KROLL

Webinar on Current Market Trends Impacting Real Estate Valuations

October 12, 2022

Real Estate Advisory Group

Real Estate Advisory Group Overview

Global practice

- Our Real Estate Advisory Group (REAG) uses its market presence in North America (United States, Mexico & Canada), Asia (China and Japan), South America (Brazil) and Europe (Italy, United Kingdom & Germany) to coordinate resources and databases across the firm.
- Our group is comprised of a total of approximately 325 individuals focused on completing complex, diverse real estate services on a daily basis in North America, Asia, South America and Europe. In the United States, we have approximately 140 consultants operating in 19 offices.

Industry experts

- The Real Estate Advisory Group has specific experts working in different industry segments including, but not limited to, REITs retail, office, hospitality, real estate investment trusts, hedge funds, pension funds, structured finance, CMBS securitization, insurance and banking, corporate real estate, railroad & utilities and franchise real estate.

Local expertise

- Each local office is responsible for local market expertise. Each group compiles and analyzes data on the major markets within their region on a periodic basis to ensure we closely monitor the dynamic marketplace.

Real Estate Advisory Group Overview

We provide comprehensive real estate valuation and consulting services for acquisitions, dispositions, financial reporting, tax, financing, insurance and other strategic planning purposes.

Our services include:

- Financial/Tax Reporting Valuations
- Financing Appraisals
- Corporate Real Estate Services
- Real Estate Restructuring
- Transaction Opinions/Due Diligence
- Loan Underwriting Due Diligence
- Market/Feasibility Studies
- Right of Way Appraisal
- Cost Segregation

Why us?

- Decades of experience
- Independence, no conflicts of interest
- Global scale
- Industry expertise
- Local market knowledge

Real Estate Advisory Group Overview

Real Estate Valuation & Consulting

- MAI Appraisals
- Financial & Tax Reporting Valuations
- REIT & Real Estate Operating Company Valuations
- Debt Valuation
- Financing Appraisals
- Portfolio Valuation – Positive Assurance
- Cost Segregation & Construction Tax Planning

Real Estate Transaction Due Diligence

- Lease Abstraction and Analysis
- Site / Market Due Diligence
- Estoppels' Certificate Preparation & Review
- NOI Trend Analysis
- Tenant Reimbursement Analysis
- Argus & Dyna Modeling / Auditing
- REIT Income Analysis

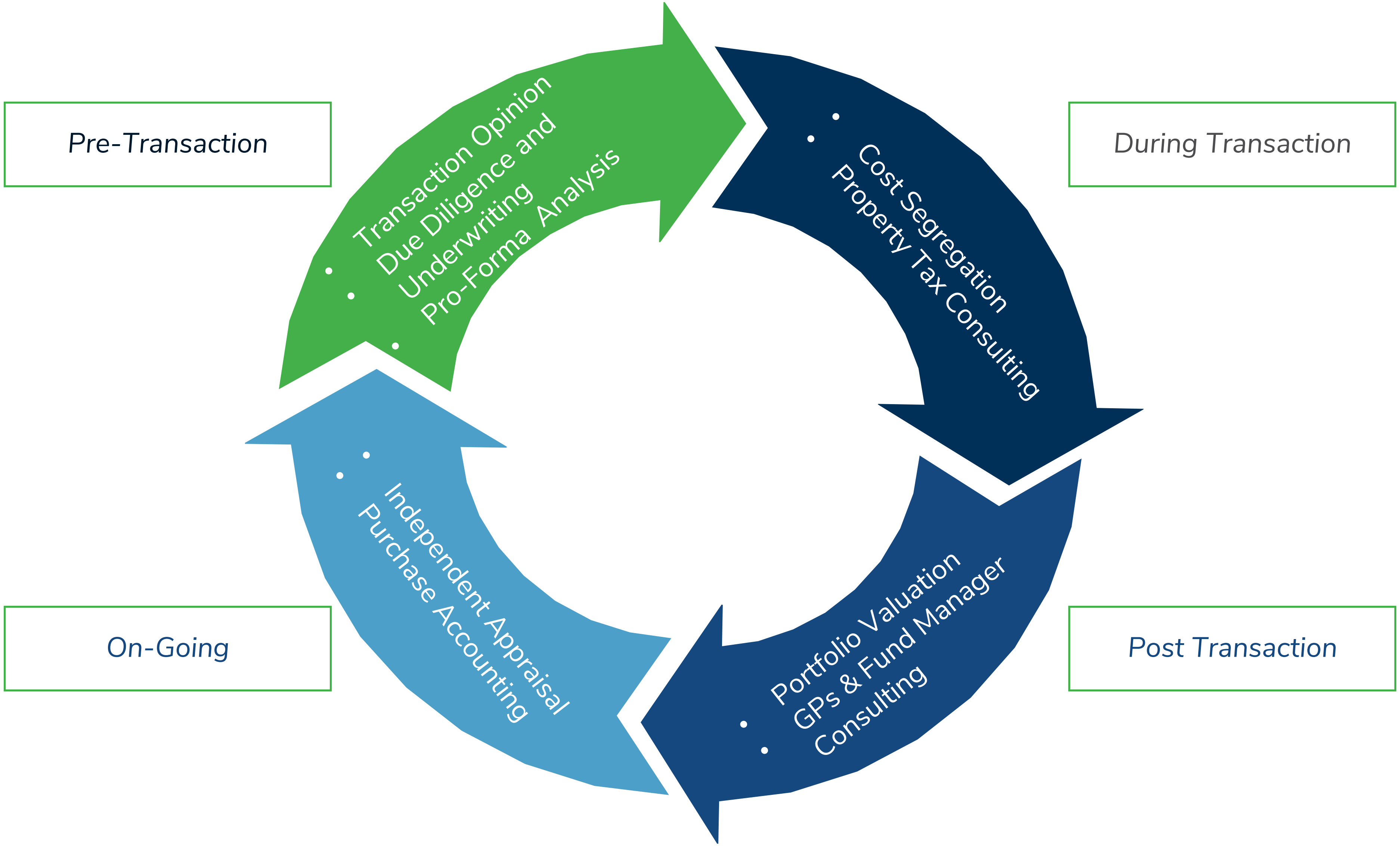
Real Estate Advisory Services

- Operational & Process Improvements
- Technical Advisory/Property Condition Reports
- Market Feasibility Studies
- Loan Services
- Debt Advisory
- Construction Project & Program Management

Real Estate Investment Banking

- Equity & Debt Placement Services
- Sell Side Advisory Services
- Buy Side Consulting Services
- Real Estate Transaction Opinions
- Solvency Opinions
- Fairness Opinions
- Independent Fiduciary Opinions

Real Estate Advisory Group Overview



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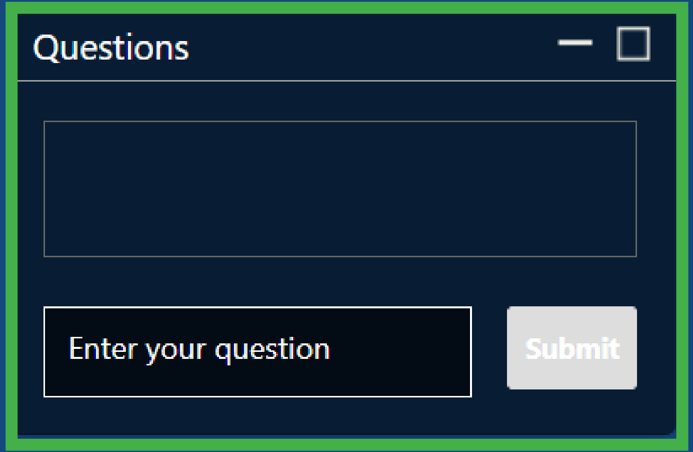
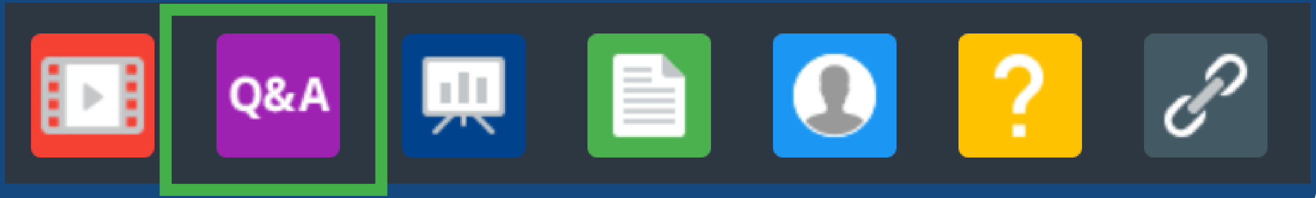
Have a Question? Please ask!

We encourage you to ask our speakers questions at any point during the conversation. Please type your question in the “QUESTIONS” chat box and we will answer as time allows.

If we do not get to your question during our conversation today, we encourage you to reach out to our speakers directly after the webinar.





Today's Agenda

1. Introduction
2. North America Real state Market Impacts
   - U.S. Big Market Changes
   - Canadian Market Update
3. Property Type Impacts
   - Retail
   - Hospitality
   - Multifamily and Single Family
   - Office

1. Introduction

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Ross is a managing director and Global Head of the Kroll Real Estate Advisory Group. Ross is primarily focused on real estate consulting for corporate clients, pension funds, private equity firms, hedge funds, money center banks and real estate investment trusts (publicly traded and non-traded).

He oversees teams that perform Financing and Debt Advisory, Hospitality Advisory Services, Property Asset Management and Optimization, and Real Estate Valuation as well as the Investment Advisory Team. Ross has a distinct competency to complete large multi-property, multi-national & global valuation engagements. Ross has also had several engagements for financing and litigation support purposes.

Ross has also completed many engagements for financial reporting and tax purposes including valuations for ASC 805/350 purchase accounting, Lease Accounting, IRS Section 338 (h) (10) elections, IRS Section I.897-1(b) foreign ownership of real property, IRS Section 861 transfer pricing, FAS 150 and FIN 46 and other tax and financial accounting purposes.

Ross has been a valuation consultant since 1988. His most recent work experience prior to Duff & Phelps (rebranded as Kroll) is the Managing Director in-charge of the Real Estate Valuation and Consulting Practice at Standard & Poor’s. Before he worked at S&P, Ross was a Midwest partner in the real estate valuation and consulting practice for Arthur Andersen LLP.

Ross received his M.B.A. in finance from Kellstadt Graduate School of Business at DePaul University and his B.S. in real estate and urban planning from the University of Illinois at Champagne/Urbana. He is a certified general real estate appraiser in Illinois & California, a member of the Appraisal Institute (MAI designation #10614), the Counselors of Real Estate, and the FRICS member of the Royal Institute of Chartered Surveyors. Ross is also an active participant of the Valuation Committee at the National Council of Real Estate Investment Fiduciaries (NCREIF). Ross has also spoken several times on hot accounting topics at the NAREIT Law & Accounting Conference Accounting Committee and the Investment Program Association.

