



MONTHLY COVID ROUND-UP WITH RCLCO
STRATEGY PLANNING
IN THE TIME OF COVID-19

October 29, 2020

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TODAY'S PANELISTS



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AGENDA

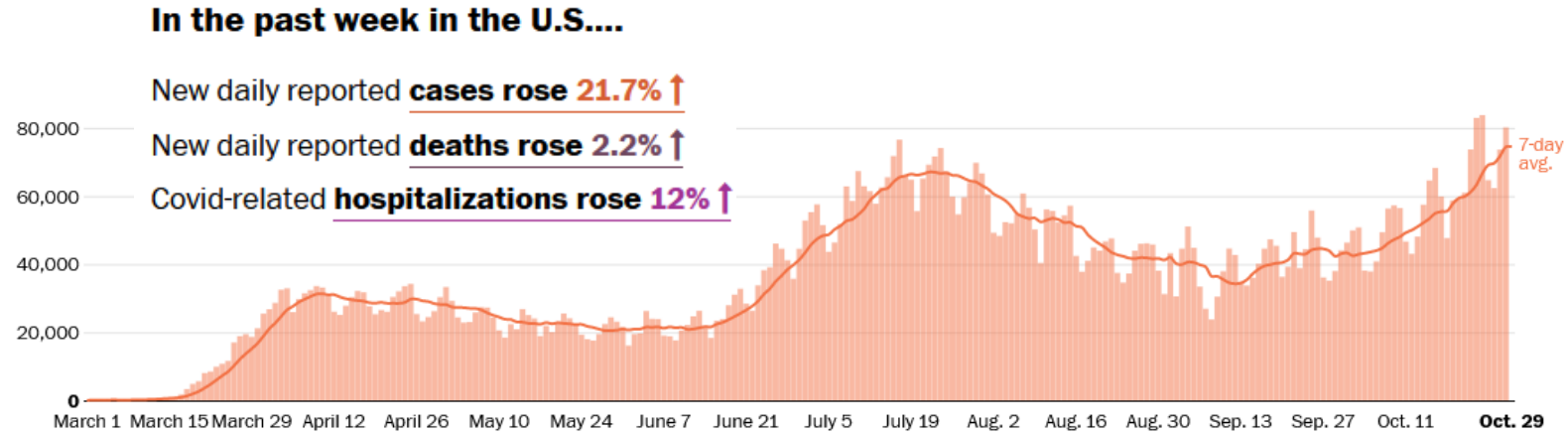
1. New News
2. The “K” Shaped Recovery
3. Strategic Planning for a Post-COVID “New Normal”
4. Q&A

COVID-19 & THE CURVE

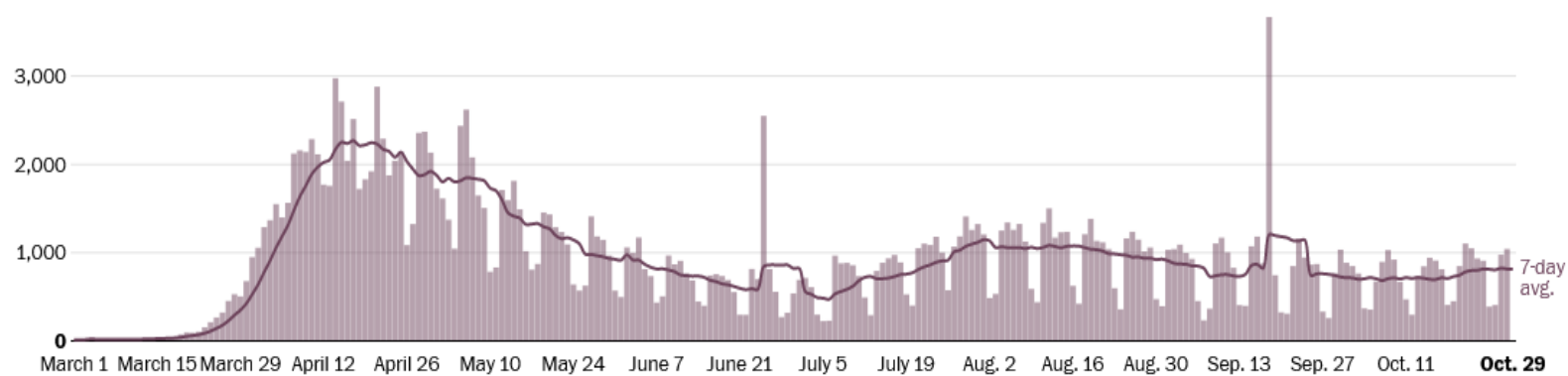
Updated: October 29, 2020, HDE (daily)

- The U.S. is beginning to experience, really, a third wave of coronavirus infections, with cases up +22% in the past week. Deaths rose +2.2% and hospitalization are up +12%. Politically, the redder a place is, the higher its rates of new cases and deaths, just saying...

Cases – U.S.

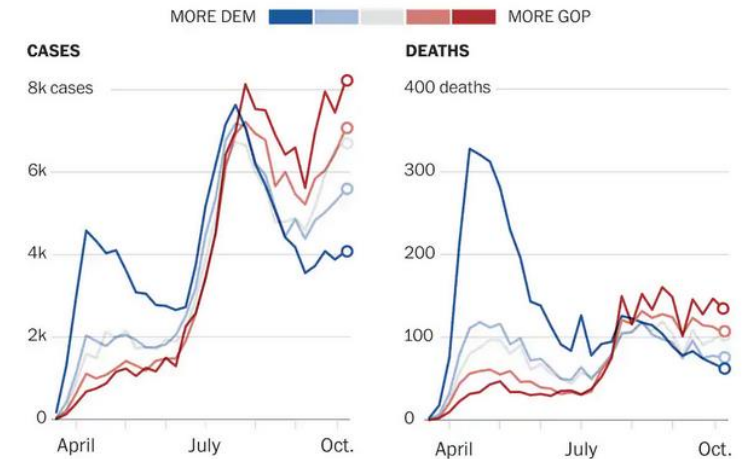


Deaths – U.S.



Researchers show higher coronavirus spike in GOP areas

Weekly rate per 100,000 persons* by political lean of counties in 2016 election



*Weekly rate normalized in relation to persons per year

Source: Harvard T.H. Chan School of Public Health AARON STECKELBERG/THE WASHINGTON POST

COVID-19 case and death rates by political lean (AARON STECKELBERG/The Washington Post)

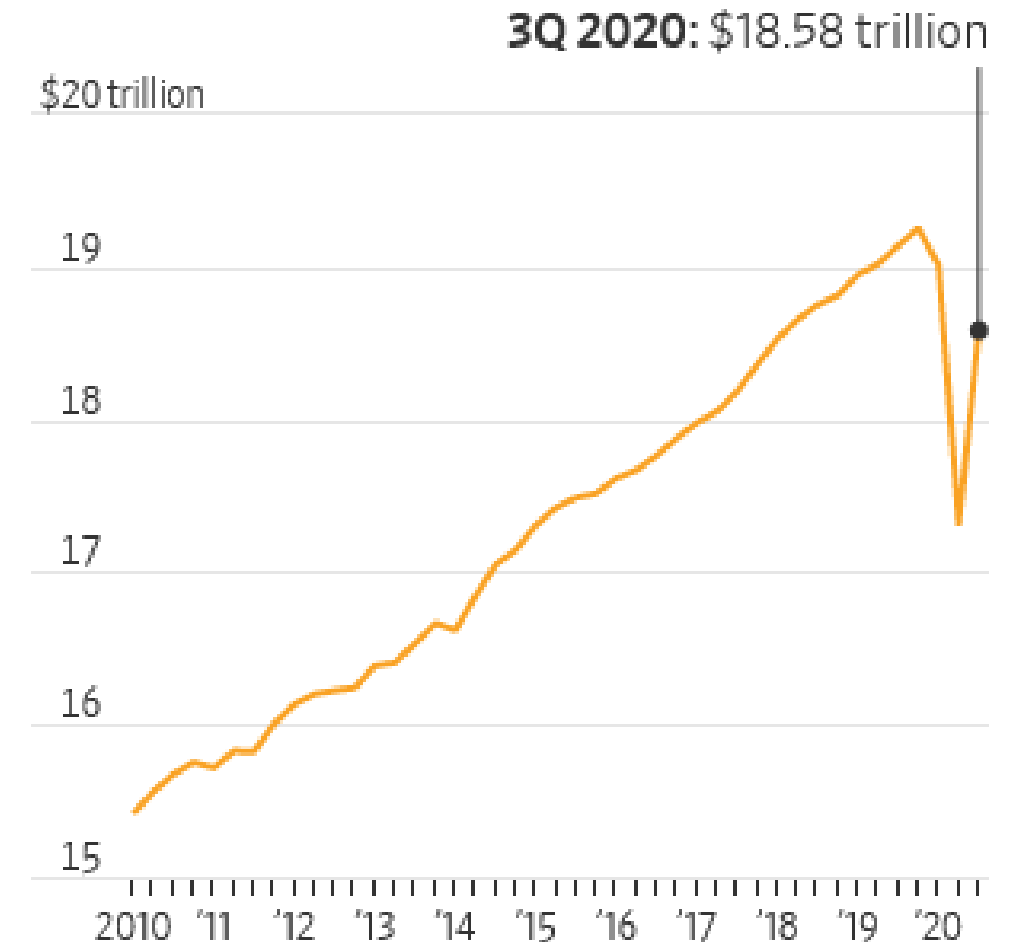
https://www.washingtonpost.com/graphics/2020/national/coronavirus-us-cases-deaths/?hpid=hp_hp-banner-main_gfx-virus-tracker%3Ahomepage%2Fstory-ans&itid=hp_rhp_hp-banner-main_gfx-virus-tracker%3Ahomepage%2Fstory-ans

COVID-19 & GDP GROWTH

Updated: October 29, 2020, BEA (quarterly)

- ▶ U.S. Q3 GDP was up sharply **+33.1%**, after plunging -31.4% in Q2
- ▶ This puts Q3 GDP **+7.4%** above the prior quarter
 - » This compares with a -9% drop in Q2 GDP
 - » The net result leaves the economy approximately **-3.5%** smaller than at the end of 2019
- ▶ This clearly captures the reopening of the economy, but economists warn this is far from an all clear signal
 - » It is important to note that these numbers are annualized as if the current quarter's pace of growth continued for a full year – which no one expects on either the downside, or the upside

