

Housing and Commercial Real Estate Chartbook

Chartbook Webinar

November 2023

Jeff Dicks
Co-Chief Investment Officer
Gherman Howell
Senior Analyst

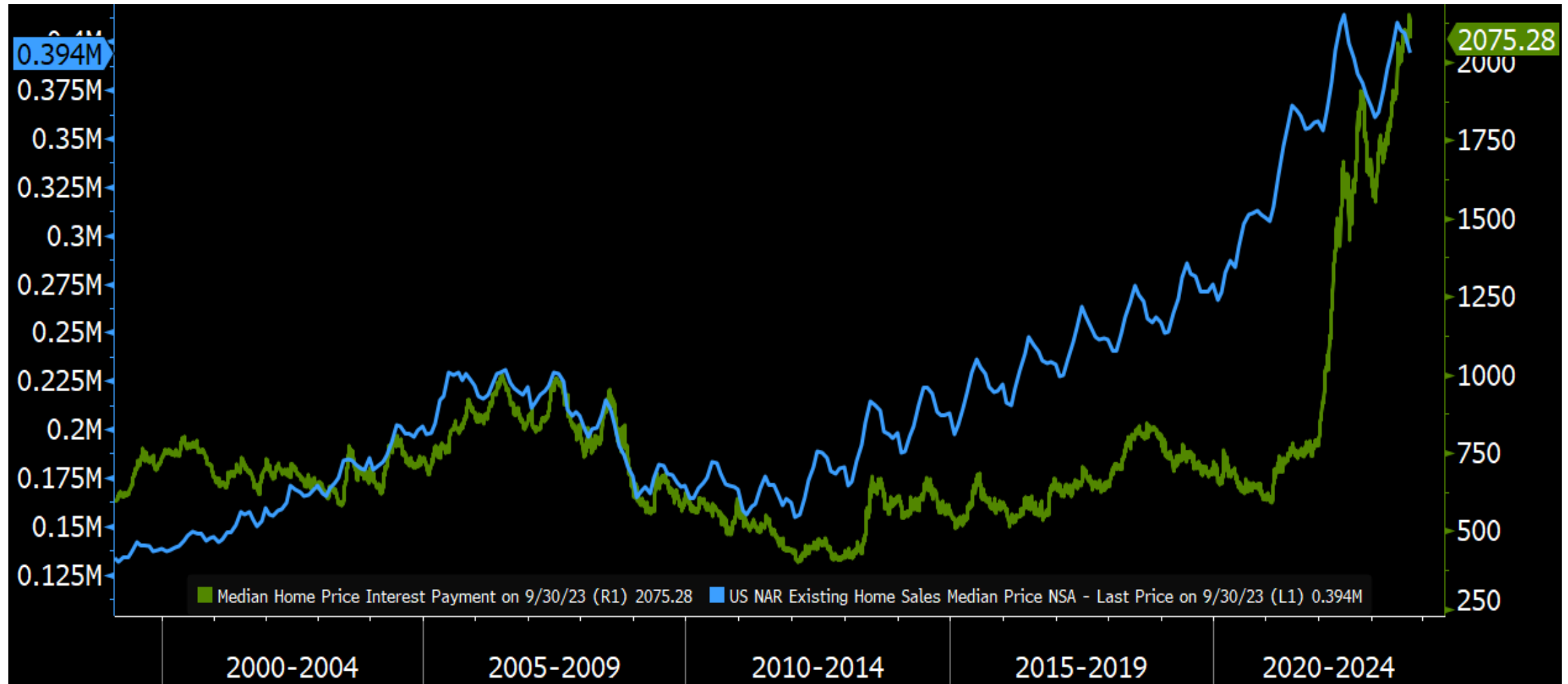


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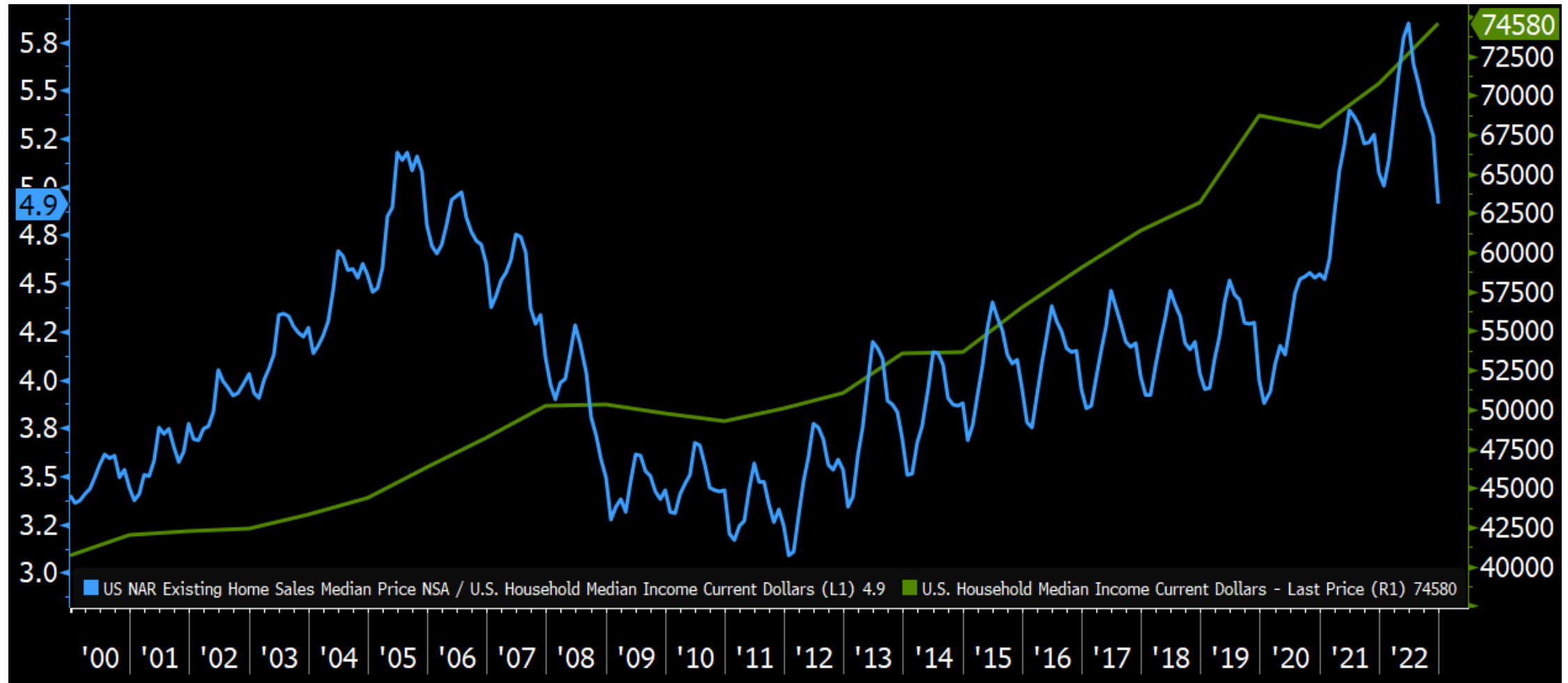
Housing Affordability and 30-Year Mortgage Rate



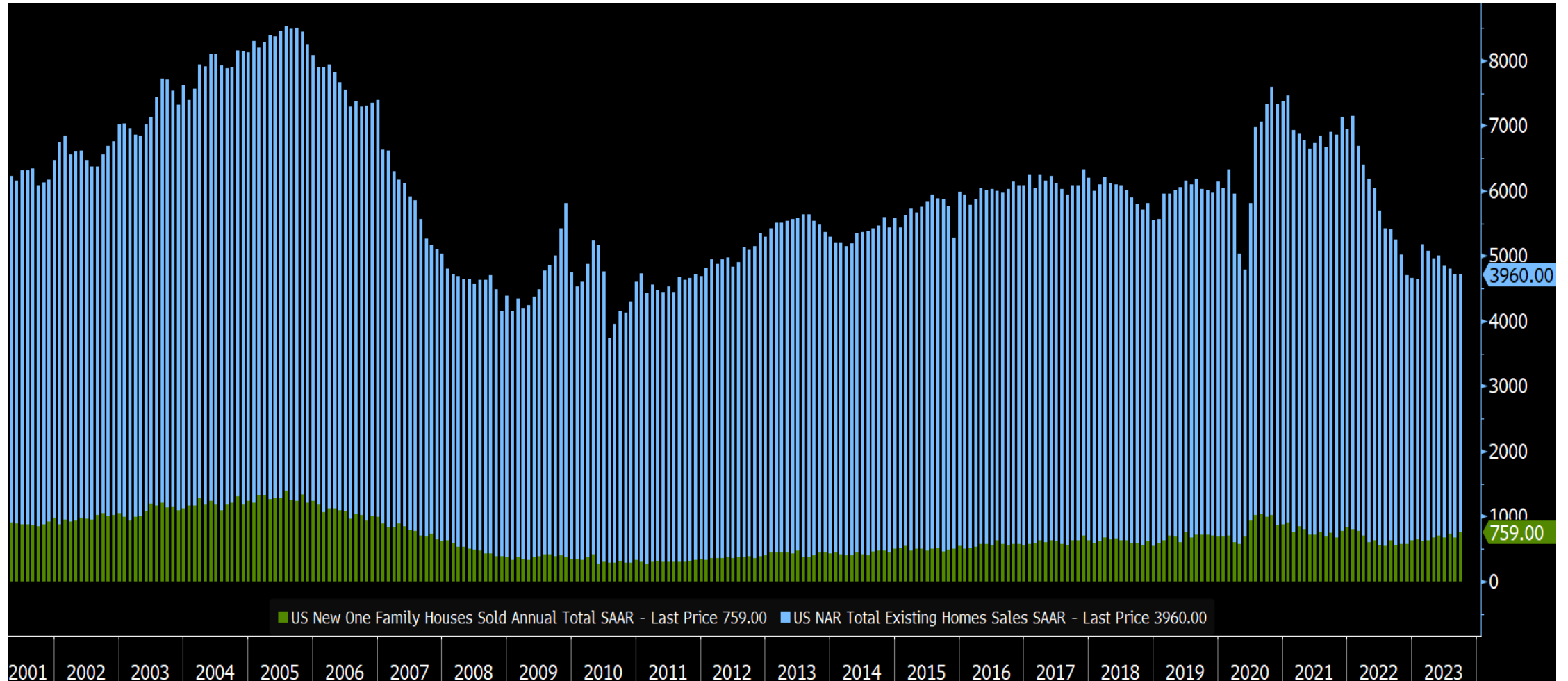
Median Home Price and Monthly Interest Cost



