

View of the Market

Volume XVII/Issue

5/May 2025

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

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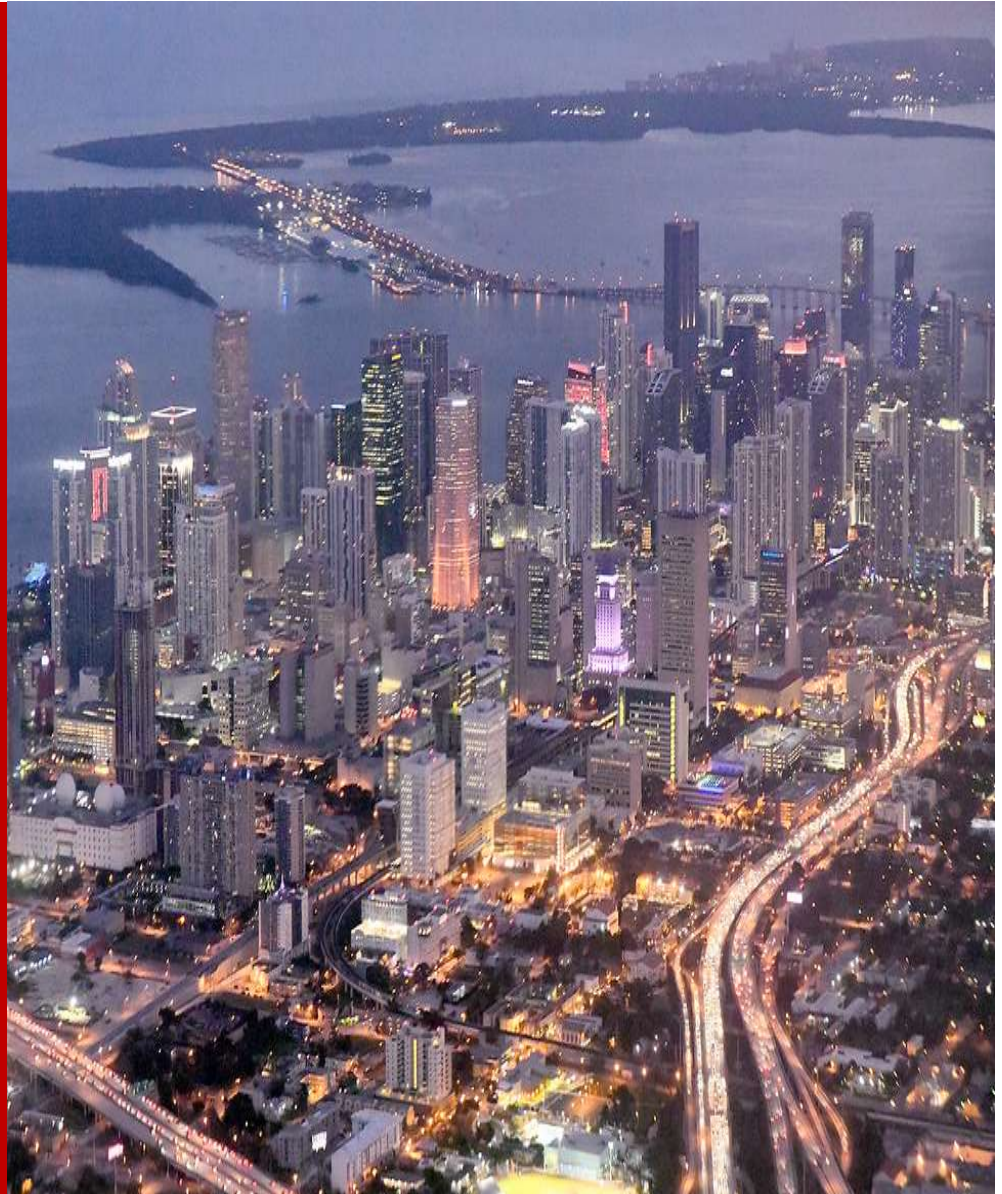
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REAL ESTATE FOCUS

The Roaring 20's of CRE is Coming

The CRE industry has been in a bear market for over three years, but that is coming to an end. The Federal Reserve will begin lowering interest rates in June, the trade negotiations will be complete by the end of this summer and Congress will pass the one big and beautiful tax bill by the July 4th holiday. This will ignite the biggest boom in the CRE sector since 2012, when the country came out of the Great Recession and the federal funds rate was reduced to zero percent. The roaring twenties of CRE will be here just like a century ago, with unprecedented opportunities to invest, finance, lease, develop and sell CRE assets.

There is a tremendous pent-up demand to do deals, especially with over \$250 billion of real estate private equity capital on the sidelines. Capital will even begin flowing into office markets riddled with high crime and out migration, like Chicago, San Francisco, Seattle, Philadelphia, Oakland, and downtown Los Angeles. Due to over three years of ultra-high interest rates and a tight credit market, real estate values in many markets have plummeted, and transaction volumes are down over 70%. However, the real estate industry will enter a new boom period as further discussed in the comments below.

1. More Dry Powder in CRE Private Equity Funds

According to Preqin and broker, Newmark Knight Frank, there is over \$253 billion of capital, with \$209 billion allocated for equity investments and \$44 billion for debt investments, in real estate private equity funds in the U.S. looking for CRE deals. This provides more than a normal level of capital for investment, joint ventures, loans, and development and is the oil that keeps the real estate industry humming.

