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COMMERCIAL REAL ESTATE SERVICES

Q4 2021 ECONOMIC REPORTS

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GDP GROWTH
EMPLOYMENT
MONETARY POLICY
GLOBAL ECONOMY

GDP GROWTH: TRENDING IN Q4 2021

The nation's gross domestic product grew by 5.7% in 2021, the fastest rate since 1984. The Commerce Department also reported in its advance estimate released in late January that growth accelerated in the fourth quarter at an annualized rate of 6.9%, following a 2.3% reading for the third quarter.

The increase reflected gains in private inventory investment, exports, personal consumption expenditures, and nonresidential fixed investment that were partly offset by declines in federal, state, and local government spending. There was an increase in imports, which reduces the net GDP calculation.

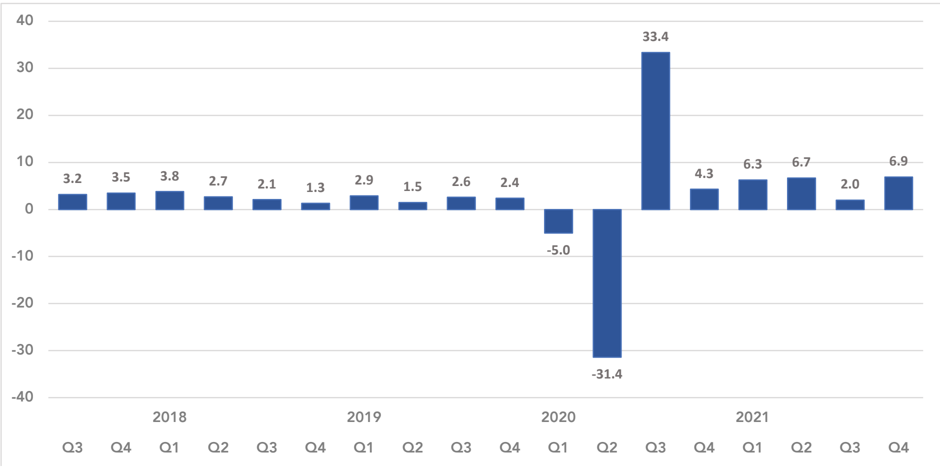
Analysts expect a slowing in the first quarter due to high inflation and workers being kept home due to the highly contagious omicron variant of the COVID-19 virus.

Orders for durable goods fell 0.9% in December, which was more than expected, hitting their lowest point since April 2020 and reflecting a year-end slowing as infections skyrocketed.

The increase in private inventory investment was led by retail and wholesale trade industries. Within retail, inventory investment by motor vehicle dealers was the leading contributor.

Real GDP: Percent Change from Prior Quarter

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



Consumer activity, which accounts for more than two thirds of GDP, rose 3.3% in the fourth quarter.

The increase in exports reflected increases in both goods and services. The leading contributors were consumer goods, industrial supplies and materials, foods, feeds, and beverages. The increase in exports of services was led by travel.

Consumer activity, which accounts for more than two-thirds of GDP, rose 3.3% in the fourth quarter. Gross private domestic investment, a measurement of business spending and inventory growth, was up 32%, the Commerce Department said.

Government assistance payments in the form of forgivable loans to business, grants to state and local governments, and social benefits to households all decreased as provisions of several federal programs expired or tapered off.

Current-dollar personal income increased $106.3 billion in the fourth quarter, compared with $127.9 billion in the third quarter. The increase primarily reflected raises in private wages and salaries, personal income receipts on assets, and rental income that were partly offset by a drop in personal current transfer receipts.

Disposable personal income increased $14.1 billion, or 0.3%, in the fourth quarter, compared with an increase of $36.7 billion, or 0.8%, in the third quarter. Personal saving was $1.34 trillion in the fourth quarter, compared with $1.72 trillion in the third quarter. The personal saving – as a percentage of disposable personal income – was 7.4% in the fourth quarter, compared with 9.5% in the third quarter.

