

## 2024 CRE – Turbulence Ahead?

May 29, 2024

**Brian Bailey**

*CRE Subject Matter Expert, Supervision and Regulation  
Federal Reserve Bank of Atlanta*

**Ask the Fed<sup>®</sup>** is a program of the Federal Reserve Bank of St. Louis. Use of the presentation materials, including audio recording of a presentation, is strictly prohibited except by written permission of the Federal Reserve Bank of St. Louis. The opinions expressed in the presentations are statements of the speaker's opinion, are intended only for informational purposes, and are not formal opinions of —nor binding on— any Federal Reserve Bank or the Board of Governors of the Federal Reserve System. Each participant is responsible for its own business, financial, investment or credit decisions.

[www.askthefed.org](http://www.askthefed.org)

# Welcome

## Logistics

- Call-in number: **888-625-5230**
- Participant code: **416 030 85#**
- Webinar: <https://www.webcaster4.com/webcast/page/584/50517>
- This call is being recorded and will be available immediately following the session.
- A short survey will be delivered via email following the call. Please let us know your thoughts about today and ideas for future sessions.

## Webinar

- You can listen through your PC or dial in to the phone.
- Remember: Your specific connection matters; if PC audio diminishes, dial in to the toll-free line.
- All sessions are **recorded** and archived on the Ask the Fed® website: [www.askthefed.org](http://www.askthefed.org).

## How We'll Take Questions

- Use the chat feature in the webinar (**Ask Question** button on bottom of screen)
- Email your question to: [questions@askthefed.org](mailto:questions@askthefed.org)
- Use the “Ask a Question” feature on the Ask the Fed® website: [www.askthefed.org](http://www.askthefed.org)

## Disclaimer

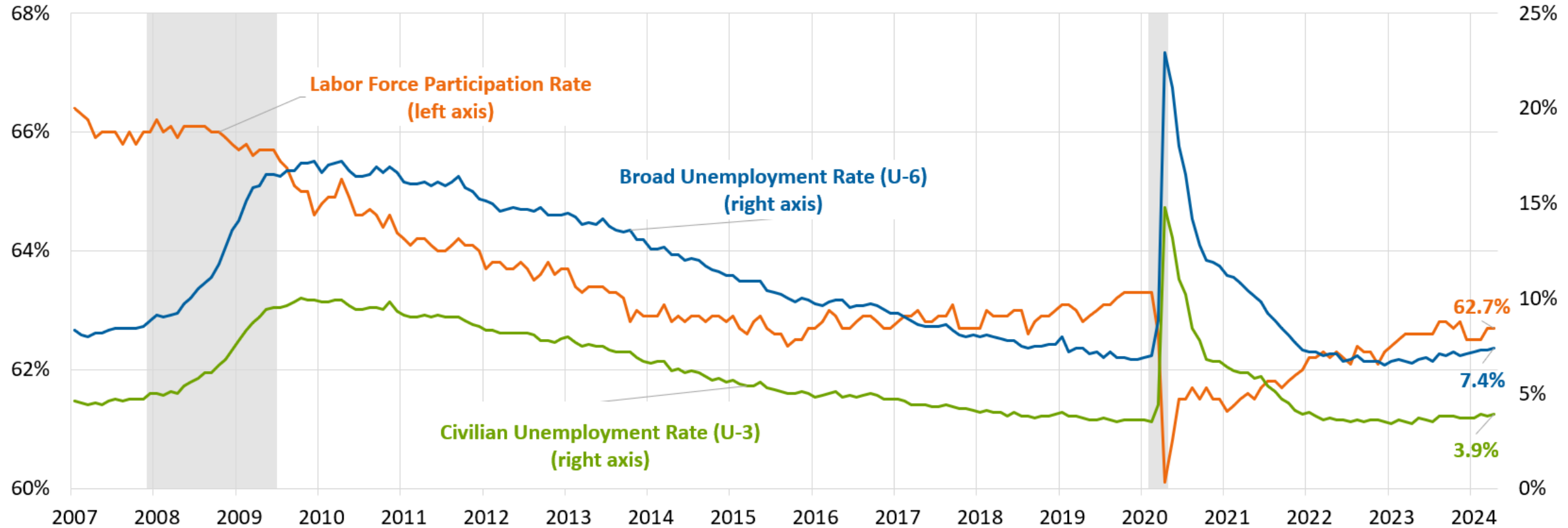
- **Ask the Fed®** is a program of the Federal Reserve Bank of St. Louis. Use of the presentation materials, including audio recording of a presentation, is strictly prohibited except by written permission of the Federal Reserve Bank of St. Louis. The opinions expressed in the presentations are statements of the speaker's opinion, are intended only for informational purposes, and are not formal opinions of —nor binding on— any Federal Reserve Bank or the Board of Governors of the Federal Reserve System. Each participant is responsible for its own business, financial, investment or credit decisions.

# Greater Uncertainty Ahead?

- Resilient Economy
- Mixed Commercial Real Estate (CRE) Performance
- Challenged CRE Finance



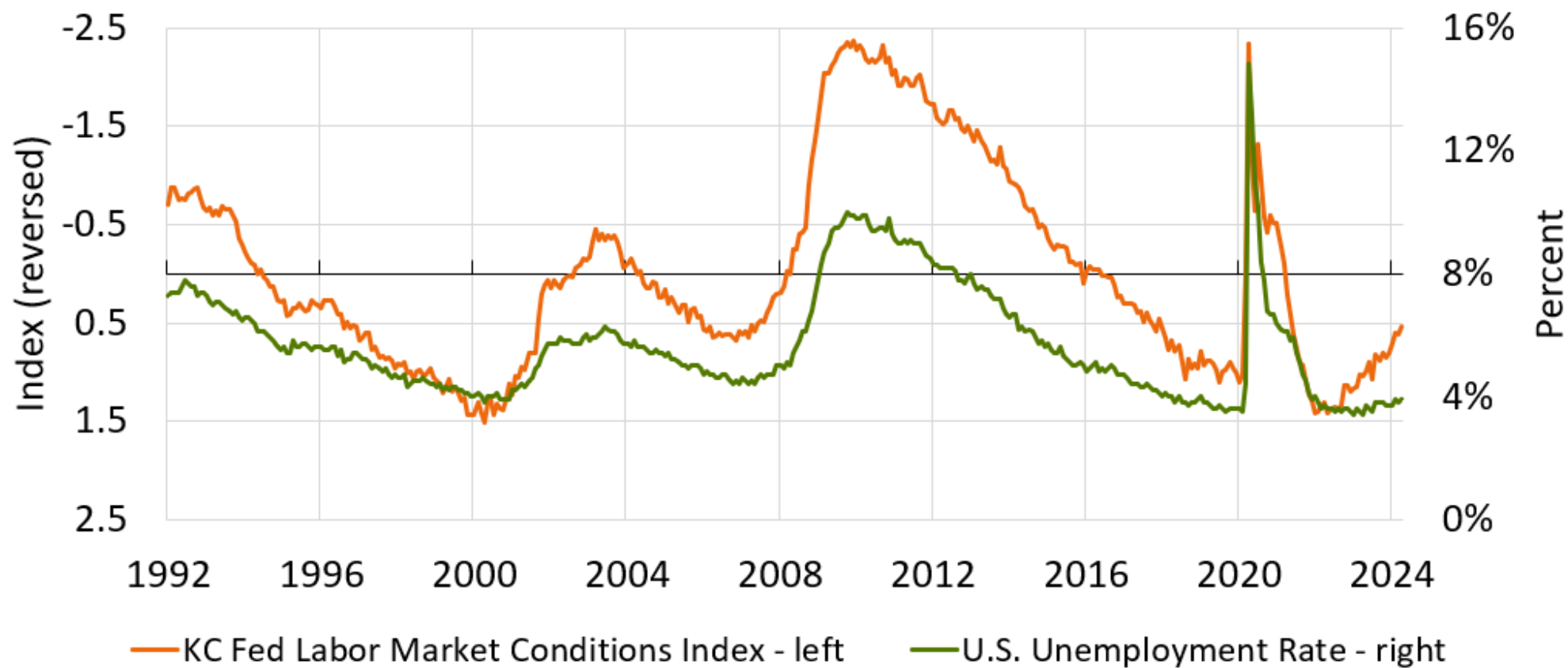
# Unemployment Rates



Source: Bureau of Labor Statistics; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

Data through April 2024

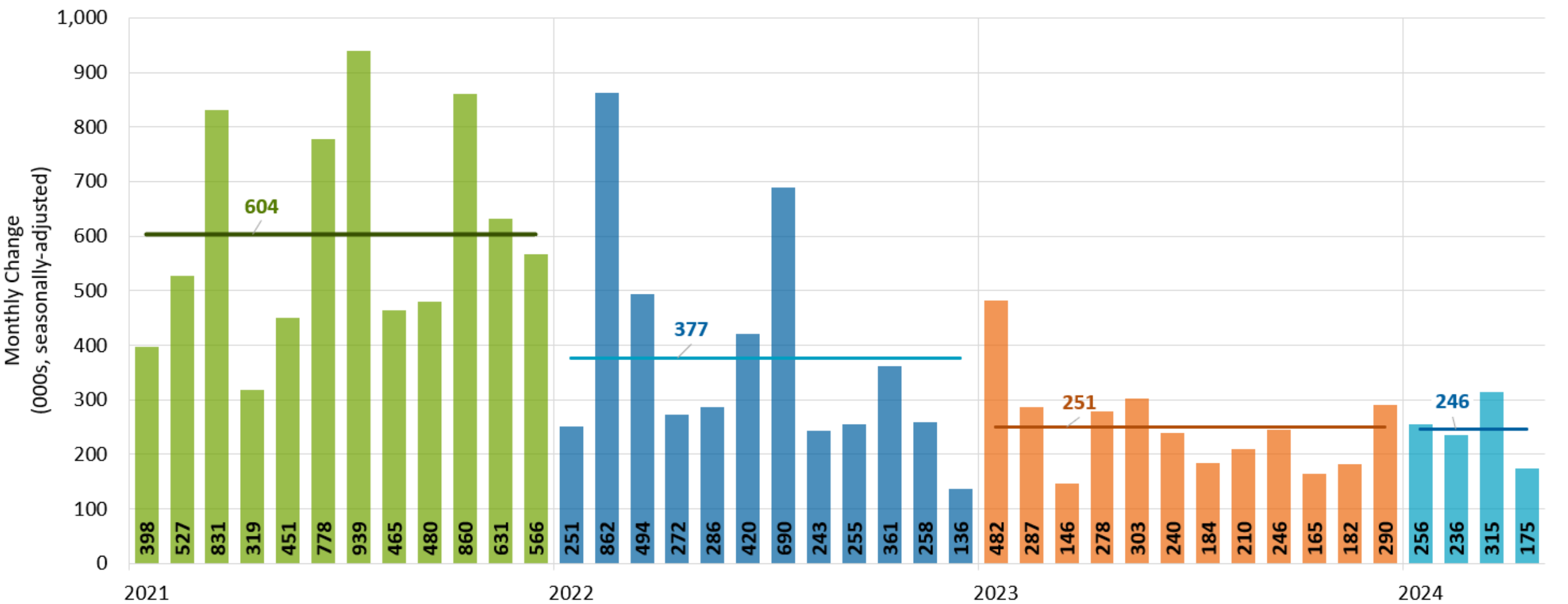
# Labor Market Conditions



Source: Bureau of Labor Statistics; Federal Reserve Bank of Kansas City; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

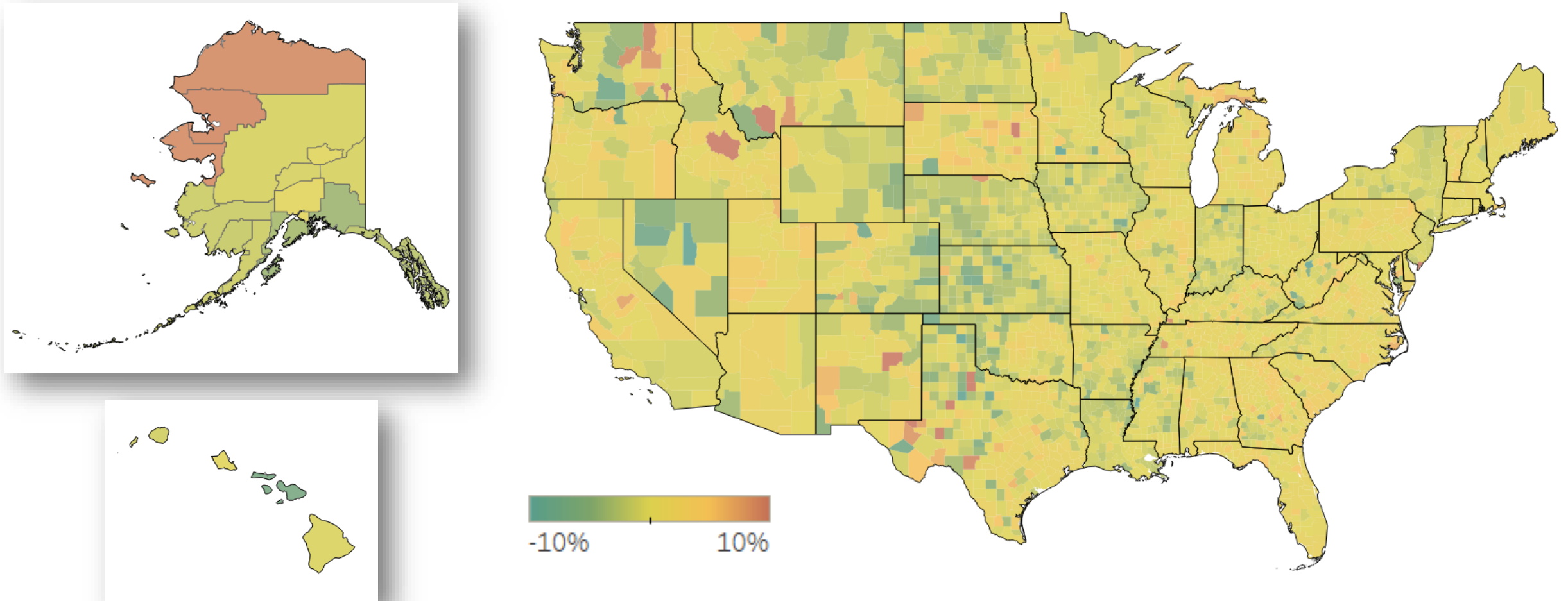
Data through April 2024

# U.S. Monthly Employment Change (000s)

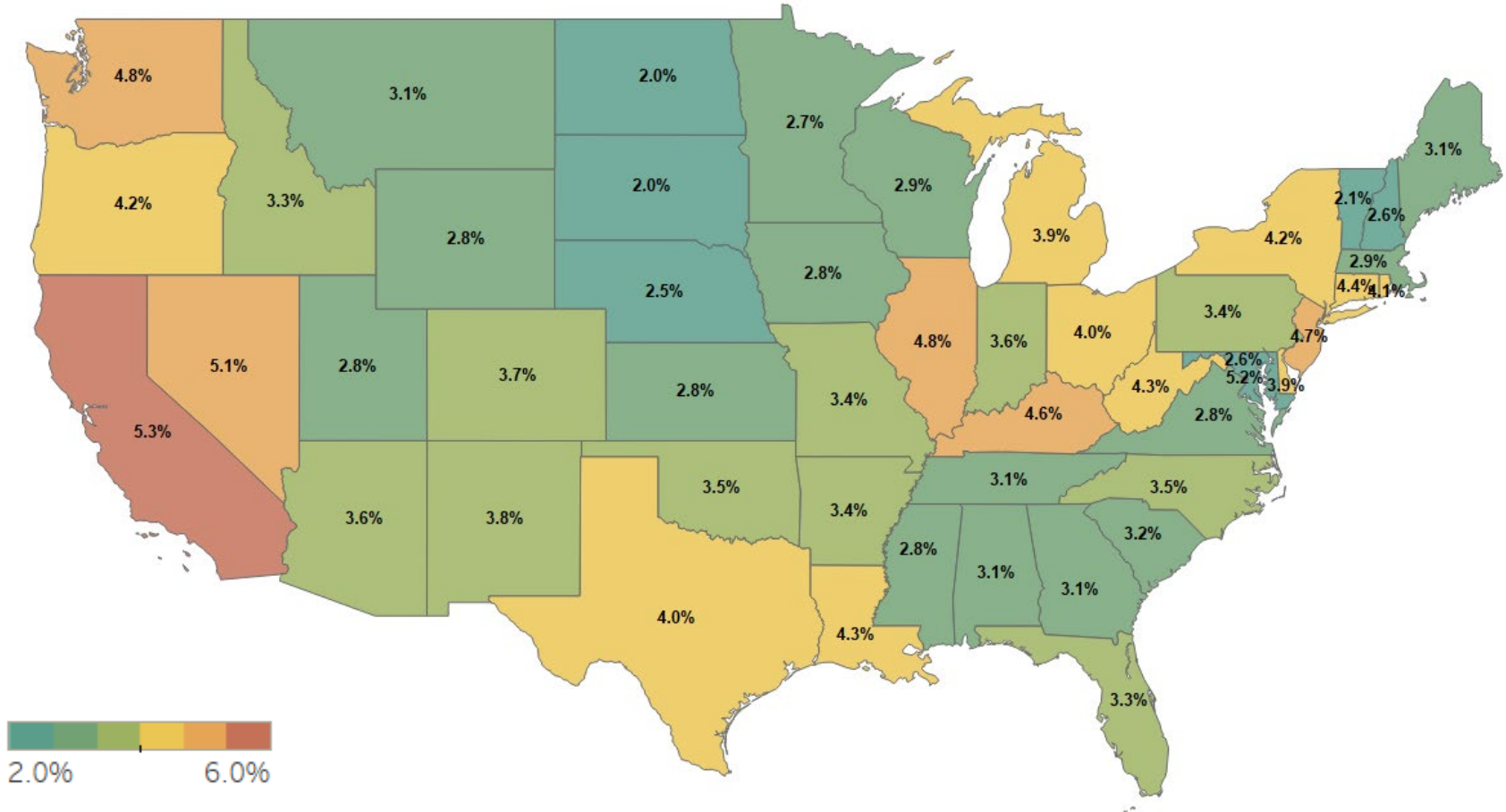
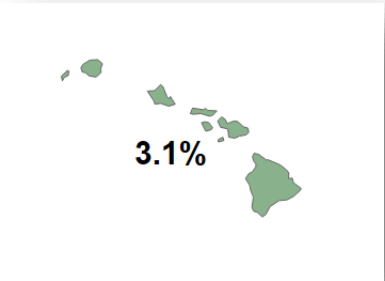
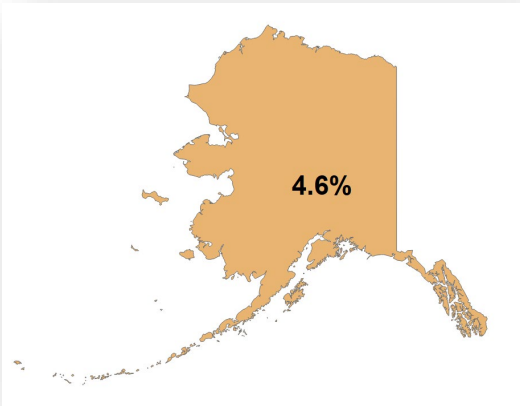


Source: [Bureau of Labor Statistics](#); Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# Household Employment Growth by County, March 2024



