



VERACITY
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Real Estate Industry Update

Private and Public Markets

Advisory services through Veracity Capital, LLC, a registered investment advisor.

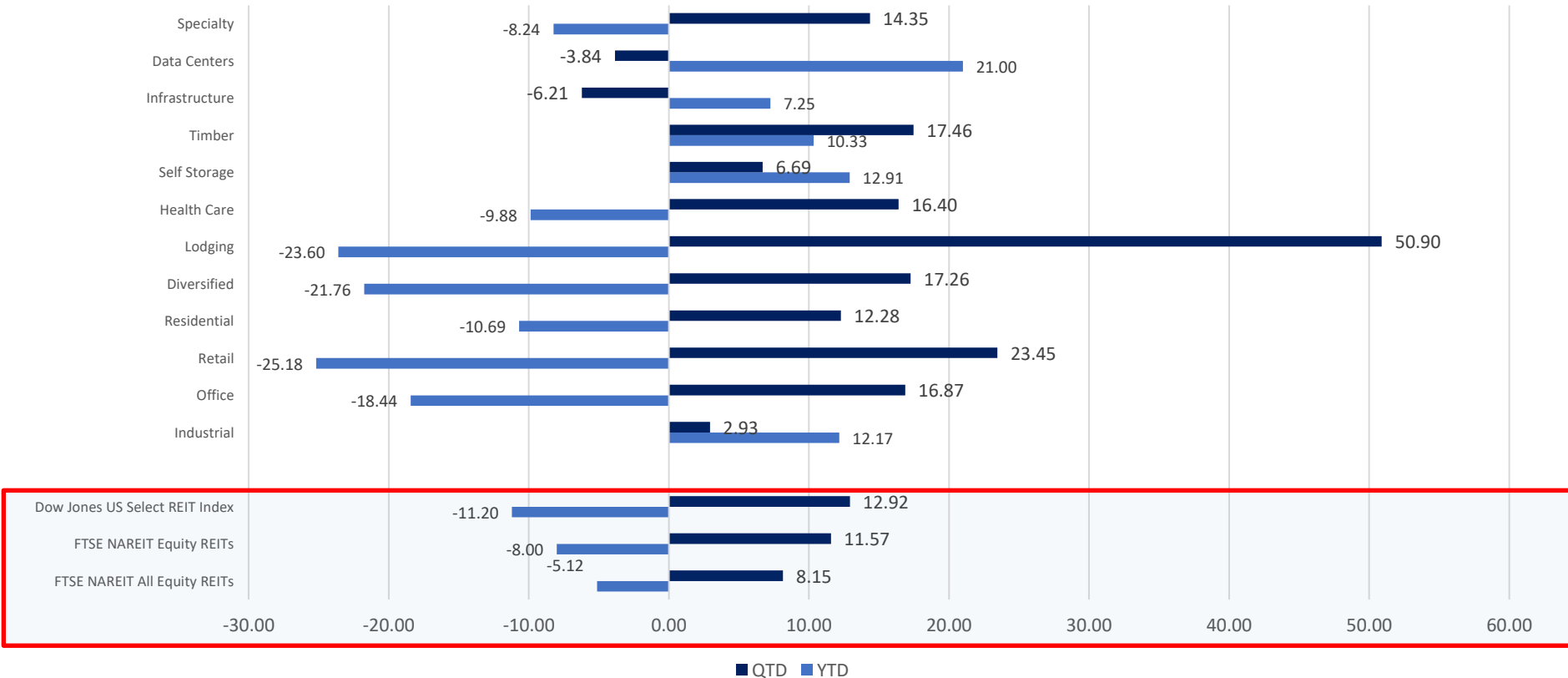
Real Estate Industry Overview

Summary Notes

- In an investment environment with historically low interest rates and high equity valuations, investors are seeking yield and returns that can diversify their portfolios. This search has led to the real estate market which provides the opportunity for attractive yield and returns but not without risks.
- COVID-19 led to a large variance in performance across real estate sectors, highlighting the need to be intentional when making real estate investments.
- Relative to traditional equity markets, there are pockets with the real estate market that are undervalued and/or attractive from a macro standpoint.
- Both public and private markets play a key role in providing investors access to real estate investments. While there are pros and cons to each, much of it comes down to access, suitability and liquidity needs.