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Prakash Venkat is a senior director and Canadian Practice Leader in the Real Estate Advisory Group, based in Toronto.

Prakash leverages more than 20 years of real estate valuation experience in assisting clients on appraisals, appraisal review, and valuation policy and procedures. His focus areas include litigation support, M&A, financial reporting, tax planning, lease analysis and portfolio quality review.

Prior to joining Kroll, Prakash was a director at PwC Canada, where he was responsible for real estate valuations. Before that, he has worked for the public sector at the Municipal Property Assessment Corporation (MPAC) in Ontario, Canada, responsible for special purpose properties.

Prakash has extensive experience valuing and advising clients on a wide range of asset classes, including retail, office, industrial, multifamily, entertainment properties in addition to vacant and development lands. He has also advised clients on diverse matters, including impact of environmental, social and governance (ESG) on real estate valuations; benchmarking valuation policies and procedures; and automation of real estate portfolio valuation. Through his years of experience, Prakash has built strong relationships with many of the Canadian/global REIT's, pension funds and private real estate owners, and he has helped clients with over $50 billion in transactions across the Americas and EMEA.

Prakash has spoken at several public and private sector annual board meetings as a real estate subject-matter expert, and he has presented real estate market insights to several audiences, including private equity firms.

Prakash holds a Post Graduate Certificate in Real Property Valuation from the University of British Columbia. He is also an MBA accredited by New Hampshire College, USA. He is an Accredited Appraiser (AACI) and a Professional Real Estate Appraiser (P. APP) from the Appraisal Institute of Canada (AIC).

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Dan Carlson is a managing director in Real Estate Advisory Group, based in the Houston office. Dan leads the firm's bank financing appraisal industry focus and has over 13 years of real estate valuation and development experience.

He also leads the firm's right of way services division, with a focus on electrical transmission and pipeline easements.

Dan is primarily focused on real estate appraisal and consulting for lending institutions and publicly-traded REITs. His appraisals have been used for collateral, lending, financial reporting, portfolio valuation, internal planning and decision-making purposes. Dan is uniquely skilled in executing large-scale portfolio appraisals across the national platform and has led engagements consisting of single-property assets and portfolios in excess of 500 properties. His specialty areas include franchise restaurants, gas stations/c-stores, hospitality and multi-family. Dan has extensive experience valuing both the going concern and the fee simple real property in these specialty areas.

Dan's clients include leading financial institutions involved in balance sheet lending and CMBS securitizations and he also has several client's in the REIT sector. Dan is accredited and approved to perform going concern appraisals in conjunction with the SBA lending requirements.

Dan received his master's degree in real estate from the University of Florida and his. B.S. in regional development from the University of Arizona. Dan is a designated member of the Appraisal Institute and is a state-certified general real estate appraiser in many states throughout the Southern U.S. and Mid-Atlantic.

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Morgan Wiseman is a Vice President in the Chicago office, where she works in the Real Estate Advisory Group.

Morgan began her career as an analyst in the Real Estate Advisory Group out of college. Now, Morgan leverages six years of real estate valuation and consulting experience in assisting real estate investment trusts and corporate and institutional owners/operators of real estate. Her breadth of experience includes work on multi-family properties, hotels, industrial facilities, office buildings, medical office and healthcare facilities, mobile home parks, self-storage, retail malls, shopping centers, net-leased, and other mixed-use properties. She has performed services for purchase price allocations, portfolio valuations, financing, fairness opinions, internal planning, as well as other purposes.

Morgan graduated from the University of Wisconsin - Madison in December 2013 with a B.B.A. in Real Estate and Land Economics as well as Marketing. She currently holds Certified General Real Estate Appraiser licenses in the states of Colorado, Iowa and Nebraska. She is also a member of the Wisconsin Real Estate Alumni Association.

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Jim Gavin is a managing director in the San Francisco office and is part of the Real Estate Advisory Group. Jim leads real estate services on the West Coast, which specializes in consulting and valuation assignments.

He has more than 30 years of experience in the real estate industry.

Jim is primarily focused on real estate valuation and consulting for institutional owners/operators of real estate in the Bay Area. He has worked throughout the United States, along with completing international valuation and lease review projects in Europe, Asia and South America. He primarily works with owners of core property types on the investment side and special use facilities on the corporate side.

In addition to core property-like office, industrial and retail, Jim's engagement highlights include special purpose valuations in technology (data centers, clean room fabrication), financial institutions (bank branches), government oriented (courthouses, military bases) and development land (master planned communities).

Jim has been an appraiser and consultant for over 30 years. His most recent work experience prior to Kroll was as a managing director of the Real Estate Valuation and Consulting Practice at Standard & Poor's (S&P). Before he worked at S&P, Jim was the West Coast principal-in-charge of real estate valuation and consulting practice for Arthur Andersen LLP.

Jim received his B.B.A., with an emphasis in real estate and urban economics, from the University of Wisconsin and has taken advanced level courses in statistics and accounting in the Masters Business Program at Santa Clara University. He is also a certified general real estate appraiser in California and a state certified appraiser in Arizona, Hawaii, Oregon and Nevada. Jim is a Member of the Appraisal Institute (MAI), Counselor of Real Estate (CRE) and Fellow of the Royal Institute of Chartered Surveyors (FRICS). He is a past Chairman of the Northern California Experience Committee for the Appraisal Institute and current member of the CRE financial committee. Jim is currently a member of the Tangible Property Board for the International Valuation Standards Committee (IVSC).

Jim has also provided expert witness testimony and been deposed on a variety of real estate valuation matters including leasehold interests, hospitality property, residential master plan developments and industrial property.

2. Real Estate Market Impacts

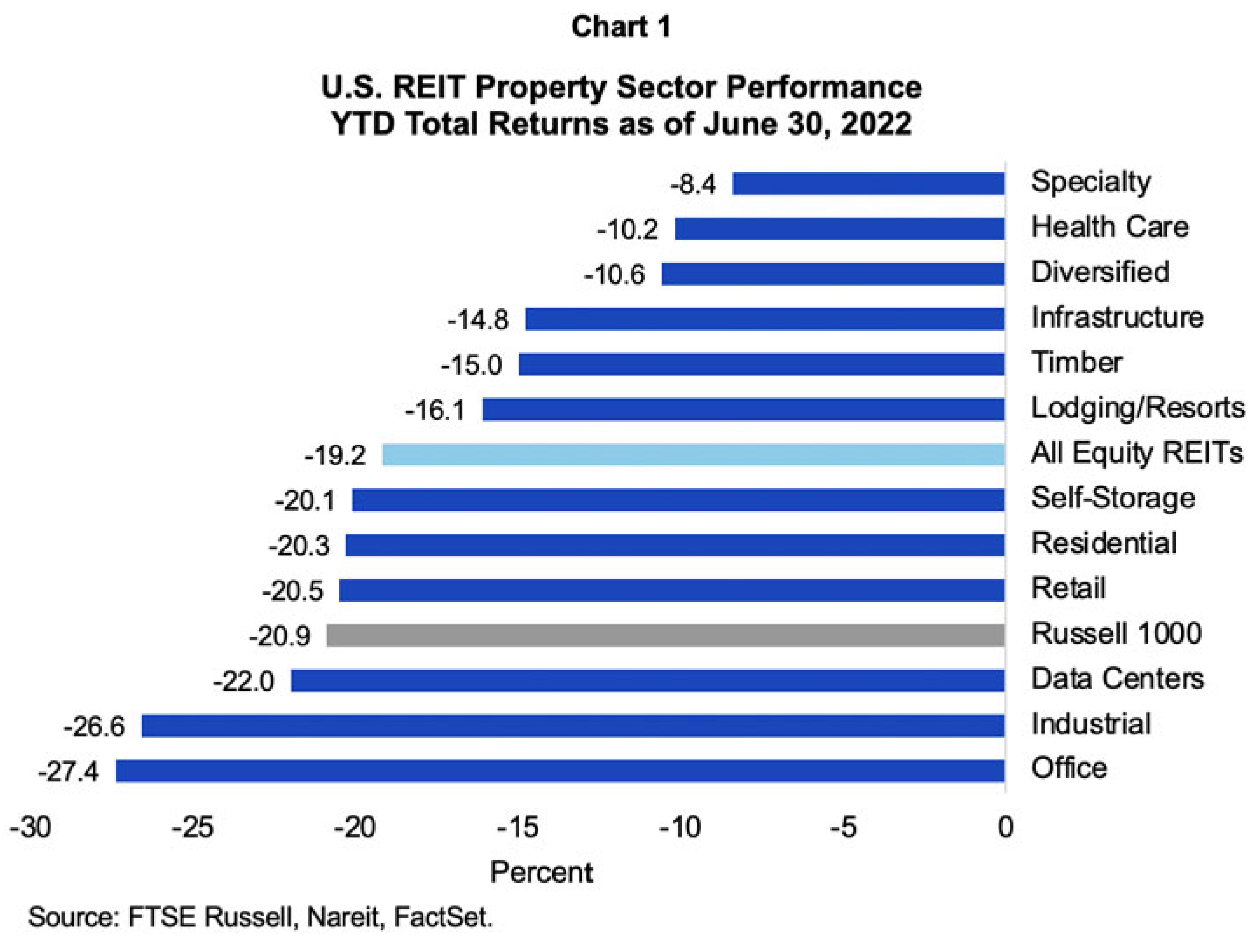
United States – 10-2022 – Big Market Changes

- The unemployment rate for August 2022 was 3.7%, down from 5.2% last August of 2021.
- Unemployment rate is close to the pre-pandemic level of 3.5%.
- The S&P 500 was down 23% as of Oct 6, 2022.
- The number of persons not in the labor force who currently want a job declined by 361,000 to **5.5 million in August**. This measure remains well above its February 2020 level of 5.0M.
- Consumer prices up **9.1 percent** over the year ended June 2022 which is the largest increase in 40 years: The Economics Daily, U.S. Bureau of Labor Statistics. **The inflation rate year over year is 8.263%.**
- The Fed Fund Rate which was close to 0 in November of 2021 and has increased to 3.25 as of September of 2022.
- Real estate fundamentals are gently weakening with lower office and multifamily leasing.
- The capital markets have been hit hard by the Fed's monetary tightening with sales and lending activity slowing sharply. Most expect both trends to continue into 2023 before capital markets begin to recover sometime in late 2023.

