

WELCOME

THE WEBINAR WILL BEGIN SOON



An Economic Outlook for 2023:
THE FORECAST FOR CRE

DISCLAIMER FOR ERIS CONTENT:

This disclaimer applies to all webinars, podcasts, videos and other reference materials (hereon referred to as 'online content') hosted by ERIS, and any associated documents, information or opinions presented, or obtained from, online content. Please read this disclaimer before participating in, reading, or making any other use of the material provided by ERIS or on ERISINFO.COM.

- ERIS makes no representations or warranties about the accuracy or suitability of information provided in the webinars and related materials such as reference materials, presentation documents and recordings.
- The information contained in the webinars and related materials are not intended to constitute advice of any kind or the rendering of consulting, or other professional services. Registering for a webinar only constitutes an agreement to attend, not a contract for consultancy or advice.
- The opinions expressed in a webinar are those of the speaker(s) only and may not represent the views of ERIS. To the extent permitted by law, ERIS excludes all liability for any loss, claim or damage, cost, or expense, including any indirect or consequential damages or lost profit, whether arising in negligence or otherwise, suffered in connection with the access to, participation in, or use of the webinar by you or any other person.
- ERIS reserves the right to suppress the posting of any webinar recordings it produces.



An Economic Outlook for 2023: **THE FORECAST FOR CRE**



An Economic Outlook for 2023: **THE FORECAST FOR CRE**

Tuesday, January 10, 2023
12:00 PM CST



Presenter



Ryan Severino, Chief Economist, JLL

Ryan Severino is the chief economist at JLL, where he manages the economics team and is responsible for economic research, analysis, forecasting, and property market forecasting. He previously served as senior economist and director of research at Reis and associate director of research at MetLife Real Estate Investments. He is also an adjunct professor of finance and economics at Columbia University and New York University. Ryan has experience in real estate asset management, portfolio management, and acquisitions.