2. Transaction Volumes Will be Up Dramatically

Investment sales transaction volumes were \$369B in 2024 and down from the record year of \$420B in 2021, per Altus Group, the software and data analytics company. Per CBRE, investment sales increased 14% and lending was up 13% in Q1-25 from a year ago. Sales, financing, and leasing transactions will soar substantially in 2025 and over the next few years, which will be eagerly accepted by many owners, lenders, brokers, and financiers.

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3. The Growth of Mega CRE Funds

Two years ago, The Blackstone Group completed raising capital for the largest CRE fund ever at a mind-boggling \$30.4 billion and Brookfield Property Asset Management, Inc., is currently in the market with its own mega fund of at least \$16 billion. With these large funds, even a \$100 million deal is too small as a single investment and these funds will have to acquire whole portfolios, real estate companies or REITs. These huge deals will help ensure robust investment activity in the industry.

4. REIT Stocks Will Rebound in 2025 and Beyond

The March 2025 YTD return for the FTSE-NAREIT All Equity Index was up a meager 2.75% and the 2024 return was only 4.92%. However, REIT stocks will also boom in 2025 and in the next few years, from the lackluster returns experienced in the last three years due to high interest rates. Individual sector returns for 2024 and the Q1-25 period are as follows:

Sector	2024 Return	Q1-25 Return
FTSE-NAREIT All Equity Index	4.92%	2.75%
Industrial	-17.78%	6.12%
Data Centers	25.22%	-15.21%
Apartments	20.48%	4.10%
Office	21.50%	-10.58%
Retail	14.01%	0.34%

We here at VOM expect the FTSE-NAREIT All Equity Index to return at least 20%, 4% from the dividend, and 16% in capital appreciation through the end of 2026.

5. Top Cities for Institutional Investment

The U.S. is still the favored country for CRE investment from institutional investors around the world. The five favorite cities in the U.S. are.

- Dallas/Fort Worth
- Austin
- Charlotte
- Miami

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- Nashville

All of these cities have high growth rates, low taxes, in migration of people and businesses and are business-friendly.

6. Lower Interest Rates Will Jump-Start the Industry

Lower interest rates, courtesy of the Federal Reserve, will be the rocket fuel for this CRE boom and as discussed above, are the primary driver of investment volumes. We here at VOM expect the 10-Year Treasury to be below 3.50% by the end of 2025 and around 3.00% in 2026.

7. The Booming CRE Software and Data Analytics Sectors

On the service side of CRE are two fast-growing industries, property management software and data analytics. There are a few large firms in these sectors, and dozens of smaller companies and start-ups creating software and analytics, many with AI capabilities to make the CRE industry more profitable, productive, and efficient. The four largest providers of property management software are Yardi, MRI, AppFolio, and RealPage and the four largest data analytics providers are Costar, RealPage, Moody's and MSCI (Real Capital Analytics).

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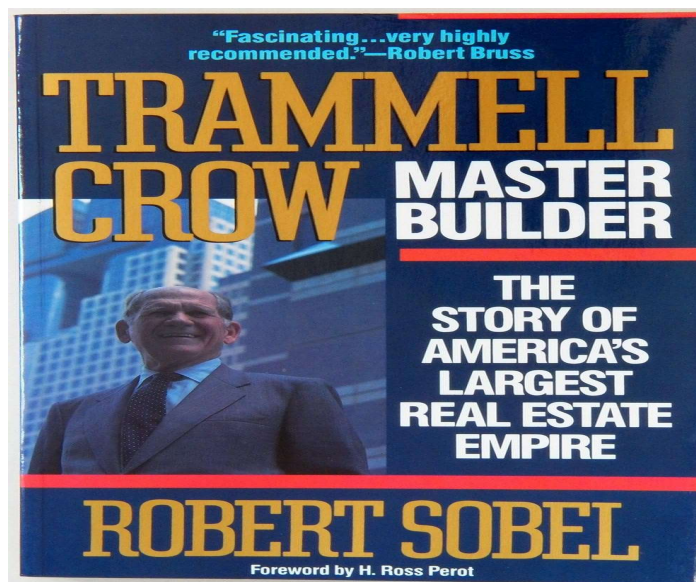
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Increase Your CRE Intellectual Capital with These Books

The best way to increase your intellectual capital in CRE or any business or profession is to be a voracious reader. Reading books can be a satisfying experience by reducing stress, helping with sleep, increasing knowledge, and inspiring success. In addition to the three books below written by our Editor, Joseph Ori, below are four other excellent CRE books that should be on every real estate professional's bookshelf.

1. Trammel Crow, Master Builder, Robert Sobel, John Wiley & Sons

This is a great book about one of the first and most successful CRE developers, Trammel Crow, who built a national development firm from the 1960s to the 1990s and remade the skylines of Dallas, TX, Atlanta, GA and San Francisco, CA. Crow built industrial buildings, office buildings and apartments, through a national network of senior partners, many of whom went on to form some of the largest public real estate investment trusts in the 1990s and are still around today. Crow was a visionary and relentless CRE deal machine.

