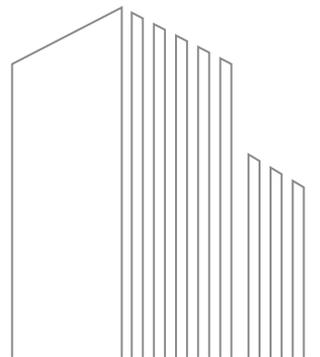


WHITE PAPER

Developer Strategies for Rising Prices, Inflation, Costs & Climate

THE BUSINESS OF DEVELOPING BUILDINGS

It may be time to revisit your strategy to take in account recent shifts in the market.

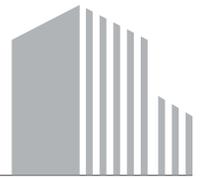


PACEEquity



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Low Carbon

Developer Strategies for a Changing Market



Owning and operating a business requires building a strategy for resiliency and growth. Your employees, investors and customers rely on your business to deliver projects that are well-designed, profitable, and positioned for the future.

Strategies built in the last quarter of 2021 sought to address immediate impacts of a waning pandemic, supply chain/product delivery timing, labor shortages, and high construction material costs. You may also have been considering the impacts of climate change, tenant demands, shifting building codes, and continued access to affordable capital. While these short-term items are all still pertinent in 2022, **it may be time to revisit your strategy to take into account recent shifts in the market.**

WHAT YOU NEED TO CONSIDER NOW

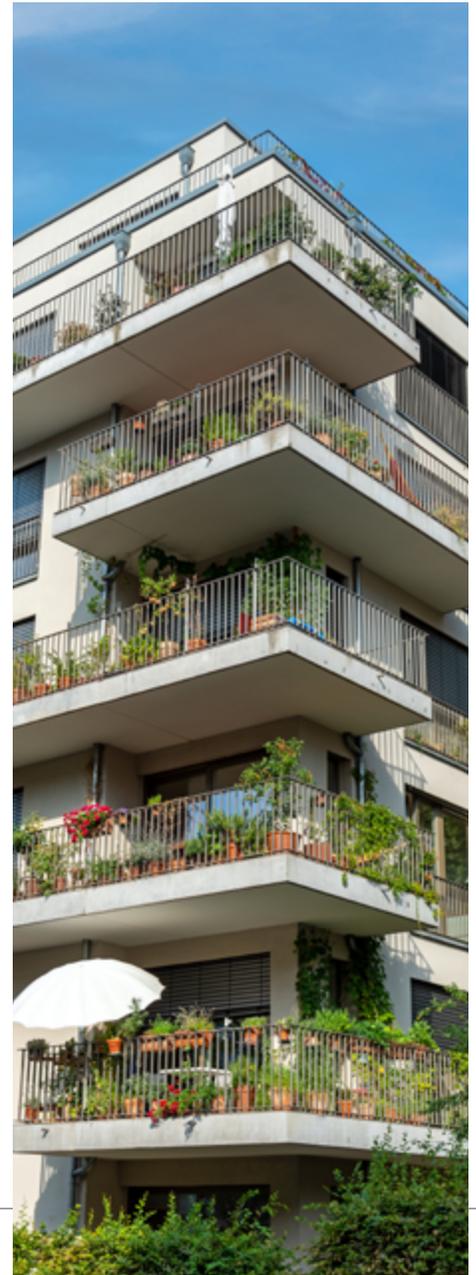
Over the past few months, things have changed significantly in the commercial real estate business. These “new” list of economic concerns are top-of-mind for your customers and investors.

- Volatile/rising interest rates
- Inflation and rising prices
- Oil/gas prices rising
- Climate change and obvious impacts (wildfires, storms, flooding)

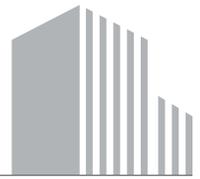
What do those challenges mean for the commercial real estate market—now and in the longer-term? Which of those challenges will drive a change in the way you do business?



Developers should be seeking **solutions** that address these issues while allowing them to pursue their projects and profits.



Developer Strategies for a Changing Market



Rather than abandoning planned projects, developers are seeking *solutions* that address these short-term issues while allowing them to pursue their projects and profits.

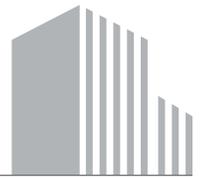
Many of the challenges have potential solutions that are available now. It may be time to consider new options.

