



UPDATE AND OUTLOOK FOR REAL ESTATE CAPITAL MARKETS

RCLCO Monthly Webinar

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REAL ESTATE CONSULTING

TODAY'S PANELISTS



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AGENDA

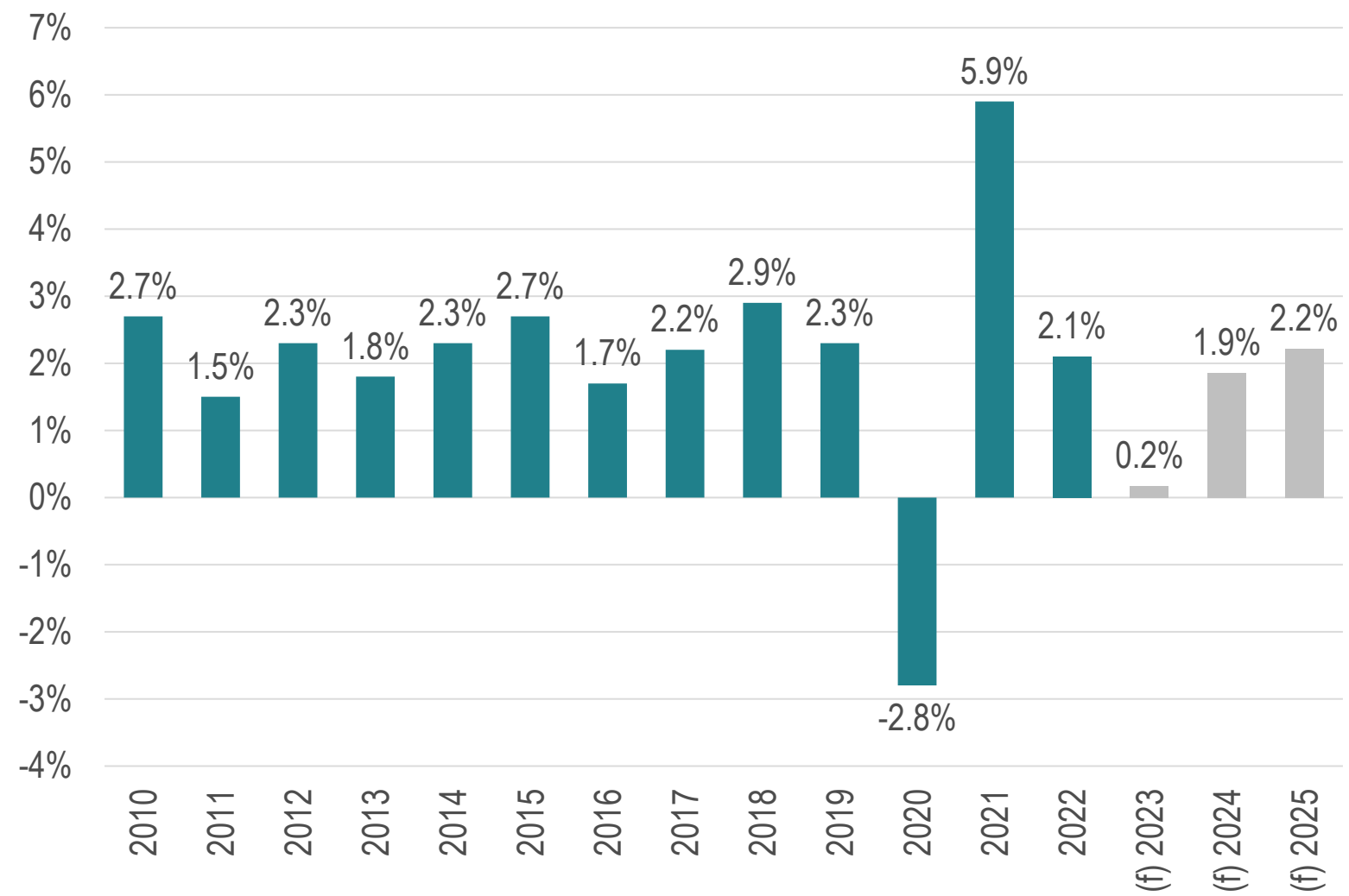
- ▶ **Economy**
- ▶ **Real Estate Market**
- ▶ **Strategies in a Cycle**
- ▶ **Q&A**

US Economy

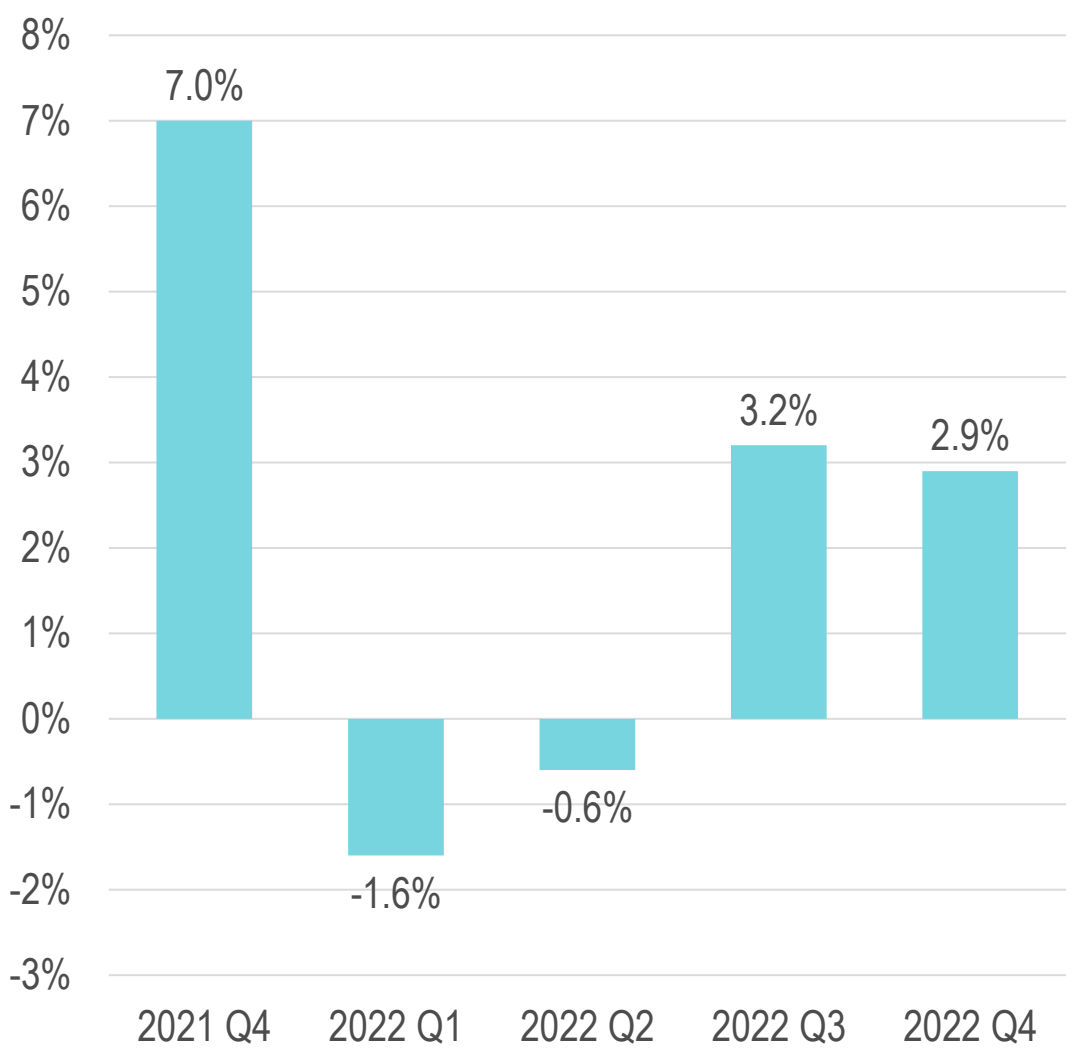
GDP GROWTH ENDED 2022 AT 2.1%, FUELED BY GROWTH IN 2H

Consumer and Government Spending and Private Inventory Investment Drove Q4 Growth

