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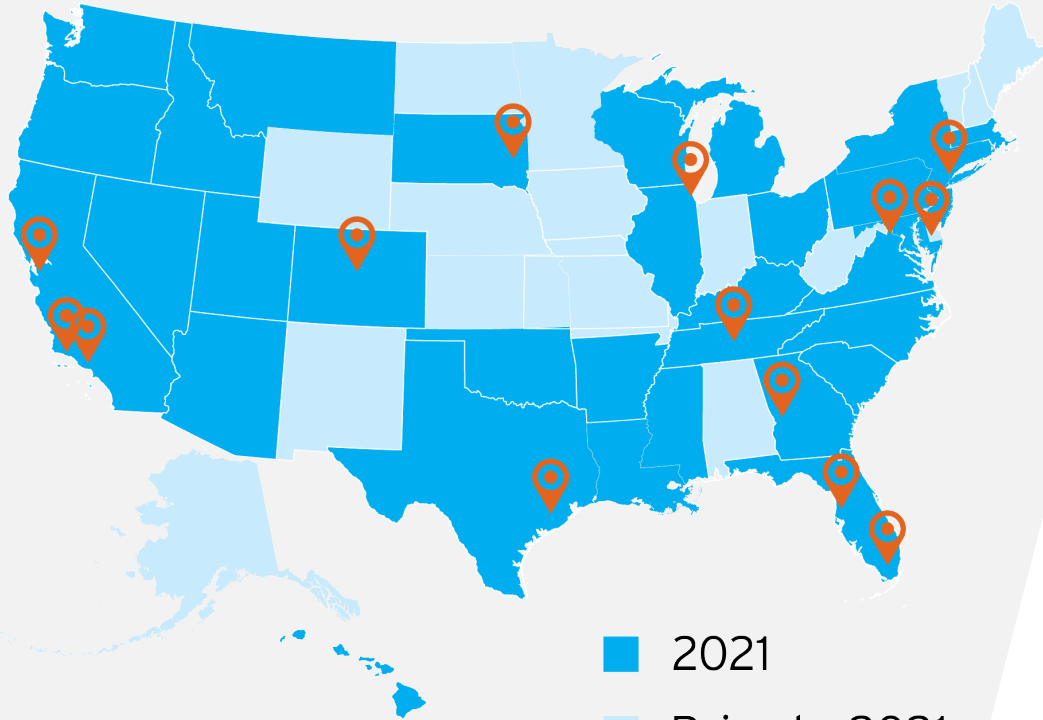
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AUGUST 3, 2022

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# AGENDA

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Barry Krinsky  
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## US ECONOMICS – MACRO OVERVIEW

Andrew Hollenhorst  
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Managing Director – Research Economist

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## MULTIFAMILY MARKET OUTLOOK

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## ROUNDTABLE DISCUSSION

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# US Economics – Macro Overview

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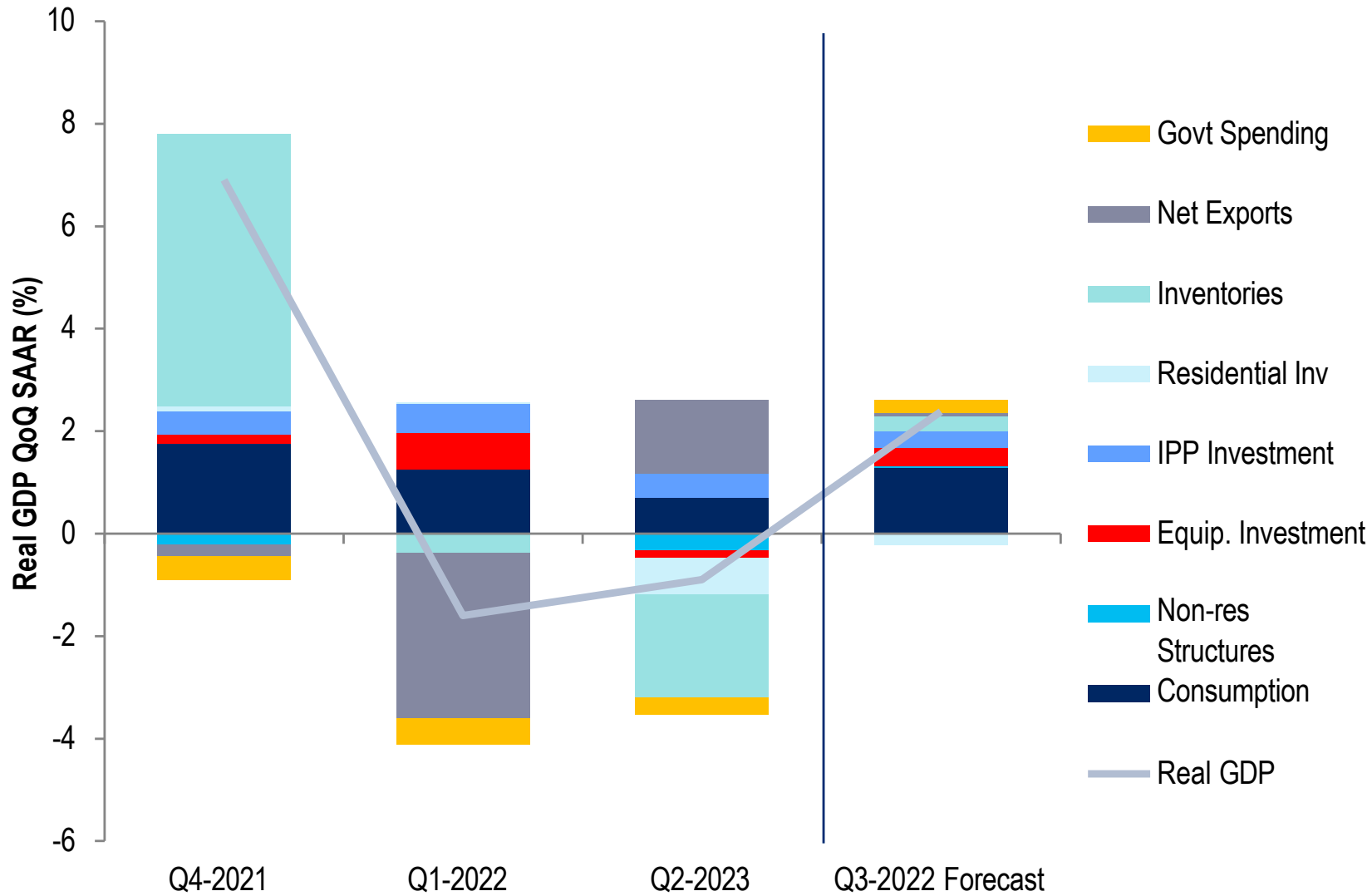
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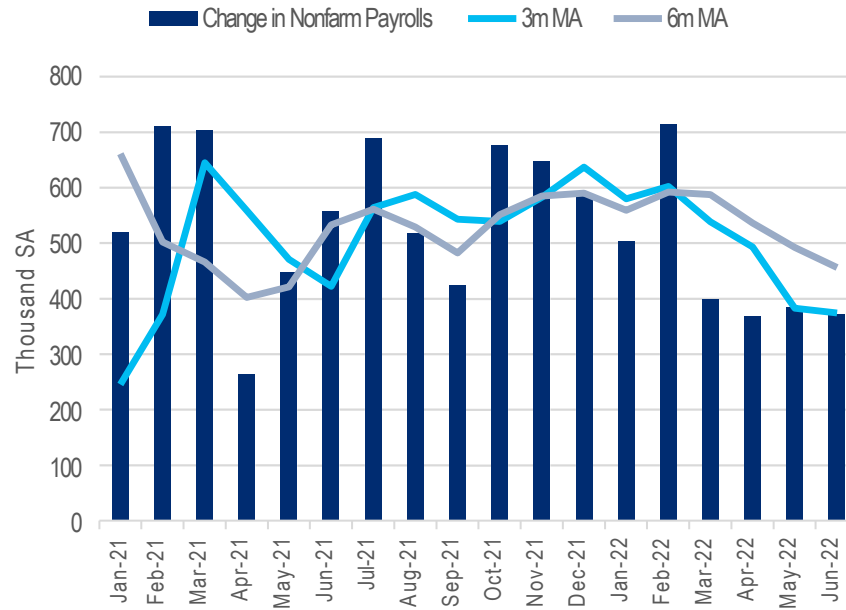
# Real GDP contracted for two quarters in a row



