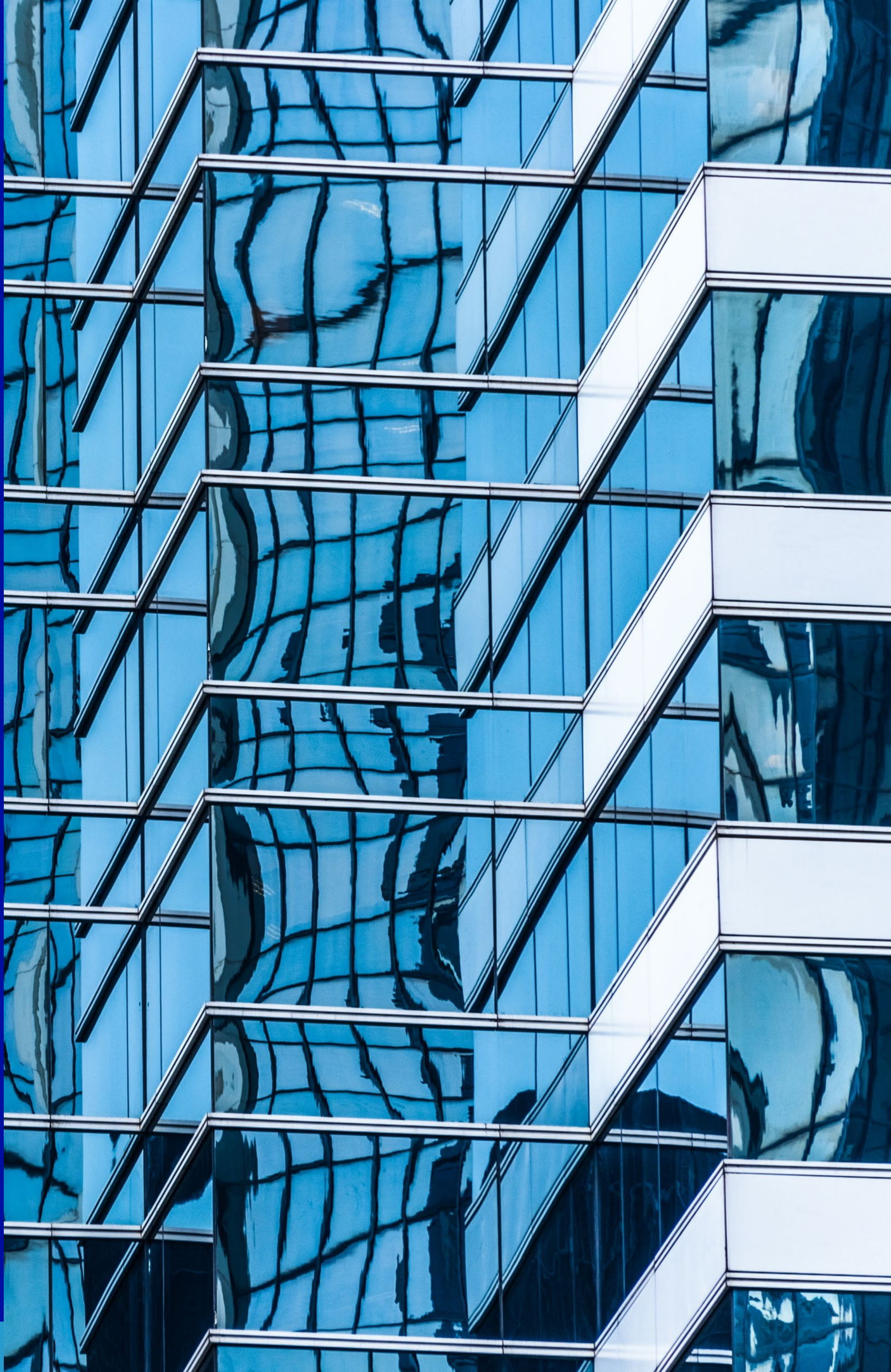
1Q21 United States Capital Markets Report



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Market Observations

What We Know

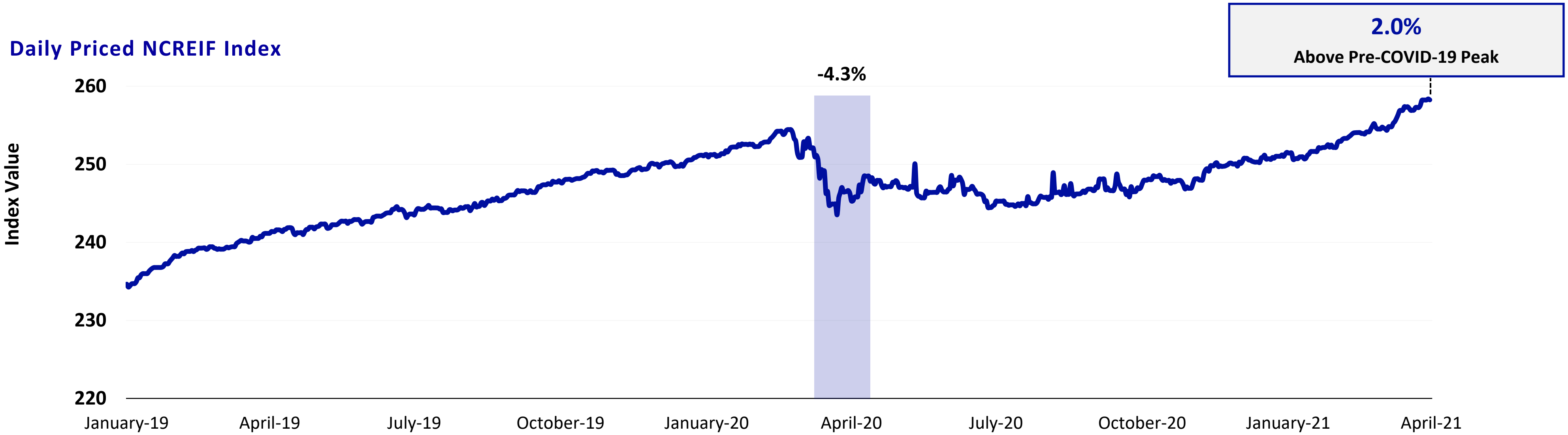
- ☑ Investment volume in 1Q21 declined 28.3% year-over-year to $96.7 billion. However, volume remains well above 2Q20 and 3Q20, when the pandemic had the greatest impact on deal activity.
- ☑ Investor allocation to alternative product types, such as life science, data centers and manufactured housing, reached a record high 16% of total investment in 1Q21, surpassing the allocation to conventional office product.
- ☑ Market price discovery has improved across all property types, but particularly for office product. Many of the largest US corporations, from banking to technology industries, have announced back-to-office plans – further clarity will occur in September, when most companies expect to have their workforces onboarded.
- ☑ Public REIT performance has begun to lag private real estate performance in 2021, with the majority of non-healthcare and industrial REITs trading at or below their net asset values. Private and institutional groups have been able to react more swiftly to changing market conditions and have had greater flexibility when selecting assets and property types.
- ☑ According to NCREIF, rent collection has improved in all property types since April 2020 with retail experiencing the greatest amount of recovery. March 2021 collections reached 93.8% for multifamily, 94.3% for office, 93.6% for industrial and 84.2% for retail.
- ☑ Retail and hospitality continue to experience the highest CMBS delinquency rates, at 16.0% and 10.9% respectively, but have improved substantially since topping out in June 2020.

What We Expect

- ☐ Pent-up investor demand, record high levels of dry powder, and continued positive economic signals are expected to support higher levels of investment activity throughout the remainder of 2021.
- ☐ Institutional investors expect allocations to alternative property types to increase throughout the next decade, particularly as sectors like healthcare and technology continue to benefit from secular tailwinds.
- ☐ Recapitalizations will remain a prominent strategy as landlords are incentivized to unlock value at attractive valuations with future upside, given the improving economic outlook and steady vaccination process.
- ☐ While gateway markets will attract large amounts of investment and investor allocation post-pandemic, markets in the sunbelt have leveraged favorable corporate tax structures, lower costs of living, as well as economic and job incentives to attract record amounts of businesses and people. Investors, accordingly, will continue to pursue opportunities in these markets across all property types.

COVID-19 Impact: NCREIF Index vs. REIT Index

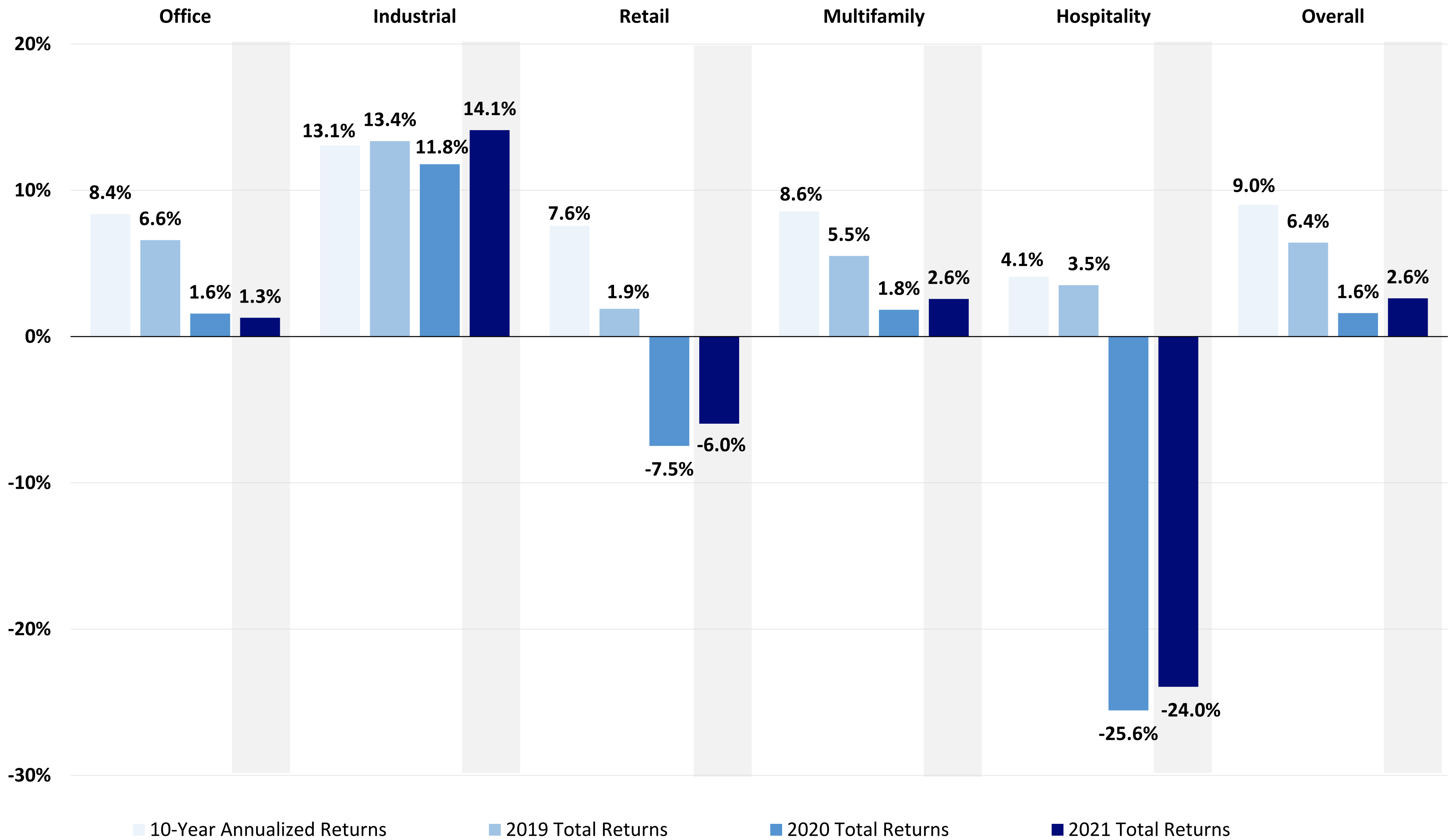
Private real estate represented by the daily NCREIF index has experienced less volatility than the Equity REIT index and has surpassed its pre-COVID peak by 2.0%, as investor demand and underlying fundamentals for multifamily, industrial and various segments of office remain strong. The Equity REIT Index has been slower to recover in part due to the prevalence of retail and hospitality REITs, which make up over 30% of the total and continue to face headwinds.



Source: Newmark Research, NCREIF, NAREIT

COVID-19 Impact: Total Returns by Property Type

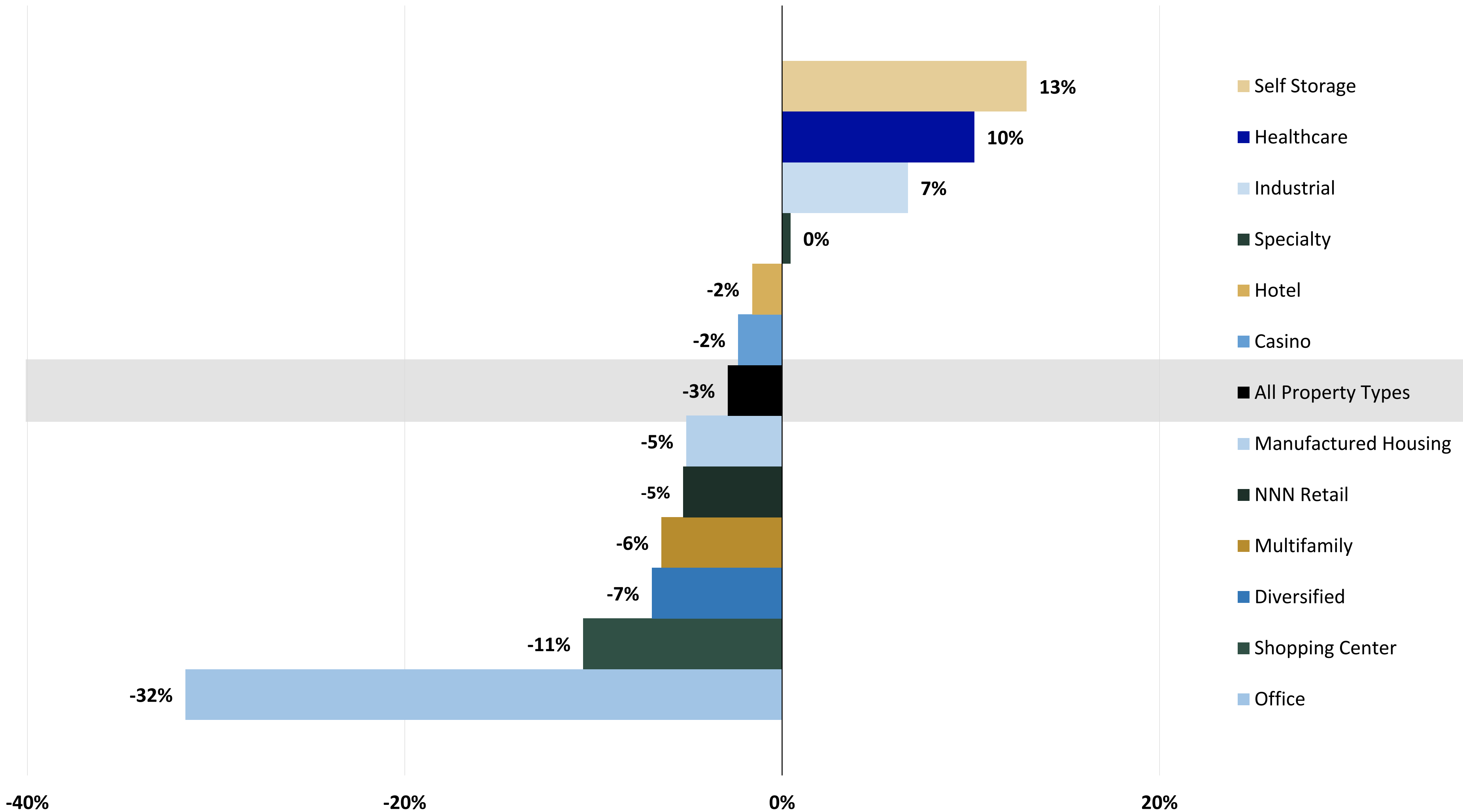
NCREIF total returns recorded positive momentum across all property types, with overall total returns increasing to 2.6% in 1Q21. Industrial continued to record the highest total returns in 2021 at 14.1% and is the only property type that recorded higher total returns compared with 2019, highlighting both immense demand and continued NOI growth.



Source: Newmark Research, NCREIF

Premium / Discount to NAV by REIT Property Type

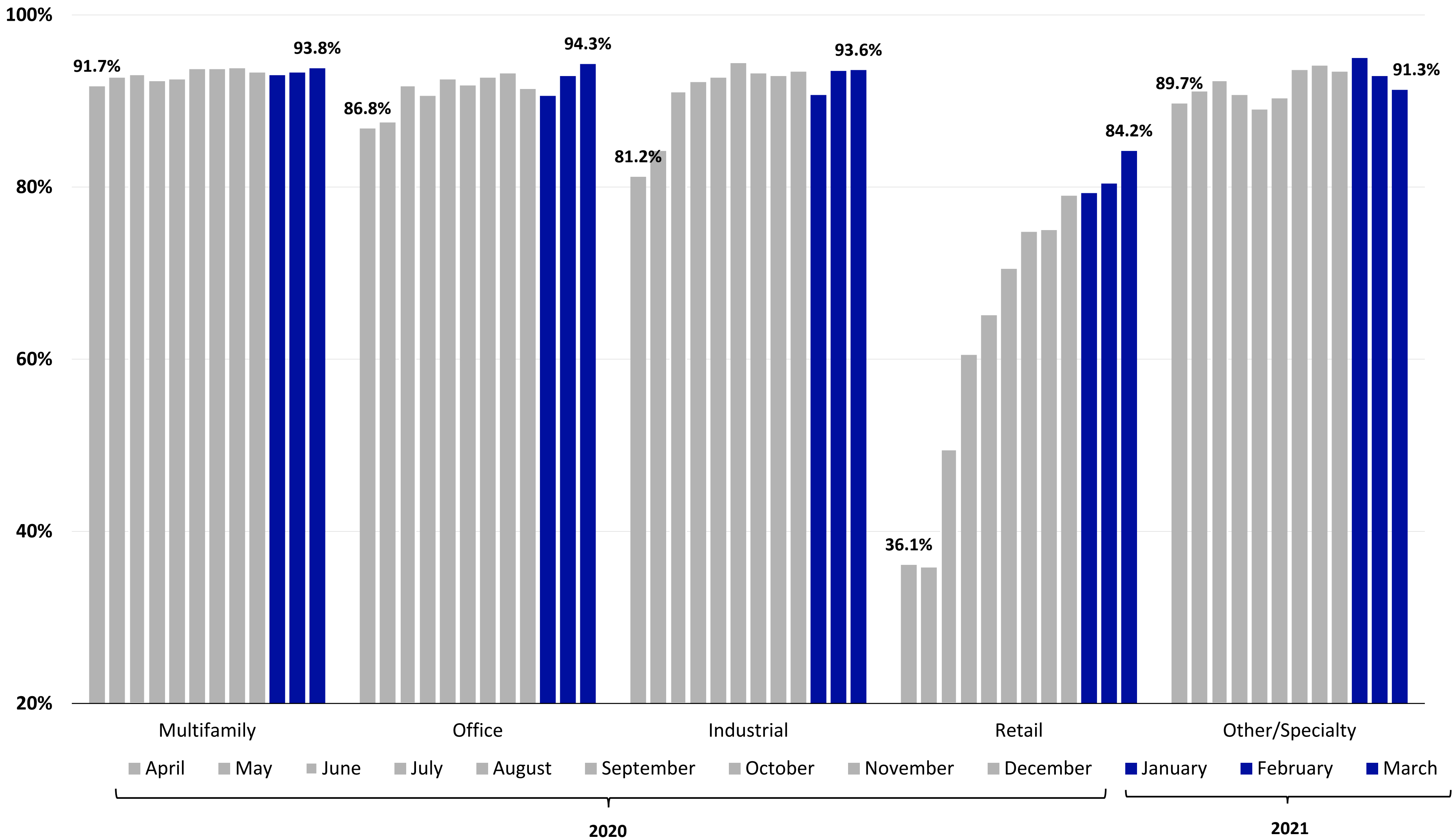
In addition to retail REITS, multifamily and office REITS are still trading at large discounts to their NAV in 1Q21, due to the composition of their portfolios, which are predominately located in the largest gateway markets. Healthcare and industrial REITs are among the three types trading above their NAVs, as both are supported by secular tailwinds such as an aging US population, expanding technology in healthcare and the adoption of e-commerce.