U.S. Real GDP Annual Change



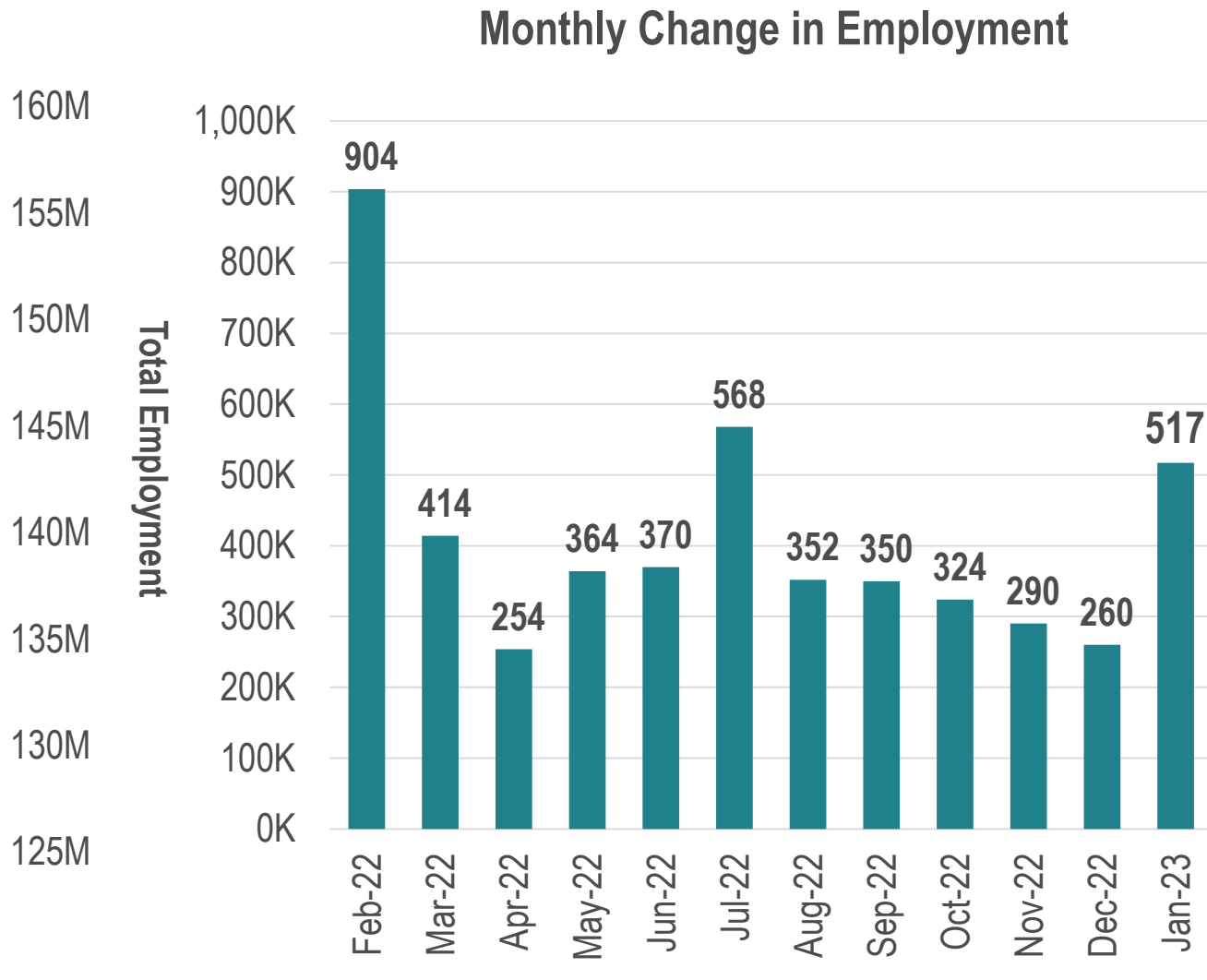
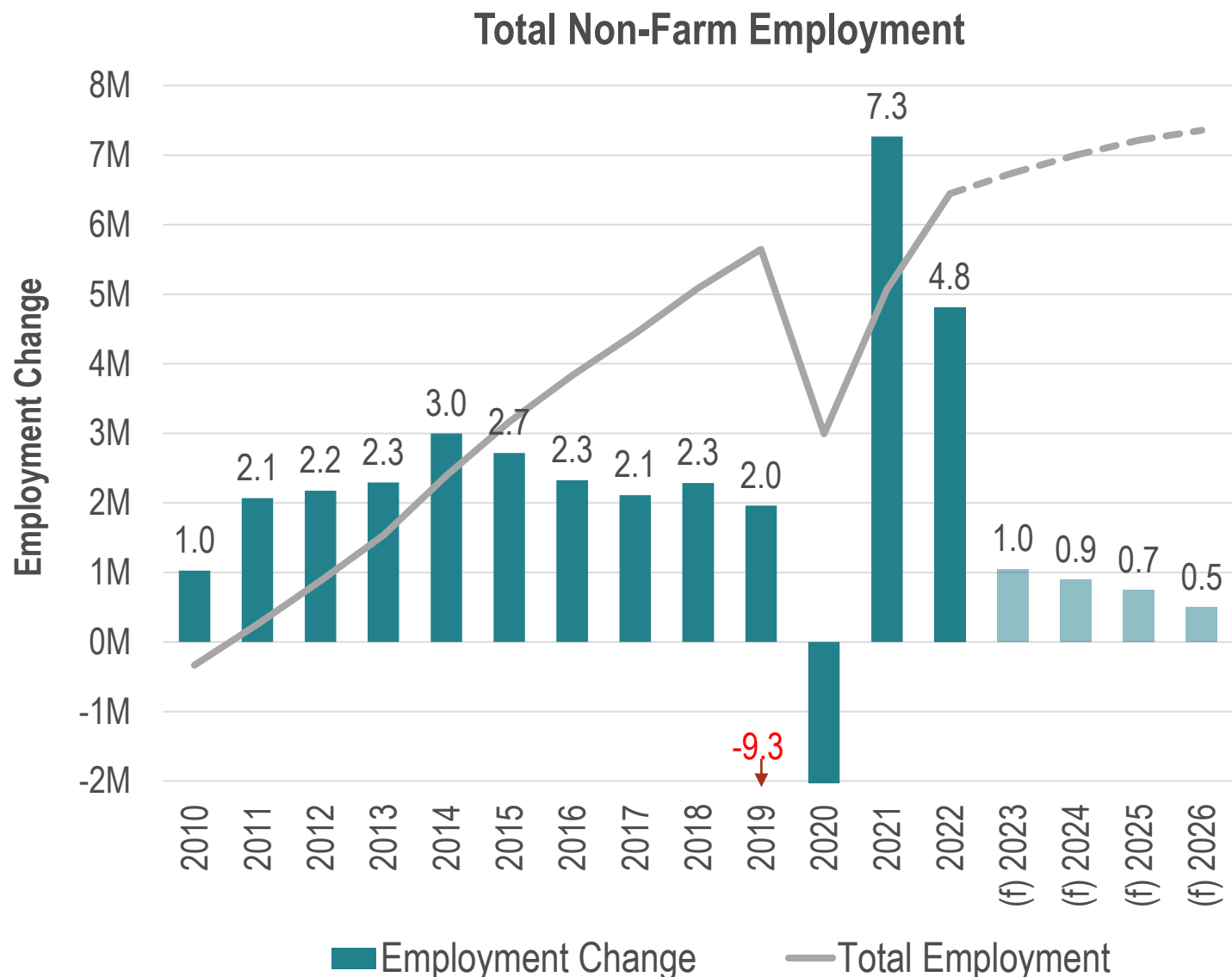
Annualized Quarterly Change in Real GDP



