

Structuring a Successful Real Estate Deal Today

July 25, 2023 | 7:30 am





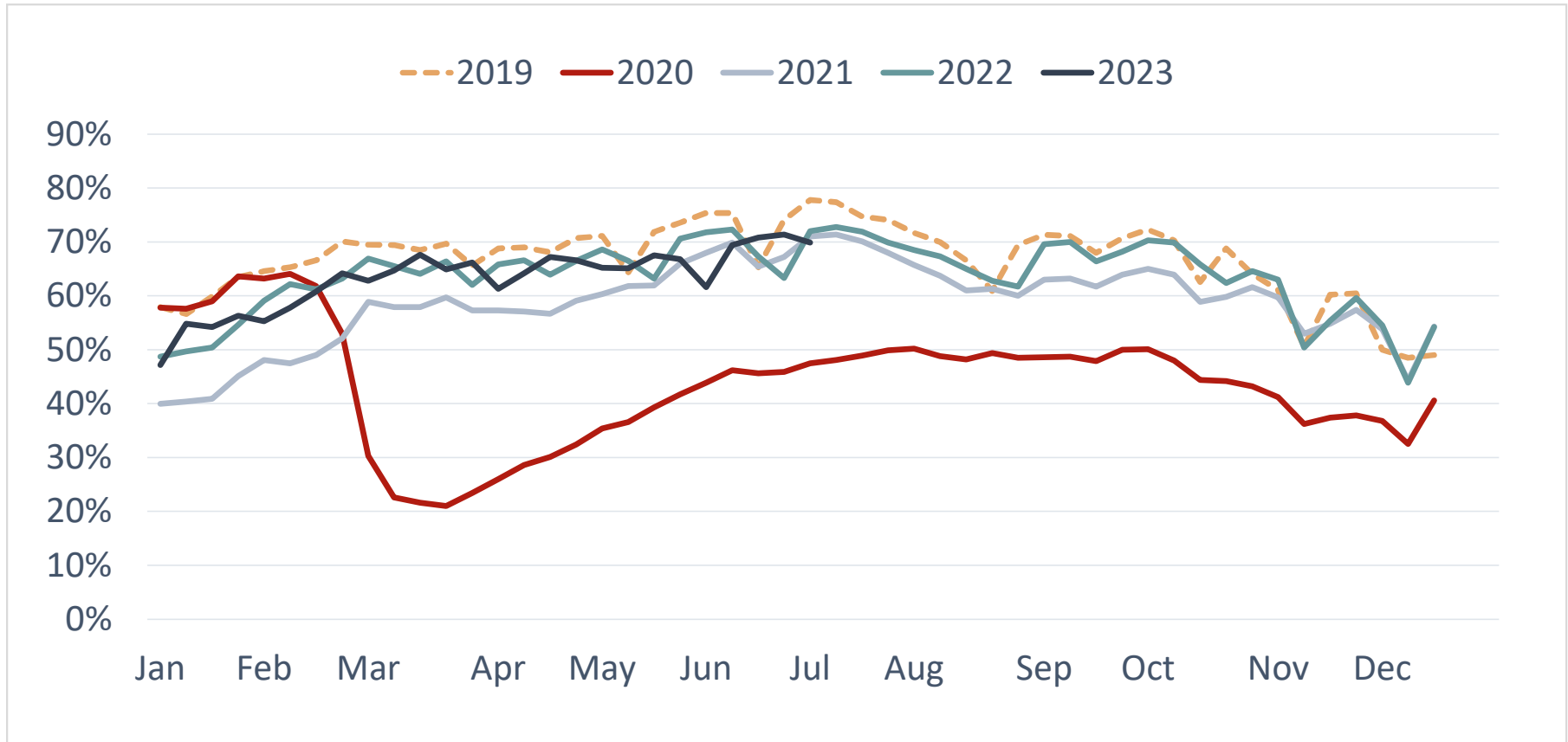
Mid-Year Lodging Performance Outlook 2023

Update on hotel performance, values, and construction costs

Luigi Major, MAI | Managing Director - Americas

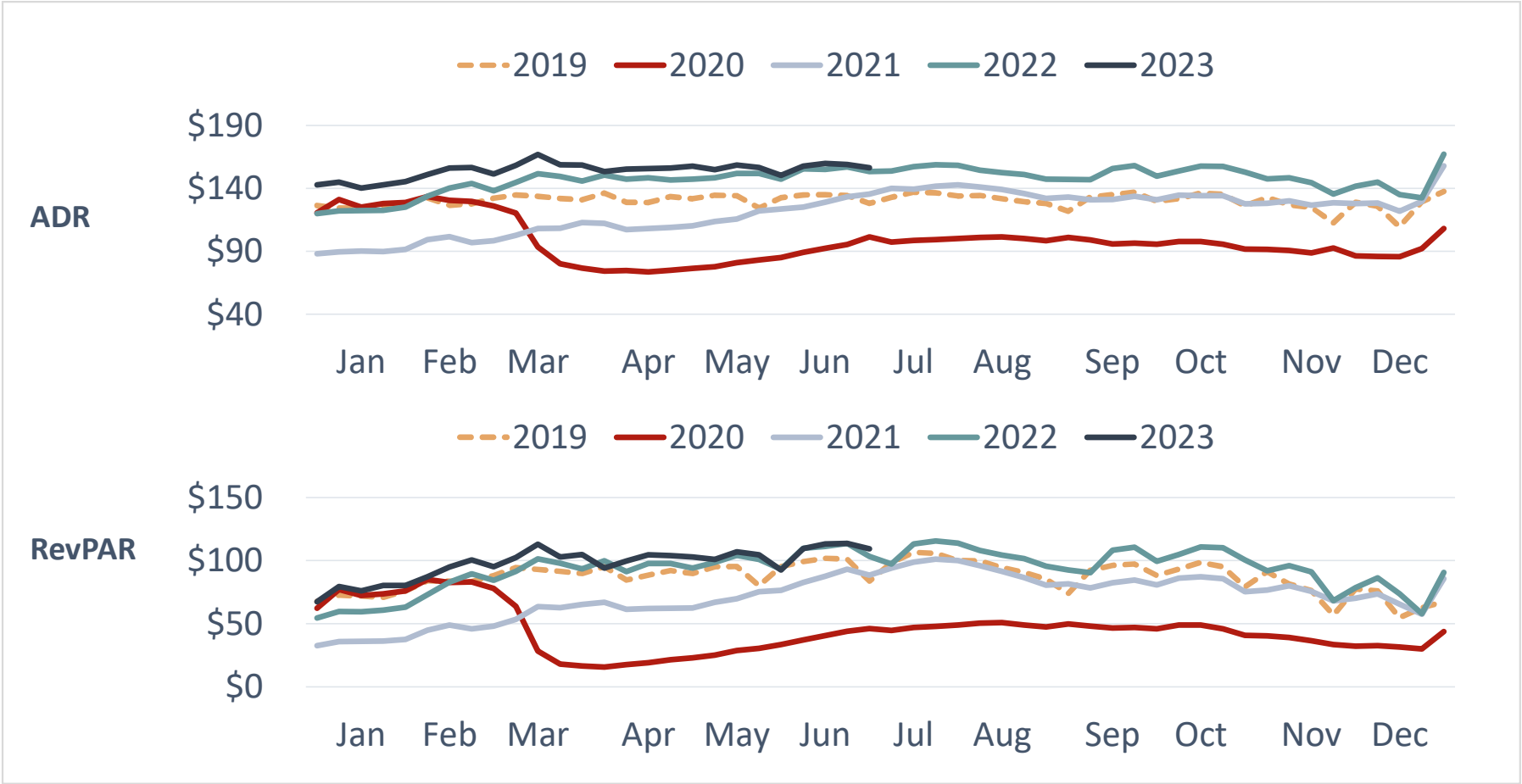
July 2023

Occupancy Growth Slowing in 2022



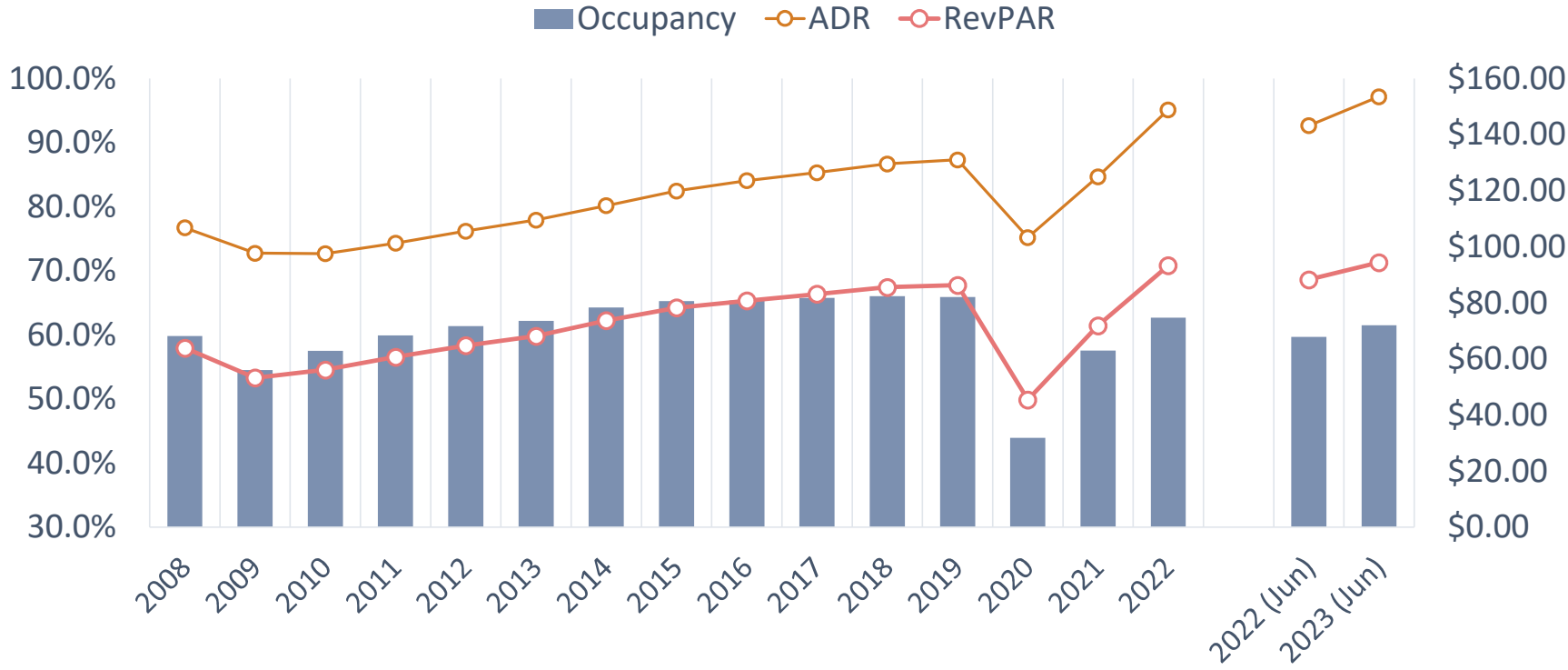
Source: STR

RevPAR Growth Stabilizing



Source: STR

Historical Perspective on Lodging Performance



Source: STR

HVS Lodging Performance Forecast as of July 2023



Occupancy lags ADR recovery, with ADR having surpassed the 2019 level in 2022.

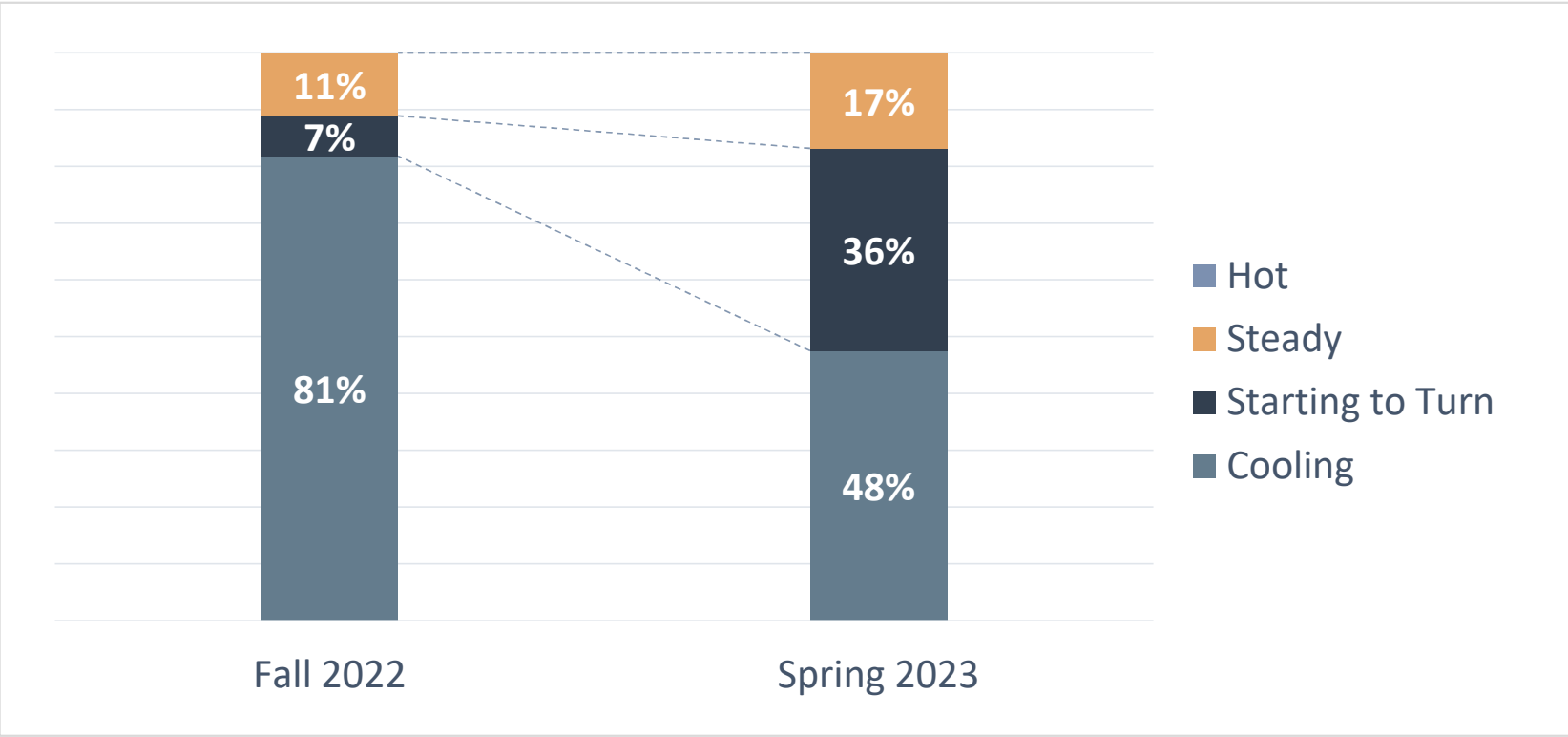
Year	Occupancy	ADR	% Chg	RevPAR	% Chg
2019	65.9%	\$131		\$86	
2020	44.0	103	-21.1%	45	-47.4%
2021	57.5	125	21.0	72	58.3
2022	62.7	149	19.1	93	29.8
2023	63.3	156	5.0	99	6.0
2024	64.1	161	3.0	103	4.3
2025	65.1	166	3.0	108	4.6

Source: STR (Historical), HVS (Forecast as of June 2023)

Broker Sentiment Warming Since the Fall of 2022



After a low point in the fall, sentiment has moved into “starting to turn” and “steady” categories

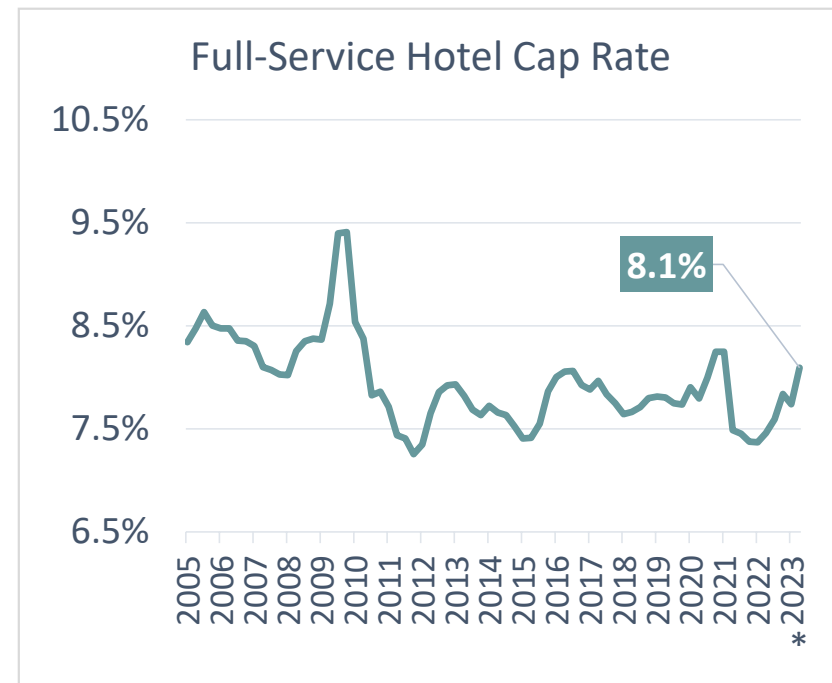
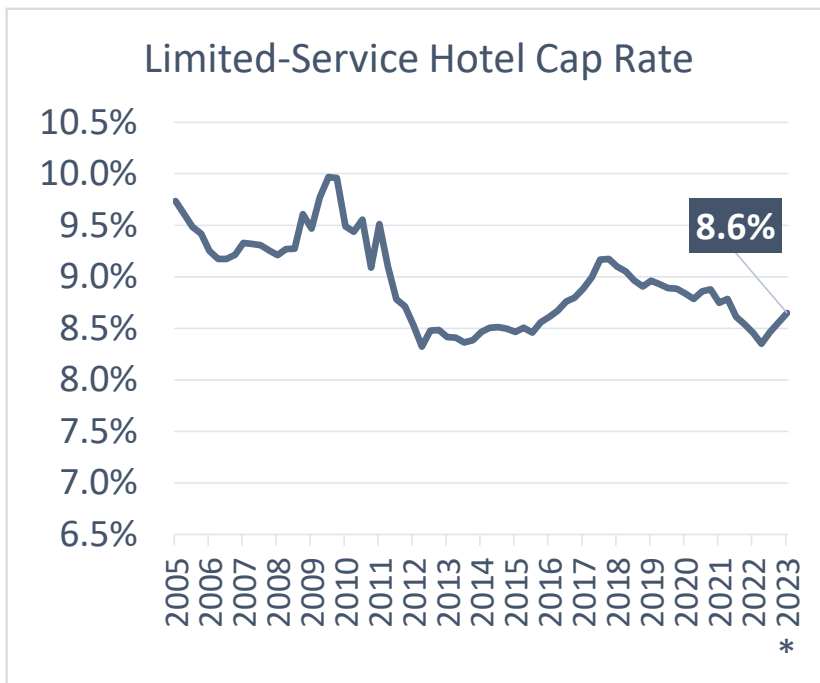


Source: HVS

Cap Rates Climb Given Debt Costs



Strong hotel performance and competition have somewhat offset debt costs.

