



COVID-19 HOUSING TRENDS

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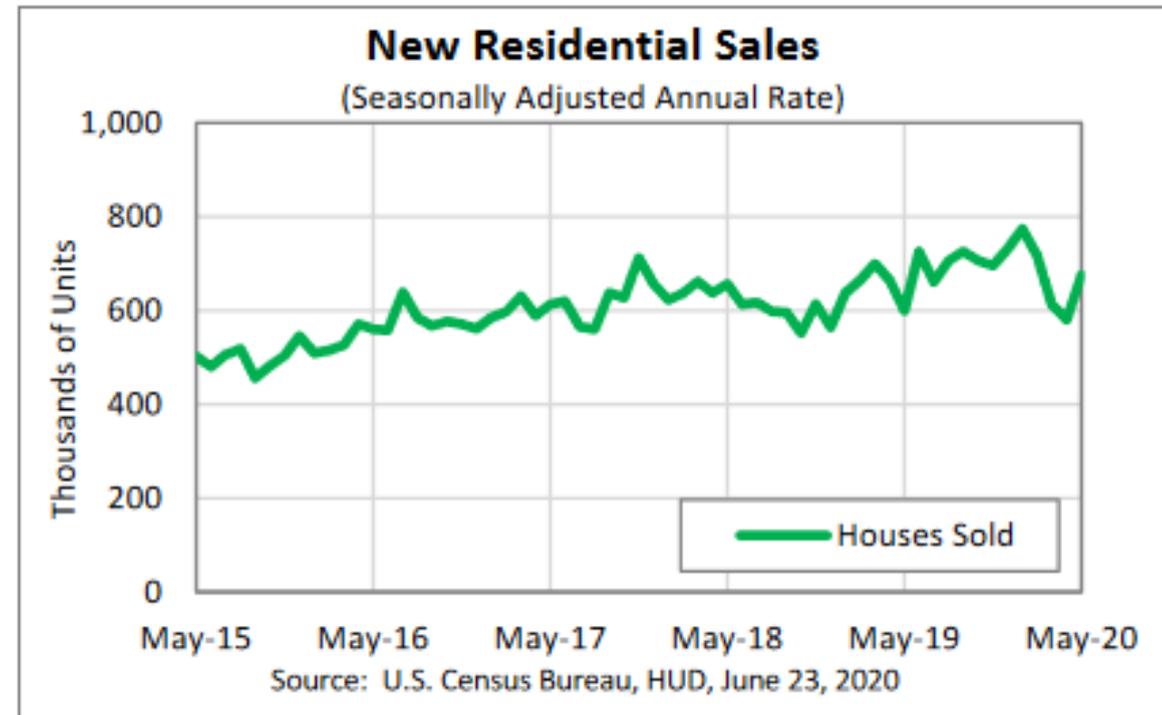
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RCLCO
REAL ESTATE ADVISORS

NEW HOME SALES AND THE COVID-19 RECESSION

- » U.S. homebuilding dropped to a five-year low in April, rebounded in May and June
- » May new home sales increased 17% over April 2020
- » June figures will show continued strengthening in the housing market when released in July

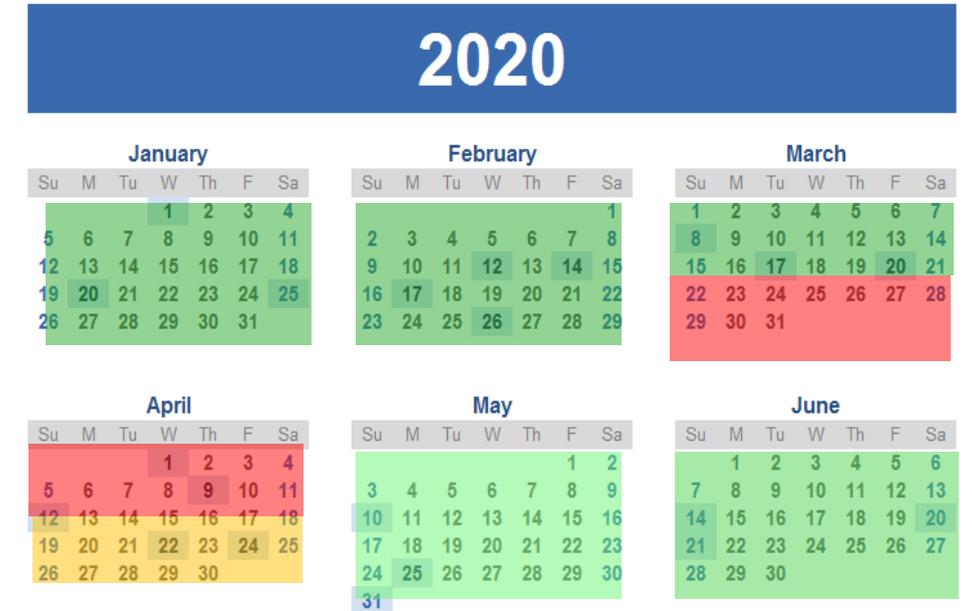
 NEW RESIDENTIAL SALES MAY 2020	
New Houses Sold¹:	676,000
New Houses For Sale²:	318,000
Median Sales Price:	\$317,900
Next Release: July 24, 2020	
¹ Seasonally Adjusted Annual Rates	
² Seasonally Adjusted	
Source: U.S. Census Bureau, HUD, June 23, 2020	



