Coronavirus Pandemic

Impact on Valuing Real Estate Investments – **JUNE UPDATE**

Duff & Phelps

Real Estate Advisory Group

June 24, 2020

Agenda

Section I

Introductions

Ross Prindle, MAI, CRE, FRICS

Managing Director, Real Estate Advisory Group, Global Practice Leader

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Ross is primarily focused on real estate valuation and consulting for institutional funds and owner/operators, real estate investment trusts, private equity and hedge funds, and corporate owners/operators of real estate. Ross has a distinct competency to complete large multi-property, multi-national and global valuation engagements.

Ross has been a valuation consultant since 1988. His most recent work experience prior to Duff & Phelps 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 Champaign/Urbana.

Ross has also spoken several times on hot topics a the NAREIT Law & Accounting Conference Accounting Committee.

Kurt Uhler, MAI

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Kurt Uhler is a Managing Director in the Los Angeles office and part of the Real Estate Advisory Group at Duff & Phelps. Kurt performs valuation and consulting assignments for REITs (publicly traded, public non-traded and private), private real estate companies, corporate clients, pension funds, private equity firms and hedge funds. Kurt leads the seniors housing and healthcare real estate appraisal practice for Duff & Phelps.

Significant engagements Include:

- Healthcare Trust of America (HTA) acquisition of Duke Realty Medical Office portfolio
- Ventas, Inc (VTR) acquisition of Ardent Health Services for $1.75B
- Annual Net Asset Value (NAV) calculation for Healthcare Trust Inc
- Ventas, Inc (VTR) acquisition of Biomed's Wexford Science and Technology portfolio
- Brookdale Senior Living (BKD) acquisition of Emeritus Corporation for $2.8B
- Ventas, Inc (VTR) acquisition of Le Group Maurice Seniors Housing Portfolio

Kurt received his B.S. with an emphasis in real estate finance and investments from the University of Southern California. He is a certified general real estate appraiser in multiple states and a Designated Member of the Appraisal Institute.

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Jim Gavin is a managing director in the San Francisco office and 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's most recent work experience prior to Duff & Phelps 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. 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 past member of the CRE Finance Committee. Jim is currently a member of the Tangible Assets Board for the International Valuation Standards Council (IVSC).

Michael Gibbs, MAI, ASA

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Michael Gibbs is a managing director in the Atlanta office and has more than 25 years of experience in real estate valuation and consulting for public and non-traded REITs, private equity and hedge funds, investment managers, financial institutions, pension funds, institutional owners, and corporate owners. Mike is a member of the Appraisal Institute and holds the MAI and ASA designations.

Mike has been involved in real estate valuation and consulting, appraisal management, tenant representation and corporate real estate since 1992.

Mike received his M.A. in real estate and urban land analysis and his B.S. with a concentration in real estate and letter of completion in finance from the University of Florida. He is also a certified general real property appraiser licensed in Alabama, District of Columbia, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Virginia, Texas and Tennessee.

He is also a member of the Mortgage Bankers Association and the Real Estate Group of Atlanta. He is an active participant of the National Council of Real Estate Investment Fiduciaries, National Association of Real Estate Investment Trusts, International Right of Way Association, Restaurant Finance & Development Industry, and the Alternative & Direct Investment Securities Association.

Daniel Carlson, MAI, MRICS, ASA

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Dan Carlson is a managing director in the Houston office of Duff & Phelps, LLC and leads the firm's bank financing appraisal industry group.

Dan is primarily focused on real estate appraisal and consulting for lending institutions and publically-traded RETIs. Dan's appraisals have been used for collateral lending , financial reporting, portfolio valuation, internal planning and decision making purposes. Dan's clients include leading financial institutions involved in balance sheet lending and CMBS securitizations. Dan also has several client's in the REIT sector and CMBS special servicers. Dan is accredited and approved to perform going concern appraisals in conjunction with the SBA lending requirements.

Dan received his masters degree in real estate from the University of Florida and his bachelor of science in regional development from the University of Arizona. Dan is a designated Member of the Appraisal Institute, an Accredited Senior Appraiser and is a state-certified general real estate appraiser in many states throughout the Southern U.S. and Mid-Atlantic. Dan is a member of the Mortgage Bankers Association, the International Council of Shopping Centers and a regular attendee of both NAIOP and ULI conferences and meetings.

Section II

Real Estate Market Impacts

Update – April 2020 to June 2020:

What has changed?

- Sheltering in place requirements are easing or have been removed
- U.S. unemployment rate increased dramatically, then fell to 13.3% as of June 5, 2020 (noise in the data)
- U.S. economy surprisingly added 2.5 mill jobs in May
- U.S. Federal Reserve continues massive intervention; $ 2.3 trillion in lending, other actions
- Federal funds rate 0 to .25% (could it go negative)
- Public markets remain volatile
  - U.S. S&P 500 down 19% in Q1; up 22% Q2 to-date; down 1% YTD (as of June 5)
  - Russell 2000 down 31% in Q1; up 31% Q2 to-date; down 10% YTD (as of June 5)

Update – April 2020 to June 2020:

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 and exercising fiduciary duty.

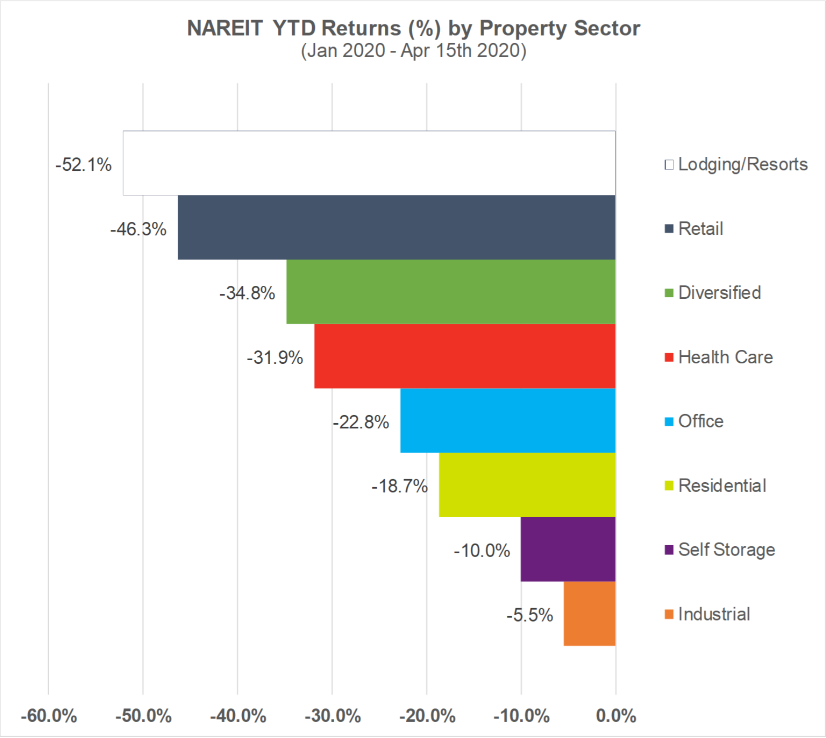
What is Known and Knowable as of June 2020?

