

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

INSIDE THIS ISSUE

Real Estate Focus:

- An Update on Healthcare REIT Returns
- The Largest CRE Debt Funds in 2023
- Private REIT Fundraising Update
- CRE Books by Our Editor, Joseph Ori
- CRE Financing Rates Courtesy of Paramount Capital Corporation

CRE Deal Focus:

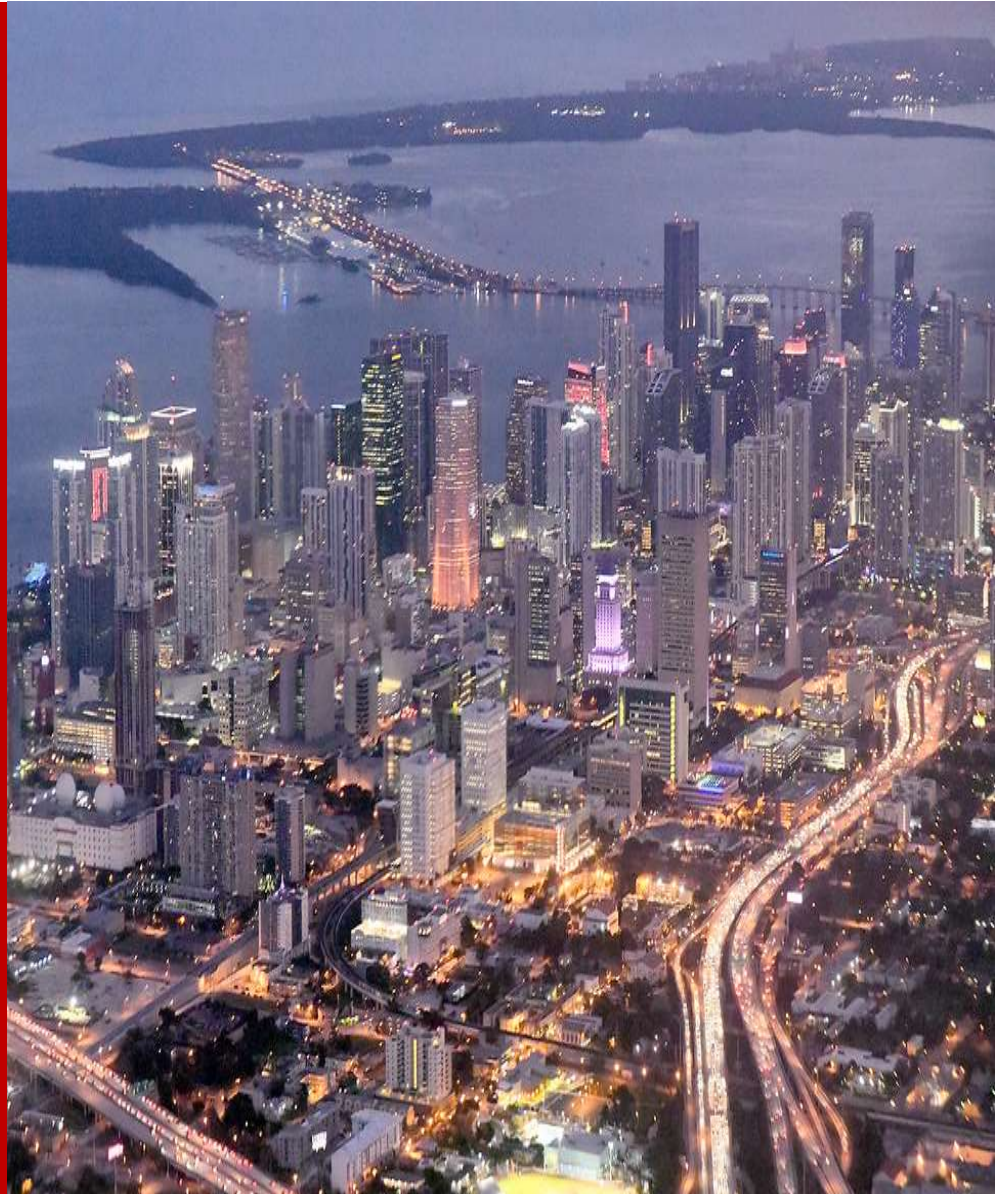
- CRE Deals of the Month

Corporate Finance Focus:

