HOW THE 2021 INVESTMENT LANDSCAPE CHANGED

RCLCO Monthly Round-Up

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TODAY'S PANELISTS

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THE OLD FRAMEWORK…

Demand Outlook -- Favorable Enduring Mid- to Long-Term Consumer Behavior

More Stable Near-Term Property Fundamentals:

- *Slightly Reduced to Flat NOI*
- *Strong Investor Interest*
- *Limited Repricing*

Deteriorating Near-Term Property Fundamentals:

- *Meaningfully Reduced NOI*
- *Limited Investor Interest*
- *Moderate/Significant Repricing*

Flight to Quality:

Assets classes with limited/no near-term distress, and strong long-term fundamentals

Opportunistic Buy Opportunities:

Assets classes with near-term distress, but strong long-term fundamentals

Limited Acquisition Opportunities:

Asset classes with limited/no near-term distress, but deteriorating long-term fundamentals

High Risk Bets:

Assets classes with near-term distress, and deteriorating long-term fundamentals

Demand Outlook -- Sustained, Negative Trajectory in Consumer Behavior

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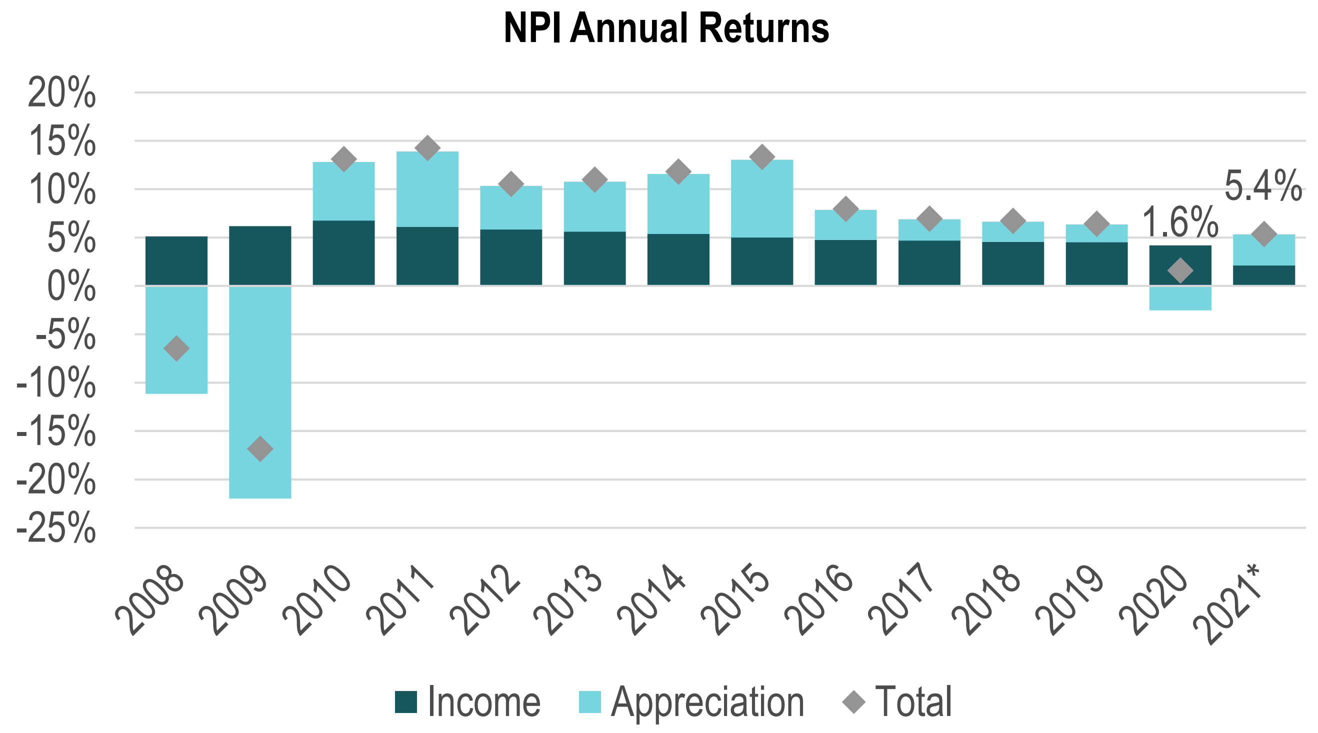
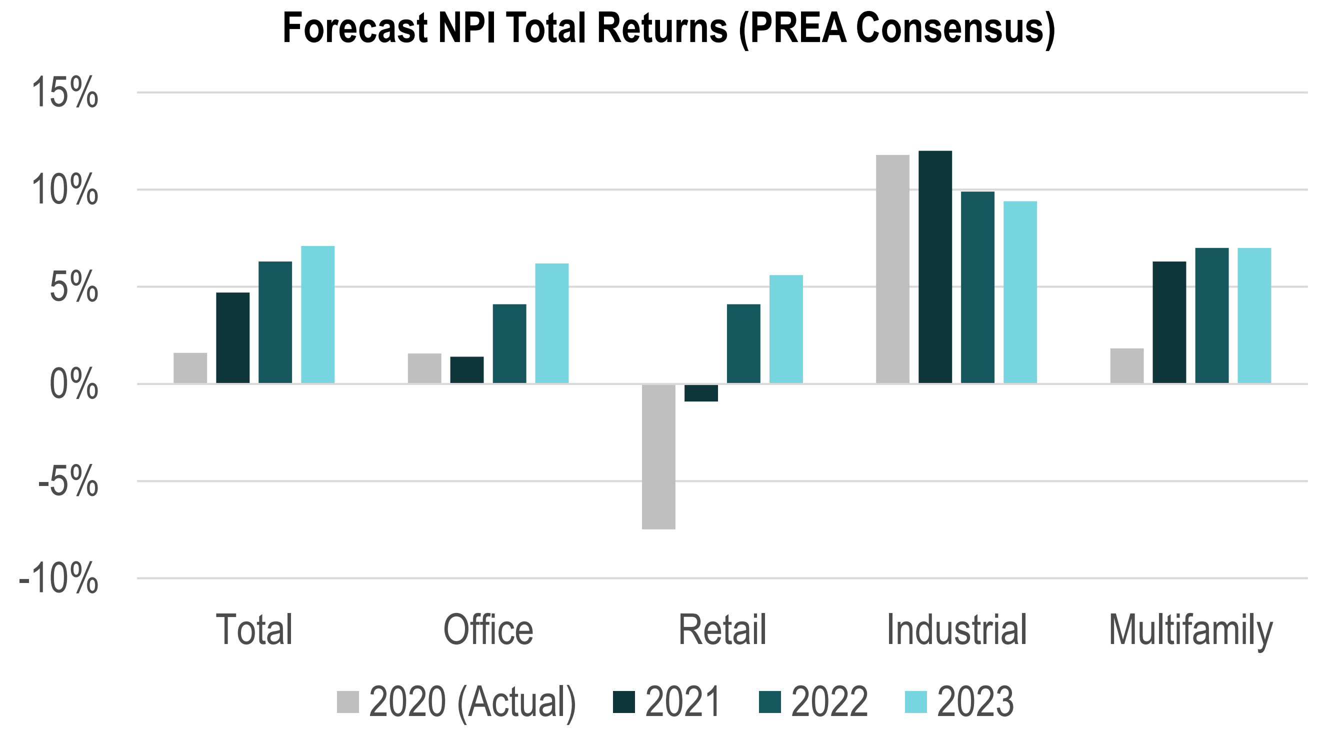
PRIVATE REAL ESTATE RETURNS RESILIENT