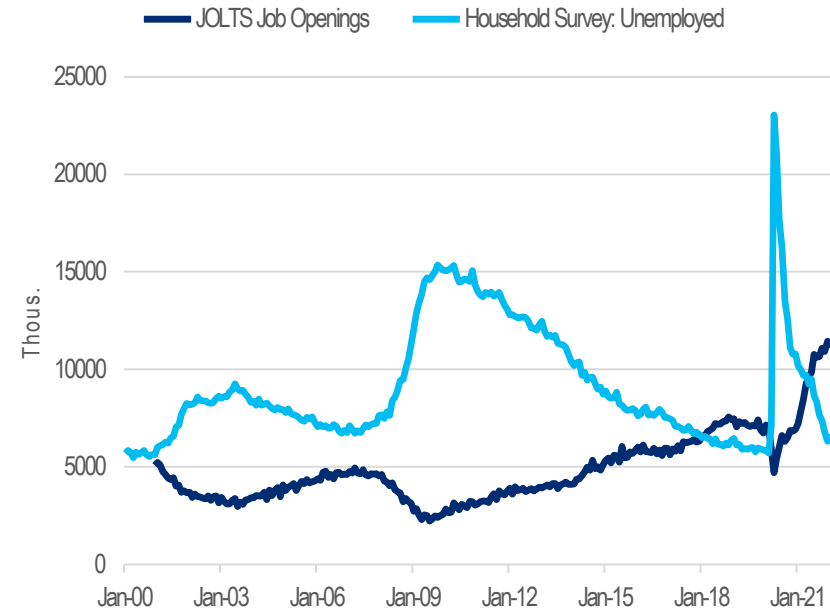


# Labor market remains tight

**Job growth has slowed but remains strong despite limited supply of workers**

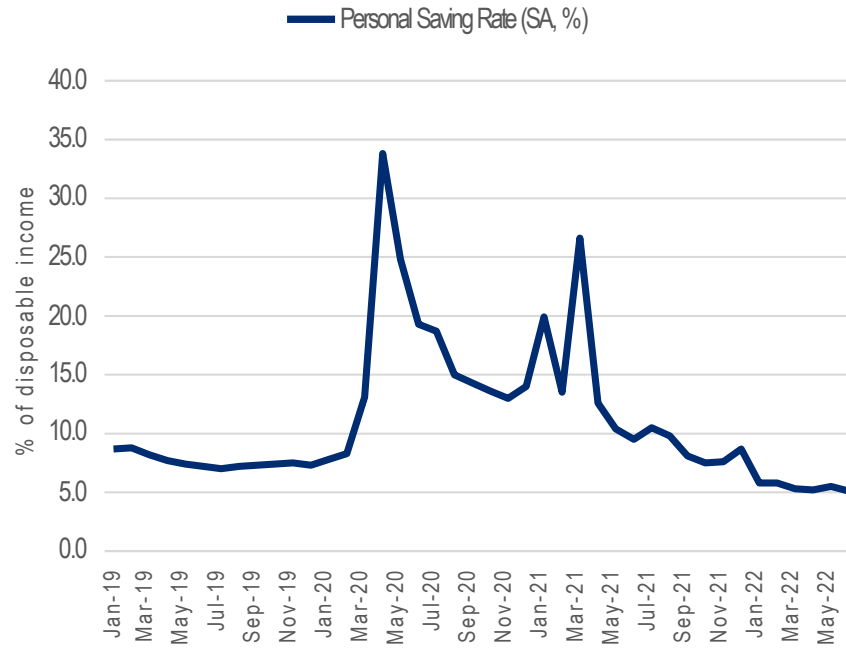


**There are almost two openings for each unemployed individual**

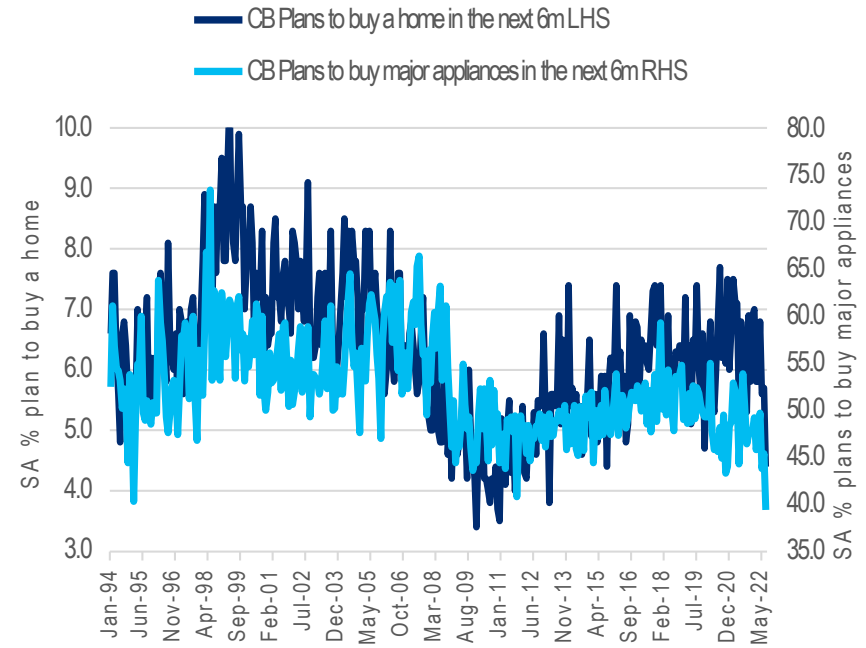


# Pent-up demand but consumer sentiment is declining

Savings rate is below pre-pandemic level



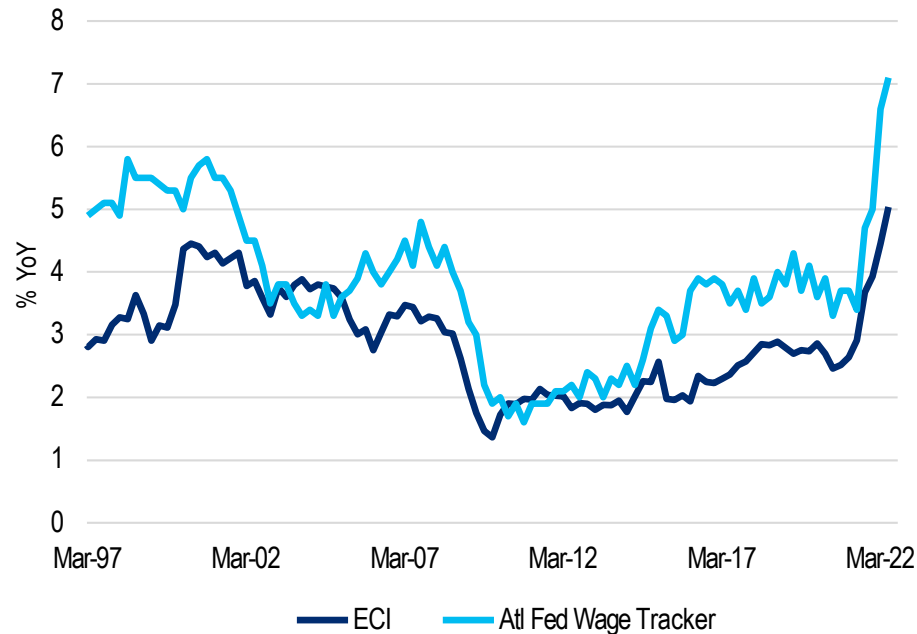
The Conference Board Survey shows percent of consumers planning to buy large durables and homes dropped significantly



