# Class A: The Clear Winner in the Office Sector

ElmTree Funds
PRIVATE EQUITY REAL ESTATE

## Introduction

As a result of the Coronavirus pandemic, many corporations adopted work from home arrangements to allow their employees to safely navigate the turbulent period. As vaccines and boosters have become more prevalent, companies are evaluating the policies they adapted during the past two years to determine how to best utilize office space moving forward.

While we believe this reevaluation of the use of office space will certainly lead to companies offering more hybrid work environments (i.e., both work-from-home and in-office work), we also expect to see a parallel flight to quality within the office sector. More specifically, we expect to see a major bifurcation in leasing and investment performance for Class A office properties relative to Class B and C office properties.

Prior to the pandemic, the office sector was already experiencing a significant shift toward Class A modern office properties. The growth in the technology sector led to an increase in demand for newly constructed, Class A office space that featured open floor plans, collaborative design elements, numerous amenities and ESG (environmental, social and governance) friendly infrastructure. As other sectors competed with the tech sector for top level talent, more corporations began viewing office space as an investment to attract and retain employees.

Looking forward, we believe the changes experienced over the last two years will only accelerate this trend. We expect newly constructed, Class A office space to see significant growth in demand from corporations due to its ability to attract employees to the office within a hybrid work environment. Class A office space will allow corporations to continue to drive collaboration within their workforces without mandating a completely in-office work environment.

Conversely, we believe Class B and Class C office properties will suffer in the new office environment. When companies decide to shutter office properties, we believe they will focus on closing outdated Class B and C office properties that do not foster collaboration and innovation and often fail to meet the increasingly stringent ESG standards tenants have adopted in recent years.

MaCauley Studdard
Managing Director
314-828-4207
mstuddard@elmtreefunds.com

Austin Davis
Associate
314-828-4216
adavis@elmtreefunds.com

Mark Clinton
Associate
314-828-4210
mclinton@elmtreefunds.com

ElmTree Funds, LLC
314.828.4200
www.elmtreefunds.com

**Newsletter | March 2022**

## Office Fundamentals During the Pandemic

As shown in Exhibit I below, prior to the pandemic, the U.S. office market was experiencing positive fundamentals with vacancy at 9.7%, annual rent growth of 3.7% and annual net absorption of 46.3 million square feet (net absorption is the sum of square feet that became occupied less the sum of square feet that became vacant over a given period of time).

The impact of the pandemic started to become evident in the third quarter of 2020, and the full impact on office leasing occurred in the first and second quarters of 2021 when vacancy rose to 12.2%, rental rates declined by 1.6% and trailing twelve month net absorption was negative 128.7 million square feet. However, office fundamentals have shown signs of improvement in 2022 with absorption and rental growth turning positive. With the rollout of vaccines and boosters across the country, we believe the positive trends evidenced in the first quarter of 2022 indicate the office market will likely show further signs of stabilization beginning in the third quarter of 2022.

*Exhibit I: Office Fundamentals (Q4-19 - Q1-22)*

| *Period* | *Trailing Twelve Month Net Absorption* | *Trailing Twelve Month Rent Growth* | *Vacancy Rate* |
|---|---|---|---|
| **Q4-19** | **46.3 M SF** | **3.7%** | **9.7%** |
| **Q1-20** | **42.9 M SF** | **3.0%** | **9.7%** |
| **Q2-20** | **15.2 M SF** | **1.5%** | **10.0%** |
| Q3-20 | -27.7 M SF | -0.5% | 10.5% |
| Q4-20 | -74.9 M SF | -1.6% | 11.1% |
| Q1-21 | -122.2 M SF | -2.1% | 11.8% |
| Q2-21 | -128.7 M SF | -1.6% | 12.2% |
| Q3-21 | -88.8 M SF | -0.3% | 12.2% |
| Q4-21 | -38.9 M SF | 0.1% | 12.2% |
| **Q1 22** | **11.0 M SF** | **1.0%** | **12.4%** |

*Source: Costar*

While the figures above accurately portray the performance of the office sector as a whole during the pandemic, we believe they do not showcase the differentiation in performance within the sector. More specifically, newly constructed Class A properties experienced favorable leasing trends relative to the overall sector, and many large organizations announced significant long-term commitments to Class A properties during the pandemic.

