



Investor Sentiment Webinar

June 11, 2020

HODESWEILL
& ASSOCIATES

Please know, this event is closed to the media, and all statements made during this discussion are off the record. We plan to issue a press release summarizing the findings of our poll in the coming days, however no names will be provided in the announcement or during interviews with media.

A World Awash in Capital and Risk



Hodes Weill held a series of discussions with over 100 institutional investors and consultants over the past several weeks to assess investor sentiment amidst the COVID-19 pandemic and economic slowdown

Key takeaways:

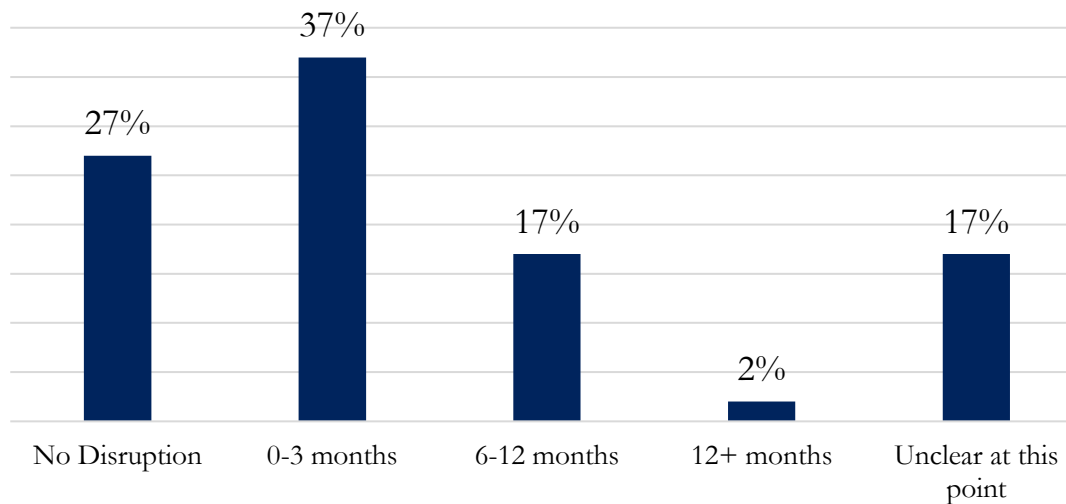
1. Majority of investors expect some level of near-term disruption in their investment activity
2. The denominator effect has been limited and may be less of a factor as portfolio valuations decline and public equities continue to rebound
3. Majority of investors seek to play a combination of both offense and defense
4. Investors favoring distress and higher returning strategies, and less interested in core and value add strategies
5. While some investors are advancing diligence of new strategies, many are either building a pipeline on a virtual basis or focusing on re-ups with existing managers until travel resumes
6. Institutions are broadly optimistic about the performance of the asset class over the next 12 months, but remain cautious about certain property sectors

Survey findings are directional and are meant to provide a “moment in time” view of institutional sentiment as we enter the fourth month of COVID-19 related lockdowns

Investors are demonstrating continued commitment to the asset class

- Adopting a measured, cautious approach to portfolio management and new investments
- Most anticipate a slowdown in new investments over the next 12 months, with impact dissipating by mid-2021
- Investors seeking clarity on valuations, future demand and impact on fundamentals before pursuing distressed opportunities aggressively

**Anticipated Length of Disruption
on New Investments**



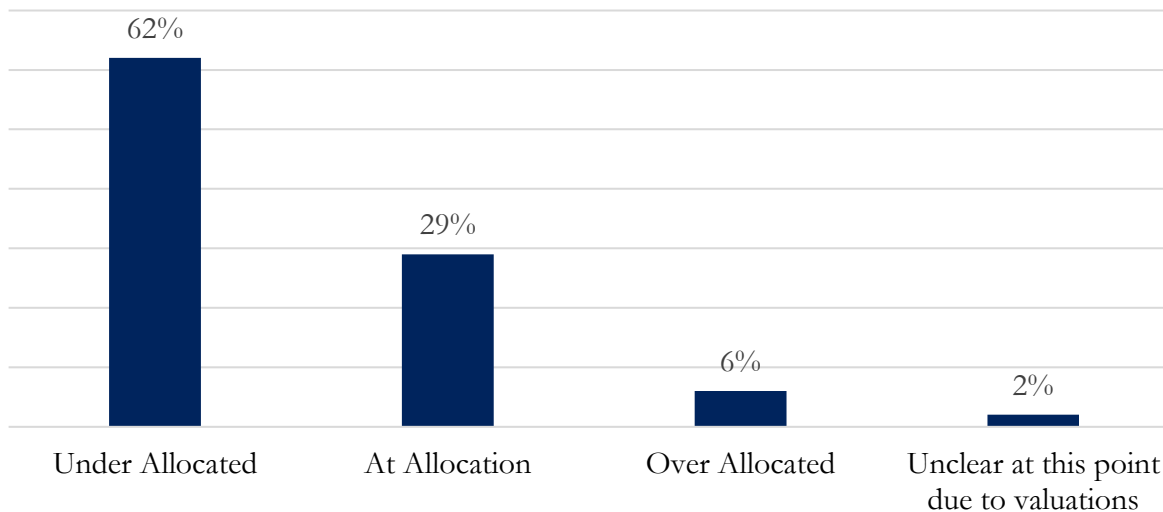
“We have hit the pause button with respect to new manager relationships while we focus on the portfolio and re-up with existing managers. We expect to play offense eventually, but need to have a better sense of what the ‘new normal’ looks like.”

