THE COUNTY OF CHESTER

COMMISSIONERS
Marian D. Moskowitz
Josh Maxwell
Michelle Kichline

OFFICE OF THE COMMISSIONERS
313 W. Market Street, Suite 6202
P.O. Box 2748
West Chester, PA 19380-0991
(610) 344-6100

AGENDA
RETIREMENT BOARD

June 24, 2021

1. **CALL MEETING TO ORDER**

2. **MINUTES OF PREVIOUS MEETING**

3. **PUBLIC COMMENT ON AGENDA**

4. **OLD BUSINESS –** There are no items of old business.

5. **NEW BUSINESS**

   a. **Real Estate Education**
   Dahab Associates will provide an educational briefing to the Board about investing in Real Estate.

6. **PUBLIC COMMENT**

7. **NEXT MEETING –** Thursday, September 30, 2021 at 2:00 PM

8. **ADJOURNMENT**

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RETIREMET BOARD MEETING MINUTES

May 25, 2021

1. CALL MEETING TO ORDER — **CALL TO ORDER**

Chair Marian D. Moskowitz called to order the Retirement Board Meeting on Tuesday, May 25, 2021 at 1:04 PM in room 351 of the Government Services Center. In addition to Chair Moskowitz, the following board members were also in attendance: Commissioner Josh Maxwell, Commissioner Michelle Kichline, and Controller Margaret Reif.

2. MINUTES OF PREVIOUS MEETINGS — **MINUTES APPROVED**

Commissioner Maxwell made a motion to approve the minutes from the Retirement Board Meeting on May 5, 2021. Commissioner Kichline seconded the motion. Motion carried to approve the minutes from the May 5, 2021 meeting.

3. PUBLIC COMMENT ON AGENDA ITEMS — **PUBLIC COMMENT**

Jim DiLuzio expressed concerns surrounding the ethics involved in a government entity investing in real estate.

There was no further public comment.

4. OLD BUSINESS — **OLD BUSINESS**

There were no items of old business.

5. NEW BUSINESS — **NEW BUSINESS**

a. <u>Performance Update Report</u> — **Performance Update Report**

Steve Roth and Bill Dahab of Dahab Associates reviewed the performance review report with the Board. They discussed how the report is structured and that the Board may alter the format or content of the information for future reports.

They noted that at the end of the first quarter, the Fund was valued at $533,763,785, which shows an increase from December 2020. In addition, for the first quarter, the total portfolio returned 2.9%, which was equal to the Chester County Policy Index's return of 2.9% and ranked in the 58th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 36.9%, which was 1.0% below the benchmark's 37.9% return, ranking in the 32nd percentile.

Dahab Associates also noted that while they are still reviewing materials from the County as well as data received from the previous Fund consultant, figures are accurate from 2013 through March 31, 2021.

b. Actuarial Assumption Changes

Actuarial Assumption Changes

Kris Seets, David Reichert, and Michael Spadaro of Korn Ferry presented, reviewed, and recommended potential changes to several actuarial assumptions and methods which, if approved, will affect the County's actuarially determined contribution for 2021. The recommendations would include a revised asset method, revised life expectancy, and reduced investment return assumption.

The recommended asset method would change from smoothing the ratio of market value to cost value of assets over five years, to smoothing investment gains/losses over five years.

The recommended life expectancy would set forward the life expectancy of females by one year, consistent with the mortality experience for public sector employees in Pennsylvania.

The recommended investment return rate of assumption would decrease from a current rate of 7.25% to 7.00%, which is recommended based on the trend toward lower capital market expectation and lower assumptions being adopted by peer retirement systems and surrounding counties.