We will dive into this trend in further detail on the following pages as well as explain why we believe the outperformance of Class A properties during the pandemic is representative of long-term shifts occurring within the office sector.

# Overview of Class A vs. Class B & C Office Properties

Before discussing the performance of Class A properties and our forward looking expectations, we have first summarized the characteristics and benefits of Class A office properties relative to Class B and C office properties below.

## Review of Office Classifications

Within the commercial real estate sector, office properties are generally classified as Class A, B or C properties, which is indicative of the quality of the property.

Class A properties are typically newly constructed (or recently redeveloped), high-quality properties that incorporate the highest construction and design standards in the industry. They often feature high-end tenant improvements, first-class architectural finishes, ESG-friendly infrastructure, open floor plans, modern HVAC and electrical systems, desirable locations, and state-of-the-art technological capabilities. They also typically house numerous amenities (e.g., full serviced lobbies, concierge services, dining options, cafes, covered parking, fitness centers, and lounges) and offer best-in-class maintenance and service to tenants.

Additionally, Class A properties are typically located in attractive locations that offer a "live-work-play" environment with proximity to restaurants, entertainment, parks, and other lifestyle features. Class A properties are often located within close access to transportation infrastructure, which provide ease of transportation for employees. As a result of these characteristics, Class A properties typically attract the highest quality tenants (i.e., credit worthy Fortune 500 companies) and garner the highest rents.

Class B properties are generally more outdated properties relative to Class A properties and often do not feature the numerous amenities and modern design characteristics that Class A properties offer. Additionally, Class B properties typically have more congested floor plans relative to the open-design, collaborative floor plans within Class A properties. The locations of Class B properties are often less desirable than Class A properties with less convenient access to restaurants, lodging and transportation infrastructure. Due to these characteristics, Class B properties are often utilized for back office operations while Class A properties are often used as headquarters or front office operations. We believe this differentiation in use for Class A properties versus Class B properties will result in further outperformance for Class A office properties from a leasing perspective given headquarters and front office operations typically require in-person collaboration and interaction while back office operations can often be completed remotely.

Class C properties are typically older, outdated properties that do not feature amenities or modern design characteristics. Class C properties are often not maintained to the same standard as Class A or Class B properties, and many Class C properties feature outdated infrastructure that can result in significant capital expenditure requirements for landlords. As a result of the weaknesses of Class C properties, the user base for these properties is much more limited than Class A and B properties, and Class C properties charge the lowest rents in the market. We believe Class C properties are most likely to see increased vacancy levels moving forward due to their inferior characteristics.

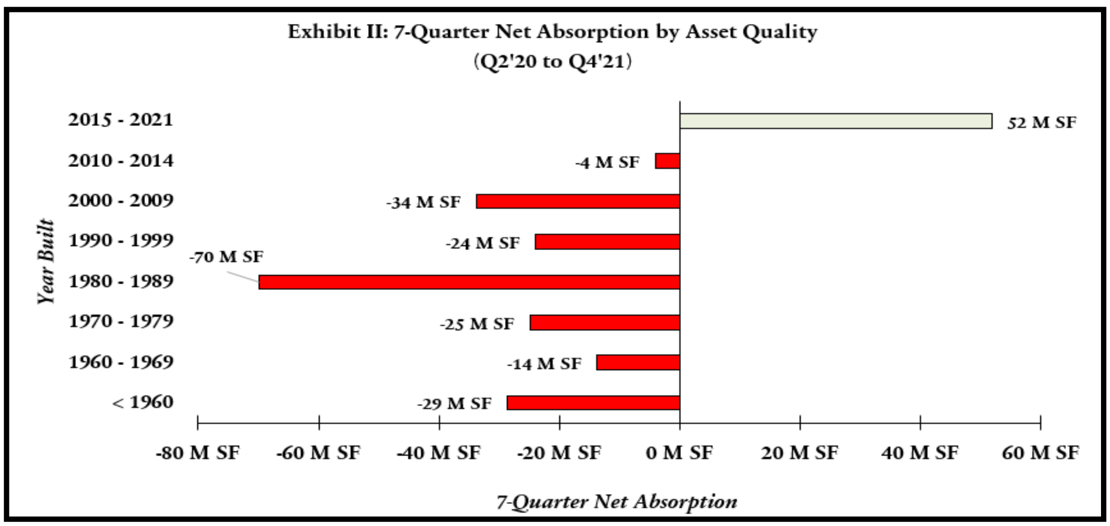
# Class A Office Performance During the Pandemic

