



COVID-19 Real Estate Impact Survey Report

In an effort to assess existing, and anticipated, impacts of the COVID-19 pandemic on real estate, IRR embarked on a national survey of market participants, with each office directly interviewing Real Estate Developers, Property Managers, Property Owners and Investors, Mortgage Brokers, Real Estate Brokers and Lenders. The results of this survey, which were conducted between March 31 and May 1, 2020, and are ongoing, are presented herein.

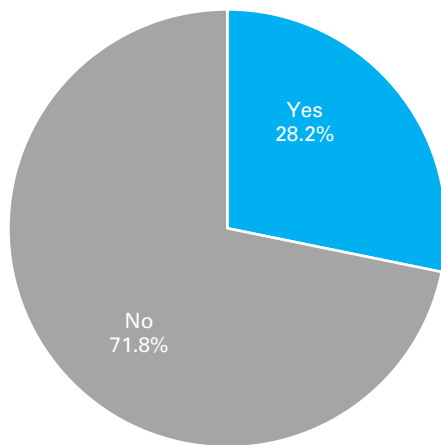
How is the Pandemic Affecting Real Estate Developers?

In interviews with Real Estate Developers, IRR asked whether they have stopped any construction projects that were ready to commence.

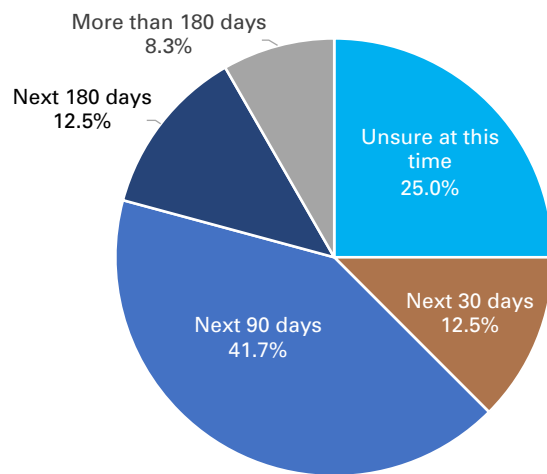
28.2% of those surveyed, nationally, indicated a pause in construction during the current pandemic.

For those that responded “Yes,” IRR asked when they anticipate restarting these projects. Slightly more than half of those surveyed indicated a three- to six-month delay.

HAVE YOU STOPPED ANY CONSTRUCTION PROJECTS THAT WERE READY TO COMMENCE?



IF YES, WHEN DO YOU ANTICIPATE RESTARTING THE PROJECT(S)?

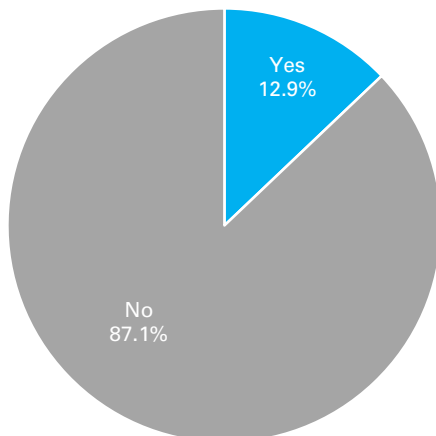


IRR also asked Real Estate Developers whether they have abandoned projects that were in the early stages of approvals, planning, etc.

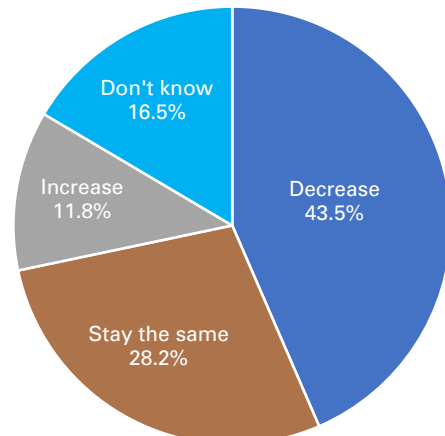
The vast majority of those surveyed had no immediate plans to abandon projects.

Nearly three-fourths of respondents anticipated construction and labor costs would stay the same, or decrease, due to the pandemic.

HAVE YOU ABANDONED PROJECTS THAT WERE IN THE EARLY STAGE OF APPROVALS, PLANNING, ETC.?