Level of GDP



Note: Seasonally and inflation adjusted at annual rates

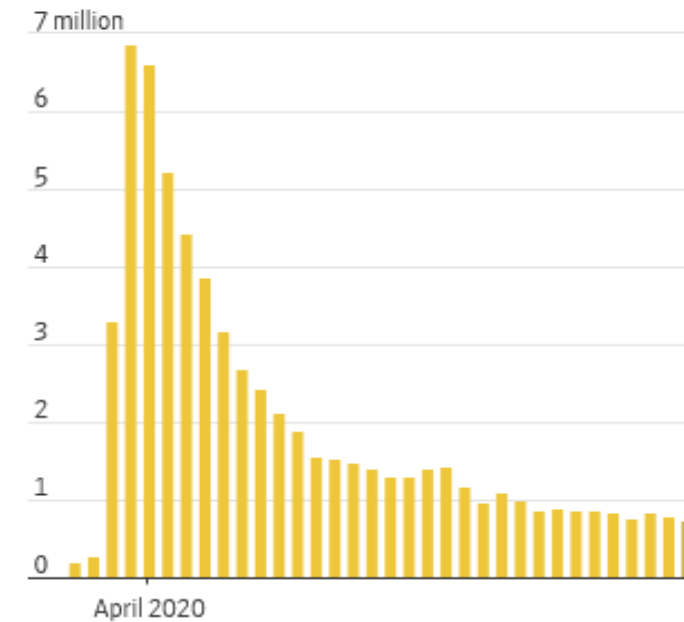
Source: Commerce Department

COVID-19 & UNEMPLOYMENT

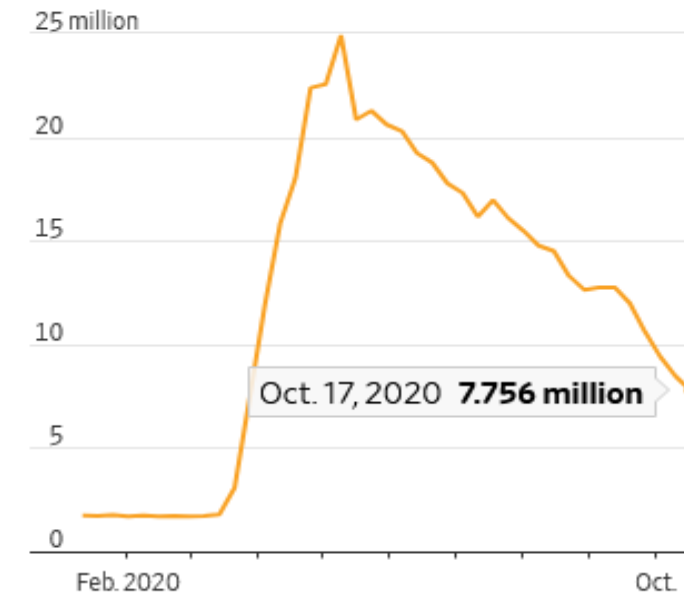
Updated: October 29, 2020, Labor Department, WSJ (weekly)

- ▶ **Good news:** people seeking new claims for unemployment fell to the lowest level since the pandemic began down -40,000 to **751,000** for the week ending October 24, well above the pre-pandemic level
 - » This compares with 791,000 new claims the previous week
- ▶ **Bad news:** claims remain exceptionally high by historical standards
 - » Last week's claims are 3x higher than the average in early March
 - » Persistent layoffs are holding back the economic recovery from gaining traction
- ▶ Continuing claims decreased to **7.7 million** people claiming state unemployment benefits, down from 10.0 million in the prior week
 - » However, the drop in claims represent individuals who have exhausted the maximum duration of payments available through regular state programs

Initial unemployment claims, weekly



Continuing unemployment-benefits recipients, regular state programs



Note: Seasonally adjusted
Source: Labor Department

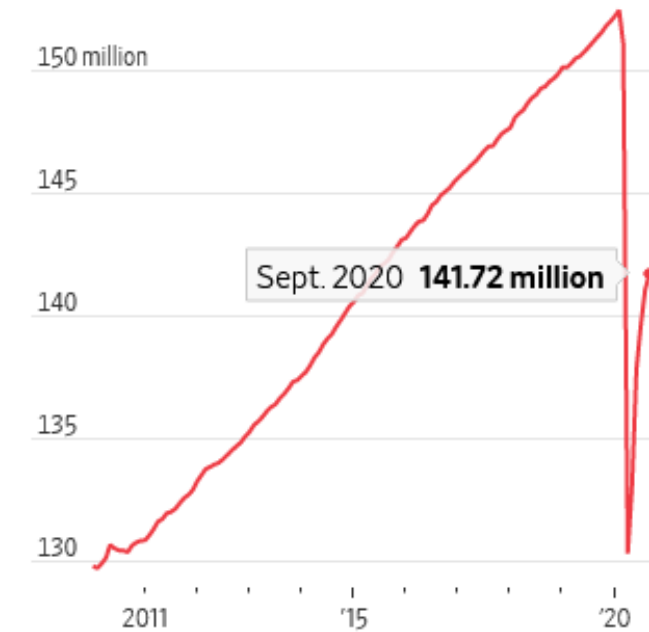
https://www.wsj.com/articles/weekly-jobless-claims-coronavirus-10-15-2020-11602714104?mod=hp_lead_pos1

COVID-19 & JOB GROWTH

Update: October 2, 2020, BLS (monthly)

- ▶ The U.S. recovery slowed significantly in September – the economy added +661,000 in September, down from +1.4 million in August, and +1.8 million in July
- ▶ The unemployment rate fell to 7.9%, down from 8.4% in August
- ▶ While good news, only 11.4 million of the over 22 million jobs lost have been recovered
- ▶ The relatively lackluster jobs report coincides with large corporate layoffs announced recently, including:
 - » Walt Disney Co. earlier this week announced permanent layoffs for 28,000 theme park workers who were previously on temporary furlough
 - » American Airlines Group Inc. and United Airlines Holdings Inc. will proceed for now with a total of more than 32,000 job cuts

Total nonfarm payrolls



Unemployment rate



Note: Seasonally adjusted
Source: Labor Department

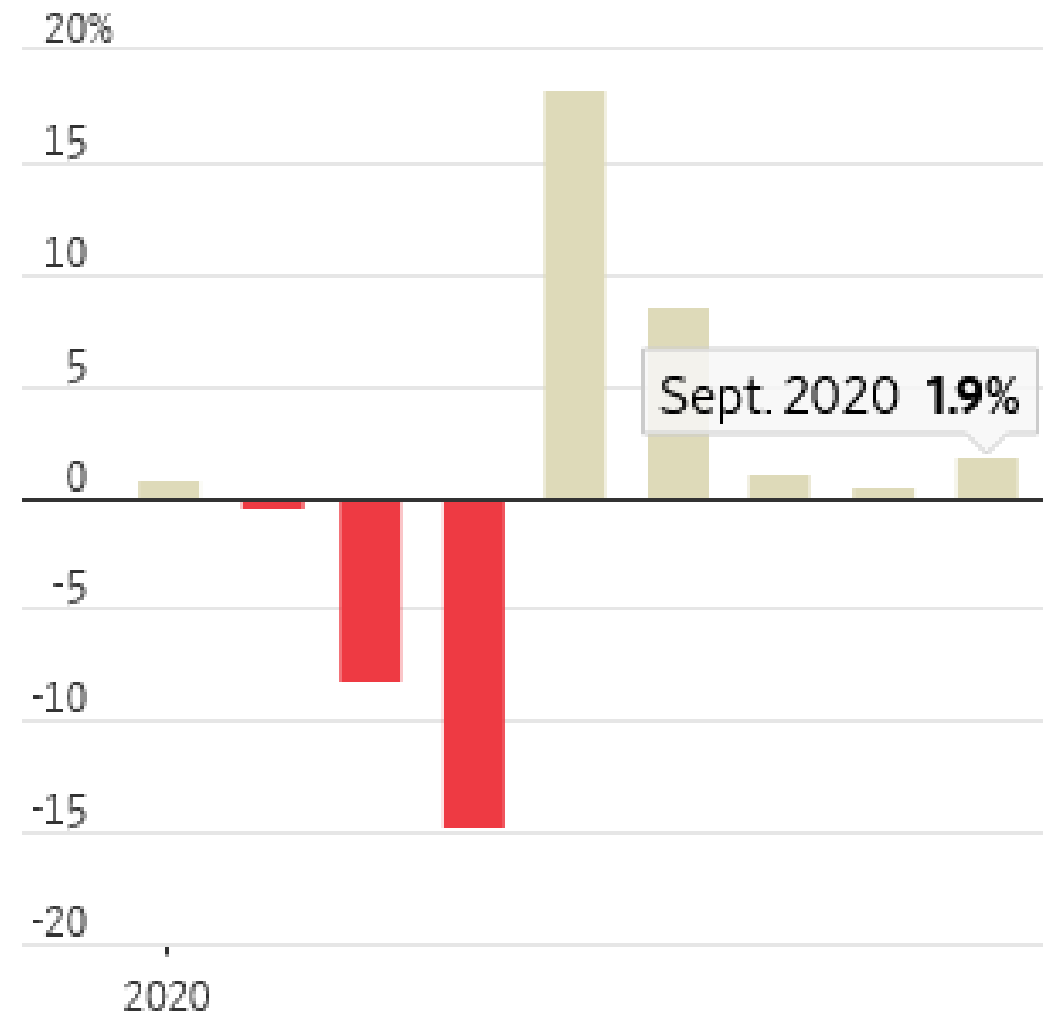
https://www.wsj.com/articles/september-jobs-report-unemployment-rate-2020-11601593020?mod=hp_lead_pos1&mod=hp_lead_pos1

COVID-19 & RETAIL

Updated: October 16, 2020, U.S. Commerce (monthly)

- ▶ U.S. retail sales increased a seasonally adjusted **+1.9% MoM** in September, up from a lackluster increase of +0.6% in August
 - » September is typically a “hinge” month between back-to-school and holiday shopping, but was likely pushed back into September with the delayed opening of some schools
 - » This market the 5th straight month of increasing retail sales, and retail sales are now up **+5.4% YoY**
 - » However, other data, including unemployment and job growth indicate that the economic recovery is losing momentum
- ▶ Vehicle sales make up about 20% of total retail sales, and spending on motor vehicles picked up strongly last month +3.6%
- ▶ Gasoline sales were up +1.9%
- ▶ Spending at bars and restaurants was up +2.1%

Change in retail and food services sales from a month earlier



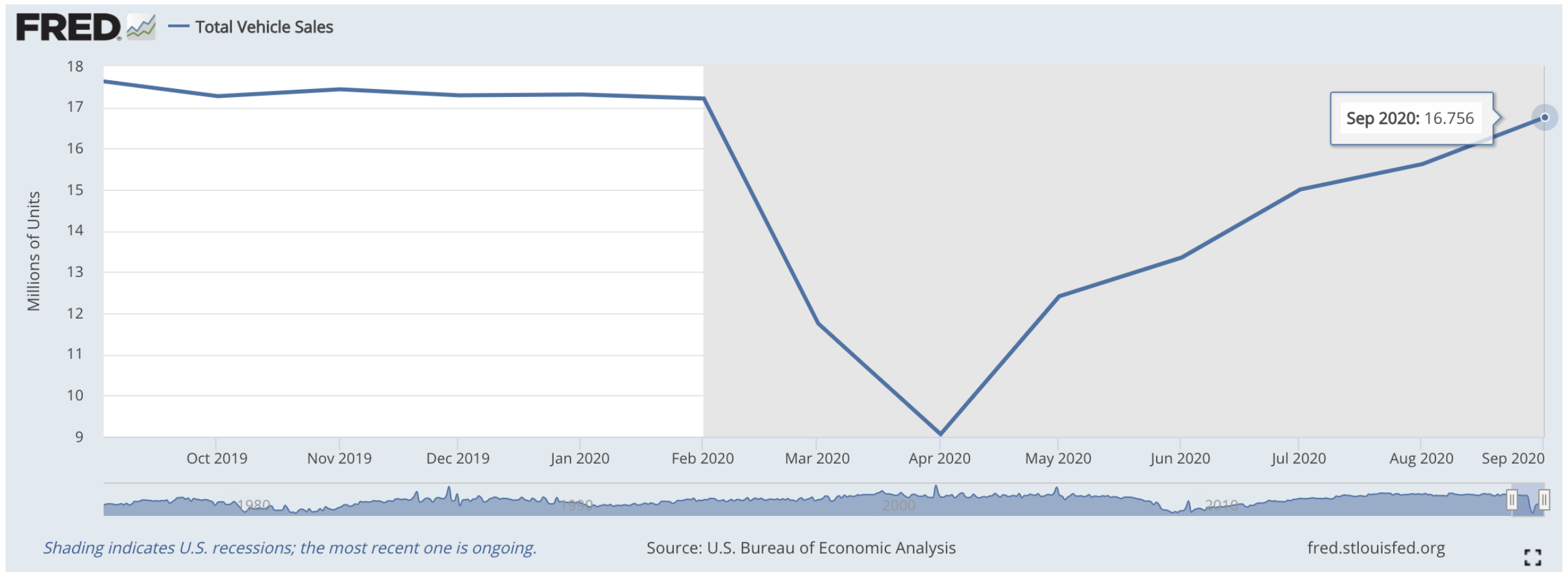
Note: Seasonally adjusted

Source: Commerce Department

COVID-19 & THE CAR CURVE

Update: October 29, 2020, BEA, FRED (monthly)

