2023

HOUSE VIEW

North American Property
Market Outlook

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EXECUTIVE SUMMARY

We are pleased to present our **2023 House View** for North America. This publication is produced each year and serves two essential purposes. First, it highlights our outlook for the U.S. economy and the commercial real estate (CRE) sector including significant trends and opportunities. Second, it asserts our investment stance and provides a forward-looking framework regarding our investment themes and strategies. The following includes several key points from the report:

1. Against a backdrop of softening economic growth and intense monetary hawkishness by central banks around the world to combat inflation, we maintain our belief that a U.S. economic recession will occur in 2023.

2. Inflation continues to run above average and remains a major economic headwind for the U.S. Therefore, a period of peak interest rates is likely to continue into 2023, with the Federal Funds rate set to rise above 5%.

3. Despite a weakening economic and financial environment, the U.S. labor market remained ostensibly tight even into the latter half of 2022. In 2023, we believe the labor market will moderate towards a healthier equilibrium and employment growth should slow following higher interest rates as well as declining consumer spending in the event of a recession. The unemployment rate will increase, albeit less than during previous recessions given shifting demographics of the labor market.

4. The COVID-19 pandemic had many far-reaching effects, but one of the most profound was the force by which the world so quickly pivoted to a path of "deglobalization," thus leading to new investment opportunities around onshoring and nearshoring.

5. CRE market fundamentals in the U.S. have been solid over the last two years, following a period of robust leasing activity and strong rent growth in several sectors including multifamily, industrial, data centers and life sciences. However, we do expect rental growth and absorption to slow as the economy cools in the coming months.

6. The capital markets are under intense pressure as the Federal Reserve (Fed) continues its efforts to raise interest rates to fight inflation and, as a result, real estate capital values finally started to decline in Q3 and Q4 of 2022. We expect this to continue through the first half of 2023 and we could see values fall further in the order of 10-20% depending on asset and market. Further, we may see the assets that experienced the greatest run up in value experience the steepest declines, simply because of the very low cap rates that were used to determine their peak values. To note, we are seeing signs of reversal in the 10-Year Treasury, ahead of a decline in the Federal Funds Rate.

7. Historically, hawkish monetary pivots by the Fed usually precede periods of weaker property prices, and this cycle's price declines will likely be exacerbated given NCREIF ODCE's recent period of record performance.

8. An impending CRE value correction may create compelling investment opportunities beginning in 2023 and into 2024, potentially resulting in a brief period to acquire assets below replacement cost.

U.S. ECONOMIC OUTLOOK

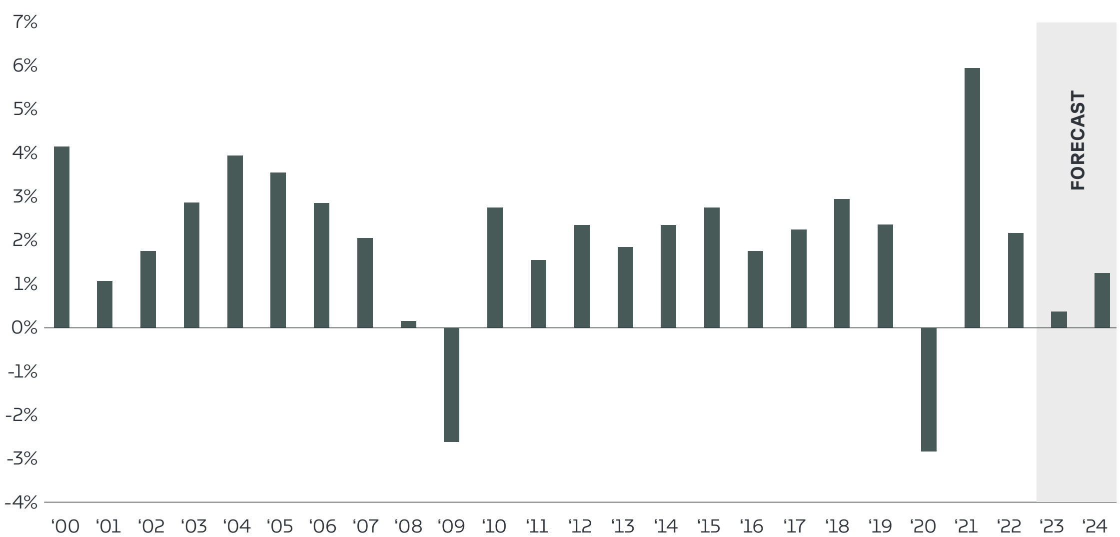
A Looming Threat of Recession

Against a backdrop of softening economic growth and intense monetary hawkishness to combat inflation by central banks around the world, we maintain our belief that a U.S. economic recession will occur in 2023. To note, the Federal Reserve is now expected to raise their benchmark Federal Funds rate to a peak just above 5% into mid-2023.[1] While the U.S. economy is generally less sensitive to rising interest rates than in prior cycles, the strong series of rate hikes has been the most aggressive monetary response since the early 1980's. Real GDP growth was 2.1% in 2022 (**Exhibit 1**), a downward revision to prior estimates due to the persistency of inflation and restrictive reactions globally. According to Capital Economics, the U.S. economy is projected to enter a technical recession in 2023 based on expectations for negative real GDP growth in each of the first three quarters of 2023. Economic activity should turn positive in Q4 2023 for a full-year 2023 GDP growth of 0.3%, followed by GDP growth of 1.2% in 2024.

In mid-2022, we forecasted a steep but short economic recession, but the unexpected delay in Fed action and the persistence of inflation have changed our expectations. We now hold the view expressed above reflecting a longer period of reduced economic activity. This also supports a view, expressed later in the document, that interest rates will likely begin to subside led by the 10-Year U.S. Treasury by Q3 or Q4 of 2023. This will be followed by short-term rates as we move into 2024, thereby stabilizing values and eventually leading to some recovery, as we will address below. It should be noted that changing procedural conduct in the House of Representatives could cause even further political gridlock, leading to government shutdowns and additional economic volatility.

Top-down, these beliefs shape and inform our house view pertaining to the economy as well as the property and capital markets. In the following sections, we will provide our updated outlook on inflation and interest rates along with the labor market. From there, we will focus on the secular trends impacting important investment opportunities in today's uncertain environment—economically, financially, and geopolitically. **The confluence of these factors leads to a financial climate that in many respects transcends most prior market periods, with faster and more fervent dynamics to assess than ever before, yet also giving rise to potentially compelling value opportunities into 2023 and 2024 for well-disciplined and capitalized strategic real estate investors.**

EXHIBIT 1: ANNUAL U.S. REAL GDP GROWTH



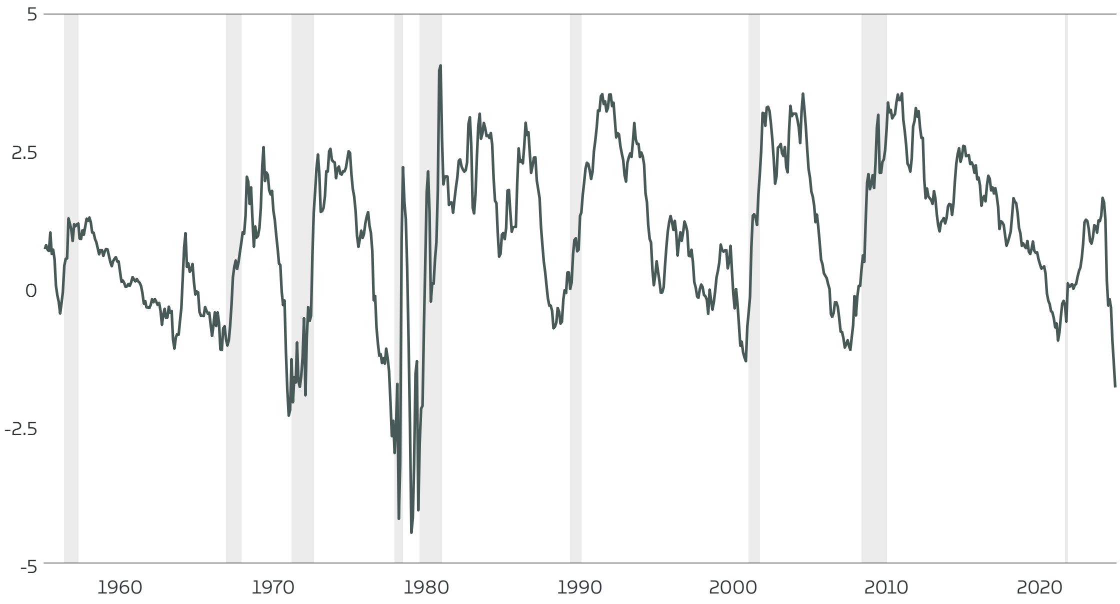
Source: Bloomberg LP, Capital Economics

1. Capital Economics. US Economic Outlook: Inflation to fall rapidly in 2023, as recession bites. Published December 5, 2022.

Using the past as our guide doesn't instill a tremendous amount of confidence in the Fed's ability to effectuate a "soft landing" for the U.S. economy, but it's not totally outside the realm of possibility given that one did occur as recently as 1994 during a similarly aggressive tightening program. The current environment presents a unique set of challenges relative to past cycles, and intense hawkishness has resulted in an inverted Treasury yield curve, a strong U.S. Dollar, declining housing activity, and increasing weakness in leading survey indicators. **As such, we expect an economic recession to occur, most likely in the first half of 2023, with this view again supported by the recent yield curve inversion** (**Exhibit 2**) of the 10-Year Treasury Note minus 3-Month T-Bill rates. This historically strong leading indicator for predicting recessions suggests an economic downturn could begin as early as April 2023 or as late as March 2024 based on empirical figures (onset of recession five to 17 months post-inversion in the previous eight cycles).

EXHIBIT 2: TREASURY TERM SPREAD: 10 YEAR BOND RATE - 3 MONTH BILL RATE

Percentage points (monthly average)



Source: Bloomberg LP, Capital Economics

> "The run-up in value and cap rate compression, largely driven by the fiscal stimulus, was neither realistic or sustainable and that is coming home to roost today with what we are seeing in the market more recently."

