2024 U.S. ECONOMIC OUTLOOK

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

NAVIGATING INVESTMENT OPPORTUNITIES

Morguard

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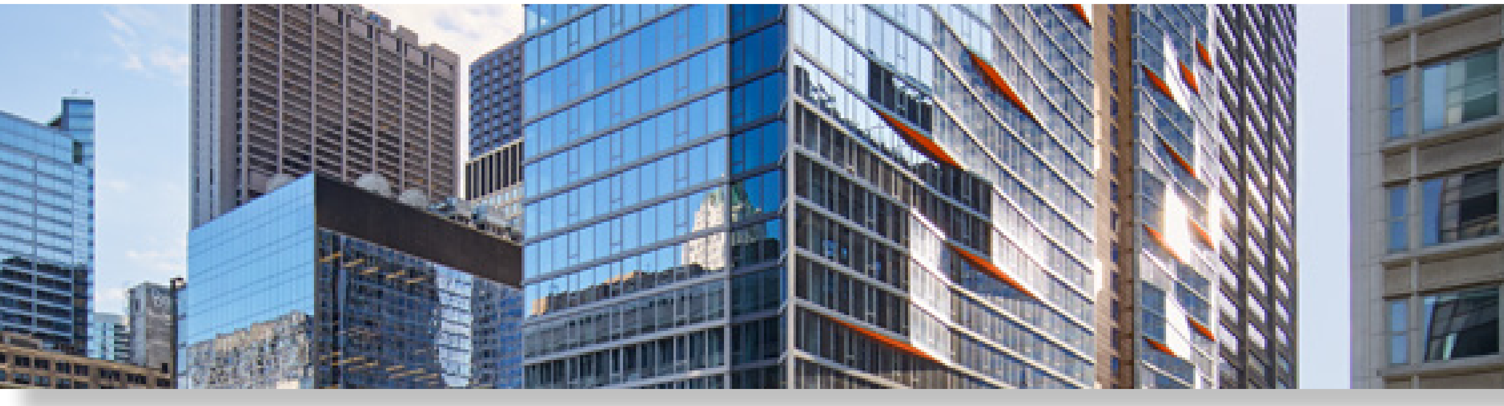

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NATIONAL ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

The U.S. economy will expand modestly over the near term, representing an extension of the slow growth cycle that began in the second half of 2023. Labour market conditions will remain tight, as hiring activity slows. Rental market fundamentals will soften as new supply deliveries exceed demand. Investment sales activity will likely pick up in the second half of 2024, after a slow start to the year.

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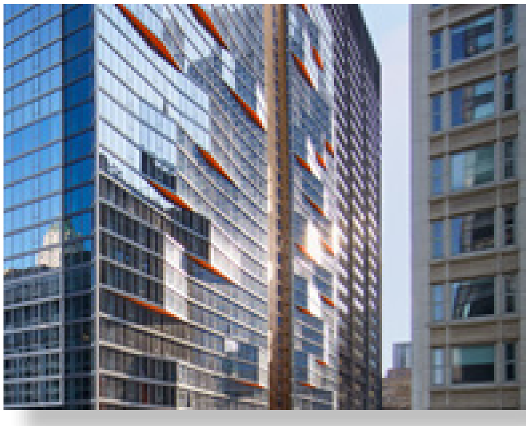
NATIONAL

ECONOMIC REPORT

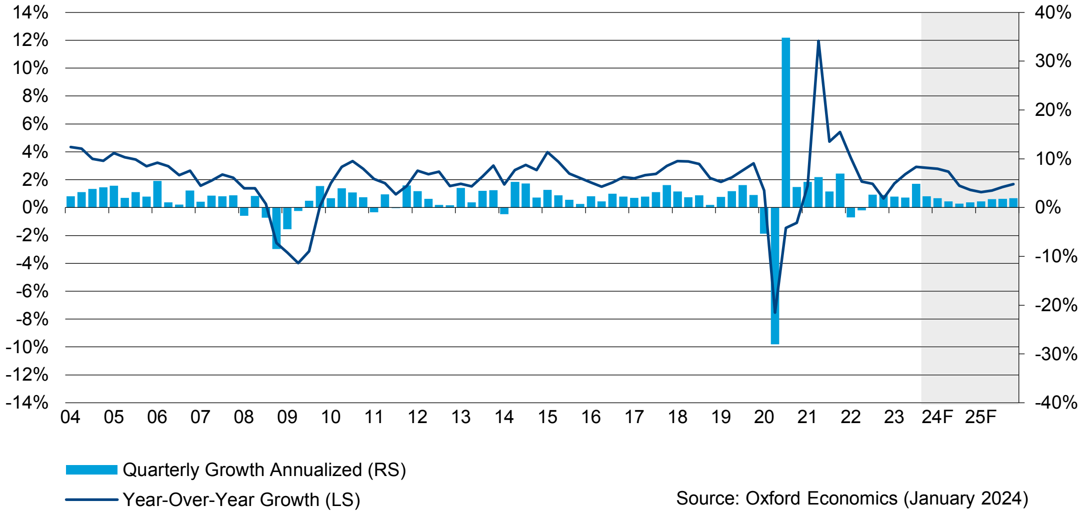
SOLID ECONOMIC GROWTH PACE FORECAST

The U.S. economy is expected to expand at a relatively solid pace over the near term. Gross Domestic Product (GDP) is expected to expand by an annualized rate of 1.5%-2.0% in 2024, which is roughly in line with the 2023 growth performance. an accelerated economic growth pace unfolded in the second half of 2023, after a sluggish first half. Looking ahead to 2024, U.S. economic output is projected to expand at a relatively solid pace.



U.S. REAL GDP GROWTH

% Change



Source: Oxford Economics (January 2024)

Lower interest rates and inflation will support the solid economic growth pace forecast for 2024. The Fed is expected to begin lowering rates by late spring or early summer. Previously, rate cuts were not expected until the third or fourth quarter of 2024. Inflation is expected to fall within the the Fed's 2.0% target range by the midway mark of 2024, somewhat earlier than expected. The combination of lower interest rates and inflation will support stronger consumer spending patterns. Consumer spending growth will firm up in the second half of 2024, resulting in increased economic output. As economic output increases, labour market trends will improve, and wages will continue to rise. Downside economic risk factors include supply side weakness, reduced household spending, and the negative impacts of fiscal policy on business investment. Despite these risks, the U.S. economy is projected to expand at a relatively solid pace in 2024.

LABOUR MARKET COOLDOWN WILL CONTINUE TO UNFOLD

The U.S. labour market cooldown that emerged in the second half of 2023 will continue to unfold over the near term. Labour market demand will weaken significantly in 2024, building on the recent trend. Employment will increase by an average monthly total between 130,000 and 140,000. Non-farm payrolls increased by a monthly average of 180,000 between September and November and 165,000 in the fourth quarter of 2023, respectively. Growth averaged 225,000 per month for the year. The cause of the employment downdraft was a reduction in hiring activity rather than layoffs. Labour market supply will outdistance demand in 2024, resulting in upward pressure on the nation's unemployment rate. The unemployment rate is projected to rise above the 4.0% mark in 2024, having leveled off at 3.6% in 2022/2023. Despite the increase, labour market conditions will remain tight by historic standards. Wage growth will slow even though the labour market remains tight. The weaker wage growth trend is indicative of the continued unfolding of the labour market cooldown forecast for 2024.

CONSUMER SPENDING GROWTH TO STABILIZE

A stable Private Consumer Expenditure (PCE) growth trend is forecast over the near term. Nominal PCE growth will average roughly 2.2% in 2024 according to Oxford Economics, matching the 2023 advance. The stable PCE growth forecast can be attributed to more than one factor. Lower borrowing rates forecast at some point during 2024 will result in an increase in real disposable income levels. The forecast downward pressure on consumer prices will increase the funds available to U.S. consumers to spend on non-discretionary items. Consumer prices are projected to rise by roughly 2.5% in 2024, down from 2023 average of 4.1% and the 2022 peak of 8.0%. Despite the weaker hiring trend forecast for 2024, job growth will be strong enough to support a stable PCE growth trend. Wages will continue to rise on a nominal basis over the near term, given worker shortages in certain business sectors and tighter labour market conditions overall. In short, PCE growth is expected to stabilize over the near term.

Despite the forecast hiring slowdown in 2024, job growth will be strong enough to support a stable and positive PCE trend. growth slows.

NATIONAL ECONOMIC PULSE

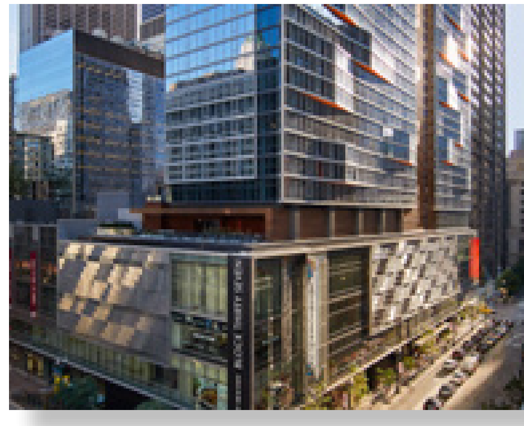
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
REAL GDP GROWTH*	—	—
UNEMPLOYMENT	—	▲
RETAIL SALES GROWTH*	—	—
HOUSING STARTS*	—	▲
TRADE BALANCE*	—	—
TOTAL INFLATION	▼	▼

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

MONETARY POLICY LOOSENING FORECAST

A loosening of U.S. monetary policy is forecast at some point during 2024. The Fed is expected to begin lowering its policy lending rate when inflation has been maintained for an extended period at or close to its preferred 2.0% target. In late 2023, the Fed indicated it may cut the policy rate up to four times during 2024. The forecasted monetary policy loosening would boost real disposable income levels and consumer spending. In turn, the national economy would expand and hiring activity would increase. The 2024 rate cuts would signal the rate hike cycle had come to an end. The Fed has indicated it would not hesitate to raise rates if domestic demand were to unexpectedly spike, triggering another round of runaway inflation. The Fed began raising interest rates in the first half of 2022 to combat runaway inflation. A total of 11 rate hikes were implemented between March 2022 and July 2023. Heading into early 2024, inflation pressures have eased substantially, suggesting the end of the rate hike cycle. Inflation pressure is expected to ease further over the first half of 2024, resulting in a forecast of monetary policy loosening.

MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

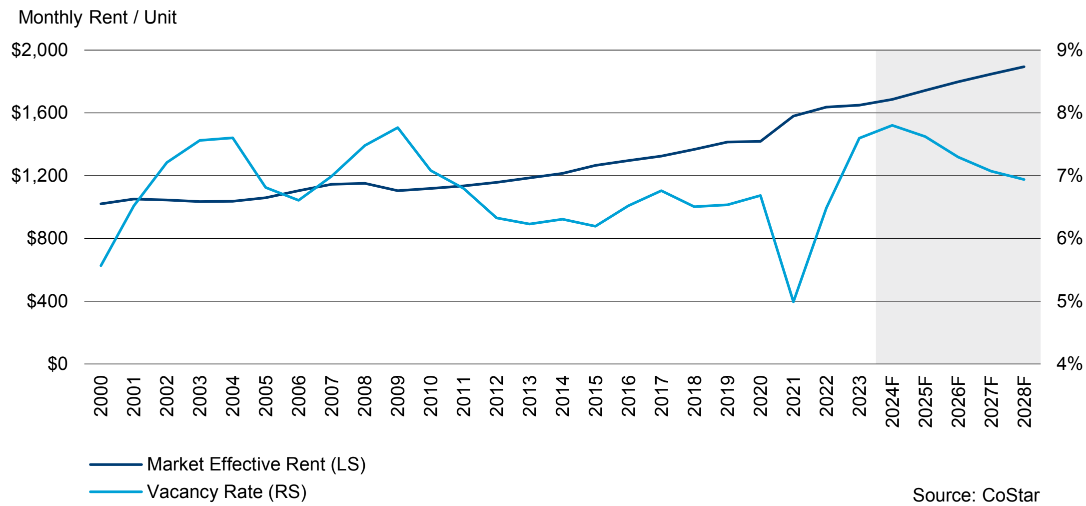


SUPPLY WILL CONTINUE TO EXCEED DEMAND

Multi-suite residential rental market supply will continue to exceed demand in 2024, in keeping with the medium-term national trend. Approximately 450,000 units of new supply will be added to the U.S. rental property inventory in 2024, representing a continuation of the peak phase of the construction cycle. However, demand will fall significantly short of the new supply.

