

Emerging Trends in Real Estate 2024



Baltimore, MD



2024: Emerging Trends in Real Estate

- Provides one of the real estate industry's most predictive outlook
- The longest, continually published forecast: 45th edition
- Based on an extensive survey and numerous confidential interviews with industry leaders
- Emerging Trends global with Europe, Asia Pacific, and Canada coverage
- Published by PwC in conjunction with Urban Land Institute



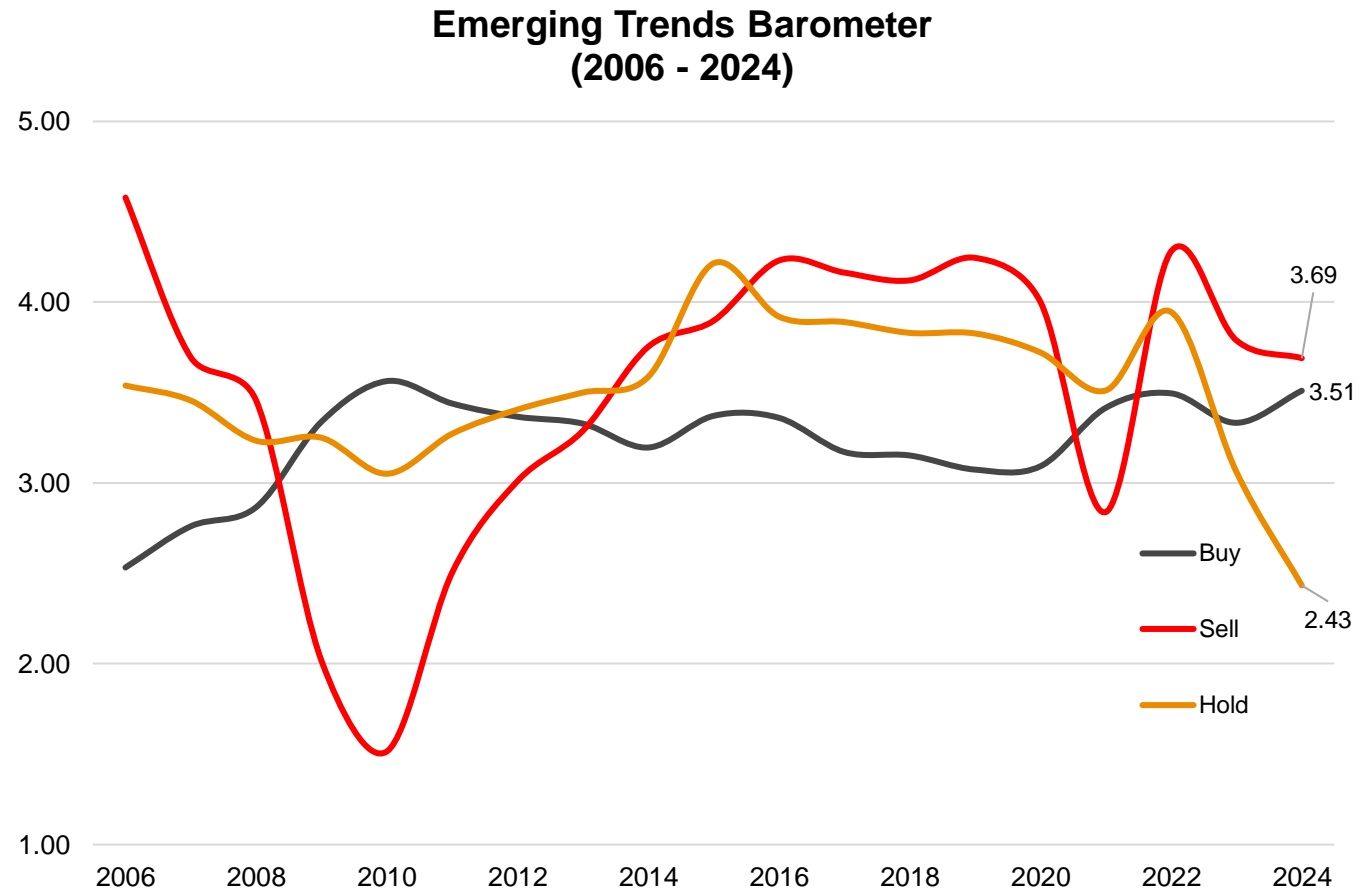
“

Unbuckle your seatbelts because it's probably going to be a slow, careful ride. **Disruption** won't happen like a roller coaster. It's gonna be slow going, and you're just gonna have to do your **homework** when it comes to specific details and specific places and specific property types.”



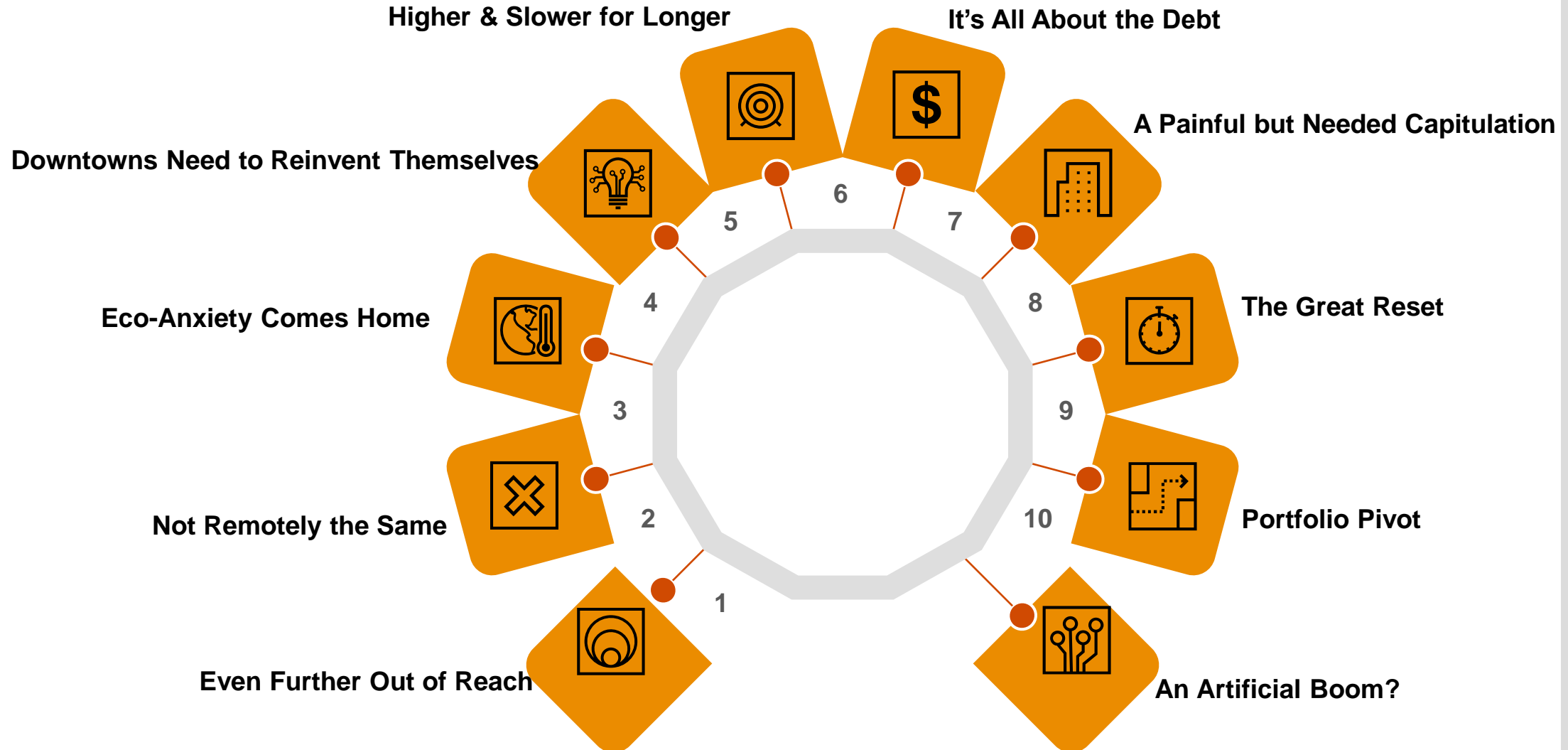
2024: A New Era Comes to Focus

- The great reset in the economy and commercial real estate
- Persistent “higher for longer” interest rates
- Itching to buy: investor attitudes
- Challenges in pricing and transactions
- Navigating through varied investor outlooks