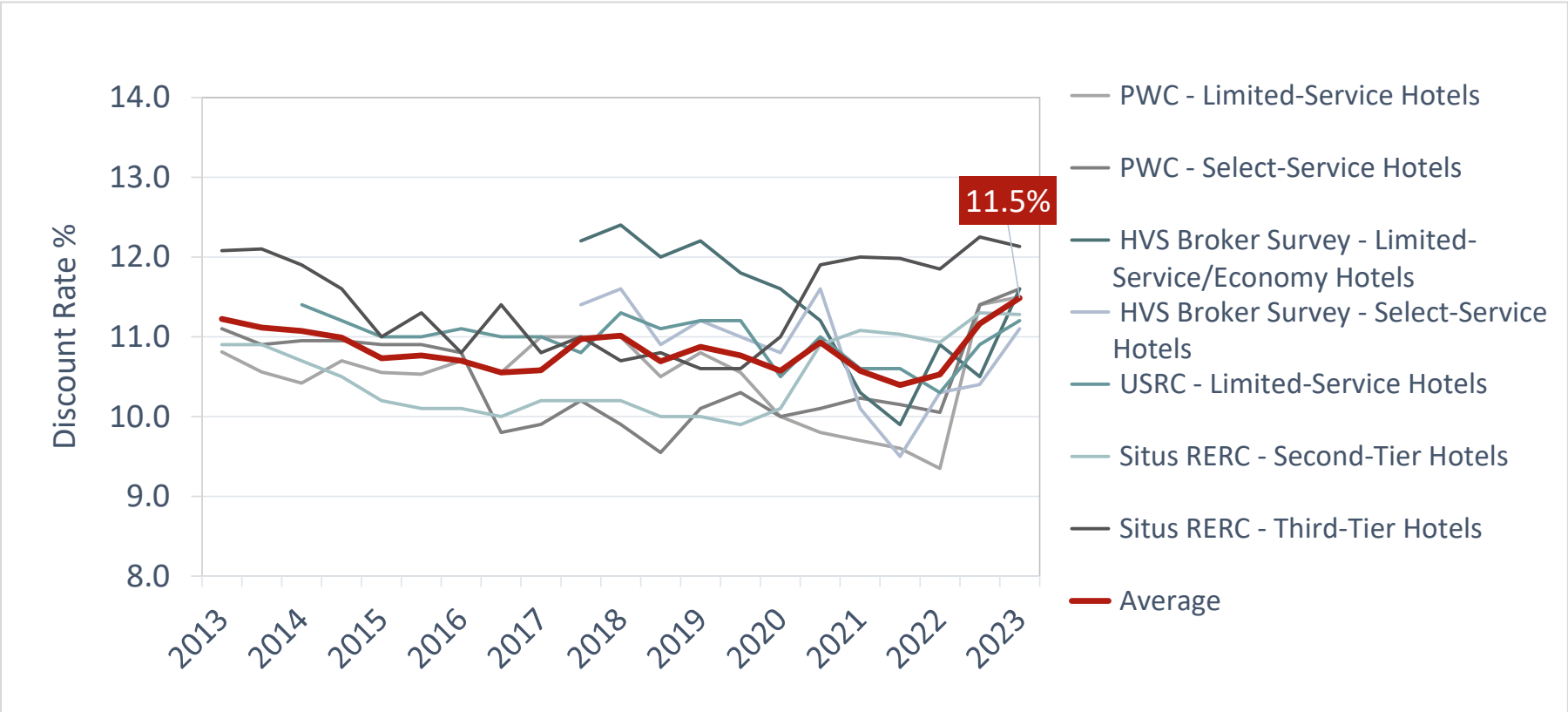


Source: Real Capital Analytics, *June Preliminary Data

Discount Rates on the Rise for Limited/Select



With 1H 2022 Discount Rates At Their Lowest, Values Peaked Mid-Year 2022

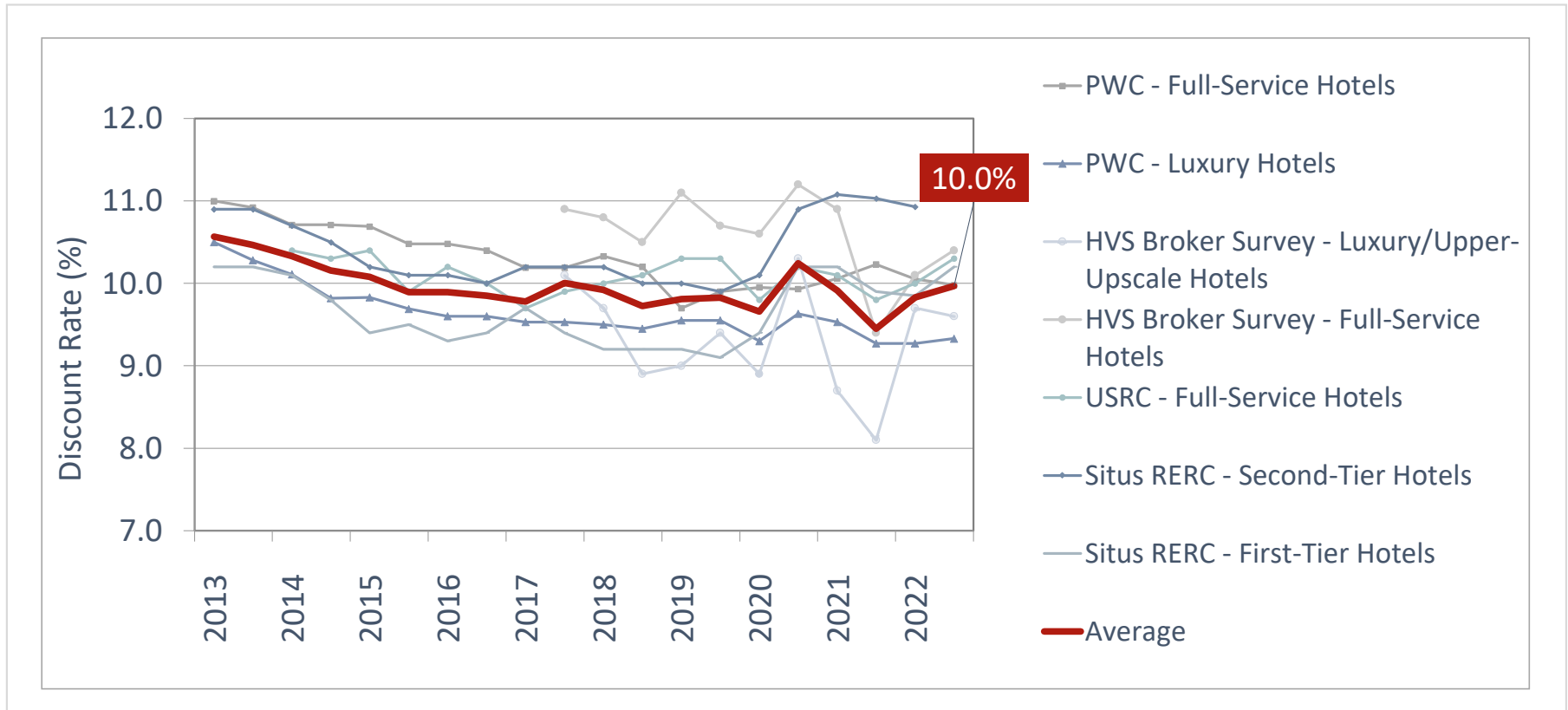


Source: PWC, HVS, USRC, Situs RERC

Discount Rates Lower For FS/Luxury



A rise in discount rates for these categories is a return to normal.



Source: PWC, HVS, USRC, Situs RERC

Cap Rates Increasing vs. One Year Ago



HVS Spring Broker Survey also reflects less of a gap between going-in and exit rates

Going-in Cap Rates	Spring 2023
Luxury and Upper Upscale	6.8% (+90 bps)
Full Service	8.3% (+90 bps)
Select Service	8.4% (+90 bps)
Limited Service and Economy	8.8% (+20 bps)

Exit (Terminal) Cap Rates	Spring 2023
Luxury and Upper Upscale	7.3% (+50 bps)
Full Service	8.3% (+80 bps)
Select Service	8.4% (+50 bps)
Limited Service and Economy	9.0% (+40 bps)

Source: HVS

Discount Rates Rise 60 to 80 bps from Last Year



Higher cost of debt and rising inflation are having an impact on discount rates

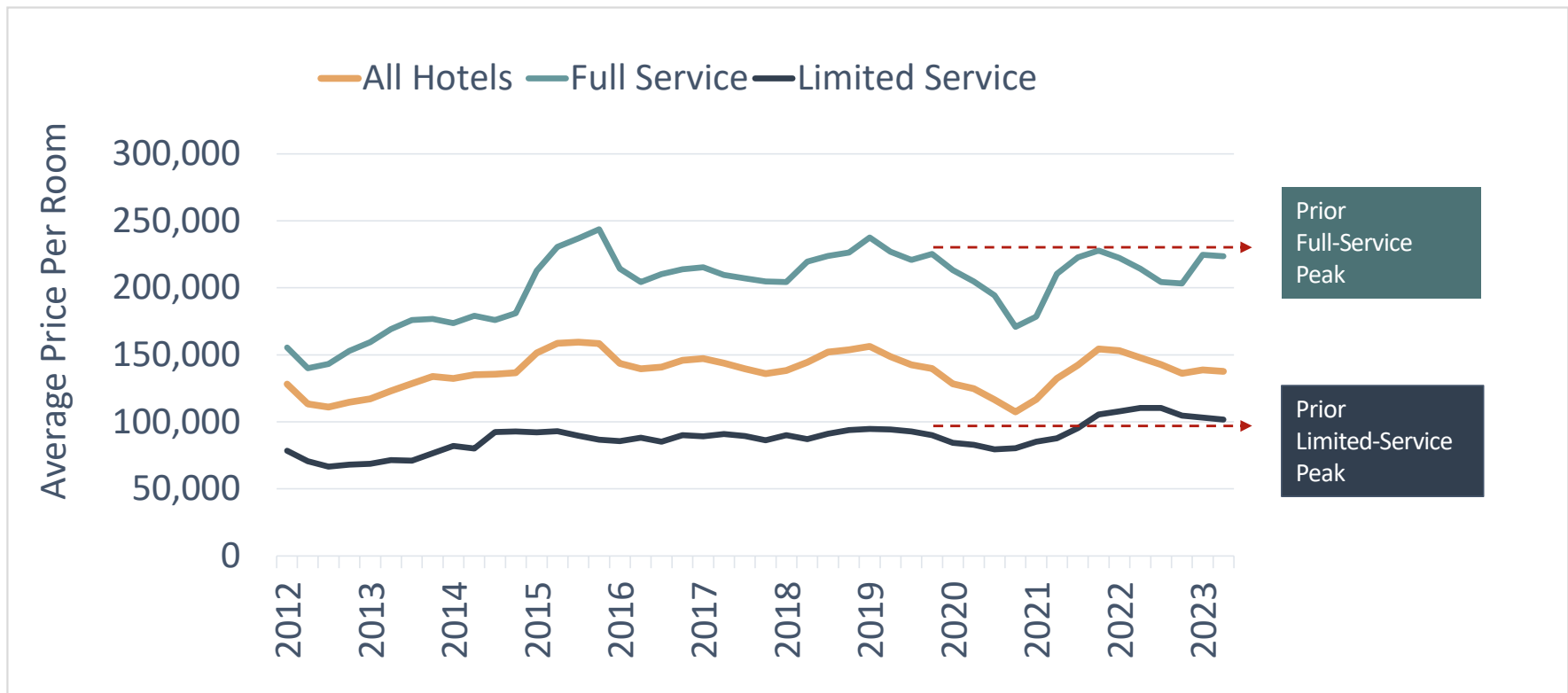
Discount Rates	Spring 2023
Luxury and Upper Upscale	10.3% (+60 bps)
Full Service	10.9% (+80 bps)
Select Service	11.1% (+80 bps)
Limited Service and Economy	11.6% (+70 bps)

Source: HVS

Value Recovery Takes Different Trajectories



Limited-service sector surpasses prior peak, while full-service sector below prior peak.

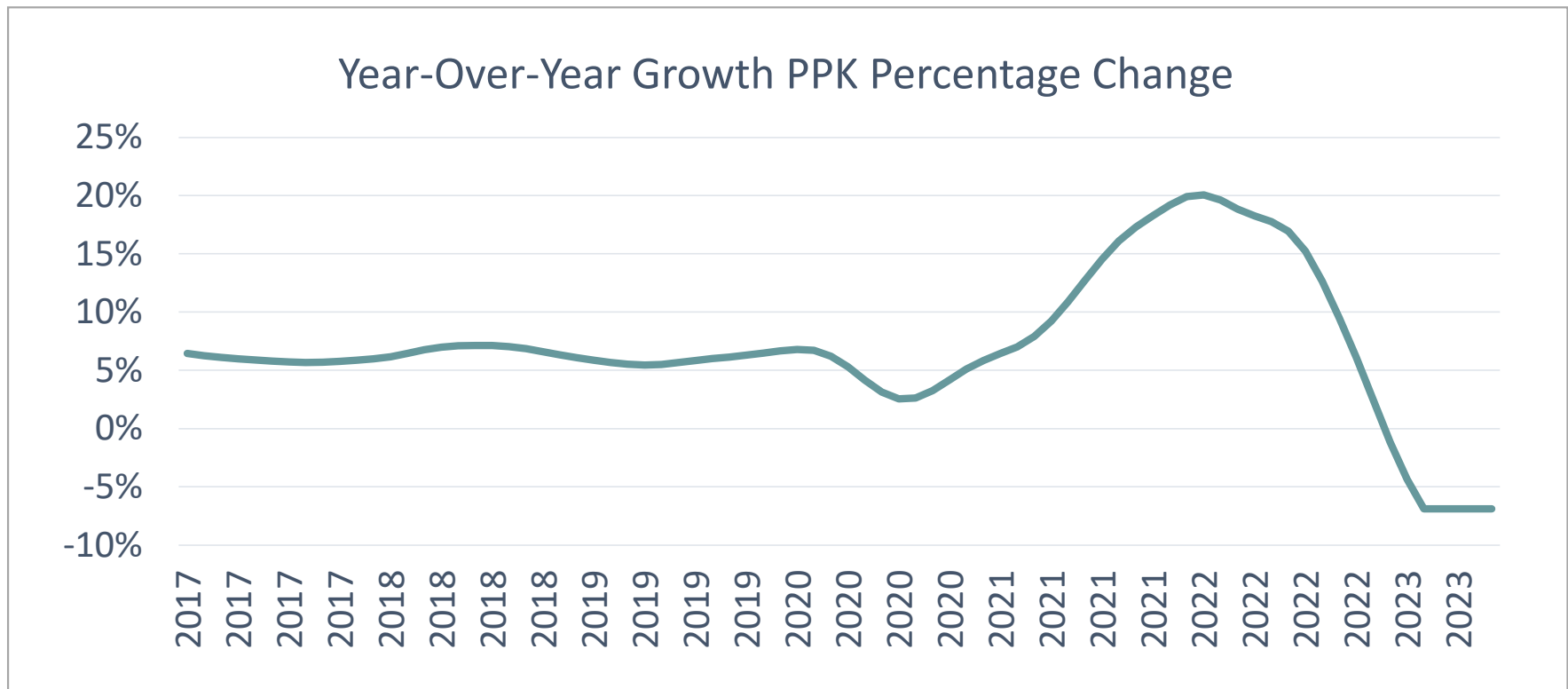


Source: Real Capital Analytics

Values Decreasing



Rising debt costs, discount rate, and cap rates, resulting in decelerating values increases



Source: MSCI

2023 Development Cost Survey Takeaway



Limited-Service and Extended-Stay (Midscale) Hotels

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
Limited-Service Hotels							
Average	\$26,127	\$119,167	\$22,929	\$17,054	\$3,899	\$6,213	\$195,390
Median	\$15,256	\$109,041	\$18,352	\$15,833	\$2,809	\$5,102	\$166,393
% of Total*	11%	66%	11%	9%	2%	1%	100%
Extended-Stay Hotels (Midscale)							
Average	\$14,712	\$107,364	\$19,454	\$17,248	\$3,417	\$4,912	\$167,107
Median	\$12,264	\$102,516	\$16,737	\$17,248	\$3,134	\$4,503	\$156,402
% of Total*	9%	66%	12%	10%	2%	2%	100%