- ▶ Vehicle sales remain one of the bright spots in the economy
 - » Though September, over 85% of the drop in sales has returned

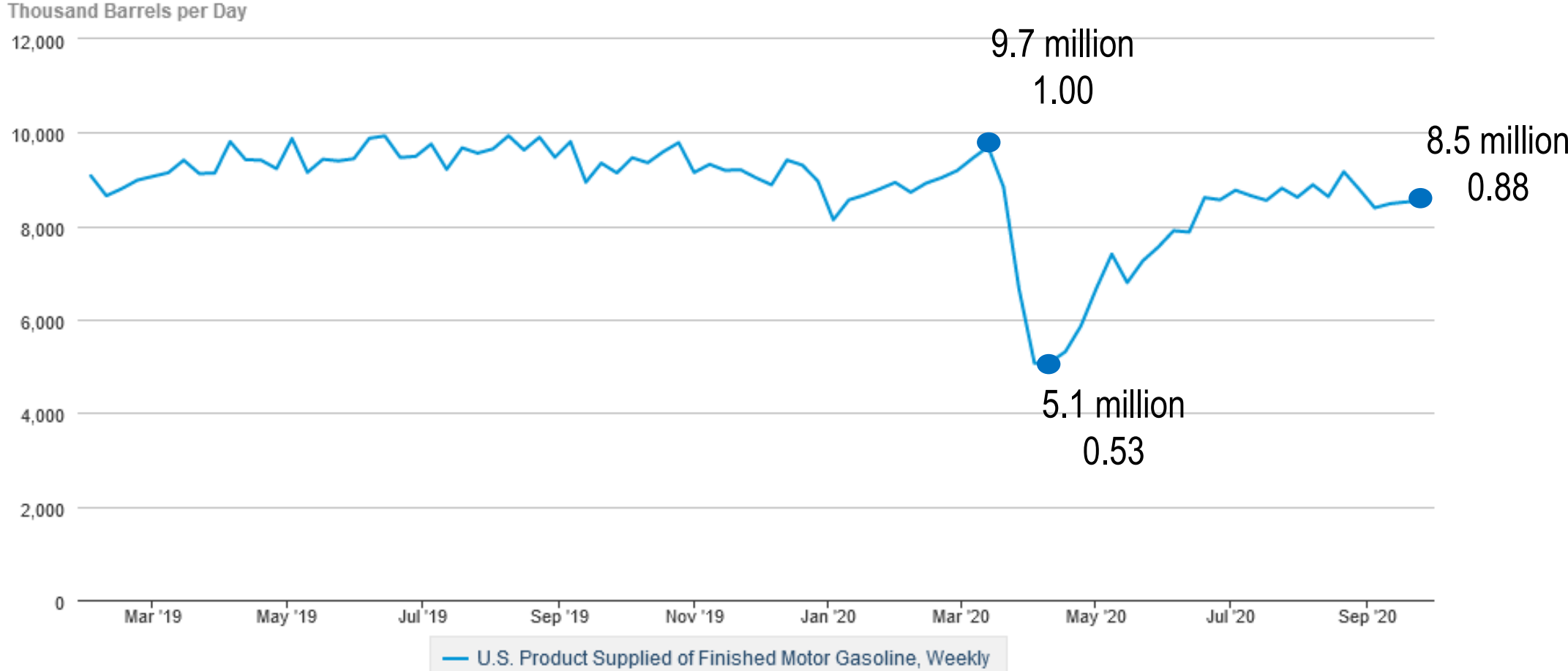


COVID-19 & GAS USAGE

Update: October 5, 2020, Energy Information Administration (monthly)

- ▶ Gas usage, a proxy for how much people are emerging from the lockdown, which had recovered roughly **75%** of the losses by the end of May, is showing signs of flat lining at below 90% of the pre-pandemic levels

U.S. Product Supplied of Finished Motor Gasoline, Weekly

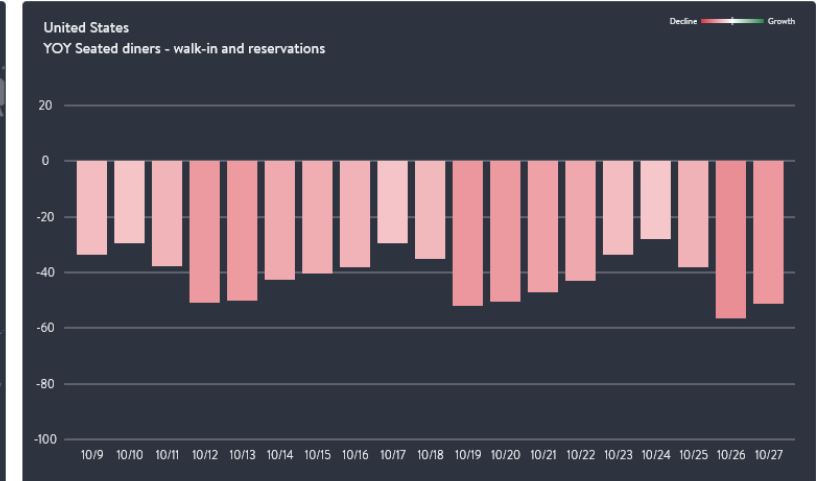
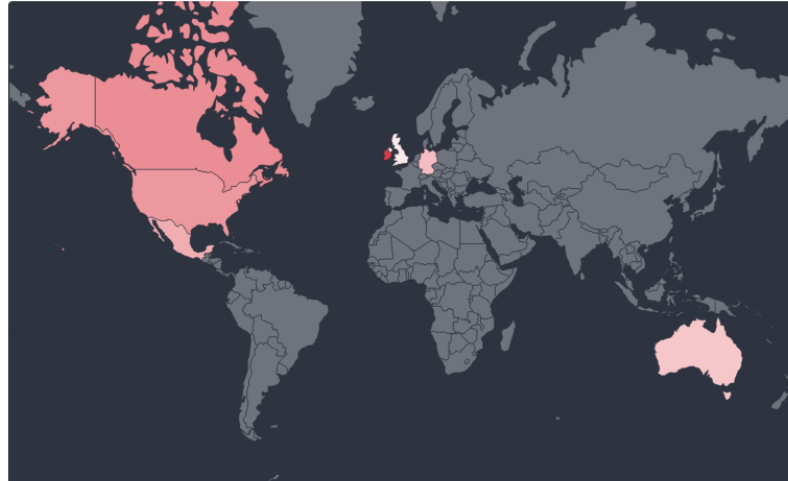


COVID-19 & THE BOUNCE BACK

United States

Updated: October 29, 2020, OpenTable (weekly)

► Seated diners in the U.S. remain stuck at -50% YoY



Name	10/27	10/26	10/25	10/24	10/23	10/22	10/21	10/20	10/19	10/18	10/17	10/16	10/15	10/14	10/13	10/12	10/11	10/10	10/9	10/8	10/7	10/6
Global	-47.91%	-51.74%	-35.26%	-27.19%	-32.23%	-41.21%	-44.47%	-47.04%	-48.64%	-32.28%	-27.64%	-34.93%	-37.54%	-39.53%	-45.86%	-46.59%	-33.75%	-26.07%	-30.4%	-39.01%	-40.2%	-42.11%
Australia	-28.21%	-22.73%	1.37%	5.32%	11.09%	-4.37%	-21.03%	-18.2%	-21.41%	5.34%	12.39%	-1.35%	-6.64%	-10.92%	-24.03%	-19.24%	3.02%	7.71%	3.73%	-3.79%	-6.74%	-5.72%
Canada	-56.76%	-57.39%	-45.34%	-39.17%	-43.68%	-54.76%	-54.26%	-54.63%	-57.74%	-48.74%	-40.59%	-46.24%	-52.16%	-49.64%	-54.28%	-46.76%	-51.39%	-39.73%	-38.31%	-50.96%	-48.97%	-45.91%
Germany	-32.78%	-33.29%	-22.28%	-20.83%	-18.66%	-15%	-14.41%	-10.66%	-9.33%	-5.13%	-5.21%	0.76%	1.78%	-2.13%	7.01%	12.18%	10.53%	14.02%	10.48%	4.32%	6.69%	-2.63%
Ireland	-97.89%	-97.66%	-94.94%	-94.44%	-94.92%	-95.48%	-36.55%	-46.47%	-53.73%	-45.43%	-38.86%	-46.9%	-56.33%	-59.51%	-68.5%	-67.45%	-35.2%	-42.53%	-56.43%	-70.3%	-73.33%	-50.63%
Mexico	-40.71%	-44.57%	-36.46%	-30.26%	-32.22%	-38.46%	-40.73%	-37.91%	-32.59%	-25.46%	-25.66%	-30.16%	-33.49%	-37.55%	-41.09%	-37.3%	-32.41%	-27.59%	-33.61%	-39.87%	-42.63%	-43.12%
United Kingdom	-10.82%	-5.87%	-1.96%	-8.03%	-14.96%	-20.59%	-26.54%	-26.97%	-25.72%	-8.87%	-10.85%	-5.73%	-15.21%	-18.12%	-24.4%	-20.04%	4.72%	5.5%	-4.04%	-14.8%	-12.09%	-21.6%
United States	-51.43%	-56.32%	-38.27%	-27.94%	-33.46%	-43.15%	-46.94%	-50.39%	-52.15%	-34.97%	-29.38%	-38.01%	-40.26%	-42.7%	-49.95%	-51%	-37.65%	-29.63%	-33.51%	-42.07%	-44.04%	-45.68%

COVID-19 & THE U.S. REIT INDEX

- ▶ Into mid-March the equity markets followed a similar trajectory as the public REITs
- ▶ While both markets have grown since the bottom on March 23rd, the equity markets have experienced significant recovery compared to that of the REITs

S&P 500 vs. MSCI U.S. REIT Index (RMZ)

