

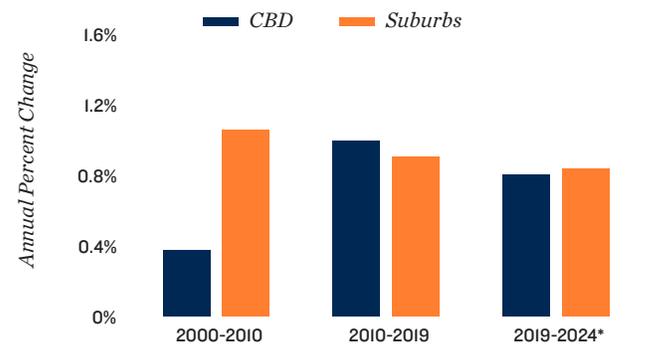
Health Crisis Accelerates Wave of Suburbanization, Potentially Creating a Structural Shift in Real Estate Demand

Health crisis puts new eyes on the move to the suburbs. The global spread of COVID-19 has brought to the forefront questions regarding the future of central business districts. While the proximity to work and play offers convenience to residents, acute population density and the use of public transportation present risks during a pandemic. Even without additional health concerns, suburban popularity had already begun to rise. While a decade ago the pace of population growth was higher in downtown areas, now that activity has shifted to the suburbs. This trend is being accelerated by health concerns, but demographics are at the root.

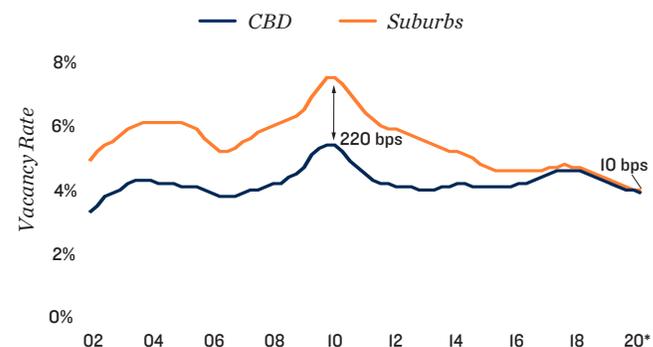
Ageing millennials driving suburban residential growth. A shift in population growth from the urban core to the suburbs has much to do with the current behavior of the millennial generation, representing those born between the years of 1981 and 1996. This demographic cohort has a reputation for wanting to live in the centers of the country's most vibrant cities, taking advantage of numerous cultural and social amenities. While this was true of many of these individuals when they were younger, more than half of millennials are now in their 30s. Not coincidentally, a similar proportion of millennials are married or have children. Though this is a smaller percentage than past generations, it still represents roughly 40 million individuals who have different wants and needs from when they were younger. Many more millennials are expected to shift to a family lifestyle in the years ahead. This change is prompting a natural shift in living situations, with a notable impact on the demand for both residential and commercial real estate.

Companies are following people to the suburbs. Just as Generation X did in the early 2000s when they were in the same age bracket, millennials today are increasingly looking for suburban single- and multifamily residences, raising demand for nearby offices and retail space. This is made evident by contracting availability. The gap between suburban and urban apartment and office vacancies, which both reached peaks of over 200 basis points during the Great Recession, has since fallen to less than 40 basis points. While partly influenced by varying construction levels, this near parity is largely a result of more millennials moving out of urban cores. Firms are following suit, with rising foot-traffic levels also catching the eye of retailers.

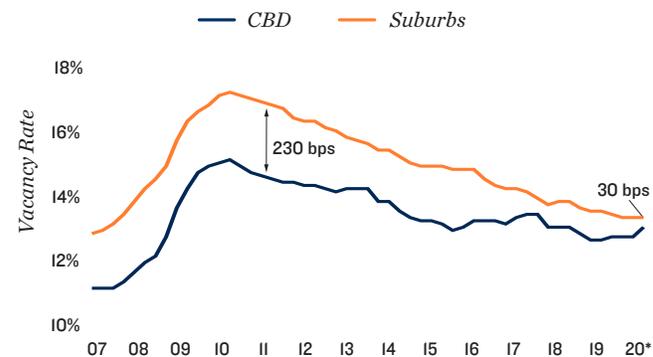
Population Growth Shifting to Areas Outside the City



