Trepp®

Recent CRE Trends:
Office, Hotel, Industrial & Multi-Family

Proven History

Since 1979, Trepp has developed forward-looking models and advanced analytics based on our rich data sources within commercial real estate and structured finance.

Client-Driven

Trepp platforms, data, models, and applications, are supported by our dedicated teams. With access to our customer service, advisory solutions, and flexible research and bond finance departments, clients have Trepp minds to support their needs.

Thought Leaders

Widely cited and quoted as the industry standard for information and analytics in the structured finance, commercial real estate, and banking sectors. Renowned podcast and research relied on by thousands of business professionals.

Industry-Backed

Trusted by the top banks, brokerages, and financial institutions, Trepp provides customers with the data needed to make smarter investment decisions, perform due diligence, calculate risk, and forecast trends.

5 Million
COMMERCIAL PROPERTIES TRACKED

$2 Trillion
IN COMMERCIAL LOANS OUTSTANDING

$1 Trillion
IN SECURITIES DATA

232,000+
CMBS LOANS TRACKED

1,000+
FIRMS POWERED BY TREPP

Presentation Agenda & Speaker Information

Trepp®

- CRE Headlines & News
- National Market Overview
- Office Property Sector
- Hotel Property Sector
- Industrial Property Sector
- Multi-Family Property Sector

Lonnie Hendry, CRE
Chief Product Officer | Co-Host of the TreppWire Podcast

- Counselors of Real Estate (CRE®) Member

- Licensed Real Estate Broker
- Academic Reviewer: Appraisal Institute's Appraisal Journal
- Approved Texas Core & Mandatory Continuing Education Instructor: 2015

- Counselors of Real Estate Specialty Interest Group: Finance, Chair
- Mortgage Bankers Association – Structured Finance Council, Member
- Texas Tech Real Estate Center Advisory Council, Member
- Fordham University – Real Estate Institute Advisory Council, Member

- Master's Degree in Real Estate: 2013
- Graduate Certificate in Real Estate Development: 2013

- Frequently cited in WSJ, NYT, Financial Times, Bloomberg, CNBC
- Co-host of The TreppWire Podcast, a weekly CRE show with 1.5M listens

September Headline Rundown

Apartment Construction Is Slowing, and Investors Are Betting on Higher Rents
The rise in interest rates pushed construction-loan costs up and property values down

Will Lower Rates Unleash a Business Boom? It's Complicated.
For corporate America, this week's expected interest rate cut carries risks along with rewards.

'The Yellowstone Effect': Cities Cash In on Cowboy Culture
Lands in cities and towns that were once shipping points for livestock can be low-lying, unfavorable and often prone to flooding. They're also hotbeds for new developments.

Amazon Tells Workers to Return to Office Five Days a Week

Goldman Likes the Commercial Real Estate Debt That Others Fear
- Asset management arm sees value in offices, warehouses
- Multi-sector chief Lindsay Rosner also likes bank bonds

Brainard Downplays Inflation Risk, Says Lower Rates Aid Housing
- NEC chair says housing 'complicated' piece of inflation puzzle
- US economy has reached a 'turning point,' Brainard says

Fortress, Goldman Seek to Tap the Wealthy for New Debt REITs
- REITs aim to meet rising demand for commercial-property debt
- Firms look to individual investors as institutions pull back

US Existing-Home Sales Slide to Lowest Level Since October
- Contract closings dropped 2.5% in August, more than forecast
- First-time buyers' share of purchases matched record low

Private Credit Premiums Shrink as Investors Warn of Defaults
- Davidson Kempner executive says private credit defaults rising
- Interest rates expected to decline further after Fed cut

US Mortgage Rates Fall Further, Stoking Housing Optimism
- Average 30-year rate hits 6.09%, lowest since February 2023
- Fed cuts seen drawing more buyers and sellers into the market

US Multifamily Housing Completions Surge in Good Sign for Rents
- Finished multifamily units in August were highest since 1974
- South led gains, though West and Midwest have also been strong

Rent Cap Locks Billions of Euros Out of Irish Housing, CBRE Says
- Controls curbing investment, on top of increased costs: report
- Irish housing market is suffering from chronic under supply

Apartment Construction Is Slowing, and Investors Are Betting on Higher Rents

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Says L...**
- NEC chair...
- US econo...

The Fed (Finally) Lowered Interest Rates

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...s

Private Credit Premiums Shrink as Investors Warn of Defaults
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...Wealthy for New Debt REITs
- REITs aim to meet rising demand for commercial-property debt
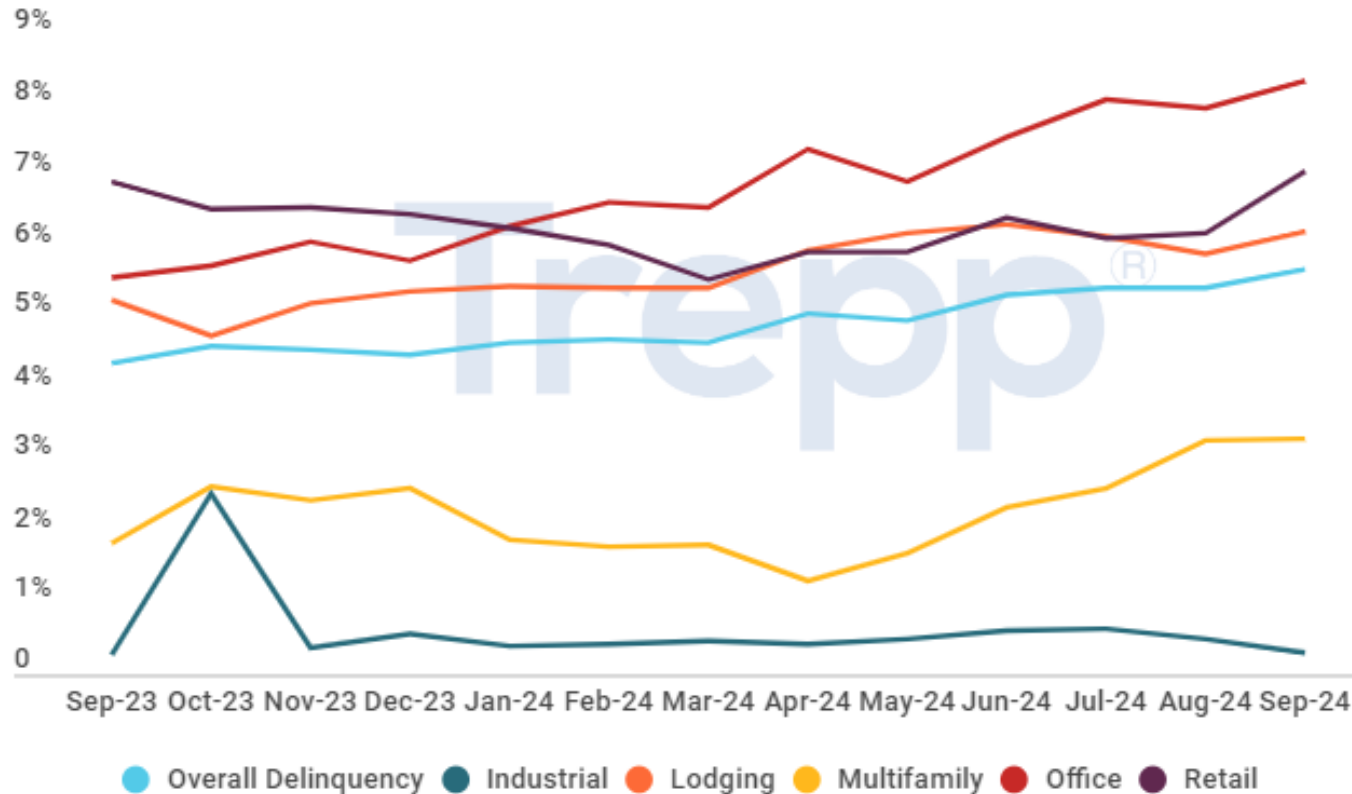- Firms look to individual investors as institutions pull back

