

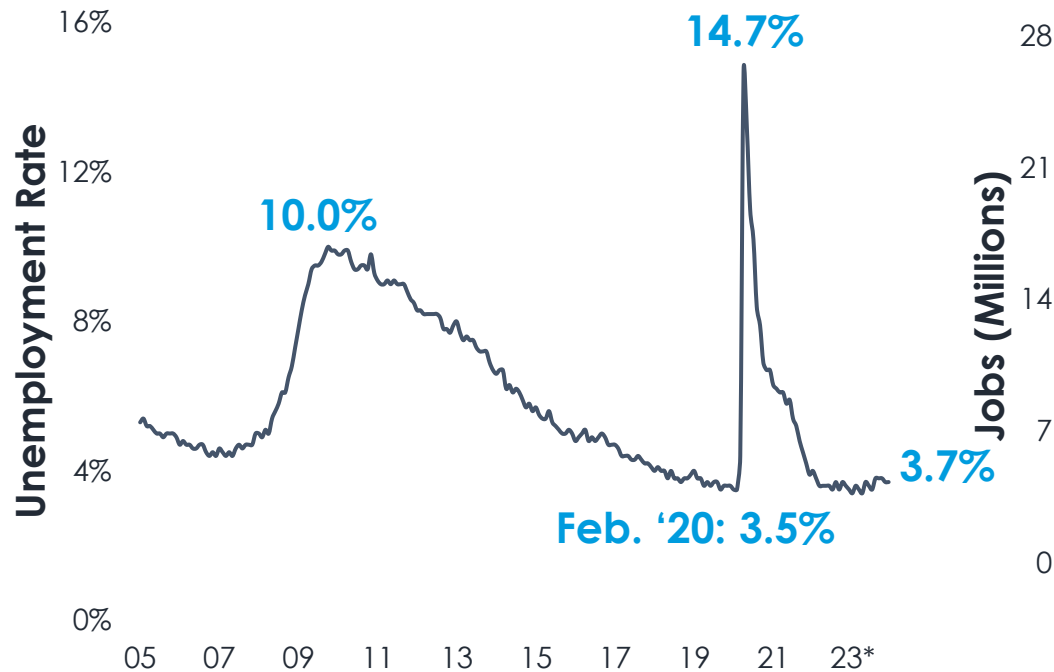
SOUTHERN CALIFORNIA RETAIL MARKET OVERVIEW

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ptoomey@ipausa.com
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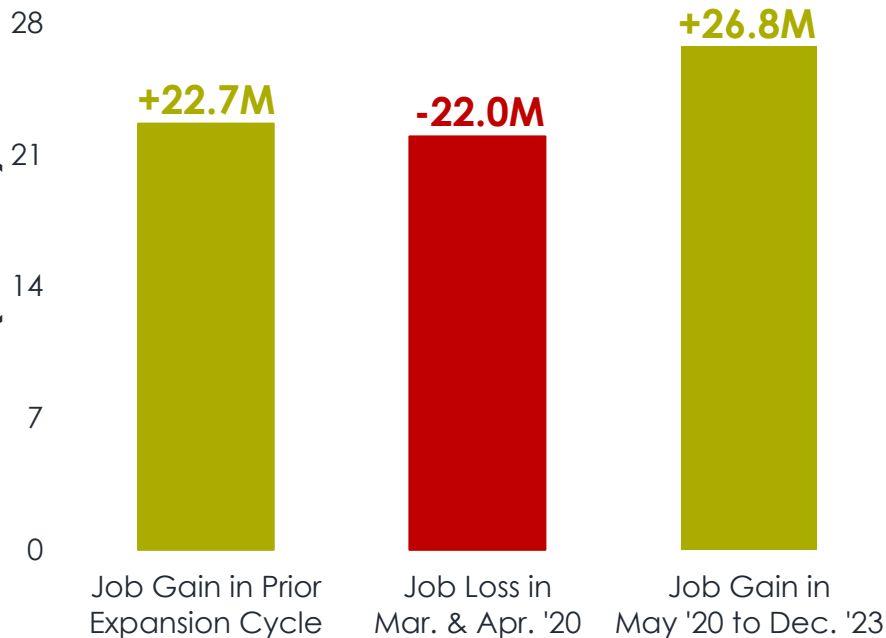
IPA | INSTITUTIONAL
PROPERTY
ADVISORS

Labor Market Shed a Decade of Job Gains in Two Months; Market Has Fully Recovered Pandemic Losses

Unemployment Rate

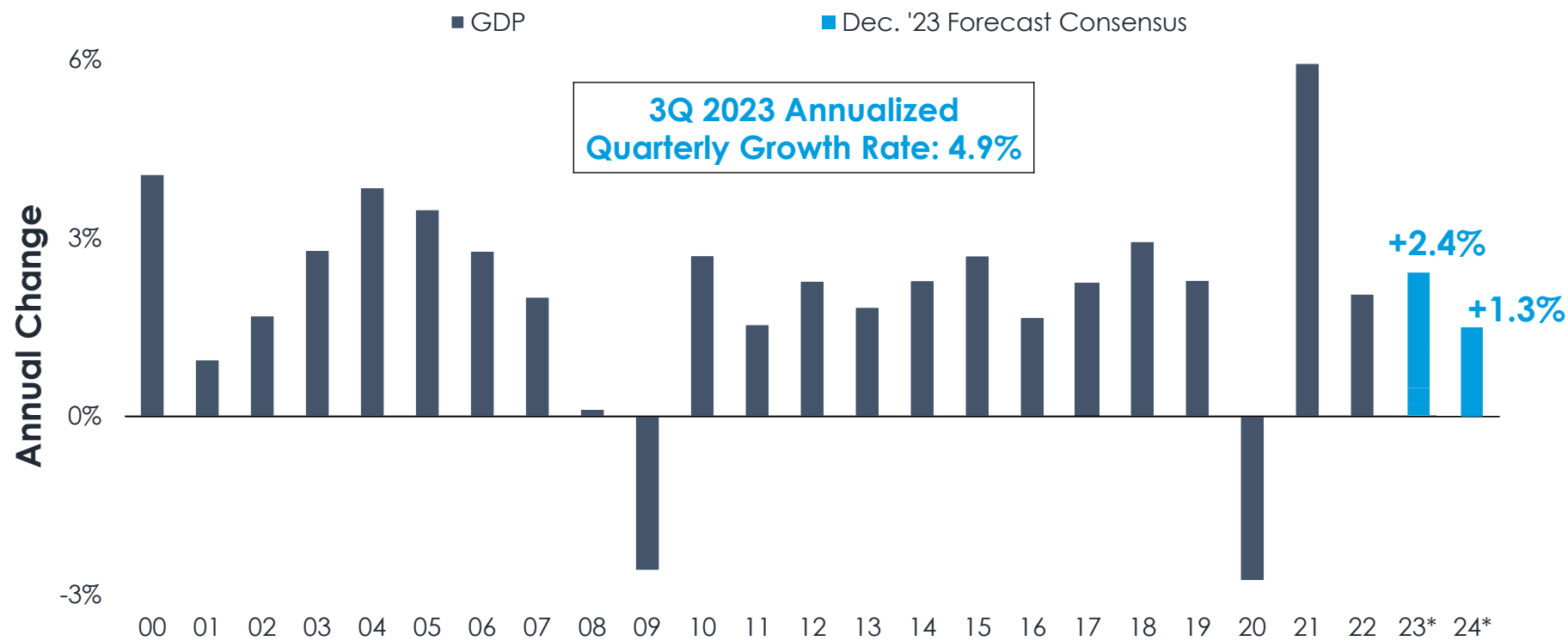


Employment Change: Health Crisis vs. Expansion Cycle



* Through December
Expansion cycle: March 2010 to February 2020
Sources: IPA Research Services, BLS

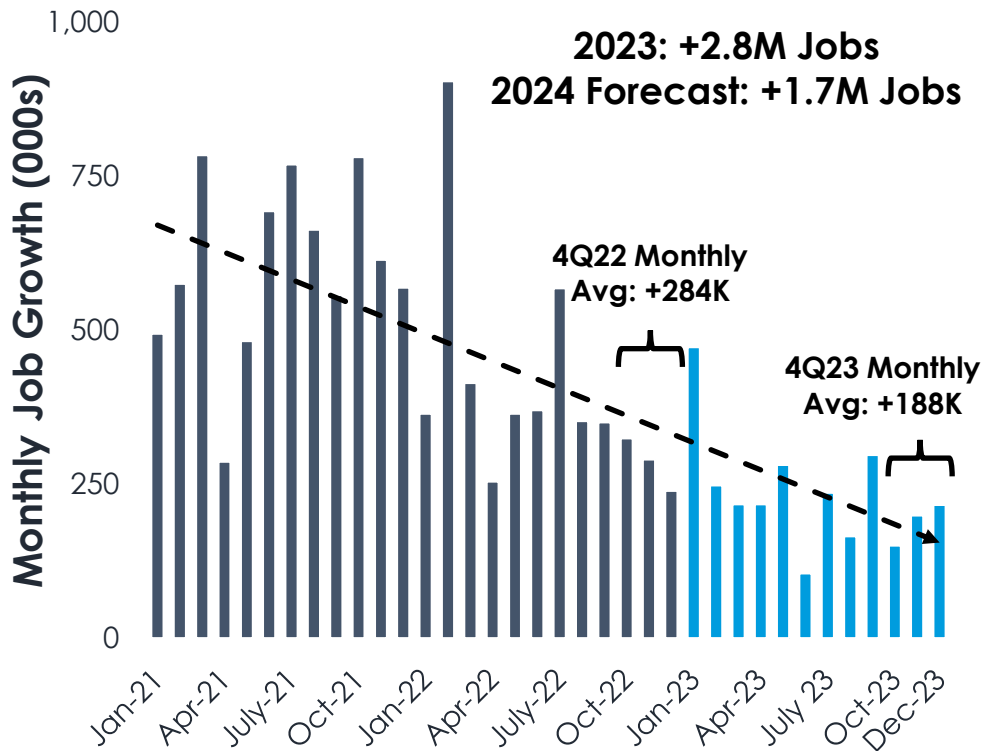
Economic Expectations For 2024 Have Steadily Improved Current Outlook Suggests Soft Landing



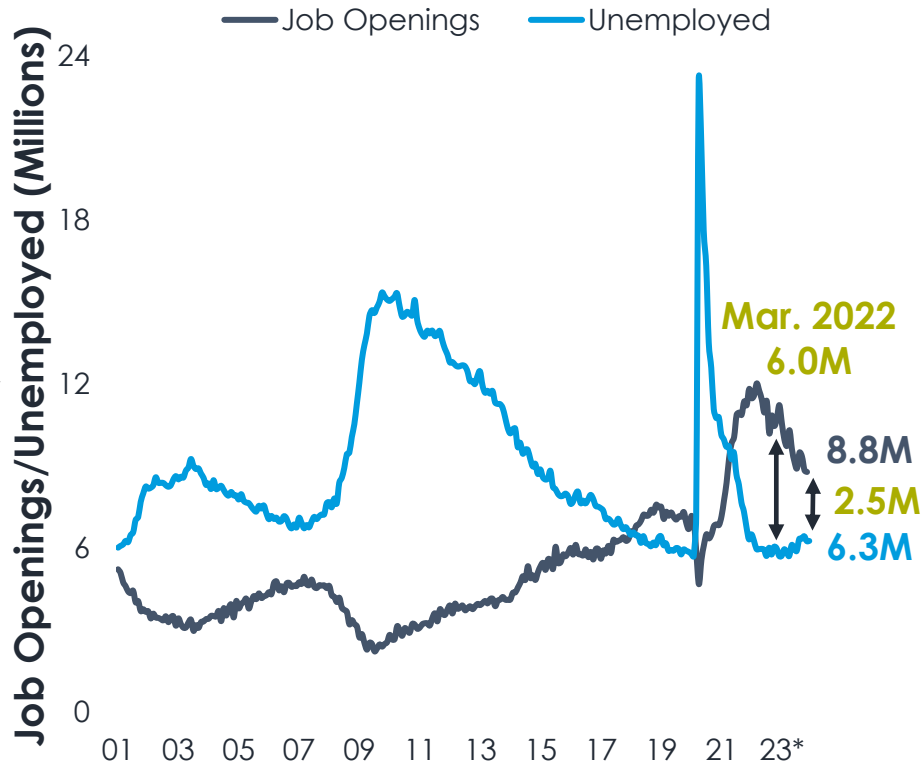
* Forecast
Sources: IPA Research Services, Blue Chip Economic Indicators, BEA

Monthly Job Creation Tapering & Labor Shortage Shrinking; Wage Pressure Easing But Still Elevated

Monthly Job Growth

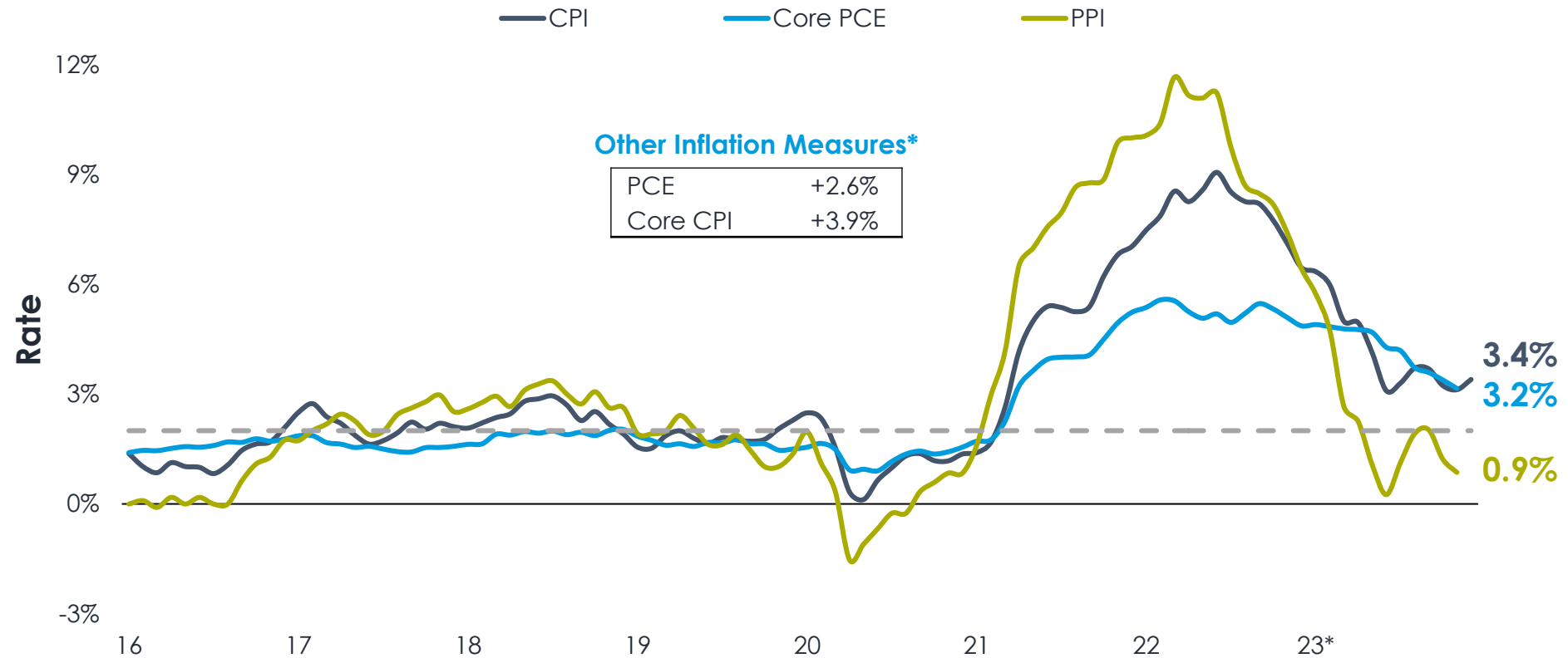


Labor Shortage



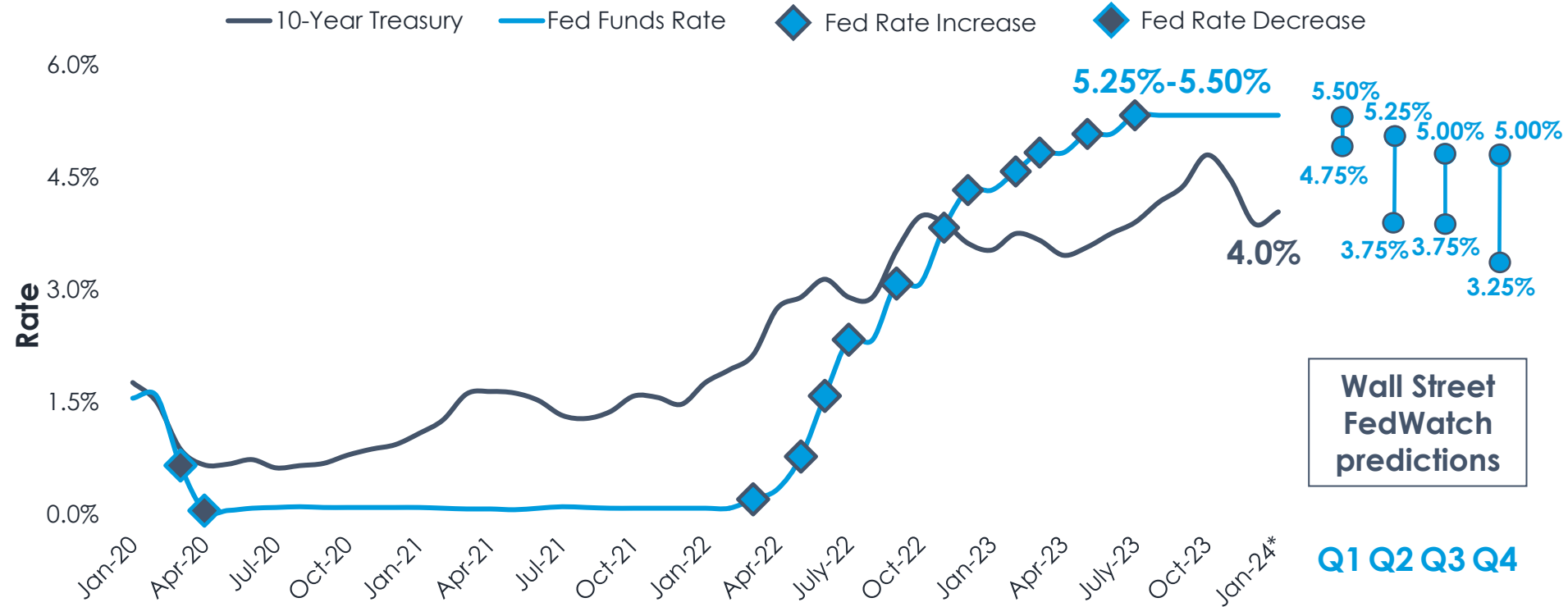
* Unemployed through December; Job openings through November
 Sources: IPA Research Services, BLS

Inflation Trending Lower But Still Too High; Fed Favors Core PCE As Best Measurement



* PPI, PCE and Core PCE through November; CPI and Core CPI through December
Sources: IPA Research Services, BEA, BLS

Fed Signaling Willingness To Reduce Fed Funds Rate; Lending Stabilization Key To Increased CRE Activity



Wall Street FedWatch predictions

Q1 Q2 Q3 Q4

* Through January 12, 2024; Fed Rate Projections Based on FedWatch as of January 11, 2024
Sources: IPA Research Services, Federal Reserve, CME Group

Interest Rates Are Still Low on Historical Basis

“What’s the Problem Folks?”