RCLCO INTERVIEWS WITH MPC EXECUTIVES

» Quotes:

- » **“We are seeing an upward trend in sales – I think it is a general return to business”**
- » **“Consumer’s tired of deferring the home-buying decision”**
- » **“People who wanted to buy but were delayed got restless, now they’re ready to move”**
- » **“Consumer confidence has taken a turn towards optimistic - sales data bears out”**
- » Most significant activity among local move-up buyers
- » 55+ buyers and first-time buyers not fully back in the market
- » Some attribute demand from move-up buyers to quarantine and desire for additional space

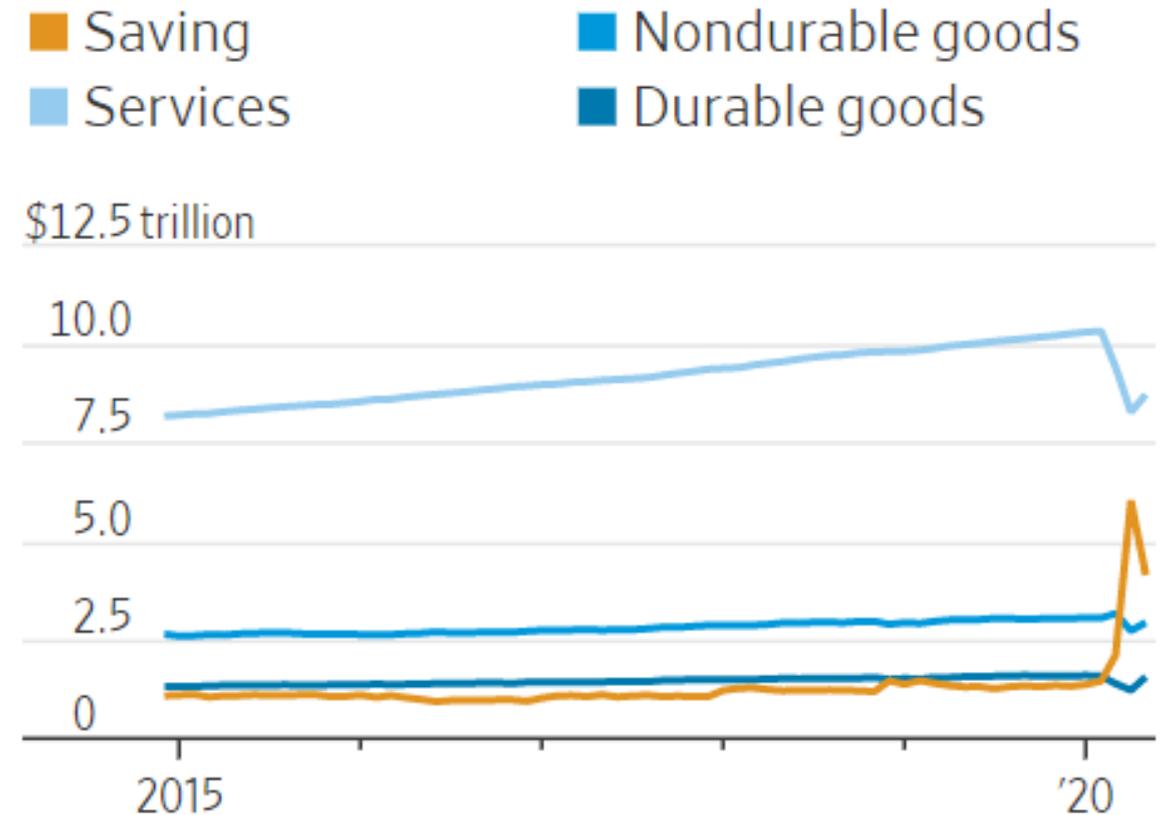


COVID-19 & CONSUMER SPENDING

Updated: June 26, 2020, U.S. Commerce

- ▶ U.S. consumer spending increased **+8.2%** in May, a sign that the economy is growing again
 - » This is the biggest one-month gain since record keeping began in 1959
 - » This reverses a decline of **-13.6%** in April, on the heels of a **-7.5%** drop in March
- ▶ Personal income decreased \$874.2 billion (**-4.2%**) in May
- ▶ Disposable personal income (DPI) decreased \$911.1 billion (**-4.9%**)
- ▶ Personal consumption expenditures (PCE) increased \$994.5 billion (**+8.2%**).

