The Real Estate Roundtable Sentiment Index

Third Quarter 2021

The Real Estate Roundtable

The Real Estate Roundtable Sentiment Index[1]

The Real Estate Roundtable is pleased to announce the results from the Q3 2021 Real Estate Roundtable Sentiment Survey. The quarterly survey is the commercial real estate industry's comprehensive measure of senior executives' confidence and expectations about the commercial real estate market environment. Conducted by Ferguson Partners 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
3. Real estate asset values

Topline Findings

- The Q3 2021 Real Estate Roundtable Sentiment Index registered a score of 78, an increase of 1 point from the second quarter of 2021 and a 36-point increase over Q3 2020. The speed of the economic recovery compared to only 6 months ago has provided more clarity and certainty for specific asset classes, with the biggest looming question marks being the impact of employees returning to the office and rising inflation risk.
- Industrial performed exceptionally well throughout the pandemic and has maintained positive momentum through the first half of 2021. Additionally, multifamily and single-family suburban assets continue to attract strong demand. Previously challenged assets such as hospitality have rebounded and remain hopeful to reach pre-pandemic levels with increased travel and employees returning to the office.
- Assets classes with durability or the perception of durability such as high-quality multifamily, long-term net lease office, and industrial have all hit record levels, all while certain sectors and regional markets (in particular, those relying heavily on mass transit) have yet to fully recover.
- Respondents cited a continued abundance of available debt and equity capital, which has led to significant amounts of capital sitting on the sidelines waiting for attractive deployment opportunities.

[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.

General Conditions

The Q3 2021 Real Estate Roundtable Sentiment Index registered a score of 78, an increase of 1 point from the second quarter of 2021 and a 36-point increase over Q3 2020. The speed of the economic recovery compared to only 6 months ago has provided more clarity and certainty for specific asset classes, with the biggest looming question marks being the impact of employees returning to the office and rising inflation risk.

“There is finally some movement around return to office; you have extremes where everyone is back already at some firms, and of those that are not, many have a timeline to be back in the office either over the summer or by the end of the year. This is new over the past 3-4 months and a positive for office and cities in general.

“Return to work is an evolving and interesting topic; people are talking about a hybrid working environment, but what does that mean? It might just be increased flexibility – if that’s where it ends up, I don’t think it has a material impact on office demand.

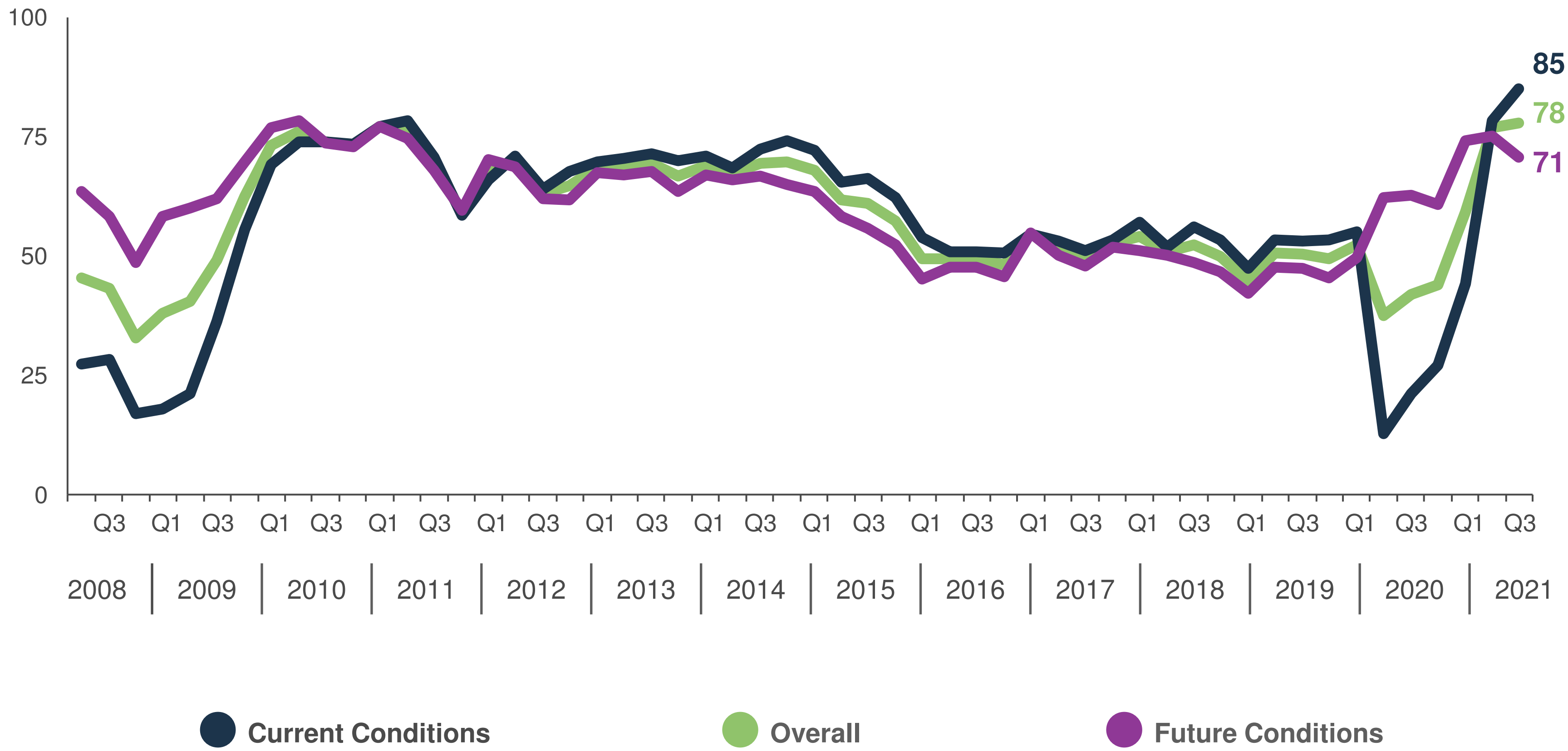
“A lot of uncertainty continues to exist. Companies are still not back full time, but by the end of Q3 and Q4 we will see office getting back to normal. The short-term fallout is definitely being felt thanks to downsizing, limited space needed, and working remotely. The long-term fallout is yet to be seen.

