



MONTHLY COVID ROUND-UP WITH RCLCO

July 23, 2020

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AGENDA

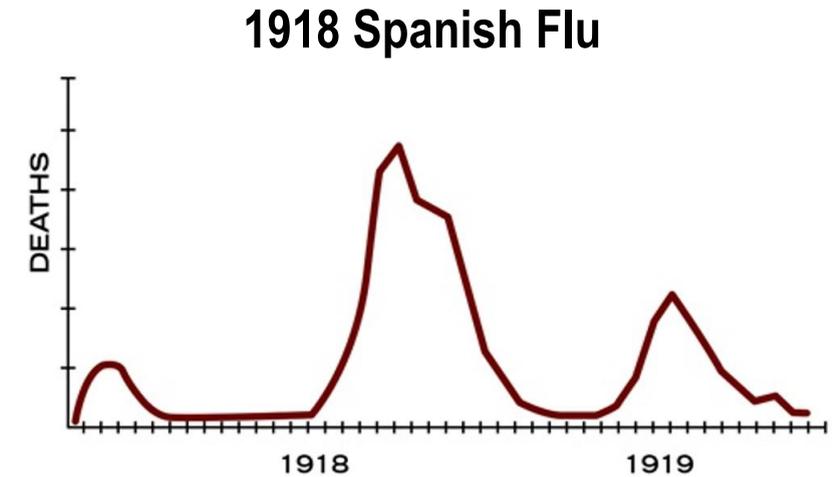
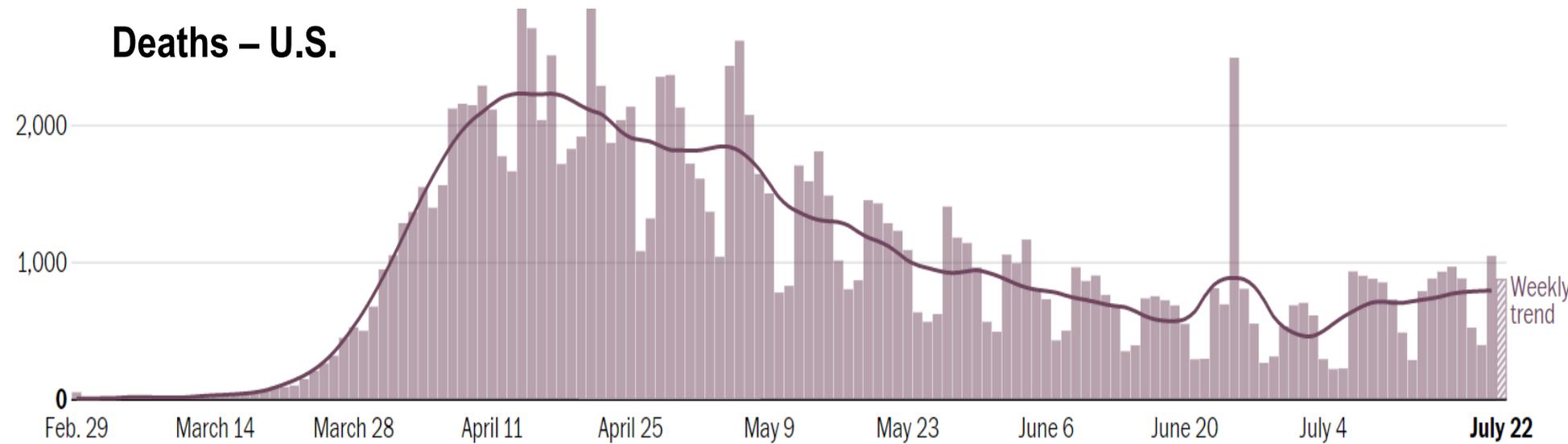
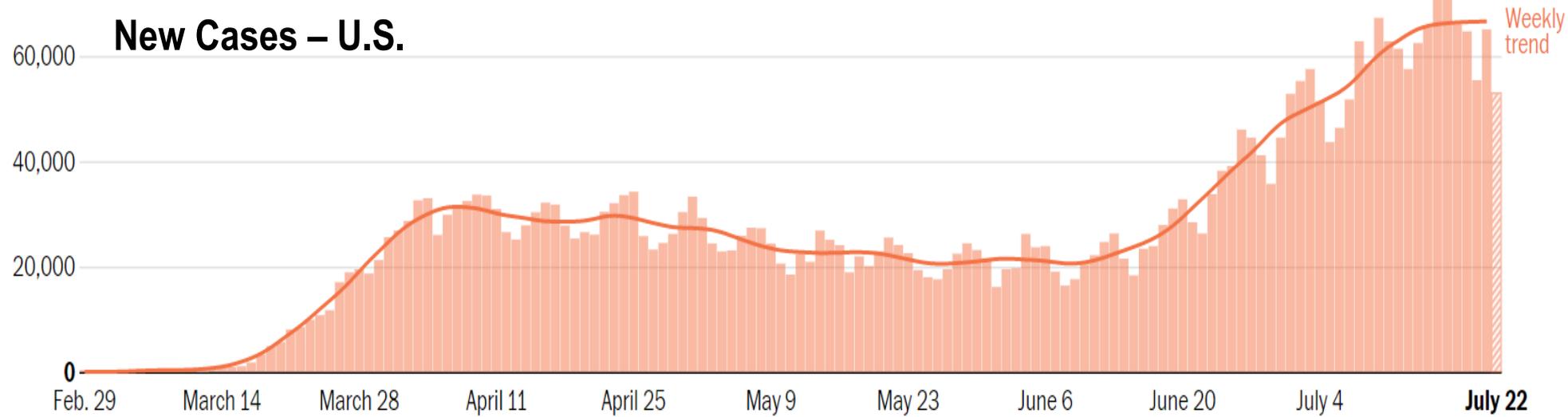
- » **New News**
- » **For-Sale Housing Update**
- » **RCLCO Real Estate Sentiment Survey**
- » **Q&A**

New News

COVID-19 & THE CURVE

Updated: July 22, 2020, HDE

► Worrisome increase in deaths following a spike in new cases in the U.S. beginning in mid-June...



Note: The spike in deaths on June 25 is due to New Jersey authorities [adding more than 1,800 probable deaths](#) to the state's totals.

https://www.washingtonpost.com/graphics/2020/national/coronavirus-us-cases-deaths/?itid=hp_rhp_hp-top-table-main_web-gfx-death-tracker%3Ahomepage%2Fstory-ans

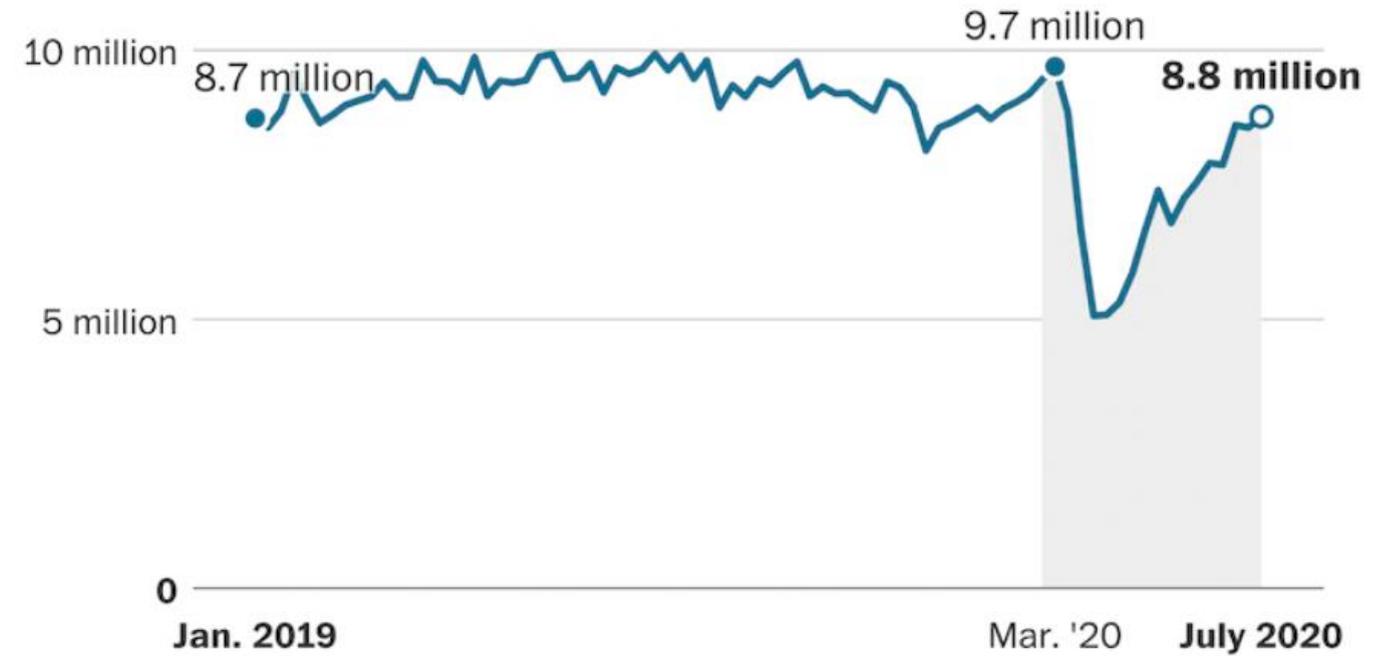
COVID-19 & GAS USAGE

Updated: July 16, 2020, Energy Information Administration

- ▶ Gas usage, a proxy for how much people are emerging from the lockdown, had recovered roughly **80%** of the losses by the end of June
 - » Gas usage plummeted **-45%** in April as Americans were encouraged to stay home to contain the coronavirus

Gas usage for cars and trucks is over 80 percent recovered

Finished motor gasoline product supplied in the U.S. (barrels per day).



The pandemic era is shaded.

Source: Energy Information Administration HEATHER LONG/THE WASHINGTON POST

COVID-19 & FLYING

Updated: July 13, 2020, TSA

- ▶ While people may be driving, they remain hesitant to fly
 - » Air traffic has leveled off to about **a quarter** of where it was a year ago
- ▶ United Airlines recently announced it plans to fly **35%** of its normal schedule in the three months through September

Daily TSA checkpoint travel numbers as a percentage of the same day in 2019.



The shaded area marks the days since President Trump declared a national emergency.

Source: Transportation Security Administration (TSA)

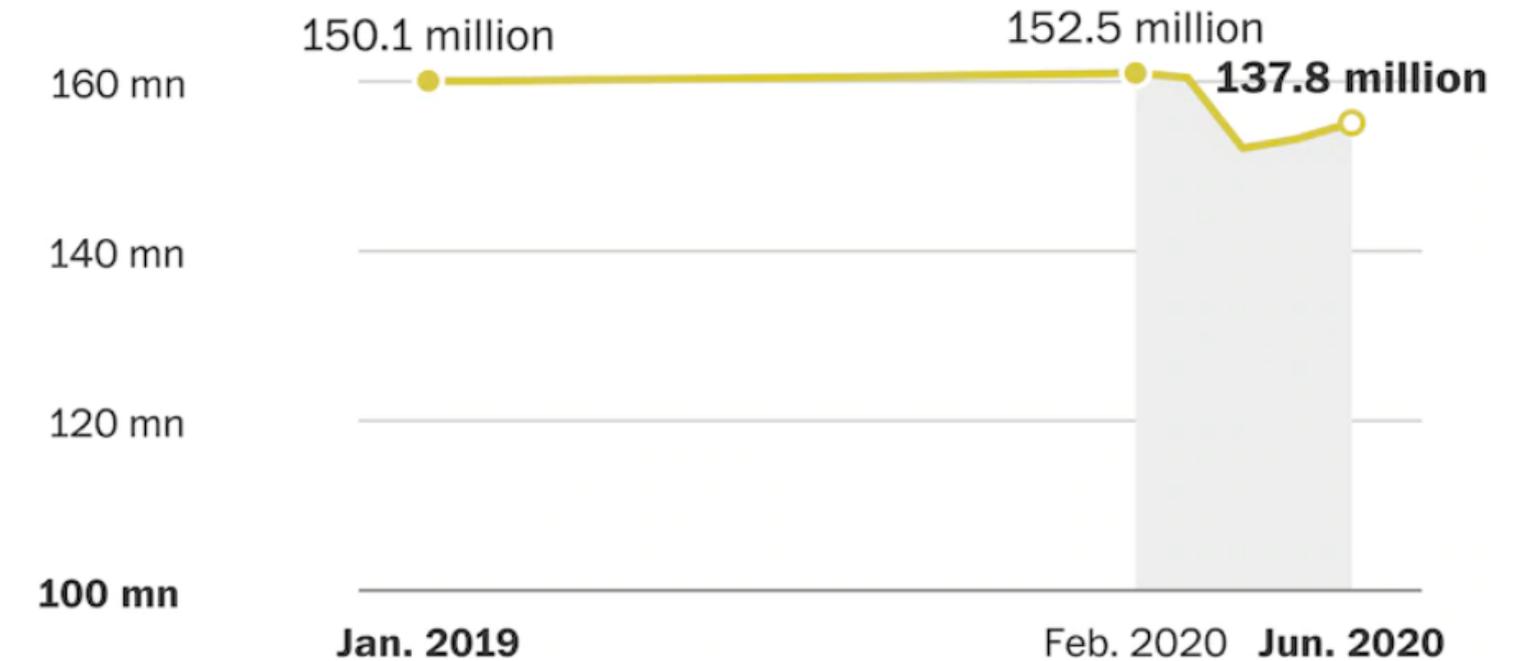
HEATHER LONG/THE WASHINGTON POST

COVID-19 & JOBS

Updated: July 15, 2020, BLS

- ▶ **One-third** of jobs lost during the pandemic have returned, as the U.S. economy regained **7.5 million** jobs in May and June
 - » However, nearly **15 million** remain officially unemployed
 - » Approximately **33 million** are currently receiving unemployment aid
- ▶ The jobs that have returned were considered “low hanging fruit” mostly in retail, restaurants, and doctors and dentists offices
 - » It will likely be harder to bring back more jobs as government aid for small businesses expire and consumer confidence remains low

Total number of Americans employed (seasonally adjusted)



The pandemic era is shaded.

