

UNITED
STATES

Perspective

MID-YEAR 2020 UPDATE

ECONOMY

The economy is reopening but significant risks remain that could extend the timeline of a full recovery.

CAPITAL MARKETS

Volatility ratchets up even as signals from the Fed encourage markets. Low interest rates should limit property value downside.

SPACE MARKETS

Outside of retail, property markets entered the downturn on strong footing. Rent collections have remained high.



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Executive Summary

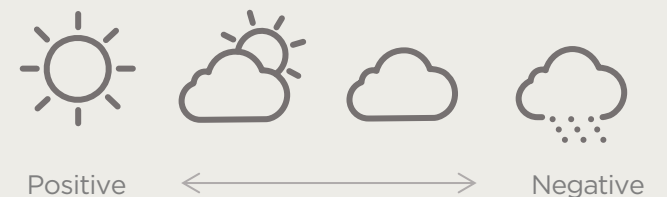
The pandemic caused by COVID-19 brought an end to the long-running global expansion. February marked the official end of the U.S. expansion as severe job losses took hold in March and all states entered some phase of economic shutdown.

Both the Federal Reserve and Congress have acted in unprecedented fashion to stave off a financial crisis and support businesses and households. Reopening the economy will repair some of the damage but the road to a full recovery will be uneven and potentially drawn out. Uncertainty around reopening the economy and the availability of effective therapies creates a broad range of potential scenarios for the recovery.

What we know is that property markets will feel the impact although the severity will vary by geography and sector. Early indications are that most tenants continue to pay rent at a high rate and low interest rates should help support property values.

This report examines recent trends and considers the outlook for property markets as we recover. But first, we begin with an update on the key themes introduced at the start of the year in *Perspective 2020*.

BentallGreenOak Research Sentiment Key



PERSPECTIVE 2020 THEMES UPDATE

COVID-19 has amplified many existing trends

Within our Perspective 2020 report released in January we emphasized **10 key trends** we expected to impact the economy and property markets. **Much has changed in the world** since that report was released. Here is a quick update on the Perspective 2020 themes.

Counteracting the slowdown **AMPLIFIED** **ONUS ON FISCAL POLICY TO DRIVE GROWTH**

We indicated the need for fiscal stimulus to keep the economy moving as we entered 2020. COVID-19 has undermined this expansion and trillions of dollars in fiscal stimulus has been required to stave off a severe and prolonged recession rather than perpetuate a growth cycle. More stimulus will be necessary globally, but the magnitude, type, and long-term implications are uncertain.

Following the talent **EDUCATED WORKERS MIGRATING TO NEW MARKETS**

Affordability, lifestyle, and employment opportunities have been encouraging migration to select secondary markets in the U.S., but talent has also continued to agglomerate in certain submarkets within primary markets. COVID-19 has paused migration for now. Going forward concerns about density and reliance on public transit may encourage more migration to secondary locales on the margin. But we maintain confidence in the long-term resilience of major U.S. cities.

Portfolio considerations in a low yield environment **AMPLIFIED** **REAL ESTATE'S PORTFOLIO ENHANCING ATTRIBUTES**

Swift and unprecedented actions by the Federal Reserve and central banks globally have driven bond yields down even lower than they were in late 2019. While there is likely to be some erosion of the net operating income created by commercial properties, rent collections to date have been strong. The asset class should maintain a healthy relative yield and continue to attract capital.

Increasing portfolio resilience **AMPLIFIED** **SUSTAINABLE INVESTING HELPS DRIVE PERFORMANCE**

When it comes to health, safety, and wellness of employees this pandemic has raised the minimum acceptable standard for occupiers of commercial real estate. Investors who have already made sustainability a priority will reap further benefits as a result of this health crisis.

The housing affordability crisis **AMPLIFIED** **LIMITED SUPPLY CAPS ECONOMIC POTENTIAL**

Prognostications about how health concerns and increased workplace flexibility may impact housing decisions in a post-COVID world. Will there be a shift towards lower-density communities? And will households capitalize on low interest rates to purchase a home? In almost any scenario housing availability and cost will remain a factor. COVID will constrain housing supply in the short-run, exacerbating affordability issues. Meanwhile, the economic climate will diminish the ability of households to purchase a home.

PERSPECTIVE 2020 THEMES UPDATE

COVID-19 has amplified many existing trends

Rising development costs

RESTRAINING SUPPLY AND EXACERBATING AFFORDABILITY CHALLENGES

Virus mitigation measures employed on construction sites are creating productivity challenges leading to higher costs. Developers will face an increased backlog in obtaining building permits and entitlements. While raw materials prices have fallen, supply chain disruptions could raise prices on intermediate and finished construction goods. COVID-19 will delay many construction projects and the economic climate should deter others from moving forward. This should bolster property markets over the medium term.

Secular tailwinds for industrial

AMPLIFIED

BUT ARE SUPPLY/DEMAND DYNAMICS TURNING LESS FAVORABLE?

Industrial fundamentals were exceptionally strong prior to the COVID-19 outbreak. The economic consequences of the virus are creating a challenging environment for some tenants, while others are seeing an uptick in business activity. COVID-19 has accelerated the shift to online shopping and ecommerce related demand has surged. Industrial availability may rise in the short run as new supply delivers but the sector is well-positioned over the medium and long-term.

Future of workplace-as-a-service

AMPLIFIED

FLEXIBLE OFFICE PAUSES AFTER THE FAILED WEWORK IPO

Occupiers are now beginning to focus on “return to office” strategies and are re-evaluating their space requirements in both a COVID and post-COVID world. Flex office/coworking operators will struggle through COVID, but as companies re-imagine how the workplace is defined, flex office will play a critical role in the recovery phase. Flexibility and optionality will be even more important for firms moving forward.

Technology permeating all aspects of real estate

AMPLIFIED

PROPTECH FINDING PRODUCT/MARKET FIT

COVID-19 and the resultant extended period of work from home (WFH) have driven an acceleration in technology use by firms and landlords alike. Technology’s vital role in efficient and safe business operations is front and center. This period is also introducing new non-traditional data sets (many of which are discussed in this report) that amplify the already-high importance of analytical and data science capabilities for firms looking to gain a competitive edge and achieve the best outcomes for their clients.

