

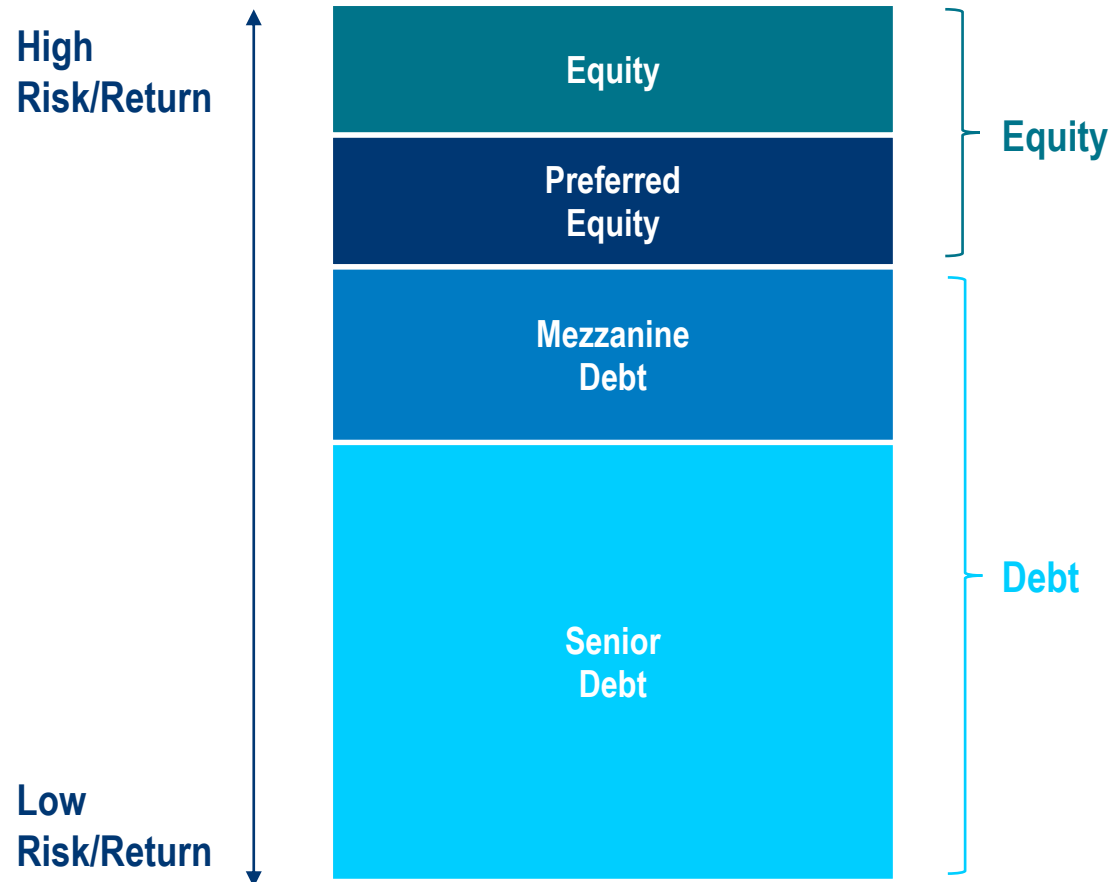
NCREIF FALL CONFERENCE A REVIEW OF THE CAPITAL STACK

General Session: As a Borrower

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14 November 2023

Introduction to The Capital Stack

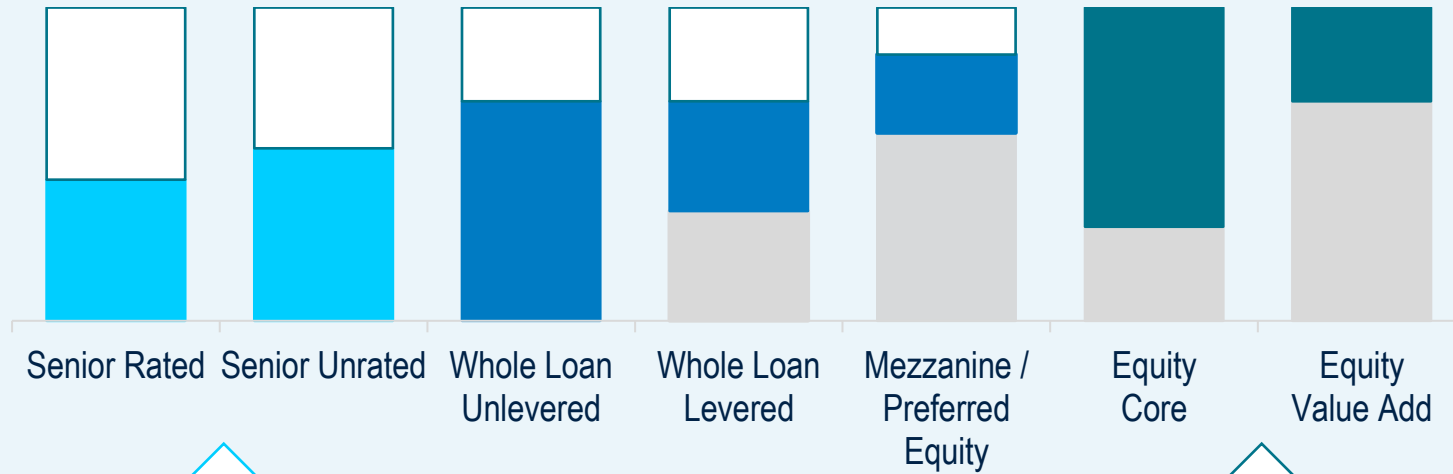


- Common equity is riskiest but offers most potential upside.
- Comes last in payment priority.
- Has features of both debt and equity.
- Is senior to only common equity, and subordinate to all other debt.
- Also referred to as “junior debt” or “subordinated debt”.
- Unsecured and sits below senior.
- Interest rate is higher than senior.
- Senior debt is a form of secured financing.
- Has first payment priority.
- Risk of capital loss is the lowest, thus expected return is also the lowest.
- Interest rate pricing is the lowest reflecting the low risk.

Example For Illustrative Purposes Only.
 Source: PGIM Real Estate. As of November 2023.

The Capital Stack Illustrated Across an Investment Spectrum

