



ECONOMIC & REAL ESTATE MARKET PERSPECTIVE

Company Address | March 2, 2020

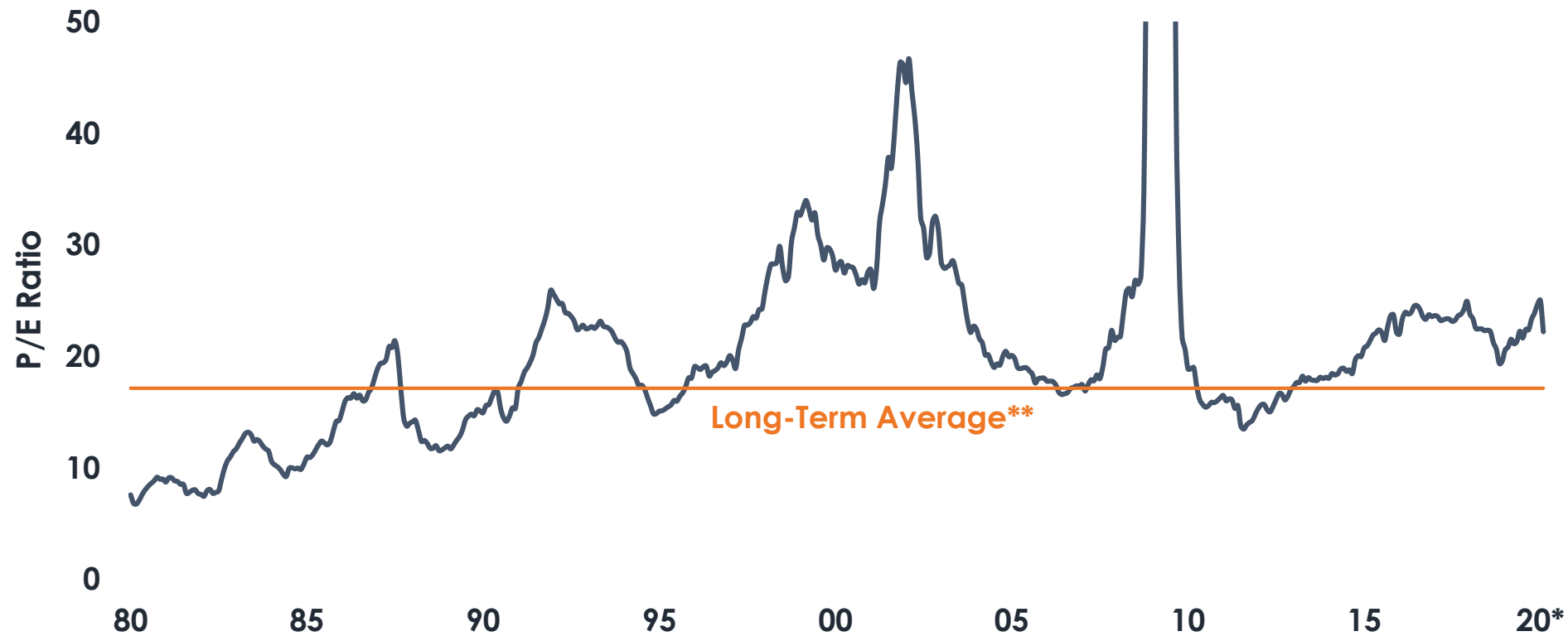
Summary of Recent Events and Current Macro Environment

- ❖ **Human Factor/Public Health Main Concerns.**
- ❖ **Global Equity Markets Reacting to Potential Economic, Supply-Chain Disruption, Business/Consumer Confidence (Uncertainty).**
- ❖ **Fears of the Worst-Case Scenario Appear Highly Speculative:**
 - ❑ **U.S. Equities Selloff Most Severe Since Global Financial Crisis.**
 - ❑ **Flight to Safety Pushed 10-Year Treasury Yield to All Time Low.**
- ❖ **Forecasts for Medical/Economic Impact Hard to Ground As of Yet.**