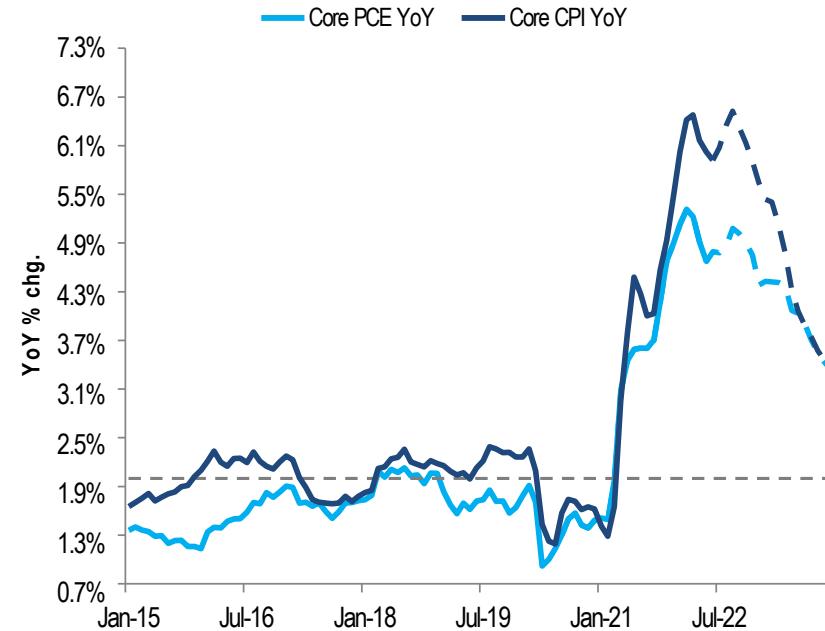


# Wage and price inflation is running too high

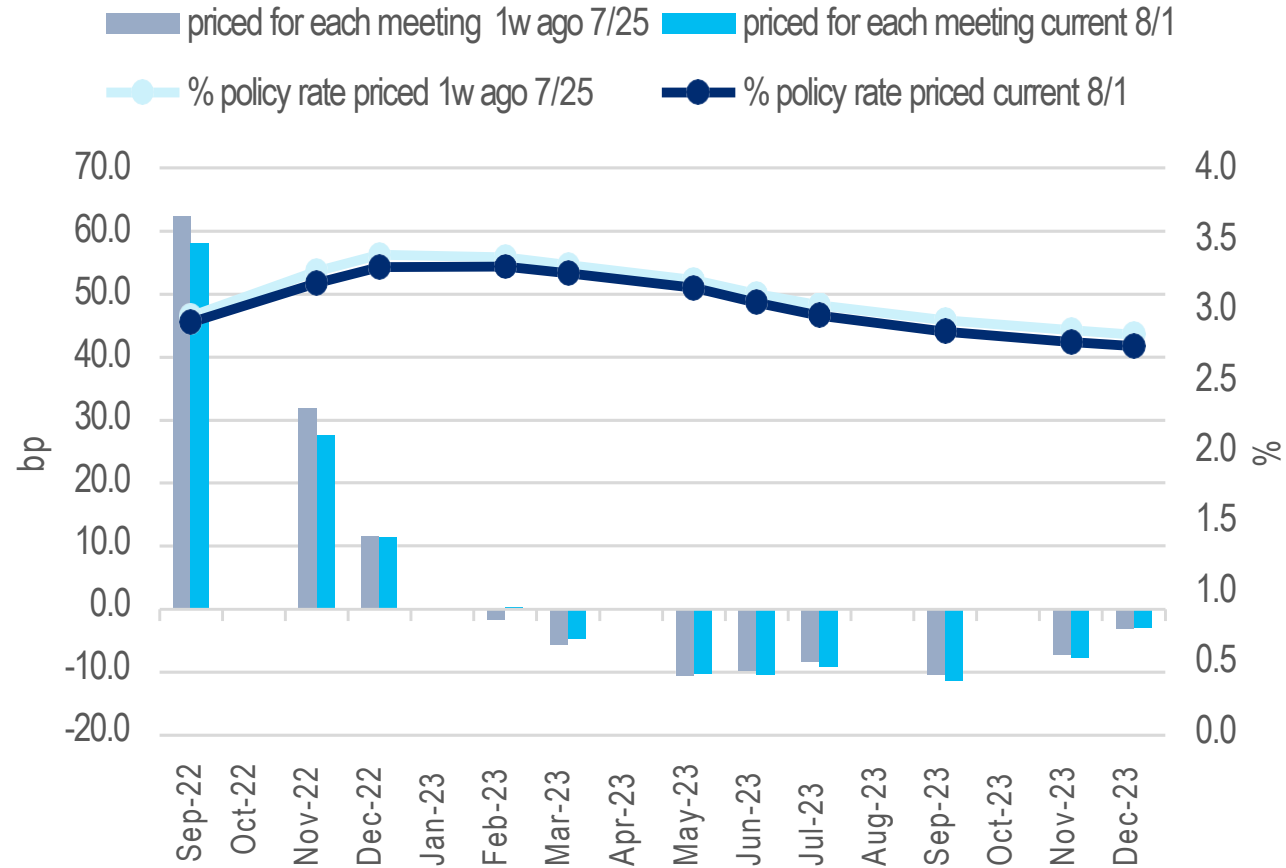
Wage measures like the Employment Cost Index and the Atlanta Fed Wage Tracker that control for composition are running above 5% on a year-over-year basis



Core inflation has been running too high and we expect it to continue staying above Fed's target for some time



# Market pricing ~3.3% terminal rate but we see 4+% more likely



- Our base case for the policy rate is for a 75bp hike in September followed by 50 bp hikes in November and December and a 25bp hike in January, reaching the terminal rate of **4.25-4.5%** before pausing.