Approving these changes would make the County's actuarially determined contribution for 2021 $9,502,000 with a funded ratio of 86.9 percent. Chief Financial Officer Julie Bookheimer noted that $9,502,000 is under what the County originally budgeted for the actuarially determined contribution. Controller Reif made a motion to approve the recommended changes. Commissioner Kichline seconded the motion. Motion carried to approve all three recommended changes.

c. Wells Fargo Asset Management Acquisition

Wells Fargo Asset Management Acquisition

Joe Conroy and Bryant Van Cronkhite of Wells Fargo Asset Management informed the Board that Wells Fargo Asset Management had been purchased, and asked that the Board approve assignment of the Advisor to their new holding company, with the name change information to follow. Commissioner Kichline made the motion to approve the assignment of the Advisor, with the understanding that the Board would sign the consent document at this time only and that an additional document requiring signature once the name change is finalized will follow. Commissioner Maxwell seconded the motion. Motion carried to approve the assignment of the Advisor to Wells Fargo Asset Management's new holding company.

d. Real Estate Education

Real Estate Education

Due to time constraint, the Board noted that the Real Estate Education presentation and related discussion from Dahab will be moved to the next meeting.

e. **<u>Administration Update</u>** **Administration Update**

Chief Financial Officer Julie Bookheimer noted that at the end of the first quarter, 42.5% (933) of employees are contributing 5 percent to the Fund, while 57.5% (1,262) of employees are contributing 6 percent. This is an increase of those contributing 6 percent compared to the previous year. She also noted that 21 employees no longer with the county remain vested in the Fund.

6. PUBLIC COMMENT PUBLIC COMMENT

Jim DiLuzio noted that during the last meeting the Board made the decision to move the discussion of a consideration of a Cost of Living increase to the October timeframe, and noted there is no October retirement board meeting on the schedule. County Administrator Bobby Kagel explained that the Board would receive the letter addressing COLA updates in October, and that the topic would be discussed by the Board during the scheduled retirement board meeting in December of this year.

Mr. DiLuzio requested that the Board consider changing the pay date for retirees, noting that the last business day of the month has inconsistencies, particularly when holidays arise. He suggested aligning with social security payments and consider moving the pay date to the last Wednesday of the month, or something similar. Controller Reif noted that no matter how the payments are made there will always be inconsistencies due to holidays, etc., but that she is happy to consider a change in the process and recommended the Board discuss it further.

Mr. DiLuzio asked that the performance update report be included in the meeting minutes, to which Mr. Kagel responded that the report is already on the website in the meeting's agenda.

Controller Reif asked Dahab Associates to address Mr. DiLuzio's comment on the concerns surrounding the ethics involved in investing in real estate. Dahab noted that there are many ways to go about investing in real estate, and that the way they suggest would certainly not be unethical. Dahab explained they plan to review that information with the Board at the next meeting during the Real Estate Education presentation.

There was no further public comment.

7. NEXT MEETING NEXT MEETING

Chair Moskowitz announced that the next Retirement Board meeting will be held on Thursday, June 24, 2021 at 2:00 PM.

8. ADJOURNMENT ADJOURNMENT

Commissioner Maxwell made a motion to adjourn the meeting. Commissioner Kichline seconded that motion. Motion carried; meeting adjourned at 2:21PM.

<u>Taken by Taylor Pettit</u>
On behalf of Chief Clerk Robert J. Kagel

Investing in Real Estate

The County of Chester Employees' Retirement Fund

May 2021

William Dahab, CFA
Steve Roth, CFA

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Florida Massachusetts New York Pennsylvania

Why Real Estate

- Core real estate offers bond-like properties
  - ➢ Like bonds, returns consist primarily of income plus some underlying appreciation

Relative to core fixed income

Pros	**Cons**
• Greater Appreciation Potential	• Economic Sensitivity
• Inflation Protection	• Illiquidity
• Higher Yields	• Fees

- Portfolio Role
  - ➢ Acts like a bond substitute
  - ➢ Provides higher long-term returns than core fixed income
  - ➢ Reduces portfolio volatility like core fixed income
  - ➢ Offers protection in rising interest rate environments