Source: Bureau of Economic Analysis; Wall Street Journal Consensus Forecasts

EMPLOYMENT GROWTH JUMPED TO 517K IN JANUARY

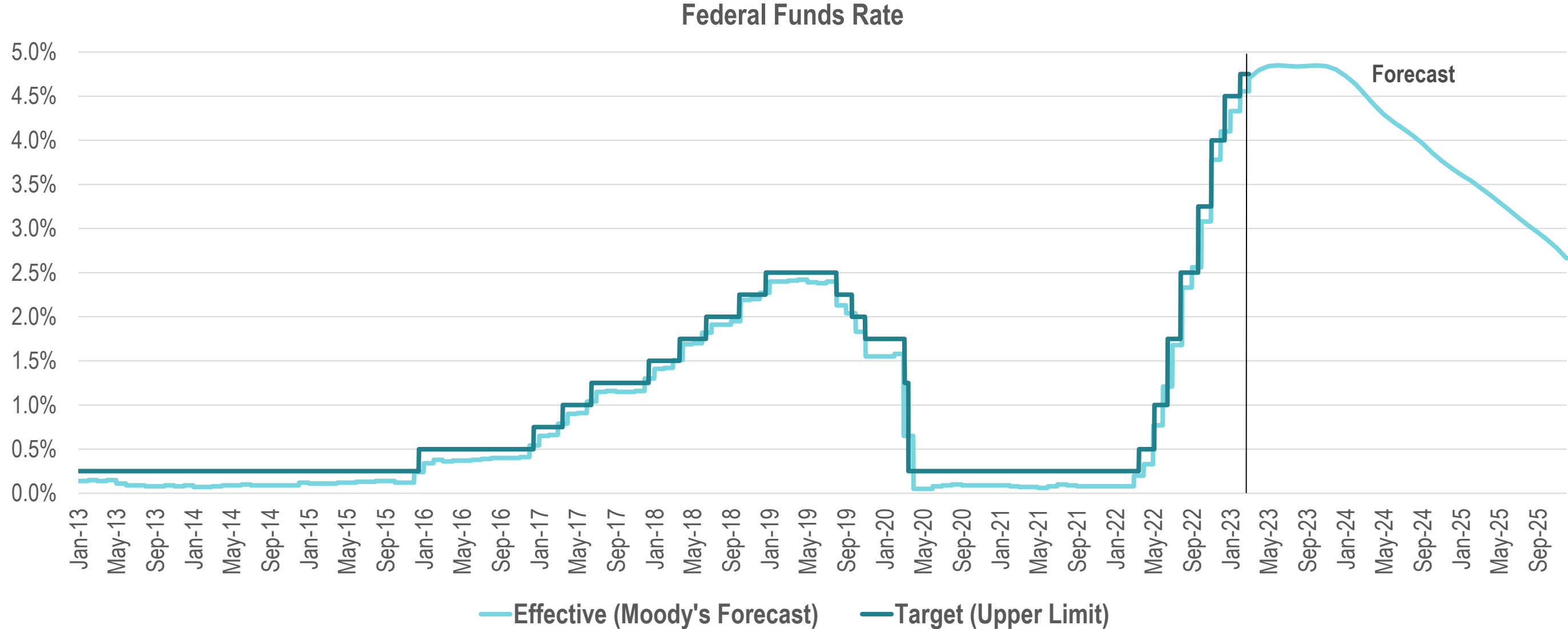
Tight Labor Market Complicates the Fed's Stated Plan to Slow Rate Increases



Data are as of January 2023.
Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis; Moody's

FED SLOWED PACE OF RATE INCREASES WITH A 25-BPS HIKE IN FEBRUARY

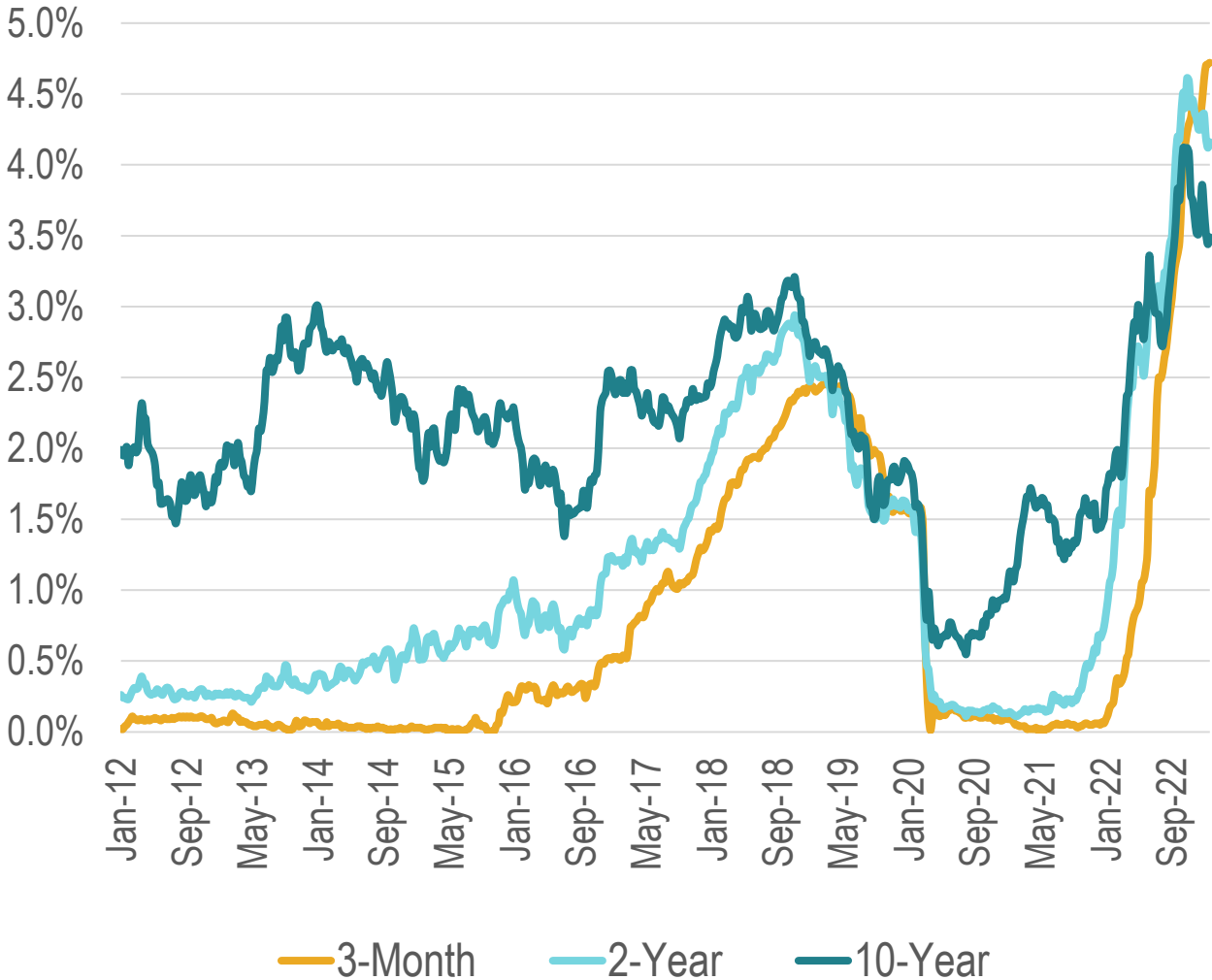
Another Increase of 25 bps Is Expected in March as the Fed Remains Hawkish



SHORT-TERM TREASURY YIELDS INCREASED IN EARLY JANUARY

3-Month Yields Ended January 118 bps Above 10-Year Yields

US Treasury Yields (Weekly Averages)



US Treasury Yields (Daily)



