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COVID-19 STATE OF THE NYC MARKET



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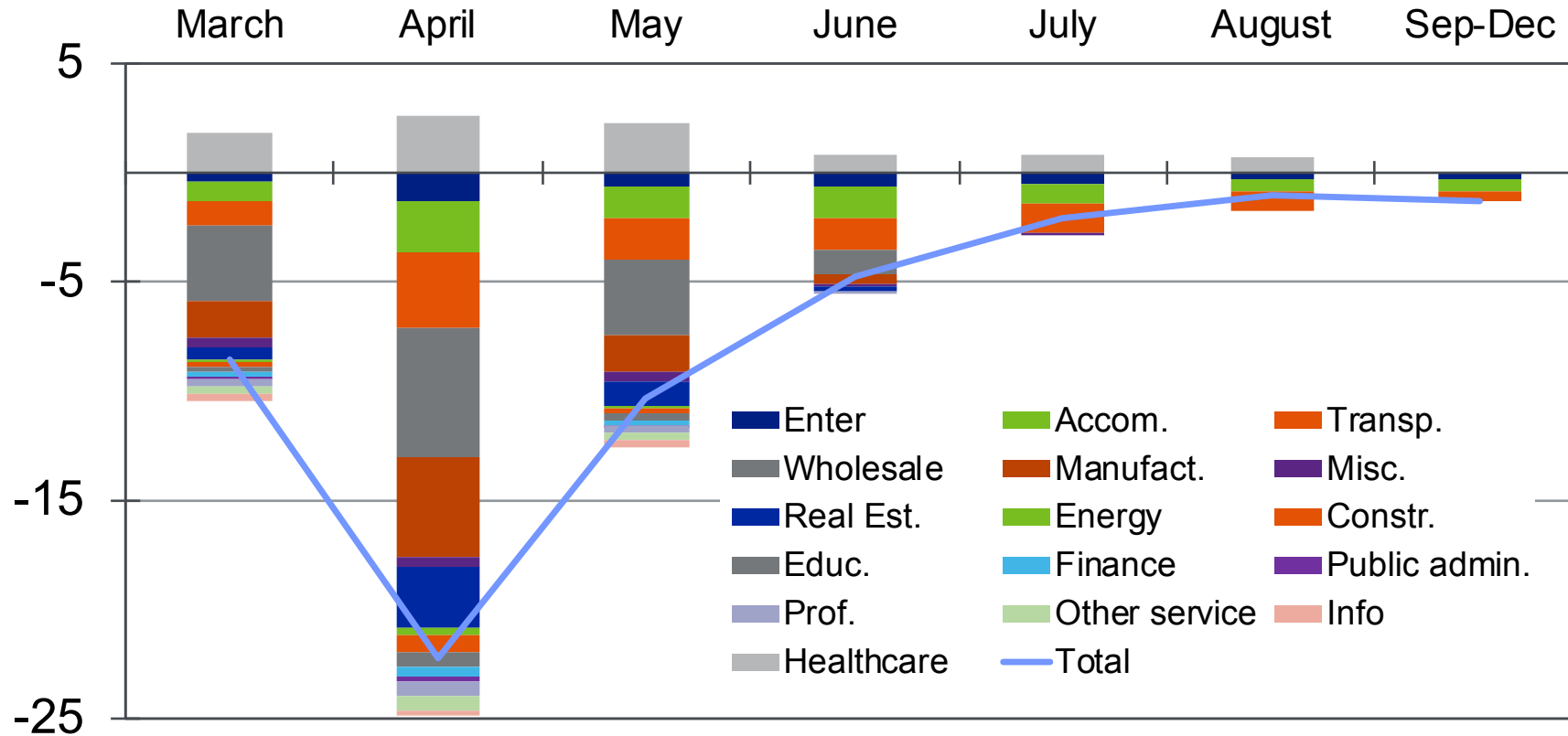
COVID-19: Global Economic Body Blow

1

Supply & Demand Side Blows

Business Lockdowns Hit Hard

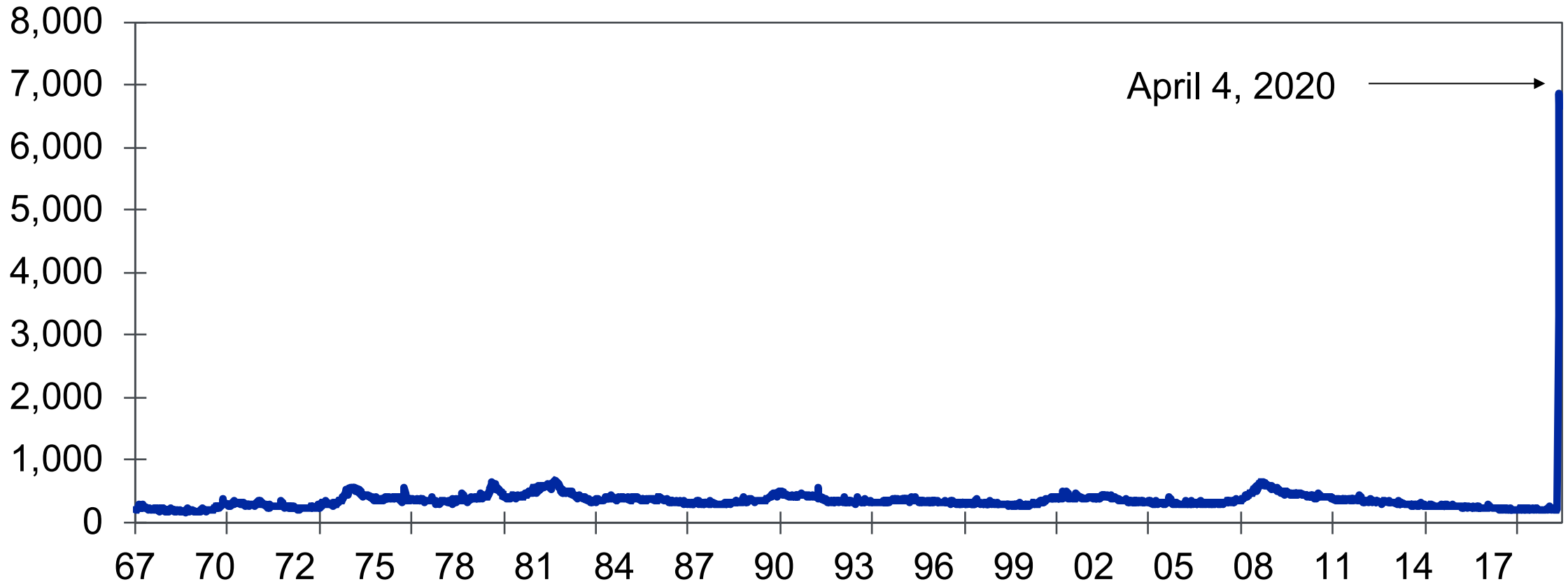
Deviation from typical GDP, ann ppts, by industry 2020