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# Multifamily Market Outlook Demand Staying Resilient

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Vice President – Multifamily Economics & Strategic Research  
Fannie Mae

August 3, 2022

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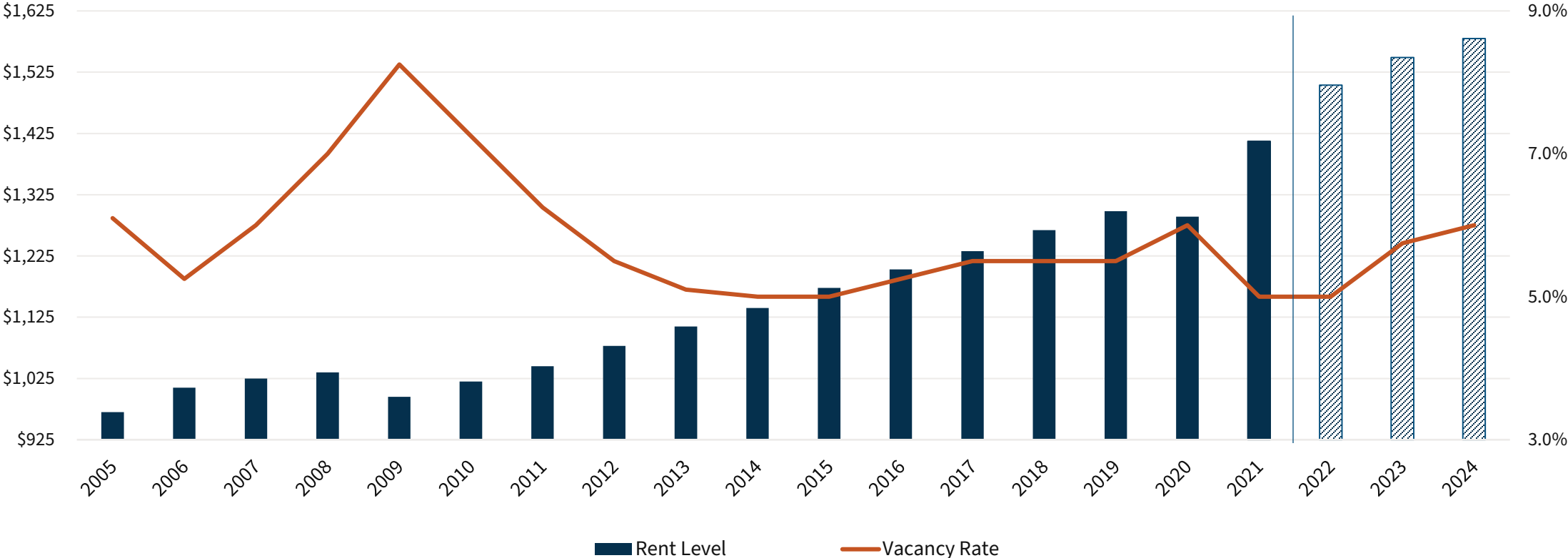
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# Multifamily Market Fundamentals

Rent growth has been elevated and we expect it to slow but remain above average over the next 12 months.