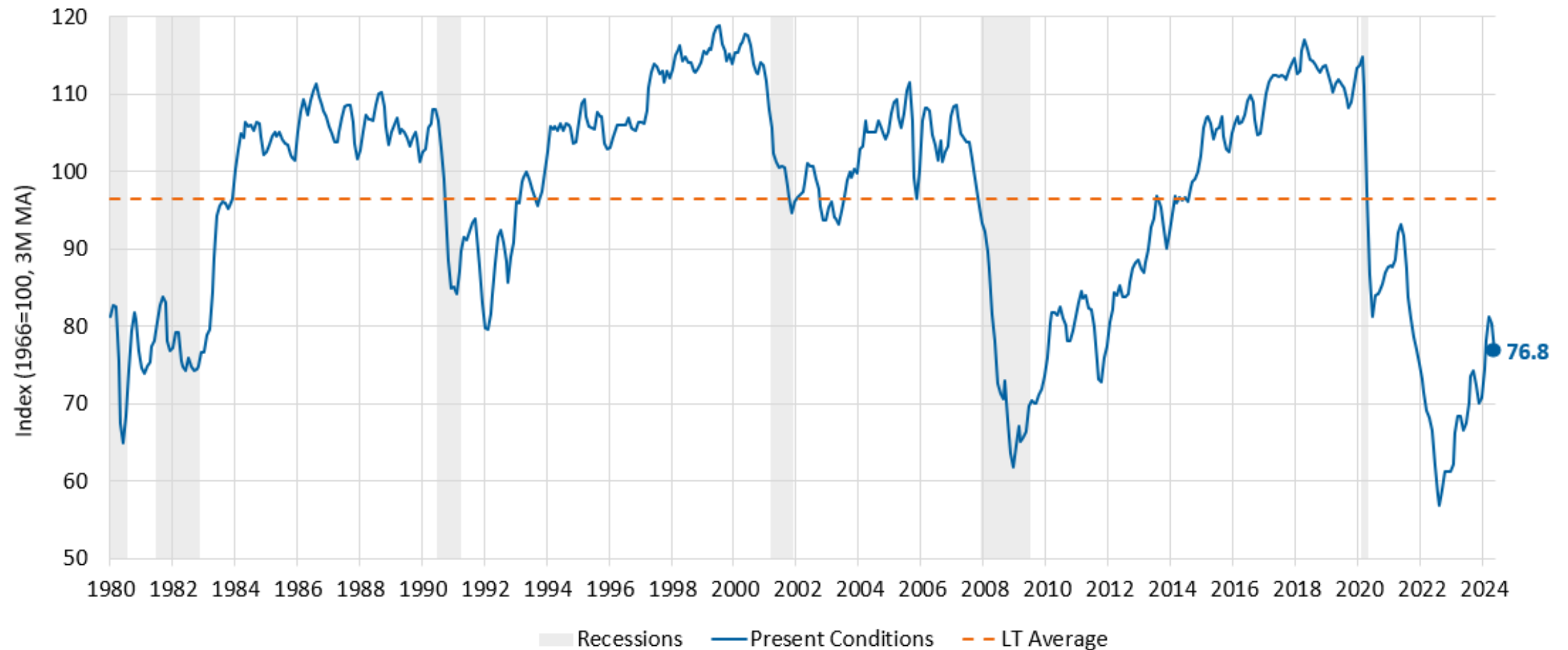
# State Unemployment



April 2024 data

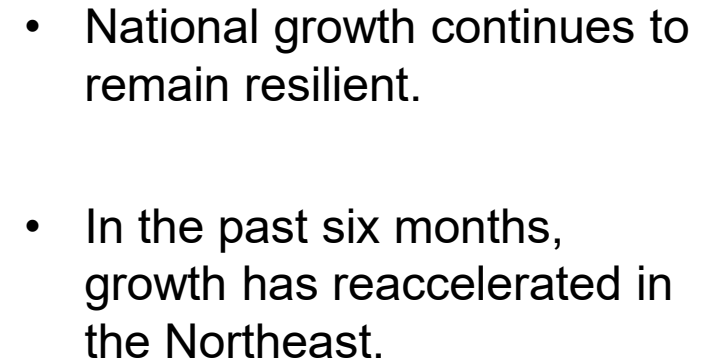


# Consumer Sentiment



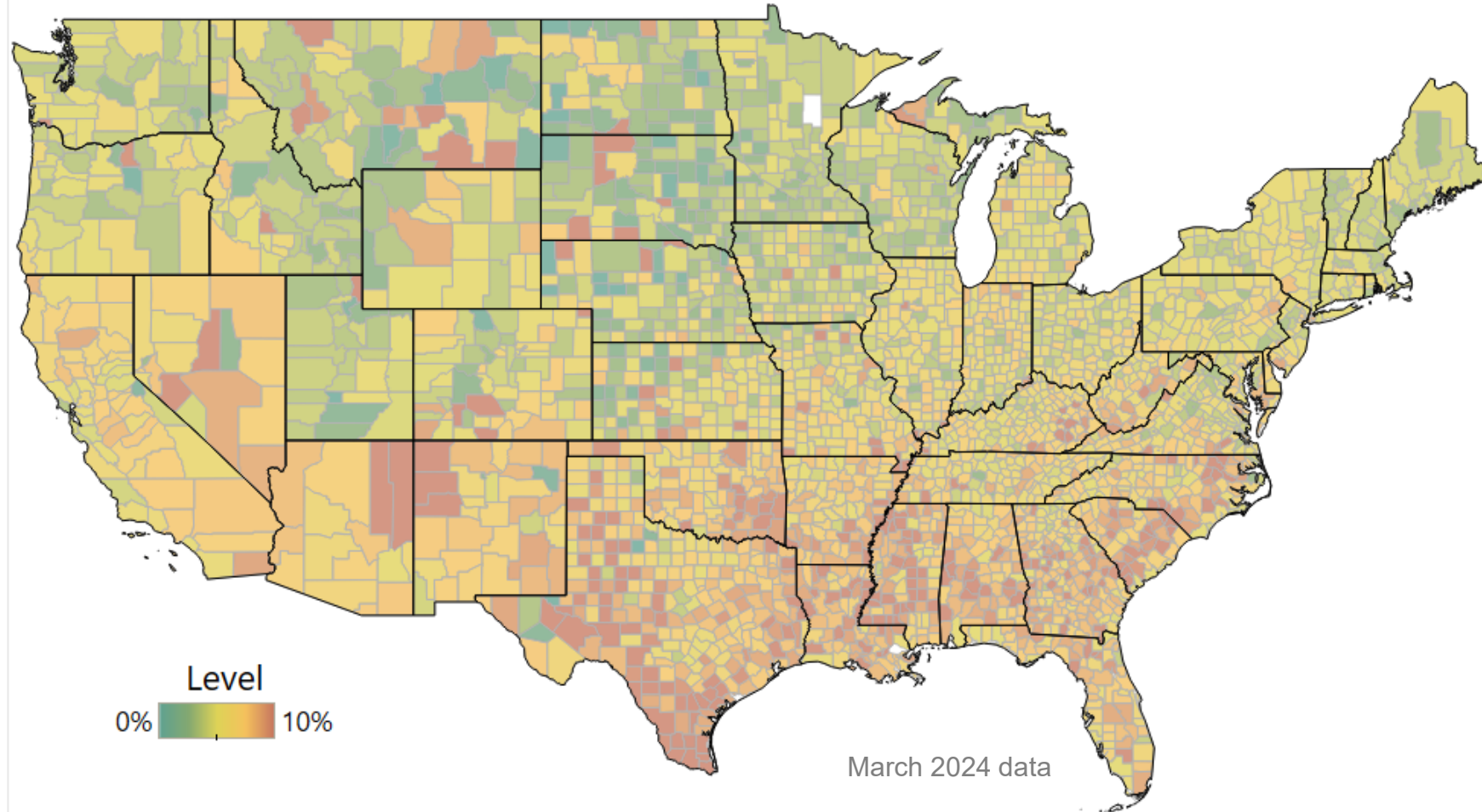
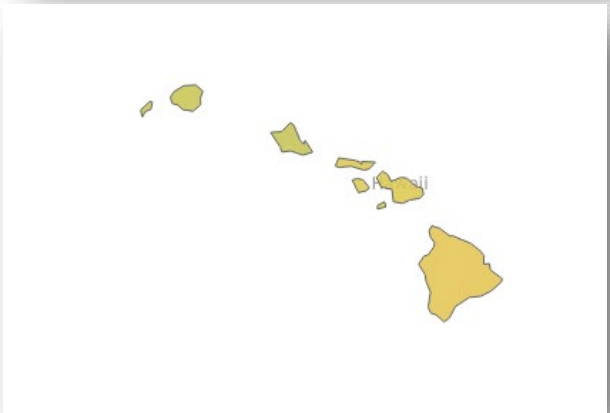
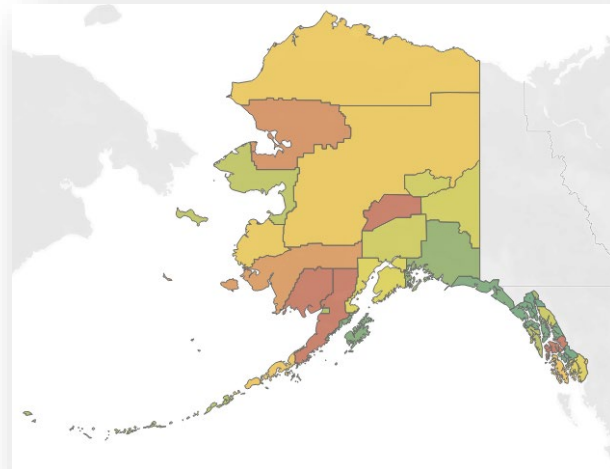
Data through May 2024

## State Economic Growth



# Consumer Loan Delinquencies

Note: Excludes First Mortgages



# Polling Question

**What is your expectation for inflation in 2024?**

- A. Less than 3%
- B. More than 3%, but less than 4%
- C. More than 4%, but less than 5%
- D. More than 5%, but less than 6%
- E. More than 6%, but less than 7%
- F. 7% or more

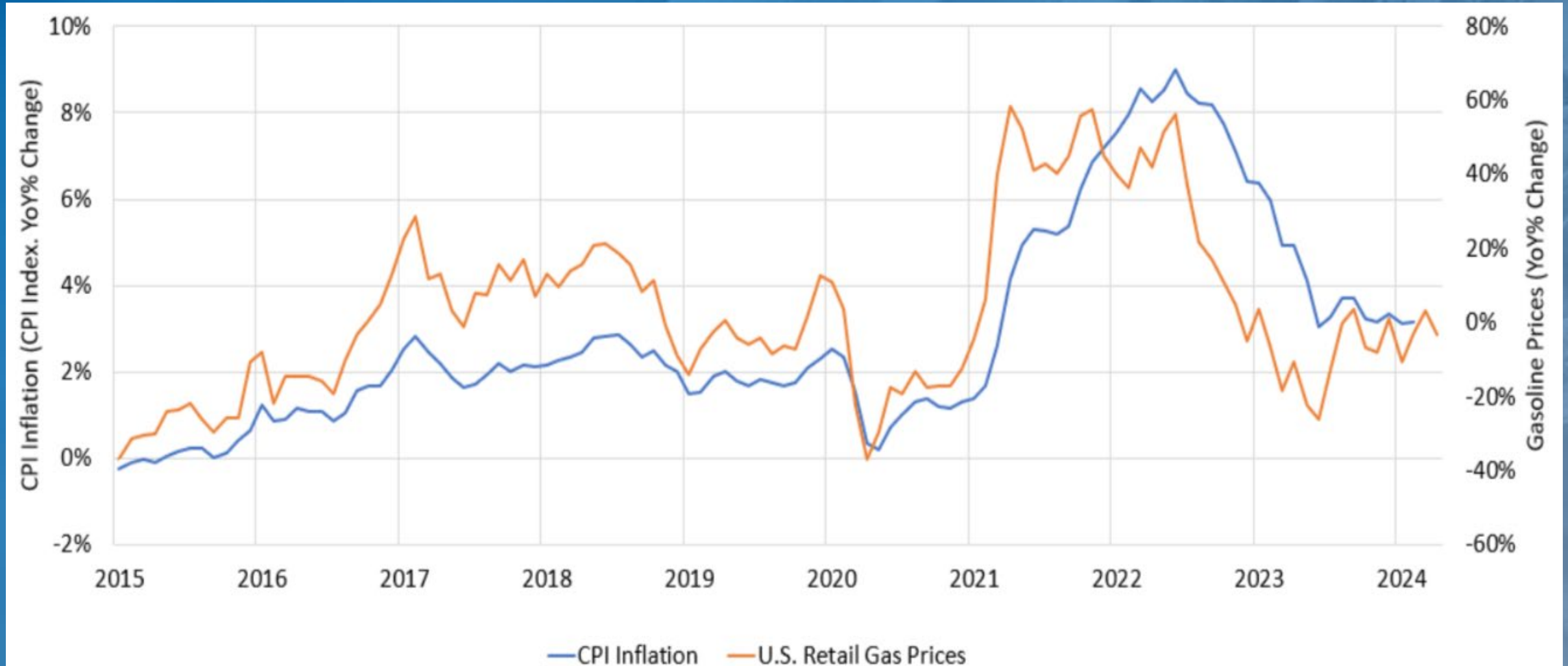
# Consumer Price Index (CPI)

Category	Percent Change Year Ago (%)															
	2023												2024			
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
All items	6.4%	6.0%	4.9%	4.9%	4.1%	3.1%	3.3%	3.7%	3.7%	3.2%	3.1%	3.3%	3.1%	3.2%	3.5%	3.4%
All items less food and energy	5.5%	5.5%	5.6%	5.5%	5.3%	4.9%	4.7%	4.4%	4.1%	4.0%	4.0%	3.9%	3.9%	3.8%	3.8%	3.6%
Food	10.1%	9.5%	8.5%	7.7%	6.7%	5.8%	4.9%	4.2%	3.7%	3.3%	2.9%	2.7%	2.6%	2.2%	2.2%	2.2%
Food at home	11.3%	10.1%	8.4%	7.2%	5.8%	4.7%	3.6%	2.9%	2.4%	2.1%	1.6%	1.3%	1.2%	1.0%	1.2%	1.1%
Food away from home	8.2%	8.4%	8.8%	8.6%	8.3%	7.7%	7.1%	6.5%	6.0%	5.4%	5.3%	5.2%	5.1%	4.5%	4.2%	4.1%
Energy	8.6%	5.0%	-6.6%	-4.9%	-11.3%	-16.7%	-12.5%	-3.8%	-0.6%	-4.4%	-5.3%	-1.8%	-4.3%	-1.7%	2.1%	2.5%
Housing	8.2%	8.2%	7.8%	7.4%	6.8%	6.3%	6.2%	5.7%	5.6%	5.3%	5.2%	4.8%	4.7%	4.5%	4.6%	4.5%
Shelter	7.9%	8.1%	8.2%	8.1%	8.0%	7.8%	7.7%	7.3%	7.2%	6.7%	6.5%	6.2%	6.1%	5.8%	5.6%	5.5%
Rent of primary residence	8.5%	8.8%	8.8%	8.8%	8.7%	8.3%	8.1%	7.8%	7.4%	7.2%	6.9%	6.5%	6.1%	5.8%	5.7%	5.4%
Lodging away from home	7.8%	6.6%	7.1%	3.2%	3.2%	4.4%	6.2%	3.3%	7.6%	1.0%	0.9%	0.1%	0.8%	-0.5%	-1.8%	-0.1%
Owners' equivalent rent of residences	7.7%	8.0%	8.0%	8.1%	8.1%	7.8%	7.7%	7.3%	7.1%	6.9%	6.7%	6.3%	6.2%	6.0%	5.9%	5.8%
Fuels and utilities	13.1%	11.0%	7.3%	4.8%	0.9%	-1.1%	-0.6%	-1.3%	-1.6%	-1.3%	0.2%	0.0%	-0.6%	1.4%	3.3%	3.8%
Fuel oil and other fuels	18.6%	5.7%	-10.9%	-15.1%	-28.5%	-28.9%	-21.2%	-12.4%	-5.6%	-17.2%	-19.3%	-11.7%	-10.5%	-4.3%	-3.1%	-0.5%
Energy services	15.4%	13.2%	9.1%	6.0%	1.7%	-1.1%	-1.2%	-2.7%	-3.5%	-2.2%	0.0%	-0.9%	-1.8%	0.5%	3.1%	3.5%
Water and sewer and trash collection services	5.0%	5.2%	5.4%	5.4%	5.7%	5.7%	5.8%	5.8%	5.2%	5.3%	5.4%	5.2%	5.6%	5.3%	5.3%	5.3%
Household furnishings and operations	5.9%	6.1%	5.5%	5.3%	4.2%	3.6%	2.9%	2.2%	1.9%	1.7%	1.2%	0.5%	0.2%	-0.6%	-0.8%	-1.7%
Tenants' and household insurance	0.9%	0.8%	0.9%	1.4%	1.6%	1.0%	1.0%	1.5%	2.8%	2.9%	3.4%	3.6%	4.1%	4.1%	4.6%	4.0%
Apparel	3.0%	3.1%	3.1%	3.6%	3.4%	3.0%	3.1%	3.0%	2.4%	2.7%	1.4%	1.2%	0.0%	0.0%	0.4%	1.4%
New vehicles	5.8%	5.9%	6.1%	5.5%	4.7%	4.0%	3.5%	2.9%	2.5%	1.9%	1.4%	1.0%	0.7%	0.4%	-0.1%	-0.4%
Used cars and trucks	-11.6%	-13.4%	-11.0%	-6.6%	-4.3%	-5.3%	-5.7%	-6.7%	-8.0%	-7.1%	-3.7%	-1.3%	-3.3%	-1.4%	-1.9%	-6.3%
Motor fuel	2.4%	-1.6%	-17.5%	-12.4%	-19.8%	-26.8%	-20.5%	-4.0%	2.5%	-5.5%	-9.0%	-2.0%	-6.6%	-4.2%	1.0%	1.0%
Medical care	3.1%	2.4%	1.5%	1.1%	0.7%	0.1%	-0.5%	-1.0%	-1.4%	-0.8%	0.1%	0.4%	1.1%	1.4%	2.2%	2.6%
Recreation	4.8%	5.0%	4.9%	5.0%	4.5%	4.3%	4.1%	3.6%	3.9%	3.2%	2.5%	2.7%	2.8%	2.1%	1.9%	1.5%
Education	3.4%	3.3%	3.5%	3.6%	3.4%	3.2%	3.2%	2.9%	2.9%	2.7%	2.4%	2.4%	2.5%	2.7%	2.4%	2.5%
Communication	-0.7%	-0.6%	-0.2%	0.1%	0.1%	-0.3%	-0.1%	-0.2%	-0.1%	-0.2%	-1.7%	-1.7%	-1.5%	-1.1%	-1.2%	-0.9%

Source: Bureau of Labor Statistics; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