Fact-Based Assessment – Vital Economic/Real Estate Industry Aspects

- ❖ **The U.S. Economy in Excellent Shape – Consumer and Business Conditions at Record Bests (i.e. Unemployment and Job Openings).**
- ❖ **Real Estate Supply/Demand, Loan Performance Healthier than any Late-Stage Expansion in Past Four Decades.**
- ❖ **If Coronavirus is Stemmed in the Short-to-Mid-Term, the U.S. Economy, Job Growth Still Likely to Moderate; Recession Unlikely.**
- ❖ **Low Inflation Supports Fed Rate Cut, Flexibility for Additional Steps to Shore Up Economy if Necessary.**
- ❖ **Banking System is Extremely Well-Capitalized with Ample Liquidity.**

S&P 500 P/E Ratio Well-Above Long-Term Since 2015; Rose Rapidly in 2019



* Estimate through February 28; ** Long-term average since 1950
S&P 500 P/E ratio based on trailing 12-month 'as reported' earnings; long-term average excludes Great Recession
Sources: Marcus & Millichap Research Services, Standard & Poor's

Stock Valuations a Concern Prior to Recent Volatility

Marcus & Millichap | IN THE MEDIA

Yahoo! Finance Features Marcus & Millichap's President and CEO Hessem Nadji

Stocks vs. Real Estate: 2020 Investment Strategy



- What to expect from the Fed and why
- Drivers behind consumers' propensity to rent
- How tax law is impacting home sales
- Why real estate is a strong alternative investment

