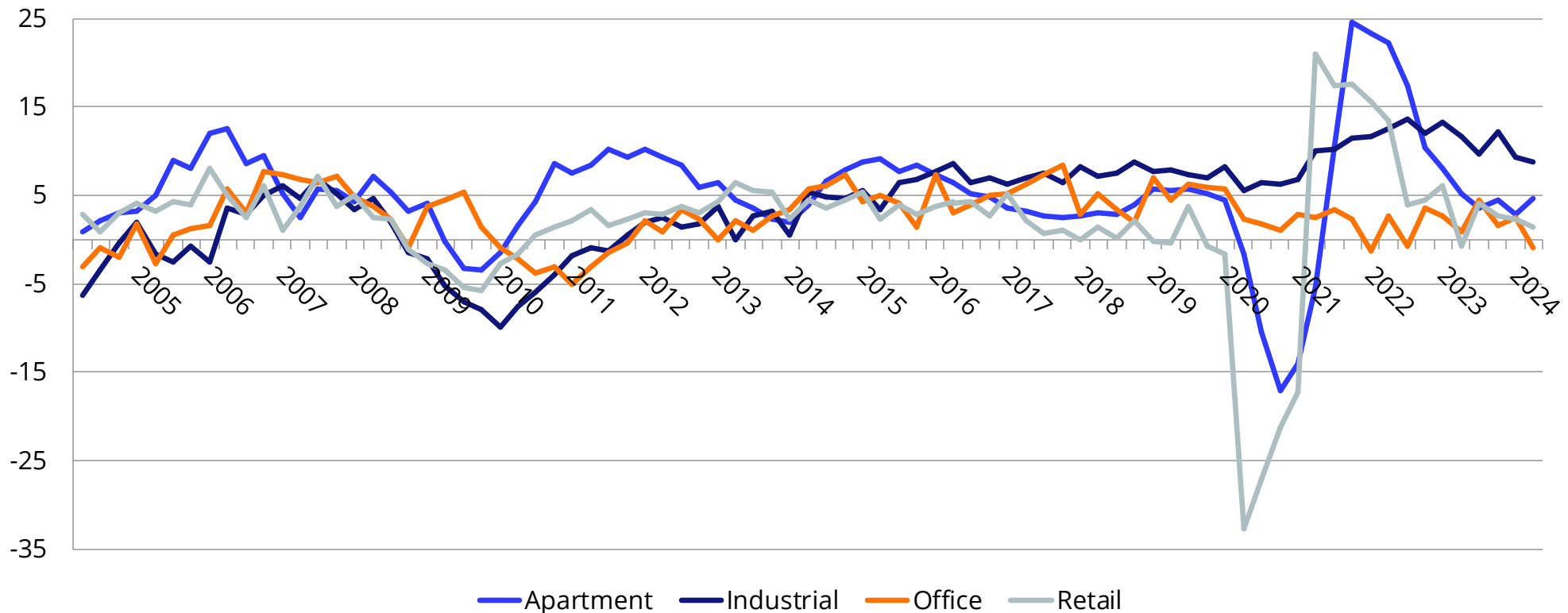
Vacancy by Property Type



REAL ESTATE MARKET CONDITIONS

NOI Growth is Healthy

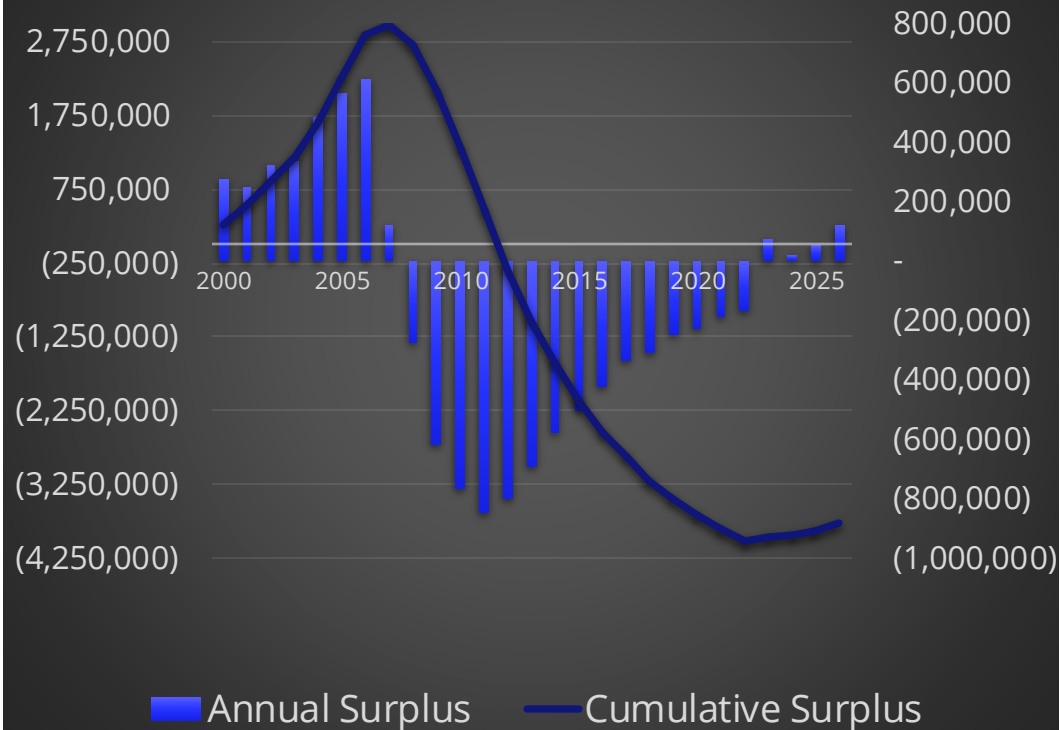
Annual NOI Growth by Property Type



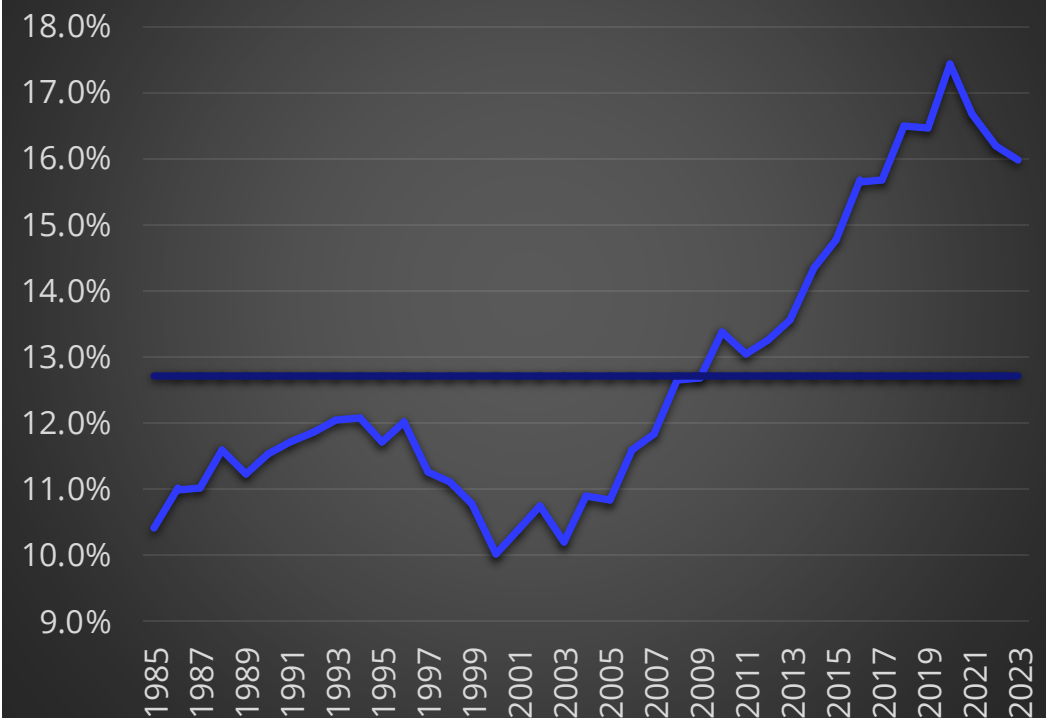
REAL ESTATE MARKET CONDITIONS