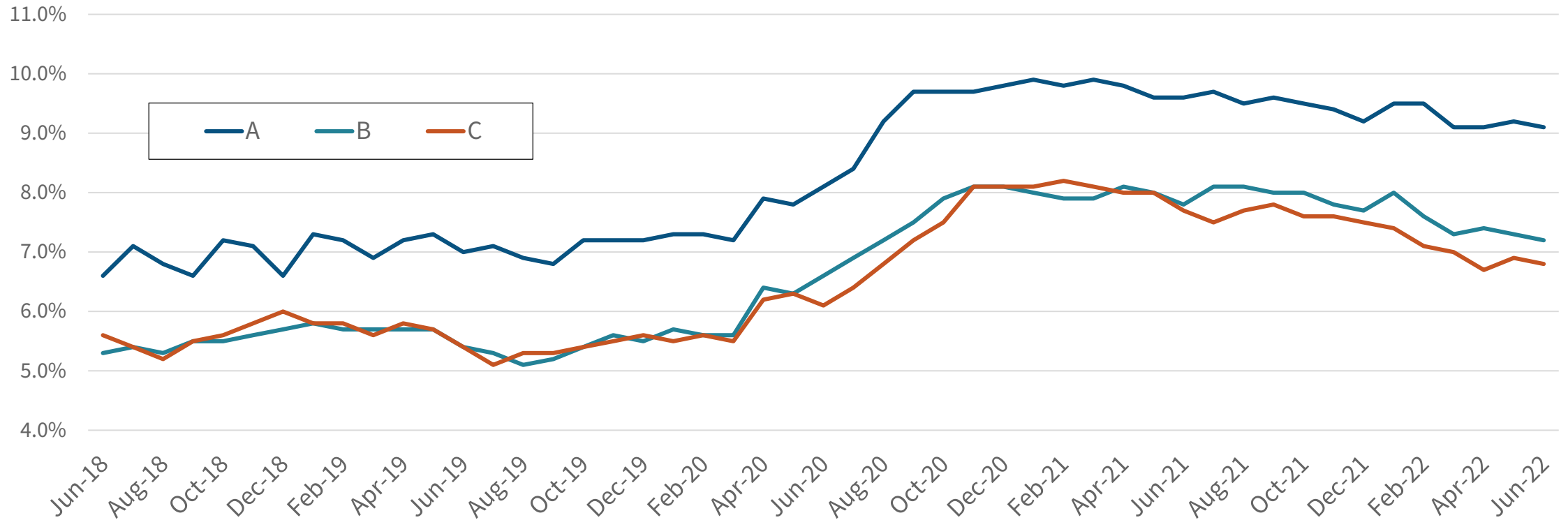
**Estimated Multifamily Rent and Vacancy Forecast**



# Multifamily Market Fundamentals

Concession rates are remaining above average...

National Concession Rate by Class

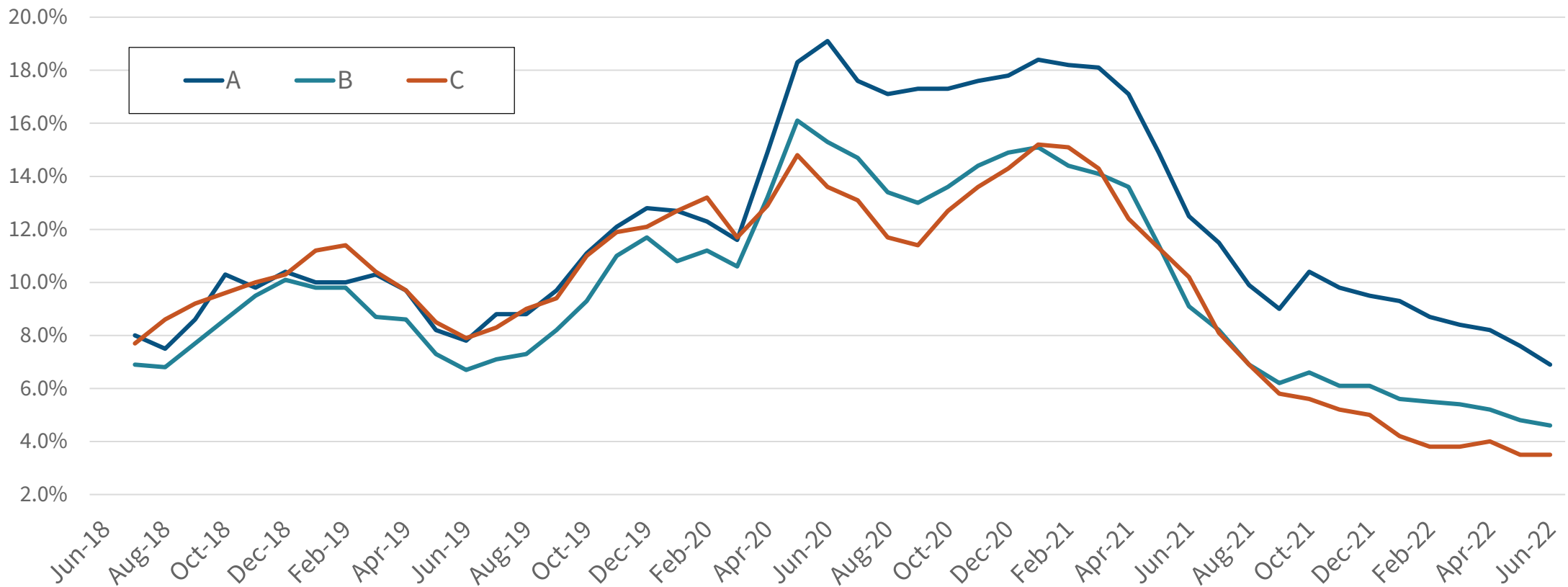




# Multifamily Market Fundamentals

... but are getting harder to find.