Personal spending and saving

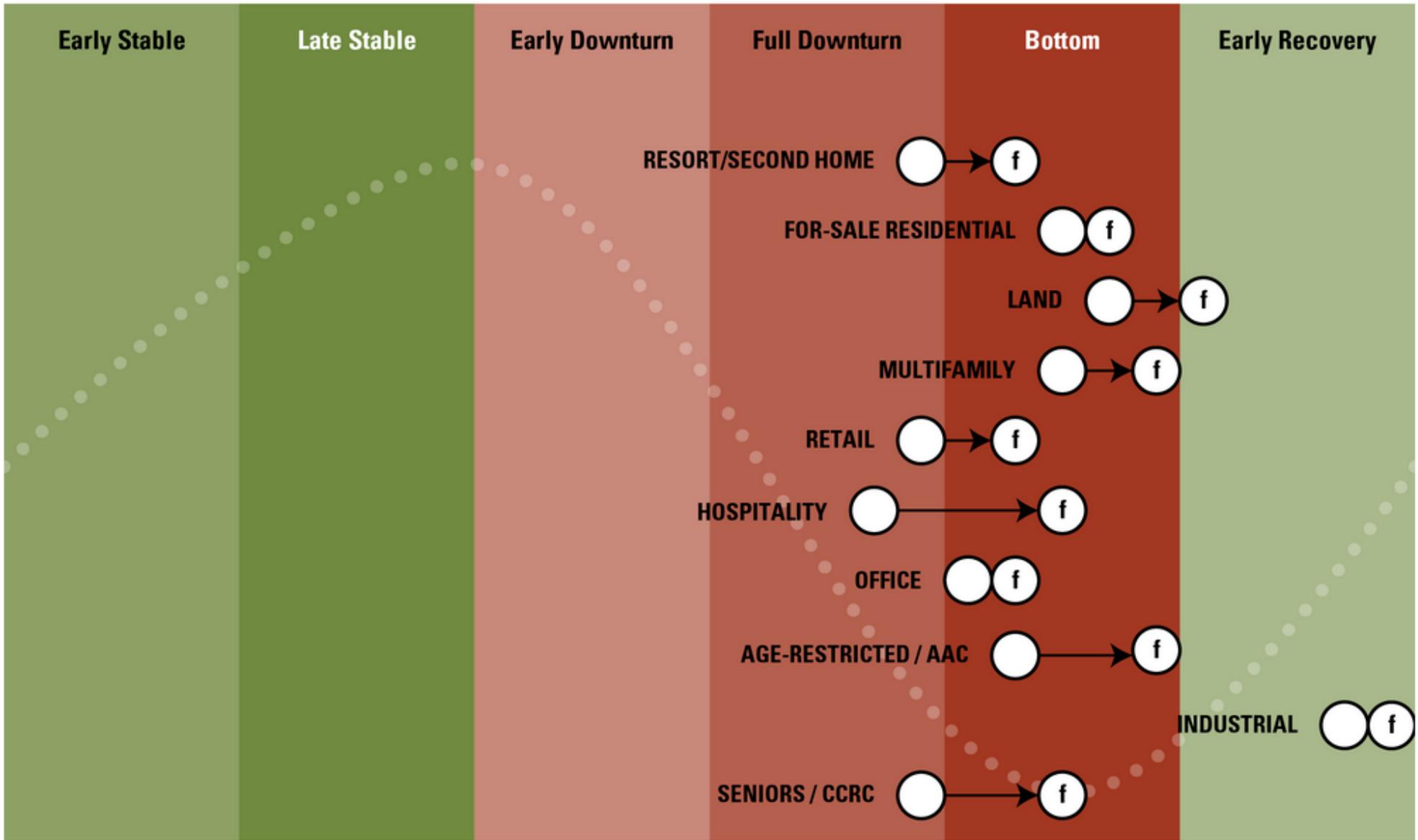


Note: Seasonally adjusted at an annual rate

Source: Commerce Department