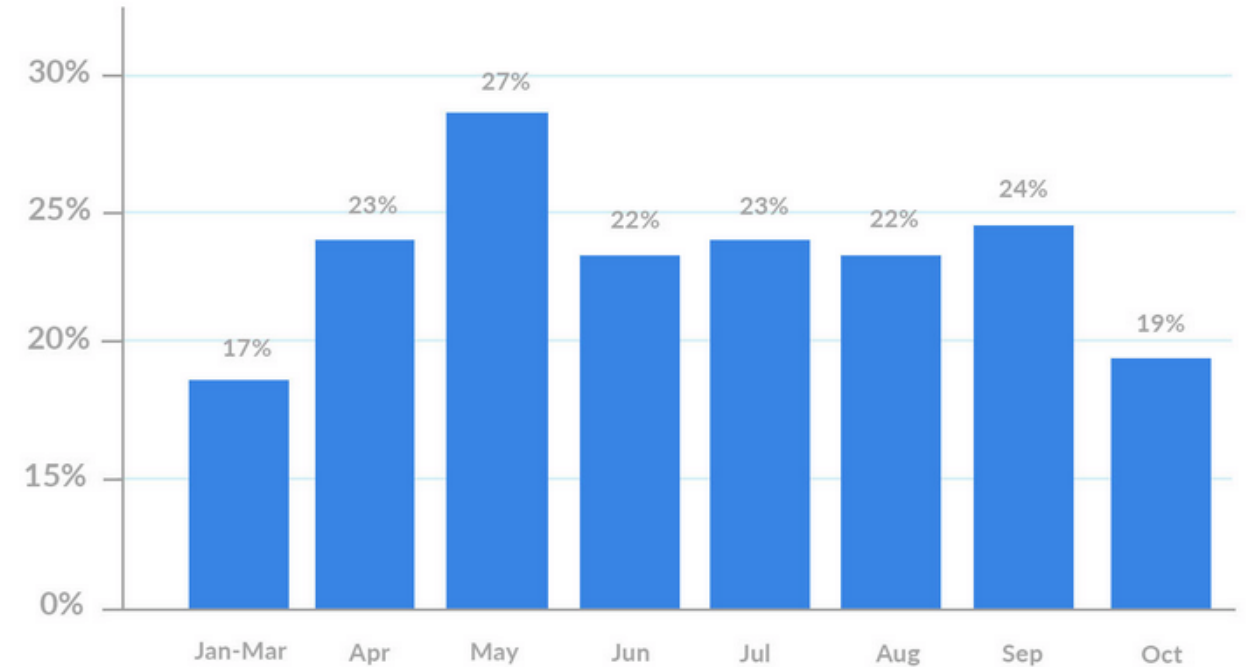


COVID-19 & RENTAL COLLECTIONS

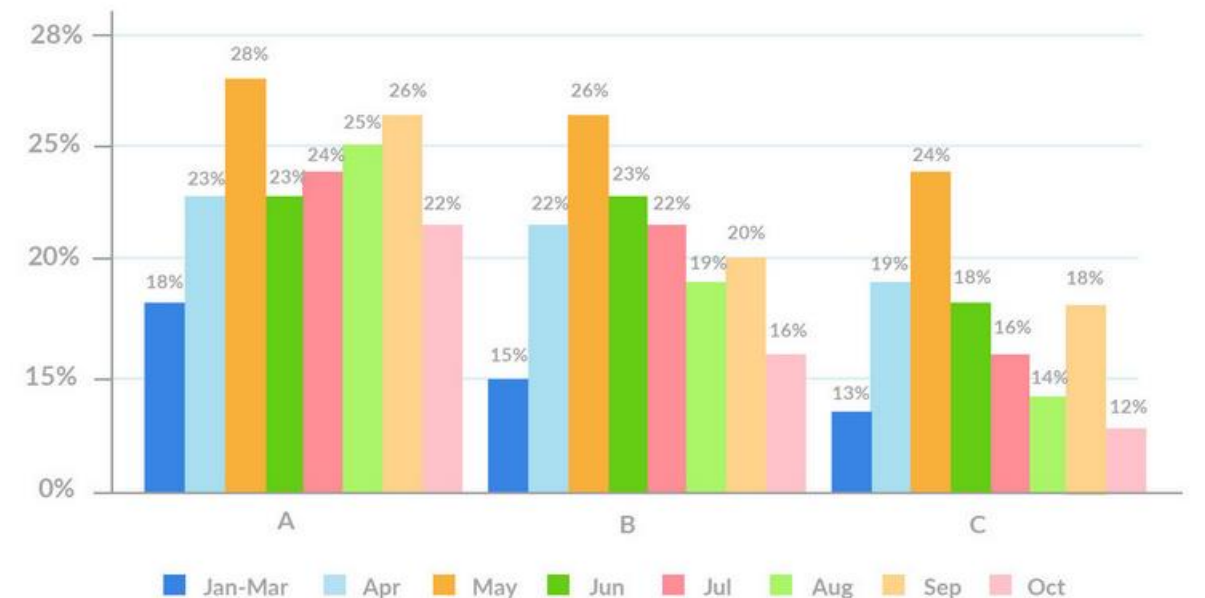
Updated: October 7, 2020, LeaseLock

- ▶ October 1st 2020 rent collected dropped **-5%** MoM
 - » First-day rent payments dipped across all asset classes, each hitting post-COVID lows
 - » And yet, the percentage of October 1st rent collected remains 2% above the pre-COVID average
- ▶ The percentage of rent collected on October 1st among Class C apartments dropped **-6%** since last month
 - » Class C apartments continue to lag Class A and B in terms of collections
 - » The October Class C rate is holding just below the pre-pandemic 3-month trailing average
- ▶ The White House has dashed hopes of any rental assistance relief this week by unilaterally pulling out of negotiations with House Democrats

Percent of Total Rent Collected
 First Day of the Month



Percent of Total Rent Collected by Class
 First Day of the Month

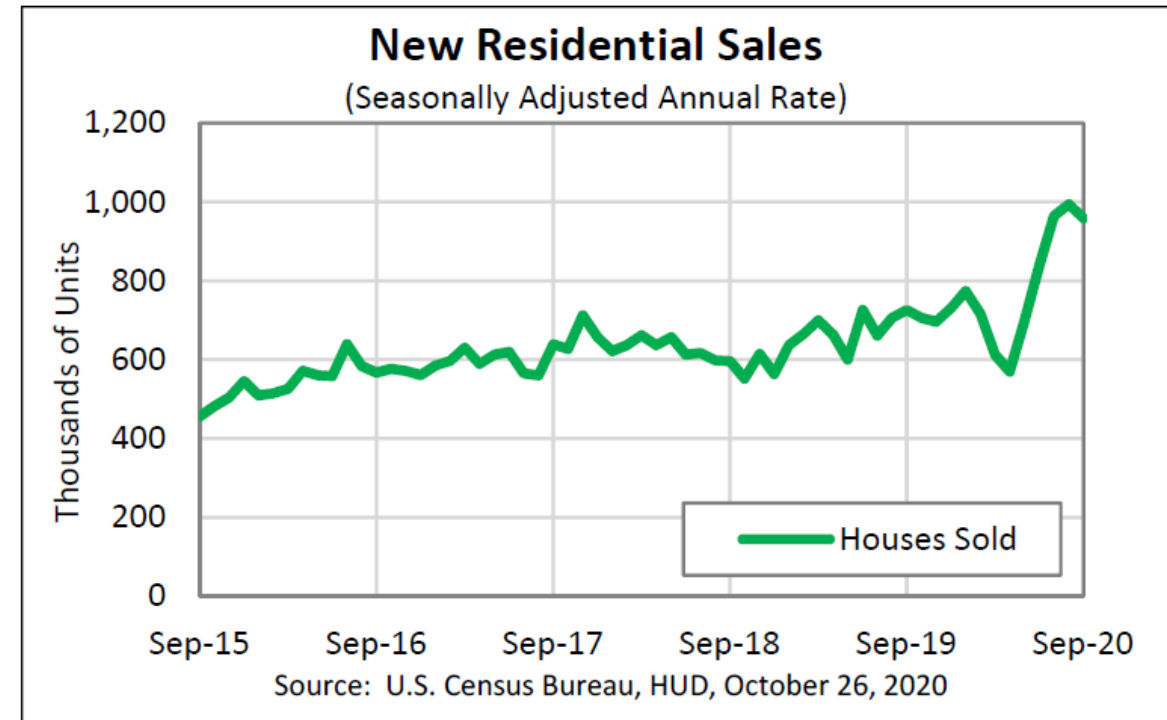


COVID-19 & NEW HOME SALES

Updated: October 26, 2020, U.S. Census, HUD (monthly)

- ▶ New home sales in September declined slightly to a seasonally adjusted annual rate of 959,000, a -3.5% MoM decrease from the revised 994,000 pace registered in August
 - » This is +32.1% YoY increase compared with September 2019
- ▶ Median sales price was \$326,800, up from \$312,800 in August
- ▶ The inventory of homes for sale continued to slide down to 284,000 at the end of September, which represents a 3.6 month supply

 NEW RESIDENTIAL SALES SEPTEMBER 2020	
New Houses Sold¹:	959,000
New Houses For Sale²:	284,000
Median Sales Price:	\$326,800
Next Release: November 25, 2020	
¹ Seasonally Adjusted Annual Rates	
² Seasonally Adjusted	
Source: U.S. Census Bureau, HUD, October 26, 2020	

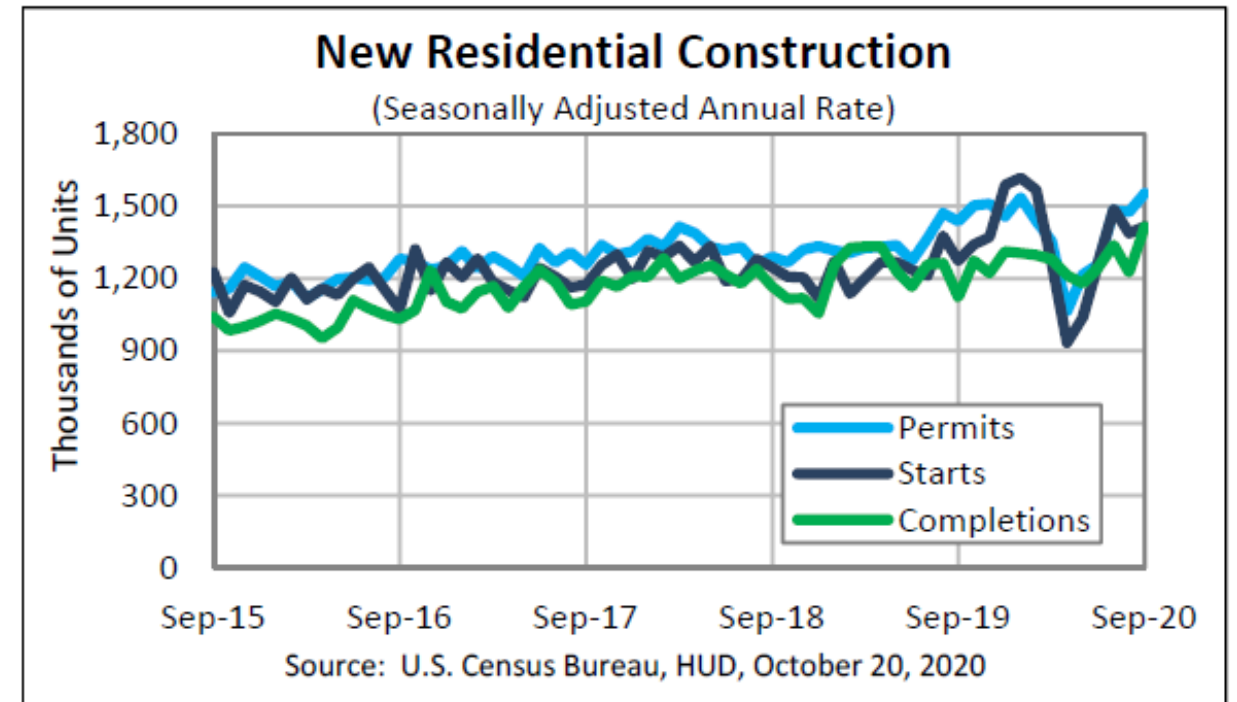


COVID-19 & RESIDENTIAL PERMITS & STARTS

Updated: October 20, 2020, US Census (monthly)

- ▶ Residential building permits were up +5.2% MoM in September at a seasonally adjusted rate of 1,553,000
 - » This is up +8.1% over September 2019
- ▶ Single-family authorizations increased by +7.8% MoM in September, following a +6.0% increase in August, and +17% MoM increase in July
- ▶ Multifamily permits were up +2.4% MoM to a seasonally adjusted annual rate of 390,000 in September

