

**COVID-19 IMPACT:
HOW REMOTE & HYBRID WORK IS
CHANGING THE REAL ESTATE INDUSTRY**

RCLCO Monthly Round-Up

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REAL ESTATE CONSULTING

TODAY'S PANELISTS



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AGENDA

- ▶ Remote/Hybrid Work Poll and Introductory Data
- ▶ Panel Discussion
 - » One Bedroom Premiums over Studio
 - » Remote Work Housing
 - » Organization Strategy
 - » Retail Implications
- ▶ Q&A

OFFICE OCCUPANCY STATS



KASTLE BACK TO WORK BAROMETER

9.26.22

Weekly Occupancy Report from Kastle Access Control System Data

OCCUPANCY OVER TIME - MARCH 4, 2020 TO SEPTEMBER 21, 2022



*On March 22, 2021, Kastle moved from daily to weekly data reporting to provide a more robust and comprehensive picture of office occupancy. We have also recalculated data back to the start of the time series for consistency. This has only a marginal impact on most cities and the national average.

To learn more about KastleSafeSpaces visit: www.kastle.com/kastlesafespaces/



OFFICE OCCUPANCY STATS



KASTLE BACK TO WORK BAROMETER

9.26.22

Weekly Occupancy Report from Kastle Access Control System Data

BAROMETER THIS WEEK



	Wed 9/14	Wed 9/21	% Change
San Francisco metro	40.7%	39.2%	1.5% ▼
Dallas metro	54.9%	53.8%	1.1% ▼
San Jose metro	39.5%	40.4%	0.9% ▲
Houston metro	56.8%	57.6%	0.8% ▲
Los Angeles metro	45.6%	45.0%	0.6% ▼
New York metro	46.6%	46.1%	0.5% ▼
Average of 10	47.5%	47.3%	0.2% ▼
Chicago metro	45.0%	45.2%	0.2% ▲
Washington D.C. metro	44.7%	44.4%	0.2% ▼
Philadelphia metro	40.7%	40.8%	0.1% ▲
Austin metro	60.5%	60.5%	0.0% ▼

Kastle customers are in more than 2,600 buildings in 138 cities. The Barometer reflects swipes of Kastle access controls from the top 10 cities, averaged weekly. It summarizes recent weekday building access activity among our business partners, not a national statistical sample.

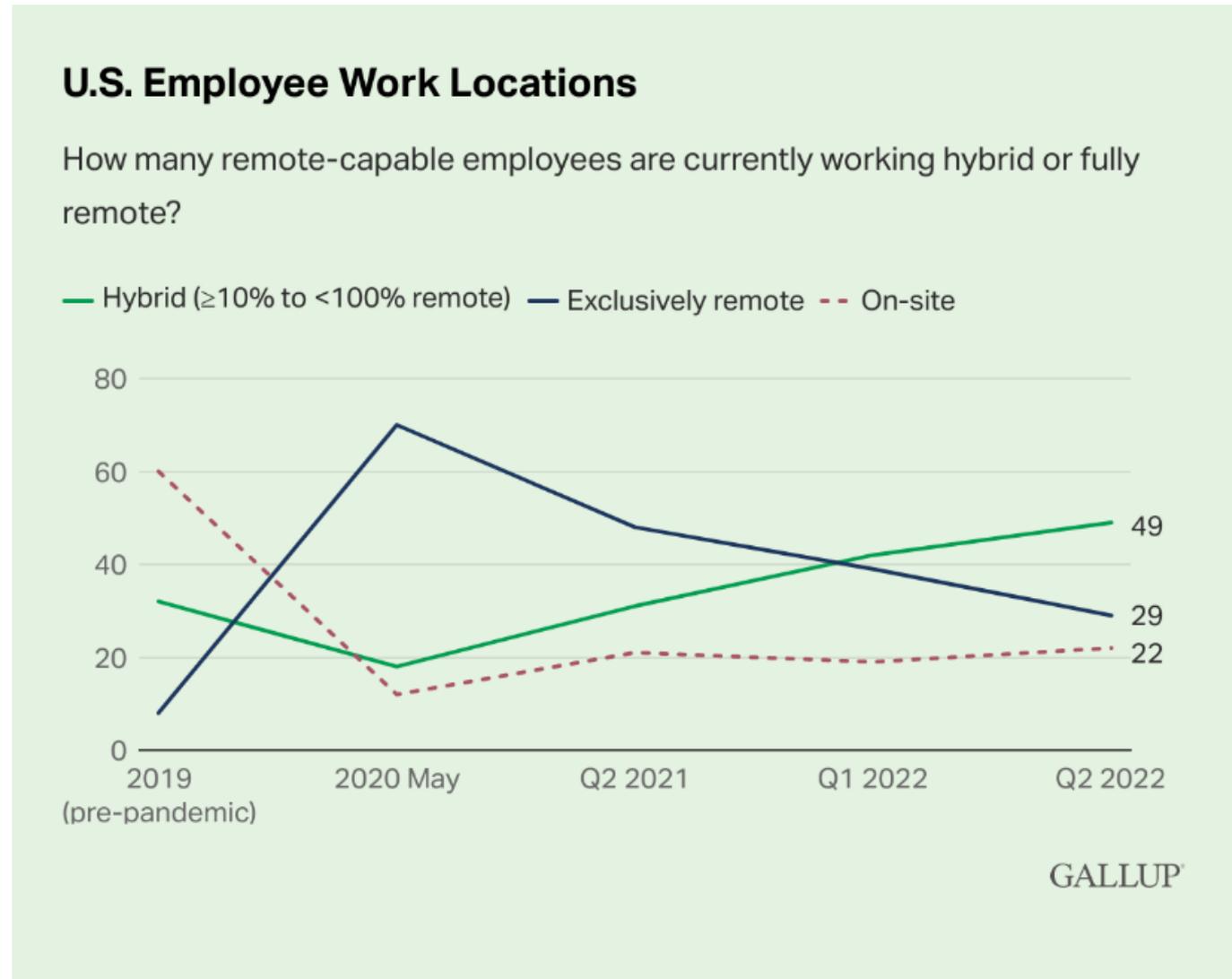
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RETURN TO WORK SURVEY - GALLUP