“Office continues to be both the most debated and most uncertain asset class. We will understand more when occupation needs are realized and where the office space will be located. We don't think that suburban offices will be the simple solution.

“The jury is largely still out on office – tenants that had expiring leases have resigned to new short-term deals given the uncertainty around what their long-term office needs will be.

Exhibit 1

The Real Estate Roundtable Sentiment Index



General Conditions (continued)

Industrial performed exceptionally well throughout the pandemic and has maintained positive momentum through the first half of 2021. Additionally, multifamily and single-family suburban assets continue to attract strong demand. Previously challenged assets such as hospitality have rebounded and remain hopeful to reach pre-pandemic levels with increased travel and employees returning to the office.

“ The housing market – everywhere from single-family to multifamily – has never grown faster than it is growing right now. The strength is broad-based across sectors and includes urban areas that were affected heavily by COVID but are rapidly recovering and even surpassing pre-pandemic 2019 rent occupancy levels.

“ Industrial is no doubt the strongest and most preferred asset class by most investors. Run rates will continue for many years with onshoring, manufacturing coming back, and more ecommerce competition with the big players – this will require more distribution capabilities.

“ The hospitality industry is bouncing back faster than we thought it would – people are comfortable traveling, which makes you wonder if we will get back to the office soon. Right now, it’s not the fear of COVID keeping people out of the office, it’s that people are comfortable at home. In the near term, all businesses are sensitive to the needs of their employees – we’ll see how long that lasts.

“ Multifamily is busy and delivering on both coasts and the sun belt. We are still seeing lots of pain by renters/families in the urban markets as lots of people are still leaving cities. Urban assets as a result have had a tough year.

