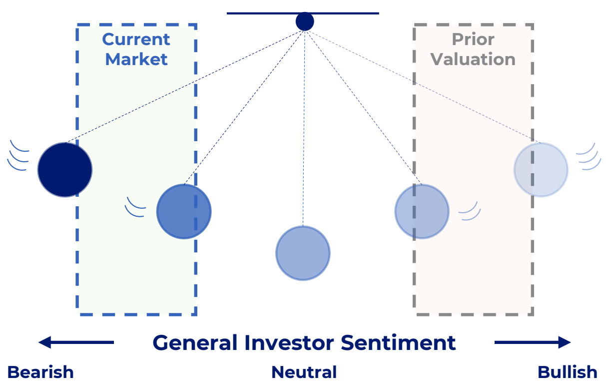
Key Takeaways

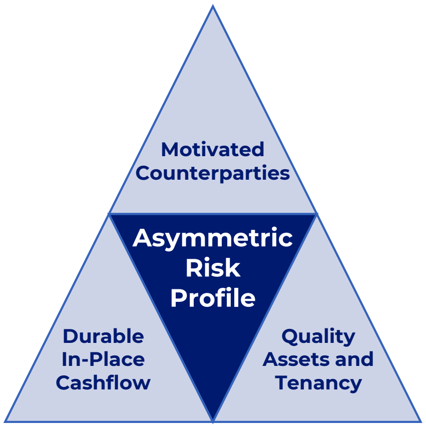
1) **Motivated deleveraging by unnatural holders of CRE equity and credit risk is underway**
2) **Acute capital imbalance offers investment downside risk mitigation and upside optionality**
3) **Preferred pricing dynamics found in less-trafficked segments and out-of-favor asset classes**
4) **Flight to quality at asset and investment levels should inform underwriting approach**

Exhibit 1 *– CRE Investment Cycle Pendulum*



Framing today's commercial real estate investment opportunity requires a rearview look to appreciate CRE asset value growth in the last cycle. This growth was fueled by abundant, historically cheap capital, and the resulting high asset values are set until a recapitalization event is precipitated (e.g., by debt maturity, forward sponsor capital constraints, investor strategy shifts and regulatory catalysts). The prevailing credit regime transformation, which commenced in Q1 2022, coupled with fundamental economic and real estate shifts, set the stage for the investment pendulum to correct. Indeed, this pendulum, which generally swung increasingly toward bullish exuberance post-Global Financial Crisis, has since swung nearly as aggressively toward overwhelmingly bearish sentiment on entire CRE asset classes (e.g., office, retail and hospitality), independent of asset-level fundamentals. Overarchingly, this backdrop has resulted in an acute capital imbalance driven by many of the prior cycle's risk holders seeking limited liquidity. Consequently, ***considerable opportunity exists for investors providing liquidity paired with asset-class and execution expertise, asset management capacity and an entrepreneurial approach to solving counterparties' needs***.

Exhibit 2 *– Underwriting Prism*



Underlying this thesis is the belief that asset classes are not monolithic and that price is an investment characteristic of paramount importance. Rather than wholesale avoidance of out-of-favor sectors, a preferred manner of framing value investing opportunity is predicated upon (a) delineating top quality assets across property types from those of lower quality and (b) identifying attractive entry points for investment in such assets. In this vein, ***the flight to quality, whether of tenants to properties or investors to cash generative, value-oriented investments, underlies an intriguing investment approach in today's market***. Opportunities typifying this approach span existing credit acquisition, rescue capital origination and direct property acquisitions across geographies, none of which need be predicated upon business plans that are underwritten to perfection.

***Exhibit 3** – Investment Benefits*

- **Considerable In-Place Cash Yields**
- **Capital Appreciation Optionality**

Common amongst these transaction types is the ability to generate considerable cash yield from an in-place asset base and tenancy and achieve capital appreciation via moderate capital markets improvement (e.g., a reversion to a "new normal" rather than the previous cycle's exuberance) and/or low-lift business plan execution (e.g., leasing of already top-quality assets rather than a repositioning of lower-quality properties). ***Importantly, much of this opportunity is found in the middle- and lower-middle markets***, which are less-trafficked by investors with the requisite operational expertise and cross-capital stack investment acumen required to efficiently and effectively capitalize upon it.

Setting the stage for investment opportunities believed to offer favorable asymmetric risk profiles is the scarcity of capital previously mentioned combined with the need for market participants of varying types to exit assets independent of the inherent economic considerations of a stand-alone transaction. Exhibit 4 below includes illustrative examples of market participant types facing liquidity needs that catalyze opportunity for investors.

***Exhibit 4** – Sample Market Participants Impacted and Common Transaction Catalysts*

Sample Counterparties	Illustrative Inefficiencies	Investment Opportunities
Equity REITs	▪ Investor-driven strategy shifts ▪ Macro vs. discrete asset focus	Portfolio & One-Off Asset Sales
Syndicated Sponsors	▪ Capital incentive misalignment ▪ Lack of discretionary capital	Rescue Capital Origination & One-Off Asset Sales
Non-Bank Lenders	▪ Poor credit quality ▪ Insufficient workout capacity	Secondary Market Loan Sales Sales of REO Assets Short Sales of Collateral Property
Bank Lenders	▪ Regulatory pressures ▪ Insufficient workout capacity	Secondary Market Loan Sales Sales of REO Assets Short Sales of Collateral Property

As illustrated above, swaths of CRE market participants are currently ill-equipped to continue to manage risk they hold, yielding a considerable corresponding investment opportunity. While much of the associated stress and dislocation over the last 18-24 months has been found in office, other asset classes (particularly multifamily), are beginning to offer intriguing opportunity as construction debt maturities mount, lease-up falls short of existing ownership's aggressive underwriting and risk holders have few resolution options available. ***Amidst this environment and the associated basis reset, focus on discrete, asset-level characteristics and an understanding of the motivations of various counterparties in market can yield significant CRE value investment opportunities.***

GLOSSARY OF TERMS

The following terms, when used in this document, have the respective meanings specified below.

'CRE' or 'Commercial Real Estate' refers to income-producing real estate, including that held for lease to third parties as well as non-residential real estate that is occupied by its owner or a related party.

'GFC' or 'Global Financial Crisis' refers to a period of considerable stress in the global financial and banking system that occurred between 2007 and 2009.

'REIT' or 'Real Estate Investment Trust' refers to a company that owns income-producing real estate and/or related assets and which meets certain tax requirements as required by the U.S. Internal Revenue Service.

'REO' or 'Real Estate Owned' refers to a lender-owned property to which title was taken via enforcement of lenders' rights (e.g., foreclosure or deed-in-lieu of foreclosure).

'Short Sale' refers to a transaction in which a lender facilitates the sale of collateral property at a value less than the outstanding legal balance of the loan secured by it. In doing so, the lender accepts less than is owed rather than enforcing its right to take title to the collateral or selling the loan, each of which are alternatives for lenders effectuating loan portfolio monetization events.

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