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COMMERCIAL REAL ESTATE SERVICES

Q2 2024 ECONOMIC REPORTS

GDP GROWTH: TRENDING IN Q2 2024

The U.S. economy picked up steam in the second quarter, as the nation's gross domestic product increased at a 2.8% annual rate compared to 1.4% in the first quarter, the Commerce Department said. The size of the GDP reading was more than expected and primarily reflected heightened consumer spending, business investment and inventory growth.

Consumer spending, which accounts for more than two-thirds of the economy, increased at about 2% after slowing to a 1.5% pace in the first quarter. Much of the increased spending was in June. The increased spending reflected growth in services led by health care, housing and utilities and recreation. Leading the spending gains on goods were sales of motor vehicles and parts, recreational products and vehicles, furnishings and durable household equipment, gasoline and other energy goods. Greater inventory investment was led by wholesale and retail trade, but those gains were partly offset by declines in mining, utilities and construction industries.

The growth in business investment reflected increases in equipment and intellectual property products that were partly offset by a decrease in structures. Investment in equipment rose at its fastest pace in more than two years. The quarterly GDP reading was well above the 2% growth expected by economists surveyed by Bloomberg.

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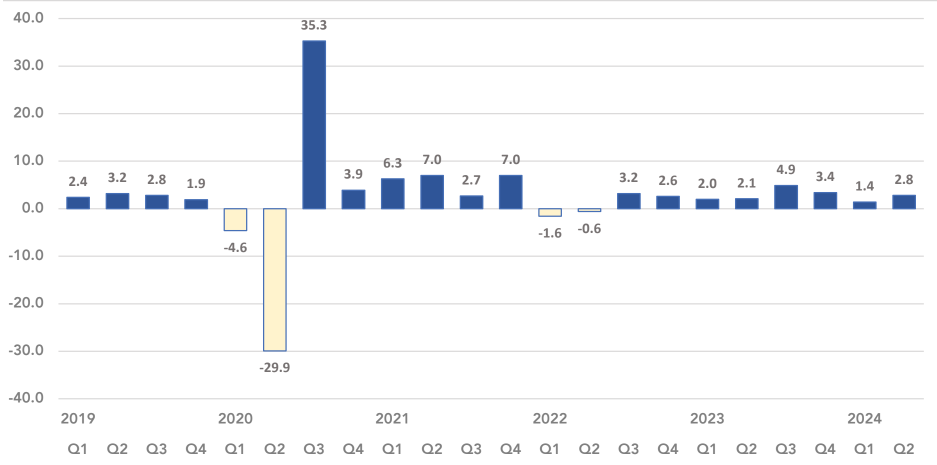
Real GDP: Percent Change from Prior Quarter

U.S. Bureau of Economic Analysis - Seasonally adjusted at annual rates



'The composition of growth was one of the better mixes that we have observed in some time' – Joseph Brusuelas, chief economist at RSM.

Gross domestic purchases prices, the prices of goods and services purchased by U.S. residents, increased 2.3% in the second quarter, after increasing 3.1% in the first quarter. Excluding food and energy, prices in Q2 were up 2.5% after increasing 3.3% in Q1.

"The composition of growth was one of the better mixes that we have observed in some time," said Joseph Brusuelas, chief economist at RSM. He told CNBC that the report "tends to support the idea that the American economy is in the midst of a productivity boom which over the medium term will lift living standards across the country via lower inflation, low employment and rising real wages."

Much of the Q2 data is mixed, however, and some cracks are beginning to appear in consumer spending. The personal consumption expenditures price index increased 2.6% in the second quarter, after increasing 3.4% in the first quarter.

Current-dollar personal income increased $237.6 billion in the second quarter, compared with an increase of $396.8 billion in the first quarter. The increase primarily reflected increases in compensation and personal current transfer receipts.

Disposable personal income increased $186.3 billion, or 3.6%, in the second quarter, compared with an increase of $240.2 billion, or 4.8%, in the first quarter. Real disposable personal income increased 1% compared with an increase of 1.3%. Personal saving totaled $720.5 billion in the second quarter compared with $777.3 billion in the first quarter. The personal saving rate – personal saving as a percentage of disposable personal income – was 3.5% in the second quarter, compared with 3.8% in the first quarter.