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CMBS Delinquency Rate – September 2024

CMBS Delinquency Rates by Major Property Type

Legend: Overall Delinquency, Industrial, Lodging, Multifamily, Office, Retail

Delinquency Trends

10.34%
Peak Delinquency Rate (July 2012)

5.70%
Overall Delinquency Rate (September 2024)
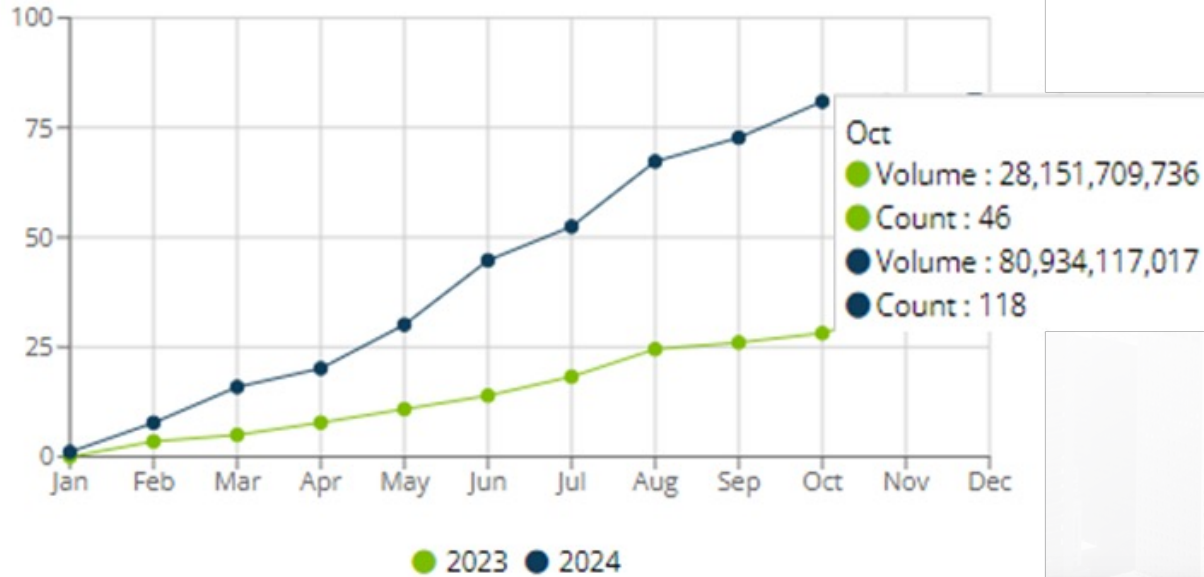
4.39%
Overall Delinquency Rate (September 2023)

8.36%
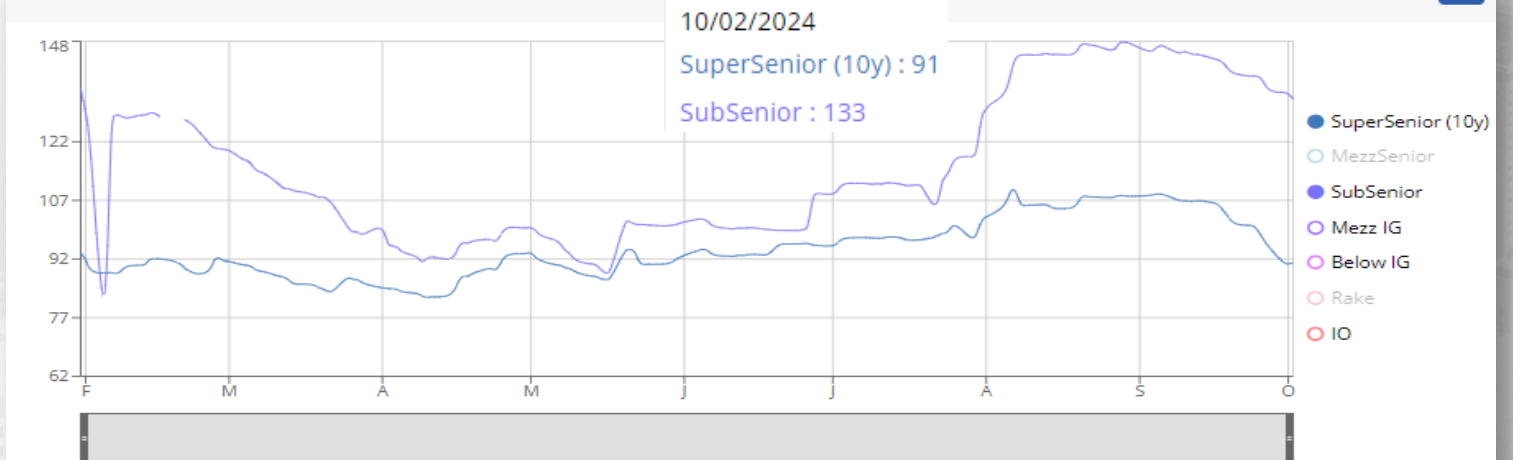Office Delinquency Rate (September 2024)

CMBS Issuance (Conduit, Large Loan, Single-Asset, Single-Borrower)

Yearly Volume Comparison

Oct
- ● Volume : 28,151,709,736
- ● Count : 46
- ● Volume : 80,934,117,017
- ● Count : 118

● 2023 ● 2024

CMBS Issuance 2024 YTD	Count	Amount	WA % Office
Single Borrower	83	$52.41bn	7.9
Conduit	28	$24.43bn	15.6
Large Loan	7	$4.09bn	0.0

Secondary Market Conduit Spreads

Vintage: 2024

10/02/2024
SuperSenior (10y) : 91
SubSenior : 133

- ● SuperSenior (10y)
- ○ MezzSenior
- ● SubSenior
- ○ Mezz IG
- ○ Below IG
- ○ Rake
- ○ IO

*Spreads to Treasury (J-Spread) supplied by Trepp Pricing Service

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Agency and CRE CLO Issuance

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Agency CMBS Issuance

Yearly Volume Comparison

Oct
- Volume : 39,630,085,651
- Count : 105
- Volume : 28,478,028,891
- Count : 86