MULTI-RESIDENTIAL RENT & VACANCY

Historical & Forecast Aggregates



Source: CoStar

Roughly 377,000 rental units will be absorbed in 2024 on a net basis, according to CoStar. As supply outpaces demand, the national vacancy rate average will steadily rise. Vacancy will rest in the high 7.0% range in 2024, up slightly from the 7.6% average reported for 2023. The upward pressure on vacancy will be strongest in the Sun Belt markets where new supply deliveries are expected to surge. Rent growth will be relatively modest in 2024 given increased supply side pressure. The national monthly rent average is projected to rise by 2.4%, up from less than 1.0% rise in 2023. Rent growth decelerated during 2023 following the 3.9% and 10.6% increases reported for 2021 and 2022, respectively. The Midwest and Northeast regions are expected to post the strongest rent growth averages for 2024. In summary, new supply will exceed demand in the U.S. multi-suite residential rental market for an eighth consecutive year in 2024.

INVESTMENT TRANSACTION SLOWDOWN WILL CONTINUE

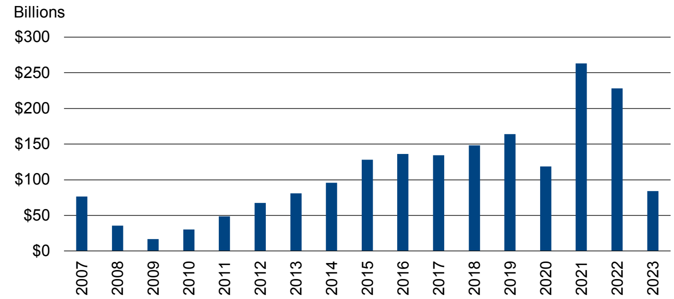
The U.S. multi-suite residential rental investment property sales slowdown of the recent past will continue through to at least the midway mark of 2024. A significant number of investment groups will remain relatively inactive, while the cost of capital remains high and investment risk levels are elevated. As a result, transaction volume will continue to fall short of the 2021 and first half 2022 peak. Annual transaction volume averaged more than $13.0 billion in 2021 and 2022. Investment sales activity began to slow significantly in the second half of 2022 as borrowing costs steadily increased. At the same time, bond yields increased substantially. Investors looked for pricing adjustments to meet their targeted risk-adjusted returns while offsetting higher borrowing costs and elevated levels of economic uncertainty. As a result, capitalization rates began to rise, and property values decreased. In some cases, vendors were hesitant to meet the pricing demands of buyers. Despite the bid-ask price gap widening, properties across the country continued to sell. Institutional groups, less driven by borrowing costs, acquired stabilized, high-quality assets. Private capital groups were generally more active, a trend that will hold until borrowing costs and sector risk decline. Until then, the U.S. multi-suite residential rental investment property transaction slowdown will continue.

NEGATIVE RETURN CYCLE WILL BE EXTENDED

The U.S. multi-suite residential rental sector's negative return cycle will be extended over the near term. The forecast is predicated on continued downward pressure on property values, a trend which began in the second half of 2022. The combination of weaker rental market fundamentals and heightened investment risk will result in persistent downward valuation pressure. Capitalization rate decompression will more than offset continuously stable and positive income component performance. A notably negative performance was recorded recently in the multi-suite residential rental property sector, due to the ongoing capital decline. Properties tracked in the MSCI Index generated a negative total annual return of 8.2% for the year ending September 30, 2023, with a cumulative capital decline of 11.7% over the same time-period. The erosion of property values is expected to persist over the near term, thereby increasing the probability of extending the negative return cycle.

INVESTMENT ACTIVITY

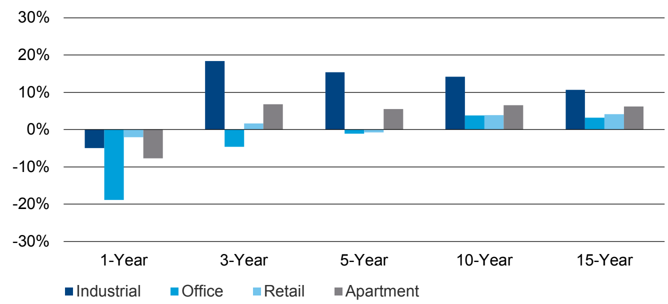
Total Multi-Suite U.S. Investment Volume to Year End 2023



Source: CoStar

U.S. MSCI RETURNS

Annualized Returns by Property Type to Sept 2023



Source: © MSCI Real Estate 2023

Capitalization rate decompression will more than offset continuously stable and positive income component performance.

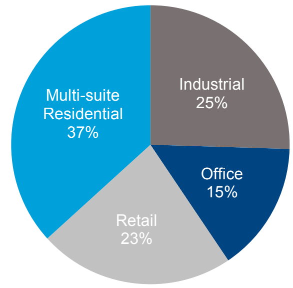
NEW SUPPLY PRESSURE TO EASE SOMEWHAT

New supply pressure in the U.S. multi-suite residential rental property sector will ease somewhat over the near term. More than 450,000 units of new supply are forecast for delivery across the country in 2024. The total is significantly lower than the all-time high of just over 575,000 units added to inventory in 2023. In 2025, new supply is projected to decrease by 100,000 units year over year. The forecast downturn in new supply can be attributed to several factors. Weaker rental market fundamentals and construction delays will reduce construction activity in the near term. Additionally, rising vacancy rates and slow rent growth will continue to impact activity levels. As a result, rental market new supply pressure will ease somewhat over the near term.

Rental market new supply pressure will ease somewhat over the near term.

TOTAL SALES BY PRODUCT

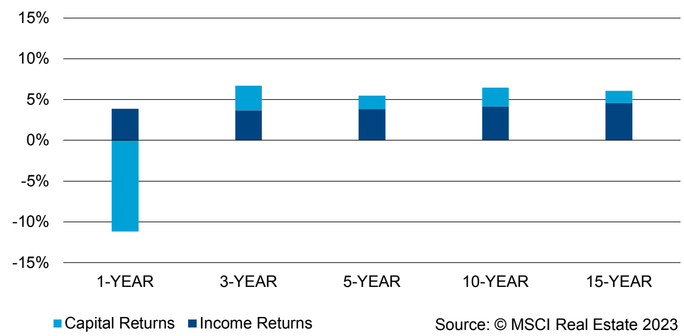
For The 1-Year Period 2023



Source: CoStar

U.S. MULTI-SUITE ANNUALIZED RETURNS

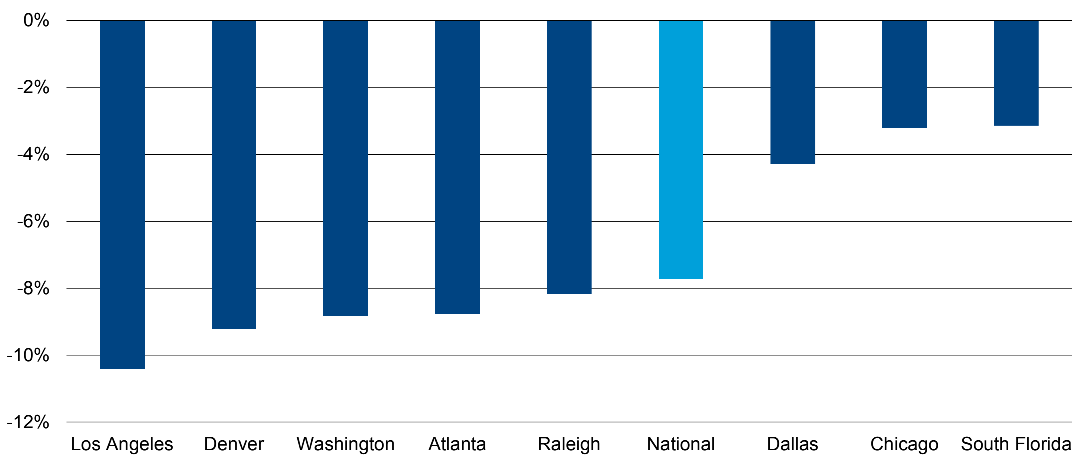
Performance For The Period Ending Sept 2023



Source: © MSCI Real Estate 2023

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending Sept 2023



Source: © MSCI Real Estate 2023

INVESTMENT MARKET TRANSACTIONS

WASHINGTON DC

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
750 Thornton Way	Dec-23	$180.0M	439	$410,023	2018	A	Bell Partners Inc
2901 Connecticut Ave NW	Oct-23	$66.7M	236	$282,458	1927	B	Stonebridge Investments
801 Elmcroft Blvd	Sep-23	$135.5M	402	$337,065	1999	A	Peterson Companies
410 Elm St	Aug-23	$250.0M	456	$548,246	2021	A	AIR Communities
4408 Oak Creek Crt	Aug-23	$85.6M	282	$303,546	1987	B	GID Investment Advisors LLC
1028 S Walter Reed Dr	Jul-23	$105.0M	269	$390,559	2009	A	Penzance

RALEIGH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
1331 Chester Ave	Sep-23	$114.5M	315	$363,492	2023	A	TA Realty
14411 Callaway Gap Rd	Jul-23	$79.9M	369	$216,599	2010	B	CBRE Investment Management

ATLANTA

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
1600 Ronald Reagan Blvd	Dec-23	$85.3M	336	$253,720	2022	A	Harbor Group International Inc
1500 Ridge Brook Trl	Nov-23	$110.3M	532	$207,237	1991	B	The Related Companies
5360 Cherokee St	Sep-23	$83.5M	315	$265,079	2020	A	Cantor Fitzgerald & Co.
2696 N Druid Hills Rd NE	Sep-23	$108.0M	500	$216,000	1987	B	Elme Communities
1887 Duluth Hwy	Sep-23	$100.5M	378	$265,873	2017	A	Eaton Vance
7150 W Peachtr. Dunwdy NE	Sep-23	$107.5M	530	$202,830	1999	B	Tishman Speyer
1290 Old Peachtree Rd	Aug-23	$135.0M	390	$346,154	2022	A	Weinstein Properties

PALM BEACH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
3770 County Line Rd	Nov-23	$15.0M	16	$937,500	2017	B	Vox Real Estate Holdings LLC

CHICAGO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
939 W Washington Blvd	Dec-23	$127.9M	357	$358,123	2019	A	Tishman Speyer
727 W Madison St	Aug-23	$231.5M	492	$470,528	2018	A	Ponte Gadea USA Inc

NEW ORLEANS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
7019 Crowder Blvd	Jul-23	$15.0M	161	$93,168	1976	B	Huntington Park 23 Llc

DALLAS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
4216 Sloane St	Oct-23	$142.0M	570	$249,123	2017	A	AvalonBay Communities Inc.
1801 McCord Way	Sep-23	$83.1M	360	$230,833	2013	A	AvalonBay Communities Inc.