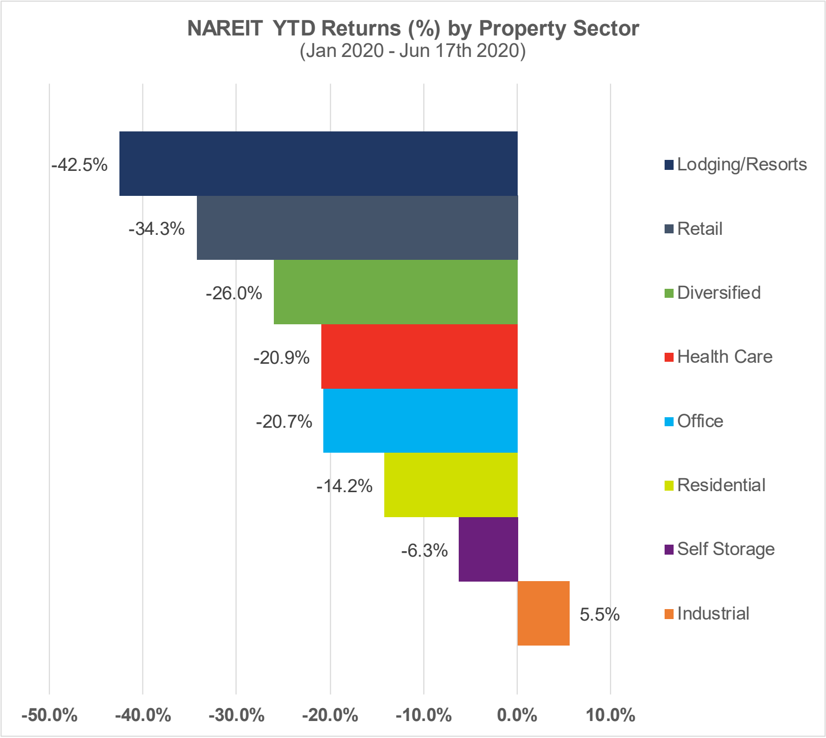
- Public market prices may have increased significantly since April, but remain volatile
- Energy prices, in particular the price of oil, have recovered significantly
- Select industries have been significantly impacted by the response to the pandemic
- Many individuals and companies are facing a liquidity crunch—how long will their cash resources last?
- Uncertainty has increased; and therefore risk has increased; and therefore a market participants required rate of return has likely increased
- Central banks and governments are implementing monetary and fiscal stimulus
- State and local governments are experiencing a cash crunch (less tax revenue)
- Unemployment has increased significantly, but may be stabilizing or retracting

What may NOT be Known and Knowable as of June 2020?

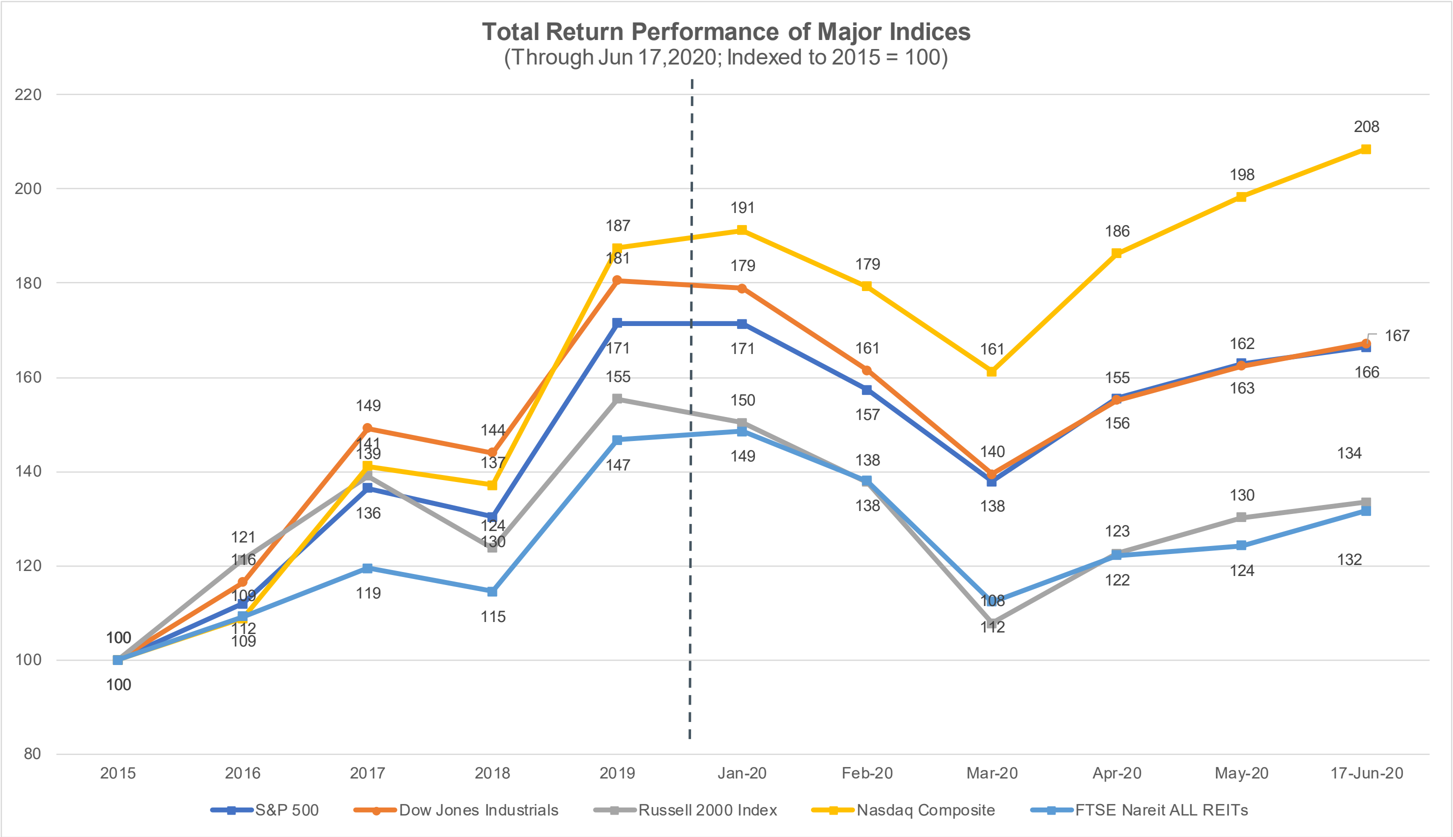
- When effective treatments for COVID-19 will be available
- When a vaccine will be available to prevent the spread of COVID-19
- If there will be a recurrence of COVID-19 cases
- When consumer spending will return to pre-COVID-19 levels (savings rates are increasing)
- Is the public market recovery a sustained **V** or could it be a **W** or **VL** or ?
- The timing, depth, geographical impact, and length of a potential economic recession
- When will or will unemployment rates return to pre-COVID-19 levels

NAREIT Returns by Property

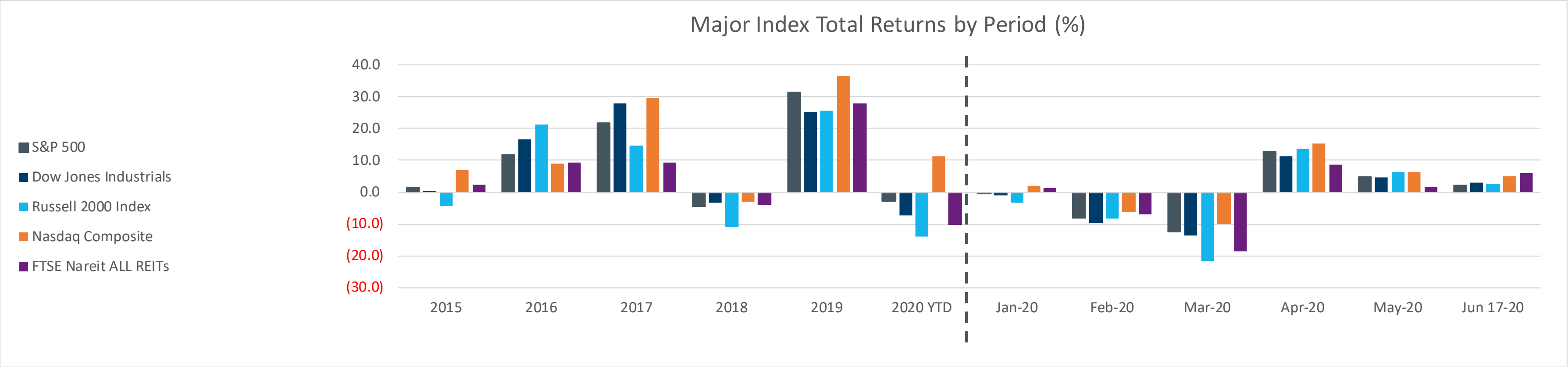




Total Return Compared to Other Indices



Total Returns by Period



Section III

Retail

Public Retail REIT – Implied Capitalization Rates

Retail Properties

Implied Public Market Capitalization Rates

	12/31/2019	3/31/2020	6/8/2020
Simon Property Group, Inc.	6.4%	11.3%	7.6%
Pennsylvania Real Estate Investment Trust	8.8%	9.8%	7.2%
Taubman Centers, Inc.	7.4%	6.3%	5.7%
Washington Prime Group, Inc.	9.2%	10.2%	9.3%
Cedar Realty Trust, Inc.	8.6%	11.0%	9.7%
Brixmor Property Group, Inc.	6.8%	9.9%	7.2%
The Macerich Company	6.1%	8.6%	7.3%
CBL & Associates Properties, Inc.	11.7%	12.6%	12.2%
Kimco Realty Corporation	6.2%	8.9%	6.4%
Regency Centers Corporation	5.5%	7.7%	5.9%
First Quartile	6.2%	8.7%	6.6%
Average	7.6%	9.6%	7.8%
Median	7.1%	9.8%	7.2%
Third Quartile	8.7%	10.8%	8.9%

