



Economic and Real Estate Market Outlook September 2023

Matt Anderson

Managing Director

Scott Barrie

Managing Director



AGENDA

1. Introductions
2. Economic Conditions
3. CRE Market
4. Financial Institutions
5. Outlook
6. Questions / Discussion

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Introductions

Trepp Participants



Scott Barrie
Managing Director –
Head of Strategic Partnerships



Matt Anderson
Managing Director –
Applied Data & Research

About Trepp



Proven History

Since 1979, Trepp has developed forward-looking models and advanced analytics based on its rich data sources within opaque asset classes.



850+ Clients

Our client roster comprises institutional clients in three financial services sectors: structured finance, CRE Finance and Banks.



Industry-Trusted

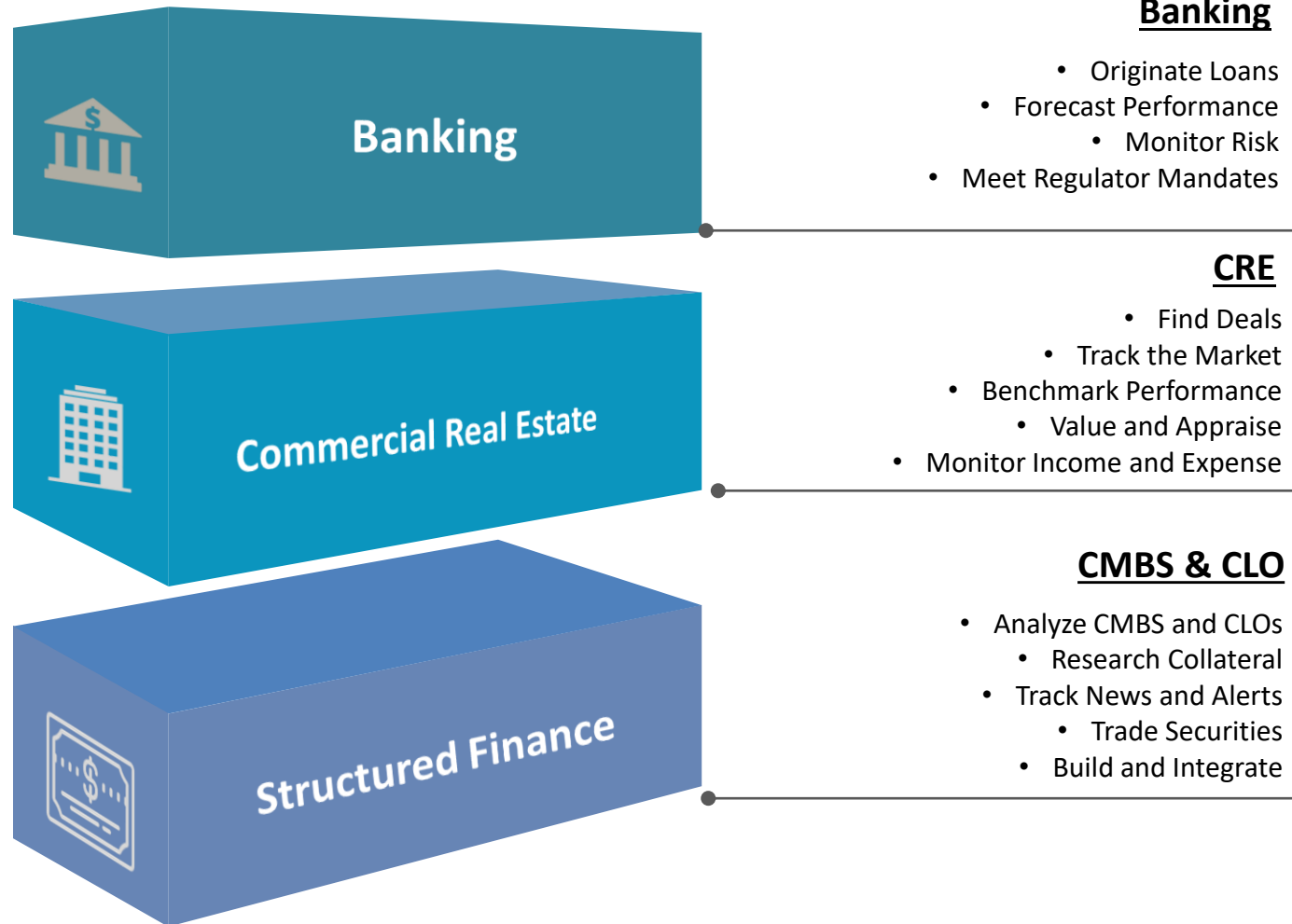
Trepp has become a trusted source for firms seeking data, models, and analytics tools to manage their portfolios.



Client-Driven

Trepp platforms, applications, data, and models are all supported by our customer-focused Service and Applied Data teams.

Trepp Capabilities



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Economic Conditions – Interest Rates, Inflation, GDP, Labor Markets

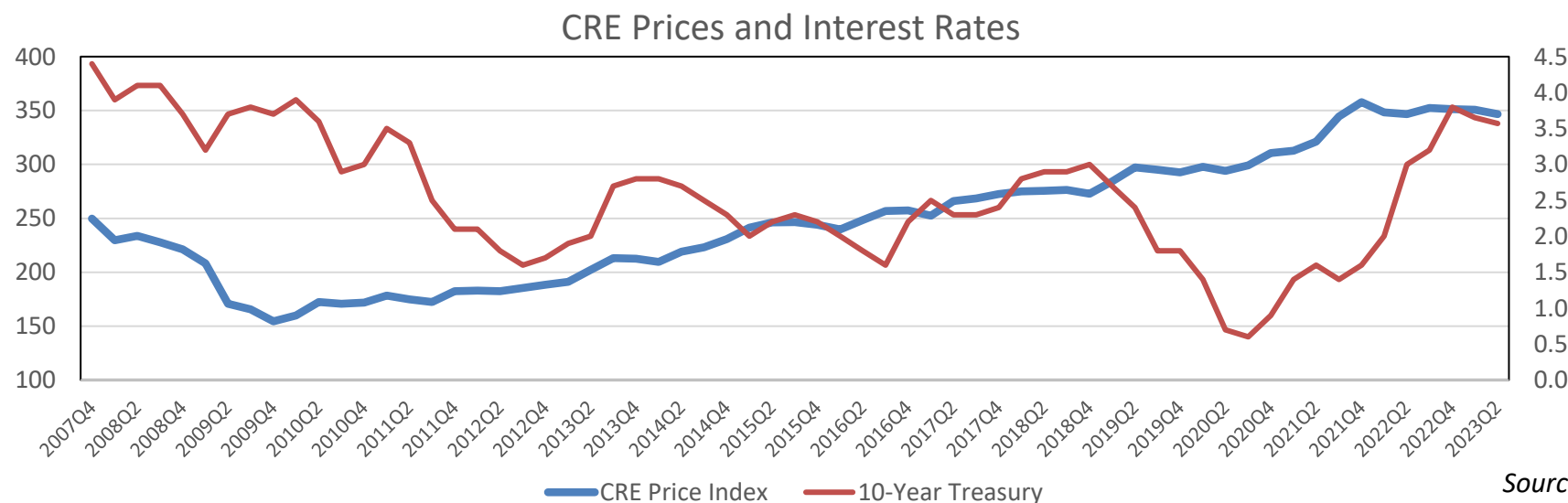
Where Are We?

Interest Rates & Shifting Scenarios



Year	CRE Price Growth	Fed Funds	10-Year T-Bond	GDP Growth	Unemployment Rate	CPI (Total)	GDP Deflator
2019	7.3%	2.2%	2.1%	2.3%	3.7%	2.3%	1.6%
2020	6.1%	0.4%	0.9%	-2.8%	8.1%	1.3%	1.6%
2021	15.2%	0.1%	1.4%	5.9%	5.4%	7.2%	6.1%
2022	-1.8%	1.7%	3.0%	2.1%	3.6%	6.4%	6.4%
2023 Q1	-0.1%	4.5%	3.7%	2.0%	3.5%	3.8%*	4.0%*
2023 Q2	-1.1%	5.0%	3.6%	2.3%	3.6%	2.7%*	2.0%*