Moderator



Scott Davis, SVP, Industry Engagement, ERIS

Heading into 2023

The good, the bad, and the (maybe) ugly

Ryan Severino, CFA | JLL Chief Economist

Agenda

01 The good

02 The bad

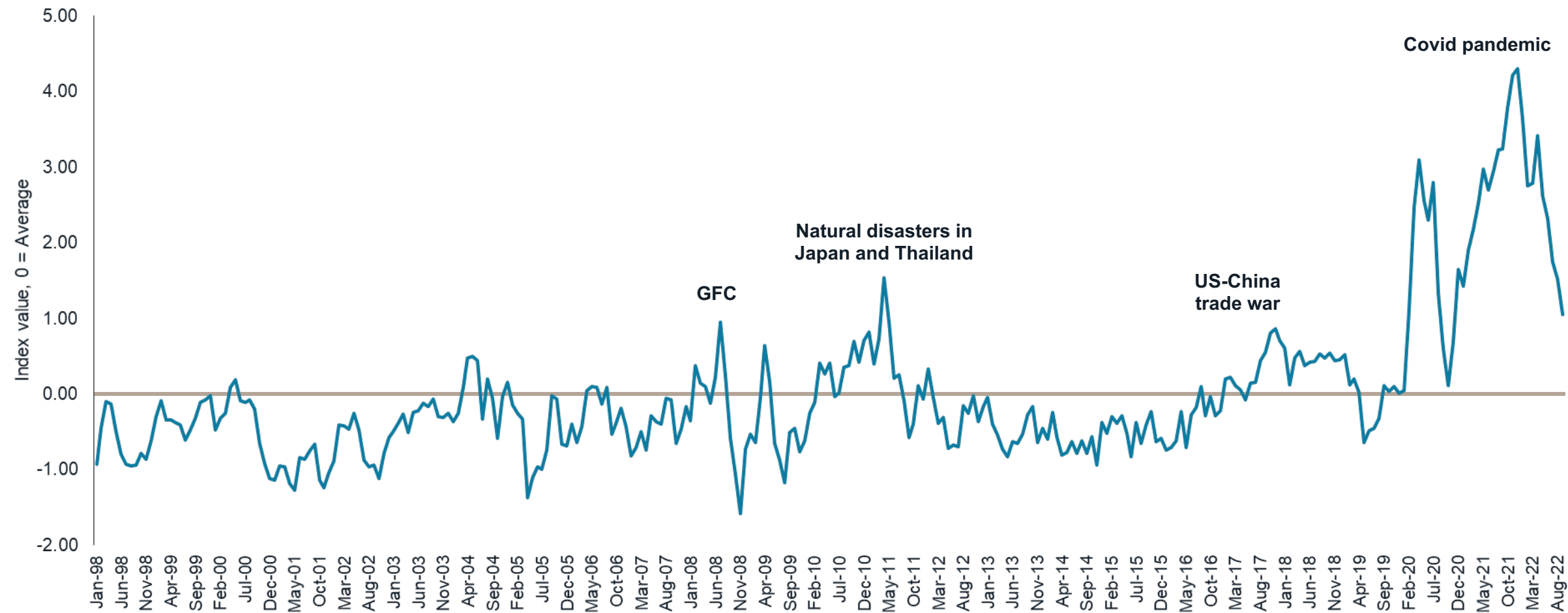
03 The (maybe) ugly

04 The outlook

