CUSHMAN & WAKEFIELD

THE STATE OF REAL ESTATE

AND THE IMPACT OF COVID-19

CFBLA Central Florida Bankruptcy Law Association, Inc

September 17, 2020

AGENDA

1. Meet the C&W Team
2. Current Economic Overview
3. Our Economic Forecast
4. Market Updates
    - Office
    - Industrial
    - Retail
    - Multifamily
    - Land
5. Questions

MEET THE C&W TEAM

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CURRENT ECONOMIC OVERVIEW

EMPLOYMENT SITUATION

July 2019 – July 2020 | Year-over-year looks bleak

Source: Florida Jobs, July 2020 Data Workforce Region 12

TAMPA

- *Leisure & Hospitality jobs were cut by nearly 30,000 year-over-year.*
- *Construction added 2,900 jobs in 12 months, the only industry to not record job losses.*

JACKSONVILLE

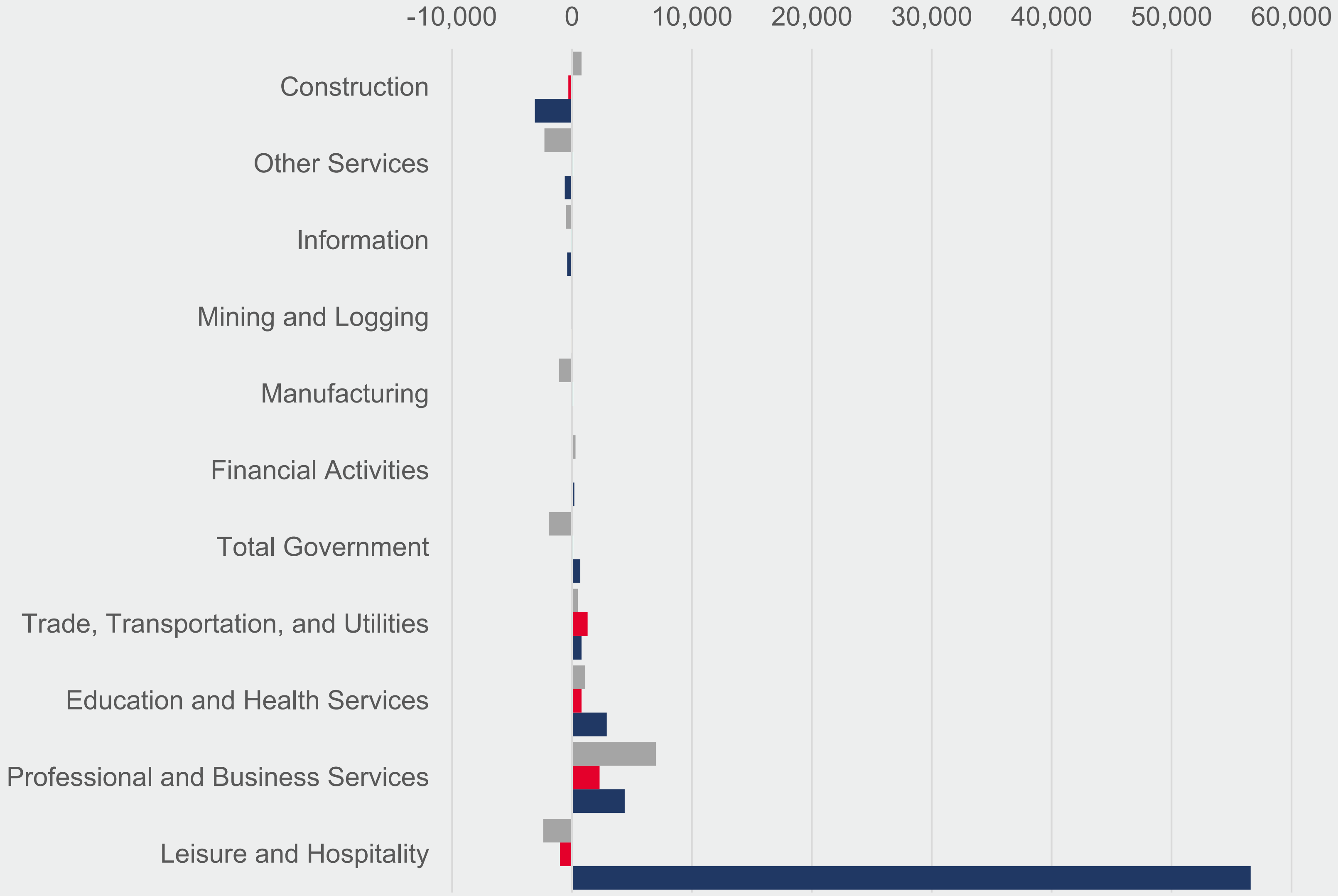
- *The Leisure and Hospitality industry was the most impacted, accounting for nearly 12,000 job loses year-over-year.*
- *Education and health services added 2,500 jobs in 12 months, the only industry to not record job losses.*

ORLANDO

- *As tourism demand stopped, Leisure & Hospitality jobs were cut by 83,000 year-over-year.*
- *Every sector lost jobs on a year-over-year basis.*

EMPLOYMENT SITUATION

June – July 2020 | Month-to-month is a mixed bag



Source: Florida Jobs, July 2020 Data Workforce Region 12

TAMPA

- *The Tampa market only gained 1,500 job MTM. Professional and Business Services lead the market with 7,000 jobs added.*
- *Leisure & Hospitality employment continued to shed jobs, losing 2,400 MTM.*

JACKSONVILLE

- *Jacksonville added 3,300 jobs, the majority of which in Professional and Business Services which added 2,300 jobs.*
- *Leisure & Hospitality employment decreased by 1,000 MTM.*

ORLANDO

- *Orlando added 61,400 jobs, the majority of which in Leisure and Hospitality with nearly 57,000 jobs.*
- *The construction sector lost 3,100 MTM.*

OUR ECONOMIC FORECAST

EMPLOYMENT FORECAST

Projected year-over-year percentage change

TAMPA

- *The Tampa Bay area is not expected to return to pre-COVID-19 employment levels until late 2022, with an average annual employment growth rate of 0.6% through 2024.*

JACKSONVILLE

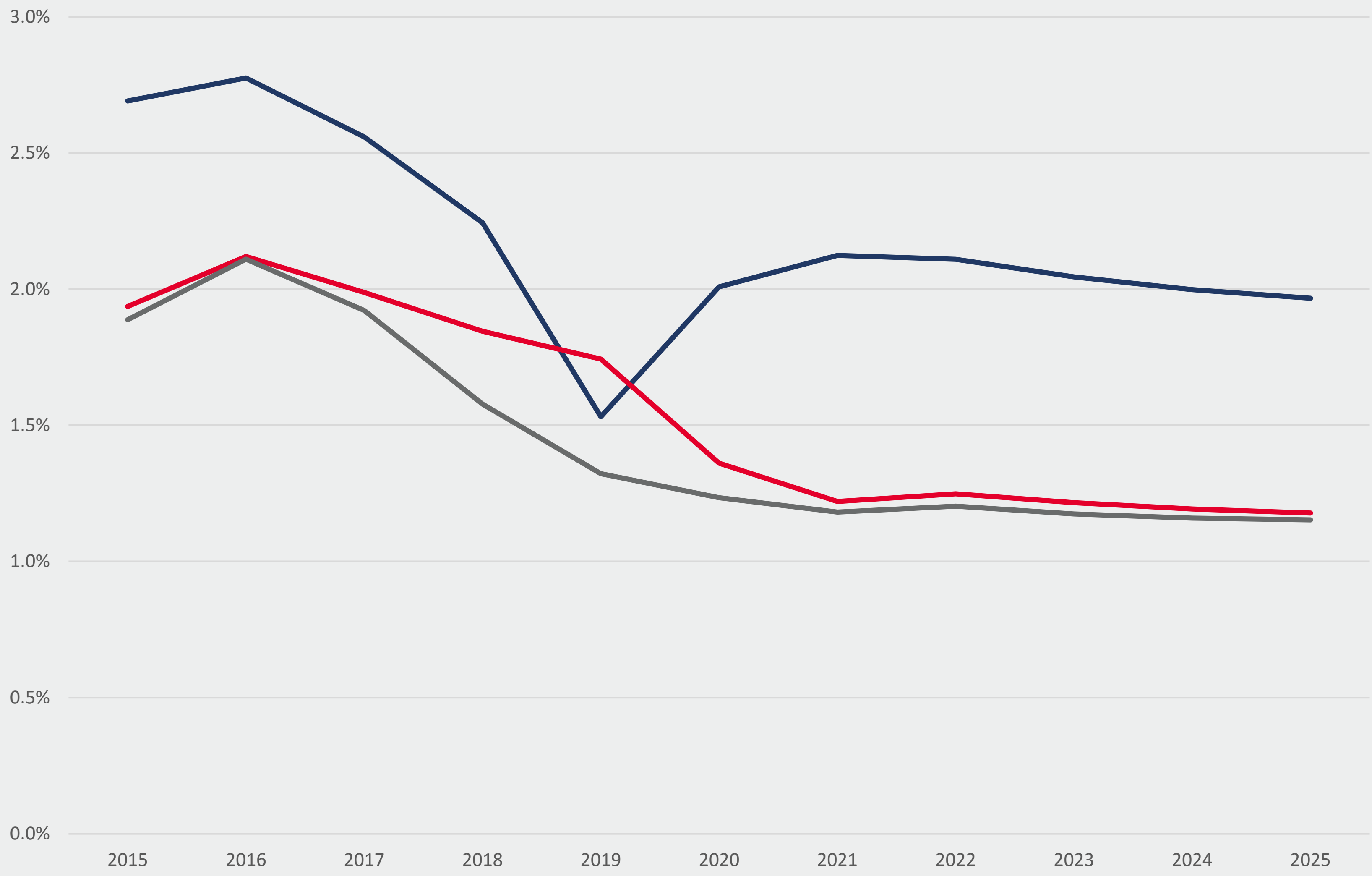
- *Jacksonville is expected to return to pre-COVID-19 employment levels by 2022, with an average annual employment growth rate of 0.8% through 2024.*

ORLANDO

- *Following a projected 8.0% employment decline in 2020, Orlando's annual employment recovery significantly outpaces the national outlook.*

POPULATION FORECAST

Projected year-over-year percentage change



TAMPA

- *Tampa's population is forecasted to increase by 6.0% through 2024, average 1.2% on an annual basis.*

JACKSONVILLE

- *Jacksonville's population is forecasted to increase by 6.2% through 2024, average 1.2% on an annual basis.*

ORLANDO

- *Orlando's population is projected to increase by 2.1% annual through 2024, making it one of the fastest growing metros in the state.*