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Real Estate Variations

- Common elements of institutional-quality funds
  - Commingled vehicles
  - Benchmarked against the National Council of Real Estate Investment Fiduciaries (NCREIF) ODCE or NCREIF Property Index
- Investment vehicles consist of
  - Open-end Funds
  - Closed-end Funds
  - Direct Ownership
  - Public REITS
- Leverage (usually 20%-70%) varies by investment style (core, value-added, opportunistic)
- Real estate risk varies by property quality and style
- Can play multiple roles in a portfolio
  - Conservative (core) acts as a bond substitute, 6-8% return expectation
  - Riskier real estate may be a return driver, >12% return expectation

Investment Vehicles

- Commingled Trust, Open or Closed-end Fund
  - Structured as an LP
  - Closed-end - Liquidity not provided until end of fund's life, usually 7-10 years
  - Open-end - Liquidity depends on willingness of manager to meet redemption requests
  - Investor needs to be accredited
  - Low correlation to equity markets

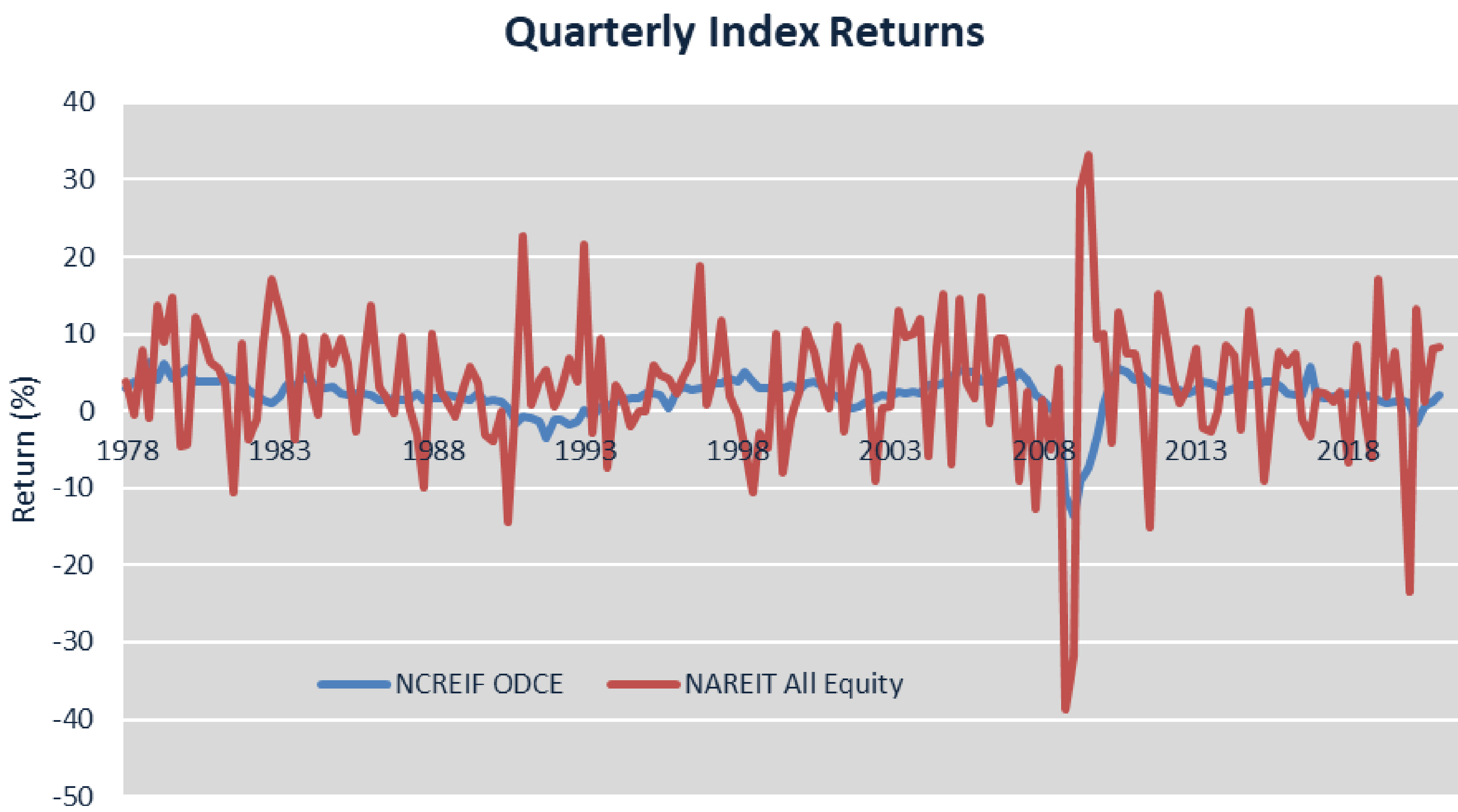
- Direct Ownership
  - Separate accounts, whole properties owned by a single investor
  - Joint ventures, partial direct ownership of properties with a few other entities
  - Investor needs to have sufficient size to buy diverse properties

