The Real Estate Roundtable Sentiment Index

Third Quarter 2019

The Real Estate Roundtable

The Real Estate Roundtable Sentiment Index[1]

The Real Estate Roundtable is pleased to announce the results from the Q3-2019 Real Estate Roundtable Sentiment Survey. The quarterly survey is the commercial real estate industry's most comprehensive measure of senior executives' confidence and expectations about the commercial real estate market environment. Conducted by FPL Advisory Group on behalf of The Roundtable, it measures the views of CEOs, presidents, and other top commercial real estate industry executives regarding current conditions and the future outlook on three topics: (1) overall real estate conditions, (2) access to capital markets, and (3) real estate asset pricing.

Topline Findings

- The Real Estate Roundtable Q3 2019 Sentiment Index registered a score of 50 – a one point decrease from the previous quarter. Survey participants are confident in today's market dynamics. However, many respondents feel the US real estate market has become fragmented during this cycle and is more accurately examined as a group of separate but correlated markets distinguished by geographic location and property type.
- Many respondents feel a change in the market is imminent, but are unable to identify a definitive potential cause for a decline as they recognize economic fundamentals appear strong. Nearly half of respondents suggested market conditions one year from now would be similar to the prevailing conditions today.
- Asset prices remain high for the best assets in the best locations. Many question whether the real estate cycle may be nearing an end and prices could decline in the near future. Sixty percent of respondents believe real estate asset values will be the same one year from now.
- Availability of debt and equity capital remains strong for high grade investments. Respondents identified a trend of renewed construction financing availability from financial institutions which had previously pulled back from the market.

[1] The Real Estate Roundtable Sentiment Index is measured on a scale of 1–100. It is the average of The Real Estate Roundtable Future Index and The Real Estate Roundtable Current Index. To register an Index of 100, all respondents would have to answer that they believe conditions are "much better" today than one year ago and will be "much better" one year from now.

© 2019, FPL Advisory Group LLC

General Conditions

The Real Estate Roundtable Q3 2019 Sentiment Index registered a score of 50 – a one point decrease from the previous quarter. Survey participants are confident in today's market dynamics. However, many respondents feel the US real estate market has become fragmented during this cycle and is more accurately examined as a group of separate but correlated markets distinguished by geographic location and property type.

"Market conditions today are dependent on location and property type in a way we haven't seen in a long time. If you own condos in New York or Los Angeles, you are likely unhappy with conditions in the market. With that said, if you have properties the technology companies are interested in, you are likely very happy with dynamics in the market."

"Last-mile industrial properties are enjoying their day in the sun; a trend we view as likely to continue as online sales continue to grow."

"Markets have held up surprisingly well and while we see lots of activity, people continue to expect something to happen which slows or stops the markets."

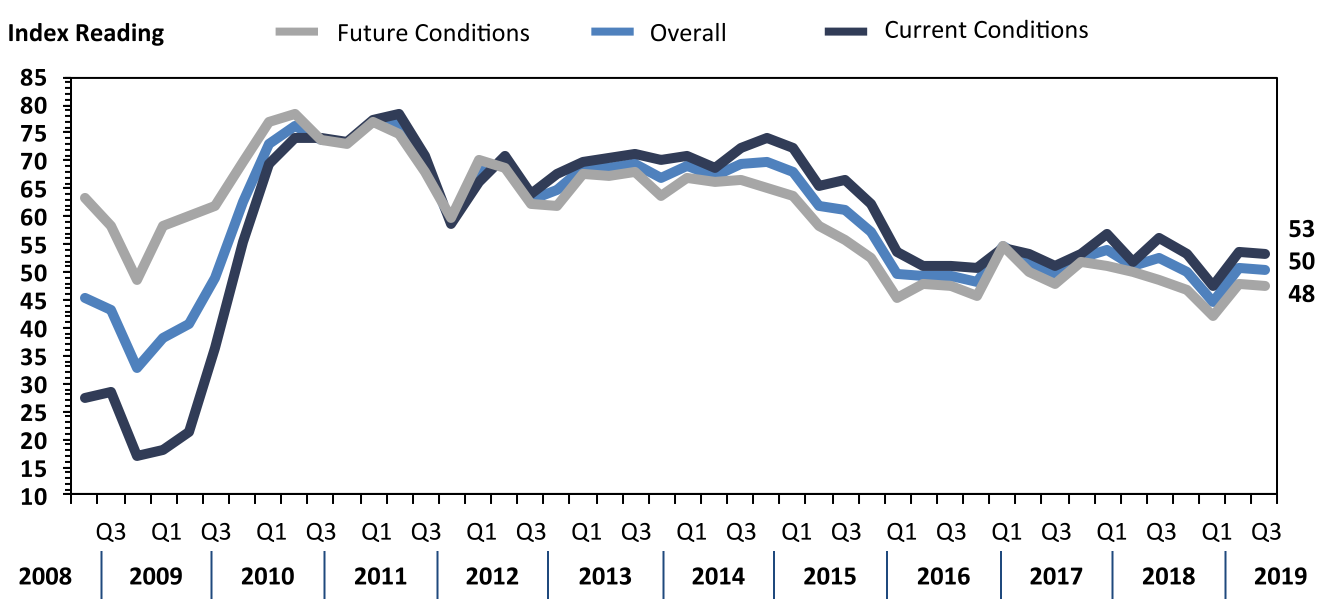
"I think we avert a recession. We're clearly in a slow-down, but when this cycle finally unwinds, it won't be as a result of overbuilding. We view bank term sheets as the weakest point in the market today. Financial institutions' ability to commit is the biggest concern we have."

