

FRIDAY ROUND-UP WITH RCLCO: The CEO Perspective

May 8th, 2020

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TODAY'S SPEAKERS



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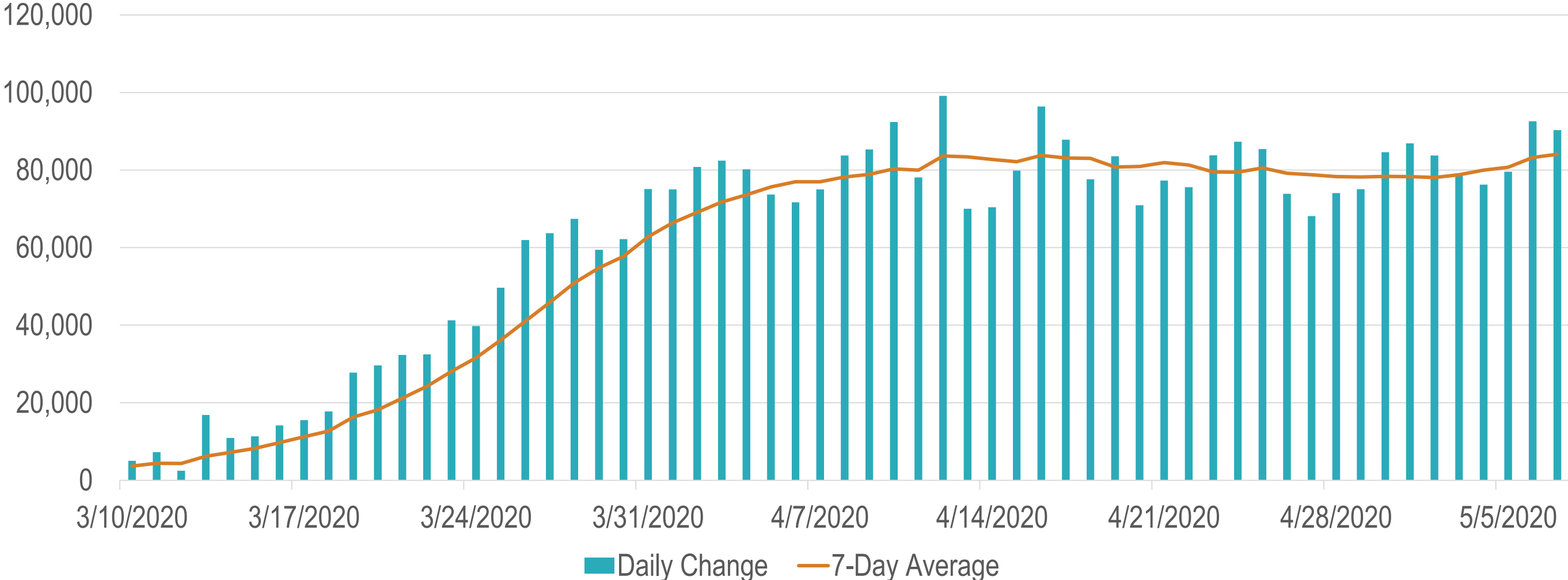
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THE CURVE