Continued Growth Predicted Across Most Property Types

- The NCREIF Property Index (NPI) posted a total return of 3.6% in Q2. Real estate performance during COVID has far exceeded the steep declines of the GFC.
- Market participants expect positive total returns of just over 4% in 2021, rising to 6.3% and 7.1% in 2022 and 2023 respectively.
- Industrial and multifamily are expected to remain the most resilient property types with their returns starting to converge by 2023.





** Through Q2 2021.*
Note: Annual return figures reflect compounded annual returns.
Source: NCREIF, PREA

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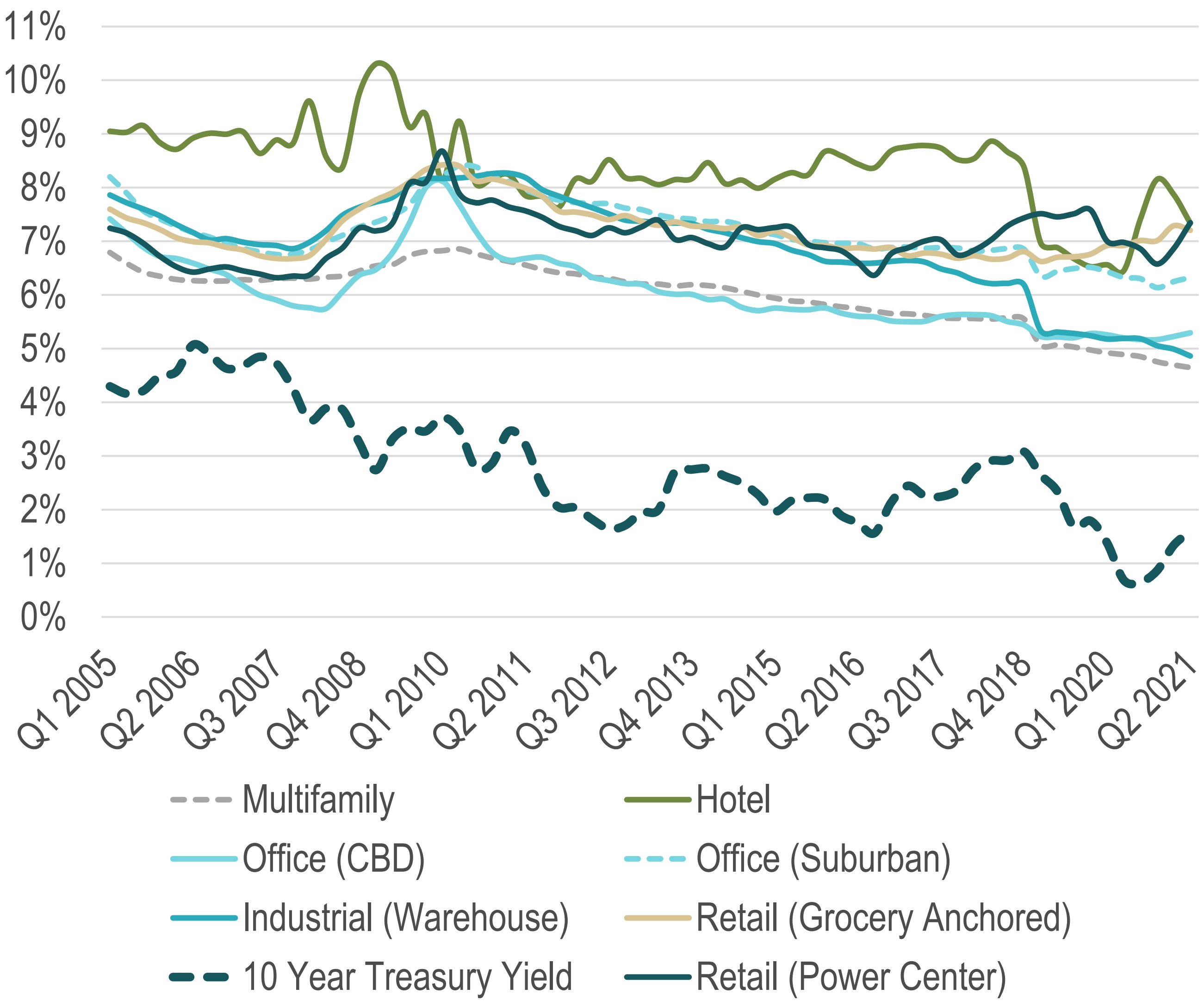
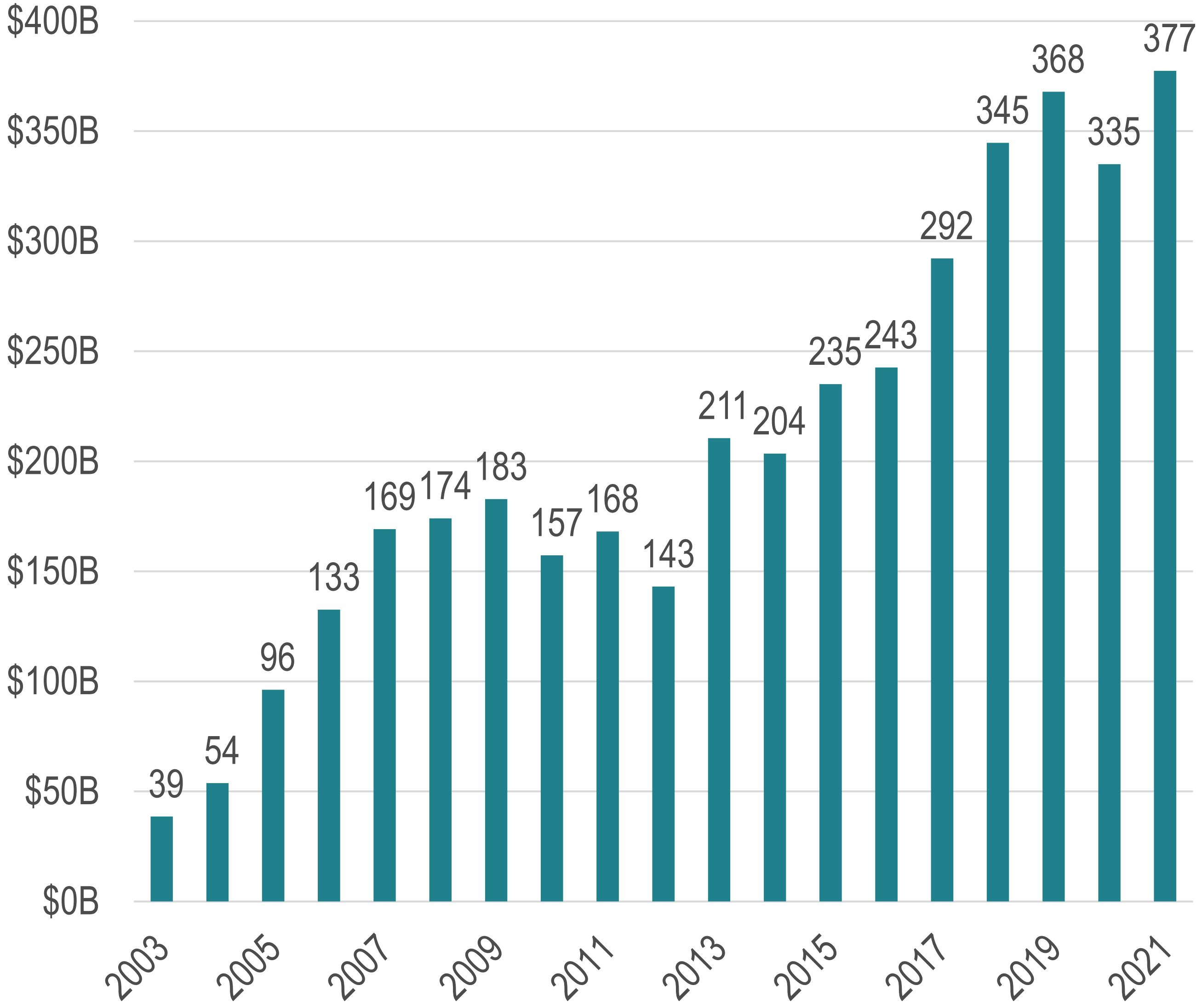
RECORD CAPITAL MARKETS INTEREST