— Len O'Donnell

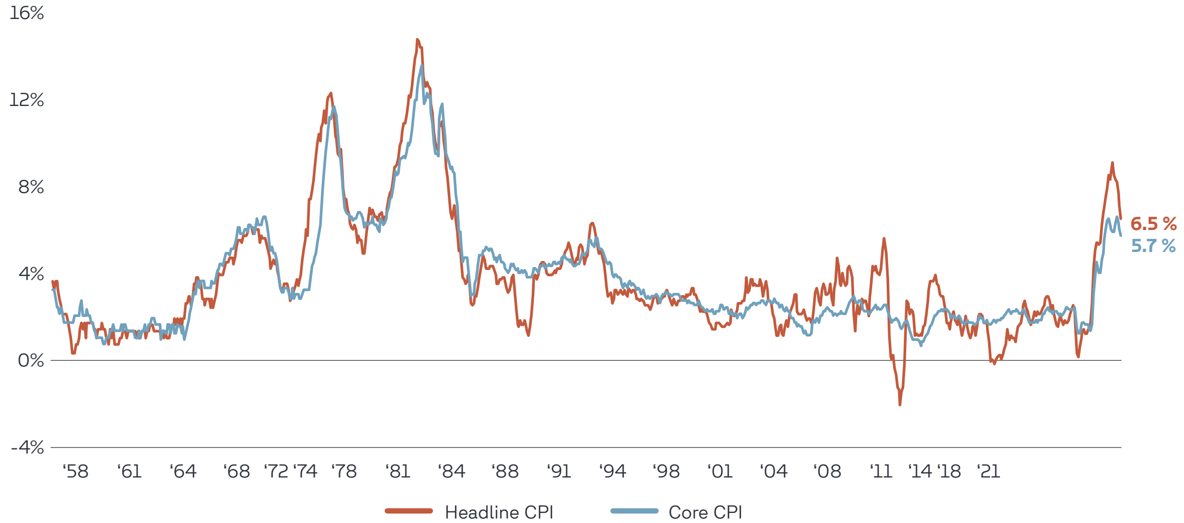
PRESIDENT AND CEO, AFFINIUS CAPITAL

November 2022

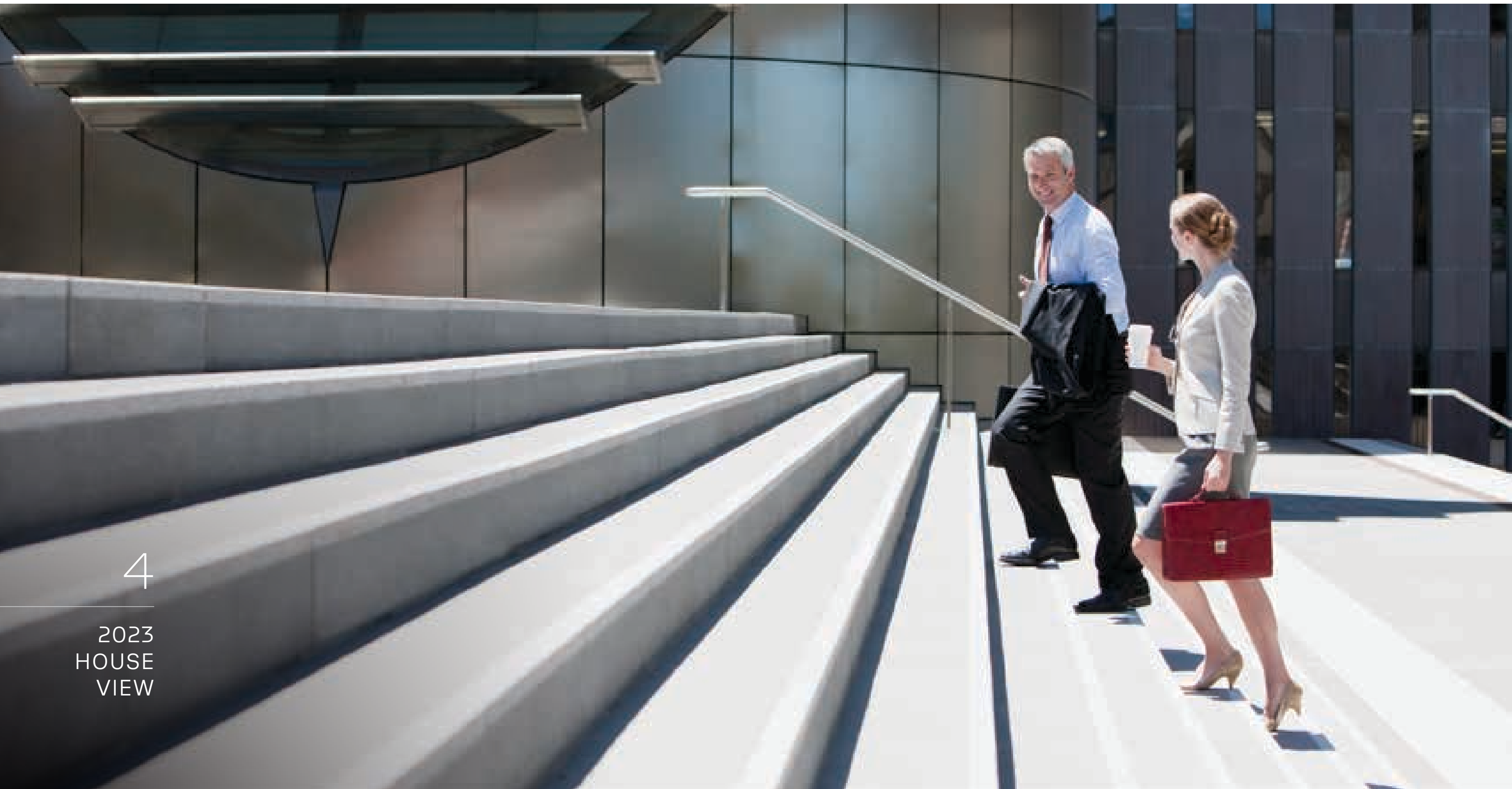
INFLATION AND RISING INTEREST RATES

2022 was marked by the highest U.S. inflation in over 40 years and consequently the most aggressive monetary policy in more than a decade, but we believe 2023 will see downward pressure on inflation and allow for the beginning of interest rate cuts in the latter part of the year or early 2024. While still significantly elevated from more recent historical levels, headline inflation has been retreating since the peak 9.1% reading in June 2022, falling to 6.5% as of December 2022 (**Exhibit 3**). Core inflation was more stubbornly high but has finally fallen for the past three months to 5.7%. Our view of moderating inflation is based on the following factors: 1) the decline in headline rents will begin to push shelter-linked inflation downward, and 2) wage growth should also moderate as unemployment increases on the heels of an economic recession.

EXHIBIT 3: U.S. HEADLINE AND CORE CONSUMER PRICE INDICES (YOY, NOT SEASONALLY ADJUSTED)

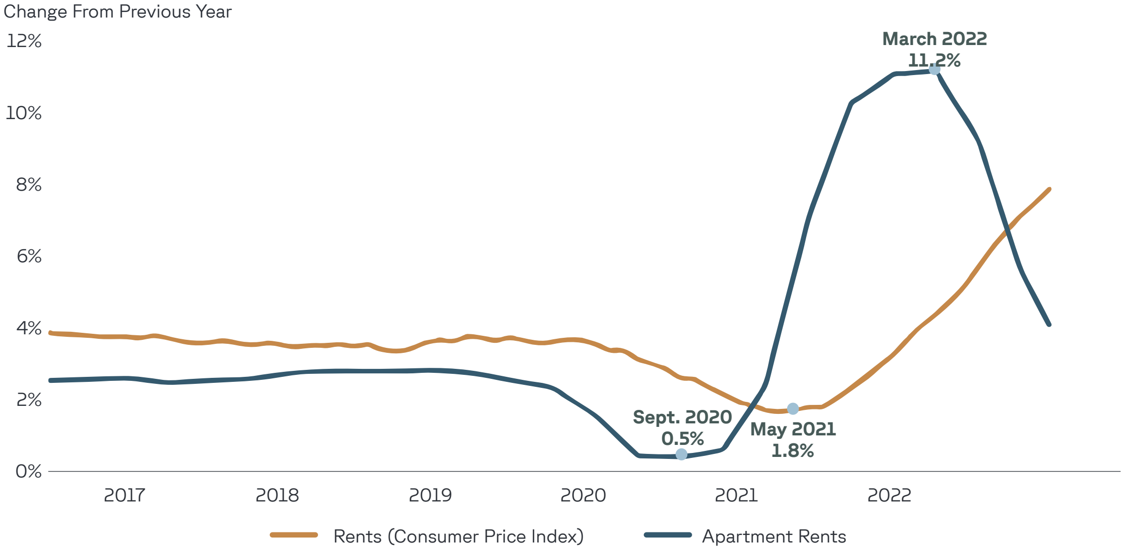


Source: Bloomberg LP



Through December 2022, Owners' Equivalent of Rent–the largest component of Shelter CPI as well as the Personal Consumption Expenditure (PCE) Index, the Fed's preferred measure of inflation–continued to accelerate to new highs. However, CPI measures existing rental agreements and samples current rents every six months, leading to an approximate eight-month lag versus actual asking rents. More fluid indicators of headline rent prices (**Exhibit 4**), which have declined since March 2022, offer a strong indication of a downward trend in shelter-linked CPI in excess of the normal seasonal pattern.[2] Moreover, real-time industry data demonstrates that rental growth rates slowed dramatically in the fourth quarter and rents have declined in most markets.

EXHIBIT 4: CPI RENTS LAG REAL-TIME MARKET TRENDS



Source: Bureau of Labor Statistics, CoStar

Wage growth, another important factor in the persistency of inflation, is flashing some initial signs of moderating as well. For instance, the Jobs Openings and Labor Turnover Survey (JOLTS) has declined since its March 2022 peak, although it still remains well above the 10-year average. Further, wage data tracked by Indeed showed a similar slowdown in wage growth.[3]

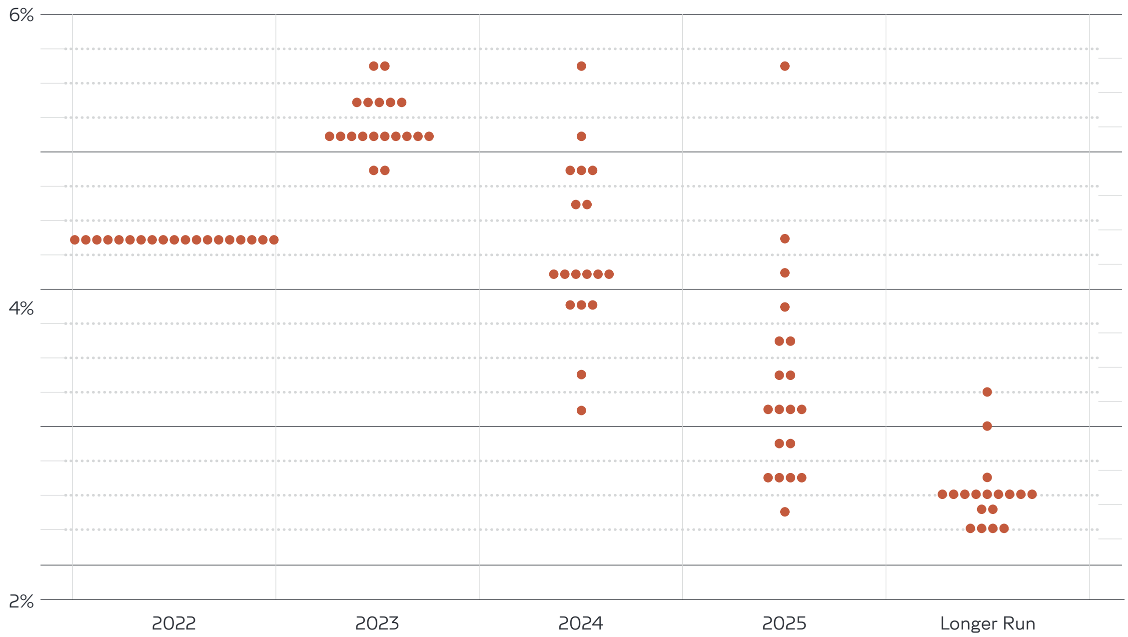
Despite these elevated figures, one might say that the discussion around the transient nature of inflation was in fact misguided. The better question would have been whether it was artificial or systemic. It is our view that 2022 inflation was largely caused by fiscal and monetary stimulus in addition to a spike in energy prices related to the war in Ukraine, rather than by sustained growth in the economy, such that inflation should continue to retreat as stimulus is removed.

This period of peak hawkishness looks to be reaching a crest with the Federal Reserve deciding to hike the Federal Funds Rate (FFR) by only 50 basis points (bps) in December 2022 to a range of 4.25-4.50%, in part due to the various aforementioned factors. While a slight slowdown from the series of four prior 75 bps hikes, the new projections put the median FFR rate as high as 5.10% at the end of 2023. The concluding statements from the December FOMC meeting were a continuation of a firm commitment to raising rates until policy officials have strong confidence that inflation is on a sustained downward trajectory. Chairman Powell also emphasized a focus on price stability and a reluctance to prematurely loosen monetary policy.

2. Inflation Finally Running Out of Steam. CoStar. Published December 14, 2022.
3. Indeed US Wage Tracker Shows Wages Growing Quickly, but Decelerated Markedly Since the Spring. Indeed. Published December 8, 2022.

The Summary of Economic Projections (SEP) released in December featured an updated dot plot projection (**Exhibit 5**) now showing more than the previously expected 25 bps hike in February 2023. As a result, the Federal Funds Rate is projected to reach a median of 5.1% by year-end 2023 before falling to 4.1% in 2024. The Fed's preferred measure of inflation–PCE inflation–is projected to reach a median rate of 3.1% in 2023 before dropping to 2.5% in 2024. However, if the Fed becomes more confident that inflation is moving lower, it could increase their openness to cutting rates as soon as the second half of 2023, even with inflation above the long-term 2% target rate and potential labor market strength.[4]

EXHIBIT 5: FOMC FEDERAL FUND RATE (FFR) DOT PLOT PROJECTION



Source: U.S. Federal Reserve System - December 2022

The bond market sharply reacted to the Fed's path of tighter monetary policy in 2022, with the 10-Year U.S. Treasury rate increasing to 4.25% in late October 2022–the highest level since April 2010, although interest rates were still negative on an inflation-adjusted basis. However, **the Treasury rate has already fallen nearly 20% from this peak and we anticipate that it will fall closer to 3% by the end of 2023. This will be more likely as currency exchange costs are reduced for foreign institutional buyers.**

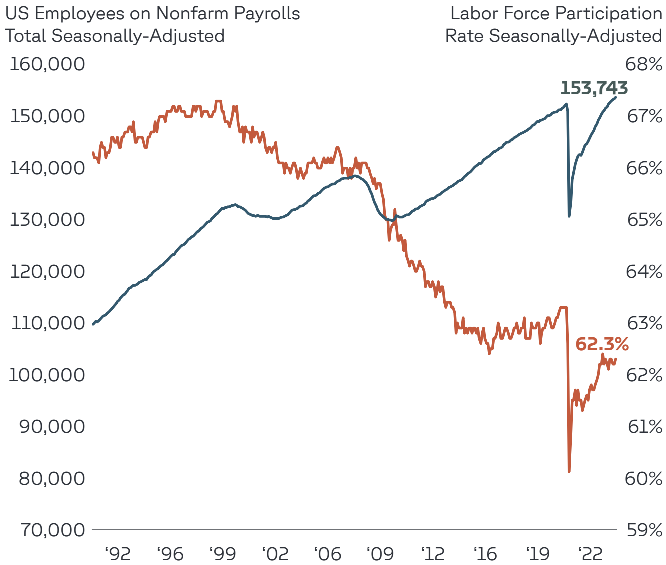
While we expect policy officials to pause interest rate increases in the second half of 2023, they will continue to accelerate quantitative tightening to reduce their balance sheet size. To note, the outright sales of mortgage-backed securities (MBS) holdings began in September 2022. The national average 30-Year Fixed Rate Mortgage increased from 3.27% in early 2022 to a high of 7.35% in early November. As discussed above, the risk of recession in 2023 further supports a continued low interest rate environment, although rates have risen as some long-standing domestic and foreign buyers have shied away from recent Treasury auctions due to foreign exchange concerns from a strong U.S. dollar relative to major currencies.[5]

4. Capital Economics. US Economics Update: Fed delivers a hawkish 75 bps hike. Published September 21, 2022.
5. Bloomberg. The Most Powerful Buyers in Treasuries Are All Bailing at Once. Published October 10, 2022.

LABOR MARKET UPDATE AND OUTLOOK

Despite weakening economic and financial conditions, the U.S. labor market remained ostensibly tight even into the latter half of 2022 (**Exhibit 6**). Nonfarm payrolls grew by 223,000 in December, a healthy pace that was broad-based across industry but slowing from the prior six-month average of roughly 318,000. The unemployment rate declined to 3.5% in December from the prior few months. Today, the labor force participation rate is still not back to its pre-pandemic high, but progress has been made by employees in their peak working years–the share of adults between the ages of 25 to 54 years old–as older workers have chosen early retirement. Wages have risen approximately 5% in 2022 but are expected to trend lower as employment conditions normalize closer to the Fed's 2% inflation target.

EXHIBIT 6: TOTAL U.S. NONFARM PAYROLLS & LABOR FORCE PARTICIPATION RATE (BLUE LINE)



Source: Bloomberg LP

Consistent with our economic outlook, labor market conditions should moderate towards a healthier equilibrium in 2023 and employment growth should slow from the rapid pace seen in 2022, as the Fed's aggressive rate hikes effectuate a broad economic slowdown. The more recent 2022 JOLTS data has seen significant monthly plunges in the number of job openings since April 2020. Further, the voluntary quits rate also recently hit its lowest level since the middle of 2021. Anecdotal indications of a cooling labor situation are also mounting, with sweeping headcount and office space reductions by Big-Tech. The impact of increasing layoffs combined with a continued rebound in the labor force should force the unemployment rate to peak at 5% in 2024.[6]

6. Capital Economics. US Economic Outlook: Inflation to fall rapidly in 2023, as recession bites. Published December 5, 2022.