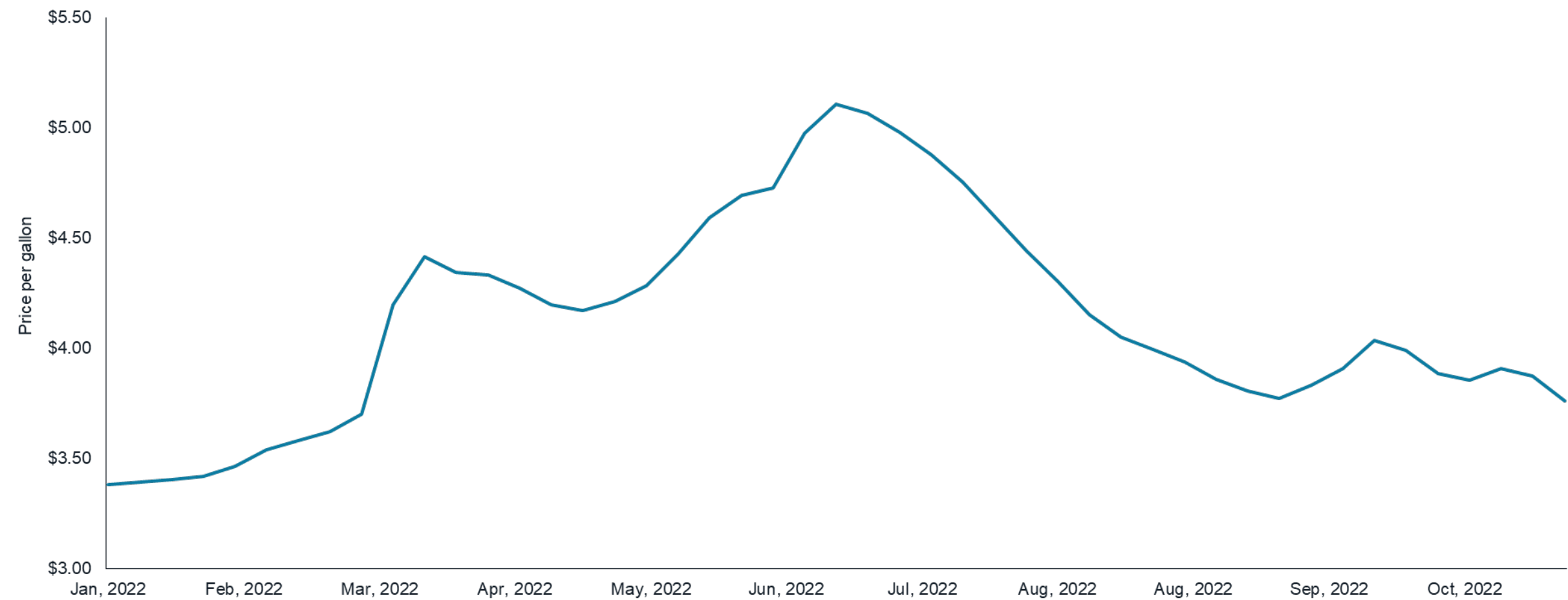


The good

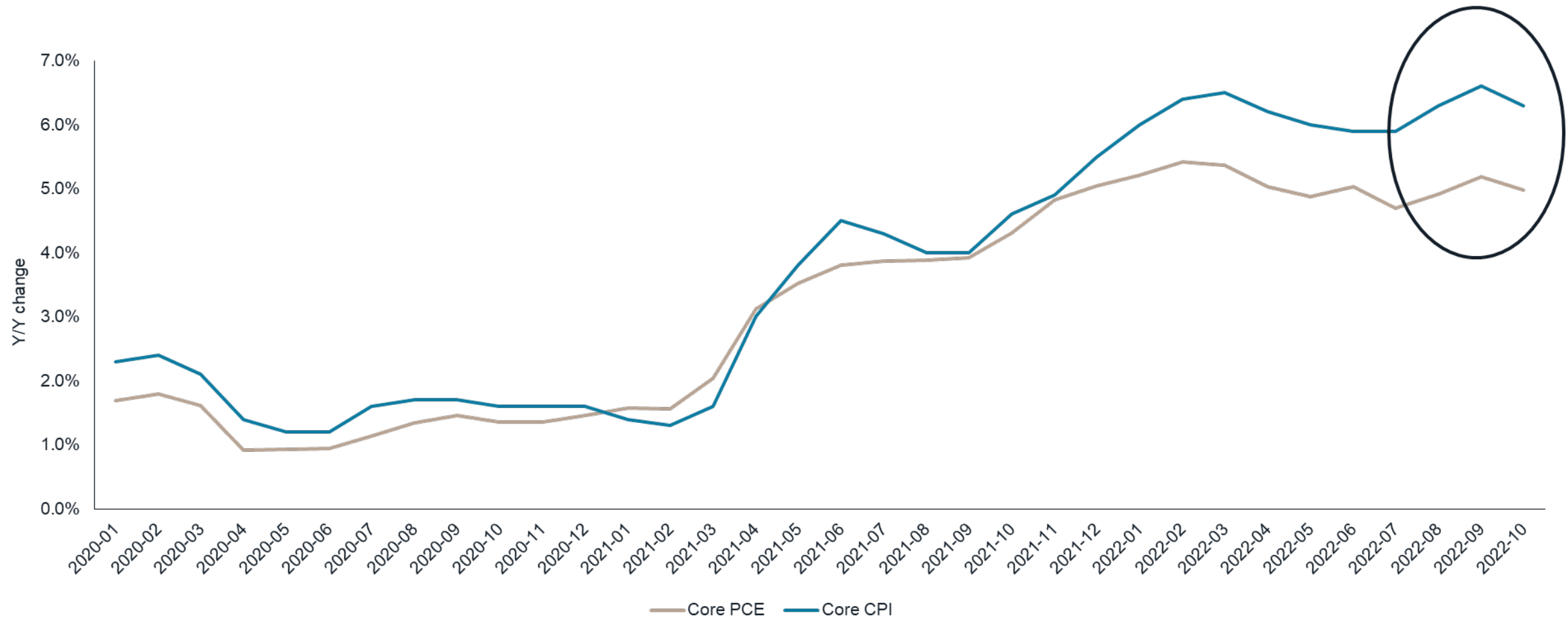
Global supply pressures easing



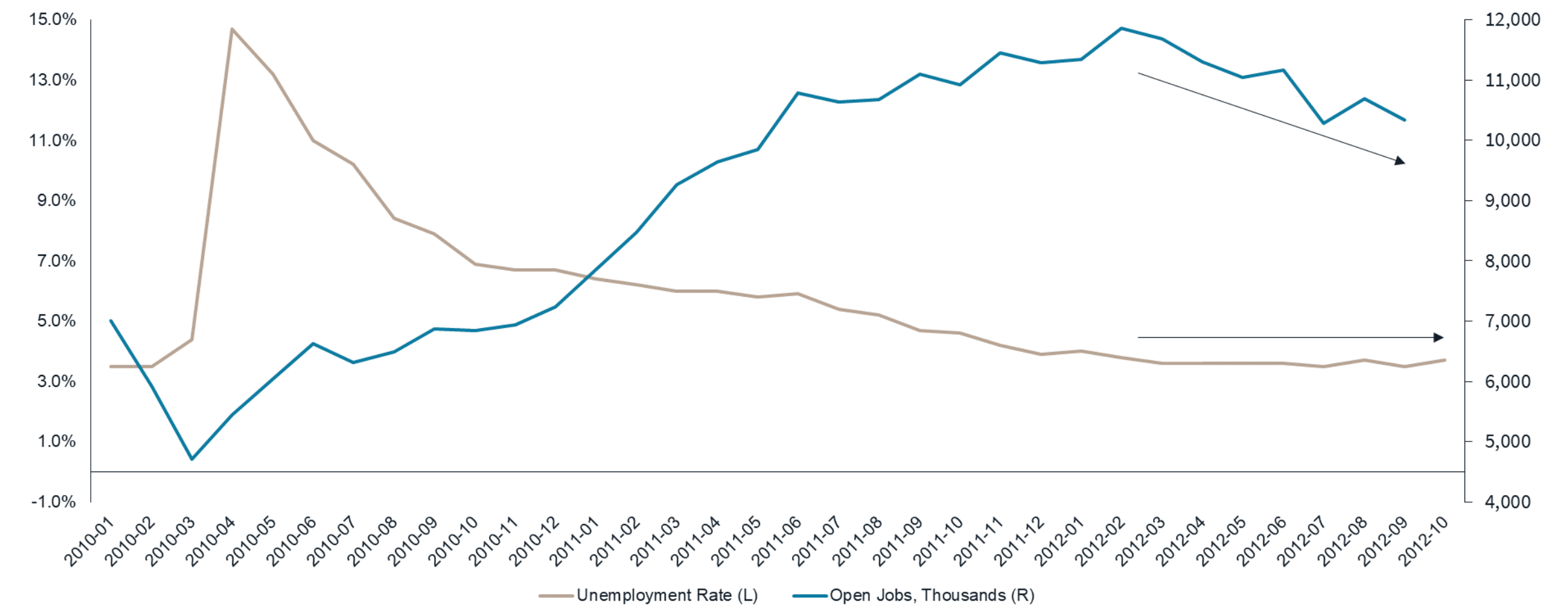
Lower oil prices provide consumers with a boost



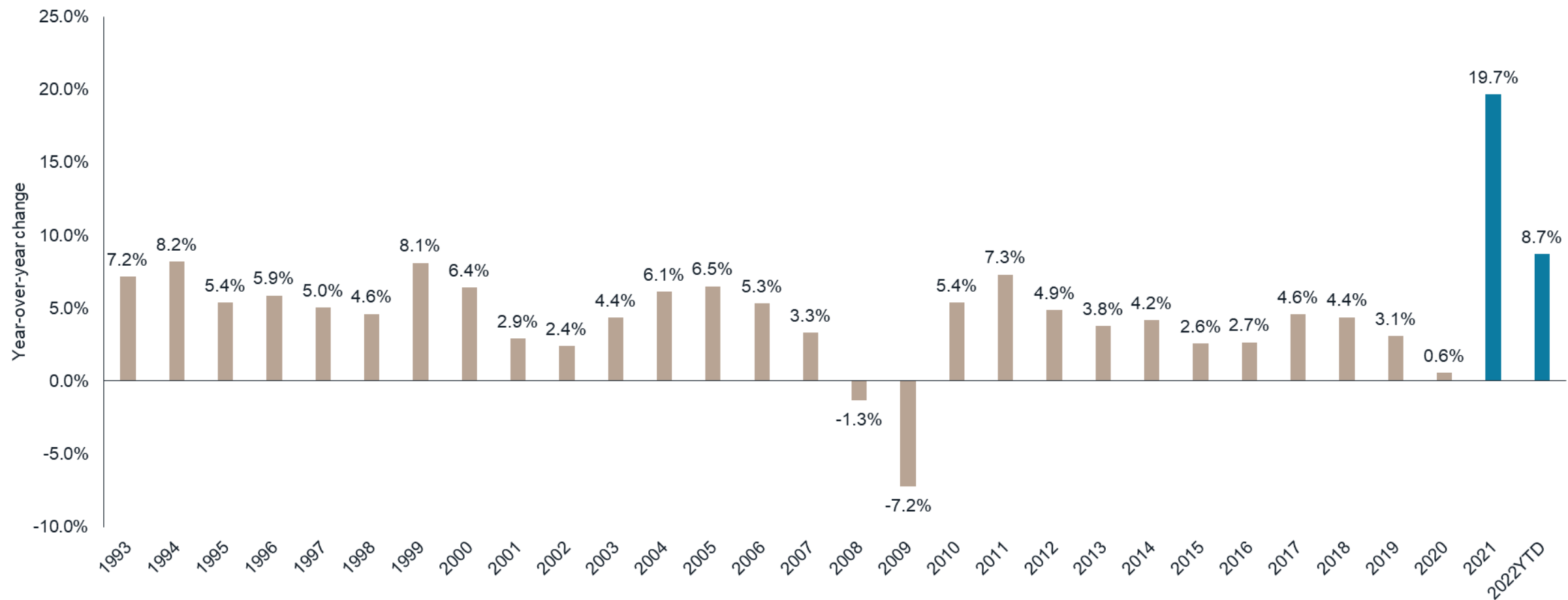
Core inflation shows signs of slowing, maybe