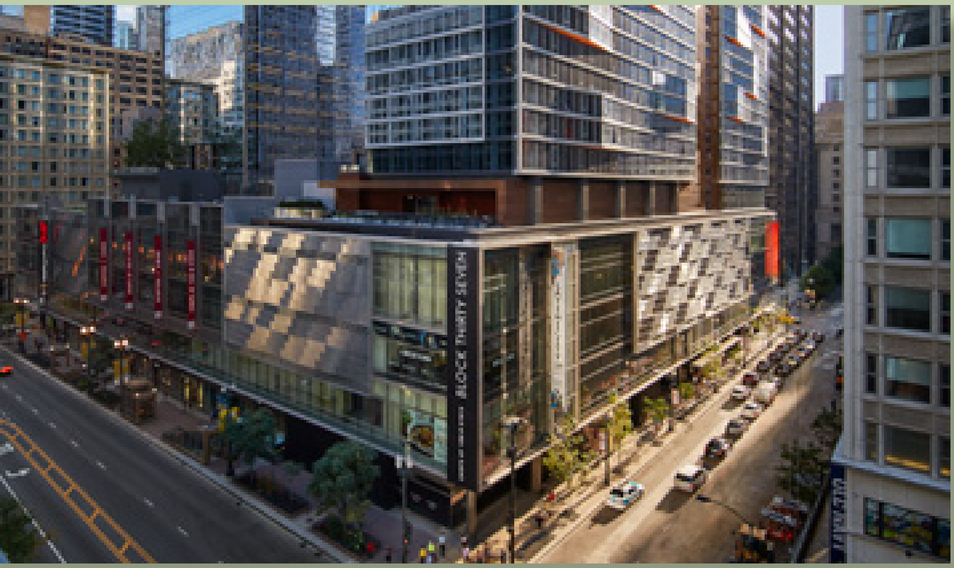
DENVER

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
5775 W Dartmouth Ave	Dec-23	$76.0M	260	$292,308	2003	A	MG Properties
4400 S Syracuse St	Oct-23	$95.3M	316	$301,424	2021	A	MG Properties
4055 Inca St	Oct-23	$161.0M	434	$370,968	2020	A	Kairoi Residential
9100 Vance St	Oct-23	$81.0M	276	$293,478	1994	B	GID Investment Advisors LLC
7901 E Belleview Ave	Sep-23	$89.0M	258	$344,961	2015	B	Jackson Square Properties
10346 Park Meadows Dr	Aug-23	$80.1M	232	$345,198	2018	A	Ares Real Estate Income Trust Inc
6465 S Xanadu Way	Aug-23	$78.5M	203	$386,700	2022	B	Draper and Kramer Inc
3498 E Ellsworth Ave	Jul-23	$225.0M	587	$383,305	1987	A	Broe Real Estate Services Inc
3299 Brighton Blvd	Jul-23	$182.0M	417	$436,451	2021	A	Mill Creek Residential

LOS ANGELES

PROPERTY	DATE	PRICE	SUITES	PER SUITE	YEAR BUILT	CLASS	PURCHASER
1150 N Poema Pl	Oct-23	$106.7M	280	$380,893	1985	C	IMT Residential
745 N Sunset Ave	Oct-23	$40.0M	140	$285,714	1964	C	B.A.G. Investments Inc

METROPOLITAN ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK



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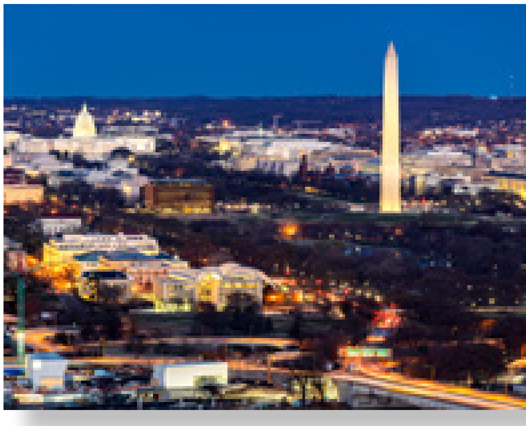
METROPOLITAN

WASHINGTON, DC

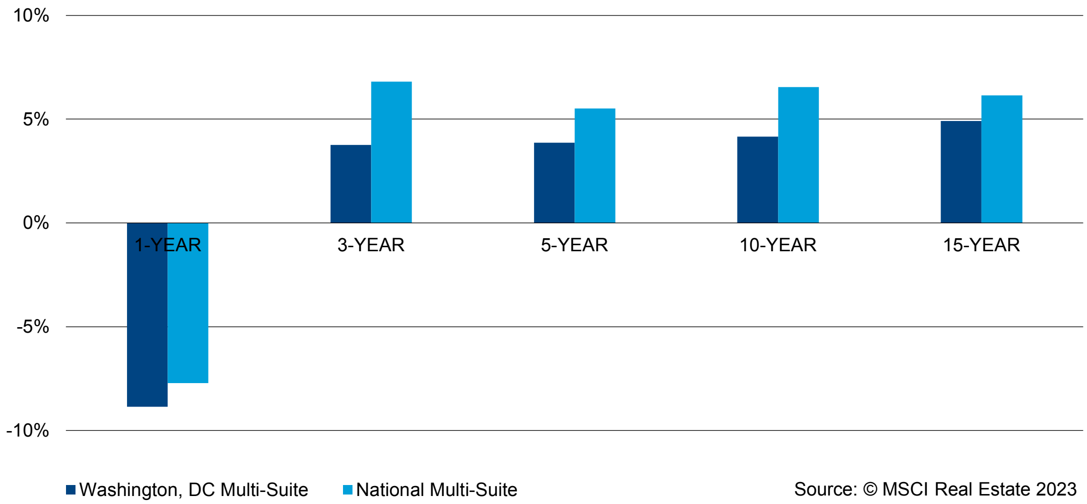
GROWTH SLOWDOWN TO UNFOLD

The Washington-Arlington-Alexandria (WAA) metropolitan statistical area (MSA) economy will slow over the near term. The MSA's GDP is forecast to expand by a modest 1.4% in 2024 and 1.2% in 2025 on the heels of a 2.5% gain in 2023. Labour market gains will be moderate with employment rising by an annual average of just over 1.0% in 2024/2025. The region's tourism and recreation and government sectors will be the leading economic growth drivers over the near-to-medium term.



HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

Job growth is projected to slow significantly over the near term, largely due to weaker economic performance. WAA employment will rise by 1.4% in 2024 following the 2.1% lift in the preceding year. The WAA's labour market will remain tight over the next few years, despite a markedly weaker job growth trend. The unemployment rate will stabilize at 3.0% over the next few years. Worker wages will continue to rise at a healthy rate, while job growth moderates.

Consumer spending growth is expected to weaken over the near term. Growth of 1.6% for 2024 and a modest 1.3% for 2025 are forecast by Oxford Economics. In 2022 and 2023, consumer outlays increased by a stronger 1.8% and 1.9%, respectively. The main causes of the weaker spending outlook are weaker economic and job growth trends. Wage growth will boost consumer spending to some degree over the near term, a period during which spending growth will slow substantially.

RENTAL MARKET STABILITY FORECAST

Stabilization is forecast for the WAA's multi-suite residential rental market over the near term following an uneven 2023 performance. Construction activity will remain robust in 2024 with deliveries exceeding the 10,000-unit mark for an eleventh consecutive year. Modest economic and labour market growth will drive sustained and positive demand patterns. In-migration will also support a generally healthy rental demand backdrop in the WAA MSA. Market rents will rise modestly over the near term even though demand will fall short of supply. CoStar is forecasting annualized rent growth for this market of roughly 2.4% in each of 2024 and 2025. Landlords in new supply rich submarkets will continue to offer concessions to prospective tenants as vacancy edges higher. Typically, between one and three months of free rent have been offered recently, a trend that will continue through much of 2024. Rent increases have been realized when existing tenants have renewed in this market, which will continue over the near term. Overall, rents have increased steadily over the past few years except during the pandemic-influenced downturn of early 2020. In short, the WAA MSA multi-suite residential rental market is expected to stabilize over the near term following a period of unevenness.

INVESTMENT SALES ACTIVITY IS EXPECTED TO PICK UP

Investment sales activity in the WAA MSA multi-suite residential rental property market is expected to pick up in the second half of 2024. The Fed is expected to begin lowering interest rates in the latter half of 2024 as inflation falls to its 2.0% target level. In turn, interest rate sensitive buyers will make their return to the WWA MSA market in search of investment opportunities. Access to lower-cost debt is expected to fuel increased activity. In 2023, investment sales activity declined sharply with annual transaction volume totaling $2.8 billion, down from the $8.2 billion reported for 2022. As the cost of debt capital increased in 2022 activity slowed and downward valuation pressure increased. The capital erosion was reflected in investment performance patterns. Properties contained in the MSCI Index posted a negative total annual return of 8.8% for the year ending September 30, 2023. Capital erosion over the period more than offset a stable and positive income component performance. The negative return contrasted with the positive 13.0% total average return registered for the previous 12-month period. Investment performance is expected to improve in 2024 with sales activity forecast to increase significantly in the second half.

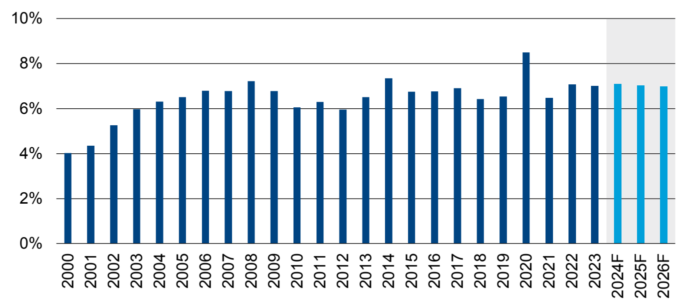
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

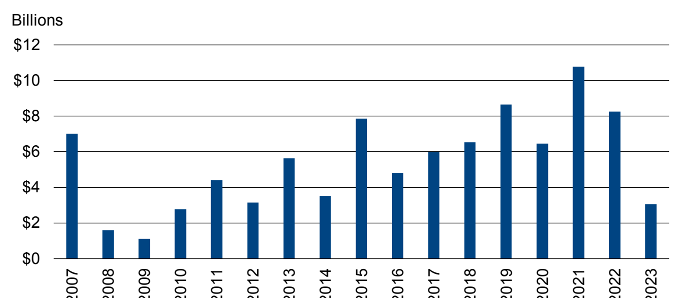
Washington, D.C. Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Washington Multi-Suite Investment Volume to Year End 2023



Source: CoStar

Investment sales activity in the WAA's multi-suite residential rental property market is expected to increase in the second half of 2024.