US Real Estate Market

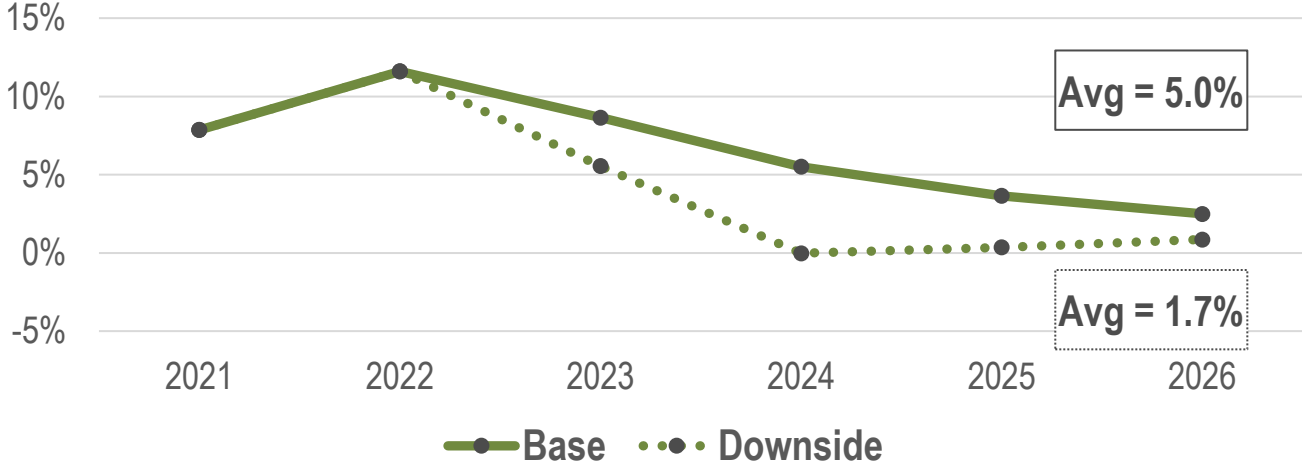
US PROPERTY MARKET SNAPSHOT

Slower but Positive Rent Growth Forecast

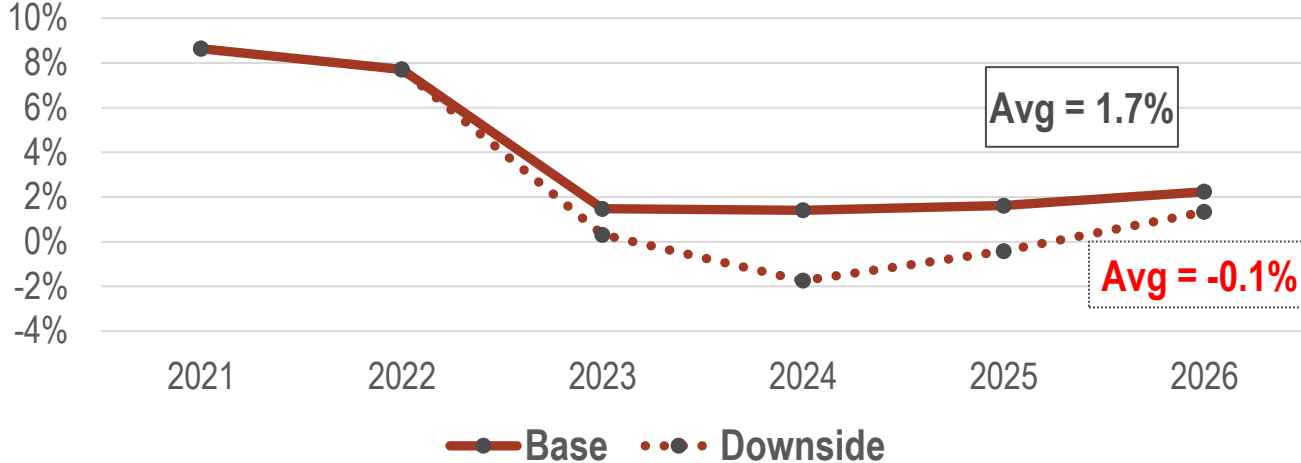
	2022 Q4	QoQ Change	YoY Change	2026 Forecast	Forecast Change to 2026	Long-Term Average
Vacancy						
Multifamily	7.3%	0.6%	1.7%	8.3%	1.0%	7.1%
Industrial	4.0%	0.0%	-0.2%	5.3%	1.4%	7.3%
Office	14.2%	0.2%	0.6%	15.0%	0.8%	11.8%
Retail (Neighborhood)	6.2%	-0.2%	-0.9%	6.5%	0.2%	8.5%
Hotel	37.4%	-0.5%	-5.2%	33.9%	-3.5%	38.3%
Wtd. Avg. (excluding Hotel)		0.3%	0.6%		1.0%	
Market Rental Rates					Annual	
Multifamily (per unit)	\$1,810	-1.2%	3.3%	\$1,943	1.8%	2.2%
Industrial	\$11.10	1.9%	11.1%	\$13.15	3.4%	3.0%
Office	\$37.11	0.1%	1.0%	\$38.75	0.9%	1.5%
Retail (Neighborhood)	\$22.75	0.9%	4.9%	\$24.52	1.5%	1.2%
Hotel (RevPAR)	\$78.18	-24.0%	8.3%	\$88.77	2.6%	6.5%
Wtd. Avg. (excluding Hotel)		0.3%	5.2%		2.0%	2.2%

RENTS TO MODERATE IN MID-TERM, WITH INDUSTRIAL STILL ABOVE AVERAGE

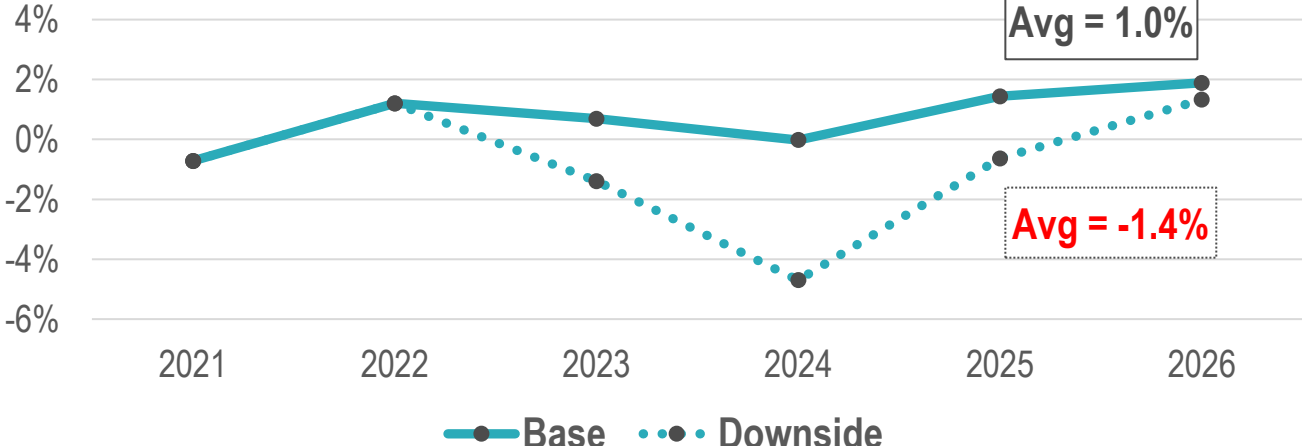
Industrial Rent Growth



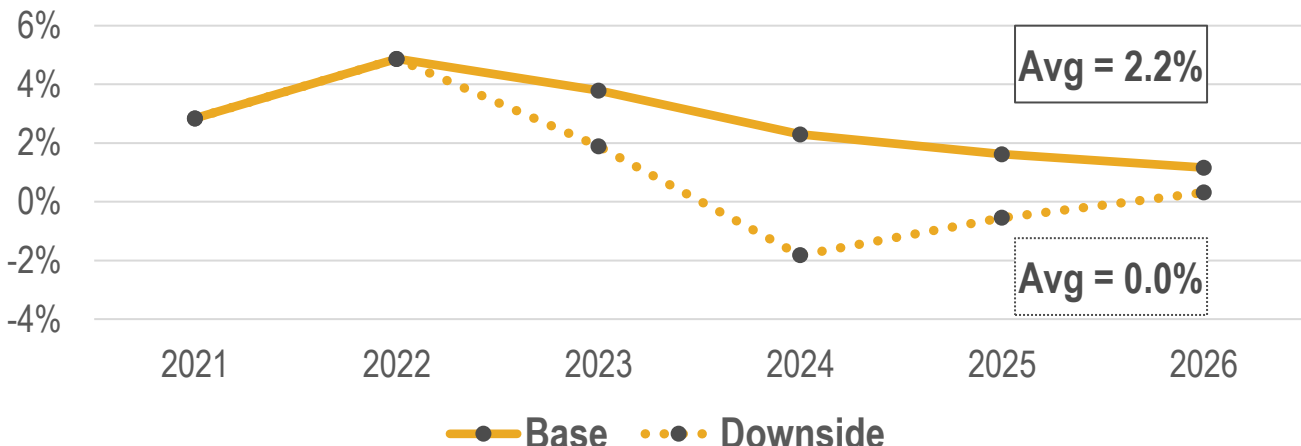
Multifamily Rent Growth



Office Rent Growth



Neighborhood Retail Rent Growth



Data as of December 2022.