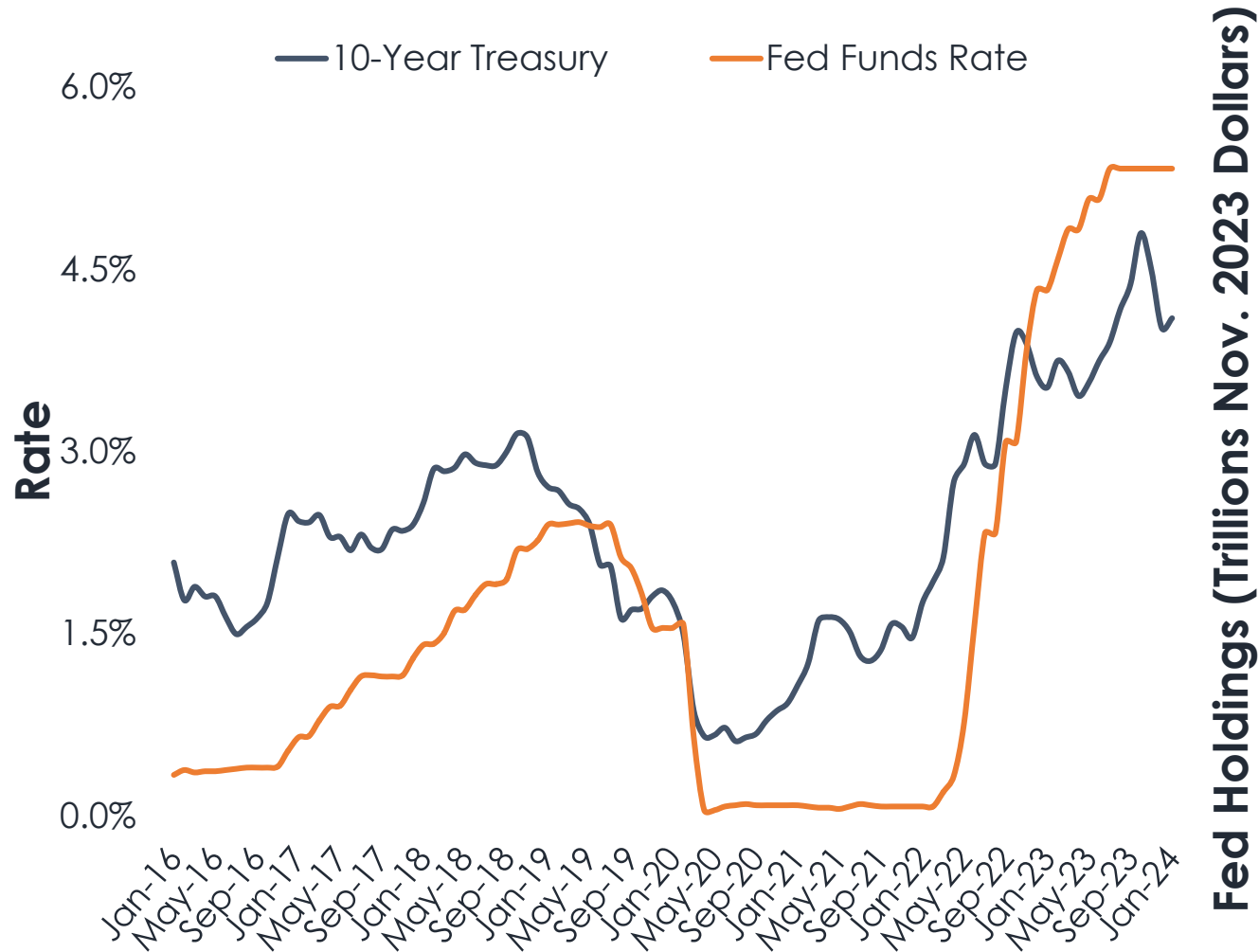
* Through December

Sources: IPA Research Services, Federal Reserve

MOST AGGRESSIVE FED TIGHTENING SINCE 1980 DISRUPTED CRE MARKETS

Quantitative Tightening Creating a Severe Liquidity Squeeze

10-Year Treasury vs. Fed Fund Rate



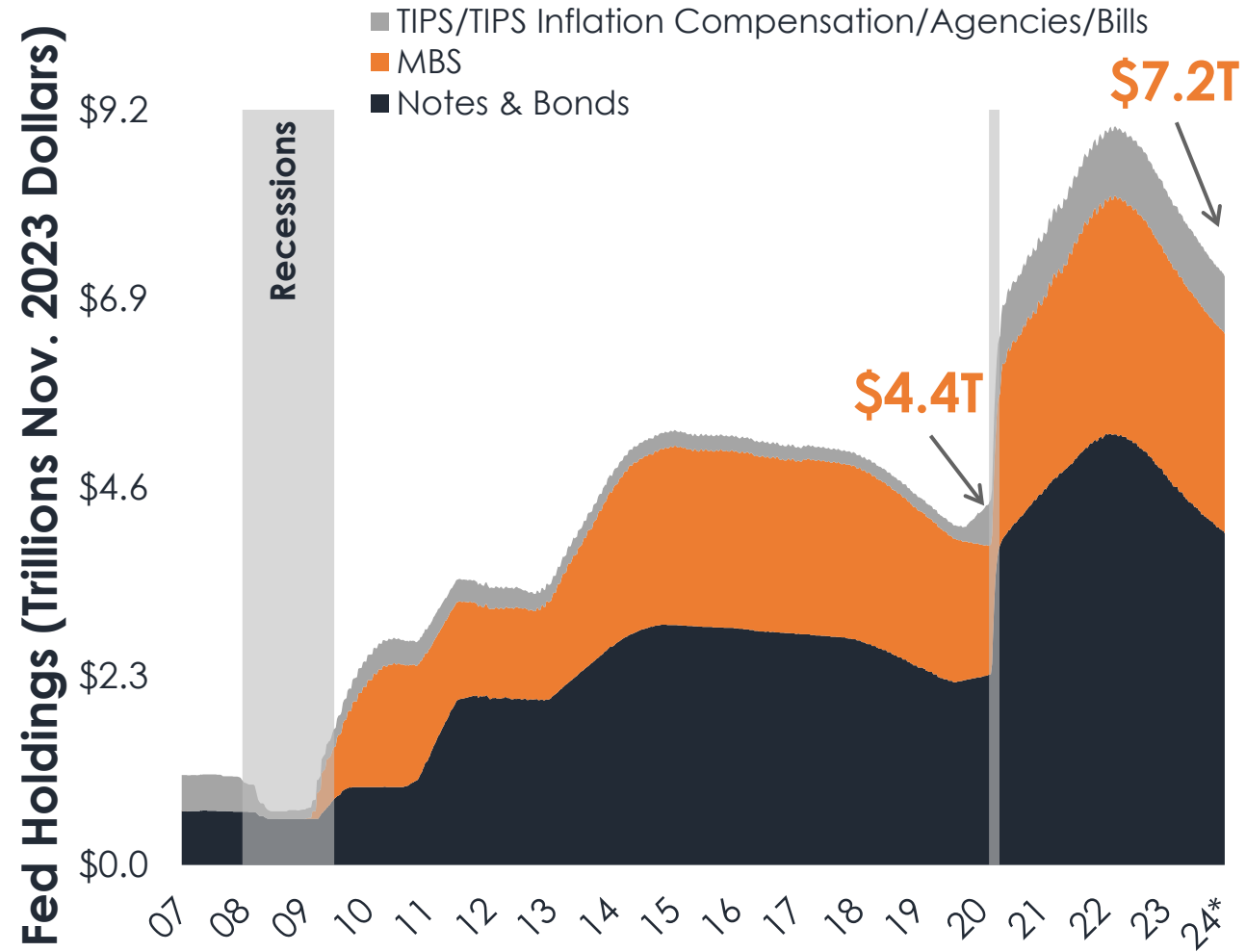
* Through January 04

10-Year Treasury and Fed funds rate through January 17, 2024

Adjusted for inflation using Core PCE

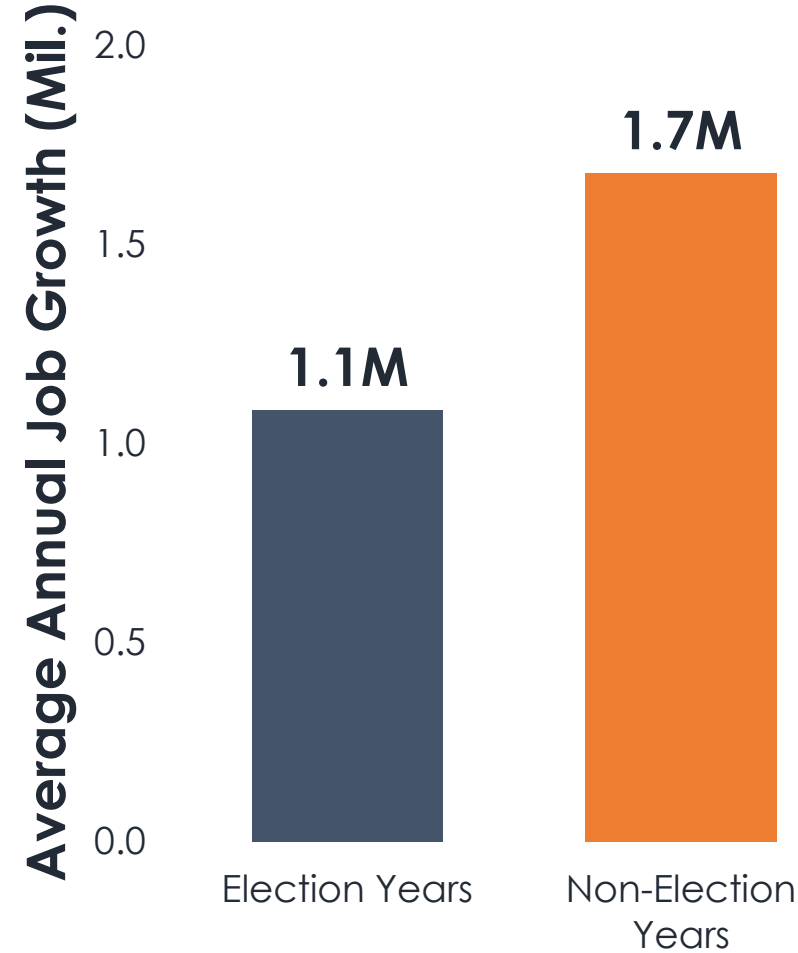
Sources: Marcus & Millichap Research Services, Federal Reserve, BEA

Inflation Adjusted Fed Balance Sheet

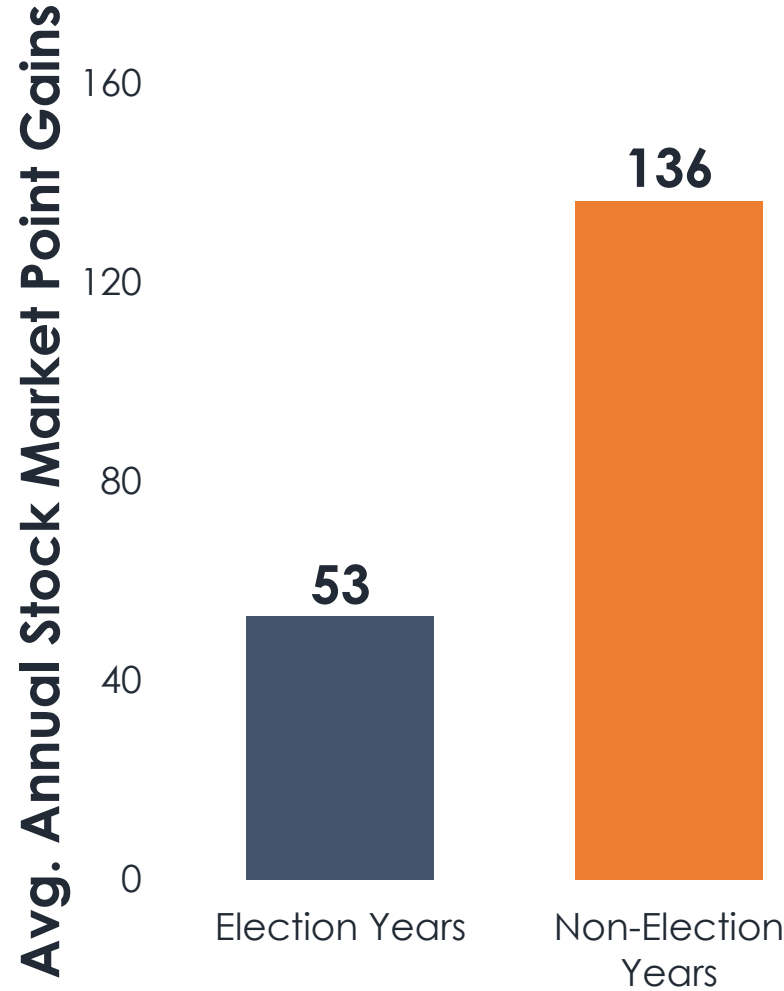


ELECTION YEARS VS. NON-ELECTION YEARS COMPARISON: U.S. Economy Tends to See Greater Gains on Non-Election Years