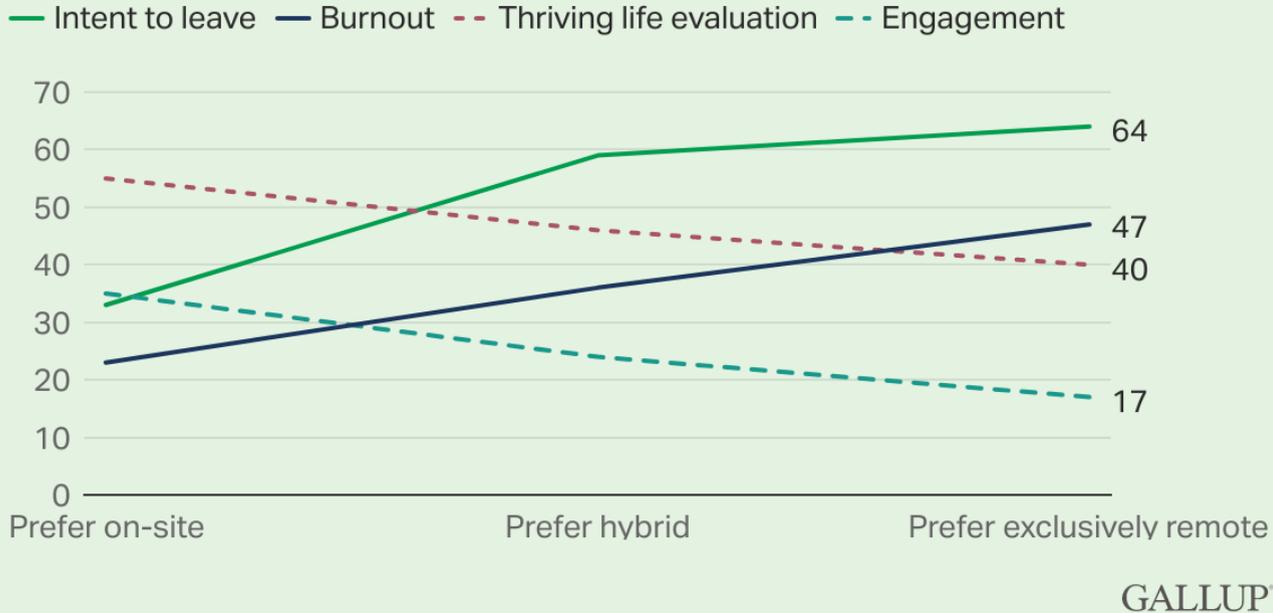
- ▶ 56% of full-time employees in the U.S., >70 Million workers can do their job from home “remote-capable employees”
- ▶ For remote-capable employees as of June 2022:
 - » 50% Hybrid
 - » 30% Fully Remote
 - » 20% Entirely On-Site
- ▶ Preference for remote-capable
 - » 60% Hybrid
 - » 34% Fully Remote
 - » 6% Entirely On-site