- The Daily Drucker
- The Best Fifteen Investment Quotes of All Time

REIT Focus:

- REIT Return Statistics
- REIT Review: Essex Property Trust, Inc., an Apartment REIT



Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

REAL STATE FOCUS

Update on Healthcare REIT Returns

Healthcare REITs have generated solid returns over the last few years and these returns are expected to continue, although with some volatility. This is due to large portfolio shifts by these REITs from skilled nursing facilities to private pay senior housing properties, because of lower Medicare/Medicaid reimbursement rates and strong aging demographics. Many healthcare REITs also own medical office buildings, which have been a great investment during the last several years. REITs that concentrate on senior housing only, including skilled nursing, independent living and assisted living have posted increasing metrics for occupancy and monthly rents post-pandemic. During the pandemic, occupancy rates plunged to 65%-70% from 90%+ and operations were in chaos. Occupancy rates have rebounded in the last two years to an average of about 85% and should reach the pre-pandemic rate of 90%+ by 2025.

There are fifteen public healthcare REITs with a market capitalization of \$112 billion, and an attractive dividend yield of 4.64%, that currently trade at a cheap 12.6 times funds from operations (funds from operations is a REIT metric then equals net income plus depreciation and amortization less gains/losses on property sales). The total return for healthcare REITs from 2019 through 2023 is shown in the chart below.

	2019	2020	2021	2022	2023
Total Return	21.20%	-9.86%	16.32%	-22.18%	13.94%

We suggest that any individual investor allocate 10%-20% of their personal assets to REIT stocks in a diversified REIT ETF or mutual fund, for diversification and total return purposes.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

The Largest CRE Debt Funds in 2023

Although higher interest rates for the last two years have created turmoil in the CRE industry, capital raising for private CRE debt funds has been strong. The chart below from Private Equity Real Estate magazine shows the fifteen largest private debt funds in 2023. The top 50 firms have raised \$267 billion over the last five years for CRE debt investments.

THE 2023 RED 50

Annual global private real estate debt fund capital raising

Rank	Manager	Capital raised (\$m)	Headquarters
1	AXA IM Alts	28,867	Paris
2	PGIM Real Estate	19,156	Madison
3	PAG	13,898	Hong Kong
4	PIMCO	10,530	Newport Beach
5	Blackstone	9,539	New York
6	AllianceBernstein	8,597	Nashville
7	Cerberus Capital Management	8,051	New York
8	Berkshire Residential Investments	6,823	Boston
9	Kayne Anderson Capital Advisors	6,698	Los Angeles
10	M&G Investments	6,256	London
11	Goldman Sachs Asset Management Real Estate	6,231	New York
12	Affinius Capital*	6,170	New York
13	Oaktree Capital Management	6,169	Los Angeles
14	Brookfield Asset Management	6,034	Toronto
15	Pretium Partners	5,700	New York

This debt capital which is part of the shadow lender group is critical capital for the CRE industry. Most CRE deals for financing do not “fit in the box” of the regulated lenders like banks, insurance companies and the GSEs, therefore, they have to seek alternative financing provided by the shadow lending sector. Since the shadow lenders are not subject to bank and Basel III regulations, they are very flexible on loan structures and terms, and they can fund almost any deal, albeit at a high price. Most of their loans are based on spreads over SOFR of 4.0%+ and include loan fees of 1%-3%. The loans are also primarily recourse.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Private REIT Fundraising Update

Fundraising in the private or non-traded REIT sector took a dive in 2023 due to higher interest rates, courtesy of the Federal Reserve with only \$9.8 billion in new capital raised through November 2023 according to Robert A. Stanger and Co., Inc., the CRE investment banking firm.