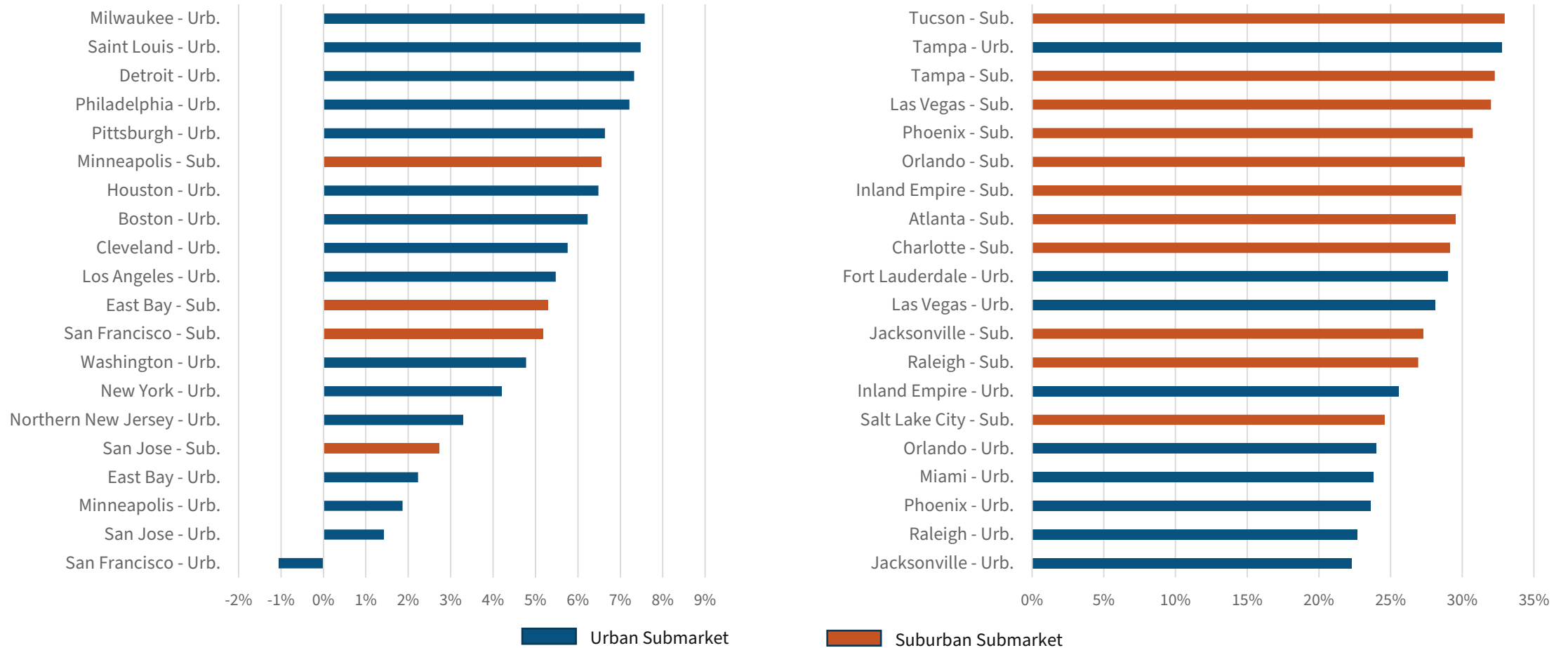
**National Percentage of Units Offering Concessions by Class**



# Multifamily Market Fundamentals

High-cost urban submarkets are lagging the rest of the nation in terms of multifamily demand but are on the rise...

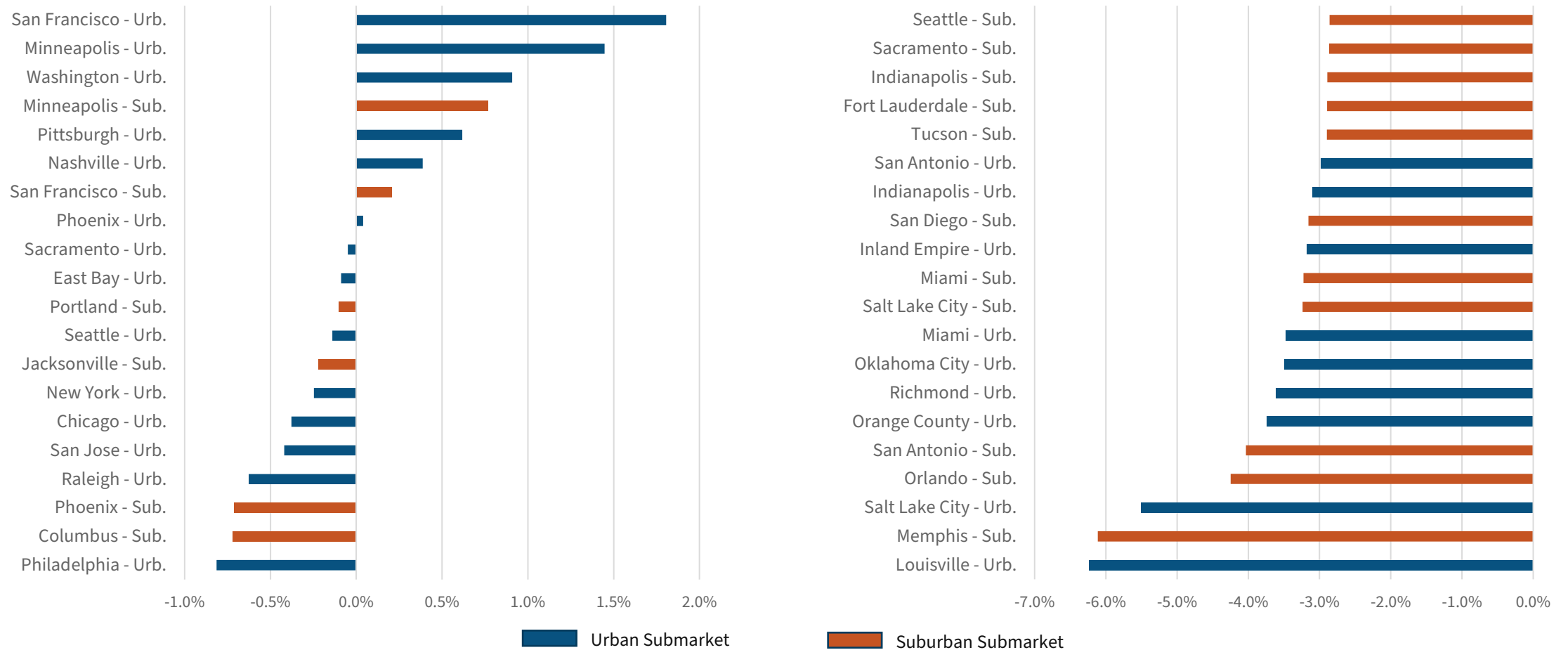
Change in Average Asking Rent by Submarket Type, Q4 2019 vs. Q1 2022