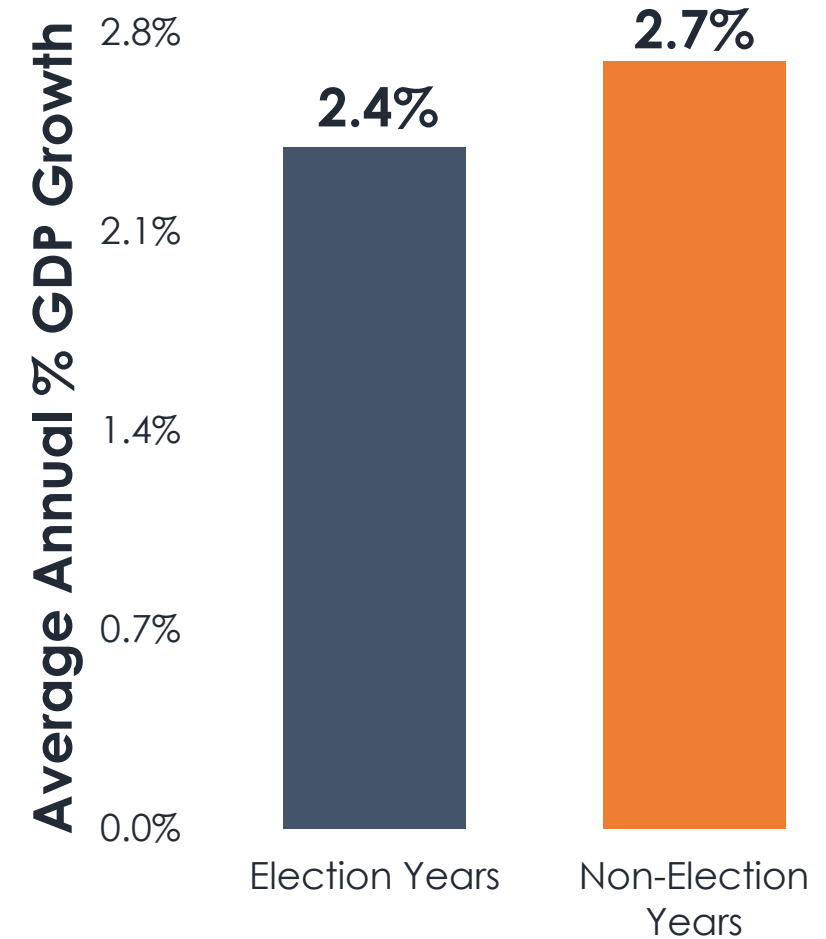
Job Growth



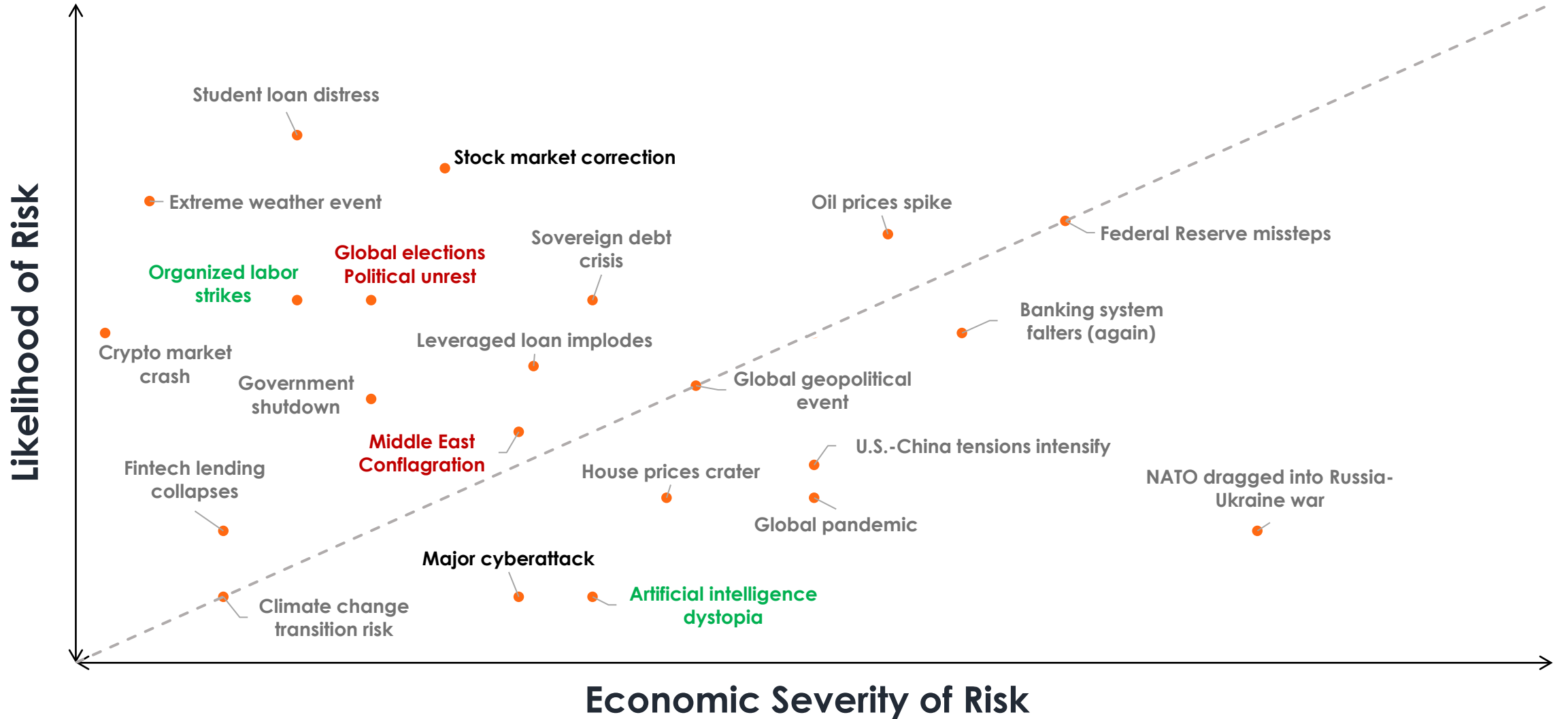
Stock Market Gains



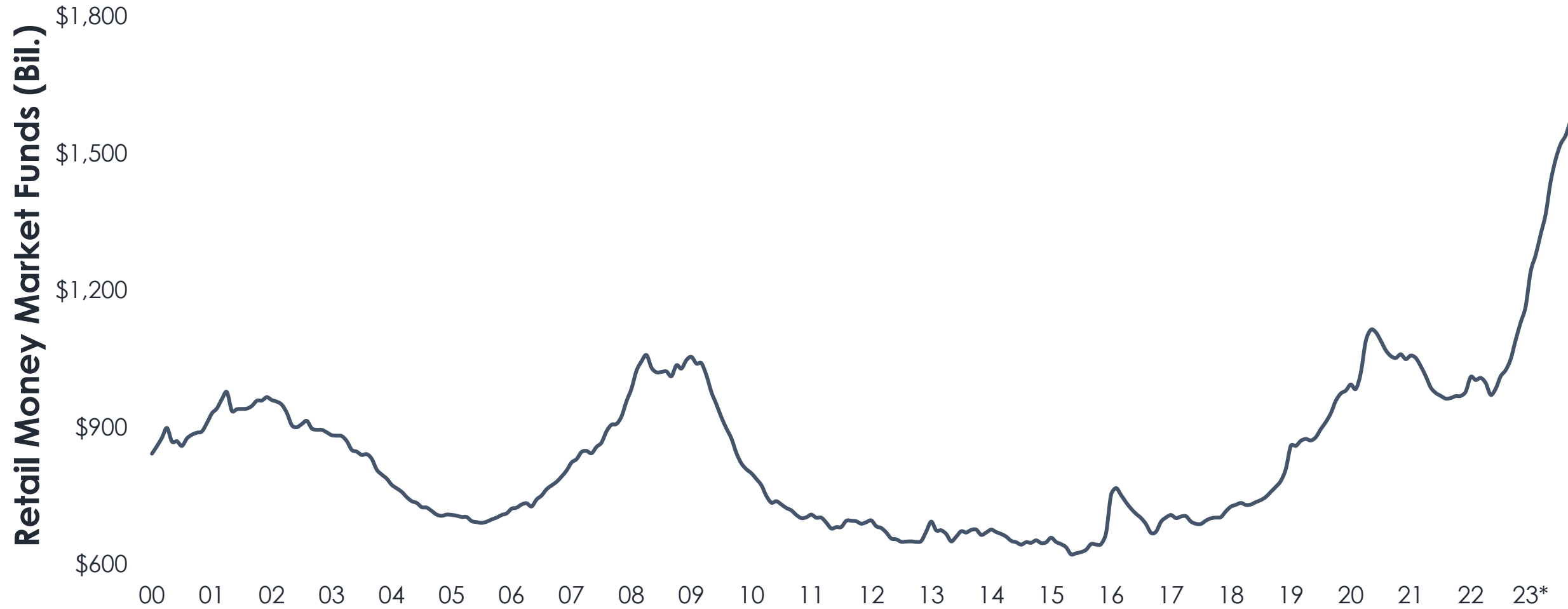
GDP Growth



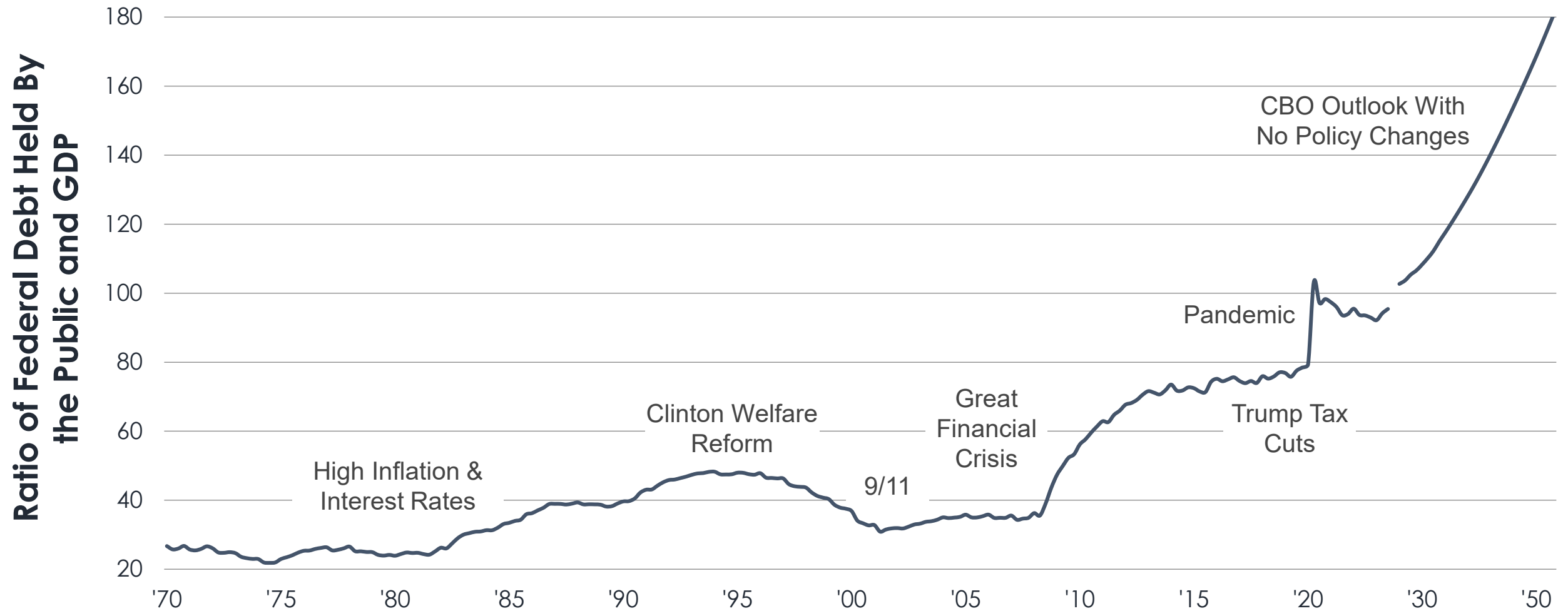
WHAT COULD GO WRONG?



TOUGH OPERATING ENVIRONMENT FOR THE BANKING SYSTEM

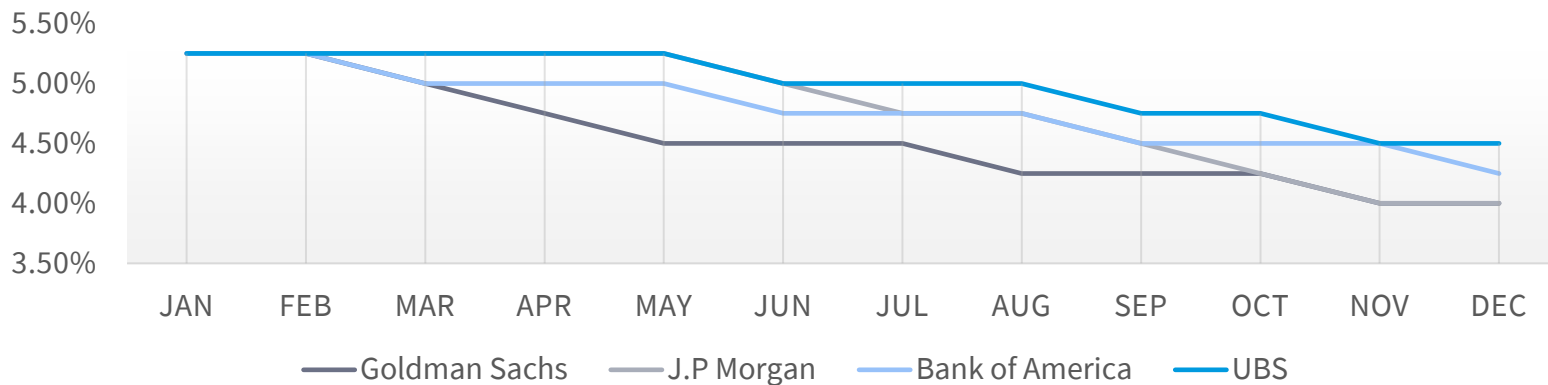


U.S. IS ON AN UNSUSTAINABLE FISCAL TRAJECTORY



Investment Bank Rate Short Term Fed Funds Rate Forecasts

On average, Goldman Sachs, JP Morgan, B of A and UBS expect the fed funds rate to go from 5.25% currently, to 4.19% in December of 2024

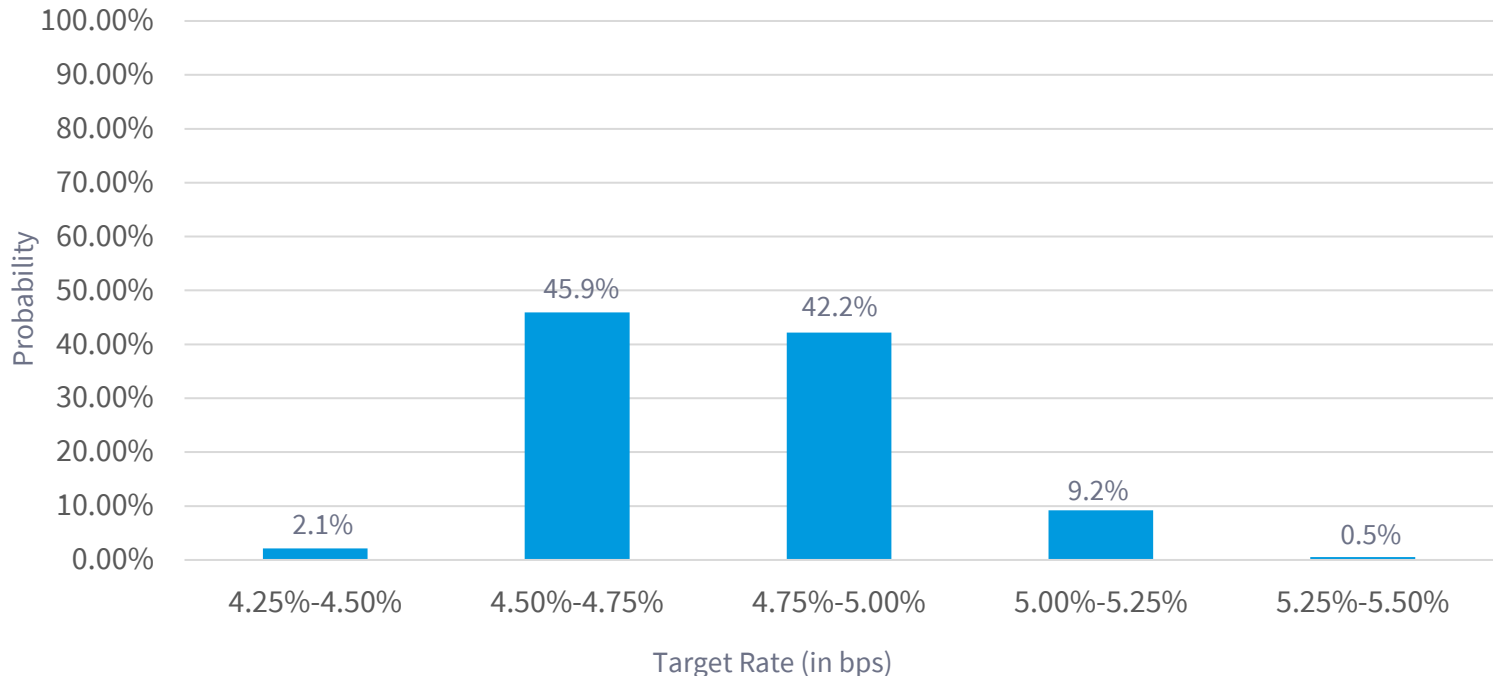


Investment Bank	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Goldman Sachs	5.25%	5.25%	5.00%	4.75%	4.50%	4.50%	4.50%	4.25%	4.25%	4.25%	4.00%	4.00%
J.P Morgan	5.25%	5.25%	5.25%	5.25%	5.25%	5.00%	4.75%	4.75%	4.50%	4.25%	4.00%	4.00%
Bank of America	5.25%	5.25%	5.00%	5.00%	5.00%	4.75%	4.75%	4.75%	4.50%	4.50%	4.50%	4.25%
UBS	5.25%	5.25%	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	4.75%	4.75%	4.50%	4.50%
Average	5.25%	5.25%	5.13%	5.06%	5.00%	4.81%	4.75%	4.69%	4.50%	4.44%	4.25%	4.19%

Short Term Market Fed Funds Rate Forecasts

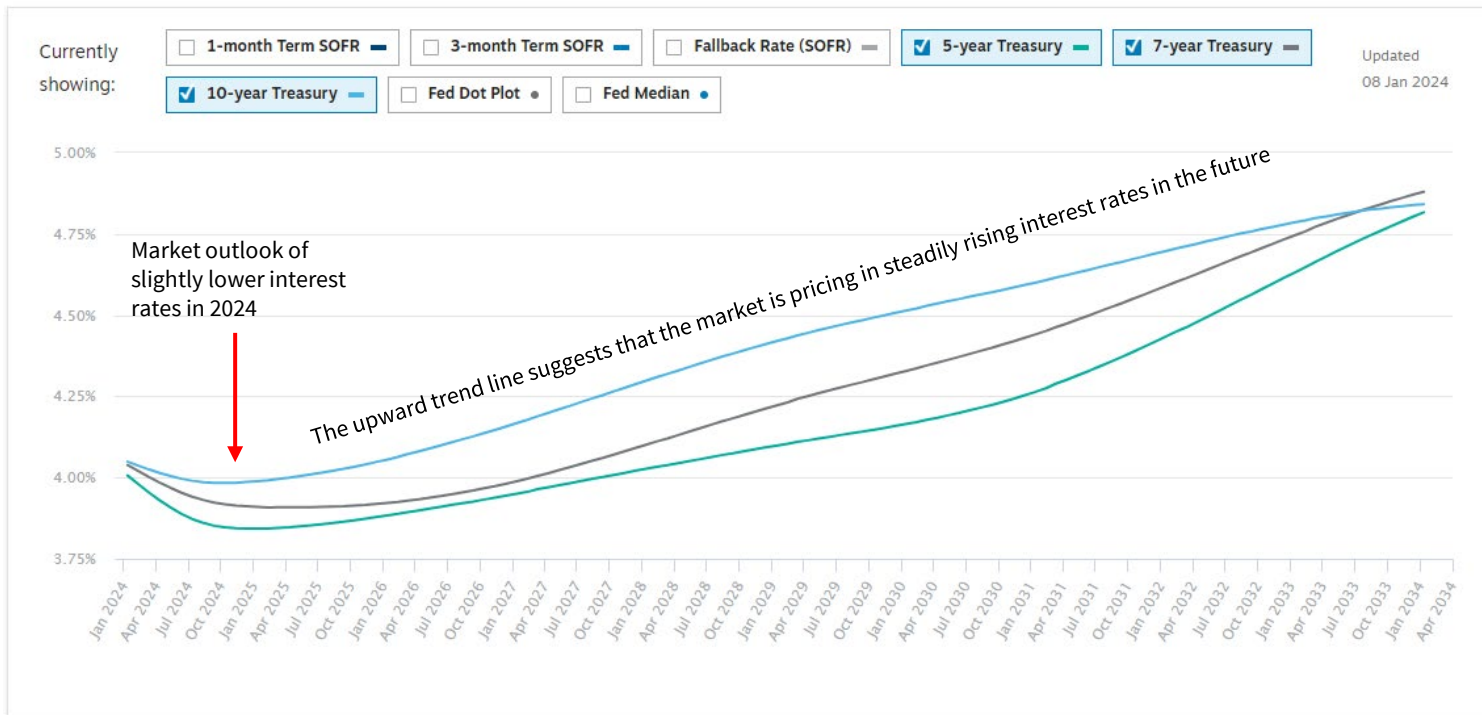
99.5% of the Market Forecasts at least one ¼ point cut by June of 2024

Target Rate Probabilities for Jun 2024 Fed Meeting - Current Target Rate is 5.25% -5.50%



The Market's 5, 7 and 10-Year Interest Rate Forecast

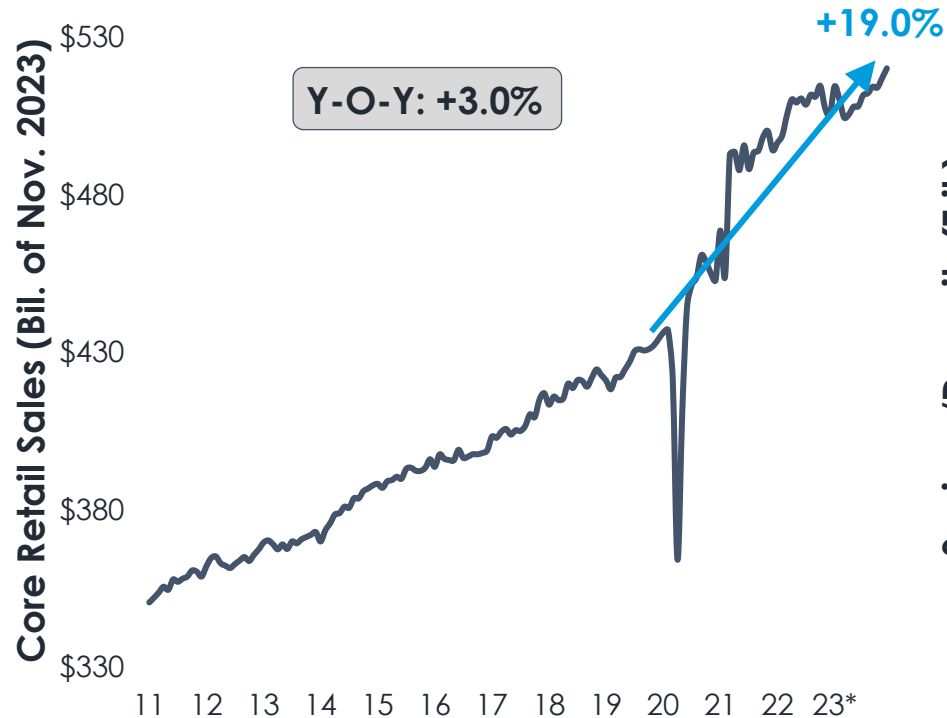
The market is predicting that the 5, 7 and 10-year treasury rates will bottom out in 2024, and will then begin steadily rising for the next 10 years. **If the market's interest rate forecast proves to be accurate, 2024 will be the optimal year to sell or refinance**



