US Real Estate Opportunities in the Post COVID-19 Era

By Gilbert Tweed International, Inc. & Cornerstone Group Investments, LLC

IMPACT AND OPPORTUNITIES

Mixed picture emerging for different asset class. The COVID-19 pandemic has impacted all aspects of people's lives, with over 2 billion across the world now facing social distancing, travel restrictions, supply chain disruptions and job losses. Over the short-term, there is consensus that investment activity is expected to slow as uncertainty prevails over long-term market performance and overall investment risk. Amidst all these uncertainties, a mixed picture of a "New Normal" is slowing emerging across the different real estate asset class even as the US poise for reopening of its economy.

- **Hospitality –** With the enforcement of travel restrictions around the world, international travel and tourism have ground to a complete halt. This has created unprecedented disruptions to the hotel and tourism industries. The recovery is likely to be protracted and hospitality chain may be compelled to explore repurposed use of existing space in order to survive (example: e-commerce distribution centers).
- **Retail –** Major structural changes in the retail market will be accelerated as a result of the pandemic. Already the market is seeing greater adoption of online ecommerce sales and marketing. Retailers that are structured with such platforms prior to the current pandemic are more resilient. In the longer term, take up rate is expected to be slow and there will be emphasis placed on the shift toward a more diverse retail model with a pervasive online presence.
- **Offices -** In the short-term office space sector is likely to undergo significant consolidation. The adoption of mass remote working as a result of the current pandemic is likely to set the tone on future working norms. Demand is expected to plummet in the near-term, but the physical office will maintain its relevance for facilitating interaction, collaboration and client engagement.
- **Industrial –** A major lesson learned from the ongoing COVID-19 pandemic is the importance of supply chain risk mitigation and resilience. The US government has taken step to review some of its manufacturing and supply chain bases in the light of accessibility to critical national assets during crisis. This will fuel the long-term demand for industrial properties, especially from high-demand industries such as Telecoms/datacenters, last-mile distribution, manufacturing, Refrigeration/cold storage, biotech and e-commerce.

- **Multifamily Rental Apartments -** The COVID-19 pandemic has further exacerbated the critical housing supply situation in the US, due to stoppages of work, disruption of housing supplies or curtailing of labor forces. Post COVID-19, demand for housing is expected to heighten, especially in the affordable housing sector. Multifamily rental housing, in particular "Workforce housing", has shown persistent strong collections even during this ongoing crisis (according to surveys conducted by NMHC) and is considered to be one of the most resilient sectors and this is being supported, at least in the short term, by various income-protection schemes. The workforce housing is targeted at middle-income families or individuals (Class B and C) with good quality rental units in the lower rental class (Class Bs and Cs). These assets are the preferred class because of affordability and higher revenue growth margin. In the longer term, tenancy profile will inadvertently become a strong determinant in asset underwriting as a measure of income stability during crisis.
- **Senior Housing –** Senior housing and assisted living facilities have faced tremendous operational challenges during the current crisis. Asset owners would be compelled to enhance the current infrastructural and nursing needs for a more vulnerable demographic in the post-COVID era. It is conceivable that operational demands and recruitment of nursing and healthcare specialists will be even more challenging in the near to medium term.

Investment Opportunity Niche

Even though sentiment has been dampened, investor appetite in the long-term over certain segments of the market remain optimistic. In the near-term, investment niche and asset-level risks may need to be evaluated based on three key factors; (a) **Stability of Income** - assured source of income that equates to minimized risk, (b) **Criticality of Asset** – infrastructural needs that are influenced by the current pandemic, (c) **Occupation Density** - in the absence of a vaccine, social distancing will remain an essential safety protocol and social norm. Assets that afford lower occupation density will help mitigate risk.

Based on these considerations ***Multifamily rental housing sectors*** and ***Industrial assets*** with credit tenancies, government assisted funding and long remaining terms will be the asset of choice. Affordable/workforce rental housing will see a surge in demand with a trend towards de-densifying of communities into suburbs. On the Industrial asset front, logistics, warehouse, datacenters, fulfilment centers and backend support infrastructure are poised to rise as we expect a major rebound from online retailers and logistics operators. Other technological trends in Real Estate would include the use of applications like AI/robotics, facial recognition technology, spatial awareness technology that minimizes human physical contact.

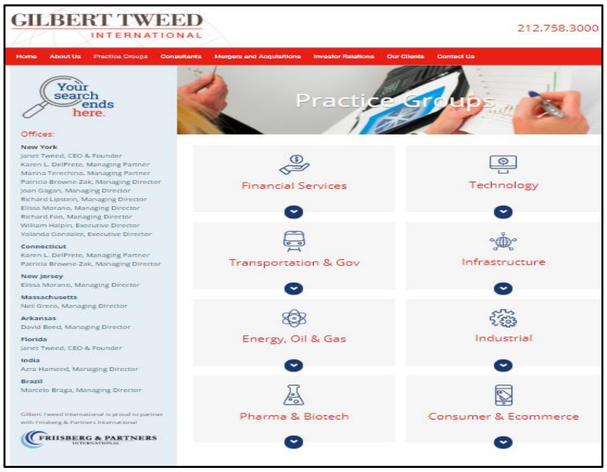
Challenges Ahead

While many investors have temporarily held back on new acquisitions, there are many high-net-worth investors and well-funded institutions with longer-term investment horizons assessing the market on the sideline. Besides strong capital position, Investors and Institutions alike will require the *right talent team with an acute knowledge of the local real estate market in order to capitalize on market opportunities in the post COVID-19 era.*