Cap Rates by Property Type



Total Dry Powder - Globally



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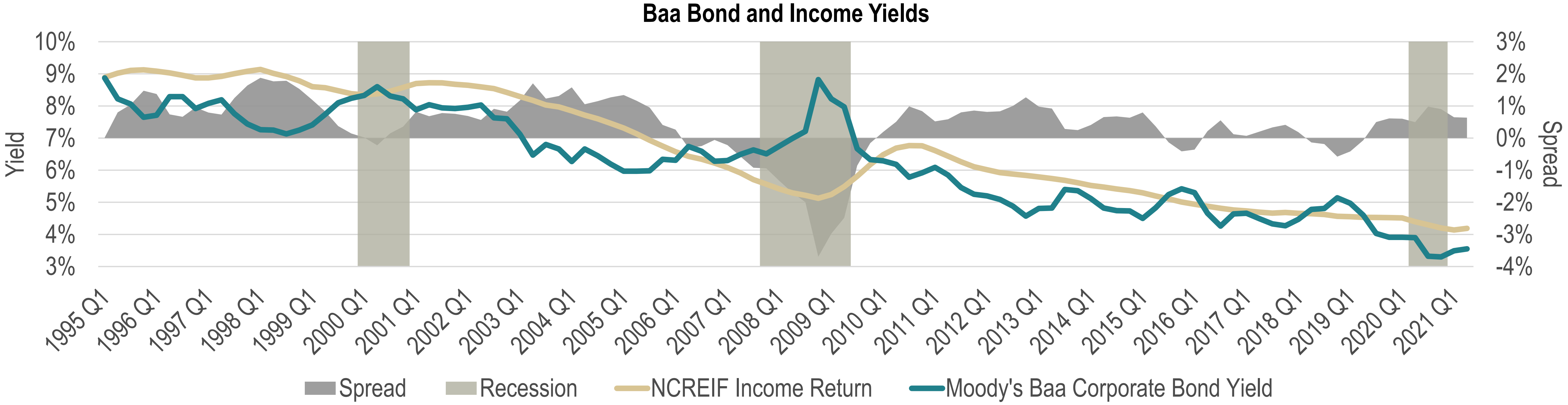
Note: Return figures are compounded rolling four-quarter returns.
Source: NCREIF