Sources: Moody's Analytics

Unemployment Surges

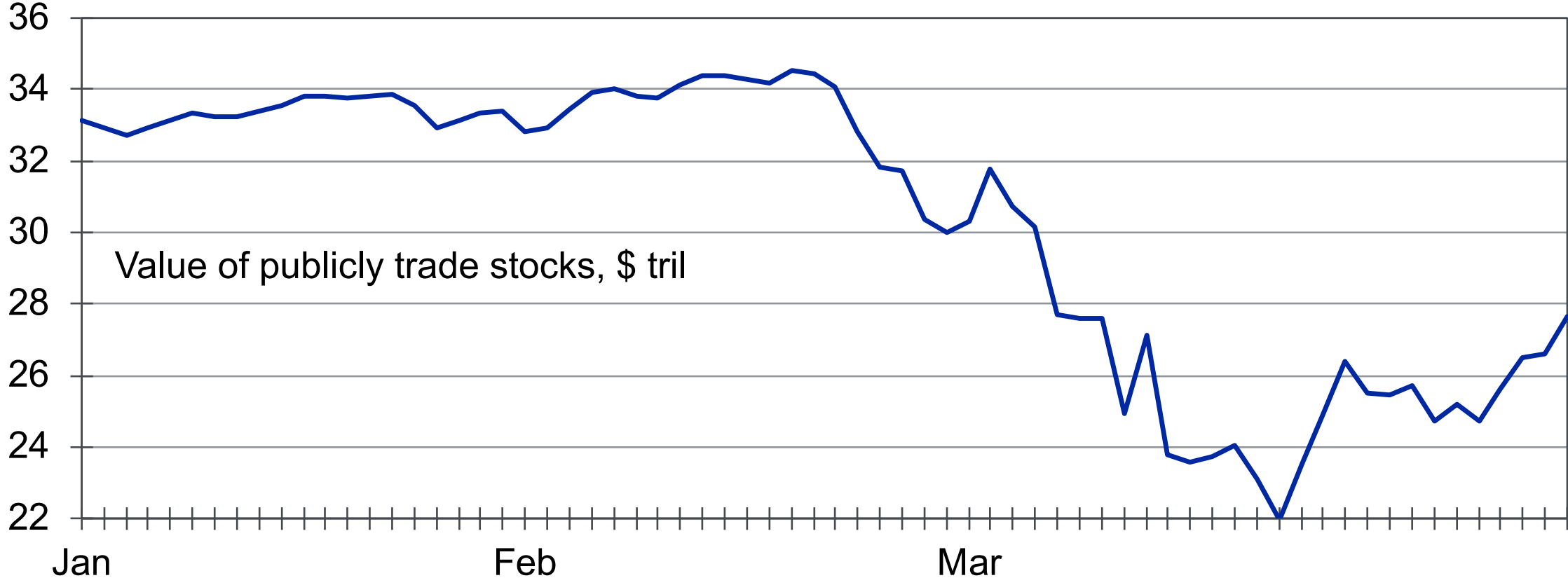
Unemployment insurance claims, ths



Sources: Employment & Training Administration, Moody's Analytics

Smaller Nest Eggs

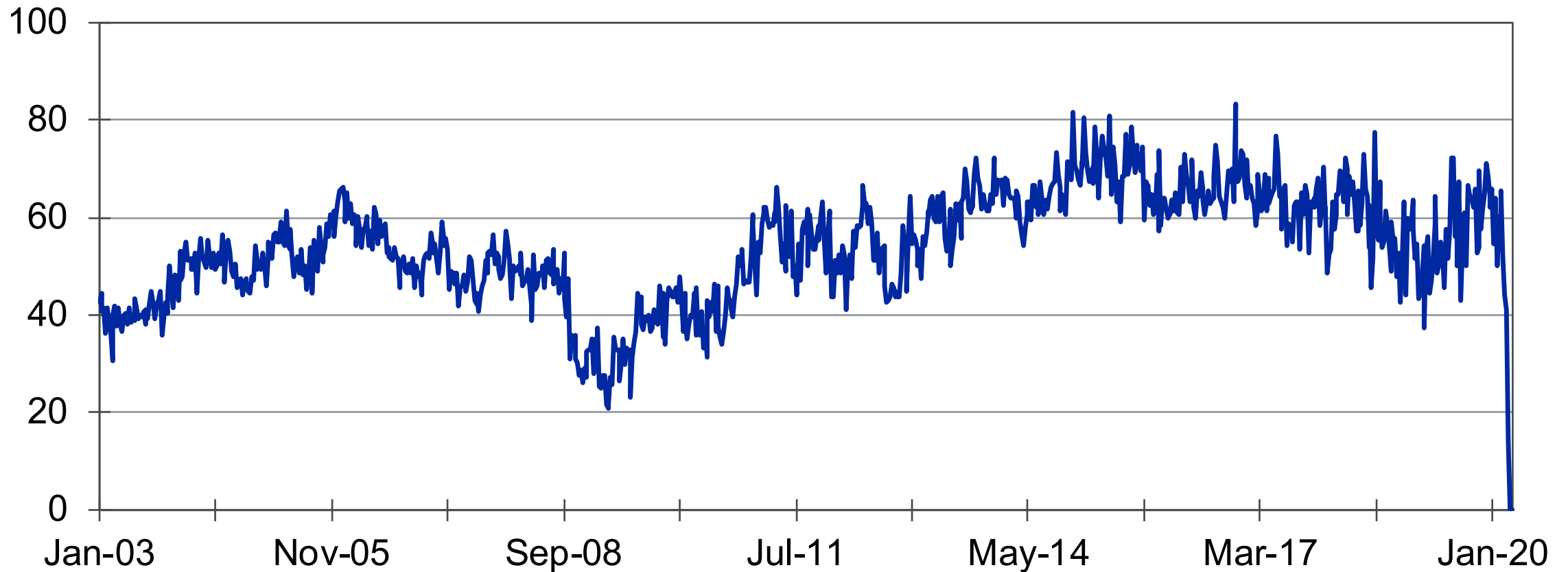
Wilshire 5000



Sources: Wilshire 5000, Federal Reserve, Moody's Analytics

Business Investment Collapses

% of respondents increasing equipment and software investment



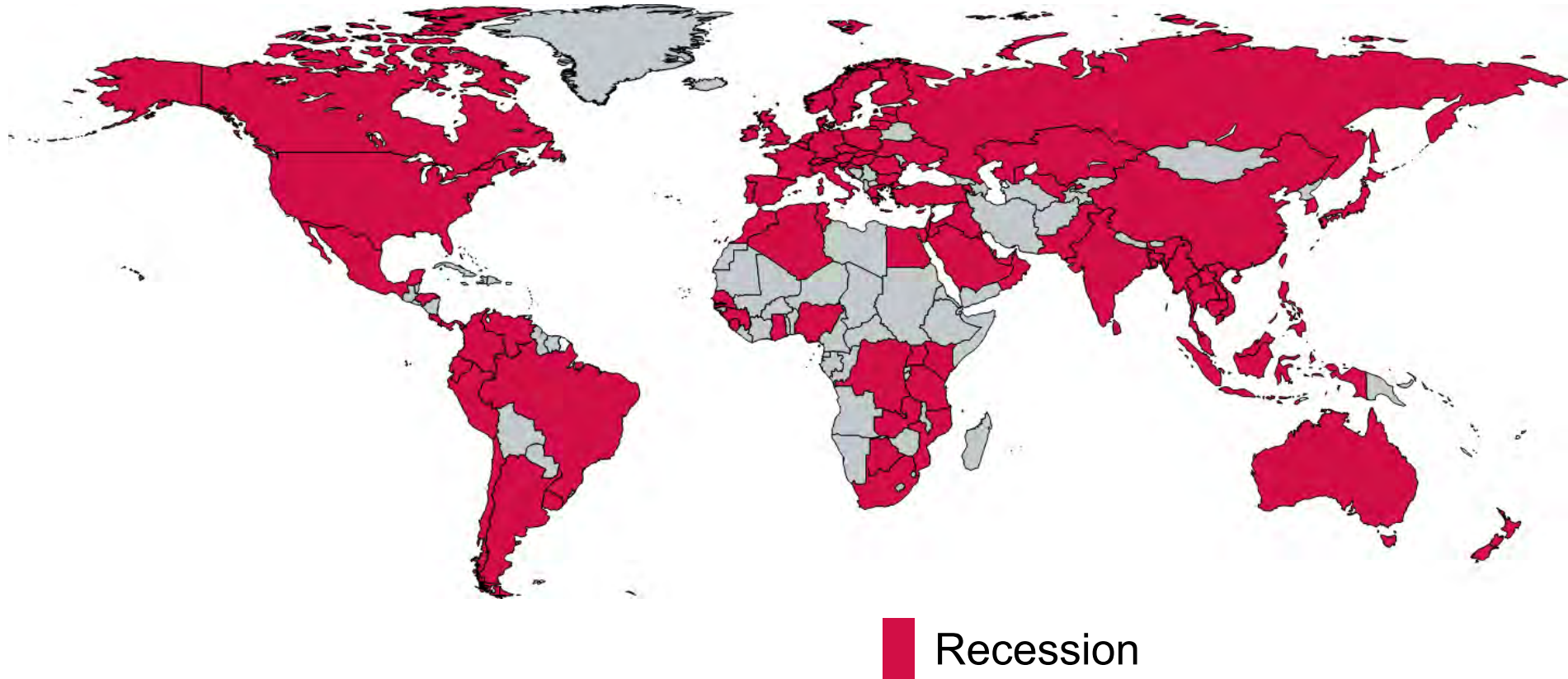
Source: Moody's Analytics

2

Global Recession

Unprecedented Global Economic Downturn...

2020 economic outlook



Sources: Moody's Analytics

...That Is Intensifying

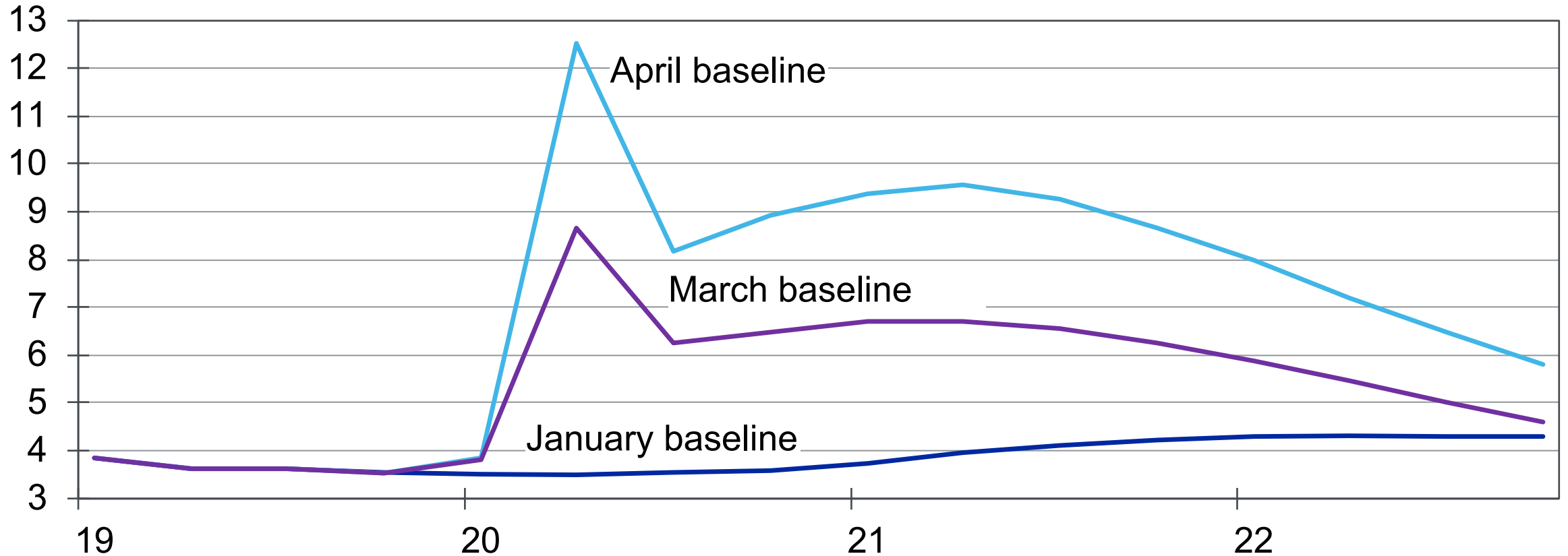
Real GDP growth, annualized % change

		2020Q1	2020Q2	2020Q3	2020Q4	2019	2020
World	January base	2.7	2.9	2.7	2.6	2.5	2.6
	March base	0.7	1.6	3.5	2.8	2.4	1.9
	March Update	-10.9	-22.1	19.9	4.5	2.4	-4.2
United States	January base	1.5	2.2	1.5	1.2	2.3	1.8
	March base	1.1	-0.4	1.7	2.4	2.3	1.3
	March Update	-8.1	-30.2	16.6	0.4	2.3	-5.8
China	January base	7.2	6.6	5.5	5.8	6.1	6.2
	March base	-0.9	5.1	11.4	5.8	6.1	4.4
	March Update	-29.0	14.9	27.7	13.0	6.1	-0.1
Brazil	January base	2.0	2.4	2.5	2.6	1.1	2.2
	March base	1.3	2.0	2.5	2.6	1.1	2.0
	March Update	-8.8	-24.3	0.4	7.0	1.1	-6.1
United Kingdom	January base	1.2	1.1	1.1	1.1	1.3	1.0
	March base	0.6	0.5	1.2	1.1	1.4	0.7
	March Update	-3.0	-36.7	25.8	5.8	1.4	-5.6
Euro Zone	January base	1.4	1.5	1.8	1.4	1.2	1.3
	March base	0.7	0.8	1.2	1.3	1.2	0.8
	March Update	-14.8	-40.0	59.3	1.6	1.2	-7.0

Source: Moody's Analytics

Unemployment Spikes

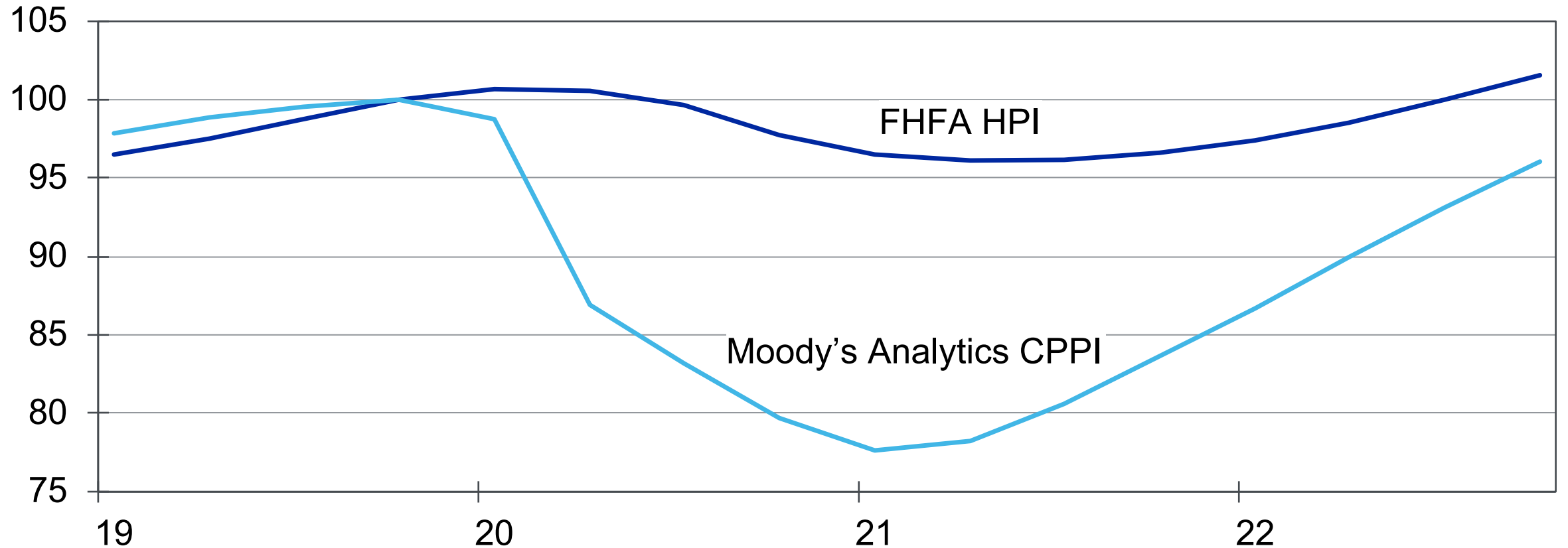
U.S. unemployment rate, %



Sources: BLS, Moody's Analytics

U.S. Real Estate Prices Slump

Index: 2019q4 = 100, April baseline



Sources: FHFA, Moody's Analytics

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Known Unknowns

Epidemiological Assumptions (March 27, 2020)

COVID-19: Upside

S1 Scenario

- 5-10 mil confirmed global infections
- New infections peak in April
- 1.0% case fatality rate
- 8% hospitalization rate
- Infections abate by June

COVID-19

Baseline Forecast

- 10-15 mil confirmed global infections
- New infections peak in May
- 1.5% case fatality rate
- 10% hospitalization rate
- Infections abate by July