U.S. Suburban Apartment Vacancy Achieves Near Parity With CBD Rate

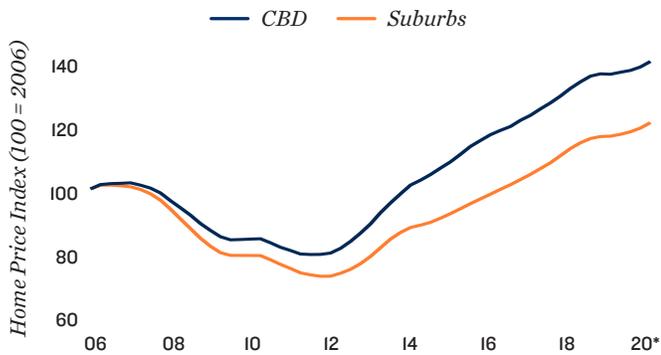


U.S. Suburban Offices Closing the Vacancy Gap With Downtown Locations

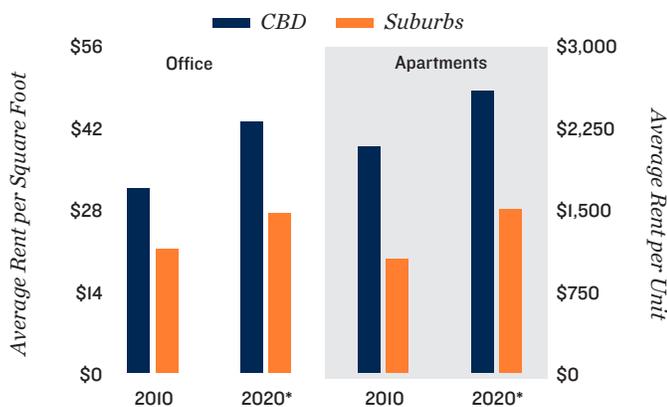


* Through first quarter
Sources: CoStar Group, Inc.; Experian; RealPage, Inc.; U.S. Census Bureau

Urban Home Values Climbing Faster Than Suburban Single-Family Residences



Suburbs Maintain Affordability Advantage



Amount of Office Space per Employee Had Been Shrinking Going Into 2020



Health Crisis Highlights Advantages of Suburbs for Housing and Businesses

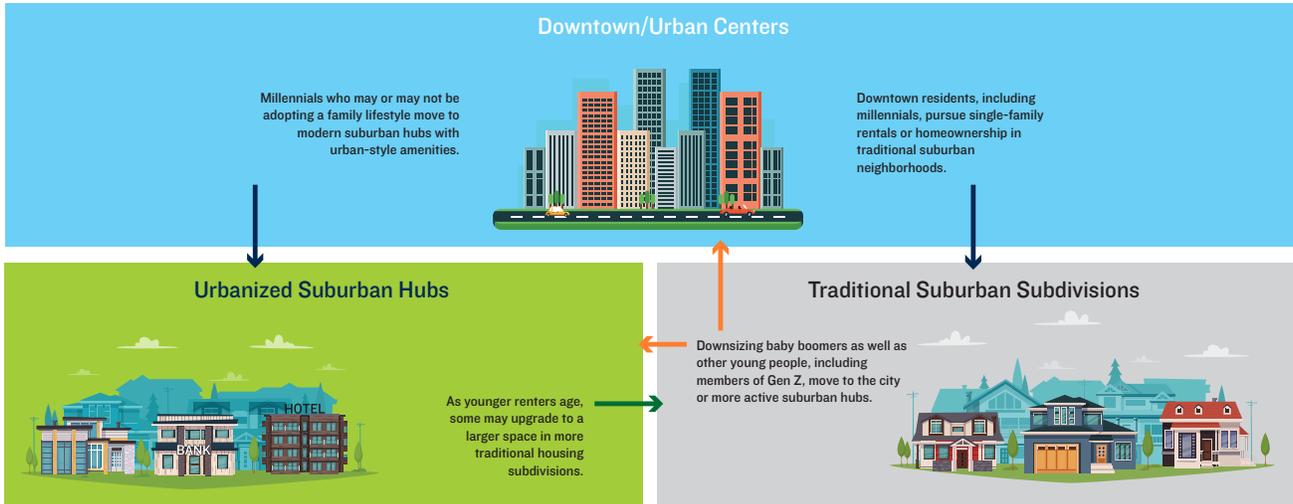
Pandemic may accelerate suburbanization trend. Months of sequestration may be changing how people value their living space, creating new motivations for moving to the suburbs. Proximity to museums, restaurants and bars matters less when they are closed, whereas a backyard and quiet neighborhood become more appealing when practicing social distancing. Urban living often includes high-rise apartment buildings and public transit, both factors that raise contagion risk. Relocating to a suburb increases personal space and makes certain things such as car ownership more feasible. Such a move can also often reduce costs, an important consideration during a period of historic economic disruption.