2023 2024
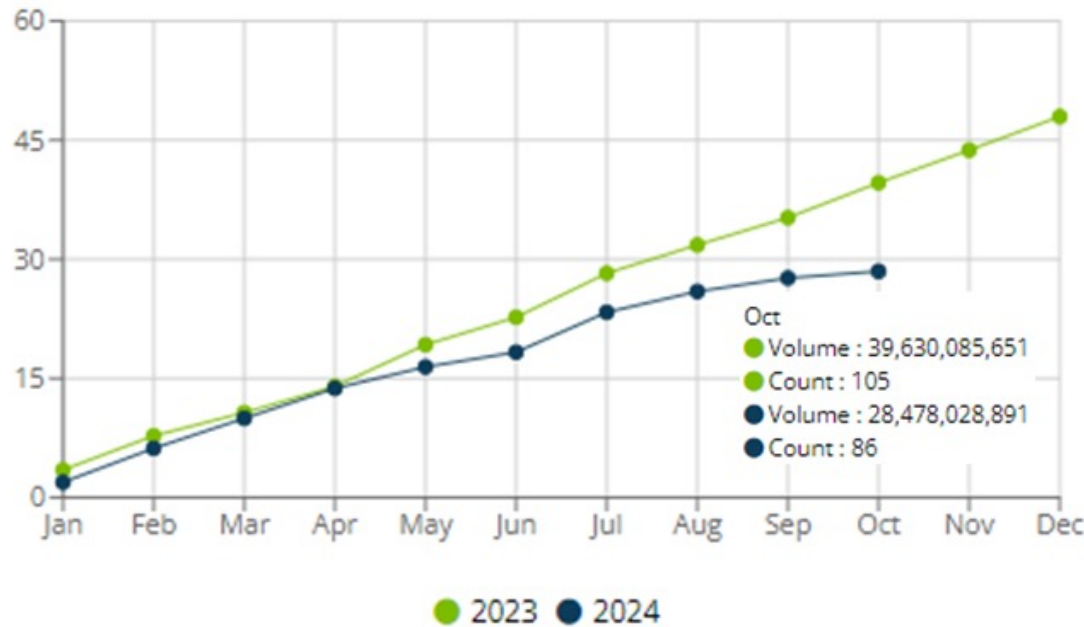
CRE CLO Issuance

Yearly Volume Comparison

Oct
- Volume : 8,035,297,051
- Count : 11
- Volume : 7,640,109,947
- Count : 10

2023 2024
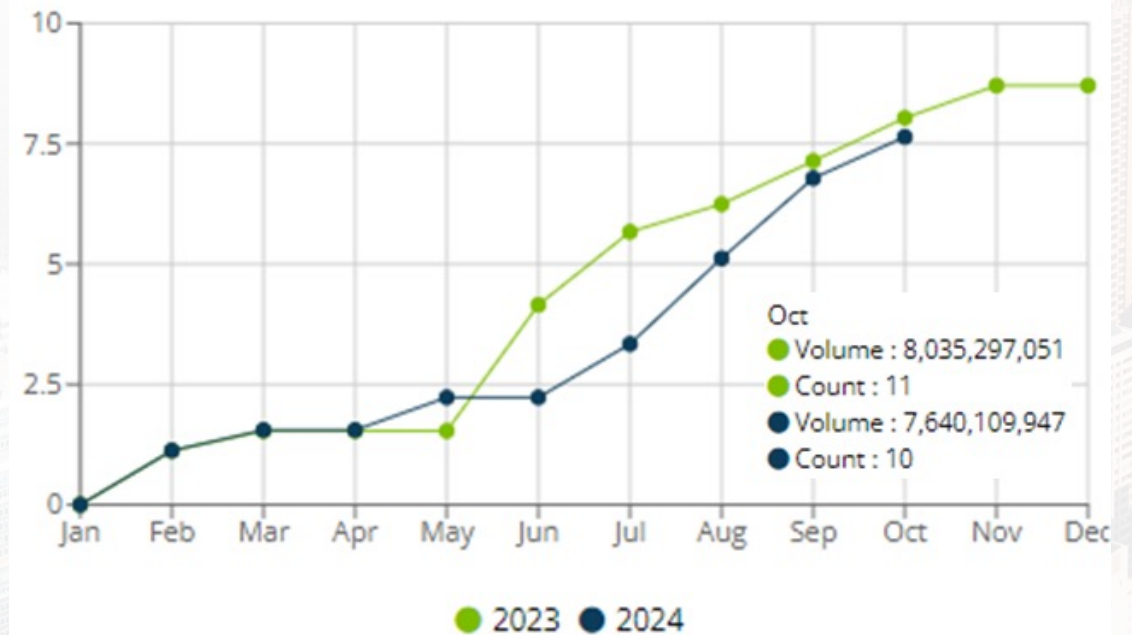
Bank CRE Loan Delinquencies

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Bank Loan Delinquency Rate by Property Type

Source: Trepp T-ALLR

Legend: Retail, Industrial, Lodging, Multifamily, Office
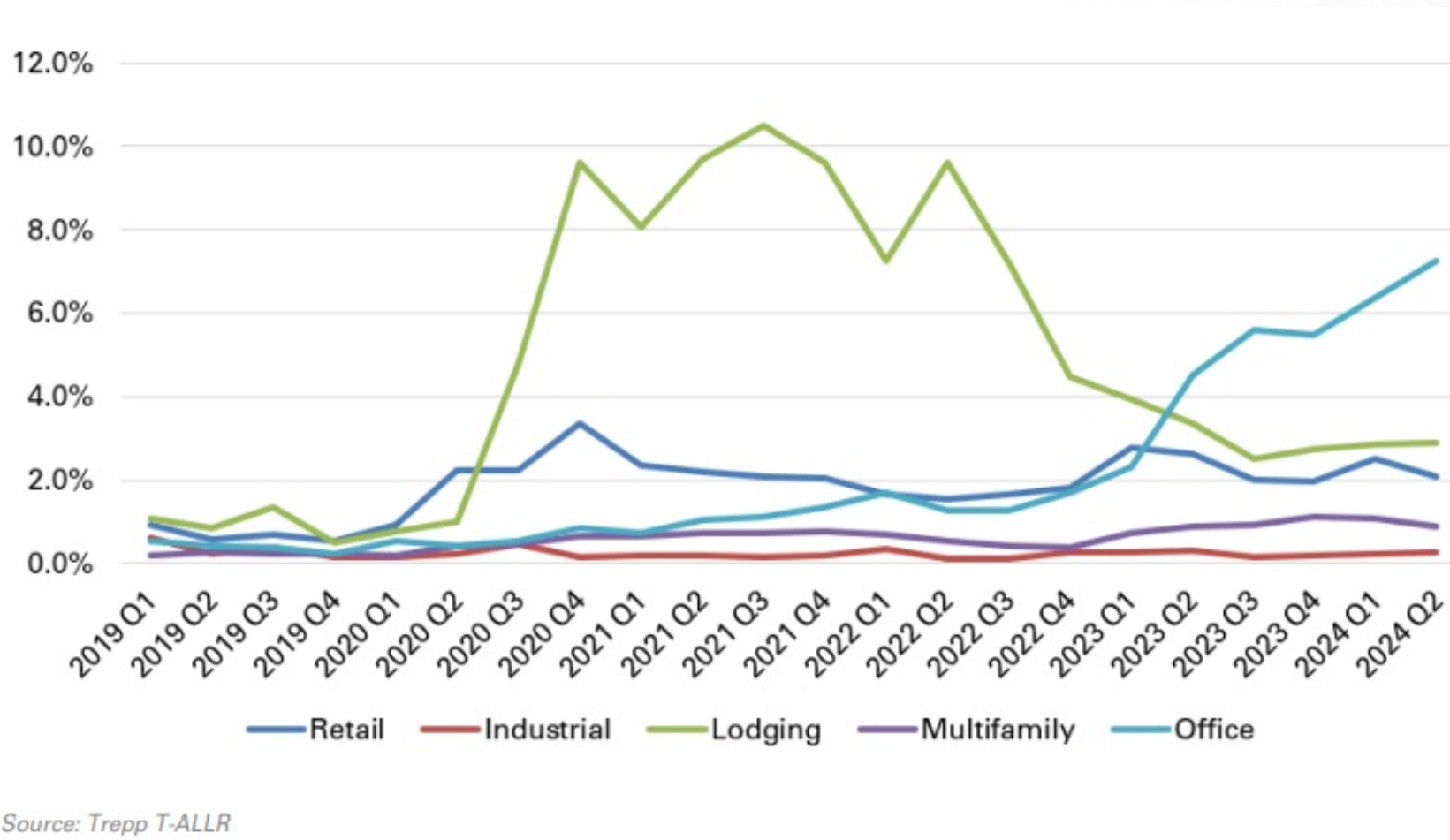
Bank CRE Loan Originations