* Qtrly, Annualized



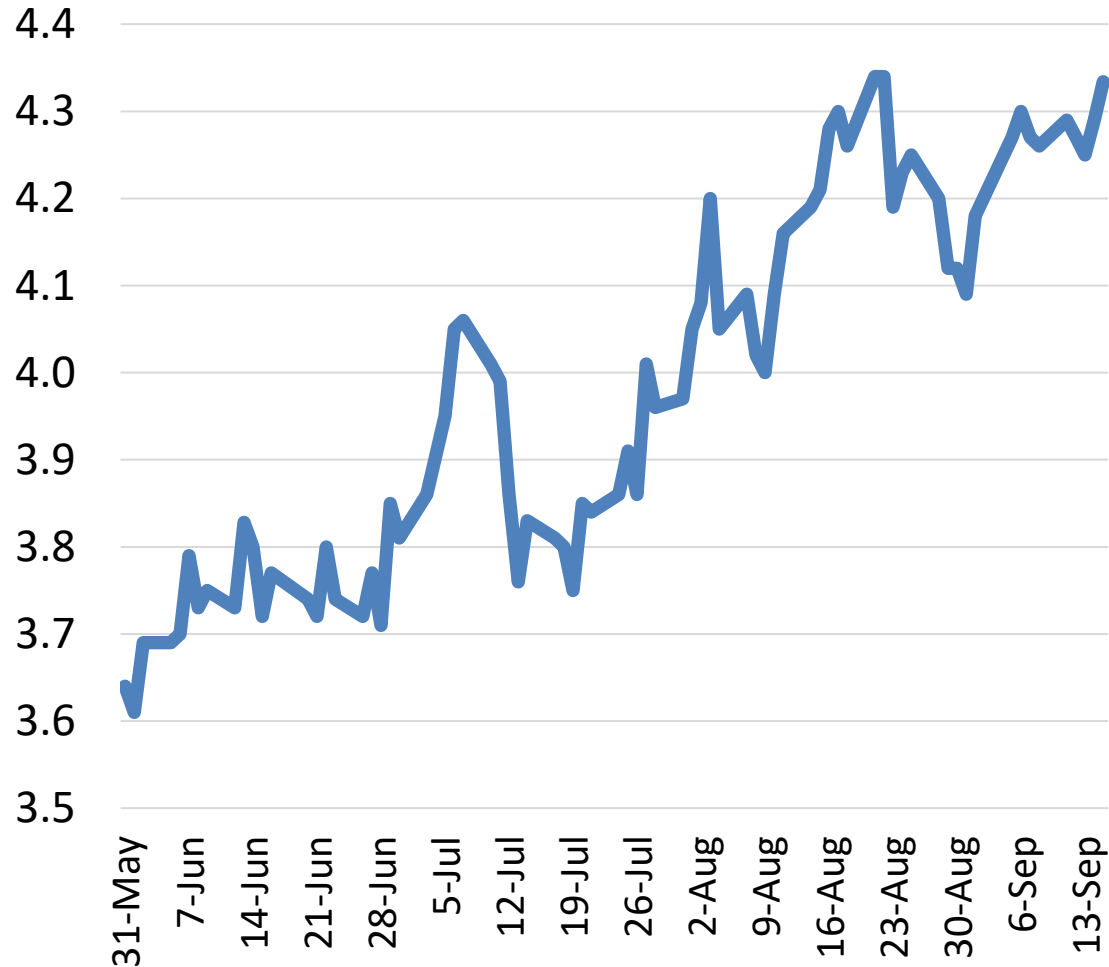
Sources: Federal Reserve, BEA, BLS

Interest Rates and Price Impacts

Benchmark Interest Rates and CRE Loan Spreads



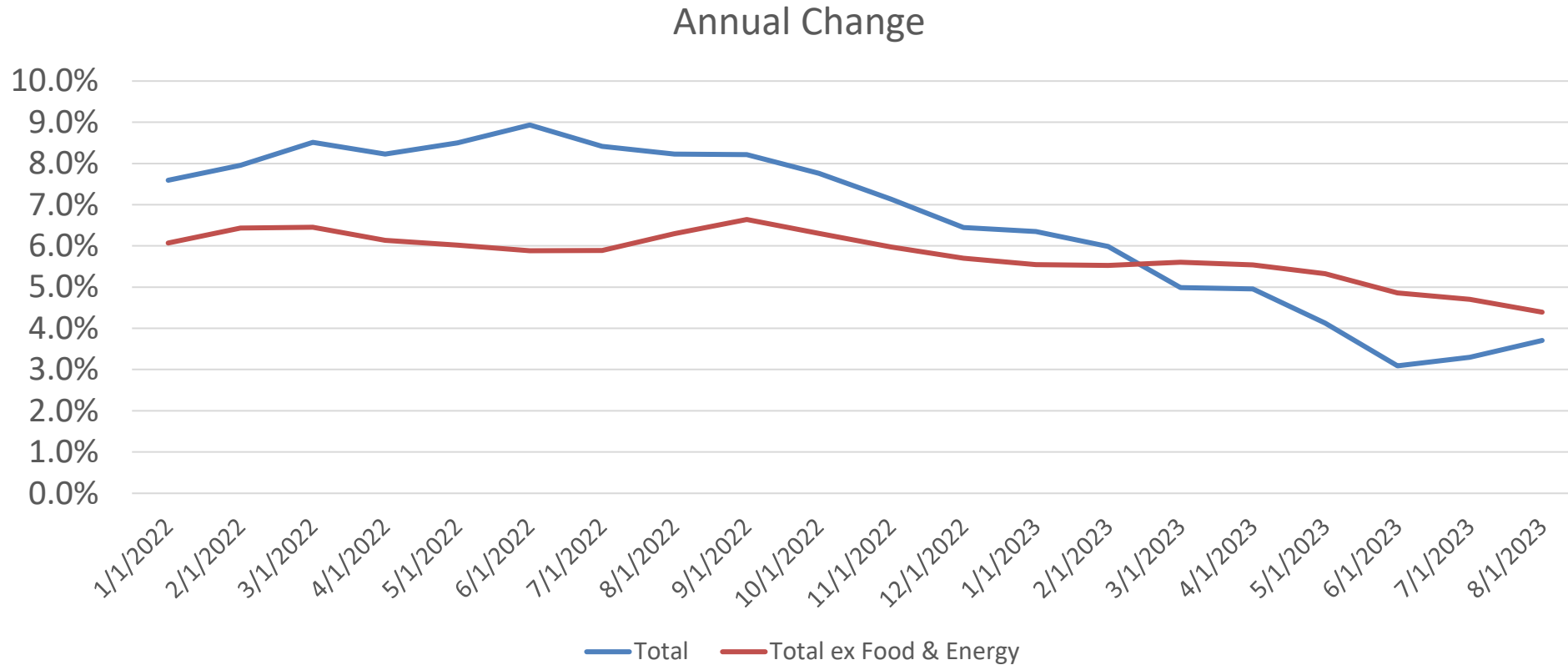
10-Year T-Bond Yield



	Jun	Jul	Aug	Sep*
10-Year T-Bond Yield	3.8%	4.0%	4.1%	4.3%
Price Changes				
10-Year T-Bond	-1.4%	-1.3%	-1.0%	-2.0%
S&P 500	6.5%	3.1%	-1.8%	-0.9%
Equity REITs	4.6%	1.9%	-3.5%	-0.3%
Oil Futures	3.7%	15.8%	2.2%	8.5%
Gold Futures	-2.7%	4.1%	-2.2%	-1.0%