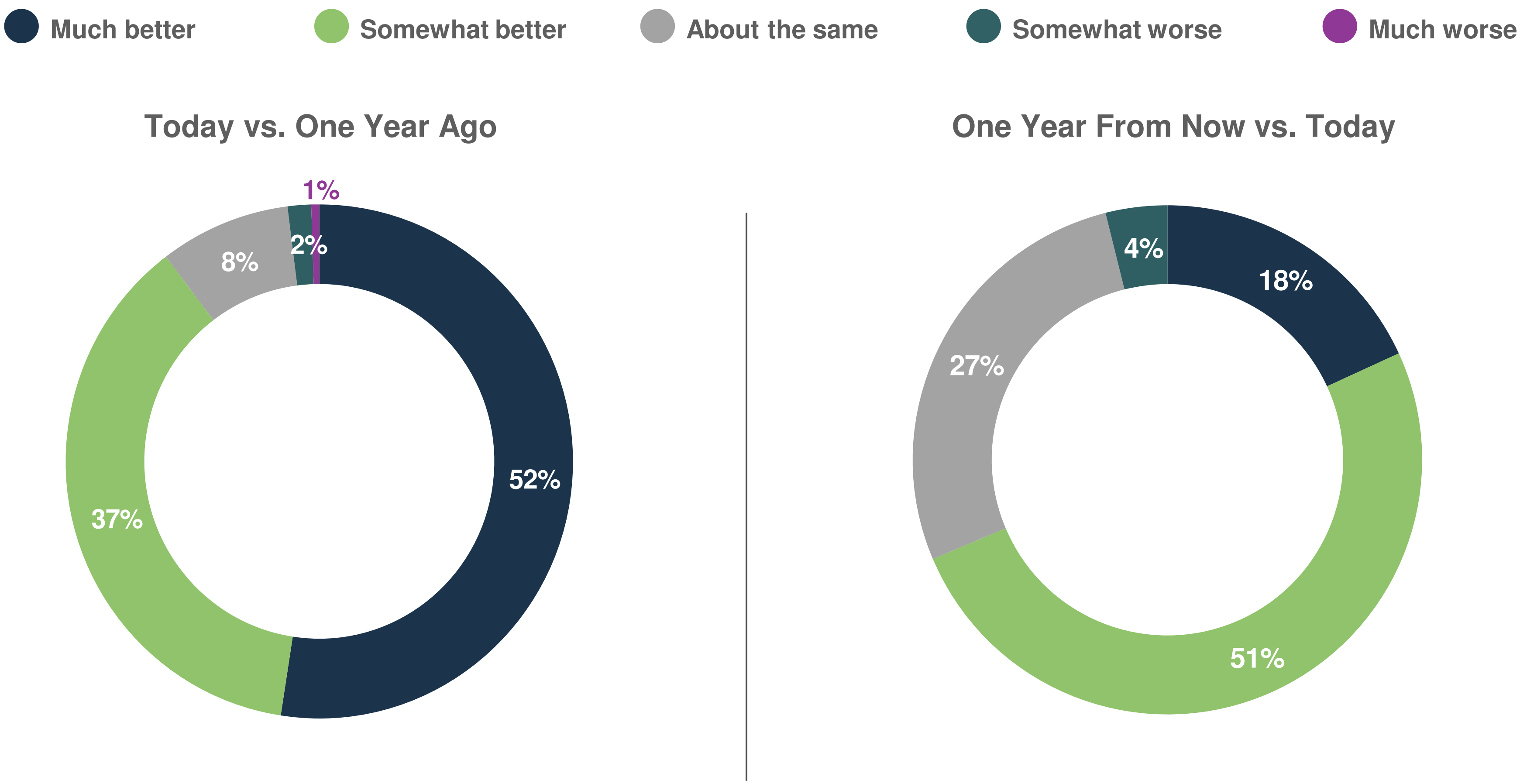
“ Hotels and hospitality are coming back in a big way. Big box hotels that historically relied on group business are still hurting and will continue to hurt for the foreseeable future given that we don’t see big groups coming back yet. However, we have seen an uptick in business travel.

“ In the medical/healthcare space, we saw a hiatus in 2020 but now all medical tenants are back paying full rent with high occupancy.

Exhibit 2

General Market Conditions

% of respondents



Asset Values

Assets classes with durability or the perception of durability such as high-quality multifamily, long-term net lease office, and industrial have all hit record levels, all while certain sectors and regional markets (in particular, those relying heavily on mass transit) have yet to fully recover.

“We are seeing a lot of strong bids for gateway office assets. Logistics and self-storage continue to be strong, while retail is harder to pin down.

“We are seeing prices in the industrial space reach unprecedented levels with industrial cap rates moving significantly from already low levels.

“As a lot of buyers have been crowding the market, deals are continually going above the brokers’ initial price. Multifamily continues to be the most attractive alongside industrial, but hotel auctions have shown rising pricing.

“Industrial is going gangbusters on both sides – tenant and investor side – with absurd amounts of capital washing around right now seeking any quality asset.