Retail in the online era

REIMAGINING THE STORE AS FIRMS EMBRACE CLICKS AS WELL AS BRICKS

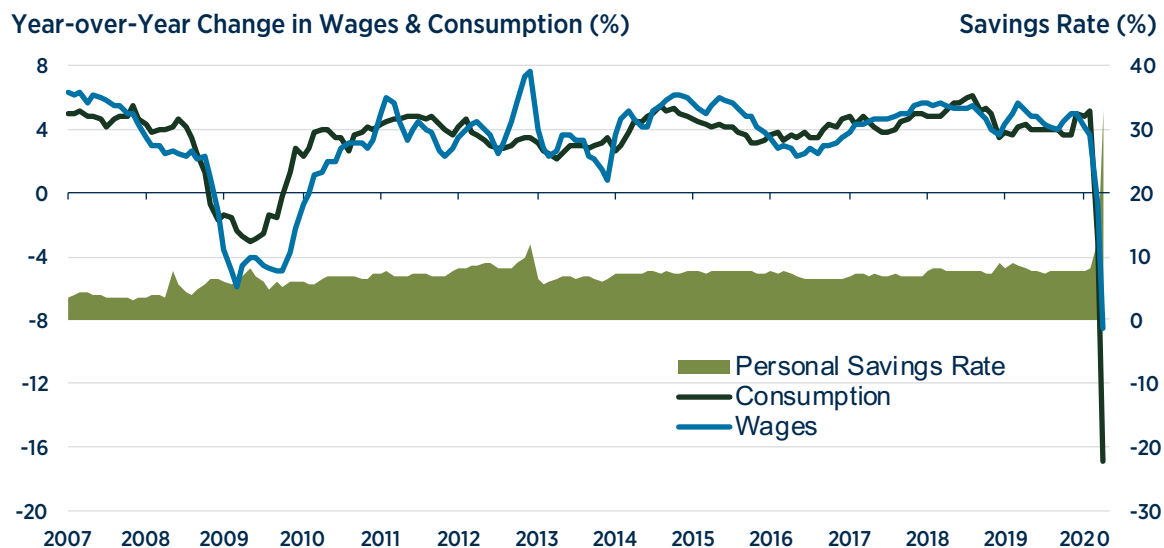
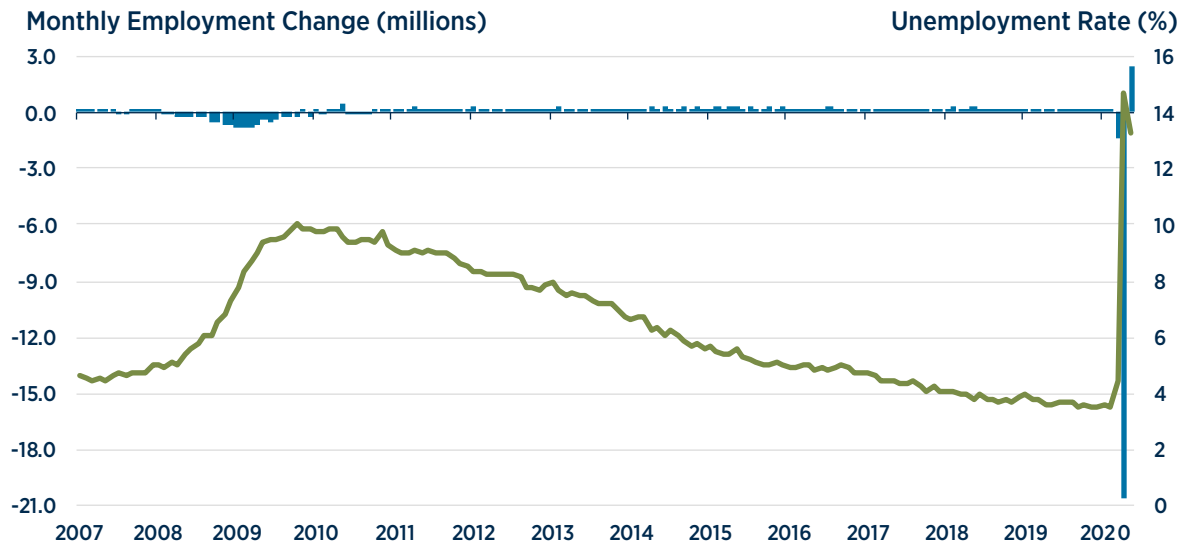
As we have stated, COVID-19 accelerated the ecommerce trend and conversely was likely a setback to the trend of online retailers developing a physical footprint. The virus did reveal the importance of the physical store as a link in the distribution network but in this regard, it was really grocery stores reaping the bulk of the benefit at the expense of bars and restaurants. Restaurants that could handle delivery and curbside pick-up and/or reconfigure to function more like a market have been able to weather this disruption far better than those who did not.



“Flex office/coworking operators will struggle through COVID, but flex office will play a critical role in the recovery phase.”

U.S. ECONOMY

COVID-19 triggers a sharp recession



Labor market impacts unprecedented in the modern era

- The abrupt nationwide healthcare response to COVID-19 resulted in millions of Americans losing their jobs. Unemployment surged to 14.7% in April and even with a modest improvement in May unemployment remains above peak levels from the Global Financial Crisis (GFC).
- The Bureau of Labor Statistics believes many workers at home due to virus-related business closures are incorrectly classifying themselves as employed. Correcting for this adds about three percentage points to the unemployment rate.
- Net of the 2.5 million jobs added in May, U.S. employment is 19.6 million jobs lower than its February level. Employment may be turning the corner as the economy reopens but a full recovery is months away.

Consumption stalls as household savings spikes

- Between stay-at-home orders, business closures, and rising economic uncertainty, consumption plummeted by nearly 17% year-over-year as of April.
- Food & beverage stores and housing & utilities were the only categories where spending rose in March and April. Declines of 30% or more (on a monthly average basis) were seen in categories including clothing & footwear, recreation, and food services & accommodations.
- Fiscal stimulus offset plunging wages and the dramatically higher savings rate (33%) suggests consumption could grow quickly in the short run as the economy reopens.

U.S. ECONOMY

Widespread impact; significant differences in severity

Sectors With Largest Job Losses - Past Three Months*

Sector	Current Level		Change During COVID-19			Long-term Change
	May 2020 Level	Share of Total Jobs	3/20-4/20 Chg.	5/20 Chg.	Net Chg.	% Chg. vs. Pre-GFC Peak
Food services & drinking places	7,622	5.7%	-6,052	1,371	-4,681	-21.2%
Administrative & support services	7,412	5.6%	-1,625	109	-1,516	-8.9%
Arts, entertainment, & recreation	1,172	0.9%	-1,318	18	-1,300	-41.3%
Manufacturing	11,707	8.8%	-1,370	225	-1,145	-18.0%
Other services	4,850	3.6%	-1,363	272	-1,091	-12.5%
Accommodations	1,030	0.8%	-913	-148	-1,061	-45.5%
Ambulatory healthcare services	6,905	5.2%	-1,326	376	-950	17.3%
Local government education	7,283	5.5%	-449	-310	-759	-10.3%
Clothing & clothing accessories stores	595	0.4%	-789	95	-694	-61.0%
Social assistance	3,636	2.7%	-692	78	-614	19.7%
Construction	7,043	5.3%	-1,060	464	-596	-8.8%
Other transportation	3,096	2.3%	-487	-40	-527	-5.4%
Local government excluding education	6,113	4.6%	-347	-177	-524	-6.1%
Educational services	3,357	2.5%	-505	33	-472	8.0%
Motor vehicle & parts dealers	1,746	1.3%	-375	58	-317	-9.3%
Total Nonfarm	132,912		-22,060	2,509	-19,551	-4.0%

Sectors With Smallest Job Losses - Past Three Months*

Sector	Current Level		Change During COVID-19			Long-term Change
	May 2020 Level	Share of Total Jobs	3/20-4/20 Chg.	5/20 Chg.	Net Chg.	Chg. vs. Pre-GFC Peak
Couriers & messengers	866	0.7%	6	12	18	46.6%
Building material & garden supply stores	1,327	1.0%	-38	56	18	-0.3%
Federal government	2,873	2.2%	20	-14	6	-1.7%
Food & beverage stores	3,093	2.3%	-41	44	3	7.5%
Other information services	353	0.3%	3	-5	-1	158.5%
Utilities	540	0.4%	-4	-2	-6	-4.2%
ISPs, search portals, & data processing	340	0.3%	-6	-4	-10	25.2%
Telecommunications	688	0.5%	-5	-8	-13	-36.8%
Scientific research & development services	734	0.6%	-19	3	-15	16.9%
Waste management & remediation services	451	0.3%	-16	1	-16	25.5%
Specialized design services	126	0.1%	-19	0	-19	-13.2%
Broadcasting (except internet)	240	0.2%	-17	-6	-23	-27.3%
Nonstore retailers	527	0.4%	-44	21	-24	16.0%
Publishing industries (except internet)	742	0.6%	-23	-5	-28	-18.2%
Electronic markets, agents, & brokers	502	0.4%	-35	5	-31	-7.5%

* Levels and changes shown in thousands of jobs except where indicated

Stay-at-home orders sting numerous employment sectors

- With entertainment, nightlife, and recreation largely on hold, related employment sectors dominated job losses. Food services & drinking places were far and away the greatest source of job losses.
- Administrative and support services, which includes temporary workers in a variety of industries, accounted for the second largest loss.
- A shrinking economy, forced shutdowns, and virus-related disruptions slowed manufacturing considerably.
- Typically recession-resistant education and healthcare sectors have suffered sharp losses. These sectors should rebound but local budget constraints may impact education employment in some areas.
- The construction sector reclaimed a significant portion of its losses in May. Virus-related precautions will add complexity and delay the recovery in construction jobs.