Investment Vehicles

- Publicly Traded REIT
  - Registered with SEC, trades as a stock
  - Daily liquidity as with any stock
  - Investor requires no special qualification
  - High correlation to equity markets

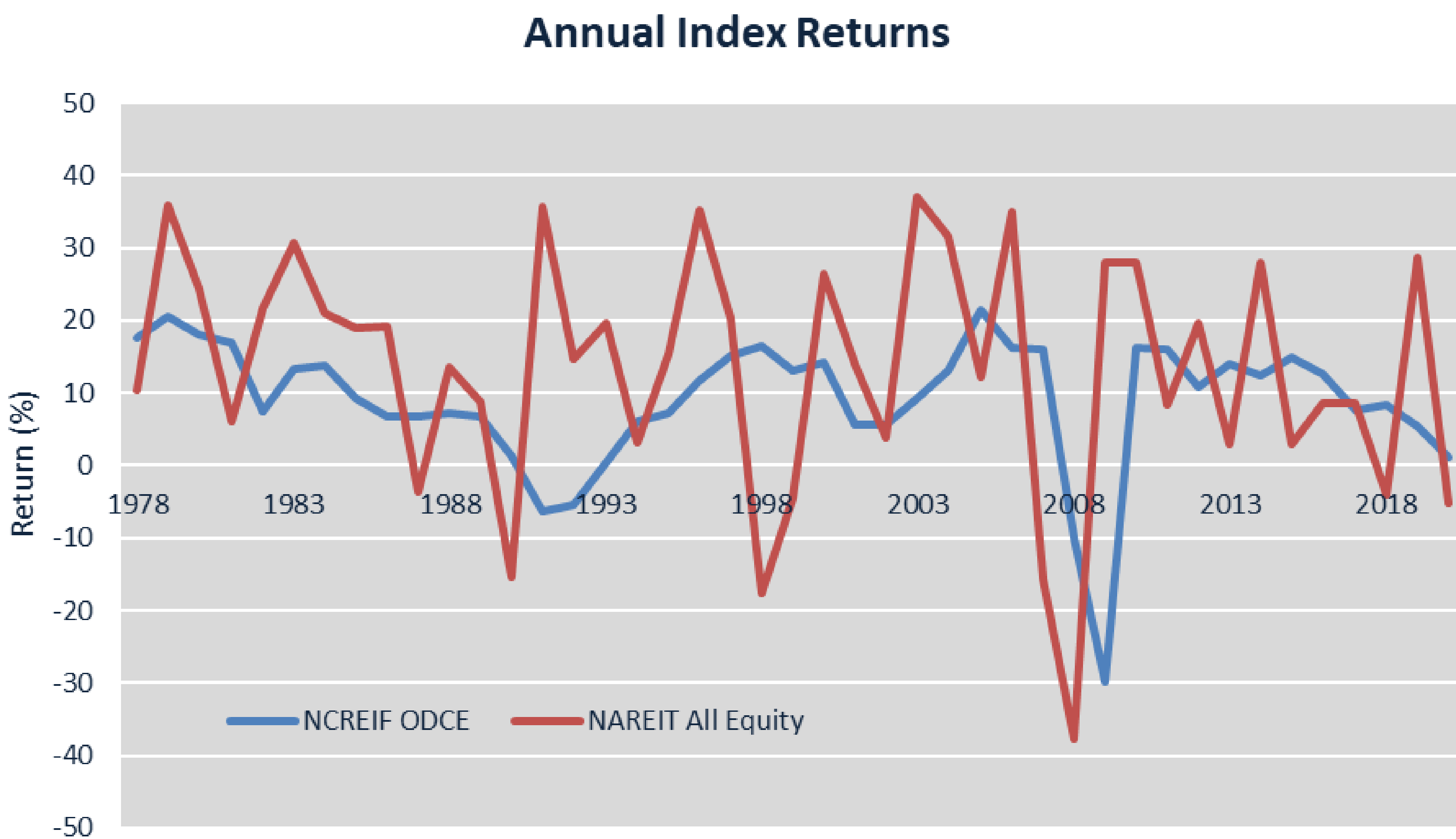
- Private REIT
  - Brokerage sponsored
  - High fees
  - Lightly regulated
  - Small initial investments