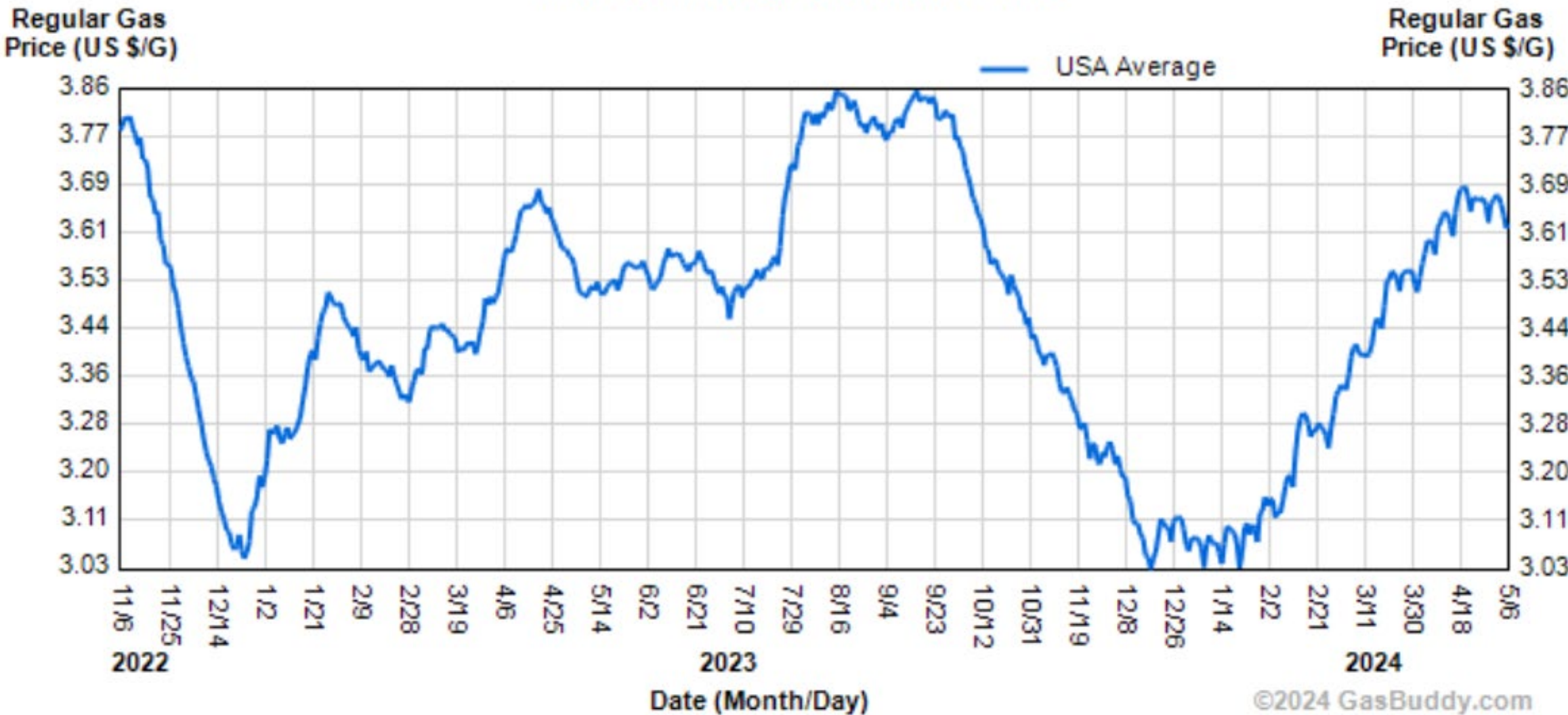


# U.S. Inflation and Gasoline Price Trends



# Gasoline Price Trends

18 Month Average Retail Price Chart



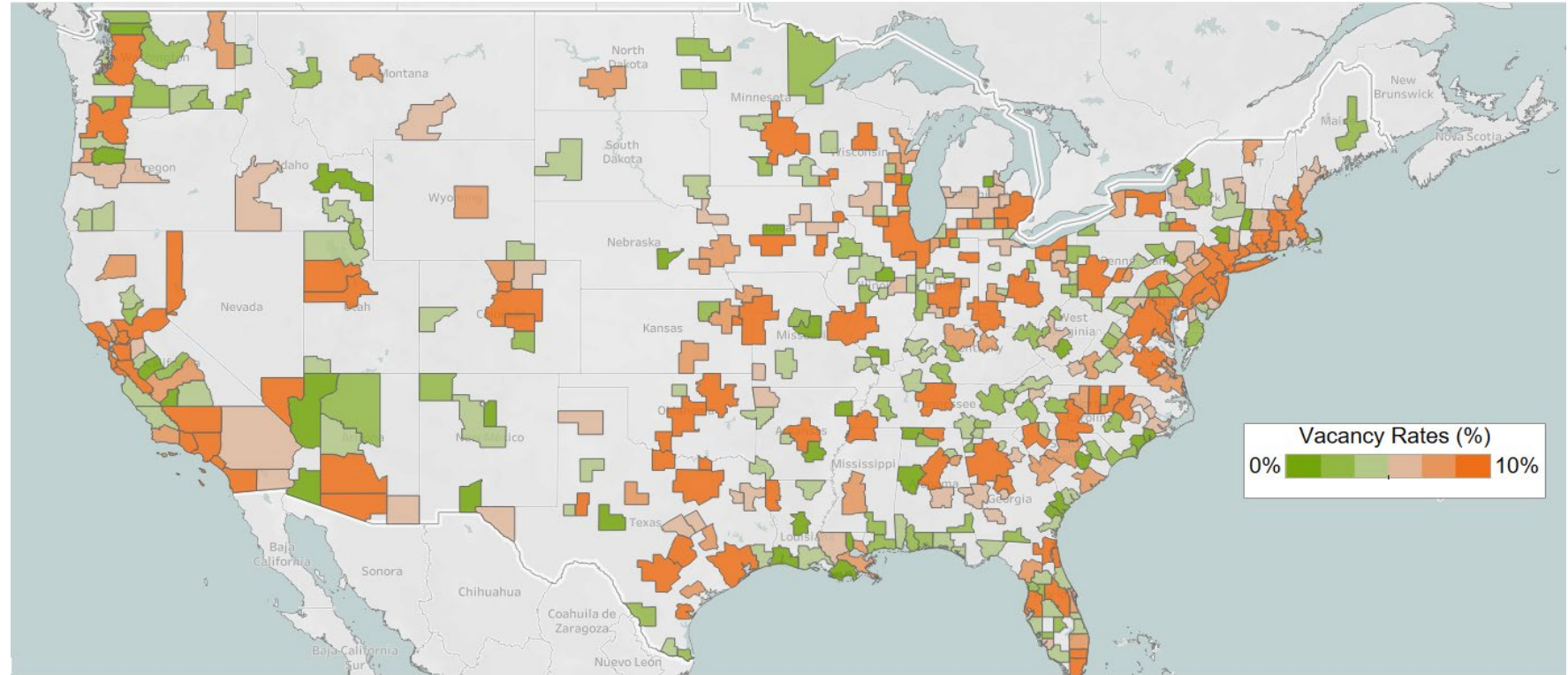
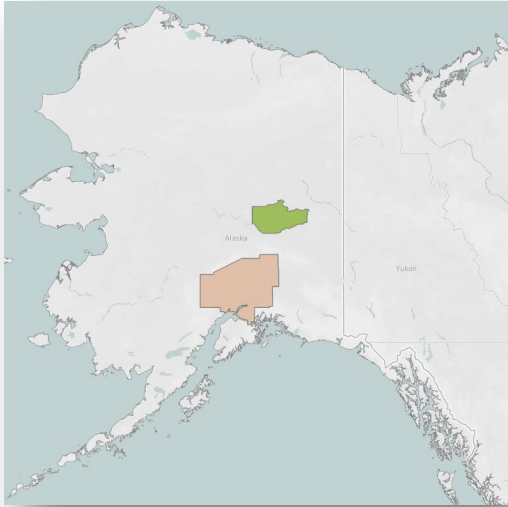
# Polling Question 2

**Compared to pre-pandemic levels, when your organization returned to the office, on average, how many days a week are employees be expected physically be in the office?**

- A. 5 days a week
- B. At least 4 days, but less than 5 days
- C. At least 3 days, but less than 4 days
- D. At least 2 days, but less than 3 days
- E. At least 1 day, but less than 2 days
- F. Less than 1 day
- G. Other

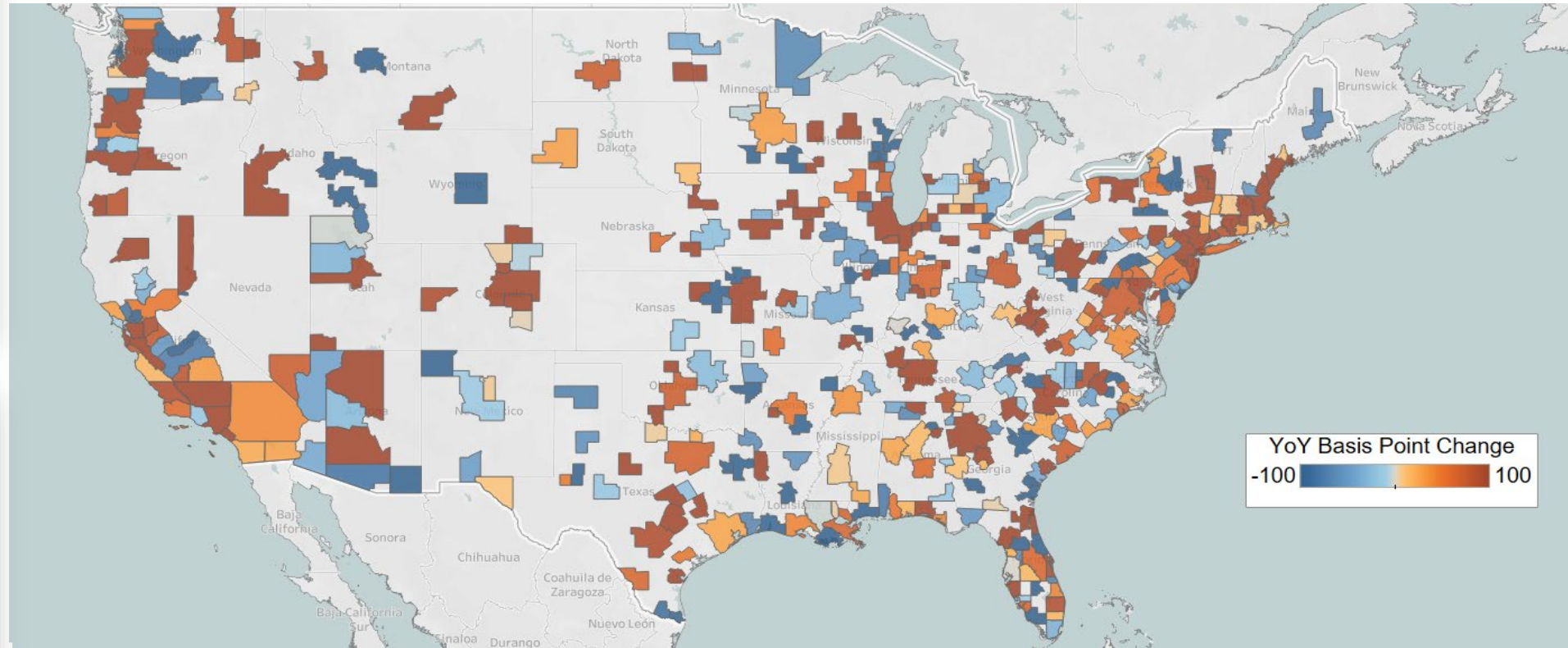
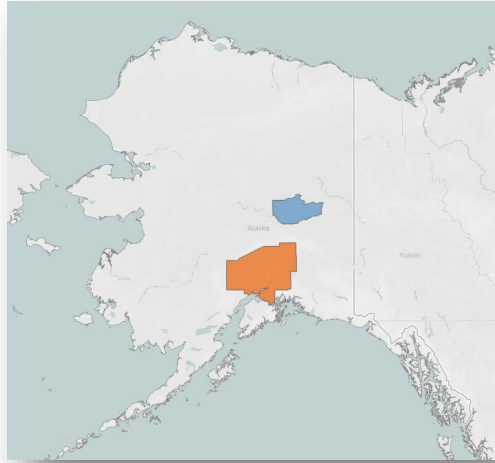


# Office Vacancy Rates, 2024Q1



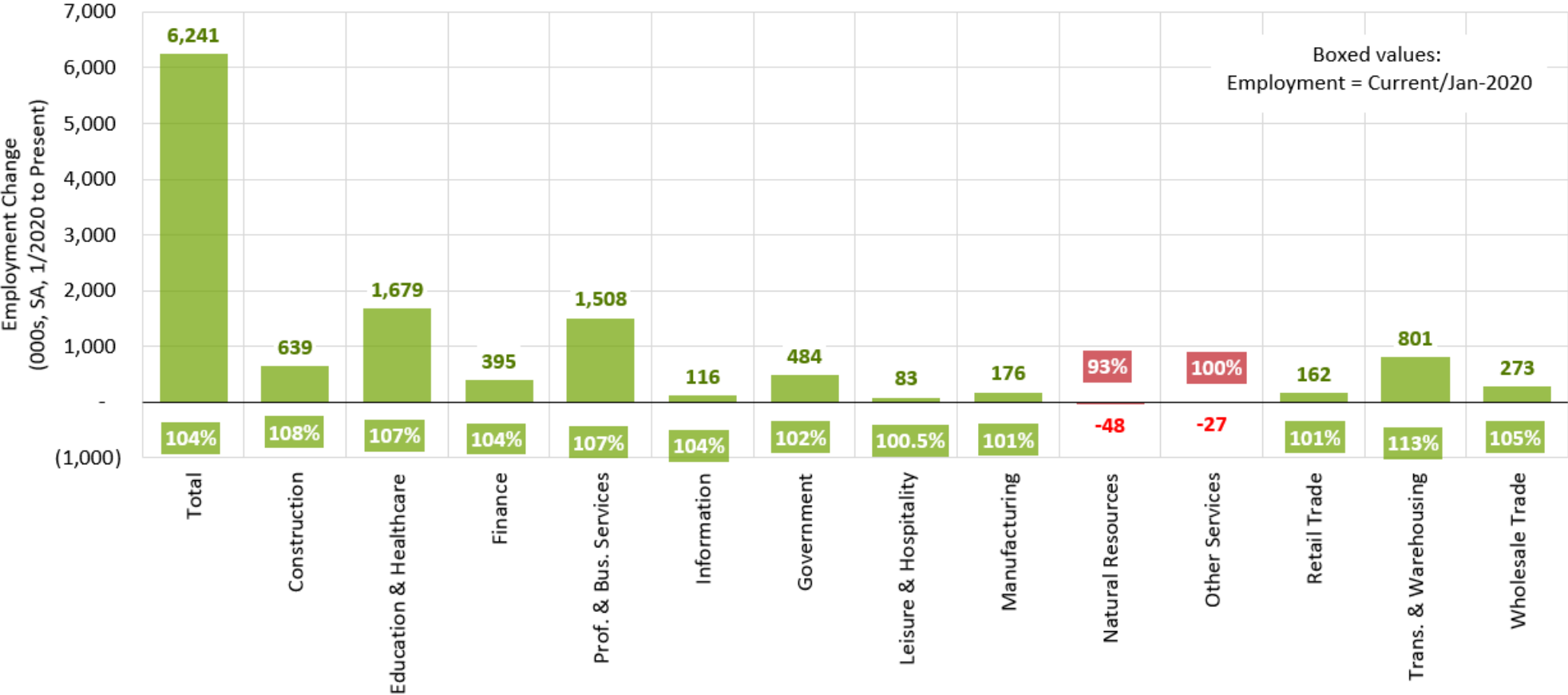
# Office Vacancy Rates, YoY Change

2024Q1



# U.S. Employment Change by Sector

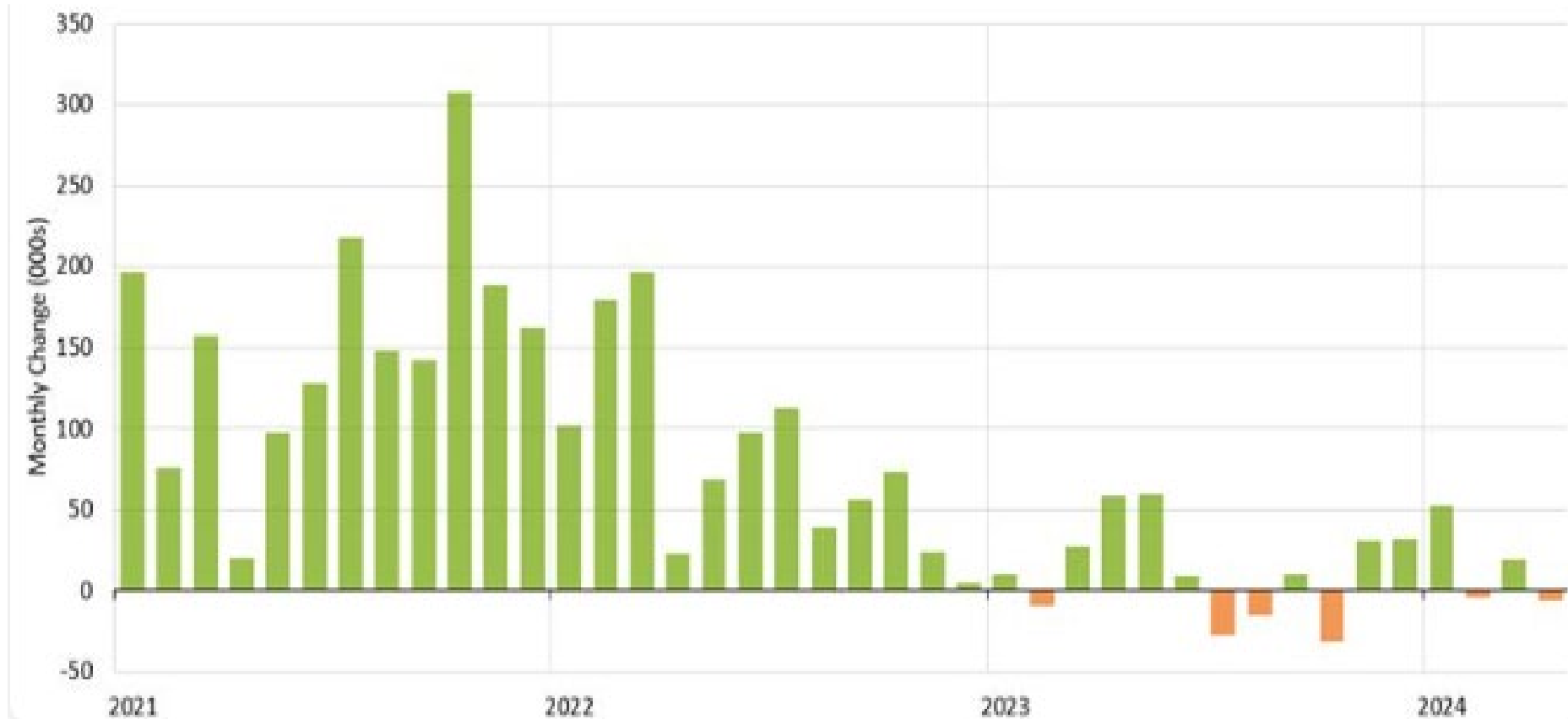
Since January 2020



Source: Bureau of Labor Statistics; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