Year	Capital Raised (billions)
2010	\$8.1
2011	\$8.3
2012	\$10.3
2013	\$19.6
2014	\$15.6
2015	\$16.0
2016	\$4.4
2017	\$4.1
2018	\$4.7
2019	\$10.0
2020	\$10.8
2021	\$34.4
2022	\$33.2

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

2023 (through 11/23)	\$9.8
----------------------	-------

The dominant player in the private REIT market is the venerable Blackstone, which has raised more than \$40 billion in equity for its private REIT, Blackstone Real Estate Income Trust, Inc., with over \$114 billion in assets. Other newer private REITs include Starwood Real Estate Income Trust, Inc. with over \$24 billion in assets, FS Credit Estate Income Trust with over \$8 billion in assets, ARES Real Estate Income Trust with over \$4 billion in assets, Hines Global Income Trust with over \$3 billion in assets and Nuveen Global Cities Real Estate Income Trust with over \$2 billion in assets. These REITs are net asset value (NAV) REITs, which means the common stock price per share is updated on a monthly basis by using cap rates and discounted cash flow analysis to value the real estate portfolio. This monthly price per share is used to calculate returns and redeem shares of stock for investors who want to sell their shares. Monthly redemption requests are typically capped at 1.0% to 2.0% of the total shares outstanding. The non-traded REIT sector has over \$200 billion in assets and is important to the overall success of the CRE market, as it is an incubator for private firms to raise billions in capital for investment in CRE assets.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

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 35 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.

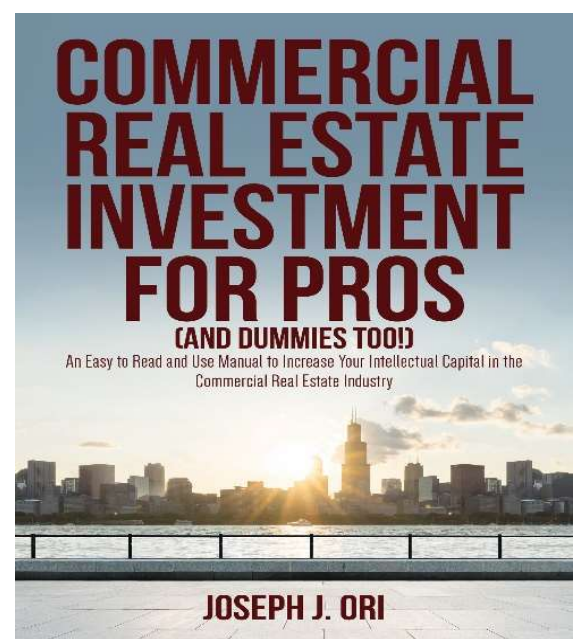
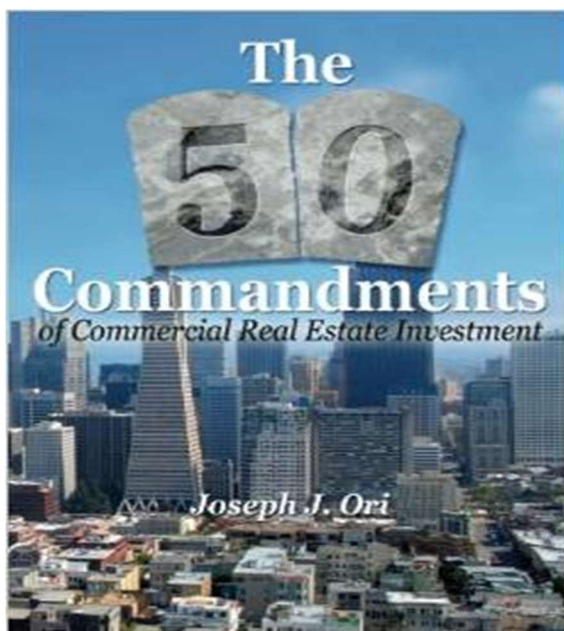
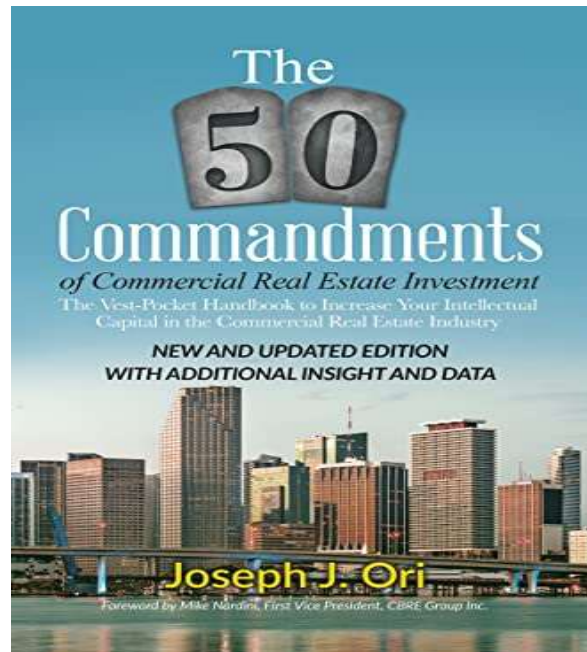
Commercial Real Estate Investment for Pros (and Dummies Too!) discusses the history, the various financial players, legal and financial structures, property types, modern portfolio theory and the financial metrics of commercial real estate investment and the commercial real estate industry. The book 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.

