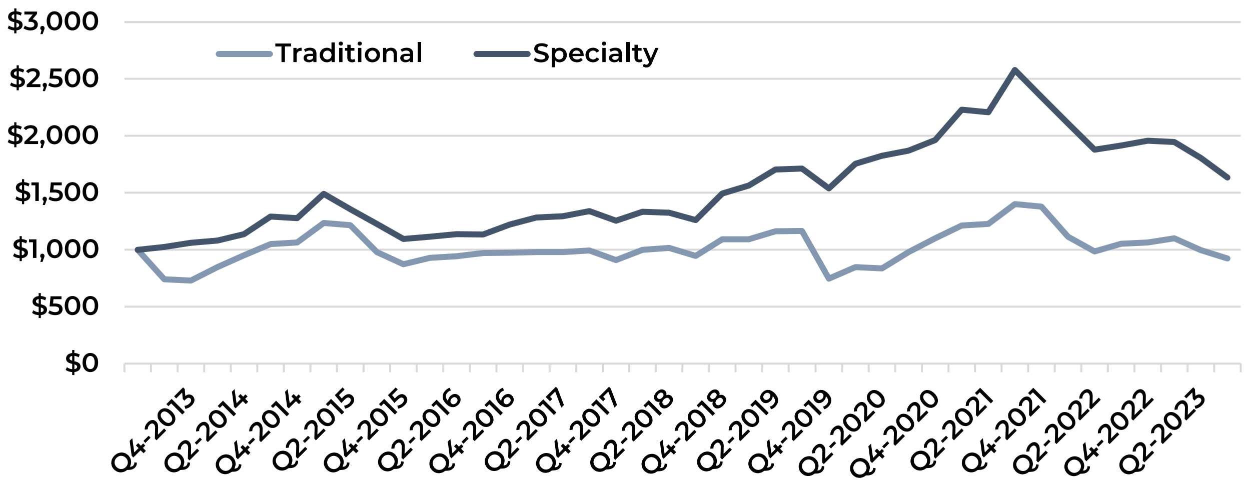
Market Insights: High-Growth Property Sectors

October 2023

Increasingly, institutional investors are seeking exposure to Specialty property types due to their ability to produce returns that exceed those typically available with traditional property types. At Ranger Global, investing in Specialty property types has been a hallmark of our investment strategy since the firm's inception. Specialty property types are defined as a group of non-traditional property types which exhibit two distinguishing investment characteristics. First, Specialty property types generally operate with favorable supply-demand dynamics, conveying superior pricing power to landlords, enabling them to generate higher rents and better growth than traditional property types. Second, demand for each Specialty property type is differentiated, driven by idiosyncratic factors that are usually uncorrelated with the primary demand driver for traditional property types, i.e., GDP growth.

10-Year Performance: FTSE Nareit All Equity REITs Index (Growth of $1,000)[1]



In recent years, the universe of Specialty real estate companies has consistently grown in both size as well as the number of property types, now up to 12 sub-sectors. Examples of Specialty property types include Data Centers, Cell Towers, Student Housing, Medical Office Buildings, Self-Storage Warehouses, Manufactured Home Communities, Timberland, Outdoor Advertising, Single-Family Rental Homes, Life Science/Lab Space, and Leisure Facilities. Historically, Specialty property types have delivered investment returns that materially outperformed traditional property types[1]. From September 2013 through September 2023, Specialty property types within the FTSE Nareit All Equity REITs Index generated an annualized return of 8.7% compared to traditional property types which generated an annualized return of 4.3%.[1]

[1] 9/30/2023 Source: FactSet Index is the FTSE Nareit All Equity REITs Index (see defined terms).