Below, we have summarized the performance of Class A office properties during the pandemic, and, on the following pages, we will discuss why we believe this relative outperformance for Class A properties will continue moving forward.

## Class A Properties Benefit from the Flight to Quality

Industry experts have generally reported that office users have historically favored Class A office space over Class B or C office space due to the higher quality nature of Class A properties offsetting the lower occupancy costs of Class B and C properties. We believe this trend accelerated during the pandemic as a result of companies seeking high quality office space that can offer employees an attractive alternative to remote working.

Exhibit II below, which summarizes leasing data for office properties by year built, highlights this trend. As shown in the exhibit, office occupiers generally favored office properties built between 2015 and 2021 (which generally constitute Class A properties while older facilities are generally categorized as Class B and C facilities), with this subset of office properties generating positive 52 million square feet of net absorption over the seven quarter period beginning in the second quarter of 2020 and ending in the fourth quarter of 2021. The subset of office properties constructed prior to 2014 delivered much weaker performance over the same period, which highlights the bifurcation in tenant demand for Class A properties and Class B and C properties during the pandemic.




*Source: JLL Research*

Additionally, JLL research indicated the length of office lease terms increased significantly during the later stages of the pandemic. In the second half of 2021, approximately 45% of office leases featured lease terms of ten plus years. During the second half of 2020, only approximately 25% of leases featured lease terms of over ten years. We believe this shift indicates corporations are back to making long-term commitments to office assets that can meet their long-term strategic plans, which, we believe, primarily represents newly constructed, Class A properties.

# Outlook for Class A Properties

We believe the favorable leasing trends for Class A properties during the pandemic will accelerate moving forward. In particular, we believe Class A properties will continue to be favored by corporate users due to superior design characteristics, attractive amenities and their ability to meet increasingly stringent ESG standards, all of which are discussed in more detail below.

## Amenities

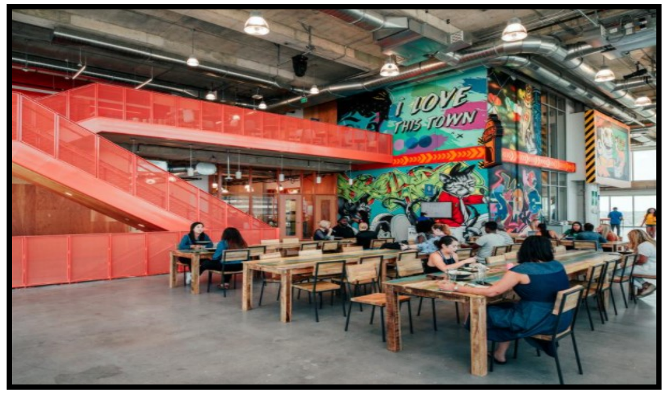
We believe corporate management teams will view the amenities provided within Class A properties as critical recruiting tools to attract and retain top talent, particularly in the current competitive labor market. We also believe management teams will view Class A properties with modern amenities as ideal for a hybrid work environment. Class A properties with amenities can incentivize employees to return to the office under an arrangement where employees have the ability to work in a hybrid environment. By investing in assets with amenities, employers can ensure employees are motivated to come to the office, which will allow corporations to maintain institutional training standards and drive collaboration between employees without mandating that employees have to return to the office full-time. Furthermore, we believe the various amenities included within Class A properties can cooperatively create an energizing work environment for employees that cannot be matched by Class B and C properties. While landlords for Class B and C properties can invest capital to renovate properties, the underlying infrastructure for Class B and C properties limits landlords' ability to incorporate all of the amenities typically included within Class A office properties. Thus, we believe Class A properties will continue to outperform Class B and C properties moving forward from a tenant demand and leasing perspective.

