

Presented By:

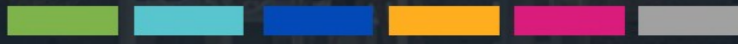


NEAL BAWA  
Grocapitus & MultifamilyU



Multifamily University

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



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

## COVID-19: Worldwide Events

A timeline that shows the progression of this black swan event



## UCSF BioHub: Key Findings

Key insights into COVID-19, what industry experts know and don't know



## What's Happening In the U.S.?

A timeline showcasing America's response to COVID-19 to date



## Impact on Your Life: Full Lockdown or Not?

We show you what the numbers are telling us



## Real Estate: A Market Divided

Deep dive into impact to all sectors of real estate



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

Two Paths Lead to  
Two Very Different  
Outcomes for the U.S.

## Impact on Hotels, Airbnb & Stocks:

Let's look at damage to  
these markets

## Asset Management: Protect your communities and investors

The best practices that  
industry experts are  
implementing



## Stock Market: Winners & Losers

We list companies that  
will thrive and dive

# COVID-19 Timeline: Worldwide Events

A Black Swan Event that Shocked the World



**DEC 31**

Chinese authorities treated dozens of cases of pneumonia of unknown cause



**JAN 20**

Other countries, including the U.S., confirmed cases



**JAN 30**

The W.H.O. declared a global health emergency



**FEB 2**

The first coronavirus death was reported outside China



**FEB 7**

A Chinese doctor who tried to raise the alarm died

**JAN 11**

China reported its first death



**JAN 23**

Wuhan, a city of more than 11 million, was cut off by Chinese authorities



**JAN 31**

The Trump admin restricted travel from China



**FEB 5**

A cruise ship in Japan quarantined thousands





# COVID-19 Timeline: Outbreak Evolves



## China Serves As a Warning to the Rest of the World



**FEB 10**

The death toll in China surpasses the number SARS killed worldwide



**FEB 14**

France announces the first coronavirus death in Europe



**FEB 21**

The virus appears in Iran from unknown source



**FEB 24**

Trump administration asks Congress for \$1.25 billion for coronavirus response



**FEB 28**

The number of European infections spike

**FEB 13**

More than 14,000 new cases in Hubei Province, China



**FEB 21**

A secretive church is linked to outbreak in South Korea



**FEB 23**

Italy sees major surge in coronavirus cases and officials lock down towns



**FEB 26**

Latin America reports its first coronavirus case



# What's Happening in the U.S?

## America's Response to the COVID-19



**FEB 25**

CDC recommends preparing for severe disruptions



**MAR 3**

U.S. officials approve widespread coronavirus testing



**MAR 10**

Widespread cancellations occur, colleges/schools begin shutting down



**MAR 11**

Trump addresses the nation, announcing further restrictions including barring travel from Europe



**MAR 13**

Trump declares National Emergency and supports \$50Bn relief bill

**FEB 29**

U.S. records its first coronavirus death and announces travel restrictions to specific areas of Italy, South Korea, and Iran



**MAR 8**

Public health labs in 50 states using COVID-19 diagnostic tests



**MAR 11**

The W.H.O. declared COVID-19 as a pandemic



**MAR 12**

16 states closed schools over coronavirus concerns



**MAR 17**

Treasury asks Congress for \$1 Trillion bailout



**TODAY**

WHAT'S NEXT

# UCSF BioHub Panel on COVID-19



Panelists: March 10, 2020



University of California  
San Francisco



Joe DeRisi

*UCSF's top infectious  
disease researcher*

*Co-President of  
ChanZuckerberg BioHub  
(CSF / Berkeley / Stanford)*

*Co-inventor of the chip  
used in SARS epidemic*



Emily Crawford

*COVID task force director  
Diagnostics*



Cristina Tato

*Rapid Response Director  
Immunologist*



Patrick Ayescue

*Leading outbreak  
response and surveillance  
Epidemiologist*



Chaz Langelier

*UCSF Infectious  
Disease doctor*

# Key Finding 1: The U.S. is Past Containment

Taking Action A Little Too Late

COVID-19 CASES



40,855

DEATHS



483

RECOVERIES



187

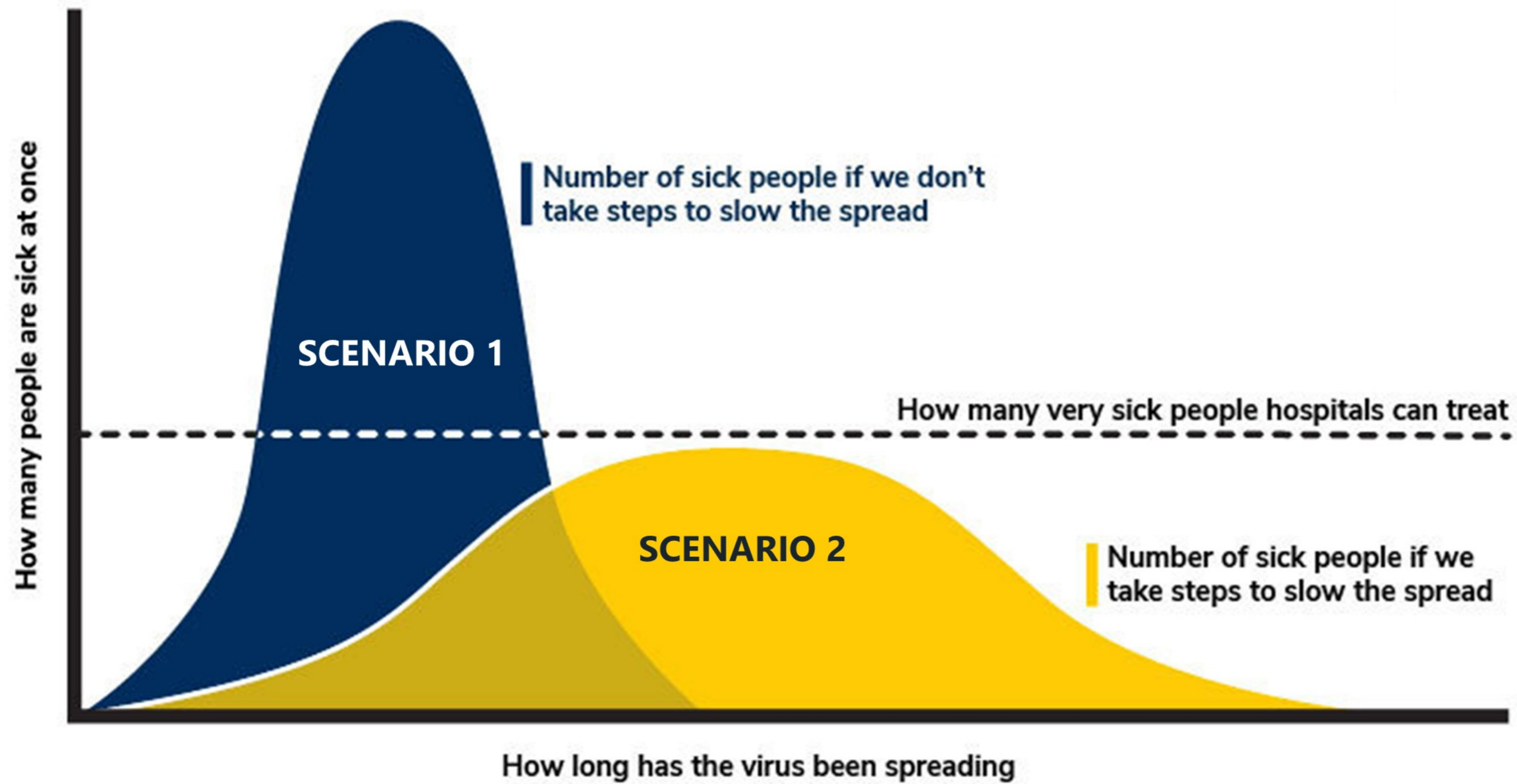
**“CONTAINMENT IS BASICALLY FUTILE”**

- ✓ Containment: Travel restrictions, ban large gatherings, school shutdowns, etc
- ✓ Our containment efforts won't reduce the number of infections in the U.S. as much as we think they will
- ✓ Now, we 're just trying to slow the spread, to help healthcare providers deal with the demand peak.

# Key Finding 2: Flattening the Curve?

Why Social Distancing Amid COVID-19 Pandemic is Necessary, but Insufficient

## GOAL OF CONTAINMENT



## What Will This Achieve?

- ✓ Lower the peak of the demand surge that will hit healthcare providers



- ✓ Buy time, in hopes a drug can be developed



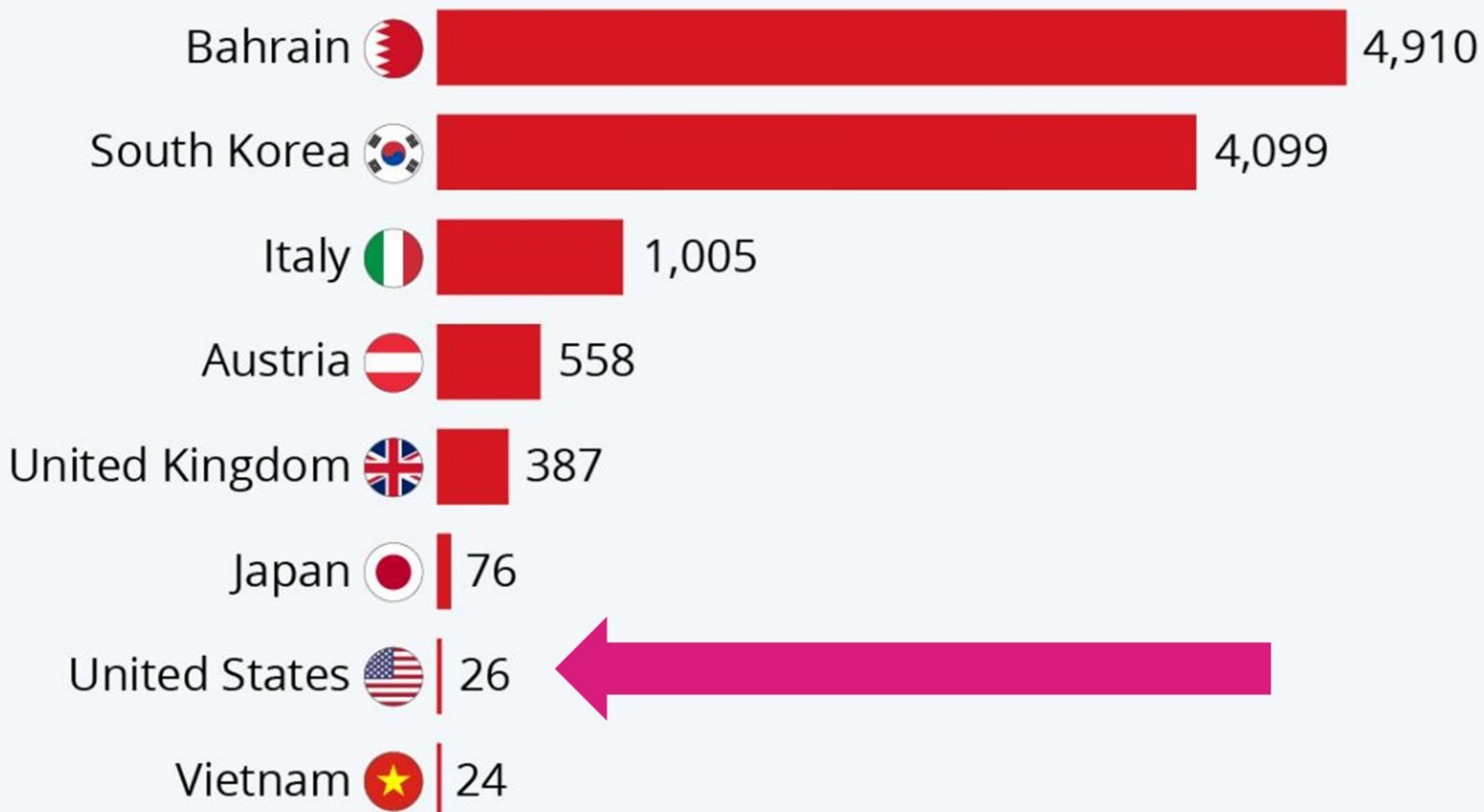
**INSUFFICIENT**

# Key Finding 3: Latecomer in COVID-19 Testing

The U.S. Is Lagging Behind the Rest of the World

No. of COVID-19 Tests Performed per Million of Population (March 11, 2020)

U.S. SOON TO MIMIC ITALIAN CATASTROPHE

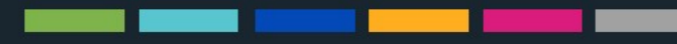


- ✓ We are transitioning from containment to care
- ✓ How many in the community already have the virus? No one knows, **community transmission remains undetected**
- ✓ U.S. is currently where Italy was a week ago. Projections suggest COVID-19 is on track to spike in the U.S.
- ✓ If cases more than double every week (as they appear to be doing in Italy), we will soon be facing our own crisis
- ✓ Italy & China used lockdowns to slow infections... could we?

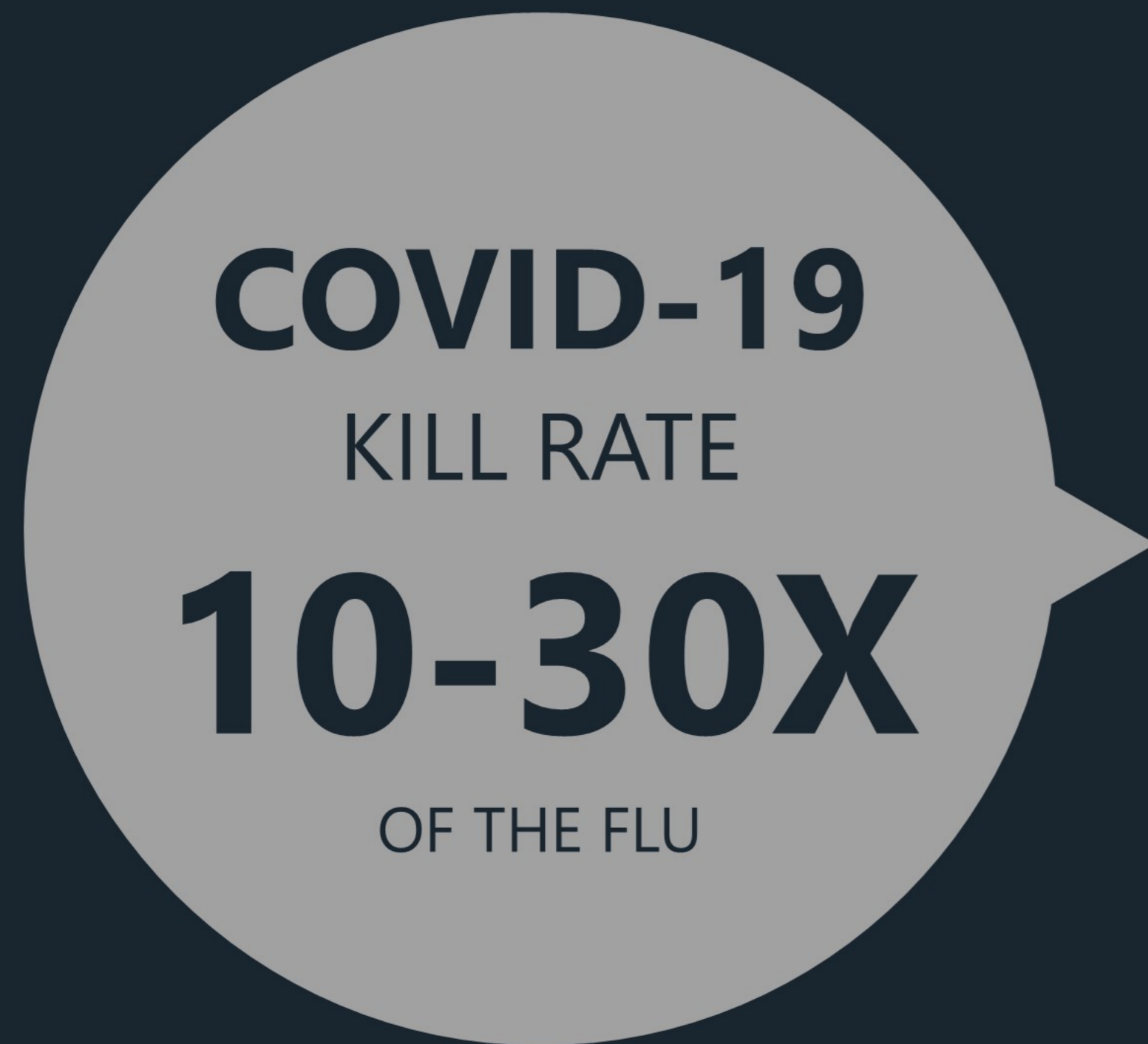
Source: Respective governments via Worldometer



# Key Finding 4: This is not the Flu !!



Calling it the Flu and trying to downplay the impact will end up costing thousands of lives



