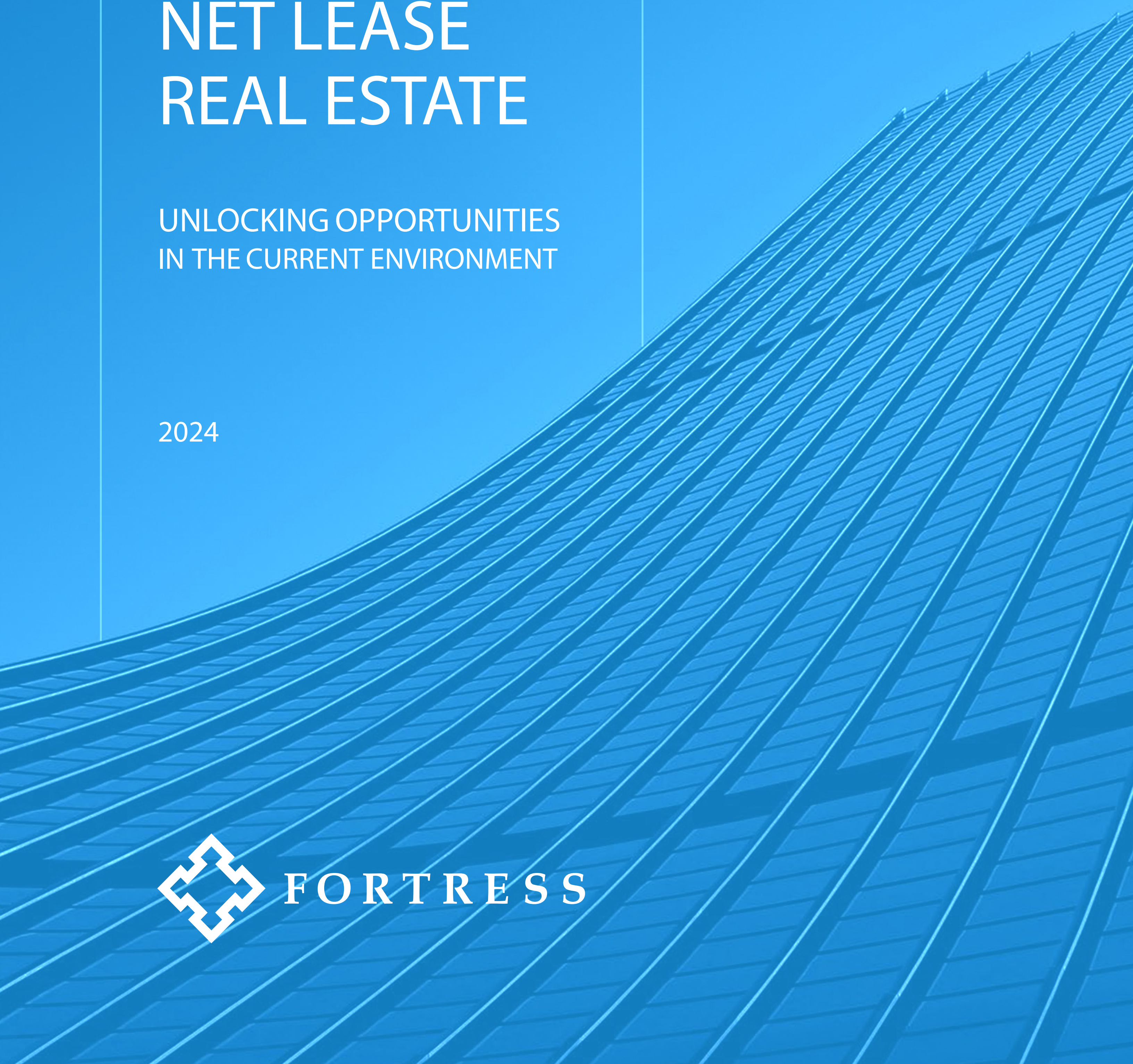
MARKET INSIGHTS

NET LEASE REAL ESTATE

UNLOCKING OPPORTUNITIES
IN THE CURRENT ENVIRONMENT

2024



FORTRESS

The net lease asset class, we believe, has a history of **strong performance and resilience through multiple cycles and a range of economic environments**, a record that has continued through the challenges that have become so pronounced in recent years – the volatility, pressures on asset values and inflationary markets.