COVID-19 & THE CURVE

Updated May 7, 2020

Global Cases

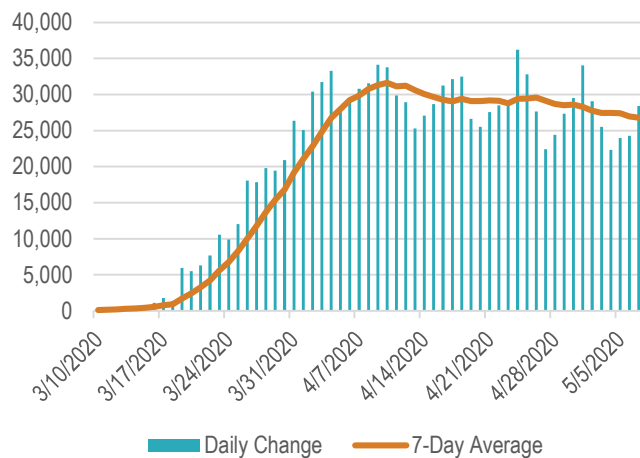


COVID-19 & THE CURVE

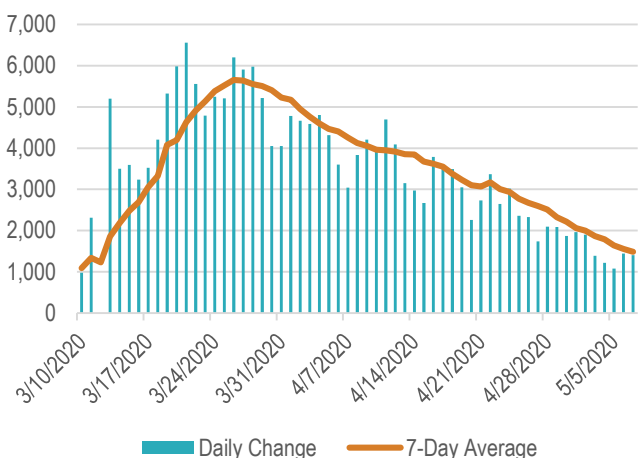
Updated May 7, 2020

STABILIZING/TRENDING BETTER

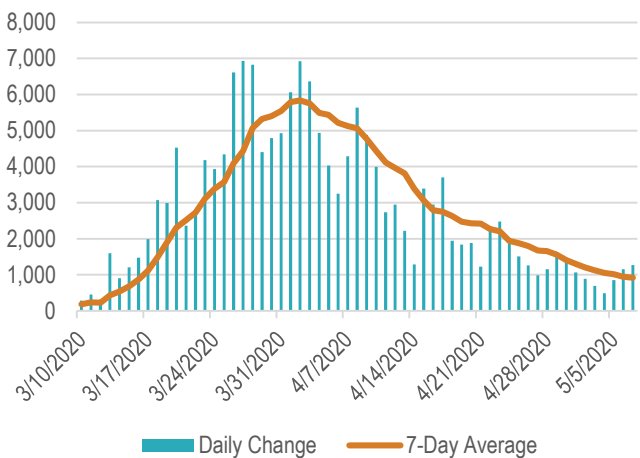
United States



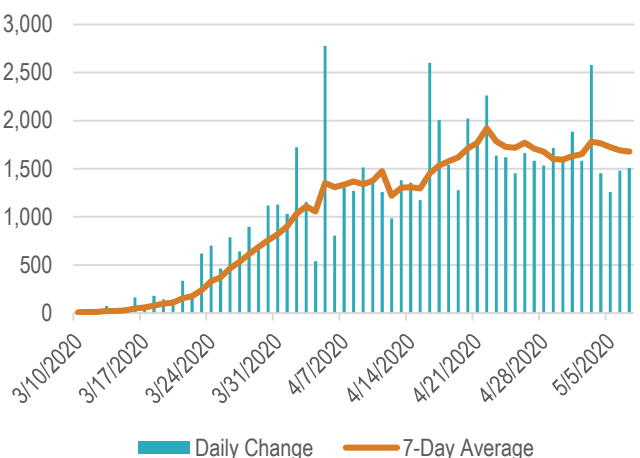
Italy



Germany

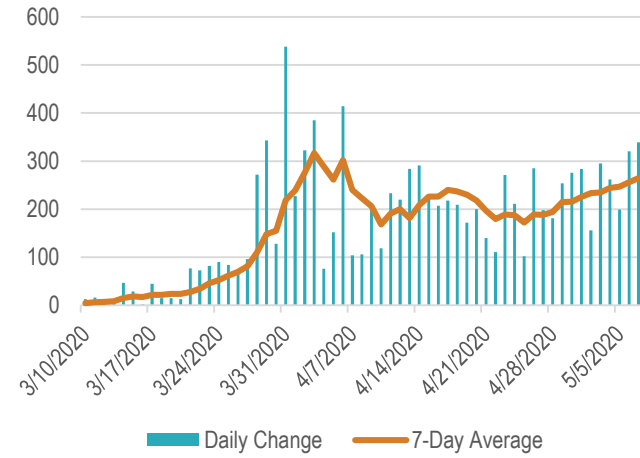


Canada

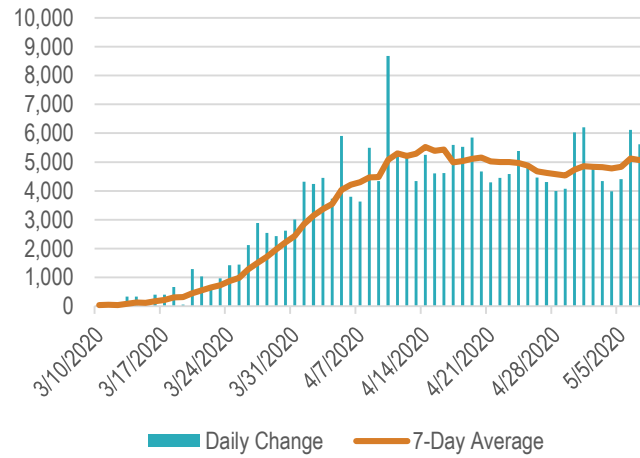


UNCLEAR/TRENDING WORSE

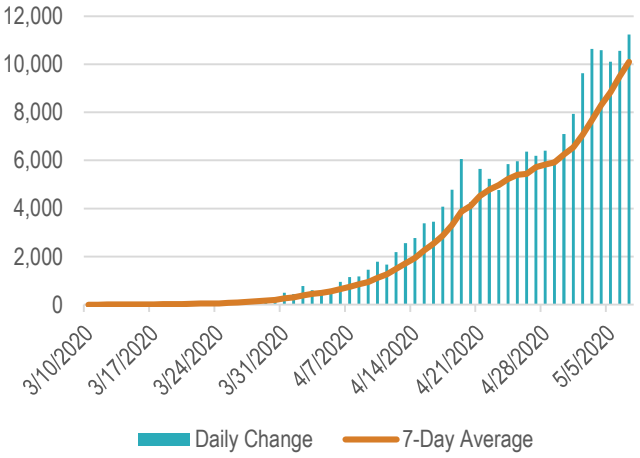
Philippines



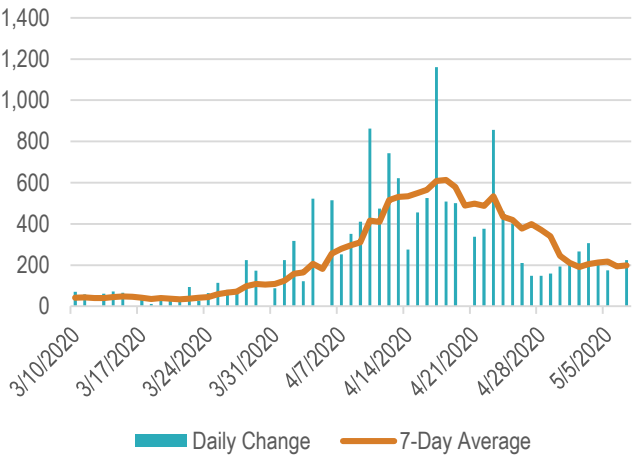
UK



Russia



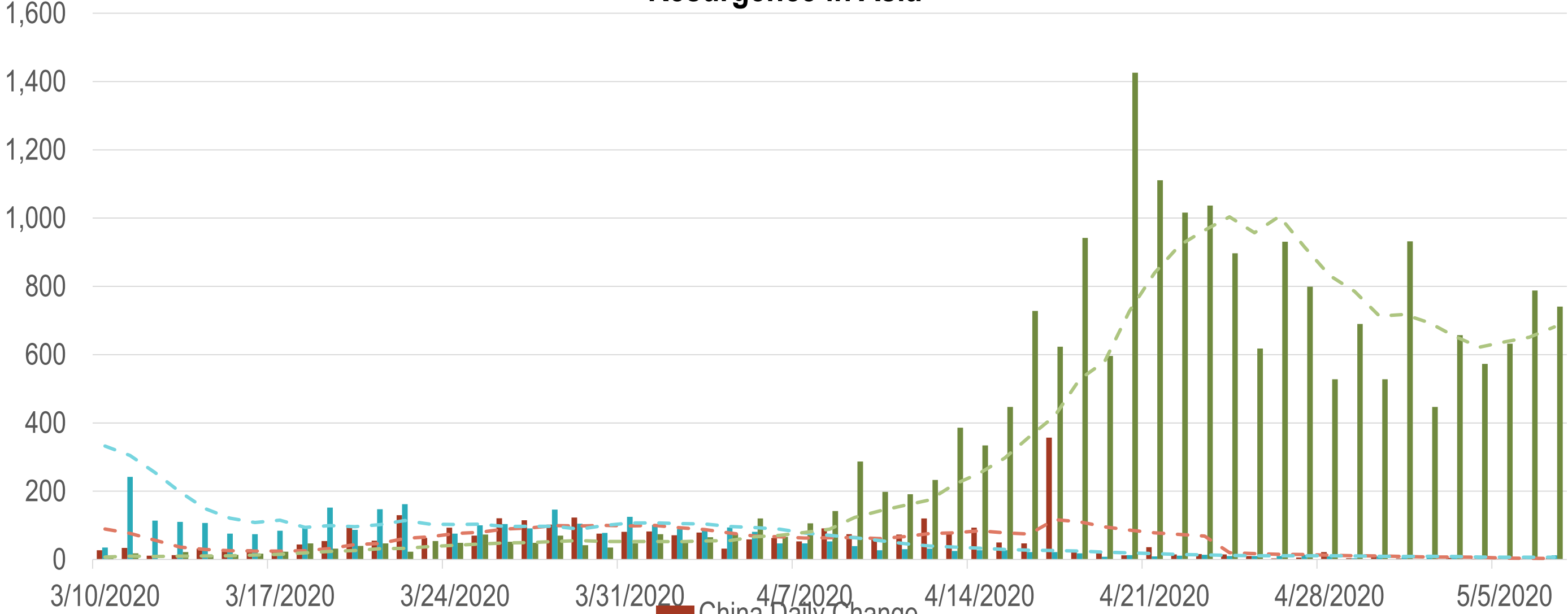
Japan



COVID-19 & THE CURVE

Updated May 7, 2020