# Key Finding 5: No Children or Infant Deaths

— — — — —  
Danger Increases With Age



THE ANSWER IS SOMEWHAT REASSURING FOR OUR CHILDREN

- ✓ If COVID-19 affected children, we would see mass departures of families from cities
- ✓ Thankfully, data shows **kids & infants tolerate COVID-19 better** than other age groups
- ✓ Children infected by COVID-19 typically have **milder symptoms – or none at all**
- ✓ **School closures** are one of the biggest societal impacts, especially elementary schools due to knock-on effects
- ✓ If elementary kids aren't in school, some hospital staff can't come to work, which **decreases hospital capacity** at a time of surging demand for hospital services

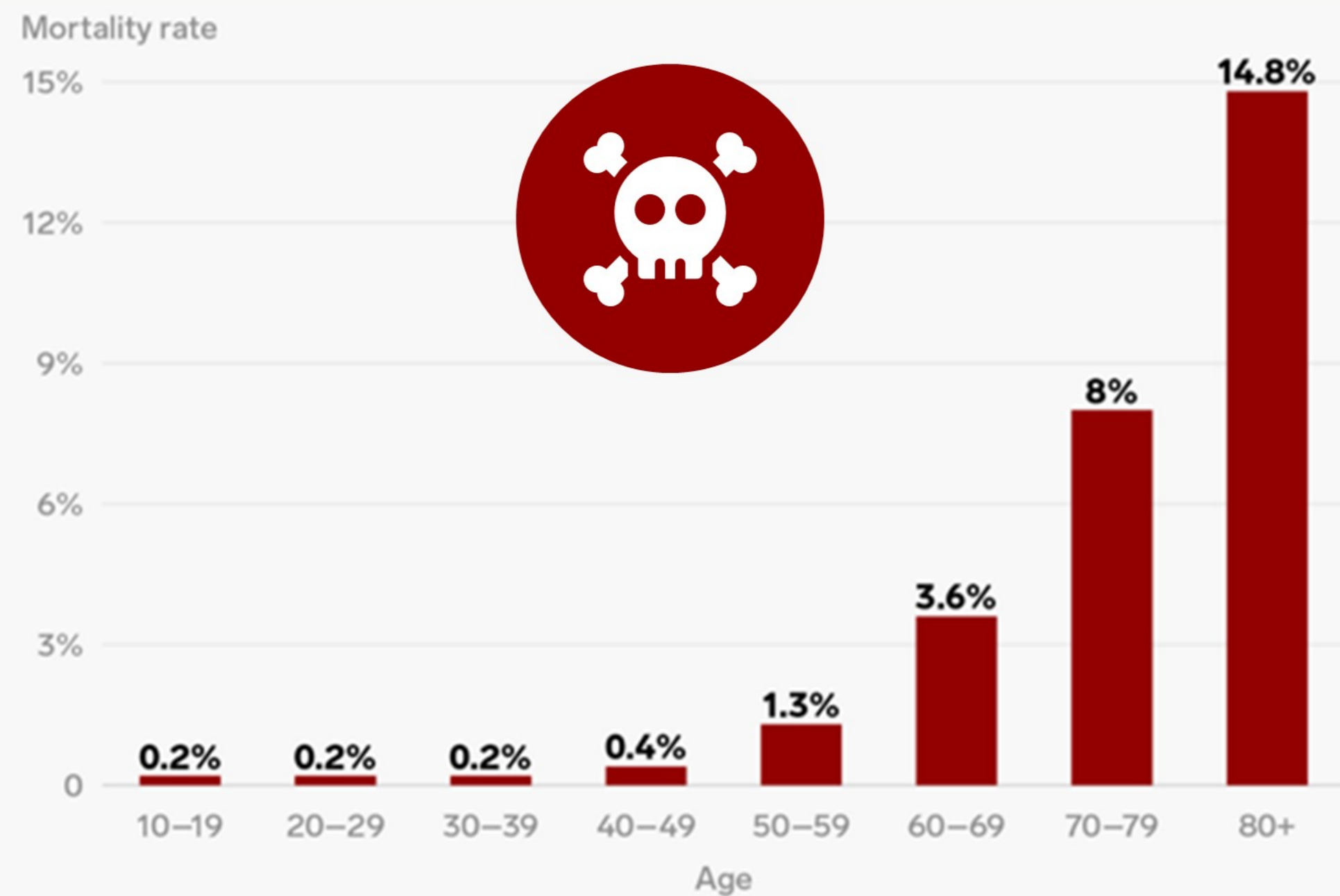


# Key Finding 6: Mortality Rate Varies By Age

U.S. Senior Population is in Grave Danger

## COVID-19 Mortality Rate By Age

## IMPACTING BABY BOOMERS & GEN X



Source: Chinese Center for Disease Control and Prevention

BUSINESS INSIDER

- ✓ Those aged 60+ most at risk
- ✓ Over age 80, the mortality rate could be 10-15%



~50% Patients Admitted to ICU: Under 65



Via **Cisco** Webex  
Brooklyn, NY  
6:13 AM ET

TONIGHT ON CNN  
A CNN GLOBAL TOWN HALL  
HOSTED BY ANDERSON COOPER & DR. SANJAY GUPTA

**CORONAVIRUS PANDEMIC**  
**SEVERE SHORTAGE OF PROTECTIVE GEAR, VENTILATORS & HOSPITAL STAFF**  
Dr. Rodrigo Kong | Medical Dir., Patient Safety Inst. of Staten Island Univ. Hospital

RIGHT NOW CHICAGO 41° DETROIT 39° HOUSTON 75°

NEW DAY

A photograph of three men 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, partially obscured by a semi-transparent dark overlay. A horizontal line with colored segments (green, cyan, blue, orange, pink, grey) is positioned above the text.

IMPACT ON YOUR LIFE:  
FULL LOCKDOWN OR NOT?

# Worldwide Infection Dashboard



The Latest Numbers as at March 22, 2020

COUNTRY

INFECTION COUNT

AVERAGE 5-DAY GROWTH RATE



USA

33,546

40%



ITALY

59,138

13%



SPAIN

28,768

20%



SOUTH KOREA

8,897

1%



IRAN

21,638

6%



UNITED KINGDOM

5,683

24%



GERMANY

24,873

22%



FRANCE

16,018

16%



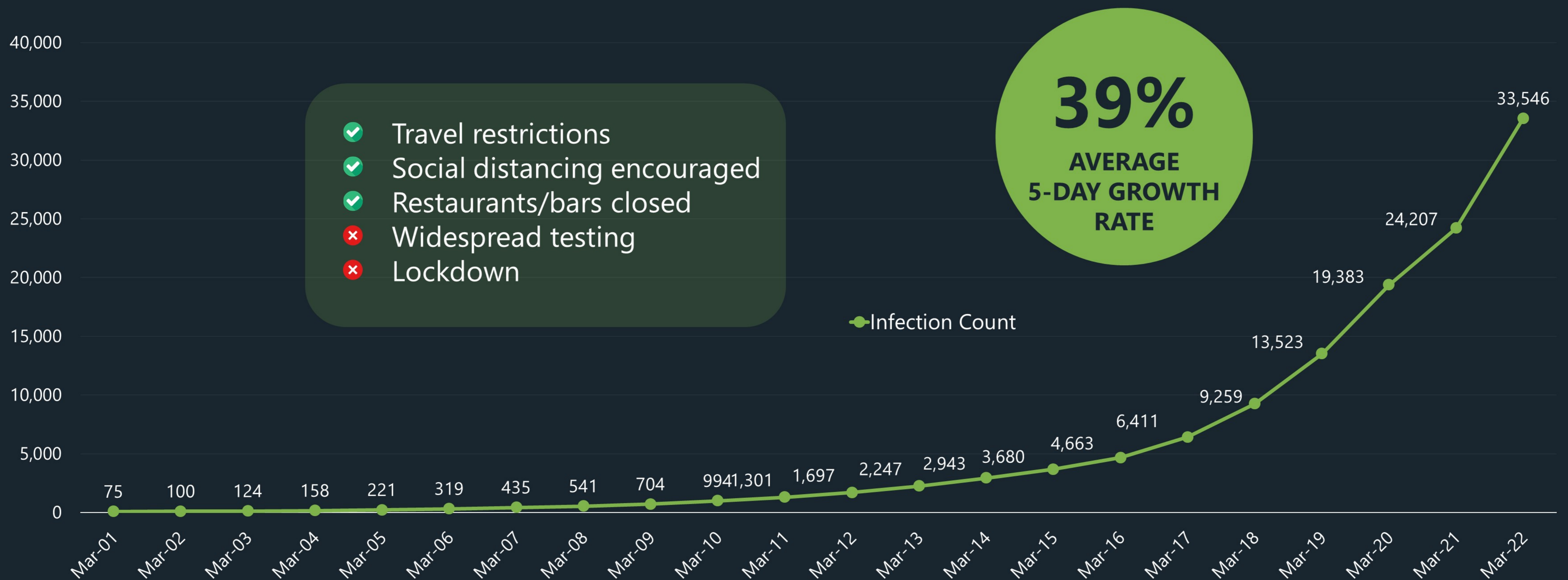
CHINA

81,093

0.05%

# The U.S: Infections Rising at 39% on Average

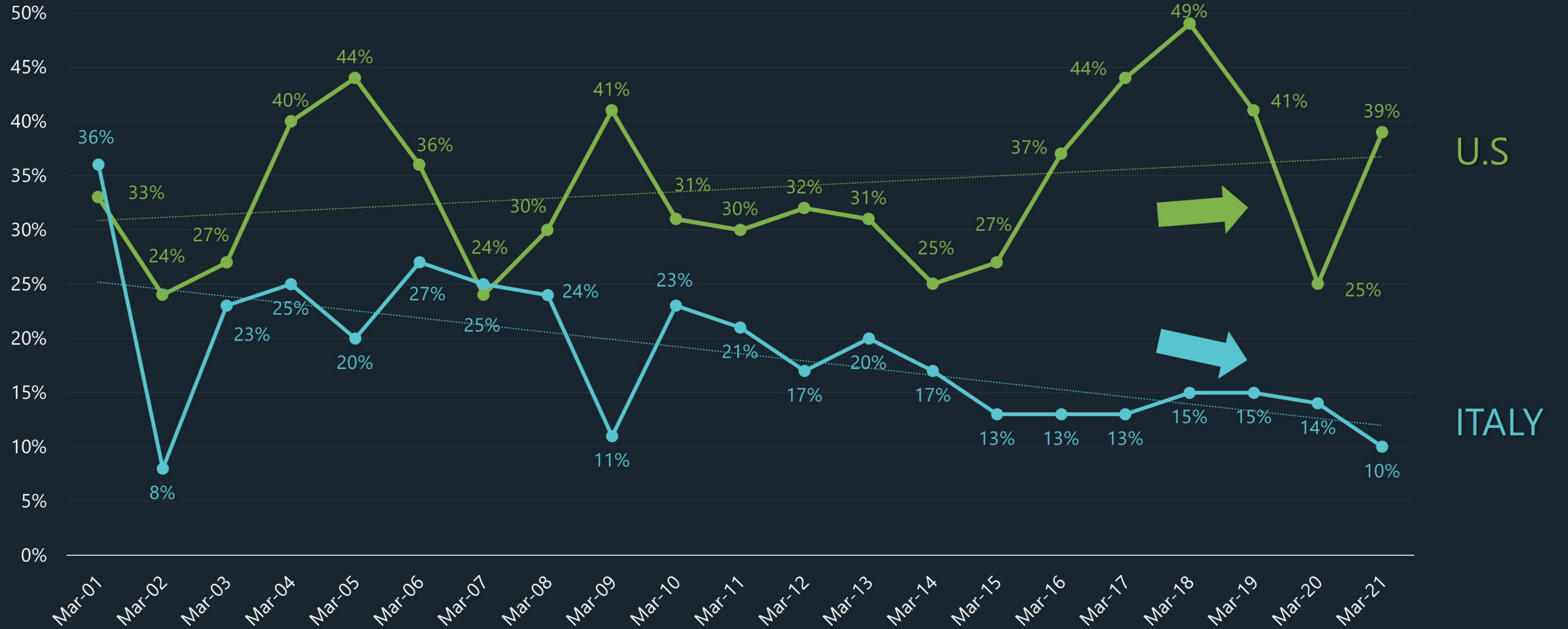
Infections Growing at an Exponential Rate with No Signs of Stopping



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



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



A 3D red arrow pointing downwards, set against a background of a stylized city skyline and a grid floor. The arrow is thick and has a slight shadow, suggesting depth. The background features a dark blue and green color palette with a grid of glowing lines on the floor and a city skyline of various skyscrapers in the distance. A horizontal line with colored segments (yellow, blue, orange, pink, grey) is positioned above the text.

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 GDP<sup>1</sup>

Morgan Stanley

**-30%**

Q2 GDP<sup>2</sup>

Goldman Sachs

**9%**

JOBLESS<sup>1</sup>

Morgan Stanley

**12.8%**

JOBLESS<sup>2</sup>

**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.


# Global Recession is Finally Here

Prediction Of One Million Jobs Is Conservative



The odds of a global recession are close to 100% right now. When the job changes in the coming week are counted it could show a loss of as many as 1 million jobs."

— Kevin Hassett,  
Top Economist in Trump Administration

A screenshot of a CNN Newsroom broadcast. On the left, a female anchor is speaking. On the right, a male guest is visible in a video call window. A 'DOW WATCH' box shows market data: -8.87% and -2,055.55 for the Dow Jones Industrial Average (DJI), with a current value of 21,130.07. The broadcast is titled 'CORONAVIRUS PANDEMIC' and 'DOW PLUNGES AFTER FED SLASHES INTEREST RATES TO ZERO'. The time is 7:38 AM PT. The background of the newsroom is visible.

Via Cisco Webex  
Washington  
10:38 AM ET

**DOW WATCH**  
-8.87% -2,055.55  
▼ DJI 21,130.07

**CORONAVIRUS PANDEMIC**  
**DOW PLUNGES AFTER FED SLASHES INTEREST RATES TO ZERO**

**CNN**  
7:38 AM PT  
NEWSROOM



# Layoffs Domino Across the U.S.

COVID-19 Layoffs Surge Nationwide, Overwhelming Unemployment Offices

Layoffs are Just Beginning, and the Forecasts are Bleak

INDUSTRIES IMPACTED:

Massive wave of unemployment on a scale unseen since the Great Recession

**18%**

**HOUSEHOLDS**

IMPACTED BY  
LAYOFFS OR  
REDUCED HRS<sup>1</sup>

**7.4M**

**RESTAURANT  
& BAR JOBS**

IMPACTED

**-56%**

**DINE-IN VISITS**

SEEN IN MARCH  
(OPENTABLE)

- ✓ Hospitality
- ✓ Airlines
- ✓ Retail Chains
- ✓ Small Businesses
- ✓ Mall Operators
- ✓ Oil Producers
- ✓ Car Producers
- ✓ Ride Share
- ✓ Theme Parks
- ✓ Gambling Destinations
- ✓ Hotels, Motels
- ✓ Vacation Rentals
- ✓ Restaurant Chains
- ✓ Cruise Lines
- ✓ Sports Venues
- ✓ ... and many more

Sources:

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

2) CNN Business, Restaurant Shutdowns are Putting Millions of Jobs at Risk, 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?