We believe there is **vast and untapped opportunity in net lease for those select firms with the experience and expertise to transact**. According to CBRE, the net lease market has grown over eight-fold in the past two decades, accounting for approximately 11% of all U.S. commercial real estate transactions. This market is predominantly focused on industrial, corporate, and retail assets, and may be worth well over $100 billion per year given significant unreported activity[1].

We are seeing an especially large and attractive opportunity set today via sale leasebacks, and build-to-suits, in addition to acquiring existing assets. We believe sale leasebacks have become increasingly attractive to companies seeking alternative sources of capital. **Even well-heeled companies are preserving cash and their lines of liquidity, and sale-leasebacks allow companies to conveart a non-cash producing fixed asset into a cash producing one**.

We are also seeing an uptick in build-to-suits as companies continue to onshore their manufacturing footprints and expand distribution capabilities in an effort to shore up their supply chain. Additionally, we see compelling opportunities to acquire assets on existing leases being sold by owners to address upcoming debt maturities or stresses in non-net lease portfolios.

KEY INVESTMENT THEMES

I

INVESTING ACROSS MARKET CYCLES:
Potential for Reliable Income

II

COMBATING PERSISTENT INFLATION:
Natural Inflation Hedges

III

NET LEASE OPPORTUNITIES:
Alternative Sources of Capital

> We believe disruption in markets provide opportunity...as companies seek alternative sources of financing to generate more cash for many reasons, including opportunistic M&A or to pay down debt
>
> **AHSAN AIJAZ**
> GLOBAL HEAD OF NET LEASE

While the correlation between cap rates and interest rates is weak, they do tend to move in the same direction. Net lease cap rates have become increasingly attractive in recent years, and in our view, we are currently able to acquire compelling assets at attractive cap rates. In addition to attractive cap rates, we are also seeing favorable fixed rental increases, on account of higher inflation.

As both a strategic transaction for corporations and as a strategic allocation for investors, we believe **the benefits of net lease have never been more pronounced or more relevant than they are today**.

Fortress is one of the largest and most active acquirers of net leased investments in the marketplace. **Over Fortress's 20+ year history, the Fortress Net Lease team has acquired over 2,900 properties and more than 82 million square feet in the industrial, retail, and office sector**.

What is Triple Net Lease?

Triple net lease is a type of commercial real estate lease, with a few key distinguishing features. First, they are typically **single tenant, single payer leases**. Second, they are typically structured to provide a **known and predictable stream of cash flow** as the rent is set in the lease. Third, the **set rent typically increases by contractual escalators**. Fourth, while traditional commercial real estate leases often have variable cashflow, there is generally no variability in cashflow with a triple net lease agreement as all expenses are the responsibility of the tenant, and generally, the **landlord's only responsibility during the lease term is to collect rent**.

Triple net lease assets are created when a corporate lessee or tenant enters into the sale and subsequent leaseback of a property with a third-party landlord. A build-to-suit transaction is similar, except the asset is a brand new facility that will be constructed, and which the tenant can then lease under the terms of a long-term triple net lease.

Triple net lease agreemaents are typically longer-term commercial leases, in the range of 10-20 years. Lease payments are generally made monthly or quarterly and often increase at fixed intervals such as annually. Rental escalators are one of the key features that differentiate a triple net lease investment from other income-focused strategies, as shown in **EXHIBIT 1**. The escalators are negotiated upfront and can either be fixed increases or variable increases tied to an index, such as the Consumer Price Index (CPI).