REIT Returns in 2020

Sector Performance

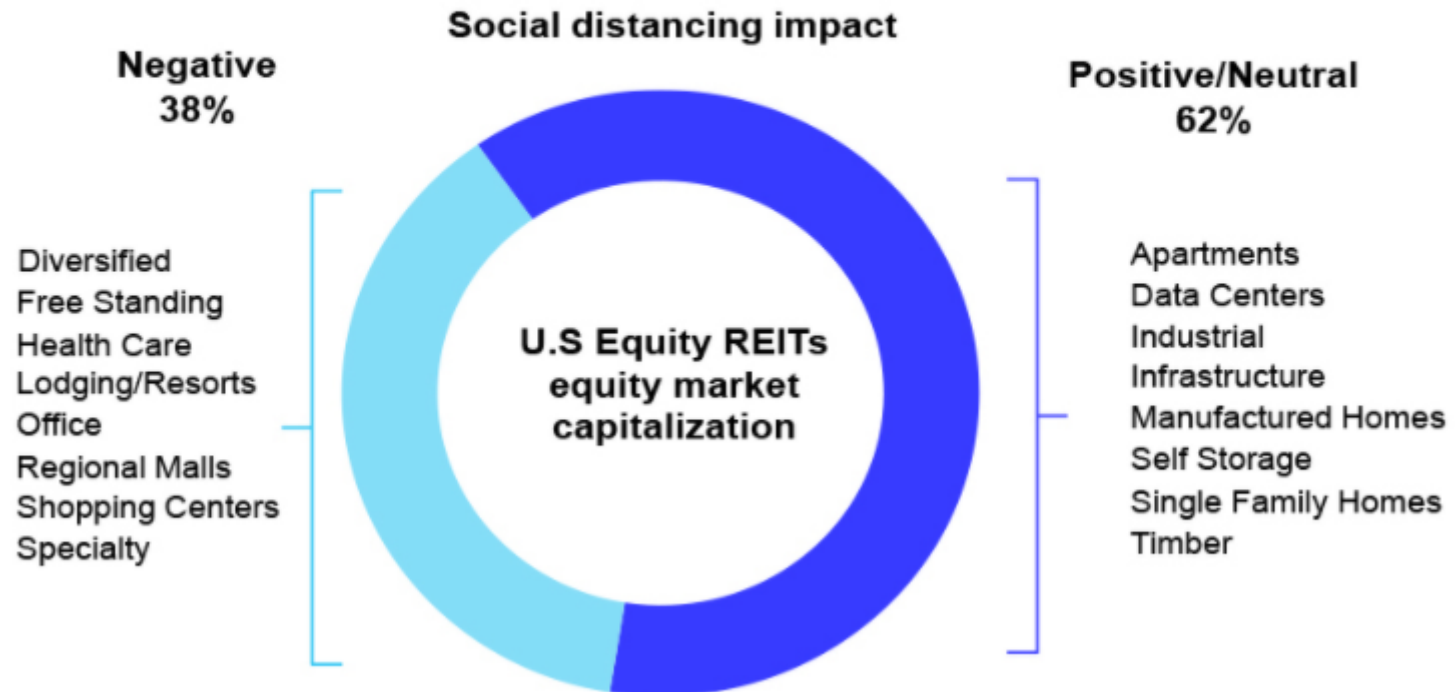


- Due to the impacts of COVID-19, 2020 brought a wide dispersion in real estate returns, as certain sectors of our economy strengthened while others were shut-down. Even with the strong fourth quarter performance of Lodging and Retail, both sectors ended the year down over -20%.

