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CONFIDENT REAL ESTATE INVESTING IN UNCERTAIN TIMES WITH THE AWARD-WINNING MIDDLEFIELD GROUP

Dean Orrico discusses the market's reaction to real estate prices during rising interest rates and Middlefield Real Estate Dividend Class with BTV - Business Television.

By almost all accounts, 2022 has been a challenging year for the Canadian real estate sector, and for REITs (real estate investment trusts), many investors' gateway into the market. The combination of a flagging economy lurching towards a possible recession, rapid inflation peaking at 8.1% in July, and the inevitable raising of interest rates by the Bank of Canada, have all lead to economic unease and uncertainty.

While the domestic real estate market has traditionally done well in rising interest rate environments, and REITs are often seen as a safe hedge against inflation for investors, 2022 has felt different.

There are two main reasons for the doom and gloom predicted by many market prognosticators: the first is that interest rates have moved so high in such a short period of time, and second, interest rates have increased with the expectation that we're heading into a national recession, rather than a growing economy.

But prognosticators have been overly negative, and Dean Orrico, President and Chief Executive Officer of the award-winning independent asset management firm Middlefield, just might have a reassuring perspective for worried public market real estate investors reading the tea leaves.

Established in 1979, Middlefield originally specialized in real estate development and financing. Dean Orrico joined the firm in 1996 around the time they started managing portfolios with exposure to REITs, which have since become a key plank in the Middlefield's real estate investment strategy.

Regarding the current downturn in the real estate market, Orrico is more optimistic, suggesting that there's a disconnect between the prevailing sentiment of many public market analysts with what is actually happening – which could be good news for REITs.

"We're starting to hear central bankers signal that we're nearing the end of this rate hike cycle" said Orrico." On October 26th we saw the Bank of Canada raise rates by 50 basis points when the market was expecting 75 basis points. That doesn't mean rates are going down any time soon, that might not happen until late 2023 or early 2024. But on the back of that news, you will see real estate start to recover because the interest rate headwind facing REITs in 2022 has started to subside."

Orrico also pointed to the recent multi-billion dollar acquisition of the Summit Industrial Income REIT by the Singaporean Sovereign Wealth Fund GIC, at an astounding 31% premium. "The GIC-Summit deal is further validation of our view that this market is not properly reflecting the value of a number of these REITs. Summit was one of our largest holdings and we stayed very positive on it, not with standing the fact that the stock price was down significantly this year."

Orrico sees another silver lining to the current challenges facing the real estate sector. While REITs are down significantly – around 20% year to date – private real estate has not taken a corresponding valuation dip. One theory posits that private sellers aren't keen on transacting in an unstable economic environment, while buyers aren't keen to pay the higher prices that private sellers are asking.

Orrico believes that the stand-off between private buyers and sellers has resulted in a lack of price discovery and is making public REITs amore attractive proposition. "If I've got a dollar to put in to real estate and I'm choosing between investing in the public REIT market or into private real estate, it's a hands down decision that I'd go into the public REIT market because I've already seen a significant reduction to a level where a number of these public REITs are trading well below what they're worth."

Under Orrico's stewardship, Middlefield has won a prestigious Refinitiv Lipper Fund Award for the second consecutive year. The award was given for the exceptional performance of their Middlefield Global Real Estate Class mutual fund. "We're honoured to receive the award", Orrico enthused, "It's reflective of our long-term positive outlook on the sector. It's reflective of the fact that we're focused on real estate as an asset class which we think should be a cornerstone of investor portfolios."

Middlefield's fund beat out competing funds like Vanguard's FTSE Canadian Capped REIT Index ETF, and Purpose Investment's Real Estate Income ETF (PHR).

The award-winning fund was created to provide a stable level of income and exposure to the global and Canadian real estate sectors. It encompasses a portfolio of REITs from a diverse set of real estate sub-groups like industrial (warehouses, logistics and cold storage), specialized (data centre, and cell tower REITs), retail (generally open-air shopping centre REITs), multi-family rental units (income-earning apartment building REITs), and health care (retirement and nursing homes REITs). All of these REITs respond differently to changing market conditions and Middlefield's portfolios benefit from the steady stewardship and decades of experience that Orrico brings to the table.

While real estate investing always carries some risk, and no one knows exactly where the market is heading, investors looking for equity income can be confident in the experienced and nuanced approach taken by Dean Orrico and Middlefield Group. "I believe every investor, especially investors who want to earn some income from their portfolios, should have exposure to real estate. It's really an asset class for all seasons."

The Lipper Award is a significant achievement for Orrico and Middlefield, one which he hopes attracts more investors looking to break into the REIT market, despite the current downswing, "At Middlefield, we've been doing this for a long time. We've lived through various cycles like this, and this is just another one – though it has different circumstances. We believe that we're properly positioned in those areas that we think are best positioned to out perform next year and beyond."

View the related video interview at **www.middlefield.com**