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SCCAI AND CCIM GREATER LA JOINT MEETING

Real World California Valuation: Navigating Today's Market Across Multifamily, Industrial, Office & Retail

August 14, 2025 - Webinar
12:00 PM PST – 2:00 PM PST

SPEAKERS

Gazelle Raye Wichner, ASA, MAI, AI -GRS, CCIM
Director, VAS Quality & Risk Management | CBRE

OFFICE

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RETAIL

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MACRO VALUATION TRENDS IN CALIFORNIA

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MACRO VALUATION TRENDS IN CALIFORNIA

-

1. Capital Markets & Financing
•Mortgage rate uncertainty still has cap rates up from 2022 levels
•CMBS maturity wall

2. Operations, Cost Pressures, and Climate Risks
•Increasing construction costs
•Expense management will be a major challenge (OpEx increases for R&M, insurance, and utilities)

3. Market Demand & Tenant Dynamics
•Suburban versus urban tenant migration
•CapEx investment in support of flight to quality

4. Policy & External Economic Factors
•Volatile federal tariff policy resulting in space demand and lease rate uncertainty

OFFICE

Gazelle Raye Wichner,
ASA, MAI, AI -GRS, CCIM
Director, VAS Quality &
Risk Management | CBRE

MACRO TRENDS FOR OFFICE

- **Macro Trends Impacting the Office Market**
  - Loan maturities and distress sales still may be on the horizon
  - Limited 10-year Treasury and cap rate movement anticipated
  - Great variance in submarket and asset performance
  - Expense management will be a major challenge
  - Zombie Buildings
  - Flight to Quality continues

MACRO TRENDS FOR OFFICE

Observations

- *Office oversupply is a challenge for landlords, but an opportunity for buyers (especially owner-users).*
- *Preference for newer, high-quality office space will continue to drive activity*
- *Hybrid office situations have generally won out over "mandatory" full-time RTO*
- *Reduced existing inventory due to withdrawal and adaptive re-use for residential*

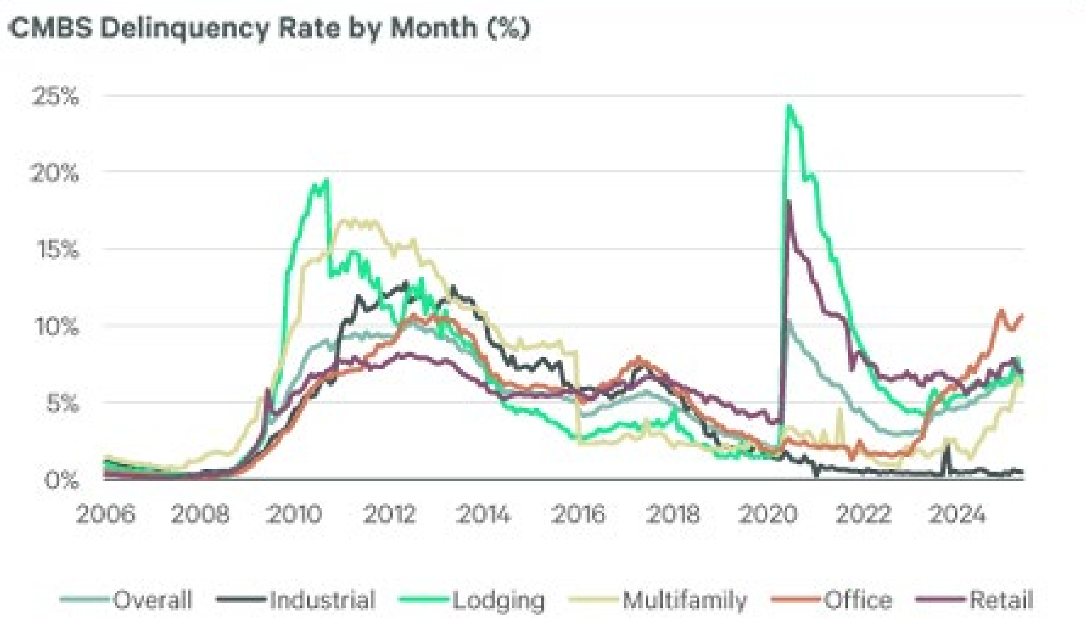
MACRO TRENDS FOR OFFICE

2Q 2025 Capital Market Conditions

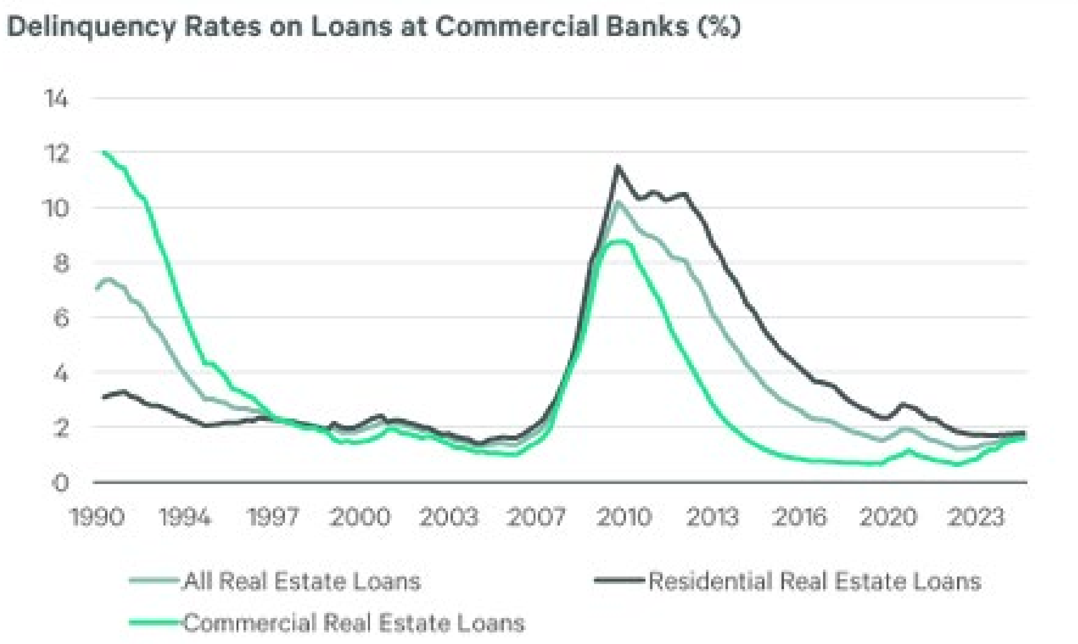
Debt Maturities

Compiled by CBRE

Distress remains heightened, especially for CMBS loans



Source: Trepp



Source: Federal Reserve

- According to Trepp, the overall CMBS delinquency rate has risen to 7.1% from 3% in November 2022. Most of this increase is driven by the office sector which has seen its delinquency rate rise from 1.9% at the start of 2023 to 10.6% as of May 2025, down from an all-time high in December 2024.
- The Federal Reserve reports charge-off and delinquency rates on loans and leases at commercial banks each quarter. As of Q1 2025, the delinquency rate for CRE loans is 1.6%. This is above the 0.7% rate in Q4 2019, but below the GFC peak of 8.8%. More flexibility for maturity extensions and workouts for banks may be contributing to their relatively lower delinquency rates. This has led to a rapidly expanding maturity wall. An analysis from the New York Fed found the outstanding debt set to mature within the next three years makes up 27% of bank capital.

CBRE ECONOMETRIC ADVISORS

MACRO TRENDS FOR OFFICE

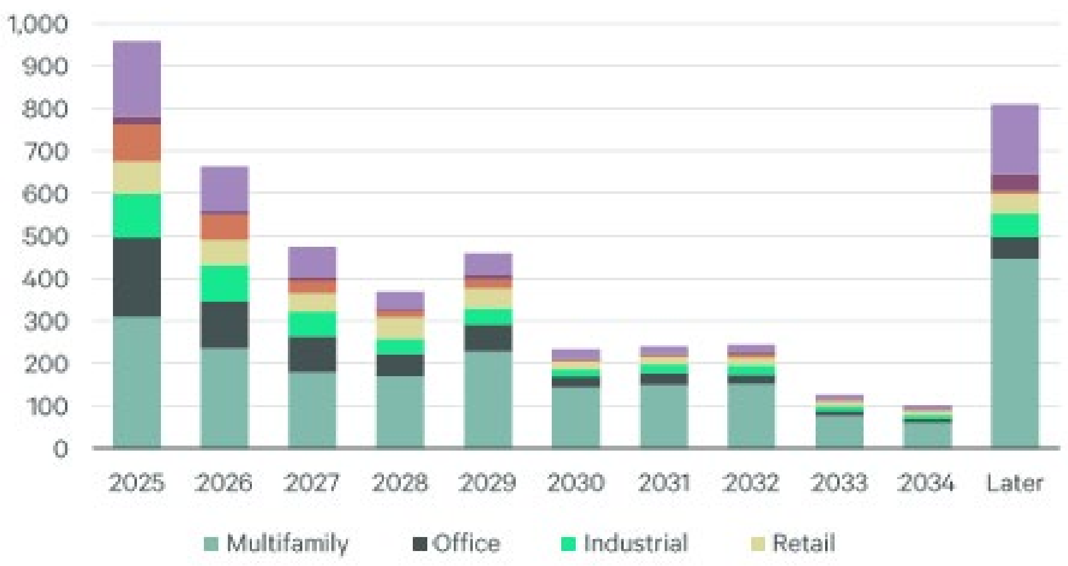
2Q 2025 Capital Market Conditions

Continued Distress Opportunities

Compiled by CBRE

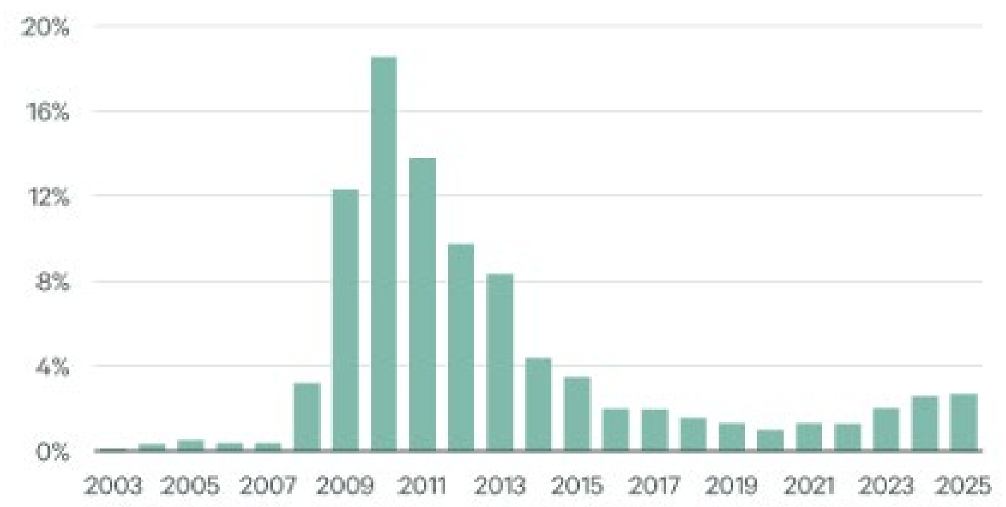
Distress opportunities have not emerged at scale yet

Mortgage Maturities by Property Type, Billions (USD)



Source: Mortgage Bankers Association, CBRE Capital Markets Research

% of CRE Transaction Volume That Resolved a Distressed Situation by Year



Source: MSCI Real Capital Analytics

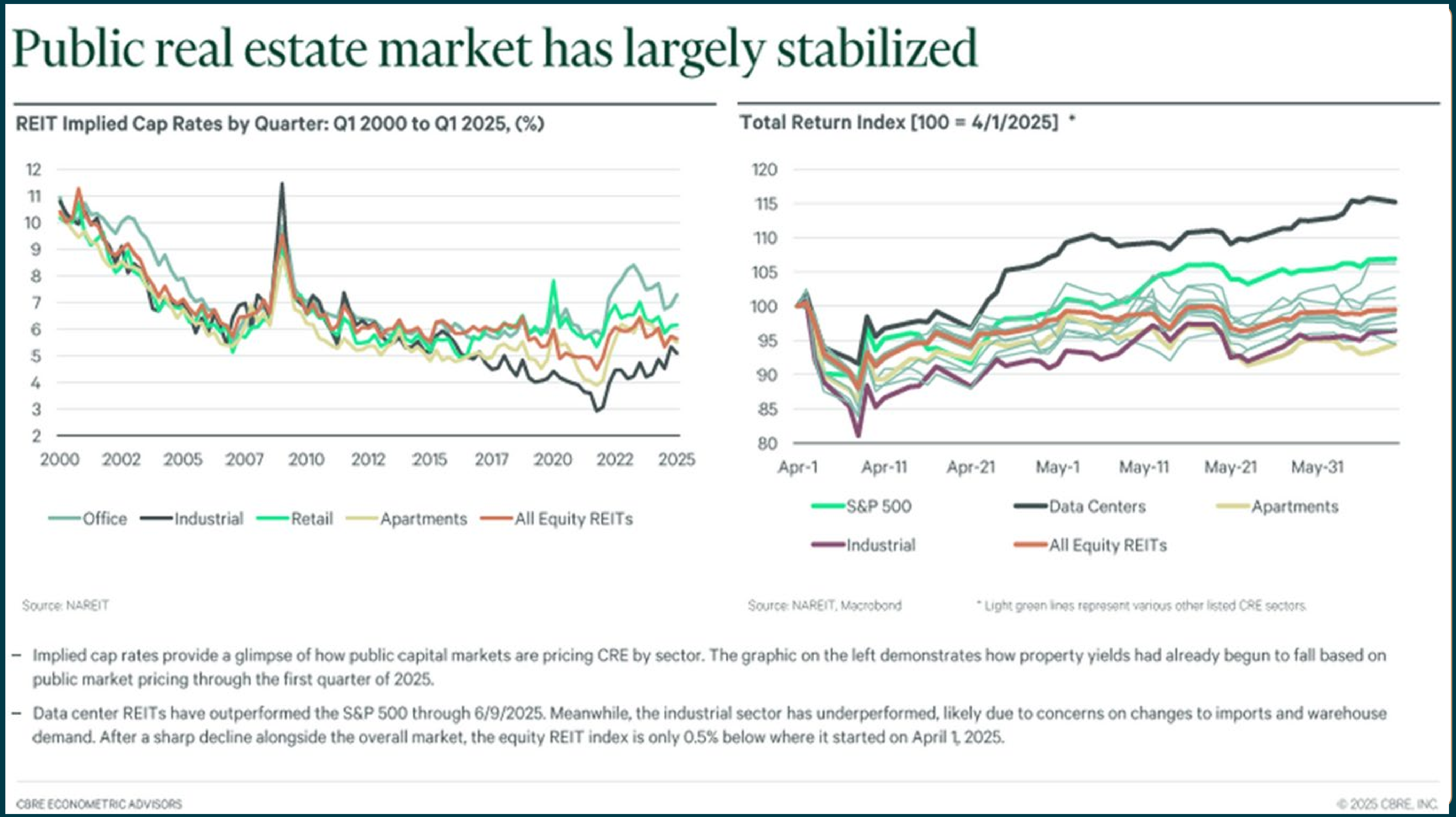
- Commercial mortgages maturing in 2025 increased from $573 billion year-end 2023 to $957 billion (as of a year-end 2024 MBA survey). This increase was driven by loan extensions. We anticipate that loan extensions will continue with a substantial amount of loans maturing in 2025 extended into 2026 and beyond. Multifamily and office loans account for the majority of CRE loans set to mature in 2025, though we expect distress to be concentrated in the office sector and particularly within less desirable assets and marginal markets.
- Despite the large maturity wall and a significant number of properties that cannot get sufficient new financing to pay off their maturing mortgages, large scale distress opportunities have not emerged significantly. Compared to the 18.6% of sales volume that resolved the distressed situation in 2010, only 2.6% of volume is from those types of sales in 2025 YTD.

MACRO TRENDS FOR OFFICE

2Q 2025 Capital Market Conditions

REIT Returns

Compiled by CBRE

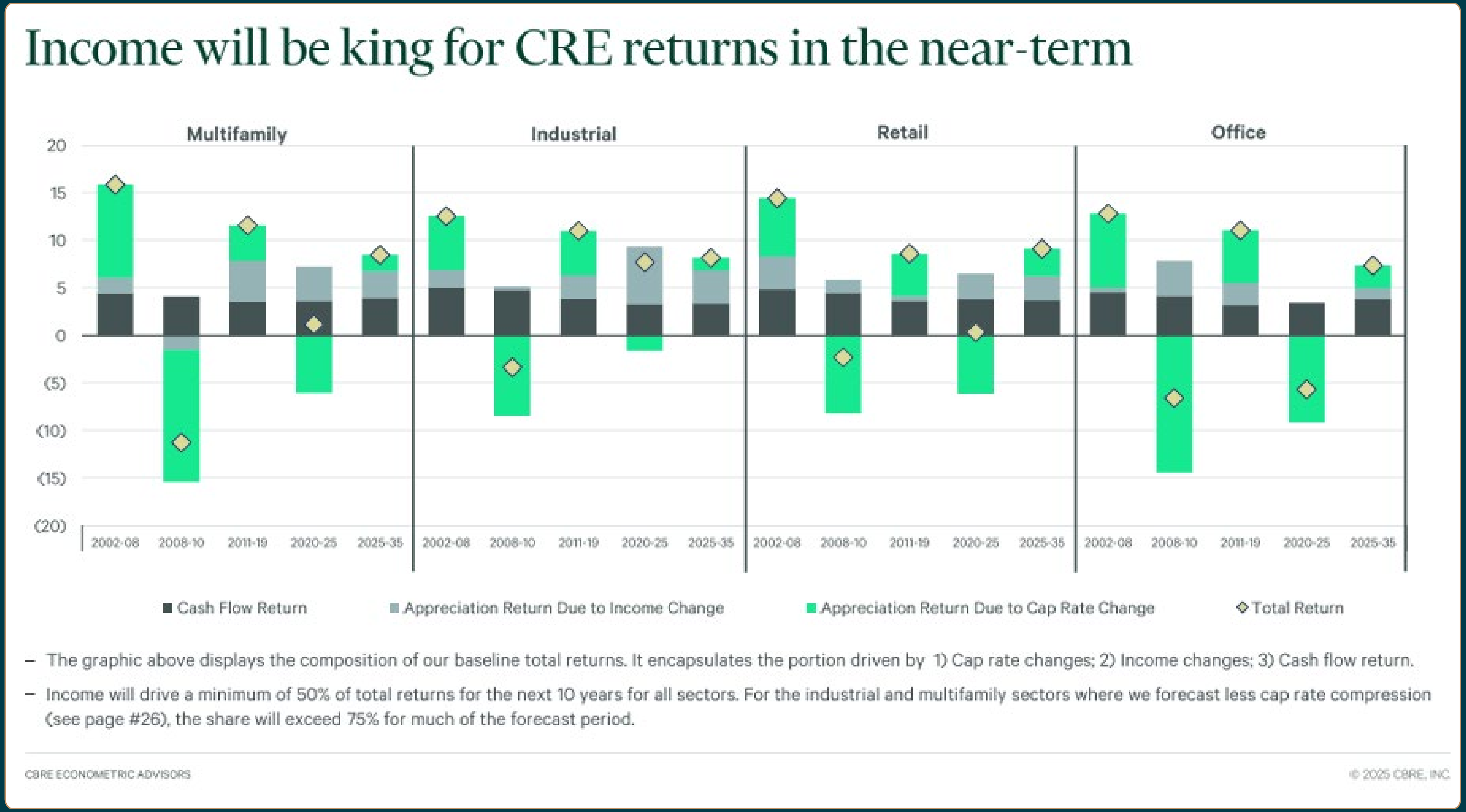


MACRO TRENDS FOR OFFICE

2Q 2025 CRE Market Conditions

Projected Returns

Compiled by CBRE



MACRO TRENDS FOR OFFICE

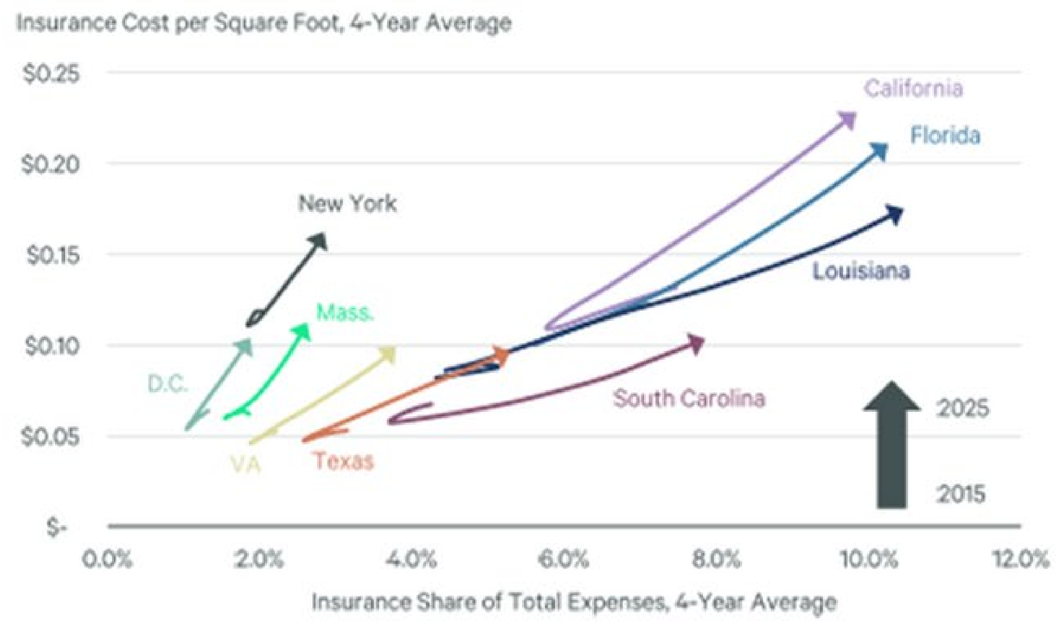
2Q 2025 CRE Market Conditions

Expense Management Challenges

Compiled by CBRE

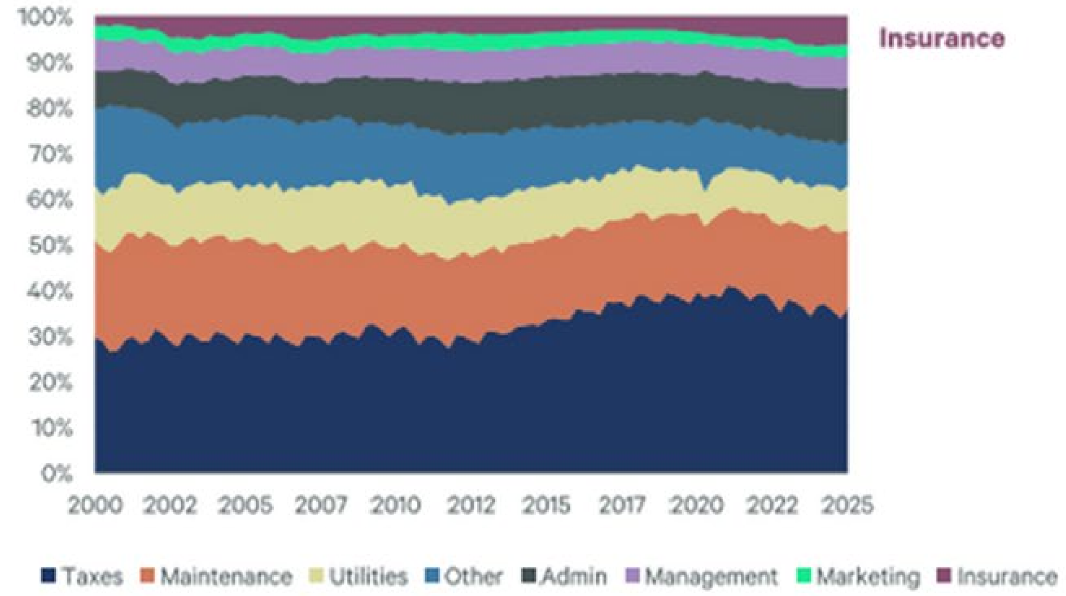
And expense management will be its queen

How CRE Insurance Costs Have Changed Across Time by State, 2015 – '25



Source: CBRE Econometric Advisors, NCREIF

Share of CRE Operating Expenses by Category, (%)



Source: CBRE Econometric Advisors, NCREIF
Note: Expenses reflect all properties in the expanded NPI dataset

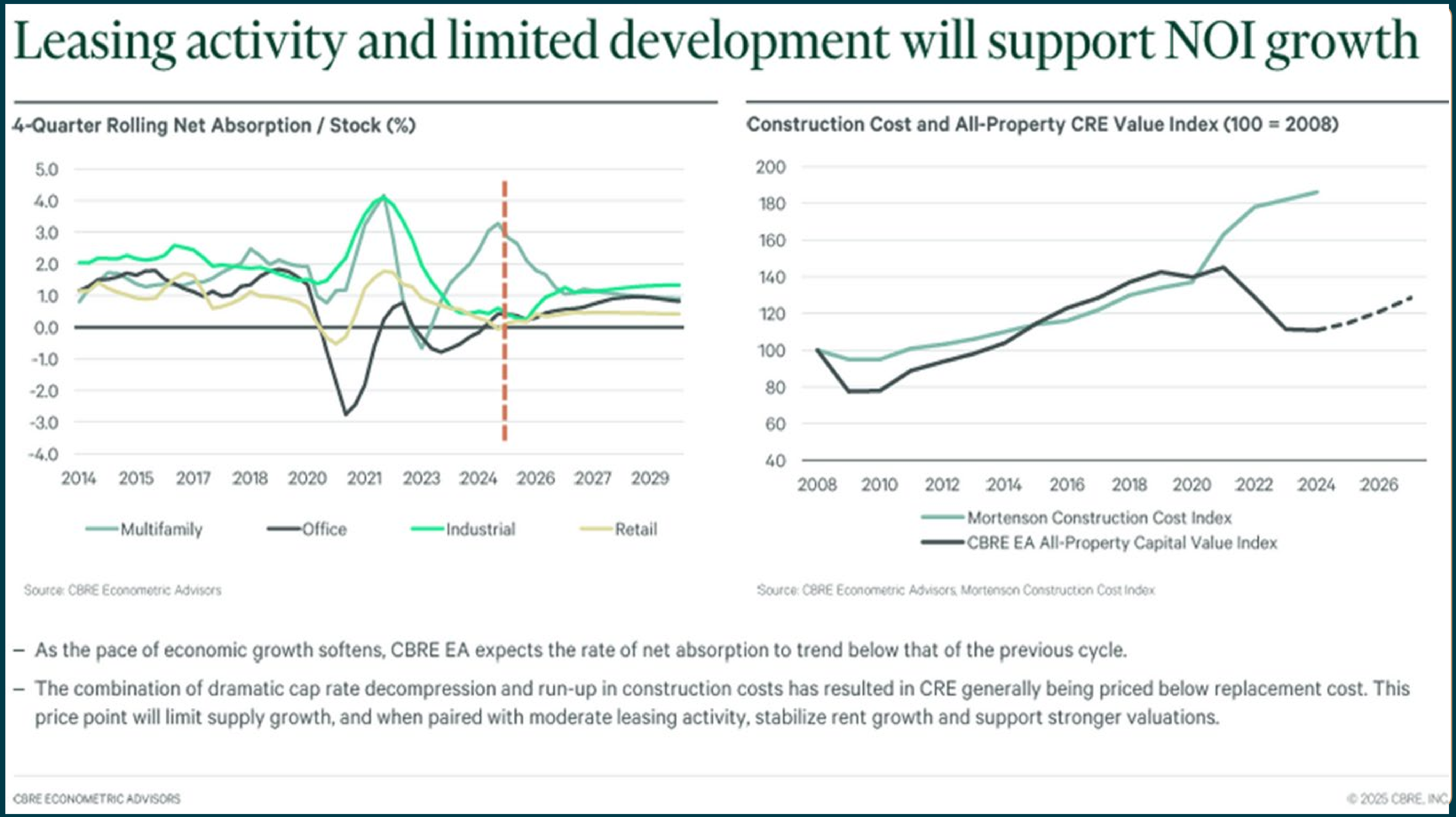
- Operating expenses growing faster than underwritten can erode total returns and projected IRRs for CRE investments. In recent years, insurance has grown rapidly, taking a larger share of op-ex for commercial real estate, especially in climate sensitive states like Florida and California.
- Operators can be proactive in managing expenses with utility efficiency projects such as low flow faucets and LED lights. They can also work with insurers to figure out investments they can make to reduce risk and possibly reduce premiums. Owners of office properties should ensure their tax assessments accurately reflect the reduced values for the sector.

MACRO TRENDS FOR OFFICE

2Q 2025 CRE Market Conditions

Net Absorption and Construction Costs

Fundamentals have deteriorated most dramatically within the office market, where the availability rate is more than five points above its long -term average. The good news is that office availabilities are peaking across markets helping valuations to firm for prime properties



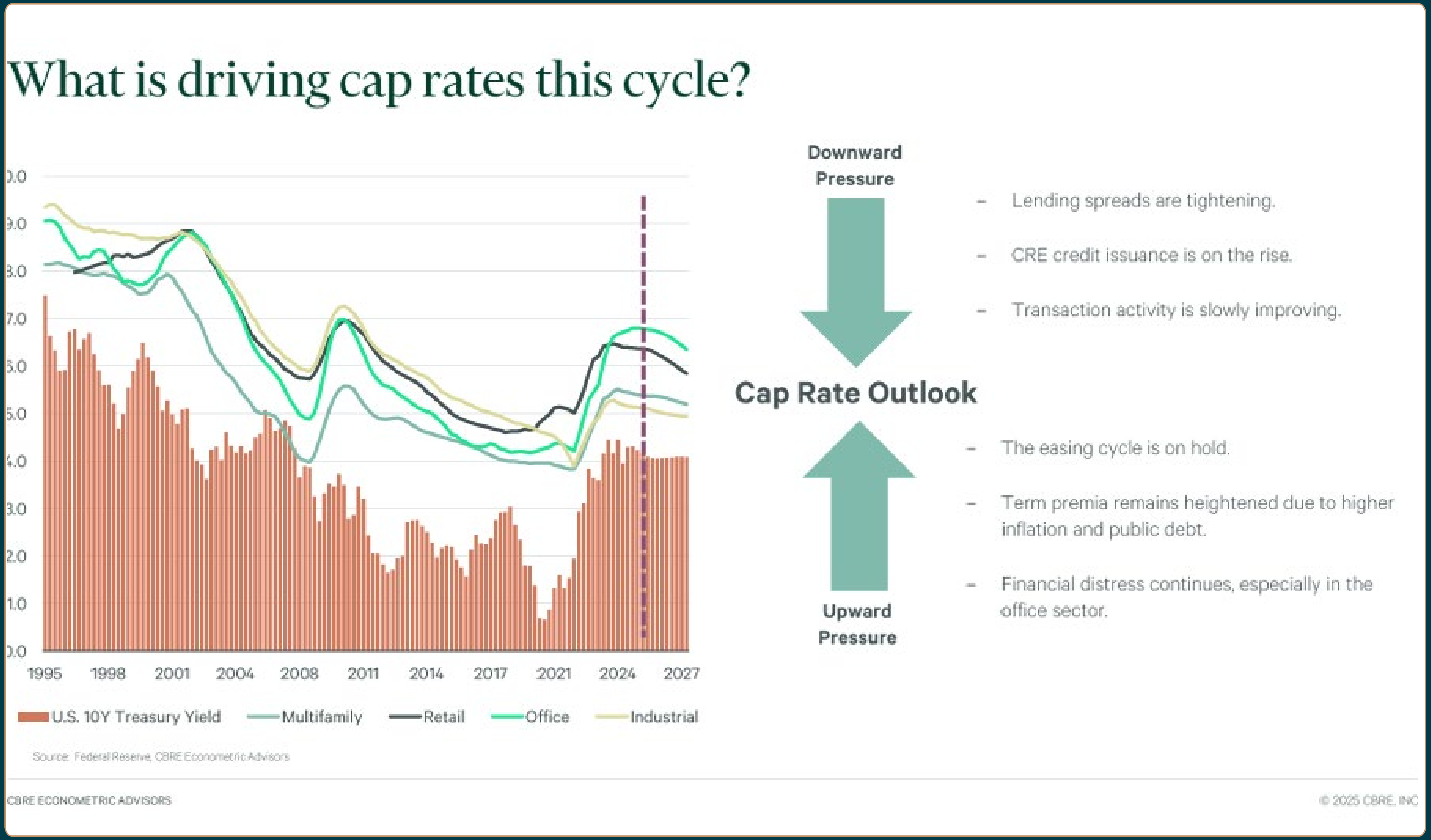
Compiled by CBRE

MACRO TRENDS FOR OFFICE

2Q 2025 CRE Market Conditions

Cap Rate Drivers

Compiled by CBRE



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ACTUAL VALUATION METRICS

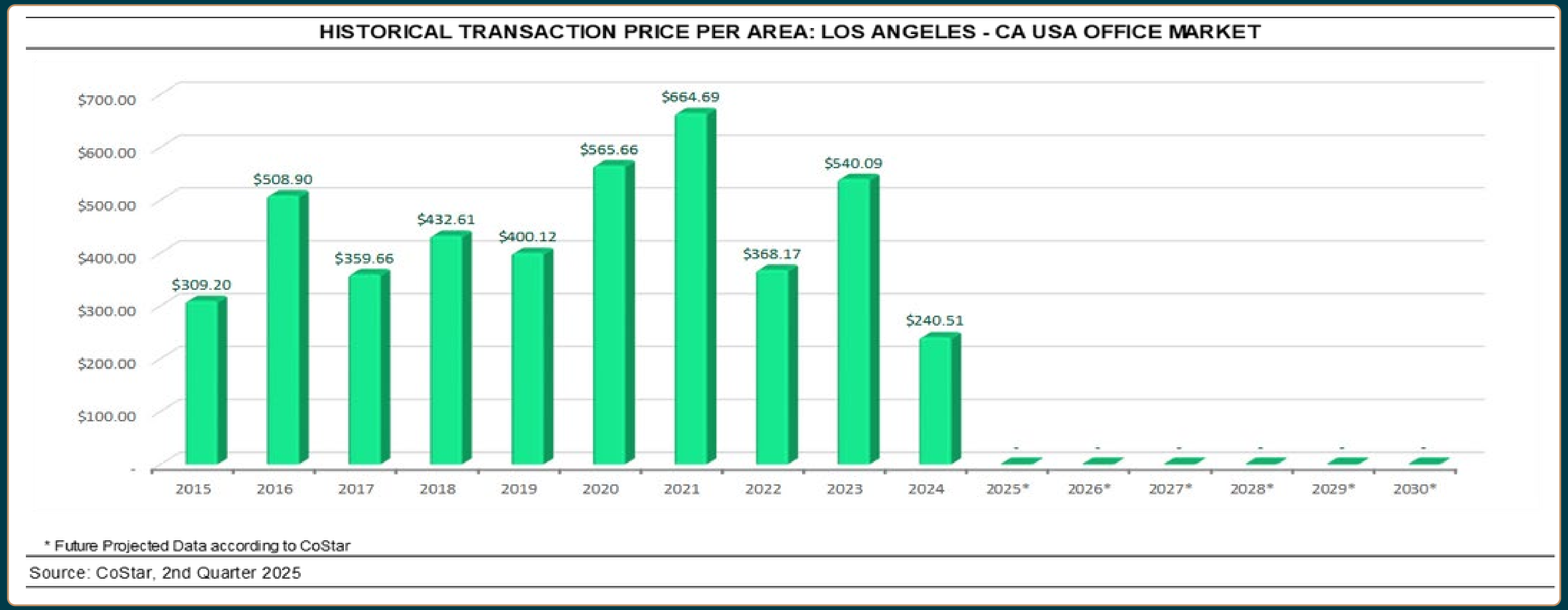
Selected Comparative Office Market and SubMarket Data

Major California Office Markets

- *Inventory*
- *Absorption*
- *Occupancy/Availability*
- *Asking Rent*
- *Sale Metrics – Price/SF and Cap Rate Trends*

ACTUAL VALUATION METRICS

2Q 2025 Office LA – Class A – Historical Trends and Projections



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ACTUAL VALUATION METRICS

Greater Los Angeles

2Q 2025 Office Statistics

Compiled by CBRE

Submarkets	Bldg. Count	NRA	Direct Vacancy Rate	Overall Vacancy Rate	Overall Availability Rate	Net Absorption Q2	Net Absorption YTD	Class A Avg. Ask FSG	All Types Avg. Ask FSG	Under Const.	Deliveries
Tri-Cities	242	28,734,644	23.4%	26.4%	32.3%	111,018	(62,770)	$4.05	$3.90	325,000	0
Downtown Los Angeles	69	31,736,831	30.2%	32.6%	35.7%	72,772	(33,743)	$3.86	$3.72	0	0
East Downtown	45	7,061,802	50.7%	54.9%	56.9%	(11,672)	(25,546)	$4.90	$4.74	0	0
Hollywood/Wilshire Corridor	149	20,638,182	24.2%	25.7%	29.2%	(285,516)	(364,047)	$3.62	$3.61	155,000	0
San Fernando Valley	248	22,696,501	17.9%	19.5%	25.5%	(107,572)	(115,157)	$2.90	$2.74	0	0
San Gabriel Valley	169	11,147,120	6.9%	8.2%	12.6%	17,174	(36,216)	$2.77	$2.52	0	0
Mid-Counties	66	4,991,098	7.3%	7.6%	11.9%	14,964	53,344	$2.79	$2.46	0	0
South Bay	309	33,232,944	20.0%	24.0%	27.7%	(388,971)	(335,600)	$3.56	$3.28	76,000	0
West Los Angeles	482	59,574,643	19.0%	22.0%	28.6%	43,755	(519,625)	$5.67	$5.50	1,111,120	0
Total Class A	**831**	**159,460,127**	**23.6%**	**26.7%**	**31.9%**	**(489,841)**	**(1,187,708)**		**$4.32**	**1,667,120**	**0**
Total Class B	**948**	**60,353,638**	**17.1%**	**18.7%**	**22.8%**	**(207,445)**	**(251,652)**		**$3.16**	**0**	**0**
Total L.A. County	**1,779**	**219,813,765**	**21.8%**	**24.5%**	**29.4%**	**(534,048)**	**(1,439,360)**	**$4.32**	**$4.08**	**1,667,120**	**0**
Ventura	406	18,009,407	16.7%	19.0%	25.1%	(62,299)	(241,410)	$2.88	$2.58	0	0
Greater L.A.	**2,185**	**237,823,172**	**21.5%**	**24.1%**	**29.1%**	**(596,347)**	**(1,680,770)**	**$4.28**	**$3.99**	**1,667,120**	**0**

ACTUAL VALUATION METRICS

Orange County

2Q 2025 Office Statistics

Compiled by CBRE

Submarket	Market Rentable Area (SF)	Avail. Rate (%)	Vacancy Rate (%)	Current Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Construction Deliveries (SF)	Avg Asking Lease Rate ($/SF/MO)
North Orange County								
Class A	2,596,059	30.7	14.0	1,755	57,045	0	0	$2.75
Class B	5,208,901	12.4	7.1	458	(30,767)	0	0	$2.42
Class C	634,830	13.0	7.7	(29,329)	(30,263)	0	0	$2.28
North Orange County Total	8,439,790	18.1	9.3	(27,116)	(3,985)	0	0	$2.59
Central Orange County								
Class A	6,014,005	31.4	23.7	95,742	87,901	168,000	0	$2.85
Class B	8,232,295	22.6	15.6	(37,820)	(29,114)	0	0	$2.51
Class C	1,277,066	13.1	11.0	(2,770)	(1,449)	0	0	$2.02
Central Orange County Total	15,523,366	25.2	18.3	55,152	57,338	168,000	0	$2.63
West Orange County								
Class A	1,854,328	25.6	18.9	(83,610)	(82,668)	0	0	$3.11
Class B	2,394,377	22.3	13.7	5,099	6,892	0	0	$2.06
Class C	241,326	21.3	9.8	(7,014)	(8,280)	0	0	$1.31
West Orange County Total	4,490,031	23.6	15.6	(85,525)	(84,056)	0	0	$2.41
Greater Airport Area								
Class A	26,404,637	31.6	23.0	185,213	(185,282)	0	0	$3.26
Class B	20,968,202	17.4	10.8	(241,945)	(328,886)	0	0	$2.57
Class C	1,511,183	11.1	8.2	7,359	20,755	0	0	$2.17
Greater Airport Area Total	48,884,022	24.9	17.3	(49,373)	(493,413)	0	0	$3.06
South Orange County								
Class A	14,895,536	26.8	15.3	(44,580)	(3,196)	0	0	$2.90
Class B	11,330,902	21.8	10.8	(46,540)	(85,343)	0	0	$2.27
Class C	534,952	8.3	5.7	(4,887)	(5,970)	0	0	$2.19
South Orange County Total	26,761,390	24.3	13.2	(96,007)	(94,509)	0	0	$2.66
Orange County	**104,098,599**	**24.2**	**15.7**	**(202,869)**	**(618,625)**	**168,000**	**0**	**$2.83**

Source: CBRE Research, Q2 2025.

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ACTUAL VALUATION METRICS

2Q 2025 Office Statistics

Inland Empire

City	Bldg Count	Sq. Ft. RBA	Total Sq. Ft. Available	Availability Rate (%)	Sq. Ft. Vacant Direct	Sq. Ft. Vacant Sublease	Sq. Ft. Vacant Total	Total Vacancy Rate (%)	Q2 2025 Net Absorption (sq. ft.)	2025 YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Construction Deliveries (sq. ft.)	Avg Asking Lease Rate ($PSF/MO/FSG)
Colton	24	589,321	61,407	10.4%	50,752	0	50,752	8.6%	0	0	0	0	$1.68
Corona	49	2,281,550	350,896	15.4%	322,304	0	322,304	14.1%	6,003	6,003	0	0	$2.22
Grand Terrace	1	32,340	8,470	26.2%	4,771	0	4,771	14.8%	0	0	0	0	$1.65
Loma Linda	15	276,373	0	0.0%	0	0	0	0.0%	0	0	0	0	$0.00
Moreno Valley	20	573,378	18,216	3.2%	2,888	0	2,888	0.5%	0	0	0	0	$2.08
Norco	12	326,643	18,807	5.8%	12,965	0	12,965	4.0%	0	0	0	0	$1.66
Redlands	41	1,206,366	30,237	2.5%	17,253	0	17,253	1.4%	0	0	0	0	$2.16
Riverside	200	6,523,791	700,622	10.7%	481,593	8,202	489,795	7.5%	143	12,051	0	0	$1.99
San Bernardino	102	4,244,134	493,536	11.6%	361,076	3,486	364,562	8.6%	58,187	58,187	0	0	$1.54
Inland Empire East	464	16,053,896	1,682,191	10.5%	1,253,602	11,688	1,265,290	7.9%	64,333	76,241	0	0	$1.90
Chino	7	242,508	0	0.0%	0	0	0	0.0%	1,950	1,950	0	0	$0.00
Chino Hills	13	284,438	29,648	10.4%	19,724	0	19,724	6.9%	(2,811)	370	0	0	$2.54
Fontana	6	138,659	16,624	12.0%	15,451	0	15,451	11.1%	0	0	0	0	$2.23
Ontario	70	3,611,258	463,914	12.8%	204,317	0	204,317	5.7%	15,637	53,556	0	0	$2.36
Rancho Cucamonga	117	4,070,829	553,812	13.6%	271,195	35,252	306,447	7.5%	(44,932)	(38,269)	0	0	$2.28
Upland	30	906,049	108,503	12.0%	84,000	0	84,000	9.3%	0	0	0	0	$1.56
Inland Empire West	243	9,253,741	1,172,501	12.7%	594,687	35,252	629,939	6.8%	(30,156)	17,607	0	0	$2.24
Inland Empire Total	707	25,307,637	2,854,692	11.3%	1,848,289	46,940	1,895,229	7.5%	34,177	93,848	0	0	$2.03

San Diego

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/MTH)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Central San Diego	45,193,740	13.9	18.8	15.3	3.5	3.6	(123,917)	(134,828)	0	0
Downtown	11,577,340	26.5	29.1	28.1	1.0	3.12	(115,839)	(196,075)	0	0
East County	2,737,373	4.6	6.0	6.0	0.1	2.73	(8,143)	(23,543)	0	0
North County	10,473,312	13.9	18.2	15.5	2.7	3.05	(47,063)	(38,461)	0	0
South San Diego	2,468,949	3.7	4.9	3.9	1.0	3.03	(146)	11,546	0	0
Southwest Riverside	3,069,770	5.0	8.0	7.1	1.0	2.2	(1,932)	(4,081)	0	0
Total	75,520,484	14.8	18.9	16.3	2.7	3.36	(297,040)	(385,442)	0	0

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ACTUAL VALUATION METRICS

Greater San Francisco Bay Area

2Q 2025 Office Statistics

AI and tech are the drivers behind San Francisco and Silicon Valley recovery

Compiled by CBRE

Market	Net Rentable Area	Total Vacancy %	Total Vacant Sq. Ft.	Total Availability %	Total Direct Available	Total Sublease Available	Average Asking Rate ($)[4]	Current Net Absorption	YTD Net Absorption
San Francisco	**89,843,371**	**34.8**	**31,277,565**	**37.7**	**27,297,021**	**6,593,898**	**5.73**	**779,919**	**1,031,279**
Class A	65,843,975	34.1	22,445,199	37.7	19,420,256	5,391,313	6.34	669,959	669,959
Class B	18,616,175	38.4	7,157,159	39.7	6,297,274	1,085,724	4.40	91,090	91,090
SF Peninsula [1]	**32,941,200**	**26.4**	**8,688,677**	**29.1**	**7,280,658.0**	**2,291,040**	**6.24**	**(192,713)**	**(686,578)**
Class A	19,050,073	30.9	5,894,678	33.1	4,434,269	1,869,388	7.07	(148,537)	(503,852)
Class B	9,086,304	22.4	2,032,911	27.2	2,085,721	385,121	5.27	(43,283)	(156,136)
Silicon Valley [2]	**107,513,747**	**17.3**	**18,589,518**	**18.8**	**16,185,243**	**3,978,799**	**5.53**	**1,238,771**	**1,481,959**
Class A	70,298,619	17.3	12,153,192	18.9	9,838,481	3,423,108	6.45	1,076,065	1,297,334
Class B	29,111,438	20.1	5,838,001	21.5	5,732,800	530,162	4.39	186,928	209,642
Oakland [3]	**27,566,593**	**23.4**	**6,440,368**	**25.7**	**5,943,408**	**1,146,029**	**3.79**	**35,815**	**20,683**
Class A	14,163,222	27.4	3,887,060	30.4	3,564,635	745,484	4.22	40,106	88,924
Class B	8,902,945	23.5	2,092,361	24.9	1,908,904	312,097	3.31	8,970	7,452
I-680 Corridor	**34,799,815**	**23.3**	**8,093,280**	**27.4**	**8,000,608**	**1,535,280**	**3.05**	**(169,666)**	**(291,386)**
Class A	21,985,766	29.1	6,391,746	34.6	6,236,868	1,374,942	3.20	(213,420)	(259,613)
Class B	11,795,723	13.2	1,555,376	15.0	1,613,532	158,158	2.43	44,633	(32,760)
Total Bay Area Market	**292,664,726**	**25.0**	**73,089,408**	**27.4**	**64,706,938**	**15,545,046**	**5.30**	**1,692,126**	**1,555,957**
Class A	**191,341,655**	**26.5**	**50,771,875**	**29.4**	**43,494,509**	**12,804,235**	**5.89**	**1,424,173**	**1,292,752**
Class B	**77,512,585**	**24.1**	**18,675,808**	**25.9**	**17,638,231**	**2,471,262**	**4.21**	**288,338**	**119,288**

