



MetLife

JLP

asset
management

Monthly Commentary

June 30, 2021

ONE WAY

CONSTRUCTION ST CLOSURE



JLP MONTHLY COMMENTARY

JUN 2021

MONTHLY HIGHLIGHTS AND CURRENT EVENTS AFFECTING REITS

Covid continues to impact markets with a significant degree of variance. While in some countries lockdowns were increased or extended, others are opening up and returning to a pre pandemic state. This is creating an even wider dispersion in public real estate equity performance. While the US REIT market has outperformed the S&P 500 year to date, it remains the laggard relative to other asset classes since the onset of the pandemic, and there are ample investment opportunities for active managers. In Europe and Asia, with the economic reopening lagging few months behind US, many listed real estate assets continue to trade at significant NAV discounts as high as 60% in the case of Asia.

In the private market, we continue to see huge amounts of capital seeking investments in the sector, resulting in rising prices that are at significant premiums relative to public market valuations. This scenario reinforces the very unique and opportune moment in time to allocate resources to this asset class via listed real estate, favoring active management with concentrated, unrestricted portfolios.

- Covid continues to impact markets with a significant degree of variance, especially in markets that are experiencing a rise in the Delta variant. Lockdowns increased or were extended this month in Australia, Singapore and the UK while other markets are opening up and returning to a pre-pandemic state. This is creating an even wider dispersion in public real estate equity performance.
- As vaccination rates rise and interest rates remain low, there has been an increase in capital availability for the real estate sector, both debt and equity – even for hotels and retail.
 - NY office specialist SLGreen raised \$3 billion in debt funds for its latest development in NY, One Vanderbilt, and the offer was heavily oversubscribed – something that would have been considered highly improbable just a few months ago.
 - Sovereign wealth funds have been investing in JVs with public companies worldwide and M&A activity is on the rise. While the prices paid are much higher than the public market valuations, the buyers note that they can more quickly get to scale and also reduce their historically high levels of dry powder.
- Inflation and rising interest rates were the hot topic of the month but by the end of the month, interest rates declined fairly significantly, suggesting that more evidence of inflation is needed to push rates higher. US REITs moved higher despite all the interest rate noise and ended the month with a YTD increase of 21.4%.
- Eviction moratoria/rent deferrals continue in some markets (notably the UK, EU, and certain US states like NY and California), dampening the income prospects for some landlords, but the impact is expected to be minimal and, in most cases, over by the end of the third quarter.
- Pent up demand should benefit the services sector – restaurants, hotels, travel companies – as markets increasingly emerge from lockdowns. However, the public real estate markets appear to be weighed down by concerns about the Delta variant – while private equity investors pile in.
- Blackstone is focused on increasing its exposure to rental housing (not apartments) with a major acquisition of Home Partners with its relatively unique single family home rental business model (US\$6 billion).
- Hotel industry is booming where lockdowns have ended, although staffing shortages are limiting revenue growth.



JLP MONTHLY COMMENTARY

HOW JLP'S STRATEGY IS POSITIONED

- Reduced holdings in the US after surge in mid-June and allocated more capital to Asia and EU companies that are trading well-below our valuation targets.
- Added new company in the UK that specializes in student housing development and rental projects, which the Company de-risks through pre sales to institutional investors.
- Added to hotel exposure in Sweden with a Nordic portfolio as this region is emerging from lockdowns/restricted movement.
- Still bullish on the residential sector in the US – particularly single family rental (note Blackstone comment above), which is fast becoming one of the most popular property types for global investors, have been resilient reporting healthy rent collections and high occupancy despite moves from urban -> suburban living. Home renting rather than ownership remains in vogue in the US as rising home prices and the lack of affordable housing relative to demand drives potential home buyers to the rental market.
- Data Centers and Cell Towers peaked in 2020 and are still going strong as populations around the world lay the groundwork for remote work, school and entertainment. We retained our position in the sector due to long-term growth prospects.
- JLP is seeing opportunities in the healthcare sector, specifically US senior living, private hospitals, medical office building and bio-technology laboratories which are well positioned to meet demand of the aging population.



JLP MONTHLY COMMENTARY

GLOSSARY, RISKS AND OTHER DISCLOSURES

This presentation (the “Presentation”) is being furnished by JLP Asset Management, LLC (“JLP”) on a confidential basis for informational and discussion purposes only. JLP has provided its assessment of past events and outlook for future events. The views and opinions expressed in this presentation are those of JLP’s investment personnel and are based on economic and market conditions at the time they were made. These opinions contain forward-looking statements representing JLP’s belief about possible future events. Actual future events may be materially different than the results expected by JLP. As with all investing activities, there is both the potential for investment gain as well as investment loss, including total loss of investment. Past performance is not a guarantee of future results. Certain economic and market information contained herein has been obtained from published, third-party sources believed to be reliable. JLP does not assume any responsibility for the accuracy or completeness of information taken from such sources.

JLP is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”). SEC registration does not imply any level of skill or an endorsement by the SEC of JLP’s advisory services. This Presentation has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security. If any such offer of securities is made, it will be made pursuant to a definitive offering document, which is furnished to qualified clients/investors on a confidential basis for their consideration and will contain material information not contained herein.

Investments in real estate securities entail risks that include, but are not limited to: changes in environmental and zoning laws, casualty or condemnation losses, environmental liability, regulatory limitations on rents, decreases in property values, changes in the appeal of neighborhoods as well as fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in interest rates and the availability of debt financing or mortgage funds, various uninsured or uninsurable risks, changes in government regulations (such as rent control), changes in real property tax rates and operating expenses.

Non-U.S. Investments involve additional risks, including, but not limited to: the fluctuation of currency exchange rates, differences between U.S. and foreign securities markets, including potential price volatility and relative illiquidity of some foreign securities markets, differences in accounting auditing and financial reporting standards, economic and political risks, differences in taxation, and less publicly available information.

The information in this Presentation is proprietary and confidential. Reproduction or distribution of this information, in whole or in part, or the divulgence of any of its contents without JLP’s consent, is strictly prohibited.