

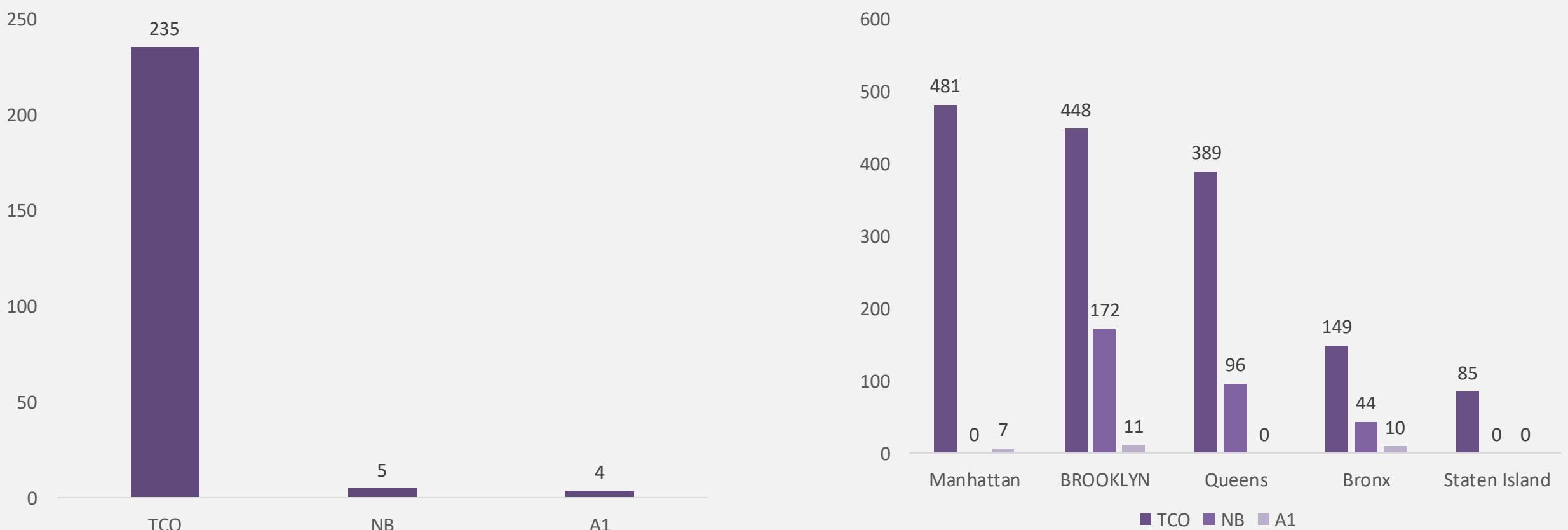
In this issue of SCP’s US Real Estate Economic Indicators we welcome Eric Brody, Principal of Wonder Works Construction Corporation a construction and development company with an emphasis on building and investing in New York multifamily properties. Over the next several months he will be sharing his views on the local real estate market and how he is navigating it. We hope you enjoy his input as much as we do. Eric can be reached at [eric@anaxrep.com](mailto:eric@anaxrep.com)

- For the month of April, 235 unique TCO applications were filed with NYC’s Department of Buildings (DOB) – compared to 519, for the month of March - of which 229 were final and 6 were temporary. The new building (NB) and alteration type 1 (A1) remained low, with 5 and 4 filings, respectively.
- According to the U.S. Census Bureau, construction spending during March 2021 was estimated at a seasonally adjusted annual rate of \$1,513.1 billion, 0.2 percent (±0.8 percent) above the revised February estimate of \$1,509.9 billion.
- According to the US Bureau of Labor Statistics, total nonfarm payroll employment rose by 266,000 in April, and the unemployment rate was little changed at 6.1 percent, the U.S. Bureau of Labor Statistics reported.
- According to the U.S. Census Bureau, privately-owned housing starts in April were at a seasonally adjusted annual rate of 1,569,000. This is 9.5 percent (±10.8 percent) below the revised March estimate of 1,733,000, but is 67.3 percent (±21.6 percent) above the April 2020 rate of 938,000.
- According to the Federal Reserve, total industrial production increased 0.7 percent in April. The indexes for mining and utilities increased 0.7 percent and 2.6 percent, respectively; the index for manufacturing rose 0.4 percent despite a drop in motor vehicle assemblies that principally resulted from shortages of semiconductors.
- According to the Census, advance estimates of U.S. retail and food services sales for April 2021, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$619.9 billion, virtually unchanged (± 0.5 percent) from the previous month, and 51.2 percent (± 0.7 percent) above April 2020.
- The 10y treasury registered at 1.61%, as of 5/24/21, 58 bps higher than the TTM average of 1.03%. Slightly higher compared to the previous month but substantially higher than the beginning of the year. It’s also approx. 109 bps higher than the TTM low of 0.52% (8/4/20).

