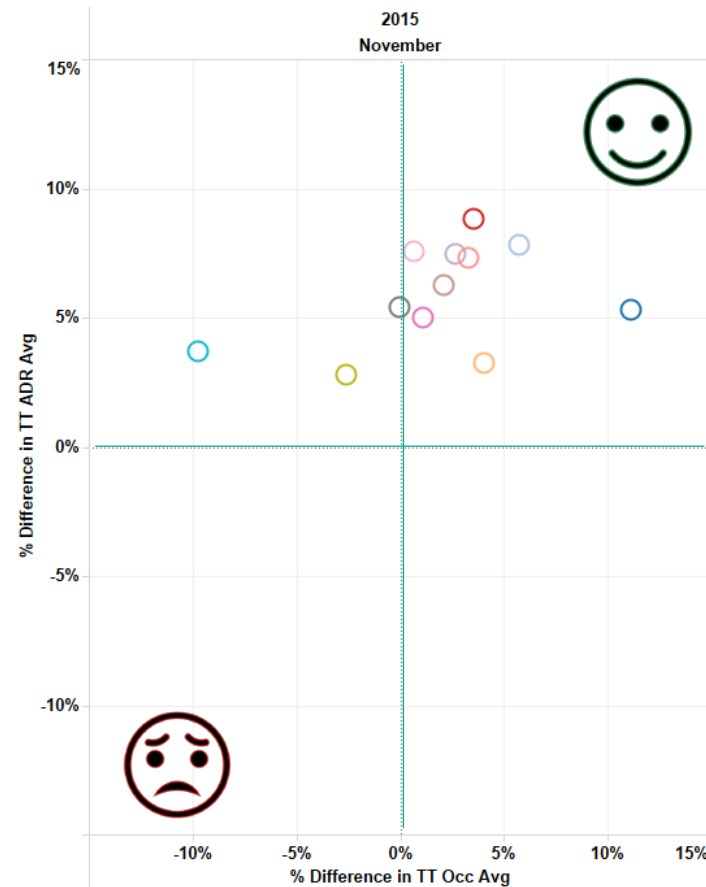


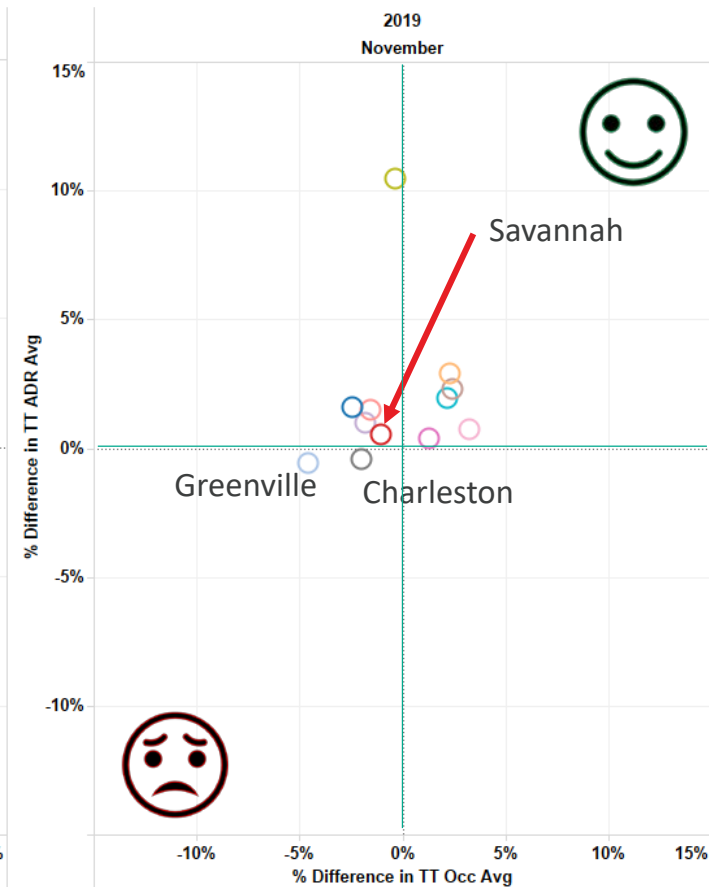
2020 Banking Conference

Hotel Markets Have Peaked!