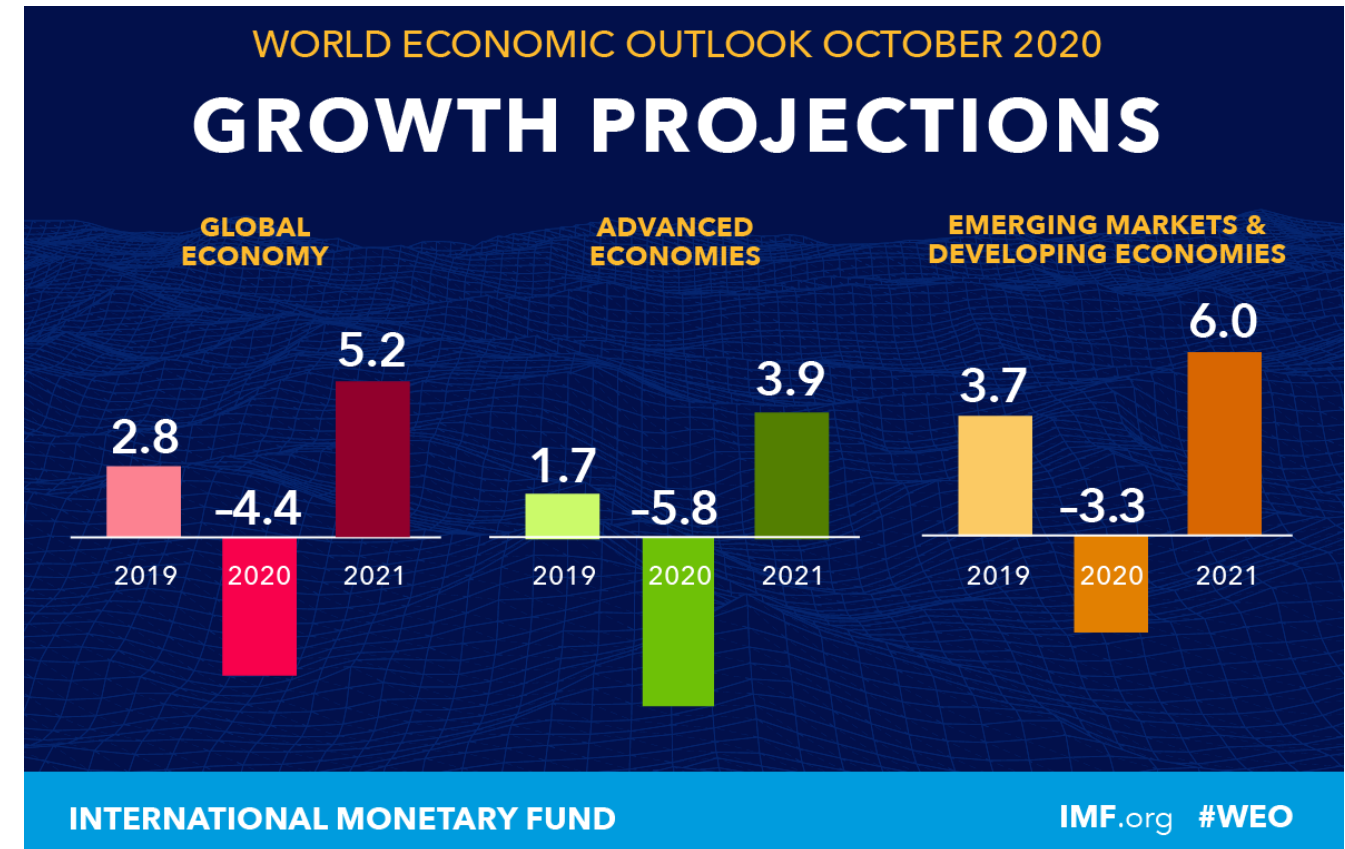
NEW RESIDENTIAL CONSTRUCTION SEPTEMBER 2020	
Building Permits:	1,553,000
Housing Starts:	1,415,000
Housing Completions:	1,413,000
Next Release: November 18, 2020	
Seasonally Adjusted Annual Rate	
Source: U.S. Census Bureau, HUD, October 20, 2020	



COVID-19 & THE GREAT LOCKDOWN

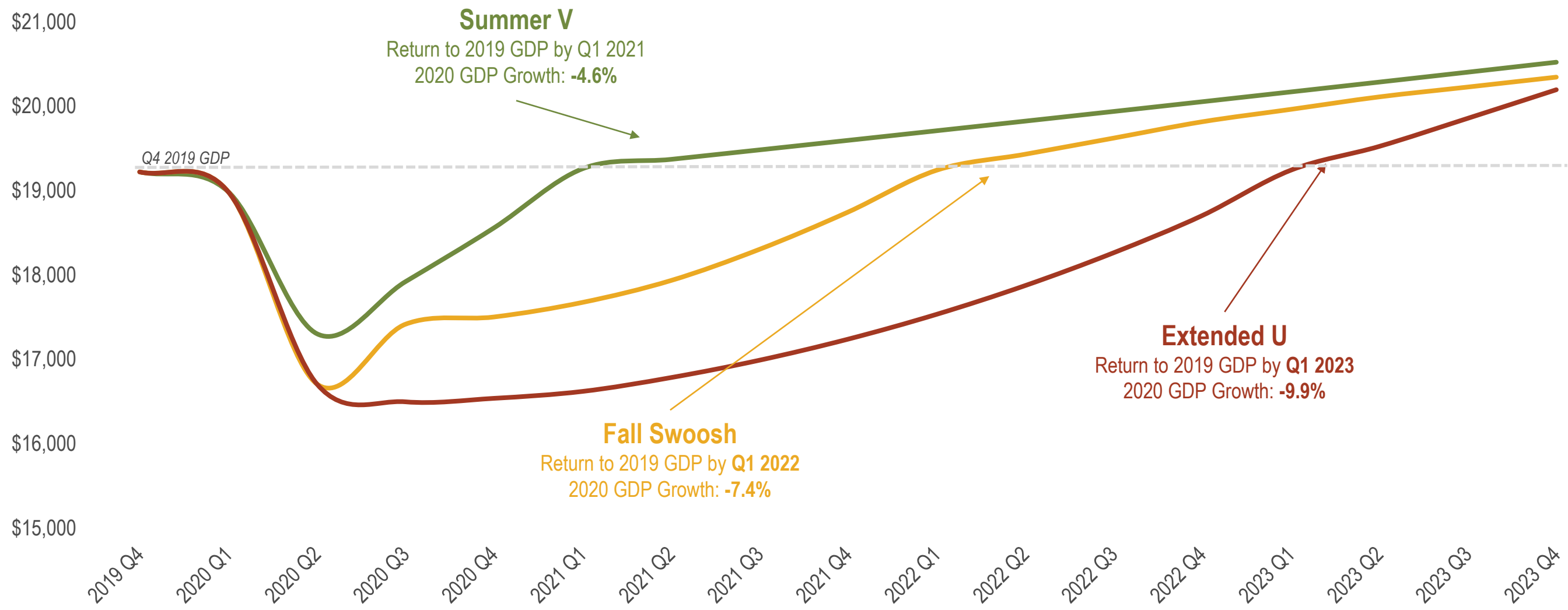
Updated: October 14, 2020, IMF

- ▶ The IMF is now projecting Global growth is projected at **-4.4%** in 2020, a less severe contraction than forecast in the June 2020 (-4.9%)
 - » The revision reflects better-than anticipated second quarter GDP outperforms, mostly in advanced economies, where activity began to improve sooner than expected after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter.
 - » This will be followed by Global growth is projected at **+5.2** percent in 2021, a little lower than in the June 2020 (+5.4%)
- ▶ GDP declines in the U.S. for 2020 have been revised sharply upward to **-4.3%** compared with the June forecast of -8.0% for 2020
 - » The U.S. is expected to have a more muted recovery at +3.1% growth in 2021, lower snapback than the +4.5% predicted back in June



COVID-19 & POTENTIAL RECOVERY MODELS

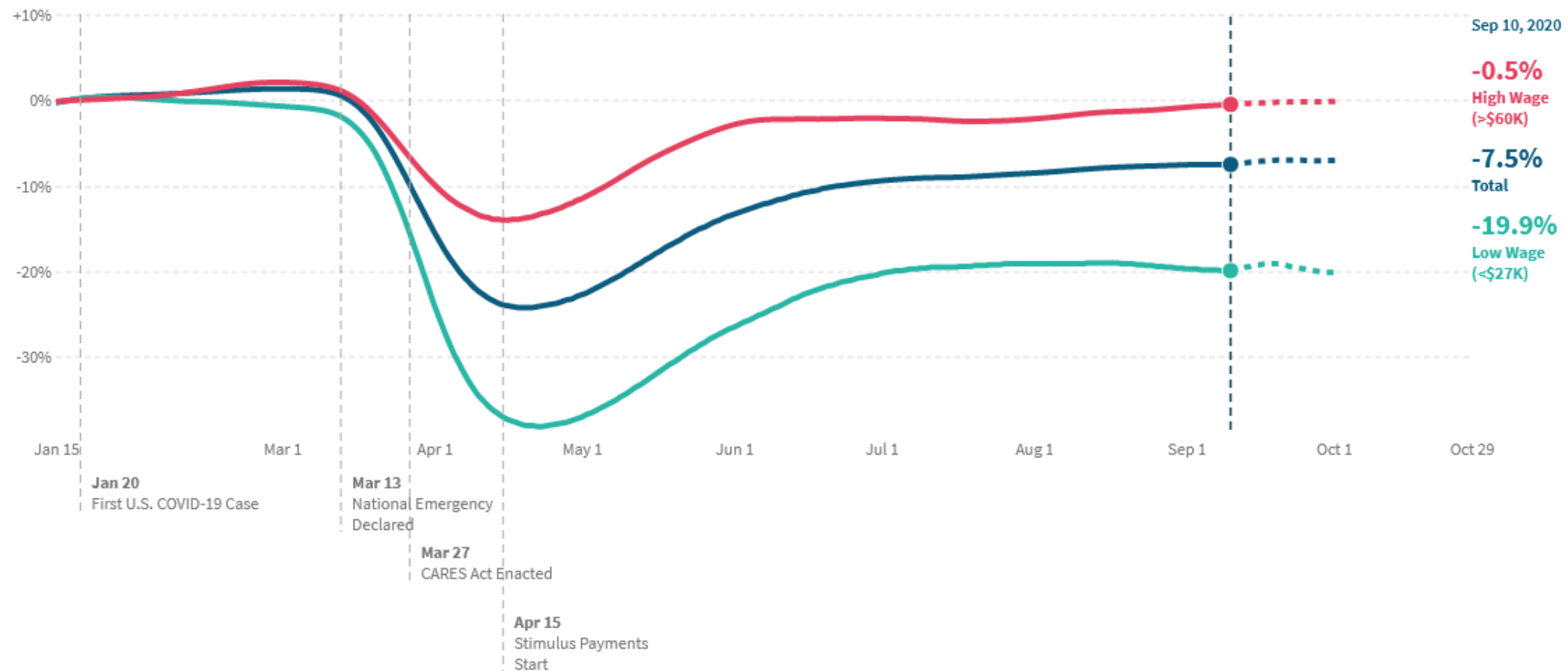
► Fall Swoosh remains the most likely recovery scenario