Labor market remains tight

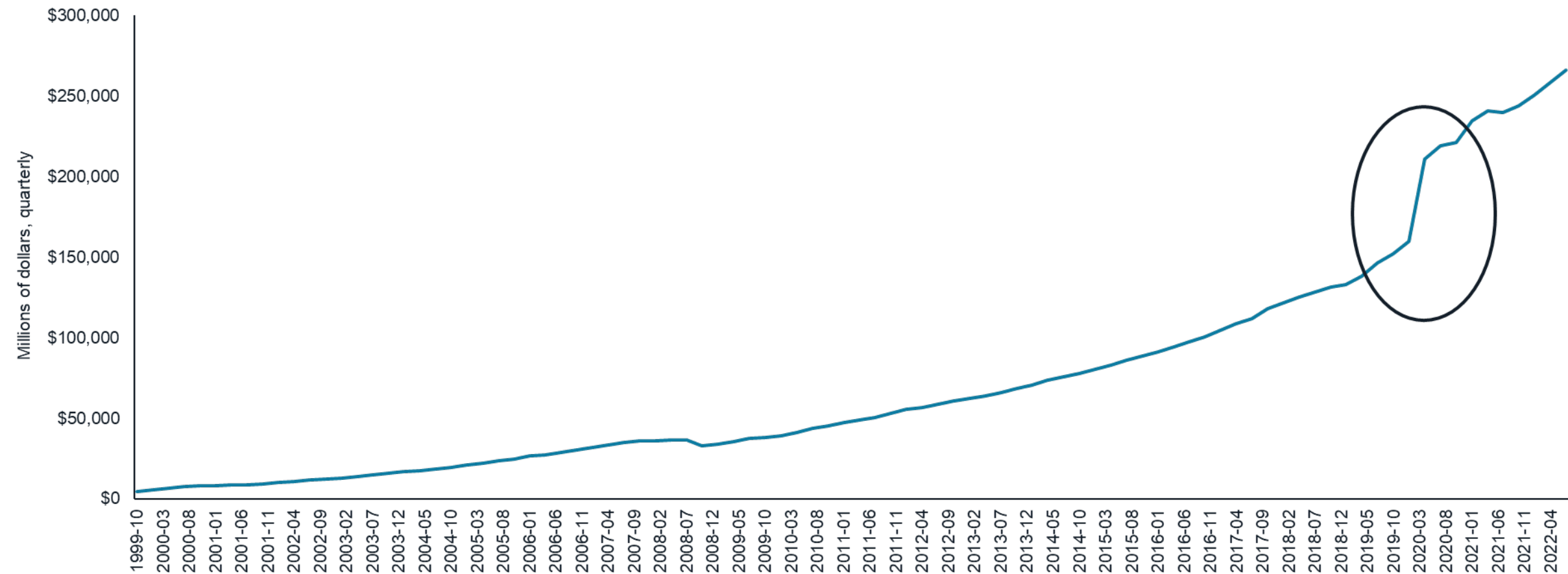


Overall retail sales performing well



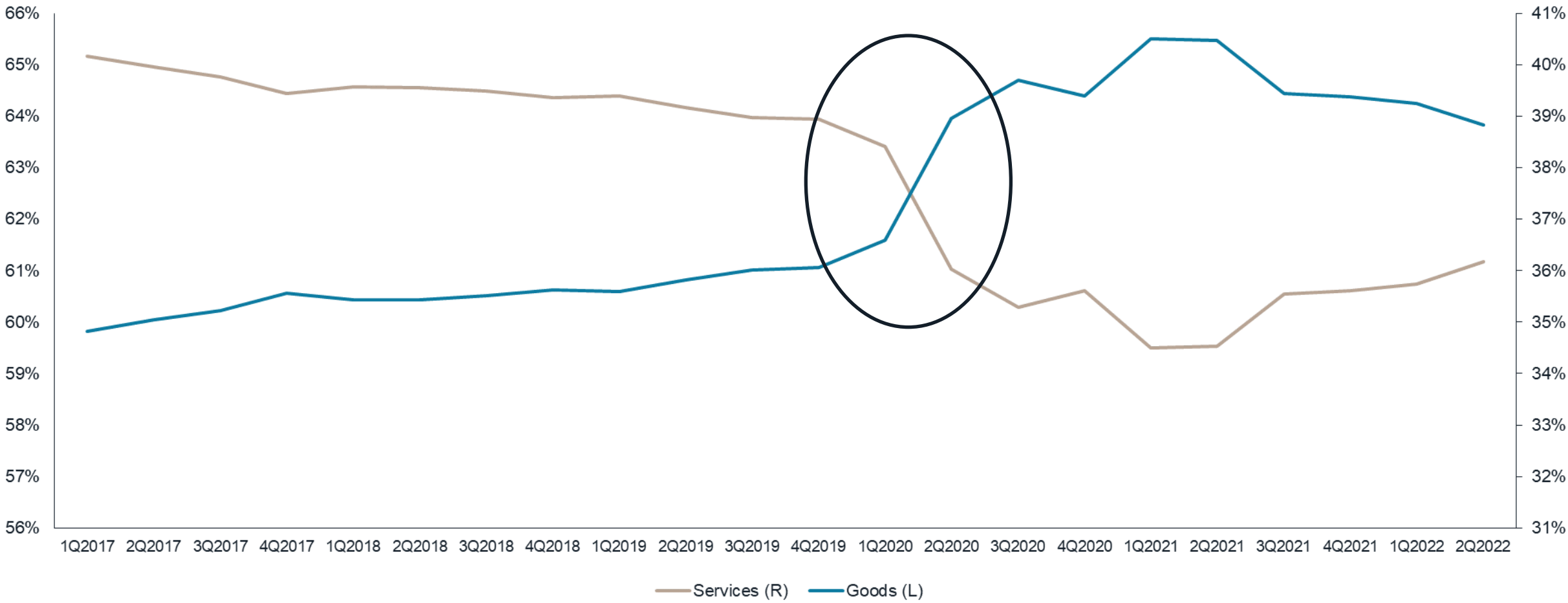
Sources: BEA; JLL Research

Ecommerce boost still holding



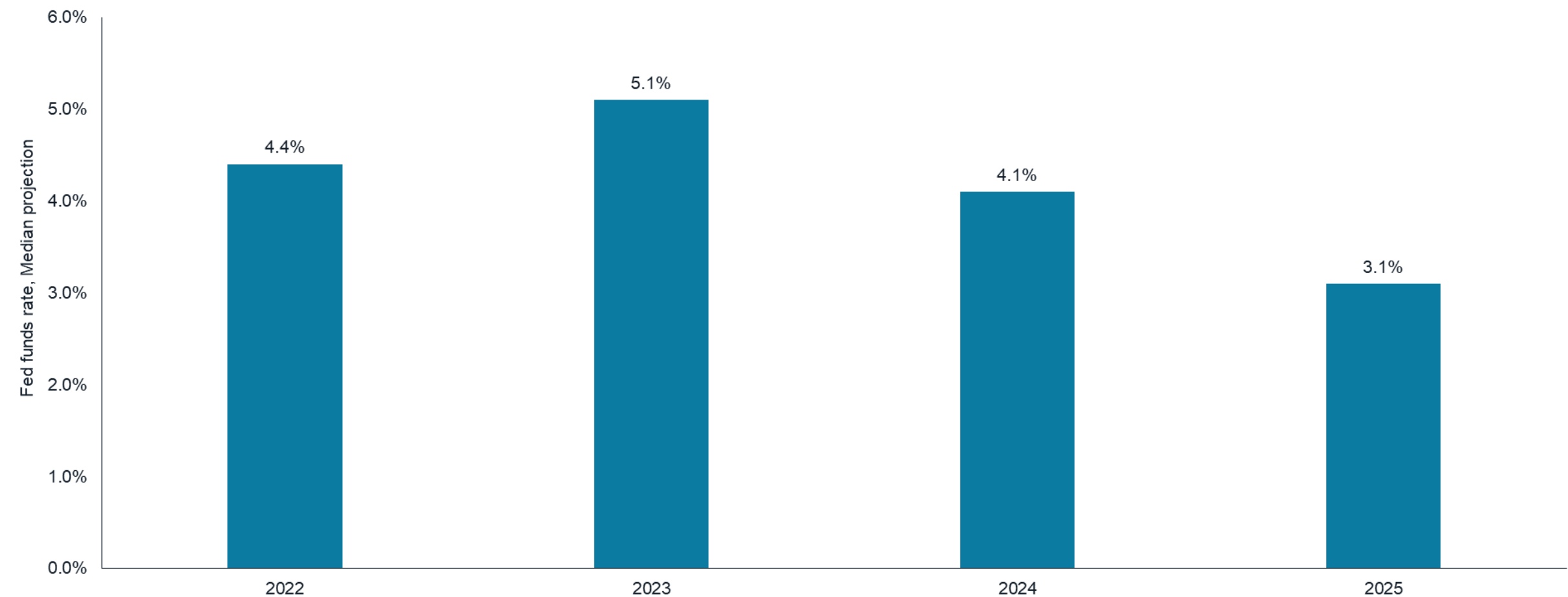
Sources: BEA; JLL Research

Relative spending remains altered

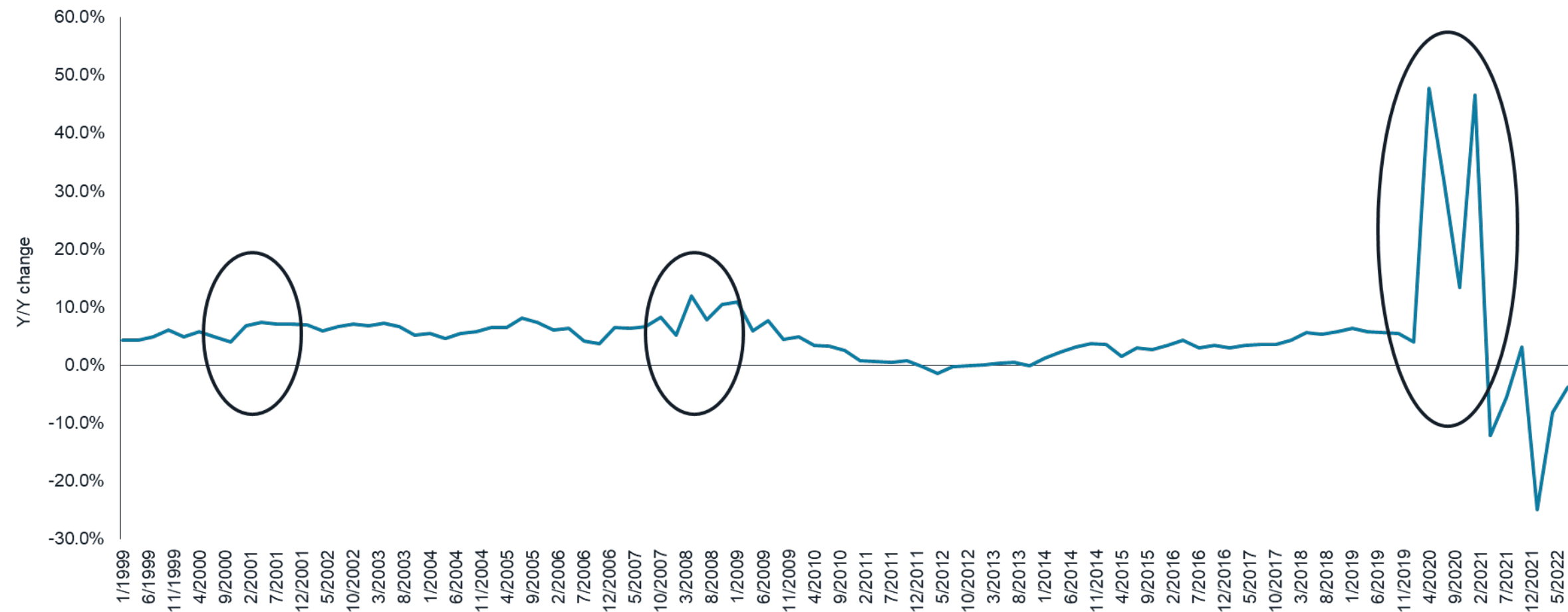


The bad

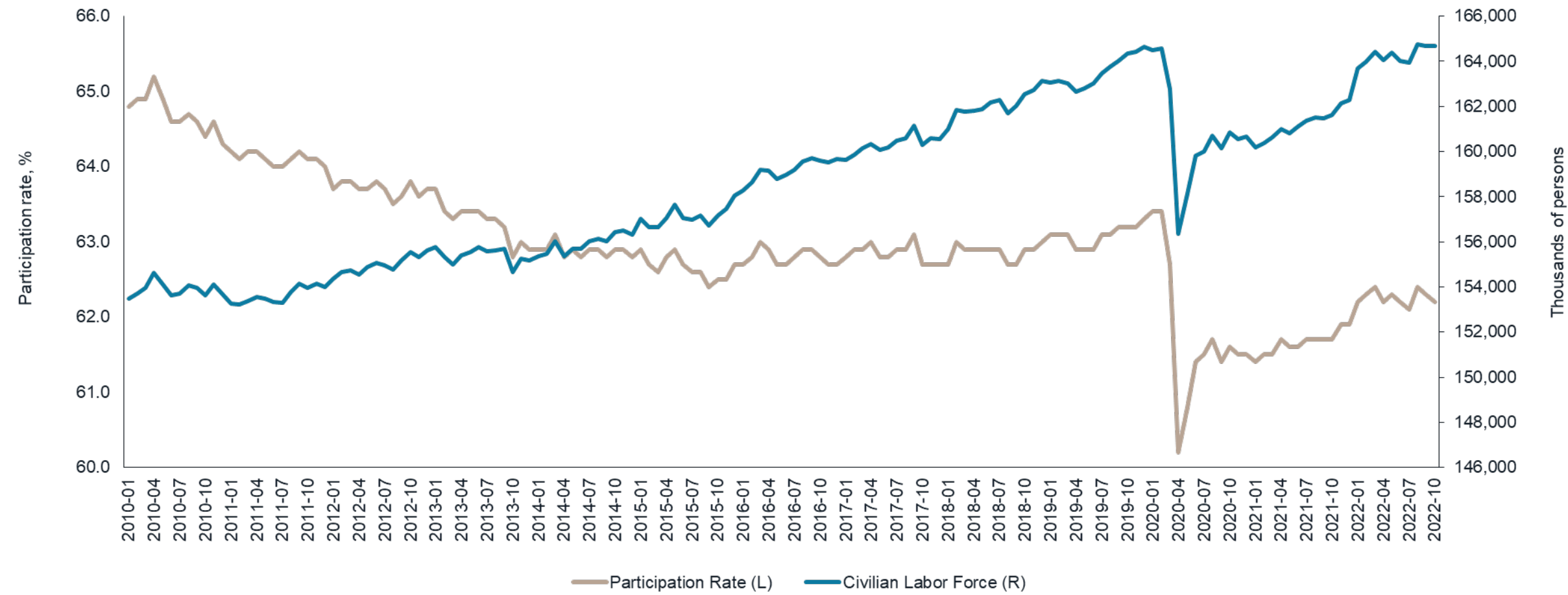
Interest rates are still going up, but how much?



Don't count on government spending this time...