* To Sep 15

Inflation – The Drivers



Energy -3.7%

Weight – 6.9%

Housing +5.7%

Weight – 44.4%

Food +4.3%

Weight – 13.5%

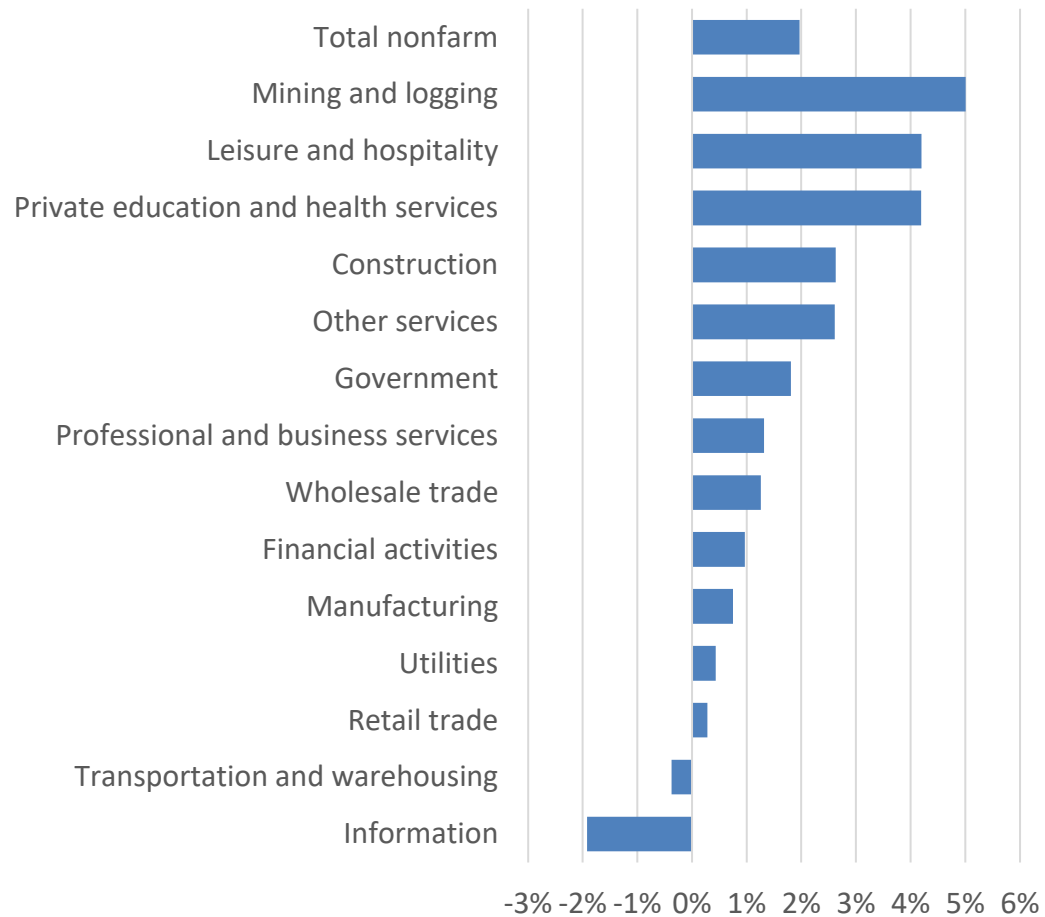
Motor Vehicle Repair +17.0%

Job Growth

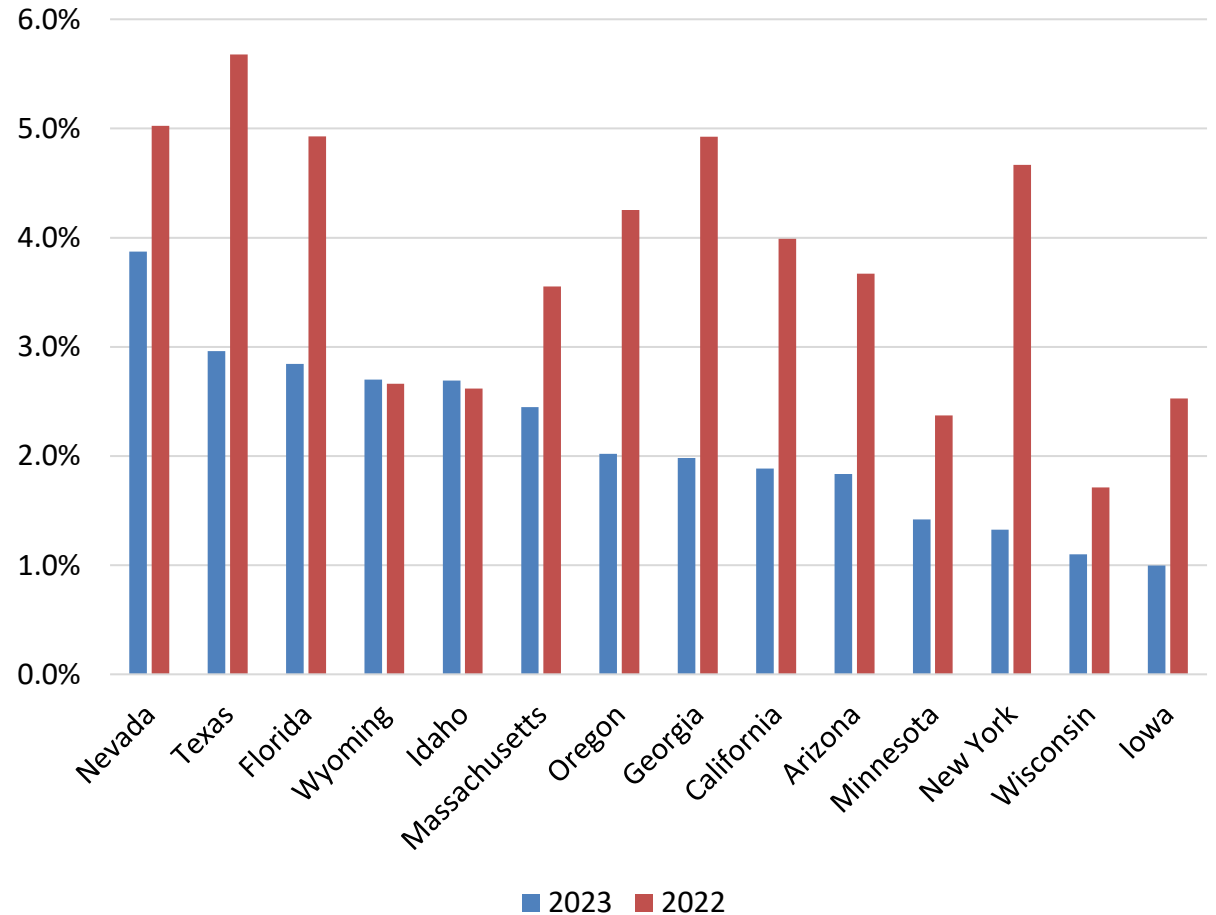
August 2023



Annual Growth by Sector



Annual Growth, Selected State

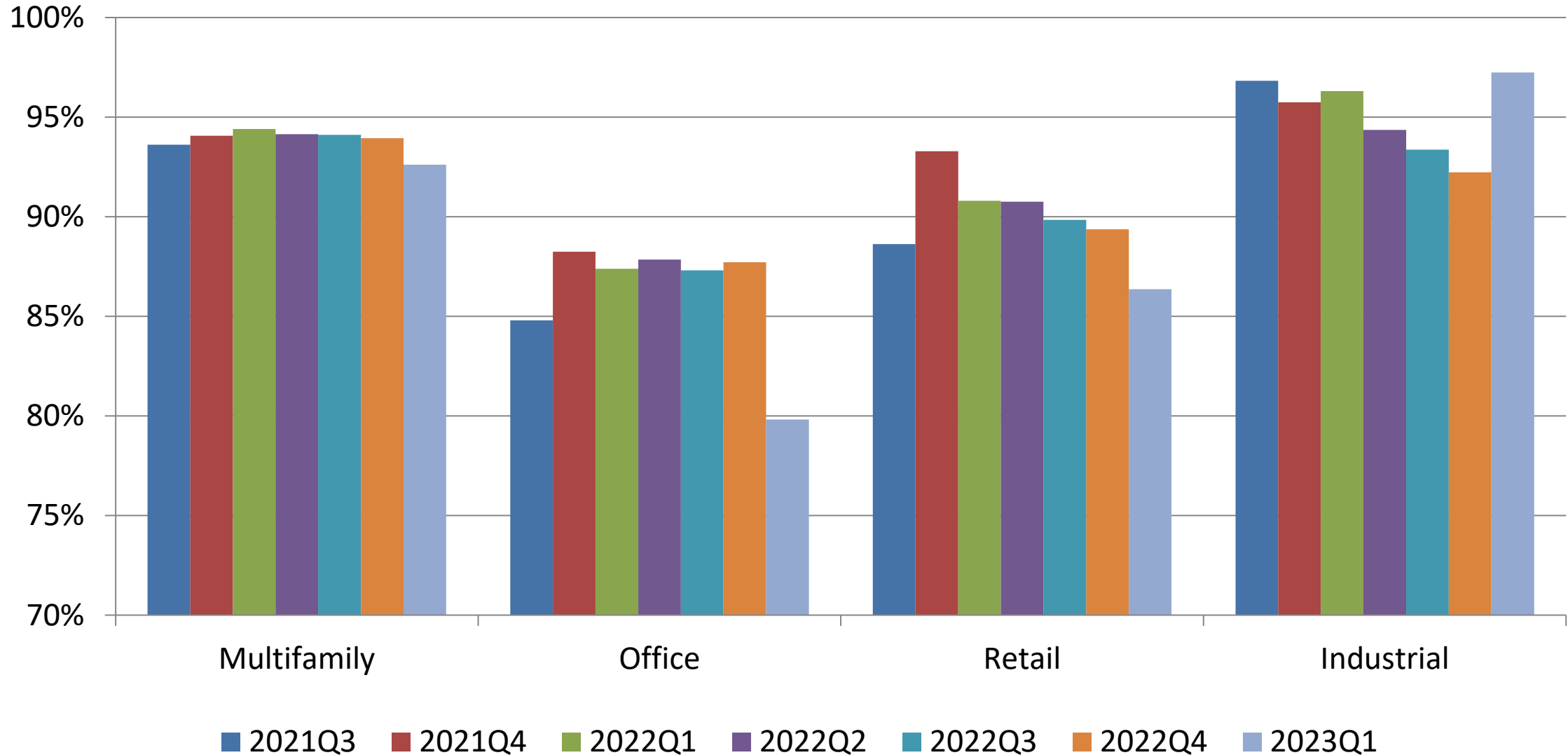


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CRE Market – Fundamentals, Originations and Property Values