### MONTHLY DEPARTMENT OF BUILDINGS ACTIVITY, NOVEMBER 2020 | NYC

For the month of April, 235 unique TCO applications were filed with NYC’s Department of Buildings (DOB) – compared to 519, for the month of March - of which 229 were final and 6 were temporary. The new building (NB) and alteration type 1 (A1) remained low, with 5 and 4 filings, respectively.

TCO applications represented 1,552 projected dwelling units across all boroughs – not all applications disclosed the proposed unit count. The majority of the units were located in Manhattan (481) while Brooklyn came in second (448), Queens third (389), Bronx fourth (149), and finally Staten Island (85).



Source: NYC, Opendata

## DEVELOPERS CORNER | ERIC BRODY, PRINCIPAL AT WONDER WORKS CONSTRUCTION CORPORATION

Welcome to The Developer's Corner! I will attempt to interpret some of the data you are reading into real time observations on the ground from the perspective of an NYC Builder/ Developer.

We have seen permits, especially for new buildings, plummet. We haven't witnessed such a lull in activity since 2011; let that sink in.

Now let's examine what led to this drop. Developers have been building an abundance of *luxury* multi-family over the last decade due to a variety of factors including available financing, investors chasing yield and just an exuberance that New York luxury housing was in high demand. Well, we were wrong. There's an abundance of available product at pricing for end users that do not exist – or demand has been satisfied and developers miscalculated the size of the market. Also, in 2016/2017 when laws regarding foreign investment changed, the landscape of buyers pivoted from foreign to domestic. Since the development lifecycle, from acquisition to completion, is typically a three year process it's very hard to change business plans mid-stream, which forced developers to continue to build hoping that a new market would emerge. The fact of the matter is based on existing absorption (which has changed tremendously recently) 40% of the units that were built weren't selling at the proposed prices; when the Covid-19 crisis hit the problem was exacerbated.

Developers are finally discounting the built units and absorption has increased over the last two months. Which is great news for existing supply but if we apply the speed of absorption against the available units we are still oversupplied for the coming years.

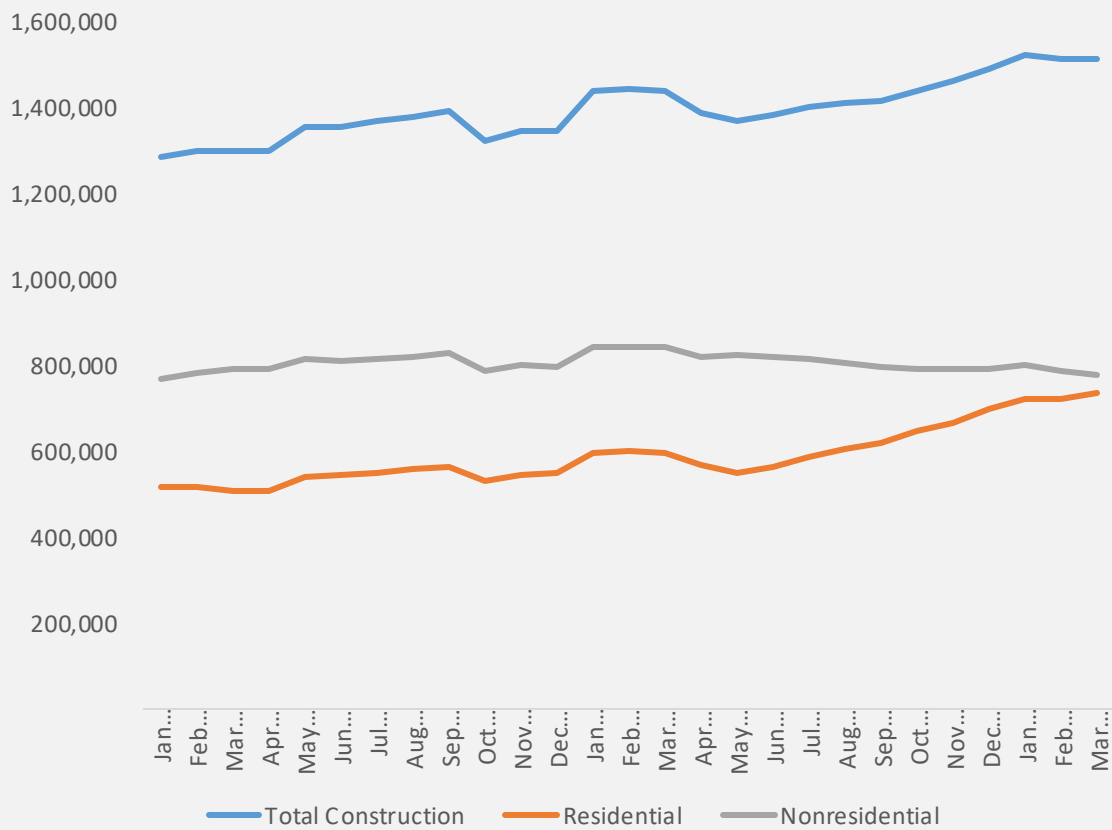
In conclusion, the above is a major factor as to why no one is pursuing projects and getting units built. There is still a basic supply/ demand issue. Now, there is never one reason why a situation exists, it's too simple. For the other reasons and more information regarding Development please check the Developers Corner in the coming weeks. Let us know what you would like to hear or learn about. If you have any questions please reach out to us and talk soon



