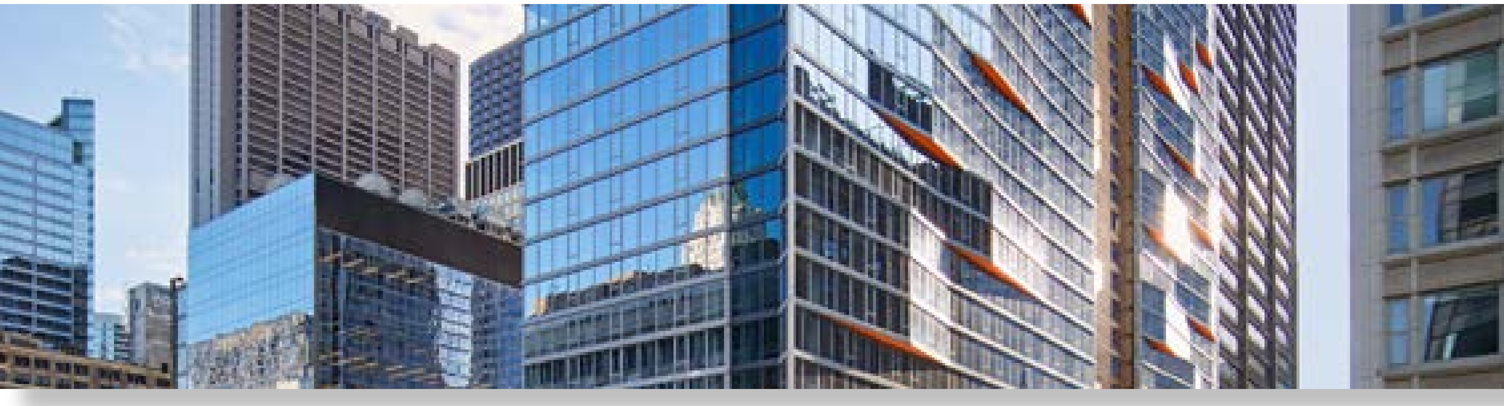
2024 U.S. ECONOMIC OUTLOOK

& MULTI-SUITE RESIDENTIAL RENTAL MARKET FUNDAMENTALS
MID-YEAR UPDATE 5TH ANNUAL EDITION

MID-YEAR UPDATE

CONTENTS



NATIONAL

METROPOLITAN

ABOUT

Note: All $ amounts in USD

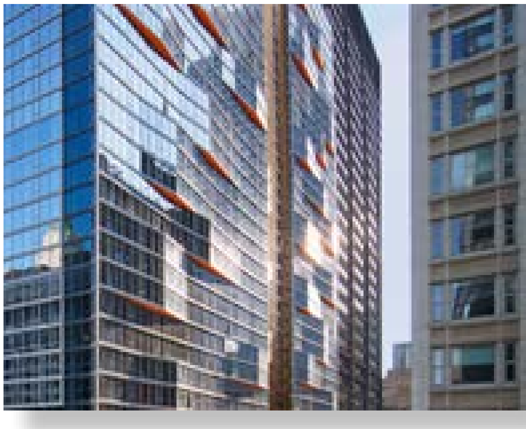
NATIONAL ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

The U.S. multi-suite residential rental market fundamentals will begin to stabilize in the second half of 2024, a trend that will continue into 2025. New supply deliveries will slow substantially over roughly the same time-period. Rents are expected to rise at a modest and sustainable rate in 2025, against a backdrop of a more balanced demand-supply rental market dynamic.

NATIONAL

ECONOMIC REPORT

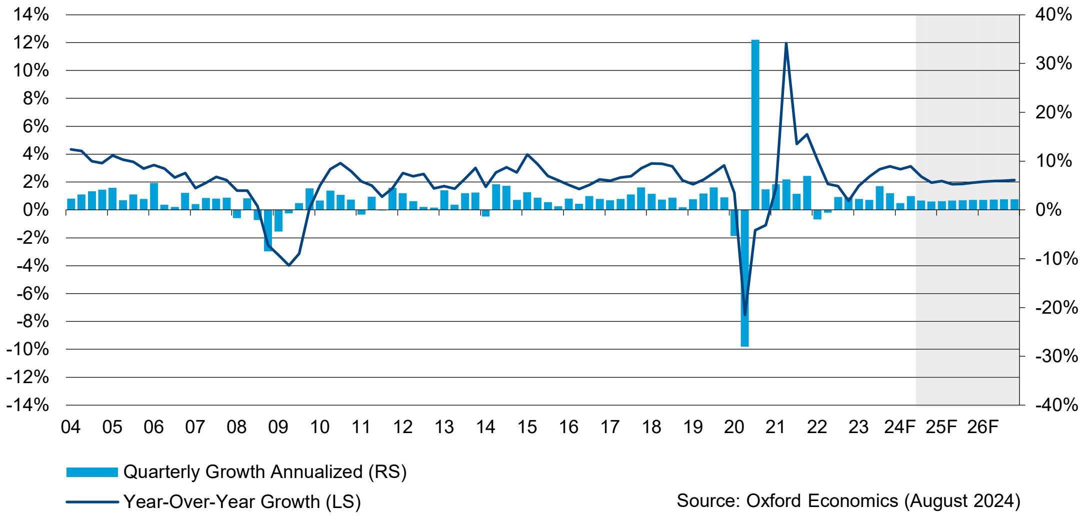
ECONOMY IS EXPECTED TO GEAR DOWN



The U.S. economy is expected to gear down over the near term, before settling into a relatively stable and moderate growth pattern. Economic expansion of between 2.0% and 2.5% is forecast for 2024 on an annualized basis, which is comparable to the 2.3% gain posted for 2023. The economy will begin to gear down in the second half of 2024. Subsequently, economic growth will stabilize. Output is projected to increase by a moderate annual average just shy of 2.0% in 2025/2026.

U.S. REAL GDP GROWTH

% Change



Source: Oxford Economics (August 2024)

The economic slowdown forecast over the near term is attributable to several factors. The negative impact of restrictive monetary policy on the nation's consumers and businesses will persist through to end of 2024. Consumers are expected to cut back on spending, despite relatively healthy household balance sheets. The prospect of an economic uptick is unlikely while housing market activity remains muted. Many U.S. households have been effectively priced out of the ownership market by the high cost of mortgage capital. Stubbornly elevated inflation will continue to erode consumer and business spending power and confidence to some degree. Labour market conditions will weaken over the near term, resulting in reduced activity in certain sectors of the economy. In short, the U.S. economy will gear down over the near term, a performance that can be attributed to more than one factor.

LABOUR MARKET FUNDAMENTALS WILL CONTINUE TO SOFTEN

U.S. labour market fundamentals will continue to soften over the near term. This forecast softening is predicated on the ongoing effects of relatively high lending rates and inflation on hiring activity. Labour market demand will outdistance supply over the second half of 2024, a trend that will carry over into early 2025. As a result, the unemployment rate will gradually rise. The U.S. unemployment rate is projected to rise to a four-year high of 4.0% in 2024, up 40 bps year-over-year. Another 20-bps increase is forecast for 2025. Wage growth will ease as hiring activity slows. Despite the near-term softening, labour market conditions will remain relatively healthy. The labour force will continue to expand, driven in large part by immigration. The initial signs of a labour market cooldown were observed during the spring and summer of 2024. In July, non-farm payrolls rose by roughly 114,000, which was markedly lower than both the consensus forecast and the pre-pandemic monthly average. The unemployment rate edged higher; however, the upward pressure was concentrated in the younger worker market segment. Over the near term, U.S. labour market fundamentals will continue to soften, in line with the recent trend.

CONSUMER SPENDING GROWTH TO STABILIZE

Consumer spending growth will stabilize over the near term, having more than recovered from the pandemic-influenced contraction. Consumer outlays are projected to increase by an annual average of 2.1% in 2024, with a similar advance forecast annually through 2027. The Federal Reserve is expected to begin to lower interest rates by the end of 2024, which will help drive household spending. Spending on large-ticket items will increase if borrowing costs continue to fall. Wages are expected to continue to rise over the near term, boosting the spending power of U.S. consumers. Inflation will continue to gradually ease in the second half of 2024, which will translate into increased consumer outlays on discretionary goods and services. Job and population growth will also drive spending volume higher over the next few years. In short, the consumer spending growth outlook is both stable and positive.

Labour market demand will outdistance supply over the second half of 2024, a trend that will carry over into early 2025.

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 (e.g., real GDP growth could be +/-, yet indicate a growing/shrinking trend).

RATE CUT EXPECTED BY END OF YEAR

The Federal Reserve (Fed) is expected to lower its benchmark interest rate at least once before the end of 2024. By doing so, the Fed will send a clear message that inflation has fallen to an acceptably low level. However, the timing of the first and subsequent rate cuts will carrry a significant degree of risk. If the Fed lowers its benchmark interest rate prematurely, inflation may remain stubbornly high or potentially rise. Lower interest rates could stimulate economic activity. Conversely, maintaining the benchmark policy rate higher for longer could negatively impact both the U.S. economy and labour market. The U.S. economy has already slowed substantially in the first half of 2024, following better-than-expected growth in 2023. The probability of a sharper-than-expected economic slowdown or recession would most certainly increase with a monetary-policy misstep. Despite the inherent risks, however, the consensus forecast calls for the Fed to initiate its first rate cut during the final few months of 2024.

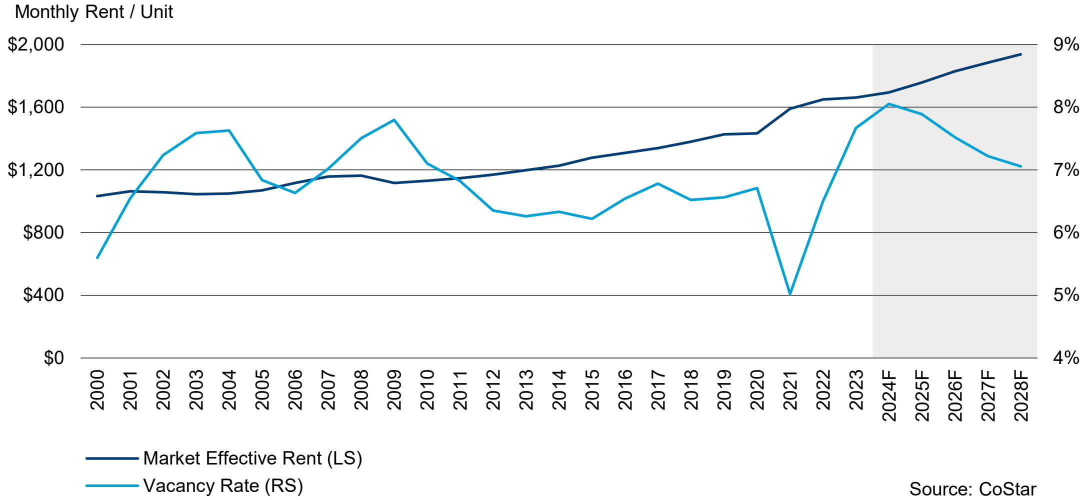
MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

RENTAL MARKET STABILIZATION TO UNFOLD

The U.S. multi-suite residential rental market will stabilize over the near term, having softened over the past two years. The forecast stabilization is based on a combination of increased demand and a slowdown in new supply deliveries. Demand for rental accommodation will continue to rebound in the second half of 2024, in line with the first half market trend.