Source: Newmark Research, S&P Capital IQ

Rent Collection by Property Type

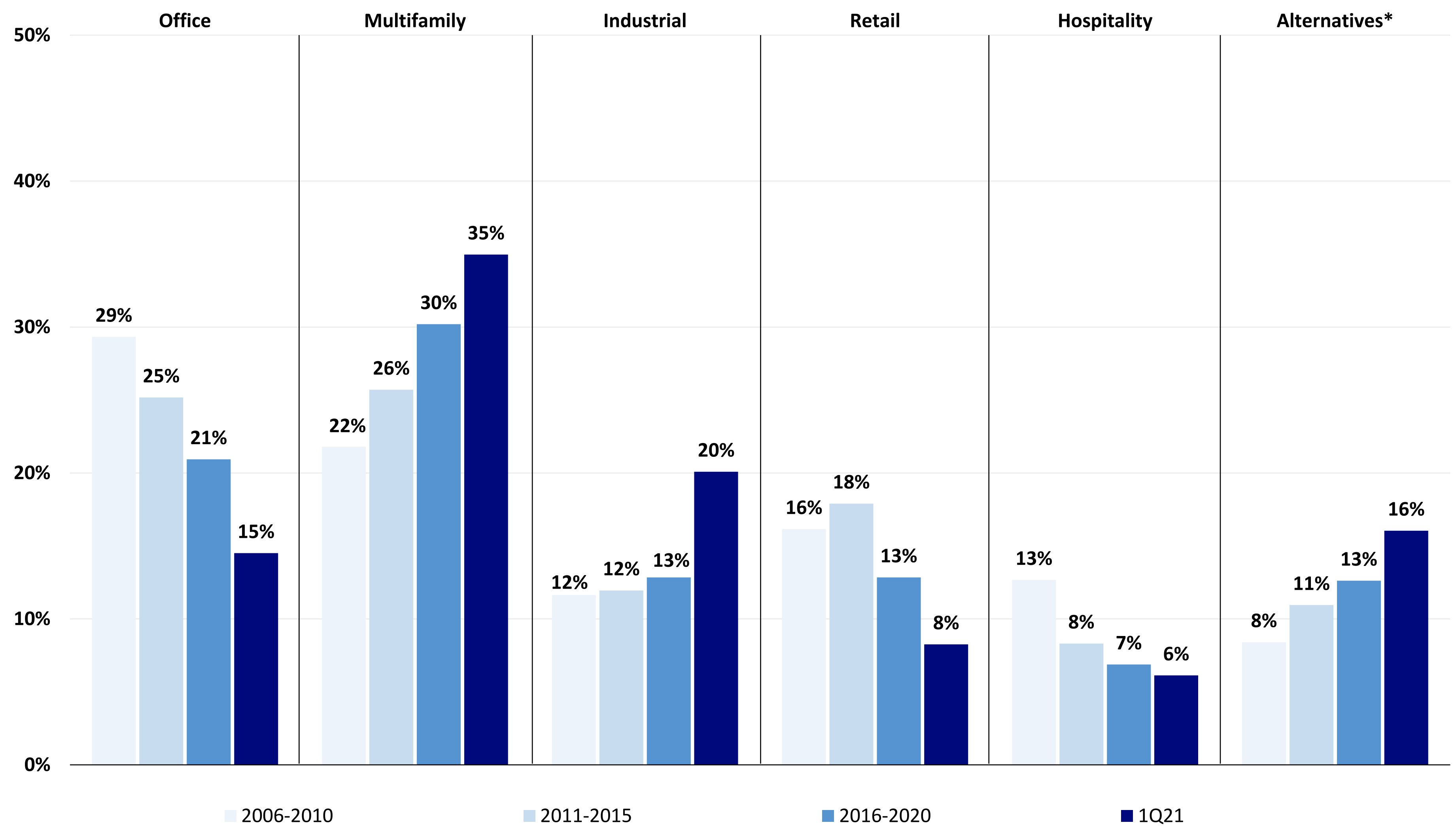
Increased economic activity and easing of COVID-19 restrictions have restored a degree of market confidence, helping boost rent collections in all major property types in 1Q21. Office collections accelerated and reached a post-COVID-19 peak of 94.3% in March, while multifamily and industrial remained resilient at 93.8% and 93.6%, respectively.



Source: Newmark Research, NCREIF

Investor Allocation Over Time

The pandemic accelerated allocations toward multifamily and industrial product in 2021, but also to alternative product with counter-cyclical and secular growth characteristics such as life science, data centers, medical office, self storage, student housing and manufactured housing. Alternatives in 2021 made up 16% of investor allocations, surpassing allocation to conventional office by 1%, with momentum expected to continue.



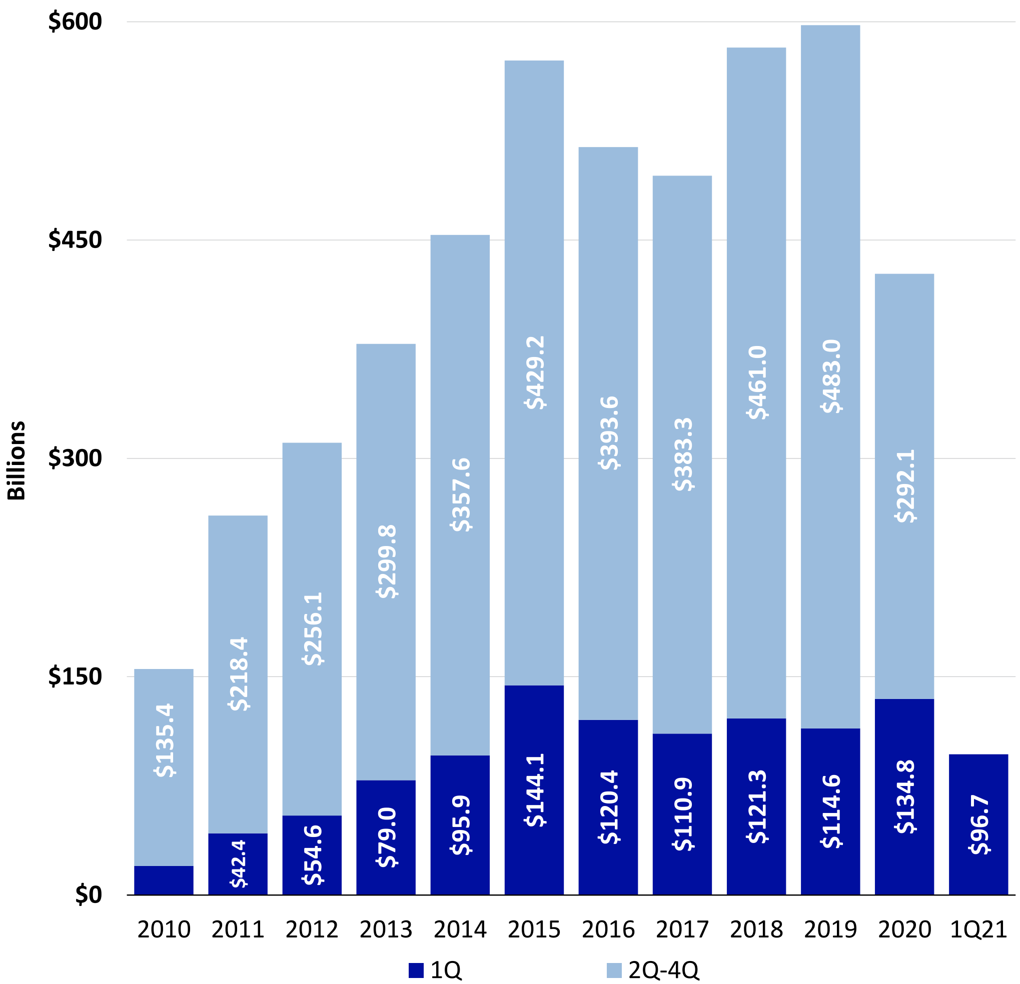
Source: Newmark Research, Real Capital Analytics

*Life science/R&D, medical office, data centers, age-restricted housing student housing, seniors housing, manufactured housing, self storage

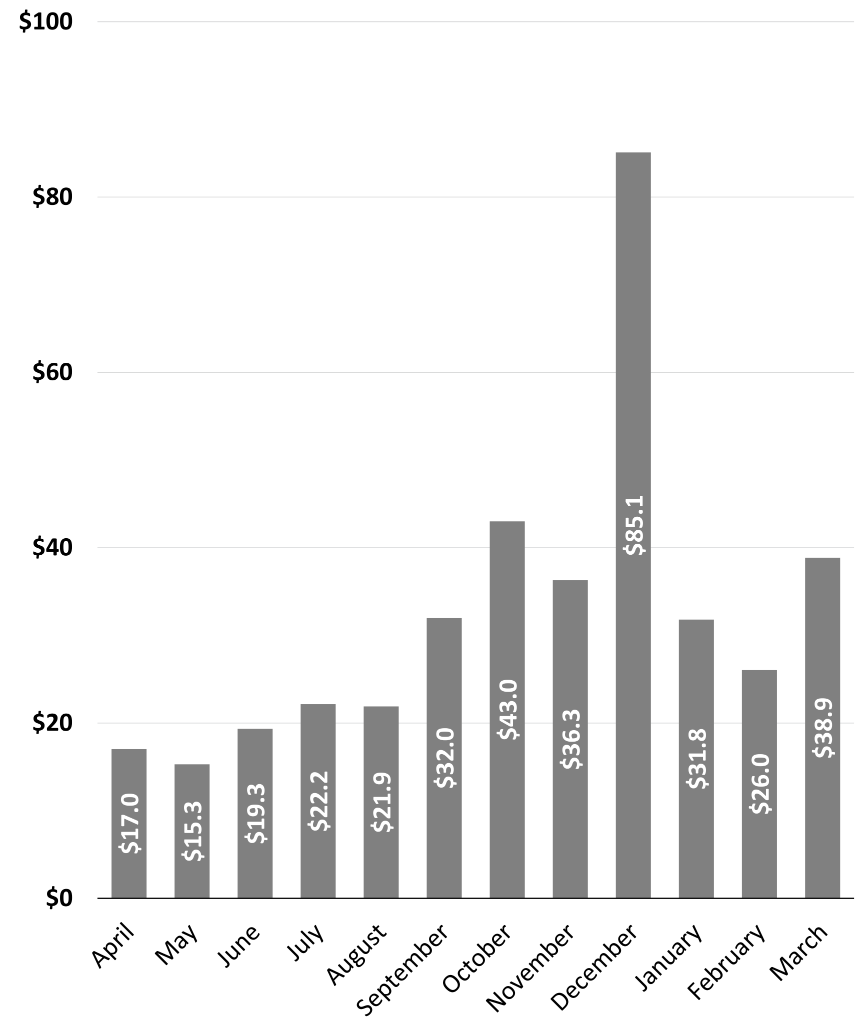
United States Total Sales Volume

Investment volume in 1Q21 declined 28.3% year-over-year to $96.7 billion. However, overall capital markets activity and investor sentiment has recovered substantially since 2Q20, bolstered by economic stimulus, continued vaccine rollout and pent-up investor demand. Similarly, monthly volume has progressively recovered, with March deal volume hitting $38.9 billion, approximately 154% above May 2020 volume when activity bottomed at $15.3 billion.

Quarterly Volume



Past 12 Months - Monthly Volume

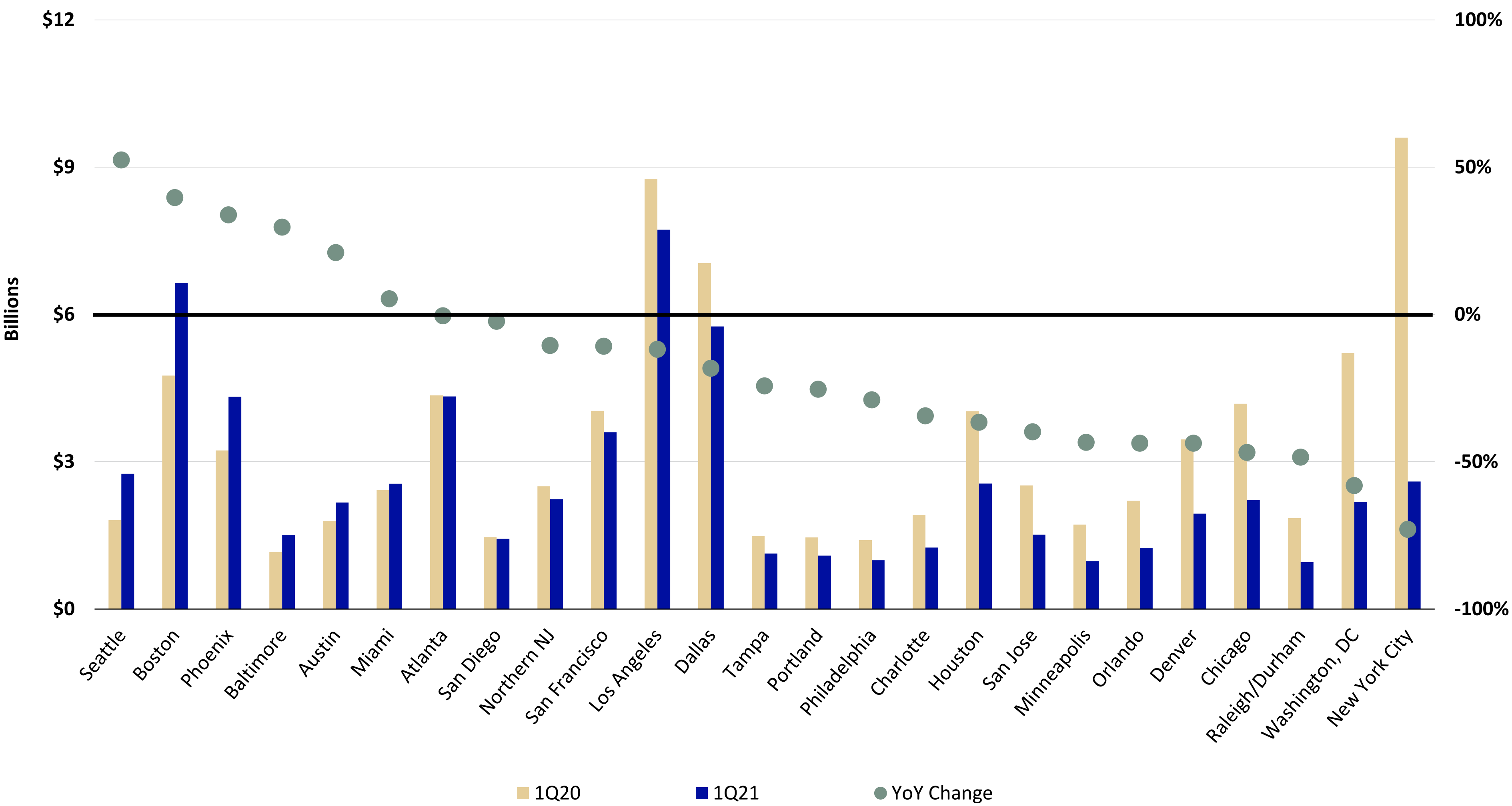


Source: Newmark Research, Real Capital Analytics

Total Sales Volume by Market

All Property Types

Seattle and Boston have led the gateway market recovery, with sales volume increasing 52.4% and 39.6% year-over-year, respectively. Seattle's fast-expanding submarkets, including Bellevue and Redmond have become major hubs for Amazon, Facebook and Microsoft, which have publicly committed to bringing back employees to in-person work, while Boston continues to attract life science investors in Cambridge and suburban markets such as Waltham and Lexington.



