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MARKET INSIGHTS

INDUSTRY NEWS | REAL ESTATE MARKET TRENDS

FIRST QUARTER **2020**

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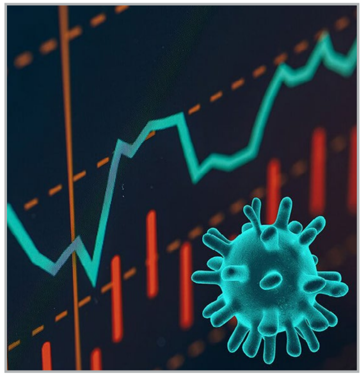
IN THE **NEWS**



BERNANKE: CORONAVIRUS DISRUPTIONS 'MUCH CLOSER TO A MAJOR SNOWSTORM' THAN THE GREAT DEPRESSION

The former Fed chief expects a fairly quick recovery after a sharp recession echoing comments from many others that this is event driven without the characteristics of a financial driven recession meaning various asset classes react differently.

Source: CNBC

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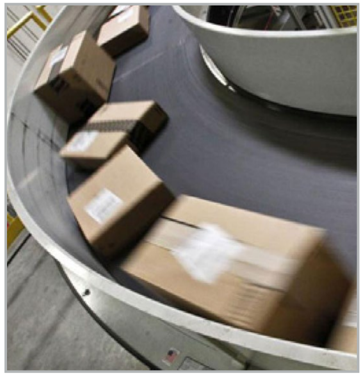

WAREHOUSE SPACE AND LABOR CREATED BY COVID-19 COULD BE A LONG-TERM TREND

Per the article: "E-commerce sales took up around 15 percent of total retail sales in 2019, according to CBRE data. That is expected to jump to 39 percent by 2030." Investors would be wise to consider this trend when evaluating future industrial vs. retail sector allocations.

Source: National Real Estate Investor

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LARRY FINK SAYS ECONOMY WILL RECOVER FROM CORONAVIRUS, 'TREMENDOUS OPPORTUNITIES' IN MARKETS

The CEO of the world's largest asset manager believes this crisis will be short-lived and will present significant investment opportunities.

Source: CNBC

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HOW THE STOCK MARKET'S 'EPIC' VOLATILITY BOUT STACKS UP TO 2008, 1987 AND 1929

It's not your imagination or hyperbole. March and early April of 2020 was the most volatile stock market of your lifetime.

Source: Market Watch

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FEATURE **STORY**

INVESTORS PLAN BIGGER ALTERNATIVE ALLOCATIONS IN 'CHOPPY' MARKETS

Institutional investors, seeking higher yields and lower volatility, look to be increasing their alternatives allocations during the bear market.

Source: Institutional Investor

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QUOTES OF THE **QUARTER**

"Choppy waters are ahead, and the industry is not immune to trouble, but for now investors are still seeking alternatives. If anything, this concern is only increasing their appetite for alternative assets."

Nicole Lee,
Preqin content head

"As dramatic as this has been, I do believe that the economy will recover steadily, in part because this situation lacks some of the obstacles to recovery of a typical financial crisis,"

Larry Fink,
CEO of Blackrock

RESEARCH **REPORT**

Research Summary of COVID-19 Impacts on Institutional Real Estate

"U.S. commercial real estate is impacted by the fallout. Some sectors, such as hotels and retail, will take a hard hit immediately while others may be relatively stable with long-term lease protection. Industrial and multifamily appear to be relatively defensive compared to other sectors.

Public REIT pricing has exhibited much higher volatilities during past downturns and often is not representative of the private real estate valuations.

Commercial real estate property valuations are primarily determined by current income, appraised property values, and sales comps in transaction markets. Thus, they normally react less to the volatilities in the public market.

Before the COVID-19 crisis, U.S. real estate market had manageable levels of new supply, at or near cycle low vacancy rates, relatively low leverage, and large cap rate spreads over 10-Year Treasury or Baa bond yields, all factors that should help mitigate potential value declines. For example, according to Morgan Stanley, the average commercial real estate loan-to-value (LTV) and debt-service coverage (DSCR) ratios were about 60% and 1.8, respectively, as of Q4 2019, compared to about 70% and 1.4 at the prior market peak in 2007."

Source: Clarion Partners, The COVID-19 Pandemic, Stock Market Volatilities, and U.S. Commercial Real Estate, March 2020.

"Certain subsectors, such as hospitality, retail, and developers will face more immediate impacts while other subsectors, such as multifamily and nontraditional owners (cell towers and data centers) will likely feel less immediate impact."

Source: Deloitte, Understanding the Sector Impact of COVID 19, Real Estate.

"The U.S. economy is expected to start bouncing back in Q3 and continue its rebound into 2021. The 2021 GDP is currently forecasted at over 5%. CBRE's view is much closer to a "V" recovery than the views of many other Wall Street and big bank economists.

Near-term expectations of property fundamentals include higher residential retention (a positive), but lower increases on rents for renewals: "Closer to flat than the previous 3% to 5%."

Market performance at the upper end should weather the economic uncertainty better given that most residents are in better financial condition. Strong demand for workforce housing leading up to the current period should give this sector an ability to rapidly reach high occupancy levels again when jobs come back."

Source: CBRE COVID-19 Impact on Multifamily Real Estate.

"The move to online shopping, especially for groceries, could become more permanent and, in turn, boost demand for logistics space.

The living sectors, particularly multifamily, tend to have more defensive characteristics, benefitting from stable income streams and the ability to actively maintain rents to limit void periods. Demand is also relatively resilient to external shocks."

Source: JLL, COVID-19, Global Real Estate Implications