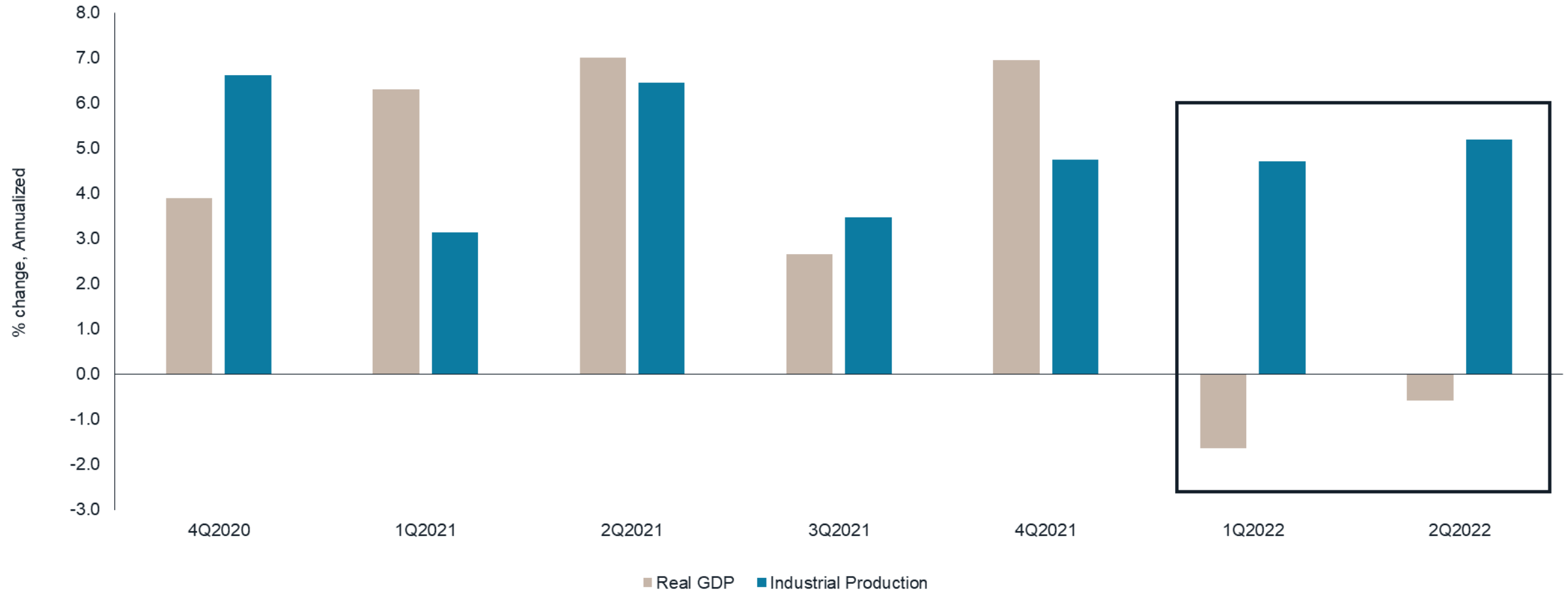


Labor force – size and participation rate

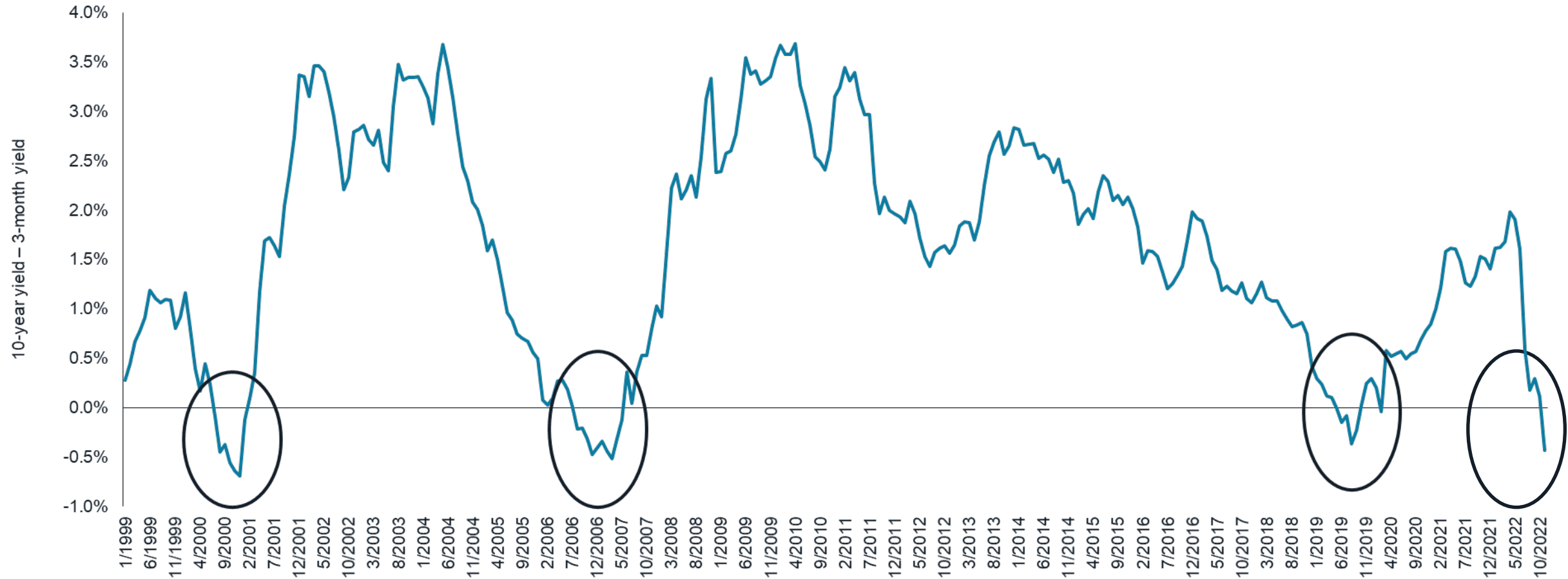


The (maybe) ugly

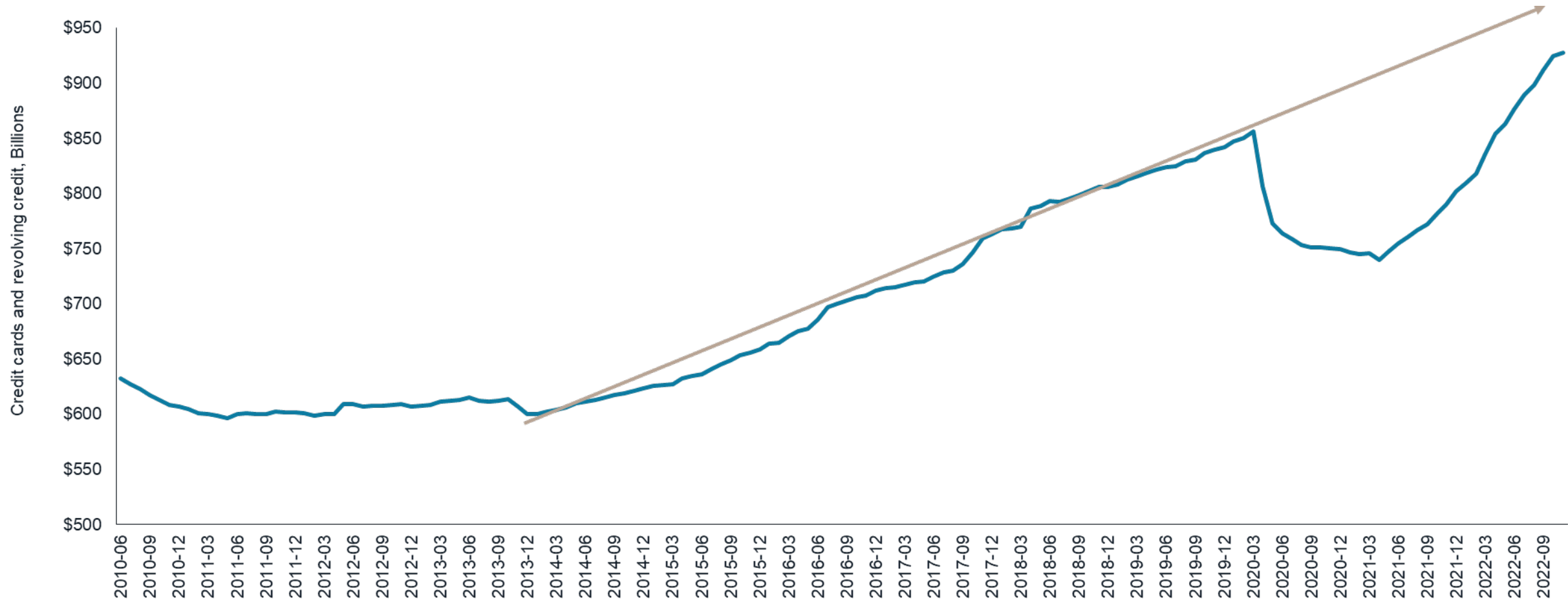
Aren't we already in a recession?



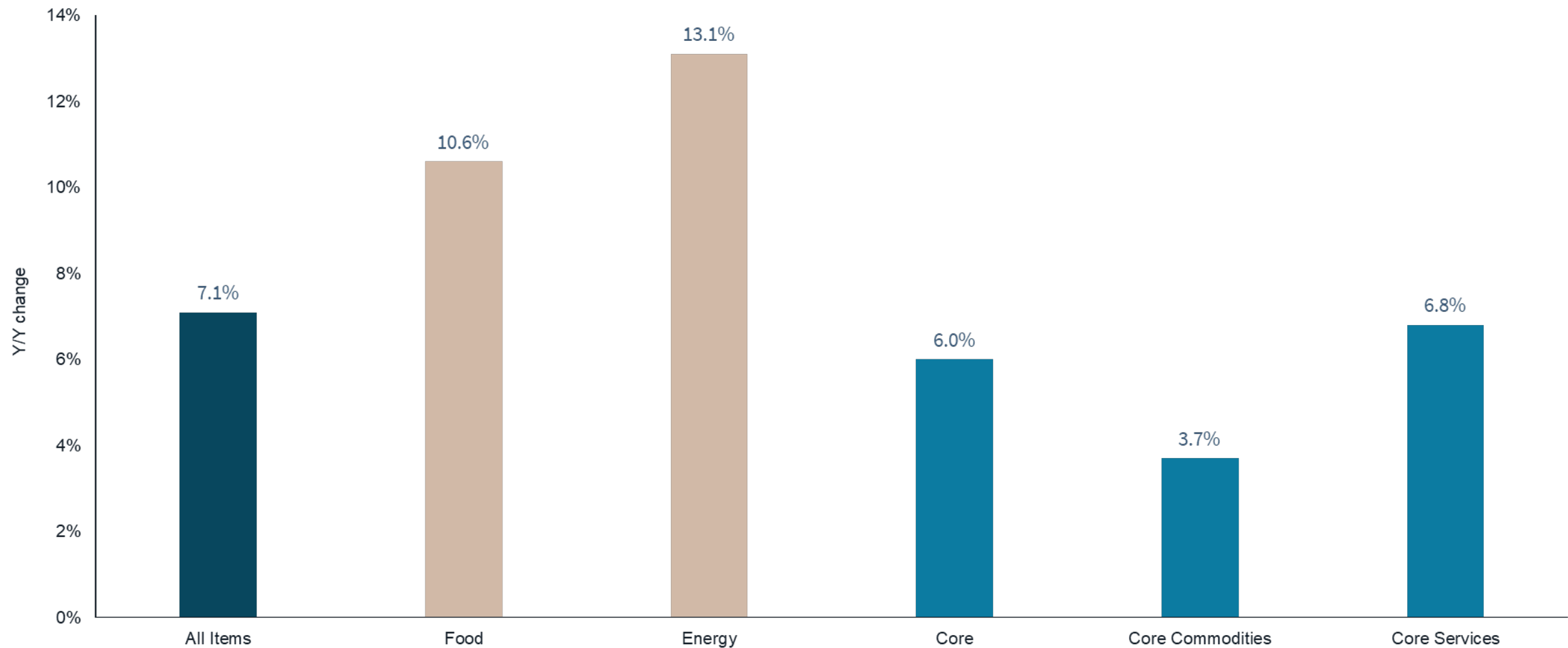
What about the inverted yield curve?



Alarming increase in credit card balances?

