



# COVID-19: ONE YEAR LATER

## RCLCO Monthly Round-Up

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# AGENDA

- » **COVID Trends & Impacts**
- » **Economy & Capital Markets**
- » **Impact on Real Estate Markets**
- » **Real Estate Capital Markets**
- » **Q&A**

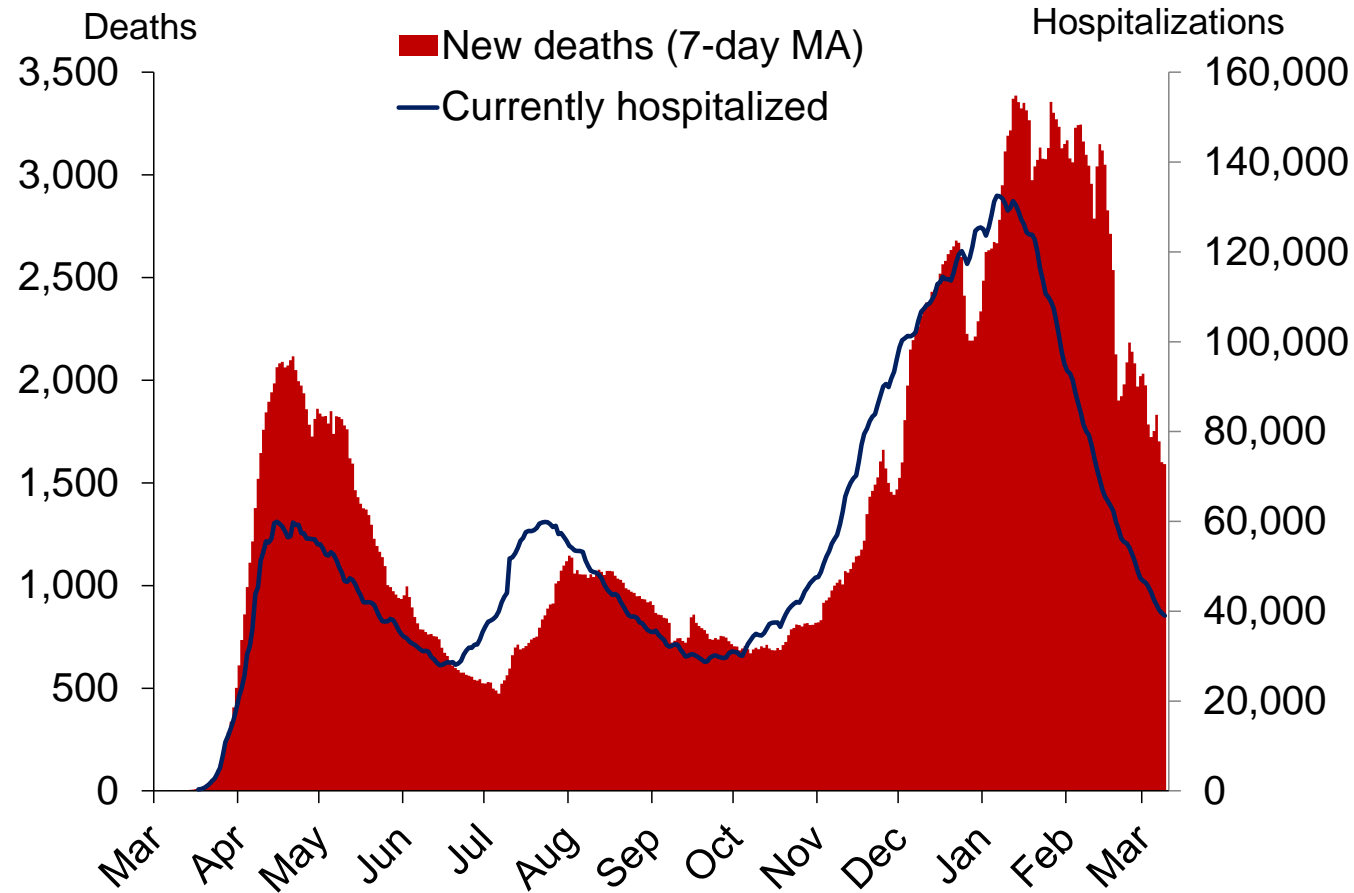
# **COVID TRENDS & IMPACTS**

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# COVID-19 & THE CURVE

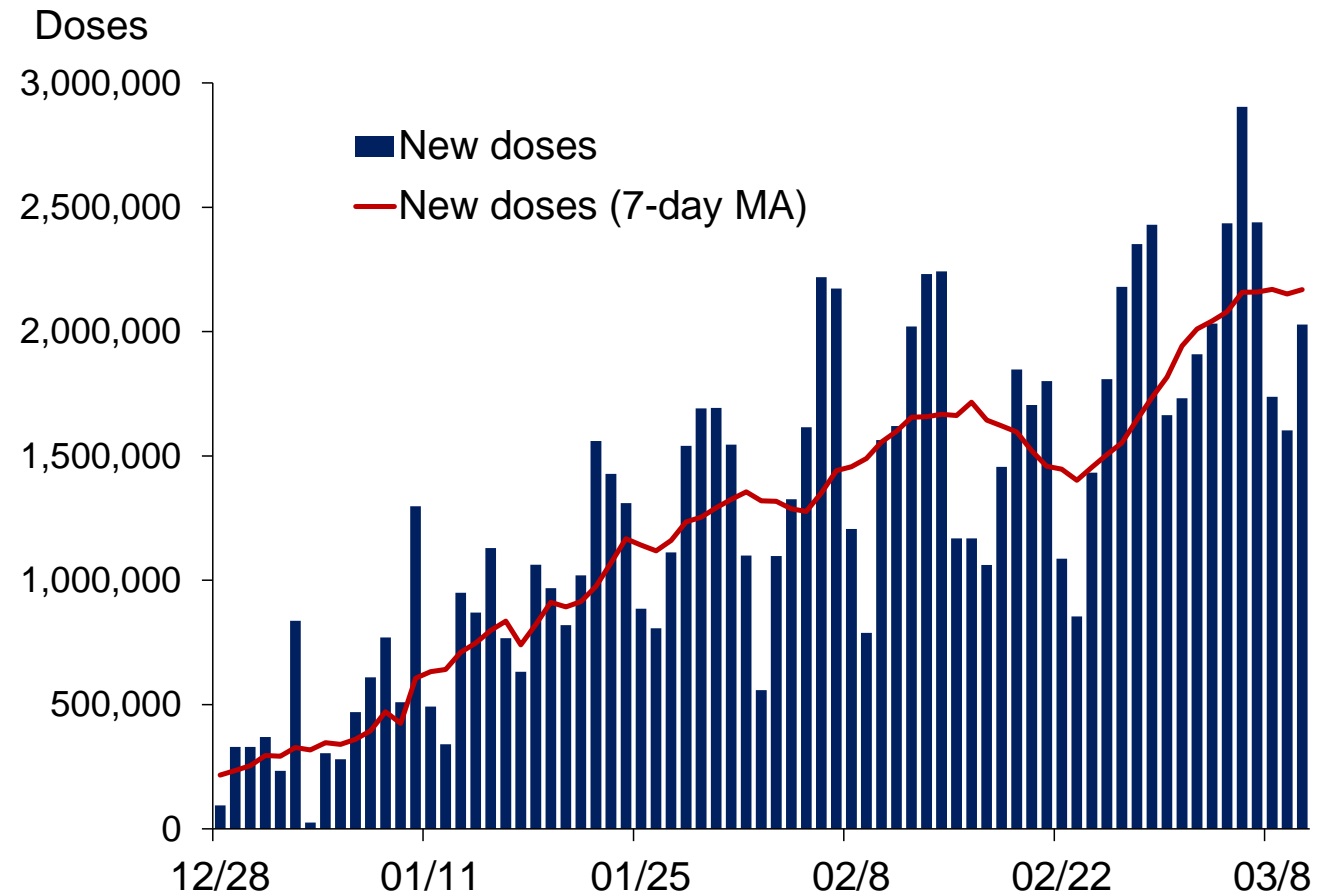
## IT'S NOT THE ECONOMY STUPID, IT'S THE SHOTS...