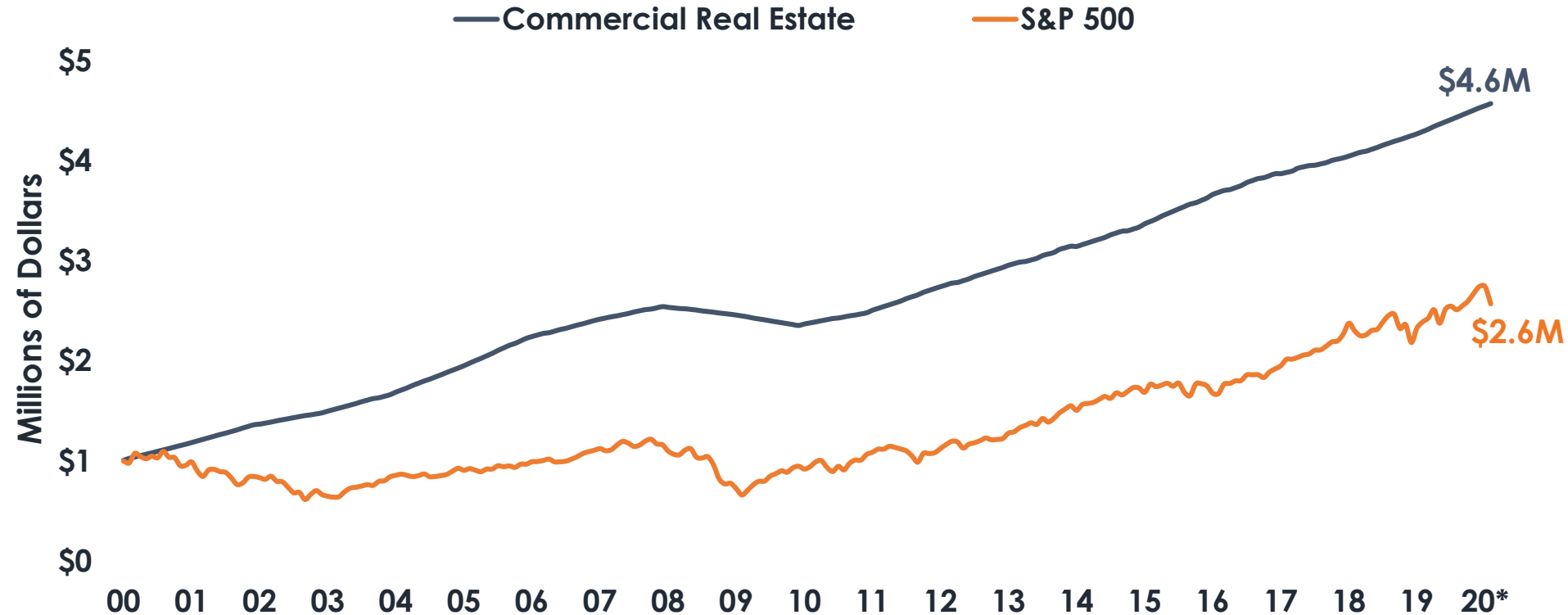
WATCH NOW

Marcus & Millichap

Key Implications For Real Estate Investors

- ❖ **Our Clients/Investors Face Conflicting Data Points, Fear-Based News Overload. They Need Our Urgent Help as their Advisors.**
- ❖ **Stock Market Volatility Most Visible Indicator – There are Factors Behind Recent Correction that Must be Taken into Account.**
 - ❑ **Highlights Commercial Real Estate Stability, Compelling Yields, Lowered Cycle Risk Due to Healthy Fundamentals.**
- ❖ **Record-Low Interest Rates Further Boost Levered Real Estate Returns, Offering Investors Many Unique Advantages and Options.**