NCREIF INCOME RETURNS OUTPACE BAA BOND YIELD

Spread Has Remained Positive Throughout the Pandemic

- Baa bonds and real estate income returns are considered to have comparable risk levels and have moved in tandem historically, with spikes in Baa rates preceding increases in real estate yields.. For example, Baa yields moved out during the GFC, followed by real estate yields..
- Baa bond and annual real estate income yields have both trended downward over the last ten years with NPI income yields exceeding Baa bonds by an average of 26 bps since 2000. These trends have largely persisted during the pandemic and into the recovery. Annual income returns and Baa bond yields stood at 4.2% and 3.6% respectively in Q2, a wider than normal 64 bps spread.



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Source: NCREIF; Moody's

WHAT PROPERTY SECTORS MIGHT BE MOST OPPORTUNE

THE NEW FRAMEWORK…

Covid Halo

Low Investor Interest

High Investor Interest

Opportunities

Asset classes with strong space fundamentals, but with less capital competition

Herd/Core on Steroids

Asset classes performing well during the pandemic, but with large amounts of capital pursuing opportunities

Contrarian

Asset classes where fundamentals deteriorated during the pandemic, and with less capital competition

Tread Carefully

Asset classes where fundamentals deteriorated during the pandemic, but with large amounts of capital pursuing opportunities