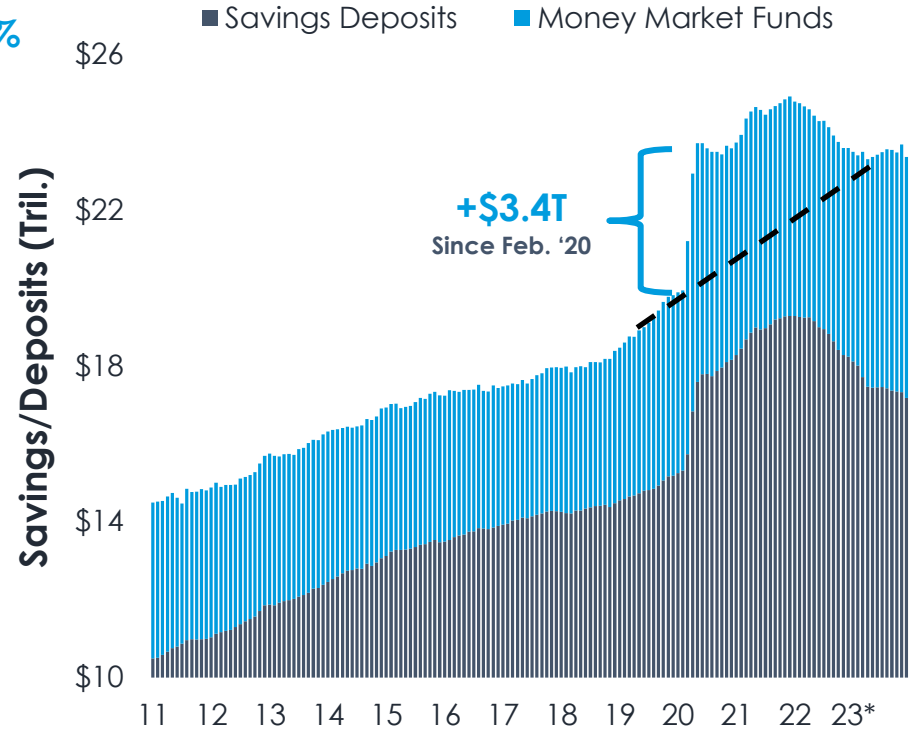
Source: Chatham Financial

Consumption Still on the Rise; Savings Back in Alignment with Historical Trend

Inflation-Adjusted Core Retail Sales



Inf.-Adjusted U.S. Total Savings Deposits



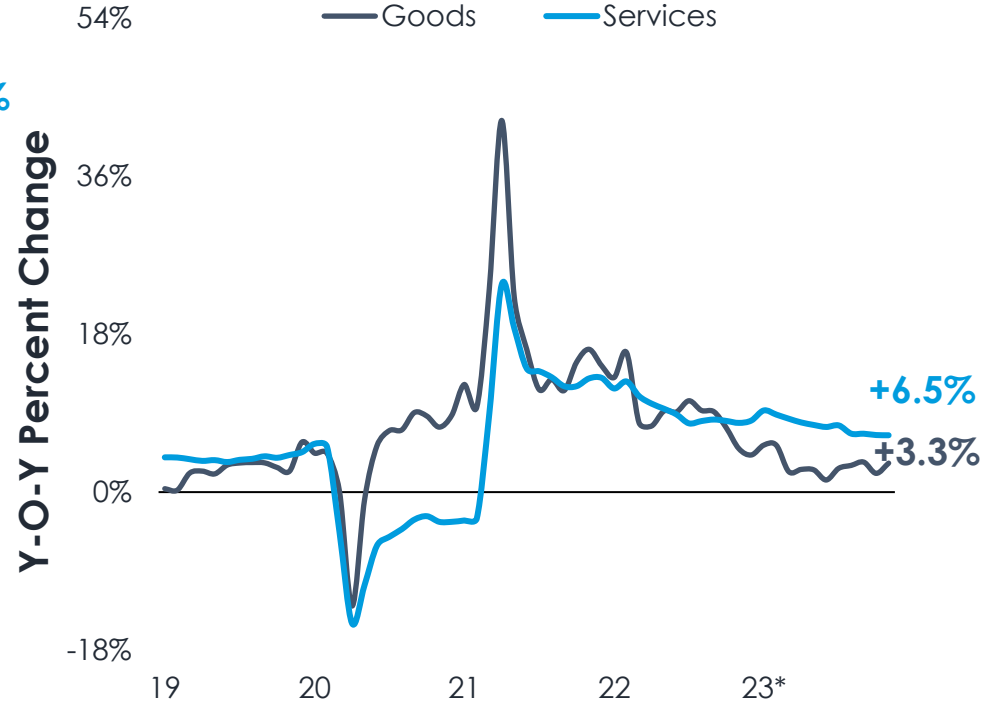
* Retail sales through December; Savings through November
 Core retail sales excludes auto and gasoline sales
 Adjusted for inflation using Core PCE, November 2023 dollars
 Sources: IPA Research Services, U.S. Census Bureau, BEA, OFR, Board of Governors of the Federal Reserve System

Pandemic Altered Pandemic Spending Trends

eCommerce Share of Retail Sales



Change in Consumption: Goods vs. Services



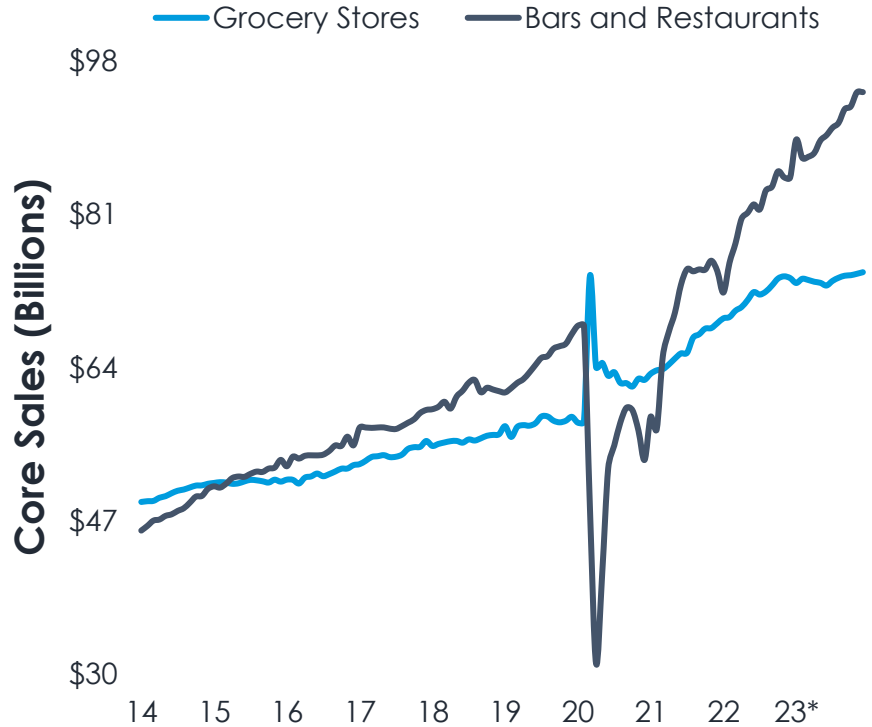
* Through November
Sources: IPA Research Services, U.S. Census Bureau, BEA

Consumers Are Eager to Return to Stores and Restaurants

Store-Based Retail Sales



Retail Sales: Grocery Stores vs. Restaurants



* Through December

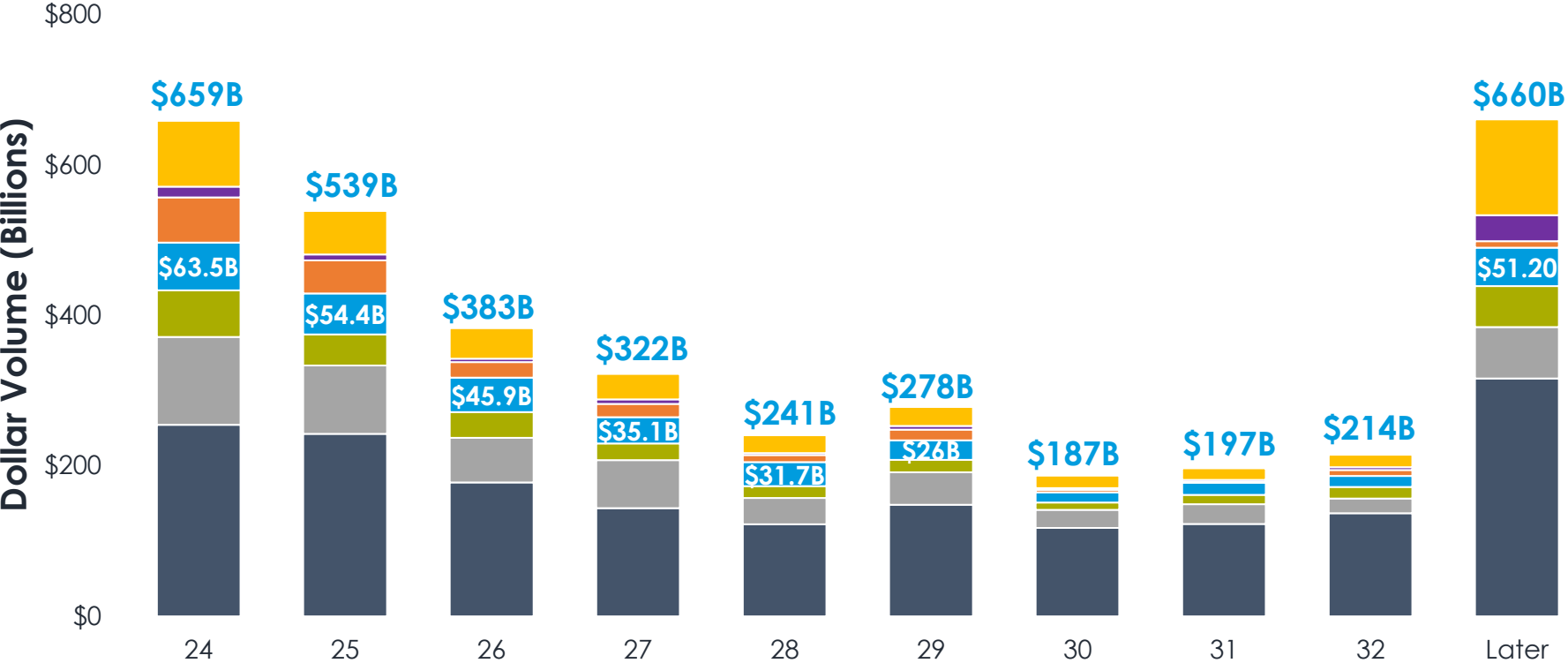
Store-based sales exclude non-store retailers, restaurants, gasoline and auto dealer sales

Sources: IPA Research Services, U.S. Census Bureau

Annual Commercial Real Estate Loan Maturities

Fed/Treasury Fighting Contagion – Risks Elevated

■ Multifamily
 ■ Office
 ■ Industrial
 ■ Retail
 ■ Hotel/Motel
 ■ Healthcare
 ■ Other

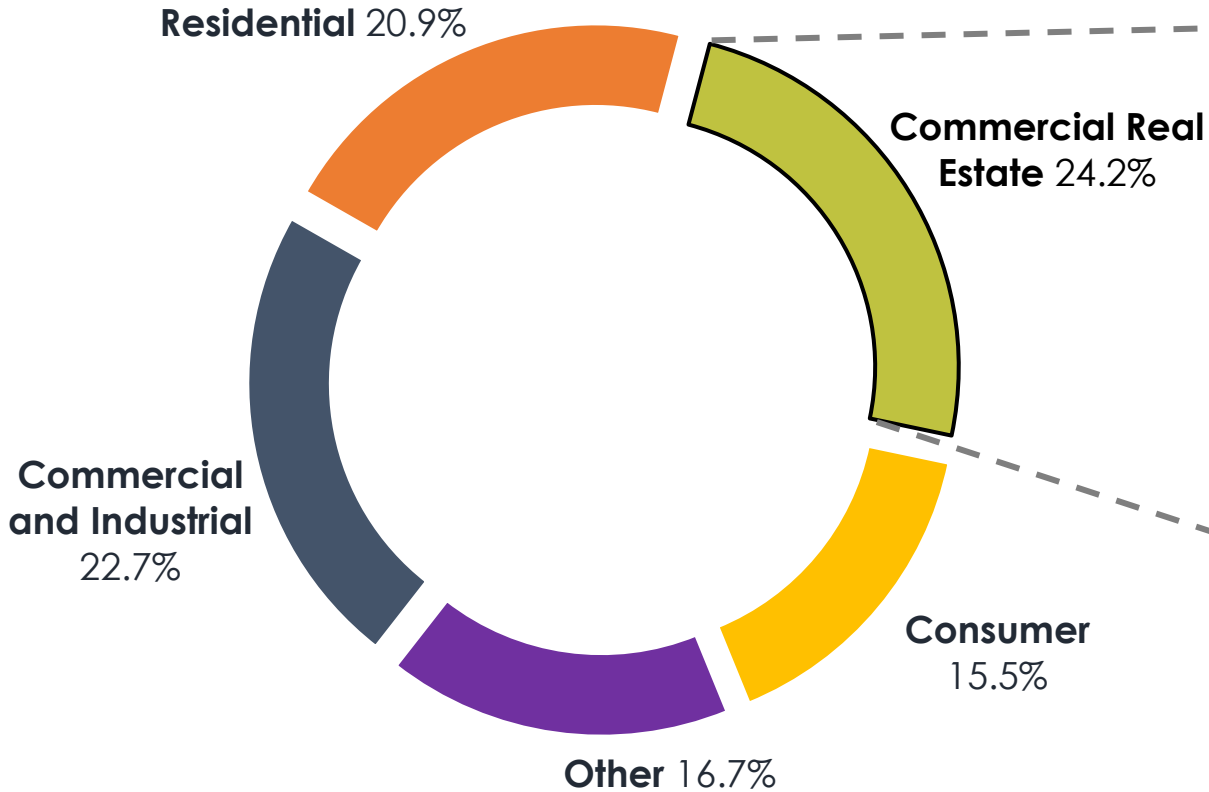


For loans outstanding as of 2022
Sources: IPA Research Services, Mortgage Bankers Association