Examples of amenities typically incorporated within Class A facilities include fitness centers, outdoor patios and terraces, full service lobbies, concierge services and a variety of dining options, among others. To showcase the use of these amenities in modern facilities, we have provided several examples, which are summarized below and on the following page. The picture below showcases Honeywell's fitness center in their new Charlotte office property (see page 15 for additional details on this property).

*Honeywell's modern fitness center in their new Charlotte headquarters. Source: Honeywell*

## Amenities (Continued)

Facebook's recently constructed office tower in Austin features a variety of amenities including modern lounges, outdoor patios and cafes to drive employee engagement as shown below. Additional details on this property are included on page 10 of this paper.


*Source: Facebook & Curbed Austin*

Google's recent commitments to office space feature a variety of modern amenities. The company's under construction St. John's Terminal office property in New York will feature outdoor dining space and green spaces (left photo below). Google's Seattle Lake Union office features two full cafeterias, one of which is shown in the right photo below. Additional details on the first property are included on page 11 of this research paper.

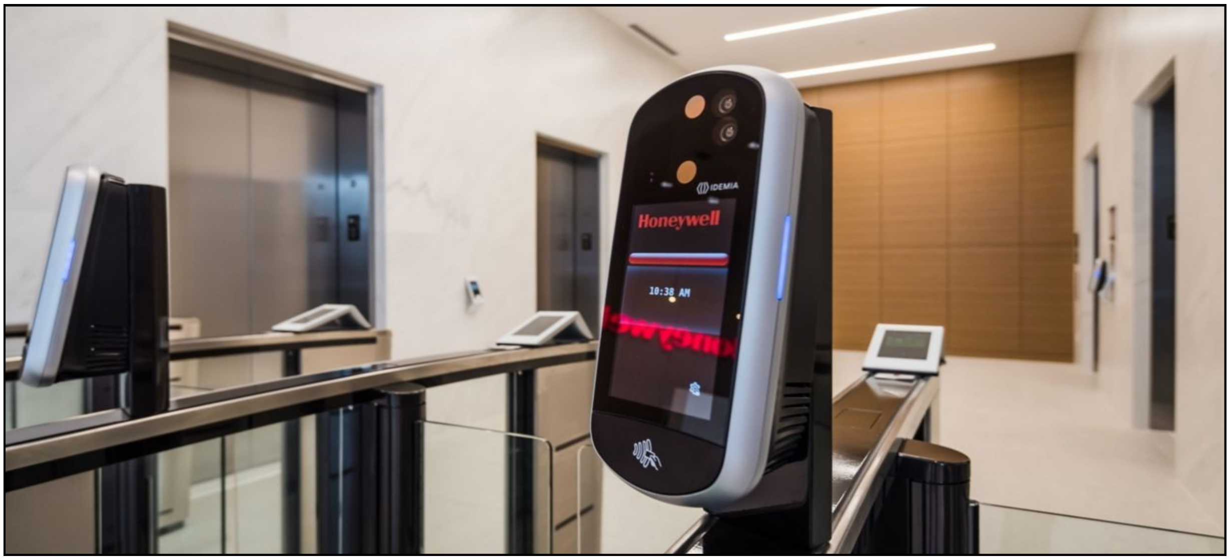

*Left Source: Oxford Properties; Right Source: Seattle Times*

### Office Design

In addition to amenities, the layout and design of an office are important factors for creating an attractive alternative to working from home and can act as a recruitment tool for new employees. We believe Class A office properties that feature COVID-friendly designs such as open floor layouts, state-of-the-art HVAC systems with HEPA filters, collaborative & community space, outdoor areas and touchless technology will be highly sought after by users moving forward.