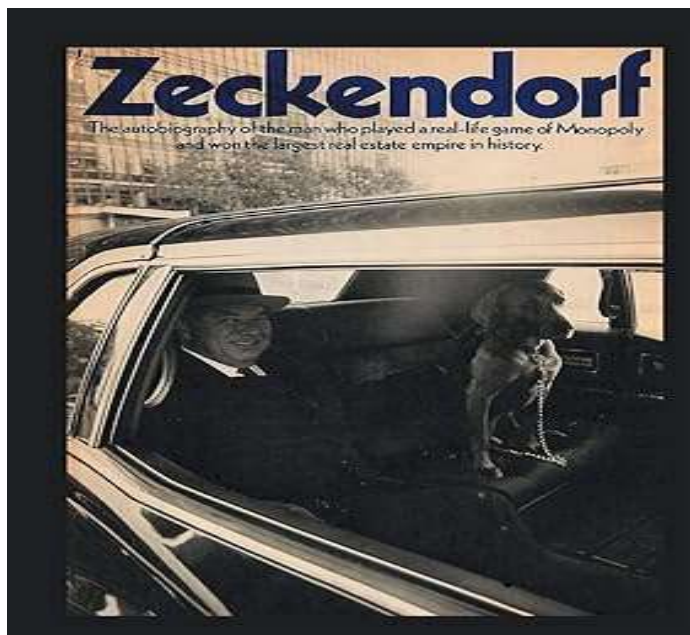


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2. Zeckendorf, Edward McCreary, Plaza Press

This is a classic read about the first national real estate developer, William Zeckendorf, who created the first publicly traded real estate development firm, Webb & Knapp. Zeckendorf was an aggressive and flamboyant broker and developer who began as a New York real estate broker in the 1950s and then became the most prominent national CRE developer of the time. He built some of the most iconic CRE properties in North America including, Denver Mile High Center, Place Ville Marie in Montreal, Century City in Los Angeles, a portion of “The Magnificent Mile” on Michigan Avenue in Chicago and owned many prized properties like the Chrysler Building and hotel Astor in New York and the land where the United Nations Building sits today.

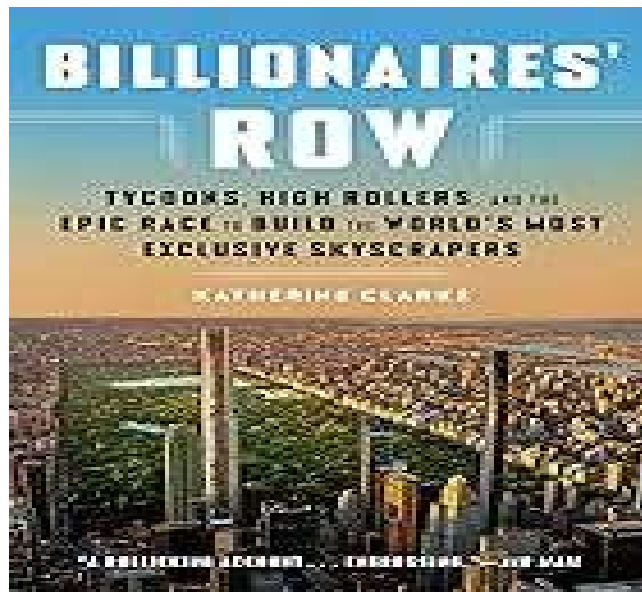


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3. Billionaires' Row, Katherine Clarke, Currency Books

This book is a thrill ride through the rough and tumble world of New York commercial real estate from 2010 to today. The author provides a scintillating account of the vicious ambition, greed, and reckless abandonment of the largest New York developers in their quest to build what are now called super tall buildings around 57th St. and Central Park in Manhattan, and known as Billionaires' Row. The developers used every trick in the book to assemble the land, raise vast amounts of debt and equity capital, and build soaring high-rise condominiums over 1,000 feet tall, with units that would sell for tens of millions of dollars



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4. The New Kings of New York, Adam Piore, *The Real Deal*

This book is another New York expose and page-turner about high-flying real estate developer renegades, moguls, crazies and gamblers in their quest to build skyline-transforming office, retail and condominium developments in New York City, including The Time Warner Center, Hudson Yards, and super tall high-rises, where units were sold for tens of millions of dollars. The book reveals a detailed diary of the machinations of these fearless developers to cobble together hundreds of millions in capital to create large mixed-use developments and super tall palaces.



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Update on the CRE Net Lease Sector

The net lease sector represents properties owned by investors that are net leased to single-tenant retail, office, and industrial tenants over long-term triple-net leases. Net lease properties are a favorite investment of the net lease REITs that own over \$200 billion of these assets. In addition to the net lease REITs, net lease deals are a preferred investment of many institutional investors who seek a low risk, low volatility, and a longer duration return. Cap rates for net lease deals depend on the term of the lease and the credit of the single tenant. The longer the duration of the lease and the higher the credit of the tenant, the lower the cap rate. The shorter the lease duration and the lower the credit of the tenant the higher the cap rate. Currently, cap rates range from 4.5% to 7.5%.

Investing in net leases is equivalent to a corporate bond-spread game. An investor buys the net lease property at a 7.0% cap rate, finances it at a 6.0% interest rate, and makes the 1.0% spread. As long as interest rates remain low and stable, the spread game is low-risk, low-volatility and profitable. If rates rise, the net lease assets will decline in value, just like a bond when rates increase. If rates fall, the net lease assets will increase in value, just like a bond when rates fall.

The primary benefits of investing in net leases are the following:

1. Stable net lease income with long-duration leases.
2. Low re-leasing risk.
3. Low landlord requirements for property capex expenditures.
4. Lower market cycle volatility.
5. Most leases are triple net with some absolute (tenant pays for any structure and site costs) net.

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6. Low tenant turnover.