New economy employment sectors among top performers

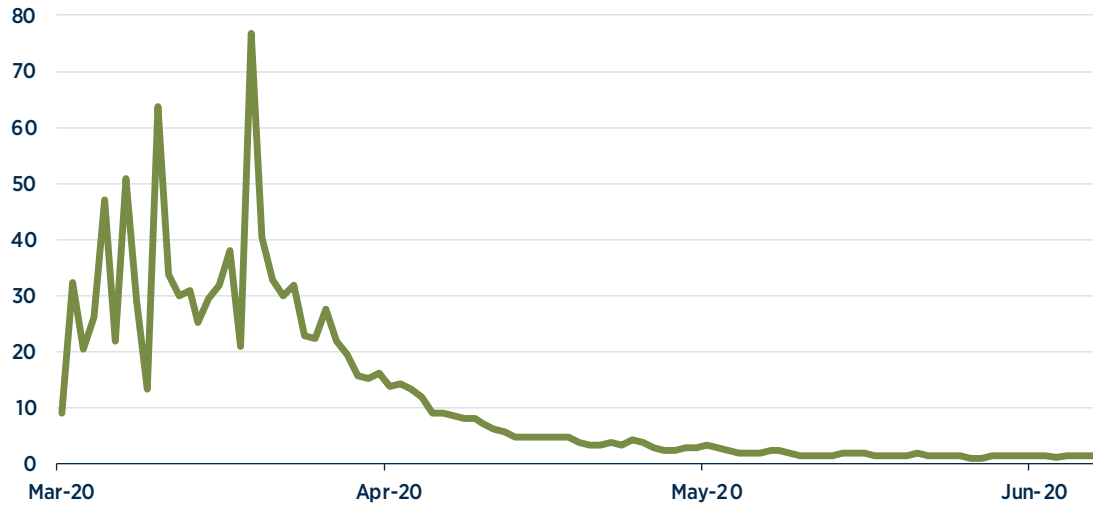
- There is a bias towards smaller sectors in the table to the left but even on a percentage basis nearly all of these sectors performed relatively well.
- Package delivery was not surprisingly a rare source of new jobs over the past three months. The sector has seen long-term positive gains due to ecommerce growth.
- Internet-related firms, including those in other information services, experienced only minor losses.
- Scientific research jobs have also held up well as the country searches for virus treatments.

Source: U.S. Bureau of Labor Statistics, Moody's Analytics, BGO Research

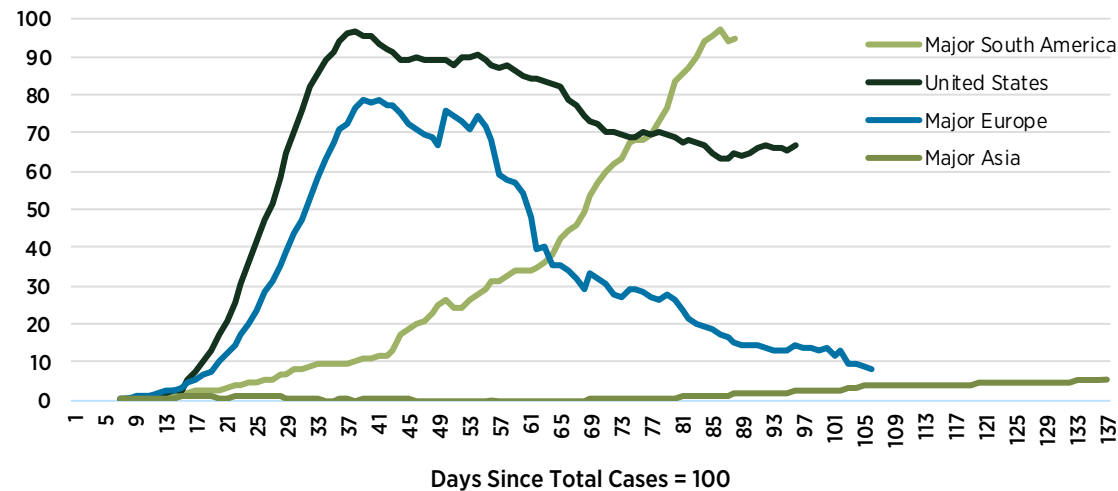
COVID-19: TRACKING THE INFECTION

COVID case growth rate has slowed but case numbers holding steady

U.S. Daily Growth in Reported COVID-19 Cases (%)



New Daily Cases Per Million People (7-day MA)



Stay-at-home orders had the desired effect

- The U.S. holds the unfortunate distinction of leading the world in both COVID cases and deaths. Confirmed cases exceed two million and deaths have surpassed 116,000.
- But the growth rate in cases has slowed dramatically, allowing the healthcare system to recoup and for states to begin the reopening process.
- Financial markets are clearly responding to these numbers – much as they did in March when case growth was volatile and rapid – as expectations grow for effective treatments.
- The low growth rate shown in the top chart here is primarily a function of the large denominator in the U.S.

Case numbers remain high and other hotspots emerging

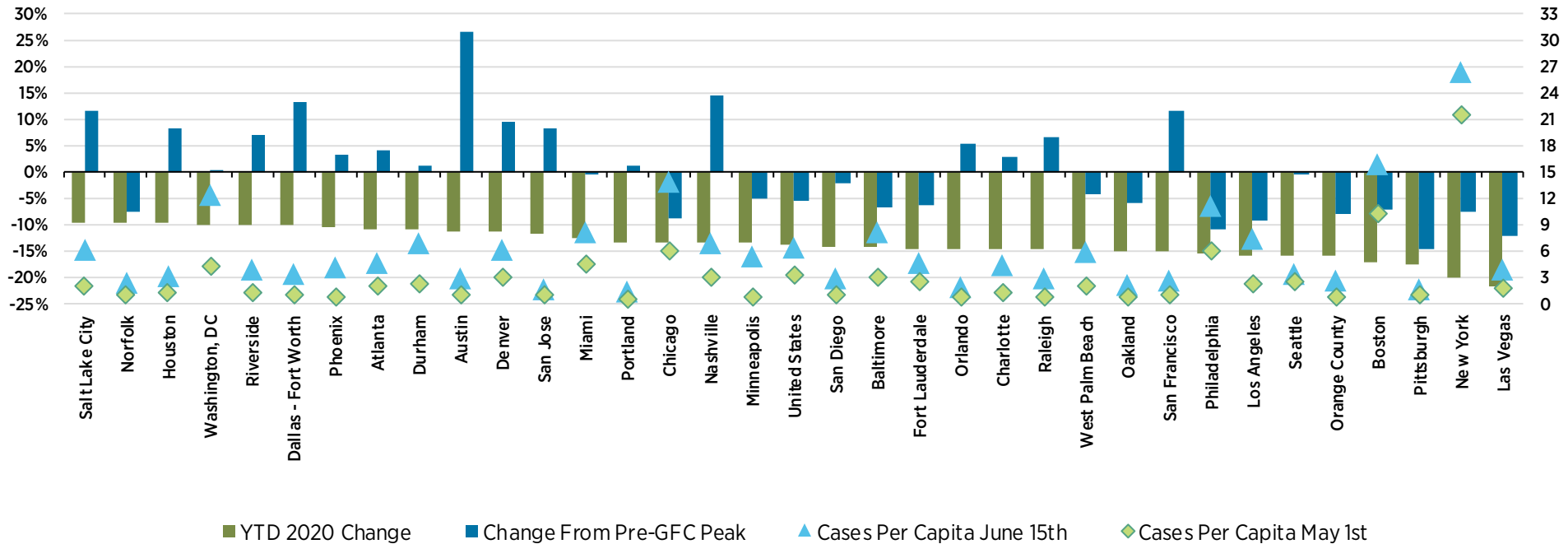
- Looking at the total number of new cases each day the U.S. has seen a consistent increase of about 22,000 per day for the past 30 days.
- There is considerable risk in reopening the economy with persistent and material new daily cases. Several states are already reporting upticks in new cases.
- We also see South America remaining a hotbed for new infections with cases topping the U.S. on a per capita basis led by Brazil.
- Europe is having some success at reducing new case numbers, but cases are on the rise in Asia with India factoring heavily into the increase.