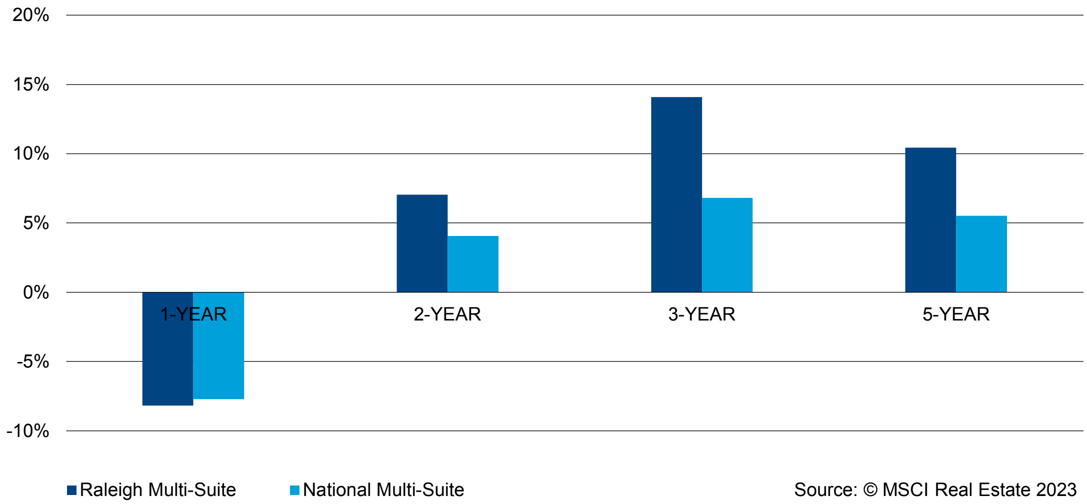
RALEIGH, NC

GROWTH WILL MODERATE SUBSTANTIALLY

Raleigh MSA's economic growth will moderate substantially over the near term following a two-year period of robust expansion. Output is projected to increase by 1.7% in 2024, down from the average annualized rate of 3.8% registered for 2022/2023. According to Oxford Economics, growth in 2024 will be led by the MSA's computer systems design, miscellaneous professional and technical services, and construction sectors.

HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

Largely stable and healthy labour market conditions are forecast for the Raleigh MSA through to the end of 2024. MSA employment will rise by a solid 2.0% in 2024, following a 3.6% advance in 2023, according to figures from Oxford Economics. The unemployment rate will rise to 3.7% from the 3.1% average of 2022/2023 with labour force additions exceeding job growth. Wage growth will moderate as labour market demand eases. More broadly, labour market conditions will remain stable and healthy through the end of 2024.

Relatively healthy consumer spending patterns are predicted for 2024, in keeping with the trend of the past few years. Spending will increase by 2.6% on an annualized basis this year compared to an average of 3.9% annually in 2022/2023. Spending is expected to slow in the first half of 2024 while interest rates remain high and job growth slows. On balance, consumer spending patterns will remain healthy in 2024, in keeping with the trend of the past few years.

NEW SUPPLY SURGE WILL PUSH VACANCY TO CYCLE PEAK

A surge of new supply deliveries will propel the Raleigh MSA multi-suite residential rental market vacancy to a peak for the cycle. The market average vacancy rate is forecast to peak at 12.1% in 2024, up 20 bps from the previous record high of 11.9% set in 2023. Vacancy will continue to rise with the addition of 16,000 units of new supply projected for 2024. Construction activity has surged over the past couple of years with a benchmark high of 14,718 units of new supply completed in 2023, as reported by CoStar. Rental demand is expected to fall short of supply over the near term, in keeping with the trend of the past few years. As a result, rent growth will be modest, ranging between 2.0% and 3.0% annually in 2024 and 2025. The average market rent increased by an annual average of 4.3% in 2022 when fewer than 10,000 units of new supply were completed. Over the near term, new supply will reach a record high, which will drive vacancy to an all-time high in 2024.

INVESTMENT MARKET RECOVERY FORECAST

A recovery is expected to unfold during the second half of 2024 in the Raleigh MSA's multi-suite residential rental property sector. The impetus for the recovery will be lower borrowing costs and sector risk. The cost of debt capital will draw interest-rate sensitive buyers back to the market. In turn, investment activity will increase in the second half of 2024. Investors will seek out acquisitions in this market as the lending market continues to stabilize. The bidding environment will become increasingly competitive as institutional and private groups, both national and regional, target the Raleigh MSA for opportunities. Properties in the Northeast Raleigh and North Cary/Morrisville submarkets will attract significant interest, in keeping with the medium-term trend. Property values will stabilize and subsequently rise. Capitalization rates will begin to compress once again. Investment activity had slowed significantly in the second half of 2022 and remained muted throughout 2023 as borrowing costs increased along with sector uncertainty. Buyers looked for pricing adjustments to offset the rising cost of capital and sector uncertainty, resulting in increased downward pressure on values and upward pressure on capitalization rates. The recovery phase of the Raleigh MSA multi-suite residential rental property investment market cycle is forecast to begin in the second half of 2024, following a period of weaker performance over the recent past.

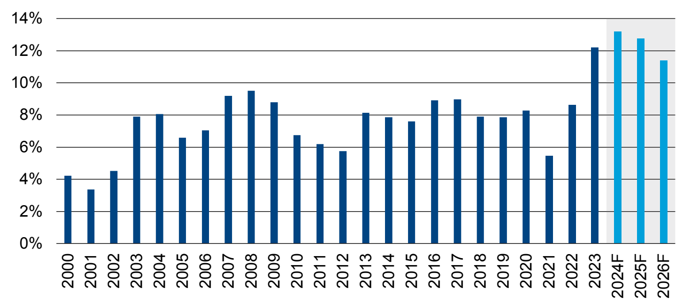
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

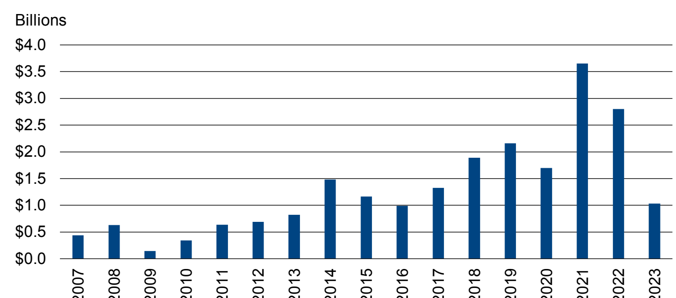
Raleigh Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Raleigh Multi-Suite Investment Volume to Year End 2023

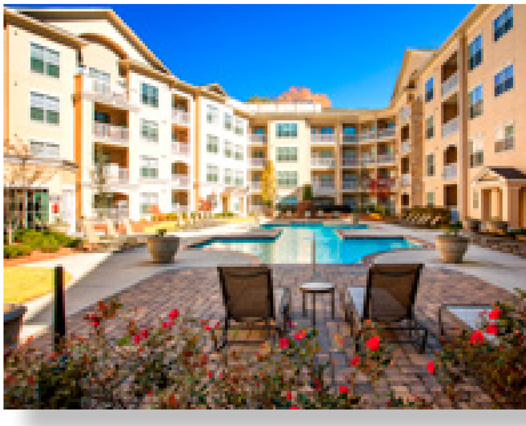


Source: CoStar

The market average vacancy rate is forecast to peak at 12.1% in 2024, up 20 bps from the previous record high of 11.9% set in 2023.

ATLANTA, GA

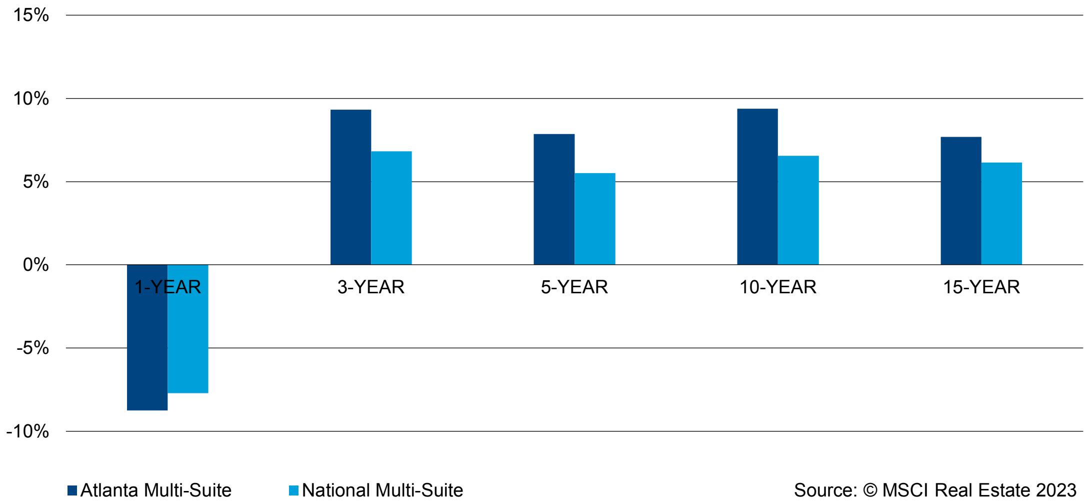
SLOW GROWTH CYCLE PHASE TO CONTINUE



The Atlanta-Sandy Springs-Roswell (ASSR) MSA's slow growth economic cycle will continue over the near term. Real GPD is projected to rise by an annual rate of 1.4% and 1.5% in 2024 and 2025, respectively, following an advance of 0.8% recorded for 2023. Economic output will be boosted by interest rate cuts, a moderate consumer spending growth trend, and reduced inflation pressure over the near term.

HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

ASSR labour market conditions will soften over the near term, continuing the 2023 trend. Employment is expected to increase by a modest 1.2% this year following robust growth of 5.2% in 2022 and 2.4% last year. The unemployment rate will rise to 4.1% in 2024, representing a four-year high. The labour market softening can be attributed largely to weaker economic performance with economic growth slowing substantially in 2023 and a modest 1.2% gain forecast for 2024. As a result, labour market conditions will soften over the near term.

Consumer spending growth will trend lower over the near term. Spending will increase by an annual average rate of 1.8% in 2024/2025, according to Oxford Economics. Discretionary spending will be limited to some degree by the forecast higher-for-longer interest rate cycle. Job growth moderation will also negatively impact spending patterns over the near term. Wage growth will boost spending, with the ASSR's average weekly wage rising by 4.0% in 2024. However, spending growth will trend lower over the near term.

BRISK NEW SUPPLY DELIVERY PACE TO CONTINUE

New supply deliveries will continue at a brisk pace in the ASSR MSA multi-suite rental market over the near term. Approximately 30,000 purpose-built rental units were under construction across the ASSR MSA as of the beginning of 2024, according to CoStar. Roughly 14,700 new supply completions are forecast for 2024 with a further 10,870 units expected in the following year. Many of the projects scheduled for completion over the next couple of years will be in the Midtown, Buckhead and West Midtown, South Atlanta, and Eastside submarkets. The brisk pace of new supply deliveries over the near term will ensure that ASSR MSA vacancy remains elevated. Vacancy is expected to hold firm in the low double digit range this year and in 2025. The vacancy rate average for this market climbed into double-digit range for the first time in 2023. Market rents are expected to stabilize in 2024/2025, given the near record-high vacancy and relatively moderate rental demand patterns. The forecast rent stabilization will be largely driven by the brisk pace of new supply deliveries expected over the near term.