### US: COVID-19 deaths and hospitalizations



Source: Oxford Economics/Haver Analytics

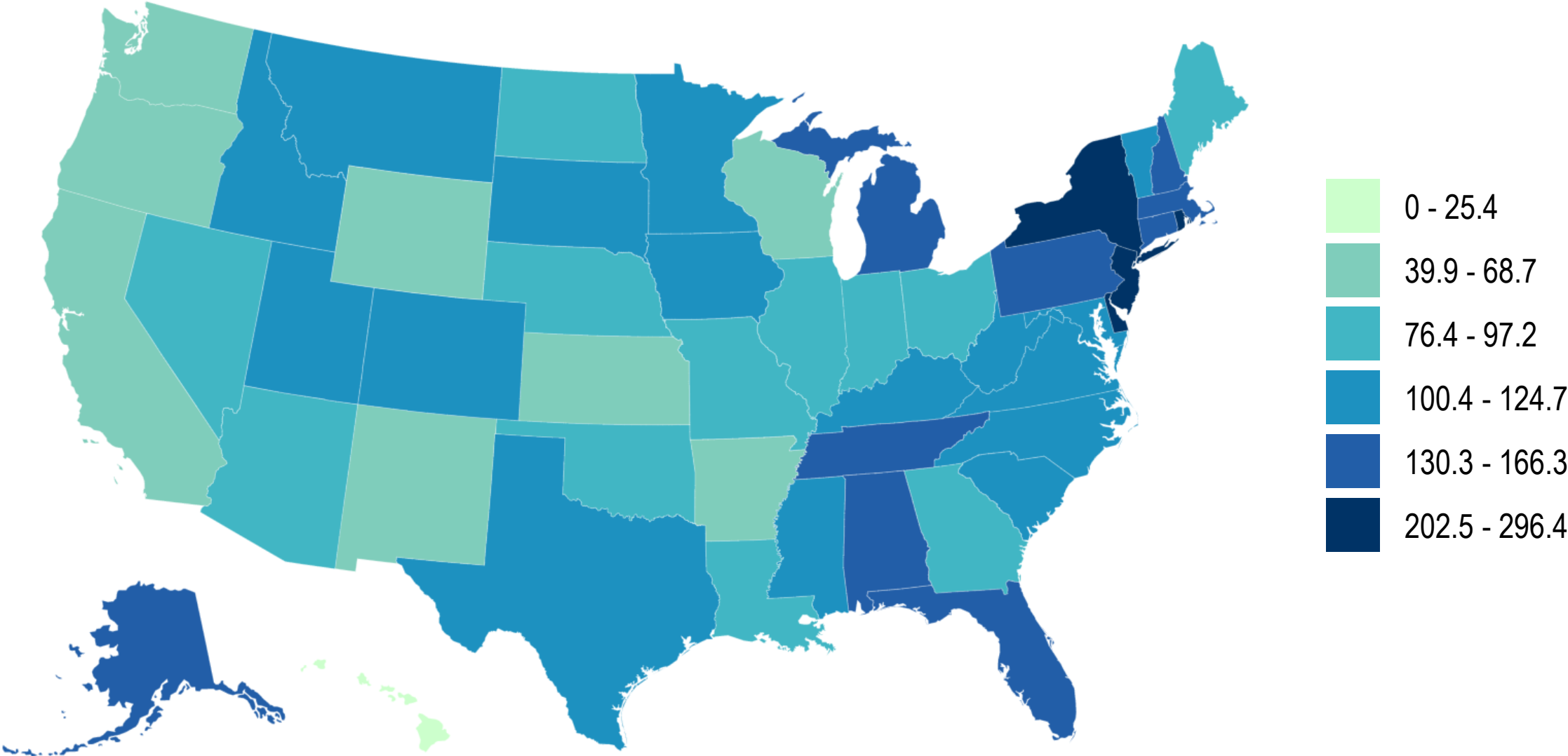
### US: Covid-19 vaccination progress



Source: Oxford Economics/Haver Analytics

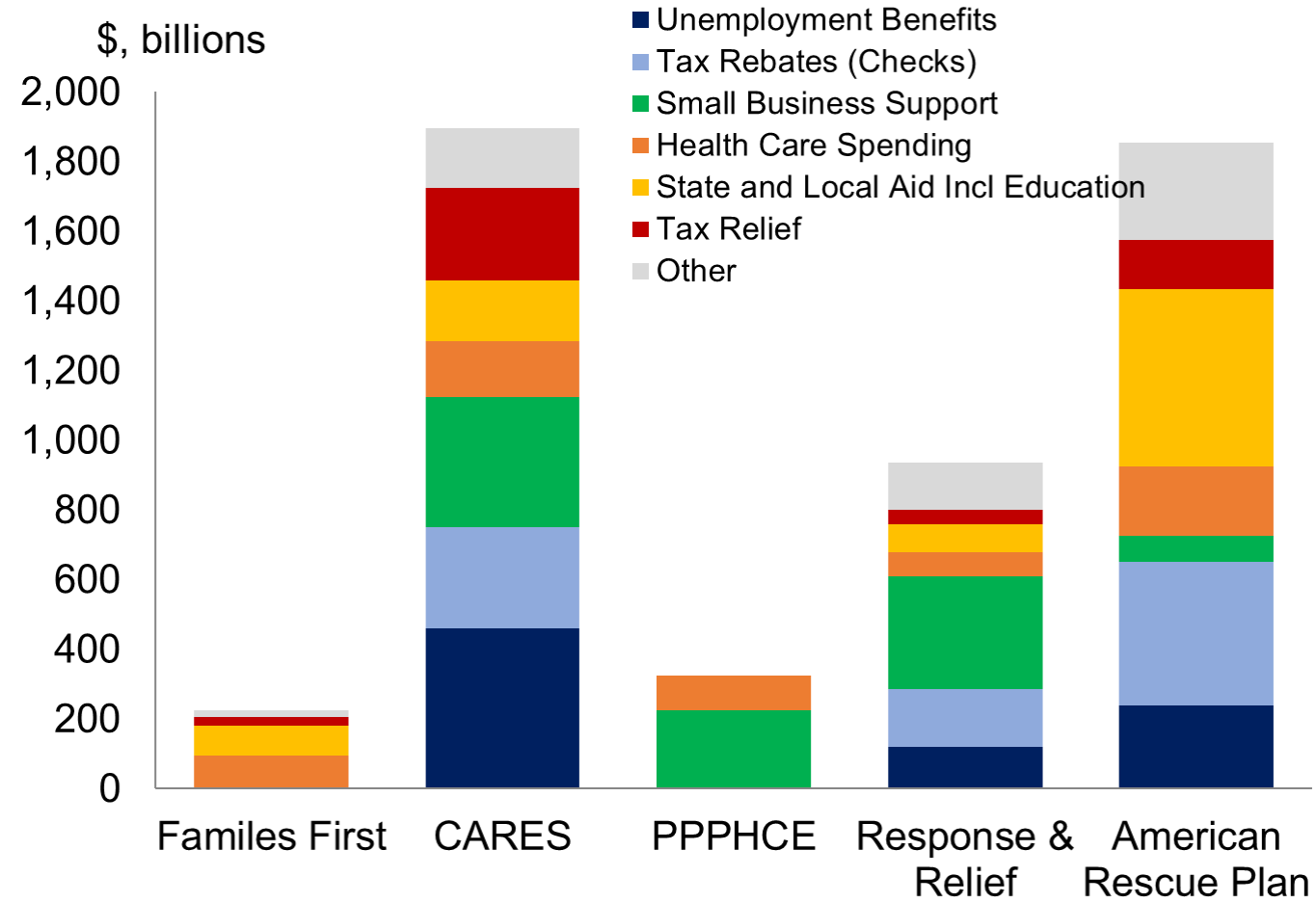
# COVID CASES PER CAPITA

US COVID-19 7-Day Case Rate per 100,000, by State/Territory



# AMERICAN RESCUE PLAN EXTENDS RELIEF

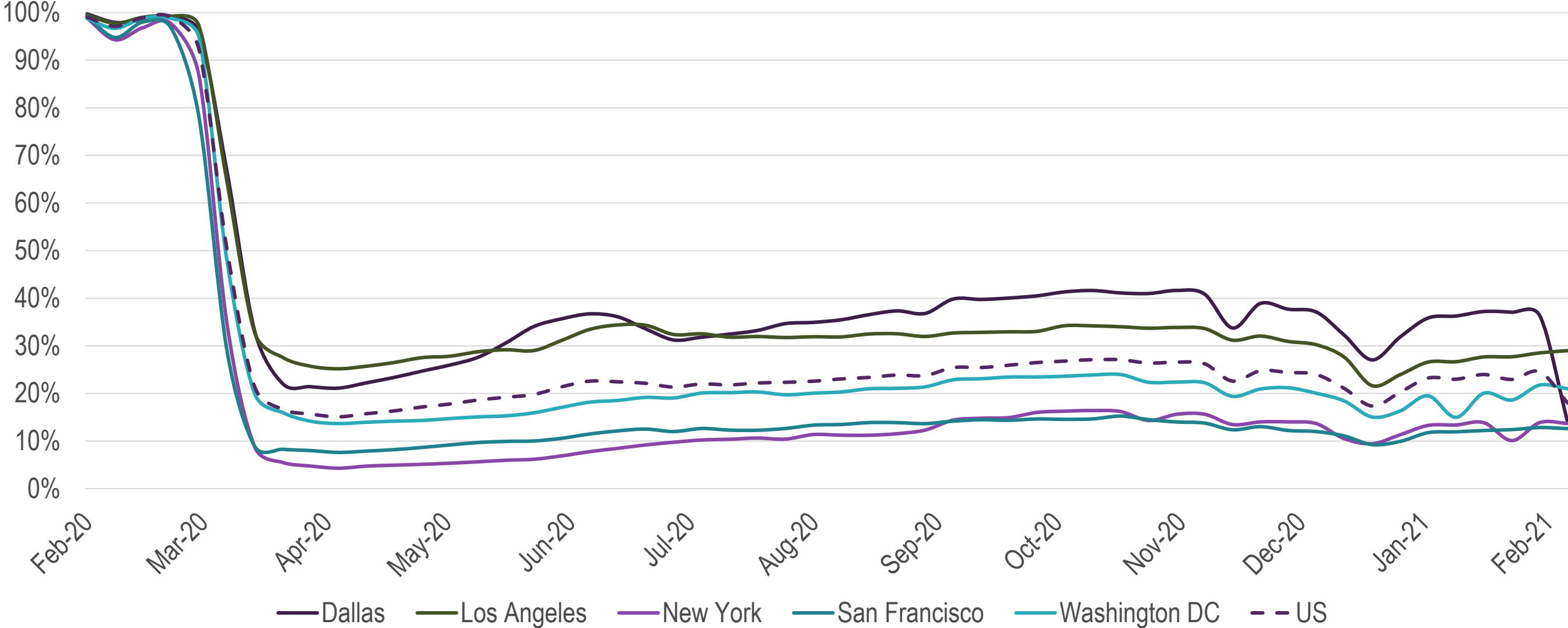
## US: Fiscal response to COVID-19



Source: Oxford Economics/Tax Foundation

# OFFICE USAGE STILL LAGGING

## Office Physical Occupancy Rates





# BENEFIT: LESS AUTOMOBILE CONGESTION

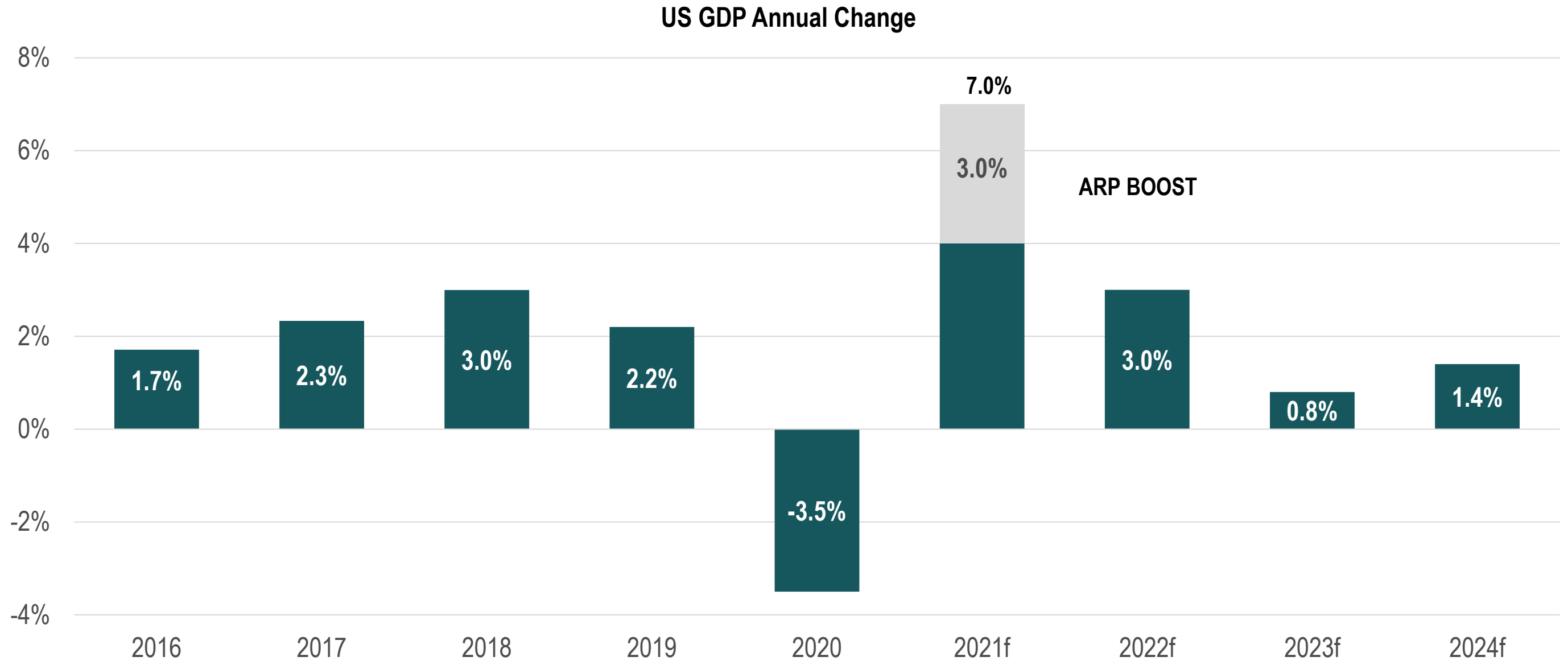
## Change in Automobile Traffic Impact (2020 over 2019)

Urban Area	Year-Over-Year Change	Last Mile Speed (mph)
Washington, DC	-77%	14
Atlanta, GA	-75%	19
Austin, TX	-72%	19
Portland, OR	-69%	18
Boston, MA	-68%	15
Seattle, WA	-67%	19
Charlotte, NC	-63%	19
Denver, CO	-61%	16
Miami, FL	-57%	19
Los Angeles, CA	-56%	22
Houston, TX	-56%	19
San Francisco, CA	-51%	14
Dallas, TX	-46%	19
Chicago, IL	-40%	15
Philadelphia, PA	-34%	12
New York City, NY	-28%	12

# **ECONOMY & CAPITAL MARKETS**

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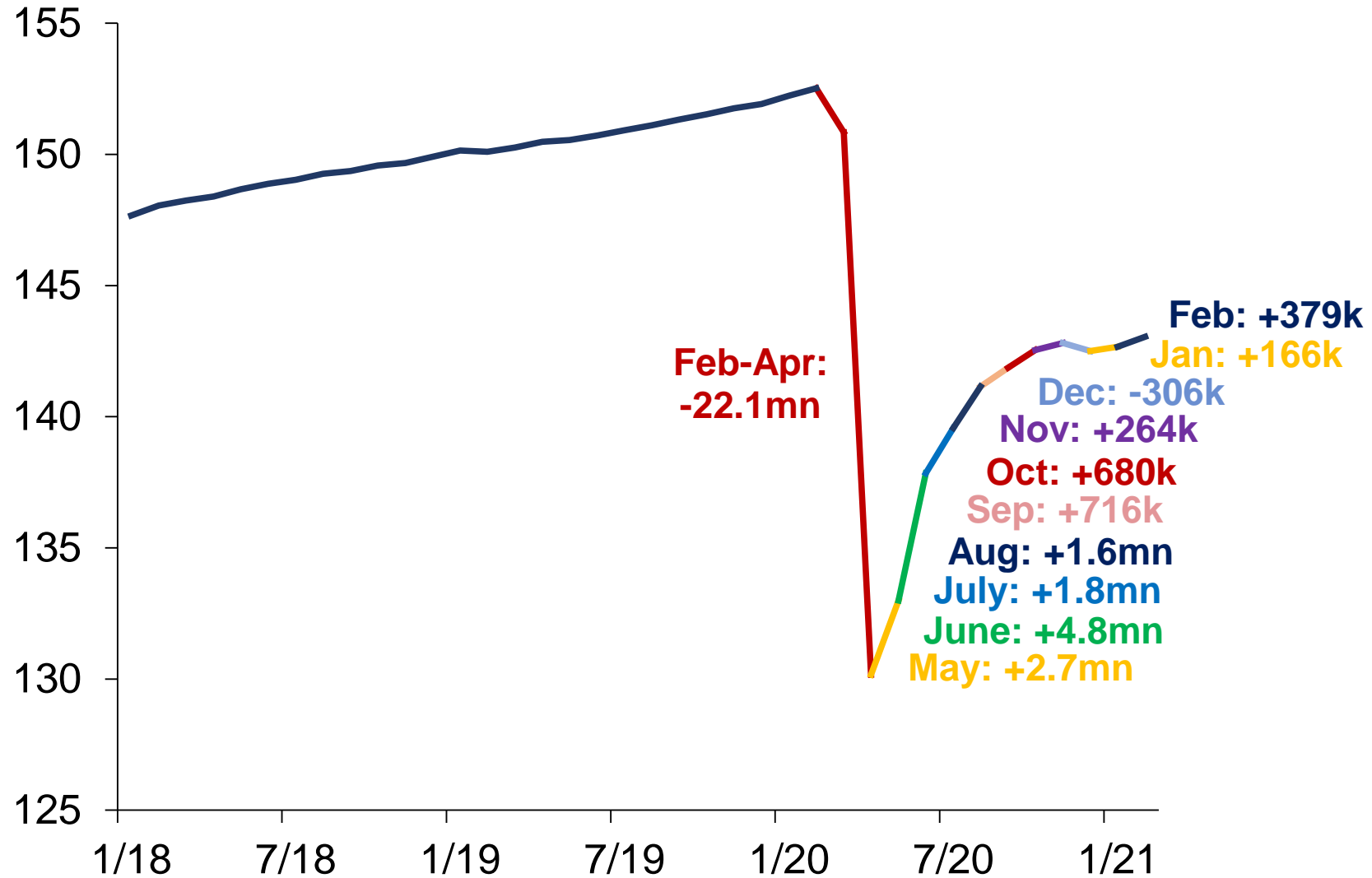
# AMERICAN RECOVERY PLAN TO BOOST 2021 GDP



# JOB RECOVERY SLOWING

## US: Nonfarm payroll employment

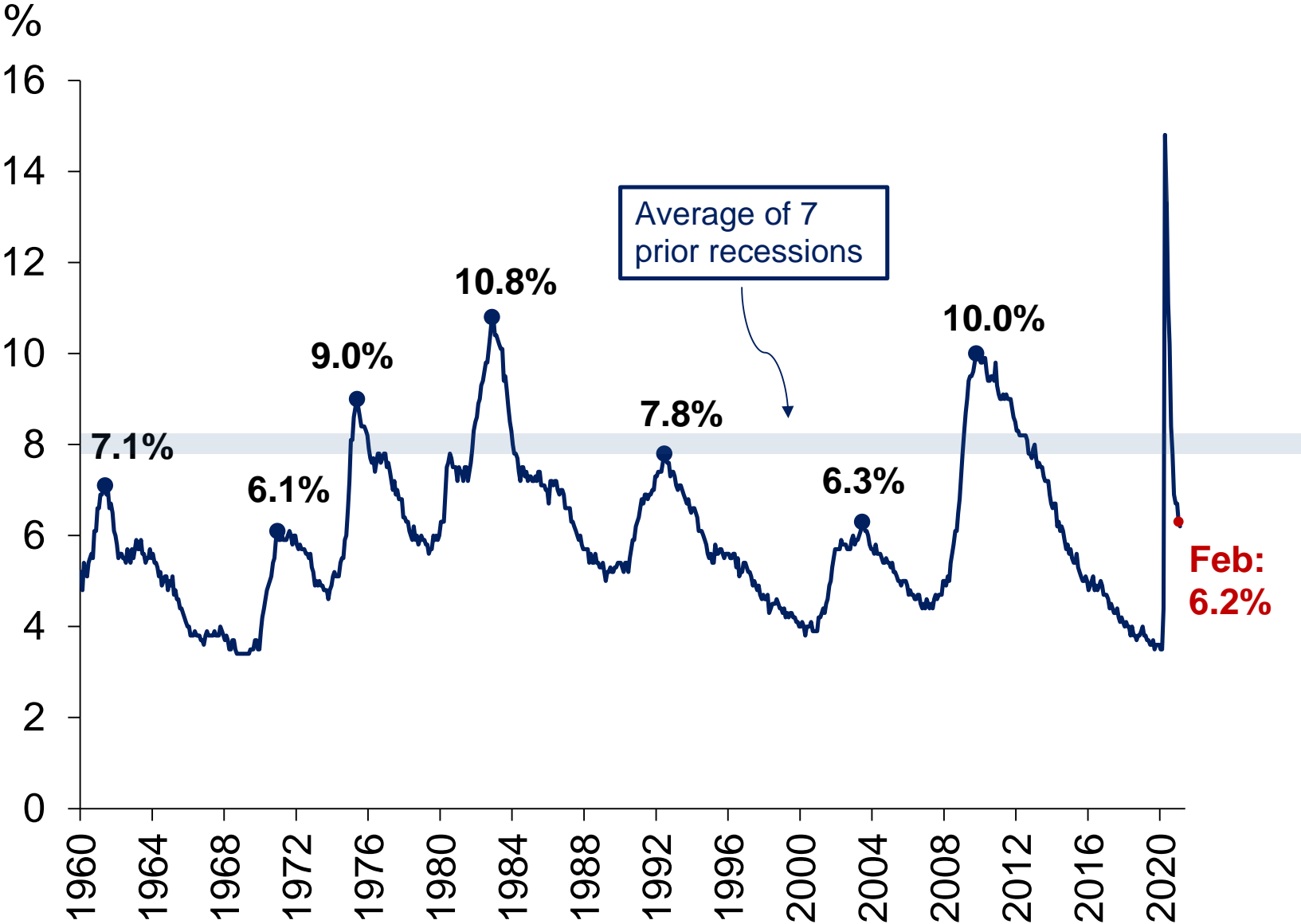
Millions



Source: Oxford Economics/Haver Analytics

# UNEMPLOYMENT DOWN BUT MANY UNDEREMPLOYED

## US: U3 unemployment rate

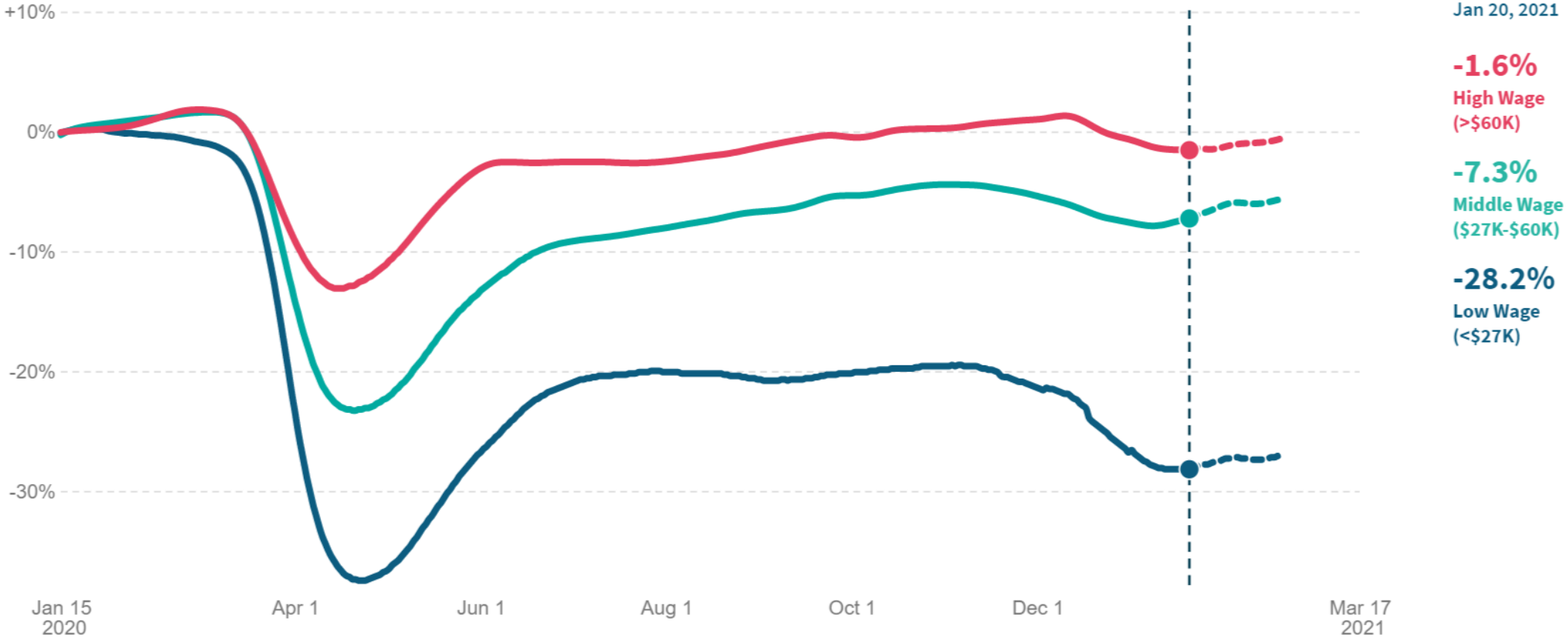


Source: Oxford Economics/Haver Analytics

# K-SHAPED RECOVERY

## Percent Change in Employment\*

In **the United States**, as of **January 20 2021**, employment rates among workers in the bottom wage quartile **decreased** by **28.2%** compared to January 2020 (not seasonally adjusted).