SUMMARY OF CHALLENGES, IMPACTS & SOLUTIONS

CHALLENGE	IMPACT	POTENTIAL SOLUTION
Volatile/rising interest rates	Difficulty maintaining construction budget	Lower cost of capital
Inflation and rising prices	Tenant price sensitivity & increased cost of operations	Energy efficient & sustainable building design
Oil/gas prices rising	Tenant price sensitivity & increased cost of operations	Energy efficient & sustainable building design
Climate change	New requirements for building resiliency	Energy efficient & sustainable building design
Shifting building code requirements	Local governments requiring greener buildings & utilities rewarding efficiency	Energy efficient & sustainable building design
Changing tenant demands	Tenants requiring comfortable and healthy spaces for work and home spaces	Energy efficient & sustainable building design
Difficulty recruiting and retaining employees	Additional pressure on profitability as wages increase	Lower cost of capital
Material costs escalating	Additional pressure on profitability as costs escalate	Lower cost of capital

This is a very simplistic view of potential solutions, certainly. But the point is that solutions exist that could impact multiple challenges.

Developer Strategies for a Changing Market



POTENTIAL SOLUTIONS TO TODAY'S CHALLENGES

A. LOWER COST OF CAPITAL

Background: As developers assemble their capital stacks during this time of volatile interest rates and rising costs, they are challenged with identifying and securing capital that allows them to deliver favorable project returns. Improving the cost of capital will help developers maintain their budgets and profitability.

B. ENERGY EFFICIENT AND SUSTAINABLE BUILDING DESIGN

Background: Multifamily and Senior Housing Projects

Tenants are demanding comfortable, secure, and healthy environments in which to live. They hear daily about the impacts of climate change, and they want to know that they are contributing to a greener environment. They are feeling vulnerable about the economy and are price sensitive. Following the pandemic, they want healthy indoor environments.¹

Multifamily and Senior Housing developments are finding growth as the pandemic wanes and investors look for assets to deliver growth and resiliency.

Background: Office, Industrial, Other Commercial Projects

As business tenants continue to feel wary about the global economy, they will seek competitively-priced lease rates as a hedge against potential economic downturns. Uncertainty surrounding geopolitical tensions remain, as do concerns about inflation and new shocks to supply chains. Employment and wage growth as well as consumer spending, jobless claims and investment activity remain robust and will keep demand buoyant in spite of headwinds.² Companies recognize that long-term demographics show that the challenge of finding and keeping employees is a long-term reality. Commercial tenants need to recruit and retain employees aggressively, so they seek the best locations and environments. Employers who are solving hybrid employment arrangements want to offer comfortable environments and sustainable workplaces. In fact, the Regenerative Workplace study by JLL found that "creating an office experience as comfortable as home will be key to employee and organizational resilience."³



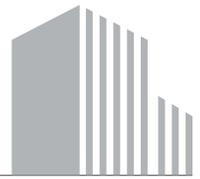
WHAT IS C-PACE FINANCING?

Property Assessed Clean Energy (PACE) is a legislated public/private partnership which creates a new financing option for your capital stack. Your construction budget can use our private capital funding for costs which impact energy & water spend or renewable energy improvements. The repayment of the capital is made through a long-term special tax assessment on the property.

Learn more at
www.pace-equity.com



Developer Strategies for a Changing Market



DEVELOPER STRATEGY: LOWER COST OF CAPITAL WITH A SUSTAINABLE DESIGN

To address the many challenges developers are currently facing, there is a solution that combines a lower cost of capital with the advantages of an efficient and sustainable development.

1. A lower cost of capital will help meet construction budgets while material costs, wages and interest costs escalate.
2. The advantages of building an energy efficient and sustainable property have been known for a long time - lower cost of operations chief among the benefits. The time has come for developers to embrace sustainable designs that deliver energy efficiency and lower carbon footprints. This is a broad statement, yes, but opting for a greener building does deliver short-term and long-term benefits for:
 - Inflation and rising prices
 - Oil/gas prices rising
 - Meeting tenant demands
 - Climate change
 - Shifting building code requirements

Energy savings isn't enough; the business case of building green buildings has to make financial sense. Until now, the financial payback hasn't been significant enough for developers to embrace design changes.



Energy savings isn't enough; the business case for building green buildings has to be significant enough for developers to embrace design changes.

Introducing **CIRRUS™ Low Carbon**—the only private capital funding with a differentiated cost of capital when you build with lower carbon in mind.

- Reduced interest rates when you meet a lower carbon specification
- Available only from PACE Equity
- Funding for capital stack from proven C-PACE leader
- PACE Equity Low Carbon Team evaluates the business case for your unique project



COULD CIRRUS LOW CARBON BE A NEW STRATEGY FOR YOUR FIRM?
VISIT WWW.PACE-EQUITY.COM TO LEARN MORE.

1 JLL Return on Sustainability Jan 2022 <https://www.us.jll.com/en/trends-and-insights/research/return-on-sustainability>

2 JLL U.S. Office Outlook April, 2022 <https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends>

3 JLL Regenerative Workplace study, Sept 2021 <https://www.us.jll.com/en/trends-and-insights/research/regenerative-workplace>

The opinions in this paper are the opinions of PACE Equity and should be considered as such.