RCLCO Real Estate Cycle Chart

○ Current Cycle Stage (f) Future Cycle Stage



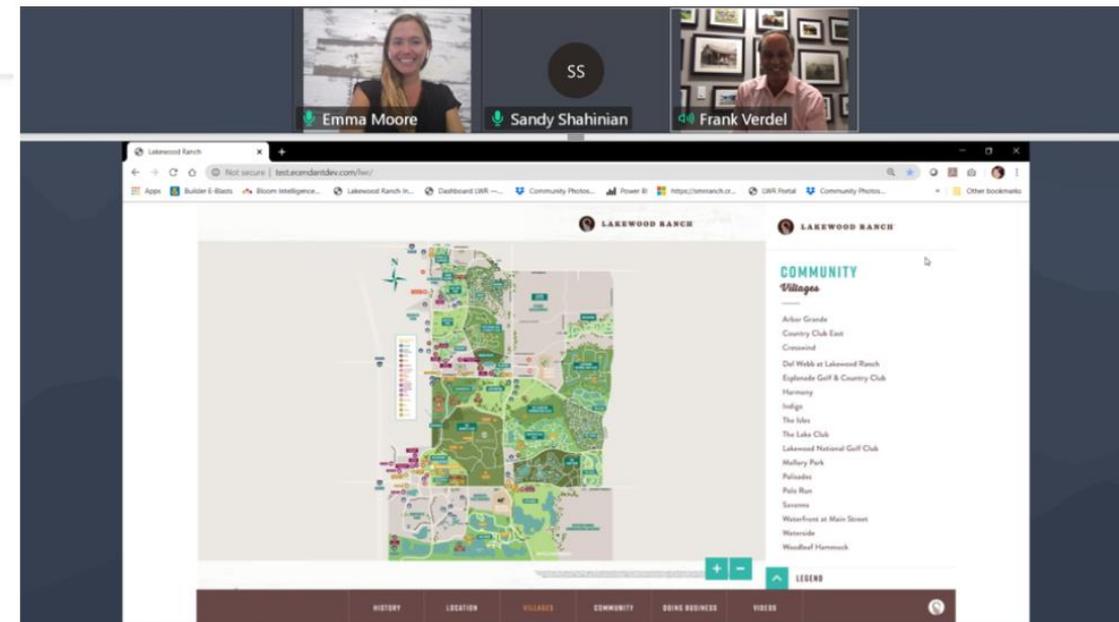
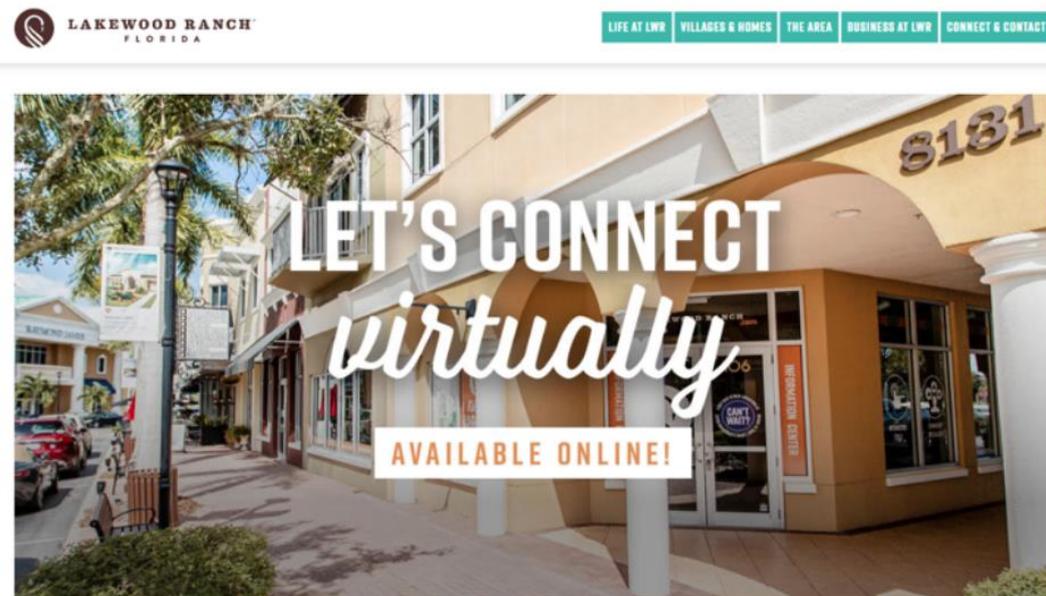
2nd Q2020