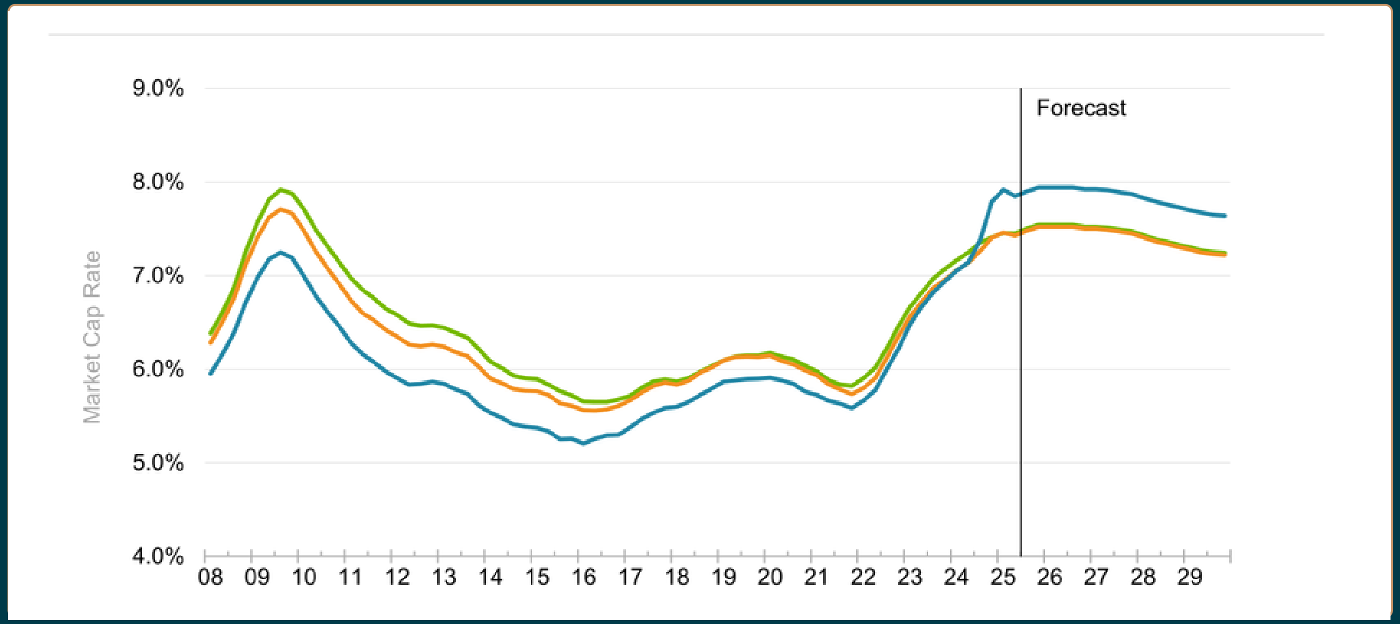
Source: CBRE Research

[1] Excludes Palo Alto
[2] Includes Fremont/Newark and Palo Alto
[3] Excludes Fremont/Newark
[4] Direct Monthly Lease Rates, Full Service Gross (FSG)

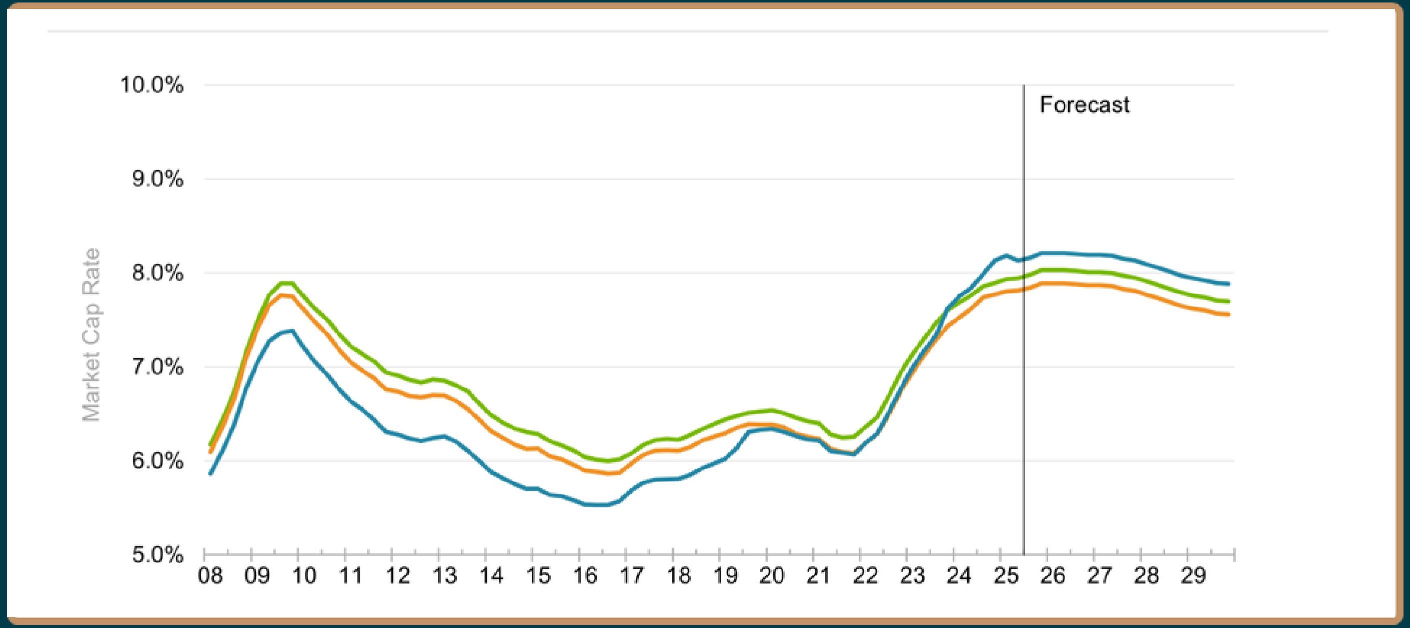
ACTUAL VALUATION METRICS

2Q 2025 Office Cap Rate Data

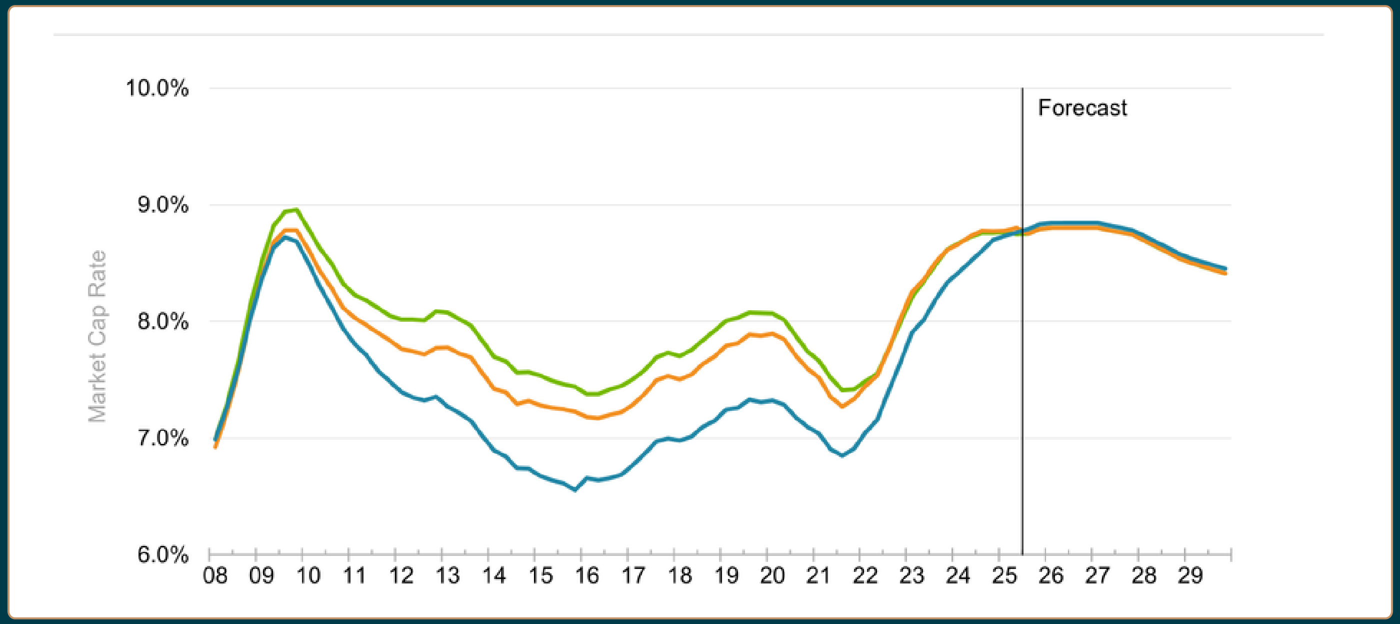
Greater Los Angeles



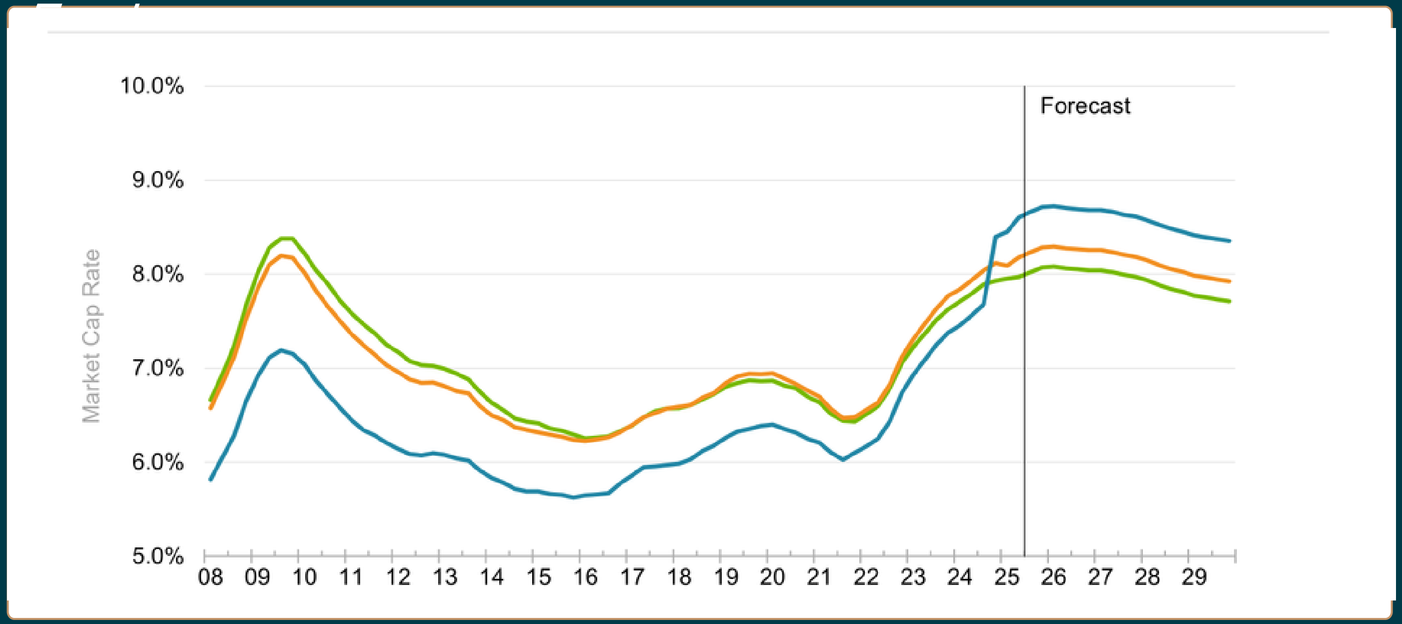
Orange County



Inland Empire



San Diego



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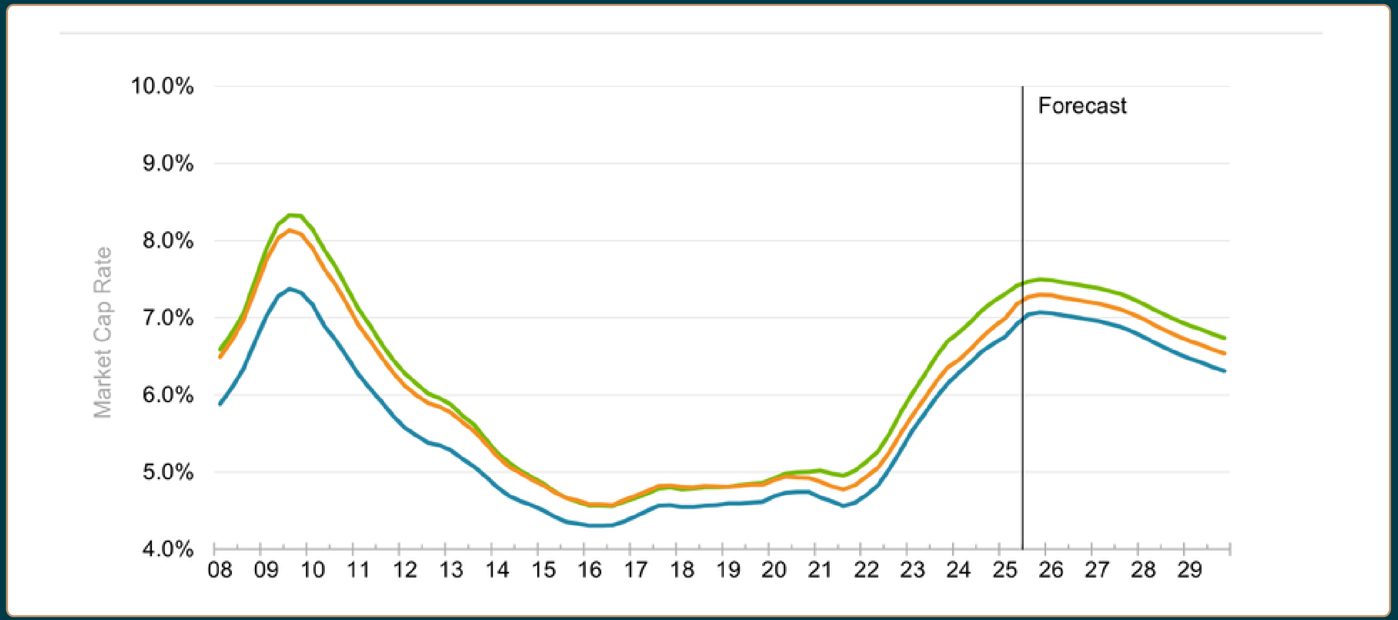
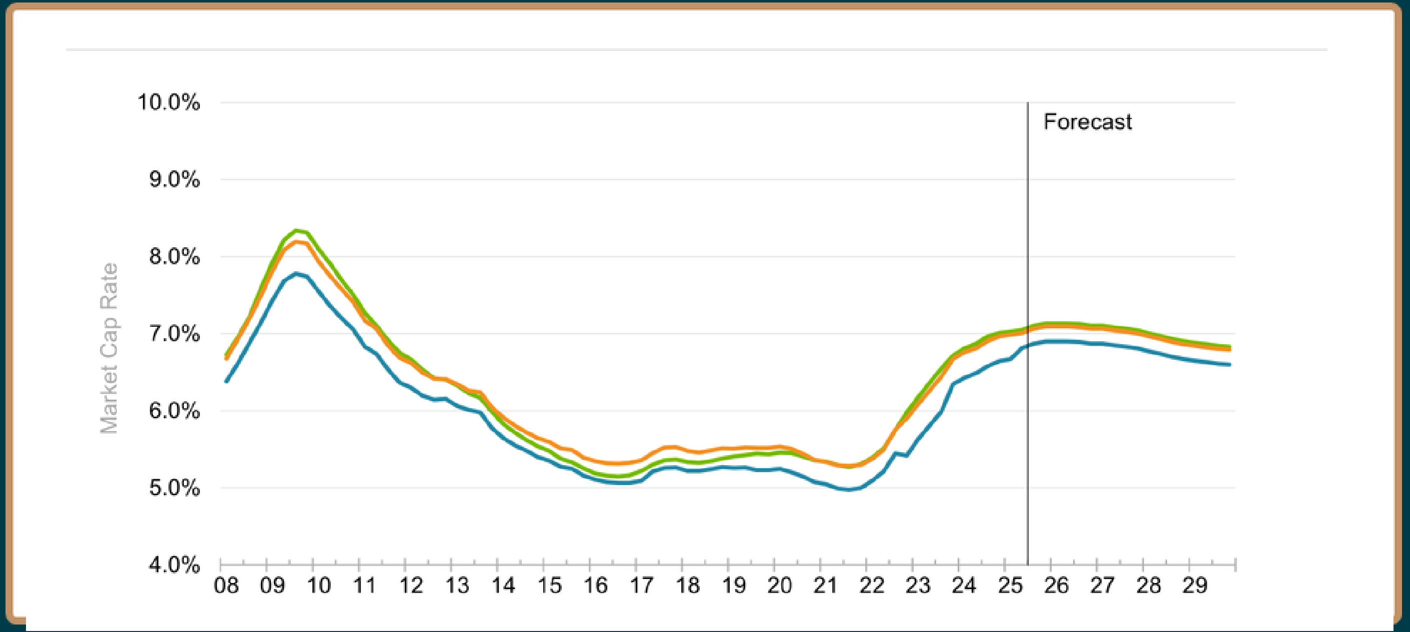
ACTUAL VALUATION METRICS

2Q 2025 Office Cap Rate Data

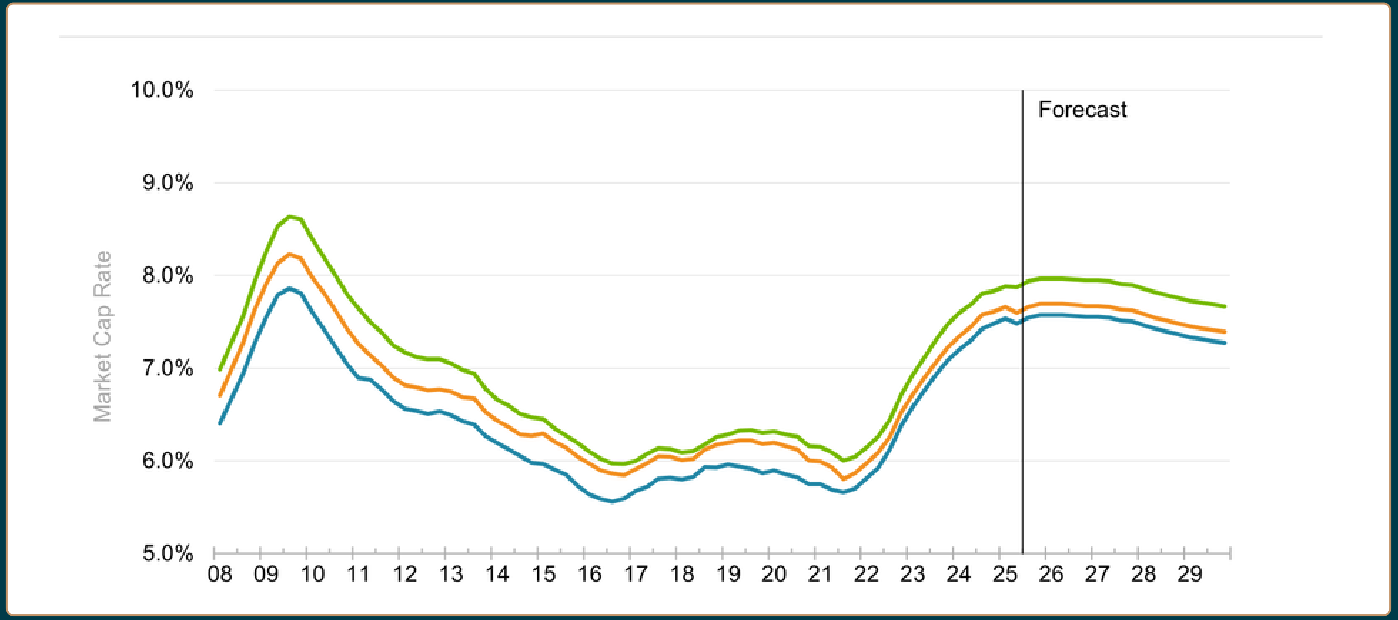
San Francisco Bay Area



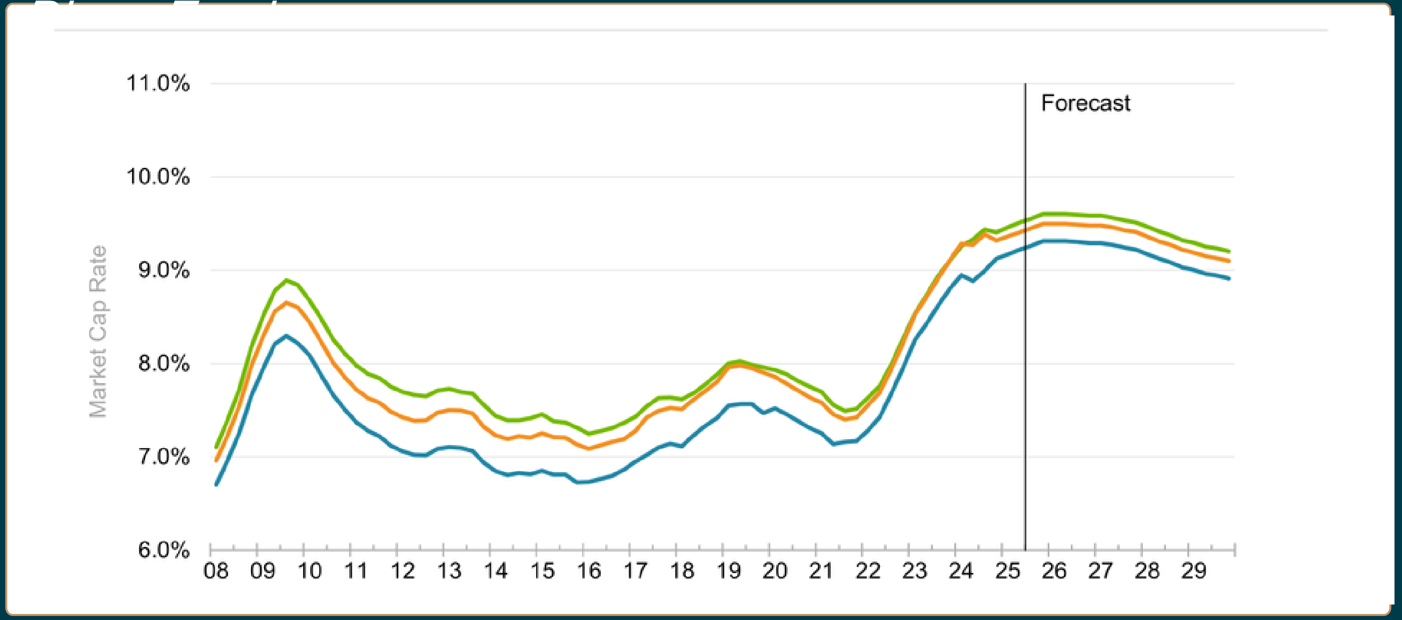
Silicon Valley



East Bay



Sacramento



ACTUAL VALUATION METRICS

Final Thoughts

- Space market appears to be stabilizing – no material increases in vacancy projected
- Absorption continues to be uncertain as overall job growth is expected to slow
- Significant new additions to office supply is not anticipated
- Effective rents expected to be flat with limited annual growth
- Prevalence of private buyers – non-stabilized properties attractive to full or partial owner-users

REAL WORLD CASE STUDIES

Non-Stabilized Class B Office Buildings
(Every Building Has a Story)

- Single or Multiple Tenants?
- Realistic Stabilized Occupancy and Absorption Period?
  - What is highest occupancy the asset has achieved in the past 10 years
  - Projected rent growth?
- Updates, recent or proposed value-adding capex?
- Functional Utility?
- Highest and Best Use?
- Most probable purchaser – Investor….full or partial owner-user….developer?

INDUSTRIAL

Martin T. O'Donnell, MAI, ASA, AI-GRS
Director, Quality & Risk Management (QRM) | CBRE

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MACRO TRENDS FOR INDUSTRIAL

2020-25, SoCal Ind. market dominated by:

1. Ecommerce growth spike -> mean reversion
2. Fiscal stimulus -> mean reversion
3. Monetary stimulus -> normalilization

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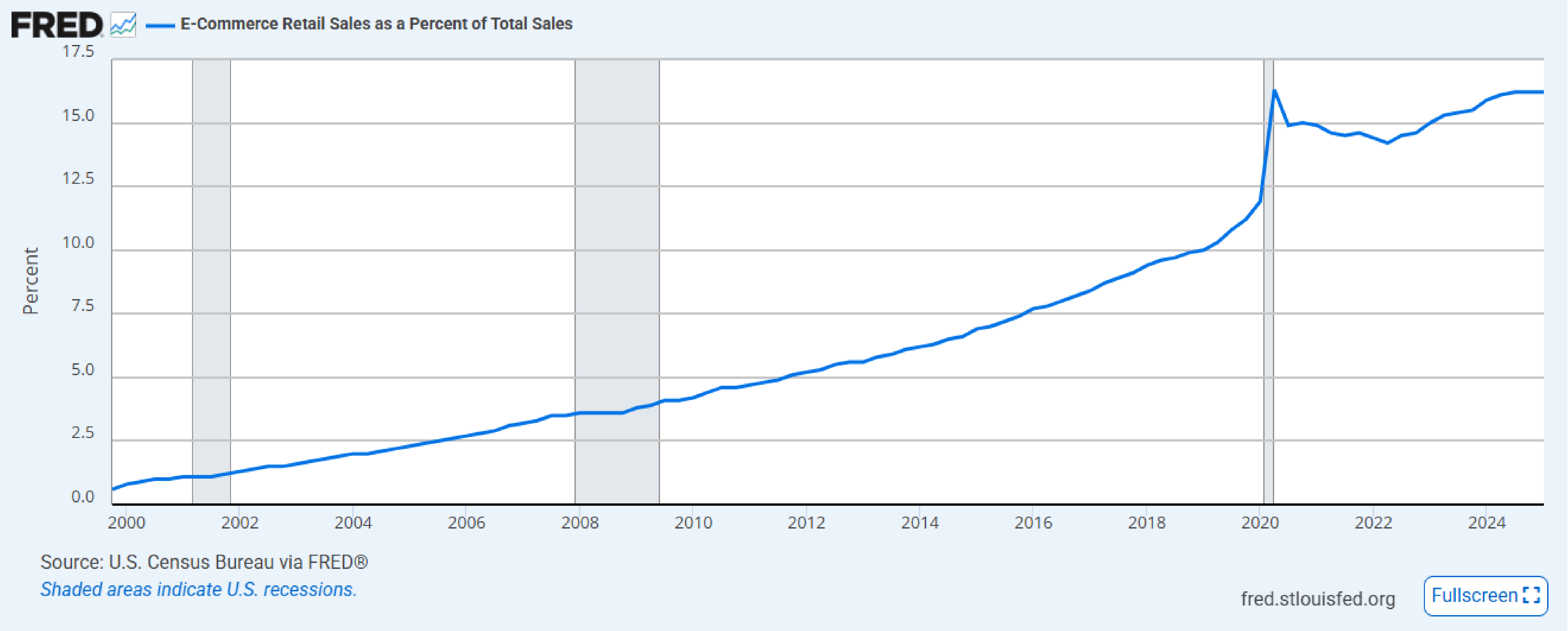

Q1 2000: 0.8%
Q4 2019: 11.2%
Q2 2020: 16.3% (7 years, +46% absolute)
Q1 2025 Share: 16.2%

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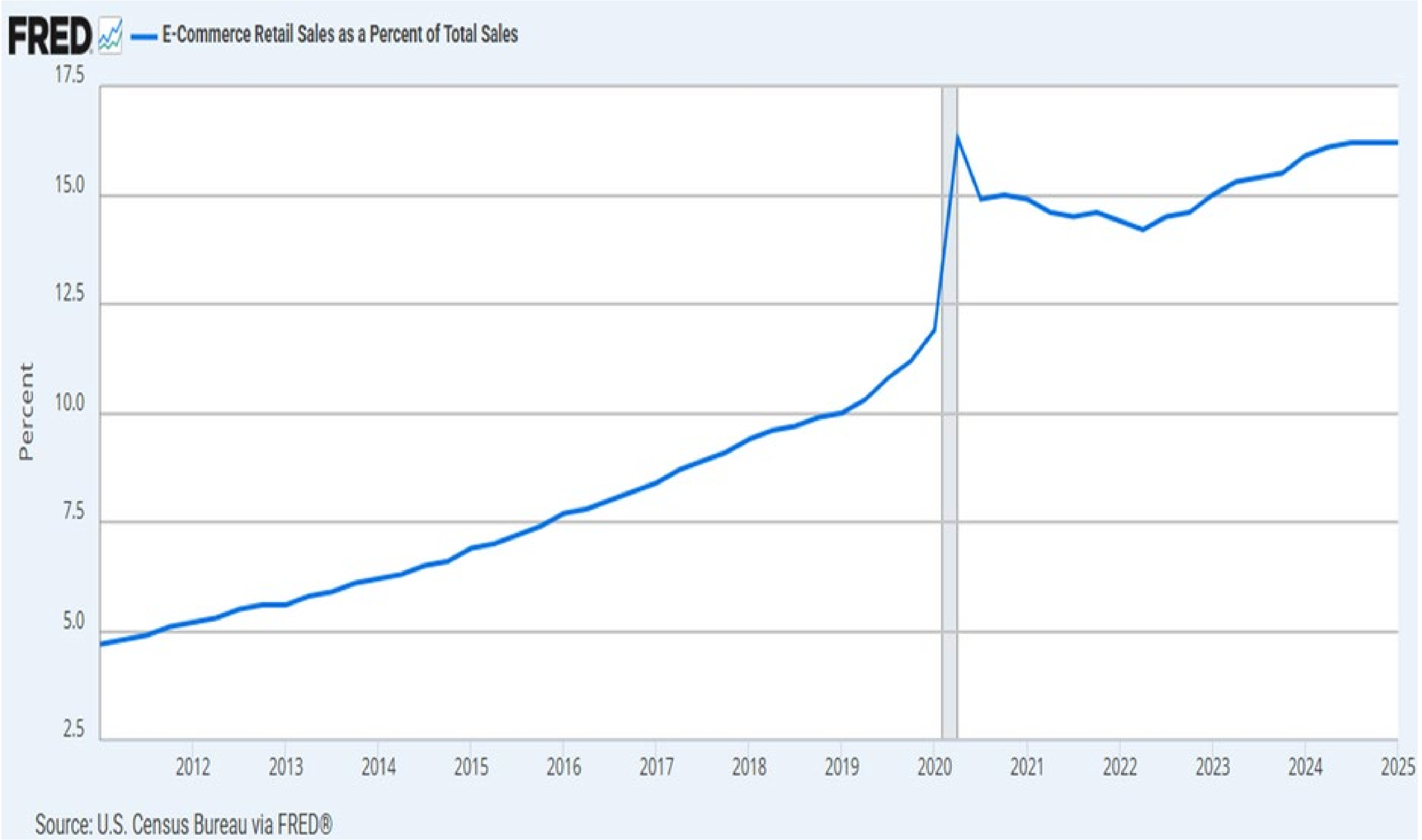

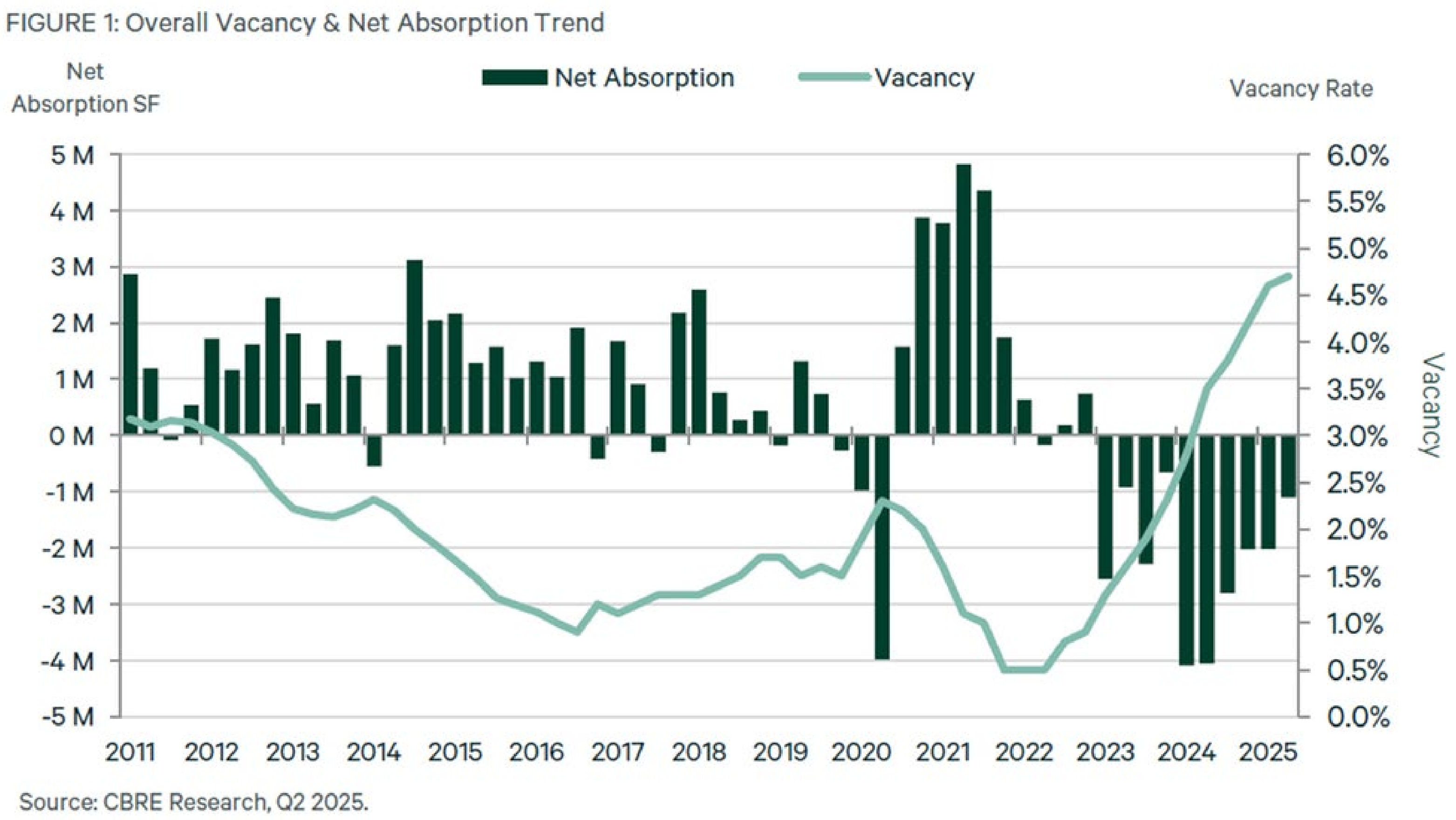

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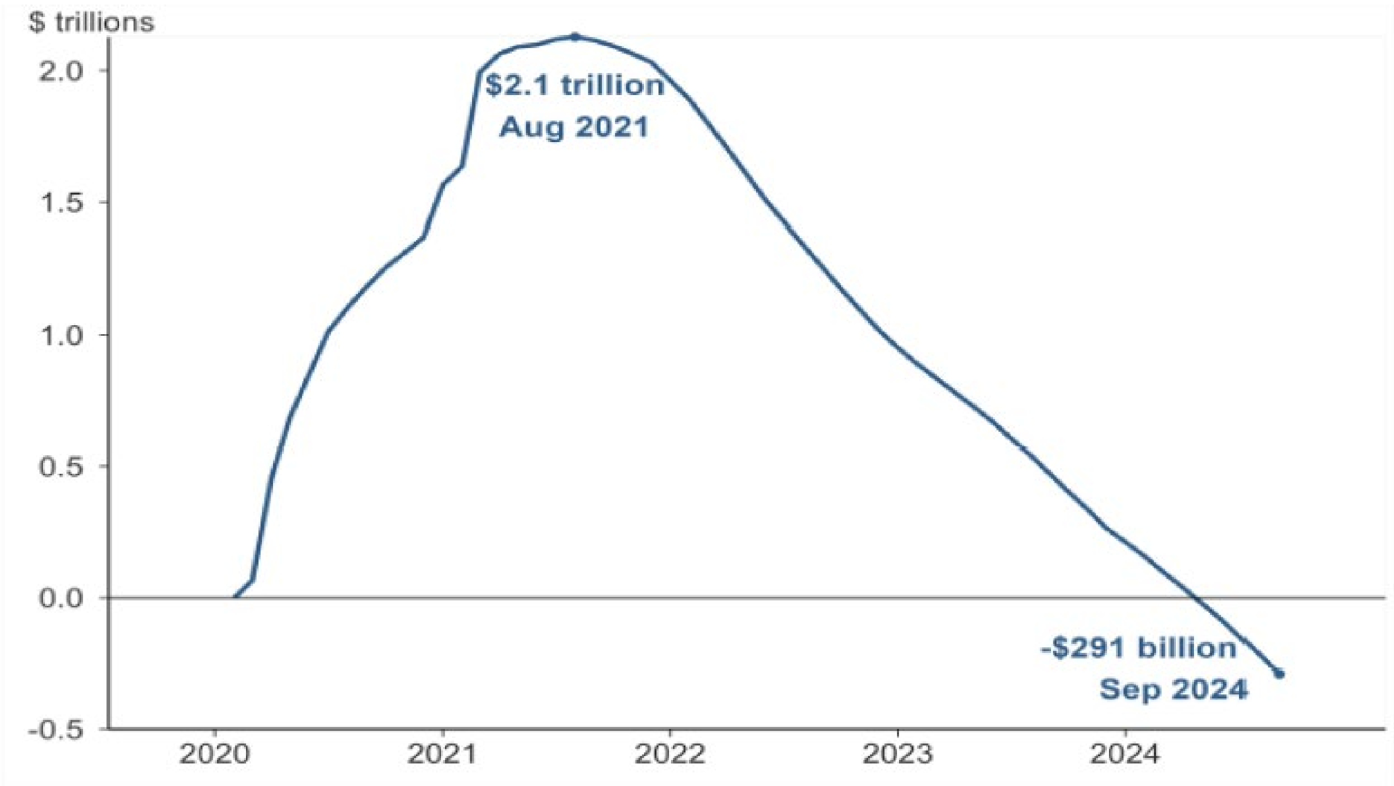

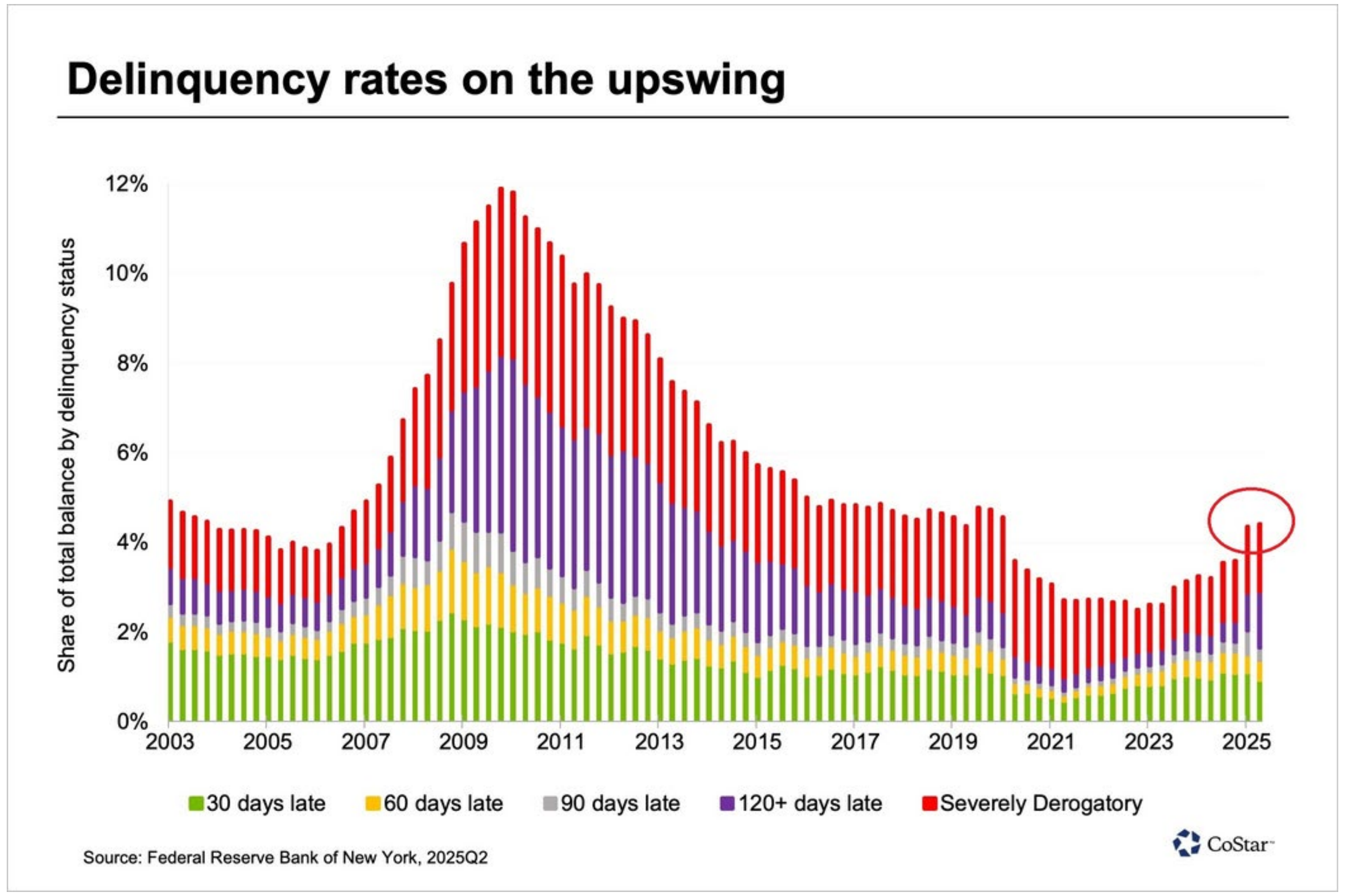

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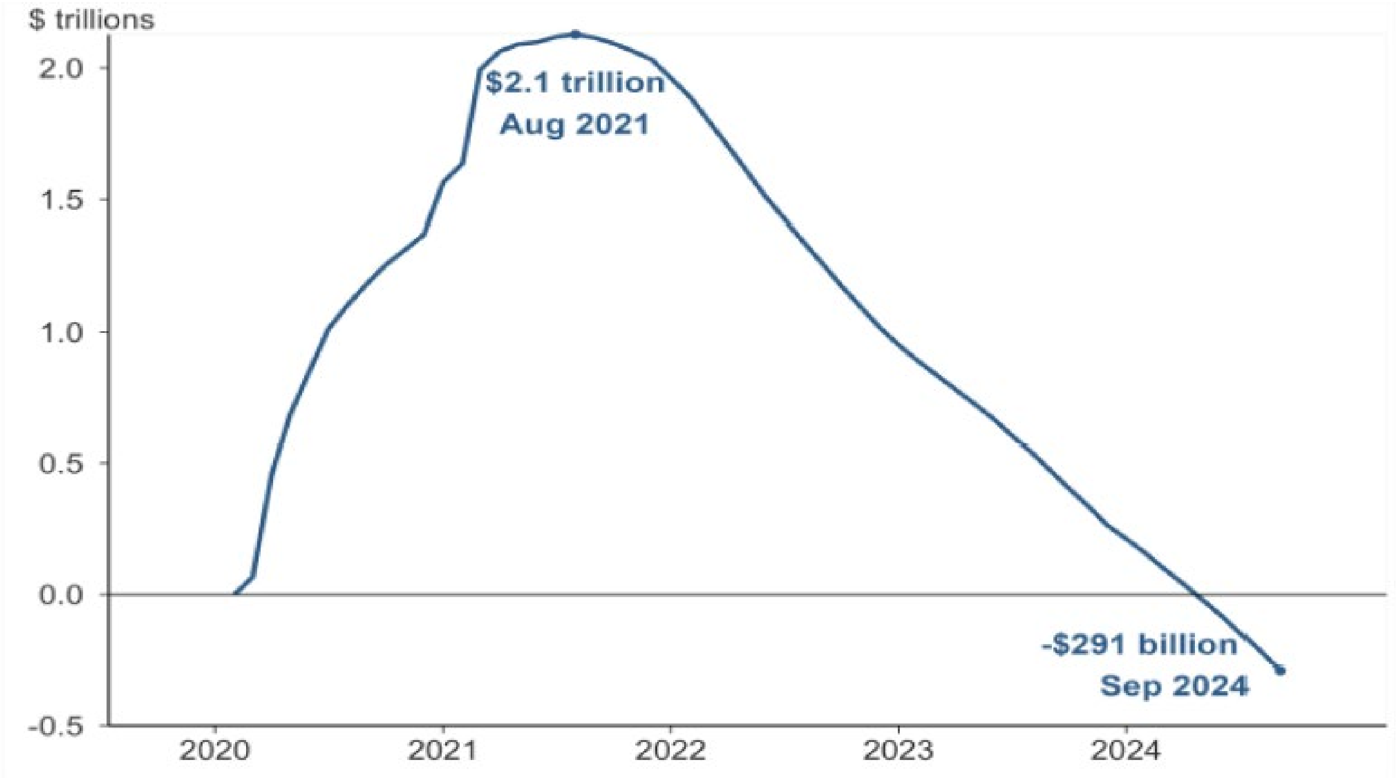
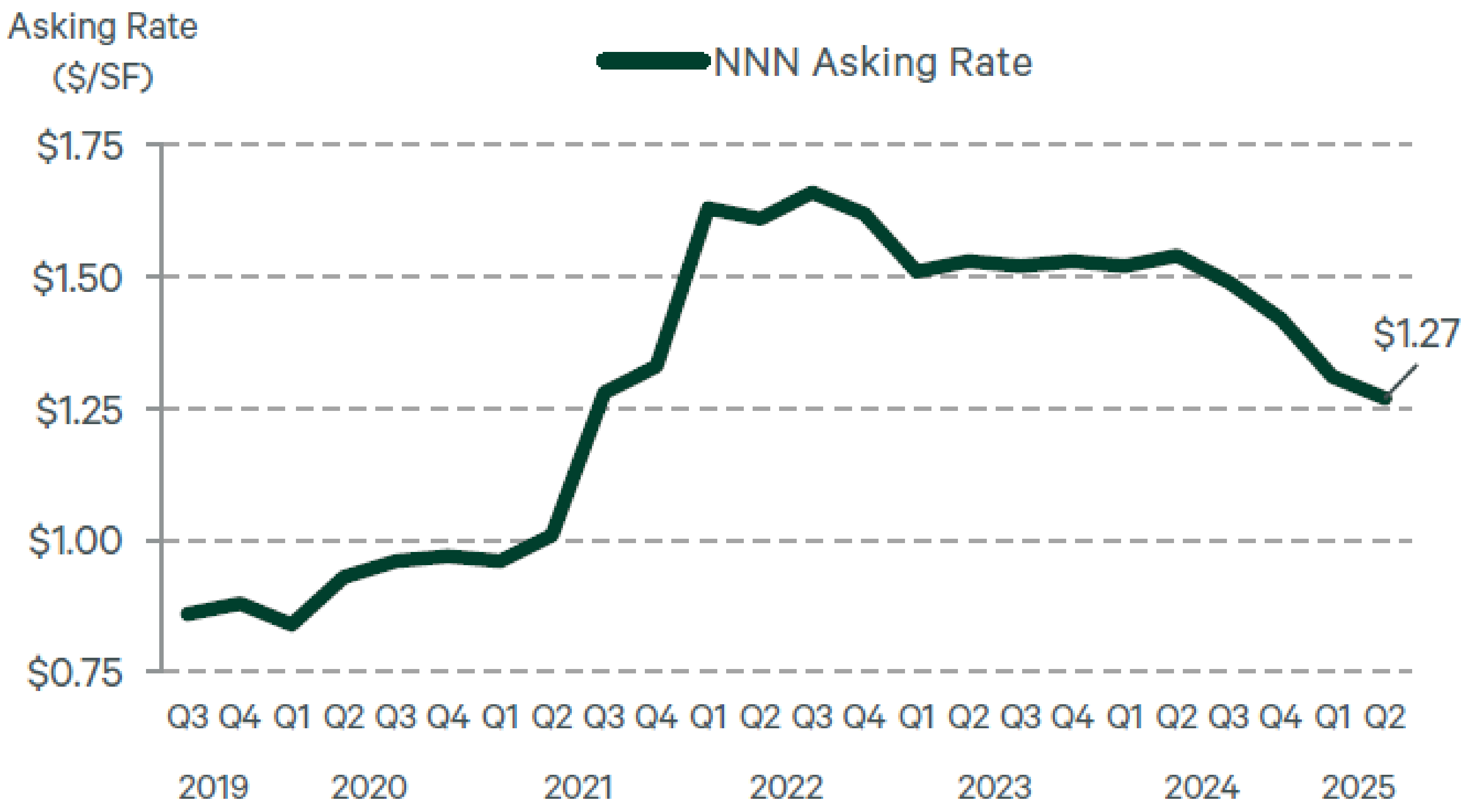