Retail – Valuation Implications

- In most states, businesses are starting to open but with reduced foot traffic and social distancing requirements.
- Essential retail properties have seen increased retail sales as consumers focus their purchasing power on these outlets for supplies.
- Enclosed malls are starting to reopen in some areas but foot traffic has been light. Landlords are still in negotiation on retail terms with their tenants. It is estimated that most mall owners will be open by July 1, 2020 or August 1, 2020 in the hardest hit areas.
- Many downtown retail outlets were hit hard by the protests/looting and have not opened yet.
- It is estimated that between 30-40% of retailers made their rent (plus cam/tax) payment for May. Landlords are estimating 3-4 months of nonpayment of rent starting in April. Rent relief and rent deferral is the norm.
- Market rents are flat to declining, and leasing is non-existent. Between 10-15% of tenants will not return despite rent relief. 20-30% of restaurants may not return.
- NOI and occupancy declines in ‘20 and ’21 are expected to exceed the global financial crisis.
- For current valuation models, adjustments will be made to revenue in the short-term, with a focus on capital market assumptions as well if the situation is not expected to resolve quickly.

Retail – Valuation Implications

Complete a solid set of expected cash flows going forward as of the valuation date. Adjustments to income assumptions in years one and two projections will be considered for the following:

- **Rent, rent growth and expense reimbursements: most in-line retailers are closed and have asked landlords for:**
  - Rent relief – how much, how long and who?
  - Deferred rent payments (as well as CAM and RE tax allocations)
  - Conversion of Rent to Percentage Rent Only
  - Rent Growth – Flat to declining
  - Renewal Probability – likely lower due to stores not having foot traffic
- **Vacancy and credit loss**
  - How do we practically calculate these?
- **Expenses**
  - Increased Marketing/Advertising Expenses will be needed
  - Potential Successful Real Estate Tax Appeals lead to lower tax expense
  - Increased Incentives – Tenant Improvements, Rent Abatements
- **Capital market assumptions**
  - Increased Discount Rate to Cash Flow due to uncertainty?
  - Overall and Terminal Capitalization Rates – No Sales – No Data but public REIT indicators – Should we adjust?

Section III

Hospitality

Hospitality – Valuation Implications

Most Recent Developments

- Challenging times continue. Loan delinquency concerns rise. Owners are evaluating which assets are best to retain and which may be best to let go.
- Many hotels are now open and if not currently, should open between July 1 – August 1. Phased re-openings. Anemic occupancies – per Smith Travel Research, just below 40% through the first week of June and REVPAR down 65% from a year ago.
- 2020 saw 37% total reduction in room nights, per CBRE, with 41% annual occupancy broken down to low 30's for luxury hotels and mid-40's for economy hotels. These projections are expected to yield a low 20% drop in ADR and low 50% decline in RevPAR.
- Direct discussions with several asset managers/operators suggest these forecast may be on the optimistic side.
- Personal experiences have shown a variety of approaches in handling re-openings. Leisure segments are the first to see recovery. Examples: Lake Tahoe; Huntington Beach with high leisure occupancies. For those open, sections remain closed, including conference space, meeting rooms and restaurants. Where restaurants are open, reduced seating and modified menus. Skeleton staffing.
- Forecasts have become more pessimistic in the past 30 days as a result of the impact of the continuing lack of business travel and convention shutdowns. Many conventions targeted for October/November 2020 have been canceled: Salesforce example

Hospitality – Valuation Implications

Transaction Challenges and Longer-Term View

- According to TREPP (largest database of commercial mortgages), delinquencies jumped from 3% in April to 19% in May. CMBS has $86 billion in hotel mortgages, with the percent of those loans going to special servicers moving up from 2% to 16% between March and May.
- Those poorly performing hotels pre Covid-19 have been moved into an auction phase as those owners need to cash out at all costs. With actual defaults likely not actively registering until Q3, it is expected that a lot of hotels will come to market as early as Q4 of 2020 and more likely in Q1/Q2 of 2021.
- In talking to the brokerage industry, there appears to be ample equity in the market ready to jump. This includes loan portfolios in addition to individual assets. They will be looking for deep discounts (likely 25% and more off of pre CV19 valuations).
- The recent civil unrest further set back business travel and convention planning. 2021 looking more like another year of recovery with 2022 = 2019. If financially capable, take the long view (i.e. 401k). Some forecasts suggest convention business may need three years to resurface in gateway cities in a material way.
- Expected move towards a positive direction is expected to be Q4. “Drive to leisure” will lead the recovery. Driving and direct access to your room provides sense of security and safety. Hotels oriented to groups, conferences, etc. will lag and be the last to recover.

Hospitality – Valuation Implications

How do we value?

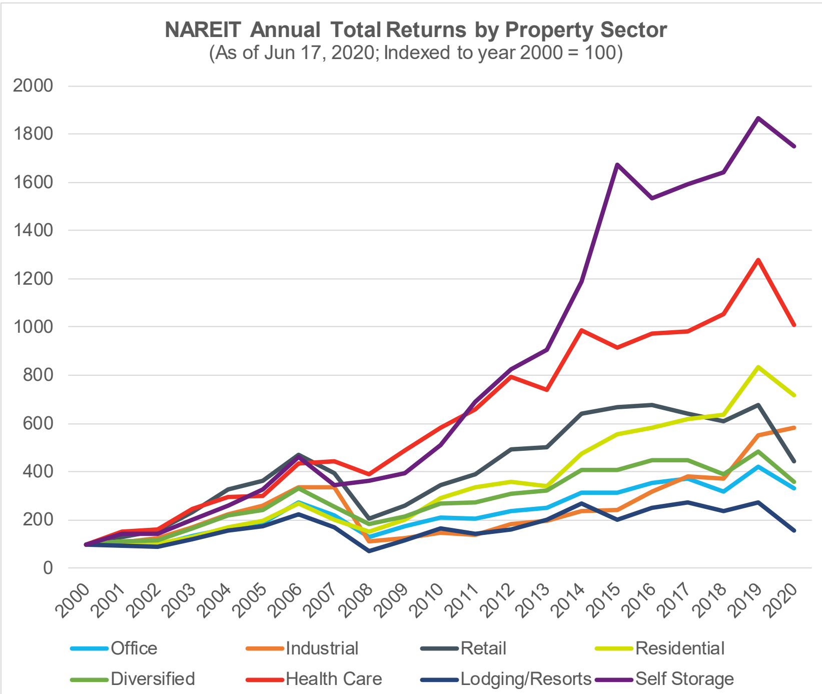
1. Need to look closely at the segment mix in forecasting. If leisure, should see a reasonably good end to 2020.
2. Transactions benchmarks are likely to reflect duress or liquidation, not fair value.
3. Heavy group, convention, meeting – nothing material until some point in 2021. Urban/city center occupancies in single digits. 2020 is lost.
4. 2021 quarterly showing rebounds and momentum uptick. Leisure good, business growing quarter by quarter, economy/limited service hotels come back.
5. Better sense of pricing, cap rates, etc. based on sales activity.
6. 2022 – convention business committed in 2021 for 2022 finally bounces back