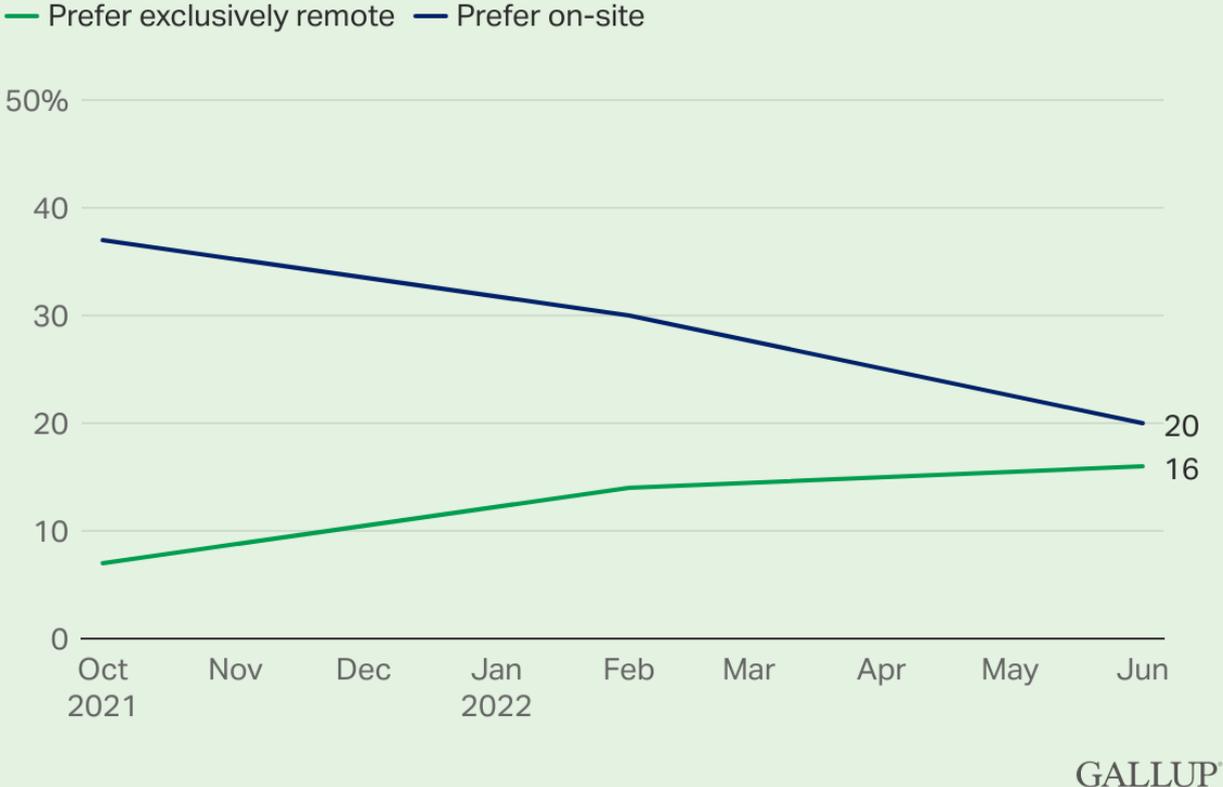
RETURN TO WORK SURVEY - GALLUP

On-Site Employees' Experiences Based on Current and Preferred Work Location

What happens when remote-capable, on-site employees do not work in their preferred location(s)?



