

Presented By:



NEAL BAWA
Grocapitus & MultifamilyU



UPDATED

COVID-19: IMPACT ON LIFE, BUSINESS, REAL ESTATE & STOCKS



Multifamily University

Could this Black Swan Event Bring the U.S. to Its Knees?

Meet Neal

President and CEO, Grocapitus



Neal Bawa

CEO & Founder



ABOUT NEAL

- ✓ Neal's companies have owned / managed a portfolio of over \$250 Million
- ✓ Over 2,000 units of Multifamily and Student housing, in 7 states
- ✓ Nationally known Multifamily mentor and speaker
- ✓ About 5,000 investors attend his Multifamily webinar series and hundreds attend Multifamily Boot camps
- ✓ Co-founder of the largest Multifamily Investing Meetup in the U.S. with 10,000+ members.

KEY FOCUS

Investor Management

Leasing and Tenant Marketing

Submarket and Property Selection

Operations and Metrics

Sample of Grocapitus Portfolio & Track Record



Equinox at Knight

This well maintained value-add 194 unit project in suburban Atlanta is in a submarket with incredible schools, and offers projected cash flow of 8% from 2020 onwards. The property projects a 1.9X equity multiple with an 18% avg. annual return.



Equinox on Prince

Purchased March 2019, our first property in Tucson, AZ is an older 114 unit property in a growth area with new medical centers and malls nearby. Under market rents and tired units offer a true value-add opportunity. We've boosted occupancy by 10% in our 1st month as we re-brand and renovate to create a modern apt community.



The Falls at Crismon Commons

New 240-unit A class property in high-growth metro Mesa, AZ. Development includes allocation of 40 vacation rentals and 200 long-term rentals architected to maximize income and profits.

Ground-up construction commences Q2 2020 with completion expected by Q3 2022.

The GRID

217 units ground up construction next to transit and BNMC medical university campus in Buffalo, NY.

Started construction July 2019, for Q1 2021 completion.



Chelsea Place

174-unit Class C property in East Atlanta, 95% occupied. Value Add project with under market rents, will undergo light rehab and rents pushed to market. Two miles from our other Atlanta property, so lots of efficiencies here. Purchased December 2018.



Storage Depot

718 unit value-add storage facility with adjacent land for expansion. We will rebrand and reposition it as a green facility by adding two solar arrays to power the entire complex, more climatized storage units, RV parking, as well as an EV charging station. Fully subscribed



Lakewood Oaks

Our first project in Jacksonville FL is a 138-unit Class C (vintage 1974) in an emerging Class B area, acquired in Feb 2019. With under market rents, and no renovated units, this is a true value add. We will re-brand it, re-position it, then explore the possibilities to build 32 additional units.



Park Canyon

151-unit Class B Property in Dalton GA, Chattanooga Metro. Under market rents and 20 down units from a fire gives us opportunity to add significant value in this project.

Property purchased November 2018.



Coyote Creek Apartments

116-unit new construction multifamily in St George UT, a city with 2% vacancy rate, and the property is zoned for vacation rentals as well.

Construction starts Sept 2019, for completion Q1 2021.

AND MANY MORE...

Two Cents From Our Lawyer



Please read

- We are not investment advisors, and this seminar is provided for educational purposes only.
- All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times.
- You are free to accept or reject all investment recommendations made by us. All services that we offer are subject to market risk and may result in loss to your investment.
- As you know, a recommendation is not a guarantee for the successful performance of an investment and we cannot guarantee against losses arising from market conditions.
- Do not invest your money on our recommendation alone. Consult a professional advisor.
- HOUSEKEEPING Recording? Questions?

The Impact of COVID-19

What We Are Going to Cover Today

About Coronavirus

UCSF BioHub panel findings

What the experts say



Is a Recession Coming? The Road(s) Ahead:

Two paths lead to two very different outcomes for the U.S.



Impact on Your Life: Full Lockdown or Not?

We show you what the numbers are telling us



Economy vs. The People: \$2T Stimulus Package

A preview of relief package for households, small businesses and lifelines for major corporations



Stunning Impact on Hotels & Airbnb:

Let's look at damage to these markets



Real Estate: A Market Divided

Deep dive into impact to all sectors of real estate

Asset Management: **Protect your communities and investors**

The best practices that
industry experts are
implementing



Stock Market: **Winners & Losers**

We list companies that
will likely thrive or dive in
the short and long-term

A photograph of three police officers in dark uniforms walking on a set of stone steps. They are positioned in the foreground, moving from left to right. In the background, the Eiffel Tower is visible, slightly out of focus. The image has a dark, muted color palette. A decorative horizontal line with segments of green, blue, orange, pink, and grey is positioned above the text.

IMPACT ON YOUR LIFE:
FULL LOCKDOWN OR NOT?