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$ Billions
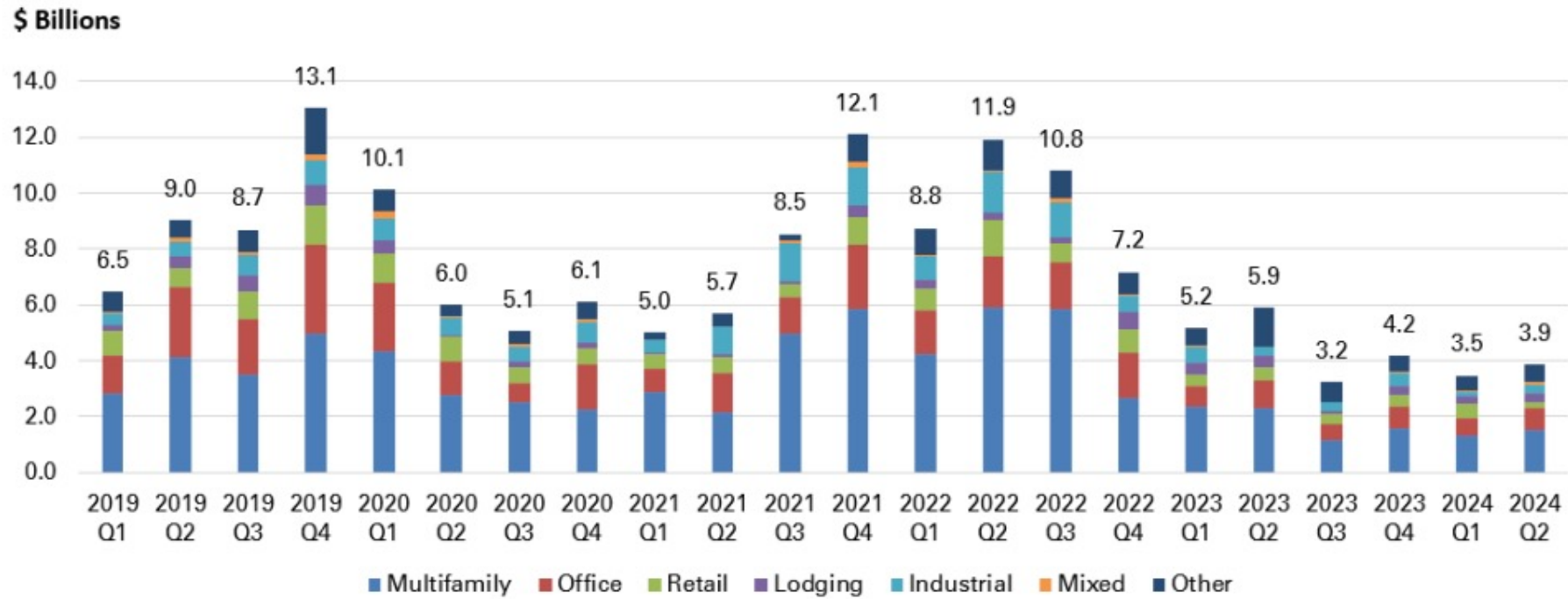
Source: Trepp T-ALLR

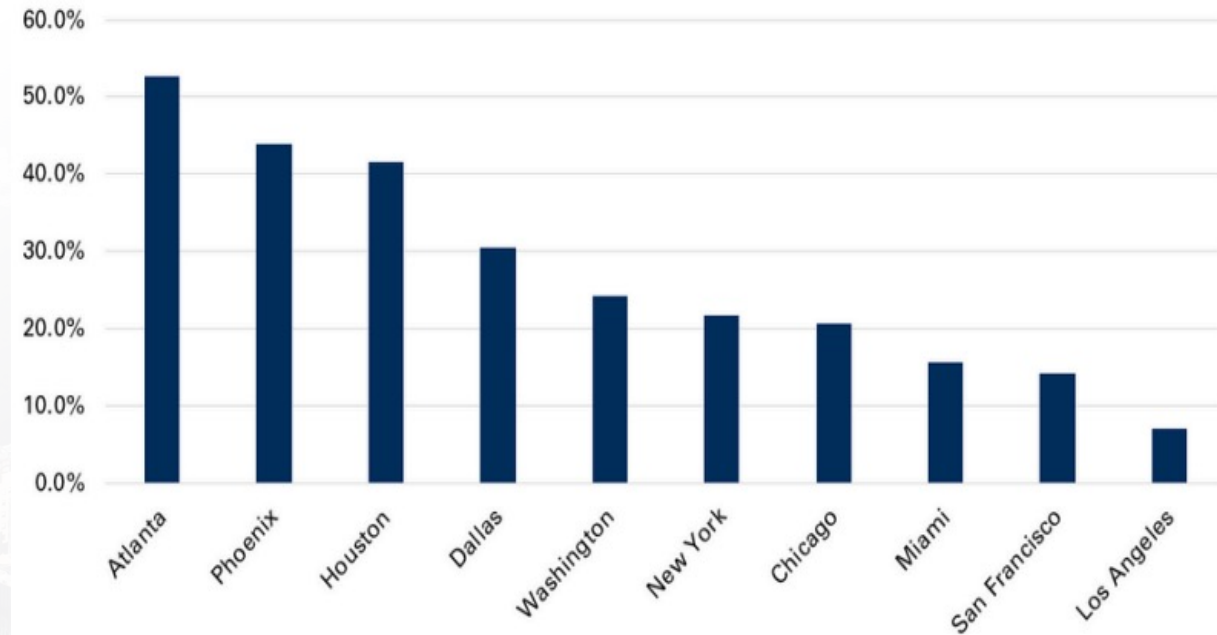|	Q2 '24 relative to 2019 Average
Multifamily	-61%
Office	-65%
Retail	-78%
Lodging	-39%
Industrial	-52%
Total	-58%

Criticized Bank CRE Loans

Office Criticized Loans by MSA
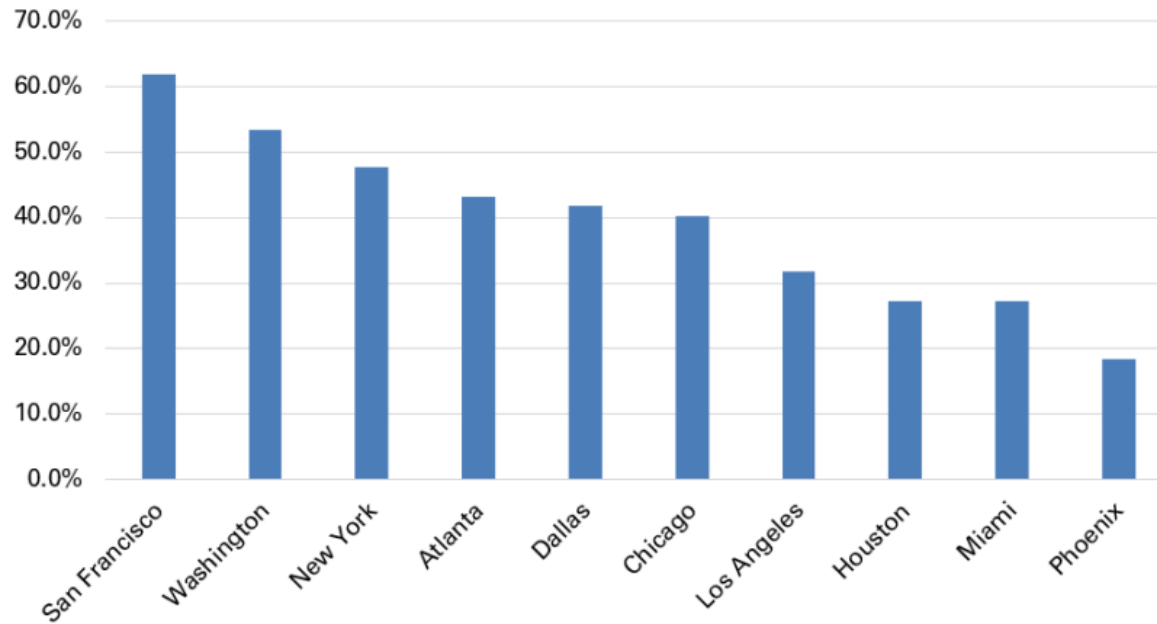
Multifamily Criticized Loans by MSA

Source: Trepp T-ALLR

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Bank CRE Loan Net Charge-Offs