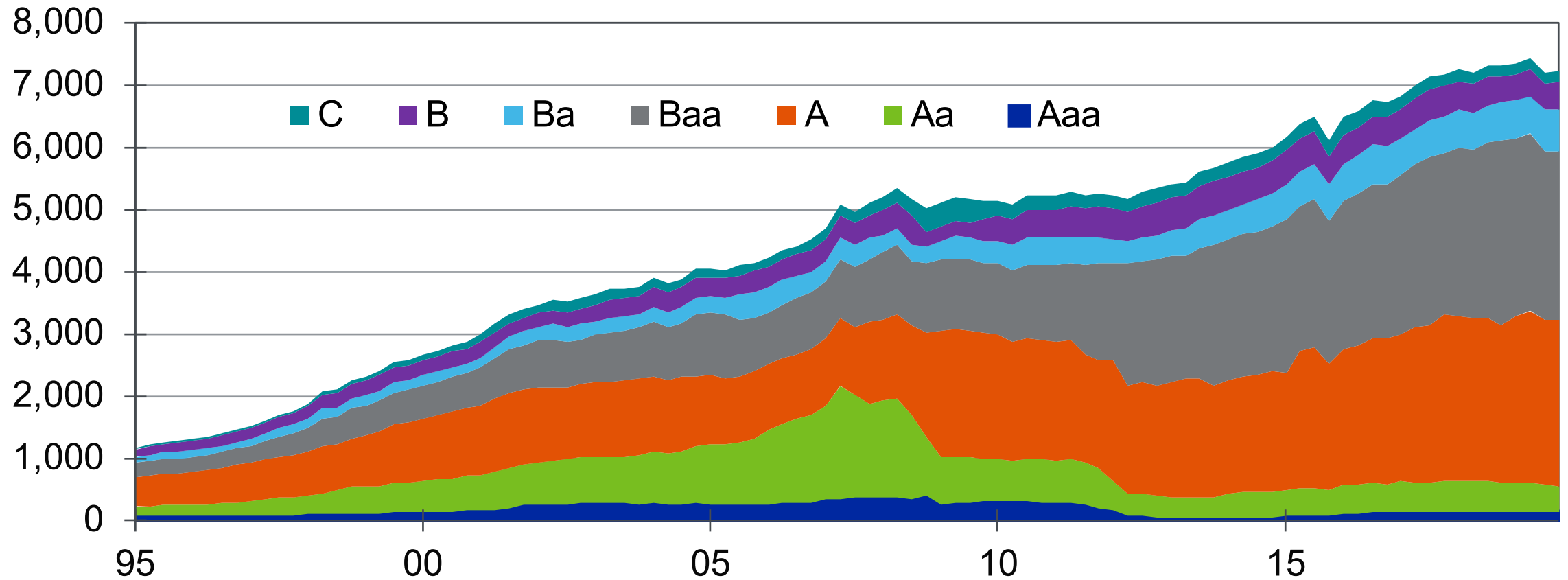
COVID-19: Downside

S3 Scenario

- 15-20 mil confirmed global infections
- New infections peak in June
- 4.5% case fatality rate
- 20% hospitalization rate
- Infections abate by September

Fed Comes To The Rescue

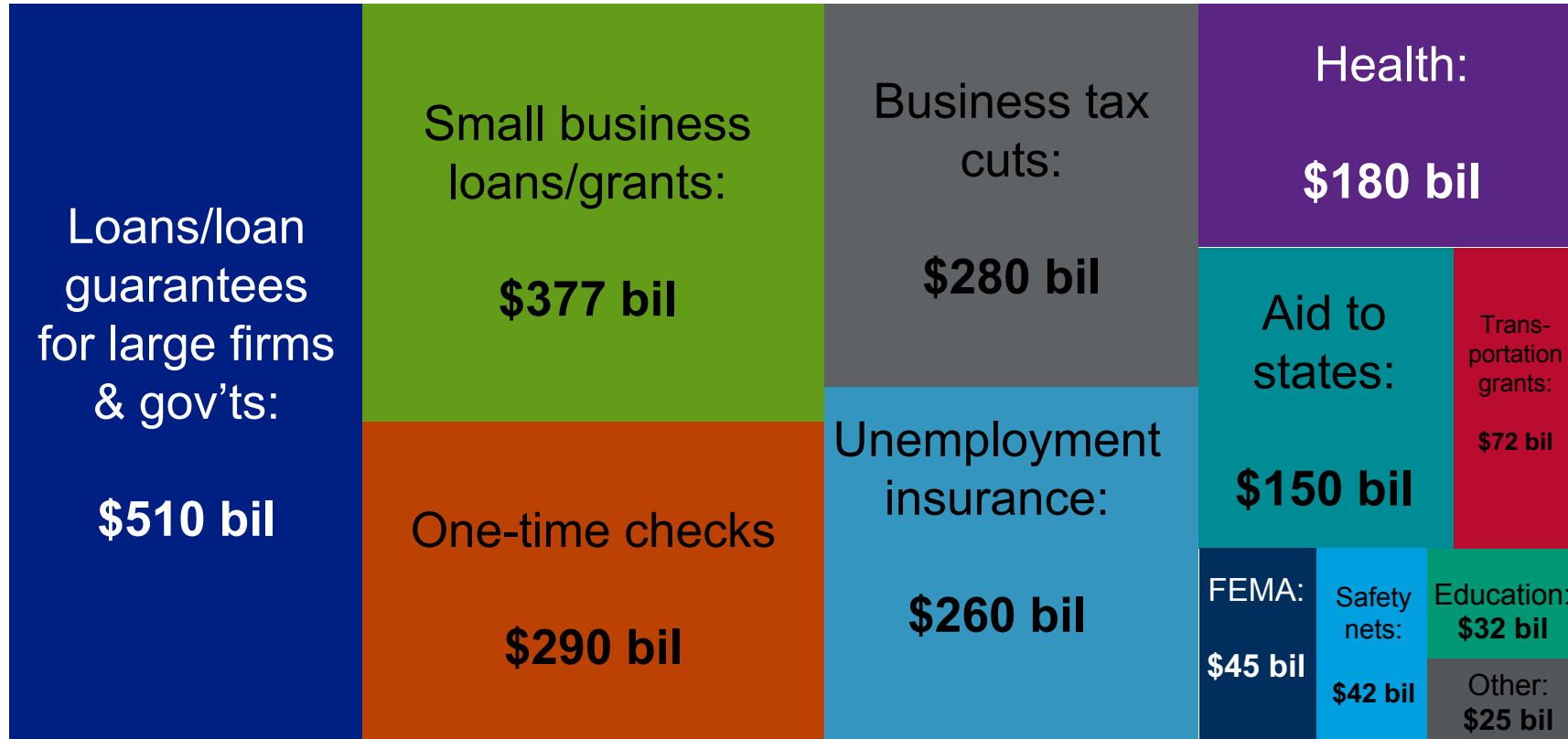
Corporate debt outstanding by rating, \$ bil



Sources: Moody's Investor Service, Moody's Analytics

Lawmakers Act, but Need to Do More

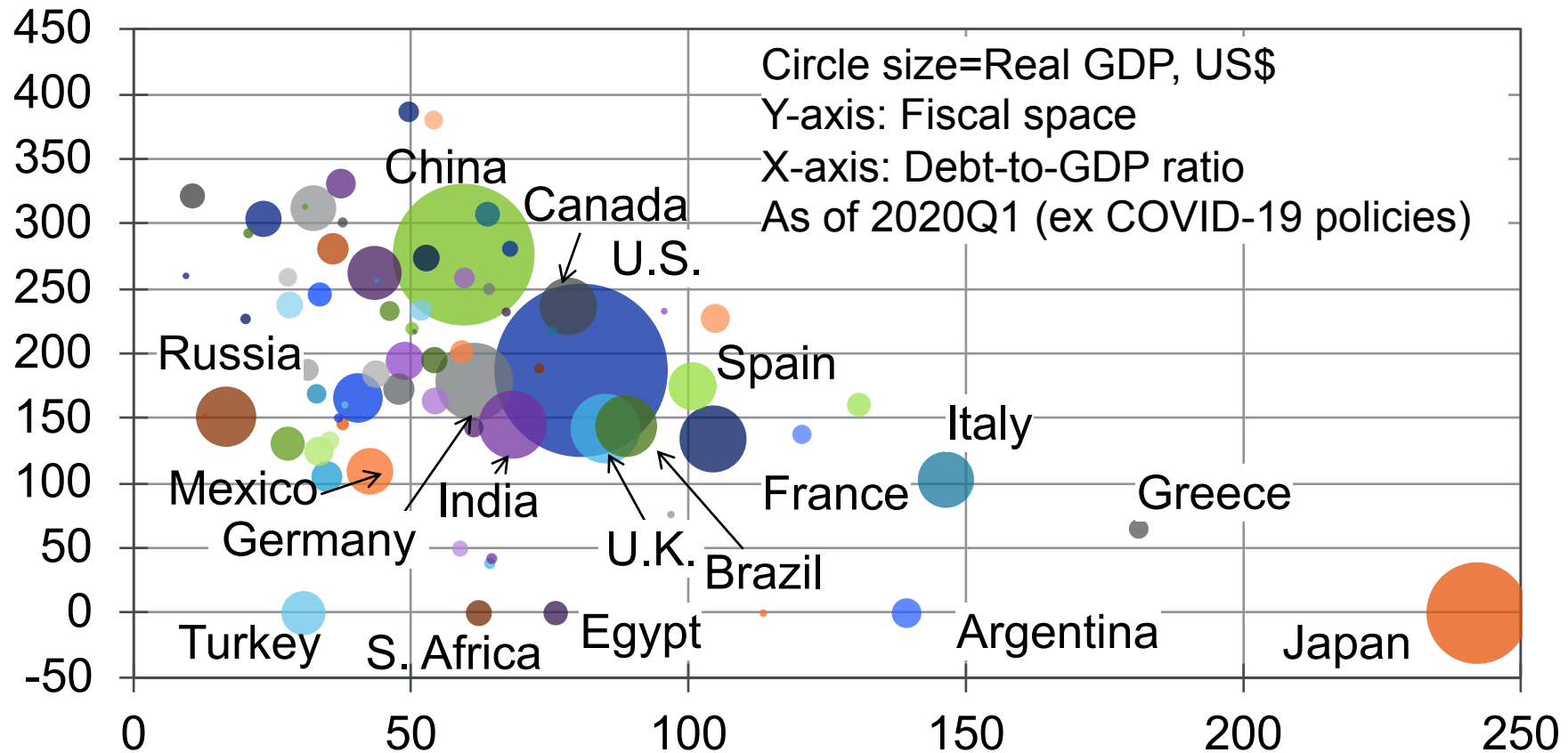
Cost of Coronavirus Aid, Relief, & Economic Security (CARES) Act



Sources: CRFB, Moody's Analytics

Running Out of Fiscal Space

Sovereign borrowing capacity given current yields, projected output growth and primary balance



Source: Moody's Analytics

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JLL

U.S. Lodging Industry 2020

COVID – 19:

Peak -> Free Fall -> Rock Bottom

Four Shocking Weeks of Unprecedented Downturn



April 21, 2020

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Hotels: What Makes Them Different?

Operating Business

Unlike other classes of real estate, hotels typically employ staffs anywhere from 8 to 20 persons per 10 rooms. Properties are reliant on the quality of management, brand affiliation, employees and other factors.

No Credit

Hotels do not benefit from long-term leases or credit tenancies; the inventory is sold on a daily/nightly basis.

Compounded Complexity

The success of a hotel investment is heavily influenced by multiple parties, each of which may have competing and/or complimentary interests in the underlying property.

E.g.: Owner/sponsor, third party equity investor, lender, property manager and/or brand.

Highly Leveraged, High Fixed Cost Business:

Regardless of whether a hotel property is 10% occupied, or 100% occupied, the enterprise is exposed to significant amounts fixed costs.

Reliance On Other Intermediaries:

The hotel business is directly tied to uncontrollable “outside” parties including travel agents, internet sites, etc.