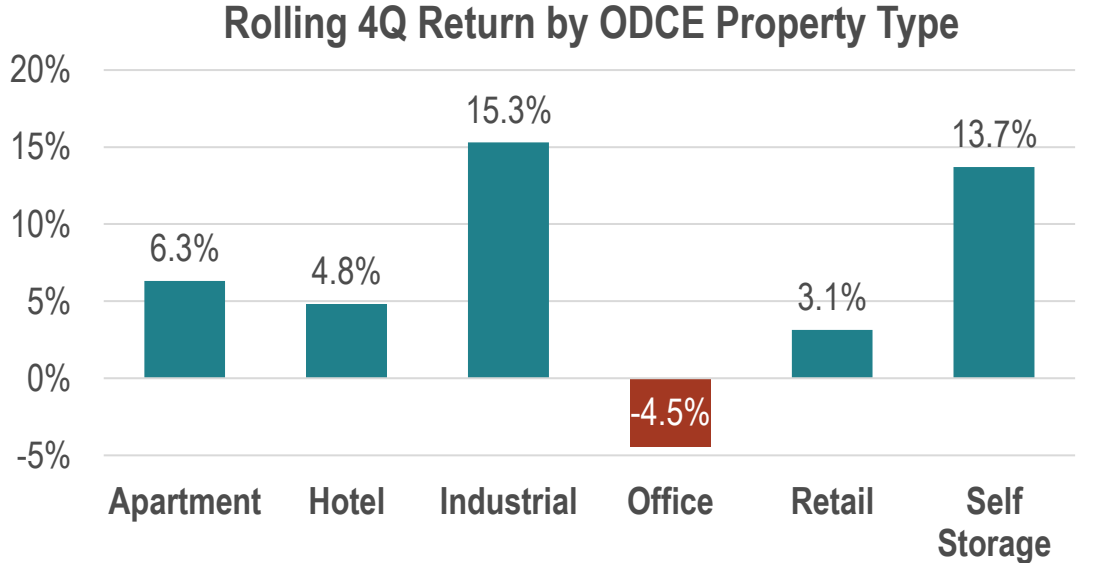
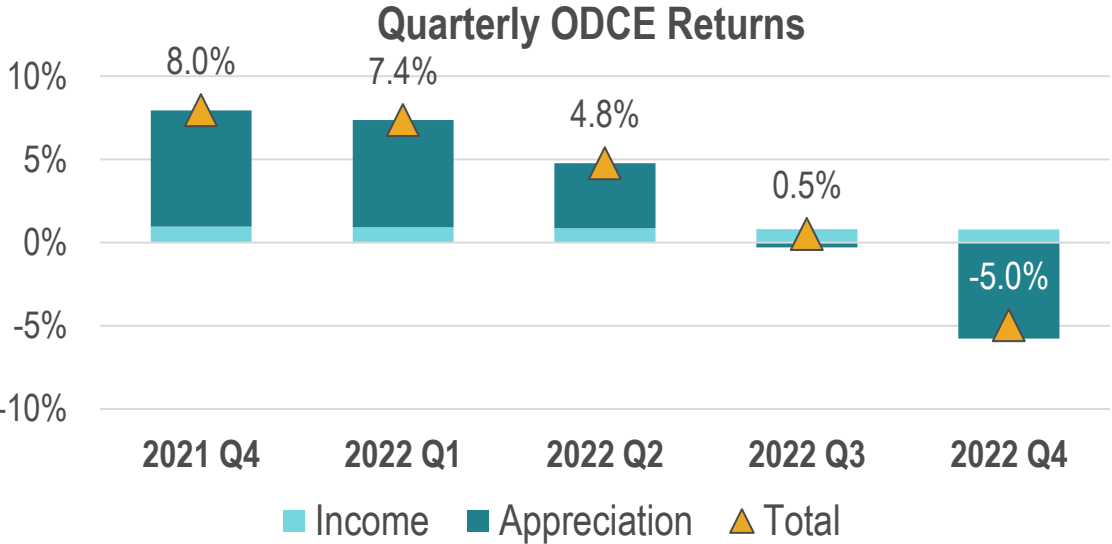
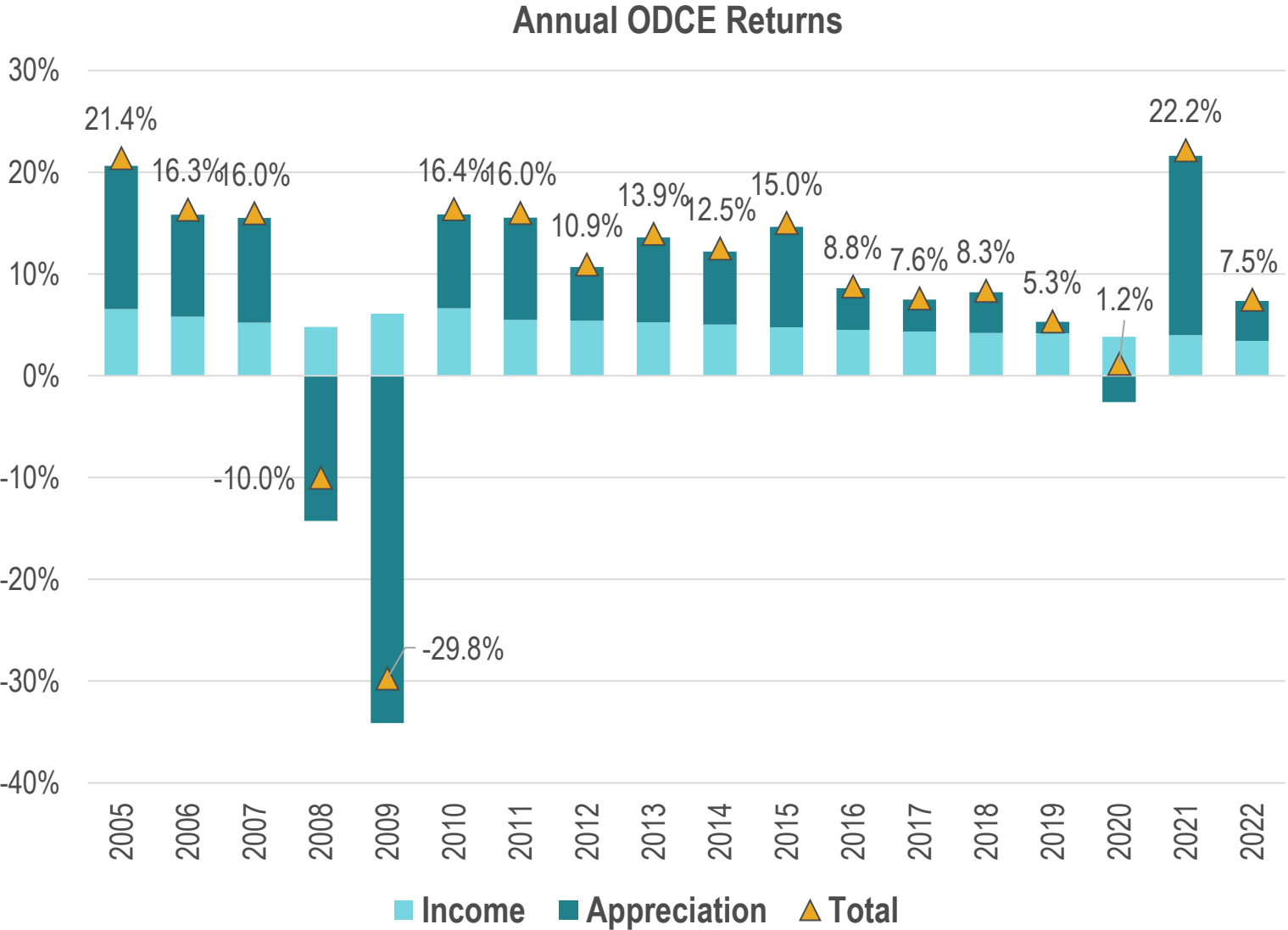
Notes: Rent growth rates are rolling four-quarter averages; retail data refer to neighborhood centers; office and apartment data are filtered for Class A & B.

Source: CoStar



ODCE SLOWED TO 7.5% RETURN IN 2022; NEGATIVE 4Q APPRECIATION

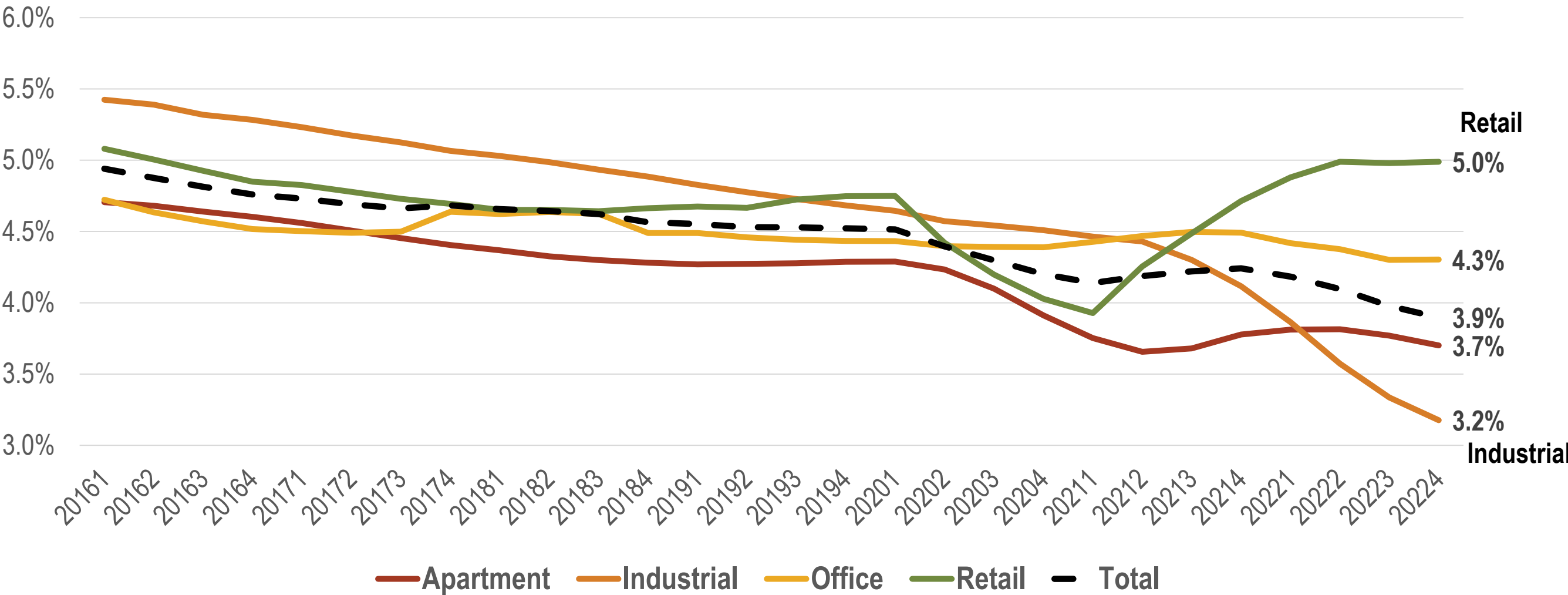
Industrial and Self Storage Led the Index with Strong Annual Returns