United States – 10-2022 – Big Market Changes

- GDP Growth has been negative for two quarters starting in the second quarter of 2022 and is expected to be negative in the third quarter as well.
- Most experts believe the US is currently in a recession.
- Mortgage rates for commercial and residential mortgages are the highest they have been in several years.
- Transactions in the housing market and the commercial property market have slowed down considerably due to the higher cost of debt required and uncertainty in pricing of real estate.
- Due to pricing difficulties, liquidity for commercial debt is currently dropping with some property types not being able to be financed.
- Due to dearth of sale data, most are having valuation certainty issues.

US REIT Property Returns – 6-30-2022



Canadian Market Update

All About Two Asset Classes & Three Cities

Canadian Real Estate Trends

- Investment market is better than the last two years but continues to be slow due to increase in interest rates and concerns of recession.
- Active investors include Private Equity, Private Investors, Pension Funds and REIT's. Lot more activities by Canadian investors outside of Canada than within Canada.
- Disconnect continues between private and public market, the net asset value seems to be holding though.
- Canadian companies are firming up their hybrid work models. Many of them are mandating employees back to work at least 2 -3 times a week. 50 – 100 bps expansion of cap rates but income growth is happening.
- Slight recovery seen in the retail market. Foot traffic in malls are going up, essential services and food retailers continue to do well and expand GLA's.
- Given the rise in housing prices during the pandemic, rental apartments continues to be the best option.
- University enrollments have increased significantly, and it is getting increasingly difficult to provide housing for new students.

Keywords

- Transit Oriented Developments ("TOD")
- Intensification of downtown
- Densification of retail
- Wealth transfer to the next generation (estate freeze valuation)

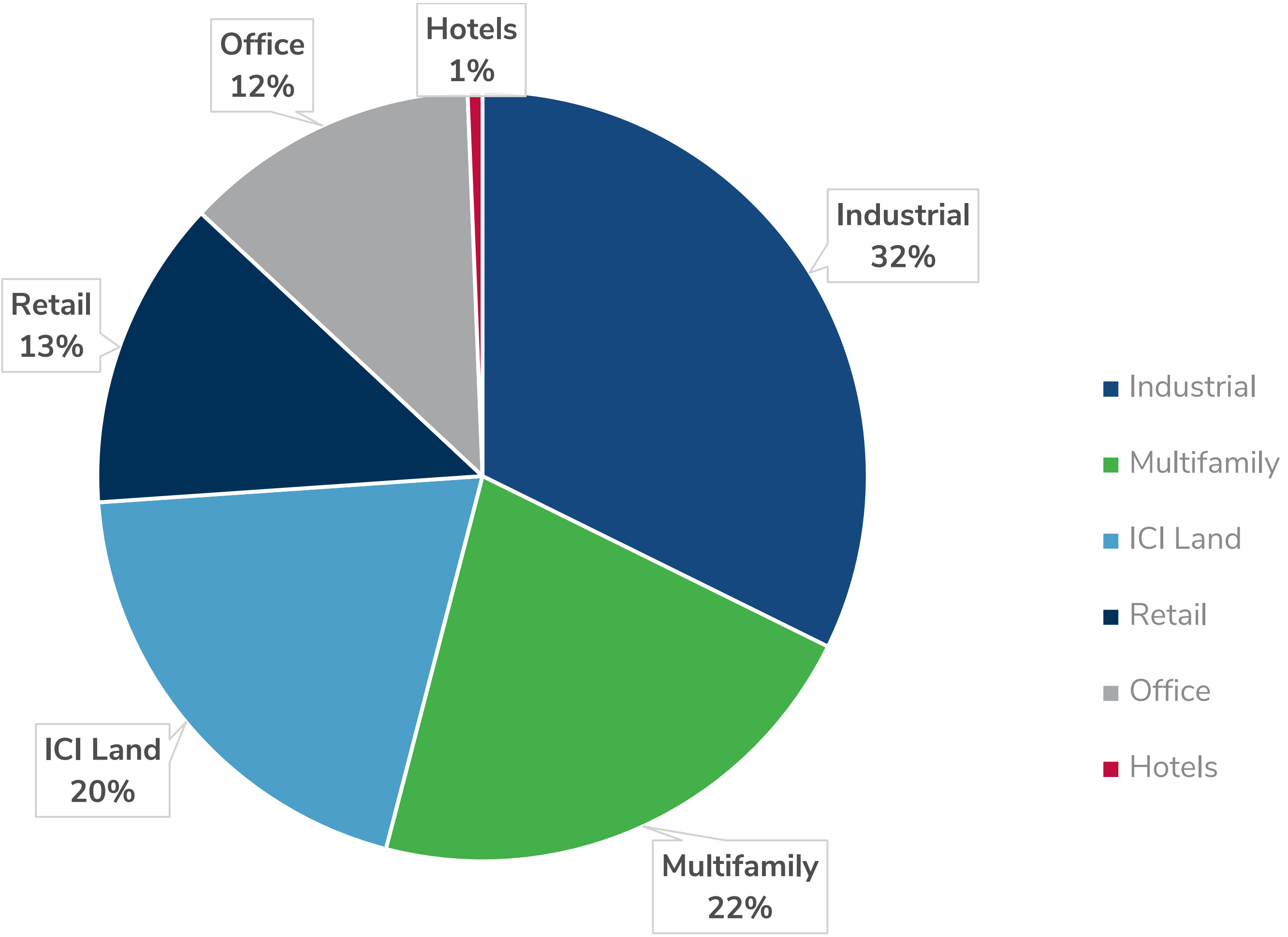
Industrial

- Imbalance between supply and demand due to sharp increase in labor, construction cost, land cost and gas prices.
- The industrial properties continues to outperform, with every Canadian market recording lowest availability than Q3 of last year. Vacancy rates at around 1% across all the key Canadian markets.
- Rental rates have grown at approx. 15% nationally, with an average rental rate of $ 14.75 PSF. Interestingly many of the newer leases are being signed for a shorter term of 2 years instead of 5 years allowing landlords to leverage the higher current rents.
- Average cap rate for industrial properties are 4.7% - 5%

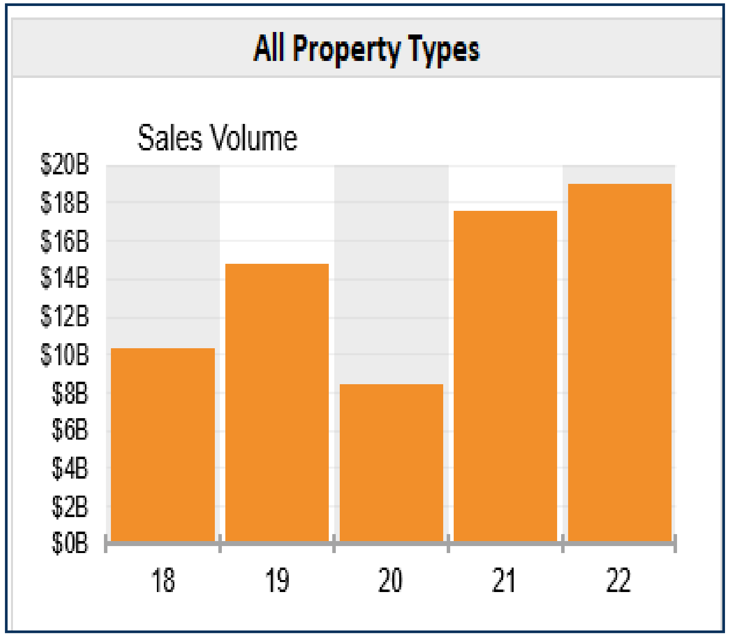
Multifamily

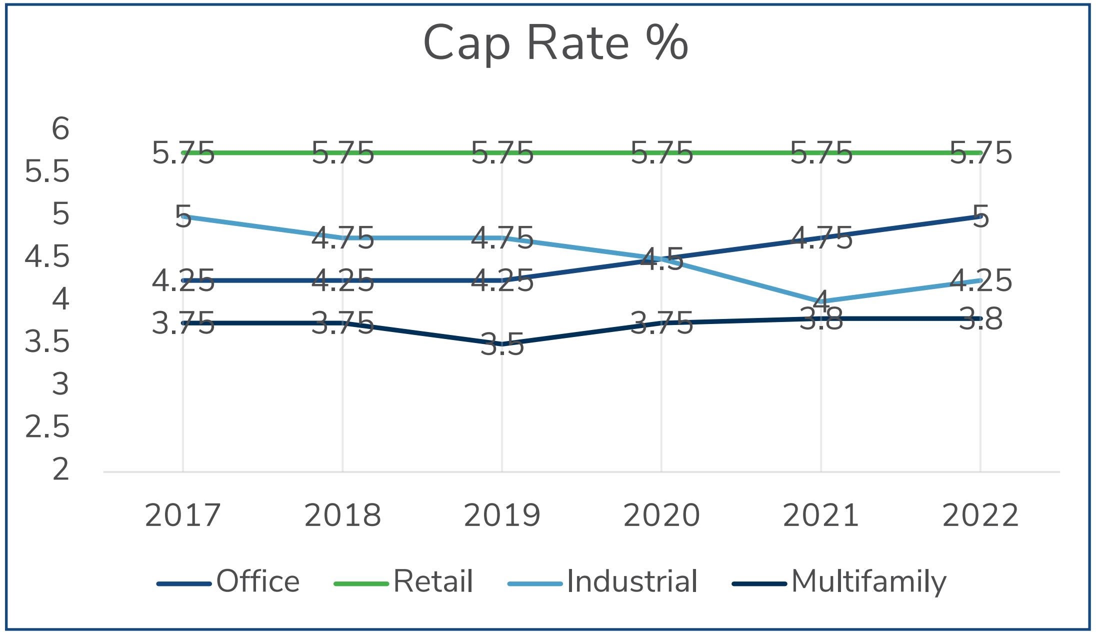
- One of the most resilient asset classes with cap rates and vacancy rates being stable through the pandemic.
- Between 2017 – 2022, the average vacancy rate nationally has been 1% - 2%.
- Between 2017 – 2022, the asking rent nationally has been $1.60 PSF to $2.20 PSF. We have seen a steady increase in rents with a few wrinkles in 2020.
- Average cap rates for multifamily properties are 3.5% - 4.3%