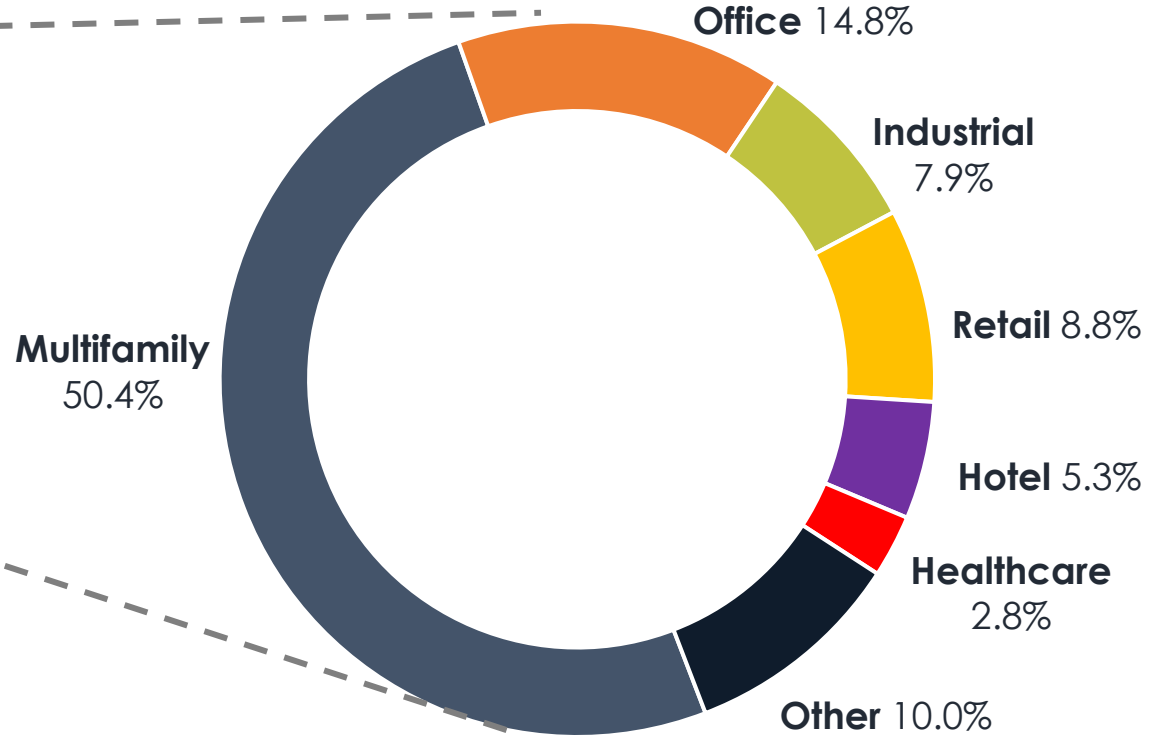
BANKING SYSTEM EXPOSURE TO CRE TOO GENERALIZED

Office Loans Account for Just 3.6% of Total Bank Outstanding Loans

Bank Debt by Type

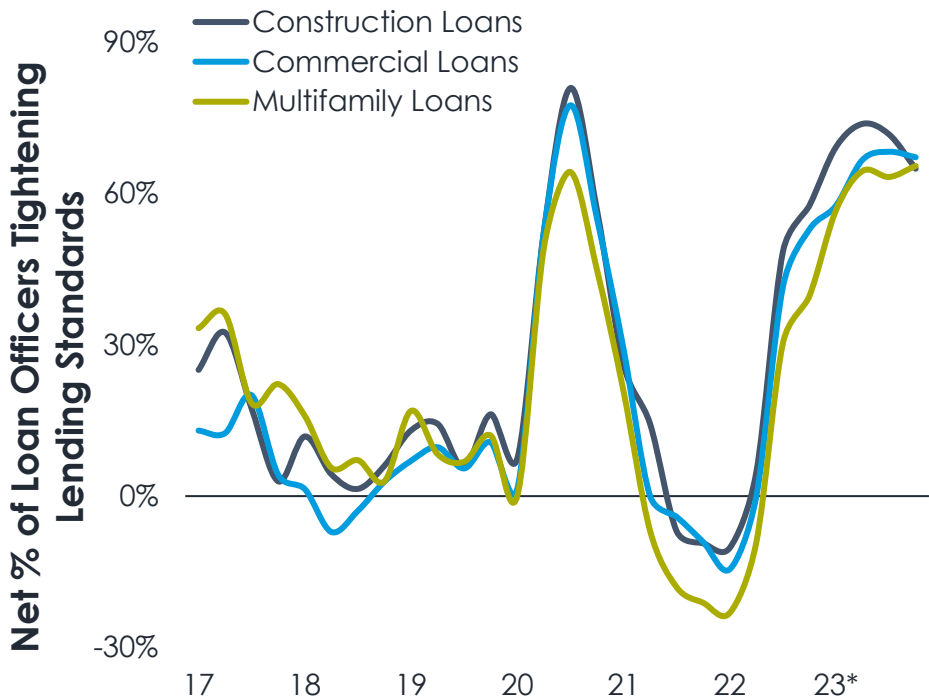


CRE Debt by Property Type Estimate

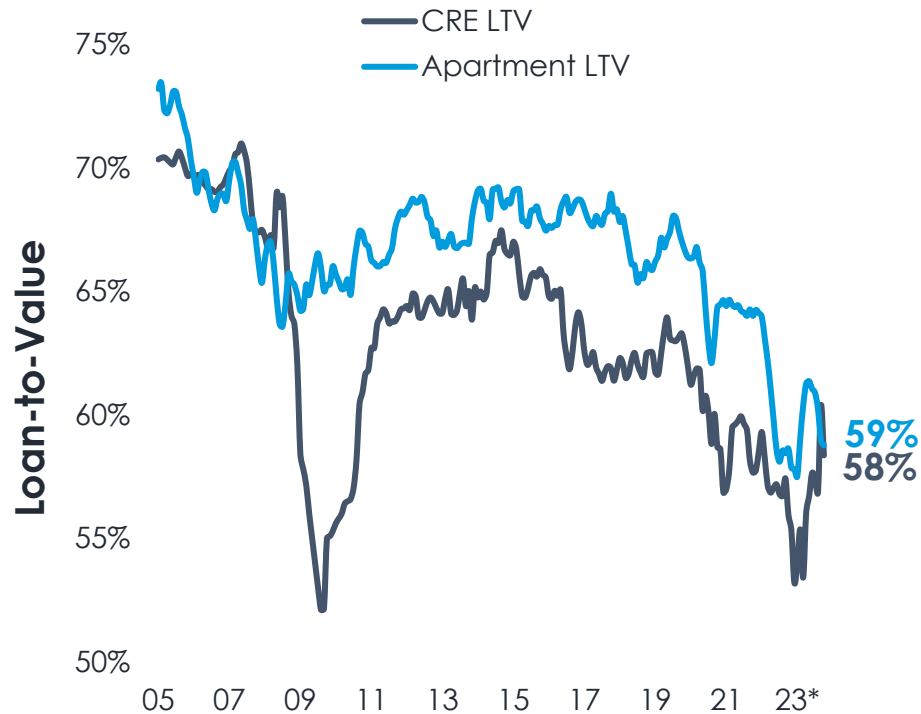


CRE Lending Standards Tighten For 6th Consecutive Quarter

Lending Standards



Loan-To-Value



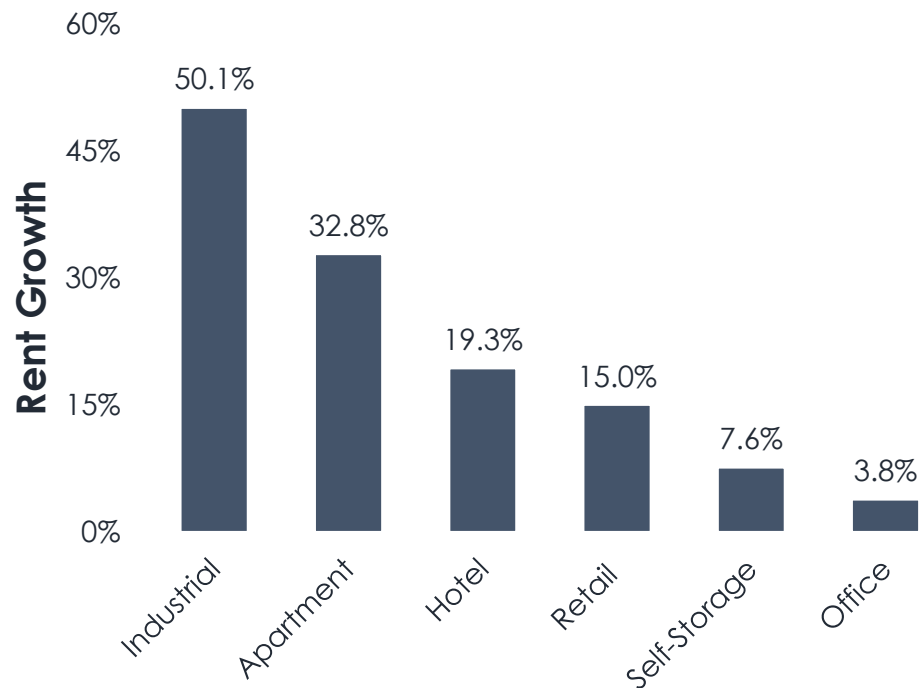
* Through 4Q; Loan-to-value through October
Sources: IPA Research Services, Senior Loan Officer Opinion Survey

Interest Rates Impact Varies By Property Type Rent Growth Paints A Different Picture By Asset Class

10-Year Treasury



Five-Year Rent Growth: 3Q 2018 to 3Q 2023

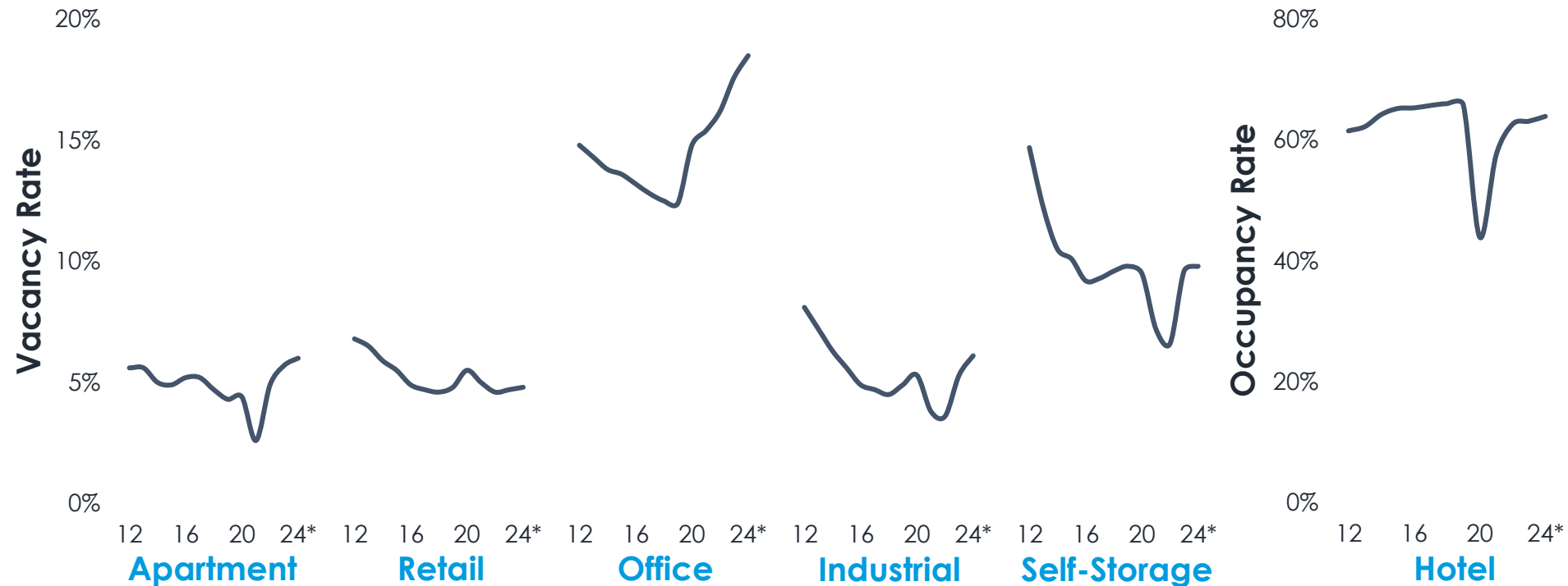


* Through January 17

Trailing 12-month ADR for Hotel

Sources: IPA Research Services, Federal Reserve, CoStar Group, Inc., RealPage, Inc., Yardi Matrix

U.S. Commercial Real Estate Vacancy Rate by Property Type

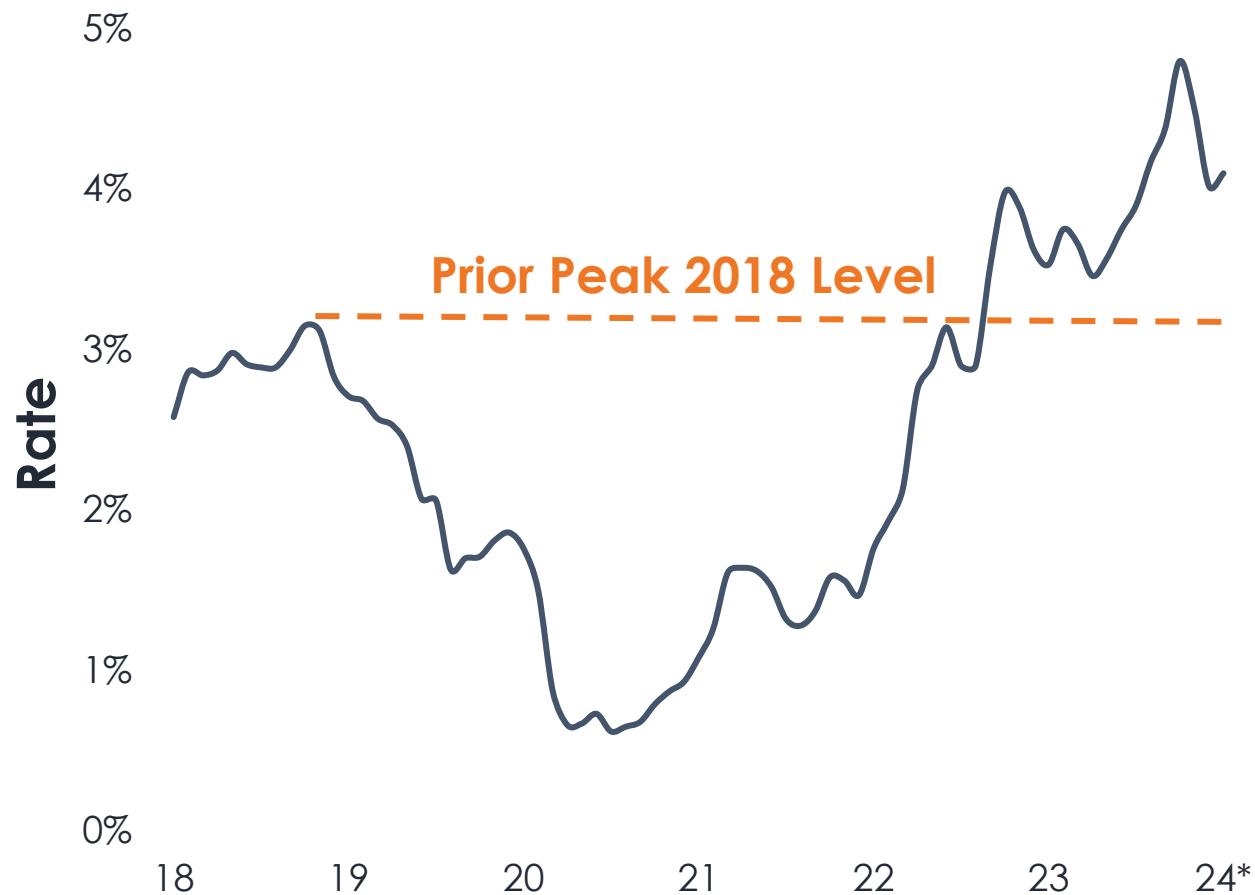


* Forecast
Sources: IPA Research Services, RealPage, Inc., CoStar Group, Inc., Radius+

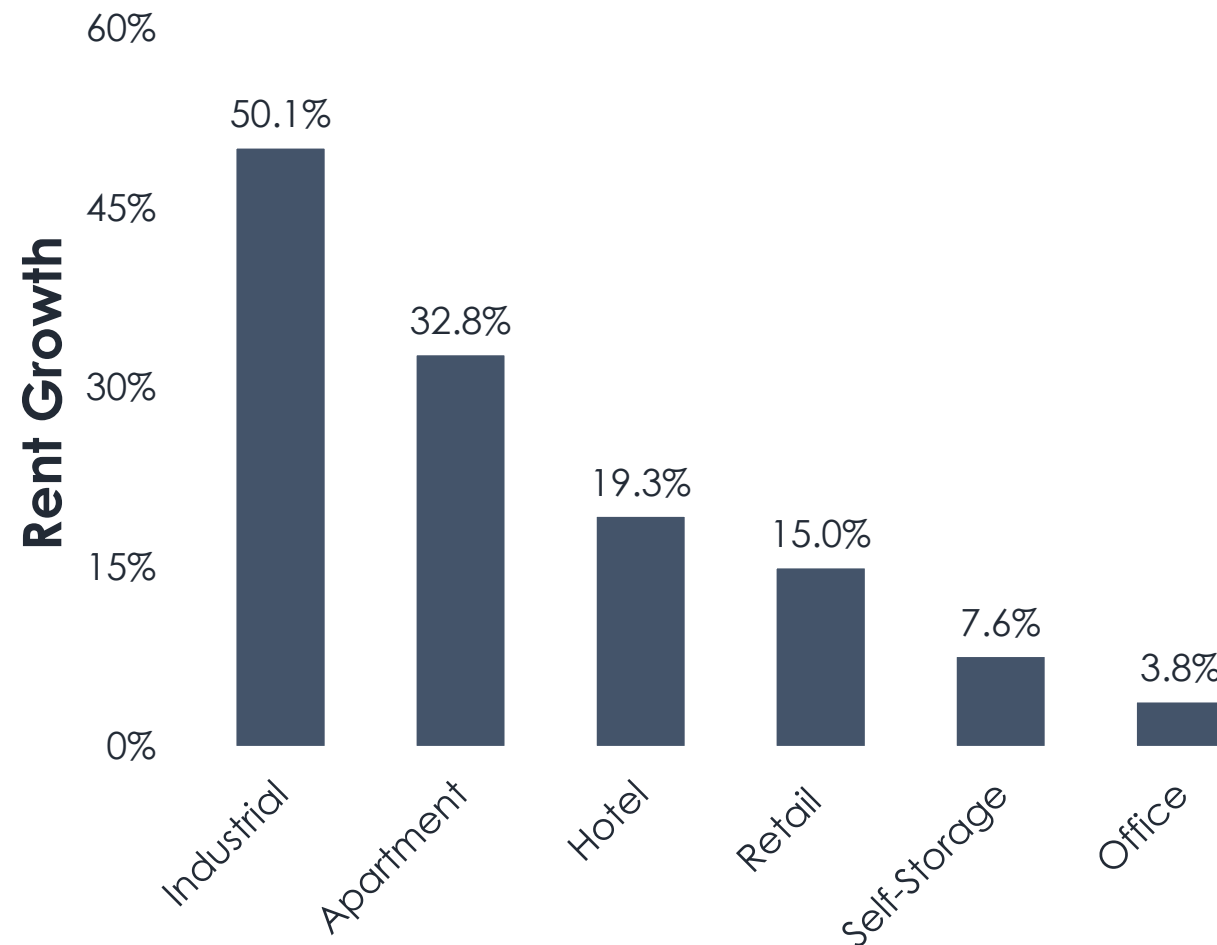
INTEREST RATES IMPACT VARIES BY PROPERTY TYPE

Rent Growth Paints a Different Picture by Asset Class

10-Year Treasury



Five-Year Rent Growth: 3Q 2018 to 3Q 2023



U.S. RETAIL OVERVIEW AND INVESTMENT TRENDS

National Retail Rank by Metro 2024 Completions

Top 10 Metros	2024* Completions	Completions as % Inv.
Dallas-Fort Worth	3,400,000	0.9%
Phoenix	3,000,000	1.5%
Houston	2,275,000	0.6%
Austin	1,950,000	2.0%
Orlando	1,300,000	1.0%
Washington, D.C.	1,300,000	0.6%
Philadelphia	1,100,000	0.4%
Atlanta	1,000,000	0.3%
Los Angeles	980,000	0.3%
Cincinnati	900,000	0.8%
U.S. Total	40,000,000	0.4%

Bottom 10 Metros	2024* Completions	Completions as % Inv.
Orange County	80,000	0.1%
Milwaukee	100,000	0.1%
San Jose	135,000	0.2%
San Francisco	160,000	0.2%
Seattle-Tacoma	170,000	0.1%
Oakland	195,000	0.2%
Northern New Jersey	250,000	0.1%
Columbus	300,000	0.3%
Sacramento	300,000	0.3%
West Palm Beach	300,000	0.4%
U.S. Total	40,000,000	0.4%

* Forecast

Inland Empire: (850,000, 0.4%); San Diego: (390,000, 0.3%)

Sources: IPA Research Services, CoStar Group, Inc.