MULTI-RESIDENTIAL RENT & VACANCY

Historical & Forecast Aggregates



Source: CoStar

A stable economy and population growth will continue to support generally healthy demand patterns. The volume of renter households moving into the ownership market will remain low, which will help stabilize demand. New supply deliveries are projected to decline substantially in the second half of 2024 and in 2025. Construction starts slowed during the first half of 2024 due to a combination of high costs of capital and construction and a weaker rental market outlook.

A more balanced demand supply rental market dynamic is forecast for the second half of 2024 and into 2025. Vacancy will begin to decline, having peaked at 8.0% in 2024. The absorption of vacant space in recently constructed buildings will result in sustained upward rent pressure. The average U.S. rent is expected to rise by at least 3.0% in 2025, after a two-year run of markedly slower rent growth. In short, rental market conditions are expected to stabilize over the near term.

INVESTMENT PROPERTY SALES ACTIVITY TO REMAIN MUTED

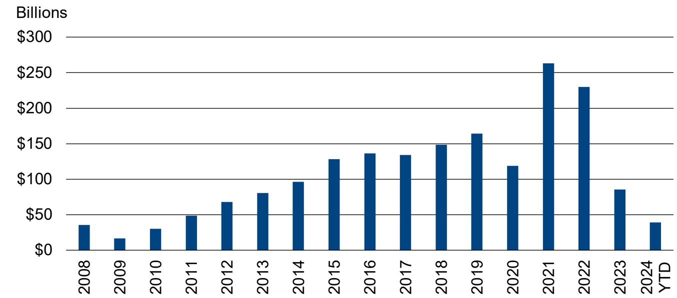
Investment property sales activity in the U.S. multi-suite residential rental sector will remain muted over the near term. The muted investment sales forecast is largely attributable to two main factors. The first is a significant gap between purchaser bids and vendor asking prices on properties made available for acquisition. Second, a substantial number of interest-rate sensitive investors will remain on the sidelines while borrowing costs remain elevated. Investment sales volume, therefore, will remain well below levels reported during the most recent market peak over the near term. Despite the shortfall, recently built properties will continue to generate strong interest when offered for sale. Institutional and national groups will focus on acquiring premium-quality assets in a sector with a healthy long-term outlook. Private groups will look to expand their portfolios during a period of reduced competition. Workforce assets will also be well-received, given a recent track record of above-average rent growth and occupancy. Over the recent past, investment activity has slowed substantially in Sun Belt regions where vacancy remains elevated and rent growth has stalled. In summary, the flow of investment capital into the multi-suite residential rental property sector will remain muted through to early 2025.

INVESTMENT PERFORMANCE WEAKNESS TO CONTINUE

A relatively weak investment performance pattern is forecast for the U.S. multi-suite residential rental sector over the near term, in line with the trend of the past few years. Downward pressure on property values will persist, largely offsetting stable and positive income performance. At some point during 2025, property values will begin to stabilize as market fundamentals improve. The stabilization is dependent to some extent on lower borrowing costs. The relatively weak investment performance forecast over the near term will represent an extension of the trend observed in recent years. Properties contained in the MSCI Index registered a total average annual return of -5.1% for the year ending June 30, 2024. Property values have declined steadily over the past two years while capitalization rates have decompressed. The downward valuation pressure appeared to have eased somewhat by the summer of 2024. However, property values are expected to continue edging lower over the near term, a period during which investment performance will remain relatively weak.

INVESTMENT ACTIVITY

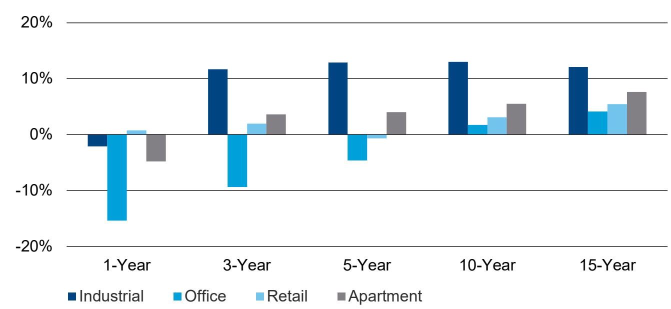
Total Multi-Suite U.S. Investment Volume to June 2024



Source: CoStar

U.S. MSCI RETURNS

Annualized Returns by Property Type to June 2024



Source: © MSCI Real Estate 2024

At some point during 2025, property values will begin to stabilize, as market fundamentals improve.

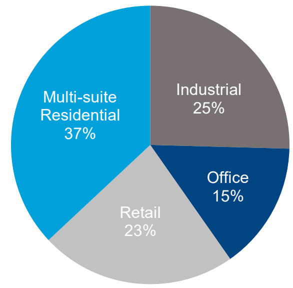
NEW SUPPLY DELIVERIES TO SLOW

New supply deliveries will slow substantially over the near term. The sector's pipeline of projects underway declined significantly in the first half of 2024. A total of 821,000 units of new supply were under construction across the U.S. as of the end of June 2024, down sharply from the almost 1.2 million units underway as the end of March 2023. The slowdown is attributable to the high cost of construction and debt capital, as well as reduced construction lending availability. In addition, sourcing equity capital has been somewhat more challenging. Approximately 345,00 units of new supply are forecast for delivery in 2025, down sharply from the 570,000 units expected this year. As new supply deliveries decline over the near term, rental market conditions will steadily strengthen.

A total of 821,000 units of new supply were under construction across the U.S. as of the end of June 2024.

TOTAL SALES BY PRODUCT

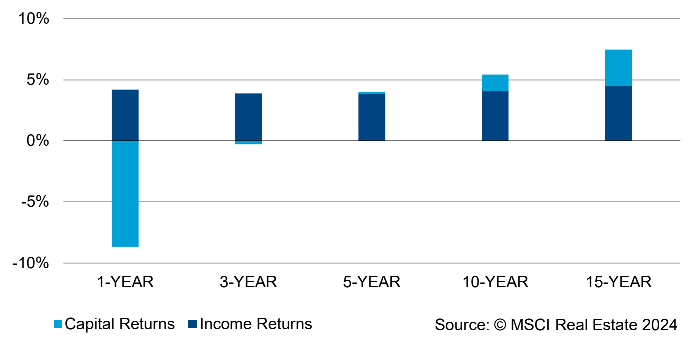
18 Months To June 2024



Source: CoStar

U.S. MULTI-SUITE ANNUALIZED RETURNS

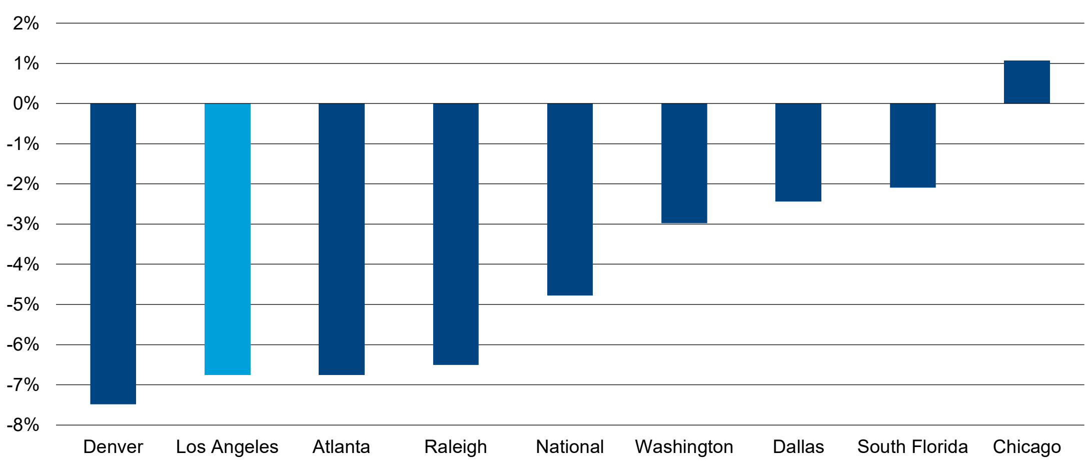
Performance For The Period Ending June 2024



Source: © MSCI Real Estate 2024

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending June 2024



Source: © MSCI Real Estate 2024

INVESTMENT MARKET TRANSACTIONS

WASHINGTON DC

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
8100 Pallisades Cir	May-24	$85.3M	304	$280,592	2016	A	Stonebridge Investments
4900 Allertow Rd	Apr-24	$66.0M	240	$275,000	2020	A	Hamilton Zanze & Company
8300 Wisconsin Ave	Apr-24	$150.0M	359	$417,827	2016	A	Apartment Income REIT
14110 Big Crest Ln	Apr-24	$71.5M	304	$235,197	2005	A	Covenant Capital Group
140 S Van Dorn St	Mar-24	$225.0M	1,180	$190,678	1967	B	Shoreham Capital
2121 N Westmoreland St	Feb-24	$100.0M	208	$480,769	2010	A	Pantzer Properties

RALEIGH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
4710 Mint Leaf Ln	May-24	$81.1M	306	$265,000	2023	B	Mid-America Apartment Communities
2421 Brightcreek Falls Trl	Jan-24	$86.5M	384	$225,260	2023	B	Apartment Income REIT

ATLANTA

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
100 Preston Creek Dr	May-24	$52.4M	334	$156,811	2001	A	ARC Multifamily Group
1265 Mount Vernon Hwy	Apr-24	$102.5M	412	$248,786	1997	A	Pacific Urban Investors, LLC
2110 Preston Park Dr	Apr-24	$97.0M	440	$220,455	2002	B	Greystar Real Estate Partners
1460 Distribution Dr	Mar-24	$62.9M	258	$243,724	2013	B	RangeWater/Nippon Steel Kowa
1050 Lenox Park Blvd NE	Feb-24	$85.0M	407	$208,845	2001	B	RPM
180 Jackson St NE	Feb-24	$115.0M	592	$194,257	2010	A	Hilltop Residential
12000 Prose Cir	Jan-24	$62.7M	318	$197,013	2022	A	LMS Investment Mgt./Island Capital

