View of the Market

Volume XVI/Issue 11/November 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

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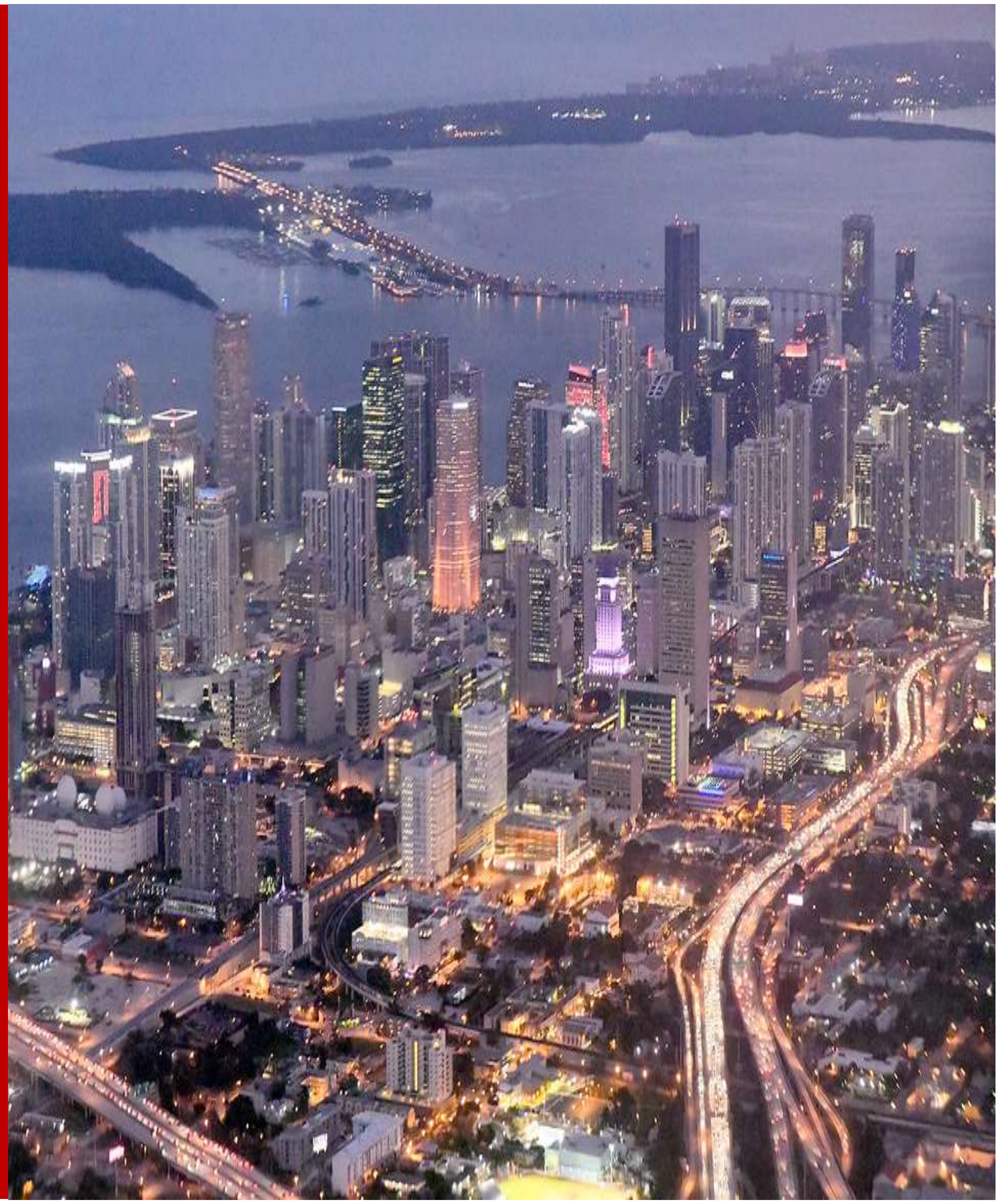

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REAL STATE FOCUS

Optionality in the CRE Industry

One of the most important but least recognized and often opaque strategic structures in CRE investment and finance is optionality. Optionality refers to the ability to adapt a property, investment or financing strategy to multiple uses or scenarios over time. It is the notion of keeping your options open without committing yourself to a single track or consequence. Optionality may be very valuable in CRE even though most of the time it is hidden and only rears its head when there is a negative event like default or foreclosure or when negotiating a property purchase, lease or financing.

Many readers of this newsletter are aware of stock options where an investor can speculate by buying or selling an option on a stock for a small premium to earn a profit. In corporate finance, there are "Real Options," which are economically valuable rights to pursue or else abandon investment choices that are available to the corporate manager in evaluating business projects or investment opportunities. Having optionality in real estate or corporate finance can enhance the return on the investment or transaction or protect the option holder from negative consequences.

In CRE, optionality is apparent in many and sometimes obscure ways as discussed below:

1. Using special purpose entities to hold and finance each real estate asset, so that a bad asset does not contaminate the other good assets in a portfolio or financing.

2. Buying a collar (buying a rate cap and selling a rate floor) on a floating rate loan with a financing reference rate like SOFR (secured overnight funding rate) to reduce interest rate risk.