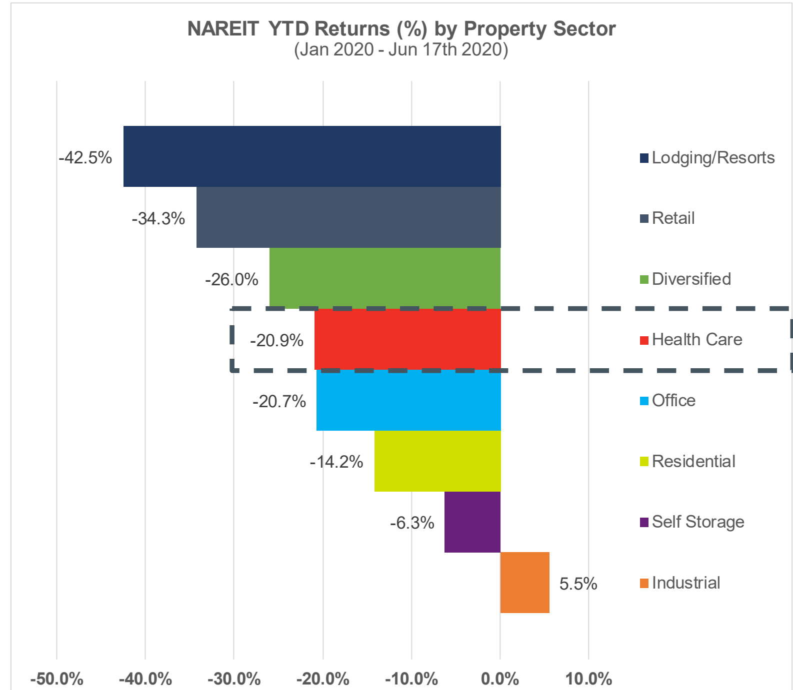
- Continued unknowns:
  - Scenario testing has been further complicated by civil challenges
  - Security concerns
  - Election results
  - Timing of CV19 antidote

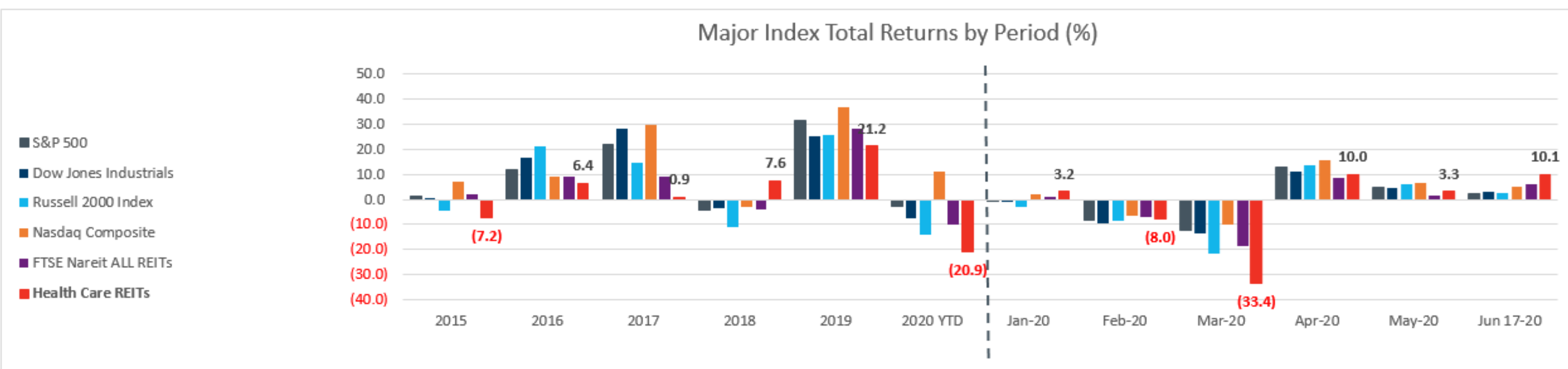
Section III

Healthcare

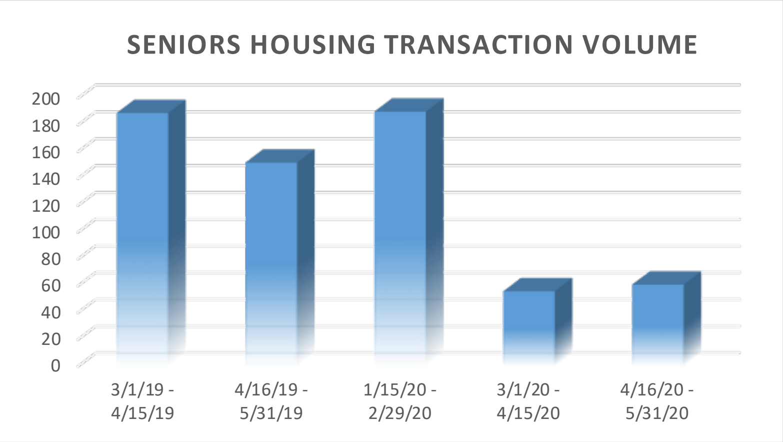
Healthcare – Overview of the Public Markets



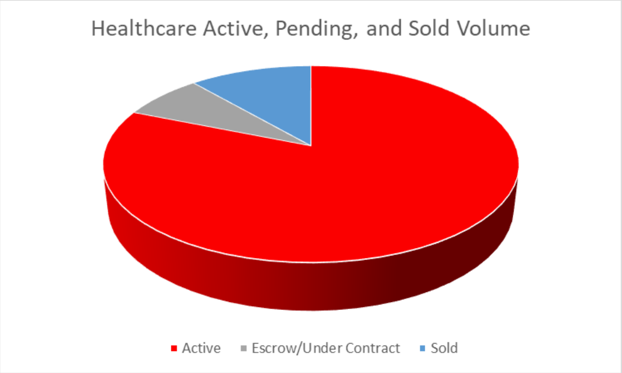


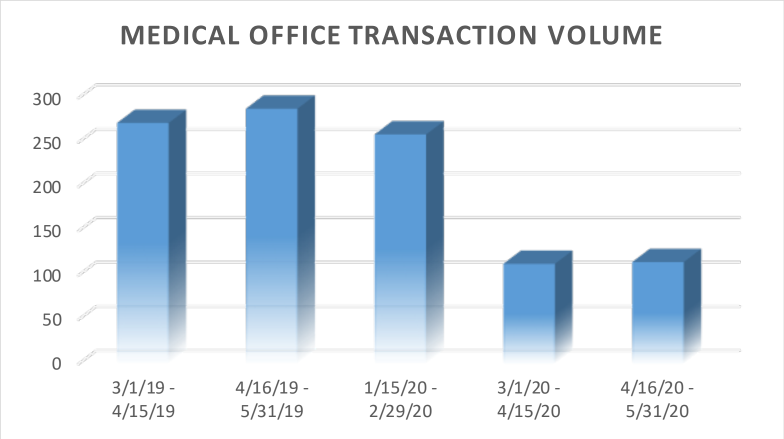


Healthcare – Valuation Implications

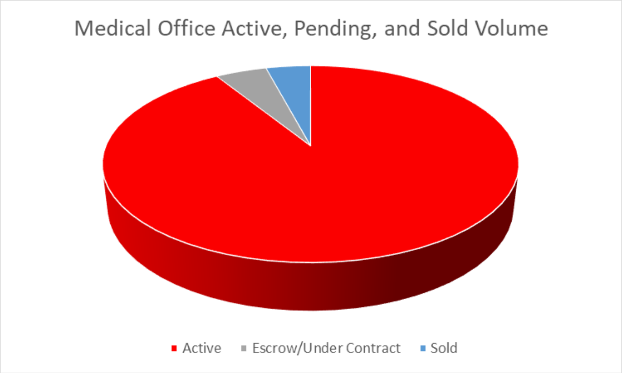


- 61 closed transactions since April 16, 2020
  - Volume hasn't changed significantly
- 435 active listings
  - Listings on market consistent
- Majority of transactions (80%) <$10,000,000
  - vs. 53% in prior 1.5 month period





- 115 closed transactions since April 16, 2020
  - Volume hasn't changed significantly
- 2,561 active listings
  - Listings on market consistent
- Majority of transactions (87%) <$10,000,000
  - vs. 61% in prior 1.5 month period