Source: HVS

2023 Development Cost Survey Takeaway



Extended-Stay Hotels (Upscale) and Select-Service Hotels

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
Extended-Stay Hotels (Upscale)							
Average	\$28,277	\$162,276	\$34,373	\$21,485	\$6,694	\$7,327	\$260,431
Median	\$23,196	\$130,707	\$29,695	\$21,118	\$5,798	\$6,246	\$216,761
% of Total*	12%	64%	13%	9%	2%	2%	100%
Select-Service Hotels							
Average	\$31,592	\$184,321	\$36,355	\$23,265	\$8,721	\$8,711	\$292,966
Median	\$20,248	\$161,853	\$25,569	\$21,189	\$6,098	\$6,974	\$241,932
% of Total*	10%	66%	12%	9%	3%	2%	100%

Source: HVS

2023 Development Cost Survey Takeaway



Dual-Branded & Full-Service Hotels

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
Dual-Branded Hotels							
Average	\$26,725	\$152,050	\$26,954	\$21,362	\$4,724	\$7,537	\$239,353
Median	\$14,608	\$124,349	\$19,471	\$19,629	\$3,290	\$6,976	\$188,324
% of Total*	8%	66%	11%	10%	2%	2%	100%
Full-Service Hotels							
Average	\$37,095	\$340,996	\$77,778	\$40,854	\$14,450	\$16,614	\$527,787
Median	\$20,792	\$250,762	\$52,757	\$33,914	\$9,722	\$12,284	\$380,231
% of Total*	7%	66%	14%	9%	2%	2%	100%

Source: HVS

2023 Development Cost Survey Takeaway



Luxury & Redevelopment Projects

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
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Luxury Hotels

Average	\$172,952	\$495,059	\$175,650	\$66,557	\$24,992	\$26,300	\$961,509
Median	\$102,837	\$500,059	\$138,919	\$63,508	\$22,984	\$21,482	\$849,789
% of Total*	12%	57%	17%	8%	3%	2%	100%

Redevelopment Projects

Average	\$60,236	\$180,281	\$50,091	\$26,557	\$9,716	\$14,330	\$341,210
Median	\$38,906	\$196,077	\$35,356	\$26,267	\$7,510	\$13,217	\$317,333
% of Total*	15%	57%	14%	9%	3%	3%	100%

Source: HVS

2023 Development Cost Survey Takeaway



All Hotels

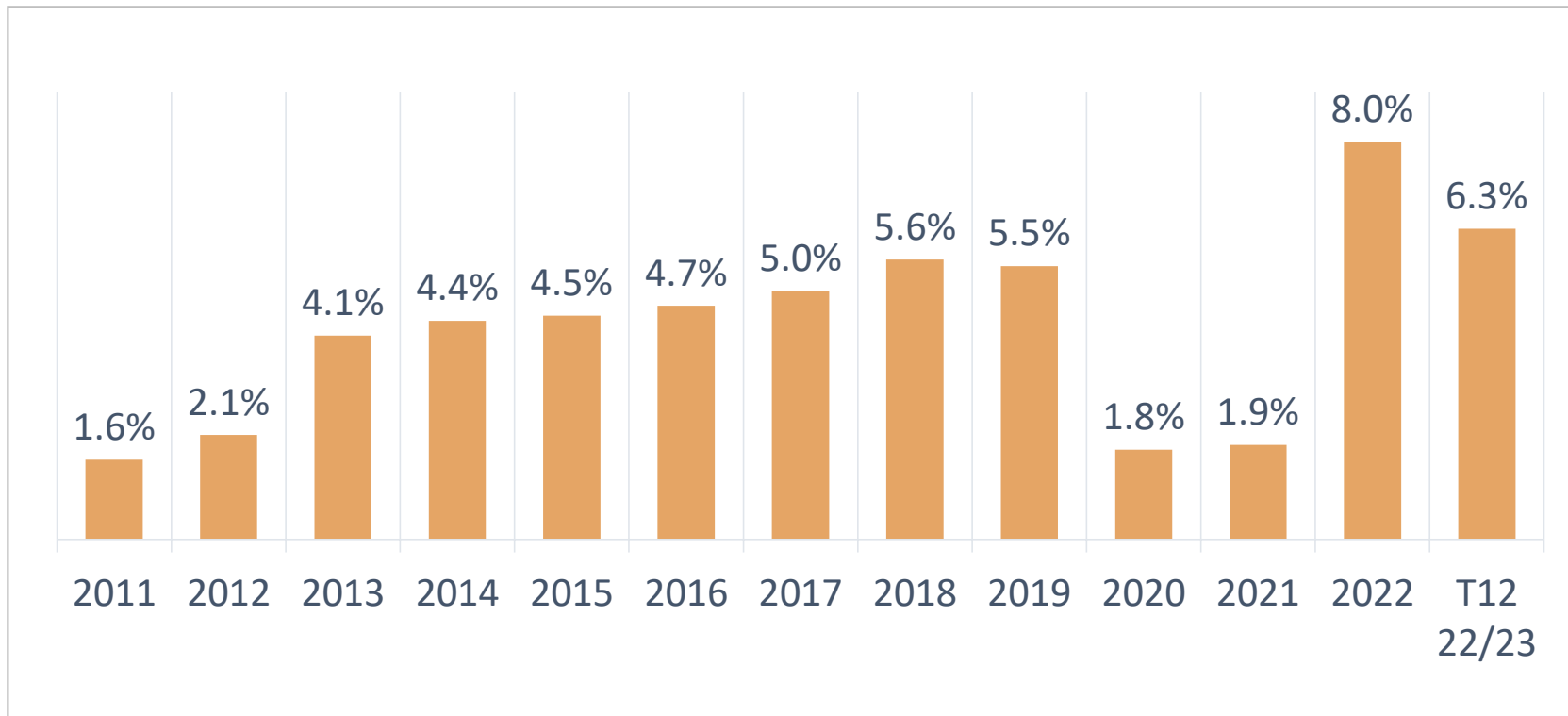
	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
Total							
Average	\$34,392	\$195,843	\$44,495	\$27,349	\$8,260	\$6,910	\$317,249
Median	\$16,634	\$143,116	\$26,011	\$20,325	\$3,846	\$2,472	\$212,404
% of Total*	9%	64%	15%	8%	2%	2%	100%

Source: HVS

New Hotel Supply Constrained by Growing Construction Costs



Construction costs inflation significantly increased in 2022

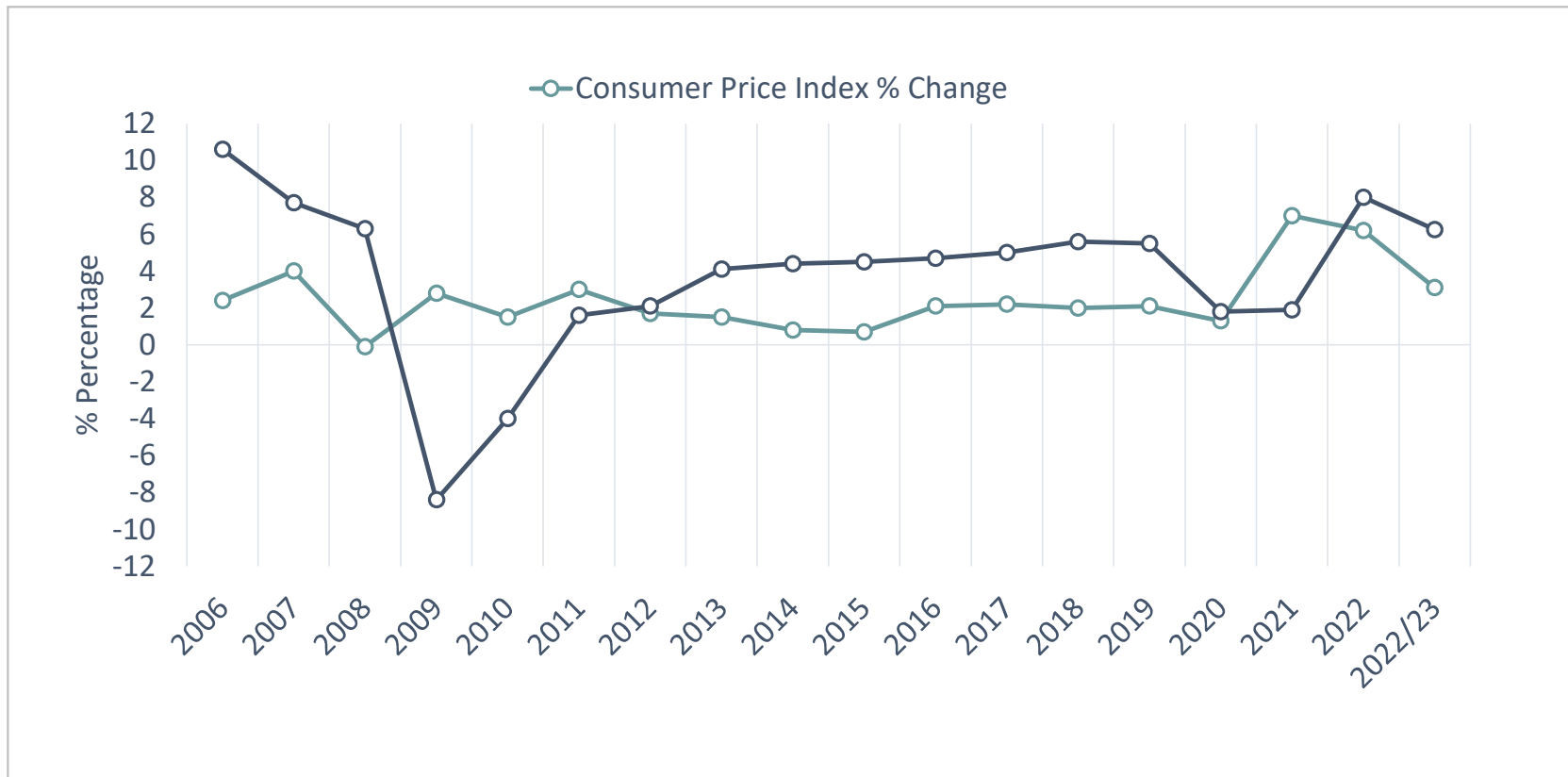


Source: Building Turner Cost Index (First Quarter 2023)

Change in Construction Costs vs. CPI



Inflation Moderating

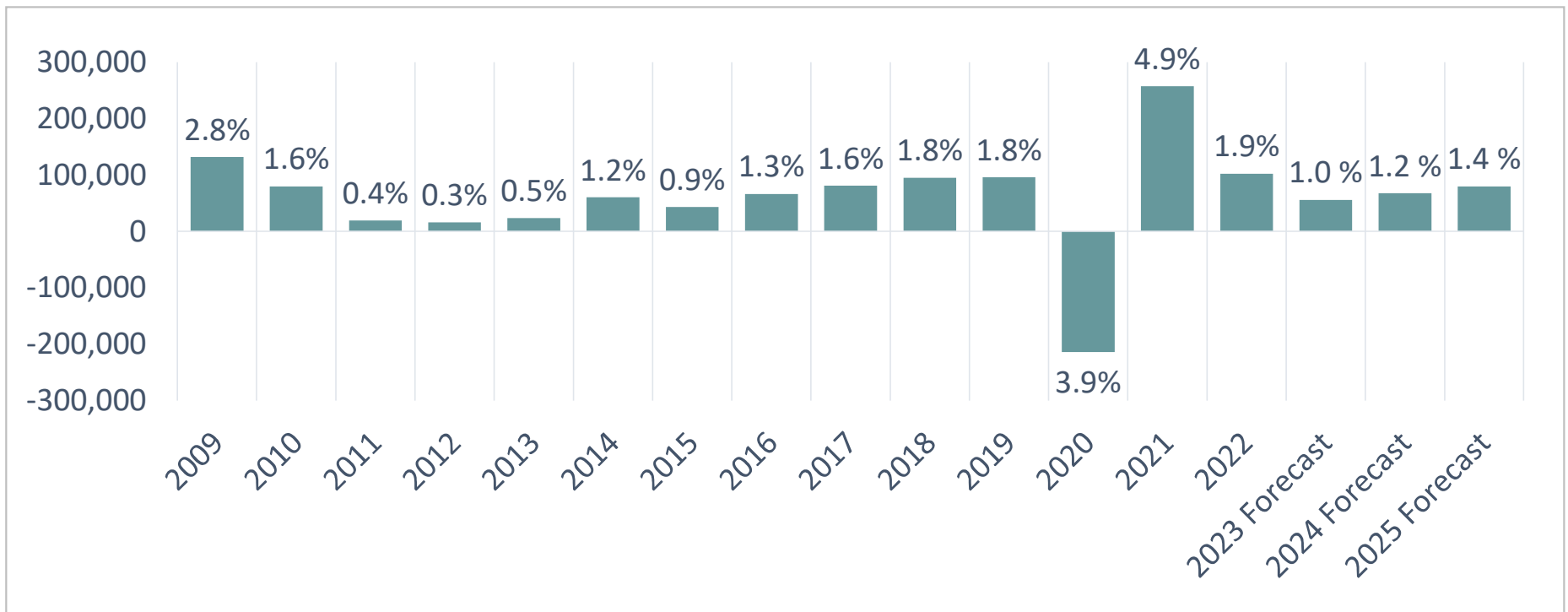


Source: U.S. Bureau of Labor Statistics, Building Turner Cost Index (First Quarter 2023)

Historical New Supply



Supply Growth Moderating due to Development Challenges



Source: STR, HVS

Refinancing Expectation Tempers the Discount Rate



An assumed refinancing allows a buyer to justify a higher contract price today

	CURRENT FINANCING TERMS	REFINANCING TERMS
Loan-to-Value Ratio	60%	70%
Amortization	30 Years	30 Years
Term	10 Years	10 Years
Interest Rate	9.0%	5.5%
Terminal Cap Rate	9.0%	9.0%
Transaction Costs	1.5%	1.5%
Equity Yield	16.0%	17.0%
Total Property Yield	12.7%	9.8%
Years of Refinancing		4 Years
Overall Discount Rate	10.75%	

Source: HVS

Discount Rate Trends in 2022/23



Impact of Interest Rate Increases and Lower Loan-to-Value Ratios on the Cost of Capital

	Q2 2022			Q3 2022			Q4 2022				
Interest Rate	5.25%			6.00%			7.00%				
	25 Years			25 Years			25 Years				
	0.07191			0.7732			0.08481				
Amortization	25 Years			25 Years			25 Years				
	0.07191			0.7732			0.08481				
	0.07191			0.7732			0.08481				
Debt Service Constant	0.07191			0.7732			0.08481				
	0.07191			0.7732			0.08481				
	0.07191			0.7732			0.08481				
	LVT	RATE	WACC	LVT	RATE	WACC	LVT	RATE	WACC		
Debt	65%	0.07191	0.04674	65%	0.07730	0.05025	60%	0.08481	0.05089		
	35%	0.16000	0.05600	35%	0.16000	0.05600	40%	0.16000	0.06400		
	10.27%			10.62%			11.49%				
Equity	0.05600			0.05600			0.06400				
	0.05600			0.05600			0.06400				
	0.05600			0.05600			0.06400				
WACC (Weighted Average Cost of Capital)			10.27%			10.62%			11.49%		
Indicated Value based on \$1M EBIDTA	\$9,733,000			\$9,412,000			\$8,704,000				
				-3.3%			-10.6%				
Change in Value from Q2											

Source: HVS



Thank you!

Luigi Major, MAI
Managing Director
lmajor@hvs.com
+1 (310) 270-3240



Global Hospitality Group®

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- The hospitality attorneys in the Global Hospitality Group® of Jeffer Mangels Butler & Mitchell LLP comprise the premier hospitality practice in a full-service law firm, and the most experienced legal and advisory team in the industry.
- Our team of seasoned hotel lawyers has helped clients with more than 4,600 hospitality properties located around the globe valued at more than \$125 billion, providing one of the most extensive virtual data bases of market terms for deals and financings.

Global Hospitality Group®

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- Highlights of areas where GHG attorneys provide advice:
 - ADA compliance & defense
 - Cybersecurity & data privacy
 - Development
 - Due diligence
 - Equity & joint ventures
 - Financing (all capital stack levels)
 - Foreign investment
 - Franchise & licensing
 - Hotel-specific contracts
 - Labor & employment
 - Land use & environmental
 - Litigation
 - Management agreements
 - Mixed-use
 - Office, retail, industrial leasing
 - Purchase & sale
 - Qualified Opportunity Zones
 - Union negotiations
 - Vacation ownership
 - Workouts & receiverships

David Sudeck

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Partner
Global Hospitality Group®
JMBM Real Estate Department

David Sudeck is a senior member of JMBM's Global Hospitality Group® and JMBM's Real Estate Department. His practice primarily involves the complex issues associated with major commercial real estate projects, particularly those involving hotels, resorts, and mixed-use projects.

He is a seasoned real estate attorney and deal maker with an international reputation for his expertise on projects with a hospitality component. David is widely recognized for providing top business and legal advice to hotel owners and lenders in the purchase, sale, development, construction, financing, leasing, and sale-leaseback of properties.

David Sudeck

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When he is not working on traditional senior debt or mezzanine financings for owners or lenders, David is likely working on creative joint ventures or "alternate" commercial property assessed clean energy (C-PACE) or EB-5 financings, as the head of the Firm's C-PACE and EB-5 Finance groups.

Since 2020, David and his team have closed more than \$400 million of C-PACE financings, and David has been involved in virtually all of the \$1.5 billion of EB-5 financings the Firm has handled.