WHAT ARE YOUR EXPECTATIONS FOR CONSTRUCTION AND LABOR COSTS OVER THE NEXT SIX MONTHS?

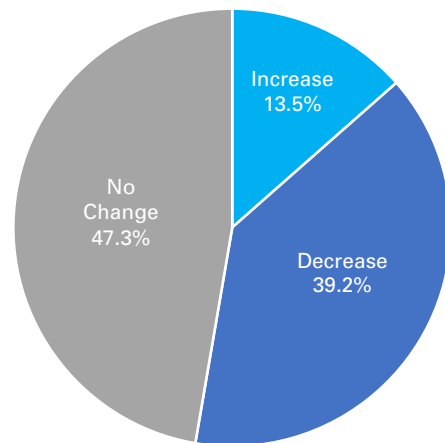


How is the Pandemic Affecting Property Managers?

FOR PROPERTIES UNDER YOUR MANAGEMENT, HOW WILL RENTAL RATES BE IMPACTED OVER THE NEXT SIX MONTHS?

Property Managers, for all property types, were also surveyed, nationally, by IRR and for those properties under their management they were asked how rental rates will be impacted over the next six months.

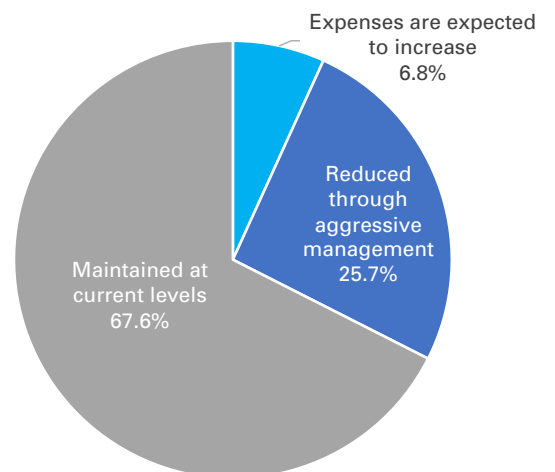
The results of this survey show nearly half of those interviewed anticipated no change in rental rates during the next six months with 39.2% of those surveyed anticipating rates to decline.



FOR PROPERTIES UNDER YOUR MANAGEMENT, HOW WILL EXPENSES BE IMPACTED OVER THE NEXT SIX MONTHS?

Another factor in the valuation of real estate is the analysis and forecast of expenses. IRR also solicited input from Property Managers on how expenses may be impacted in the near term, over the next six months.

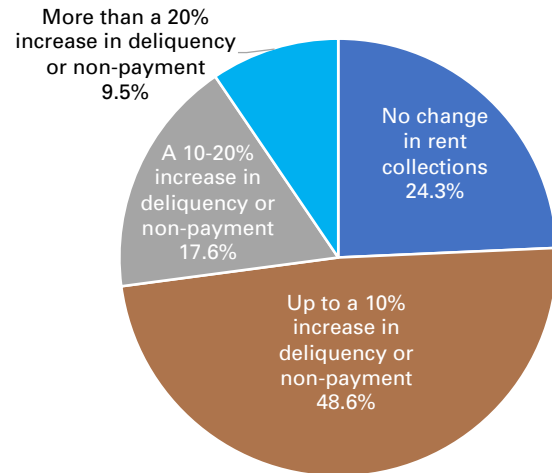
An overwhelming majority of Property Managers surveyed anticipate expenses to either maintain at current levels, or even decrease due to aggressive management.



How is the Pandemic Affecting Property Managers? (Continued)

HOW HAVE RENT COLLECTIONS BEEN IMPACTED BY THE COVID-19 PANDEMIC?

As a result of the COVID-19 pandemic, the impact of rent collections due to stay-at-home or shelter-in-place orders, which vary by state and locality nationwide, is widespread. Of those surveyed, just over 75% are reporting delinquencies.