The RCLCO Current Real Estate Market Sentiment Index (RMI) plunged as expected in mid-2020, to a low 9.2, and the Future RMI, now at 36.8, calls for some continued declines in conditions, but also the beginnings of recovery in a few sectors, within a year

Source: RCLCO

RESIDENTIAL SALES AND MARKETING WON'T RETURN TO PRE-COVID CRISIS PRACTICES

- ▶ Wide range of technology responses across the real estate industry
- ▶ Darwin did not say it would be the most intellectual or the strongest that survives, but the ones that are best able to adapt and adjust to the changing environment

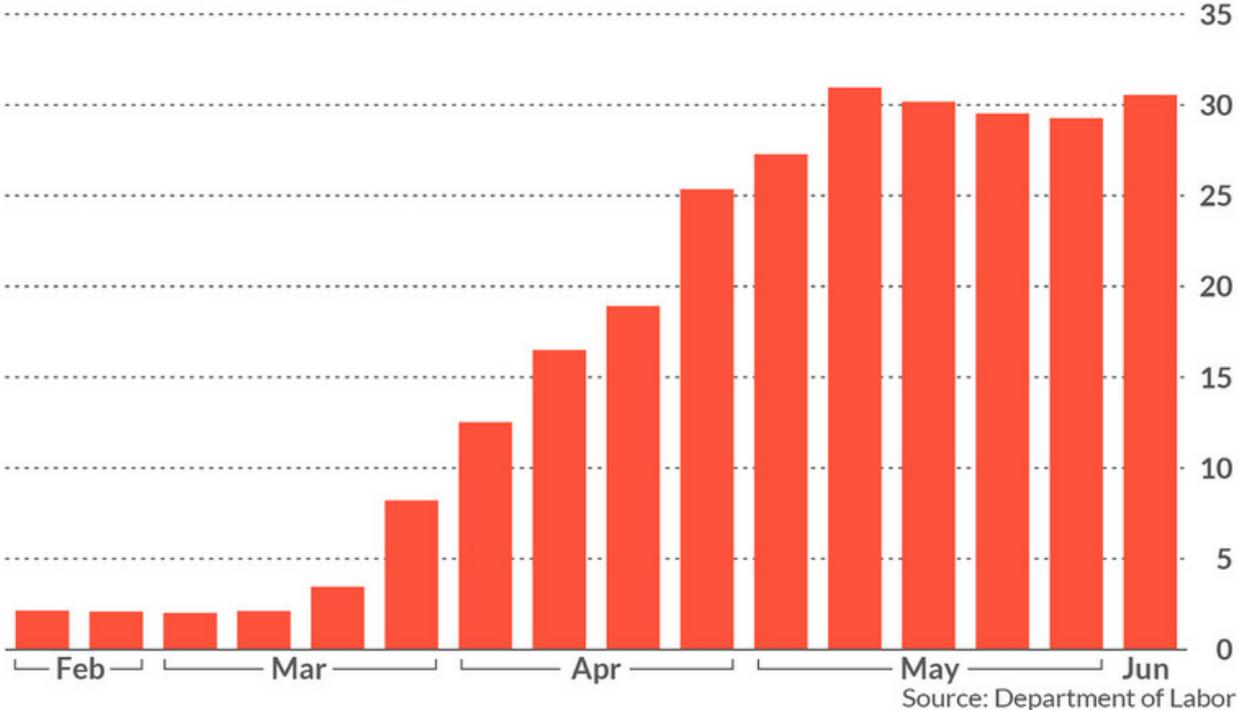


UNEMPLOYMENT STIMULUS ENDS THIS MONTH

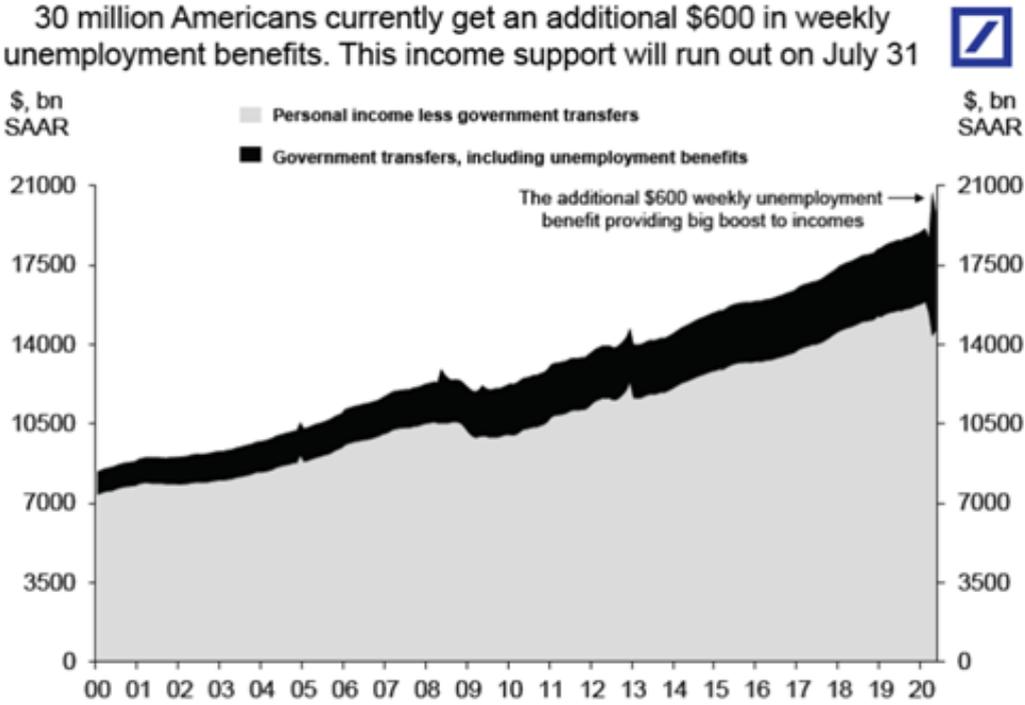
- ▶ May and June look better; end of July the current \$600 a week in federal extended unemployment benefits set to expire
- ▶ About 30 million Americans collecting unemployment, lost benefits could create a consumer spending shock to the economy

30 million on unemployment

Total continuing unemployment claims (state and federal), in millions



Through early June, about 30 million Americans were collecting unemployment benefits.



Source: BEA, Haver Analytics, DB Global Research

MULTIFAMILY RENT COLLECTIONS

Updated: June 16, 2020, NMHC

- ▶ **89%** of professionally managed apartment households made a full or partial rent payment by June 13
- » This is up **+1.3%** from the same period in May 2020
- » This is essentially the same percentage of renters who made payments from this same period in 2019