Source: Bureau of Labor Statistics

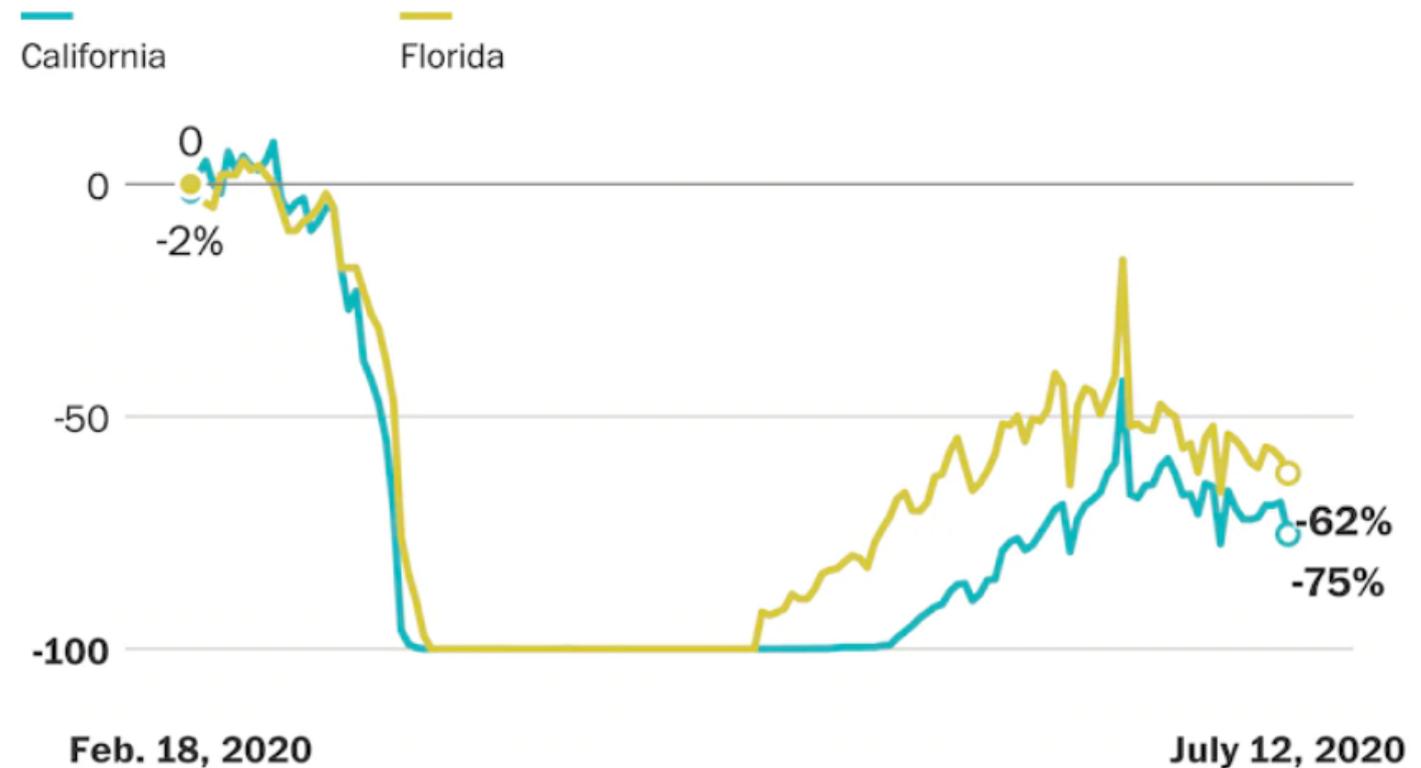
THE WASHINGTON POST

COVID-19 & EATING OUT

Updated: July 12, 2020, OpenTable

- ▶ Americans are reluctant to venture out and spend when the virus is not under control
 - » Restaurant reservations have fallen again in TX, CA, FL and other key states experiencing a virus surge since late June
 - » This is a cautionary sign for how hesitant Americans are to return to eateries, movie theaters, hotels, religious centers and anywhere else where there are usually large numbers of people inside together

OpenTable reservations have fallen again in Texas and Florida, among other states experiencing a virus surge since late June.



The chart shows the year-over-year decline in seated diners at restaurants in each state.

Source: OpenTable

HEATHER LONG/THE WASHINGTON POST

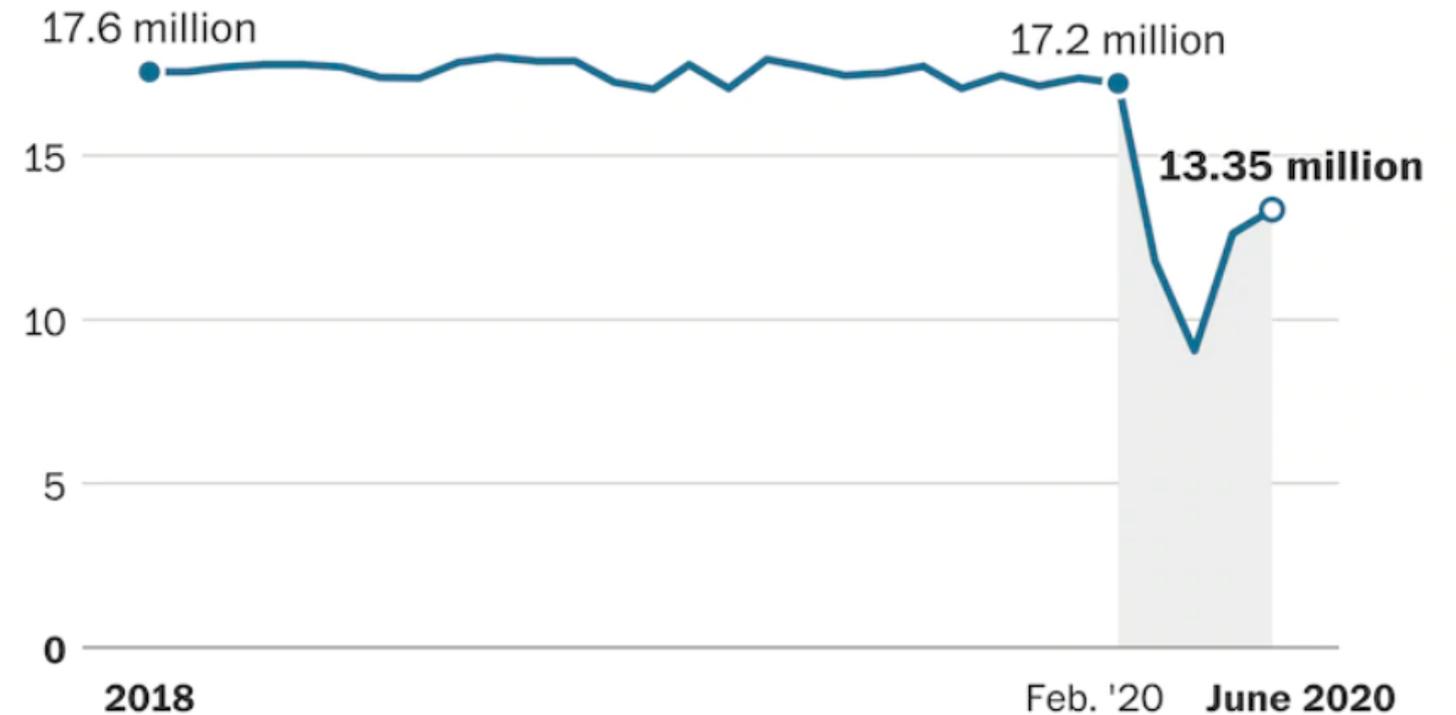
COVID-19 & THE CAR CURVE

Updated: July 15, 2020, BEA

- ▶ As of June, **only half** of the drop in vehicle sales has returned
 - » Major auto companies have cut salaries and furloughed employees which could have ripple effects across the U.S. manufacturing sector

Total vehicle sales in the United States remain sluggish

As of June, only half the drop in vehicle sales has been recovered



The pandemic era is shaded.

Source: Bureau of Economic Analysis (via FRED).

COVID-19 & THE STOCK MARKET

Updated: July 19, 2020

- The S&P 500 has recovered nearly **90%** of the pandemic losses

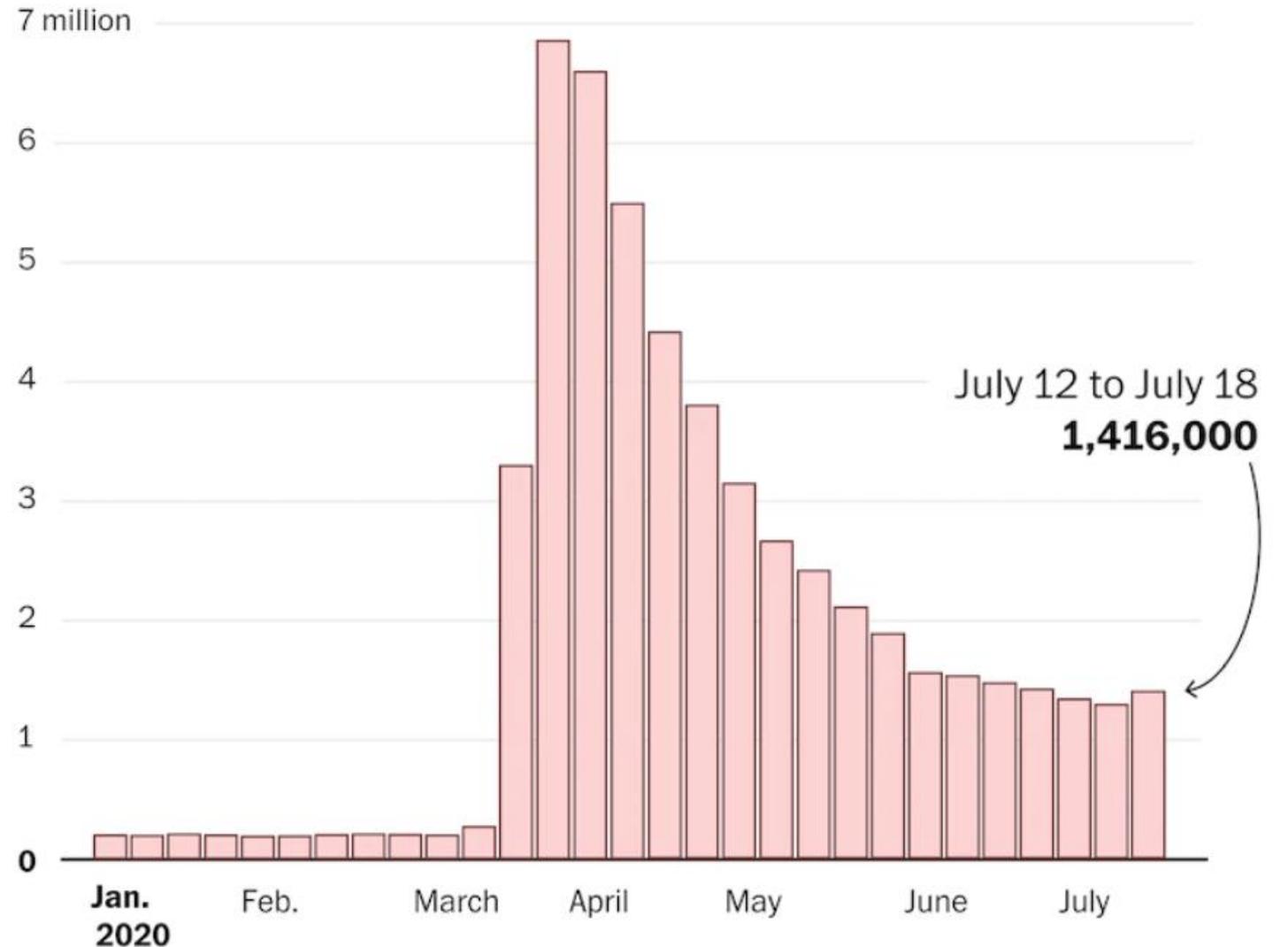


COVID-19 & UNEMPLOYMENT

Updated: July 23, 2020, Labor Department

- ▶ An additional **1.4 million** filed for unemployment for the first time for the week ending July 18
 - » This up from the previous week of 1.3 million, and illustrates the difficulty the economy is facing with a resurgence in cases and a pause in and/or roll back of reopening
- ▶ The numbers continuously receiving benefits for the week ending July 11 was revised down slightly to **16.2 million**, down from 17.4 million the week before
 - » An additional **14.3 million** people were claiming Pandemic Unemployment Assistance, the program for self-employed or gig-workers, bringing the total number of all persons on all programs to **30.5 million** the week of July 11

