

National Real Estate Advisors, LLC A Leader in Build-to-Core

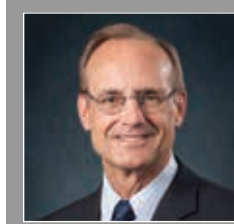
Over the long term, few investment managers commit to implementing a single, well-conceived investment philosophy and strategy that can mine both real estate's value-creation and income-producing potentials at the same time.

Since 2000¹, the veteran leadership team at National Real Estate Advisors, LLC has successfully executed one tested philosophy and proven strategy centered on build-to-core investing. Distinct from merchant building (developing to sell), build-to-core is a quintessential long-term real estate investment approach that can work at any point in the real estate cycle. Implementing sustainable management practices and investing along the entire capital stack, National seeks to develop and redevelop properties in primary urban markets, creating modern technologically advanced assets for its portfolios, which can outperform older properties when competing for tenants. Completed and stabilized projects create value, refresh the existing asset mix of a core portfolio, and produce ongoing, solid income-oriented returns.

Today's build-to-core opportunity

As many markets approach or are at equilibrium, cap rates have bottomed out at extremely low levels and yields are constrained. Investors are having trouble finding deals on existing properties without paying premium retail pricing well-above replacement cost. National's build-to-core strategy offers investors access to ongoing development investments in prime markets effectively at replacement cost. That translates into an opportunity to pay a lower all-in development cost, which can realize potential long-term value creation gains and help compensate for higher build-to-core development risk. In some cases, National looks to bank land for future development, patiently waiting for the next best cyclical opportunities.

At the same time, National's open-end, build-to-core fund provides immediate access to income-producing properties similar to other core open-end funds.



President and CEO
Jeffrey J. Kanne



Managing Director of Investor Relations
Heather F. Border

However, National's assets are generally newer and have been developed with a focus on meeting the highest industry standards for sustainability and efficiency. They tend to be more modern, more efficient, more resilient and more attractive to tenants than older existing product in typical core portfolios. With the build-to-core income plus value creation portfolio model, National strives to produce higher core-plus performance than basic core funds.²

Jeffrey J. Kanne, National's president and CEO, says: "Build-to-core makes sense throughout the real estate market cycle, but especially today in core markets

stretched by premium pricing. If you structure investments properly, manage project costs aggressively and exercise patience in delivering the right product at the right time, the risk-adjusted returns can be very attractive. The end result will be new generation core assets that can capture higher rents and maintain higher occupancies over extended holding periods."

National Real Estate Development

National's in-house development subsidiary, National Real Estate Development, LLC, helps deliver projects on schedule and on budget. The subsidiary not only

BUILD-TO-CORE	
PROS	CONS
<ul style="list-style-type: none"> • Immediate access to income producing component of portfolio • Modern, more competitive product • Potential to achieve higher rents • Greater operating efficiencies • More resilient to natural disasters • Income returns plus appreciation from value creation • Potential for higher core-plus returns • Less competition for acquisitions and ability to bank land for future development 	<ul style="list-style-type: none"> • Development risk • Higher volatility than core • Not all markets suitable for new construction
ACQUIRING CORE	
PROS	CONS
<ul style="list-style-type: none"> • Immediate access to income producing portfolio • Potential for solid income-oriented returns • Relatively low volatility 	<ul style="list-style-type: none"> • Relatively low to moderate appreciation potential • Established core assets are older than new product in the market – subject to faster obsolescence • Priced above replacement cost in many markets today

¹ National has operated as an investment adviser since January 2010. In addition, National's key senior management personnel generally worked together at National's predecessor firm, NEBF Real Estate from 2000 through 2010.

² The reader should not assume an investment in National-managed assets was or will be profitable. Past performance does not indicate future results.

THE BLOC LOS ANGELES, CA

2.4 million-square-foot mixed-use redevelopment including retail, office and hotel nearing completion



EAST MARKET PHILADELPHIA, PA

1.4 million-square-foot phased mixed-use redevelopment encompassing an entire city block



provides highly-skilled, technical expertise and oversight for National's joint ventures with leading U.S. developers but also directly develops projects. "You can't execute a build-to-core strategy consistently without an in-house team steeped in every aspect of development from site selection, budgeting, architecture and construction to overall project management," Kanne said.

Investing across the capital stack

For more than 17 years, Kanne's team has been involved in \$13.3 billion of build-to-core development projects (\$10.7 billion completed and \$2.6 billion pending), comprising more than 29 million square feet of space. National has invested in the development of prime assets in most property categories — office, multifamily, retail, hotel and data centers — as well as complex mixed-use projects. National also invests along the entire capital stack to reduce risk exposure during various stages in the market cycle — concentrating on equity positions in recovery phases and employing more debt structures when markets approach equilibrium. In addition to common equity, National invests in preferred equity, mezzanine debt, senior debt, construction loans and credit enhancements.

Sustainability and ESG practices

National's investments are typically located in 24-hour cities across the U.S., including New York, Boston, Chicago, Washington, D.C., and San Francisco.

National Development currently manages two transformational, urban mixed-use projects — The Bloc in downtown Los Angeles and East Market in Center City Philadelphia.³ The company, meanwhile, is a leader in seeking LEED certifications, Energy Star ratings, and Green Star recognition from GRESB.

Kanne said: "National believes a commitment to instituting environmental, social and governance (ESG) policies drives investment performance and produces competitive returns over time. It's about building better environments for tenants, creating better work places and living spaces, and holding ourselves to a higher fiduciary standard in all aspects of our business."

Investment approach

The hallmark of National's investment approach involves applying these proven build-to-core guidelines:

- Investing in leading U.S. urban markets with high barriers to entry, diversified economies, effective transportation networks and high levels of intellectual capital;
- Identifying opportunities with leading developers or undertaking projects directly through National's in-house development group;
- Carefully evaluating predevelopment budgeting and waiting for the right market opportunity to begin construction;

COMPANY OVERVIEW

National Real Estate Advisors is wholly owned by a subsidiary of the National Electrical Benefit Fund, a major U.S. pension fund with more than \$13.4 billion total net assets.

- An SEC-registered investment advisor⁴
- Headquartered in Washington, D.C.
- Assets under management: \$2.8 billion / 57 investments
- Specializes in executing build-to-core strategies for an open-end fund and a separate account
- Invests in most major real estate sectors — mixed-use, apartments, office, retail, industrial, hotels and data centers
- Focuses investments on leading U.S. urban markets
- 53 employees (including development subsidiary); Washington D.C., Los Angeles and Philadelphia

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All figures as of 03/31/2017

- Employing equity and debt structures, maximizing investor returns, hedging risk and offering a more attractive capital source for prospective partners and borrowers;
- Overseeing developments with a skilled leadership team with decades of combined project management expertise;
- Making midcourse corrections to sustain projects and waiting out market volatility if necessary to produce high-quality projects in superior locations;
- Delivering stabilized assets that can out-compete older properties for tenants and command high rents from superior features and amenities; and
- Continually assessing whether an asset should be sold.

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³ The particular investments identified and described herein do not represent all of the investments purchased, sold or recommended for client accounts. The reader should not assume an investment in the projects identified was or will be profitable.

⁴ Registration as an investment adviser does not imply any level of skill or training. The SEC does not endorse, indemnify or guarantee National's business practice, selling methods, the class or types of securities offered, or any specific security.