2022 U.S. ECONOMIC OUTLOOK

AND MULTI-SUITE RESIDENTIAL RENTAL MARKET FUNDAMENTALS
MID-YEAR UPDATE 3RD ANNUAL EDITION

MORGUARD

MID 22

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Note: All $ amounts in USD

NATIONAL ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

Economic growth began to slow down in the first half of 2022, following a period of robust expansion and recovery from the unprecedented pandemic-influenced retreat of 2020. Multi-suite residential rental demand had surged during 2021 and early 2022 fuelling record-high rent growth, cycle-low vacancy, and a sharp increase in construction activity in many of the country's largest metros.

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NATIONAL

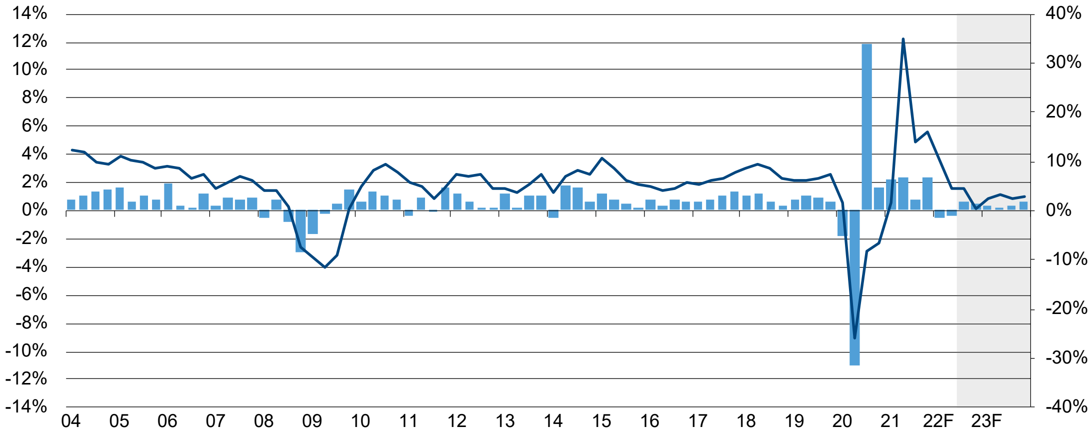
ECONOMIC REPORT

ECONOMIC GROWTH PACE TO SLOW

The nation's economic growth pace is expected to slow significantly over the near term, following an extended period of robust expansion. Gross Domestic Product (GDP) is projected to increase by a relatively modest rate in 2022/2023, compared with the 5.7% advance posted for 2021. By the midway mark of 2022, domestic demand had softened, and recession fears increased, as economic activity levels slowed.

U.S. REAL GDP GROWTH

% Change



Source: Oxford Economics (August 2022)

ECONOMIC RISK TO REMAIN ELEVATED

Risk associated with the U.S. economic outlook will remain elevated over the near term. By the summer of 2022, the risk of a recession had increased significantly. Domestic demand declined during the first half, resulting in two consecutive quarterly economic contractions. Demand is expected to remain soft over the near term, given near record-high inflation and rising interest rates. Food and gasoline prices will remain elevated, due largely to the war in Ukraine. The Fed is expected to continue its program of policy-tightening until at least the end of 2022. Weaker global demand and financial market volatility may continue to erode consumer and business confidence, resulting in additional economic risk. Supply chain challenges will persist, due largely to the war in Ukraine and lockdowns in China and Taiwan. In short, economic risk will remain elevated over the near term.

LABOUR MARKET COOLDOWN TO GRADUALLY UNFOLD

The U.S. labour market recovery will slow down over the near term, due primarily to a weaker economic performance pattern. Hiring activity is projected to moderate over the second half of 2022, as businesses contend with rising costs, reduced domestic demand, and lower profits. The Fed's aggressive policy tightening is expected to continue through the balance of the year, resulting in higher borrowing costs. As a result, some companies will delay hiring decisions. U.S. factories will continue to report fewer new orders over the near term, which will also negatively impact hiring. Export volumes will also likely decline over the near term, resulting in fewer new jobs created in the sector. Recession fears and elevated levels of economic uncertainty will reduce business confidence and hiring activity. At the end of July 2022, U.S. labour market conditions remained very tight. The unemployment rate rested at 3.5%, matching the 50-year low set in early 2020. The rate is forecast to edge higher over the next couple of years, as the national labour market cooldown gradually unfolds.

CONSUMER SPENDING GROWTH TO MODERATE

U.S. consumer spending growth will moderate over the next few years, following a period of markedly stronger performance. Spending volume will rise by an annual average of just over 1.8% in 2023/2024, according to the Oxford Economics August 2022 forecast. Spending spiked by a decade-high 7.9% in 2021, with a less robust but still solid 2.4% advance forecast for 2022. Several factors will contribute to the near-term consumer spending growth moderation. Inflation and rising interest rates will erode spending power.

Consumer spending growth will moderate over the next few years, with a solid 2.4% advance forecast for 2022.

NATIONAL ECONOMIC PULSE

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
REAL GDP GROWTH*	▼	▼
UNEMPLOYMENT	▼	—
RETAIL SALES GROWTH*	▲	▼
HOUSING STARTS*	▼	▼
TRADE BALANCE*	—	▼
TOTAL INFLATION	▲	—

* The trend indicators do not necessarily represent a positive or negative value (i.e., real GDP growth could be +/-, yet indicate a growing/shrinking trend).

At the same time, supply chain challenges will negatively impact spending on consumer goods, including bigger ticket items like appliances and electronics. Recession fears will see some families curtail their spending, particularly on impulse items. Weaker economic and job market performance will also curtail spending to some degree. During the first few months of 2022, spending patterns remained relatively robust, However, growth will moderate in the second half and the next couple of years.

HOUSING MARKET ACTIVITY TO TREND MODERATELY LOWER

Existing home sales activity will continue to trend lower over the near term, having peaked in January 2022. Mortgage rates will likely continue to rise, which will price some buyers out of the market. Mortgage servicing costs have increased substantially, with the 30-year average mortgage rate rising from 3.2% to 5.1% between January and August of 2022, according to Freddie Mac. The Federal Reserve is expected to push its policy rate higher in the second half of 2022 and housing market activity will continue to decline. Consumer price inflation will remain a challenge for many U.S. families. The resulting pressure on household finances will deter some from purchasing homes. Recession fears will also have a negative impact on the nation's housing market. Existing home sales activity had already begun to exhibit signs of weakness in the first half of 2022. Sales were down 26.0% year-to-date, as of the end of July. Moreover, activity had declined for a sixth consecutive month as of July. While prices continued to climb, activity levels had already begun to decline. The weaker price growth trend was expected to persist over the near term while sales activity trends moderately lower.

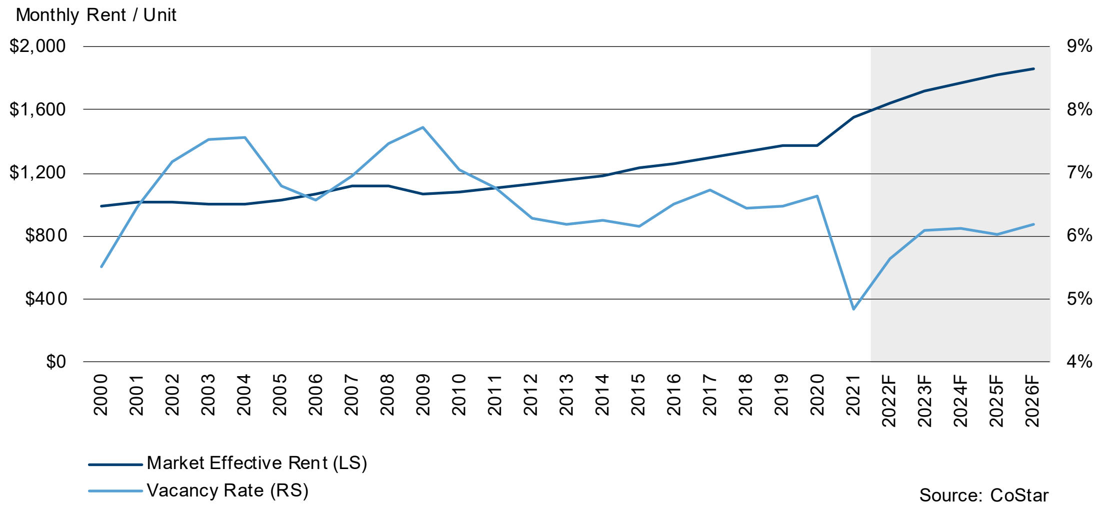
MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

RENTAL MARKET RECOVERED QUICKLY

The U.S. multi-suite residential rental market has recovered relatively quickly from the pandemic-induced downturn. Rental demand surged to a record high during 2021, a trend that carried over into early 2022. As a result, vacancy fell to a decade low in many markets, as renters found available options increasingly scarce. Rents increased, with double-digit growth reported in some regions and construction activity surged.

MULTI-RESIDENTIAL RENT & VACANCY

Historical & Forecast Aggregates



Source: CoStar

CONSTRUCTION ACTIVITY RAMPED UP

Multi-suite residential rental sector construction activity ramped up recently. Nationally, the inventory of rental units is projected to increase by roughly 420,000 in 2022, on a net basis. The total is just shy of the 2020 decade high. For the most part, the new additions will be either high-rise or mid-rise developments. Developers have been forced to contend with supply chain challenges, resulting in delays.

Construction activity has surged to meet record-high demand, as developers look to capitalize on double-digit rent growth in some jurisdictions. The national multi-suite residential rental sector construction pipeline increased to 840,000 units, as of the midway mark of 2022, according to CoStar figures. A large share of these will be delivered in 2023 and 2024. Supply risk has increased substantially of late, with the ramping-up of construction activity across the country.

RENTS INCREASED CONSIDERABLY

U.S. multi-suite residential rental sector rents increased considerably recently, due to the combined effects of robust demand and constrained supply. The national average monthly rent increased by 11.2% in 2021, with a further 7.5% rise reported over the first six months of 2022 according to Apartments.com. Both rent growth rates were the highest on record dating back more than a decade. Double-digit year-over-year growth was relatively widespread in 2021, with a few metros reporting increases of 20.0% or greater. In a few markets, downtown landlords continued to offer incentives such as free rent to fill newly constructed towers. In these scenarios, vacancy levels were relatively high, especially when new properties were completed. Rent growth was often strongest in submarkets with a larger share of older properties and limited available supply. Rents across the U.S. increased considerably over the recent past, boosting the bottom lines of the sector's owners.