National Employment Rank by Metro Y-O-Y Absolute Change Through November 2023

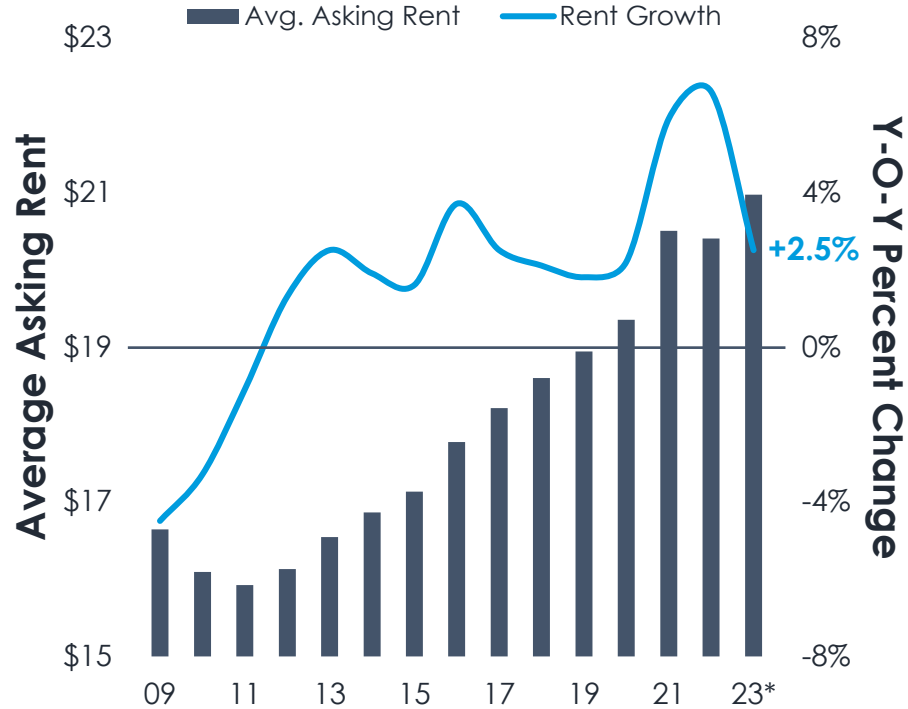
Top 10 Metros	Absolute Change	Percent Change
Dallas-Fort Worth	132,400	3.2%
New York	83,600	1.8%
Philadelphia	80,300	2.6%
Houston	76,600	2.3%
Los Angeles	75,200	1.6%
Atlanta	74,600	2.5%
Boston	59,700	2.1%
Washington, D.C.	56,100	1.7%
Miami	51,500	4.1%
Seattle-Tacoma	44,800	2.1%
U.S. Total	2,720,000	1.8%

Bottom 10 Metros	Absolute Change	Percent Change
Denver	-8,000	-0.5%
Detroit	-4,800	-0.2%
Milwaukee	3,900	0.5%
West Palm Beach	8,900	1.3%
Kansas City	9,000	0.8%
San Francisco	9,700	0.8%
Columbus	10,100	0.9%
San Jose	14,000	1.2%
Cleveland	16,200	1.5%
Portland	16,500	1.3%
U.S. Total	2,720,000	1.8%

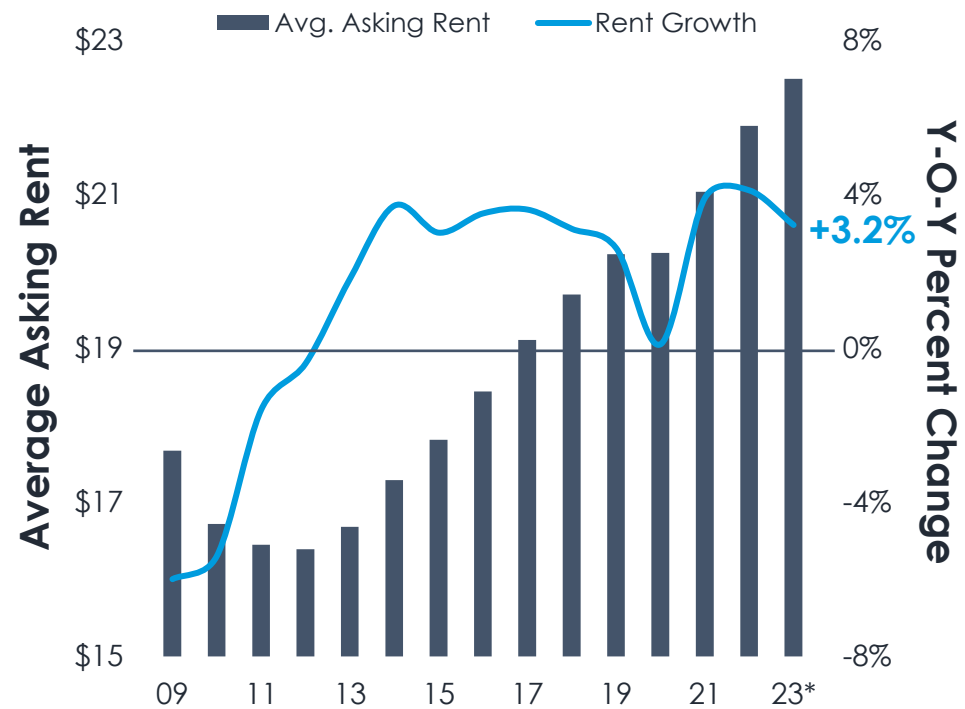
Inland Empire: (28,900, 1.7%); Orange County: (30,300, 1.8%); San Diego: (22,300, 1.4%)
Sources: IPA Research Services, BLS

National Rent Trends – MT-Retail vs. ST-Retail

Multi-Tenant Retail



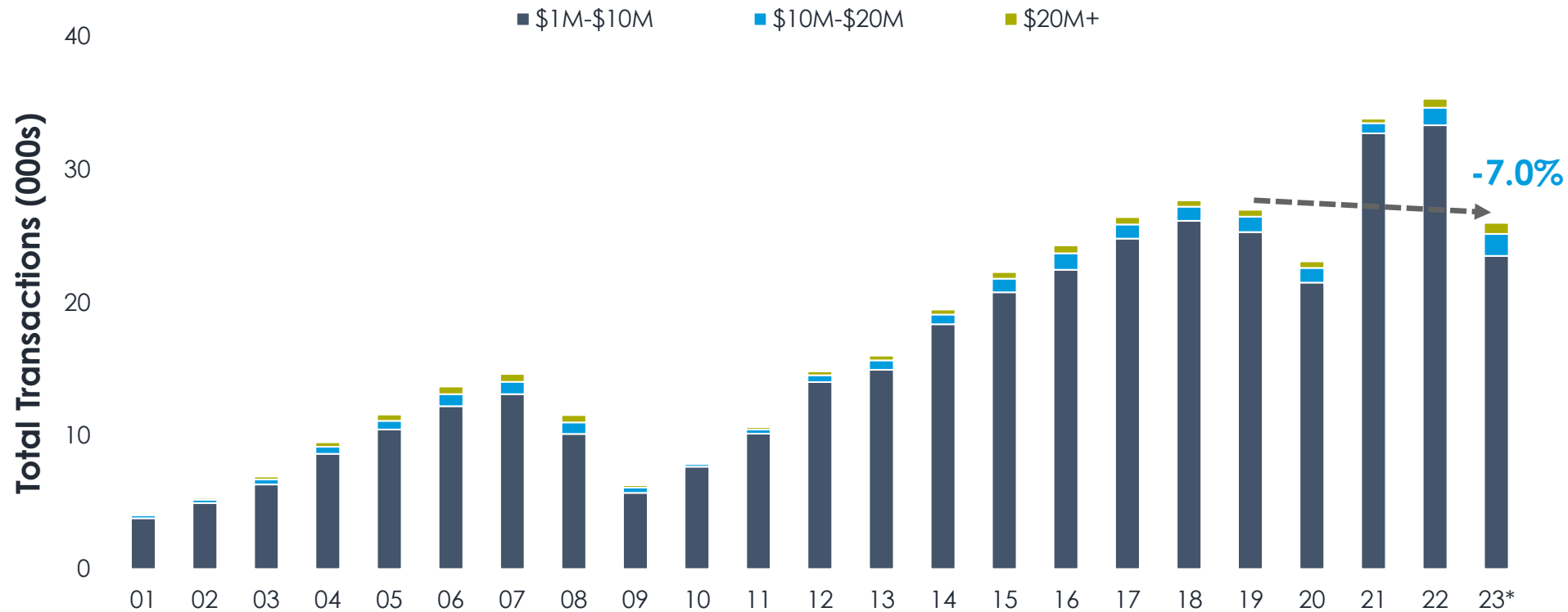
Single-Tenant Retail



* Through 3Q
Sources: IPA Research Services, CoStar Group, Inc.

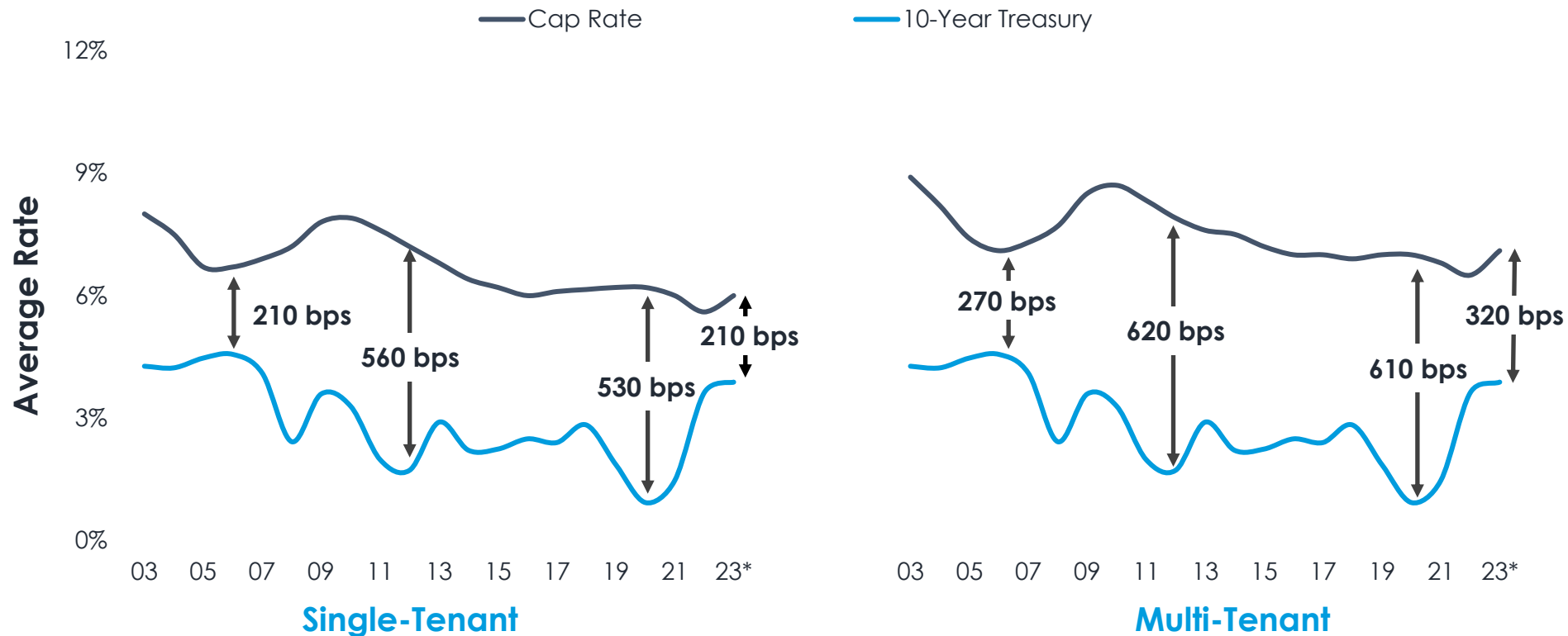
U.S. Retail Investment Trends

Transaction Activity by Price Tranche



* Through 3Q
 Includes sales \$1 million and greater
 Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

U.S. Retail Cap Rate vs. 10-Year Treasury Single-Tenant vs. Multi-Tenant



* 10-Year Through December 31, Cap Rates through 3Q 2023

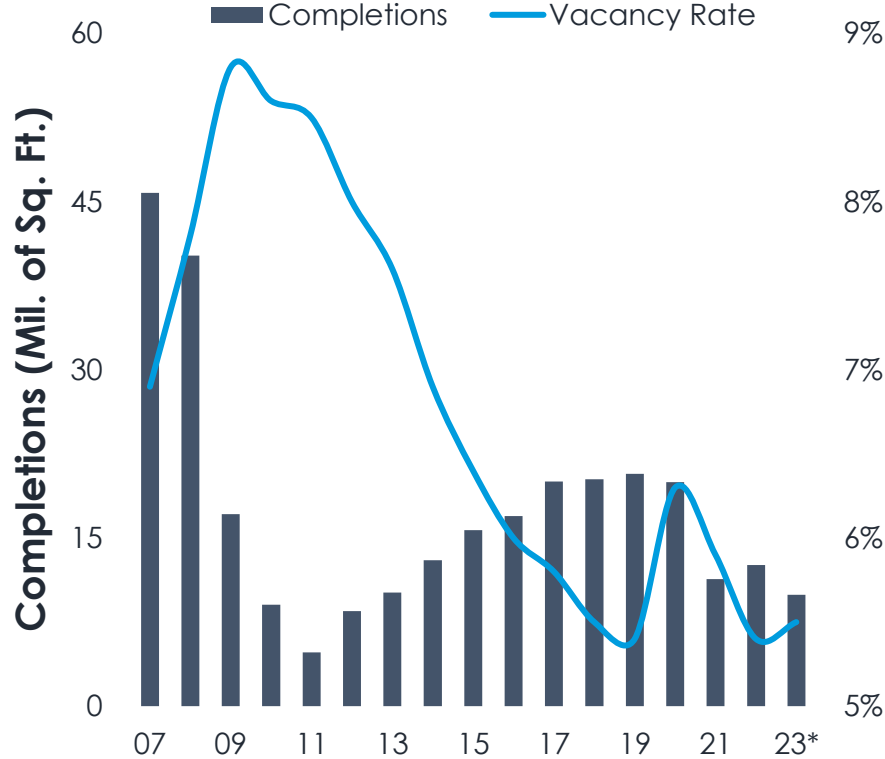
Includes sales \$1 million and greater

Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics, Federal Reserve

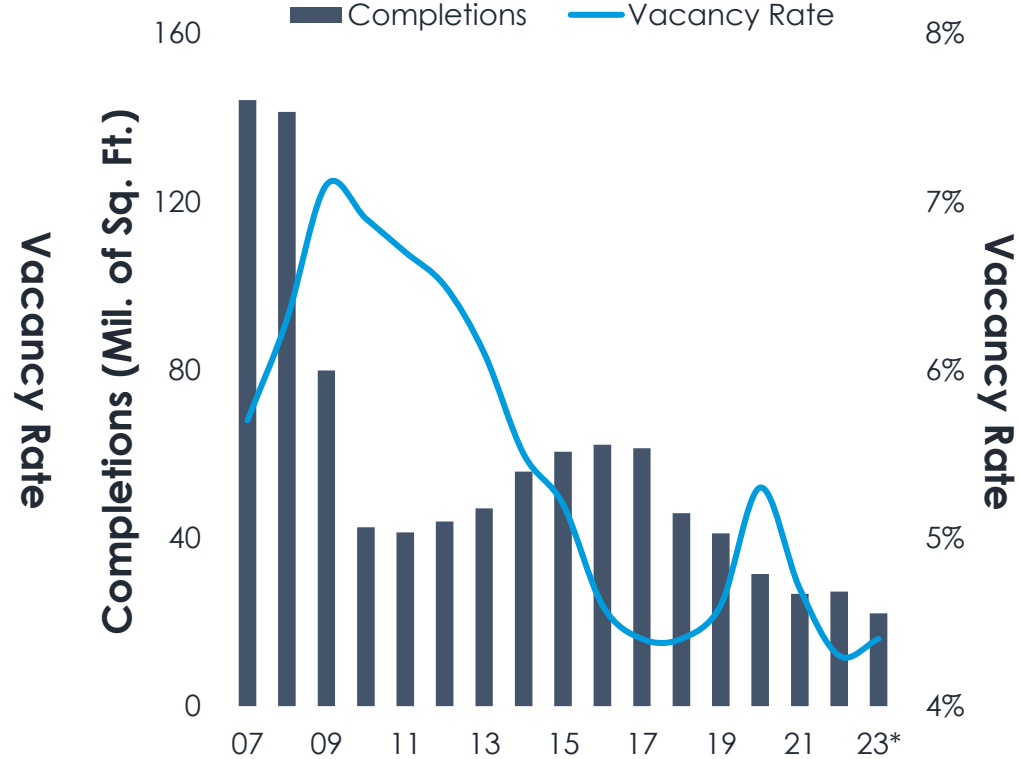
SOUTHERN CALIFORNIA ECONOMIC AND RETAIL OVERVIEW

Retail Vacancy vs. Construction Trends

Multi-Tenant Retail

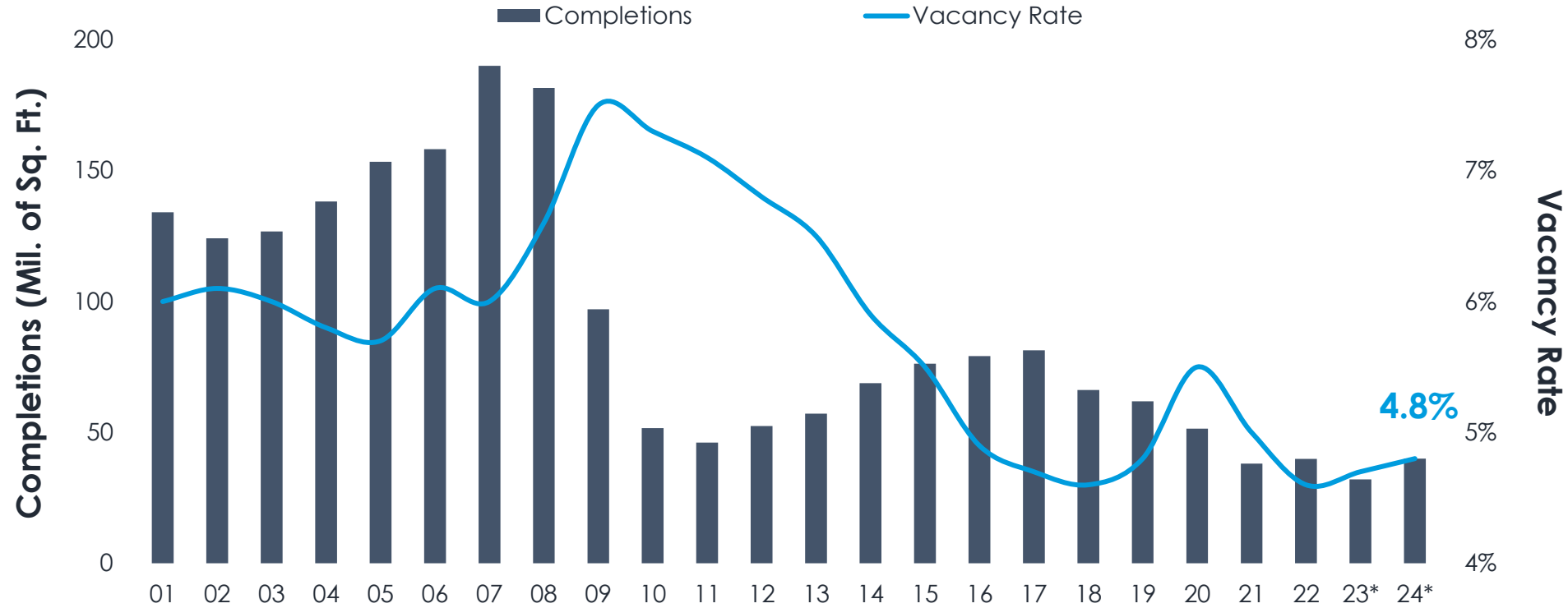


Single-Tenant Retail



* Estimate
Sources: IPA Research Services, CoStar Group, Inc.