In addition, we believe the new era of Class A office properties will feature flexible workspaces to accommodate companies that have adopted a hybrid work model indefinitely. According Kilroy Realty's NAREIT 2021 report, pre-covid office layouts featured approximately 160 square feet per office employee, with more traditional cubicle layouts and less collaborative/community space. However, Kilroy predicts that the ratio of square feet to office employee will increase by approximately 28% to 205 square feet per person.[1] Consistent with our thesis, Kilroy believes the larger office layouts in the post-covid environment will likely feature a mix of collaborative areas with individual work stations. Thus, we believe that Class B and C office properties that feature outdated layouts meant to house cubicles will become less attractive from both a tenant and investor perspective.

We have outlined various examples of modern design within newly constructed office facilities, which are summarized below and on the following page. The picture below showcases touchless technology incorporated within Honeywell's new Charlotte headquarters (see page 15 for additional details on this property). Touchless technology allows employees to return to the office in a safe manner by limiting contact with surfaces throughout the property.




*Example of touchless technology in Honeywell's new Charlotte headquarters. Source: Honeywell*

1) *Kilroy Realty—NAREIT—November 2021*

### Office Design (Continued)

Google's under construction St. John's Terminal office property in New York will feature open floor plans, numerous windows allowing for natural light throughout the property, and a variety of green space as shown below. Additional details on this property are included on page 11 of this research paper.

*Source: Oxford Properties*

Amazon's under construction 555 Tower in Seattle is expected to complete in early 2023 and will feature various amenities with modern design characteristics including glass-oriented design to maximize natural light within the property as shown below. Additional details on this property are included on page 12 of this research paper.

*Source: Vulcan Real Estate*

## Outlook for Class A Properties (Continued)

### ESG Considerations

Although already on the rise in recent years, the implementation of ESG practices is expected to be a priority for office users and investors moving forward. As sustainability concerns continue to evolve, we believe both real estate investors and office users will favor Class A properties that meet modern ESG standards. From an environmental perspective, Class A properties are typically designed to maximize energy efficiency and reduce waste while Class B and C properties are generally much less energy efficient. Thus, leasing and investing in Class A office properties rather than Class B and C properties is highly aligned with corporations' and institutional investors' sustainability initiatives. A net zero water strategy and using recycled construction materials are two additional examples of environmental ESG standards typically incorporated into new Class A office properties. Net zero water strategies focus on low flow fixtures, capturing rainwater, on-site water storage, and water filtration systems.[(2)] From a social perspective, Class A properties feature a variety of design elements that promote employee satisfaction including walking paths and outdoor seating areas, fitness centers and glass-oriented designs that promote natural light.

### Class A Office: Leasing Outlook Summary

While Class A office properties come with higher occupancy costs than Class B and C properties (Class A properties charge ~50% and ~85% higher rents than Class B and Class C properties, respectively, according to CoStar), we believe the positive leasing dynamics experienced during the pandemic indicate office users are willing to pay this premium for high quality office space. Furthermore, considering office occupancy costs often represent a fairly small portion of the overall expense profile of Fortune 500 companies, we believe the value proposition for Class A properties is sound for companies that properly view their office space as an investment in their workforce. As described herein, Class A offices' amenities and modern design allow companies to attract and retain top talent and drive collaboration within their workforce within a hybrid work environment. Additionally, Class A offices' ability to meet ESG standards allows companies to meet the long-term sustainability goals set by investors. Moreover, even if companies maintain hybrid work structures over a long-term horizon, we believe these trends will remain in place. Thus, Class A office properties should be well positioned to capitalize on the changes that occurred within the office sector during the pandemic, and we believe Class A office properties will continue to experience positive leasing fundamentals moving forward. As a result of the positive leasing fundamentals, we believe investors will continue to pay a premium for Class A office properties as discussed in more detail in a later section of this research paper.