STRONGER CAPITAL FLOW TREND EXPECTED TO UNFOLD

A stronger capital flow trend is expected to unfold in the second half of 2024 in the ASSR's multi-suite residential rental investment property market. The cost of debt capital is expected to begin declining by the spring of 2024 at the earliest. Leverage-driven buyers will return to the market in search of attractive yields, resulting in a stronger capital flow trend. In some cases, buyers will remain on the sidelines until the second half. Investment sales activity began to slow during the latter half of 2022 as borrowings costs and economic uncertainty steadily rose. Transaction volume subsequently totaled $2.3 billion for 2023, markedly lower than the decade's annual average and the $6.6 billion reported by CoStar for 2022. Property values declined as buyers looked for pricing adjustments to offset the rising cost of debt. Investment performance reflected the downward pressure on values. Properties contained in the MSCI Index posted a negative annual average total return of 9.7% for the year ending September 30, 2023. Capital erosion over the period more than offset a positive income component performance. Investment performance is expected to improve during 2024 as property values stabilize. At the same time, the ASSR's capital flow trend is expected to strengthen considerably.

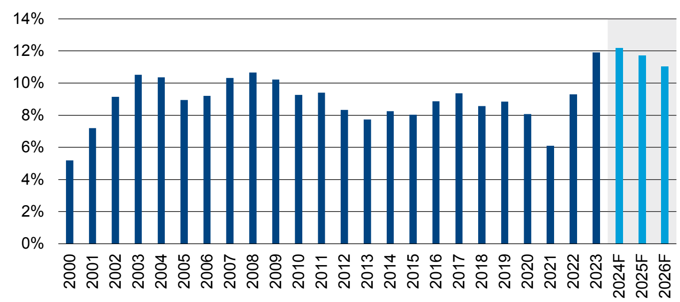
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

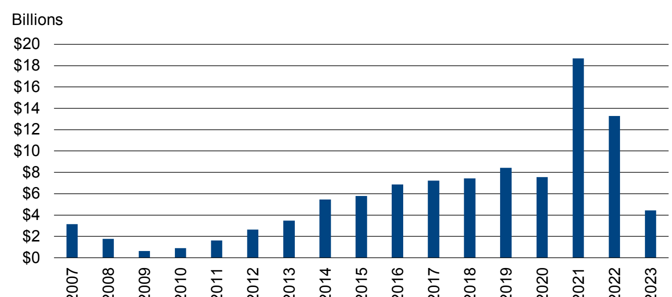
Atlanta Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Atlanta Multi-Suite Investment Volume to Year End 2023



Source: CoStar

Transaction volume totaled $2.3 billion in 2023, markedly lower than the decade's annual average and the $6.6 billion reported by CoStar for 2022.

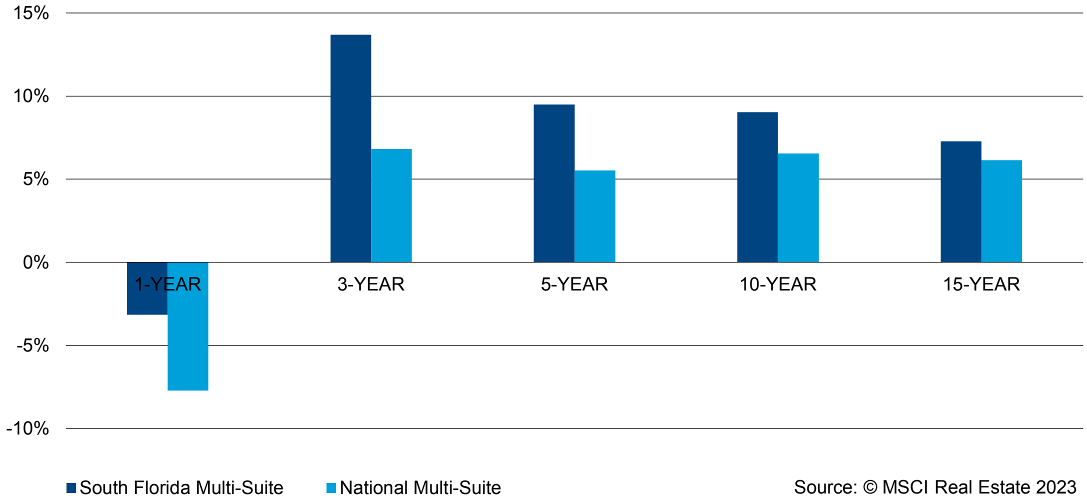
PALM BEACH, FL

ECONOMY WILL GEAR DOWN

The Palm Beach MSA economy is expected to gear down over the near term following a markedly stronger-than-expected 4.4% advance in 2023. The MSA's GDP will expand by a modest 1.4% in each of 2024 and 2025. Growth will be led over the near and medium term by the region's real estate, construction and retail trade sectors, according to Oxford Economics. Labour market performance will moderate over the near term given a weaker economic growth trend.

HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

A modest improvement is forecast for the Palm Beach MSA labour market over the near term after a two-year period of above-average performance. Employment is projected to increase by 1.2% in 2024 after 5.5% and 2.9% gains in 2022 and 2023, respectively. The MSA's average weekly wage will rise by 2.6% compared to an annual average increase of 6.0% in 2021/2022. Job market conditions will remain tight with the unemployment rate resting at 3.0% in 2024. In short, labour market conditions will improve modestly over the near term.

Consumer spending growth will moderate over the near term, having stabilized over the recent past. Spending is expected to increase by an annualized rate of 2.4% this year following a 3.5% gain in 2023. Consumer spending power will be reduced in 2024 due to the negative effects of higher debt-servicing costs and inflation on household balance sheets. Consumer spending gains will remain modest over the medium term, in keeping with the 2024 trend.

RENTAL MARKET FUNDAMENTALS TO CONTINUE SOFTENING

Palm Beach multi-suite residential rental market fundamentals will continue to soften in 2024 as new supply outstrips demand. The market's average vacancy rate is forecast to eclipse the 8.0% mark for only the second time in the past 14 years, according to CoStar. Double-digit vacancy is forecast for submarkets with above average new supply volume. As vacancy rises, rent growth will slow substantially through at least the first half of the year. At the same time, some of the market's owners will continue to offer concessions, such as free rent, to prospective tenants. New supply will outdistance rental demand over the near term, resulting in weaker rental market fundamentals. More than 6,000 units of new supply were under construction at the end of 2023 with most slated to enter the market in 2024/2025. Rental demand patterns began to soften in the last few months of 2023, a trend that is expected to persist into the first half of 2024. Slowing population growth and economic headwinds will continue to negatively impact rental demand patterns over the near term. In short, Palm Beach MSA rental market fundamentals will continue to soften over the near term.

INVESTMENT DEMAND WILL INCREASE

Demand for investment grade multi-suite residential rental property in the Palm Beach MSA is expected to increase in the second half of 2024. The forecast is predicated on lower borrowing costs and reduced economic uncertainty. The Fed is expected to have begun cutting rates by the second half of 2024, which should boost activity levels in this market. Property values will begin to stabilize as activity levels increase and capitalization rates level off. Investor risk-adjusted return expectations will likely be adjusted as rental market conditions soften. The probability of downward capitalization rate pressure will increase. Investment sales activity began to decline in the second of 2022 as borrowing costs increased significantly along with asset class and economic risk levels. In some cases, investors retreated to the sidelines while buyers looked for pricing adjustments to offset higher borrowing costs and risk. Vendors were unwilling to meet the demands of buyers. As a result, a period of price discovery ensued. During this period, investment activity levels decreased substantially with the second lowest annual sales volume total reported for 2023 in over a decade. Valuations declined modestly in 2023 as rent growth slowed and asset class risk rose substantially. Property values should stabilize, assuming investment demand and activity levels increase in the latter half of 2024.

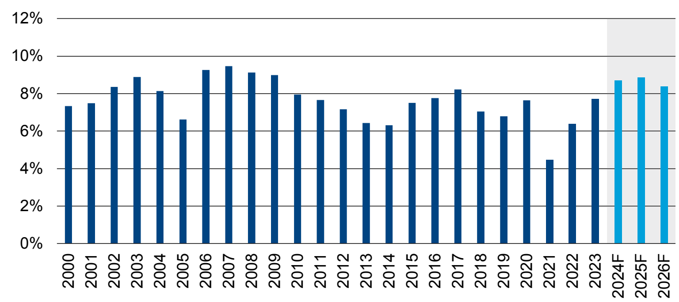
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

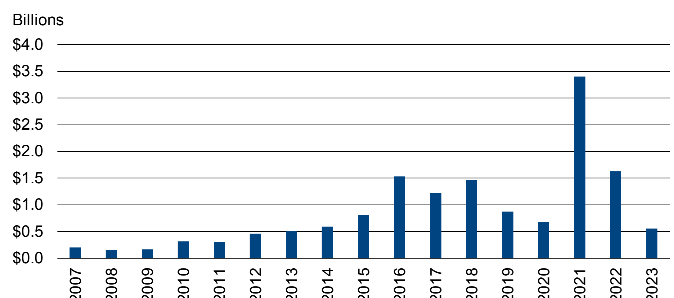
Palm Beach Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Palm Beach Multi-Suite Investment Volume to Year End 2023

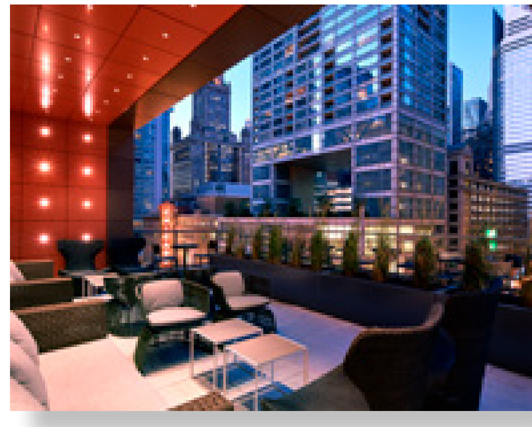


Source: CoStar

More than 6,000 units were under construction at the end of 2023, most of which will be delivered to the market in 2024/2025.

CHICAGO, IL

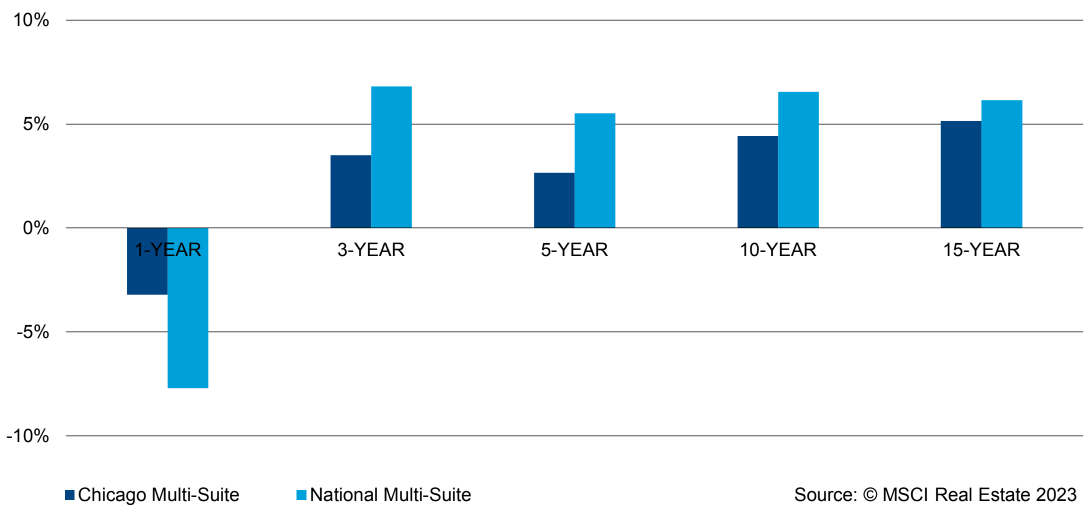
MODEST GROWTH TREND FORECAST



Modest economic growth trend is forecast for the Chicago Naperville-Elgin (CNE) MSA over the near term. Output will advance by just shy of 1.0% in 2024, matching the 2023 expansion rate. The modest growth outlook is predicated largely on the region's overdependence on low-growth industries. Growth will be strongest in the real estate, manufacturing, and computer systems design sectors over the next few years.

HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

The CNE MSA's near-term labour market outlook is mixed. Total employment is projected to increase by a relatively modest 0.8% in 2024, following a 1.5% gain in 2023. Wage growth will continue at a healthy rate. The average weekly wage will rise by just over 3.0% in each of 2024 and 2025, according to Oxford Economics. However, the region's unemployment rate will rise by 90 bps to 5.2% in 2024. In short, the MSA's labour market performance outlook is mixed.

Consumer spending patterns will weaken considerably over the near term. Consumption is projected to increase by just 0.8% in 2024, down from 1.6% in 2023. Employment growth will slow over the near term, which will have a negative impact on spending. The region's consumers will reduce spending on discretionary items in the first few months of 2024 while debt servicing costs remain high. In 2025, spending will increase modestly, having weakened considerably in 2024.

CONTINUED RENTAL MARKET RESILIENCE FORECAST

Resilience will be the dominant theme in the CNE MSA multi-suite residential rental market over the near term, in keeping with the trend observed in second half of 2023. Vacancy will stabilize in 2024, increasing by just 10 bps to a still healthy 5.8%. Decade or near decade high vacancy is forecast for many of the nation's larger metros over the near term, due in large part to a surge of new construction deliveries. Rental demand will keep pace with supply in the CNE MSA over the near term while falling markedly short of new supply in many other regions. A balanced rental market demand supply dynamic is forecast for the CNE MSA over the near term, despite the delivery of a decade high of 10,500 units of new supply in 2023. The gradual return of skilled workers has boosted rental demand in the downtown area. Construction activity will slow in 2024 against a relatively stable demand backdrop. Further evidence of the CNE's rental market resilience was contained in recent rental rate patterns. Rents are expected to stabilize through to the midway mark of 2024, which is indicative of the rental market resilience forecast for the near term.

INVESTMENT SALES ACTIVITY LEVELS TO UNDERWHELM

Investment property sales activity will continue to underwhelm over the near term, in keeping with the trend observed in the second half 2022 and 2023. Transaction volume will fall short of the long-term average through to at least the midway mark of 2024 while the cost of debt capital remains elevated. Buyers will continue to source higher risk adjusted returns to offset the elevated cost of borrowing. As a result, capitalization rates will continue to rise gradually, in keeping with the recent trend. The downward valuation trend will continue to negatively impact performance. Properties contained in the MSCI Index registered a negative annual total return of 3.3% for the year ending September 30, 2023. Investment performance will remain negative given a forecast downward valuation trend over the near term. Despite this trend, trophy and recently built downtown assets will continue to generate interest from a range of buyer groups. Buyers will continue to exhibit confidence in the long-term outlook for this market and be drawn by the recent rental market resilience. Private groups will also target properties in this market, especially those that are less dependent on positive leverage. In short, investment sales activity will remain below the long-term average over the near term, in keeping with the national trend.

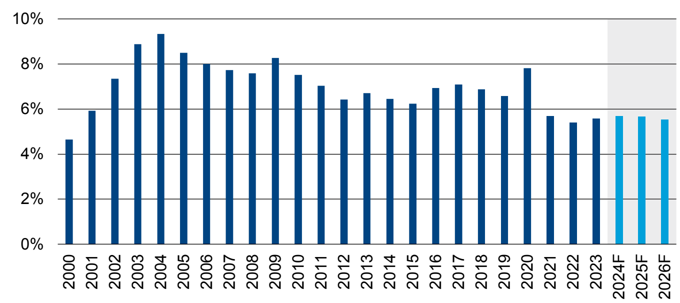
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

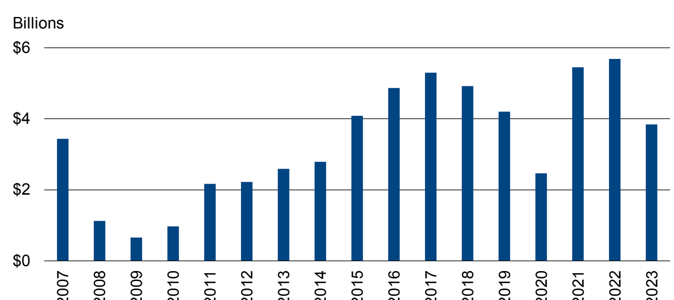
Chicago Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Chicago Multi-Suite Investment Volume to Year End 2023



Source: CoStar

Resilience will be the dominant theme in the CNE MSA multi-suite residential rental market over the near term.

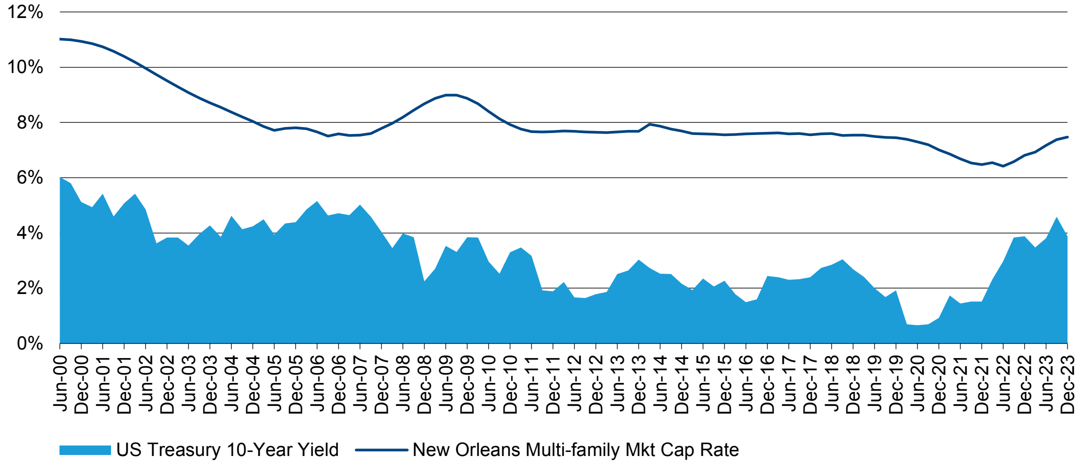
NEW ORLEANS, LA

SLOW GROWTH FORECAST

The New Orleans-Metairie (NOM) MSA economy will grow slowly over the near term. Economic output will increase by just 1.0% in 2024, according to Oxford Economics. A similar expansion rate is forecast for the following year. The NOM MSA economy contracted by 1.6% in 2022, which was followed by a slightly better 1.8% advance in 2023. The MSA's near term growth leaders will be its manufacturing, real estate and retail trade industries.

YIELD SPREADS

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



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

Job growth in the NOM MSA is expected to slow substantially over the next few years. Employment will increase by a modest 0.9% in 2024, following a 2.2% increase in 2023. Subsequently, employment will level off through to 2028. The MSA unemployment rate will rise by 110 bps in 2024 to 4.8% and edge lower to 4.7% in 2025. In 2023, employment rose by 2.2%, just shy of the national average increase. However, NOM MSA job growth is projected to slow substantially over the near term, in keeping with the national trend.

Consumer spending patterns will improve slightly over the near term. Spending is projected to increase by 1.5% year over year in 2024, up from 1.0% in 2023. Employment and wage growth will support a modest uptick in spending in the NOM MSA. Discretionary spending is expected to increase, with the lowering of interest rates. Consumer spending power will increase as inflation pressures ease. In short, consumer spending is expected to increase modestly over the near term, continuing the trend of the recent past.

RENTAL DEMAND WILL OUTPACE NEW SUPPLY

Rental demand in the NOM MSA's multi-suite residential sector will outpace new supply over the near term, in keeping with the recent trend. Renters will continue to absorb available units in this market, given the relatively low cost of renting and easy access to regional commuter routes. Healthy demand patterns are forecast for the market's most expensive and lower-cost buildings. At the same time, the recent development surge will continue to wind down. A modest 376 units will be added to the NOM MSA's multi-suite residential rental inventory in 2024, according to CoStar. The total equates to annual inventory growth of just 0.5%. In 2023, annual inventory growth was just 0.3%. Previously, an average of 975 units of new supply was added to inventory annually between 2019 and 2022. Rents in this market will continue to gradually rise over the near term. The average NOM MSA monthly rent is projected to rise by 3.1% in 2024, a period during which rental demand is forecast to outpace new supply.

INVESTMENT SALES ACTIVITY WILL REMAIN MUTED

NOM MSA multi-suite residential rental property investment sales activity will remain muted through to at least the midway mark of 2024, having dipped to an 11-year low in 2023. Investors will continue to hold off on acquisitions in this market while bid-ask spreads remain relatively wide and borrowing costs are elevated. Modest upward pressure on capitalization rates and downward pressure on values will persist through much of 2024, in keeping with the trend of the past year. Buyers will continue to target older buildings that can be renovated, re-positioned, and command higher rents. Institutional buyers will look to secure larger, stabilized properties that typically target aspirational-driven renters. Historically, local and regional groups have accounted for the largest share of properties acquired in this market. However, out-of-state buyers have and will continue to look for opportunities to acquire institutional-grade assets. Transaction volume will remain below the long-term average in the first few months of 2024. The $119.9 million of transaction volume reported by CoStar for 2023 was down 65.0% year over year and was an annual low dating back six years. Investment activity may increase in the second half of 2024, given an expectation of lower borrowing costs and economic uncertainty. However, sales of multi-suite residential rental property in this market will remain muted over the near term, in keeping with the recent trend.

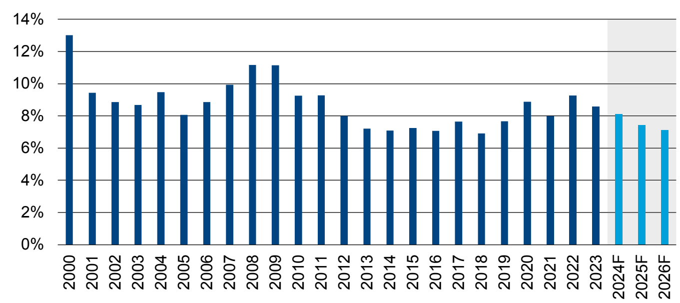
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

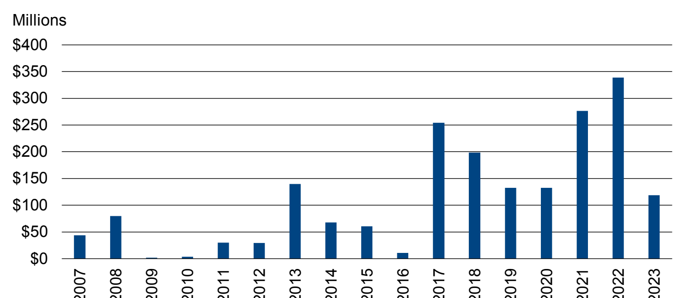
New Orleans Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

New Orleans Multi-Suite Investment Volume to Year End 2023



Source: CoStar

The average NOM MSA monthly rent is projected to rise by 3.1% in 2024, a period during which rental demand is forecast to outpace new supply.