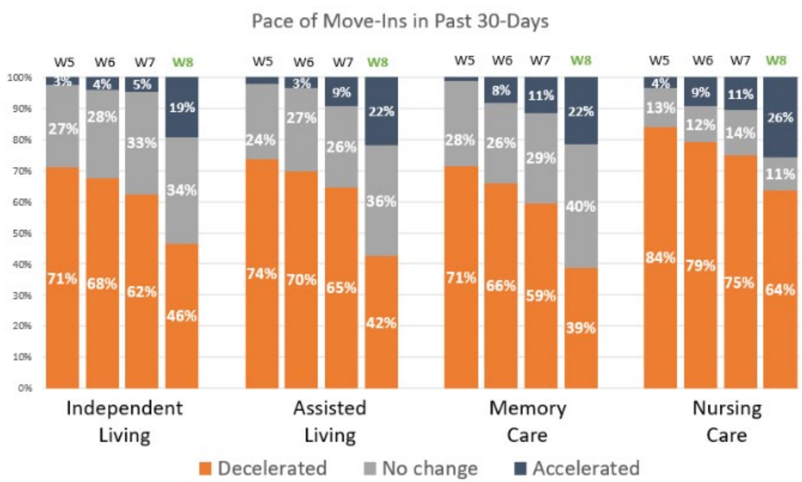


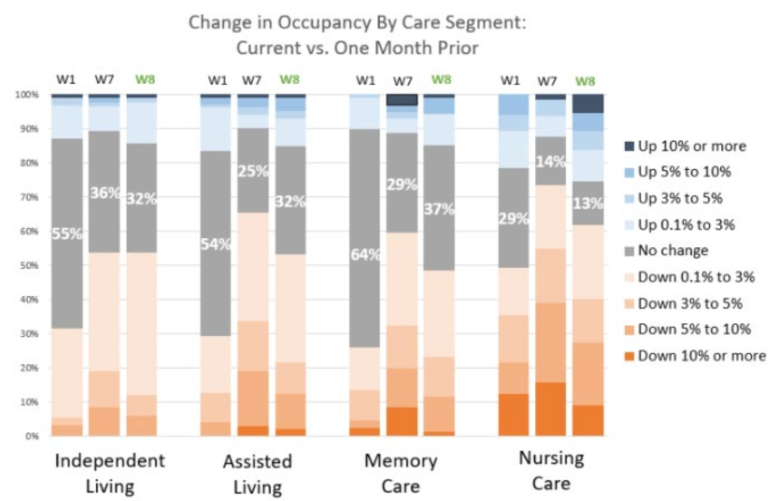
Source: CoStar comparable search of transactions over 10,000 square feet

Healthcare – Valuation Implications

Seniors Housing – NIC Executive Survey Results

<u>NIC Executive Survey</u>
NIC has conducted eight executive surveys to date, of senior housing and skilled nursing owners/operators nationwide, with the most recent survey completed on June 7, 2020.



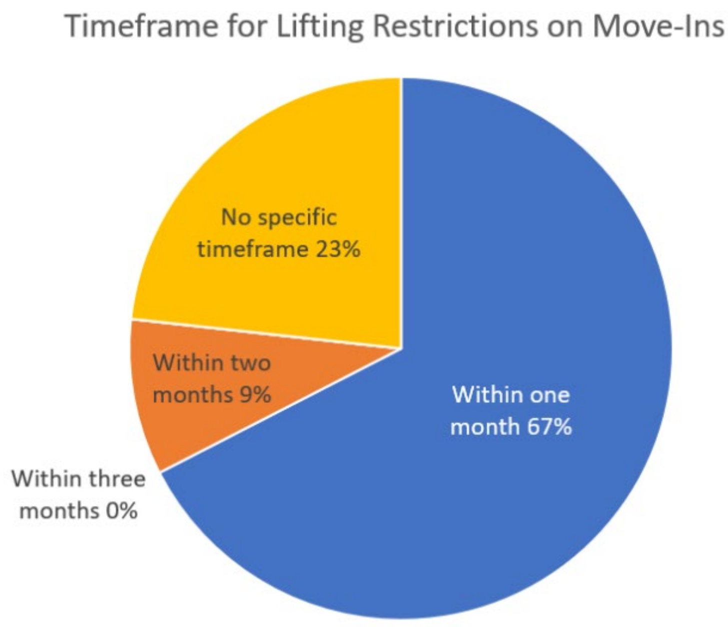


Generally, the surveys have shown improved pace of move-ins and positive absorption in the wave 8 responses.

Healthcare – Valuation Implications

Seniors Housing – NIC Executive Survey Results

In wave 8, organizations that still had an organization-wide or government imposed moratorium on move-ins were asked when they anticipated those being lifted. The results show a positive outlook on the prospects for a return to a more normal leasing environment.



Wave 8 responses collected May 25 to June 7, 2020
Source: NIC

Healthcare – Seniors Housing Valuation Implications

What Do We Do and What Has Changed?

Revenue Considerations

Continue to assess the timing and pace of move-ins, which has improved in the last few weeks as moratoriums have been lifted. Potential impact to monthly rents, care charges, rent growth, vacancy and collection loss and entrance fee model.

Expense/CapEx Considerations

An increase in cleaning expense, insurance expense, supply costs (SH) and labor costs (SH) all factors. Potential short-term decreases in management fee and administrative/leasing expenses. CapEx projects are generally on hold with many ROI projects canceled indefinitely and reserve requirements likely to increase.

Capital Markets Assumptions

There is not enough market data to assess the impact on cap and discount rates, however surveys have continued to show buyer and seller disconnect in underwriting assumptions. Important to consider the adjustments to cash flow before deciding whether cap/discount rate adjustments are warranted in order avoid double hitting values. Important to weigh short term versus long term impacts when utilizing direct cap approach.

Value Impact

While there are some positive takeaways from the NIC survey, senior housing properties are still experiencing the negative effects of the pandemic. Long-term fundamentals for this asset class remain strong. NNN Senior housing properties still have unsustainably low coverage which may lead to renegotiations and diminished risk profiles in the short term, while operating properties are likely to continue to show declining NOI through the year.

Section II

Student Housing

Student Housing

National Student Housing Data

- Occupancy rate: 90% / down slightly from March but generally in-line with 2019
  - Nearly 80% of property mangers expect no change (20%) to modest declines (60%) in occupancy
- Renewal rate: 69% / slightly higher on both a monthly and annual basis
- Rent paid: 91.62% paid in April vs. 94.06% in March
- Uncollected Rent: 6.43% an increase from 3.98% in March
- Rent payment plans increased by 456% since April 7
- Slight decline in new leads, but new applications remain consistent with March and previous year
- Concessions are $33.45 per unit / down from March; however, an increase over the same period in 2019
- 48,000 new off-campus beds and 35,000 new on-campus beds are expected to deliver in the Fall 2020

SOURCES:
COVID-19 Rental Housing Trends, Mid-month Report – Student Housing, ENTRATA, April 22, 2020
COVID-19 Impact on Student Housing, Webcast Summary, REALPAGE, April 9, 2020

Student Housing

American Campus Communities (NYSE: ACC)

- 82.6% preleased vs. 84.9% preleased same period last year
- 94.8% made April 2020 rent payments / 93.3% made May 2020 rent payments
- 47 out of 68 universities/colleges plan on return to in person classes in Fall 2020

Preferred Apartment Communities (NYSE: APTS)

- April collections at 97.3% vs. 98.7% in March and 99.5% in January
- Occupancy rates at 96.2% in April consistent with Q12020
- New leases up 1% over 2019

Student Housing

Strengths / Opportunities

- Majority of universities / Colleges have announced plans to return to in-person or hybrid fall enrollment
- Countercyclical real estate sector / student enrollment typically inversely related to job growth
- Aging on campus housing (avg 50+ yrs) needs to be replaced
- Modern student housing floorplans / de-densification trends
- Relocation of dorm residents to off-campus housing
- On-campus and pedestrian-to-campus have high barriers to entry

Threats / Weaknesses

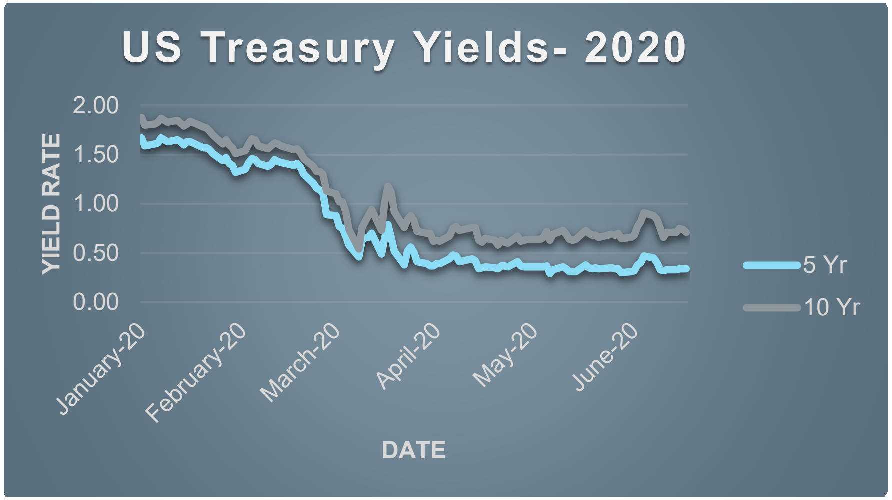
- Universities/colleges not returning to in-person fall enrollment (i.e., California)
- Re-emergence of COVID-19
- Headwinds in slowing enrollment growth combined with oversupply
- Local moratoriums / construction delays
- E-learning / increased tuition costs
- Higher operating costs than traditional MFR
- Properties located more than ½ mile from campus
- Trade at a discount to NAV and traditional multifamily assets
  - Growth rates and forward free cash flow all below REIT averages