Public REITS vs Private Real Estate



Quarterly index returns 1978 to March 31, 2021

Public REITS vs Private Real Estate



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Annual index returns 1978 to 2020

Real Estate Property Types

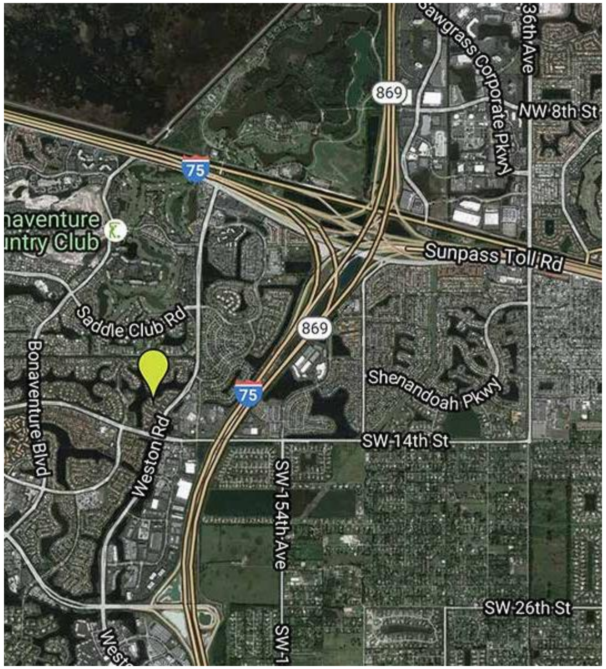
- The four main “food groups”
  - Multi-Family (Apartment)
  - Industrial
  - Office
  - Retail

- Additional common property types
  - Hotels
  - Self-Storage
  - Medical Office
  - Student Housing

Example: Multi-family

- Multi-Family (Apartment)
  - Moderate return volatility
  - Returns are more stable than most other property types because of the minimal impact from the loss of a single tenant

Key Statistics	
Sector	Multi-family
Location	Weston, FL
Cary Value	$69.9 million
Loan Balance	$26.0 million
Equity	$43.9 million
LTV	37%
Loan Interest Rate	3.01%
% Lease	92%
Carry Value per Unit	$190,000



- 368-unit "garden-style" apartment community in Ft. Lauderdale, Florida
- Property amenities include a fitness center, swimming pool, and tennis courts