Canadian Sales Volume Q2 2022



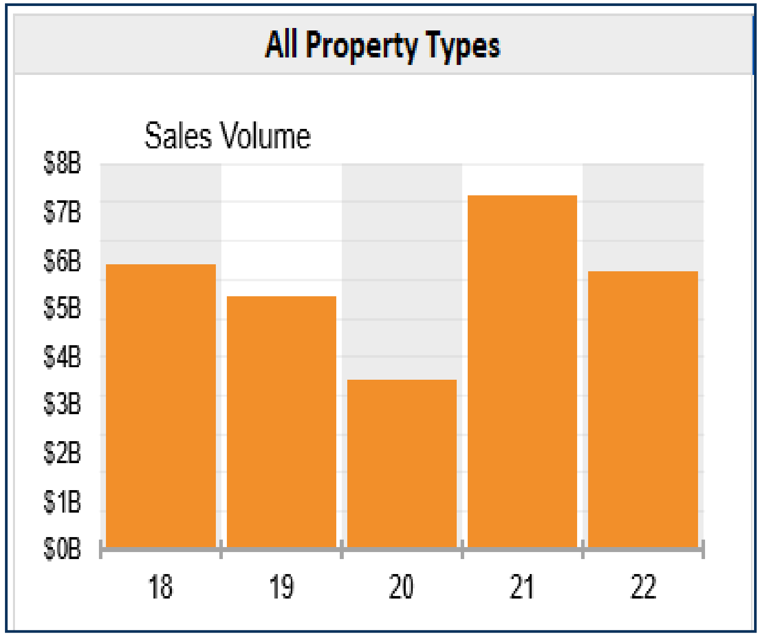
Toronto Market Update

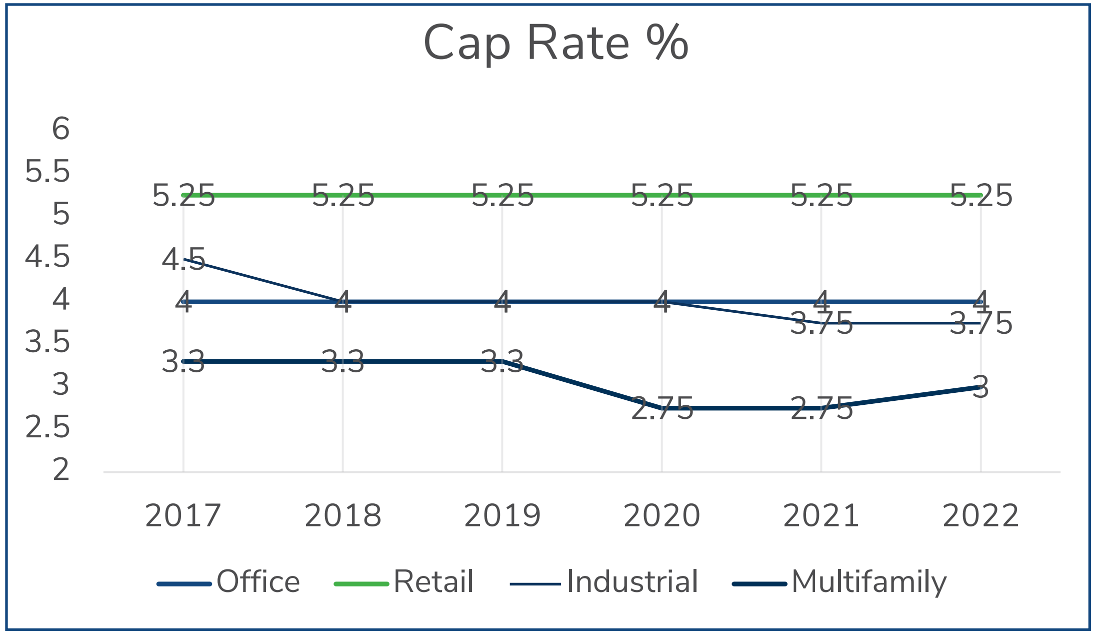




- Lowest vacancy rates for Industrial and Multifamily assets
- Vacancy rates stabilizing for office and retail assets
- Hotel ADR's bouncing back, but the occupancies have not yet reached pre-pandemic levels
- More short-term leases for 1–2 are years being signed for office and industrial properties for opposite reasons

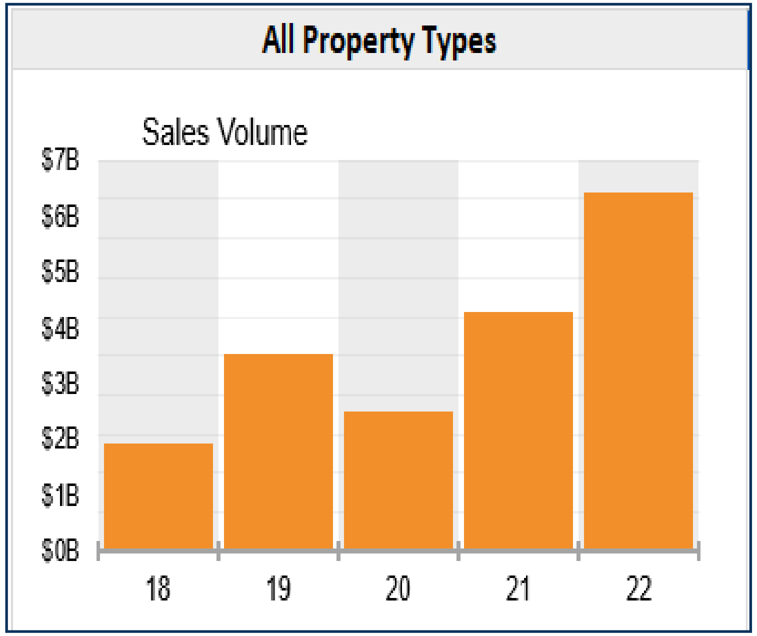
Vancouver Market Update

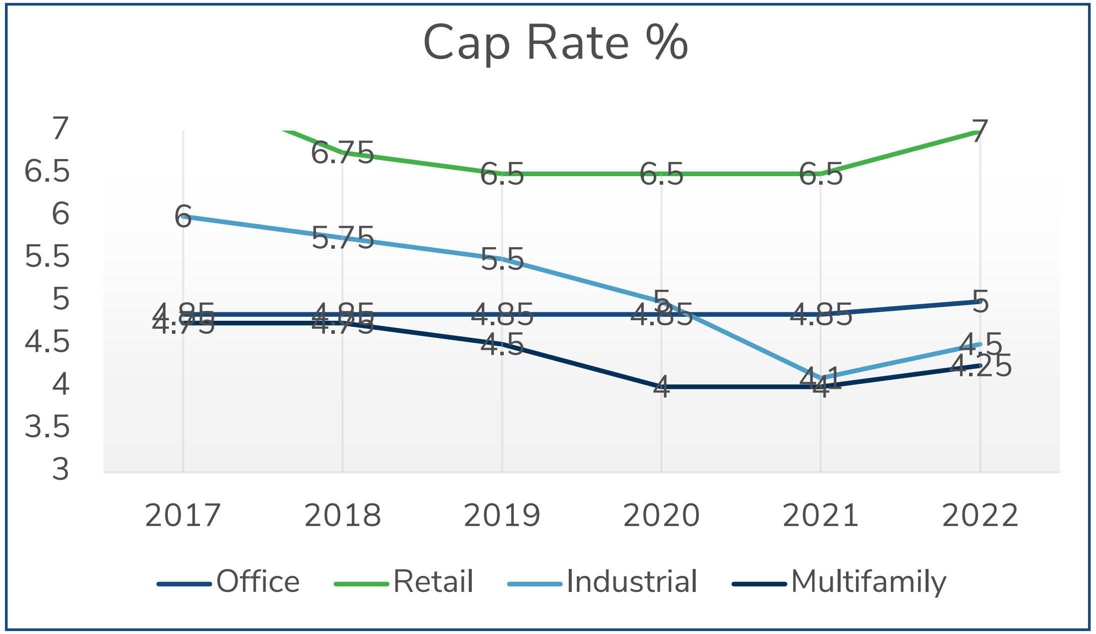




- Demand for office, industrial and multifamily continues to be strong
- Lowest office vacancy rates in country
- Cap rates across asset classes is expected to trend upwards due to increase in interest rates and economic uncertainty
- Industrial rental rates hit $20 PSF, highest in the country
- The most notable lease is Amazon’s two-storey distribution center in Burnaby, providing 707,056 square feet, occupancy as of late Aug’22

Montreal Market Update





- Office vacancy rates trending upwards and rents downwards
- Industrial assets with short term leases and rental upside continue to be the top targets for investors
- Relative to Toronto and Vancouver investments in Montreal are a bargain

What has not changed?

- The definition of fair value: ***the price that would be received TO SELL an asset or paid to transfer a liability in an ORDERLY transaction between market participants at the measurement date.***

- Fair Value ≠ Fire Sale Price

- Fair Value does take into account current market conditions

- The need for fair value: Investors (LPs) need timely reported fair value based Net Asset Values (NAV) for decision making, financial reporting, exercising fiduciary duty.

What may NOT be Known and Knowable?

- The timing, depth, geographical impact, and length of a potential economic recession
- When inflation will return to normalized levels
- What impact the continuing crisis in the Ukraine will have on the broader market and how long will it last
- What changes will occur in the US political climate that will affect the overall economy after the November mid-term elections

3. Property Type Impacts

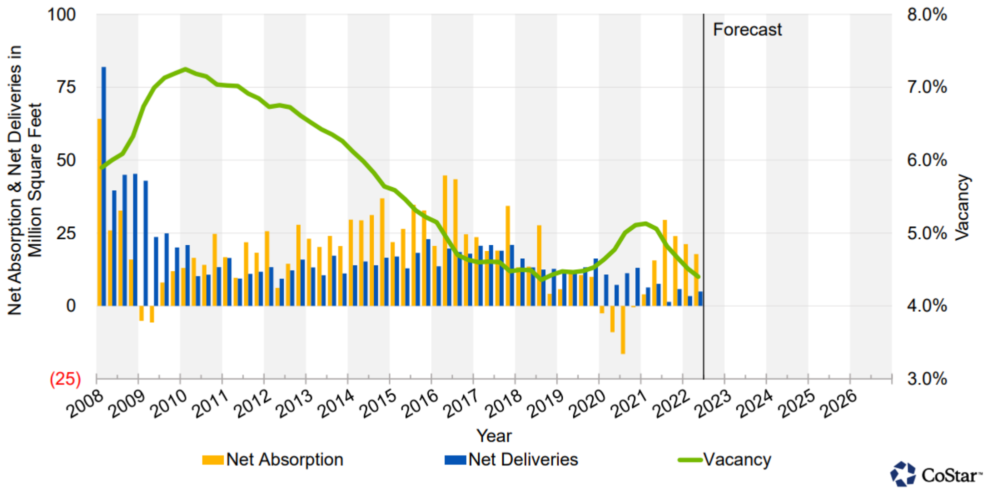
3A. Retail

Retail

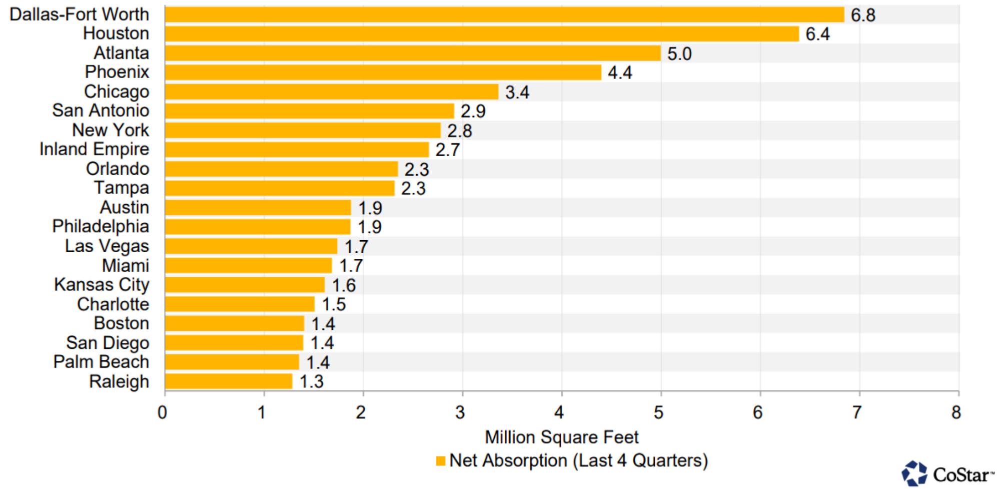
Fundamentals- Supply & Demand

- Net new deliveries have fallen significantly from the onset of the pandemic (Q1 2020).
- Net Absorption has been relatively strong starting in Q3 2021 to present.
- Overall vacancy rates have declined nearly 100 bps to about 4.5% in Q3 2022
- Demand (net absorption) has been centered in the growing population centers in the Sun-Belt, led by DFW, Houston, Atlanta and Phoenix.