“Shockingly, industrial cap rates have gotten tighter and lower, forming a bubble from capital that is available, but fundamentals seem to back it up. In the office sector, if sellers would give a little, there would be a lot of activity, however we see separation between bid and ask.

“Retail pricing is largely binary. Good, anchored retail centers are probably fine, but in secondary and tertiary locations will rebound slowly.

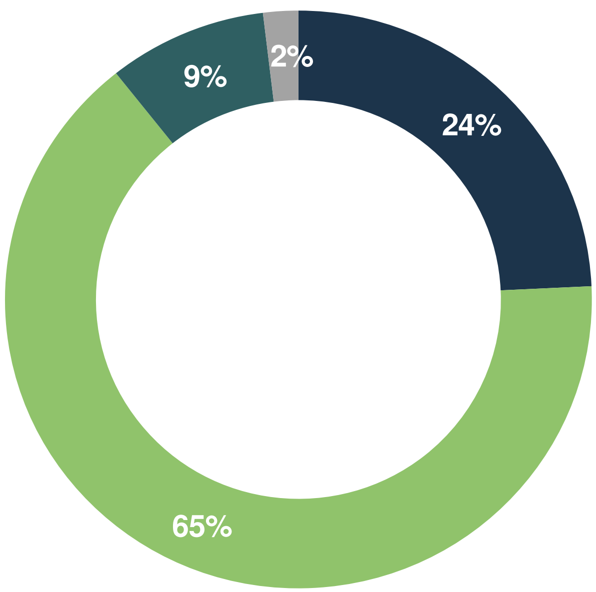
Exhibit 3

Real Estate Asset Values

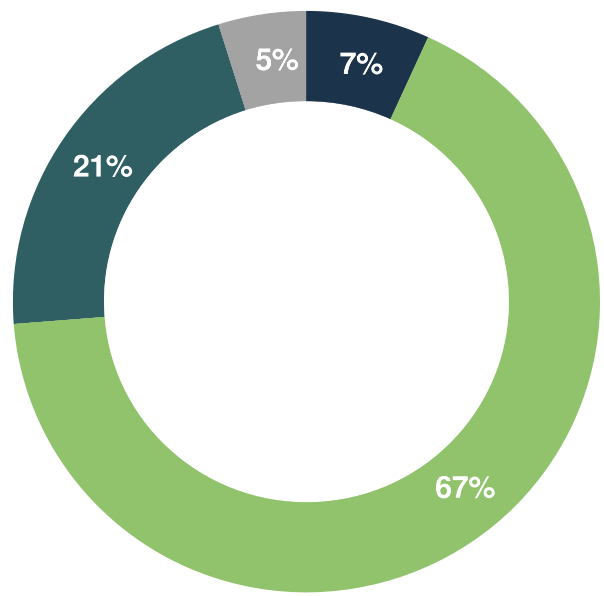
% of respondents

Much higher · Somewhat higher · About the same · Somewhat lower · Much lower

Today vs. One Year Ago



One Year From Now vs. Today



Capital Markets

Respondents cited a continued abundance of available debt and equity capital, which has led to significant amounts of capital sitting on the sidelines waiting for attractive deployment opportunities.

> There is so much pent-up capital out there sitting on the sidelines looking for places to invest. If you can put together the right deals you can get the necessary debt and equity.

> With the increased availability of debt capital, more groups are competing for the same capital which from a borrower standpoint is more attractive and allows them to negotiate better terms. Banks and debt funds have become extremely active again as a result.

> Capital is no longer going into traditional asset classes like equities or bonds, it is flowing to the next alternative with real estate being the largest sector. As a result, we are seeing incredible levels of available foreign capital looking to be deployed in the United States.

> As a result of the continued uncertainty around the pandemic, debt funds anticipated more stress, however the funds ended up holding really well, given the ability to borrow inexpensively.

> Funds have raised significant levels of capital expecting a generational buying opportunity but didn't see the crash. Therefore, they are now looking to deploy this capital.