For On-Site Employees, Preference for Remote Work Flexibility Has Increased

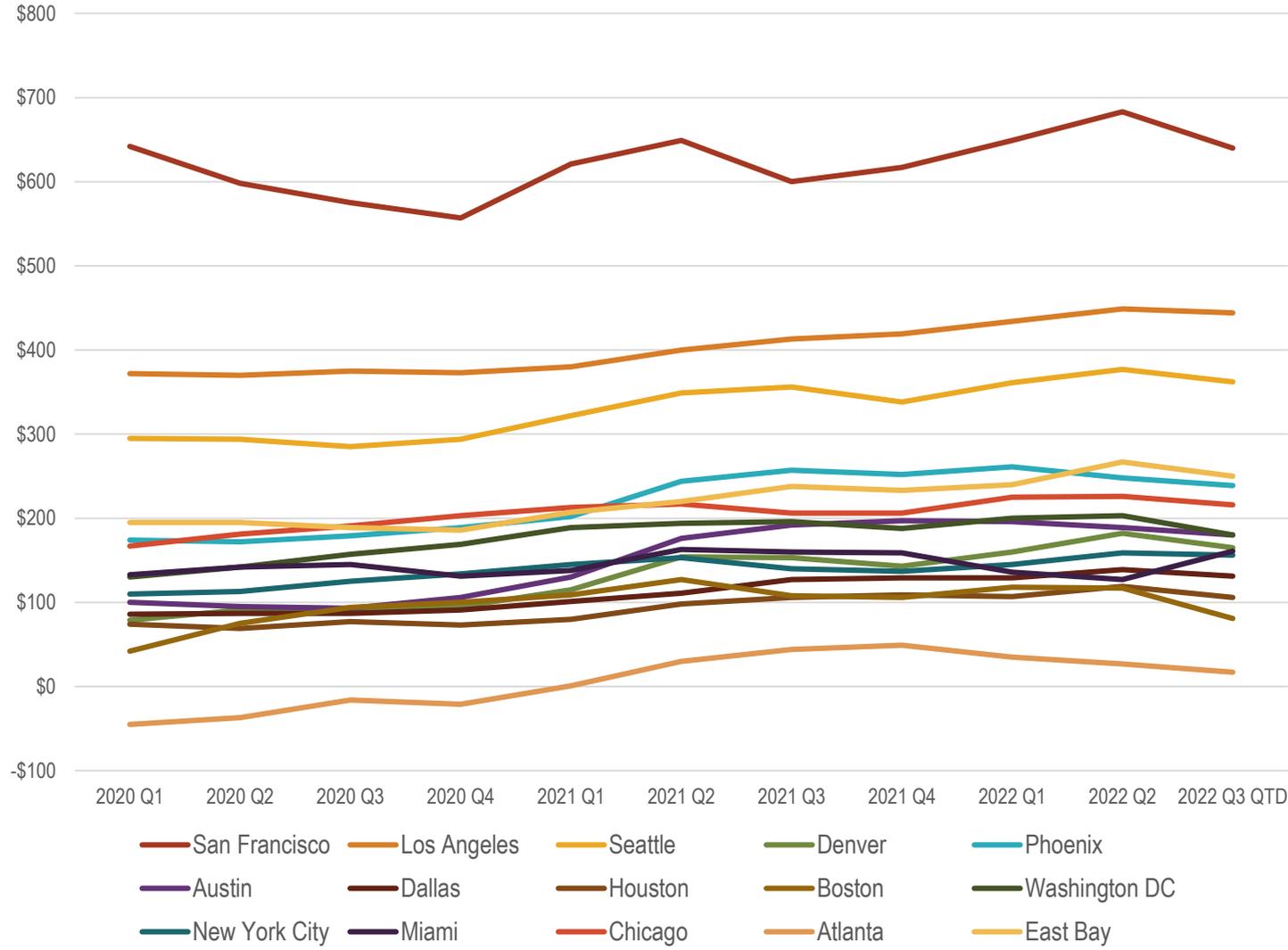


TOPIC ONE – ONE BEDROOM PREMIUMS

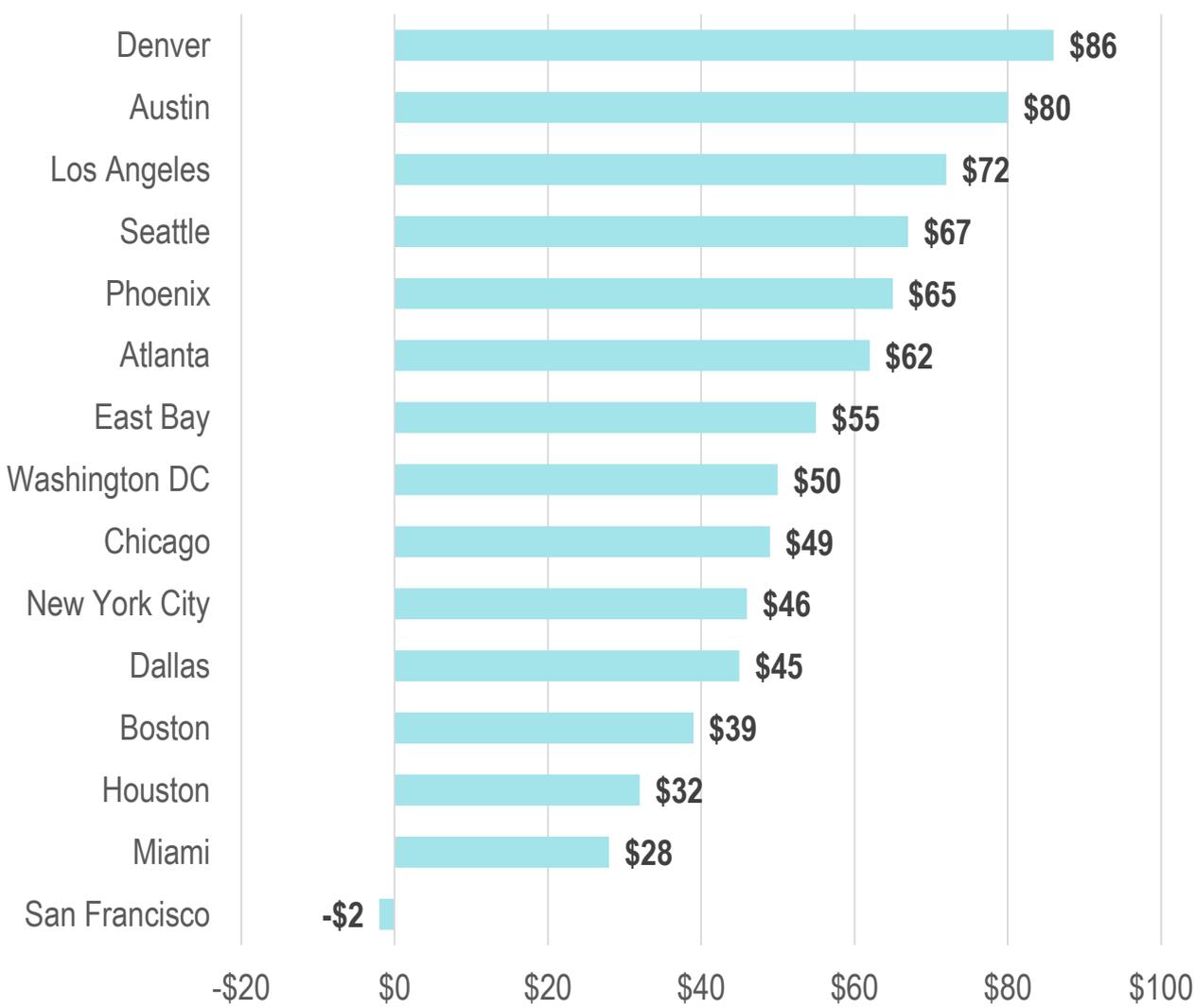
ONE BEDROOM TO STUDIO PREMIUM WIDENS SINCE START OF PANDEMIC

Key Markets See Significant Rise in One Bedroom to Studio Premiums Over Last 10 Quarters