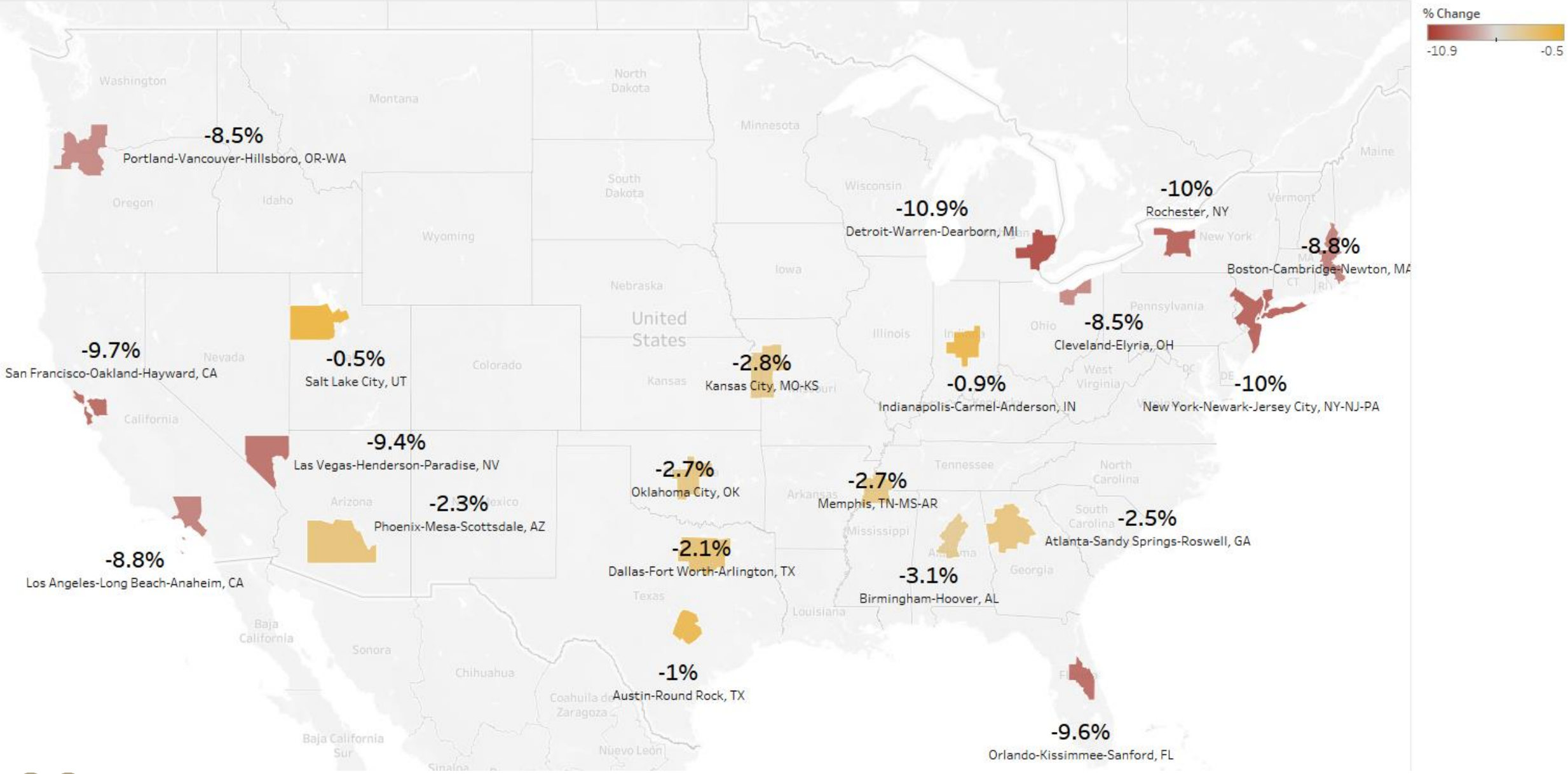
data source: **Earnin, Intuit, Kronos, Paychex**

\*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line is a prediction of employment rates based on Kronos and Paychex data.

last updated: **March 15, 2021** next update expected: **March 19, 2021**

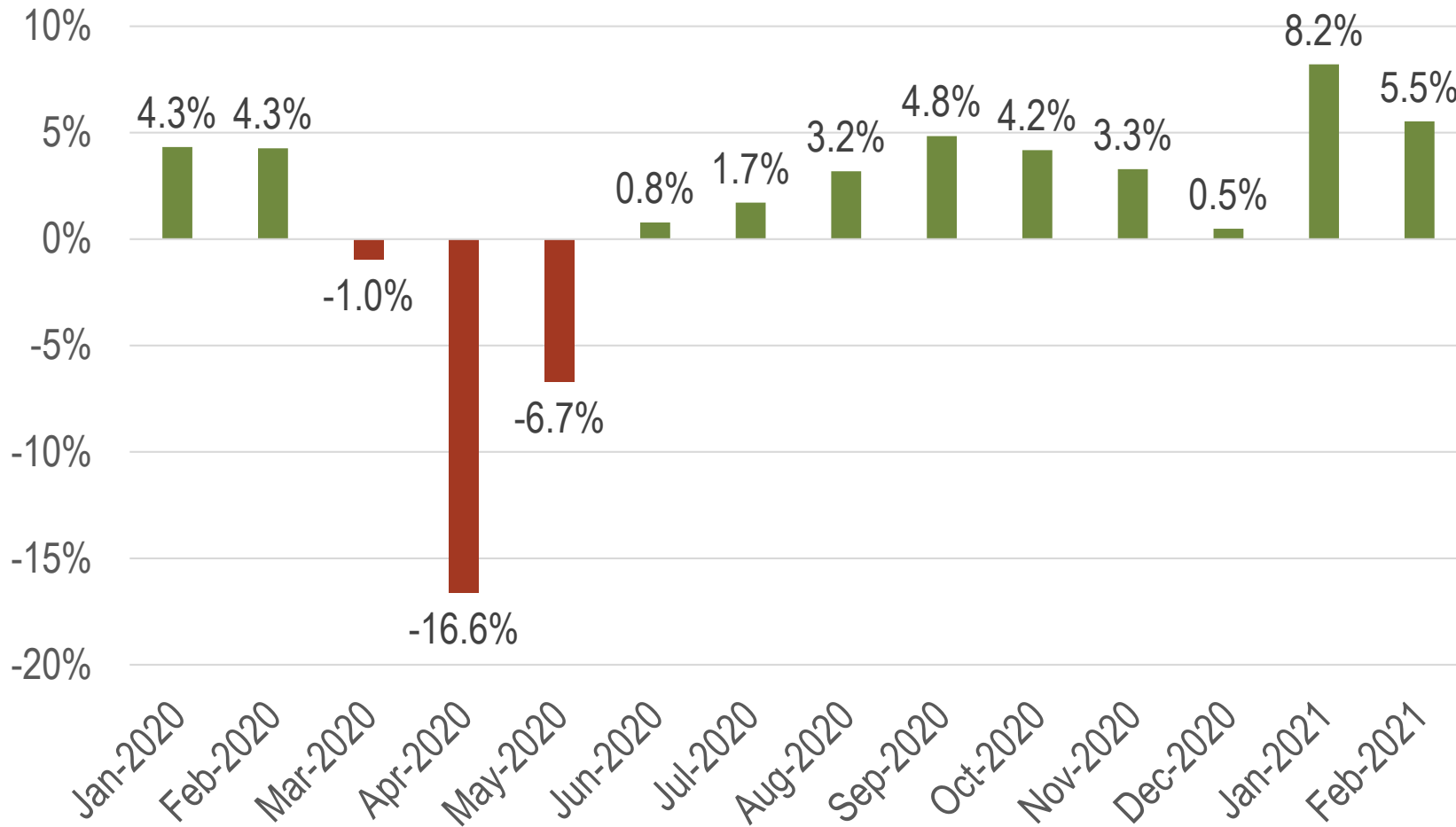
# GEOGRAPHIC WINNERS AND LOSERS DURING COVID

## YOY Change in Total Non-Farm Employment for Large Metropolitan Areas, Dec. 2020

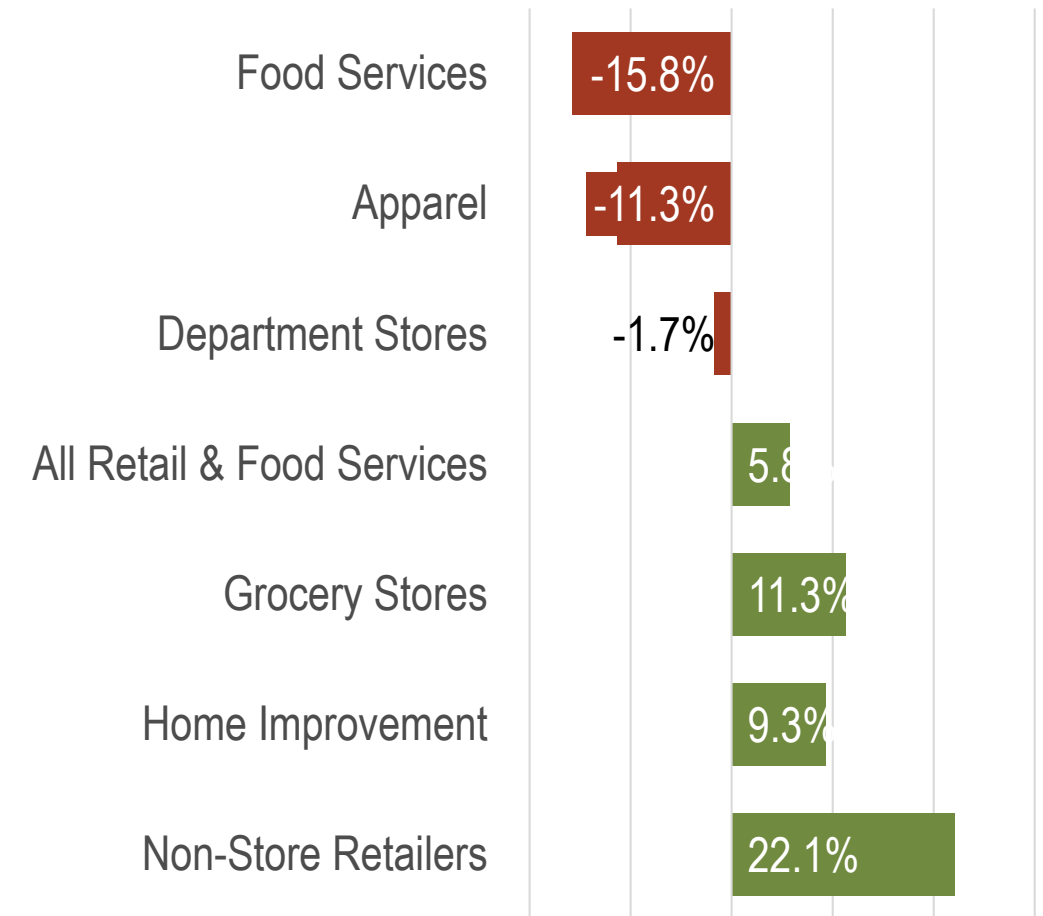


# RETAIL SALES HAVE BEEN STRONG SINCE JUNE AS CONSUMERS CUT BACK ON TRAVEL AND SERVICES

YoY Change in Retail Sales,  
Excluding Vehicle Sales



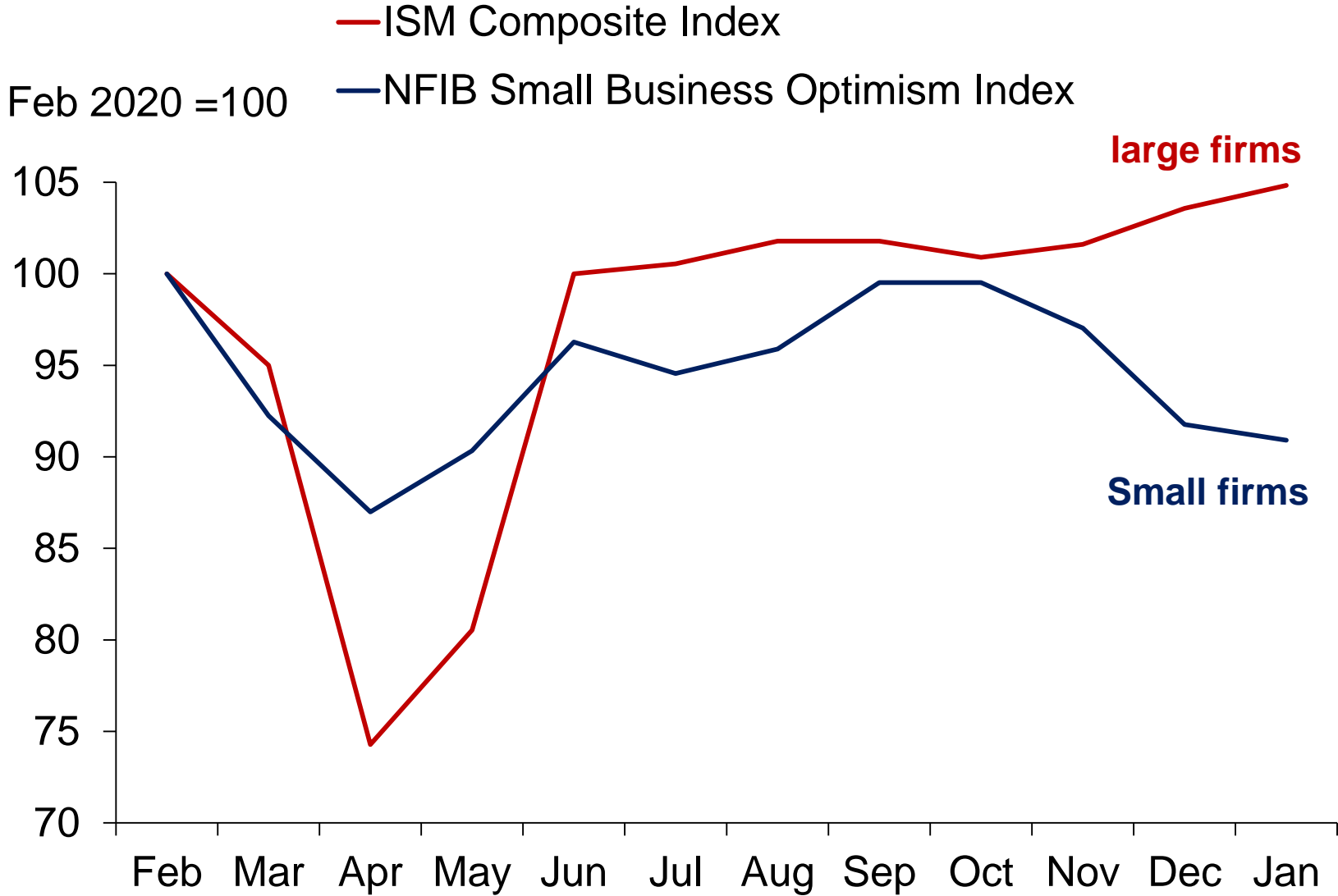
YoY Change in Monthly Sales  
(Jan 2021 over Jan 2020), SA