Source: PwC Analysis; Emerging Trends in Real Estate | 1 – Abysmal 2 – Poor 3 – Fair 4 – Good 5 – Excellent

2024: Emerging Trends in Real Estate



2024 Trend: Higher & Slower for Longer

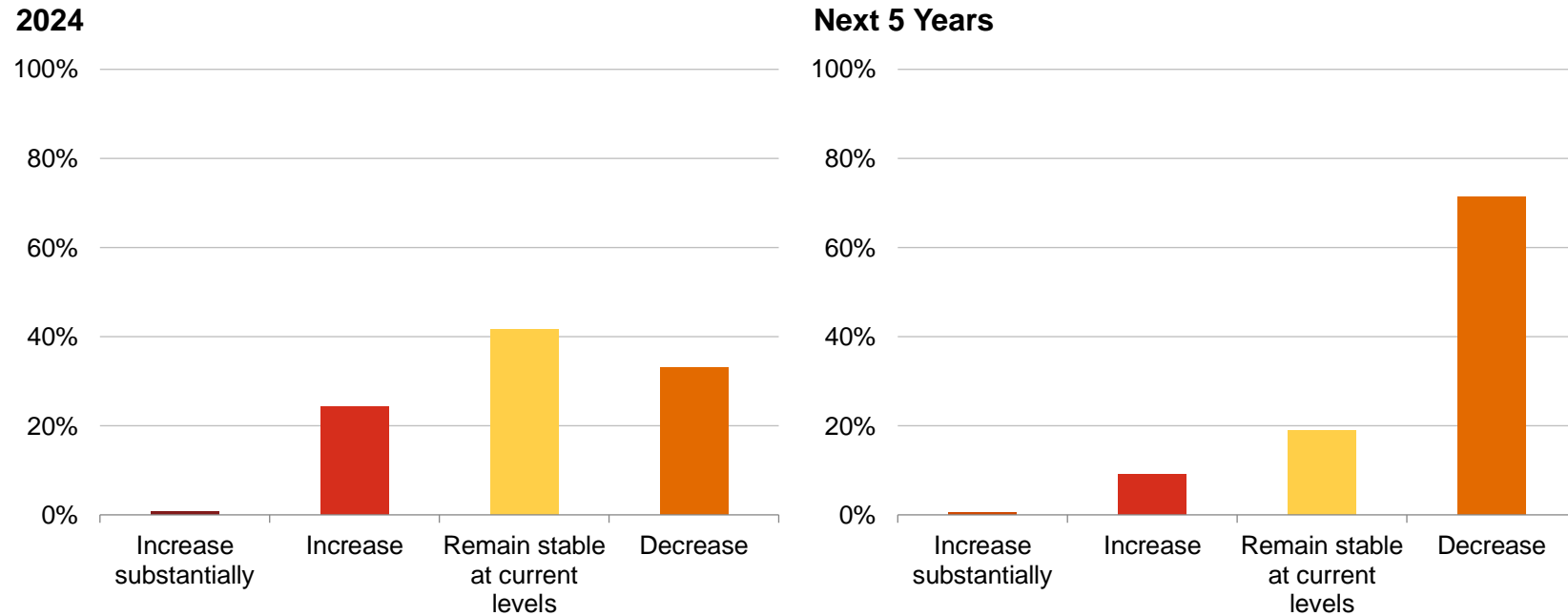


Source: Moody's Analytics | Orange line represents long-term average from 1962 to Oct-2023

2024 Trend: **The Great Reset**

“Commercial real estate is so incredibly varied not just by property type, but also by geography, so we’d be committing a grave mistake if we hitch our wagon to the tyranny of averages.”

Investor Return Expectations

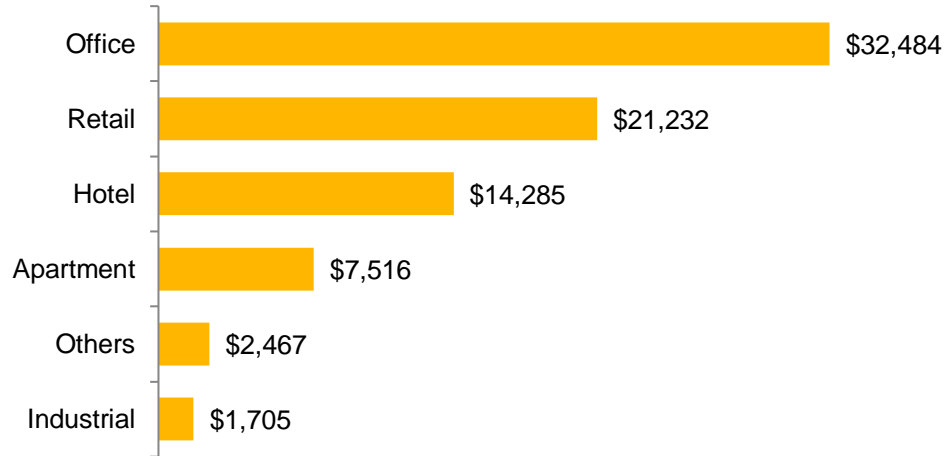


Source: PwC Analysis; Emerging Trends in Real Estate; US Respondents Only

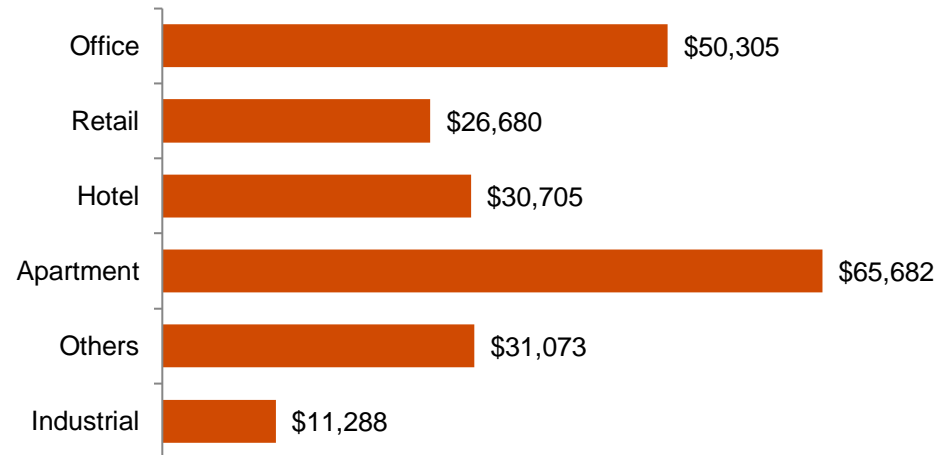
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2024 Trend: A Painful but Needed Capitulation