Covid Hangover

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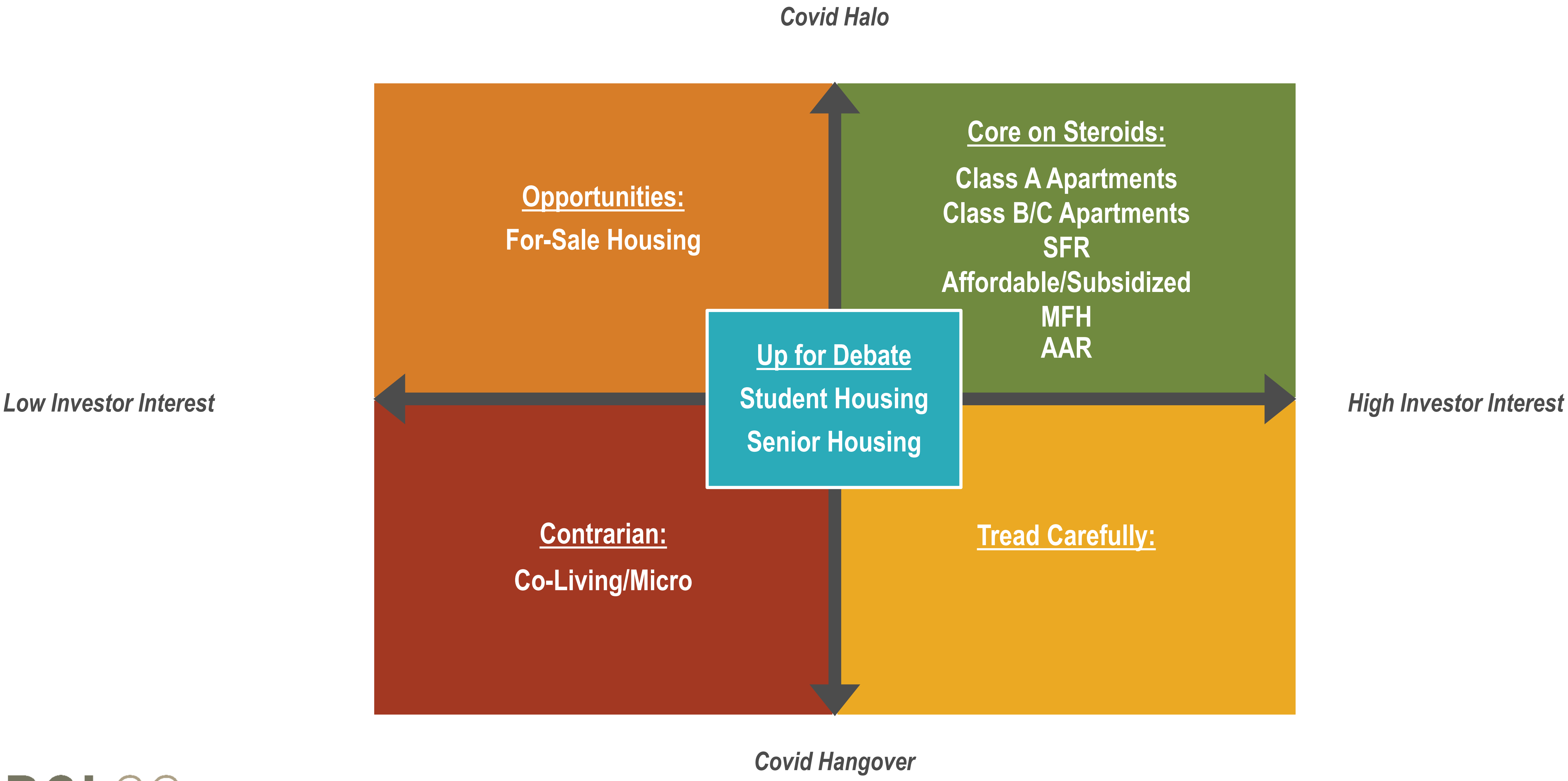
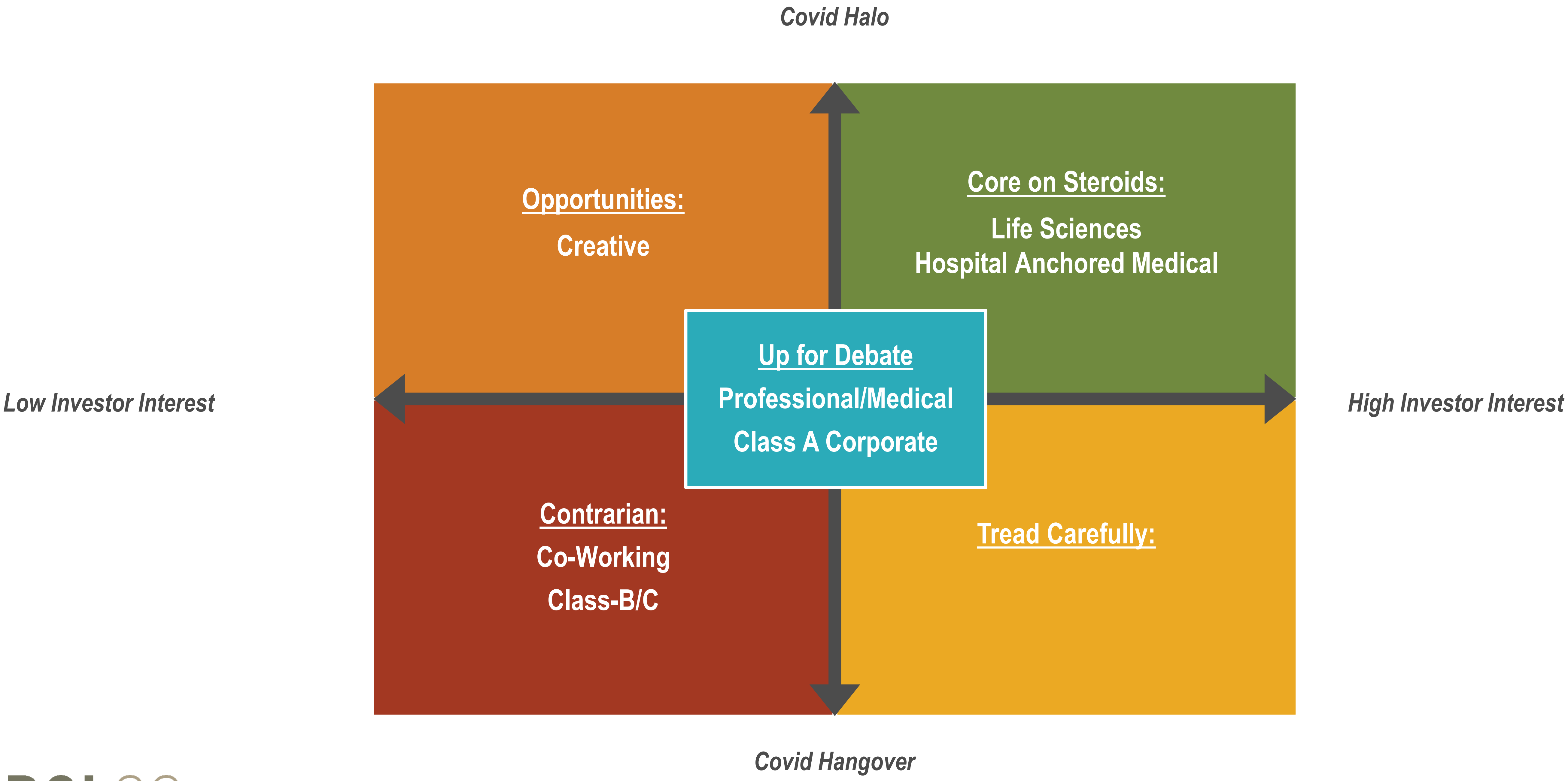
LIVE