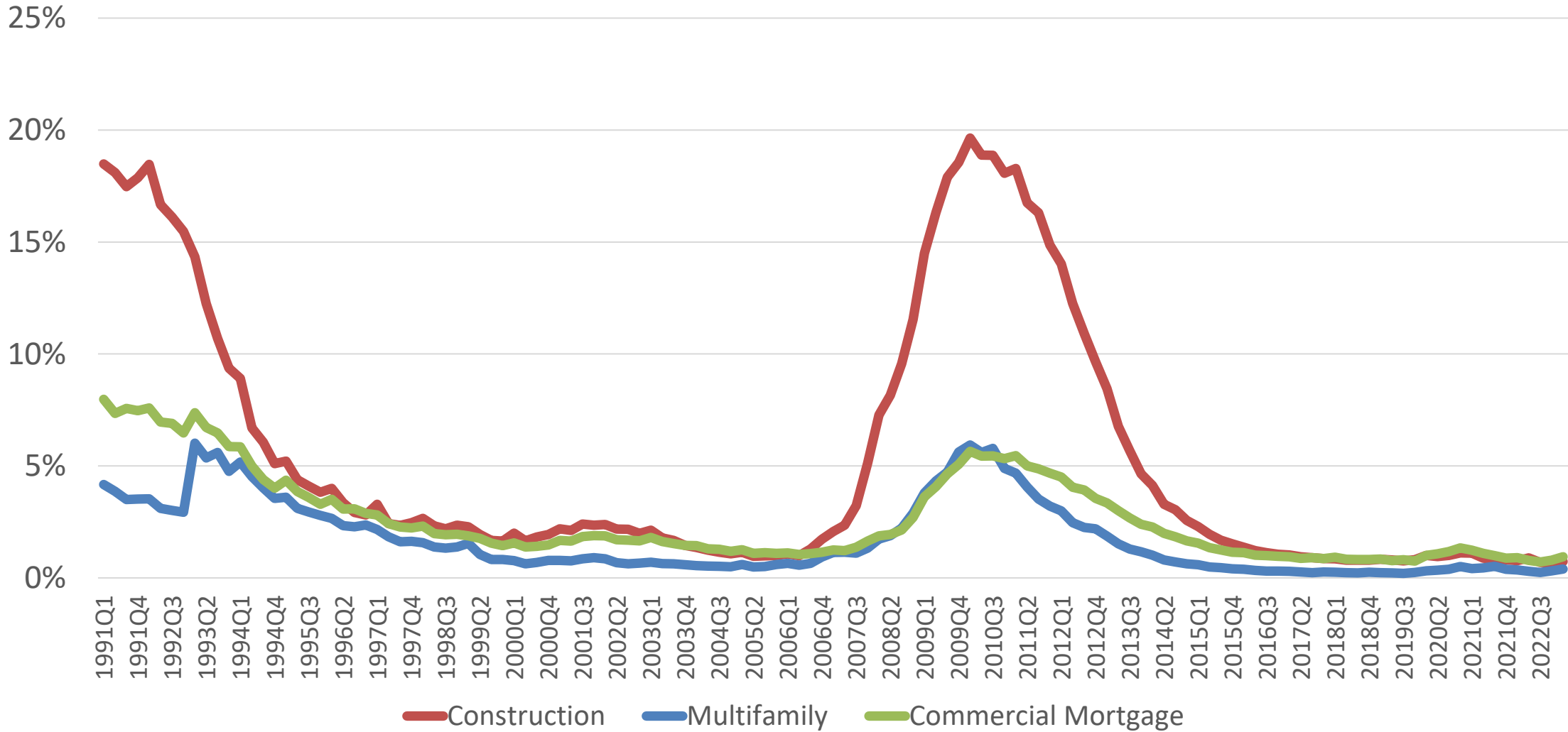
Occupancy Rate by Property Type

Lower Occupancies in Multifamily, Office and Retail; Higher in Industrial



Historic Delinquency Rates

Bank CRE Lending

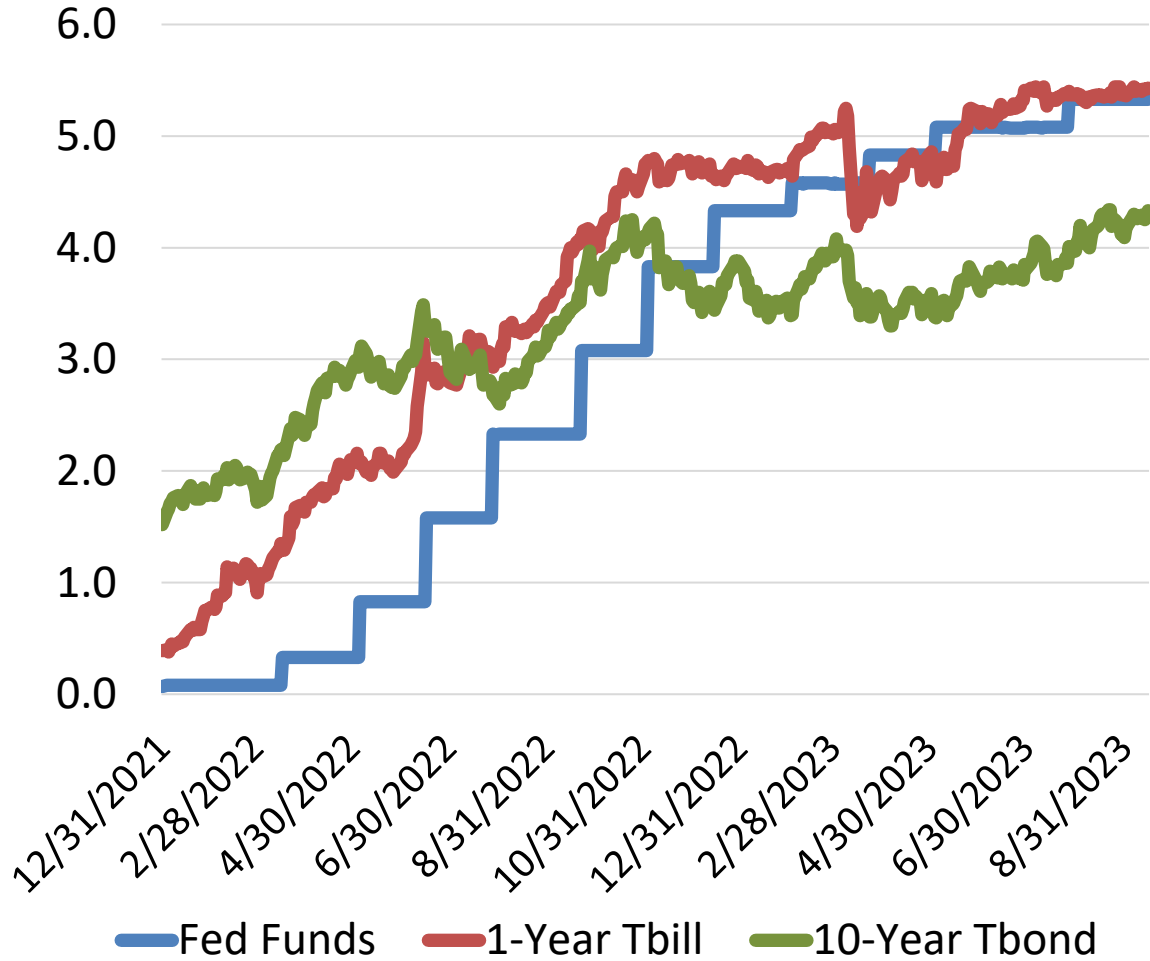


Has Tightening Run Its Course? Or Still Room to Go?

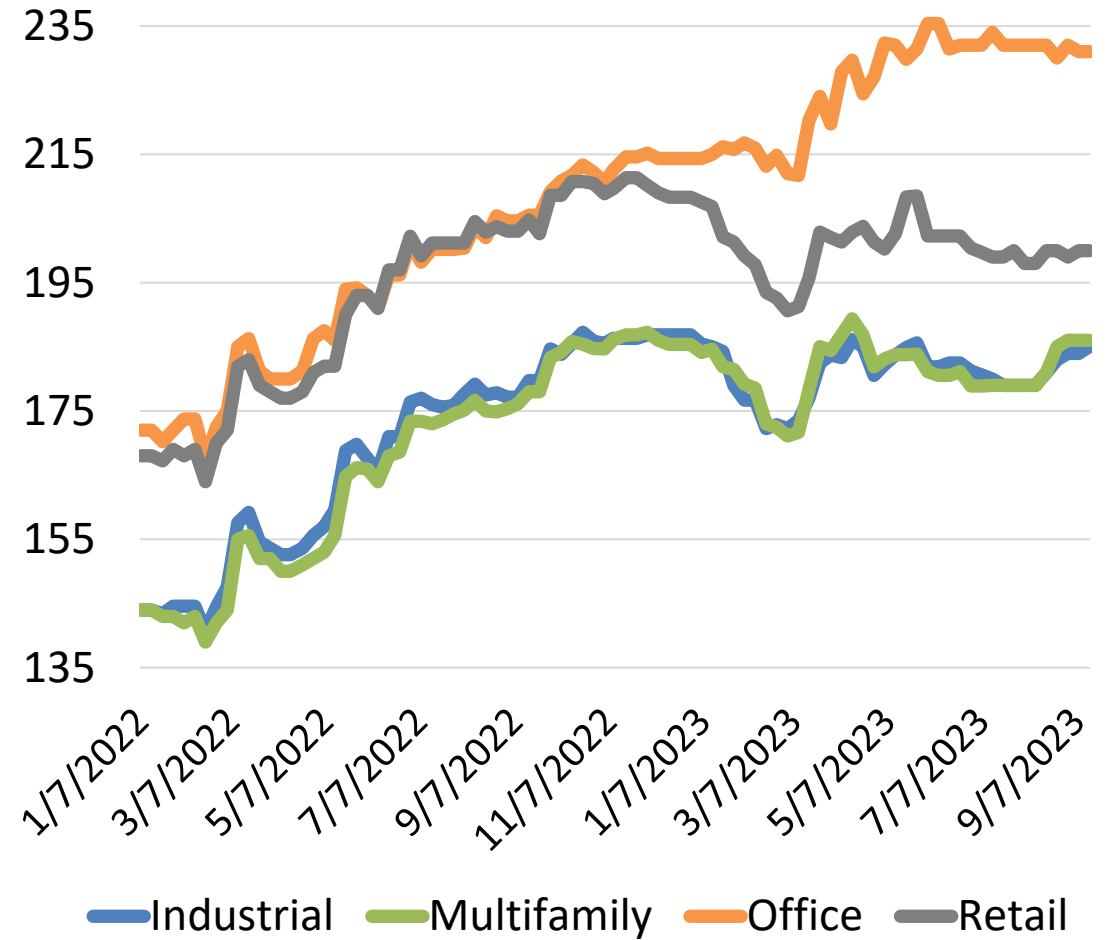
Benchmark Interest Rates and CRE Loan Spreads



