Piermont

Capital Markets Briefing

June 5 2024

Market Momentum

More opportunities found amongst all asset classes consisting of increase in yields through the mark-to-market of in-place rents.

Higher base rates are now priced into real estate asset values as the cost of capital is coming back down and buyer momentum picking up as the market momentum gains an average of 3x more buyers bidding on assets since the start of Q2.

Weighted average yields across all real estate asset classes have increased by 110 basis points since end of Q2 of last year.

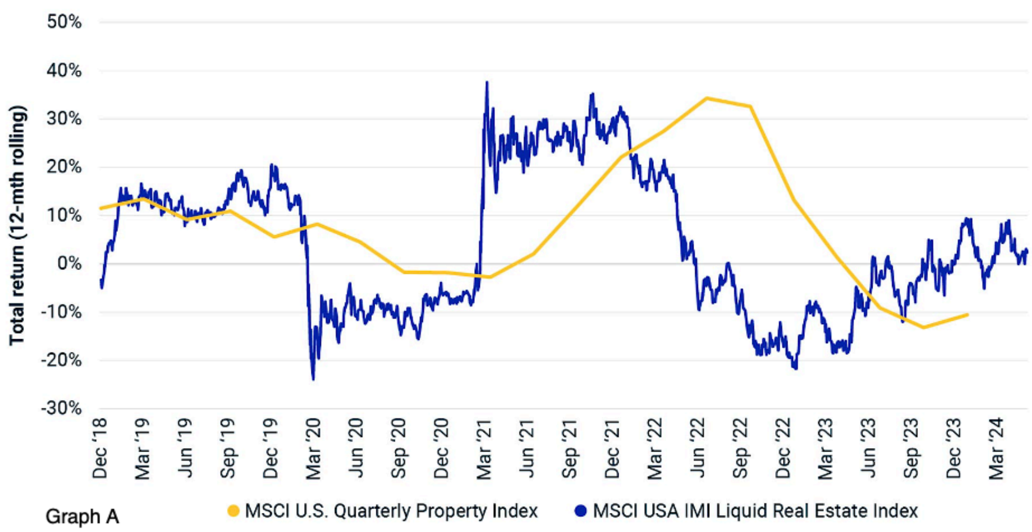
U.S. economic growth is slowing with quarterly GPD growth expected to average 1.5% for the remainder of the year.

The labor market is cooling off falling to its lowest since 2021 with only 175,000 jobs added in April and available positions decreased to 8.06 million from a downwardly revised 8.36 million reading in the prior month.

The broad upswing in the liquid index has come in "fits and starts" as forecasts on U.S. interest-rate policy have been revised, but optimists could take the trend as a positive signal (see graph A below).

Above-average spreads (CRE return less bond yield) indicate cheap pricing, and vice versa with the primary issue due to the level of government debt, which is up to almost $34.6 trillion from overwhelming deficit spending (see graph B below).

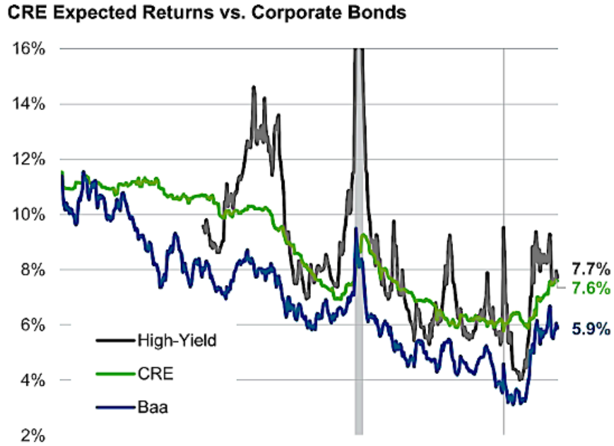
Public markets have turned positive



Graph A

CRE U.S. Wtd. Average	
Cap Rate	6.1%
Cap Ex (% of NOI)	15%
Economic Cap Rate	5.2%
SS NOI Growth	
'25-'28	3.6%
Long-Term	2.2%
Property Risk Adjustments	
Volatility	0.1%
Other	0.0%
Risk-Adjusted Expected Return	**7.6%**
Baa-Rated Corp Bonds (20Y+)	**5.9%**
High-Yield Bonds (approx. 5Y)	**7.7%**

CRE Expected Returns vs. Corporate Bonds



Graph B (*source: Green Street*)