RENTAL MARKET OUTLOOK IS POSITIVE

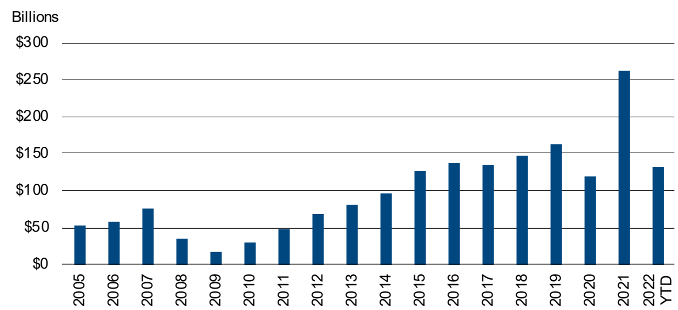
The U.S. multi-suite residential rental market outlook is generally positive. Rental demand will remain relatively healthy, despite coming down from the record-high levels of the recent past. Vacancy will eclipse the 6.0% mark in 2023, given more moderate demand and elevated levels of new construction. Additionally, rent growth will also moderate, compared with the record-high increases of the recent past. Potentially, evictions may increase over the near term until inflation pressures ease. In many regions, however, home ownership is too expensive for many families who will be forced to continue to rent. This will have a stabilizing effect on demand, which will be echoed across much of the country. The demand stabilization is in keeping with the broader rental market's positive outlook.

RECORD-HIGH CAPITAL FLOW RECORDED

Investment capital flowed into the multi-suite residential rental sector at a record-high rate. National investment sales volume totalled $261.0 billion in 2021 and $149.8 billion for the first half of 2022, both of which were record highs. Investor confidence rested at an all-time high, given strong near-term performance patterns and a healthy sector outlook. Cap rates have compressed to a cycle-low and property valuations to a record high. Newer core and older property offerings have both been well received. Bids have been aggressive and competition high, during a period of record-high sector liquidity.

INVESTMENT ACTIVITY

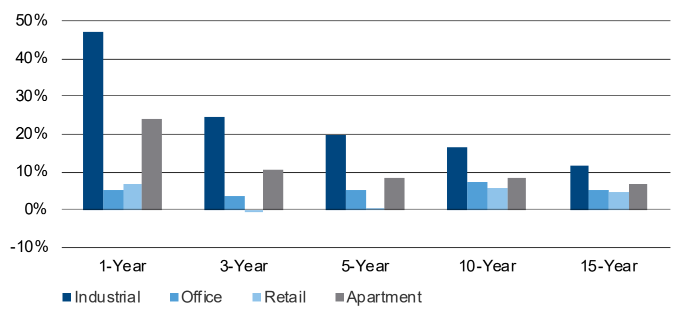
Total Multi-Suite U.S. Investment Volume to June 2022



Source: CoStar

U.S. MSCI RETURNS

Annualized Returns by Property Type to June 2022



Source: © MSCI Real Estate 2022

National investment sales volume totalled $261.0 billion in 2021 and $149.8 billion for the first half of 2022, both of which were record highs.

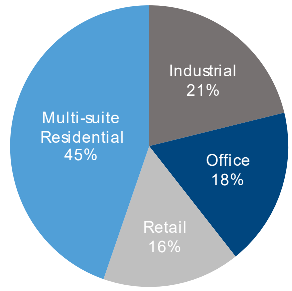
SUSTAINED INVESTOR CONFIDENCE FORECAST

Investor confidence in the U.S. multi-suite residential rental sector will be sustained over the near term. Investors will continue to place funds into a sector that is expected to generate attractive returns. The sector's track record of performance during periods of economic weakness will also be a significant draw. Despite the sector's attractiveness, the sector's buyer pool will likely thin out to a degree. High-leverage buyers will be less active, as interest rates continue to rise. Therefore, competition levels may decline slightly. Cap rates may edge higher as well, given higher treasury bond yields. Property values will continue to hover close to the recent cycle-high, given sustained investor confidence levels over the near term.

Sector returns will remain attractive over the near term, following the 11-year high 24.1% total return posted for 12-months ending mid-year 2022.

TOTAL SALES BY PRODUCT

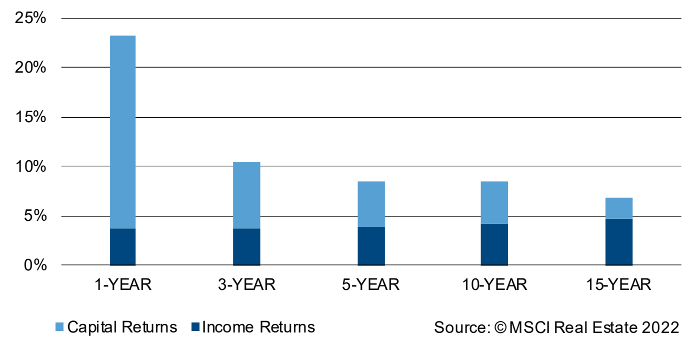
18 Months To June 2022



Source: CoStar

U.S. MULTI-SUITE ANNUALIZED RETURNS

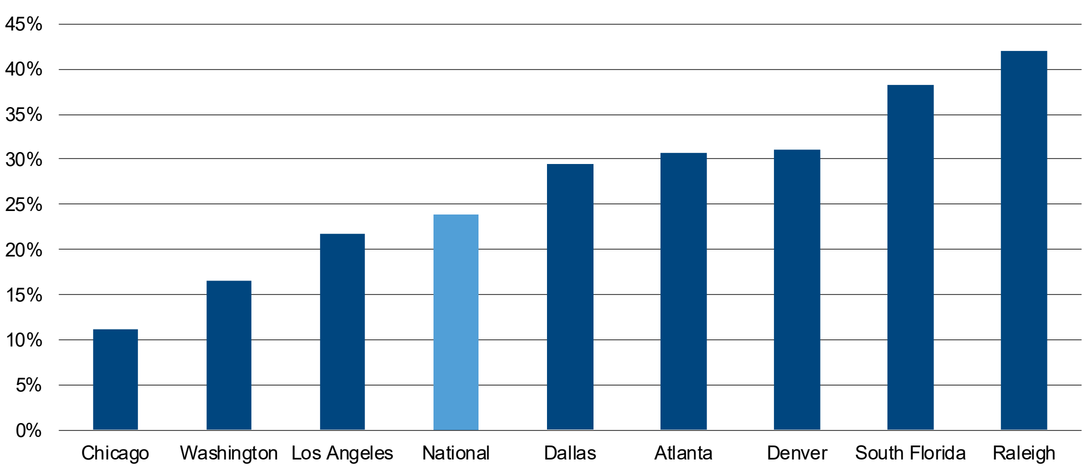
Performance For The Period Ending June 2022



Source: ©MSCI Real Estate 2022

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending June 2022



Source: ©MSCI Real Estate 2022

INVESTMENT MARKET TRANSACTIONS

WASHINGTON DC

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
2827 Telek Pl	May-22	$158.5M	332	$477,410	2019	A	Pantzer Properties
1221-1331 S Eads St	May-22	$305.2M	534	$571,536	2001	A	Cortland
1801 Chapman Ave	May-22	$152.5M	356	$428,371	2015	A	EastSky Properties
33 Monroe St	Mar-22	$129.0M	250	$516,000	2022	A	Comstock Holding Cos.
2550 Huntington Ave	Mar-22	$136.0M	360	$377,778	2015	A	Brookfield Properties
21260 Huntington Sq	Jan-22	$105.5M	320	$329,688	1995	B	Jair Lynch/Nuveen

RALEIGH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
10311 Falls Mill Dr	Apr-22	$106.0M	320	$331,250	2001	B	Starlight Investments
3000 Orchid St	Mar-22	$91.0M	250	$364,000	2021	B	TA Realty
1000 Heathmoore Ln	Jan-22	$73.4M	288	$254,774	1995	B	Carroll

ATLANTA

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
100 Pinhurst Dr	May-22	$205.5M	680	$302,206	1980	B	RPM Living/ASB Capital Management
4335 Winters Chapel Rd	Apr-22	$107.5M	592	$181,588	1989	B	Carroll
6520 Hillendale Dr	Mar-22	$102.0M	490	$208,163	1973	C	B Wolf & Sons
2588 Decature Village Way	Mar-22	$93.0M	262	$354,962	2020	A	Eaton Vance
2151 Cumberland Pky SE	Jan-22	$125.3M	400	$313,250	1996	A	Crow Holdings

PALM BEACH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
6705 Mallards Cove Rd	Mar-22	$127.0M	359	$353,760	1984	B	S2 Capital LLC
111 Sierra Dr	Mar-22	$138.5M	352	$393,466	2014	B	Northland
863 University Blvd	Mar-22	$202.5M	390	$519,231	2003	B	Berkshire

CHICAGO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
4700 Arbor Dr	Feb-22	$111.0M	662	$167,674	1967	C	Beitel Group
440 Gregory Ave	Feb-22	$137.0M	1,155	$118,615	1974	C	Turner Impact Capital

NEW ORLEANS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
301 Lakeshore Blvd N	Mar-22	$29.2M	250	$116,600	2008	B	HKSK Corporation

DALLAS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
4201 Bunker Hill Rd	May-22	$74.2M	299	$248,161	2018	A	Pardue Companies
729 Junction Dr	Mar-22	$104.0M	366	$284,153	2021	A	Castle Lanterra
8997 Vantage Point Dr	Mar-22	$51.0M	249	$204,819	2016	A	ShaneRealty Capital

DENVER

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
2520 Wewatta Way	Mar-22	$155.0M	337	$459,941	2021	A	AMLI Residential
483 Scott Blvd	Mar-22	$78.0M	220	$354,545	1998	B	Security Properties
4725 W Quincy Ave	Mar-22	$75.0M	211	$355,450	1973	C	RedPeak Properties
490 S Joplin St	Feb-22	$137.0M	468	$292,735	1984	C	MIG Real Estate LLC
17886 E Greenwood Dr	Feb-22	$143.0M	394	$362,944	2001	A	MG/Intercontinental
3300 S Tamarac Dr	Jan-22	$141.0M	564	$250,000	1977	B	MG Properties

LOS ANGELES

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
LA Lofts Portfolio	Apr-22	$402.1M	1,037	$387,724	Various	A-B	Laguna Pt Properties
6711 S Sepulveda Blvd	Mar-22	$135.0M	180	$750,000	2021	A	R&V Management
635 Pine Ave	Jan-22	$156.0M	271	$575,646	2021	A	Gelt Inc.