COVID-19 IMPACT

Metro employment performance varies greatly, largely due to sector exposure

Total Employment Change (as of April 2020)

COVID-19 Cases Per 1,000 Population



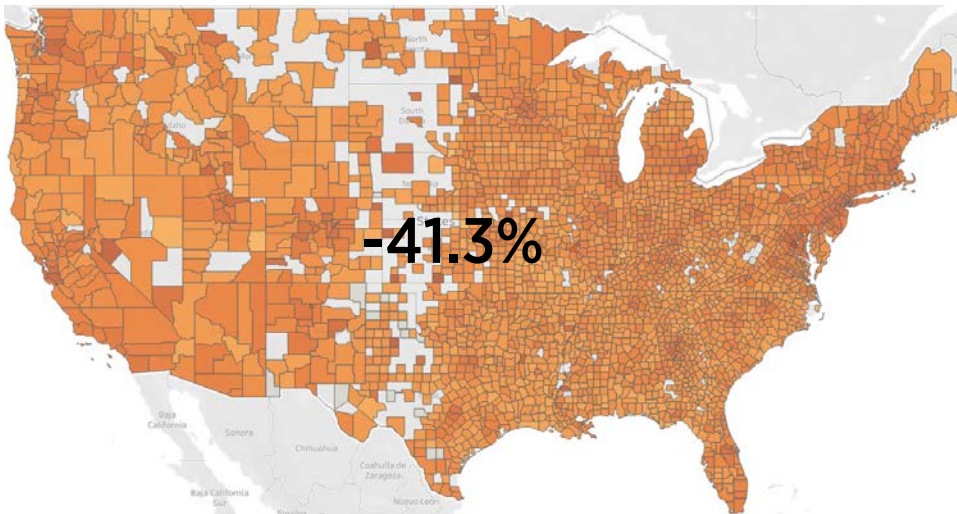
- Metro employment changes reflect the severe economic shock that has occurred nationally, albeit with significant differences.
- In the chart above we look at both year-to-date employment change (only through April at the metro level) and change in employment since the GFC.
- Job losses have been so severe that many metros have seen employment drop below their pre-GFC peak levels. Some metros, such as Austin and Nashville, have had enough growth over the past decade to offset recent declines.
- It is important to understand COVID-19 severity across markets as well as recent momentum in cases. Salt Lake City, Phoenix, Nashville, and metros in North Carolina and Florida have seen case growth accelerate in June.

- These increases in cases will complicate reopening and could potentially lead to setbacks later in the year. Mobility data should help us track this impact.
- Preliminary machine learning modeling shows us that sector exposure has more to do with job losses than factors related to COVID-19 severity. All states had some level of closure and therefore all markets were impacted.
- Exposure to leisure & hospitality, education, healthcare, and manufacturing jobs were a greater factor in economic vulnerability than COVID cases.
- With all states in various stages of reopening, many of these jobs should return quickly and more traditional drivers should begin to regain control.

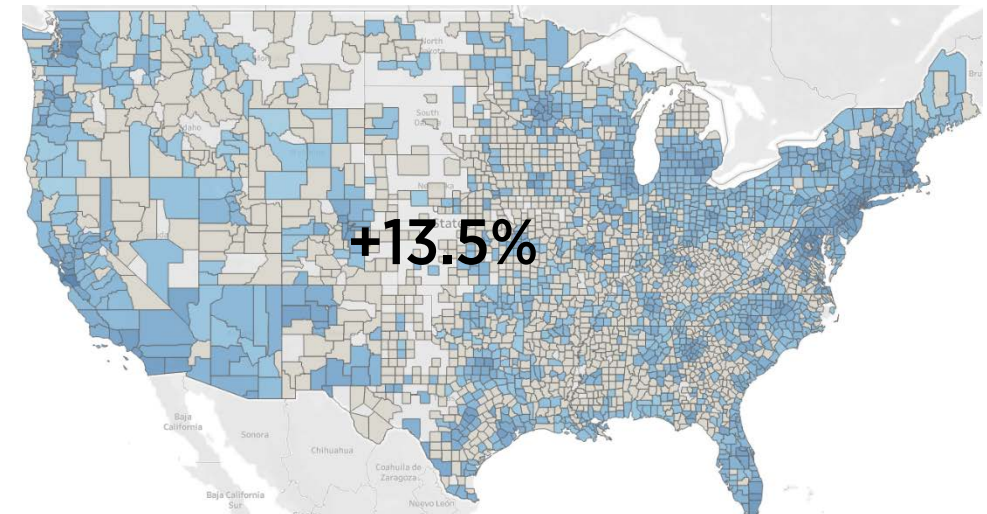
COVID-19 IMPACT

The virus has dramatically changed human behavior

Workplace Mobility (Change in visits versus baseline)



Residential Mobility (Change in duration of stay versus baseline)