# LARGE FIRMS MORE OPTIMISTIC

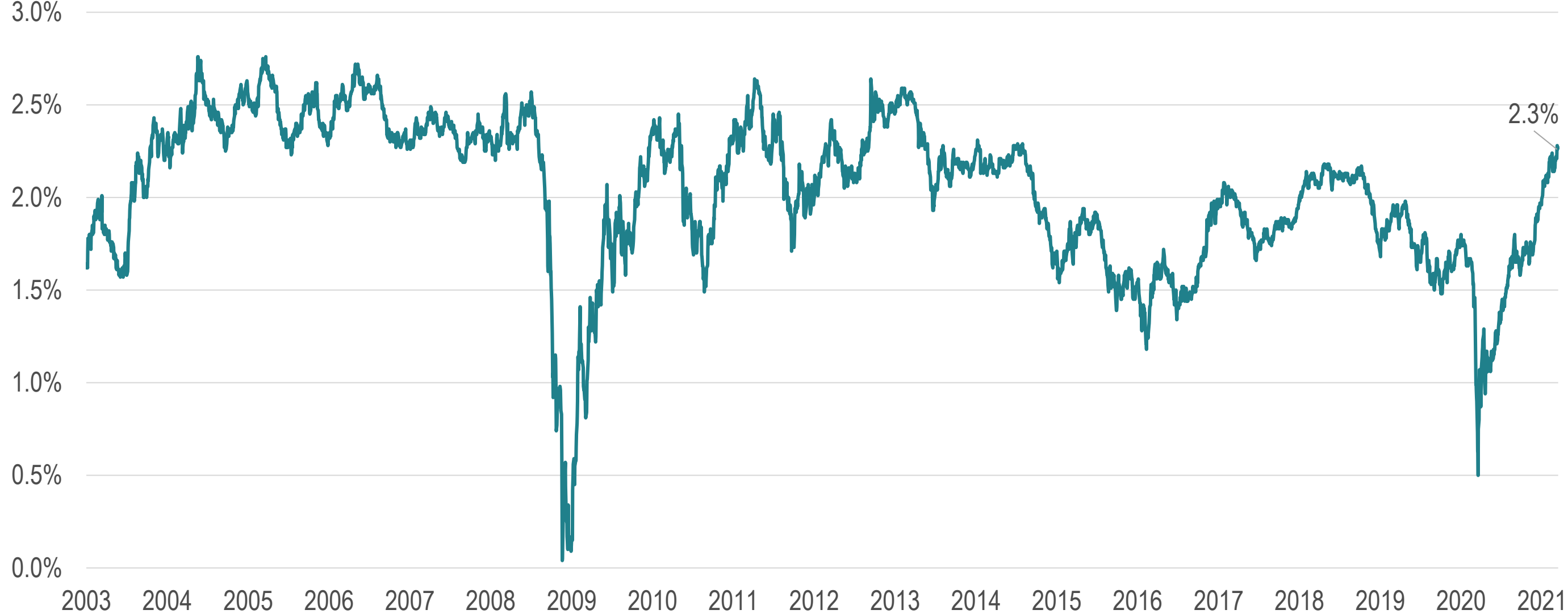
## US: A two-speed recovery in business conditions



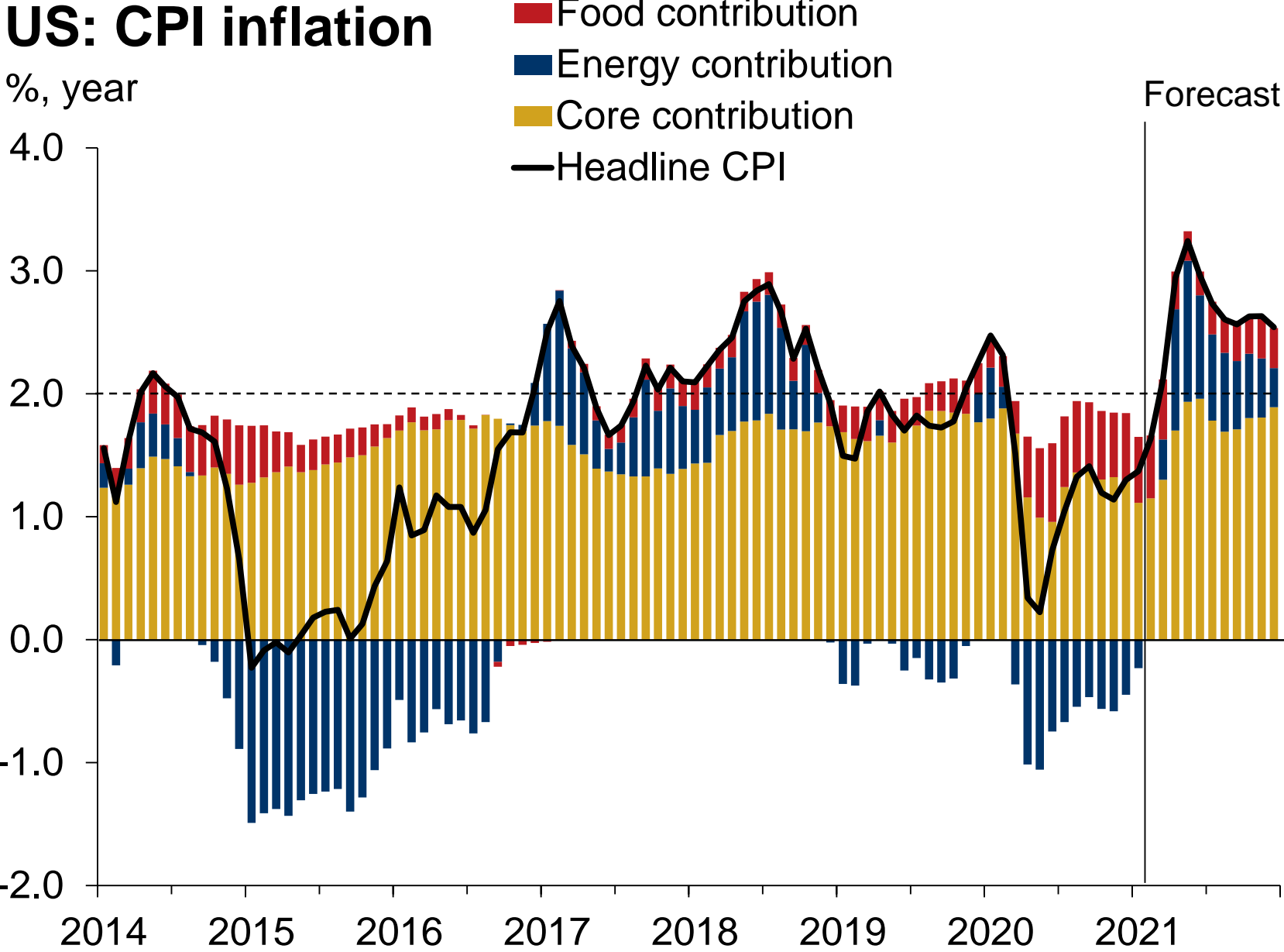
Sources: Oxford Economics/Haver Analytics