Overall Housing Shortage Persists

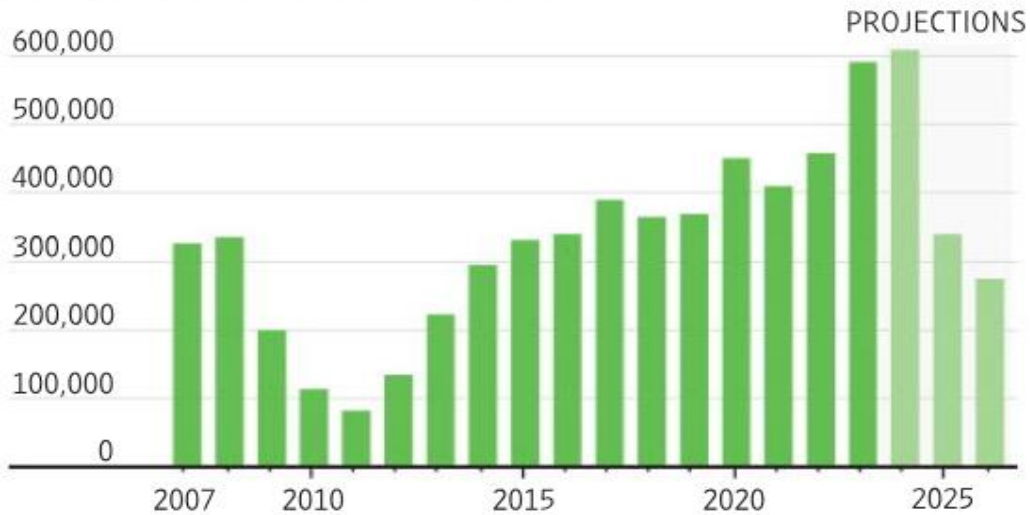
US Housing Surplus (Shortage)



Young adults (25-34) living at home



Apartment units completed, annually



Source: CoStar

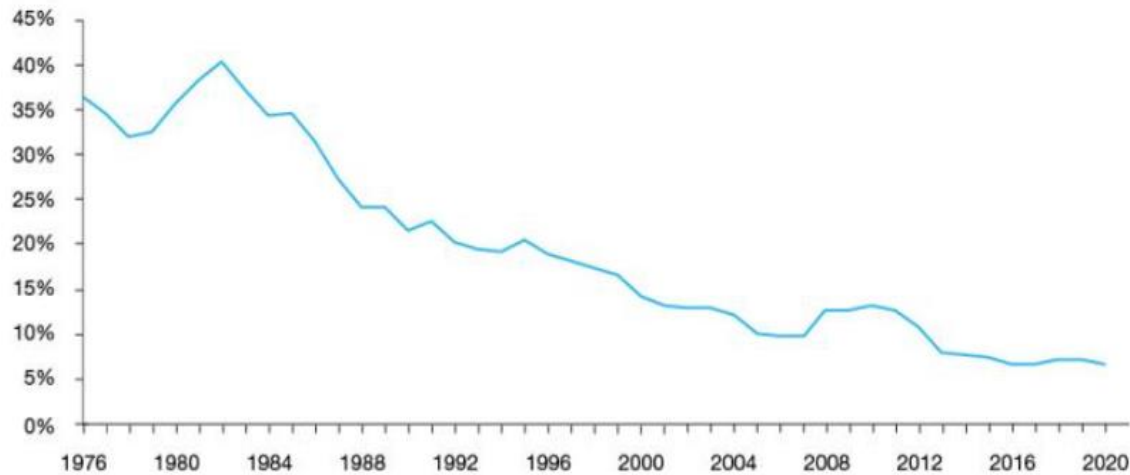
REAL ESTATE MARKET CONDITIONS

At the End, It Is All about Supply & Demand

- ❑ Apartment construction is projected to experience a significant decline beginning in 2025.
- ❑ Multifamily units account for only ~18% of the total 130 million housing units, which includes 21 million apartments and 2 million condominiums.