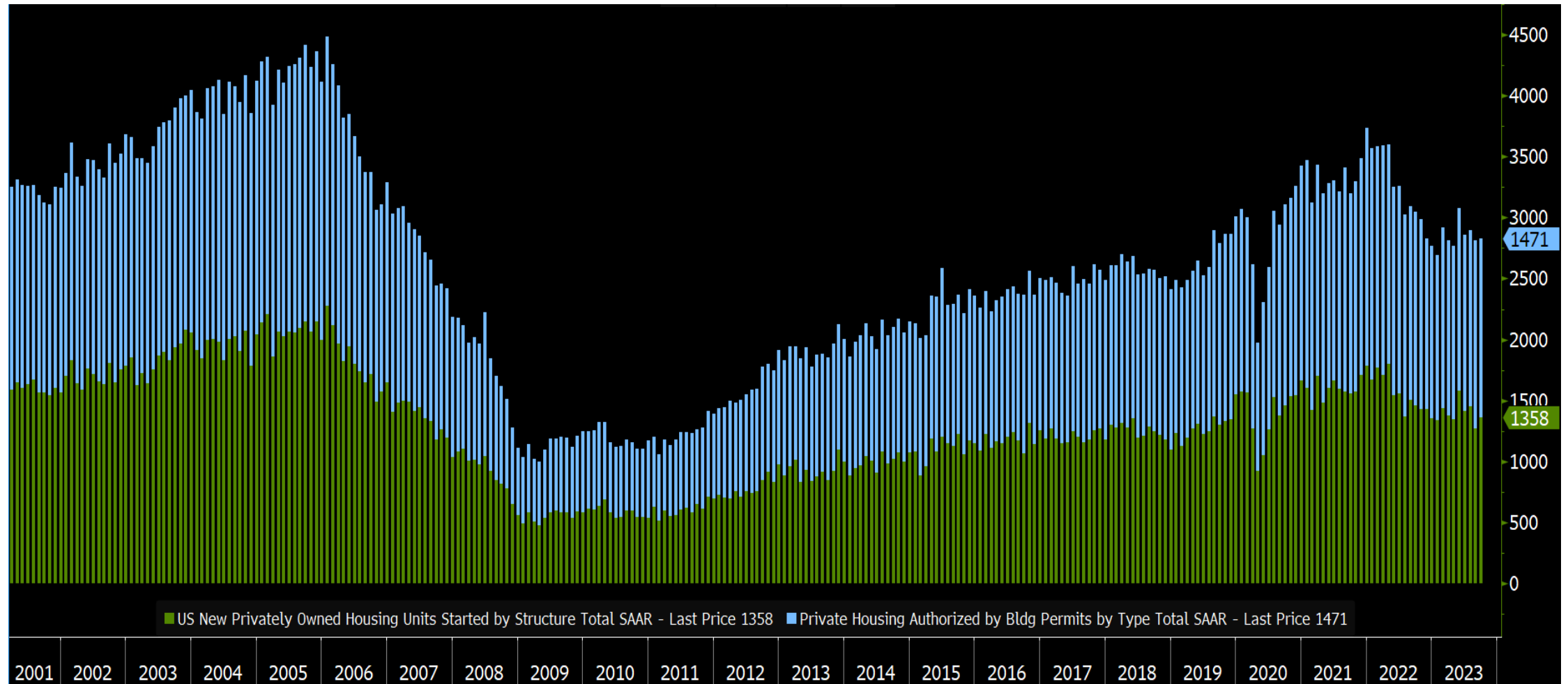
Median Home Price Relative to Median Income



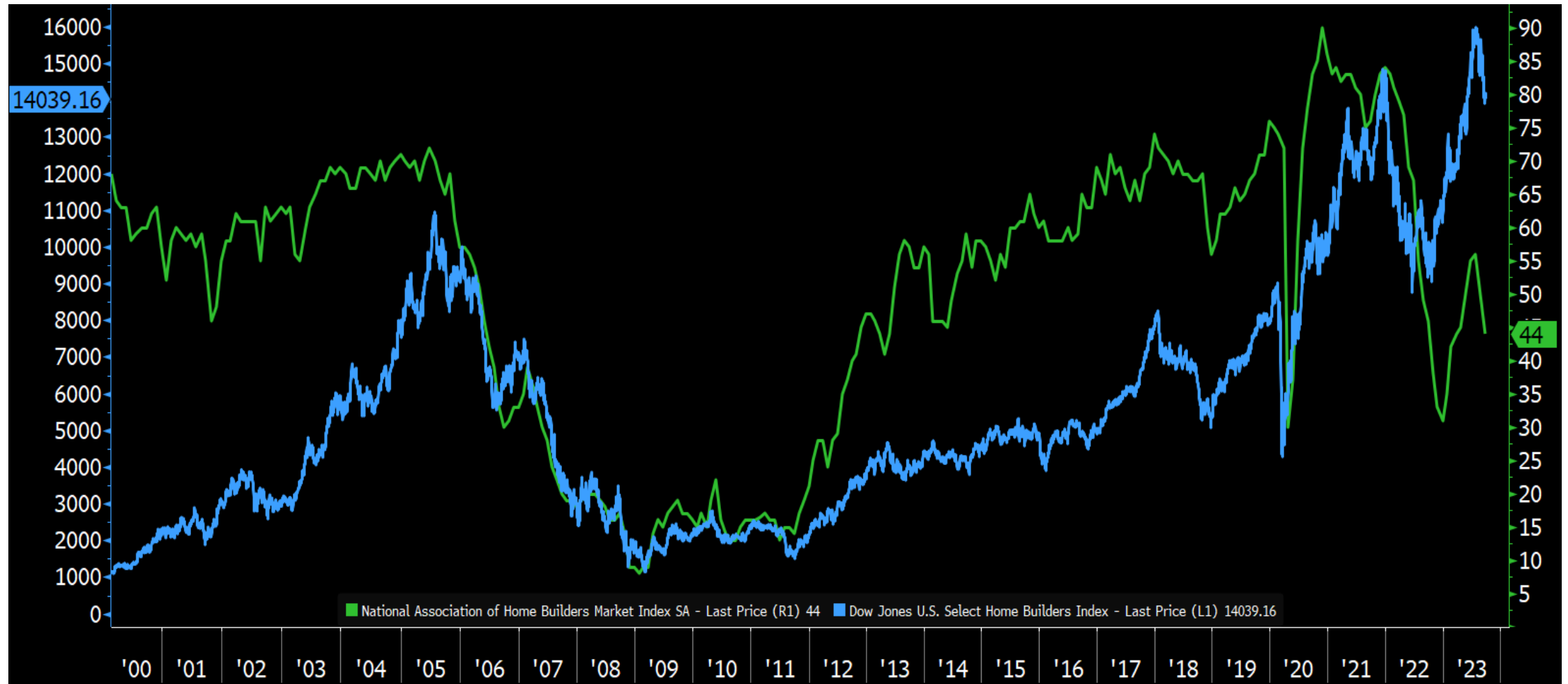
Housing Market Activity – Existing Home Sales and New Home Sales



