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BOARD MINUTES FROM THE CHAIRMAN

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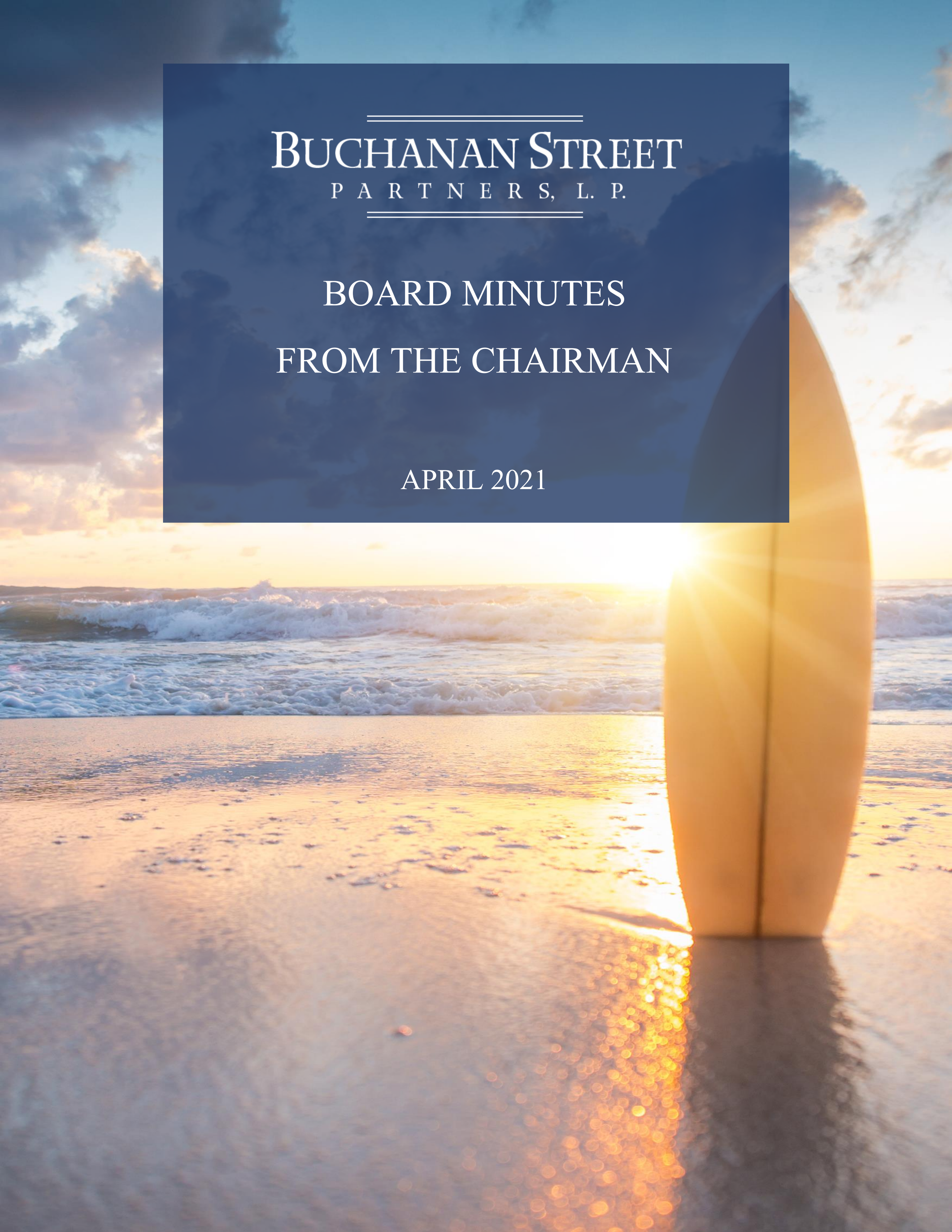