# REAL ESTATE: A MARKET DIVIDED



Yardi<sup>®</sup> Matrix

**CBRE**

Marcus & Millichap

**Goldman Sachs**

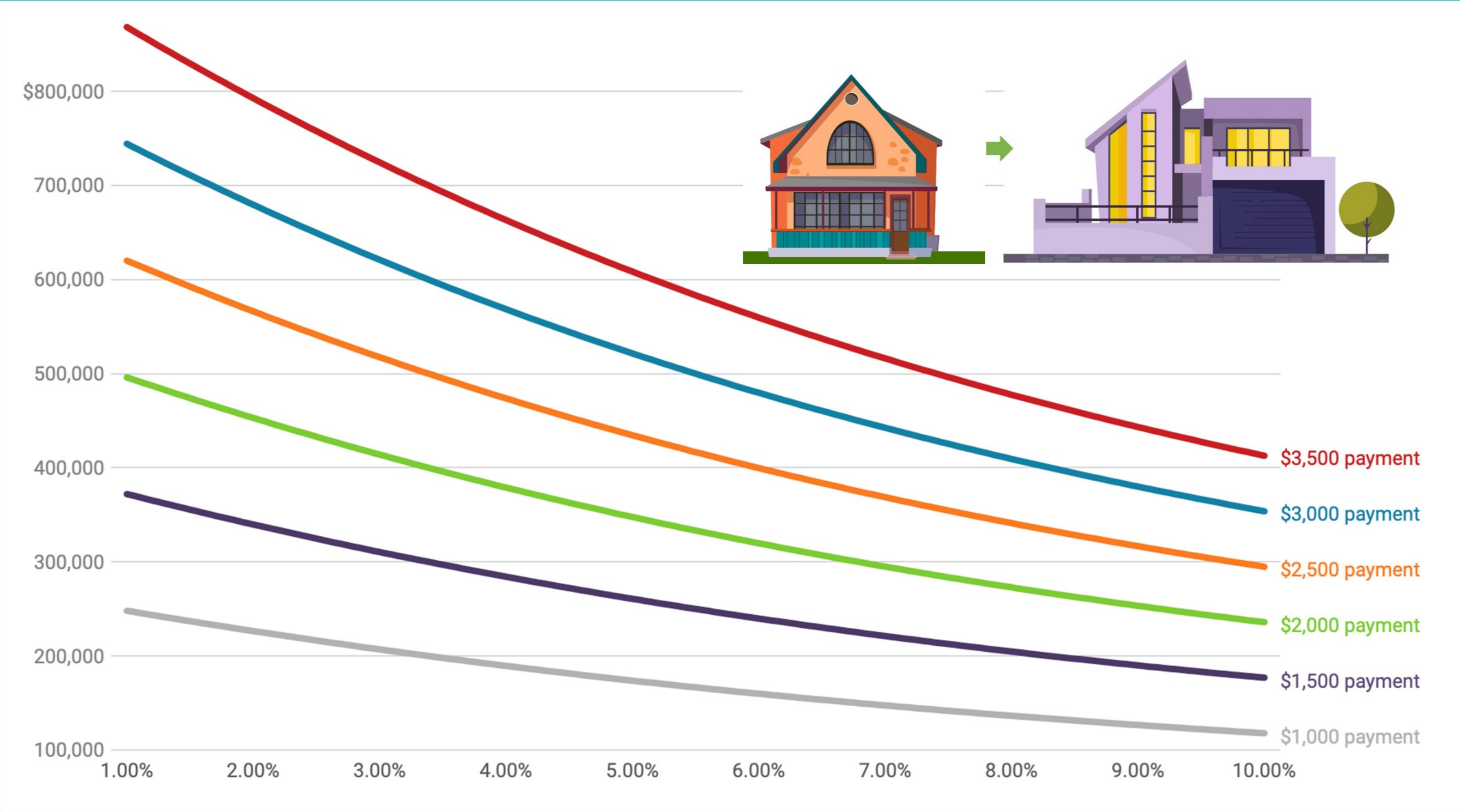
 Green Street Advisors



# 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



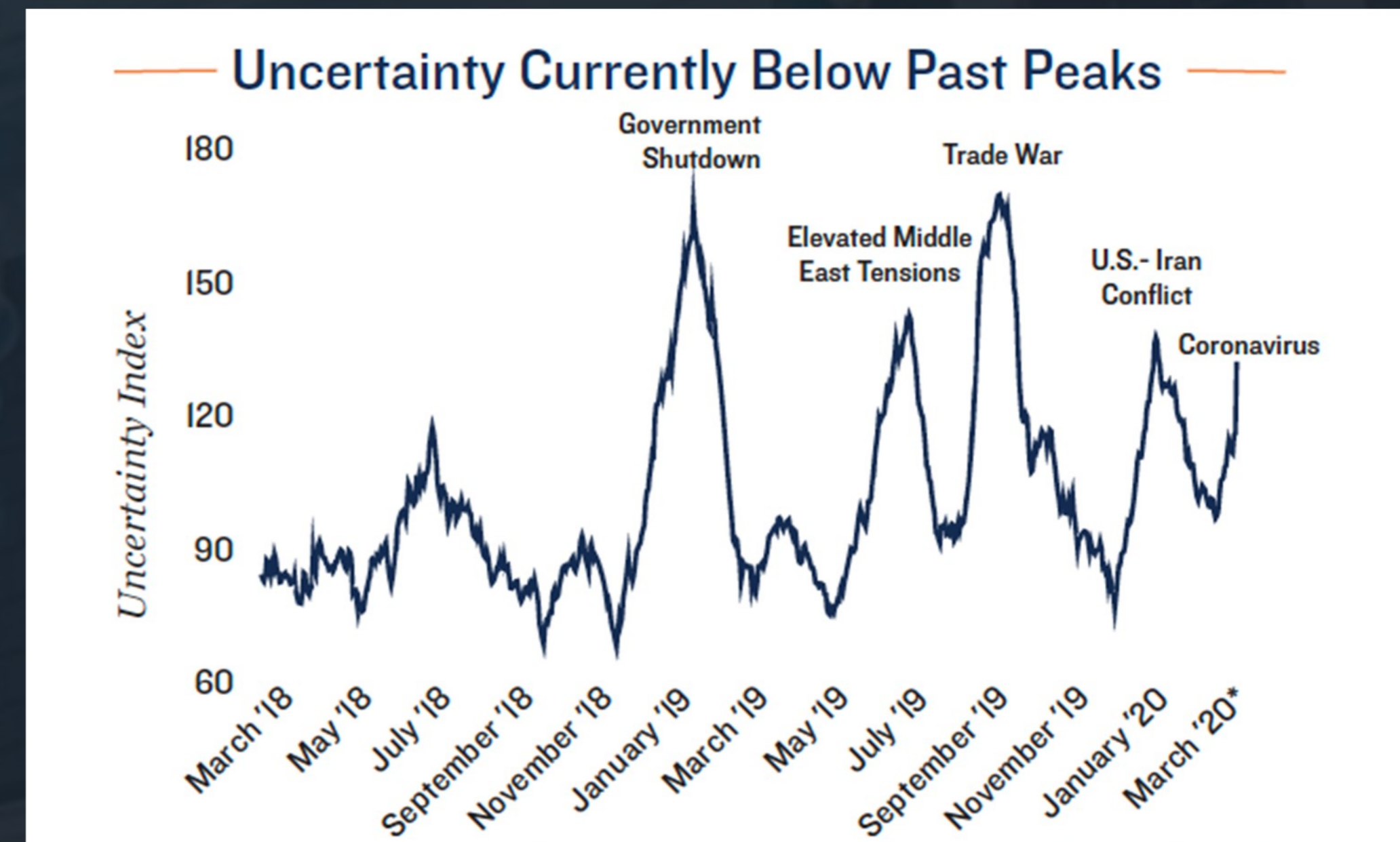
# Marcus & Millichap

## 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<sup>®</sup> 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



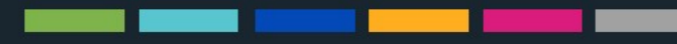
MARCH 2020



## 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?

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

June

**60%**  
**HOME SELLERS**

MAKING CHANGES  
TO SHOWINGS

- ✓ 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

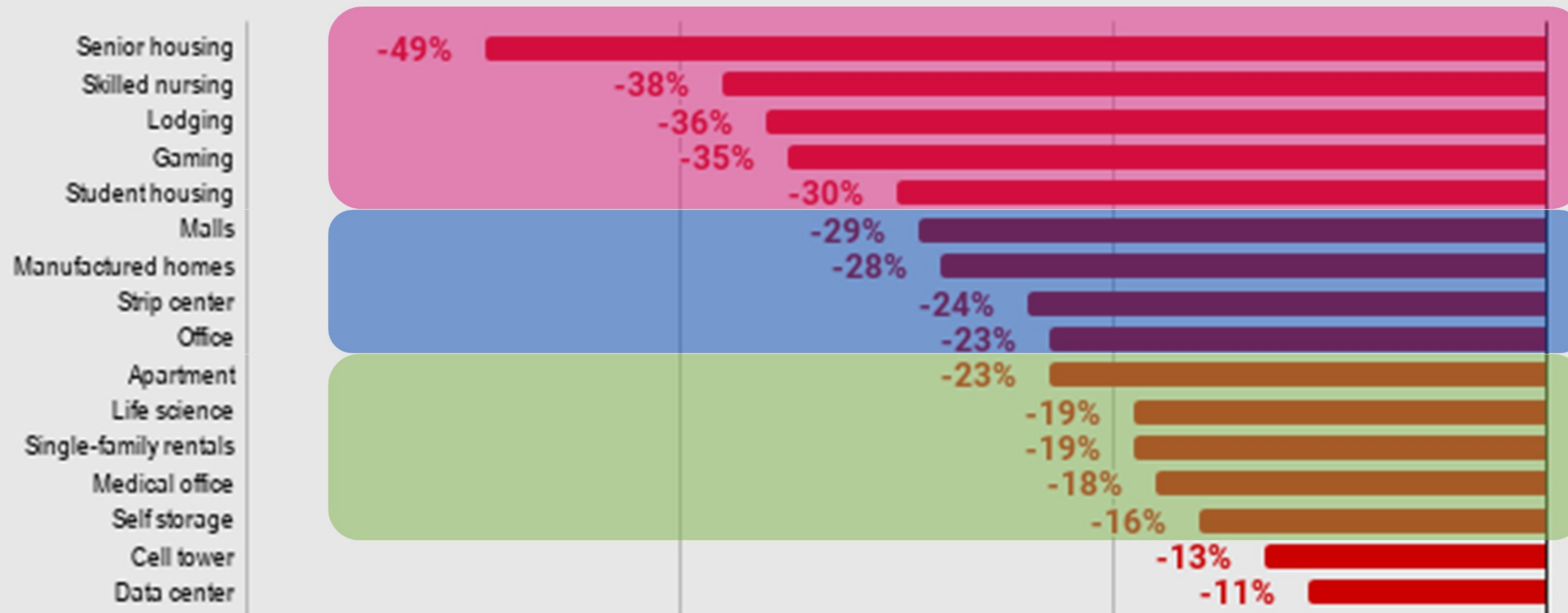


# REIT Share Prices Hammered 35% Since COVID-19

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

PANDEMIC RISES. HOTELS FALL  
HOPE SURVIVES.



DEEP  
IMPACT



Marriott to furlough tens of thousands of workers as coronavirus batters hotel industry

USA Today

1 hour ago



Marriott is the largest hotel chain in the world with 1.38 million rooms worldwide. The company's brands include:

- ✓ Marriott
- ✓ Westin
- ✓ Sheraton
- ✓ Courtyard by Marriott
- ✓ Residence Inn by Marriott
- ✓ The Ritz-Carlton
- ✓ Renaissance Hotels

# Airbnb: A 'Disaster' for Hosts

U.S. Bookings Plunge Amid Coronavirus Pandemic

 **airbnb** Hosts Impacted Worldwide

## COVID-19 - United States of America

This reservation qualifies for a full refund because of this incident affecting New Orleans. If you've confirmed with your host that your trip is affected, we can help you change or cancel the reservation now.

[Change or cancel reservation](#)

## **Airbnb Host Class Action** @AirbnbHostClass · Mar 15

Calling all @Airbnb hosts that have been robbed by @airbnb's arbitrary decision to change its cancellation policy making #hosts bear 100% of the losses due to #COVID-19.

We are building a class action lawsuit.

Please connect, we have much to discuss.

Airbnb updated its "extenuated policy" on March 14 ensuring **all guests are refunded for their reservations in the U.S.:**

*"They changed a policy for us without our permission. These were contracts with our guests. Airbnb had no right to change them. I've lost \$4,000 so far. We have bills to pay too! 100% of the cost shouldn't be on the hosts!"*



- Melanie, Airbnb host, Canyon Lake CA



— — — — —

**STOCK MARKET:**  
WHICH COMPANIES ARE SET TO TANK?



AND IT'S JUST THE BEGINNING



**STOCK MARKET:  
WHICH ARE LIKELY TO DO BETTER?**







# ASSET MANAGEMENT: How To Protect Your Communities & Your Investor's Profits



# Asset Management: COVID-19 Initiatives



Recommended Implementations Steps for Grocapitus Projects



## OFFENSIVE TACTICS

- ✓ Assess community health regularly
- ✓ Provide special resident services
- ✓ Evaluate "at-risk" tenants
- ✓ Leasing: Online initiatives & occupancy
- ✓ Dealing with Delinquencies



## DEFENSE TACTICS

- ✓ Limit community interactions
- ✓ Leasing office closures
- ✓ Evaluating work orders for urgency
- ✓ Unit turns
- ✓ Capital preservation
- ✓ Delinquency & financials



## ASSESS COMMUNITY HEALTH REGULARLY

### FOR EACH PROJECT:

- ✓ Daily monitoring of COVID-19 cases on properties and general community status - via phone, slack or text
- ✓ Research resident options within the community in case they contract COVID-19 (local services)
- ✓ Assess whether certain buildings are more at-risk for spread than other units



## PROVIDE RESIDENTIAL SERVICES

### FOR EACH PROJECT:

- ✓ Provide tenants with a **comprehensive list of services** that may assist during pandemic at federal, county and state levels for individuals and small businesses
- ✓ Reach out to residents to update them with list of services
- ✓ Understand tenant **risk profiles**
- ✓ **Suggest remedies** to tenants



# EVALUATE "AT-RISK" TENANTS

## FOR EACH PROJECT:

- ✓ Study the employment composition of residents, targeting those employed in "at-risk" industries such as:
  - Airlines
  - Restaurants
  - Hospitality
  - Travel
  - Entertainment
  
- ✓ Determine level of exposure to "as-risk" residents per property



## LEASING: ONLINE INITIATIVES

### FOR EACH PROJECT:

- ✓ Create **video tours and post online** to Facebook and website (our team will customize with video splicing, project logos, lower thirds)
- ✓ Implement **online leasing protocols:** applications and online interactions
- ✓ Provide **more payment options** including a “dropbox” for checks at leasing center, online
- ✓ **Increase online marketing** as physical leasing traffic will be reduced



## LEASING: INCREASE/MAINTAIN OCCUPANCY

### FOR EACH PROJECT:

- ✓ **Maximize Spring/Summer Leasing Velocities:** Focus on lead follow-up, social media posts and sending out renewals:
  - Offer concessions to keep occ. high
  - Offer resident referral fee
- ✓ **Maintain Occupancy with Solid Tenants:** Lease renewals should be sensitive to current situations who pay on time.
- ✓ **Re-evaluate Prior Notices to Vacate** as some tenants may now wish to stay put
- ✓ **Maintain Occupancy: Provide care packages** to residents: deck of cards, coloring book, etc



## PREVENT & ASSIST WITH DELINQUENCIES

### FOR EACH PROJECT:

- ✓ Implement Lease Modification Program:
  1. Offer a late payment fee waiver;
  2. Offer one-month payment skip and lease modification that amortizes the missed rent payment over the balance of the lease term: Restricted to residents who have previously paid on time; or
  3. Offer 'two-chunk' installment payment option: Restricted to residents who have previously paid on time.





## SOCIAL DISTANCING: LIMIT INTERACTIONS & LEASING OFFICE CLOSURES

### FOR EACH PROJECT:

- ✓ Immediate cancellation of resident events
- ✓ Close all amenities: fitness & playgrounds
- ✓ No consumable goods in offices
- ✓ Cancel cleaning checks & quarterly inspections
- ✓ Add signage to offices requesting that any resident service items be handled by phone (posters with QR codes posted to doors of projects with leasing office closures)



## EVALUATE WORK ORDERS FOR URGENCY

### FOR EACH PROJECT:

- ✓ Leave DIY-fixable items at resident doors (smoke alarm batteries, furnace filters, etc)
- ✓ Non-urgent work orders to be postponed
- ✓ Urgent work orders: Maintenance technicians to wear protective suit and sanitize self and tools upon entry and completion



## UNIT TURNS

### FOR EACH PROJECT:

- ✔ Consider stopping renovations after immediate materials used and only turning classics (depending on capex source)
- ✔ Renovations of vacant units to proceed normally, except for limited number of non-renovated units being released for occupancy at lower rates in an effort to preserve occupancy levels



# CAPITAL PRESERVATION

## FOR EACH PROJECT:

- ✓ Withhold distributions to investors for immediate use
- ✓ Withhold payment of Asset Management Fees
- ✓ Reduce / remove all non-essential expenses



## DELINQUENCIES & FINANCIALS

### FOR EACH PROJECT:

- ✓ Increase frequency of delinquency and financials monitoring, and take more care
- ✓ If delinquencies reach high amounts, partner with lenders to work out "creative" solutions

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510-367-1510  
[neal@grocapitus.com](mailto:neal@grocapitus.com)

The image features a stylized digital cityscape with various skyscrapers and a grid floor. In the foreground, a bear silhouette is on the left and a bull silhouette is on the right, facing each other. A horizontal line with colored segments (yellow, cyan, blue, orange, pink, grey) is positioned above the text. The text "STUNNING IMPACT ON HOTELS & AIRBNB" is centered in white, bold, uppercase letters.

# STUNNING IMPACT ON HOTELS & AIRBNB

The background features a stylized cityscape with various skyscrapers in shades of purple, blue, and green. The ground is a grid of glowing lines. In the foreground, there are two large silhouettes: a bear on the left and a bull on the right. A red circle is drawn in the upper right corner. A horizontal bar with colored segments (yellow, cyan, blue, orange, pink, grey) is positioned above the text.

