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COMMERCIAL REAL ESTATE SERVICES

Q1 2021 ECONOMIC REPORTS

GDP GROWTH

EMPLOYMENT

MONETARY POLICY

GLOBAL ECONOMY

GDP GROWTH: TRENDING IN Q1 2021

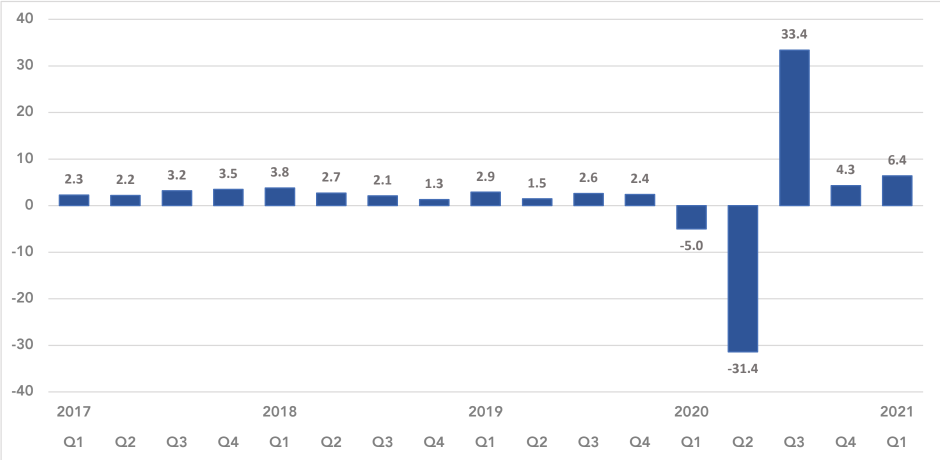
Flush with hundreds of billions of federal stimulus dollars, consumers delivered a positive jolt to the U.S. economy in the first quarter as the Commerce Department reported that GDP came in at a 6.4% seasonal adjusted annual rate. "This signals the economy is off and running and it will be a boom-like year," said Mark Zandi, chief economist at Moody's Analytics. "Obviously, the American consumer is powering the train and businesses are investing strongly."

Although some economists expected the quarterly estimate to show fractionally more growth, it was the second-largest increase since 2003 and brings the U.S. economy to within 1% of its peak reached in late 2019.

The first-quarter gain also reflects increases in nonresidential and residential fixed investments and local, state and federal government aid to business and spending on vaccine distribution. The rate of fully vaccinated persons in the U.S. is nearing 40%. As a result of widespread vaccinations and economic stimulus, the U.S. is ahead in the global recovery in contrast to the 2008-09 recession when China and Brazil led the way. Consumers, who account for 68.2% of the economy, boosted their spending by 10.7% in Q1, compared with a 2.3% increase in Q4.

Real GDP: Percent Change from Prior Quarter

U.S. Bureau of Economic Analysis - Seasonally adjusted at annual rates



'This signals the economy is off and running and it will be a boom-like year'

Mark Zandi,
Chief Economist,
Moody's Analytics

But households also decided to hold on to much of their stimulus money as the savings rate skyrocketed to 21% from 13% in the previous quarter.

"With the elevated savings rate, households are still flush with cash and, now that restrictions are being eased, that will allow them to boost spending on the worst-affected services without needing to pull back too much on goods spending," said Paul Ashworth, chief economist at Capital Economics.

Personal spending was led by auto sales and parts as households spent more on furniture, appliances, bicycles and other big-ticket goods. Consumers also spent more on food and at restaurants and accommodations. Information processing equipment and software drove nonresidential fixed investment. Increases in federal spending were for payments made to banks for processing and administering the Paycheck Protection Program loan applications. The Commerce Department said reduced private inventory investment reflected a decline in retail inventories. There was a drop in exports and increase in imports that subtracted from the gain. "Everything about this crisis has been unique. The speed and magnitude of the contraction in economic activity was unprecedented. The amount of policy support put in place was extremely rapid," Gregory Daco, chief U.S. economist at Oxford Economics, told the Wall Street Journal. "If you had asked me a year ago where we would be today I certainly would not have said we would have recouped the pre-pandemic levels of economic activity."

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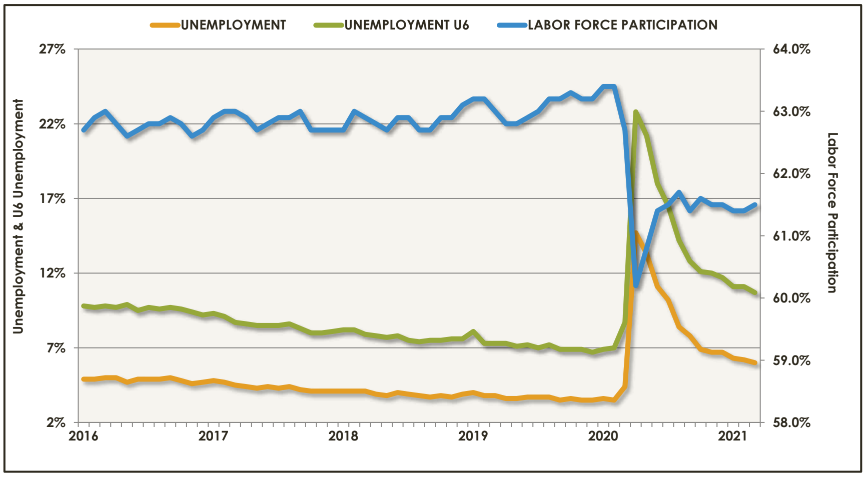
Total nonfarm payroll employment increased by 916,000 in March and the unemployment rate edged down to 6% reflecting resumption of economic activity, the U.S. Bureau of Labor Statistics reported. Job growth was widespread and led by gains in leisure and hospitality, public and private education, and construction. The unemployment rate was 6.7% at the start of the year.