The Hotel Industry is a Complex and Volatile Business

U.S. Lodging Industry 2020

Ten Year Increase of Rooms Revenue Metrics & Record 2019

<u>U.S. Hotel Performance</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Supply	▲ 2.6%	▲ 3.2%	▲ 2.0%	▲ 0.6%	▲ 0.5%	▲ 0.7%	▲ 0.9%	▲ 1.1%	▲ 1.6%	▲ 1.8%	▲ 2.0%	▲ 2.0%
Demand	▼ 1.9%	▼ 5.8%	▲ 7.8%	▲ 5.0%	▲ 3.0%	▲ 2.2%	▲ 4.5%	▲ 2.9%	▲ 1.7%	▲ 2.7%	▲ 2.5%	▲ 2.0%
Occupancy	▼ 4.4%	▼ 8.7%	▲ 5.7%	▲ 4.4%	▲ 2.5%	▲ 1.5%	▲ 3.6%	▲ 1.7%	▲ 0.1%	▲ 0.9%	▲ 0.5%	FLAT
ADR	▲ 2.7%	▼ 8.8%	▼ 0.1%	▲ 3.7%	▲ 4.2%	▲ 3.9%	▲ 4.6%	▲ 4.4%	▲ 3.1%	▲ 2.1%	▲ 2.4%	▲ 1.0%
RevPAR	▼ 1.8%	▼ 16.7%	▲ 5.5%	▲ 8.2%	▲ 6.8%	▲ 5.4%	▲ 8.3%	▲ 6.3%	▲ 3.2%	▲ 3.0%	▲ 2.9%	▲ 0.9%

2019 U.S. Hotel Profits At All-time High



U.S. Lodging Industry 2020

Programs / Toolkits

April 15, 2020

COVID-19 Travel Industry Research

CARES Act Relief Resources



OXFORD
ECONOMICS

U.S. TRAVEL
ASSOCIATION*

"A \$519 billion decline in travel spending in the U.S. this year will translate into a total economic loss of \$1.2 trillion in economic output. This is more than nine times the impact of 9/11 on travel sector revenue."



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HOTELS, RESTAURANTS AND LEISURE

Marriott CEO: Coronavirus outbreak worse for business than 9/11 and 2008 financial crises combined

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Kevin Stankiewicz
@KEVIN_STANK

SHARE

"The coronavirus has already had a more severe economic impact on the hotel industry than Sept. 11 and the 2008 recession combined."

Chip Rogers, CEO of the American Hotel and Lodging Association

March 17, 2020



U.S. Lodging Industry 2020

2020 Compared With Same Period 2019 U.S. Hotel Market RevPAR Percent Change

January		February		March 1 - 7		March 8 - 14		March 15 - 21		March 22 - 28		Mar 29 - Apr 4		April 5 - 11	
	2.2%		1.7%												
<i>San Francisco</i>	-45.5%	<i>Seattle</i>	-66.1%	<i>San Francisco</i>	-89.3%	<i>New Orleans</i>	-92.8%	<i>Oahu</i>	-93.7%	<i>Oahu</i>	-94.0%	<i>San Francisco</i>	-93.5%	<i>San Francisco</i>	-93.5%
<i>Anaheim</i>	-41.8%	<i>San Francisco</i>	-63.3%	<i>New York</i>	-86.5%	<i>Orlando</i>	-90.6%	<i>Orlando</i>	-92.1%	<i>Orlando</i>	-92.4%	<i>Orlando</i>	-92.4%	<i>Boston</i>	-92.4%
<i>Seattle</i>	-34.8%	<i>New York</i>	-54.6%	<i>New Orleans</i>	-86.5%	<i>Miami</i>	-90.5%	<i>Oahu</i>	-90.0%	<i>San Francisco</i>	-90.1%	<i>Minneapolis</i>	-90.0%	<i>New Orleans</i>	-91.7%
<i>New York</i>	-20.3%	<i>Boston</i>	-48.9%	<i>Orlando</i>	-84.9%	<i>San Francisco</i>	-89.1%	<i>Anaheim</i>	-88.6%	<i>Anaheim</i>	-89.6%	<i>Anaheim</i>	-89.6%	<i>Minneapolis</i>	-90.7%
<i>Orlando</i>	-16.8%	<i>Orlando</i>	-46.3%	<i>Anaheim</i>	-84.6%	<i>Boston</i>	-88.1%	<i>Boston</i>	-88.1%	<i>Boston</i>	-89.0%	<i>Boston</i>	-89.0%	<i>Miami</i>	-90.2%
<i>Atlanta</i>	-15.1%	<i>Anaheim</i>	-45.8%	<i>Boston</i>	-82.4%										
<i>Miami</i>	-10.4%	<i>San Diego</i>	-44.5%	<i>Seattle</i>	-81.6%										
Business travel (particularly group) decline greater than leisure resulting in weekdays hit harder than weekends		RevPAR declines increased as the week went on; Sunday showed the smallest decline of 21% and Saturday showed the largest decline of 46%		National RevPAR decline gradually became worse as the week went on, starting on Sunday down 50% and ending with Saturday dropping 80%		U.S. RevPAR decline accelerated to 80% and broadened as leisure transient demand also ground to a halt following several weeks of outsized business travel declines		National RevPAR decline of 81.6% was consistent with last week's 80% decline		Unfortunately, more of the same					
Nearly every public hotel company suspended its 2020 earnings guidance		Group demand continues to experience the sharpest decline of 58%; Urban gateway markets continue to underperform		Group RevPAR was down 96.6% while Transient RevPAR declined 80%		Every major U.S. market declined at least 70% with Miami, New Orleans, Honolulu, and Orlando each falling off 90% or more		Every major U.S. market again declined at least 70% with Minneapolis, New Orleans, Honolulu, Orlando, and San Francisco each falling off 90% of more							

Compiled by LW Hospitality Advisors®

Daniel H. Lesser
President & CEO

U.S. Lodging Industry 2020

2020 Compared With Same Period 2019 U.S. Hotel Market RevPAR Percent Change

San Francisco		Orlando		Anaheim		New Orleans		Oahu		Miami	
Period	% Change	Period	% Change	Period	% Change	Period	% Change	Period	% Change	Period	% Change
March 1 - 7	-45.5%	March 1 - 7	-16.8%	March 1 - 7	-41.8%	March 1 - 7	N/A	March 1 - 7	N/A	March 1 - 7	-10.4%
March 8 - 14	-63.3%	March 8 - 14	-46.3%	March 8 - 14	-45.8%	March 8 - 14	N/A	March 8 - 14	N/A	March 8 - 14	N/A
March 15 - 21	-89.3%	March 15 - 21	-84.9%	March 15 - 21	-84.6%	March 15 - 21	-86.5%	March 15 - 21	N/A	March 15 - 21	N/A
March 22 - 28	-89.1%	March 22 - 28	-90.6%	March 22 - 28	-88.6%	March 22 - 28	-92.8%	March 22 - 28	-90.0%	March 22 - 28	-90.5%
Mar 29 - Apr 4	-90.1%	Mar 29 - Apr 4	-92.1%	Mar 29 - Apr 4	-89.6%	Mar 29 - Apr 4	-90.6%	Mar 29 - Apr 4	-93.7%	Mar 29 - Apr 4	N/A
April 5 - 11	-93.5%	April 5 - 11	-92.4%	April 5 - 11	N/A	April 5 - 11	-91.7%	April 5 - 11	-94.0%	April 5 - 11	-90.2%

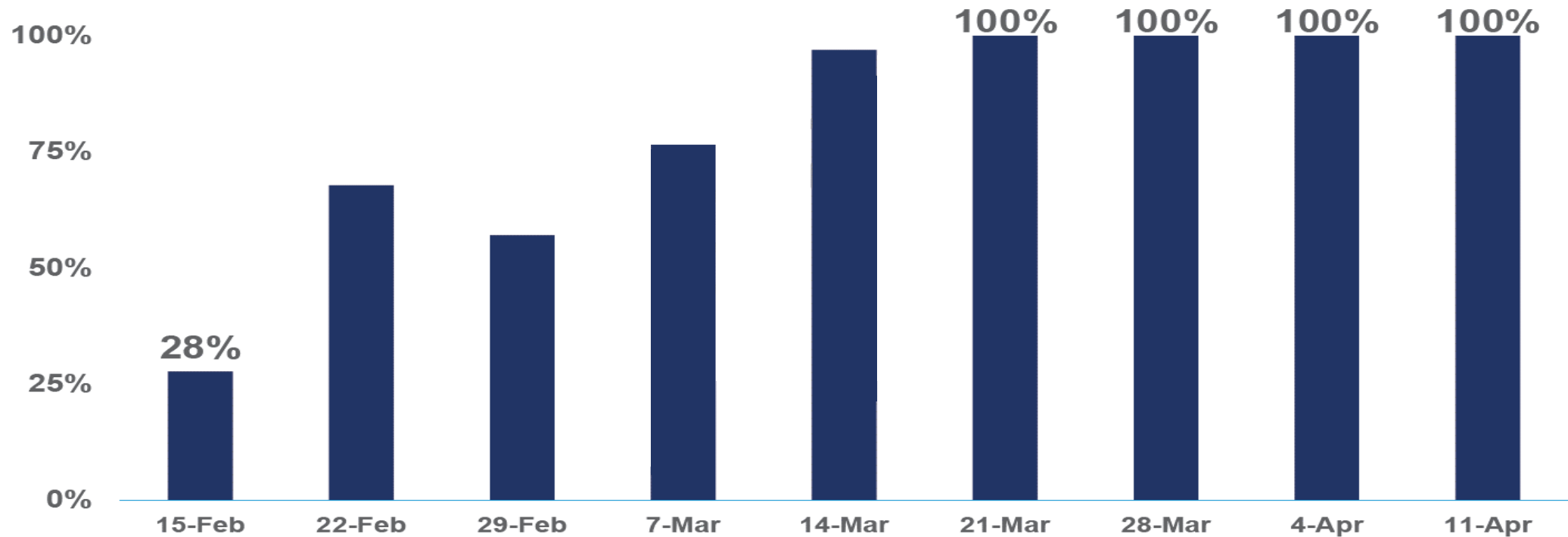
Seattle		New York		Minneapolis		Boston		San Diego		Atlanta	
Period	% Change	Period	% Change	Period	% Change	Period	% Change	Period	% Change	Period	% Change
March 1 - 7	-34.8%	March 1 - 7	-20.3%	March 1 - 7	N/A	March 1 - 7	N/A	March 1 - 7	N/A	March 1 - 7	-15.1%
March 8 - 14	-66.1%	March 8 - 14	-54.6%	March 8 - 14	N/A	March 8 - 14	-48.9%	March 8 - 14	-44.5%	March 8 - 14	N/A
March 15 - 21	-81.6%	March 15 - 21	-86.5%	March 15 - 21	N/A	March 15 - 21	N/A	March 15 - 21	N/A	March 15 - 21	N/A
March 22 - 28	N/A	March 22 - 28	N/A	March 22 - 28	N/A	March 22 - 28	N/A	March 22 - 28	N/A	March 22 - 28	N/A
Mar 29 - Apr 4	N/A	Mar 29 - Apr 4	N/A	Mar 29 - Apr 4	-90.0%	Mar 29 - Apr 4	N/A	Mar 29 - Apr 4	N/A	Mar 29 - Apr 4	N/A
April 5 - 11	N/A	April 5 - 11	N/A	April 5 - 11	-90.7%	April 5 - 11	N/A	April 5 - 11	N/A	April 5 - 11	N/A

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U.S. Lodging Industry 2020



Percentage Of Submarkets With RevPAR Declines: All Of Them
Of 645 Submarkets, by Week



Source: STR. 2020 © CoStar Realty Information, Inc. 16

U.S. Lodging Industry 2020

Occupancy: High / Low Markets

Week ending April 11



Market	Occ	Market	Occ
California North Central	35.8	Myrtle Beach, SC	9.5
Nevada (Exc Las Vegas)	33.6	Maui Island, HI	7.2
Alaska	32.7	Oahu Island, HI	7.1
Sacramento, CA	32.0	Hawaii/Kauai Islands	6.9
Augusta, GA-SC	30.1	Florida Keys	4.8

Source: STR. 2020 © CoStar Realty Information, Inc. 20²⁰

U.S. Lodging Industry 2020



U.S. Lodging Industry 2020

Class Performance: Economy Holds On Total U.S., Occupancy %, week ending April 11