COVID-19 Impact

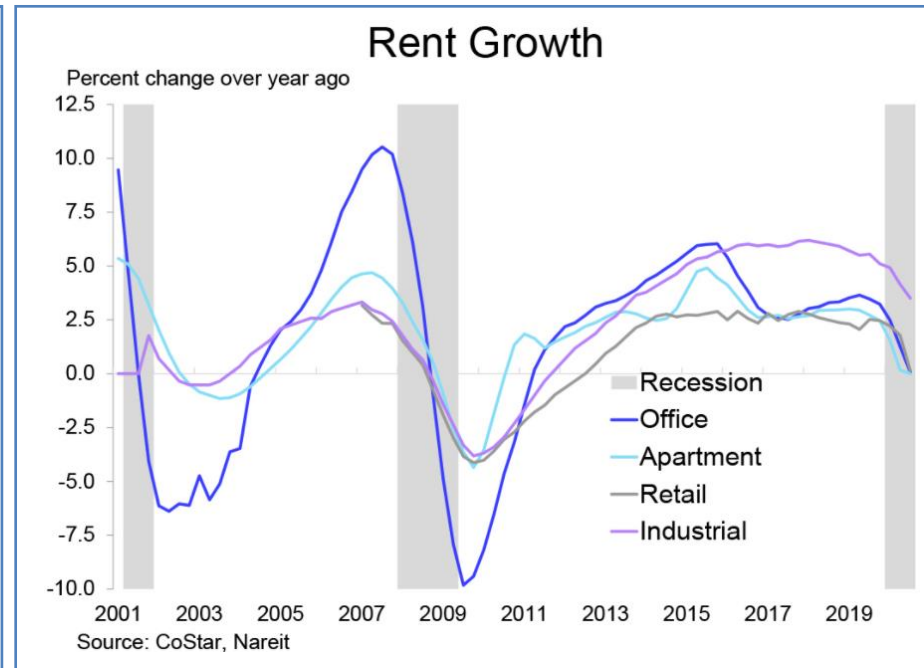
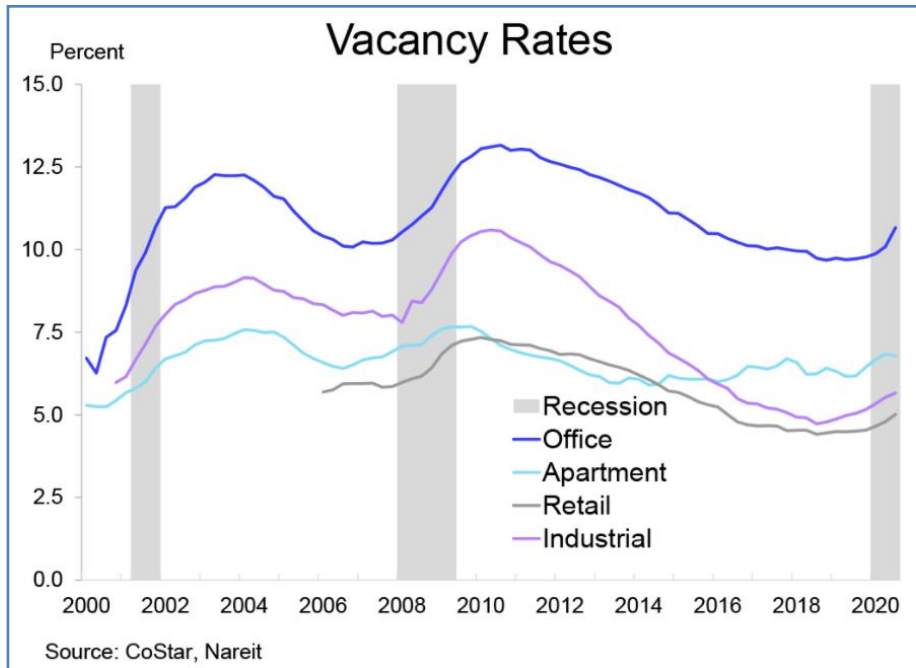
Impacts of Social Distancing

Impact of COVID-19 on REIT Sectors
2/3rds of Equity REITs are less impacted by social distancing



Real Estate Fundamentals

Vacancies and Rent Growth



- Office vacancies rose most significantly, 80 bps from first to third quarter. Expectations are that will continue to rise through 2021.
- Industrial vacancy rates rose although much more modestly. Continued strong demand, although higher construction and supply has led to higher vacancies.
- Rent growth positive only in industrial and near flat in other segments on a year over year basis. While rent growth is positive within industrial, clear signs of deceleration.