3. Financing with nonrecourse debt, wherein the borrower has purchased a put option from the lender on the loan and can "Put" it back to the lender at any time.

4. Financing a public REIT with term loans and long-term bonds at the REIT level, instead of mortgaging each property owned by the REIT at the property level.

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5. Using an UpReit ownership structure to allow sellers of property to the REIT to defer their capital gain and also receive the REIT dividend.

6. Tenant leases that contain lease extension and expansion options.

7. Rights of first refusal and buy-sell agreements to the owners of a property or portfolio.

8. If the land value of a CRE asset has appreciated in value, the owner may complete a sale-leaseback of the site as a ground lease structure to realize that valuation.

9. A public REIT or private CRE investment firm that has a high investment grade credit rating.

10. Land banking, wherein a public homebuilder uses an unaffiliated entity to acquire, entitle and own land for future purchase by the homebuilder.

Optionality in CRE has value and that value accrues to the option holder, either in additional income, higher asset valuation, more risk protection, additional liquidity, balance sheet management, lower debt costs, financial flexibility, lower opportunity costs or maximizing strategic investment alternatives. Astute real estate players should be aware of optionality in their properties, business, financing and assets and maximize their value.

Emerging Trends in Real Estate Summary

The annual Emerging Trends in Real Estate data book on trends and forecasts has just been published by the Urban Land Institute and PricewaterhouseCoopers LLC and below is a summary of some of its major findings.

1. The CRE industry is on the cusp of the next upturn and the real estate cycle and now is the time for participants to begin thinking and planning for the next upturn and creating the groundwork for a boom in the next three years.

2. “The market for transactions is favorable just as property operations may be set to weaken. Many investors are ready to put capital to work, especially with many asset prices at cyclical lows. If you’re looking for an entry point to buy assets over a three-five-year hold, we think it’s an attractive entry point.”

3. Interest rates have been historically low for an exceedingly long time and the real estate industry came to depend on them. The industry got spoiled and used to the low cost of capital and investors had used positive leverage to increase the equity return.

4. Development activity is starting to percolate with developers and investors penciling in new opportunities. One investor commented that “In just the last 30 days, people have been coming out of the woodwork. Everyone has been working hard and banging their heads against the proverbial rocks, trying to get deals to pencil and turning over and kicking pieces of dirt.”

5. The head of CRE investment banking at a major financial institution said this: “I think you’re going to see more and more normalization in debt markets. As you start to see repayments and people’s real estate exposure goes down, they’re going to want to create new real estate exposure to replace it at new levels. So, I think that velocity will start to normalize.”

6. Another issue that’s been percolating for the last few years is the mountains of debt that need to be refinanced or the properties sold during the next couple of years. Per debt consultant, Trepp, there is $1.2 trillion in CRE loans maturing through 2025. This includes a large pool of assets worth less than the debt, primarily in the stressed office sector. Much of that debt was extended from prior years in the timeless dance of “extend and pretend.” And once again, the practice seems to be working for many lenders and owners. As prices start to recover and interest rates decline, the parties will have more opportunity to reach an agreement on these loans.

7. Data centers have been the top choice of the Emerging Trends survey respondents for two years running for both investment and development prospects, far outpacing all other subsectors.

The reason is clear: Enormous and spiraling demand primarily from the growth and computing demands of AI significantly exceeds the market's ability to deliver new space.

8. "Housing affordability is the critical issue in real estate," said a leading real estate academic, referring specifically to the market for for-sale housing. Unfortunately, no relief seems to be in sight. Though home prices fell briefly earlier this year as high interest rates cramped affordability, that decline appears to be over as prices started rising again this summer. The chief culprit now is the extreme scarcity of existing homes put up for sale. The good news for existing homeowners is that few must pay the prevailing high interest rates. Most either own their house outright with no debt or have locked in rock-bottom interest rates on their fixed-rate mortgages. The bad news for homebuyers is that homeowners are opting to stay in their homes rather than face higher mortgage payments, so the supply of homes on the market is at historic lows. With so little on the market, desperate homebuyers are bidding up home prices on the few homes available.

9. The PropTech market has been hot with investment activity in the early-and-later-stage venture capital markets has begun to pick up significantly in response to a recalibration of pricing expectations and improvements in deal quality. According to the Global PropTech Confidence Index, 77% of surveyed investors plan to maintain or increase their investments in PropTech over the next 12 months. The window for PropTech initial public offerings remains tepid for now, mergers and acquisition activity continues to be strong for both strategic and financial buyers.

10. In The Emerging Trends Survey, more respondents believe cap rates will decrease in 2025 than think cap rates will stay the same; barely 10 percent expect cap rates to rise. Moreover, the buy-sell-hold barometer scored its highest "time to buy" and the lowest "sell" rating since the Great Recession.

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CRE Allocation at the Institutional Level

Institutional investors including pension funds, sovereign wealth funds, insurance companies and endowments are the largest investors in the CRE sector. Per the Pension Real Estate Association, they currently have over 8.39 trillion in CRE investments. This amount is allocated to Public Debt at $1.7 trillion, Private Debt at $3.8 trillion, Public Equity at $1.09 trillion and Private Equity at $1.8 trillion. These investments are allocated, 82% to core strategies, 11% to value-added strategies and 7% to opportunistic strategies and then into various markets and property types. Allocation to these investment classifications is necessary; however, it should be the second step in a more comprehensive allocation investment strategy.