Retail Fundamentals



Top Net Absorption

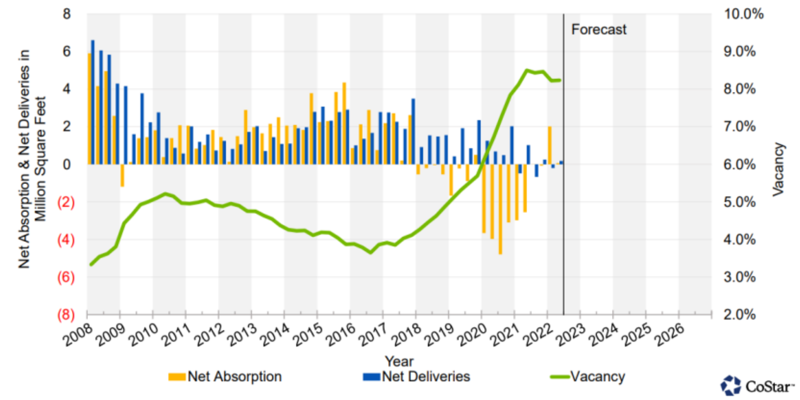


Retail

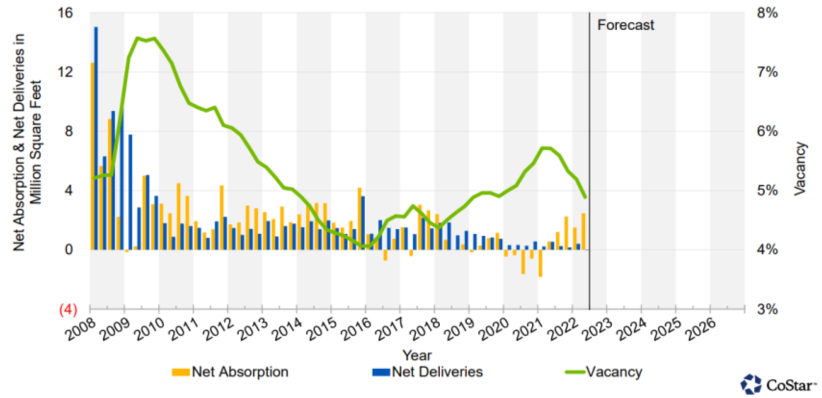
Fundamentals- Supply & Demand- Property Subtype Analysis

- Regional Mall fundamentals have remained week, with vacancy rising significantly from pre-pandemic levels (~6.0%) to 8.5% in Q3 2022
- Power Centers have fared much better, with vacancy rates declining to sub 5%.
- Neighborhood and Strip Centers have also seen declining vacancy overall, post COVID.
- Single-Tenant net lease market has also shown signs of resilience in the wake of high-inflation.

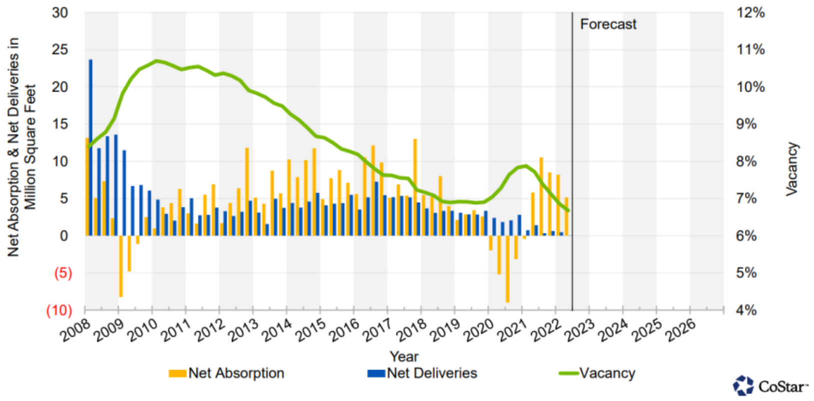
Mall Fundamentals



Power Center Fundamentals



Neighborhood Center Fundamentals



Retail

Fundamentals- Capital Markets Trends

- Rising interest rates are beginning to have an impact on asset pricing as of Q4 2022.
- We are observing cap rate expansion for Net Leased Assets by 25 to 50bps, along with slowing transaction volume.
- Per Green Street Advisors, Regional Mall pricing has declined, with cap rate expansion averaging 40bps from the past quarter, which equates to an approximately 5.0% decline in asset value.
- The lending environment has become more challenging due to the volatility in the bond market. CMBS issuances have significantly slowed, with most major lenders taking a pause.
- Loan to value ratios have become less of a focus, due to the risk of further declines in asset prices; therefore, lenders are focused on overall debt yield (7.0% or greater) and more conservative debt service coverage ratios.
- Due to the rising cost of capital, new loan financing has slowed, though the overall impact is difficult to measure given the recency of the market-turn.

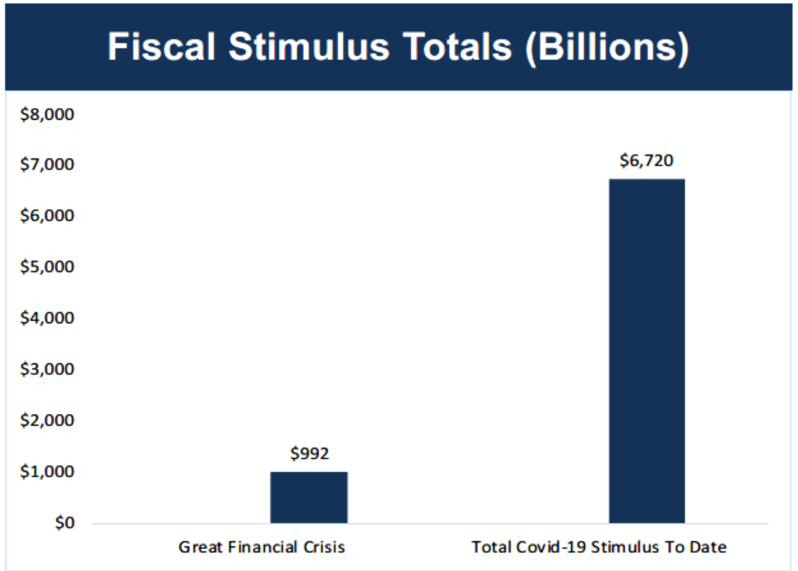
Retail

Macro Trends & Forecast

- Despite inflationary pressure on the cost of goods and services, single-tenant retail will remain an attractive investment for both institutional and smaller investors.
    - That said, asset pricing may tick down due to the rising cost of capital. There is also some governmental risk as it pertains to the elimination of the 1031 Exchange, though no action was taken in the last Congressional Budget.
- Regional Malls have been a laggard, post-COVID, and that trend is expected to continue.
- Neighborhood and Strip Centers have been strongest in the population-growth areas of the Sunbelt. There will continue to be strong demand for brick-and-mortar community retail in growing MSAs.
- The trendline to online shopping has slowed significantly, which can be observed by recent negative stock price movements from Amazon and Shopify. Further, Amazon has cancelled development of a material-amount of new distribution centers, which is a signal of a retail slowdown and a reassessment of online sales growth projections.
- Challenges remain for retail shopping centers in areas of declining/flat population. In particular, retail rental rates have been challenged in urban-core areas where office foot-rack has significantly declined.
- Expectations for 2023 call for asset pricing decreases due to the rising cost of capital, and potential headwinds for retail sales in the midst of global recession. That said, there will be areas of strength (net leased assets, community retail) that will attract investment.

3B. Hospitality

Hospitality



Source: Lodging Analytics Research and Consulting

Fiscal Stimulus Packages

Stimulus Package	Value (Billions)
Great Financial Crisis	
2008 Economic Stimulus Act	$152
American Recovery Act	$840
Total	**$992**
as % of 2007 GDP	6.3%
Covid-19 Pandemic	
CARES Act	$2,000
December 2020 Emergency Coronavius Relief	$920
American Rescue Plan	$1,900
Infrastructure Investment and Jobs Act	$1,200
2022 Climate Bill	$700
Total Covid-19 Stimulus To Date	**$6,720**
as % of 2019 GDP	35.2%