METROPOLITAN ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

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METROPOLITAN

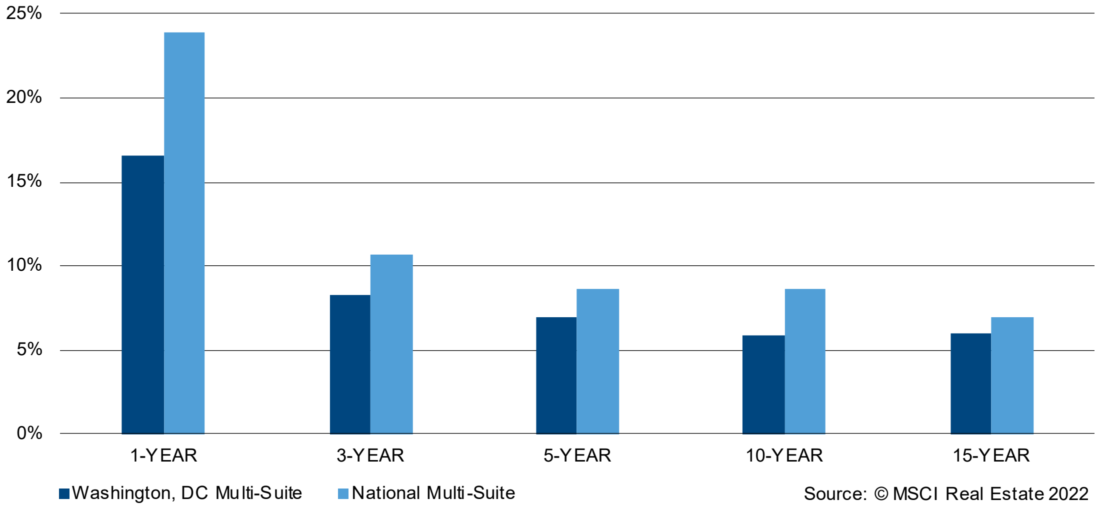
WASHINGTON, DC

ECONOMIC GROWTH TO MODERATE

The Washington-Arlington-Alexandria (WAA) metropolitan statistical area (MSA) economic growth rate will moderate over the next few years, following a period of robust expansion. GDP is projected to increase by an annual average of 1.6% in 2023/2024. Economic output is expected to increase by 2.7% in 2022, after a robust 3.8% gain in 2021. WAA labour market gains will also moderate over the next few years, having strengthened relatively swiftly during 2021 and the first half of 2022.

HISTORICAL PERFORMANCE

For the period ending June 2022



The WAA's labour market recovery is forecast to slow down significantly over the medium term, having regained much of the lost ground due to the pandemic. Total employment will rise by a healthy 4.0% in 2022. However, employment is expected to increase by a modest 2.0% in 2023 and an annual average of just 0.3% between 2024 and 2026. The WAA's unemployment rate will average close to 3.0% over the same timeframe, having dropped from 4.9% to 3.3% during 2022.

The WAA's consumer spending outlook is also relatively healthy. Personal consumer expenditures will rise by an annual average of roughly 2.7% in 2023/2024, reflecting the region's overall economic health. Previously, pent-up consumer demand drove spending higher by 6.6% in 2021, with an expected 3.7% gain forecast for 2022. The healthy consumer spending growth outlook will translate into above-average retail sales growth over the medium term.

RENTAL MARKET OUTLOOK IS POSITIVE

The WAA multi-suite residential rental market outlook is stable and healthy. Vacancy will remain below the long-term average over the next few years, having dropped to a decade low of 5.8% in July 2022. Demand fundamentals will continue to impress, having ranged at a record-high level during 2021 and early 2022. Moderate economic growth rates forecast over the next couple of years will drive labour market progress and support positive rental demand patterns. Some families will continue to rent accommodation, given the relatively high cost of purchasing a home in this market and recent interest rate hikes. On aggregate, demand will largely keep pace with supply, resulting in continued upward pressure on rents across the region. The upward pressure will be relatively modest, following the record growth of the past couple of years. Existing tenants will face record-high rents when seeking to renew their leases. Fewer owners will offer incentives to prospective tenants over the near term, given broadly stable and healthy market fundamentals.

INVESTMENT SALES ACTIVITY SURGED

WAA multi-suite residential rental property investment sales activity surged recently, following the pandemic-influenced slowdown in 2020. A decade-high $10.7 billion of transaction volume was reported by CoStar for 2021, a pace that was sustained through the first half of 2022. A further $5.6 billion of sales was reported year-to-date as of the end of July 2022. Institutional and private groups exhibited confidence in both the core and value-add market segments. Record-high rents and decade-low vacancy were major factors in the sharp increase in sales activity. Recent performance patterns added to the rationale for investing in this market. Properties tracked in the MSCI Index posted an attractive average total return of 16.5%, for the 12 months ending June 30, 2022. As sales activity increased, cap rates compressed. Over the second half of 2022 and early 2023, investment activity will remain robust, having surged over the recent past.

PEAK PHASE OF THE CYCLE TO CONTINUE

The peak phase of the WAA's multi-suite residential rental sector property cycle will continue to unfold over the near term. Leasing market conditions will remain among the strongest in the country. Rents will hold at the benchmark-high for the cycle and vacancy will hover close to the recent decade-low. Investment activity will remain brisk, as buyers look to secure properties with strong performance track records. Property values will continue to rise, indicating the continued unfolding of the peak phase of the cycle.

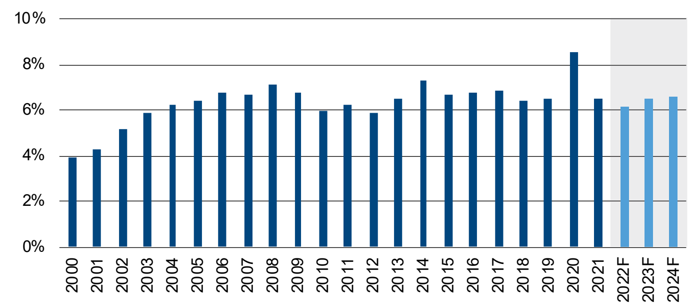
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

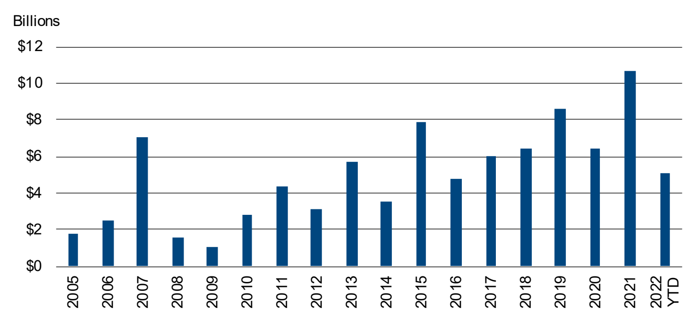
Washington, D.C. Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Washington Multi-Suite Investment Volume to June 2022



Source: CoStar

Investment sales have surged, with a decade-high $10.7 billion of transaction volume recorded in 2021 and $5.6 billion year-to-date as of July 2022.

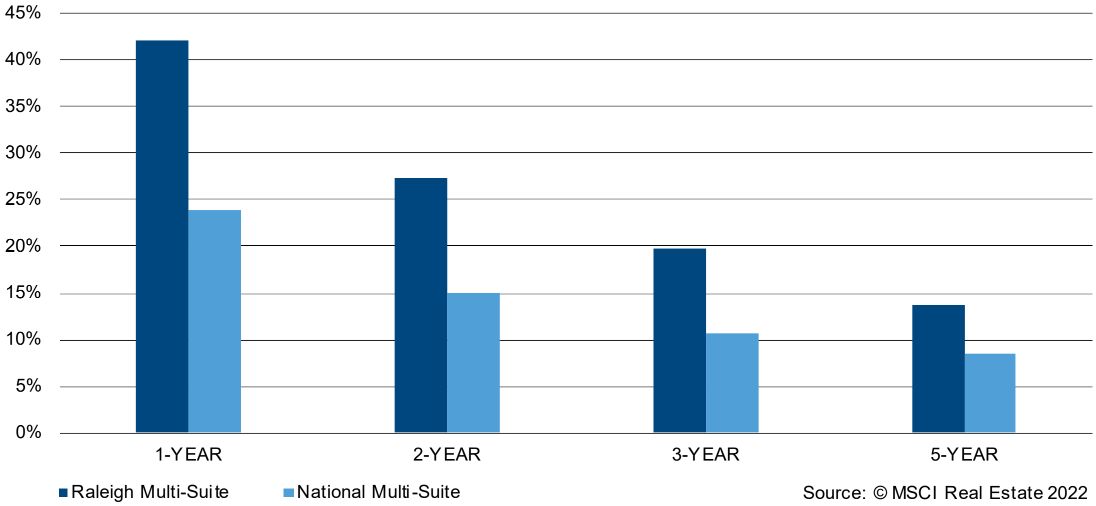
RALEIGH, NC

ECONOMY TO OUTPERFORM

The Raleigh MSA economy is projected to outperform over the next few years, in keeping with the pre-pandemic trend. Economic output is forecast to increase by 3.4% this year, followed by an annual average of 2.4% in 2023/2024. Economic growth will translate into healthy job market conditions. The unprecedented number of jobs lost due to the pandemic had been recouped by the midway mark of 2022.

HISTORICAL PERFORMANCE

For the period ending June 2022



Source: © MSCI Real Estate 2022

Raleigh's labour market will continue to strengthen over the near term, with the technology and chemical manufacturing sectors leading the way. In 2022, employment will rise by an above average 4.5%, with a healthy 1.7% gain in 2023. The region's unemployment rate will hover close to the 3.0% mark through to 2025. An average of 2.8% is forecast for the end of 2022, down sharply from the 6.3% pandemic peak of 2020. The downward trend is in keeping with the broader labour market strengthening forecast over the next few years.

The residents of the Raleigh MSA will continue to spend at a healthy rate over the near term. Consumer spending is projected to rise by 3.9% in 2022. Growth will moderate in 2023 and 2024, with annual increases of 2.8% and 2.7%, respectively. Job growth and rising income levels will boost spending over the next few years. Rising interest rates and a weaker-than-expected economic performance are downside risks associated with the region's healthy spending outlook.