# IMPACT ON SINGLE FAMILY PRICES AND SALES



# Travel Industry Losses: Dashboard



Equivalent to 6X the Impact of 9/11

Travel Industry Losses Alone Is **ENOUGH** to Push the U.S. Economy Into Recession

**-75%**

**REVENUE**

IN MARCH  
& APRIL

**\$355B**

**LOSSES**

TO CONTINUE  
OVER 2020

**4.6M**

**JOB LOSSES**

PROJECTED  
IN 2020

**6.3%**

**JOBLESS RATE\***

PROJECTED  
FROM 3.5%

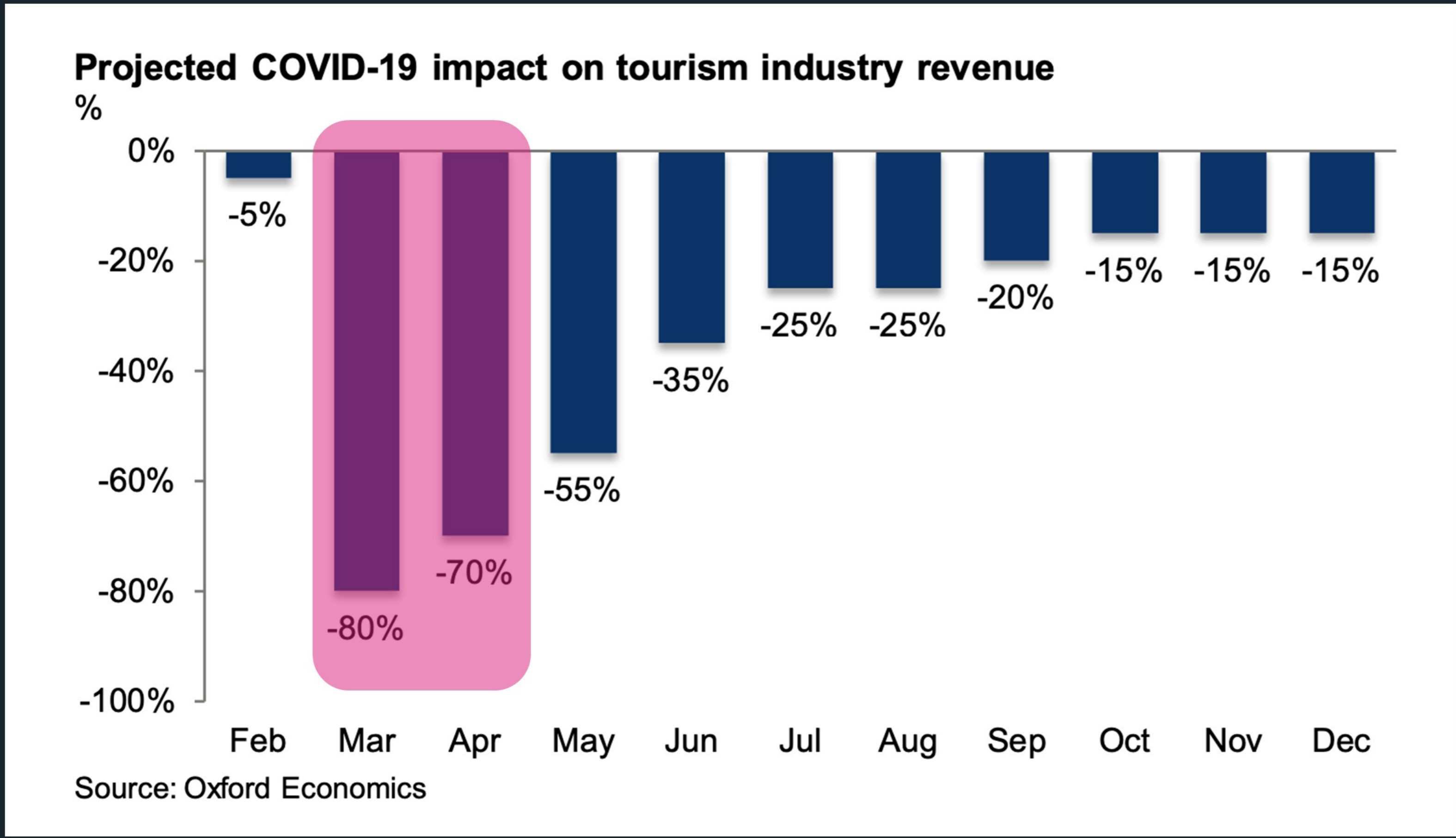
If we account for losses in other industries too, we're in deep trouble!



# Travel Industry Losses To Send Shockwaves



Gradually Loosening Declines Expected in the Summer as Travel Restrictions are Loosened



**-75%  
REVENUE**  
IN MARCH  
& APRIL

**\$355B  
LOSSES**  
TO CONTINUE  
OVER 2020

Source: Oxford Economics, The Economic Impact of the Coronavirus Due to Travel Losses 2020 Analysis, Mar 2020.

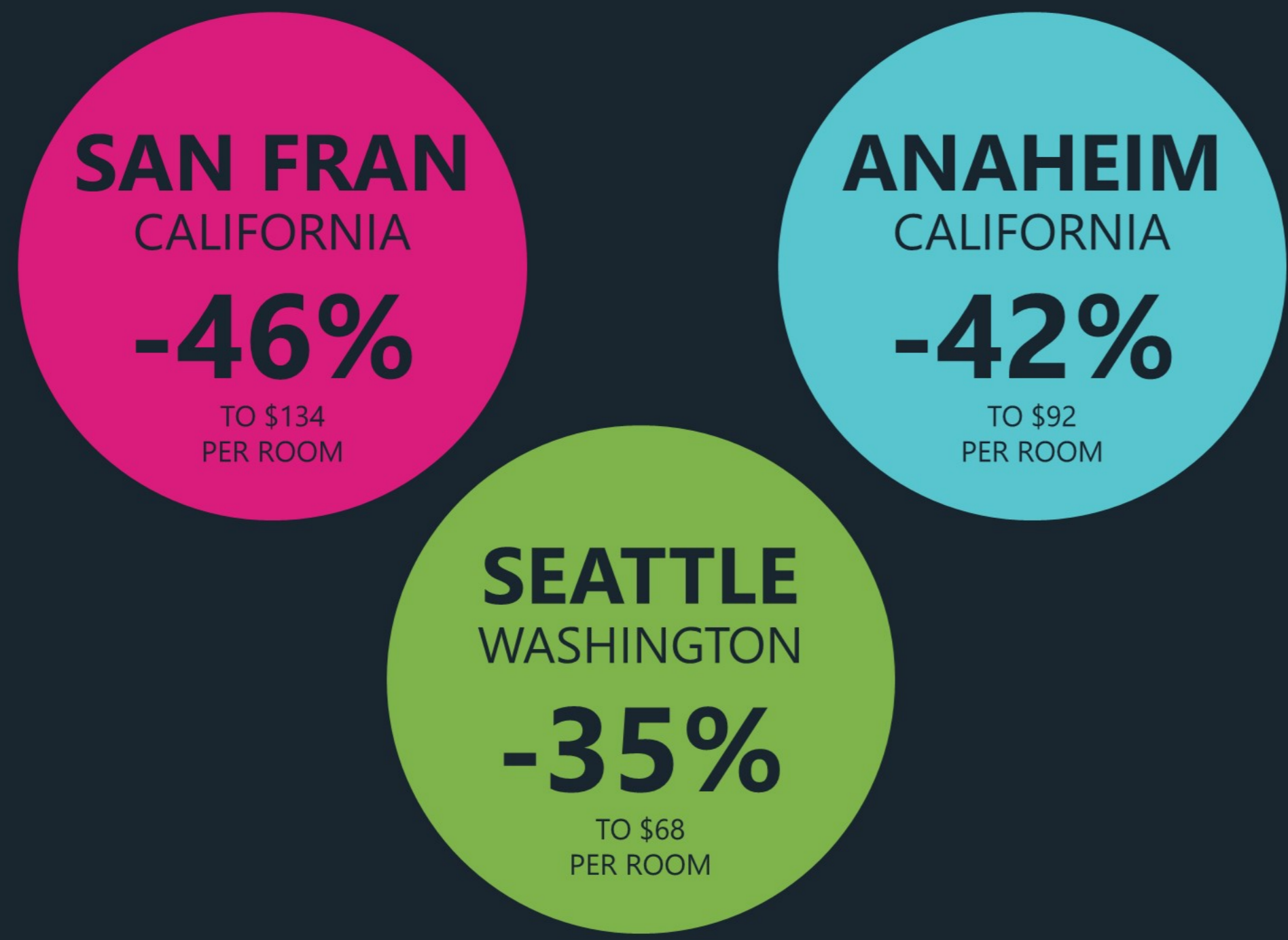


# Hotels: Global Scale "Corona-Crisis"



## Hotel Industry Sustains the Biggest Blow

### Revenue Per Available Room (RevPAR) last week<sup>1</sup> PAINFUL, TANGIBLE IMPACTS



- ✓ No occupancy declines for 10 consecutive years until now<sup>2</sup>
- ✓ 23 out of 25 markets saw revenue decline<sup>1</sup>
- ✓ Drop in booking pace (corporate/events/leisure)
- ✓ Massive room rate cuts
- ✓ Increased free room & spa cancellations for free
- ✓ Staff layoffs: Marriott, MGM Resorts, Caesars, etc
- ✓ Potential business closures
- ✓ Enhanced cleaning procedures (more costs)
- ✓ Events postponed
- ✓ Pressure from banks/lenders

Sources:  
1) STR, U.S. Weekly Data Ending March 7 Shows Significant Performance Declines, March 2020.  
2) CBRE, U.S. Lodging Industry Is Healthy, But Growth Is Slow Through 2021, Nov 2019.



IMPACT ON YOUR LIFE:  
FULL QUARANTINE OR NOT?



# Worldwide Infection Dashboard



The Latest Numbers as at March 16, 2020

COUNTRY

INFECTION COUNT

DAILY GROWTH % AVERAGE



USA

4,663

32%



ITALY

27,980

21%



SPAIN

9,942

38%



SOUTH KOREA

8,236

6%



IRAN

14,991

21%



UNITED KINGDOM

1,543

29%



GERMANY

7,272

31%



FRANCE

6,633

31%



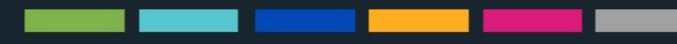
CHINA

80,881

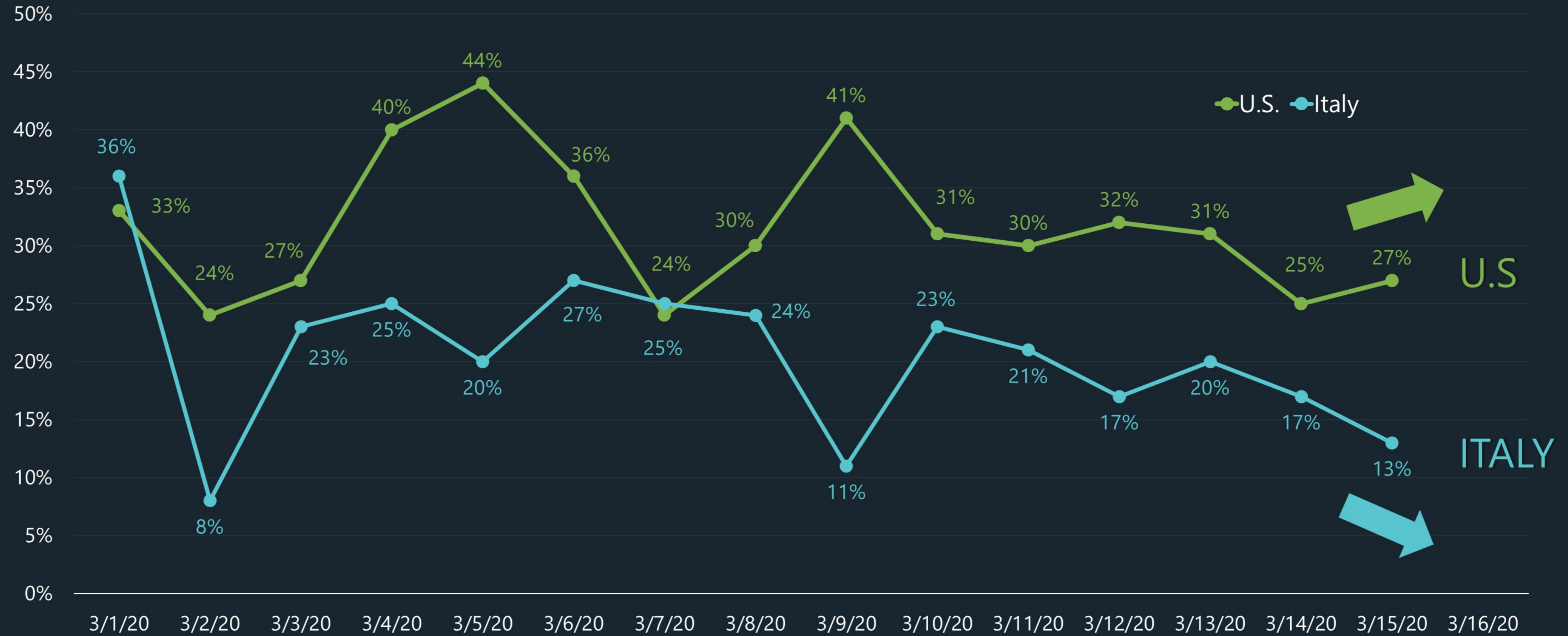
0%



# U.S. vs. Italy: Growth Rate Higher in the U.S.

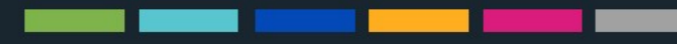


Without a Full-Scale Quarantine in Place, the U.S. Infection Rate Shows No Signs of Dropping