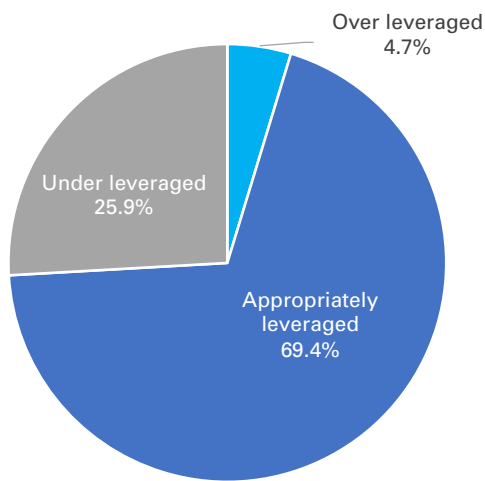


How is the Pandemic Affecting Real Estate Owners/Investors?

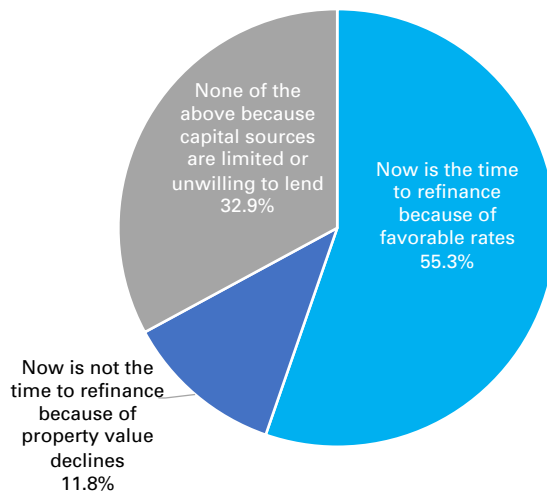
During the last global financial crisis in 2008/2009, Property Owners/Investors were particularly vulnerable to drastic changes in property values, with many facing capital calls on existing loans or ultimately short sells and bankruptcies. Property Owners and Investors were surveyed by IRR nationwide; among those surveyed, they were asked which best described their current debt position.

According to the survey, Property Owners overwhelmingly believe their properties are appropriately, or under, leveraged; 55.3% of the respondents believe now is the time to refinance due to favorable rates.

BASED ON CURRENT MARKET CONDITIONS, WHICH STATEMENT BEST DESCRIBES YOUR DEBT POSITION?



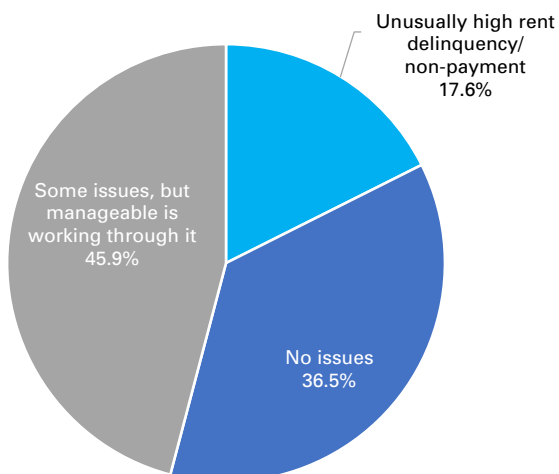
AS IT RELATES TO REFINANCING ANY OF YOUR HOLDINGS, WHICH APPLIES?



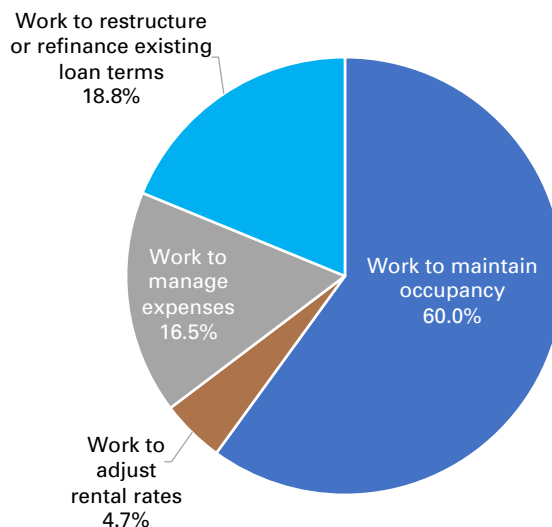
In terms of existing assets, 45.9% of property owners/investors are reporting some tenancy issues, but assert such issues are manageable and they are working through it. Approximately 18%, however, note an unusually high delinquency in rent collection/non-payment.