Source: Newmark Research, Real Capital Analytics

Top United States Transactions

1Q21; All Property Types

Single Asset Trades

Property	Price
The Exchange on 16th San Francisco, California Office/Life Science Buyer: KKR Real Estate	**$1.1 B**
125 West End Avenue (Partial Interest) New York, New York Office/Life Science Buyer: LaSalle Investment Management	**$526 M**
1955 Broadway (Uptown Station) Oakland, California Office Buyer: Mapletree Investments	**$419 M**
The Drew (2755 S Las Vegas Boulevard) Las Vegas, Nevada Casino Buyer: Koch Real Estate, Fontainebleau Dev.	**$350 M**
100 Congress Avenue Austin, Texas Office Buyer: Carr Properties, Alony Hetz	**$315 M**

Portfolio Trades

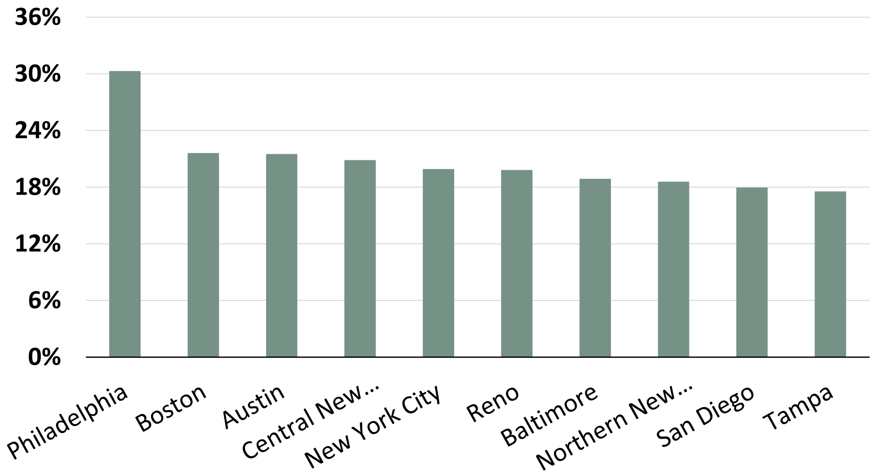
Property	Price
Cambridge Life Science 13 Properties Office/Life Science Buyer: Blackstone / BioMed Realty	**$3.4 B**
National Limited-Service Hotel 20,830 keys Hotel Buyer: Highgate, Cerberus	**$2.8 B**
National Multifamily 14,414 units Multifamily Buyer: Morgan Properties, Olayan Group	**$1.8 B**
National Manufactured Housing 93 Properties Manufactured Housing Buyer: Horizon Land Company	**$743 M**
National Warehouse (Partial Interest) 45 Properties Industrial Buyer: GIC	**$700 M**

Source: Newmark Research, Real Capital Analytics

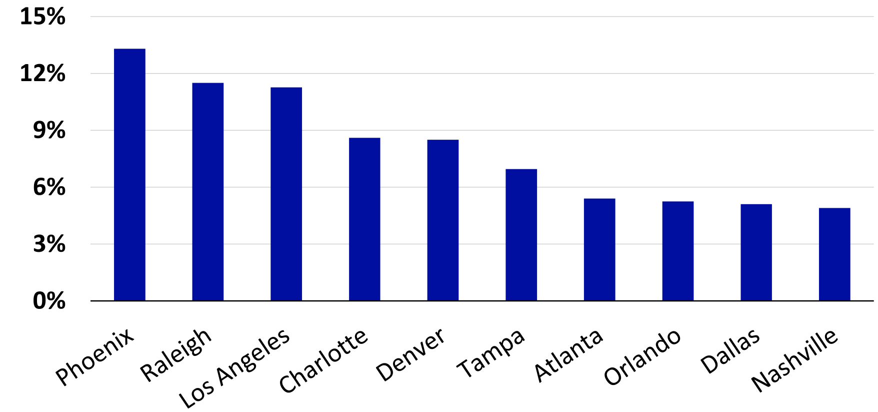
Top Ten Markets by Annualized Total Returns and Property Type

The spread between urban and suburban office continues to widen, with Atlanta recording the highest urban total return in 2021 of 7.0% -- Atlanta's superior performance is in part due to its position as a regional logistics hub and its burgeoning midtown submarket, where companies such as Microsoft and Google have committed to substantial expansion plans.

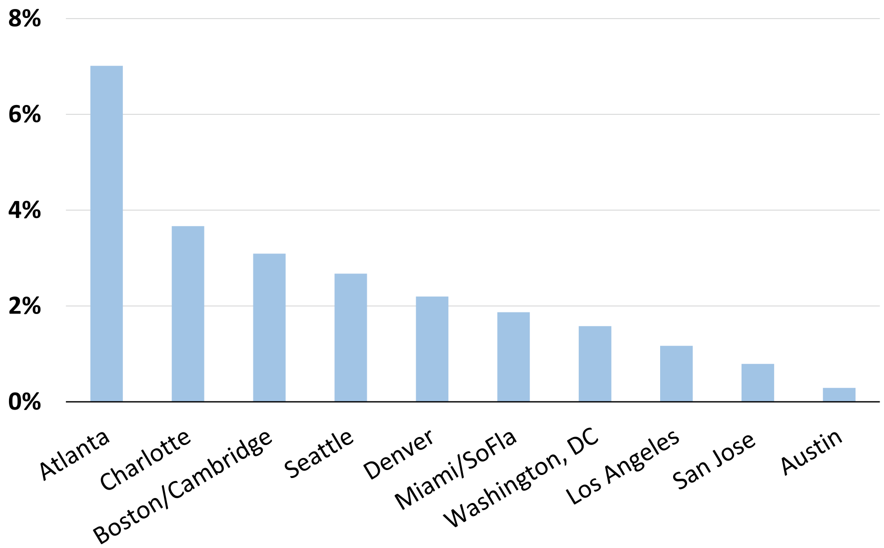
Industrial



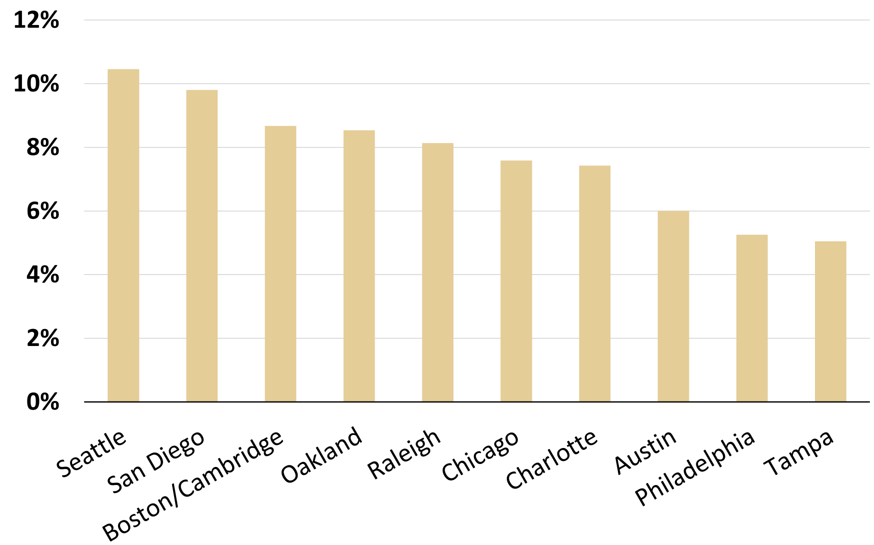
Multifamily



Urban Office



Suburban Office

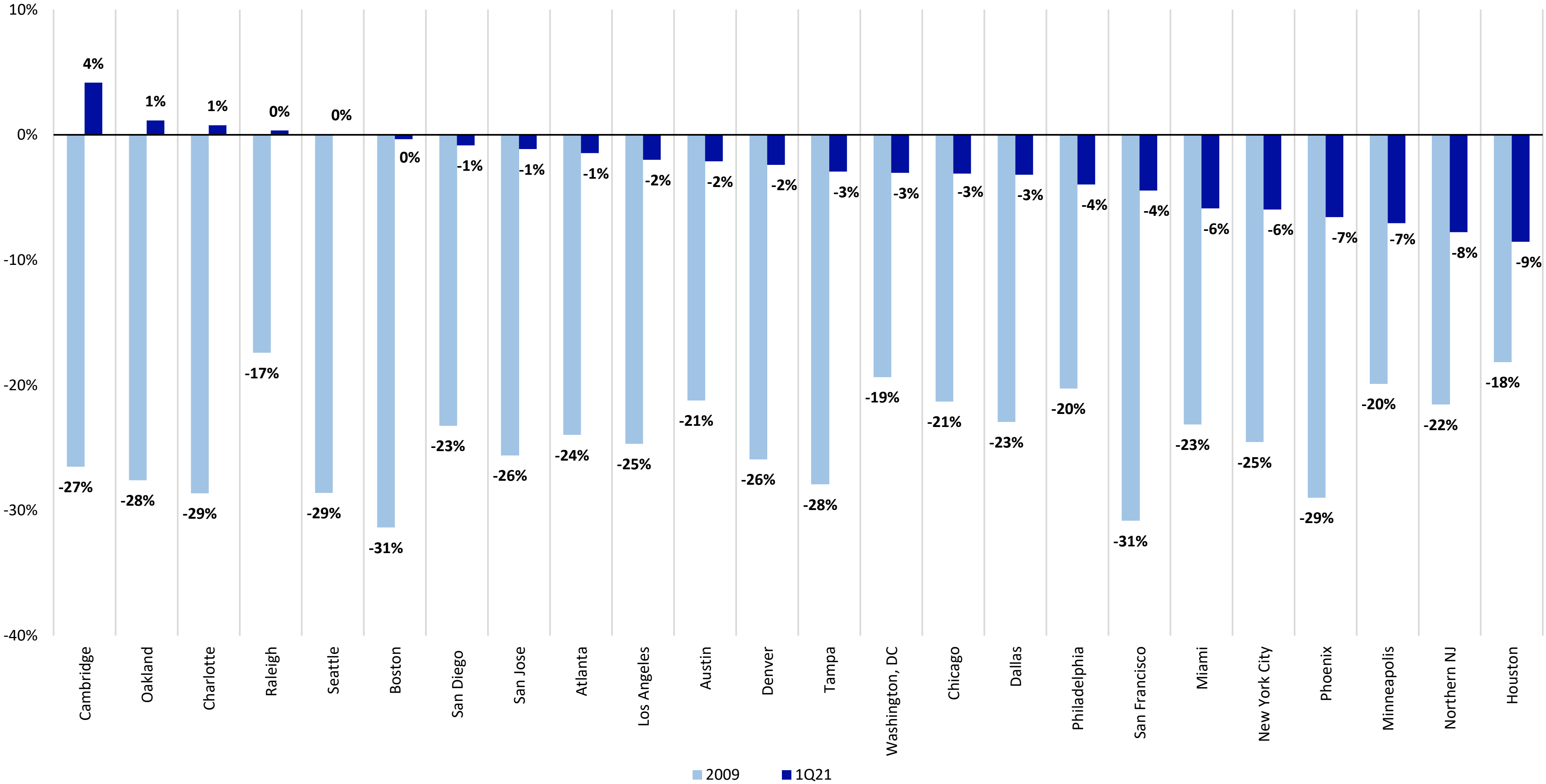


Source: Newmark Research, NCREIF

COVID-19 vs. GFC Impact on Office Valuations

Year-over-Year Change in NCREIF Appreciation Index

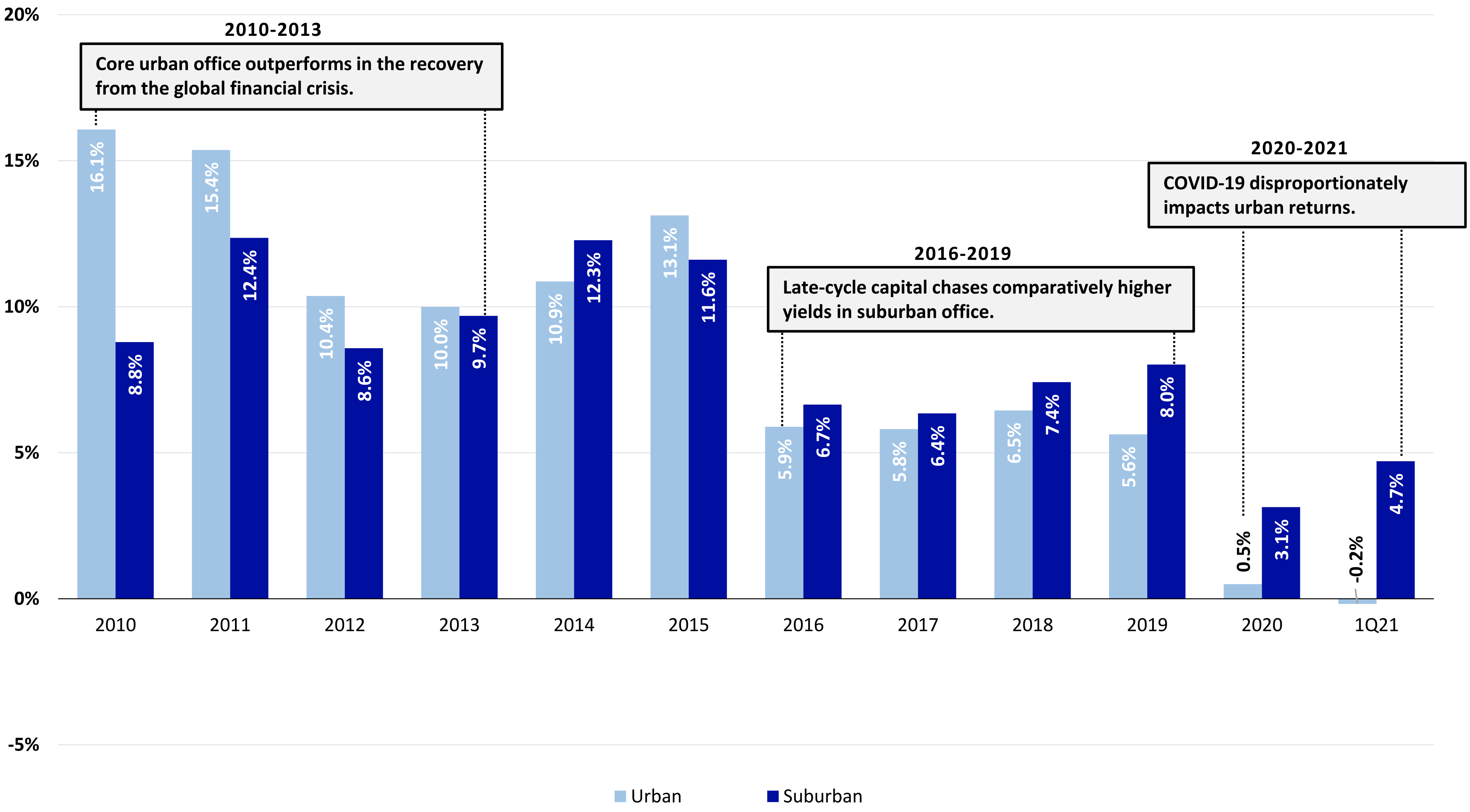
While COVID-19 has had a negative impact on office valuations, the impact has not come close to the level of disruption caused by the global financial crisis, even for markets that have received the most bearish coverage, such as New York City and San Francisco.



Source: Newmark Research, NCREIF

Suburban vs. Urban Office Total Returns

Demand for office product has shifted over time, with momentum in suburban real estate continuing into 2021 as dense urban markets have experienced higher levels of COVID-19-related disruption.

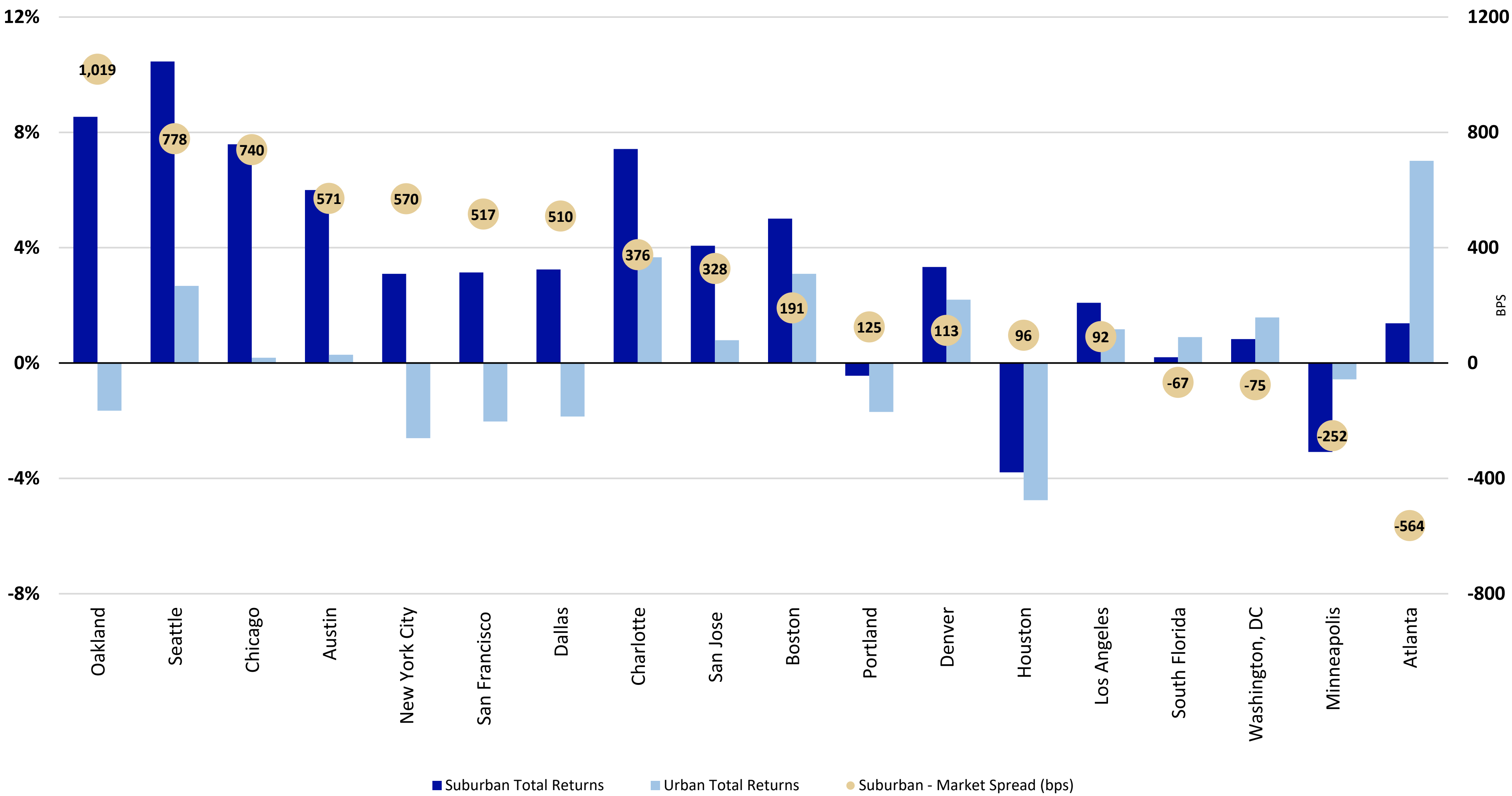


Source: Newmark Research, NCREIF

Suburban vs. Urban Office Total Returns by Market

Select Markets

Suburban office product continues to outperform by 282 basis points on average, in part due to prevalence of single-tenant buildings with longer term leases which offer an alternative risk profile compared with multi-tenanted urban product. In technology-centric markets such as Seattle, San Francisco and San Jose, single tenant campuses leased to major technology companies such as Google and Facebook continue to attract strong investor demand.