# TIPS INDICATED INFLATION RISING

## 10-Year Breakeven Inflation Rate



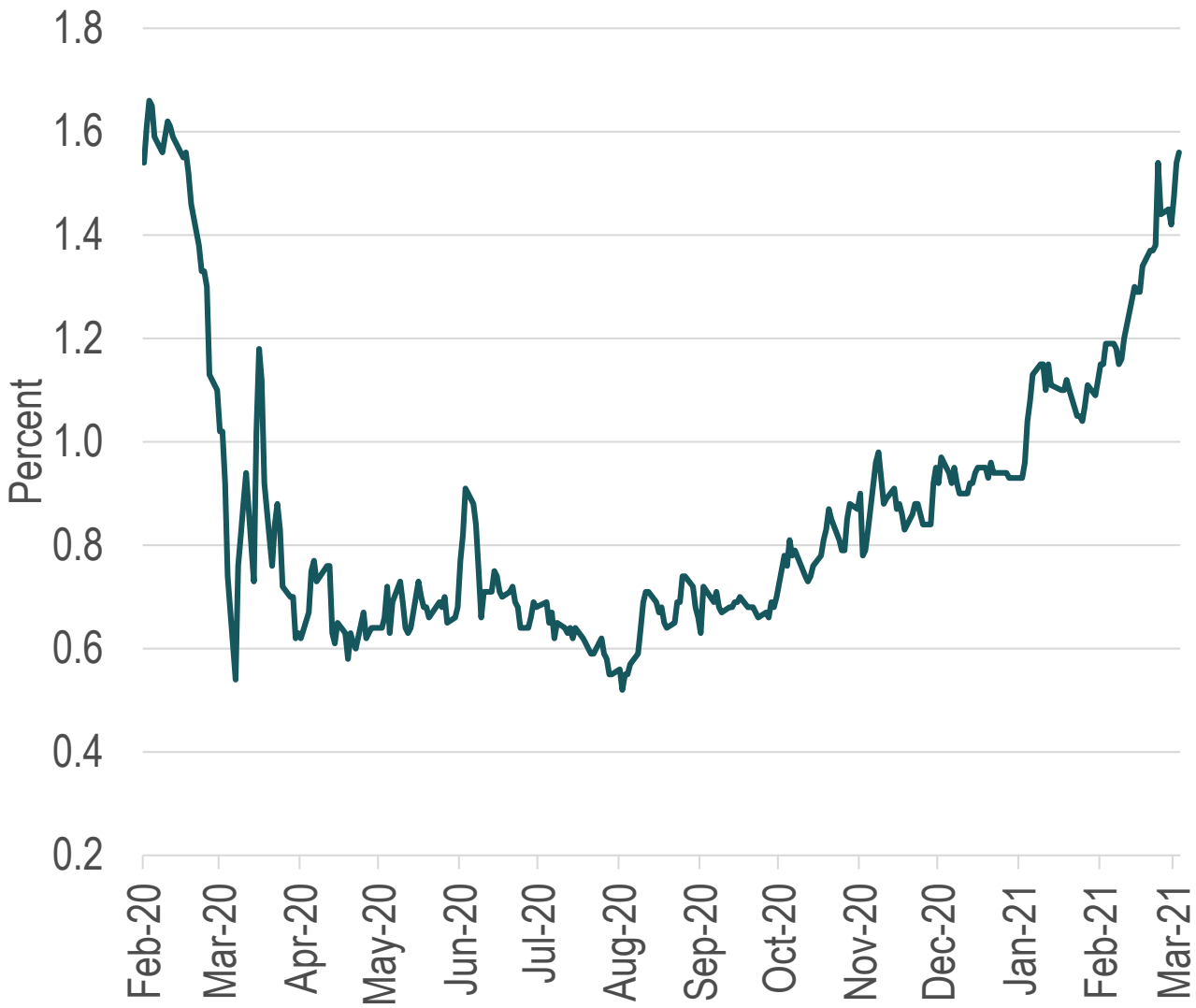
# INFLATION RISK IN MID-2021



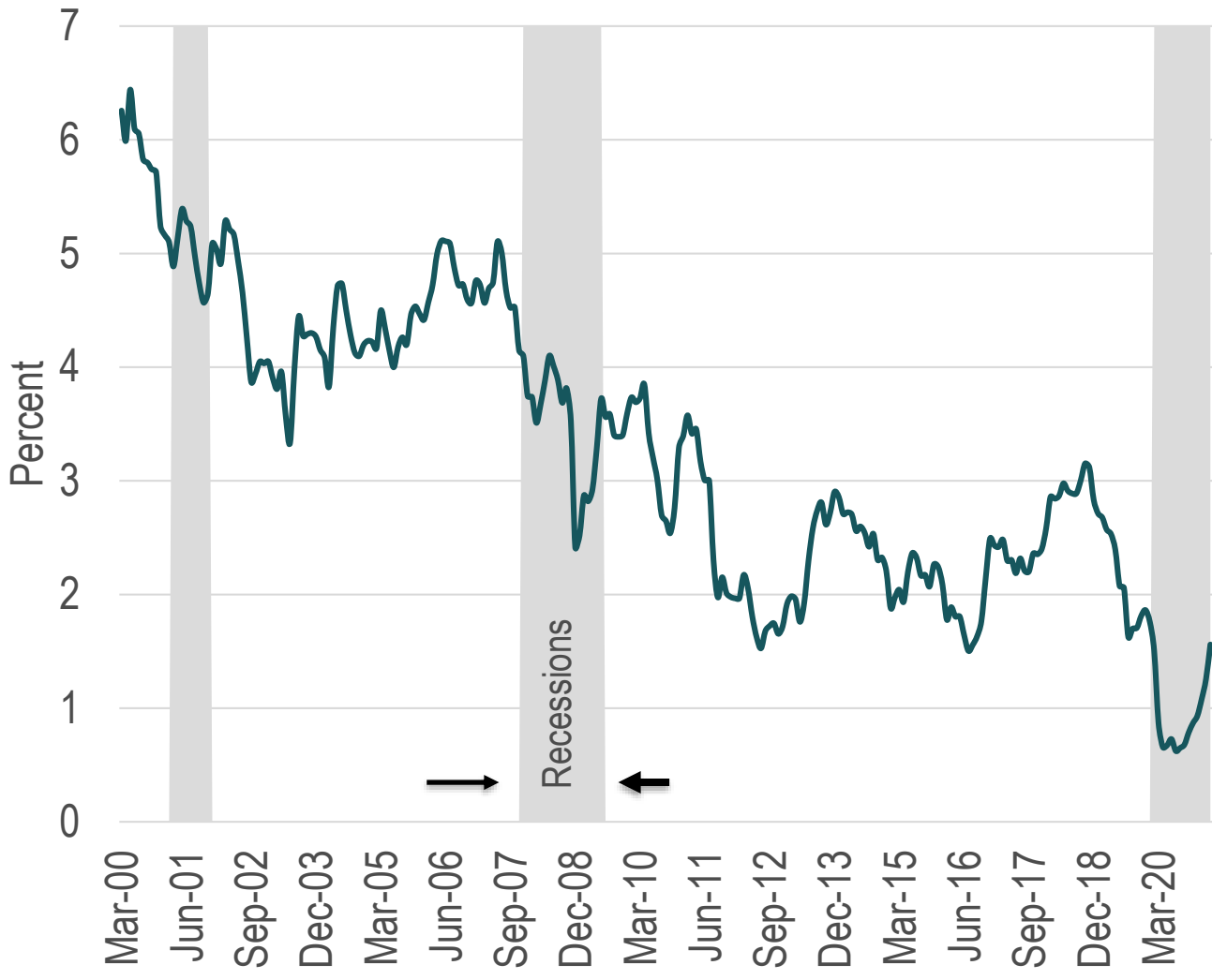
Source: Oxford Economics

# INTEREST RATES UP FROM TROUGH

10 Year US T-Note (Daily); Last Year

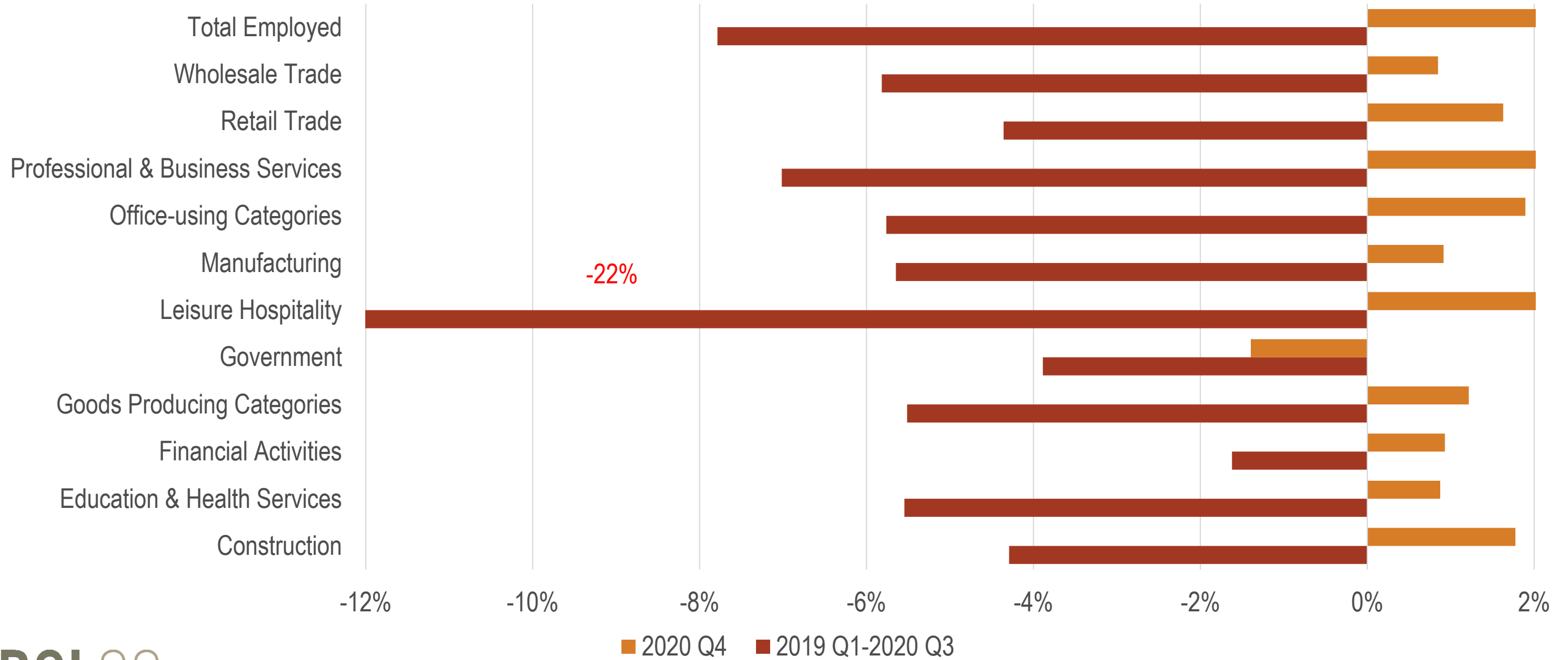


10 Year US T-Note (Monthly); Last 21 Years



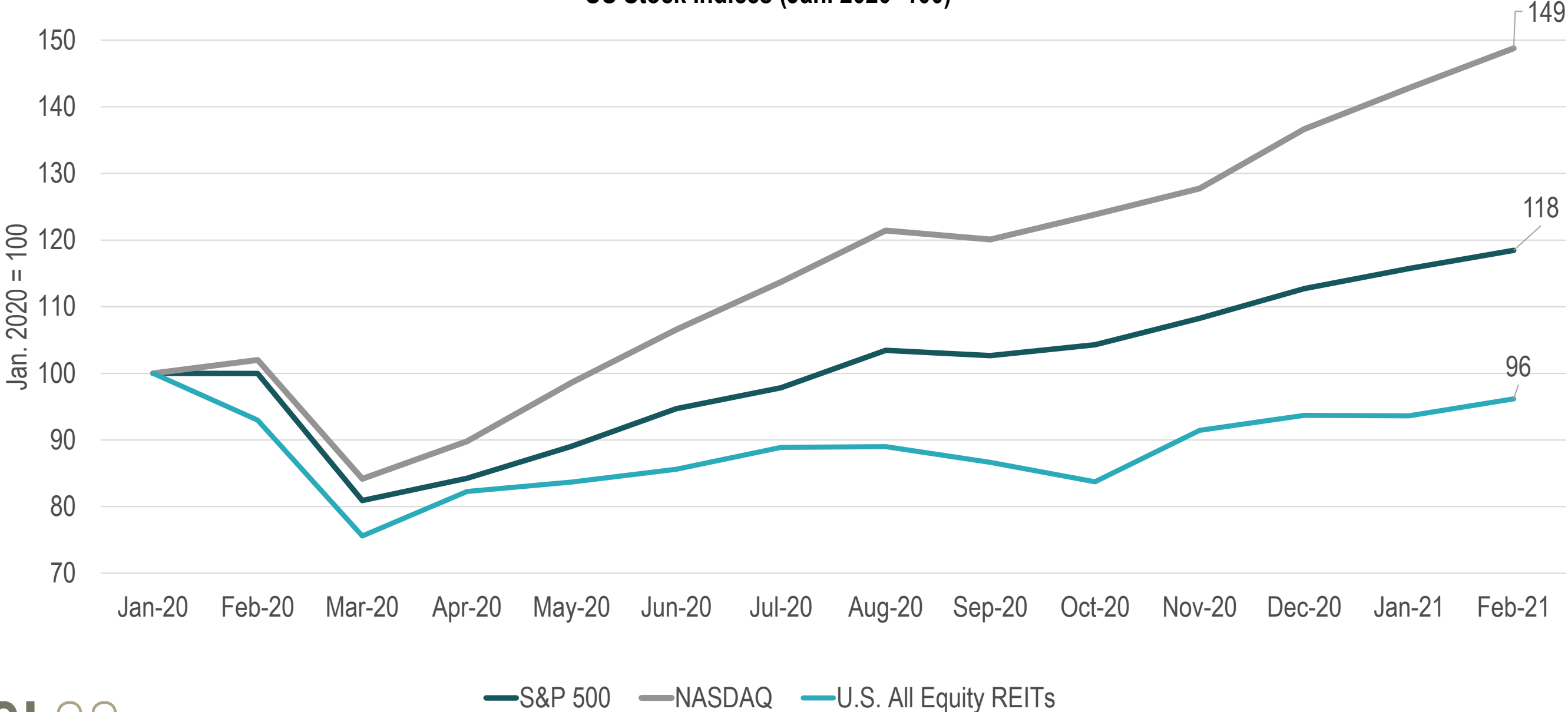
# ALMOST ALL EMPLOYMENT SECTORS IMPROVED IN Q4

Employment Change by Industry, 2020

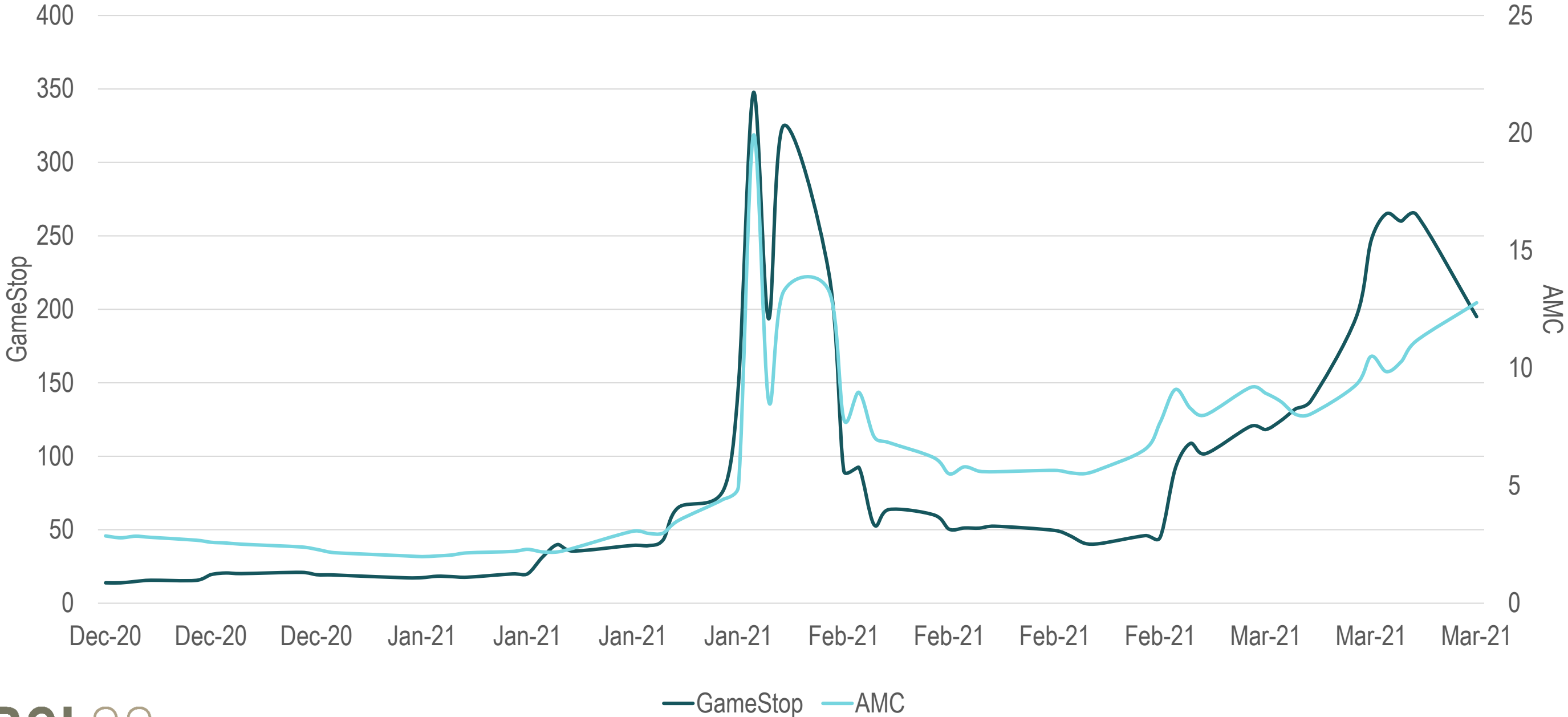


# US STOCK MARKET

### US Stock Indices (Jan. 2020=100)



# WALL STREET BETS ADDS SOME EXCITEMENT TO STOCK MARKET



# **IMPACT ON REAL ESTATE SECTORS**

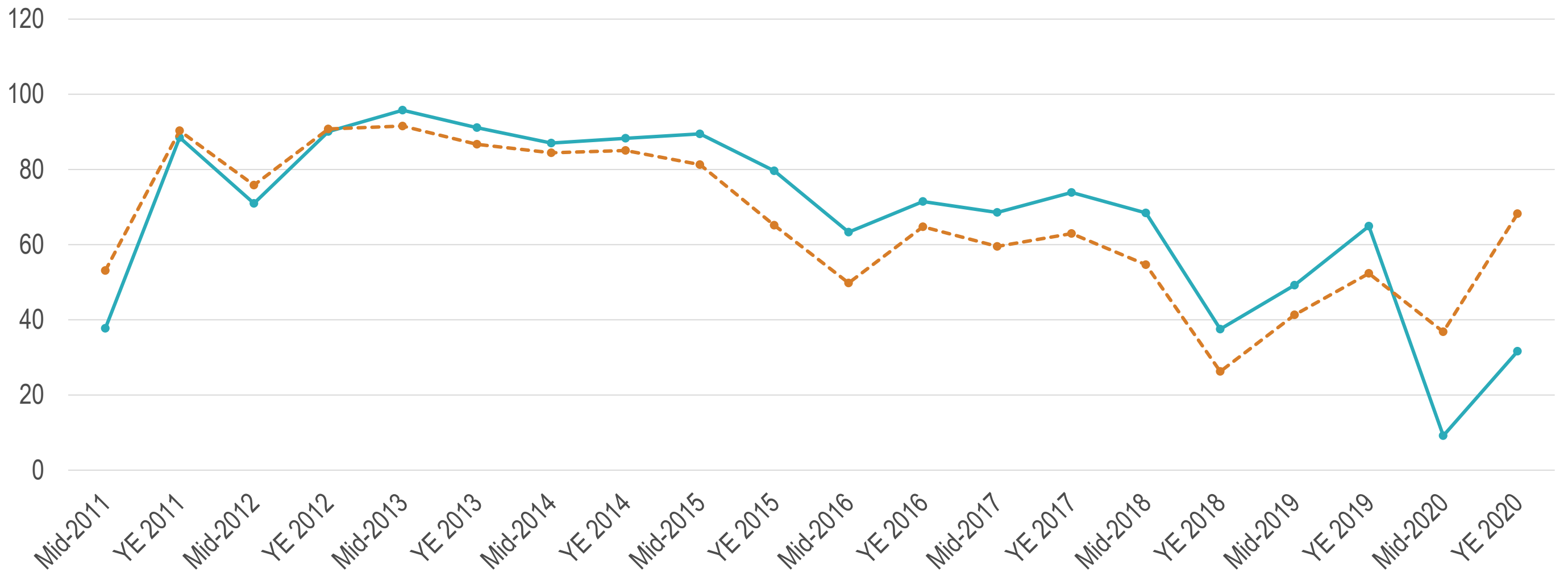
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# BIG BOUNCE BACK FROM AN HISTORIC LOW