PALM BEACH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
7130 Okeechobee Blvd	Feb-24	$83.5M	245	$340,816	2018	A	Pantzer Properties

CHICAGO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
14750 S Wallin Dr	Apr-24	$78.4M	284	$275,880	2021	A	Continental Properties Company, Inc
1326 S Michigan Ave	Mar-24	$144.0M	500	$288,000	2019	A	FPA Multifamily LLC
850 N Lake Shore Dr	Mar-24	$79.8M	198	$402,778	1927	A	Crescent Heights

NEW ORLEANS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
1499 Central Park Blvd	Mar-24	$65.0M	360	$180,556	2022	B	Four Corners Development Group

DALLAS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
11600 Audelia Rd	Apr-24	$21.0M	216	$97,315	1981	B	ATX Acquisitions

DENVER

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
5335 S Valentia Way	Apr-24	$117.0M	420	$278,571	2002	B	Pacific Urban Investors, LLC
932 S Helena Way	Mar-24	$74.0M	360	$205,556	1984	C	Bascom Group/OBREM
15490 E Center Ave	Mar-24	$51.5M	208	$247,596	1998	B	Tahoma Capital Partners
8153 W Eastman Pl	Feb-24	$124.3M	352	$352,983	1997	A	Brixton Capital
700 S Reid Ct	Feb-24	$74.3M	318	$233,648	1974	C	Colrich
Garrett Companies Portfolio	Feb-24	$132.5M	434	$305,300	2022/2023	A/B	Harbor Group International, LLC
1300 S Willow St	Jan-24	$68.3M	252	$270,833	2023	B	Gelt Inc
828 N Broadway	Jan-24	$62.0M	200	$310,000	2015	A	HSR Management Inc
3205 W Floyd Ave	Jan-24	$44.1M	217	$203,226	1983	C	Orion Real Estate Partners

LOS ANGELES

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
4735 Sepulveda Blvd	Apr-24	$72.5M	236	$307,203	1988	B	Abacus Capital Group
5710 Crescent Park E	Apr-24	$122.1M	214	$570,561	2003	B	DivCore

METROPOLITAN ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

METROPOLITAN

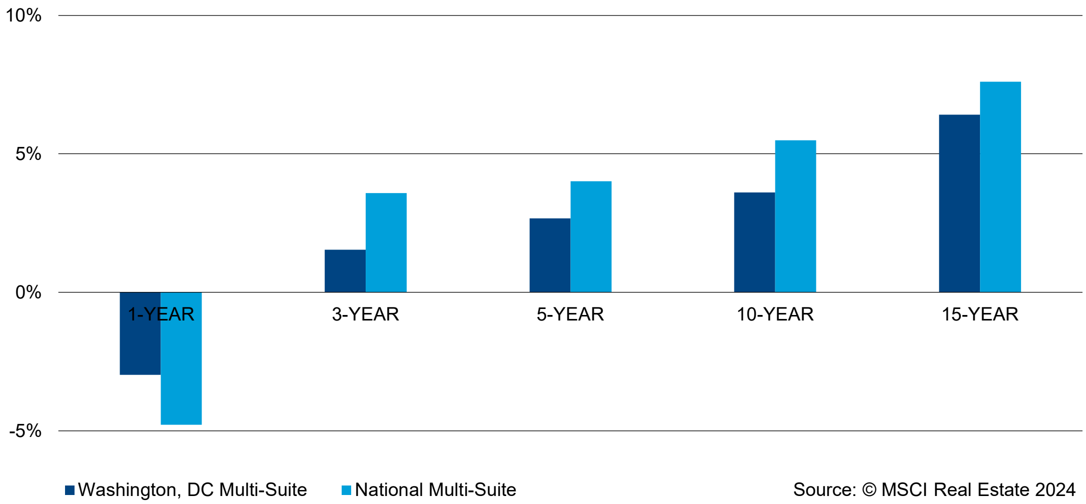
WASHINGTON, DC

SLOW GROWTH PHASE OF ECONOMIC CYCLE TO CONTINUE

The Washington-Arlington-Alexandria (WAA) metropolitan statistical area (MSA) economy will expand modestly over the near term, having geared down in the first half of 2024. Annual economic growth of between 1.8% and 1.9% is predicted for 2025/2026 by Oxford Economics. WAA employment growth is expected to be somewhat underwhelming, with increases of less than 1.0% forecast annually over the near-to-medium term.

HISTORICAL PERFORMANCE

For the period ending June 2024



Source: © MSCI Real Estate 2024

WAA labour market conditions will stabilize over the near-to-medium term. The MSA's unemployment rate will level off in 2025/2026, averaging approximately 3.0%. Total employment will increase modestly, with a 1.1% gain forecast for 2024 and growth of less than 1.0% in 2025/2026, according to Oxford Economics. The MSA's leading job-growth drivers over the next few years will be its restaurants, state and local government, and ambulatory health care services industries.

WAA consumer spending growth will moderate over the next few years. Consumption is projected to expand by just under 2.0% between 2025 and 2027, on the heels of more robust 2.4% lift forecast for 2024. The cause of the spending slowdown will be a weaker job-growth trend. Spending will also be weighed down by the region's high cost of owning or renting a home. Consumer spending will continue to rise over the medium term, due in part to the WAA's relative affluence.

CONTINUATION OF RENTAL MARKET STABILITY FORECAST

A continuation of the WAA's rental market stability from the recent past is forecast over the near term. Population growth will support positive rental demand characteristics, which will help offset the market's rising vacancy trend. Vacancy is projected to rest just below the 7.0% through 2026, virtually matching the 2023 market average. The combination of healthy rental demand patterns and stable vacancy rates will result in modest upward pressure on rents. CoStar is predicting that the WAA's average monthly rent will exceed $2,300 in 2026, which will represent a record high. In 2021, the market's average monthly rent exceeded $2,000 for the first time. Vacancy had plummeted by 200 bps in the same year, driven largely by a post-pandemic rental demand surge. Construction activity is expected to continue at a brisk pace over the near term. The region's multi-suite residential rental inventory is projected to expand by approximately 12,000 units in 2024, down from the 13,573 units of new supply in 2023. Demand will exceed and fall slightly short of new supply in 2024 and 2025, respectively. On balance, the WAA rental market will stabilize over the near term, in line with the trend of the recent past.

INVESTMENT SALES SLUMP TO PERSIST

The investment sales slump of the past few years will persist through at least early 2025. Institutional and pension fund investors are expected to remain on the sidelines while valuations continue to fluctuate and borrowing costs are elevated. Private capital buyers will continue to account for a large share of investment sales, in line with the recent trend. Transaction volume for the WAA area was down 59.0% for the trailing four quarters ending March 2024. Additionally, transaction volume was down 79.0% from the 2022 peak, according to CoStar figures. As borrowing costs and investment risk increased in 2022/2023, values steadily declined. Consequently, investment performance softened significantly. WAA properties included in the MSCI Index generated a -2.8% average return for the year ending June 30, 2024. The aggregate value of WAA properties contained in the index continued to decline, matching the trend recorded over the previous year. Despite the downward valuation trajectory, investors continued to acquire properties in the WAA, albeit at a reduced rate. Recently built downtown properties were generally well-received. In some cases, buyers looked to the long term to justify acquisitions in this market and sector. Interest-rate-sensitive buyers remained relatively inactive. A continuation of this market dynamic will ensure the WAA's investment sales slump persists over the near term.

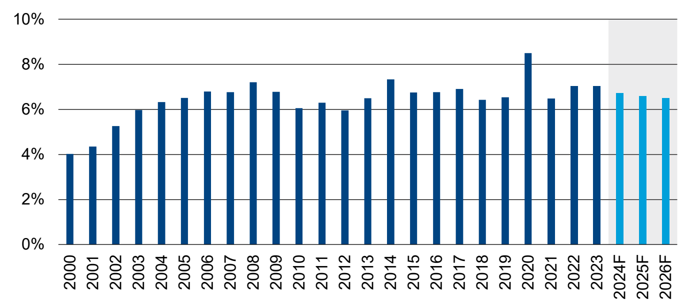
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

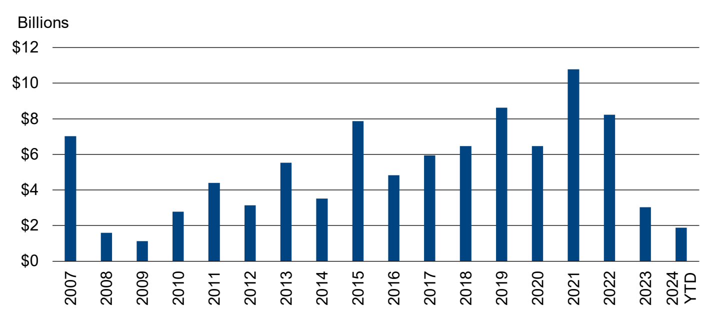
Washington, D.C. Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Washington Multi-Suite Investment Volume to June 2024



Source: CoStar

Vacancy is projected to rest just below the 7.0% mark posted at the end of 2023 through to the end of 2026.

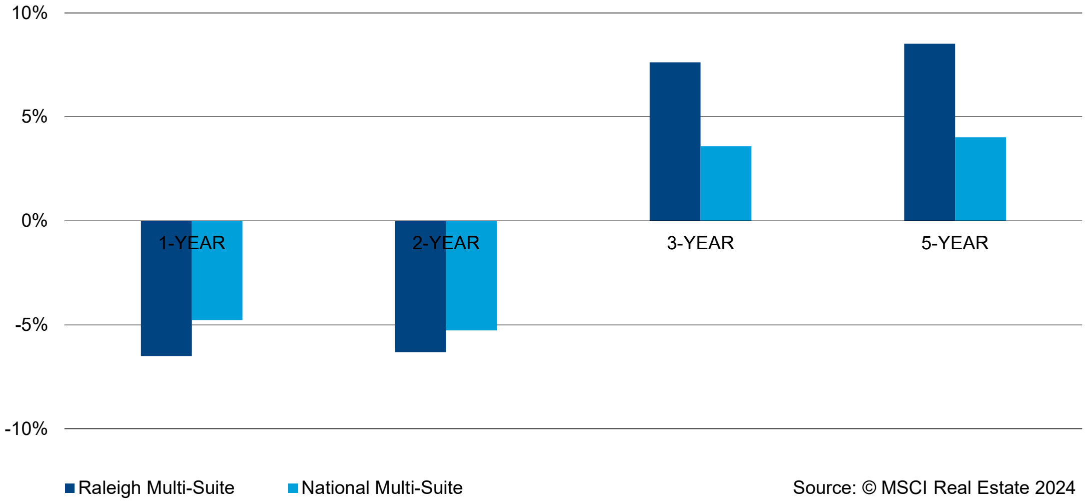
RALEIGH, NC

ECONOMY WILL OUTPERFORM

The Raleigh MSA economy is expected to continue outperforming over the near term, despite having decelerated in the first half of 2024. Economic output is projected to expand by 3.1% in 2024 and a less robust 2.3% in 2025. Economic growth in both 2024 and 2025 will exceed the national average. The economic outperformance will support modest increases in total employment and consumer spending over the medium term.