Working from home adds new appeal to suburban living. Whereas before the pandemic a suburban home’s extra bedroom may have been reserved for visitors, now it may be used as a career resource. The health crisis pushed many companies to adapt a work-from-home solution under short notice, with employees scrambling to find makeshift workspace within their homes. The fact that some hotels are welcoming daytime guests seeking quiet places to work implies that not everyone was successful at doing this. The prospect of future distanced work, which is already taking shape at Facebook, Twitter and Square, may prompt more professionals to relocate to more affordable suburban areas where they can use an extra bedroom as a home office.

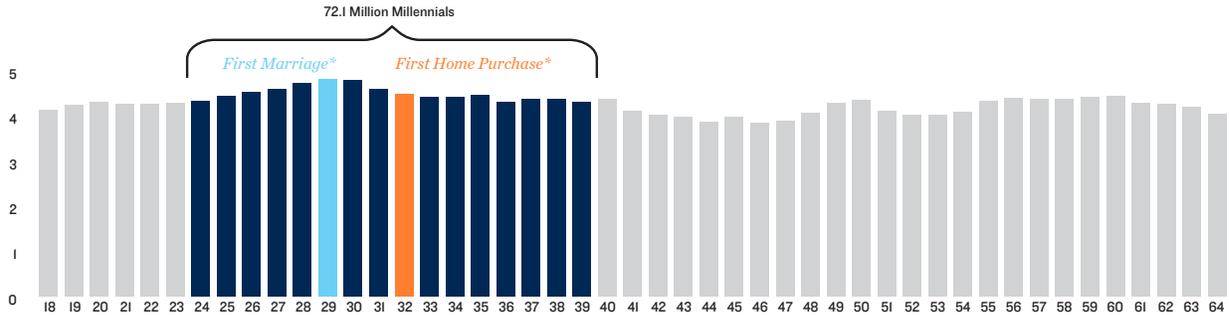
Offices consider suburbs, with implications for retail and industrial space. The health crisis is also influencing the decisions of companies regarding their space needs. Businesses with downtown office space will have to decide if occupying high-cost floor plans in prominent buildings will benefit them moving forward, especially if only a handful of people are on-site. Even if firms want to bring their workforces back, there are several logistical challenges to overcome. Taking public transit to the center of town and riding an elevator to a top-floor suite pose health risks that a drive to a low-rise suburban office does not. Employees will also need larger workstations to comply with physical distancing precautions and some firms do not have enough space to accommodate everyone. In order to solve these dilemmas, organizations may look to the suburbs where costs are lower. Companies may hold on to their central business district location but open satellite spaces in surrounding areas. A shift in office space use, in conjunction with suburban residential growth, would also influence the retail and industrial sectors. Retailers will want to be close to both suburban residential and commercial hubs, with distributors seeking space to support last-mile deliveries to consumers.

* Through first quarter
Sources: CoStar Group, Inc.; RealPage, Inc.; U.S. Bureau of Labor Statistics; Zillow Group