U.S. initial claims for unemployment insurance in 2020



Note: Seasonally adjusted
Source: Labor Department

THE WASHINGTON POST

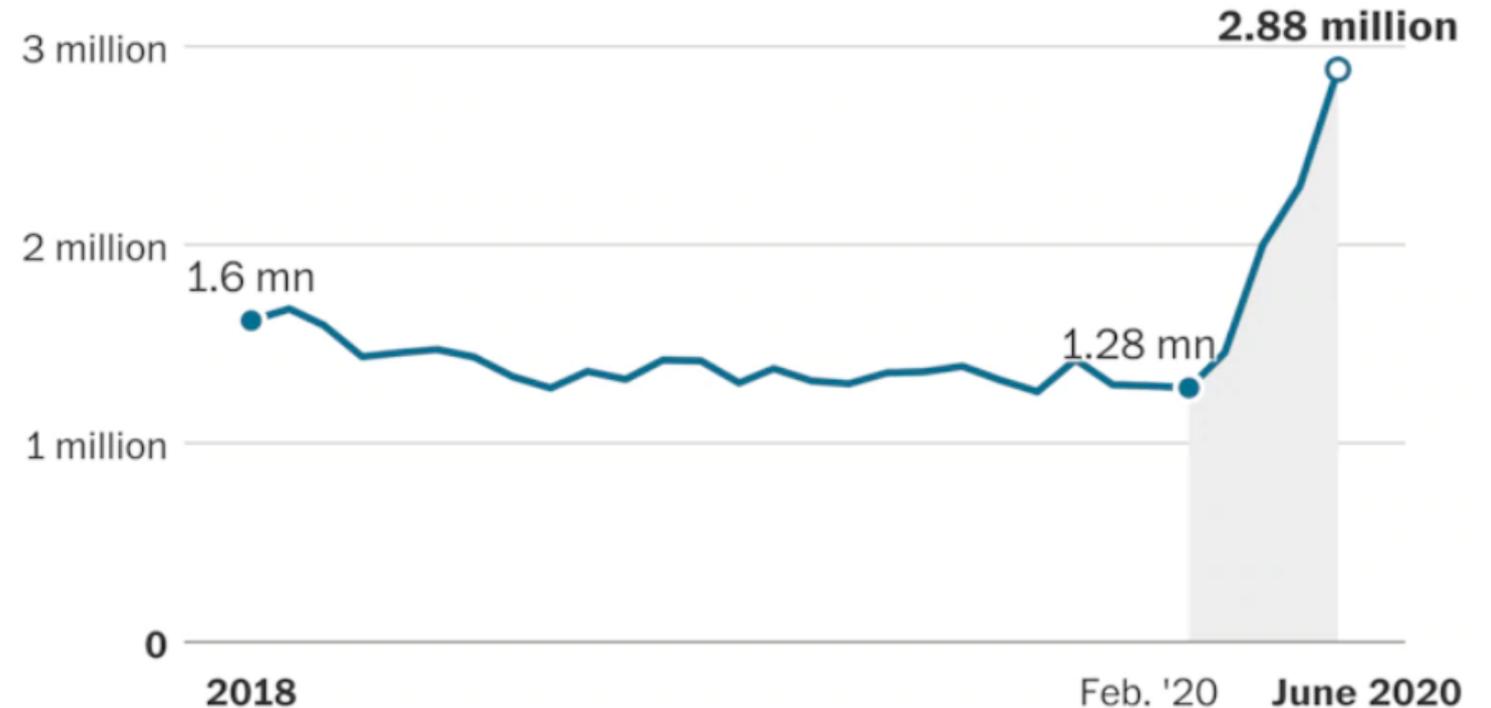
COVID-19 & PERMANENT JOB LOSSES

Updated: July 16, 2020, Labor Department

- ▶ Nearly **2.9 million** jobs were marked as permanent in June
 - » This is a jump of nearly **200%** from before the pandemic
 - » Early in the pandemic, close to **80%** of laid-off Americans thought their job losses would be temporary

Permanent job losses are surging

Nearly 2.9 million job losses were marked as permanent in June.



The pandemic era is shaded.

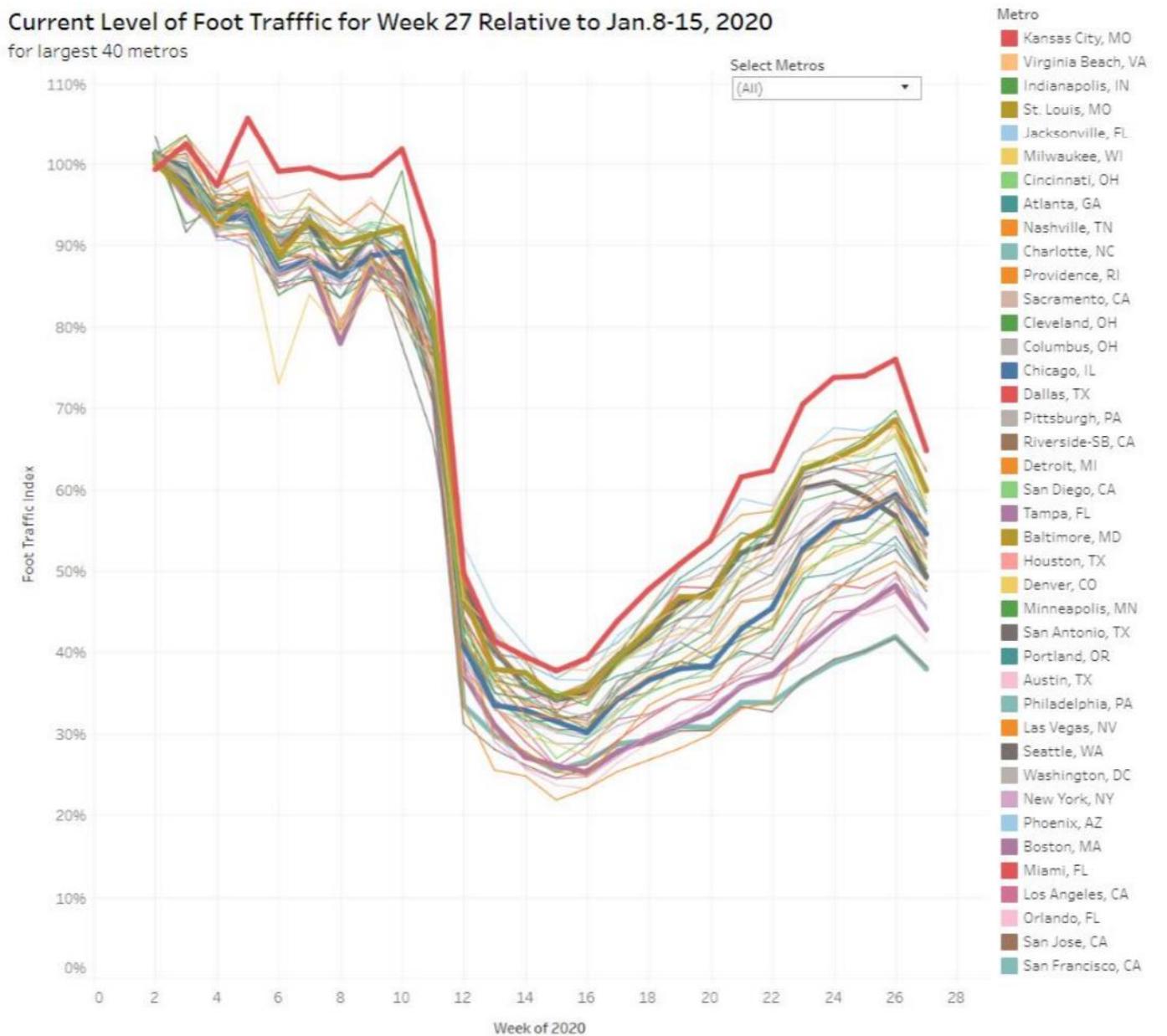
Source: Bureau of Labor Statistics (via FRED).

COVID-19 & MOBILITY CHANGES

Updated: July 17, 2020, Safegraph

- ▶ Foot traffic which was down anywhere from **-60% to -80%** in mid-April, has rebounded as state have eased restrictions
 - » Most major metro markets have experienced a sharp increase in traffic as restrictions were eased in late spring and early summer
 - » However traffic remains well below baseline
 - › The dip in week 27 is part seasonal as business traffic typically declines somewhat for the 4th of July holiday

Current Level of Foot Traffic for Week 27 Relative to Jan.8-15, 2020
for largest 40 metros



Note: Bold lines correspond to Kansas City, St. Louis, Chicago, San Antonio, Boston, and San Francisco in that order. They rank in the order that they finish in week 27 high to low.

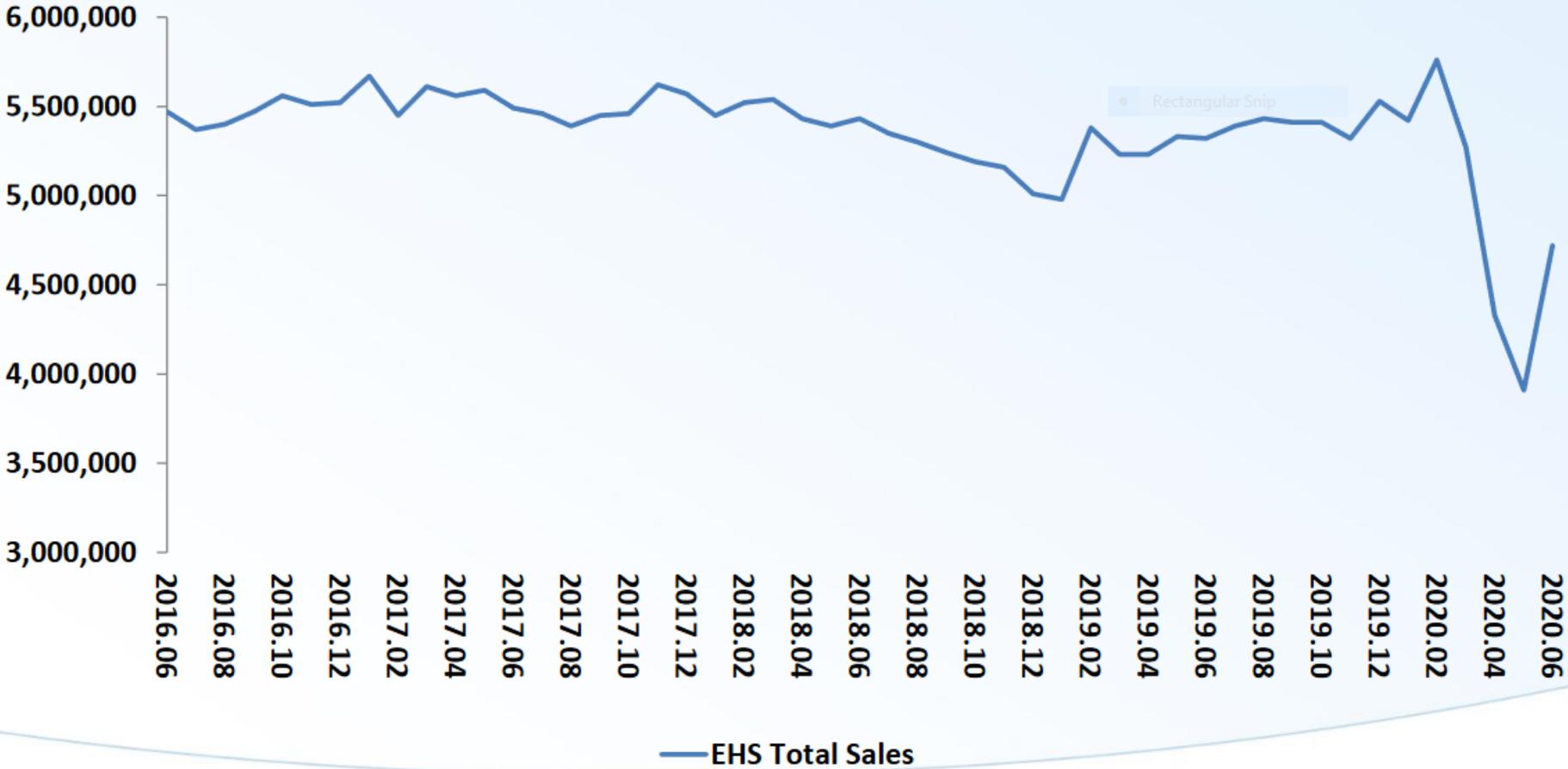
Source: AEI Housing Center and Safegraph.com.