David works with his borrower clients to help properly present the property for financing, which frequently includes working closely with the client's construction consultant/owner's rep to ensure the construction budget numbers have been properly scoped and that the proposed line items are reasonable.

STONEHILL LOAN PROGRAMS

Multiple investment structures and strategies to provide needed liquidity

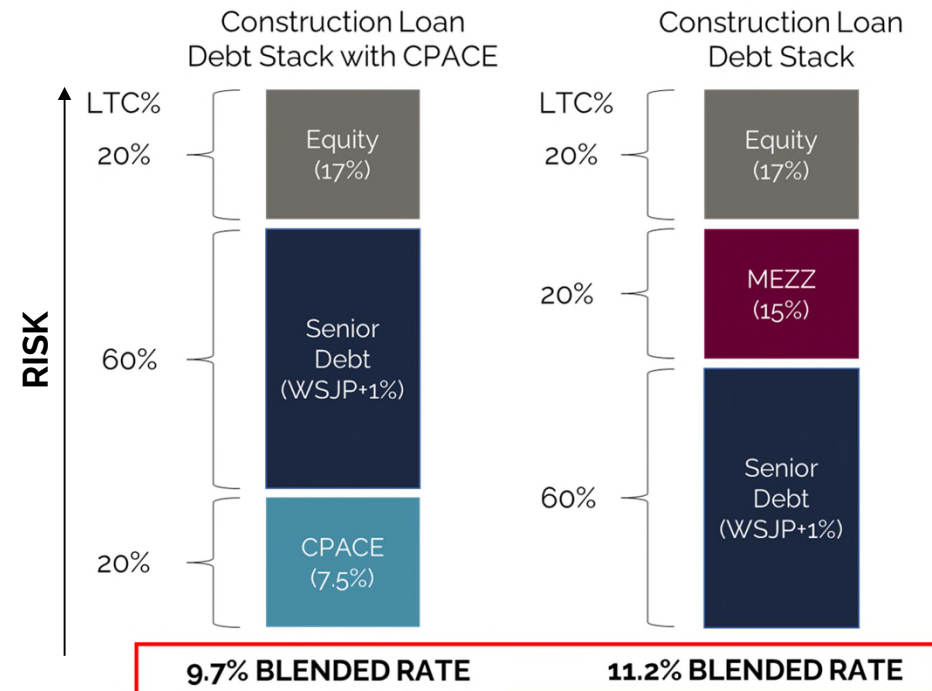
Programs	Permanent	Bridge	Construction	Mezzanine	Preferred Equity	PACE	Retro PACE
Amount	\$10M - \$100M	\$10M - \$100M	\$15M - \$100M	\$3M - \$20M	\$3M - 20M	\$1M - \$100M	\$1M - \$100M
Rate	Starting at 7.00%	8% to 10%, Fix rate Available	SOFR + 6.50% to 9%	Starting at 14%	Starting at 15%	Fixed starting at 7.00%	Fixed starting at 7.00%
Amortization	Interest Only	Interest Only	Interest Only	Interest only or matched to senior	N/A	Up to 30 years	Up to 30 years
Purpose	Acquisitions and Refinances (other scenarios considered)	Acquisitions Recapitalization Construction Takeout Renovation/Conversions Gap Financing DIP/Distress/Rescue Capital Pre-Development	Ground up Construction Acquisition & Horizontal Development NNN	Acquisitions Recapitalization Construction Takeout Renovation/ Conversions Gap Financing DIP/Distress/Rescue Capital Pre-Development	Acquisition Recapitalization Renovation Rescue Capital CMBS Loan Assumption Partner Buyout	New Construction Renovation Recapitalization	Create liquidity for eligible projects under construction or completed within the last 36 months in CA, CO, CT, DC, FL, MI, MO, NE, NY, TX, PA, OH, UT, WA, WI
Loan To Value	Up to 65% LTV	Up to 75% LTV	Up to 75% LTV	Up to 85% LTV	Up to 95% LTV	Up to 35% LTV	Up to 30% LTV
Loan To Cost	Up to 65% LTC	Up to 75% LTC	Up to 75% LTC	Up to 85% LTC	Up to 95% LTC	Up to 40% LTC	Up to 35% LTC
Loan Term	5 to 10 years	1 to 5 years	2 to 5 years	Matched to senior loan	N/A	Up to 30 years	Up to 30 years
Loan Fee	1 - 2%	1% to 2%	1% to 2%	1% to 2%	2%	1% to 2%	1.00%
Guarantees	Recourse and Non-Recourse	Recourse and non-recourse	Recourse and nonrecourse	Recourse and non-recourse	N/A	Non-recourse and flexible prepayment	Non-recourse and flexible prepayment



Advantages of CPACE for Borrowers

CPACE can lower the overall cost of capital


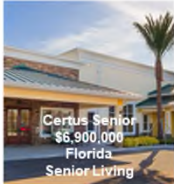
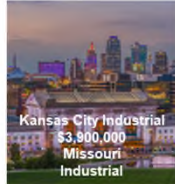
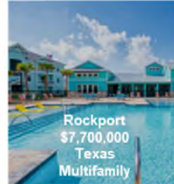

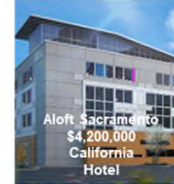
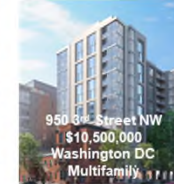


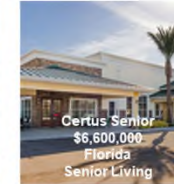

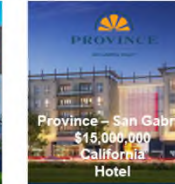



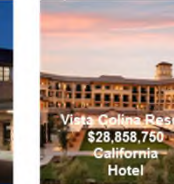

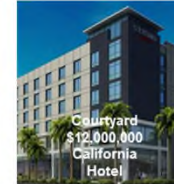
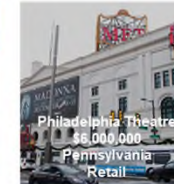
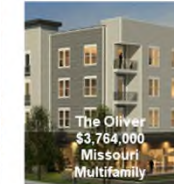


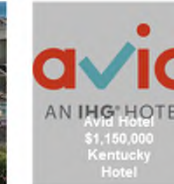

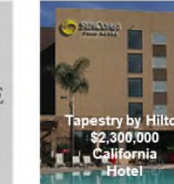

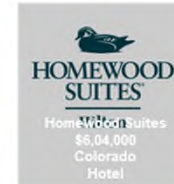
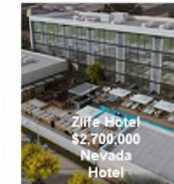


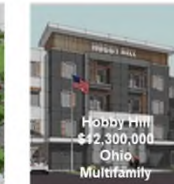
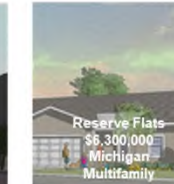


- Low-cost and long-term capital solution to fill any gap in the capital stack
- Funding for as much as 30% LTV of the value of the building to be renovated
- Can be used for past retrofits and renovations
- Rates between 7.0% – 8.5%, fixed for up to 30 years
- Ability to delay first payment until after stabilization
- No personal guarantees or principal repayment required upon sale
- Ability to pass through tax assessment





Stonehill CPACE Transactions

STONEHILL CPACE PORTFOLIO

 <p>HOME2 SUITES BY HILTON</p>		 <p>Certus Senior \$6,900,000 Florida Senior Living</p>	 <p>Kansas City Industrial \$3,900,000 Missouri Industrial</p>	 <p>Rockport \$7,700,000 Texas Multifamily</p>	 <p>124 W Hatting St. \$4,400,000 Minnesota Multifamily</p>	 <p>Aloft Sacramento \$4,200,000 California Hotel</p>	 <p>950 8th Street NW \$10,500,000 Washington DC Multifamily</p>	
 <p>Home2 Lakewood Ranch \$5,800,000 Florida Hotel</p>	 <p>Elements Milpitas \$17,800,000 California Hotel</p>	 <p>Certus Senior \$6,600,000 Florida Senior Living</p>	 <p>Holiday Inn Express \$2,800,000 Kentucky Hotel</p>	 <p>PROVINCE Province - San Gabriel \$18,000,000 California Hotel</p>	 <p>AC/Autograph \$11,050,000 California Hotel</p>	 <p>Island H2O Live \$13,300,000 Florida Retail</p>	 <p>Fairfield Inn & Suites \$5,800,000 California Hotel</p>	 <p>Vista Caline Resort \$28,858,750 California Hotel</p>
 <p>Citizen M \$82,000,000 California Hotel</p>	 <p>Courtyard \$12,000,000 California Hotel</p>	 <p>Philadelphia Theatre \$6,000,000 Pennsylvania Retail</p>	 <p>The Oliver \$3,764,000 Missouri Multifamily</p>	 <p>Edge @ West \$3,250,000 Missouri Office</p>	 <p>Residence @ Pearl Point \$4,000,000 Texas Multifamily</p>	 <p>avid AN IHG HOTEL Avid Hotel \$1,150,000 Kentucky Hotel</p>	 <p>DOUBLETREE BY HILTON Doubletree Hotel \$3,500,000 Missouri Hotel</p>	 <p>Tapestry by Hilton \$2,300,000 California Hotel</p>
 <p>HGI Longmont \$1,800,000 Colorado Hotel</p>	 <p>HOMWOOD SUITES Homewood Suites \$6,04,000 Colorado Hotel</p>	 <p>Zlife Hotel \$2,700,000 Nevada Hotel</p>	 <p>Hotel Indigo \$4,100,000 Missouri Hotel</p>	 <p>Hall of Fame Resort \$33,400,000 Ohio Mixed-Use</p>	 <p>Hobby Hill \$12,300,000 Ohio Multifamily</p>	 <p>Reserve Flats \$6,300,000 Michigan Multifamily</p>	 <p>Pineapple House \$9,000,000 Florida Senior Housing</p>	 <p>Mesa @ Laguna Ridge \$13,700,000 California Multifamily</p>

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EB-5 Funding

EB-5 take-aways

- EB-5 can be used at any level of the capital stack.
- The March 2022 EB-5 law opened a window to raise a significant amount of EB-5 \$.
- EB-5 job-creation requirements make it most appropriate for construction, heavy renovation, and value add deals.
- Target deals are in “rural” or “high unemployment” areas.



Part of Peachtree Group

KEEGAN BISCH
Vice President
kbisch@stonehillsc.com
M 310.562.7255



CREDE

2023 CONSTRUCTION COST DATA | Q2 PRESENTATION

18301 Von Karman Ave, Suite 510, Irvine, CA 92612 | (949) 542-4400 | www.credgroup.com



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OPENING REMARKS

AS A NATIONAL REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT COMPANY, WE REGULARLY PAY ATTENTION TO SEVERAL MARKET FACTORS THAT ENABLE US TO HELP NAVIGATE THE WATERS AND PLAN ACCORDINGLY FOR RISK MITIGATION. OUR KEY AREAS OF FOCUS ARE AS FOLLOWS:

FOR OUR KEY PARTNERS, WE SHARE THIS KNOWLEDGE AND INSIGHT AS A THANK YOU AND APPRECIATION FOR THE SUPPORT OF CREDE, AND WE HOPE YOU FIND THIS INFORMATION HELPFUL.

– COLBY DURNIN, CEO



CREDE'S - MARKET OUTLOOK

- AS WE ENTER INTO THE SECOND HALF OF 2023, WE FORECAST AN INCREASE OF 1% IN CONSTRUCTION COSTS FOR Q3 AND HAVE FINALLY STARTED TO SEE A STABILIZATION AND REDUCTION OF MANY OF OUR DIRECT COSTS. APRIL HAD A 2% COST DECREASE FOR NON-RESIDENTIAL COSTS OTHER THAN CONCRETE.
- AS THE INCREASE OF DEBT COSTS HAS STALLED MANY NEW PROJECTS THAT DO NOT HAVE CONSTRUCTION PRICING LOCKED IN, WE ARE FINALLY STARTING TO SEE AN INCREASE IN UNEMPLOYMENT IN THE CONSTRUCTION TRADES WITH BACKLOG FOR MULTIPLE CONTRACTORS IN SALT LAKE CITY, PHOENIX, AND DALLAS FALLING OFF WITH A PEAK DROP AS OF JULY 2023. WHILE THIS DOES NOT MATCH THE FORECAST DATA, THIS IS LIVE DATA FROM 8 CONTRACTORS IN MAJOR MARKETS THAT WE FIND MORE RETAIL THAN THE QUARTERLY FORECAST REPORTS FROM THE CONSTRUCTION ECONOMIC FORECAST.
- BASED ON OUR CONVERSATIONS WITH REGIONAL CONSTRUCTION LENDERS THEY ARE FORECASTING THAT THE FED WILL START TO LOWER RATES THIS SUMMER. WHILE THAT AS A STAND-ALONE FACTOR SEEMS POSITIVE THE NUMBER OF DEPOSITS THAT HAVE MOVED TO THE LARGER BANKS HAVE REDUCED THEIR LIQUIDITY IN SOME CASES BY UP TO 70%. DUE TO THIS FACT WE FORESEE THE SPREADS ON INTEREST RATES STAYING WIDE THROUGH Q4 OF THIS YEAR UNTIL THE SECONDARY MARKETS SUCH AS CMBS RETURN.



CREDE'S - MARKET OUTLOOK - CONT'D

- WE PREDICT THAT WITH THE FEDERAL REGULATORS STEPPING IN AND FORCING THE SHUTDOWN OF FIRST REPUBLIC BANK THAT WE WILL SEE A STEEP FALL OF GROUND-UP CONSTRUCTION FOR THE BALANCE OF THE YEAR AND OPPORTUNITIES TO PURCHASE NOTES AND RENOVATE PROPERTIES COMING AVAILABLE IN EARLY 2024.
- IN THE SHORT TERM, WE ARE STARTING TO SEE SUPPLY CHAINS OPEN UP IF YOU ARE WILLING TO BE CREATIVE. WHILE SQUARE D IS STILL QUOTING 50-54 WEEKS FOR ELECTRICAL SWITCHGEAR, WE HAVE FOUND OTHER SUPPLIERS IN MEXICO WHO CAN MANUFACTURE IN 4-6 WEEKS. WE HAVE SEEN SIMILAR SCENARIOS WITH ROOFING AND INSULATION. MANY SUPPLIERS ARE NOT STOCKPILING MATERIALS AND HAVE EXCESS SUPPLY AS CONSTRUCTION HAS SLOWED. WHILE THESE SITUATIONS ARE NOT POSITIVE FOR ALL PARTIES, WE FEEL THAT THIS WILL LEAD TO A CORRECTION IN PRICING THAT WE HAVE ALL BEEN WAITING FOR.



INDEXES, FORECASTS
&
COMMODITIES

REAL ESTATE MARKET INDICATORS

BELOW ARE CATEGORIES WE PAY ATTENTION TO FOR MARKET INFORMATION AND COMMODITIES THROUGHOUT THE UNITED STATES.

CREDE USES THE FOLLOWING INFORMATION TO HELP MAKE STRATEGIC DECISIONS ON OUR DEALS AND FOR OUR CLIENT'S PROJECTS TO INCREASE EFFICIENCIES.

- ARCHITECTURAL BILLING INDEX
- CALIFORNIA BUILDING COST INDEX
- CONSTRUCTION ECONOMIC FORECAST
- CONSTRUCTION SPENDING
- NATIONAL FORECAST (RES, COM, IND)
- NATIONAL FORECAST (INSTIT, NON-RES, ENG)
- NATIONAL AVERAGE OF CONSTRUCTION COSTS
- NATIONAL BUILDING COSTS INDICES
- BUILDING COSTS
- FEDERAL PROJECTIONS
- CONTAINER SHIPPING
- ENERGY
- LABOR
- RAW MATERIAL
- LUMBER
- STEEL
- PVC
- FEDERAL PROJECTIONS

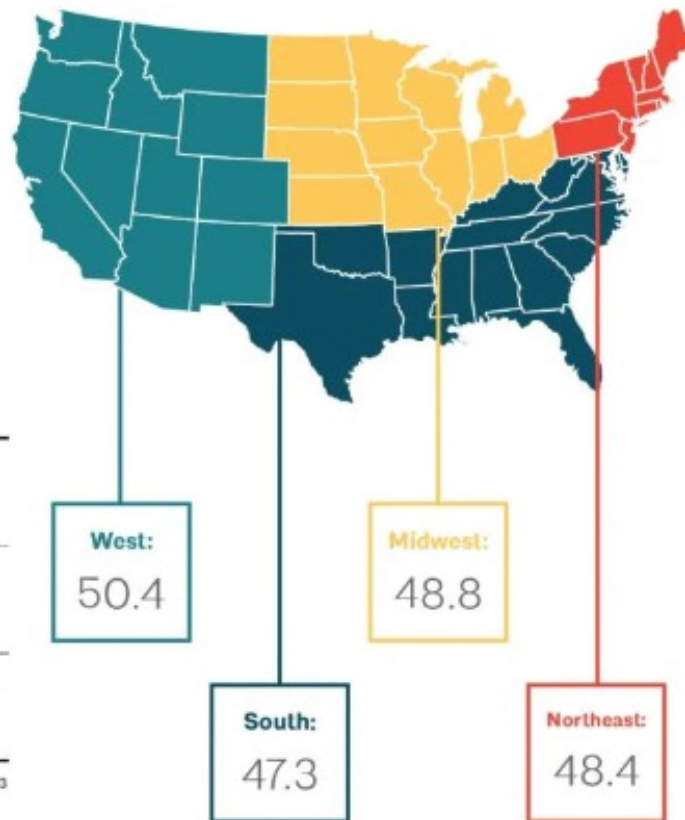
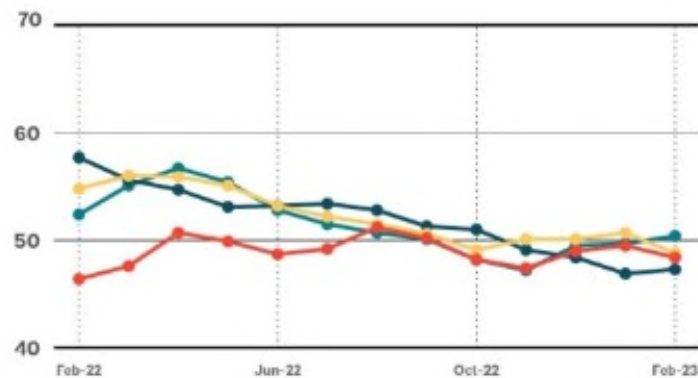


ARCHITECTURAL BILLING INDEX

Regional

Only firms located in the West saw billings growth

Graphs represent data from February 2022–February 2023 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



SOURCE: THE AMERICAN INSTITUTE OF ARCHITECTS



KEY TAKEAWAYS

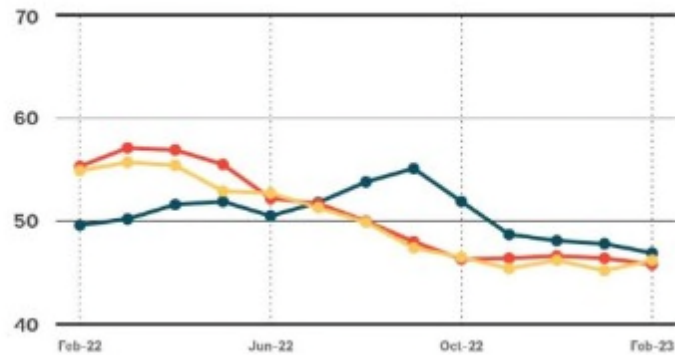
- Business conditions remained soft across the country through February, as billings declined in all regions for the fifth consecutive month
- Firms located in the West reported very minor growth, while firms located in all other regions saw declining billings.