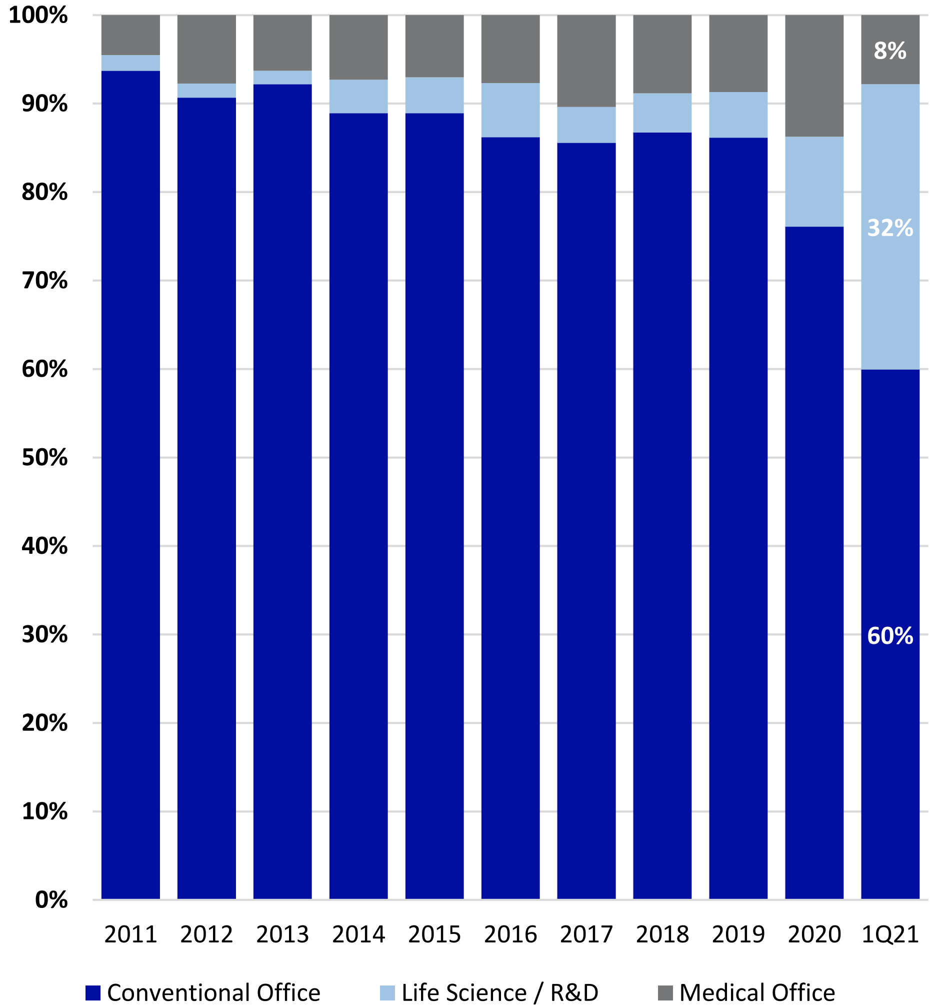


Source: Newmark Research, NCREIF

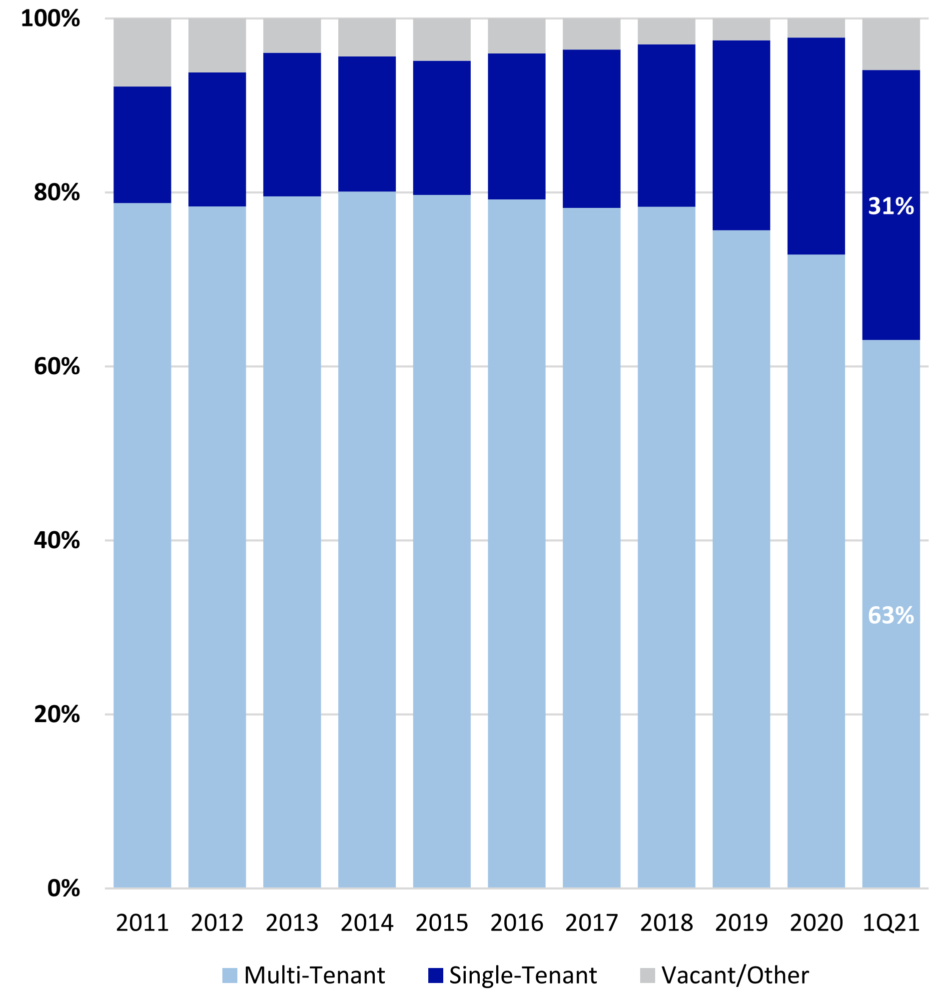
Changes in Office Investor Allocations

Office investors have adapted to pandemic market conditions by increasing their allocations to medical and life science real estate as well as to buildings leased to a single tenant. Life science made up a staggering 32% of office activity in 1Q21, aided by the $3.4 billion Cambridge portfolio acquired by Blackstone/Biomed Realty.

Medical Office & Life Science



Multi-Tenant vs. Single-Tenant

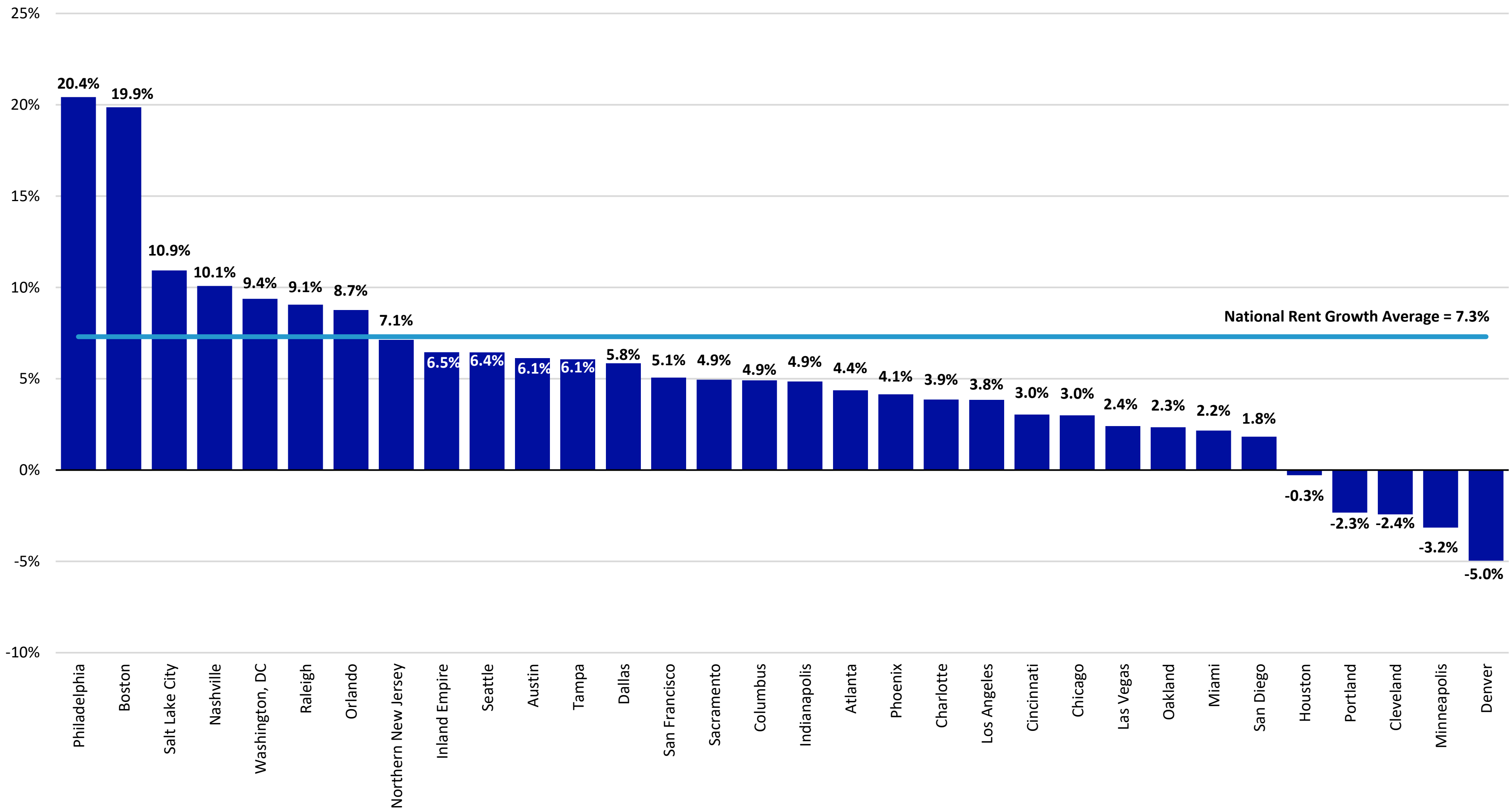


Source: Newmark Research, Real Capital Analytics

Industrial Rent Growth by Market

Year-Over-Year Change

The strongest markets in terms of rental growth have been a combination of gateway cities, which have attracted e-commerce and last-mile logistics, as well as sunbelt metros such as Nashville, Raleigh and Orlando. Philadelphia's industrial market led the country in 2021 with net rents increasing 20.4% year-over-year to $8.02 PSF, due to the immense demand and limited available industrial product in north and central New Jersey, which has pushed tenants further south.

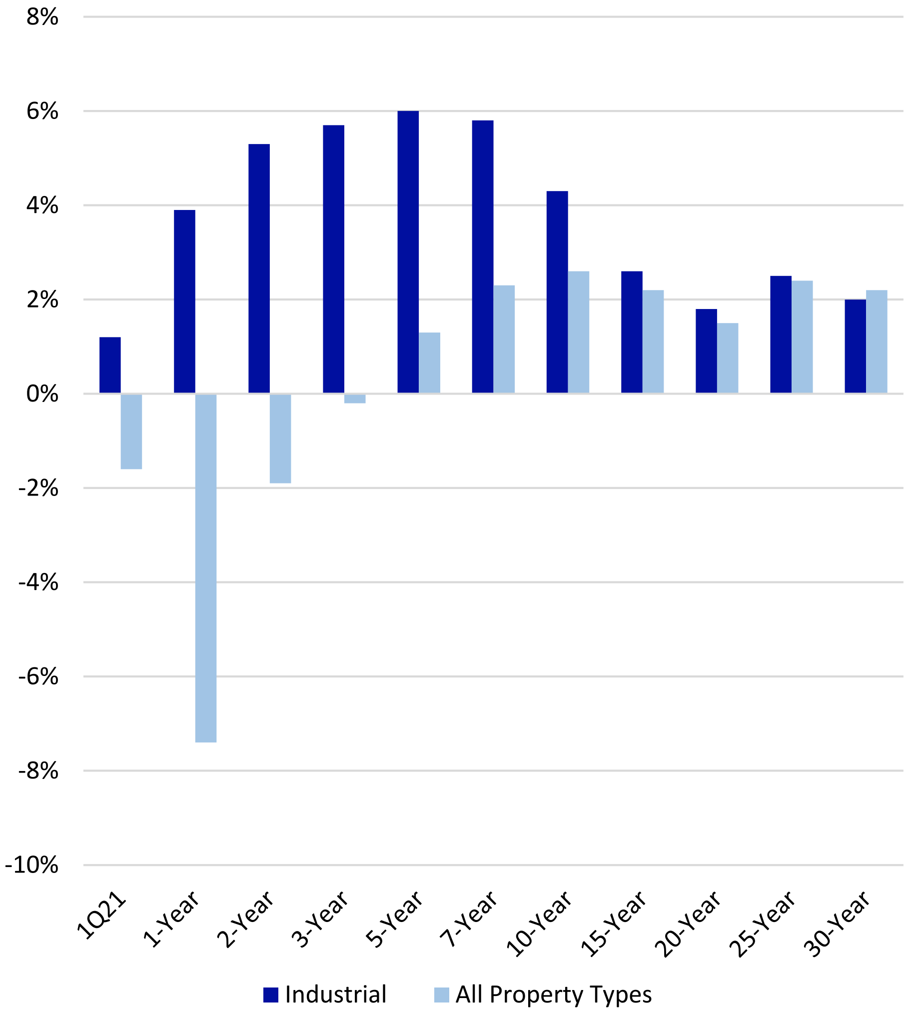


Source: Newmark Research

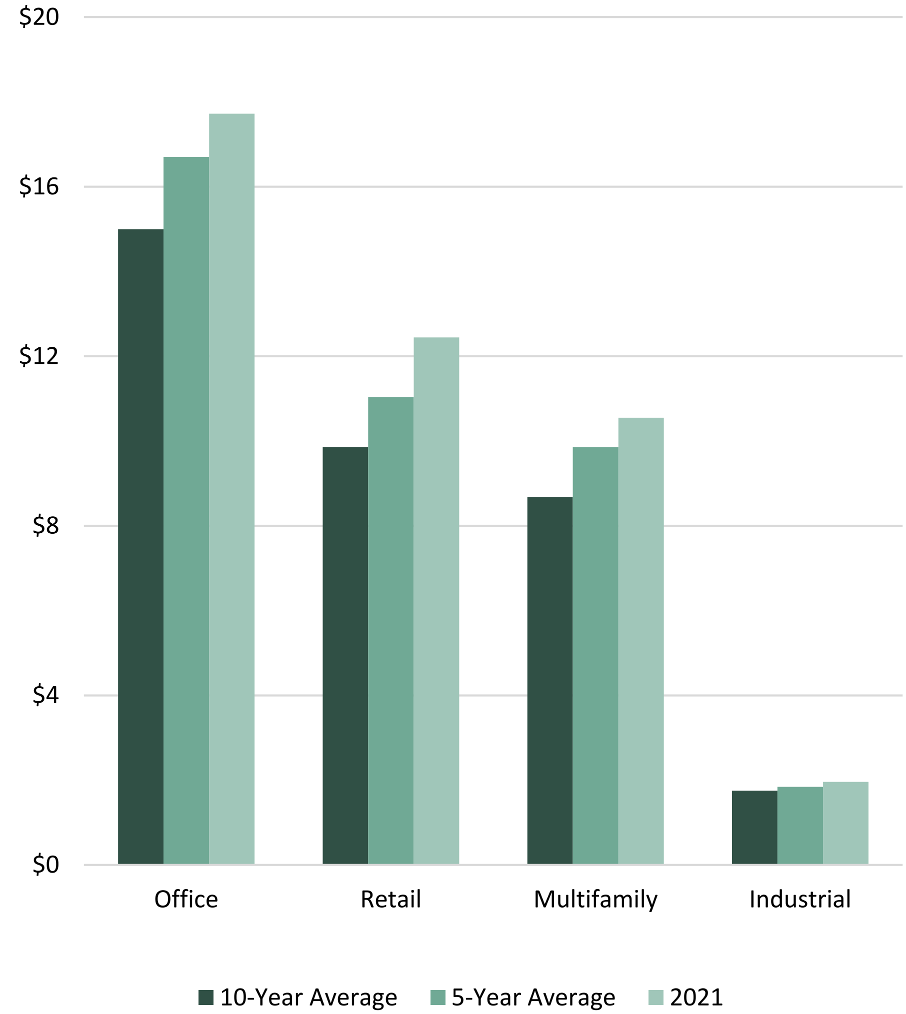
Industrial Operating Metrics

Industrial net operating income growth has surpassed all other property types for the last 25 years, but has increasingly outperformed in the last decade, in part due to increased tenant demand and rising rents. The other component of industrial's outperformance has been comparatively lower operating expenses, which in 2021 came in under $2 PSF and have minimally changed over the past 10 years.