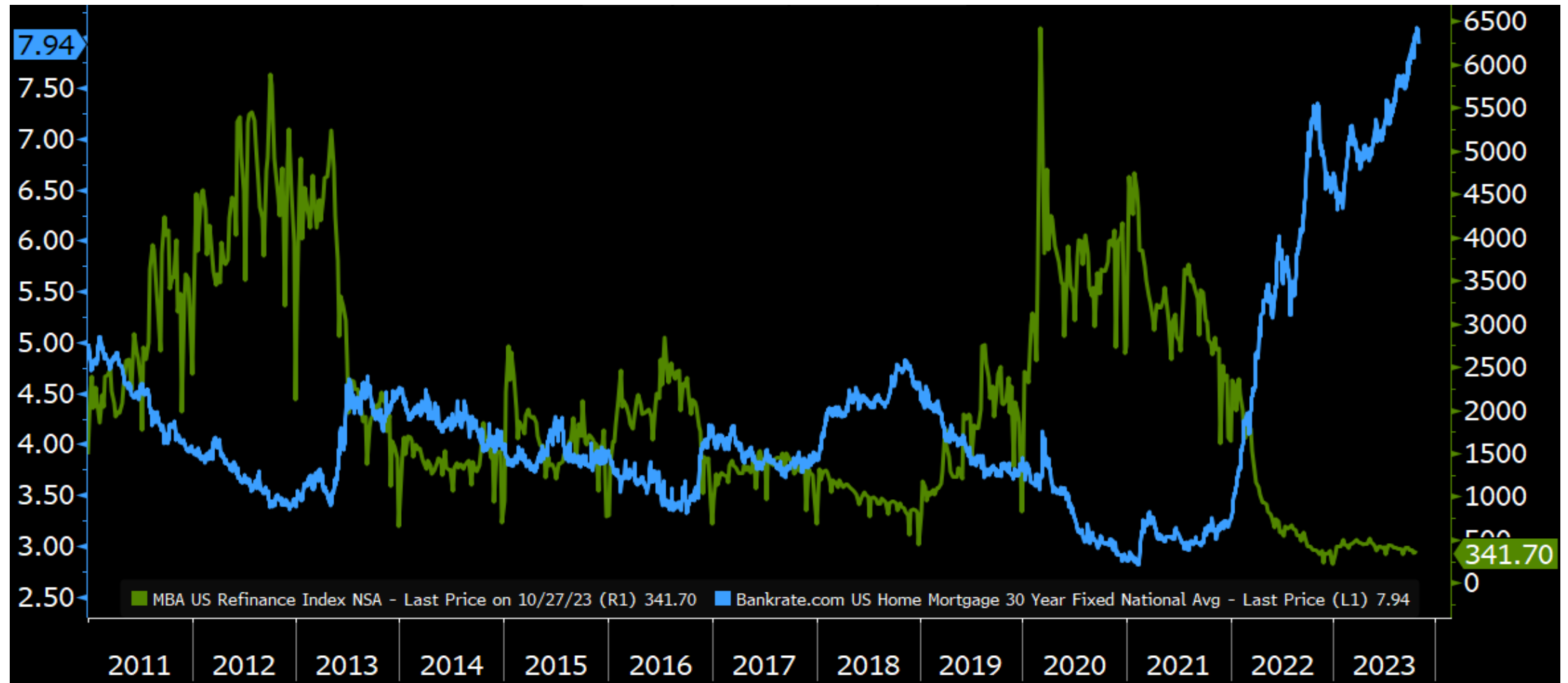
Housing Market Activity – Housing Starts and Building Permits



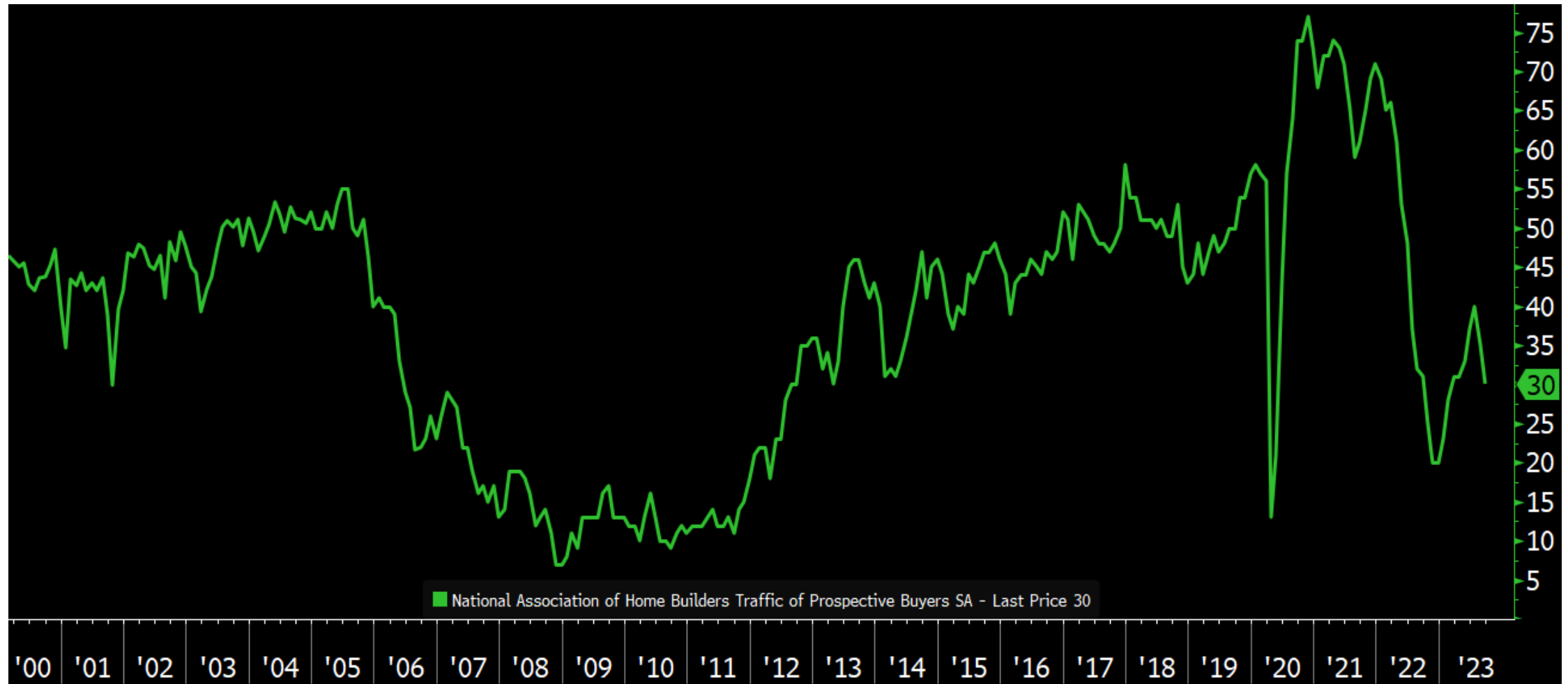
Homebuilder Sentiment and Home Builder Stock Index



Mortgage Rates and Number of Mortgage Refinances



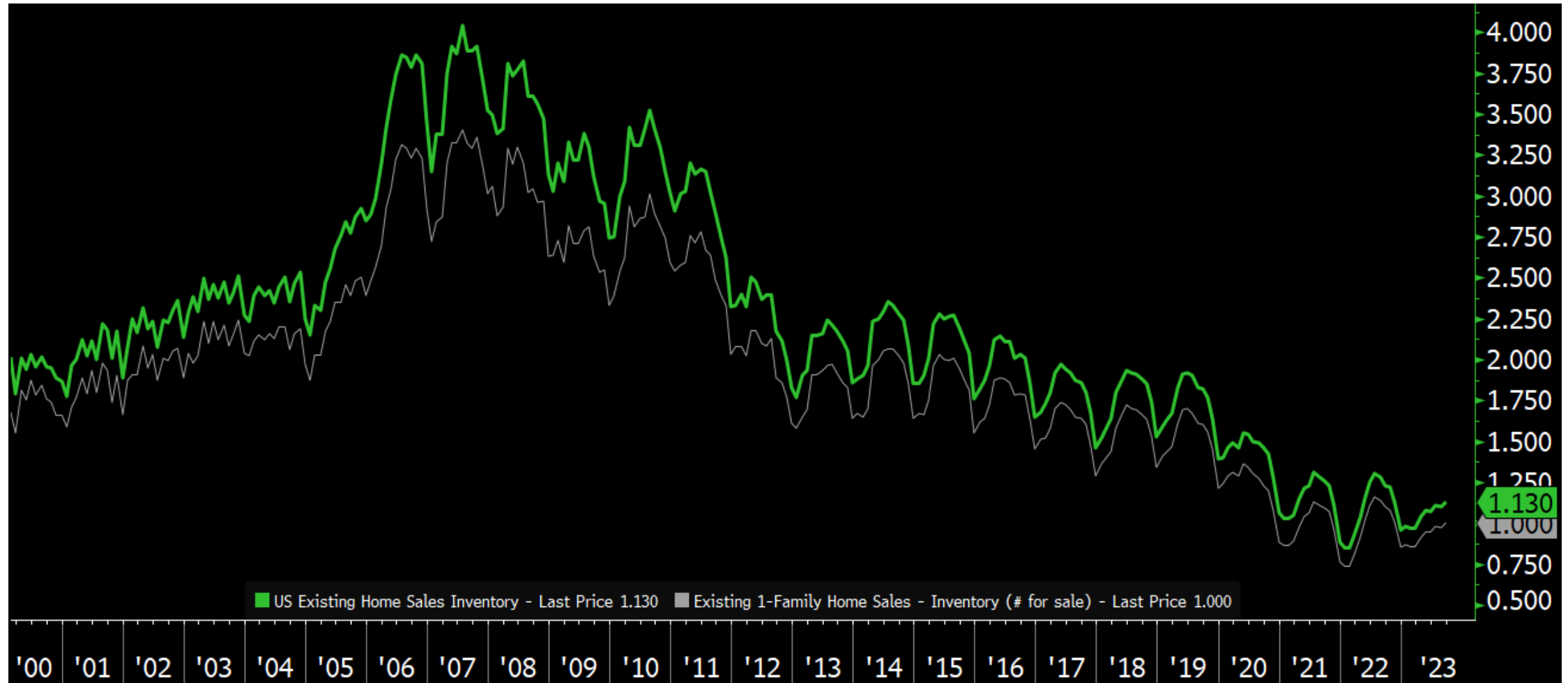
National Association of Home Builders Buyer Traffic