<https://www.aei.org/wp-content/uploads/2020/07/Nowcast-Reopening-of-Metro-Area-Economies-week-27-FINAL.pdf>

For-Sale Housing Markets Update

EXISTING HOME SALES RECOVERING; -11.3% COMPARED TO 2019

Total Existing Home Sales, SA Annual Rate



Existing-home sales rebounded at a in June, showing strong signs of a market turnaround after three straight months of sales declines caused by the ongoing pandemic, according to the National Association of Realtors®

Sales as of the end of June were down 11.3% YOY, an improvement over May when sales were down 26.5% YOY, the largest annual decline since 1982

Total housing inventory at the end of June totaled 1.57 million units, down 18.2% from one year ago, a 4.0-month supply at the current sales pace, down from both 4.8 months in May



EXISTING HOME SALES DECLINE AT LOW END, HIGH END OF MARKET

Percent Change in Sales From a Year Ago by Price Range



The housing market illustrates the two extremes of the pandemic recession:

- ▶ White-collar workers who have kept their jobs are seizing the opportunity
- ▶ Lower paid service workers in restaurants and retail have lost their jobs and are struggling to pay rent and mortgages



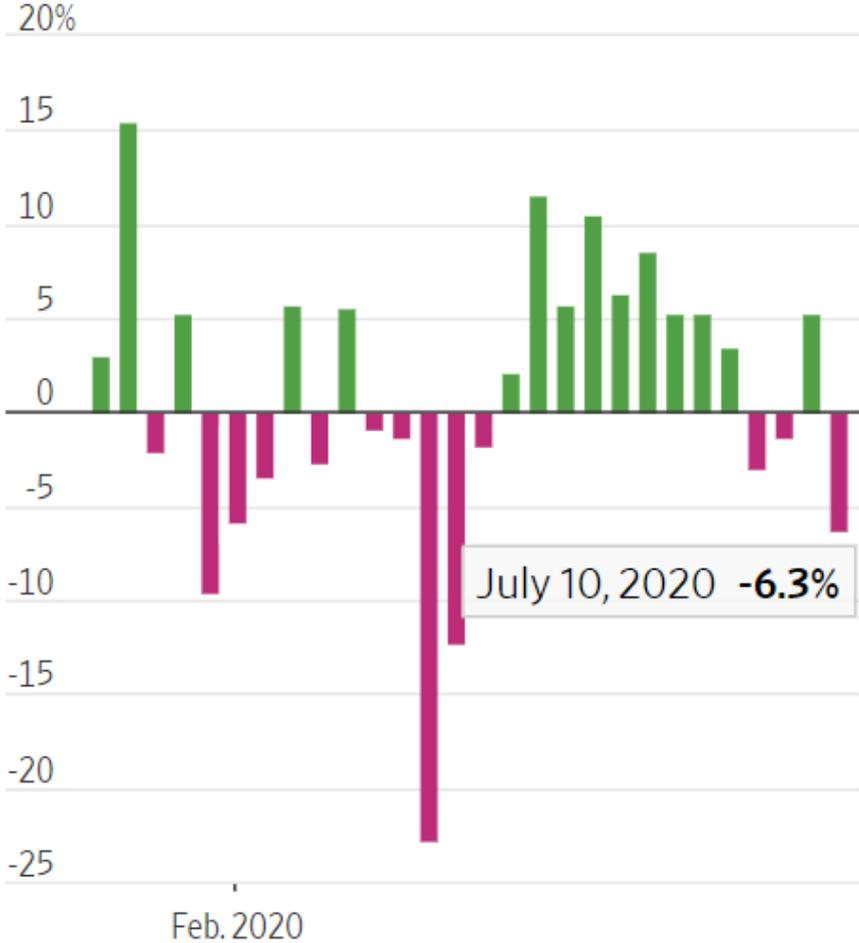
HOME MORTGAGE TRENDS

Average rate on 30-year fixed mortgage



Source: Freddie Mac

Change in mortgage applications, weekly



Source: Mortgage Bankers Association

The 30-year mortgage rate reaches lowest level ever: 2.98%

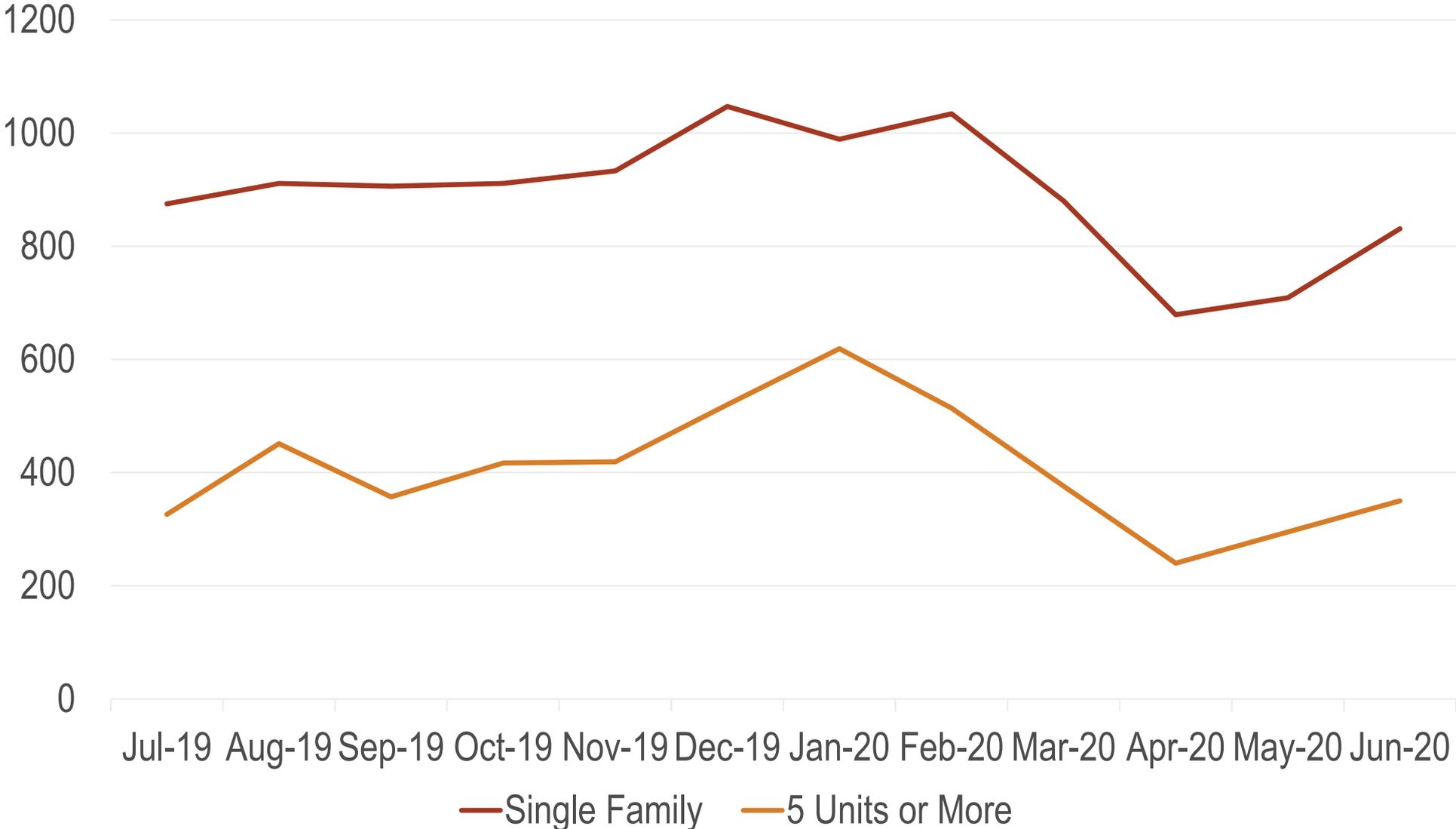
Low mortgage rates typically boost home sales, and both existing and new home sales show signs of recovery

Mortgage purchase applications for new home rose +17% in June, and it appears that lower rates are spurring buyers to market

Updated: July 16, 2020, Freddie Mac, MBI, NAR

HOUSING STARTS

Single Family and Multifamily Starts (000'S)



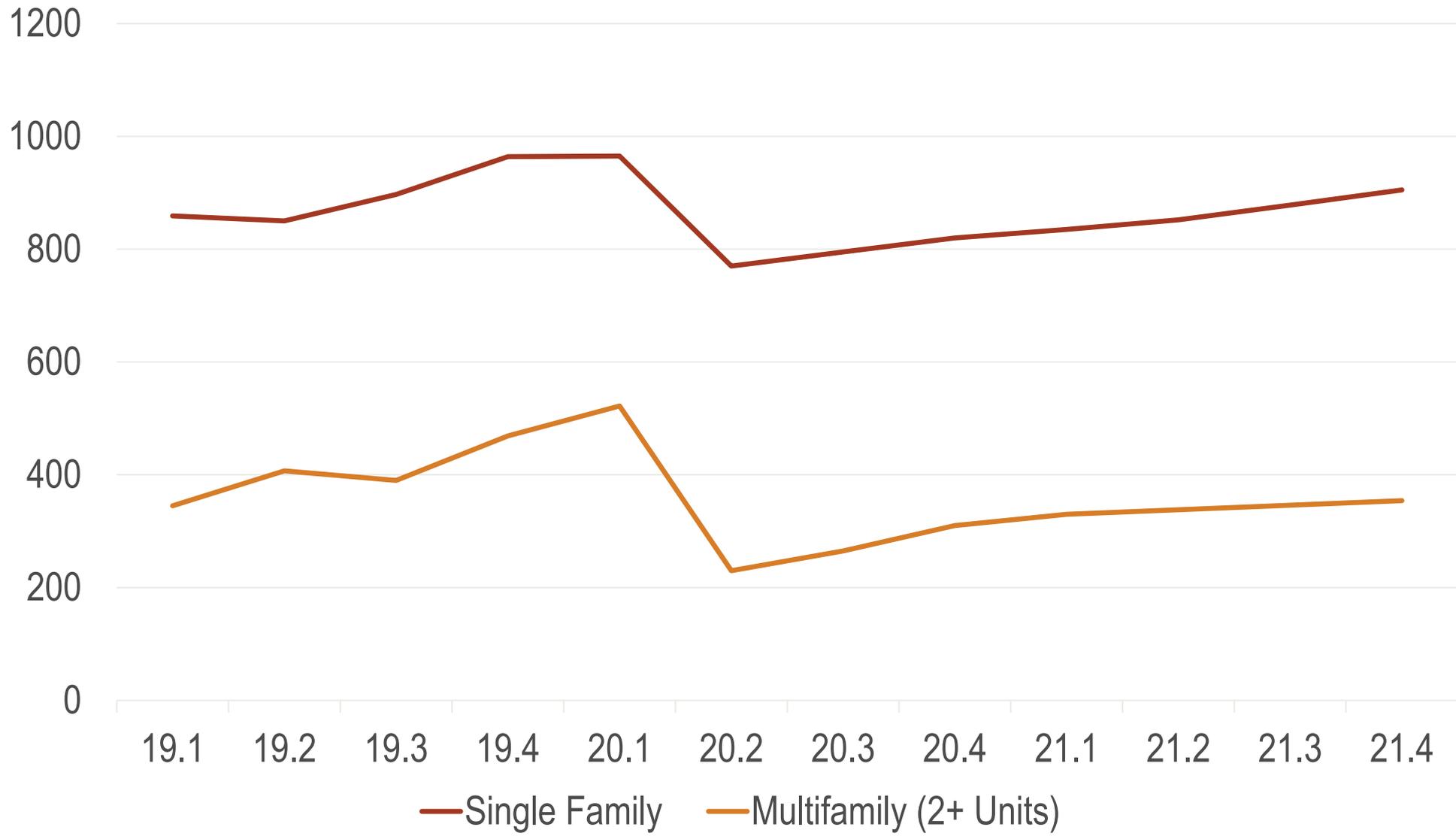
Privately-owned housing starts in June were at a seasonally adjusted annual rate of 1,186,000. This is 4.0 percent below the June 2019 rate of 1,235,000