**Eric Brody** is a prolific builder and developer in NYC for the last eighteen years, Eric, the son of a NYC Architect, has completed over \$950 million worth of Real Estate Development and just over \$500 million in total Construction costs representing approximately 800 units built and occupied with in NYC. As the Chief Operating Officer & Principal at Wonder Works Construction Corporation, Eric Brody continues to lead the operations of one of the New York area's most highly respected general contracting and real estate development firms. In addition to the day-to-day operations and leadership of the company, he oversees multiple project execution, asset acquisition, debt/ equity procurement and investor relations. Brody's tenure at Wonder Works began in 2012 as Director of Construction. In 2015 he was named partner and Chief Operating Officer where he remains till this day.

Eric can be reached at [eric@anaxrep.com](mailto:eric@anaxrep.com)

## MONTHLY CONSTRUCTION SPENDING, MARCH 2021 | US

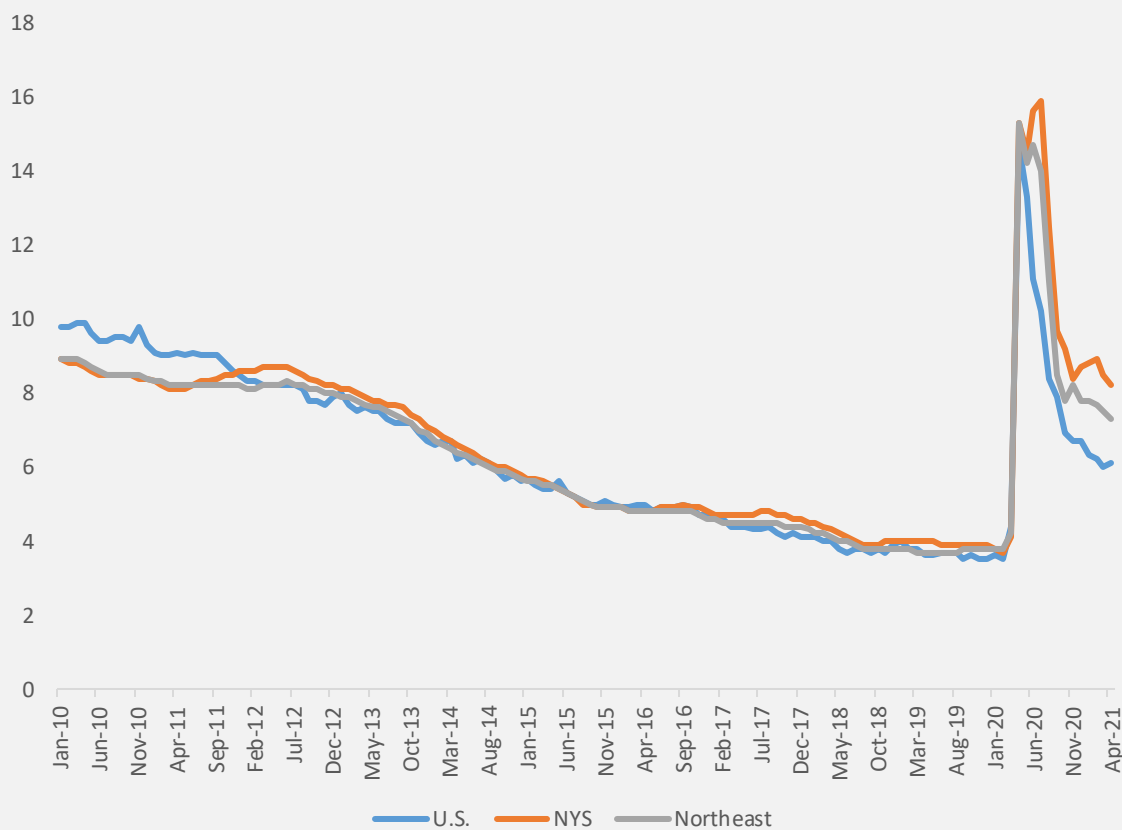


According to the U.S. Census Bureau, construction spending during March 2021 was estimated at a seasonally adjusted annual rate of \$1,513.1 billion, 0.2 percent ( $\pm 0.8$  percent) above the revised February estimate of \$1,509.9 billion. The March figure is 5.3 percent ( $\pm 1.0$  percent) above the March 2020 estimate of \$1,436.7 billion. During the first three months of this year, construction spending amounted to \$328.3 billion, 4.5 percent ( $\pm 1.0$  percent) above the \$314.1 billion for the same period in 2020.

Spending on residential construction continues to be the main driver behind the increase in spending, with a 23.3% increase y-o-y. While, not surprisingly, spending on lodging continues to underperform with y-o-y decrease also at 23.3%.