Data through April 2024

# U.S. Office Employment Change

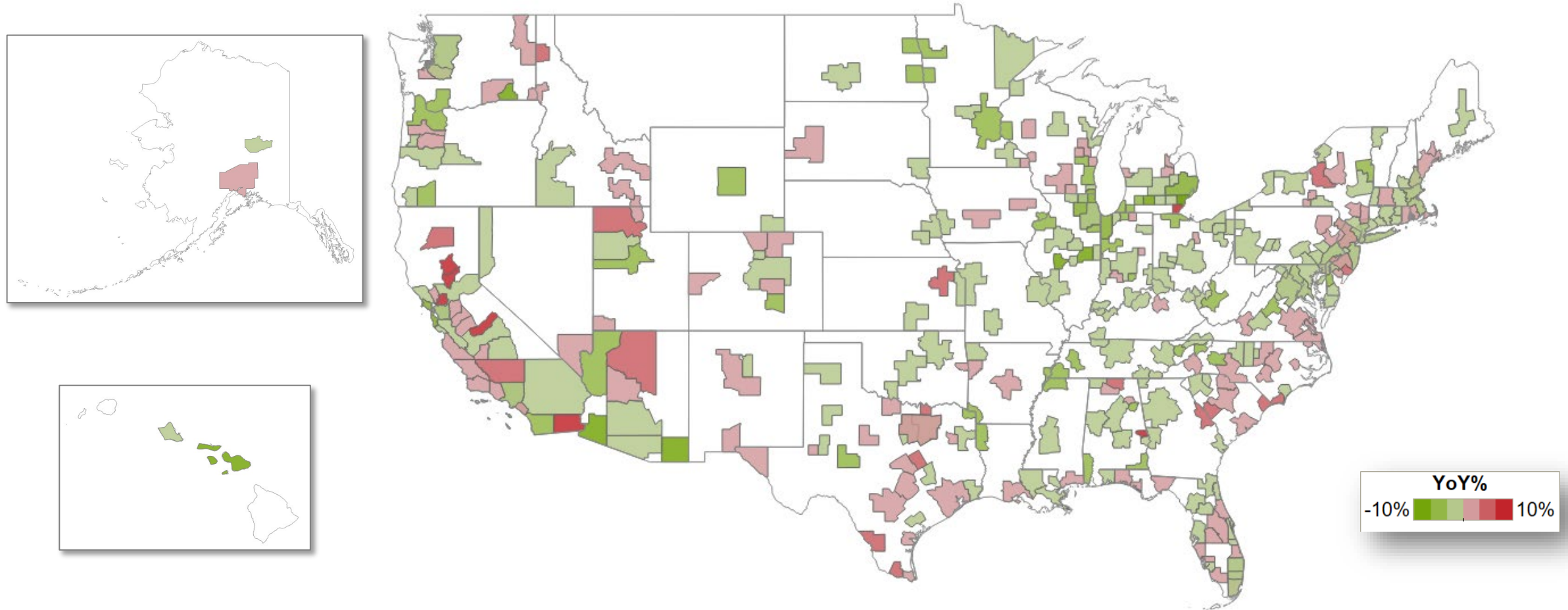


Source: Bureau of Labor Statistics; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

Data through April 2024



# Office Employment Growth by Metro Area



Source: Bureau of Labor Statistics; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

Data through March 2024

# Muted Rate of New Office Supply

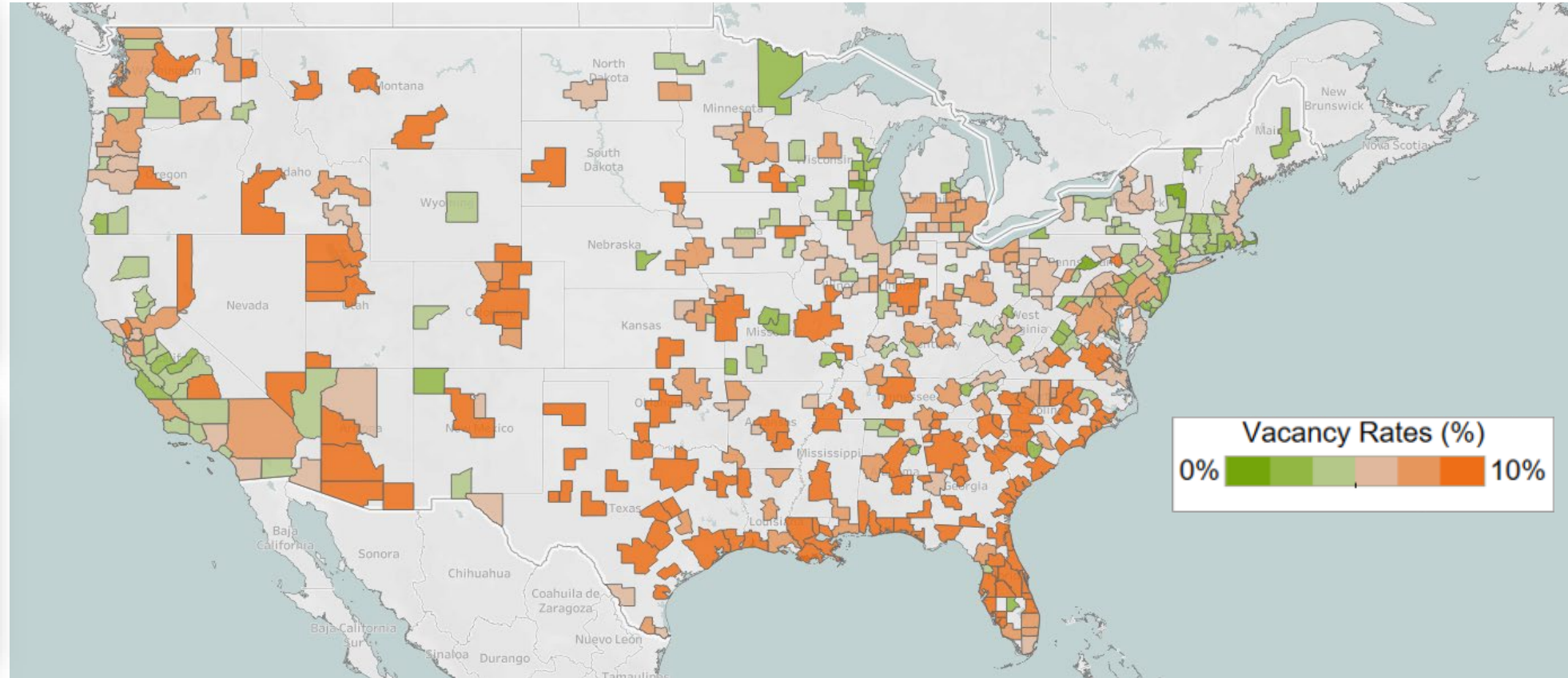
Supply Growth for New Construction Deliveries Is Mostly at Modest Levels

Market	History																				Forecast								
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
United States	2.4%	1.7%	1.3%	1.0%	1.3%	1.5%	1.5%	1.5%	1.0%	0.5%	0.2%	0.2%	0.3%	0.4%	0.6%	0.6%	0.7%	0.6%	0.8%	0.6%	0.7%	0.5%	0.5%	0.5%	0.2%	0.0%	0.0%	0.0%	0.1%
Atlanta - GA	4.6%	2.8%	1.6%	1.5%	1.8%	1.9%	2.8%	0.9%	0.8%	0.6%	0.0%	-0.1%	0.1%	0.3%	0.1%	0.3%	0.8%	0.7%	0.7%	1.1%	1.4%	0.6%	0.3%	0.4%	0.1%	-0.1%	-0.1%	-0.1%	0.0%
Austin - TX	7.7%	2.7%	1.4%	1.1%	1.2%	1.5%	3.1%	4.6%	1.9%	0.6%	0.3%	0.6%	0.5%	1.8%	4.1%	1.7%	2.4%	3.4%	2.2%	3.1%	3.4%	4.0%	2.1%	3.5%	1.0%	0.6%	0.6%	0.8%	1.0%
Boston - MA	3.0%	1.7%	1.2%	1.1%	0.7%	0.4%	0.6%	1.1%	0.6%	0.4%	0.3%	0.2%	0.9%	0.7%	0.7%	0.7%	0.3%	0.8%	0.5%	0.9%	0.8%	1.4%	1.9%	2.2%	1.3%	0.3%	-0.2%	-0.1%	0.1%
Charlotte - NC	3.7%	2.8%	2.6%	2.1%	2.7%	3.2%	2.6%	4.6%	1.8%	2.4%	1.1%	1.0%	-0.1%	0.7%	0.8%	2.5%	1.4%	0.4%	3.0%	0.6%	3.5%	1.8%	1.0%	1.2%	0.0%	0.0%	0.2%	0.4%	0.5%
Chicago - IL	2.3%	1.4%	0.9%	0.4%	1.6%	1.2%	0.7%	0.9%	0.6%	0.3%	0.0%	0.0%	0.0%	-0.3%	0.0%	0.2%	0.4%	0.1%	0.9%	0.8%	0.2%	0.3%	0.0%	-0.4%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%
Cincinnati - OH	2.1%	1.7%	0.9%	1.5%	1.0%	1.7%	1.6%	2.3%	1.0%	0.9%	1.3%	0.2%	0.2%	0.3%	1.2%	0.9%	0.7%	0.3%	0.3%	-0.3%	-0.3%	-0.2%	0.2%	0.0%	0.2%	0.3%	0.3%	0.4%	0.4%
Dallas-Fort Worth - TX	3.5%	1.3%	1.4%	1.5%	1.5%	1.9%	1.9%	2.2%	1.1%	1.3%	0.2%	0.3%	0.3%	0.8%	1.7%	1.2%	2.7%	2.0%	1.7%	1.1%	1.2%	0.7%	0.8%	0.9%	0.4%	0.8%	0.8%	0.6%	0.6%
Denver - CO	4.8%	1.7%	1.3%	0.5%	0.7%	1.0%	1.2%	1.5%	1.2%	0.9%	0.3%	0.3%	0.4%	0.4%	1.1%	0.6%	1.3%	2.1%	0.6%	0.9%	0.9%	0.4%	0.3%	1.3%	0.3%	0.2%	-0.1%	0.1%	0.1%
Detroit - MI	2.2%	1.6%	1.7%	0.9%	1.1%	1.0%	1.0%	0.5%	0.2%	0.1%	-0.3%	-0.1%	-0.4%	-0.2%	0.2%	0.0%	0.1%	0.1%	0.0%	0.3%	0.3%	0.2%	-0.7%	0.5%	0.1%	-0.1%	0.0%	0.1%	0.2%
Fort Lauderdale - FL	5.1%	2.5%	1.4%	1.8%	1.9%	1.9%	1.9%	2.2%	0.9%	0.2%	0.2%	-0.3%	-0.1%	0.5%	0.3%	1.5%	0.2%	0.2%	0.1%	0.7%	-0.4%	0.4%	0.3%	0.5%	0.0%	0.0%	0.1%	0.2%	0.3%
Houston - TX	0.8%	2.2%	1.5%	0.9%	2.0%	1.7%	1.7%	3.0%	2.6%	0.4%	0.6%	0.7%	1.7%	2.4%	4.2%	1.6%	1.0%	0.5%	0.5%	0.8%	1.2%	0.4%	1.0%	0.6%	0.3%	0.3%	0.4%	0.5%	0.5%
Jacksonville - FL	2.9%	3.1%	2.7%	1.7%	3.5%	3.5%	2.9%	2.5%	0.6%	0.0%	0.1%	0.3%	0.3%	0.0%	0.3%	0.1%	0.3%	0.9%	0.2%	1.0%	0.9%	0.8%	0.1%	0.5%	0.2%	0.0%	0.1%	0.2%	0.3%
Kansas City - MO	3.5%	1.2%	1.7%	0.8%	0.5%	2.2%	1.8%	0.9%	0.7%	-0.2%	0.4%	0.0%	1.1%	-0.5%	0.2%	1.0%	0.4%	0.4%	0.7%	0.9%	0.7%	0.1%	0.2%	0.1%	0.2%	-0.1%	0.0%	0.1%	0.1%
Las Vegas - NV	5.2%	5.4%	3.9%	7.0%	8.1%	7.3%	8.4%	5.1%	2.3%	0.1%	1.5%	1.0%	0.5%	-0.1%	0.4%	0.5%	1.2%	1.3%	0.3%	1.0%	0.4%	0.5%	0.5%	1.1%	0.5%	0.5%	0.7%	0.8%	0.8%
Los Angeles - CA	0.8%	0.7%	0.4%	0.4%	0.3%	0.4%	0.2%	0.6%	0.3%	-0.1%	-0.1%	0.1%	0.1%	-0.1%	0.1%	0.1%	0.4%	-0.1%	0.2%	0.0%	0.7%	0.3%	0.4%	0.2%	-0.2%	0.0%	-0.3%	-0.3%	-0.3%
Louisville - KY	1.6%	1.7%	0.7%	1.6%	1.6%	1.9%	1.0%	0.9%	1.6%	0.4%	0.2%	0.6%	0.2%	0.7%	0.4%	0.1%	0.5%	0.1%	0.6%	0.4%	0.7%	0.3%	0.5%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Memphis - TN	3.4%	2.6%	1.4%	1.0%	1.2%	0.2%	0.9%	1.3%	0.9%	0.2%	-0.2%	0.0%	0.3%	0.2%	0.7%	0.0%	1.6%	0.4%	0.4%	-0.1%	0.6%	0.5%	0.2%	0.5%	-0.1%	-0.1%	0.1%	0.2%	0.3%
Miami - FL	2.1%	1.6%	1.2%	2.3%	1.3%	1.3%	2.5%	2.5%	2.7%	1.5%	0.8%	0.1%	-0.2%	0.8%	-0.5%	0.4%	0.7%	1.1%	0.3%	1.1%	0.7%	0.7%	0.2%	1.4%	0.7%	-0.3%	0.5%	-0.1%	0.4%
Milwaukee - WI	1.7%	0.8%	1.4%	1.4%	2.8%	1.2%	1.8%	1.5%	0.7%	0.4%	0.1%	0.1%	-0.1%	-0.5%	-0.3%	0.4%	1.6%	-0.1%	0.5%	-0.3%	0.7%	-0.1%	0.1%	0.1%	-0.3%	-0.1%	0.0%	0.0%	0.1%
Minneapolis - MN	3.4%	1.8%	1.8%	2.3%	1.3%	2.0%	2.1%	0.9%	0.2%	0.0%	0.1%	0.4%	-0.5%	0.8%	0.4%	0.2%	0.6%	0.4%	0.4%	0.0%	0.6%	-0.1%	-0.1%	0.3%	-0.3%	-0.2%	-0.2%	-0.1%	-0.1%
Nashville - TN	2.3%	1.3%	1.2%	1.4%	2.0%	2.5%	3.6%	3.3%	1.3%	1.4%	0.4%	0.6%	0.0%	0.7%	0.5%	1.7%	3.3%	0.3%	2.3%	2.0%	2.3%	1.1%	1.2%	1.7%	1.3%	-0.1%	0.3%	0.5%	0.6%
New York - NY	-0.9%	0.8%	0.8%	0.7%	0.1%	0.5%	0.4%	0.1%	0.6%	0.1%	0.1%	-0.3%	0.3%	0.2%	-0.2%	0.2%	0.1%	0.3%	1.0%	0.3%	0.3%	0.8%	0.3%	0.3%	0.2%	-0.2%	-0.3%	-0.3%	-0.3%
Northern New Jersey - NJ	2.5%	2.1%	0.6%	0.2%	0.3%	0.4%	0.6%	0.3%	0.1%	0.3%	0.2%	-0.6%	0.0%	0.0%	0.6%	0.3%	0.1%	-0.5%	-0.8%	0.0%	-0.3%	-0.8%	0.0%	-0.1%	0.0%	-0.2%	-0.2%	-0.2%	-0.1%
Orlando - FL	4.7%	1.8%	2.1%	2.3%	2.4%	4.9%	4.6%	3.9%	2.5%	0.6%	0.6%	0.0%	0.4%	0.7%	0.3%	0.4%	0.8%	0.9%	1.2%	1.9%	0.6%	0.6%	1.1%	0.7%	0.4%	0.5%	0.6%	0.6%	0.6%
Palm Beach - FL	3.8%	1.3%	2.9%	1.7%	1.4%	2.9%	2.7%	6.4%	1.4%	0.0%	0.4%	0.0%	-0.1%	0.2%	-0.2%	0.2%	0.0%	0.5%	0.3%	-0.9%	0.6%	0.9%	-0.1%	1.1%	-0.1%	-0.2%	-0.1%	0.1%	0.2%
Phoenix - AZ	5.4%	3.6%	4.4%	3.9%	3.4%	4.7%	5.9%	4.4%	1.5%	0.9%	0.3%	0.7%	-0.1%	0.3%	1.8%	1.5%	0.9%	0.6%	1.7%	1.5%	1.3%	0.5%	0.3%	0.4%	0.2%	0.3%	0.4%	0.5%	0.6%
Raleigh - NC	7.5%	2.3%	1.0%	2.6%	2.3%	3.1%	3.2%	4.7%	2.7%	1.1%	1.0%	0.7%	0.1%	1.9%	2.1%	0.9%	2.7%	1.4%	2.4%	1.2%	1.9%	0.7%	1.7%	2.2%	0.0%	0.1%	0.3%	0.5%	0.6%
Richmond - VA	2.4%	1.3%	2.2%	1.5%	3.9%	1.5%	1.9%	2.2%	0.8%	0.6%	0.2%	-0.3%	0.3%	-0.6%	0.6%	0.1%	0.1%	0.0%	1.8%	-0.5%	0.1%	0.2%	0.1%	0.1%	-0.1%	1.3%	0.3%	0.2%	0.1%
Salt Lake City - UT	2.7%	2.5%	0.8%	1.5%	2.2%	2.7%	3.1%	2.7%	1.6%	1.6%	0.8%	0.7%	1.5%	0.7%	1.5%	2.4%	2.9%	1.6%	1.4%	3.5%	1.1%	2.3%	0.3%	0.3%	0.1%	0.3%	0.5%	0.6%	0.7%
San Antonio - TX	2.4%	1.6%	1.4%	1.6%	2.3%	2.4%	3.6%	3.3%	2.8%	0.8%	1.0%	2.1%	0.9%	1.2%	1.6%	1.3%	1.7%	0.9%	1.8%	1.4%	1.0%	1.1%	1.5%	0.7%	0.2%	0.5%	0.7%	0.7%	0.8%
San Francisco - CA	3.1%	2.7%	1.3%	0.3%	0.4%	0.1%	0.4%	0.8%	0.1%	0.1%	-0.3%	0.2%	-0.4%	0.1%	1.2%	1.4%	0.4%	2.3%	1.8%	0.0%	2.3%	1.2%	0.5%	0.5%	0.3%	-0.2%	-0.2%	-0.2%	-0.2%
San Jose - CA	8.2%	2.5%	0.7%	0.2%	0.7%	0.2%	0.2%	1.7%	0.7%	0.8%	-1.3%	0.4%	2.1%	1.0%	2.7%	2.4%	6.1%	2.7%	1.1%	1.1%	3.0%	1.2%	3.0%	1.5%	0.5%	-0.3%	-0.1%	0.1%	0.3%
Tampa - FL	3.0%	1.3%	2.0%	2.3%	2.1%	2.3%	3.1%	2.5%	1.6%	0.5%	0.1%	0.1%	0.8%	0.1%	0.3%	0.1%	-0.2%	0.2%	0.5%	0.7%	1.0%	0.1%	0.2%	0.4%	0.1%	0.0%	0.2%	0.3%	0.3%

# Office Dynamics

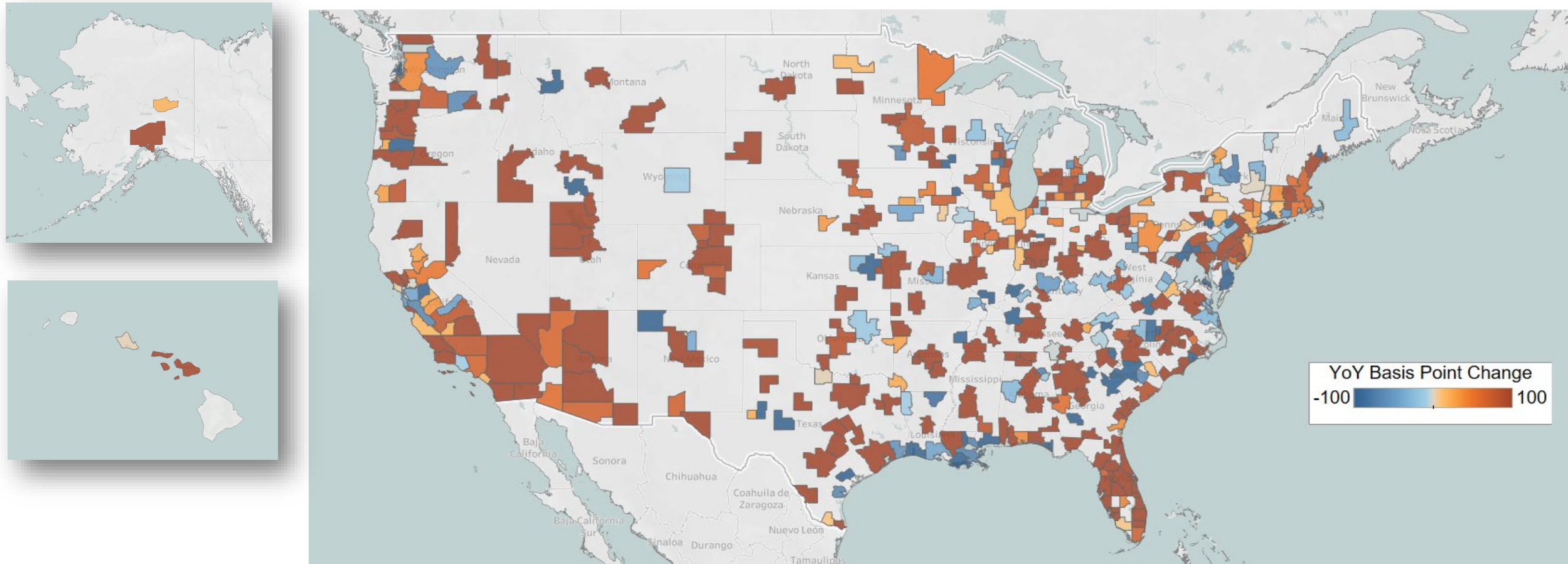
- The U.S. economy has created roughly 2 million additional office jobs compared to pre-Covid.
- New construction is at minimal levels.
- As leases roll over, users continue to anticipate weak future demand and greater space efficiency.
- Academia is reporting:
  - Fully remote workers are 10–20 percent less productive (Emmanuel & Harrington 2023; Gibbs et al. 2022).
  - Hybrid workers are 3–13 percent more productive (Bloom et al. 2015; Choudhury 2022; Barrero 2023).