A significant number of property owners/investors surveyed by IRR, nationally, indicate over the next six to nine months they will focus most attention on maintaining occupancy at their properties.

AS IT RELATES TO TENANCY, WHICH STATEMENT IS MOST ACCURATE?



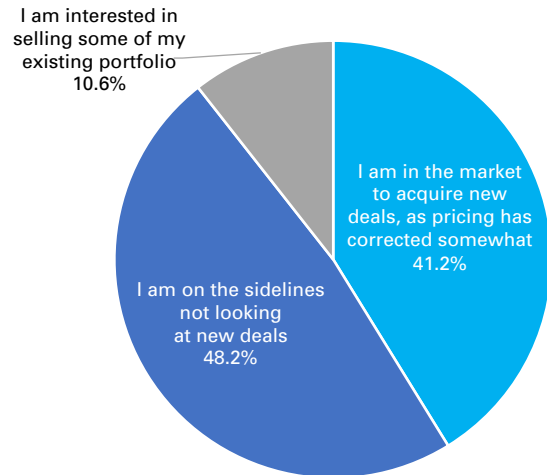
OVER THE NEXT 6-9 MONTHS, WHICH STATEMENT BEST DESCRIBES YOUR HIGHEST PRIORITY?



How is the Pandemic Affecting Property Owners/Investors? (Continued)

With the effects of the COVID-19 pandemic impacting all segments of the national economy, approximately 41% of those Property Owners/Investors surveyed, nationally, reported they are actively pursuing new acquisitions while 48.2% are focused on maintaining existing assets. Only 10.6% of those surveyed reported that they are actively seeking to sell existing assets.

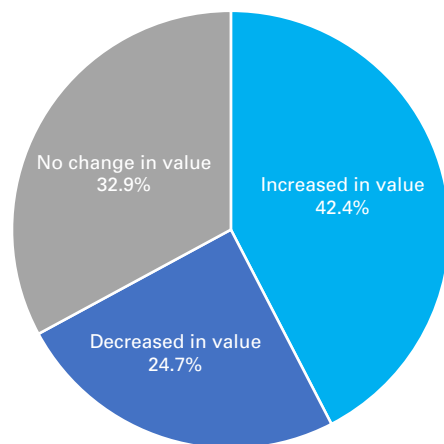
OVER THE 6-9 MONTHS, WHICH STATEMENT BEST DESCRIBES YOUR LIKELY ACTIONS?



HOW HAS THE VALUATION OF YOUR PORTFOLIO BEEN IMPACTED YEAR OVER YEAR?

IRR gauged the perceptions of Property Owners/Investors on the asset value of their portfolios as compared to a year ago.

Based on the results of this survey, 75.3% of those respondents represented their real estate portfolios either increased in value (42.4%) or remained the same (32.9%). Whereas 24.7% of those respondents nationwide believed there was a decrease in the value of their portfolio from the prior year.



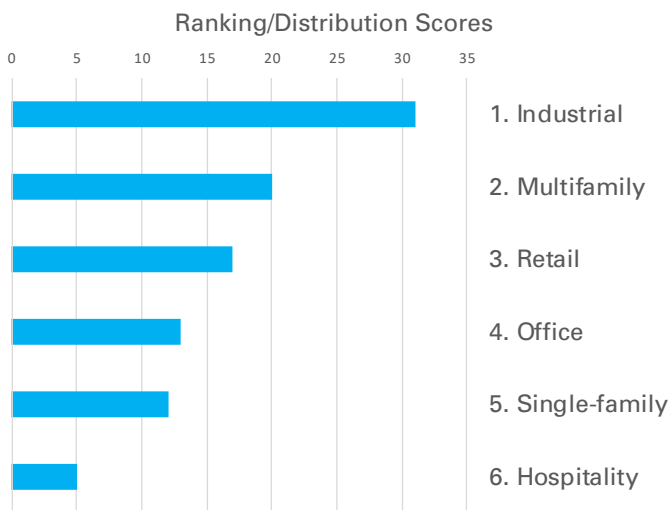
How is the Pandemic Affecting Investment Brokers?

Investment Brokers expect the Industrial sector to experience the quickest recovery from the adverse economic impact of the COVID-19 pandemic, with Multifamily coming in second.