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EMPLOYMENT: TRENDING IN Q2 2024

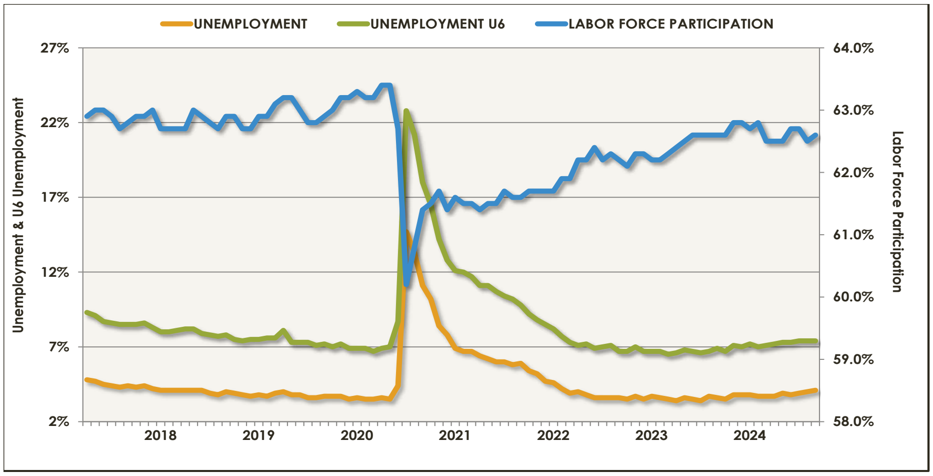
Employers continued to deliver strong hiring reports as labor department data through June showed a 42nd consecutive month of job growth. But in addition to the 206,000 jobs added to the economy in June, the labor department announced revisions that reduced positions for April and May by 111,000. That brought down the three-month average to 177,000, the slowest pace since January 2021.

The overall unemployment rate ticked up to 4.1% in June, its highest level since November 2021, as about 277,000 people joined the labor force. There also was a rise in the unemployment rate for prime age workers, which account for two thirds of the labor force. There was an increase in the labor force participation rate to 62.6% that was driven by 83.7% participation among prime age workers, the highest since February 2022.

Wage growth, which was the slowest in three years, and other wage indicators recently has been moving in the direction sought by the Federal Reserve and other policymakers aiming to reduce inflation. June's average hourly earnings data, an important measure for inflation, rose 0.3% from May. Year-over-year average hourly earnings slowed to 3.9% in June, down from 4.1% in May.

When added to May's moderating prices, the new report could boost the Fed's confidence in the inflation outlook after the disinflationary trend was disrupted in the first quarter. If favorable reports continue, analysts say financial markets expect interest rates to start easing in September.

United States Unemployment



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Job growth was narrowly based in June. Government and healthcare-related jobs accounted for almost three-fourths of total job gains. There were 70,000 government jobs added in June, up from 25,000 in May. There also were 82,400 jobs added in healthcare and social assistance.

Private sector payrolls continued to slow in June to 136,000 from 193,000 in May. Goods-producing jobs rose 19,000 in June, as strong gains in construction employment offset a decline in manufacturing jobs. There was some June weakness in the service sector, as employment increased 117,000, down from 181,000 in May. Much of the government hiring was anticipated as understaffed bureaucracies recover to their pre-Covic employment peaks. And the aging of the American population has created consistently high demand for health care and other related public assistance workers.

Construction payrolls rose by 27,000. But the retail sector shed 8,500 jobs and manufacturing cut 8,000 positions. Employment in the leisure and hospitality sector was weaker in June, contributing only 7,000 positions. Professional and business services employment declined by 17,000 jobs, with temporary help postings dropping by about 49,000, the most since April 2020. For many economists, temporary help is a bellwether category whose current data portends slower payroll gains ahead.

The number of job openings in May unexpectedly rose to 8.14 million from a downward revised 7.92 million in April according to the BLS Job Openings and Labor Turnover Summary report. Analysts expect the cooling trend for labor to resume.

