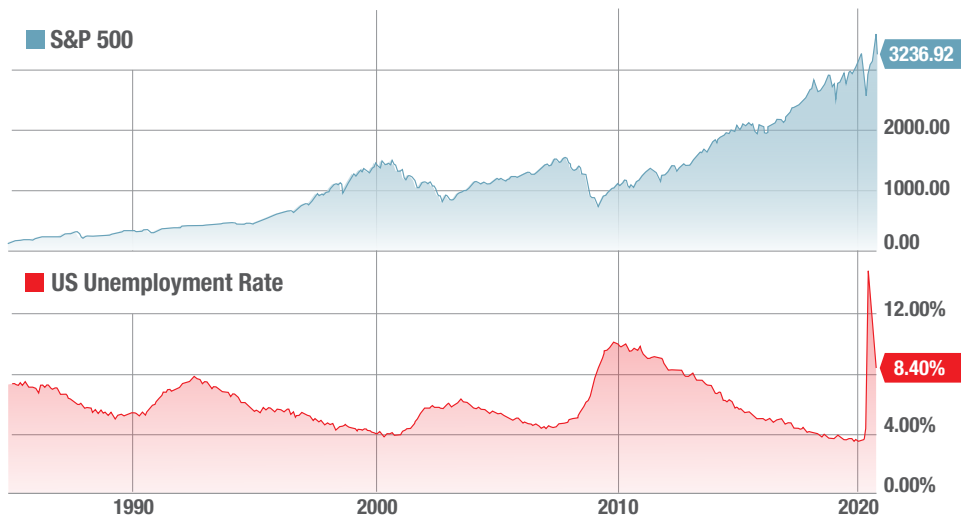




DANGEROUS TIMES

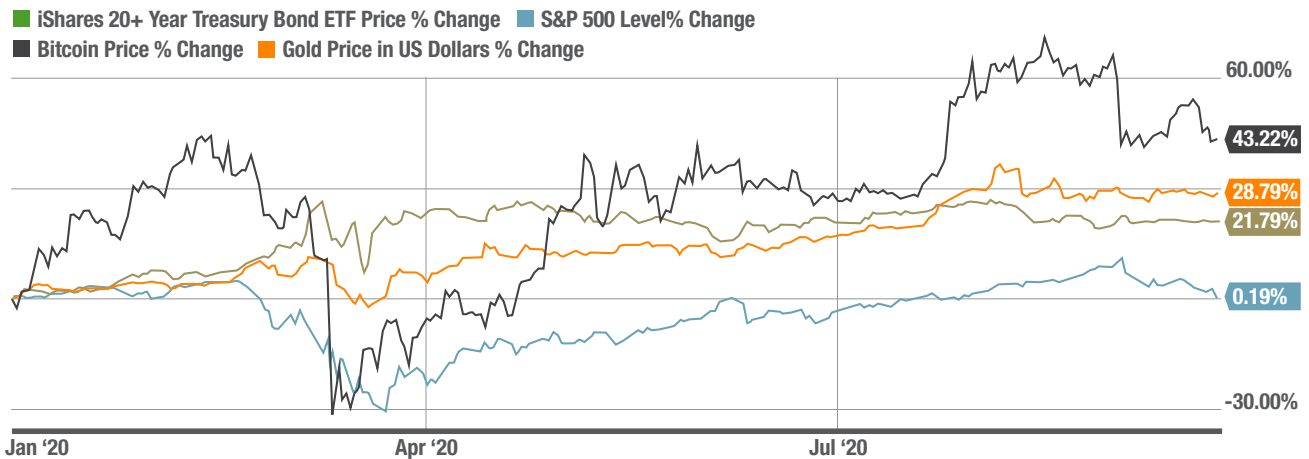
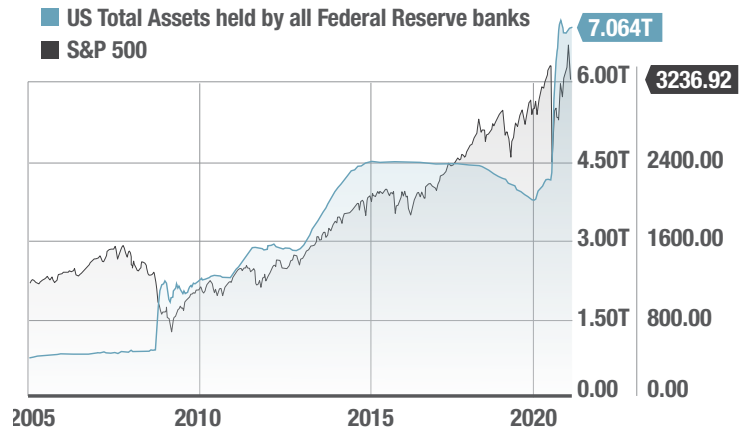
Macro