Net Charge-Offs by Property Type
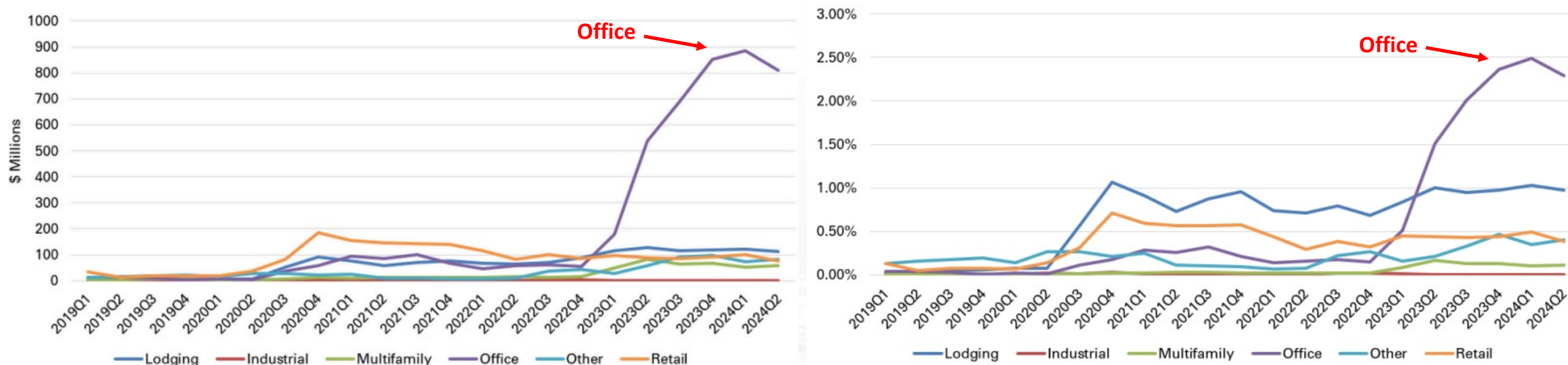
National CRE Market Overview

100 Largest Bank Holding Companies by CRE Exposure

Bank	Office Exposure as of 2Q'24 (% of CRE Portfolio)	Office ACL Coverage Ratio as of 2Q'24	CRE Loans as of 1Q 2024 (billions)	Total Assets as of 1Q 2024 (billions)
Wells Fargo	20.7%	11.1%	$135.13	$1,959.16
Bank of America	23.0%		$78.46	$3,273.80
Truist	15.0%	9.7%	$51.97	$534.96
U.S. Bancorp	13.0%	10+%	$50.19	$683.61
PNC	29.3%	10.3%	$45.16	$566.18
Citizens Financial Group	19.8%	11.1%	$31.90	$220.86
TD Bank Group	11.0%		$30.75	$530.32
BMO	10.9%		$28.54	$295.58
First Horizon	19.0%		$23.01	$81.80
Webster Financial Corporation	8.9%		$21.85	$76.16

CRE Portfolio Size	Average Office Exposure (% of CRE Portfolio)
$30+bn	19%
$15bn to $30bn	14%
$10bn to $15bn	14%
up to $10bn	15%

Office Property Sector Deep Dive

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Office Delinquency - MSA Rankings

Rank	MSA	Delinquency
1	Hartford-West Hartford-East Hartford, CT	60.12%
2	Portland-Vancouver-Hillsboro, OR-WA	42.89%
3	Charlotte-Concord-Gastonia, NC-SC	35.93%
4	Denver-Aurora-Lakewood, CO	29.84%
5	Cincinnati, OH-KY-IN	26.56%
6	San Antonio-New Braunfels, TX	24.31%
7	St. Louis, MO-IL	23.95%
8	Las Vegas-Henderson-Paradise, NV	23.56%
9	Birmingham-Hoover, AL	23.09%
10	Atlanta-Sandy Springs-Roswell, GA	22.51%
Top 50 MSAs (by population size)		**8.41%**

Office Property Sector Deep Dive

Office DSCR <1.0x - MSA Rankings

Rank	MSA	DSCR <1
1	Kansas City, MO-KS	39.28%
2	Raleigh, NC	35.42%
3	Portland-Vancouver-Hillsboro, OR-WA	32.93%
4	Chicago-Naperville-Elgin, IL-IN-WI	32.08%
5	Houston-The Woodlands-Sugar Land, TX	30.16%
6	Cincinnati, OH-KY-IN	28.40%
7	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	26.64%
8	Miami-Fort Lauderdale-West Palm Beach, FL	26.44%
9	Louisville/Jefferson County, KY-IN	26.21%
10	Cleveland-Elyria, OH	25.72%
Top 50 MSAs (by population size)		**12.85%**

Office Property Sector Deep Dive

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National Office Valuation & Vacancy Data Overview

Average Appraised Value per Unit

- 2019: $781.87
- 2020: $543.02
- 2021: $667.50
- 2022: $574.61
- 2023: $318.00

Average Vacancy Rate

- 2018: 3.58%
- 2019: 7.87%
- 2020: 18.5%
- 2021: 21.52%
- 2022: 14.2%
- 2023: 20.05%
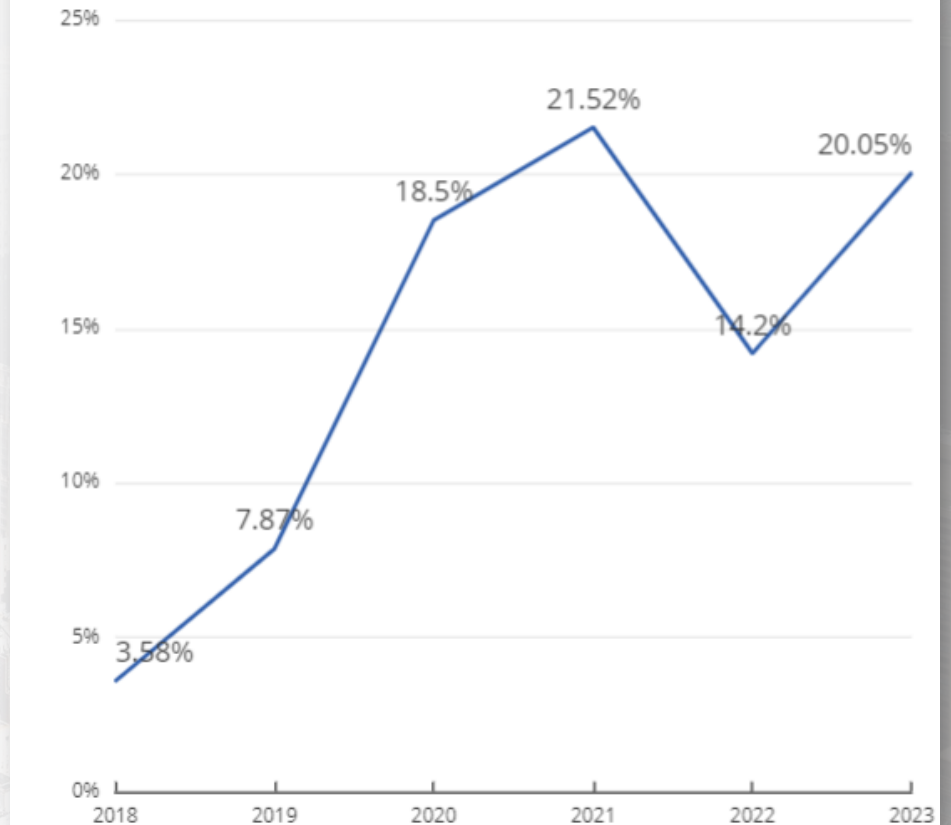
Office Property Sector Deep Dive

National Office Operating Data Overview

Key Annual Property Financials

Year	(dark blue)	(light blue)	(green)
2019	$33.05	$13.78	$20.33
2020	$34.90	$14.35	$21.90
2021	$35.92	$14.81	$23.21
2022	$36.96	$15.35	$24.31
2023	$39.87	$15.71	$25.39

Hotel Property Sector Deep Dive

Hotel Delinquency - MSA Rankings

Rank	MSA	Delinquency
1	San Francisco-Oakland-Hayward, CA	42.82%
2	Chicago-Naperville-Elgin, IL-IN-WI	39.77%
3	Portland-Vancouver-Hillsboro, OR-WA	37.74%
4	Houston-The Woodlands-Sugar Land, TX	33.51%
5	Minneapolis-St. Paul-Bloomington, MN-WI	29.14%
6	Cincinnati, OH-KY-IN	27.60%
7	Cleveland-Elyria, OH	24.28%
8	Detroit-Warren-Dearborn, MI	19.60%
9	Baltimore-Columbia-Towson, MD	13.12%
10	Memphis, TN-MS-AR	12.24%
Top 50 MSAs (by population size)		**7.08%**