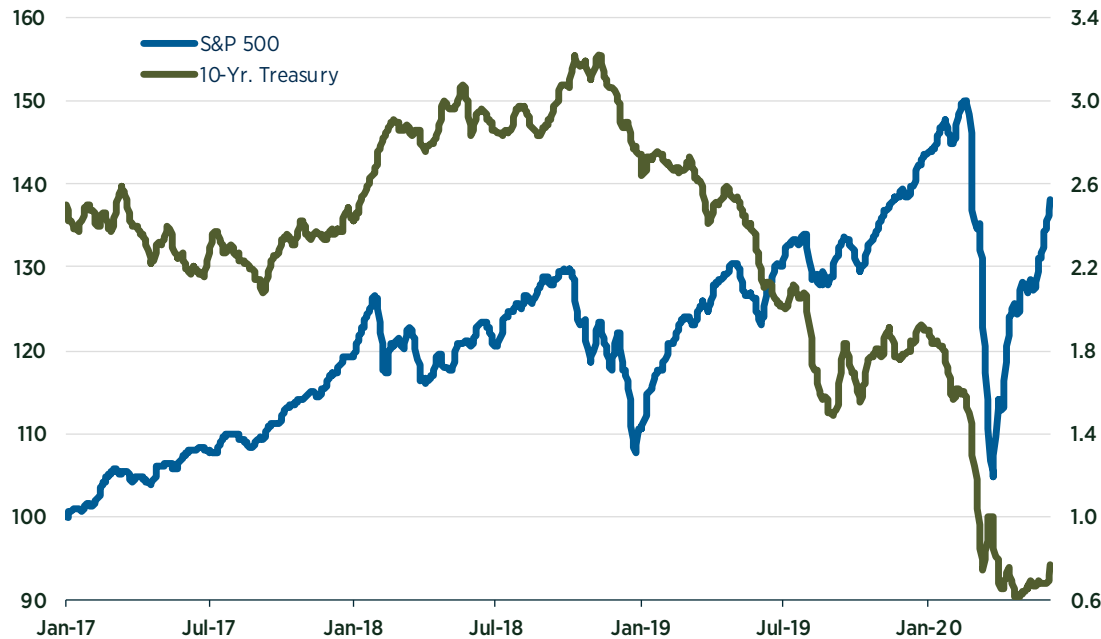
- Local government orders, business closures, and fear of the virus resulted in an unprecedented drop in visits to workplaces according to mobility data aggregated by Google.
- Comparing workplace visits to levels at the start of the year we saw a 41.3% drop nationwide for the week of May 24th. This change brings speculation that the virus has caused a shift towards telecommuting that may last beyond a public health solution to COVID-19.
- These data can also provide some insight into the health of local economies across the country as states reopen. To date, density and severity of local restrictions have factored heavily into the data.
- 18 of the 25 most populace counties in the country had greater declines in workplace mobility than the nation overall, led by counties in New York, California, Massachusetts and Washington.
- Not surprisingly, residential mobility (measured by time spent at home rather than visits) has seen an uptick. Most of the U.S. population found themselves either inclined or required to stay at home during the height of the virus.
- There remains a considerable amount of uncertainty about how the balance of time at home and time at work will shift over the medium to long term.
- Expectedly, the same counties that had large drops in workplace mobility had large upticks in residential mobility. 22 of the 25 most populace counties in the country had greater increases in residential mobility than the nation overall.
- Similar mobility statistics are available for grocery & pharmacy stores (-4.0% versus baseline), parks (+38.7%), retail & recreation (-23.3%) and transit stations (-38.0%) providing a unique view of human behavior as the country works to get back to normal.

CAPITAL MARKETS

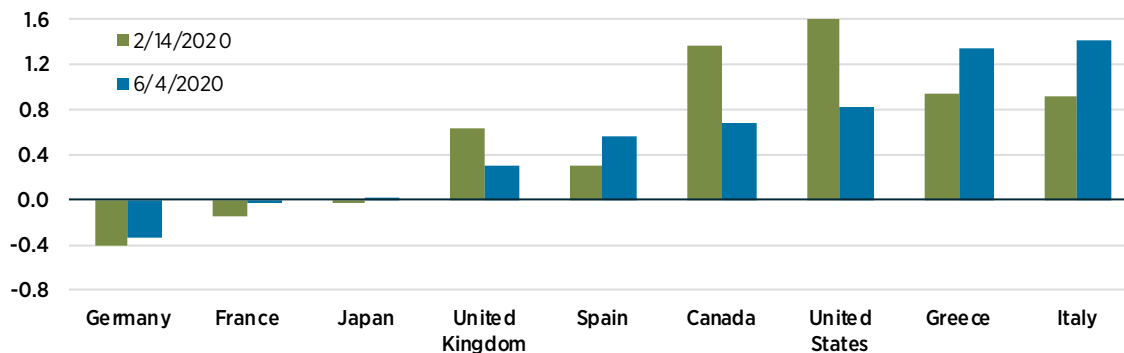
Investor and central bank reaction to COVID-19 creates dramatic swings in financial markets

S&P 500 Price Index (YE 2016=100)*

10-Yr. Treasury Rate*



Select Global 10-Yr. Sovereign Bond Yield (%)



* Data are smoothed using a five-day moving-average

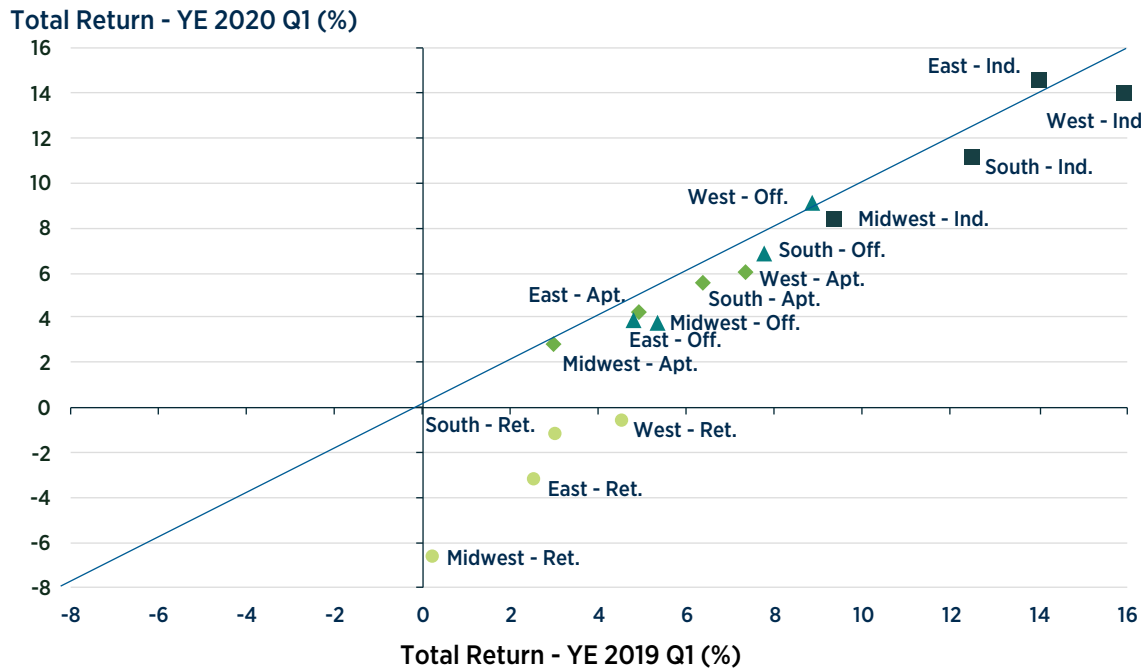
Stock indices rebound after posting severe losses as policymakers take decisive action

- Major U.S. stock indices have rebounded from the COVID-19 shock with the S&P500 turning positive for the year.
- The shift in sentiment has been dramatic since late March when investors were fleeing both stocks and bonds and moving to cash as case growth spiked.
- Low interest rates, unprecedented actions by the Fed, fiscal stimulus, positive news around virus treatments and lower volatility in case growth, and the reopening of the economy have lured stock investors back.
- Financial markets are functioning well again, and the yield curve has normalized and steepened. Low borrowing costs should persist throughout 2020.
- Despite its relatively high rate of COVID-19 infection, global investors have reaffirmed their view of the U.S. as a safe haven. Since our February Perspective update the U.S. 10-year bond yield has fallen below those of higher-risk Italy and Greece.
- While a declining trend in the high-yield bond spread implies confidence in the market, or at least confidence in the Fed's willingness to be a backstop, risks to the economy remain.
- Financial markets are likely to see heightened volatility and potentially periods of decline as the realities of the damage caused by the virus and economic shutdown take hold. Election uncertainty in the fall will add further instability.