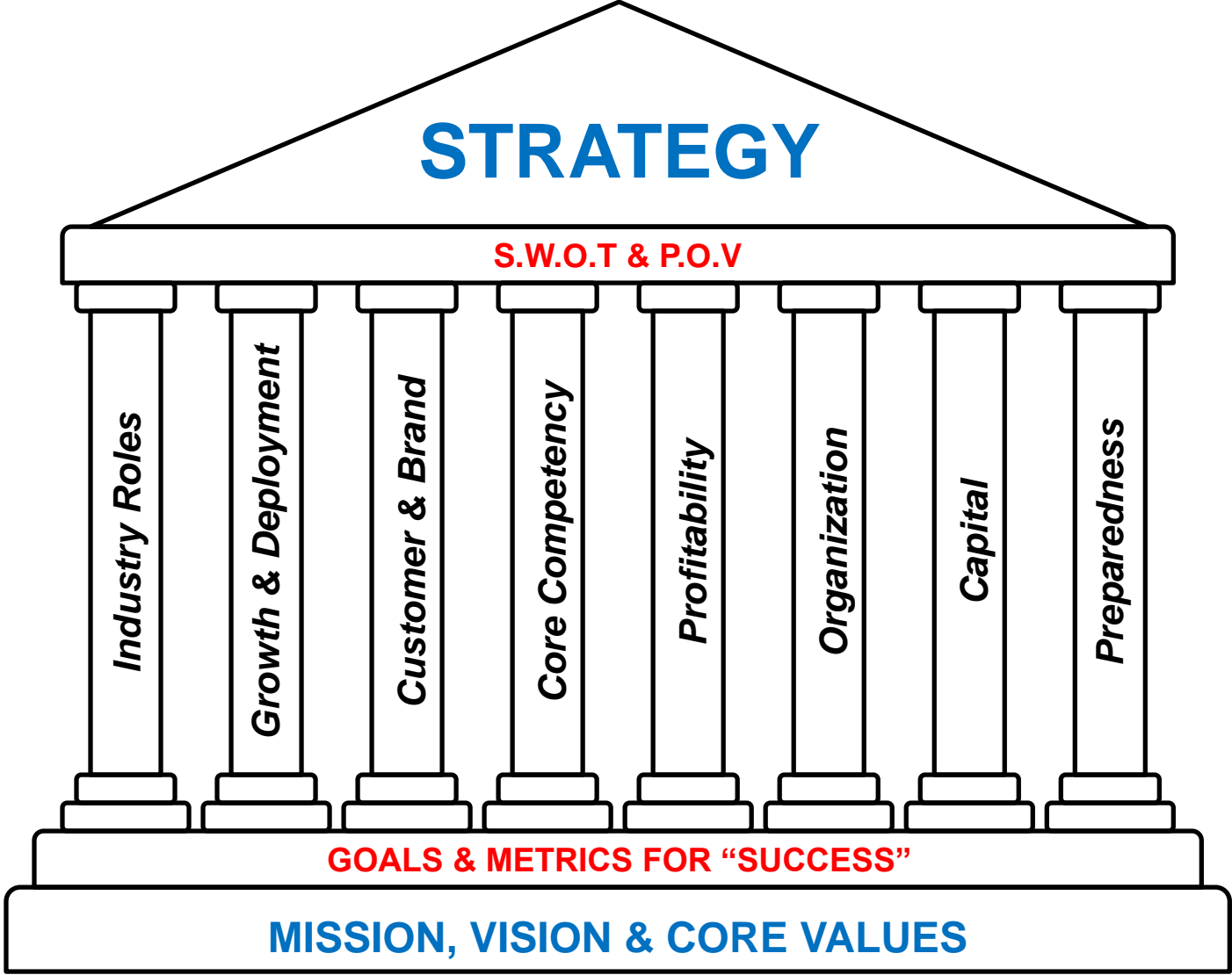
COVID-19 & K-SHAPED RECOVERY

Updated: September 10, 2020, Opportunity Insights

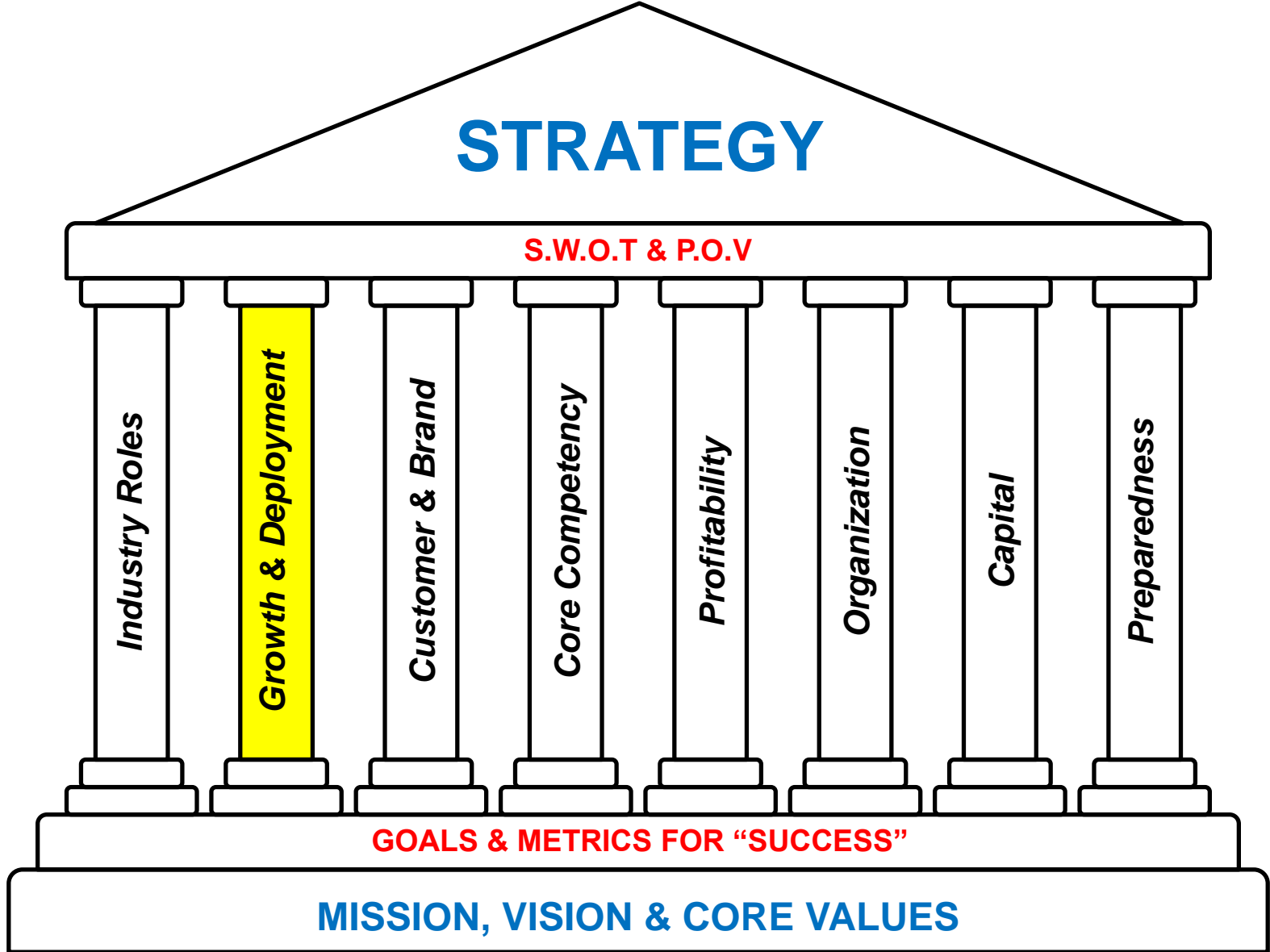
- ▶ Job losses in the U.S. vary dramatically depending upon income, reinforcing the notion that the country is experiencing a “K-shaped” recovery
 - » Total job losses through September 10 are down -7.5%
 - » And yet job have essentially fully recovered for high wage earners -0.5%, while job losses are nearly -20% for low wage earners