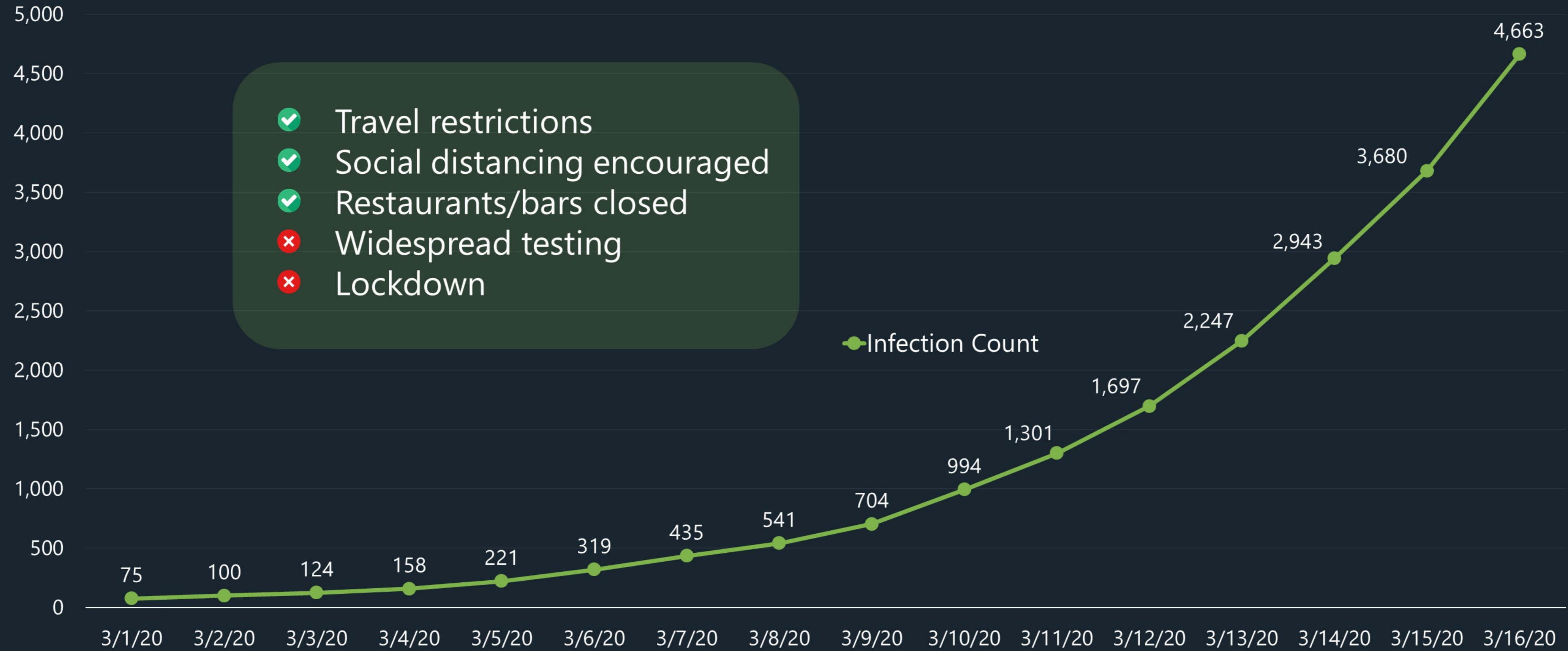




# The U.S: Infections Rising at 32% on Average



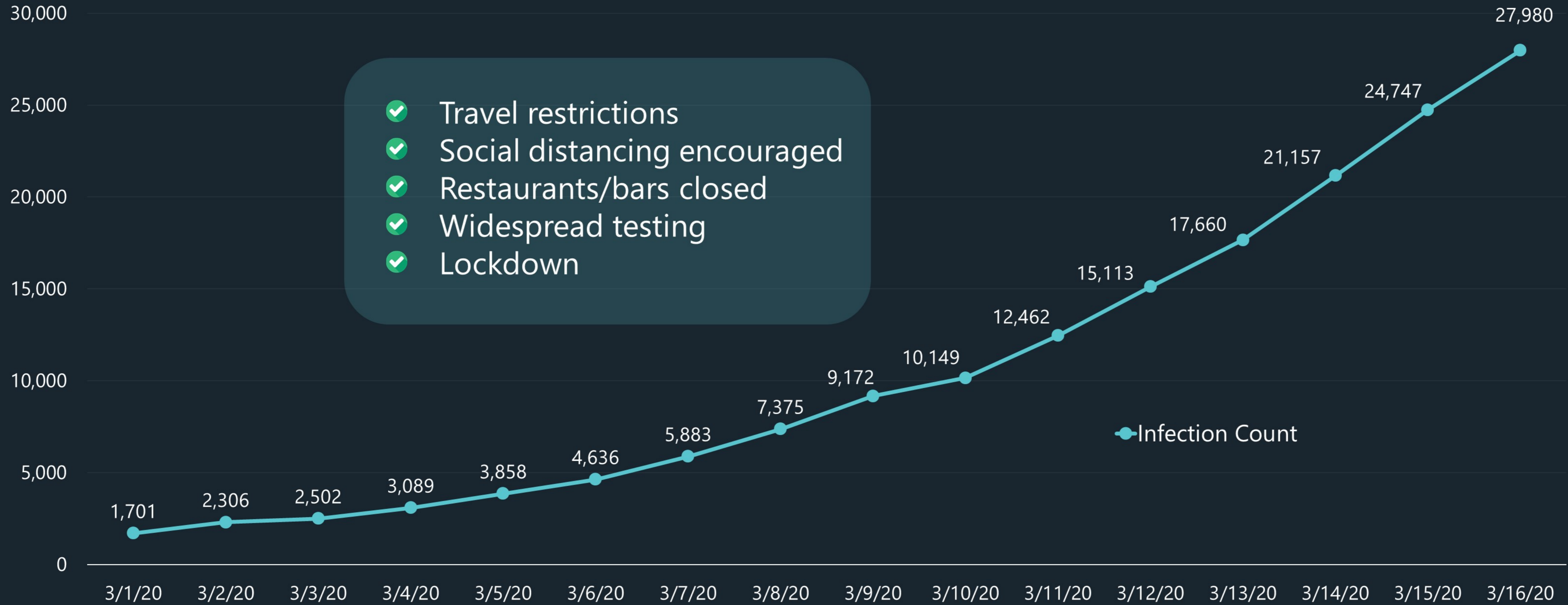
Infections Growing at an Exponential Rate with No Signs of Stopping





# Italy: Infections Rising Steadily

XXX



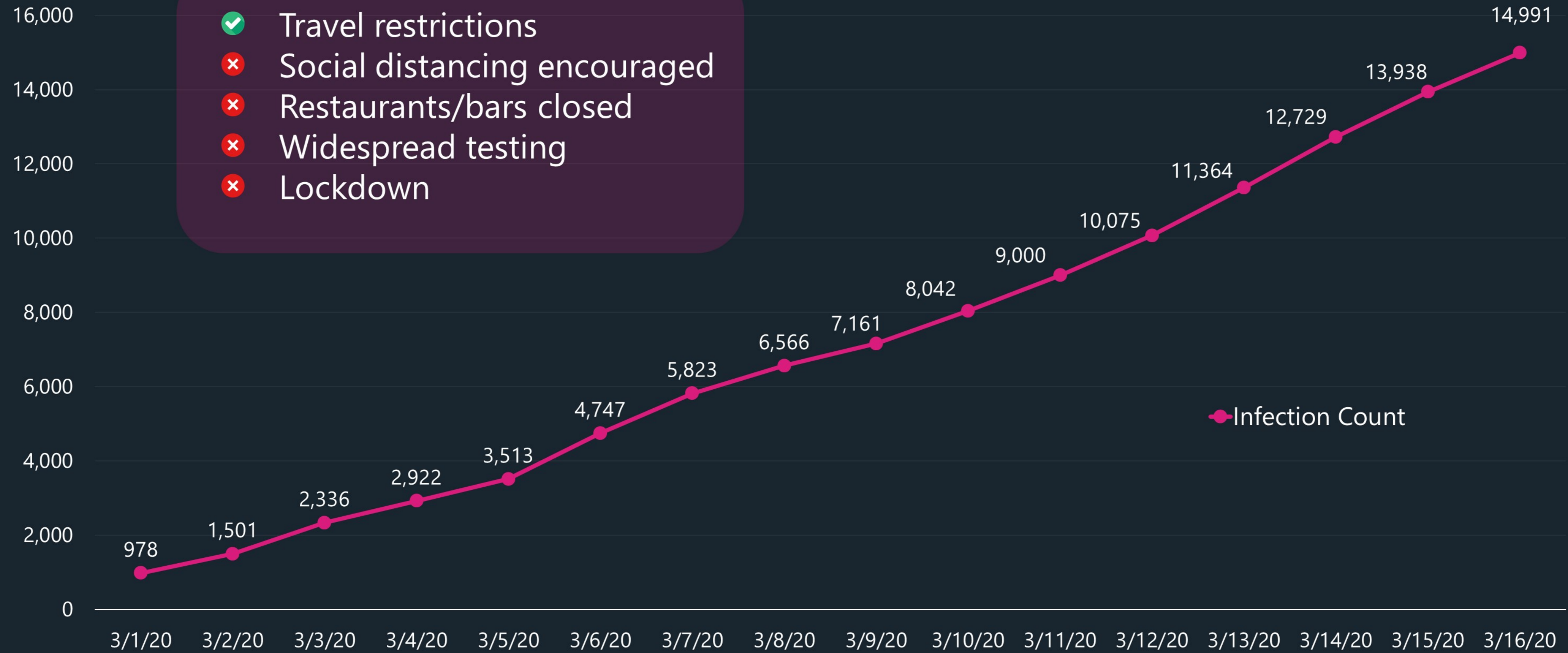


UD

Iran: XXX



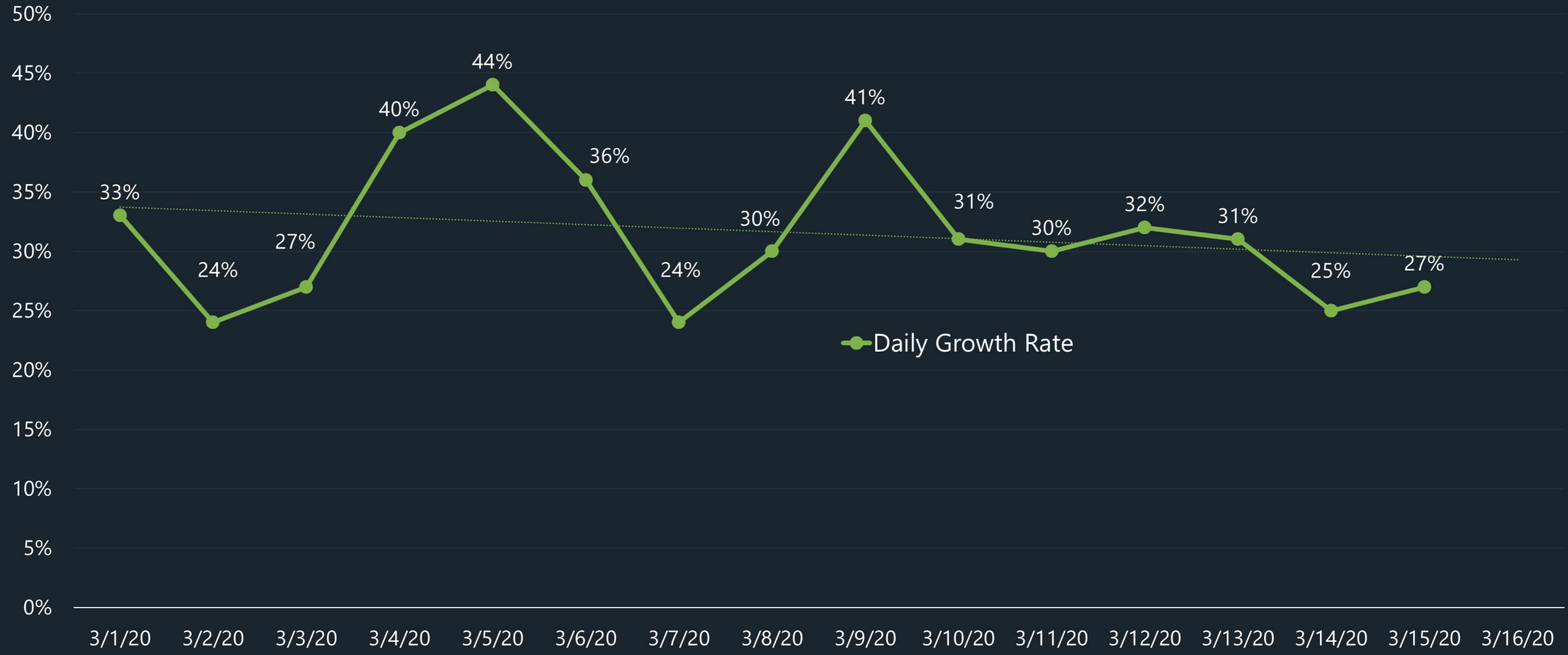
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# UD The U.S: Daily Growth Rate Not Significantly Dropping



Volatile and Wildly Inconsistent

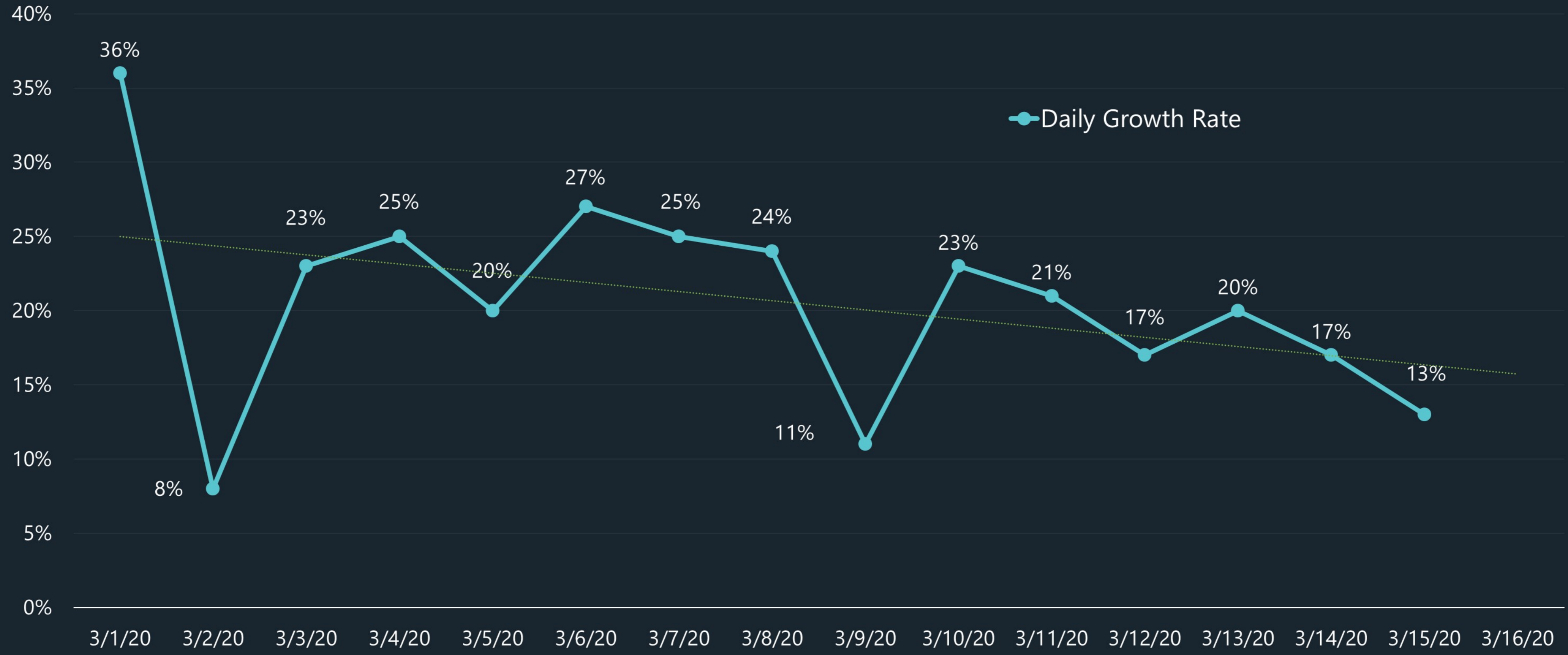




# Italy: Infection Growth Rate Visibly Slowing



Their quarantine efforts are working

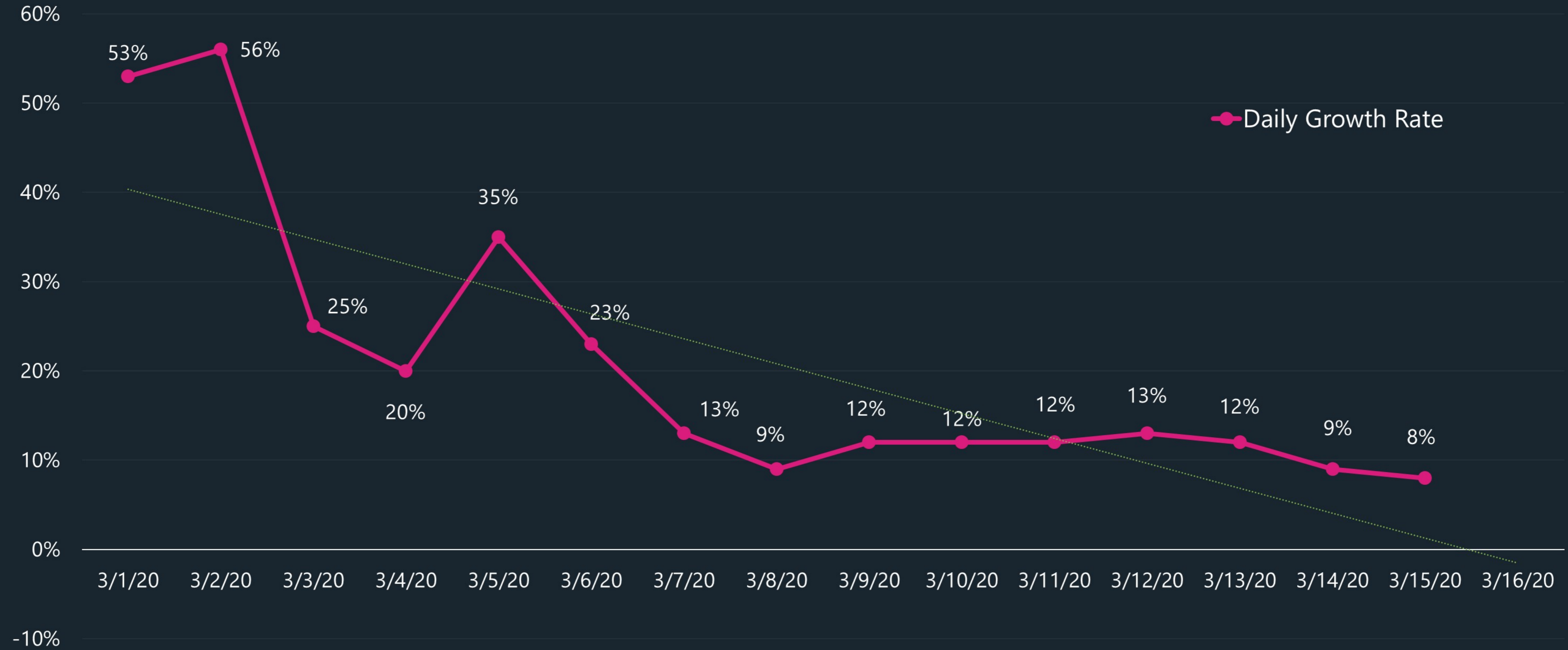




# Iran: Infection rate dropping sharply



Their quarantine efforts are working



# Worldwide Pandemic: Countries Most Impacted

— — — — —  
The Battle Against COVID-19

## COUNTRIES WITH THE LEAST RESOURCES\*



- ✓ South Africa
- ✓ Bangladesh
- ✓ Madagascar
- ✓ Cambodia
- ✓ Malaysia
- ✓ Indonesia
- ✓ ... and many more

\*Source: Wired, A Disease Tracker Backed by Gates and Zuckerberg Tackles Covid-19, March 10, 2020.