Resurgence in Asia



COVID-19 & THE CURVE

Updated May 7, 2020

New York

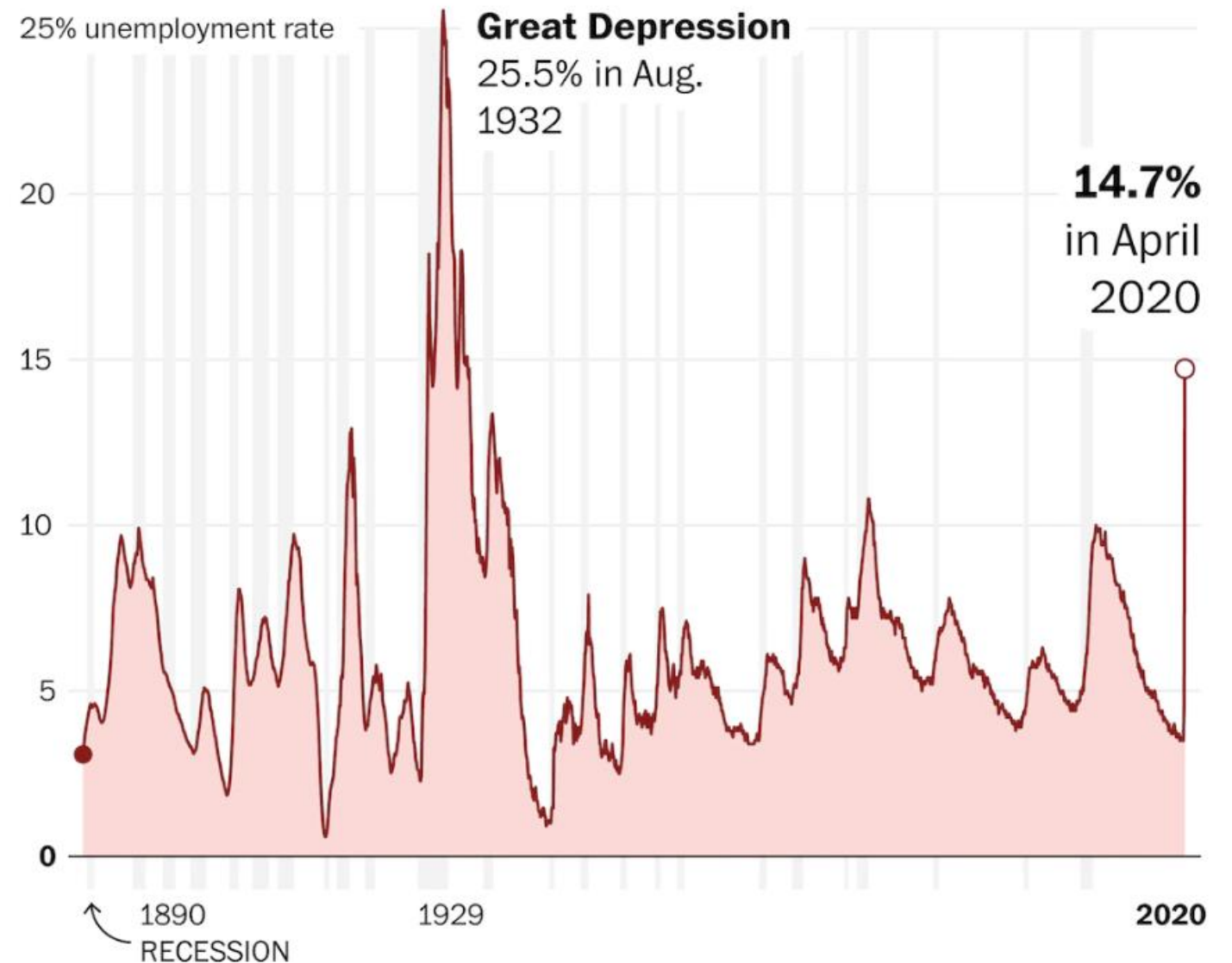


EMPLOYMENT

COVID-19 & EMPLOYMENT

Update: May 8, 2020, Labor Department, WP

- ▶ An unprecedented **20.5 million** people lost their jobs in April
 - » This has wiped out a decade of job gains in just a single month
- ▶ U.S. unemployment rate skyrocketed to **14.7%** in April
 - » This eclipsed the previous record of 10.8% in April tracing back to 1948
 - » By far the highest level since the Great Depression
 - » Analysts warn it could take years to return to the 3.5% unemployment rate the U.S. experienced just back in February