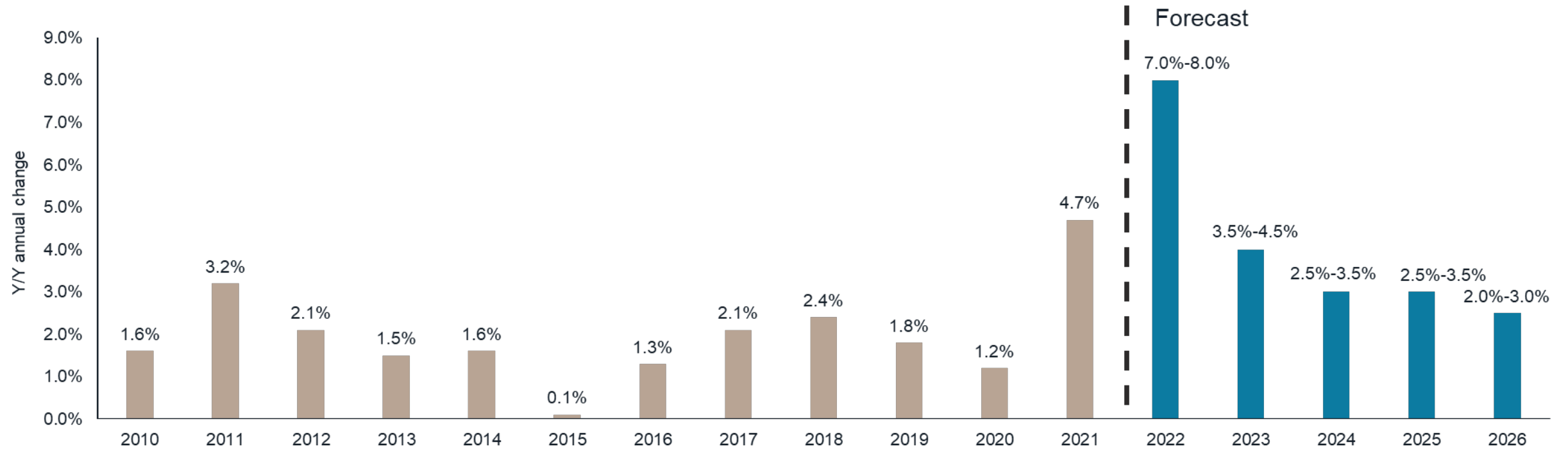


Inflation by key subcategory



The outlook

When will inflation peak? And why?

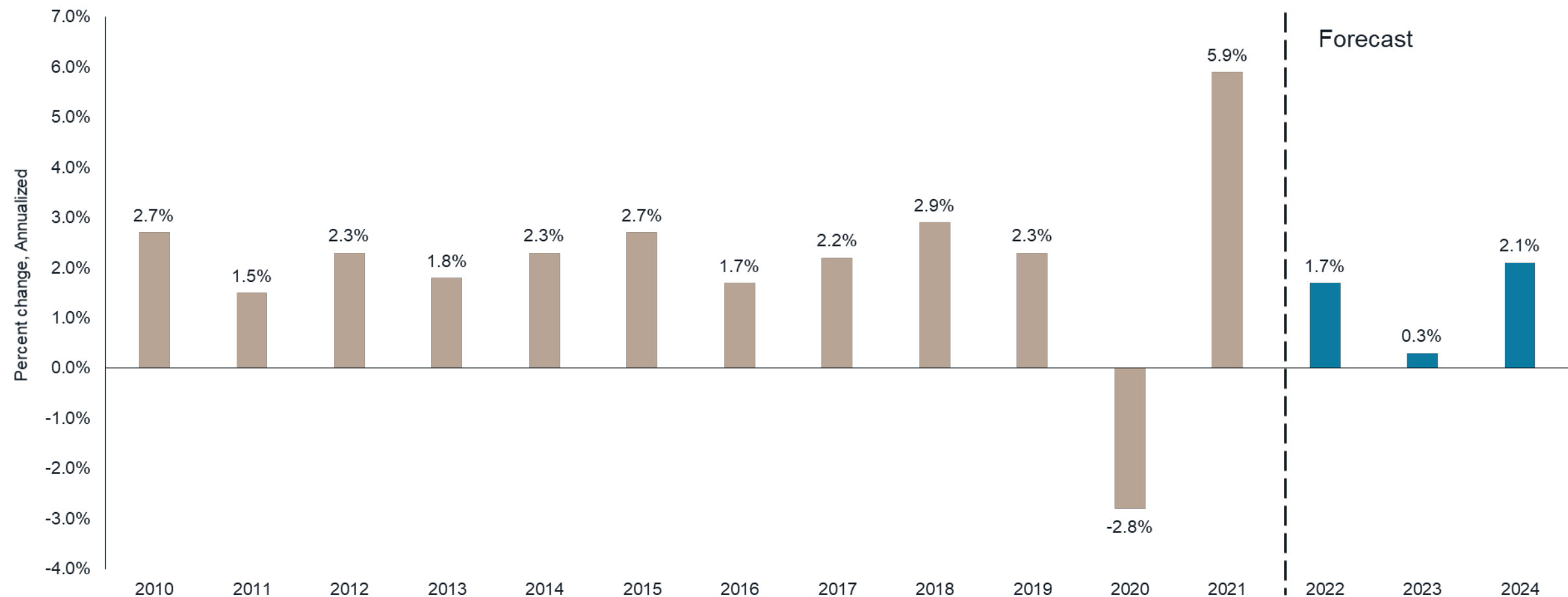


1. Drag from fading fiscal stimulus.
2. Higher interest rates restrain some consumption.
3. Release of pent-up demand and savings largely occurred.
4. Switch from goods to services consumption (stickier prices).

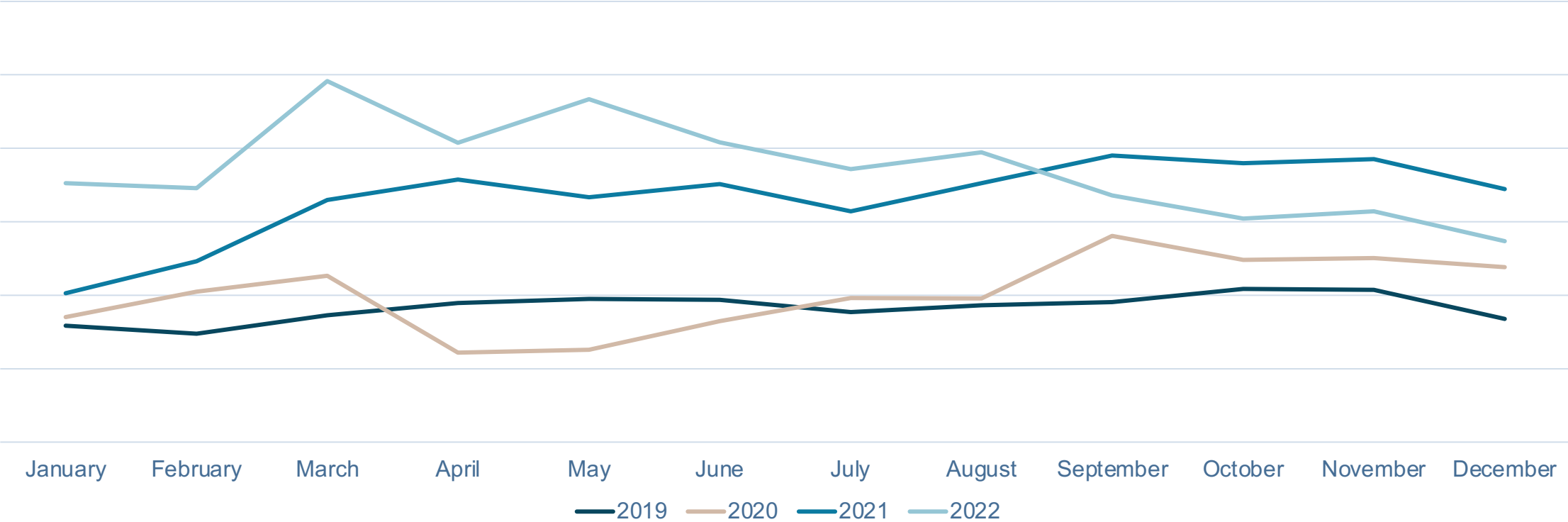
5. Wage growth easing a bit as labor participation increases.
6. Productivity growth offsets some wage growth.
7. Supply chain improvement over time.
8. Fewer impacts from geopolitical and pandemic disruptions.

9. Already seeing signs of slowing in core inflation/base effects.
10. Inflation is spiky.
11. Strong dollar reduces costs of imports.