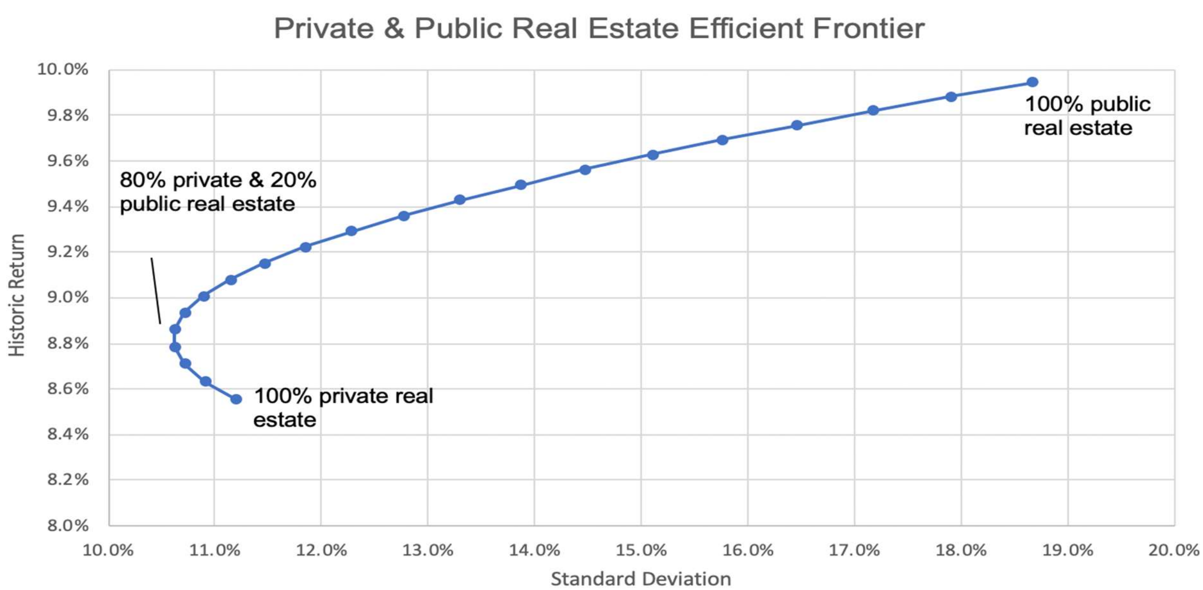
A comprehensive investment allocation strategy should begin with the four-quadrant approach to real estate investment. The four-quadrant approach is a CRE investment strategy that was first written about by Joseph Ori, the editor of this newsletter, in the summer 1995 issue of Real Estate Review magazine and further developed by Heitman Properties, Ltd and Property, Portfolio and Research in the late 1990s and has been the cornerstone of CRE investment sector allocations.

The program first allocates the total investable capital to CRE between the public and private real estate markets and then into debt and equity investments within each of these markets. The public CRE equity market is comprised of REITs and real estate operating entities, primarily hotel companies and development firms and the private equity market includes all other non-public CRE investment programs including non-traded REITs, private equity funds, closed-end funds, commingled funds, funds of funds, special account funds and private equity real estate funds. The public CRE debt market is comprised of commercial mortgage-backed securities (CMBS) and collateralized loan obligations (CLOs) and the private debt market includes all private financing from banks, savings and loans, Wall Street, mortgage bankers and private lenders that issue first mortgage loans, subordinated loans, mezzanine loans, bridge loans and participating loans. A graphic representation of the four-quadrant investment program is shown in Table I below:

Table I-Four Quadrant Investment Program

	Public	Private
Equity	REITs REOCs (real estate operating companies)	Direct Acquisitions Joint Ventures Commingled/Special Account Funds Private Equity Real Estate Funds Non-Traded REITs Closed End Funds Fund of Funds Private Equity Real Estate Funds
Debt	CMBS CLOs	First Mortgages Mezzanine Loans Subordinate Loans Bridge Loans Participating Loans

Once funds are allocated into the four quadrants, the next step is to allocate the private equity portion to the six risk classifications of core, core-plus, value-added, opportunistic, distressed and development and the public equity portion to REITs and REOCs and the debt portions to public and private loan categories as desired. Some may question whether to include public REITs in the CRE bucket as opposed to the stock equity investment sector of an institutional investor. Since REITs have a 73% correlation with small-cap stocks (according to REIT Watch as shown on REIT.com), it may make sense to categorize them as stocks. However, many institutional investors and other market participants prefer that public REIT investments be included in the CRE sector portfolio because they provide liquidity, transparency, and long-term returns similar to private real estate equity and when included in the four-quadrant program, increase return and lower risk as shown in the graph below.



The four-quadrant approach to institutional real estate investment is a vital first step in determining an effective and profitable allocation to commercial real estate investments and should be used by all institutional investors.

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Get Your Copy of Three Great CRE Books by Our Editor, Joseph Ori

The editor of this newsletter, Joseph Ori, is pleased to offer his three CRE books for sale, “The Fifty Commandments of Commercial Real Estate Investment” Edition I and II and “Commercial Real Estate Investment for Pros (and Dummies Too!).” All books are available on Amazon and other book outlets in Kindle, and soft and hardcover from $8.99 to $24.99.