Real Estate Fundamentals

Rent Collections

Share of Typical Rent Received April-September

Property Sector	April	May	June	July	August	September
Industrial	97.0%	95.7%	97.8%	99.4%	N/A	N/A
Office	93.2%	92.6%	97.5%	96.4%	N/A	N/A
Apartments	93.8%	94.8%	96.0%	95.4%	96.0%	95.7%
Health Care	90.2%	89.9%	94.8%	95.2%	N/A	N/A
Retail						
Free Standing	72.6%	70.0%	79.5%	90.9%	90.5%	94.9%
Shopping Centers	50.3%	49.3%	60.9%	72.8%	80.2%	81.6%

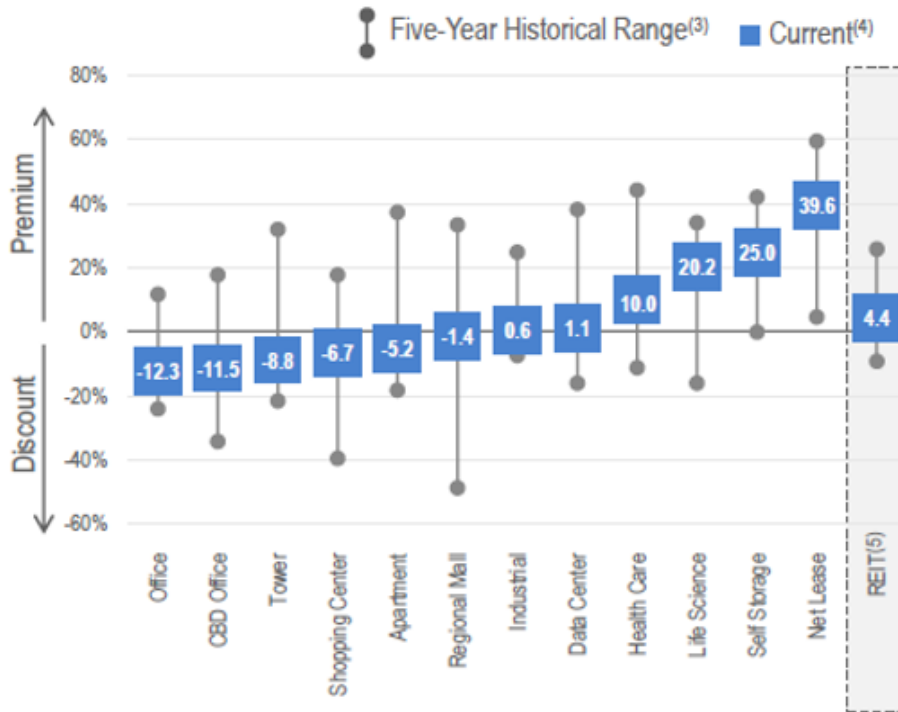
Source: Equity market capitalization weighted. Nareit survey of members, public disclosures, and FTSE Nareit All REITs Index equity market capitalization as of August 31, 2020 via FactSet.

- Some sectors such as industrial real estate had shown rental stability or even growth after the early stages of COVID-19. While others, such as shopping centers are still struggling to improve rent and tenancy rates.