Source: Federal Reserve Bank of SF

Greater LA Industrial



Source: CBRE, Q2 2025

MACRO TRENDS FOR INDUSTRIAL

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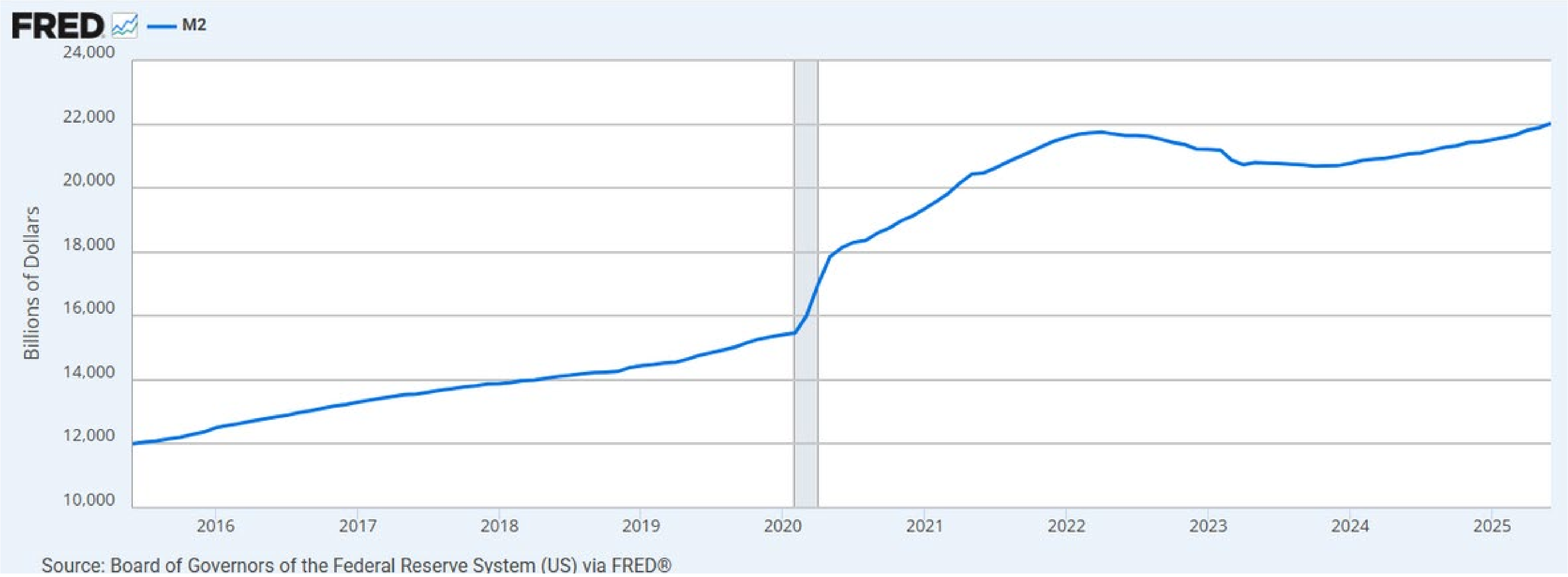

Jun 2015: $12.0 T
Feb 2020: $15.5 T
Apr 2022: $22.8 T (peak)
Oct 2023: $20.7 T (trough)
Jun 2025: $22.0 T

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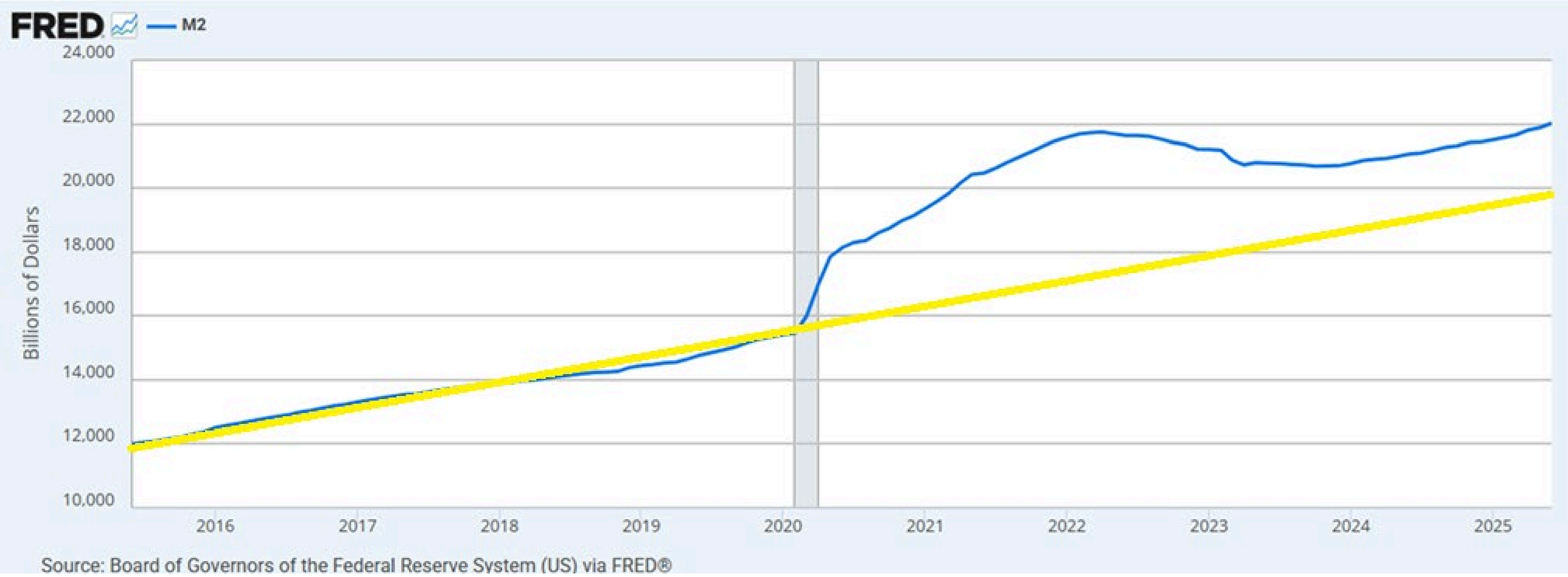

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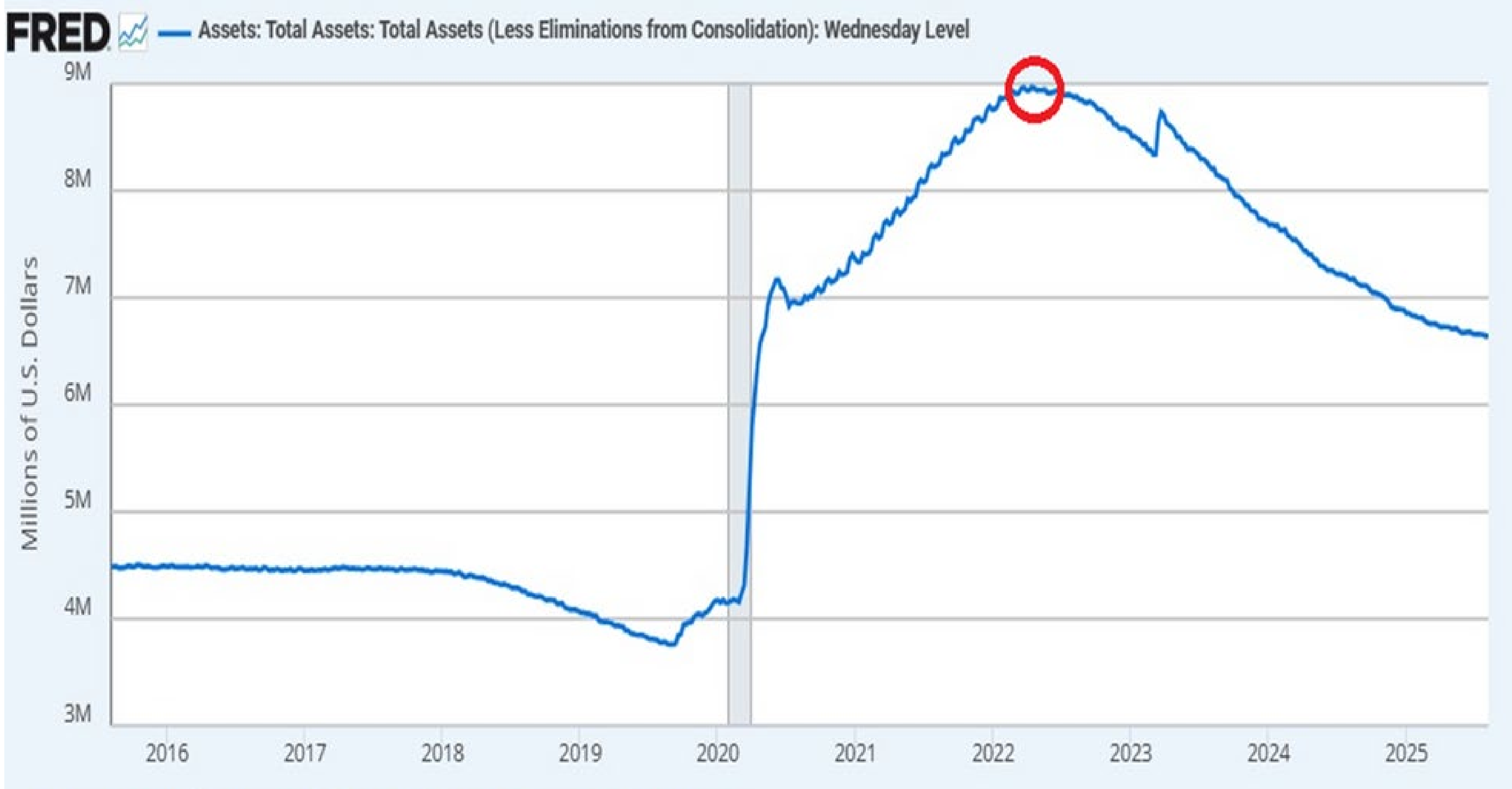


Source: Board of Governors of the Federal Reserve System (US) via FRED®

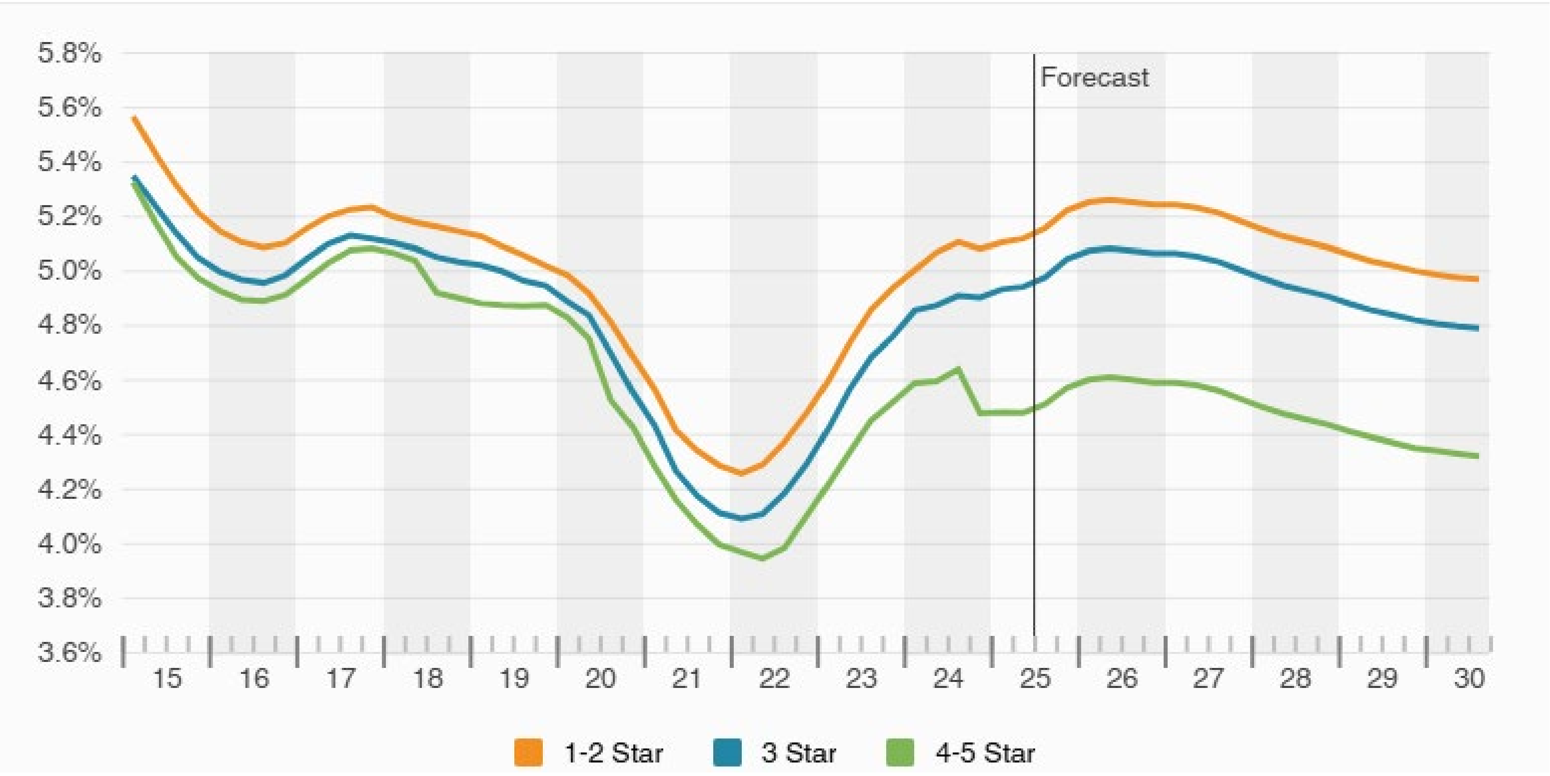
10-year US Treasury, %

ACTUAL VALUATION METRICS

OARs vs. cost of $ *persistent* compression

10-year US Treasury, %

Market Cap Rate By Star Rating



ACTUAL VALUATION METRICS

C19-era ind. demand shock cycle almost complete?

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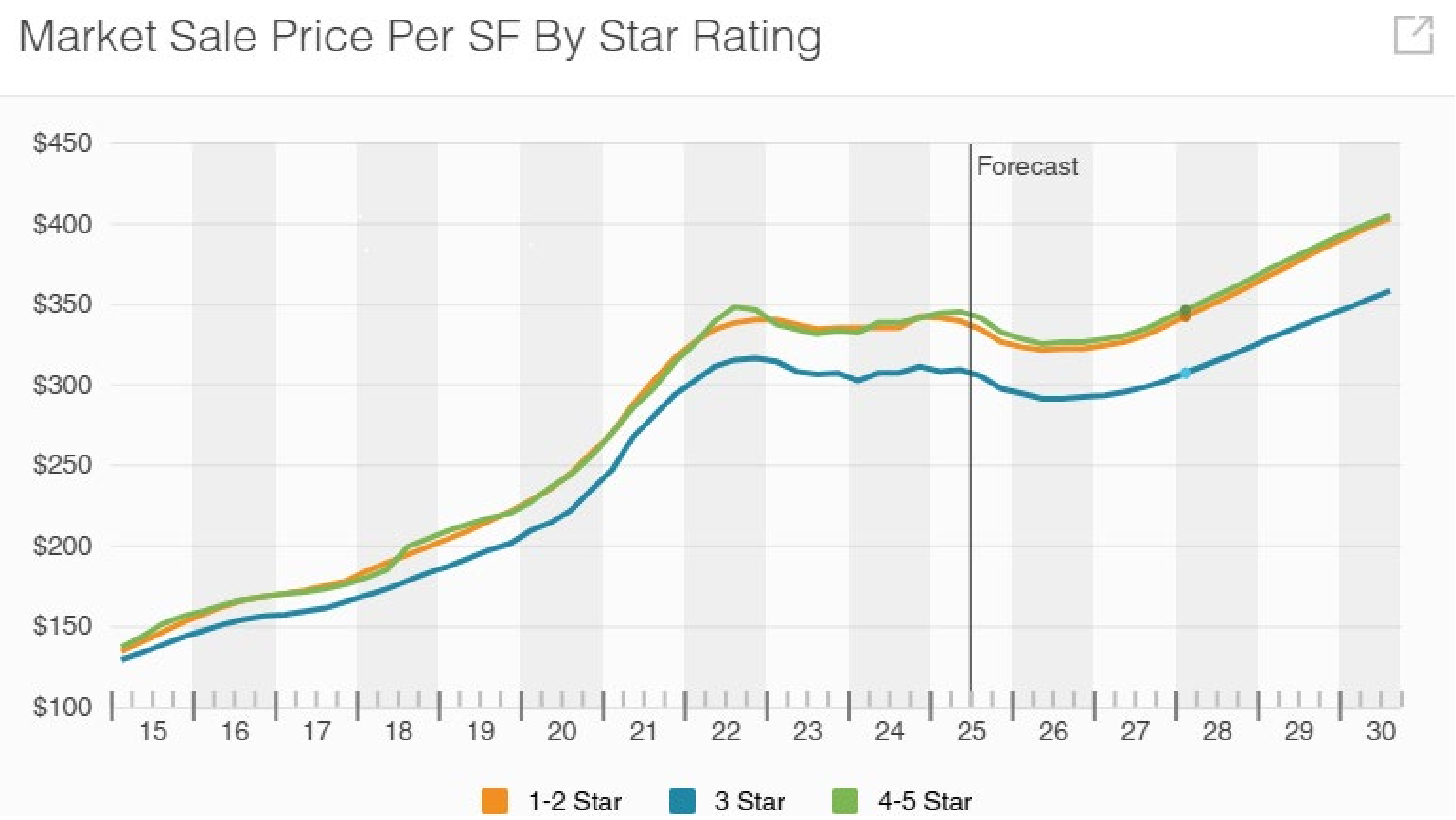

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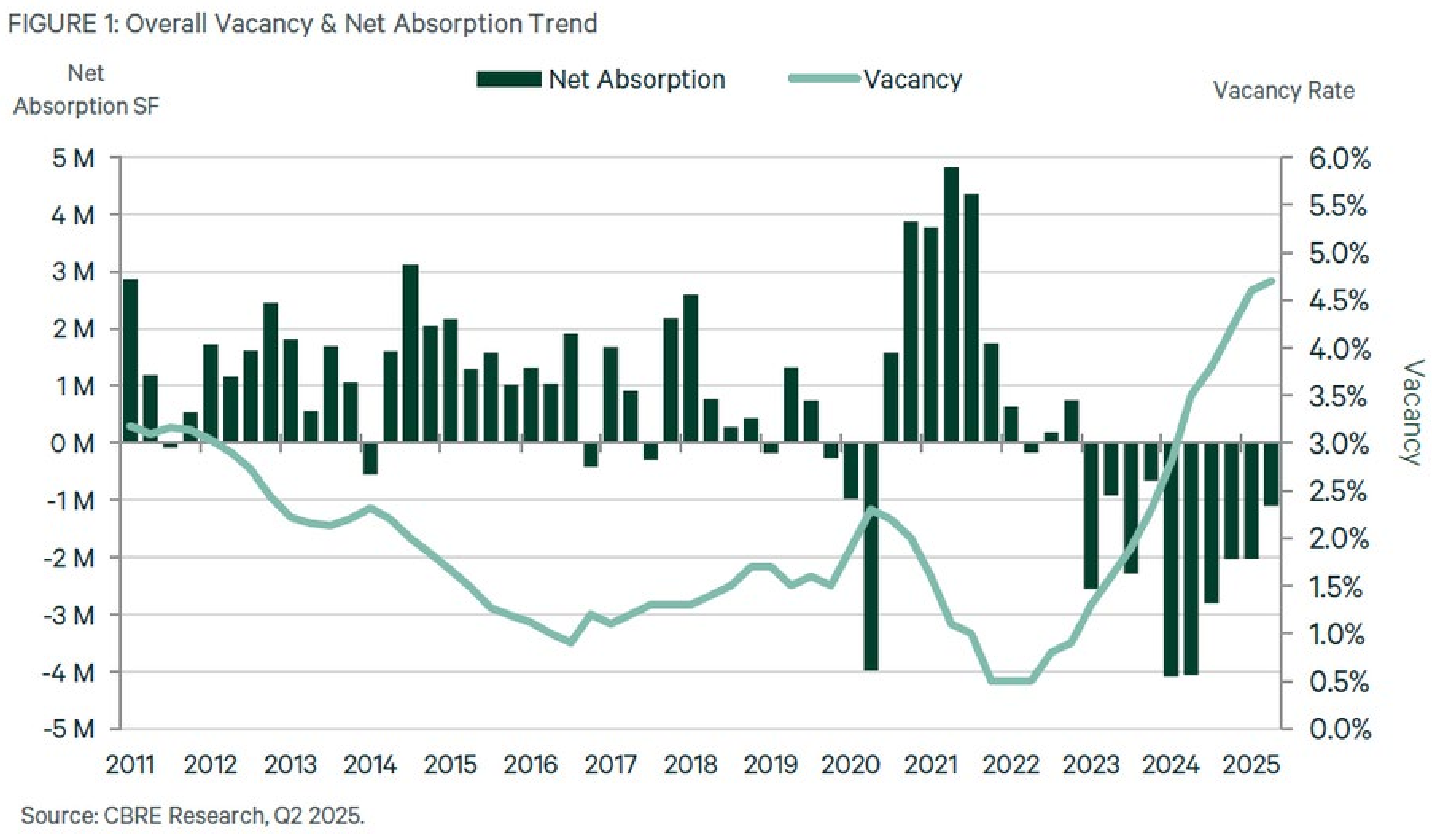

ACTUAL VALUATION METRICS

Forecast:
OAR-driven value recovery

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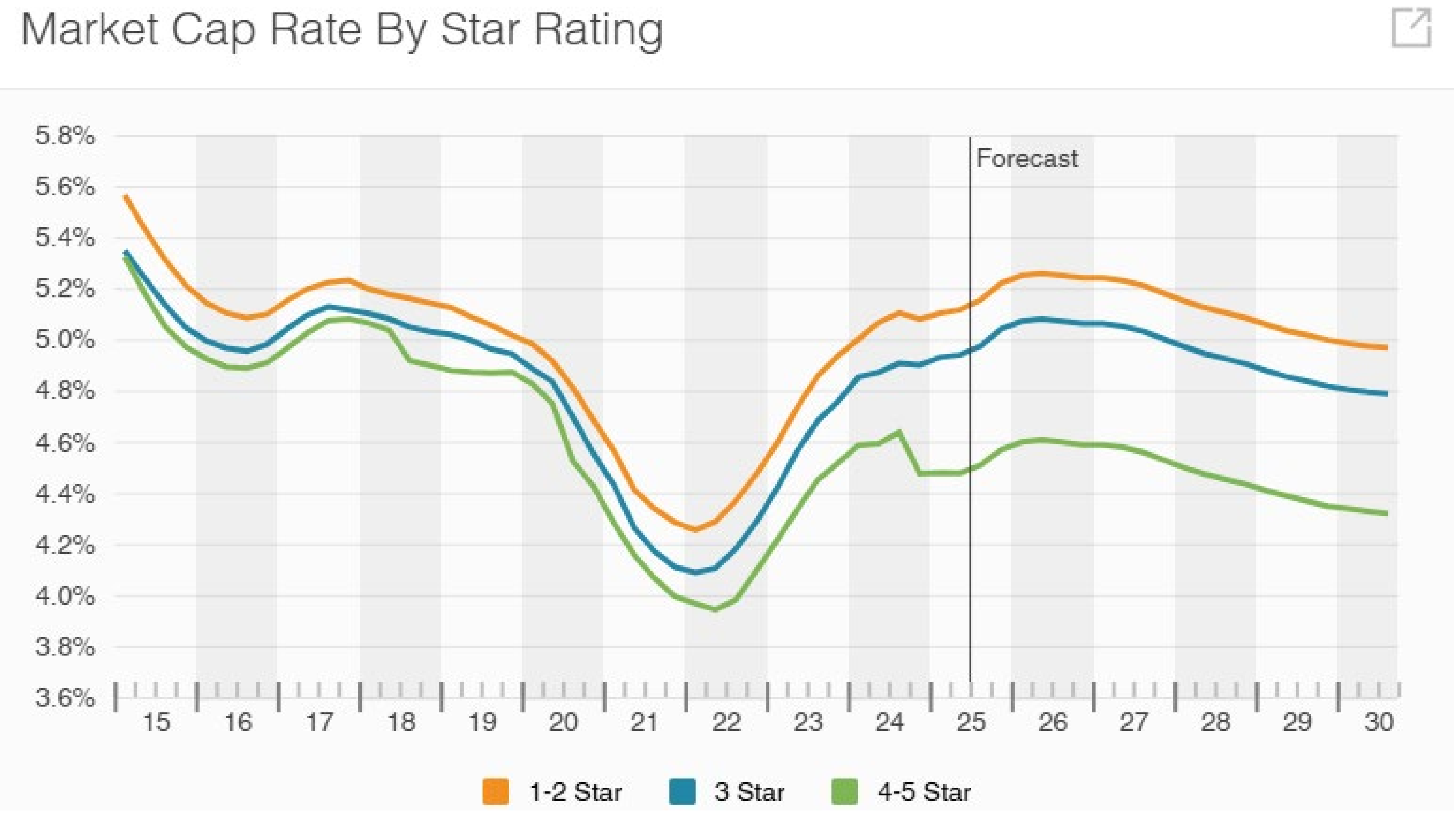

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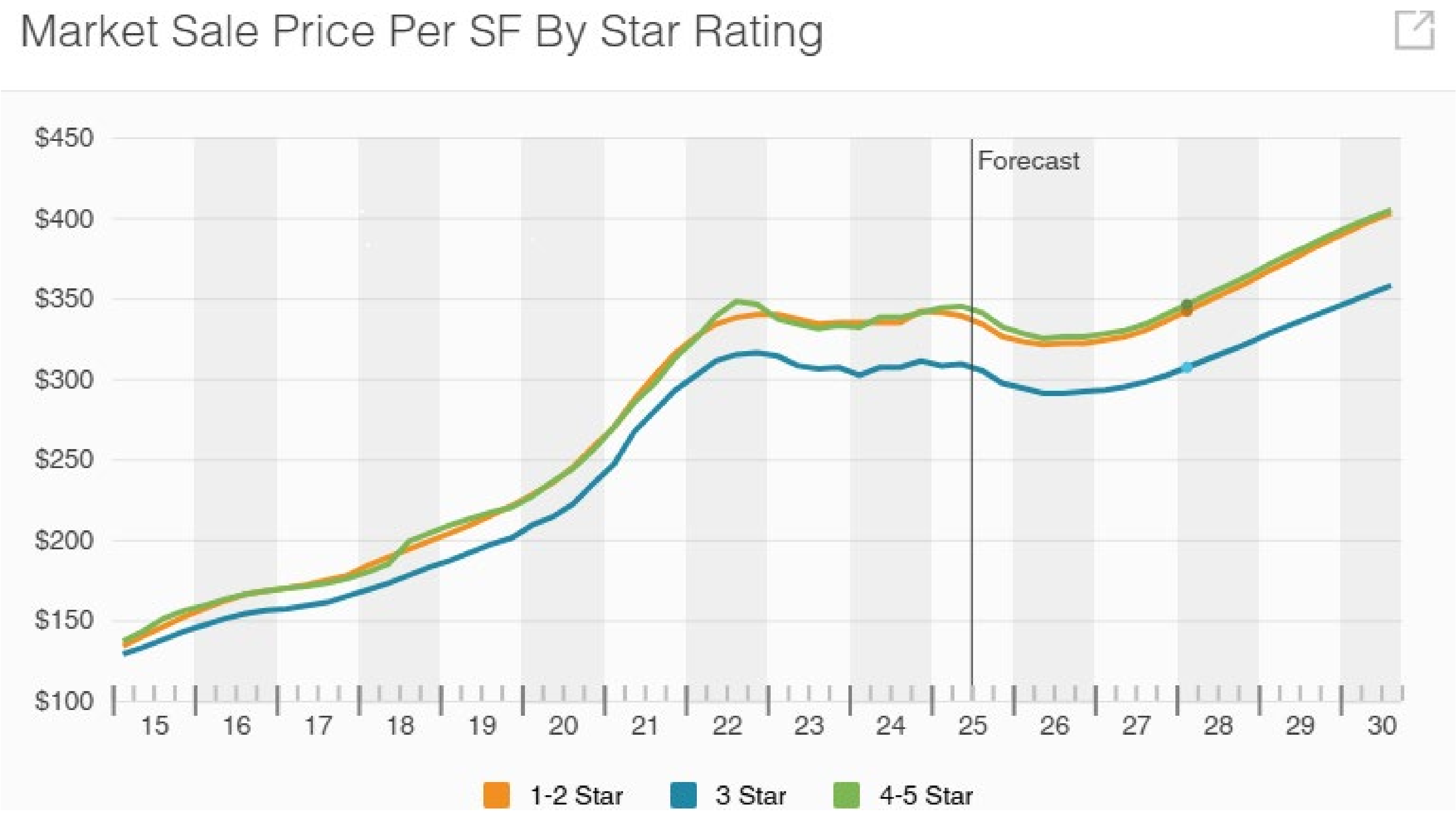
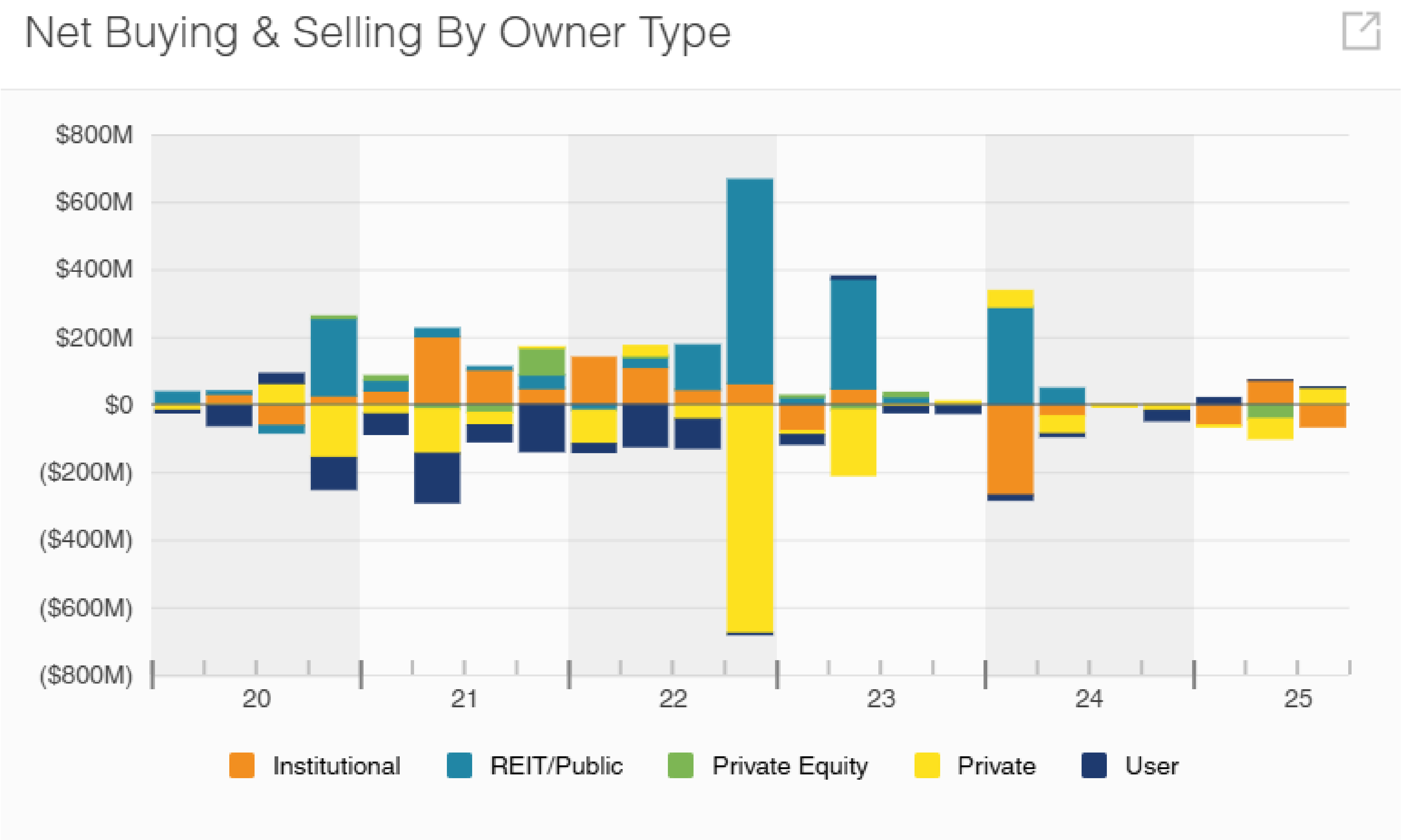


ACTUAL VALUATION METRICS

Volume thins, as cost of $ vs. OAR compression persists

Greater LA Industrial



ACTUAL VALUATION METRICS

2020-25 SoCal Ind. market dominated by:

1. Demand Shock
2. Fiscal stimulus -> mean reversion
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ACTUAL VALUATION METRICS

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2025+ possible US industrial policy/tariff impact

1. Demand shock
   - Reduced China imports? (negative)
   - Offsetting Asian import growth? (positive)
   - Growth of SoCal manufacturing (import substitution, positive)
2. Fiscal stimulus
   - Tax cuts (business and/or personal)
   - Indirect (Tax holidays, incentives, accelerated depreciation, etc.) ?
3. Monetary stimulus
   - Industrial investors already pricing in?

REAL WORLD CASE STUDIES

…and now for something completely different…

Industrial Insurance Expense History & 2025-26 Conclusions, $/psf

County	2022	2023	2024	T12	PF 2025-26
Orange		$0.11	$0.37		$0.40
Orange		$0.36	$0.35	$0.32	
LA	$0.18	$0.18	$0.15		$0.75
SB	$0.27	$0.34	$0.35	$0.26	$0.50
Orange	$0.27	$0.35	$0.37	$0.30	$0.50
LA	$0.32	$0.41	$0.51	$0.51	$0.50
LA	$0.32	$0.41	$0.47	$0.44	$0.50
LA	$0.31	$0.40	$0.46	$0.43	$0.50
LA	$0.31	$0.40	$0.46	$0.43	$0.50
LA	$0.31	$0.40	$0.46	$0.52	$0.50
LA	$0.32	$0.41	$0.47	$0.43	$0.45
SB	$0.26	$0.36	$0.35	$0.27	$0.45
SB	$0.26	$0.36	$0.33	$0.30	$0.45
Riverside		$0.23	$0.46		

Source: CBRE

MULTIFAMILY

Michael Tidwell II, SRA
Director, Multifamily
Advisory Group |
Cushman & Wakefield

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MACRO TRENDS FOR MULTIFAMILY

KEY TAKEAWAYS

ECONOMY:

- **Inflation & Fed Policy**: Inflation remains sticky, but the Fed's "soft landing" strategy is keeping markets stable. Recession fears have eased compared to early 2024..
- **Labor Market Resilience:** Job growth has moderated, yet the labor market remains tight — continuing to underpin housing demand.

MULTIFAMILY:

- **Demand Fundamentals:** Demand for apartments is outpacing new supply for the first time in years, especially in Class A assets. Q2 rent growth leveled off after a strong Q1 start.
- **Construction & Supply:** Peak construction is behind us. Starts have dropped to 2012 levels, and Sunbelt dominance in new supply has given way to renewed growth in gateway markets.

CAPITAL MARKETS:

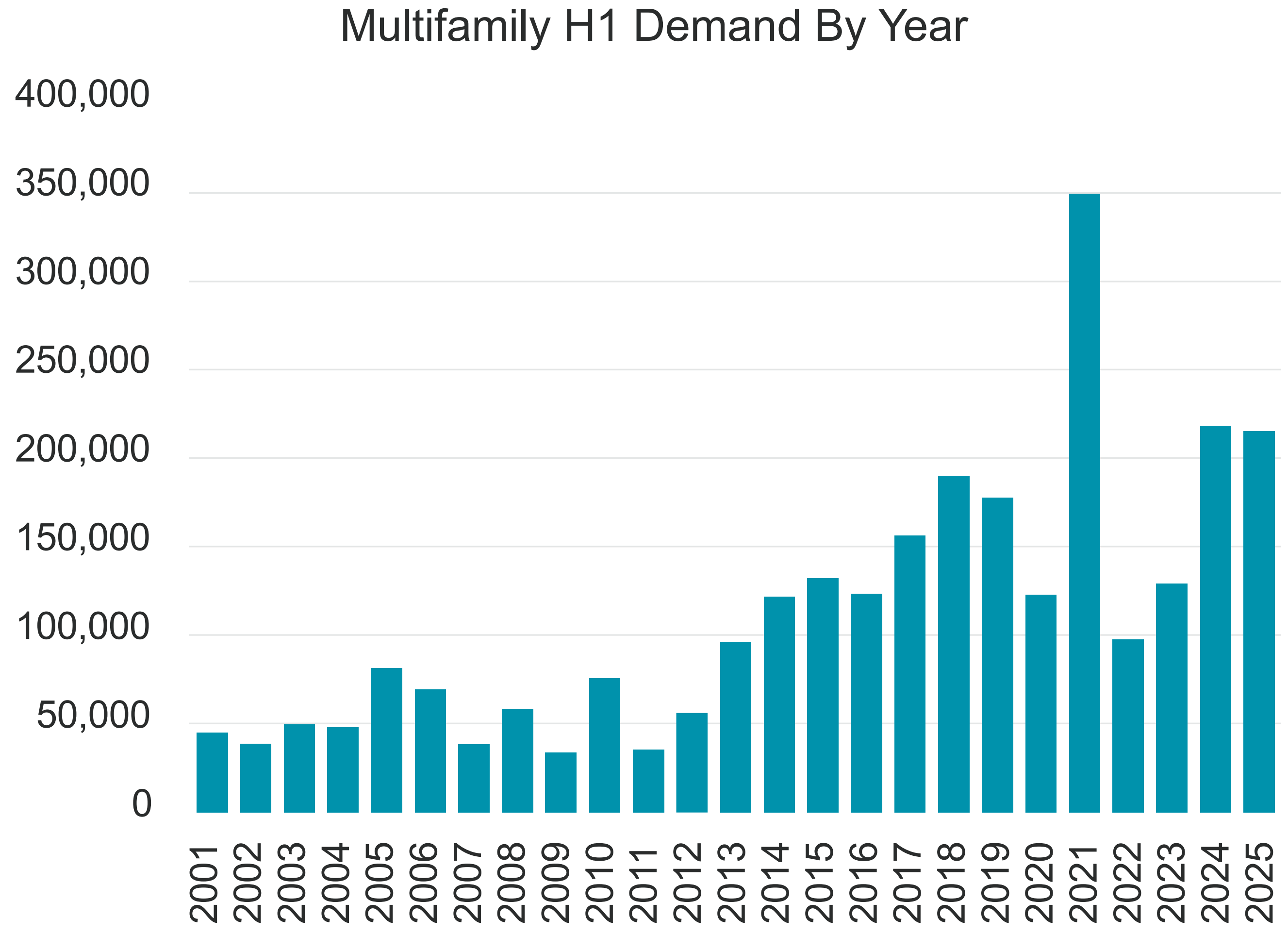
- **Transaction Activity:** Multifamily is leading the rebound in deal volume, with investor interest climbing and capital targeting the sector.
- **Debt Pressure:** High interest rates still pressure refinancing, but capital is lining up to capture distress opportunities as delinquencies tick up from historic lows.

MACRO TRENDS FOR MULTIFAMILY

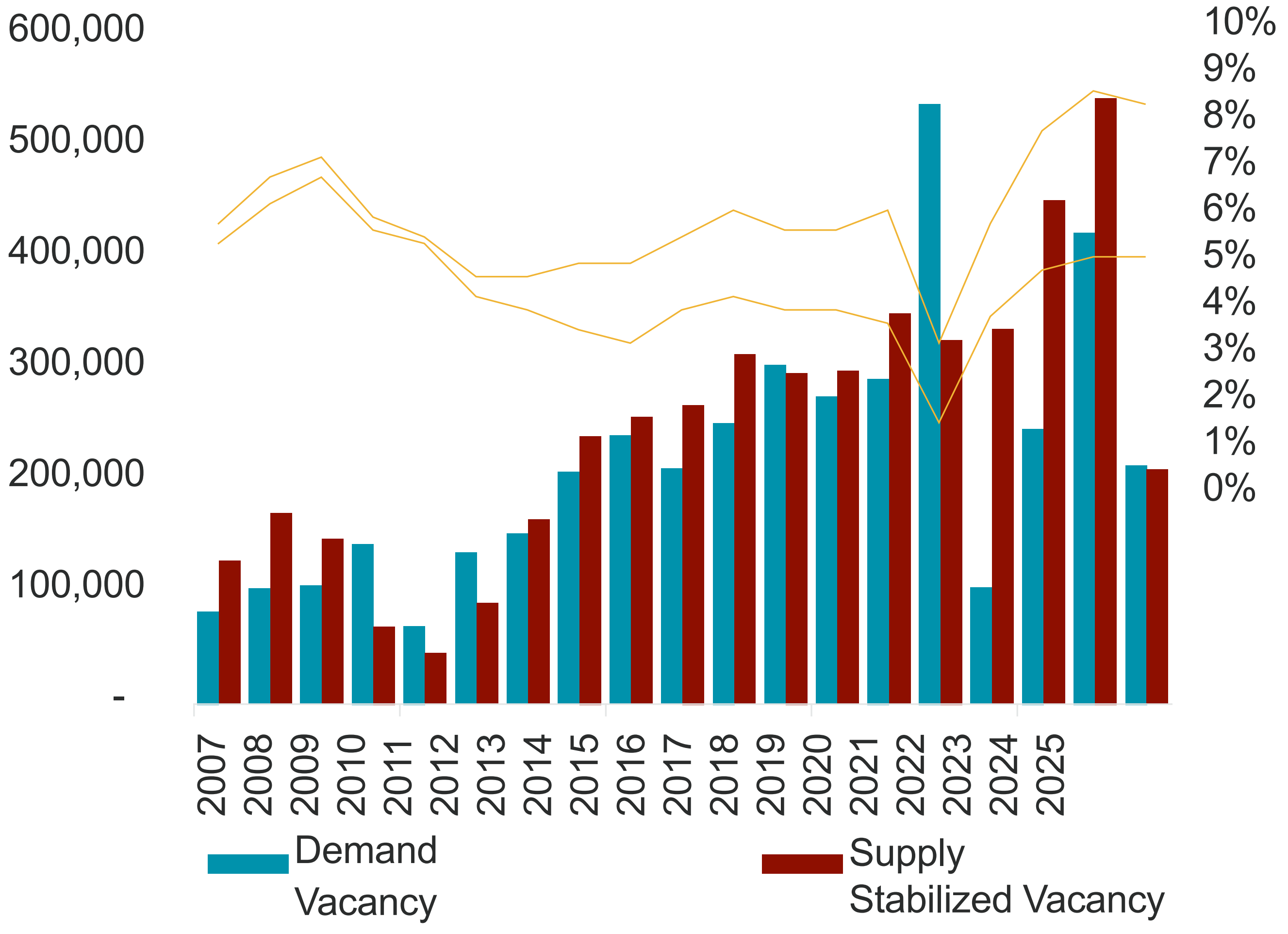
STRONG DEMAND KEEPING VACANCIES AT BAY

Fundamentals are bottoming

Demand For Apartments Remains Robust



Demand Has Finally Outpaced New Supply

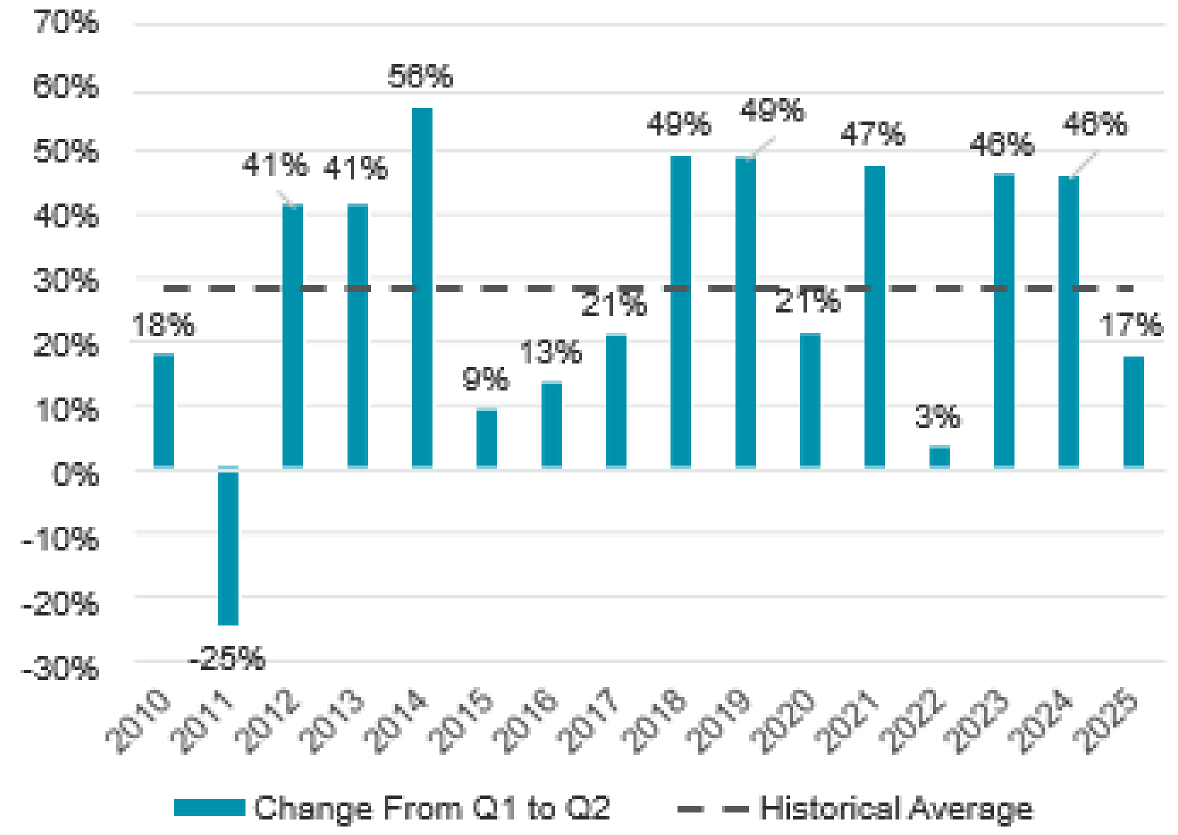


ACTUAL VALUATION METRICS

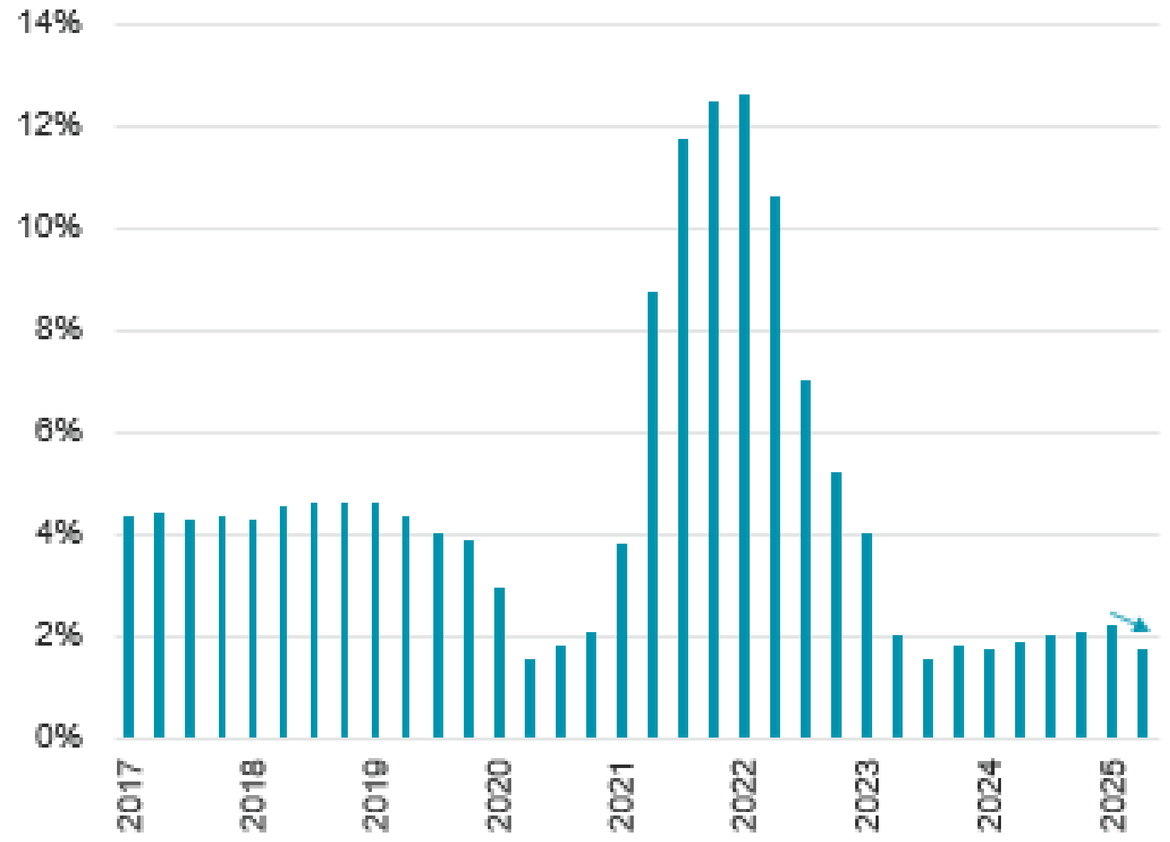
IT'S NOT ALL SUNSHINE AND ROSES

Impact of economic uncertainty is starting to show up in demand and rents

Q2 Demand Was Good, But Undershot Expectations Based On The Strength In Q1



Rent Growth Momentum Was Halted In Q2



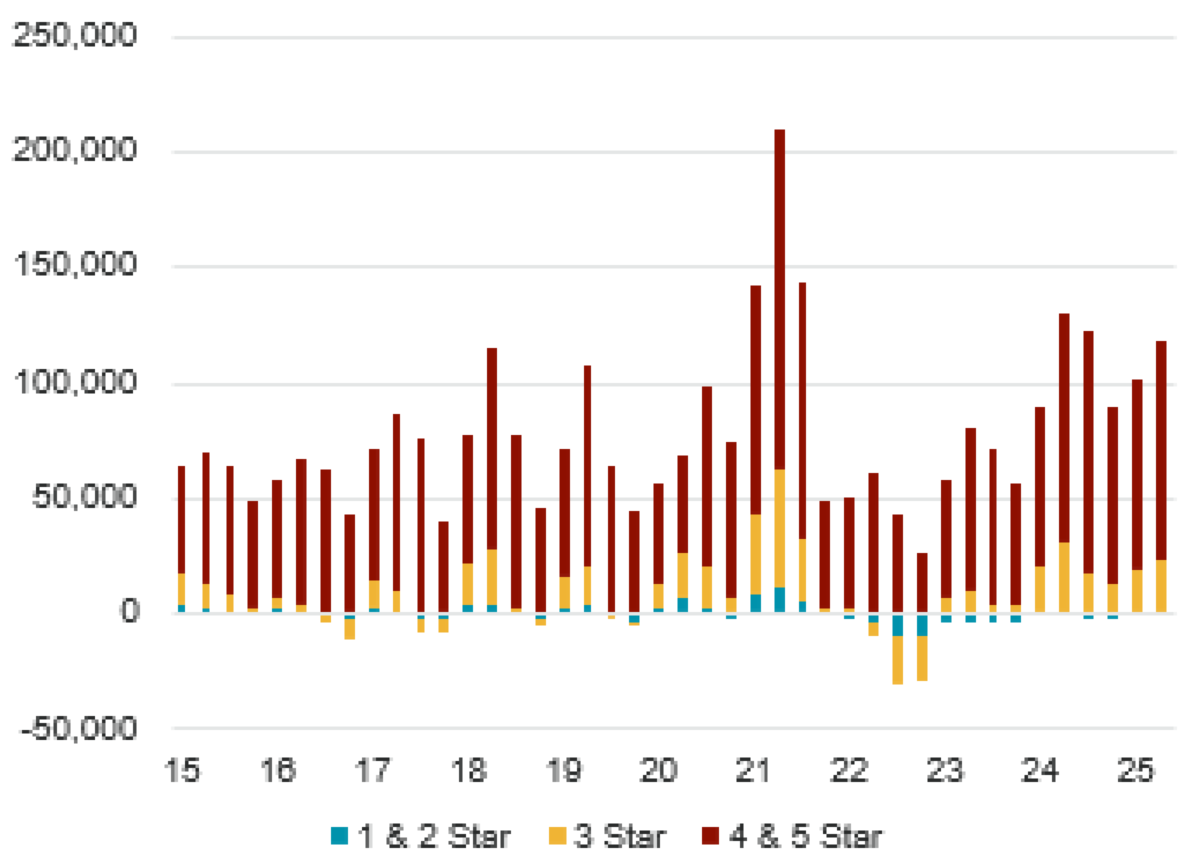
ACTUAL VALUATION METRICS

TOP TIER PRODUCT REBOUNDING QUICKEST

Driven by strong demand for high

Vacancy Rate By Star Rating

Multifamily Demand By Star Rating



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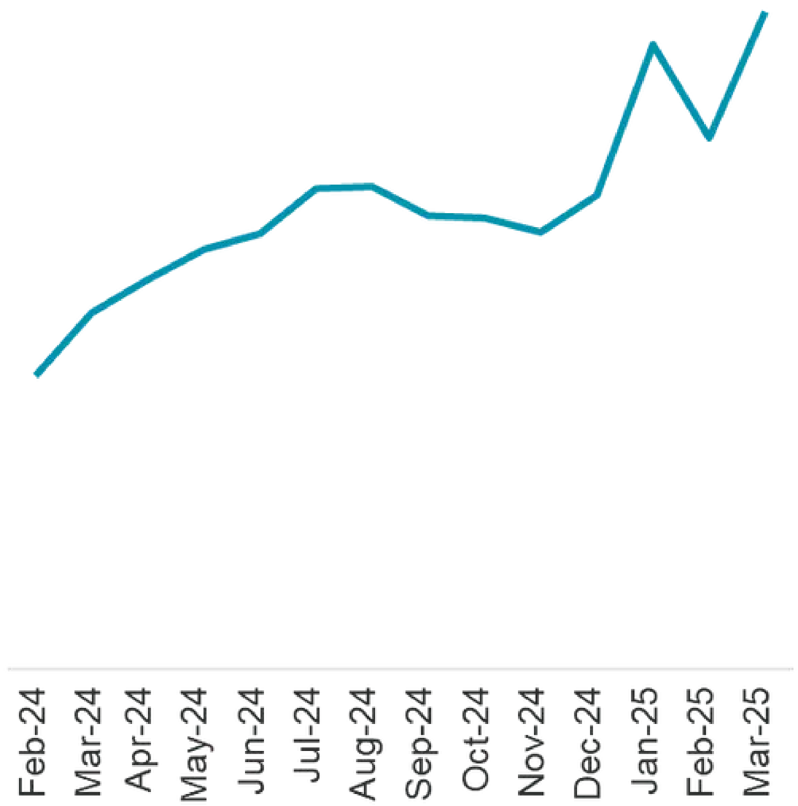
ACTUAL VALUATION METRICS