Industrial NOI Growth vs. All Property Types



Operating Expenses $/ SF

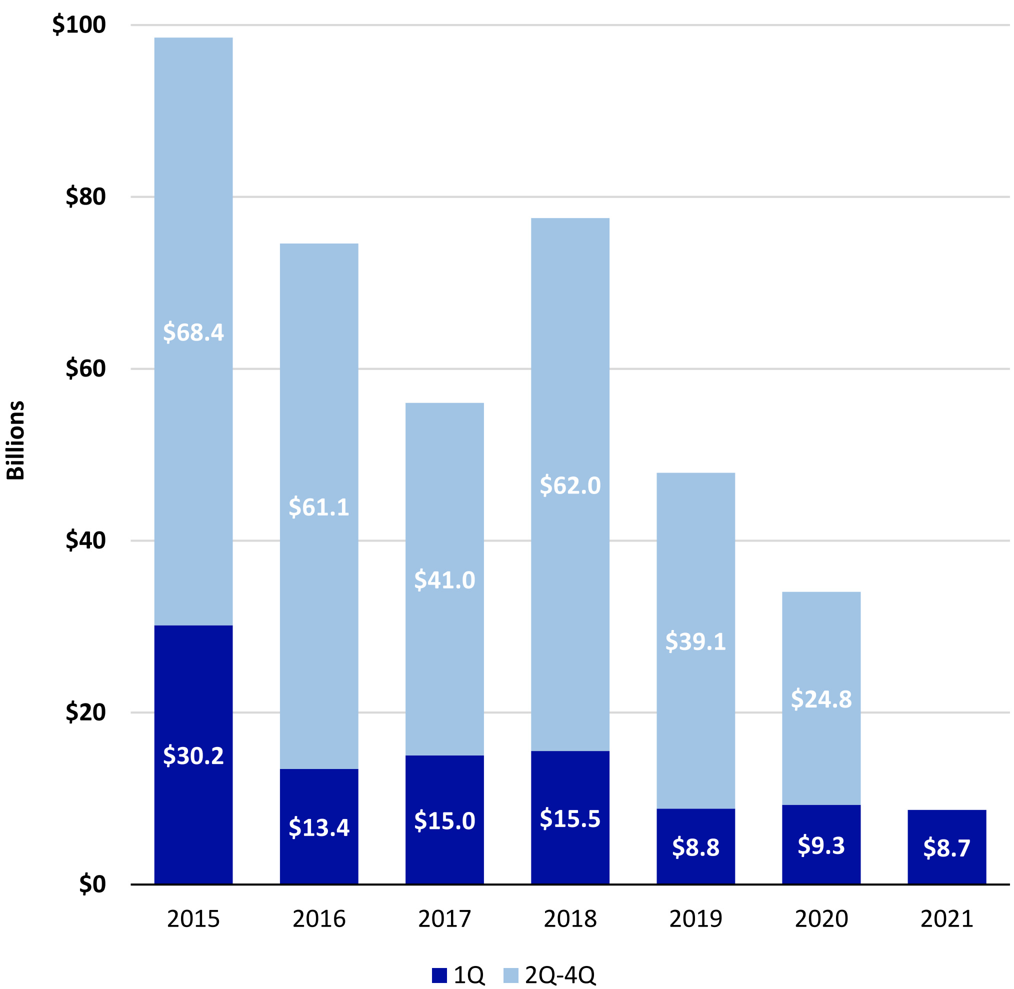


Source: Newmark Research, NCREIF

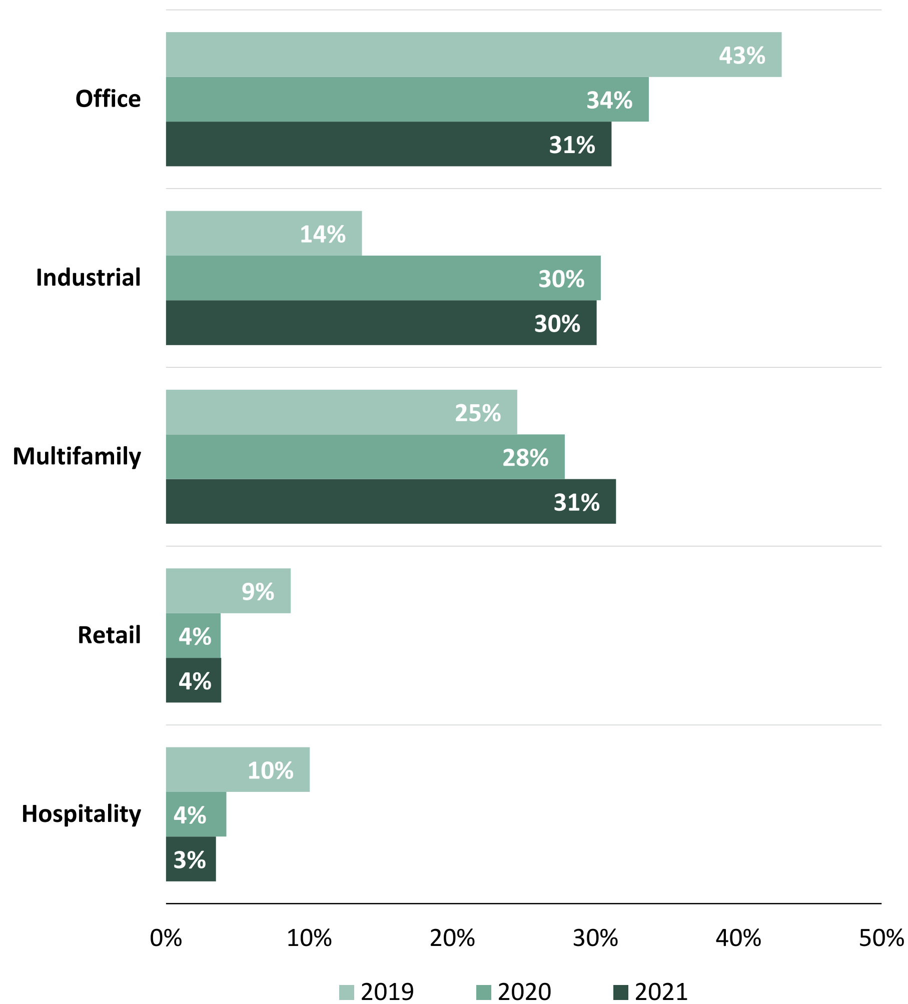
Composition of International Capital

Direct acquisitions by international groups declined by 6.5% year-over-year. However, there has been a sizable recovery in deal activity from Canadian, Singaporean and Middle Eastern investors. Mirroring domestic groups, allocations have shifted substantially since the onset of the pandemic, with multifamily and industrial combined making up over 60% of foreign groups' acquisition activity in 2021.

Investment Volume By Deal Type



Allocation of Capital

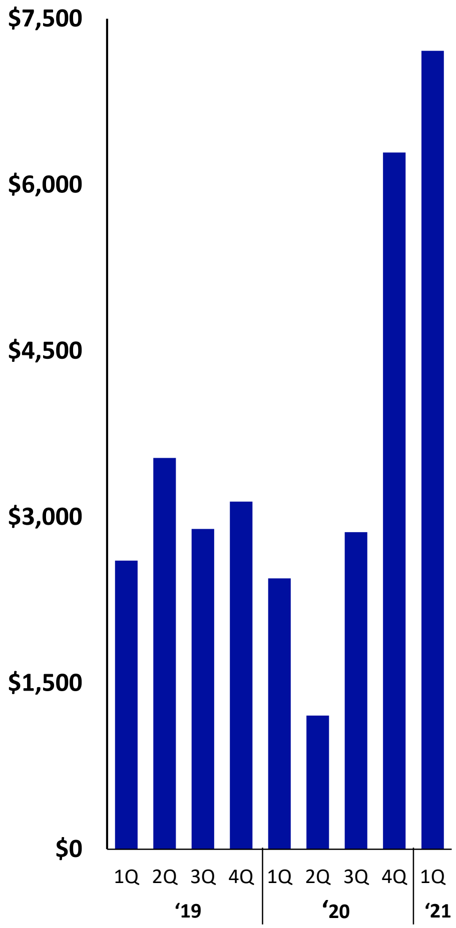


Source: Newmark Research, Real Capital Analytics

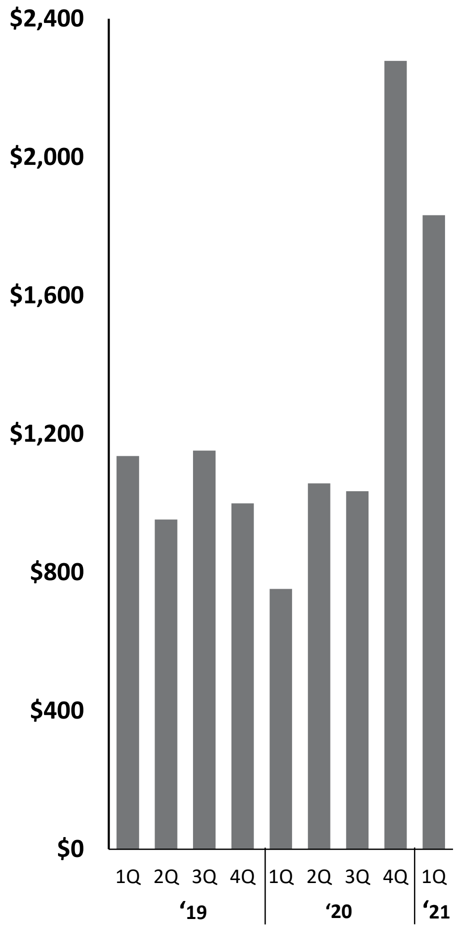
Alternative Property Types

The pandemic has clearly reoriented allocations, with institutional investors targeting assets with counter-cyclical and secular growth characteristics. Life science has witnessed an investment boom, with volume increasing 195% year-over-year, surpassing $7 billon in 1Q21 alone. Manufactured housing has also attracted elevated interest, as many renters are priced out of conventional housing as single-family home prices continue to rise across the country.

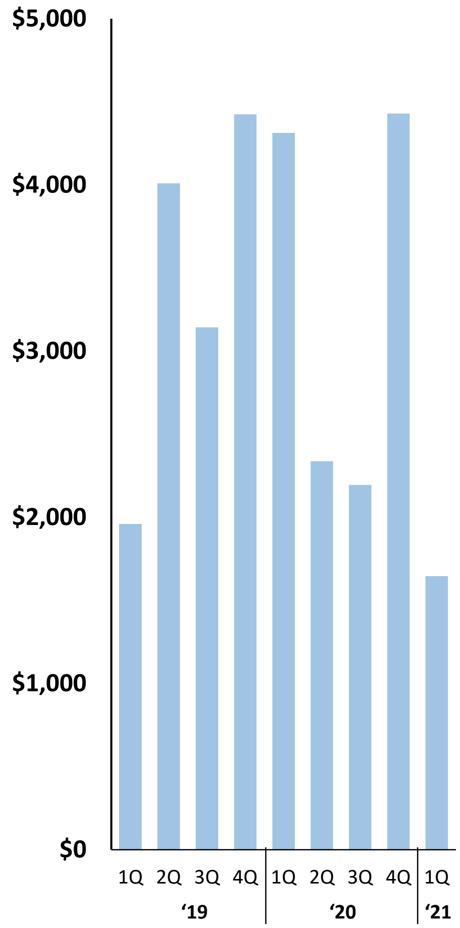
Life Science / R&D



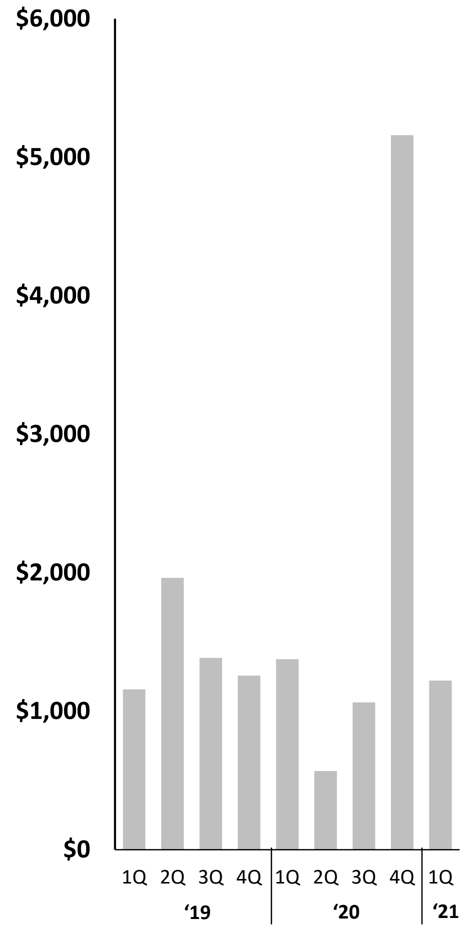
Manufactured Housing



Medical Office



Self Storage

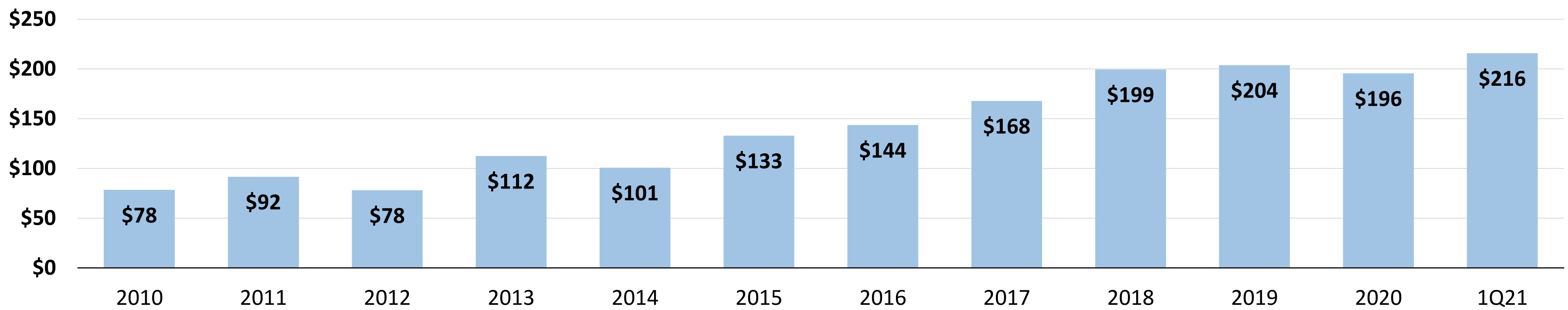


Source: Newmark Research, Real Capital Analytics

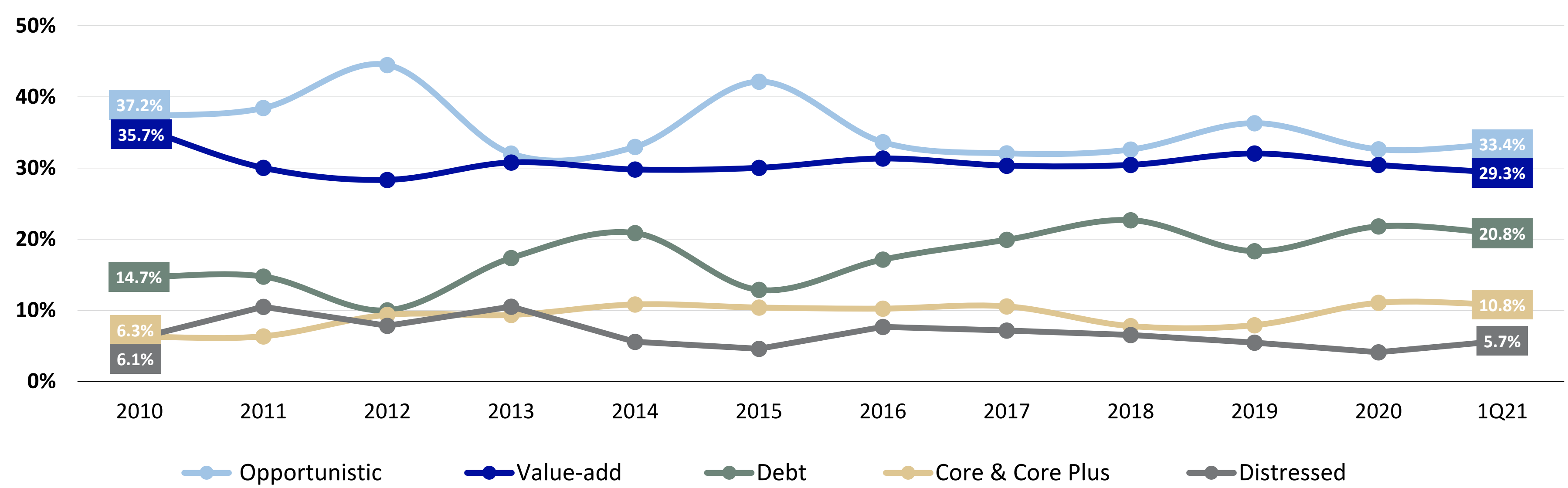
Dry Powder

North American-focused real estate funds have accumulated $216 billion of dry powder as of 1Q21, surpassing the pre-COVID-19 peak. Dry powder allocated to core and core plus strategies remains elevated at 10.8% of the total, as some investors flock to high-quality assets with stable cash flows.