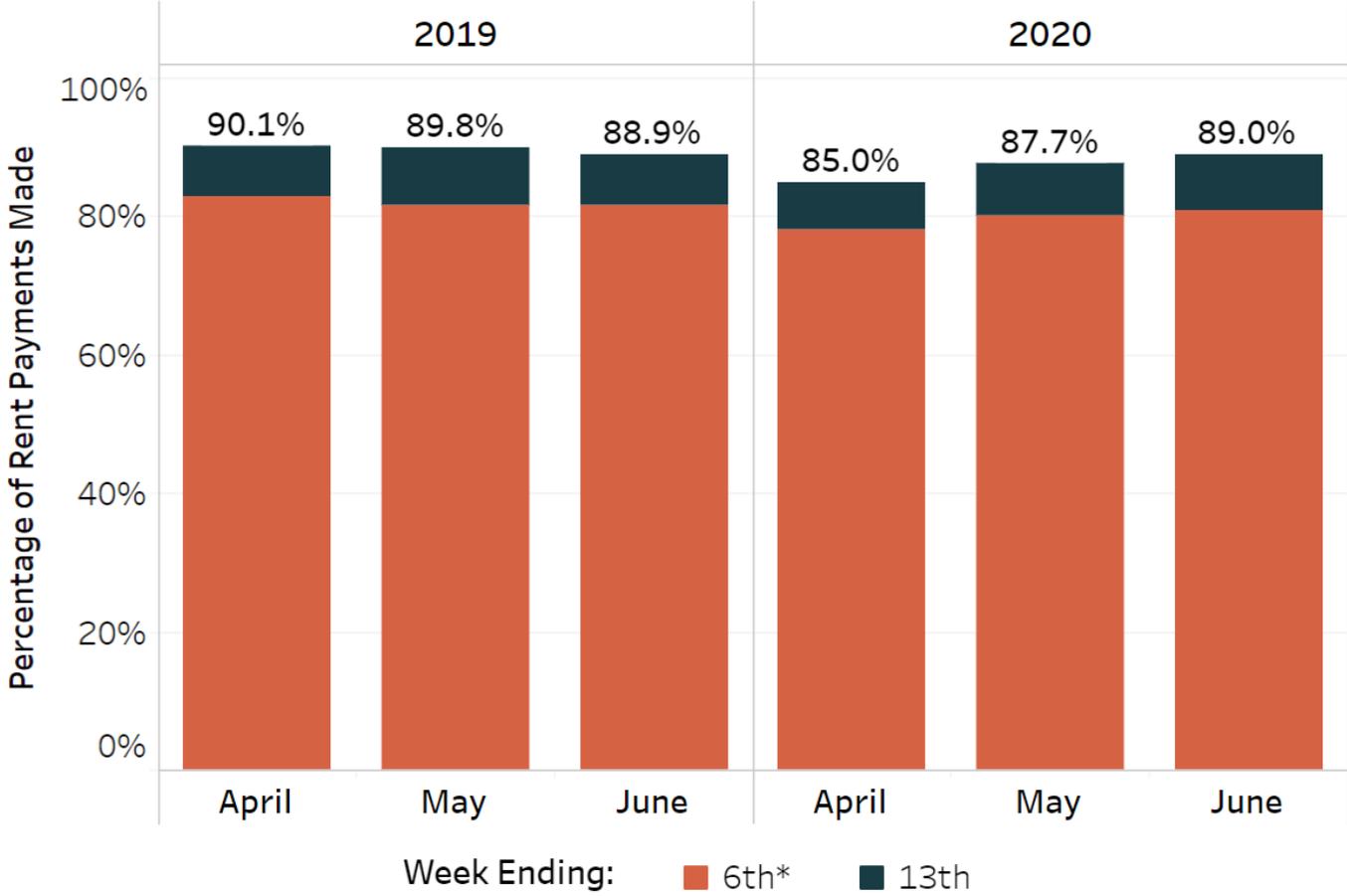
JUNE 1-13, 2020



of rent payments made

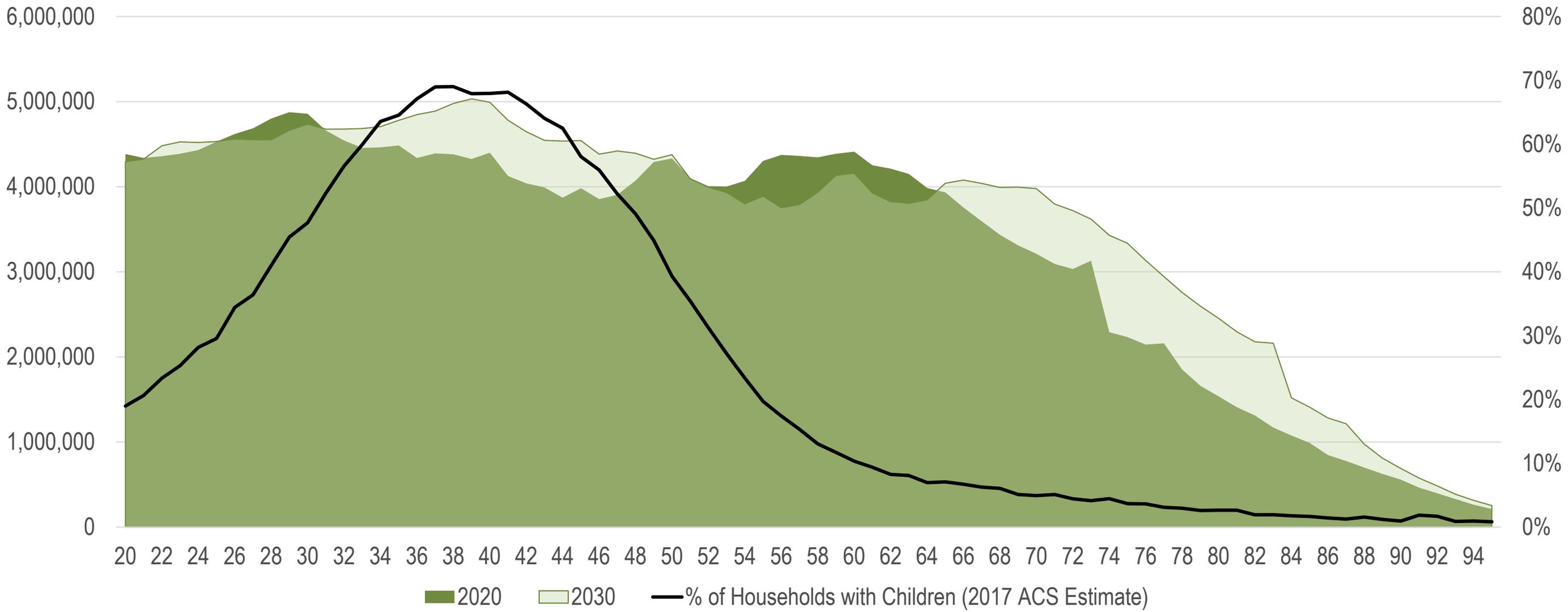
Rent Payment Tracker: Weekly Results

**Data collected from between 11.4 and 11.5 million apartment units in April, May, and June.



DEMOGRAPHICS INDICATE MORE FAMILY HOUSING DEMAND

Projected Population by Age, 2020–2030



CASE STUDY: AVILLA DEER VALLEY; PHOENIX, ARIZONA

Developer Built Single Family Rentals in Phoenix, AZ

1BR/1BA (Duplex)
635 SF
Starting at \$1,125



