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CHAIR'S REPORT

Central bankers' delicate balancing act continues. Even as data on inflation and employment indicate that a soft landing is achievable, the “last mile” leading to that scenario contains pitfalls. Pull back from monetary tightening too soon, and inflation could remain sticky. Wait too long, and the economy could tip into recession. As the second quarter of 2024 opened, inflation readings came in higher than expected, then cooled in the ensuing months. Expectations for Federal Reserve decision-making changed in parallel, toward a higher magnitude and swifter sequence of rate cuts.

Public equities, in turn, dipped in April but more than retraced their losses through the end of June. The S&P500 rose roughly 4% during the course of 2Q2024. Over the same period, the Nasdaq Composite Index advanced by more than 8%, reflecting continued exuberance surrounding artificial intelligence. (More recent volatility in equities has reflected concern about how quickly the economy and employment markets may be slowing. Any sustained turbulence could reshape the Fed's approach. Stay tuned for updates on this turn of events in my coming Chair's Report.)

Public real estate performance mirrored that of stocks, with a drop in April followed by positive returns in May and June. Private real estate fell slightly, with an MSCI/PREA US ACOE Property Fund Index net fund return of -0.68%. As has generally been the case in recent months, the office subsector lagged, while retail was among the best-performing property types.

Will divergence between public and private real estate performance continue? Where are returns headed? PREA's educational resources are organized with these kinds of questions in mind. For instance, in the most recent [Consensus Forecast Survey](#), collected in May, PREA asked members to share their expectations for real estate performance for this and coming years. Respondents project a small decline, led by office, for 2024, with total returns rising to the mid-single digits for 2025 and 2026.

Conversations with your industry peers are equally valuable in ascertaining where the market stands and which developments we should be following closely. To facilitate this dialogue, PREA hosts both in-person and online programming. The PREA Institute, held in June at New York University, convened real estate leaders and faculty from the Chao-Hon Chen Institute for Global Real Estate Finance and other divisions of the Stern School of Business. Participants examined such timely subjects as housing, transit infrastructure, and the capital markets. The Institute concluded with a group tour of an office-to-residential conversion in Manhattan's Financial District. PREA Near You events, held in Boston and Chicago in recent months, provided additional opportunities for in-person networking and exchange. PREA's [events page](#) lists the locations of upcoming Near You and other programs. A complement of virtual offerings, including a recent “[State of the Market](#)” [webinar](#) focused on data centers, represents another excellent way to stay up-to-date from the convenience of your desk.

Which investment topics are on your mind? PREA wants to know. Recognizing the value of members' interests and input, the Association encourages all to share their ideas, whether through surveys of members and conference participants or through more informal channels. Speak with a team member at a conference, or send a note via email. Other members likely have similar questions, motivations, and perspectives. By bringing these forward, we can enhance the experiences and address the needs of everyone who engages in PREA's educational programs.

Regards,

Anar Chudgar

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