The rate is down considerably from April 2020 but is 2.5 percentage points higher than its pre-pandemic level in February 2020. It's an improvement from December when the job market suffered its first contraction since last spring with employers cutting 140,000 jobs.

In March, 21% of employed persons worked remotely because of the pandemic, down from 22.7% a month earlier. About 11.4 million persons reported in March that they had been unable to work because their employer closed or lost business due to the pandemic. This is down from 13.3 million in the previous month. Total nonfarm payroll employment increased by 916,000 in March but is down by 8.4 million, or 5.5%, from its pre-pandemic peak in February 2020.

Leisure and hospitality employment increased in March by 280,000, as pandemic-related restrictions eased in many parts of the country. Nearly two-thirds of the increase, about 176,000 jobs, was in food services and drinking places. Job gains in arts, entertainment and recreation totaled 64,000. Employment in leisure and hospitality is down by 3.1 million, or 18.5%, since February 2020. Employment in March increased in both public and private education, reflecting the continued resumption of in-person learning and other school-related activities in many parts of the country. Employment rose by 76,000 in local government education, by 50,000 in state government education and by 64,000 in private education. Private sector and local and state government education positions are down 1.75 million jobs since February 2020.

United States Unemployment



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Construction added 110,000 jobs in March, following 56,000 job losses in the previous month that were likely weather-related. Employment growth in the industry was widespread in March, with gains of 65,000 in specialty trade contractors, 27,000 in heavy and civil engineering construction and 18,000 in construction of buildings. Construction jobs are 182,000 below the February 2020 level.

Employment in professional and business services rose by 66,000 over the month but is down by 685,000 since February 2020. In March employment in administrative and support services added 37,000 positions. There were 8,000 jobs in computer systems design and related services.

Manufacturing employment rose by 53,000 in March, with 30,000 job gains occurring in both durable goods and 23,000 in nondurable goods. Employment in manufacturing is down by 515,000 since February 2020. Transportation and warehousing added 48,000 jobs in March.

MONETARY POLICY: TRENDING IN Q1 2021

The Federal Reserve has no plans to raise interest rates until the annual inflation rate averages 2% and unemployment has returned to pre-Covid levels.

In recent interviews and other public remarks, Federal Reserve Board Chairman Jerome Powell reiterated the central bank's position on holding interest rates steady and said any move to raise rates will be preceded by a reduction in the level of debt the Fed has been buying, now at at least $120 billion a month.

"We will taper asset purchases when we've made substantial further progress toward our goals, from last December when we announced that guidance. That would in all likelihood be before – well before – the time we consider raising interest rates," Powell told a virtual event of the Economic Club of Washington, D.C., on April 14.

At the end of Q1 the Bureau of Labor Statistics reported annual inflation was running at 0.6%. Powell said most central bank officials see rates remaining near zero through 2022. His comments came the day after the Labor Department reported the largest one-month jump in the consumer price index since 2012.

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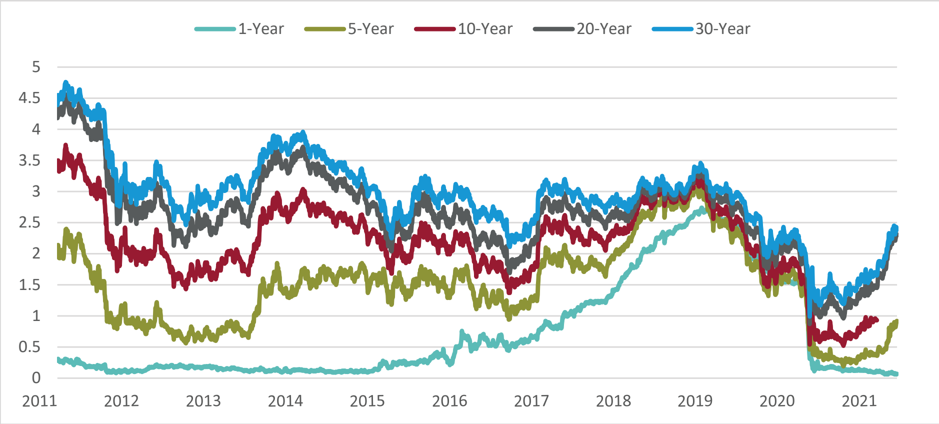
Daily Treasury Yield Curve Rates (Decade Trend)



> ***"I'd say that we, and a lot of private sector forecasters, see strong growth and strong job creation starting right now"***
>
> ***Jerome Powell, Fed Chair***

"What we're seeing now is an economy that seems to be at an inflection point. That's because of widespread vaccinations, strong fiscal support," Powell said in an April 18 segment of CBS' "60 Minutes."