RECOVERY FORECAST

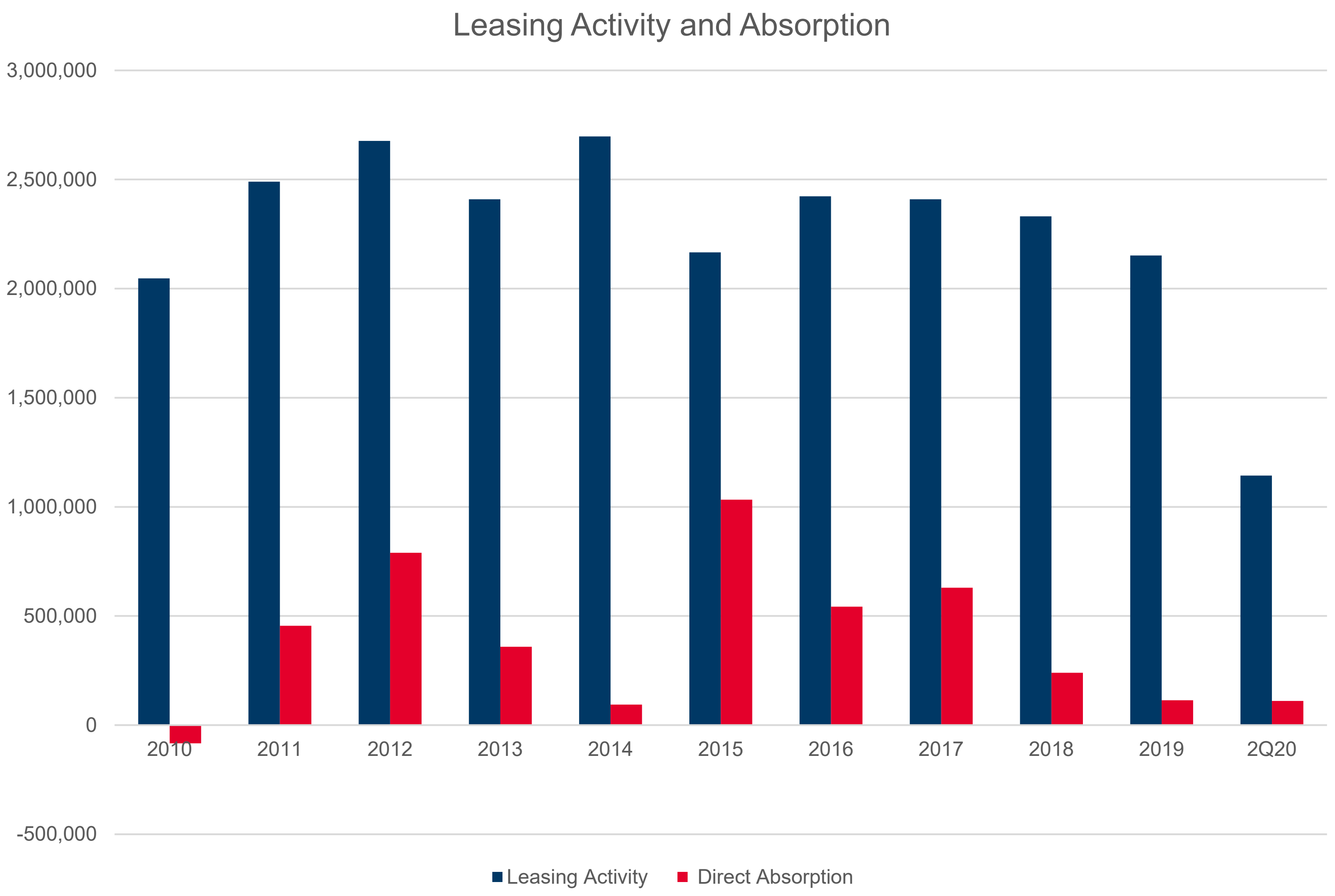
What will recovery look like?

	SCENARIO 1 (V-SHAPE)	SCENARIO 2 (U-SHAPE)	SCENARIO 3 (SWOOSH)
Epidemiological Assumptions	• Coronavirus resolves much sooner than expected • New cases would fall rapidly starting in May 2020 • Partial reopening of the economy would happen in May 2020 • Full reopening in June/July 2020 • Assumes quicker medical breakthrough or virus burn out	• Coronavirus slower to resolve • New cases trend lower but still up and down, consumer remains highly cautious • Partial reopening beginning May 2020 • Economy does not become fully engaged until proven vaccine or therapeutics • Assumes slower medical breakthrough	• Coronavirus lingers for much longer • New cases trend lower, but many waves • The economy continues to slowly re-open through Q4 2020 and Q1 2021 • Economy does not become fully engaged until proven vaccine or therapeutics • Assumes slower medical breakthrough or eventual herd immunity
Economic Statistics	• Milder recession in Q1, sharp in Q2 • Unemployment peaks in Q2 and falls precipitously as people go back to work • Strong snapback in second half 2020 • Momentum into 2021 • Return to full employment by 2022	• Harsh recession in first half 2020 • Unemployment peaks in Q2 but remains elevated and is slower to come down • Mathematical bounce in Q3, but growth remains sluggish until medical breakthrough • Slower climb into 2021 • Return to full employment by 2023	• Deeper recession • Unemployment peaks in Q2, but remains elevated for years • Bounce in Q3, then back in recession as virus flares up again in the fall • Recovery start date pushed into 2021H2 • Return to full employment by 2025

HOUSE SCENARIO

OFFICE MARKET UPDATE

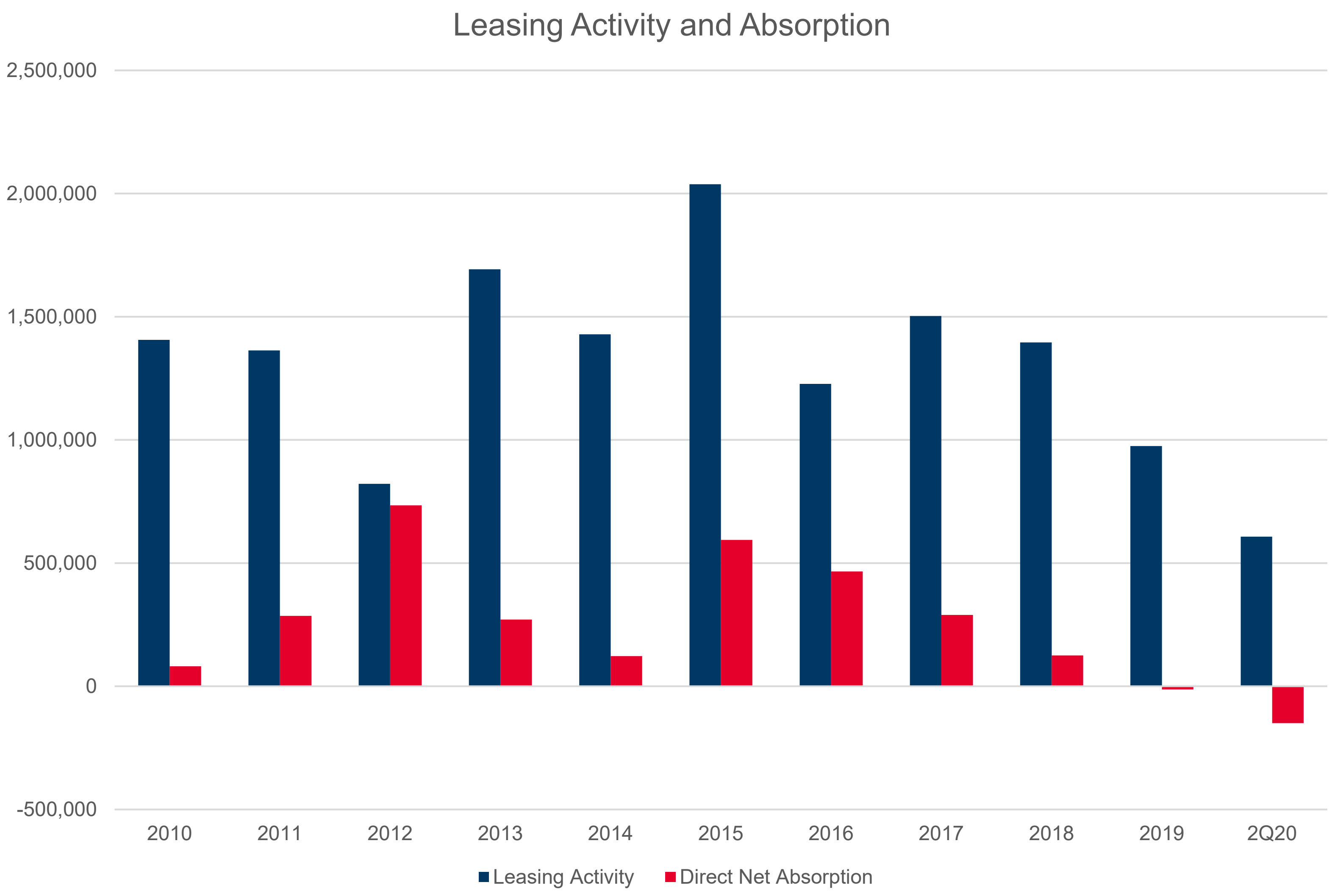
TAMPA OFFICE



- *Asking rates peaked at year-end 2019 and started trended downwards through mid-year 2020.*
- *The vacancy rate has been trending upwards since 2017 on tenants vacating or downsizing. This trend is expected to continue.*
- *Leasing activity has slowed significantly through mid-year 2020 with only 361,000 sf leased in the second quarter.*
- *More than one million square feet of sublease space is available across all submarkets.*

Source: C&W Research

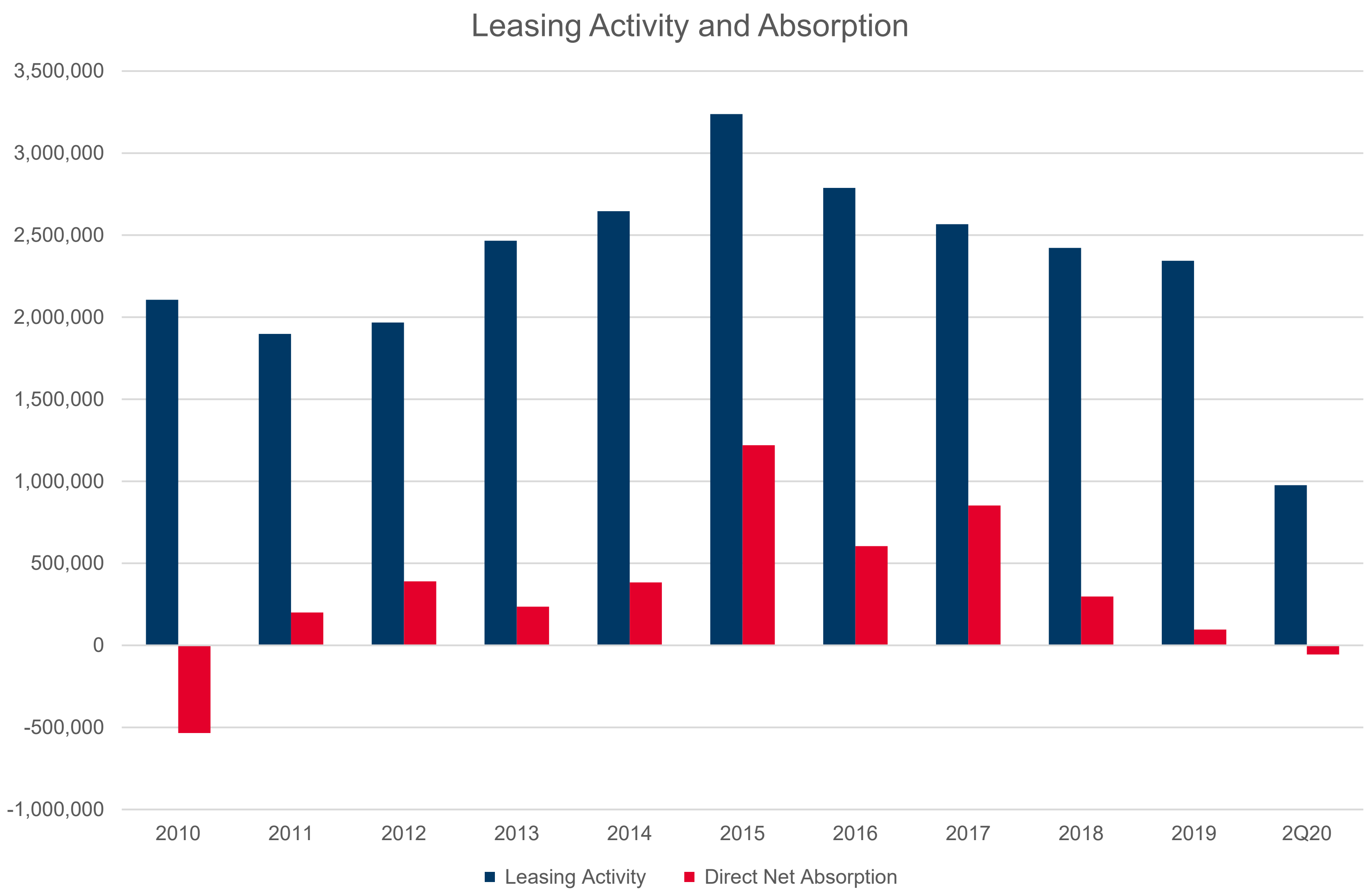
JACKSONVILLE OFFICE



- *Jacksonville's current vacancy rate of 22% is the highest vacancy rate since 2015.*
- *Rental rates increased 6.3% YOY, However at only $21.25 FS, Jacksonville has the lowest average asking rate in the state.*
- *Through mid-year 2020 absorption was significantly lower than this time last year.*
- *Second quarter activity is currently less than half of first quarter leasing activity.*

