

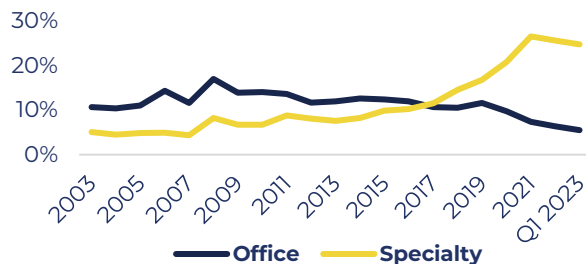
Market Insights: Office Sector

June 2023

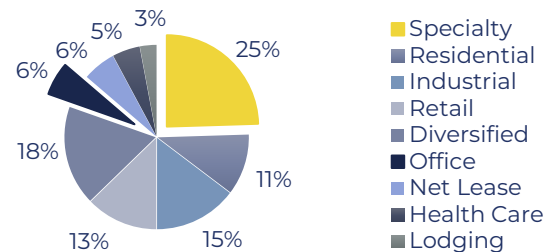
While there has been ample commentary in the business press regarding the well-founded challenges that are facing owners of office buildings – particularly those located in central business districts (“CBD Office”) – much of the commentary has painted the environment with too broad a brush. The revealed truth is that there is a bifurcated scenario wherein newer, higher-quality and well-amenitized office buildings are winning tenants at the expense of older lower-quality office buildings which are the most at risk of losing existing employers as they seek to provide their employees with a higher quality of work life in the new era of hybrid work models.

The office sector makes up only 6% of the market value across the listed real estate universe in the U.S.¹ The office sector’s weight in the benchmark has been diminishing over time, supplanted in part by the growth in non-traditional specialty property types, which are characterized by a disequilibrium of supply and demand which leads to higher growth prospects. Some examples of these property types include data centers, cell towers, student housing, single-family rental homes, medical office buildings, cold storage facilities and life science/lab space.

Historical Sector Weightings in Index²



Sector Composition: FTSE EPRA Nareit Developed Index¹



The office sector is experiencing extraordinary challenges due to fundamental and secular changes in how companies manage their office space needs in the new paradigm of hybrid work models. Excluding class A CBD properties with attractive amenity packages, we believe that the owners of most office buildings will experience significant headwinds for at least the next five years as existing leases expire and tenants downsize their space requirements. Ranger Global’s portfolios are currently positioned on a risk-aware basis in full recognition of the challenges that owners of office buildings are facing with very low overall exposure to this sector. The office companies that we do own each have differentiated portfolios and business models that substantially mitigate their exposure to the risks and challenges facing other companies. A good example is a company who leases 100% of their space to U.S. federal government agencies whose staff engage in work that typically requires in-office presence, thus making hybrid work models generally unavailable.

At Ranger Global, our size allows us to be nimble and our investment process seeks to identify the best investment ideas across the listed real estate universe, unconstrained by benchmark weights or market capitalization. Thus, we only own the companies that we want to own – not the ones that have to be owned due to their size and liquidity.

¹ Source: FactSet as of March 31, 2023.

² Historical weighting within the FTSE EPRA Nareit Developed Index from December 31, 2002 through March 31, 2023.

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 service 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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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 \$70 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 Property Group is a global real estate investment, operating and development company headquartered in Vancouver, British Columbia, managing total assets of approximately \$70 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 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 EPRA Nareit Developed Index: an Index comprised of publicly-traded real estate securities in developed countries worldwide which have met certain financial criteria for inclusion in the Index. Each company must derive the bulk of its earnings through the ownership, management or development of income-producing commercial real estate.

Disclosures

Past performance is not a guarantee nor a reliable indicator of future results. As with any investment, there are risks. There is no assurance that any portfolio will achieve its investment objective. The portfolio is subject to stock market risk, which is the risk that stock prices overall will decline over short or long periods, adversely affecting the value of an investment. Risks of one's ownership are similar to those associated with direct ownership of real estate, such as changes in real estate values, interest rates, cash flow of underlying real estate assets, supply and demand and the creditworthiness of the issuer. International investing poses special risks, including currency fluctuations and economic and political risks not found in investments that are solely domestic.

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