Percent of new homes below 1,400 square feet

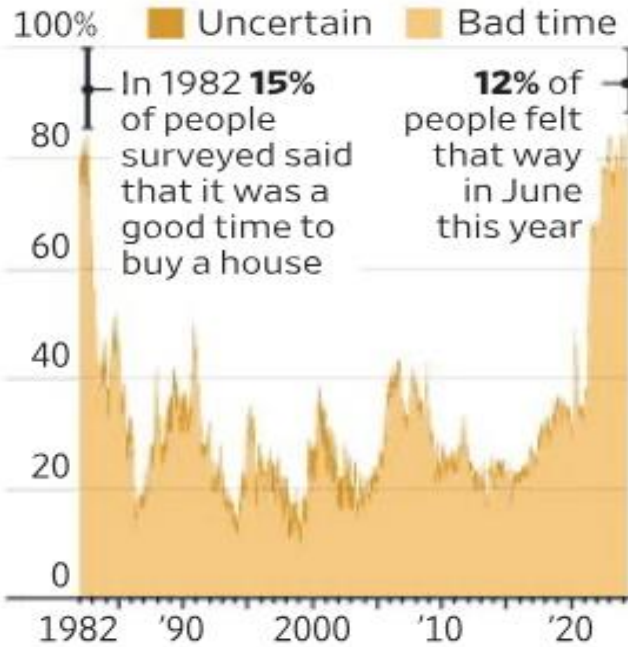
Entry-Level home construction consistently declined as a share of new construction and is at near a 50-Year Low