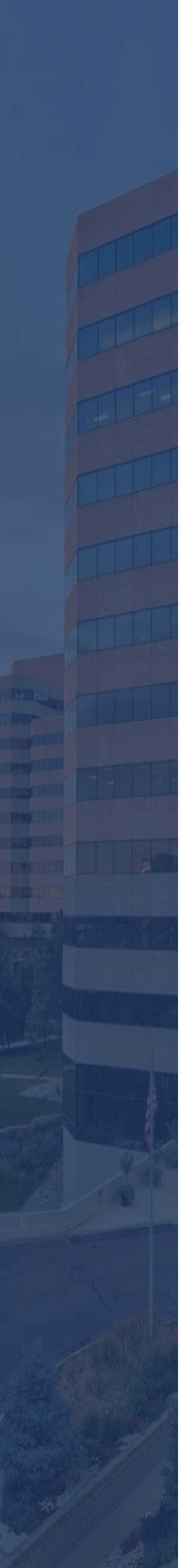

Societal Shifts in Investing and What it Means to Real Estate

I have the good fortune to participate on a local community hospital board where aside from **experiencing the heroic conduct within the medical community**, I enjoy gaining further knowledge about the tremendous advancement and innovation within the healthcare space. As part of my fast-tracked education, I have been introduced to a world of acronyms defining the processes, specialties, and many medical protocols. With this perspective I reflected on our real estate business and while not wanting to list the many acronyms associated with real estate analytics, I do believe broader market influences and associated phraseologies are worthy of our discussion.

My career started in 1981 at a time when real estate investing was known for its modest analytical tools, lesser trained workforce, lack of predictable access to capital, and significant return volatility. **The prime rate was at 20% and long-term housing mortgages averaged 16.63%**. The decade produced a development boom fueled by higher doses of leverage ultimately creating either the best buying opportunity or the deepest real estate depression of a lifetime.

Today, like most asset classes, **capital flows freely, information and reporting are instantaneous**, and the workforce has advanced to be on par with other sectors. Most notably, real estate's increased allocation and prime time investment positioning is **due to its improved operational efficiency and transparency**. Certainly, its **predictability of cash flow**, **tax advantages** and its **hedge against inflation** allows for its inclusion in any asset allocation discussion.

Let's look at certain macro market influences, associated acronyms, and their impacts to the real estate asset class.

ESG

ESG is not specific to real estate, but to **advancing environmental, social and governance** as a top priority for companies and investors globally. This accepted practice of operating governance is now a standardized protocol. While some might view certain aspects of ESG as cumbersome and procedural, multiple credentialed studies have found **better realized returns** attributable to such things as **improved risk management, resiliency of investment**, defined sustainability practices and in most cases a **lower cost of capital**.

Specific to the real estate world, **Leadership in Energy and Environmental Design** (LEED) certification has become a recognized **mark of leadership and sustainability**. LEED certified buildings aka "Green Buildings" are designed to optimize power and carbon offsets, address water use and enhance indoor environmental quality across most building types. LEED provides a framework for **highly efficient, sustainable,** and **cost-saving** buildings which tend to attract tenants, command premium rents and optimize operational cost savings for owners.

CSR

CSR or Corporate Social Responsibility defines a company's commitment to stakeholder value versus shareholder value and seeks to manage the social, environmental, and economic effects of its operations responsibly and in-line with the public's expectations. CSR speaks to **giving back to the community**, taking part in philanthropic causes, and providing social value. Tangible benefits include **employee satisfaction, better brand recognition, customer loyalty, recruitment enhancement** and easier access to capital to name a few.

Gen X, Y, Z and WFH

Demographers and their predictive modeling of generational trends prompt any investment discussion as these variables are **top of mind in paradigm shift analysis and real estate sector allocation**. Driving this demographic research is the recognition of the buying power and **real estate usage influences** that Gen X (1965-1980), Y (1981-1996) and Z (1997-2012) have today in making up approximately 62.5% of the US population. Millennials, which are made up of the Gen Y cohort, represent the largest generation in US history, even larger than the Baby Boomers. This generational segmentation becomes a necessary **predictive economic tool to supply demand analysis** as even the Boomers carve out their real estate footprint and buying patterns.

WFH or the **Work from Home** phenomena is difficult to quantify with much prognostication of its outcome requiring a balanced assessment of virtually all property types, urban vs. suburban discussions and the correlated underwriting of the supply and demand drivers.