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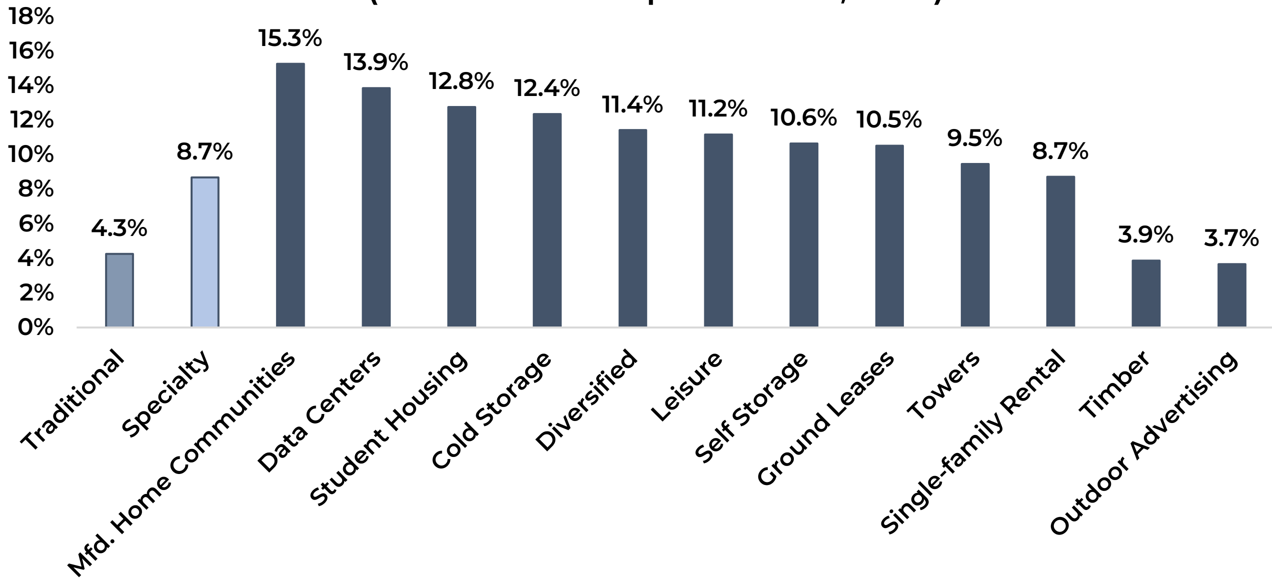
Specialty Property Types Annualized Returns vs. FTSE Nareit All Equity REITs Index[1] (10 Years as of September 30, 2023)



Highlighted below are several Specialty property types that are operating with particularly favorable imbalances of demand vs. supply, a condition which we expect to continue for the foreseeable future.

<u>Data Centers:</u> Demand for data centers is driven by growth in internet usage fueled by the expansion of the digital eco-system. Over the past five years, for example, internet usage has grown at a compound annual rate in excess of 20%. More recently, the rise of AI technologies presents a driver of incremental demand for computing power that portends even greater demand for data center space in the years ahead, further enhancing pricing power for owners of data centers.

<u>Cell Towers:</u> Owners of cell towers are benefitting from increased wireless transmission of voice and data, which in recent years has been growing at a rate that outstrips the growth in internet usage, driven by the proliferation of smartphones, tablets, and other mobile devices. Moreover, the implementation of next-generation (5G) technology requires not only more density in the existing tower network but also the installation of new towers to expand the coverage map. These secular trends all point to strong demand for cell towers and the ability for owners to generate consistent growth and superior profitability in the years ahead.

[2] 9/30/2023 Source: FactSet Index is the FTSE Nareit All Equity REITs Index (see defined terms).

Cold Storage Warehouses: While historically the growth of the cold storage sector has been primarily driven by population and economic growth, more recently the emergence of e-commerce and the resulting increase in home delivery of groceries has produced a ramp in demand for cold storage warehouse space. Thus, this sector is currently operating with an imbalance of supply and demand due to a combination of excess demand and an older, inefficient cold storage supply causing a shortage of available and suitable space. There are also a limited number of companies operating in the Cold Storage space. The above reasons, along with functional obsolescence eroding the existing supply, are leading to more demand and less supply in this sector

Manufactured Home Communities: This sector has both tailwinds on the demand side as well as structural constraints on the supply side. On the supply side, there are zoning restrictions on the ability to build in addition to resistance from members of the community. These constraints on new supply are deeply entrenched and thus highly likely to persist. On the demand side, the retirement of aging baby boomers transitioning to living on smaller budgets and seeking to lower their cost of housing is a secular driver of more demand.

Student Housing: The student housing business is a textbook case of landlord pricing power resulting from the imbalance of demand over supply. For example, in the United Kingdom the number of students entering university each year is forecasted to increase by 17% by 2030.[2] This secular growth in post-secondary student population will drive incremental demand for student housing (both on and off-campus), making the United Kingdom a consistently reliable landlord's market for years to come.

Last Mile Distribution Facilities: The growth of the digital economy is fueling e-commerce, which is creating a growing need for expedited delivery (next-day or even same-day). Last mile distribution facilities – located in close proximity to the customers – are the key to meeting that growing need. Accordingly, landlords of such facilities are able to charge premium rents which their e-commerce tenants are able and willing to pay. The combination of growing demand and the in-fill nature of these properties' locations which limits any new supply, creates a condition of sustainable pricing power for the owners.

[2] Valentin, Richard and Hanmer, James, UK Purpose-Built Student Accommodation Spotlight, Savills plc, May 9, 2023, www.savillis.co.uk/research_articles/229130/346721-0.

About the Author

Andrew J. Duffy, CFA© is Co-Founder, Managing Partner, Chief Investment Officer and Senior Portfolio Manager of Ranger Global Real Estate Advisors. Mr. Duffy has over 30 years of experience as an investor in global real estate securities. From 2009 to 2016, Mr. Duffy was the President of Ascent Investment Advisors, LLC. He has been the Senior Portfolio Manager of the Easterly Global Real Estate Fund ("JARIX") since its inception in 2009.