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EMPLOYMENT: TRENDING IN Q4 2021

The US unemployment rate fell in December to a healthy 3.9%, a pandemic low. Meanwhile, employers added a modest 199,000 jobs, evidence that companies are struggling to fill positions as many Americans are reluctant to return to the workforce. The drop in the jobless rate, from 4.2% in November, indicated that many more people found work in the closing weeks of 2021. Despite the slight hiring gain reported by businesses, 651,000 more workers said they had jobs in December compared with November.

Nevertheless, data from the Labor Department reflected the state of the job market in early December – before the spike in COVID-19 infections began to disrupt the economy. Economists cautioned that job growth may slow in January and possibly February because of omicron cases, which have forced millions of newly infected workers to quarantine. The economy is still about 3.6 million jobs short of its pre-pandemic level.

Steady hiring is being driven by strong consumer demand that has remained resilient despite chronic supply shortages. Consumer spending and business equipment purchases are likely propelling the economy to a robust annual growth rate of roughly 7% in the final three months of 2021. Americans' confidence in the economy rose slightly in December, according to the Conference Board, suggesting that spending was probably healthy for much of last month.

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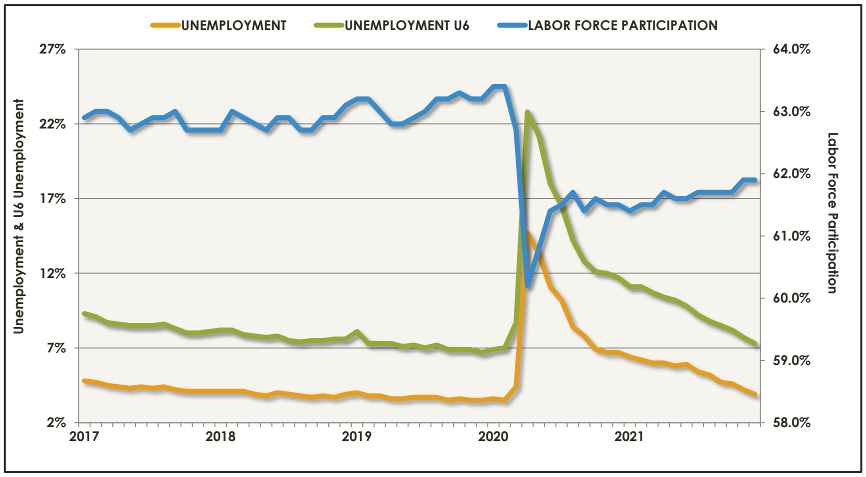
United States Unemployment



Steady hiring is being driven by strong consumer demand that has remained resilient despite chronic supply shortages.

Wages also rose sharply in December, with average hourly pay jumping 4.7% compared with a year ago to $31.31, a sign that companies are competing fiercely to fill their open jobs. A record-high wave of quitting, as many workers seek better jobs, is helping fuel pay raises.

Low unemployment and rapid wage gains, though, could further heighten inflation as companies raise prices to cover rising labor costs. Price increases are already at a four-decade high. This has prompted a sharp pivot by the Federal Reserve, which has moved from keeping rates low to support hiring to moving toward raising interest rates to combat inflation. Most economists expect the Fed to raise its benchmark short-term rate, now pegged near zero, in March and to do so two or three additional times this year.

Employment in leisure and hospitality continued to trend up in December with more than 53,000 jobs. Leisure and hospitality added 2.6 million jobs in 2021, but employment in the industry is down by 1.2 million, or 7.2%, since February 2020. Employment in food services and drinking places rose by 43,000 in December but is down by 653,000 since February 2020.

Employment in professional and business services continued its upward trend in December, adding 43,000 positions. Over the month, job gains occurred in computer systems design and related services (+10,000), in architectural and engineering services (+9,000), and in scientific research and development services (+6,000). Employment in professional and business services overall is slightly below (-35,000) its level in February 2020.