## CURRENT RMI INDEX BACK UP TO 32, FOLLOWING NADIR <10...

RCLCO National Real Estate Market Index



—●— Current RMI US    - - - ● - - - Predicted (12 Month) RMI US

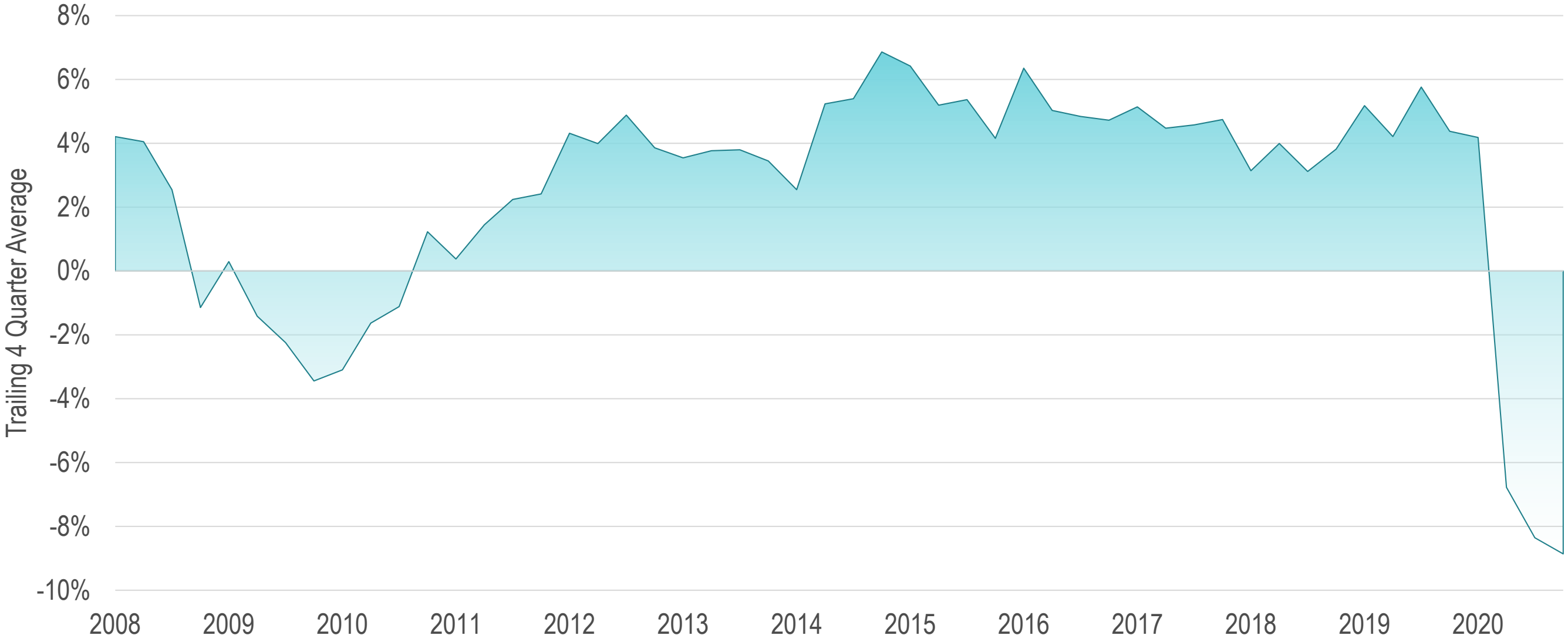
# US PROPERTY MARKETS SOFTENING

## National Property Statistics

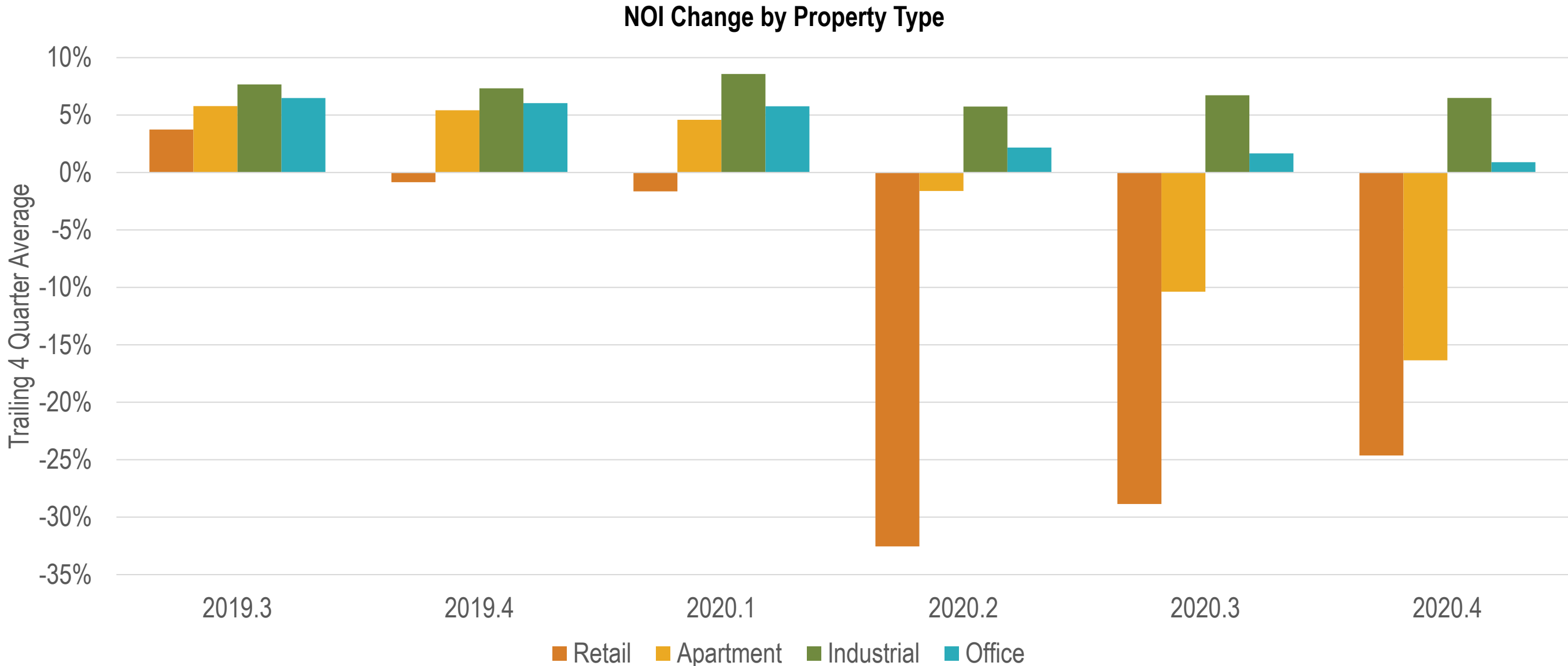
	Vacancy Rate	Annual Rent Growth	Net Absorption/Inventory
<b>2021Q1 QTD</b>			
Retail	5.1%	-0.5%	-0.2%
Multifamily	6.8%	1.0%	1.9%
Industrial	5.5%	3.8%	1.3%
Office	11.8%	-1.5%	-1.5%
<b>Change Since 2019 Q4</b>			
Retail	0.6%	-2.8%	-0.5%
Multifamily	0.3%	-1.4%	0.1%
Industrial	0.4%	-1.4%	0.3%
Office	2.1%	-4.9%	-2.1%

# NOI DECLINE WORSE THAN GFC

NOI Change, All Property Types

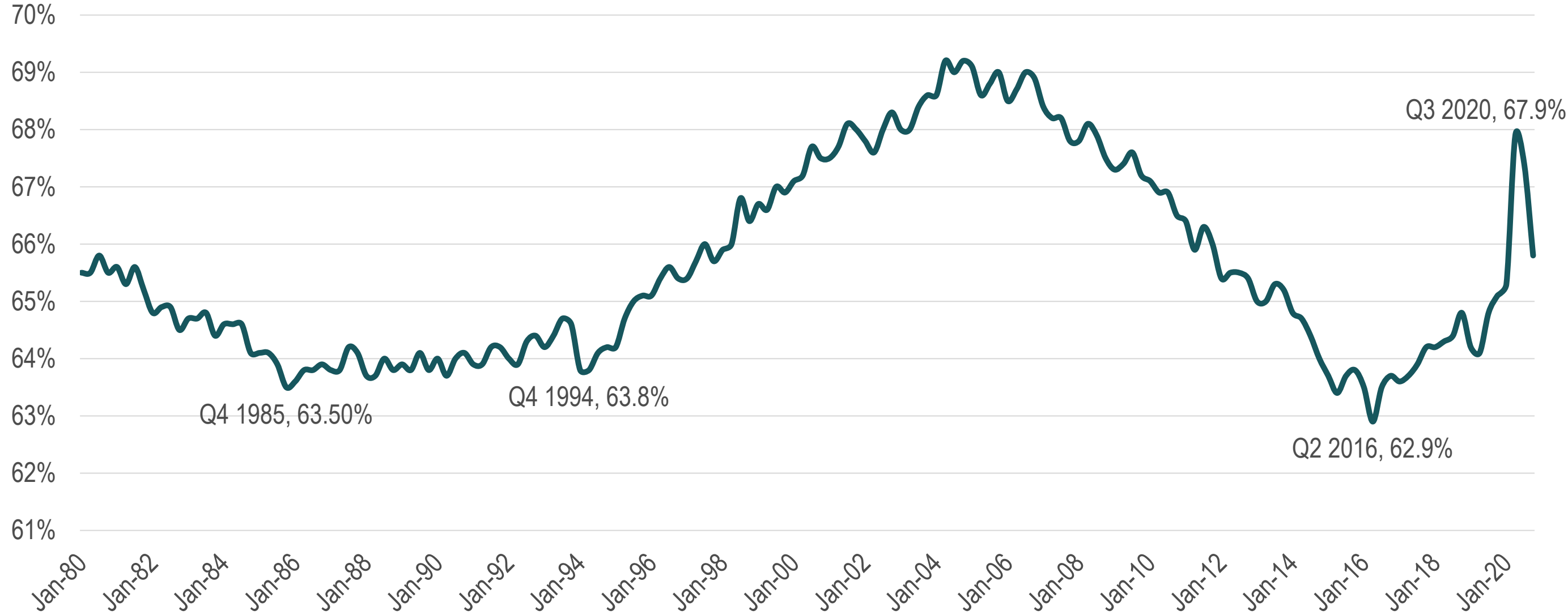


# RETAIL AND APARTMENT NOI HARDEST HIT

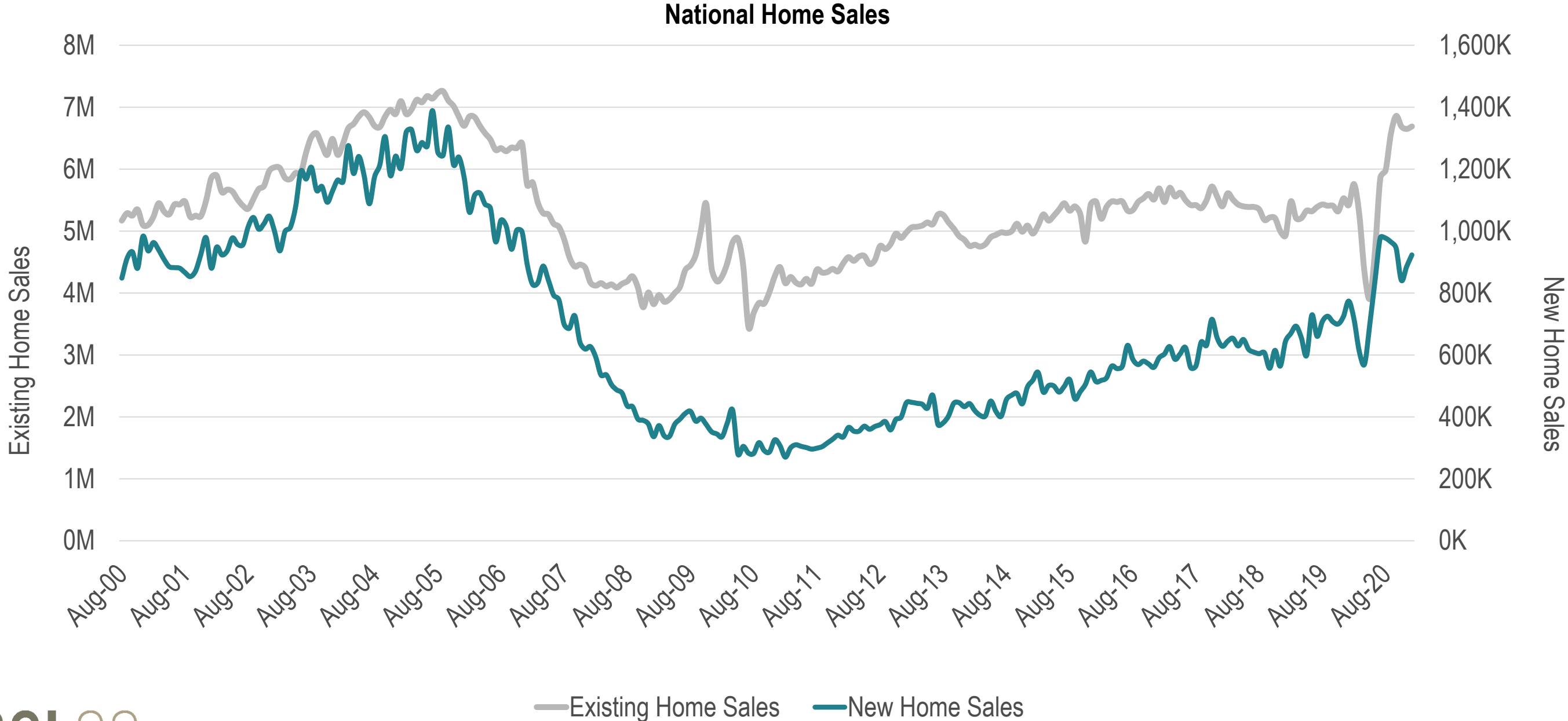


# HOMEOWNERSHIP RATE ON THE RISE PRE-COVID

## U.S. Home Ownership Rate

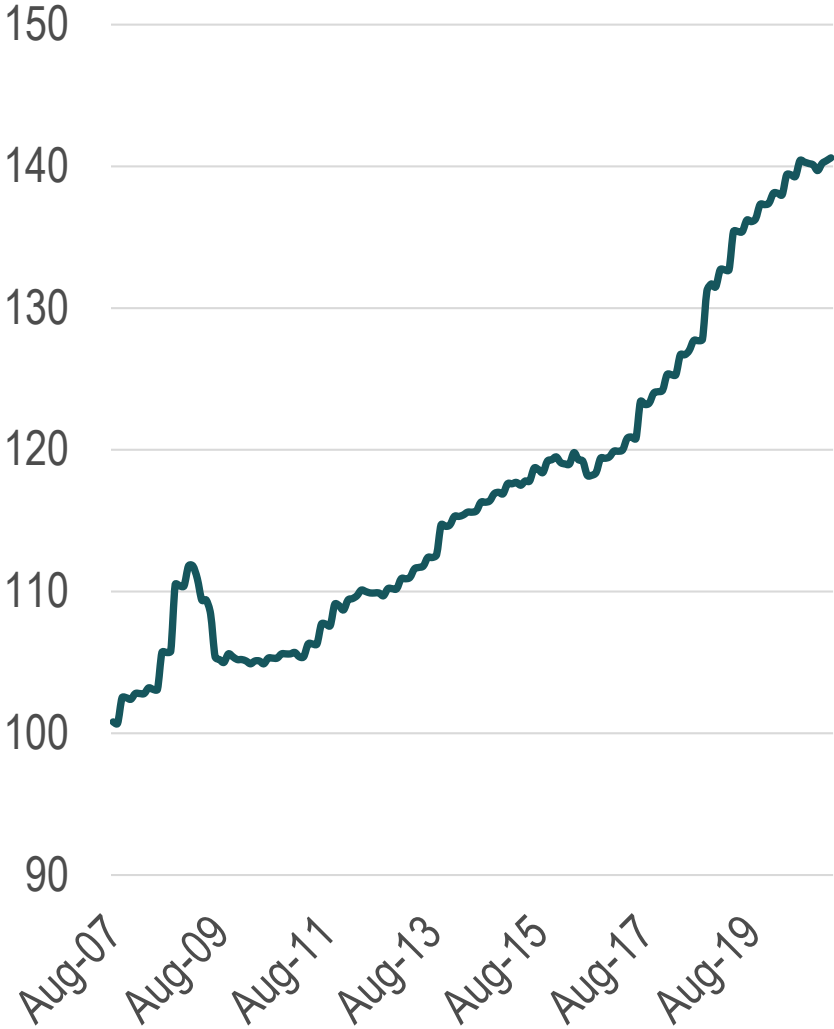


# HOME SALES UP SHARPLY SINCE MID 2020

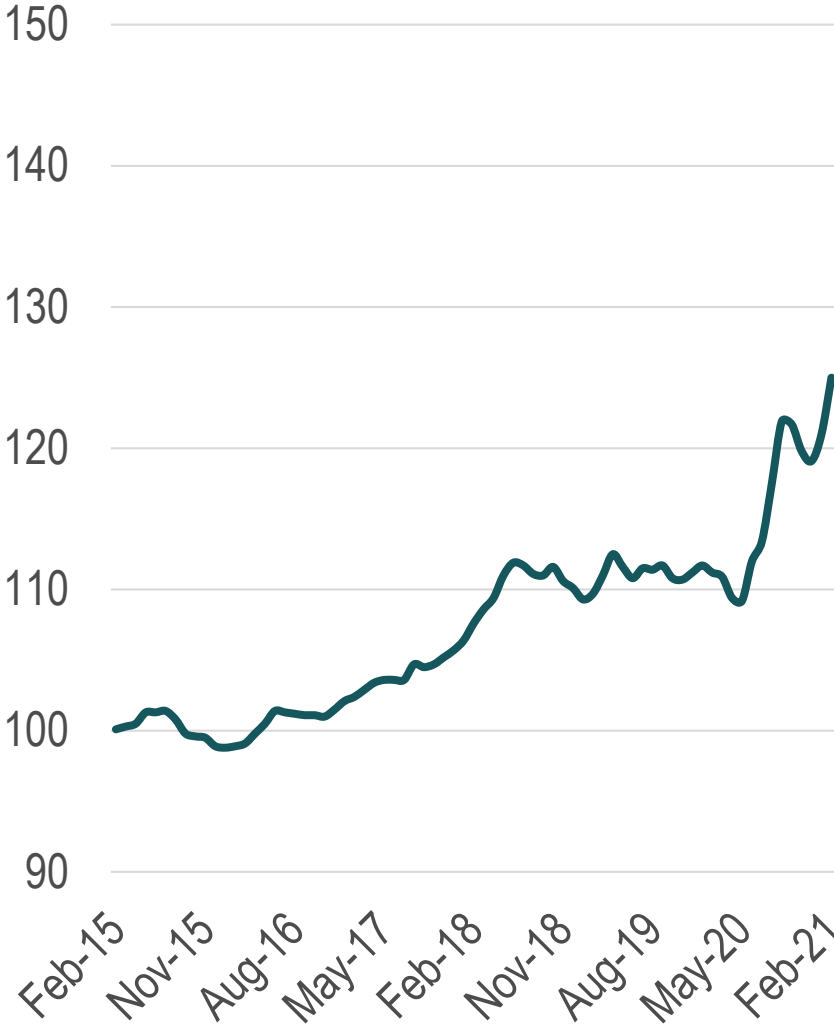


# COVID-19 & CONSTRUCTION COSTS

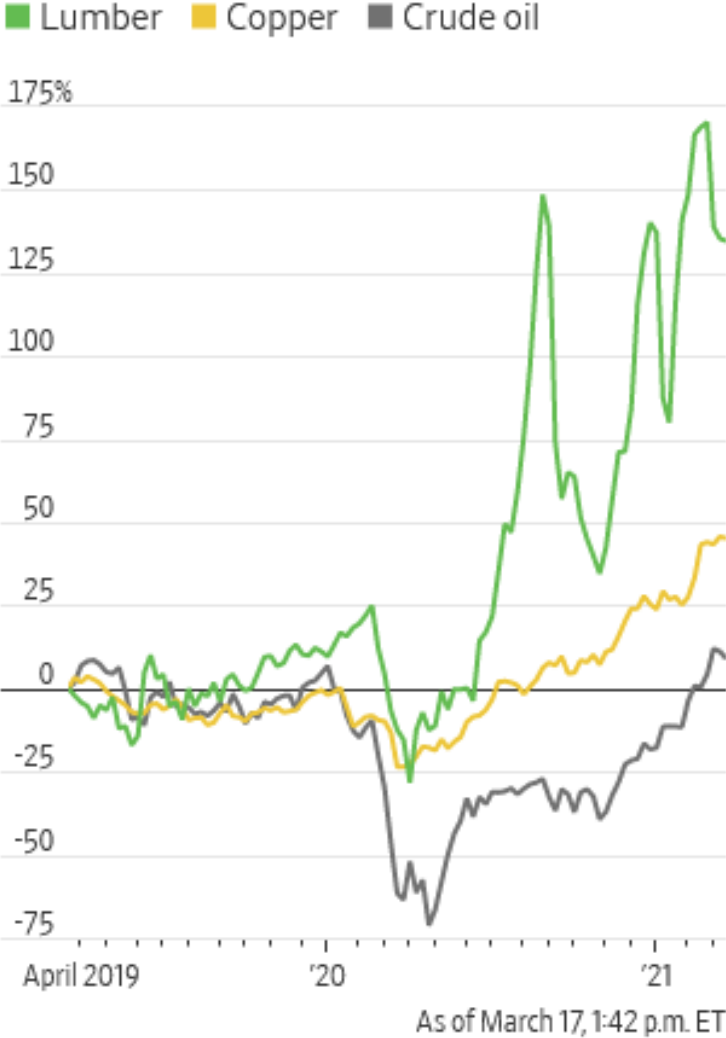
**Industrial Construction Producer Price Index Incl. Labor**