Worldwide Infection Dashboard



The Latest Numbers as at March 24, 2020

COUNTRY

INFECTION COUNT

AVERAGE 5-DAY GROWTH RATE



USA

54,856

32%



ITALY

69,176

11%



SPAIN

42,058

18%



SOUTH KOREA

9,037

1%



IRAN

24,811

6%



UNITED KINGDOM

8,077

20%



GERMANY

32,911

17%



FRANCE

22,304

15%



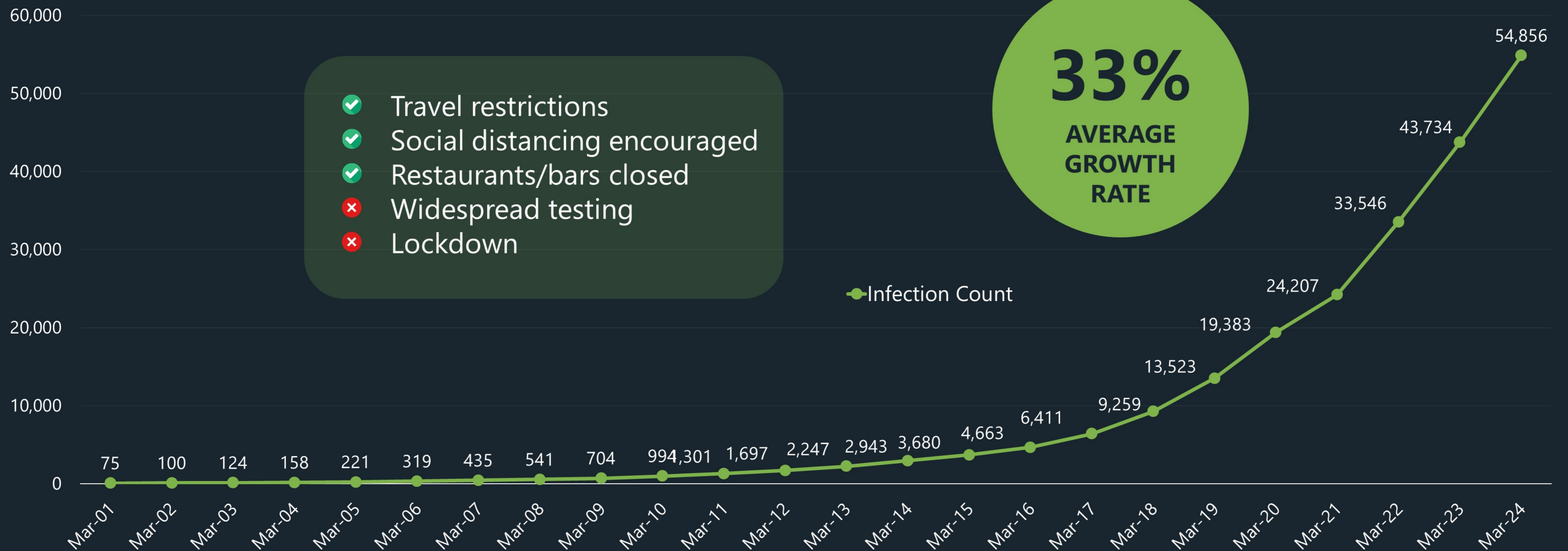
CHINA

81,218

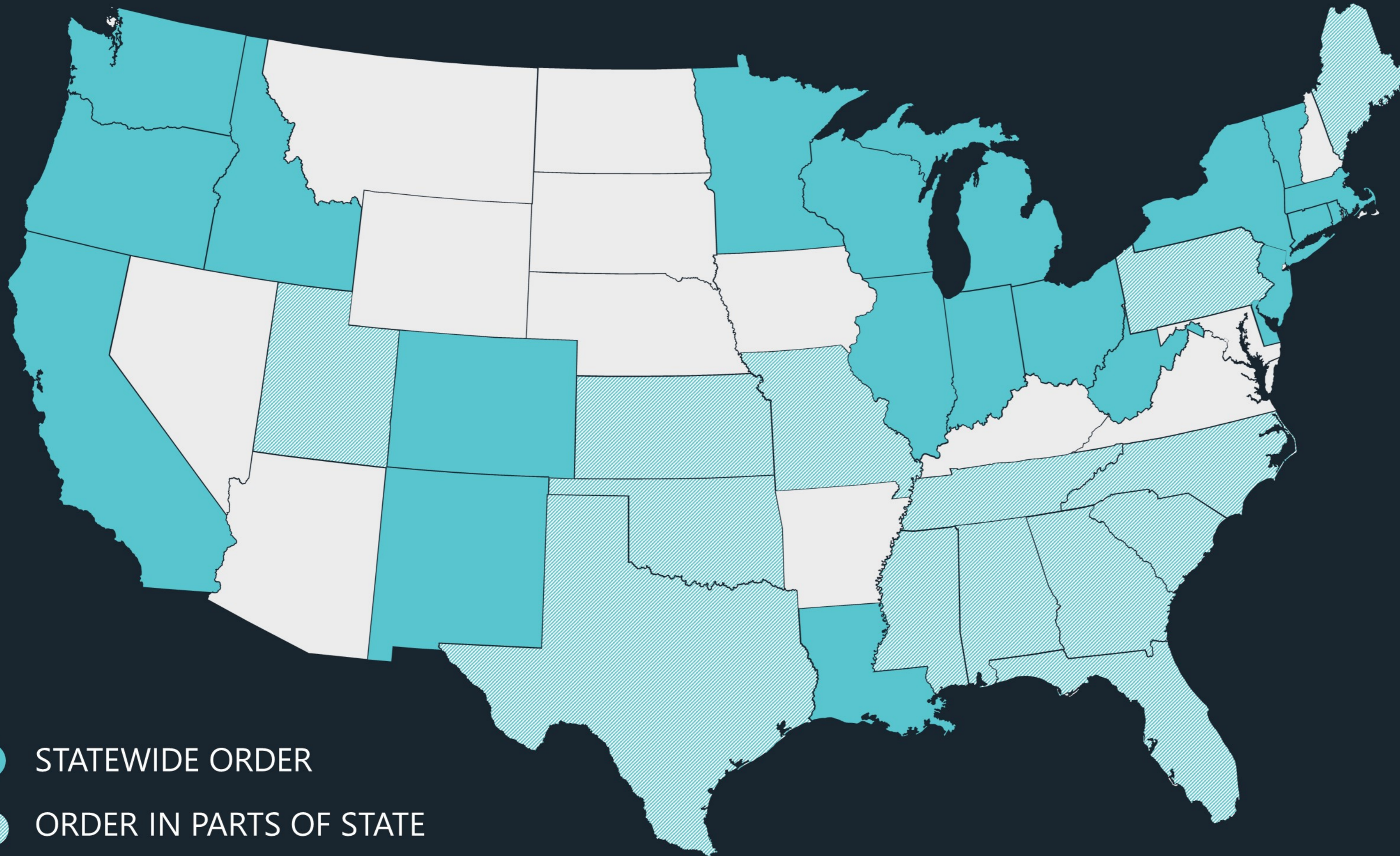
0.06%

The U.S: Infections Rising at 33% on Average

Infections Growing at an Exponential Rate with No Signs of Stopping



Shelter In Place: States in Lockdown



- STATEWIDE ORDER
- ORDER IN PARTS OF STATE

200M
PEOPLE
IN LOCKDOWN

21
STATES
IN LOCKDOWN

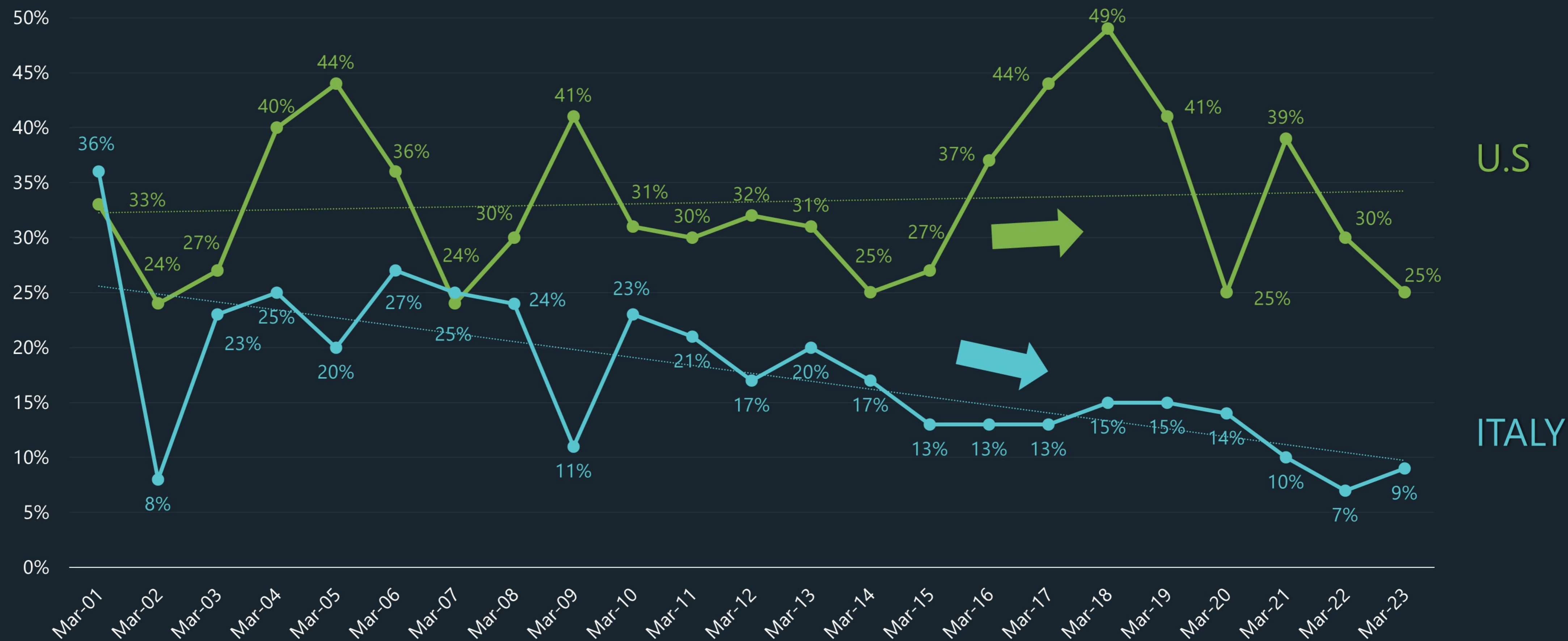
14
CITIES
IN LOCKDOWN

47
COUNTIES
IN LOCKDOWN

Note: Statewide Order in Hawaii; Order in Anchorage Only For Alaska.
Source: The New York Times, See Which States and Cities Have Told Residents to Stay at Home, Mar 2020.

U.S. vs. Italy: Daily Infection Rates Still Diverging

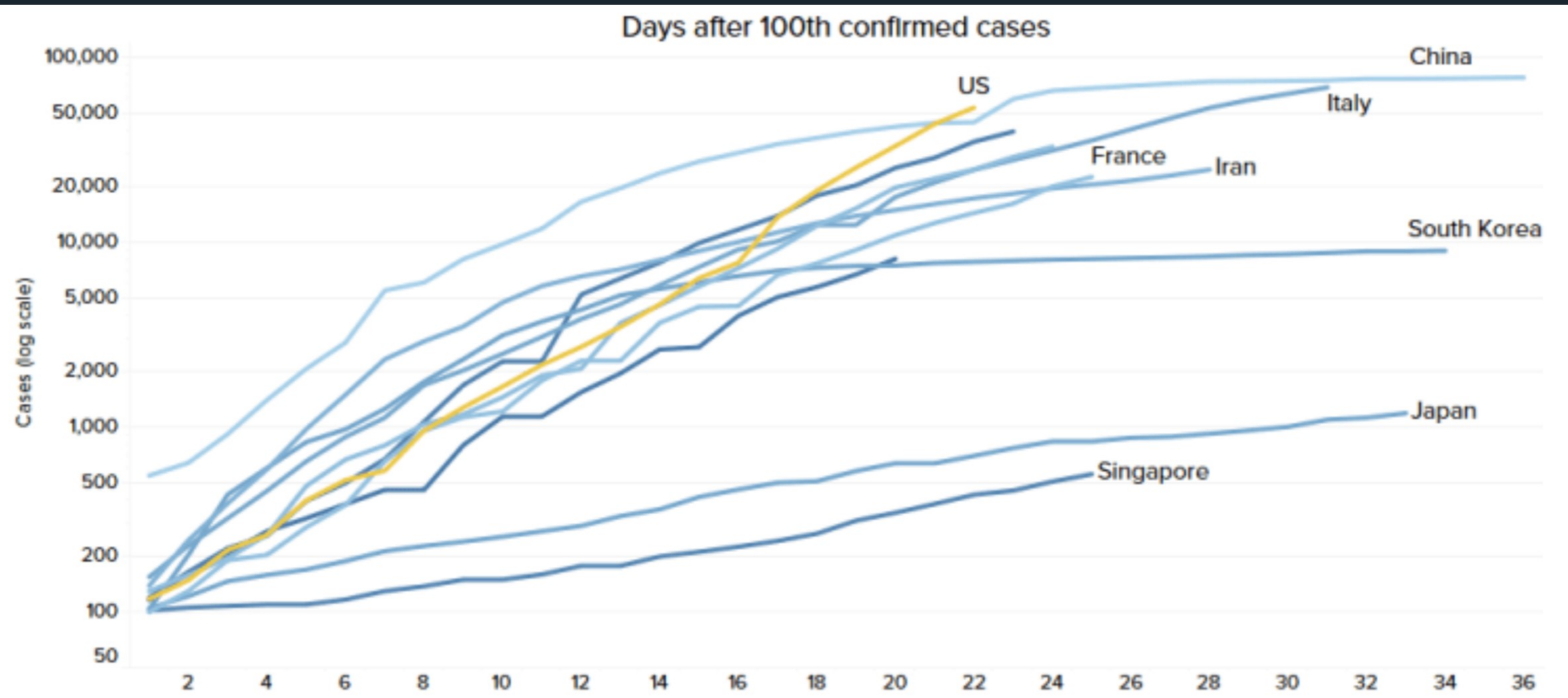
Without a Full-Scale Quarantine in Place, the U.S. Infection Rate Shows No Signs of Dropping



The U.S. Outbreak: Fastest Spread in the World

U.S. Infection Rate Far Outpaces the World's Worst-Hit Countries

The Pace of the COVID-19 Outbreak



WHAT DOES THIS MEAN?

- ✓ New cases began to slow in China and S. Korea 3 weeks after first 100 reported cases
- ✓ U.S. cases rising rapidly due in part to more testing