T12 ADR Growth vs T12 Occ Growth Other MSAs 2015



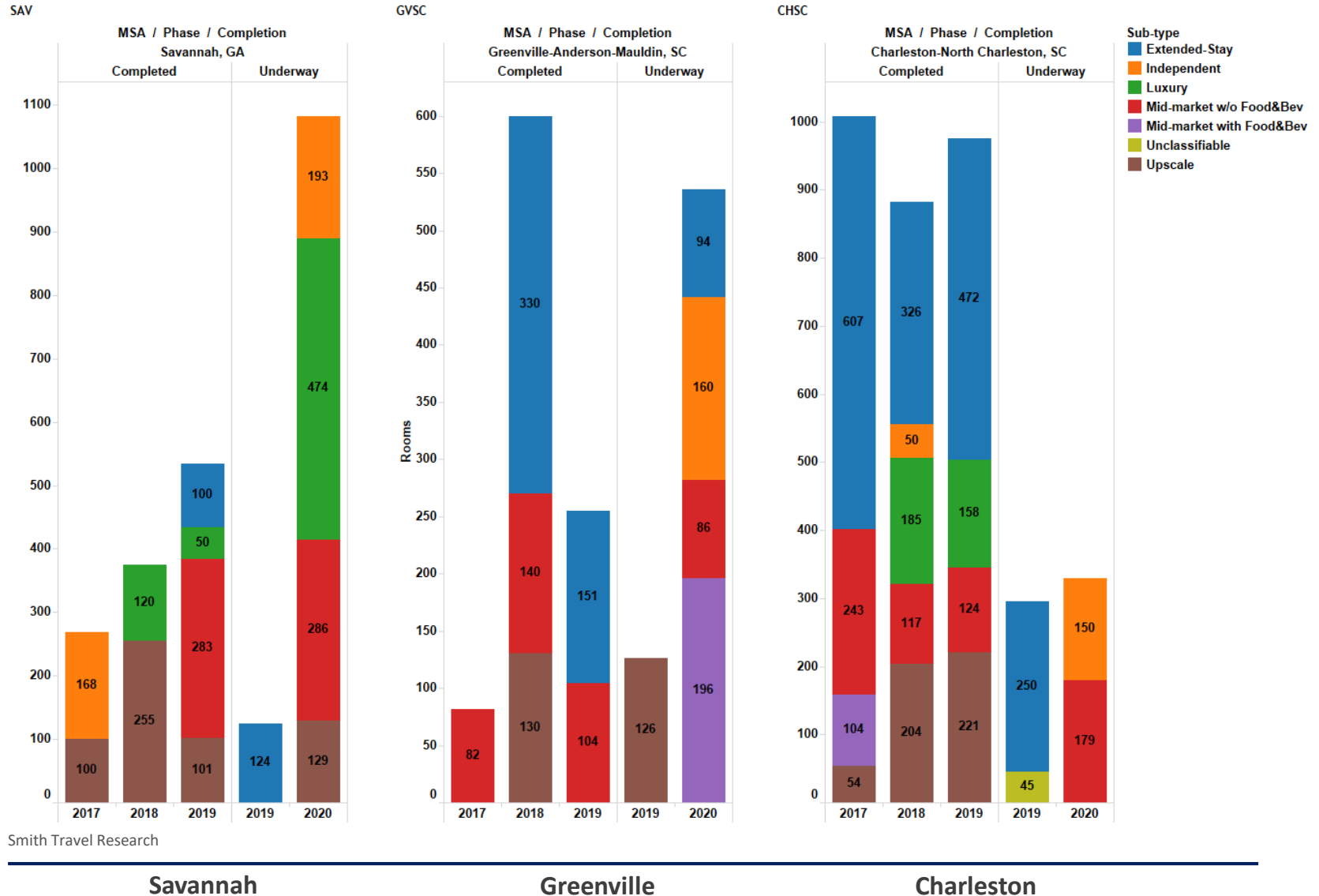
T12 ADR Growth vs T12 Occ Growth Other MSAs 2019