Covid Halo
Opportunities:
For-Sale Housing
Core on Steroids:
Class A Apartments
Class B/C Apartments
SFR
Affordable/Subsidized
MFH
AAR
Up for Debate
Student Housing
Senior Housing
Low Investor Interest
High Investor Interest
Contrarian:
Co-Living/Micro
Tread Carefully:
Covid Hangover

WORK



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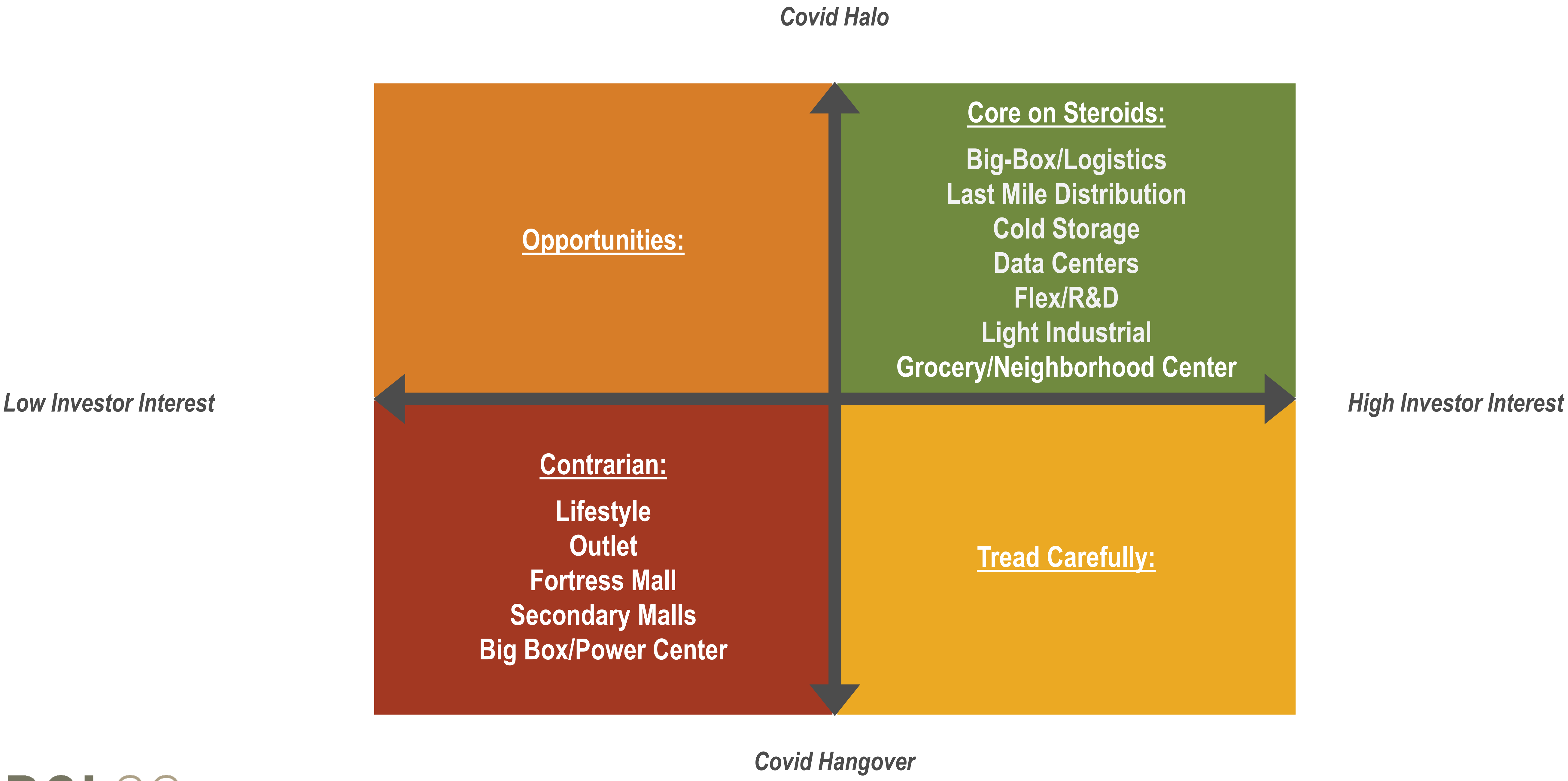
SHOP