Hotel Property Sector Deep Dive

Hotel DSCR <1.0x - MSA Rankings

Rank	MSA	DSCR <1
1	Minneapolis-St. Paul-Bloomington, MN-WI	98.47%
2	San Francisco-Oakland-Hayward, CA	84.76%
3	Portland-Vancouver-Hillsboro, OR-WA	60.05%
4	San Diego-Carlsbad, CA	57.48%
5	New Orleans-Metairie, LA	48.58%
6	Cincinnati, OH-KY-IN	38.06%
7	Oklahoma City, OK	35.69%
8	Sacramento--Roseville--Arden-Arcade, CA	35.15%
9	Kansas City, MO-KS	31.17%
10	Detroit-Warren-Dearborn, MI	30.05%
Top 50 MSAs (by population size)		**14.97%**
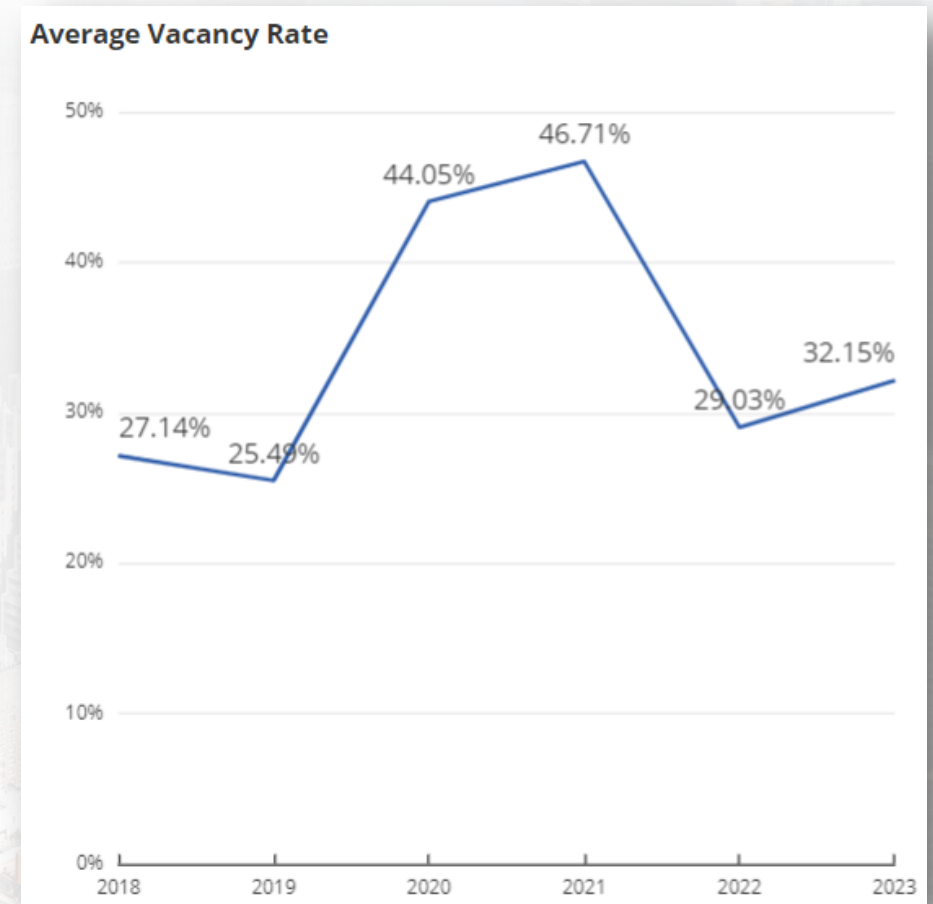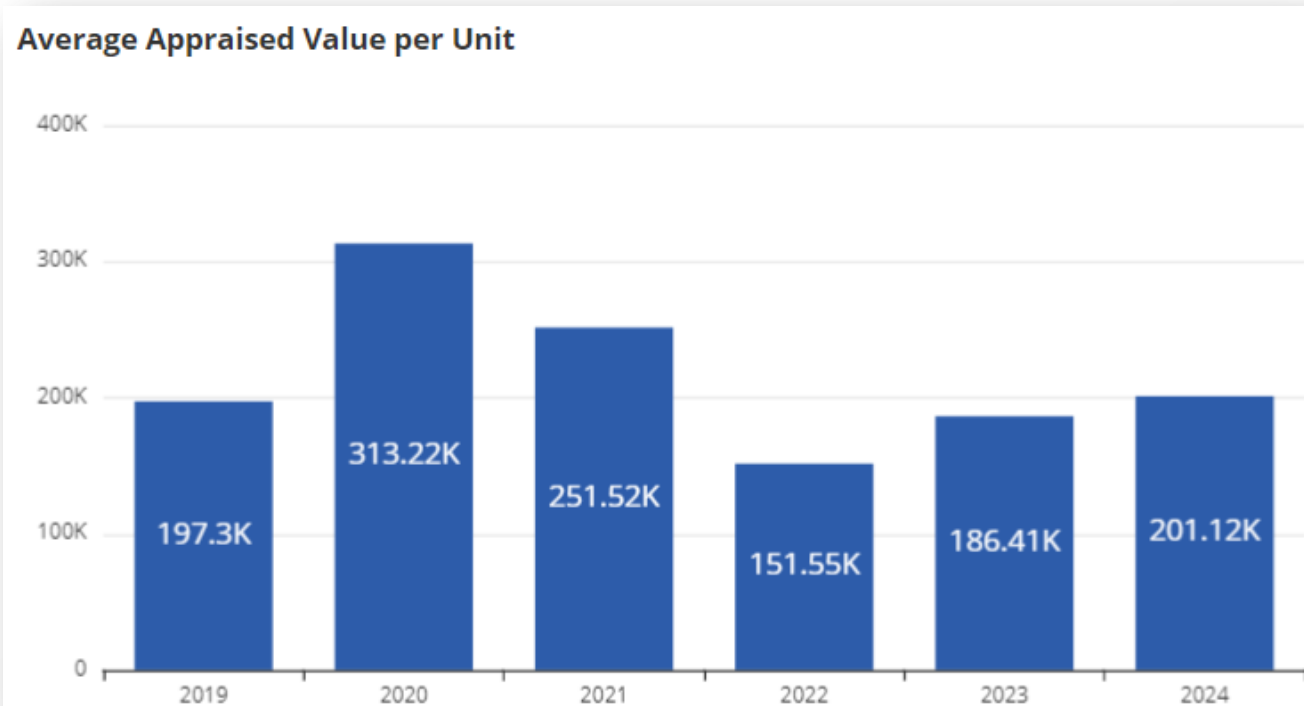
National Hotel Operating Data Overview

Key Annual Property Financials

Year	(Dark Blue)	(Light Blue)	(Green)
2019	$57.50K	$39.68K	$16.65K
2020	$26.94K	$39.02K	$16.80K
2021	$45.07K	$40.64K	$18.00K
2022	$61.89K	$46.31K	$21.40K
2023	$67.36K	$47.04K	$22.44K

Industrial Property Sector Deep Dive

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Industrial Delinquency - MSA Rankings

Rank	MSA	Delinquency
1	Buffalo-Cheektowaga-Niagara Falls, NY	18.54%
2	Cincinnati, OH-KY-IN	3.47%
3	Boston-Cambridge-Newton, MA-NH	2.93%
4	Hartford-West Hartford-East Hartford, CT	2.86%
5	San Jose-Sunnyvale-Santa Clara, CA	2.56%
6	New York-Newark-Jersey City, NY-NJ-PA	1.75%
7	Indianapolis-Carmel-Anderson, IN	1.45%
8	Columbus, OH	1.10%
9	San Francisco-Oakland-Hayward, CA	1.02%
10	Chicago-Naperville-Elgin, IL-IN-WI	0.30%
Top 50 MSAs (by population size)		**0.38%**