# Multifamily Vacancy Rate, 2024Q1





# Multifamily Vacancy Rates Year-Ago Change, 2024Q1



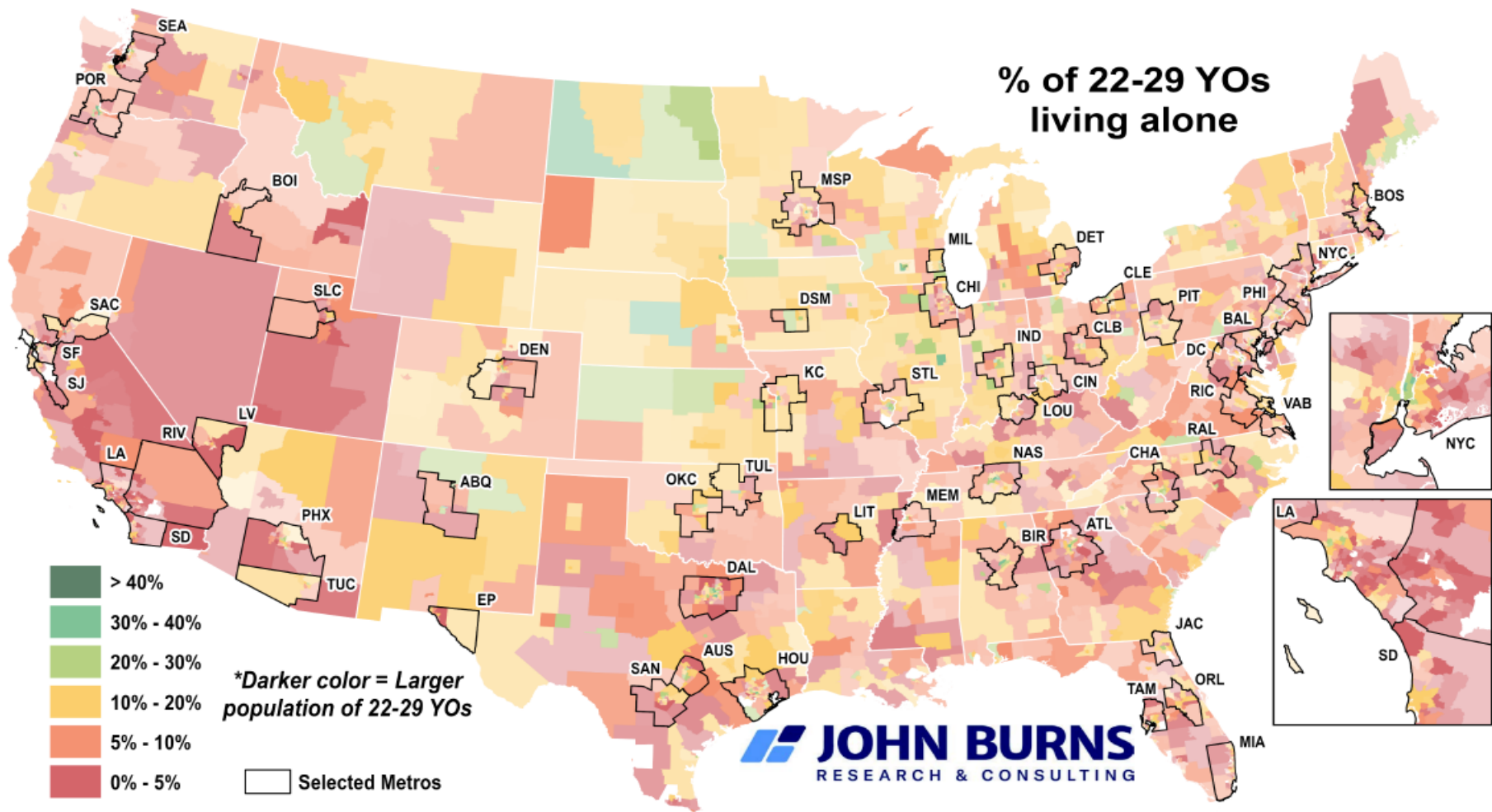
# Multifamily New Supply

Rapid Supply Growth Is Creating and Extending Challenges

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
United States	1.7%	1.5%	1.2%	1.3%	1.0%	1.1%	1.3%	1.6%	1.3%	0.7%	0.5%	0.8%	1.3%	1.8%	2.0%	2.1%	2.3%	2.2%	2.2%	2.6%	2.3%	2.4%	3.1%	1.2%	1.4%	1.8%	1.2%	1.2%	1.4%
Atlanta - GA	4.8%	3.7%	2.7%	1.8%	1.1%	1.5%	1.2%	2.8%	1.2%	0.6%	0.3%	-0.5%	1.3%	1.4%	1.8%	1.8%	2.9%	1.7%	2.6%	3.2%	1.8%	3.1%	4.6%	1.7%	1.9%	2.1%	1.2%	1.2%	1.5%
Austin - TX	8.9%	4.2%	2.5%	1.2%	1.4%	2.0%	2.2%	6.5%	2.9%	1.1%	0.2%	2.4%	4.2%	4.8%	5.0%	5.7%	5.3%	3.5%	4.7%	5.5%	5.0%	5.9%	7.8%	4.4%	3.6%	3.8%	2.5%	1.3%	1.8%
Boston - MA	1.2%	1.2%	1.5%	2.5%	2.1%	3.9%	2.2%	2.2%	1.8%	0.8%	0.1%	1.6%	2.0%	2.7%	4.5%	3.1%	4.3%	3.8%	3.4%	4.8%	3.3%	2.7%	3.1%	0.7%	1.4%	2.2%	2.1%	1.6%	2.1%
Charlotte - NC	5.2%	2.6%	1.8%	3.0%	2.0%	2.1%	2.7%	3.5%	4.3%	1.9%	0.4%	0.9%	3.4%	4.0%	6.0%	4.1%	6.0%	5.2%	3.7%	5.9%	5.8%	4.4%	6.5%	2.1%	4.4%	5.1%	3.2%	2.1%	2.7%
Chicago - IL	0.8%	0.6%	0.4%	0.4%	0.3%	0.6%	0.7%	0.5%	0.5%	0.6%	0.1%	0.1%	1.1%	1.0%	1.0%	1.8%	1.9%	1.9%	1.8%	1.9%	1.8%	1.2%	1.9%	0.9%	0.5%	0.7%	0.7%	1.0%	1.1%
Cincinnati - OH	2.0%	1.2%	0.8%	0.5%	0.2%	1.0%	-0.1%	0.1%	0.1%	0.1%	0.5%	0.4%	0.6%	0.7%	1.1%	2.4%	1.4%	0.9%	0.7%	1.8%	0.5%	2.0%	2.7%	0.9%	1.1%	1.8%	0.6%	0.6%	0.9%
Dallas-Fort Worth - TX	2.0%	2.0%	1.4%	1.1%	0.8%	1.4%	1.2%	2.6%	2.2%	0.2%	0.4%	1.1%	1.8%	2.1%	2.5%	3.3%	4.2%	3.4%	3.5%	3.6%	3.4%	3.0%	3.9%	1.9%	1.8%	2.1%	1.4%	1.8%	1.9%
Denver - CO	5.4%	5.1%	2.9%	1.3%	0.8%	0.9%	1.0%	1.5%	2.0%	0.5%	0.0%	1.0%	1.8%	4.5%	4.3%	2.9%	4.2%	4.6%	4.1%	3.2%	3.7%	3.8%	4.3%	1.9%	2.6%	3.1%	2.2%	1.3%	1.9%
Detroit - MI	0.8%	0.7%	0.8%	0.5%	0.7%	0.0%	0.5%	0.2%	0.3%	0.1%	-0.1%	0.2%	0.0%	0.3%	-0.1%	1.3%	1.0%	0.2%	1.1%	1.1%	1.5%	0.9%	1.5%	0.6%	0.6%	0.6%	0.2%	0.4%	0.6%
Fort Lauderdale - FL	0.9%	1.1%	0.6%	1.5%	-0.2%	0.0%	0.6%	0.4%	1.7%	0.8%	0.0%	0.7%	1.7%	3.5%	2.0%	3.1%	3.4%	2.1%	1.4%	5.4%	1.8%	2.4%	4.2%	1.0%	2.0%	3.6%	2.4%	1.2%	1.8%
Houston - TX	1.2%	1.2%	2.8%	2.5%	1.6%	1.3%	2.7%	4.2%	1.6%	0.7%	0.1%	0.4%	1.3%	2.9%	3.4%	3.3%	2.7%	1.1%	2.0%	3.6%	2.9%	2.5%	3.6%	1.4%	1.1%	1.2%	0.8%	1.3%	1.6%
Jacksonville - FL	2.9%	1.7%	0.8%	0.6%	0.8%	2.1%	4.7%	2.7%	3.3%	0.3%	0.0%	0.7%	2.5%	0.6%	2.6%	2.0%	2.7%	2.9%	4.4%	4.6%	3.4%	5.7%	7.5%	3.2%	2.8%	2.5%	1.4%	2.0%	2.1%
Kansas City - MO	4.0%	1.8%	1.4%	2.3%	0.6%	1.3%	1.6%	1.4%	0.9%	0.7%	0.3%	0.5%	1.5%	1.4%	3.0%	2.4%	3.2%	2.5%	1.5%	3.9%	2.8%	2.6%	3.0%	0.7%	1.6%	2.1%	1.2%	1.6%	1.8%
Las Vegas - NV	2.6%	2.7%	1.1%	2.2%	0.0%	0.8%	3.1%	2.2%	2.8%	0.3%	0.0%	0.3%	0.2%	0.7%	1.5%	1.8%	2.2%	1.6%	1.7%	2.1%	1.7%	1.4%	3.5%	1.3%	1.4%	1.2%	0.8%	1.2%	1.3%
Los Angeles - CA	0.6%	0.4%	0.4%	0.5%	0.4%	0.4%	0.5%	0.7%	0.4%	0.3%	0.0%	0.1%	0.3%	0.7%	0.8%	1.1%	0.4%	1.0%	1.1%	1.2%	1.1%	0.9%	1.1%	0.2%	0.5%	0.6%	0.5%	0.6%	0.5%
Louisville - KY	2.0%	1.0%	0.8%	1.3%	0.6%	0.6%	1.2%	0.9%	1.2%	0.0%	0.2%	0.6%	1.5%	2.3%	2.6%	2.1%	1.4%	3.8%	2.7%	3.2%	2.6%	3.3%	2.2%	2.0%	1.3%	2.3%	0.8%	1.2%	1.3%
Memphis - TN	3.4%	2.6%	0.3%	0.7%	0.8%	0.7%	1.1%	2.0%	0.3%	-0.1%	-0.4%	0.5%	0.5%	0.5%	0.6%	0.5%	0.4%	0.2%	1.3%	0.1%	1.6%	1.0%	1.2%	0.5%	0.9%	1.4%	0.5%	0.7%	0.8%
Miami - FL	0.8%	0.0%	0.6%	0.5%	0.1%	-0.1%	0.9%	1.0%	1.1%	0.5%	0.1%	0.1%	1.5%	2.0%	2.7%	4.8%	2.5%	3.4%	4.9%	5.0%	3.8%	3.4%	3.7%	1.5%	2.9%	3.8%	1.8%	2.8%	0.0%
Milwaukee - WI	0.6%	0.6%	0.1%	0.3%	0.5%	0.2%	0.3%	0.6%	0.4%	0.4%	0.7%	1.1%	0.3%	1.2%	1.8%	2.7%	3.3%	2.6%	2.4%	2.2%	1.8%	2.2%	2.6%	0.9%	1.8%	1.8%	1.5%	1.8%	1.8%
Minneapolis - MN	1.1%	1.9%	1.6%	1.1%	0.6%	0.2%	0.5%	0.7%	0.3%	0.0%	0.5%	0.6%	1.6%	1.6%	2.0%	1.9%	1.7%	2.7%	2.5%	4.2%	4.3%	4.3%	4.7%	1.4%	1.7%	1.5%	1.0%	1.4%	1.6%
Nashville - TN	3.3%	1.2%	0.0%	1.1%	2.3%	1.7%	2.2%	2.0%	1.2%	1.6%	1.2%	1.4%	3.5%	5.2%	4.8%	5.5%	7.5%	4.8%	3.3%	5.1%	4.9%	5.8%	8.3%	3.2%	3.6%	4.4%	3.2%	1.9%	2.6%
New York - NY	0.7%	0.7%	0.5%	0.5%	0.6%	0.6%	0.8%	0.5%	0.8%	0.7%	0.6%	0.4%	0.7%	0.9%	1.1%	1.1%	2.1%	1.7%	1.4%	1.2%	1.4%	1.9%	1.5%	0.4%	0.8%	1.3%	1.2%	1.2%	0.9%
Northern New Jersey - NJ	1.3%	0.6%	0.8%	0.8%	0.6%	0.1%	0.2%	0.1%	1.1%	0.7%	0.3%	0.5%	0.9%	2.3%	1.6%	1.3%	3.0%	1.8%	2.6%	2.2%	2.2%	2.4%	4.2%	1.4%	2.6%	3.2%	1.5%	1.0%	1.4%
Orlando - FL	1.9%	5.6%	2.5%	2.3%	2.2%	2.3%	2.6%	5.0%	2.0%	0.7%	0.3%	0.8%	2.8%	3.2%	4.3%	2.8%	4.3%	5.7%	4.2%	4.7%	4.8%	4.5%	6.7%	2.6%	2.7%	3.3%	1.9%	2.3%	2.6%
Palm Beach - FL	1.1%	5.3%	3.3%	0.9%	1.2%	2.7%	0.7%	0.5%	0.5%	0.3%	0.0%	2.1%	3.3%	2.9%	3.3%	2.7%	4.2%	4.5%	1.7%	3.3%	2.9%	2.8%	3.8%	1.6%	2.1%	3.5%	2.0%	1.9%	2.3%
Phoenix - AZ	2.7%	3.0%	1.0%	1.6%	1.1%	1.3%	1.7%	3.0%	2.6%	0.0%	0.0%	0.1%	1.0%	2.3%	2.2%	1.7%	2.0%	2.9%	2.8%	2.6%	3.5%	4.5%	4.9%	1.7%	2.4%	3.1%	2.5%	1.1%	1.7%
Raleigh - NC	6.7%	3.0%	1.6%	1.8%	2.0%	0.7%	6.1%	3.1%	4.4%	1.9%	0.3%	0.8%	6.3%	5.1%	3.2%	4.5%	3.0%	4.0%	3.7%	4.8%	2.1%	4.0%	8.2%	2.7%	3.4%	3.8%	1.5%	1.9%	2.5%
Richmond - VA	1.5%	0.5%	0.4%	2.9%	1.7%	0.8%	0.9%	0.5%	2.1%	0.5%	2.4%	0.9%	1.5%	2.0%	2.1%	2.5%	1.8%	3.5%	2.2%	4.0%	3.7%	2.1%	6.4%	0.4%	2.5%	3.0%	1.4%	2.0%	2.2%
Salt Lake City - UT	1.1%	1.7%	0.0%	1.9%	0.3%	2.4%	0.6%	1.6%	3.6%	3.1%	0.3%	1.4%	3.2%	3.4%	5.6%	2.4%	5.7%	6.3%	5.5%	4.9%	6.0%	5.4%	6.0%	1.5%	2.9%	3.7%	1.6%	1.9%	2.3%
San Antonio - TX	2.4%	2.4%	2.1%	2.4%	3.3%	3.0%	3.2%	2.3%	3.1%	1.1%	1.4%	2.5%	3.2%	4.3%	4.2%	3.5%	3.6%	3.2%	2.8%	4.4%	2.2%	3.2%	3.8%	2.4%	2.1%	3.2%	1.6%	2.0%	2.4%
San Francisco - CA	0.8%	0.4%	0.8%	0.1%	0.6%	0.1%	0.5%	0.3%	0.6%	0.3%	0.0%	0.1%	1.7%	1.5%	1.5%	2.3%	2.3%	1.4%	1.3%	1.6%	1.5%	1.1%	0.6%	0.1%	0.7%	0.9%	0.6%	0.6%	0.9%
San Jose - CA	0.9%	3.4%	0.1%	1.0%	0.7%	1.2%	0.6%	0.4%	-0.1%	0.4%	0.2%	3.0%	1.4%	4.3%	2.9%	3.3%	1.1%	3.4%	2.0%	2.2%	1.9%	1.8%	0.5%	0.9%	1.7%	1.7%	1.1%	0.5%	1.2%
Tampa - FL	3.6%	2.3%	0.9%	1.6%	1.5%	1.0%	1.5%	1.4%	1.4%	0.5%	0.4%	0.9%	1.1%	3.1%	1.5%	1.9%	2.1%	4.1%	2.0%	3.4%	3.1%	4.0%	3.3%	2.5%	2.1%	2.4%	1.5%	1.7%	1.9%
Washington - DC	1.8%	1.3%	1.1%	1.4%	1.4%	1.0%	2.0%	2.0%	1.8%	1.2%	1.1%	1.6%	2.3%	3.6%	2.7%	2.5%	2.5%	2.2%	2.6%	2.9%	2.6%	2.3%	2.5%	0.7%	1.4%	1.9%	1.8%	1.0%	1.5%