- ❖ **Current Interest Rate Level May Be Short-Lived; Containment and, Hopefully, Signs of Resolution, Likely to Result in Rapid Reversal.**

20-Year Total Return on a \$1M Investment: Commercial Real Estate vs. S&P 500



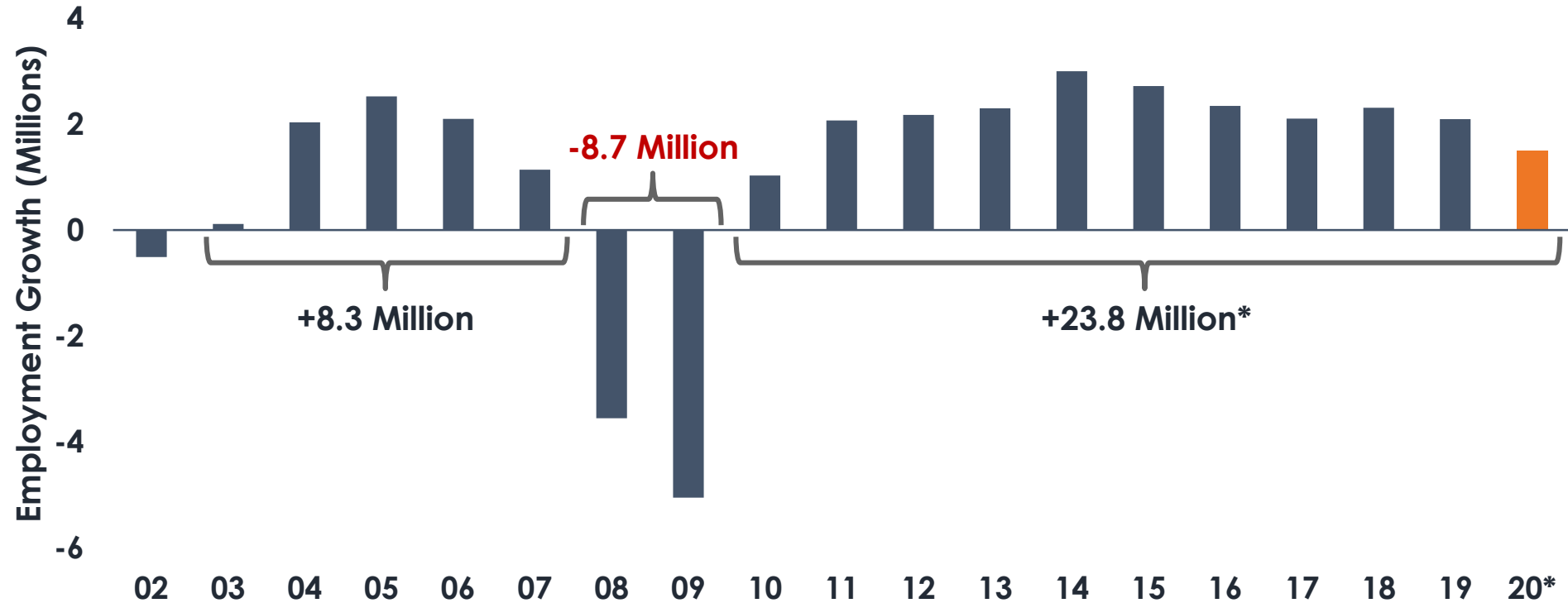
* Through February 28

Commercial real estate total return includes apartment, retail, office, and industrial properties \$1 million and greater; includes non-leveraged weighted average returns on property price appreciation and cumulative cash flow