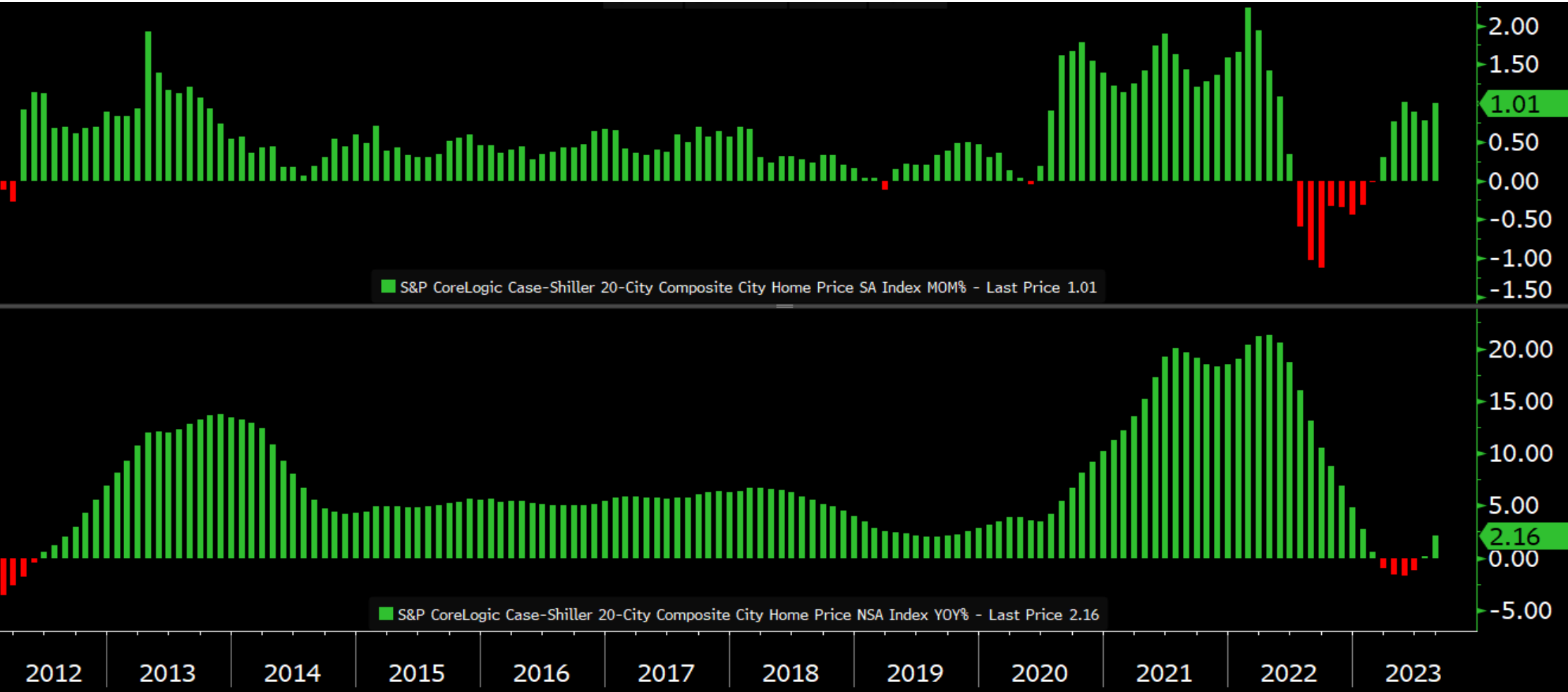
Real Estate Marketplace Stocks



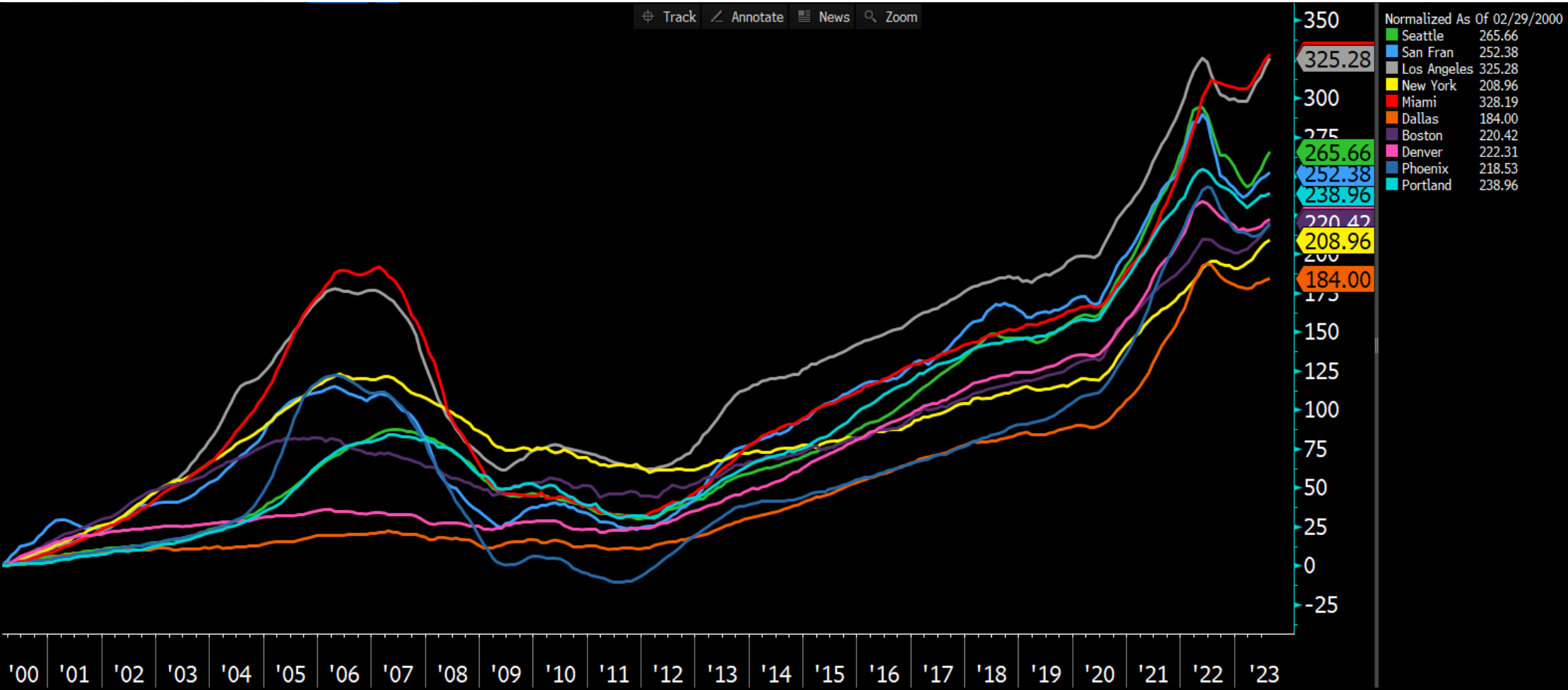
Inventory Levels



Case Shiller Home Price Index Month-over-Month (top) and Year-over-Year (bottom)



Case Shiller Home Price Change By City

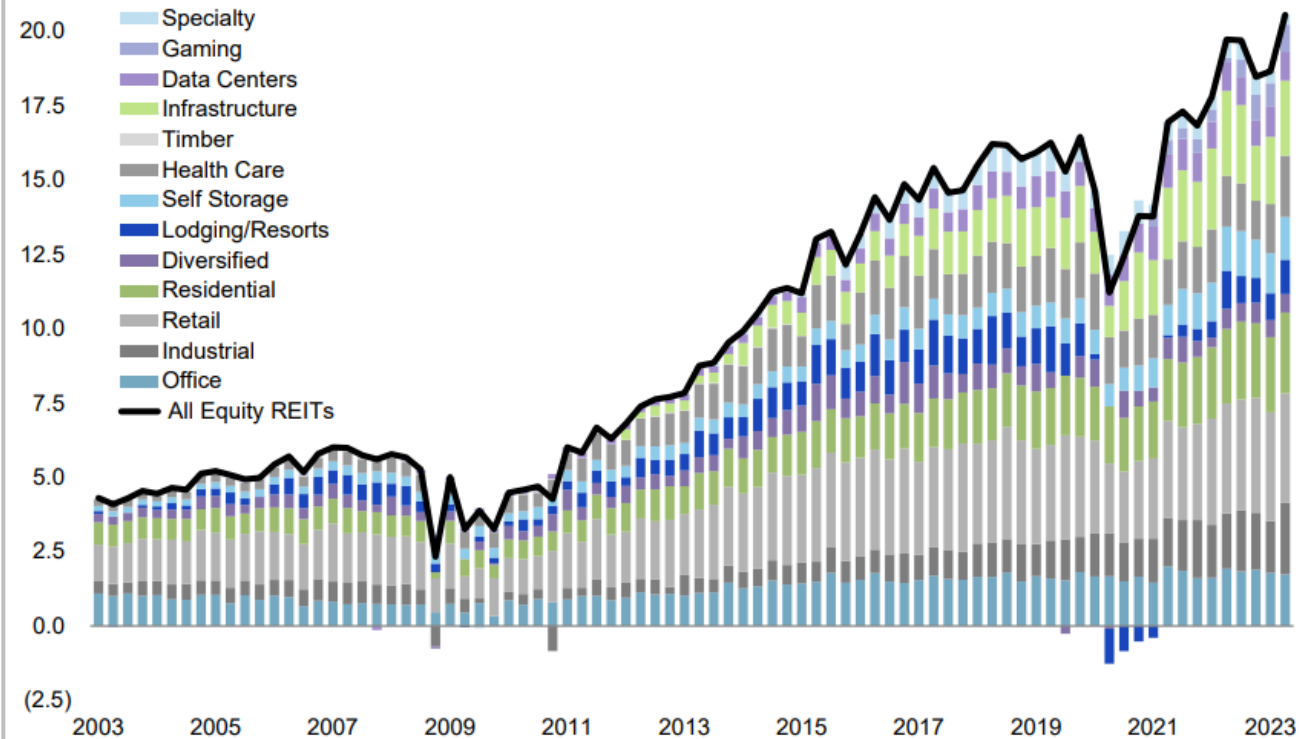


REIT Breakdown by Property Type

Funds from Operations

All listed U.S. equity REITs

Billions of dollars



Source: S&P Capital IQ Pro, Nareit T-Tracker®. Data as of 2023:Q2.

Gaming was introduced as a new sector in FTSE Nareit indexes as of 2023:Q2. Results have been recomputed back through 2021:Q1.