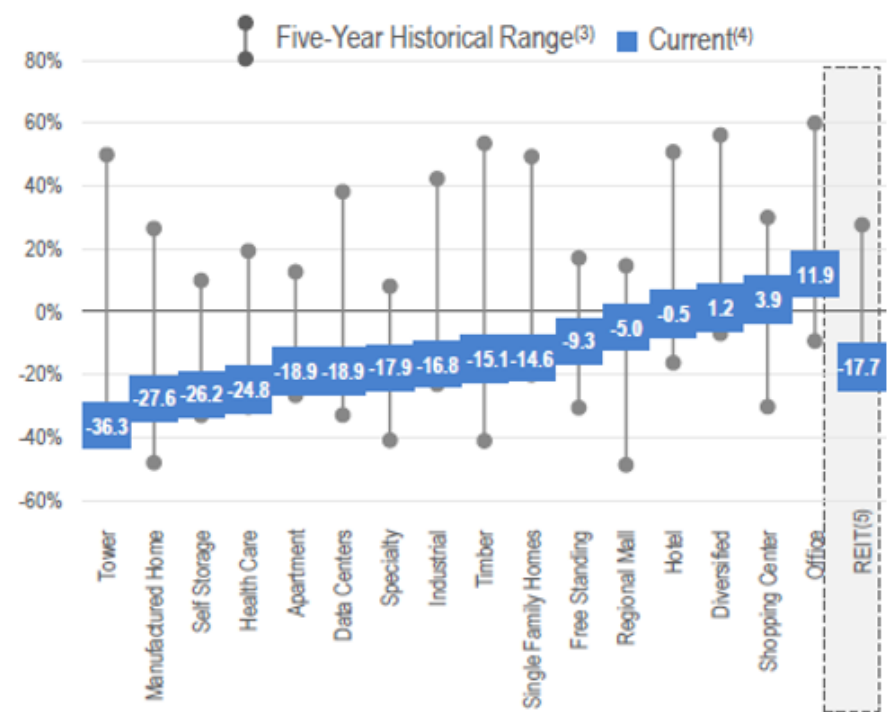
REIT VALUATIONS

Premiums and Discounts

Premium/Discount to NAV by Property Sector



Premium/Discount to DDM by Property Sector

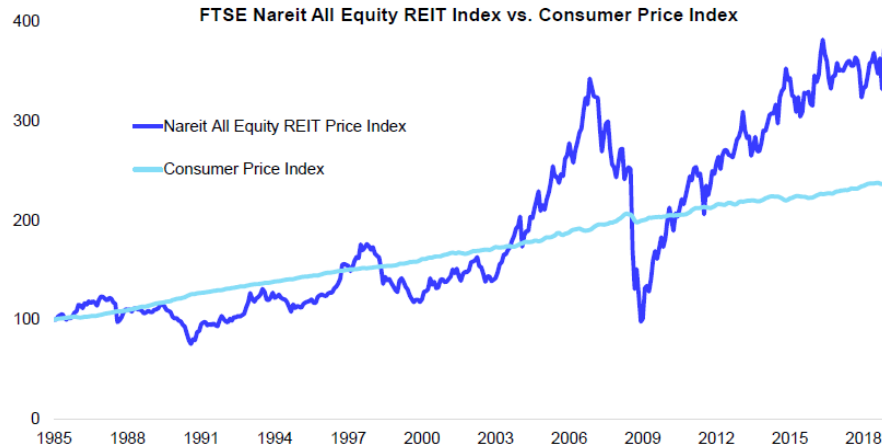


- While valuations are generally stretched in equity markets, there are plenty of undervalued opportunities across real estate sectors, when comparing valuations to their 5-year ranges.