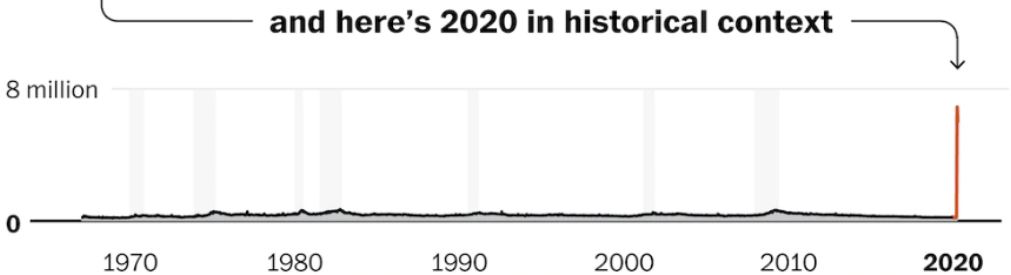
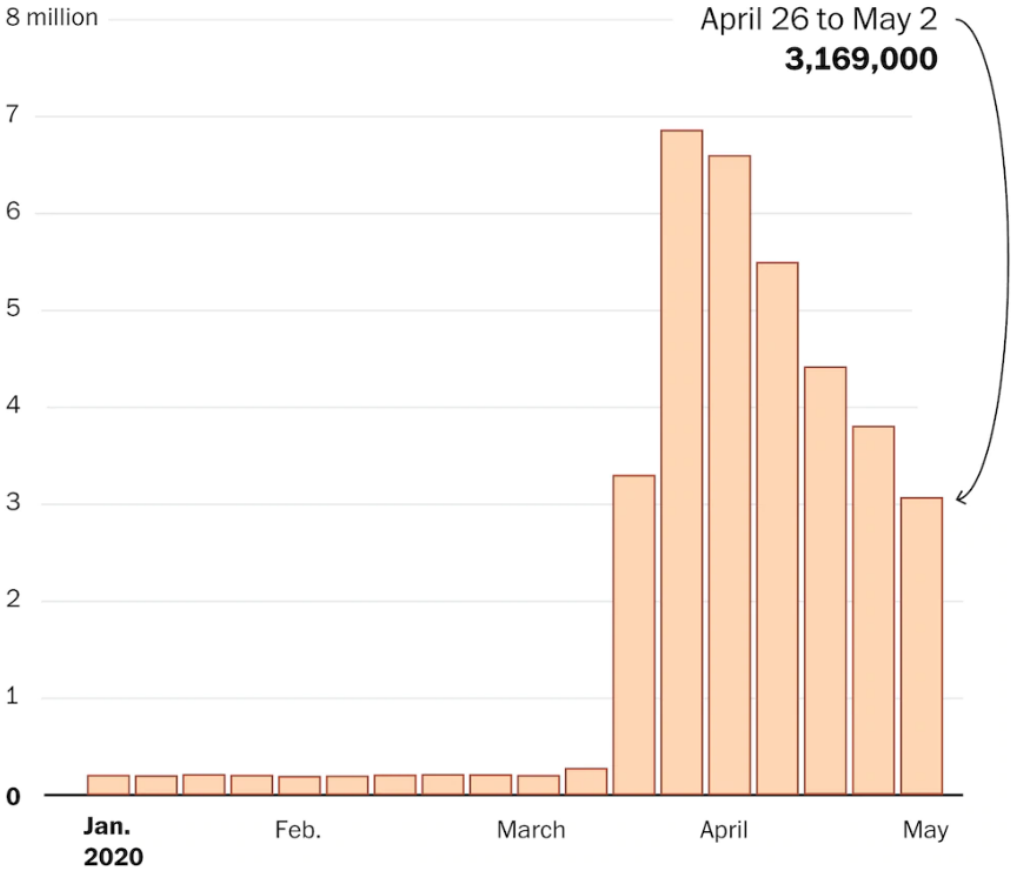
Note: Seasonally adjusted; figures from before 1948 are estimates

COVID-19 & UNEMPLOYMENT

Update: May 7, 2020, Labor Department

- ▶ An additional **3.2 million** Americans applied for unemployment benefits the week April 26 to May 2
- ▶ More than **33 million** have filed in the 7 weeks since a national emergency was declared
- ▶ Many economist now believe the unemployment rate is close to **20%**
 - » For comparison, the peak in the last recession was 10%; and the peak of the Great Depression was 25%

U.S. initial claims for unemployment insurance in 2020



Note: Seasonally adjusted
Source: Labor Department

THE WASHINGTON POST

COVID-19 & UNEMPLOYMENT

Update: May 6, 2020, ADP

- ▶ U.S. companies shed **20.2 million** jobs from their payrolls in **April**, which is:
 - » The worst on record since the report began in 2002
 - » Double the record recorded during the GFC in February 2009
- ▶ The April report includes data only through the 12th of the month, and so the extent of job losses is probably even greater
 - » More than 8 million additional workers applied for unemployment in the weeks that followed
- ▶ As expected, **services** (including financial, education, administrative, leisure and hospitality had the bulk of losses (**16 million**)
 - » **Good producing** sectors (mining, construction and manufacturing) eliminated nearly **4.2 million** positions
 - » **Big businesses** (500 or more employees) saw the most reductions, or nearly **9 million**
 - » **Small businesses** (50 or fewer employees) slashed **6 million** jobs