GROWTH PHASE OF CYCLE TO PERSIST

The growth phase of Raleigh's multi-suite residential sector cycle will persist over the near term. A decade-high 6,285 units will be added to inventory during 2022, with another 6,727 units projected by CoStar for 2023. Subsequently, the rate at which new units are added to inventory will slow but remain at the long-term average. Inventory growth will be driven by several factors. Supply will remain somewhat constrained. At the same time, market rents will continue to rise, justifying new construction in this market. At the same time, demand for rental accommodation will remain relatively robust, adding to the rationale to build. More specifically, demand for aspirational rental accommodation will continue to outpace supply. As a result, the growth phase of the cycle is expected to continue to unfold over the near term.

INVESTORS WERE BULLISH

Investor sentiment toward the Raleigh MSA's multi-suite residential rental sector was decidedly bullish over the recent past. Evidence of this bullish sentiment was contained in recent transaction volume totals. A record-high $4.4 billion of transaction volume was reported by CoStar for the 12-month period ending at the midway mark of 2022. The positive sentiment was a product of several factors. Market fundamentals were generally stable and healthy. Vacancy stood at a healthy 6.2% as of August 2022, having stood at a decade-low 5.2% at the end of 2021. Market rents climbed to a decade-high recently, with additional increases forecast over the near term. Investors were also keenly aware of the market's strong near-term performance pattern. Properties contained in the MSCI Index generated an attractive aggregate total return of 5.6% for the 12 months ending June 30, 2022. The strong performance added to the rationale for investing in this sector and supported the positive investor sentiment of the recent past.

RENTAL DEMAND TO REMAIN STRONG

Rental demand fundamentals are expected to remain strong over the near term. Above-average economic growth and job creation activity will drive demand for rental accommodation. The region's college and university students will add to the demand-pressure. Migration patterns will also support strong demand patterns over the near term. For the most part, demand will keep pace with new construction completions that will reach a record-high over the near term. The market's healthy demand outlook will support largely healthy fundamentals and draw investment capital to the region. As a result, investment activity will surpass the long-term average.

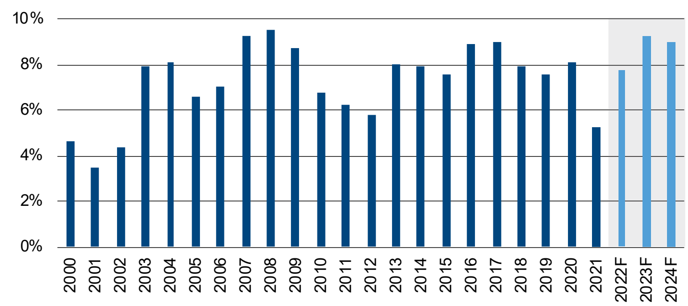
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▲
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

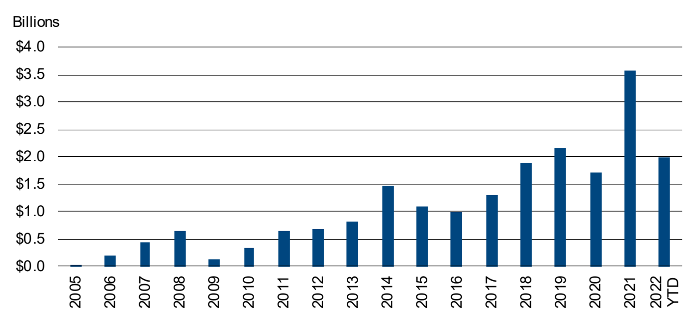
Raleigh Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Raleigh Multi-Suite Investment Volume to June 2022



Source: CoStar

Rental demand will remain strong, driven by a healthy job market, the region's post-secondary students, and inter-state migration.

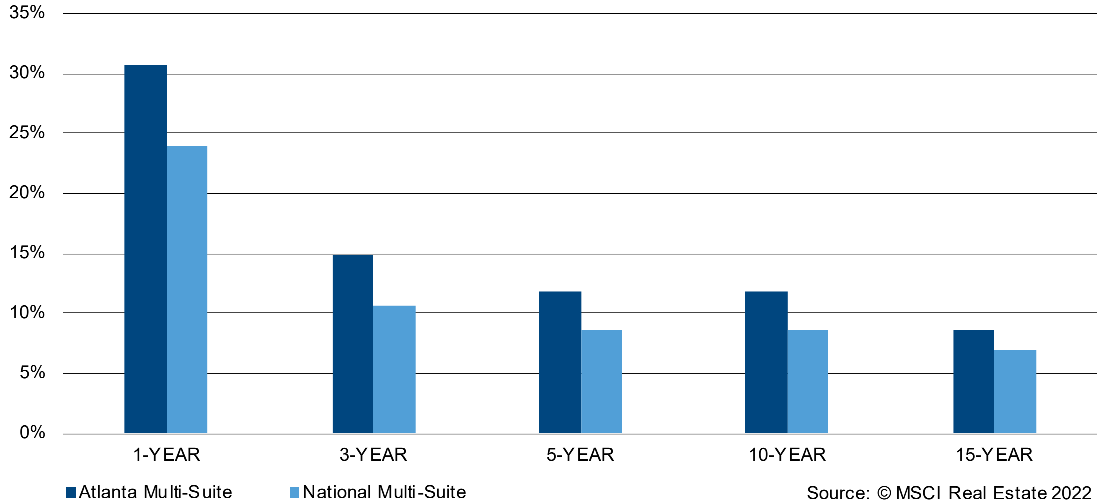
ATLANTA, GA

ABOVE-AVERAGE GROWTH TREND FORECAST

Above-average economic growth is forecast for the Atlanta-Sandy Springs-Roswell (ASSR) MSA over the next few years. GDP is projected to increase by an annual average rate of 2.6% between 2022 and 2026, 40 bps higher than the national rate. In 2021, economic output increased by a stellar 6.7%, following the 2020 decline. The region's labour market will strengthen over the medium term, driven by above-average economic growth.

HISTORICAL PERFORMANCE

For the period ending June 2022



Source: © MSCI Real Estate 2022

ASSR labour market conditions will continue to strengthen over the medium term. Employment will increase significantly this year, with more modest gains forecast between 2023 and 2025. In 2022, employment will rise by a healthy 5.2%, followed by an annual average of just shy of 1.0% between 2023 and 2025. Growth will be strongest in the region's restaurant, health, and employment services sectors. The unemployment rate will hold relatively steady, as more people enter the labour force in search of employment.

Consumer spending growth will continue to impress over the next few years, following the unprecedented pandemic-induced decline. Consumer spending volume will rise by a healthy 4.2% in 2022, followed by an annual average increase of roughly 3.0% between 2023 and 2025. The positive spending outlook is predicated on a solid economic growth outlook and strong wage growth. Consumer spending growth rates will outpace the national average over the medium term, which will help drive economic growth.

RENTAL MARKET RECOVERY PACE TO MODERATE

The ASSR's multi-suite residential rental market recovery is expected to moderate over the near term. The forecast moderation is predicated largely on a sharp increase in construction activity that began in late 2021 and the first half of 2022. Roughly 26,000 newly constructed units will be delivered in 2022/2023. These additions will drive vacancy levels higher over the near term. Vacancy had already increased by 90 bps during the first half of 2022 to 8.3%, from the decade-low 6.0% at the end of 2021. The rate is forecast to rise to the 9.0% mark by the end of 2023. On aggregate, rental demand will fall short of supply, which will have an impact on the market's rent growth trend. As vacancy levels rise, rent growth will continue to moderate. Rental rate growth had already begun to slow by the midway mark of 2022. Over the near term, rents will continue to rise, as the ASSR rental market recovery moderates.

INVESTORS EXHIBITED CONFIDENCE

Investors exhibited an elevated level of confidence in the ASSR's multi-suite residential rental property sector recently. This confidence was evidenced by the record-high transaction volume reported for this market past. A record-high $18.7 billion of investment sales reported in 2021, followed by another $9.5 billion in the first half of 2022. Investors were attracted by the region's strong fundamentals, and near-term rent growth. In addition, the rationale for investing in this market was supported by its recent investment performance pattern. Properties contained in the MSCI Index posted an average total annual return of 30.7%, for the 12 months ending June 30, 2022. The stellar result was driven largely by cap rate compression. Cap rates declined to a cycle-low over the recent past, due in part to elevated investor confidence

INVESTMENT ACTIVITY WILL BE BRISK

Investment sales activity will remain brisk over the near term, in keeping with the recent trend. Investors, both local and from other states, will continue to source properties in this market that will meet their investment performance objectives. Investor confidence will remain elevated, given the market's healthy fundamentals and outlook. Investment demand will continue to support decade-high transaction closing volume, assuming sufficient product availability. Competition levels will remain high for newer properties boasting the market's highest rents. Aggressive bidding will ensure property values hold at the peak for the cycle. In short, investment sales activity will remain brisk over the near term.

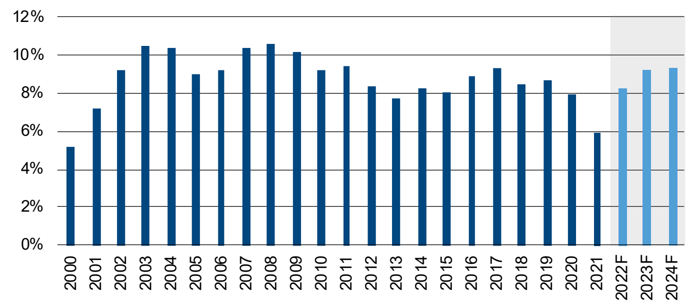
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▲
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

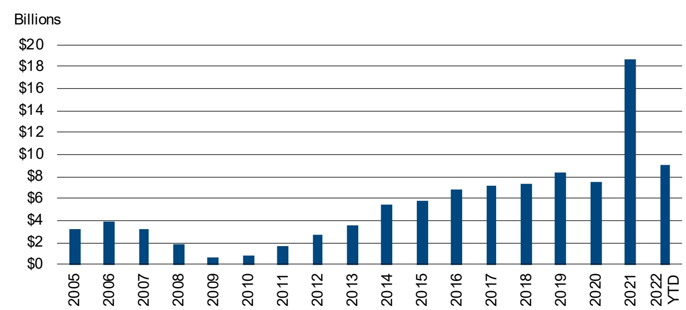
Atlanta Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Atlanta Multi-Suite Investment Volume to June 2022



Source: CoStar

Investment sales volume continued to peak during the first half of 2022, with a reported $9.5 billion in sales for the period.