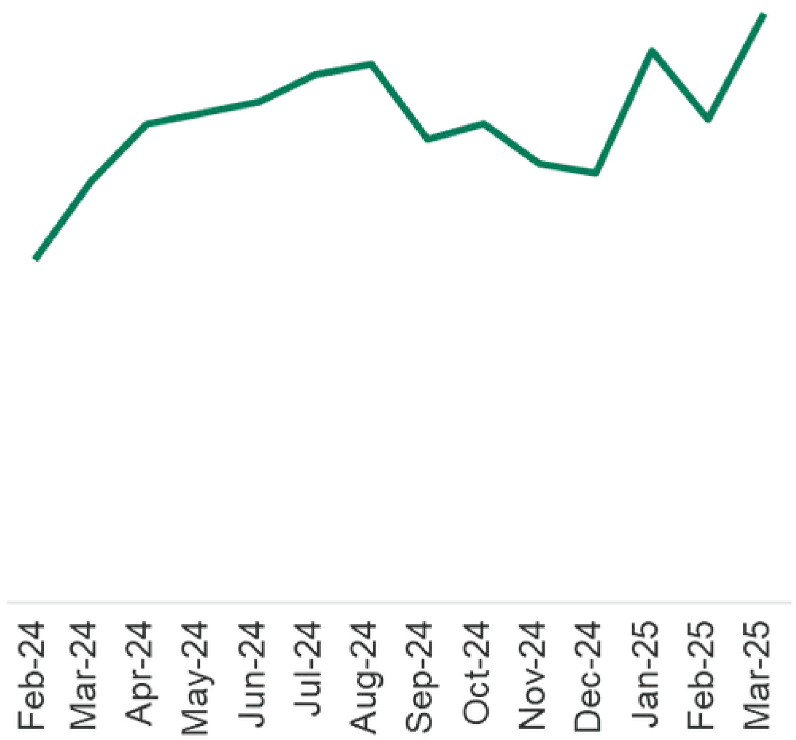
EARLY DEMAND INDICATORS WERE ROBUST THROUGH Q1

Demand activity picking up heading into spring/summer leasing season

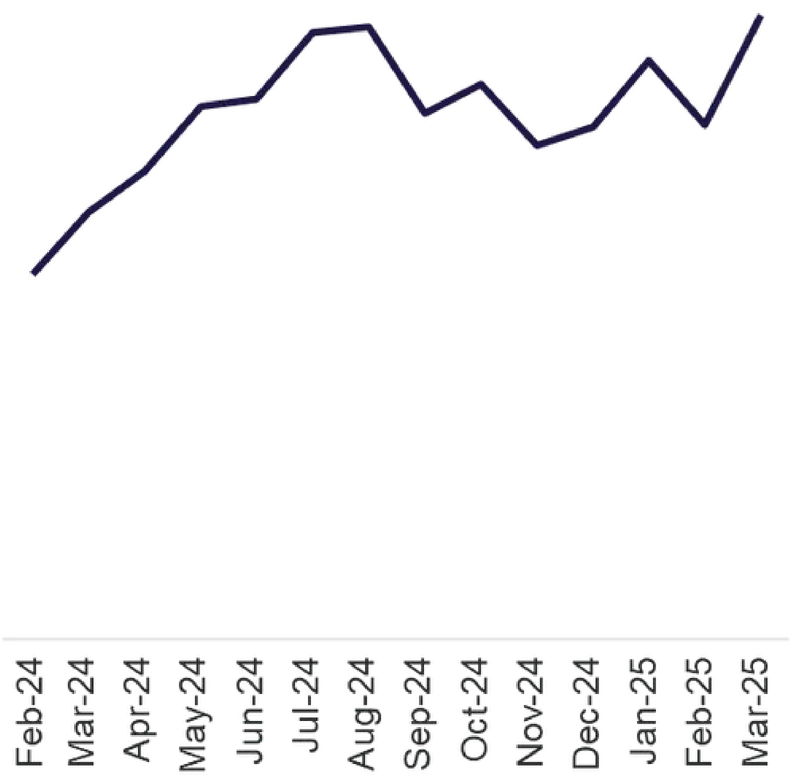
Contacts Per Available Unit



Visits Per Available Unit



Applications Per Available Unit



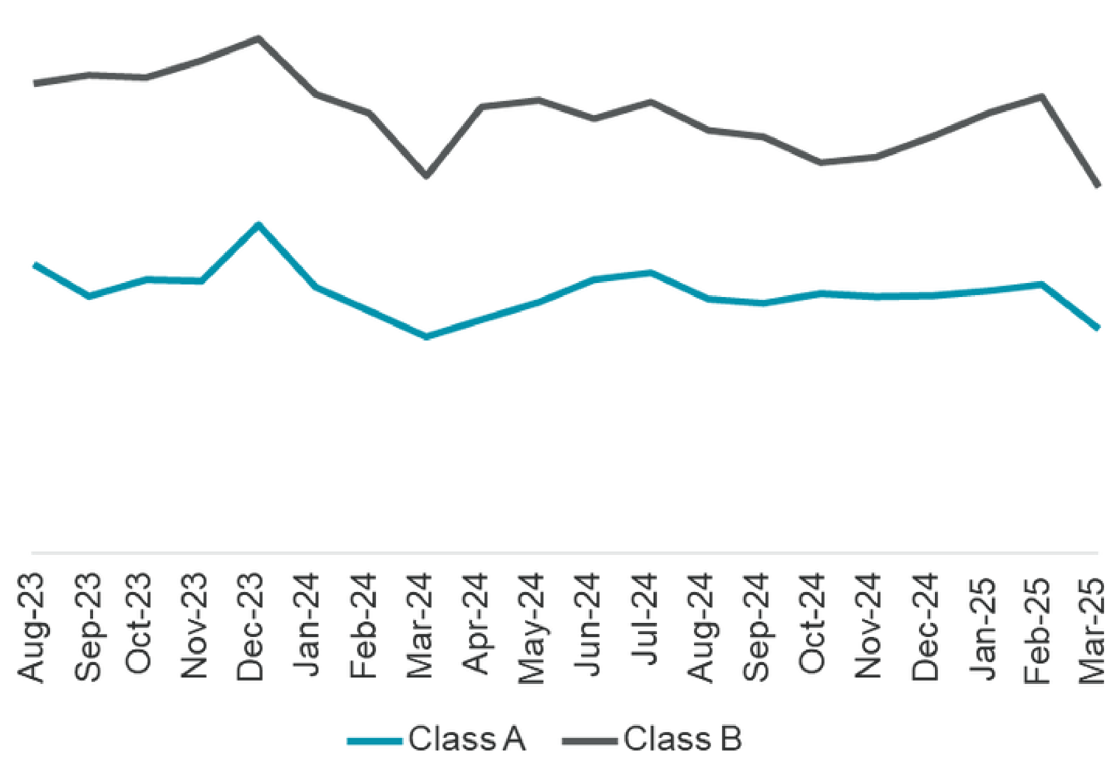
Source: Cushman & Wakefield Asset Services

ACTUAL VALUATION METRICS

NO SIGNS OF WEAKNESS AMONG RENTERS

Delinquency and exit interviews paint a healthy story

Delinquency By Class



Cost Reasons as Share of Total Move Outs

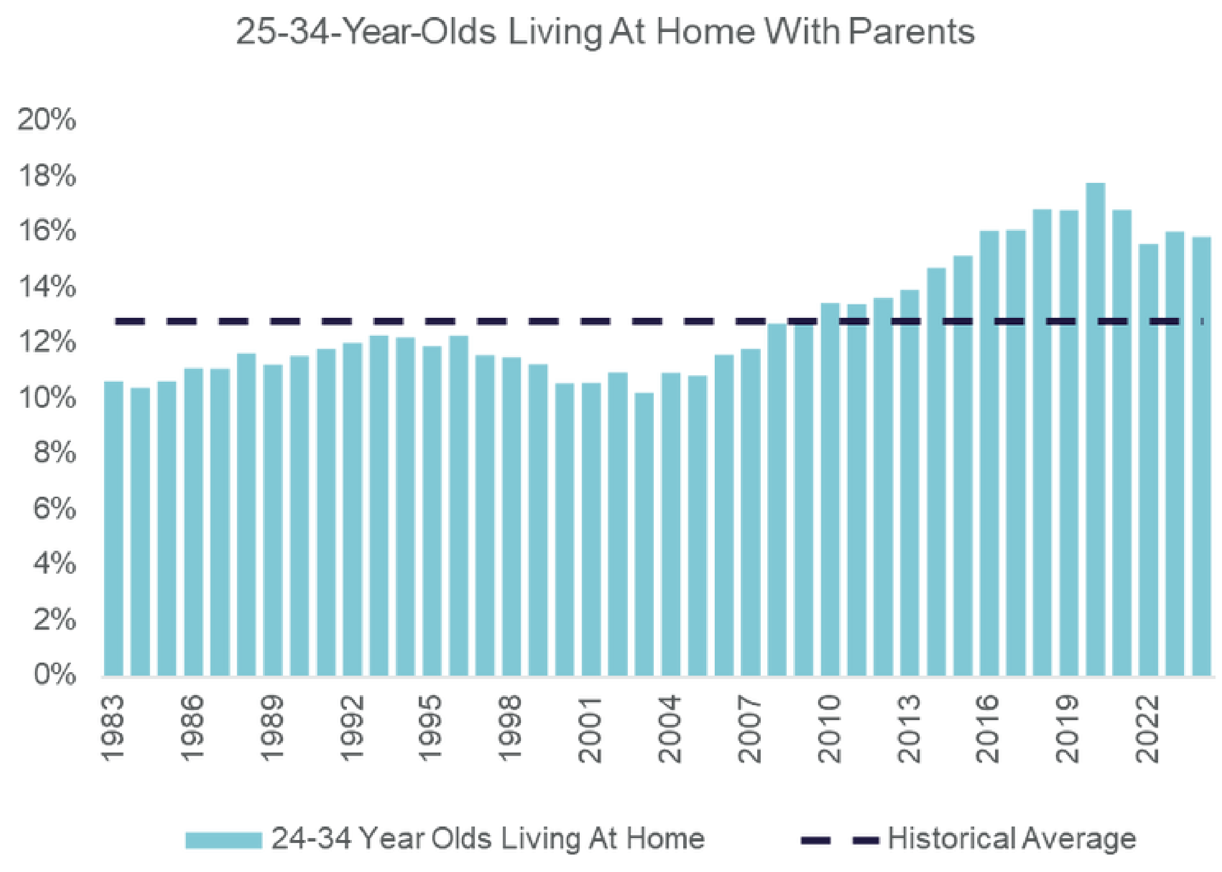
Source: Cushman & Wakefield Asset Services

ACTUAL VALUATION METRICS

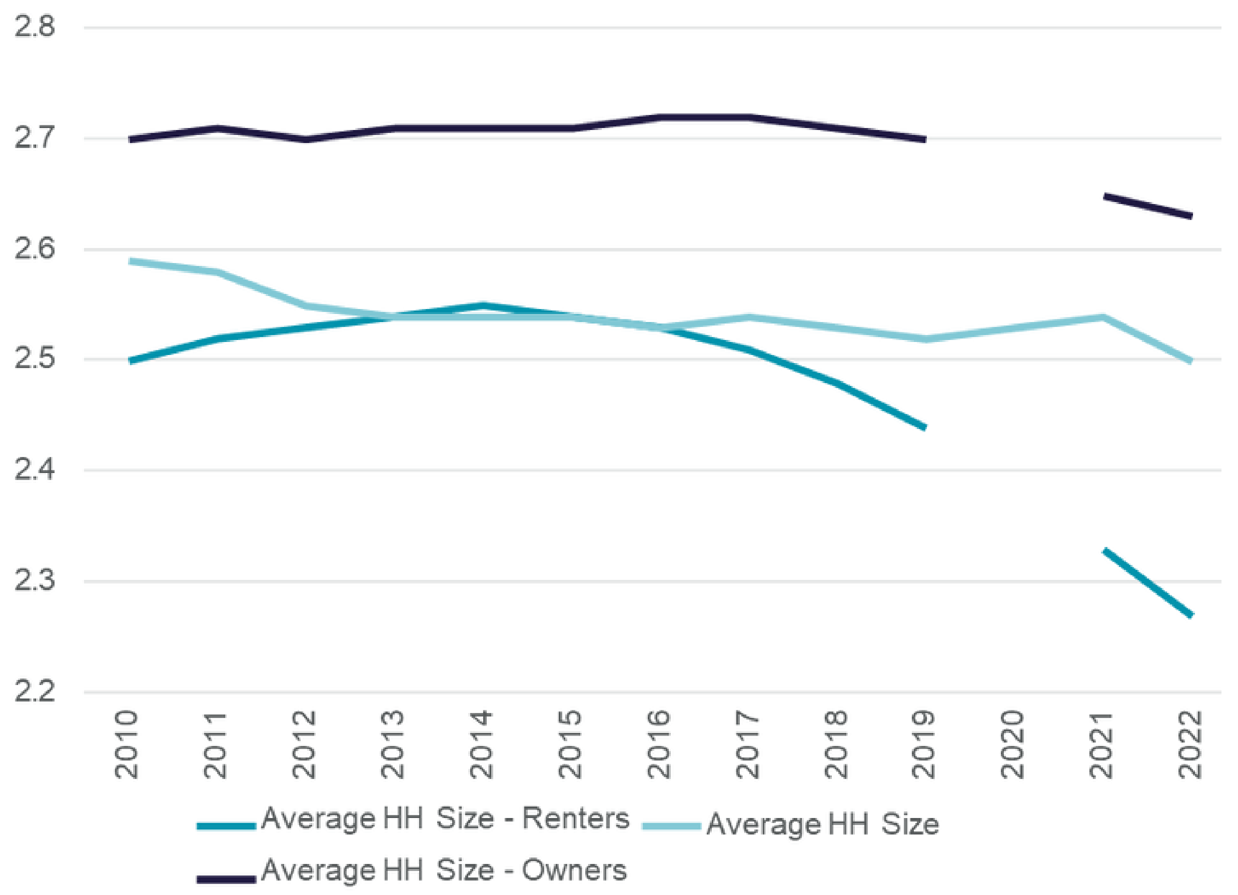
WHERE'S THE DEMAND COMING FROM? EVERYWHERE

Demand is remaining very resilient, thanks to a few factors

Young People Living With Parents



Average Household Size



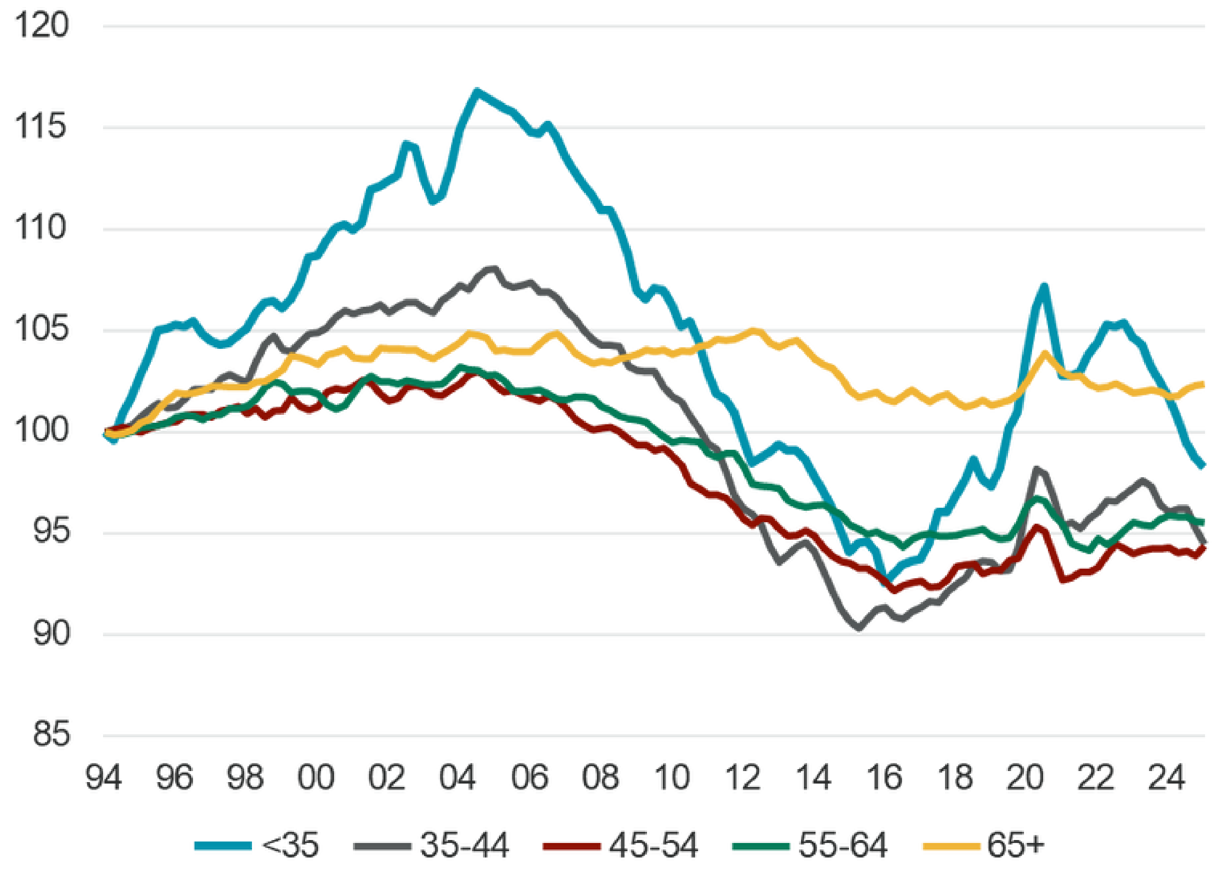
Source: U.S. Census Bureau, Moody's Analytics

ACTUAL VALUATION METRICS

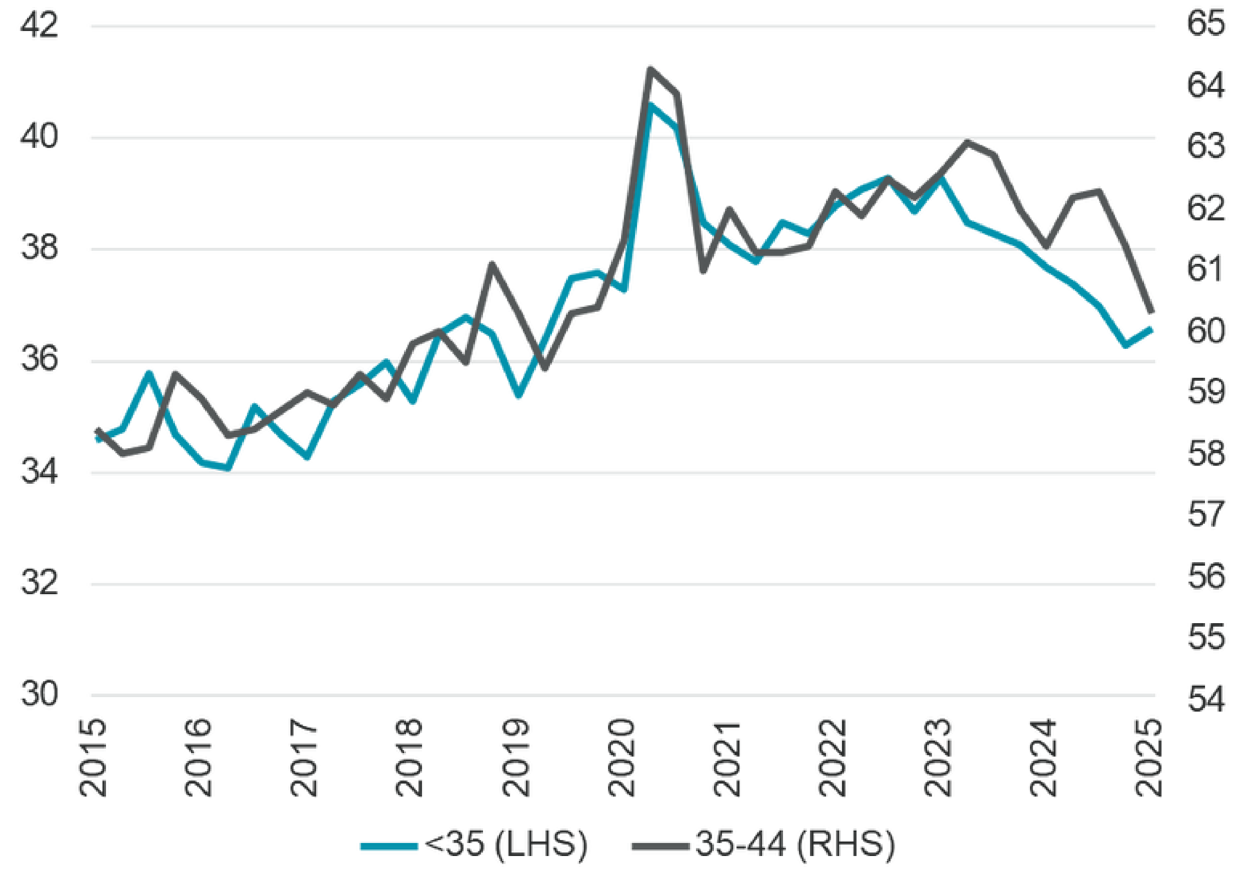
BIGGEST DECLINES IN HOMEOWNERSHIP AMONG MILLENNIALS

Fall in home buying rate helping generate rental demand

Homeownership By Age, 3 Quarter Center Moving Average, 1994Q1=100



Clear Declines Happening In <44 Homeownership Rates



Source: U.S. Census Bureau, Cushman & Wakefield Research

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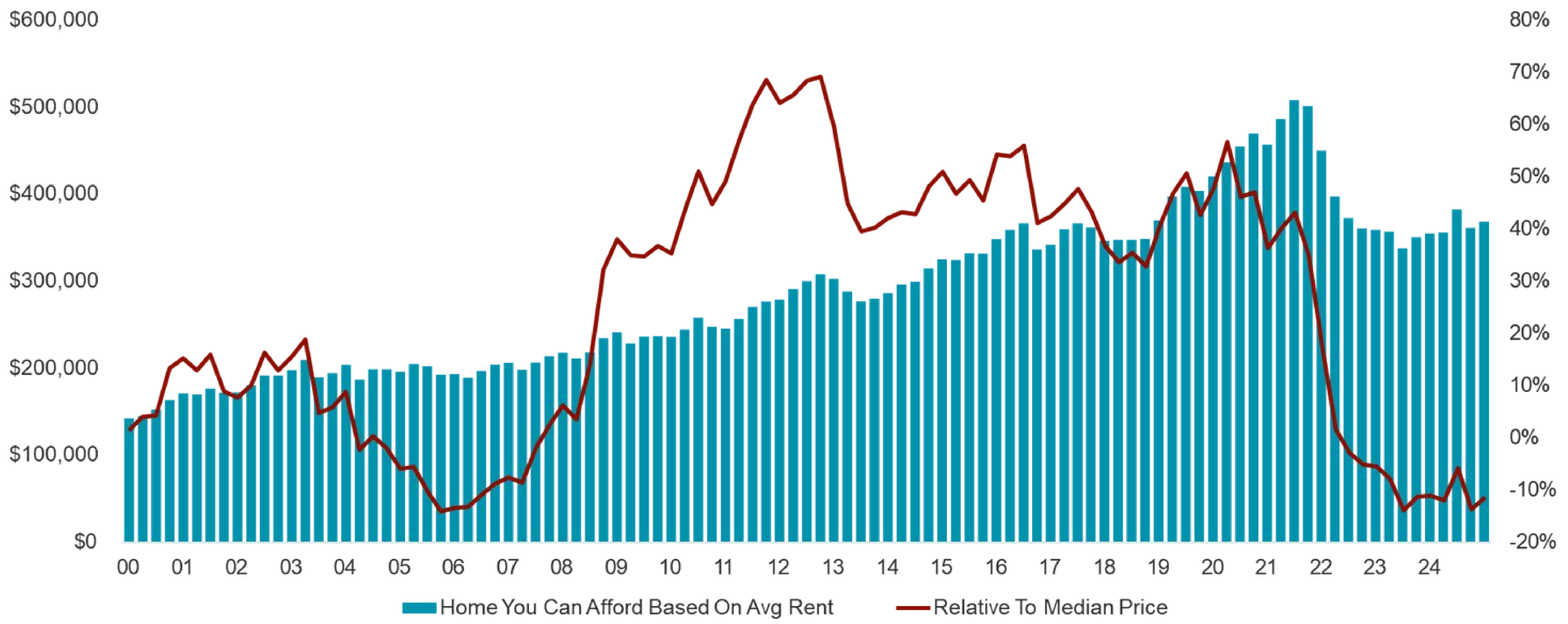
ACTUAL VALUATION METRICS

SINGLE

Prospective Home Buyers Can Afford 27% Less Home Today Compared To The Peak

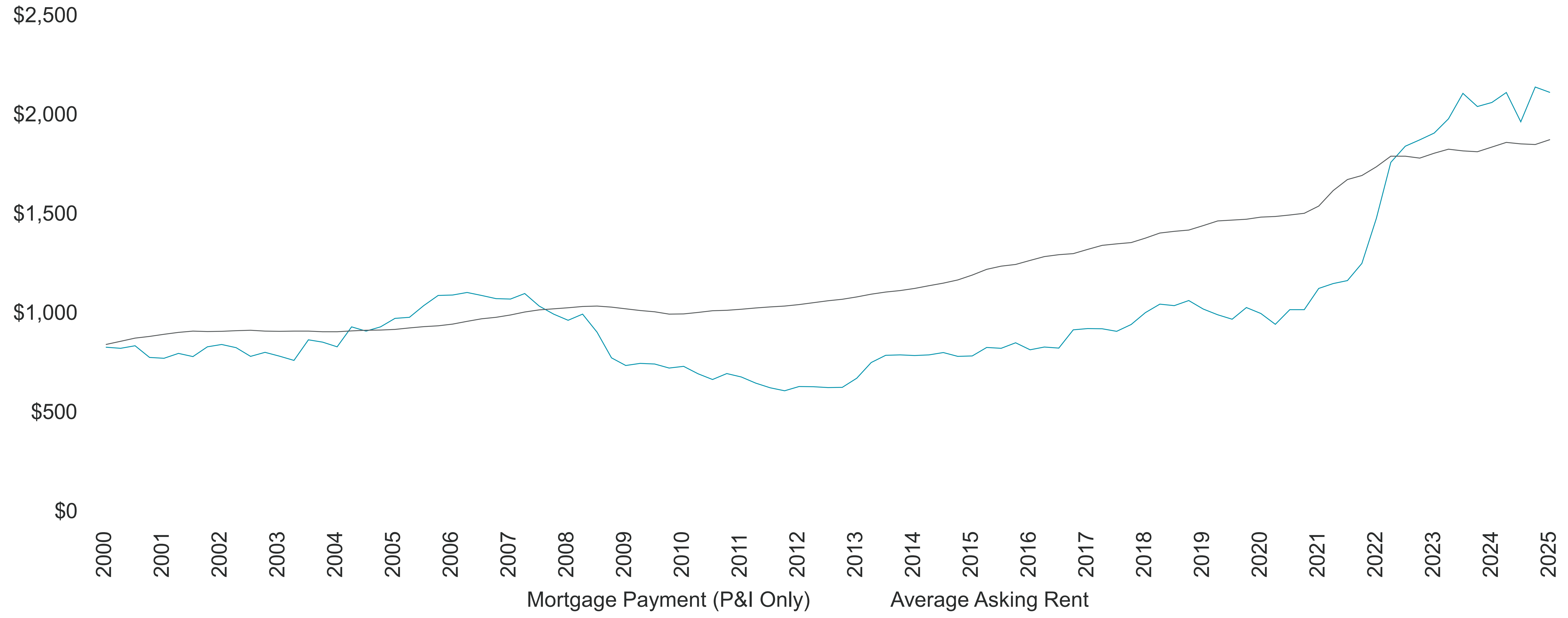


Source: NAR, Freddie Mac, Cushman & Wakefield Research
Note: Assumes 20% down, and excludes taxes/insurance

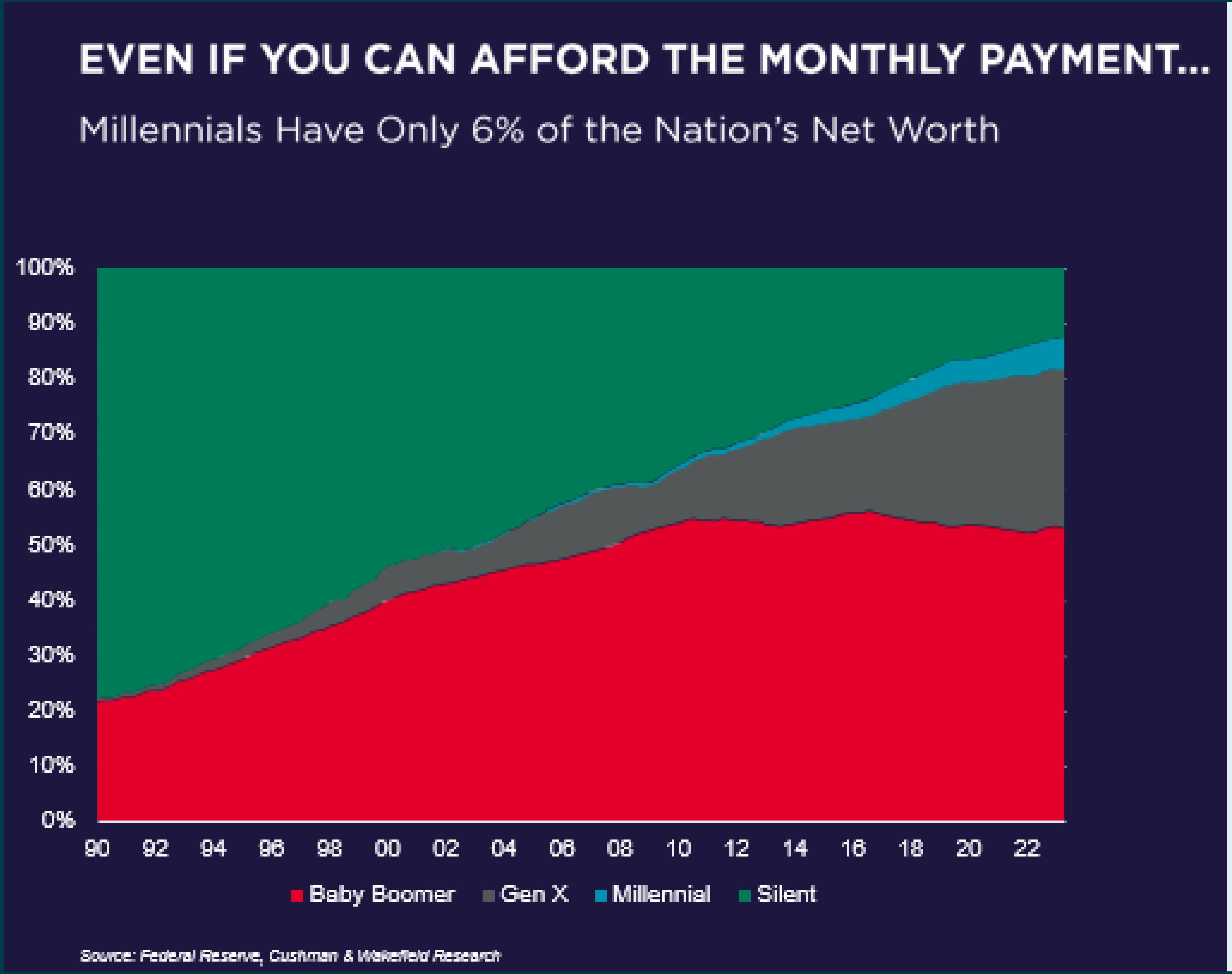
ACTUAL VALUATION METRICS

FOR SALE AFFORDABILITY IS STRETCHED THIN

Rents remain cheaper than just the principal and interest (P&I) payment on the median home



ACTUAL VALUATION METRICS



CUSHMAN & WAKEFIELD

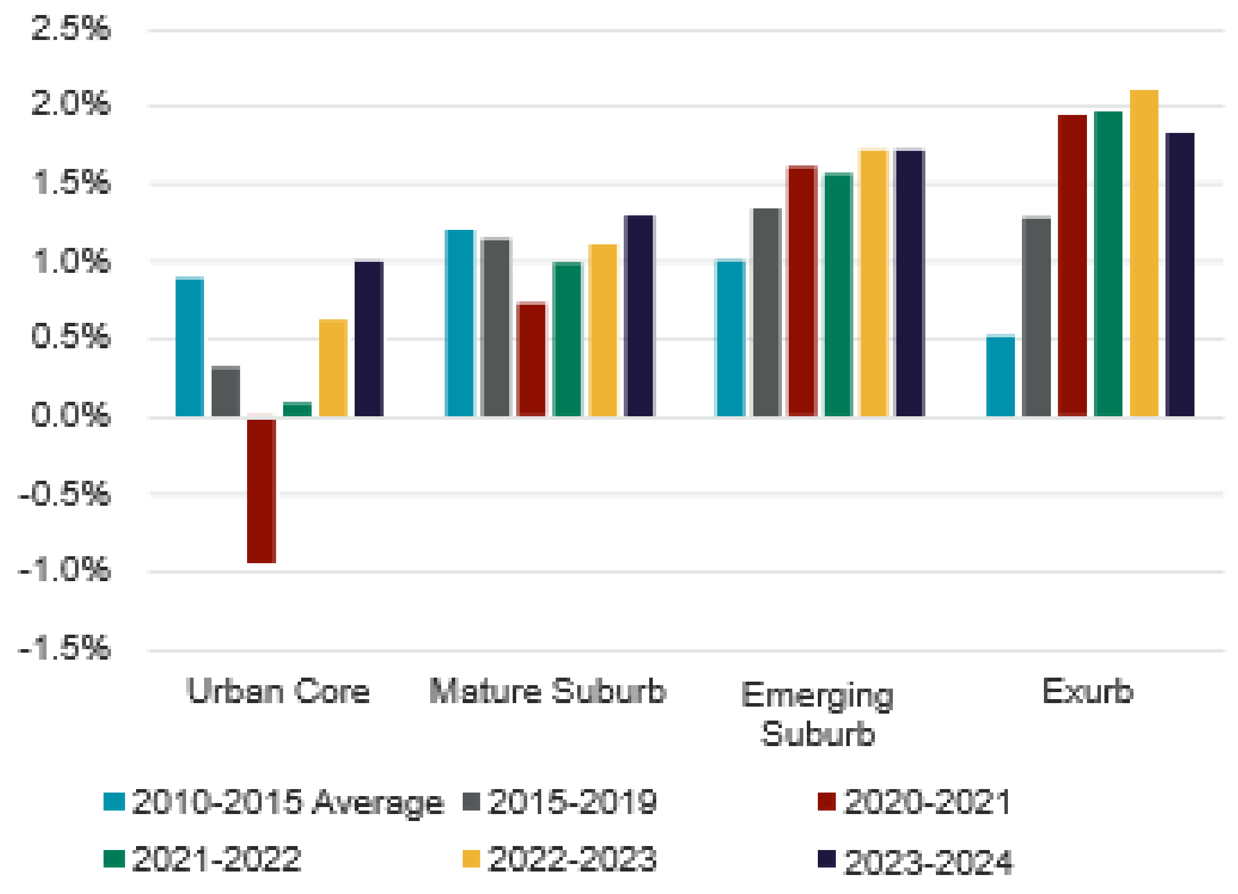
- On top of having difficulty affording the monthly payment based on rising prices and interest rates, most Millennials continue to have challenges accumulating enough capital to afford a down payment.
- In 2023, the oldest Millennial is the same age as the oldest Baby Boomer was in 1990. In 1990, Baby Boomers had 20% of the nation's net worth - today, Millennials have just 6%.

ACTUAL VALUATION METRICS

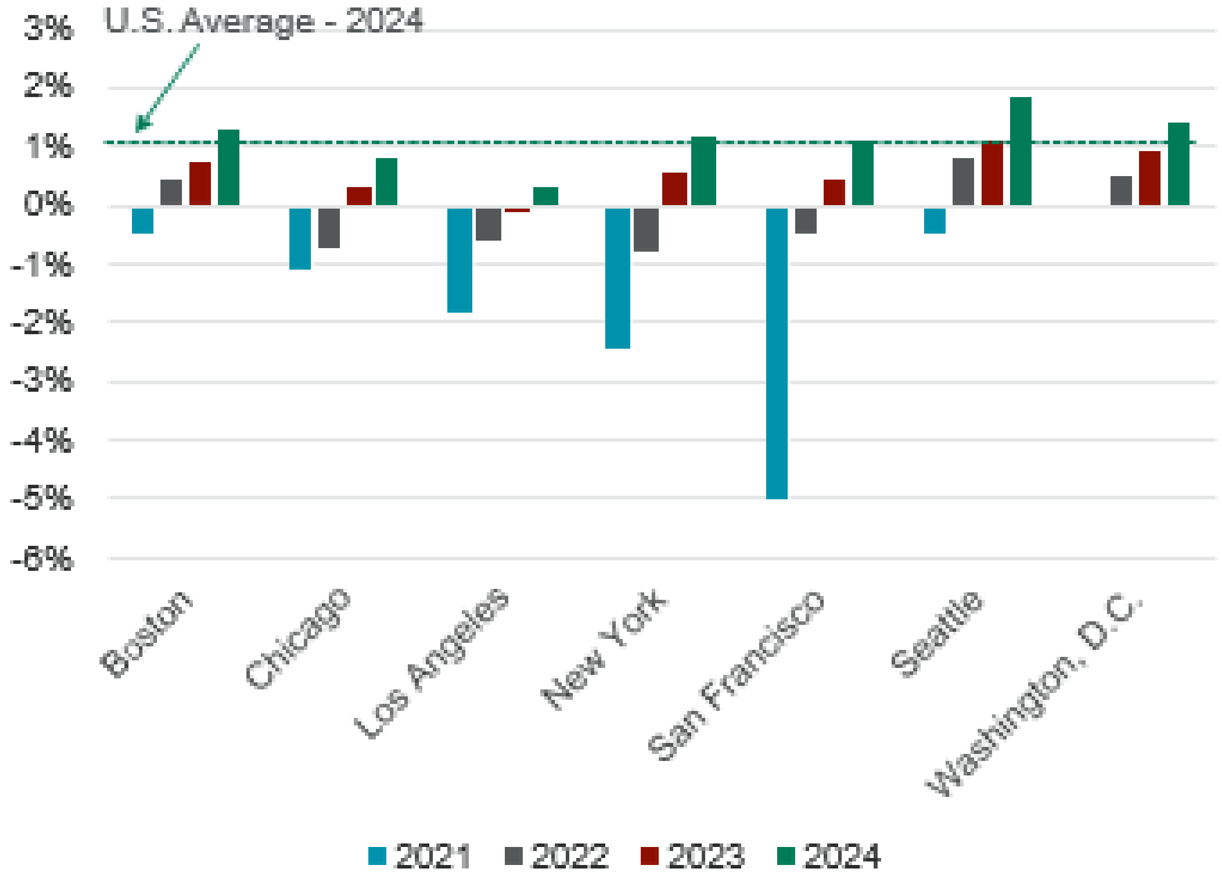
BUT THERE ARE NEW STORYLINES TOO!