"When you talk about general market conditions, we've started to ask, "which market?" Each geography and every property type has varied dynamics this time around."

"We view the real estate market in the United States as being very good, depending on what market you want to be in and what property type you're working with. Actually, we'd say there is no, "US" market anymore; there are just geographies and property types and each has its own marker at this time in this cycle."

Exhibit 1

The Real Estate Roundtable Sentiment Index



© 2019, FPL Advisory Group LLC

General Conditions

(continued)

Many respondents feel a change in the market is imminent, but are unable to identify a definitive potential cause for a decline as they recognize economic fundamentals appear strong. Nearly half of respondents suggested market conditions one year from now would be similar to the prevailing conditions today.

"The real estate market is cautious. The overall economy is in good shape and fundamentals we're seeing back this up. We don't know where the shock to the system is going to come from, and that alone may drive a slowing in the economy."

"We are seeing nervousness in the market. Nothing fundamental has changed, but a lot of people are uncertain about the future. We haven't seen this level of uncertainty in the last few years."

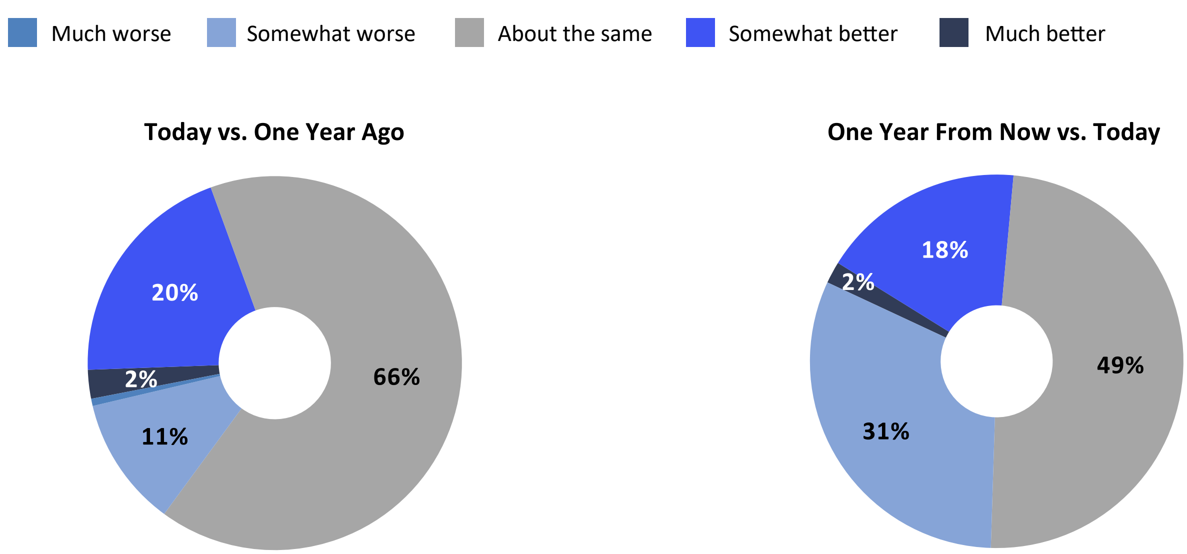
"We feel like underlying fundamentals are solid. So, even with the noise of trade wars and challenging politics hanging over the economy, we view the market as great. If anything, we see only small areas of concern, but not anything we're worried will damage the economy."