Industrial Property Sector Deep Dive

Industrial DSCR <1.0x - MSA Rankings

Rank	MSA	DSCR <1
1	Houston-The Woodlands-Sugar Land, TX	26.06%
2	Boston-Cambridge-Newton, MA-NH	25.03%
3	Memphis, TN-MS-AR	24.73%
4	Portland-Vancouver-Hillsboro, OR-WA	24.52%
5	Denver-Aurora-Lakewood, CO	24.00%
6	San Jose-Sunnyvale-Santa Clara, CA	21.85%
7	Phoenix-Mesa-Scottsdale, AZ	19.91%
8	Atlanta-Sandy Springs-Roswell, GA	16.47%
9	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	16.33%
10	Cleveland-Elyria, OH	16.08%
Top 50 MSAs (by population size)		**7.95%**

Industrial Property Sector Deep Dive

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National Industrial Valuation & Vacancy Data Overview
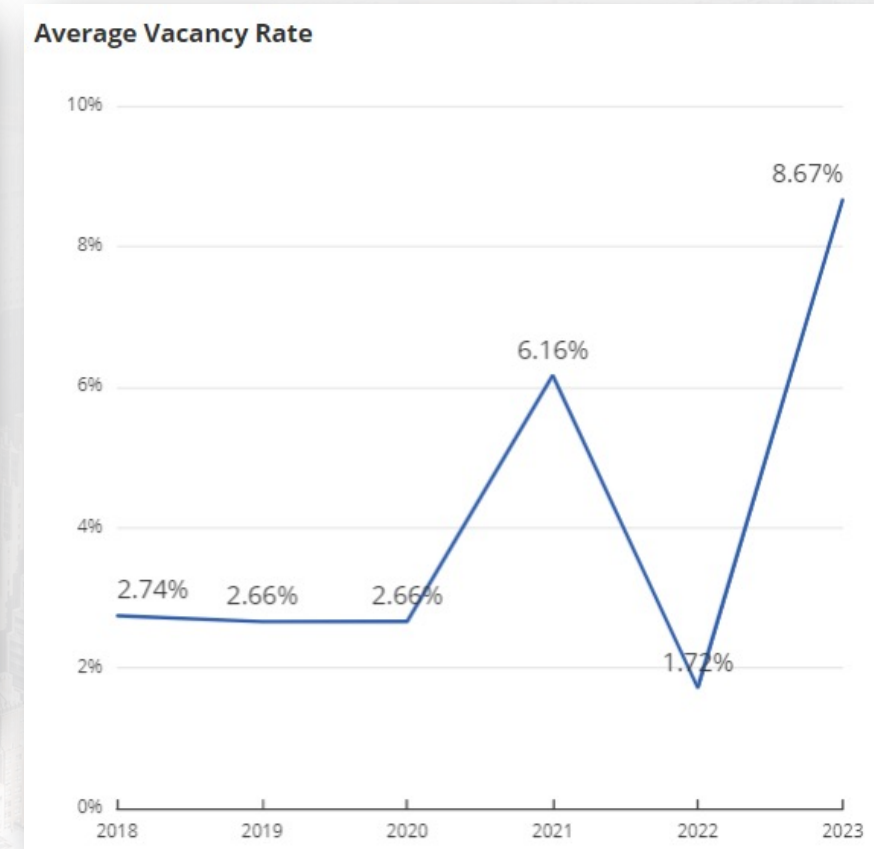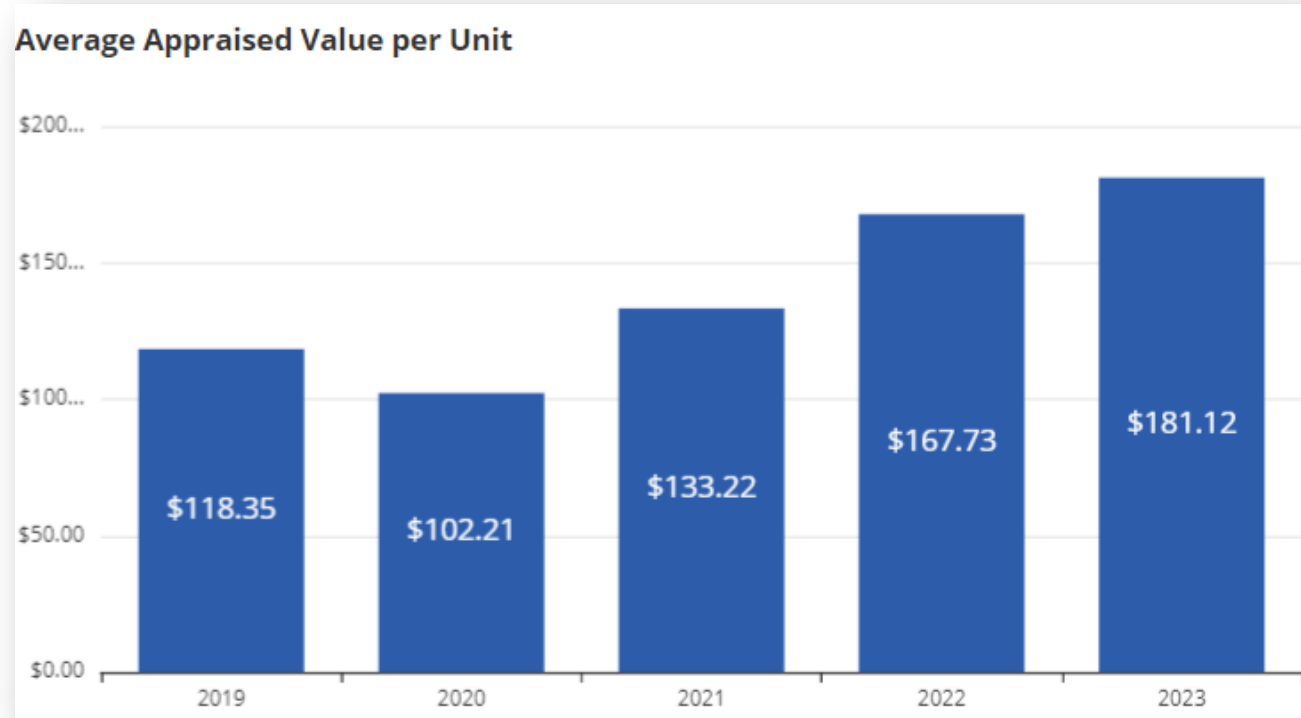
National Industrial Operating Data Overview