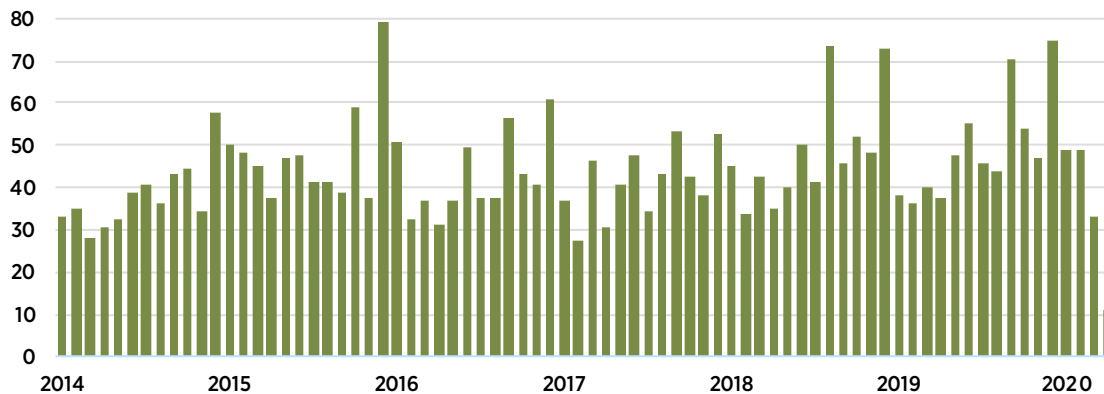
Source: S&P Dow Jones, Federal Reserve, Bank of Canada, ECB, Bloomberg, Moody's Analytics

CAPITAL MARKETS

CRE investment performance declines versus a year ago; investment activity stalls



Monthly Sales Transaction Volume - All Property Types (\$, billions)



Investment performance shows symptoms of the virus

- National returns as measured by the NCREIF Property Index have lost momentum across sectors.
- By region, only East Industrial and West Office had higher returns over the past four quarters than they did over the previous four quarters.
- Not surprisingly we see industrial outperforming across regions, while retail returns have turned negative in all four regions.
- The West generally continues to outperform, and the Midwest continues to underperform.
- Returns are likely to drop further in the near term as property net operating incomes erode and some investors remain cautious. But the low interest rate environment should benefit property values.

Transaction activity falls to lowest level since 2011

- Economic uncertainty and the physical impracticality of a sale due to the virus have curbed transactions.
- According to data from RCA, April volume was down over 70% versus a year ago.
- Trends have generally followed expectations with industrial holding up well and hotels grinding to a halt. Year-to-date industrial volume is up from 2019.
- Volume is likely to remain depressed in the near term.

PROPERTY MARKET OVERVIEW: RENT COLLECTIONS & FUTURE IMPLICATIONS

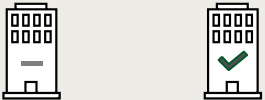
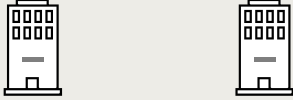
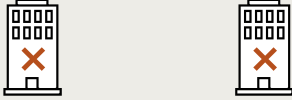
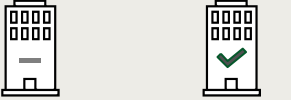
Rent collections have remained strong but COVID-19 will have lasting effects on property markets

Major Property Sector Share of Rent Collected by Month

	BGO Diversified*		NAREIT**	
	April	May	April	May
Multifamily	94.8%	94.8%	94.3%	94.7%
Office	96.8%	94.4%	93.3%	92.1%
Retail	75.7%	68.8%	45.6%***	47.7%***
Industrial	98.0%	92.0%	98.6%	95.7%

- Initial indications from funds managed by BGO as well as broader industry measures, such as NCREIF and NAREIT, are that rent collections remained quite strong through May. Tenants continue to fulfill their lease obligations at a high rate despite the spike in unemployment and various disruptions to business activity.
- The heavy weighting of BGO’s retail investments towards grocery-anchored shopping centers has proven beneficial. Retail is underperforming the other property sectors by a wide margin.

COVID-19 Sector Implications

MULTIFAMILY	OFFICE	RETAIL	INDUSTRIAL
 <p>SHORT TERM MODERATE RISK</p> <p>LONG TERM LOW RISK</p> <ul style="list-style-type: none"> • Housing demand is relatively inelastic; reduced population mobility slows turnover • Temporary halt to immigration and potential disruption to 2020-21 school yr. present risks • Tenants may seek lower cost housing in less dense locations over the medium term 	 <p>SHORT TERM MODERATE RISK</p> <p>LONG TERM MODERATE RISK</p> <ul style="list-style-type: none"> • White collar economy relatively less impacted by the virus to date • Conflicting impacts from increased remote/agile work and increased workplace distancing • Long-term outcome for remote work unclear but risk to the downside for landlords 	 <p>SHORT TERM HIGH RISK</p> <p>LONG TERM HIGH RISK</p> <ul style="list-style-type: none"> • Necessity-based retail a clear winner as restaurant sales shift back to grocery • Current conditions are accelerating the demise of already struggling retailers • Greater shift to online purchasing but stores playing a key role in e-fulfillment 	 <p>SHORT TERM MODERATE RISK</p> <p>LONG TERM LOW RISK</p> <ul style="list-style-type: none"> • Shift to ecommerce has been accelerated, particularly in the packaged foods/grocery space • Move towards greater supply chain flexibility results in onshoring and higher inventory levels • Extremely tight fundamentals position the sector to weather the downturn well

* Preliminary data as of June 5, 2020, data reflect share of rent received versus billings; note: rent collections contribute to, but are not the sole driver of fund performance

** Data as of May 18, 2020; data reflect share of typical rent received in a given month

*** Shopping center data used for more appropriate comparison to BGO Diversified

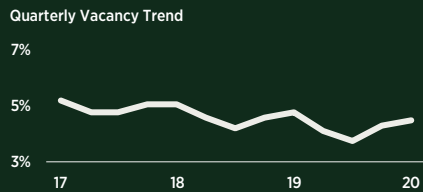
U.S. APARTMENT

Low vacancy and steady rent growth persist, but the outlook is cloudy



VACANCY

4.5%
Vacancy As of 20Q1



Trend graphs display quarterly data for the prior 13 quarters

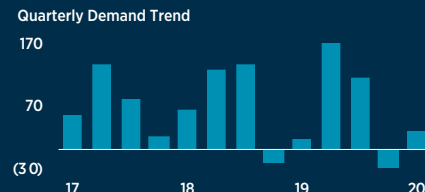
10-Yr. Average:
5.2%

- Apartment vacancy ticked up by 20 basis points in the first quarter but remained lower than a year ago.
- New York, Seattle, and San Jose were notable for declining vacancy over the quarter and the past year.
- Atlanta, Orlando, Los Angeles, and Salt Lake City had minor increases in vacancy over the past year.

Source: Axiometrics, BGO Research

ABSORPTION

284K
Units 4 qtrs. ending 20Q1

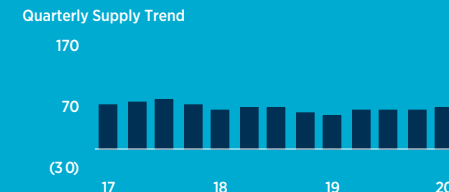


10-Yr. Average:
250K Units

- Net absorption was seasonally tepid over the past two quarters but strong on an annual basis.
- Prohibitions and sentiment against evictions along with fiscal stimulus should soften the impact of the weaker economy in the near term.
- The homeownership rate has risen over the past few quarters. The virus and recession cloud the outlook for housing demand.