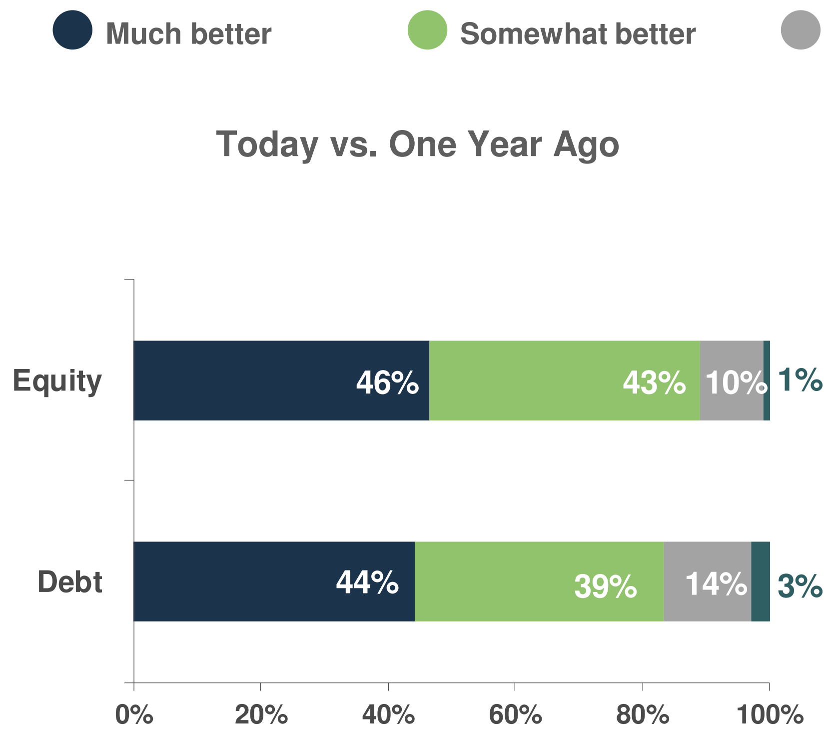
> Quality capital is easy and very compelling when you have a lot of opportunities to obtain it.

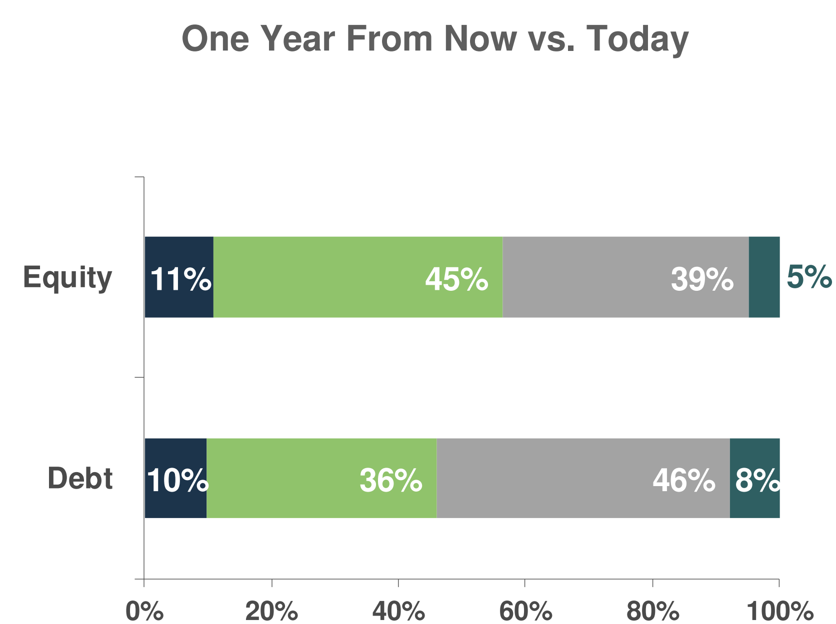
> A lot of equity capital is flowing into the space, in particular large sovereign wealth funds have awoken and are seeking to deploy capital in the United States.

Exhibit 4

Availability of Capital

% of respondents





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

Matthew Kaplan
Almanac Realty Investors

Mark E. Rose
Avison Young

Joe Marconi
Bain Capital Real Estate

Jeffrey Horowitz
Bank of America Merrill Lynch

Rudy Prio Touzet
Banyan Street Capital

Kofi Bonner
Bedrock

Alan King
Berkshire Residential Investments

Robert Byron
Blue Vista Capital Management

Henry Chamberlain
BOMA

Owen D. Thomas
Boston Properties

Brian Kingston
Brookfield

Douglas Pasquale
Capstone Corporation

Greg Stapley
CareTrust REIT

Robert Stern
Castle Hill Investors

Mike Lafitte
CBRE

Thomas M. Flexner
Citigroup

Alan Gosule
Clifford Chance, LLP

Timothy G. Wallace
Community Healthcare Trust, Inc.