Both editions of The Fifty Commandments of Commercial Real Estate Investment compile the choice pieces of advice Mr. Ori has amassed over 40 years in the CRE industry. Mr. Ori lists essential dos and don’ts, mistakes, and successful strategies with a mixture of critical analysis and a keen sense of satirical humor, reinforced by his encyclopedic knowledge of the commercial real estate environment. Mr. Ori covers all areas of the industry. Commercial real estate investment,

finance, development, capital markets, and management tactics are all given his full attention, as are leasing, financial analysis, and institutional investments. He applies his commandments to all property types, including apartments, office buildings, shopping centers, industrial warehouses, lodging properties, and senior housing.

Commercial Real Estate Investment for Pros (and Dummies Too!) discusses the history, the various financial players, legal and financial structures, property types, modern portfolio theory and the financial metrics of commercial real estate investment and the commercial real estate industry. The book includes numerous charts and analyses of the industry and a step-by-step breakdown of the commercial real estate analysis and investment process. The book is perfect reading for the experienced real estate pro and also understandable to the real estate novice or someone new to the industry.

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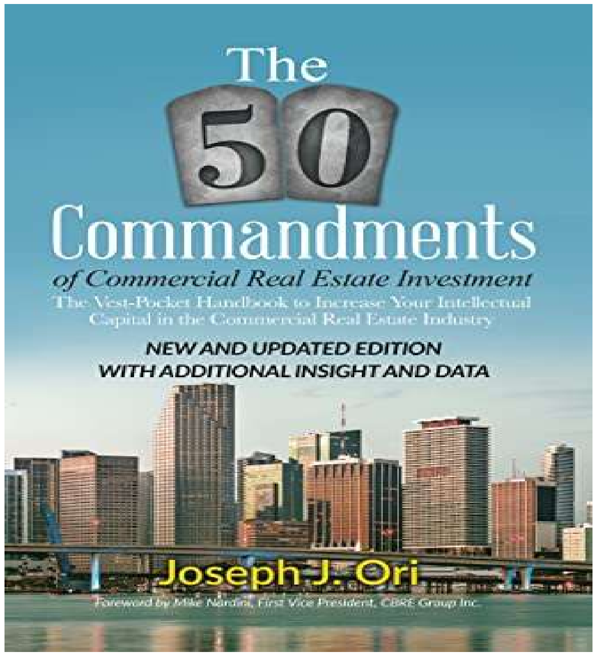

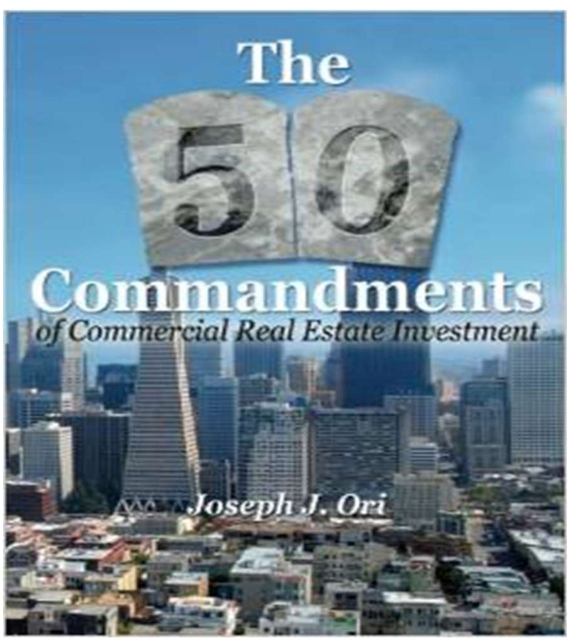

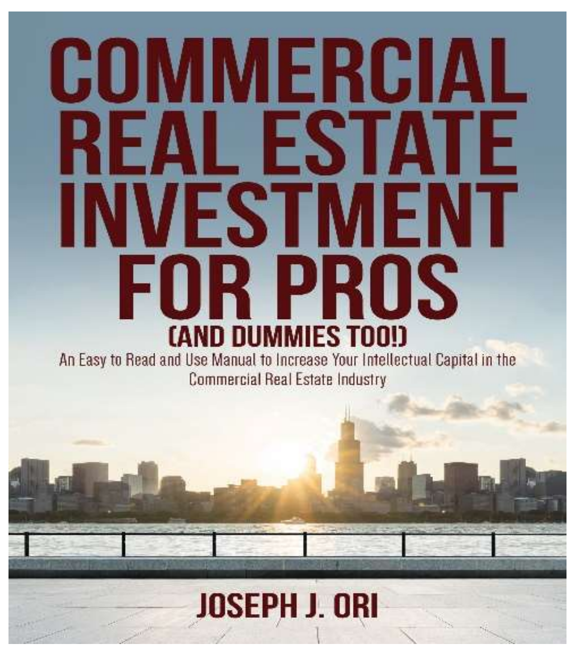

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CRE Financing Rates

Loan Type	Mortgage Rate	Maximum Amortization	Term (years)	Maximum LTV
Permanent Loans	5.87%-10.00%+	30	10	70%
Conduit-CMBS	5.88%-7.49%+	30	10	70%
Bridge Loans	6.00%-14.00%+	Interest Only	1-3	80%
Construction Loans	9.50%-14.50%+	Interest Only	1-4	70%
Insurance Co. Loans	5.38%-7.89%+	30	10	70%
Fannie Mae/Freddie Mac	4.98%-5.79%+	30	10	80%