Source: C&W Research

ORLANDO OFFICE

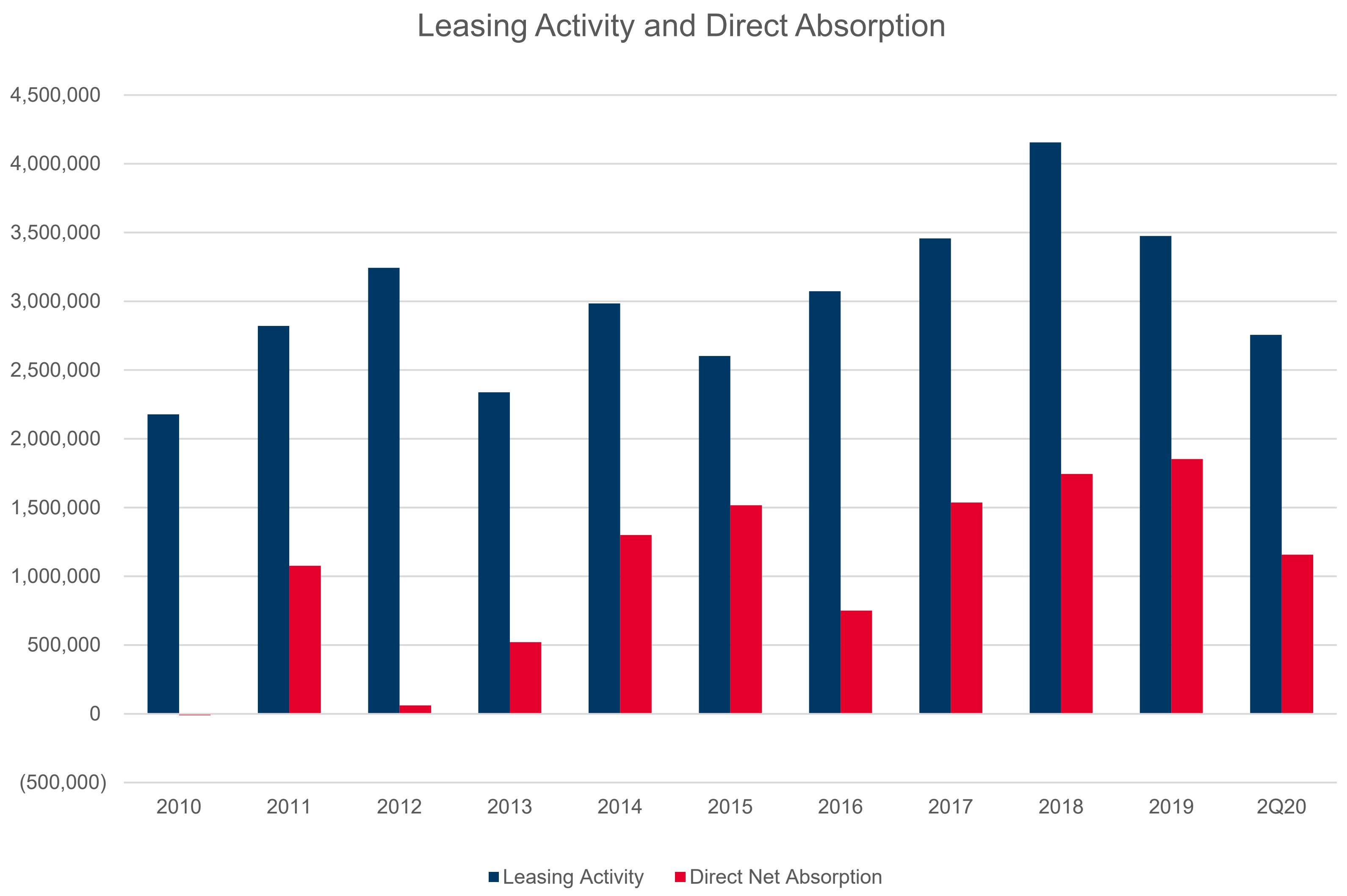


- *The Orlando office vacancy rate increased from 8.8% at the close of the first quarter to 10.3% as of the second quarter.*
- *Rental rates increased 7.1% year-over-year.*
- *Leasing activity slowed in the second quarter, absorption being the worst since post-recession with approximately -228,000 sf recorded.*
- *Significant amounts of sublease space available in all markets.*

Source: C&W Research

INDUSTRIAL MARKET UPDATE

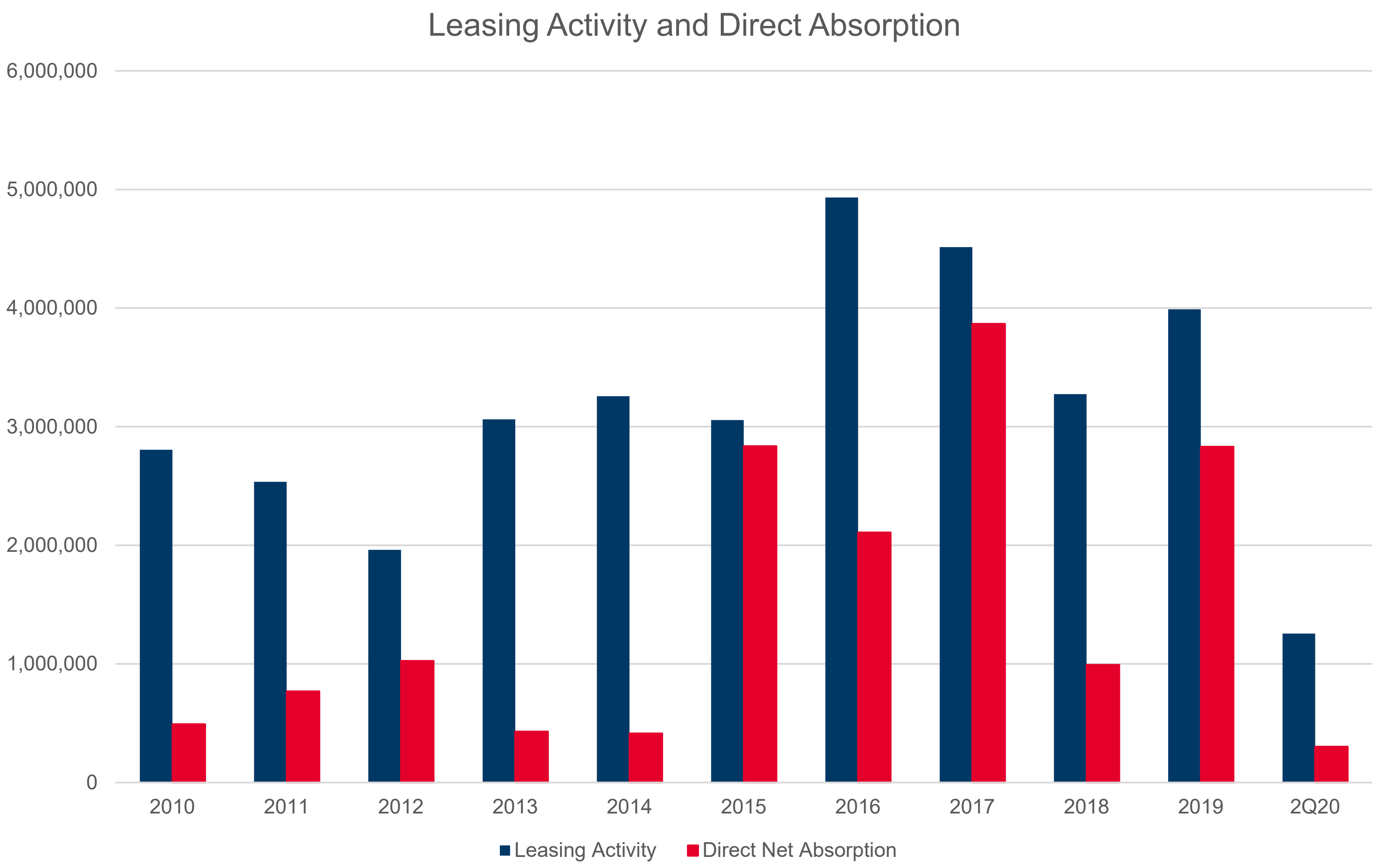
TAMPA INDUSTRIAL



- *Vacancy rose due to the amount of speculative deliveries over the past 30 months.*
- *Rental rates increased 14.7% over the past 3-years, or 4.9% annually.*
- *Leasing activity was on track to surpass 2019 year-end figures.*
- *Direct net absorption was in line with what was recorded mid point last year.*