Dry Powder – Closed End Funds



Dry Powder by Strategy

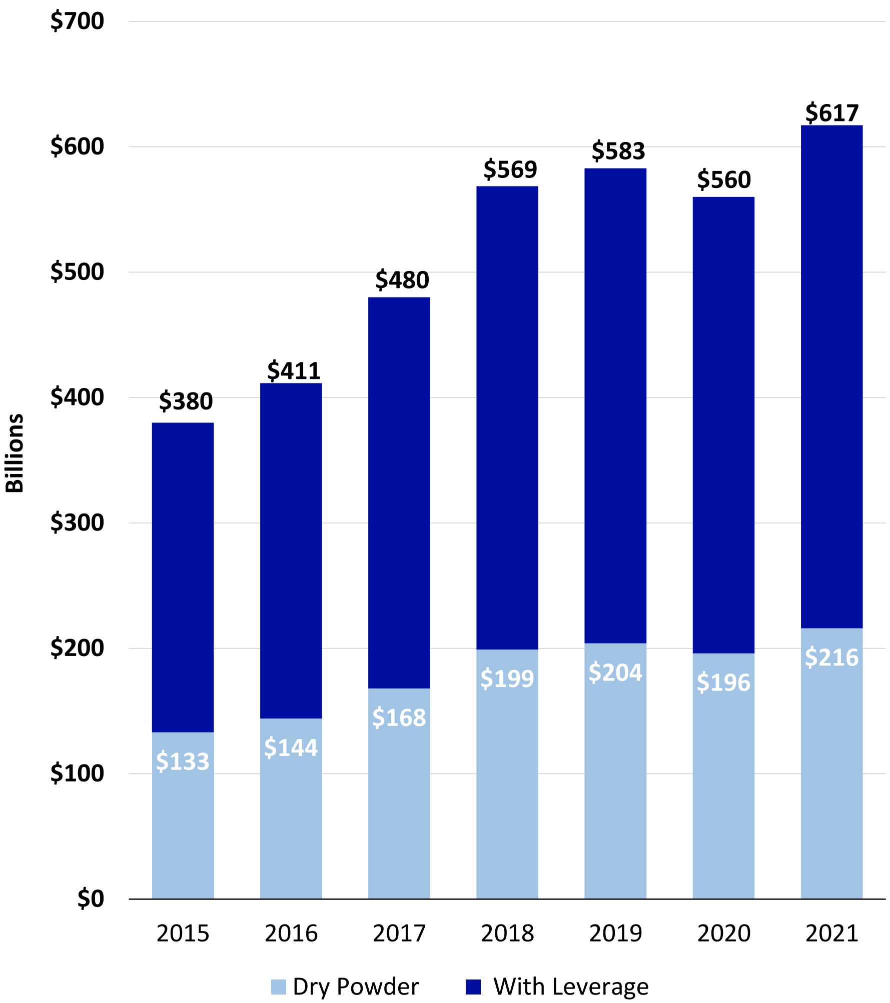


Source: Newmark Research, Preqin

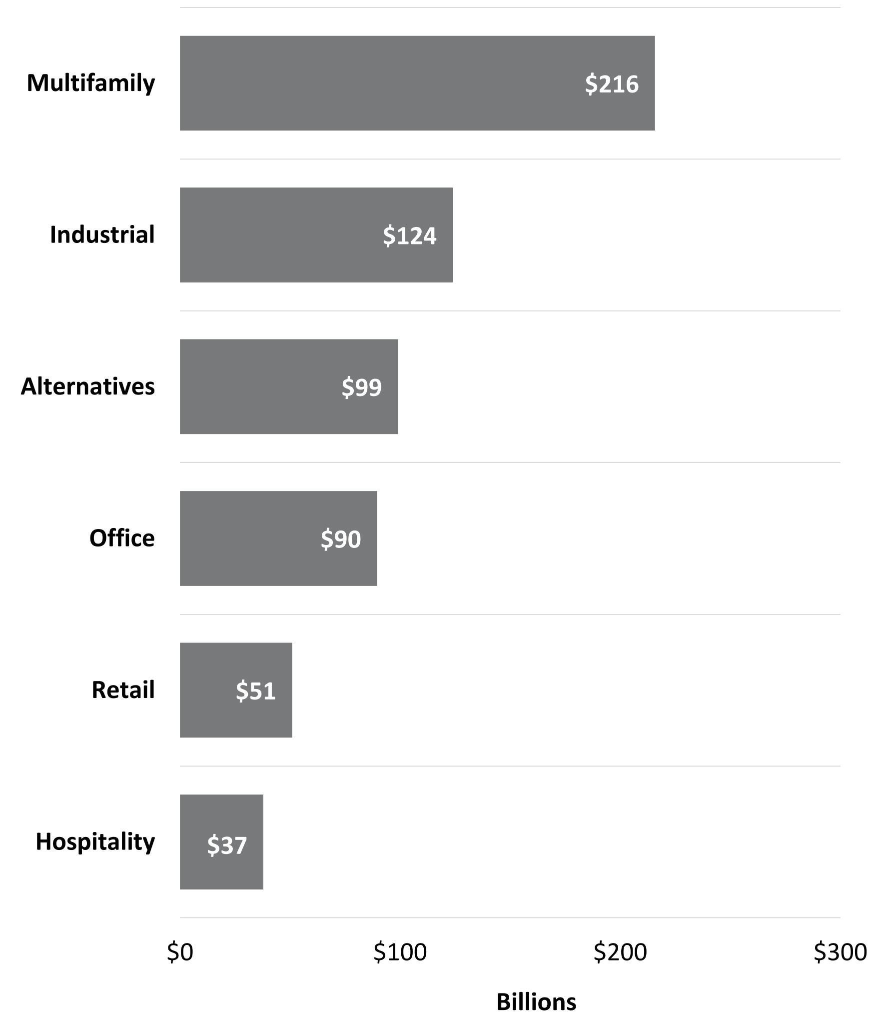
Dry Powder with Leverage

The $216 billion in fund dry powder equates to a leveraged purchasing power of $617 billion, using a 65% LTV ratio. If investors were to allocate this leveraged purchasing power according to their 2021 allocations, over $215 billion would be invested in multifamily and nearly $100 billion would be invested in alternative property types.

Dry Powder at 65% Leverage



2021 Leveraged Dry Power By Property Type

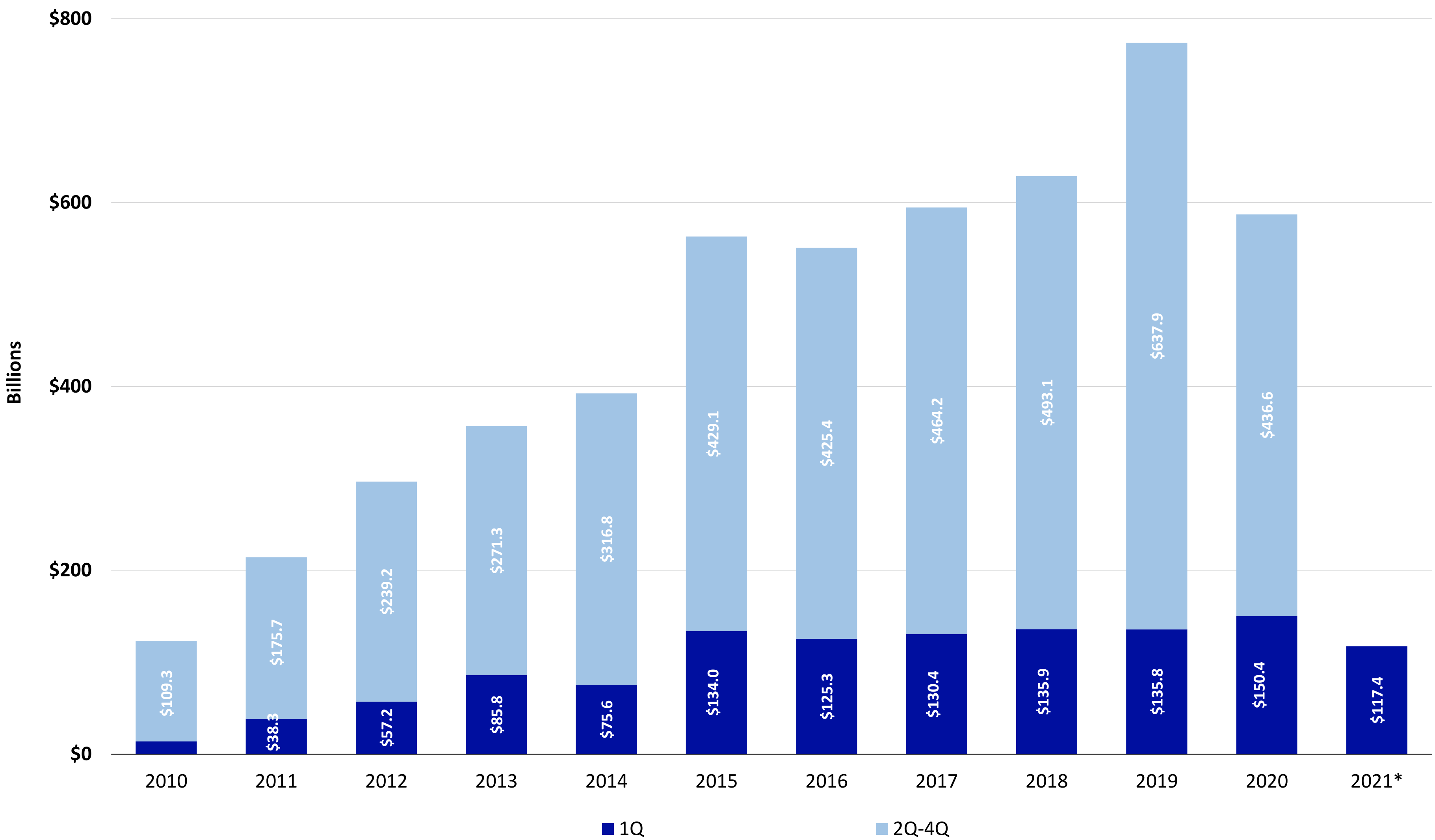


Source: Newmark Research, Real Capital Analytics, Preqin

United States Total Financing Volume

Acquisition, Construction and Refinancing

Preliminary financing activity in 2021 declined by an estimated 22.0% year-over-year to $117.4 billion, which is lower than the decline in investment volume over the same period. Refinancing remains a prominent strategy as many sellers prefer recapitalization to outright sales.



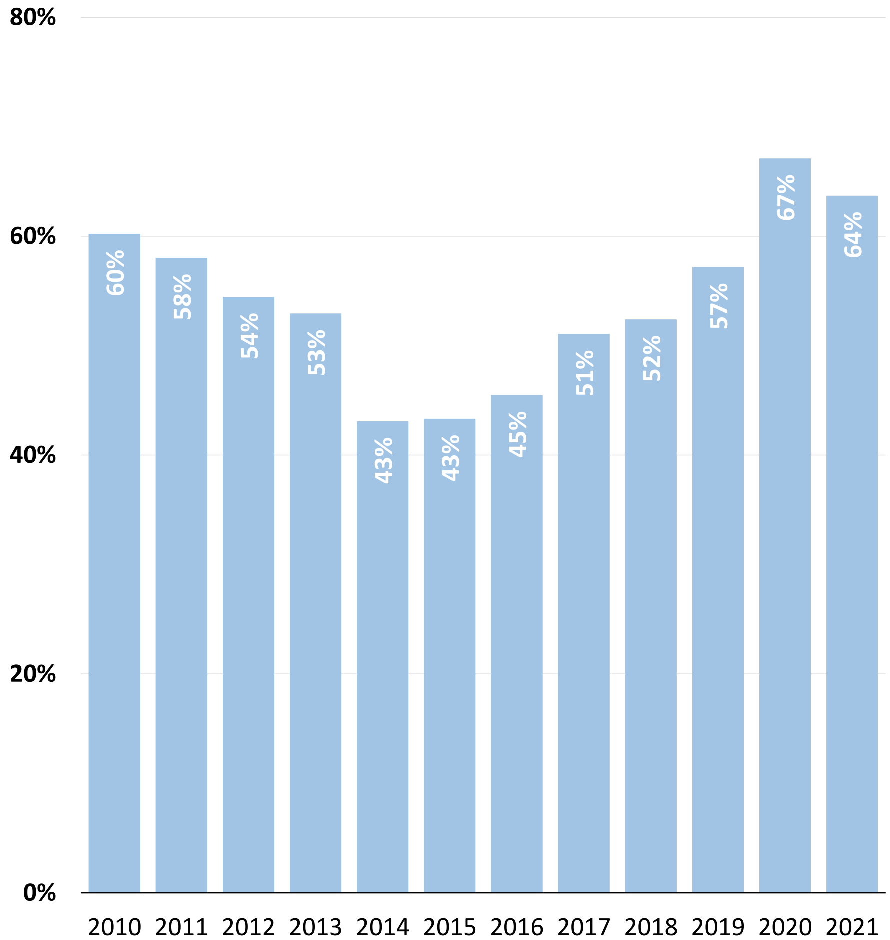
*Preliminary

Source: Newmark Research, Real Capital Analytics

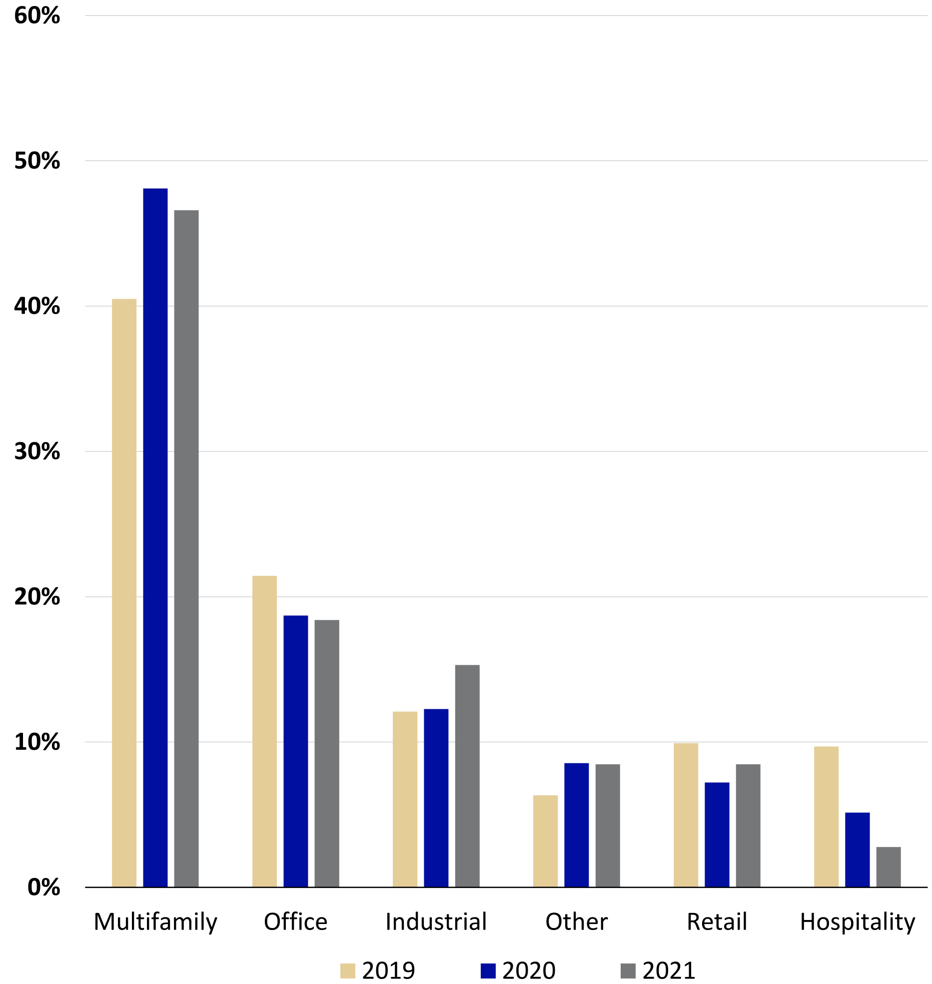
United States Financing Activity

Refinancing activity remains well above pre-COVID-19 levels, at 64% in 1Q21. Many landlords have taken advantage of historically low lending rates to refinance their properties instead of selling them. Multifamily lending has made up the largest component of financing activity in 2021, as Fannie Mae and Freddie Mac continue to be active.

Refinancing as Percentage of Total Financing Activity



Lending Allocation by Property Type

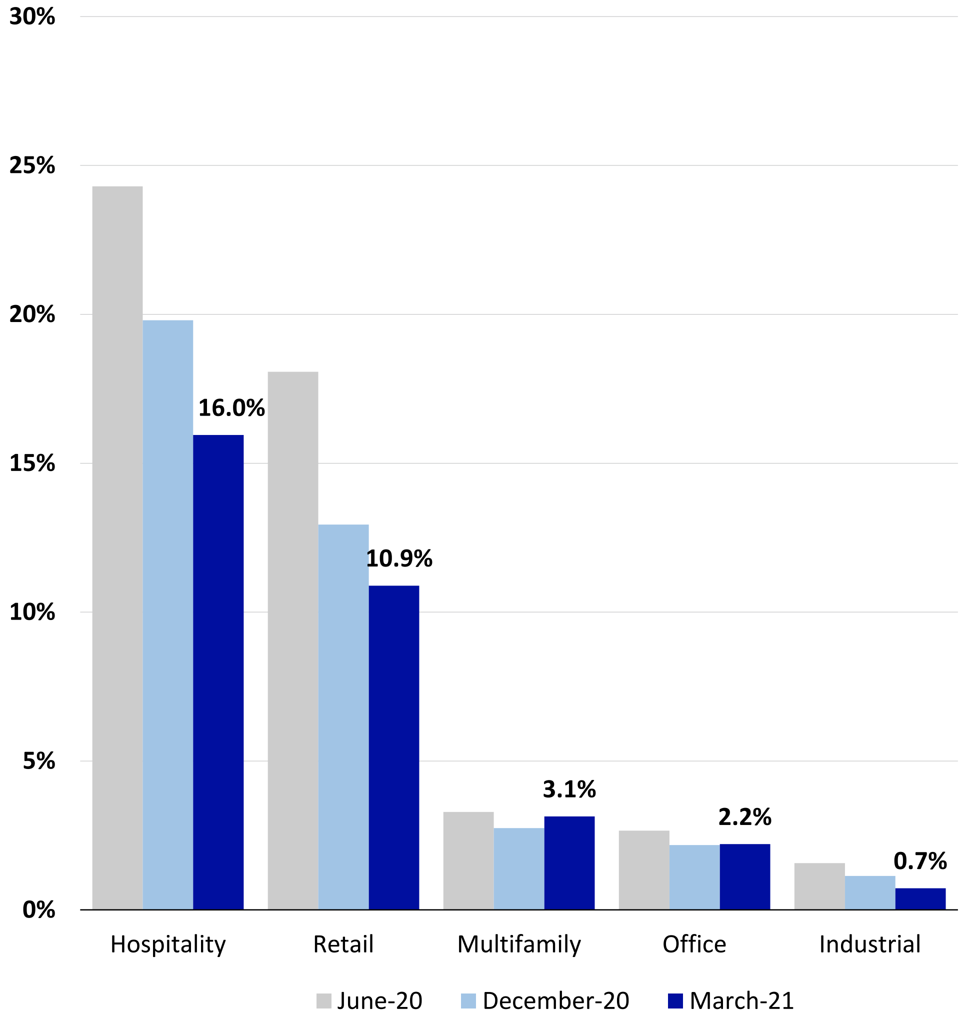


Source: Newmark Research, Real Capital Analytics

CMBS Delinquency Rates

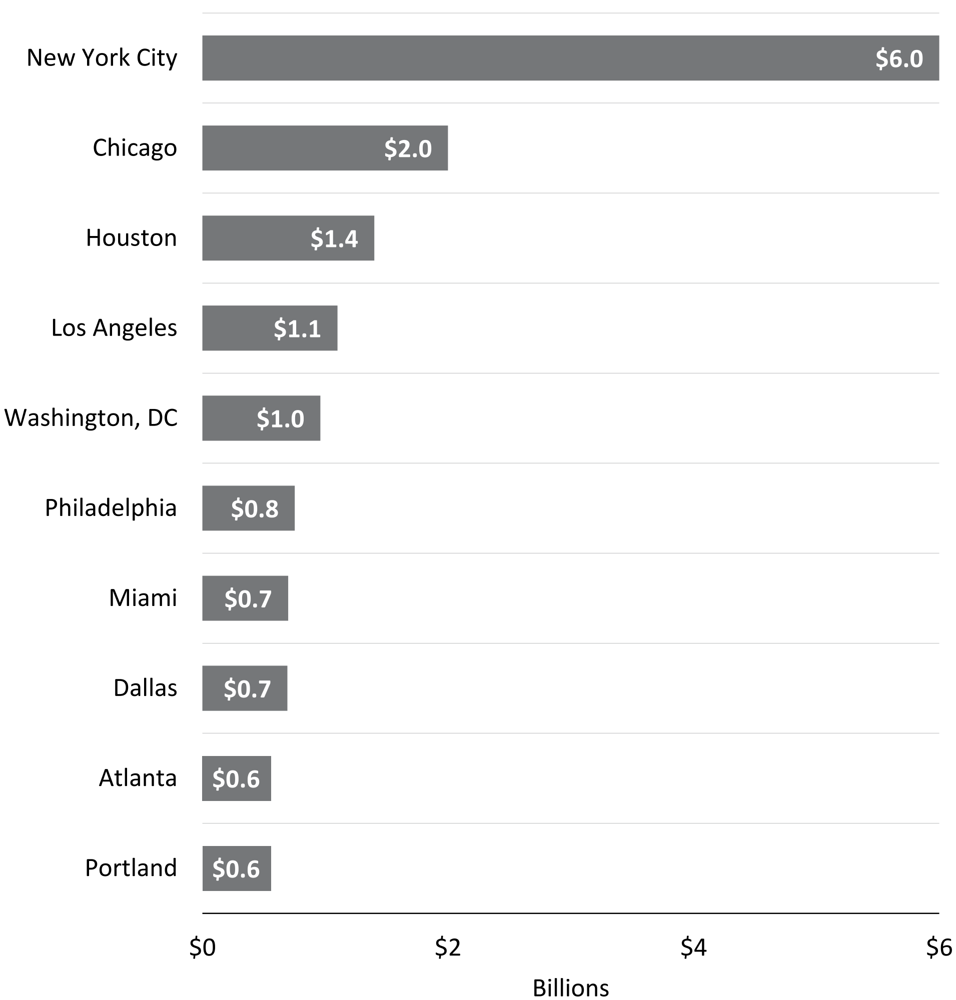
CMBS delinquency rates across all property types have improved since peaking in June 2020. Hospitality and retail delinquency remains well above pre-COVID-19 levels but have improved markedly, reaching 16.0% and 10.9%, respectively, as the worst hit markets such as New York City have begun showing signs of economic recovery.