Interest Rates

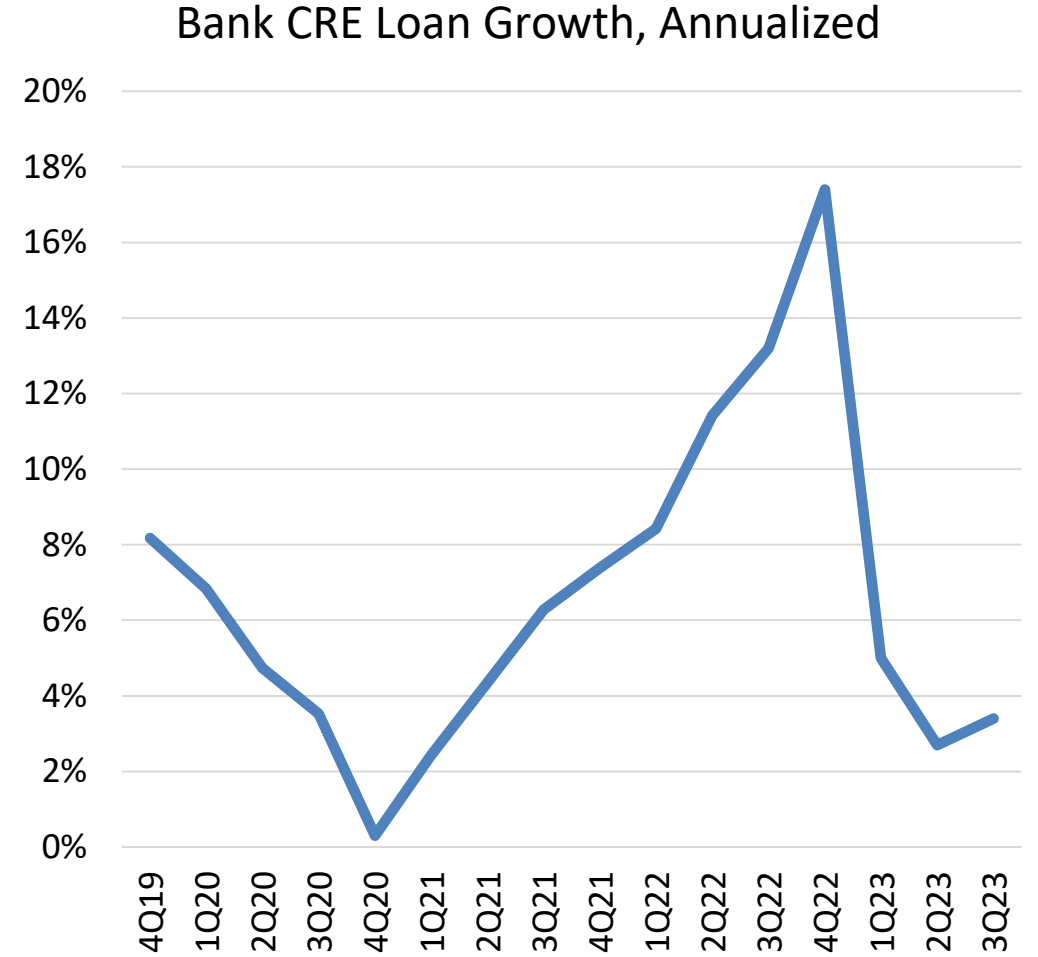
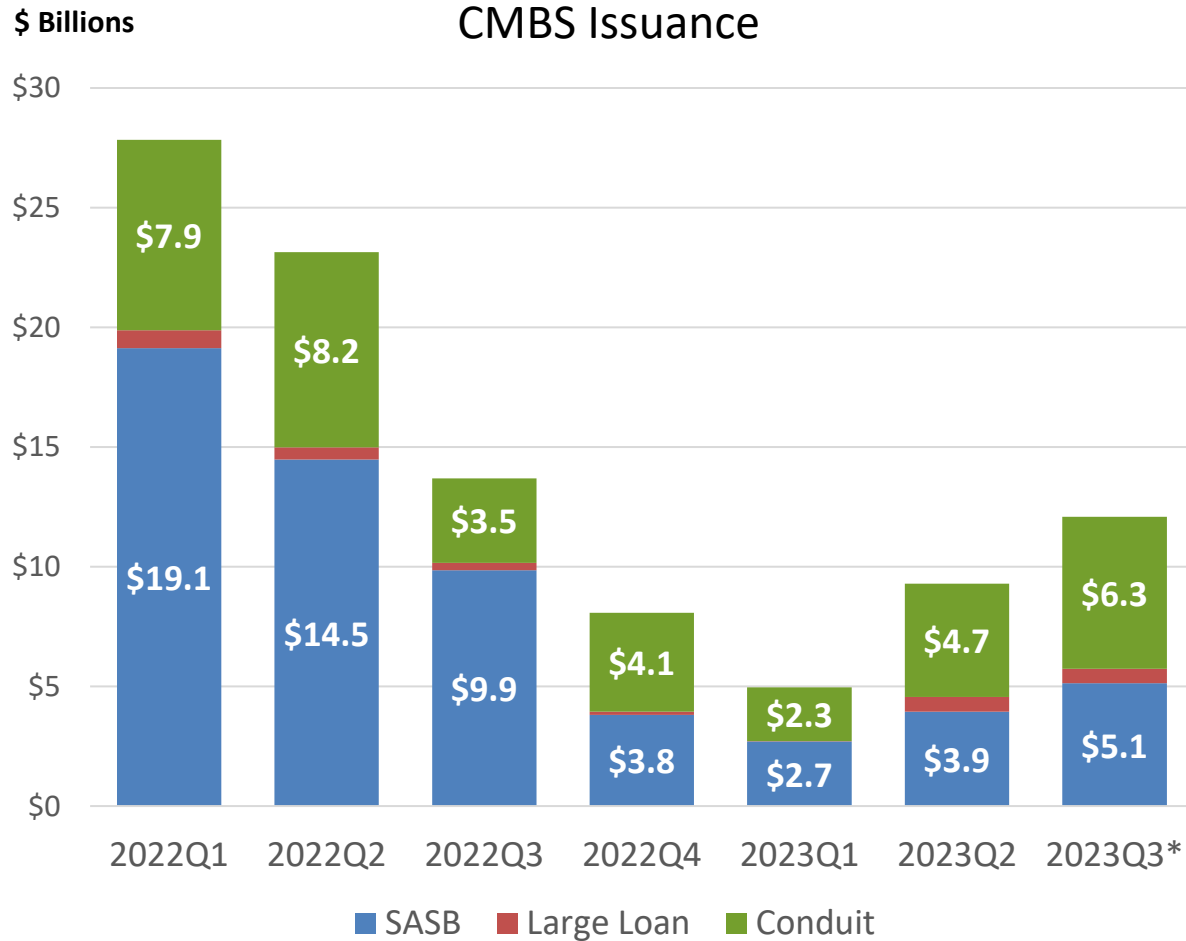


New Loan Spreads (Trepp-i)



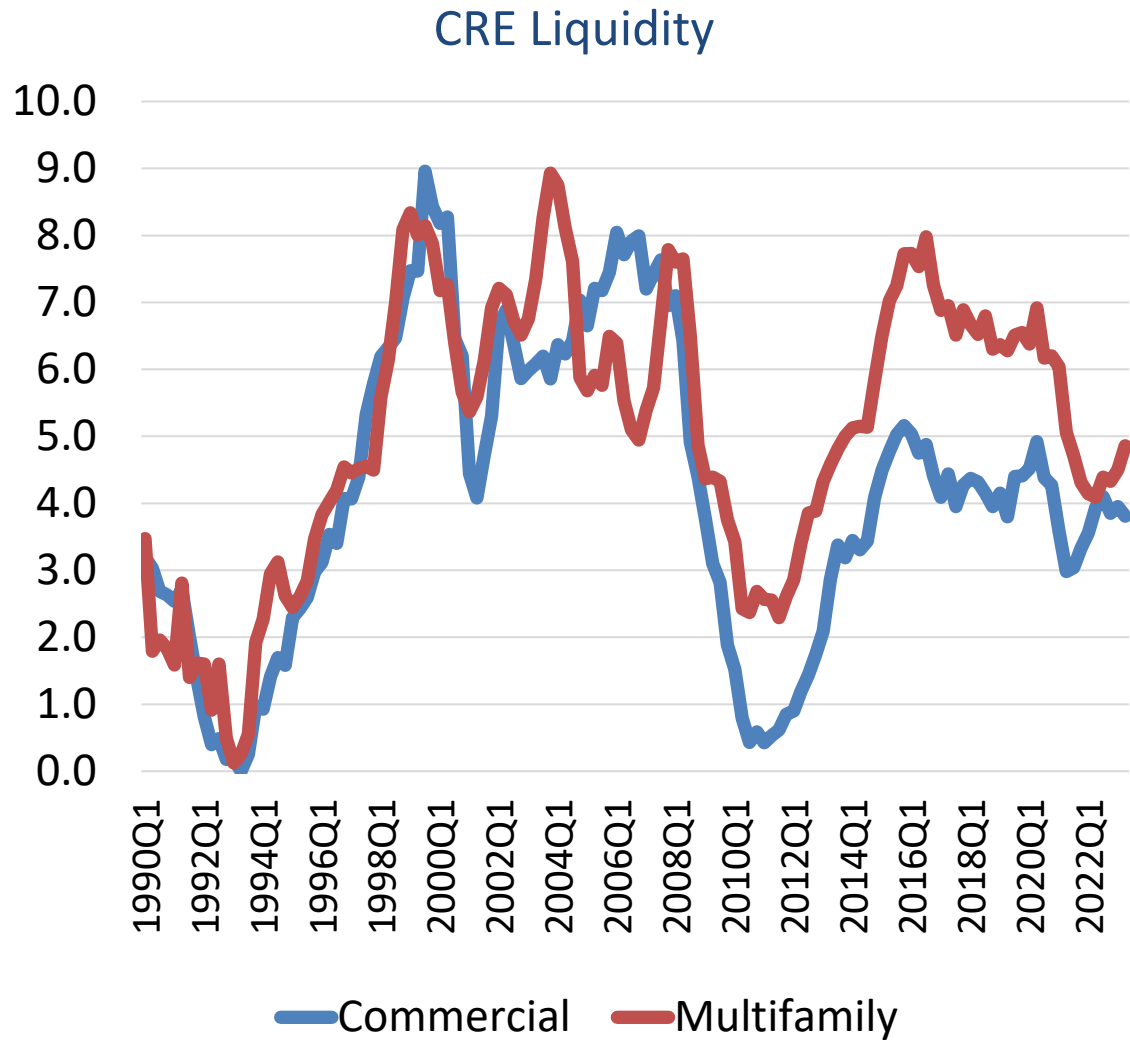
Note: Fixed Rate Loans, 50-59% LTV Sources: Federal Reserve, Trepp-i