Section III

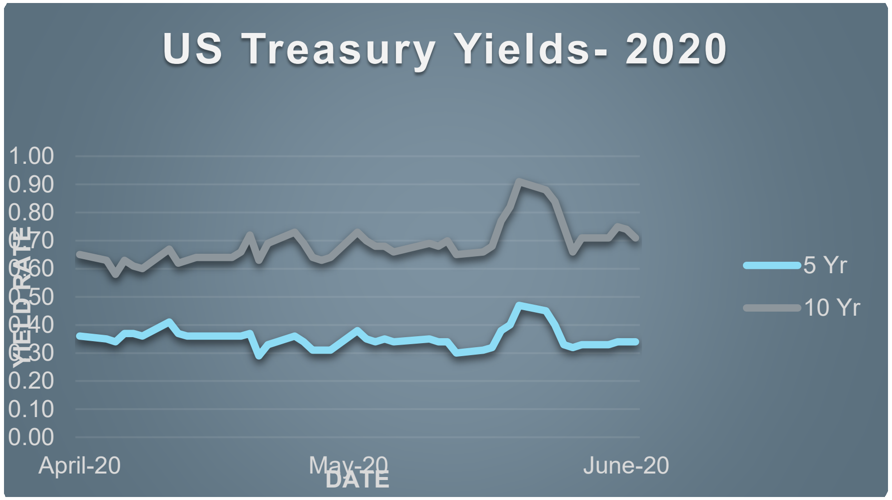
Capital Market Implications

Benchmark Rate Fluctuation:

- Treasury yields fell significantly, 120 basis points from January to the beginning of the COVID-19 outbreak.



- Since April, yields have stabilized, with the 10-year treasury near 0.70%.



Interest Rate Spread Movement- CMBS Market:

- During the initial weeks of the crisis, interest rate spreads widened significantly, pushing up all-in interest rates to 4.50% (from 3.50% pre-crisis) on average.

CMBS SPREADS	June 17, 2020	April 1, 2020
US Treasury		
10 Yr AAA	130	310
Bps Δ from Previous	**(180.00)**	
AA	245	425
Bps Δ from Previous	**(180.00)**	
A	385	575
Bps Δ from Previous	**(190.00)**	
BBB-	720	845
Bps Δ from Previous	**(125.00)**	

- Since April 1, the spreads on CMBS pricing have tightened significantly, and in some cases have been lower than pre-COVID-19 levels. It is important to note that nearly all CMBS deals which have been priced post-COVID-19 were already in the pipeline in March. There is limited data for CMBS pricing for deals put together post-COVID-19.
- The larger lenders should lead the issuances in the second half of the year, with the smaller players reliant on capital providers will be slower to recover.
- Leverage will be lower than pre-Covid-19 by about 5 -10%. Generally in the 60 - 70% range.
- Loans in secondary markets will be attractive as they have been less affected by the stay-at-home orders.

Interest Rate Spread Movement- Non-CMBS Market:

- Typical spreads for non-CMBS debt have remained wide across most property types, post COVID-19.

Average Interest Rate Spread		
	Average Spread	**Interest Rate**
10-Year US Treasury		0.70%
Office	325	**3.95%**
Grocery Anchored Retail	370	**4.40%**
Power Center	420	**4.90%**
Agency Multi-Family	250	**3.20%**
Distribution Warehouse	290	**3.60%**
Flex Industrial	300	**3.70%**
Full Service Hotel	500	**5.70%**

- Typical LTVs are 55 to 65% for office, retail and industrial; 75% for agency multi-family; and less than 50% for full service hotel. Leverage ratios are down 5 -10% from pre-COVID-19 levels.
- Construction lending is targeting 50 – 55% loan to cost ratios.
- Debt coverage ratios range from 1.30x to 1.50x for the riskiest deals.
- Many regional banks are seeing record deposits due to the increased savings rate spurred by the stimulus checks. We expect bank lenders to seek new business given this fact.

Capital Markets Implications by Property Type:

- Specific effects of the capital market disruption will vary by property type.
  - **Hotels-** some deals are being priced, but with very conservative LTVs (sub 40%). Mainly refinancing with current lender relationships.
  - **Big-Box Retail** – rent collections for big box retail have been disappointing and there have been several high profile bankruptcy's. Troubled tenants in the fitness and cinema sectors have made financing location and rent roll specific.
  - **Seniors Housing** conservative underwriting is the norm, along with a general lack of debt availability in this sector.
  - **Office** debt is available for well-leased product. Construction and lease-up financing is limited.
  - **Multi-Family** will have significant debt capital available due to the influence of Fannie and Freddie. K Series spreads remain competitive.
  - **Industrial** will be actively pursued by lenders in the bank space, and there is expected to be significant debt liquidity due to structural shifts in consumer demand.
  - **Grocery-Anchored Retail** will also hold up well during this crisis, due to the increased demand for grocery products. That said, in-line and pad tenants are looking for rent relief, which will moderate pricing and debt availability in this space.
  - **QSR and Single-Tenant Leased** – these assets have held up well, in particular those tenants with a strong online delivery presence and ample site sizes for drive through customers.

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- Dan Carlson: +1 713-237-5307; Dan.Carlson@duffandphelps.com
- James Gavin: +1 415-693-4540; James.Gavin @duffandphelps.com
- Kurt Uhler: +1 424-249-1669; Kurt.Uhler@duffandphelps.com

Thank you for attending!

Questions?

Addendum A

Duff & Phelps Real Estate Advisory Group

Real Estate Advisory Group

The Duff & Phelps Real Estate Advisory Group (REAG) provides comprehensive support in connection with commercial real estate investments and transactions, asset and portfolio management and optimization, financing and debt advisory. Our services help our clients maximize the value of their real estate holdings, and make important business decisions with confidence.

GLOBAL PRACTICE

With over 275 employees in 10 countries we have the scale and local market expertise to meet our clients' needs anywhere in the world.

INDUSTRY EXPERTISE

Our professionals have the requisite credentials, such as MAI, MRICS, FRICS and ASA, and are experts in different industry segments including alternative funds, REITs, hedge funds, pension funds, structured finance, CMBS securitization, banking and corporate real estate institutions. All of our work is performed in accordance with regulatory requirements and local financial reporting standards.

INDEPENDENCE

We offer truly independent valuation and consulting services to our clients in accordance with professional and ethical standards, and ensure that we are not subject to conflicts of interest in performing our work.

COMPETITIVE ADVANTAGE

Duff & Phelps is unique in offering our clients a range of real estate advisory services which leverage our expertise in valuation, corporate finance, accounting and taxation. We can value any type of asset, liability or equity interest associated with a real estate investment or transaction across all sectors and geographies, providing our clients with the transparency they require.