"Retail is tough. There's mud in the water and investors aren't sure what to make of the property type. Technology has impacted retail in a very direct way. It has escalated the increases and decreases in asset values. We see a lot of mixes of uses as opposed to true mixed-use investments in portfolios."

Exhibit 2

Perspectives on Real Estate Market Conditions

% of respondents



© 2019, FPL Advisory Group LLC

Asset Values

Asset prices remain high for the best assets in the best locations. Many question whether the real estate cycle may be nearing an end and prices could decline in the near future. Sixty percent of respondents believe real estate asset values will be the same one year from now.

"People are paying beyond what's rational for industrial properties, but its very challenging to sell a condo in New York City. Everyone feels uncomfortable about where we are in the business cycle; they wonder if they're buying at peak pricing and at the top of the market cycle, but we feel that if you're in the right property type and geography, you will weather an economic downturn."

"If you own and invest in retail properties, who knows where you are with pricing. I think the best phrase for investors considering retail property investments is: 'confused.'"

"You can buy a new power center at a cap rate which is not quite opportunistic, but it's close. Retail is being assessed with such a great level of risk, we feel there's opportunity to identify mispriced assets."

"Pricing is always a market driven phenomenon, and we thought we'd seen peak pricing in most markets. However, the industrial property sector has surpassed all of our expectations and is setting new peaks in pricing."

"We are net sellers in this market and are achieving excellent pricing. What we have a hard time deciding is whether the market will be as strong this time next year."

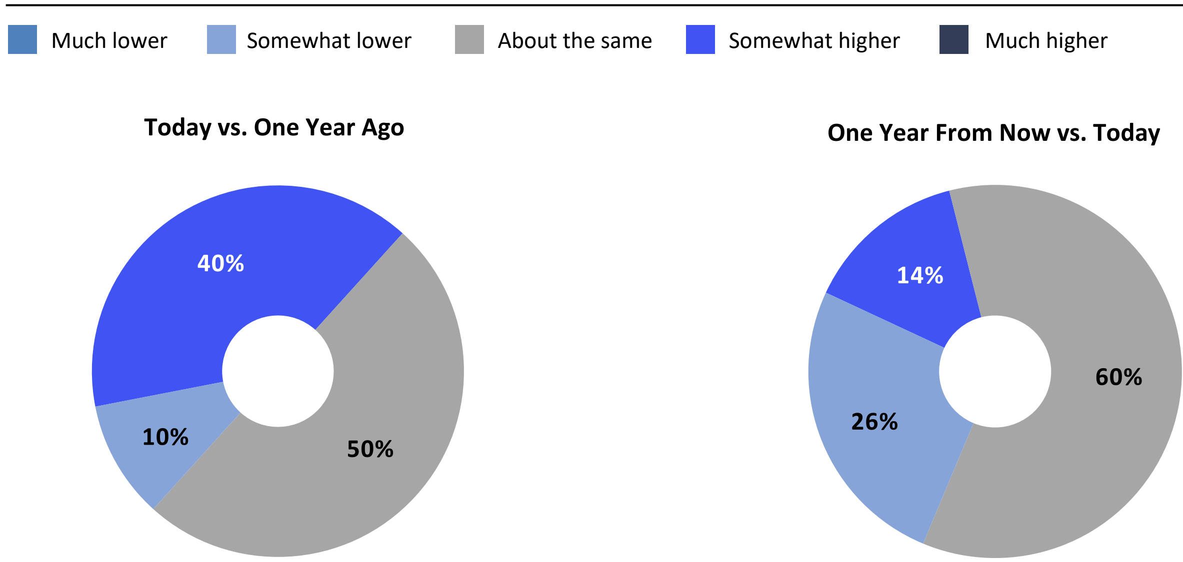
"The best quality investments are pricing as well as they ever have. Even high quality assets in secondary cities are trading at prices which are much higher than we expected them to."

"We feel markets are catching up to, if not surpassing, the peak asset prices seen in the last cycle. This is both scary and encouraging for us."

Exhibit 3

Real Estate Asset Values

% of respondents



© 2019, FPL Advisory Group LLC

Capital Markets

Availability of debt and equity capital remains strong for high grade investments. Respondents identified a trend of renewed construction financing availability from financial institutions which had previously pulled back from the market.