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MONETARY POLICY: TRENDING IN Q4 2021

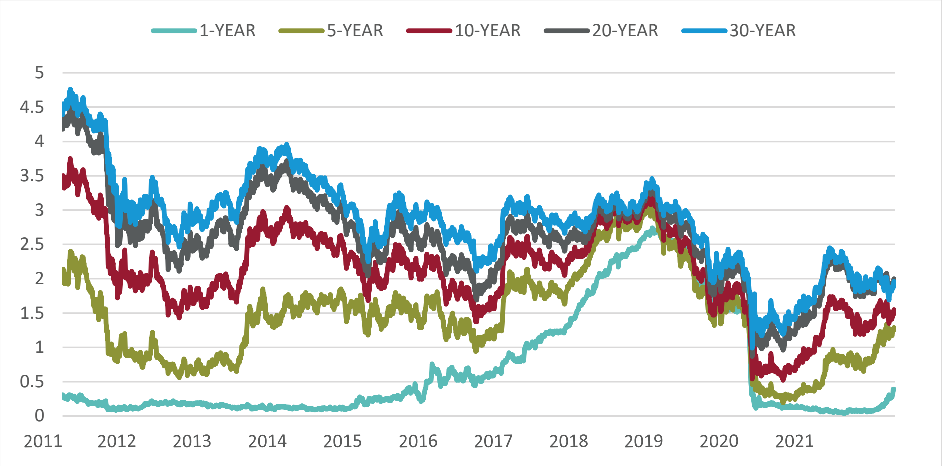
The year ended with the broad expectation that the Federal Reserve would hold to its plan to end the era of ultra-easy money. The central bank already has significantly scaled back its asset purchase program, which was put in place at the pandemic's outset.

Consistent with previous statements regarding its intention to tighten the money supply, Federal Reserve Chairman Jerome Powell announced following the Federal Open Market Committee in late January that three interest rate hikes are planned for 2022.

"The committee is of a mind to raise the federal funds rate at the March meeting," Powell said following the Federal Open Market Committee. He added that the economy "no longer needs sustained monetary policy support." Additionally, Powell said that the Fed would purchase its final round of assets in March.

Soon after the pandemic hit, the Federal Reserve acted aggressively to ensure liquidity in the financial markets by cutting rates to near zero and through the purchase of securities at the rate of $120 billion a month. Officials pledged to leave rates unchanged until inflation exceeded 2% and until the labor market returned to levels consistent with maximum employment.

Daily Treasury Yield Curve Rates (Decade Trend)



> *'The committee is of a mind to raise the federal funds rate at the March meeting' – Fed Chair Jerome Powell*

Powell said he and his colleagues believe both conditions have been met. He added that inflation and employment "are calling for us to move steadily away from the very highly accommodative policies we put in place during the challenging economic conditions that the economy faced earlier in the pandemic."

Following interest-rate increases in 2022, Fed officials say two increases are slated for 2023 and two more in 2024.

Since the Fed's last policy meeting in December, Powell said inflation "has not gotten better. It has probably gotten a bit worse. To the extent that situation deteriorates further, our policy will have to address that."

Powell said policymakers believe they have "quite a bit of room to raise interest rates" without threatening progress on jobs or slowing an economic recovery.

In recent months, the rate of inflation has increased sharply, rising at a 7% annual rate while the unemployment rate has fallen back to 3.9%. Powell and the central bank have been clear about their intentions to reduce fiscal support. Nevertheless, the expected announcement rippled through the investment community, causing wild swings in the stock market in the days prior to the Fed meeting. There was uncertainty about how fast the Fed would move and its effect on the global economy, as well as heightened tensions between Russia and Ukrane. Powell has been nominated for a second four-year term by President Joe Biden, who also tapped current Fed governor Lael Brainard for vice chair. She succeeds Richard Clarida, who resigned following questions about personal trades made during the pandemic.