It’s not just the Sunbelt – the Gateways and Urban Cores are growing again

Population Growth By County Type



Gateway Markets Are Growing Again



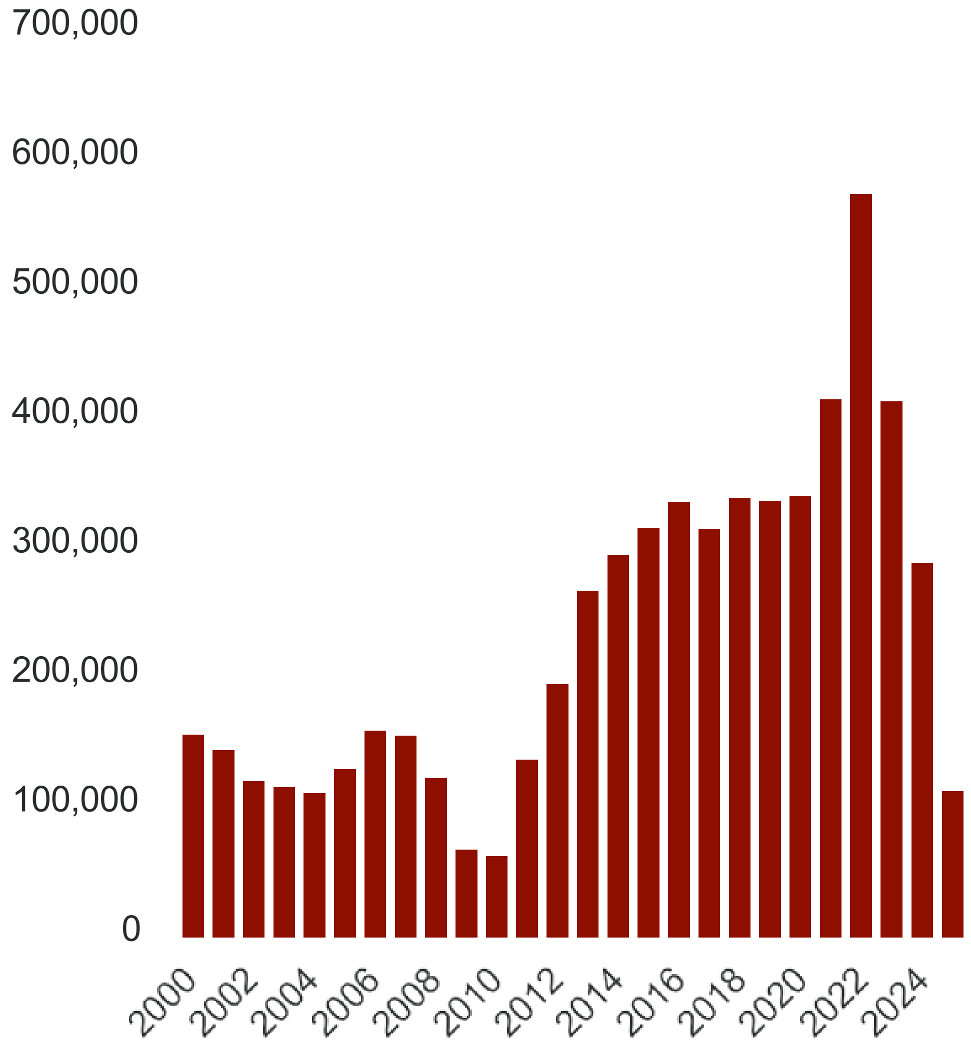
Source: Census Bureau, Brookings, Cushman & Wakefield Research

ACTUAL VALUATION METRICS

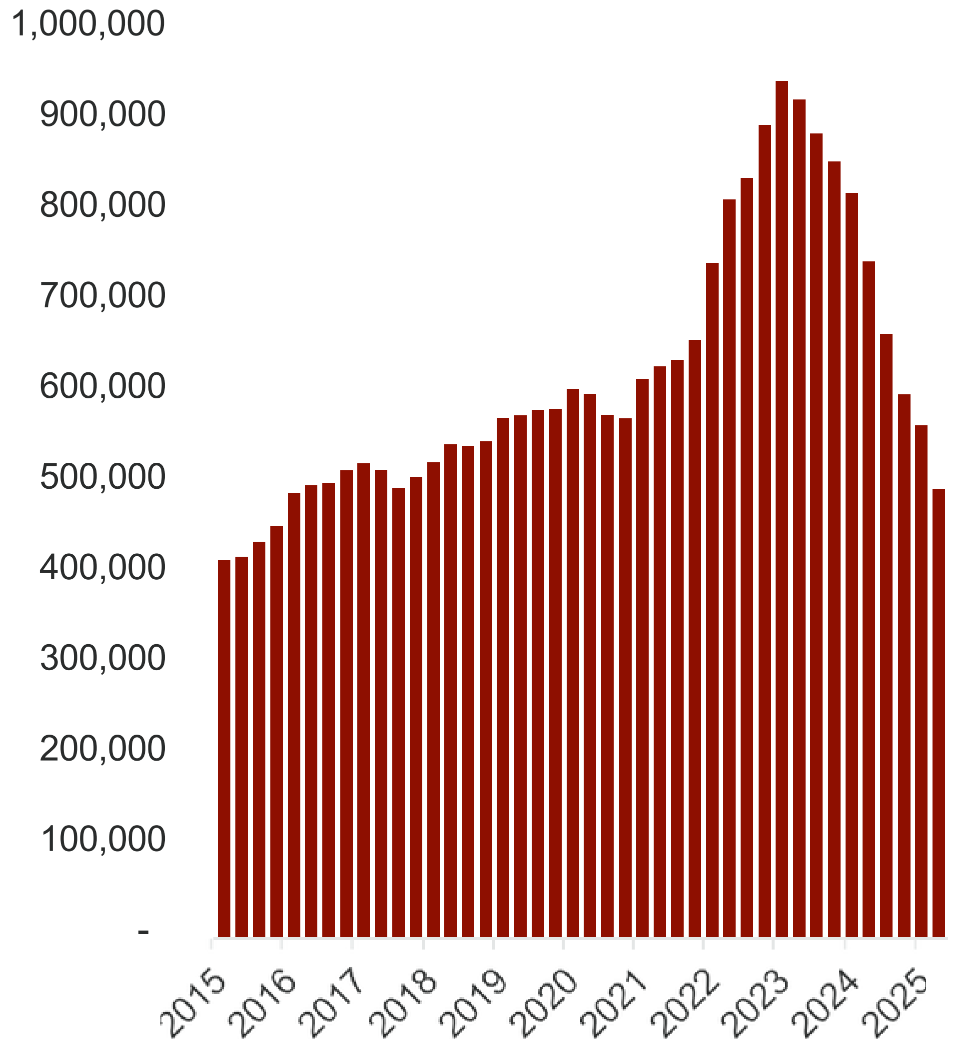
THE PEAK OF THE CONSTRUCTION WAVE IS BEHIND US

If demand holds, this oversupply will be short-lived

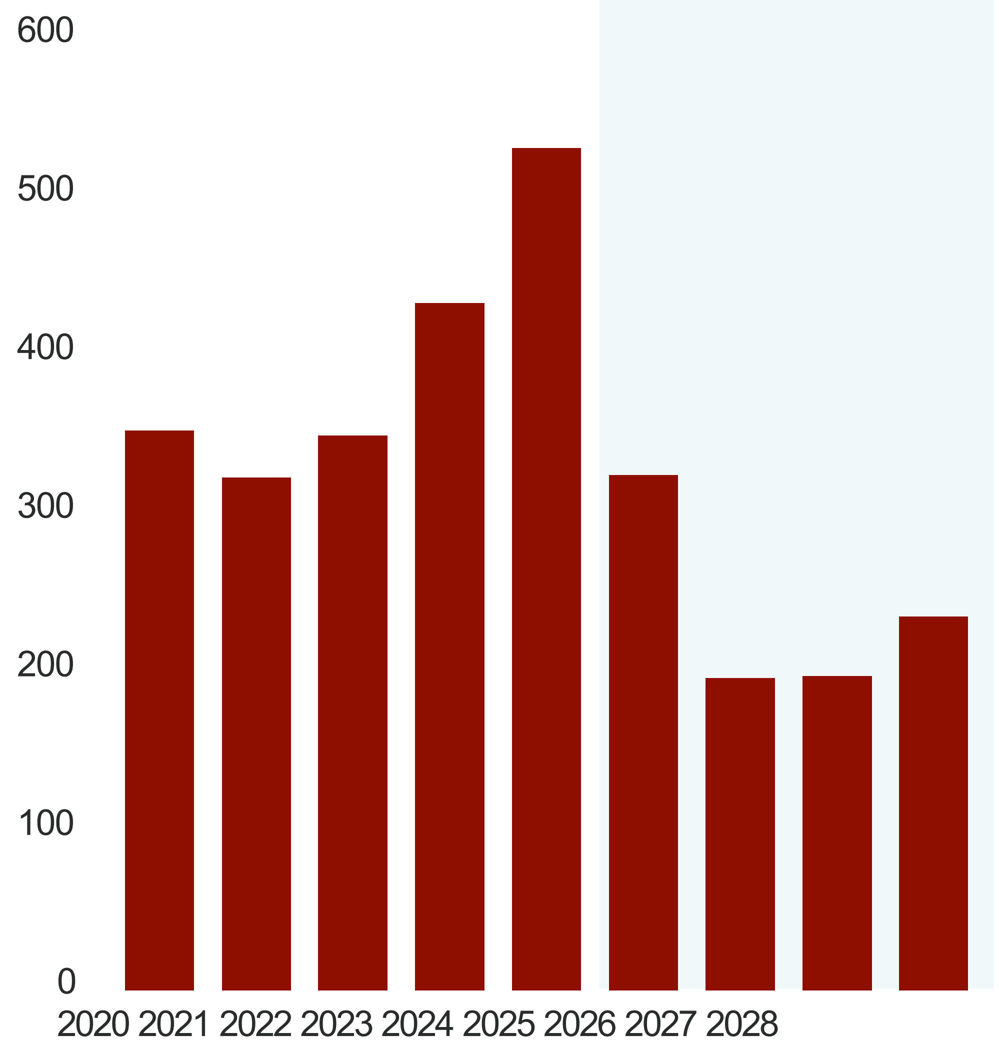
Starts Are Down to 2012 Levels



Construction Activity Pulling Back



Delivery Wave Has Peaked

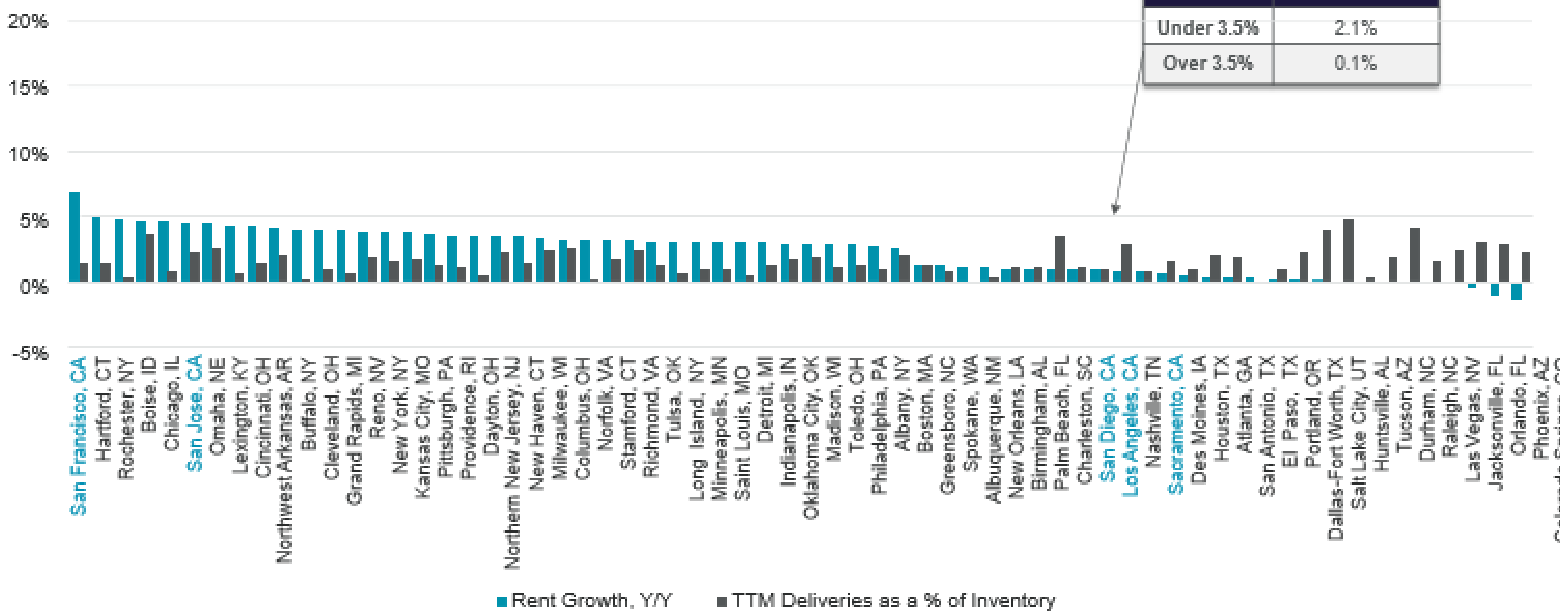


ACTUAL VALUATION METRICS

RENT GROWTH & LIMITED DELIVERIES GO HAND IN HAND

Barriers to construction has resulted in outsized rent growth

Inventory Growth	Average Y/Y Rent Growth
Under 3.5%	2.1%
Over 3.5%	0.1%



Source: CoStar, Cushman & Wakefield Research

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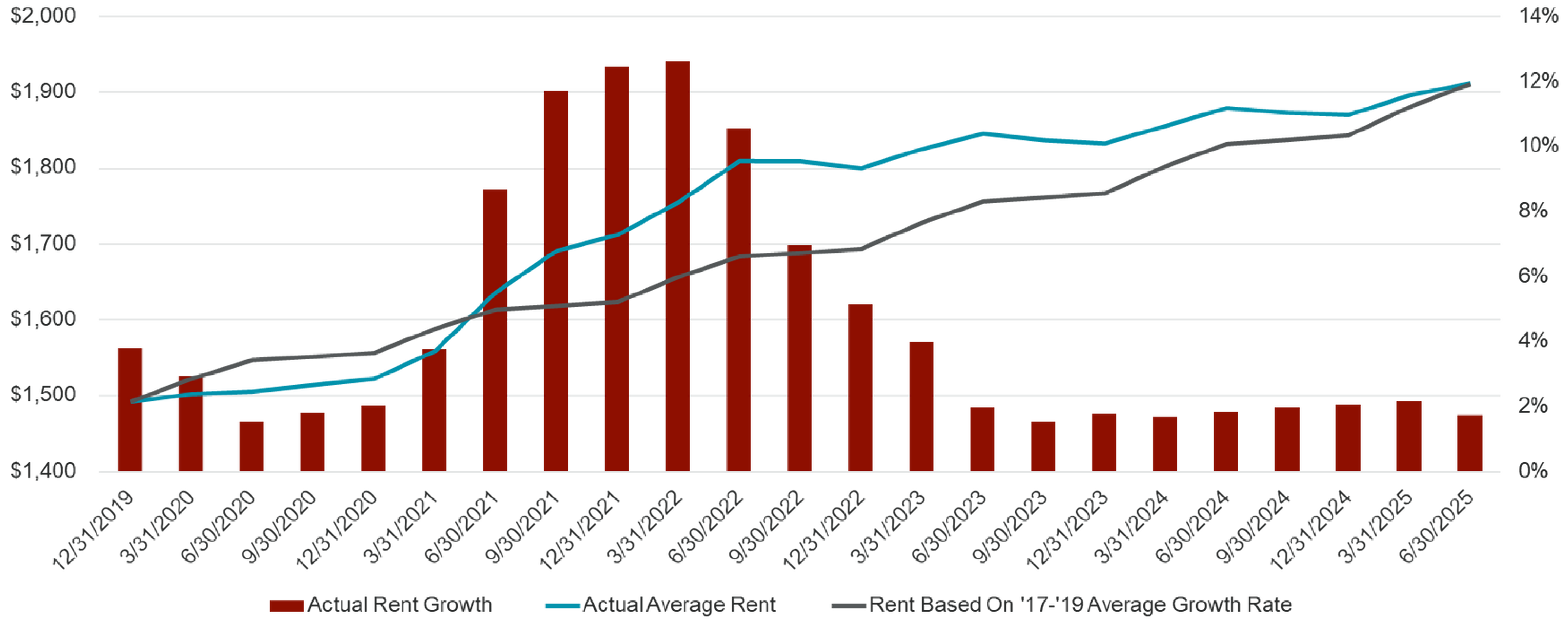
ACTUAL VALUATION METRICS

RENTS EVEN WITH PRE

As rent growth underperforms, it's as if the pandemic never happened



Source: CoStar, Cushman & Wakefield Research

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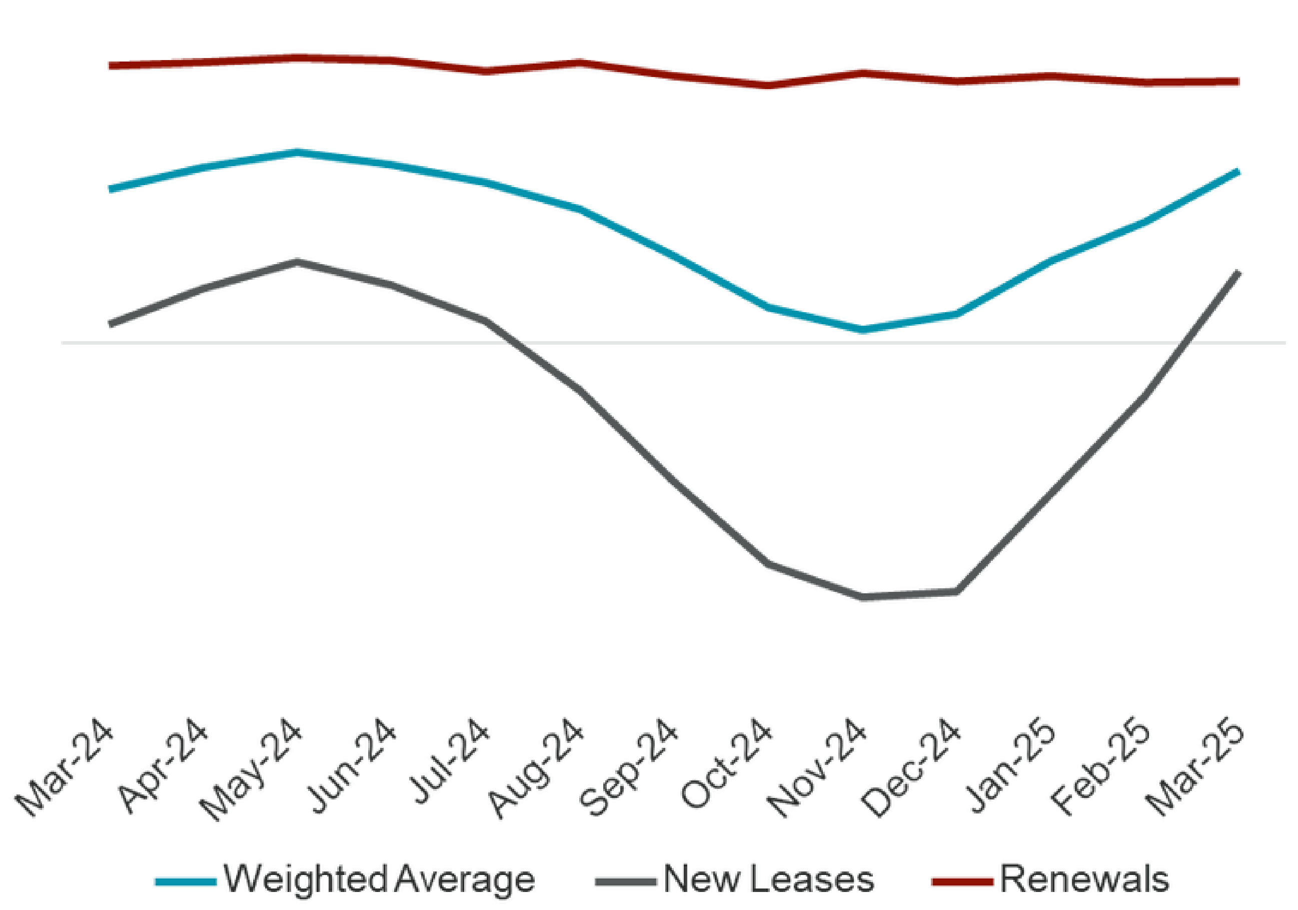
ACTUAL VALUATION METRICS

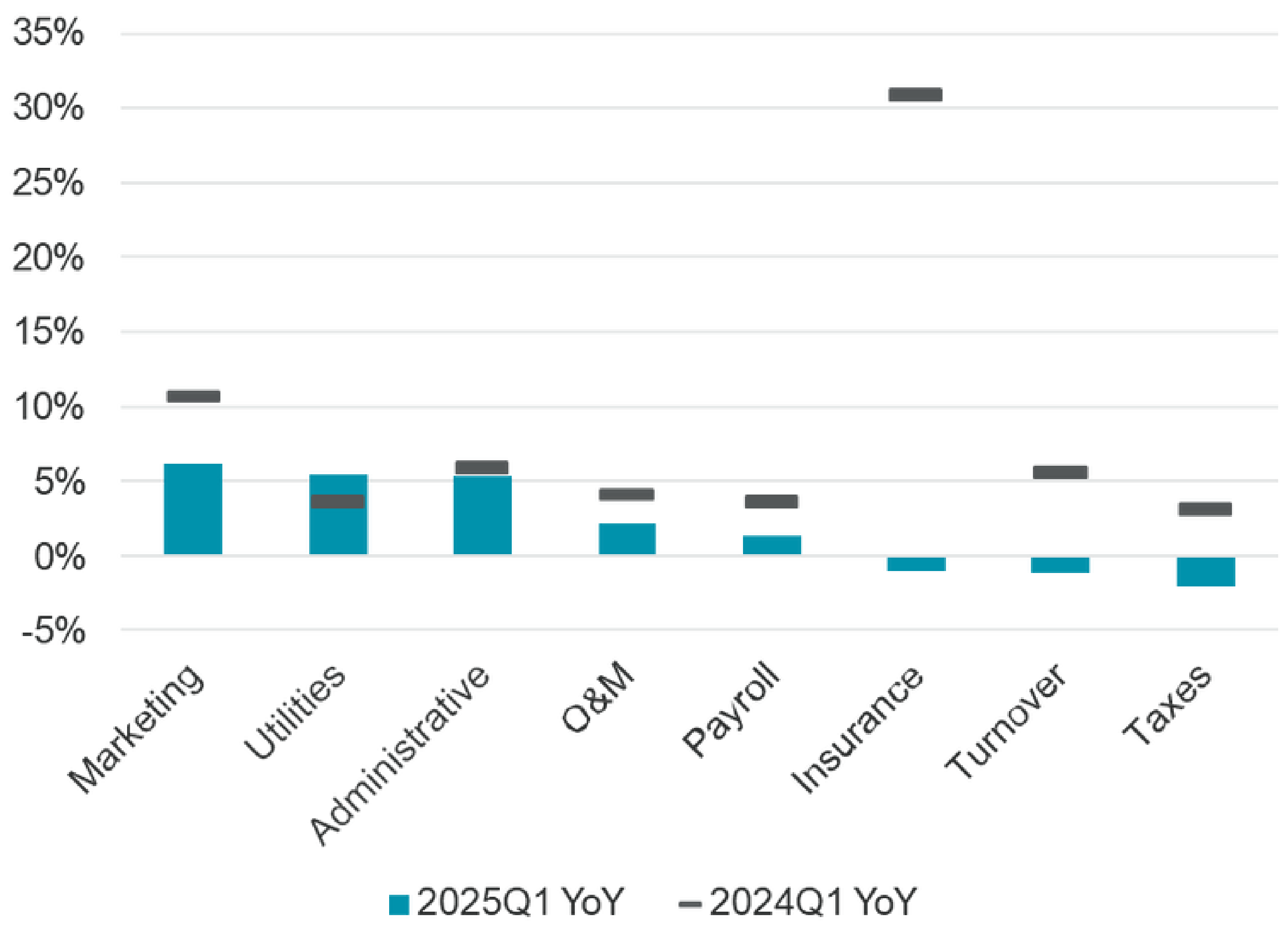
TRADE OUTS ARE IMPROVING AS EXPENSE PRESSURE SLOWS

New lease trade outs outperformed last year while expense growth is coming back to earth

New Lease Trade Outs Are Bouncing Back



Expense Pressure Is Moderating



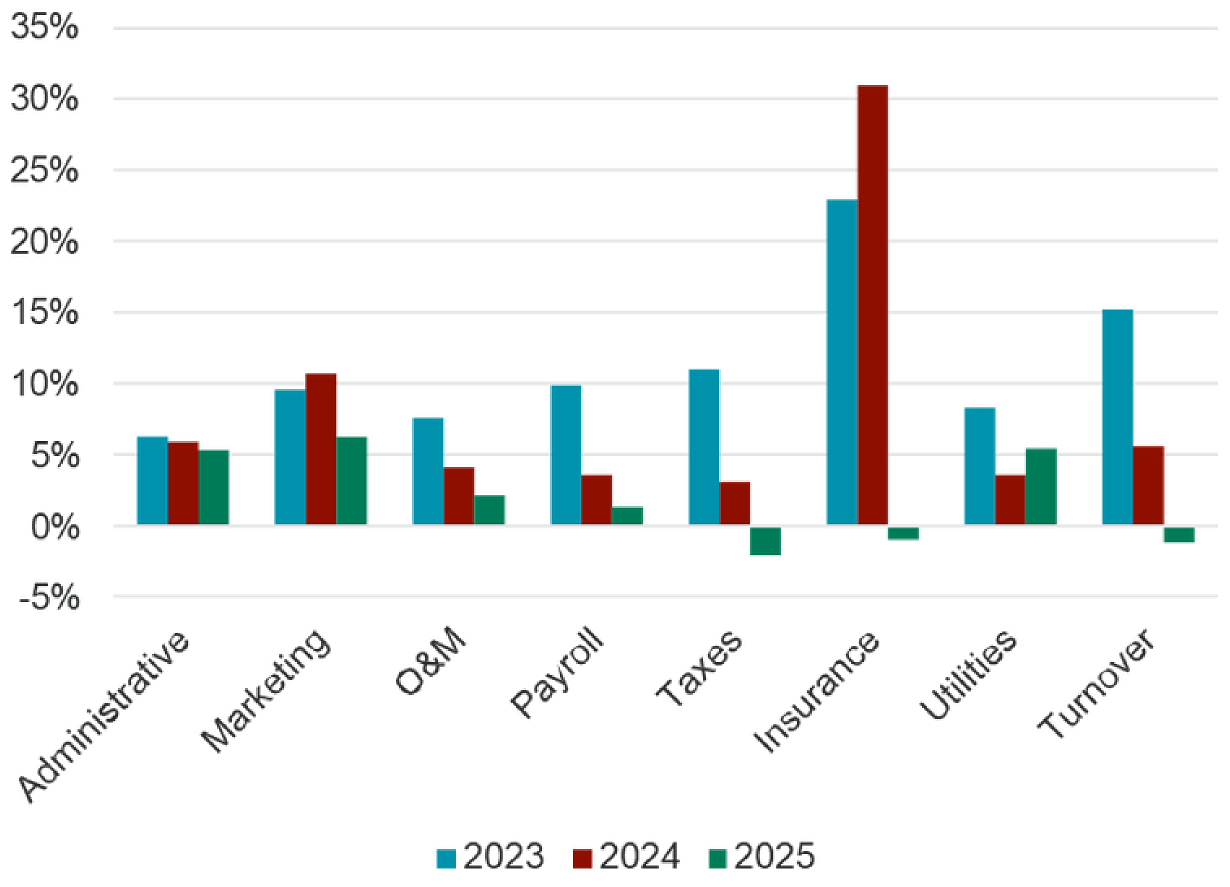
Source: RealPage, Cushman & Wakefield Asset Services, Cushman & Wakefield Research

ACTUAL VALUATION METRICS

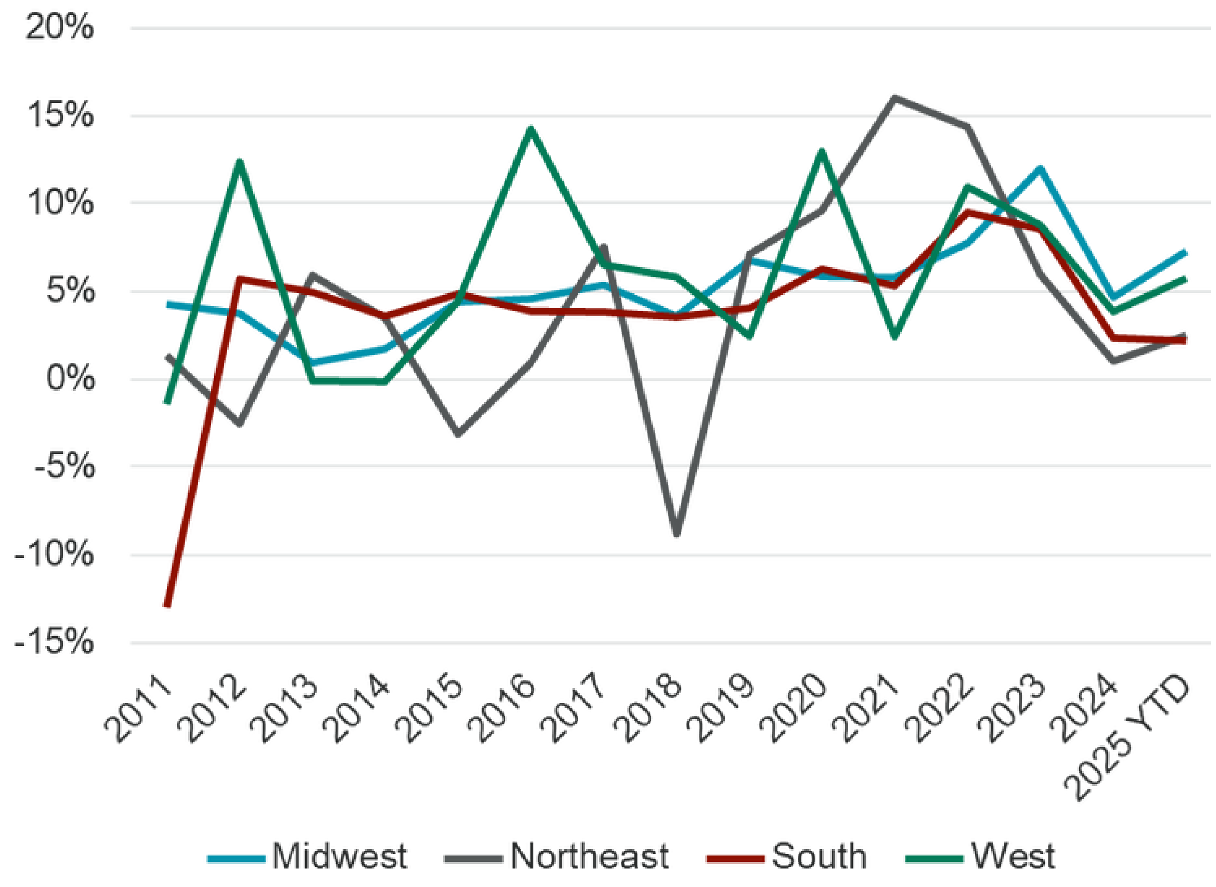
EXPENSE PRESSURE IS SLOWING

All regions are seeing pressure pull back

The Flattening Off In Insurance Costs Is Particularly Welcome By Owners



Expense Growth Is Slowing Across Regions



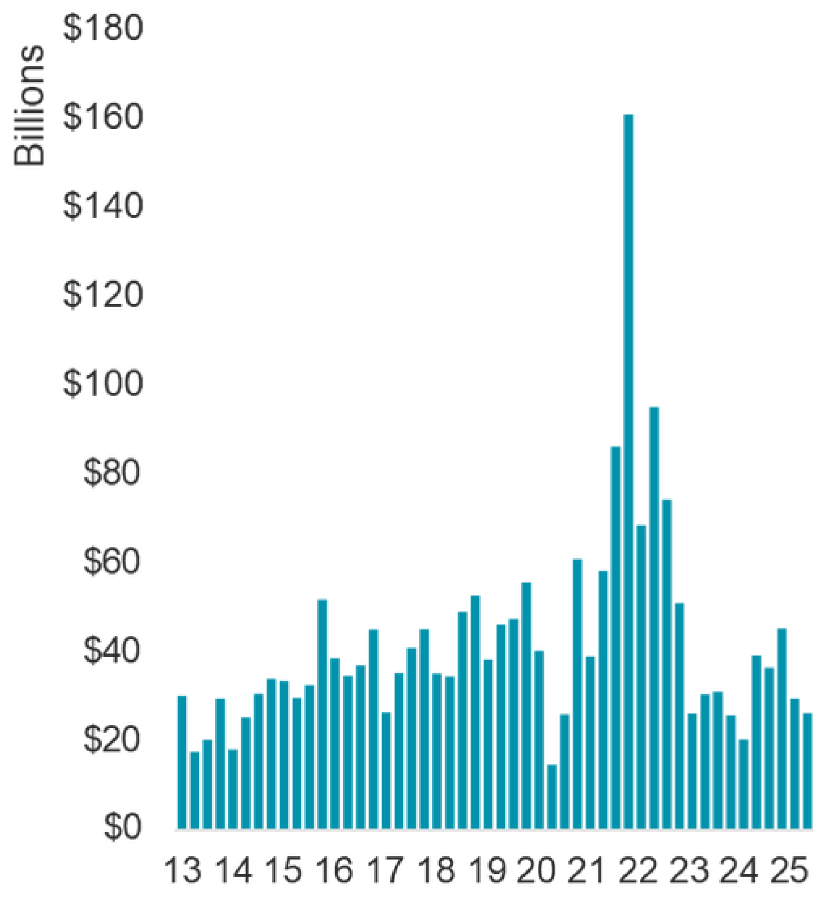
Source: RealPage, Cushman & Wakefield Asset Services, Cushman & Wakefield Research

ACTUAL VALUATION METRICS

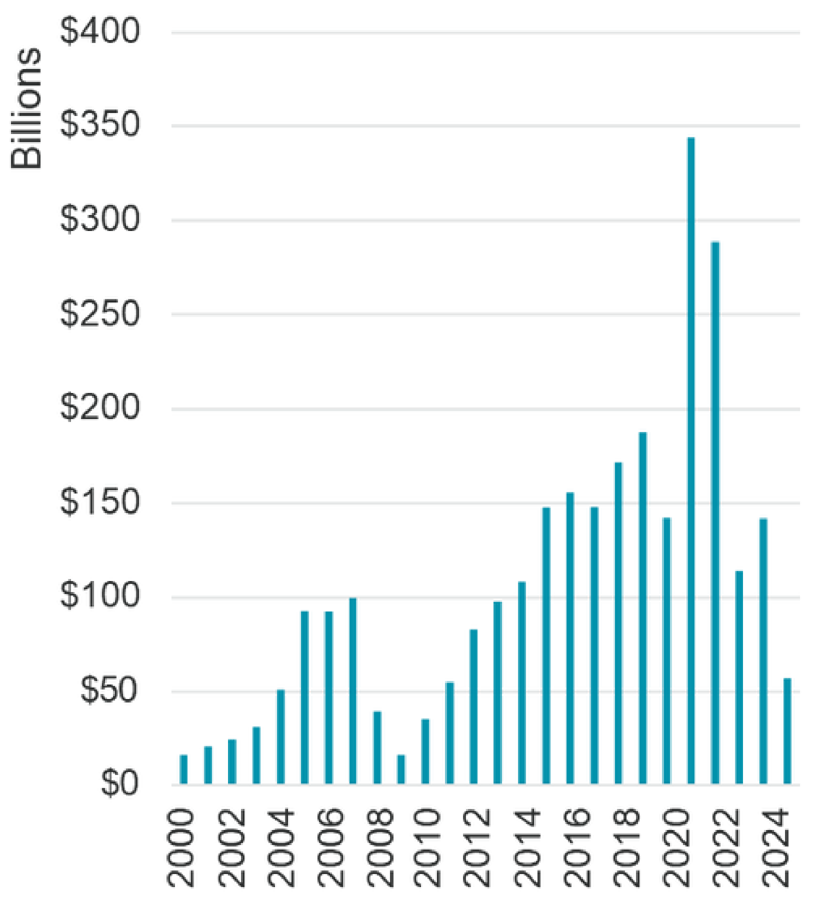
INVESTOR INTEREST IN MULTIFAMILY IS PICKING UP

The rebound in transaction volume is evident

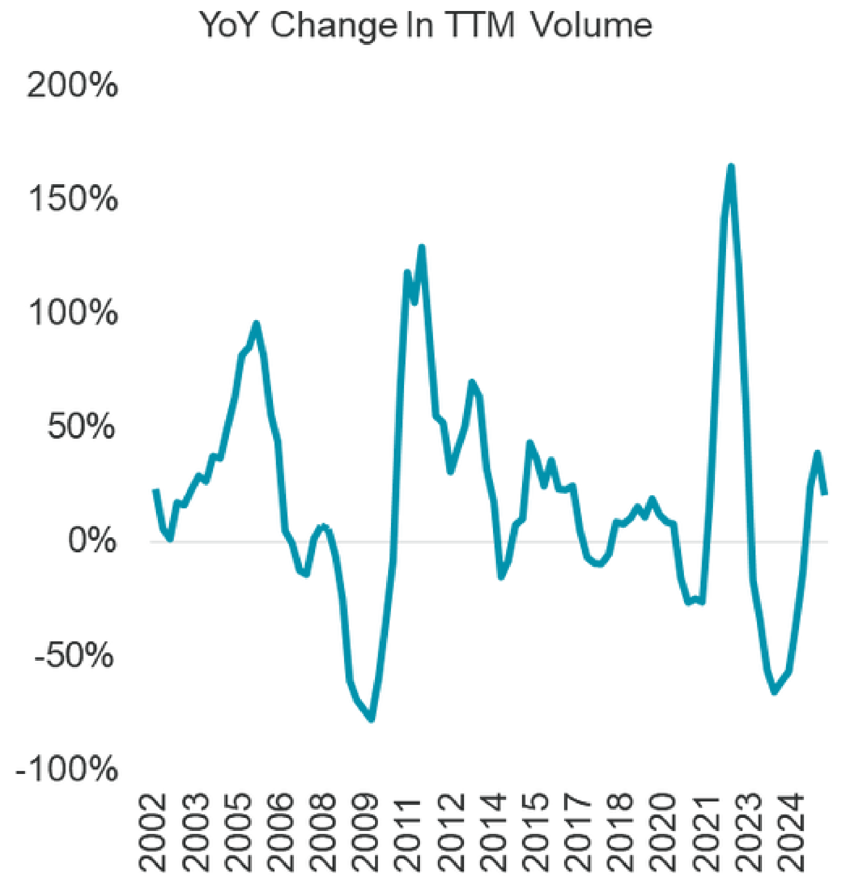
Quarterly Transaction Volume



Annual Transaction Volume



Volumes Have Clearly Inflected Off Bottom



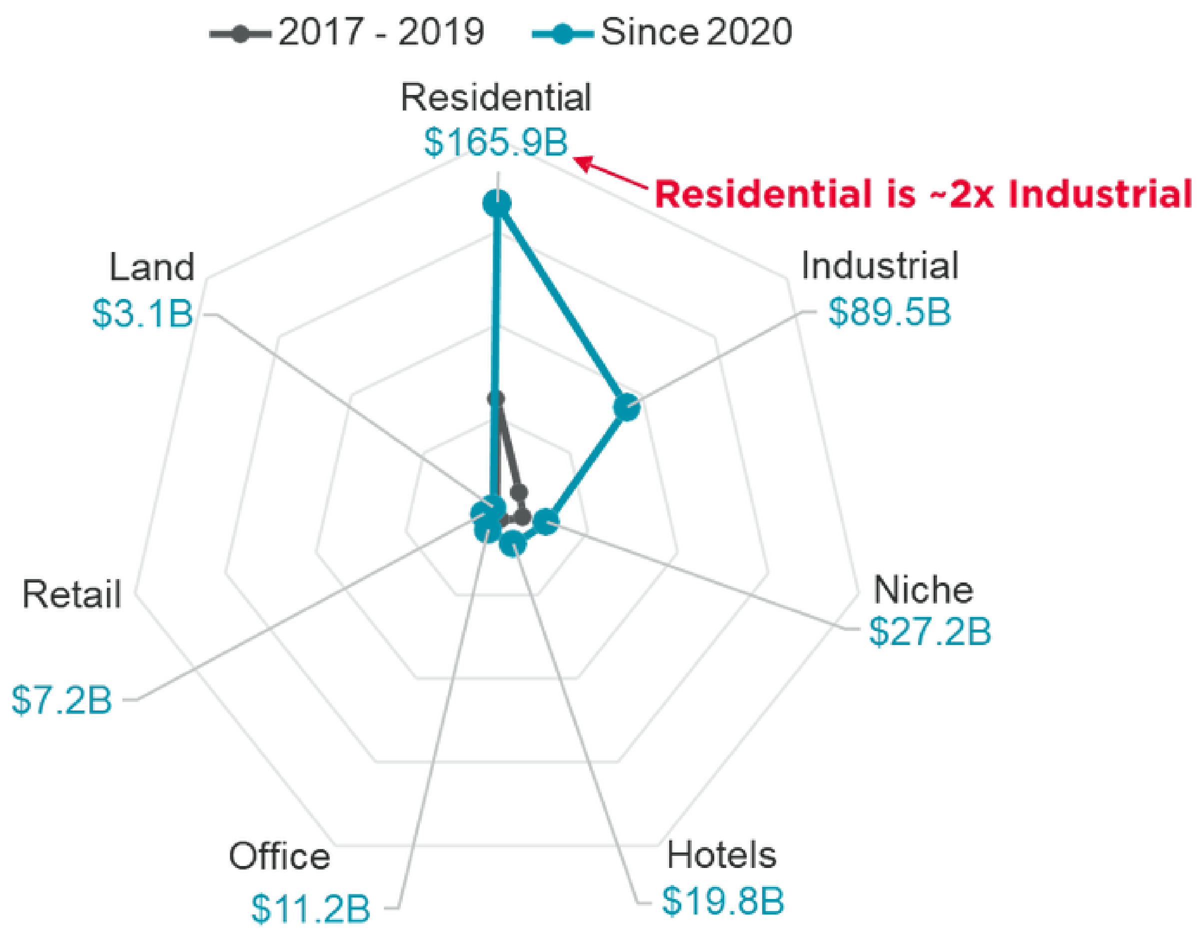
Source: RCA, Cushman & Wakefield Research
Note: Q2 volumes likely to be revised up as more data is captured

ACTUAL VALUATION METRICS

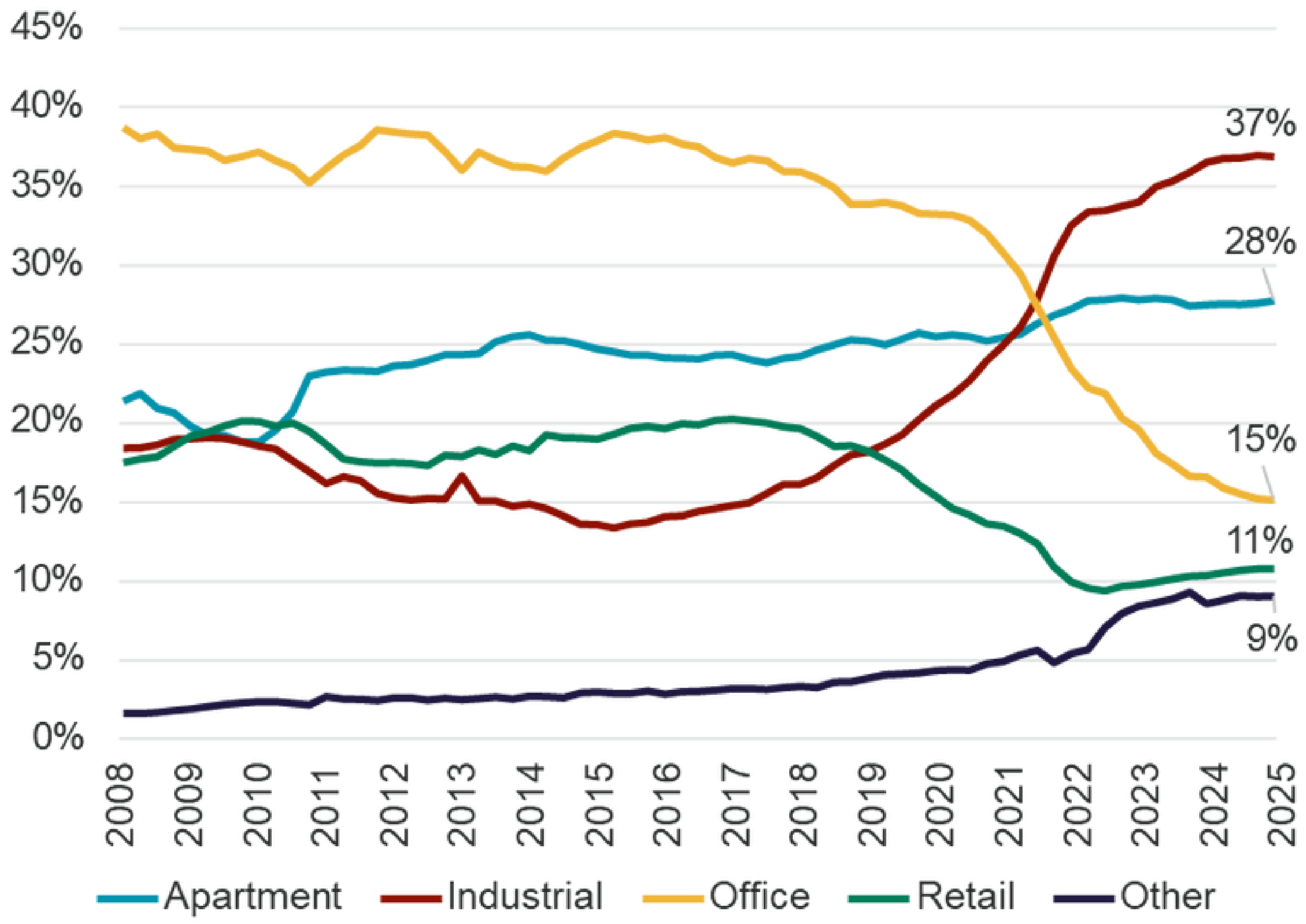
WAVE OF CAPITAL READY TO BE DEPLOYED INTO MF

Residential has raised 2x any other asset class

Fundraising By Property Type



ODCE Fund Allocations Are Tilting To IND/MF



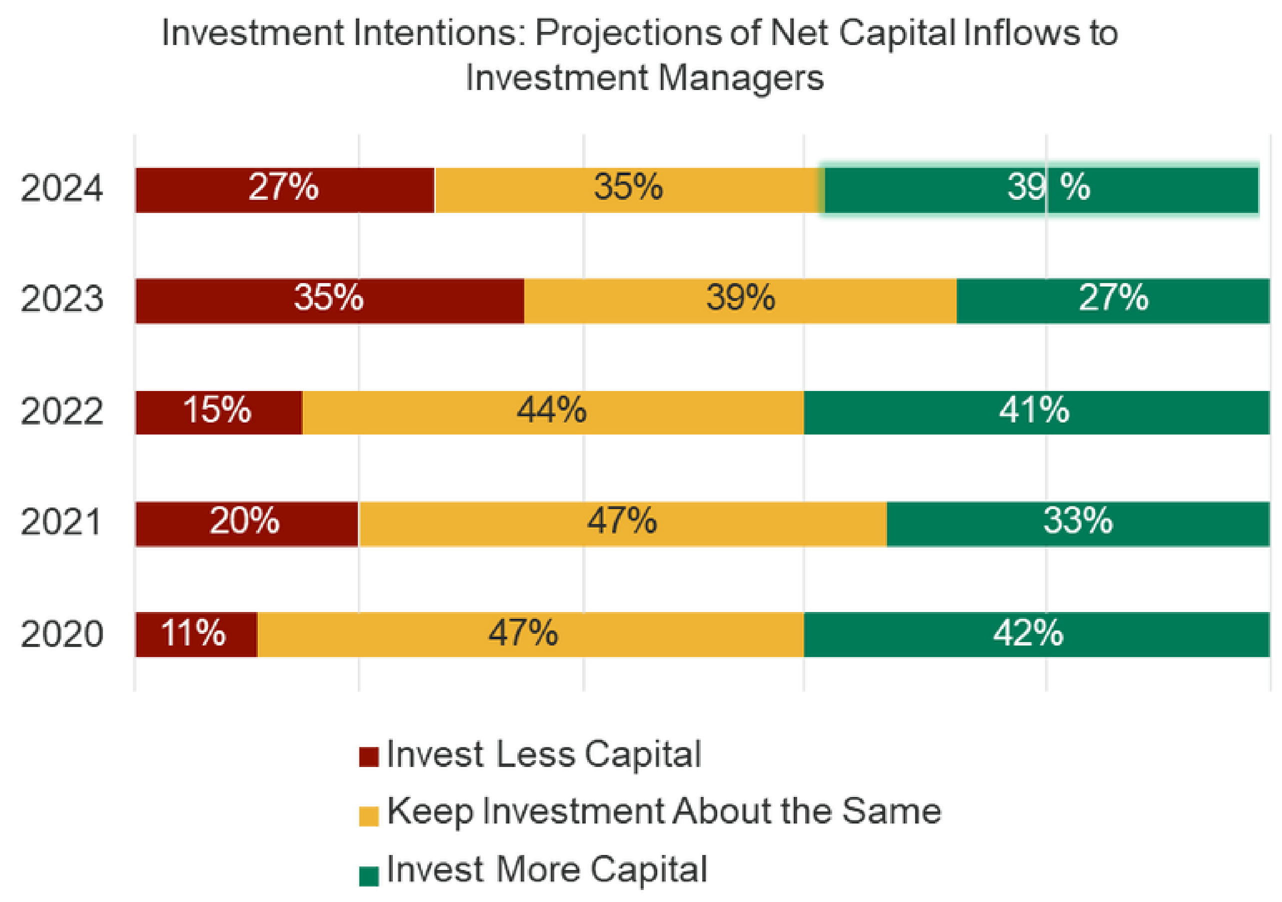
Source: C&W Research, Preqin, NCREIF

ACTUAL VALUATION METRICS

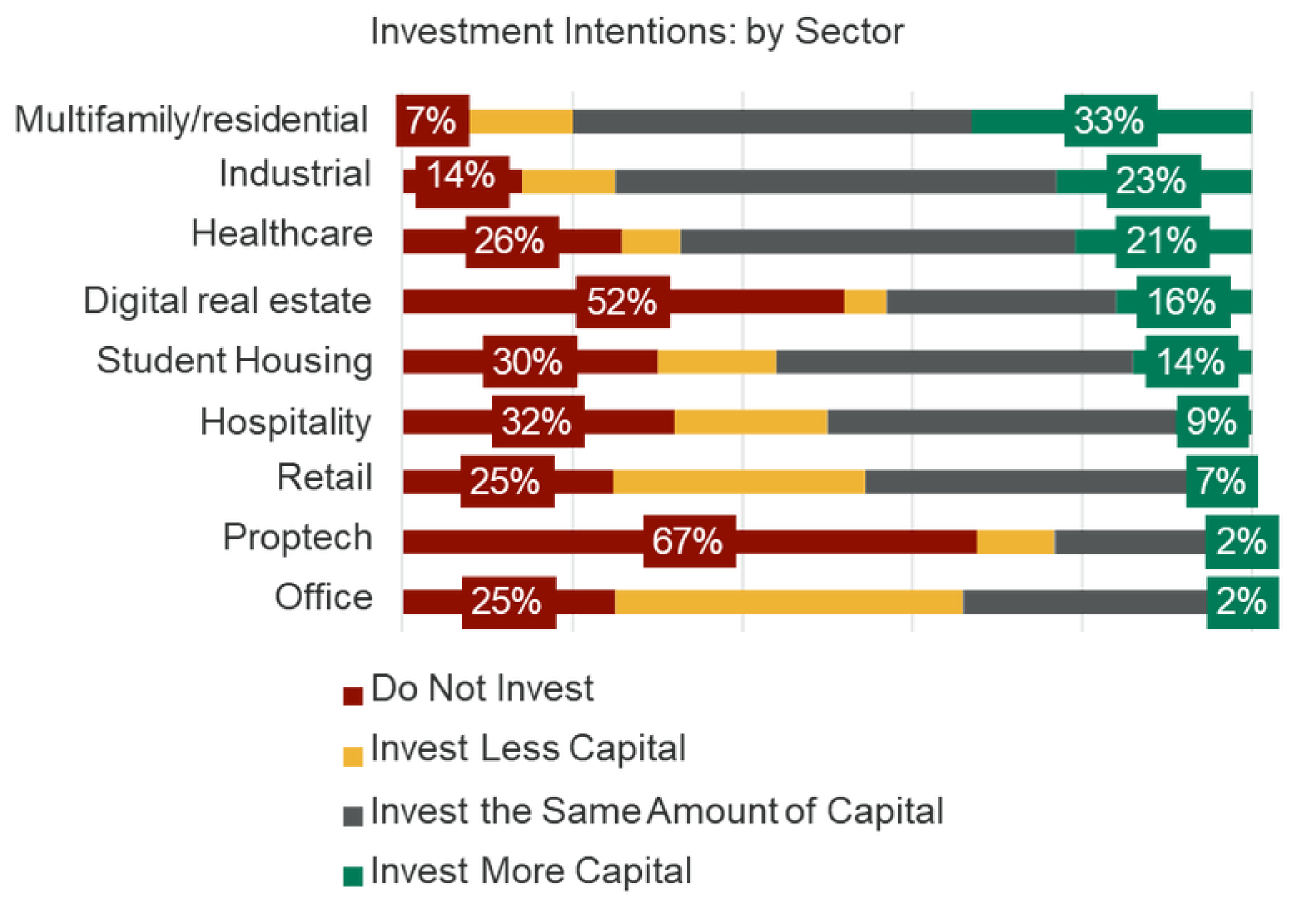
TIDES SHIFTING: PERE INVESTOR INTENTIONS REVERSING

40% of PERE Investors report a propensity to invest more capital with managers over next year…