Single-family housing starts in June were at a rate of 831,000 and below the June 2019 pace

The June rate for units in buildings with five units or more was 350,000

FANNIE MAE HOUSING STARTS FORECAST (BY QUARTER)

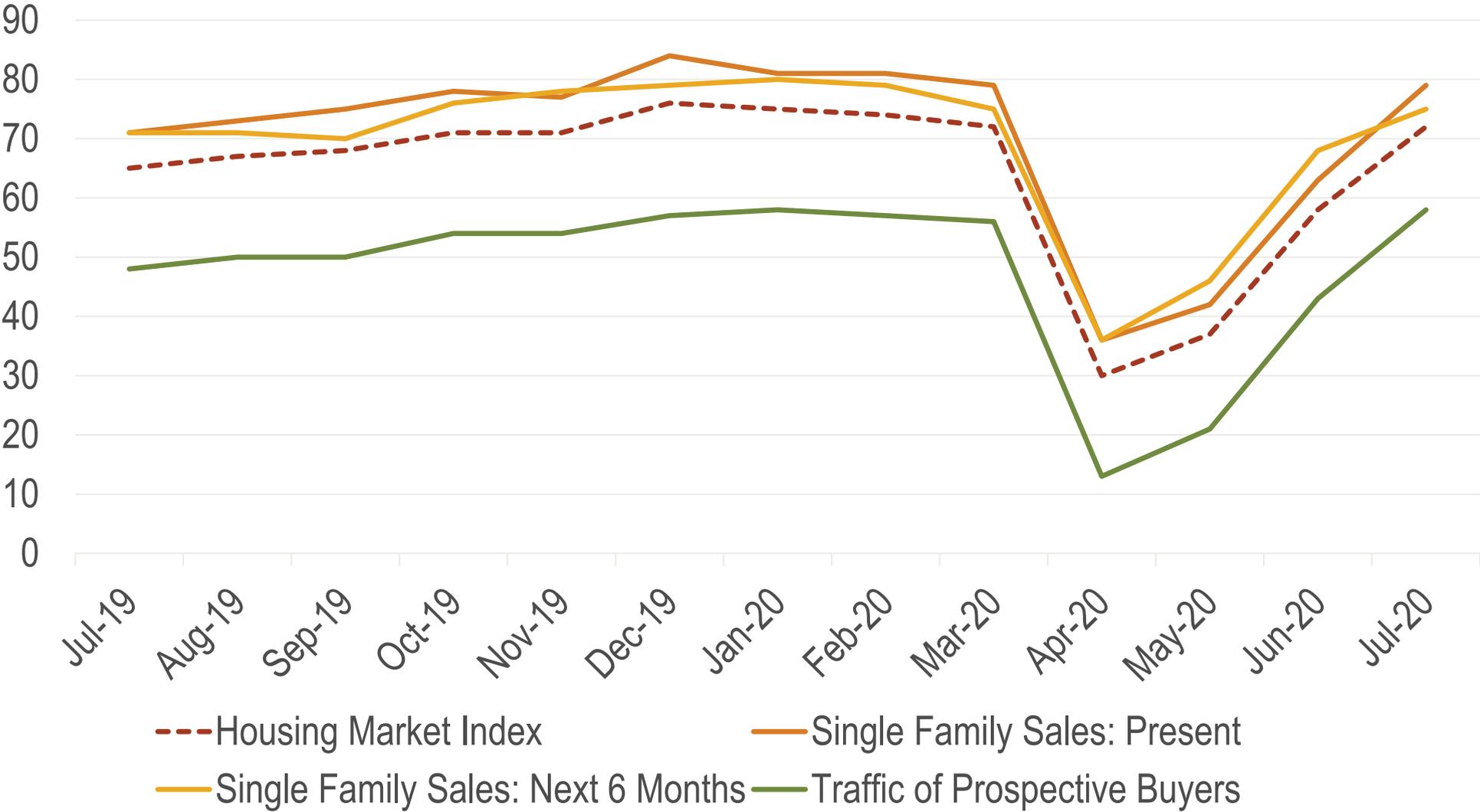
Housing Starts by Quarter, Historical and Forecast (000's)



Fannie Mae June 2020 forecast anticipates a slow but steady ramp up for the balance of 2020, gradually returning to 2019 levels by the fourth quarter of 2021

NAHB/WELLS FARGO HOUSING MARKET INDEX (HMI)

Housing Market Index

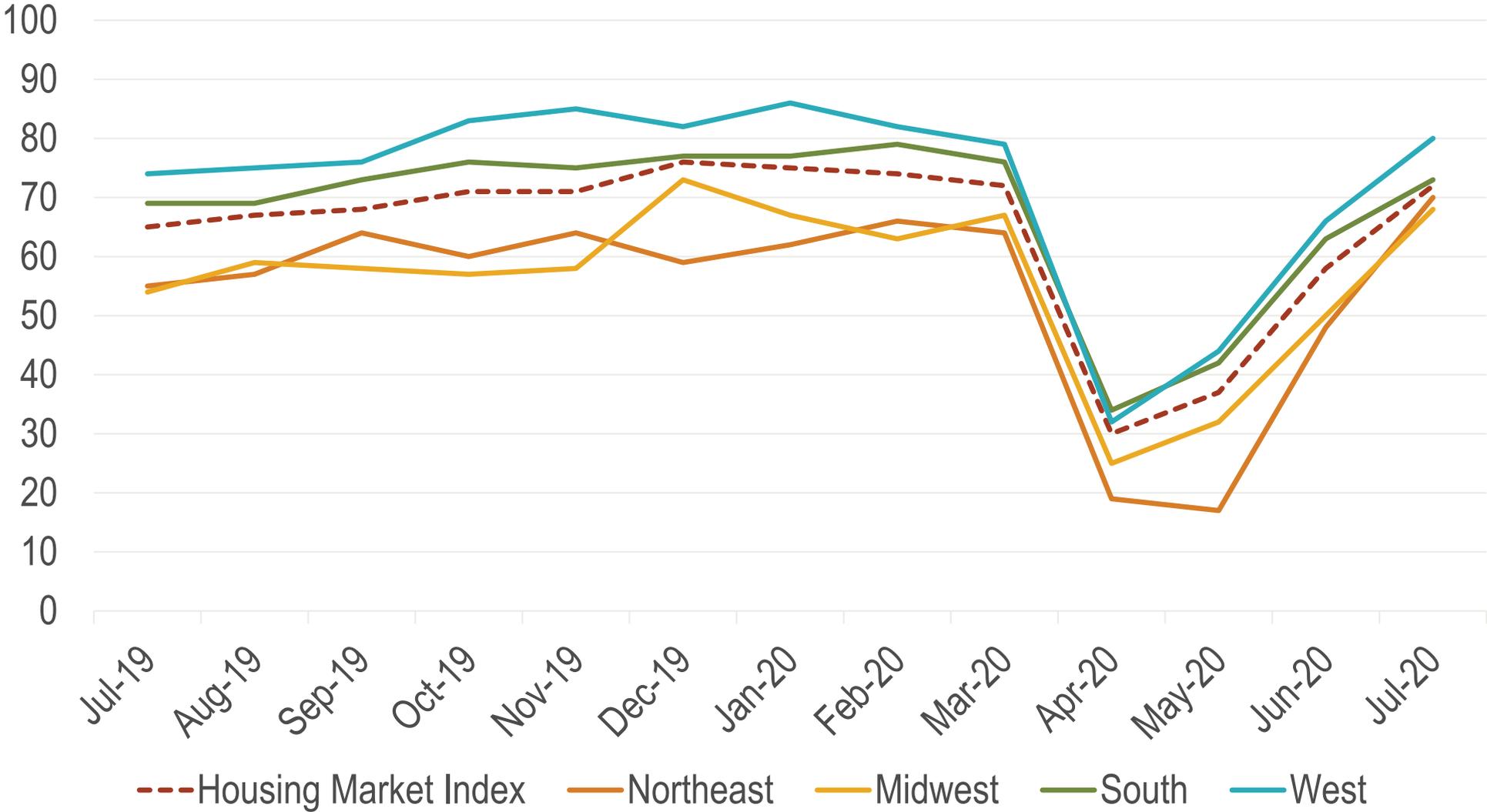


HMI based on a monthly survey of NAHB members designed to take the pulse of the single-family housing market

The survey asks respondents to rate market conditions for the sale of new homes at the present time and in the next six months as well as the traffic of prospective buyers of new homes

NAHB/WELLS FARGO HOUSING MARKET INDEX (HMI)

Housing Market Index by Region



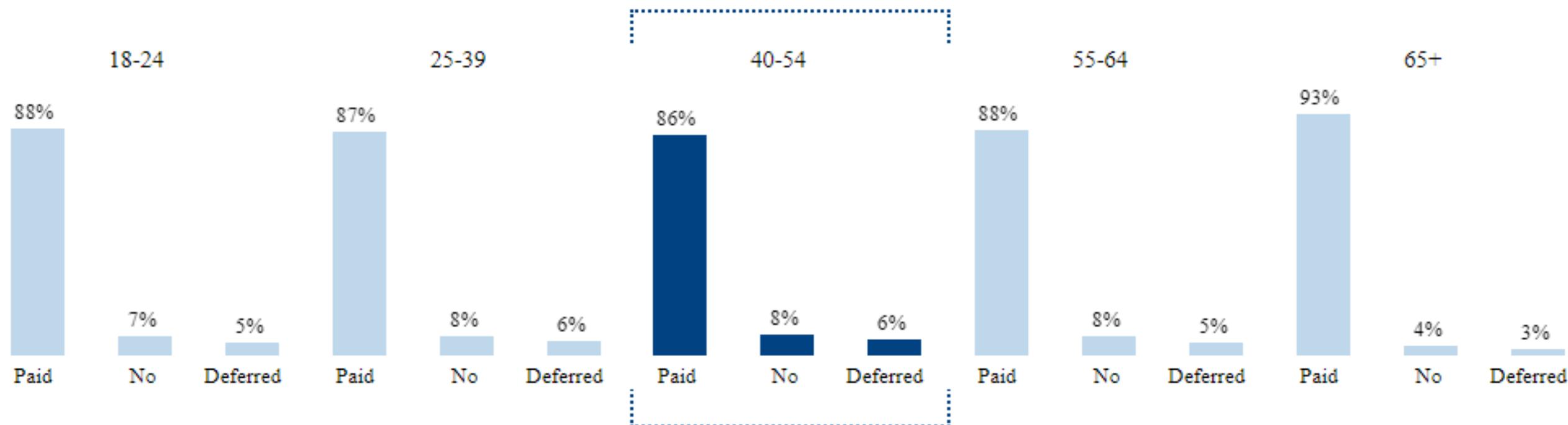
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12% OF MORTGAGE PAYMENTS MISSED IN MAY, 2020