CMBS Issuance and Bank CRE Lending

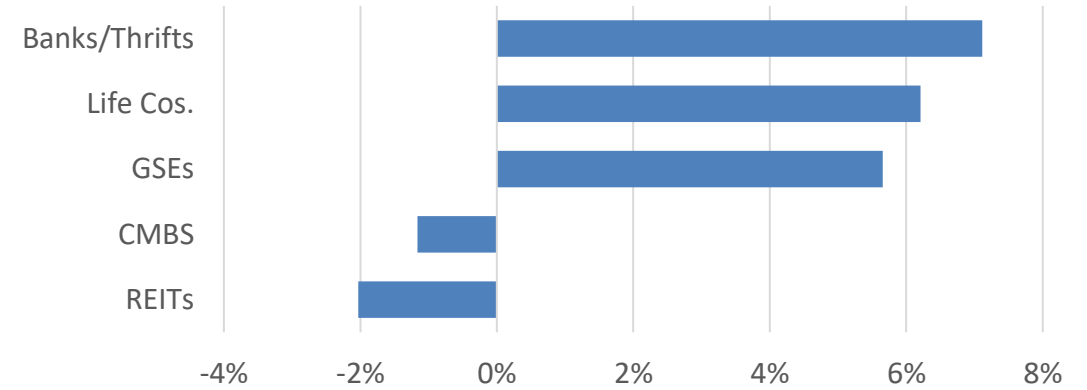


Sources: Trepp, Federal Reserve

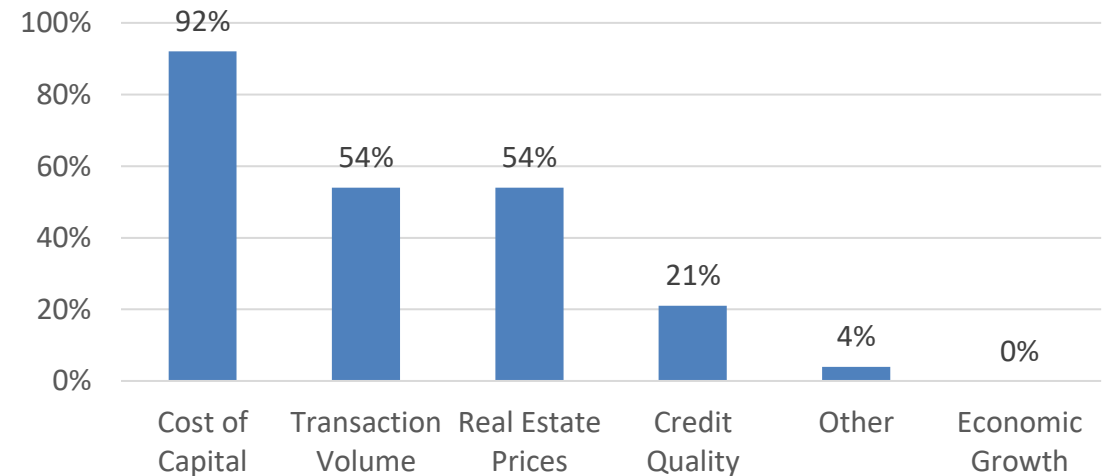
CRE Liquidity Better Than It Feels



Net Growth in CRE Lending, Q2 2022-Q2 2023



Factors Driving Liquidity



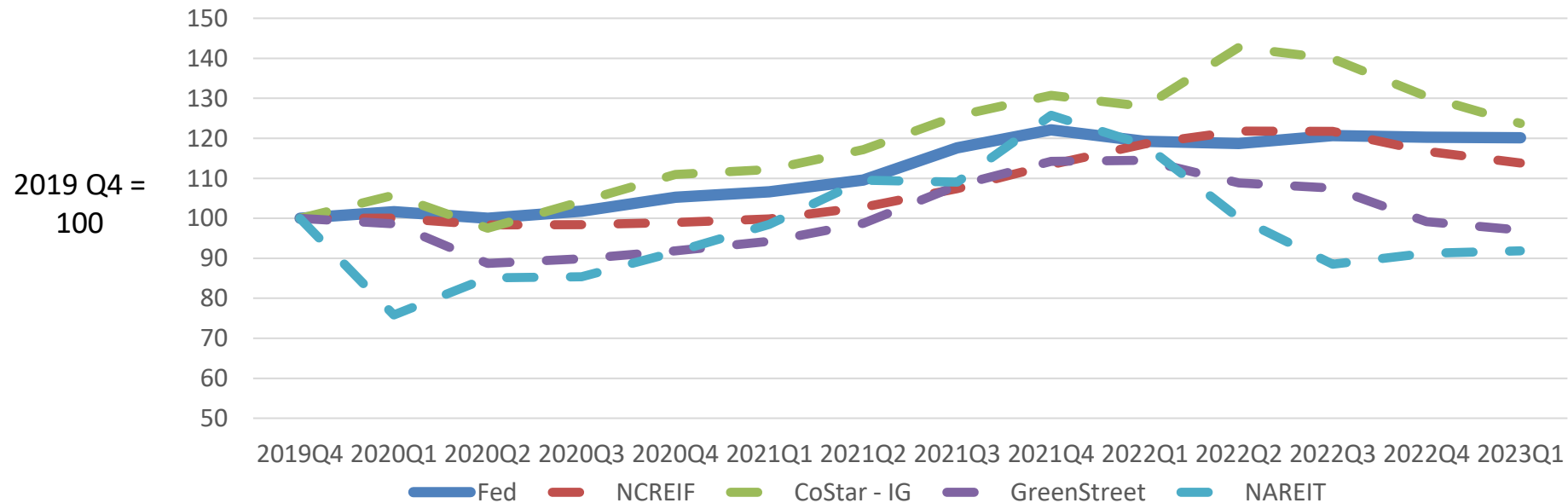
Commercial Real Estate Prices

Cross-Index Comparison



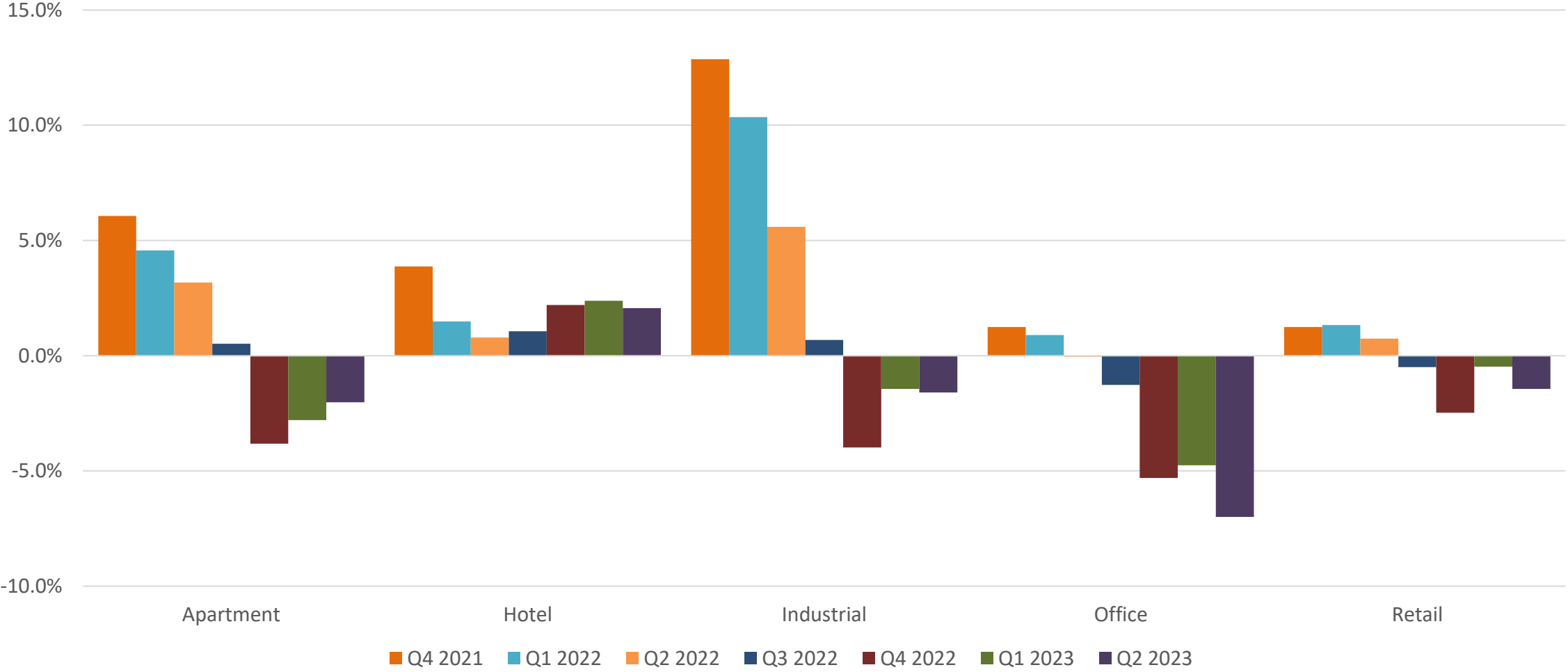
Index	Recent Peak	Change, Q1 2023 vs.		Annual Change		
		Recent Peak	Q4 2019	2020	2021	2022
Federal Reserve (TreppDM)	Q4 2021	-1.6%	20.1%	5.3%	16.0%	-1.5%
NCREIF	Q2 2022	-6.5%	13.8%	-1.1%	14.6%	3.0%
CoStar - Investment Grade	Q2 2022	-13.3%	23.7%	10.9%	17.9%	-0.2%
GreenStreet	Q1 2022	-15.2%	-3.0%	-8.1%	24.4%	-13.2%
NAREIT (Equity REIT)	Q4 2021	-26.9%	-8.1%	-8.4%	37.3%	-27.5%

Sources: Federal Reserve, NCREIF, CoStar, GreenStreet, NAREIT



Interest Rate Impact: Falling CRE Prices

Quarterly Price Change by Property Type



Source: NCREIF

Price Changes in Perspective

Comparison to Previous Cycles, Peak-to-Trough Price Decline

	Recent (22-23)	Covid	GFC	Early 2000s (Tech Bust)	Early 1990s (CRE Recession)
REIT Total (Public)	-30.0%	-25.5%	-71.4%	-12.9%	-15.1%
Lodging	-15.7%	-53.9%	-85.8%	-44.3%	-19.7%
Retail	-24.5%	-52.0%	-77.7%	-1.4%	-15.5%
Office	-55.6%	-38.4%	-73.9%	-18.9%	-11.9%
Multifamily	-33.4%	-34.9%	-70.8%	-19.6%	-18.4%
Industrial	-24.9%	-14.2%	-86.6%	-1.7%	-12.5%
NCREIF Total (Private)	-6.5%	-1.7%	-29.1%	-1.1%	-22.7%
Lodging	5.7%	-20.3%	-30.8%	-11.4%	-16.9%
Retail	-3.4%	-13.5%	-22.7%	-0.8%	-12.2%
Office	-11.0%	-1.5%	-31.5%	-5.9%	-36.2%
Multifamily	-6.0%	-1.6%	-29.8%	0.0%	-13.6%
Industrial	-4.7%	0.2%	-30.7%	-0.9%	-25.9%