2BR/2BA (Duplex)
962 SF
Starting at \$1,475



3BR/2BA (Duplex)
1,236 SF
Starting at \$1,695



- ▶ Renter households in transition stages of life
- ▶ Most renters are younger households tired of apartments but not ready or able to buy SFD
- ▶ Also older households down sizing from owned single family but don't want apartment living
- ▶ 10% premium to similarly sized rental apartments

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.

It has become increasingly clear that the U.S. economy is in a recession, and yet the extent of the damage to the economy and the ability to rebound from a still unfolding disruption are unknown. 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).

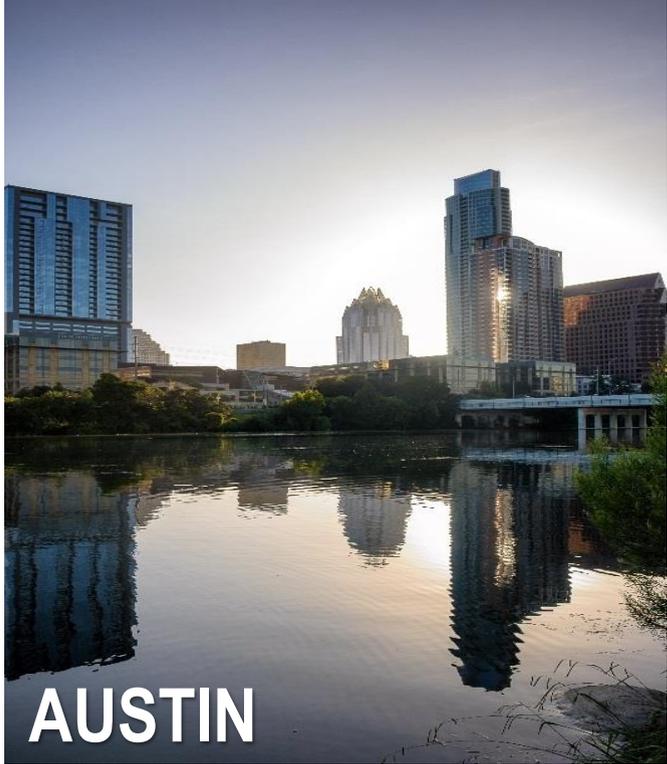
GENERAL LIMITING CONDITIONS

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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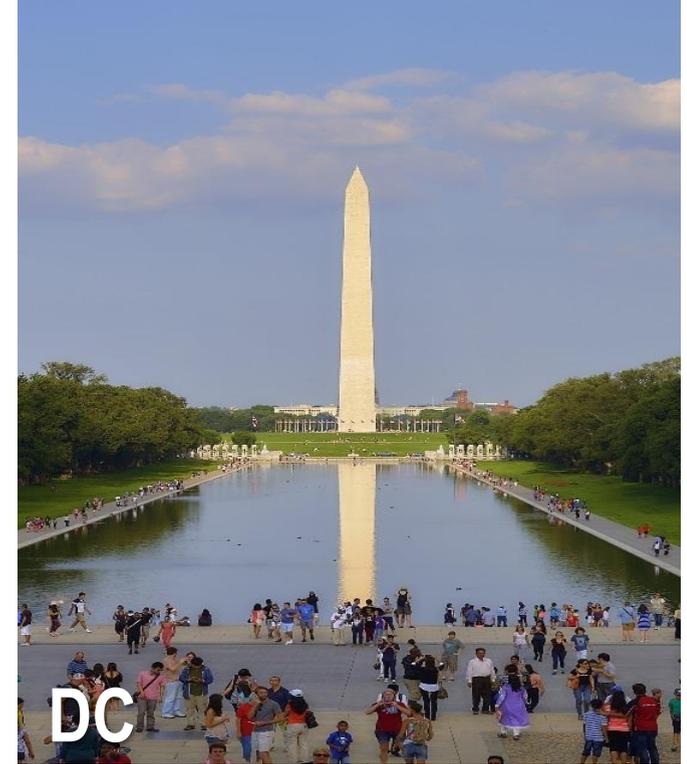
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