Source: C&W Research

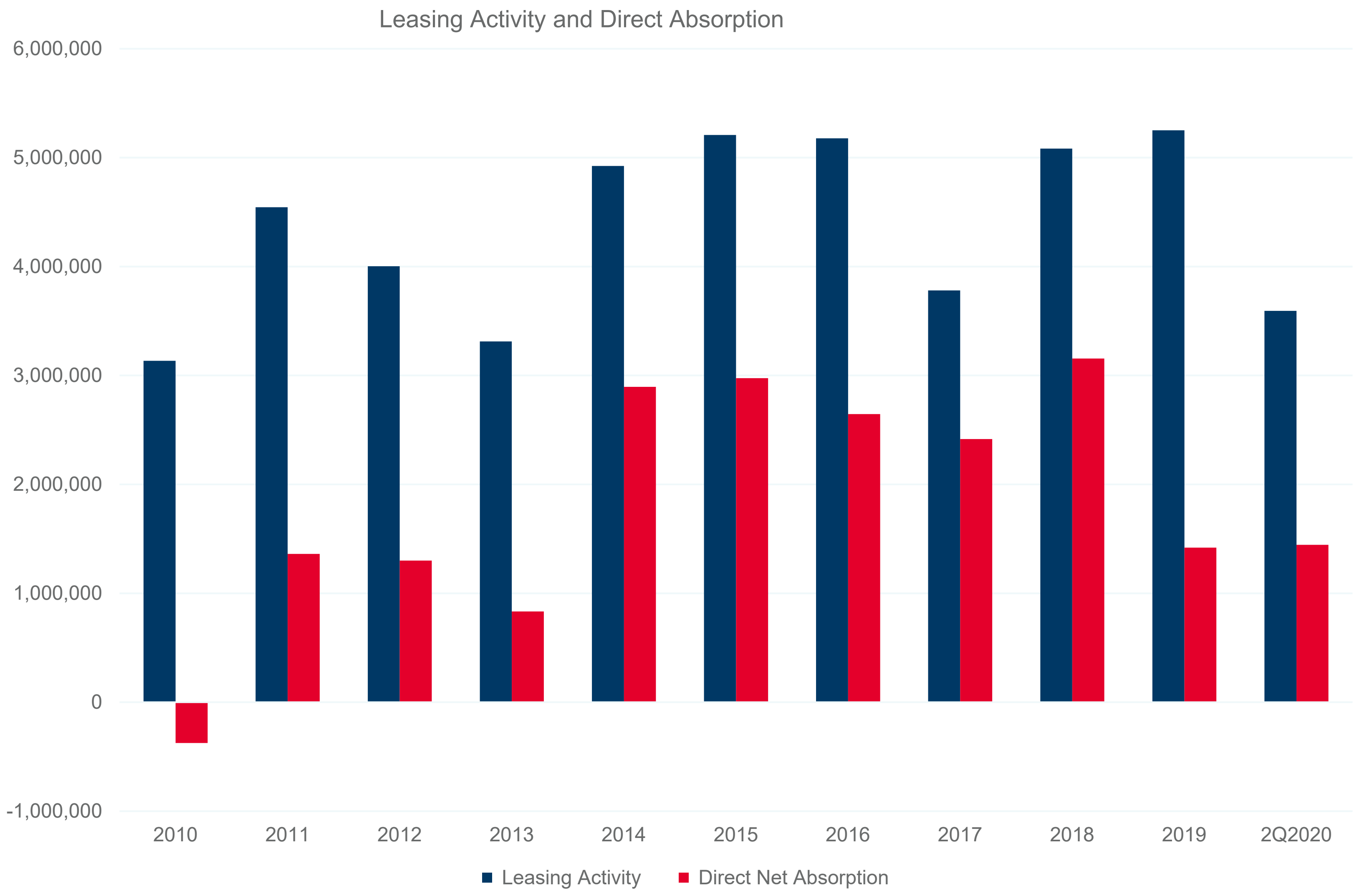
JACKSONVILLE INDUSTRIAL



- *Vacancy rose due to the amount of speculative deliveries over the past 30 months.*
- *Rental rates increased 3.9% over the past three years.*
- *Through June leasing activity and absorption was lower than mid point last year.*
- *Absorption was expected to increase by year-end as large tenants take possession, including Wayfair moving into its new 1.0 msf BTS.*

Source: C&W Research

ORLANDO INDUSTRIAL

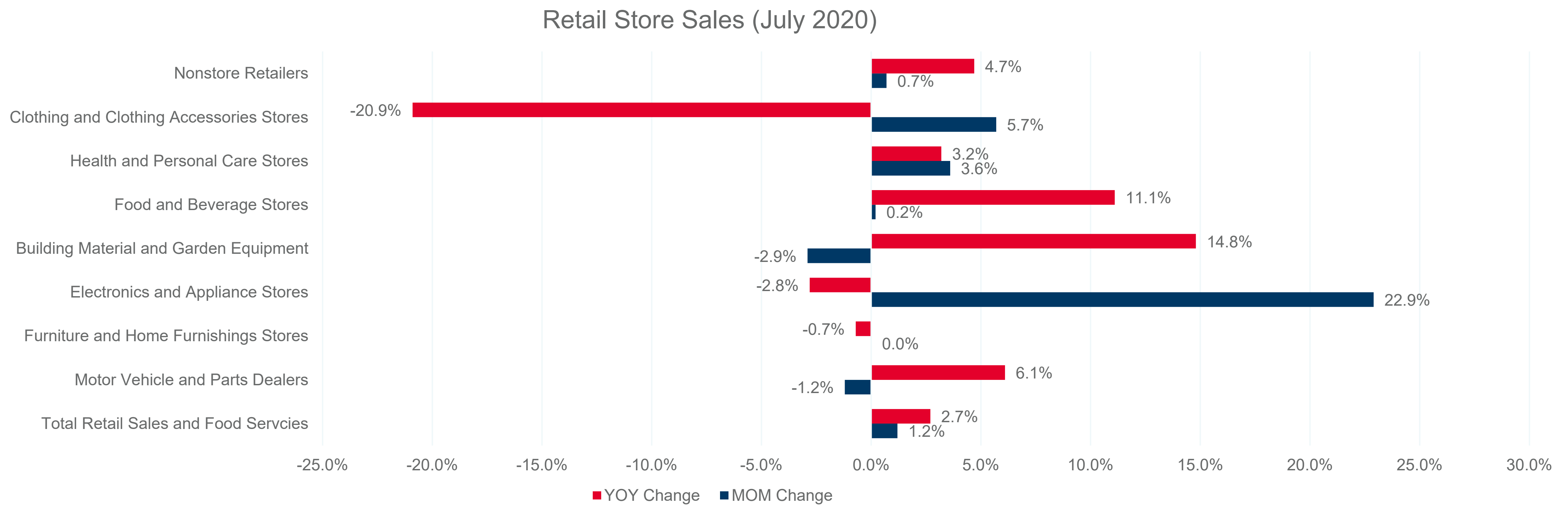


- *Rise in vacancy was due to level of speculative deliveries over the past 30 months.*
- *Rental rates increased 11.4% over the past three years, or 3.8% annually.*
- *Leasing activity was 3.6 msf YTD, over 30% more than recorded at this point in 2019.*
- *Direct net absorption was 1.4 msf, higher than all absorption recorded in 2019.*

Source: C&W Research

RETAIL MARKET UPDATE

NORTH/CENTRAL FL RETAIL

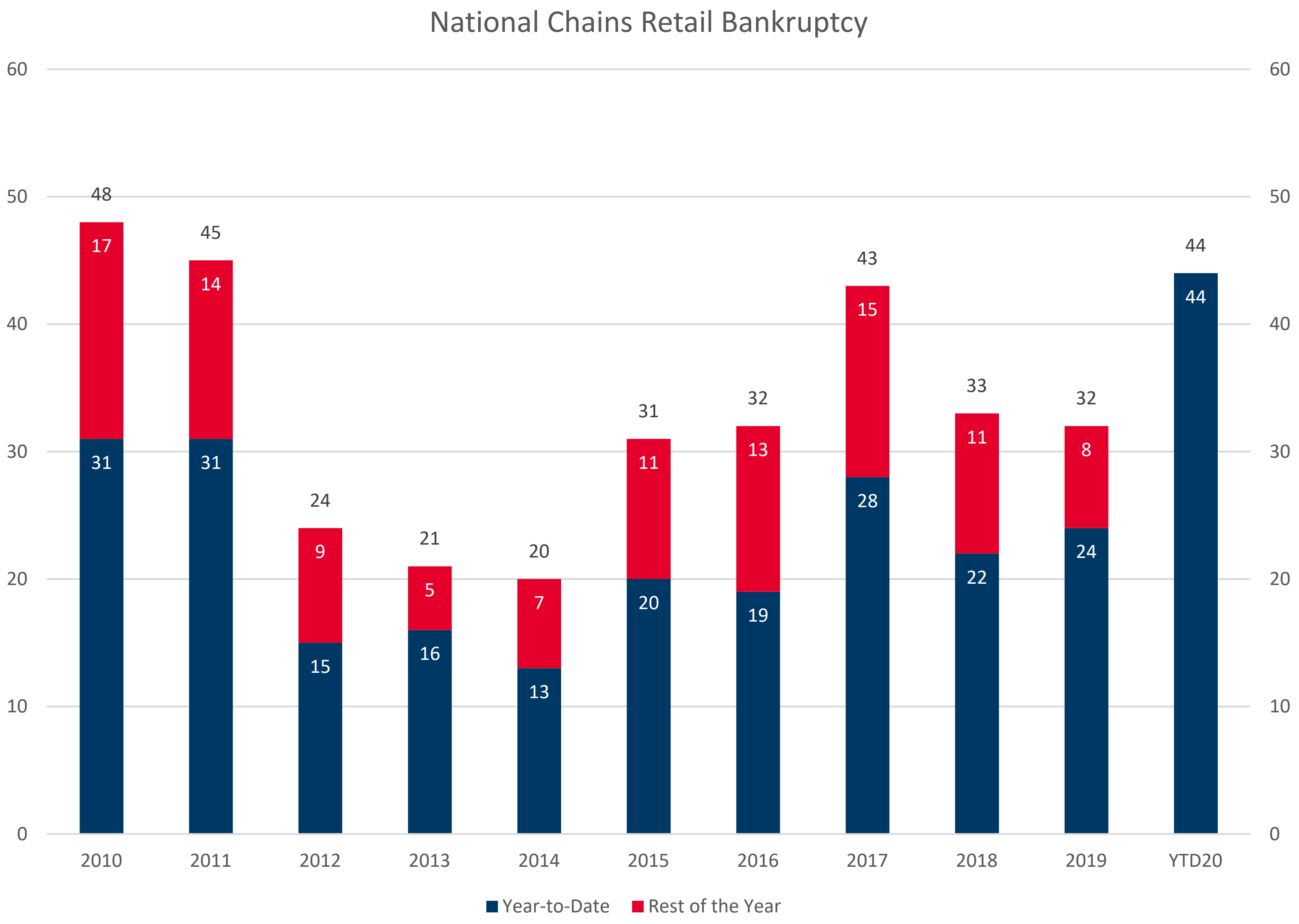


<u>Winners & Losers</u>

- *Winners: Home improvement stores, electronics, auto parts stores, discounters and grocers*
- *Losers: Soft goods; Restaurants, Mom and Pop or smaller franchise that do not have the required cash reserves to meet the challenge of the current environment.*
- *Who back-fills the space? The CBD/Cannabis Industry is surging and primed for opportunistic growth.*
- *Direct net absorption was 1.4 msf, higher than all absorption recorded in 2019.*