7. The future lease payments are not considered debt by most investors and analysts.

Many corporate tenants enter into sale-leaseback transactions with CRE investors, as the first step in creating a net lease property. When interest rates are high, many operating companies prefer to execute a sale-leaseback at a lower cap rate than the interest rate on new corporate debt, which lowers the cost of capital for the firm. Even though ASC (Accounting Standards Codification) 842 requires all leases greater than one year in term to be recorded as an asset and lease liability, the accounting is opaque, and most investors and analysts do not focus on the additional lease liability as long-term debt.

According to Northmarq, a CRE mortgage banking and brokerage firm, the total sales volume of net lease transactions in the first quarter of 2025 was \$9.4 billion, a decrease of 30% from the first quarter of 2024. Cap rates averaged 6.91% during this period. The industrial sector led with \$4.6 billion in sales, with the retail sector at \$3.05 billion and the office sector at \$1.8 billion. According to The Boulder Group, a net lease brokerage firm, select sales transactions for Q1-25 are shown in the table below.

Sale Date	Sector	Tenant	Location	Price	Cap Rate	Lease Term
1/25	Industrial	Bernards, Inc.	Greensboro, NC	\$24.6M	6.92%	5
3/25	Retail	Tesla, Inc.	Dublin, OH	\$17.8M	6.50%	9
1/25	Retail	Kroger	Zionsville, IN	\$17.6M	6.07%	13
2/25	Office	St. Lukes Univ. Health	Stroudsburg, PA	\$12.6M	6.64%	13
1/25	Retail	Bj's Wholesale Club	Bangor, ME	\$12.4M	6.50%	10

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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 on 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 for 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.

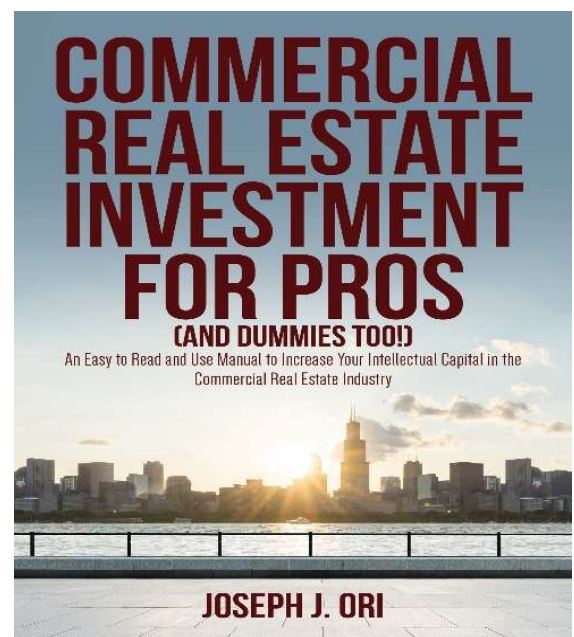
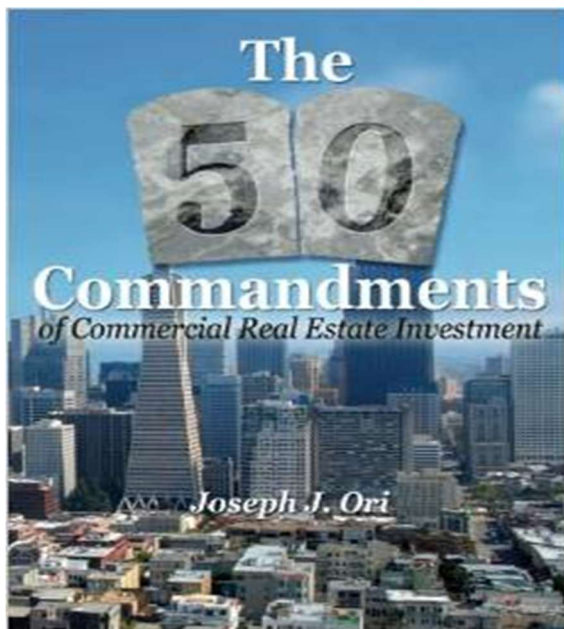
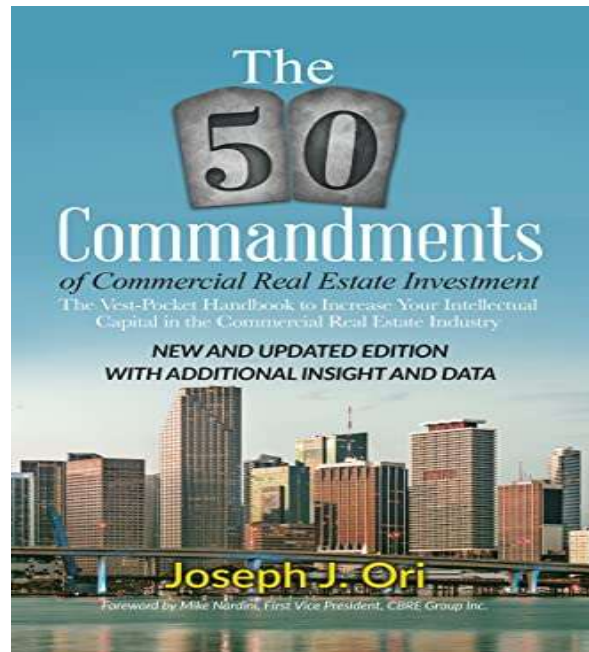
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CRE Financing Rates

Loan Type	Mortgage Rate	Maximum Amortization	Term (years)	Maximum LTV
Permanent Loans	5.87%-8.88%+	30	10	70%
Conduit-CMBS	5.88%-7.49%+	30	10	70%
Bridge Loans	5.50%-10.50%+	Interest Only	1-3	80%
Construction Loans	6.00%-11.00%+	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	7.50%
30-Day SOFR (secured overnight funding rate)	4.34%
1 Year Swap	3.86%
10 Year Swap	3.73%
5 Year Treasury	3.97%
10 Year Treasury	4.33%
Federal Funds Rate	4.25%



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Interest rates increased this month, with the 10-year treasury note down to 4.33% due to nervousness from the administration's tariff program. The Federal Reserve's Open Market Committee met on May 6th and 7th and did not lower interest rates, which we believe was a big mistake. 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.