- ✓ Today, more new daily cases in U.S. than in any other nation
- ✓ The steeper the curve, the faster the spread. The U.S. exceeds most nations, including Italy



IS A RECESSION COMING?

Economic Impact Will Be Massive

Tail Risk Associated With COVID-19 Spread Has Grown



Though the dramatic shift toward social distancing should help “flatten the curve,” the economic impact **will be massive.** **Geopolitical ripple effects** have materialized, such as a lower probability of a second term for President Trump and oil market turmoil. One can only guess which dominos will tumble next. Our crystal ball is as cloudy as ever.”



Green Street Advisors

Deterioration to Push Through to April

The Impact Will Be Felt for a Long Time to Come



These shutdowns and rising public anxiety about the virus are likely to lead to a **sharp deterioration in economic activity** in the rest of March and throughout April.”

— *Jan Hatzius, Chief Economist*

**Goldman
Sachs**

Wall Street: Grimmiest Predictions Yet

A Sudden Stop for the U.S. Economy

U.S. GDP OUTLOOK: Q2

UNEMPLOYMENT: Q2

Goldman Sachs

-24%

Q2 GDP¹

Morgan Stanley

-30%

Q2 GDP²

Goldman Sachs

9%

JOBLESS¹

Morgan Stanley

12.8%

JOBLESS²

DOWNGRADED

Sources:

1) Fortune, Goldman Sachs Just Made The Grimmiest Prediction Yet About The Economy In Q2, Mar 2020;

2) Fortune, Morgan Stanley Joins Goldman Sachs In Upping Estimates Of Coronavirus Economic Pain, Mar 2020.