Nareit.

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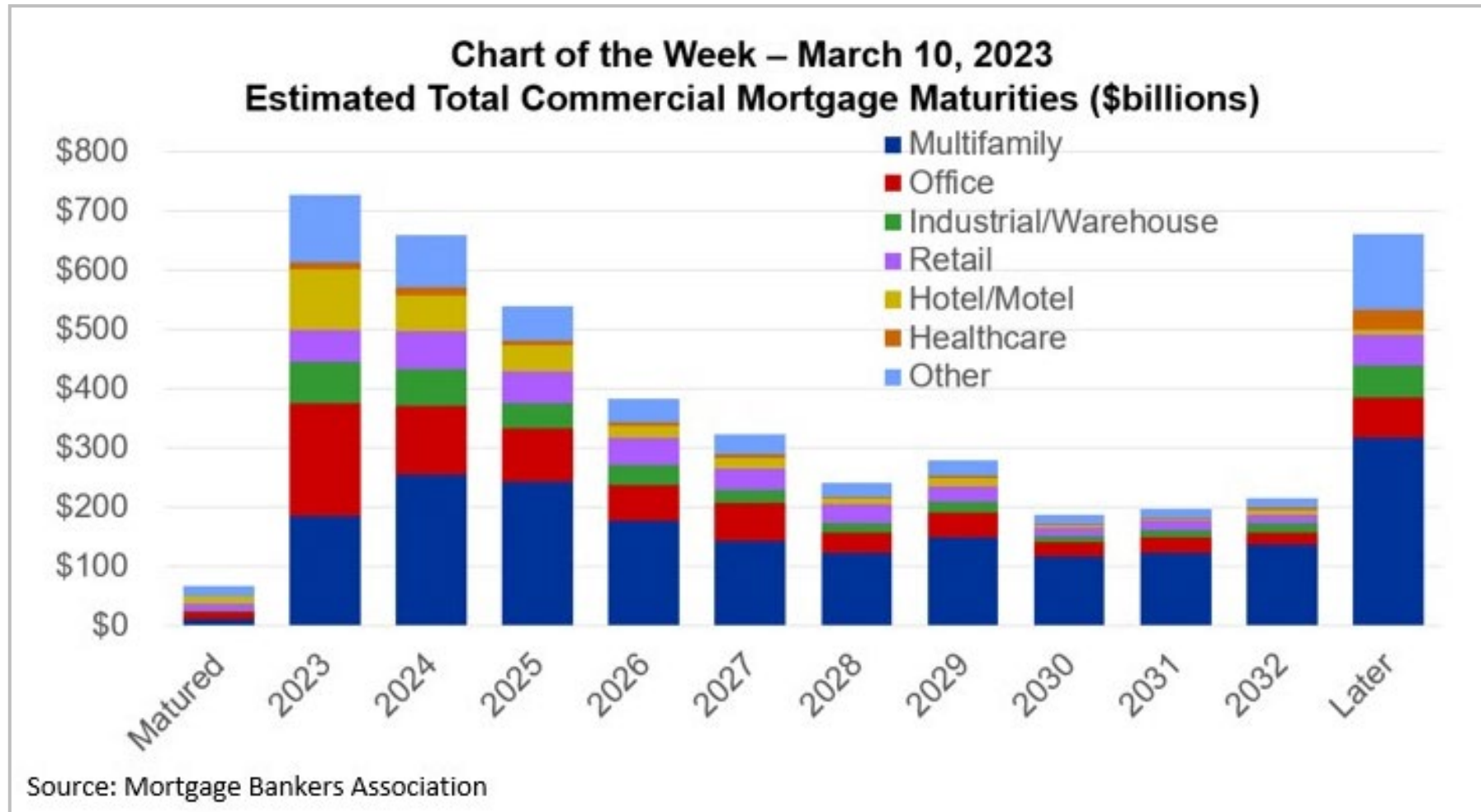
Dow Jones REIT Index Down 29.5% from 2021 Peak



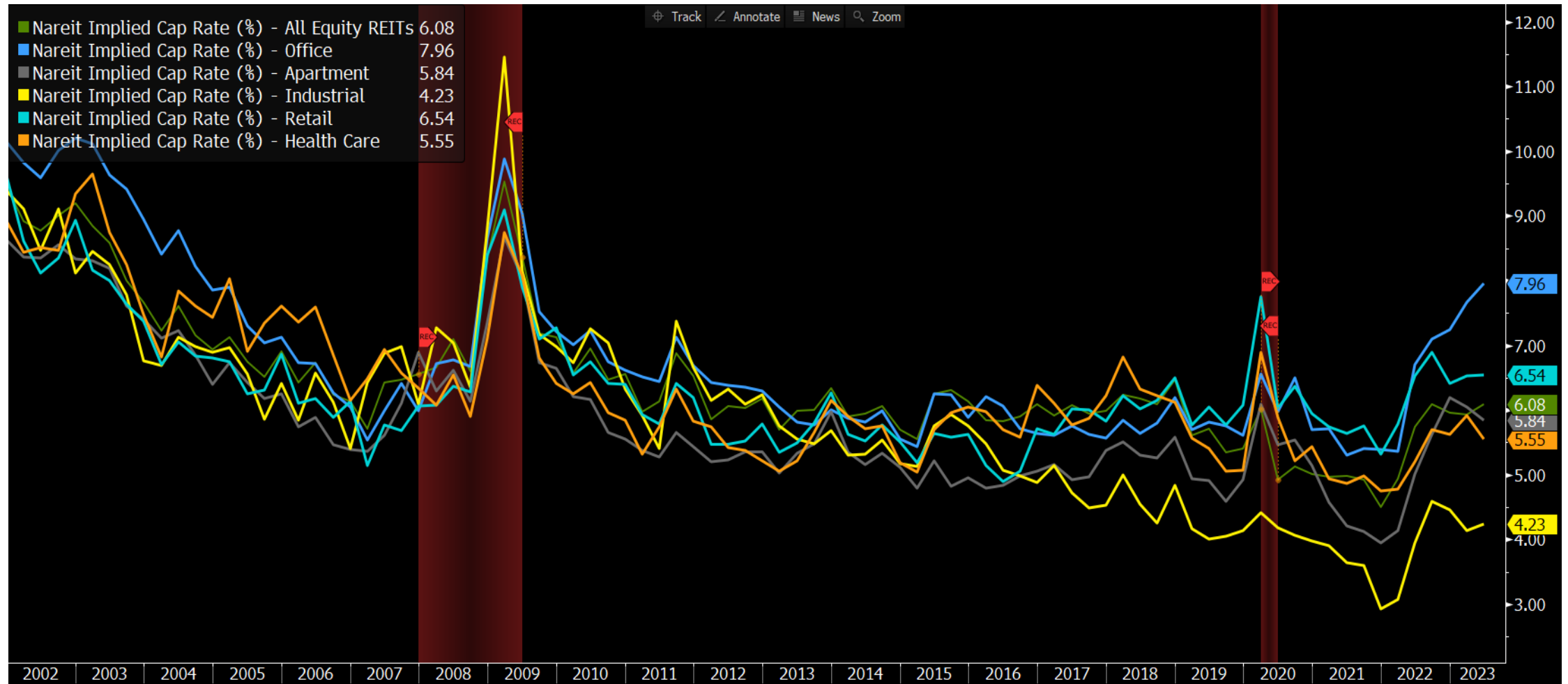
Commercial Mortgages Have Sold off Sharply



Commercial Real Estate Re-Finances Significant over Next Couple of Years



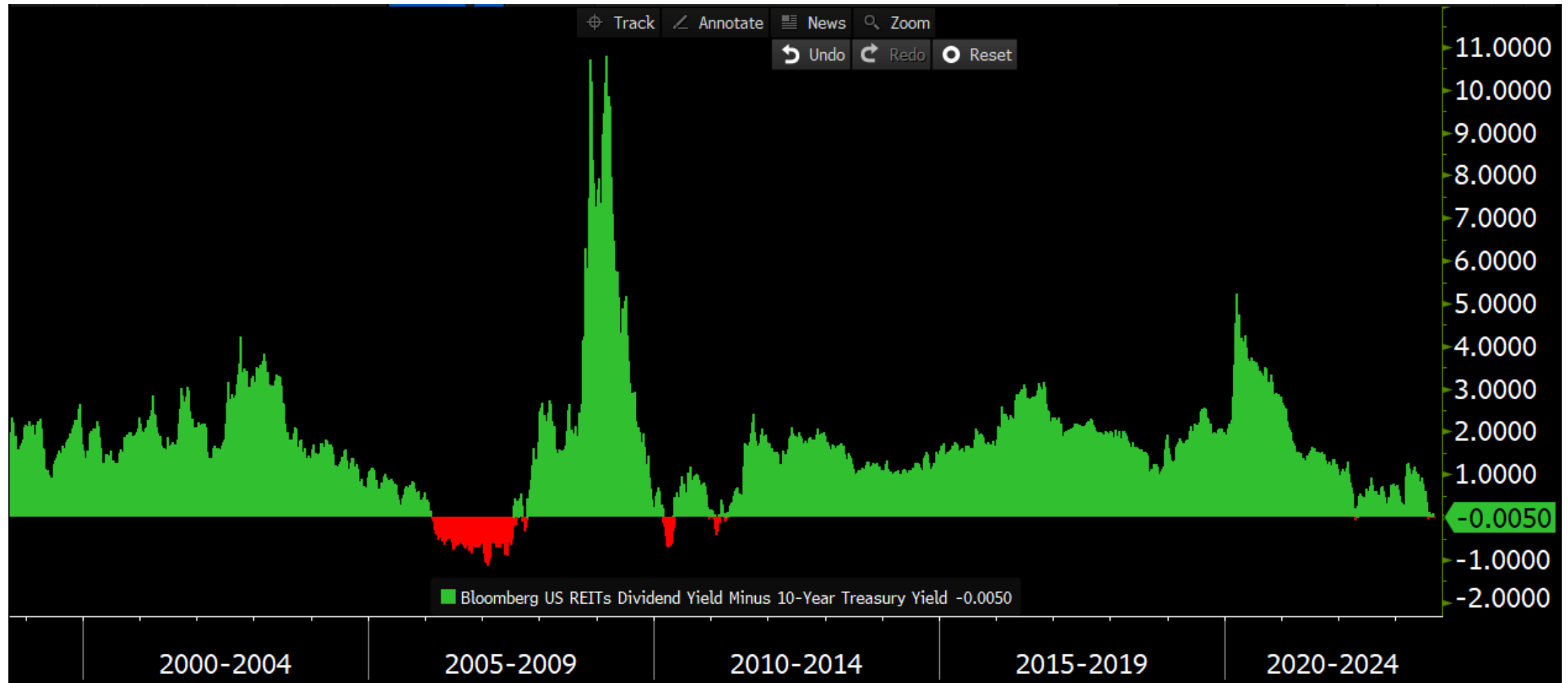
Cap Rates Have Accordingly Moved up Sharply