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CRE Deal Focus

CRE Deals of the Month

Purchaser/ Sponsor	Seller	Property/ Deal	Price	Description
Blackstone	Crow Holdings	Industrial Portfolio, U.S.	\$718M	An industrial portfolio with 25 properties and six million square feet.
Synergy	Nuveen Real Estate	99 High St., Boston, MA	\$227M	A 730,000-square-foot office building that is 86% leased.
Harbor Group	Toll Brothers, Inc.	Kendrick Apartments, Needham, MA	\$181.7M	A 390-unit apartment property built in 2018.
Exelon Corp.	Brookfield Properties	701 Ninth St., Washington, D.C.	\$175M	A 364,000-square-foot office building.

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Normandy Real Estate	Moceri & Roszak	Fulbrix Apartments, Chicago, IL	\$170M	A 375-unit apartment property built in 2021 and 2023.
Cammeby's International	AvalonBay Communities	Station Apartments, Woodridge, NJ	\$161M	A 406-unit apartment property built in 2013.
Fairfield Residential	Equity Residential	Riverpark Apartments, Redmond, WA	\$147M	A 321-unit apartment property built in 2009.
Tishman Speyer	Brookfield Properties	Two South Willow, Montclair, NJ	\$96.1M	A 200-unit apartment property built in 2021.
LinkedIn	Synopsys, Inc.	Silicon Valley Office Building	\$75M	A 120,000-square-foot office building built in 2001.

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Milestone Group	Real Estate Acquisitions, Inc.	Solaire Apartments, Brighton, CO	\$65.3M	A 252-unit apartment property built in 2013.
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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. Managing Oneself: Revolution in Society

Managing oneself is based on these realities: Workers are likely to outlive organizations, and the knowledge worker has mobility. Managing oneself is a Revolution in human affairs. It requires new and unprecedented things from the individual and especially the knowledge worker. For, in effect, it demands that each knowledge worker think and behave as a chief executive officer. It also requires an almost 180-degree change in the knowledge workers' thoughts and actions from what most of us will take for granted as the way to think and the way to act.

II. A Noncompetitive Life

No one expects to live very long without experiencing a serious setback in one's life or one's work. Given the competitive struggle, a growing number of highly successful knowledge workers of both sexes, business managers, university teachers, museum directors, doctors, plateau in their forties. Knowledge workers therefore need to develop, preferably while they are

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still quite young, a non-competitive life and community of their own and some serious outside interest.

III. Staffing Decisions

Where there are peaks, there are valleys. The people decision is a big gamble, by basing it on what a person can do, it at least becomes a rational gamble. Effective executives make strength productive. They fill positions and promote based upon what a person can do, not to minimize weakness, but to maximize strength. Look for excellence in one area, and not for performance that gets by all around. Always start out with what a person should be able to do well and then demand that he or she really do it.

IV. “Widow-Maker” Positions

A widow-maker position is a job that defeats two competent people in a row. The only thing to do is to abolish the widow-maker position and restructure the work. Widows-makers typically appear when an organization experiences rapid growth or rapid change. Is there a widow-maker job in your organization? Either restructure the position or eliminate it.

Deal Risk and Black Swan Events

In acquiring a CRE asset or a company, most astute buyers use a discounted cash flow (DCF) proforma model to determine the future cash flows to the net operating income, discount those cash flows at a discount rate or weighted average cost of capital and then calculate the value of the asset. In the case of CRE, if this value is greater than the purchase price, the property will be acquired. In the case of a company, if the DCF value is greater than the market capitalization of the company, the stock will be purchased. The primary risk in buying these assets is making future projections, which are normally based on past financial activity and cash flows of the asset. No one can predict the future, and most proforma cash flow statements are what the investor thinks will happen based on prior financial events and activity. This is called “Recency

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Bias,” which is a cognitive bias that favors recent events over historic ones. In reality, most proforma cash flow projections are nowhere near the actual events, when compared after the fact.