Commercial Loan Index Rates	
Prime Rate	7.75%
30-Day SOFR (secured overnight funding rate)	4.63%
1 Year Swap	4.26%
10 Year Swap	3.94%
5 Year Treasury	4.17%
10 Year Treasury	4.31%
Federal Funds Rate	4.50%

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The Federal Reserve's Open Market Committee met last week and lowered the federal funds rate .25% to 4.50%. This is their second, rate reduction in two months and a welcome relief to the CRE industry. We believe the Fed will continue to lower the funds rate by an additional .25% in December and at least 1.0% to 2.0% in 2025. The above financing rates and data are courtesy of Paramount Capital Corporation and feel free to contact Joseph Ori, Founder and CEO, Paramount Capital Corporation, jjo@paramountcapitalcorp.com, for your real estate capital needs.

CRE Deal Focus

CRE Deals of the Month

Purchaser/ Sponsor	Seller	Property/ Deal	Price	Description
Morning Calm Management	Nuveen Real Estate	701 Brickell, Miami, FL	$443M	A 685,279-square foot office building.
Justin Mateen and Tyler Mateen, et al	Nuveen Real Estate	Wilshire Rodeo Plaza, Beverly Hills, CA	$211M	A 300,000-square-foot office/retail complex.
PSAI Realty Partners	Clarion Partners	The Plaza at Walnut Creek, Walnut Creek, CA	$162M	A 362,399-square foot office complex.

Extell Development	Williams Equities	655 Madison Ave., New York, NY	$160M	A 233,323-square foot, 25-story office building.
AIR Communities	PGIM Real Estate	Tower at One Greenway, Boston, MA	$123M	A 217-unit apartment complex built in 2015.
Waterton	CA Ventures	903 Peachtree Apartments, Atlanta, GA	$118M	A 427-unit apartment complex built in 2022.
Unknown	JLL Income Property Trust	Stonemeadow Farms, Bothell, WA	$93M	A 280-unit apartment built in 1999.
Farallon Capital Management	Golub & Co. and CIM Group	Chestnut Place, Chicago, IL	$85M	A 280-unit apartment property built in 1982.

EQT REIT	Dermody Properties	Industrial Property, Tukwila, WA	$81M	A 202,464-square foot industrial property net leased to Amazon.
Rexford Industrial	AXA Real Estate	Industrial Property, Fontana, CA	$70M	A 278,650-square foot industrial property built in 1989.

CORPORATE FINANCE FOCUS

The Daily Drucker

One of the most popular corporate thinkers and management consultants in the last hundred years is Peter Drucker. He passed away in 2005 at 92 years old, but during his illustrious career, published over thirty-five books, and his corporate and management ideas have had a profound impact on shaping the modern corporation and management science. For the next twenty-four issues of VOM, we will highlight some of his insights and motivations in corporate management, personnel, and the knowledge worker from one of his last books, The Daily Drucker.

I. Hitting Them Where They Aren't

"Hitting them where they aren't" outflanks the leader by creative imitation. Here, the innovator doesn't create a new product or service. Instead, it takes something just created by somebody else and improves upon it. This is imitation. But it is creative imitation because the innovation reworks the new product or service to better satisfy customers' wants and needs. Once the innovator succeeds in creating what customers want, it can achieve leadership and take control of the market.

II. Entrepreneurial Judo

Entrepreneurial Judo turns what the market leaders consider their strengths into the very weaknesses that defeat them. Businesses, like Judo fighters, tend to become set in their behaviors. Be agile, recognize the strengths of your competitors, and look for opportunities in parts of the market than they have ignored.

III. Changing Economic Characteristics

Successful innovators price according to what the customer pays for. The innovative strategy converts an existing product or service into something new by changing its utility, its value, and its economic characteristics. There is new economic value and new customers, but no new product or service. Often the most successful way to change the economic characteristics of a product or service is to change its pricing. In the end, the producer gets at least the same amount of money, if not a good deal more.

IV. Ecological Niches: Tollbooth Strategy

If the innovator succeeds, it will have a nearly impenetrable position. The first niche strategy is the Tollbooth Strategy. Under the Tollbooth Strategy, the innovator creates a product or service that is an indispensable part of a larger process. Then the cost of using the product becomes eventually irrelevant. Here, the market must be so limited that whoever occupies the niche first is able to effectively bar anyone else from entering it.

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Are you the Smartest Person in the Room, if so, You're in the Wrong Room

The key to business success today, whether you are a real estate professional, or a corporate finance wizard is to accumulate the most knowledge, experience, judgment and negotiation skills for your individual job or business. Knowledge, experience, and people skills are derived from years of experience, great mentoring, being involved in a multitude of transactions, reading voraciously, and working hard, not 40 hours a week but 70 hours a week. If you are at the top of your game in these areas, you will be phenomenally successful. A commercial real estate broker will be the top producer in their office or company, when they obviously close the most deals but also have the key client relationships built over time, to make those deals. A corporate finance managing director will also be the best in class by closing the most deals and their knowledge and skill in structuring complex corporate finance transactions and long-term relationships with corporate CFO's and CEO's.