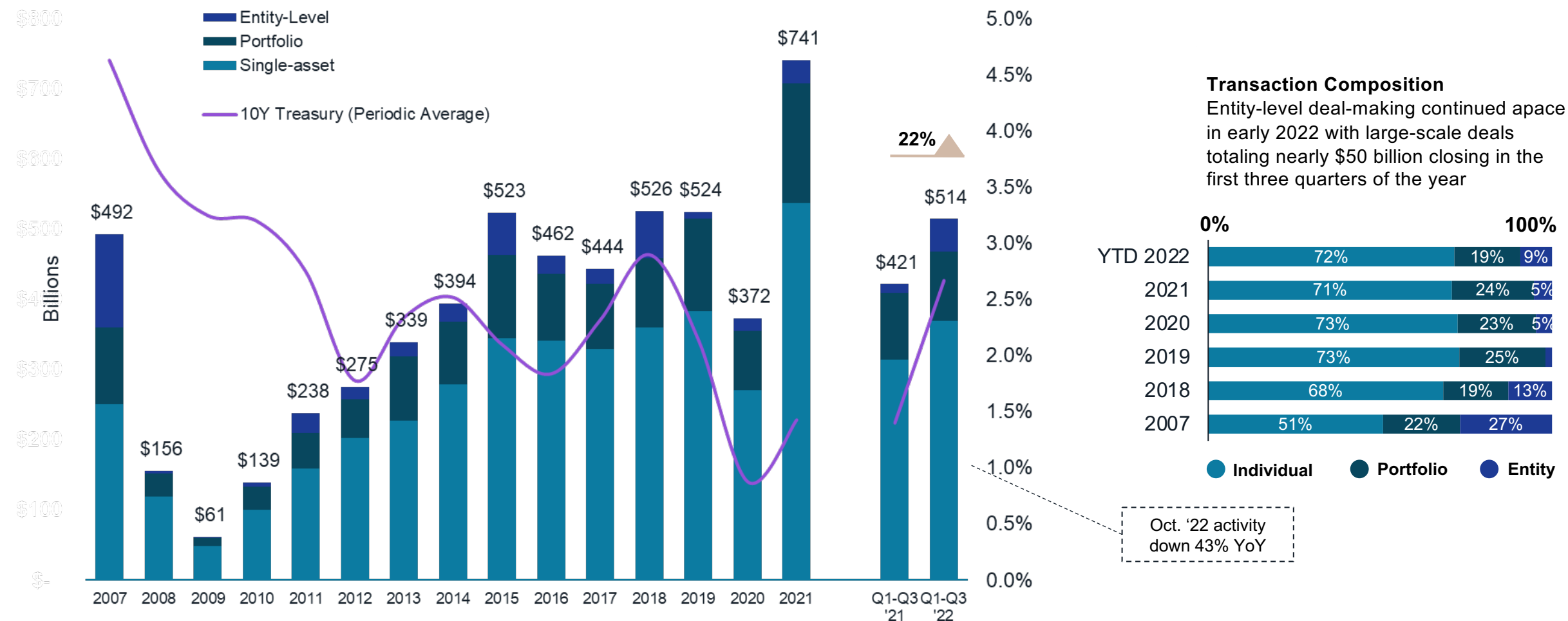
Economic growth – slowing amidst mounting headwinds



Orders by Month



Liquidity slows; interest rate impact is leading to re-pricing of transactions

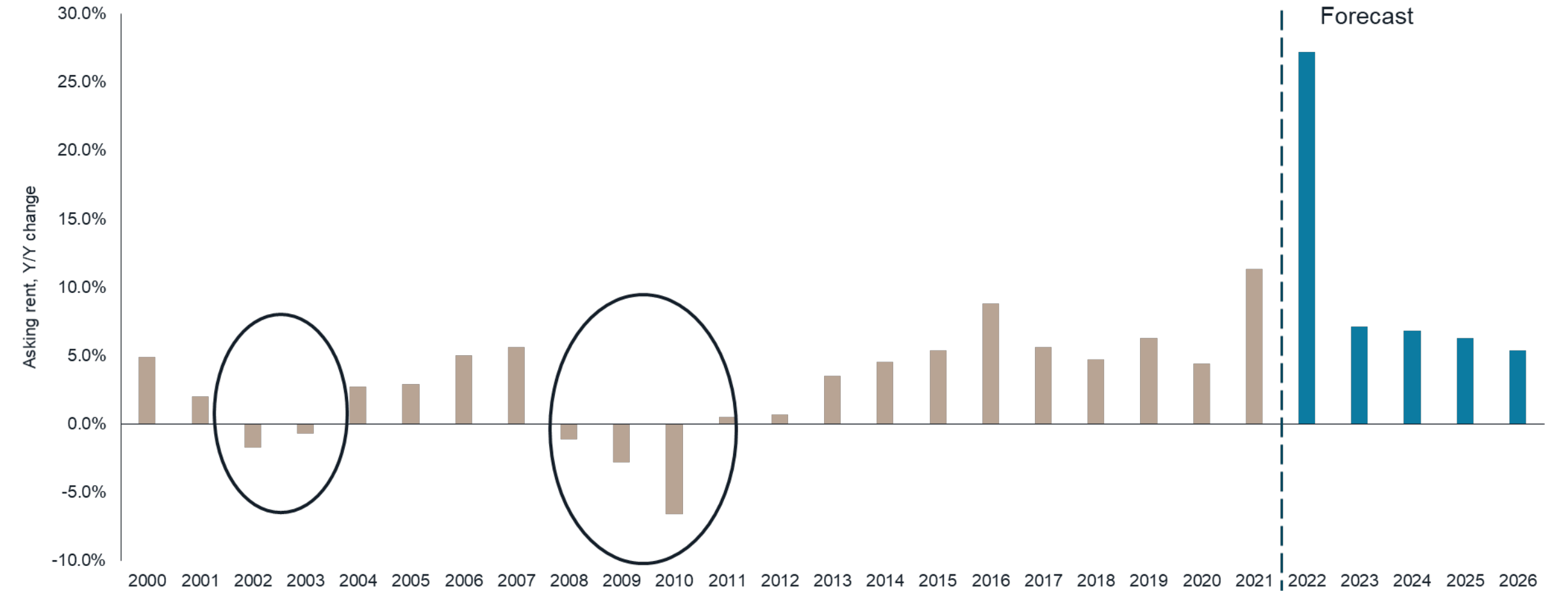


Source: JLL Research, Real Capital Analytics (transactions over \$5 million), Includes: Office, Industrial, Multi-housing, Retail, Seniors Housing and Hotels. Data includes recaps; excludes refinancing

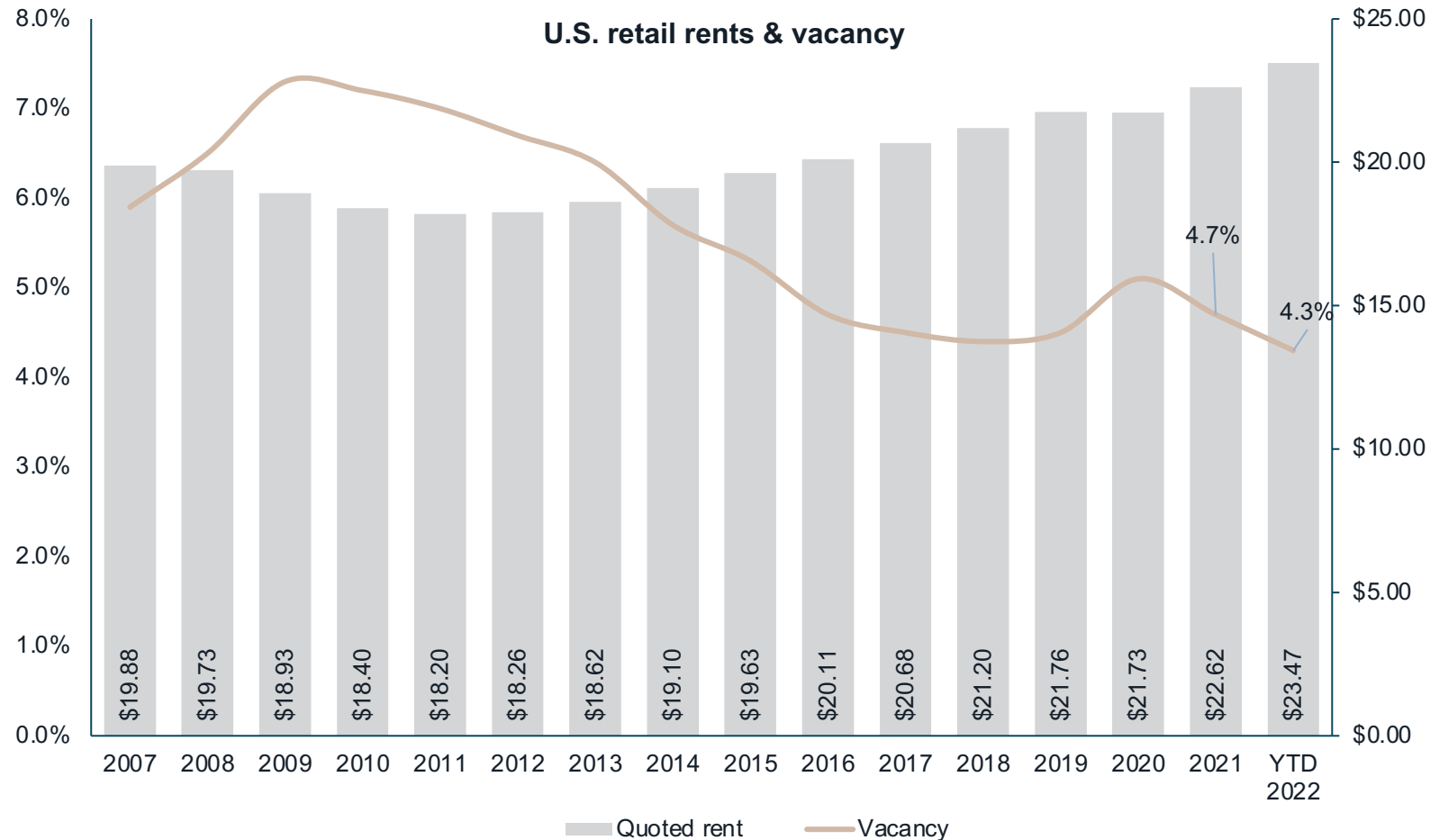
© 2022 Jones Lang LaSalle IP, Inc. All rights reserved.