# Multifamily Market Fundamentals

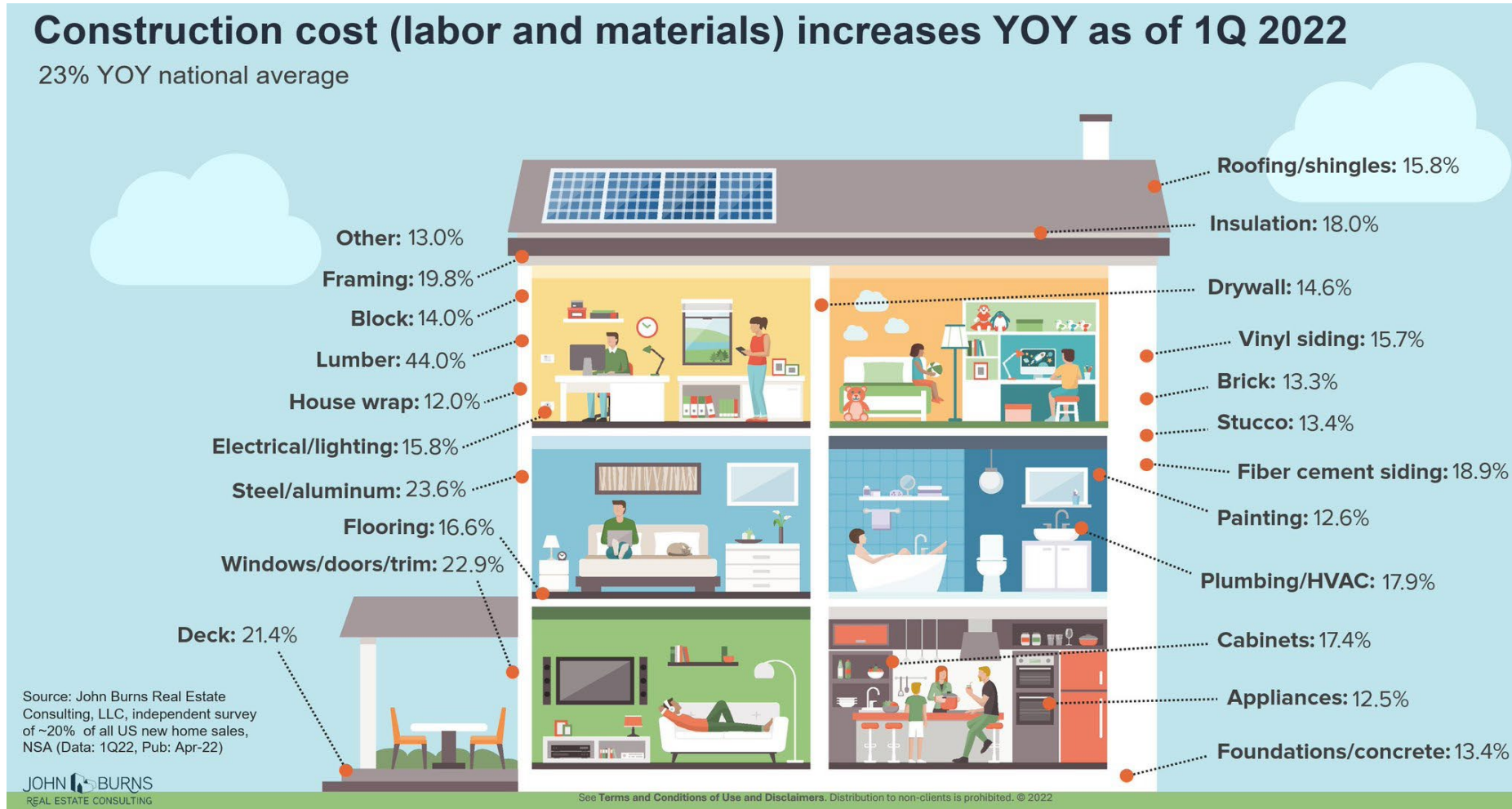
... and suburban submarkets have still seen significantly higher rental increases and tightening vacancies since late 2019.

**Change in Vacancy Rate by Submarket Type, Q4 2019 vs. Q1 2022**



# Multifamily Market Fundamentals

Supply chain issues remain stubbornly persistent...

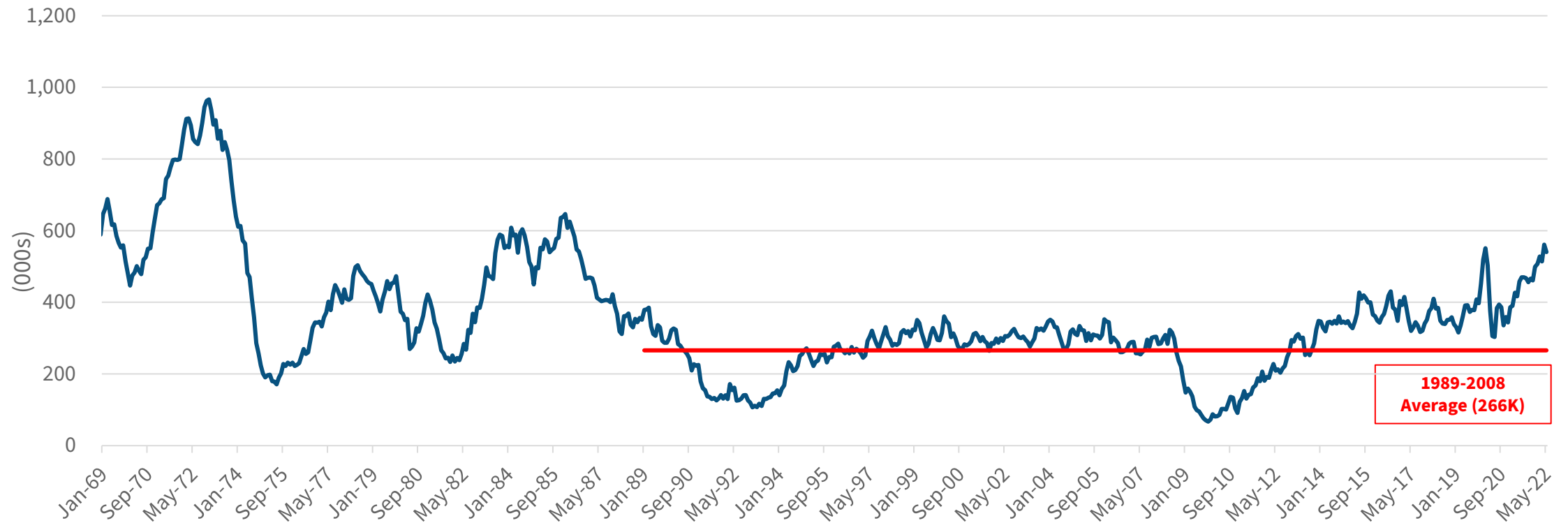


# Multifamily Market Fundamentals

... yet multifamily new construction has risen above its longer-term historic levels...