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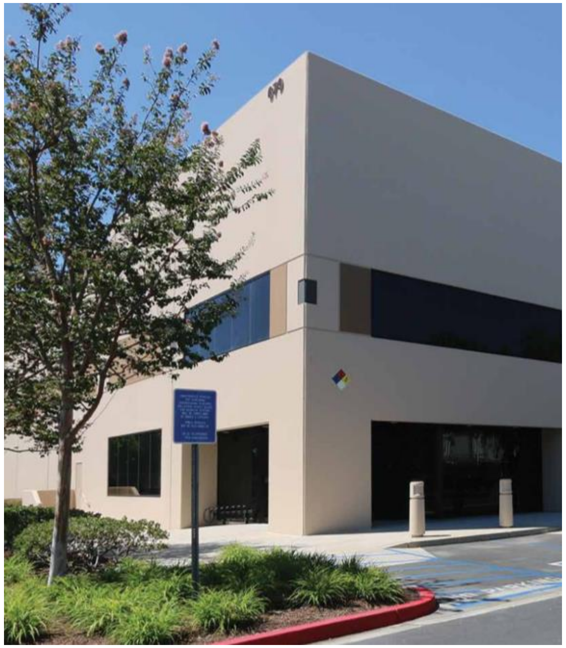
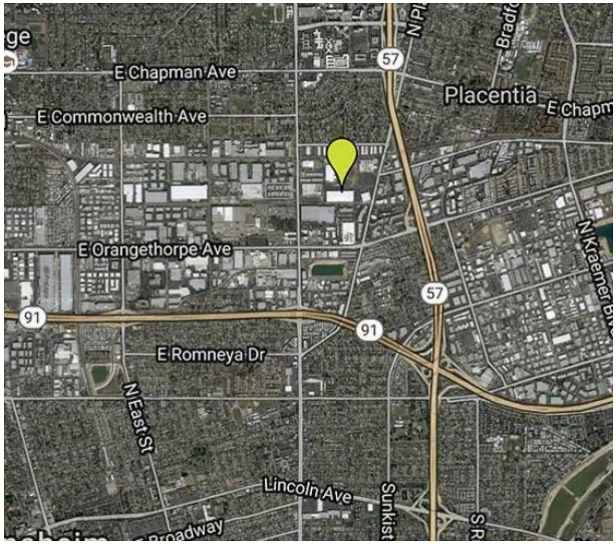
Example: Industrial

- Industrial
  - Moderate to high return volatility
  - Smaller initial investment and annual maintenance tends to dampen economic sensitivity relative to office

Key Statistics	
Sector	Industrial
Location	Fullerton, CA
Cary Value	$36.1 million
Loan Balance	$14.4 million
Equity	$21.7 million
LTV	40%
Loan Interest Rate	2.93%
% Lease	100%
Forward 12-month Lease Expiration	None





- A 254,750 square-foot distribution facility in a location with access to major Southern Californian transportation arteries

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Example: Office

- Office
  - High return volatility
  - Returns tend to be highly sensitive to economic performance

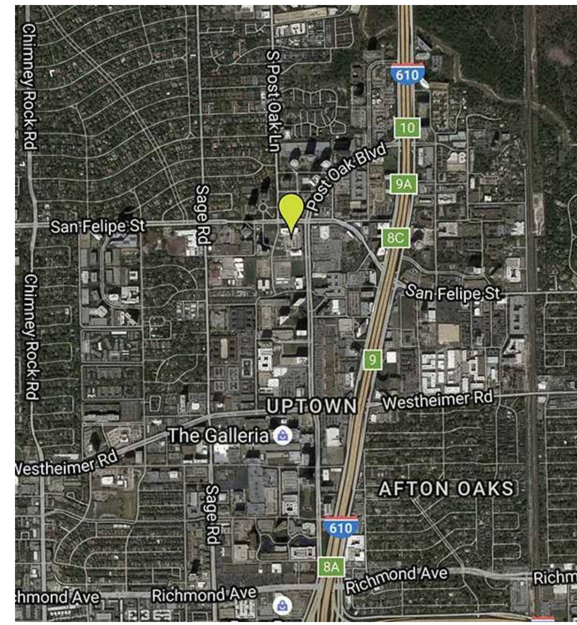
Key Statistics	
Sector	Office
Location	Orange, CA
Cary Value	$21.5 million
Loan Balance	$4.2 million
Equity	$17.3 million
LTV	20%
Loan Interest Rate	2.54%
% Lease	87%
Forward 12-month Lease Expiration	1 (1,987 SF)