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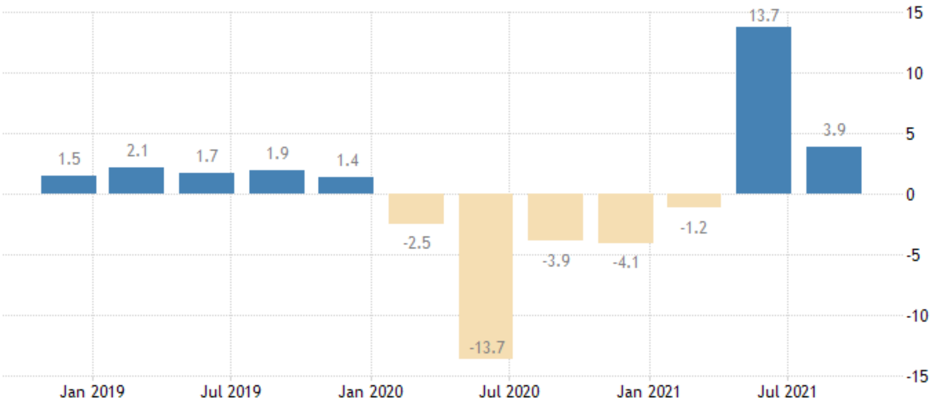
Following a strong rebound in 2021, the global economy is entering a pronounced slowdown amid fresh threats from COVID-19 variants and rising inflation, debt and income inequality that could endanger the recovery in emerging and developing economies, the World Bank said.

In the World Bank's latest Global Economic Prospects report, the lender for capital projects in low- and middle-income countries said global growth is expected to decelerate markedly from 5.5% in 2021 to 4.1% 2022 and 3.2% in 2023 as pent-up demand dissipates and as fiscal and monetary support is unwound across the world.

The rapid spread of the omicron variant indicates the pandemic likely will continue to disrupt economic activity in the near term. In addition, a notable deceleration in major economies—including the United States and China—will weigh on external demand in emerging and developing economies, the report said. This comes at a time when governments in many developing economies lack the capabilities to respond to new COVID-19 outbreaks, persistent supply-chain bottlenecks and inflationary pressures. Such elevated financial vulnerabilities in large swaths of the world could increase the risk of a hard landing.

European Union GDP Annual Growth Rate



SOURCE: TRADINGECONOMICS.COM | EUROSTAT

Global growth is expected to decelerate to 4.1% in 2022 and 3.2% in 2023 as pent-up demand dissipates and as fiscal support is unwound.

"The world economy is simultaneously facing COVID-19, inflation, and policy uncertainty, with government spending and monetary policies in uncharted territory. Rising inequality and security challenges are particularly harmful for developing countries," said World Bank Group President David Malpass. "Putting more countries on a favorable growth path requires concerted international action and a comprehensive set of national policy responses," Malpass said. The slowdown will coincide with a widening divergence in growth rates between advanced economies and emerging and developing economies.

Growth in advanced economies is expected to decline from 5% in 2021 to 3.8% in 2022 and 2.3% in 2023—a pace that, while moderating, will be sufficient to restore output and investment to their pre-pandemic trend in these economies. In emerging and developing economies, however, growth is expected to drop from 6.3% in 2021 to 4.6% in 2022 and 4.4% in 2023.

By 2023, all advanced economies will have achieved a full output recovery; yet output in emerging and developing economies will remain 4% below its pre-pandemic trend. For many vulnerable economies, the setback is even larger: output of fragile and conflict-affected economies will be 7.5% below its pre-pandemic trend, and output of small island states will be 8.5% below.

Meanwhile, rising inflation—which hits low-income workers particularly hard—is constraining monetary policy. Globally and in advanced economies, inflation is running at the highest rates since 2008. In emerging market and developing economies, it has reached its highest rate since 2011. Many emerging and developing economies are withdrawing policy support to contain inflationary pressures—well before the recovery is complete.

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