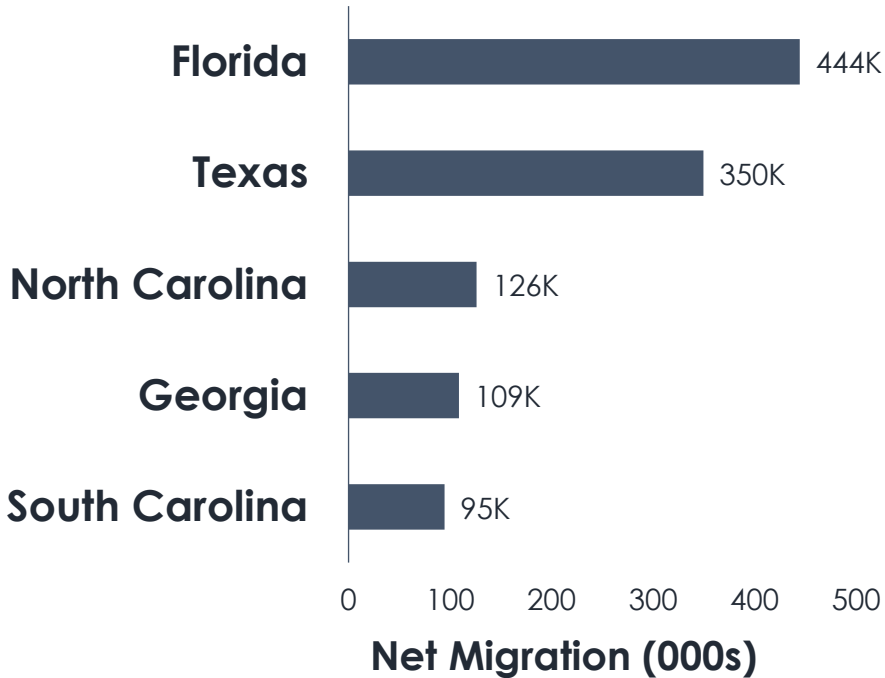
U.S. Retail Vacancy vs. Construction



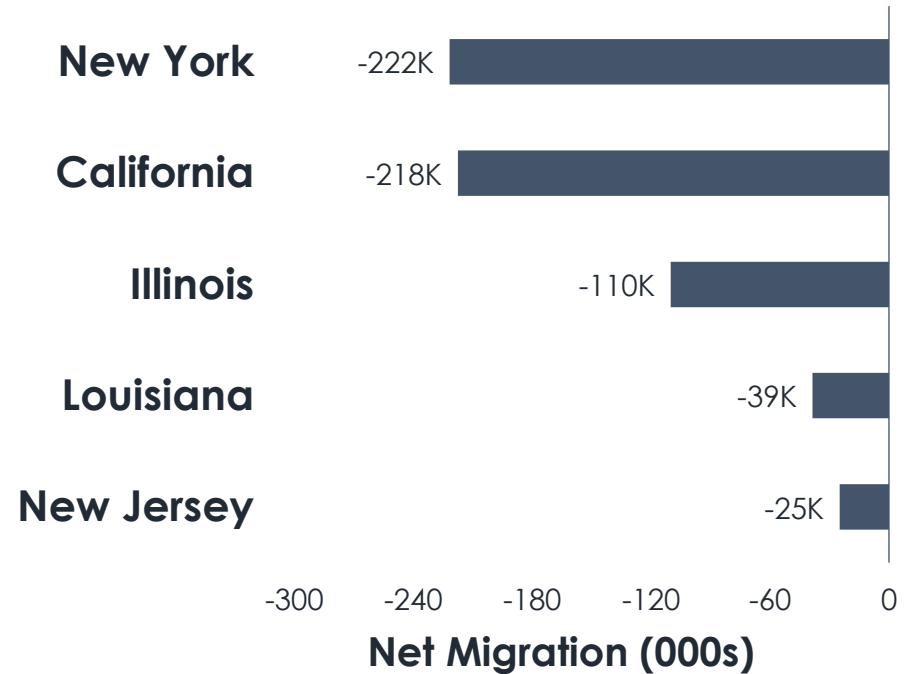
* Forecast
Sources: IPA Research Services, CoStar Group, Inc.

2022 Population Net Migration Rankings by State

Top 5 Net Migration States

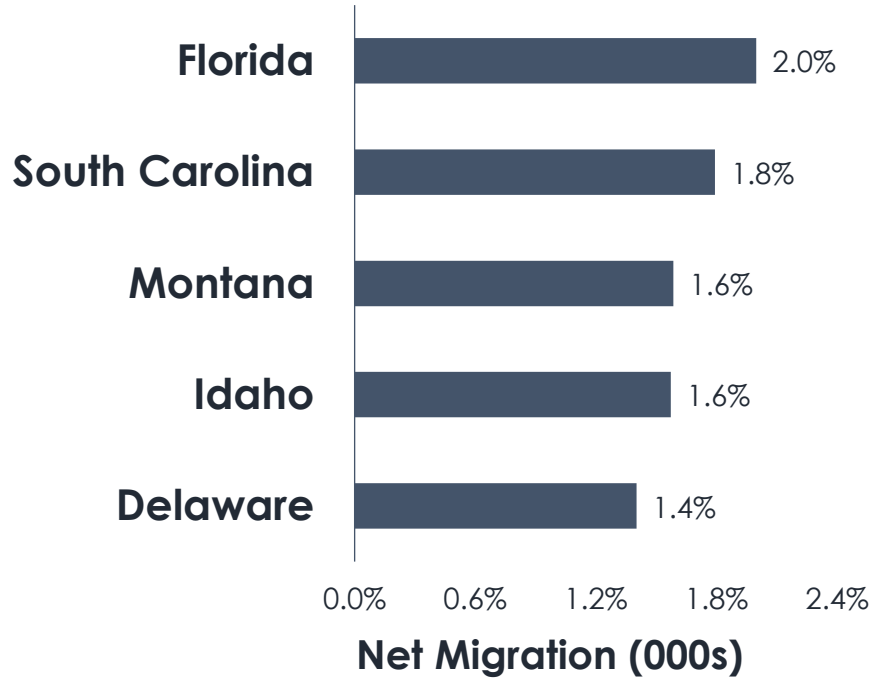


Bottom 5 Net Migration States

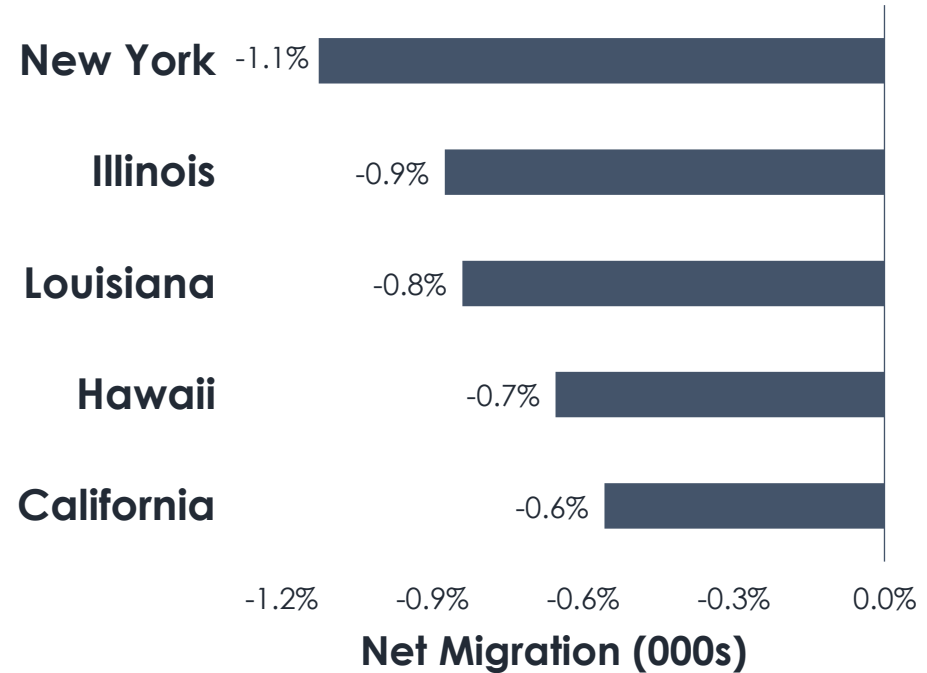


2022 Net Migration as a Share of Population Rankings by State

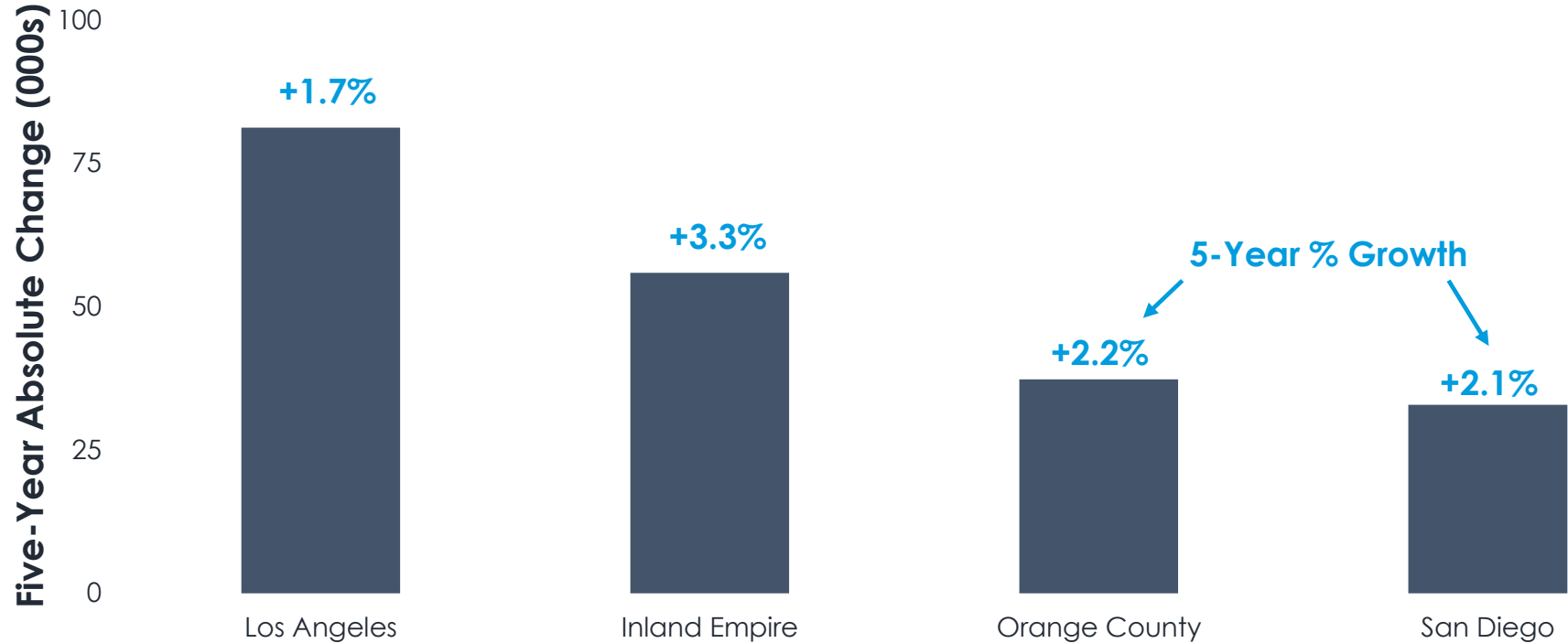
Top 5 Net Migration States



Bottom 5 Net Migration States

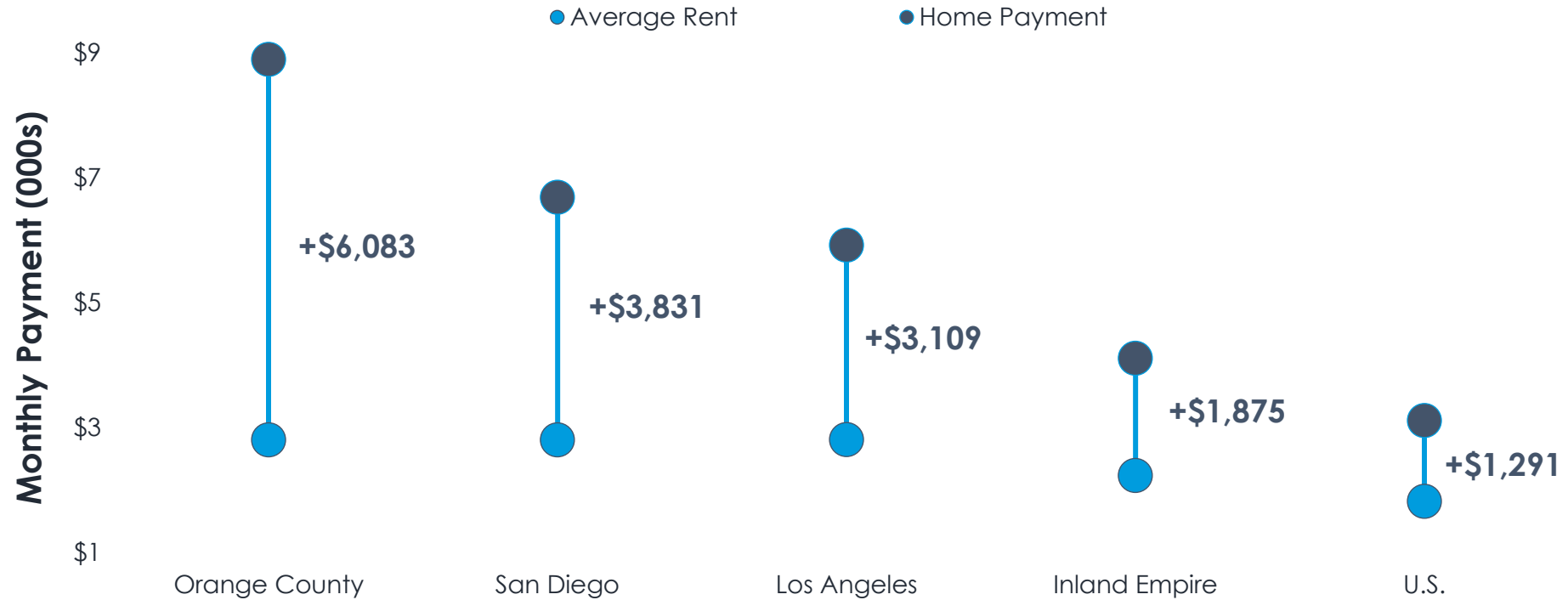


Southern California Five-Year Employment Growth Forecast



Five-year forecast period: 2024 to 2028
Forecast using Moody's baseline scenario as of April 2023
Sources: IPA Research Services, BLS, Moody's Analytics

House Payments Significantly Greater Than Average Rent; Mortgage Payment And Average Rent Affordability Gap

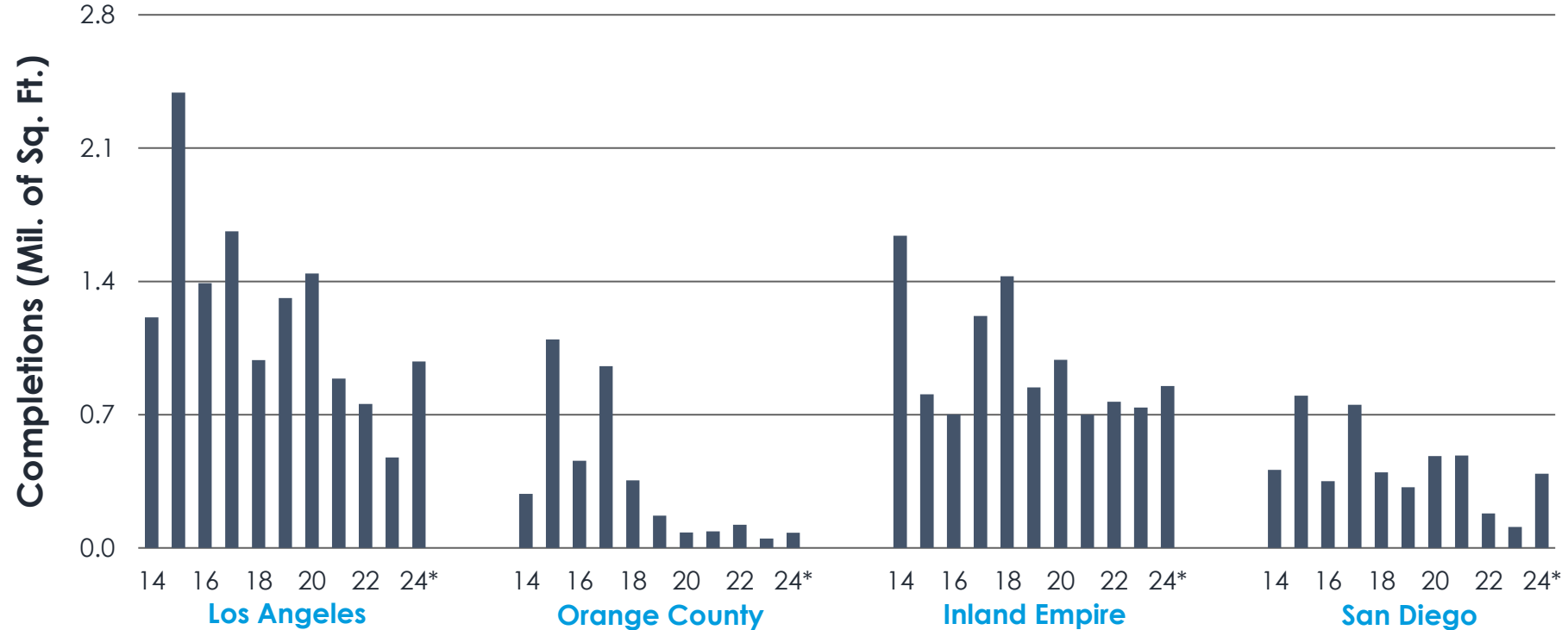


As of 3Q 2023

Mortgage payments based on 2Q 2023 median home price for a 30-year fixed rate mortgage, 90% LTV, taxes, insurance, and PMI

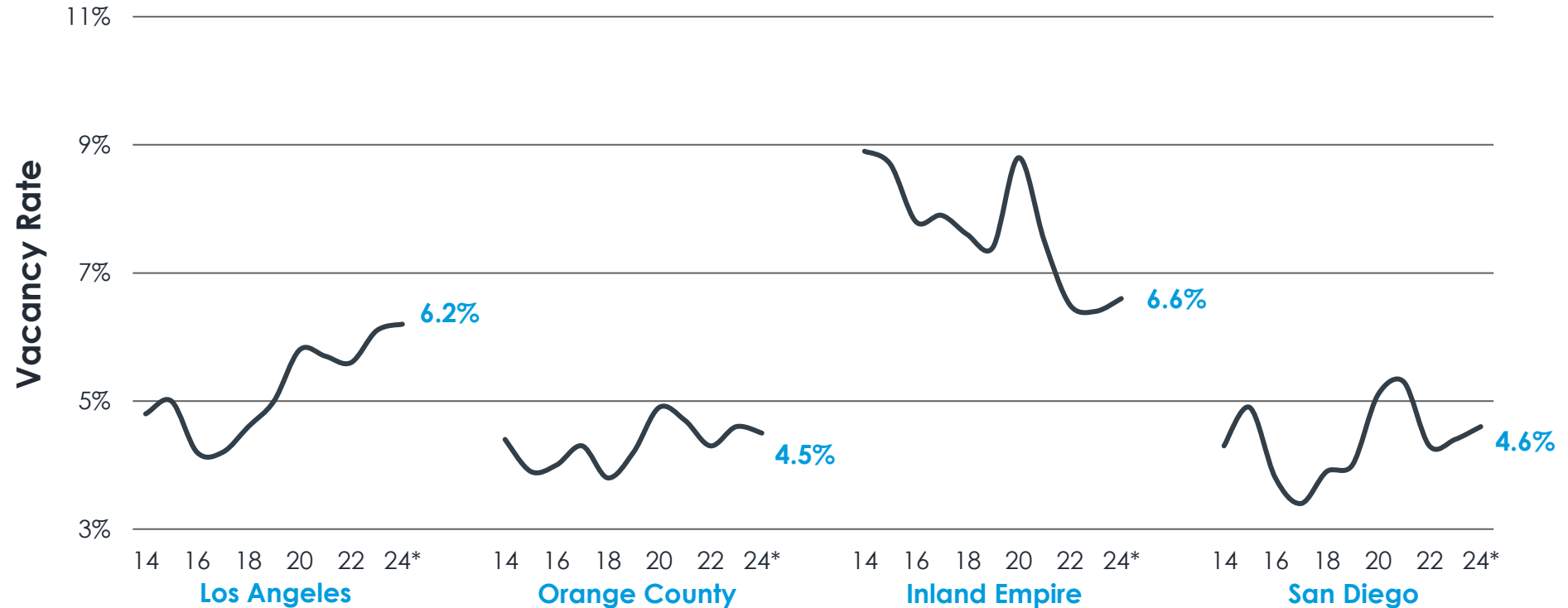
Sources: IPA Research Services, RealPage, Inc., Freddie Mac, National Association of Realtors, CoStar Group, Inc.