Historical One Bedroom Premium Across Key Markets



One Bedroom VS Studio Premium Delta



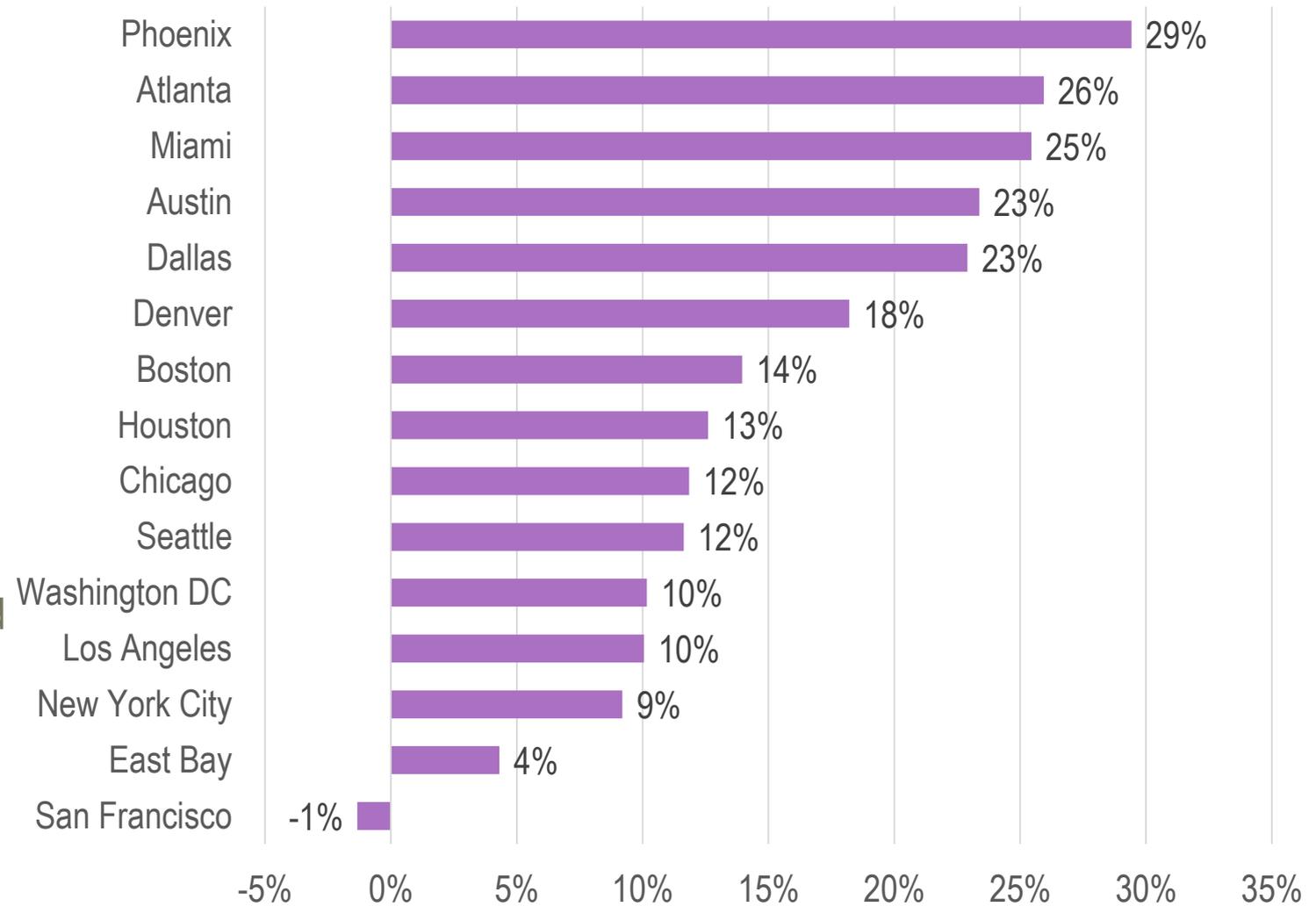
Source: CoStar; RCLCO

NEW TRENDS DRIVE SIGNIFICANT RENT GROWTH IN ONE BEDROOMS

Key Markets Also See Double Digit Rent Growth in One Bedroom Product Type Since Q1 2020

- Data shows a significant change in demand as potential renters are shifting preference to larger spaces
 - Home office space
 - Couples with two at home workers that need their own space
 - Inherent premium in larger square footage has widened
- Key markets have seen the average premium of one beds versus studios increase by an average of about \$50 since Q1 2020.
- The greatest change has been in high growth, western markets including Denver and Austin
 - A significant delta exists in emerging markets versus established markets
 - The East Bay (Oakland and cities within Alameda County) has seen about a \$55 increase in the one-bedroom premiums while the nearby San Francisco market has actually seen a loss of premium by about \$2

One Bedroom Rent Growth from Q1 2020 to Q3 YTD 2022



IN-UNIT BUILT-IN DESK SPACE



- Alcove space utilizes oddly shaped floorplans
- Built in desk for work from home

PARTITIONED AND OPEN COWORKING AMENITY SPACE



- Demand for workspaces has extended to common areas
- Communal tables and partitioned niches
- WeWork and Industrious partnering with residential developers to open facilities within new developments

INTEGRATED OUTDOOR/INDOOR AMENITY SPACE



Common Public Areas



- More compartmentalization, designated spaces, and flexibility
- Enhanced access to well-spaced outdoor areas, such as rooftop decks, courtyards and walking trails that offer a chance to get out of their enclosed apartments

TOPIC TWO – REMOTE WORK HOUSING

WORK FROM ANYWHERE...

It's here to stay



- **Twitter:** “Work from home forever or wherever you feel most productive and creative.”



- **3M:** “Work Your Way”



- **Lyft:** “Fully Flexible”