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation



View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

CRE Financing Rates

Loan Type	Mortgage Rate	Maximum Amortization	Term (years)	Maximum LTV
Permanent Loans	5.87%-10.50%+	30	10	70%
Conduit-CMBS	5.88%-7.49%+	30	10	70%
Bridge Loans	6.50%-14.50%+	Interest Only	1-3	80%
Construction Loans	10.00%-15.00%+	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	8.50%
30-Day SOFR (secured overnight funding rate)	5.32%
1 Year Swap	5.65%
10 Year Swap	3.87%
5 Year Treasury	3.99%
10 Year Treasury	4.11%
Federal Funds Rate	5.25%



View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Short-term interest rates have remained stable with the 30-day SOFR rate at 5.32%, however, the ten-year treasury rate has increased to 4.11%. The Federal Reserve met on January 30-31, 2024, and kept the funds rate at 5.25%. We still believe that the Fed will begin to lower rates in the second quarter of 2024, which will create a mini-boom in CRE. The above financing rates and data are courtesy of Paramount Capital Corporation and feel free to contact Joseph Ori, Executive Managing Director, Paramount Capital Corporation, jjo@paramountcapitalcorp.com, for your real estate capital needs.

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

CRE Deal Focus

CRE Deals of the Month

Purchaser/ Sponsor	Seller	Property/ Deal	Price	Description
Fertitta Entertainment Inc.	JP Morgan Chase & Co.	River Oaks District, Houston, TX	\$450M	A 13.9-acre, 663,408-square-foot luxury retail and mixed-use property.
Tanger Outlet Center	UK	Bridge Street Town Center, Huntsville, AL	\$193M	An 825,000-square- foot retail center.
Barings	Principal Real Estate Investors	1370 Ave. of the Americas, NY, NY	\$160M	A 336,000-square- foot office building.
Brixton Capital	TA Realty	The Windsor, Lakewood, CO	\$124M	A 352-unit apartment property.

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Pantzer Properties	Rockpoint and Post Road Residential	The Point at Green District, Marlborough, MA	\$95M	A 234-unit apartment complex.
Lightstone and Cerberus Capital Management	New York Life Real Estate Investors	Distribution Center, Mechanicsburg, PA	\$78M	An 812,425-square-foot distribution center.
Tanger Outlets	New England Development	Asheville Outlets, Asheville, NC	\$70M	A 382,000-square foot outlet mall.
BKM Capital Partners	Los Angeles County Employees Retirement Association	Canyon Industrial Center, San Diego, CA	\$70M	A 13-building, 198,728-square foot industrial center.
University Partners	William Fideli Investments	The William, Athens, GA	\$67M	A 370-bed student housing property built in 2022.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Inland Real Estate Group	Cavan Cos.	Onyx at Westgate, Glendale, AZ	\$62M	A 190-unit single-family rental community.
--------------------------	------------	--------------------------------	-------	--

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. Theory of the Business

A clear, simple, and penetrating theory of the business, rather than intuition, characterizes the truly successful entrepreneur. A theory of the business has three parts. First, there are assumptions about the environment of the organization, society and its structure, the market, the customer, and technology. Second, there are assumptions about the specific mission of the organization. Third, there are assumptions about the core competencies needed to accomplish the organization's mission. Core competencies define where an organization must excel in order to maintain leadership.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

II. The Obsolete Theory

A degenerative disease will not be cured by procrastination. It requires decisive action. We can't rely on miracle workers to rejuvenate an obsolete theory of the business. And when one talks to these supposed miracle workers, they deny vehemently that they act by charisma or vision. They start out with diagnosis and analysis. They accept that attaining objectives and rapid growth demand a serious rethinking of the business.

