

GRIFFIN CAPITAL MARKET RESEARCH NOTE

Consumer Confidence

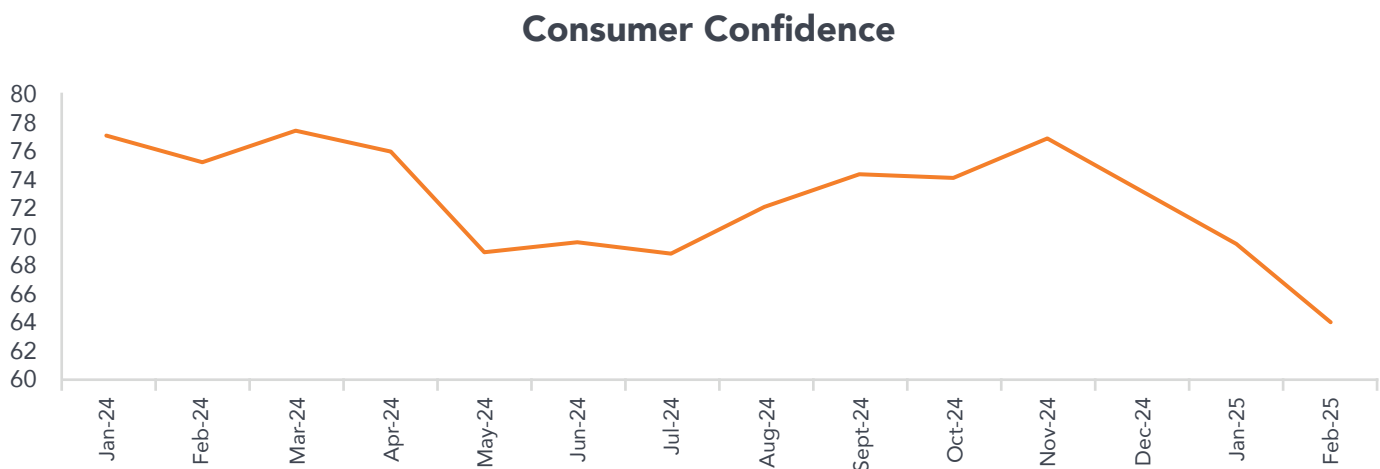
Steve Guggenmos

Director of Housing Market Research
Griffin Capital Company, LLC

Recent indicators of consumer sentiment and expectations are reflecting increasing concern regarding the state of the economy. In his heavily followed investor letter, Warren Buffett, the most successful stock market investor in history, communicated last weekend that he had shifted his portfolio to reduce exposure to marketable equities. The question is, what investments are potentially attractive given these dynamics?

Consumer Confidence

Multiple indicators are capturing the emerging trend of declining consumer confidence. In describing a recent data release, Stephanie Guichard, Senior Economist, Global Indicators at The Conference Board said, "This is the third consecutive month-on-month decline, bringing the Index to the bottom of the range that has prevailed since 2022..." The chart below shows a separate measure, from the University of Michigan, which similarly reflects this downward trend.



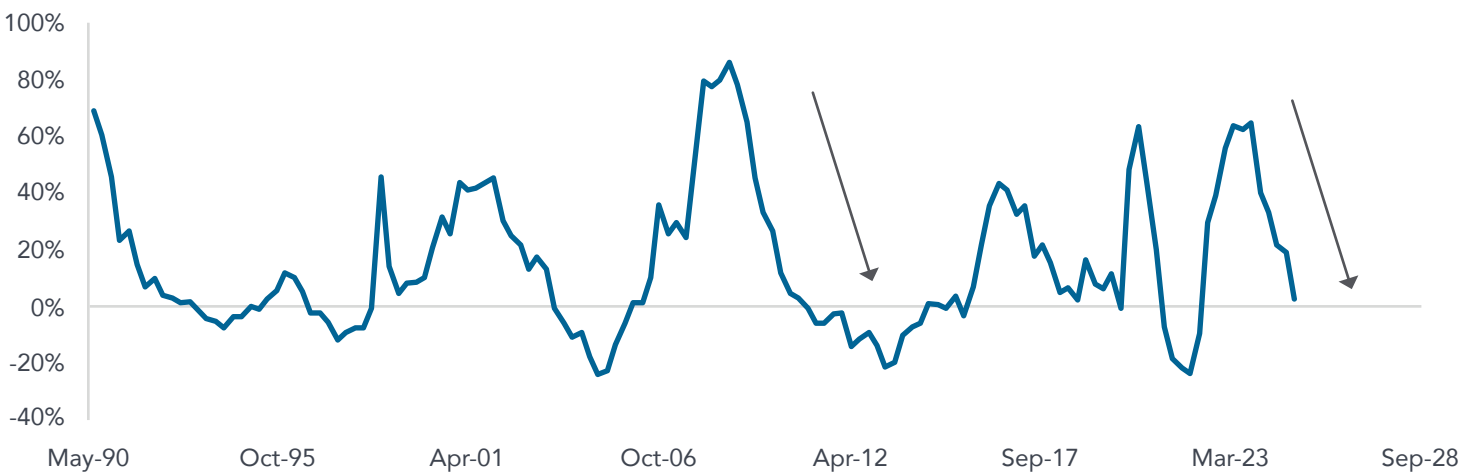
Source: University of Michigan. February 21, 2025. "Surveys of Consumers, Index of Consumer Expectations". <http://www.sca.isr.umich.edu/>

While sentiment is not a direct measure of economic activity, it is a leading indicator that is important to watch. Smart money is considering how to allocate capital in new ways, based on changes in economic policy. At Griffin Capital, we believe multifamily is a favorable sector for defensive capital underpinned by strong long-term demand tailwinds.

Positive Trends for Multifamily

There is a shortage of housing in the United States and significant affordability barriers, suggesting that in the medium- to long-term demand exceeds supply, which is indicative of opportunities for investment. Based on our research, we believe the investment environment is now improving, as the market is working through supply fueled by a low interest rate environment that has reversed over the past 24 months. Further, lending activity has been muted given these concerns limiting new starts and transactions. The Federal Reserve's senior loan officer survey, which is a leading indicator of lending activity, shows lender sentiment is improving. Loan officers are known to be careful risk managers, and the recent data from the Fed's survey indicates they are shifting away from tightening which suggests that capital markets may become more active.

Percent of Senior Bank Loan Officers Tightening CRE & Multifamily Loans



Source: Federal Reserve, pulled from St. Louis Fed. Data prior to Q4 2013 reflects all CRE lending; subsequent data is multifamily only.

As the news of falling consumer confidence is being communicated, Treasury Rates are falling as well. Falling Treasury Rates, which translate to lower borrowing costs, and improving lending conditions are potential catalysts for increased capital flows into the multifamily sector, and that liquidity will make the overall investment market healthier and more active. These are some of the many reasons why investors seeking stability in their portfolios and less correlation to public markets should consider multifamily investments.



Griffin Capital Company
266 Kansas Street
El Segundo, CA 90245

424.367.4250
www.griffincapital.com