However, many high-profile real estate and corporate finance players are comfortable being the smartest person in the room and not the biggest producer or salesperson. If you are one of these professionals, then you are in the wrong room. The smartest and most successful business people in real estate and corporate finance throughout history have surrounded themselves with people who are smarter than they are, so they can increase their knowledge capital and become better at their craft. This is evident when you read the biographies and books on Warren Buffett, Sam

Zell, Carl Icahn, Jerry Speyer, Steve Schwarzman, Howard Marks, and Charlie Munger, just to name a few. If you surround yourself with people who are less capable than you, you will be dragged down to their level and will become the average of these people. If you are an up-and-coming young Whipper Snapper real estate broker with grandiose plans to be the biggest producer in your office or the entire firm and you pal around with other real estate brokers who are only doing average business, you will become just an average broker. Successful people are not average, they are way above average and would never tolerate being in a group of people who strive only to be average.

As the editor of this newsletter and with over 40 years of commercial real estate experience, I often learned the most when I was with senior and more experienced real estate colleagues. When I was a young real estate Assistant Vice President of Acquisitions in the 1980s, I often accompanied my boss to the office of the company CEO. The CEO was one of the smartest real estate people I had ever met and when in his office, he was usually on the phone making CRE deals all over the country. I learned more about CRE investment and finance in those ten or fifteen minutes of listening to the phone conversation than I did taking a college real estate course. When you surround yourself with people who are much smarter than you, you will learn things that will raise your knowledge IQ, competence level, confidence and business skills that will make you a top-notch businessperson. If you are the dumbest person in the room, you are in the right room.

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REIT Statistics

Current REIT statistics for 8/31/24 per NAREIT are included in the table below. Please note that the all-equity REIT return over 20 years includes three CRE downturns, the Great Recession, the retail and store closure meltdown and the current higher interest rate regime.

Period	*All REITs*	*All Equity REITs*	*S&P 500*	*NASDAQ Composite*
8/2024	10.39%	10.73%	**19.53%**	18.57%
1-Year	20.82%	21.44%	27.14%	**27.15%**
5-Year	4.50%	4.82%	15.92%	**18.29%**
10-Year	6.81%	7.08%	12.98%	**15.60%**
20-Year	7.58%	8.11%	10.65%	**11.99%**
Market Capitalization	$1.51T	$1.43T	$45.8T	$22.4T
Dividend Yield	3.94%	3.67%	1.24%	1.27%

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REIT Review

Summary

This REIT valuation is on BXP, Inc. ("BXP"), a publicly-traded REIT that is engaged in the acquisition, ownership, development, and management of premier office, life science, retail and residential property types. BXPs properties are located in Boston, Los Angeles, New York, San Francisco, Seattle, and Washington D.C. BXP owns directly or in joint ventures, 184 properties with a total of 53 million square feet. BXPs occupancy rate is 90.1% and same-store net operating income growth for Q3-24 YoY was 1.2%. The three largest tenants include Salesforce (3.35% of annualized base rent), Google (2.89% of annualized base rent) and Biogen (2.49% of annualized base rent).

Property Developments

As of Q3-24, BXP was developing nine properties including office, retail and residential with 2,371,000 square feet at a total cost of $2.054 billion with $1.029 billion incurred to date.

Corporate Data

BXP is traded on the New York Stock Exchange, is incorporated in Delaware, and is located in Boston, MA. BXP has 157.98 million common shares outstanding and a market capitalization of approximately $14.658 billion. BXP owns an 89.6% interest and controls its UpReit partnership, Boston Properties Limited Partnership. BXP's credit rating is BBB from Standard and Poor's and Baa2 from Moody's.

Management

Owen D. Thomas, 62, CEO and Chairman

Owen D. Thomas is a recognized leader in the real estate industry with more than 35 years of executive leadership, strategic planning, management, and international experience, as well as substantial experience in financial and capital markets. Mr. Thomas is the Chairman and CEO of BXP. He is currently a Director of Lehman Brothers Holdings Inc. and served as its first

Chairman from 2012 until 2013 when he joined BXP. Prior to Lehman, Mr. Thomas was with Morgan Stanley for 24 years serving in a number of different roles, including Chief Executive Officer of Morgan Stanley Asia Ltd., President of Morgan Stanley Investment Management, Head of Morgan Stanley Real Estate and Managing Director. He also served on Morgan Stanley's Management Committee from 2005 until 2011. Mr. Thomas was previously a Director of Grosvenor Group Limited from 2011 to 2013. Mr. Thomas is a member and former Global Chairman of the Urban Land Institute, a Director of the Real Estate Roundtable, a member of the Advisory Board of Governors of Nareit and a member of the Economic Club of New York. He previously served as Chairman of the Pension Real Estate Associates and as a Director of the University of Virginia Investment Management Company. He attended and is Chair of the Board of Trustees at Woodberry Forest School, received a BS in Mechanical Engineering from the University of Virginia and an MBA from Harvard Business School.