Appetite for Fresh Investments is Rebounding



Sector-Level Rotation In Full-Swing…



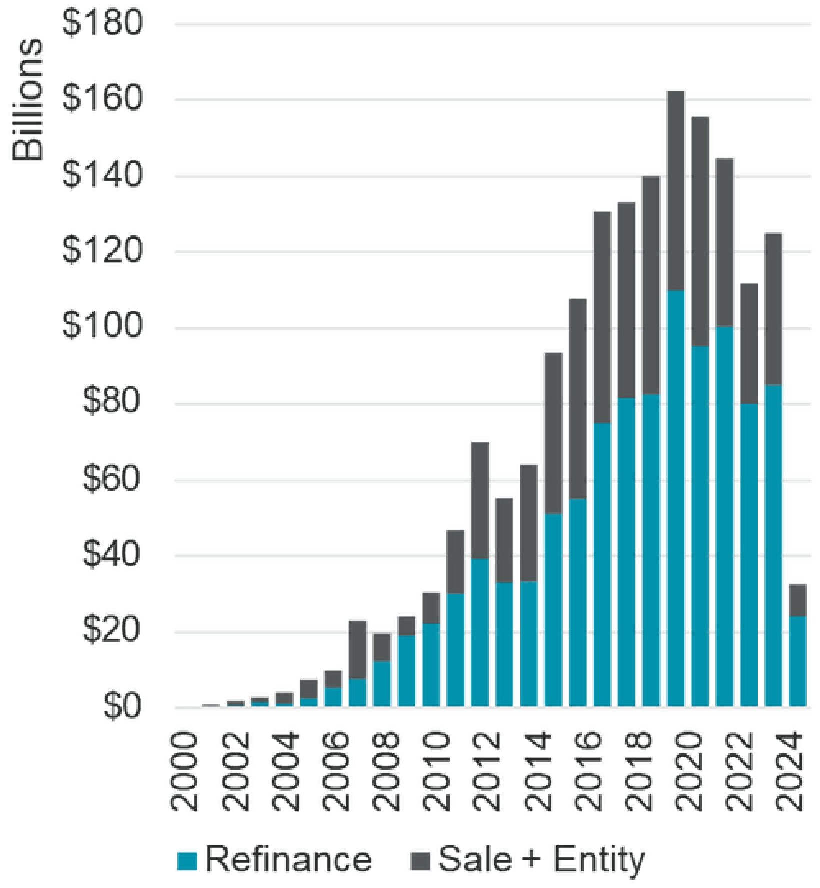
Source: PERE Investor Perspectives 2024 Study, Cushman & Wakefield Research; investor respondents by institution type include Pension Funds (25%), Family Office/HNWI (16%), Endowment/foundation (13.6%), Insurance Company (13.6%), Fund of Funds (9.1%), Bank/financial services (6.8%), Sovereign Wealth Fund (4.5%), and Corporate (4.5%)

ACTUAL VALUATION METRICS

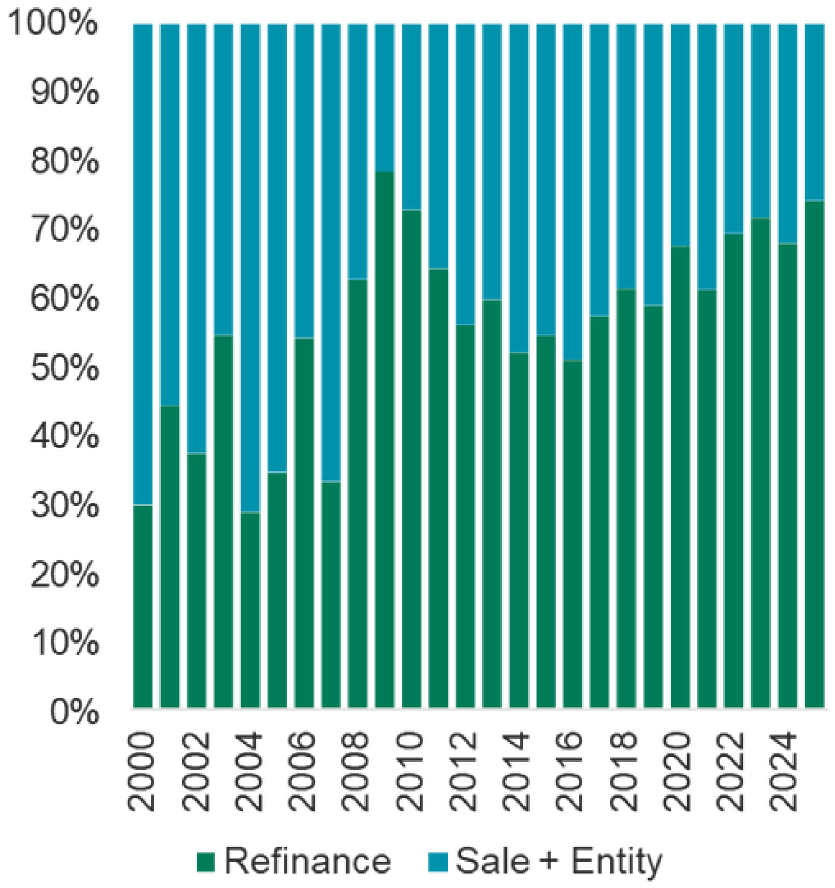
AGENCIES SUPPORTING INDUSTRY'S REFINANCE NEEDS

Despite that Agency lending volumes are down relative to targets, Agencies are active in Refi's

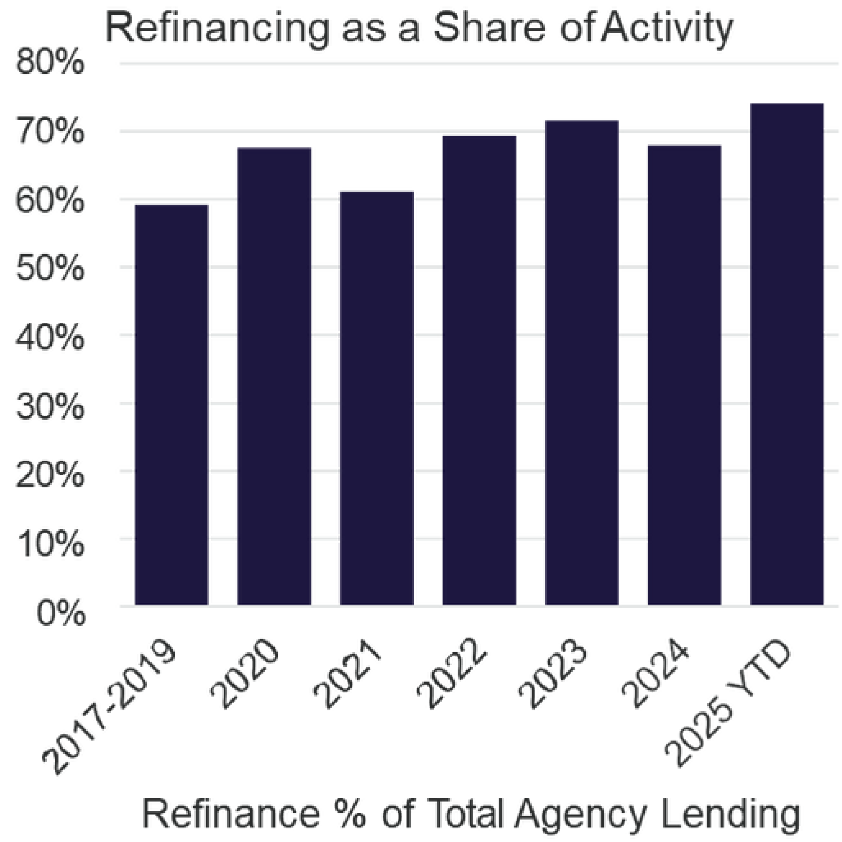
Even Agency Lending Pulls Back in Times of Uncertainty...



Most of Agency Lending Volume Has Been Refinancing..



As Intended, Agencies Are a Backstop to Current Borrowers During Times of Volatility...



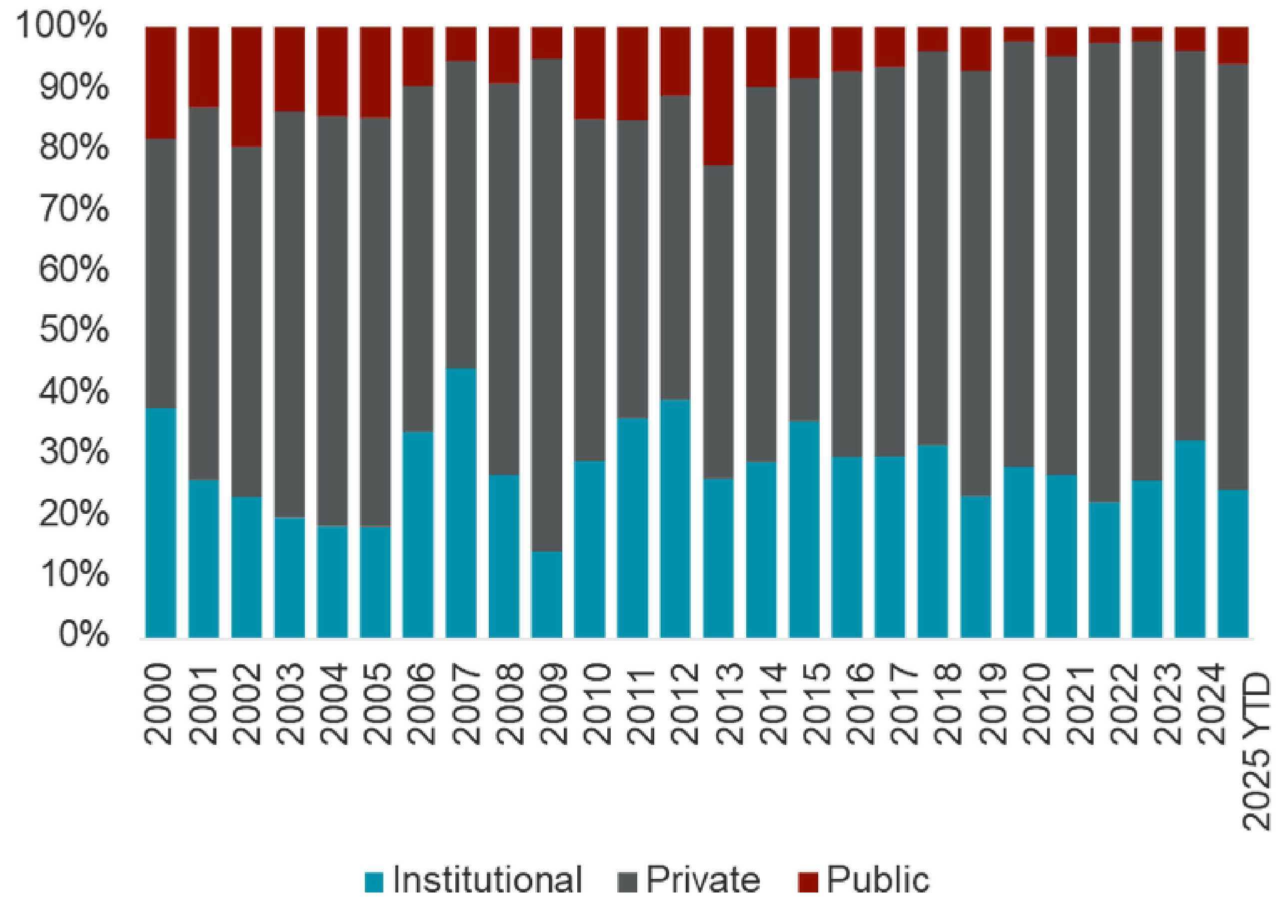
Source: MSCI Real Capital Analytics and Cushman & Wakefield Research.

ACTUAL VALUATION METRICS

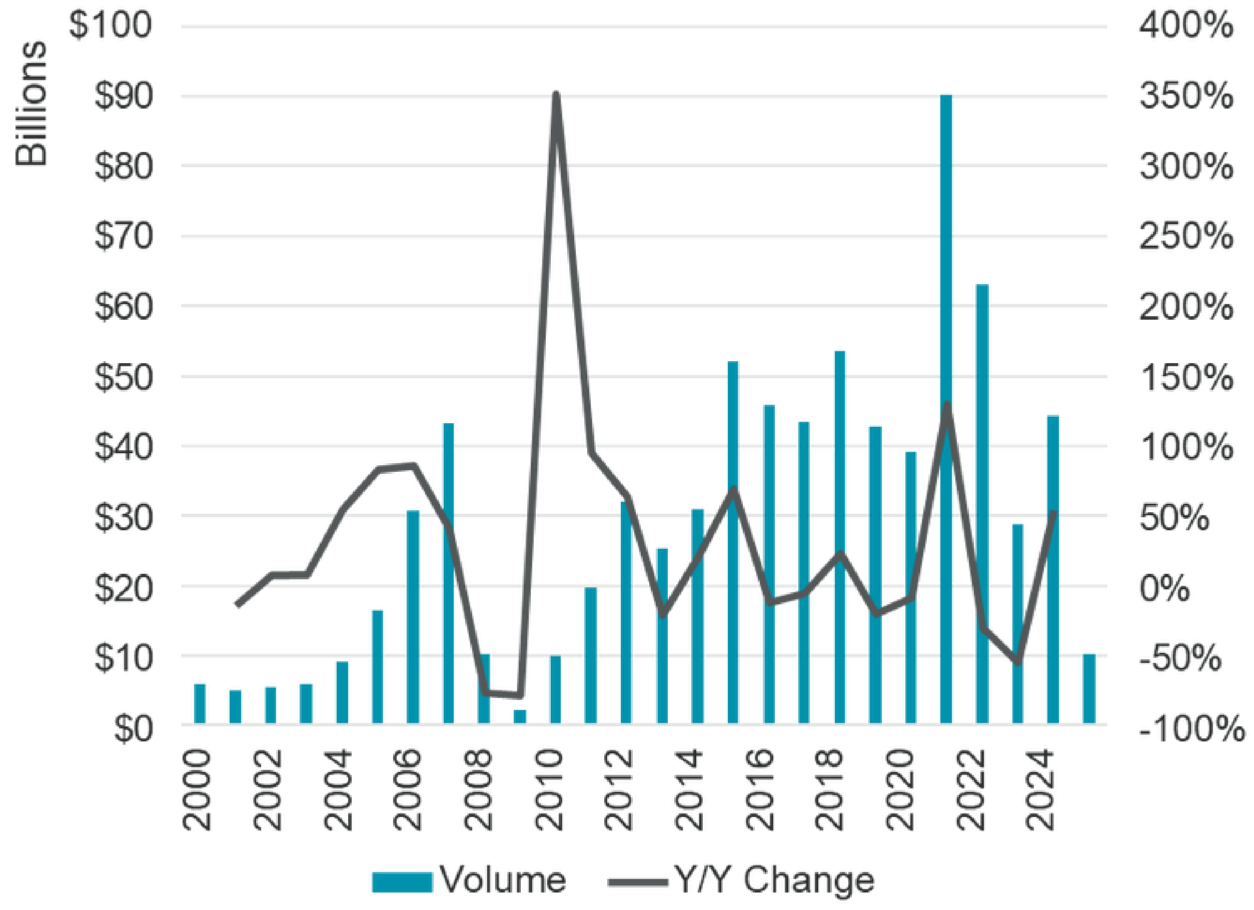
INSTITUTIONAL INVESTORS ARE BACK

Multifamily is the asset class of choice

Private Buyers Still Dominate Total Volume, But Institutional Investor Share Is Ticking Up



Institutional Buying Activity Up ~50% Y/Y In 2024

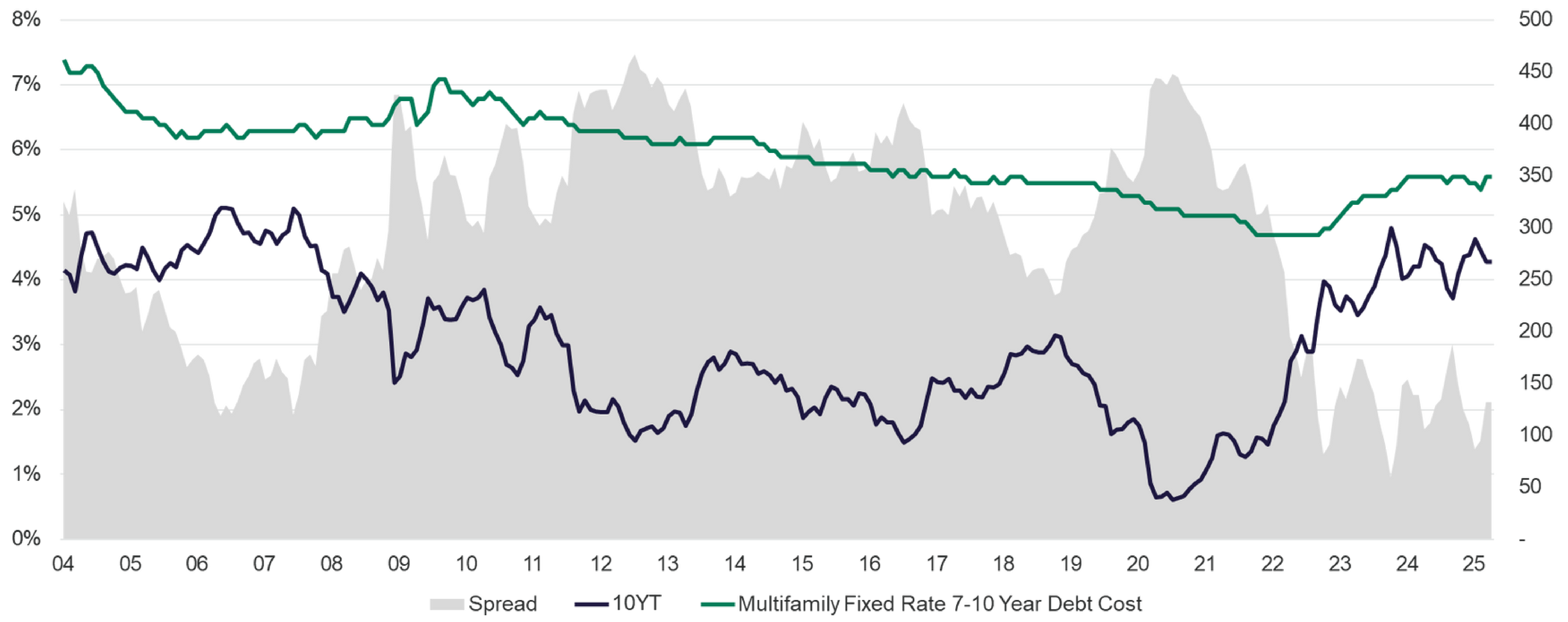


Source: MSCI Real Capital Analytics, Cushman & Wakefield Research

ACTUAL VALUATION METRICS

MULTIFAMILY DEBT COSTS HAD BEEN IMPROVING

Spreads have been volatile with 10Y Treasury movement



Source: MSCI Real Capital Analytics, Cushman & Wakefield Research

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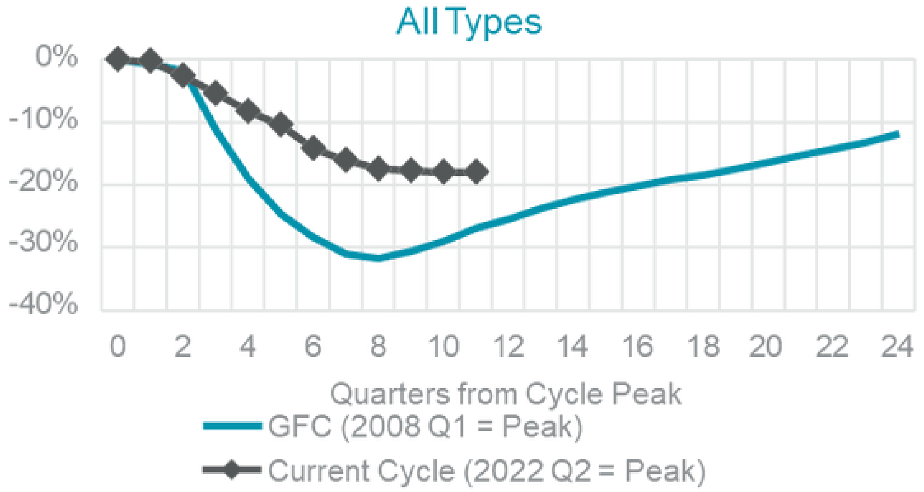
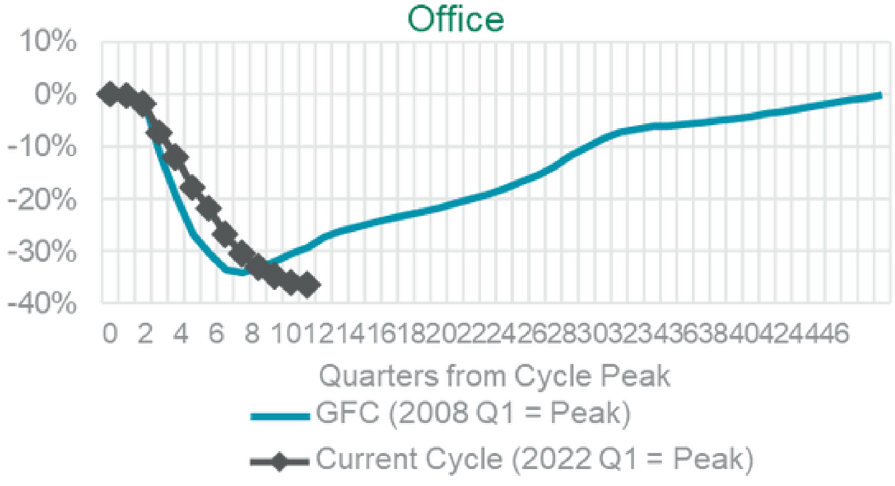
ACTUAL VALUATION METRICS

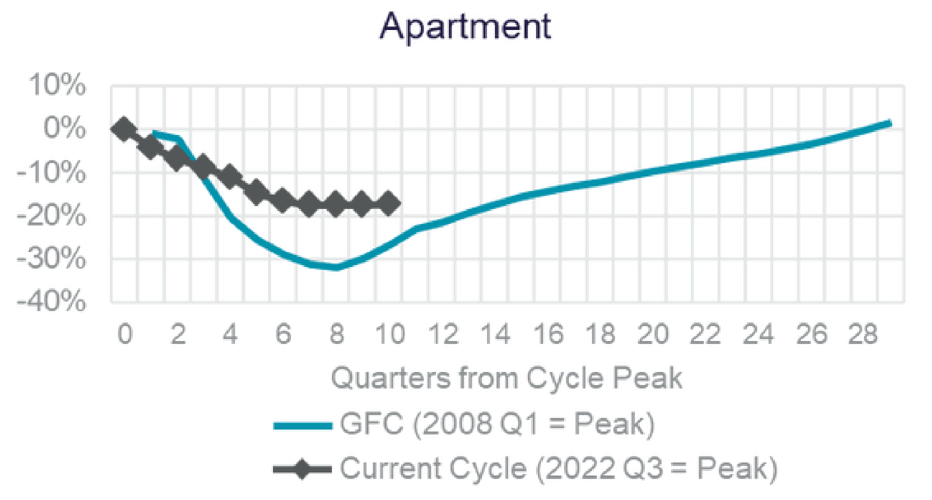
INSTITUTIONAL PROPERTY VALUATION PERSPECTIVES

Write-downs stabilizing (sans-Office); more attractive entry point should help inflect ODCE queues

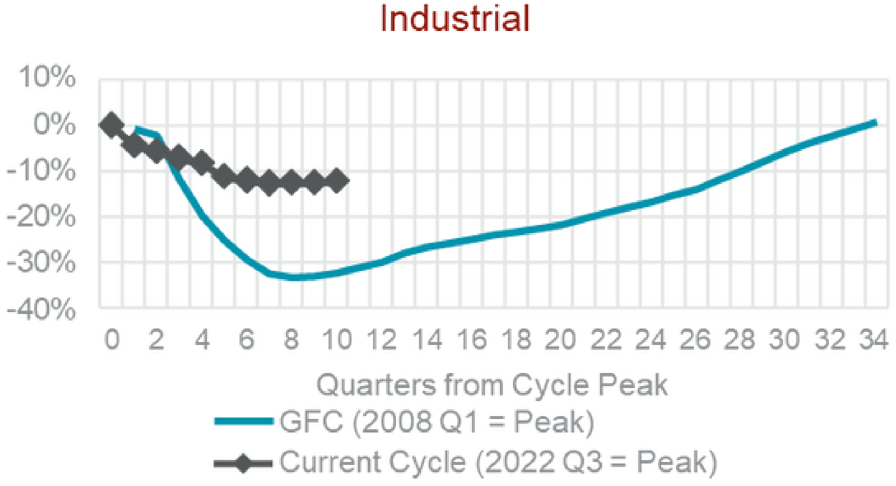
NCREIF NPI Unlevered Cumulative Appreciation Returns, from Cycle Peak

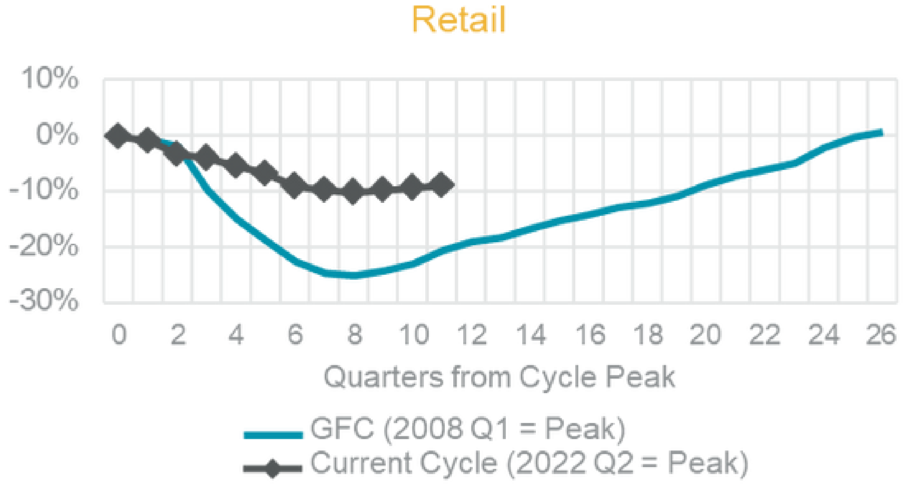






	Q1 '25 Cumulative Loss	
	GFC	Current Cycle
All Property	-32%	-18%
Apartment	-32%	-17%
Industrial	-33%	-12%
Office	-34%	-35%
Retail	-25%	-9%





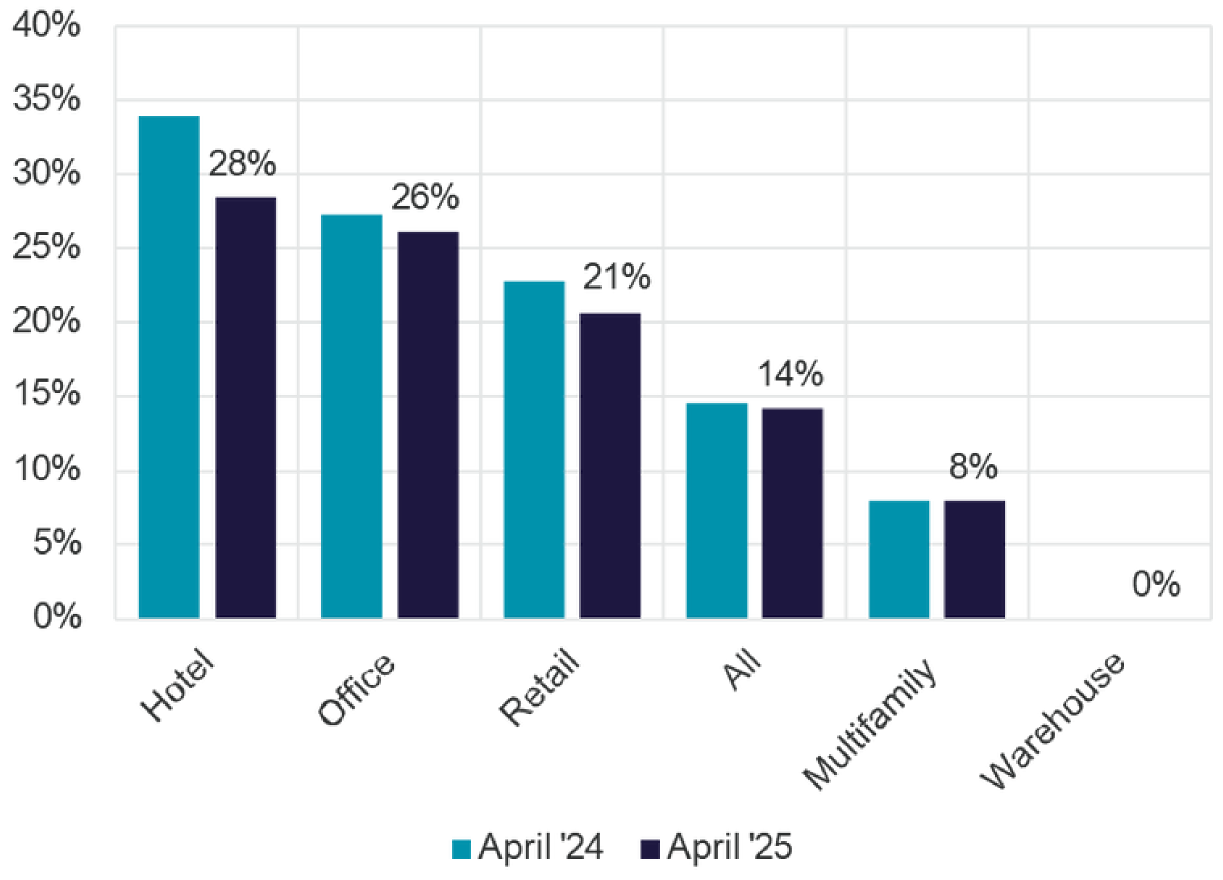
Source: NCREIF and Cushman & Wakefield Research, updated through Q1 2025. Reflects cumulative appreciation returns for all properties in NPI.

ACTUAL VALUATION METRICS

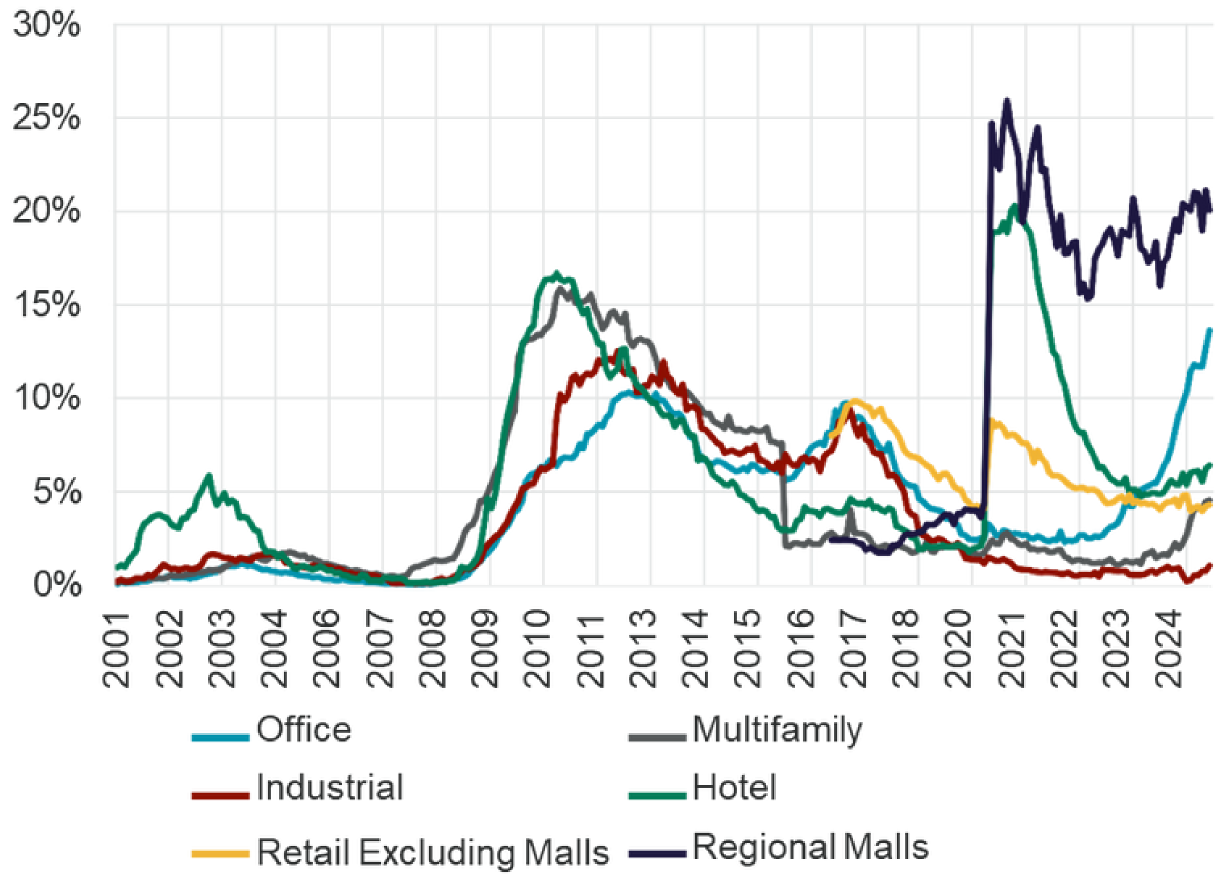
TRACKING SIGNS OF DISTRESS: LOAN PERFORMANCE

Office and Multifamily Delinquencies Continue to Rise Sharply, Both 2X Higher than the Start of '23

Watchlist Acts as Leading Indicator to Delinquency...



Office Delinquencies Consistently on the Rise, Now at 13.7%...Multifamily *also* rising to 4.6%



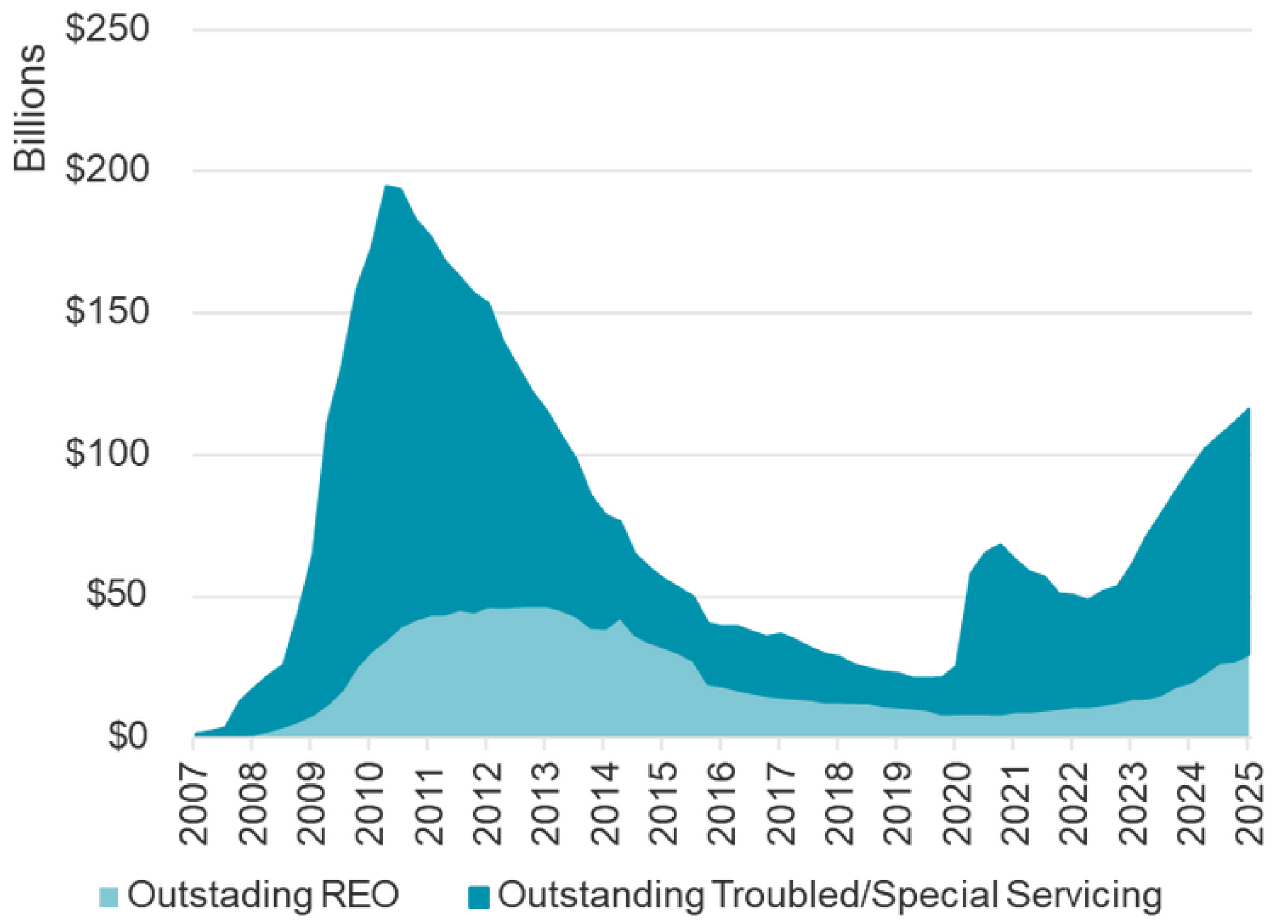
Source: Trepp, Moody's Analytics (Moody's Investor Services), and Cushman & Wakefield Research. Updated March 2025.

ACTUAL VALUATION METRICS

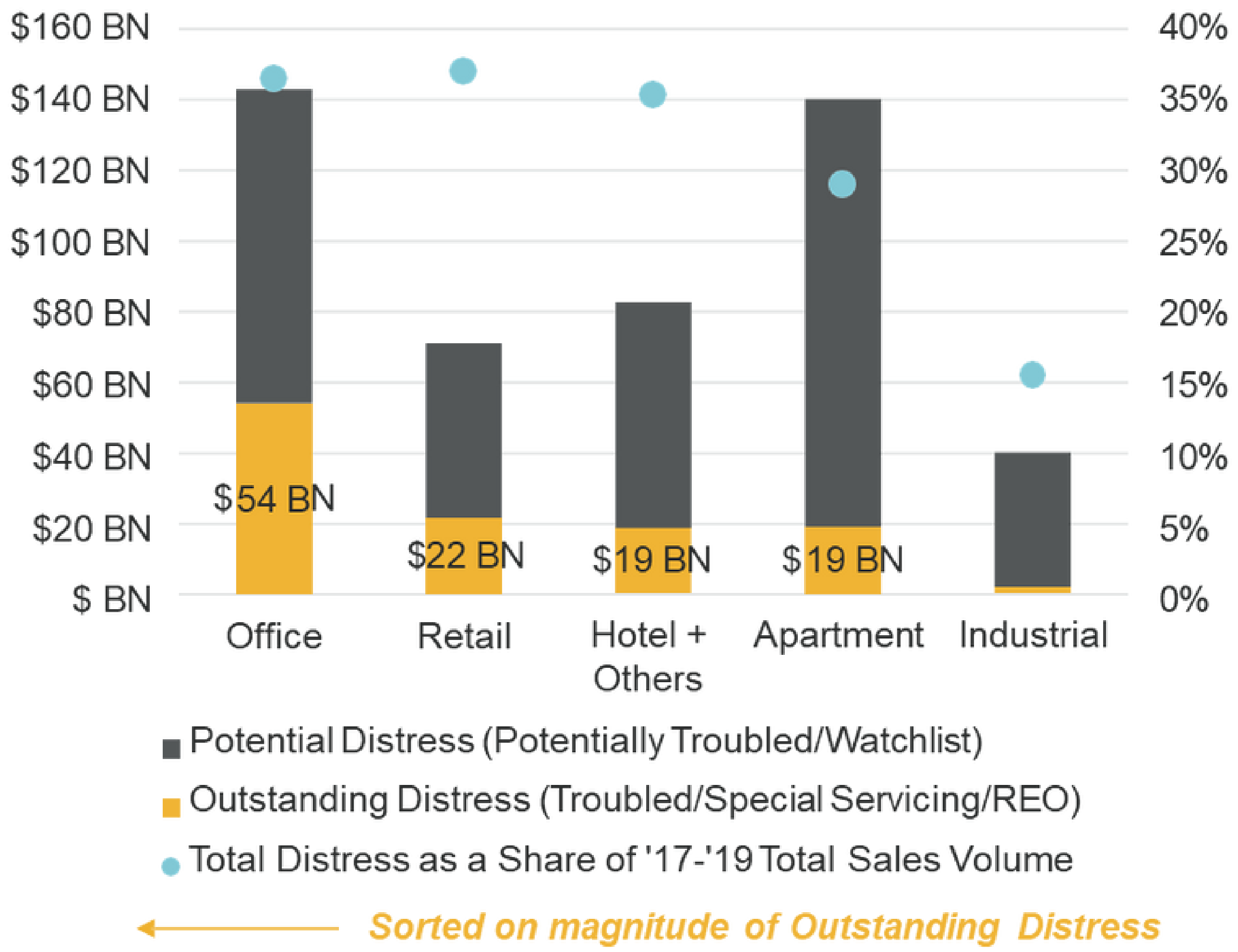
TRACKING DISTRESS VIA LOAN

Distress is a process, even following an acute event like the GFC;

Distress conditions are mounting...