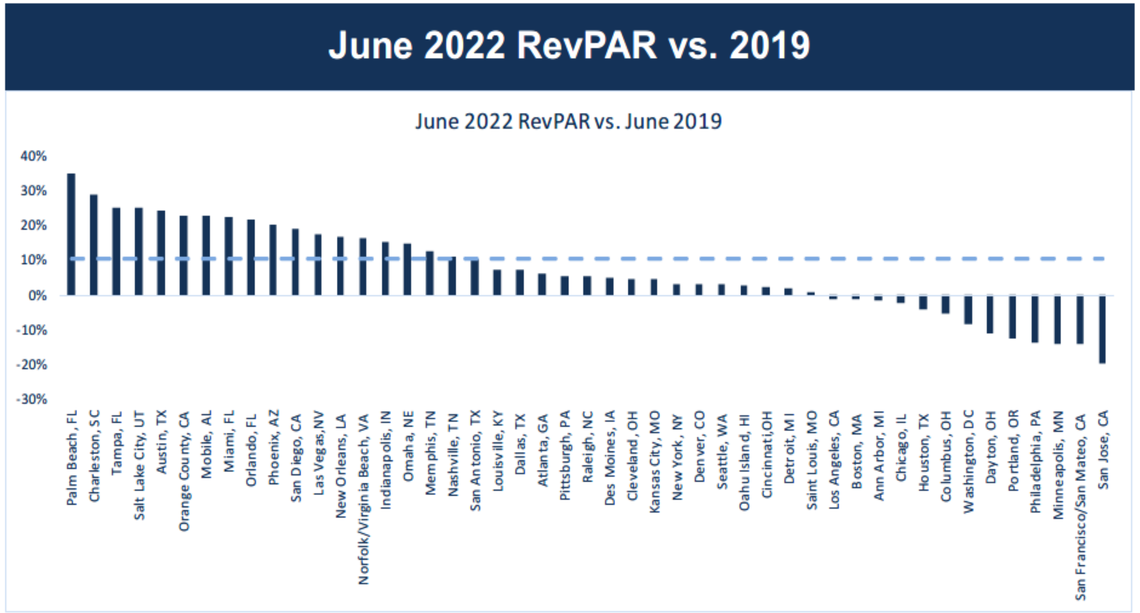
Household Balance Sheets

- Unprecedented fiscal stimulus
- Forced savings along with access to government support led to improved US household balance sheets
- **1.5x** the annual rate of previous decade (prior to 2020
- Recent spending resulting plus pent up demand for goods and services, along with high inflation suggest a peak and expected retraction to growth

RevPAR Recovery

Impact by Key Markets – RevPAR

- Where has the recovery been strong? Coastal and/or destination entertainment locations. Leisure sector.
- Where has the recovery been weak? Tech centers who have been the slowest to return to work. Urban centers historically focused on group/convention and business travelers.
- ADR performance mirrors RevPar results in these respective markets.



Source: Lodging Analytics Research & Consulting, Costar, LVCVA

Interest Rate Impact on Cap Rates

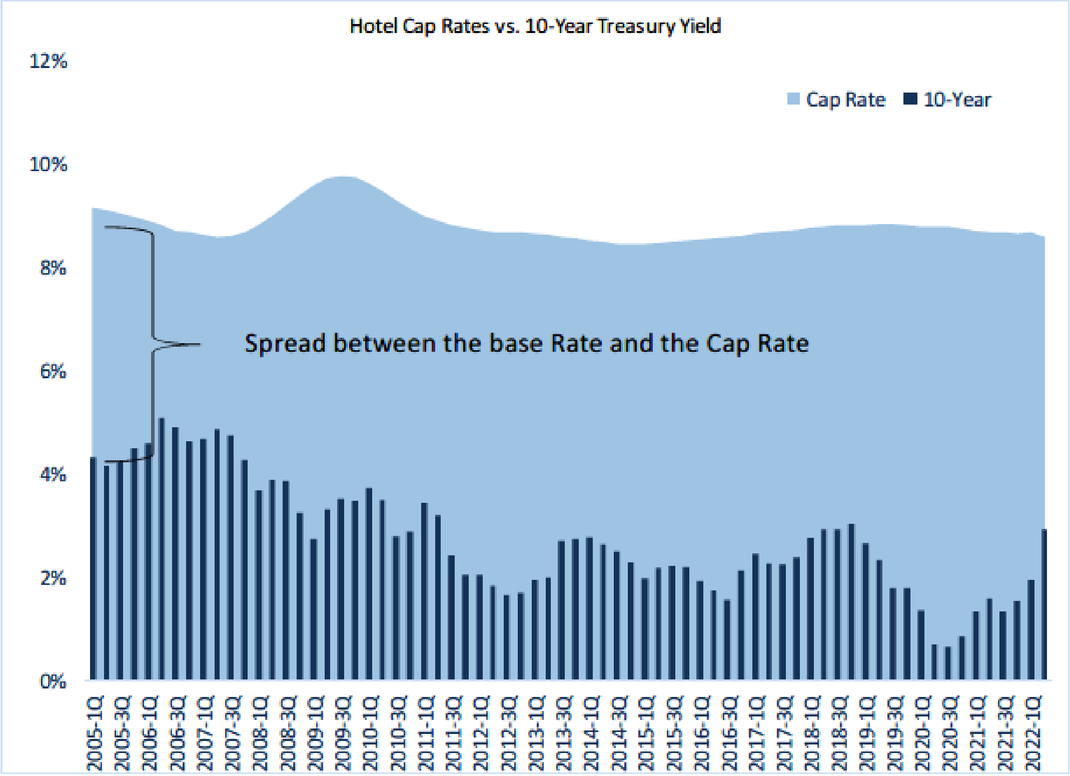
Spreads

- Interest rate movement doesn't always result in cap rate movement
- Recent inflationary trends have been severe but current spreads look to be in line with pre-Covid levels and not as wide as during the 2008/2009 recession.
- Reasons? Less leverage? Cash positions? Private equity?

2022 Cap Rate Examples

- Over $100 million leisure/resort related – strong existing operations with material cap ex to be spent plus multiple revenue sources in addition to rooms and F&B show cap rates at 6% to 7.5% range
- Transient limited service suburban $5 million to $20 million at tertiary locations – modest room refreshes showing cap rates more in the 8% to 10% range upon stabilization

Hotel Cap Rates



Source: Costar, Moody's Analytics and Lodging Analytics Research & Consulting

Expectations

Rebalancing of Segments

- Corporate: Still running 30% less than 2019 levels and expected to stabilize in the next 2 to 3 years at 10% below 2019
- Group: Coming back and expected to reach 2019 demand levels by the end of 2023 and stabilize 10% above 2019 levels
- Leisure: Big winner. 2023 levels expected to be 30% above 2019 and stabilize there.
- Overall supply growth – 1% to 2% across the board through 2024.

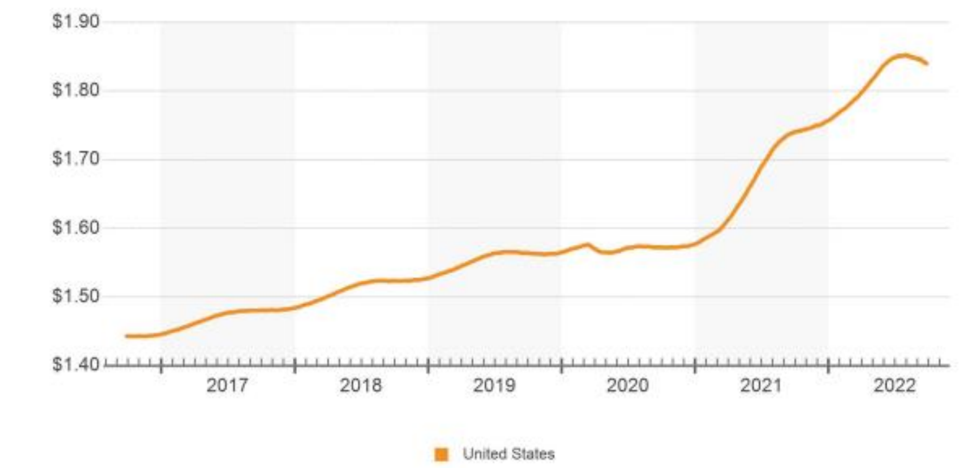
Value Trend

- Hotel EBITDA is still down from 2019 but improving rapidly through Q3 2022. Will continued inflation reverse this trend or flatten?
- Hotel values are actually up through Q3 2022 from 2019 levels in the 2% to 5% range depending on sources. Long view is 2023 will likely be a year of values leveling off.