TRENDS AND OPPORTUNITIES

Investment Viewpoints

As we emerge further into this post-pandemic era, we will focus on the top-down trends driving the economy and capital markets of today. In particular, we believe deglobalization has become a powerful force as a consequence of both COVID-19 and the war in Ukraine and has stark implications domestically and internationally at both a macro- and micro-level. We will also provide a brief evaluation of CRE market conditions before analyzing how CRE has historically performed in the event of economic softness as well as an overview of the strategic benefits of incorporating CRE into a traditional stock-bond portfolio. We believe this combination of top-down and bottom-up perspectives will help to enhance investors' thinking in 2023 as they look to new opportunities or solutions to old challenges.

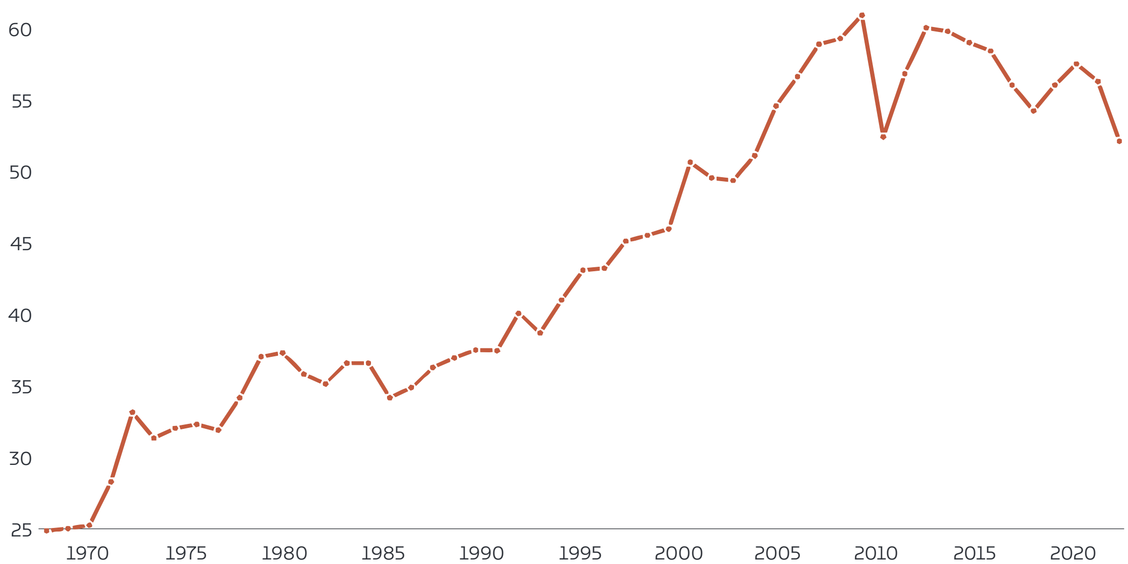
AN UNRAVELING OF GLOBALIZATION

The COVID-19 pandemic had many far-reaching effects, but one of the most profound was the force by which the world so quickly pivoted to a path of "deglobalization." To be fair, deglobalization had already seen a series of shocks before the pandemic – the Global Financial Crisis, Brexit, the U.S.-China trade war, amongst others. However, the COVID crisis exposed risks and deficiencies in global supply chains that contributed to the inflation described above. The pandemic and more recent geopolitical unrest in Ukraine might not have caused "deglobalization," but they certainly accelerated it, and this emerging trend will have a long-term impact on global economics, asset prices, inflation, and geopolitics.

Generally speaking, the world has gone through three main periods of globalization. The first occurred from 1870 to 1914, when a combination of tariff reduction and emerging technologies lead to a dramatic increase in global trade. The second period began in 1945 following the Bretton Wood Agreement under which the U.S. agreed to the integrate European economies and guaranteed secure global shipping to support worldwide trade.

The most recent wave of globalization began after the fall of the Berlin Wall in 1989 through the ascent of China to the WTO in 2001, leading to a 50% increase in global goods exports during that time. Further, from 1990 to 2018, cross-border financial asset flows grew by 500%, and foreign direct investment flows rose by 700%, indicating not just a globalization of trade but also a globalization of financial markets. Conversely, analyzing global trade as a percentage of GDP suggests that deglobalization could have started as early as 2011 or 2012 (**Exhibit 7**), with trade volume never returning to its growth trajectory prior to the Global Financial Crisis in 2009.

EXHIBIT 7: GLOBAL TRADE AS A % OF GDP



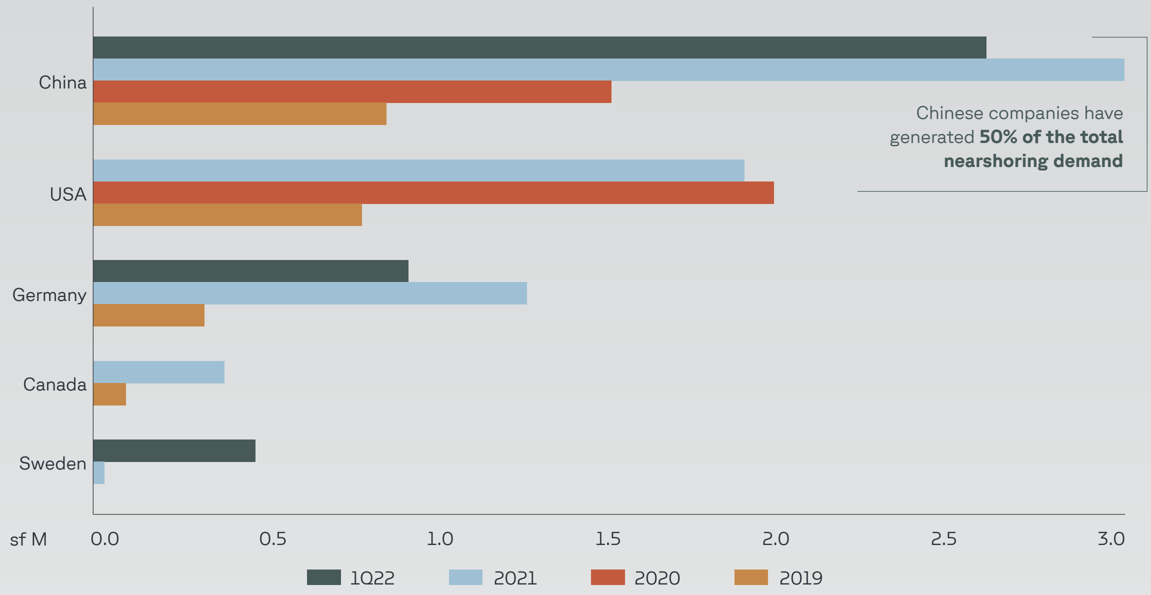
Source: World Bank

From a North American perspective, we believe the continent in general and Mexico in particular stands to benefit from emerging on-shoring and near-shoring, and we believe this will present attractive risk-adjusted investment opportunities through the development of high-quality warehouse/logistics properties as multi-national companies look to create new production and supply chains. This creates logistics requirements and drives the need for land that is well-located in areas with solid access to labor and major highway connections. Demand for logistics space in Mexico is outpacing supply at record levels, prompted by low vacancy and high rents. For example, vacancy rates declined from 5.5% to 2.5% in Q2 2022.[7]

7. CBRE Research. Market View – Mexico Industrial Q4 2021

While intuition might suggest that North American-based companies would principally effectuate nearshoring within Mexico, **China is actually the largest nearshoring tenant (Exhibit 8) based on gross absorption. Essentially, this strengthens the case for accelerating, resilient nearshoring demand from a deep and growing pool of multi-nationals desiring closer proximity to the largest economy and consumer driven market globally—the U.S.**

EXHIBIT 8: NEARSHORING GROSS ABSORPTION BY COUNTRY OF ORIGIN (2019 TO Q1 2022)



Source: CBRE Research

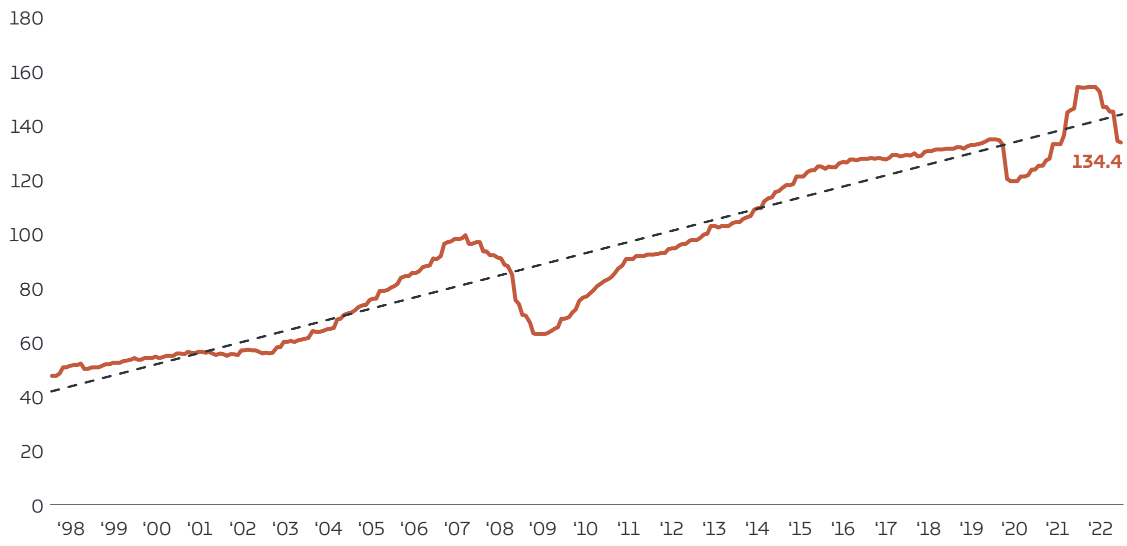
EVALUATING MARKET CONDITIONS

Turning to U.S. CRE, market fundamentals have been solid over the last two years based on robust leasing activity and strong rent growth. However, the capital markets are under increasing pressure and as the Fed continues its efforts to raise interest rates to fight inflation, we expect capital values to further correct downward in the order of 10-20% depending on asset type and market. Nearly every asset class, except private real estate, has seen dramatic declines in value. For instance, the S&P 500 Index fell 18.1% in 2022, while the Bloomberg U.S. Aggregate Bond Index declined by 13.0%. Broadly, many institutional investors are wading through the portfolio challenges stemming from the "denominator effect" of private investments being overweight relative to public, given the latter's declines. Some are attempting to rebalance their portfolios to reduce what is now an overweight to real estate, and redemption queues for NCREIF-ODCE funds have grown substantially in the second half of 2022.

It may be that the best way to rebalance portfolios is for real estate values to correct in a similar fashion. Certainly, when considering the amount that interest rates have risen over the last 12 months, it is reasonable to suggest that values should have declined faster in 2022. However, real estate value corrections almost always lag the broader financial markets because a lack of transactions (usually caused by reduced liquidity) allows appraisers to defer action due to a lack of comparable sales. This is where we find ourselves today, and fourth quarter 2022 appraisals are expected to mark the beginning of a value adjustment for CRE, with the potential for steeper declines in the first quarter 2023 figures.

While appraisal-based CRE values in the NCREIF Indices have been slow to react to a new interest rate path, publicly-based metrics have responded. For instance, the Green Street Commercial Property Price Index (CPPI) – a time series that tracks **unlevered** institutional-quality commercial property values – fell 13.2% in 2022 (**Exhibit 9**). More broadly, public prices are now generally in line with their pre-COVID peak, and although they initially fell 11% in reaction to the pandemic, they recouped all the losses from the July 2020 lows. Interestingly, the lodging sector generated the strongest performance in 2022, eking out a gain of 0.2%, followed by a modest decline of 0.7% in life sciences. Conversely, the major property types in the CPPI Index have declined in 2022 on the heels of cap rate expansion and the multifamily, retail, industrial, and office sectors have fallen 19.5%, 15.0%, 15.0%, and 13.8%, respectively. Even with the price declines, rental rates for multifamily rents remain above average levels in most major markets, with continued relative strength in sunbelt MSAs. Fundamentals also remain robust for industrial, with the potential for double-digit rent growth to continue in the tightest markets such as the Inland Empire, where overall vacancy rates are below 1%.

EXHIBIT 9: CRE PRICING HAS MEAN REVERTED

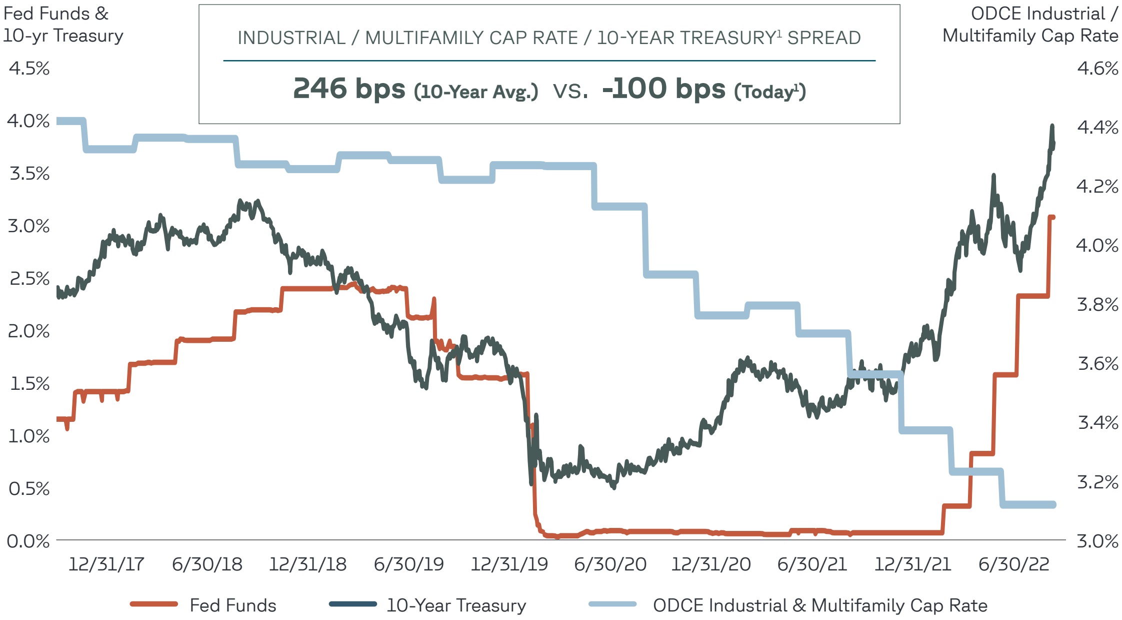


Source: Green Street Advisors

According to Green Street, industrial property values are estimated to have fallen roughly 15% since their peak earlier in 2022, with cap rates roughly 100 bps higher on average based on implied REIT pricing. Additionally, industrial properties with longer lease duration, particularly WALTs' greater than 10 years, have seen values correct in the order of 20-25% from peak prices.[8] We believe this last item is a short-term reaction to high inflation, driven by the combination of lower escalations in long-term leases and the perception of below market rents, but over the long-term we remain biased towards the safety and cash flow offered by long-term credit leases.