...Bifurcated by Sector



*Source: MSCI Real Capital Analytics, Cushman & Wakefield Research; updated through Q1 2025. *Reflects the percentage of total sales that Outstanding and Potential Distress would comprise using average annual '17-'19 volume.*

RETAIL

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MACRO TRENDS FOR RETAIL

Los Angeles
- 2nd largest USA metro
- Entertainment, Transportation & Tourism employment sectors are major drivers
- Outmigration of 3% over the past 5 -years
- High Cost of Living and Labor Disputes
- Economic Headwinds from the wildfire disasters

Orange County
- Employment only slightly above pre -pandemic peak
- Unemployment trends around 4%
- Professional & Business services, and Leisure & Hospitality employment sectors are major drivers
- Walt Disney and UC Irvine are the largest employers

Per CoStar Market Report

Inland Empire
- 11th-most populated market in the nation
- Leads Southern California in post -pandemic job growth
- Transportation employment sector is a major driver
- Outsized demand for healthcare services and medical - related real estate

San Diego
- Military, Life Science, and Tourism employment sectors are major drivers
- High cost of living, and among the highest housing costs in the nation
- San Diego's population has risen only marginally since 2021

MACRO TRENDS FOR RETAIL

San Francisco & San Jose

- The nation’s leading innovation and economic growth center.
- The highest economic growth rates in the nation, with some of the highest rents and real estate prices
- Unemployment rate @ ~4%, above pre -pandemic levels (i.e. tech sector layoffs)
- Flexible working practices has created uncertainty as to the number of employees living in the metro.
- Economic pressures have led to a decline in real estate investment
- Possible emergence of new AI driven tech boom

Per CoStar Market Report

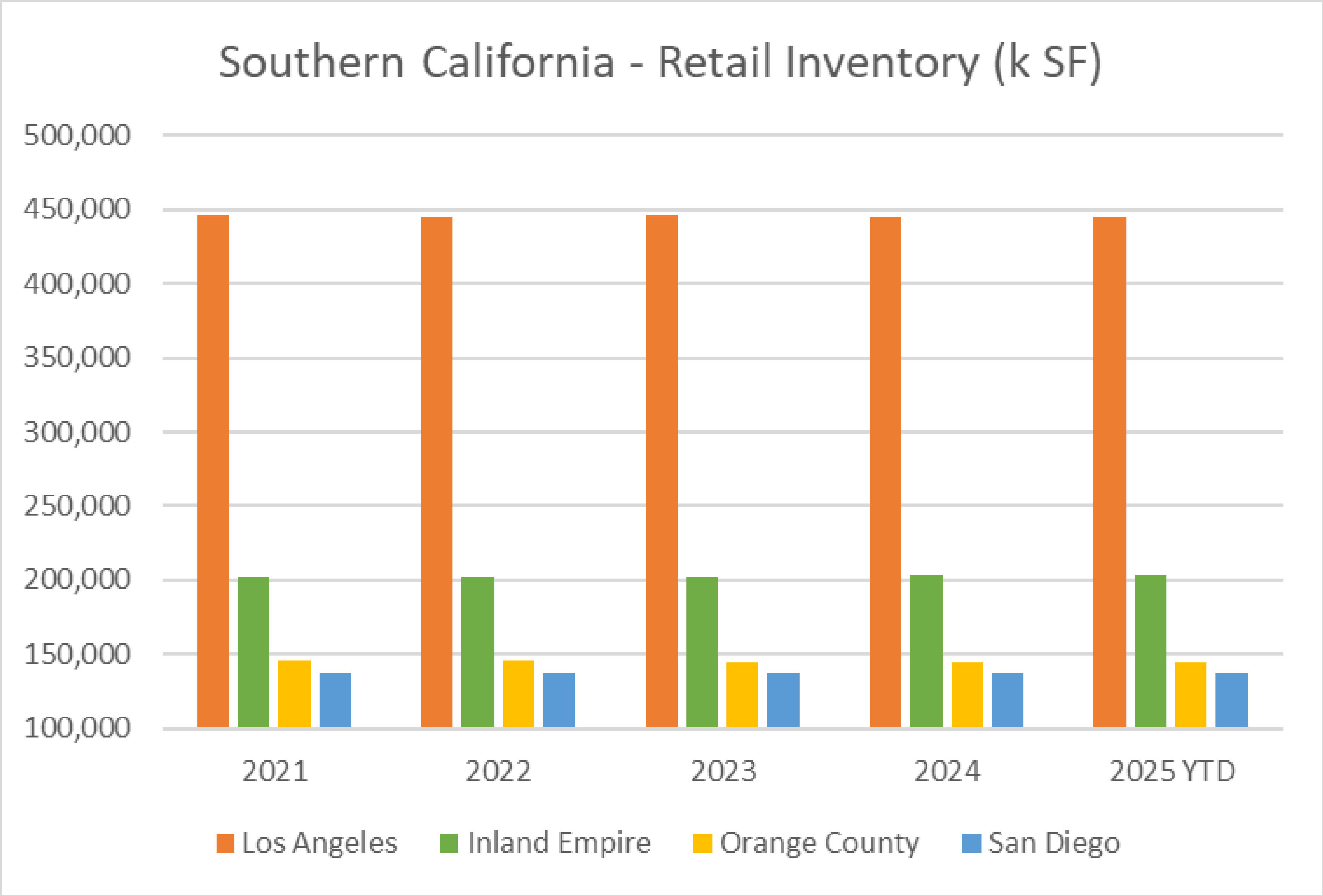
East Bay

- Stronger post -pandemic population and job growth
- unemployment rate is 4.3%
- vibrant technology, transportation & research sectors
- significant YoY employment growth in leisure & hospitality, and education & health services
- median incomes YoY increase of 4.6% to $130,000

Sacramento

- The region has also begun attracting biotech firms
- Aggie Square life sciences development expected to generate ~$500M regional economic output and support 3,200 jobs annually
- Decentralized workforces forcing employers into hub & spoke models

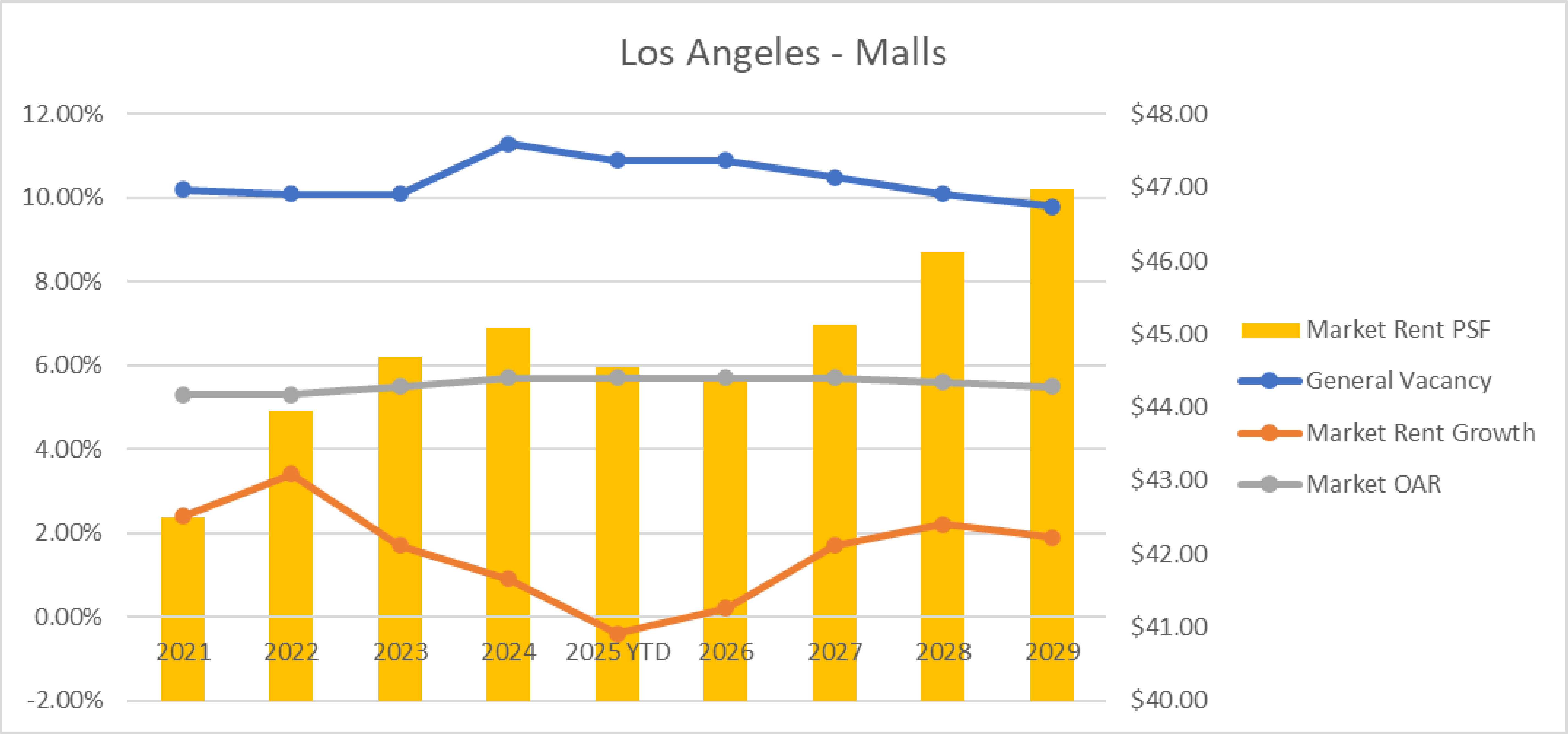
SUPPLY & DEMAND TRENDS



Market	New Supply Change Y-O-Y	New Supply Change 5 Year	Net Absorption 2025	Net Inventory Growth 2025-2029	Net Absorption 2025-2029
Los Angeles	-0.05%	-0.15%	-0.29%	-0.55%	-0.28%
Inland Empire	0.20%	0.84%	-0.38%	1.76%	0.91%
Orange County	-0.23%	-1.01%	-0.05%	0.08%	0.55%
San Diego	-0.07%	-0.51%	-0.56%	-0.21%	-0.51%

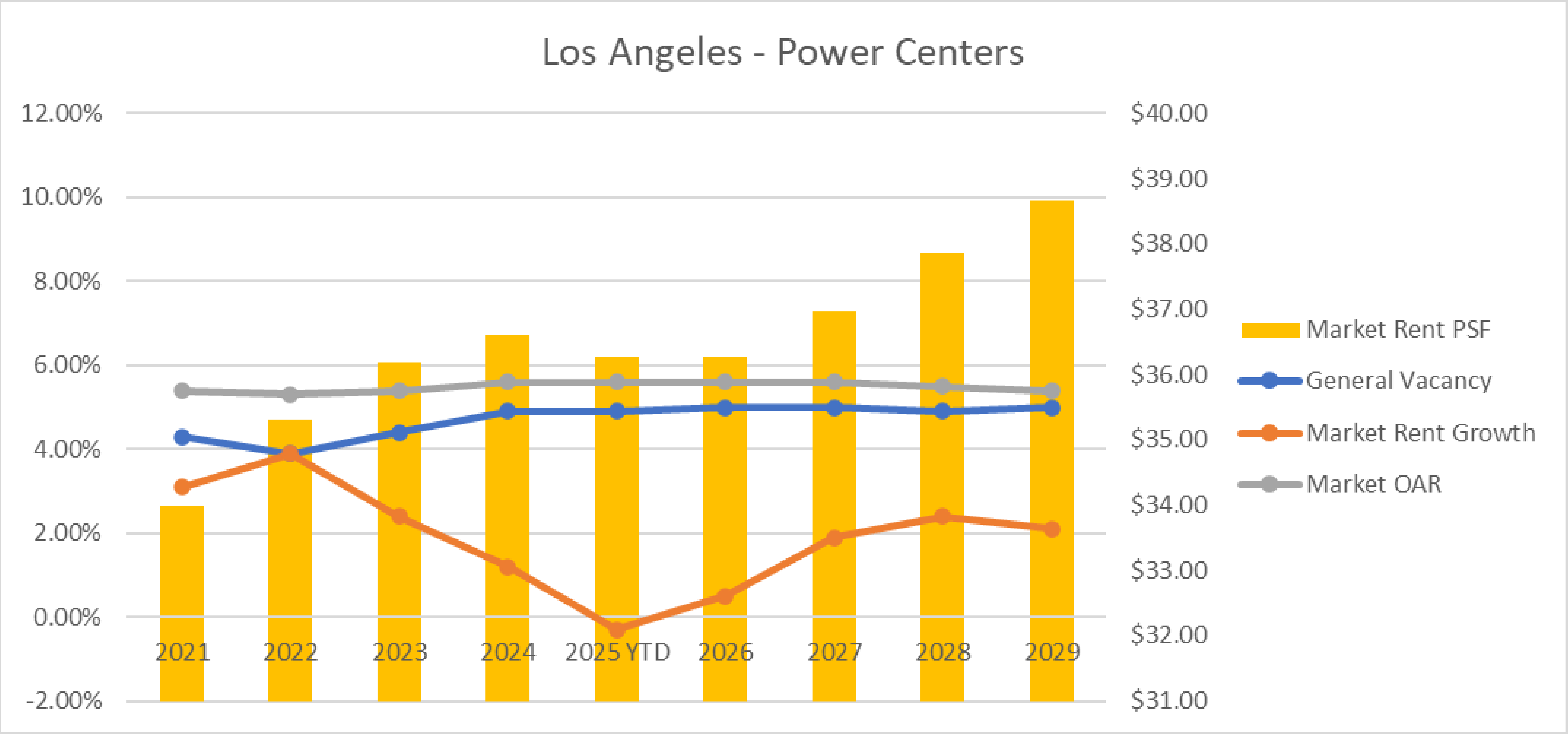
Per CoStar Market Report

ACTUAL VALUATION METRICS



Per CoStar Market Report

ACTUAL VALUATION METRICS



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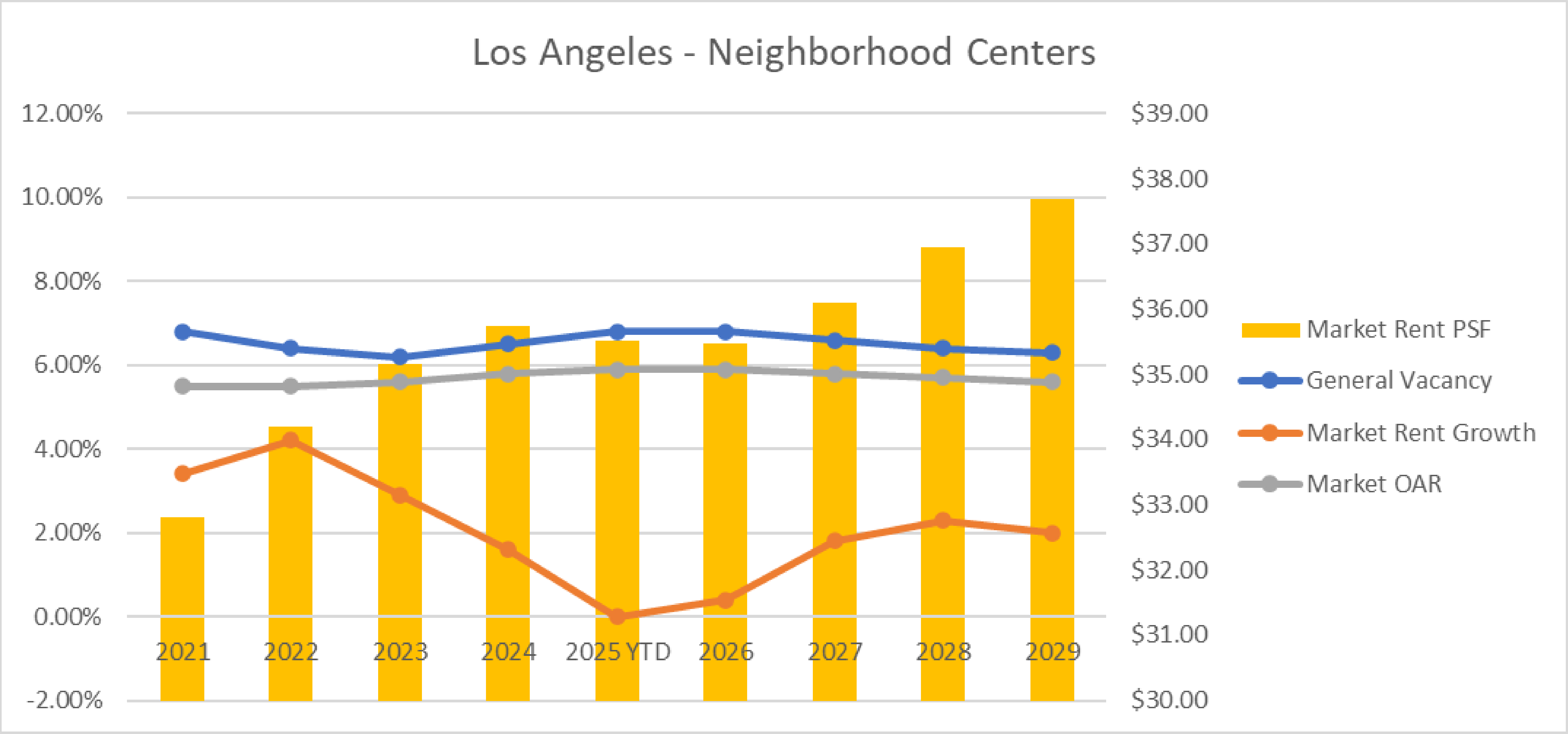

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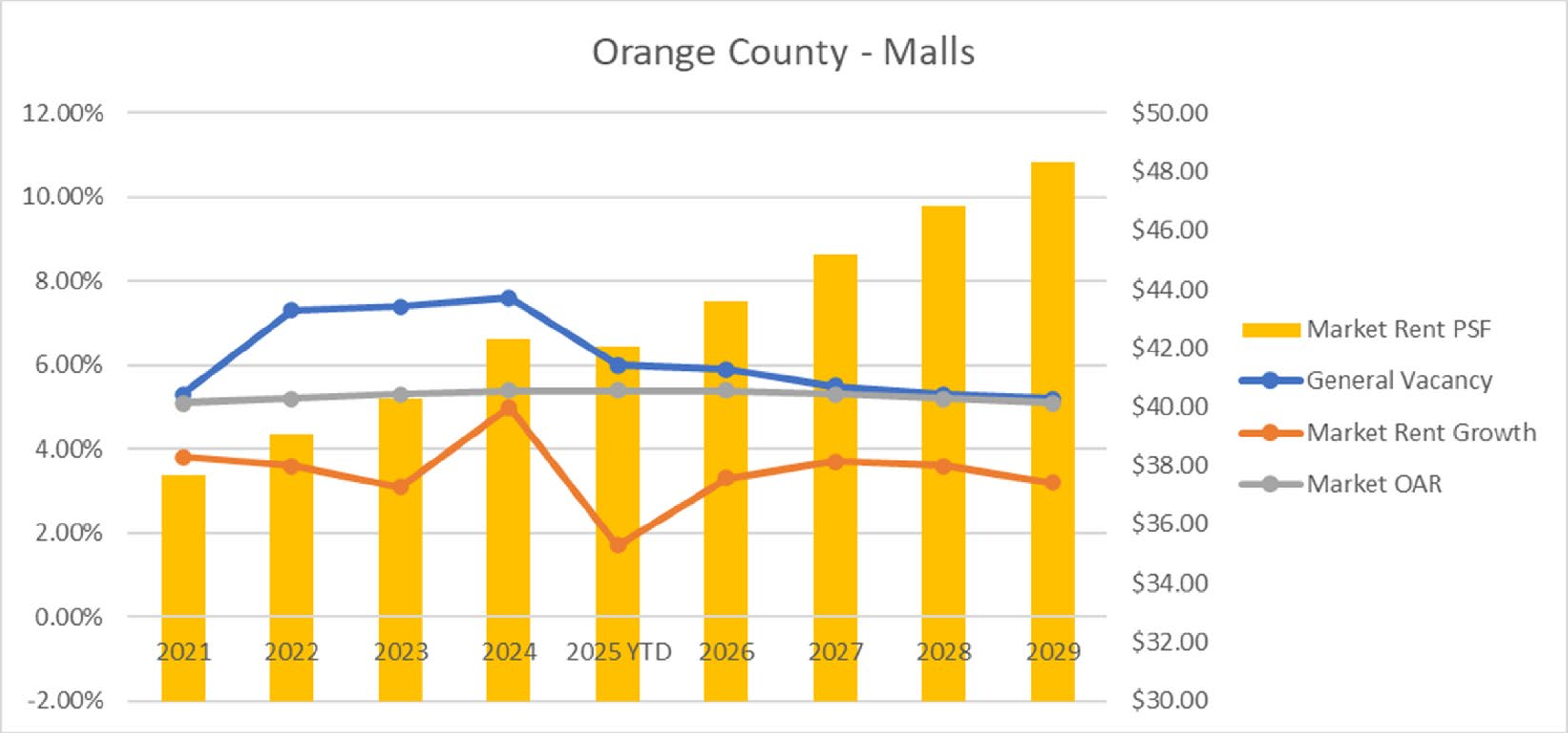

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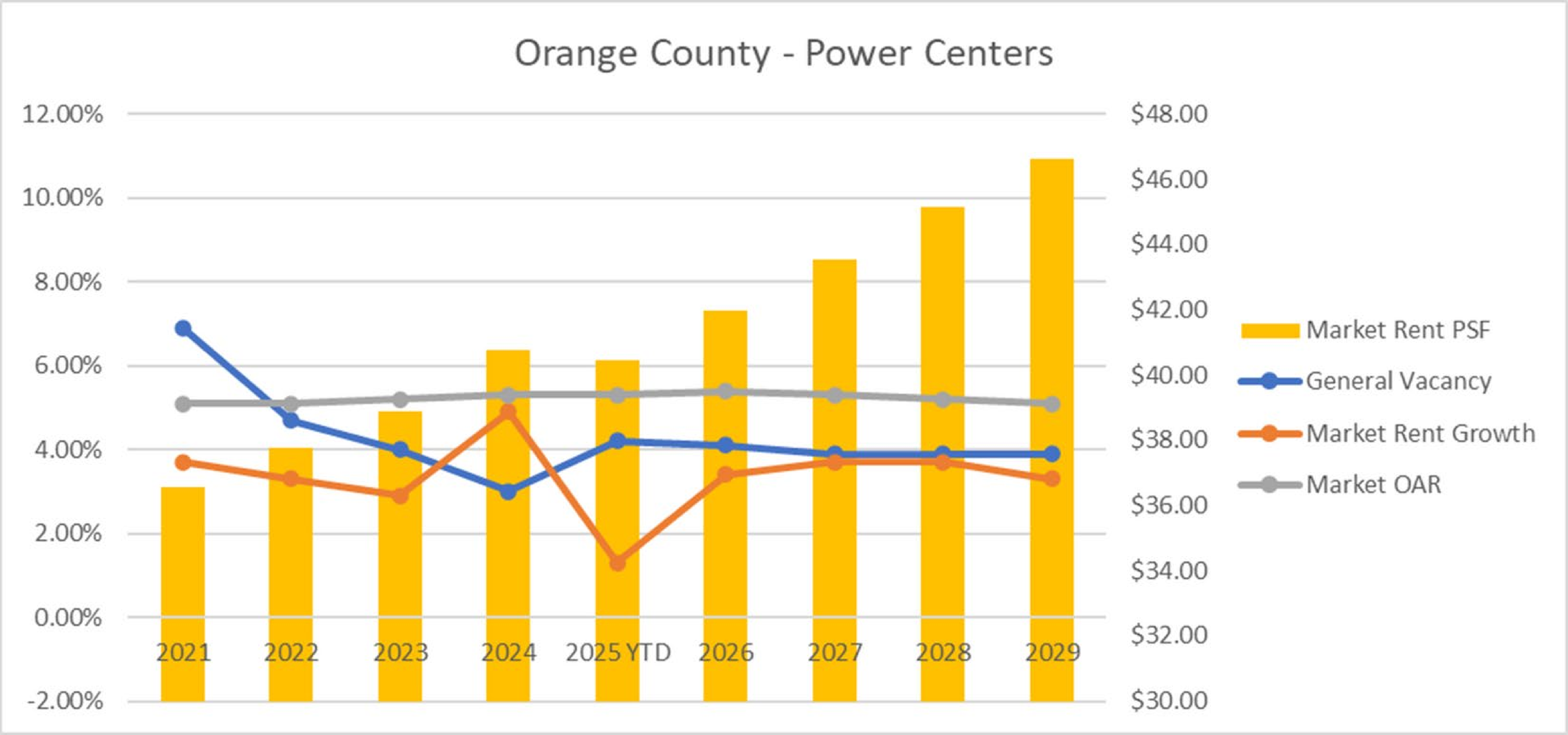
ACTUAL VALUATION METRICS



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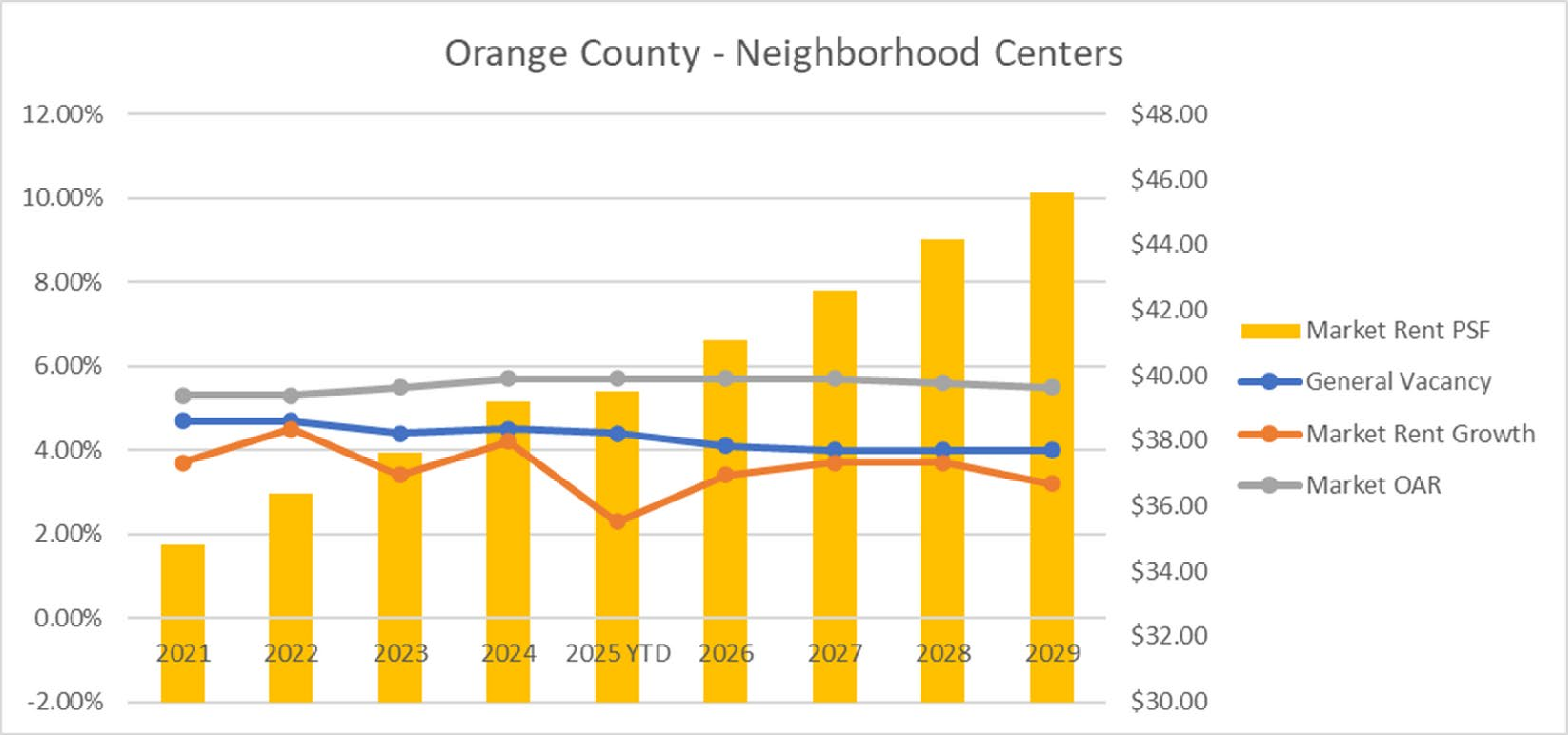

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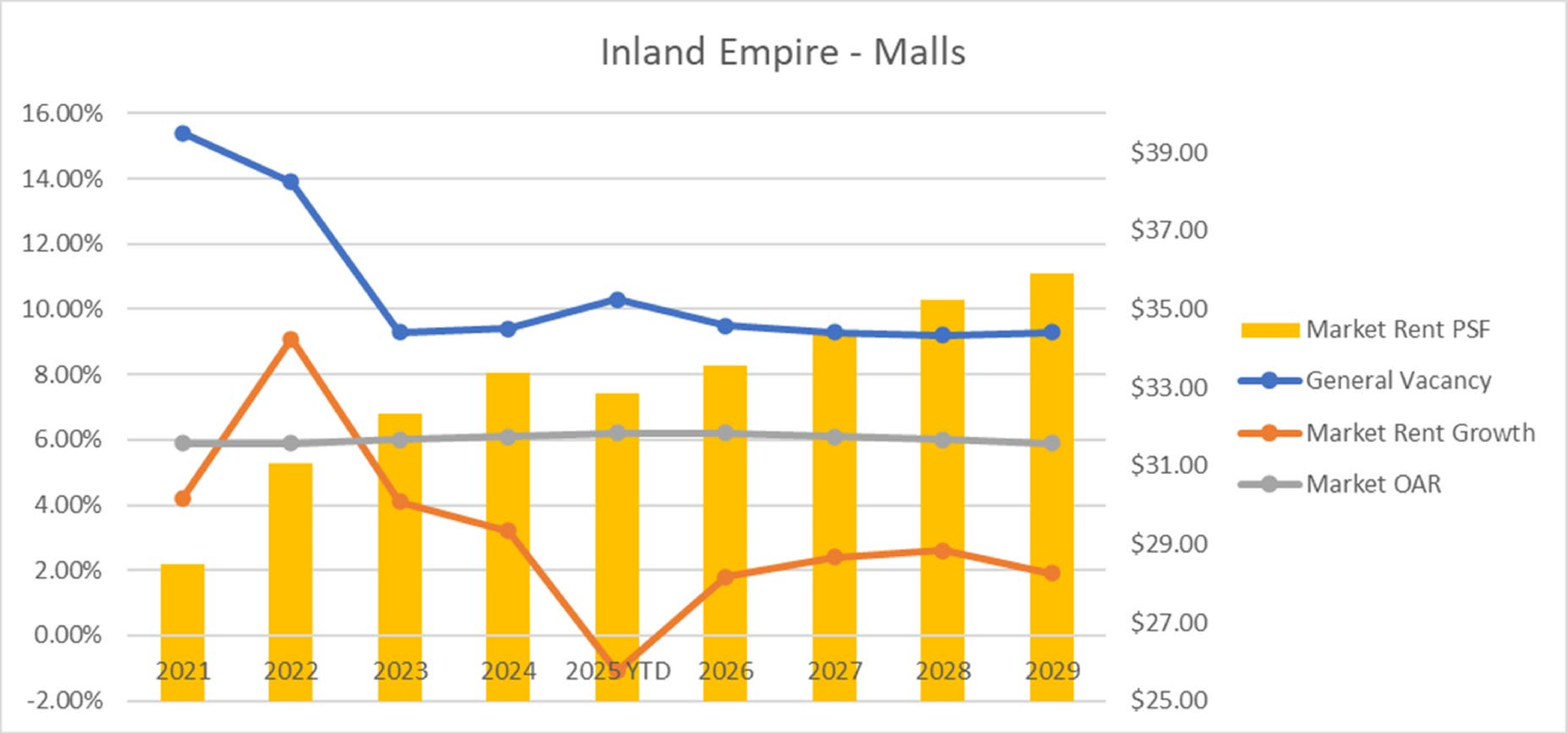

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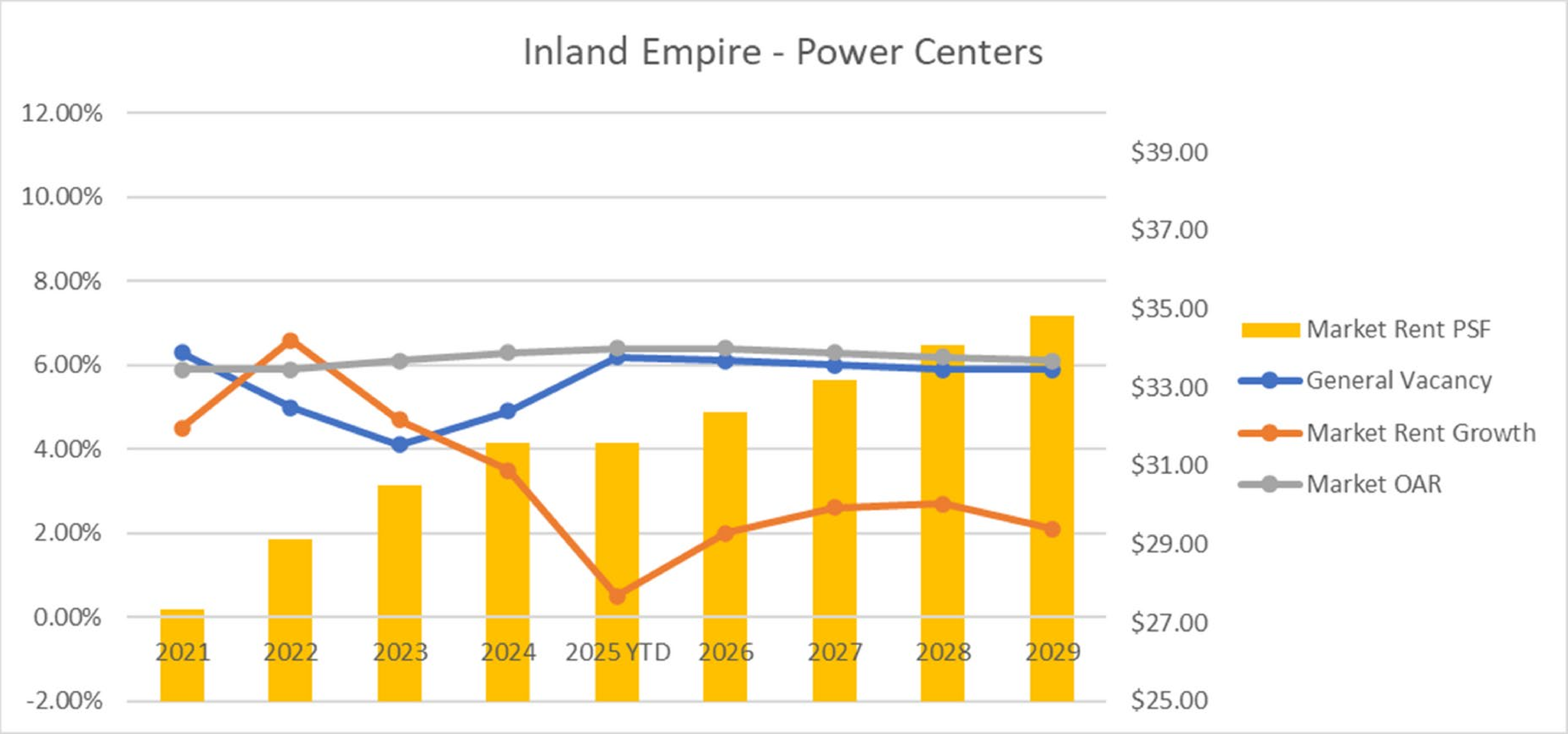

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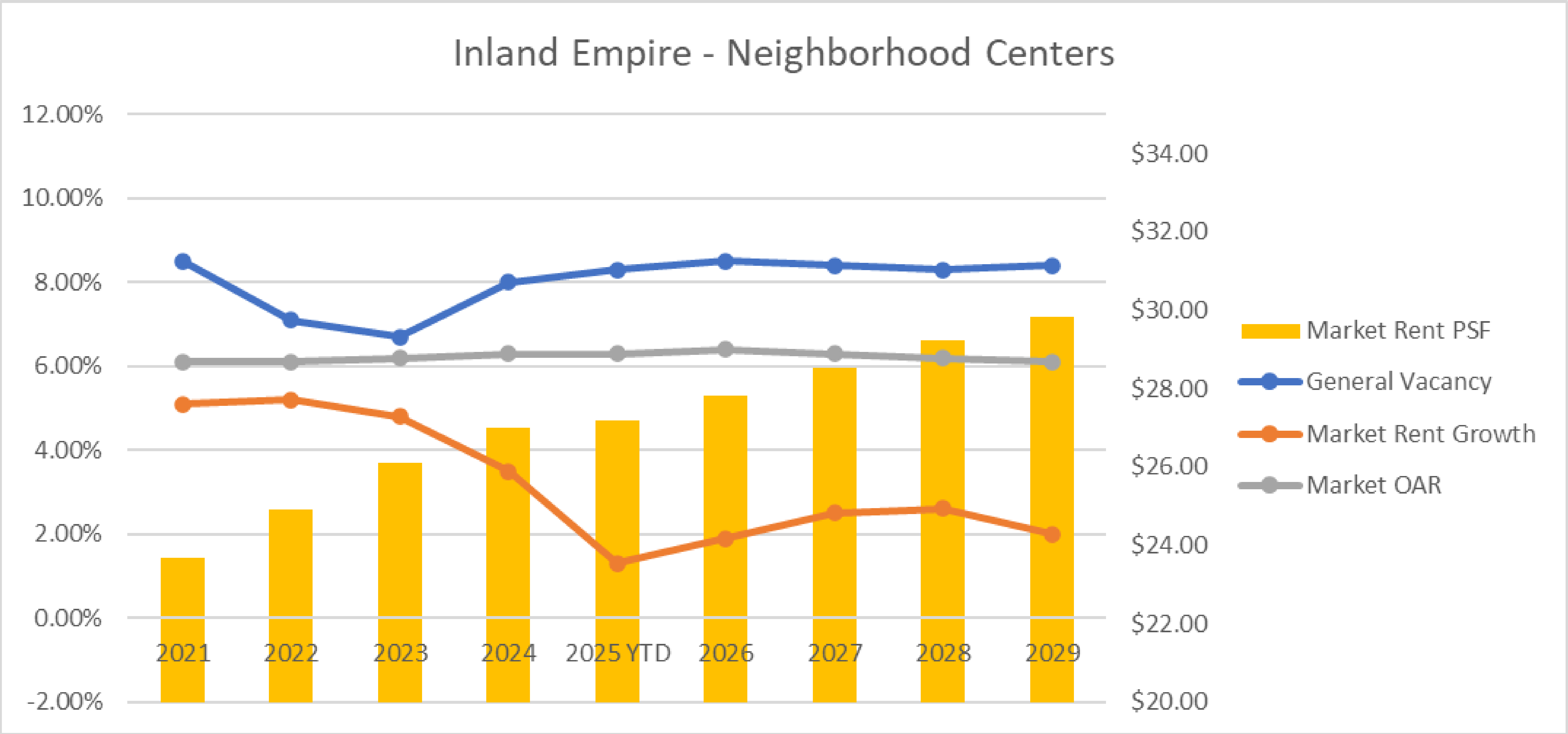

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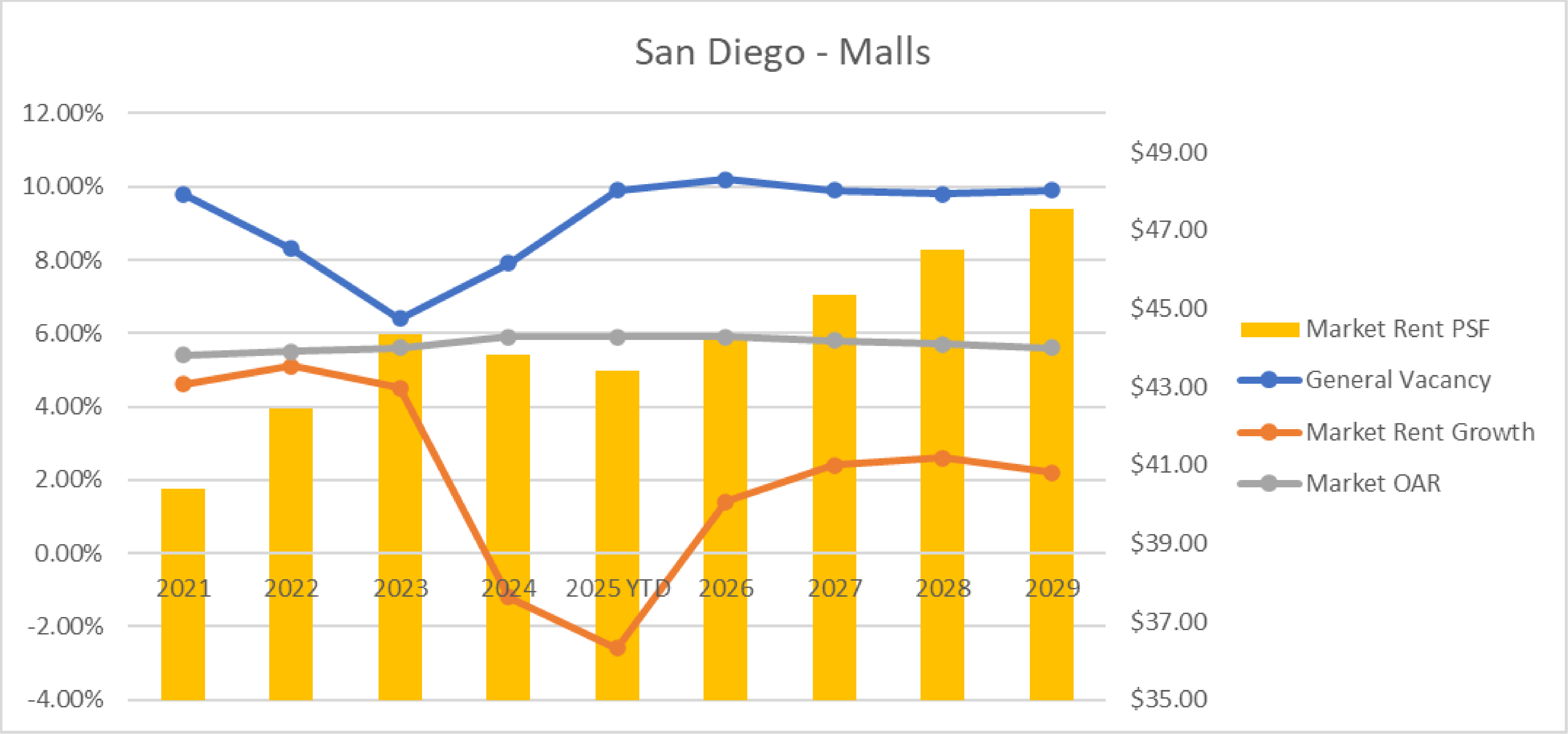

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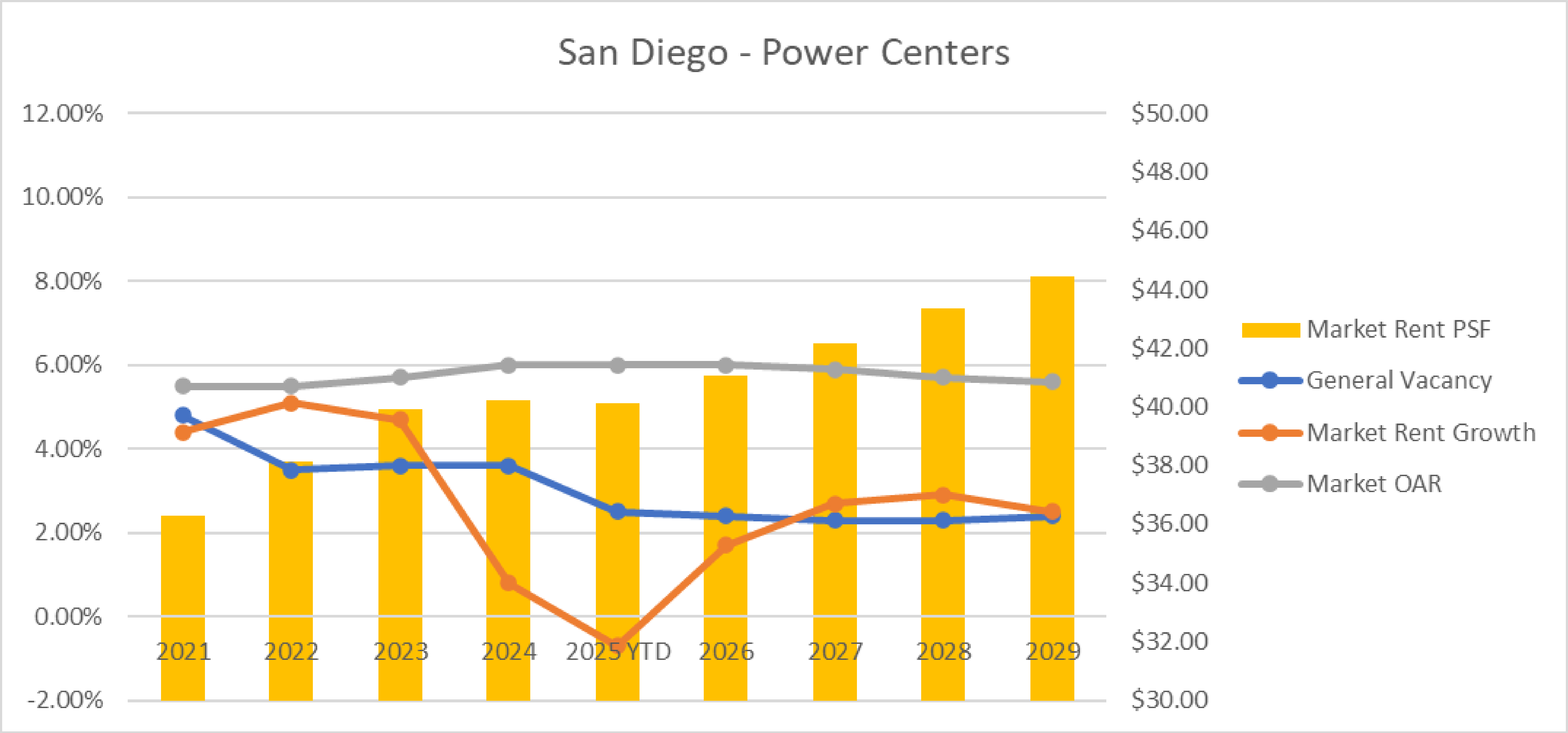

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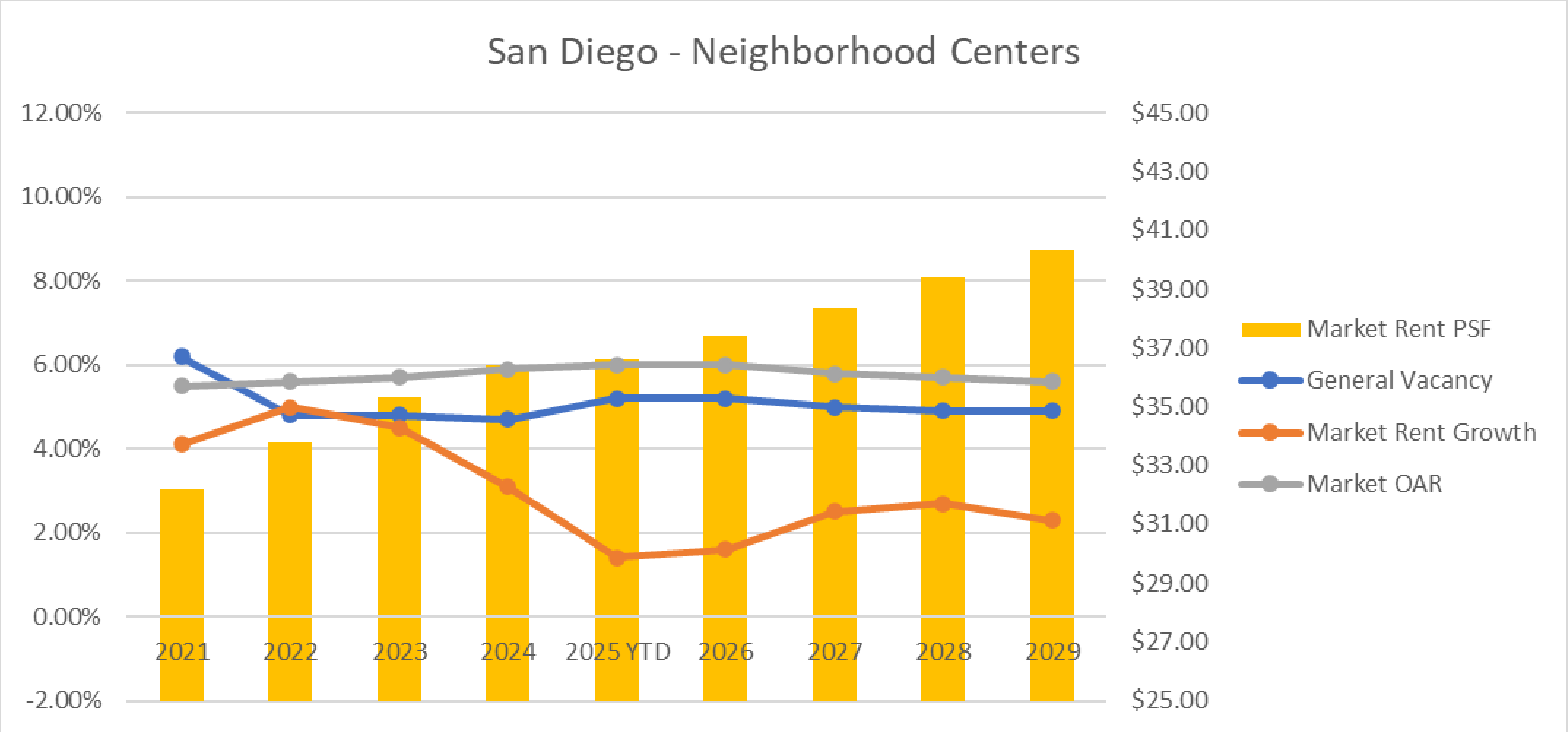
ACTUAL VALUATION METRICS



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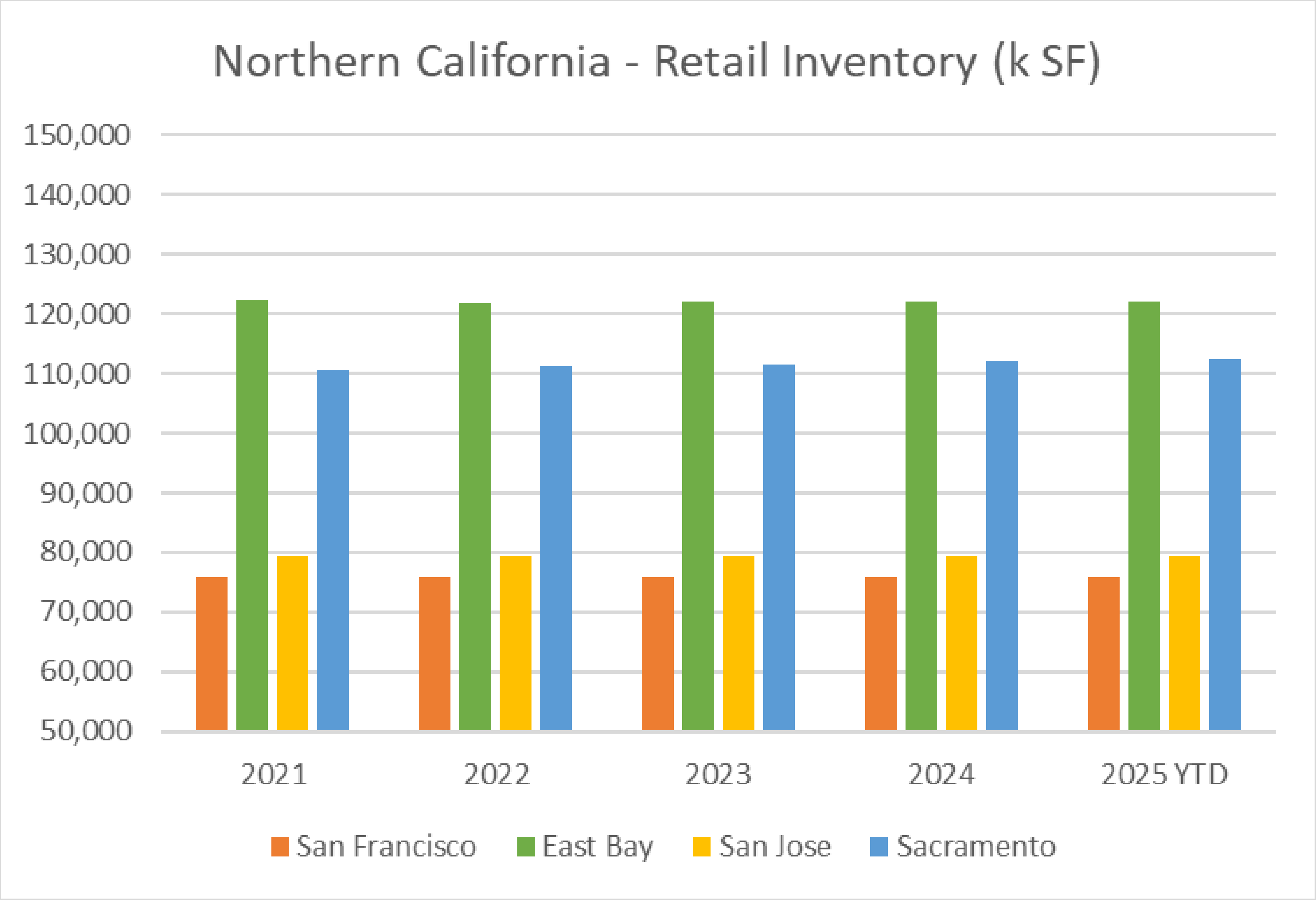
SUPPLY & DEMAND TRENDS