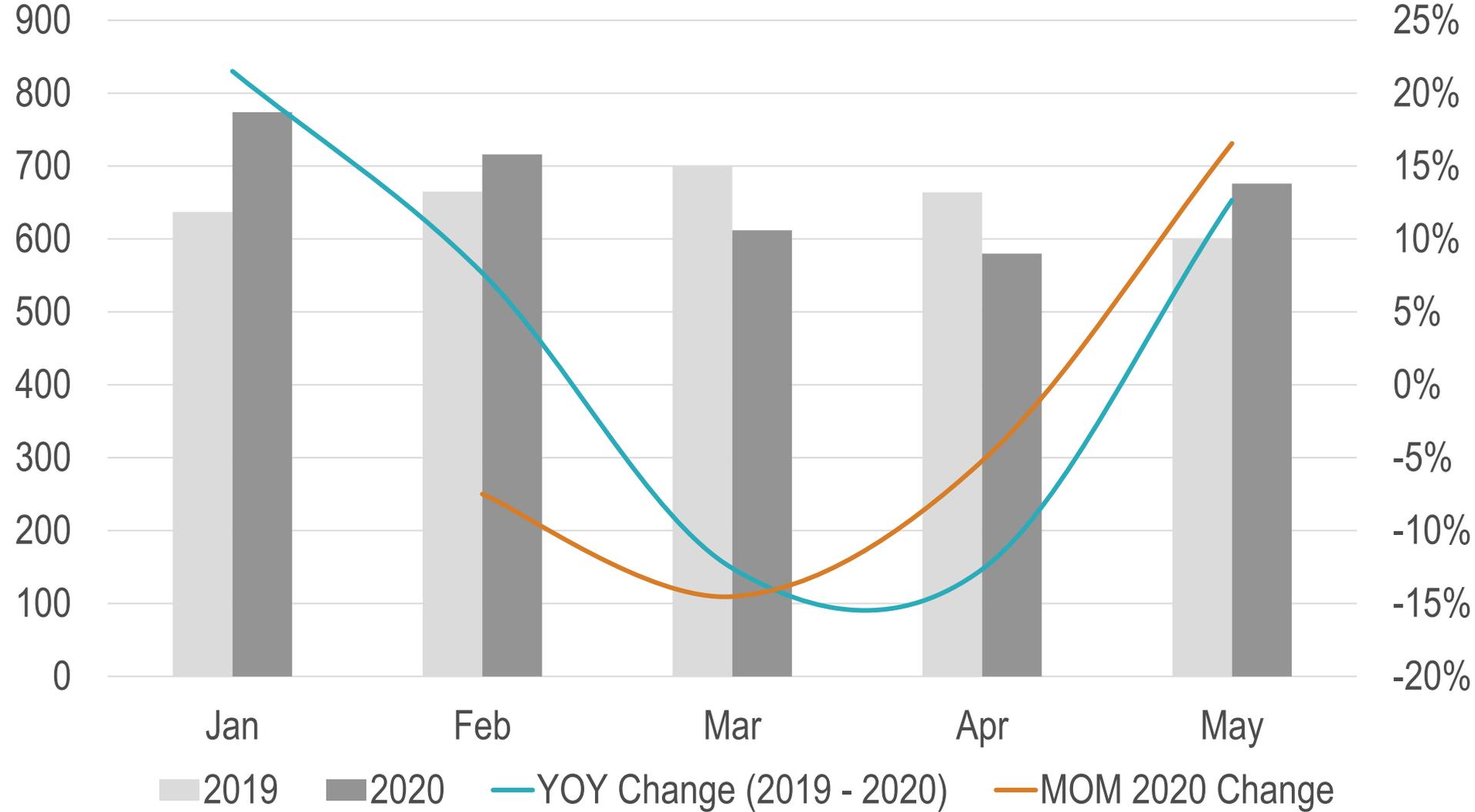
New data from the U.S. Census shows that:

- ▶ 12% of mortgage holder households did not make their mortgage payment on time; 41% of them deferred their payment
- ▶ 31% of those who did not pay on time used the stimulus package but it was not enough to cover the cost
- ▶ 63% of the owners have high confidence in their ability to make next month's payment while 21% have moderate confidence
- ▶ Owners not able to pay more likely to be 40-54 years old, divorced/separated, children under 18 in house, Black or Hispanic



NEW HOME SALES HAVE RECOVERED FROM THE MARCH 2020 DIP

Annualized Pace of New Home Sales (000's)



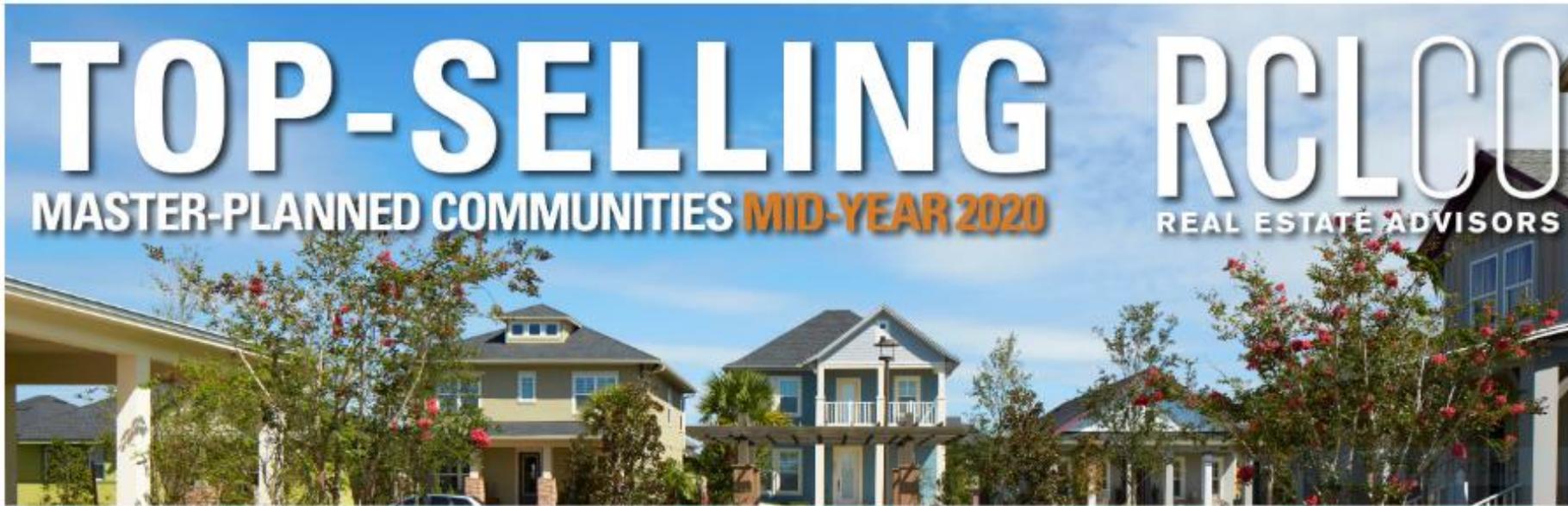
V-Shaped Recovery for New Home Market

Sales of new single-family houses in May 2020 were at a seasonally adjusted annual rate of 676,000 - up 16.6% from April 2020

The seasonally-adjusted estimate of new houses for sale at the end of May was 318,000, a supply of 5.6 months at the current sales rate

The June New Home Sales Report comes out on July 24, 2020, expect it will show a continuation of this trend

MASTER PLANNED COMMUNITY SALES ABOVE MARKET



RANK	MPC	MSA (CITY, STATE)	DEVELOPER	YTD SALES		
				MY 2020	MY 2019	%Δ
1	The Villages*	The Villages (The Villages, Florida)	The Villages	1,000	1,000	0%
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, Florida)	Schroeder-Manatee Ranch, Inc.	838	824	2%
3	Wellen Park ¹	North Port-Sarasota-Bradenton (Venice, Florida)	West Villages	683	679	1%
4	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, Nevada)	Howard Hughes Corporation	642	675	-5%
5	Daybreak	Salt Lake City (South Jordan, Utah)	Daybreak Communities	507	362	40%
6	North Pointe Valley Vista	Las Vegas-Henderson-Paradise (North Las Vegas, Nevada)	D.R. Horton	475		
7	Cane Bay Plantation	Charleston-North Charleston (Charleston, South Carolina)	Gramling Brothers	472	326	45%
8	Nocatee	Jacksonville (Ponte Vedra, Florida)	PARC Group	439	535	-18%
9	Eastmark	Phoenix-Mesa-Scottsdale (Mesa, Arizona)	DMB Associates & Brookfield	436	469	-7%
10	Bridgeland	Houston-The Woodlands-Sugar Land (Cypress, Texas)	Howard Hughes Corporation	425	351	21%

MPC's tracked in both our 2019 mid-year survey and 2020 mid-year survey experienced a 16%+ increase in new home sales

Above the 12.7% increase for new homes overall

The Villages retiree-focused community once again claims the top spot in RCLCO's ranking

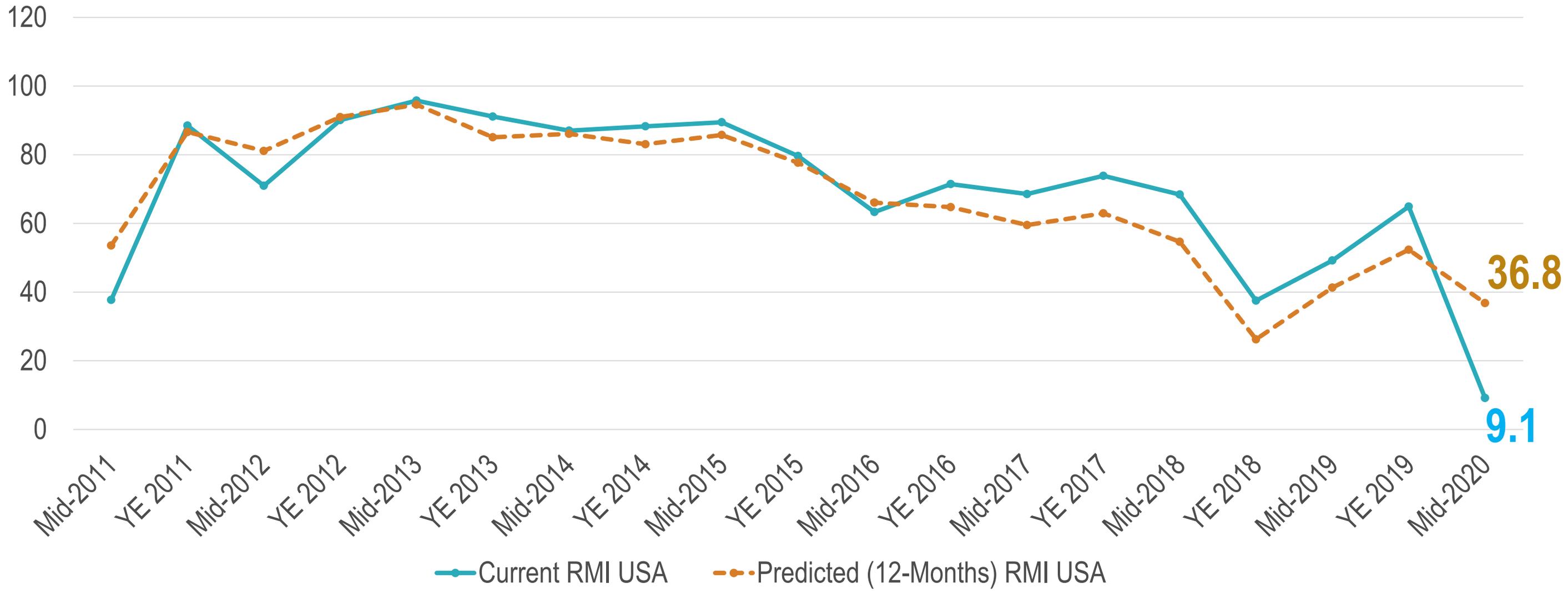
Sarasota, Florida's Lakewood Ranch claimed the number two spot overall, and is the top-selling multi-generational community in the U.S.