Top Institutional Holders	Shares (000's)	%
The Vanguard Group, Inc.	23,570	14.91
Blackrock Inc.	18,630	11.78
Norges Bank Investment Management	12,700	8.03
State Street Corporation	10,920	6.91
Apg Asset Management US Inc.	7,370	4.66

Ownership Breakdown	
% Of Shares Held by All Insiders and 5% Owners	.22
% Of Shares Held by Institutional & Mutual Fund Owners	102.97
Number of Institutions Holding Shares	878

All amounts above per Yahoo Finance

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Financial Analysis and Valuation

Select financial data for BXP per the 2024 Q3 10Q and supplemental information.

(In millions where applicable)

Financial Data	Amounts
Real Estate Assets, Gross	$27,557
Total Assets	$26,405
Property Debt (at weighted average interest rates of approximately 4.04%)	$16,215
Stockholders' Equity	$8,271
Revenue	$2,549
Net Income (Loss)	$243
Cash Flow from Operations	$850
Unsecured Credit Facility ($2B with $0 used)	$2,000
Market Capitalization	$14,658
Property Debt to:	
Gross Real Estate Assets	59%
Market Capitalization	110%
Enterprise Value	52%
Dividend and Yield ($3.92/sh.)	4.73%
Shares Sold Short (in millions per Yahoo Finance)	5,140

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Valuation Methodology	
Q3-24 Real Estate Revenue	$2,549
Q3-24 Real Estate Operating Expenses (excluding depreciation, amortization, interest expense, impairment charges plus G&A expenses)	$1,088
Q3-24 Net Operating Income	$1,461
Proforma Annualized Net Operating Income at 103%	$2,006
Projected Average Cap Rate	7%
Projected Value of Real Estate Assets	$28,657
Add: Net Operating Working Capital (at book value)	$665
Investments in Unconsolidated Joint Ventures (at book value)	$1,421
Total Projected Value of the Assets of the Company	$30,743
Less: Total Debt per Above	($16,215)
Projected Net Asset Value of the Company	$14,528
Common Shares Outstanding, 176.24M, 157.98M Common Shares plus 18.26M Partnership Units	
Projected NAV Per Share	**$82.43**
Market Price Per Share on 11/15/24	**$83.11**
Premium (Discount) to NAV	**.08%**

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Financial Metrics

The gross real estate assets, property debt, revenue, net income, funds from operations, return on invested capital, dividend coverage, and dividends per share for BXP for the years 2019 through Q3-24 are shown in the table below.

(Millions except dividend and per share amounts)	2019	2020	2021	2022	2023	Q3-24
Gross Real Estate Assets	$22,502	$22,770	$23,752	$25,389	$26,749	$27,557
Property Debt	$11,810	$13,047	$12,895	$14,239	$15,855	$16,215
Revenue	$2,960	$2,765	$2,888	$3,108	$3,273	$2,549
Net Income (Loss)	$511	$862	$496	$848	$790	$243
Funds from Operations (FFO)	$763	$978	$1,025	$1,183	$1,274	$858
Return on Invested Capital (1)	8.0%	8.3%	8.3%	8.4%	8.6%	NA
Dividend Coverage (2)	1.64	1.31	1.09	1.54	1.68	1.51
Dividends Paid Per Share	$3.83	$3.92	$3.92	$3.92	$3.92	$3.92(3)

(1) This ratio is cash provided by operations plus interest expense divided by stockholder's equity plus property debt and measures the return the REIT is earning on its invested capital.

(2) This ratio is funds from operations divided by common and preferred stock dividends and distributions to noncontrolling interests.

(3) The dividend in 2024 is $.98 per quarter.

The total return of BXP year to date and through five years are shown in the chart below per NAREIT:

BXP Total Return	8/2024	1-Yr	3-yr	5-Yr
	10.59%	19.76%	-7.93%	-5.81%

As shown above, our net asset value per share for BXP is $82/sh., compared to a market price of $83/sh. Current average cap rates for office properties per our industry experience and CBRE's Cap Rate Survey are in the 5.0% to 10.0%+ range, depending on the location, tenancy and quality of the property. We have used an average cap rate of 7.0% due to BXPs high quality portfolio of office and other assets.

Strengths:

- An attractive dividend yield of 4.73%.
- A high-quality office portfolio.

Concerns:

- REIT prices will decline if interest rates increase.
- The dividend has not been increased since 2020.
- A high debt-to-enterprise value of 52%.
- BXP is trading at a .08% premium to our NAV.
- 87% of the office portfolio is in urban and suburban areas with high crime and outmigration of residents and companies.

Recommendation:

BXP is trading at a .08% premium to our NAV per share and we do not recommend the purchase of the stock.