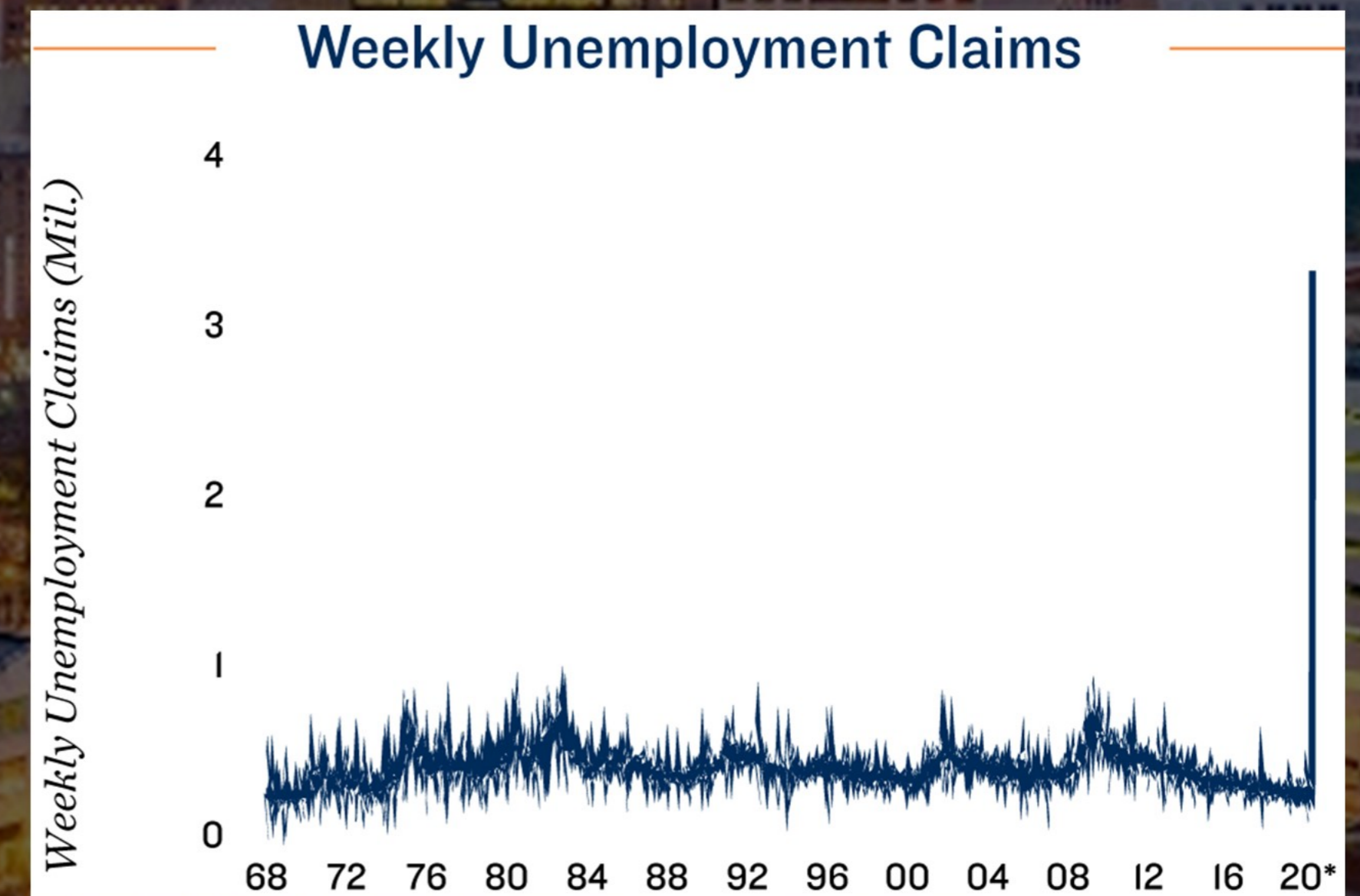
Jobless Claims: Hit All-Time High, 5X Past Record

Officially Driving the U.S. Into Recession

Correction Jobless claims nearly 5X HIGHER than previous high



3.3M
JOBLESS CLAIMS
ANNOUNCED FOR
LAST WEEK



Layoffs Domino Across the U.S.

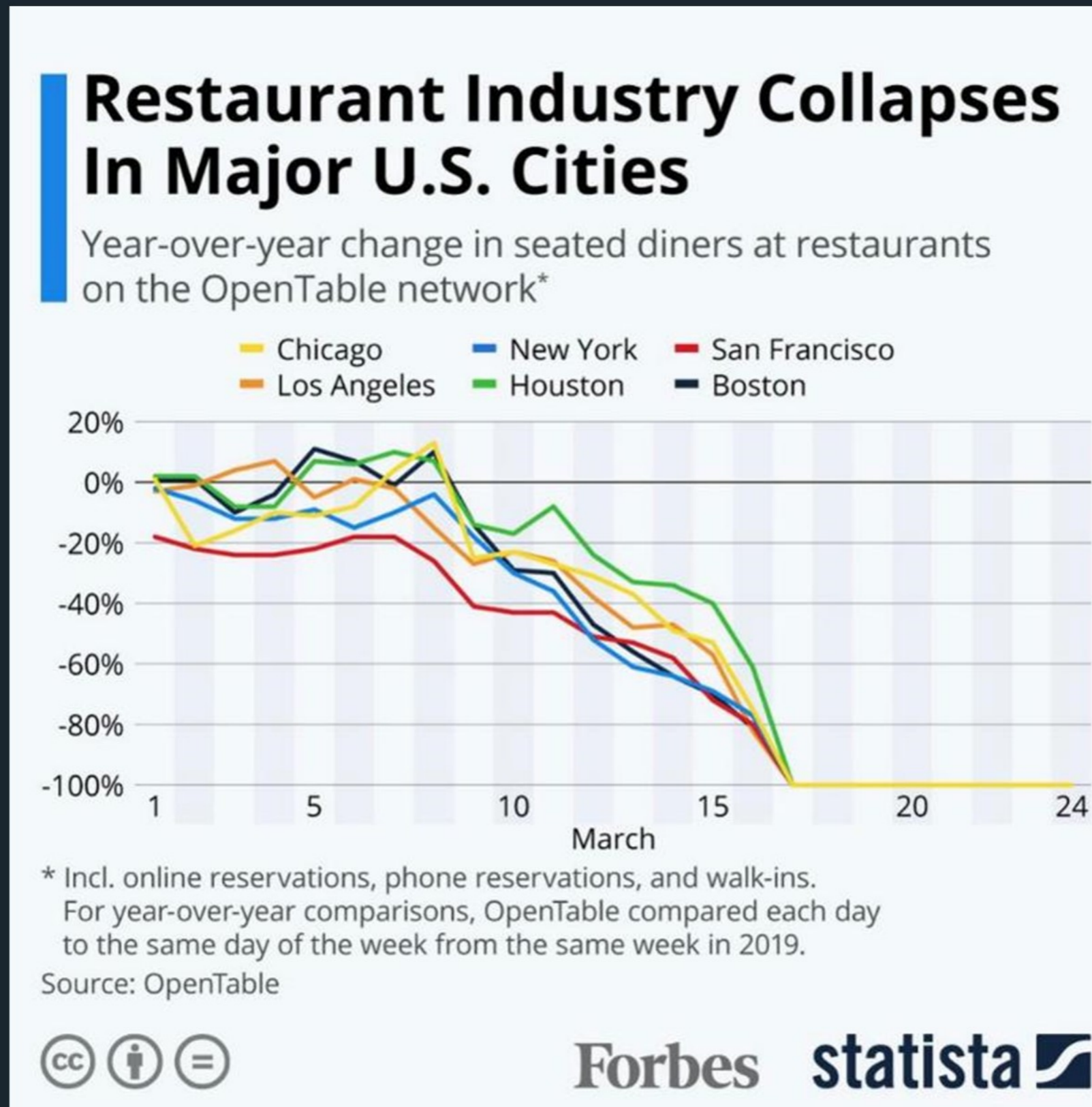
COVID-19 Layoffs Surge Nationwide, Overwhelming Unemployment Offices