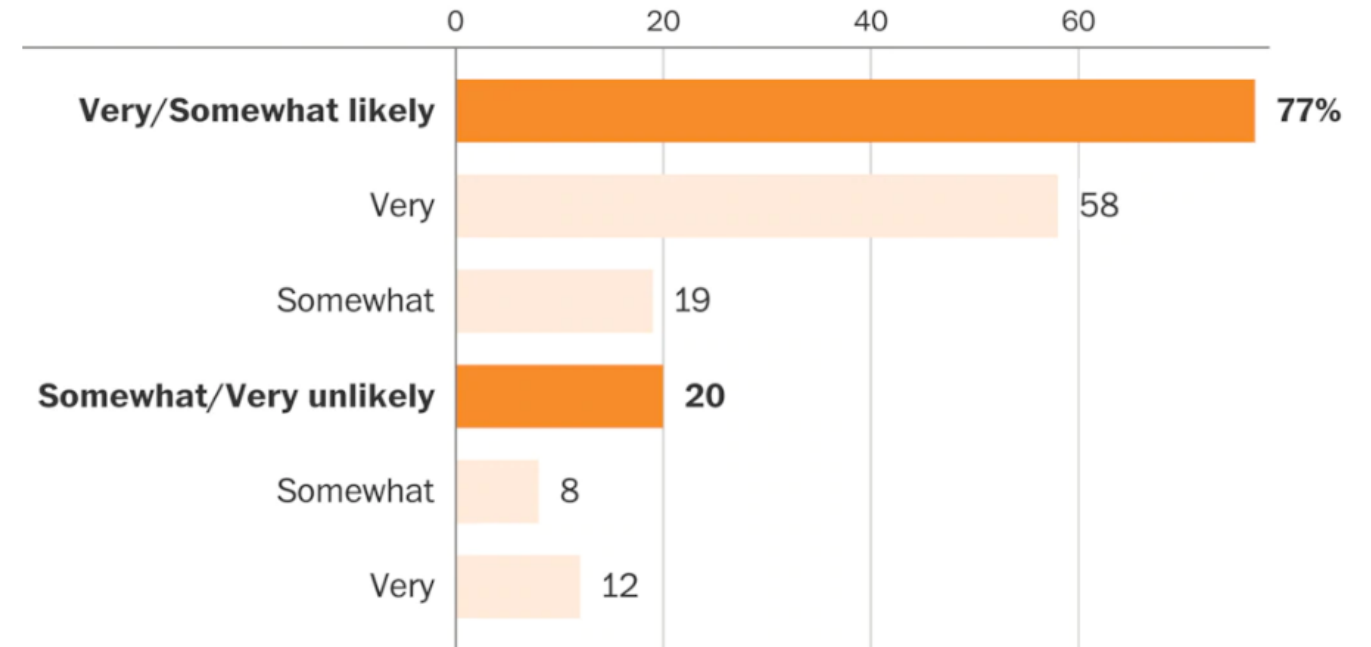
COVID-19 & UNEMPLOYMENT

Update: May 7, 2020, Washington Post-Ipsos

- ▶ **77%** of laid-off or furloughed workers expect to be rehired by their previous employer once stay-at-home orders are lifted
- ▶ Economists warn this optimism may be misplaced
 - » A new report from the Becker Friedman Institute at the University of Chicago predicts **42%** of recent layoffs could result in permanent job losses
 - » Some large employers (e.g., GE, Nordstrom, MGM) are warning that temporary furloughs could become permanent layoffs
 - » Typically, fewer than half of laid-off workers expect to return to their previous job

Almost 8 in 10 laid-off workers say it is likely they will be rehired by their former employer

Q: Just your best guess, how likely is it that you will be rehired by your most recent employer after stay-at-home orders are lifted? (Among laid-off Americans)



Note: "No opinion" not shown.

Source: April 28-May 4, 2020, Washington Post-Ipsos poll of 928 laid-off adult Americans with an error margin of +/- 3.5 percentage points.

EMILY GUSKIN/THE WASHINGTON POST

U.S. MANUFACTURING

COVID-19 & U.S. MANUFACTURING AT A GLANCE – APRIL 2020

Update: May 1, 2020, ISM

Index	Series Index Apr	Series Index Mar	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	41.5	49.1	-7.6	Contracting	Faster	2
New Orders	27.1	42.2	-15.1	Contracting	Faster	3
Production	27.5	47.7	-20.2	Contracting	Faster	2
Employment	27.5	43.8	-16.3	Contracting	Faster	9
Supplier Deliveries	76.0	65.0	11.0	Slowing	Faster	6
Inventories	49.7	46.9	2.8	Contracting	Slower	11
Customers' Inventories	48.8	43.4	5.4	Too Low	Slower	43
Prices	35.3	37.4	-2.1	Decreasing	Faster	3
Backlog of Orders	37.8	45.9	-8.1	Contracting	Faster	2
New Export Orders	35.3	46.6	-11.3	Contracting	Faster	2
Imports	42.7	42.1	0.6	Contracting	Slower	3
OVERALL ECONOMY				Contracting	From Growing	1
Manufacturing Sector				Contracting	Faster	2

MULTIFAMILY COLLECTIONS

COVID-19 & MULTIFAMILY RENT COLLECTIONS

Updated: May 8, 2020, NMHC

- ▶ **80.2%** of apartment households made full or partial payment by May 6
 - » This is **only -1.6%** lower than for the same week in 2019
 - » And this is actually **more than +2%** higher than paid in the first week of April 2020

