

CRE Credit Market & Interest Rates

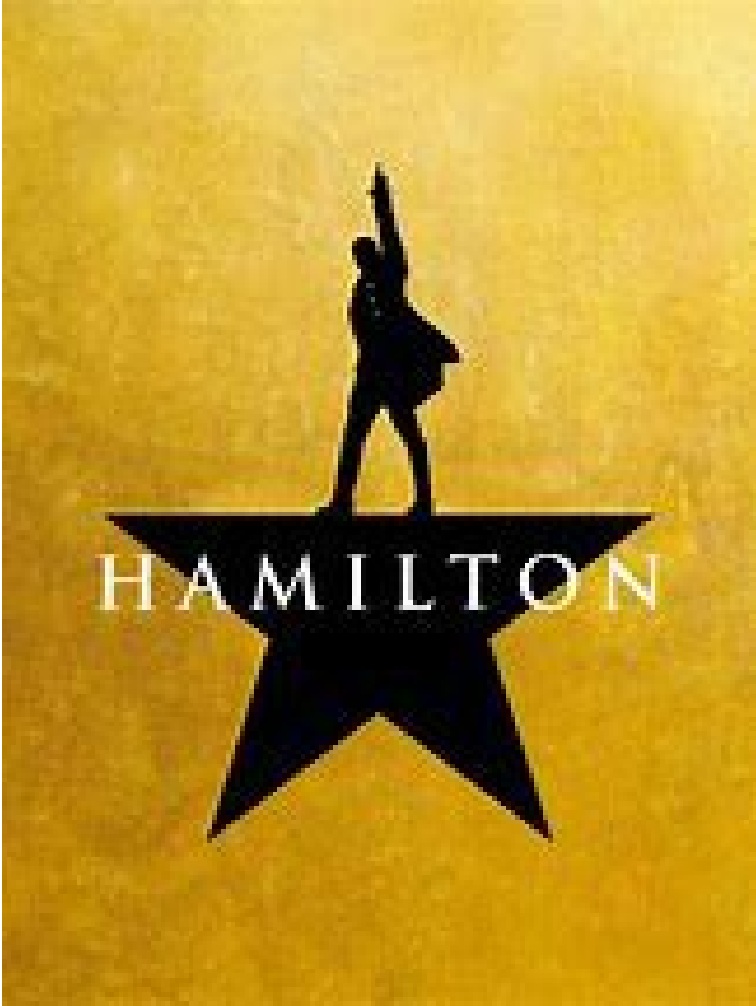
ALEXIS KLEINHANS, VP COMMERCIAL BANKING STRATEGY & EXECUTION

JANUARY 9, 2025



What is a banker's favorite play these days?

Answer



Answer



Who is Fremont Bank?