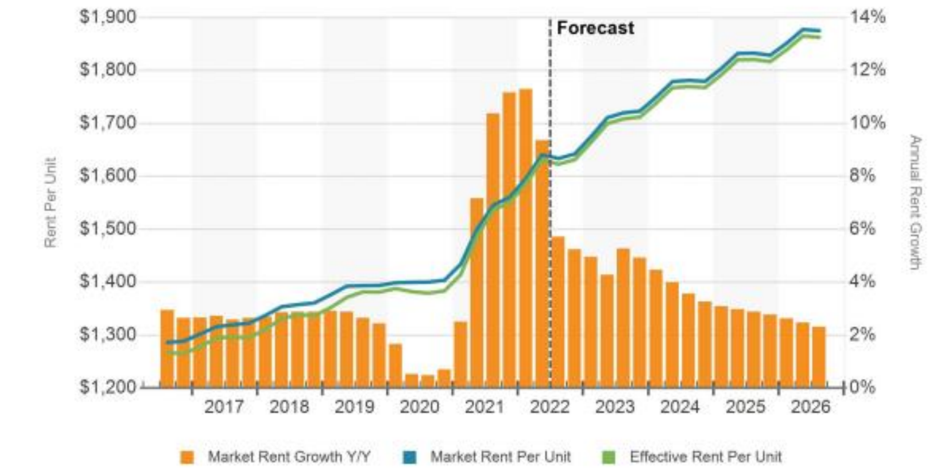
3C. Multifamily and Single Family

Multi-family

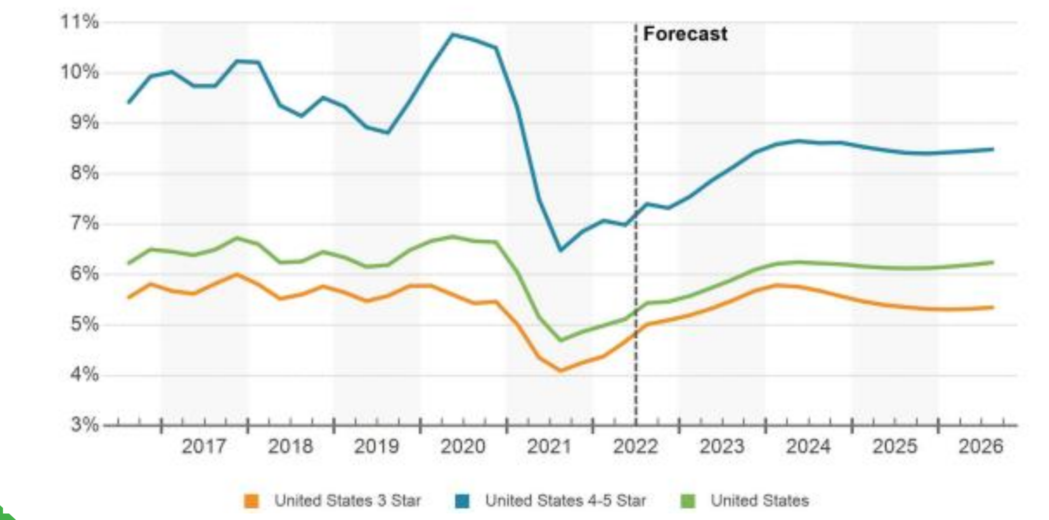
DAILY ASKING RENT PER SF



MARKET RENT PER UNIT & RENT GROWTH



VACANCY RATE



Key Performance Indicators; CoStar metrics National over 200 units

Multi-family Investments

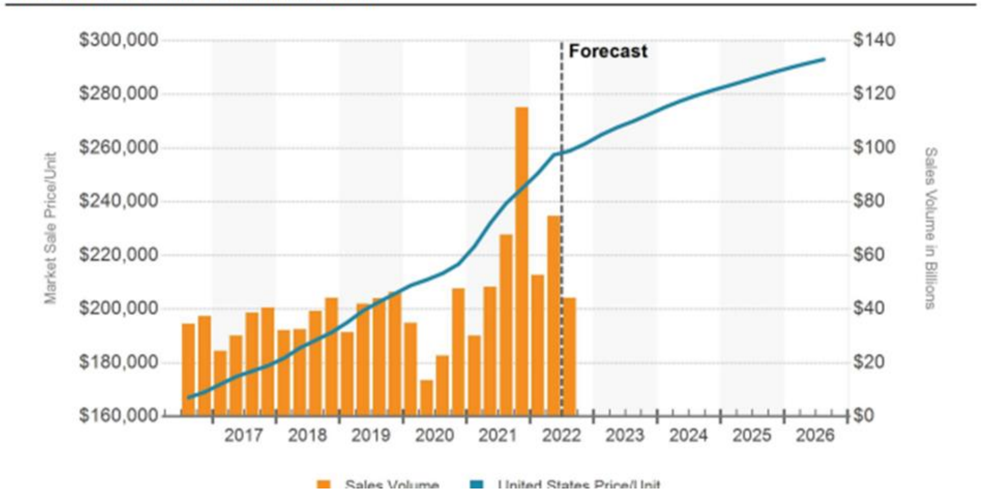
Investment Implications

- Reduced transaction volume prevents full transparency on pricing, but anecdotal increases.
- Transactions continue to be concentrated in major US cities and coastal/Sunbelt states.
- Private sector favoring better than public with values down 10-20% versus 20%, and cap rates closer to 5% than 6%.
- While cap rates are seeing expansion, continued top-line growth, resulting in higher NOIs, have insulated asset value drops.

Exhibit 1: REIT Valuation Changes

Ticker	Nominal Cap Rate	Cap Rate Δ	Value / Unit	Value / Unit Δ	NAV / Sh	NAV/sh Δ	Current NAV Prem./(Disc)
AIRC	4.90%	0.55%	$450,000	-12%	$47.75	-13%	-24%
AVB	4.75%	0.50%	$475,000	-10%	$234.00	-12%	-26%
CPT	4.75%	0.65%	$335,000	-14%	$152.50	-15%	-26%
EQR	4.65%	0.50%	$505,000	-11%	$86.50	-12%	-28%
ESS	4.70%	0.50%	$450,000	-10%	$301.00	-12%	-27%
MAA	5.10%	0.70%	$250,000	-14%	$180.00	-15%	-19%
UDR	4.85%	0.55%	$390,000	-12%	$51.25	-14%	-26%
VRE	4.90%	0.50%	$480,000	-10%	$20.75	-19%	-50%
WRE	5.00%	0.50%	$275,000	-10%	$25.50	-11%	-35%
Avg.	**4.85%**	**0.55%**	**$400,000**	**-11%**		**-14%**	**-29%**

SALES VOLUME & MARKET SALE PRICE PER UNIT



Multi-family

Segment Threats

- Receding job growth, dwindling demographics and new supply to hinder NOI growth in 3-4 years.

Segment Opportunities

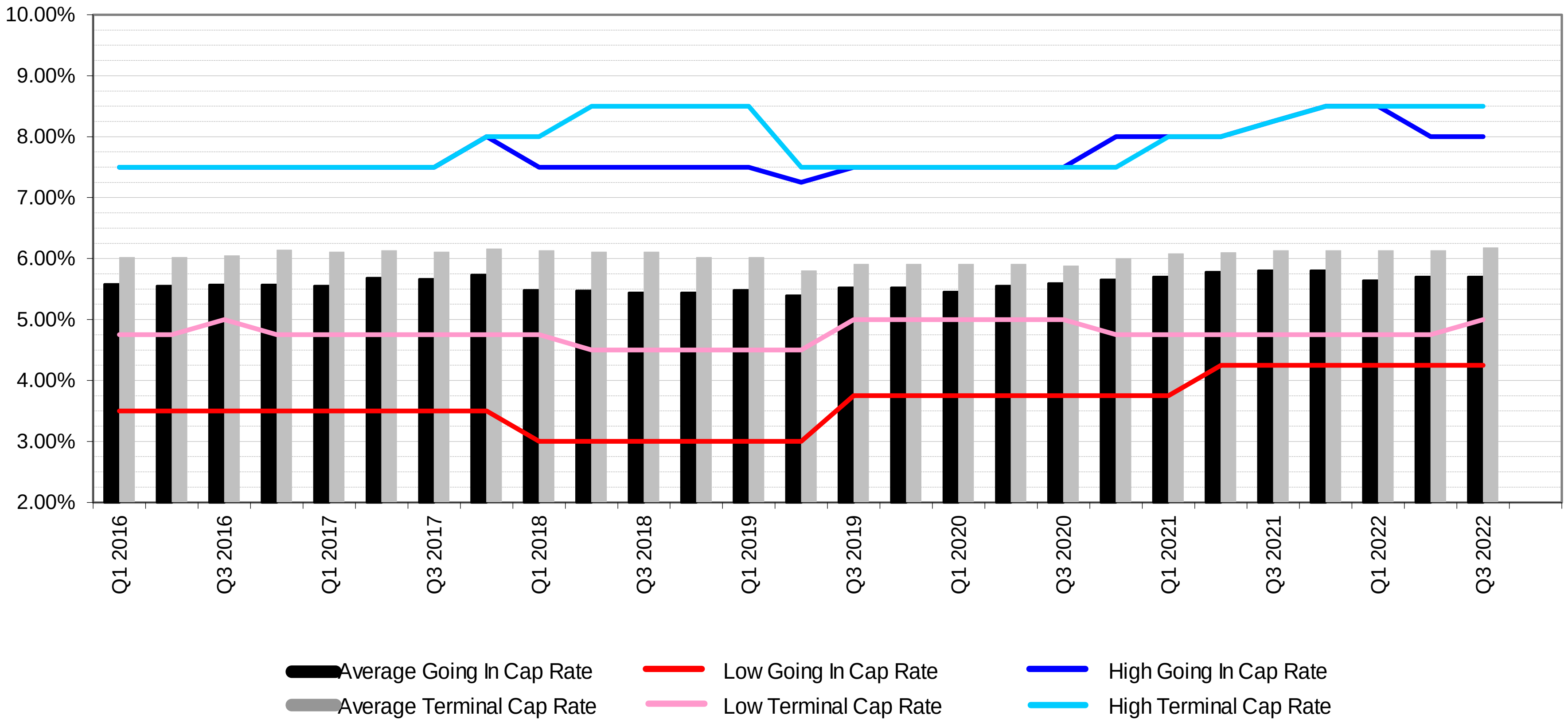
- **Affordable Housing:** Conversion of office buildings to affordable apartments to revitalize city's central business districts. Targets two issues: high vacancy and low supply of below-market rents.
    - Relaxing zoning restrictions for higher density developments, though there are many legal hurdles to surpass.
- **Single family rentals:** Higher barriers to homeownership keeping occupancies high. Pricing power for landlords.

3D. Office

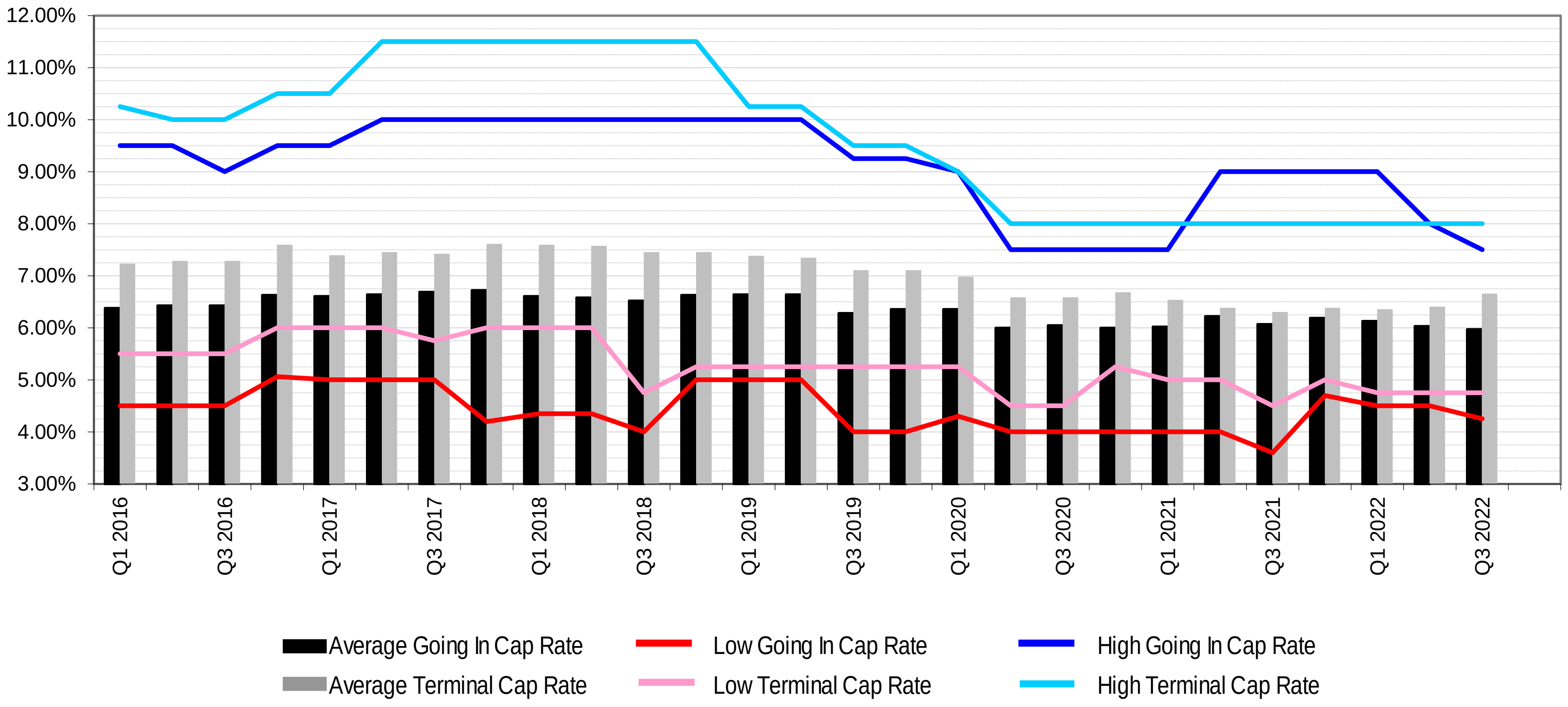
Office – Market Observations

- Thanks to a very tight labor market & technology advances, hybrid work reigns with employees coming into the office a few days a week.
- As labor market loosens, employers will likely push for more office interaction as it is their preference to have more in person collaboration.
- A fundamental tug-of-war is going on whether office work remains a "need to have" or it becomes more of a "get to have" 16% pf companies are fully remote according to a study by Owl labs.
- It is unlikely that the office market will ever return to its pre-pandemic size.
- Office utilization rates are close to 50% across the US (Green Street).
- Life sciences related office markets remain the healthiest (San Diego, Boston).
- Sunbelt cities benefitting from outmigration from the East Coast and DC have fared the best.
- More price discovery is needed in both rents and office sales to assess the real impact of a slowing economy and lower utilization rates for office. Not many sale transactions to understand where the market is.