Source: Green Street; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# Percent of 22- to 29-Year-Olds (YOs) Living Alone



18-24 Year Olds	Men	Women
1960	52.4%	34.9%
1980	54.3%	42.7%
2000	57.1%	47.1%
2020	60.1%	56.3%
2023	58.2%	54.6%

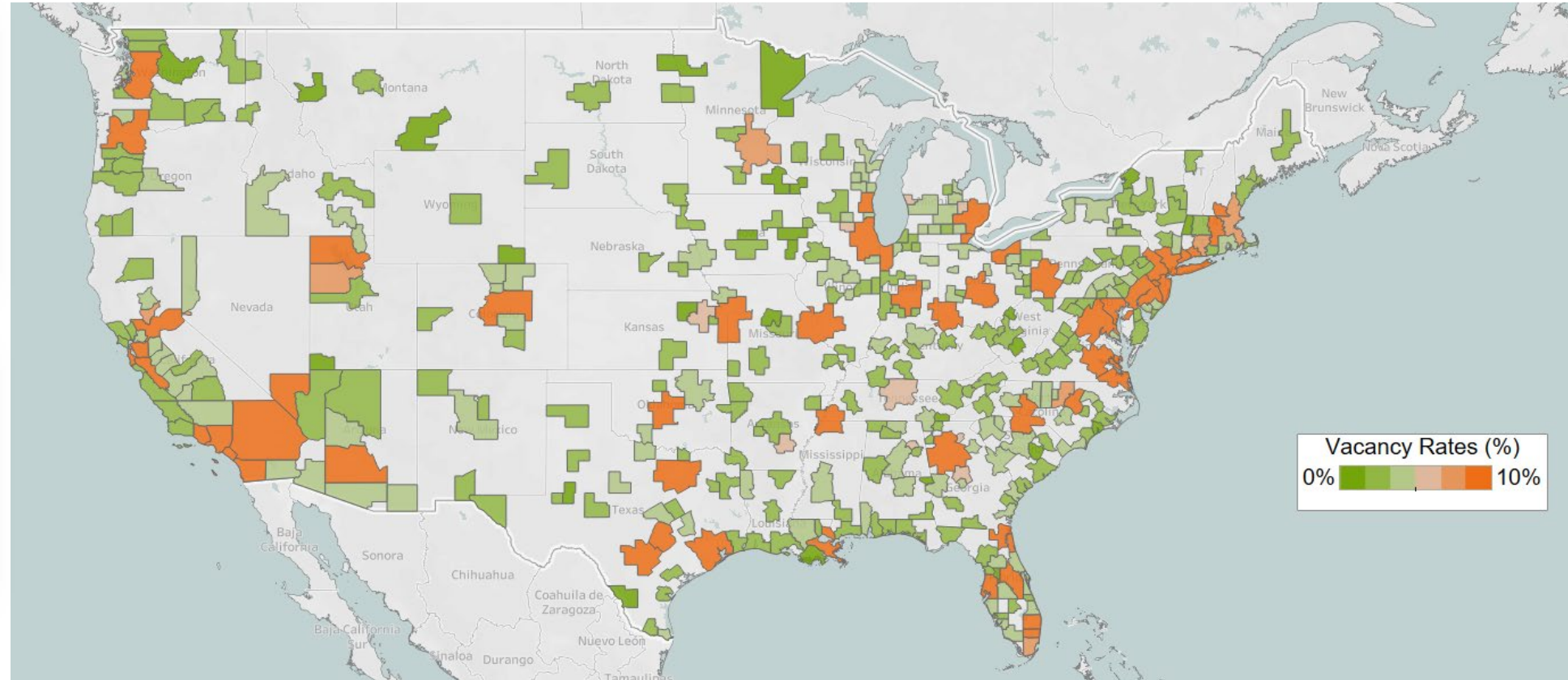
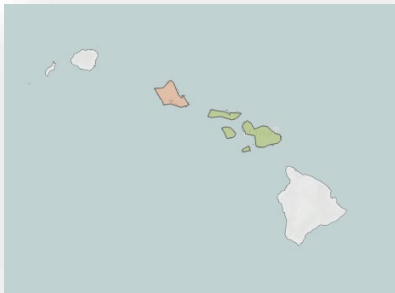
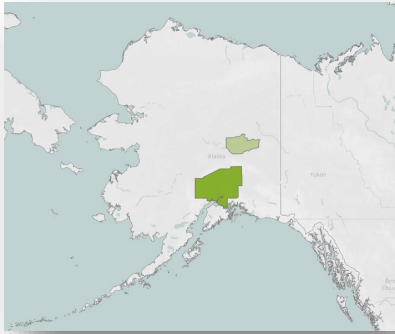
  

25-34 Year Olds	Men	Women
1960	10.9%	7.4%
1980	10.5%	7.0%
2000	12.9%	8.3%
2020	22.0%	13.4%
2023	19.7%	12.3%

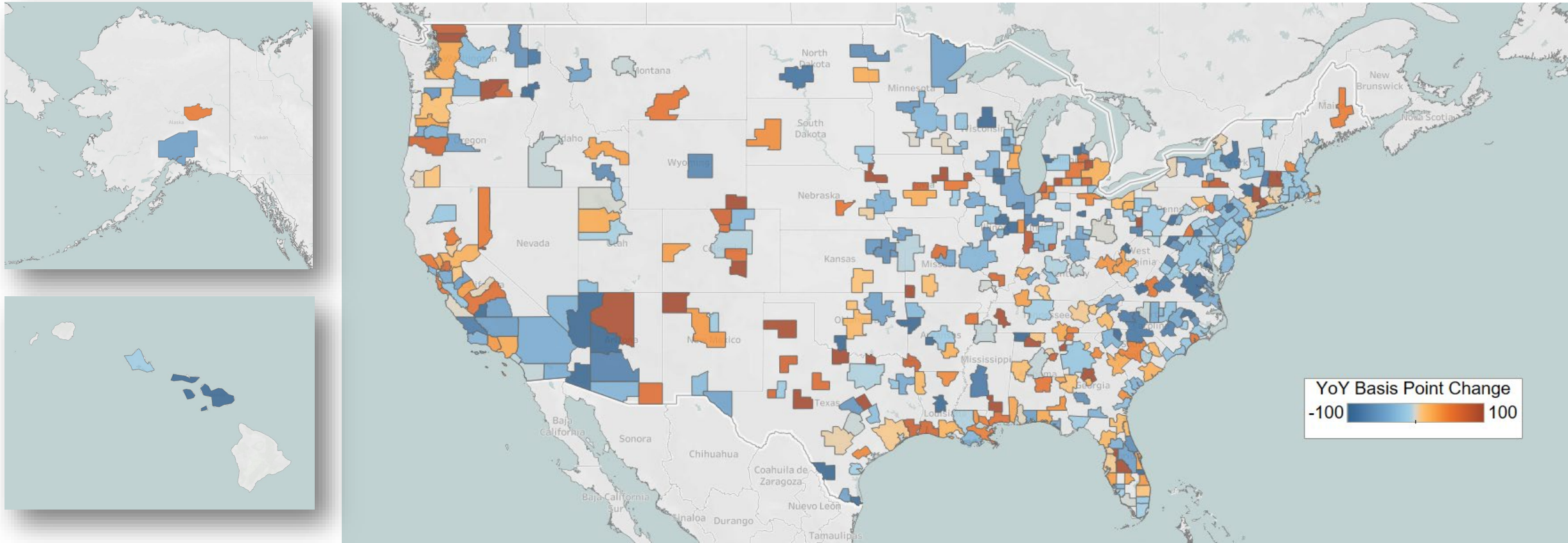
Source: John Burns Research & Consulting; U.S. Census; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta



# Retail Vacancy Rates, 2024Q1

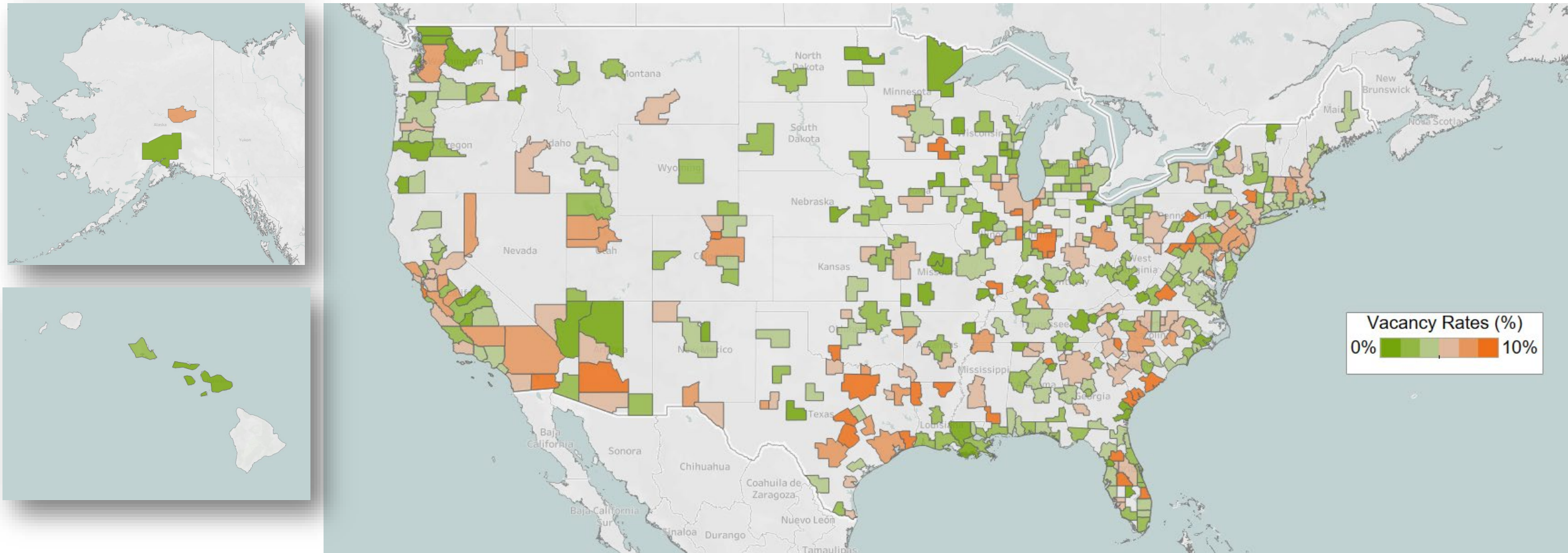


# Retail Vacancy Rates Year-Ago Change, 2024Q1

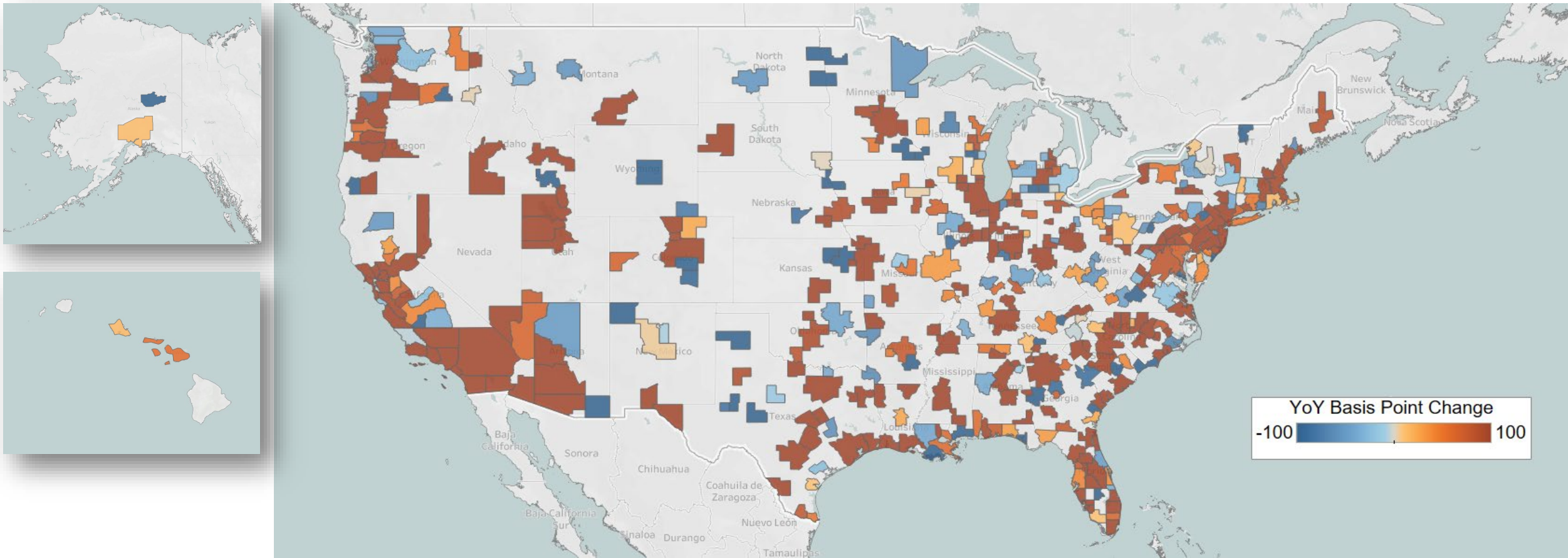




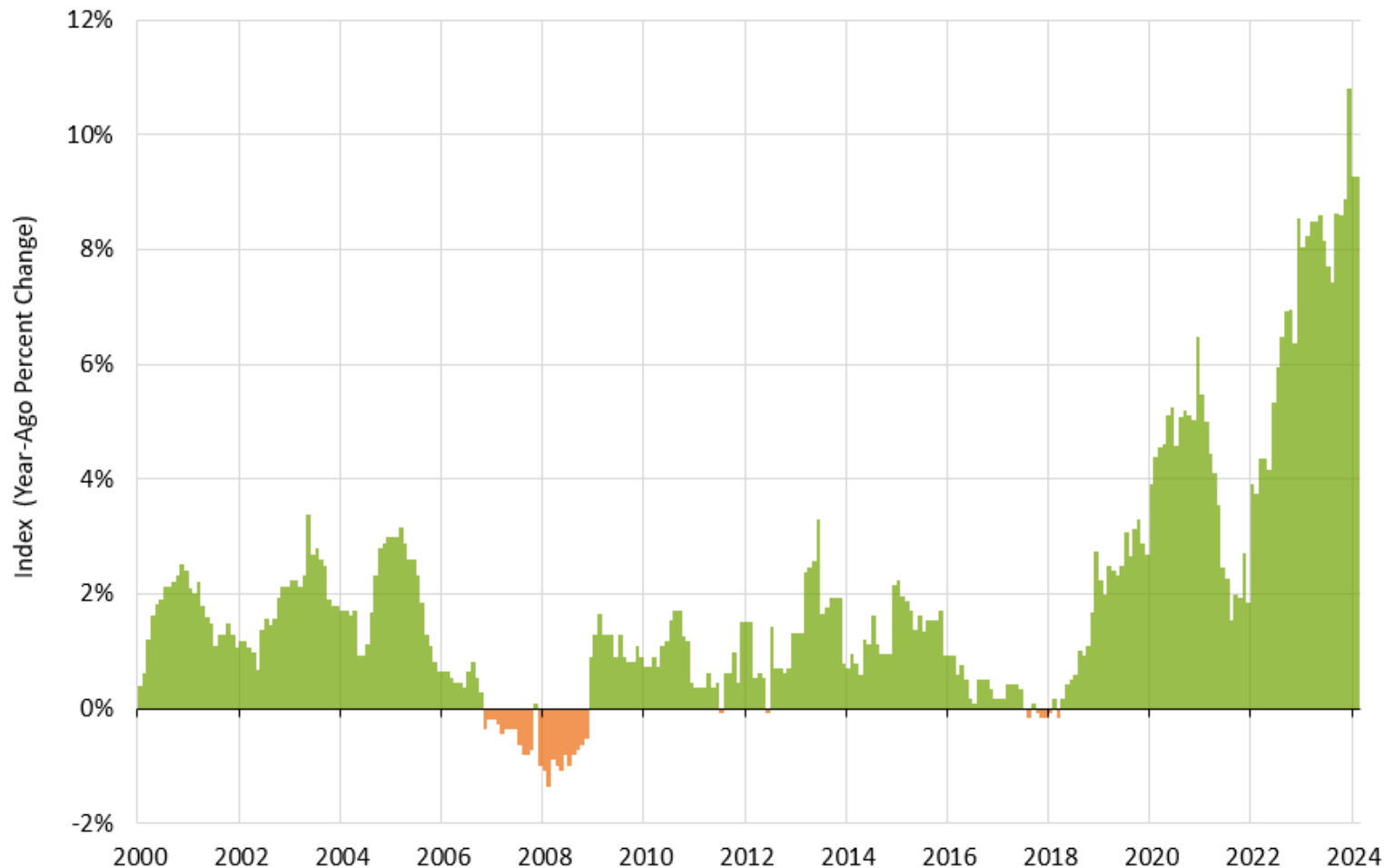
# Industrial Vacancy Rates, 2024Q1



# Industrial Vacancy Rates Year-Ago Change, 2024Q1



# Commercial Multiple-Peril Insurance Costs



- Commercial property insurance premiums continue to rapidly grow nationwide.
- Rising premiums are impacting the bottom line of every property segment in all markets. In many cases, the rate of increase in this expense is outstripping rent growth.
- Increased losses from natural disasters could continue to put upward pressure on premiums and may create challenges for coverage and accessibility.