Sources: NAREIT, NCREIF

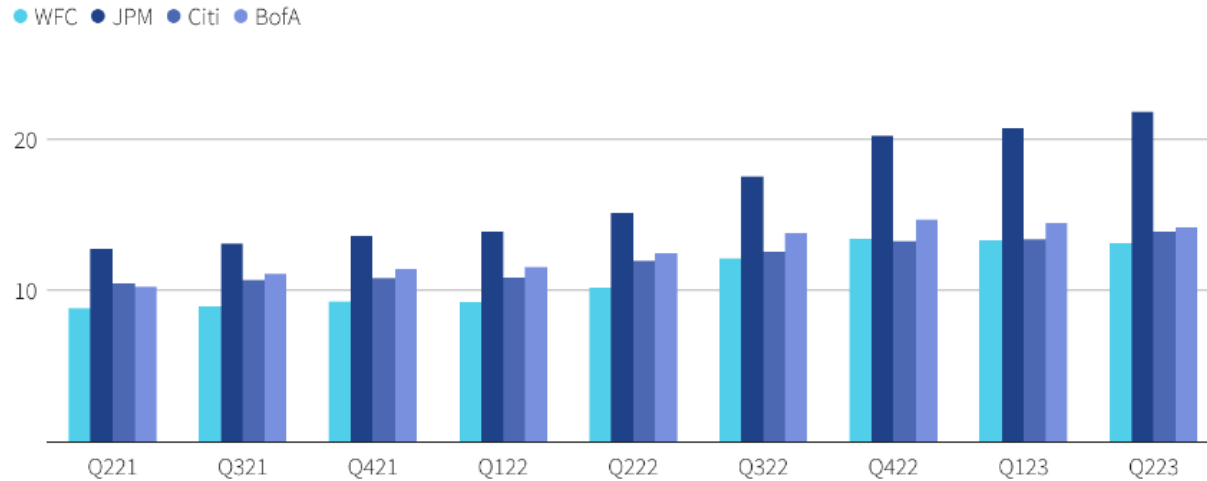
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Financial Institutions

Interest Income and Loan Loss Provisions



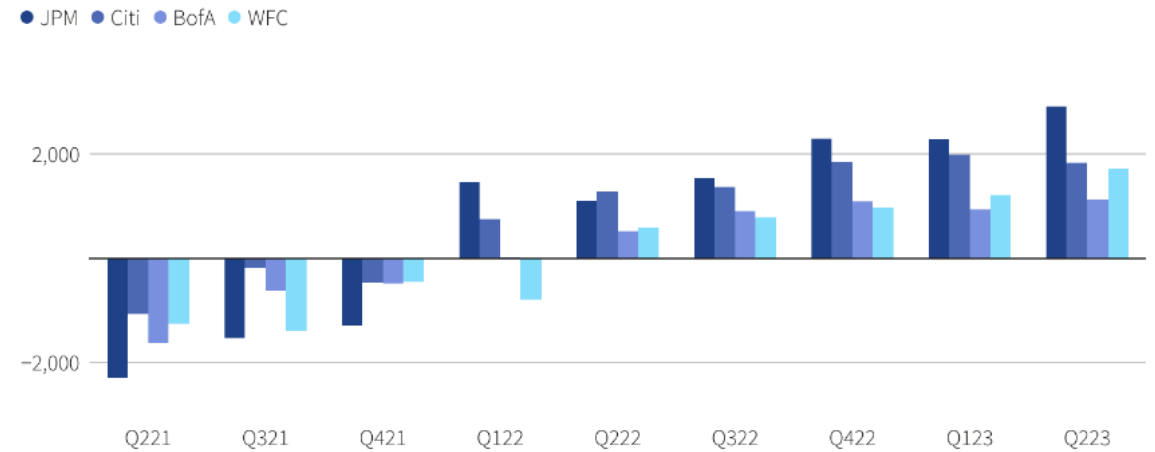
U.S. banks' net interest income jumps as Fed hikes rates



Note: All figures in mlns of \$ | Source: Company statements | By Manya Saini

Reuters Graphics

Big U.S. banks shore rainy-day funds in uncertain economy



Note: All figures in mlns of \$ | Source: Company statements | By Manya Saini

Reuters Graphics

Net Interest Margin Pressure



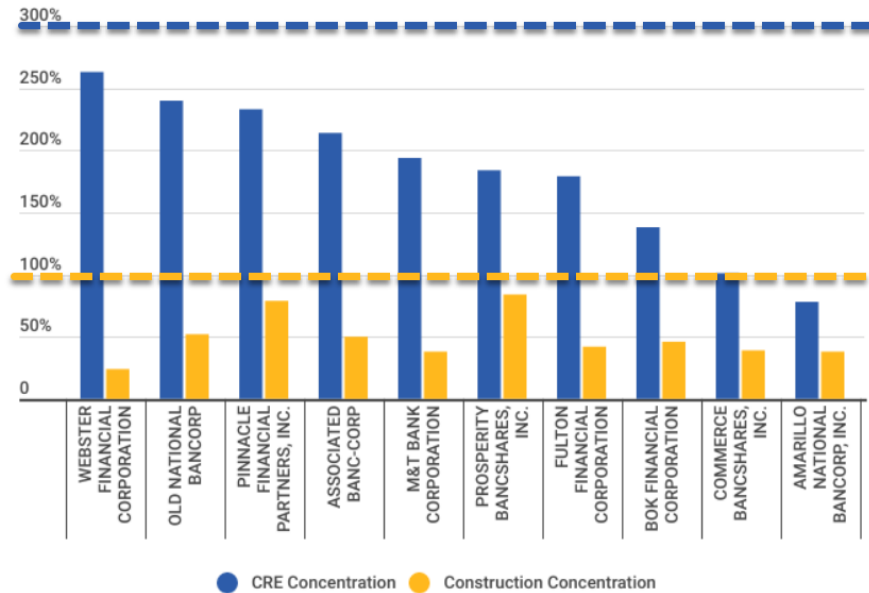
COMPANY	SHARE-PRICE PERFORMANCE, YTD		NET INTEREST MARGIN	
	TREND	CHG	2Q 2023	1Q 2023
Bank of America		-2.9%		2.06%
Wells Fargo		10.1%		3.09%
JPMorgan Chase		16.9%		2.62%
Citigroup		4.1%		2.48%
State Street		-8.8%		1.19%

COMPANY	SHARE-PRICE PERFORMANCE, YTD		NET INTEREST MARGIN	
	TREND	CHG	2Q 2023	1Q 2023
Huntington Bancshares		-15.1%		3.11%
Comerica		-24.8%		2.93%
Metropolitan Bank Holding		-24.4%		3.44%
Synovus Financial		-14.4%		3.20%
Fifth Third Bancorp		-14.6%		3.10%
Truist Financial		-24.3%		2.91%

COMPANY	SHARE-PRICE PERFORMANCE, YTD		NET INTEREST MARGIN	
	TREND	CHG	2Q 2023	1Q 2023
KeyCorp		-33.3%		2.12%
M&T Bank		-5.0%		3.91%
First Horizon		-47.0%		3.38%
Citizens Financial		-20.8%		3.17%
Zions Bancorp		-27.2%		2.92%
U.S. Bancorp		-13.2%		2.90%
Western Alliance		-20.8%		3.42%

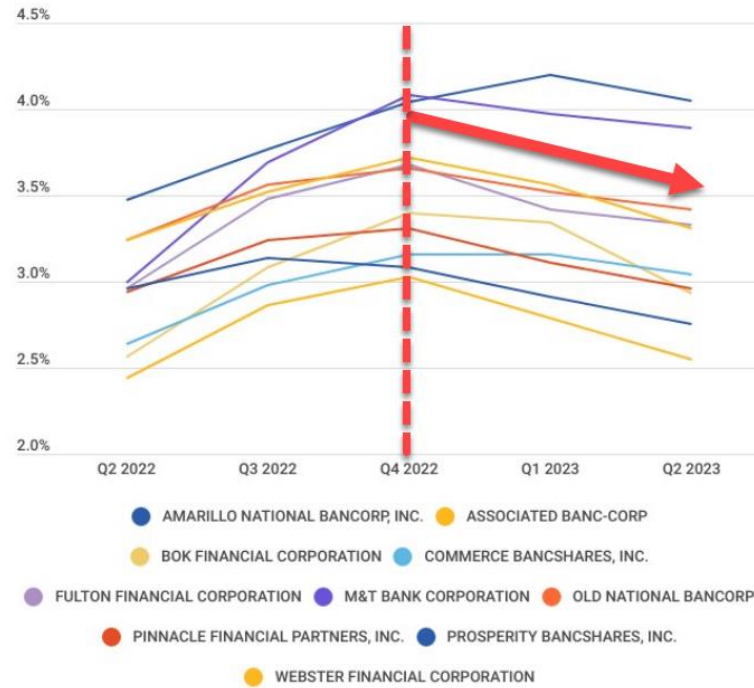
Bank Downgrades – No Obvious SVBs

FIGURE 1: DOWNGRADED BANKS: CRE & CONCENTRATION RATIOS (Q2 2023)