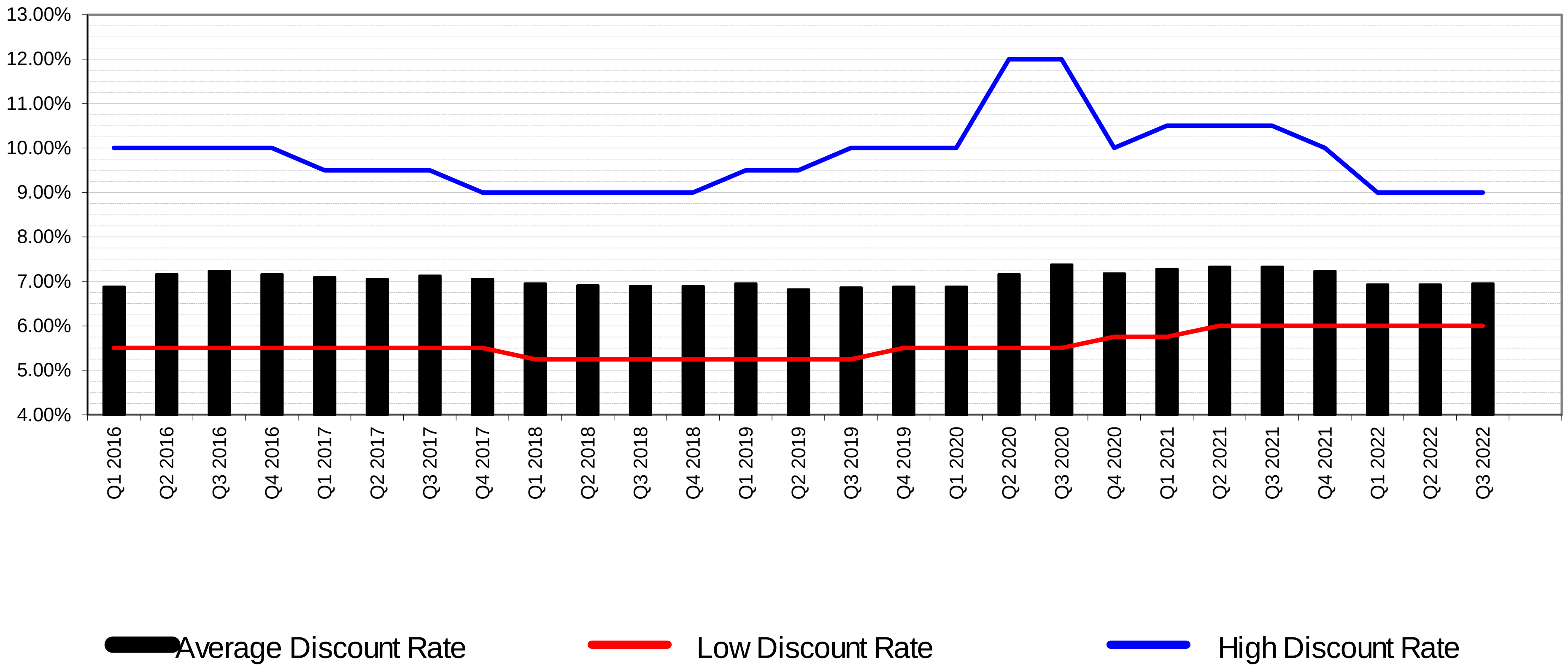
Office – Cap Rates - CBD – PWC, Korpacz



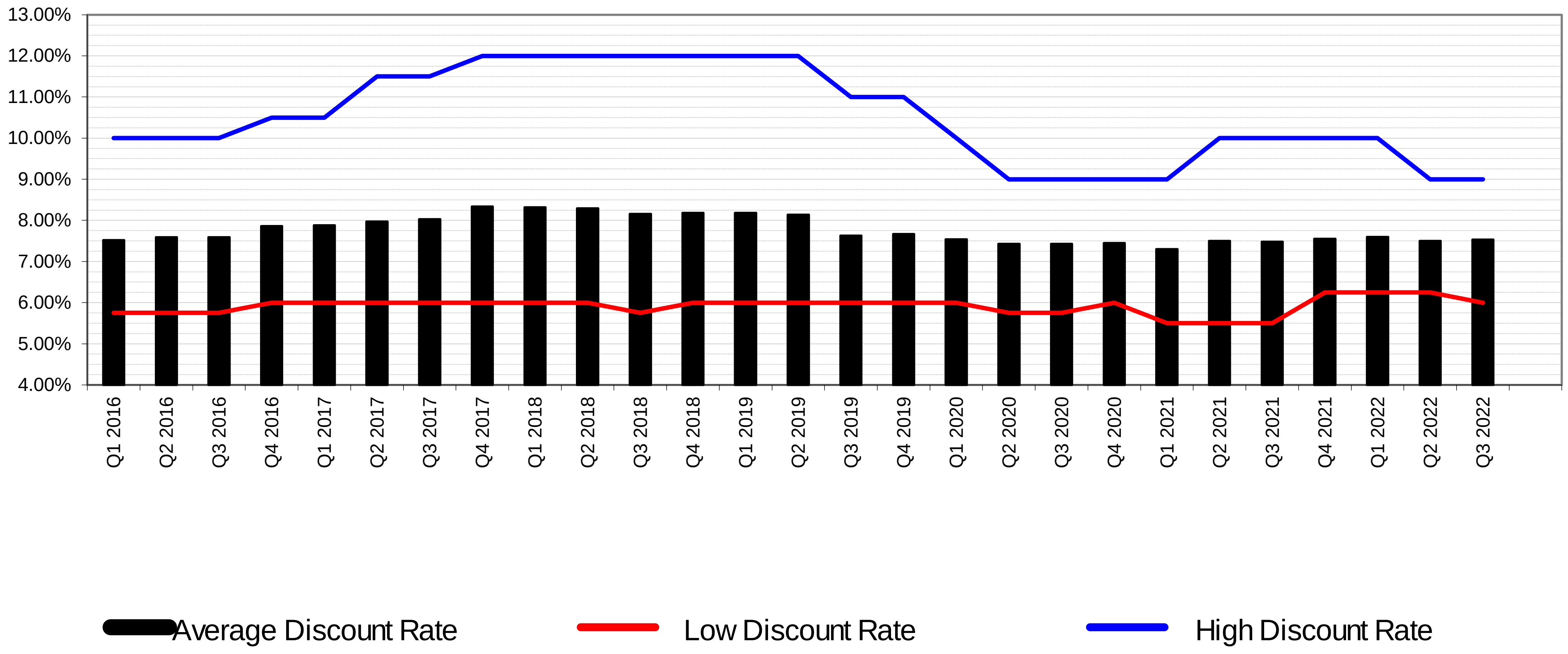
Office – Cap Rates - Suburban - PWC, Korpacz



Office – Discount Rates - CBD – PWC, Korpacz



Office – Discount Rates - Suburban – PWC, Korpacz



Office – Valuation Implications

Rent and Vacancy Assumptions

- Landlords are making their payments and are focusing on getting their employees back into the office.
- Sublease available rose 3.6 percent to 159 million square feet across the country, according to CBRE data reported by the Wall Street Journal as of 6-30-2022. The availability is significantly higher than pre-pandemic levels and only 3 million square feet shy of the pandemic high.
- In Manhattan, the amount of sublease space available is near record highs. According to Savills, more than 20.2 million square feet were available in the first quarter. That's down from the 22 million square feet available a year ago, but well above the 13.6 million square feet up for grabs in the first quarter of 2020.
- Along with Manhattan, San Francisco and Washington, D.C. are seeing close to historic highs, while sunbelt cities have lower sublease availability.

Capital Market Assumptions

- Will we see Increased Discount Rate to Cash Flow due to uncertainty?
- Capitalization Rates Increasing? – No Sales – No Data but public REIT indicators

Questions ?

About Kroll

Our Evolution

In Operation for Nearly 100 Years

STORIED BRAND
1932-2004

- Duff & Phelps founded as investment research firm

NEW FIRM, EXPANDING CAPABILITIES
2005-2020

- Started as valuation and corporate finance advisor
- Rapid growth into other governance, risk, compliance and complementary solutions
- Acquired 30+ businesses, including Kroll in 2018

ONE TEAM, ONE KROLL
2021-2022

- Duff & Phelps rebrands as Kroll and completes brand unification
- Full business life cycle capabilities across risk, governance and growth
- Serving clients in 140 markets across nearly every industry and sector

Stay Ahead with KROLL

Data, technology and insights for risk, governance and growth

Valuation

Compliance and Regulation

Corporate Finance and Restructuring

Cyber Risk

Environmental, Social and Governance

Investigations and Disputes

Business Services

One Team, One Kroll.
Your preferred partner for all your complex global demands.

With over **6,000 experts** around the world, we create value and impact for our clients and communities.

Valuation Advisory Highlights

World's Leading Independent Valuation Provider

1,427

Professionals

including 160 Managing Directors, dedicated to Valuation Advisory

In 2021 we performed over **10,667** engagements for more than **3,618** clients

Kroll professionals:

- Serve on AICPA task forces including: Business Combinations, Goodwill Impairment (Co-Chair) and Private Equity/Venture Capital
- Appointed to The Appraisal Foundation's Appraisal Practices Board
- Principal drafter of U.S. Private Equity Valuation Guidelines
- Provided public commentary to the OECD on base erosion and profit shifting action items impacting transfer pricing
- Served as panelists on IFRS and mark-to-market SEC roundtables
- Appointed to the International Valuation Professional Board by the International Valuation Standards Council (IVSC)
- Numerous involvement in IVSC Boards: Member of the IVSC Business Valuation Board, Financial Instruments Board, Tangible Assets Board, Standards Review Board and IVSC Europe Board
- Participant on the EFRAG Advisory Panel on Intangibles

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