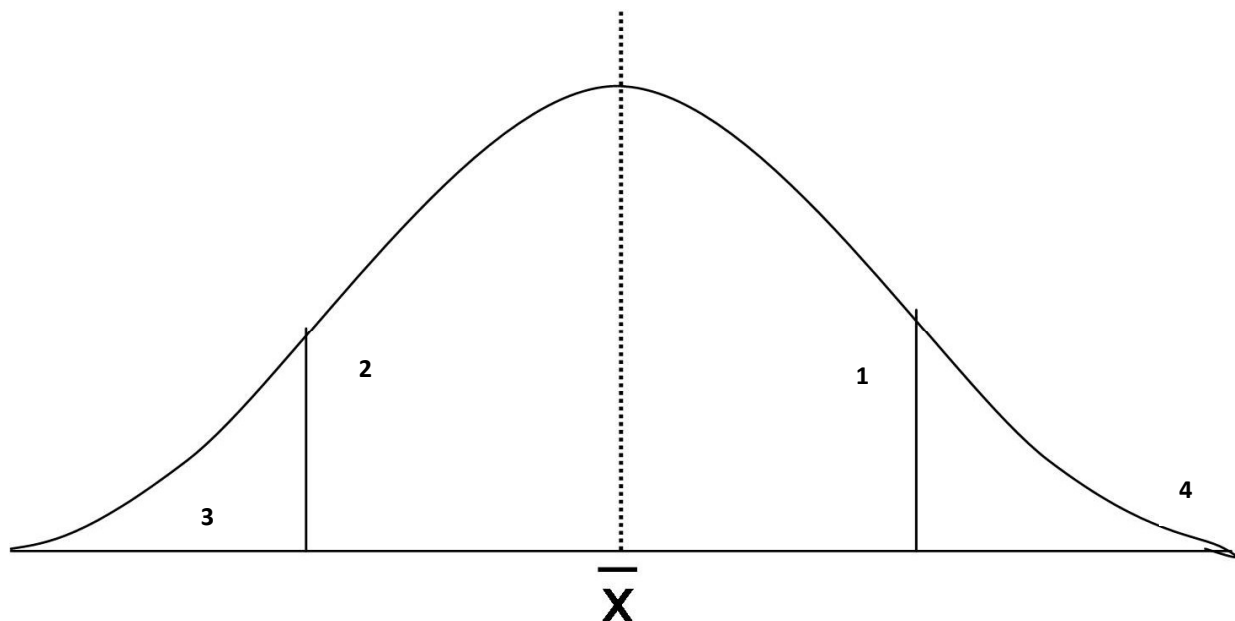
Most investors expect the future cash flows to be close to the norm or mean amount, as shown in X in the bell curve or the Gaussian distribution in the chart below. However, since we do not know the future, the risk is that the actual outcome will be different and at times vastly different, as shown at points (1) and (2) in the chart. Sometimes the results will be extremely different at point (3) on the chart, and this is also known as “Tail Risk.” Tail risk is the extreme risk that occurs at the tail ends of the bell curve. Even if investors know that unlikely events may happen or that negative risks will occur, they can protect themselves with various derivative financial products and buying the asset at a low enough price to offset some of the risks. The primary ways to lower the risk of investing in a CRE asset are to use moderate leverage, perform substantial and thorough due diligence, provide superior management services, and acquire the asset at a great value and reasonable cap rate. The primary ways to lower the risk of a company investment are also to perform stringent due diligence on the company, its finances, market and products, business model and management, and also acquire the company or stock at a great value.

Once in a great while, a “Black Swan” event will occur that can wreak havoc on the investment and the economy as a whole. A Black Swan event is a rare, negative, and unpredictable tail risk event that is beyond what is normally expected of an investment and has potentially severe consequences. They are characterized by their extreme rarity, severe impact, and the widespread notion that they were obvious in hindsight. Black Swan events were discussed brilliantly in the great 2007 book by Nassim Nicholas Taleb, a former options trader, *The Black Swan: The Impact of the Highly Improbable*. The book focuses on the extreme impact of rare and unpredictable outlier events, and the human tendency to find simplistic explanations for these events retrospectively. Taleb calls this the Black Swan theory.

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The Great Recession of 2007 to 2012 and Covid-19 were examples of Black Swan events that are characterized by point (4) on the bell curve chart. Even though Black Swan events are supposed to be extremely rare, there have been two in the last ten years. Investment managers and hedge funds that invest in corporate securities use derivatives and alternative investments to hedge their risk in these Black Swan events. These derivatives can include options, swaps and futures, safe haven assets like Treasury securities and gold, and other uncorrelated investments. If their portfolio is long on stocks, they can buy put options, sell call options, or use credit default swaps to hedge these unpredictable risks. It is exceedingly difficult for investors in CRE and companies to fully prepare for these extreme events without expending large amounts in fees and costs, and although risk control is important, the costs must be compared to the benefits.



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REIT Statistics

Current REIT statistics for 3/31/25 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.

<i>Period</i>	<i>All REITs</i>	<i>All Equity REITs</i>	<i>S&P 500</i>	<i>NASDAQ Composite</i>
<i>3/2025</i>	2.87%	2.75%	-4.27%	-10.26%
<i>1-Year</i>	8.71%	9.23%	8.25%	6.37%
<i>5-Year</i>	9.61%	9.55%	18.59%	18.48%
<i>10-Year</i>	5.46%	5.70%	12.50%	14.52%
<i>20-Year</i>	7.10%	7.60%	10.23%	11.39%
<i>Market Capitalization</i>	\$1.45T	\$1.39T	\$51.1T	\$32T

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<i>Dividend Yield</i>	4.28%	3.96%	1.30%	1.17%
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REIT Review

Summary

This REIT valuation is on Alexandria Real Estate Equities, Inc. (“ARE”), a publicly traded REIT that is engaged in the ownership, operation, and development of life science properties. ARE owns 386 properties with 39.6 million square feet and located primarily in the life science cluster locations of Boston, the San Francisco Bay Area, San Diego, Seattle, Maryland, the Research Triangle, Texas, Canada, and New York City. Occupancy as of 12/31/24 was 91.7%. The same-store net operating income growth for Q1-25 YoY was -.74%. The three largest tenants are Eli Lilly and Company (4.3% of annualized base rent), Moderna, Inc. (4.3% of annualized base rent) and Bristol Myers Squibb Company (3.7% of annualized base rent).