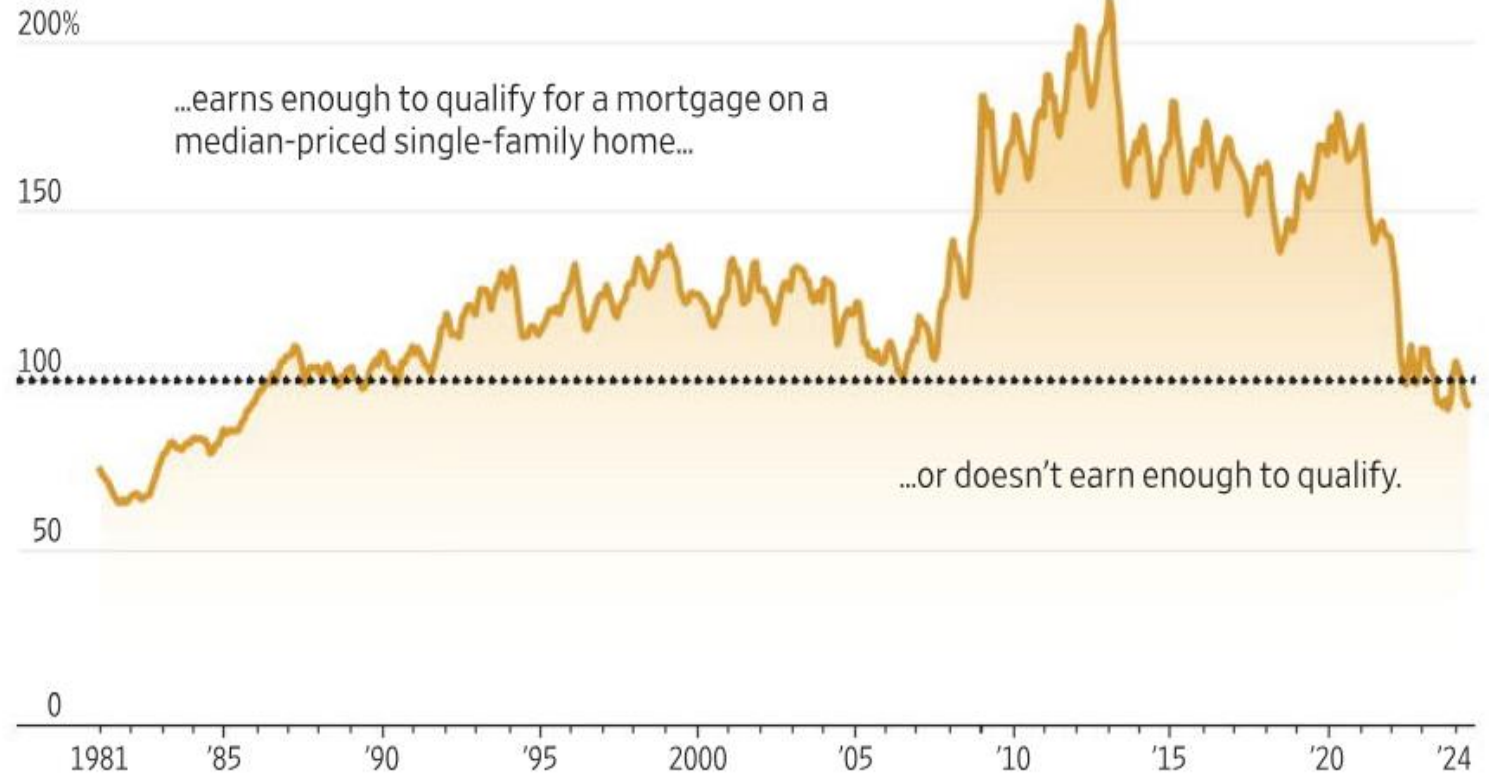
REAL ESTATE MARKET CONDITIONS

Buying Sentiment & Affordability are “Out of Favor”

“Generally speaking, do you think now is a good time or a bad time to buy a house?”†



The housing affordability index* shows whether the typical family...



A modern multi-story apartment building with a mix of wood and grey siding, large windows, and balconies. The foreground shows a paved walkway, green landscaping, and a metal railing.

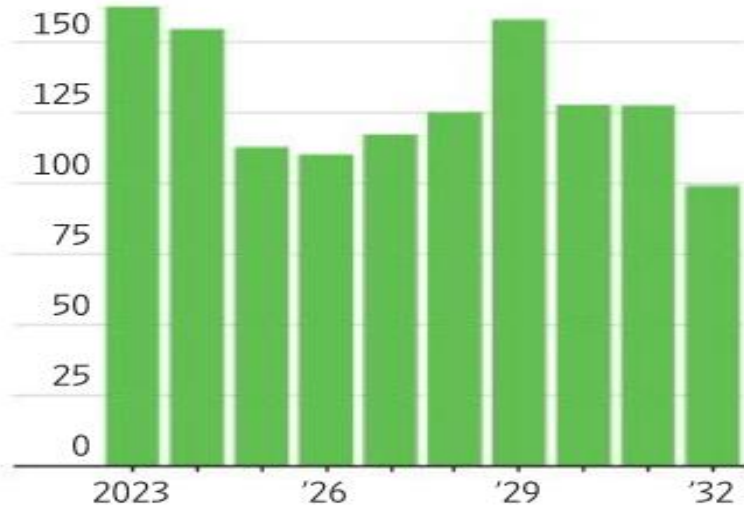
REAL ESTATE INVESTMENT OUTLOOK

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Less Maturing Debt & Correction has “Played Out”