Real Estate Advisory Group Overview

DUFF & PHELPS
Real Estate Advisory Group

One Company

DUFF & PHELPS

Real Estate Advisory Group

Duff & Phelps has offices in **28 COUNTRIES** worldwide with **Real Estate Advisory** professionals in **11** of them

THE AMERICAS

Addison
Atlanta
Austin
Bogota
Boston
Buenos Aires
Cayman Islands
Chicago
Dallas
Denver
Detroit
Grenada
Houston
Libertyville
Lisle
Los Angeles
Mexico City
Miami
Milwaukee
Minneapolis
Morristown
Nashville
New York
Philadelphia
Pittsburgh
Reston
St. Louis
San Francisco
São Paulo
Seattle
Secaucus
Silicon Valley
Stamford
Toronto
Washington, DC

EUROPE AND MIDDLE EAST

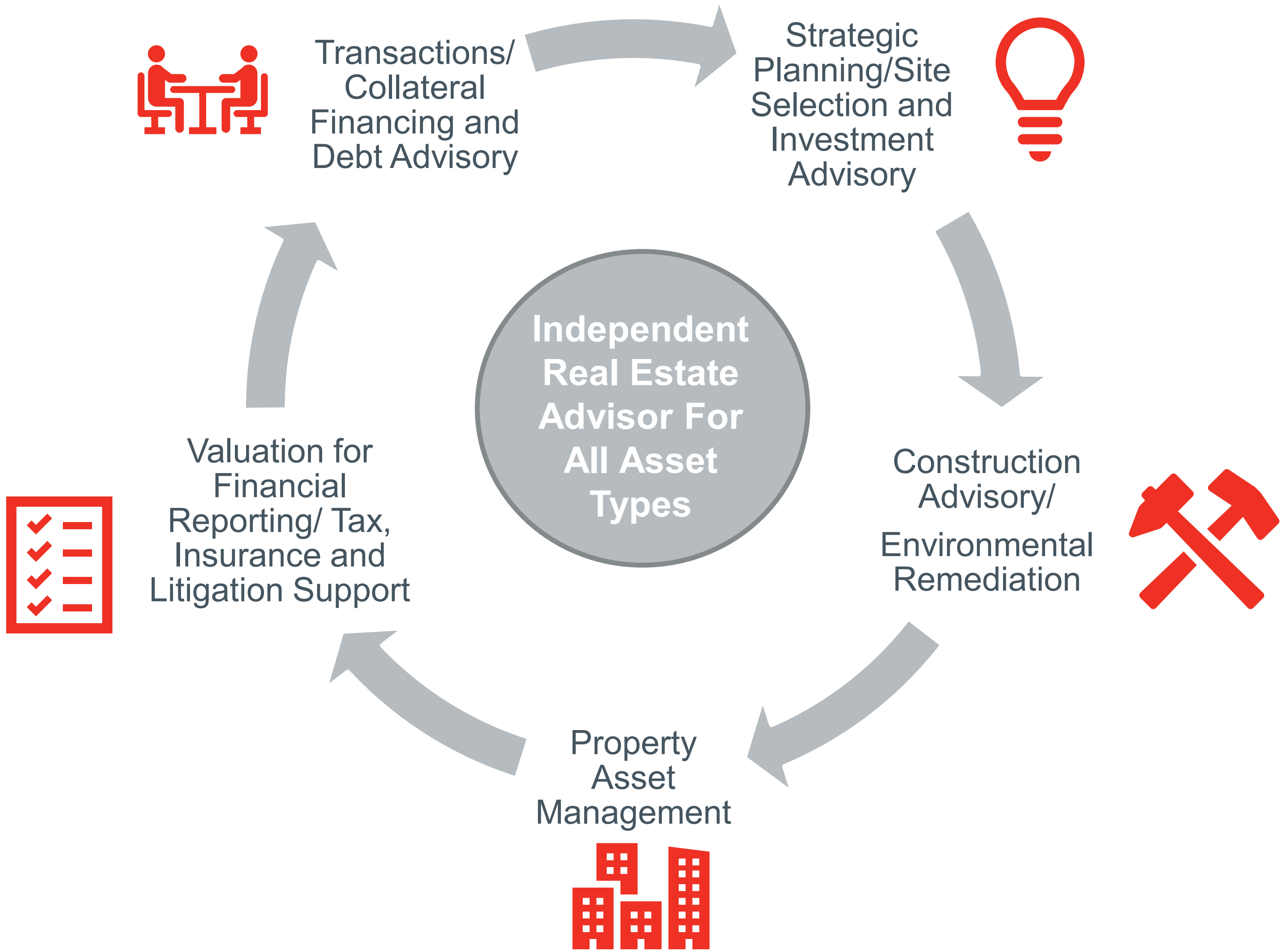
Abu Dhabi
Agrate Brianza
Amsterdam
Athens
Barcelona
Berlin
Bilbao
Birmingham
Channel Islands
Dubai
Dublin
Frankfurt
Lisbon
London
Longford
Luxembourg
Madrid
Manchester
Milan
Moscow
Munich
Padua
Paris
Pesaro
Porto
Rome
Turin
Warsaw

ASIA PACIFIC

Bangalore
Beijing
Guangzhou
Hanoi
Ho Chi Minh City
Hong Kong
Hyderabad
Mumbai
New Delhi
Shanghai
Shenzhen
Singapore
Sydney
Taipei
Tokyo

Note: Cities in red include Real Estate Advisory professionals.

Serving All Real Estate Needs



Services

Valuation and Consulting

- Financial and Tax Reporting
- REIT valuations
- Lease Accounting
- Financing/Mortgage Lending Appraisals
- RICS (Red Book) Appraisals
- BelWertV Appraisals
- Portfolio Valuations
- Insurance Appraisals
- Appraisal Reviews
- Right of Way Appraisal
- Litigation Support/Expert Opinions
- Cost Segregation/Capital Allowance Consulting

Investment/Transaction Advisory

- Property Investment and Portfolio Analysis
- Data Room/Document Management
- Commercial Due Diligence
- Technical Advisory/Property Condition Reports
- Technical/Environmental Due Diligence
- Feasibility and Site Selection Studies
- Cash Flow Analytics (Argus modeling)
- Tenant Advisory
- Buy-side and Sell-side advisory
- Investor Solicitation/Auction and Bid Management
- Fairness and Solvency Opinions
- Sale-leaseback Advisory

Property Asset Management

- Strategic Planning
- Asset and Portfolio Investment Management
- Portfolio Rationalization
- Distressed Asset Remediation
- Property Management and Monitoring
- Development and Construction Advisory and Management
- Project-Controlling for lenders or investors
- Lease Renegotiation Assistance
- Property Tax Consulting
- Environmental Services/Remediation
- Analytics Advisory

Financing and Debt Advisory

- Equity and Debt Restructuring and Sourcing
- Loan Investment Advisory
- NPL Valuation
- Mortgage Loan Services Outsourcing for Financial Institutions
- Optimization of Financing Structures
- Real Estate Restructuring/ Repositioning

Credentials

Our professionals include real estate valuation and consulting experts, real estate investment bankers, chartered surveyors, architects, engineers, and geologists. Certifications and memberships include MAI, RICS, CRE, ASA, HypZert, LEED and BREEAM, among others. Our appraisals are USPAP, IVS and RICS compliant.

Quality, Health and Safety, Environmental Management System - ISO 9001:2008 – OHSAS 18001:2007 – ISO 14001:2004

Royal Institution of Chartered Surveyors

Green Building Council Italia

LEED

Apprisal Institute

BREEAM

Serving Clients Across Real Estate Sectors

REITS

Funds

Banks

Hospitality, Leisure and Tourism

Retail

Addendum B

Duff & Phelps Overview

Duff & Phelps
Dedicated to Delivering Value

DUFF & PHELPS
Real Estate Advisory Group

Valuation and Corporate Finance Advisors

- More than 7,500 engagements performed in 2014
- 3,000 clients including more than 40% of the S&P 500

2,000+ Employees in more than 70 offices globally

Advisory Capability

- Valuation Advisory
- Dispute and Legal Management Consulting
- M&A Advisory
- Transaction Opinions
- Restructuring Advisory
- Alternative Asset Advisory
- Compliance and Regulatory Consulting
- Tax Services

HISTORY

1932-1994
Duff & Phelps founded and evolves into diversified financial services firm

1994
Credit ratings business spun-off

2005
Acquired Corporate Value Consulting (CVC) from Standard & Poor's

2007-2012
Listed on the NYSE

Financial advisor to examiner in Lehman Brothers bankruptcy

Engaged by the Congressional Oversight Panel on the Troubled Asset Relief Program

Acquired 14 complementary businesses to expand our service offering

2013
Taken private by The Carlyle Group, Stone Point Capital, Pictet & Cie, Edmond de Rothschild Group and Duff & Phelps Management Team

2015
Acquired Kinetic Partners and launched Compliance and Regulatory Consulting practice

Acquired American Appraisal, significantly enhancing our global Valuation practice

Global Presence

More Than 70 Offices Worldwide

The Americas

Atlanta
Austin
Boston
Calgary
Cayman Islands
Chicago
Dallas
Denver
Detroit
Fredericton
Houston
Jacksonville
Los Angeles
Miami
Milwaukee
Montreal
Morristown
New York
Newport Beach
Philadelphia
Princeton
San Francisco
São Paulo
Seattle
Silicon Valley
Toronto
Vancouver
Washington, DC

