

COVID-19 Informational Communication #4

As we collectively begin to emerge from a near three-month lockdown and economies across the globe enter various stages of reopening, we are encouraged by signs of what hopefully is the beginning of an economic recovery.

At the center of these economic indicators was May's Jobs Report which revealed that employers in the United States added 2.5 million jobs for the month bringing the unemployment rate to 13.3%, down from 14.7% in April after the economic shutdown resulted in 22.1 million lost jobs. Equity markets, which have steadily increased since March 23rd lows, reacted favorably to the release of the Jobs Report. While these are encouraging signs, uncertainties in the labor market and the potential for a second wave of the virus loom on the horizon and will continue to play a large role in the recovery.

With commercial real estate, the shutdown impacted collections for landlords across all asset classes in varying degrees. Retail landlords, whose collections rates are among the hardest hit, are beginning to turn to the court system to sue for missed rent payments. This situation remains fluid, but as businesses continue to open, collection rates can be expected to improve. Disputes with insurance companies over applying business interruption coverage to lost income stemming from the shutdown are also being addressed in the court system and the legislature. A range of efforts are underway to force insurers to pay against these claims, but all face significant challenges. Again, this is a fluid situation that will continue to unfold in the coming months.

ESJ's Portfolio

We are pleased to report that ESJ's education and office portfolios have seen limited rent relief requests as a result of the COVID-19 crisis. Consistent with retail properties nationwide, requests for rent relief within our retail portfolio have been more common. The task force that was established at the onset of this pandemic has remained in close contact with tenants, property managers, and leasing teams throughout our portfolios to address tenants' requests or concerns, ensure that businesses impacted by the crisis know how to access federal stimulus, and ensure that health and safety standards at each property are being met.

With schools entering their summer break, ESJ is developing a survey that will be sent to all of its education tenants to gauge each school's plan for reopening their school facility. These surveys will address enrollment estimates for the upcoming school year, new sanitation and distancing standards, and seek feedback with how we can help ensure that the educational needs of students within our portfolio are safely met. This firsthand dialogue with our school operators allows us to closely monitor developments and best practices adopted by education facilities nationwide. This data will play a role in how we manage our education portfolio and how we approach future education investments.

Jungle Island is scheduled to reopen in the coming weeks subject to guidelines provided by the local government for public spaces. We will open the park in stages and expect to be fully operational early this summer.

These last few months have been unprecedented, but our focus has and will continue to be on protecting our investments. We look forward to finishing the year strong and will keep you updated on opportunities as they present themselves. Please feel free to contact us if you have any questions.

Sincerely,

The ESJ Team