ARCHITECTURAL BILLING INDEX

Sector

Business conditions soften at firms of all specializations

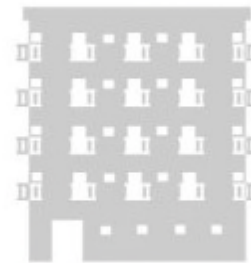
Graphs represent data from February 2022–February 2023 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Commercial/Industrial: 45.8



Institutional: 46.9



Residential: 46.2

SOURCE: THE AMERICAN INSTITUTE OF ARCHITECTS



KEY TAKEAWAYS

- Infrastructure and repair projects are moving forward, while we are seeing a slight increase in renovations and hotel PIPs.

CONSTRUCTION ECONOMIC - INSIGHTS



KEY TAKEAWAYS

Construction Backlog Indicator

	Dec. 2022	Nov. 2022	Dec. 2021	1-Month Net Change	12-Month Net Change
Total	9.2	9.2	8.2	0.0	1.0
Industry					
Commercial & Institutional	9.4	9.6	8.5	-0.2	0.9
Heavy Industrial	8.2	9.5	7.7	-1.3	0.5
Infrastructure	10.0	6.7	7.3	3.3	2.7
Region					
Middle States	8.1	7.8	8.2	0.3	-0.1
Northeast	8.9	8.6	7.5	0.3	1.4
South	11.5	11.5	9.0	0.0	2.5
West	7.2	8.3	8.4	-1.1	-1.2
Company Size					
<\$30 Million	7.9	8.5	7.6	-0.6	0.3
\$30-\$50 Million	13.1	9.8	8.7	3.3	4.4
\$50-\$100 Million	11.1	10.6	11.3	0.5	-0.2
>\$100 Million	14.2	12.7	10.7	1.5	3.5

© Associated Builders and Contractors, Construction Backlog Indicator

- Associated Builders and Contractors reports in Mid-February that its Construction Backlog Indicator declined 0.2 months to 9.0 in January, according to an ABC member survey conducted Jan. 20 to Feb. 3. The reading is 1.0 month higher than in January 2022.
- Despite the decline in January, backlog remains elevated by historical standards and is 0.1 months higher than in February 2020, the month before the COVID-19 pandemic began to impact the economy.
- ABC's Construction Confidence Index reading for sales, profit margins and staffing levels increased in January. All three readings remain above the threshold of 50, indicating expectations of growth over the next six months.

CONSTRUCTION SPENDING

- THROUGH APRIL 2023 -



KEY TAKEAWAYS

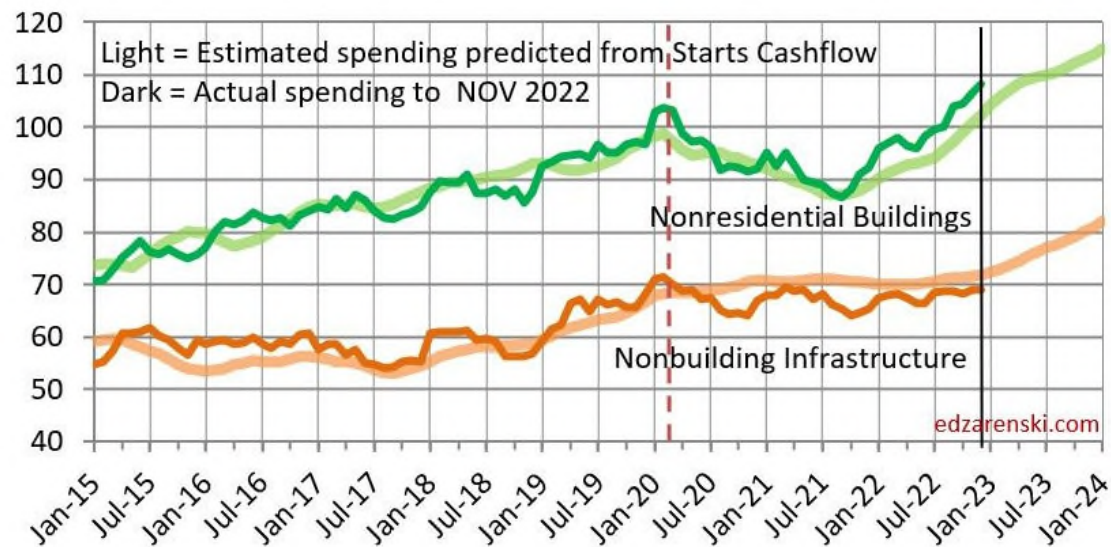
- Nonresidential Buildings spending, expected to finish up 10.9%, is being driven by Commercial Retail up 20%, and Manufacturing, which will finish the year up over 35%.
- Non-building Infrastructure finishes the year up only 1.9% due to a large drop off in Power spending. Highway and Public Utilities helped offset some of the Power decline.

- Total construction spending for 2023 is forecasted to increase +5.1%.
 - Residential -2%
 - Nonres Bldgs +15%
 - Nonbldg +8%.

SOME HIGH \$ ITEMS:

- Comm/Rtl +16%
 - Manufacturing +35%
 - Highway +11%
 - Transportation +16%
 - Pub Utilities +12%.
- Spending for Manufacturing Bldgs is expected to increase more than 30% in 2023.

INDEX Actual Construction Spending vs Estimated Spending



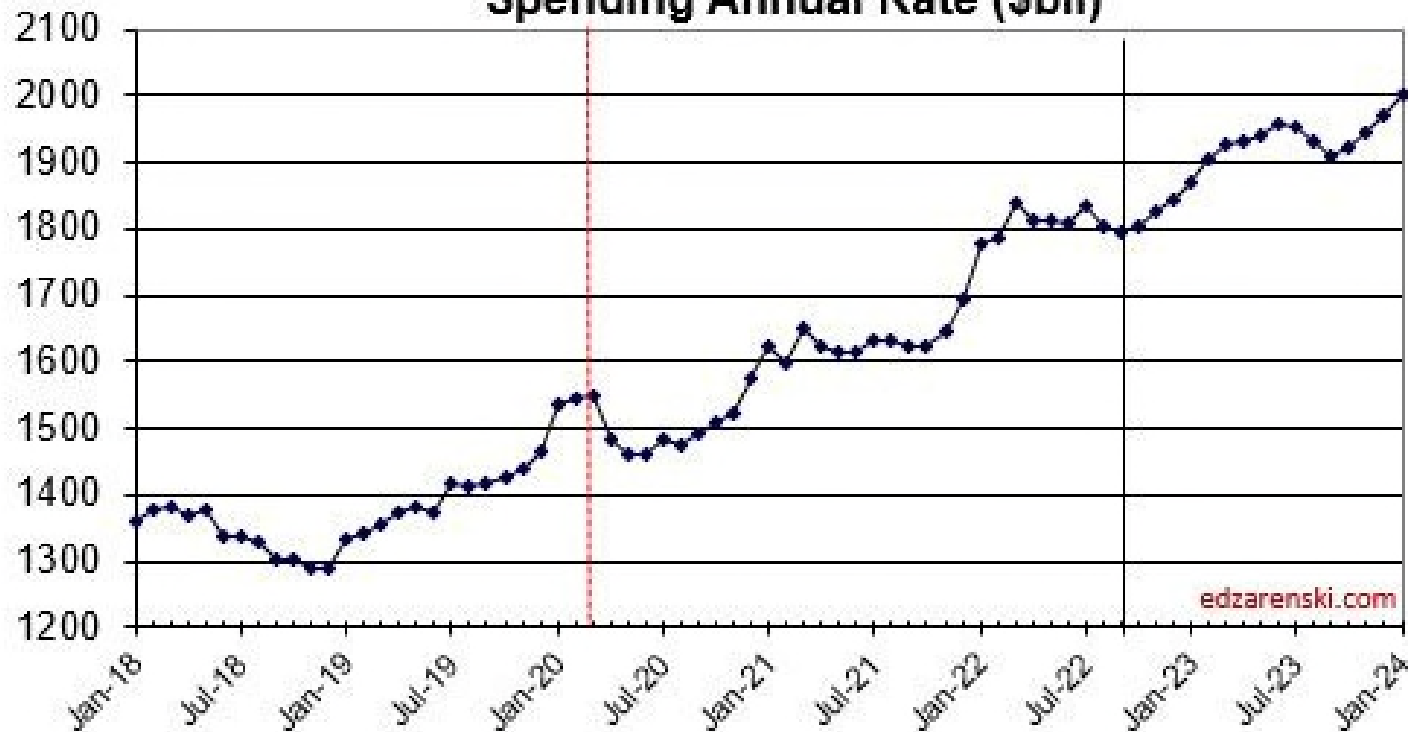
CONSTRUCTION SPENDING (COMMERCIAL BUILDINGS)



KEY TAKEAWAYS

- Construction starts for Nonresidential Bldgs posted each of the last 4 (consecutive) months thru October were higher than any months ever before.
- The avg of last 4 (consecutive) months is 33% higher than the avg of the best previous 4 months ever (even non-consecutive).
- Overall Construction Spending is up 15% since the onset of the pandemic, but, after adjusting for 25% inflation, volume is down 10%.

**TOTAL Construction Spending
Spending Annual Rate (\$bil)**



edzarenski.com

FORECASTED NEW CONSTRUCTION PROJECTS - RESIDENTIAL, COMMERCIAL, INDUSTRIAL -



KEY TAKEAWAYS

- Based on THE CURRENT architectural billing index, We expect economic activity to contract by 0.5% in 2023, before returning to growth in 2024.
- Rising interest rates and ongoing affordability issues are expected to weigh on homebuilding.

(\$ BILLIONS USD)

	Actuals		Forecasts				
	2020	2021	2022	2023	2024	2025	2026
Single-family	219.284	257.699	238.191	234.534	272.905	304.603	329.477
Multi-family	82.135	104.486	114.322	116.614	126.933	141.153	150.122
TOTAL RESIDENTIAL	301.419	362.184	352.513	351.148	399.838	445.756	479.599
<i>(Yr/yr % change)</i>	<i>1.2%</i>	<i>20.2%</i>	<i>-2.7%</i>	<i>-0.4%</i>	<i>13.9%</i>	<i>11.5%</i>	<i>7.6%</i>
Hotels/Motels	10.194	7.152	10.189	11.358	14.923	19.111	20.642
Shopping/Retail	12.279	12.880	14.395	14.945	17.035	20.152	23.257
Parking Garages	1.740	1.768	2.147	2.251	2.462	2.720	2.983
Amusement	6.300	6.557	7.118	7.012	7.784	8.924	9.724
Private Offices	25.893	20.820	18.566	21.391	24.484	27.231	29.865
Governmental Offices	10.663	11.641	12.904	13.014	13.603	14.148	14.569
Laboratories (Schools & Industrial)	2.351	2.447	4.195	3.156	3.393	3.628	3.801
Warehouses	26.219	28.123	26.453	24.931	26.453	28.956	30.331
Sports Stadium/Convention Center	4.516	6.043	6.056	8.668	7.210	7.876	8.345
Transportation Terminals	2.361	9.970	10.569	10.986	10.823	10.017	9.730
TOTAL COMMERCIAL	102.516	107.400	112.592	117.713	128.170	142.764	153.246
<i>(Yr/yr % change)</i>	<i>-29.2%</i>	<i>4.8%</i>	<i>4.8%</i>	<i>4.5%</i>	<i>8.9%</i>	<i>11.4%</i>	<i>7.3%</i>
TOTAL INDUSTRIAL (manufacturing)	21.741	34.780	81.860	51.458	52.410	55.374	59.214
<i>(Yr/yr % change)</i>	<i>-61.0%</i>	<i>60.0%</i>	<i>135.4%</i>	<i>-37.1%</i>	<i>1.8%</i>	<i>5.7%</i>	<i>6.9%</i>

SOURCE: WWW.CONSTRUCTIONX.COM

FORECASTED NEW CONSTRUCTION PROJECTS - INSTITUTIONAL, NON-RES, ENGINEERING -



KEY TAKEAWAYS

- Total construction starts are expected to rise 11.8% by the end of 2022 before declining in 2023.
- The US economy is expected to experience a mild recession in 2023 with economic activity contracting by 0.5% in 2023, after 1.7% growth this year.
- Meanwhile, nonresidential building is expected to contract after bumper growth this year. Of the headline sectors, only new engineering construction is expected to post positive growth in 2023.

(\$ BILLIONS USD)

	Actuals		Forecasts				
	2020	2021	2022	2023	2024	2025	2026
Hospitals/Clinics	13.352	18.730	20.181	20.822	22.786	24.006	25.415
Nursing Homes/Assisted Living	7.485	5.965	4.359	4.846	5.824	7.105	8.182
Libraries/Museums	3.807	3.591	3.543	3.757	4.021	4.377	4.620
Courthouse	2.376	2.477	1.667	1.849	2.117	2.381	2.675
Police/Fire	3.313	3.035	3.926	3.555	3.752	3.946	4.128
Prisons	2.389	2.236	2.366	2.448	2.715	2.943	3.059
Military	9.207	9.211	10.170	10.737	11.471	11.838	12.541
Educational Facilities	67.540	59.896	70.496	69.679	74.829	79.566	84.020
MED misc	8.212	7.473	9.150	9.532	10.857	13.226	14.785
TOTAL INSTITUTIONAL	119.305	113.831	126.829	128.266	139.564	150.729	160.837
<i>(Yr/yr % change)</i>	<i>-11.3%</i>	<i>-4.6%</i>	<i>11.4%</i>	<i>1.1%</i>	<i>8.8%</i>	<i>8.0%</i>	<i>6.7%</i>
Miscellaneous Non-Res Building	5.794	6.324	7.196	7.187	7.317	7.664	8.127
TOTAL NON-RES BLDG	249.356	262.336	328.477	304.624	327.461	356.531	381.424
<i>(Yr/yr % change)</i>	<i>-27.2%</i>	<i>5.2%</i>	<i>25.2%</i>	<i>-7.3%</i>	<i>7.5%</i>	<i>8.9%</i>	<i>7.0%</i>
Airport	6.028	5.202	7.252	6.842	7.093	7.845	8.553
Roads	63.653	67.378	85.810	88.311	93.703	99.865	103.673
Bridges	22.761	17.995	27.695	26.749	27.865	29.473	30.694
Dams/Canal/Marine	8.283	8.555	8.998	9.508	10.644	11.240	11.744
Water & Sewage Treatment	31.247	33.897	40.634	40.228	42.661	45.456	48.048
Misc Civil (Power, etc.)	22.727	23.420	21.688	33.763	37.090	42.685	46.429
TOTAL ENGINEERING	154.699	156.447	192.076	205.402	219.057	236.563	249.141
<i>(Yr/yr % change)</i>	<i>-18.3%</i>	<i>1.1%</i>	<i>22.8%</i>	<i>6.9%</i>	<i>6.6%</i>	<i>8.0%</i>	<i>5.3%</i>