We are active members of the communities we serve

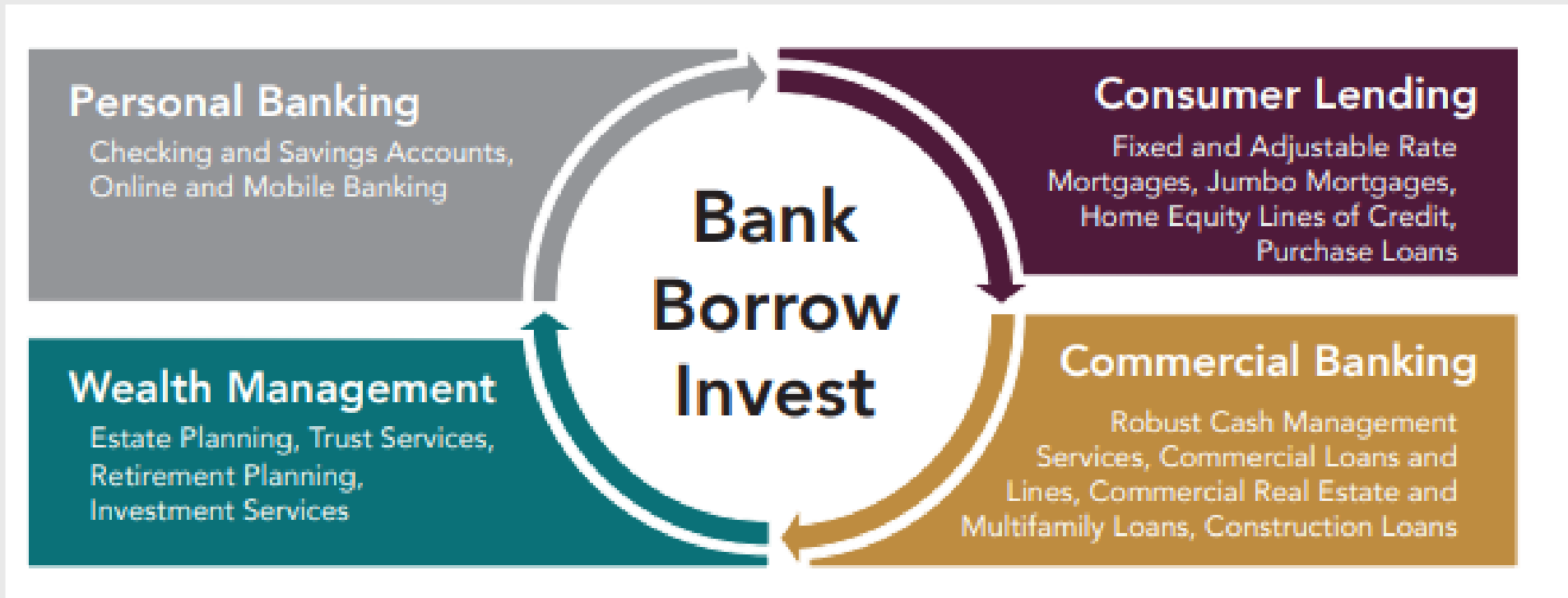
We are agile, responsive, and we provide customized service

Our hospitality mindset elevates the client experience

We build long term internal and external relationships



We are a full-service Bay Area bank



\$5.5B in Assets, 22 Branches, Founded in 1964

2024 Banking & Finance Lookback



“The economy will avoid a recession, with growth slowing to around 1.7% GDP.” *Actual: 1.5% GDP*



“Inflation will be reined in, with headline inflation falling to 2% by mid-year and ending around 2.7%.” *Actual: 3%*



“The Federal Reserve will start cutting interest rates in May, with further cuts in June and November.” *Actual: the Fed delayed cuts until September, which impacted the timing of the economic recovery.*

2024 Banking & Finance Lookback

Federal Open Market Committee (FOMC) lowered rates in September, November, and December, with each cut being 25 basis points.

- **Now at target range of 4.25% to 4.5%.**

In case you missed it, 2024 was a remarkable year for the stock market!