COVID-19 & STRATEGIC PLANNING

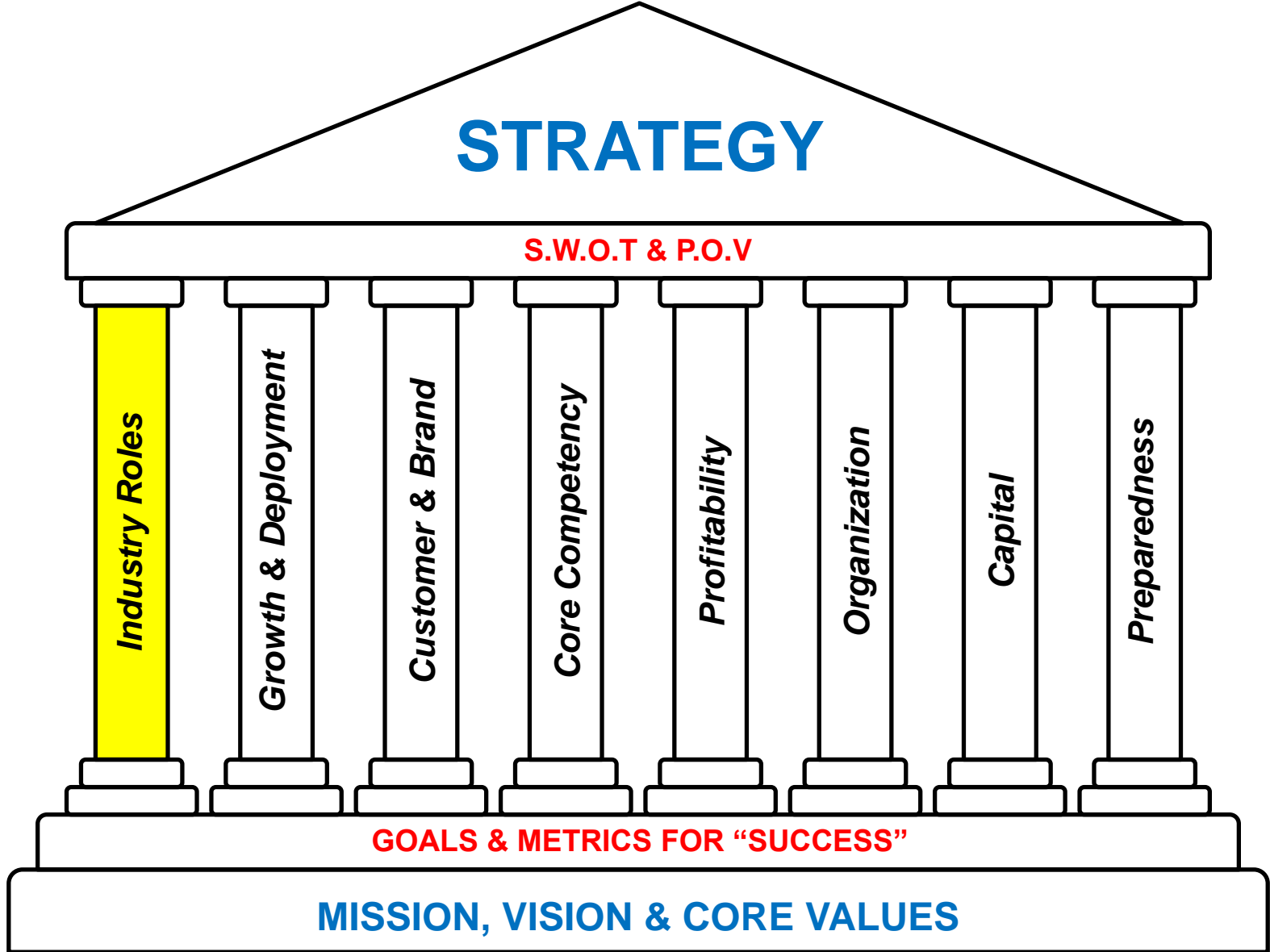


GROWTH & GEOGRAPHIC DEPLOYMENT STRATEGY



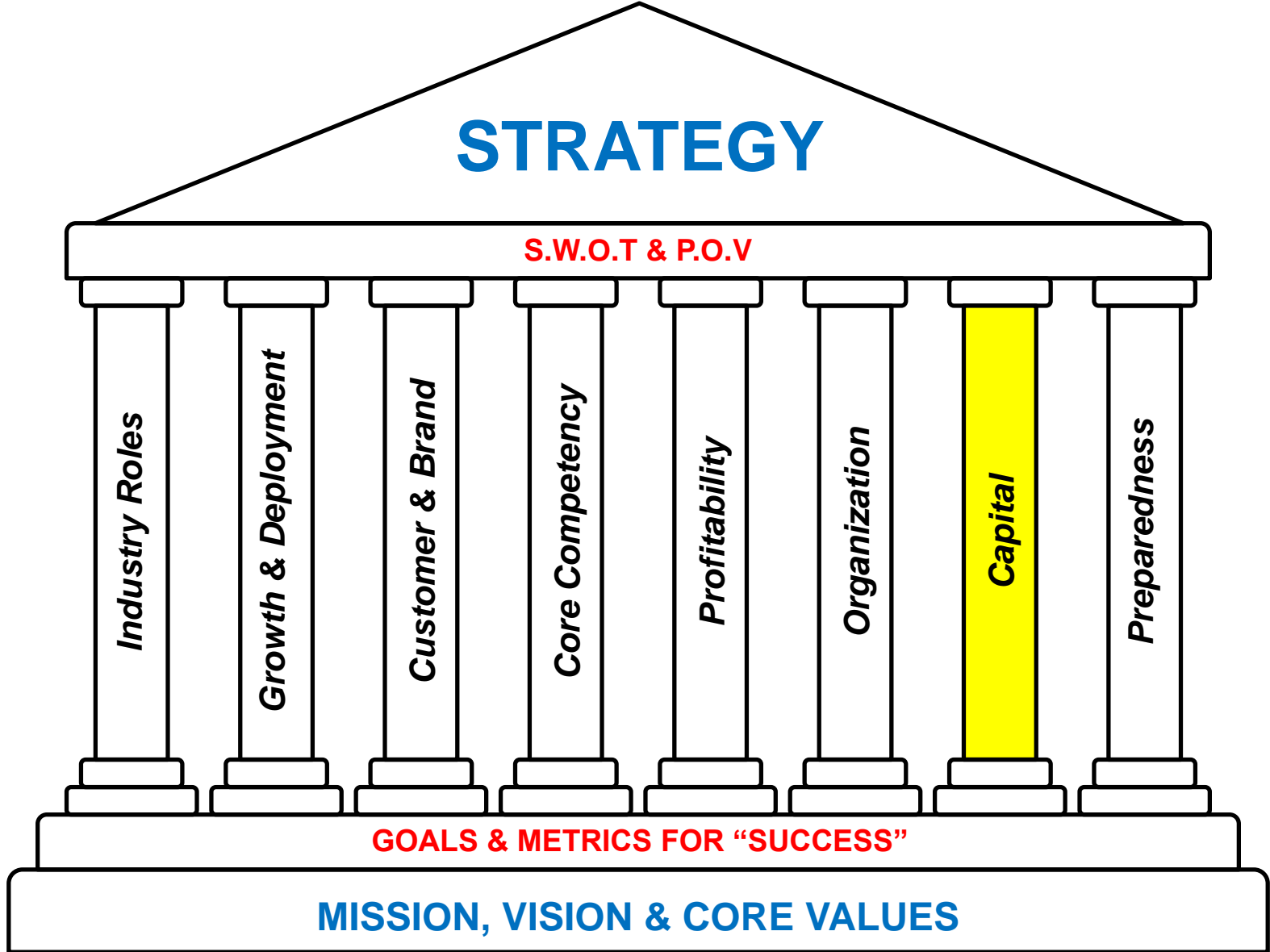
- ▶ Making the case for “sticking to knitting”
- ▶ Following the energy to the suburbs
- ▶ Revisiting the gateway markets hypothesis
- ▶ New “screening” criteria

INDUSTRY ROLE STRATEGY



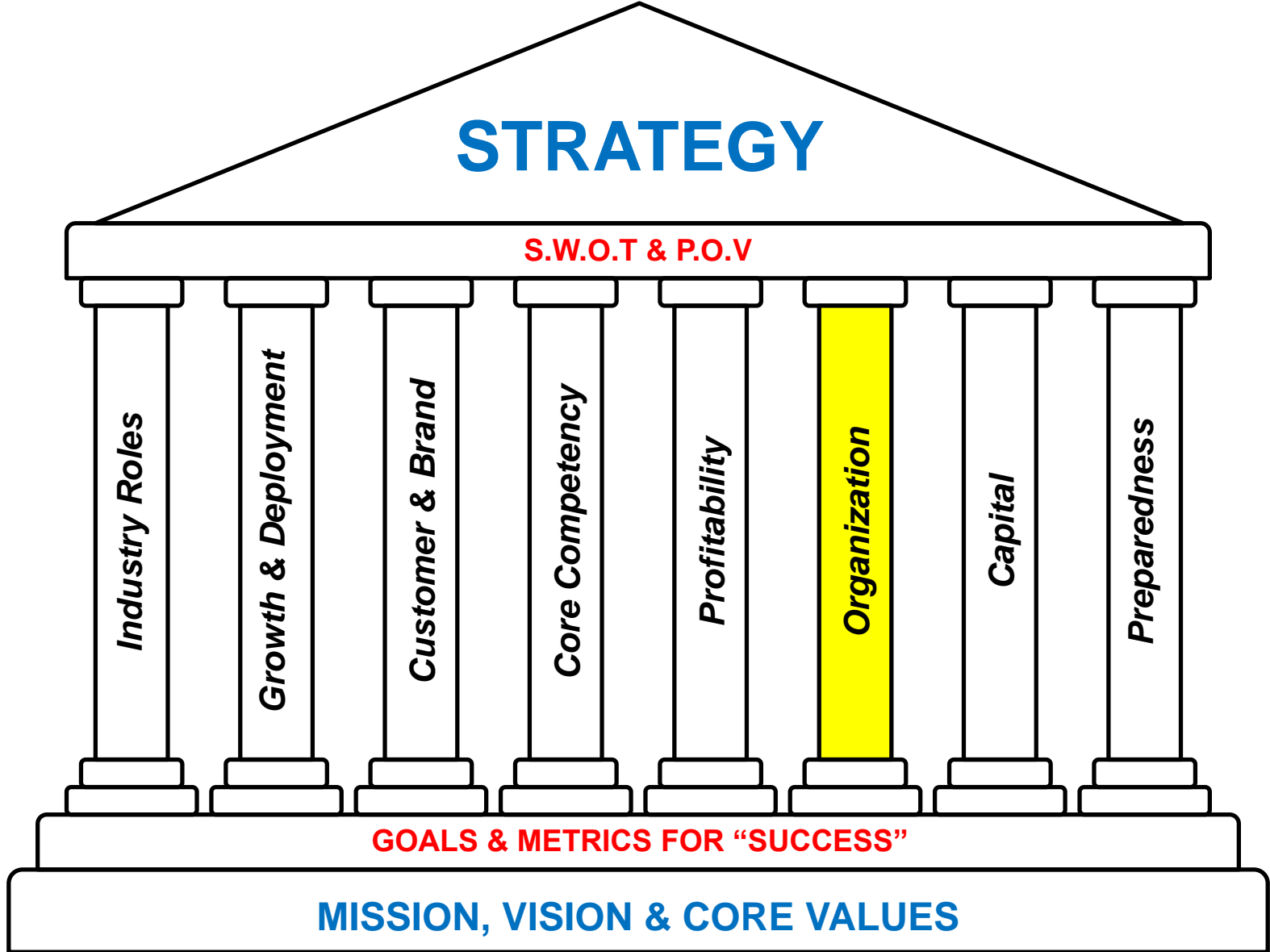
- ▶ Deciding on customer segments & products
- ▶ What to insource & outsource
- ▶ New opportunities

CAPITAL STRATEGY



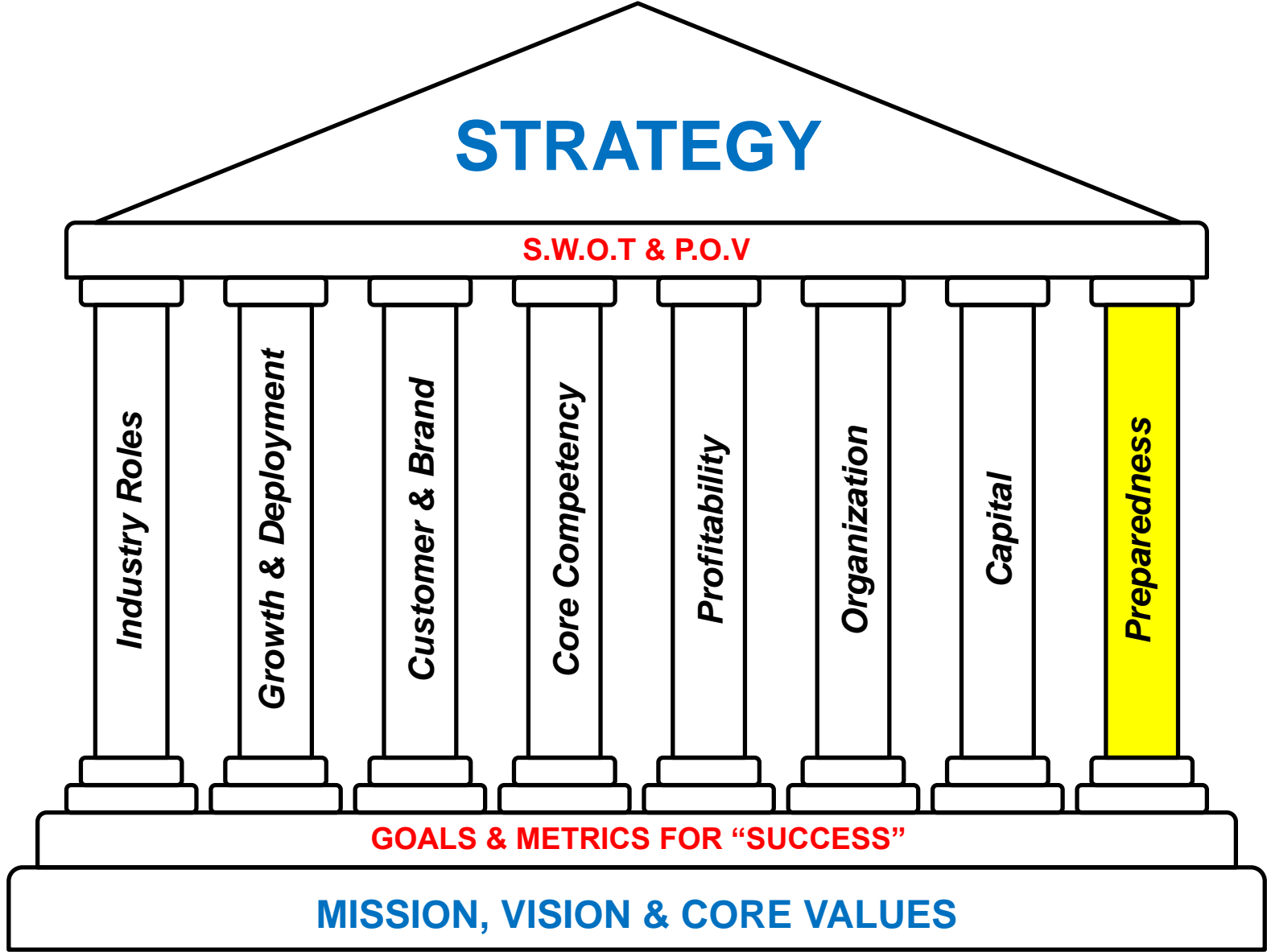
- ▶ Defining and defending the strategy
- ▶ Streamlining the capital relationships
- ▶ ESG
- ▶ Portfolio leverage