HISTORICAL PERFORMANCE

For the period ending June 2024



Source: © MSCI Real Estate 2024

Above-average labour market performance characteristics are forecast for the Raleigh MSA over the near term. Employment will rise by an annualized rate of 2.5% in 2024, which is markedly stronger than the national average. The labour market will remain tight by historic standards, due in large part to the region's healthy job growth trend. The unemployment rate will edge 20 bps higher to 3.2% in 2024 and then stabilize at 3.3% through to 2027. Over the near term, above-average labour market conditions are forecast for the Raleigh MSA.

Consumer spending growth is expected to stabilize this year and moderate in 2025. Spending is projected to increase by 3.9% in 2024, just shy of the 4.0% gain recorded in 2023. Consumer spending is projected to increase by an average of 1.5% annually between 2025 and 2027. The forecast spending moderation can be attributed to the high cost of housing in the Raleigh MSA and a relatively weak medium-term disposable income growth trend.

RENTAL MARKET WILL TIGHTEN SUBSTANTIALLY

The Raleigh MSA multi-suite residential rental market is expected to tighten substantially next year, after a three-year period when supply exceeded demand. In 2025, rental demand will remain stable and healthy. At the same time, new construction completions will moderate. The Raleigh MSA vacancy rate average will decline steadily over the second half of 2024, a trend that will continue in 2025 and 2026. The vacancy rate peaked at just over 12.0% at the midpoint of 2024 and matching the decade-high year-end 2023 average, according to CoStar figures. Rental market demand is expected to exceed the long-term average for this market over the next few years. This demand outperformance will be driven by population growth and the creation of new jobs. The Raleigh MSA population is projected to expand by close to 2.0% in both of 2024 and 2025, which will absorb vacant units at an above-average rate over the same two-year period. The increased demand will drive rents higher in 2025 as rental market conditions tighten significantly.

INVESTMENT ACTIVITY WILL REMAIN BELOW THE DECADE AVERAGE

Investment sales activity in the Raleigh MSA's multi-suite residential rental sector will remain below the decade average over the near term. The elevated cost of debt capital and heightened economic risk levels will contribute to this near-term decline in activity. A relatively wide bid-ask differential in this market will also contribute to the downward pressure on sales activity. Few significant transactions are anticipated over the near term, in line with the recent trend. However, recently built downtown assets will continue to attract investor interest. Interest rate sensitive investors will remain sidelined, while borrowing costs remain high. Investment sales activity dipped below the decade average for this market over the past few years. A modest $1.2 billion of investment transaction volume was reported for the year ending at the midpoint of 2024. The decade average for the same period is $1.8 billion, according to CoStar figures. As activity levels declined, investment performance weakened. Properties included in the MSCI Index generated a total average return of -6.5% for the year ending June 30, 2024. This negative result reflected the downward property value trend of the recent past. A similar performance pattern is forecast over the near term while investment sales activity remains below the decade average for this market.

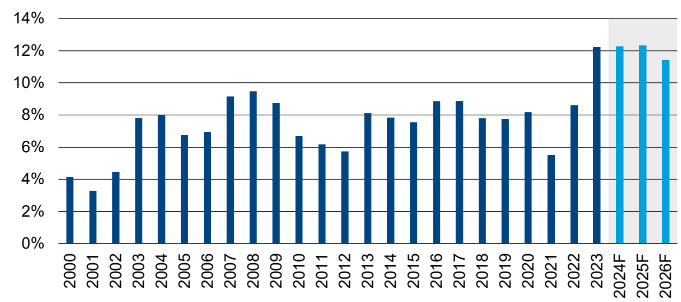
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

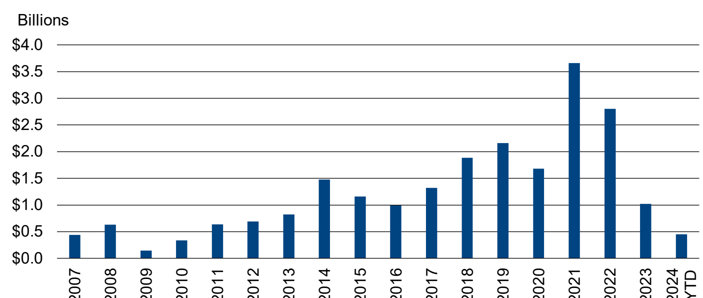
Raleigh Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Raleigh Multi-Suite Investment Volume to June 2024



Source: CoStar

Rental market demand is expected to exceed the long-term average for this market over the next few years.

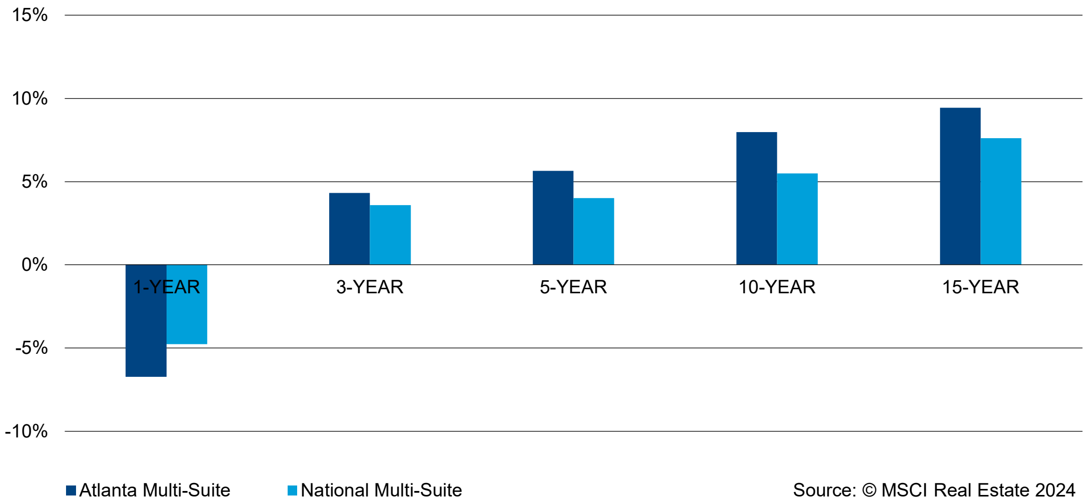
ATLANTA, GA

POSITIVE ECONOMIC MOMENTUM FORECAST

Positive economic momentum is forecast for the Atlanta-Sandy Springs-Roswell (ASSR) MSA over the next few years. The region's real Gross Domestic product (GDP) is projected to expand by a solid 2.6% in 2024, after a modest 0.9% lift over the previous year. Output will increase by an average of just over 2.1% in 2025/2026, supporting a modest employment growth trend and stable and healthy consumer spending pattern.

HISTORICAL PERFORMANCE

For the period ending June 2024



Labour market stability is forecast for the ASSR over the near term, following a three-year period of strong performance characteristics. Regional employment growth will decelerate in 2024/2025. Employment is projected to rise by 1.4% in 2024 and 1.1% in 2025, compared to an annual average of 4.3% in 2022/2023. The ASSR's unemployment rate will average 3.1% and 3.2% in 2024 and 2025, respectively. The near-term unemployment rate stability aligns with the broader ASSR labour market outlook.

ASSR MSA consumer spending will increase steadily over the near-to-medium term, in line with the broader national trend. Consumer outlays are projected to rise by roughly 2.5% in 2024, having increased by 2.2% in 2023. The ASSR's spending growth trend will moderate over the medium term. The moderation will be attributable in part to a forecast slowdown in hiring activity across the region. Despite the hiring slowdown, consumer spending is projected to rise steadily over the near-to-medium term.

RENTAL MARKET RECOVERY PREDICTED

Recovery is predicted for the ASSR multi-suite residential rental market over the near term. The forecast recovery is based on the expectation that rental demand will outpace supply in the latter half of this year and in 2025. Continuously stable and healthy rental demand will be driven to some extent by job growth. Additionally, the high cost of home ownership is expected to cause many of the region's households to continue renting accommodation. By the late stages of 2024, new supply delivery volume is projected to decline, a trend that will carry over into 2025. Vacancy rates will begin to decline as new supply deliveries decline. In 2023, the ASSR MSA's vacancy rate had climbed to a 12-year high of 12.1%, as construction activity surged. As vacancy declines, rents will begin to rise. Rents in this market climbed to a record high in 2022/2023. However, by late 2023 rent growth slowed significantly, which was consistent with much of the Sun Belt markets. Upward pressure on rents is expected to begin in late 2024 and persist into 2025. The forecast rent growth will coincide with the ASSR's multi-suite residential rental market recovery predicted over the near term.

ROBUST DEMAND FOR PREMIUM ASSETS WILL PERSIST

Robust demand for premium assets in the ASSR multi-suite residential rental property sector will persist over the near term. National and institutional buyers will continue to acquire recently built properties in downtown Atlanta and at mass transit hub locations. Investors will continue to exhibit confidence in the market and sector's long-term outlook. Despite the confidence exhibited by investors, sales of multi-suite residential rental property in this market have slowed substantially. Interest-rate sensitive buyers retreated to the sidelines when interest rates increased to a near 25-year high two years ago. Subsequently, the bid-ask gap on properties available for acquisition widened, as buyers looked to achieve higher risk-adjusted returns. Property values declined in 2024, as investment activity slowed, and sector risk increased. As values declined, investment performance softened. ASSR multi-suite residential rental properties included in the MSCI Index registered a -7.5% total average return for the year ending June 30, 2024. Capital erosion more than offset a stable and positive income performance. The negative outcome was only slightly better than the previous year's result. Demand for premium quality and recently built assets will remain relatively robust over the near term, despite the market's weak near-term performance pattern.