U.S. securitized commercial real-estate loan maturities*

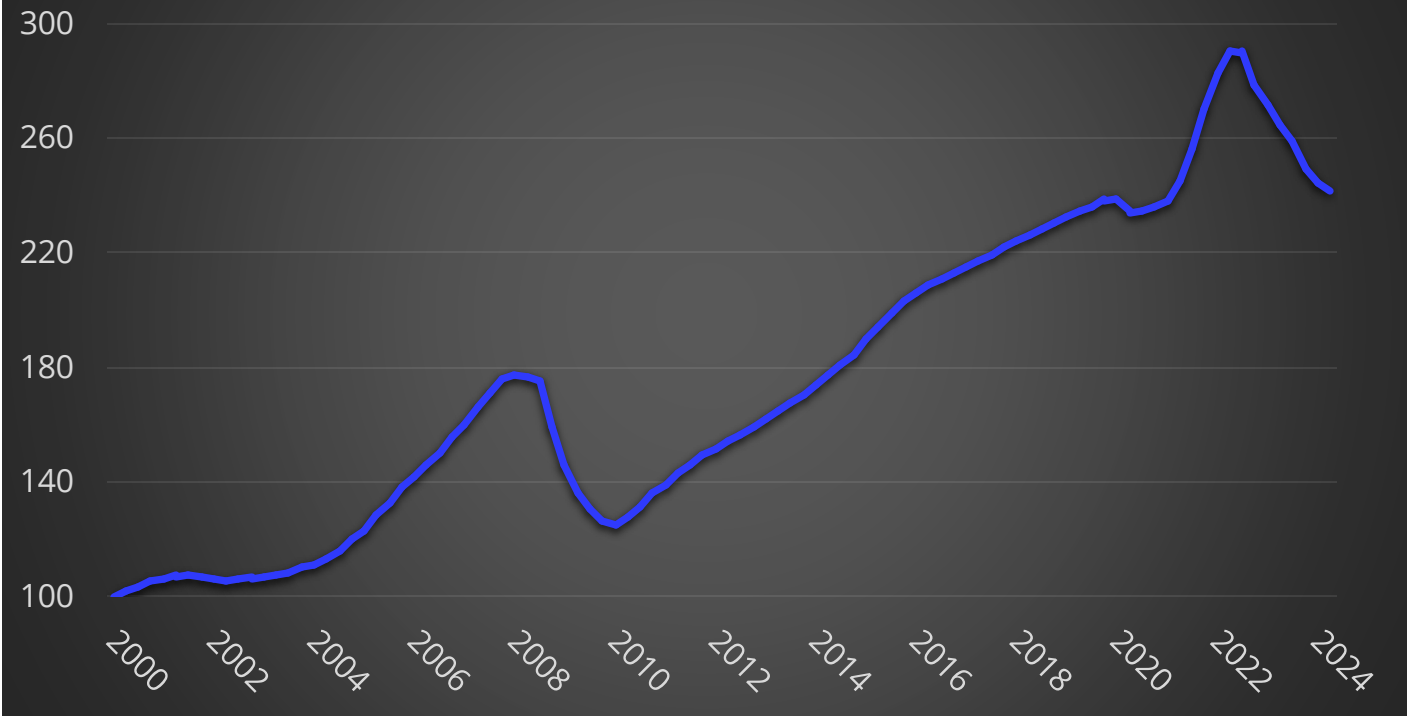
\$175 billion



*Excludes loans on banks' books

Source: CRED IQ

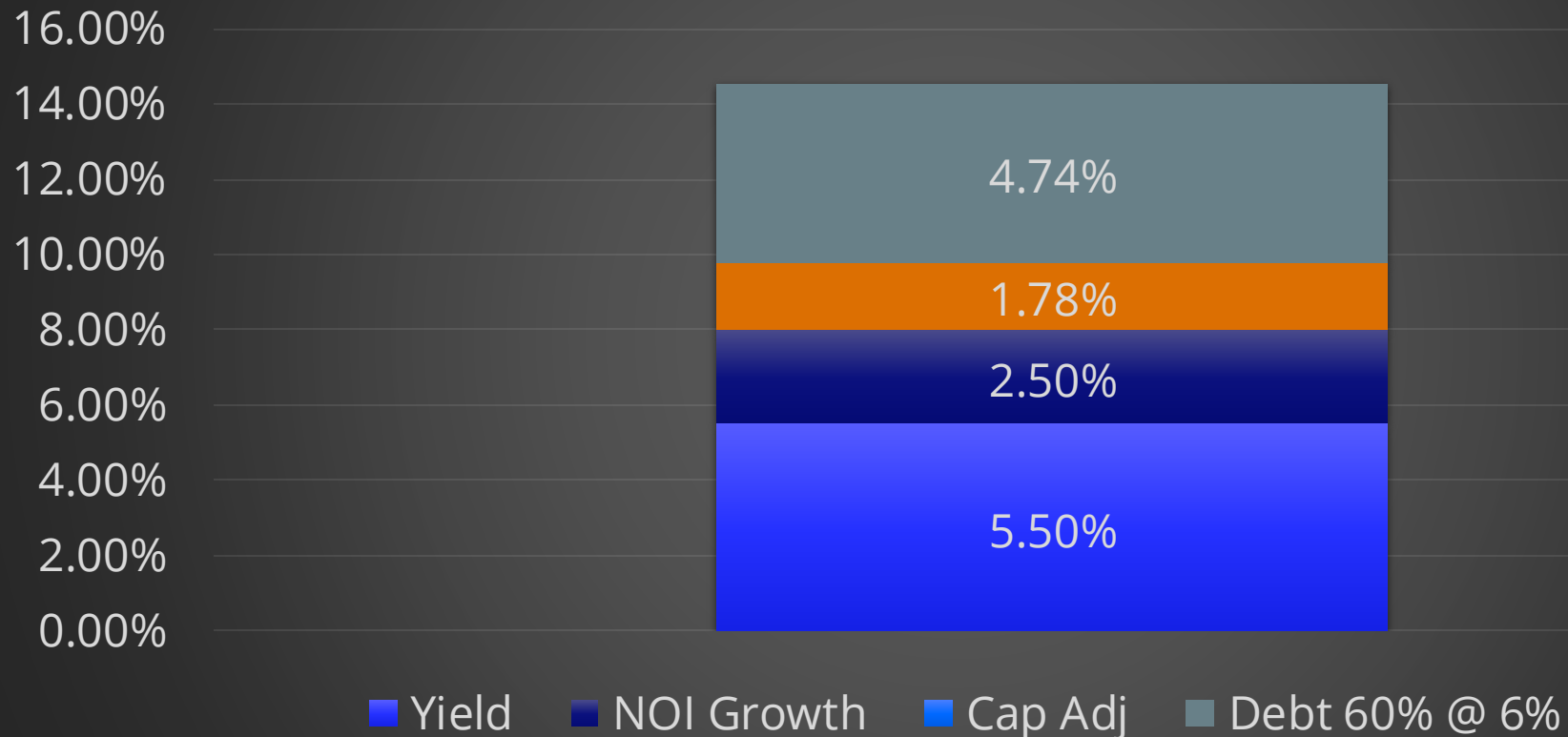
CRE Price Index



REAL ESTATE INVESTMENT OUTLOOK

Built in Likelihood for Above Average Returns

Potential Return in the Current Market - 5-Year Holding Period



REAL ESTATE INVESTMENT OUTLOOK

What Investors Think?

When will commercial real estate asset values hit their lowest point this cycle?