In these dangerous times we remain fundamentally cautious in our outlook. There is this unresolved disconnect out there between irrationally exuberant markets on the one hand and profound economic uncertainty on the other. We believe this will eventually produce opportunity but now is a time for patience.



*On election day
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Governments around the world are intervening in markets in incredible and unprecedented ways. Here in the United States, it looks like the liquidity provided by the Fed's outright purchase of securities is responsible for the entire upward trend in the S&P500 for the last 10 years.



There is an election looming and it is frightening not just because the balance of power is at stake but because of what it might reveal about the character of our nation. On election day we are going to wake-up and see just what kind of country we really have.

At the same time, the investment landscape is presenting a very confusing picture. There are signs of tremendous speculative activity—nothing unusual there—but the question today is whether the individuals engaging as such can actually bear the risks of it all. There’s a hubris to the narratives of this bull market. Such things never last nor end well.

Markets

Our current focus

- GOLD & GOLD MINERS**
- BITCOIN**
- CASH**
- VOLATILITY**

Avoiding

- EQUITIES**
- FIXED INCOME**



Photo by Breno Assis

Real Estate

What’s driving real estate markets today is a confluence of narratives, mostly pessimistic, centered around this idea that the COVID-19 crisis has somehow permanently changed things. If you believe the stories of this narrative:

- We don’t need offices anymore
- We have way too many restaurants, stores and malls
- We are never going to travel for business again
- Big cities are done for and the suburbs are going to boom

While there is some truth to each of these narratives, understanding the whole truth demands a much more nuanced understanding. There are some serious, unanswered questions to consider:

Do people really “want” to work from home? Do companies really want this? Can you really grow a business this way? Create a company culture?

Are we really ready to abandon our cities permanently? Couldn’t it be possible that this trend is more reflective of a response to a passing situation? Is this really the event that is going to break the trend in place for thousands of years of history? Have other pandemics—many far more deadly than this—done anything to reverse or slow down the trend toward urbanization?

Answering these questions is the key to understanding what is going to happen in the real estate market.

We are starting to believe that the immediate reaction to the end of the pandemic—whatever that means and whenever it comes—might just be a resurgence in demand for urban experiences. Interestingly, while we are seeing signs of stress in the market we aren’t seeing this distress manifest in the form of lower priced acquisition opportunities. In our markets,

the only noticeable exceptions is multifamily land, which seems to be down around 20%. The things that we expected to see—like big price cuts for retail, hotel and office—haven’t really come to this market yet. There’s a sense in which property owners are all sort of holding on, which is the rational thing to do. There haven’t been many transactions even let alone capitulation. We are monitoring the situation closely and will keep everyone updated as things develop.

Strategies

Our current focus

For sale housing

Adaptive Reuse

Boutique Multifamily

Industrial/Warehouse

Avoiding

**Largescale New Construction
Multifamily in Big Cities**

**Value-Add Multifamily in
Cities with Rent Control**