MAY 1-6, 2020

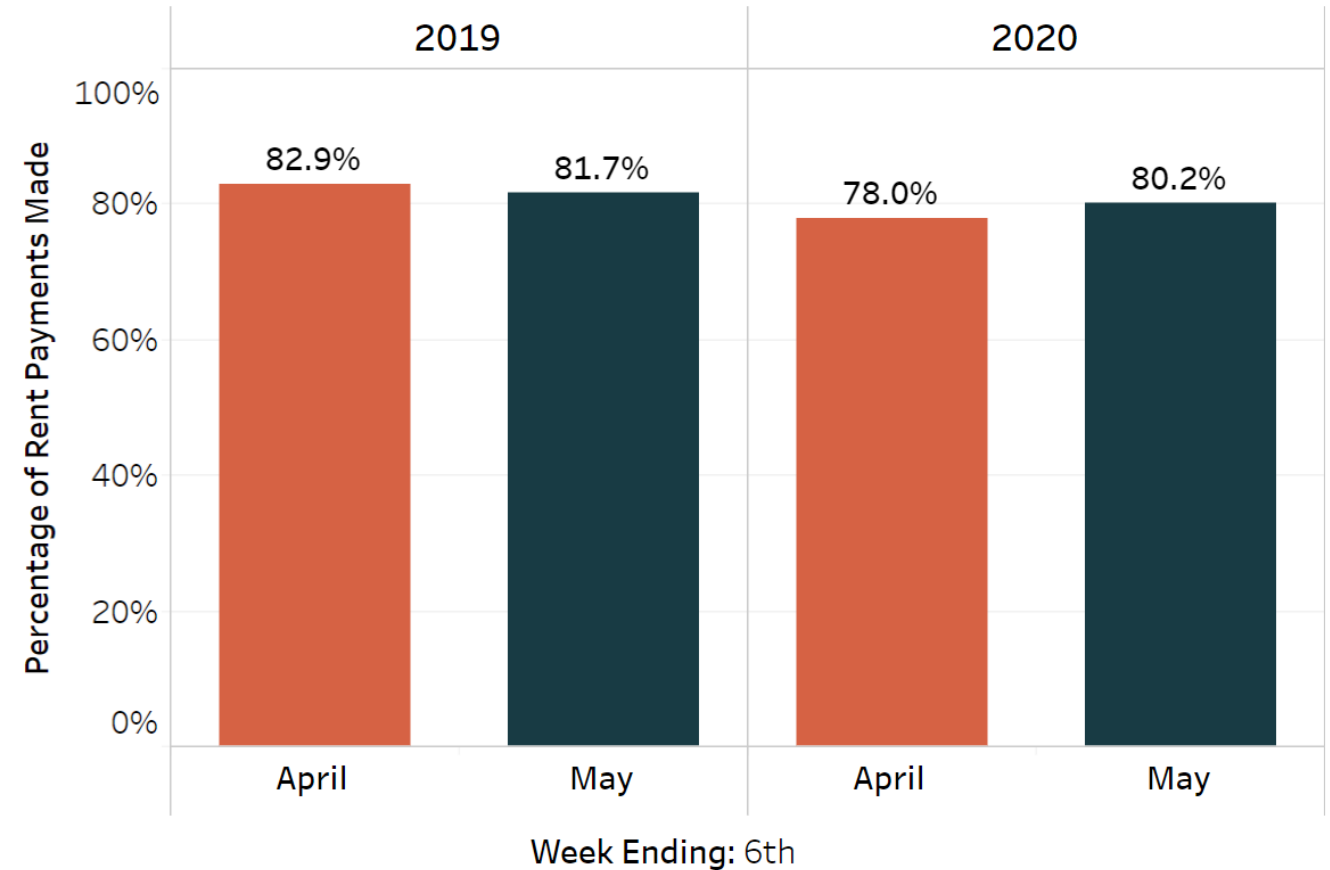
80.2% ▼



of rent payments made

Rent Payment Tracker: Weekly Results

**Data collected from 11.4 million apartment units in May and 11.5 million apartment units in April



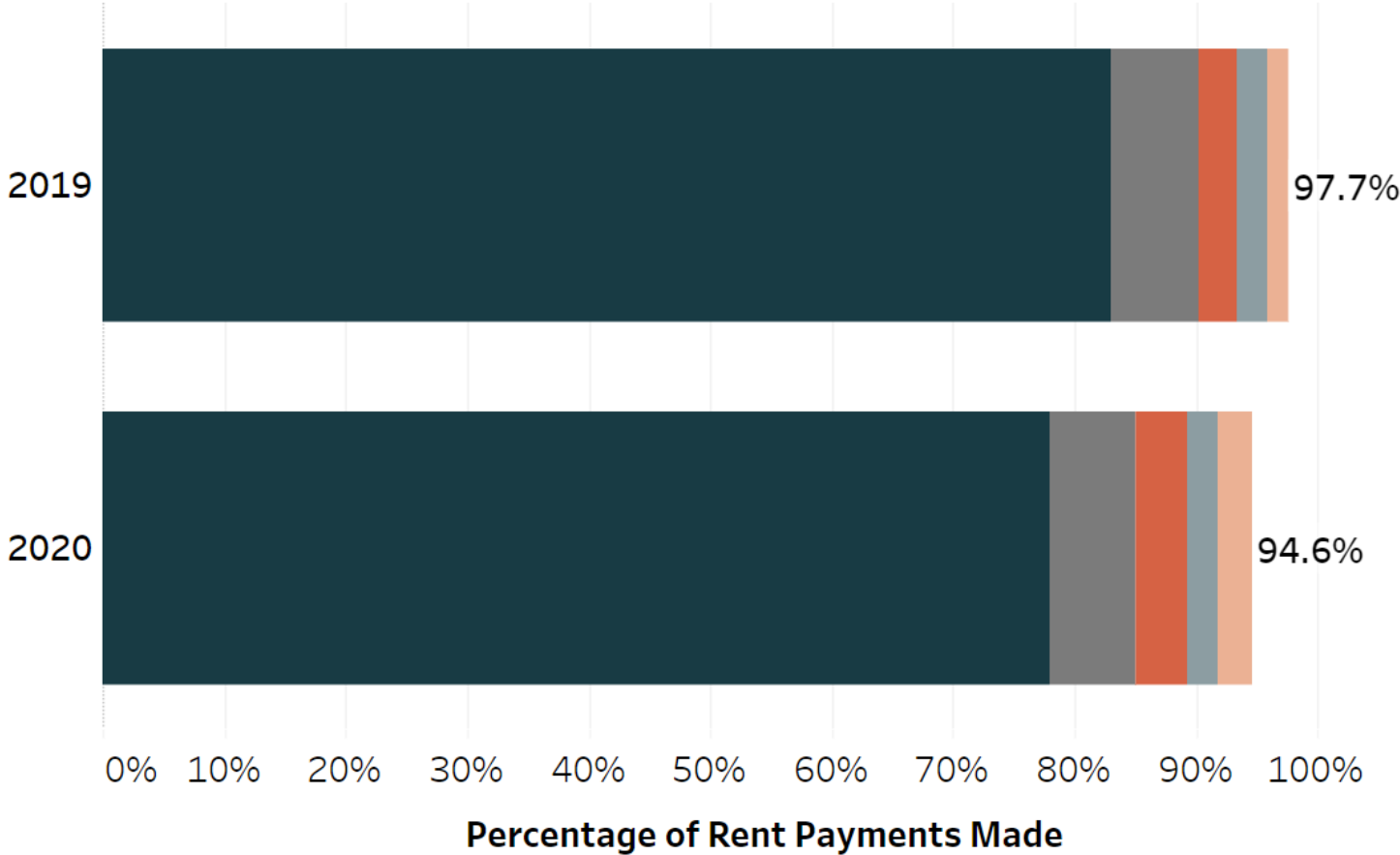
COVID-19 & MULTIFAMILY RENT COLLECTIONS

Updated: May 8, 2020, NMHC

- ▶ **94.6%** of apartment households made full or partial payment by the end of the month of April
- » This compares with **97.7%** for April 2019

