The Real Estate Roundtable Sentiment Index

First Quarter 2019

The Real Estate Roundtable

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The Real Estate Roundtable is pleased to announce the results from the Q1-2019 Real Estate Roundtable Sentiment Survey. The quarterly survey is the commercial real estate industry's most comprehensive measure of senior executives' confidence in the real estate environment. Conducted by FPL Advisory Group on behalf of The Roundtable, it measures the views of CEOs, presidents, and other top commercial real estate industry executives regarding current conditions and the future outlook on three topics: (1) overall real estate conditions, (2) access to capital markets, and (3) real estate asset pricing.

Topline Findings

- CRE executives recognize that a historic decade of U.S. economic expansion has benefited today's healthy commercial real estate market. Q1 survey respondents feel a cyclical slowdown for the U.S. economy could be on the horizon. Respondents also note that a possible decrease in economic growth may not significantly adversely affect well-balanced, fundamentally-sound CRE markets. The Roundtable's Q1 Economic Sentiment Index registered 45, a five point drop from the previous quarter.

- Survey participants were quick to identify the economy's current, strong fundamentals as a significant influence on healthy Q1 real estate market conditions. Many respondents also suggest they have diversified their investment focus and are placing capital into less traditional real estate property types.

- Respondents pointed to examples of increasing asset prices in certain markets and many suggested they view the pricing environment to be reaching, or in some cases, at peak. Multiple survey participants suggested some markets have plateaued.

- Debt and equity remain plentiful for the best assets in the best markets, but is becoming challenging for secondary or tertiary market investments. Respondents also reported increased competition among lenders for business.

[1] The Real Estate Roundtable Sentiment Index is measured on a scale of 1–100. It is the average of The Real Estate Roundtable Future Index and The Real Estate Roundtable Current Index. To register an Index of 100, all respondents would have to answer that they believe conditions are "much better" today than one year ago and will be "much better" one year from now.

General Conditions

CRE executives recognize that a historic decade of U.S. economic expansion has benefited today's healthy commercial real estate market. Q1 survey respondents feel a cyclical slowdown for the U.S. economy could be on the horizon. Respondents also note that a possible decrease in economic growth may not significantly adversely affect well-balanced, fundamentally-sound CRE markets. The Roundtable's Q1 Economic Sentiment Index registered 45, a five point drop from the previous quarter.

"Everybody's looking over their shoulder, but they also recognize the positive economic fundamentals driving the positive market conditions. Bid-ask spreads are widening; we're optimistic we'll find more value in our investments this year. We're open for business but we're tepid instead of hot on the market."

"Fundamentals are good. Vacancy is low, and we have decent pricing power, but tenants are feeling they have more leverage too."

"The balance of this year is dependent on the economy. With that said, it may take a lot to knock us out, given just how strong the underlying fundamentals are. We haven't seen demand drop off for space, and even if consumer confidence is down, it's still good."

"We're far less positive about office investments. We feel the property type is mispriced."

"We think the market is good today, but not as good as it was."