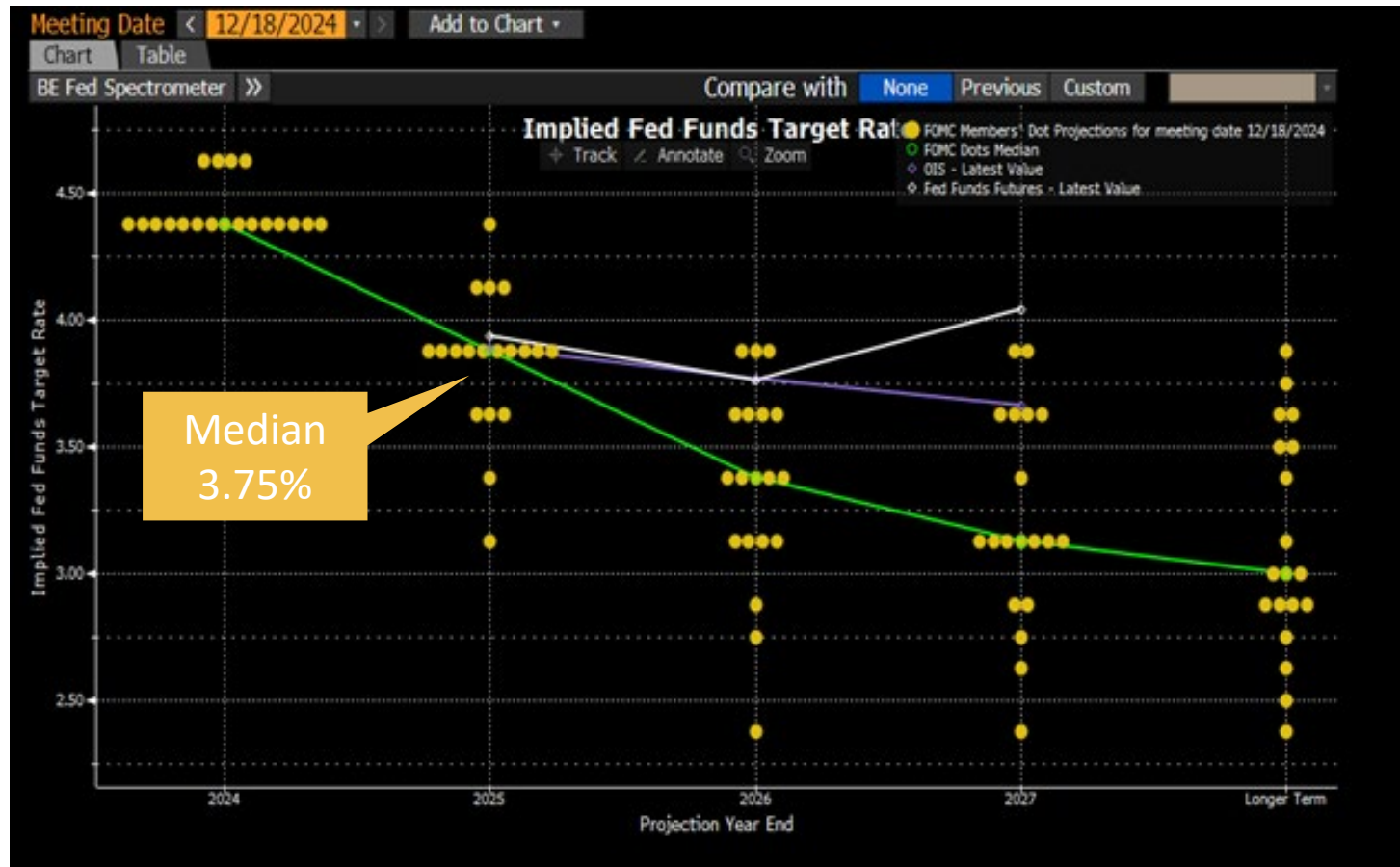
- **S&P 500** saw a significant increase of **25%**
- **Nasdaq** surged by **29.6%**

Unemployment rate remained low at **4.1%**.

2024 Banking & Finance Lookback



2025 – Thoughts on the Year (NOT a Prediction)



Yes, credit issues are creeping up

The Dot Plot

Rates down .50% by end of 2025. But FOMC is cautious.