Outstanding Distress (\$m)



Potential Distress (\$m)



Direct Class A Office Vacancy

4Q 2019

2Q 2023

10.1%

Downtown

18.3%

Downtown

13.1%

Suburban

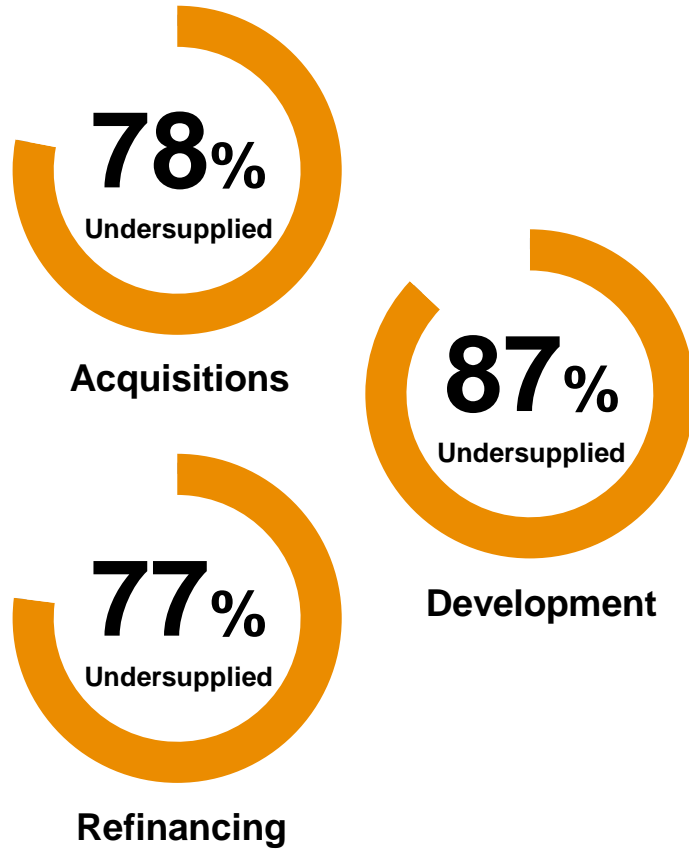
19.3%

Suburban

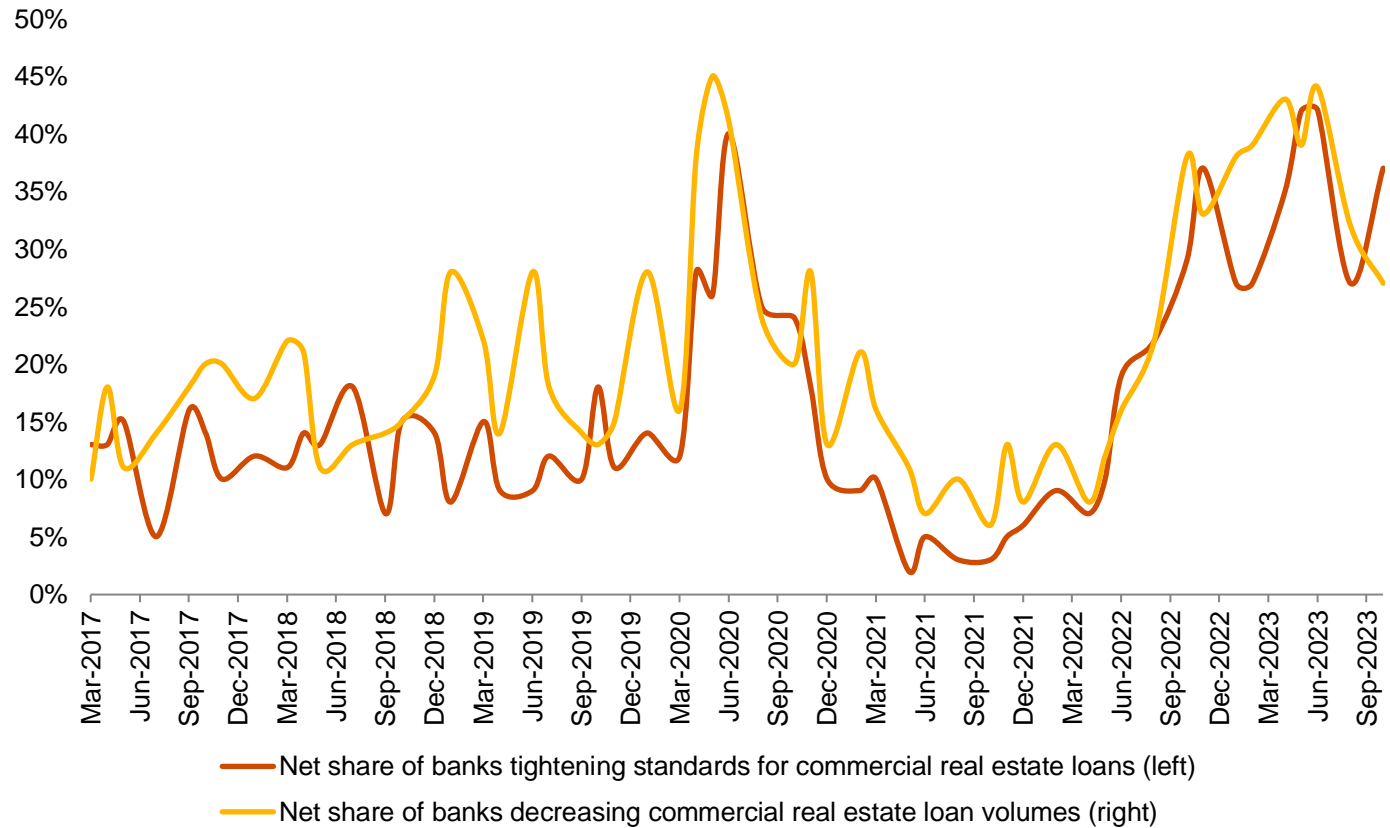
Source: PwC Analysis; Real Capital Analytics October 2023; Colliers International

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2024 Trend: **It's All About the Debt**