* Return for 2022 is rolling four-quarter total as of 2022 Q3.
 Note: Annual and quarterly returns are gross leveraged; property type returns are gross unlevered at ownership share.
 Source: NCREIF

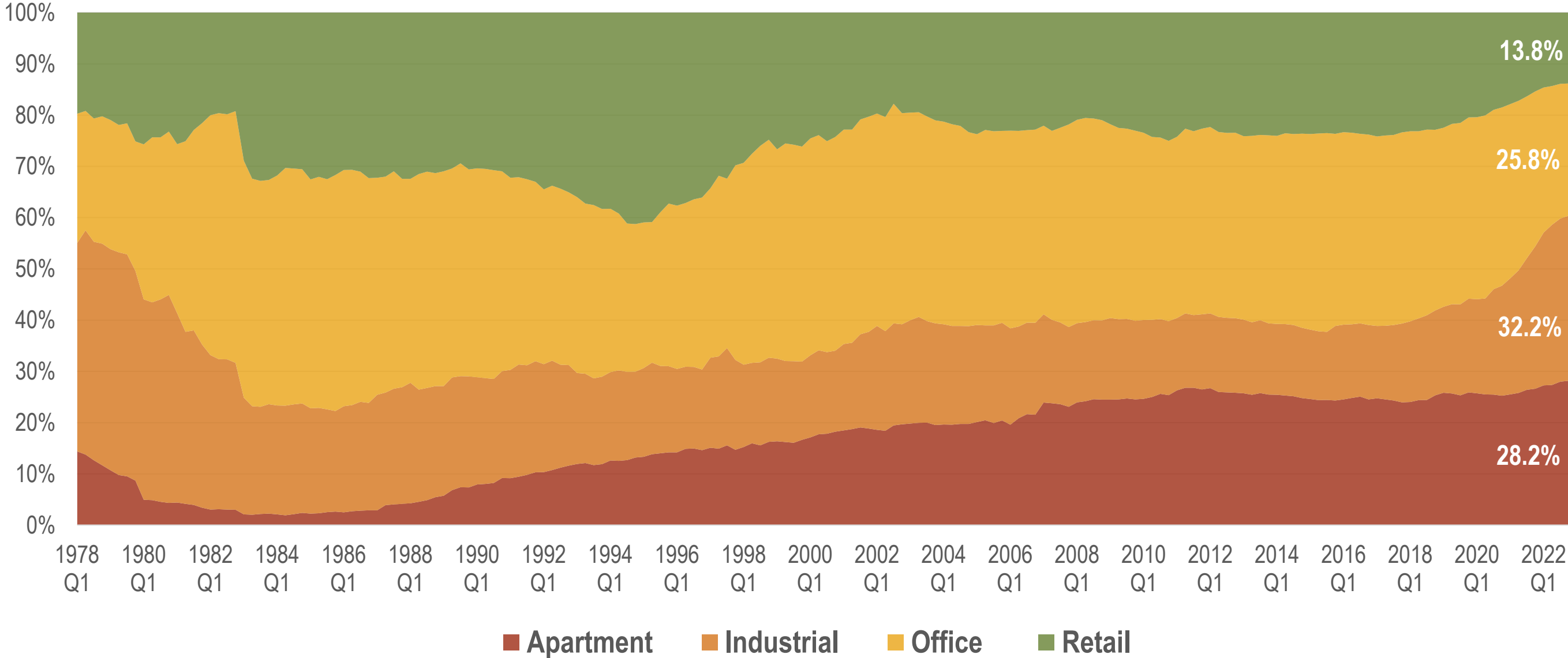
NPI INCOME YIELDS AT RECORD LOW LEVELS

NPI Trailing 4Q Income Return



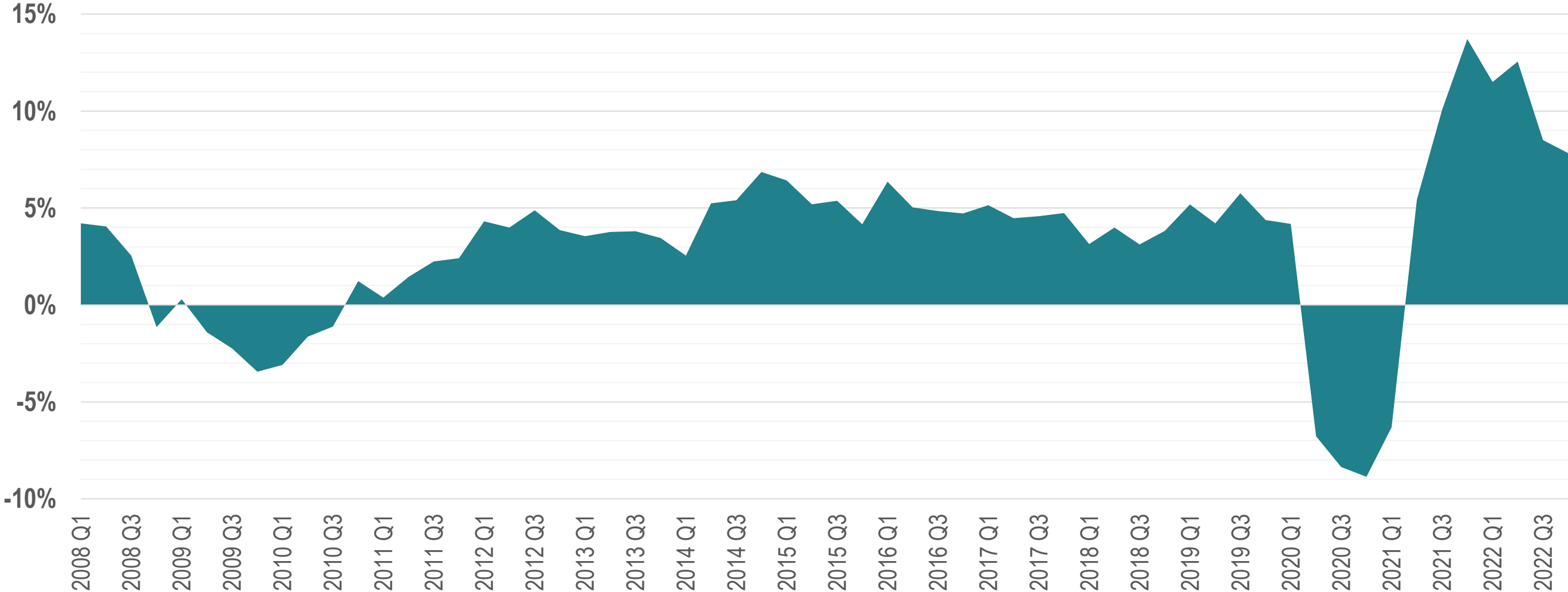
OFFICE'S NPI SHARE FALLING AS APARTMENTS AND INDUSTRIAL INCREASE

NPI Market Value Distribution

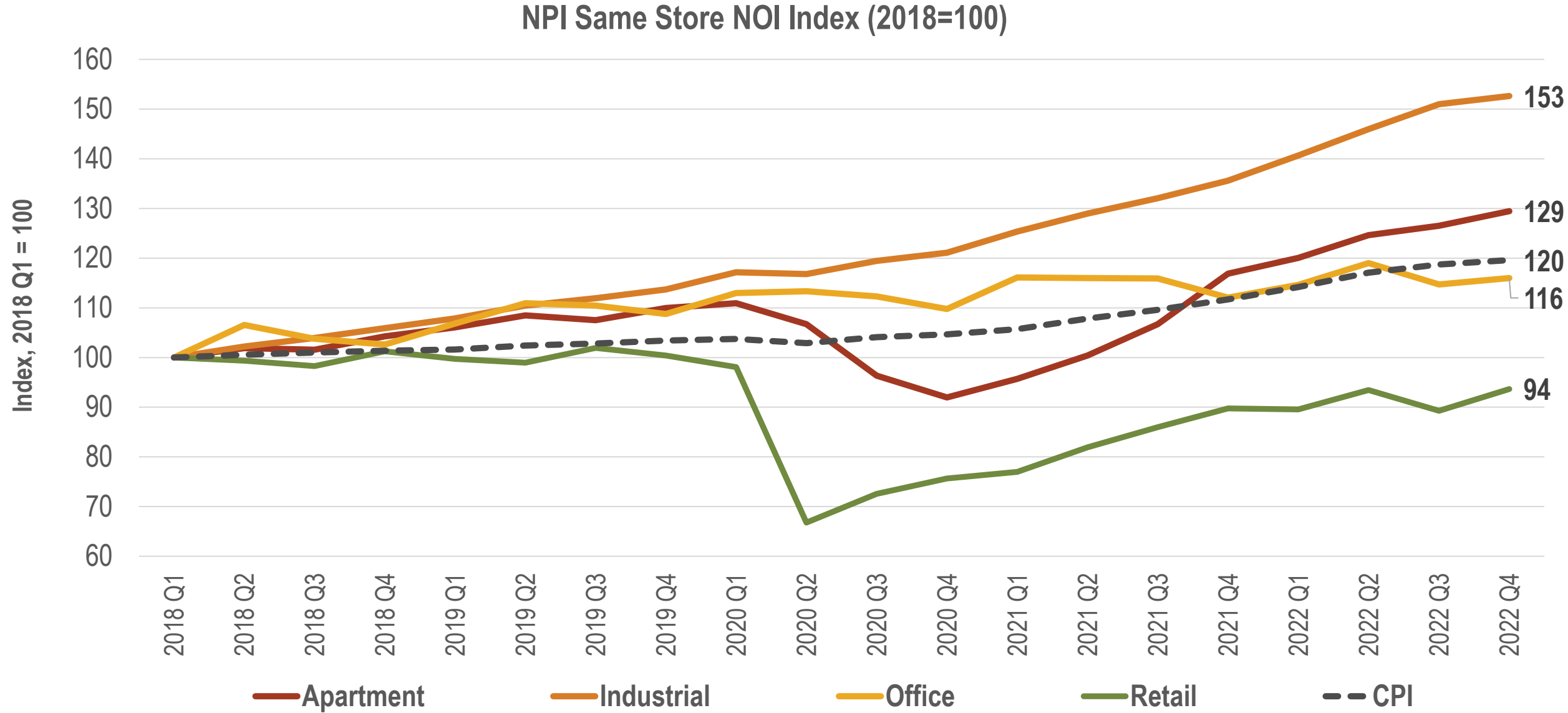


NPI NOI GROWTH SLOWED THROUGHOUT 2022 BUT ENDED STRONG AT 7.8%

Rolling 4Q NOI Change, All Property Types



WIDE DIVERGENCE IN NOI ACROSS PROPERTY TYPES LED BY INDUSTRIAL



INDUSTRIAL NPI RETURNS REMAIN ELEVATED IN 2022, OFFICE NEGATIVE

NPI Trailing 1-Year Annual Returns	Total	Apartment	Industrial	Office	Retail
Riverside	24.0%	9.4%	26.4%	-	5.3%
Miami	12.7%	17.0%	19.4%	1.9%	-1.4%
San Diego	11.1%	12.5%	15.9%	9.3%	7.8%
Orange County	9.3%	7.5%	19.6%	-7.5%	1.7%