# Where Can You Find Reliable News?

— — — — —  
Get Your Facts Straight



Sign up for COVID-19 Situational Reports at:  
<http://www.centerforhealthsecurity.org/newsroom/newsletters/e-newsletter-sign-up.html>

- ✓ Clinicians' Biosecurity News
- ✓ COVID-19
- ✓ Health Security Headlines
- ✓ Preparedness Pulsepoints

## The New York Times

Good on scientific accuracy:  
[http:// www.nytimes.com](http://www.nytimes.com)

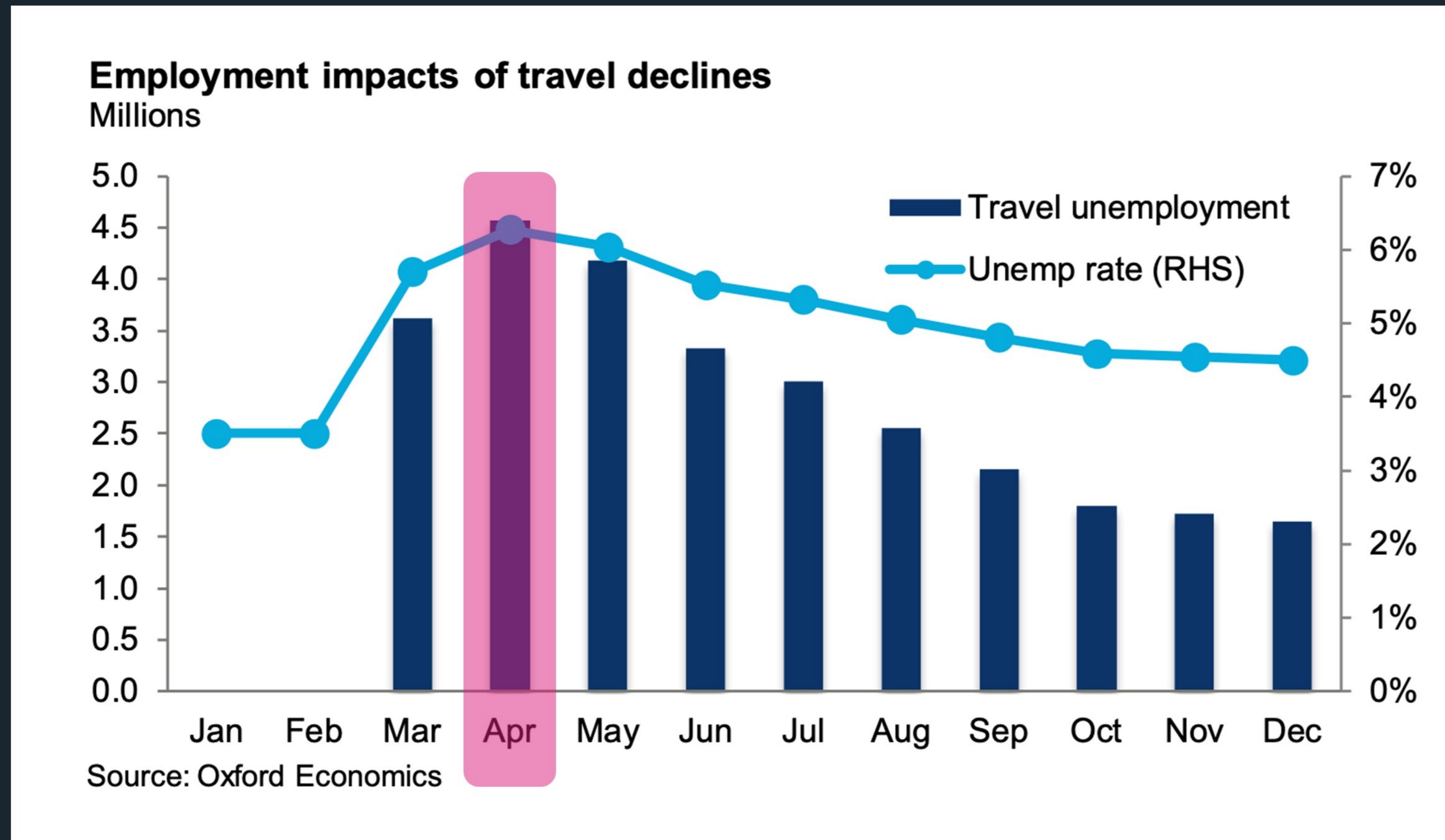
- ✓ Read Live Coronavirus Updates & Coverage
- ✓ Track Coronavirus Cases in the U.S. Full Map

## worldometers

World & U.S. statistics updated in real-time  
<https://www.worldometers.info/coronavirus/country/us>

# Travel Industry: Employment Losses

4.6 Million in Job Losses Alone Will Increase the Unemployment Rate to 6.3% in Q2



**4.6M**  
**JOB LOSSES**  
PROJECTED  
IN 2020

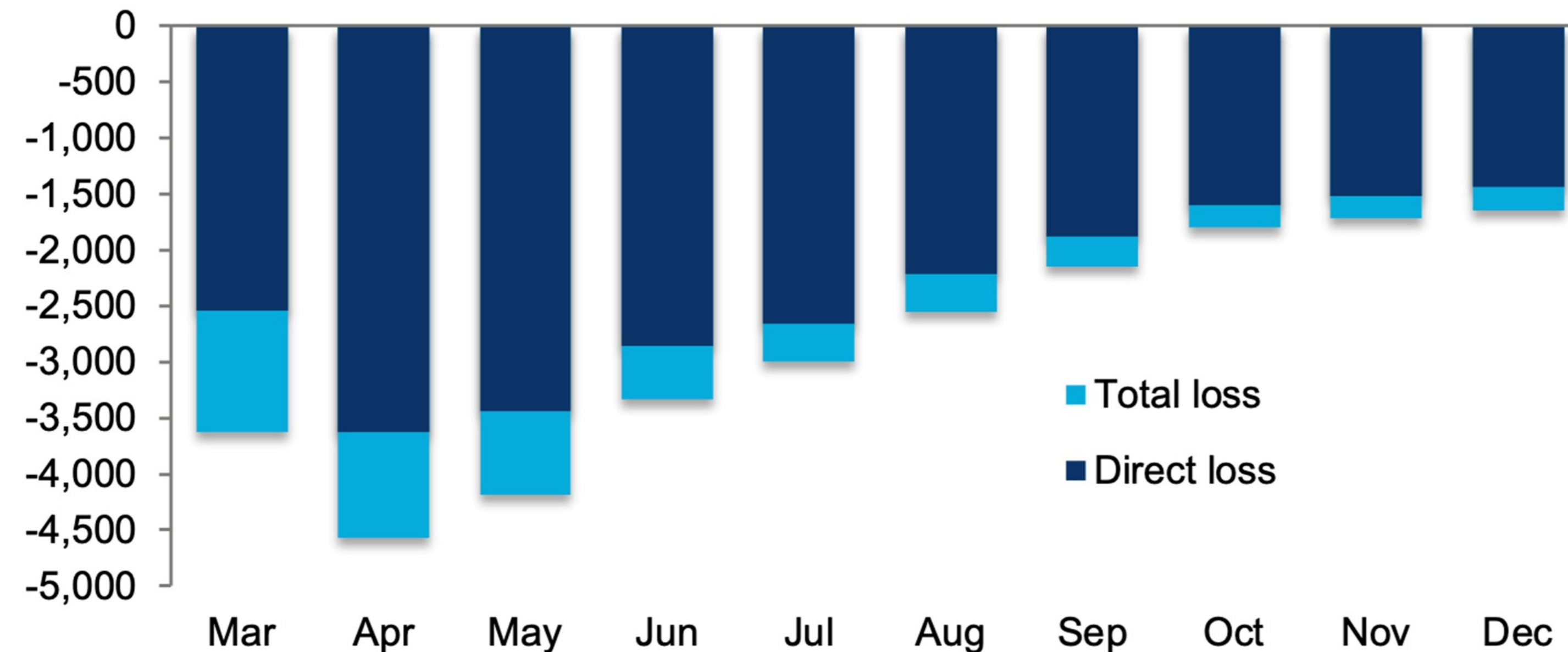
**6.3%**  
**JOBLESS RATE\***  
UP FROM  
3.5%

# Travel Industry: The Nightmare Continues

Job Losses Will Spike in April and May, with Losses Continuing Throughout 2020

## Tourism industry job loss

Thousands



Source: Oxford Economics

**1.6M**  
**JOBS**  
STILL LOST  
IN DEC

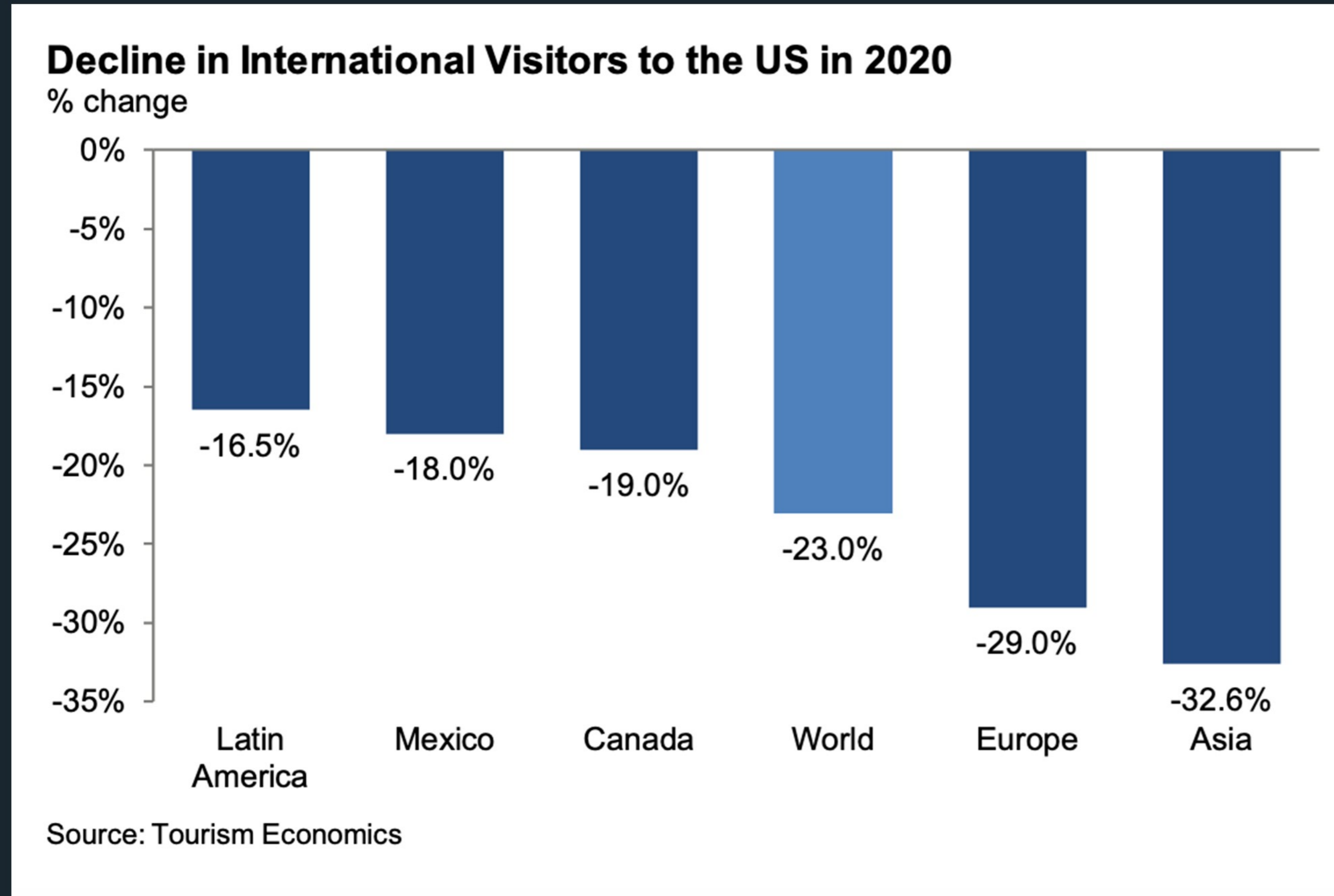




# Travel Industry: International Markets Hard-Hit



Losses Span All Markets With the Largest Declines From Asia & Europe



International Visits to U.S. Are Expected to Decline at Least 23% This Year

**18M**

**FEWER TRAVELLERS**

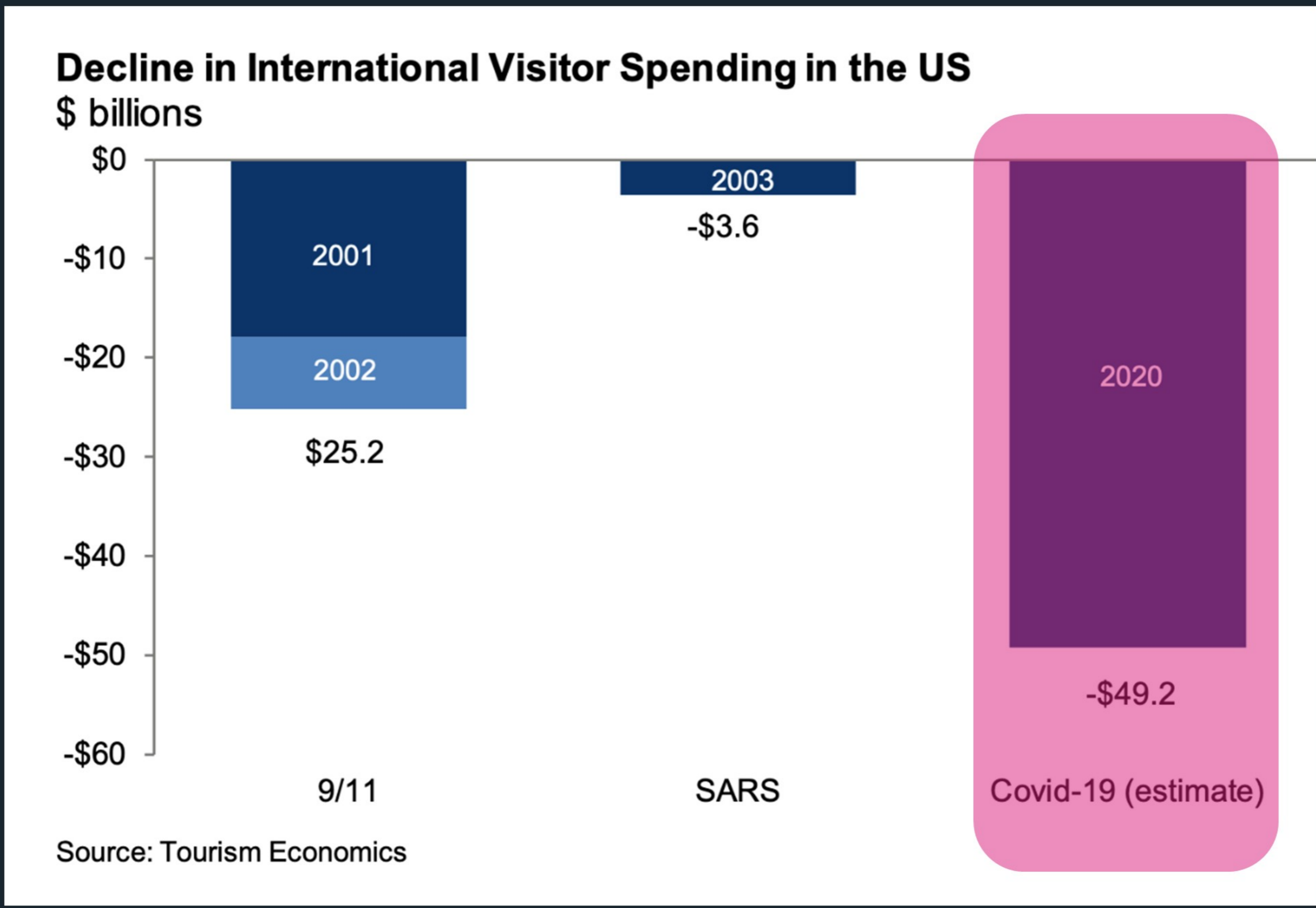
**WILL VISIT U.S. IN 2020**



# Travel Industry: International Visitor Spending Impacts



Unprecedented Decline in Both Percentage and Absolute Terms



**13X**  
IMPACT OF  
**SARS**

**2X**  
IMPACT OF **9/11**



# Multifamily & Self-Storage: Set to Outperform

Not All Doom and Gloom for Specific Asset Classes



## MULTIFAMILY



- Limited near-term impact on demand
- Despite slowing economic activity, people need homes more than ever
- Increased homebuying power



## INDUSTRIAL



- Supply-chain disruptions
- Shortage of consumer goods
- Slower economic activity to temper demand for space



## OFFICE



- Office demand minimally impacted given long-term nature of leases other than temporary closures, increased janitorial expenses