Source: C&W Research

NORTH/CENTRAL FL RETAIL

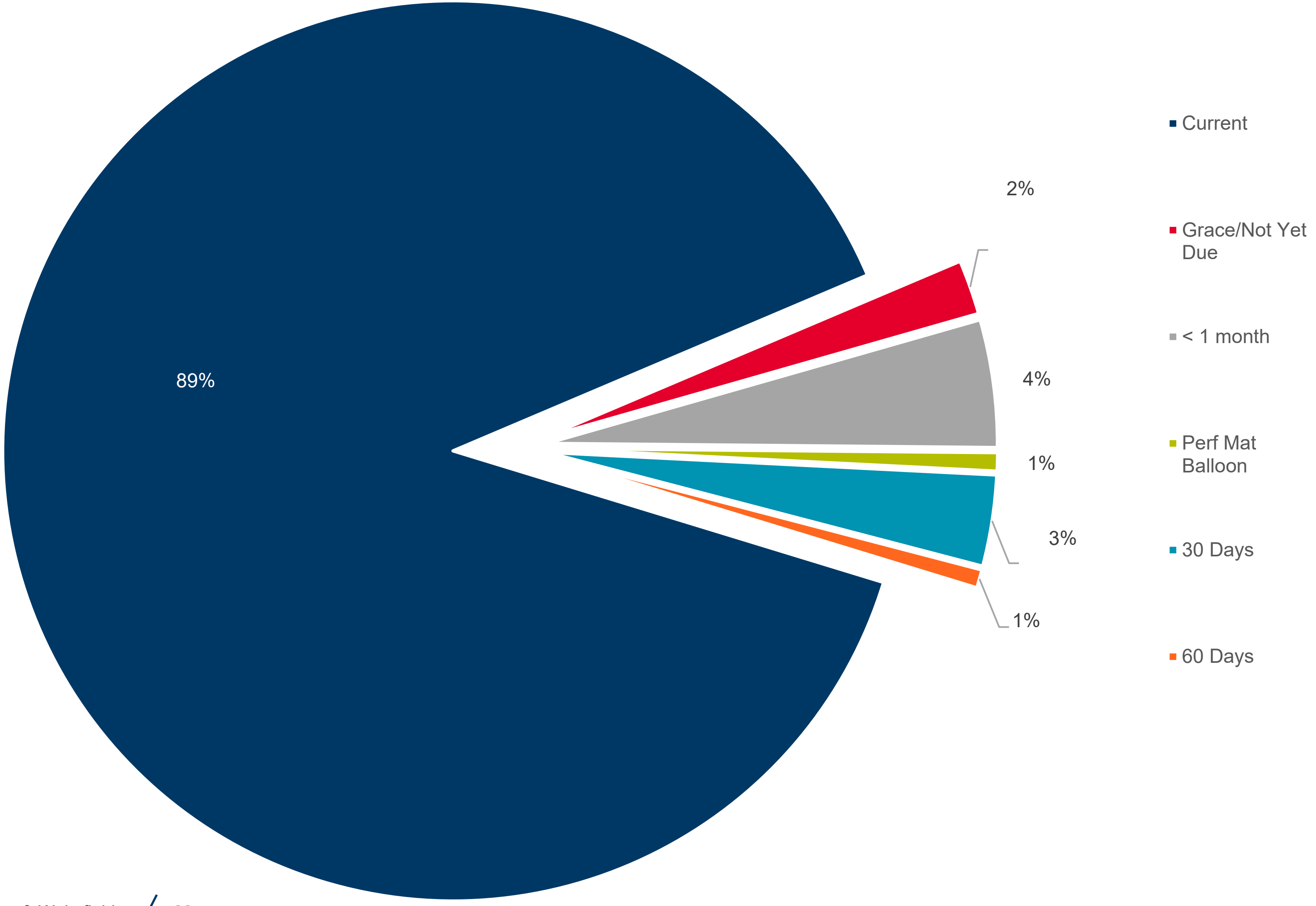


- *Bankruptcy rate is the highest in 10 years!*
- *Soft goods contributing to this trend*
- *List of closed stores is lengthy*
    - ❖ *Pier One - online only (for now)!*
    - ❖ *Steinmart - antiquated model, closing accelerated by COVID.*
    - ❖ *Lucky's Grocery - abandoned model.*
- *Retailers must adapt or fail…*

Source: C&W Research

NORTH/CENTRAL FL RETAIL

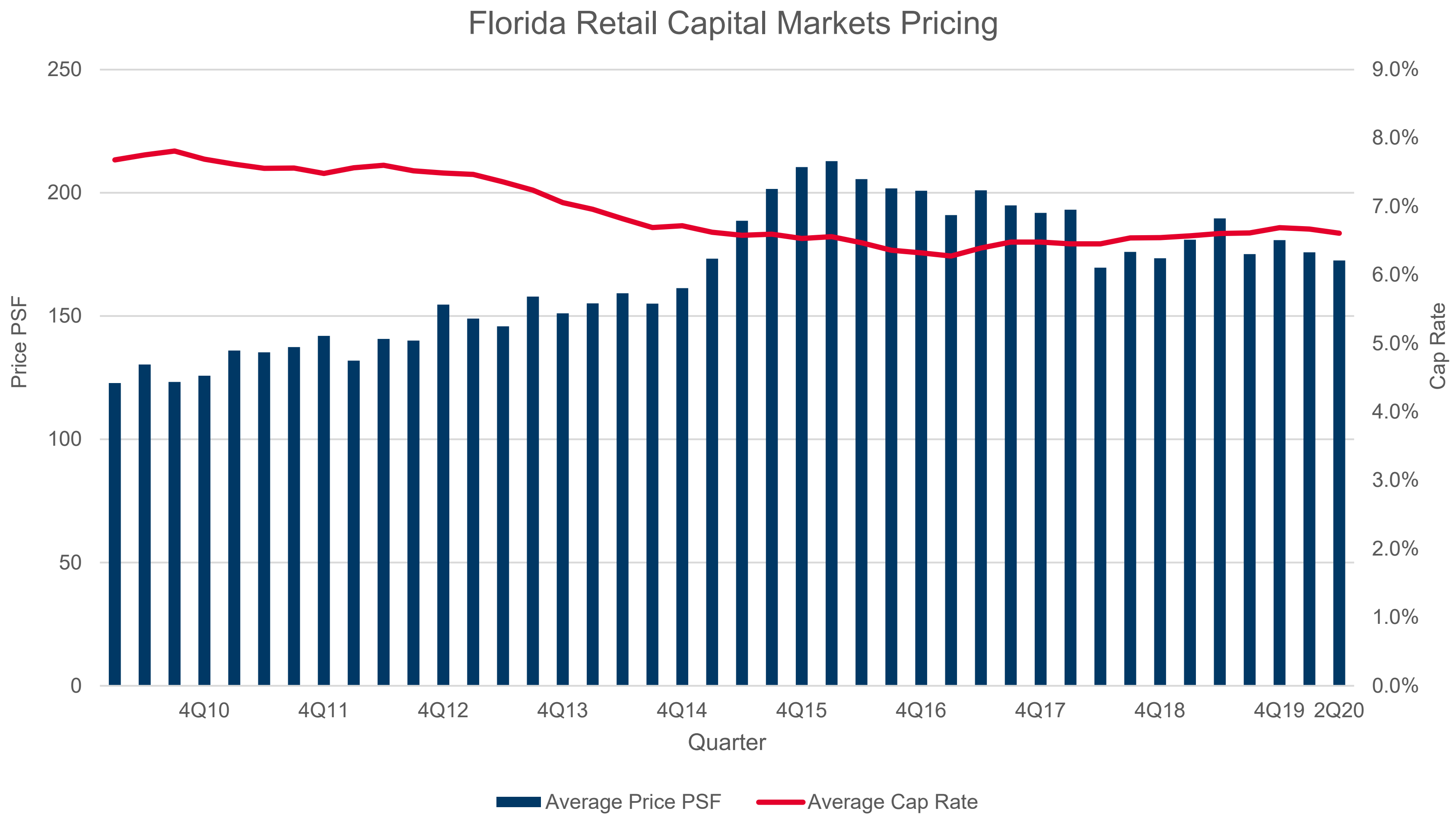
Delinquency of Retail Loans



- *Most loans are still being serviced – we have yet to see the full implication of tenant defaults*
- *CMBS debt is nearly non-existent; banks are cautious.*
- *Watchlist and actual delinquent loans have risen slightly for 2020. We expect our current situation to cause some additional defaults in the first half of 2021.*
- *Most Landlords offered concession to help tenants through.*
- *Tampa Bay*
    - *9.24% of all retail loans have a DSCR above 1.00*
    - *37.93% of all retail loans are 60+ days delinquent*

Source: C&W Research

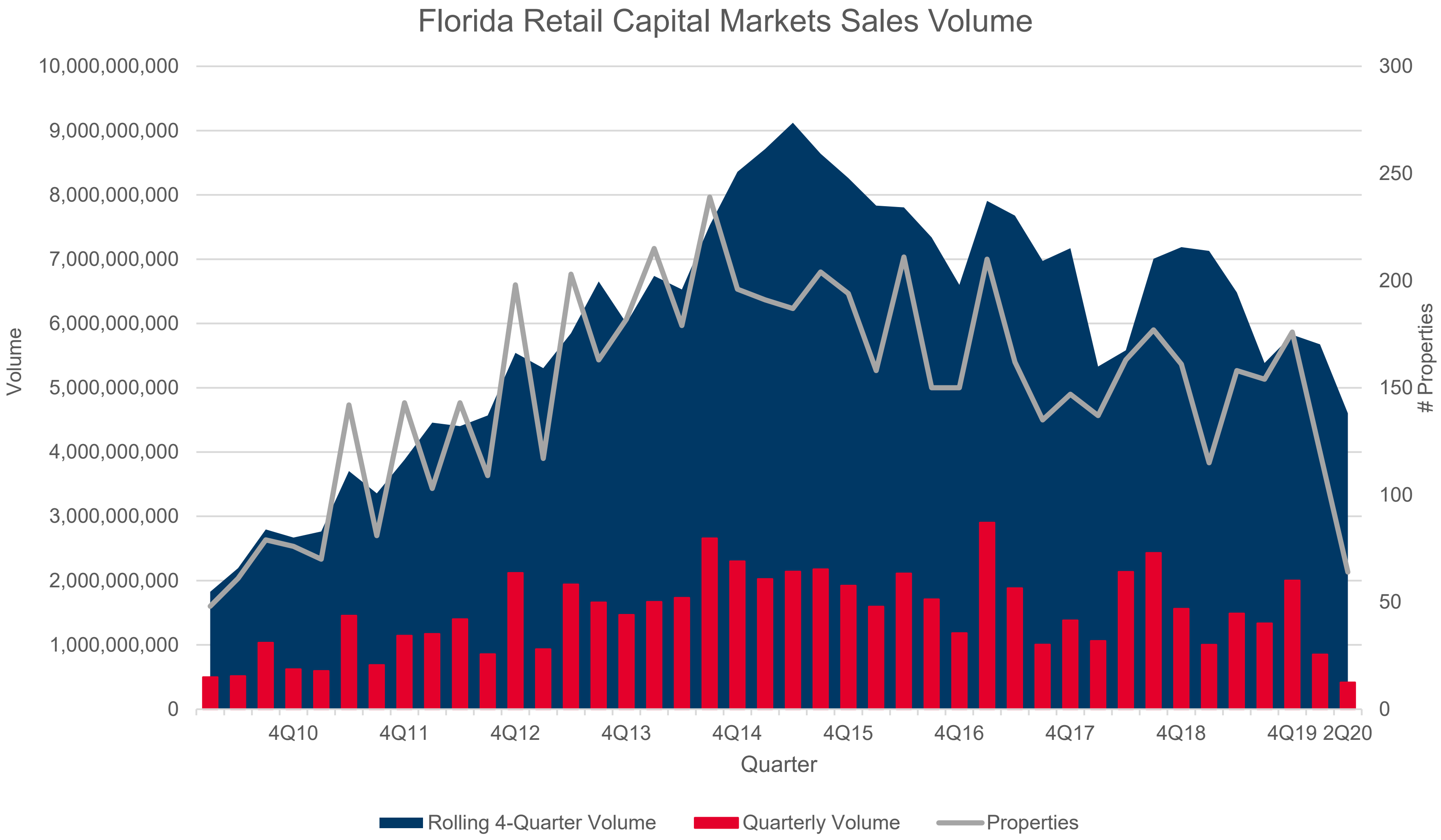
NORTH/CENTRAL FL RETAIL



- *Ironically, retail capital markets pricing has stabilized or compressed slightly for quality assets.*
- *During down markets, people flock to quality assets to secure their money.*
- *Lack of product helps cap rate compression.*
- *Sales on quality assets have better tenant mix to ward off the "short term" issue with current environment.*