S&P 500 total return based on price index appreciation and cumulative dividends (dividends not re-invested)

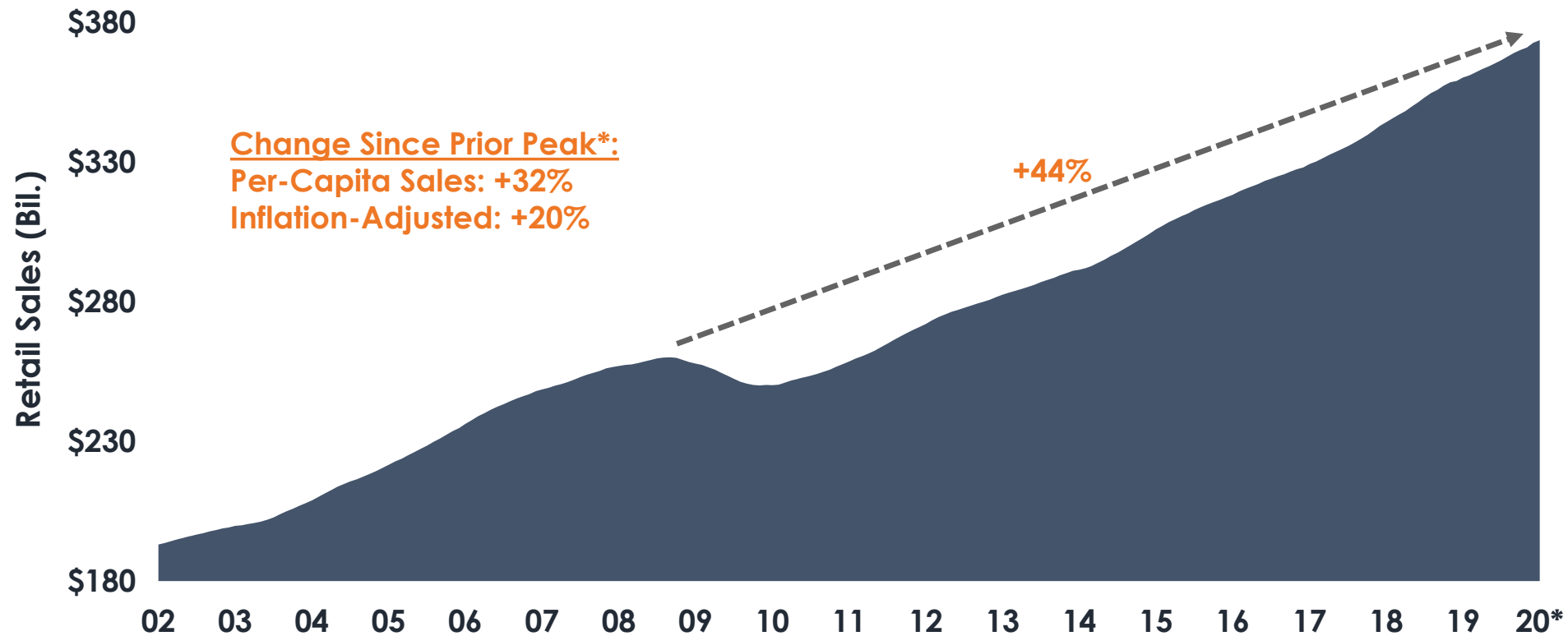
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics, Standard & Poor's