Commercial Real Estate Loans: Standards and Volumes

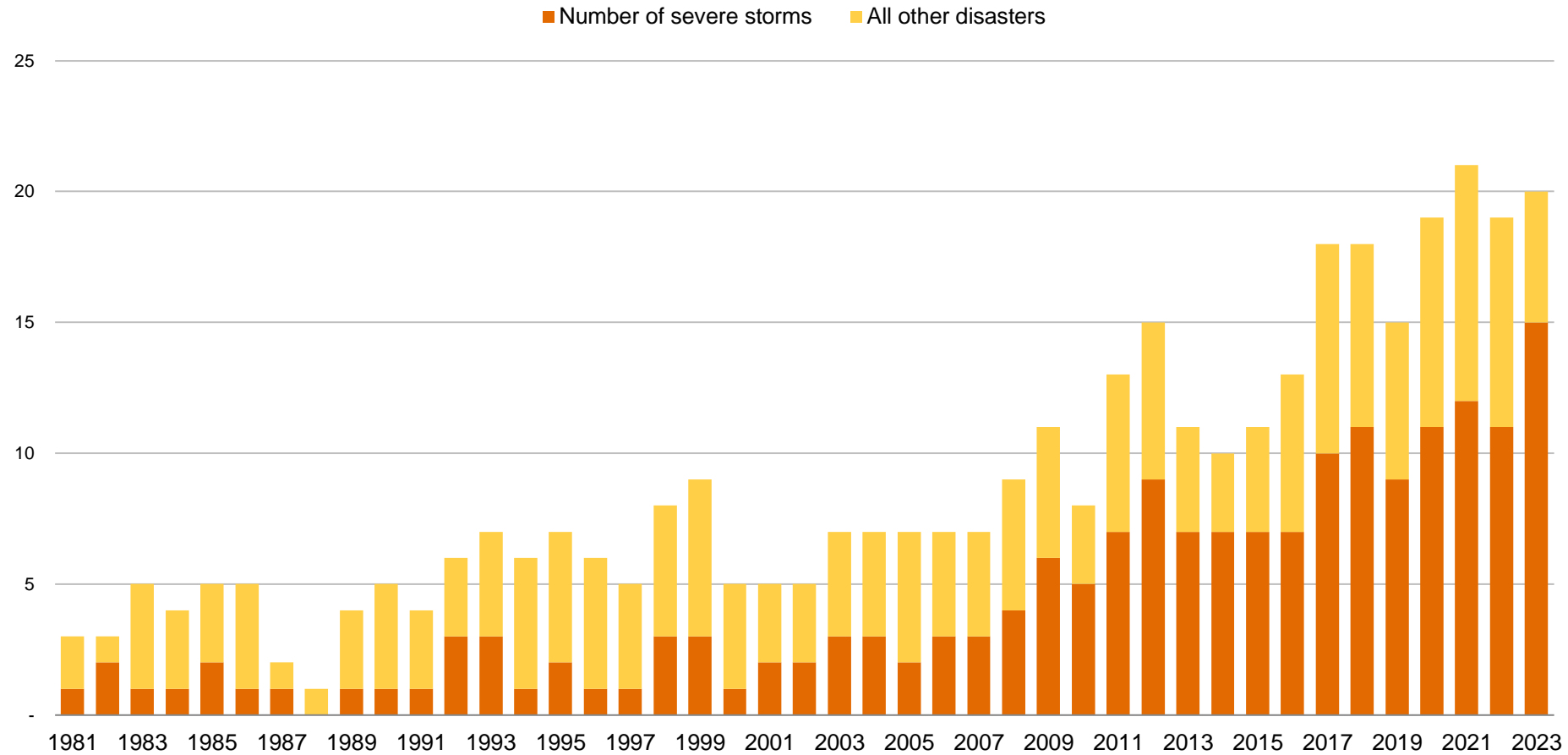


Source: PwC Analysis; Emerging Trends in Real Estate; Nelson Economics Analysis of Federal Reserve Bank of Dallas Banking Conditions Survey

2024 Trend: **Eco Anxiety Comes Home**

Annual Number of Billion-Dollar Climate Events

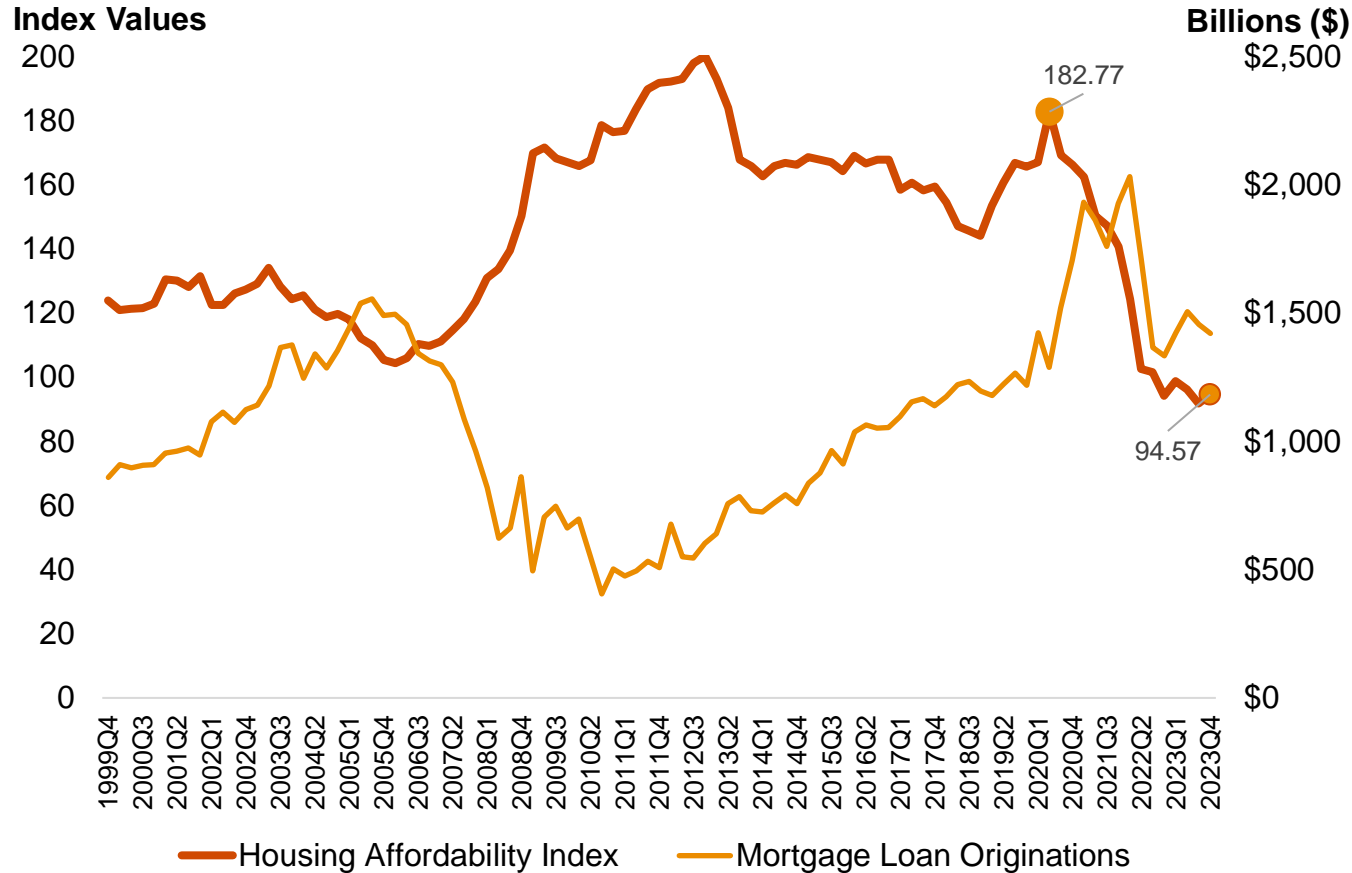
Two-Year Moving Average, CPI-Adjusted



Source: PwC Analysis; NOAA National Centers for Environmental Information (NCEI) "U.S. Billion Dollar Weather and Climate Disasters" (2023)