Rent Payment Tracker: Full Month Results

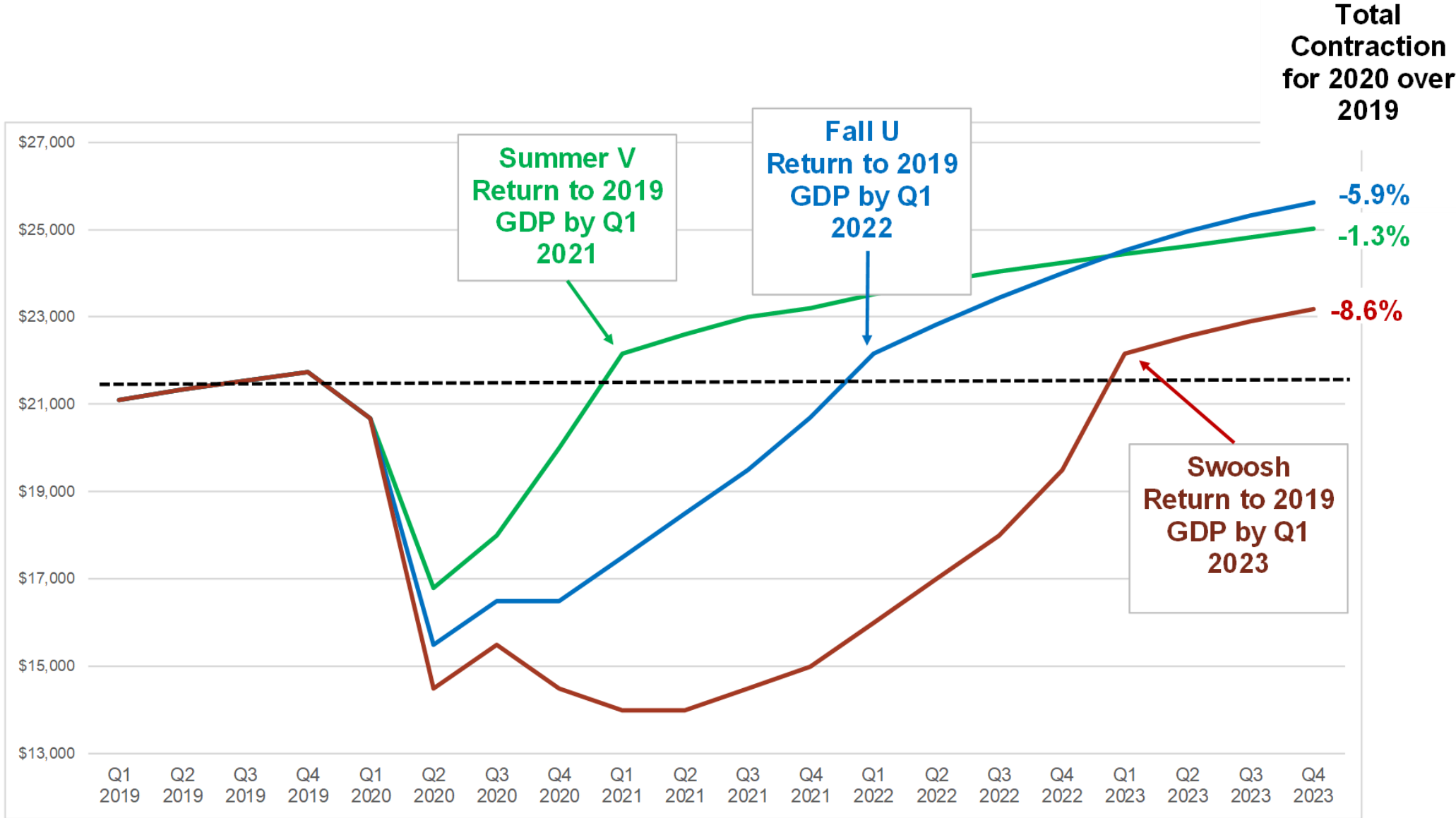
**Data collected from 11.5 million apartment units