"It's a great time to borrow if you like a lot of leverage. Non-bank capital is very aggressive. Senior debt is cautious and pulled back a little over the last few years, but if you have a more complicated capital stack, you likely had multiple options."

"Equity is still aggressive for fully leased deals and more cautious for transitional investments. What we've found interesting is the volume of equity coming from family offices for smaller development deals."

"Fundraising for closed-end funds remains challenging. It's an increasingly limited group receiving the majority of the capital commitments from investors. Investors are worried about it being the 10th inning, so they invest with the larger common groups. The byproduct is that if you have capital, you likely have a little less competition than you used to."

"The leverage point this cycle is much less than in the previous cycle. Nobody predicted the length of time interest rates would remain this low."

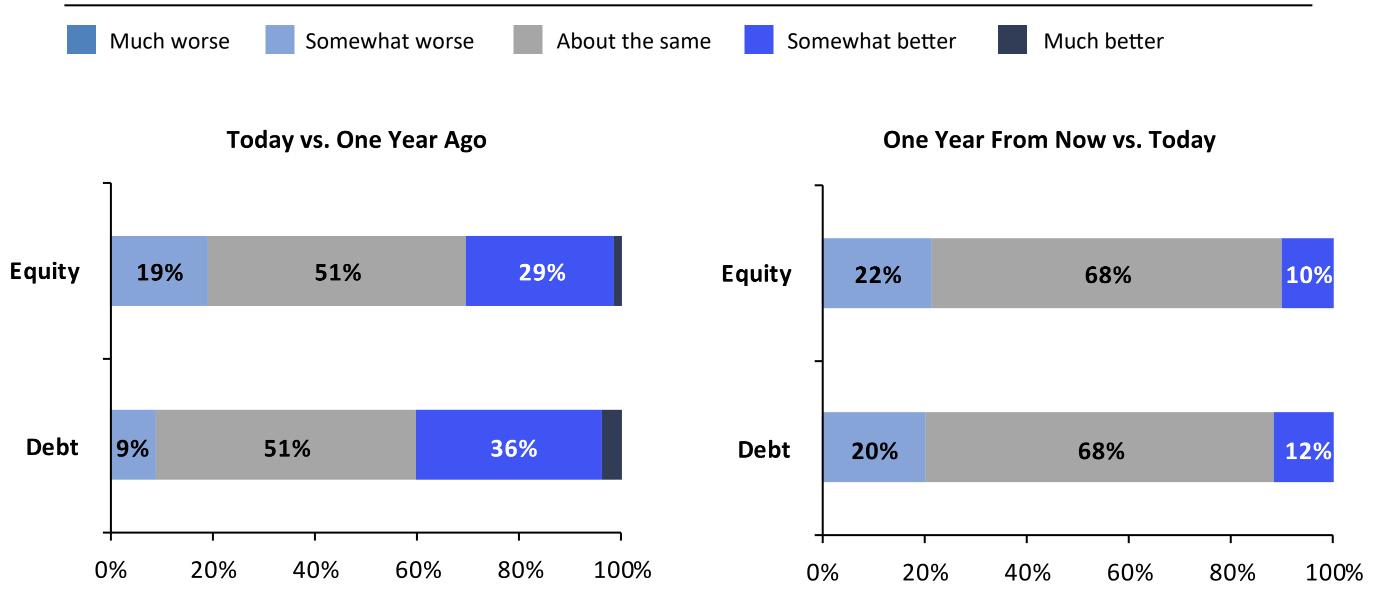
"Debt is available. A lot of the main lending books are rolling off their existing loans and looking to keep their capital working, so there are plenty of options for senior loans."

"There are many options for bank and insurance debt and the terms are the same or better as they were this time last year."

Exhibit 4

Availability of Capital

% of respondents



© 2019, FPL Advisory Group LLC

Participants

(Please note that this is only a partial list. Not all survey participants elected to be listed.)

Mark E. Rose
Earl E. Webb
Avison Young

Henry H. Chamberlain
BOMA—Building Owners & Managers Association Intl.

Owen D. Thomas
Boston Properties

Gerard H. Sweeney
Brandywine Realty Trust

Ric Clark
Brookfield Property Group

Richard J. Campo
Camden Property Trust

Douglas M. Pasquale
Capstone Enterprises Corp.

Robert M. Stern
Castle Hill Investors

Mike Lafitte
CBRE

Sean Burton
Cityview

Alan L. Gosule
Clifford Chance, LLP

Steven DeFrancis
Cortland

Michael Levy
Crow Holdings

Bradley Razook
CSCA Capital Advisors, LLC

John C. Cushman, III
Cushman & Wakefield, Inc.