Source: US Census Bureau

## UNEMPLOYMENT INSURANCE CLAIMS | US, NYS, NORTHEAST

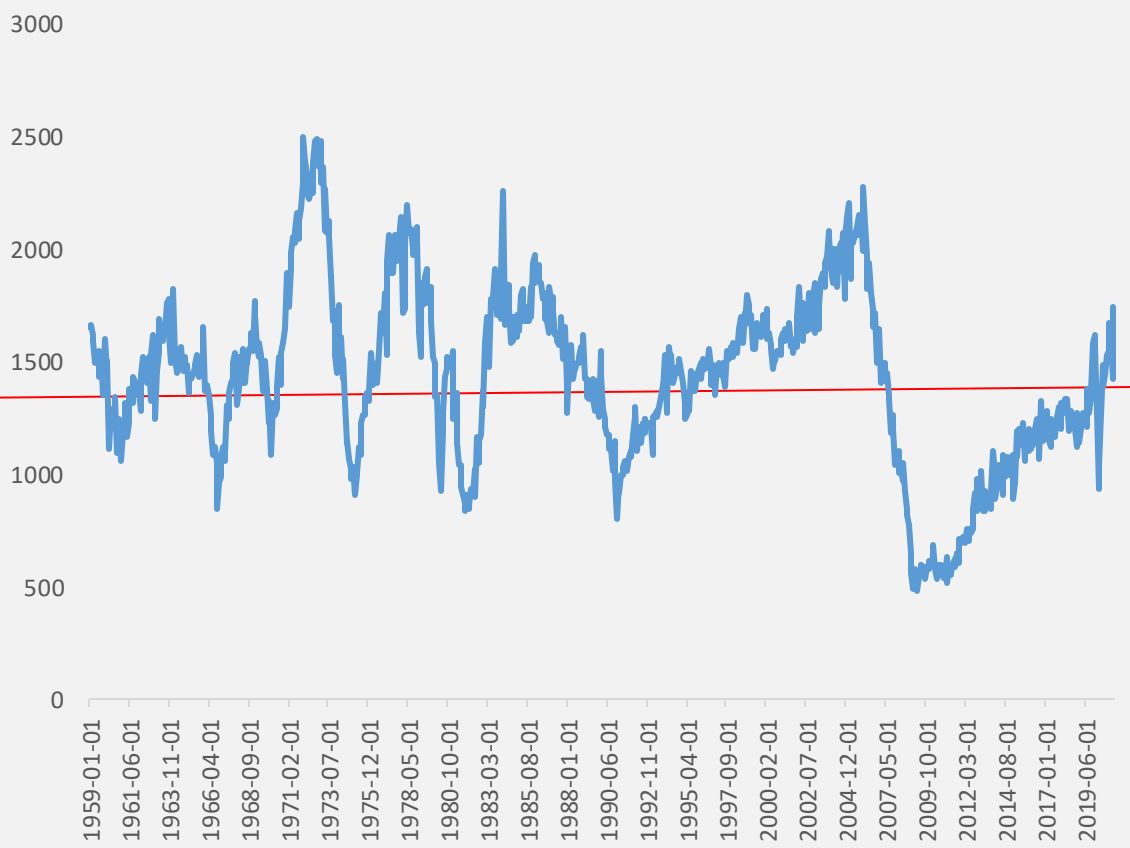


According to the US Bureau of Labor Statistics, total nonfarm payroll employment rose by 266,000 in April, and the unemployment rate was little changed at 6.1 percent, the U.S. Bureau of Labor Statistics reported. Notable job gains in leisure and hospitality, other services, and local government education were partially offset by employment declines in temporary help services and in couriers and messengers.

In April, NYS and the Northeast registered 8.2% and 7.3%, respectively.

Source: US Bureau of Labor Statistics, NYS, Department of Labor Weekly UI Claims Report