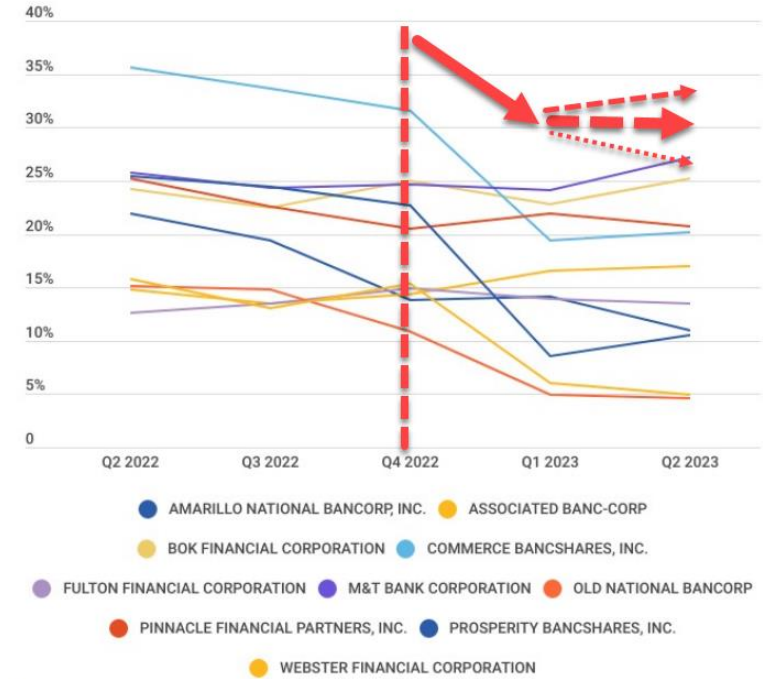
Source: Trepp

FIGURE 3: DOWNGRADED BANKS: NET INTEREST MARGIN TRENDS (Q2 2022- Q2 2023)



Source: Trepp

FIGURE 5: DOWNGRADED BANKS: LIQUIDITY RATIO TRENDS (Q2 2022- Q2 2023)

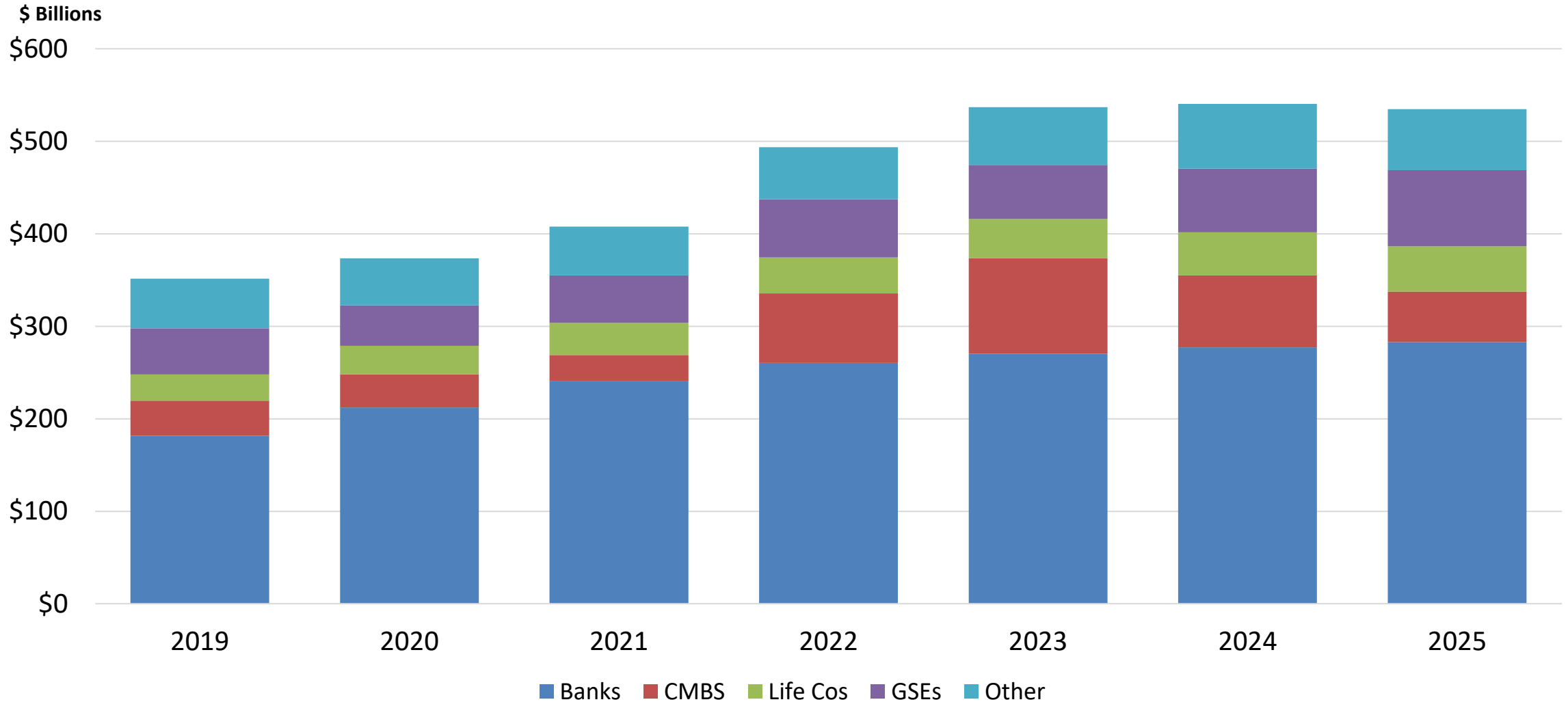


Source: Trepp

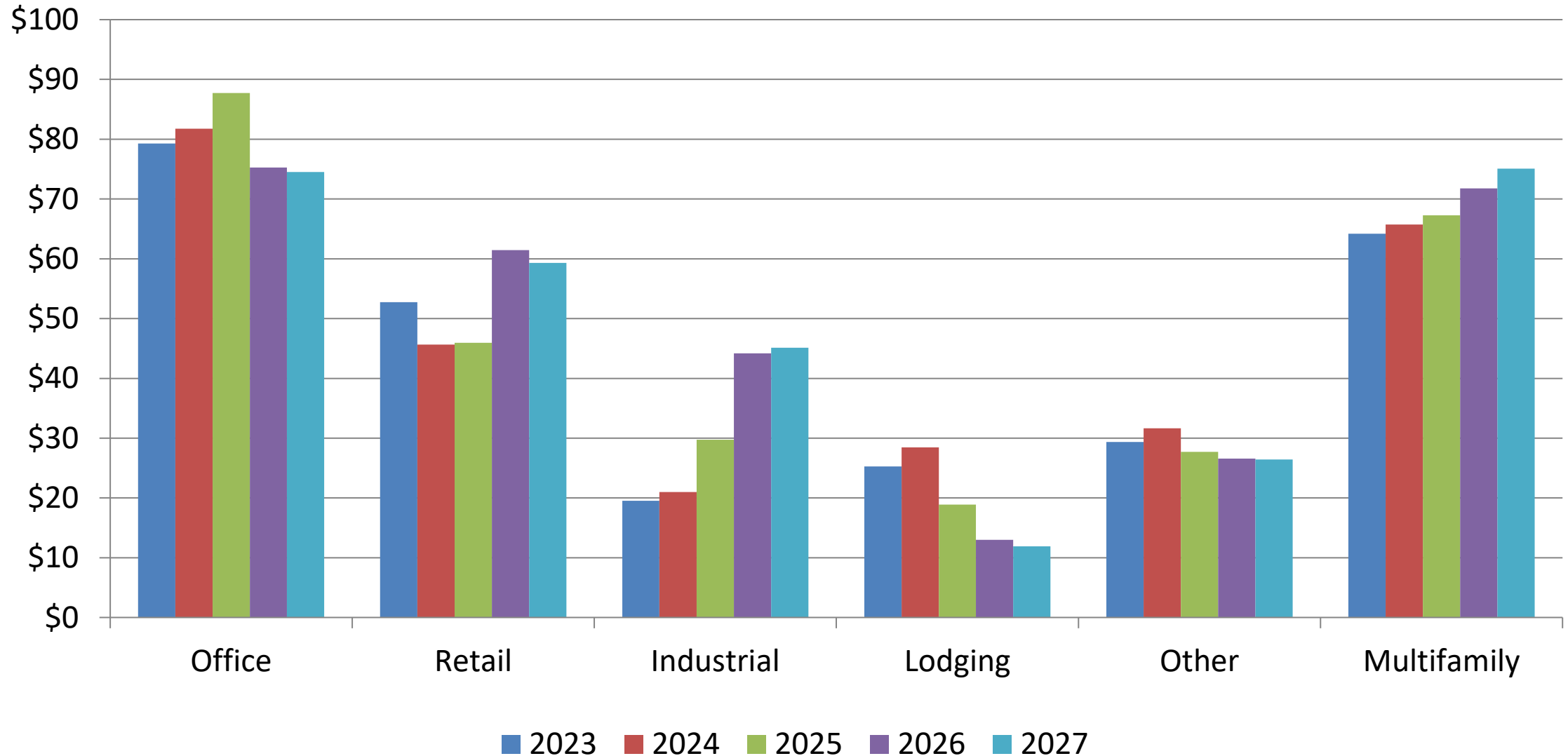
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Outlook

CRE Mortgage Maturities



Bank CRE Maturities by Property Type (\$Bn)



Scenario Outlook

- More of the Same
- Higher Interest Rates – Higher for Longer
- Global Slump

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Questions - Discussion

Questions - Discussion

Email:

[Matthew Anderson@trepp.com](mailto:Matthew.Anderson@trepp.com)

[Scott Barrie@trepp.com](mailto:Scott.Barrie@trepp.com)

Banking@trepp.com



Trepp®

www.trepp.com

New York

600 Fifth Avenue
New York, NY 10020

+1 212 754 1010

Dallas

125 E John Carpenter Fwy, Suite 1350
Irving, TX 75062

London

Northcliffe House, 2 Derry Street
Kensington, London, W8 5TT

+44 (0) 203 637 2791