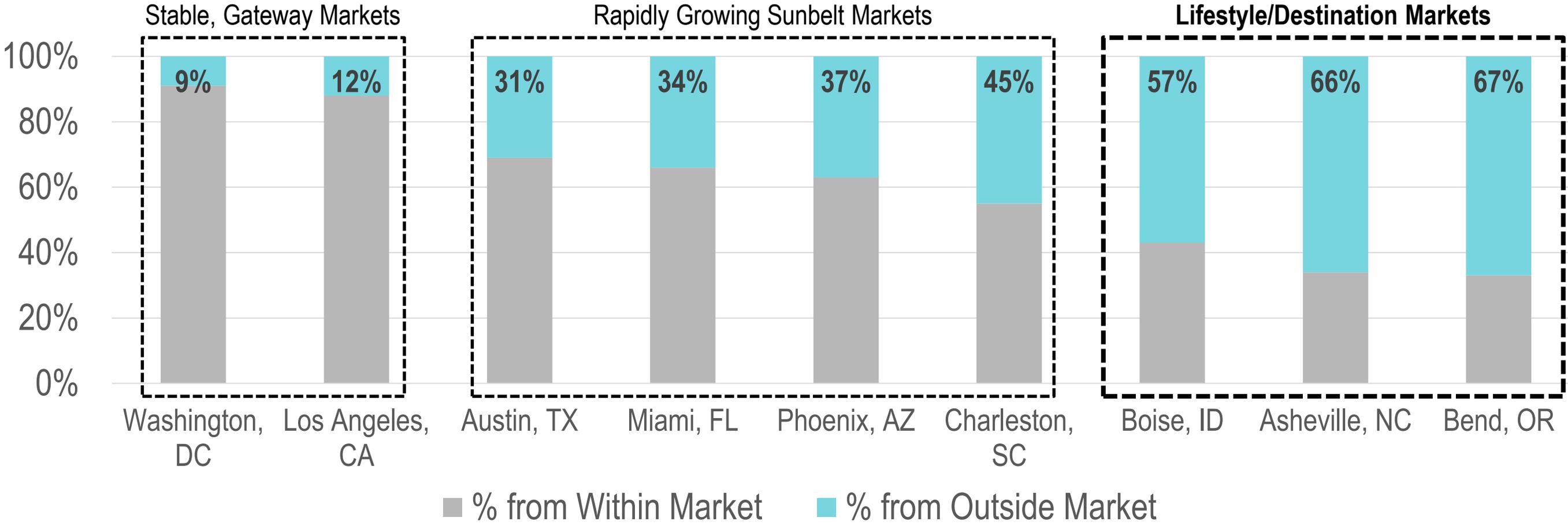


- **Spotify:** “Work from Anywhere”

DESTINATION MARKETS

New lifestyle destinations seeing growing interest from outside the market

Percentage of Redfin Users Searching for Homes Within Market or from Outside the Market



CUSTOMER PREFERENCES

Who are the newly mobile class of workers?

Fully Remote Professionals

- Willing to move permanently
- Often in high-earning professions
- Expensive origin market → money goes further in destination market

Buy/Rent new home in Boise, ID for cheaper than origin market



Millennial Snowbirds

- Living in cold, Northeast/Midwest markets
- Able to work remote from anywhere and choose to live in warmer climate for a couple months in the winter

2 Month Airbnb at Natiivo Miami



Short Term Remote-Work Travelers

- Professionals taking a “working vacation”
- Access to WiFi across the globe
- Looking for proximity to nature and experiential excursions paired with modern amenities

2 Weeks at Four Seasons Costa Palmas



CREATIVE SOLUTIONS TO TEMPORARY HOUSING

Housing and hospitality has become increasingly intertwined



Co-Living



Rent by the bedroom, share common spaces with other renters

STR Friendly Homes



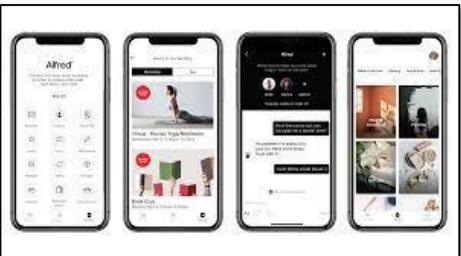
Management facilitates owners/renters leasing space on STR platforms

Home Sharing Service



Owner purchases home, can put residence into the hotel pool to rent

Hospitality & Tenant Services



Outsourced property management or service provider

Apartment-Hotels



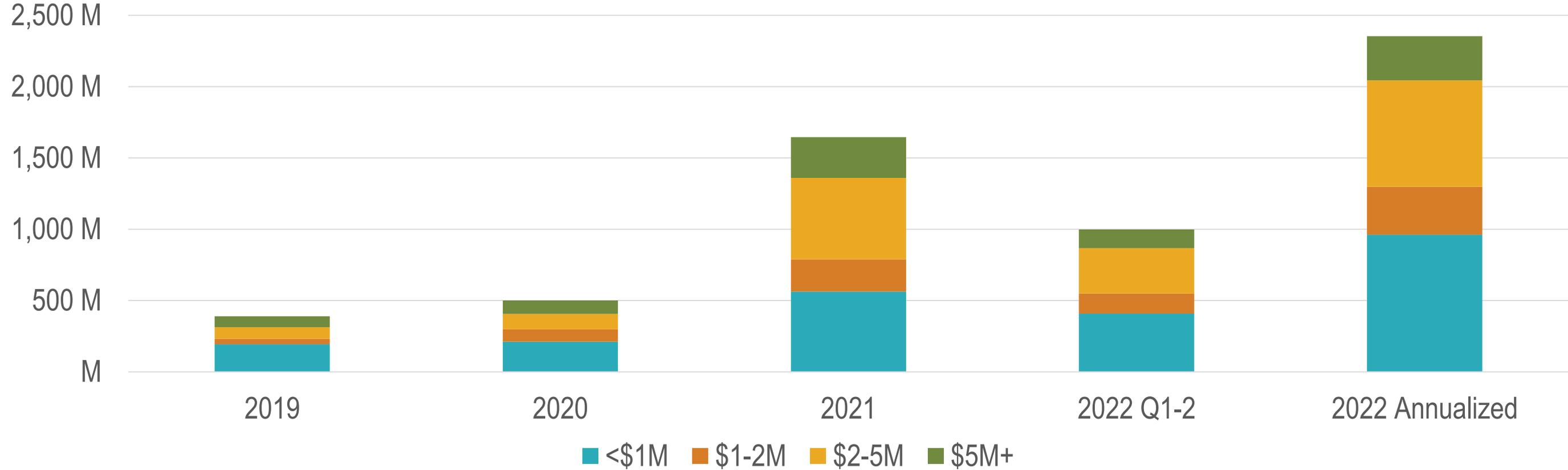
Hotel purchases or rents block of apartments to serve as hotel rooms