## MONTHLY NEW RESIDENTIAL CONSTRUCTION | US

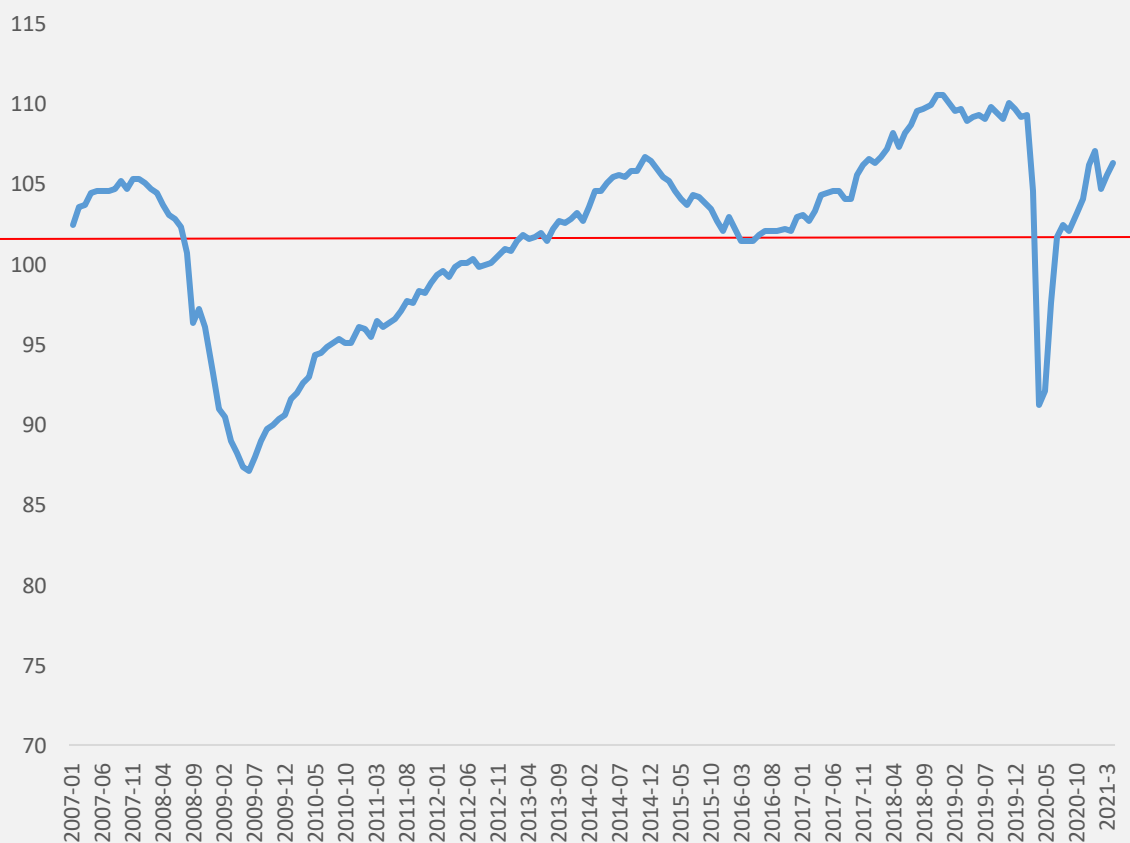


Source: US Census Bureau

According to the U.S. Census Bureau, privately-owned housing starts in April were at a seasonally adjusted annual rate of 1,569,000. This is 9.5 percent ( $\pm 10.8$  percent) below the revised March estimate of 1,733,000, but is 67.3 percent ( $\pm 21.6$  percent) above the April 2020 rate of 938,000. Single-family housing starts in April were at a rate of 1,087,000; this is 13.4 percent ( $\pm 7.9$  percent) below the revised March figure of 1,255,000. The April rate for units in buildings with five units or more was 470,000.

Privately-owned housing completions in April were at a seasonally adjusted annual rate of 1,449,000. This is 4.4 percent ( $\pm 8.6$  percent) below the revised March estimate of 1,515,000, but is 21.7 percent ( $\pm 15.8$  percent) above the April 2020 rate of 1,191,000. Single-family housing completions in April were at a rate of 1,045,000; this is 0.1 percent ( $\pm 8.4$  percent) above the revised March rate of 1,044,000. The April rate for units in buildings with five units or more was 401,000.