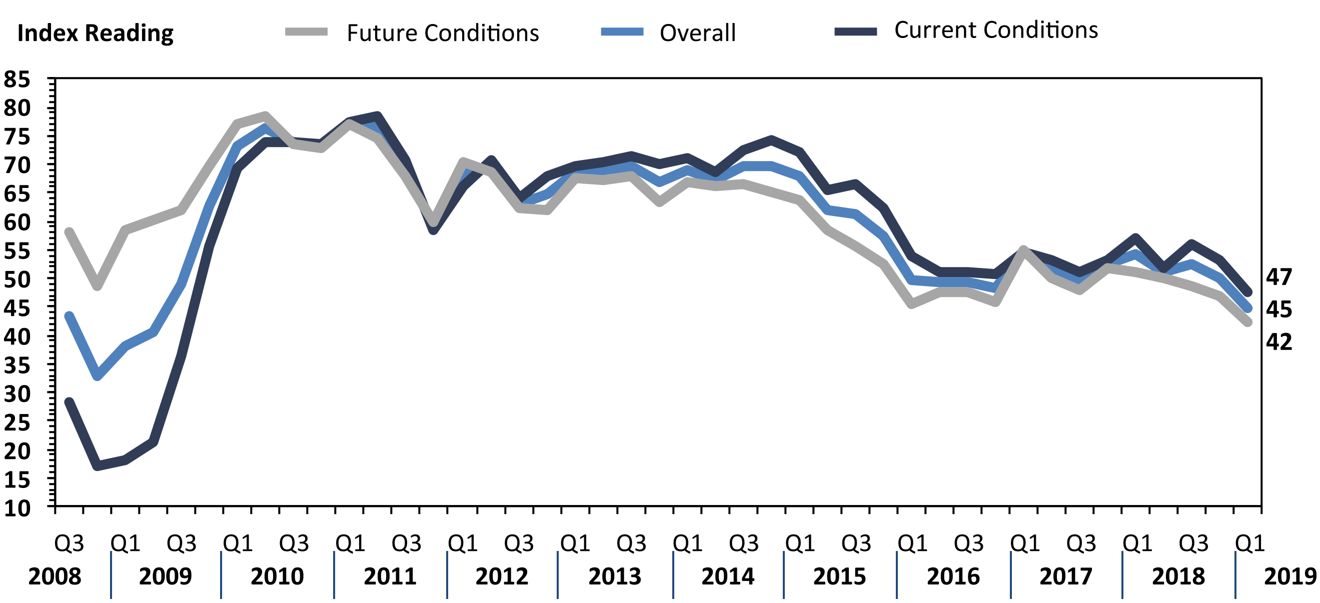
"We seem to be in a market where everyone is waiting for the other shoe to drop."

"The US is doing okay relative to everywhere else. Unemployment numbers are good and the Fed signaling a pause in their activity is positive. We're in decent shape with a lot of external activity promising continued health for our economy."

"We know there's a downturn coming, but we aren't sitting on the sidelines when we see a quality deal."

Exhibit 1

The Real Estate Roundtable Sentiment Index



General Conditions
(continued)

Survey participants were quick to identify the economy's current, strong fundamentals as a significant influence on healthy Q1 real estate market conditions. Many respondents also suggest they have diversified their investment focus and are placing capital into less traditional real estate property types.

"It's late cycle and we're cautious about any new business we do. Construction costs are at an all time high and land prices have doubled since the start of the cycle."

"Assuming the current market fundamentals persist and as long as we don't talk ourselves into a recession, 2019 will splutter along, and perhaps 2020 looks similar."

"The non-core property types have grown in popularity immensely. Manufactured housing, self-storage, etc."

"For industrial property, the market has never been so good."

"The economy and the real estate market feel pretty solid right now. We worry about political uncertainty in Washington D.C. and the backlash from situations like the recent government shutdown."

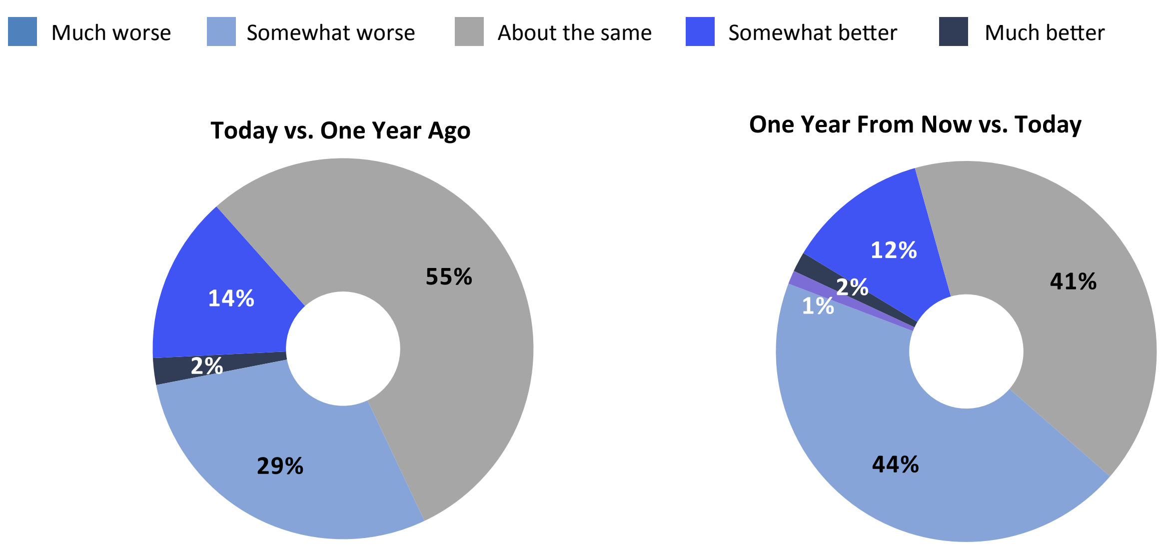
"Retail has been an execution problem. The new view of how to optimize and redevelop assets in their portfolio has changed the landscape for the better. We expect to see many new mixed-use applications this year."