Property Developments

ARE has seventeen projects in development and redevelopment with 4.08 million square feet and a total estimated cost of \$6.9 billion, with \$900 million incurred to date.

Corporate Data

ARE is traded on the New York Stock Exchange, is incorporated in Maryland, and is located in Pasadena, CA. ARE has 172.99 million common shares outstanding and a market capitalization of approximately \$12,498 billion. ARE is rated BBB by Standard and Poor’s and Baa1 by Moody's.

Management

Peter M. Moglia, 58, CEO and CIO

Mr. Moglia has served as Chief Executive Officer since July 2022 and as Chief Investment Officer since September 2023. He previously served as Co-Chief Executive Officer from April 2018 through July 2022, as Co-Chief Investment Officer from May 2018 through September

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2023, and as Chief Investment Officer from January 2009 through April 2018, and has been serving the company in many important capacities since April 1998. From April 2003 through December 2008, he was responsible for the management of the company's Seattle region asset base and operations. From 1998 to 2003, Mr. Moglia's responsibilities were focused on underwriting, acquisitions, and due diligence activities. Prior to joining the Company, he served as an Analyst for Lennar Partners, Inc., a diversified real estate company, where his responsibilities included underwriting and structuring direct and joint venture real estate investments. He received his Bachelor of Arts degree in Economics from the University of California, Los Angeles.

Top Institutional Holders	Shares (millions)	%
The Vanguard Group, Inc.	26,070	15.07
Blackrock Inc.	17,860	10.32
Norges Bank	16,460	9.51
State Street Corporation	10,520	6.08
JP Morgan Chase & Co.	8,590	4.96

Ownership Breakdown	
% of Shares Held by All Insiders and 5% Owners	.99
% of Shares Held by Institutional & Mutual Fund Owners	98.25
Number of Institutions Holding Shares	1,004

All amounts above per Yahoo Finance

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Financial Analysis and Valuation

Select financial data for ARE per the 2025 Q1-10Q, and supplemental information.

(In millions where applicable)

Financial Data	Amounts
Real Estate Assets, Gross	\$37,673
Total Assets	\$37,600
Property Debt (at weighted average interest rates of approximately 3.95%)	\$13,089
Stockholders' Equity	\$21,989
Revenue	\$758
Net Income (Loss)	(\$11)
Cash Flow from Operations	\$207
Unsecured Credit Facility	\$5,000
Market Capitalization	\$12,498
Property Debt to:	
Gross Real Estate Assets	35%
Market Capitalization	104%
Enterprise Value	51%
Dividend and Yield (\$5.28sh.)	7.1%
Shares Sold Short (in millions per Yahoo Finance)	5,230

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Valuation Methodology	
Q1-2025 Real Estate Revenue	\$758
Q1-2025 Real Estate Operating Expenses (excluding depreciation, amortization, interest expense, impairment charges plus G&A expenses)	<u>\$256</u>
Q1-2025 Net Operating Income	\$502
Proforma Annualized Net Operating Income at 100%	\$2,008
Projected Average Cap Rate	<u>6.5%</u>
Projected Value of Real Estate Assets	\$30,892
Add: Net Operating Working Capital (at book value and less intangibles)	\$1,707
Current and Future Development Projects Less Noncontrolling Interest (at book value)	\$3,931
Investments in Public and Private Entities (at book value)	<u>\$1,479</u>
Total Projected Value of the Assets of the Company	\$38,009
Less: Total Debt per Above	<u>(\$13,089)</u>
Projected Net Asset Value of the Company	<u>\$24,920</u>
Common Shares Outstanding, 172.99M Common Shares	
Projected NAV Per Share	\$144
Market Price Per Share on 5/15/25	\$72
Premium (Discount) to NAV	(50%)

View of the Market

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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 ARE for the years 2020 through Q1-25 are shown in the table below.

(Millions except dividend and per share amounts)	2020	2021	2022	2023	2024	Q1-25
Gross Real Estate Assets	\$21,238	\$28,733	\$34,238	\$36,344	\$37,214	\$4,967
Property Debt	\$7,561	\$8,790	\$10,159	\$12,243	\$11,314	\$1,912
Revenue	\$1,885	\$2,114	\$2,588	\$2,885	\$3,116	\$431
Net Income (Loss)	\$760	\$563	\$513	\$92	\$309	\$162
Funds from Operations (FFO)	\$923	\$1,144	\$1,361	\$1,532	\$1,629	\$300
Return on Invested Capital (1)	5.0%	4.1%	4.2%	4.9%	5.0%	6.4%
Dividend Coverage (2)	1.73	1.75	1.79	1.81	1.81	1.35
Dividends Paid Per Share	\$4.24	\$4.48	\$4.72	\$4.96	\$5.19	\$5.28(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 2025 is \$1.32 per quarter.

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

ARE Total Return	3/2025	1-Yr	3-yr	5-Yr
	-3.81%	-24.59%	-19.48%	-4.25%

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As shown above, our net asset value per share for ARE is \$144sh., compared to a market price of \$72/sh. Current average cap rates for life science properties per our industry experience and CBRE's Cap Rate Survey are in the 6.0% to 8%+ range, depending on the tenancy, location of the property, and physical amenities of the building. We have used an average cap rate of 6.5% due to ARE's quality portfolio of life science buildings.

Strengths:

- An attractive dividend yield of 7.1%.
- The dividend has increased by 25% since 2020.
- ARE is trading at a large discount to our NAV of 50%.