Industrial outlook remains positive despite likely slowdown



Retail vacancy and rents show improvement from 2020

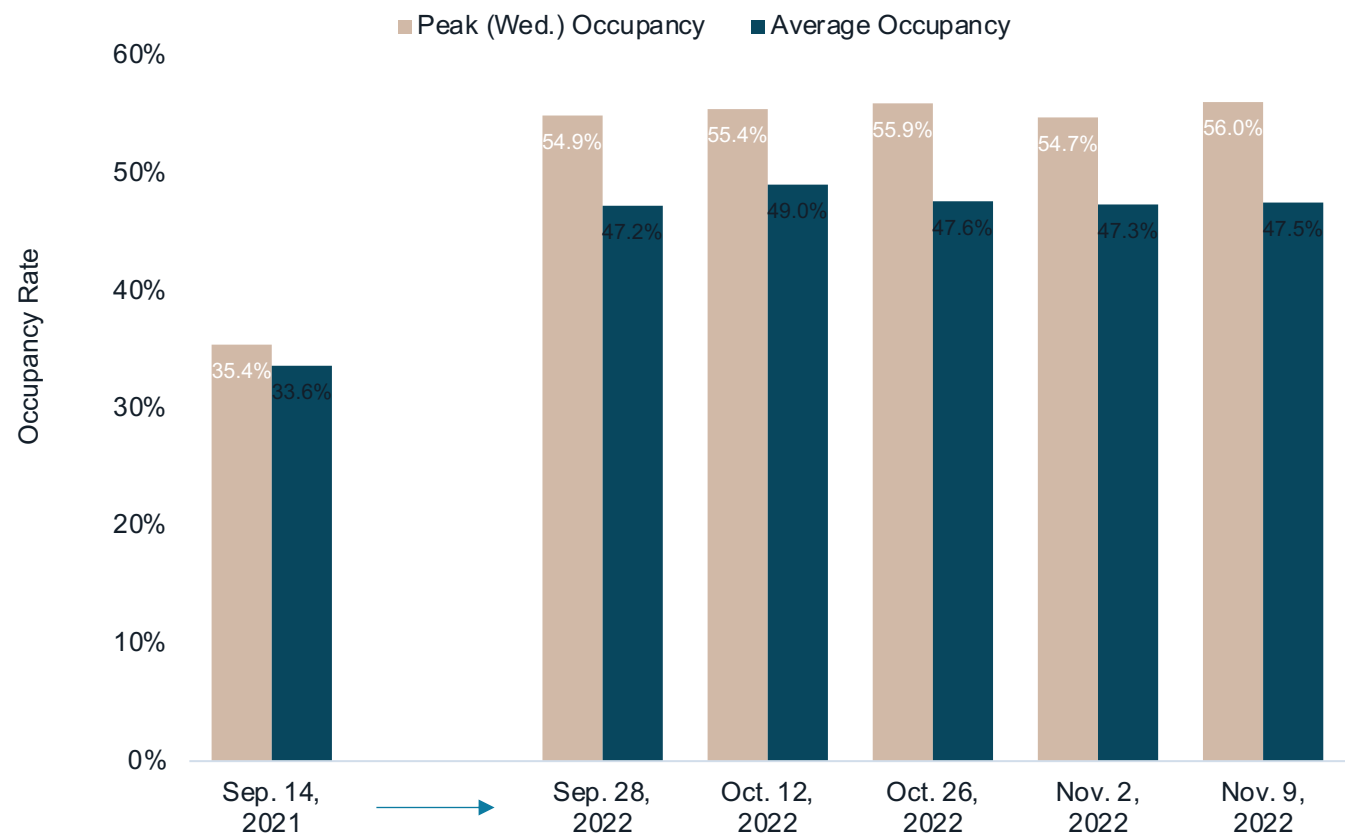


- Strong absorption throughout 2021 and 2022 pushes vacancy down to 4.3%, returning to pre-pandemic levels.
- Deliveries remain relatively low which has helped vacancy rates from rising sharply.

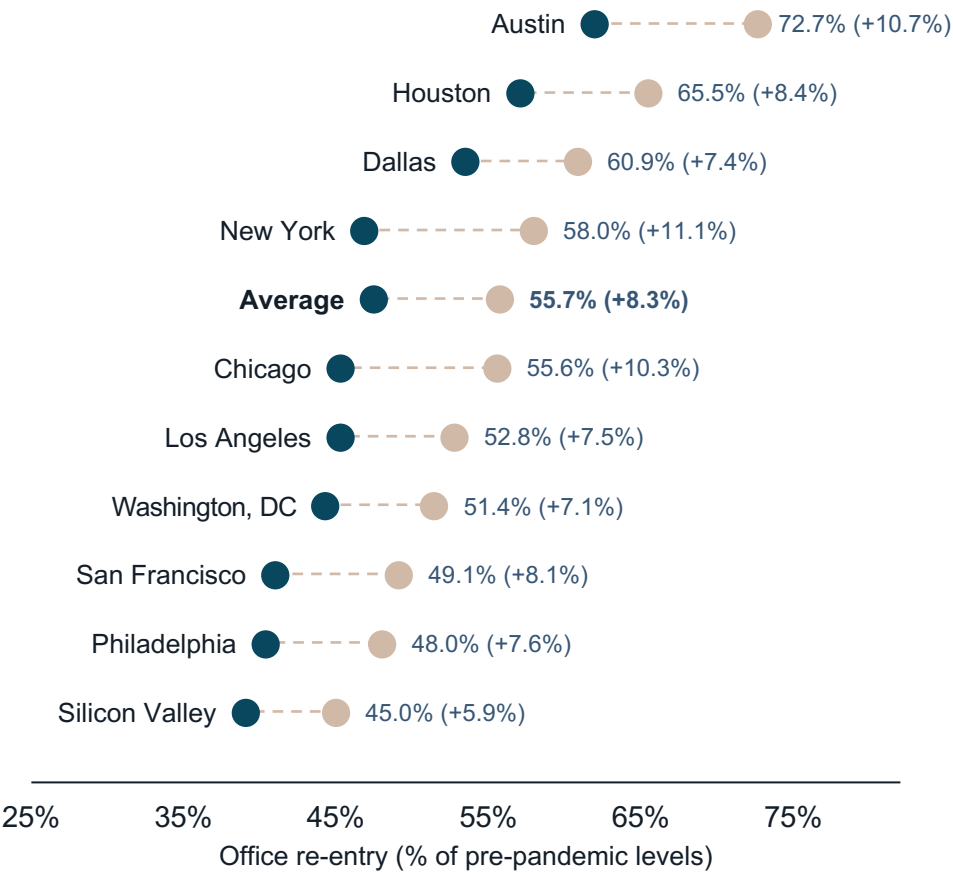
Source: CoStar, JLL Research

Hybrid mid-week crowding will limit footprint reduction

Spread between peak and average occupancy has grown from 2.0% in 2021 to 8.0% in 2022



Peak occupancy is over 10% higher in some markets



So what?



The good?

Momentum heading into any downturn should mitigate its impacts.



The bad?

Policy is likely to present a headwind to growth if not a cause of any downturn.



The ugly?

Some indicators might not be as ugly as they seem at first blush, but still warrant watching.

Thank you

Ryan Severino, CFA
JLL Chief Economist



rseverino_CRE



Ryan Severino

jll.com/research



JLL SEE A BRIGHTER WAY

Disclaimer

The information contained in this document is proprietary to Jones Lang LaSalle and shall be used solely for the purposes of evaluating this proposal. All such documentation and information remains the property of Jones Lang LaSalle and shall be kept confidential. Reproduction of any part of this document is authorized only to the extent necessary for its evaluation. It is not to be shown to any third party without the prior written authorization of Jones Lang LaSalle. All information contained herein is from sources deemed reliable; however, no representation or warranty is made as to the accuracy thereof.



QUESTIONS?



An Economic Outlook for 2023:
THE FORECAST FOR CRE

UPCOMING WEBINARS

January 18



**ERIS' New Report
Authoring Platform:
SCRIVA**

February 23



The Role of **CLIMATE
RISK ASSESSMENT** in
Environmental Due Diligence

THANK YOU

FOR JOINING US



An Economic Outlook for 2023:
THE FORECAST FOR CRE