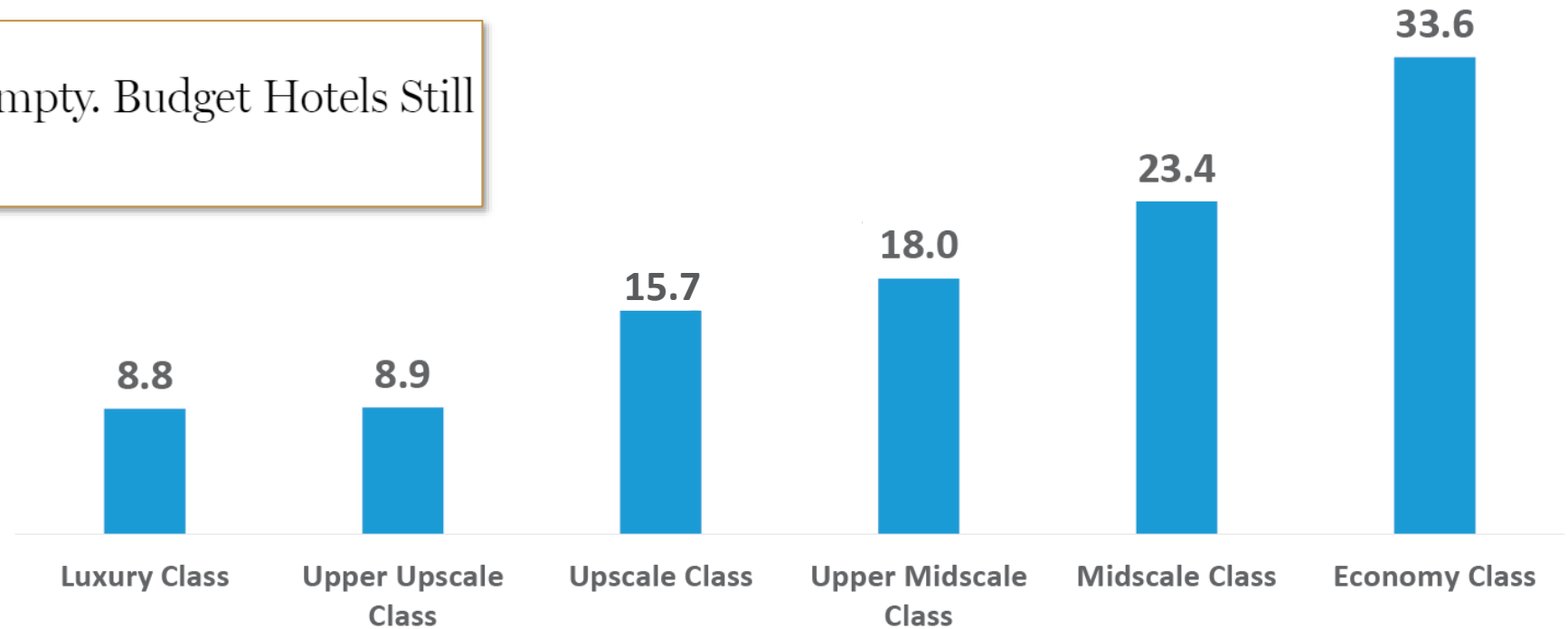
GRUB STREET *NEW YORK* THE STRATEGIST

Intelligencer

BUYER'S MARKET | APR. 15, 2020

Luxury Hotels Are Nearly Empty. Budget Hotels Still Have Customers.

By Josh Barro



Source: STR. 2020 © CoStar Realty Information, Inc. 17

U.S. Lodging Industry 2020

STR projects 2020

RevPAR to decline

-50.6% compared to relatively flat projections a few months ago. Since 1987, the lowest level of absolute occupancy ever recorded was 54.6% during the Great Recession in 2009 - this year absolute occupancy is projected to be 37.9%

U.S. Outlook		
Metric	2020 Forecast	2021 Forecast
Supply	-14.9	+15.6
Demand	-51.2	+81.8
Occupancy	-42.6	+57.3
ADR	-13.9	+3.7
RevPAR	-50.6	+63.1

Source: STR

U.S. Lodging Industry 2020

The New York Times

No Trading Floor? No Problem. A Financial Firm Quarantines at the Four Seasons.

Shutdown orders in New York and Chicago prompted Citadel Securities to set up a makeshift trading floor at the resort in Palm Beach, Fla.

By Julia Echikson and Patricia Mazzei

April 7, 2020



CNBC
MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV

Empty hotels 'keep the lights on' by converting into coronavirus quarantines, emergency housing for first responders

PUBLISHED WED, APR 8 2020 7:01 AM EDT | UPDATED WED, APR 8 2020 12:58 PM EDT

William Feuer @WILLFOIA Emma Newburger @EMMA_NEWBURGER

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n p r w n y c

San Francisco Lawmakers Order Mayor To Lease Hotel Rooms For Homeless

April 15, 2020 - 2:00 AM ET



NEW YORK POST



Four Seasons offers free stay for medical workers fighting coronavirus

By Vincent Barone

March 25, 2020 | 3:47pm



5 CHICAGO LOCAL WEATHER VIDEO INVESTIGATIONS ENTERTAINMENT TRAFFIC

coronavirus Live Blog How to Help List of Cases Daily Coronavirus Briefings Guide to Staying at Home Map of Cases by County Thank You Essential Workers

CORONAVIRUS

Chicago Uses Hotels for Quarantine to Ease Hospital Demand

By Kathleen Foody • Published March 26, 2020 • Updated on March 26, 2020 at 5:49 am



Daniel H. Lesser
President & CEO

U.S. Lodging Industry 2020

BARRON'S

Hersha Hospitality Trust Provides Additional Update on Portfolio Related to COVID-19

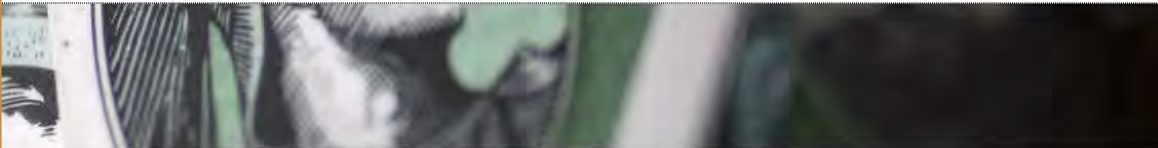
April 6, 2020 8:06 am ET

REUTERS

BRIEF-Marriott International Announces New \$1.5 Bln 364-Day Revolving Credit Facility Commitment

April 14 (Reuters) - Marriott International Inc:

Bloomberg



Business

Hilton Selling \$1 Billion Loyalty Points to American Express

By [Patrick Clark](#), [Molly Smith](#), and [Jennifer Surane](#)

April 16, 2020, 9:46 AM EDT Updated on April 16, 2020, 10:20 AM EDT

BAIRD

Baird Equity Research
Global Hotel Brands

April 14, 2020

Marriott International, Inc. (MAR)

\$1.6 Billion Bond Offering Eases Near-Term Liquidity Constraints

Bloomberg

Hilton Draws Down \$1.75 Billion Credit Line to Ease Virus Hit

By [Gillian Tan](#)

March 11, 2020, 2:38 PM EDT Updated on March 11, 2020, 6:00 PM EDT

U.S. Lodging Industry 2020

THE REAL DEAL NEW YORK LOS ANGELES SOUTH FLORIDA CHICAGO NATIONAL TRI-STATE
NEW YORK REAL ESTATE NEWS

Hotel CMBS loans worth \$2B fall into special servicing

Single-borrower loans suffer from lack of diversification as virus slams lodging

TRD NATIONAL / Staff

April 16, 2020 04:42 PM



Homewood Suites Chicago and Sheraton San Jose Hotel (Credit: ...)

Daniel H. Lesser
President & CEO

COMMERCIAL OBSERVER

LEASES ▾

FINANCE ▾

SALES ▾

DESIGN + CONSTRUCTION ▾

Wave of Hotel CMBS Portfolio Deals Begins Crashing Into Special Servicing

BY MACK BURKE APRIL 16, 2020 1:36 PM

Three massive CMBS hotel portfolio loans, covering 186 hotels with a total outstanding balance of about \$2 billion, were among the largest to be transferred into special servicing so far this month, Commercial Observer reported citing Trepp. Single-borrower transactions backed by only hotels have been the hardest hit of all.

U.S. Lodging Industry 2020

CURBED
BOSTON

CITIES ▾ HOMES ▾ NEIGHBORHOODS NEWS ▾

Hotel Buckminster's closure starkest sign of coronavirus' effect on Boston-area hotels

The inn's shuttering underscores just how much the pandemic has dimmed the once burning-bright prospects of the region's hospitality industry

By [Tom Actelli](#) | [@tomactelli](#) | Apr 7, 2020, 6:08am EDT

THE REAL DEAL NEW YORK
NEW YORK REAL ESTATE NEWS

Pandemic ignites battle over unpaid wages at Manhattan hotel

City's largest hotel manager, powerful union and big private equity owner in three-way dispute

TRD NEW YORK / By [Rich Bockmann](#)

April 20, 2020 05:21 PM

THE REAL DEAL LOS ANGELES NEW YORK SOUTH FLORIDA CHICAGO
LOS ANGELES REAL ESTATE NEWS

Blackstone sues over scotched \$265M hotel deal

Buyer KS Development cited coronavirus downturn

TRD LOS ANGELES / By [Matthew Blake](#) Research by [Jerome Dineen](#)

March 30, 2020 02:30 PM

THE BUSINESS TIMES

COMPANIES & MARKETS

Eagle Hospitality Trust gets notice of default on US\$341m loan, delays distribution

TUE, MAR 24, 2020 - 10:37 AM

U.S. Lodging Industry 2020

Skift News ▾ Research Online Events ▾ Newsletters ▾ Advertising

Coronavirus and Cruises

Carnival Sells 8 Percent Stake to Saudis After Dire Financial Warning

Rosie Spinks, Skift - Apr 06, 2020 1:30 pm


Bloomberg

Deals

Airbnb Raises Another \$1 Billion in Debt, IPO Prospects Diminish

By Gillian Tan, Eric Newcomer, and Davide Scigliuzzo
April 14, 2020, 6:41 PM EDT Updated on April 14, 2020, 11:30 PM EDT

Bloomberg



Deals

London Ritz's Sale Fetches Less Than 800 Million Pounds

By Jack Sidders, David Hellier, Ellen Milligan, and Benjamin Stupples
March 27, 2020, 5:13 PM EDT Updated on March 28, 2020, 7:04 AM EDT

Forbes Billionaires Innovation Leadership Money

EDITORS' PICK | 5,708 views | Apr 9, 2020, 08:10am EDT

Airbnb's New Billion-Dollar Deal Signals Confidence In Recovery

Jennifer Leigh Parker Contributor @ Consumer Tech
Jennifer Leigh Parker is a Forbes.com contributor covering the intersection between tech and travel.

REUTERS

JAPAN APRIL 3, 2020 12:42 AM 16 DAYS AGO

Lone Star succeeds in \$1.9-billion buyout of Japan hotel chain Unizo

Form SC 13D Extended Stay America, Filed by: STARWOOD CAPITAL GROUP GLOBAL II, L.P.

Article Comments (0)

April 16, 2020 1:55 PM EDT

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Total	15,121,847	\$	9.0458	\$	136,788,930
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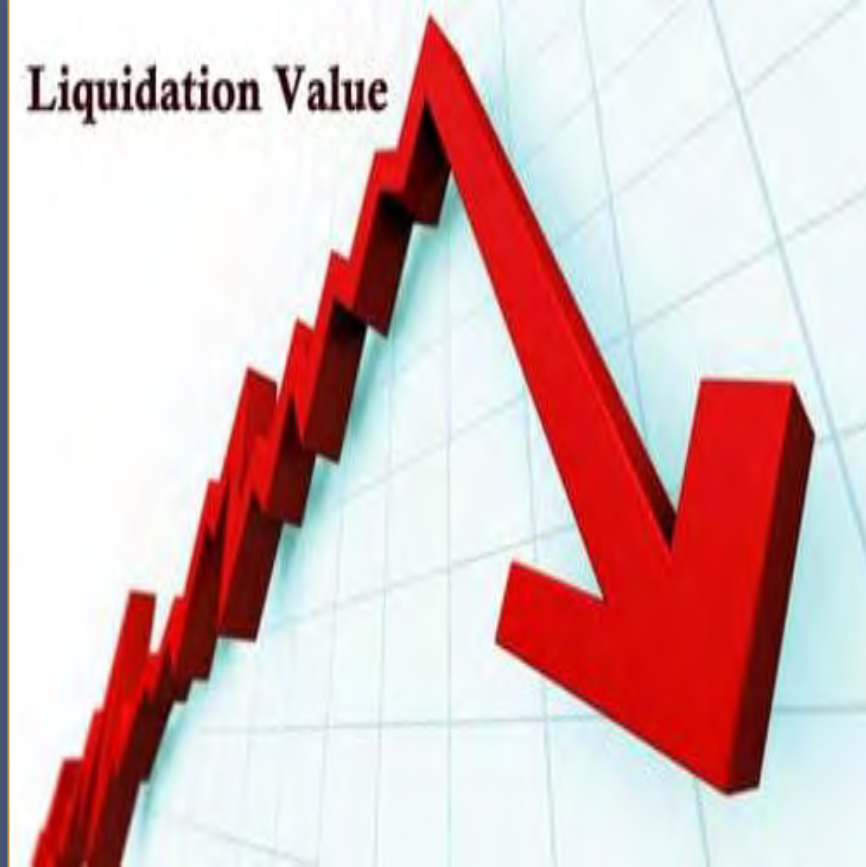
(1) Represents the total shares acquired and the average price per share on a given day through multiple open market transactions in varying share quantities and at varying share prices.