Key Annual Property Financials
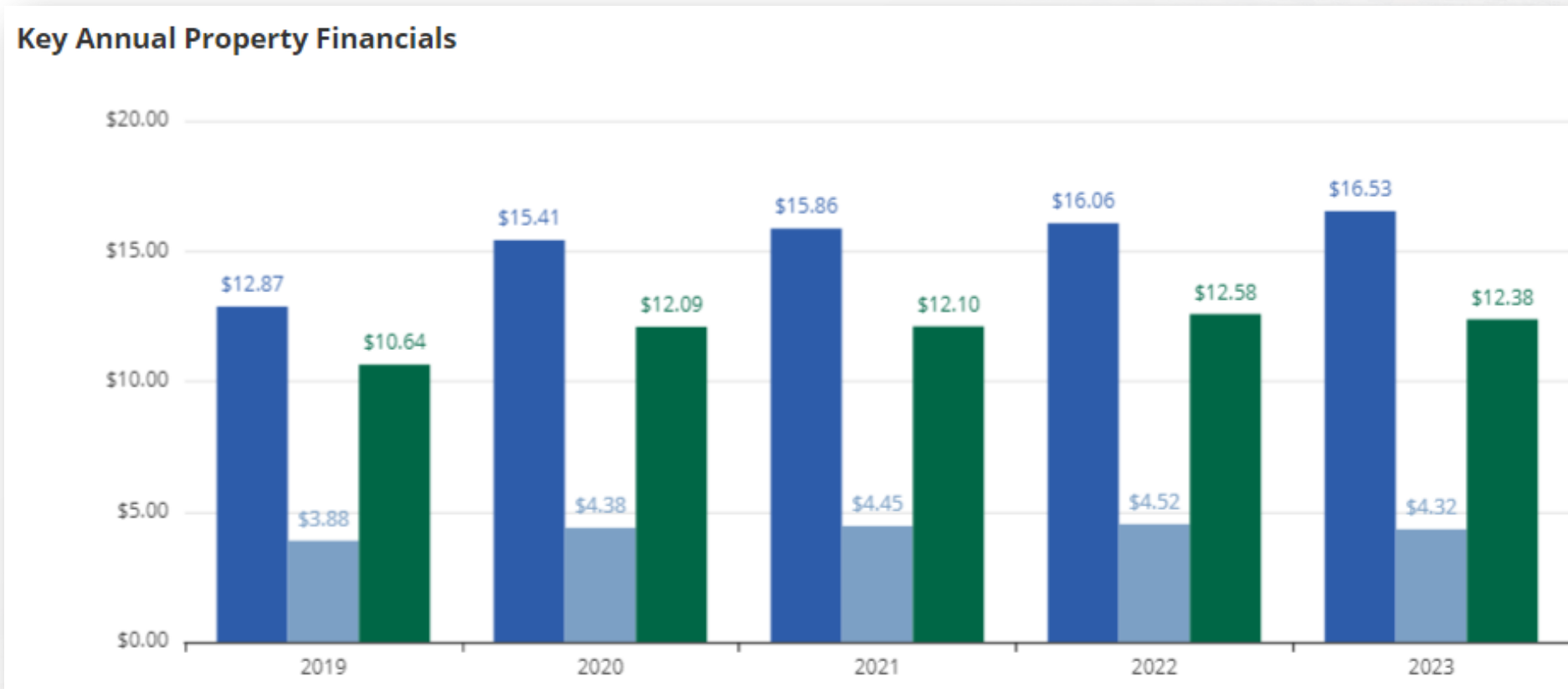
Multi-Family Property Sector Deep Dive

Multi-Family Delinquency - MSA Rankings

Rank	MSA	Delinquency
1	Cleveland-Elyria, OH	3.36%
2	Oklahoma City, OK	2.63%
3	Houston-The Woodlands-Sugar Land, TX	2.56%
4	Detroit-Warren-Dearborn, MI	2.52%
5	Buffalo-Cheektowaga-Niagara Falls, NY	2.29%
6	Pittsburgh, PA	2.26%
7	Indianapolis-Carmel-Anderson, IN	2.25%
8	New York-Newark-Jersey City, NY-NJ-PA	2.16%
9	Jacksonville, FL	1.65%
10	Chicago-Naperville-Elgin, IL-IN-WI	1.63%
Top 50 MSAs (by population size)		**0.96%**

Multi-Family Property Sector Deep Dive

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Multi-Family DSCR <1.0x - MSA Rankings

Rank	MSA	DSCR <1
1	Houston-The Woodlands-Sugar Land, TX	22.34%
2	San Antonio-New Braunfels, TX	21.36%
3	San Francisco-Oakland-Hayward, CA	20.19%
4	Dallas-Fort Worth-Arlington, TX	18.51%
5	Austin-Round Rock, TX	18.30%
6	Atlanta-Sandy Springs-Roswell, GA	17.21%
7	Detroit-Warren-Dearborn, MI	16.32%
8	Phoenix-Mesa-Scottsdale, AZ	15.59%
9	Jacksonville, FL	15.37%
10	Birmingham-Hoover, AL	14.92%
Top 50 MSAs (by population size)		**11.46%**

Multi-Family Property Sector Deep Dive

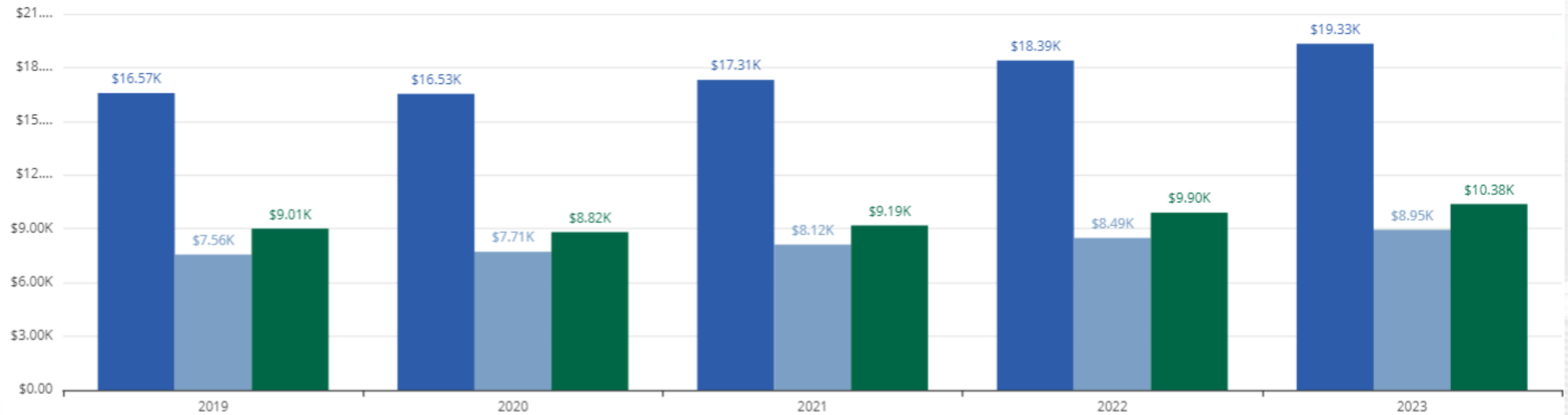## National Multi-Family Valuation & Vacancy Data Overview

Average Appraised Value per Unit

- 2019: $201.61K
- 2020: $184.36K
- 2021: $199.86K
- 2022: $228.08K
- 2023: $233.44K

Average Vacancy Rate

- 2018: 6.5%
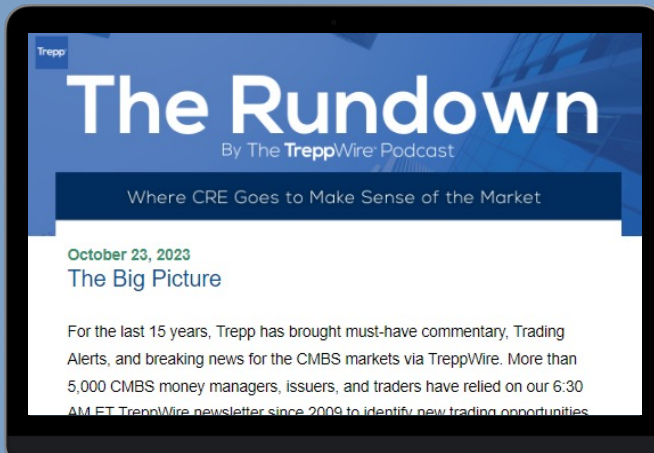- 2019: 6.17%
- 2020: 6.51%
- 2021: 6.82%
- 2022: 7.4%
- 2023: 7.19%

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- Office Bifurcation is real – Class A space is doing well… Everything else is down
  - It's going to get worse for office before it gets better – 3-5 years

- Hotel RevPar & ADRs are at all time highs for major brands/flags
  - A lot of hotels haven't had PIP renovations since 2019 – Expenses are up & Service is down

- Industrial is still the strongest property type post covid
  - Spec development is slowing, Data Centers are everyone's new asset class

- Multi-Family is showing some signs of distress in Sunbelt, but overall is very strong
  - Properties purchased in 2019-2021 with floating rate debt are in trouble
  - 1.1 Million new units delivered in 2023-2024, but new construction pipeline is very low 2025-2028