As of the end of fourth quarter 2022, core cap rates for private CRE rose slightly to 3.9% nationally, in line with pre-pandemic levels.[9] We expect private CRE market conditions to undergo further price correction in 2023, as cap rates expand after more than a decade of stellar, unabated capital appreciation. Over the last 10 years, the spread for ODCE industrial/multifamily cap rates vs. the 10-Year U.S. Treasury Yield has averaged 246 bps but today it stands at -100 bps as of third quarter 2022 (**Exhibit 10**).[10] **Based on the below average cap rate spread over the 10-Year Treasury, cap rates are naturally going to have to correct in reaction to a new interest rate trajectory to attract future capital.**

EXHIBIT 10: INDUSTRIAL/MULTIFAMILY CAP RATES SPREADS AT HISTORIC LOWS

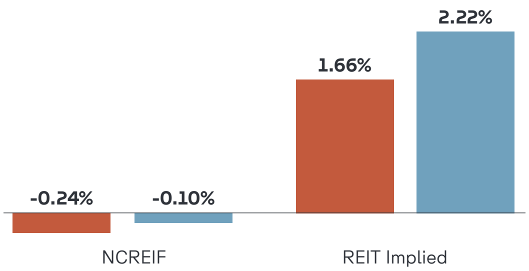


Source: NCREIF, Bloomberg, Affinius Capital Research

8. Green Street. Industrial Sector 3Q22 Update: Lowering Property Values And Swapping Recs. Published October 10, 2022.
9. Per value-weighted NCREIF appraisal cap rates as of Q3 2022.
10. Per NCREIF appraisal cap rates as of Q3 2022.

Using the public market again as a guide can provide a signal as to where cap rates and private CRE valuations may end up. For instance, Green Street's REIT implied cap rates (**Exhibit 11**) for multifamily and industrial REITs have risen 222 bps and 166 bps, respectively, from the end of 2021 through the third quarter 2022. Conversely, NCREIF's actual cap rates for multifamily and industrial properties declined 24 bps and 10 bps, respectively. Further, a rough estimate of private CRE historically declining by half as much as the public REIT market reinforces our view that we could see values fall in the order of 10-20% depending on asset and market.

EXHIBIT 11: CAP RATE SIGNALS FROM THE PUBLIC MARKETS



PUBLIC REITS HAVE WIDENED
NCREIF-NPI COMPRESSING

NCREIF

166 bps
Difference Industrial

222 bps
Difference Apartment

Actual Cap Rates

NCREIF	12/31/21	09/30/22	REITS	12/31/21	9/30/22
Apartment	3.64%	3.54	**Apartment**	3.80%	6.02%
Industrial	3.20%	2.96%	**Industrial**	2.94%	4.60%

Apartment
Industrial

Source: NCREIF, Green Street, Bloomberg, Affinius Capital Research

The residential housing market is also in the midst of a correction, which should deepen but in no way to the levels seen during the subprime mortgage crisis of 2007 to 2008, with a likely peak-to-trough fall in housing prices of 8-10%. The Case-Shiller U.S. National Home Price Index declined in June for the first time since early 2019 and fell 3% through the end of October 2022. Transaction activity and prices have softened as 30-year fixed mortgage rates shot up to a recent high of 7.35% in early November 2022.

Shifting to levered private fund performance, the NFI-ODCE Total Return Index fell 5.0% during the fourth quarter of 2022, leading to a 7.5% total return for full-year 2022. This looks to be early confirmation for a statement we made last year around this level of performance not being sustainable without continued cap rate compression, which we do not envision in the near term. The ODCE Index, comprised of core real estate funds, had until recently benefitted from appreciation that required virtually no value creation at the asset level but was instead driven by favorable appraisals and healthy rent growth. **As we move into 2023, we believe cap rates will rise to levels higher than the period immediately preceding the pandemic and values, supported by higher rents, may move back to levels more consistent with 2019 versus the levels created over the last two years from aggressive dovish fiscal and monetary policy.** It is our view that some time in 2024 cap rates in most asset classes, with the possible exception of urban office, will fall back to 2019 levels, implying that values will be higher than during that period due to the rent growth of the last several years.

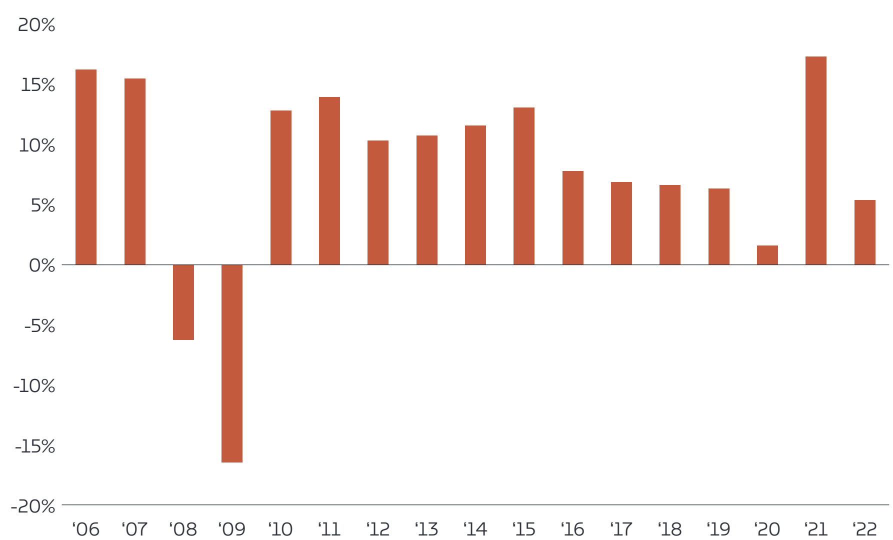
Higher interest rates and the exit of most traditional sources of financing are finally weighing on the asset class, as shown by the latest transaction activity data. Liquidity sank during 2022, which saw a 15% year-over-year (YoY) decline in overall transaction activity, according to Real Capital Analytics, marking the third worst YoY decline outside of the impact from the GFC and COVID-19. Rising cap rates combined with slowing rent growth in key sectors like apartments and industrial in 2023 will prompt a decline in property values as outlined above.

We do not think values will fall evenly across assets and markets. For instance, we believe urban CBD office is significantly mispriced today and should face declines between 15-20%; however, the highest quality properties will continue to attract tenants. We still find the long-term demand drivers in the industrial and multifamily sectors to be extremely compelling, but we believe those sectors will likely see a disproportionate correction in cap rates, since they were the largest beneficiaries of compression over the last cycle. That said, potential rent growth in industrial properties could help mitigate value declines. Along the same lines, retail and niche sectors like data centers and life sciences didn't experience as much cap rate compression and, therefore, we believe their values should be impacted to a lesser extent.

COMMERCIAL REAL ESTATE DURING AN ECONOMIC DOWNTURN

Despite the strong risk-adjusted return profile that private CRE investors have experienced over the long term (**Exhibit 12**), the asset class is cyclical and particularly sensitive to tightening monetary policy. So given the long period of CRE performance combined with an increasingly dynamic economic environment, we would like to analyze CRE returns in the event of an economic recession. To be clear, even widespread property price declines would not lead to another Global Financial Crisis (GFC), since this cycle hasn't been driven by a rise in leverage, loose credit standards, or speculative development that would pose systemic problems for banks, which are also much better capitalized today versus pre-GFC based on Tier 1 Capital Ratios. Further, policymakers have enacted legislation to ensure the financial system is better protected from future housing-induced economic turmoil. Having said that, the real estate market–residential and commercial–can still have a significant impact on real economic growth.

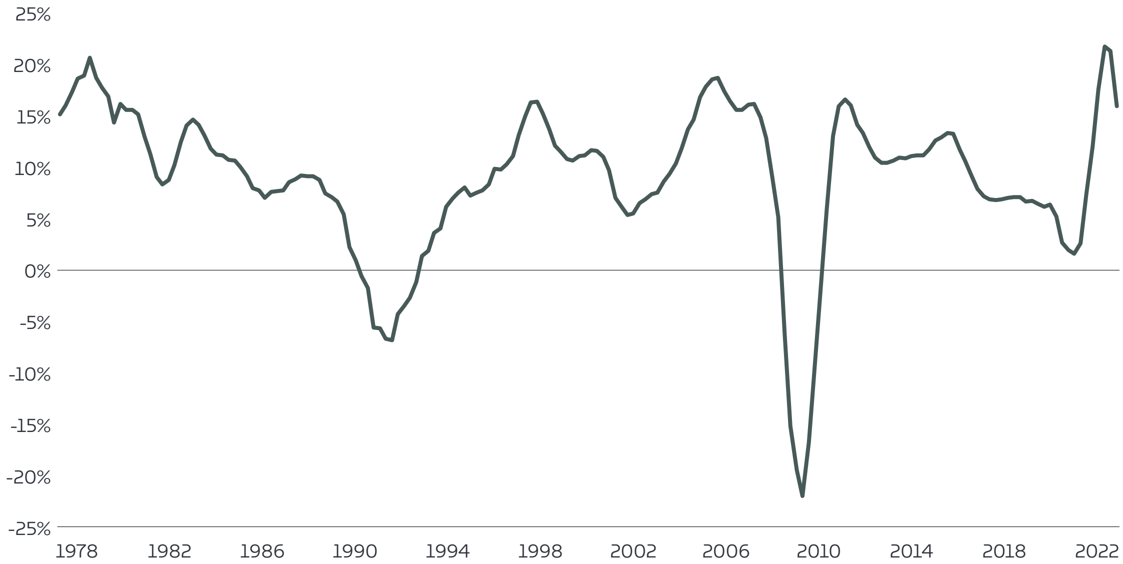
EXHIBIT 12: ANNUAL NCREIF PROPERTY INDEX TOTAL RETURNS



Source: NCREIF

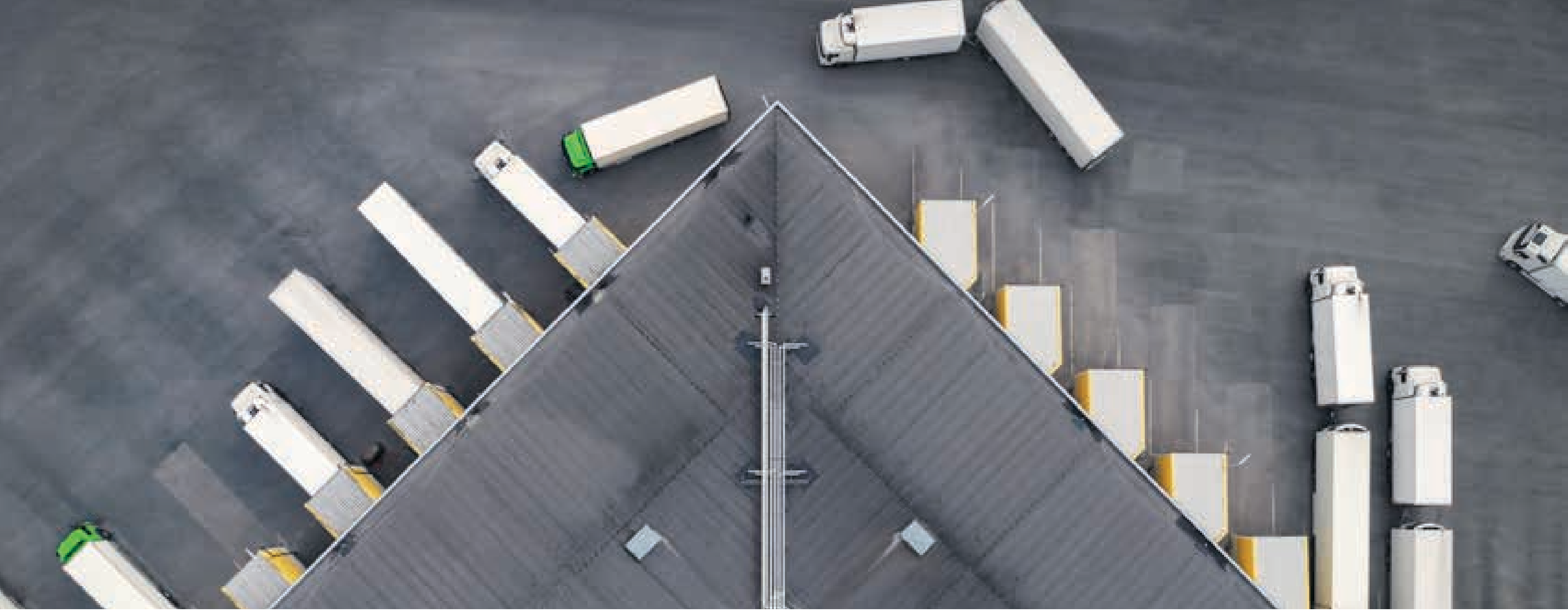
In keeping with this, hawkish monetary pivots by the Fed usually precede periods of weak or declining property prices. Value declines could be further exacerbated by the fact that the NCREIF Property Index generated its strongest 4-quarter trailing return on record going back to 1978, increasing 21.9% over the last twelve months ending March 31, 2022 (**Exhibit 13**). To note, the preceding two periods of peak 12-month returns–occurring in March 2006 and March 1980–were marked by subsequent declines in relatively short order.