MSA

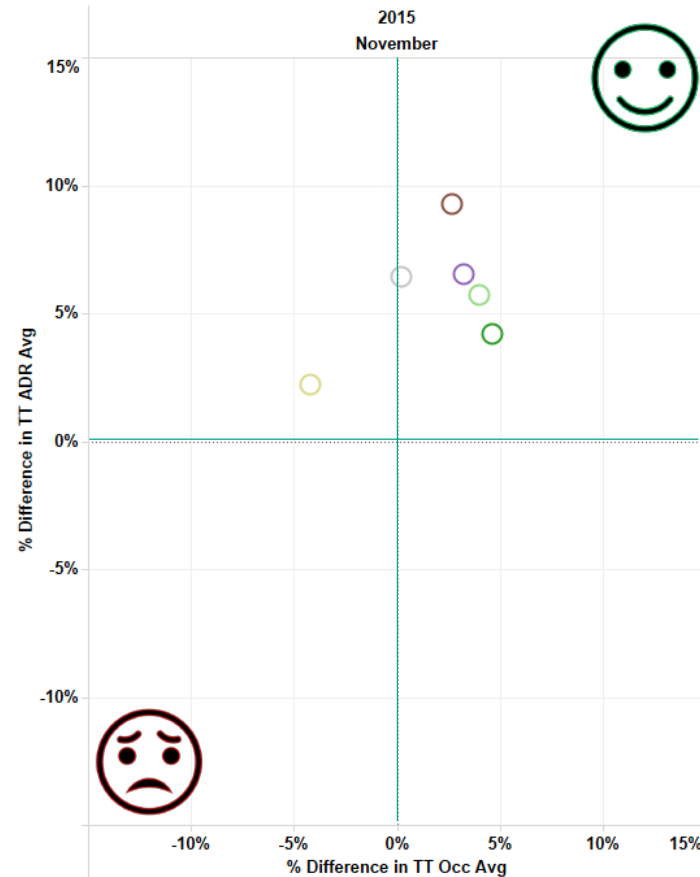
■ Chattanooga, .. ■ Birmingham, .. ■ Jacksonville, .. ■ Austin, TX ■ Pensacola, FL ■ Columbus/Lag..
■ Greenville/Spa.. ■ Savannah, GA ■ Charlotte, NC-- ■ Myrtle Beach, .. ■ Charleston, SC ■ Augusta, GA--

Hotel Markets Will Decline in 2020



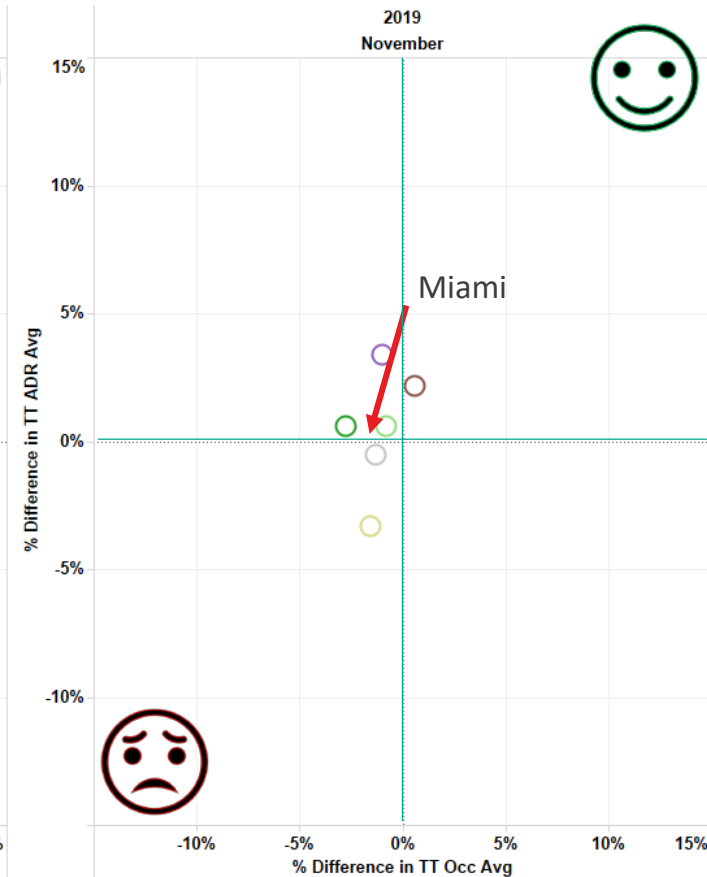
Concerns in Hotel Sector: Top 25 US Markets

T12 ADR Growth vs T12 Occ Growth Top 25 MSAs 2015



MSA
■ Orlando, FL ■ Atlanta, GA ■ Houston, TX
■ Dallas, TX ■ Nashville, TN ■ Miami/Hialeah,...