## MONTHLY INDUSTRIAL PRODUCTION | US

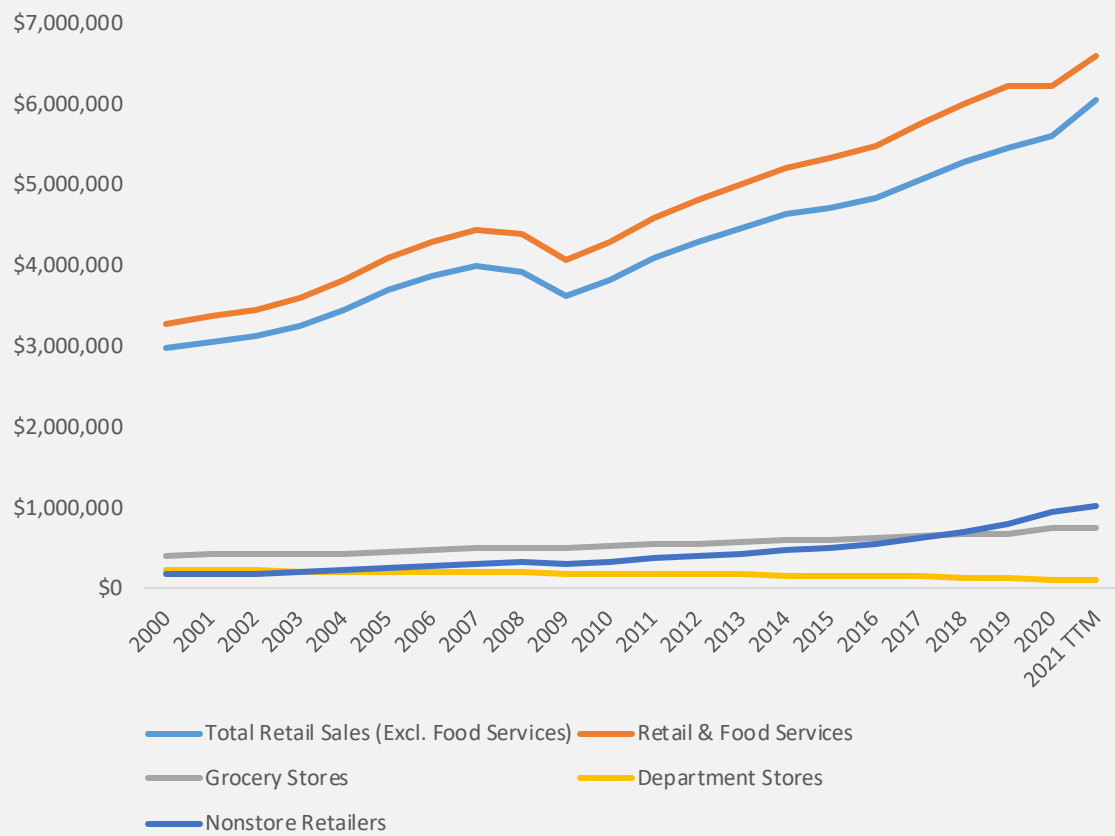


Source: Federal Reserve

According to the Federal Reserve, total industrial production increased 0.7 percent in April. The indexes for mining and utilities increased 0.7 percent and 2.6 percent, respectively; the index for manufacturing rose 0.4 percent despite a drop in motor vehicle assemblies that principally resulted from shortages of semiconductors. An important contributor to the gain in factory output was the return to operation of plants that were damaged by February's severe weather in the south central region of the country and had remained offline in March. The weather-induced drop in total industrial production in February and the subsequent rebound in March are now estimated to have been larger than reported last month.

At 106.3 percent of its 2012 average in April, total industrial production has moved up 16.5 percent from its level in April 2020 (the trough of the pandemic), but it was 2.7 percent below its pre-pandemic (February 2020) level. Capacity utilization for the industrial sector rose 0.5 percentage point in April to 74.9 percent, a rate that is 4.7 percentage points below its long-run (1972–2020) average.

## MONTHLY RETAIL SALES | US



According to the Census, advance estimates of U.S. retail and food services sales for April 2021, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$619.9 billion, virtually unchanged ( $\pm 0.5$  percent) from the previous month, and 51.2 percent ( $\pm 0.7$  percent) above April 2020. Total sales for the February 2021 through April 2021 period were up 27.1 percent ( $\pm 0.5$  percent) from the same period a year ago. The February 2021 to March 2021 percent change was revised from up 9.7 percent ( $\pm 0.5$  percent) to up 10.7 percent ( $\pm 0.3$  percent).

Retail trade sales were down 0.3 percent ( $\pm 0.5$  percent)\* from March 2021, but up 46.1 percent ( $\pm 0.7$  percent) above last year. Clothing and clothing accessories stores were up 726.8 percent ( $\pm 2.8$  percent) from April 2020, while food services and drinking places were up 116.8 percent ( $\pm 3.0$  percent) from last year.