Now; Current asset values have already hit or are currently at a cycle bottom

Before the end of 2024

First half of 2025

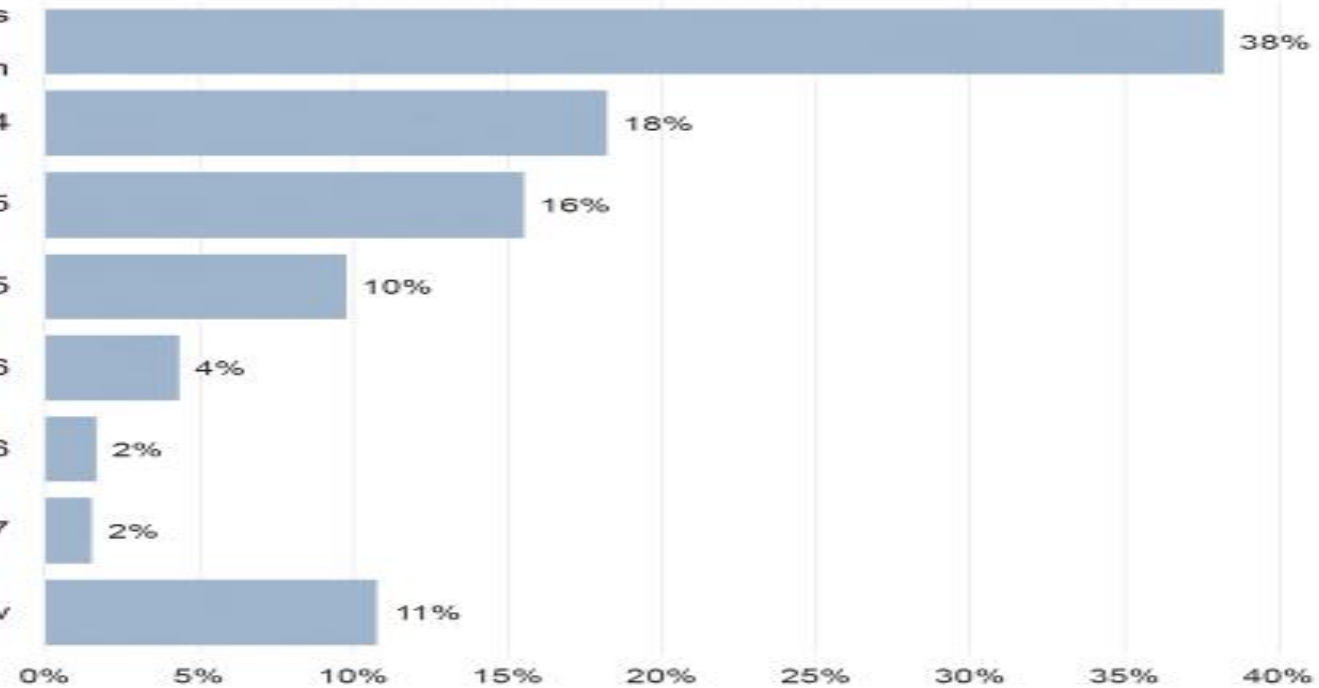
Second half of 2025

First half of 2026

Second half of 2026

First half of 2027

I don't know

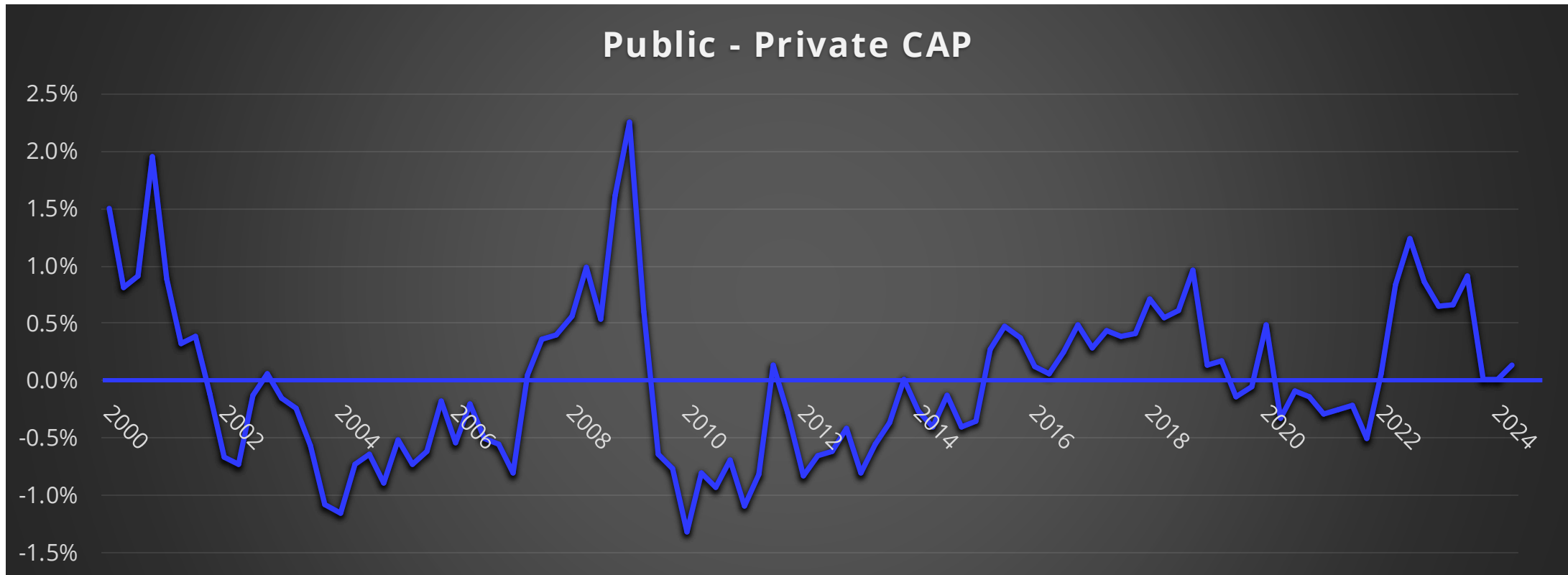


Sources: John Burns Research and Consulting, LLC; CRE Daily
(Data: Aug-24, Pub: Sep-24)

JOHN BURNS RESEARCH & CONSULTING CRE Daily

REAL ESTATE INVESTMENT OUTLOOK

What the Market Thinks? (Public vs. Private)



REAL ESTATE INVESTMENT OUTLOOK

Personal View – What I
think?



- ❑ “Soft landing” is likely - This is fuel for an extended economic cycle
- ❑ Real estate fundamentals will remain solid for some time
- ❑ Rates & inflation reset are creating a window of opportunities
- ❑ Value-add & strategic development by players with strong balance sheet will prove lucrative
- ❑ Investors with Medium- to long-term horizon will fare well

THANK YOU



Questions?