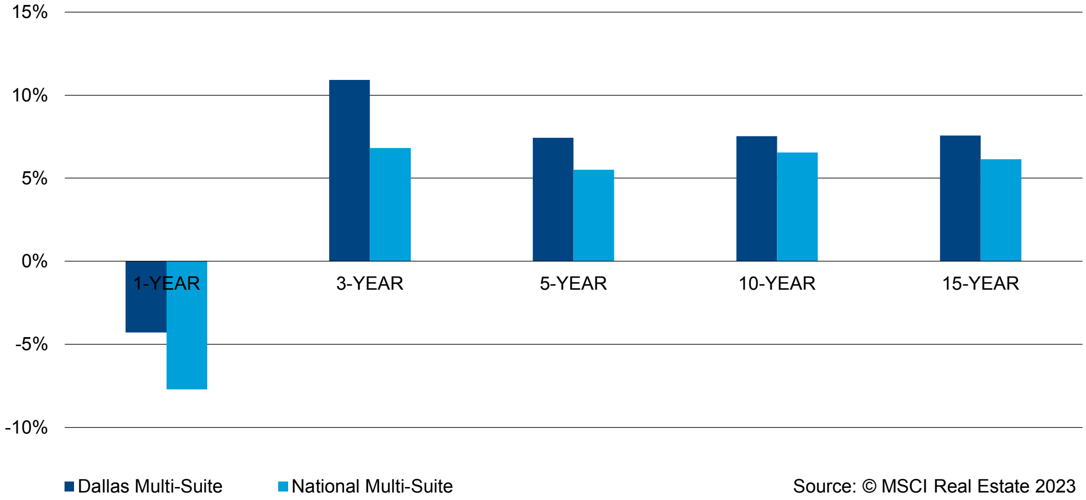
DALLAS, TX

ECONOMIC GROWTH WILL MODERATE

Dallas-Fort Worth-Arlington (DFWA) MSA's economic growth will moderate over the near term after a three-year period of above average results. Output will rise by an annualized rate of 1.7% in 2024/2025. Economic growth had averaged 6.2% annually over a three-year period ending in 2023. The manufacturing, computer systems design, and real estate sectors will be the near-term growth leaders, according to Oxford Economics.

HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

Positive labour market performance characteristics are forecast for the DFWA MSA over the near term. Employment will increase by a solid 2.0% in 2024, driven by moderate economic growth. Labour market conditions will remain tight with a 4.4% unemployment rate forecast for 2024. Wages will continue to rise with an average 2.7% weekly wage increase predicted for the same year. In short, the outlook for the DFWA MSA's labour market is generally positive.

Consumer spending growth will stabilize over the next few years in keeping with the broader national trend. Spending will rise by an average of just over 2.0% annually in 2024/2025. Job growth and lower interest rates will boost spending over the forecast period. Population growth will exceed the national average over the next few years, which will also drive spending higher. In short, consumer spending will increase at a stable and healthy rate over the near term.

ELEVATED SUPPLY SIDE RENTAL MARKET RISK TO PERSIST

An elevated level of supply side rental market risk will persist over the near term, in keeping with the trend of the past year. New supply deliveries will remain the main supply side risk for this market over the next couple of years. Roughly 27,000 units of new supply are forecast for delivery in 2024, down slightly from the decade high of more than 30,000 units in 2023. More than 80,000 units have been added to the DFWA MSA multi-suite residential rental inventory over the three-year period ending in 2023. New supply deliveries drove the market's average vacancy rate into double digit territory in 2023 with the average forecast to rise to a decade high of 10.5% in 2024, up 30 bps year over year. Double digit vacancy is forecast for both the middle and upper tier market segments. Rental demand will continue to fall significantly short of supply over the forecast period. As vacancy rises, rents will edge slightly higher over the near term while effective rents will hold steady. In some cases, landlords will offer incentives to prospective tenants to boost occupancy, especially in new supply rich submarkets. In summary, rental market supply side risk will remain elevated over the near term.

BELOW AVERAGE CAPITAL FLOW TREND FORECAST

The flow of investment capital into the DFWA MSA's multi-suite residential rental property sector will fall short of the long-term average over the near term. Leverage-driven buyers will remain on the sidelines while borrowing costs remain high. At the same time, a relatively wide bid-ask pricing gap will reduce the rate at which capital is invested into this market. Weaker rental market fundamentals will erode investor confidence further. Investment sales activity began to slow significantly in the second half of 2022. By 2023, the volume of capital flowing into the market had fallen below the decade average. Transaction volume of $1.4 billion was reported by CoStar for 2023. At least $3.0 billion of transaction volume was reported in each of the preceding 10 years. Property values drifted lower and capitalization rates higher during 2023. The capital decline was reflected in recent investment performance. Properties contained in the MSCI Index posted a negative annual total return of 4.7% for the year ending September 30, 2023. This negative result was due entirely to capital erosion. By the end of the period the flow of debt and equity capital had dipped below the long-term average, a trend that is forecast to continue over the near term.

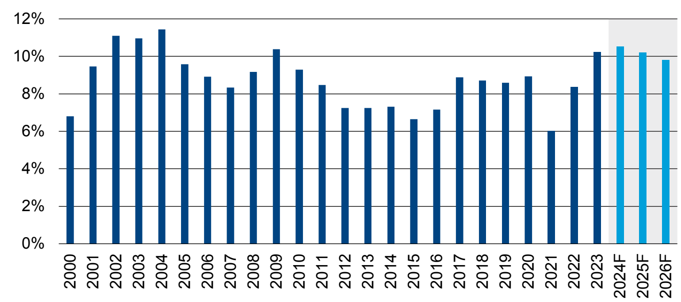
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

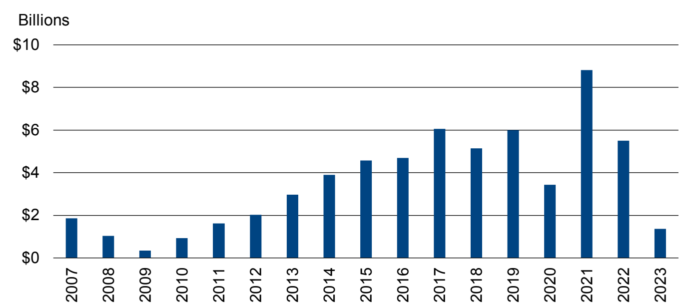
Dallas Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Dallas Multi-Suite Investment Volume to Year End 2023



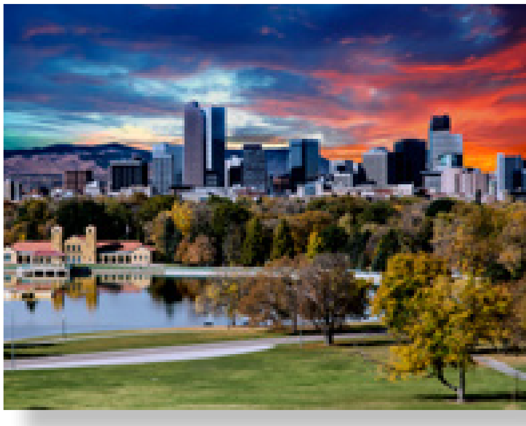
Source: CoStar

Roughly 27,000 units of new supply are forecast for delivery in 2024, down slightly from the decade high of more than 30,000 units in 2023.

DENVER, CO

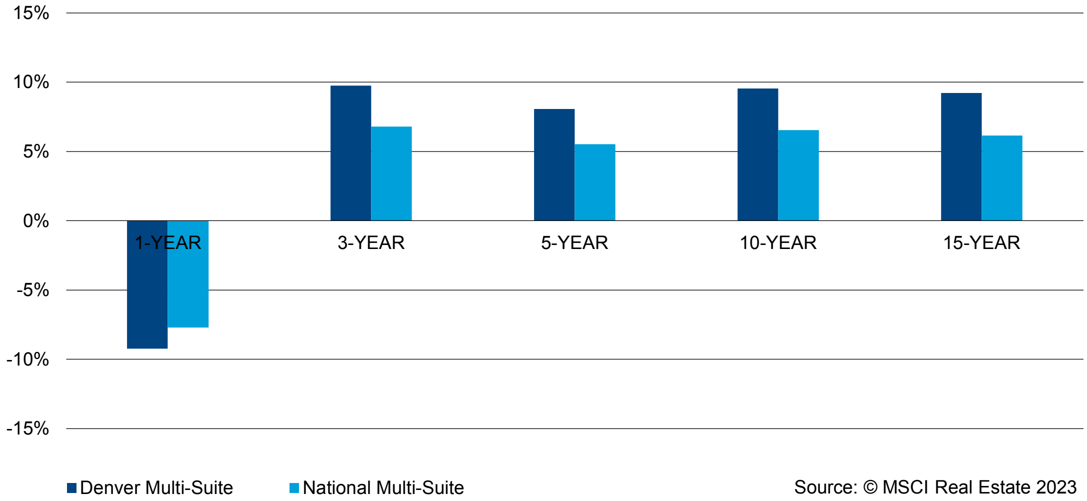
GROWTH OUTLOOK IS MODEST

An economic growth slowdown is forecast for the Denver Aurora-Lakewood (DAL) MSA over the near term, following an extended period of markedly stronger performance. GDP will expand by a modest 1.6% in 2024, following an average annual expansion of 3.8% in 2022/2023. The growth slowdown will be attributed to weaker consumer spending patterns and the ongoing impact of the recent interest rate hikes. The DAL MSA's economic growth trend will strengthen by 2026.



HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

The DAL MSA's near-term labour market outlook is somewhat underwhelming. The underwhelming outlook is attributable largely to a weak economic growth forecast. Employment is expected to rise by a modest 1.2% in 2024, only slightly better than the 0.7% advance reported for 2023. The unemployment rate will rise by 70 bps to 3.7% in 2024, according to a recent Oxford Economics forecast. The DAL MSA labour market will gradually strengthen over the medium term, following a period of underwhelming performance.

Consumer spending growth will moderate over the next couple of years. Consumer outlays will increase by 2.7% in 2024 and 1.9% in 2025. The growth moderation can be attributed to weaker economic and labour market performances over the forecast period. A weaker wage growth trend will also have a negative impact on spending growth. In short, DAL MSA consumer spending growth is expected to moderate over the near term, in keeping with the national trend.

SUPPLY RISK TO PEAK

DAL MSA multi-suite residential rental market supply risk is expected to peak over the near term. Supply risk will peak through much of 2024 with the addition of roughly 12,700 units of new supply. By the end of the year, the DAL MSA inventory will exceed the 306,000-unit threshold. The 2024 new supply peak will drive vacancy levels higher. CoStar is projecting the market average vacancy rate will rise to a 13-year high of 8.9% in 2024. Vacancy had exceeded 8.0% for the first time in over a decade in 2023. Double digit vacancy levels are expected for submarkets with significant new supply delivery volume over the near term. As vacancy levels rise, rent growth will slow substantially. Rents are projected to increase by less than 2.0% in 2024. We may see rents flatten in submarkets where new supply deliveries peak. Rent growth has slowed over the past few years in DAL MSA area as vacancy levels continued to rise. The average monthly rent for this market rose by 3.5% in 2022 and just 1.2% in 2023, according to CoStar figures. Job growth and the high cost of owning will support relatively healthy rental demand patterns over the near term. However, multi-suite residential rental market supply risk is expected to peak despite relatively healthy demand patterns.