Absolute Valuations Looks Interesting



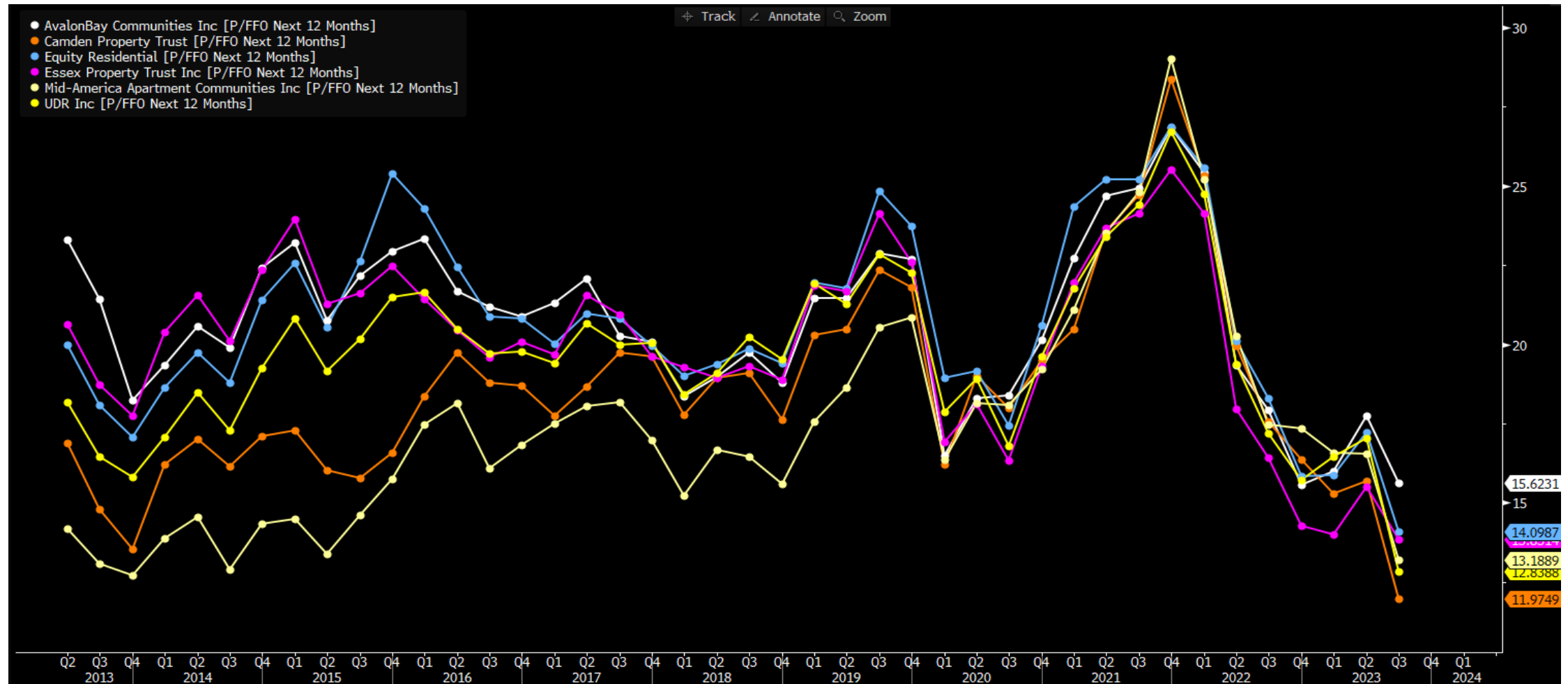
Although REIT Dividend Yields Low vs. Interest Rates