U.S. Lodging Industry 2020

MARKET
VALUE

An opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.

Liquidation Value



U.S. Lodging Industry 2020

"Our values are moving, but they're not moving nearly to the extent equity markets."

"We really don't understand the full impact of what's going on."

"You need to have a long-term outlook."

"This is a crisis that will pass. We don't know where we and I'm not going to make guesses about how bad this is going to be."



The screenshot shows the top portion of a website article. At the top right is the logo for **GlobeSt.com** and a user account link labeled "My Account". Below the logo is a horizontal navigation menu with the following items: **TECHNOLOGY**, **BEST PRACTICES**, **REAL ESTATE FORUM**, **EVENTS**, **NOMINATIONS**, **THOUGHT LEADERS**, and **MORE**. The main headline of the article is **One Private Equity Firm's View on the Coronavirus**. Below the headline is a sub-headline: "While debt will grow cheaper with the crisis, NOI risks lurk." The byline reads "By **Les Shaver** | March 06, 2020 at 07:23 AM". The first line of the article text is: "After watching the equity markets lose more than 10% of value and seeing the general panic about the novel Coronavirus last week, Michael Episcopo and David Scherer, principals of Chicago-based Origin Investments, decided to send out a letter to their investors. The good



U.S. Lodging Industry 2020



Commercial Real Estate Direct

HOME TOP NEWS REGIONAL DIGESTS CMBS CRE DATA SALES DATABASE RATES SIGN UP

Daily market intelligence on mortgages, equity raising, investment sales, and CMBS.

Tuesday, 20 November 2001

Security Capital to Sell Homestead Chain to Blackstone for \$740Mln

font size - + | Print | Email

November 21, 2001

Security Capital Group will sell its Homestead Village Inc. chain of extended hotels for \$740 million to the Blackstone Group – that's \$160 million less than what the group agreed to pay before Sept. 11, *The Wall Street Journal* reported.

At the same time, Security Capital also agreed to accept a note from Blackstone for \$115 million of the price, the newspaper reported.

Blackstone plans to finance the rest of the transaction with equity and \$400 million in mortgage securities that will be issued by Bear Stearns & Co., the *Journal* reported. Blackstone also will assume about \$145 million in Homestead debt.

The average occupancy of Homestead Villages' 111 hotels has fallen to about 73 percent from 80 percent before Sept. 11.



U.S. Lodging Industry 2020

BISNOW CITIES EVENTS JOBS CAREER DEVELOPMENT ABOUT

United States News > National Real Estate News

INTRODUCING: BISNOW WEBINARS

News National Capital Markets

'Father Of CMBS' Ethan Penner Says CMBS Structures Need Major Overhaul

April 9, 2020 | Kerri Panchuk, Bisnow Dallas-Fort Worth

"CMBS back in that early period was built to fill a void," Penner said. "There was a massive void. Real estate borrowers back in the early 1990s had no access to even first-mortgage capital."

Turning CMBS into a vehicle that can easily steer through market rises and disruptions was not in the cards in the '90s even though Penner believes it should be in the cards going forward.

"CMBS was born out of necessity, and I think there were shortcomings," Penner said.

"When you rapidly create something to fill a void and serve a need, it's not perfected. And, I think the CMBS model that was built in the early 1990s had certain imperfections built into it that are still limiting factors to making [CMBS] its best version and its full value proposition."

The biggest flaw in CMBS is borrowers have little ability to create short-term solutions to sudden liquidity freezes or market downturns like the COVID-19 crisis, Penner said.

While traditional borrowers have lenders to call for modifications and work-out solutions to buy them valuable time, CMBS borrowers often find themselves in downturns without a sympathetic ear to listen.

"CMBS doesn't facilitate that, there is no lender to talk to," Penner said. "There is a master servicer, who as long as the loan is not in default, is your go-to relationship. But that's not really a relationship that is going to be fruitful for you if you're the owner."

U.S. Lodging Industry 2020 Where We Are Now

- Sponsors and managers are in defense positioning and company's with exposure to real estate are further as equity markets are reacting daily to a highly distressed operating environment.
- Negotiated agreements with various cities and government agencies in connection with wave of temporary alternative uses as hotels are being utilized for first responders, medical personnel, quarantine centers, and indigent care.
- Constrained liquidity as lodging debt markets are generally paused particularly CMBS and Debt Funds which are halted due to illiquidity in the commercial mortgage bond market.
- Existing lenders are generally accommodating 60 to 90-day interest accruing forbearance agreements, however, expect increased early-stage transaction activity, including: short sales, loan sales, foreclosure sales, and discounted loan payoffs (DPO).
- Private markets flush with capital in offense and poised to take advantage of the dislocation.

U.S. Lodging Industry 2020 The Road Back

Bloomberg Businessweek

April 15, 2020, 5:47 PM EDT Updated on April 16, 2020, 10:12 AM EDT

Wuhan's 11 Million People Are Free to Dine Out. But They Aren't



Americans Still Optimistic About Travel in 2020

FEATURES & ADVICE | JANEEN CHRISTOFF | APRIL 15, 2020



Business Markets World Politics TV More

APRIL 14, 2020 / 8:57 AM / 2 DAYS AGO

Marriott sees China bookings improving even as March room revenue plunges

Vox TWITTER FACEBOOK

What we can learn from the "second wave" of coronavirus cases in Asia

Hong Kong, Singapore, and Taiwan show the challenges of fighting this pandemic.

By Jen Kirby | jen.kirby@vox.com | Apr 17, 2020, 4:00pm EDT



FEATURES SPECIAL REPORTS TOURISM

Revenge travelling will happen, the question is WHEN?

By Anita Chan — On Mar 23, 2020

Share



Do you know what Chinese are talking now? They are talking about 'Revenge Spending' (报复性消费). Revenge spending describes the huge buying desire by people whose pockets are flush with cash after weeks of lockdowns. In fact, revenge spending spurs Chinese luxury rebound from COVID-19 as we speak.

FORTUNE RANKINGS MAGAZINE NEWSLETTERS VIDEO PODCASTS CONFERENCES

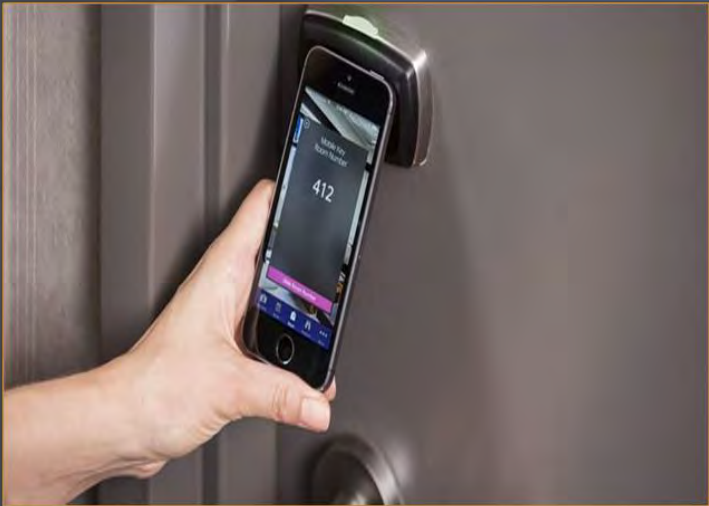
RETAIL • CHINA

Chinese luxury industry rebounds from coronavirus thanks to 'revenge spending'

BY ROBERT WILLIAMS, JINSHAN HONG, AND BLOOMBERG

March 12, 2020 10:30 AM EDT

U.S. Lodging Industry 2020 New Normal



U.S. Lodging Industry 2020 New Normal



Accor launches Covid-19 cleaning certification

by Ian Taylor

Apr 17th 2020, 13:34

Accor has partnered with inspection and certification specialist Bureau Veritas to launch a label certifying sanitary-standards compliance in the hospitality and restaurant sectors.

Hospitality group Accor hopes the certification scheme will help reassure customers and employees that appropriate standards and cleaning protocols have been met as coronavirus restrictions are lifted and businesses reopen.



U.S. Lodging Industry 2020 **The Future**

- Hotels that were already over levered or had stressed cash flows prior to the pandemic cannot be resurrected via an interest payment forbearance.
- Capital stacks will be restructured and rationalized to create controlling classes and owners of strong assets who have liquidity will seize opportunities to de-lever on favorable terms and reinvest in hotel properties.
- Well located hotel assets and high-quality borrowers will be the beneficiaries of initial capital allocations.
- Significant growth for soft hotel brands will come from conversions of independent boutique hotels and the sector will consolidate.
- Supply growth will lag reflecting permanent hotel closures in certain cities and fewer (if any) construction starts for several years.

U.S. Lodging Industry 2020 **The Future**

- The "return" of air travel and hotel stays will be in two waves, not one: occupancy then rate.
- Leisure and VFR travel will rebound with strength.
- Some business travel will rebound as other corporate and group meeting/convention travel may not return for a long time, or even forever.
- Managers will evaluate redundancy in operations to implement opportunistic changes such as automation.
- Low inflation period will endure keeping cost of goods and services low.
- Energy glut = low utility costs.
- Biological safety will have some permanence, along with operational safety.

U.S. Lodging Industry 2020

Hope and fear cannot occupy the same space. Invite one to stay.

Maya Angelou

quotez fancy

U.S. Lodging Industry 2020

COVID – 19:

Peak -> Free Fall -> Rock Bottom

Four Shocking Weeks of Unprecedented Downturn



April 21, 2020

Daniel H. Lesser

President & CEO

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daniel.lesser@lwhadvisors.com