EXHIBIT 13: RECORD 4-QUARTER TOTAL RETURNS FOR NCREIF PROPERTY INDEX



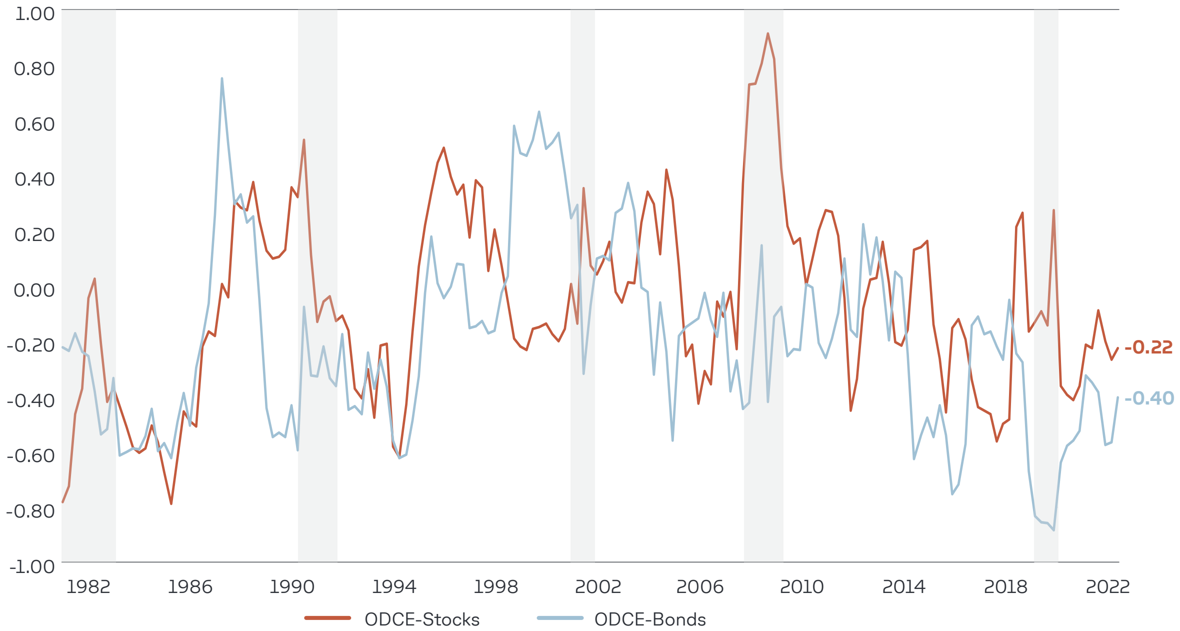
Source: Bloomberg LP

Reduced employment would have wide ranging effects for the major property types, but a smaller pool of prospective tenants would negatively impact multifamily and lower retail spending would become a headwind to retail and industrial. Office would also be susceptible to continued value declines in the event of an economic recession above and beyond the headwinds already facing the sector due to work-from-home trends that are yet to significantly reverse. Recent data from REIS shows that office landlords are once again increasing free-rent periods, a harbinger of a weakening demand picture. We expect office vacancy to accelerate in the coming years, as companies wade through their reduced occupier space needs.



Lastly, it can also be helpful to analyze private CRE performance not just in a vacuum but relative to other traditional investments–bonds, stocks, and REITs. Real estate has been at the heart of some past recessions, namely the GFC in 2007 and the Savings & Loan Crisis in 1990. Even with this considered, private CRE outperformed not just REITs but also stocks over the last five recessions on average, while also offering a distinct level of portfolio diversification (**Exhibit 14**) versus stocks and bonds that is generally agnostic of market cycle.

EXHIBIT 14: 3-YEAR ROLLING CORRELATION OF NCREIF ODCE TO STOCKS AND BONDS



Source: Bloomberg LP, Affinius Capital Research

As noted earlier, publicly-traded securities like bonds, stocks, and REITs suffered dramatic declines in the order of 13-25% in 2022, while private CRE has yet to see a meaningful revaluation. This is not without historical precedent. During the GFC, prices for REITs started declining approximately 17 months before private CRE values began their descent, with REIT prices bottoming roughly six months before their private market counterpart. For now, this means that the diversification benefits from private CRE's uncorrelated returns are alive and well at a minimum.

BUILDING A MORE BALANCED PORTFOLIO: REAL ESTATE AS AN ALTERNATIVE FOR FIXED INCOME

With the classic 60-40 stock and bond portfolio delivering its worst annual performance since 1937, last year marked an extremely challenging period for many investors. At the same time, private CRE generated strong positive performance (in part due to the lag in recognizing changes in value) that was generally uncorrelated with public markets, and thus those with exposure to the asset class would have significantly outperformed. Further, the merits of incorporating private CRE into a portfolio is not a point-in-time discussion but one of a strategic nature. We recently published a report on this topic with the following key findings:

- Based on a changing definition of risk combined with diminished expectations around the future economic environment, the 60% stock and 40% bond (60/40) portfolio is likely no longer the most efficient asset allocation mix.
- While the 60/40 has worked in the past, it is likely to fall short of meeting client needs going forward, and the mix of only two asset classes may call into question how diversified this portfolio really is for investors. This is particularly true if one believes in the thesis that interest rates will remain low in the long term—with low meaning 10-Year Treasury levels in the 3% range rather than the artificially low rates of 2020 and 2021.
- Portfolios can achieve better risk-return optimization through the inclusion of private commercial real estate (CRE), a multi-dimensional asset class with the potential for attractive returns, enhanced income, diversification, and inflation protection benefits.
- Building a more balanced portfolio of stocks, bonds, and private CRE can help to achieve a more efficient frontier and can lead to more successful financial outcomes for investors.

Considering the secular headwinds facing fixed income investments, investors need to evaluate their utility in portfolios relative to the other options available to them. Reducing fixed income to a level that is used to meet near-term spending obligations, particularly in a rising interest rate environment, and residually increasing private real estate portfolio exposure based on its multitude of benefits can be an extremely prudent strategy for investors. **Further, with cap rate spreads likely to revert to historical levels once CRE values reset, the asset class will become increasingly attractive versus nominal fixed income investments.**

The inclusion of private CRE in a portfolio comprised of only stocks and bonds has been shown to materially increase total returns, while simultaneously reducing overall portfolio risk, thereby **leading to a more efficient portfolio (Exhibit 15) with a roughly 15% increase in the Sharpe ratio.** Critically, the more efficient portfolio is tilted away from fixed income yet doesn't suffer from a drop in current income, but rather results in a portfolio uplift in yield of over 20% compared to the 60-40 stock and bond portfolio.

EXHIBIT 15: LONG-TERM PORTFOLIO EFFECT BY ADDING CRE

	60-40 STOCK-BOND PORTFOLIO	60-30-10 STOCK-BOND-CRE PORTFOLIO	60-20-20 STOCK-BOND-CRE PORTFOLIO	PORTFOLIO EFFECT WITH MORE CRE?
TOTAL RETURN	11.09%	11.85%	12.6%	↑
VOLATILITY	8.30%	8.27%	8.26%	↓
YIELD	2.15%	2.38%	2.61%	↑
SHARPE RATIO	1.27	1.36	1.45	↑

Source: Bloomberg LP, Affinius Capital Research

CRE Opportunities

Affinius Capital continues to pursue several primary investment themes, which we believe present attractive opportunities both in the near term and over the long run. We discuss all our investment strategies later in this report; however, the following represents three major themes that will underpin Affinius Capital's investment platform as this new economic and real estate cycle takes hold:

I. THE INTERSECTION OF TECHNOLOGY AND REAL ESTATE

Our focus remains on those critical elements of real estate infrastructure where technology is driving outsized demand. These sectors are essential building blocks for the new economy while also satisfying investors' growing need for reliable and sustainable income, including:

Industrial/Logistics: We will continue to build on our existing core competencies and market leadership in e-commerce and logistics, including developing key elements of the e-commerce distribution system that are critical to meeting surging consumer demand. The industrial/logistics sector has outperformed other sectors during the COVID-19 crisis, mainly due to the millions of global consumers that have fully embraced online shopping. **In the U.S., digital sales as a percentage of total retail sales spiked to an all-time high in the second quarter of 2020 (16.1%), and this has persisted through 2022 as e-commerce sales trajectory seems to have experienced a parallel shift upward.**[11] Similarly, in the E.U., e-commerce sales in April 2020 increased by 30% compared to April 2019, while total retail sales diminished by 17.9%.[12] The structural shift toward online sales was already underway before the health crisis but has now accelerated. There is strong demand from businesses to fulfill the "last mile" distribution channel, and the fundamental imbalances in select markets are favorable to landlords.

Moreover, many companies have been increasing inventories to prevent shortages experienced during the pandemic, which increases warehouse demand. Some organizations have already begun to diversify their supply chains by reshoring to North America. Given this backdrop, Affinius Capital will focus on expanding its industrial platform, as we believe the sector is well positioned to thrive in the years to come.

This is not intended to ignore our stated view that the extremely high returns enjoyed by industrial during the COVID period were artificially stimulated by low interest rates and as such were not sustainable. We continue to believe that industrial values will be impacted disproportionately to other major property types simply because COVID-era cap rates reached such low levels that "negative leverage" is having a pronounced impact on values. However, it should be noted that in considering industrial performance over this period, assuming cap rates had remained at 2019 levels, the performance would have been quite strong, albeit approximately 50% of what was actually reported. As we have previously suggested, this will have a particular impact on investors that achieved increased allocations to industrial largely through cap rate compression leading to increased net-asset-value (NAV) as opposed to value creation strategies that produced new assets at a more attractive basis.

Notwithstanding the ongoing value correction, the long-term demand fundamentals in this sector remain very strong, and we believe value creation strategies have the potential to generate attractive risk-adjusted returns in the next cycle.

Data Centers: We are responding to the exponential growth in demand for data center capacity critical to enabling new technologies. The ability to host services and store associated data depends on specialized physical infrastructure to maintain secure, uninterrupted service. Technological innovation has led to consumers being digitally connected constantly. **The Global Datasphere (which quantifies and analyzes the amount of data created, captured, and replicated in any given year across the world) estimates that the amount of data created over the next three years will eclipse the collective data produced the past 30 years.**[13]

11. U.S. Census Bureau News, Quarterly Retail E-Commerce Sales 3rd Quarter 2021.
12. Organisation for Economic Co-operation and Development. E-commerce in the time of COVID. Includes sales via mail order/internet

This dynamic will be mainly due to the nearly 56 billion devices forecast to be internet-connected by 2025–7x more than today's global population.[14] In response, technology companies are investing in data centers as mission-critical infrastructure. This infrastructure enables consumers of e-commerce, financial services, media and entertainment, healthcare, and other applications that require reliable internet connectivity to access data seamlessly. We recently authored a report on the data center sector, highlighting its resilience due to increased internet-connected devices and the secular trend of content consumption.

It should be noted that the data center sector is undergoing a transition from largely public ownership to private ownership and this is creating some short-term challenges as tenants become accustomed to more commercial lease terms. That said, values are likely to hold steadier than industrial, simply because cap rates never moved as low and as such they are not as impacted by higher interest rates. Moreover the product has become more institutionally accepted, and increased investor demand for the product as well as tenant credit will continue to support valuations.

Digital Media Platform: We will continue to capitalize on the intersection of media and technology coupled with the explosion in demand for digital content. **Statista forecasts that global video streaming revenue will increase 65% over the next several years–rising from $71 billion in 2021 to $116 billion by 2026. Similarly, the segment will experience strong user penetration growth, expanding from 14.3% in 2021 to 18.9% by 2026.**[15] Thus, robust digital content demand will lead to remarkable growth in studio and creative office space. We are responding to strong demand in the U.S., United Kingdom, Canada, and Europe.

Life Sciences: **Health care represents just under 20% of the U.S. economy, yet is underserved in most real estate portfolios, and we believe the secular tailwinds that exist around demographics, quality of life, and healthcare spending will drive continued growth in the Life Sciences sector, creating further demand for lab and office.** Over the five years ending in 2010, the Food and Drug Administration (FDA) approved an average of 22 new drugs per year; however, over the five years ending in 2021, FDA approvals grew by 236% to an average of 52 new drugs per year.[16] Today, there is less than 150 million square feet of lab space in the U.S. to support life sciences' growth. Comparatively, there is 13.6 billion square feet of industrial inventory in the U.S. and 4.3 billion square feet of traditional office inventory.

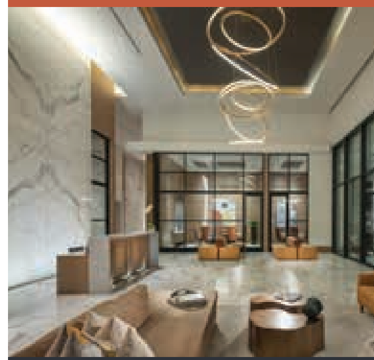
Given the relatively small size of the sector, there is understandably the risk of volatility, so prudent investors will need to rigorously monitor supply-demand dynamics. Capital formation remained surprisingly strong for companies in 2022, which bodes well for continued demand, especially in greater Boston and South San Francisco, but continued caution will be appropriate as the sector matures.

Emerging Technologies: We will utilize new technologies that enhance investment performance related to investment execution, business operations, and management. These tools range from innovative construction techniques to machine learning and predictive analytics that enable dedicated applications to drive better risk-adjusted returns. They also provide better visibility into the economic and business cycles while enhancing our understanding of relative investment risk across property markets–including downside protection measures at the asset level during our underwriting, due diligence, and property operations. **Therefore, sophisticated managers balance the use of technology as a tool to enhance the decision-making process across different stages of an investment to supplement their institutional knowledge and human intuition.**

13. IDC. IDC's Global DataSphere Forecast, May 2021.
14. IDC. How You Contribute to Today's Growing DataSphere and Its Enterprise Impact, November 2019.
15. Statista. Worldwide Video Streaming (SVoD), November 2021.
16. JLL Research. 2021 Life Sciences Real Estate Outlook. United States - 2021.