Source: Bureau of Labor Statistics; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta



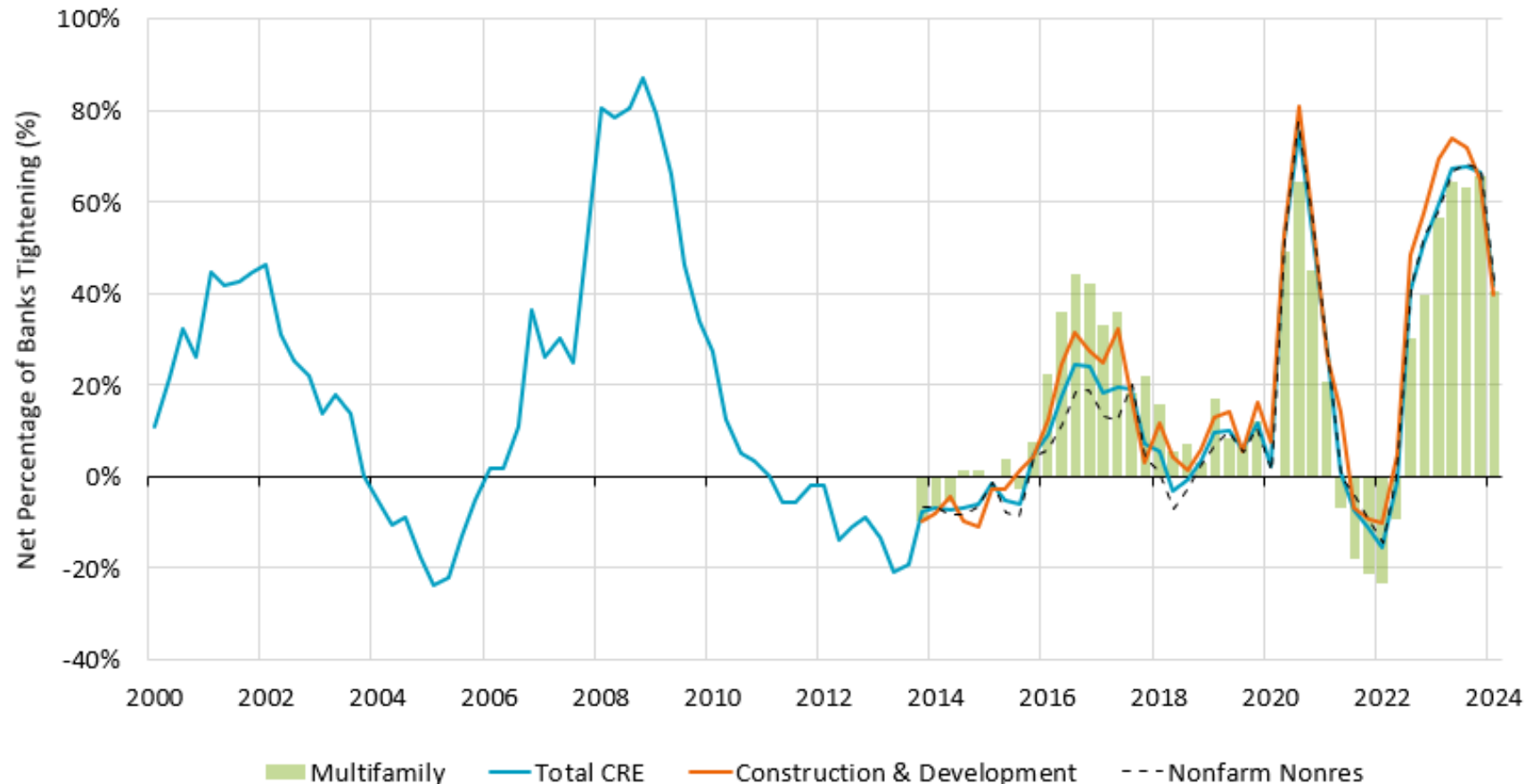
# Polling Question 3

**What are your expectations for CRE underwriting standards in 2025?**

- A. Increasing
- B. Decreasing
- C. No change from today

# Lending: Senior Loan Officer Opinion Survey

Net Percent of Lenders Tightening/Loosening Underwriting Standards

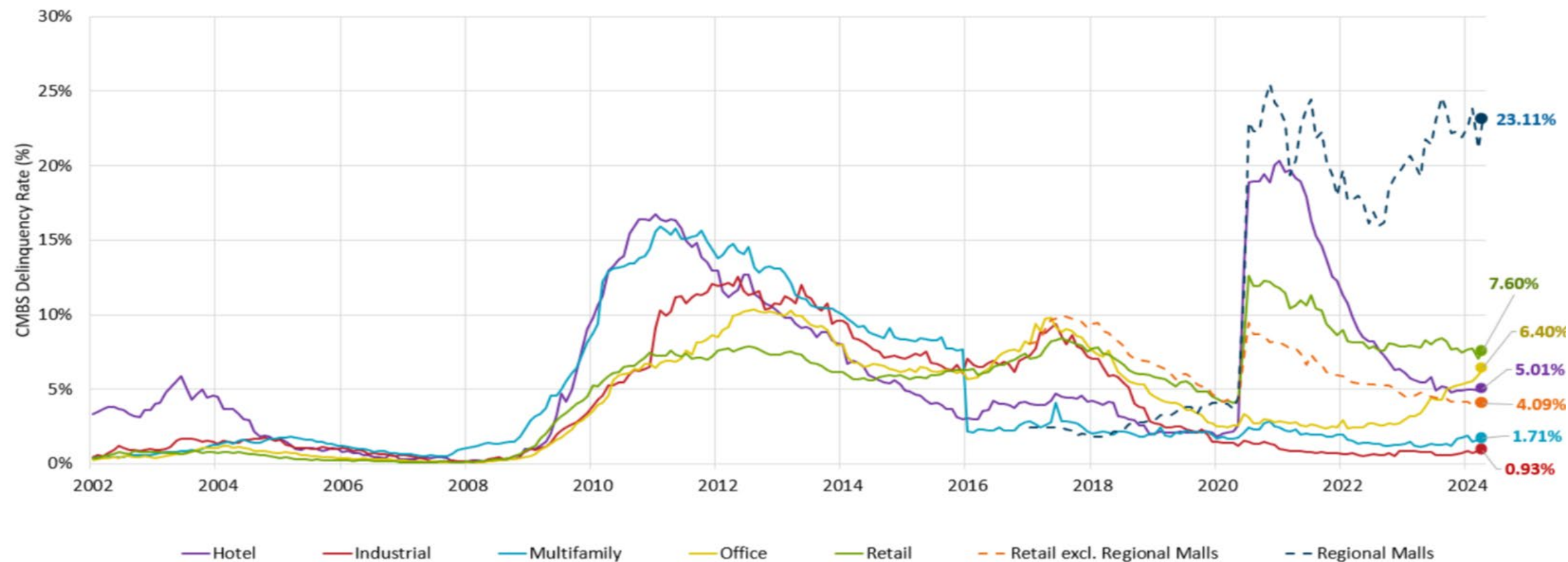


- Most lenders are reporting that they are tightening underwriting standards.
- Many lenders are pulling back funding.
- With asset values softening, will this translate to the “**cash-in**” refi?

Source: Senior Loan Officer Opinion Survey on Bank Lending Practices/U.S. Board of Governors; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# CMBS Delinquencies

Loan Delinquencies

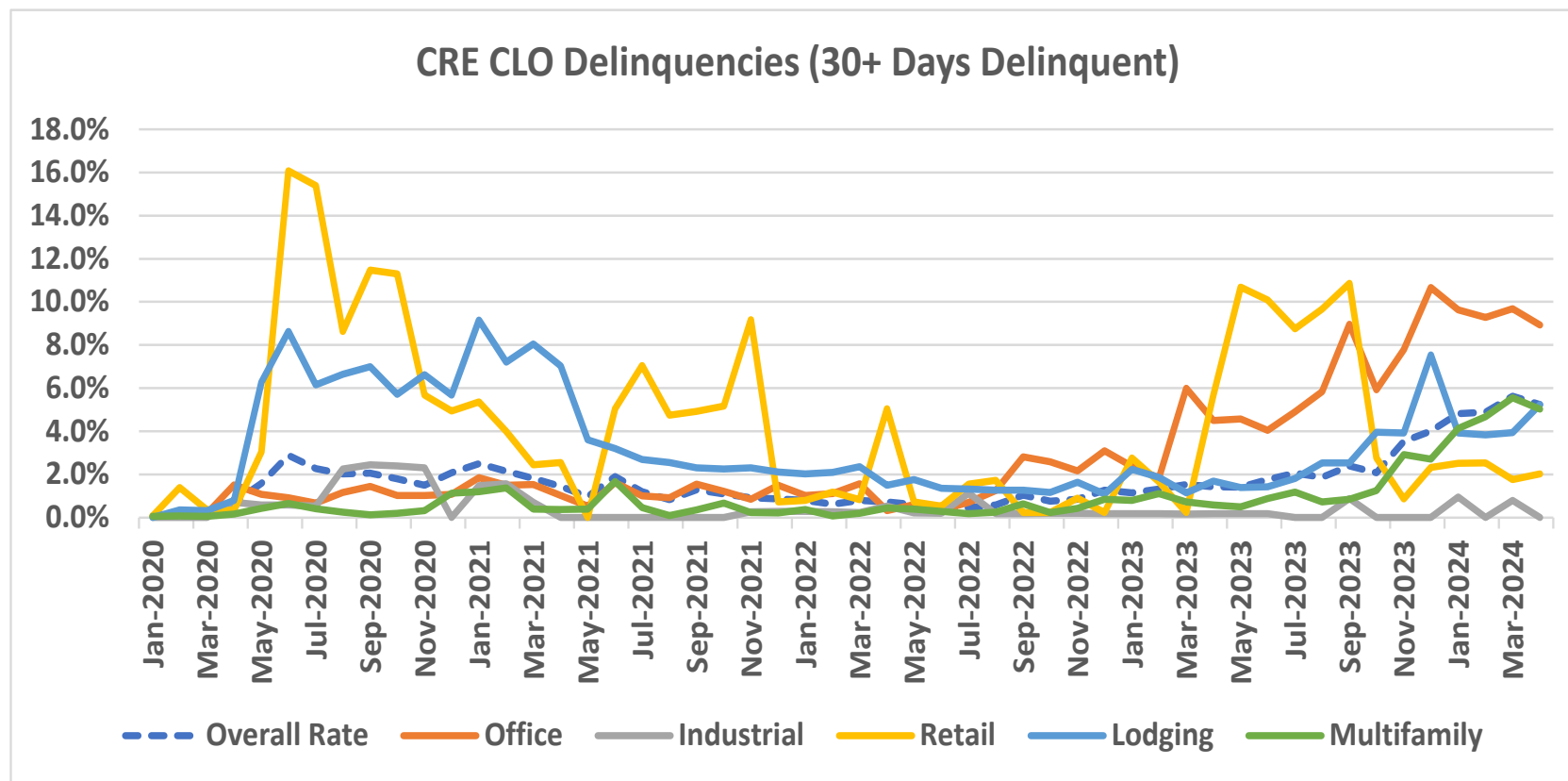


Source: Moody's Investors Service; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

Data through March 2024

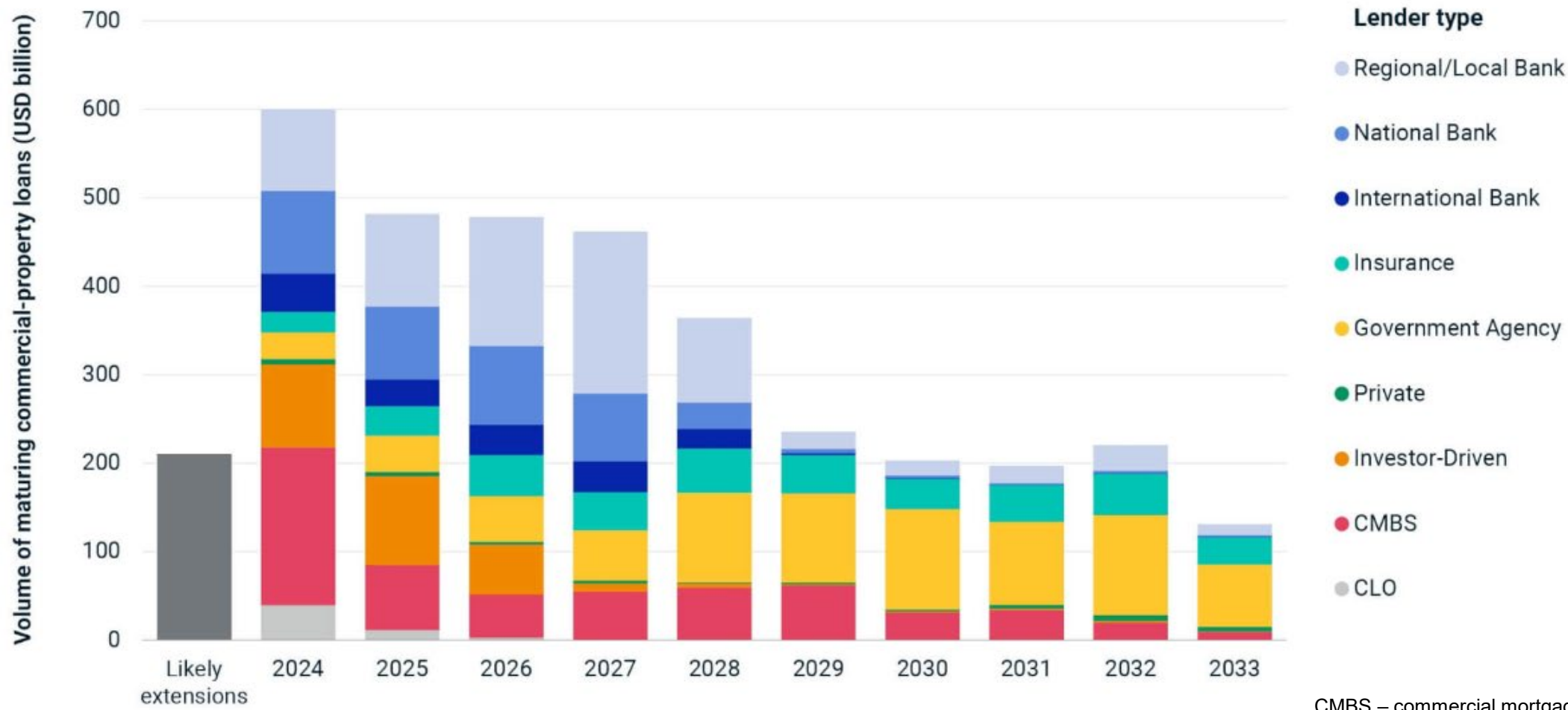
# CRE CLO Delinquencies: Up, Up, and Away?

Delinquencies of 30+ Days



- CRE collateralized loan obligations (CLO) typically attracts loans where the underlying property is being repositioned, similar to construction loans.
- Office and Retail delinquencies jumped in mid-2023.
- Multifamily and Lodging began to experience increased delinquencies in the fall of 2023.

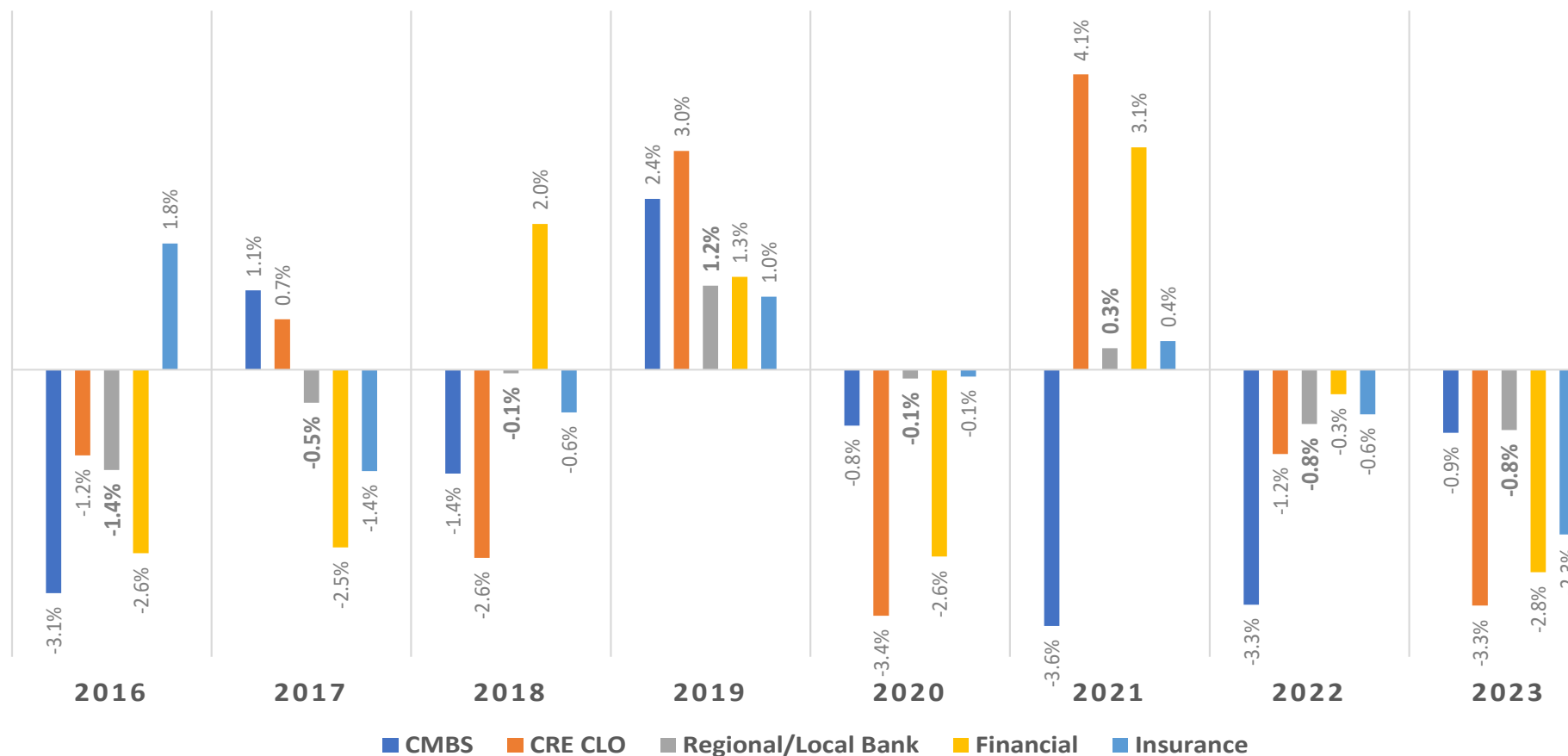
# Upcoming CRE Debt Maturity Wall (in \$ Billions)



CMBS – commercial mortgage-backed securities  
CLO – collateralized loan obligation

Source: MSCI – Real Capital Analytics; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta

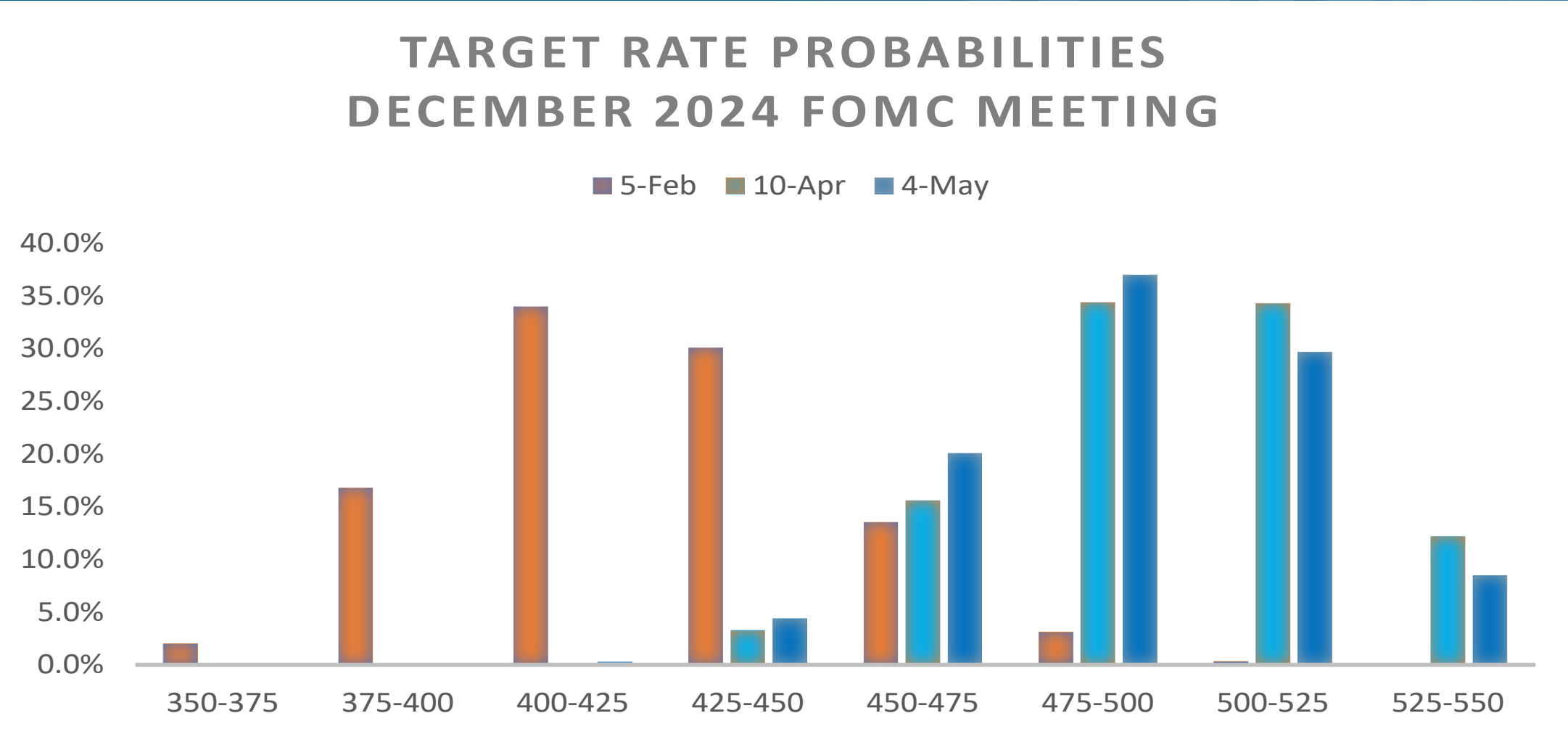
# Change in Average CRE Loan-to-Value (LTV)



- CRE CLO, Commercial mortgage-backed securities (CMBS) and Financial company LTVs appear to be the most volatile. These loans may have greater levels of risk.
- LTVs associated with Bank and Insurance made loans appear to have less volatility.