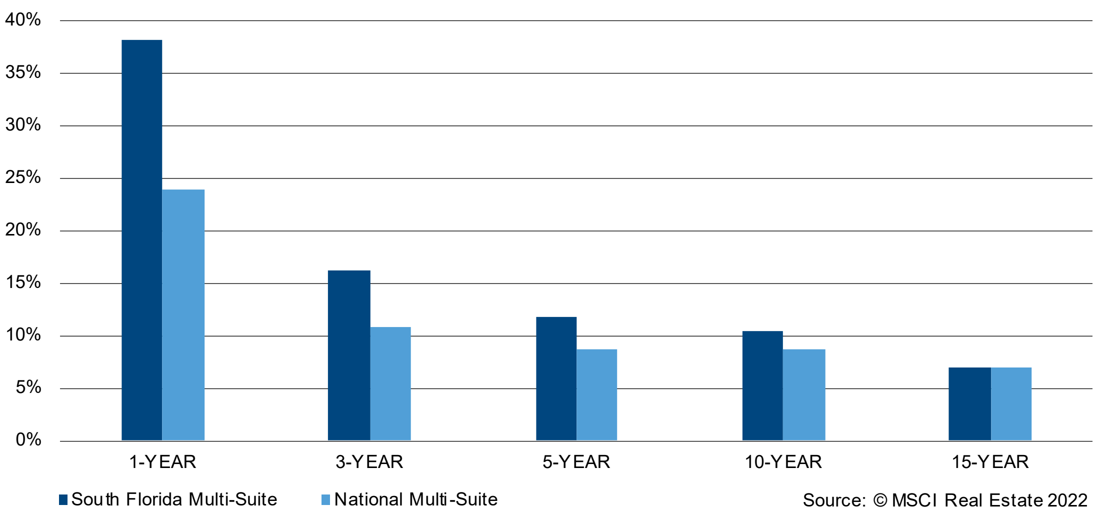
PALM BEACH, FL

ECONOMIC GROWTH TO GEAR DOWN

The Palm Beach MSA's economic growth trend will gear down over the near term, following a period of robust expansion. GDP is forecast to rise by a relatively modest 1.6% in 2023, after a 3.3% lift this year. Previously, the regional economy recovered quickly from the pandemic-driven 4.6% contraction of 2020. Progress in the MSA's labour market will also moderate over the near term, following a period of strong job creation activity in 2021 and early 2022.

HISTORICAL PERFORMANCE

For the period ending June 2022



The Palm Beach MSA's labour market is expected to continue to outperform over the medium term. Total MSA employment is projected to rise by an annual average of 1.5% between 2022 and 2026, 20 bps better than the national rate. Initially, job growth will increase by an above average 4.7% in 2022. The restaurant, retail, and hotel industries will be the region's leading job-growth drivers over the medium term. The unemployment rate will stabilize, ranging between 3.2% and 2.9% through to the midway mark of the decade.

Healthy consumer spending growth is forecast over the next few years, after the decade-high 7.2% rise in 2021. Spending volume will increase by a solid 3.5% in 2022, according to Oxford Economics. Subsequently, growth will average just over 2.0% annually between 2023 and 2025. Forecast economic and labour market growth will support increased consumer spending. Additionally, tourism and leisure activities will be employment key growth drivers over the near term.

SUPPLY TO INCREASE SUBSTANTIALLY

Multi-suite residential rental sector supply will increase substantially over the near term, following the modest additions to inventory of the recent past. Approximately 6,000 units will be added to Palm Beach's existing built inventory between 2022 and 2024. Previously, new construction completions had peaked between 2016 and 2018 when 7,238 units were added to inventory, according to CoStar. The new supply additions over the next few years will drive vacancy levels higher. The market average vacancy rate will continue to rise in 2022 and eclipse the 9.0% mark by 2023. As conditions become more balanced, renters will have an increased number of alternatives from which to choose when looking to move or enter the market. As renter options increase, rents will continue to rise. Strong demand patterns will drive rents higher across the market, despite a substantial supply increase over the near term.

INVESTMENT ACTIVITY ACCELERATED

Investment sales activity accelerated sharply over the recent past, in keeping with the national trend. CoStar reported a record annual high $3.4 billion of investment sales in the Palm Beach area in 2021. This was followed by an impressive $1.3 billion of transaction volume in the first half of 2022. The previous record-high annual sales total was $1.5 billion in 2018. Investors willingly invested in a market boasting strong fundamentals, record-high rents, and a healthy near-term performance record. South Florida properties contained in the MSCI Index generated an average total annual return of 38.2% for the 12-month period ending June 30, 2022. The outsized return was in keeping with most of the country's larger metros. The strong result was driven mostly by cap rate compression. Property values increased throughout 2021 and the first half of 2022 and reached a benchmark-high for the cycle. Investment activity is expected to remain aboveaverage over the near term, having accelerated over the past year and a half.

OUTLOOK IS LARGELY POSITIVE

The Palm Beach multi-suite residential rental sector outlook is largely positive. Rental demand will remain sufficiently strong enough to lease-up much of the near record-high new supply to be delivered between 2022 and 2024. In addition, rental rates will continue to slowly rise. Over a similar timeframe, vacancy will rise to a decade high. However, by 2025 the volume of new buildings added to inventory will slow substantially and vacancy will begin to decline. The largely positive leasing market outlook will continue to attract investors to this market, which assuming product availability, will support strong investment sales activity.

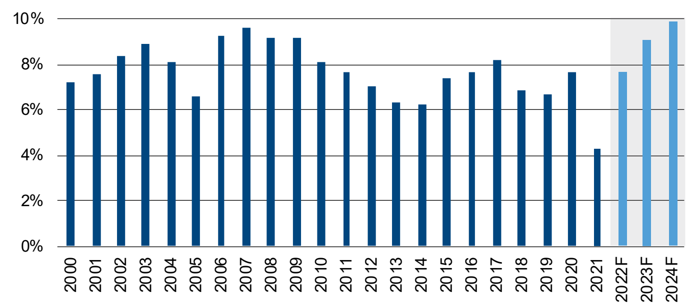
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

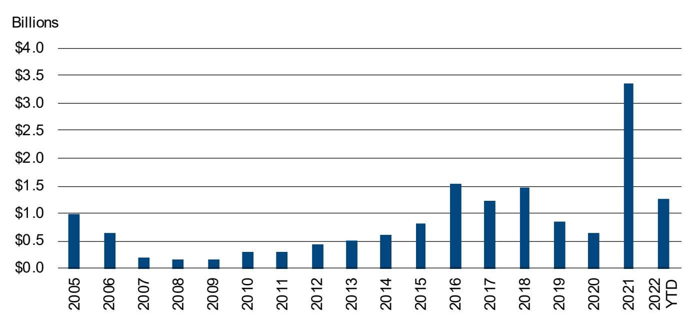
Palm Beach Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Palm Beach Multi-Suite Investment Volume to June 2022



Source: CoStar

Property values increased during 2021 and the first half of 2022 and reached a benchmark-high for the cycle.

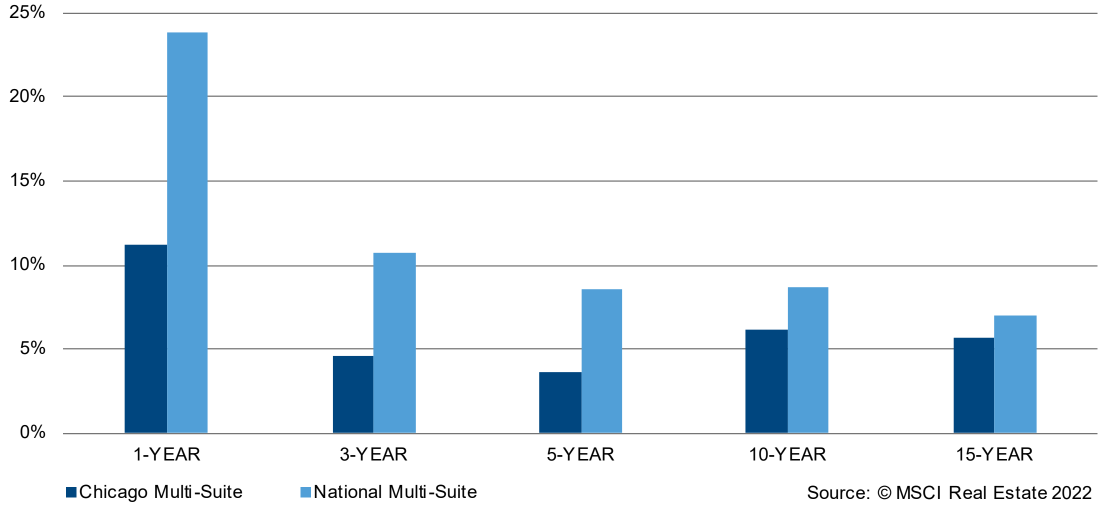
CHICAGO, IL

RELATIVELY SLOW RECOVERY FORECAST

A relatively slow recovery is forecast for the Chicago-Naperville-Elgin (CNE) MSA's economy. GDP will expand by a modest 2.6% in 2022. Annual growth of 1.9% is forecast between 2022 and 2026, 40 bps lower than the national average. The region's economic growth leaders will be its manufacturing, real estate, and professional and technical services sectors.

HISTORICAL PERFORMANCE

For the period ending June 2022



Source: © MSCI Real Estate 2022

The CNE MSA's labour market recovery will be somewhat underwhelming by comparison. The ranks of the employed will rise by a modest 1.1% annually between 2022 and 2026, according to Oxford Economics' forecast. An increase of 4.6% is forecast for 2022, followed by a disappointing 1.0% increase for 2023. The unemployment rate will hover close to the 4.0% mark over the next few years, which is indicative of the region's underwhelming labour market recovery.

The CNE MSA's consumer spending outlook is moderately positive. Consumer spending volume will rise by a modest 2.7% during 2022, following a markedly healthier 6.3% in 2021. Growth will average just shy of 1.8% annually over the subsequent three-year period. Economic and labour market growth rates are forecast to slow over the next few years. Despite the slowdown, the region's consumer spending outlook is moderately positive.