INVESTMENT MARKET SLOWDOWN WILL CONTINUE

The slowdown in the DAL MSA multi-suite residential rental investment market, which began in the second half of 2022, will continue over the near term. Sales of investment grade properties will rest below the long-term average through to the midway mark of 2024. Investors will continue to hold off on acquiring properties in this market while the cost of capital remains high. The buyer pool will therefore remain relatively thin when compared to the most recent market peak from 2021 to the first half of 2022. Investment sales slowed significantly in the second half of 2022 as the Fed implemented a series of rate hikes to curb out-of-control inflation. Roughly $2.7 billion of transaction volume was reported for 2023, down sharply from the $5.7 billion in 2022 and the cycle peak of $10.4 billion in 2021 according to CoStar figures. Capitalization rates increased due to a combination of higher borrowing costs, economic uncertainty, and weaker rental market fundamentals. Investment returns trended lower, due in large part to the downward valuation trend. DAL MSA properties tracked in the MSCI Index posted a negative annual total return of 9.3% for the year ending September 30, 2023. The capital decline more than offset a stable and positive income performance. We may see values decline further over the near term as the investment market slowdown continues.

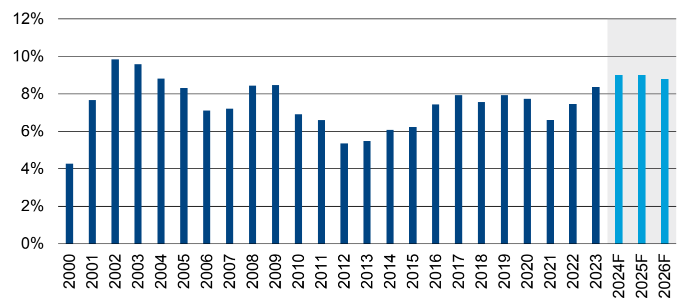
TRENDING STATISTICS

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

AVERAGE RENTAL VACANCY

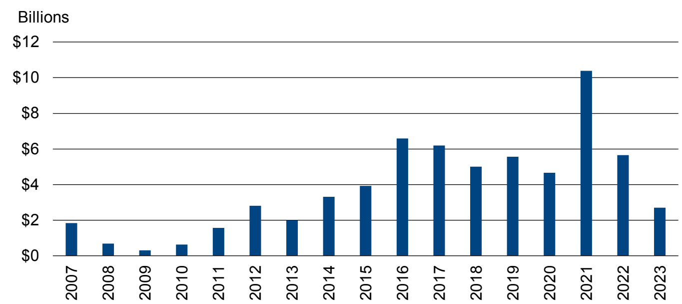
Denver Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Denver Multi-Suite Investment Volume to Year End 2023



Source: CoStar

Supply risk will peak through much of 2024, with the addition of roughly 12,700 units of new supply.

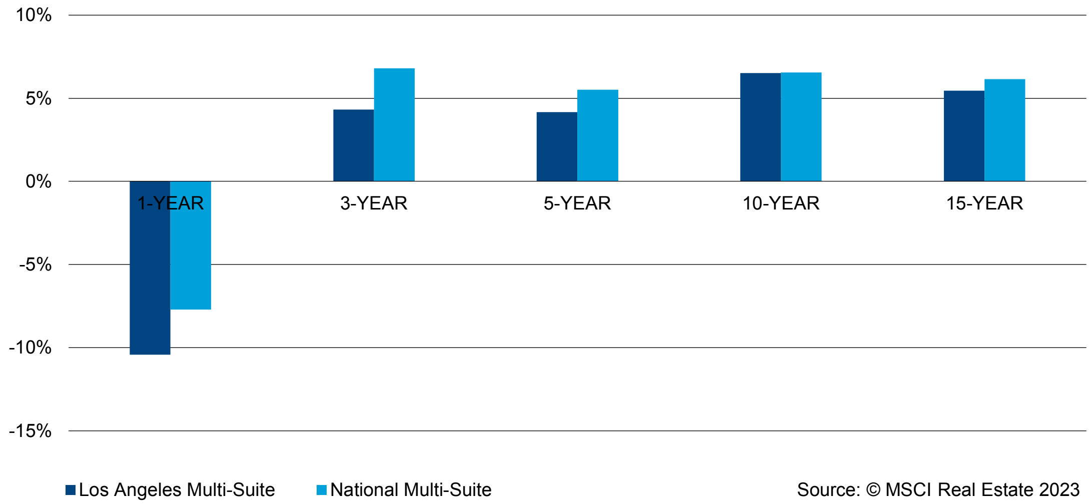
LOS ANGELES, CA

GROWTH SLOWDOWN FORECAST

An economic growth slowdown is forecast for the Los Angeles-Long Beach-Anaheim (LALBA) MSA over the near term following a period of stronger-than expected expansion. Economic output is forecast to advance by an annualized average of just over 1.1% in 2024/2025, down sharply from the 3.0% gain posted for 2023. The LALBA MSA's economy is projected to once again gear down over the near term.

HISTORICAL PERFORMANCE

For the period ending Sept 2023



Source: © MSCI Real Estate 2023

The LALBA MSA's labour market recovery is expected to slow substantially over the near term. As economic growth slows, hiring activity will follow suit. Employment will increase by just shy of 1.0% in 2024, as predicted by Oxford Economics. Job growth had averaged 3.6% annually dating back to 2021. Labour market demand is forecast to exceed supply in 2024, which will push the unemployment rate 100 bps higher to 5.7%. The expected unemployment rate increase is indicative of the forecast near term labour market recovery slowdown.

LALBA MSA consumer spending growth will ease over the near term, in keeping with the broader national trend. The recent interest rate hikes will continue to negatively impact spending through to at least the midway mark of 2024. Spending patterns will soften as hiring activity slows. Discretionary spending will moderate, given the rising cost of accommodation across the region. In short, consumer spending growth will ease over the near term.

RENTAL MARKET STABILIZATION FORECAST

The LALBA MSA's multi-suite residential rental market will stabilize over the near term after softening over the past year. The forecast stabilization is predicated on the combined effects of new supply delivery slowdown and a moderately stronger demand trend. On aggregate, demand is expected to outpace new supply, due in part to the ending of the actors' and writers' strikes and an improved economic outlook. CoStar is projecting 8,100 rental units will be absorbed in 2024 while slightly less than 7,500 units of new supply will be delivered to the market. As a result, vacancy will continue to hover close to the 5.0% mark in 2024. The LALBA MSA's average monthly rent will rise by roughly 2.0%-2.5% in the same year. Previously, vacancy had increased from a decade low of 4.0% in 2021 to 5.1% in 2023. Over the same time-period, the average monthly rent plateaued as new supply deliveries peaked. Over the near term, construction activity is expected to remain moderate, having peaked over much of the past half decade. As demand patterns improve in 2024, the LALBA MSA's rental market will stabilize.

PERSISTENT INVESTMENT MARKET HEADWINDS EXPECTED

Persistent headwinds are expected in the LALBA MSA multi-suite residential rental investment market over the near term. The cost of debt capital will remain elevated through to at least the midway mark of 2024. Consequently, sales of investment property will rest below the long-term average for this market. Investment sales activity began to slow significantly in the second half of 2022 as interest rates began to rise. Investment transaction volume of $4.8 billion was reported for 2023, markedly lower than the $11.8 billion annual average of 2021/2022. Investors have looked increasingly for higher acquisition yields to offset the higher cost of capital. Property values have declined over the past year, allowing some buyers to meet their return objectives. However, in some cases, vendors were unwilling to lower their pricing expectations when looking to sell assets. The downward pressure on property values in the recent past was reflected in investment performance. LALBA MSA properties tracked in the MSCI Index registered a negative annual total return of 10.4% for the year ending September 30, 2023. Capital erosion more than offset positive income component performance. Downward pressure on values will persist over the near term, a period during which investment market headwinds are expected.

TRENDING STATISTICS

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

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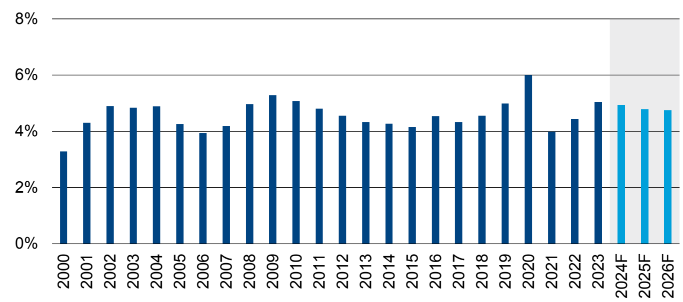
AVERAGE RENTAL VACANCY

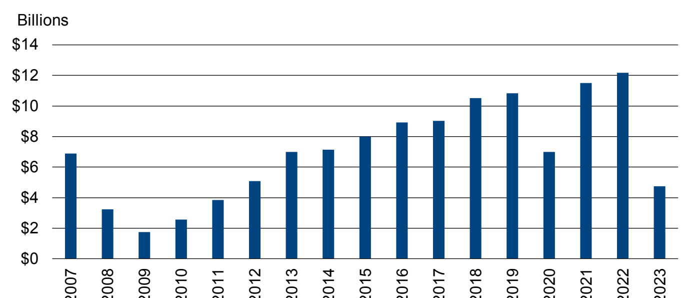
Los Angeles Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Los Angeles Multi-Suite Investment Volume to Year End 2023



Source: CoStar

Investment transaction volume of $4.8 billion was reported for 2023, markedly lower than the $11.8 billion annual average of 2021/2022.

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 December 31, 2023, Morguard had $17.9 billion of total assets under management and employed 1,200 real estate professionals in 11 offices throughout North America.

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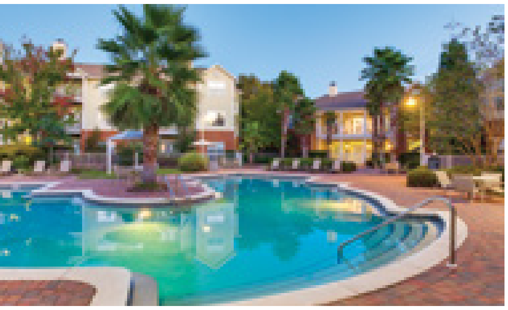

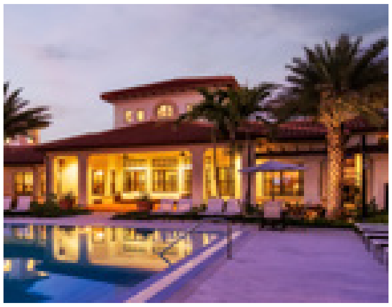

ACKNOWLEDGMENTS / RESEARCH RESOURCES

In the course of compiling the statistical information and commenting on real estate markets, nationally, regionally and across United States metropolitan areas, we acknowledge the assistance and feedback from the following parties in completing this report:

Bank of Canada, Bank of Japan, Bureau of Economic Analysis, Cision Newswire, CBRE Econometric Advisors, CBRE Limited, CIBC World Markets, Colliers International, Conference Board of Canada (CBOC), CoStar Group, Cushman & Wakefield, Economy.com, European Central Bank, Fannie Mae, The Federal Reserve Board, Freddie Mac, International Monetary Fund, Jones Lang LaSalle (JLL), Marcus & Millichap, MSCI, Oxford Economics, PC Bond Analytics, PricewaterhouseCoopers, RBC Capital Markets, RBC Economics, Real Capital Analytics, Inc., Statistics Canada, TD Economics, TMX Datalinx, United States Census Bureau, United States Department of the Treasury, Yardi Matrix, Zillow

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