**Multifamily Construction Cost Index Incl. Labor**



**Futures Price Performance**



Note: Continuous contracts  
Source: FactSet



Source: U.S. Bureau of Labor Statistics; St Louis Federal Reserve; United States Census Bureau

# **REAL ESTATE CAPITAL MARKETS**

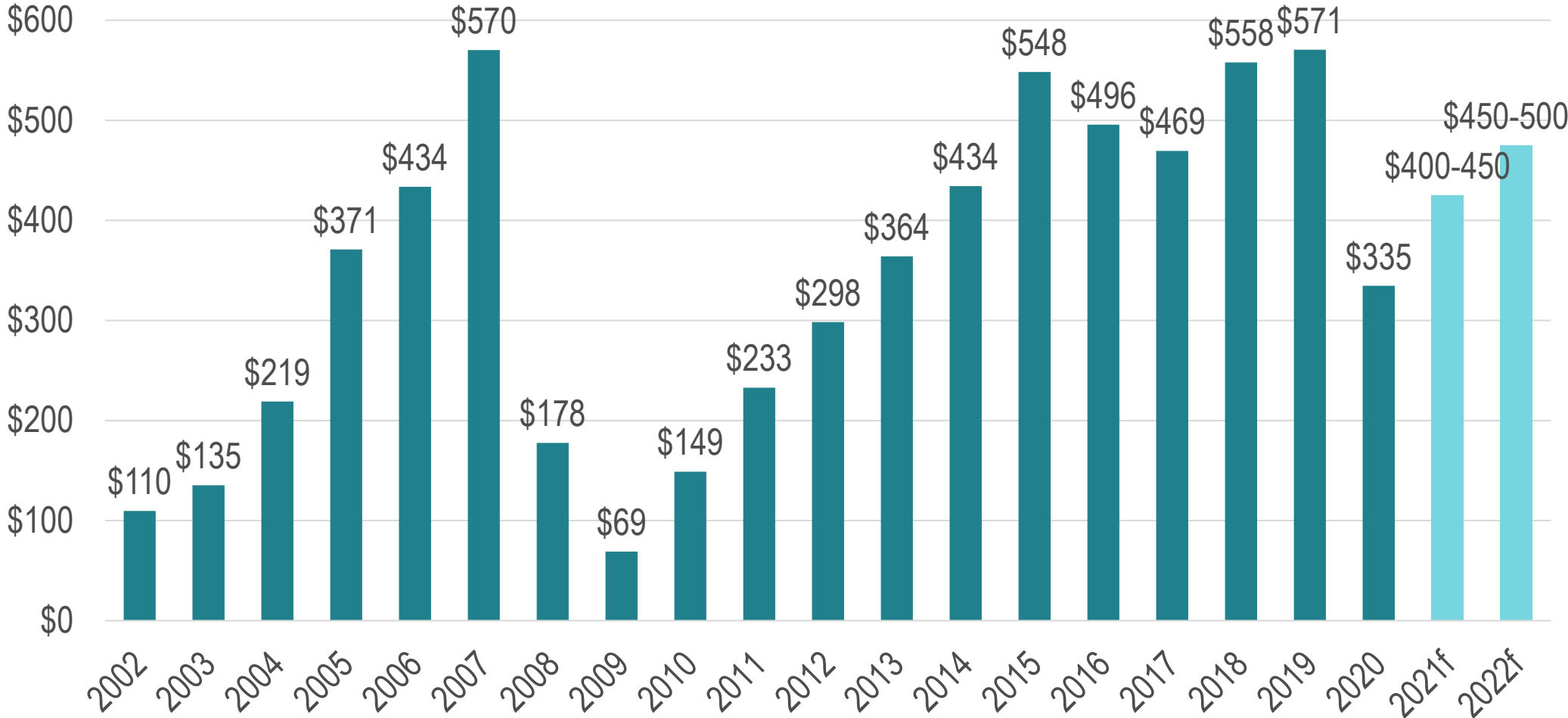
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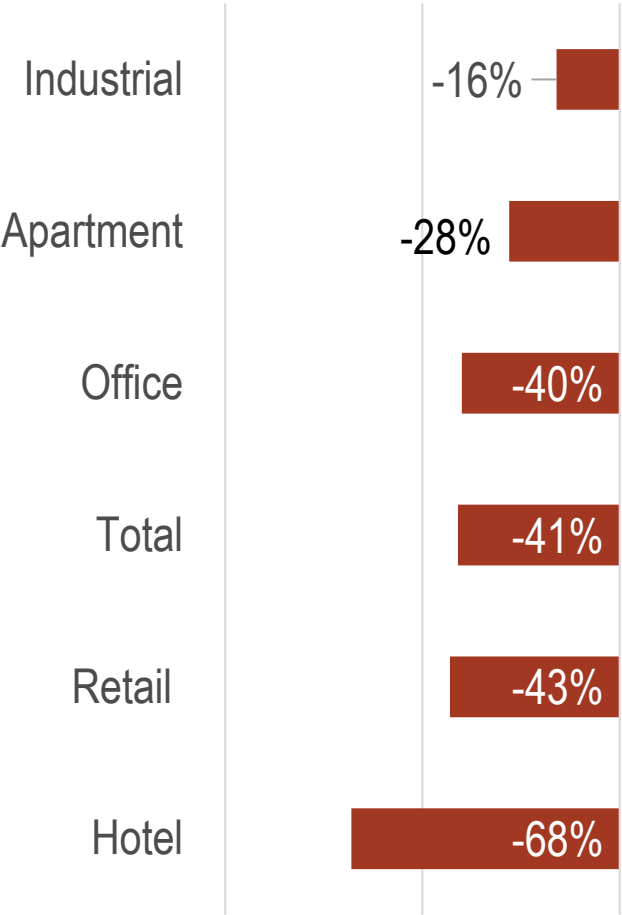
# REAL ESTATE TRANSACTION VOLUME DROPS BY 41% YOY

## HOTEL AND RETAIL FELL THE MOST; RECOVERY IN 2021

Total Transaction Volume (\$BIL)

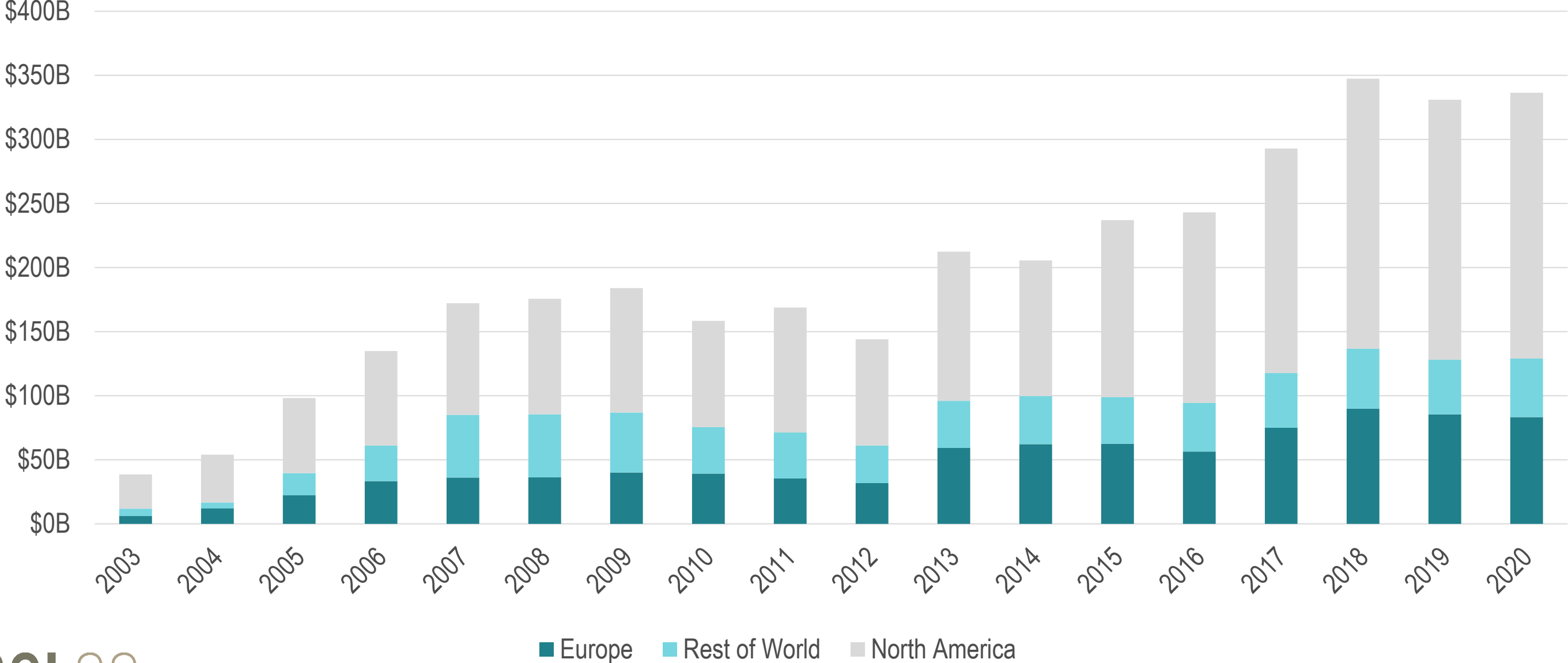


Change by Property Type, 2020 v. 2019



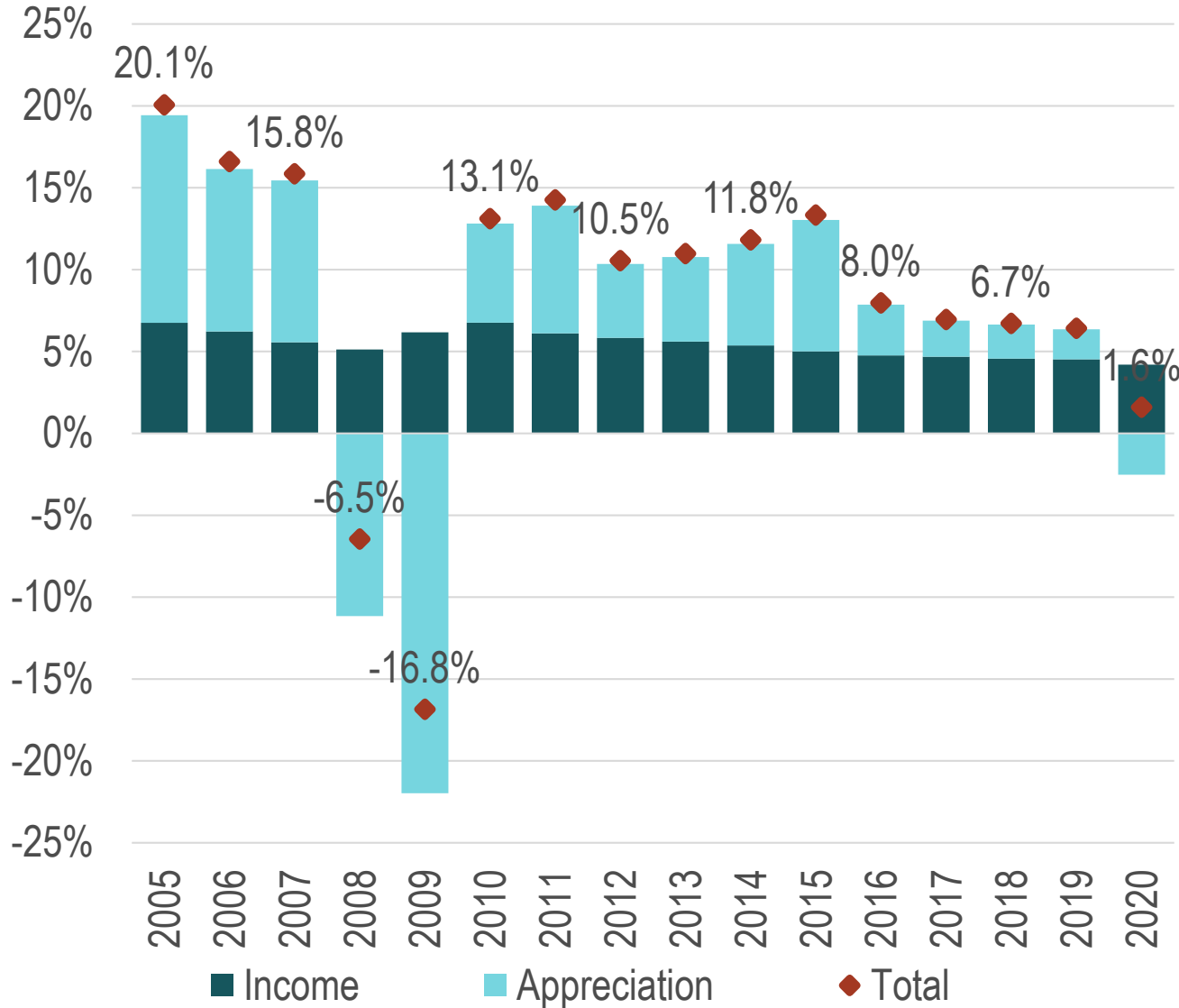
# COVID-19 & THE TSUNAMI OF CAPITAL

### Dry Powder by Region

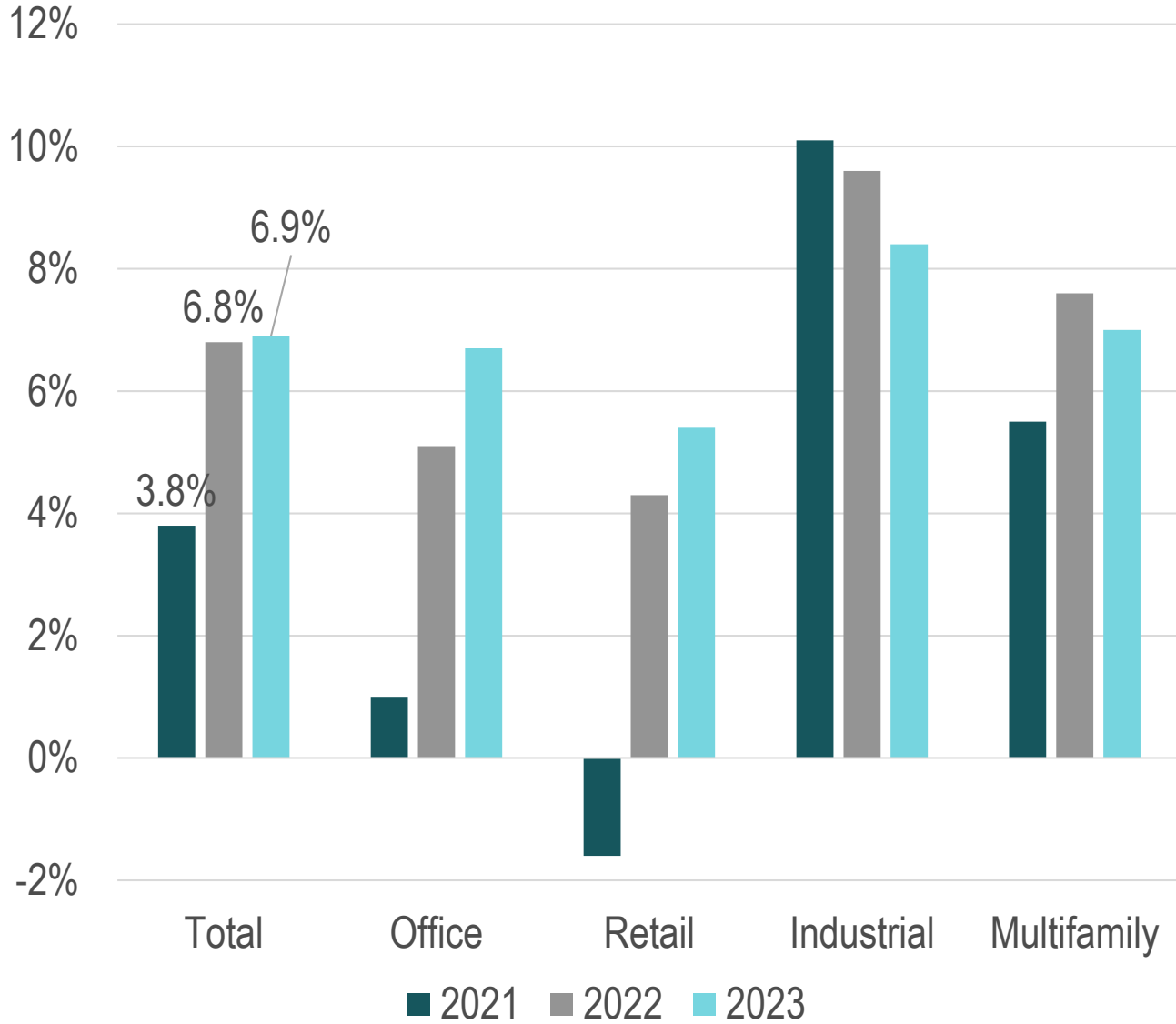


# PRIVATE REAL ESTATE RETURNS RESILIENT

NPI Annual Returns



Forecast NPI Total Returns (PREA Consensus)