Massive Wave of Unemployment on a Scale Unseen Since Great Recession

INDUSTRIES IMPACTED:

18%
HOUSEHOLDS
IMPACTED BY LAYOFFS
OR
REDUCED HRS¹

18M+
JOBS
IN IMPACTED
AMERICAN INDUSTRIES²



- ✓ Hospitality
- ✓ Travel & Tourism
- ✓ Retail Chains
- ✓ Small Businesses
- ✓ Mall Operators
- ✓ Oil Producers
- ✓ Car Producers
- ✓ Ride Share
- ✓ Theme Parks
- ✓ Gambling Destinations
- ✓ Hotels, Motels & Resorts
- ✓ Restaurant Chains
- ✓ Cruise Lines
- ✓ Spectator Sports
- ✓ Performing Arts
- ✓ ... and many more

Sources:

1) NPR/Marist Poll, Coronavirus Layoffs, Mar 2020.

2) Washington Post, With Unprecedented Force And Speed, A Global Recession Is Likely Taking Hold, Mar 2020.

The Fed: Brace Yourselves for Q2

Policy is Needed Now to Curb Further Losses



Unemployment in the US could rocket to 30% next quarter as coronavirus rages, and gross domestic product could plunge 50%. This is a planned, organized, partial shutdown of the US economy in the second quarter. It is a huge shock and we are trying to cope with it and keep it under control."

— *James Bullard, President & CEO*



Likely Scenarios: The Road(s) Ahead



SCENARIO 1:

Containment and care only

No nationwide quarantine, local only

No nationwide lockdown measures
People still travel

40-70% of the US population become infected over the next 12-18 months

With 1.5% mortality rate
2.4M Americans die. After that, the U.S. will start to see herd immunity



SCENARIO 2

Within a week, U.S. starts putting large percentage of population centers **in quarantine**

Quarantine likely to be **similar to Italy's**
- people won't be allowed to travel, but allowed to get groceries & visit pharmacies

Witness a **drop in the infection rate** similar to China, Hong Kong and Italy

Extrapolating death rates, U.S. ends up with 200,000 infections and **3,000 to 4,000 deaths**

Likely Scenarios: Economic Impacts



SCENARIO 1:

Deepest Depression
we've ever seen, including 1929

All real estate will become **illiquid**

In 2020, **Dow Jones** will likely
drop well **below 10,000 points**



SCENARIO 2

Sharp recession in Q2/Q3 with
economy bouncing back in Q4

Real estate is likely to benefit from ultra low
rates and we could see **a boom in 2021**

In 2020, we are likely to see **price declines**
due to negative investor sentiment

?



?

What Will It Be, Trump?



CAPTAIN CONGRESS TO THE RESCUE:
\$2 Trillion Stimulus or Survival Payments?

\$2T: Largest Emergency Aid Package In US History



DIRECT PAYMENTS TO CITIZENS



- ✓ \$250 Billion for Individuals and Families (low-mid income)
- ✓ \$1,200 singles, \$2,400 married couples
- ✓ Families to receive \$500 per child aged <17
- ✓ Not eligible: Singles >\$99K & Couples >\$198K without children

LENDING PROGRAM



- ✓ \$500 billion for distressed companies including hotels, airlines, cruise lines, national security businesses and more
- ✓ \$350 billion in small business loans if they keep workers
- ✓ \$150 billion for states and municipalities
- ✓ Trump, family and businesses not eligible for assistance
- ✓ Student loans deferred for 6 months, interest waived

FORECLOSURES & EVICTION PROTECTION



- ✓ Mortgages: 60-day forbearance, up to 4x30 day extensions
- ✓ Multifamily: 30-day forbearance, up to 2x30-day extensions
- ✓ No evictions or fees for failure to pay rent for 120-days

UNEMPLOYMENT INSURANCE



- ✓ Four months of expanded jobless benefits (self-employed and gig workers included). States to pay immediately, no one-week delay

EMERGENCY & HOSPITAL FUNDING



- ✓ \$200 billion for vaccine development, CDC, VA, FEMA, airports, PTER, NSS, etc.
- ✓ \$100 billion in public health funding for hospitals

Note: Amounts subject to change and approval.

Source: CNN, What's In The \$2 Trillion Coronavirus Stimulus Bill, Mar 2020.

Breakdown: Bigger than a Wall-Street Bailout



A Wartime Level of Investment For Our Nation

\$350B

SMALL BUSINESS
LOAN SUPPORT

\$250B

DIRECT PAYMENTS
TO CITIZENS

\$250B

UNEMPLOYMENT
INSURANCE
(4 MONTHS)

\$500B

DISTRESSED COMPANY
LOANS

\$150B

STATE & LOCAL
GOVERNMENTS

\$200B

EMERGENCY
SUPPLEMENTAL
FUNDING

\$100B

PUBLIC HEALTH
FUNDING

6 MTH

DEFERRAL FOR
STUDENT LOANS

Note: Amounts subject to change and approval.

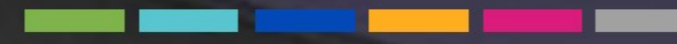
Sources: 1) NBC News, What's In The \$2 Trillion Coronavirus Stimulus Bill, Mar 2020; 2) CNN, Congress On Track To Pass The Largest Emergency Aid Deal In US History, Mar 2020.

Real Estate: How Will Stimulus Impact Us?



- ✔ **Realtors / Brokerages:** Unemployment benefits extended to independent contractors, gig economy workers and self-employed. Eligible for small business or distressed company loans
- ✔ **SF & Multifamily:** Unemployment benefits and one-time payment to ease some tenant strain. Institutional lenders to grant 90 days mortgage forbearance (initial 30 days with up to 2x30-day extensions) to multifamily borrowers that agree not to evict residents impacted by COVID-19. However, during forbearance period, landlords may not evict or charge renters a late fee if they can show they've been financially impacted with exceptions for property damage, criminal activity or endangering resident safety
- ✔ **Student Housing:** Loans delayed for 6 months, grants stay intact, students remain eligible for grants. Colleges & Universities stay afloat
- ✔ **Retail / Office / Industrial / Hospitality:** Small businesses & distressed companies keep employees on payroll, continue paying obligations
- ✔ **Home Sellers / Buyers:** Housing market confidence restored "somewhat"
- ✔ **Self-Storage:** Unchanged as this class is relatively recession resistant. Units still needed regardless
- ✔ Other beneficiaries include: REITs, homebuilders, etc.