III. Focus on Excellence

What is our specific knowledge? A valid definition of specific knowledge of a business sounds simple, deceptively so. It takes practice and regularity to do a knowledge analysis well. The first analysis may come up with embarrassing generalities such as; our business in communications, or transportation, or energy. These general terms may make good slogans for a salesman's convention, but to convert them to operational meaning, that is, to do anything with them, is impossible. A successful business has to be at least competent in a good many knowledge areas in addition to being excellent in one.

IV. Creating Customer Value

There is no loss to the customer by eliminating activities that do not add value. Activity-based costing provides the foundation for integrating into one analysis the several procedures required to create customer value. With activity costs as a starting point, the enterprise can separate activities that add value to customers from those that do not and eliminate the latter. The chain of value creating activities uncovered during value analysis is the starting point for analyzing the underlying process of value creation.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

The Best Fifteen Investment Quotes of All Time

One way to be a great investor is to learn from the best and below are fifteen of the best investment quotes from masters in the securities and investment business.

1. "An investment in knowledge pays the best interest." - Benjamin Franklin

When it comes to investing, nothing will pay off more than educating yourself. Do the necessary research, study, and analysis before making any investment decisions.

2. "Bottoms in the investment world don't end with four-year lows; they end with 10- or 15-year lows." - Jim Rogers

While 10 to 15-year lows are not common, they do happen. During these down times, don't be shy about going against the trend and investing; you could make a fortune by making a bold move - or lose your shirt. Remember quote #1 and invest in an industry you've researched thoroughly. Then, be prepared to see your investment sink lower before it turns around and starts to pay off.

3. "I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful." - Warren Buffett

Be prepared to invest in a down market and to "get out" in a soaring market. (For more, read *Think Like Warren Buffett*.)

4. "The stock market is filled with individuals who know the price of everything, but the value of nothing." - Phillip Fisher

Another testament to the fact that investing without an education and research will ultimately lead to regrettable investment decisions. Research is much more than just listening to popular opinion.

5. "In investing, what is comfortable is rarely profitable." - Robert Arnott

At times, you will have to step out of your comfort zone to realize significant gains. Know the boundaries of your comfort zone and practice stepping out of it in small doses. As much as you

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

need to know the market, you need to know yourself too. Can you handle staying in when everyone else is jumping ship? Or getting out during the biggest rally of the century? There's no room for pride in this kind of self-analysis. The best investment strategy can turn into the worst if you don't have the stomach to see it through.

6. "How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case." - Robert G. Allen

Though investing in a savings account is a sure bet, your gains will be minimal given the extremely low interest rates. But don't forgo one completely. A savings account is a reliable place for an emergency fund, whereas a market investment is not. (To learn more, see *Savings Accounts Not Always The Best Place For Cash Assets.*)

7. "Invest in yourself. Your career is the engine of your wealth." - Paul Clitheroe

We all want wealth, but how do we achieve it? It starts with a successful career which relies on your skills and talents. Invest in yourself through school, books, or a quality job where you can acquire a quality skill set. Identify your talents and find a way to turn them into an income-generating vehicle. In doing so, you can truly leverage your career into an "engine of your wealth."

8. "Every once in a while, the market does something so stupid it takes your breath away." - Jim Cramer

There are no sure bets in the world of investing; there is risk in everything. Be prepared for the ups and downs. (To read more on how Cramer makes his pick, see *Cramer's 'Mad Money' Recap: Tools of the Trade.*)

9. "The individual investor should act consistently as an investor and not as a speculator." - Ben Graham

You are an investor, not someone who can predict the future. Base your decisions on real facts and analysis rather than risky, speculative forecasts.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

10. "It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for." - Robert Kiyosaki

If you're a millionaire by the time you're 30, but blow it all by age 40, you've gained nothing. Grow and protect your investment portfolio by carefully diversifying it, and you may find yourself funding many generations to come.