*2023 figure projected based on actual figures through October 10

2024 Trend: **Even Further Out of Reach**



2020

\$67,712
Salary

\$400,000
SFH Price

3.5%
Interest Rate

\$1,836
Monthly Payment

33%
Percent of Salary



2023

\$72,872
Salary

\$400,000
SFH Price

8.0%
Interest Rate

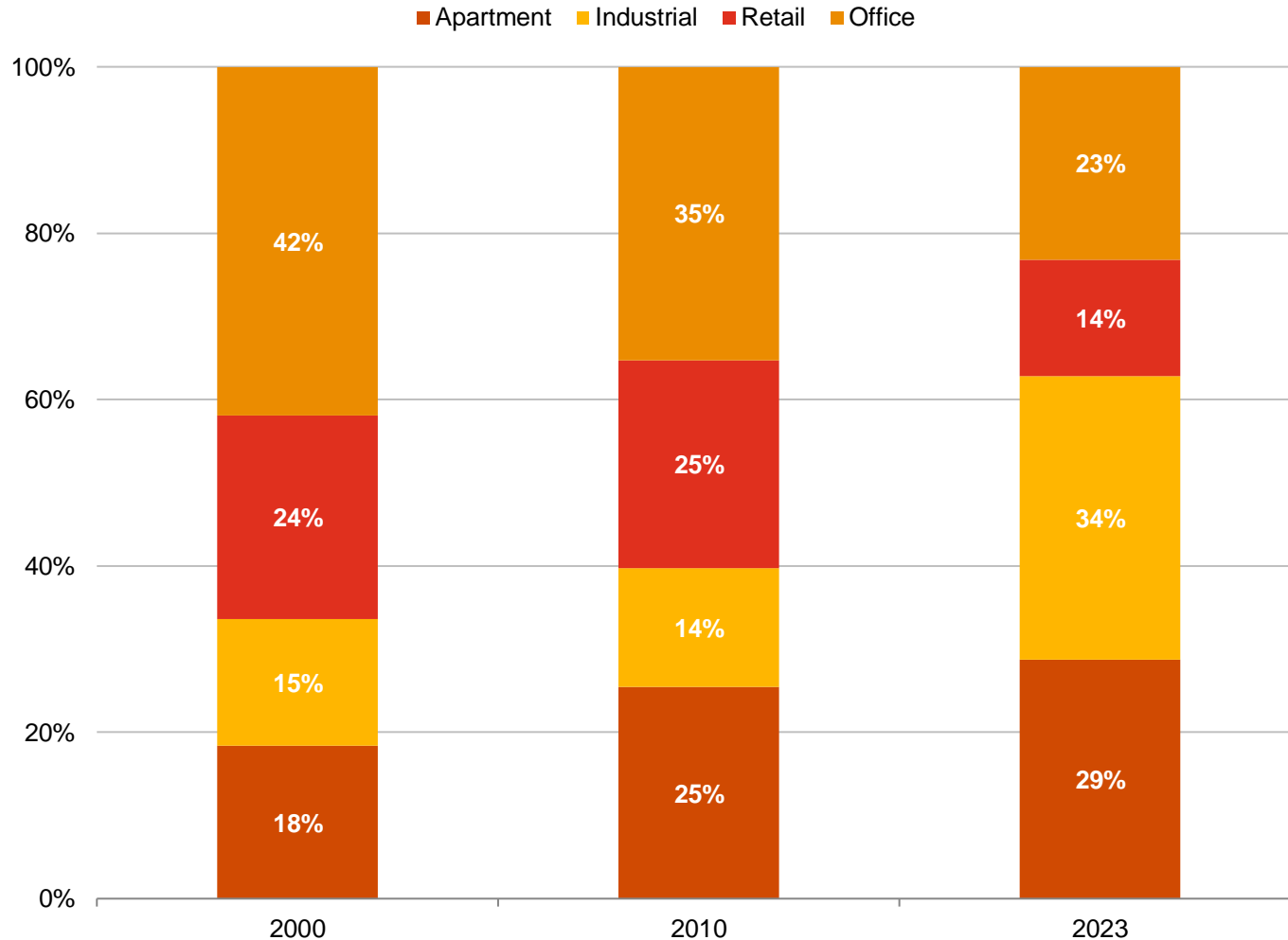
\$2,748
Monthly Payment

46%
Percent of Salary

Source: PwC Analysis; National Association of Realtors

2024 Trend: **Portfolio Pivot**

NPI: % of Total Market Value by Sector

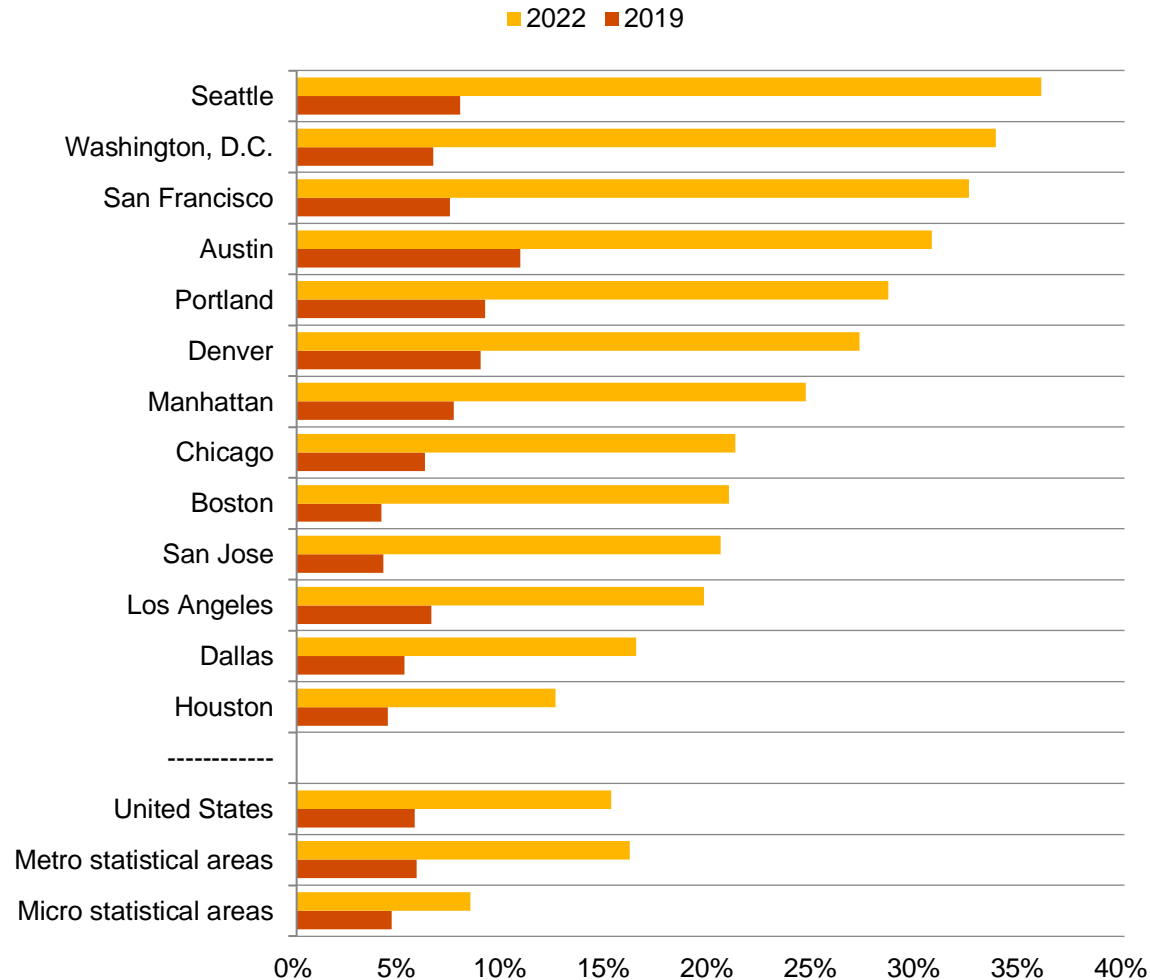


“The definition of core industrial is expanding to include cold storage and self-storage, while core MF includes student housing and SFR.”