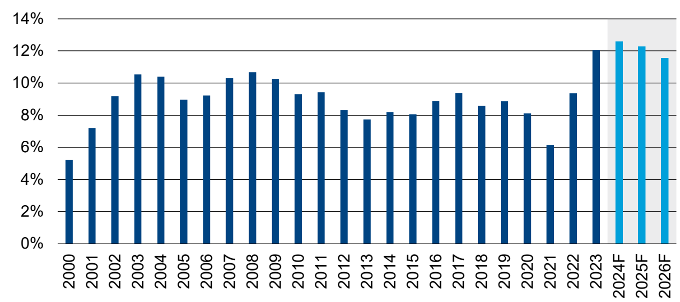
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

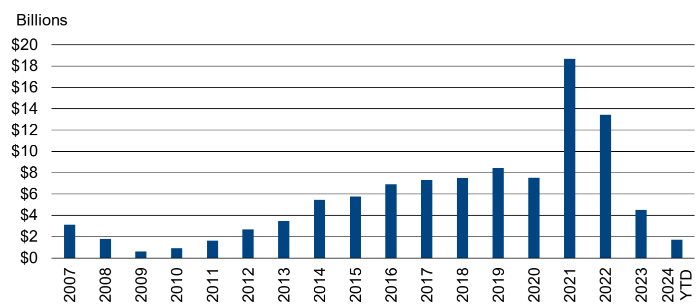
Atlanta Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Atlanta Multi-Suite Investment Volume to June 2024



Source: CoStar

By the late stages of 2024, new supply delivery volume will have declined, a trend that will carry over into 2025.

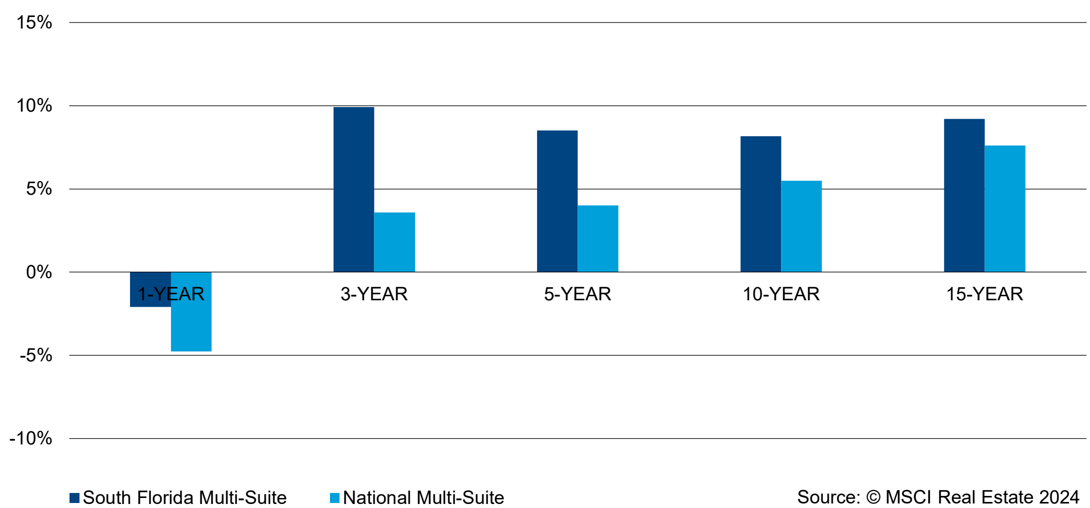
PALM BEACH, FL

ECONOMIC GROWTH SLOWDOWN FORECAST

An economic growth slowdown is forecast for the Palm Beach MSA over the next couple of years, in line with the national trend. Economic output will expand by 3.0% in 2024 and a solid 2.0% in 2025. The MSA's economy expanded by an annual average of almost 4.8% in 2022/2023. The growth slowdown will negatively impact labour market performance. Job creation activity will slow, leading to a weaker retail sales growth trend.

HISTORICAL PERFORMANCE

For the period ending June 2024



Source: © MSCI Real Estate 2024

Stabilization is forecast for the Palm Beach MSA labour market over the medium term, following a two-year period of advancement. The unemployment rate is expected edge 10 bps higher to 2.6% this year and subsequently hold firm at 2.7% in 2025/2026. Employment will expand by less than 1.0% annually between 2025 and 2028, following a 2.5% gain in 2024. The MSA's medium term job growth leaders will be its restaurant, ambulatory health care services, and state and local government sectors, according to Oxford Economics.

Palm Beach MSA consumer spending patterns will soften over the near term, following an extended period of strong performance. Consumption is projected to increase by 3.3% in 2024. Subsequently, spending will rise by a modest 2.3% in 2025 and an average of 1.9% in 2026/2027 on an annual basis. The high cost of housing and a relatively weak job growth forecast are expected to contribute to the consumer spending slowdown predicted over the medium term.

RENTAL MARKET SOFTENING FORECAST

The Palm Beach multi-suite residential rental market will continue to soften over the near term, continuing the 2022/2023 trend. The softening will be driven largely by the combined effects of near record-high new supply deliveries and a moderately weaker rental demand trend. The delivery of more than 4,000 units of new supply is predicted for 2024, which is a 13-year annual high. At the same time, rental demand is expected to moderate as population and economic growth eases. Supply is projected to outpace demand over the near term, in keeping with the 2023 trend. As a result, vacancy is expected to rise to a cycle peak. The market's vacancy rate will rest close to the 9.0% mark in each of 2024 and 2025, according to CoStar. The average for the highest quality market segment may reach into the double-digit range. Over the medium term, vacancy will decline as construction activity slows. The market's rising vacancy trend and demand moderation will result in continuous downward pressure on effective rents. Concessions will be offered as landlords compete for prospective tenants while vacancy remains elevated. The expected downward pressure on rents aligns with the forecast for the Palm Beach multi-suite residential rental market softening over the near term.

INVESTMENT SALES SLOWDOWN TO CONTINUE

The Palm Beach multi-suite residential rental property investment sales slowdown of the past few years will continue over the near term. Transaction volume is projected to remain below the five and 10-year averages in 2024 as borrowing costs remain elevated, rental market fundamentals continue to soften, and property values decline. Just $519.0 million in transaction volume spread over 20 property sales was reported for the first half of 2024. Roughly $557.0 million of transaction volume over 66 sales was reported for 2023. The first-half 2024 transaction volume was significantly higher year-over-year, due in part to an increase in the average transaction size. However, the five-year annual transaction volume average is $1.4 billion. Activity peaked in 2021, when $3.4 billion of transaction volume was recorded with a 157 sales-count, according to CoStar figures. Despite the recent activity slowdown, investors continued to exhibit confidence in the sector's long-term outlook. Recently built property offerings were well received, while older properties requiring capital upgrades attracted private capital groups and a smaller number of potential buyers. However, investment sales activity will remain below the medium- and long-term averages for this market over the near term.

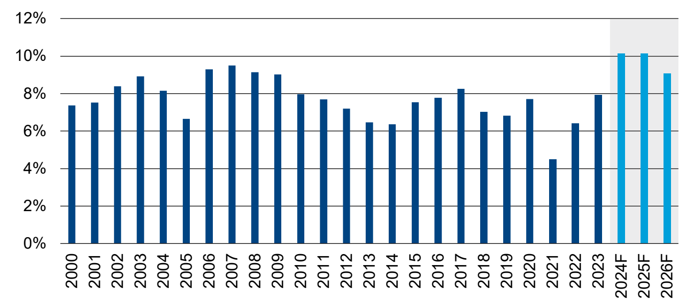
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

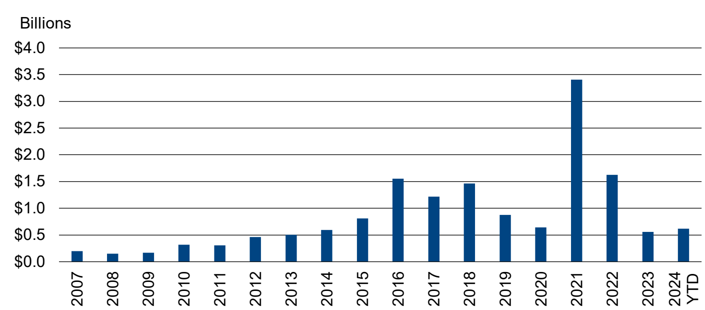
Palm Beach Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Palm Beach Multi-Suite Investment Volume to June 2024



Source: CoStar

Just $519.0 million of transaction volume spread over 20 property sales was reported for the first half of 2024.

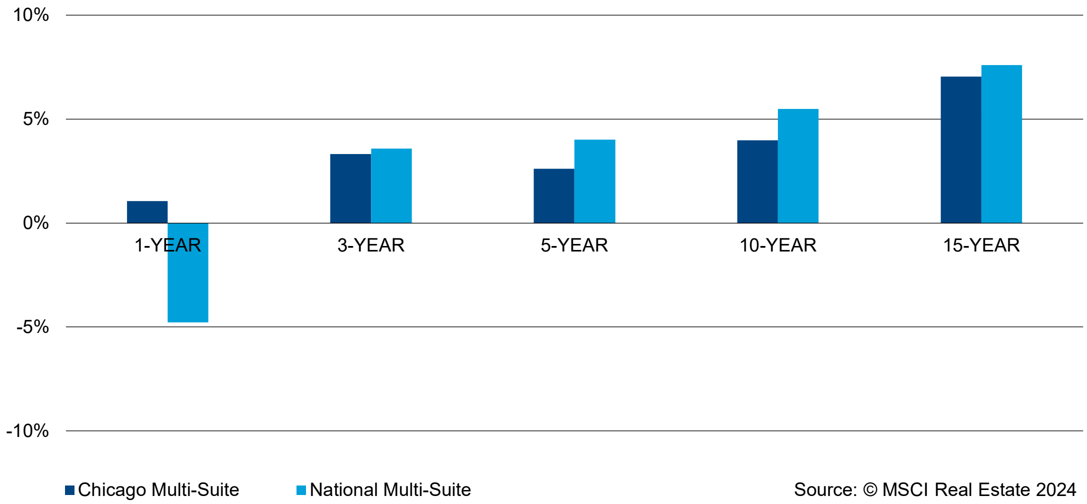
CHICAGO, IL

ECONOMY TO EXPAND SLOWLY

The Chicago Naperville-Elgin (CNE) MSA economy is projected to expand at a relatively slow pace over the near term. Real GDP is expected to expand by roughly 2.0% in 2024. The pace of expansion will slow in 2025/2026, with output increasing at an annualized rate of just over 1.6%. The slow-growth outlook is largely due to the MSA's overreliance on its traditional manufacturing sector.