RENTAL MARKET OUTLOOK IS RELATIVELY STABLE

The CNE multi-suite residential rental market outlook is relatively stable. The market's average vacancy rate will range just below the 5.0% mark over the second half of 2022 and in 2023/2024. Vacancy is forecast to rise in several of the country's larger metros, due to an influx of new supply. Rental demand characteristics will remain strong over the near term, as vacancy levels stabilize. Rents will continue to rise over the next couple of years, given limited available supply and stable demand. Rent growth will surpass the market's long-term average of 2.2%. As a result, benchmark-high rents will be generated over the same time period. Additionally, rents will continue to justify new construction. Developers, therefore, will continue to exhibit confidence in a market with a relatively stable outlook.

INVESTMENT MARKET REBOUNDED

The CNE's multi-suite residential rental investment market rebounded strongly from the pandemic-induced slowdown. CoStar reported $5.3 billion of investment sales volume for 2021 and a further $3.0 billion in the first half of 2022. The total 2021 sales volume represented a decade-high, a pace that was sustained into 2022. Investors willingly placed capital into this market, given its near-term and long-term track record of stability and performance. Properties tracked in the MSCI Index posted an attractive 11.2% total return for the 12 months ending June 30, 2022. Investors targeted recently built and stabilized older properties. Preference was also observed for properties that were located close to transit lines in suburban locations. Aggressive bidding ensured valuations held at the peak for the cycle. Cap rate compression reported over the past year offered additional evidence of the market's firm rebound from the pandemic-induced downturn.

RECOVERY PHASE OF THE CYCLE WILL BE PROLONGED

The recovery phase of the multi-suite residential rental property sector cycle will be extended over the near term. The extended recovery will be driven largely by the market's stable and healthy rental demand fundamentals. The lease-up of available units will ensure leasing market conditions remain tight. Vacancy will continue to rest just below the 5.0% mark in 2023/2024, despite a significant increase in new supply deliveries. The market's average rental rate will slowly climb to a benchmark-high for the cycle. Strong and stable rental market conditions will continue to draw investors to this market. Therefore, sales volume will surpass the long-term average, as the recovery phase of the cycle continues.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

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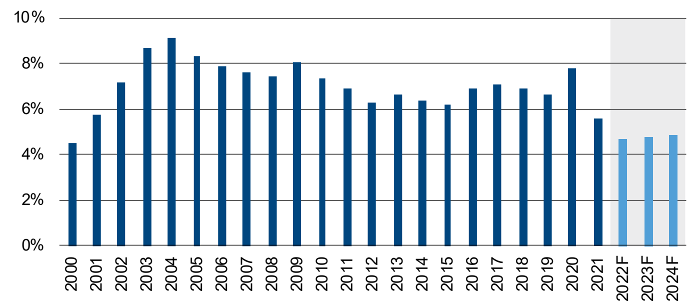
AVERAGE RENTAL VACANCY

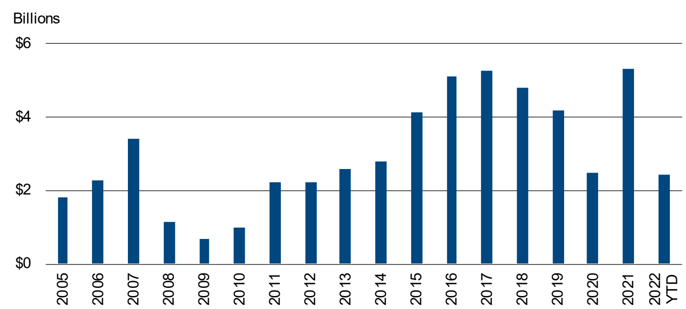
Chicago Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Chicago Multi-Suite Investment Volume to June 2022



Source: CoStar

Rental market conditions will continue to stabilize over the near term, having largely recovered from the negative impacts of the pandemic.

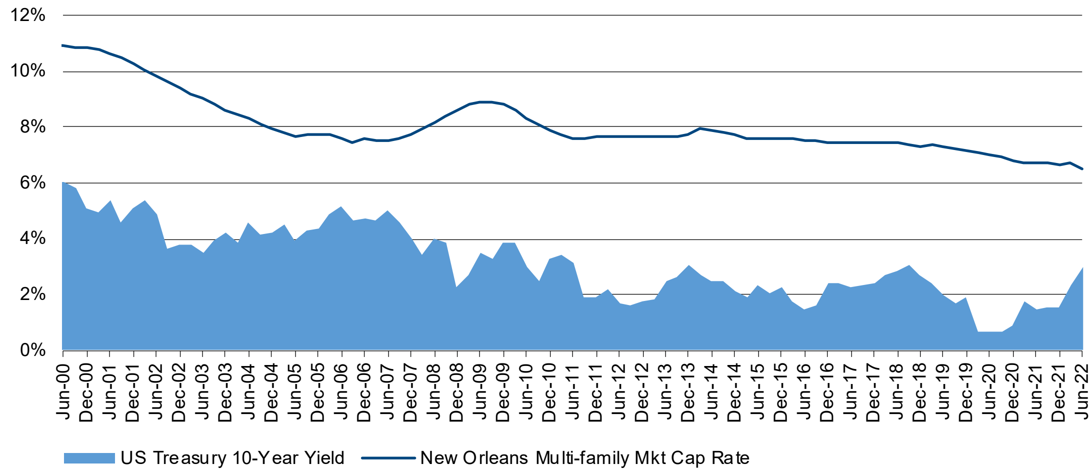
NEW ORLEANS, LA

ECONOMIC GROWTH WILL SLOW

The New Orleans-Metairie's (NOM) MSA economic growth trend will slow in 2023, following a period of uneven performance. Growth will range between 1.2% and 1.4% between 2023 and 2025, on an annualized basis. For 2022, a more robust advance of 3.2% is forecast. Previously, economic output rose by a solid 2.8% in 2021, following an unprecedented 5.8% pandemic-induced contraction in 2020. Labour market gains will slow by 2024, following a two-year period of stronger performance.

YIELD SPREADS

New Orleans Multi-Res Cap Rates vs. 10-Year Treasury Yield



Source: CoStar, U.S. Department of the Treasury

NOM MSA labour market recovery will slow significantly over the medium term, having posted healthy gains during 2022/2023. Employment will stabilize with growth of less than 0.2% forecast between 2024 and 2026 on an annual basis. In 2022, employment is projected to rise by a much healthier 4.6%. The region's unemployment rate will also stabilize over the next few years. The rate is expected to average 4.4% between 2022 and 2024. Wage growth will stabilize over the medium term while the labour market recovery slows.

Consumer spending growth will moderate over the medium term. Spending will increase by an annual average of 2.0% between 2024 and 2025, according to Oxford Economics' July 2022 forecast. The growth rate flattening will follow a three-year period of strong gains. In 2022, pent-up demand and healthy economic growth will help drive consumer spending higher by 3.5%, with a subsequent 2.6% advance forecast for 2023. In 2024, growth will begin to moderate, which is in line with the national consumer spending outlook.

RENTAL MARKET OUTLOOK IS MIXED

The NOM MSA's near-term multi-suite residential rental market outlook is mixed. On the positive side of the ledger, rents will continue to increase in most market segments. The market's average monthly rent will rise by 5.4% in 2022, with increases of 4.5% and 4.7% forecast for 2023 and 2024, respectively. On the other hand, rental demand patterns will remain relatively weak. In addition, regional population growth will remain muted. On aggregate, rental market supply will outdistance demand over the near term. As a result, vacancy will continue to rise. CoStar is projecting vacancy will rise to 9.9% by the end of 2022, up 210 bps year-over-year. A modest 30-bps decline is forecast for 2023. Vacancy was driven higher to some extent by the 690 newly built units completed over the 12 month period ending June 30, 2022. In short, the outlook for the NOM MSA's rental market is relatively mixed.

INVESTMENT SALES PEAKED

Investment sales activity peaked over the recent past, mirroring the national trend. A total of $229.8 million of multi-suite residential rental property sales was reported for the first half of 2022 and $266.7 million for 2021. Activity levels rose sharply from the $132.5 million of sales reported for 2019 before the pandemic. As sales activity increased, acquisition pricing and property values rose to a cycle high. At the same time, investor confidence levels increased substantially. The most expensive and generally newer properties were often purchased by out-of-state groups. A significant portion of properties sold were older and needed updating. Purchasers of these properties expected to increase rents when renovations were completed. The sharp increase in investment sales of the recent past was in keeping with the national trend.

SUPPLY FUNDAMENTALS WILL IMPROVE

NOM multi-suite residential rental sector supply fundamentals will gradually strengthen over the medium term. Vacancy will begin to decline by 2023, having climbed to a 12-year high of 9.9% by the end of 2022. Subsequently, vacancy will continue to decline to the long-term average of 8.1% by 2026, according to CoStar. As vacancy levels decline, construction activity will increase but remain below the long-term average in 2023/2024. The supply-side strengthening will support increased upward rental rate pressure over the medium term. In short, NOM multi-suite residential rental sector supply fundamentals will gradually improve over the near term.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

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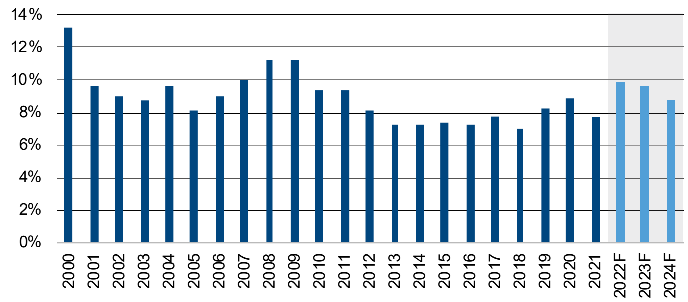
AVERAGE RENTAL VACANCY

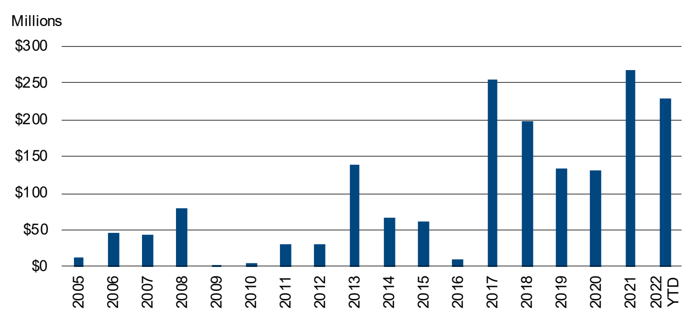
New Orleans Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

New Orleans Multi-Suite Investment Volume to June 2022



Source: CoStar

Investment sales volume peaked during the first half of 2022, with a robust $229.8 million of property transactions reported.