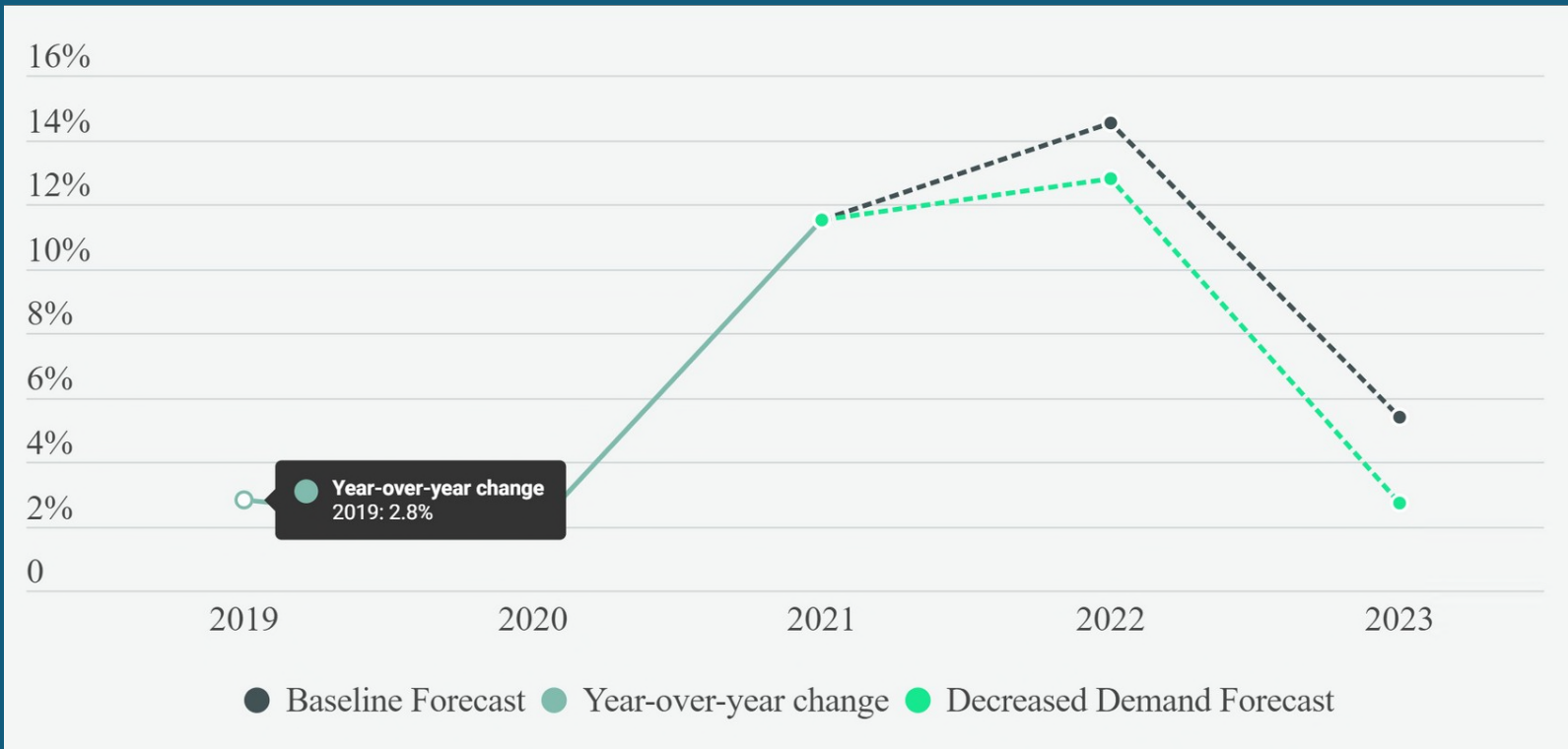
CONSTRUCTION COST INDEX

ANNUAL INCREASE BY SCENARIO



KEY TAKEAWAYS

- After two years of double-digit increases, CBRE expects construction cost growth of 5.4% in 2023.
- Higher interest rates and slow economic growth could cause delays to many construction projects.
- This would alleviate labor and materials shortages and limit the extent to which contractors could boost margins.
- In this scenario, we expect construction costs would rise by 2.7% in 2023, in line with the historical 2%-to-4% range.



NATIONAL AVERAGE CONSTRUCTION COST PER SQUARE FOOT (PSF)



KEY TAKEAWAYS

- The U.S. construction industry continues to grapple with numerous interconnected challenges that have led to unprecedented spikes in construction costs over the past two years.
- Materials costs likely won't rise next year as supply pressures ease, but labor costs likely will increase.
- We expect total construction cost escalation in 2023 to be slightly higher than the historical norm but well below that of 2022.

Cost per Sq. foot in different Regions of the USA

Amounts in \$

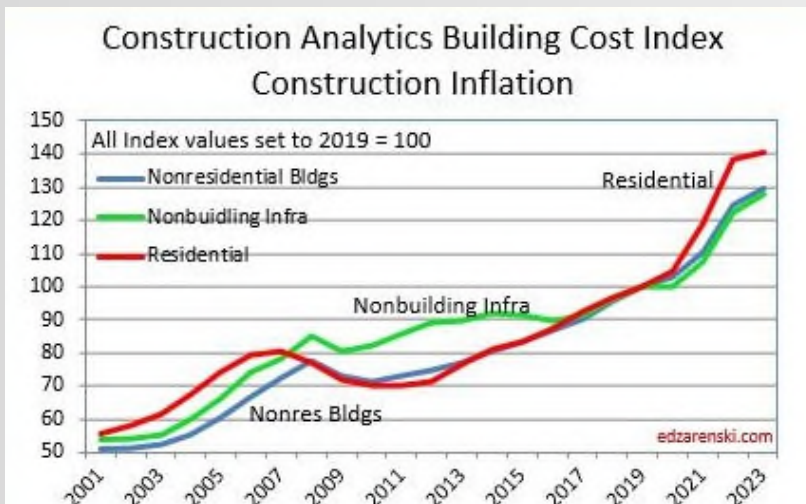
	Eastern US		Western US		Midwest US		Southern US	
	High End	Low End	High End	Low End	High End	Low End	High End	Low End
Single Story Office	361	301	378	313	298	237	286	238
Mid- rise buildng	719	599	607	481	556	454	569	474
High Rise Building	827	688	730	557	689	584	654	545
Super Market	371	309	430	261	340	284	294	245
Regional Mall	554	461	575	400	507	423	439	366
3- Star Hotel	604	489	545	400	533	400	478	341
5- Star Hotel	871	677	849	577	762	537	683	462
Schools	381	317	341	417	292	242	260	217

NATIONAL CONSTRUCTION BUILDING COST INDICES



KEY TAKEAWAYS

- First Quarter 2023 Turner Building Cost Index— which measures costs in the non-residential building construction market in the United States—had increased to the value of 1349.
- This represents a 1.28% quarterly increase from the Fourth Quarter 2022 and an 5% yearly increase from the First Quarter 2023.



Quarter	Index % Change
4th Quarter 2022	1332 1.60%
3rd Quarter 2022	1311 2.18%
2nd Quarter 2022	1283 2.23%
1st Quarter 2022	1255 2.03%

FED PROJECTIONS

(February 2023)

Variable	Median ¹				Central Tendency ²			
	2023	2024	2025	Longer run	2023	2024	2025	Longer run
Change in real GDP	0.4	1.2	1.9	1.8	0.0–0.8	1.0–1.5	1.7–2.1	1.7–2.0
December projection	0.5	1.6	1.8	1.8	0.4–1.0	1.3–2.0	1.6–2.0	1.7–2.0
Unemployment rate	4.5	4.6	4.6	4.0	4.0–4.7	4.3–4.9	4.3–4.8	3.8–4.3
December projection	4.6	4.6	4.5	4.0	4.4–4.7	4.3–4.8	4.0–4.7	3.8–4.3
PCE inflation	3.3	2.5	2.1	2.0	3.0–3.8	2.2–2.8	2.0–2.2	2.0
December projection	3.1	2.5	2.1	2.0	2.9–3.5	2.3–2.7	2.0–2.2	2.0
Core PCE inflation ⁴	3.6	2.6	2.1		3.5–3.9	2.3–2.8	2.0–2.2	
December projection	3.5	2.5	2.1		3.2–3.7	2.3–2.7	2.0–2.2	
Memo: Projected appropriate policy path								
Federal funds rate	5.1	4.3	3.1	2.5	5.1–5.6	3.9–5.1	2.9–3.9	2.4–2.6
December projection	5.1	4.1	3.1	2.5	5.1–5.4	3.9–4.9	2.6–3.9	2.3–2.5



KEY TAKEAWAYS

- Restrictions on money flow between banks may mean less money to lend or tighter requirements.
- Inflation and higher mortgage costs typically increase the demand for multifamily.
- The mechanics of the Federal Funds rate makes lower valuations more likely, but every deal is different, and no one factor governs the real estate market.

SOURCES: FEDERALRESERVE.GOV

CONTAINER SHIPPING FORECAST



KEY TAKEAWAYS

- Freight rates fell 43% from \$2,528 in Q4 to \$1,437/FEU in May. This rate is 83% lower than a year ago,
- Congestion levels at the ports of LA/Long Beach returned to normal in late November.



SOURCE:FBX.FREIGHTOS.COM

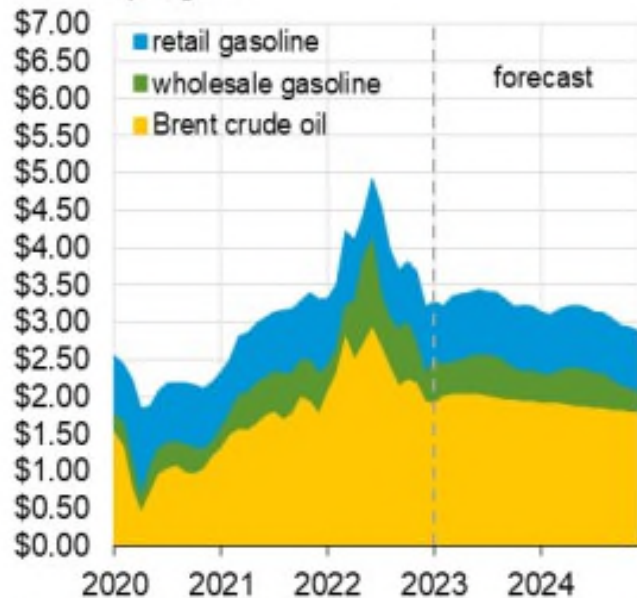
ENERGY OUTLOOK



KEY TAKEAWAYS

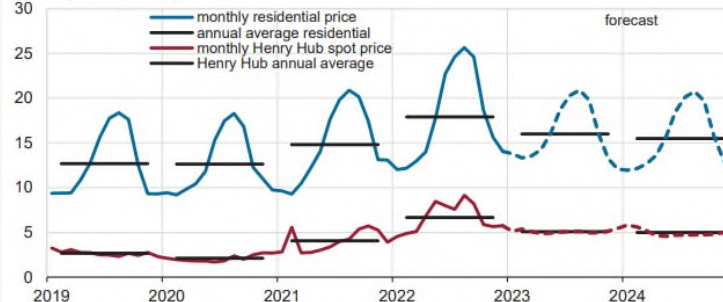
- The Henry Hub natural gas spot price averages slightly less than \$5.00 per million British thermal units (MMBtu) in 2023 in our forecast—down close to 25% from last year—as domestic consumption declines and liquefied natural gas (LNG) exports remain relatively flat.
- In 2024, we expect natural gas prices to again average slightly below \$5.00/MMBtu, as dry natural gas production outpaces an increase in LNG exports that results from rising LNG export capacity.
- We forecast that the Brent crude oil price will average \$83 per barrel (b) in 2023, down 18% from 2022, and continue to fall to \$78/b in 2024 as global oil inventories build, putting downward pressure on crude oil prices.
- With more global oil production than consumption in our forecast, we expect global oil inventories will increase over the next two years.

U.S. gasoline and crude oil prices
dollars per gallon



Data source: U.S. Energy Information Administration, Refinitiv, an LSEG Business

U.S. natural gas prices
dollars per thousand cubic feet



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, January 2023, and Refinitiv an LSEG Business

West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals
dollars per barrel



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, May 2023, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business

Note: Confidence interval derived from options market information for the five trading days ending May 4, 2023. Intervals not calculated for months with sparse trading in near-the-money options contracts.

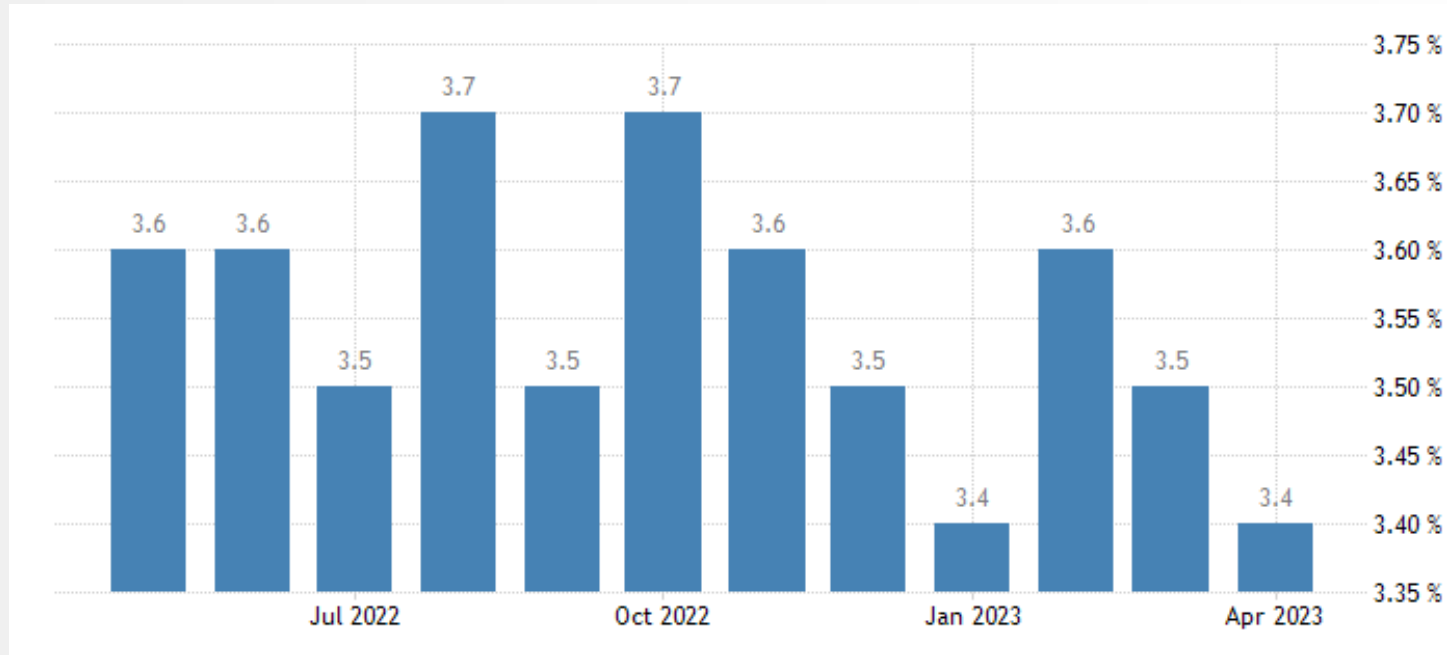


LABOR OUTLOOK



KEY TAKEAWAYS

- Shortages in labor supply across large markets and for key sectors tied to supply chains, have prompted a tilt in negotiating power toward workers.
- Labor markets are experiencing a great reshuffling.



SOURCES: SPGLOBAL.COM, TRADINGECONOMICS.COM

RAW MATERIALS VOLATILITY



Materials	Q1 2023 (f)	Q1 2022 - Q1 2023 (f)		Q3 - Q4 2022 (e)
	US\$	US\$	2022-23 % change	% change
Copper (US\$/T)	7,313	9,206	-20.6% ↓	1.2% ↑ ●
Steel rebar (US\$/T)	988	978	1.0% ↑	-4.7% ↓ ●
Steel flat (US\$/T)	1,770	1,743	1.6% ↑	-8.8% ↓ ●
Stainless steel (US\$/T)	4,603	NA	NA	NA
Lumber (US\$/cu.ft.)	5.7	15.3	-62.9% ↓	-18.4% ↓ ●
Asphalt (US\$/T)	590	514	14.8% ↑	-14.0% ↓ ●
Limestone (US\$/T)	28.2	26.9	5.0% ↑	0.0% ↔ ■
Cement (US\$/T)	135	123	9.4% ↑	1.6% ↑ ●
Concrete (US\$/CY)	118	108	8.9% ↑	1.6% ↑ ●
Welded mesh (US\$/unit)	232	231	0.4% ↑	-4.7% ↓ ●
Bricks (US\$/000 unit)	850	683	24.4% ↑	4.5% ↑ ●
Drywall (US\$/unit)	13.1	12.4	5.5% ↑	1.2% ↑ ●
Diesel (US\$/gallon)	4.9	4.6	8.3% ↑	-2.0% ↓ ■

(f) Forecast (e) Estimated

- Q3 to Q4 2022 % change greater than estimation in our Q3 report
- Q3 to Q4 2022 % change less than estimation in our Q3 report

Welded mesh: 47.2 x 118.1 in, dia.-0.24 in Drywall: 47.2 x 143.7 x 0.49 in (L x W x T)

SOURCES: WWW.TORONTOENRCONPROJ.COM



KEY TAKEAWAYS

- Economic slowdown is expected to continue into 2023
- Inflation is cooling off (6.2% in 2022) but will remain higher than normal, with an average of 4.7% expected for 2023, and will continue to push wages higher
- Rising demand for aluminum, copper, and nickel will drive prices up on electrical and construction projects

LUMBER FORECAST



SOURCE: GOVCAPITAL



KEY TAKE-A-WAYS

Q1 2023 Current Lumber price

\$344 per Bd. Ft.

Q4 2022 Price was \$429 Per Bd. Ft.