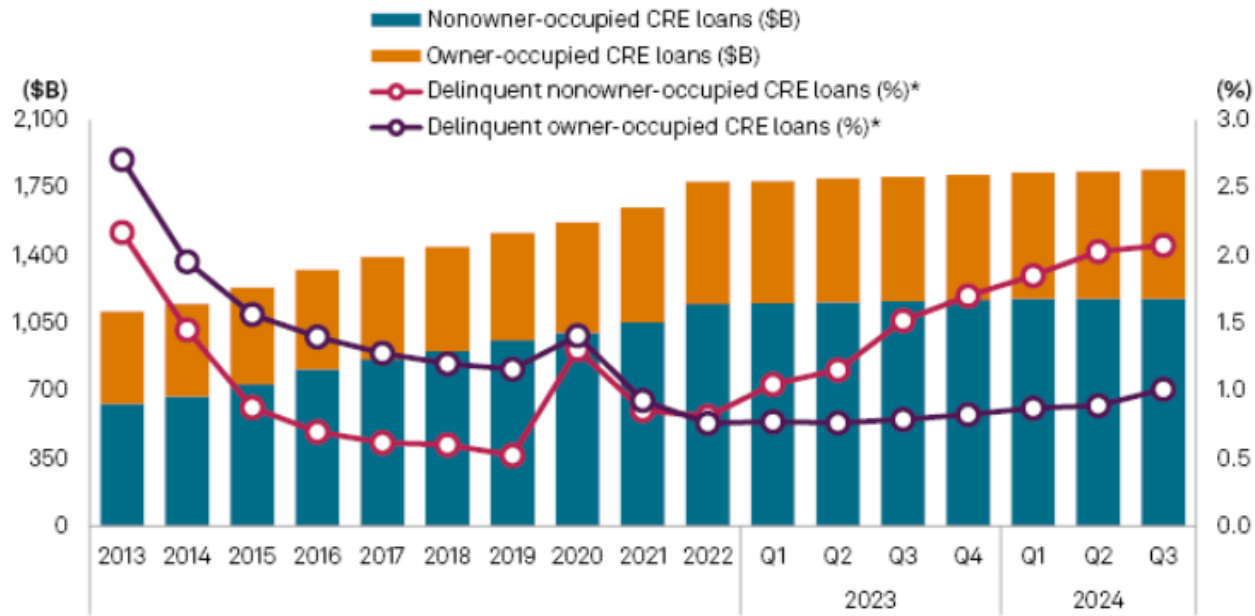
The Market

Some predicting opposite with new administration's policies on immigration and tariffs.

The Indicators

- Inflation seems to be lingering
- GDP slightly slower than 2024
- Employment stable