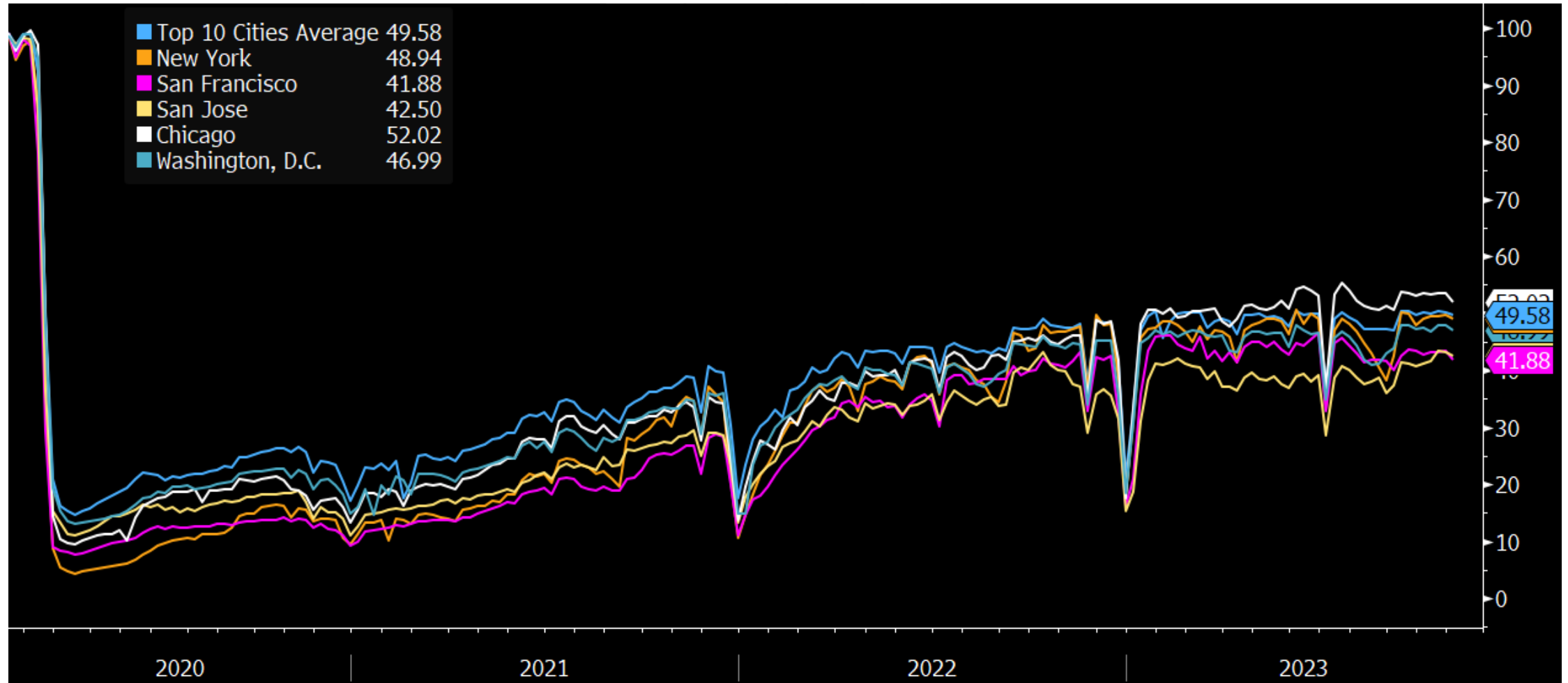
We Like Adding to Apartment REIT's



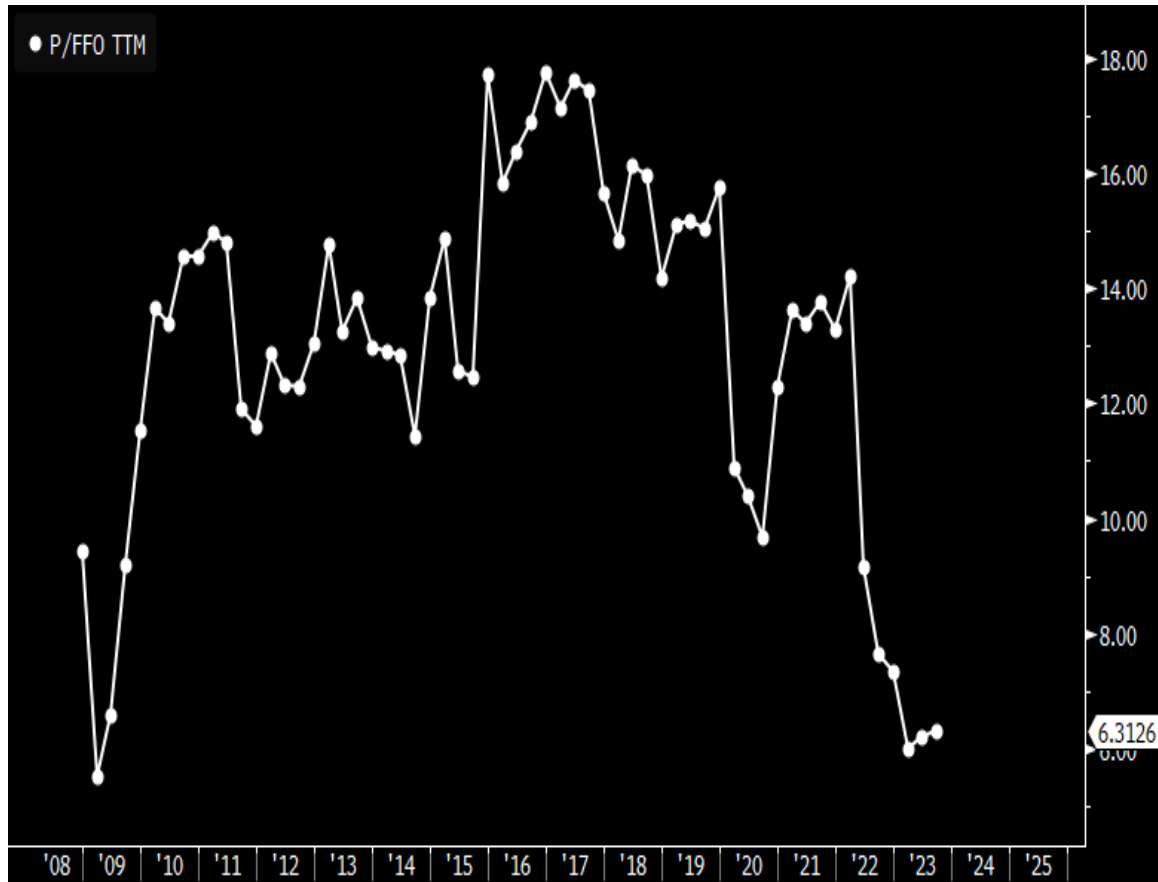
Apartment REIT Valuations Cheap



Office REITs – Commercial Property Utilization

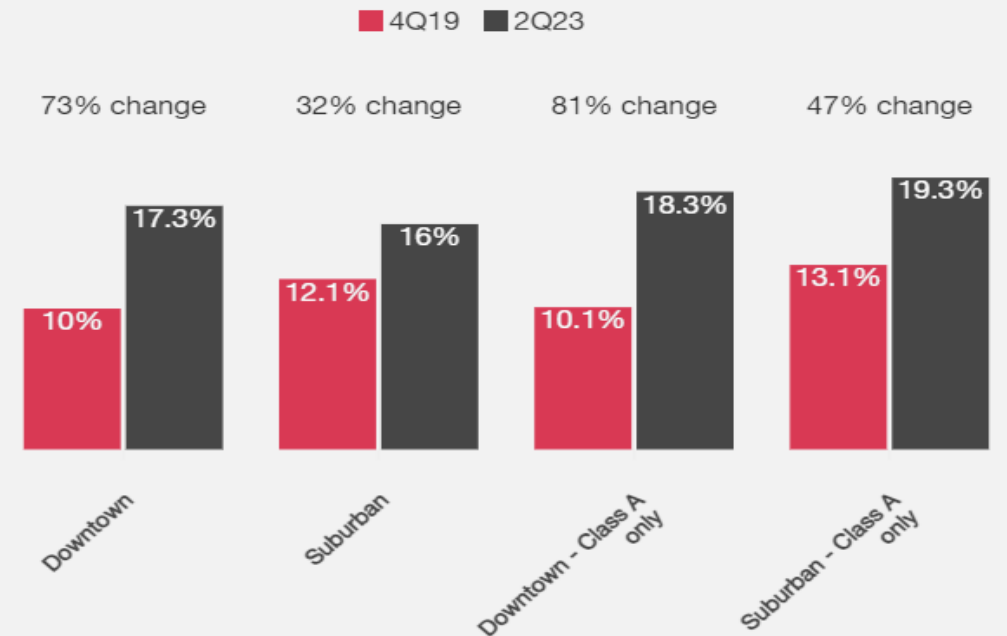


Office REITs – Valuation Compelling, but likely a Value Trap



Direct Office Vacancy Rate

Downtown vs Suburban

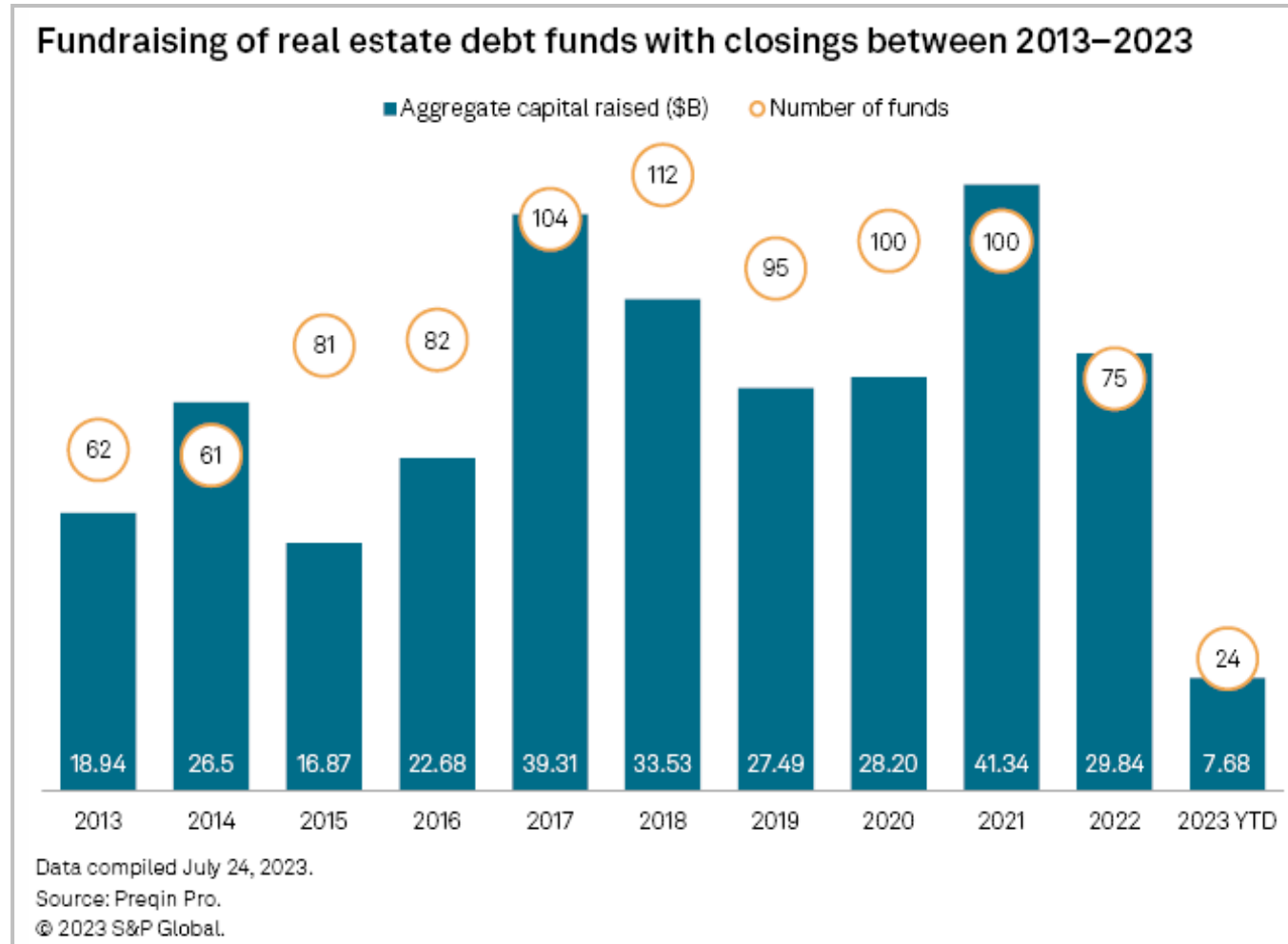


Sources: Nelson Economics analysis of Colliers International data

WeWork an Example of How Ugly It Can Get

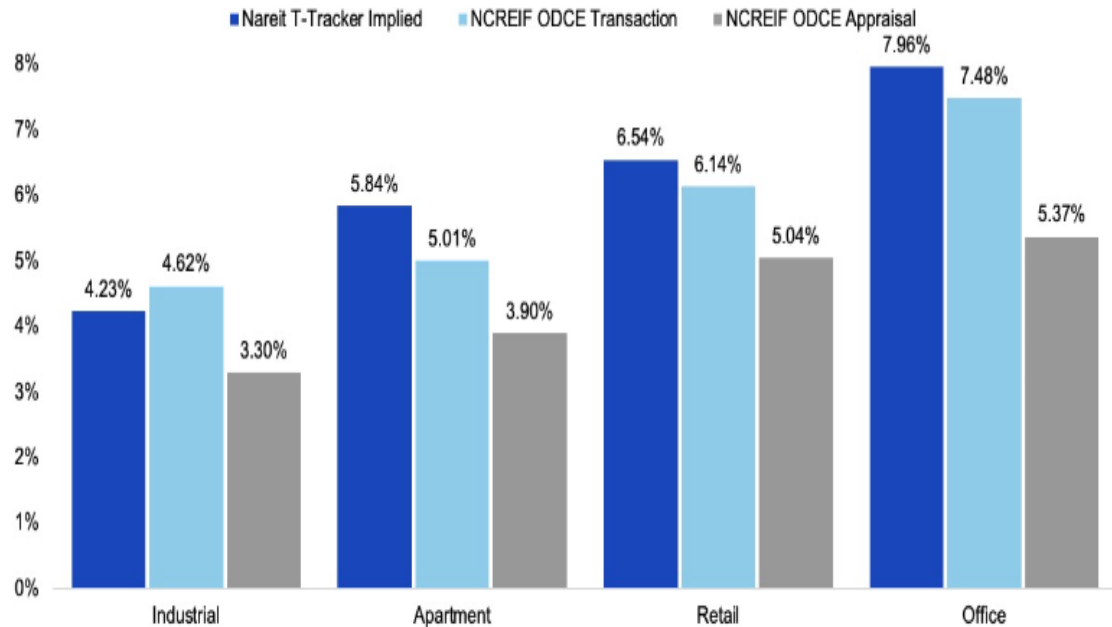


There Will be Fantastic Opportunities in Private Real Estate



Investors with Capital will be Rewarded Over the Next Few Years

Public and Private Type Cap Rates



Sources: Nareit; NCREIF. *Cap rates reflect 2023:Q2 data ex Retail and Office transaction cap rates which reflect 2023:Q1 data.