## HOSPITALITY



- Significant disruptions to hotels and vacation homes due to widespread travel bans
- Staff layoffs and smaller chain closures
- Negative stigma towards travel will be long-lasting



## RETAIL



- Reduced foot traffic aside from groceries and pharmacies
- Limited profits, expansion and renewal plans delayed
- Small businesses don't have cash to weather the storm



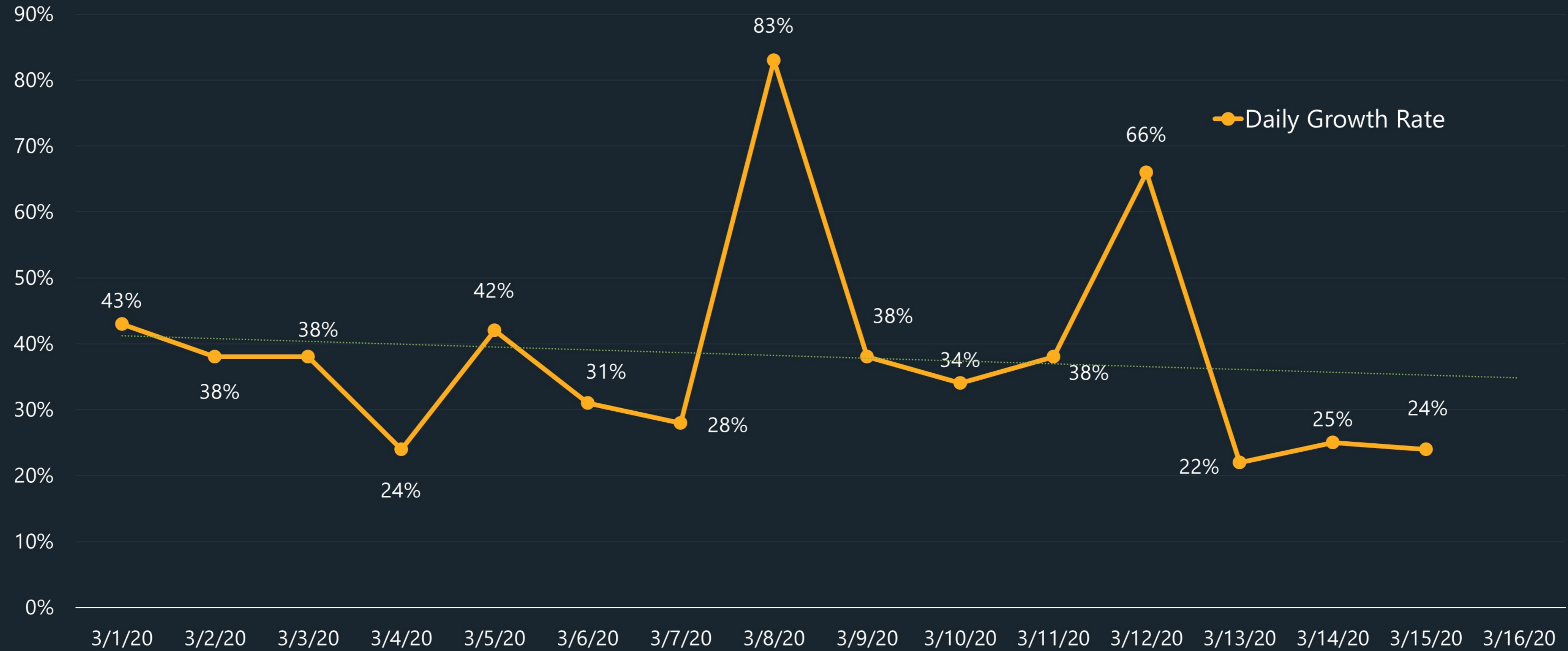
## SELF-STORAGE



- Little if any impact
- Recession resistant (lower declines & default ratios vs other asset classes)
- In difficult times, tenants still need to store personal items and RVs

# Spain: Infection Growth Rate 38% but on Decline

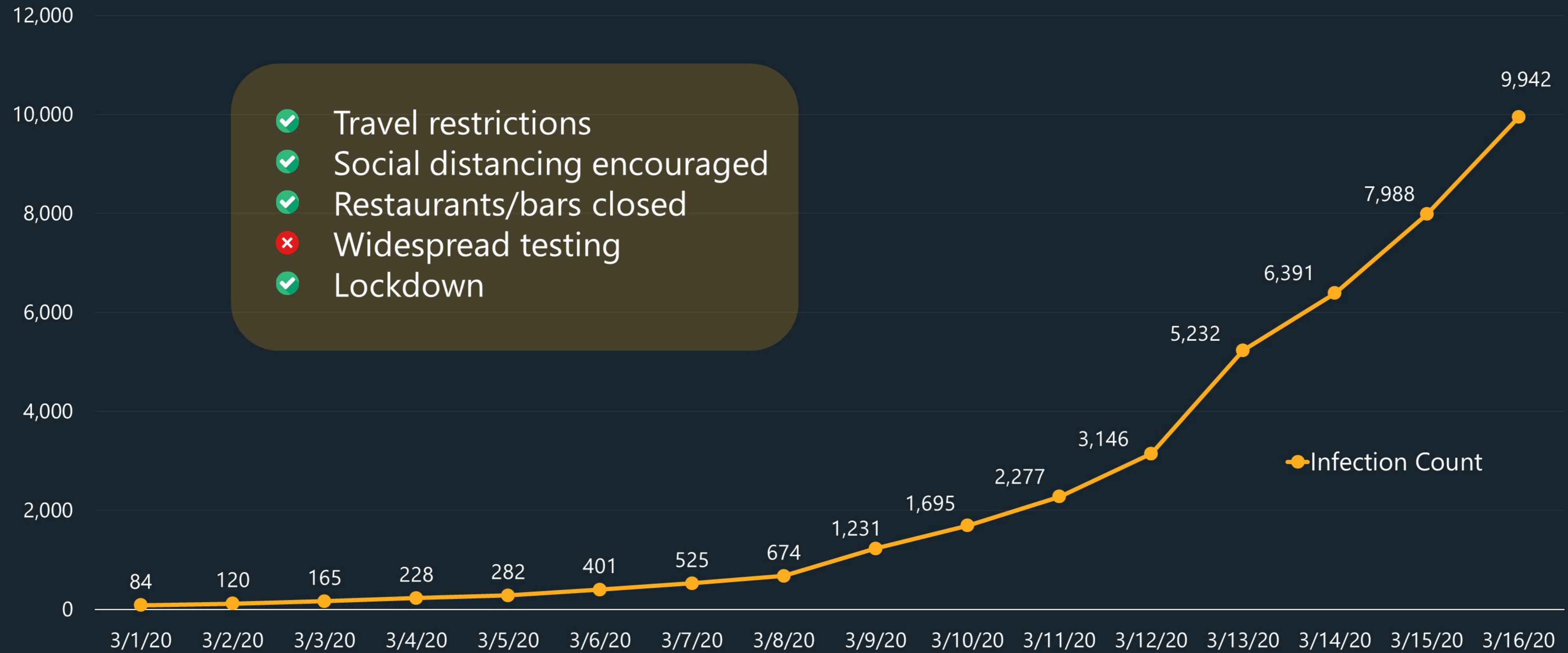
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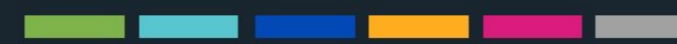
# Spain: XXX



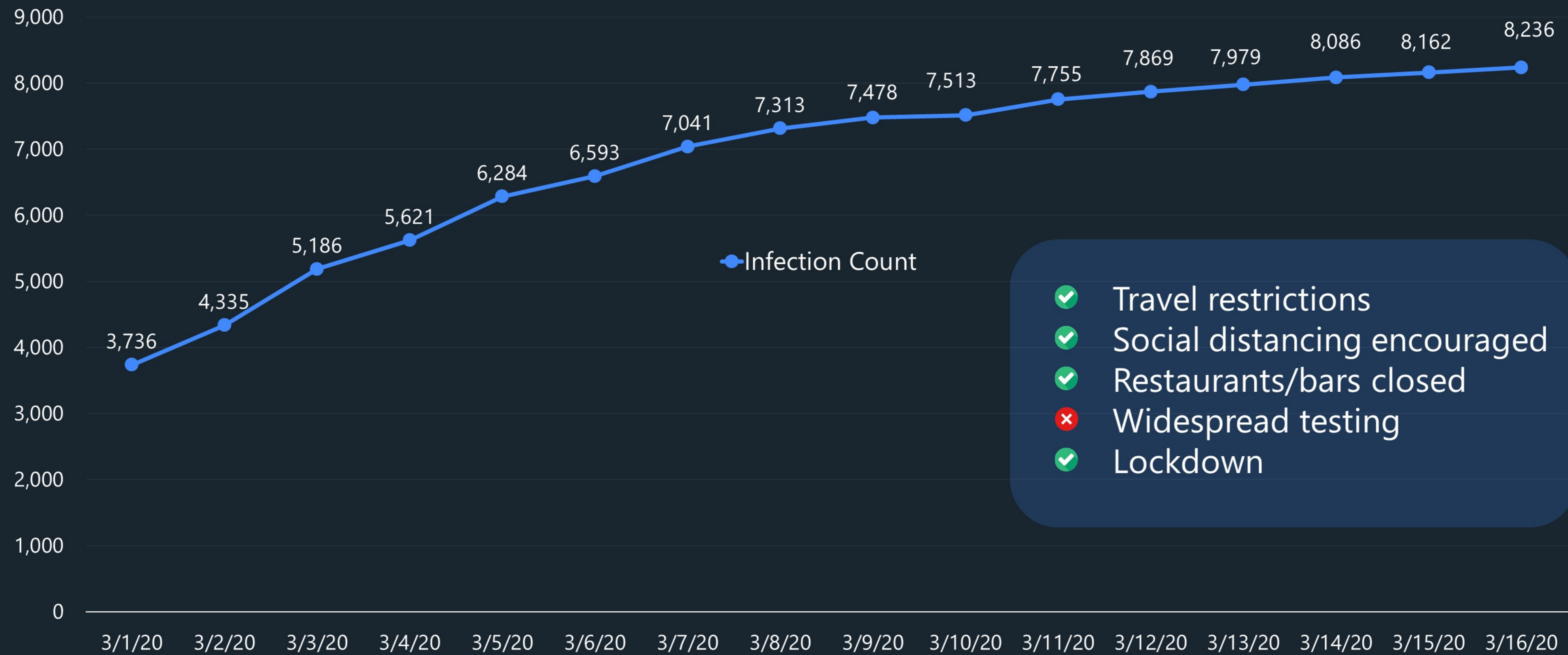
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# South Korea: Mostly Controlled

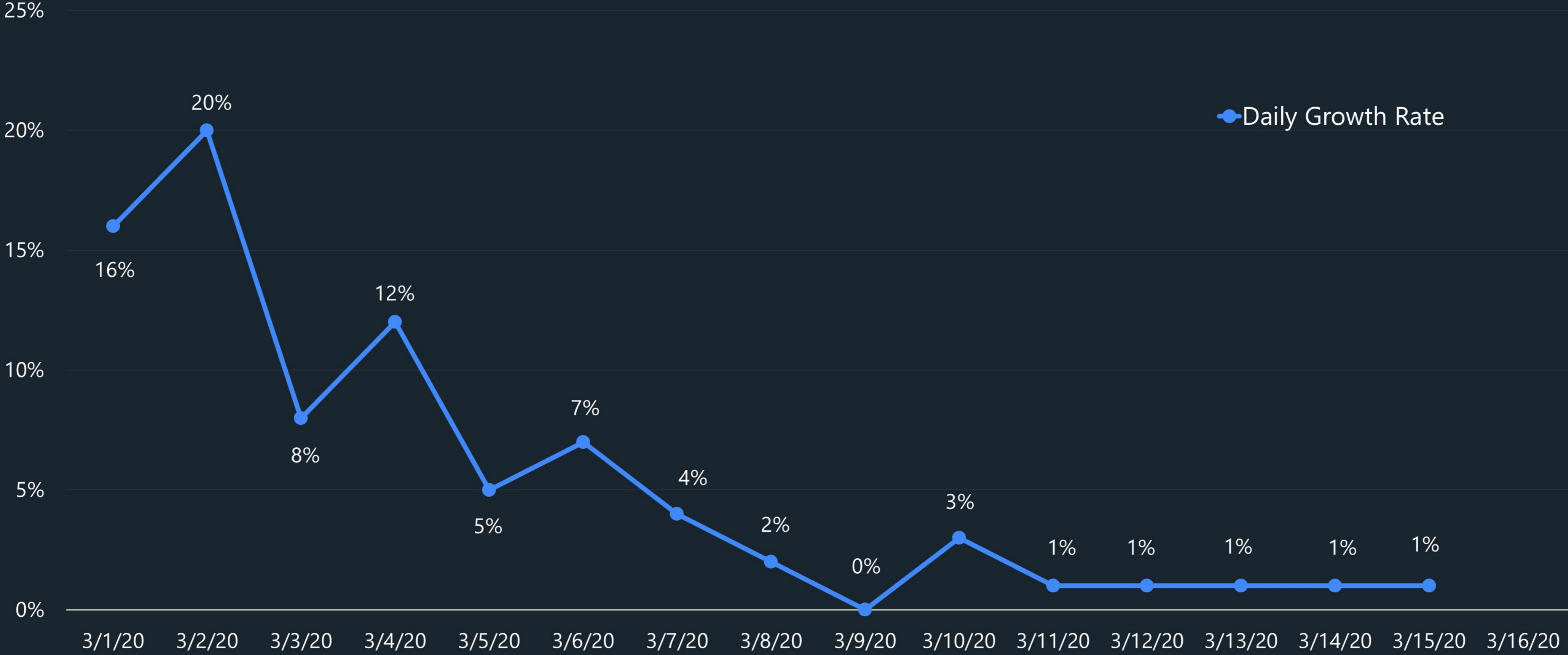


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# South Korea: Five Consecutive Days at 1%

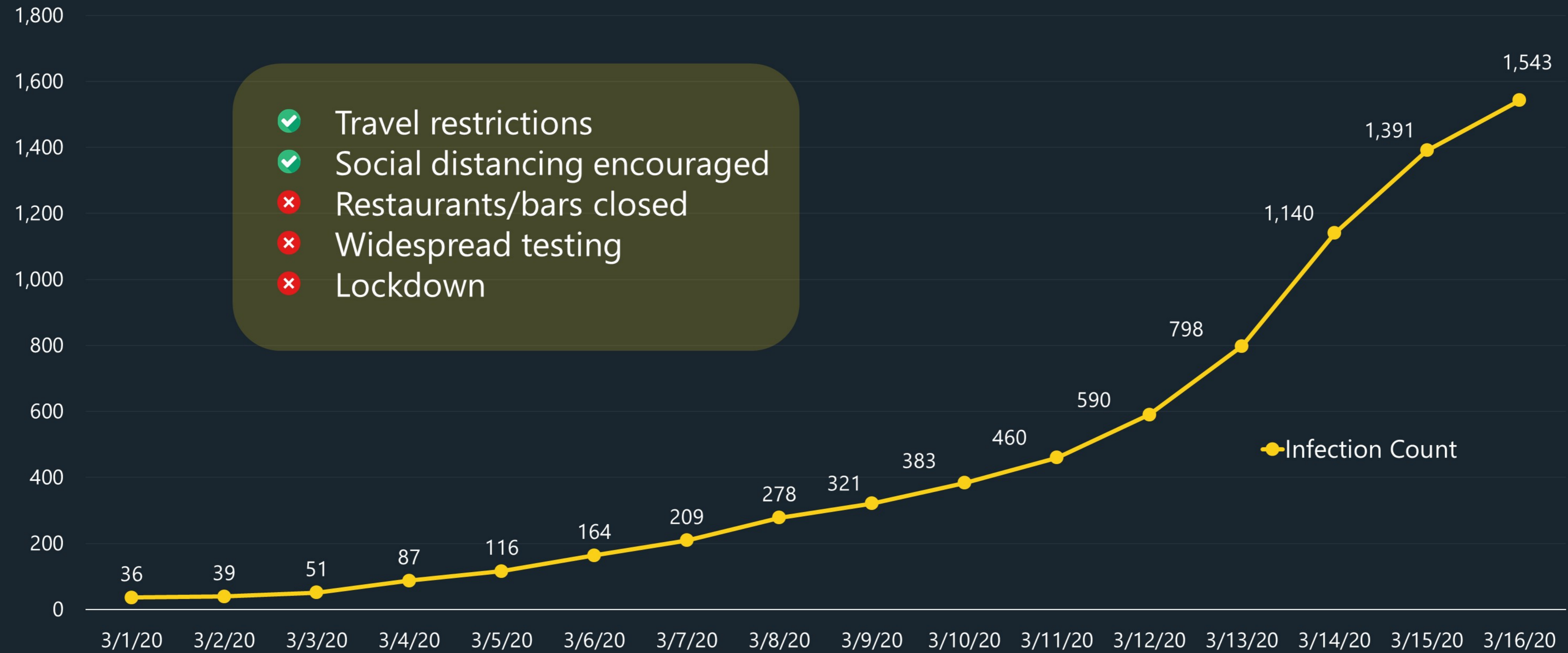
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# UK: XXX