On the next several pages, we have summarized notable leases for Class A properties signed during the pandemic, which we believe substantiates the leasing trends and forecasts discussed herein.

*2) Childress Klein. LPL Financial Carolinas Campus.*

## Notable Class A Office Leases Signed During the Pandemic

During the pandemic, a variety of large organizations announced commitments to long-term leases for newly constructed office properties across the US. We believe these announcements are representative of the significant corporate demand for Class A office properties even as the office sector adapts to the changes caused by the pandemic. We have summarized some of the more notable announcements below:

### Facebook (Meta): Austin, TX

In January of 2022, Facebook announced a lease for all of the office space (~589,000 square feet across 33 floors) in the Sixth & Guadalupe tower in Austin, Texas. The tower is expected to deliver in early 2023 and will be a newly constructed mixed use property featuring both office and residential space. The property will feature Class A specifications throughout the property including modern design characteristics, 25,000 square feet of outdoor terrace space, a 6,400 square foot tenant lounge and bar, a conference center and a 5,600 square foot fitness center.

*Rendering of the property. Source: sixthandguadalupe.com*

## Notable Class A Office Leases Signed During the Pandemic (Continued)

### Google St. John's Terminal & Pier 57: New York, NY

In September of 2021, Google announced it is purchasing its St. John's Terminal office campus in the Hudson Square neighborhood of Manhattan for $2.1 billion. While not a lease, the purchase of the property highlights Google's commitment to office space. The campus is currently being redeveloped and is expected to deliver by mid-2023. Once completed, the campus will feature Class A, modern characteristics (such as outdoor spaces and a nature oriented design) and will serve as the anchor of Google's New York campus. Additionally, the redeveloped property will meet Google's ESG standards as the property will offset 100% of its carbon in support of Google's carbon goals. Google is also constructing a new property nearby, Pier 57, which will incorporate Class A amenities such as a public food hall, community space, galleries, and the city's largest public rooftop space.


*Renderings of the St. John's Terminal property. Source: Google & New York Yimby*

## Notable Class A Office Leases Signed During the Pandemic (Continued)

### Amazon: Seattle, WA

Over the last 18 months, Amazon has announced several large leases for Class A office properties in Seattle, WA. In September 2020, Amazon announced they leased two new office towers in Bellevue, WA from Vulcan. The first property, 555 Tower, is expected to complete in early 2023 and will be a 42-story high rise office tower consisting of nearly one million square feet of Class A office space. The property offers state-of-the-art characteristics including outdoor terraces, balconies, open floor plates, and a retail pavilion. Additionally, the property meets modern ESG standards, and it is expected to be LEED Certified. The second campus, West Main, is spread across three properties and features approximately one million square feet of office space and is expected to be completed in late 2022. West Main will feature an outdoor plaza, an outdoor living room, bicycle accommodations, and elevated terraces. In March of 2021, Amazon announced they signed a lease for The Artise, a 600,000 square foot office property located in Bellevue that is expected to deliver in 2024. The property will be a 25-story glass office tower with Class A specifications throughout the property including a green room and floor level retail space.

*Top: Rendering of the West Main Property; Bottom: Rendering of the 555 Tower property. Source:s Amazon & Vulcan*

## Notable Class A Office Leases Signed During the Pandemic (Continued)

### Bandwidth: Raleigh, NC

In July 2021, Bandwidth, a Raleigh based software company, announced they are constructing a new headquarters property in Raleigh. The property will feature 533,000 square feet of Class A office space across five stories. In terms of amenities, the property will feature an on-site café, outdoor patios, a childcare center, conference space, a fitness center, a soccer field, an amphitheater and walking trails. Additionally, the property is expected to achieve LEED certification.