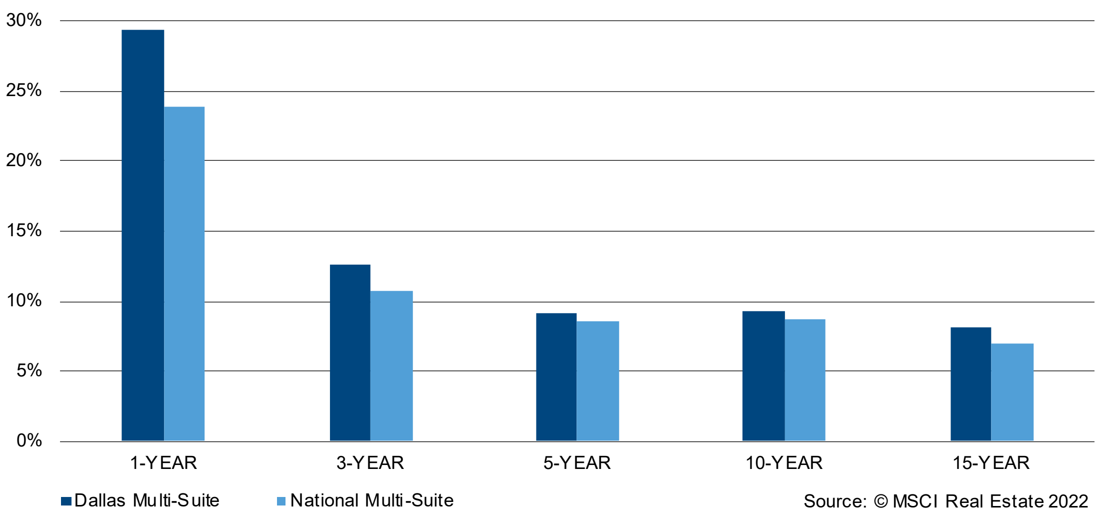
DALLAS, TX

ECONOMY WILL CONTINUE TO OUTPERFORM

The Dallas-Fort Worth-Arlington (DFWA) MSA's economy will outperform over the medium term. GDP will expand by a solid 3.5% in 2022, after an outsized 7.2% advance in 2021. Between 2022 and 2026, annual growth will average 2.7%, 50 bps higher than the national rate. The region will remain a preferred relocation destination for corporations, which will boost output. Labour market conditions will strengthen over the medium term, driven by the region's economic diversity and outperformance.

HISTORICAL PERFORMANCE

For the period ending June 2022



The regional job market will improve considerably over the near term, due largely to above-average economic growth. Employment will increase by a healthy 5.1% in 2022, besting the 4.4% gain in 2021. The region's unemployment rate will decline significantly. An average rate of 3.6% is forecast for the end of 2022, down 150 bps year-over-year. By 2023, the region's labour market recovery will slow down, having bounced back relatively quickly from the pandemic losses.

Consumer spending patterns will remain healthy over the next few years. Consumer spending will increase by an annual average of 3.2% between 2022 and 2026. Growth will be driven in large part by above-average economic and job market performance and strong wage growth. In-migration patterns and population growth will also drive spending growth. Previously, consumer spending increased by a robust 10.2% in 2021, due largely to pent-up demand.

STRONG RENTAL MARKET PERFORMANCE FORECAST

A strong rental market performance is forecast for the DFWA's multi-suite residential property sector over the near term. Rental demand will remain robust, driven by job growth and continued in-migration. Demand will surpass the long-term average by a wide margin, having hit record-high levels in 2021 and early 2022. Vacancy will stabilize, holding close to the 7.0% mark between 2022 and 2024, according to CoStar. Rental demand will largely match supply over the same time period. Demand will be sufficiently strong enough to push rents materially higher. Rent growth will moderate over the medium term, following a 14.8% spike in 2021. The region's landlords will continue to command higher rents when units are vacated. Landlord income streams will continue to strengthen over the near term, assuming the strong rental market forecast unfolds as expected.

INVESTORS WERE BULLISH

Investor sentiment toward the DFWA's multi-suite residential rental property sector was bullish over the recent past. The bullish view factored into the recent surge of investment property sales across the region. Investment transaction volume increased to an 11-year annual high of $8.6 billion in 2021. The record-pace was maintained in the first half of 2022 when $3.4 billion of transaction volume was reported. A range of investment groups contributed to the record sales pace, including several out-of-state groups. Institutional groups accounted for a significant share of sales activity in this market. Robust investment demand and increased competition drove property values to a record high. Cap rates dropped to an all-time low. Cap rate compression and rent growth boosted investment performance. Properties contained in the MSCI Index posted an average total return of 30.3% for the 12-month ending June 30, 2022. The strong result was supportive of the bullish view investors had toward this market.

RECENT TRENDS WILL PERSIST

Trends observed in the DFWA's multi-suite residential rental sector over the recent past will persist over the near term. Rental market conditions will remain healthy and stable. Healthy rental demand patterns will be driven by demographic trends and job growth. At the same time, rent growth and the sector's performance outlook will draw investors to this market. Institutional buyers will look to source larger investment opportunities in a market that is expected to outperform. In short, trends observed in this market over the recent past will persist over the near term.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	—
LEASE RATES	▲	▲
NEW SUPPLY	▼	▲

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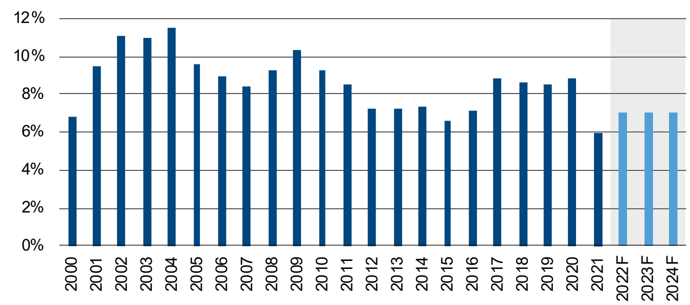
AVERAGE RENTAL VACANCY

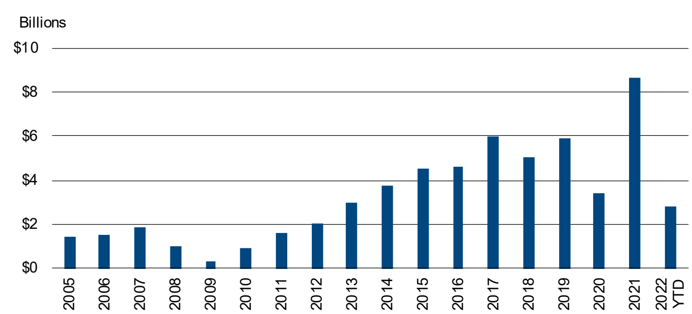
Dallas Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Dallas Multi-Suite Investment Volume to June 2022



Source: CoStar

Cap rate compression and rent growth boosted investment performance over the recent past.

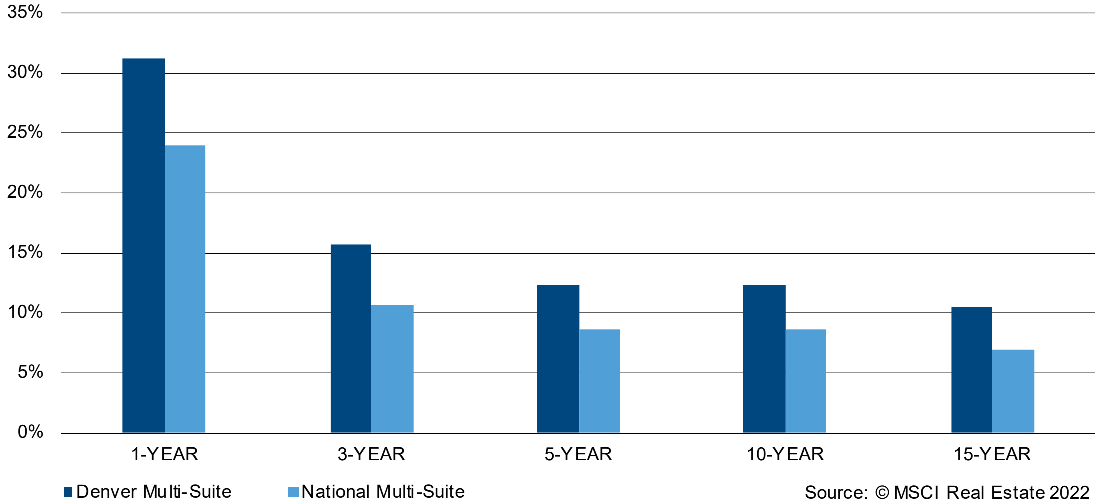
DENVER, CO

STRONG GROWTH TREND FORECAST

A strong economic growth trend is forecast for the Denver-Aurora-Lakewood (DAL) MSA through to the midway mark of the current decade. Economic output will rise by an annual average of 2.8% between 2022 and 2026, 60 bps higher than the national growth rate. The region's growth leaders will be its real estate, professional and technical services, and technology-based sectors over the next few years. The region's labour market will outperform over the medium term, along with its economy.

HISTORICAL PERFORMANCE

For the period ending June 2022



Source: © MSCI Real Estate 2022

The DAL MSA's labour market recovery will slow over the medium term, having bounced back quickly from the pandemic. Total employment will advance by roughly 4.5% this year, building on 2021's 3.2% lift. However, growth will moderate, with employment increasing by an annual average of 1.1% between 2023 and 2025. The region's unemployment rate will drop sharply in 2022, falling 220 bps year-over-year to 3.3%. The unemployment rate will fall by a modest 30 bps in 2023, as the region's labour market recovery slows.

Consumer spending growth will stabilize over the medium term, following a two-year period of strong performance. Between 2023 and 2026 consumer spending will advance by an annual average of almost 3.0%. Spending volume is expected to increase by 3.8% in 2022, following the pent-up demand driven 8.7% increase in 2021. Job market advancement forecast over the next few years will support a healthy medium-term consumer spending growth trend.