Source: MSCI; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# Fed Funds Futures



# Polling Question 4

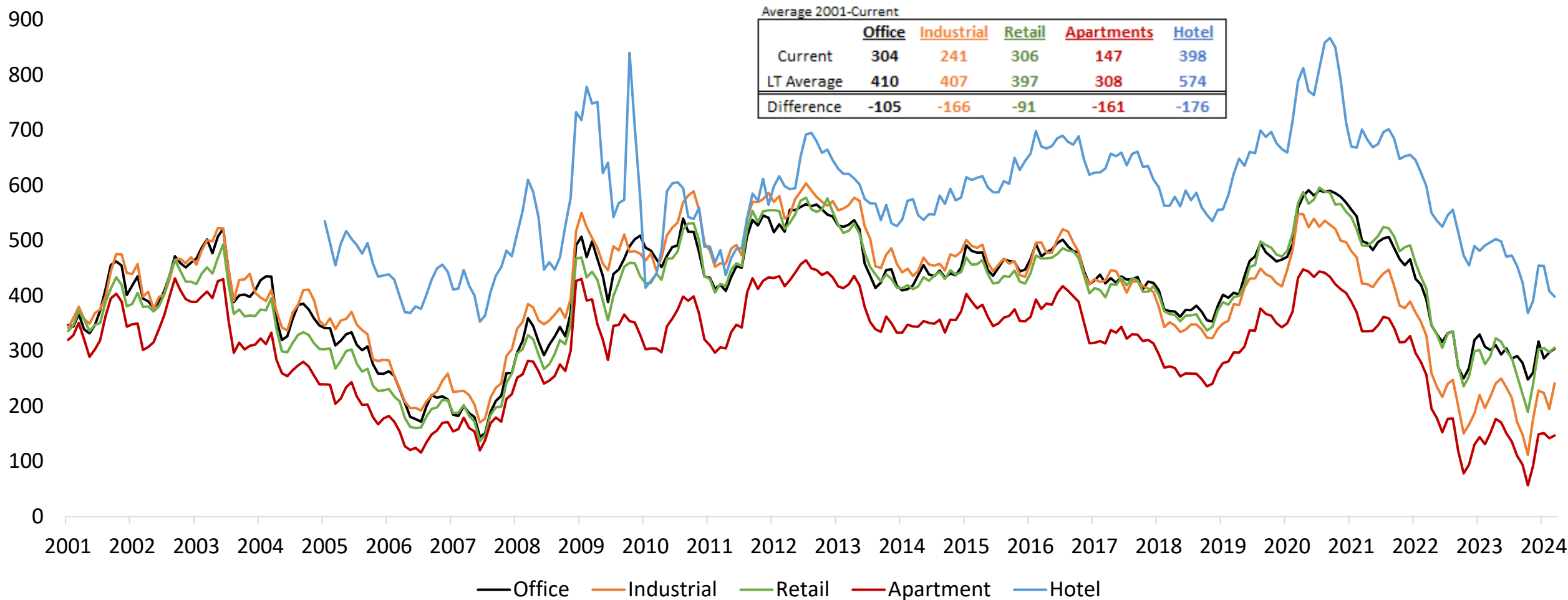
**What are your expectations for CRE Cap Rates in 2025?**

- A. Increasing
- B. Decreasing
- C. No change from today



# National Cap Rate Spread by Property Type

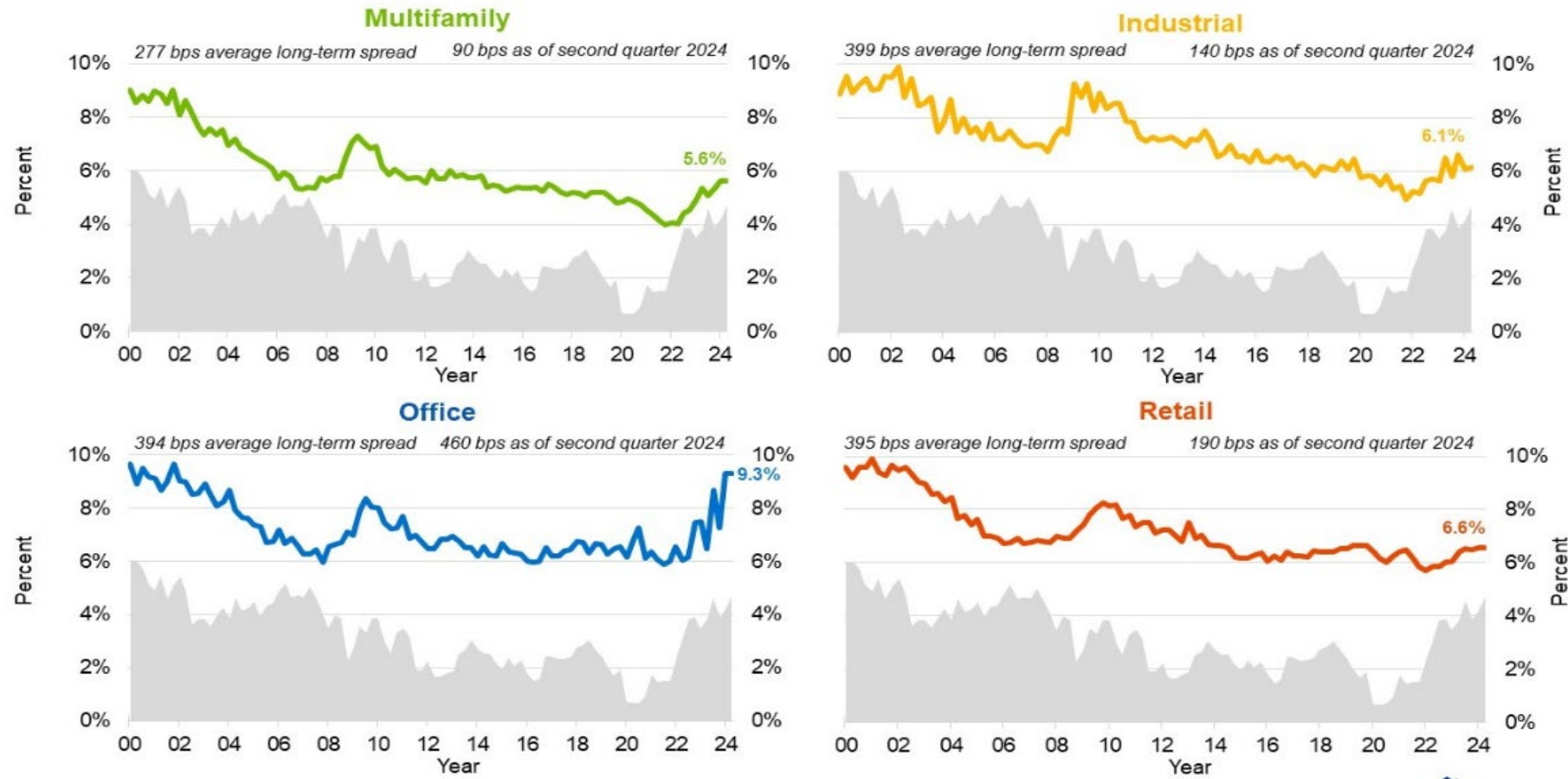
Cap Rates Less 10-Year Treasury Yields



Source: CoStar; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta

Data through Q1 2024

# National Cap Rates and Spreads



Source: CoStar, April 2024

Note: Analysis of deals over \$10 million, 4 and 5-star multifamily 50 units and larger, industrial 100,000 square feet and larger 4 and 5-star office and retail sales over \$5 million.

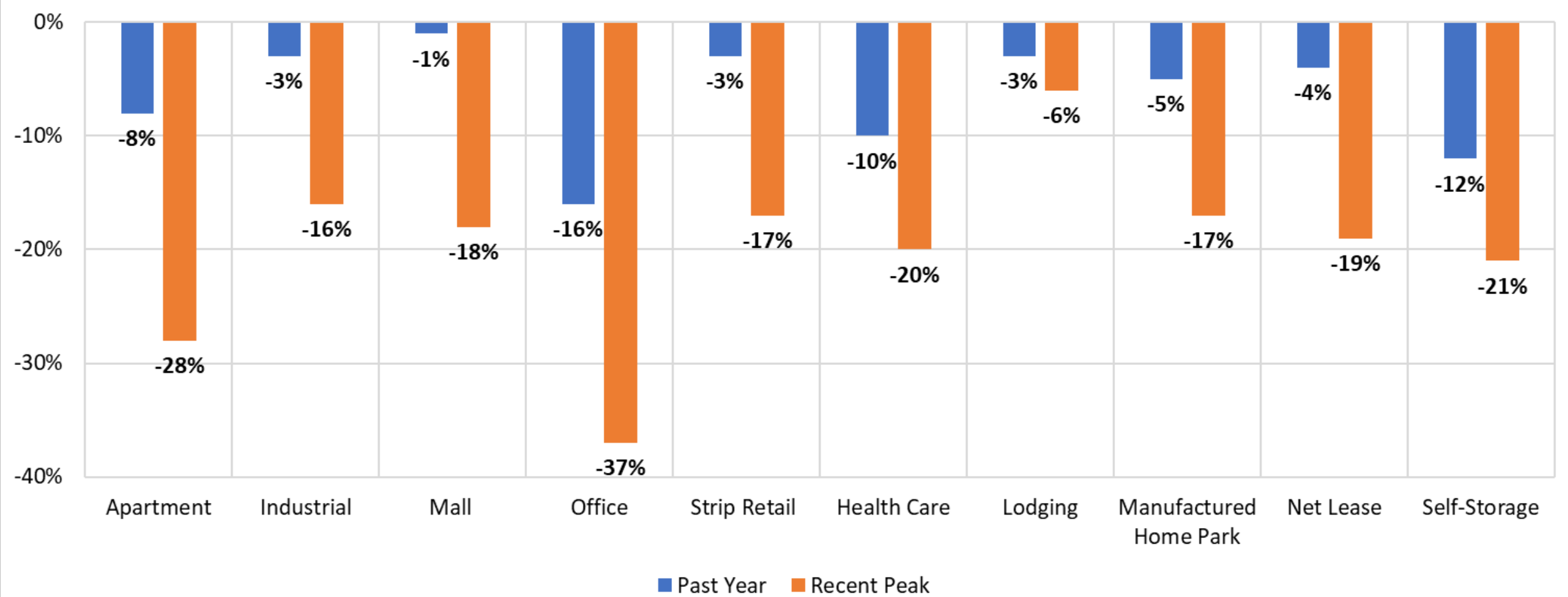


- CRE Cap Rates have generally compressed over the last twenty years; however, the trend appears to be reversing.
- The largest movements in Cap rates are occurring in Multifamily and Office.

Source: CoStar; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# Change in Value

Includes Both Transactions and Appraisals (April 2024)



Source: Green Street; S&R-Risk Analysis Unit/Federal Reserve Bank of Atlanta

# 300 Percent in Three Weeks?



- Appraisers are not the only professionals having difficulty establishing value.
- In this example, multiple brokerage companies were asked to provide opinions of value on the same office building in one of the better U.S. office markets.
- The conclusion: Over 3 weeks, 3 brokerage firms provided opinions of value that ranged from \$8 million to \$32 million on the same property.

Source: Google.com; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta



# It Is *Not* Just Office

Multifamily Property Trades at Large Discount



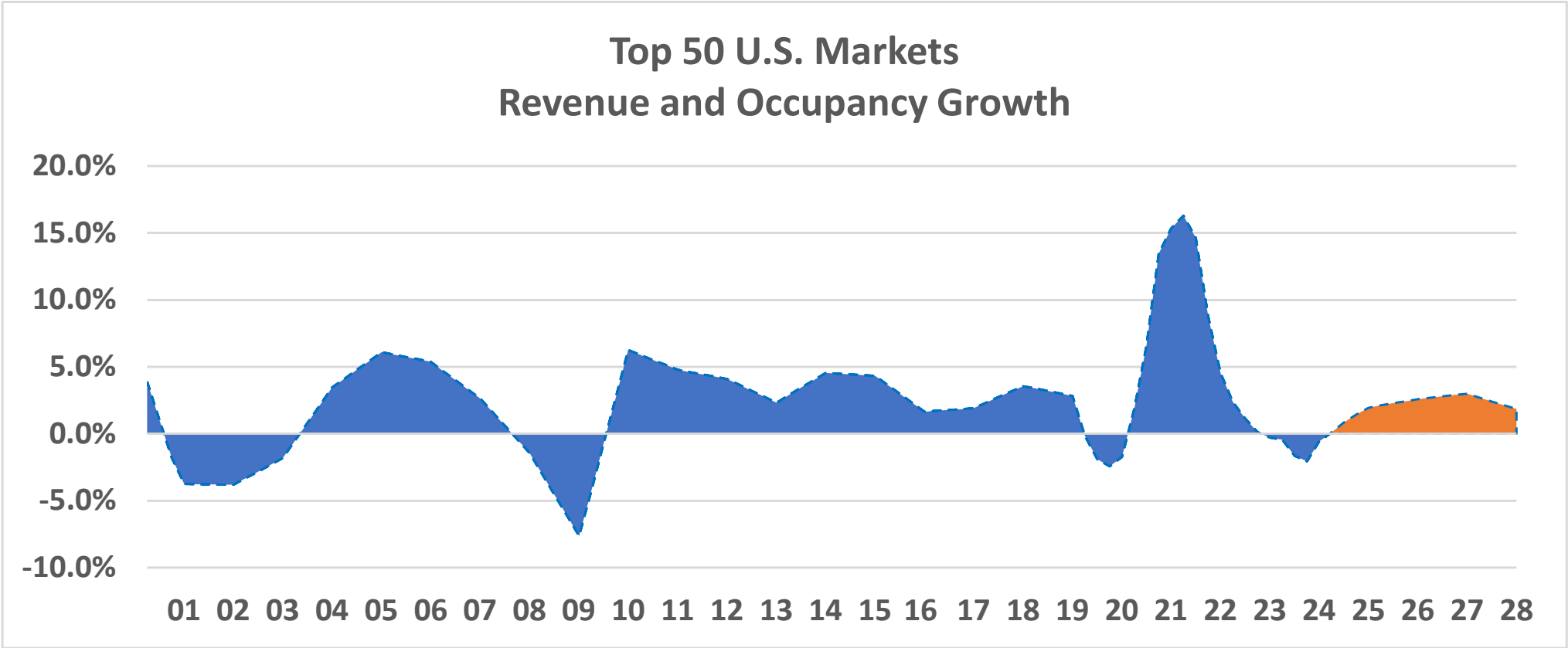
- The lender foreclosed on the property in November 2023 when the borrower defaulted on a \$56.3 million loan.
- At foreclosure, the lender paid \$21.3 million for the property.
- The \$21.3 million was 21% less than the property's appraised value.

Source: The Real Deal; Solara



# Multifamily Revenue Growth

Revenue and Occupancy Growth



Source: Green Street; S&R - Risk Analysis Unit/Federal Reserve Bank of Atlanta

# How to Assess CRE Portfolio Risk

## What to Know:

- Geographic concentration
- Property sector concentration
- Borrower
- Property (e.g., condition, tenants)

## What to Stress Test:

- Rents
- Vacancy
- Expenses
- Cap rates
- Value
- Debt

# Example: Increasing Cap Rate Effects of Loan-to-Value

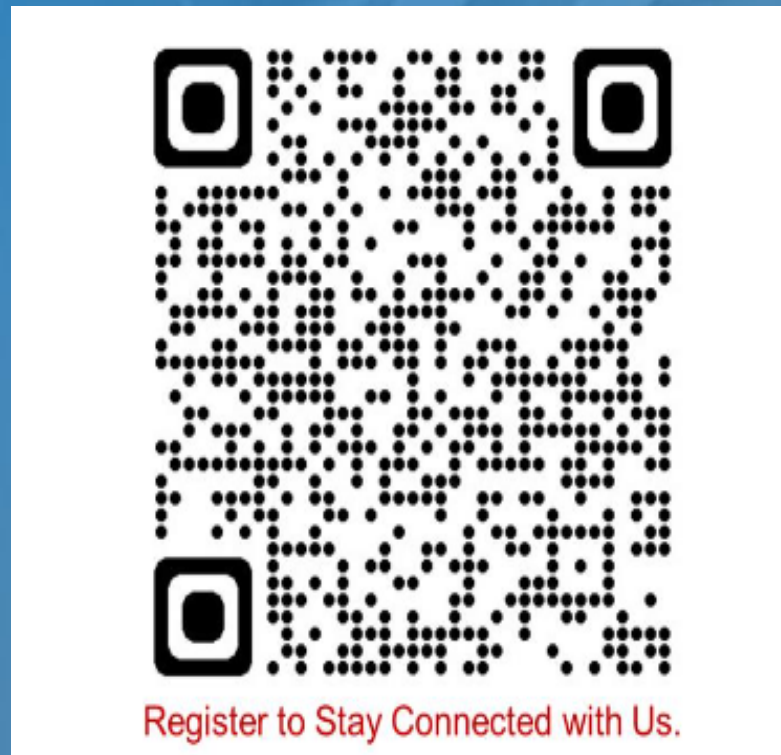
	<u>Avg. Cap Rate</u>	<u>Original LTV</u>	<u>Cap Rate +100bps</u>	<u>Cap Rate + 200bps</u>
CMBS	7.00%	65.1%	74.4%	83.7%
CLO	6.90%	74.2%	85.0%	95.7%
Regional/Local Bank	6.50%	68.6%	79.2%	89.7%

Source: MSCI; Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# 2024 CRE – Turbulence Ahead?

- Economic growth remains resilient; however, inflation remains above the 2% target.
- CRE conditions are mixed as Office properties continue to struggle and demand for Multifamily properties is weakening at a notable pace due to affordability challenges and oversupply.
- A sizable number of CRE loan maturities are occurring in an environment where conditions are mixed and value is uncertain. These dynamics are combining to make refinancing for some segments *much* more challenging.
- Appraisal issues remain an area of concern, as appraisers are challenged to quantify market conditions
- Lender risk-management practices need to evolve with changing conditions.

# Stay Connected to the Federal Reserve Bank of Atlanta Supervision and Regulation Outreach Team





# To Ask a Question

- Use the chat feature in the webinar (*Ask Question* button on bottom of screen).
- Email your question to: [questions@askthefed.org](mailto:questions@askthefed.org).
- Use the “Ask a Question” feature on the Ask the Fed® website: [www.askthefed.org](http://www.askthefed.org).

**Thanks for joining us.**

**[www.askthefed.org](https://www.askthefed.org)**