Source: PwC Analysis; NCREIF; 2020 and 2010 data as of 4Q whereas 2023 data as of 3Q

2024 Trend: **Not Remotely the Same**

Share of Residents Working from Home

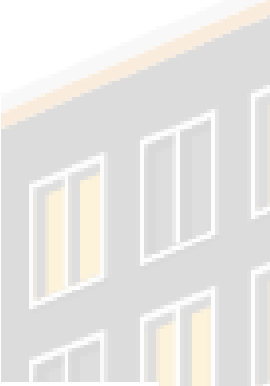


Source: PwC Analysis; U.S. Census Bureau, American Community Survey

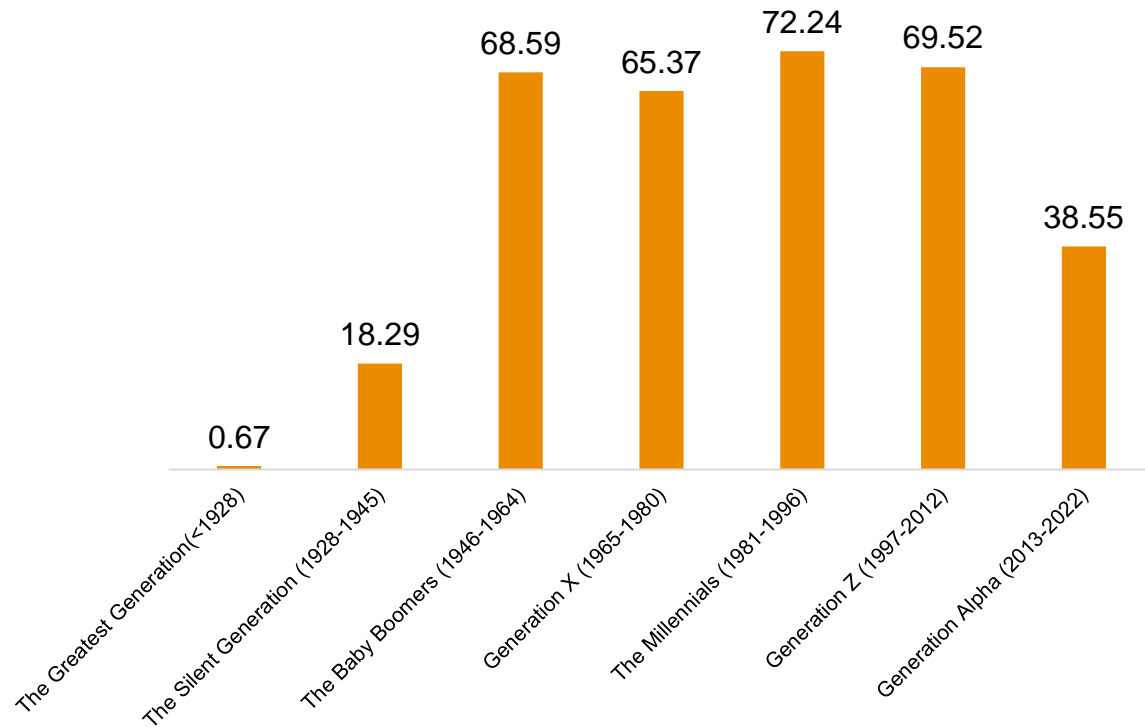
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“After the pandemic, people started to ask questions like, does everyone need to be in every day? Can we then get more efficient and hotel and maybe go to two, three days?”

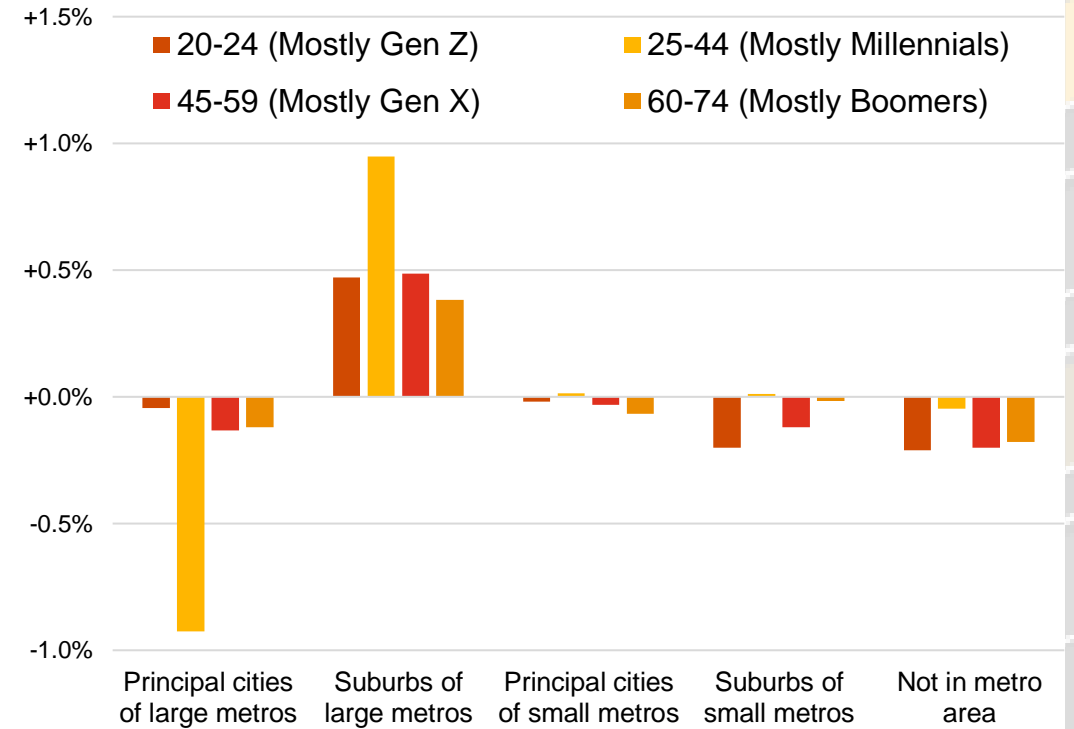
2024 Trend: **The Downtown Reinvention... Again!**