11. "Know what you own and know why you own it." - Peter Lynch

Do your homework before making a decision. And once you've made a decision, make sure to re-evaluate your portfolio on a timely basis. A wise holding today may not be a wise holding in the future.

12. "Financial peace isn't the acquisition of stuff. It's learning to live on less than you make, so you can give money back and have money to invest. You can't win until you do this." - Dave Ramsey

By being modest in your spending, you can ensure you will have enough for retirement and can give back to the community as well.

13. "Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas." - Paul Samuelson

If you think investing is gambling, you're doing it wrong. The work involved requires planning and patience. However, the gains you see over time are indeed exciting! (For more reasons to be patient, check out *Patience Is A Trader's Virtue*.)

14. "I would not pre-pay. I would invest instead and let the investments cover it." - Dave Ramsey

A perfect answer to the question: "Should I pay off my _____ (fill in the blank) or invest for retirement?" That said, a credit card balance ringing up 30% can turn into a black hole if not paid off quickly. Basically, pay off debt at high-interest rates and keep debt at low ones.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

15. "The four most dangerous words in investing are: 'this time it's different.'" - Sir John Templeton

Follow market trends and history. Don't speculate that this particular time will be any different. For example, a major key to investing in a particular stock or bond fund is its performance over five years. Nothing shorter.



View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

REIT Statistics

Current REIT statistics for 1/31/24 per NAREIT and NCREIF 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.

<i>Period</i>	<i>All REITs</i>	<i>All Equity REITs</i>	<i>NCREIF NPI Levered Index</i>	<i>S&P 500</i>	<i>NASDAQ Composite</i>
<i>1/2024</i>	-4.83%	-4.86%	-12.15%	1.68%	1.04%
<i>1-Year</i>	-3.81%	-3.75%	-12.15%	20.82%	31.99%
<i>5-Year</i>	3.76%	4.21%	4.41%	14.30%	16.80%
<i>10-Year</i>	6.80%	7.07%	7.97%	12.62%	15.11%
<i>20-Year</i>	7.23%	7.78%	8.82%	9.69%	10.48%
<i>Market Capitalization</i>	\$1.30T	\$1.24T	\$371B	NA	NA
<i>Dividend Yield</i>	4.25%	3.92%	NA	1.42%	NA

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

REIT Review

Summary

This REIT valuation is on Essex Property Trust, Inc., (“ESS”), a publicly-traded REIT that is engaged primarily in the ownership, operation, management, acquisition, development, and redevelopment of predominantly apartment communities, located along the West Coast of the United States. ESS owns 252 communities with 62,261 units that are 96.3% leased.

Property Developments

As of Q4-23, ESS had one 264-unit property under development at a total cost of \$126 million with \$114 million incurred to date.

Corporate Data

ESS is traded on the NYSE, is incorporated in Maryland, and is located in San Mateo, CA. ESS has 64.2 million common shares outstanding and a market capitalization of approximately \$16,200 billion. ESS owns a 96.6% interest in its UpREIT partnership, Essex Portfolio, L.P. ESS's debt is rated BBB+ by Standard & Poor's, Inc., and Baa1 by Moody's.

Management

Angela L. Kleiman, 52, President and CEO

Ms. Kleiman, a Director, is the President and Chief Executive Officer of the Company. She previously served as the Senior Executive Vice President and Chief Operating Officer for the Company from 2021 to 2023 and was the Company's Executive Vice President and Chief Financial Officer from 2015 to 2020. Ms. Kleiman was responsible for the overall transaction management for the \$16 billion merger with BRE Properties. She joined Essex in 2009 to manage the Private Equity platform and grew the business from \$750 million to \$3 billion in gross assets. Prior to joining Essex, Ms. Kleiman's real estate career focused primarily on institutional investment management and investment banking. As a Senior Equity Analyst and Vice President of Investor Relations at Security Capital, she was responsible for over \$2 billion of the firm's REIT investments and all client communications. As a Vice President with J.P.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Morgan Real Estate & Lodging Investment Banking Group, she advised senior management and boards in strategic business platforms and capital markets transactions. Ms. Kleiman began her career in real estate development management in 1991. She holds a Bachelor of Science from Northwestern University and a Master of Business Administration from the Kellogg School of Management. She currently serves on the Board of Directors of Rexford Industrial Realty, Inc. Ms. Kleiman is also a member of NAREIT and NMHC.