www.lwhospitalityadvisors.com

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APRIL, 21 2020

NYC MARKET UPDATE

OFFICE AND CO-WORKING

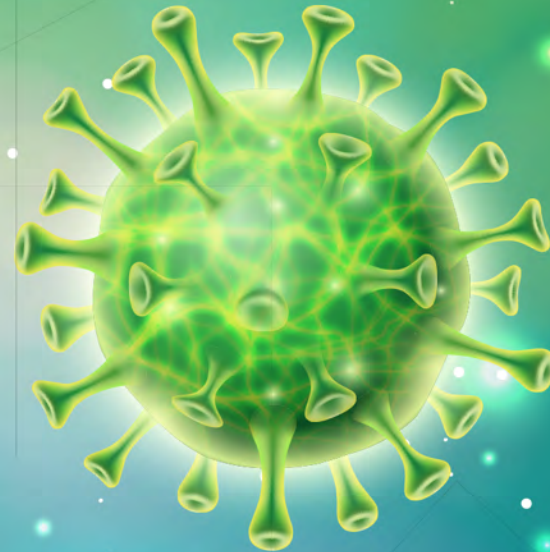


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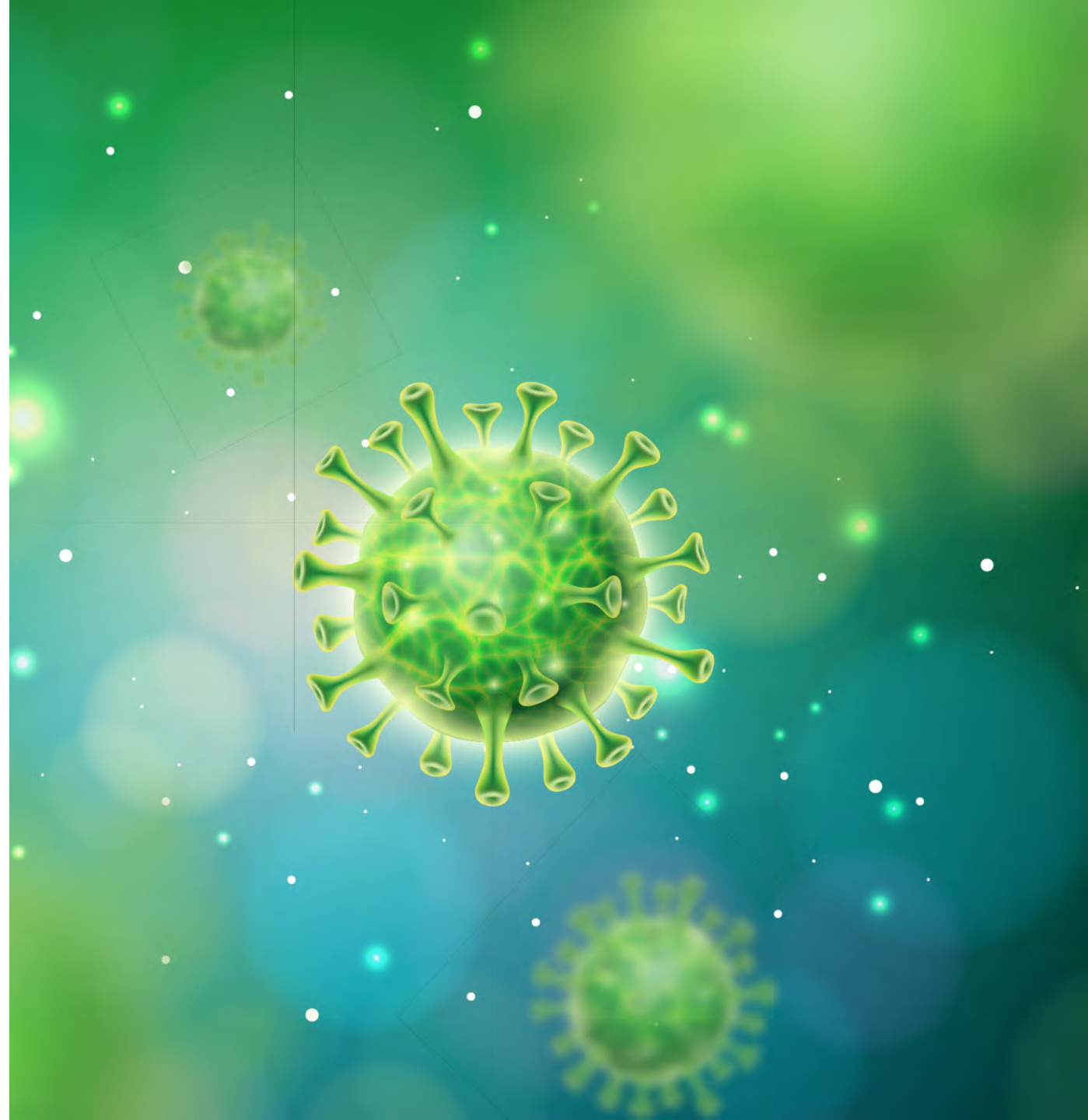
AGENDA

PRE & POST CRISIS STATUS OF MANHATTAN OFFICE MARKET

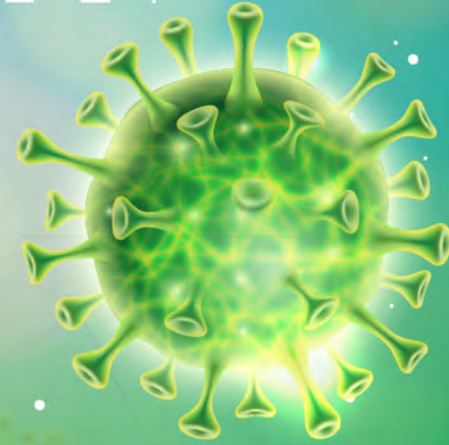
- Rent Trends
- Occupancy Trends
- Leasing Volume
- Concessions

PRE & POST CRISIS STATUS OF MANHATTAN CO-WORKING MARKET

- Rent Trends
- Occupancy Trends
- Leasing Volume
- Status and Forecast of Industry



PRE-CRISIS STATUS OF MANHATTAN OFFICE



MANHATTAN OFFICE MARKET

STRONG MARKET POSITION HEADING INTO THE CRISIS

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Leasing (MSF)	27.9	22.3	24.9	29.9	28.1	22.9	28.4	32.4	31.6
Renewals (MSF)*	10.7	11.9	11.3	9.2	5.2	8.5	8.3	6.1	8.0
Total Velocity (MSF) Leasing + Renewals*	38.6	34.2	36.2	39.1	33.3	31.4	36.7	38.5	39.6
Absorption (MSF)	6.3	(5.9)	0.2	5.4	(0.8)	(3.9)	(0.5)	1.7	(2.1)
Occupancy (MSF)	337.7	342.9	344.0	353.8	356.6	347.5	352.7	363.4	368.1
Availability Rate	10.7%	11.9%	11.8%	10.3%	10.4%	11.5%	11.5%	10.8%	11.2%
Asking Rent (PSF)	\$53.11	\$58.84	\$63.22	\$67.05	\$71.85	\$72.76	\$72.91	\$73.36	\$80.43

MANHATTAN OFFICE OCCUPANCY BY INDUSTRY

YE 2019

382.5 MSF

**MANHATTAN
TOTAL OCCUPIED**

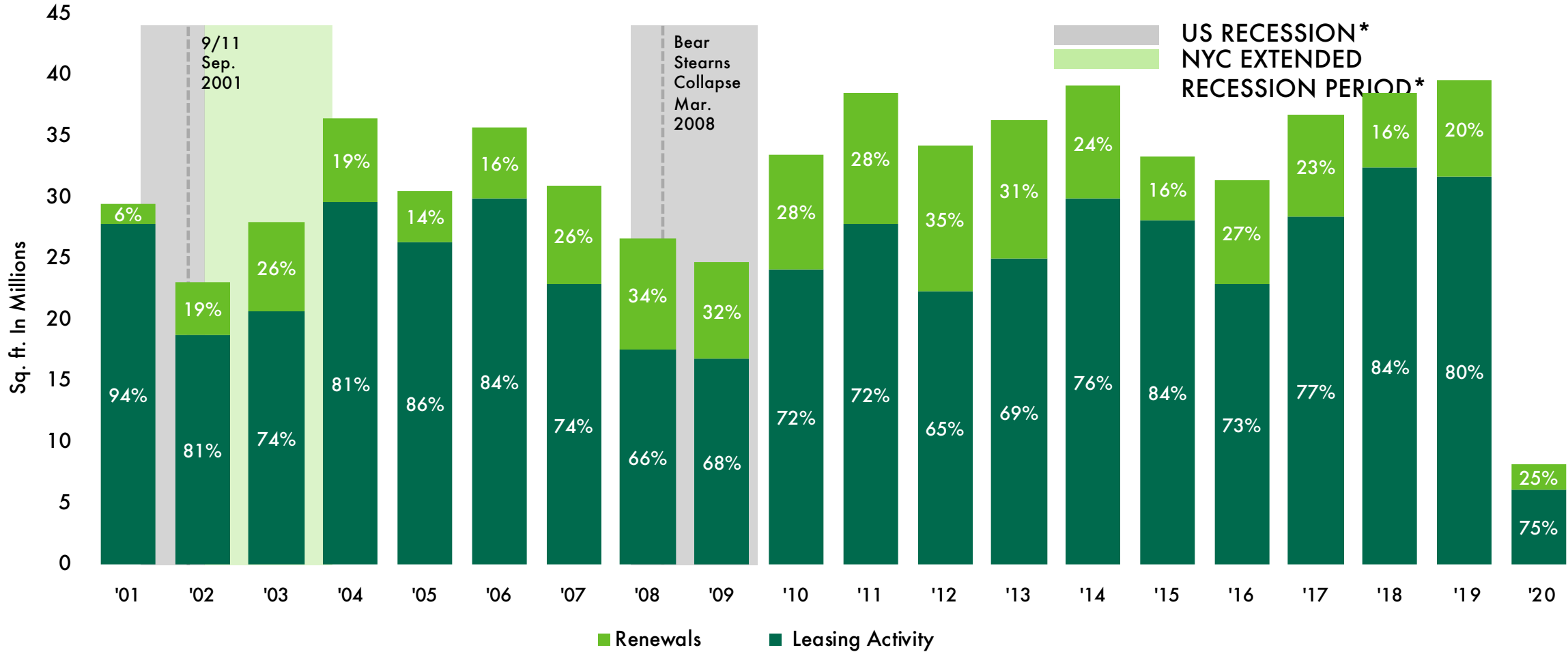
414.2 MSF

**MANHATTAN
TOTAL
INVENTORY**



Financial Services	90.0 MSF	24%
Law	34.9 MSF	9%
Media & Entertainment	34.1 MSF	9%
Technology	28.0 MSF	7%
Apparel/Retail Sales	27.6 MSF	7%
Government	20.7 MSF	5%
Other	20.5 MSF	5%
Professional Services	19.5 MSF	5%
Marketing & PR	16.5 MSF	4%
Coworking/Shared Space	15.7 MSF	4%
Health Care	13.7 MSF	4%
Insurance	13.3 MSF	3%
Non-Profit	12.3 MSF	3%
Real Estate	11.4 MSF	3%
Education	10.2 MSF	3%
Telecom/Info Services	8.4 MSF	2%
Arts & Recreation	5.9 MSF	2%

MANHATTAN LEASING VELOCITY



Source: CBRE Research. Data as of April 1, 2020. | *US recession as measured by the NBER. NYC recession as measured by GCP.

NEWS FROM THE FIELD

WHAT CBRE IS SEEING ON THE GROUND IN NEW YORK'S COVID-19 RESPONSE

While it is too soon to determine the full impact of COVID-19 on the Manhattan office market, some useful insights can be gleaned from what happened during the first few weeks. CBRE professionals have been in constant communication with our clients—including occupiers, landlords, investors, property managers and project managers—which has formed the basis for following insights on the current state of the market.



WAIT AND SEE

Most Transactions on Hold



CAPITAL MARKETS

Deals Are Still Happening



AGENCY PROPERTIES

No Adjusted Rents
(But Increased Concessions)



DISPOSITION

Very Little Surplus Office Space



RENT ABATEMENT IS THE EXCEPTION

Creative Negotiations with Landlords



LEASE EXPIRATIONS

Short-term Extensions for Lease Expirations



COMPLIANCE WITH GOVERNMENT DIRECTIVES

Occupancy about 2%

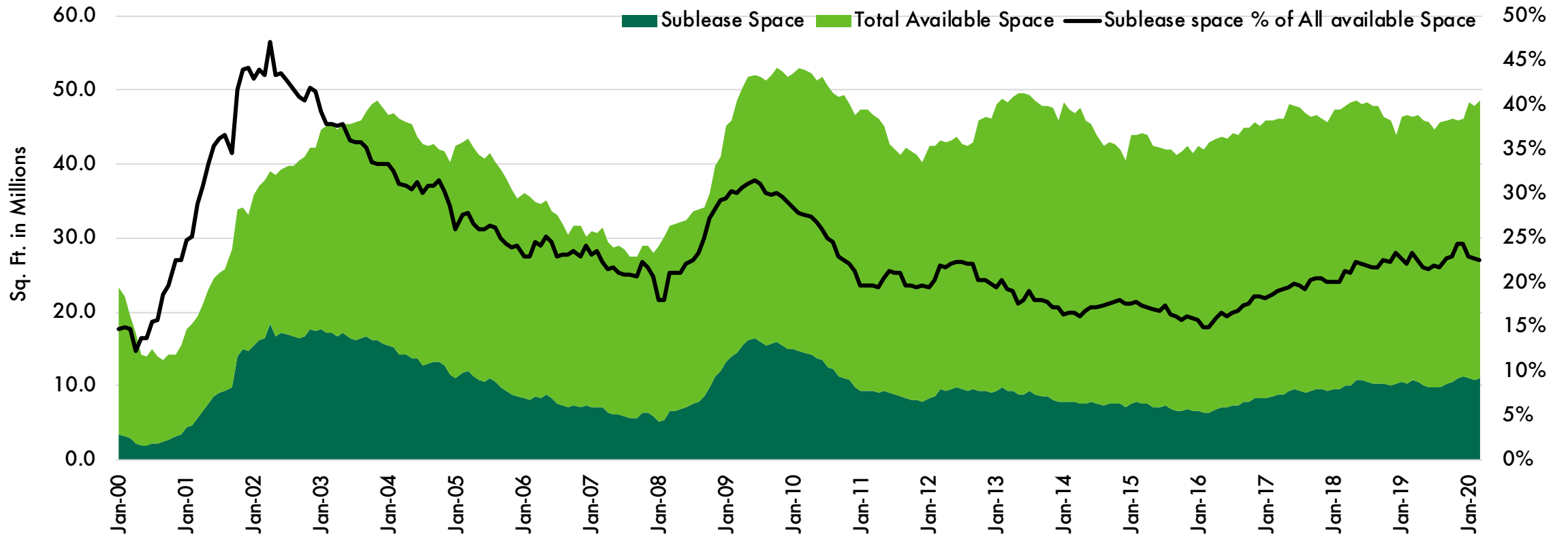


NON-ESSENTIAL CONSTRUCTION

On Hold Through At Least April 26

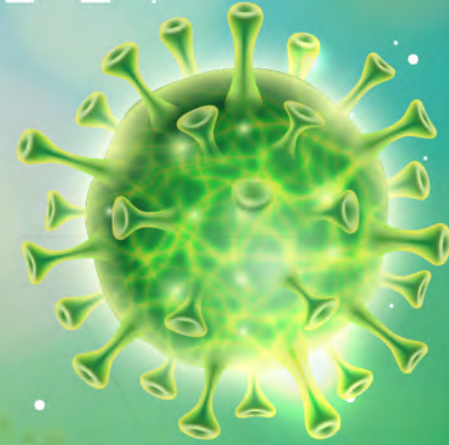
MANHATTAN SUBLEASE SPACE DATA

Tracking Ratio Of Sublease To Overall Availability



Source: CBRE Research. Data as of April 1, 2020.