Jay Epstein
DLA Piper

Dan A. Emmett
Douglas Emmett, Inc.

Daniel M. Neidich
Dune Real Estate Partners, LP

Marshall Loeb
EastGroup Properties, Inc.

Jodie W. McLean
EDENS

Anthony E. Malkin
Empire State Realty Trust, Inc.

Peter E. Baccile
First Industrial Realty

Alex Klatskin
Forsgate Industrial Partners

Chaim Katzman
Gazit Group USA, Inc.

Thomas F. Gilbane, Jr.
Gilbane, Inc.

Gregory P. Fuller
Granite Properties

Randall K. Rowe
Green Courte Partners, LLC

Edward J. Fritsch
Highwoods Properties, Inc.

Dean Parker
Hinshaw & Culbertson, LLP

Thomas J. Hutchison, III
Hutchison Advisors, Inc.

Scott O. Jones, P.E.
Jacobs, Inc.

Guy K. Johnson
Johnson Capital Group, Inc.

Geordy Johnson
Johnson Development Associates, Inc.

Conor Flynn
Kimco Realty Corp.

Ralph Rosenberg
KKR

Jeff Jacobson
LaSalle Investment Management, Inc.

Tim Byrne
Lincoln Property

Michael H. Lowe
Robert J. Lowe
Lowe

Eric Bolton, Jr.
MAA, Inc.

George M. Marcus
Marcus & Millichap Co.

Robert R. Merck
MetLife

Kevin J. McMeen
MidCap Financial, LLC

Charles R. Brindell, Jr.
Mill Creek Residential Trust, LLC

James H. Miller
Miller Global Properties

Thomas F. Moran
Moran & Co.

David L. Ferrero
Mosaic Building Group

© 2019, FPL Advisory Group LLC

Coburn Packard
MSD Partners, L.P.

John Z. Kukral
Northwood Investors

Albert P. Behler
Paramount Group, Inc.

Devin I. Murphy
Phillips Edison

Todd Everett
Principal Real Estate Investors

Peter M. Fass
Proskauer Rose, LLP

Jerry L. Starkey
RE Partners International

Richard S. Ziman
Rexford Industrial Realty, Inc.

Daniel J. Moore
Rockefeller Group International, Inc.

Glenn A. Shannon
Shorenstein Properties, LLC

Marty Burger
Silverstein Properties

Jeffrey B. Citrin
Square Mile Capital Management, LLC

John F. Fish
Suffolk

Tomas Schoenberg
Swig Co., The

Anthony Dona
Thackeray Partners

Michael A. Covarrubias
TMG Partners

Mark Doran
Transwestern

Jaap L. Tonckens
Unibail-Rodamco-Westfield

Kenneth T. Rosen
University of California at Berkeley

James Hime
USAA Real Estate

Gary M. Tischler
Vanbarton Group, LLC

Debra A. Cafaro
Ventas, Inc.

Randal J. Richardson
Vi

Walker Noland
Virginia Retirement System

Mark Myers
Wells Fargo

Gilbert Winn
WinnCompanies

© 2019, FPL Advisory Group LLC

Contact

Please direct all inquiries regarding this study to:

Mr. Travis Kononen
Managing Director
Ferguson Partners Ltd.
220 Montgomery Street, Suite 334
San Francisco, CA 94104
Phone: (628) 213-7708
E-mail: tkononen@fergusonpartners.com

© 2019, FPL Advisory Group LLC. All rights reserved. No business or professional relationship is created in connection with any provision of the content of this document (the "Content"). The Content is provided exclusively with the understanding that FPL Advisory Group LLC is not engaged in rendering professional advice or services to you including, without limitation, tax, accounting, or legal advice. Nothing in the Content should be used in or construed as an offer to sell or solicitation of an offer to buy securities or other financial instruments or any advice or recommendation with respect to any securities or financial instruments. Any alteration, modification, reproduction, redistribution, retransmission, redisplay or other use of any portion of the Content constitutes an infringement of our intellectual property and other proprietary rights. However, permission is hereby granted to forward the Content in its entirety to a third party as long as full attribution is given to FPL Advisory Group LLC.

The views and opinions expressed by each participant are such individual's own views and are not necessarily the views of FPL Advisory Group LLC or such participant's employer.

© 2019, FPL Advisory Group LLC