II. RENTAL HOUSING

The demographic tailwinds–driven primarily by Millennials, Generation Z, and the Baby Boomers–that will underpin the rental housing market over the long term remain robust and have arguably strengthened as a result of the coronavirus health crisis. **With Millennials finally starting to transition to home ownership in the long aftermath of the GFC, the nearly 67 million Americans in Generation Z have now become the fastest growing renter segment in the U.S.**[17] In addition to our traditional multifamily activities, we have added focus in the following areas:



The nearly 67 million Americans in Generation Z have now become the fastest growing renter segment in the U.S.[17]

Workforce Housing: Affinius Capital is committed to addressing the lack of workforce housing in the United States. We have identified systemically under-supplied markets, where communities are struggling to find housing for essential workers, and employers cannot recruit new workers because of a lack of workforce housing options. We will focus on creative solutions for these markets while capitalizing on the increased demand in markets with more favorable affordability.

Single-Family Rentals: Affinius Capital plans to develop a for-rent residential platform across the U.S. **17 million renters dwell in single-family rental homes and the industry has been the fastest growing segment of the housing market since 2006.**[18] Household formation and changes in the homeownership rates are two fundamental drivers for residential housing demand. The construction of purpose-built, single-family neighborhood rentals offers a compelling opportunity.

Senior Housing: Pew Research estimates there are 71.6 million Baby Boomers today.19 Over half of them (38 million) are between 65-74 years of age, and an average of 10,000 Baby Boomers will reach retirement age every day until 2030. There remains an insufficient number of caregivers to provide for this cohort as they age, creating ongoing need-based demand for congregate-care facilities. Additionally, the new health requirements born out of the COVID-19 crisis should generate demand for a modern senior housing product, as older stock may be rendered obsolete.

Affordable Housing: Affinius Capital is committed to supporting non-profit organizations that can address the housing affordability crisis in the United States through public-private partnerships and creative financing. **Continued strength in residential home prices and large increases in multifamily rents, in addition to a volatile economic landscape and other socio-economic factors, have contributed to a shortage of 6.8 million affordable rental units in the U.S.**[20] We are pleased to announce that we have created a charitable foundation with the intent of awarding grants to organizations serving the strongest societal needs while exploring opportunities to lend our expertise to their efforts to create permanent affordable housing.

17. RentCafe. Vibrant Small Towns In America's Heartland Are the Best Cities For Gen Z Renters. Published March 16, 2021.
18. John Burns Real Estate Consulting. U.S. Housing Summary - 2020.
19. Pew Research Center. Millennials Overtake Baby Boomers as America's Largest Generation, April 2020.
20. National Low Income Housing Coalition. The Gap: A Shortage of Affordable Rental Homes, March 2021.

III. STRUCTURE/CAPITAL STACK AND OPPORTUNISTIC INVESTMENTS

Affinius Capital manages a suite of complementary debt and equity strategies across the capital stack. **At this point in the cycle, debt strategies offer highly attractive, risk-adjusted returns consistent with our defensive posture while also providing downside protection. Opportunistic equity investments can also take advantage of market dislocations, with the near-term potential to buy below replacement cost and significantly enhance returns from a historical perspective.**

Whole Loans: In the senior secured mortgage space, capital providers are more liquidity constrained due to regulatory environment and more recently as their balance sheets have shrunk. This has led to an opportunity for Affinius Capital to offer senior mortgage whole loans on institutional-quality properties by focusing on long-term, fixed-rate debt for major property sectors in Primary and Secondary markets. The investment strategy combines many of the attractive elements of both CRE equity and fixed income that includes stable and strong income returns, while maintaining a level of downside protection from real asset exposure and diversification potential.

Stretch First Mortgages Credit Strategies: Affinius Capital originates loans backed by properties with a value-add component based on borrower demand for debt that is unmet by traditional lenders. **As a result of the rapid pullback in the debt and equity markets, strong risk-adjusted returns exist in defensive asset classes where reduced leverage, enhanced structure, and higher investment level returns are derived from providing borrowers with the debt capital they need to effectuate transactions in a volatile marketplace.** The limiting factor in the near term is simply the diminished level of transaction activity, but we believe as that is restored non-bank lenders with a strong track record will be in position to produce attractive risk-adjusted returns.

Construction Lending: Affinius Capital originates construction loans, driven by a function of traditional lender conservatism and unmet participation. **We believe demand for non-bank construction lending will accelerate dramatically into 2023 and 2024 as supply and demand fundamentals for new product remain in favor for best-in-class assets,** with no sign of traditional banks re-entering the space in the near term. Risk-adjusted returns could be highly attractive over the course of 2023, but even as rates subside and some order is restored to the capital markets, we expect the market opportunity for scaled construction lending to grow over time.

Further, this sector is particularly attractive to our platform given our historical experience capitalizing development. This offers the opportunity to draw on those skill sets while providing investors attractive risk-adjusted returns at a conservative cost basis.

Opportunistic Equity: The impending market environment should produce compelling risk-adjusted returns while also emphasizing capital preservation through Affinius Capital's opportunistic investment strategy, which is complemented by its value-add (preferred equity) and covered land strategies. We believe that increased borrowing costs and inflationary pressures should lead to strong acquisition and distress-induced recapitalizations. At the same time, secular trends continue to recast the utilization of and demand for high-quality real estate. A broad set of opportunities will result from both established vertically integrated partners as well as emerging operators that are expected to require capital to provide liquidity or support GP growth initiatives.

This approach strategically balances three focus areas: (1) investments driven by market dislocation or distress (2) thematic investments within the innovation and technology based CRE identified above and 3) pursuing strategic programmatic partnerships and real estate operating companies with a strong enterprise or platform level component. Investment structures in this strategy take the form of preferred equity, joint venture equity, platform capitalization/co-GP equity, and the acquisition of sub-performing and non-performing debt.

INVESTMENT STANCE: AN EMERGING OPPORTUNITY TO ACQUIRE BELOW REPLACEMENT COST

Given the volatile capital markets and economic backdrop, the value of the assets managed will continue to fluctuate with the market; however, that doesn't change our primary objective of developing and acquiring the highest-quality portfolios that are also optimized for enduring success. We are not market timers but strategic real estate investors. We can't control the path of interest rates, and subsequently cap rates, yet our focus remains firmly planted on generating outperformance and creating value agnostic of the market environment, and this type of activity is well underway in our development portfolio. While many of our investment programs are highly liquid and well-positioned for the opportunity that is likely to emerge in 2023, we remain mindful of our clients' underlying liquidity needs and will work to achieve optimal outcomes for investors. Given the fundamental strength of our current portfolio, in particular strong occupancy and rent growth as well as limited refinancing risk, we are capable of holding assets until markets stabilize.

The ongoing value correction expected to occur over the next two to three quarters may create compelling investment opportunities for clients beginning in 2023 and into 2024, and may result in a brief period in which assets can be acquired below replacement cost. With cap rate compression over, value creation skills regain importance. Long term, development and value-add strategies will enable our investors to benefit from what will still be a significant spread between cost and value, even if values flatten or decline in the near term. With this in mind, we are particularly well-positioned to generate strong relative performance during and after a potential recessionary scenario.

ARTIFICIAL INTELLIGENCE CRE FORECAST

Using machine learning and predictive analytics, Affinius Capital has created back-tested, proprietary artificial intelligence (A.I.) models that examine a vast set of robust historical datasets and information. **A collection of these tools provides better visibility into economic and business cycles while enhancing our understanding of relative investment risk across property sectors and metropolitan statistical areas (MSAs).** They have also helped us to incorporate downside protection measures at the asset level during our underwriting, due diligence, and property operations. Our initial release of these models in our January 2019 House View implied that there was elevated risk in core real estate. The mean forecast suggested an 11% decline in values across sectors, indicating that core real estate was fully priced at the time.

Exhibit 16 illustrates the current CRE total return projections for core properties from one of our A.I. forecasting models. It shows the middle of the distribution in outcomes has deteriorated over the past few quarters, as rising interest rates and borrowing costs are likely to adversely impact future performance–the models suggest private CRE valuations will decline 10-15% in the near term. The nature of this cycle is different than any cycles the model has seen since the 1970s. The model has historically performed well in predicting the turn and severity of cycles. **The unprecedented nature of the pandemic on economic indicators in 2020, with a complete shutdown of the economy followed by a relatively robust bounce back, provided a distinctive test of the models, and they appear to have performed capably.** Given the nature of this economic downturn, we have seen unparalleled fiscal rescue packages as well as a revolutionary monetary intervention by the Federal Reserve. This massive entanglement of the federal government and the Federal Reserve in private sector activity has not yet been fully reflected in the model.

The following attributes provide a framework for our analysis:

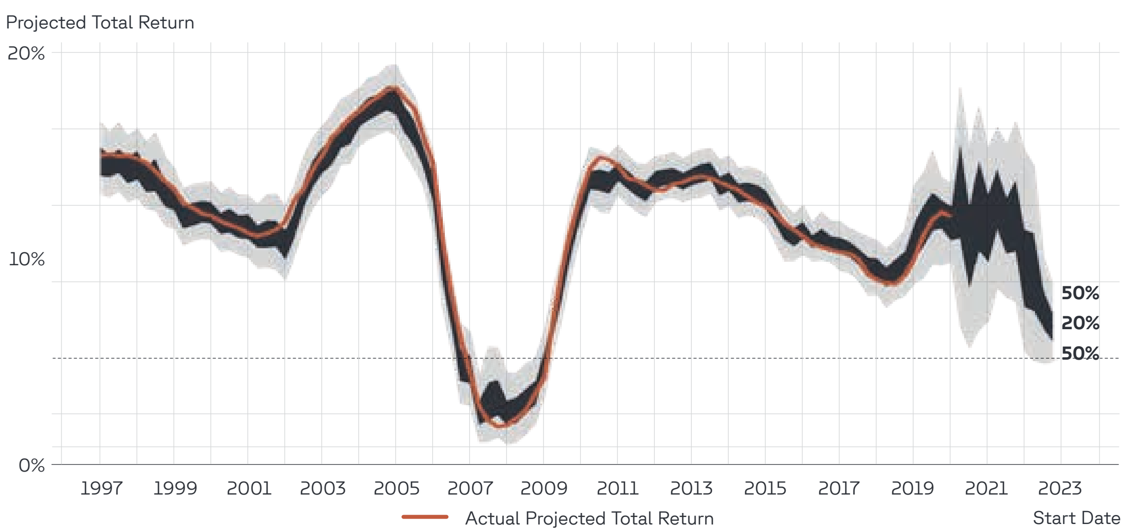
1. The forecasts are for core real estate over the next three years (e.g., assuming you were to acquire core properties at today's market price). They also incorporate the current appraisal lag in the marketplace–meaning they reflect the appraisal cap rates in the market today, which have a wide spread to where the market may trade.

2. Our forecasts provide a range of outcomes with confidence intervals. For example, the mean forecast suggests core valuations will begin to slow from recent strong gains, and it will be flat to slightly negative over the next three years, based on current valuations.

3. In **Exhibit 16**, the orange line shows the actual subsequent three-year NCREIF total returns and how they align with the forecast of returns for that period. Historically, the model has been highly accurate in forecasting the turn of the cycle before the actual shift in values occur.

Our A.I. forecasting tools provide a complementary market view that enhances our understanding of the investment environment. Our modeling goals were twofold: first, to observe the direction of the cycle and second, to estimate a band around the quantum of the cycle. One notable output from the models is that we see the dispersion across property sector results near all-time highs, reflecting disparities in expected returns across sectors. **We continue to monitor the models to ensure they are resilient to the recent volatility in the economic and financial data.** Further, we are using A.I. and machine-learning tools across our platform to aid in site selection and the forecasting of market fundamentals.

EXHIBIT 16: PROJECTED TOTAL RETURNS – ALL SECTORS



Source: Affinius Capital Research

INVESTMENT THEMES AND STRATEGIES

North American Investment Strategies

In addition to the three primary investment themes described in Section II above, Affinius Capital will continue to emphasize the following investment strategies over the near and long term.

ACQUISITION CAPITAL

Affinius Capital is closely monitoring core values in the wake of the ever-evolving economic environment. We will continue to favor value-creation opportunities, with an emphasis on markets experiencing population and job growth. We are allocating acquisition capital in the following areas:

Multifamily: In this critical area of our business, the focus continues to be on core creation by acquiring assets below replacement cost, with the potential to add value through renovation and enhanced property management, as well as monitoring the market for distressed situations resulting from the increase in interest rates. As a result of COVID-19, city centers within high density gateway markets like New York and San Francisco were, in our opinion, temporarily impacted by weak demand and lagged the rest of the U.S. in the recovery to pre-pandemic levels of rents. This allowed for a tactical buying opportunity as values fluctuated due to the unique conditions created by the health crisis. Low density areas within markets across the U.S. saw an increase in demand. Before the pandemic, multifamily supply was near its historical average, but pipelines have now expanded based on strong pent-up demand from the pandemic and decreased home price affordability. **Multifamily occupancy rates hit all-time highs nationally in first quarter 2022 and we saw robust rent growth across markets in 2022–while fundamentals are slowing recently, occupancy remains above historical average. Thus, the housing shortage in the U.S. described above has been further exacerbated by the COVID-19 crisis.** While strong demographics are expected to increase demand over the long term, the housing affordability issue remains a critical challenge in several major U.S. markets. Therefore, a strategy targeting well-located (high quality, but lower cost) alternatives remains attractive. With this in mind, we intend to significantly expand our activities in creating workforce housing.

Industrial/Logistics: Portfolio rebalancing by institutions due to an overweight to private real estate relative to public securities like stocks and bonds should result in an active environment for asset trading, despite the possible shock resulting from the cap rate increases in 2022. With many institutional investors potentially acting as net sellers, less competition for assets on the market is expected. Assets with more mature leases are now significantly below current market rental rates because of dramatic replacement cost increases that occurred in 2021 through early 2022. As such, we will continue to evaluate assets with near-term lease rollovers to capture rent growth and yet still purchase below replacement cost, although identifying attractively priced assets is expected to continue to be difficult.

Office: For the time being, we will remain cautious on office acquisition until we have more concrete visibility into (1) a return-to-work plan for major employers, (2) how space utilization will eventually be reshaped by COVID-19, and (3) the persistence of demand shifting from urban centers to more diverse locations.