ORGANIZATION STRATEGY



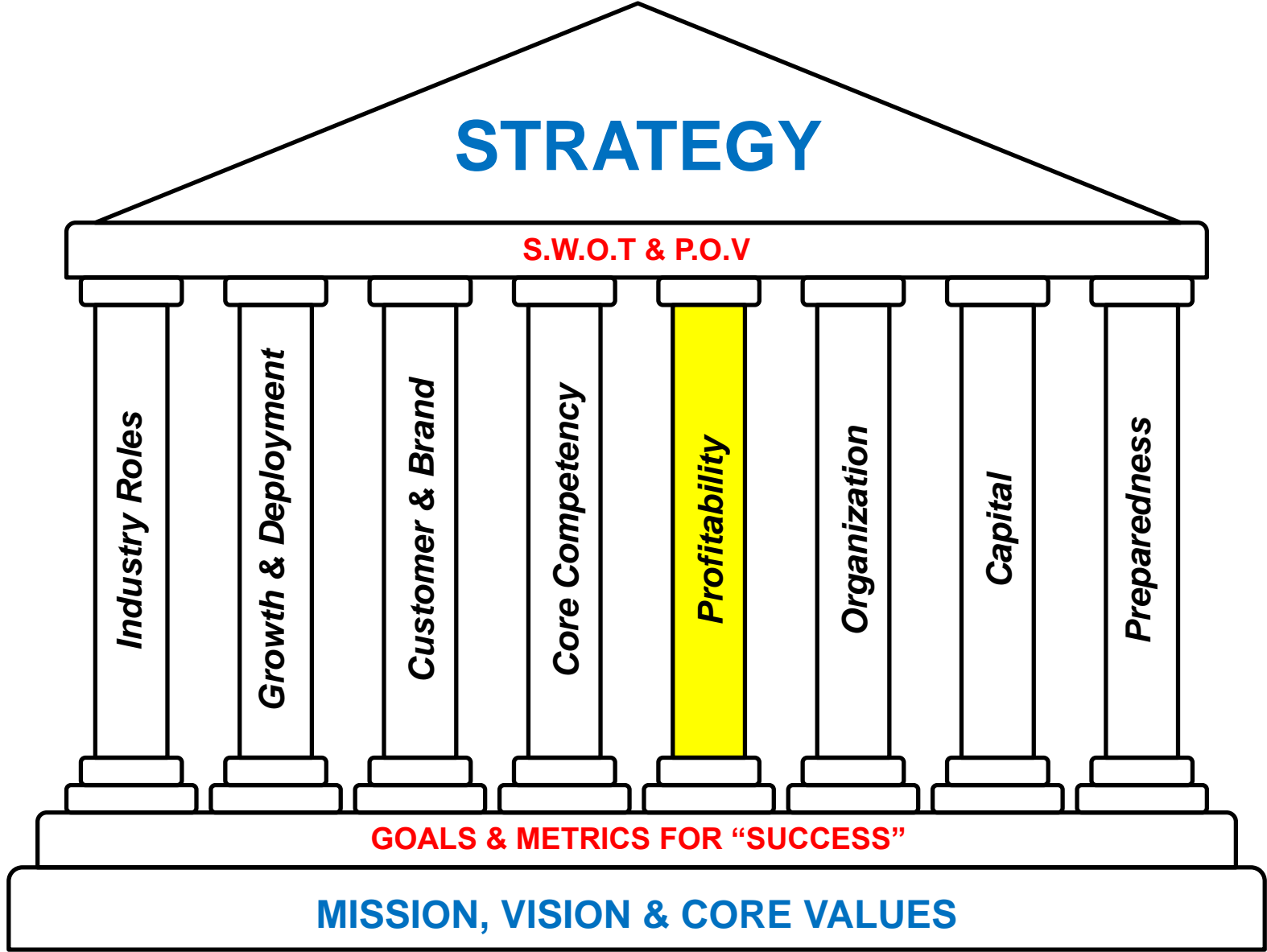
- ▶ Platform, headcount and accountability
- ▶ Compensation strategy
- ▶ Succession planning

PREPAREDNESS (CYCLE) STRATEGY



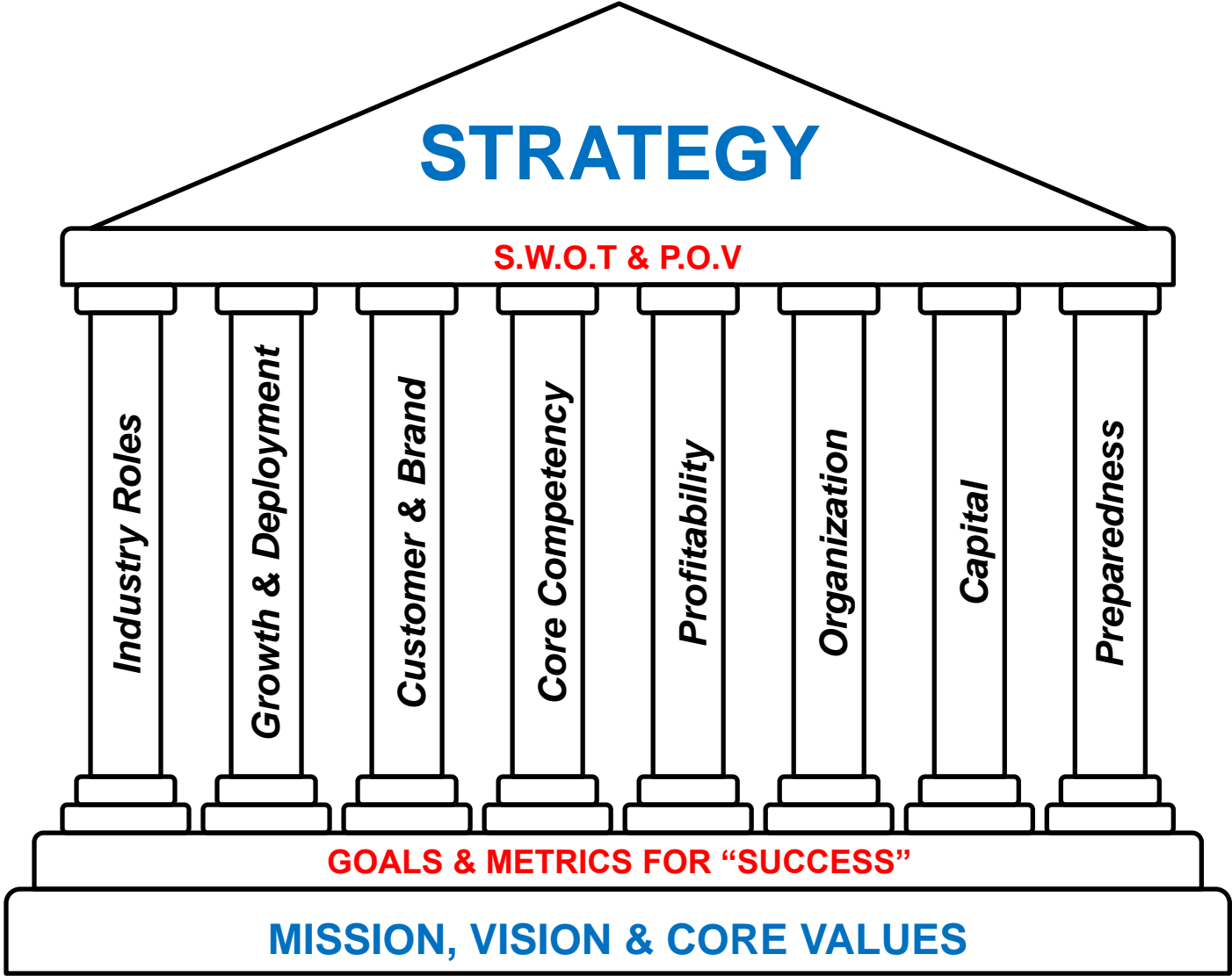
- ▶ Market monitoring
- ▶ Scenario planning – doomsday & upside
- ▶ Predetermined action plans

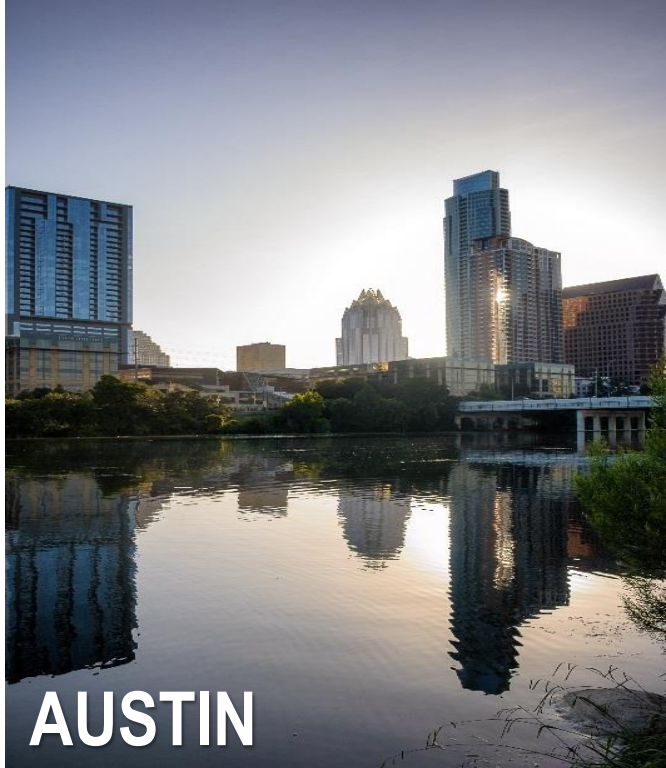
PROFITABILITY (EFFICIENCY) STRATEGY



- ▶ Focus on operations
- ▶ Fee structures and alignment
- ▶ Technology and data analytics

RCLCO STRATEGIC PLANNING – Q&A





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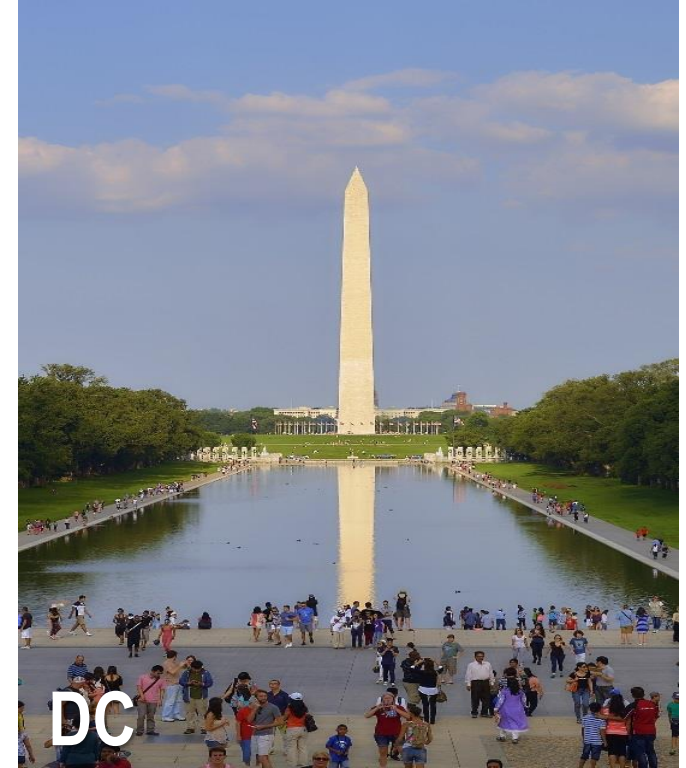
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