Source: C&W Research

NORTH/CENTRAL FL RETAIL

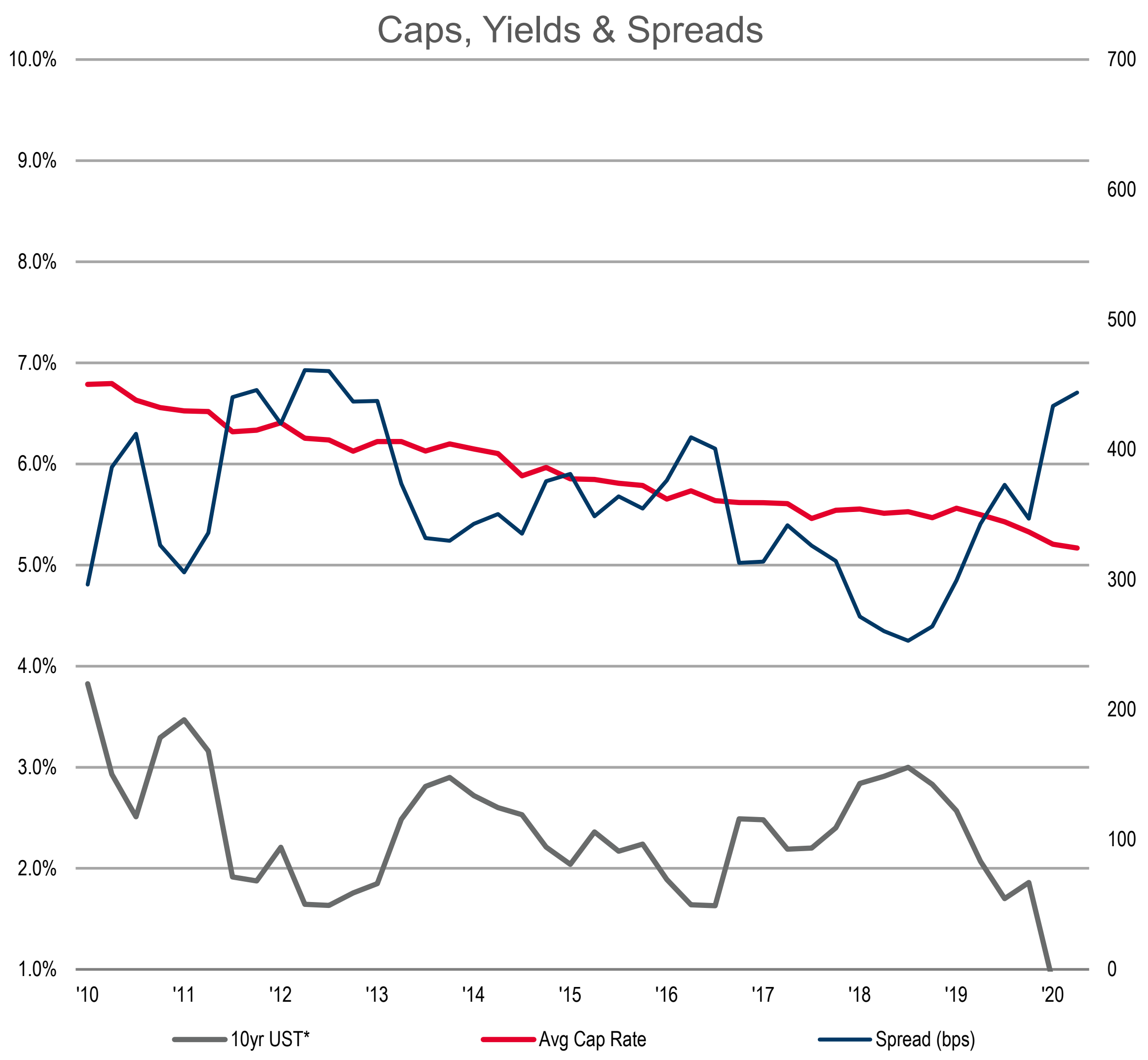


- *Volume is down significantly (almost non-existent). Sales are typically a direct function of whether someone can get debt.*
- *Some cash sales are occurring, typically smaller (under $10MM).*
- *"B" and "C" centers are still at very high risk for default.*
- *NNN / net-leased sales are very strong! Investors are attracted by long term leases to credit tenants, with no landlord responsibilities (similar to the Great Recession in 2008)*

Source: C&W Research

MULTIFAMILY CAPITAL MARKETS UPDATE

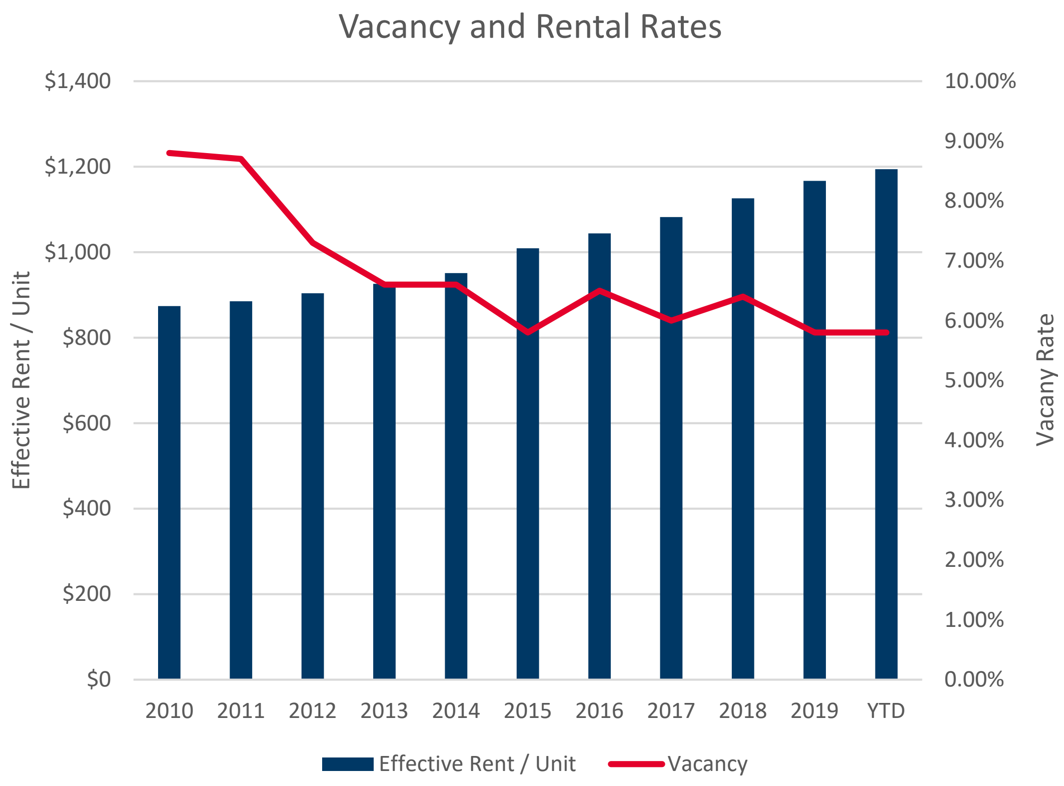
NORTH/CENTRAL FL MULTIFAMILY

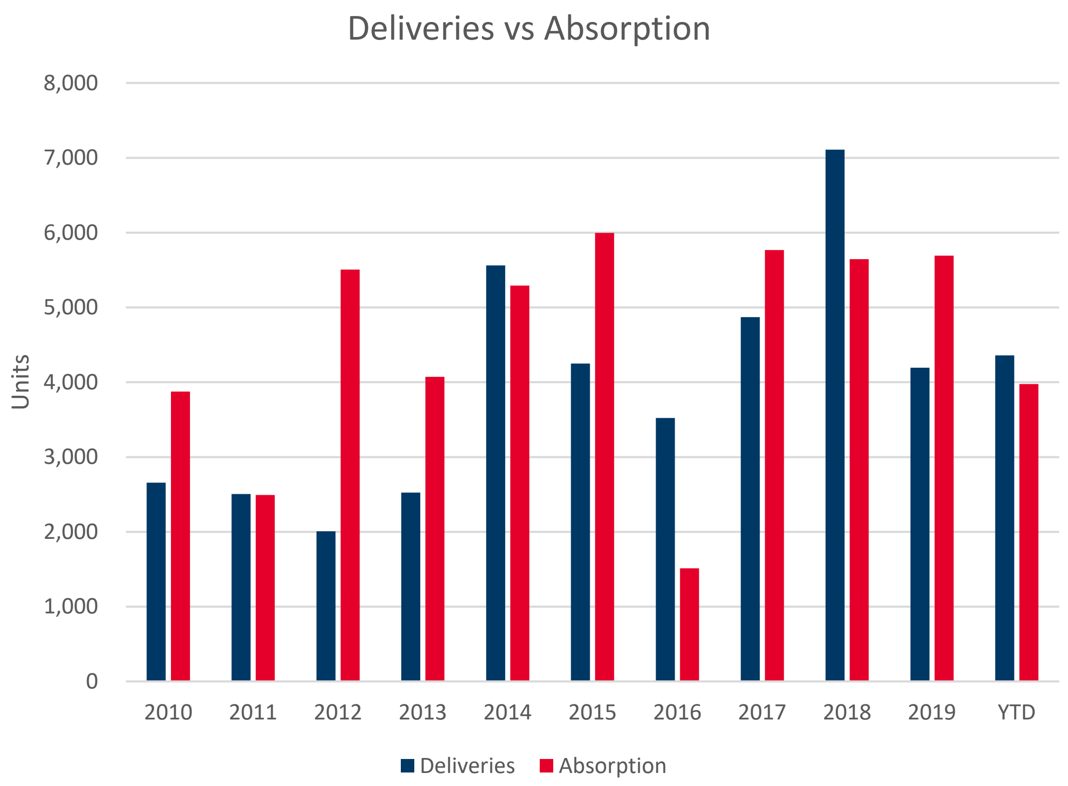


- *Investor appetite for multifamily remains strong, as capital is flowing out of other real estate sectors and multifamily, along with industrial, have benefited.*
- *Groups have figured out work arounds for uncertainties related to Covid-19.*
- *Buyers are no longer underwriting strong rent growth for 2020, but lower interest rates are making up for rent growth, to allow for pricing to remain strong.*
- *Lenders, particularly the Agencies, are closely monitoring delinquencies and are using interest reserves to work around market uncertainties and close deals.*
- *There has been some distress on the lender side, as debt funds that borrowed to enhance the yield on their loans have seen their back end funding dry up (particularly those exposed to hotel and retail loans).*
- *However, the majority of lenders have been able to modify multifamily loans to avoid defaults.*
- *Class A and B properties are generally seeing manageable delinquency, but Class C properties are having more issues, and may have more structural issues depending on local employment markets.*