Private Equity Real Estate Talents – PERE firms looking to grow their portfolio in the post COVID-19 era will require experienced and astute investors who can carefully manage and drive the performance of their investments with a team of seasoned and talented operating partners and portfolio executives – people who possess the correct specialized skillsets, strong acumen for market potential and a proven track record of leading businesses effectively. These executives will bring an acute sensitivity to the financial goals of a business, an objective view of the operating limitations within the organization and the tenacity to restructure and reframe to achieve long-term sustainable growth. Such leaders/talents are in short supply and recruiting them is often the greatest challenge.

Expansionary growth Investments – Competitive companies looking to expand business growth through synergistic acquisitions will need fast access to innovative talent, who can help conceptualize and implement technology growth plans or restructuring effort to realize new growth potential. There will be high demands for expertise in the field of ecommerce, Information Technology/CIOs, datacenters management, Logistics warehouse automation and robotics, Biotechnology and supply chain management.

Turnkey Real Estate Management - a strong and reliable property management team is crucial to any profitable and sustainable real estate investment opportunity. Such team expertise can only be acquired over years of operational hands-on portfolio asset management, with a keen understanding of the local markets, strong strategic presence.



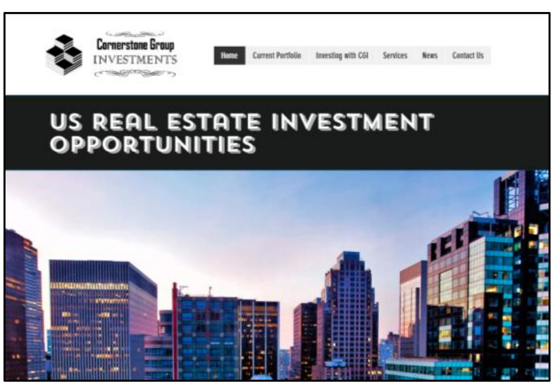
WHAT CAN WE DO?

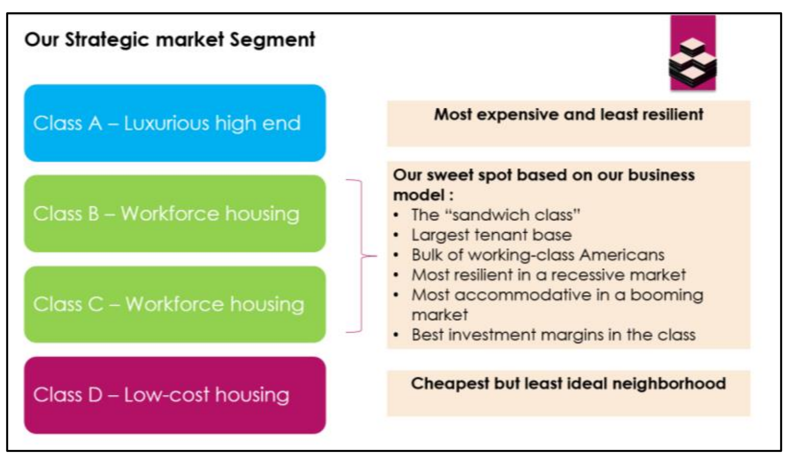
At Gilbert Tweed International ("GTI") and Cornerstone Group Investments ("CGI"), we view these challenges as an opportunity. Our vast network of clientele – from start-ups to large global corporations, public and private - nurtured over the last 35 years allows us to find the right executives with great speed. Our time-tested methodology enables us to attract extremely talented passive candidates and assess their potential for success in all circumstances. We also have a proven track record of acquiring and managing turnkey real estate projects with consistent high yields through a disciplined approach to investment.

Our Expertise: Executive search with real estate turnkey experience

Whether sourcing for top PE talents for fund management, business restructuring or joint venture into a turnkey real estate investment, GTI and CGI have the collectively expertise and proven solutions to establishing profitable real estate investment options and business growth. We offer the following suite of services:

- Executive Search of Real Estate Talents
  - Key Talent search and team building of PE team to oversee the entire turnkey process of underwriting, contract negotiation, due diligence, and execution of asset acquisition.
  - Talent Mapping and Pipeline Development.
  - Retained Executive Search expertise across multiple industry sectors.
- Real Estate Investment
  - Sourcing of prime assets below market valuation.
  - Core team with a proven track record of 25-35% IRR, 2-2.8X equity multiple over an average 3 year holding period.
  - Asset management team with a core experience of managing over 15000 apartment units located around the whole of USA.

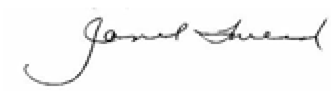




CONTACT US

Let us help you build on the next cycle of real estate wealth through a prudent and proven approach. We can help in your real estate/private equity team structuring or embark on a turnkey real estate investment.

We would love to hear from you.



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