HISTORICAL PERFORMANCE

For the period ending June 2024



CNE MSA labour market conditions will remain relatively healthy over the near term. Employment is projected to increase modestly, with gains of 0.8% and 0.7% forecast for 2024 and 2025, respectively. Little change is expected in the CNE MSA's unemployment rate over the next couple of years. For the most part, the region's labour market will remain balanced. In short, CNE MSA Labour market conditions are expected to remain relatively healthy over the near term.

Moderate consumer spending growth is forecast over the near term, which is in line with the trend of the past couple of years. Consumption is projected to rise by 1.7% and 1.4% in 2024 and 2025, respectively. Annualized growth averaged just over 1.8% in 2022/2023. Spending rebounded in 2021, when sales rose by 7.0%. Wages and employment are expected to rise steadily over the next few years, which will drive consumer spending moderately higher over the near-to medium term.

STABLE AND HEALTHY RENTAL MARKET CONDITIONS TO PERSIST

Stable and healthy conditions will persist in the CNE MSA multi-suite residential rental market over the next few years. The market's forecast health can be attributed to two main factors. First, largely positive demand characteristics are forecast through to the end of 2024 and much of 2025. The downtown and the North Lakefront submarkets will continue to attract a significant share of rental demand in this market over the next couple of years, in line with the recent trend. A slowdown in construction deliveries will support the continued rental market stability and health forecast over the near term. Approximately 3,900 units of new supply are projected for this market in 2025, down from a 12-year high of 10,277 units in 2024. Positive demand patterns and the new supply delivery slowdown will help ensure rental market conditions remain tight. The CNE MSA vacancy rate will range between 5.0% and 6.0% through to the end of 2026 according to CoStar, 150 bps to 200 bps lower than the national average. Rent growth over the same time-period will also exceed the national average by a significant margin. In short, stable and healthy conditions will prevail in the CNE MSA multi-suite residential rental market over the next few years.

INVESTMENT TRANSACTION VELOCITY TO REMAIN LOW

CNE MSA multi-suite residential rental property investment transaction velocity will remain low over the near term. The high cost of debt capital and the bid-ask gap widening of the recent past will continue to have a negative impact on liquidity levels in this market. Various groups retreated to the sidelines over the past couple of years, as values declined, and investment risk increased. As a result, investment sales activity declined significantly. Transaction volume fell to a 10-year low year-over-year, as of early 2024. Sales activity in this market peaked in 2022 when $5.7 billion of transaction volume was recorded. Property values decreased as interest rates and sector risk increased. Capitalization rates increased across all market segments in 2023. The valuation downdraft was reflected in the market's recent investment performance pattern. Properties contained in the MSCI Index eked out a 1.0% total average return for the year ending June 30, 2024. Investors began to exhibit an increased confidence in this market as the second half of 2024 got underway. The increase was likely a byproduct of an expected interest rate cut by the end of the year and an improved rental market outlook. Despite the increased confidence, investment transaction volume will remain low over the near term.

TRENDING STATISTICS

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

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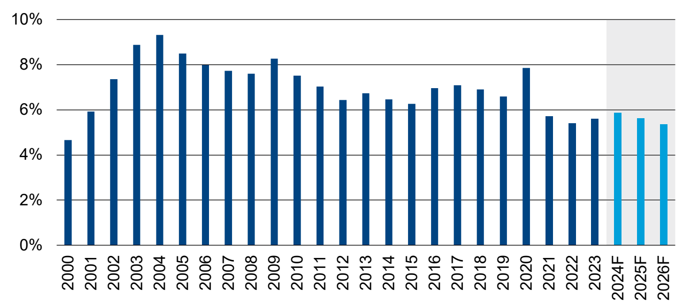
AVERAGE RENTAL VACANCY

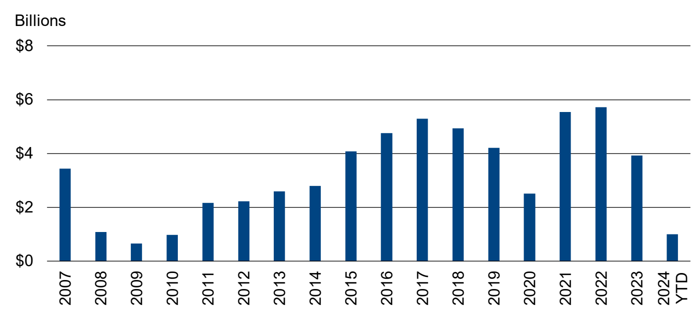
Chicago Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Chicago Multi-Suite Investment Volume to June 2024



Source: CoStar

Approximately 3,900 units of new supply are projected for this market in 2025, down from a 12-year annual high of 10,277 units in 2024.

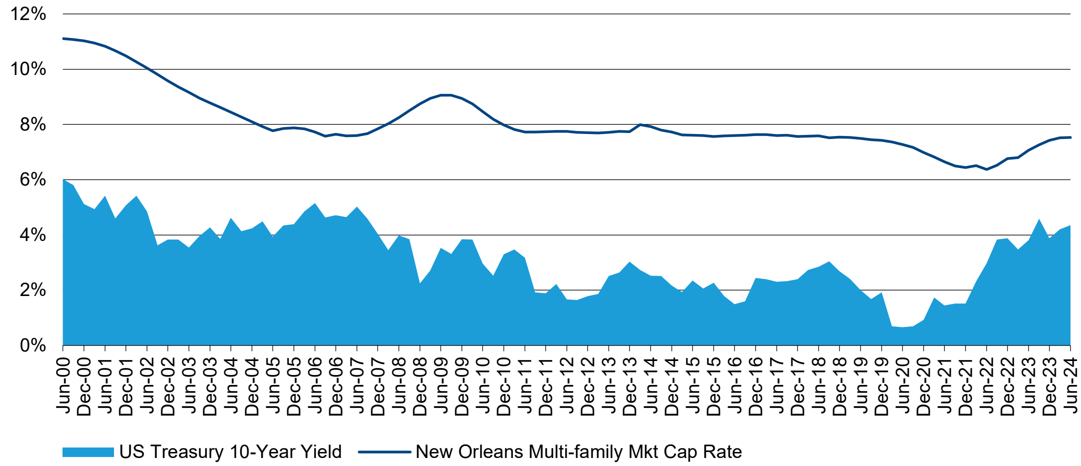
NEW ORLEANS, LA

ECONOMY WILL CONTINUE TO UNDERPERFORM

The New Orleans-Metairie (NOM) MSA economy will continue to underperform over the near term, in line with the long-term trend. Real GDP will increase by 1.9% in 2024. The economy will gear down in 2025, with Oxford Economics predicting expansion of 1.3%. An over-dependence on tourism will likely ensure that the regional economy continues to underperform over the next few years, in keeping with the historic trend.

YIELD SPREADS

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



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

A somewhat underwhelming near-term labour market performance is forecast for the NOM MSA. The region's unemployment rate is expected to rise by 60 bps in 2024 to 4.4%, with a further increase of 20 bps in 2025. Employment is projected to contract slightly in 2024, with small increases forecast annually through the late stages of the decade. The health care and restaurant industries will lead job growth over the near term. On balance, the NOM MSA labour market's medium-term performance pattern will be underwhelming.

The NOM MSA's consumer spending growth pattern will improve modestly over the next couple of years. Consumer spending will increase by an annual average rate of just under 2.0%, as predicted by Oxford Economics in July 2024. Spending rose by 0.1% and 0.7% in 2022 and 2023, respectively. The near-term spending rise will be driven by population and wage growth, along with the region's ongoing tourism sector recovery. These factors will support a modest improvement in the region's spending growth pattern.

RENTAL MARKET IMPROVEMENT EXPECTED

NOM MSA multi-suite residential rental market fundamentals are expected to improve over the near term, building on the positive momentum of the latter half of 2023 and the first half of 2024. The improvement will be driven by a combination of moderately positive rental demand characteristics and a decline in new supply deliveries. Rental market conditions will tighten considerably over the same period. Vacancy is expected to dip below the 8.0% mark by 2025, down from the 8.5% average reported for 2023. This tightening will support a healthy rent growth trend. CoStar predicts year-over-year rent growth of better than 3.0% for 2024/2025, which will exceed the national average increase. Growth peaked during 2021 and early 2022, when the average monthly rent rose by 9.0%. The NOM MSA rental market improvement will be a byproduct of the forecasted slowdown in construction completions. Construction activity began to slow in 2023, due in part to the high cost of capital, labour, and materials and heightened lending market uncertainty. Rental market conditions across the NOM MSA will steadily improve over the near term, a period during which new supply deliveries will trend progressively lower.

INVESTMENT MARKET STABILIZATION FORECAST

Stabilization is forecast for the NOM MSA's multi-suite residential rental investment property market over the near term. Transaction volume will continue to fall short of the most recent peak and long-term average. Buyers that rely on low-cost debt capital will remain sidelined until borrowing costs decrease substantially. Private capital will be the most active buyer group in this market over the near term, while competition levels remain relatively low. At the same time, institutional groups will be selective in targeting acquisitions in this market, with an emphasis on new builds and high-growth submarkets. The market's near-term rent growth outlook will attract some buyers. In addition, there may be an increase in the sale of older properties that can be renovated or repositioned. Property values will remain below the 2021/2022 peak, consistent with trends in the commercial real estate sector. Downward pressure on property values was observed in this market in 2023 and early 2024. Until the lending market improves, transaction volume will continue to fall short of the five-year and long-term averages. Prime recently built properties will continue to generate interest. In short, stability will remain the dominant near term investment market theme.

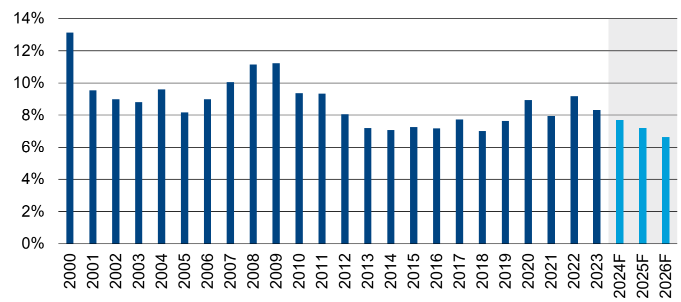
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

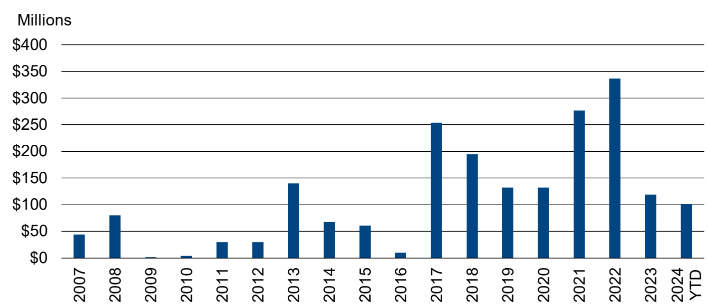
New Orleans Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

New Orleans Multi-Suite Investment Volume to June 2024



Source: CoStar

Private capital will be the most active of buyer groups in this market over the near term, while competition levels remain relatively low.