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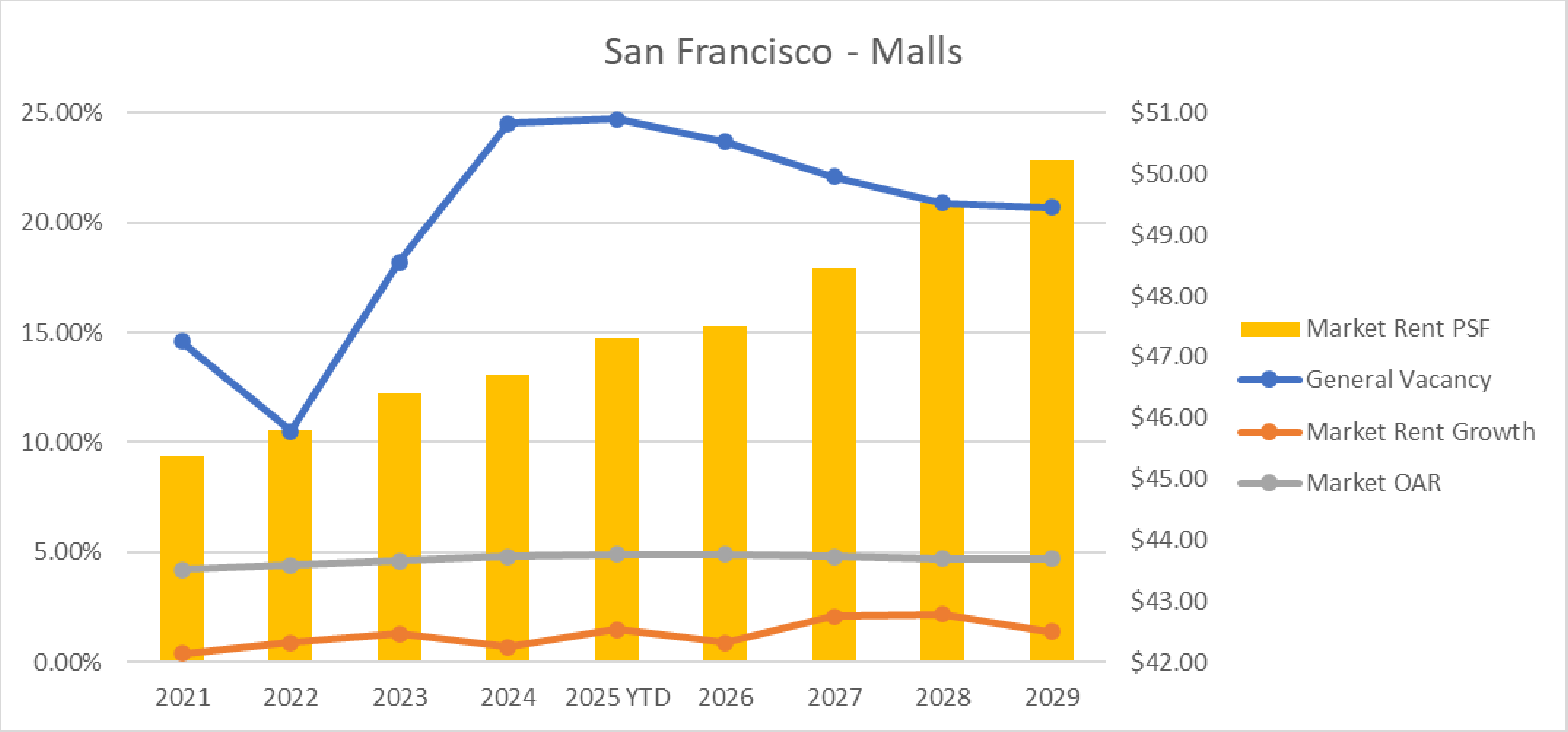
Market	New Supply Change Y-O-Y	New Supply Change 5 Year	Net Absorption 2025	Net Inventory Growth 2025-2029	Net Absorption 2025-2029
San Francisco	0.15%	-0.09%	0.00%	0.03%	0.94%
East Bay	0.14%	-0.14%	0.13%	-0.21%	0.32%
San Jose	0.05%	0.00%	0.05%	0.90%	0.73%
Sacramento	0.21%	1.47%	0.21%	1.88%	1.46%

ACTUAL VALUATION METRICS



Per CoStar Market Report

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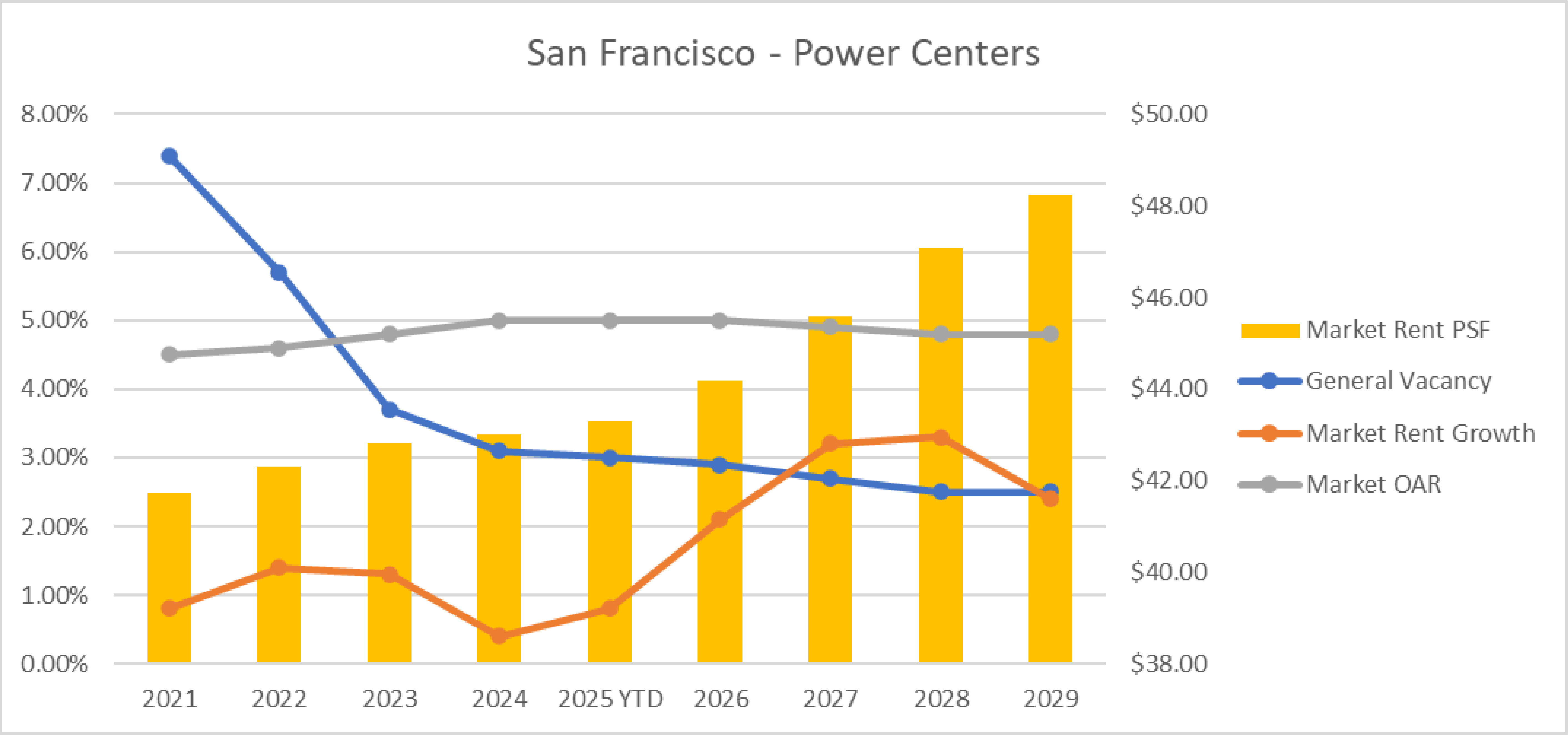

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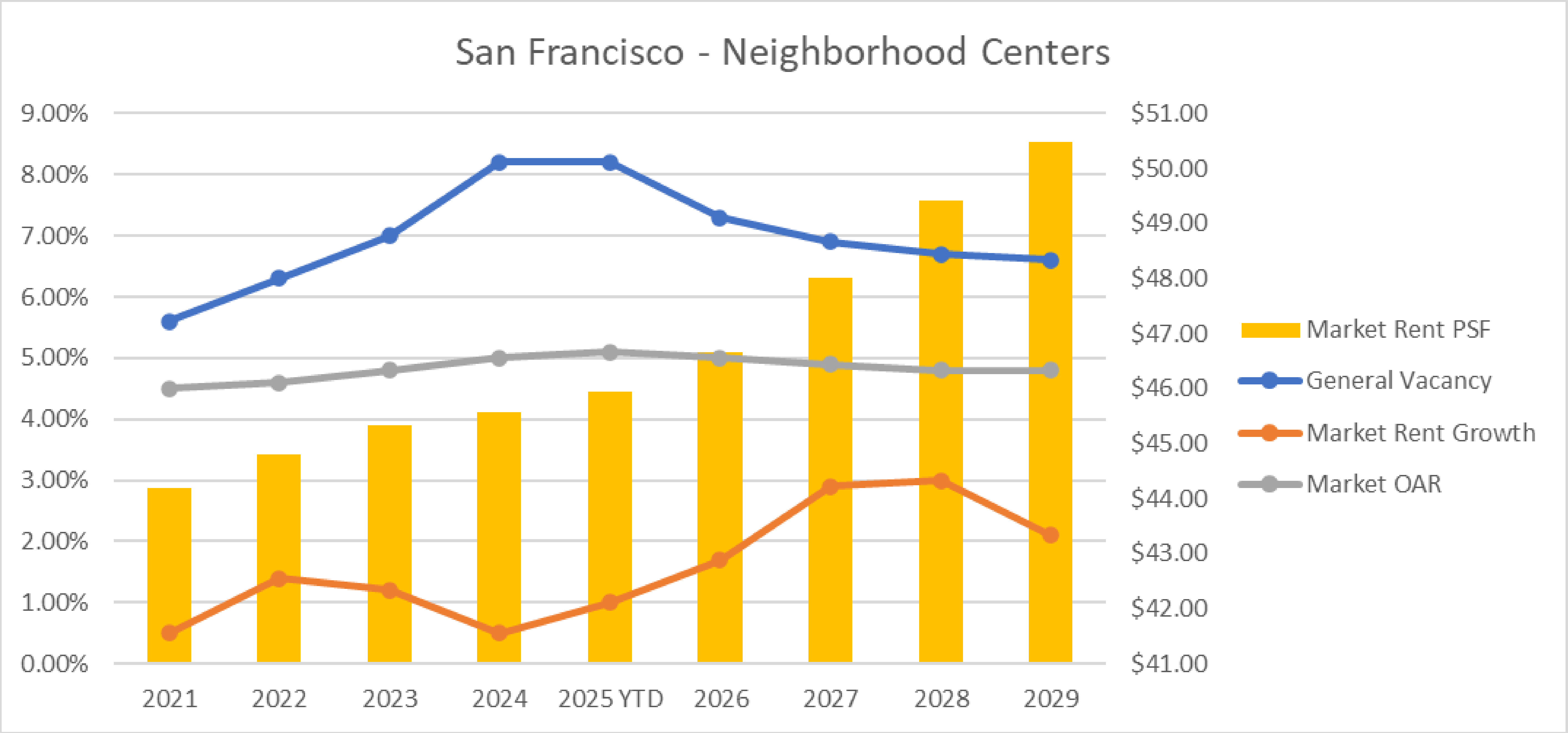

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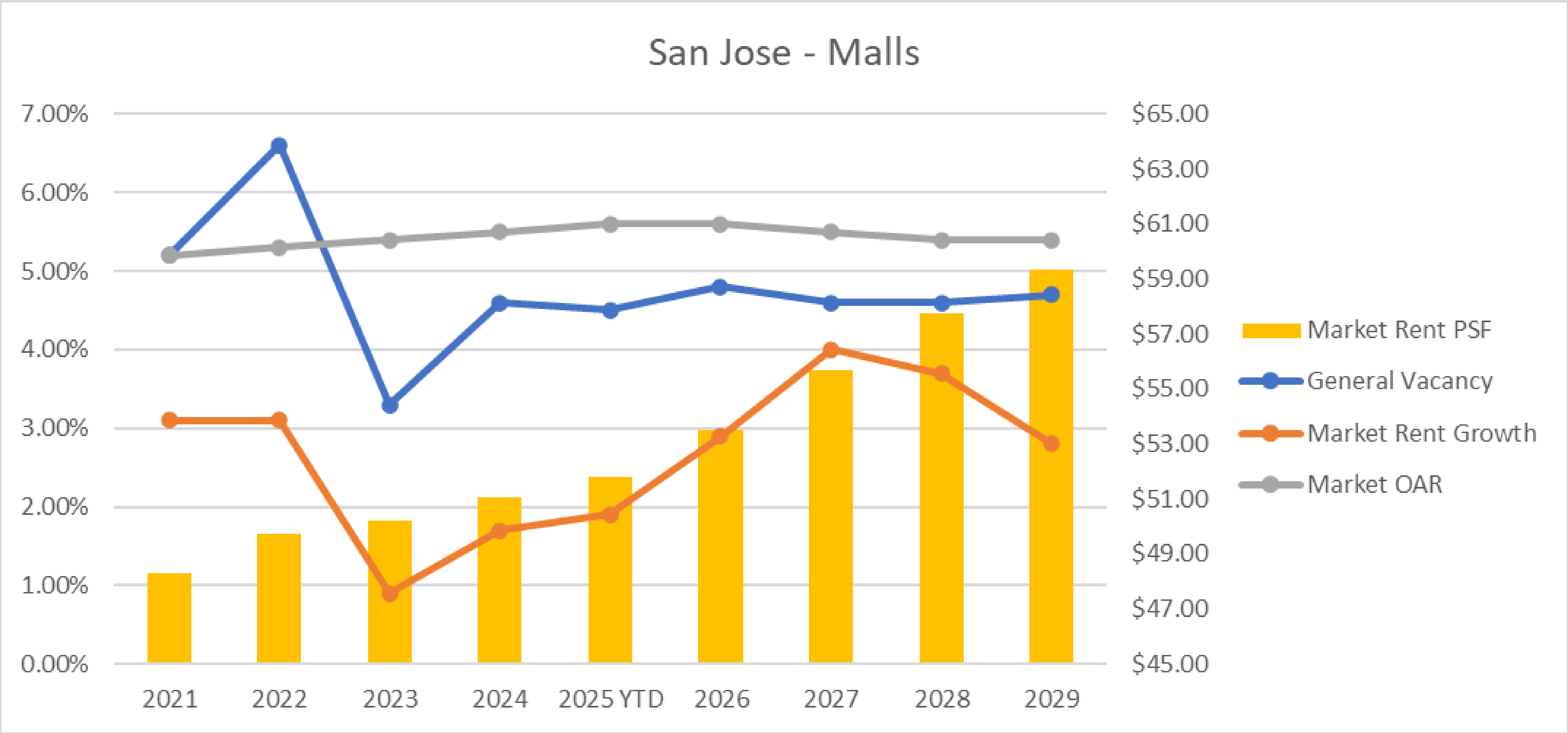

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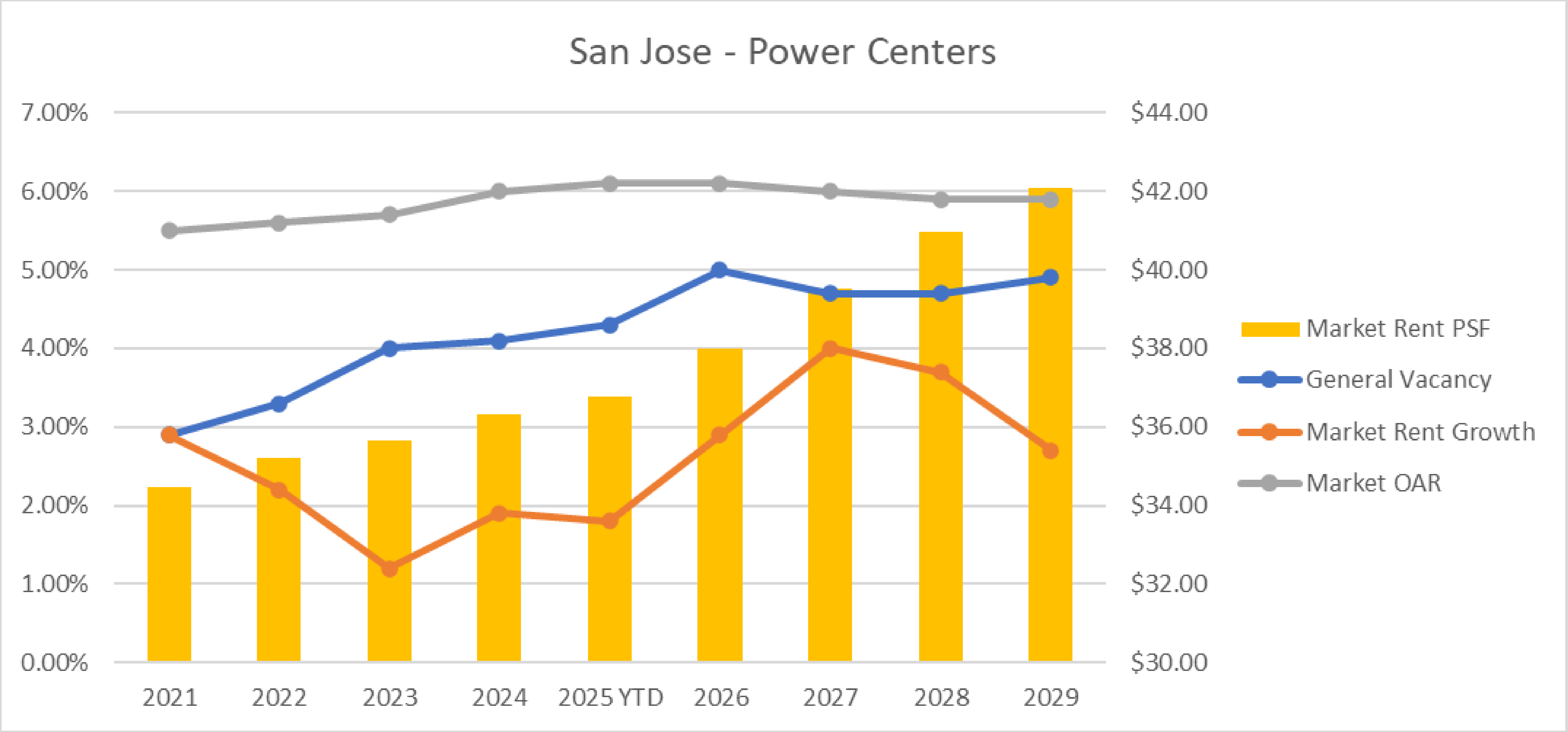

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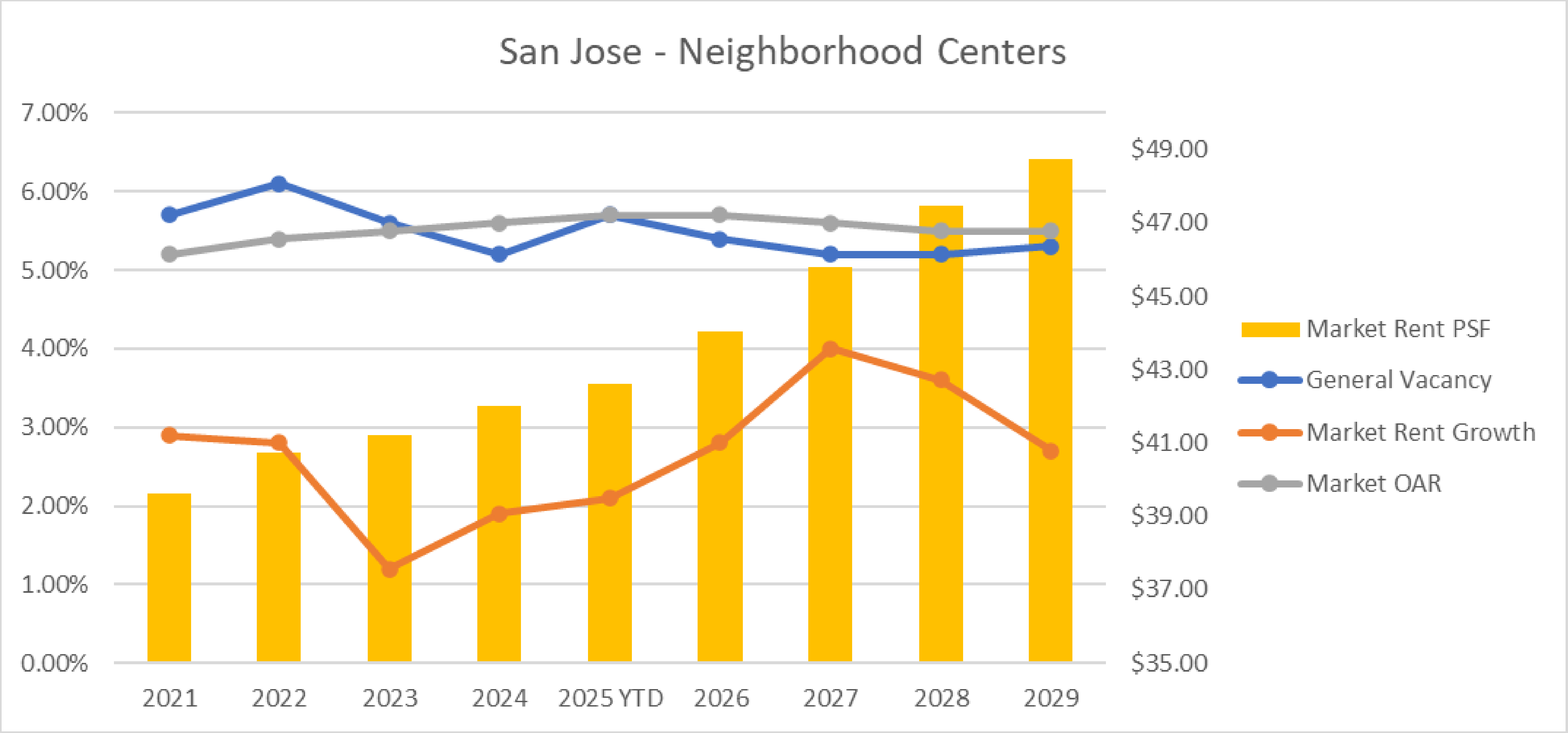

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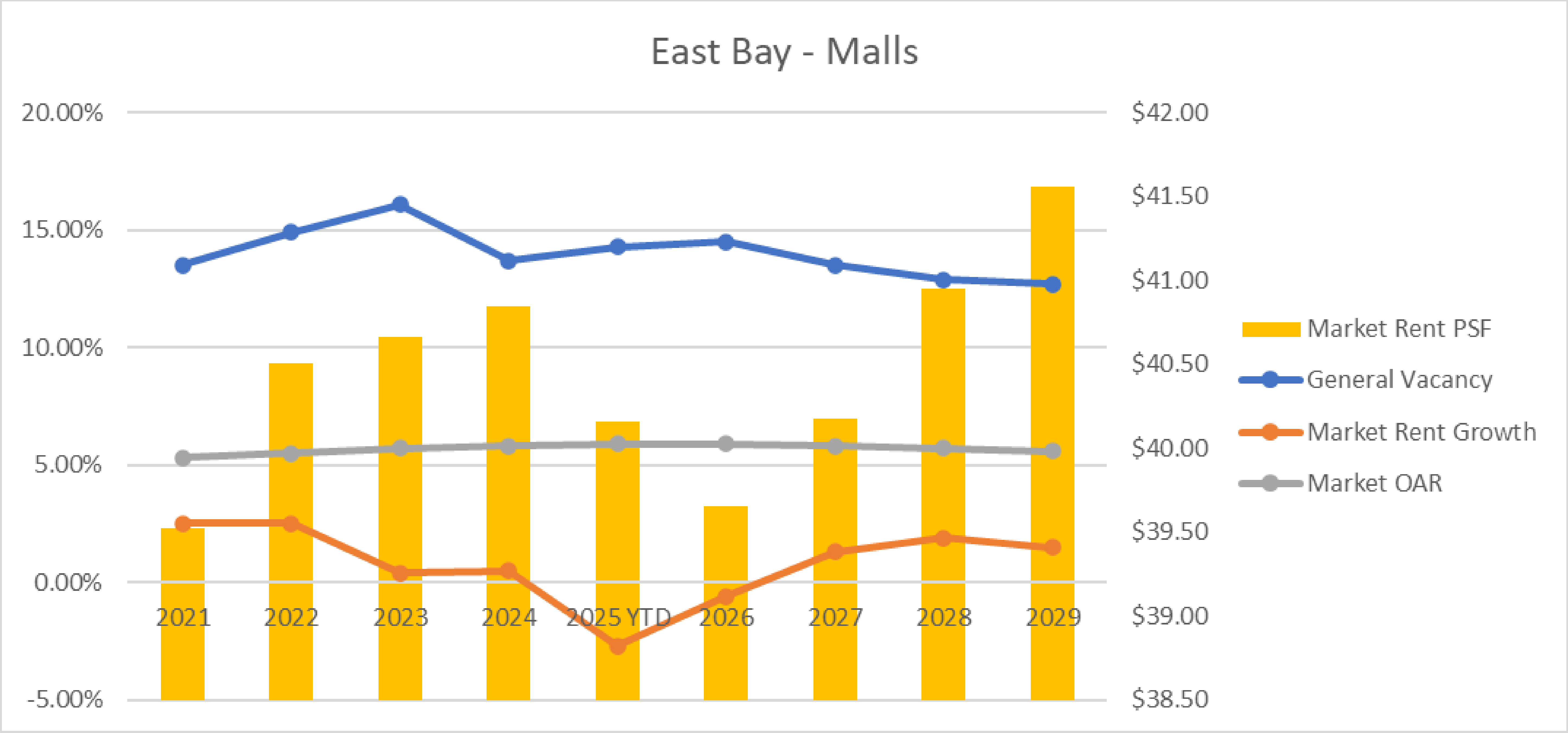

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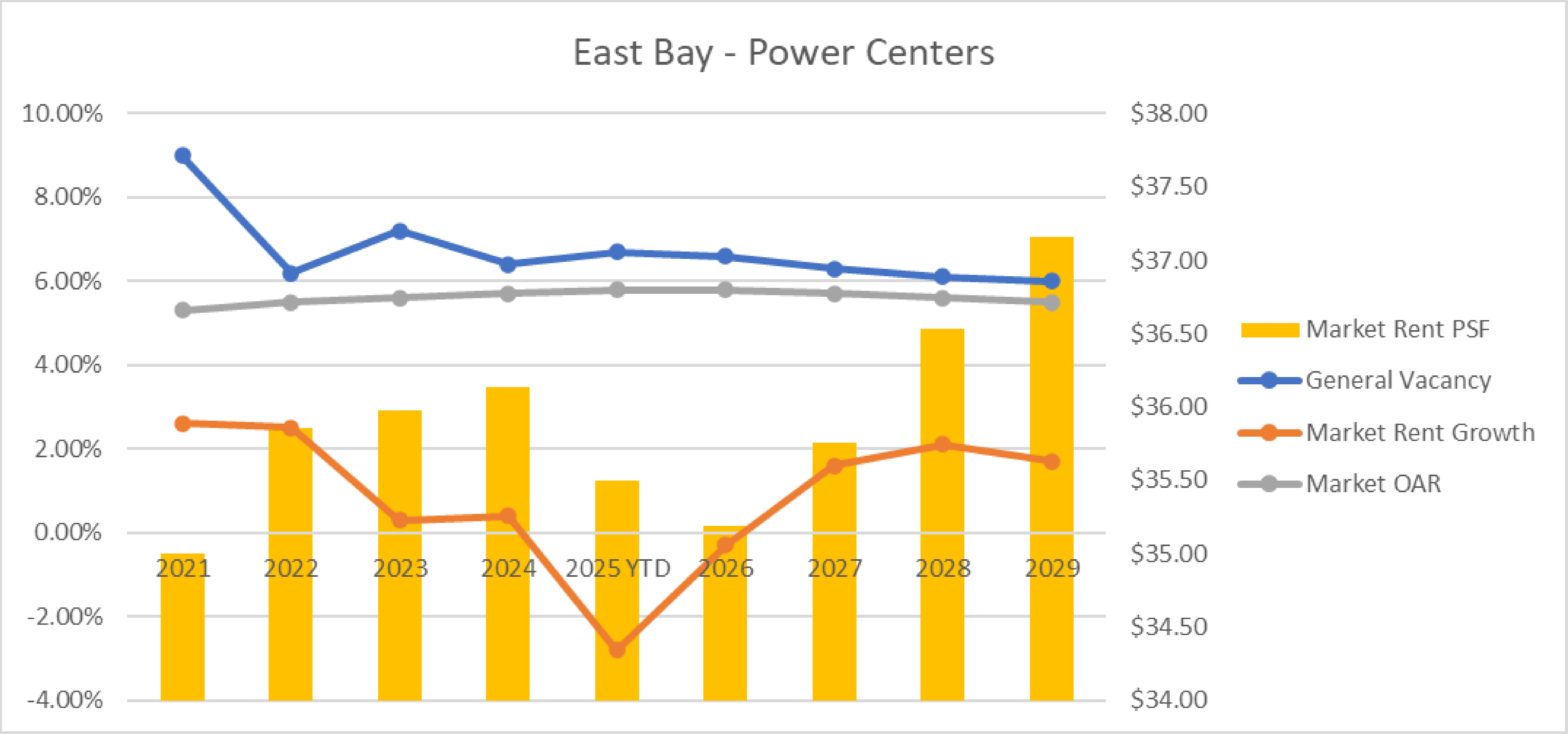

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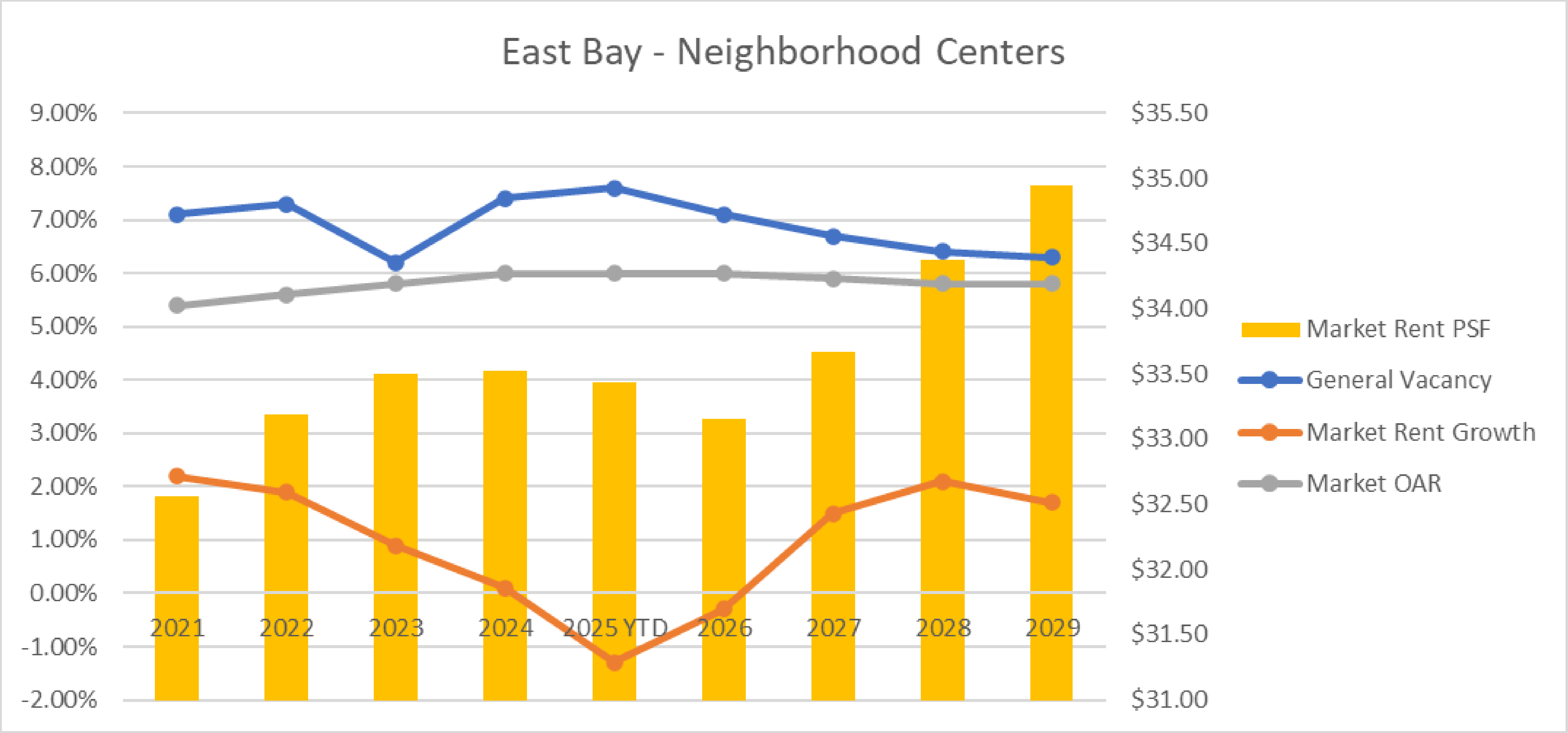

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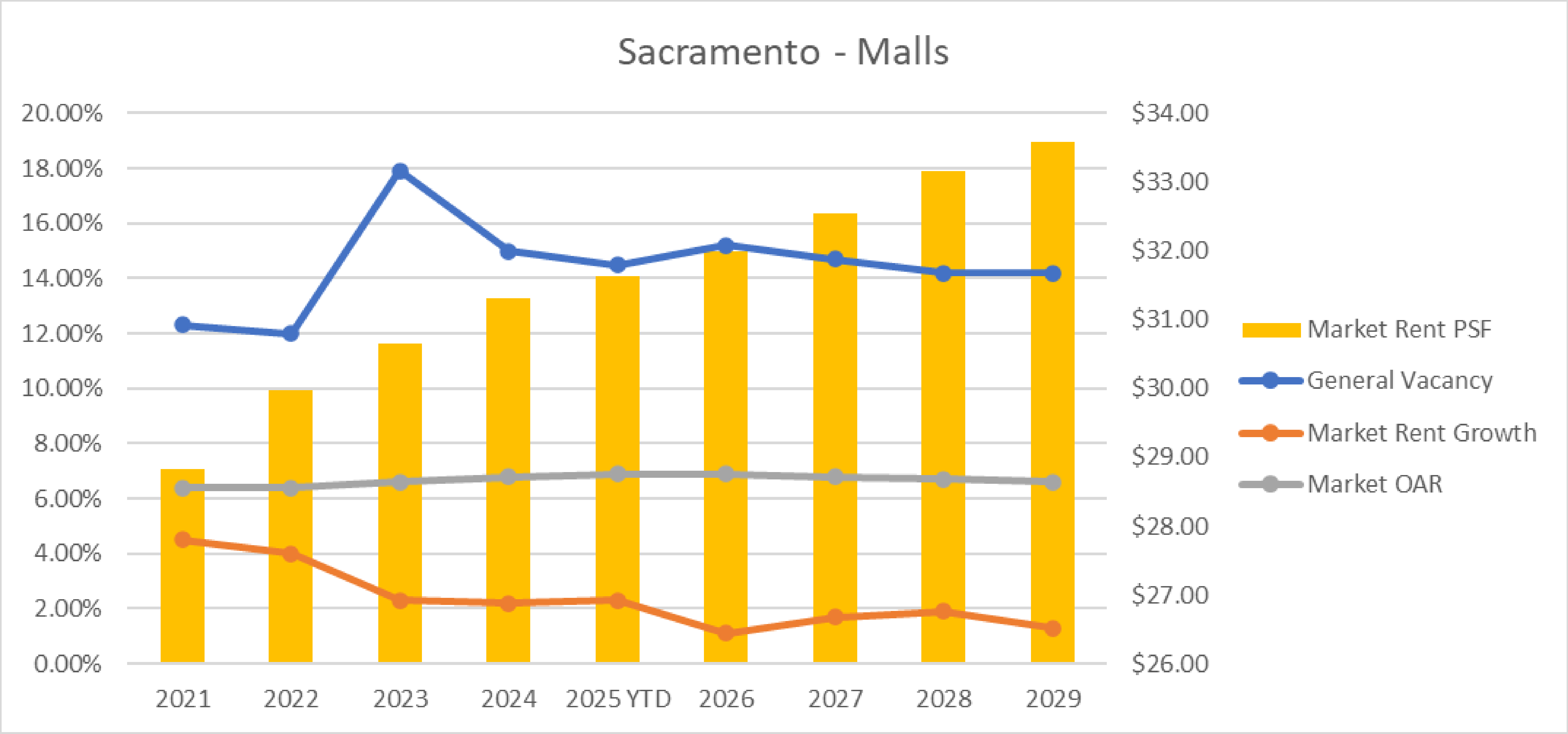

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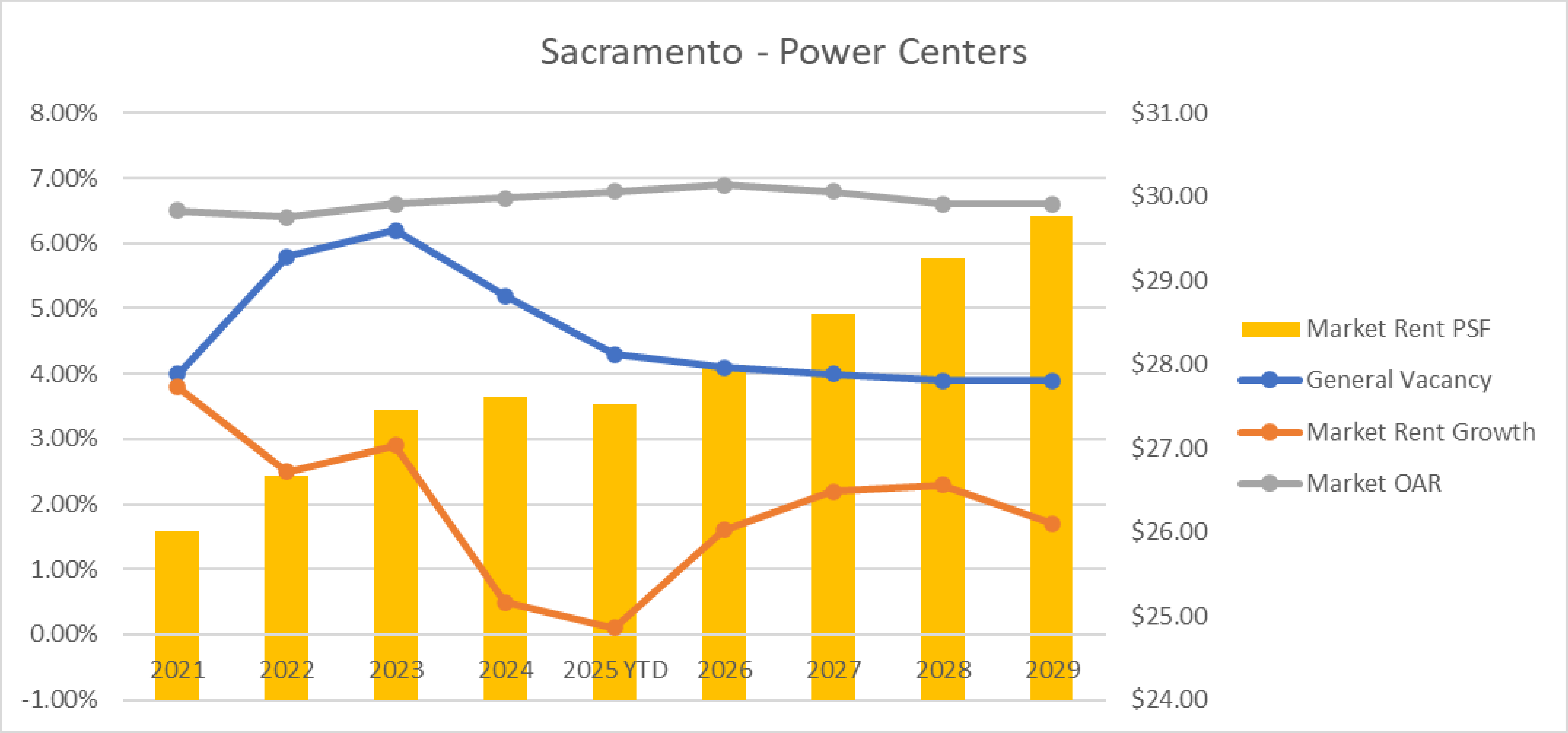

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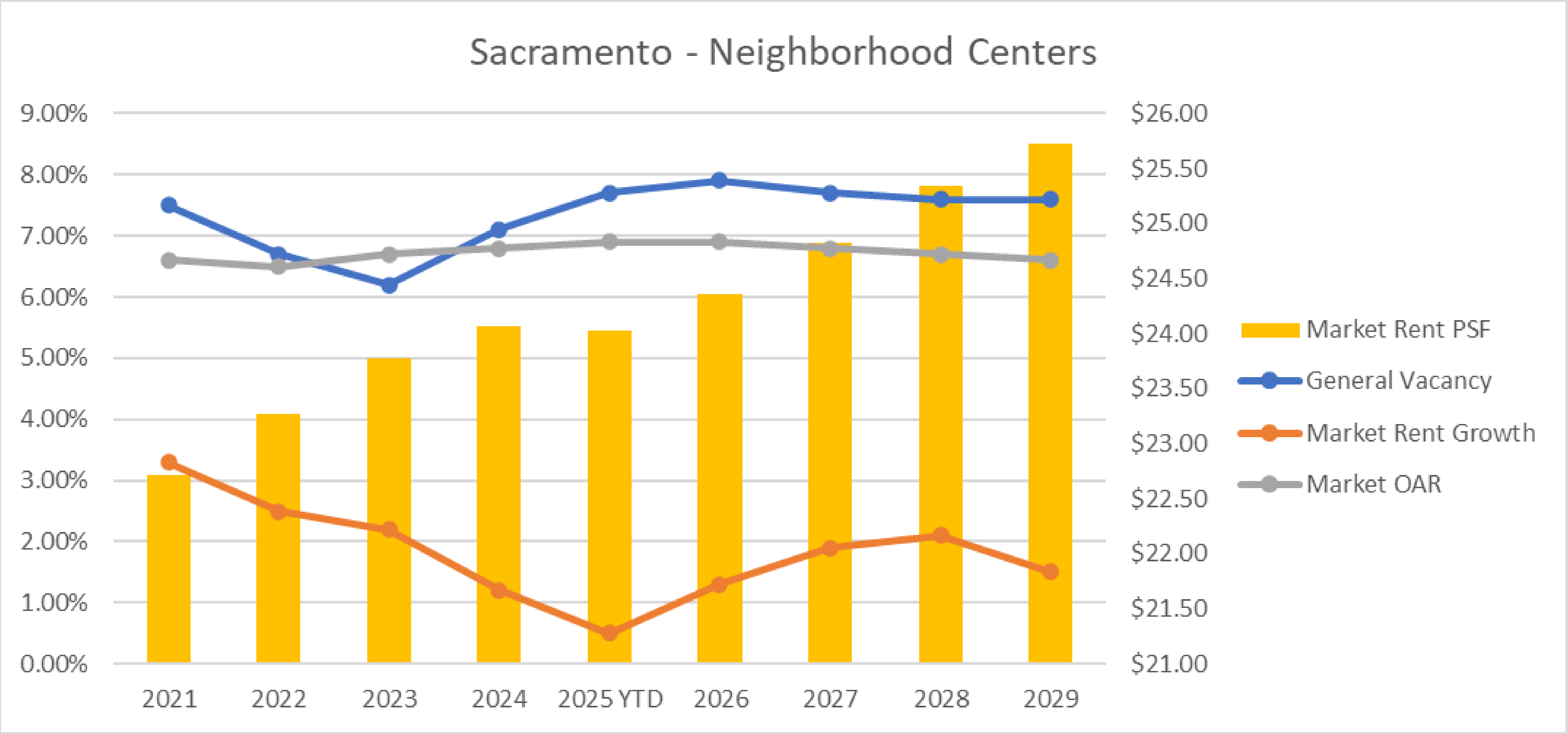

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REAL WORLD CASE STUDIES

Los Angeles

- The Hollywood Collection in Hollywood; sold June '25; $69m; $382 psf; 7.11% OAR; 181k sf; Target anchored
- River Oaks Shopping Center in Valencia; sold June '25; $107.5m; $391 psf; 275k sf; Target & Sprouts anchored; 6.5% low than Sept '17 sale
- Village Walk in Pico Rivera; sold Feb '25; $37.5m; $289 psf; 130k sf; 4.2% higher than Mar '16 sale

Orange County

- Fullerton MetroCenter in Fullerton; sold June 2025; $118.5m; $300 psf; 396k sf; Target & Sprouts anchored

Per CoStar Market Report

Inland Empire

- Larry H. Miller Toyota Corona; sold in June '25; $21.5m; $326 psf; 66k sf
- Citrus Crossroads in Fontana; sold in Apr '25; $17.8m; $331 psf; 5.4% OAR; 54k sf; Amazon Fresh

San Diego

- Bernardo Heights Plaza in San Diego; sold in July '25; $16.03m; $425 psf; 6.16% OAR; 38k sf
- La Mesa Village Station in La Mesa; sold June '25; $21.6m; $375 psf; 58k sf; tenant purchase of multi - tenant asset

REAL WORLD CASE STUDIES

San Francisco

- 35-41 Powell St. in San Francisco; sold May ’25; $7.5m; $441 psf; 17k sf; Burger King
- 2337-2345 Irving St. in San Francisco; sold Apr ‘25; $7.5m; $401 psf; 19k sf; owner user retail/office

East Bay

- Rossmoor Shopping Center in Walnut Creek; sold Apr ‘25; $61.1m; $522 psf; 5.4% OAR; 117k sf; grocery anchored
- Clayton Station Shopping Center in Clayton; sold Apr ‘25; $27.75m; $460 psf; 6.45% OAR; 60k sf; grocery and drug store anchored

San Jose

- Mt. Pleasant Shopping Center in San Jose; sold Feb ‘25; $17.5m; $452 psf; 6.3% OAR; 39k sf, grocery & drug store anchored
- Avanti in San Jose; sold Jan ’25; $9.25m; $368 psf; 25k sf; drug store anchored

Per CoStar Market Report

Sacramento

- Downtown Commons in Sacramento; sold July ‘25; $15.0m; $45 psf; 333k sf; redevelopment of former Macy’s
- Arden Fair Mall in Sacramento; sold Jan ‘25; $10.5m; $67 psf; 157k sf; buyer to reposition into indoor/outdoor sporting facility

Q & A

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Thank you for joining this webinar! We look forward to having you with us at our next event.

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