**U.S. Resident Population in 2022
(in millions)**

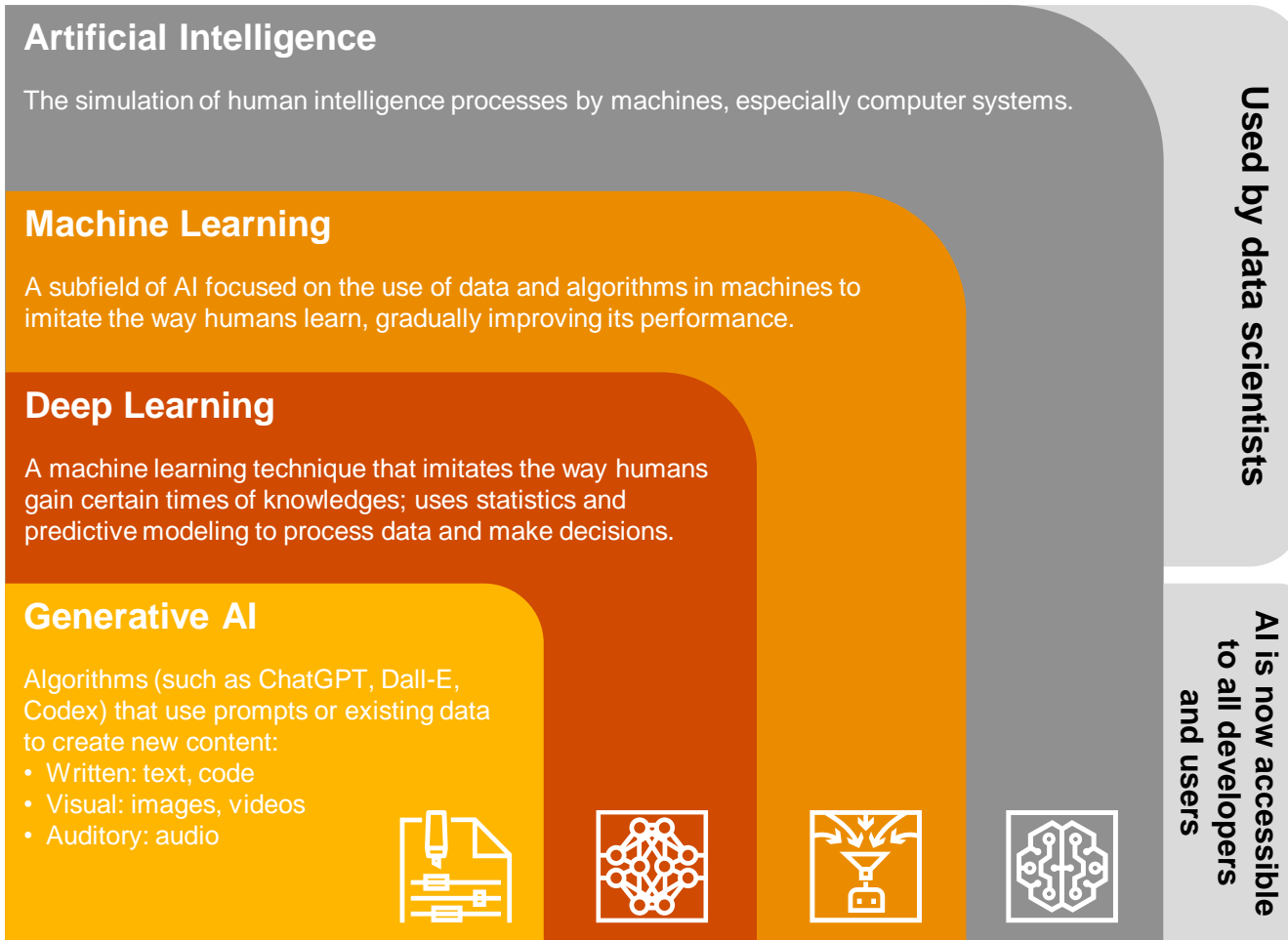


**Change in Migration Shares by Age Group
2019-22**



Source: PwC Analysis; Remote Work & City Structure, Georgetown University, University of Chicago

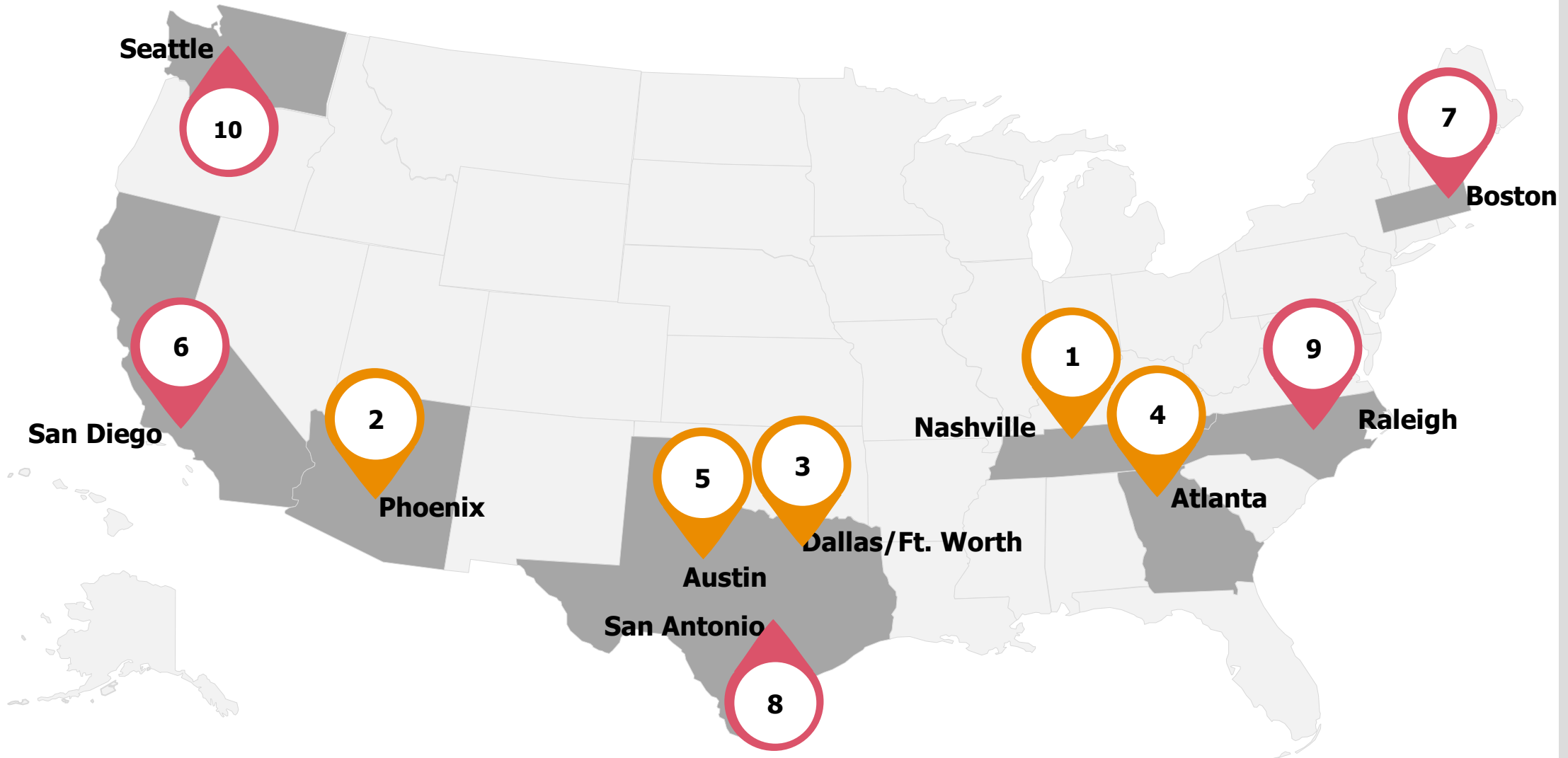
2024 Trend: **An Artificial Boom**



“As an industry, we've got a long way to go. There's a huge lack of understanding that might slow the adoption . . . People are skeptical but excited at the potential.”

Source: PwC Analysis; Emerging Trends in Real Estate

2024: U.S. Markets To Watch



Source: PwC Analysis; Emerging Trends in Real Estate

2024: Investment Property Sectors To Watch

	 1 Multifamily Housing	 2 Single-family Housing	 3 Industrial Distribution	 4 Hotels	 5 Retail	 6 Office
Buy / Hold / Sell	BUY	BUY/HOLD	BUY/HOLD	HOLD	HOLD	HOLD
Current Pricing	FAIR	OVER	FAIR	FAIR	FAIR	OVER
Subsectors to Watch	Lower Income Moderate Senior Housing	N/A	Flex Manufacturing Warehouse	Limited Service Full Service	Shopping Lifestyle Outlet	Medical Suburban CBD