Source: US Census Bureau

## 10-YEAR TREASURY YIELD (%) | US



The 10y treasury registered at 1.61%, as of 5/24/21, 58 bps higher than the TTM average of 1.03%. Slightly higher compared to the previous month but substantially higher than the beginning of the year. It's also approx. 109 bps higher than the TTM low of 0.52% (8/4/20).

Source: US Treasury, US Federal Reserve

## FTSE NAREIT U.S. REAL ESTATE INDEX SERIES | APRIL 30, 2021

Sector	Investment Performance by Property Sector and Subsector						
	Number of Constituents	Total Return (%)			Dividend Yield (%)	Market Capitalization (\$)¹	
		2020	March	2021: YTD		Equity	Implied
FTSE Nareit All Equity REITs	158	-5.12	8.12	17.11	3.07	1,370,328,228	1,407,028,466
FTSE Nareit Equity REITs	150	-8.00	8.06	17.64	3.31	1,101,312,150	1,137,964,920
Industrial	13	12.17	9.55	16.48	2.30	155,317,972	159,524,466
Office	19	-18.44	6.85	12.39	3.50	93,608,083	99,103,746
Retail	32	-25.18	9.64	29.47	4.09	161,994,455	169,940,797
Shopping Centers	18	-27.64	11.89	41.09	3.78	58,579,514	59,691,264
Regional Malls	4	-37.15	8.50	42.74	4.54	42,806,846	48,731,287
Free Standing	10	-10.46	8.40	12.49	4.07	60,608,095	61,518,246
Residential	20	-10.69	7.34	20.10	2.76	198,775,242	205,781,508
Apartments	15	-15.34	6.10	22.25	3.16	135,948,372	139,880,773
Manufactured Homes	3	-1.69	10.36	11.03	2.07	31,483,717	32,335,625
Single Family Homes	2	6.04	10.10	20.50	1.65	31,343,153	33,565,110
Diversified	16	-21.76	8.30	17.48	4.64	54,843,134	58,259,936
Lodging/Resorts	13	-23.60	4.49	23.26	3.47	41,584,164	41,829,663
Health Care	17	-9.86	5.02	11.93	4.11	122,282,748	123,174,468
Self Storage	5	12.91	13.19	24.85	2.88	87,135,944	90,352,233
Timber	4	10.33	9.74	17.67	2.05	38,424,183	38,424,183
Infrastructure	4	7.25	8.14	14.63	2.11	230,591,895	230,639,362
Data Centers	5	21.00	7.19	4.67	2.31	125,666,717	128,978,593
Specialty	10	-8.24	8.34	23.77	5.18	60,103,692	61,019,512
FTSE Nareit Mortgage REITs	33	-18.77	4.50	16.91	8.03	74,451,973	75,040,028
Home Financing	20	-22.59	4.84	16.02	8.73	45,435,187	45,462,821
Commercial Financing	13	-10.73	3.94	18.40	6.86	29,016,786	29,577,207