XXX

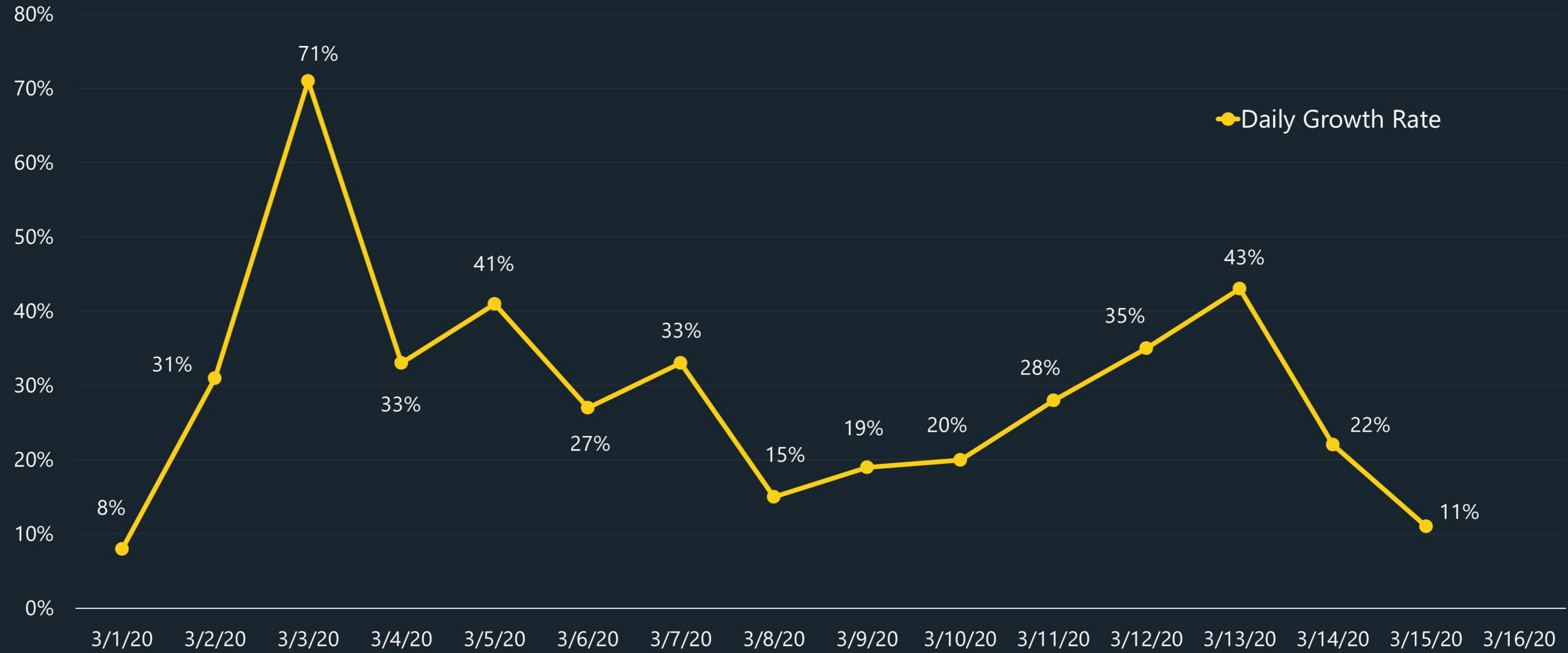




# UK: XXX



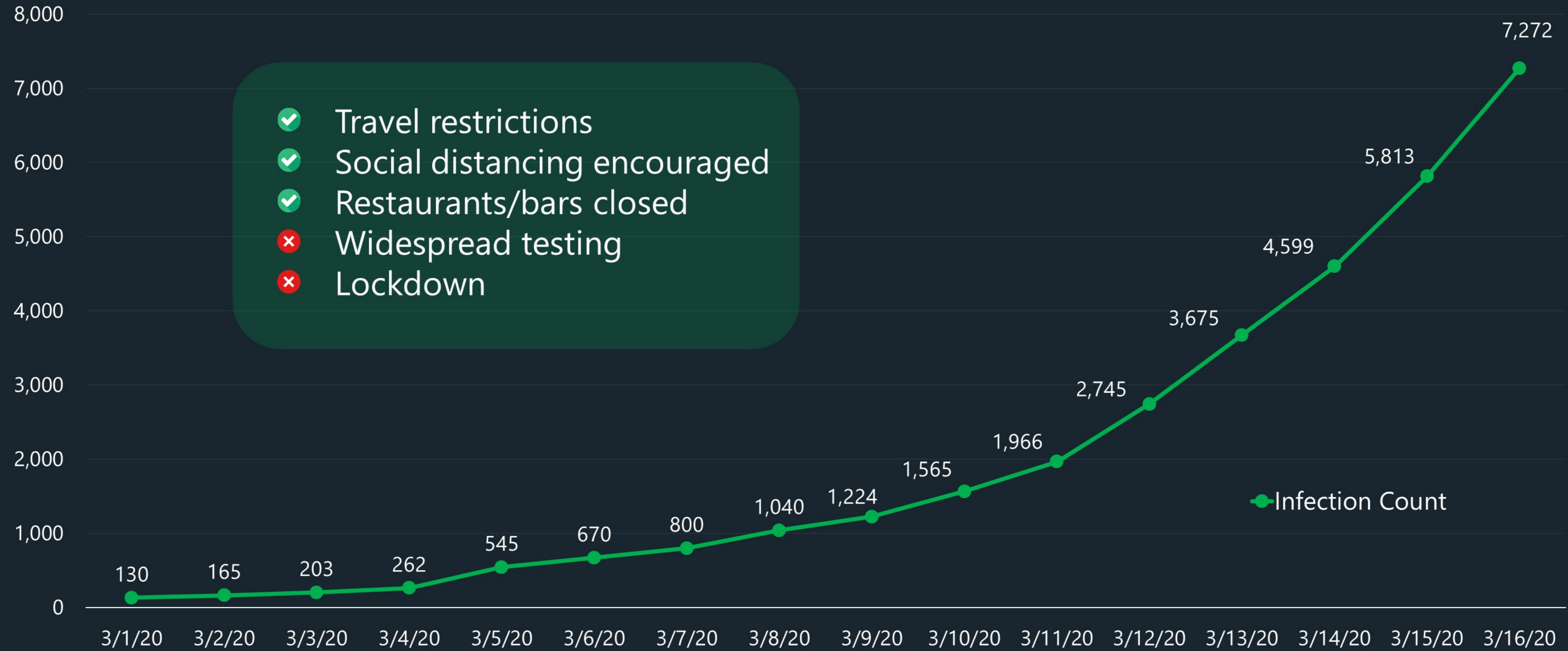
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# Germany: XXX



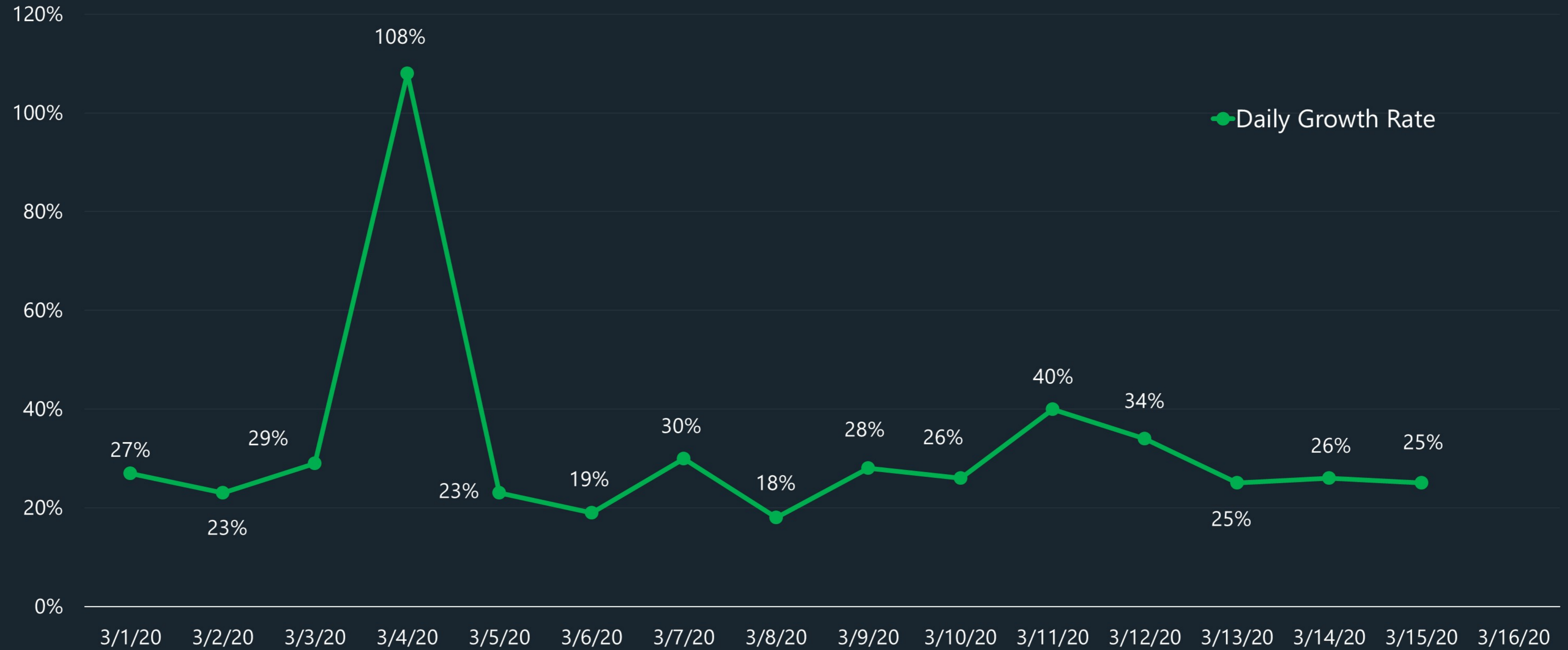
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# Germany: XXX



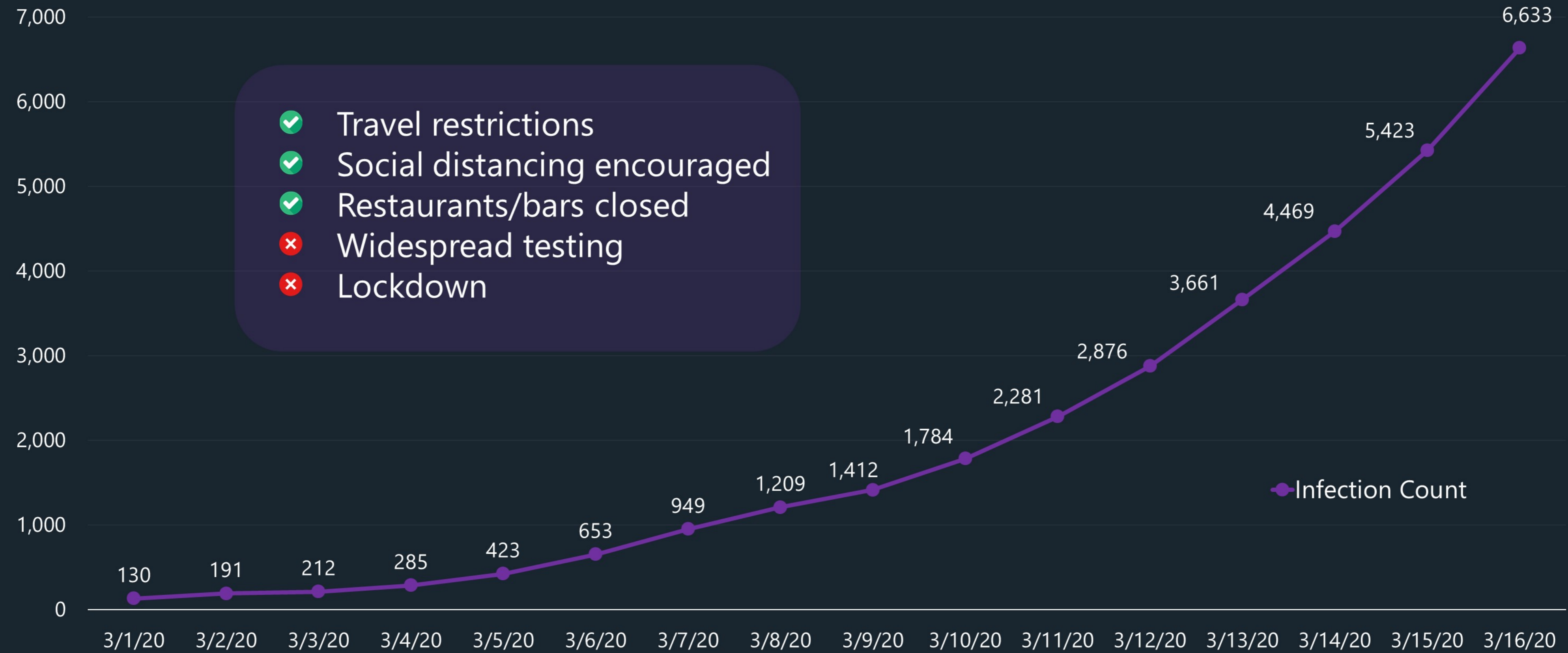
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# France: XXX



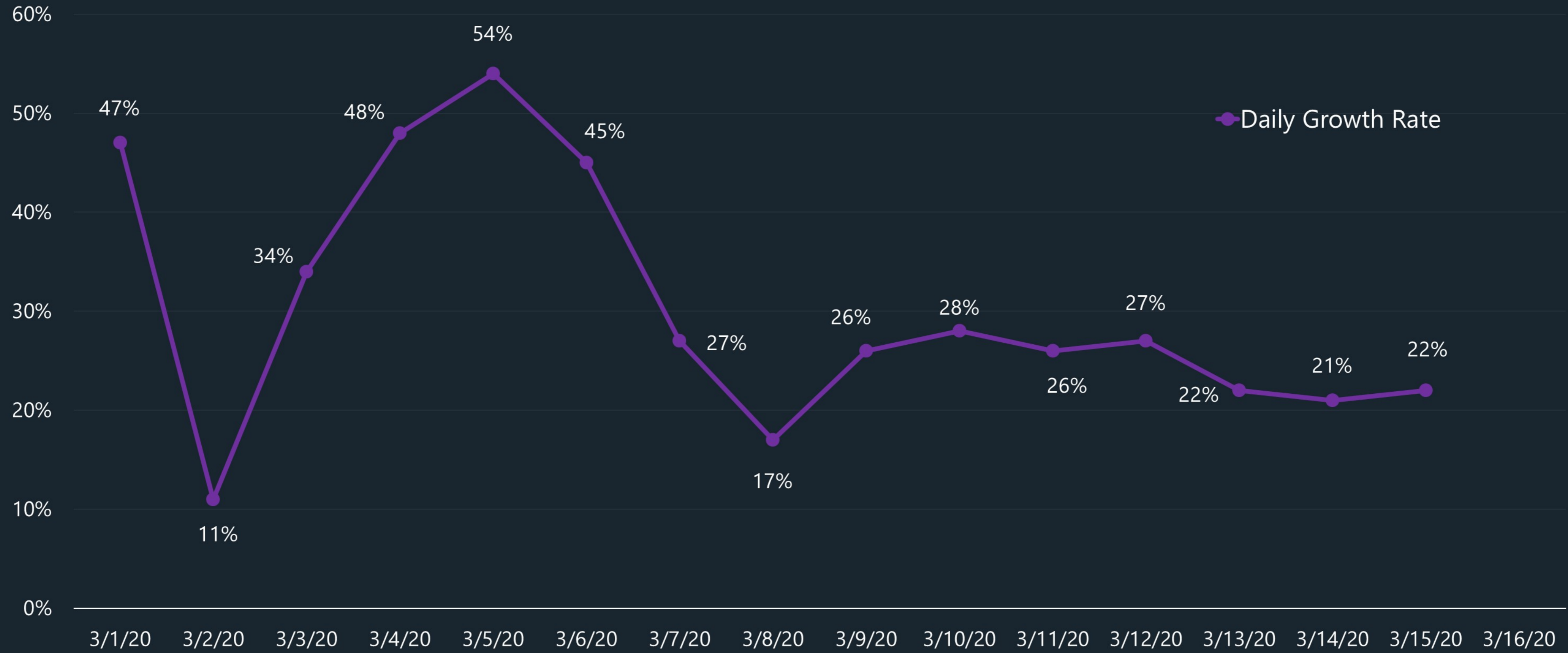
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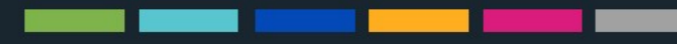
# France: XXX



XXX



# China: XXX



XXX