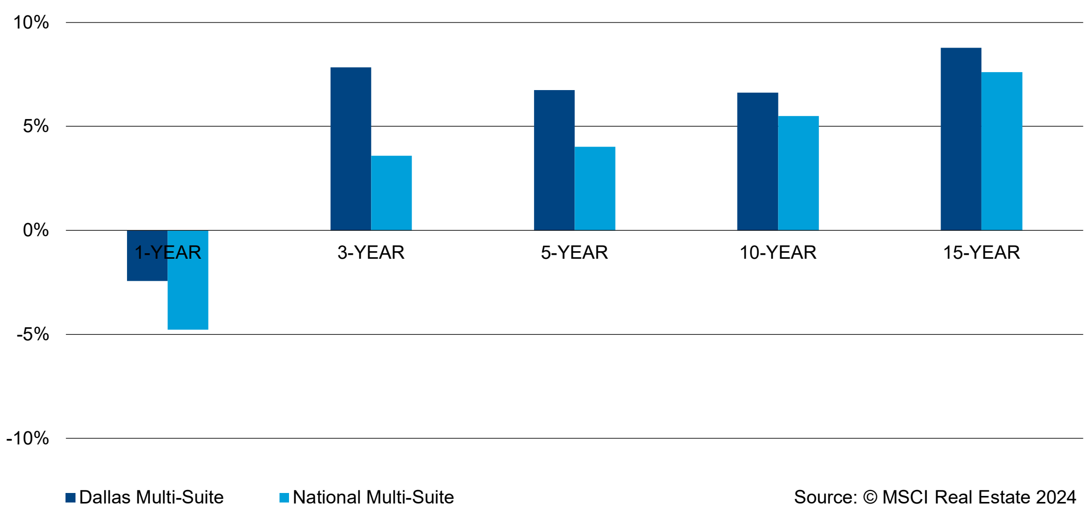
DALLAS, TX

GROWTH PHASE OF ECONOMIC CYCLE WILL BE EXTENDED

The growth phase of the Dallas-Fort Worth-Arlington (DFWA) MSA's economic cycle will be extended over the near term. The MSA's real GDP is projected to expand by a healthy 3.6% in 2024, followed by a less robust 2.2% increase in 2025. The 2024 gain ranks in the top five among the country's largest metros. The extension of the growth phase of the cycle will drive employment levels significantly higher over the next few years.

HISTORICAL PERFORMANCE

For the period ending June 2024



Stable and healthy labour market conditions are projected for the DFWA MSA over the next few years. The market will remain tight, with the unemployment rate holding at 3.7% or slightly higher in 2024/2025. Employment will continue rising at an above-average rate, with growth averaging 1.7% over the same two-year period. The MSA's leading near-term job growth drivers will be its finance and insurance, state and local government, and restaurant industries.

Consumer spending in the DFWA MSA will increase at a healthy rate over the next few years, continuing the medium-term trend. Consumer outlays will expand by 3.2% in 2024, matching the previous year's rise. A 2.7% increase is predicted for 2025. Above-average job growth and strong in-migration patterns will support increased spending. Personal disposable income levels will rise substantially over the next few years, which will drive consumer spending volume markedly higher.

SUPPLY SIDE PRESSURE TO EASE SUBSTANTIALLY

Supply side pressure in the DFWA MSA multi-suite residential rental market will ease substantially over the near term, in line with the first-half 2024 trend. New construction starts and permitting activity trended markedly lower in the late stages of 2023 and early 2024, largely due to weak rental market performance and the relatively high cost of debt capital. According to CoStar figures, 49,000 units were under construction as of the spring of 2024, down from the 64,000-unit peak a year earlier. Construction completions are expected to dip to roughly 19,000 units in 2025, down from the 33,000-unit peak forecast for 2024. Subsequently, new supply completions will drop to a decade low of just 13,000 units in 2026. The slowdown will help drive vacancy levels lower. The market's average vacancy rate will fall gradually during 2025/2026, assuming rental demand remains stable and healthy. Vacancy will peak at just over 10.0% in 2024 and then fall steadily. As vacancy declines, fewer landlords will offer concessions to prospective tenants. Concessions were offered more frequently when vacancy levels were on the rise during 2023/2024. The easing of new supply pressure and positive demand patterns forecast over the near term are expected to result in upward rent pressure.

UNDERWHELMING LEVEL OF INVESTMENT SALES ACTIVITY EXPECTED

An underwhelming level of investment sales activity is forecast for the DFWA MSA's multi-suite residential rental property sector over the near term. Investors that rely on positive leverage are expected to remain relatively inactive unless there is a significant reduction in the cost of debt capital. Additionally, some buyers will stay sidelined during a period of heightened economic and financial market risk. Others will choose to wait until rental market conditions improve and property valuations stabilize. Moreover, properties will sell at a relatively low rate while vendors and purchasers continue to disagree on pricing. Investment sales activity in this market has fallen short of the most recent peak over a two-year period ending at the midway mark of 2024. During this period, property values have declined, which negatively impacted investment performance. Properties included in the MSCI Index generated a -2.5% total average return for the year ending June 30, 2024. Values are expected to stabilize as rental market and lending market conditions improve in 2025. In the short term, investment sales activity will continue to underwhelm.

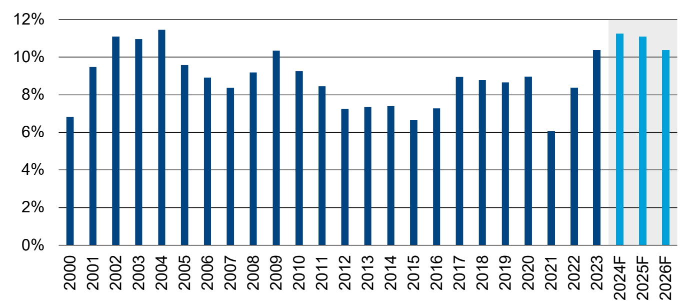
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

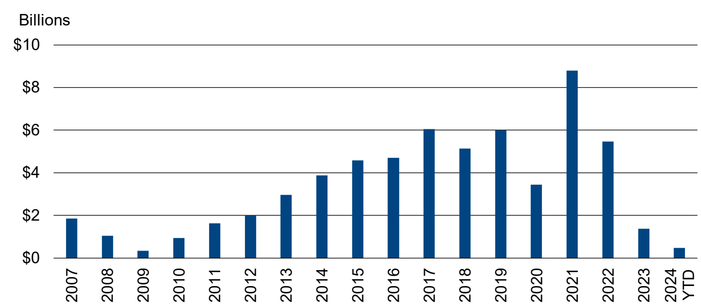
Dallas Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Dallas Multi-Suite Investment Volume to June 2024



Source: CoStar

Construction completions will dip to roughly 19,000 units in 2025, down from the 33,000-unit peak forecast for 2024.

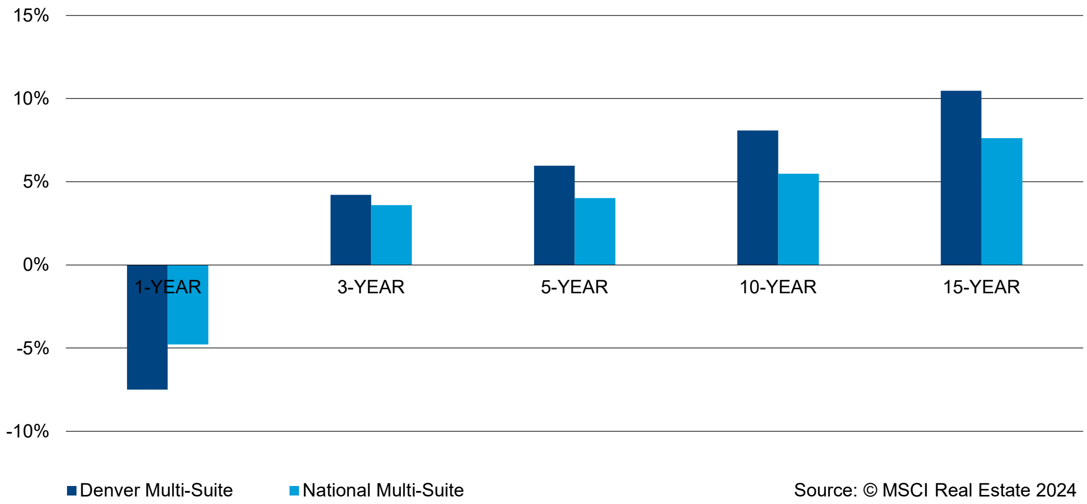
DENVER, CO

ECONOMIC GEARING DOWN PREDICTED

The Denver Aurora-Lakewood (DAL) MSA economy is expected to gear down over the near term, after a three-year run of strong performance. Real GDP will expand by roughly 2.8% in 2024 according to Oxford Economics, down from the 4.3% and 3.4% gains recorded in 2022 and 2023, respectively. The near-term growth downdraft can be attributed in part to the delayed impact of high interest rates and inflation.

HISTORICAL PERFORMANCE

For the period ending June 2024



Source: © MSCI Real Estate 2024

A moderately weaker labour market performance is forecast for the DAL MSA over the near term. Employment is projected to rise by 0.8% in 2024, following a solid 2.5% gain in 2023. The MSA's unemployment rate is expected to rise to 3.6% this year from 3.2 % level reported in 2023. As the rate rises, conditions will remain tight overall. Wage growth will slow substantially in 2024, as labor market demand exceeds supply. The demand supply imbalance is indicative of the moderately weaker near-term labour market performance forecast.

Consumer spending will increase at a healthy rate over the near term. Spending is projected to increase by 3.0% in 2024. Job and wage growth will help drive spending higher. The interest rate hikes, and elevated inflation levels of the recent past will continue to have a negative impact on spending patterns over the near term. Consumer spending growth will moderate in 2025, rising by a projected 2.4%. Spending will increase at a similar annual rate over the medium term.