Source: FTSE™, Nareit®.

Notes:

<sup>1</sup> Implied market capitalization is calculated as common shares outstanding plus operating partnership units, multiplied by share price. Data presented in thousands of dollars.

Disclaimer: The FTSE Nareit US Real Estate Index Series (Indexes) is calculated by FTSE International Limited (FTSE®), which is part of the London Stock Exchange Group plc (LSE Group). FTSE Russell® is a trading name of FTSE®, FTSE® and related trademarks and service marks owned or licensed to the LSE Group. Nareit® is the exclusive registered trademark of the National Association of Real Estate Investment Trusts®. All rights in the Indexes vest in FTSE® and Nareit®. All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor by Nareit® nor by their respective directors, officers, employees, partners or licensors for any errors or for any loss (including in negligence) from use of this publication or any of the information or data contained herein. Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index returns shown may not represent the results of the actual trading of investable assets.

## ABOUT US

**Satori Capital Partners** (“Satori” or “SCP”) is a boutique real estate investment and advisory firm founded in 2018. SCP’s two primary business lines are (i) debt & equity placement for acquisition, development and value-add real estate projects across the United States and (ii) originating, structuring and managing debt and equity investments on commercial real estate assets primarily throughout the Northeast of the United States.

## SERVICES OFFERED

### CAPITAL MARKETS

- **Debt:** We offer clients market-leading access to private debt capital. Such as:
  - First-lien loans, unitranche, mezzanine debt, preferred equity, DIP financing etc.
  - Our priority is to understand a clients investment and create bespoke debt solutions which offer the greatest flexibility
- **Equity:** Similar to our debt advisory business, we strive to identify and structure the most accretive equity solution for your project.
- We leverage our relationships to identify the right equity partner that will facilitate your acquisition, development or recapitalization.

### ADVISORY

- **Financial Analysis:** SCP will provide on a standalone basis financial analysis and transaction modeling to its clients
- **Fairness Opinion:** SCP can provide an unbiased opinion on potential acquisitions or dispositions
- **Capital Structure:** We analyze and evaluate current capital structures and offer advice on strategies for improvement or future risk mitigation

### DATA SERVICES

- **Exploratory Data Analysis (EDA):** SCP can provide a deep statistical and rich visual analysis of public and/or private datasets related to investment opportunities
- **Predictive Analytics through Machine Learning (ML):** SCP can offer predictive analytics for future returns of target investments with the use of the latest machine learning and deep learning algorithms
- **Custom Data Analysis:** Clients can outsource their data analytic needs with security to SCP. We can derive insights from the customer’s datasets with the use of state of the art algorithms in combination with external data sources.

## CONTACT INFORMATION

### AGGELOS SKLAVENITIS

MANAGING PRINCIPAL

MOBILE: +1 (347) 589 4040

EMAIL: [ASKLAVENITIS@SATORICP.COM](mailto:ASKLAVENITIS@SATORICP.COM)

URL: [WWW.SATORICP.COM](http://WWW.SATORICP.COM)

### STAVROS LIMBEROPOULOS

HEAD OF DATA AND ANALYTICS

MOBILE: +30 6947424662

EMAIL: [SLIMBEROPOULOS@SATORICP.COM](mailto:SLIMBEROPOULOS@SATORICP.COM)

URL: [WWW.SATORICP.COM](http://WWW.SATORICP.COM)

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