T12 ADR Growth vs T12 Occ Growth Top 25 MSAs 2019



Nashville only Top 25 MSA with
positive values for rate of
Change of Occupancy and ADR

Four-Point Case for Multifamily Resilience

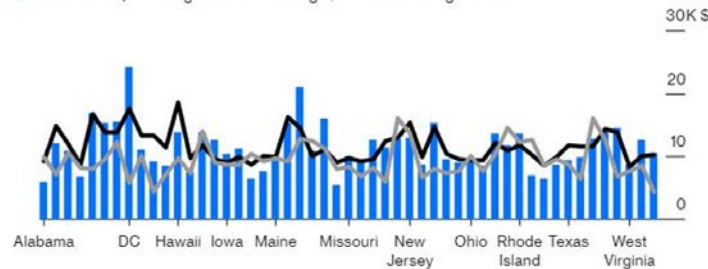
1) Student Loan Metrics

- Since 2005:
 - 70% increase in # borrowers
 - 70% increase in average balance
 - \$1.5T in Total Student Debt
 - Georgia Average = \$39,433

3) Day Care Costs

Infant Care Costs More than College in 35 States and D.C.
In 24 states and D.C., it also costs more than housing

■ Infant care / Average cost of housing / In-state college tuition



Economic Policy Institute

Georgia:	Infant Care	Housing	Tuition
	\$711/mo	\$949/mo	\$600/mo

2) Perception/Preferences



4) Credit Challenges

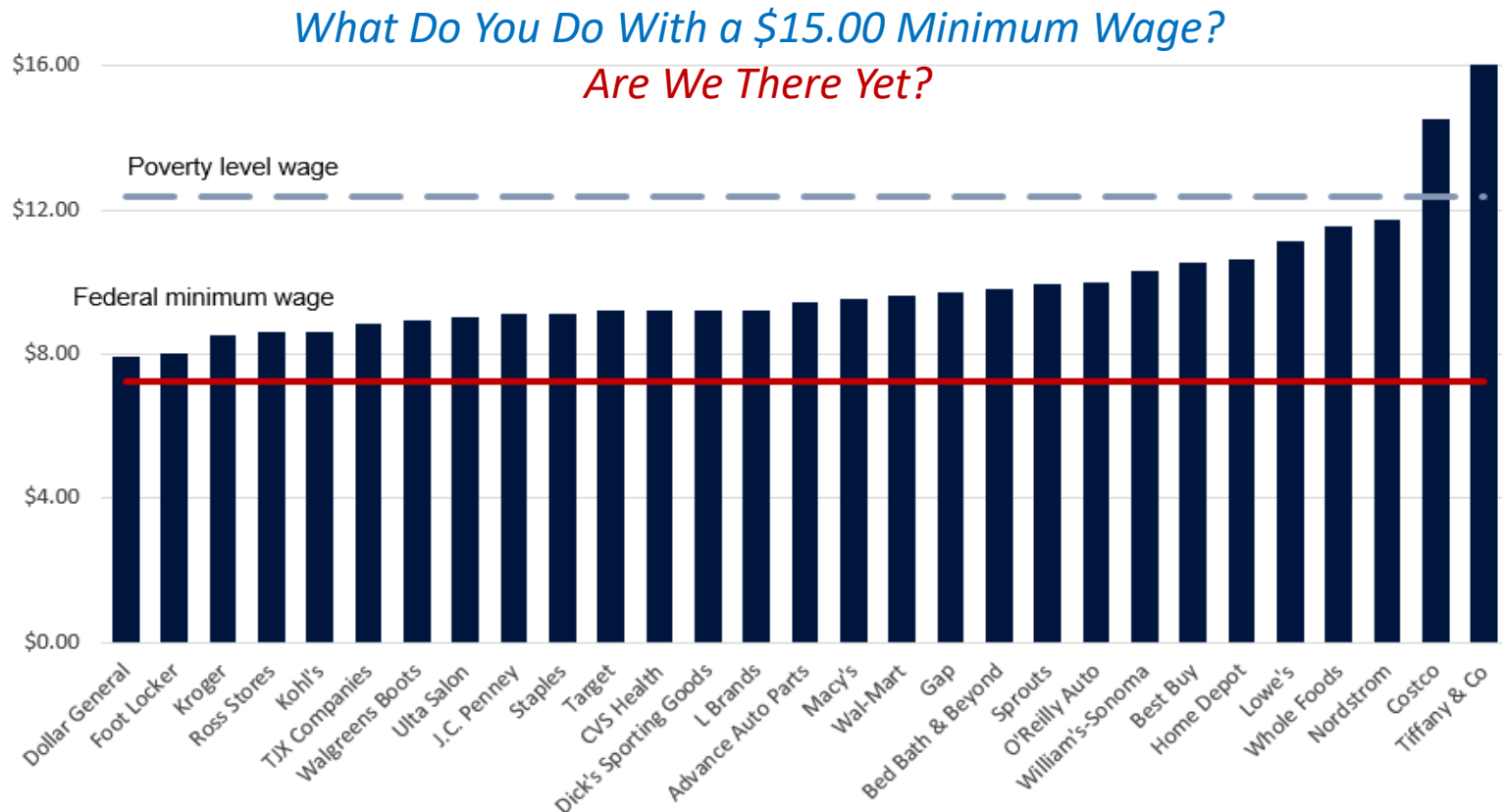
- Qualified Mortgage DTI: 43%
- NAR estimates Car + CC + Stu Loan = 30%
- FRMC Survey April 2019:
 - 82% believe renting is more affordable
 - 18% believe owning is more affordable
- Who Can Save for Down Payment?