NEW SUPPLY

263K
Units 4 qtrs. ending 20Q1

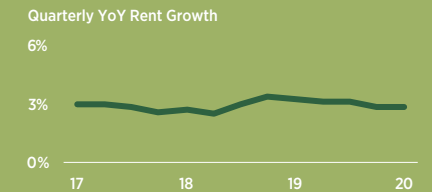


10-Yr. Average:
215K Units

- Supply trailed demand over the past year and with the virus disrupting construction timelines, completions may see a brief lull.
- Texas markets as well as Denver, Chicago, Seattle, and Washington, D.C. had the highest completions over the past year.
- New supply in the pipeline is substantial and completions should rise in the second half of 2020.

RENT

2.9%
YOY Growth As of 20Q1



10-Yr. Average:
3.5%

- The apartment market has continued its recent trend of steady and healthy rent growth over the past year.
- COVID-19's economic drag brings some uncertainty to the near-term outlook for rent growth.
- New supply and a weaker economy are likely to temper rent gains over the next year.

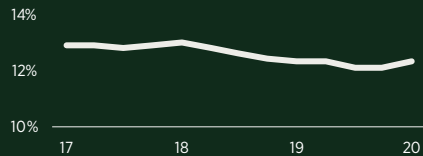
U.S. OFFICE

Demand has slowed and long-term implications of WFH bring uncertainty



12.3%
Vacancy As of 20Q1

Quarterly Vacancy Trend



Trend graphs display quarterly data for the prior 13 quarters

10-Yr. Average:
14.1%

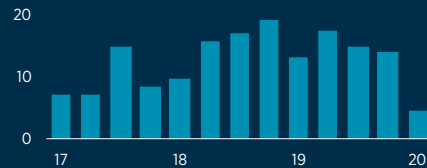
- After tightening in the second half of 2019 office vacancy rose in the first quarter, returning to year-ago levels.
- Suburban office vacancy tightened modestly over the past year, while Downtown occupancy rose.
- Denver, Nashville, and the Bay Area (where an early lockdown may have crimped demand) had substantial increases in vacancy.

Source: CBRE-EA, BGO Research



51
Million SF 4 qtrs. ending 20Q1

Quarterly Demand Trend



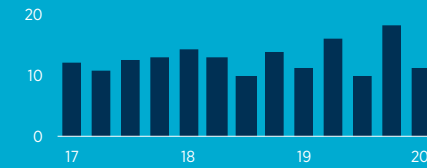
10-Yr. Average:
42.8 Million SF

- Net absorption paused in the first quarter of 2020, easing to its lowest level in seven years.
- The demand environment is likely to remain soft in the near term as uncertainty remains high.
- The dramatic pullback in space utilization as firms shifted to WFH will prompt a significant reevaluation of corporate office strategies.



55
Million SF 4 qtrs. ending 20Q1

Quarterly Supply Trend



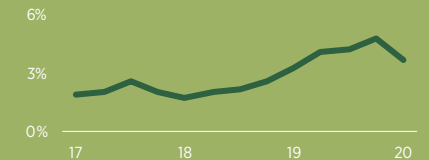
10-Yr. Average:
31.9 Million SF

- Supply outpaced demand both in the first quarter and over the past year.
- The virus has undoubtedly slowed construction timelines but projects substantially underway will move forward.
- New construction is relatively lower today than it was in the quarters leading into the Global Financial Crisis.



3.7%
YOY Growth As of 20Q1

Quarterly YoY Rent Growth



10-Yr. Average:
2.4%

- Office rent growth was strong on a year-over-year basis, but momentum slowed in the first quarter.
- Major markets were among the leaders in YOY rent growth, including Boston, New York, San Francisco, and Seattle.
- It is reasonable to expect rent growth to taper in the quarters ahead. Both CBRE-EA and CoStar project near term declines.

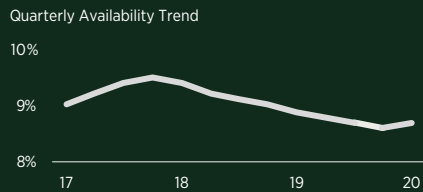
U.S. RETAIL

COVID-19 is a severe setback for the already struggling retail sector



AVAILABILITY

8.7%
Availability As of 20Q1



Trend graphs display quarterly data for the prior 13 quarters

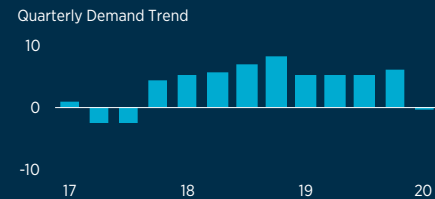
10-Yr. Average:
10.7%

- Availability in neighborhood and community centers ticked up slightly in the first quarter.
- Retail availability is likely to rise across subtypes in the quarters ahead as COVID-19 disrupts consumer behavior.
- The essential nature of grocery retail has been reaffirmed and this segment is supporting occupancy.

Source: CBRE-EA, BGO Research

ABSORPTION

17
Million SF 4 qtrs. ending 20Q1

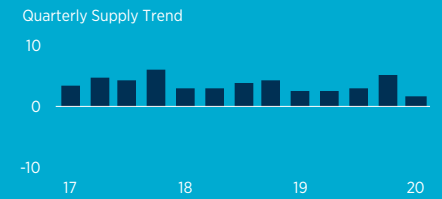


10-Yr. Average:
23.9 Million SF

- Demand turned slightly negative in the first quarter after rising in 2018 and 2019.
- COVID-19 reduced consumption particularly in areas such as restaurants and clothing. Some of these businesses will not survive.
- The shift to ecommerce has been accelerated and this is unlikely to fully reverse even as the economy reopens.

NEW SUPPLY

13
Million SF 4 qtrs. ending 20Q1

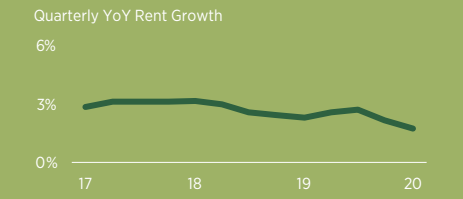


10-Yr. Average:
15.5 Million SF

- Low levels of new supply have been a huge benefit for retail landlords. Tepid demand growth can not sustain even modest levels of new deliveries.
- Retail construction will remain low and supply may even decline as product is converted to other uses.
- Boston, Houston, and Washington, D.C. are among the more active markets for new supply underway.

RENT

1.7%
YOY Growth As of 20Q1



10-Yr. Average:
0.4%

- Retail rent growth continues to lag the other property sectors and has slowed considerably.
- Landlords are unlikely to gain pricing power in the year ahead and rents should fall.
- The grocery segment has proven to be as valuable as ever and landlords are likely to bid aggressively to attract and retain these tenants.

Note: Retail data reflect neighborhood and community centers only.

U.S. INDUSTRIAL

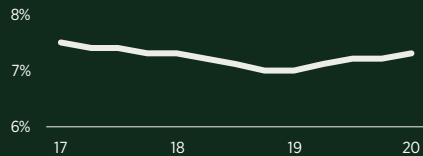
Segments of industrial reap benefits from the pandemic but the sector is not immune



AVAILABILITY

7.3%
Availability As of 20Q1

Quarterly Availability Trend



Trend graphs display quarterly data for the prior 13 quarters

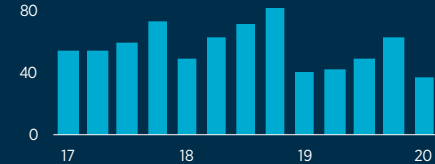
10-Yr. Average:
9.9%

- Industrial availability was edging higher prior to the arrival of COVID-19, albeit from extremely low levels.
- Low availability positions the U.S. industrial market to comfortably weather the recession.
- Houston is the only major market where current availability is higher than its long-term historical average.