*Rendering of the campus. Sources; Bandwitdth & CBS17.com*

### Amazon: Nashville, NC

Amazon is leasing two new office towers in Nashville, TN, one of which was recently completed while the other is currently under construction. The two properties will provide Amazon with over one million feet of Class A office space. The properties feature modern characteristics such as open floor plans, cafes, a rooftop patio, an outdoor patio and a dog park. The two properties are part of an urban development in Nashville known as Nashville Yards, which is located in proximity to downtown Nashville.

*Rendering of the property; Source: Amazon*

## Notable Class A Office Sale Transactions

In addition to the notable lease transactions in the market indicating significant user demand for Class A office properties, we have identified several sale transactions that indicate commercial real estate investors are willing to pay a premium for Class A office assets as a result of the favorable leasing trends for Class A properties. We believe this pricing premium for Class A office properties will continue to increase moving forward as more investors begin to appreciate the bifurcation in leasing fundamentals for Class A properties relative to Class B and C properties.

### Lowe's: Charlotte, NC

The property is a 357,526 square-foot, 23-story Class A office tower located in Charlotte's South End submarket and leased to Lowe's for 15 years. The property was constructed in 2021 with state-of-the-art specifications including two sky terraces, an interior auditorium, a steel staircase spanning multiple floors, touchless features throughout the property and a 950-space parking deck. Additionally, the office tower features a creative layout with an emphasis on space for employee collaboration as well as outdoor workspaces, co-working spaces, and dining spaces. The property also features excellent access to transportation infrastructure with direct access to the Lynx Blue Line (light rail) and the Rail Trail. The property will house nearly 2,000 Lowe's employees and will serve as the company's global technology and e-commerce hub.

In November 2021, Apollo Global Management purchased the property for $318 million, which is equivalent to approximately $890 per square foot. The price per square foot represents a record for office properties located within the Charlotte market.

*Photo of the property; Sources: rrebusinessonline.com; childressklein.com*

## Honeywell: Charlotte, NC

The property is a 373,931 square-foot, 23-story Class A office tower located in Charlotte's central business district and leased to Honeywell for 15 years. The property is specifically designed to foster employee collaboration and innovation and features Class A specifications such as a rooftop-level patio, touchless technologies including facial recognition and Bluetooth access, a 3,500 square foot fitness center, and six electric vehicle charging stations. Additionally, the property features excellent access to transportation infrastructure in the Charlotte market and is only six miles from the Charlotte Douglas International Airport. The property will house Honeywell employees from various departments including human resources, IT, marketing and legal, as well as Honeywell's Safety and Productivity and Solutions business.

In December 2021, PRP Real Estate Investment Management purchased the property for $275 million, which is equivalent to approximately $735 per square foot.


*Photo of the property; Source: Honeywell*

*Photo of the property; Source: Honeywell*

## Google (Seattle, WA)

The property is a 636,000 square-foot, Class A office campus located in Seattle's Lake Union submarket with a long-term lease to Google. The properties were constructed in 2019 and feature Class A specifications including ground floor-retail space, cafes, subterranean parking, connected luxury apartments (not part of the sale), open floor plans and close access to nearby entertainment and amenities in the densely populated submarket. The property also features close access to transportation infrastructure including public transportation and highways.

In February 2022, Deka Immobilien purchased the property for approximately $800 million, which is equivalent to $1,258 per square foot.


*Photo of the property; Source: Geek Wire.*

## Class A Valuation Premiums Relative to Class B & C Properties

The three transactions outlined on the previous properties traded at an average price per square foot of $1,019. According to CoStar, Class B and C office properties traded at an average price per square foot of approximately $229 and $184 in 2021, respectively. Thus, these transactions indicate Class A properties can trade, at times, at close to 400% premiums to Class B and C properties. We believe the valuation premiums garnered by these three properties highlights the significant investor demand for Class A office properties. We believe the premium is a result of the high likelihood Class A properties will continue to attract and retain credit-worthy tenants over a long-term investment horizon. Additionally, we believe the average sale price per square foot for these properties was likely significantly higher than the properties' respective construction costs on a per square foot basis. As a result, we believe Class A office developments in attractive locations with modern specifications can offer favorable investment opportunities for commercial real estate investors. On the contrary, at an average price per square foot of approximately $200, Class B and C properties likely do not offer any valuation premium above construction costs, which limits the viability of developing Class B and C office properties.