By Property Type



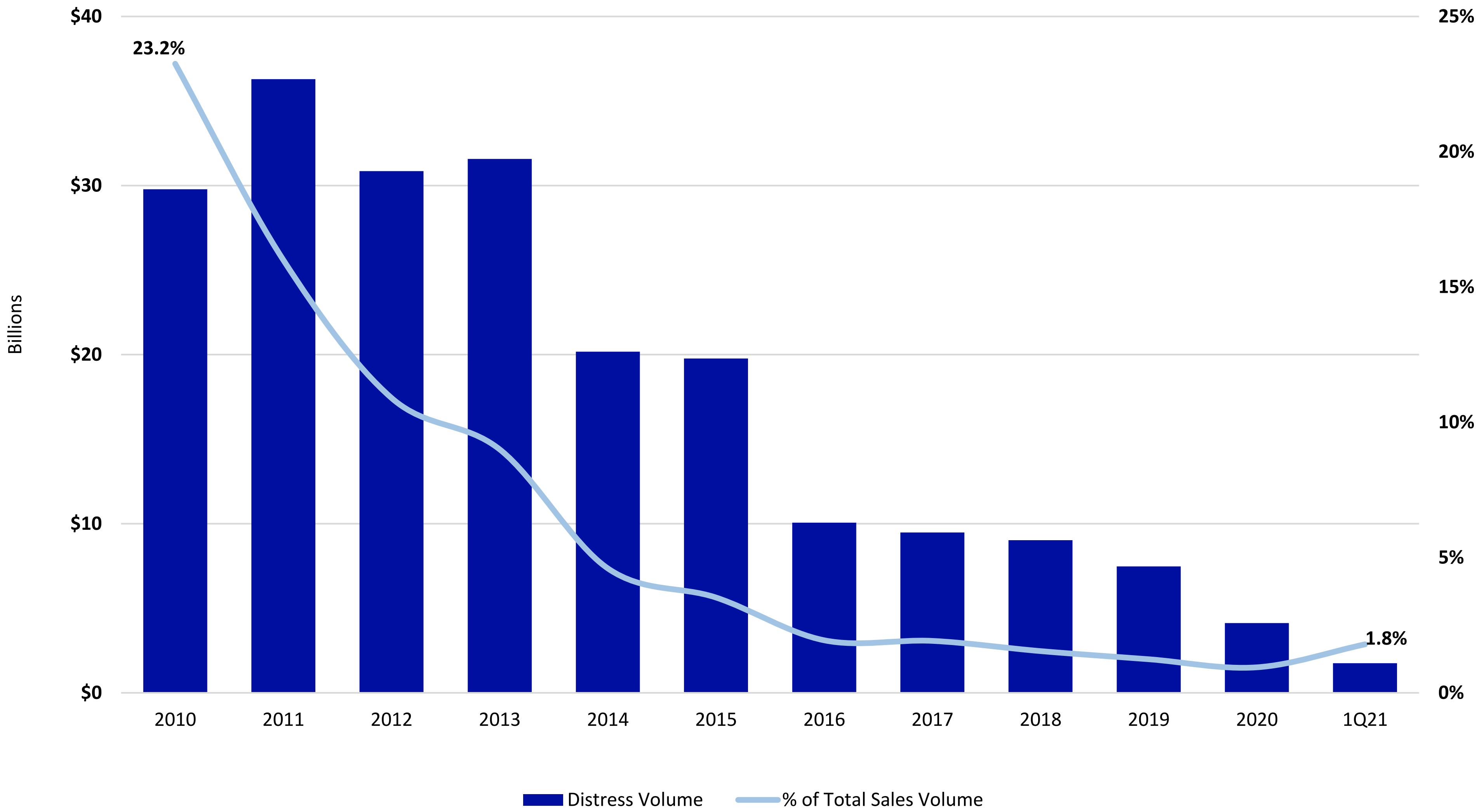
Source: Newmark Research, Trepp

By Metro, Delinquent Balance in Billions $



Distressed Sales Volume

Distressed sales volume as a percentage of total volume climbed 85 basis points to 1.8% in 1Q21, in part due to expiring debt forbearance agreements which were signed during the summer of 2020. Nevertheless, distress and market disruption from COVID-19 has been far less compared to the global financial crisis, during which distressed sales volume made up over 23.2% of total deal volume.

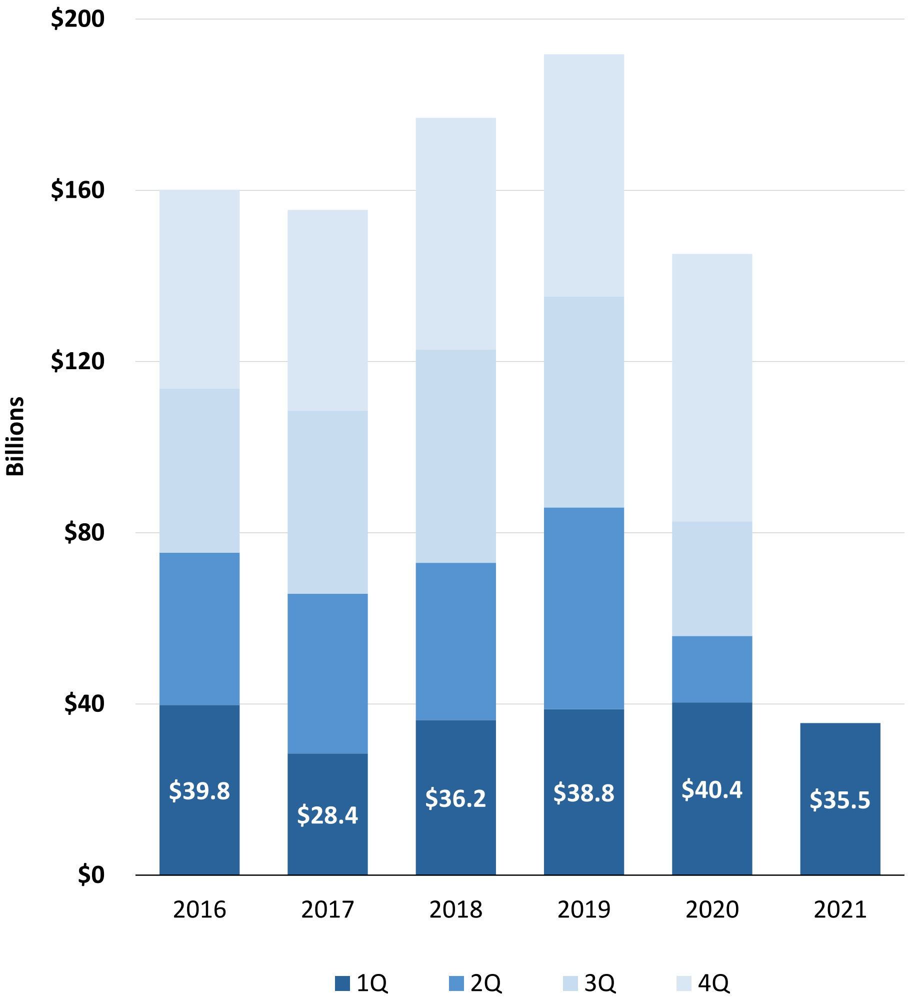


Source: Newmark Research, Real Capital Analytics

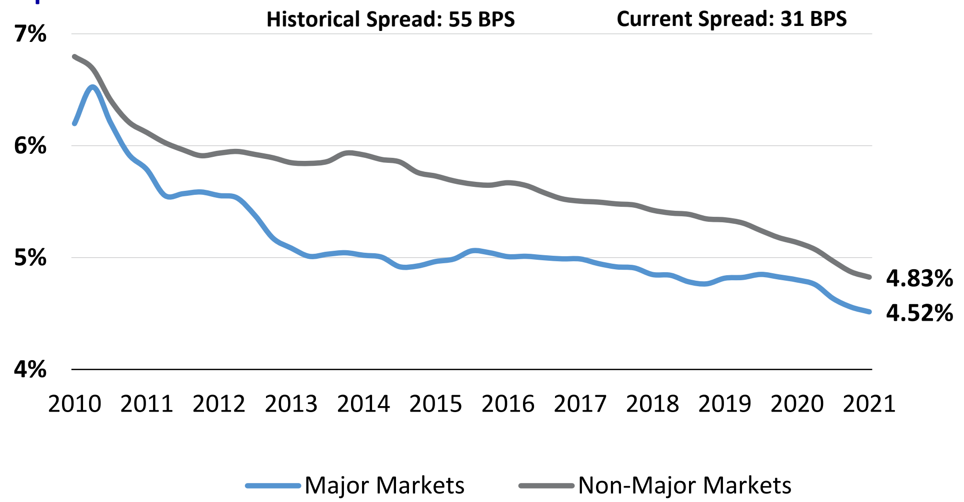
Multifamily Dashboard

Multifamily has remained one of the favored property types during the pandemic, with1Q21 investment volume declining by only 12.2% year-over-year, compared to a 28.3% decline for all property types. The current cap rate spread between major and non-major metros declined to 31 basis points, the lowest spread in a decade, in part due to further compression in secondary and tertiary markets in the sunbelt which continue to attract investor demand.

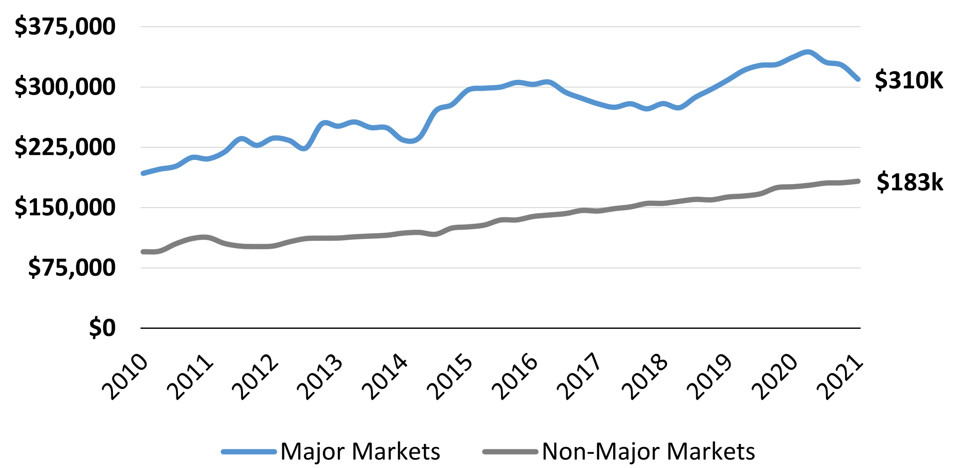
National Sales Volume



Cap Rates



Price Per Unit

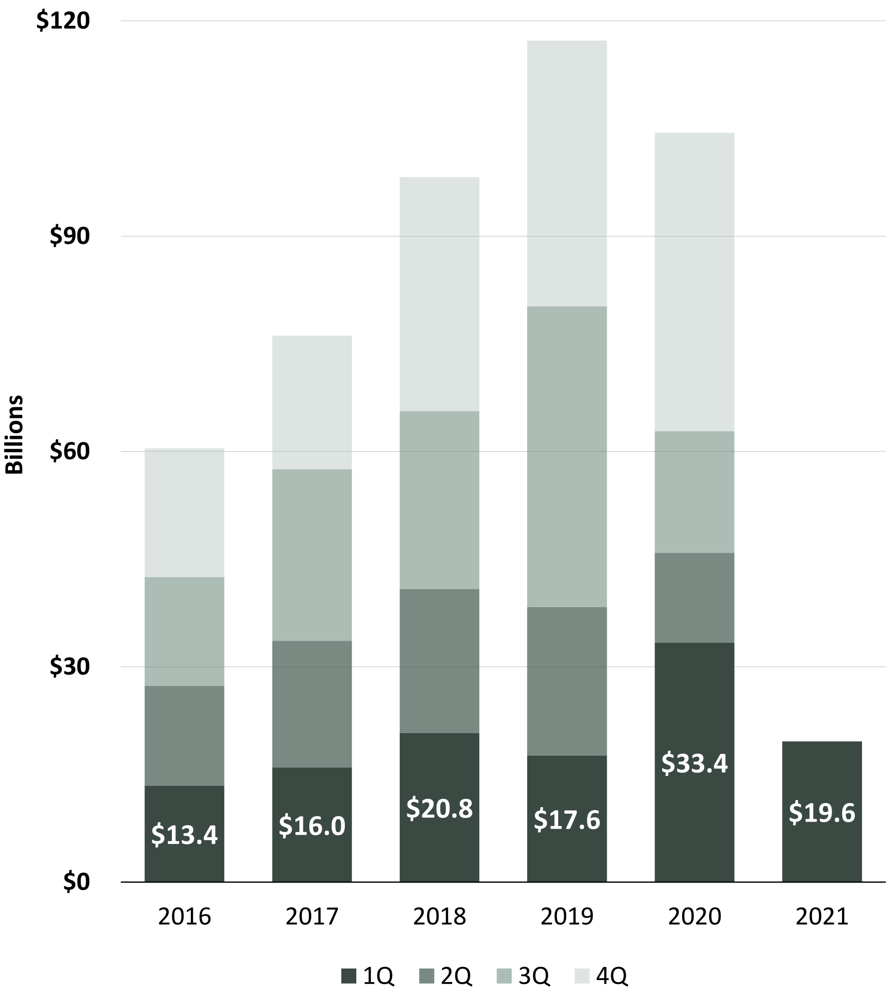


Source: Newmark Research, Real Capital Analytics

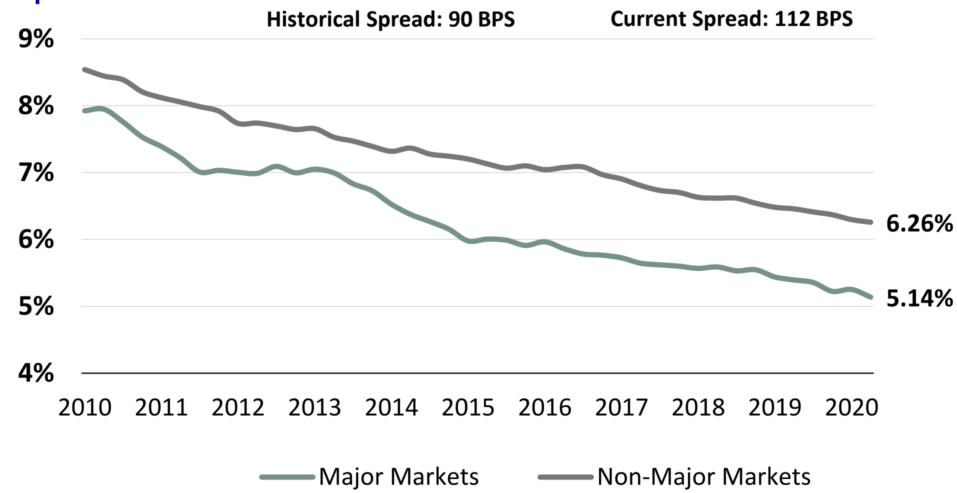
Industrial Dashboard

Industrial investment volume declined by 41.3% year-over-year in 1Q21, due to record high volume in 1Q20. Major market pricing has continued to increase throughout the pandemic, growing 5.3% in 1Q21 to $159 PSF. Similarly, major market cap rates have compressed by 25 basis points over the same time period. Last-mile and logistics product outside major markets continue to attract investors globally, as the pandemic has accelerated the adoption of online ordering.