SUPPLY RISK WILL REMAIN ELEVATED

Supply risk will remain elevated in the DAL MSA multi-suite residential rental property market over the near term. New supply deliveries are projected to peak in 2024, with more than 14,000-unit completions forecast for the year. The total will represent a 13-year annual high for this market. In 2023, 12,006 newly constructed units were added to inventory, which was a 12-year annual high. Although new supply completions will decrease substantially over the near term, supply risk will remain elevated. Vacancy levels are expected to increase substantially. The DAL MSA vacancy average is forecast to rise to a 13-year high of 9.7% in 2024, representing a 90-bps year-over-year increase. The rate had already increased by 140 bps year-over-year in 2023. Rent growth will be modest at best over the near term, given an expectation of cycle-high vacancy. Rents will likely stabilize over the latter half of 2024 and much of 2025. Rents will begin to rise as new supply risk eases. Over the near term, rental demand will most certainly fall short of supply, resulting in elevated supply-side risk.

TRANSACTION VOLUME TO REST BELOW THE MEDIUM TERM AVERGE

DAL MSA multi-suite residential rental property investment transaction volume is expected to rest below the medium-term average over the near term. Elevated borrowing costs will ensure that leverage-driven buyers are largely absent from the market. Acquisition pricing uncertainty will also continue to limit sales closings. Disagreements on pricing between vendors and purchasers will further reduce the rate at which properties are sold. Transaction volume peaked and subsequently dropped below the medium-term annual average over a relatively short period. Investment transaction volume peaked at $10.4 billion in 2021 and subsequently dropped to $5.7 billion and $2.7 billion in 2022 and 2023, respectively. As investment sales slowed and rent growth eased, downward pressure on values increased. The downward valuation trajectory was reflected in the market's recent investment performance pattern. DAL MSA properties included in the MSCI Index registered a total return of -7.5% for the year ending June 30, 2024. The income component of the performance was stable and healthy. Conversely, the capital value of the properties was eroded substantially. During roughly the same period, investment transaction closing volume fell below the medium-term average. Transaction volume is expected to rest below the medium-term average over the near term.

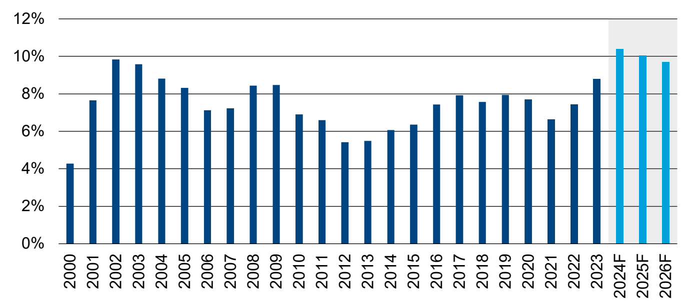
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

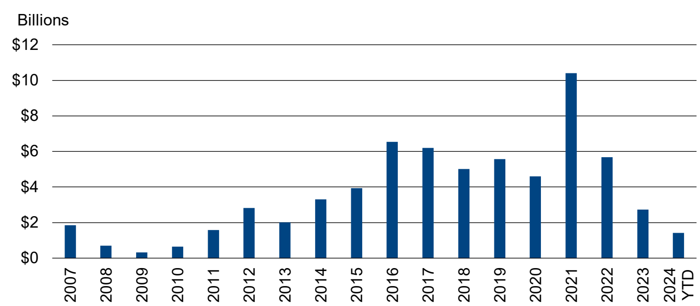
Denver Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Denver Multi-Suite Investment Volume to June 2024



Source: CoStar

New supply deliveries will peak in 2024, with more than 14,000-unit completions forecast for the year.

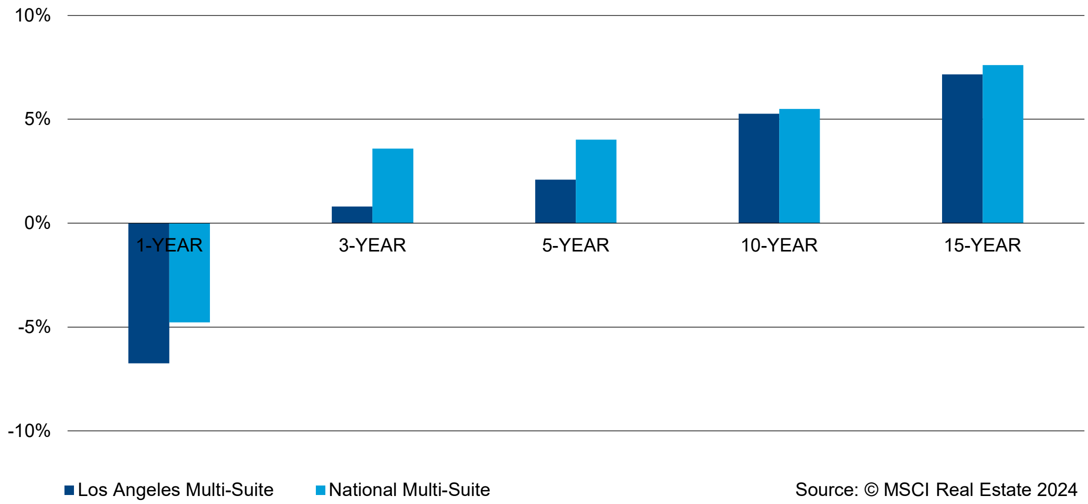
LOS ANGELES, CA

ECONOMIC OUTLOOK IS LARGELY POSITIVE

The outlook for the Los Angeles-Long Beach-Anaheim (LALBA) MSA economy is largely positive. Output is forecast to increase by 2.1% in 2024, on an annualized basis. A similar growth rate is projected for the medium term. Previously, economic output had increased by 2.9% in 2023, up from the 1.8% in the previous year. Economic growth forecast over the next few years will drive employment levels modestly higher.

HISTORICAL PERFORMANCE

For the period ending June 2024



Source: © MSCI Real Estate 2024

The LALBA MSA's labour market recovery will continue to unfold over next couple of years. Employment is forecast to rise by 1.8% in 2024, as the region continues to recover jobs lost due to the writers and actors' strike. The 2024 year-over-year employment increase will follow the modest 0.8% gain recorded in 2023. Labour market demand is expected to outpace supply in 2024. As a result, the unemployment rate will rise 50 bps to 5.1%. The rise will occur as the region's labour market recovery continues.

The LALBA MSA consumer spending outlook is moderately positive. Spending is projected to increase by 2.3% in 2024, following the 1.8% uptick posted for 2023. Job growth will be sufficiently strong to support largely positive spending patterns over the near-to-medium term. Wage growth will strengthen in 2025, which will drive consumer outlays higher. Moderately positive spending patterns are forecast over the near term, in keeping with the recent trend.

NEAR TERM RENTAL MARKET STABILIZATION FORECAST

The LALBA MSA multi-suite residential rental market will stabilize over the near term, following a period of moderately weak performance patterns. Two main factors will drive this near-term stabilization. First, rental demand is expected to exceed the long-term average over the second half of 2024 and in 2025. Secondly, new supply deliveries are expected to slow substantially over the next few years, resulting in lower levels of supply risk. The combination of healthy demand patterns and fewer new supply deliveries will support relatively stable rental market conditions. Demand began to strengthen in the second half of 2023, as outmigration activity slowed, and the negative impacts of the actors' and writers' strikes tapered off. The forecast demand-supply dynamic will result in a relatively stable vacancy trend. Vacancy is expected to range within a relatively narrow bandwidth of close to 5.0% in both 2024 and 2025. The market average rate was at 5.1% as of the first quarter of 2024 according to CoStar, having risen from the decade low of 4.0% in 2021. As vacancy increased, rent growth slowed. Rent growth is expected to firm up over the near term, against a backdrop of generally stable rental market conditions.

INVESTMENT SALES SLUMP TO CONTINUE

The LALBA MSA multi-suite residential rental property investment sales slump of the recent past will continue over the near term. Investment activity will remain well below the 2021/2022 peak level until the lending market improves and property valuations stabilize. Institutional buyers will be markedly less active than during the peak period while the market's bid-ask spread remains wide and borrowing costs stay elevated. Sales of investment properties in this market trended markedly lower in 2023, with CoStar reporting \$4.8 billion of transaction volume. Previously, annual sales volume had averaged \$11.8 billion in 2021/2022. Property values declined as buyers sought yield premiums to offset rising borrowing costs and increased sector performance risk. Initially, sellers were reluctant to lower their pricing expectations when disposing of assets. More recently, vendors and purchasers were able to agree on value somewhat more often. The downward pressure on values was reflected in recent investment performance patterns. LALBA MSA properties tracked in the MSCI Index generated a total return of -6.4% for the year ending June 30, 2024. Capital erosion wiped out much of the positive income performance. Over the near term, performance patterns will remain relatively weak while the LALBA MSA multi-suite residential rental property investment sales slump continues.

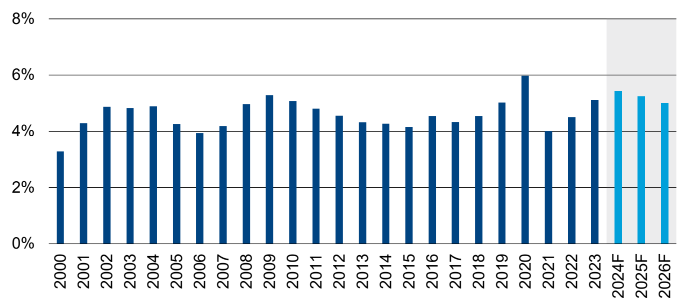
TRENDING STATISTICS

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 (e.g., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

AVERAGE RENTAL VACANCY

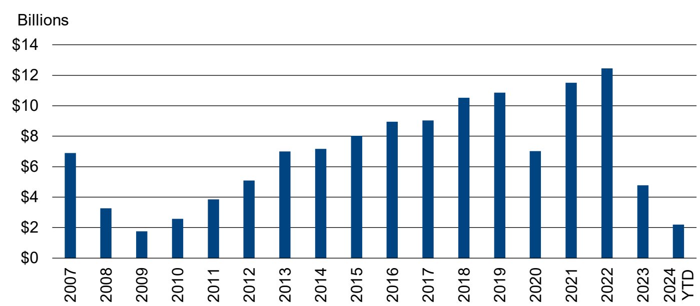
Los Angeles Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Los Angeles Multi-Suite Investment Volume to June 2024



Source: CoStar

Vacancy is expected to range within a relatively narrow bandwidth of close to 5.0% in both 2024 and 2025.

ABOUT

Morguard is a fully integrated real estate company with a diversified, high-quality portfolio of assets across North America. We have built our business with strong leadership, proven management and significant long-term growth for over 45 years. As of June 30, 2024, Morguard had $17.6 billion of total assets under management and employed 1,200 real estate professionals in 11 offices throughout North America.

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