Source: C&W Research, RCA

TAMPA MULTIFAMILY



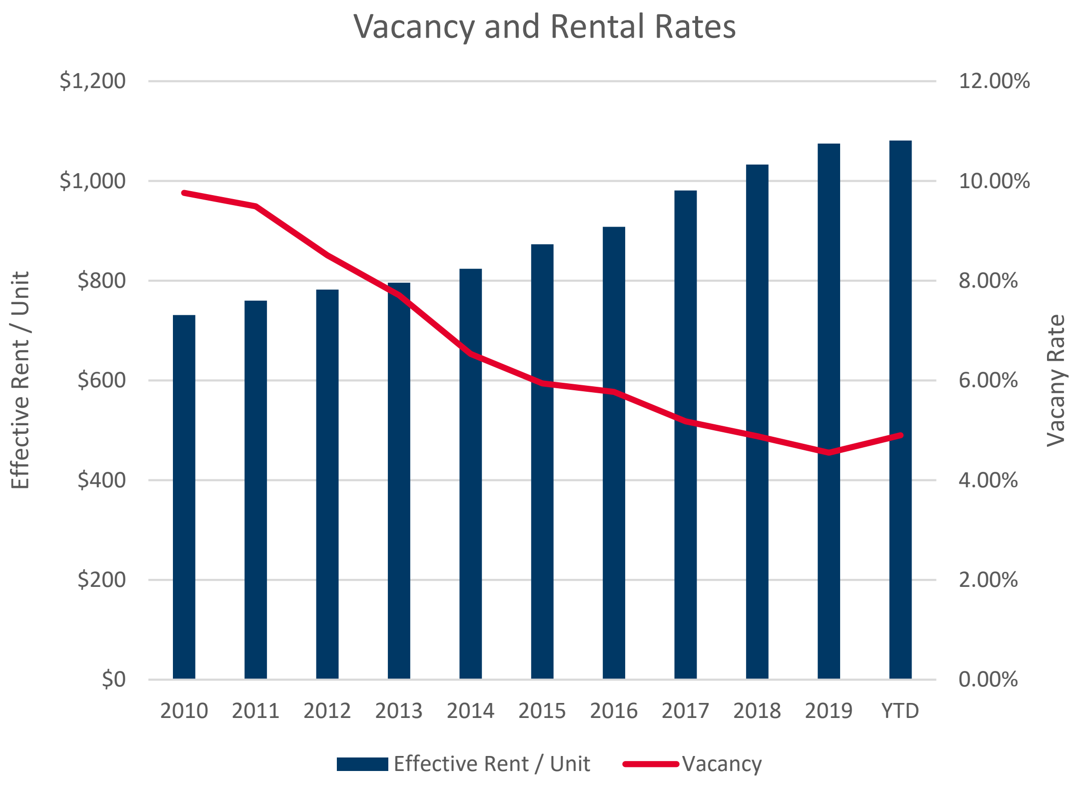


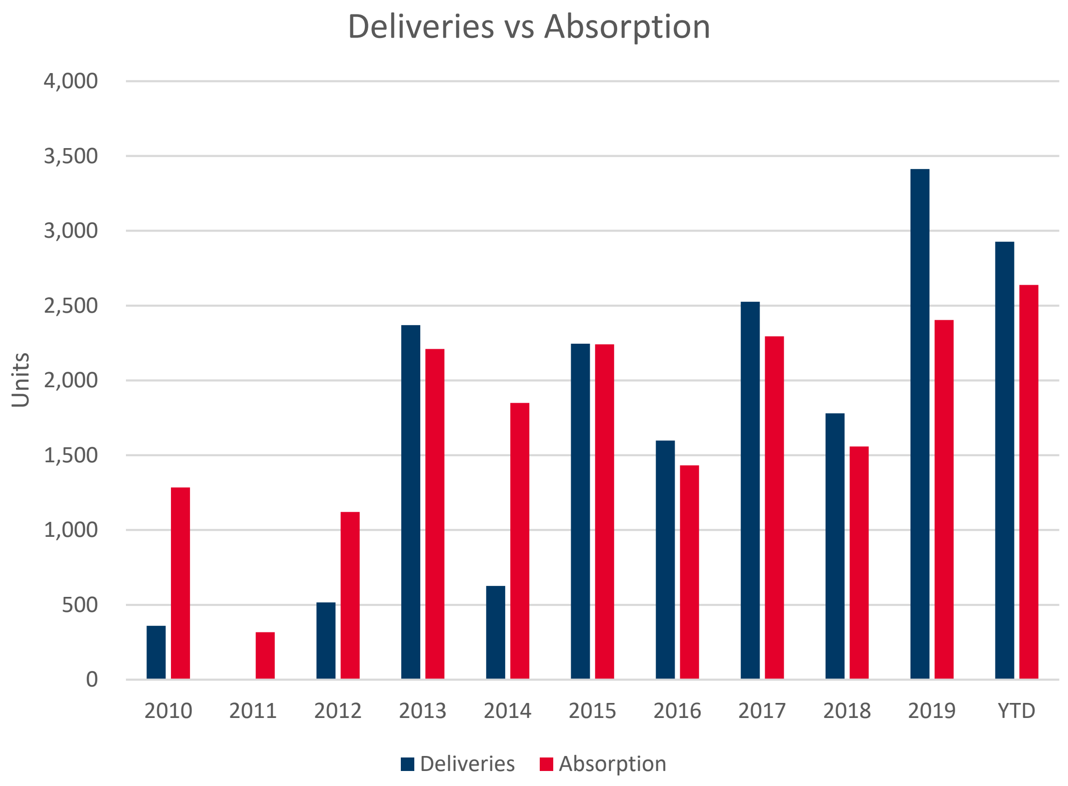
- *Vacancy has continued to trend down over the last three years.*
- *Rental rates increased 14.4% over the last five years.*

- *2018 was the peak of deliveries for the Tampa market this cycle.*
- *With a fall off in new supply, Tampa remains in a strong position to absorb new deliveries this year. Certain markets, like Channelside, are seeing concessions, but overall lease up remains strong.*

Source: C&W Research, Costar

JACKSONVILLE MULTIFAMILY



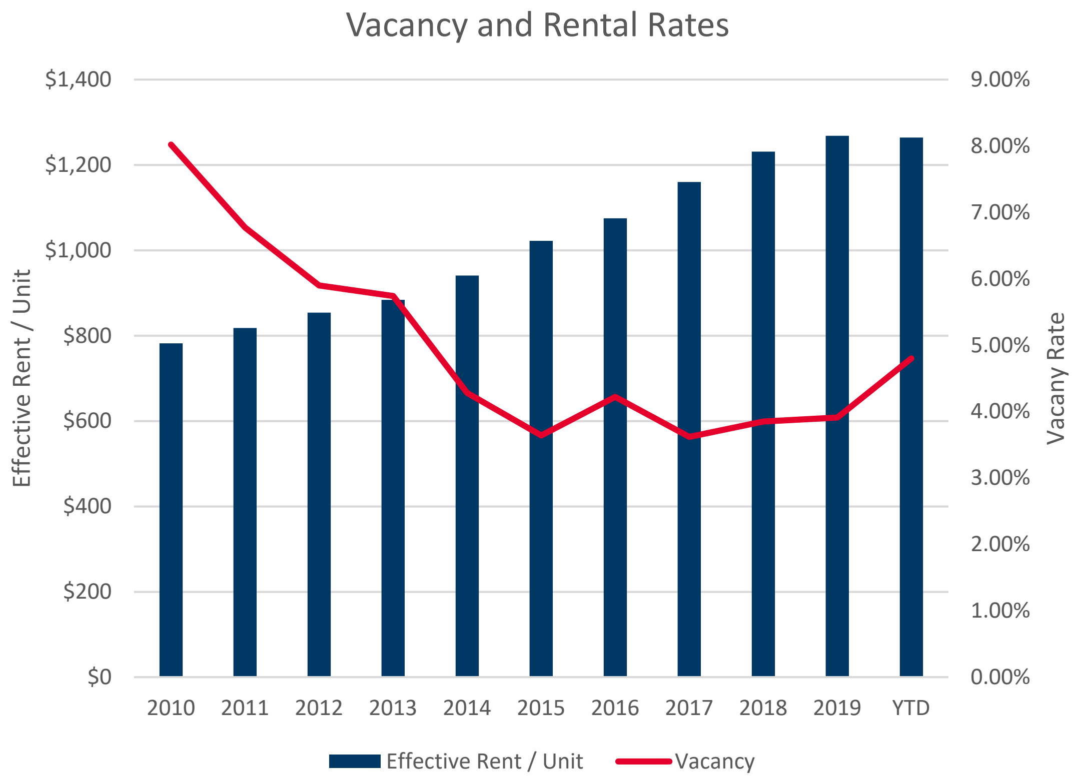


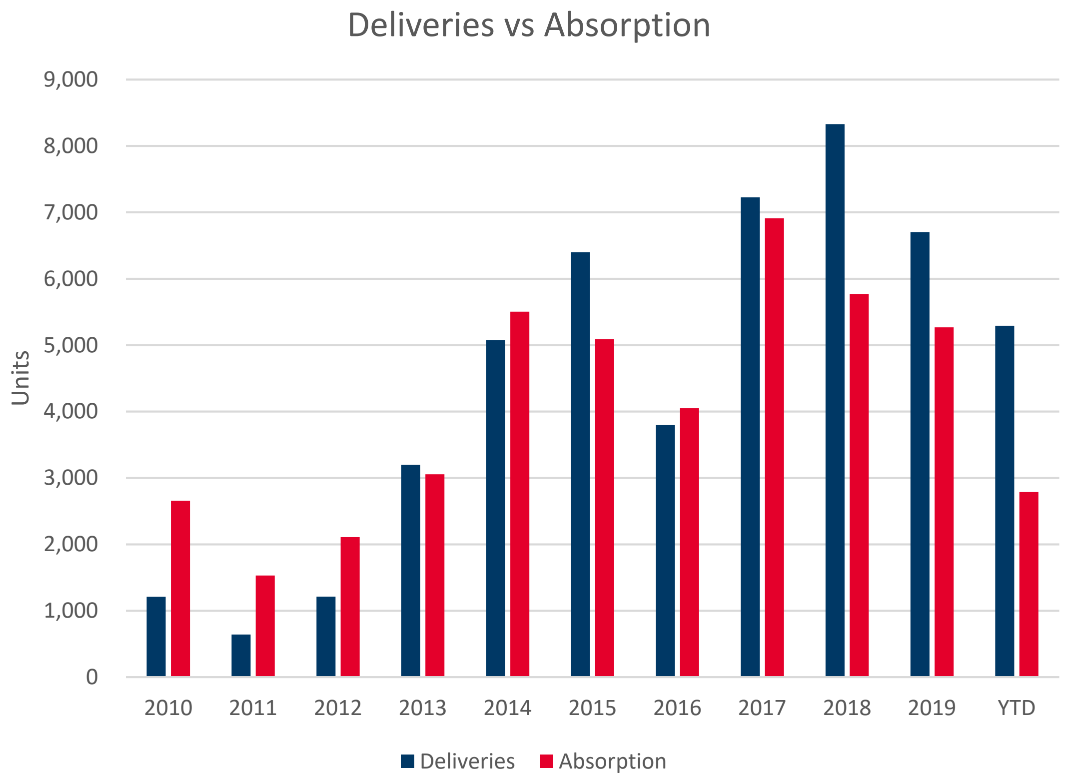
- *Vacancy rates averaged 5.1% over the last five years*
- *Rental rates increased 19.1% over the last five years*

- *2019 was the peak of deliveries for the Jacksonville market this cycle.*
- *Absorption will likely keep pace with supply this year, but concessions are occurring on most new deals in lease up, particular in certain submarkets like Southside.*

Source: C&W Research, Costar, Axiometrics

ORLANDO MULTIFAMILY





- *Vacancy rates averaged 4.1% over the last five years and have remained under 5.0% for the last seven years.*
- *Rental rates increased 17.6% over the last five years.*

- *2018 was the peak of deliveries for the Orlando market this cycle.*
- *Absorption will likely keep pace with supply this year, but concessions are occurring on most new deals in lease up and lease up momentum has slowed for over-supplied submarkets.*