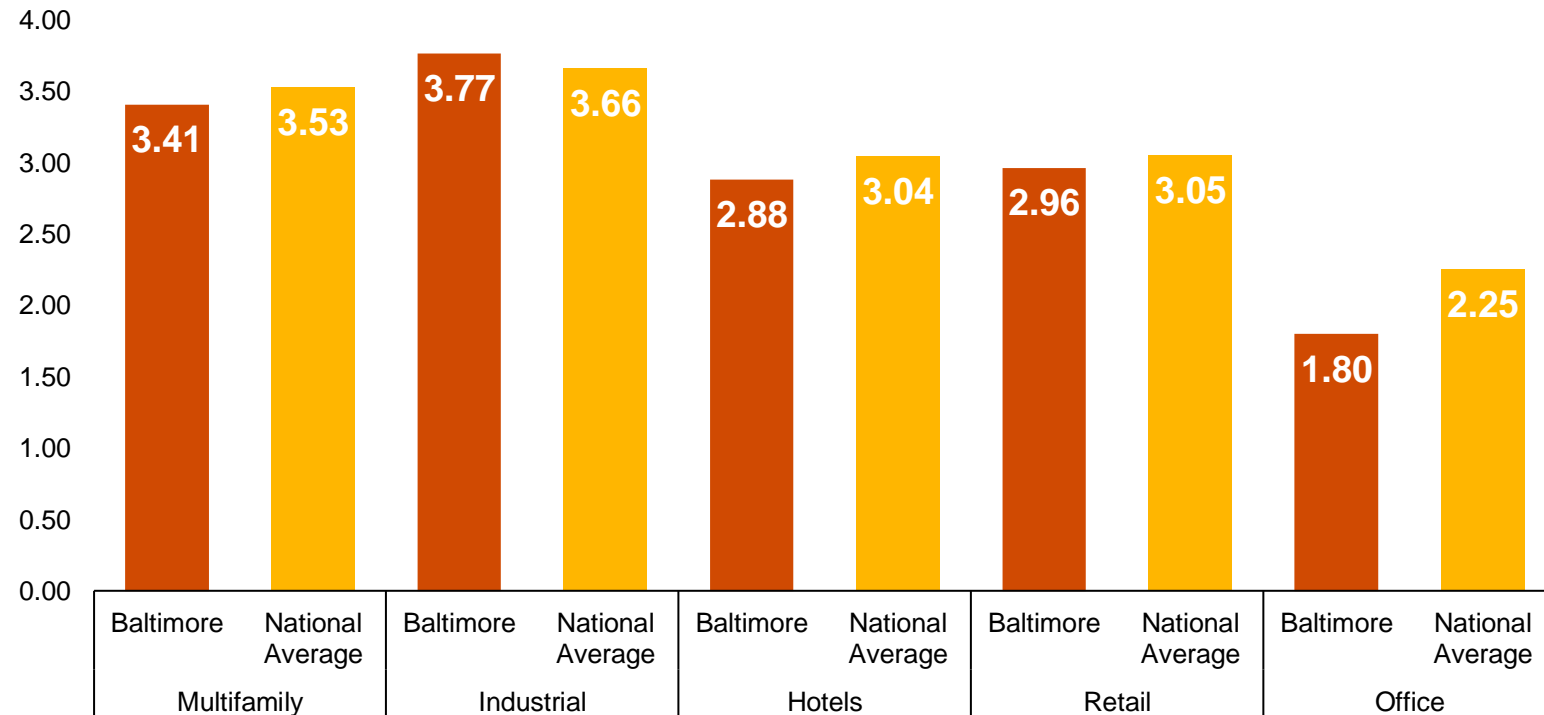
Source: PwC Analysis; Emerging Trends in Real Estate

2024: Baltimore Market Insights

50
Overall
Prospects

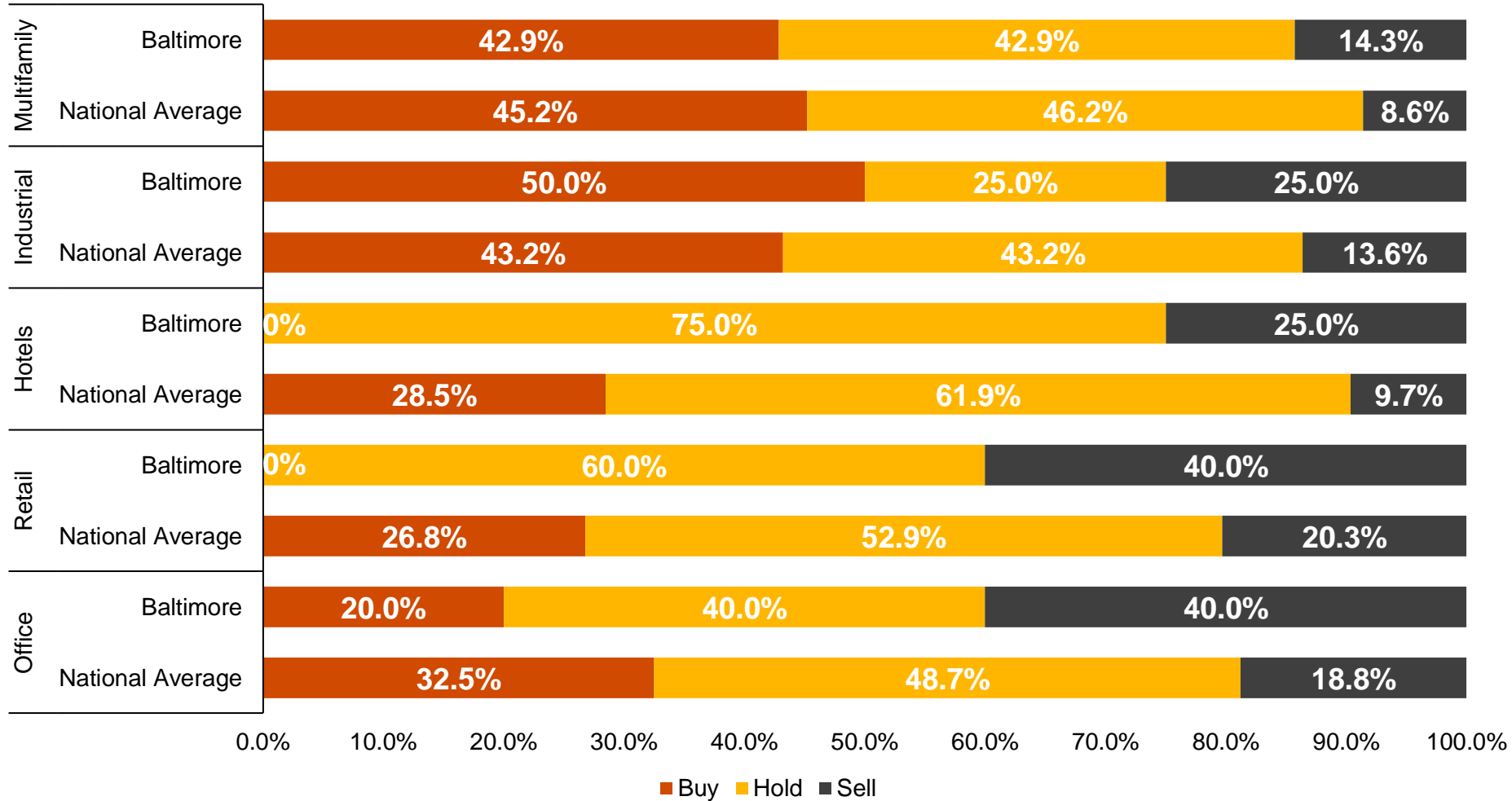
51
Homebuilding
Prospects

Investment Prospects by Major Property Sector



Source: PwC Analysis; Emerging Trends in Real Estate | 1 – Abysmal 2 – Poor 3 – Fair 4 – Good 5 – Excellent

2024: Baltimore Buy / Hold / Sell



Source: PwC Analysis; Emerging Trends in Real Estate

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Thank you



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