> "If structured correctly, we believe triple net lease investment is a great way to access the benefits of real estate investing with the potential for known and predictable streams of cashflows and without the management responsibilities of real estate ownership, which would otherwise cause variability in that cashflow"
>
> **AHSAN AIJAZ** | GLOBAL HEAD OF NET LEASE

EXHIBIT 1:
A Differentiated Strategy

What is Triple Net Lease? (Continued)

Under a triple net lease, a **tenant is contractually obligated to pay all expense items associated with the property such as taxes, insurance and maintenance**, as shown in **EXHIBIT 2**. Furthermore, once the lease ends, there are typically renewal options that allow the tenant to extend the initial lease term. If, however, the tenant chooses not to renew the lease, the use of the property will revert back to the owner/lessor, who can then re-lease the property to a new tenant. If there is damage to the property, the tenant is generally responsible for restoring the property to an "as new" condition while paying full rent. In fact, any increases in taxes, assessments, or related disputes and appeals, are the full responsibility of the tenant, including the requirement to stay current on tax payments. Lastly, the tenant is responsible for any and all maintenance of the property.

During the term of the lease, if a tenant fails to pay their lease and/or contractual expenses, they are considered to be in default, which in turn gives the owner legal recourse to recover any unpaid amounts and take back the property. During bankruptcies, the leases of assets deemed either critical to a tenant's operation or profitable are often affirmed in a reorganization and the tenant must bring all lease obligations current and cannot change the terms as they might with debt. Furthermore, the tenant has limited time to affirm or reject leases so the landlord will typically reach a resolution more quickly than debt holders. Finally, unpaid rent is generally treated as an administrative claim and ranks higher than the junior unsecured obligations of a tenant, but below any senior secured debt.

EXHIBIT 2:
Under a Triple Net Lease Asset the Tenant Pays for all Property Related Expenses

We believe there are

three key reasons why net lease represent a compelling investment opportunity in the current market environment:

1 INVESTING ACROSS MARKET CYCLES: POTENTIAL FOR RELIABLE INCOME

Net lease investments, we believe, represent a compelling strategy across market cycles because when properly structured, net leases can generate predictable cash flow during unpredictable market environments. Net lease effectively blends the advantages of a contractually cash flowing investment secured by hard assets, and the benefits of owning real estate with minimal or no management responsibilities and operating costs. During periods of market volatility and economic slowdown, in a well-structured portfolio with strong tenants, net lease investors can potentially benefit from the stable, increasing income stream. During periods of market stability and economic growth, net lease investors benefit from the potential for real estate appreciation while still retaining the stable, increasing income stream.

We believe experience and diligence are more important to being a successful net lease investor than ever before. The current market environment is broadly characterized by heightened volatility, pressures on asset values, and inflationary dynamics. Many of these potential challenges, we believe, may be mitigated through disciplined and rigorous underwriting and asset management. The Fortress Net Lease business was established at the inception of our Credit business in 2002. **Our 20+ year triple net lease investment strategy was purpose-built with the goal of providing downside mitigation and stable cash flows across both bull and bear credit cycles**. We believe our extensive experience investing through various economic cycles including market downturns such as the late 1990s Tech Wreck, the 2008 Global Financial Crisis, and the COVID-19 pandemic and subsequent period of elevated inflation, provides us with a more informed understanding of investment strategies that are appropriate across cycles, not just during a bull market.

2 COMBATING PERSISTENT INFLATION: NATURAL INFLATION HEDGES

We believe the benefits of net lease have never been more pronounced, given inflationary dynamics. In fixed income, the coupon payment for a bond is contractually fixed and does not change during its term. In contrast, with a net lease investment the "cap rate" at the beginning of the transaction is the equivalent of that coupon rate with one critical difference – the payment amount will increase on a regular basis (as often as annually) over the term of the transaction by a predetermined amount each time. Net lease investments benefit from contractual built-in rental escalators, which bonds generally lack. For illustrative purposes, a 10-year corporate bond that pays a 3% yield will still yield 3% in year 10, whereas a 10-year net lease purchased at a 6% cap rate with 3% annual rental escalations will yield 7.8% in year 10. As such, while a bond's coupon payment can be eroded by inflation, cash flow from a net lease property is structured to grow over time through rental escalators. Additionally, at expiration a bond returns par value whereas net lease offers the potential for appreciation of the underlying real estate. Thus, we believe a thoughtful approach to net lease allows investors to benefit from a longer term buy and hold strategy with inflation-hedging.