Austin	8.6%	12.6%	12.0%	1.8%	6.3%
Atlanta	8.4%	9.0%	15.1%	-4.8%	7.8%
Phoenix	7.5%	10.6%	14.6%	-1.3%	-1.8%
Dallas	7.5%	8.7%	9.9%	0.0%	7.9%
Los Angeles	7.2%	1.3%	22.9%	-5.5%	3.5%
Cambridge, MA	5.4%	7.8%	21.2%	3.4%	0.3%
Oakland	4.6%	1.3%	10.1%	-0.9%	1.5%
Denver	3.6%	7.3%	3.5%	-3.6%	1.0%
Seattle	2.7%	4.1%	7.2%	-3.1%	13.1%
Houston	2.3%	7.7%	5.3%	-5.0%	2.8%
San Jose	1.5%	0.9%	9.9%	-0.7%	3.5%
Chicago	0.9%	2.2%	7.8%	-6.5%	-3.2%
New York	0.3%	4.0%	11.0%	-5.7%	-1.4%
Boston	-0.3%	5.1%	9.7%	-3.8%	2.6%
Washington DC	-1.6%	5.2%	15.1%	-6.4%	-3.9%
San Francisco	-2.4%	-2.6%	12.7%	-3.3%	-4.7%
United States	5.5%	7.1%	14.6%	-3.4%	2.7%

Note: Table shows twenty largest MSAs by market value.

Source: NCREIF

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STRATEGIES IN A CYCLE

DEFENSIVE AND OFFENSIVE STRATEGIES ARE KEY

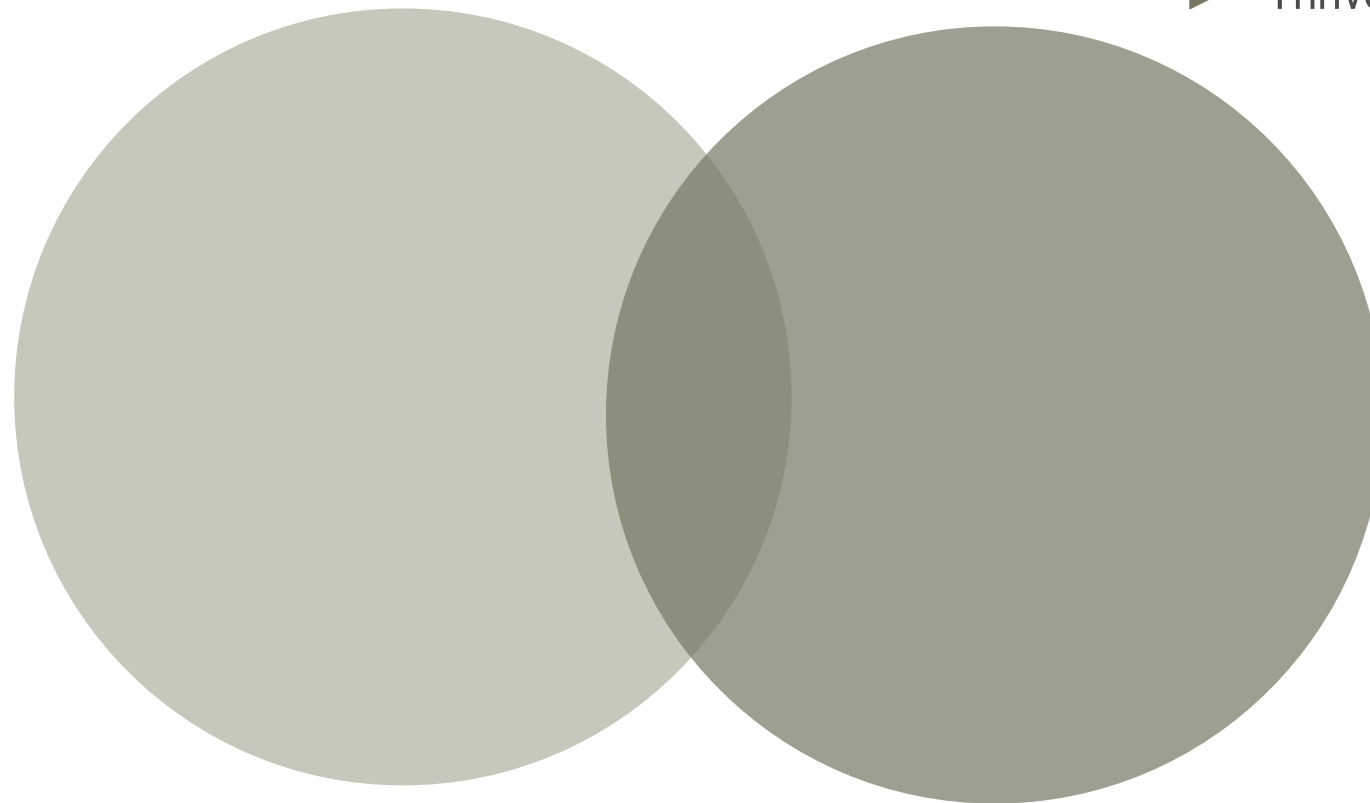
Strategic Companies Have A Diverse Set Of Cycle Strategies Defined In Advance