-\$80 Difference

HEAVY STEEL - INSIGHTS

STEEL PLATE PRICE

Current Price
\$1,129 / Per MT

Q4 Price Was \$894

+\$235 Difference

HOT-ROLLED STEEL SHEET PRICE

Current Price
\$511 / Per MT

Q4 Price Was \$456

+\$55 Difference

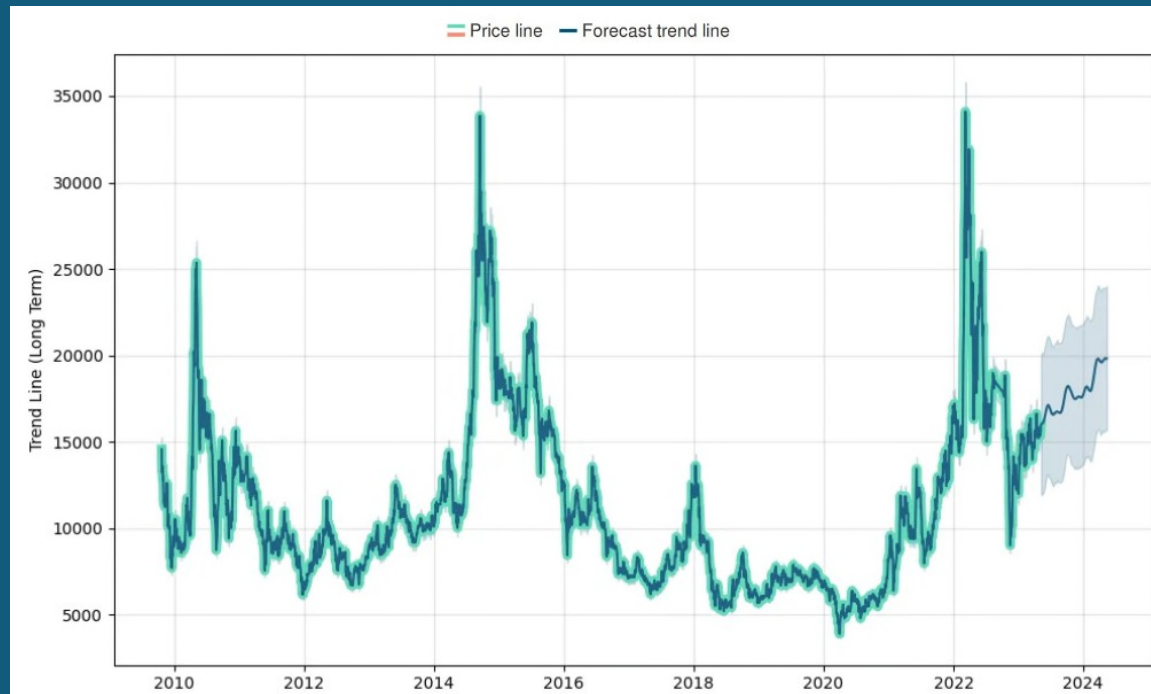
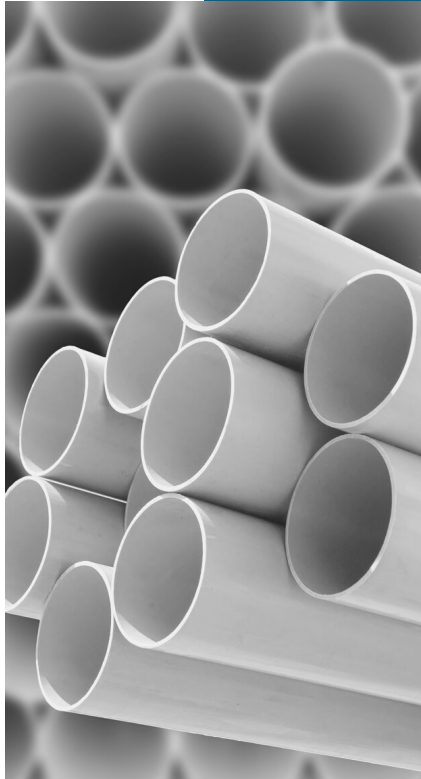


KEY TAKEAWAYS

- The global market has weakened since late March as spiraling [inflation](#), Covid-19 lockdowns in parts of China, and the conflict between Russia and Ukraine heightened demand outlook uncertainty in 2022 and 2023.
- The US Midwest Domestic Hot-Rolled Coil (HRC) Steel (CRU) [continuous futures contract was down](#) 53.6% since the start of the year, last trading at \$665 on 13 December.

PVC FORECAST

Long-Term Price Predictions for 2023



SOURCES: WALLETINVESTOR.COM, WWW.MOBRODINTelligence.COM

KEY TAKEAWAYS

- The surging demand for PVC in post-pandemic industries propelled industry growth.
- Over the medium term, PVC's dominant position in the construction industry and the increasing applications in the healthcare industry are likely to drive the PVC market.
- Asia-Pacific is expected to dominate the PVC market during the forecast period. China is the largest consumer of PVC within the region, owing to the growing construction and automotive industry.

INSURANCE MARKETPLACE REALITIES

	Trend	Range		Trend	Range
General liability		+5% to +10%	Master builders risk/contractors block programs (renewable business)		+10% to +20%
Auto liability and physical damage		+5% to +15%	Professional liability		Flat to +10%
Workers compensation		Flat to +5%	Contractors pollution liability		+5% to +10%
Umbrella (lead)		+5% to +15%	Project-specific/controlled insurance programs		+5% to +15%; +10% to +40% for excess
Excess		+5% to +20%	Subcontractor default insurance		Flat to +10%
Project-specific builders risk		Flat to +10%			

SOURCES: WTWCO



KEY TAKEAWAYS

- The rate environment in North America, across all lines of coverage, continues to improve. We anticipate continued improvement into 2023.
- Premium increases for most insureds will be driven by inflationary construction costs, heightened reinsurance pressures, and possible catastrophe capacity constriction, while THE valuation of assets will be the key topic of conversation in 2023
- Increased carrier competition may yield better renewal results. Often the familiarity with the contractor's operations provides incumbent carriers WITH a level of confidence that allows for increased underwriting flexibility

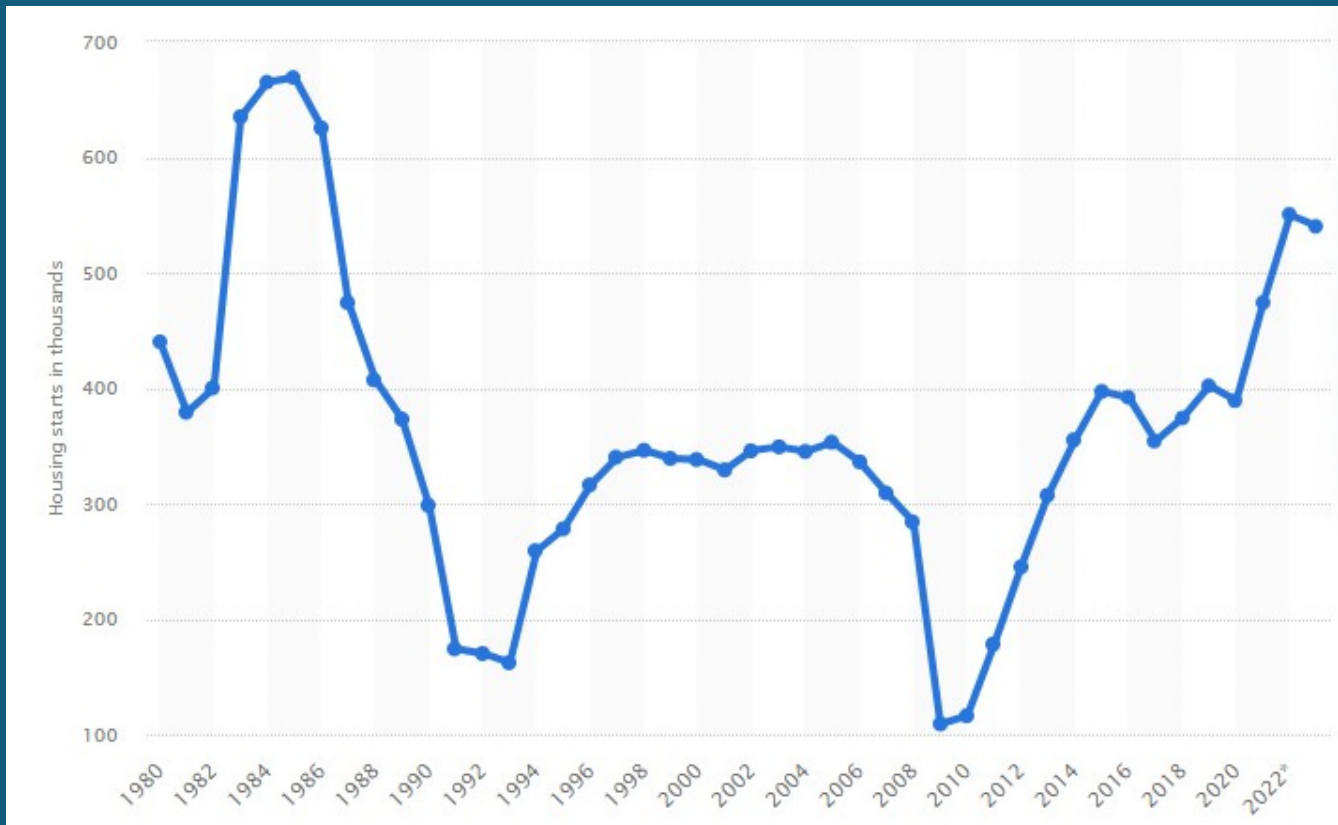
MARKET FORECASTS
&
INSIGHTS

MULTI-FAMILY FORECAST



KEY TAKEAWAYS

- Multifamily starts are predicted to fall in 2023, following an unsustainable high level of production last year. The remodeling sector remains on solid ground and will do better than the single-family and multifamily markets in 2023.
- Multifamily construction boomed in 2022, up an estimated 15% from the previous year and exceeded a 500,000 annual pace
- NAHB is projecting that multifamily starts will fall 28% in 2023 to a 391,000 total and will stabilize in 2024 at about 374,000 starts.



SOURCES: WWW.FONCONSTRUCTIONPROS.COM

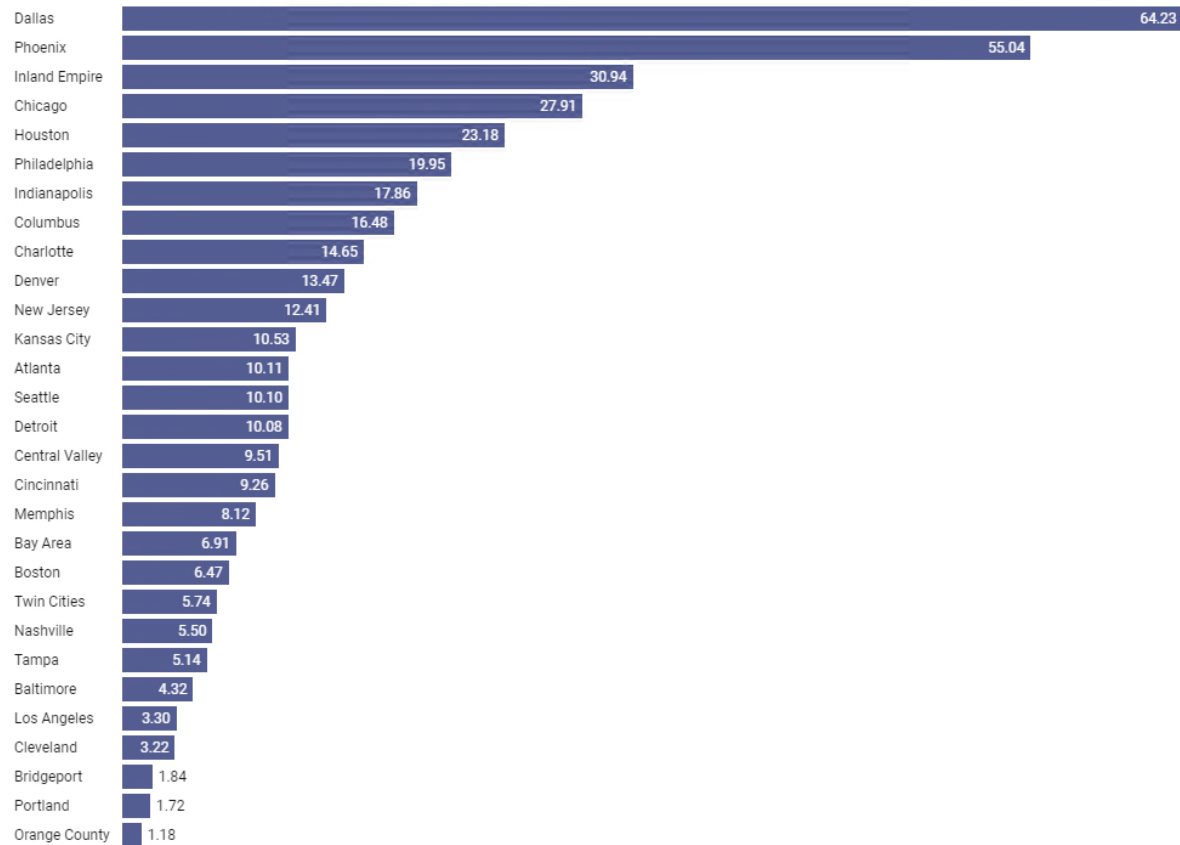
INDUSTRIAL FORECAST



KEY TAKEAWAYS

- Industrial went through a massive shift in recent years: Demand skyrocketed, vacancies plummeted, and investors drove up average sale prices by more than 50% in three years.
- Rising interest rates and a looming recession will slow leasing activity as businesses pause expansion plans and grapple with a higher cost of borrowing.
- Supply-chain normalization will lead to less need for increased inventories than was common in recent years, further slowing leasing.

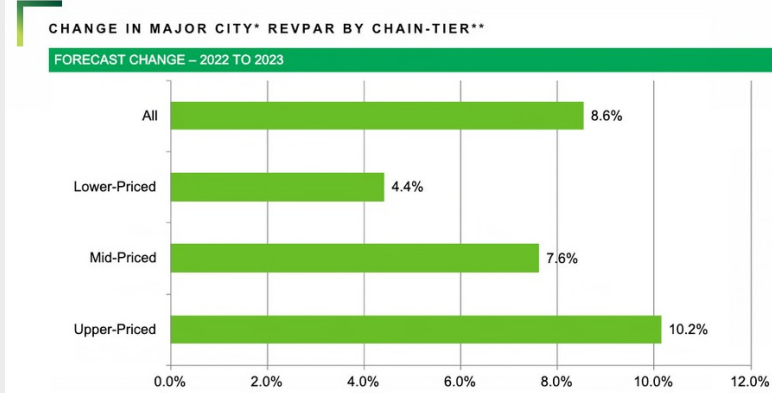
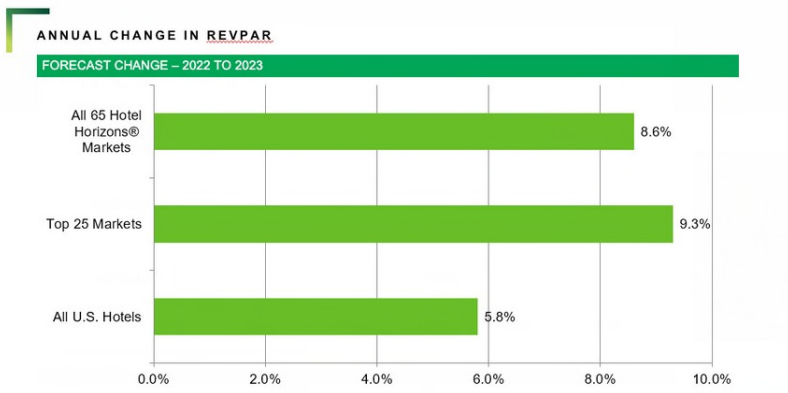
Industrial Space Under Construction (Million Sq. Ft)



SOURCES WWW.COMMERCIALEDGE.COM

HOSPITALITY FORECAST

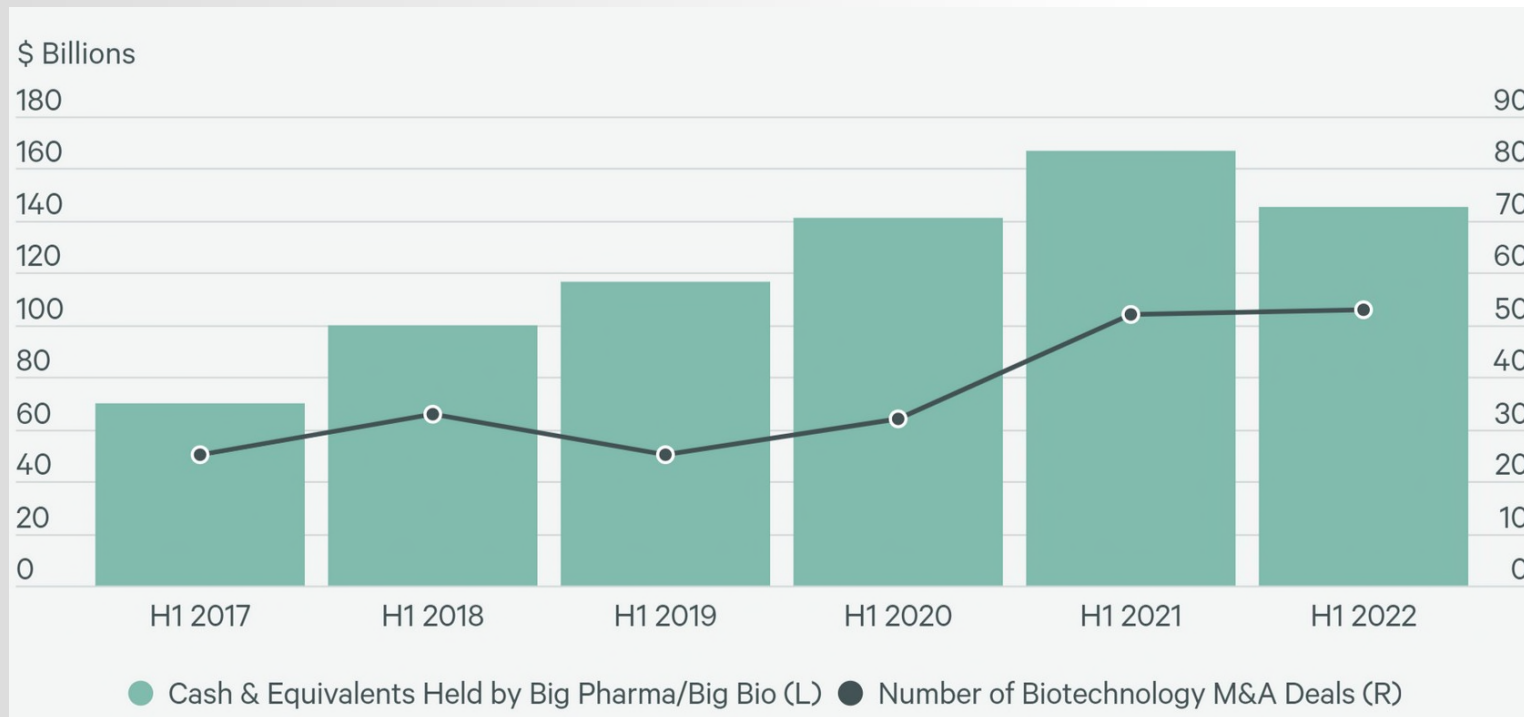
- After lagging during the initial stages of the recovery from the COVID industry recession, the nation’s major lodging markets are forecast to achieve greater gains in revenue per available room during 2023 than elsewhere in the U.S.
- Driving the increase in 2023 major market RevPAR is an equal mix of occupancy and average daily rate growth. Both metrics are projected to rise by 4.2 percent during the year.
- The composition of RevPAR growth for the nation differs. The 5.8 percent rise in overall U.S. RevPAR will be the result of a 1.6 percent increase in occupancy, combined with a 4.2 percent gain in ADR.