Nareit.

Gap between buyers' and sellers' price expectations on U.S. multifamily apartment deals



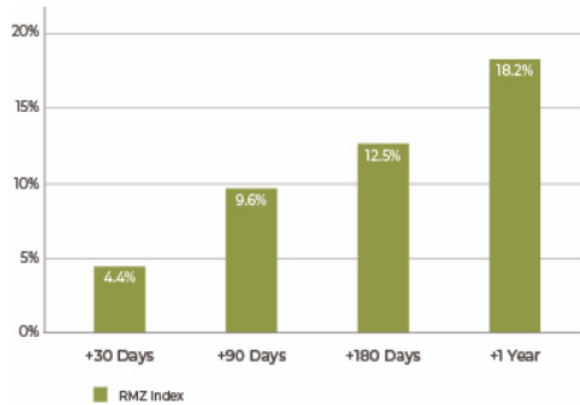
Source: MSCI

Overall REITs Will Benefit if Rates Normalize

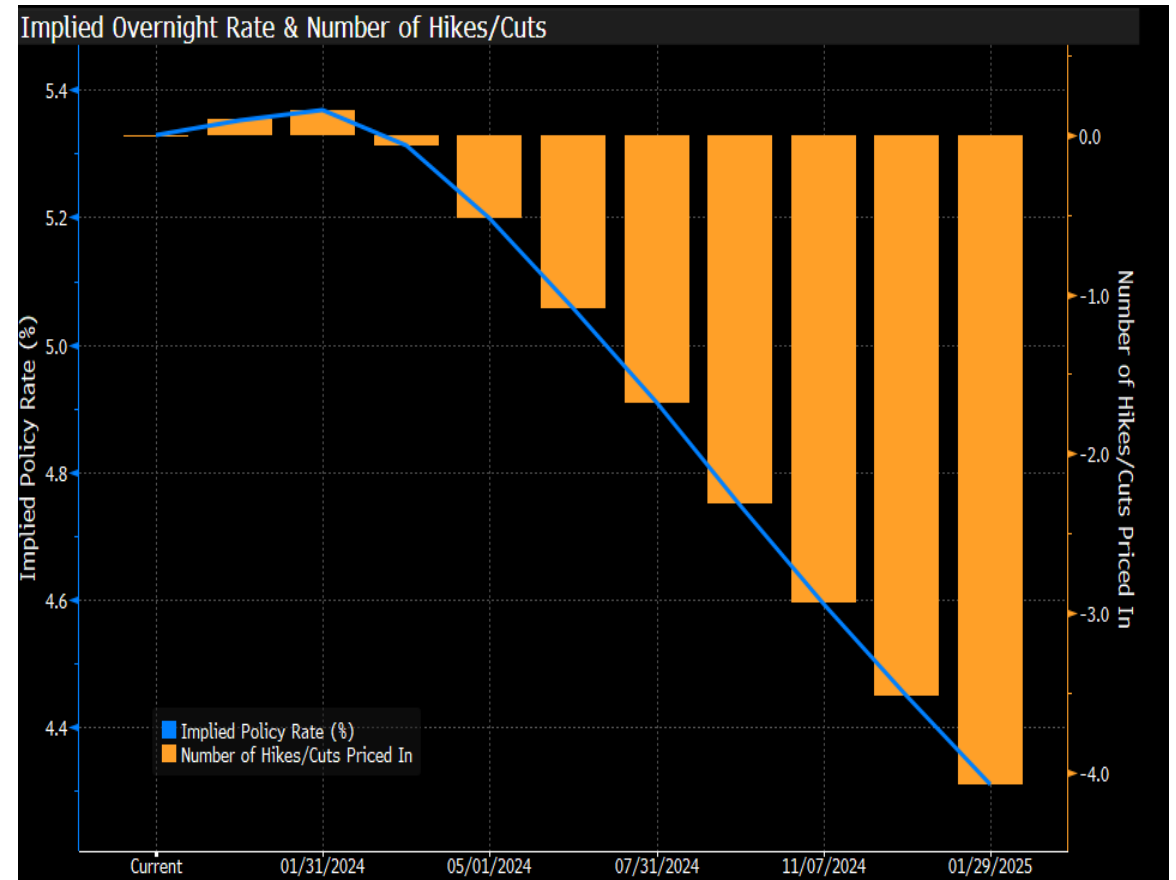
U.S. REITs Performance Following Fed Tightening Cycles

REITs have performed well in periods after the Fed stops tightening. On average, as shown in the following chart, REITs have returned 18.2% in the 12 months following a Fed tightening cycle.

RMZ Average Return - Post Fed Tightening



Source: Duff & Phelps, Factset, Evercore ISI Research "A Deeper Dive Into REIT Subsector Performance Post Fed Tightening Cycle," 9/7/2022. RMZ is the MSCI US REIT Index. Post Fed tightening periods are the 12 months following: February 1, 1995; May 30, 2000; June 29, 2006; and December 27, 2018. Indices are not available for direct investment and index returns do not reflect the deduction of any fees.





Thank you!

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Index Definitions

- *Housing Affordability Composite Index, when 100 indicates that a family earning the median income is able to afford a median-priced home using conventional financing with readings over 100 as more affordable, and vice versa*
- *Bankrate.com US Home Mortgage 30-Year Fixed is the overnight national average mortgage rate in the US*
- *Median Home Price Interest Payment estimates the interest payment on a conventional 30-year mortgage based on current interest rates and a 20% down payment*
- *US NAR Existing Home Sales Median Price is provided by the National Association of Realtors representing the median price at which existing homes were sold in the US*
- *US Household Median Current Income provided by the US Census, representing the median income brought in each year by all residents of a household aged 15 and over*
- *US New Single Family Houses Sold, Annual indicates the total unit of sales newly-built single-family homes in the US each year, provided by the US Census Bureau*
- *US Existing Single Family Houses Sold, Annual indicates the total unit sales of previously-owned and occupied single-family homes in the US each year, provided by the US Census Bureau*
- *US New Privately Owned Housing Starts by Structure, Total is the total number of new privately owned housing units, including single-family and multi-family units, that began construction in a given period*
- *Private Housing Authorized Building Permits by Type is the total number of new privately owned housing units, including single-family and multi-family units, authorized by building permits in the US*
- *National Association of Home Builders Market Index is a monthly survey conducted by the National Association of Home Builders (NAHB) that measures the sentiment of NAHB members about current and future market conditional for the sale of new single-family homes*
- *Dow Jones US Select Home Builders Index is a market-cap weighted index that measures the performance of companies in the home construction sector of the US equity market*
- *MBA US Refinance Index is a weekly measure by the Mortgage Bankers Association that predicts mortgage activity and loan prepayments based on the number of mortgage refinance applications*
- *National Association of Home Builders Traffic of Prospective Buyers is a component of the NAHB/Wells Fargo Housing Market Index, which measures the perceived volume of prospective buyers visiting and inquiring about new homes*
- *US Existing Home Sales Inventory is a measure that indicates the number of previously owned and occupied homes that are marked as “active” on the market or those pending sales*
- *US New Home Sales Inventory is a measure that indicates the number of new single-family homes that are marked as “active” on the market or those pending sales*
- *S&P CoreLogic Case-Siller 20-City Composite City Home Price Index is a measure that tracks changes in the value of residential real estate in 20 major US metropolitan areas*
- *Dow Jones Equity REIT Index is designed to measure all publicly traded REITs in the Dow Jones US stock universe classified as equity REITs*
- *Commercial MBS Spreads refer to the yield spreads on CMBS, which are a key determinant of the funding costs for the underlying commercial mortgages*
- *ICE BofA US Fixed Rate CMBS is an index that tracks the performance of US dollar-denominated, investment-grade fixed-rate CMBS publicly issued in the US domestic market*
- *NAREIT Implied Cap Rate is a measure calculated by dividing the net operating income of all publicly traded REITs by the sum of those respective market capitalizations*
- *Bloomberg US REIT Index tracks the performance of publicly traded REITs in the US equity market*
- *10-Year Treasury Yield is the annualized rate of return an investor would earn on a 10-year Treasury note issued by the US government if the investor held to maturity*
- *Apartments Real Estate Effective Rent, US Metro is a measure that represents the net rental income received by landlords from a lease in a specific US metropolitan area, after deducting the value of concessions and costs incurred to secure the lease*
- *Funds from Operation is a metric used by REITs to define the cash flow from their operations, calculated by adding depreciation, amortization, and losses on sales of assets to earnings and then subtracting any gains on sales of assets and any interest income*
- *Commercial Property Utilization is the extent to which a commercial property is used for business-related purposes or income-generating activities*

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