U.S. Employment Growth Trends



* Forecast
Sources: Marcus & Millichap Research Services, BLS

U.S. Core Retail Sales Building Steady Momentum; Growth Supporting Economy



* Through January 2020

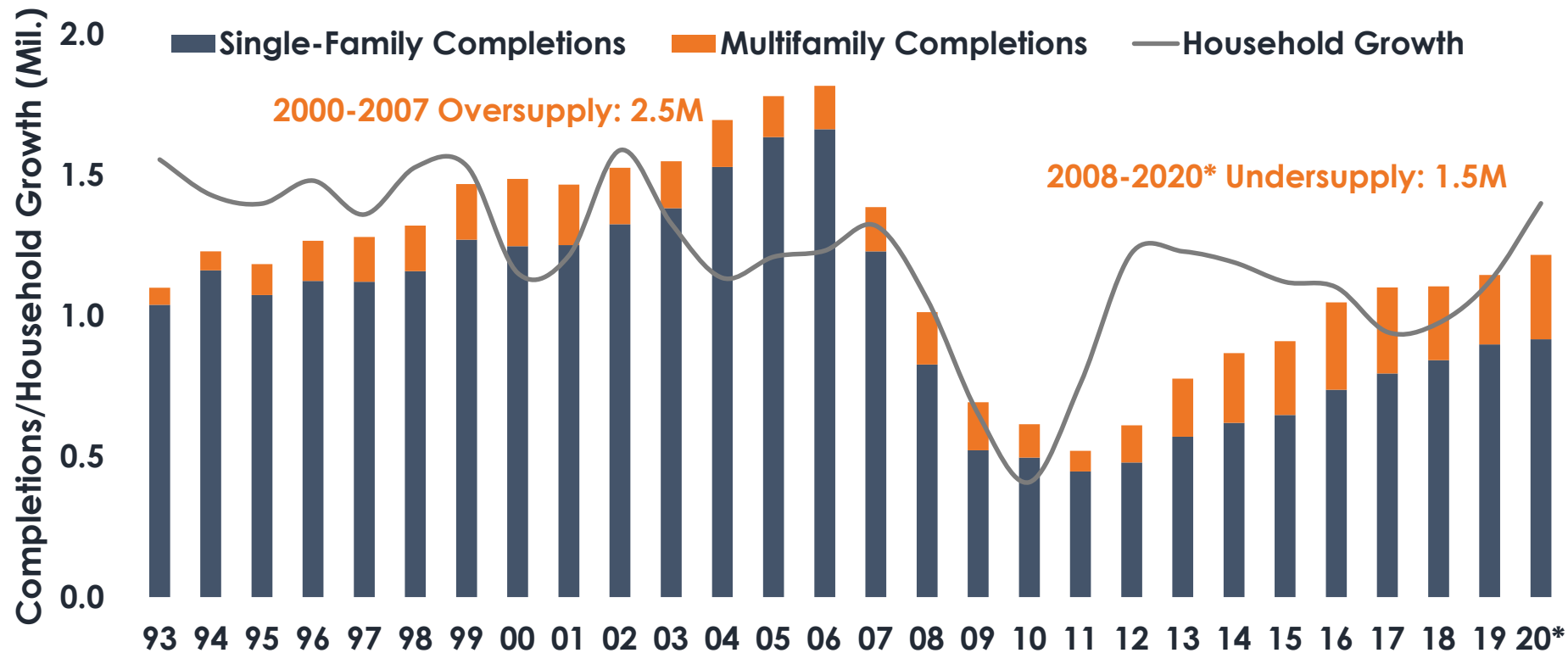
Trailing 12-month average

Core retail sales exclude auto and gasoline sales

Sources: Marcus & Millichap Research Services, U.S. Census Bureau, BEA

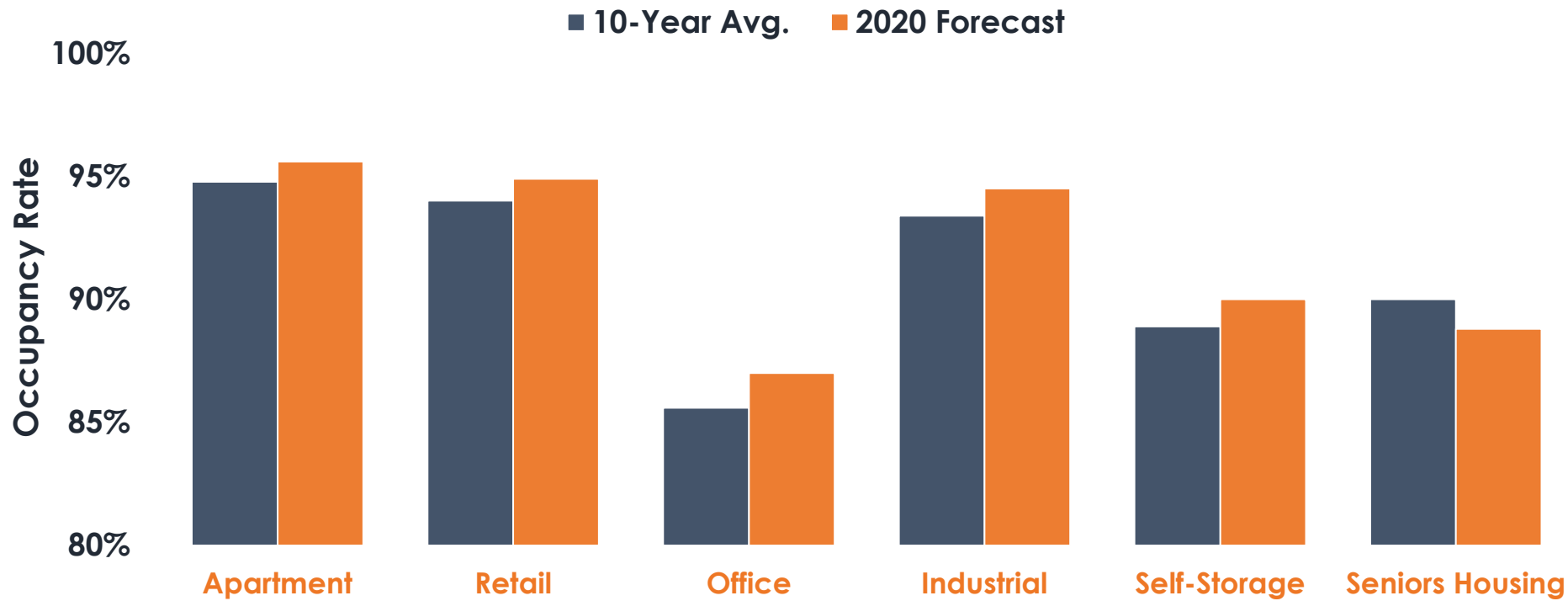
Marcus & Millichap

Housing Construction Has Fallen Short of Demand



* Forecast
Trailing 24-month average for household growth
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, RealPage, Inc.

Commercial Real Estate Occupancies Healthy; Lack of Overbuilding, Overleveraging Cushion Possible Slow-Down