KEY TAKEAWAYS

- Rough ground-up construction of a full-service hotel typically costs \$320,000 per key.
- The government’s \$500 billion infrastructure program will also support construction spending growth over the next several years.
- Prices for construction inputs have increased much more over the past two years than the output prices contractors have passed on to developers, contractor margins are expected to continue in 2023 across markets with healthy construction pipelines, which will increase total construction costs.

LIFE SCIENCE FORECAST



SOURCES: CBRE, CBRE.COM/INSIGHTS/BOOKS



KEY TAKEAWAYS

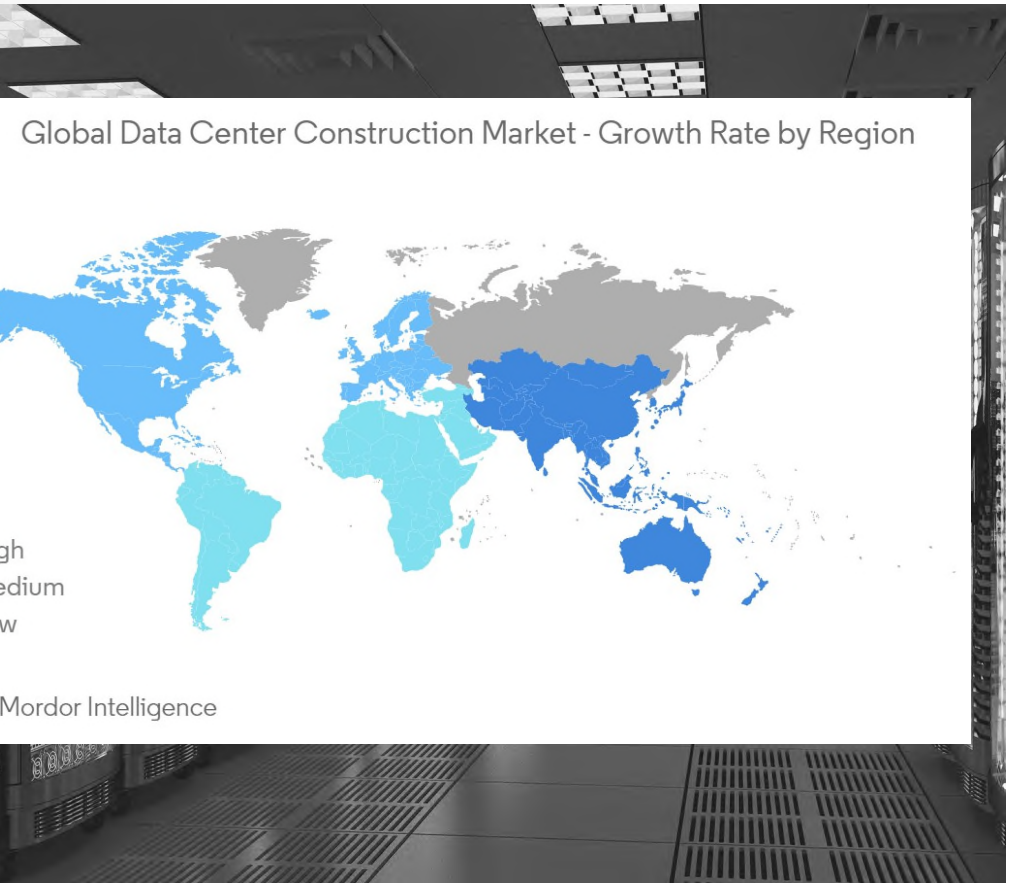
- The life science sector's rapid expansion in recent years is expected to moderate in 2023 due to the economic slowdown.
- Pandemic-fueled demand and capital infusion will give way to more normal market conditions, with better opportunities for occupiers.
- New construction will increase supply in the most sought-after lab/R&D markets of Boston-Cambridge, the San Francisco Bay Area and San Diego.

DATA CENTER FORECAST



KEY TAKEAWAYS

- North America dominates the global market for building data centers. A strong economy and cutting-edge network infrastructure are critical drivers for the market's expansion.
- The United States dominates the regional market and has many significant cloud service providers, including Amazon.com, Google Inc., and Facebook. These businesses invest in building massive data centers and increased data storage and processing capabilities, which present enormous market prospects.
- Due to the increase in internet usage, there is a high penetration rate in the region, especially in the United States, i.e., around 85%, which increases the amount of data generated.



SOURCES: GARTNER, CRN, WWW.MORDORINTELLIGENCE.COM

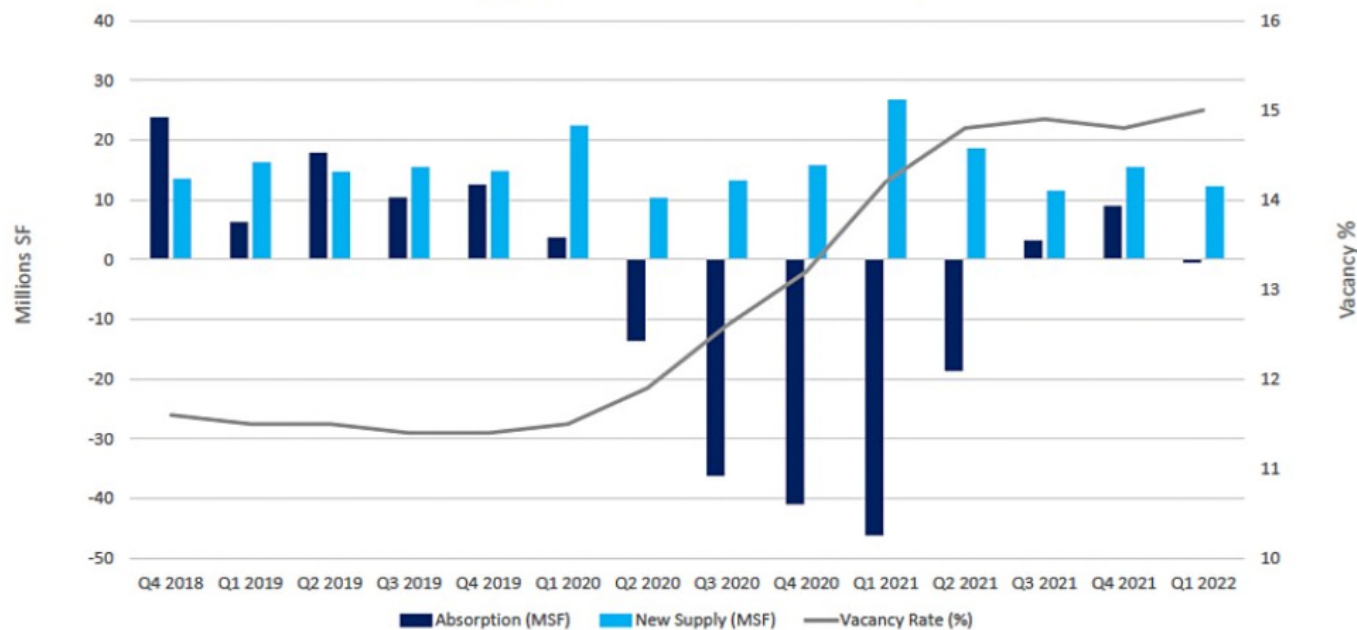
OFFICE FORECAST



KEY TAKEAWAYS

- The U.S. has seen AN increased appetite for conversion of functionally obsolete office assets to residential PRODUCT or other uses.
- Return-to-office posturing is being considered as a catalyst for productivity and collaboration, as well as a potential tool for companies in certain industries to encourage voluntary attrition as a means of avoiding severance costs as they trim staff.
- Over the course of the fourth quarter, several large employers announced pending office reentry guidelines that go into effect at the beginning of 2023, continuing to drive incremental increases to office attendance levels on mid-week peak days.

U.S. Office Market: Supply, Demand & Vacancy



Source: Colliers

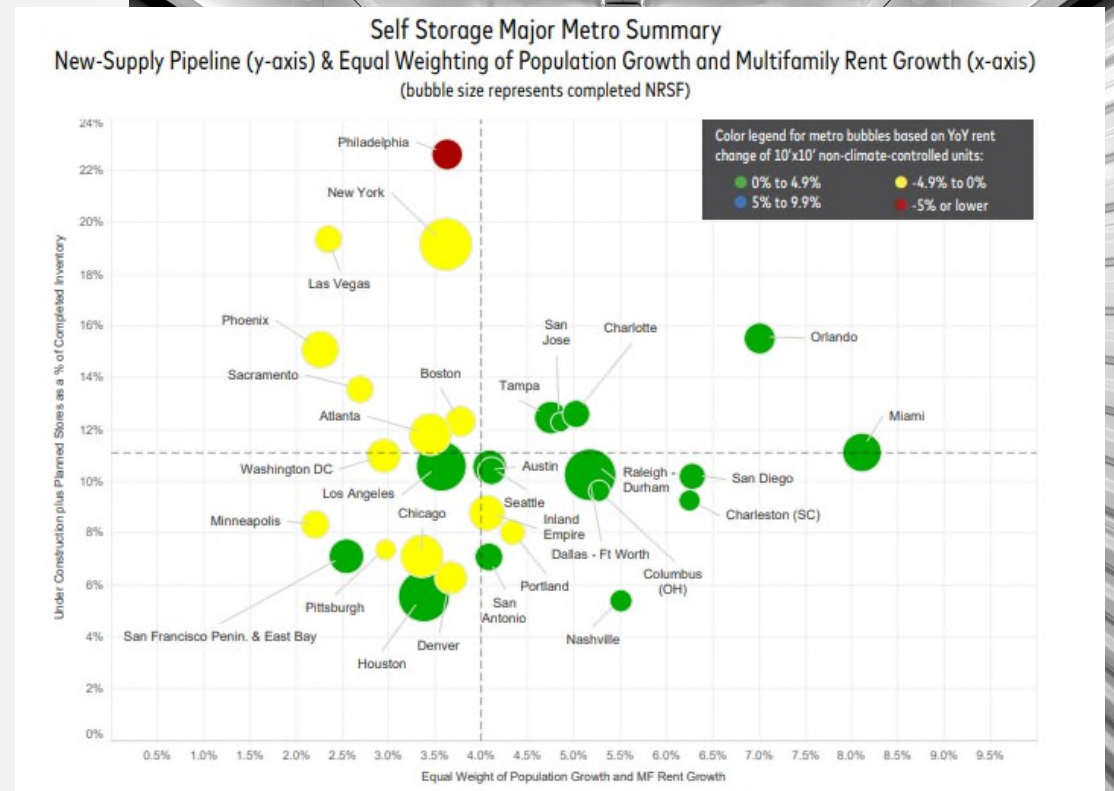
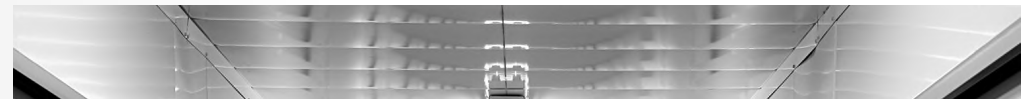
SOURCES: COLLIERS.COM

SELF-STORAGE FORECAST



KEY TAKEAWAYS

- We anticipate a meaningful slowdown in new self-storage development in 2023, largely due to increasing interest rates, extended entitlement timelines, and construction costs that are still relatively elevated. The rapid increase in interest rates is causing developers and lenders to pull back.
- The good news for operators of existing facilities is THAT this delay will lead to stronger rental rates and leasing velocity.
- Expectations for self-storage performance in 2023 are more in line with the fourth quarter than the first nine months of 2022.
- Move-in activity during the last quarter of 2022 was on pace with historical averages. it's now likely to return to more normalized seasonality in line with pre-pandemic performance



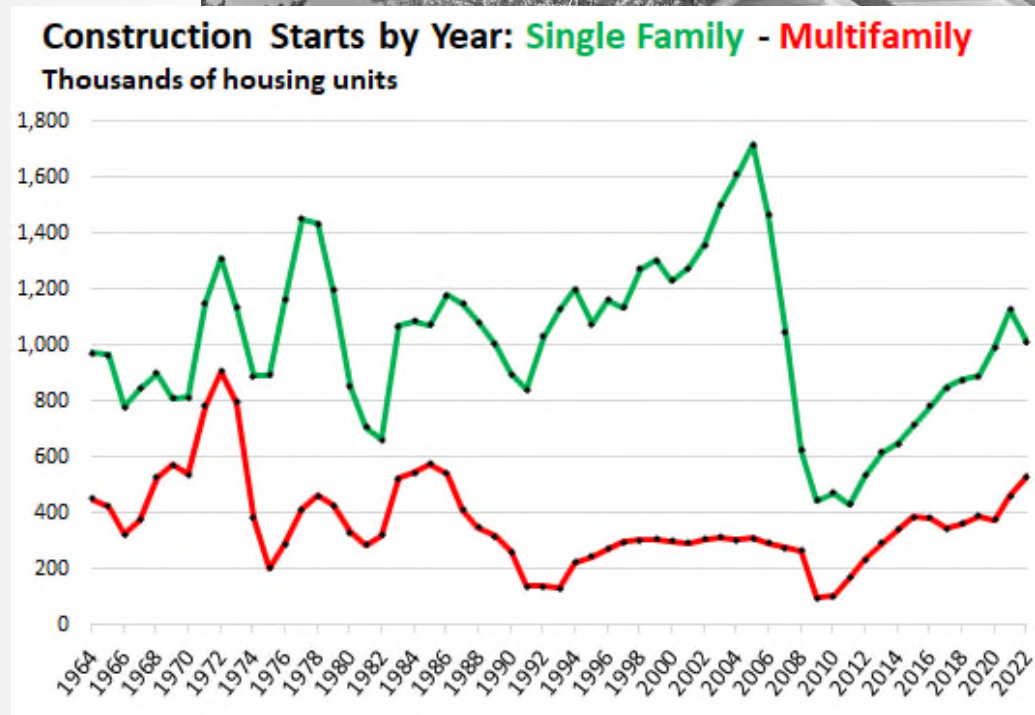
SOURCES: WWW.YARDIMATRIX.COM, SKYVIEWADVISORS.COM

HOUSING DEMAND



KEY TAKEAWAYS

- We expect 2023 to be a challenging year for U.S. homebuilders as persistent affordability issues AND HIGH-INTEREST RATES will lead to LOW housing demand
- Homebuilding will start to recover in 2024, and mortgage rates will ease back from current levels to a range between 4.5% and 6% by 2025.
- The average rate on a 30-year mortgage fell for the fourth week this week to 6.33%, according to Freddie Mac. A year ago, it was 3.1%.



SOURCES: JOHN BURNS REAL ESTATE CONSULTING, WWW.TTNEWS.COM

CLOSING THOUGHTS

WE ARE ALL DEALING WITH THE AFTERMATH OF A PANDEMIC AND OTHER GLOBAL CHALLENGES; HOWEVER, CONDITIONS ARE CHANGING, AND THERE ARE SOME STRATEGIC WAYS TO HELP MITIGATE RISK AND KEEP DEALS MOVING FORWARD WITHOUT DELAY.


KEY TAKEAWAYS

- GET AN EXPERIENCED CONSTRUCTION MANAGEMENT TEAM INVOLVED EARLY IN THE PROCESS TO HELP YOU KEEP PROJECTS ON SCHEDULE AND BUDGET.
 - *3RD PARTY CONSTRUCTION MANAGEMENT BECOMES A PROJECT EXPENSE AND NOT A HOT TO THE COMPANY'S G&A.*
 - *PROPER CONSTRUCTION MANAGEMENT WILL HELP IDENTIFY POTENTIAL DELAYS AND OVERTURES BEFORE THEY HAPPEN.*
- PROPER PLANNING THROUGHOUT THE REDEVELOPMENT OR DESIGN DEVELOPMENT PROCESS WILL HELP SAVE TIME AND MONEY.
- SET UP GMP CONTRACTS WITH YOUR CONTRACTORS TO HELP CONTROL THE BUDGET AND PREVENT WASTEFUL SPENDING.



CONTACT DETAILS

 18301 Von Karman Ave #510, Irvine, CA 92612

 (949) 542-4400

 www.credegroup.com