"We feel we're at a place where the economy is about to begin growing much more quickly, job creation coming in much more quickly. So the principal risk to our economy right now is if the disease would spread again. It would be smart for people to continue to socially distance and wear masks.

"I would say the growth we're going to see in the second half of this year is going to be very strong. The outlook has brightened substantially. I'd say that we, and a lot of private sector forecasters, see strong growth and strong job creation starting right now."

Powell said both Fed and Biden Administration acknowledge the potential for prices to rise faster as the recovery strengthens and demand for goods and services temporarily runs ahead of supply, which the White House Council of Economic Advisors calls transitory with no impact on future inflation.

"The economy has changed. And what we saw in the last couple of cycles is that inflation never really moved up as unemployment went down. That means that we can afford to wait to see actual inflation appear before we raise interest rates. What we said was we want to see inflation move up to 2% on a sustainable basis. When we get that that is when we'll raise interest rates," he said.

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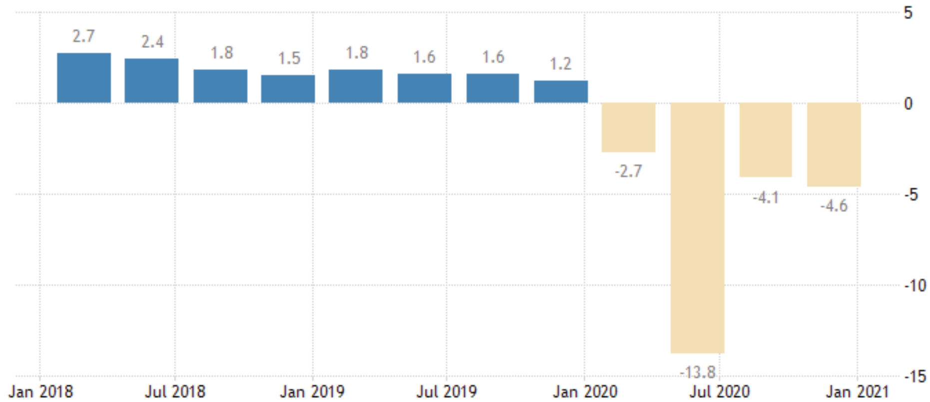
A year into the pandemic, sentiment is improving with expanding vaccine distribution in most developed countries. Also, reduced economic activity in 2020 by the pandemic is estimated as less severe than earlier forecasts by global banking policymakers. Nevertheless the accumulating human toll has been acute, and world banking institutions warn that economic activity and incomes may be depressed for a prolonged period.

The global economy should grow at 6% in 2021, moderating to 4.4% in 2022, according to the International Monetary Fund's latest forecast at the beginning of Q2. The fund's new estimates follow its finding of a 2020 contraction of -3.3% GDP, which was unprecedented in its speed and synchronized nature,

The fund's latest world economic growth projection shows that United States gross domestic product is expected to hit 6.4% in 2021, 5.3% in the United Kingdom, 5% in Canada, 4.4% in the Eurozone and 3.3% in Japan.

The World Bank in Q1, however, posted a 2021 forecast in January showing 7.4% GDP growth in East Asia and the Pacific, 3.3% for the United States, Europe, Central and South Asia, 3.7 in Latin

European Union GDP Annual Growth Rate



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The pandemic has exacerbated the risks associated with a decade-long wave of global debt accumulation.

America and the Caribbean. The World Bank's latest analysis in Q1 placed the potential for 2020 global growth at 5% in the event of swift vaccine distribution and offered no optimism for a rapid recovery.

The pandemic has exacerbated the risks associated with a decade-long wave of global debt accumulation, said World Bank Group President David Malpass. If history is any guide, the global economy is heading for a decade of growth disappointments and a string of debt crisis unless policy makers put in place comprehensive reforms to improve the fundamental drivers of equitable and sustainable economic growth, Malpass said. Economists and policy analysts at both organizations advocate action by world leaders and central bankers to sustain the recovery by shifting from income support to growth-enhancing policies. In the longer run, economic policies by emerging market and developing nations to improve health and education services, digital infrastructure, climate resilience and business and governance practices will help mitigate the economic damage caused by the pandemic, reduce poverty and advance shared prosperity.

Where there are weak fiscal positions and elevated debt, institutional reforms to spur organic growth are important. In the past, growth dividends from reform efforts were recognized by investors in upgrades to their long-term growth expectations and increased investment flows. The World Bank Group is making available up to $160 billion over a 15-month period ending June 2021 to help more than 100 countries. is includes $50 billion in grants to developing countries and $12 billion for vaccine distribution.

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