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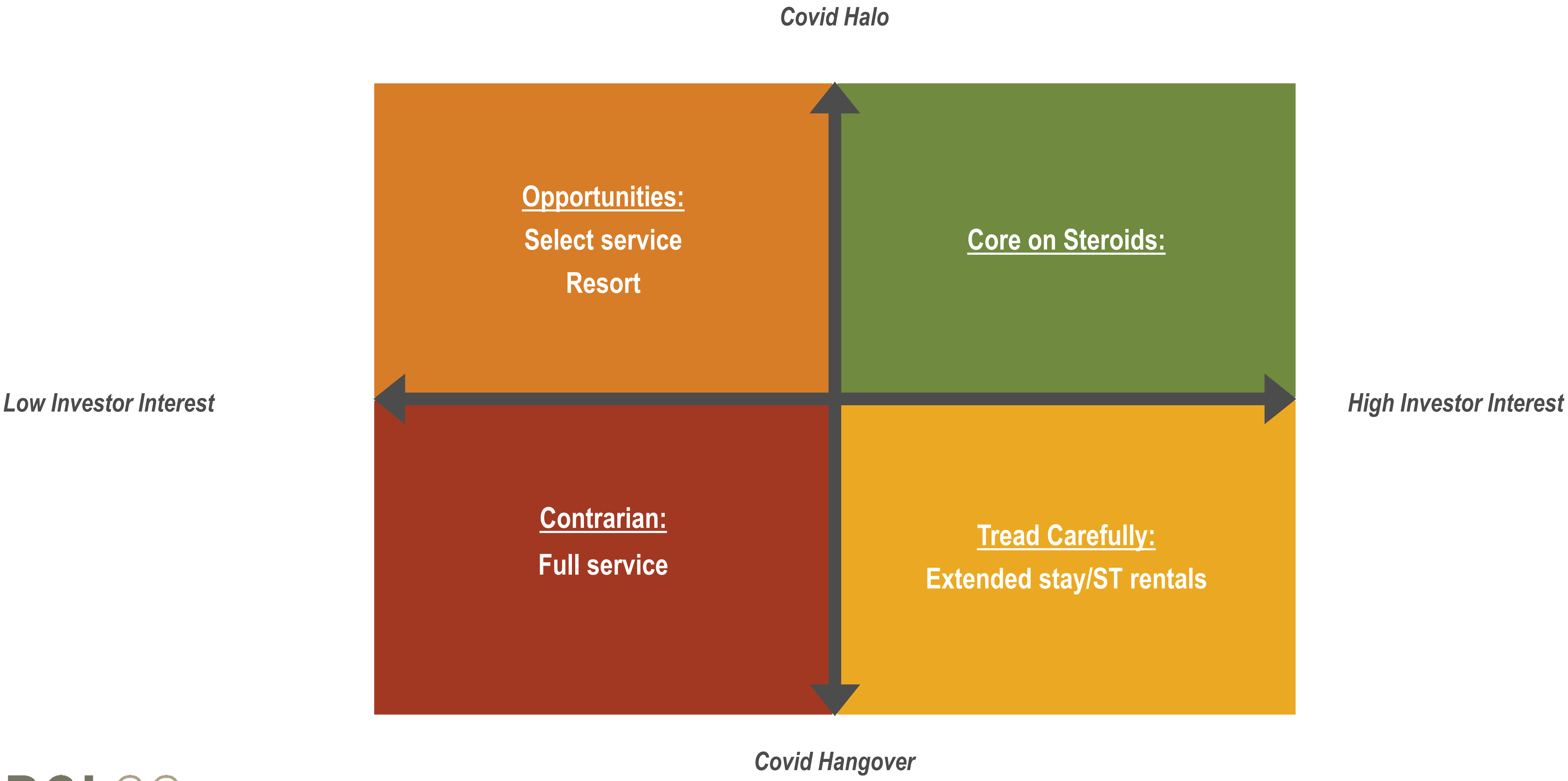
HOSPITALITY



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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.