Rents: Some Comfort, Better Than Nothing



Small businesses will be able to make payroll without losing their employees under this program so that their continuity is insured. This should **give landlords some comfort that their tenants will be able to pay rent eventually, if not immediately.**"

— *Jeff Friedman, Partner*

HALL
ESTILL
ATTORNEYS AT LAW

Landlords Worried: Will April 1 Rent Checks Show Up?



We have seven days until rent is due, seven days to **see how many landlords receive rent**. The stimulus doesn't do much to answer the question for commercial lenders or borrowers."

— *Craig Price, Real Estate Transactional Attorney*



Belkin Burden Wenig & Goldman, LLP
ATTORNEYS AT LAW

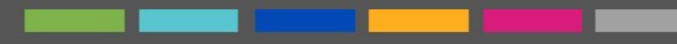
Property Taxes: Not Postponed



The biggest item here is property taxes, which **state and city governments have foolishly decided not to postpone**. With that heavy of an expense load and no revenue coming in, landlords will go under—doesn't even matter if their mortgage is deferred for three months."

— *The Real Estate God, Twitter*
@TheRealEstateG6, 7.7K Followers

Rent Strikes: A Real Possibility



If renters don't feel heard and instead feel marginalized or ignored, **they may go the way of a rent strike to make themselves heard.** That can be avoided through empathetic, communicative management that gets ahead of the problem and works with the tenants to come up with proactive solutions."

— *Dana Brody, Senior VP* Marcus & Millichap



Rent Strike 2020
@RentStrike2020



As it looks more & more like we're going to have no choice but to call for a national rent strike, we want to make something clear.

Landlords do not earn their wealth.

Tenants work for their money, & have to give it to landlords, or become homeless.

Landlords provide nothing.

♡ 4,603 3:57 PM - Mar 18, 2020



💬 1,471 people are talking about this



Stimulus: Insufficient and Incomplete



Any stimulus needs to be significant enough so that tenants can afford living necessities and pay their rents. **More should be done to ease payments on mortgages.** The government has already shown they have the ability to work with banks like [it did with] Fannie and Freddie to waive mortgage payments, and help [owners] work with tenants.”

— *Jay Martin, Executive Director of Community Housing Improvement Program (CHIP)*



Trump: Economy Valued Above Human Life?

“We Can’t Let the Cure Be Worse Than The Problem”



I would love to have the country **opened up and raring to go by Easter**... You’re going to lose more people by putting a country into a massive recession or depression. We tolerate those horrific fatalities without shutting down the economy. **The faster we go back, the better it’s going to be.”**

— *Donald Trump, President of the United States*



Saving Lives: Must Take Priority

Governor From Trump's Own Party Favors Lives Over Returning Economy To Full Force



When people are dying and people don't feel safe, the economy is not going to come back. Protecting people and protecting the economy are not mutually exclusive. The fact is, **we save our economy by first saving lives.** And we have to do it in that order."

— *Mike DeWine, Governor of Ohio*



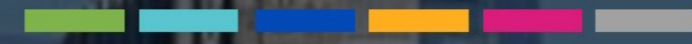
Economic Focus: No Middle Ground



It's very tough to say to people: 'Hey, keep going to restaurants, go buy new houses, **ignore that pile of bodies** over in the corner. We want you to keep spending because there's maybe a politician who thinks **GDP growth is all that counts.**'

— *Bill Gates, Co-Founder*  Microsoft

Economy Vs. COVID-19: Is A One-Time Hit Better?

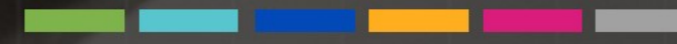


If you reopen the economy prior to the termination of the virus, you're creating a **better probability of second and third waves that shut the economy again**. The US is better off taking a one-time hit."

— *Joe Brusuelas, Chief Economist*



Health Experts: Re-Opening U.S. Now Could Kill Millions



To be a week into these restrictions and already be talking about abandoning them is **irresponsible and dangerous**. Removing restrictions now would allow the virus to spread widely, rapidly, terribly, and could **kill potentially millions** in the year ahead with **huge social and economic impact.**"

— *Tom Inglesby, Director*



JOHNS HOPKINS
BLOOMBERG SCHOOL
of PUBLIC HEALTH

Center for
Health Security

Worse Than Lockdown: A Massive Gamble



If the president decides to go 180 on us and open by Easter, that is the **prescription for a depression**. If people are panicked because hospitals are overflowing and loved ones are dying, the hit to the economy will be even **worse than if we remain in lockdown**. It's a massive gamble."