## Conclusion: Class A Offices Offer a Bright Spot in the Office Market

While the office market experienced some of the strongest headwinds in history during the pandemic, the sector is showing signs of stabilization in 2022. Furthermore, Class A office properties experienced positive leasing dynamics during the pandemic, and this trend is expected to accelerate throughout 2022. Looking longer term, we believe the Class A office sector features unique characteristics that will position the sector to continue to outperform the rest of the office sector in the new office environment. These characteristics include numerous amenities that allow corporations to attract and retain talent, covid-friendly specifications that provide a safe environment for employees, and flexible workspaces and open floor plans that accommodate a hybrid work model. Additionally, Class A properties often meet increasingly stringent ESG standards that outdated Class B and C properties fail to meet. As investors push corporations to lease properties that meet ESG standards and investors push landlords to invest in properties that are ESG friendly, we believe demand for Class A properties will continue to increase both from a tenant and investor standpoint.

Class A office properties have also delivered valuation premiums relative to Class B and C properties as evidenced by high price per square foot metrics for several notable Class A office property transactions completed in the last several months. We believe these transactions are representative of institutional investors' increasing their focus on Class A office properties more broadly, which should allow these valuation premiums to expand over a long-term investment horizon. As a result, we believe investors should generally restrict their investments within the office sector to newly constructed and well located Class A office properties. We believe the relative performance of Class A office properties in comparison to Class B and C office properties will continue to diverge moving forward. We expect Class A office properties to continue to attract and retain tenants, which should result in growth in rental rates over a long-term horizon, while Class B and C office properties will continue to fall out of favor with corporate users, which may result in declining rents for Class B and C office properties. The declining leasing metrics for Class B and C office properties will make substantial investments by landlords to upgrade the properties to compete with Class A office properties challenging to justify. Moreover, even with significant capital expenditures, the outdated infrastructure and clustered layouts of Class B and C office properties limits their ability to compete with modern Class A office facilities.

In conclusion, we are fully cognizant of the ongoing challenges within the office sector as users reevaluate their long-term occupancy plans. However, we believe the leasing statistics throughout the pandemic, the major leases signed by notable companies during the pandemic, and the valuation premiums witnessed in recent Class A office transactions indicate the future of the office sector cannot be painted with a broad brush. We believe the current fundamentals indicate the Class A office sector outperformed the rest of the office sector during the pandemic, and we believe there are long-term ongoing shifts occurring in the office market, from both a tenant and investor perspective, that will result in further outperformance for Class A office properties relative to Class B and C office properties over a long-term investment horizon.

# Disclaimer

This newsletter is not an offer to sell, or a solicitation of any offer to buy, any security. Any such offering may be made only by an offering memorandum that would be furnished to prospective investors who express an interest in an investment program of the type being considered, and that would describe the risks associated with an investment in the investment program. The information is provided to you as of the dates indicated and ElmTree Funds, LLC does not intend to update the information after its distribution, even in the event that the information becomes materially inaccurate. The information contained herein is confidential and may not be reproduced in whole or in part nor disclosed by the recipient to any other party without our prior written consent. Nothing contained herein should be construed as legal, business or tax advice.

ElmTree Funds
PRIVATE EQUITY REAL ESTATE

## About ElmTree Funds

ElmTree Funds, LLC, headquartered in St. Louis, Missouri, is a real estate private equity firm that manages capital on behalf of institutional and private investors. ElmTree's investment philosophy focuses on creating attractive risk-adjusted returns for its investors in the commercial real estate net lease and build-to-suit sectors with a focus on industrial and office properties. Since its founding in 2011, ElmTree Funds has acquired, developed, or financed an extensive portfolio of commercial real estate. ElmTree Funds targets commercial real estate investments in primary and secondary markets across the United States that are net-leased to investment grade tenants on a long-term basis.