Value-Added Brokerage and Financing Key Consideration to Best Serve Our Clients

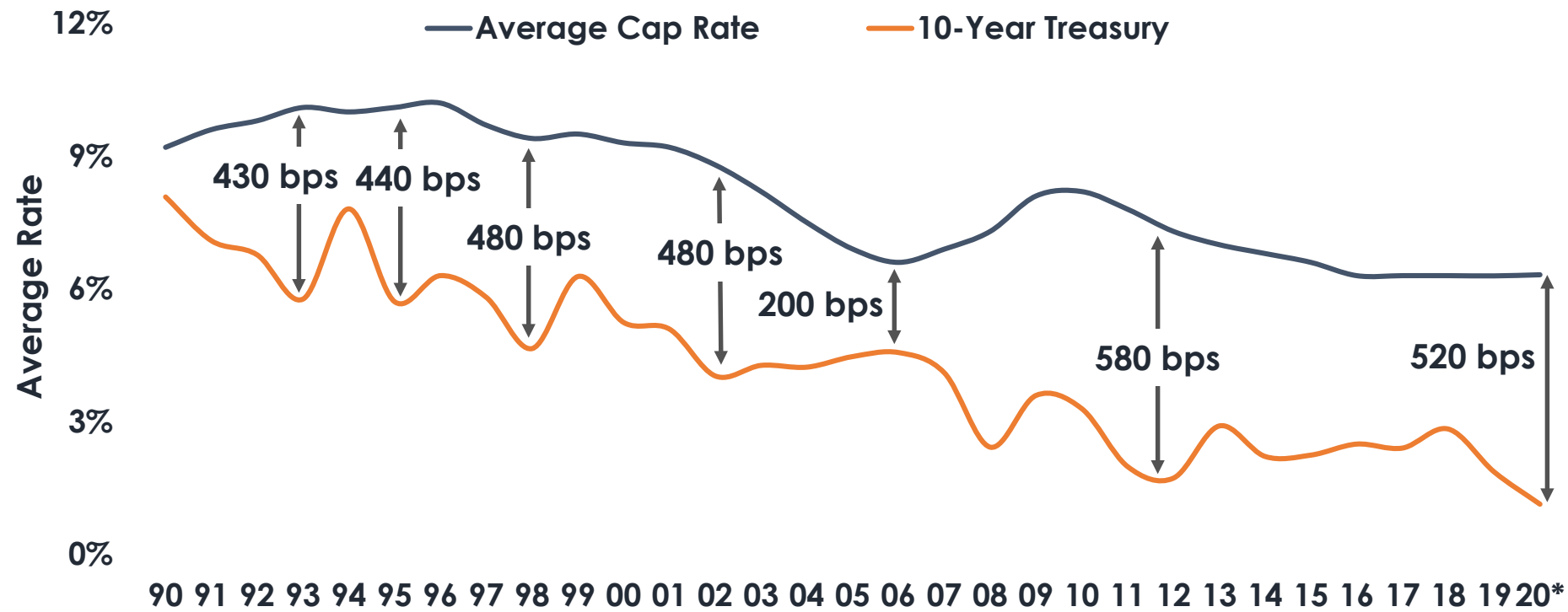
- 1. Significantly Increase Direct Client Contact, Dialogue and Assistance.**
 - **Critical to Gain Understanding of Each Person's Views, Perspective, Concerns and Plans Related to Recent Events and their Investments - First and Foremost.**
- 2. Assess/Protect Deals Under Contract:**
 - **Re-Underwrite Every Deal Based on Current Interest Rates (MMCC).**
 - **Anticipate Potential Seller/Buyer Positions - Expectation Management.**
 - **Know the Status of the Buyer's Financing on Each Deal; Encourage Locking Rates, Urgency Where Applicable.**
 - **Anticipate Some Buyers' Desire for Time to Secure More Favorable Financing; Manage Toward Preserving Urgency to Keep Deal on Track.**

Value-Added Brokerage and Financing Key Consideration to Best Serve Our Clients

3. Marketing Current Listings More Effectively:

- Re-Underwrite Your Listings Based on Current Interest Rates (MMCC).
- Manage Seller Expectations: Balancing Favorable Impact of Lower Rates on Price with Buyer's Macro/Cycle Concerns.
- Essential to Create Urgency Among Interested Buyers; Illustrate Favorable Returns Supported by Low Interest Rates.
- Virtually Every Listing in the System Can be Viewed as "Fresh" Inventory – Each of Your Listing's Marketing Campaign Should be Re-Energized.
- Reconnect with Buyers Who Passed on Opportunities Previously Due to Thin Margins Which Have Since Improved.
- Current Condition Catalyst for Extension on Listings Expiring Soon, Re-Listing Recently Expired Assignments.

Commercial Real Estate Yield Spread to Interest Rates Second Highest Since 1990 - Indicates Investment strength