- 90,191 square-foot office building in central Orange County
- Located near major roads
- Completed significant capital work to the property, including a new lobby, outdoor seating area, landscaping, and parking lot

Example: Retail

- Retail
  - Low return volatility
  - Returns tend to be more stable than that of Office due to longer leasing terms

Key Statistics	
Sector	Retail
Location	Houston, TX
Cary Value	$154.0 million
Loan Balance	$75.0 million
Equity	$79.0 million
LTV	49%
Loan Interest Rate	LIBOR +165 bps
% Lease	99%
Forward 12-month Lease Expiration	None



- 216,906 square foot Retail complex located in the Galleria area of Houston Texas
- Whole Foods and Apple are the two anchor tenants

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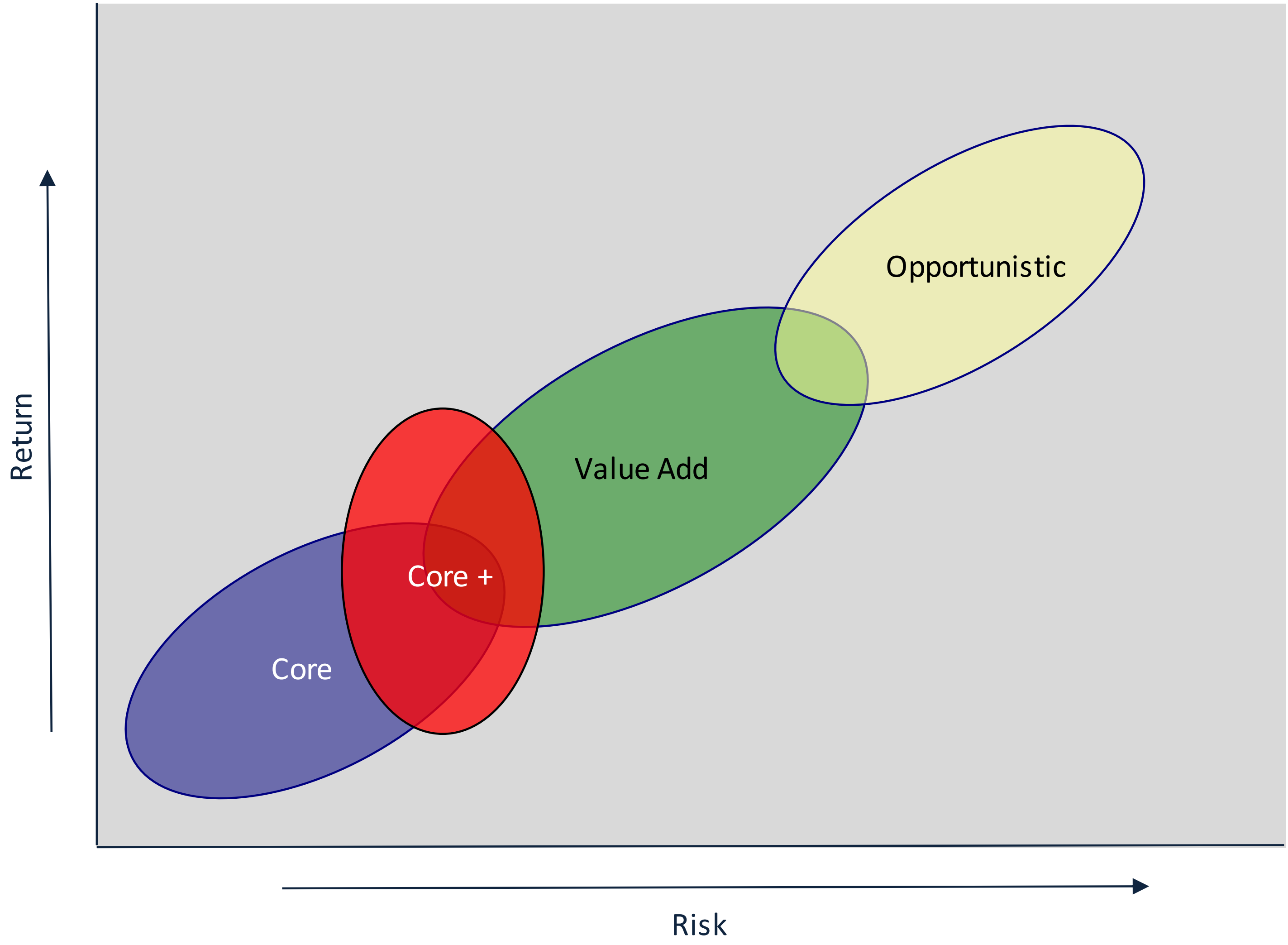
Real Estate Investment Styles