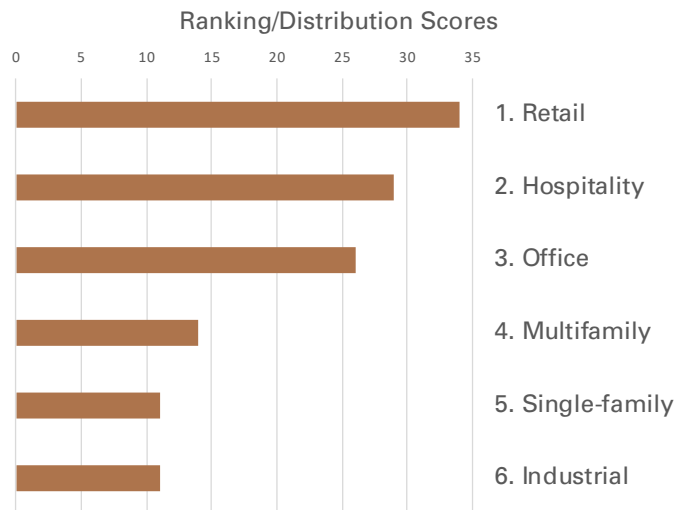
Hospitality and Retail are expected to be the slowest to recover followed by the Office and Single-family sectors.

Investment Brokers expect the Hospitality and Retail sectors to be hit the hardest by the pandemic, while the Industrial sector is expected to be least impacted.

WHICH SECTORS DO YOU EXPECT TO RECOVER QUICKEST FROM THE COVID-19 PANDEMIC?



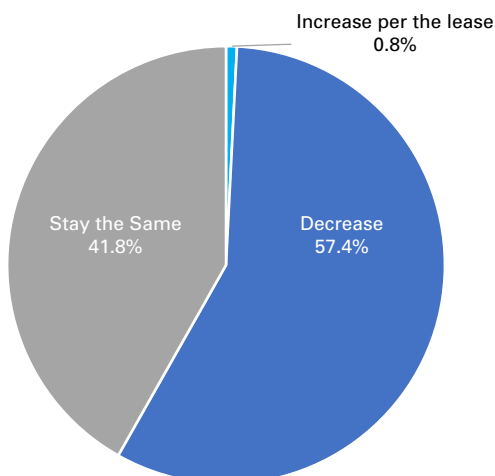
WHICH SECTORS DO YOU EXPECT TO BE HARDEST HIT BY THE COVID-19 PANDEMIC?



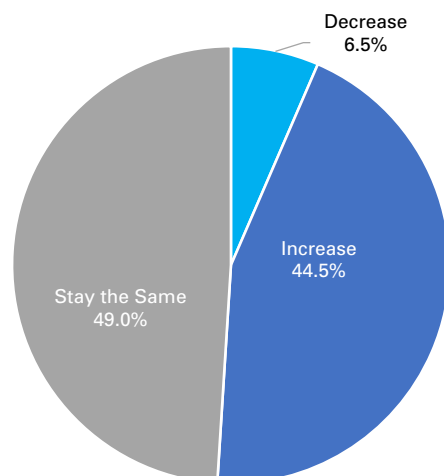
Nearly all Investment Brokers expect rental rates to stay the same or decline in the short-term. More than half expect a decrease in rents, while slightly less than half expect no change in rents. Most respondents expect a level-to-downward bias on rental rates in the short-term due to the pandemic.

Respondents are also nearly evenly split between those who expect cap rates to increase and those expecting rates to stay the same. Only a small fraction (6.5%) expect a decrease. Overall, about 94% of investment brokers expect level to increasing capitalization rates due to the pandemic.

WHAT DO YOU EXPECT WILL BE THE IMMEDIATE, SHORT-TERM IMPACT ON RENTAL RATES?



WHAT DO YOU EXPECT TO BE THE IMMEDIATE, SHORT-TERM IMPACT ON CAPITALIZATION RATES?