– Public Pension, The Americas

Despite early declines in public equities and debt markets in March and April, majority of investors remain under allocated to real estate

- Portfolio write-downs and rebound in public equities have lessened the denominator effect on actual vs target allocations
- Asia-Pacific based investors remain significantly under-allocated to the asset class

Current Allocation vs. Target Allocation



“Recently marked real estate portfolio to market, and as a result we are under-allocated. But prior to the write down, we were over-allocated.”

– Sovereign Wealth Fund

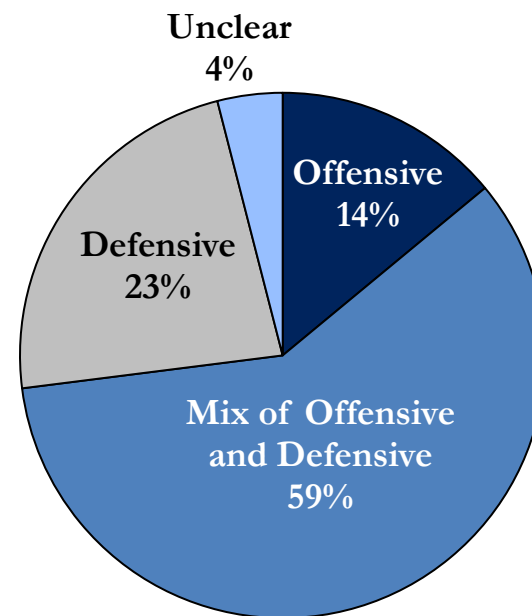
Majority of investors seek to play offense and defense, and are beginning to look at new opportunities

- Investors are prioritizing portfolio management, focusing on assessing risks and potential liquidity issues
- While managers have significant dry powder allocated to funds, many investors are focused on increasing their vintage exposure for the next several years
- Numerous institutions “played offense” in April and May, allocating capital to public equity and debt securities

“Our internal views are mixed on whether to wait or push forward, we are concerned about missing good opportunities that may present themselves, but are also cautious given the weakness in the underlying economy. We feel there is a disconnect between the public markets and what's happening on the ground.”

– Investment Consultant, Asia Pacific

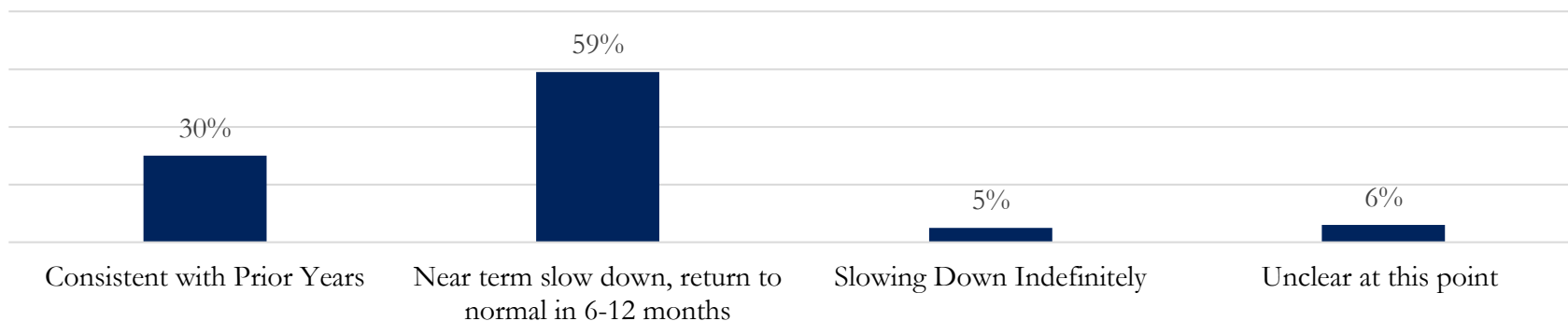
Current Investment Posture



While some investors are actively investing in distressed strategies, others are more cautious and expect that true “distress” will take time to emerge

- Core and value add strategies are a lower priority
 - Some LPs expect opportunity to acquire long-term core assets at a better basis as specific situational distress unfolds
- Investors’ sector specific preferences:
 - Prioritizing logistics and data centers, followed by multi-family
 - Mixed sentiment for office
 - Very cautious approach to retail and hospitality

Expected Investment Pacing



“We are taking a wait and see approach for several sectors, including office, which will account for the near term slow down; however, we have actively been looking for data center and distressed opportunities”

– Insurance Company, Asia Pacific

Lockdowns and travel restrictions are hindering diligence of new strategies and relationships, resulting in near-term prioritization of re-ups with existing managers

- Investors adapted quickly to remote work dynamic, relying on Zoom calls to build their pipeline
- With some exceptions, investors delaying formal diligence on new managers until travel restrictions have been lifted
- Investors increasing the scope and reliance on reference calls to advance their diligence process

“We want to do as much as possible through Zoom. We will advance the ball until we either feel we can close or feel we need to pause because we can't get sufficient conviction without in person meetings and asset tours.”

– Endowment / Foundation, The Americas

DD Approach for New Manager Relationships



Institutions are cautiously optimistic about the performance of real estate over the next 12 months, relative to other asset classes

- Performance will vary significantly based on sector exposure, risk profile and leverage levels
- Expect performance to generally remain strong but very little is really understood about future demand drivers

“It depends on the sector. Multifamily, industrial and data centers should do well, while retail and hotels are clearly going to underperform. New opportunistic strategies should do well in long run.”

– Investment Consultant, The Americas

“Our ‘house view’ is that venture capital will have the best near-term performance, private equity will take a few years to recover; and real estate is in the middle. Some asset classes will perform better than others.”

– Endowment / Foundation, The Americas

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