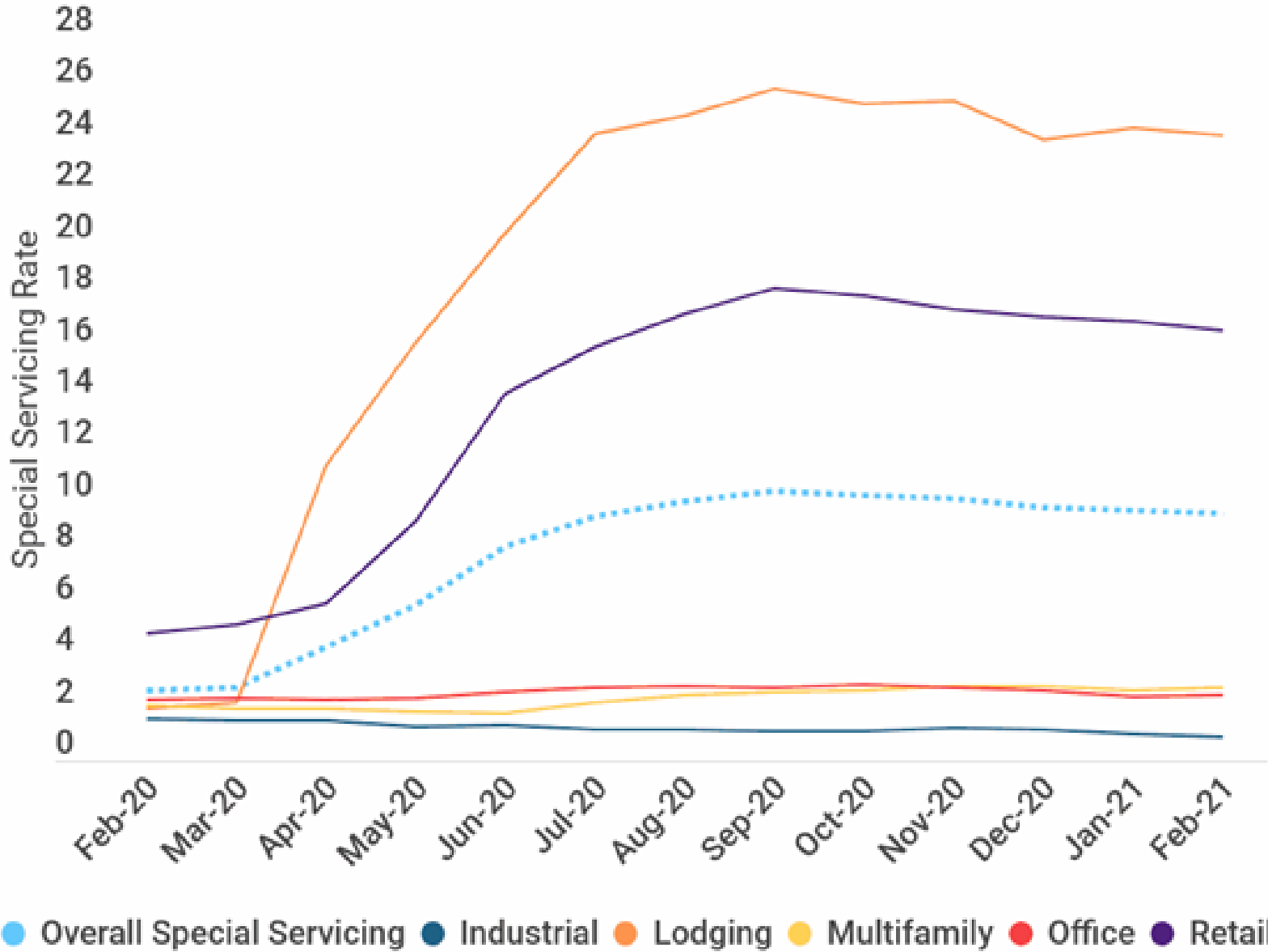


# REIT SECTORS CONVERGING TO MIDDLE

## US REIT Total Returns Since January 2020

Sector	Jan 20 – Mar 20	Mar 20 – Feb 21	Total
FTSE Nareit Equity REITs	-27%	32%	-4%
Industrial	-10%	24%	11%
Office	-28%	15%	-17%
Retail	-49%	69%	-14%
Apartments	-26%	23%	-9%
Single Family Homes	-23%	38%	7%
Lodging/Resorts	-51%	84%	-10%
Health Care	-37%	46%	-8%
Self Storage	-8%	28%	18%
Data Centers	9%	4%	13%

# CMBS SPECIAL SERVICING BY PROP TYPE



# SUMMARY

- » **COVID Impact Waning with Good Progress on Vaccines**
- » **2021 GDP Growth Likely to be Strongest Since 1950's**
- » **Uneven Jobs Recovery, Although ARP Will Help**
- » **Massive Stimulus/Deficits Could Overheat Economy = Inflation**

- » **Real Estate Recovery Underway**
  - » Multifamily, warehouse and some niche sectors will outpace economic growth
  - » Office and hotel recovery will lag due to WFA and reduced business travel
  - » Retail sales will rebound, but e-commerce will continue to increase share
  - » Very strong SF market – new, existing and SFR
  - » Plenty of capital
- » **Continued Shift to Sunbelt/Low Tax Areas**
- » **Big Cities Need to be Creative**

# FROM THE RCLCO SHAMELESS PROMOTIONAL DEPARTMENT...



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## Tracking Urban and Suburban Apartment Performance



March 17, 2021

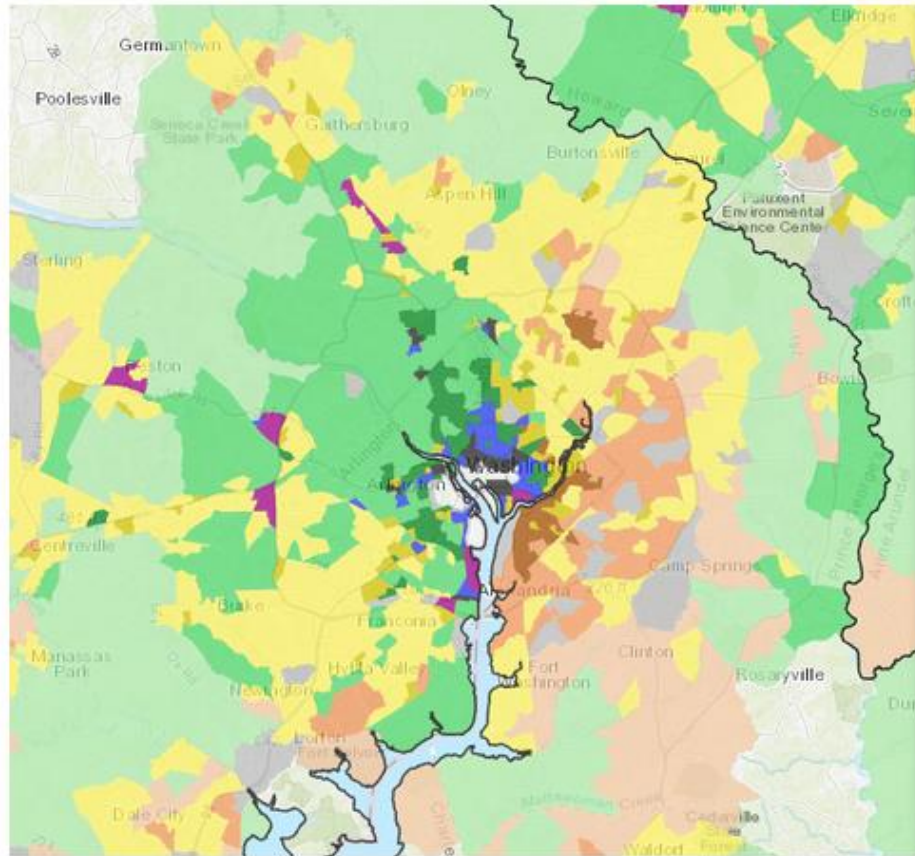


By [Erin Talkington, Managing Director](#) , [Pratik Ramesh, Senior Data Analyst](#)

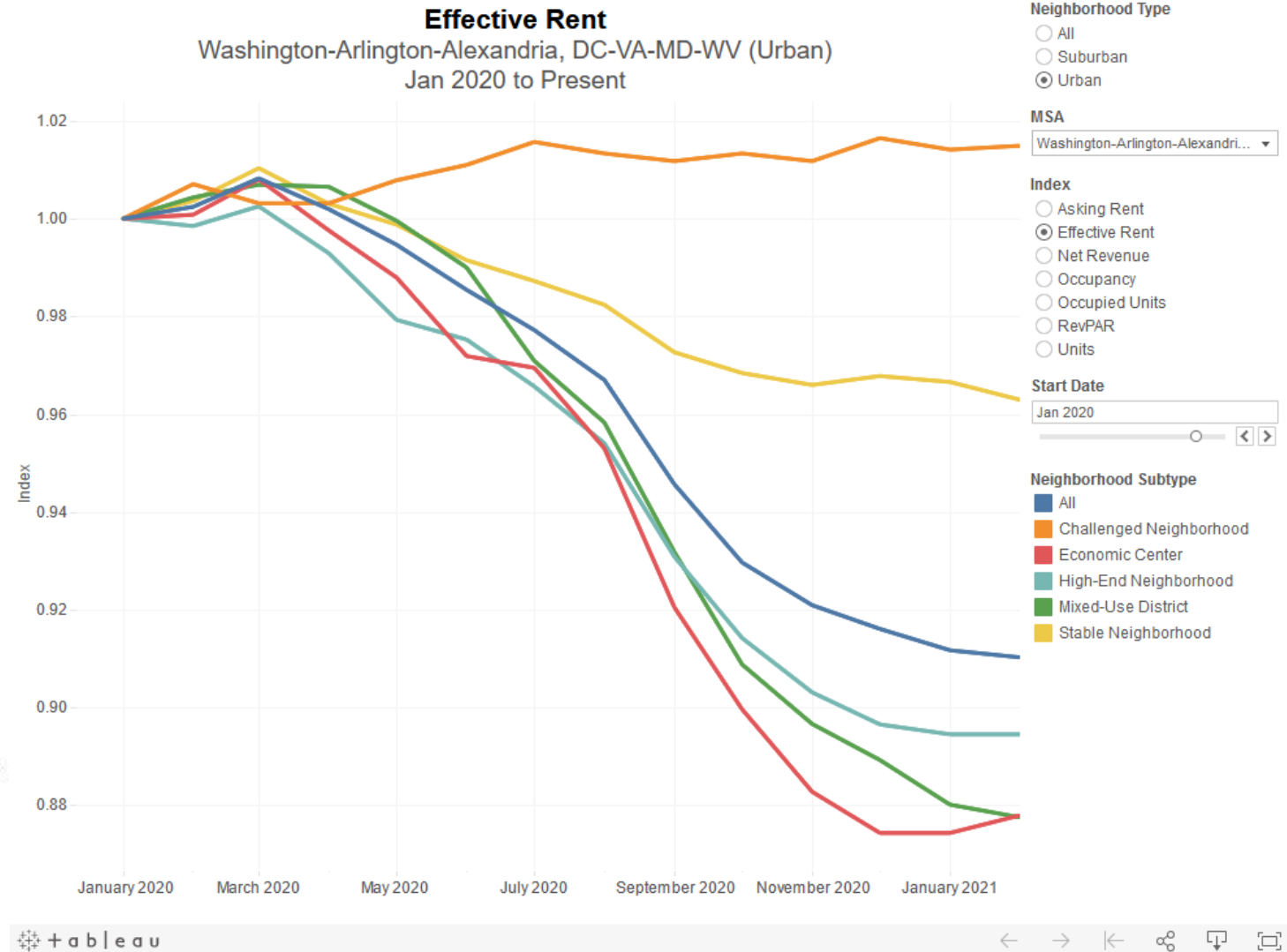




# SUBURBAN VS. URBAN PERFORMANCE IS MORE SUBTLE THAN THE CONVENTIONAL WISDOM SUGGEST...



Neighborhoods by Type; Washington-Arlington-Alexandria, DC-VA-MD-WV MSA





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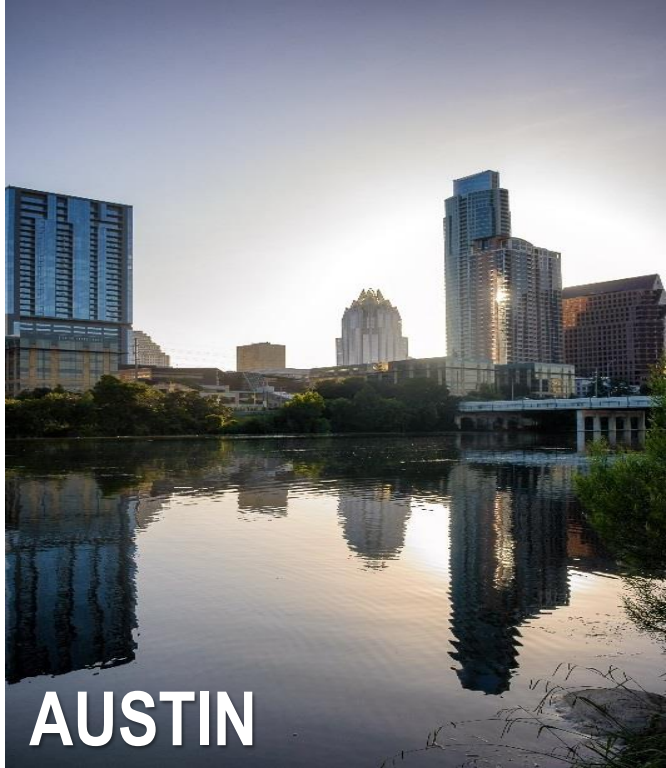


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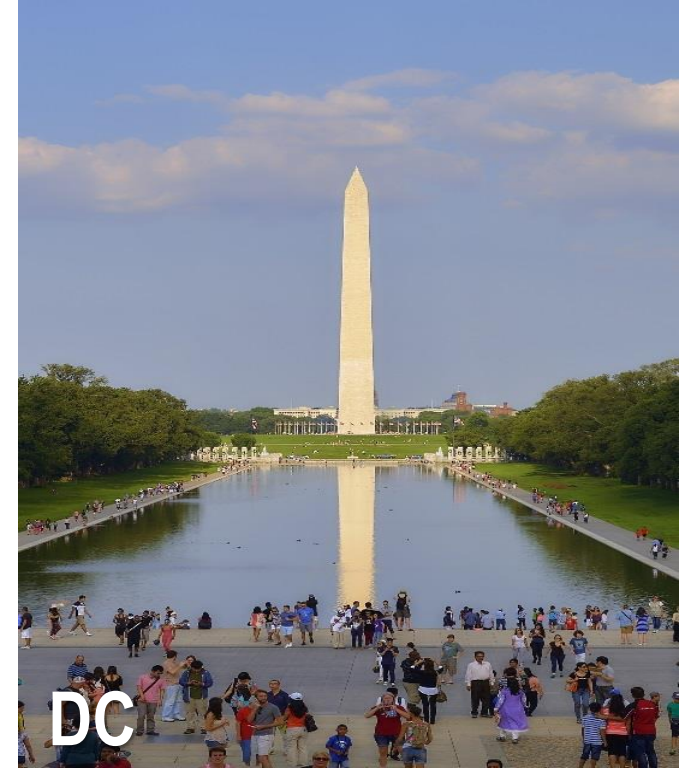
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