"We think, barring a black swan event, 2019 is going to be okay, 2020 though, it's hard to know what to expect."

Exhibit 2

Perspectives on Real Estate Market Conditions

% of respondents



Asset Values

Respondents pointed to examples of increasing asset prices in certain markets and many suggested they view the pricing environment to be reaching, or in some cases, at peak. Multiple survey participants suggested some markets have plateaued.

"Asset prices in most major markets are at peak."

"Peak pricing was 18 months ago. Now the game is to figure out what markets offer opportunities with the fewest number of competitors showing up."

"Pricing has held for high quality properties. Secondary properties, not distressed mall assets, but good assets in good markets are still trading at high values too."

"My sense is we're beyond or at peak pricing in the market."

"There are no bargains out there. With that said, we haven't seen meaningful changes in asset pricing recently; we may be at the peak and holding there."

"Pricing is relatively stable, if high, today. We're looking at the disruptors and wondering when their impact is truly going to be felt in asset pricing."

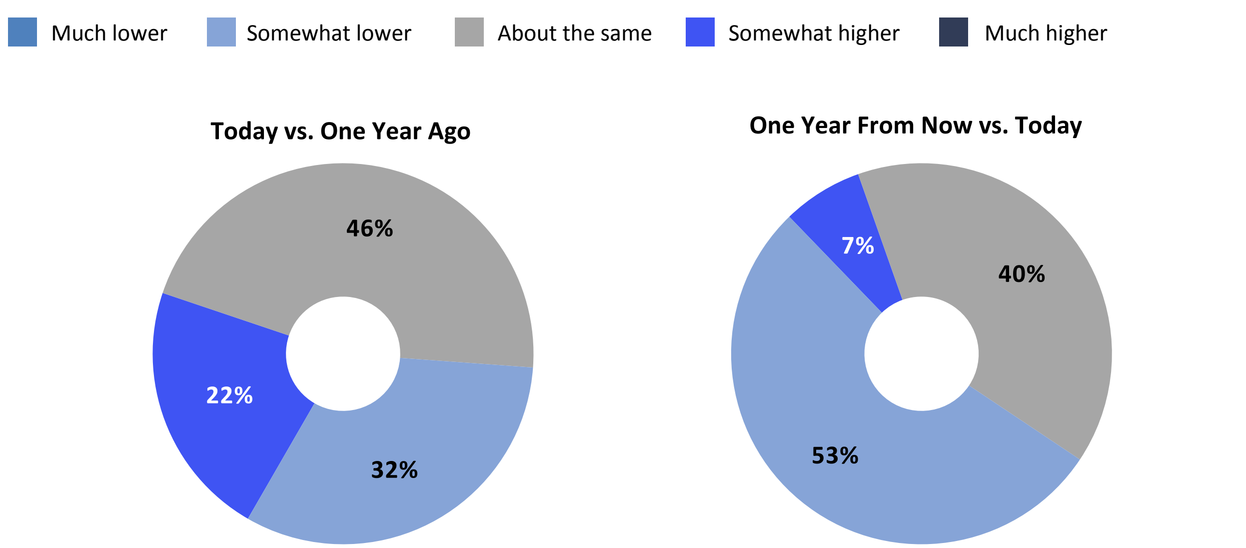
"We have reached a plateau with pricing. Still really high, especially for the best assets in the best markets."