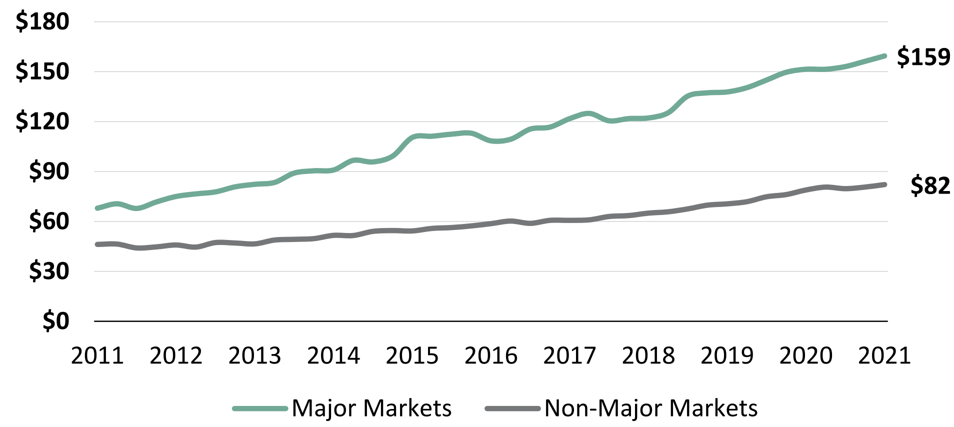
National Sales Volume



Cap Rates



Price Per Square Foot

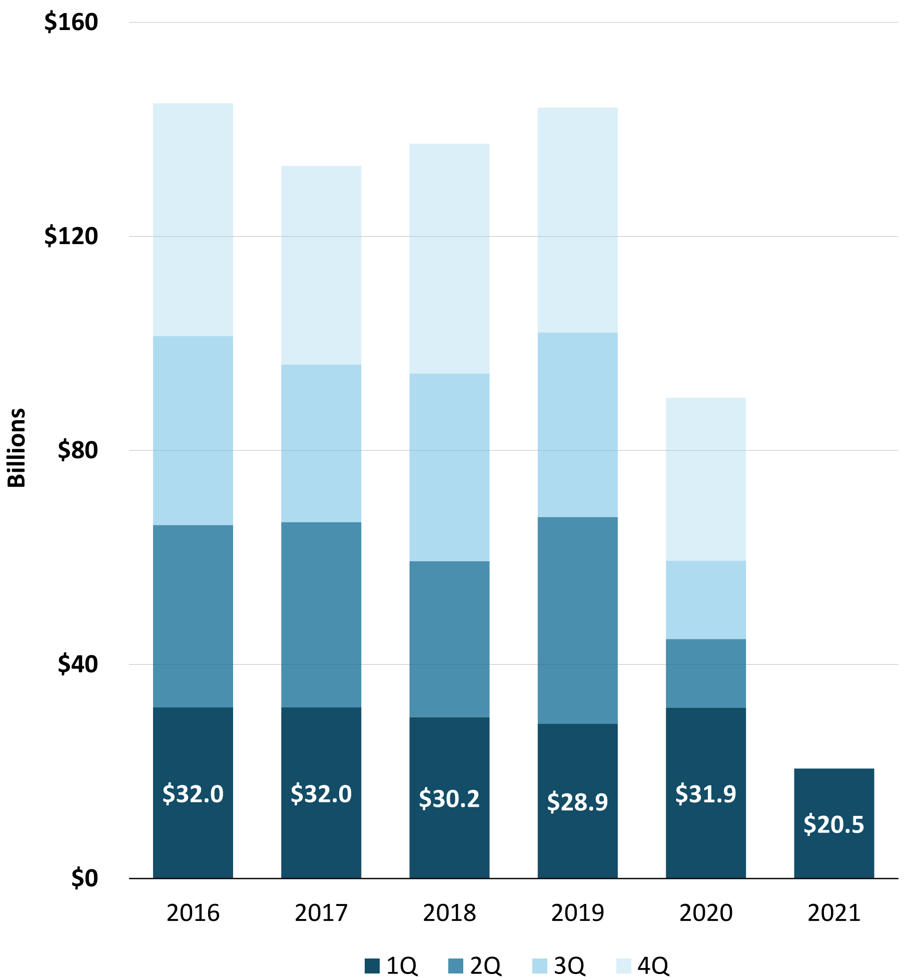


Source: Newmark Research, Real Capital Analytics

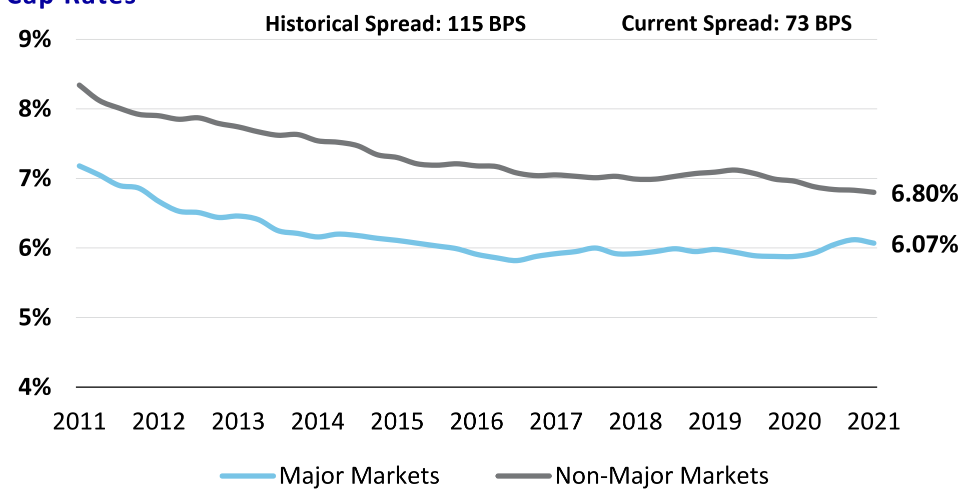
Office Dashboard

Office volume declined by 35.7% year-over-year as investor sentiment toward urban gateway market product remains tepid. However, investment activity has increased substantially from the third and fourth quarters, aided by increased demand for life science, medical office and single tenant product. Suburban and non-major market CBD product have been more resilient to pandemic-related disruption.

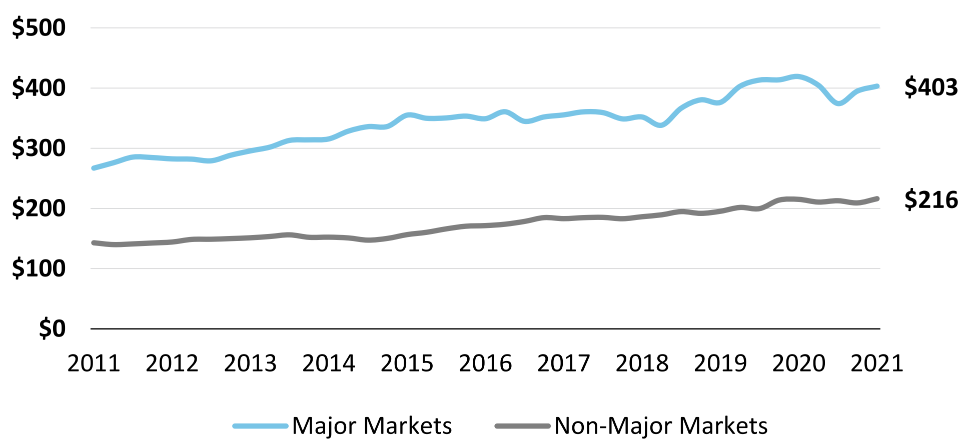
National Sales Volume



Cap Rates



Price Per Square Foot

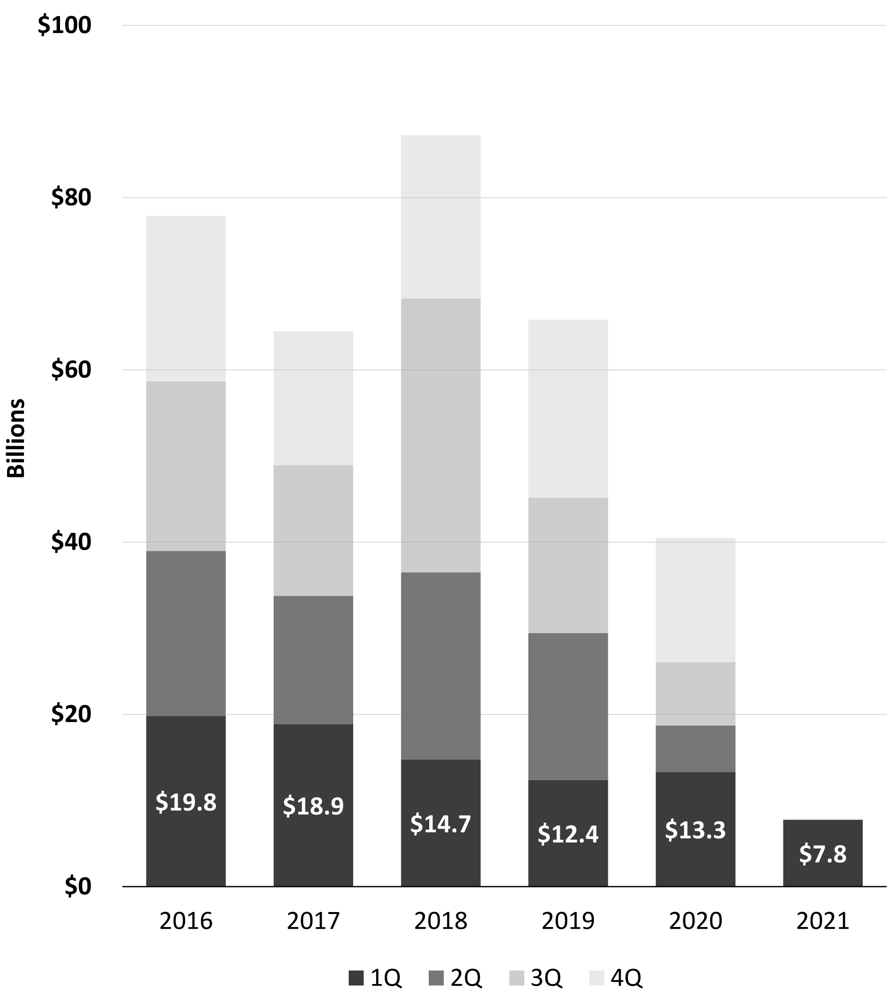


Source: Newmark Research, Real Capital Analytics

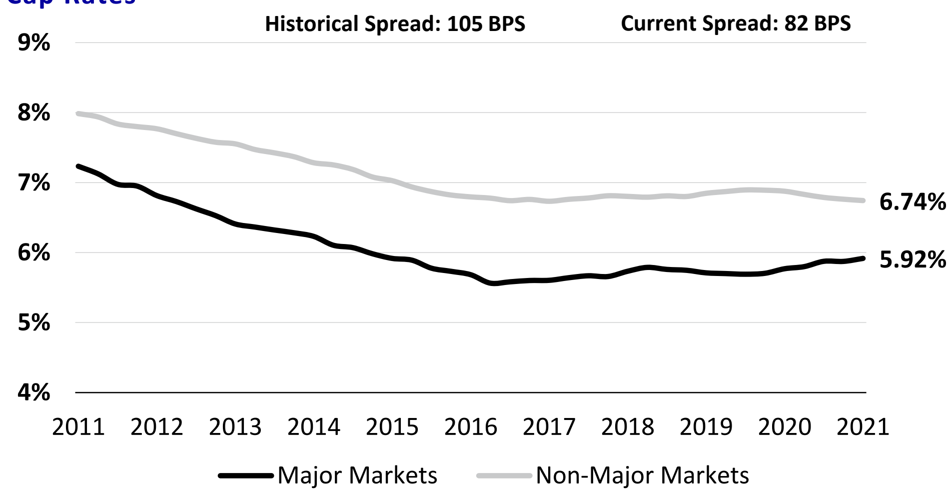
Retail Dashboard

Retail investment activity declined in 1Q21, with investment volume decreasing 41.4% year-over-year. Despite negative investor sentiment for certain subtypes such as regional malls and movie theaters, several retail subtypes such as grocery-anchored and NNN continue to attract investors. Overall, fundamentals have improved since the onset of the pandemic, with national retail rent collection increasing markedly since May, reaching 84.2% in March according to NCREIF.

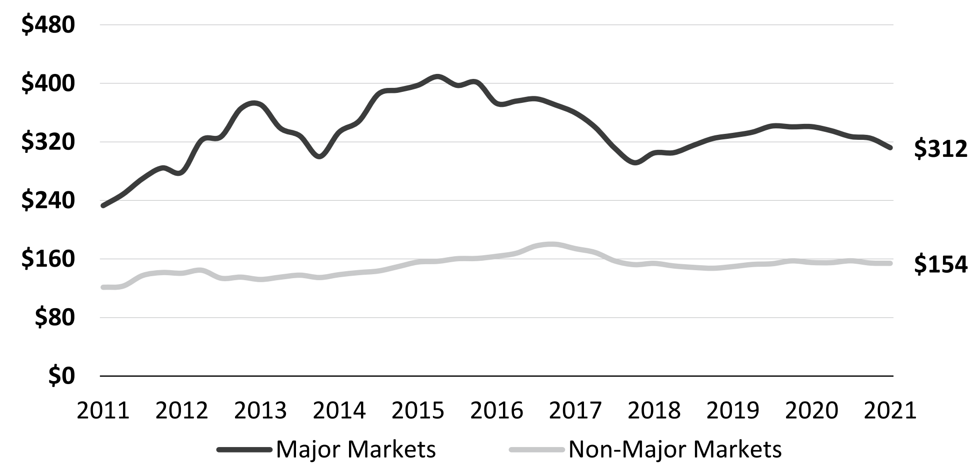
National Sales Volume



Cap Rates



Price Per Square Foot

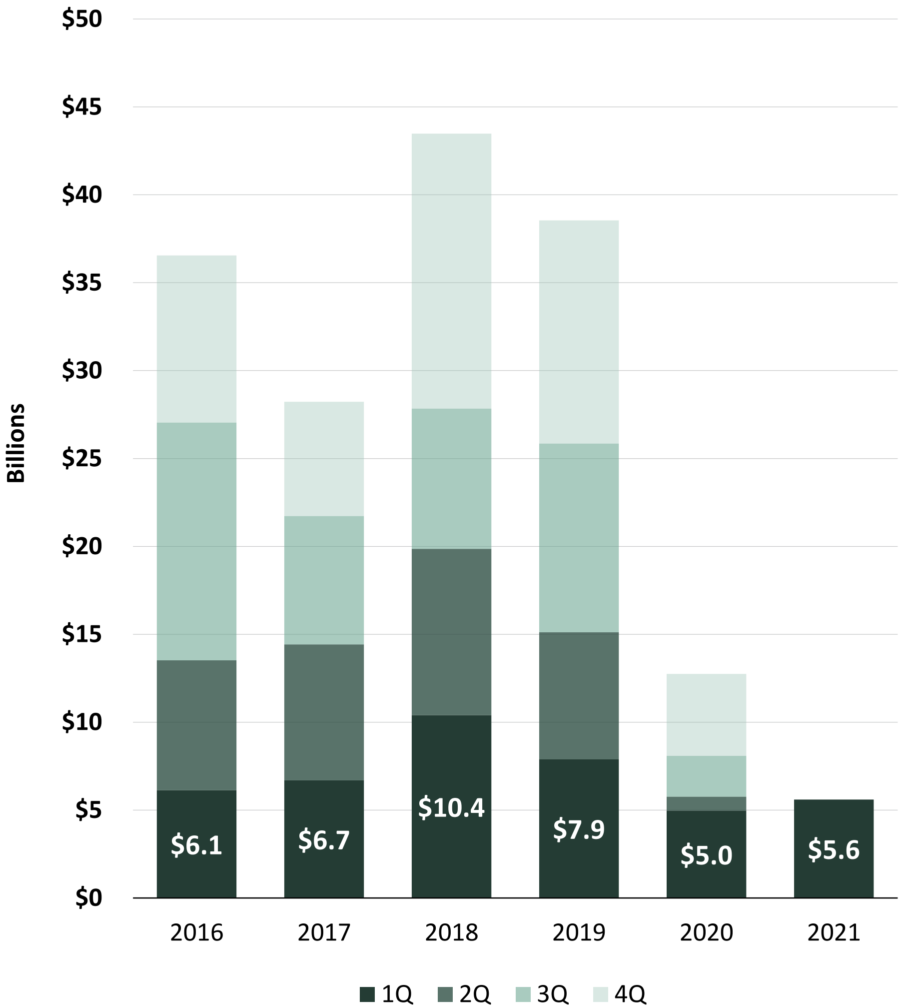


Source: Newmark Research, Real Capital Analytics

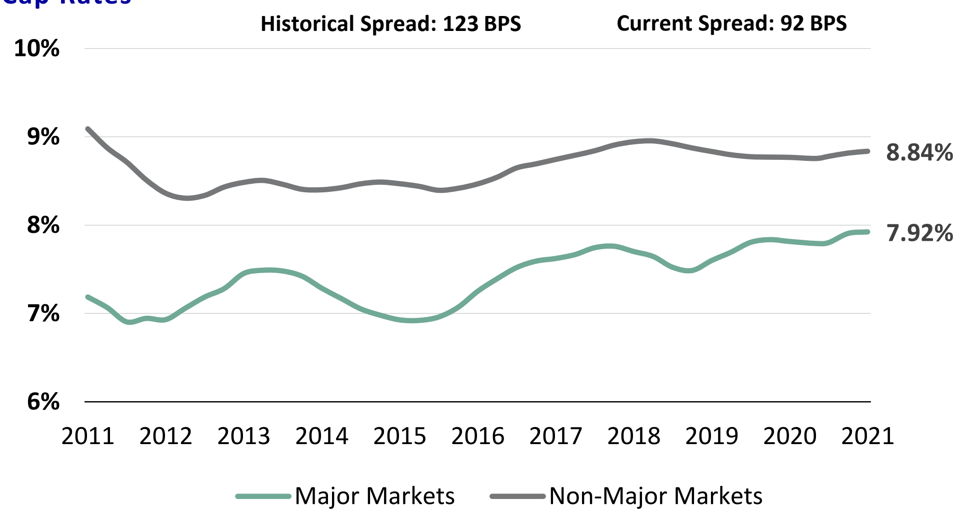
Hospitality Dashboard

While hospitality suffered the greatest amount of pandemic-related disruption, investors are beginning to transact on strategic acquisitions, which factor in a swifter recovery in travel and vacation spending. Investment volume increased by 12.0% year-over-year and hospitality REITs in the resort/casino sector such as MGM Growth Properties have surpassed their pre-COVID-19 peak stock prices.

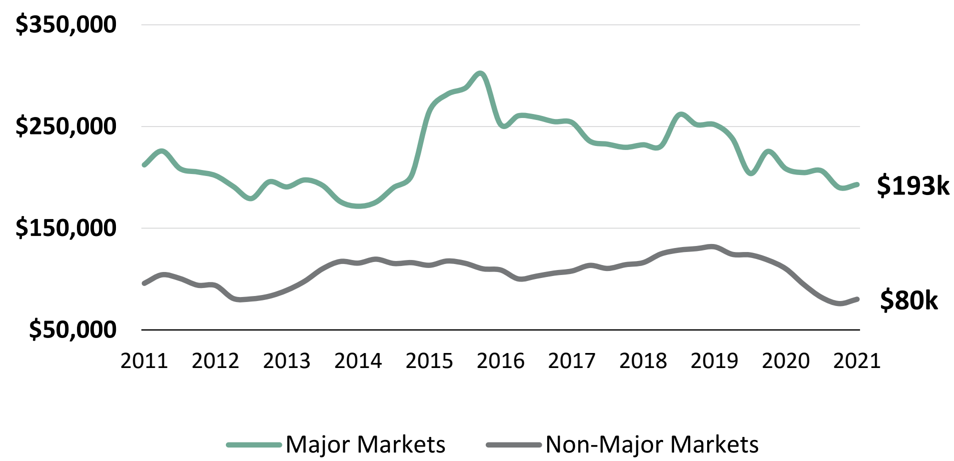
National Sales Volume



Cap Rates



Price Per Key



Source: Newmark Research, Real Capital Analytics

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