PRE-CRISIS STATUS OF MANHATTAN CO-WORKING

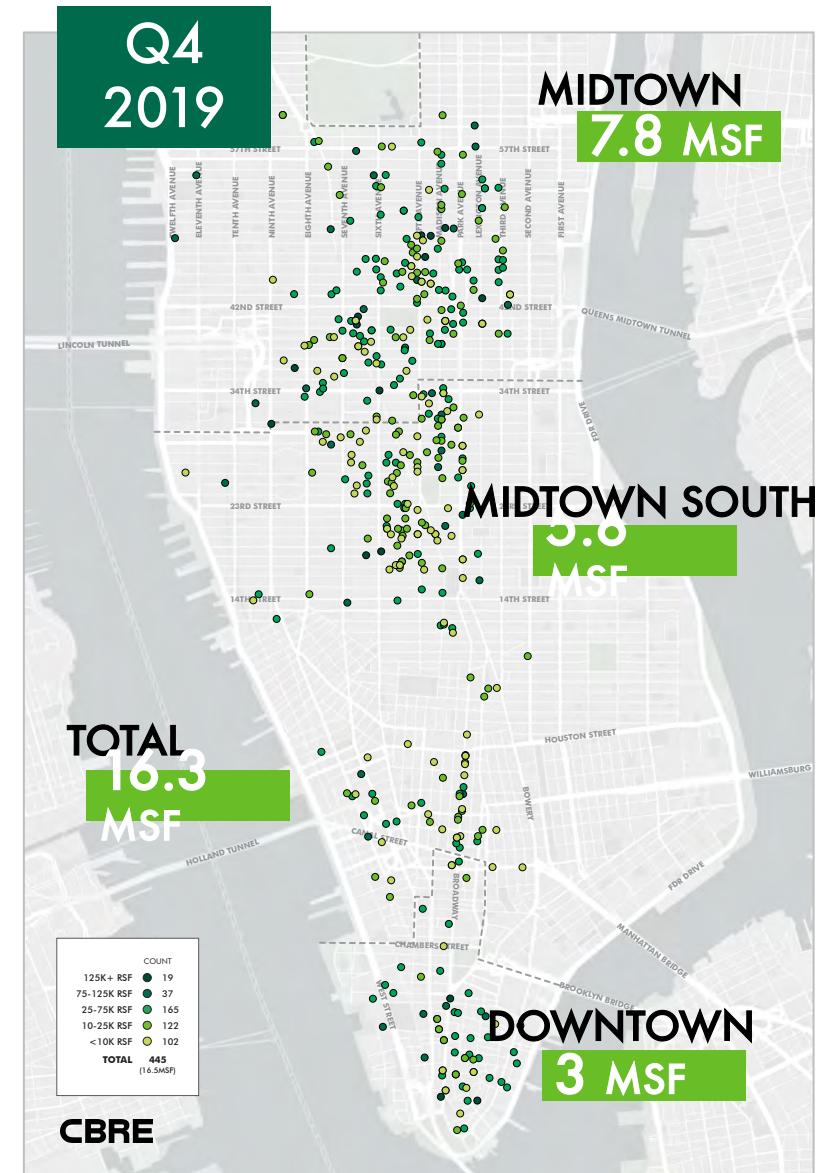
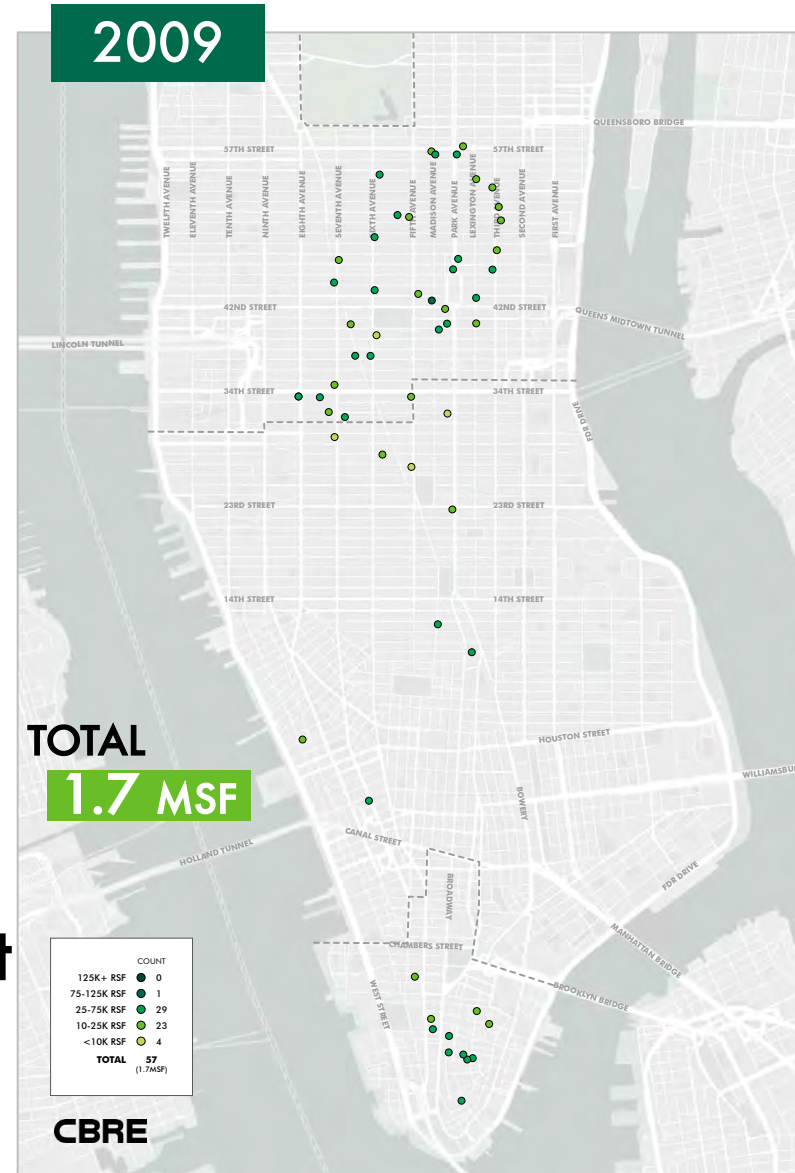


MANHATTAN FLEX MARKET

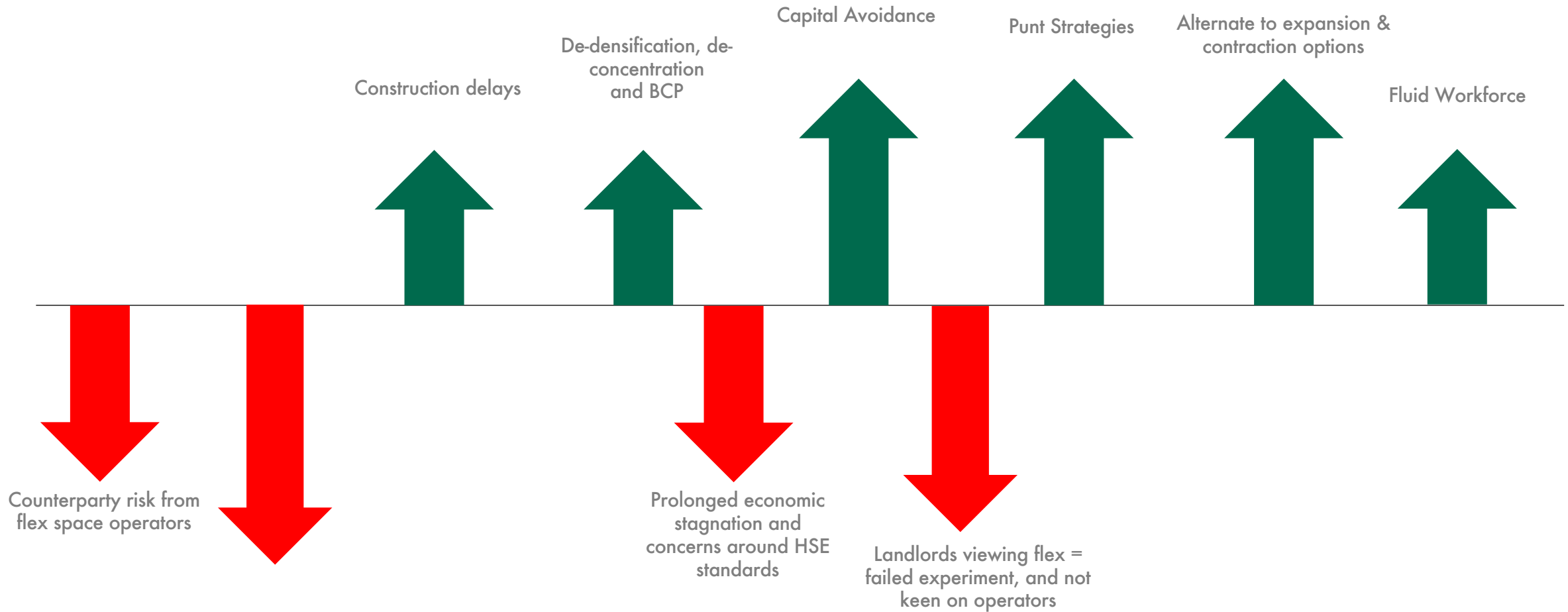
827%
growth since 2009

4.1%
of the Inventory

Harlem, Queens & Brooklyn are not left behind with
1.8 MSF of Flex Inventory



LONG TERM STRUCTURAL SHIFTS SHOULD STILL HOLD..

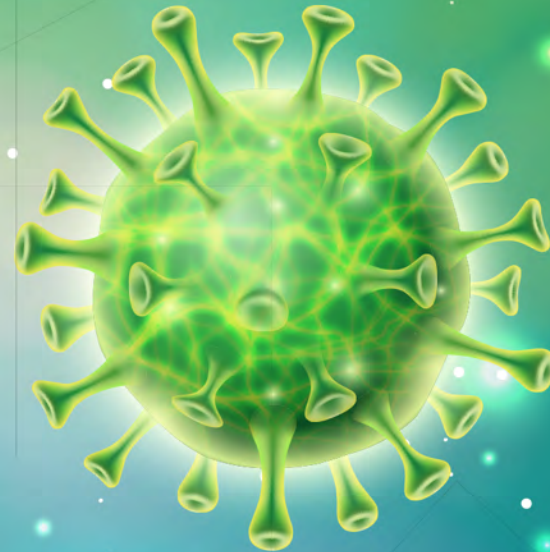


THANK YOU.

BEN FRIEDLAND

VICE CHAIRMAN, CO-HEAD,
ALTERNATE INVESTMENTS PRACTICE

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Timothy C. Quinlan

Principal

Quinlan Development Group LLC

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