LUXURY HOUSING IN RESORT MARKETS

Los Cabos market exploded in recent years, increasing 4x in 3 years

Especially at the top end of the market, much of the volume is from hotel-branded inventory, where units are seen both as second homes and investments

Total Real Estate Transaction Volume, Los Cabos



TOPIC THREE – ORGANIZATION STRATEGY

TALENT STRATEGY



COMPONENTS OF COMPENSATION

BASE SALARY

ANNUAL BONUS

LONG-TERM INCENTIVE

- Individual Matrix
- Aggregate Pool
- Corporate Scorecard

- Service / Retention Plans
- Performance Plans
- Carried Interest Plans

LONG-TERM INCENTIVE PARTICIPATION

Who in the organization participates in the promote?

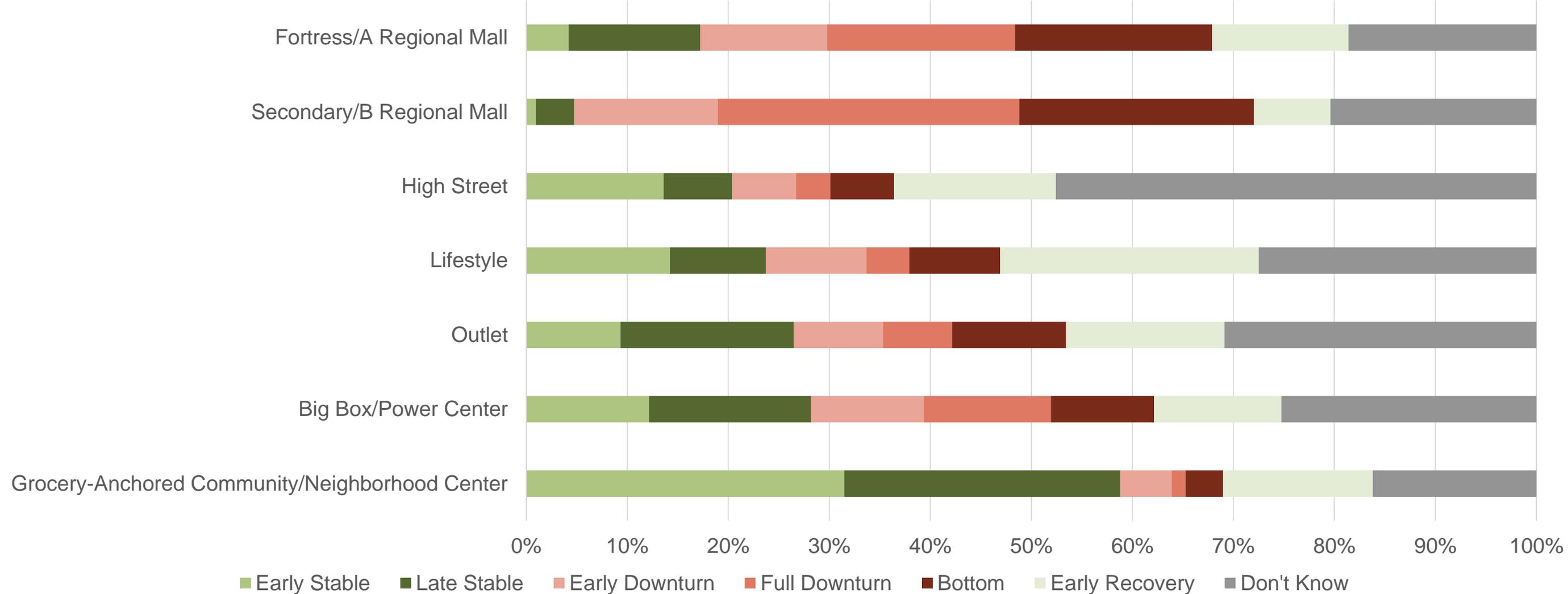
How is the carried interest allocated to those who participate?

How does this vary based on the size of the company? Track record of the company?