Week Ending: 6th* 13th 20th 27th End of Month

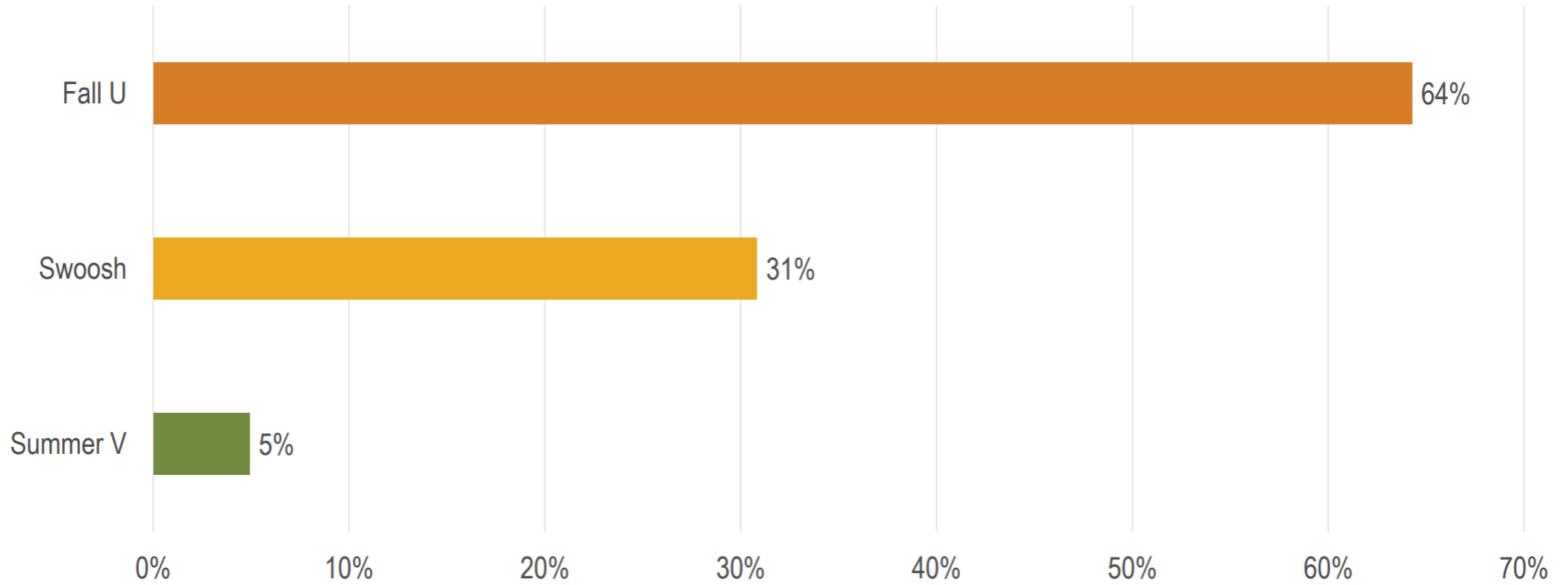
THE IMPACT & RECOVERY

COVID-19 & POSSIBLE RECOVERY SCENARIOS



POLL #3

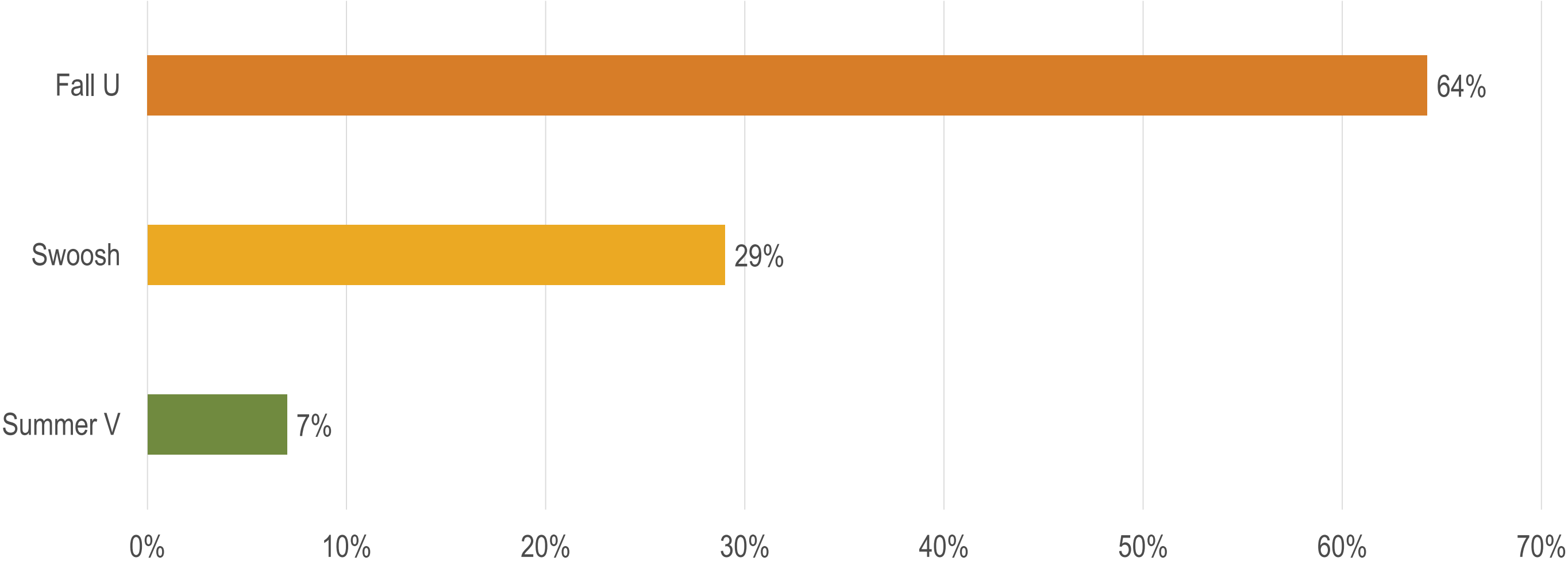
What do you believe the most likely recovery scenario will look like?



THIS WEEK'S POLL RESULTS

Updated: May 8, 2020, RCLCO

What do you believe the most likely recovery scenario will look like?



DISCLAIMERS

CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and real estate markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

This is particularly the case in light of recent developments that have occurred in Q1 2020, including fears of disruption due to the novel coronavirus, a price war that has precipitated a sharp drop in global oil prices, and concern over the level of corporate debt in the U.S. that could become a problem in a slowing economy. These events underscore the notion that stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is particularly difficult to predict inflection points, including when economic and real estate expansions will end, and when downturn conditions return to expansion.

Our analysis and recommendations are based on information available to us at the time of the writing of this report, including the likelihood of a downturn, length and duration, but it does not consider the potential impact of additional/future shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology. As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, any project and investment economics included in our analysis and reports should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause unacceptable levels of risk or failure.

In addition, and unless stated otherwise in our analysis and reports, we assume that the following will occur in accordance with current expectations by market participants:

- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive supply (both active and future) will be delivered to the market as planned, and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

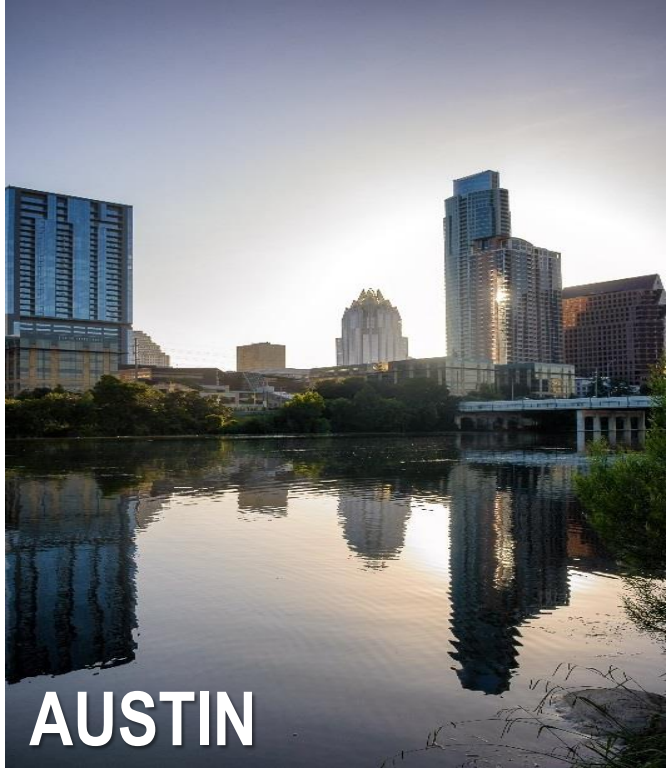
GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.





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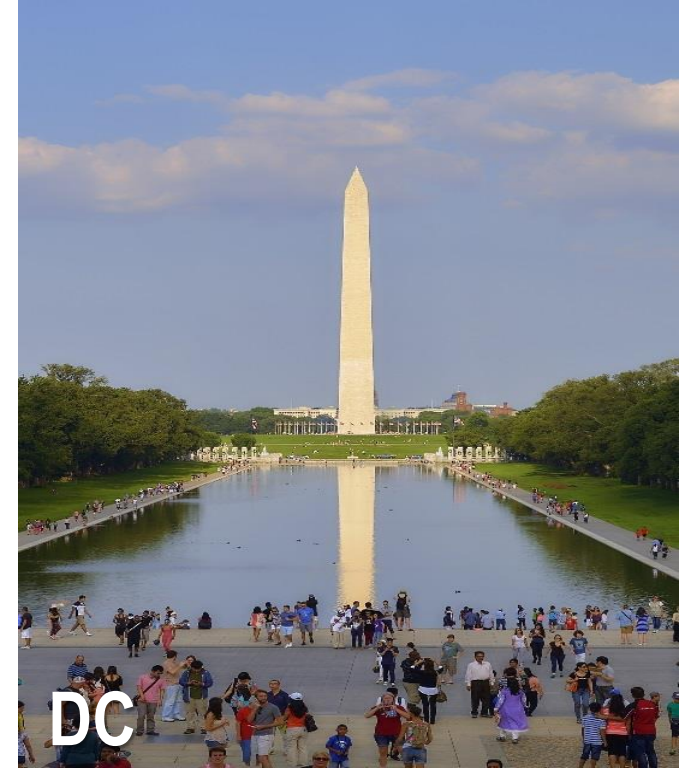
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