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Published: February 2023

COMPARING PUBLIC REITS TO PRIVATE REAL ESTATE FUNDS

Private Real Estate Funds

Private Real Estate valuations are typically less volatile since they are normally based on the intrinsic value of the properties they hold and valuations are struck more infrequently than their public counterparts i.e. usually quarterly. Private Real Estate funds, especially those vehicles which are smaller in size with less sophisticated investors, are not subject to as much regulation and compliance and operate with fewer costs. This results in, however, higher risk associated with Private Real Estate as there is less regulatory oversight and public scrutiny.

	Key Benefits	Description
	Stability	Valuation and price discovery is less affected by short term market factors.
	Regulation	Subject to fewer regulatory requirements and cost savings in certain areas e.g. stock exchange listings, corporate finance fees, regulatory compliance, etc.
	Leverage	Private Real Estate Funds often utilize higher leverage which can enhance returns to equity holders over the long-term.

Public REITs

Public REITs are ideal for real estate investors who want regular and easy access to their capital and are seeking to benefit from the regulatory oversight applied to public companies. In addition, regulatory bodies and large institutional investors often impose a higher standard of compliance on public companies, resulting in greater disclosure and the incorporation of best practices in compliance and ESG principles. Moreover, public market volatility due to macroeconomic or geopolitical factors can often result unit prices which are disconnected from company fundamentals. As active managers, Middlefield is able to capitalize on opportunities where trading prices do not reflect intrinsic values.

Key Benefits	Description
Capital Formation	Raising equity and debt capital can be quicker and more efficient in the public vs the private markets. For example, Public REITs can complete large, overnight equity bought deal financings, providing them a competitive advantage to fund acquisitions.
Investment Community	Investment research analysts scrutinize over and regularly publish opinions on quantitative and qualitative information disclosed by Public REITs. This provides investors with a valuable and independent source of information to make more informed investment decisions.
Access	Public REITs are distributed by way of a prospectus and, as a result, can be purchased by retail and institutional investors with very few investment restrictions.
Transparency	More regulatory oversight and third-party scrutiny. Independent information on underlying investments is also available.
Liquidity	Public REITs are listed on established stock exchanges and are highly liquid i.e. units can be bought and sold relatively easily.

Summary

Both Public REITs and Private Real Estate are tax efficient investments that provide investors exposure to a diversified portfolio of income producing properties.

Similarities and Differences Between Private Real Estate and Public REIT Valuations

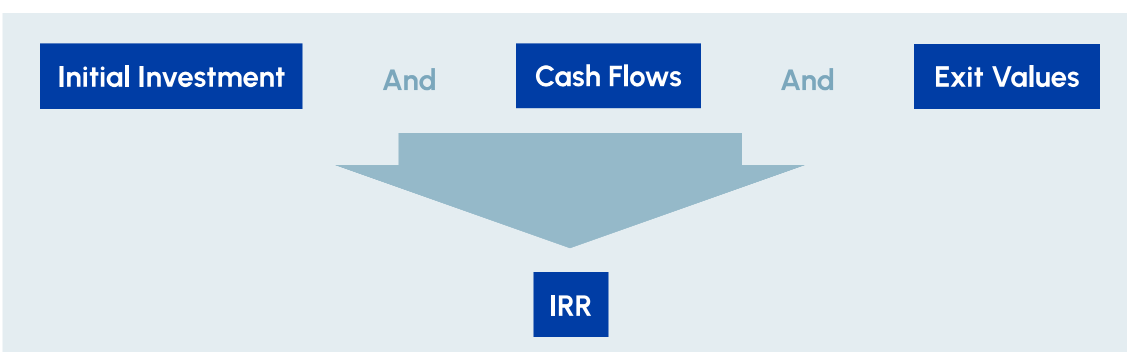
There are three core approaches to valuing real estate: income capitalization, cost-based approach and comparable sales. Public REITs are subject to IFRS accounting standards and are required to disclose detailed financial information on a quarterly basis. This information is transparent and scrutinized by analysts, asset managers and institutions. As a result, these approaches are widely used by analysts and investors to derive public REIT values. In contrast, financial information is more difficult to obtain for private real estate investments. Private real estate funds often establish a valuation policy to determine asset values that are periodically audited by an arms-length third party. Private investors must rely more heavily on the sales of comparable properties and the estimated costs of replacing assets to value existing properties.

Private Real Estate

How Value is Determined

Private real estate is often valued based on appraisals, replacement costs and comparable market transactions. Private real estate investors often have long time horizons and emphasize the Internal Rate of Return (IRR) of an asset to determine its relative value. This calculation involves assumptions for up-front costs, cash flows over the life of the investment and terminal a value of the asset.

Values	Description
Initial Investment	The initial required investment is derived from comparable sales of similar quality buildings and/or estimating the current cost of replacing a building with an emphasis on land values, cost of construction, zoning, etc.
Cash Flow Estimates	Internally-generated assumptions of rents, expenses and financing costs are considered to estimate future cash flows from the investment.
Future Value	Private investors consider projected appraisal values of properties if they were to be sold in the future.

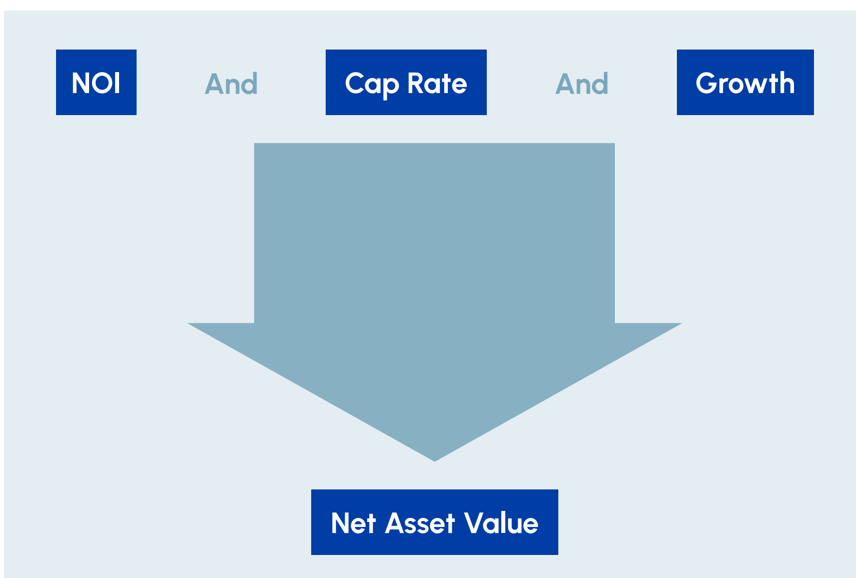


Public REITs

How Value is Determined

Public REITs primarily own income-producing properties. They are valued using a detailed analysis of rental income and expenses to determine net operating income (NOI). Once expected NOI is determined, property values can be assessed using a capitalization rate to represent the income yield of a property or portfolio.

Values	Description
Net Operating Income (NOI)	NOI analyzes the profitability of income-generating real estate investments by taking all revenue earned by the property minus necessary operating expenses.
Capitalization Rate	Capitalization rates are calculated by dividing a property's NOI by its current market value. Cap rates from comparable assets can be applied to similar properties to compare values.
Growth	Growth assumptions for future rent increases, occupancy gains and potential acquisitions which take macro economic factors into consideration to supplement core NOI projections.



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