

Three Things to Close 2023, and Three Things to Look Forward to in 2024 by John Palmer

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Three Things That Drove the Market in 2023

Three Things to Look for in 2024

1 The End of the Fed's Rate Hike Campaign Spurred REIT Performance

REITs struggled all year, driven in large part by the Fed's continued interest rate hikes – investors could get risk-free Treasury yields north of 4%, making REITs yielding 6% less attractive. After back-to-back pauses and conciliatory language, market yield began to fall, and REITs gained ground through the end of the year.

1 When Will We Have the First Fed Rate Cut – March or May?

The Fed has made it clear that it's likely done with its rate-hike campaign. Now the question is when the first official rate cut will take place, largely dependent on continued deceleration of inflation. The first cut will heavily influence first-half stock market returns.

2 Deterioration in Office Fundamentals Led to Underperformance by Office REITs

It was a challenging year for office REITs, as occupancy continues to decline. As work from home and the "virtual" office become more commonplace, office REITs face continued headwinds. Share prices were down by double-digits for the year, but there are some glimmers of hope for 2024 in selected metros and suburban areas.

2 China's Continued Economic Slowdown May Impact the Global Economy

The most underreported story of 2023 is the slowing economy in China. Rumors abound of empty office buildings and slowing consumer activity. As their economy slows, it could impact the broader manufacturing sector around the world.

3 Resilient M&A Activity Helped Re-Rate Property Sectors

While overall M&A activity was down in 2023, this year's activity was marked by smaller, strategic acquisitions of higher-quality assets, helping solidify pricing and setting the stage for a potential rebound in 2024.

3 The Presidential Election: Will Volatility Increase as We Approach November?

Election years provide unique challenges to investors, and this year will be no different. It's already clear that the 2024 election season may be the most controversial ever, which will undoubtedly fuel volatility in the third and fourth quarter. Rational investors will have to focus on fundamentals and ignore the noise as the fall heats up.

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