

Baur, J Scott

From: "Bonni Jensen" <bonni@robertdklausner.com>
Date: Friday, February 26, 2021 3:46 PM
To: "Baur, J Scott" <Scott@ResourceCenters.com>; <alison@resourcecenters.com>
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Subject: St. Lucie County Fire District Firefighters Pension Fund FW: Update on ARA Office Properties

Scott/Alison,

Please add the below to the agenda for the next meeting of the Board. Thanks!

To expedite the handling of your email, please be sure to copy bsjteam@robertdklausner.com on your emails.

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Subject: Update on ARA Office Properties

Hello and Happy First Quarter of 2021!

A common question we are getting during client meetings is regarding the status of office properties. Below you will find some talking points that may be helpful in addressing our current outlook on office in the Core Fund's portfolio in particular:

- We believe the Core Fund's office portfolio is of higher overall quality than the peer set, looking at property valuation, rent collections, in-place tenancy, asset quality, and leased percentage. Most of the exposure in this area is concentrated in assets that are newer, higher quality, and with strong in-place tenancy.
- Average rent collections were 99% from April to December 2020, while the peer set collected on average collected 96% during the same period. We believe the higher rent collection data demonstrates a higher quality nature driven by the credit, durability, and diversification of our office tenants. Over 58% of the Fund's tenancy in the office portfolio is from tenants estimated to generate over \$1B+ in annual revenues, and over 71% in the Financial Services and Insurance, Technology, Life Sciences and Health Care, and e-commerce/e-payments business segments, all of which have all benefited from the business environment of the last year. We expect these will continue to do well going forward.
- Weighted average lease term of 6.5 years, 7% longer than the peer set, with 8% less lease rollover than peers over the next 3 years. We believe the office market will continue to be challenging and will be a 'tenant's market' for the next few years so having less leases come to market during the next few years should reduce the risk of our office compared to the peer set.
- The average asset age is 15 years younger than the competition allowing us better control of net operating income dilution as we limit having to spend capital dollars to compete in an over-supplied market. For the year, our office portfolio capital expenditure was 20% of net operating income compared to the peer set realized capital expenditures of 43% of net operating income growth.
- Currently the office sector in the Core Fund is 94% leased, higher than the peer set at approximately 89% leased.

Please let me know if you have any additional questions and as always I'm available to attend any of your client meetings and answer these questions also.

Kind regards,

Richelle Cook

Senior Vice President, Investor Relations

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