MONETARY POLICY: TRENDING IN Q2 2024

The overnight federal funds rate was left unchanged in the second quarter, and Federal Reserve officials signaled that at least one interest rate cut remains on the table for 2024 instead of three rate reductions the central bank had been planning early this year.

Those plans for borrowers' relief were scuttled when increased price pressures in the first quarter forced Fed officials to scrap any idea of a rate cut this summer. By the second quarter, however, those price pressures had abated, and disinflation had resumed. The consumer price index showed in May that the 12-month change measure of total CPI inflation had fallen to 3.3%, which Fed Chair Jerome Powell called "encouraging."

In the committee's minutes for its June meeting, the first area addressed was the condition of financial markets. It was noted that financial conditions eased modestly over the intermeeting period. This was mainly because of higher equity prices, which appeared to respond to the reductions in the perceived odds of a recession, and a consensus among market participants that the federal funds rate has reached its peak.

The Federal Open Market Committee voted unanimously in June to hold rates steady for the seventh

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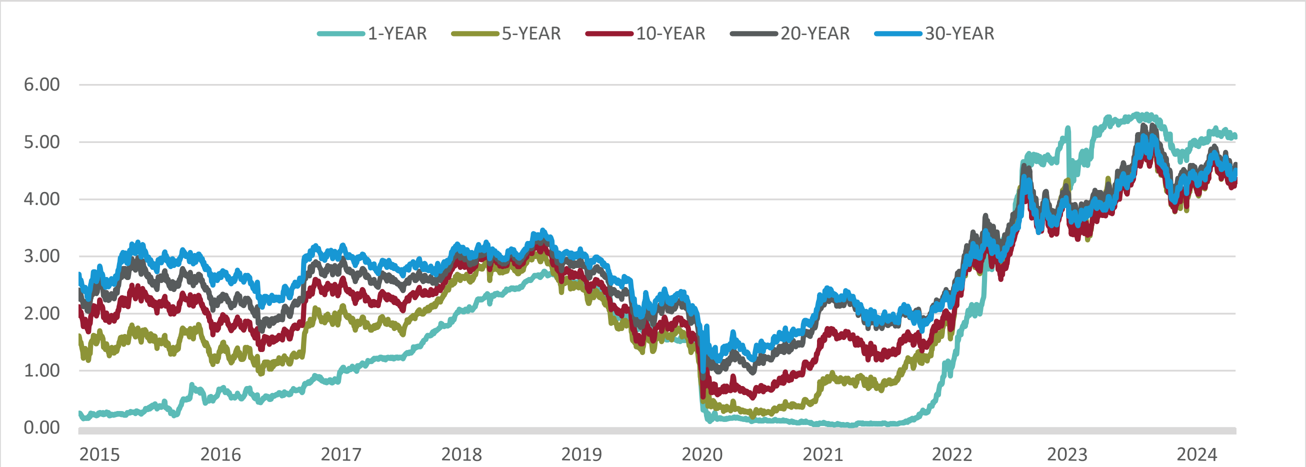
Daily Treasury Yield Curve Rates (Decade Trend)



consecutive meeting, saying more evidence was needed to convince officials that inflation was returning to the 2% target. That evidence is expected to be included in a raft of upcoming reports on inflation, jobs, housing and the health of the consumer that the FOMC will receive after its July meeting but prior to its Sept. 17-18 gathering. Financial markets already have priced in a 0.25% rate reduction from the committee for September. The last two meetings of the year are scheduled in November and December. Also, the seven-week gap between the July and September meetings is a week longer than usual, which allows for more data to accumulate. It also includes the Kansas City Fed's annual research conference in Jackson Hole, Wyoming, a venue often used by Fed chiefs to deliver policy-relevant messages.

Among the areas that Fed officials have been watching, employment has been a chief concern. Policymakers perceive that labor supply and demand continued to move into better balance. The unemployment rate ticked up to 4% in May, while the labor force participation rate and the employment-to-population ratio both moved down slightly. The unemployment rates for African Americans and for Hispanics were somewhat higher in May than in the first quarter; both rates were above those for Asians and for Whites.

Total nonfarm payroll employment increased at only a somewhat slower average monthly pace over April and May than the strong rate recorded in the first quarter.