Government Office: We will seek opportunities to expand our portfolio of government-leased, Class A assets. Government-property investments align with our defensive approach; they are more likely to withstand a downturn given the durable credit quality, single-tenant occupancy, and long-term lease structures (typically 10 or more years). While this segment's value proposition has primarily been in new development, we believe government lease credit can become mispriced at points in the cycle, particularly in comparison to the private net lease environment. The combination of these factors may present future opportunities to acquire assets at a favorable basis that meet our return expectations. It should be noted that we will focus our efforts on what we consider to be mission critical government assets, that we have concluded are less susceptible to downsizing or budget reductions. We also hope to identify buildings that are the beneficiaries of government consolidations because of the attractiveness of newer, modern buildings that will attract government employees, much as private sector companies are currently focused on the best assets in each market in order to attract employees back to work.

Opportunistic Equity Strategies: As described on the previous page, Affinius Capital's equity investment activity will continue to be centered around its opportunistic investment strategy, complemented by its value-add (preferred equity) strategy and its long-term covered land strategy. Additionally, we expect to build on the momentum created within our co-investment platform that invests alongside each of these verticals.

Affinius Capital's opportunistic investment platform seeks attractive, risk-adjusted returns while emphasizing capital preservation. This approach strategically balances three focus areas: (1) distress-driven investments and (2) thematic investments and (3) enterprise level investing whereby Affinius Capital can achieve vertical integration and share in the creation of value at the operating company itself in addition to the real estate investments of that operating company. Across its investments, Affinius Capital provides creative solutions for its operating partners and appropriately tailors transaction capital structures to address deal-specific risks while aiming to generate targeted returns. Investment structures in this strategy take the form of preferred equity, joint venture equity, platform capitalization / co-GP equity, and the acquisition of sub-performing and non-performing debt.

The value-add preferred equity strategy focuses on a range of structured equity investments, with tailored capital structures for preferred equity investments that are designed to mitigate risk associated with value-add and development business plans created by:

1. Requiring substantial equity subordination to offer protection for the preferred equity's basis in the transaction
2. Mandating that cash flow and capital proceeds be paid first to the preferred equity
3. Utilizing a conservative leverage strategy at the asset level, which minimizes maturity and other potential event risks

Finally, the long-term covered land strategy targets the acquisition of assets in the path of growth of select markets which benefit from, among other things, access to public transportation, economic incentives, and high barriers to entry. These assets typically generate modest in-place yield but are likely to be redeveloped in the future to a higher and better use thus creating a development pipeline for Affinius Capital and its investor partners over the next three to ten years.

Hospitality: The hospitality sector experienced drastic and immediate declines in operating performance resulting from the COVID crisis. Since then, travel has broadly bounced back, and occupancy and revenues have marched steadily back and in many cases beyond to pre-crisis levels.

Hotel assets have been impacted in different ways and to varying degrees, with leisure assets in drive-to destinations outperforming pre-pandemic performance in some cases by a wide margin, whereas urban business traveler hotels in select markets are still recovering.

Now, on the heels of over two years of revenue recovery, global markets present a plethora of new challenges for the sector including currency volatility, inflationary pressures on operating expenses, and increased interest costs. Thus, at the appropriate time in the market, Affinius Capital will opportunistically seek to acquire hotel assets at significantly reduced valuations, purchase sub-performing/non-performing loans for control, recapitalize troubled deals with gap capital, and provide rescue capital to operating/management platforms.

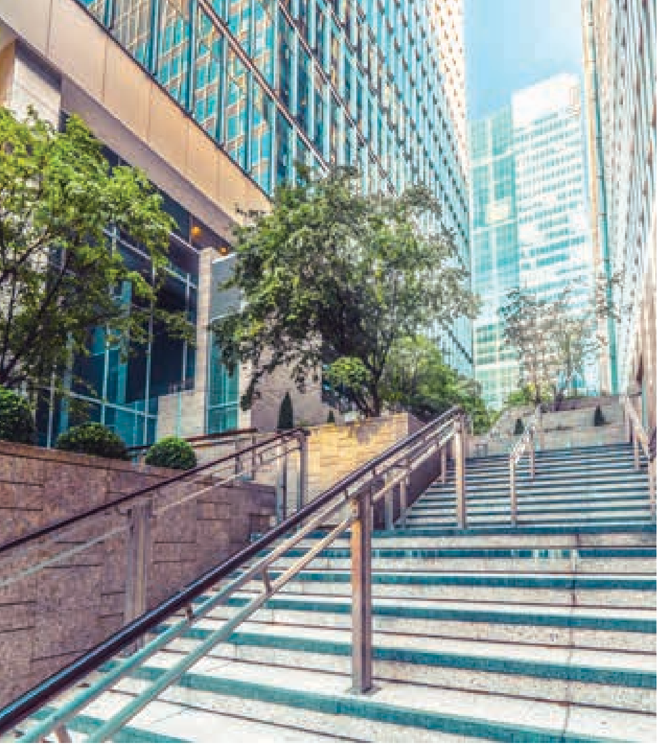
DEVELOPMENT CAPITAL

As noted earlier, development remains favorable in many markets across our key themes due to solid fundamentals and an attractive spread given the cost of new construction. While the opportunity may yet arise to acquire assets below replacement costs, we feel this will be short-lived because of the general health of real estate fundamentals, the likelihood of lower interest rates by 2024, and the weight of the considerable dry powder that has been assembled to capture a market opportunity. Therefore, we believe that over the longer term, the market value of stabilized assets in certain sectors, will remain above replacement cost. While Affinius Capital has been a leader in this market segment, we are ever sensitive to its risks, as construction pipelines have increased significantly in several U.S. markets.

As we initiate development projects, we are mindful of the supply/demand conditions that will prevail at the time of delivery. Therefore, we continue to focus our development activity in those submarkets and asset classes that we believe will offer outsized tenant demand and investor interest. Our governing thesis is to invest in development at times when assets are trading well above replacement cost. It is our view that development remains attractive in our areas of focus, notably e-commerce/industrial and rental housing, and as cap rate compression ends, development and other traditional value creation strategies will drive attractive risk-adjusted returns.

Despite the near-term reduction in core values and earlier increases in construction costs, **we believe an attractive spread between core values and the cost of new development in certain sectors will persist, presenting the opportunity to "create core assets" at prices well below current trading values.** We are also carefully monitoring construction costs and supply in some markets. Labor shortages, increased material costs, and even tariffs caused cost escalations over the past several years, but we are already witnessing a meaningful slowdown in new construction and construction costs have begun to decline in virtually all areas with the exception of concrete, which is suffering from a supply shortage. Overall, we expect the current crisis to slow the growth of new supply, especially in rental housing and industrial, which could maintain stability in rental rates and occupancy levels even as we enter a recession. We will continue to provide development capital in the following areas:

Multifamily: We take a highly selective and disciplined approach to new multifamily development. Our process includes extensive research on approximately 50 U.S. metropolitan markets (and an even more significant number of submarkets). Tenant demand has mostly kept pace with the rising supply levels across the country in past years. The multifamily sector has benefited from the pent-up demand created by COVID-19 in addition to the increased cost of ownerships and rising mortgage rates, helping apartment rents to recover.



In recent years, rising land and construction costs have resulted in lower development yields when core values softened. Elevated supply levels in a few markets have also caused a slowing of rental growth or even a decline in Class A rents and increased concessions, reducing effective rents in most markets overall. Though these issues present challenges for investors, opportunities remain in submarkets where demand will outpace supply over the next several years. In these areas, we will continue to pursue our build-to-core strategy, targeting submarkets with substantial population and employment growth. We believe these areas will outperform over the long term.

We believe the most attractive opportunities over the next decade will occur primarily around the Middle Market and Workforce pricing segments (**Exhibit 17**), developing product that serves an expanding pool of price-sensitive renters while maintaining focus on quality, location, and other differential attributes. While we are mindful of construction costs and supply levels in some markets, land prices have begun to fall and there are signs that construction costs have begun to decline as supply pipelines have softened and the supply chain begins to recover post pandemic. Rental rates and occupancy levels rebounded after the pandemic subsided. In 2022, this sub-sector of housing saw a frenzy of investment, pushing prices to record highs well above replacement cost and record low cap rates in most markets.

EXHIBIT 17: RENTER HOUSEHOLD CLASSIFICATION VS. AFFORDABLE MONTHLY RENT LEVELS

PREMIUM

The highest rent range within a major market and often accounts for 15-25% of renter households.

MIDDLE MARKET

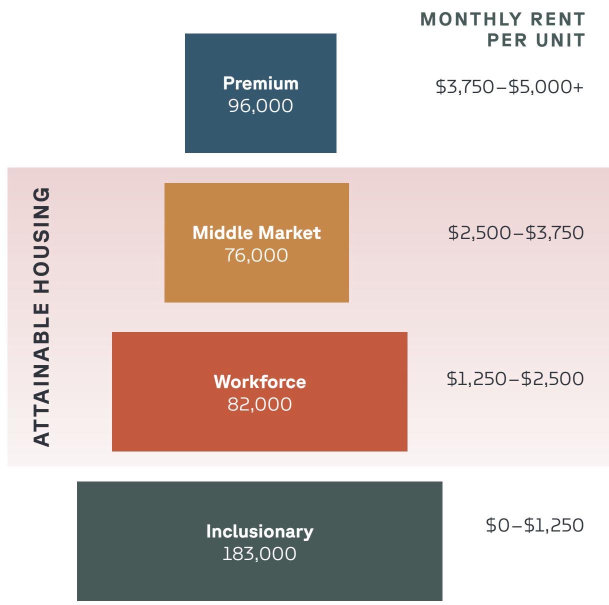
The centerpiece of a critical price point segment that we believe is an attractive investment opportunity over the long run, generally accounting for 15–25% of renter households in major markets.

WORKFORCE

For the sake of this analysis, it is housing that is affordable for those making 80–120% of an area's median income (AMI) and typically accounts for 15–35% of renter households in major markets.

INCLUSIONARY

For the sake of this analysis, it includes renters making below 80% of AMI. It is associated with affordable housing programs intended for lower-income families, typically accounting for 35–50% of renter households in major markets.



This exhibit uses the Denver market as a proxy, and household rent assumptions are based on 30% of Gross Household Income.

Source: Affinius Capital Research

Single-Family Rentals: As discussed previously, the construction of purpose-built, single family neighborhood rentals offers a compelling opportunity to capitalize on the current housing shortage as well as increased incremental demand driven by Millennials transitioning to family formation stage of their lives. Unlike the assemblage of disparate homes, purpose-built, single-family rentals provide a viable solution for consumers who cannot afford to purchase a home while also providing investors/ owners with operational efficiencies, a consistent renter experience, and opportunities for amenitization. This type of emerging housing opportunity suggests that the single-family rental market has significant investment potential going forward.

Senior Housing: The expected growth in senior housing over the next decade is a demographic phenomenon mainly supported by the Baby Boomers and the Silent Generation cohorts. The oldest Baby Boomers turned 75 years old in 2021, and the bulk of them are in their 60s. Similarly, the number of people between the ages of 82-86, which is the peak demand segment for senior housing, is expected to rise from 5.1 million to 6.6 million (a 29% increase) between 2017-2025. This dynamic should spark demand for other parts of the senior housing spectrum (e.g. assisted living, and memory care). Thus, we are continuing to expand our presence in this sector and senior housing options such as independent living have become increasingly popular.

As previously described, the demographic trends suggest that congregate care will play a vital role as a large swath of the U.S. population continues to age into retirement. Still, the recent health crisis was a wakeup call for the elderly and the senior housing industry. Older Americans are more vulnerable to the coronavirus, causing senior living providers to radically alter their normal operations in hopes of limiting the spread of the virus. **In the future, facilities will adopt new features ranging from infrared temperature gauges that can remotely monitor for fever and alert medical staff to commercial-grade HEPA (high-efficiency particulate air) filters that capture over 99% of airborne particles. Further, building designs will incorporate touchless technology and facilitate enhanced social distancing.** Thus, we will target markets with strong senior housing fundamentals, where there is an opportunity to deliver a differentiated product that serves the unmet demand from Silent Generation seniors and is well-positioned to receive the Baby Boomers, as more of them enter the senior age bracket.

Speculative Industrial/Logistics: Speculative leasing velocity in the logistics space remains strong despite the economic uncertainties caused by volatile capital markets. The industrial vacancy level remains near cyclical lows with limited new quality space available, while rental rates have continued to increase due to further e-commerce adoption and expansion. As previously discussed, e-commerce remains a significant catalyst for industrial demand and is poised to continue to grow for years to come. Further, industrial/logistics fundamentals remain strong owing to accelerating tailwinds associated with on- and near-shoring and a shift from “just in time” to “just in case” inventory levels. That considered, slower or negative economic growth, a higher cost of capital, and moderated corporate expansions have tempered what was an overheated market. With the resulting decrease in construction activity, material and labor costs have stabilized and begun to decline. Land pricing adjustments have become more common as motivated land sellers recognize changing market conditions. With the past years of development-ready site scarcity, these changes may result in opportunities to control well-located land at attractive pricing. **With other capital providers potentially less active, we anticipate continuing to find opportunities with repositioned deals at more attractive terms.** We will continue to remain active to identify favorable risk-adjusted returns for both build-to-suit and speculative development.


C13

Industrial/Logistics Build-to-Suits: As overall economic conditions have moderated given the aggressive increase in interest rates, some corporate expansion plans are expected to be put on hold. While this will impact build-to-suit activity, vacancies in most markets are still extremely low and companies still needing to adjust, expand or otherwise move to different space will not be able to find the desired space currently available, leaving build-to-suit as their only option. Additionally, many e-commerce and other companies are still executing multi-year plans to make their supply chains more resilient. Build-to-suit projects awarded in early 2022 before debt and cap rate changes may no longer have any created value and re-structuring opportunities may exist. Overall, we anticipate build-to-suit activity to remain relatively strong and we will continue to focus on long-term leases with credit quality tenants and flexible design in locations with favorable demographics.

Affinius Capital took a decidedly conservative approach by refusing to pursue many build-to-suits when yields fell substantially below 5% in 2021 and we focused instead on higher yields in speculative development. However, in response to the current dislocation in the capital markets, we expect development opportunities in 2023 will generate meaningfully higher yields on cost and given the combination of lower land prices and falling construction costs, we believe our cost basis will be more attractive than it would have been in 2022.