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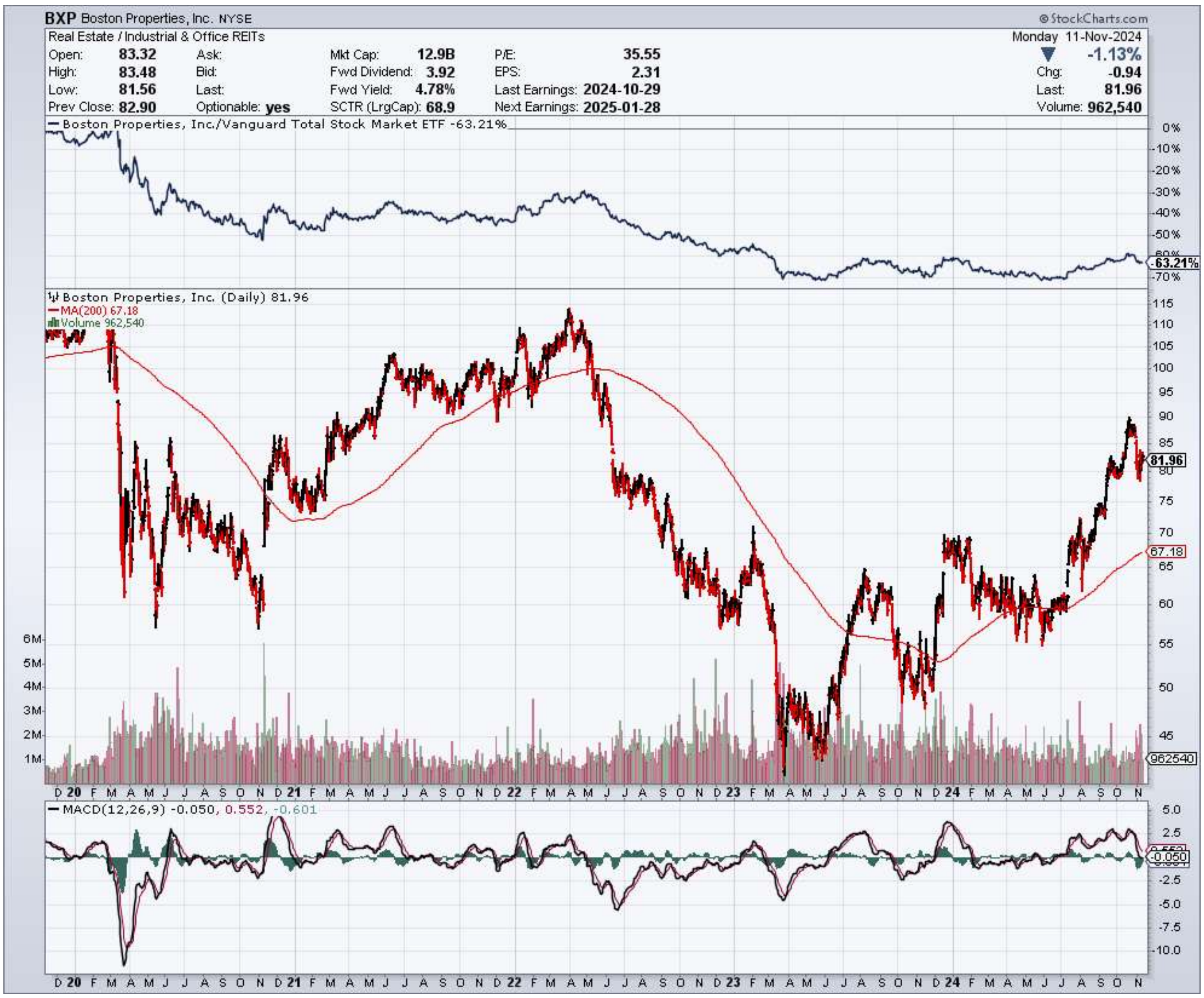
A five-year price chart for BXP is shown below:



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REIT FOCUS REVIEWS IN PRIOR ISSBXPS OF VOM ARE AS FOLLOWS:

1. Hudson Pacific Properties, Inc., August 2022
2. Kilroy Realty Corporation, September 2022
3. Realty Income Corporation, October 2022
4. Federal Realty Trust, November 2022
5. Equity Residential, December 2022
6. BXP Industrial, January 2023
7. Brixmor Property Group, Inc., February 2023
8. Mid-America Apartment Communities, March 2023
9. Office Properties, Trust, April 2023
10. Spirit Realty Capital, Inc., May 2023
11. Cousins Properties, Inc., June 2023
12. Tanger Factory Outlet Centers, Inc., July 2023
13. Paramount Group, Inc., August 2023
14. Broadstone Net Lease, Inc., September 2023
15. Apartment Income REIT Corp., October 2023

16. Kite Realty Group Trust, November 2023
17. Alexandria Real Estate Equities, Inc., December 2023
18. Agree Realty Corporation, January 2024
19. WP Carey, February 2024
20. Essex Property Trust, March 2024
21. Brandywine Realty Trust, April 2024
22. Urban Edge Properties, May 2024
23. Eastgroup Properties, June 2024
24. BXP Industrial, Inc., July 2024
25. Camden Property Trust, August 2024
26. Regency Centers Corporation, September 2024
27. Kilroy Realty Corporation, October 2024

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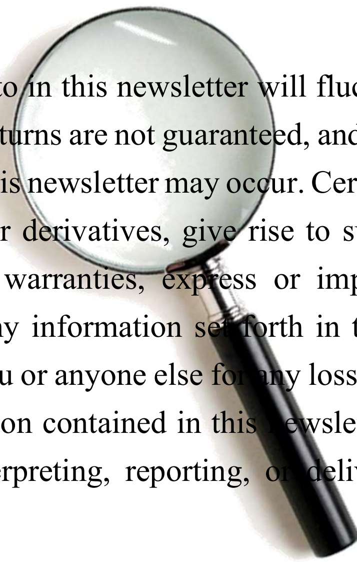

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