Prior to 2009, Mr. Duffy was a Managing Director with Citigroup Principal Strategies, where he established and managed the proprietary liquid global real estate investment business which included a long-short portfolio of global real estate securities. Previously, he was the Co-Portfolio Manager of the Hunter Global Real Estate Fund, and from 1999 until 2006, a Portfolio Manager at TIAA-CREF, where he established the liquid global real estate investment business and team, ultimately managing over $3.5 billion in global real estate equity and debt securities. Between 1993 and 1999, he was a Senior Research Analyst at Eagle Asset Management, where he launched and managed a dedicated real estate securities investment program with responsibility for fundamental analysis, securities selection and portfolio construction. Prior professional experience includes serving as a Partner at Raymond James & Associates where, as an investment banker, he managed public offerings and advised on mergers and acquisitions.

Mr. Duffy received a Bachelor of Science degree from the United States Military Academy at West Point in 1979 as a Distinguished Graduate (top 5% of his class), and a Master of Business Administration degree from the Harvard Business School in 1986. He earned the Chartered Financial Analyst designation in 1995.

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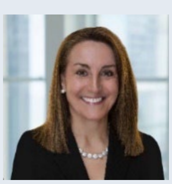

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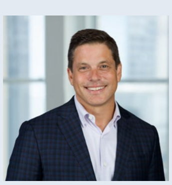

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Ranger Global Real Estate Advisors, LLC is an independent, SEC-registered investment advisor focused exclusively on the active management of portfolios of liquid global real estate securities on behalf of institutional and individual investors. The firm was co-founded in 2016 by Andrew J. Duffy, CFA (Chief Investment Officer) and F. Scott Tuck (Senior Advisor), West Point classmates and U.S. Army Rangers with nearly 30 years each of institutional asset management experience. The hallmarks of our investment strategy are concentrated portfolios with significant overweight to higher growth, high-quality companies, including Ranger's pioneering investment across Specialty property types, as well as highly favorable upside and downside market capture, making our portfolios attractive either as a standalone investment or as a complement to a private real estate portfolio.

Ranger Global is majority-owned by its employees and minority-owned by our strategic partner, QuadReal Property Group, a Canadian-based private real estate manager with approximately $74 billion (CAD) in assets under management. We seek to maintain an entrepreneurial culture which aligns the interests of our clients with those of our employees and stakeholders.

QuadReal™

QuadReal Property Group is a global real estate investment, operating and development company headquartered in Vancouver, British Columbia, managing total assets of approximately $74 billion (CAD). From its foundation in Canada as a full-service real estate operating company, QuadReal has expanded its capabilities to invest equity and debt in both the public and private markets around the globe. As an operating and development company, the firm is also able to invest across the entire life cycle of properties, from pre-development through to stabilization. QuadReal's flexible business strategy enables the firm to invest directly, via programmatic partnerships, and through operating companies in which it which it holds an ownership interest.

QuadReal, its operating companies, and partners share in their investment convictions, business values, and the commitment to take performance to the next level. QuadReal works with its partners to accelerate their growth and together cultivate value by unlocking innovation and sharing joint expertise. In addition to capital, QuadReal provides its partners with the in-house expertise of the broad-based QuadReal Resources Group.

QuadReal employs over 1200 real estate professionals located across Canada as well as in Hong Kong, London, New York, and Los Angeles. QuadReal seeks to deliver strong investment returns while creating sustainable environments that bring value to the people and communities it serves. Now and for generations to come.

Defined Terms and Disclosures

Defined Terms

Core Real Estate: Ranger Global defines Core as property types that are more highly correlated to GDP growth and typically fall into Office, Industrial, Retail, and Multi-Family Property types.

Specialty Real Estate: Ranger Global defines Specialty as a disparate group of non-core property types which typically exhibit a number of distinctive investment characteristics:

- Specialty property types generally operate in an environment of favorable supply-demand dynamics, conveying superior pricing power to landlords;
- Specialty property types typically generate higher growth rates than core property types;
- Demand for Specialty property types is generally a product of idiosyncratic demand drivers that are un-correlated to GDP growth

Examples of Specialty property types include Data Centers, Cell Towers, Student Housing, Medical Office, Self-Storage, Manufactured Home Communities, Timber, Outdoor Advertising, Single-Family Rental, Life Science/Lab Space, Leisure and Infrastructure. The universe of Specialty real estate companies is expanding quickly and constantly evolving.

FTSE Nareit All Equity REITs Index: an Index that contains all publicly-traded U.S. REITs. The FTSE Nareit All REITs Index is not free float adjusted, and constituents are not required to meet minimum size, liquidity, or minimum voting right criteria.

Disclosures

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