Concerns:

- REIT prices will decline if interest rates increase.
- ARE has than 4 million square feet under development and redevelopment and this an extremely large amount of new space in a soft office and life science market.
- The financial metrics for the REIT have been very negative during 2024 and Q1-25, and with the adverse outlook for office building investments, the stock has declined by 50% from the same period in 2023.

Recommendation:

ARE is trading at a very large 50% discount to our NAV per share; however, we do not recommend the purchase of the stock.

View of the Market

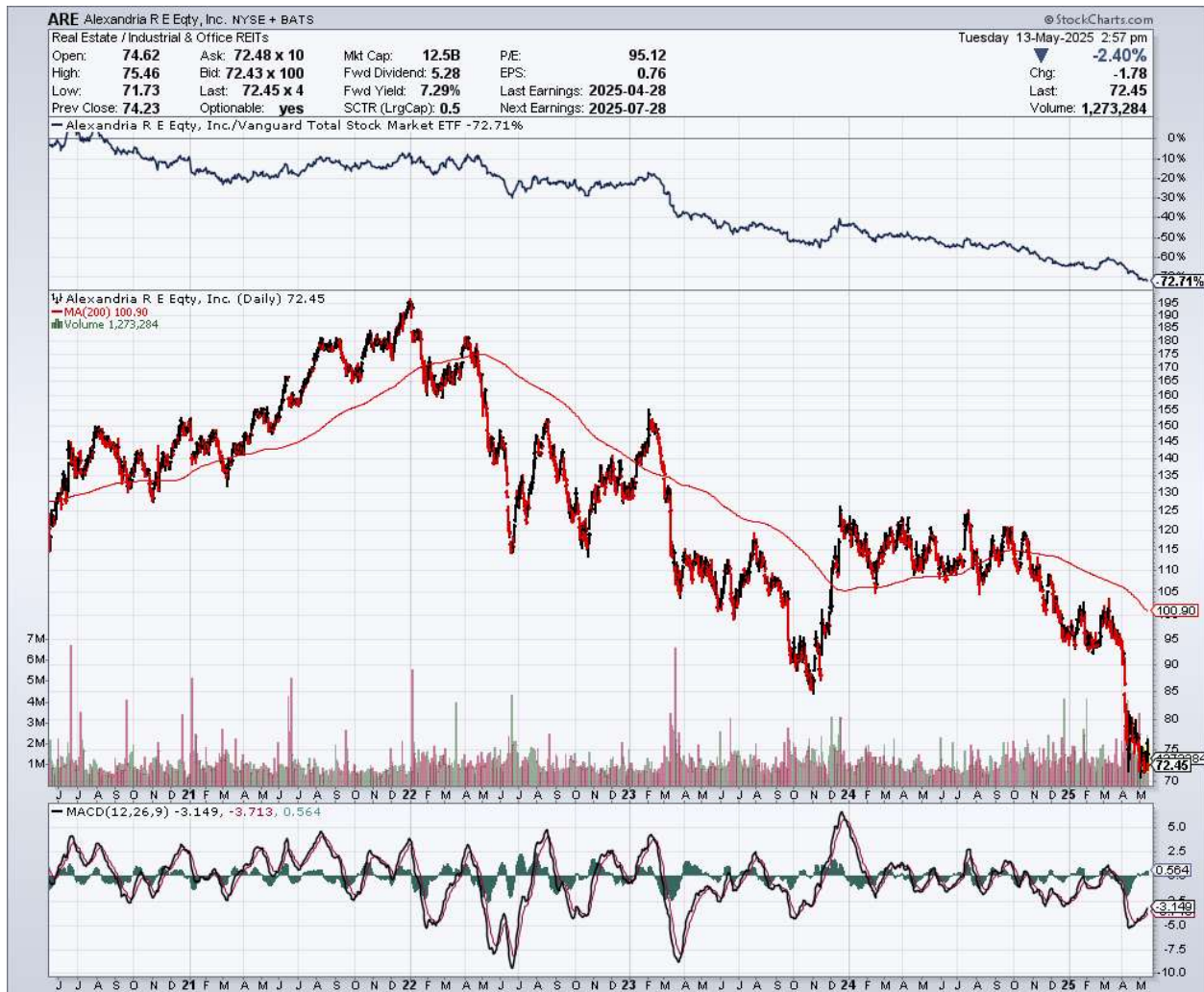
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A five-year price chart for ARE is shown below:



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



1. Spirit Realty Capital, Inc., May 2023
2. Cousins Properties, Inc., June 2023
3. Tanger Factory Outlet Centers, Inc., July 2023
4. Paramount Group, Inc., August 2023
5. Broadstone Net Lease, Inc., September 2023
6. Apartment Income REIT Corp., October 2023
7. Kite Realty Group Trust, November 2023
8. Alexandria Real Estate Equities, Inc., December 2023
9. Agree Realty Corporation, January 2024
10. WP Carey, February 2024
11. Essex Property Trust, March 2024
12. Brandywine Realty Trust, April 2024
13. Urban Edge Properties, May 2024
14. Eastgroup Properties, June 2024
15. Stag Industrial, Inc., July 2024
16. Camden Property Trust, August 2024

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17. Regency Centers Corporation, September 2024
18. Kilroy Realty Corporation, October 2024
19. BXP, Inc., November 2024
20. Realty Income Corp., December 2024
21. Equity Residential, January 2025
22. Douglas Emmett, Inc., February 2025
23. Rexford Industrial Realty, Inc., March 2025
24. Broadstone Net Lease, April 2025

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