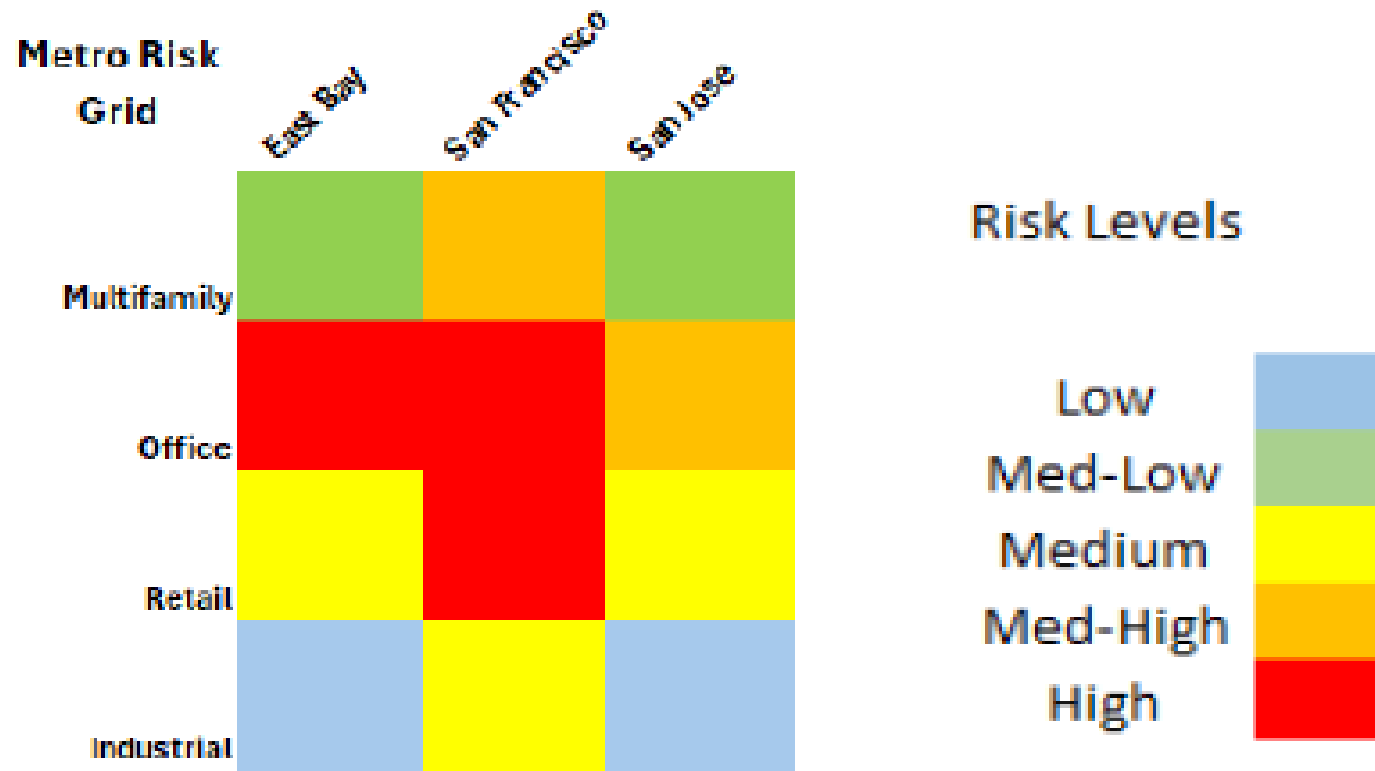
CRE loan trends by type



Source: S&P Global Market Intelligence

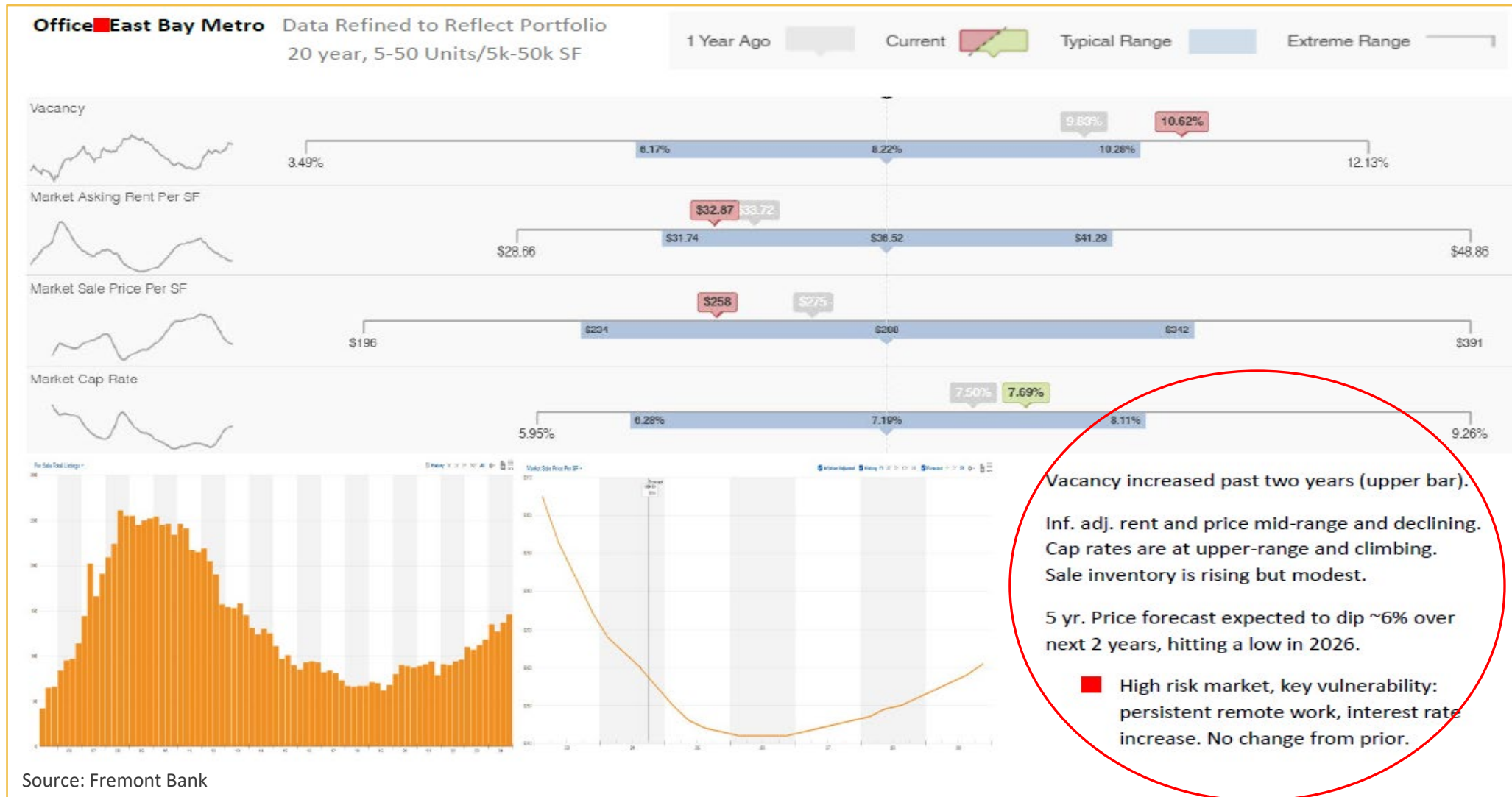
CRE delinquencies increasing, slight uptick in owner-occupied

Banks are enhancing their credit review & analysis



Look for hot spots, know your client, update building values

Banks are enhancing their credit review & analysis



Thank You