"The best assets are priced well, but for the worst assets, there is no price."

Exhibit 3

Real Estate Asset Values

% of respondents



Capital Markets

Debt and equity remain plentiful for the best assets in the best markets, but is becoming challenging for secondary or tertiary market investments. Respondents also reported increased competition among lenders for business.

"We have appreciated the availability of financing options for the last six years, it's been a great time to be a borrower. Some of our loans are coming due and we're happy to refinance in today's environment. There have been many new options beyond the traditional bank lenders. These new players are good."

"Most of the players lending or investing equity are relaxing their discipline ever so slightly."

"It's the old adage, there's always debt and equity when you don't need it. If you need it, you can't get it. In other words, the best assets in the best markets have as much capital as they can ask for, but those lesser quality assets in secondary and tertiary markets find it challenging."

"Equity is plentiful and increasingly aggressive; equity providers are willing to take lower returns in order to put their capital to work."

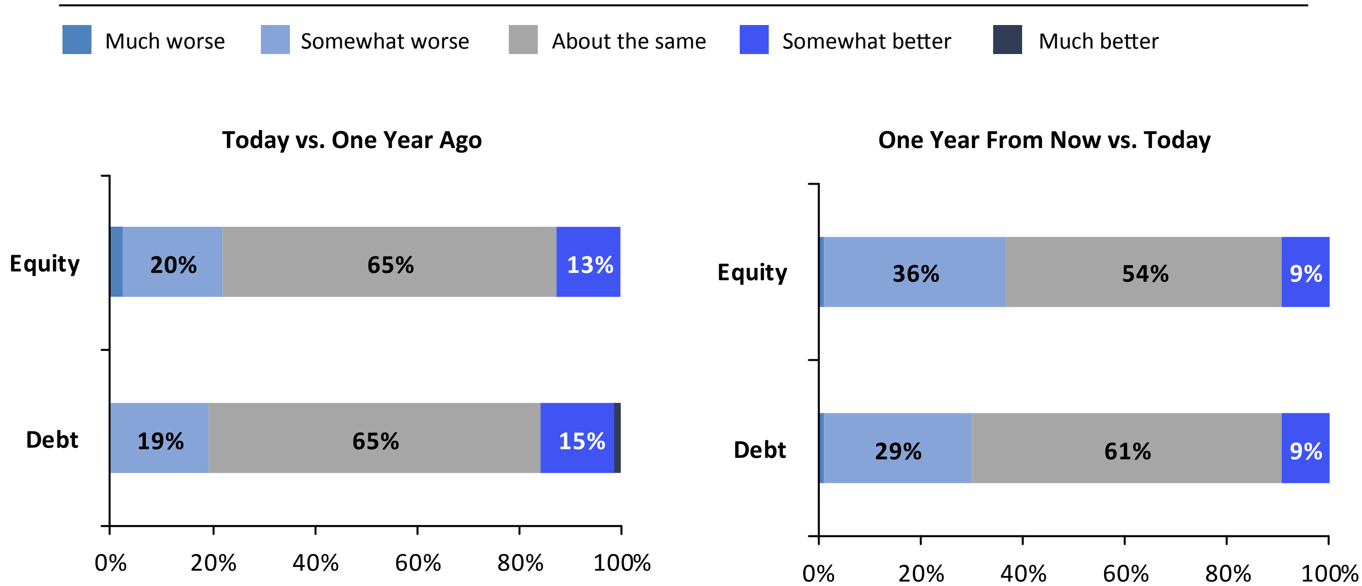
"We hear lenders talking about pulling back and being more conservative, but in practice, it seems like they are doubling down on their existing customers and offering better terms."

"In the retail real estate market, CMBS had been the go to source of debt. Recently, it's been increasingly challenging to obtain CMBS financing. We've looked to the regional banks and have had greater success."

Exhibit 4

Availability of Capital

% of respondents



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(Please note that this is only a partial list. Not all survey participants elected to be listed.)

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