Steven DeFrancis
Cortland

Bradley Razook
CSCA Capital Advisors, LLC

Gary Holmes
CSM Corporation

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

Charles Wurtzebach
DePaul University – Real Estate Center

A. William Stein
Digital Realty Trust

Jay Epstein
DLA Piper

Dan A. Emmett
Douglas Emmett, Inc.

Daniel M. Neidich
Dune Real Estate Partners, LP

Jodie McLean
EDENS

Anthony E. Malkin
Empire State Realty Trust, Inc.

Brian Finerty
Equity International

Mark J. Parrell
Equity Residential

Frank G. Creamer, Jr.
FGC Advisors, LLC

Peter E. Baccile
First Industrial Realty

Alex Klatskin
Forsgate Industrial Partners

Chaim Katzman
Gazit Group USA, Inc.

Thomas Gilbane
Gilbane Building Company

Jonathan J. Ofer
Global Holdings Management (US)

Randall K. Rowe
Green Courte Partners, LLC

Robert Ivanhoe
Greenburg Traurig, LLP

Participants (continued)

Kevin A. Shields
Griffin Capital Company, LLC

Thomas M. Herzog
Healthpeak Properties, Inc.

Jeffrey B. Citrin
Hectad Strategic Partners, LLC

Theodore J. Klinck
Highwoods Properties, Inc.

Ross Perot, Jr.
Hillwood

JD Sitton
Hines

Dean Parker
Hinshaw & Culbertson, LLP

David O'Reilly
Howard Hughes

Michael J. McNamara
John Hancock/Manulife

Guy Johnson
Johnson Capital Group, Inc.

Geordy Johnson
Johnson Development Associates, Inc.

Conor Flynn
Kimco Realty Corporation

Eric C. Resnick
KSL Capital Partners

Matthew J. Lustig
Lazard

Tim Byrne
Lincoln Property Company

Michael H. Lowe
Robert J. Lowe
Lowe

Edward C. Coppola
Macerich

Michael Chen
Madison International Realty

Hessam Nadji
Marcus & Millichap Real Estate Investment Services

Robert R. Merck
MetLife Investment Management

Kevin McMeen
MidCap Financial, LLC

James H. Miller
Miller Global Properties

Thomas F. Moran
Moran & Company

John K. Kukral
Northwood Investors

Taylor Pickett
Omega Healthcare Investors, Inc.

Michael Turner
Oxford Properties Group

William Lindsay
PCCP

Bryan McDonnell
PGIM Real Estate

Todd Everett
Principal Real Estate Investors

Peter Fass
Proskauer Rose LLP

Jerry Starkey
RE Partners International

Sumit Roy
Realty Income Corporation

Richard S. Ziman
Rexford Industrial Realty, Inc.

Leslie D. Hale
RLJ Lodging Trust

Daniel J. Moore
Rockefeller Group International, Inc.

Mike McElroy
Ryan Co.

JR Pearce
Sacramento County Employees' Retirement System

Robert A. Alter
Seaview Investors, LLC

Glenn A. Shannon
Shorenstein Properties, LLC

Participants (continued)

Marty Burger
Silverstein Properties

David Lukes
SITE Centers Corporation

Jackson Hsieh
Spirit Realty Capital, Inc.

Craig H. Solomon
Square Mile Capital Management, LLC

Benjamin S. Butcher
STAG Industrial, Inc.

Adam A. Behlman
Starwood Property Trust

John Fish
SUFFOLK

Daniel P. Hansen
Summit Hotel Properties

Tomas Schoenberg
Swig Company, The

Rick Buziak
Christopher Peatross
Swift Real Estate Partners

Gregg Gerken
TD Bank

Michael A. Covarrubias
TMG Partners

Jeffrey Zabel
Tufts University—Department of Economics

Thomas W. Toomey
UDR

Rex Rudy
US Bank

Peter McLaughlin
USAA Real Estate

Gary M. Tischler
Vanbarton Group, LLC

Glenn J. Rufrano
VEREIT, Inc.

Walker Noland
Virginia Retirement System

Clifford Smith
William E. Simon
Graduate School of Business

Gilbert Winn
WinnCompanies

Edward Peterson
Winstead P.C.

Contact

Please direct all inquiries regarding this study to:

Erin Green

Managing Director
Ferguson Partners
+1 (312) 893-2359
egreen@fergusonpartners.com