HEALTHY FUNDAMENTALS FORECAST

Healthy rental market fundamentals are forecast for the DAL MSA's multi-suite residential sector over the near term, despite a surge of new supply. Strong rental demand patterns are forecast over the balance of 2022 and 2023. The rising cost of home ownership will force many families to continue to rent in this market. Denver will continue to attract migrants from other states at a relatively high rate. A significant share of these new arrivals has traditionally rented accommodation in their first year of residency. Strong rental demand will drive asking rents higher over the near term. Some owners will offer free rent and other incentives to prospective tenants. This trend will be more prevalent for recently built properties in the downtown area. Roughly 23,000 newly built units will be added to inventory in 2022/2023. As a result, vacancy levels will steadily rise from the six-year low 6.6% reported at the end of 2021. Despite the rising vacancy trend, the near-term rental market outlook is largely healthy.

CAPITAL FLOW INCREASED SUBSTANTIALLY

The flow of investment capital into the DAL's multi-suite residential rental property sector increased substantially recently. A record-high $10.3 billion of investment capital was injected into the sector during 2021. The pace was sustained in the first six months of 2022, when an additional $3.9 billion of capital flowed into this market. Investors looked to acquire properties in a market with strong fundamentals, healthy rent growth, and attractive yields. As activity levels increased, cap rates compressed, and values climbed to a benchmark-high. Competition was most intense for newer properties in the downtown area. Properties with upside potential and/or value-add attributes were also well received by the investment community. Out-of-state buyers were active and aggressive bidders. Private equity groups also scoured the region for investment opportunities. When properties were offered for sale they sold with relative ease, which drove sector investment capital flow to a record-high over the recent past.

RETURNS WILL REMAIN ATTRACTIVE

DAL multi-suite residential rental sector investment returns will remain attractive over the near term. This forecast assumes persistent downward pressure on cap rates and rent growth. Returns will likely moderate but remain attractive. Cap rates declined to a decade-low in 2021. Rates were expected to stabilize over the near term. Rent growth is also expected to moderate, given rising and slightly weaker demand. Despite the moderation, the sector is expected to continue to generate attractive returns over the near term.

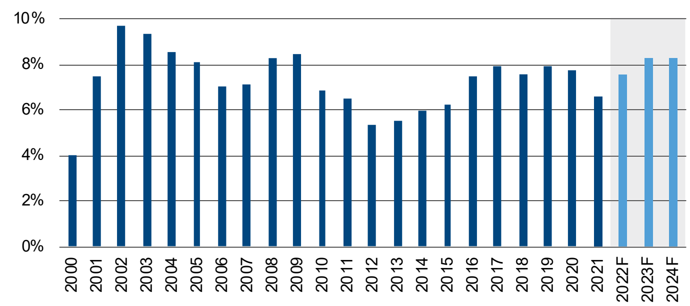
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	▲
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

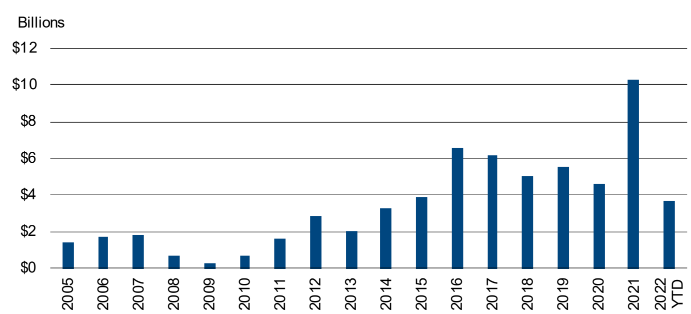
Denver Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Denver Multi-Suite Investment Volume to June 2022



Source: CoStar

Investment capital was injected into the DAL MSA's multi-suite residential rental sector at a record rate during 2021 and the first half of 2022.

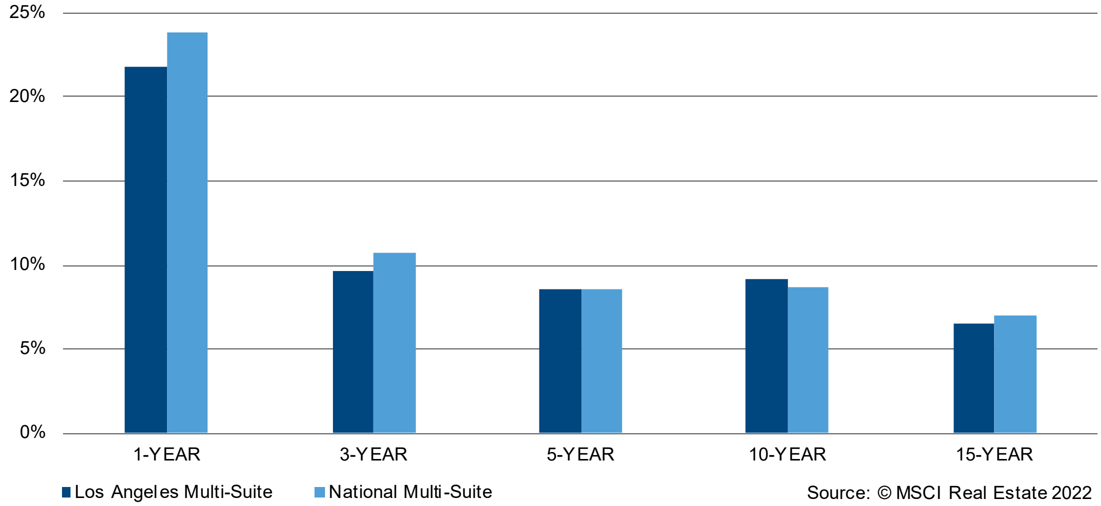
LOS ANGELES, CA

GROWTH OUTLOOK IS STABLE AND HEALTHY

The Los Angeles-Long Beach-Anaheim (LALBA) MSA's economic growth outlook is generally stable and healthy. The region's economy will expand by an annual average of 2.5% between 2022 and 2026, according to Oxford Economics. The expansion rate is 30 bps higher than the national average. Better-than-average job growth is also forecast for the LALBA MSA over the medium term, after a somewhat disappointing initial recovery from the pandemic-driven decline.

HISTORICAL PERFORMANCE

For the period ending June 2022



Source: © MSCI Real Estate 2022

Substantially stronger labour market performance is forecast for the LALBA over the near term. Oxford Economics is predicting employment will increase by 5.8% in 2022, to be followed up by a solid 2.0% rise in 2023. As a result, the region's unemployment rate will drop relatively sharply. The percentage of unemployed workers will drop 370 bps to 4.6% in 2022 and a further 40 bps in 2023. In 2020, employment had plunged by a record 8.3% while the unemployment rate peaked at 11.6%.

Consumer spending patterns will remain relatively healthy over the medium term. Spending will increase by an above average 4.6% in 2022, on the heels of a robust 7.4% gain in 2021. Growth will moderate between 2023 and 2026. During this period, consumer spending will rise by an annual average of just over 2.0%. Employment, wage and population growth will support a relatively healthy consumer spending pattern over the medium term.

RENTAL MARKET TIGHTNESS TO PERSIST

Conditions in the LALBA multi-suite residential rental market will remain tight over the near-to-medium term. Vacancy is projected to range between 3.4% and 3.7% over the balance of 2022 and the next few years. Strong rental demand patterns will ensure conditions remain tight. LALBA is one of the most expensive regions in the country in which to own a home. As a result, many of the region's families and individuals are forced to rent. In addition, building affordable housing is costly and difficult. Therefore, rental demand will continue to outpace supply, despite a relatively robust development pipeline. The demand-pressure will continue to drive rents higher over the near term, in keeping with the national trend. The upward pressure will be more moderate for properties in the downtown area, given higher vacancy levels. Rents for more affordable units will rise more sharply, given stronger demand and limited availability. Overall, near-to-medium rental market conditions will remain tight.

INVESTMENT SALES ACTIVITY PEAKED

Sales of multi-suite residential rental property in the LALBA area peaked over the recent past, mirroring the national trend. Investment sales volume totalled $8.9 billion during the first half of 2022, following the 11-year annual high of $12.0 billion in 2021. Investors exhibited increased confidence in a market and sector that boasted strong fundamentals, rent growth, and a healthy near-term outlook. As investors poured funds into this market over the past 18 months property values climbed to a decade-high. Additionally, cap rates compressed and returned to the cycle-low levels reported prior to the pandemic. Investors continued to acquire assets in this region even as prices reached peak levels. As prices increased, investment performance improved. Properties tracked in the MSCI Index generated an annual average total return of 23.3% for the 12-month period ending at the midway mark of 2022. Driven in large part by cap rate compression, the strong result coincided with the investment sales volume peak.

RECOVERY PHASE OF CYCLE TO MATURE

The recovery phase of the LALBA multi-suite residential rental sector cycle will mature over the near term. Over the next couple of years, strong demand fundamentals will support progressively tight rental market conditions and a moderate rent growth trend. At the same time, investors will continue to place investment funds into the market at an above-average rate. Investment sales will surpass the decade average, given stable investor confidence levels. Cap rates will compress at a modest rate. Yields will remain attractive, as the market's recovery continues to mature over the near term.

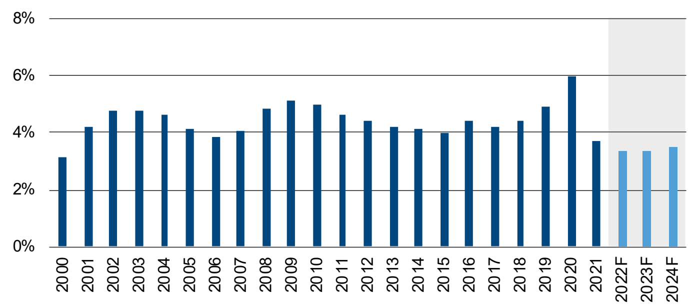
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	—	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

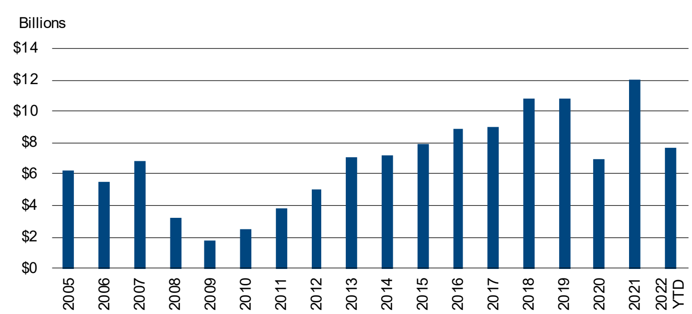
Los Angeles Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Los Angeles Multi-Suite Investment Volume to June 2022



Source: CoStar

Properties tracked in the MSCI Index generated an average total return of 23.3% for the 12-month period ending at the midway mark of 2022.

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