SPACs

Frothy is a huge understatement for today's capital markets with yield starvation expanding investors risk return considerations. SPACs or Special Purpose Acquisition Companies are a prime example of these animal spirits and the overreaching capital flows. Around since the 1990s, **SPACs are attracting inordinate capital flows**, $83B last year and already $75B year-to-date. These blank check companies are active in the real estate space, being formed to purchase real estate and property tech firms.

SPAC sponsors enjoy the **easier capital raise** and **private equity enjoys the increased buyer pool** now competing for their investments to accelerate their ultimate exit. Yes, if successful, it can provide a public market mark-up, expedited access and associated liquidity but is this how you want to invest your capital or select your real estate investments?

I view SPACs with extreme caution… 313 issued since 2015, only 93 completed mergers or acquisitions (went public) with only 29 of those generating a positive return. **SPACs are probably here to stay** as they do represent a **viable alternative** to an IPO (less costly and more time efficient) but **not to be viewed as an all-weather capital source**.

PropTech

PropTech, a new buzz phrase in commercial real estate has allowed the asset class to maximize its operational efficiency by building systems that explore the digital landscape with primary orientation to varied consumption patterns. While **real estate is typically not a first mover to change** and is one of the least digitized industries in the world, it is **ripe for disruption, innovation, and the influences of artificial intelligence**. Technological Innovation has revolutionized other industries so why not real estate.

Examples resonate throughout with landlords now able to minimize their silent costs for energy consumption on unused square feet and poorly managed space through machine learning algorithms. Most are familiar with Zillow and Trulia enhancing home search experience **optimizing user preferences** while providing predictive value analysis by **assimilating volumes of data**.

The mortgage **lending space is being revolutionized** with its optical character recognition (OCR) helping lenders to automatically read data from borrower documents. One of our investors, who runs an engineering firm, has been utilizing ways to **minimize cost overruns** on construction sites through robotics and 3D imaging. These advancements should allow for an immediate reaction to ongoing construction inefficiencies and help reduce costs.

Hold the Line

So, 40 years later, investing in real estate versus when I started in 1981 could not be more dissimilar. The asset class has not only grown-up but accelerated within the alternative sector as institutional portfolios have grown their allocations from approximately 2% to now 11%, open-ended funds have expanded by a multiple of 3.5x in just 10 years and REIT valuations have grown from under $1B in market value to just under $1.2T today. This capital flow expansion however increases the **importance of the role of the investment fiduciary** as sound investment regimen needs to **balance the euphoria of these new capital flows**.

Investment manager governance will improve not only inclusion but investment protocols that maximize best ideas, enhance company platforms and working environments. Aided by **technological and innovative advances, data accumulation** and accessibility, **permanence of liquidity** and a continued advancement of the industry's work force, real estate is **well positioned** for those that remain **disciplined in their investment evaluation**.

Best to all,

Robert Brunswick

Robert Brunswick is Co-Founder and Chairman of Buchanan Street Partners, a real estate investment management firm headquartered in Newport Beach, California. In his capacity, Robert has directed the entrepreneurial growth of Buchanan Street since its inception and continues to lead its current strategic direction. In his day-to-day activities, Robert is responsible for chairing the firm's Investment and Executive Management Committees.

In 2005, Robert was named Ernst & Young's Entrepreneur of the Year and in 2009, the Boy Scouts of America honored Robert Brunswick and Buchanan Street Partners with the "Good Scout Award" within Orange County. In 2007, Robert established Buchanan Children's Charities, a 501(c)(3) organization which measurably improves the lives and educational opportunities for America's children. The charity's signature fundraising events have included Challenge for Children, Encore for Education and the Real Estate Summit, and in 2016 Robert was the recipient of the UCI Center for Real Estate's Power-packed Philanthropist Award.

Robert holds a B.A. from the University of California at Berkeley and has completed Berkeley's Haas Business School Executive Management Program. He currently serves as a Board Member of Bixby Land, the Hoag Hospital Board and is a Founding Member of the UC Irvine Center for Real Estate. His professional affiliations include membership in the Urban Land Institute, Pension Real Estate Association and Young Presidents Organization. Robert is passionate about educating our future leaders and has taught multiple commercial real estate classes to UCI undergraduate and graduate students as an adjunct professor.