— *Mark Zandi, Chief Economist*

MOODY'S
ANALYTICS



REAL ESTATE: A MARKET DIVIDED



Yardi® Matrix

CBRE

Marcus & Millichap

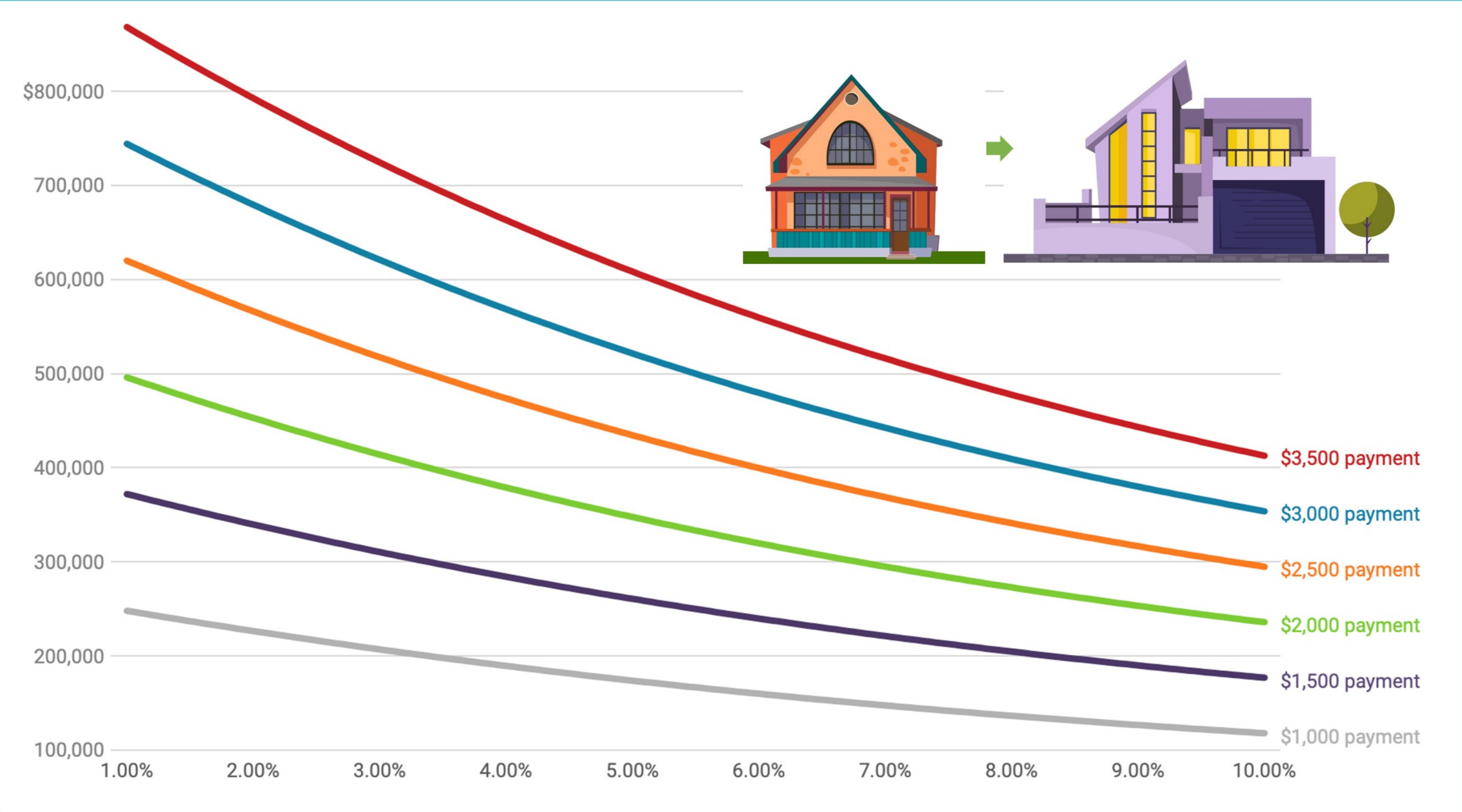
Goldman Sachs

 Green Street Advisors

Lower Mortgage Rates Give Homebuyers a Boost

Fed Emergency Cuts & Stimulus Puts the COVID-19 Effect at a Similar Level to GFC 2008

How Much Home Can Buyers Afford as Mortgage Rates Change?



- ✓ Despite negative COVID-19 impacts, historically low rates can offer some positive news
- ✓ This chart shows the home price you could afford for different monthly payment amounts, based on the mortgage interest rate

Assumes 20% down, 30-year mortgage, 1.25% property tax rate, 0.5% homeowners insurance rate & no HOA dues

Source: Redfin, Mortgage Rates Driven to Historic Lows by the Coronavirus Amp Up Homebuyer Purchasing Power, Mar 2020.

Not Enough to Bolster Housing Market



Low rates and tight housing inventory will not be enough to shelter the housing industry from what are likely material, but still highly uncertain, impacts from the coronavirus pandemic."

— *Scott Volling, Principal, Atlanta GA*

pwc



CBRE

Rapidly Evolving COVID-19 Conditions Weighs on Markets

MARCH 2020

- ✓ Property market fundamentals on firm footing
- ✓ Negative GDP growth in Q2 (est. 1.3% full-year growth) with risks biased to downside
- ✓ Property values & activity will take **short-term hit**



Hotels:

Expected to suffer a 20% drop in revenue, with additional downward revisions likely



Multifamily:

Structural shifts in demand remain favorable for the sector



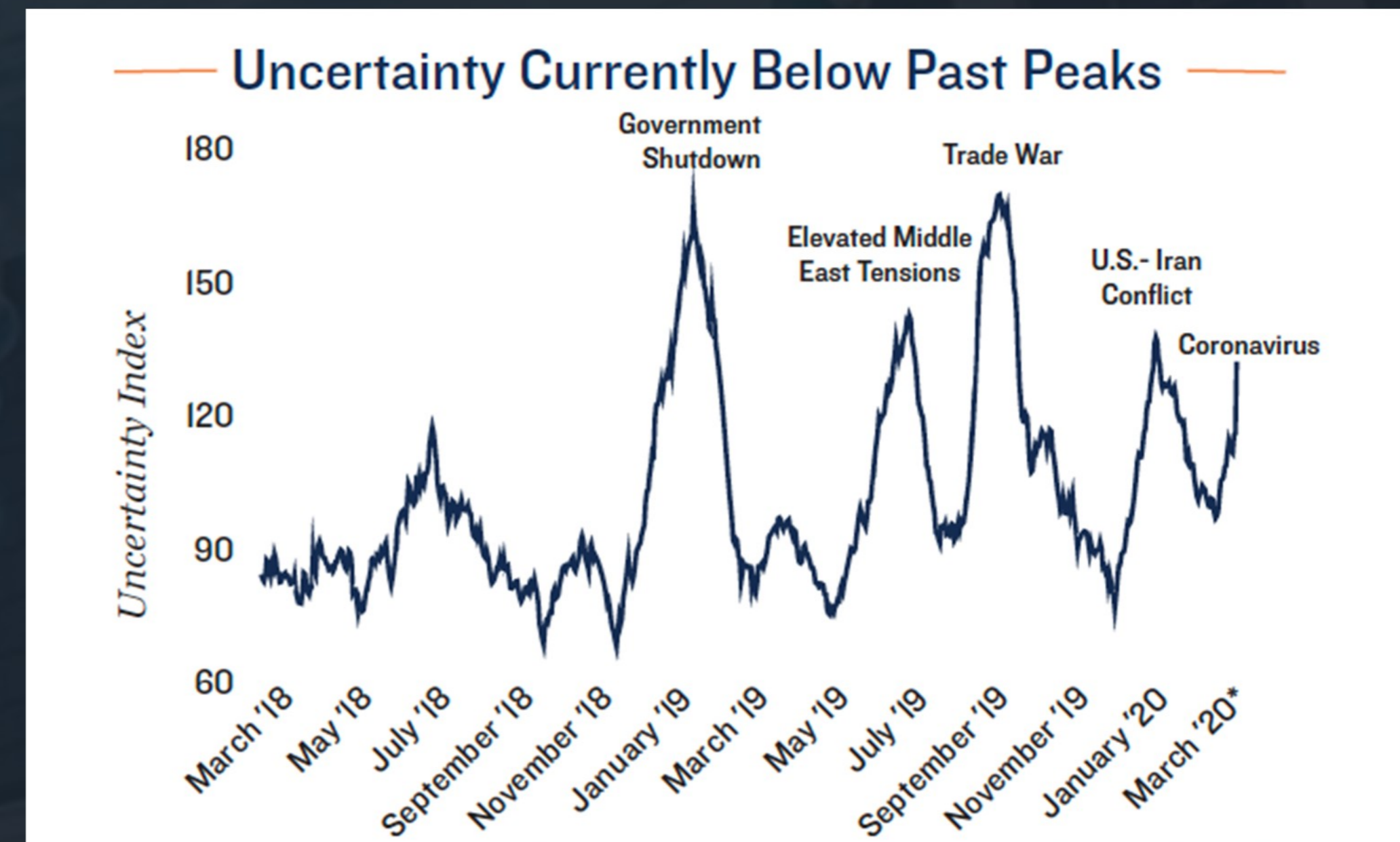
Marcus & Millichap

Sturdy Economy To Withstand COVID-19 Headwinds



MARCH 2020

- ✔ Sound fundamentals support steady performance assuming worst-case pandemic scenario
- ✔ Markets expected to stabilize over 3-6 months
- ✔ Barring a major economic disruption, commercial real estate yields and investment activity to remain stable.