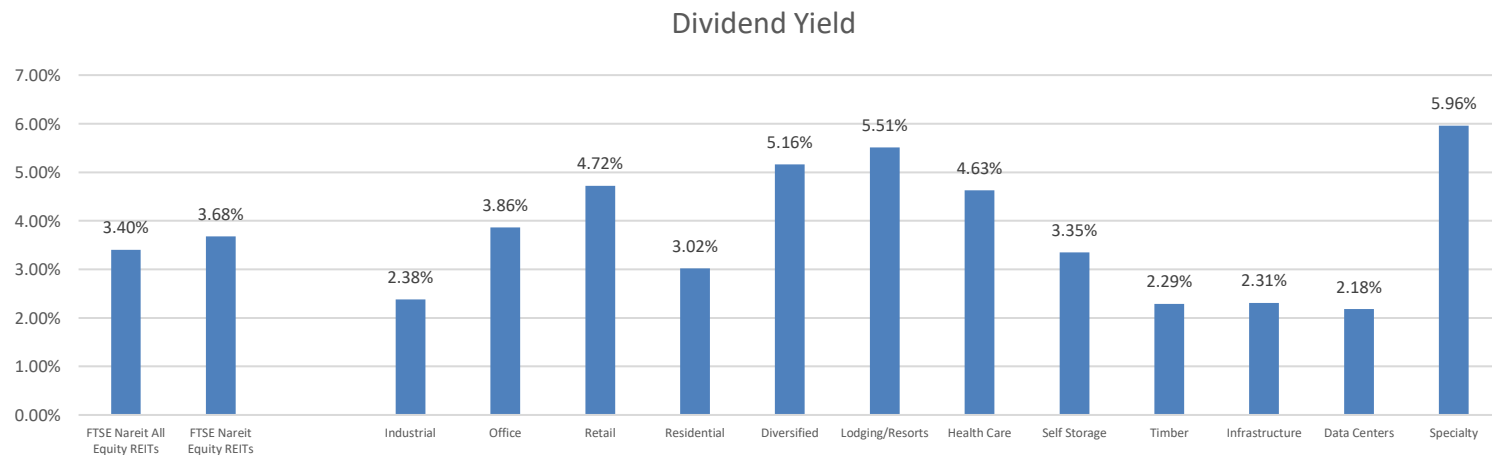
Why Own Real Estate?

REITs' Role in a Portfolio

- Inflation Hedge*



- Income*



Why Own Real Estate?

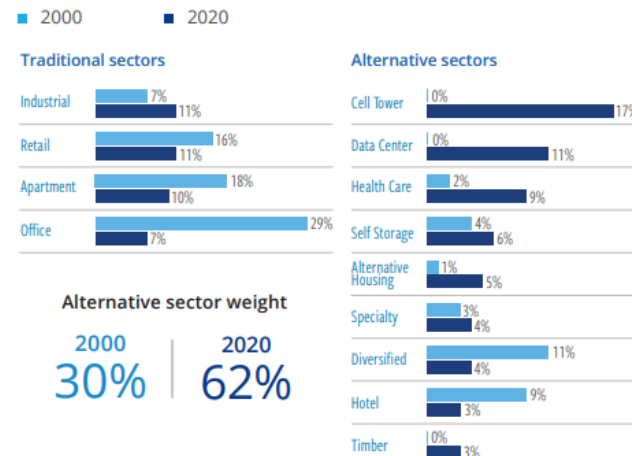
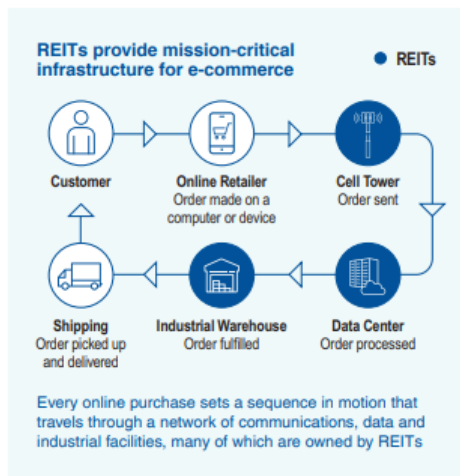
REITs' Role in a Portfolio

- Diversification*

Correlations to Traditional Asset Classes (30 Years)		
	Private Real Estate (NCREIF Property)	REITs (NAREIT)
Cash Equivalents (ML 3M T-Bill)	0.11	0.00
Intermediate Bonds (BC Aggregate)	-0.16	0.10
Domestic Large Cap (S&P 500)	0.10	0.60
Domestic Small Cap (Russell 2000)	0.04	0.68
Developed International (MSCI EAFE)	0.11	0.56
Emerging Markets (MSCI Emerging) ¹	0.05	0.52
Commodities (Bloomberg Commodity)	0.16	0.35
Private Real Estate	1.00	0.15
REITs	0.15	1.00