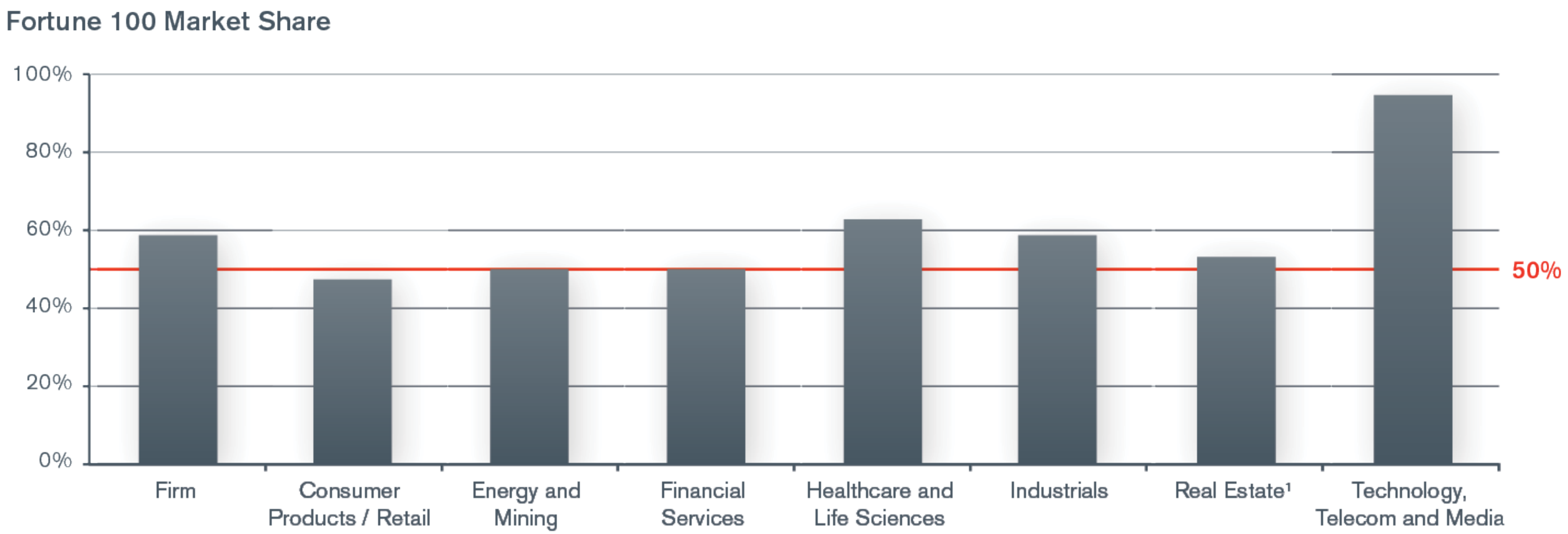
Europe and Middle East

Abu Dhabi
Amsterdam
Athens
Barcelona
Berlin
Bilbao
Birmingham
Bologna
Budapest
Channel Islands
Dublin
Frankfurt
Leeds
Lisbon
London
Longford
Luxembourg
Madrid
Manchester
Milan
Munich
Padua
Paris
Pesaro
Porto
Prague
Rome
Rotterdam
Turin
Warsaw

Asia-Pacific

Almaty
Bangalore
Bangkok
Beijing
Guangzhou
Hong Kong
Kiev
Mumbai
Moscow
New Delhi
Shanghai
Shenzhen
Singapore
St. Petersburg
Taipei
Tokyo

Industry Expertise
Serving Nearly 60% of Fortune 100 Companies



1. Real Estate market share reflects share of Fortune 500 as there are no real estate companies in Fortune 100.

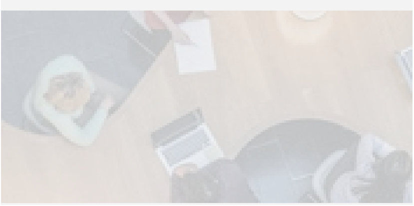
Duff & Phelps Services

Enhancing Value Across a Range of Expertise

VALUATION ADVISORY

Valuation and consulting for financial reporting, tax, investment and risk management purposes

- Valuation Services
- Alternative Asset Advisory
- Real Estate Advisory
- Tax Services
- Transfer Pricing
- Fixed Asset Management and Insurance Solutions



CORPORATE FINANCE

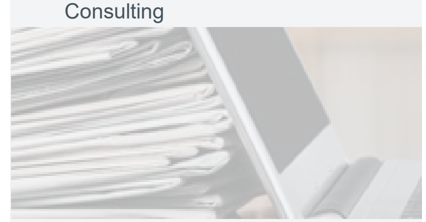
Objective guidance to management teams and stakeholders throughout restructuring, financing and M&A transactions, including independent fairness and solvency opinions

- M&A Advisory
- Fairness Opinions
- Solvency Opinions
- Transaction Advisory
- ESOP and ERISA Advisory
- Commercially Reasonable Debt Opinions
- Distressed M&A and Special Situations

GOVERNANCE, RISK, INVESTIGATIONS AND DISPUTES

Combined Duff & Phelps and Kroll risk management and mitigation, disputes and other advisory services

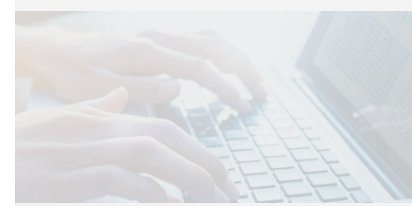
- Business Intelligence and Investigations
- Disputes
- Cross-Border Restructuring
- Cyber Risk
- Legal Management Consulting
- Security Risk Management
- Compliance Risk and Diligence
- Compliance and Regulatory Consulting



PRIME CLERK

Provides bankruptcy and class action claims administration through its proprietary software and industry leading management team.

- Chapter 11
- Strategic Communications
- Contract Review
- Corporate Actions
- Class Action



Duff & Phelps Alternative Asset Advisory

*Duff & Phelps assists clients with **design and implementation of best-in-class valuation policies and processes**, including on-going review of valuation procedures and conclusions to ensure best practices.*

Market Leader

- Our client base consists of **400 alternative asset** fund managers and investors in the **U.S. and globally**
- We perform in-depth valuation analyses of all asset types for clients across the spectrum of banks, hedge funds and private equity firms globally:
  - **70% of the top 25** largest hedge funds
  - **70% of the top 25** largest private equity funds
  - **50% of the top 25** largest publicly traded hedge fund platforms (business development companies or "BDCs")
  - Our client base includes **20 BDCs**
  - **Private debt funds** and **mid-market private equity funds** are the fastest growing segment of our client base
- We review or value over **10,000 investment positions** on a quarterly basis, including derivatives and structured products
- We have **12 full-time Managing Directors** and draw from Duff & Phelps'pool of over 1,000 valuation professionals with wide ranging sector and asset class expertise across the spectrum

Thought Leader

- We are at the forefront of the industry's leading committees on valuation processes, guidelines and regulations:
  - **IPEV** – Board Member
  - **ILPA** – Special Advisor
  - **AICPA PE/VC Valuation Guide Task Force** – Member
  - **FASB Valuation Resource Group** – Member
  - **Managed Funds Association** – Sustaining Member
- Leadership on drafting IPEV and PEIGG private equity valuation guidelines
- Development of Duff & Phelps Created Value Attribution Framework.

Duff & Phelps' Portfolio Valuation practice enables alternative investment managers to enhance their valuation process with the *independence and objectivity* that investors require.

Professional Affiliations

Duff & Phelps Managing Directors provide input to regulators and standard-setters, and actively contribute to the development of valuation industry best practices.

Protect, Restore and Maximize Value

For more information about our global locations and services, please visit:
www.duffandphelps.com

About Duff & Phelps
Duff & Phelps is the global advisor that protects, restores and maximizes value for clients in the areas of valuation, corporate finance, disputes and investigations, cyber security, claims administration and regulatory issues. We work with clients across diverse sectors on matters of good governance and transparency. With Kroll, the leading global provider of risk solutions, and Prime Clerk, the leader in complex business services and claims administration, our firm has nearly 4,000 professionals in 25 countries around the world. For more information, visit .