Ownership

Top Institutional Holders	Shares (000's)	%
The Vanguard Group, Inc.	16,220	15.91
Blackrock, Inc.	6,470	10.07
State Street Corporation	5,840	9.09
Cohen & Steers, Inc.	3,070	4.78
Principal Financial Group, Inc.	2,720	4.24

Ownership Breakdown	
% Of Shares Held by All Insiders and 5% Owners	1.21
% Of Shares Held by Institutional & Mutual Fund Owners	98.97
Number of Institutions Holding Shares	858

All amounts above per Yahoo Finance

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Financial Analysis and Valuation

Select financial data for ESS per the 2023 10K and supplemental information.

(In millions where applicable)

Financial Data	Amounts
Real Estate Assets, Gross	\$16,135
Total Assets	\$12,361
Property Debt (at weighted average interest rates of approximately 3.3%)	\$6,205
Stockholders' Equity	\$5,593
Revenue	\$1,669
Net Income (Loss)	\$405
Cash Flow from Operations	\$980
Unsecured Credit Facility (\$1.24B with \$0M used)	\$1,240
Market Capitalization	\$16,200
Property Debt to:	
Gross Real Estate Assets	38%
Market Capitalization	38%
Enterprise Value	25%
Dividend and Yield (\$9.80/sh.)	3.99%
Shares Sold Short (in millions per Yahoo Finance)	1,470

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Valuation Methodology	
2023 Real Estate Revenue	\$1,669
2023 Real Estate Operating Expenses (excluding depreciation, amortization, interest expense, impairment charges plus G&A expenses)	<u>\$546</u>
2023 Net Operating Income	\$1,123
Proforma Net Operating Income at 103%	\$1,157
Projected Average Cap Rate	<u>6.0%</u>
Projected Value of Real Estate Assets	\$19,283
Add: Net Operating Working Capital (at book value)	\$134
Real Estate Under Development and Co-Investments (at book value)	<u>\$1,084</u>
Total Projected Value of the Assets of the Company	\$20,501
Less: Total Debt per Above	<u>(\$6,205)</u>
Projected Net Asset Value of the Company	<u>\$14,296</u>
Common Shares Outstanding, 64.2M	
Projected NAV Per Share	\$223
Market Price Per Share on 3/15/24	\$244
Premium (Discount) to NAV	9.4%

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

Financial Metrics

The gross real estate assets, property debt, revenues, net income, funds from operations, return on invested capital, dividend coverage, and dividends per share for ESS for the years 2018 through 2023 are shown in the table below.

(Millions except dividend and per share amounts)	2018	2019	2020	2021	2022	2023
Gross Real Estate Assets	\$13,366	\$14,038	\$15,061	\$15,629	\$15,966	\$16,135
Property Debt	\$5,605	\$5,808	\$6,250	\$6,286	\$5,957	\$6,205
Revenues	\$1,400	\$1,460	\$1,495	\$1,440	\$1,606	\$1,669
Net Income (Loss)	\$390	\$439	\$568	\$488	\$408	\$405
Funds from Operations (FFO)	\$858	\$912	\$868	\$941	\$923	\$1,013
Return on Invested Capital (1)	8.7%	9.4%	8.7%	8.8%	9.9%	10.1%
Dividend Coverage (2)	1.67	1.71	1.53	1.61	1.52	1.64
Dividends Paid Per Share	\$7.44	\$7.80	\$8.31	\$8.36	\$8.80	\$9.24

- (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 \$2.45 per quarter.