¹ since 1/1/1999

- Secular Growth Themes*

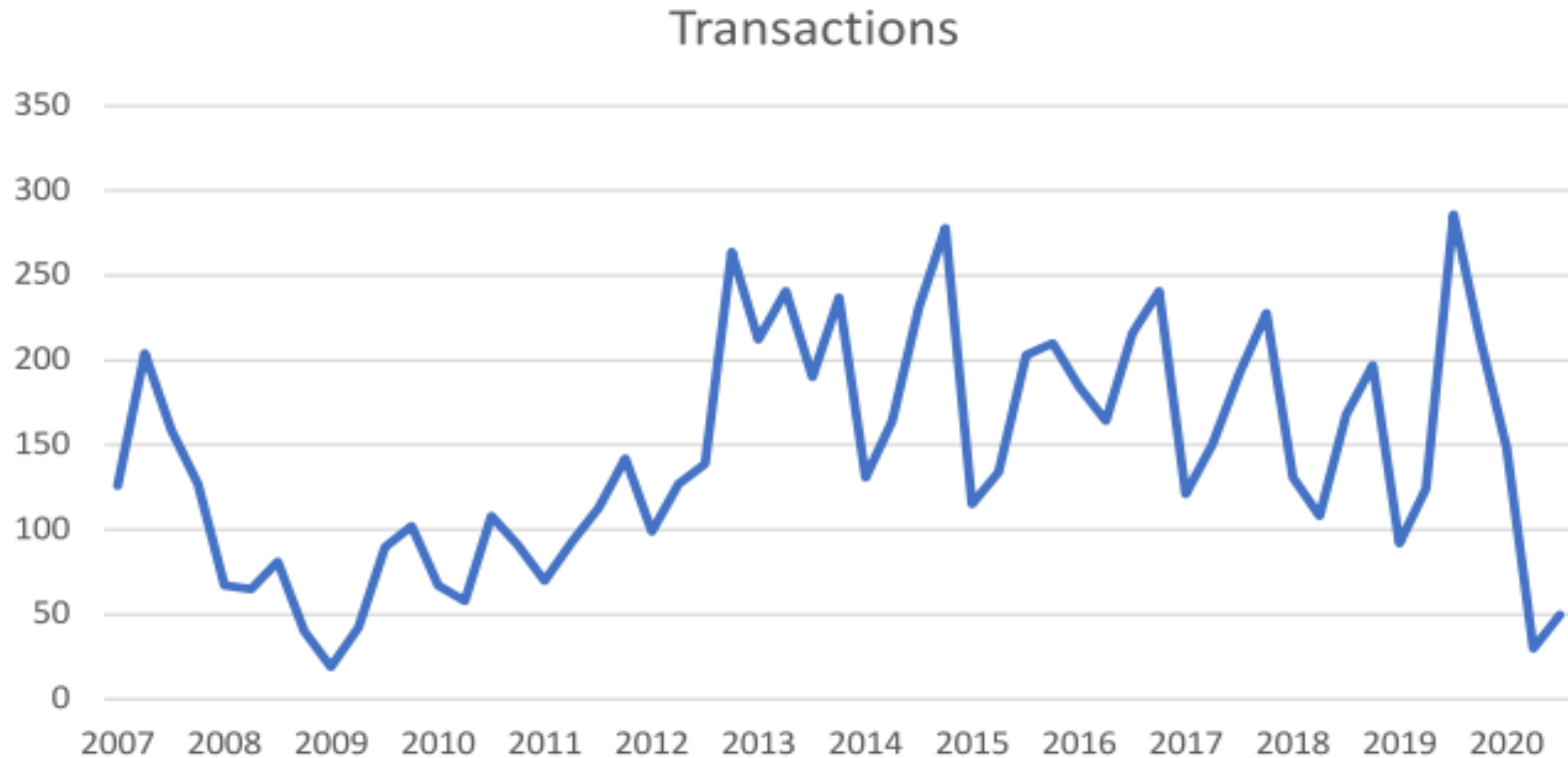


Private Real Estate *Long-Term Total Returns*



- The large V-shape recovery seen in Q3 and Q4 of 2020 was largely driven by income, rather than appreciation of property values.
- Private real estate investments provided positive returns over the past 40+ quarters, prior to COVID-19. As shown above, this sell-off was not nearly as dramatic as the 2008 housing crisis, however, some of the impacts from COVID-19 are yet to be seen and priced in.