Source: C&W Research, Costar, Axiometrics

LAND MARKET UPDATE

LAND MARKET OVERVIEW

Q2 2020 SUMMARY

319

SALES RESEARCHED

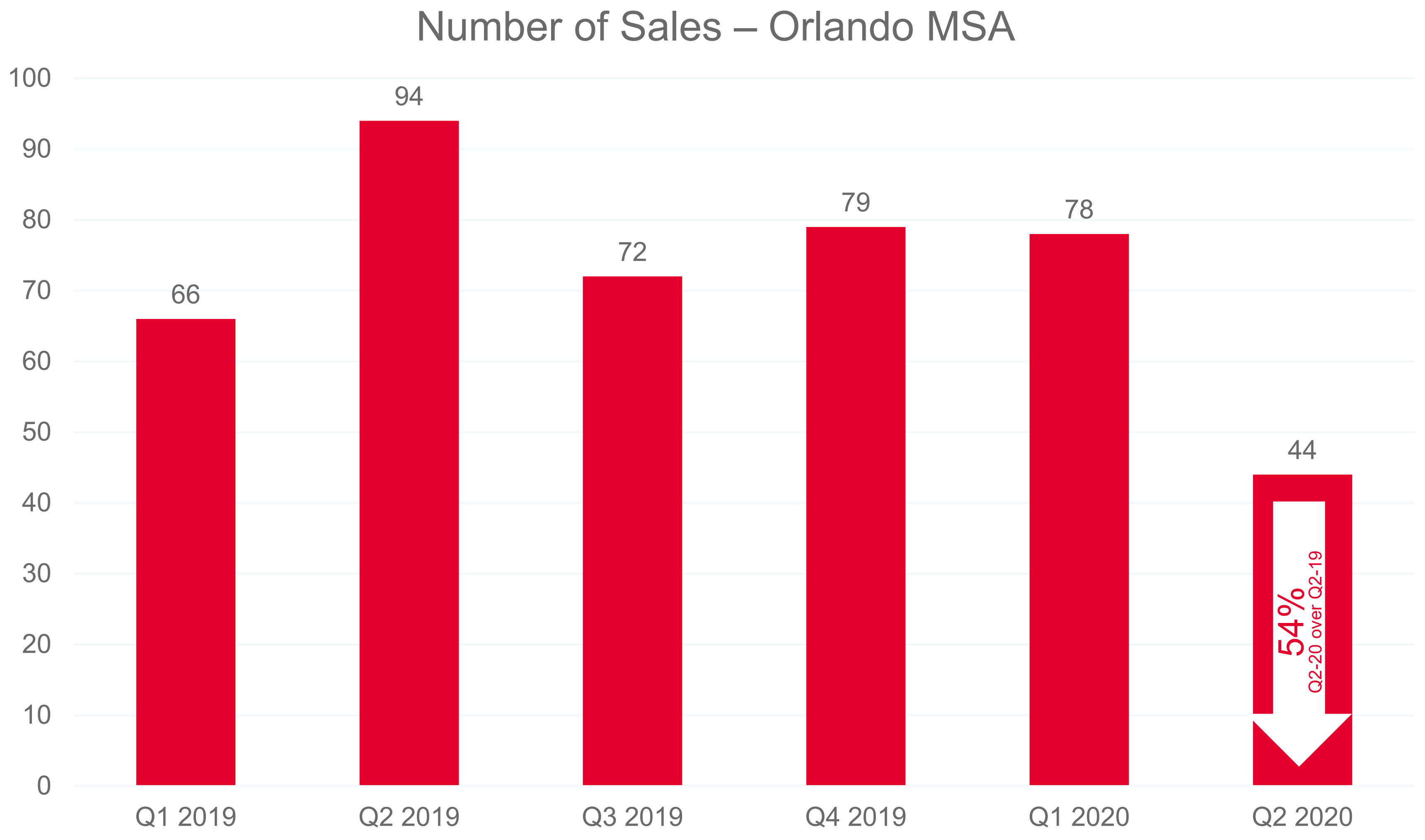
44

QUALIFYING SALES*

$118,234,173

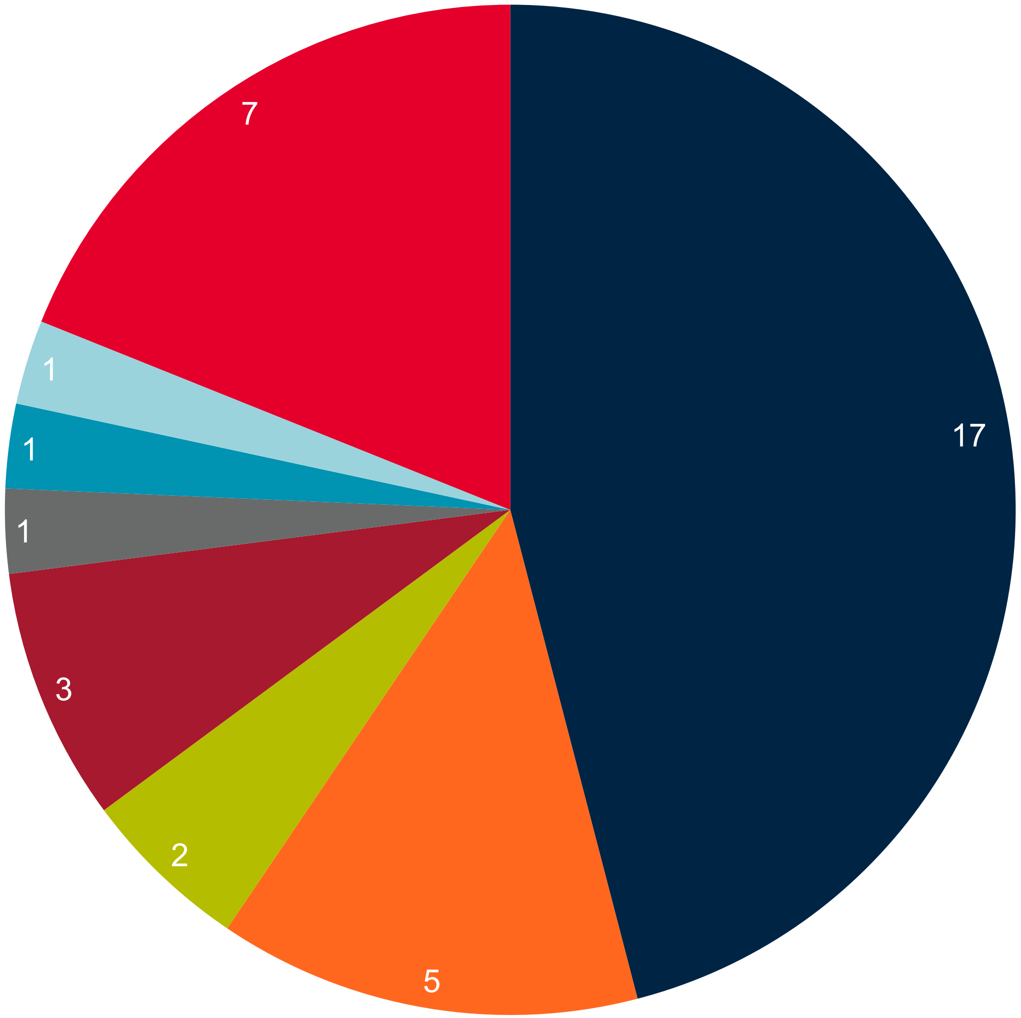
TOTAL SALES VOLUME

*Qualifying sales: Land or Redevelopment transactions >$1MM



LAND MARKET OVERVIEW

Q2 2020 Sale Breakdown



Home builders	17
Retail	5
Industrial	2
Multifamily	3
Office	1
Senior Housing	1
Self-storage	1
Non-traditional	7
Total sales	44

LAND DEMAND INDEX

STRONG

Single family

Industrial

Multifamily

Medical

Retail

Office

Senior Housing

Hospitality

WEAK

2020 LAND SALE REVIEW

Q1	# OF SALES	SALES VOLUME	ACREAGE
2019	12	$47,474,626	577
2020	13	$23,642,427	351
	8.33%	-50.20%	-39.17%

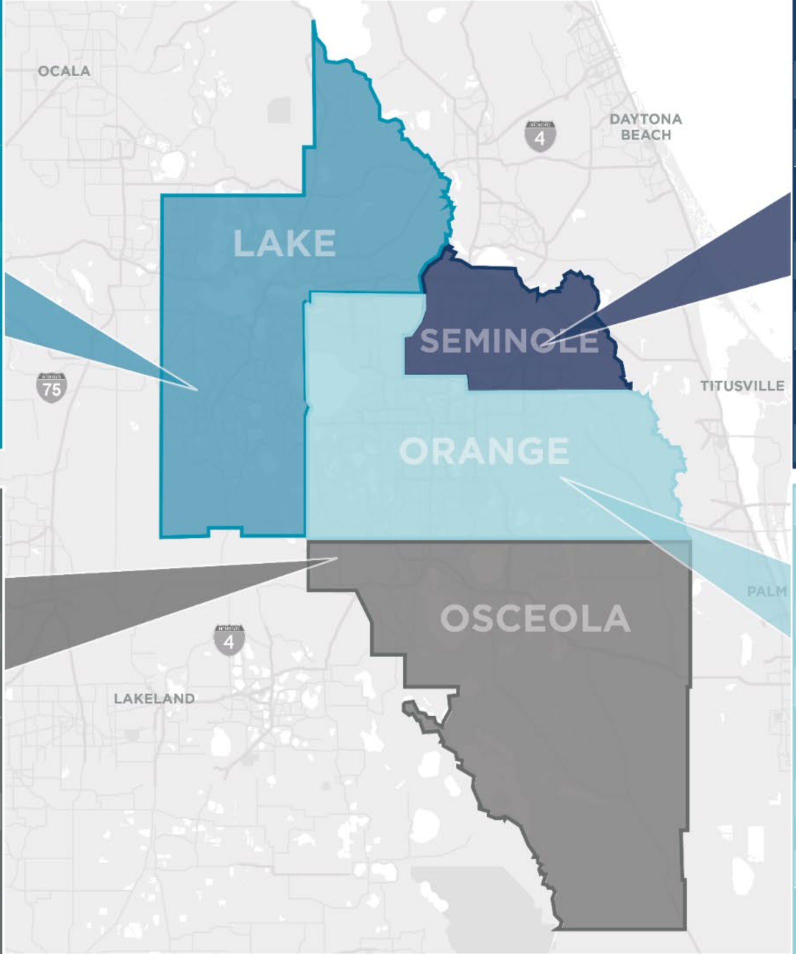
Q2	# OF SALES	SALES VOLUME	ACREAGE
2019	10	$43,743,999	1379.45
2020	8	$14,604,285	237.21
	-20.00%	-66.61%	-82.80%

FIRST HALF	# OF SALES	SALES VOLUME	ACREAGE
2019	22	$91,218,625	1956.45
2020	21	$38,246,712	588.21
	-4.55%	-58.07%	-69.93%

Q1	# OF SALES	SALES VOLUME	ACREAGE
2019	18	$116,444,851	2614
2020	23	$110,425,285	1643
	27.78%	-5.17%	-37.15%

Q2	# OF SALES	SALES VOLUME	ACREAGE
2019	18	$94,662,428	695.31
2020	15	$31,051,711	992.9
	-16.67%	-67.20%	42.80%

FIRST HALF	# OF SALES	SALES VOLUME	ACREAGE
2019	36	$211,107,279	3309.31
2020	39	$142,743,138	2644.9
	8.33%	-32.38%	-20.08%



Q1	# OF SALES	SALES VOLUME	ACREAGE
2019	6	$12,530,309	47
2020	11	$22,423,767	71
	83.33%	78.96%	51.06%

Q2	# OF SALES	SALES VOLUME	ACREAGE
2019	18	$52,369,515	148.8
2020	4	$5,959,608	17.98
	-77.78%	-88.62%	-87.92%

FIRST HALF	# OF SALES	SALES VOLUME	ACREAGE
2019	24	$64,899,824	195.8
2020	15	$28,383,375	88.98
	-37.50%	-56.27%	-54.56%

Q1	# OF SALES	SALES VOLUME	ACREAGE
2019	33	$141,986,796	860
2020	31	$114,309,200	403
	-6.06%	-19.49%	-53.14%

Q2	# OF SALES	SALES VOLUME	ACREAGE
2019	50	$240,705,370	1016.48
2020	17	$66,617,569	807
	-66.00%	-72.32%	-20.61%

FIRST HALF	# OF SALES	SALES VOLUME	ACREAGE
2019	83	$382,692,166	1876.48
2020	54	$208,053,768	1597.14
	-34.94%	-45.63%	-14.89%


QUESTIONS?

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