Some communities up as much as 40% to 45% over 2019 pace

Mid-Year 2020 Sentiment Survey

OVERALL SENTIMENT TURNED DISMAL, BUT OUTLOOK IS BRIGHTER

RCLCO National Real Estate Market Index



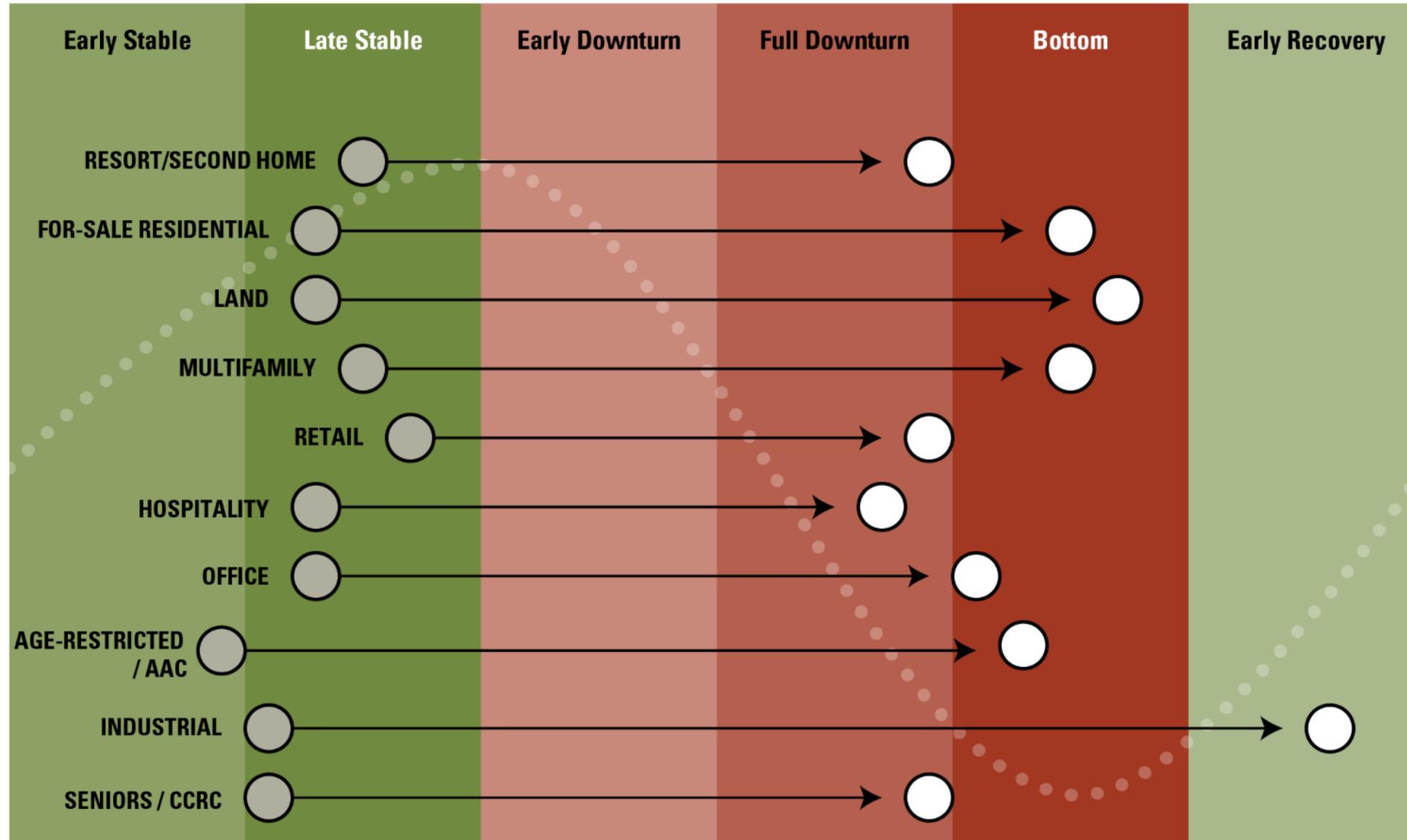
< 30 indicative of recession; >60 indicative of expansion

A LEAP TO THE “BOTTOM”

Cycle Stage Movement over Past Six Months

● YE 2019 Survey

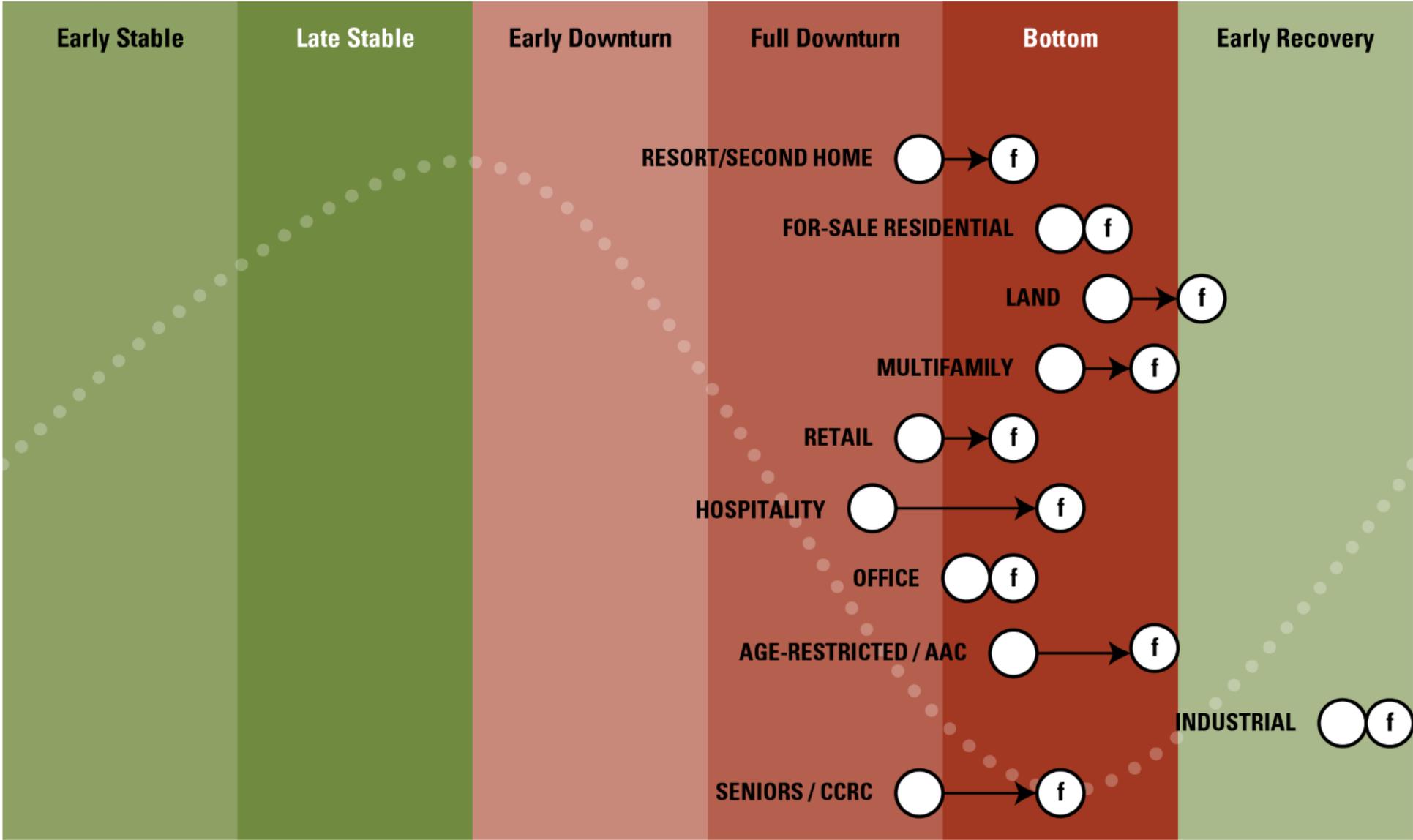
○ Mid-2020 Survey



NEXT 12 MONTHS: BOTTOMING OUT AND BEGINNING TO RECOVER

RCLCO Real Estate Cycle Chart

○ Current Cycle Stage ⊝ Future Cycle Stage

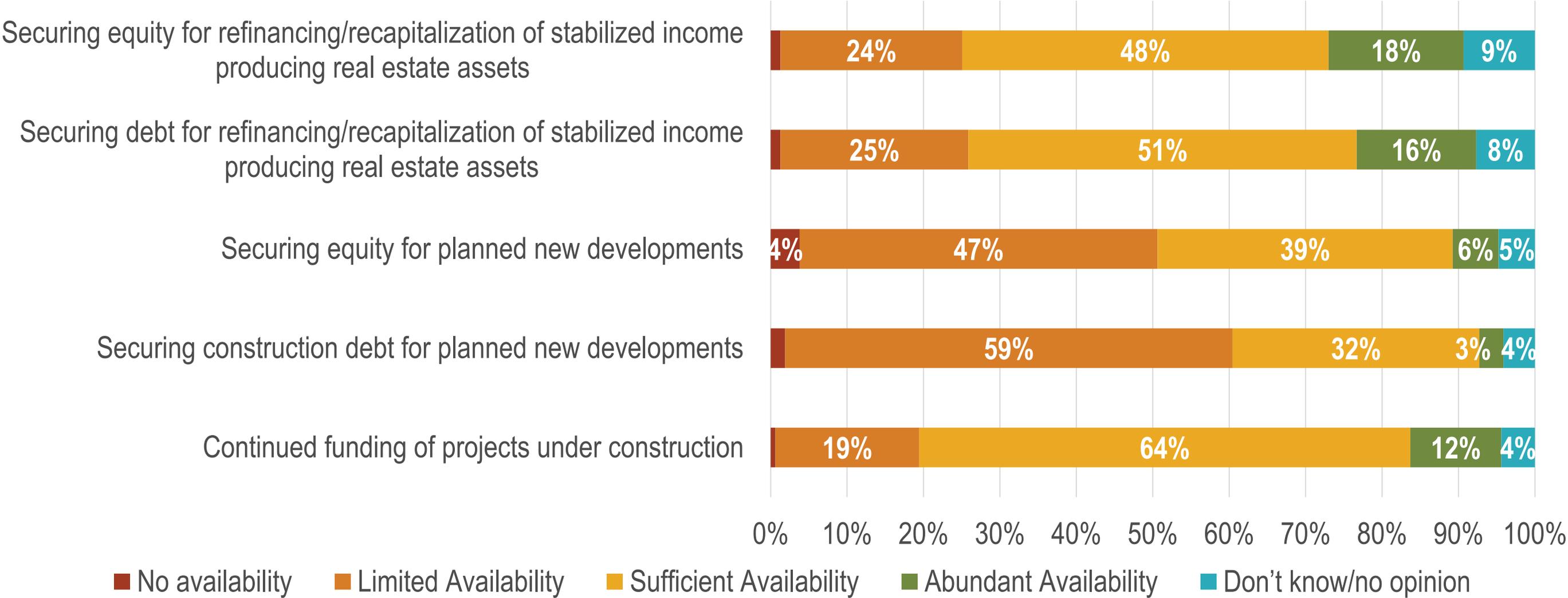


REGIONAL MALLS AND HOSPITALITY HIT THE HARDEST

	Dramatic (>20%)	Severe (10%-20%)	Moderate (5%-9%)	Minimal (<5%)	No Impact
Retail - Regional Mall [85%]	46%	39%	13%	2%	0%
Hospitality [68%]	35%	33%	21%	9%	2%
Retail - Big Box/Power Center	17%	35%	31%	13%	3%
Office	15%	29%	32%	17%	7%
Retail - Lifestyle	14%	39%	33%	12%	3%
Senior Housing	12%	32%	29%	18%	8%
Student Housing	11%	38%	32%	15%	4%
For-Rent Residential	8%	16%	29%	24%	23%
Retail - Convenience/Necessity	8%	24%	30%	25%	13%
For-Sale Residential	7%	23%	34%	25%	11%
Rental Apartments	4%	17%	42%	28%	9%
Healthcare/Medical Office	1%	9%	31%	34%	24%
Industrial [80%]	1%	5%	13%	30%	51%