NET LEASE INVESTMENTS BENEFIT FROM CONTRACTUAL BUILT-IN RENTAL ESCALATORS

3 NET LEASE OPPORTUNITIES: ALTERNATIVE SOURCES OF CAPITAL

We believe that there are attractive opportunities in the sale leaseback and build-to-suit market today. We believe the current opportunity set is being driven by two key factors: 1) the high rate environment, where we find sale leasebacks are an attractive alternative for even some of the most well-heeled companies 2) the trend towards onshoring for companies that are bringing production back to the U.S. from other parts of the world such as China and parts of Southeast Asia.

1) Central banks have embarked on the most aggressive hiking cycle since the 1980s in an effort to contain inflation. Tighter financial conditions and higher rates has, in our opinion, contributed to unintended consequences such as banking crises.

As regional banks have continued to shrink their balance sheets, we believe the need for alternative credit providers has become more acute. We are seeing substantial interest from CFOs and Treasurers leveraging sale leasebacks as a corporate financing tool. From a financial perspective, a company can tap into external third-party capital to build a property and pay rent to the landlord, rather than spending their own capital and taking on the burden of real estate ownership. We find most companies prefer to focus on the day-to-day operations of running a business rather than on owning real estate. A sale leaseback provides an alternative to direct ownership of property and allows companies to convert an illiquid asset to cash, which they can invest back into their business, while retaining long term use of the property in question. Companies thus can convert capital expenditures (CapEx) into operating expenditures (OpEx) which has advantageous tax implications.

> “Built-in arbitrage generally exists where credit risk of a company is perceived as higher than actual risk. The danger is when the opposite is true. Differentiating between the two comes from a credit experienced mindset”
>
> **AHSAN AIJAZ**
>
> GLOBAL HEAD OF NET LEASE

2) Companies are looking to onshore production to ensure they have sufficient production capacity in the U.S. Companies are looking to reduce their reliance on global supply chains, which were disrupted during the pandemic. This also, in our opinion, increases the need for distribution and manufacturing facilities, as more manufacturing is done domestically, and companies are focused on optimizing delivery to customers. Not only do we see compelling buying opportunities for net lease today, we also foresee a robust opportunity set ahead of us.

CONCLUSION

Today's investment markets, characterized by macro uncertainty and increased volatility present significant challenges that investors must navigate in the years ahead. But we believe that many sources of market uncertainty and turbulence will, in fact, provide an even greater opportunity set for sophisticated investors in the net lease space. Tenants with strong credit profiles are seeking flexible, structured, and reliable capital solutions. We believe the Fortress Net Lease team has extensive experience in credit underwriting, bolstered by a strong understanding of real estate fundamentals, and facilitated by a proprietary sourcing network. We believe these core strengths—tested and refined over our two decades as one of the industry's most active net lease investors—position us to perform across market cycles.

REITs may offer tax advantages for individual investors. To learn more about tax benefits of REITs, please reach out to privatewealth@fortress.com

ENDNOTES

1. Source: CBRE, "Net-Lease Investment Declines in 2022; Improvement Expected in 2023," as of February 22, 2023.

DISCLAIMERS

In general. This disclaimer applies to this document and the verbal or written comments of any person presenting it. This document, taken together with any such verbal or written comments, is referred to herein as the "Presentation." Fortress Investment Group LLC, taken together with its affiliates, is referred to herein as "Fortress." This Presentation is produced solely for the recipient and may not be transmitted, reproduced or made available to any other person.

No offer to purchase or sell securities. The Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security and may not be relied upon in connection with the purchase or sale of any security.