Private Real Estate *Transaction Activity*



- Private real estate transactions sharply declined during the COVID-19 pandemic but like all market sell-offs, this will create opportunities for real estate investors, so we do anticipate a large uptick in activity.

Private Real Estate

Sector Performance Divergence

Sector	1-Yr Annualized	1-Year		3-Year		5-Year	
		Return	Contribution to Return	Return	Contribution to Return	Return	Contribution to Return
Apartment	26.7%	2.1%	0.6%	4.3%	1.1%	5.4%	1.4%
Industrial	19.2%	10.2%	1.9%	12.9%	2.1%	12.9%	2.0%
Office	34.9%	2.4%	0.8%	5.4%	2.0%	6.1%	2.3%
Retail	15.0%	-8.1%	-1.3%	-1.5%	-0.2%	2.1%	0.4%
Hotel	0.0%	19.0%	-0.1%	-3.1%	0.0%	-0.2%	0.0%
Land	0.0%	0.5%	0.0%	4.1%	0.0%	5.0%	0.0%
Other	3.6%	5.4%	0.2%	7.0%	0.2%	9.0%	0.3%
Uniev. Property Level Total Return		<u>100.0%</u>	<u>2.2%</u>	<u>5.2%</u>	<u>6.4%</u>		

- Return for 2020 for NPI was comprised of 4.2% income and -2.5% of appreciation. This index provides a broad look at performance for private real estate sectors. As shown above, some sectors performance well while others
- This data comes from the National Council of Real Estate Investment Fiduciaries, a resources dedicated to providing information and performance on the private investment real estate industry.

Source: NCREIF

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Historical data may use proxies to represent investments and asset classes. These proxies may have holdings and performance that vary from the investments or asset classes over time. Proxies include but are not limited to:

Asset Class	Proxy	Asset Class	Proxy
Large Cap Value	Russell 1000 Value TR USD	Large Cap Value Equity	S&P 500 Dividend Aristocrats TR USD
Large Cap Value Equity	Russell 1000 Dividend Select EW TR USD	Large Cap Growth	Pacer US Cash Cows Growth Index TR
Large Cap Growth Equity	Russell 1000 Growth TR USD	Momentum Equity	MSCI USA Momentum NR USD
Small Cap Equity	Russell 2000 TR USD	Managed Futures	SG Trend Index
International Developed Equity	MSCI EAFE NR USD	Dividend Growth Strategies	S&P 500 Dividend Aristocrats TR USD
Small Cap Dividend Growth	Russell 2000 Dividend Growth Select USD	Large Cap Dividend Growth	Russell 1000 Dividend Select EW TR USD
International Emerging Equity	MSCI EM NR USD	Quality	MSCI USA Sector Neutral Quality NR USD
Intermediate/Aggregate Bond	BBgBarc US Agg Bond TR USD	Commodities	Bloomberg Commodity TR USD
Municipal Bonds	S&P Municipal Bond TR USD	Private Equity	Cambridge Associates US Private Equity USD
International Bond	BBgBarc Gbl Agg Ex USD TR Hdg USD	Short Term Bond/Cash	BBgBarc US Aggregate 1-3 Yr TR USD
High Yield Bond	BbgBarc US Corporate High Yield TR USD	Long Term Treasuries	ICE U.S. Treasury 20+ Year Bond TR USD
Intermediate Treasuries	ICE U.S. Treasury 7-10 Year Bond TR USD	Short Term Treasuries	ICE U.S Treasury 1-3 Year Bond TR USD
Mid Cap Equity	Russell Mid Cap TR USD	Real Estate	NCREIF Indexes
International Equity	MSCI ACWI Ex US NR USD	US Equity	Russell 3000 TR USD
Global Equity	MSCI ACWI NR USD	Low Volatility Equity	S&P 500 Low Volatility TR USD
Global Alternatives	Hedge Fund Research HFRX Global Hedge Fund Index	Long Short Alternatives	Bloomberg Long/Short Hedge Fund Index
Merger Arbitrage	Hedge Fund Research Merger Arbitrage Index	Private Credit/Direct Lending	Cliffwater Direct Lending Index

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