Yardi[®] Matrix

COVID-19 Likely to Cause Technical Recession

FEBRUARY 2020

- ✓ It seems inevitable that the U.S. economy will experience a technical recession
- ✓ We expect COVID-19 impacts to last 3-6 months, before a steady recovery boosts the economy once again
- ✓ Multifamily remains well-capitalized and strong enough to weather a modest slowdown
- ✓ Owners and operators may face short-term rent collection issues if there is a tightening in the employment market
- ✓ Flexibility with impacted tenants may be required
- ✓ Value-add projects will likely slow
- ✓ Most investors poised to sustain operations, and may see an investment opportunity for owners with ample cash available as market shocks continue



CALIFORNIA
ASSOCIATION
OF REALTORS®

Top COVID-19 Impacts Expected For The Housing Market



MARCH 2020

Eventual Rebound Will Take Longer Than It Did With SARS in 2000

- ✓ Unlike COVID-19, SARS did not have significant impacts on consumer spending or domestic financial markets
- ✓ The size of the impacted population and the death toll is also much larger with COVID-19, which suggests that the eventual recovery will play out over a longer period of time
- ✓ Lower rates will help to offset some of the headwinds in the housing market
- ✓ New home construction could slow further, exacerbating already-tight supply

Realtors: Still Not Worried

But Will COVID-19 Impact Sales, Prices and Time On The Market?

60%
HOME SELLERS
MAKING CHANGES
TO SHOWINGS

About 40% of home sales each year happen from March to

- ✓ 61% of Realtors said sellers had no interest in removing listings
- ✓ 16% said sellers are taking steps to stop marketing homes
- ✓ Reduction in physical open house traffic (48% drop)
- ✓ Greet with hand sanitizers, not a warm handshake
- ✓ Selling homes without hosting an open house has more appeal than ever: **video and virtual tours**
- ✓ Customers can now see, bid, sign and close virtually
- ✓ Roofstock traffic from Asian investors rose 500%
- ✓ Instant homebuying (Zillow, iBuyer, OpenDoor, Roofstock) to benefit

Home Sellers vs. Buyers



A Shift In Real Estate Market Participant Behaviors

SELLERS

- ✓ **Reluctant to list homes** fearing falling prices and strangers in their homes
- ✓ NAR reported that 1 in 4 sellers nationwide are changing how their homes are shown. Requiring:
 - ✓ Prospective buyers to wash their hands;
 - ✓ Use hand sanitizer,
 - ✓ Asking buyers to remove their shoes

HOME BUYERS

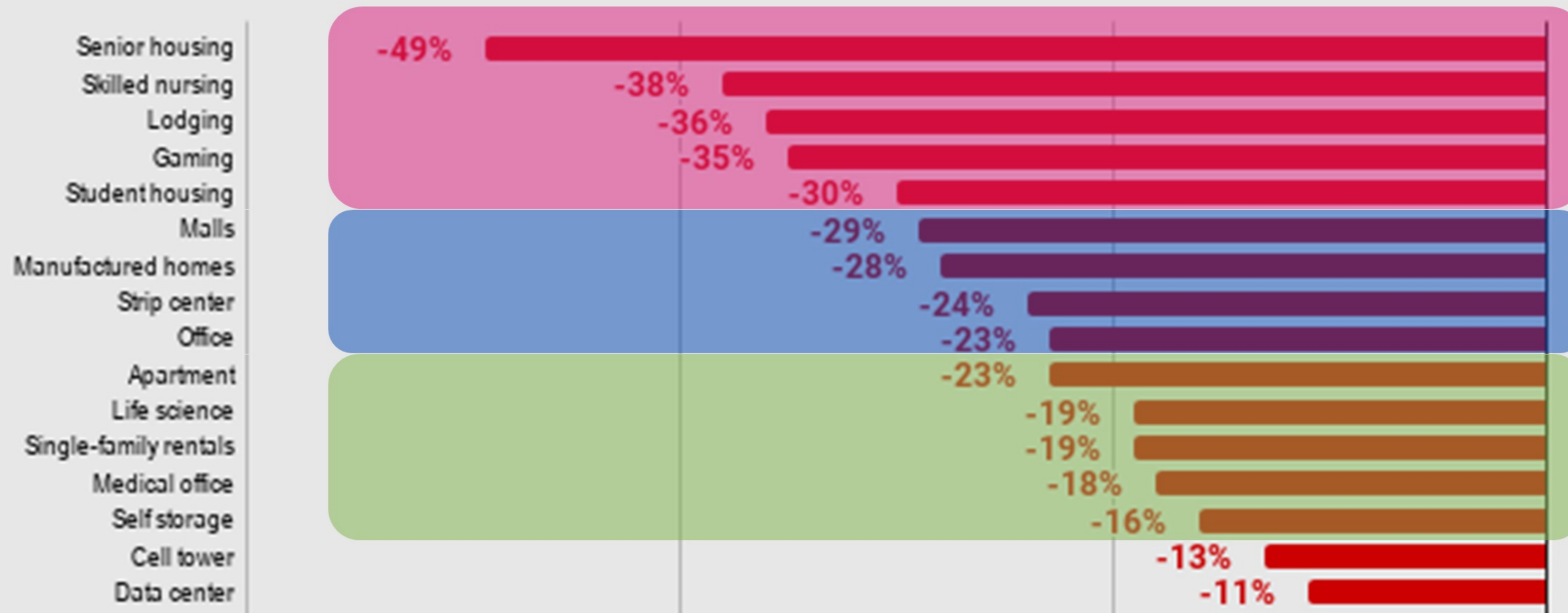
- ✓ **48% decline in buyer interest**, citing stock market correction as major influence
- ✓ Would-be buyers **postponing decisions** fearing further depreciation and financial instability
- ✓ **Afraid to physically go to open homes.** Resorting to video tours and 3D virtual reality tours

REIT Share Prices Hammered 35% Since COVID-19

Translating to 24% Drop in Property Values

How coronavirus hit commercial real estate

Estimated value declines by property niche since Feb. 21



The Biggest Losers?
Real estate dedicated to travel and to caring for the elderly

Hard hit
Malls, strip malls, student housing and offices

Least affected
Self-Storage, medical offices, Single family, Apartments not as hard hit



STUNNING IMPACT ON HOTELS & AIRBNB

WYNDHAM
HOTELS & RESORTS™

Wynn LAS VEGAS

Sands
LAS VEGAS SANDS CORP.


Hilton
HOTELS & RESORTS

 **airbnb**

AND MORE