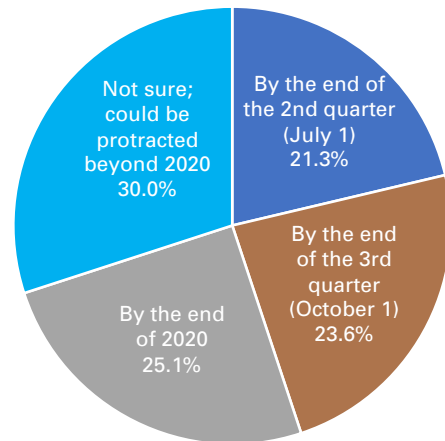


How is the Pandemic Affecting Investment Brokers? (Continued)

WHEN DO YOU ANTICIPATE A RESUMPTION TO NORMAL BUSINESS OPERATIONS?

Nearly three quarters of Investment Brokers expect a return to normal business operation by the end of 2020. However, a significant portion indicate that disruption could roll into 2021.

The survey indicates that opinions vary as to when normal business activity will resume.

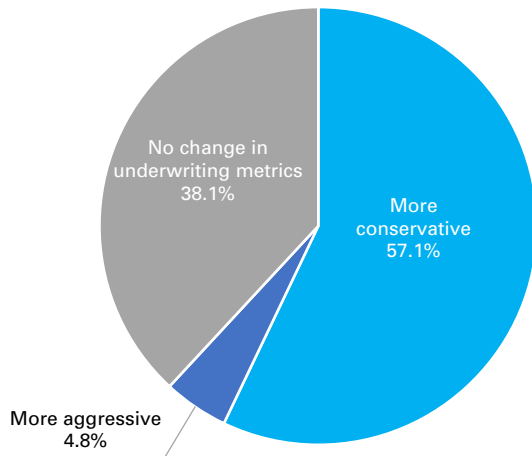


How is the Pandemic Affecting Mortgage Brokers?

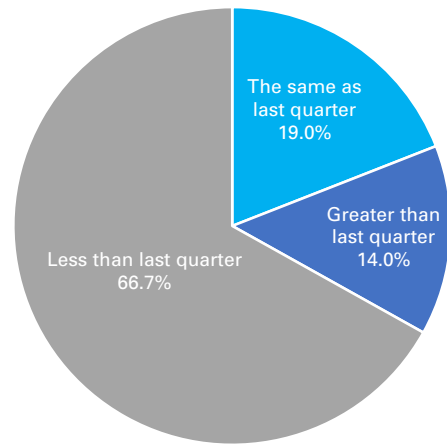
More than 57% of the Mortgage Brokers surveyed have become more conservative with their underwriting since the outbreak of the COVID-19 pandemic. More than one third have made no change, while only a small fraction (4.8%) are more aggressive.

Two-thirds of respondents reported that deal flow was less than in the prior quarter (Q4'19). Concurrently, one-third said that deal flow was the same or more. Note that the question included work in their pipeline, so future changes in the majority response will be noteworthy and indicative of deals being done.

HOW HAS YOUR UNDERWRITING CHANGED SINCE THE OUTBREAK OF THE COVID-19 PANDEMIC?

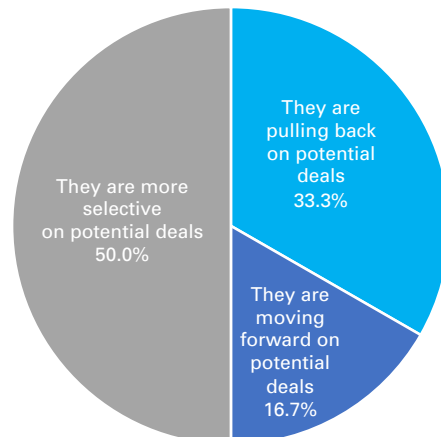


WHICH STATEMENT BEST DESCRIBES HOW YOUR DEAL FLOW, INCLUDING PIPELINE, HAS CHANGED?



The vast majority (83.3%) of the Brokers' lenders are either being more selective or pulling back on potential deals since the outbreak of the COVID-19 pandemic. Less than a 17% reported that their lenders are moving forward on potential deals.

WHICH STATEMENT BEST DESCRIBES HOW YOUR LENDERS ARE REACTING TO THE COVID-19 PANDEMIC?



A dark, blue-tinted photograph of the Golden Gate Bridge at night, with its towers and suspension cables silhouetted against a dark sky. The bridge spans across the water, and the city lights are visible in the distance. The overall mood is professional and sophisticated.

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