THE NEW SUBURBANIZATION LIFE CYCLE

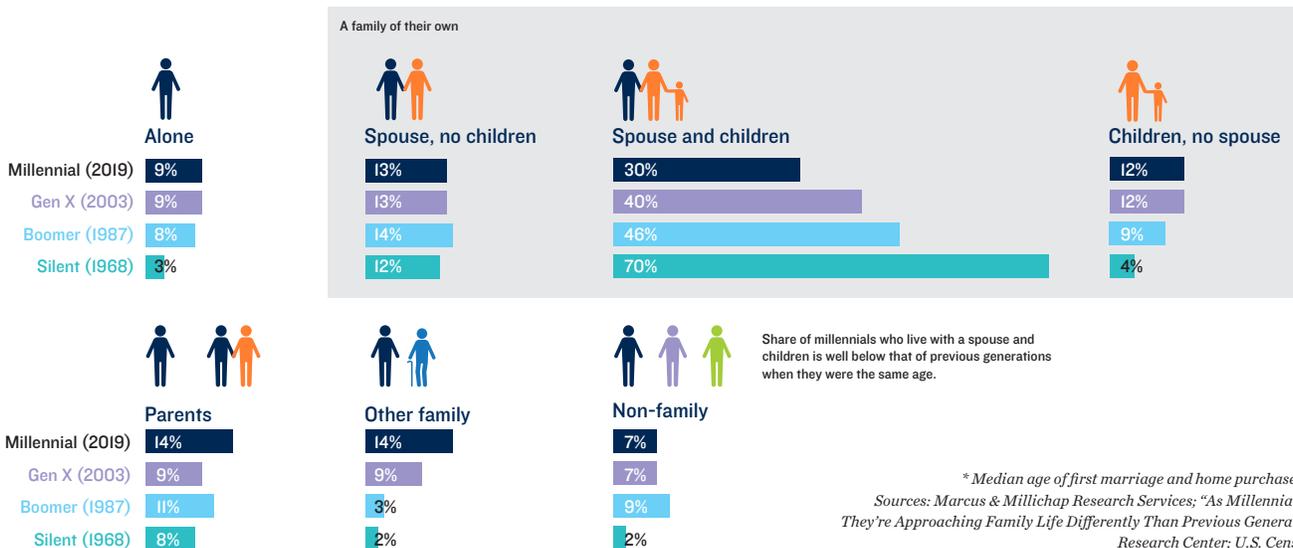


MILLENNIALS CORNERSTONE OF ECONOMIC OUTLOOK
U.S. 2020 POPULATION BY AGE



PERCENTAGE OF 23- TO 38-YEAR-OLDS

LIVING WITH THE FOLLOWING GROUPS OF PEOPLE ACROSS GENERATIONS



* Median age of first marriage and home purchase as of 2018
Sources: Marcus & Millichap Research Services; "As Millennials Near 40, They're Approaching Family Life Differently Than Previous Generations," Pew Research Center; U.S. Census Bureau

Changing Nature of the Suburbs Benefits Real Estate; Urban Living to Remain an Attractive Situation for Many

Suburbs to undergo an evolution. Many of the amenities that millennials grew to enjoy while living downtown will make their way in some fashion to the suburbs in the form of urbanized suburban hubs. Some examples of this rising trend are already in use today, such as King of Prussia's Town Center, where multi- and single-family residences are close to mixed-use retail and office developments. These new community nodes offer a similar level of walkable access among residences, offices, restaurants, bars and shops alongside green spaces more common in the suburbs. As such, the communities that are likely to come about by this new wave of suburbanization will look and function differently from the residential subdivisions of the past and leave more room for retail, office and other commercial tenant uses.

Suburbanization does not mean the end of the urban core. Just as the millennial generation replaced Generation X residents downtown, so too is Generation Z anticipated to replace millennials in city centers. The leading edge of Gen Zers are now just exiting their college years and while the pandemic may sway some decision making, these young adults will ultimately move to where new jobs are forming, just as their millennial peers did 10 years ago. Some of these positions will be located in suburban offices or possibly at home, but many other roles will be based within the nation's largest central business districts. Not all members of other generations are abandoning urban settings either. Multigenerational and nuclear family households have become less common, encouraging many individuals to forge new kinds of kinship that are complimented by city living. Homeownership also remains unattainable for many, as the price of a home relative to income continues to rise. The inability to afford a home removes one of the stronger appeals of suburban lifestyles. All of these factors are expected to fuel continued demand for urban housing, even as some other trends play out across the country.

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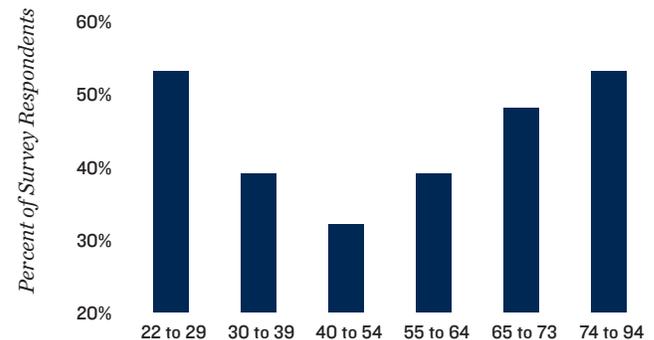
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Price: \$1,000

Younger Homebuyers Value Community: Picked a Neighborhood Because It Was Convenient to Friends and Family



Home Prices Continue to Rise at a Faster Pace Than Incomes



* Through first quarter

Sources: Marcus & Millichap Research Services; National Association of Realtors: 2020 Home Buyers and Sellers Generational Trends Report; U.S. Census Bureau

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guaranty, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; "As Millennials Near 40, They're Approaching Family Life Differently Than Previous Generations," Pew Research Center; CoStar Group, Inc.; National Association of Realtors: 2020 Home Buyers and Sellers Generational Trends Report; RealPage, Inc.; U.S. Bureau of Labor Statistics; U.S. Census Bureau