Southern California Retail Construction Trends



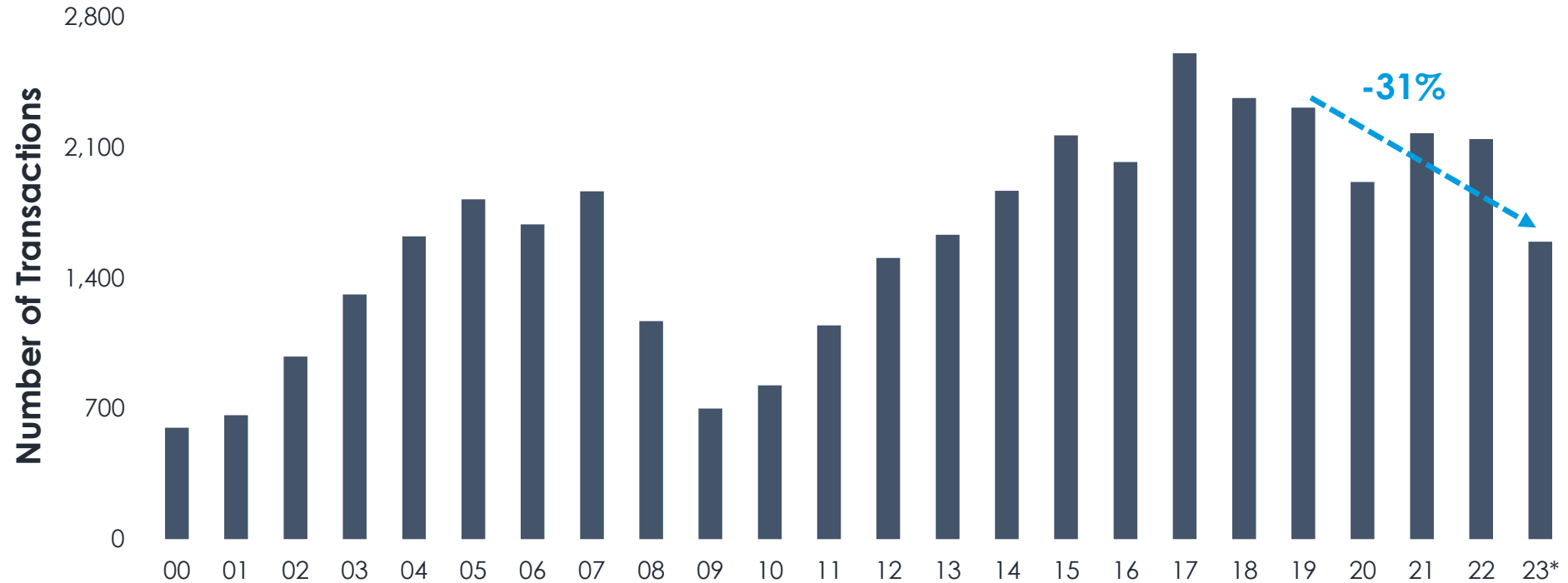
* Forecast
Sources: IPA Research Services, CoStar Group, Inc.

Southern California Retail Vacancy Rate Trends



* Forecast
Sources: IPA Research Services, CoStar Group, Inc.

Southern California Retail Transaction Activity



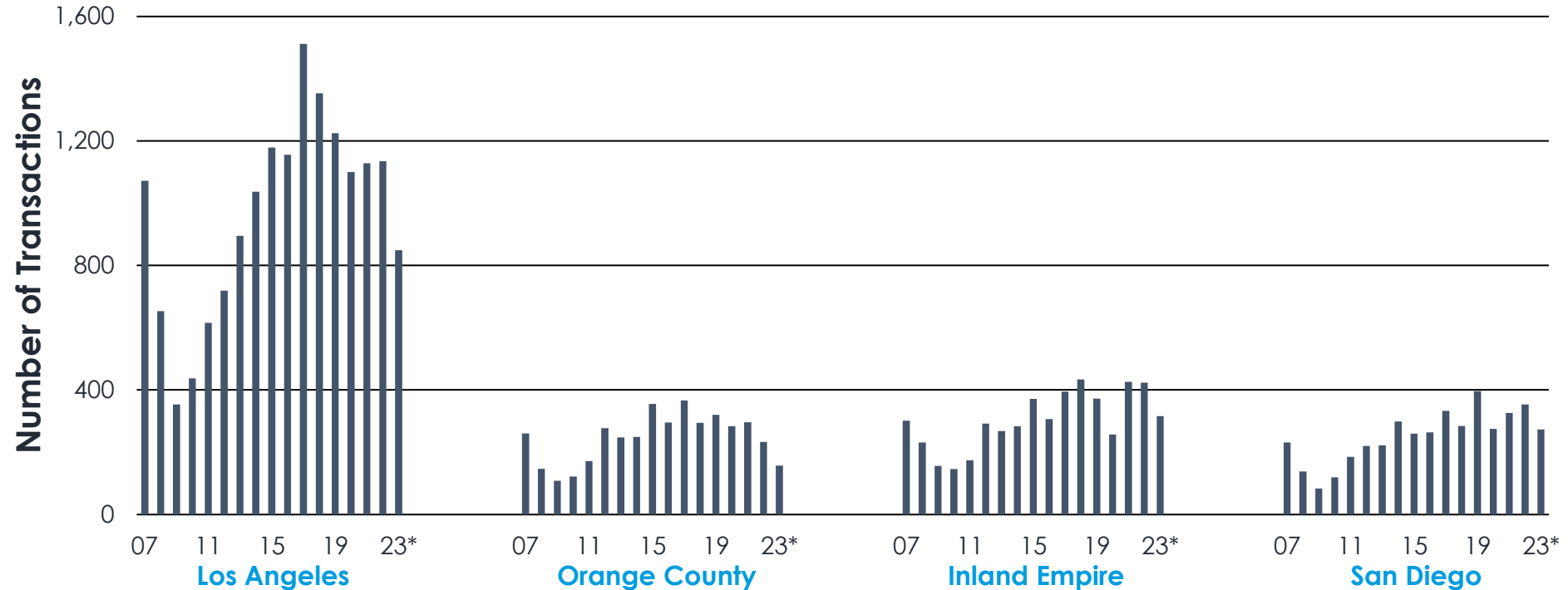
* T-12 months through 3Q 2023

Southern California includes Los Angeles, Orange County, Inland Empire and San Diego

Includes sales \$1 million and greater

Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

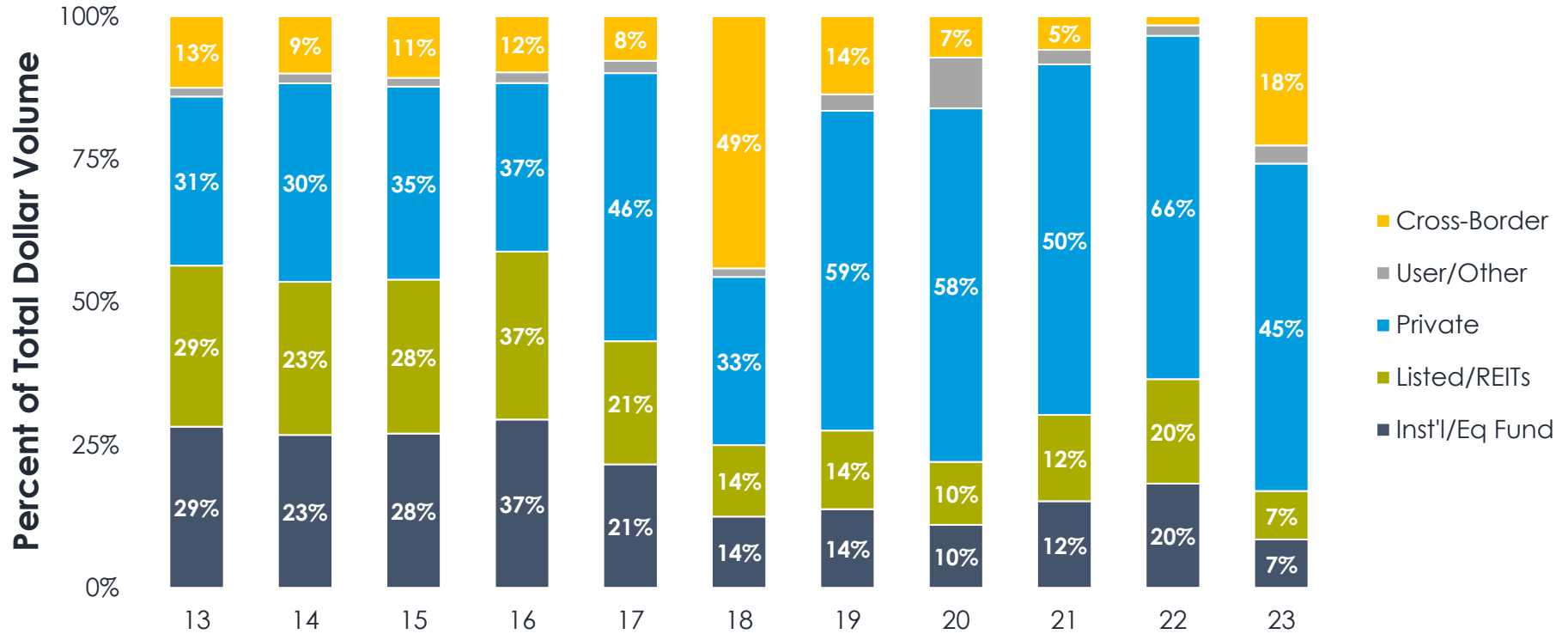
Southern California Retail Transaction Activity



* T-12 months through 3Q
 Includes sales \$1 million and greater
 Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

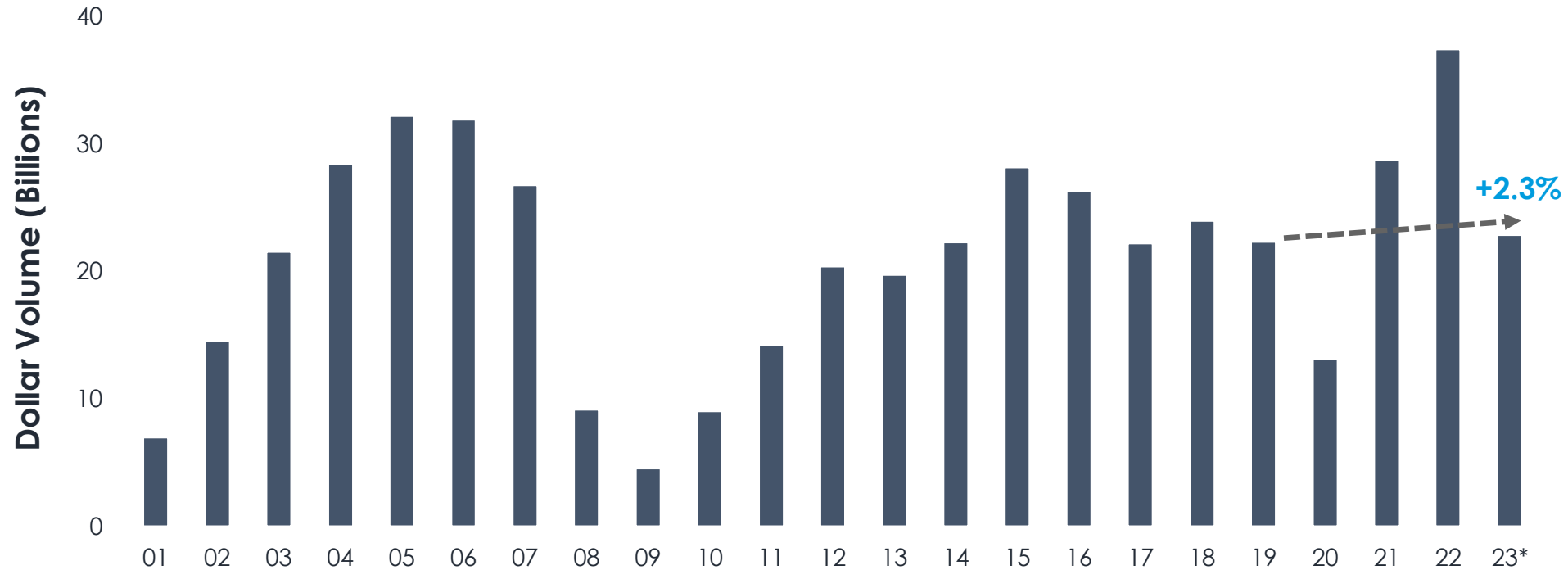
\$10M+ MULTI-TENANT RETAIL SALES TRENDS

National \$10M+ Multi-Tenant Retail Buyer Composition



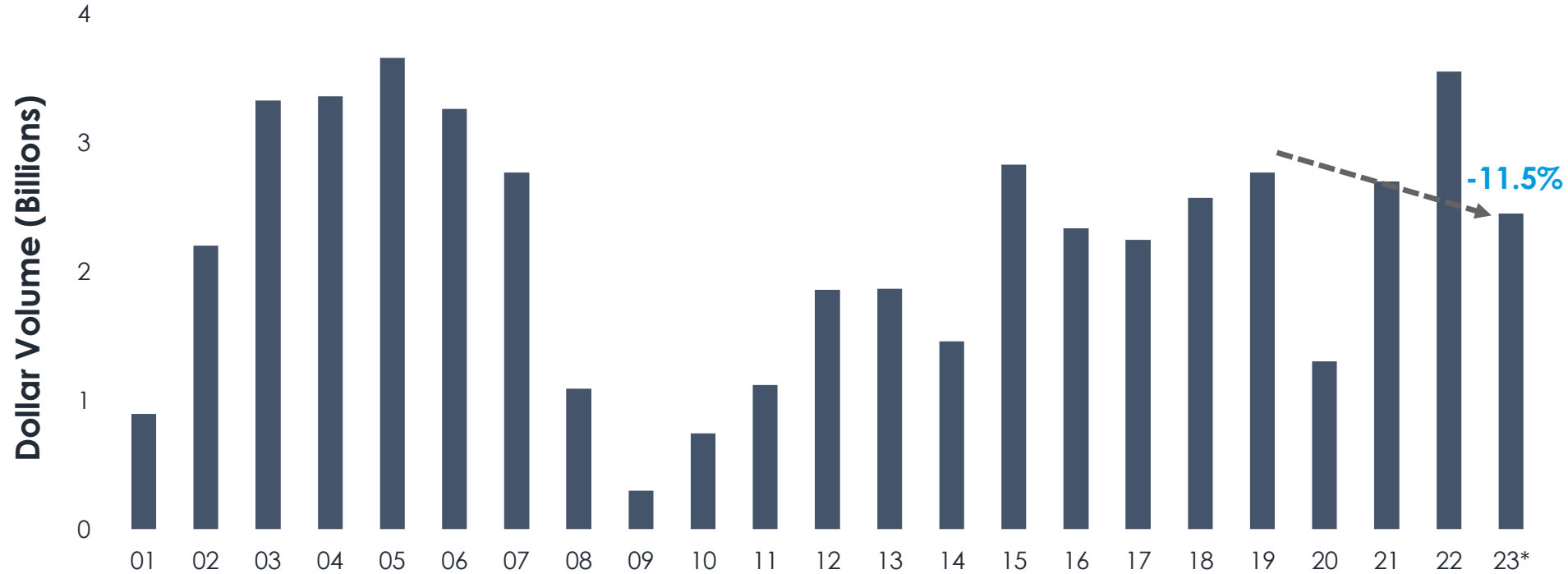
Includes multi-tenant retail sales \$10 million and greater
Sources: IPA Research Services, Real Capital Analytics

U.S. \$10M+ Multi-Tenant Retail Dollar Volume



* Trailing 12-months through 3Q
Includes multi-tenant retail sales \$10 million and greater
Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

Southern California \$10M+ Multi-Tenant Retail Dollar Volume



* Trailing 12-months through 3Q

Southern California includes Los Angeles, Orange County, Inland Empire and San Diego

Includes multi-tenant retail sales \$10 million and greater

Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

SOUTHERN CALIFORNIA RETAIL MARKET OVERVIEW

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