ABSORPTION

190
Million SF 4 qtrs. ending 20Q1

Quarterly Demand Trend



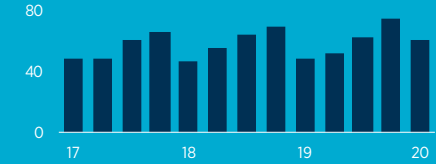
10-Yr. Average:
217.5 Million SF

- Industrial demand showed signs of moderation over both the past quarter and past year.
- A drop in consumption, supply chain disruptions, and weaker industrial production are impacting many industrial space users.
- The virus has raised the importance of ecommerce as a demand driver.

NEW SUPPLY

250
Million SF 4 qtrs. ending 20Q1

Quarterly Supply Trend



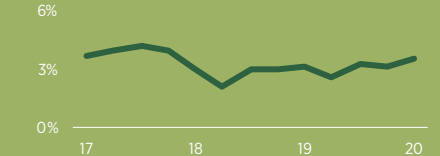
10-Yr. Average:
136.9 Million SF

- New industrial supply is geared for robust demand growth and near-term deliveries will cause availability to rise somewhat.
- But even if all supply underway were to deliver vacant, availability would remain low relative to history.
- Pent up demand for well-located modern product persists in many markets.

RENT

3.5%
YOY Growth As of 20Q1

Quarterly YoY Rent Growth



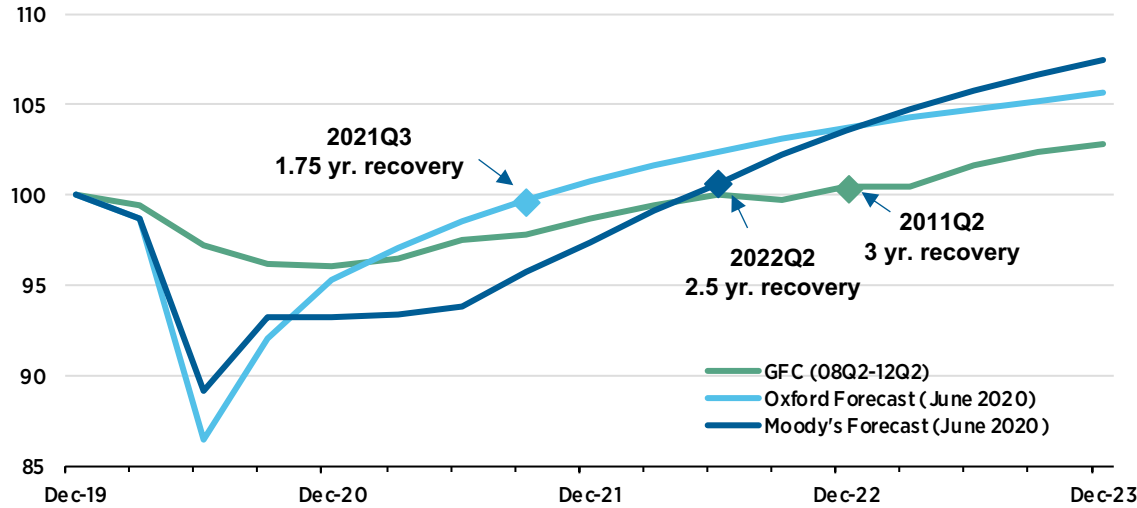
10-Yr. Average:
1.8%

- Rent growth is holding strong in the industrial market and landlords have continued to enjoy pricing power.
- Rent growth is strong in major markets in Southern California, the Bay Area and New York and is also persisting in major Texas markets.
- A weaker economy coupled with new supply will weigh on rent growth over the balance of 2020.

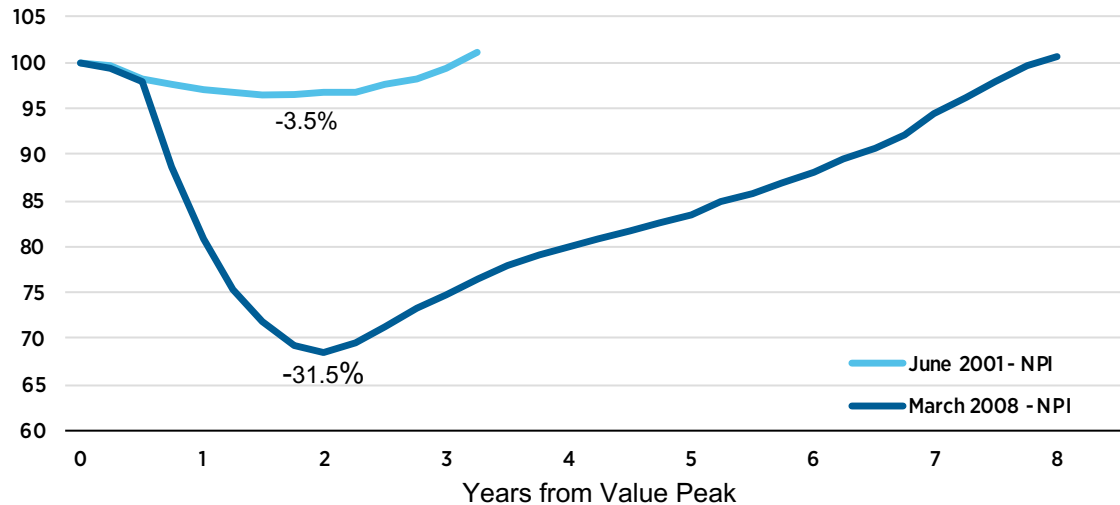
MARKET OUTLOOK

Risks to the recovery are high but commercial real estate is relatively well positioned

Real GDP (Index, 19Q4 or 08Q2 = 100)



NCREIF Property Index Value Cycles (Index, Peak = 100)



Some GDP forecasts show a lengthy recovery

- Consensus expectations are for an unprecedented decline in U.S. GDP in the second quarter of the year.
- There are numerous signs that the economy is already coming back as states reopen but the damage done over the past few months has been severe.
- Economic growth in the second half of 2020 should be strong provided recent signs of increased COVID-19 cases in some states do not worsen.
- After an initial rebound, however, the recovery may take a slower trajectory, pushing a full GDP recovery to late 2021 or even 2022.
- Beyond COVID-19 and its economic fallout, risks including the presidential election, U.S.-China relations, and recent social unrest could impact the recovery.

Attractive relative yields should stave off GFC-like value losses

- Transaction activity for May will show commercial property sales paused for a second straight month.
- Economic uncertainty and potential erosion in property net operating incomes should make buyers cautious.
- We expect an impact to property values. NCREIF data showed values already fell in the first quarter, largely due to value write-downs in the retail sector.
- But with commercial properties offering very attractive yields relative to other investment alternatives, severe and prolonged value losses like those that occurred during the GFC are unlikely.
- The benefits of strong asset selection, including careful analysis of tenant credit quality, along with proactive asset management will pay dividends for investors in the quarters ahead.

Source: Oxford Economics, Moody's Analytics, NCREIF, BGO Research

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ABOUT BENTALLGREENOAK

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BentallGreenOak has offices in 24 cities across twelve countries with deep, local knowledge, experience, and extensive networks in the regions where we invest in and manage real estate assets on behalf of our clients. BentallGreenOak is a part of SLC Management, which is the institutional alternatives and traditional asset management business of Sun Life.

The assets under management shown above include real estate equity and mortgage investments managed by the BentallGreenOak group of companies and their affiliates.

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