Defensive Strategies

- ▶ Insulate from need to sell/lose assets
- ▶ Weather Downturns
- ▶ Survive

Offensive Strategies

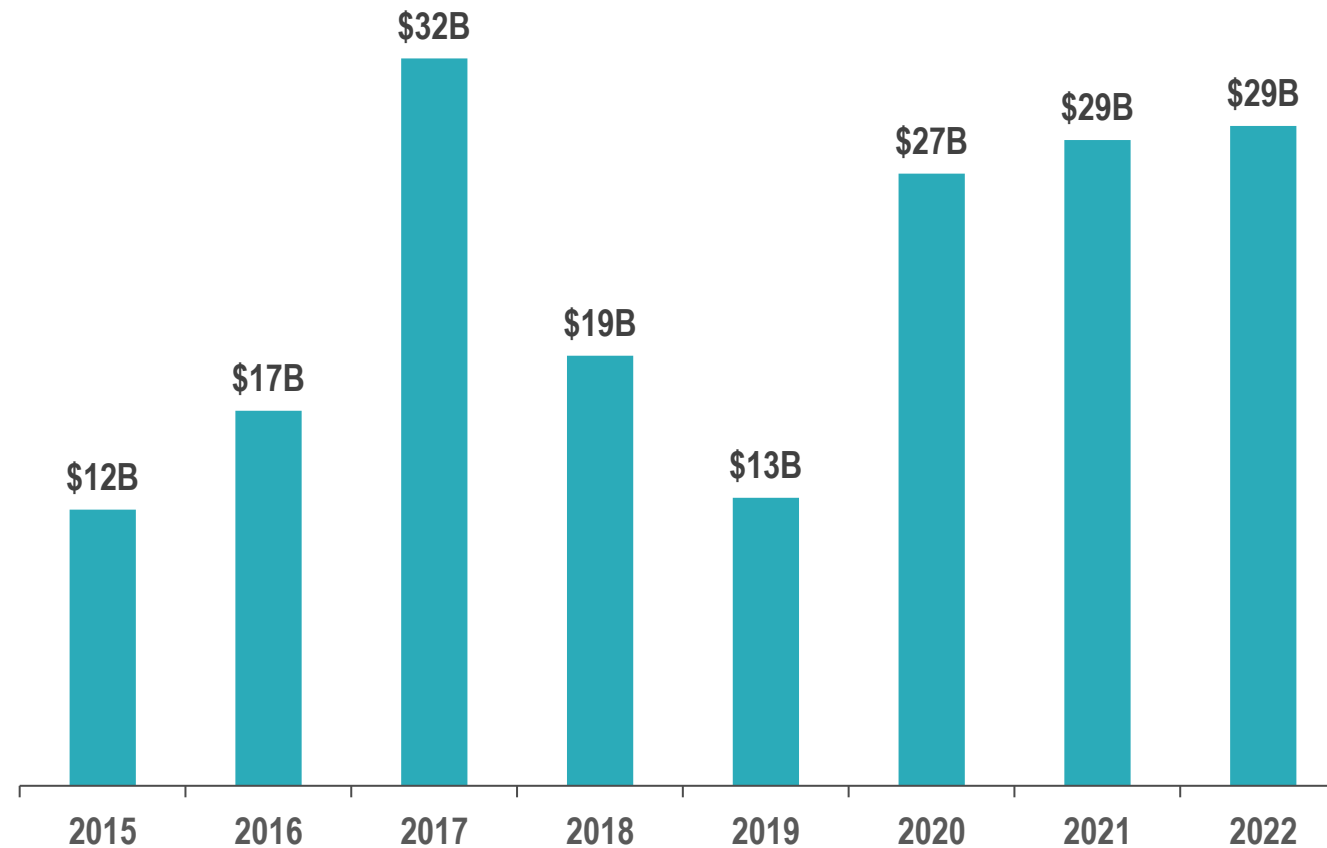
- ▶ How to position the company to take advantage of market opportunities
- ▶ Thrive



CROWDED COMPETITIVE LANDSCAPE FOR OFFENSIVE STRATEGIES

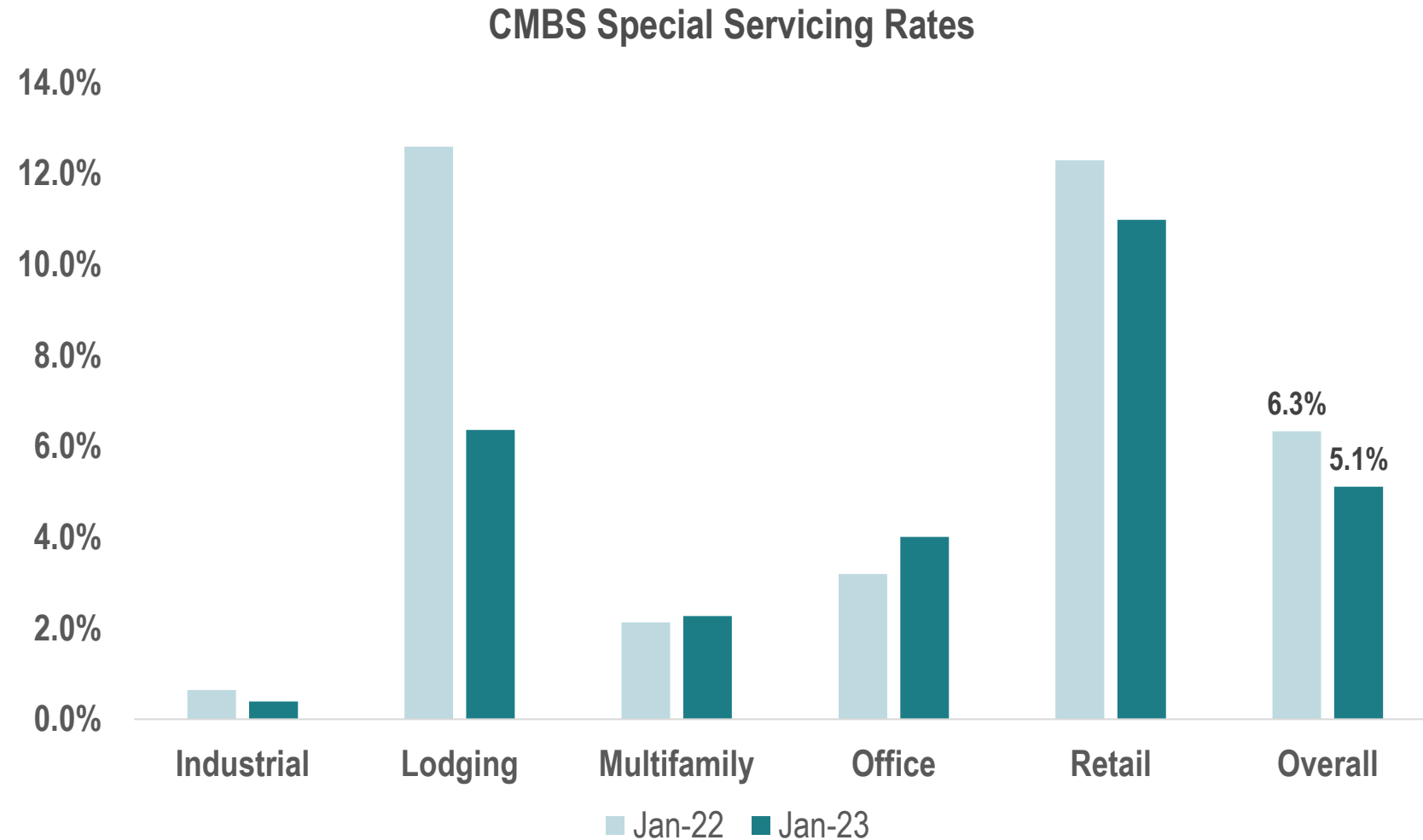
Substantial Capital On Sidelines Across A Range Of Investment Vehicles

Debt and Distressed Funds Raised Since 2015 (\$B)



WITH LIMITED OPPORTUNITIES SO FAR

Distress Has Been Largely Sector-specific



WHAT COMPANIES ARE DOING NOW



Portfolio & Capital Risk Assessment

Entering a downturn from a position of strength requires, first, a deep understanding of your company's risk exposure.



Organizational Restructuring and Prioritization

Intentional organizational planning can help position your organization to reallocate resources to down cycle priorities and thoughtfully manage organizational costs.



Preparing for Opportunities

For well-prepared companies, market dislocations are an opportune time to take advantage of distress.

THANK YOU! – QUESTIONS?



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