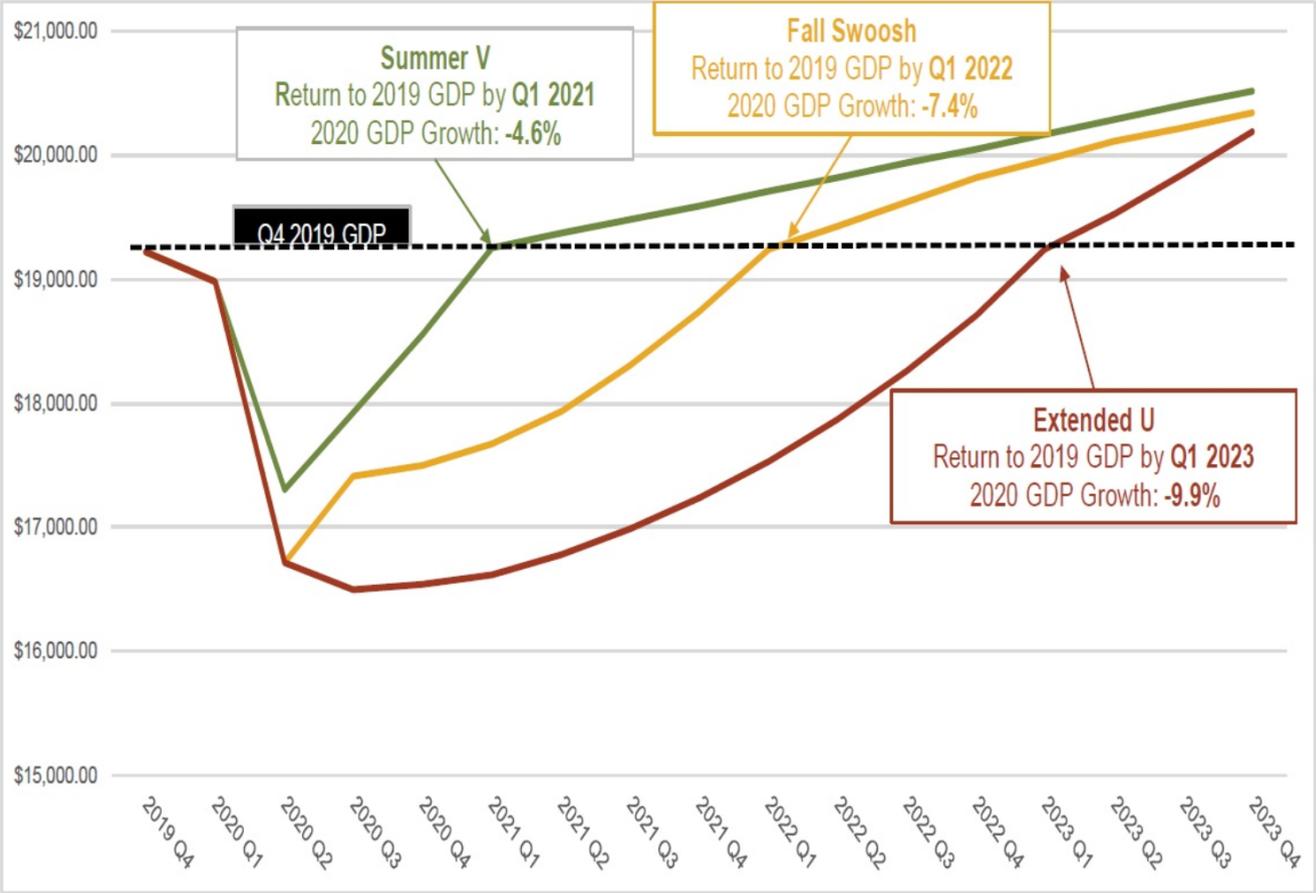
CAPITAL FOR NEW PROJECTS IS MOST CHALLENGING

Funding Availability Responses

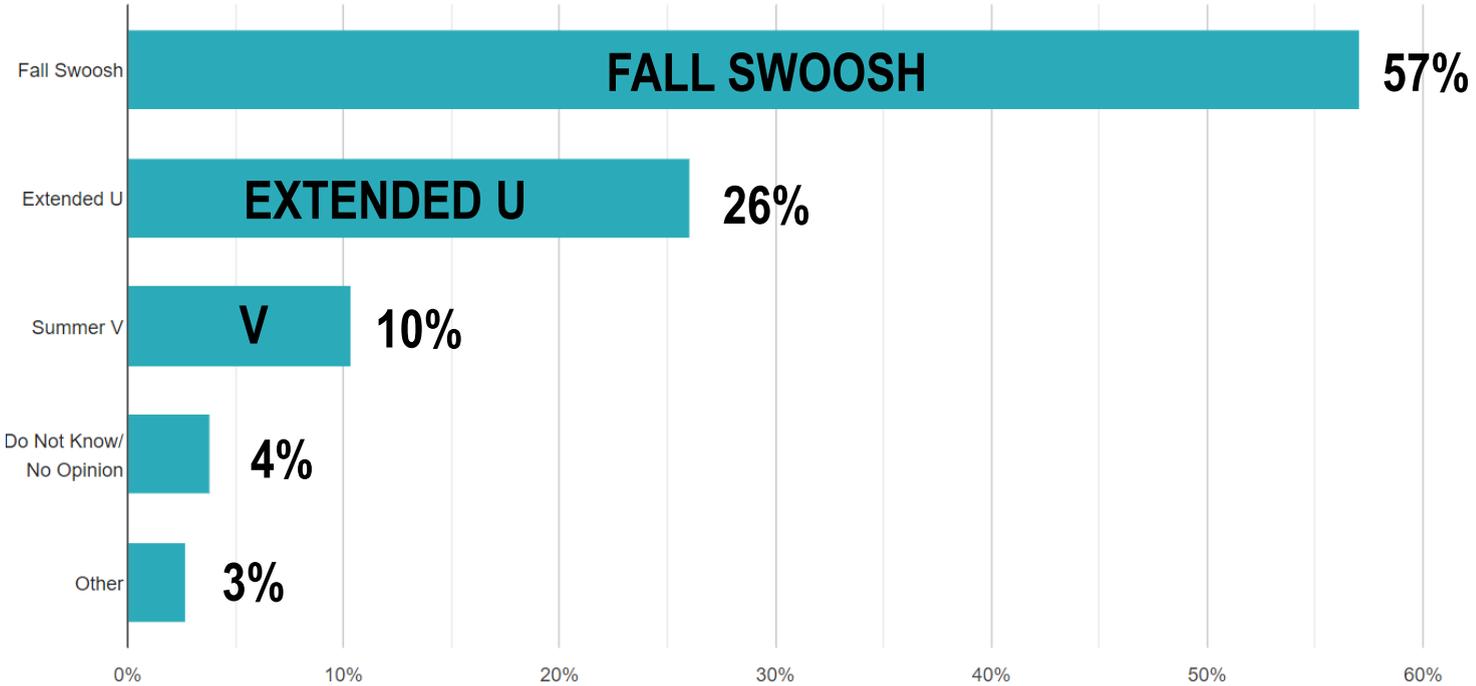


ECONOMIC DOWNTURN & RECOVERY SCNARIOS

RCLCO Recovery Scenarios



Forecast Scenario Responses



Q&A

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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.

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

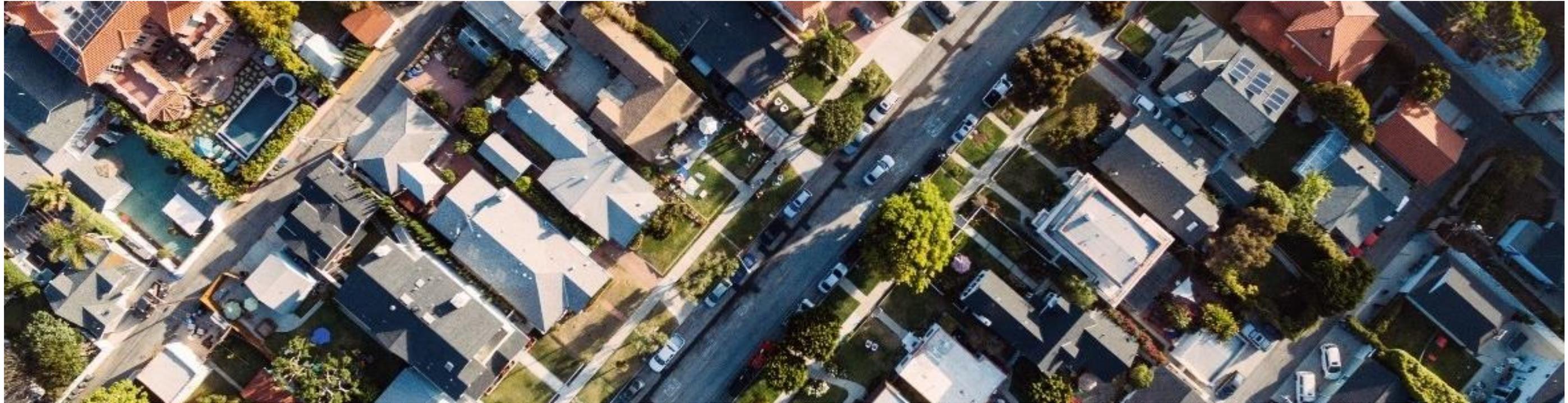
Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

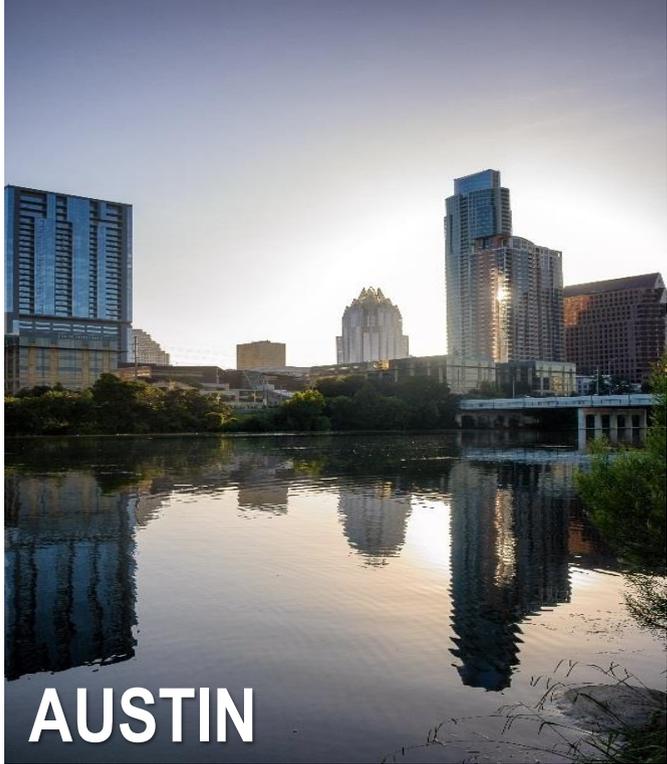
GENERAL LIMITING CONDITIONS

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.

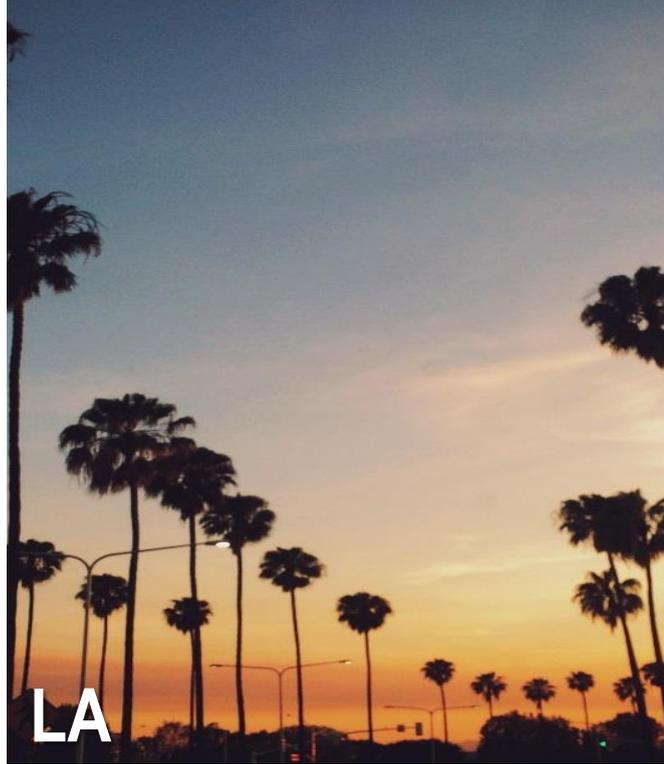
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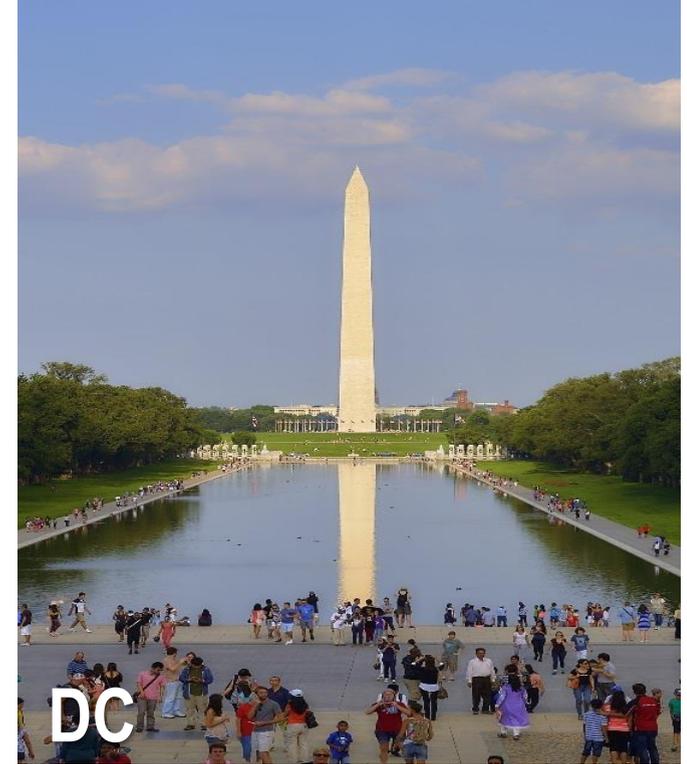
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