Louisiana State University 2020 Survey: Millennials Who Can Afford a Down Payment!



CRE Points of Note: The Three L's of Retail Risk

Retail sales associate and cashier average hourly compensation



Source: Glassdoor, US Department of Health and Human Services, US Department of Labor, Cornerstone Capital Group

*Amazon is excluded because it does not employ sales associates and cashiers

Logistics Can Involve Omni Dev Costs, Marketing, Data Analytics, Experiential

Fundamentals/CRE Transaction Volumes

4Q19 RERC Rent and Expense Growth Survey Results:

	<u>Rent Growth</u>	<u>Expense Growth</u>	
Warehouse	3.1%	2.7%	
Multifamily	2.7%	2.7%	
CBD Office	2.6%	2.7%	
Sub Office	2.5%	2.7%	
Neigh/Commercial	2.4%	2.8%	
Power Center	2.0%	2.8%	← Projected Value Loss
Hotel	2.2%	3.0%	

- Top two investment sectors are routinely Warehouse and Multifamily in recent surveys
- Largest rent/expense negative differentials are Power Center and Hotel (both 80 bps)

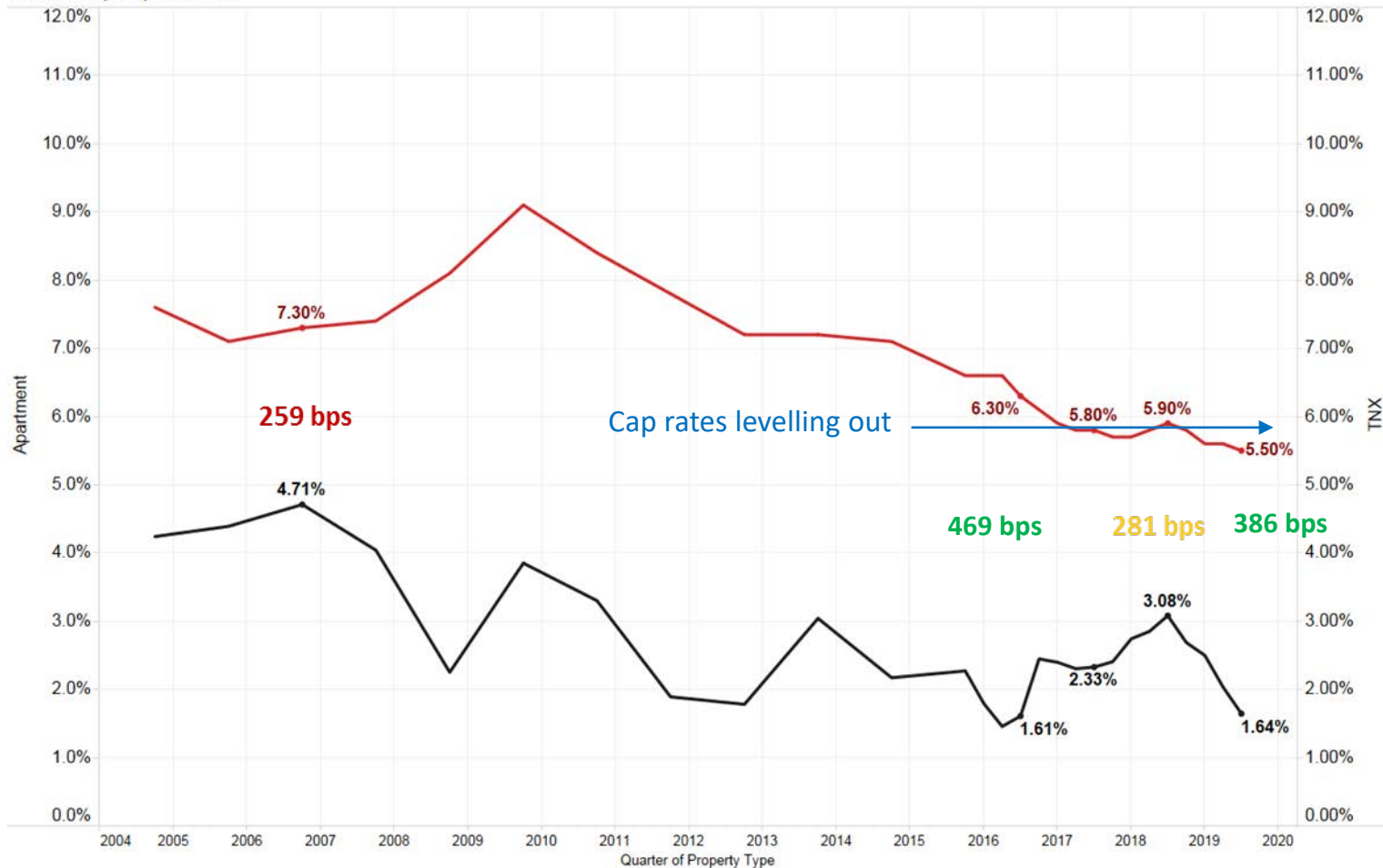
Real Capital Analytics CRE Volume Stats for YE 2019:

Commercial Property Price Index: +7.8%

<u>Year-to-Date</u>	<u>Transaction Volume</u>	<u>YOY Volume Change</u>	<u>YOY Price Change</u>
Ind/WH:	\$112.1B	+14%	12.1%
Multifamily:	\$183.5B	+4%	9.6%
Office:	\$139.7B	+2%	4.1%
Retail:	\$62.5B	-28%	3.8%
Hotel:	\$37.1B	-15%	-0.8%

Spreads Between Caps and TNX: Risk Is Relative

Multifamily Cap vs. TNX



Are We Correctly Pricing Risk?

■ Competitive Effects

- Two Front War Against Competition:
 - LTV/LTC in Community Banks
 - Recourse + i/o in Corporate Banks

- All Banks Losing on the Rate front:

Year	30 Day LIBOR	Spread	Rate	Spread Loss
2017	1.25%	3.25%	4.50%	N/A
2018	2.25%	2.25%	4.50%	1.00%
2019	1.75%	2.00%	3.75%	1.25%

- This is a Pricing Distortion which is suppressing upward momentum in cap rates
- *If liquidity starts to dry up, i.e. banks pull back, cap rates will go up*