Forward looking statements. Forward looking statements (including opinions or expectations about any future event) contained in the Presentation are based on a variety of estimates and assumptions by Fortress. The inclusion of any forward looking statements herein should not be regarded as an indication that Fortress considers such forward looking statement to be a reliable prediction of future events and no forward looking statement should be relied upon as such. Neither Fortress nor any of its representatives has made or makes any representation to any person regarding any forward looking statements and none of them intends to update or otherwise revise such statements to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying such forward looking statements are later shown to be in error.

Third party information. Certain information presented in this Presentation regarding market conditions and market data is based upon information that has been obtained or derived from independent third-party sources. Although Fortress believes these sources are reliable, Fortress cannot guarantee the accuracy, completeness, or reliability of the data obtained from third-party sources. This Presentation discusses general activity or industry or sector trends and should not be construed as research or investment advice. While Fortress believes such sources to be reliable, neither Fortress nor any of its respective affiliates nor employees have updated any such information through the date hereof or undertaken any independent review of such information. Fortress does not make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of any of the information contained herein (including but not limited to economic, market or other information obtained from third parties), and it expressly disclaims any responsibility or liability therefore.

No reliance, no update and use of information. You may not rely on the Presentation as the basis upon which to make an investment decision. To the extent that you rely on the Presentation in connection with any investment decision, you do so at your own risk. The Presentation does not purport to be complete on any topic addressed. The information in the Presentation is provided to you as of the dates indicated and Fortress does not intend to update the information after its distribution, even in the event that the information becomes materially inaccurate. Certain information contained in the Presentation includes calculations or figures that have been prepared internally and have not been audited or verified by a third party. Use of different methods for preparing, calculating or presenting information may lead to different results and such differences may be material. In addition, in certain instances some of the information contained herein may not be updated from prior periods due to legal and/or regulatory considerations. Certain information herein reflects the subjective beliefs of Fortress and is based on various assumptions and risks, which may ultimately prove to be inaccurate. There can be no assurance that historical trends will continue or that Fortress will be able to implement its investment strategy and objectives. Although Fortress believes that the determinations related to the market backdrop described herein are reasonable, they are inherently subjective in nature. Other market participants may make different determinations relating to the market based on the same underlying data.

No tax, legal, accounting or investment advice. The Presentation is not intended to provide, and should not be relied upon for, tax, legal, accounting or investment advice. Any statements of federal tax consequences contained in the Presentation were not intended to be used and cannot be used to avoid penalties under the Internal Revenue Code or to promote, market or recommend to another party any tax related matters addressed herein.

Knowledge and experience. You acknowledge that you are knowledgeable and experienced with respect to the financial, tax and business aspects of the Presentation and that you will conduct your own independent financial, business, regulatory, accounting, legal, and tax investigations with respect to the accuracy, completeness and suitability of the Presentation should you choose to use or rely the Presentation, at your own risk, for any purpose.

Logos, trade names, trademarks and copyrights. Certain logos, trade names, trademarks and copyrights included in the Presentation are strictly for identification and informational purposes only. Such logos, trade names, trademarks and copyrights may be owned by companies or persons not affiliated with Fortress or any Fortress managed vehicles and no claim is made that any such company or person has sponsored or endorsed the use of such logos, trade names, trademarks and copyrights in the Presentation.

Distribution of the Presentation. Fortress expressly prohibits any redistribution of the Presentation without the prior written consent of Fortress. The Presentation is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is contrary to law, rule or regulation.

Confidentiality. By accepting receipt or reading any portion of the Presentation, you agree that you will treat the Presentation confidentially. This reminder should not be read to limit, in any way, the terms of your (or your organization's) confidentiality agreement with Fortress, if applicable. The information contained herein is confidential and proprietary in nature and may include information protected by relevant federal and state law governing the protection of trade secrets.

ABU DHABI

ATLANTA

DALLAS

GREENWICH

HONG KONG

LONDON

LOS ANGELES

MADRID

MENLO PARK

NEW YORK

ROME

SYDNEY

TOKYO

FORTRESS