TOPIC FOUR - RETAIL IMPLICATIONS

RETAIL YE 2021 – RCLCO SENTIMENT SURVEY

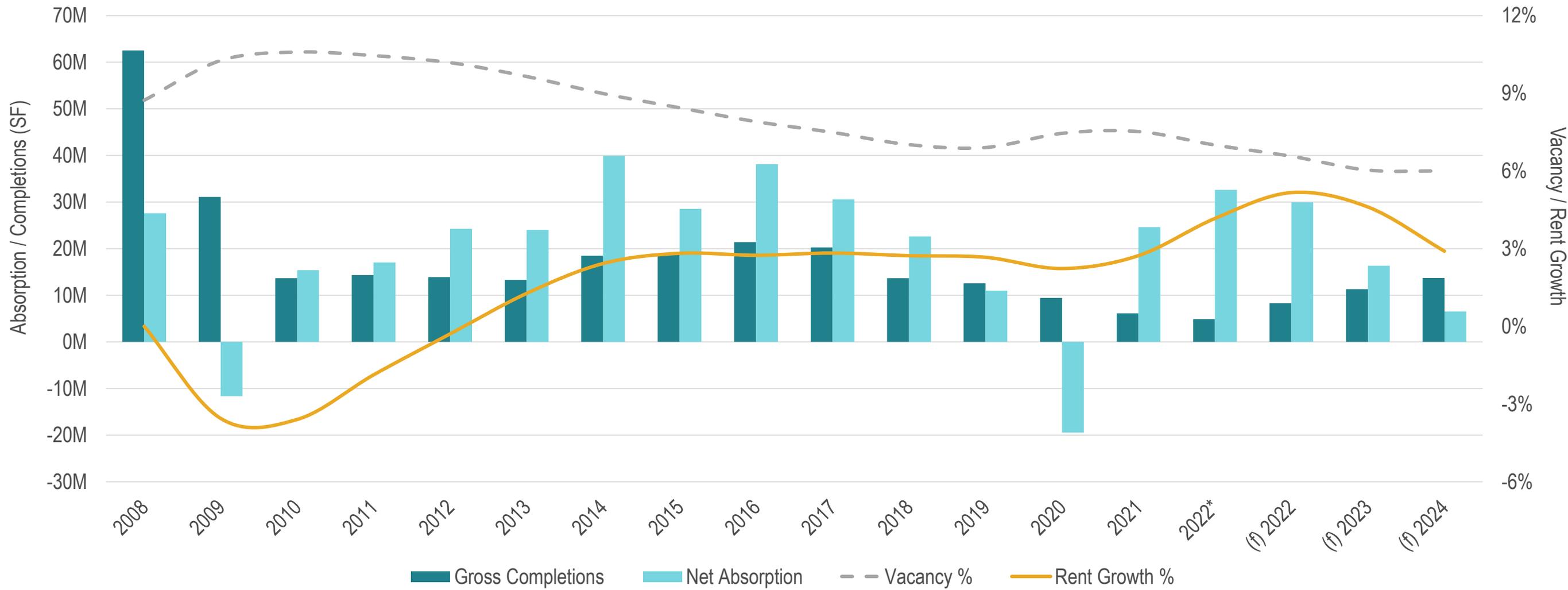
Grocery Anchored outperforms other types



Neighborhood Center Performance Trends Upward Post-Pandemic

Strong Absorption Expected to Continue Through 2022 with Record Low Vacancy

U.S. Neighborhood Center Completions, Absorption, Vacancy, Rent Growth

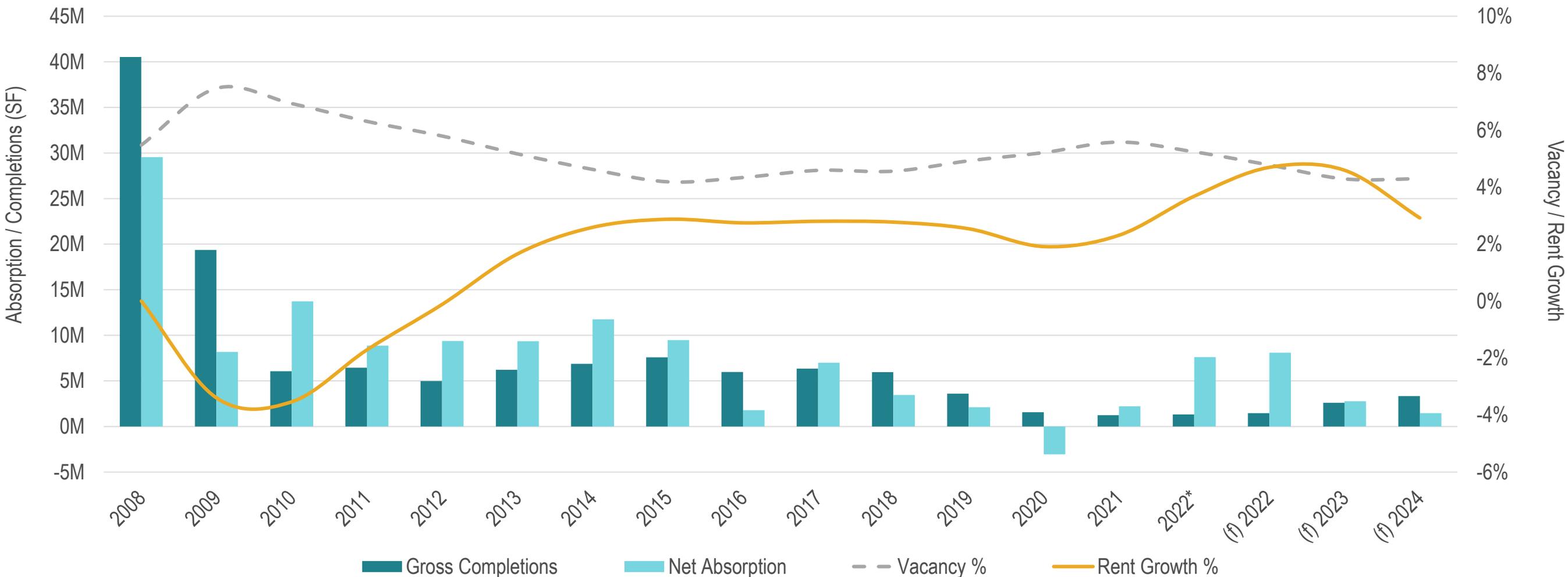


* Figures are rolling-four quarter averages as of Q2 2022.
 Notes: Above data are for neighborhood centers only.
 Source: CoStar

Power Centers Also Experience Record YoY Rent Growth at 3.7%

Q2 Fundamentals Favorable, Driven by Net Absorption Which Totaled Over 5X New Supply

U.S. Power Center Completions, Absorption, Vacancy, Rent Growth



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THANK YOU! – QUESTIONS?



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