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

ESS Total Return	2023	1-Yr	3-yr	5-Yr
	-5.92%	7.53%	2.54%	.29%

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

As shown above, our net asset value per share for ESS is \$223/sh., compared to a market price of \$244/sh. Current average cap rates for apartment properties per our industry experience and CBRE's Cap Rate Survey are in the 5.0% to 8.0% range, depending on the location and quality of the property. We have used an average cap rate of 6.0% due to ESSs diversified portfolio of apartment properties.

Strengths:

- A low debt to enterprise value of 25%.
- The dividend has been increased by 24% since 2018.

Concerns:

- REIT prices will decline if interest rates increase.
- The stock is trading at a 9.4% premium to our NAV.
- ESSs portfolio is too concentrated in No CA, So CA and Seattle.

Recommendation:

ESS is trading at a premium of 9.4% to our NAV per share, and we are not recommending the purchase of the stock.

View of the Market

Volume XVI/Issue
3/March 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

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



Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

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



1. Camden Property Trust, Inc., January 2022
2. Healthcare Trust of America, Inc., February 2022
3. Simon Property Group, Inc., March 2022
4. Brandywine Realty Trust, April 2022
5. Rexford Industrial Realty, Inc., May 2022
6. Host Hotels & Resorts, June 2022
7. The Macerich Company, July 2022

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

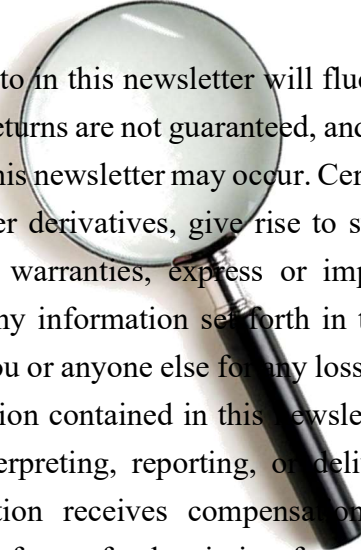
8. Hudson Pacific Properties, Inc., August 2022
9. Kilroy Realty Corporation, September 2022
10. Realty Income Corporation, October 2022
11. Federal Realty Trust, November 2022
12. Equity Residential, December 2022
13. STAG Industrial, January 2023
14. Brixmor Property Group, Inc., February 2023
15. Mid-America Apartment Communities, March 2023
16. Office Properties, Trust, April 2023
17. Spirit Realty Capital, Inc., May 2023
18. Cousins Properties, Inc., June 2023
19. Tanger Factory Outlet Centers, Inc., July 2023
20. Paramount Group, Inc., August 2023
21. Broadstone Net Lease, Inc., September 2023
22. Apartment Income REIT Corp., October 2023
23. Kite Realty Group Trust, November 2023
24. Alexandria Real Estate Equities, Inc., December 2023
25. Agree Realty Corporation, January 2024

General Publication Information and Terms of Use

View of the Market is published by Paramount Capital Corporation at www.paramountcapitalcorp.com and edited by Joseph Ori, Executive Managing Director. The use of this newsletter and its content is governed by the Terms of Use as described herein. This newsletter is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This newsletter is distributed for informational purposes only and should not be construed as investment advice or a recommendation to sell or buy any security or other investment or undertake any investment strategy. It does not constitute a general or personal recommendation or tang the investment objectives, financial situations, or needs of individual investors.

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation



The price and value of securities referred to in this newsletter will fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of all of the original capital invested in a security discussed in this newsletter may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. There are no warranties, express or implied, as to the accuracy, completeness, or results obtained from any information set forth in this newsletter. Paramount Capital Corporation will not be liable to you or anyone else for any loss or injury resulting directly or indirectly from the use of the information contained in this newsletter, caused in whole or in part by its negligence in compiling, interpreting, reporting, or delivering the content in this newsletter. Paramount Capital Corporation receives compensation in connection with the publication of this newsletter only in the form of subscription fees charged to subscribers and reproduction or re-dissemination fees charged to subscribers or others interested in the newsletter content.

Subscription Information

Subscriptions to this newsletter are available for \$99 per year or \$149 for two years. See www.paramountcapitalcorp.com for subscription information.