## Multifamily (5+ units) Starts

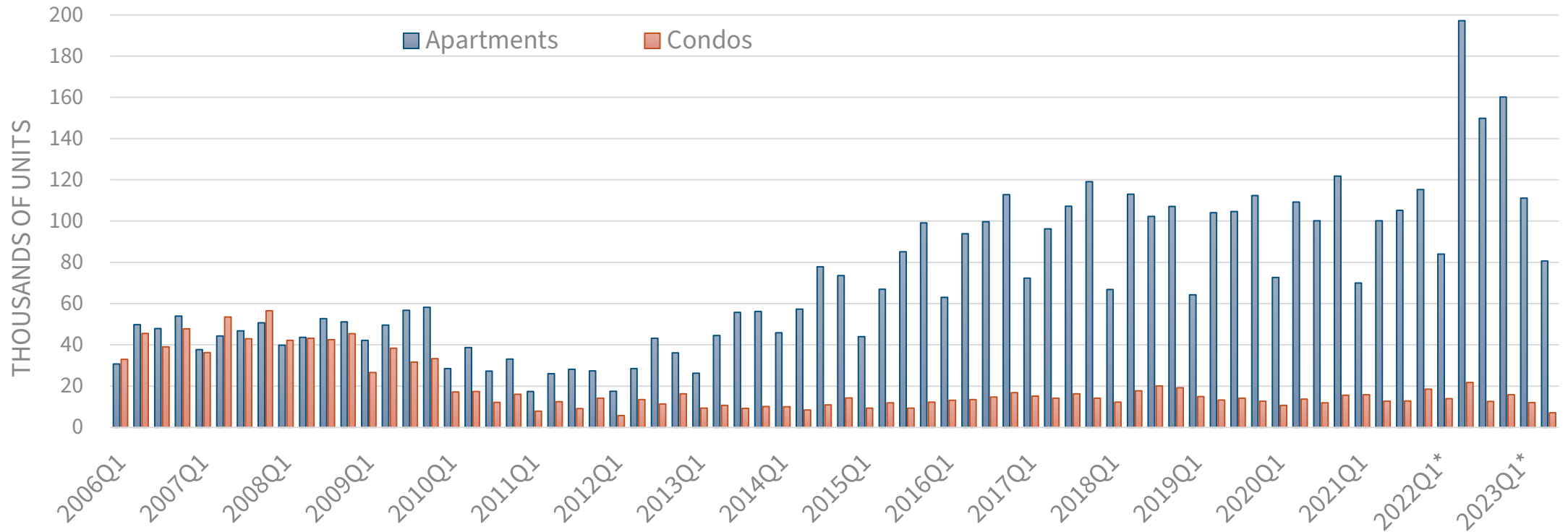
(3 month moving average)



# Multifamily Market Fundamentals

... with more than 800,000 units expected to be completed by the end of next year alone...

## Multifamily New Construction



NOTE: Supply Track data is not an actual forecast of activity, it is a monitor of activity reported on to-date. As more projects are planned and tracked, figures in future periods might go up.

Source: Source: Dodge Data & Analytics Supply Track, March 2022

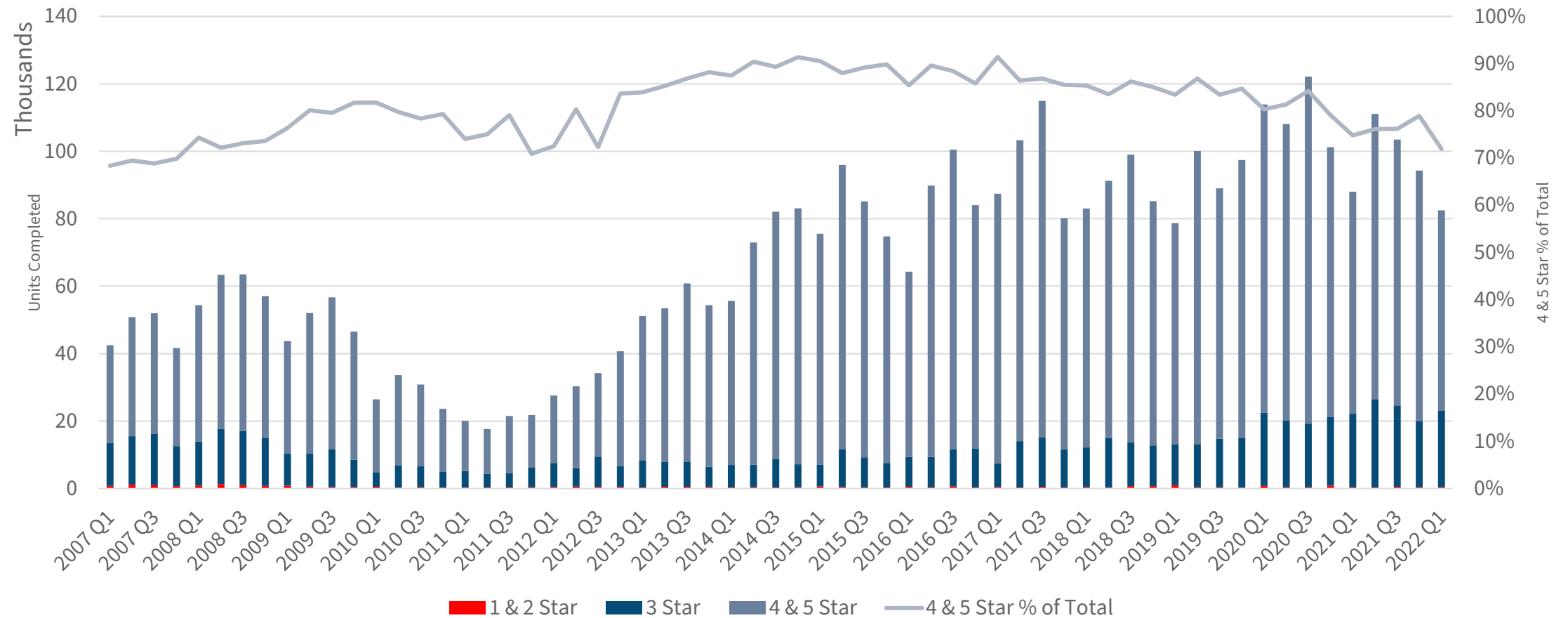
\* Anticipated completion date.



# Multifamily Market Fundamentals

... consisting mostly of Class A units.

## Multifamily New Construction by Class – Units Completed by Quarter



Source: CoStar Portfolio Strategy





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