The ratio of job vacancies to unemployment declined further in May. Most measures of the increase in nominal wages from a year earlier continued to trend down, including the 12-month change in average hourly earnings for all employees, which was 4.1 percent in May, 0.2 percentage point lower than at the end of last year.

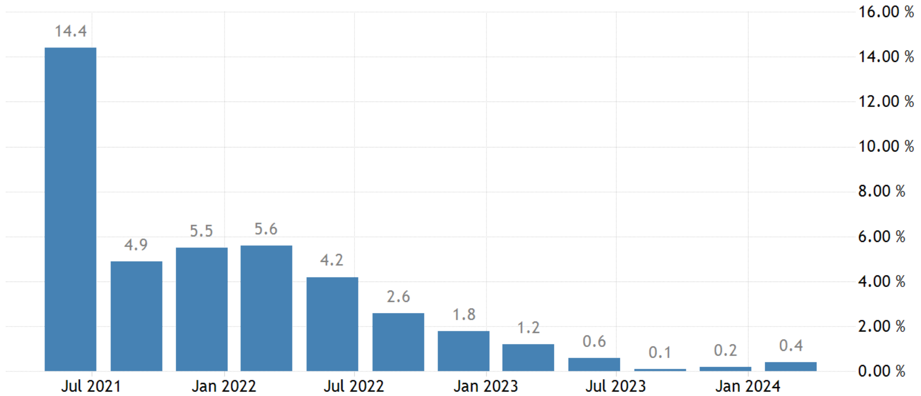
GLOBAL ECONOMY: TRENDING IN Q2 2024

Global growth was expected to remain stable, rising to 3.2% in 2024 and 3.3% in 2025, according to a second-quarter forecast by the International Monetary Fund. Although the outlook for expansion was broadly unchanged from the first quarter, offsetting growth revisions have shifted the composition, the IMF said.

In its World Economic Outlook Update the IMF said that among advanced economies growth is expected to slow over the coming quarters. In the United States projected growth was revised to 2.6%, down 0.1% from Q1. Growth is expected to slow to 1.9% in 2025 as the labor market cools and consumption moderates with fiscal policy starting to tighten gradually. By the end of 2025, growth is projected to taper to potential, closing the positive output gap.

In the euro area, the IMF said that activity appears to have bottomed out. A modest pickup of 0.9% is expected for 2024, driven by stronger momentum in services and higher-than-expected net exports in the first half of the year. Growth is projected to rise to 1.5% in 2025. This is supported by stronger consumption on the back of rising real wages, as well as higher investment from easing financing conditions amid gradual monetary policy loosening this year. But there was continued weaknesses in manufacturing, suggesting a more sluggish recovery for some nations such as Germany.

European Union GDP Annual Growth Rate



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China's growth forecast was revised upward to 5% in 2024 due to strong private consumption and exports, the IMF said.

A wage settlement in Japan – in which the nation's biggest companies agreed to raise wages by 5.28% – was expected to support a turnaround in private consumption. But the 2024 growth outlook was revised downward by 0.2 percentage point due largely to supply disruptions and weak private investment.

The IMF's forecast for growth in emerging market and developing economies was revised upward. The projected increase was driven by stronger activity in Asia, particularly China and India.

For China, the growth forecast was revised upward to 5% in 2024, due to a rebound in private consumption and strong exports in the first quarter. In 2025, GDP is projected to slow to 4.5%. The IMF outlook said that continued slowing because of aging and slowing productivity growth reduces the estimate to 3.3% by 2029. The forecast for growth in India has also been revised upward, to 7% this year, with the change reflecting carryover from upward revisions to growth in 2023 and improved prospects for private consumption, particularly in rural areas.

With regard to Latin America and the Caribbean, the IMF said growth has been revised downward for 2024 in Brazil, reflecting the near-term impact of flooding, and in Mexico, due to moderation in demand.

For the Middle East and Central Asia, oil production and regional conflicts continue to weigh on prospects. The IMF's growth forecast for 2024 in Saudi Arabia has been revised downward by 0.9 percentage point; the adjustment reflects mainly the extension of oil production cuts. Projected growth in war-torn Sudan is revised markedly downward and growth in sub-Saharan Africa is revised downward slightly.

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