Data Centers: The rapidly increasing demand for digital storage, computing, and data consumption will continue to drive data center demand. From an investment perspective, the construction elements for data centers mirror modern industrial/logistics warehouses, while the site selection process is dependent on access to reliable and abundant power, and fiber infrastructure. Both power and fiber provide supply constraints in the face of massive demand. With this in mind, it will likely become necessary for users of data centers to expand the number of markets in which they will need to operate because the core markets of Northern Virginia and Santa Clara cannot meet current demand.

Affinius Capital along with our strategic development partner and affiliate, Patrinely Group, have created Corscale, which is a data center development company consisting of a world-class team with deep expertise and experience in the sector. This team is actively engaged in the development or design of approximately $8 billion of current and future projects.

Life Sciences: We have seen a secular trend in demand for life sciences lab and office space. We believe the expansion of the sector has only just begun, driven by emerging technologies including artificial intelligence and machine learning, and a growing drug development pipeline, that is being fueled by diverse sources of capital.

Life Science demand is heavily focused in a small number of markets, led by greater Boston, as well as San Francisco and San Diego. However, demand has also emerged in markets such as New York, Raleigh, Washington D.C., and Seattle and we will monitor growth in these markets. In the near term, a retrenchment of capital flows into life sciences companies may result in a temporary slowing of demand, but we remain bullish on the long-term fundamentals in this sector.

Office Build-to-Suits: Current pandemic-related consequences have decreased near-term office demand. But, regardless of the level of demand in the broader office market, we believe we may see demand for new, innovative, health sensitive, and efficient buildings within the technology, life sciences, media, and medical sectors. We anticipate remaining active in the creation of build-to-suits under long-term leases to credit tenants, but we will do so with a focus on market selection and institutional liquidity for the assets.

Government-Leased Office: Investments in this subsector offer an attractive opportunity given their stable cash flows and typically limited ongoing capital requirements. Government leases are naturally defensive, as the tenant base has high-quality credit and usually signs lease commitments of 10 years or more. The Biden Presidency may drive incremental demand for real estate from the General Services Administration.

Speculative Traditional Office: We will remain cautious in this area and do not anticipate proceeding with speculative office development in the near term.

DEBT CAPITAL

Affinius Capital continues to manage a suite of complementary debt and preferred equity strategies. **At this point in the cycle, these strategies offer highly attractive, risk-adjusted returns consistent with our defensive posture while also providing downside protection.** Many of the traditional CRE debt capital sources remain constrained by the current regulatory environment, and opportunities exist for non-traditional lenders to fill the resulting gap. Affinius Capital is actively responding to this opportunity by providing accretive loans across the capital stack. We continue to focus on the following areas:

1. **Whole Loans:** Affinius Capital offers senior mortgage whole loans on institutional-quality properties throughout the U.S., focusing on long-term, fixed-rate debt for major property sectors in Primary and Secondary markets. The terms range from 5-to-30 years, with loan-to-value (LTV) ratios of 50% to 65%. This investment strategy focuses on producing strong relative value for fixed income investors that have asset-liability matching needs.

2. **Stretch First Mortgages and Mezzanine Debt:** Affinius Capital originates loans backed by properties with a value-add component predominantly through its Credit Partners lending program. The market opportunity, consistent with all non-bank lending, is derived from borrower demand for debt that is unmet by traditional lenders comprised of banks, life insurance companies and Government-Sponsored Enterprises. Fueled by government stimulus, abnormally low base rates and the roll-out of vaccinations nationwide, 2021 was a record year for investment sale activity in the commercial real estate (CRE) sector. As a result, value-add lending experienced a sharp increase and maintained a robust pace through Q4 2021 and into Q1 2022 as deals carried over year end. Considering the pent-up demand for CRE investments post-COVID, supply/demand fundamentals, inflationary pressures and compressed rental rates, housing and industrial investing were driven to peak valuations and capitalization rates as new and existing participants entered or re-entered the marketplace.

In sharp contrast, the advent of the Federal Reserve's decision to aggressively combat inflation via base rate hikes and the onset of the war in Ukraine quickly muted new investment sale activity towards the end of Q1 2022. As inflation, base rate increases and macroeconomic volatility began to spike going into mid-year 2022, the market quickly pulled backed from peak valuations and into a cautious outlook on how quickly inflation would or could be controlled by the Federal Reserve. The effect of these hikes and widening of credit spreads brought traditional bank lenders to the sidelines as investment sale activity dried up and balance sheets began to pull back on leverage and liquidity availability. As a result, we have been selective in the value-add lending space with an emphasis on acquisition activity in defensive asset classes like housing and industrial albeit at more conservative performance metrics.

Both borrowers and lenders remain cautious going into 2023 with the impact of the market dislocation motivating borrowers to extend or paydown existing financings in exchange for additional term while lenders look for opportunities to de-risk the balance sheet via syndication or note sales. Despite the rapid pullback in the debt and equity markets, we are finding strong risk-adjusted returns in defensive asset classes where we can introduce reduced leverage, enhanced structure and higher investment level returns in exchange for providing borrowers with the debt capital they need to effectuate transactions in a volatile marketplace.

3 **Construction Lending:** Affinius Capital originates construction loans through its Tactical Partners lending program. Like all non-bank lending, the market opportunity is a function of traditional lender conservatism and unmet participation. Tactical Partners experienced a similar progression in 2021 and 2022 with respect to transaction activity albeit that construction lending is driven less by investment sale activity. Construction lending generally has a much longer lead-time as sponsors and developers may need multiple quarters or years to seek the entitlements, permits and/or value creation to start vertical construction. The pullback in balance sheet capacity combined with a historically smaller pool of traditional lenders willing to provide nonrecourse construction financing has allowed for us to increase our debt investment activity and expand our client relationships while simultaneously introducing reduced leverage, enhanced structure and higher-level investment returns at the deal level.

The need for construction lending has also been accelerated by the trend of tenant demand for state-of-the-art improvements across all sectors and with it an increasing separation in performance vis-a-vis aging real estate. Tenant demand is responding to increasing workforce focus on light, air, automation/technology, security, and amenities especially in residential, hotel and office properties. The separation in performance can be even more acute in office/lab space and industrial space as tenants require certain modern physical attributes to feasibly conduct their business. Across our portfolio we are seeing the greatest leasing absorption in newly constructed buildings and high-quality repositioned buildings. Construction lending leverages our significant property ownership and development business, enabling us to source and underwrite construction loans that represent among the strongest risk-adjusted returns we see in today's market. We see a continuation of increased demand for non-bank construction lending going into 2023 as supply and demand fundamentals for new product remaining in favor for best-in-class assets, with no sign of traditional banks re-entering the space in the near term.

OTHER AREAS OF INTEREST

Mexico: We continue to progress with the systematic expansion of our industrial/logistics development business in Mexico. Given Mexico's maturing demand drivers – competitive production costs, diversified economy, favorable demographics, expanding middle class, near and reshoring in North America, and final approval of the United States-Mexico-Canada Agreement (USMCA) – the country is well-positioned to benefit from global institutional real estate capital flows seeking enhanced risk-adjusted returns within the industrial/logistics sector. The nation's emerging middle class has led to healthier retail sales growth, sparking opportunities for accelerated growth in e-commerce sales and corresponding fulfillment space requirements.

We are pursuing a broad strategy of developing in the best markets along with established developers with a strong reputation and focus on institutional quality design, credit quality tenants, and U.S. Dollar-denominated leases while seeking to facilitate the requirements of our current tenant relationships within the U.S. The pipeline of opportunities continues to expand. By controlling well-located land with established developers, we are seeing more opportunities and expect to continue to see better risk-adjusted returns as compared to comparable U.S. projects. We executed our initial investments in Mexico in the second half of 2020, including multi-building inventory development and a multi-market build-to-suit project with a long-standing tenant relation.

DISPOSITIONS

The progressive disruption throughout the credit markets in 2022 resulted in decreased liquidity that hindered price discovery and greatly reduced disposition volume across all industry sectors. With institutional buyers largely on the sidelines, private investors have comprised the majority of recent bidder pools. That said, in response to ongoing market uncertainty, these buyers remain highly cautious in their underwriting, resulting in persistently wide bid-ask spreads. While select properties have recently transacted, Affinius Capital and other institutional sellers have mostly paused or otherwise stopped the marketing process on billions of dollars in property value, electing instead to enjoy durable cash flows backed by tenant credit and lease term.

As we look forward, Affinius Capital will continue to monitor movements in the credit and capital markets, and as conditions warrant, will look to further engage. As always, **our disposition philosophy will continue to reflect our disciplined decision making at the asset level that seeks to maximize value creation and investment performance. This philosophy differentiates us from other real estate managers whose focus may be primarily on amassing assets under management.**

European Investment Strategies

As we advance into our ninth year of investment in Europe, Affinius Capital has successfully executed and exited several investments across the region. We remain cautiously optimistic about the depth and duration of the current economic slowdown and the nature and extent of economic recovery. We plan to continue and, in some cases, accelerate our European investment activities, focusing on markets and product types with strong and durable economic and cultural drivers, favorable demographics, and healthy real estate fundamentals.

Since 2014, Affinius Capital has invested in European logistics, mainly through development, creating an enviable and proven track record in delivering successful and complex logistics development projects throughout the UK and Europe. We have become a market-leading, pan-European, logistics development and investment platform specializing in the development of large footprint modern logistics assets. Our extensive, strategically located network of logistics projects currently spans seven countries, providing access across Europe's major supply-chain corridors. We believe that we are positioned to take advantage of the further maturation of the logistics real estate market in Europe as well as the current capital markets dislocation, and we see the opportunity to grow our investment activities in this area further including our geographic reach in Europe.

Our European development activity has largely capitalized on surging demand for new big-box industrial/logistics warehouses. We have also realized opportunity in the growing demand for consumer-centric, mid-sized regional warehouses in campus formats proximate to large population centers. **In response to demographic trends of urbanization, growing e-commerce and consumer demand, we have seen the greatest opportunity in the development of logistics campuses near large population clusters that can accommodate occupier demand in a range of sizes and allow for active asset management, and tenant diversification.**

The need for warehouses close to population centers is especially prevalent in Europe, where three quarters of the population live in cities. Despite this, Europe has only one third as much warehouse space per capita as the U.S. On the other hand, the scarcity of locations with planning approval and growing demand for distribution and logistics space has resulted in premium values for well-located, development-ready land, and has created opportunity to create significant gains from taking land successfully through the planning process, especially those locations with significant power and labor availability. In the current uncertain market, we will remain defensive in this area while still recognizing the strategic advantage that a well-located and attractively priced land bank provides. In locations with sustainable growth prospects and barriers to entry, we will look to hold modern logistics assets and benefit from the modernization and sector change in the logistics market.

There is a compelling opportunity to invest in areas where technology and real estate are converging, and we can capture demand as digital transformation continues to accelerate. At the intersection of this is investing in Europe's data center infrastructure. From an investment perspective, the site selection process and some construction elements mirror modern logistics warehouses. Therefore, we will be leveraging our logistics expertise in pursuit of data center opportunities as they emerge.

We also see growing opportunity to develop institutional-quality multifamily residences in select European markets based on compelling demographics and supply/demand factors, in particular in the UK. Institutional ownership of purpose-built for-rent residential has become more mainstream in Europe, but there are still opportunities to develop a high-quality modern product.

The residential sector in Europe is highly fragmented and facing increasing regulatory pressures with government rent control measures, creating an inefficient market. We have recently created a joint venture to develop a build-to-rent multifamily portfolio across leading UK towns and cities. We see compelling opportunity for us to leverage our multifamily expertise in the UK, as well as in other European markets.

Similar to our track record of uncovering value investing themes in the U.S., we will look to capitalize on opportunities driven by demographic shifts, the inadequacy of capital at specific points along the risk spectrum, and individual property types or markets that appear to be mispriced compared to the actual underlying risk profile. We continue to manage a suite of complementary debt and preferred equity strategies, which offer an interesting way for investors to access the market, specifically in the U.S. At this point in the cycle, these strategies are attractive for investors that are focusing on yield as a risk-adjusted investment play. Beyond the U.S., Europe represents significant potential for expansion of our debt platform with similar market dynamics.

We believe alternative lenders are well-positioned to take advantage of CRE lending opportunities arising from dislocations in the capital markets going forward. Bank regulatory changes, including implementation of Basel III–reform measures to enhance procedures, supervision, and risk management for international banks–have reduced appetite among traditional lenders for balance sheet lending, especially for Value Add and Development. Non-bank lending share is now clearly established, and this combined with increasing broker intermediation should make it easier for high-performing lenders to break through a historically direct relationship-driven market. We expect the development of credit products in Europe will stand as a strong complement to our existing European equity strategies and vice versa.

As in the U.S., we will take both a strategic and tactical approach to value-driven investments and in the current market environment patience and looking at relative value and discount to the re-set replacement cost will be ever more important. We expect Europe's economy to remain supportive of real estate markets in the long term. Consequently, we believe there will be opportunities to acquire existing assets, provide development and transitional capital, and even consider structured debt or equity investments across some markets and sectors. Over the long term, we will continue to grow our investment platform in Europe, and adjust to market opportunities, while maintaining a cautiously optimistic and patient outlook.

CONCLUSION

Given the volatile economic, capital markets, and geopolitical environment, we recognize today's market is fraught with risk. Our investment platform was designed to capitalize on market disruptions, which ultimately leads to value-creation opportunities and the tactical ability to acquire assets below replacement cost. While some investors have chased yields in recent years, our value-creation approach to real estate is consistent across market cycles.

This methodology requires being quick to respond to emerging opportunities, while also:

1. ADHERING TO OUR GUIDING INVESTMENT PRINCIPLES
2. MAINTAINING A DISCIPLINED UNDERWRITING APPROACH
3. REMAINING PRUDENT IN THE FACE OF WIDESPREAD UNCERTAINTY

Thus, against a quickly evolving backdrop, Affinius Capital will continue to emphasize capital preservation while actively and aggressively seizing opportunities that reflect our primary investment themes. As cap rate compression finally ends, value creation skills regain importance. Development and value-add strategies will still benefit from a compelling spread between cost and value on a secular basis, even if values flatten or decline in 2023.

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