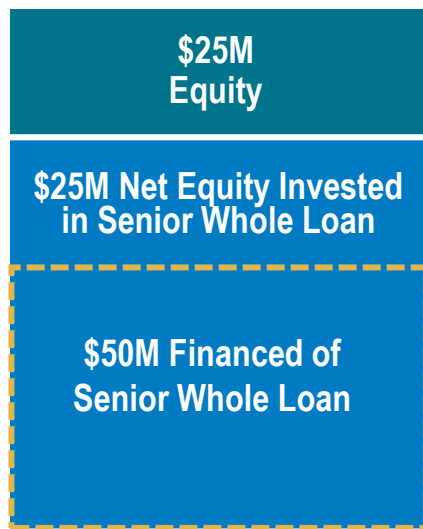
Value creation through asset management of underlying real estate is key to generating positive credit migration, improving income cover and mitigating exit risk.



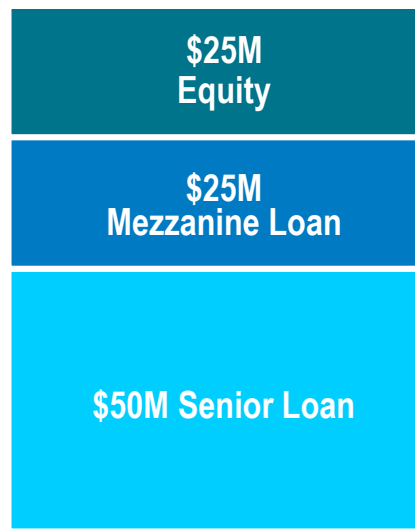
Stabilized property with limited asset management requirements. Credit factors such as LTV (downside protection) and DSCR (income stability) are primary risk drivers.

Complementary to equity portfolios, debt strategies broaden access to investments; mitigate 1st dollar risk through subordinated equity; and prioritize income over capital upside.

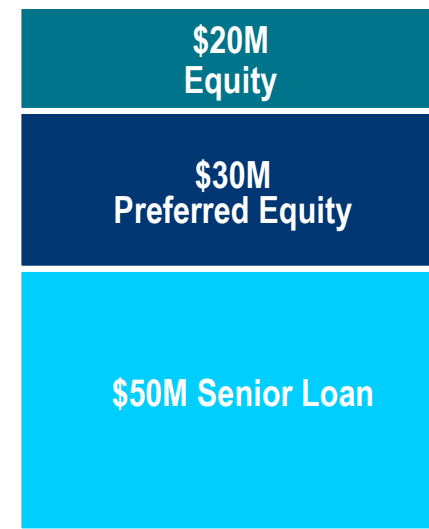
An Illustration of Capital Stack And Return Attributions



Senior Loan w/ Leverage



Mezzanine Loan



Preferred Equity

RETURN ATTRIBUTIONS

- Fees
- Interest Rate
- Levered Rate

- Fees
- Interest Rate (fixed or floating)

- Fees
- Interest Rate (fixed or floating)
- Waterfall Structure with Potential Upside Participation

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