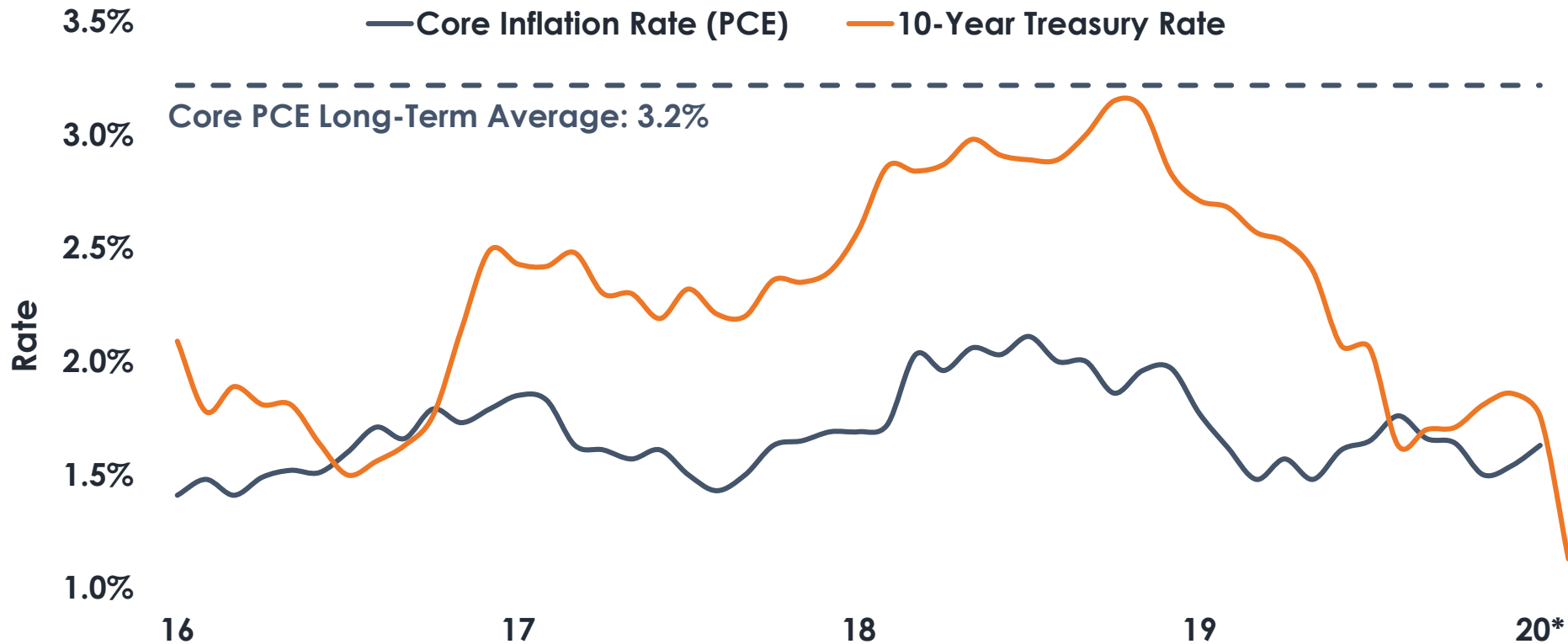


* Through February 28

Includes apartment, retail, office, and industrial sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics, Federal Reserve

Core Inflation Rate vs. 10-Year Treasury



* Treasury rate through February 28; Core PCE (Personal Consumption Expenditures) through January (long-term average since 1960)
Sources: Marcus & Millichap Research Services, Federal Reserve, BEA

CRE Offers Compelling Spectrum of Risk/Reward Options

	Tier 1	Tier 2	Tier 3	National Average
Alternative Yields	1.1% (10-Year Treasury)	2.7% (AAA Corporate Bonds)	3.6% (BAA Corporate Bonds)	
Apartment	4.1%	5.3%	7.0%	5.1%
Retail-ST	5.1%	6.1%	6.9%	6.1%
Self-Storage	5.8%	6.5%	7.7%	6.6%
Industrial	5.1%	7.1%	8.6%	6.9%
Retail-MT	5.6%	7.1%	8.0%	7.0%
Manufactured Housing	6.3%	7.0%	8.1%	7.0%
Seniors Housing	6.1%	7.0%	8.0%	7.0%
Office	5.8%	7.0%	7.8%	7.1%
Hospitality	6.7%	8.5%	9.3%	8.6%

As of February 28, 2020

Cap rates for sales \$1 million and greater; \$2.5 million and greater for hospitality

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics, NICMap, Federal Reserve, Moody's Analytics

Marcus & Millichap

Value-Added Brokerage and Financing Key Consideration to Best Serve Our Clients

4. Significantly Increase Your Business Development/Proposals:

- Unsuccessful Proposals Made in Past Year = High Probability
- Recently Expired Listings/Deals That Did Not Pencil = High Probability
- High Equity Clients that Acquired Assets 3-5 Years Ago = High Probability
- Return on Equity Opening the Door to Yield Matrix – 1031 Exchanges
- M&M Media Coverage, Client Events, Research Content

5. Partner with our MMCC Originators

- Refinancing/Re-Capitalization Opportunity Where Applicable
- In a Hold Pattern, Re-Finance and Re-Deploy Opportunity Plentiful
- MMCC Can Help Overall Portfolio Assessment, Strategy Formation

ECONOMIC & REAL ESTATE MARKET PERSPECTIVE

Company Address | March 2, 2020