Real Estate Equity Investment Styles

Investment Factors	Core	Value-Added	Opportunistic
Public / Private	Private	Private	Private
Vehicle Structure	Open-end or LP	Open-end or LP	Limited Partnership
Relative Liquidity	Daily to Quarterly	Quarterly to Term of Fund	Term of the Fund
Relative risk Level	Low	Moderate	High
Strategy	85% leased in major markets. Limited development or repositioning risk. Diversified across region and property type	70% leased with modest development and repositioning risk focused on improving occupancy rates.	Significant exposure to development and repositioning risk
Markets	Tier 1 (NY, Miami)	Tier 1 & 2 (NY, Raleigh)	Tier 1, 2, & 3 (NY, Raleigh, Cincinnati)
Appraisal Frequency	Quarterly to 1 year	Annual	1 - 3 years
Property Holding Period	5 - 10 years	3 - 5 years	3 - 5 years
Leverage	15% - 35%	35% - 70%	70% +
Income Return : Appreciation	80% : 20%	60% : 40%	20% : 80%
Minimum Investments	$1 million	$1 million to $5 million	$5 million
Management Fees	1.00%	1.25%	2.00%
Incentive Fees	None	0-20% usually after a 7-8% hurdle rate	0-20% usually after a 7-8% hurdle rate
Total Return Target	6% - 8%	8% - 12%	12% +

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Return Comparison

20 Years as of March 31, 2021

Asset Class	Index	Return	Standard Deviation	Correlation
Large Cap Core	S&P 500	8.5	16.7	1.00
Small Cap Core	Russell 2000	9.8	22.7	0.93
International Equity	MSCI EAFE	5.5	18.9	0.89
Emerging Markets	MSCI Emerging Markets	10.4	23.8	0.80
REIT	NAREIT All Equity	10.4	21.2	0.71
Real Estate	**NCREIF ODCE**	**7.7**	**6.5**	**0.13**
Timber	NCREIF Timber	5.7	4.8	-0.09
Farmland	NCREIF Farmland	11.9	7.0	0.09
Fixed Income	Bloomberg Barclays Aggregate	4.5	3.5	-0.30

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When Real Estate Values Declined

YEAR	ODCE Return
1978	17.67
1979	20.64
1980	18.05
1981	17.01
1982	7.45
1983	13.23
1984	13.68
1985	9.36
1986	6.74
1987	6.74
1988	7.32
1989	6.72
1990	1.42
1991	**-6.25**
1992	**-5.50**
1993	0.55
1994	6.14
1995	7.11
1996	11.70
1997	15.10
1998	16.41
1999	13.17
2000	14.28
2001	5.63
2002	5.54
2003	9.28
2004	13.07
2005	21.40
2006	16.32
2007	15.96
2008	**-10.00**
2009	**-29.76**
2010	16.36
2011	15.99
2012	10.94
2013	13.89
2014	12.49
2015	15.01
2016	12.69
2017	7.62
2018	8.35
2019	5.33
2020	1.19

- Since 1978 Core real estate has experienced 4 years of negative returns
  - Approximately 9% of the time
- 1991/1992
  - Oversupply caused by tax incentive
  - S&L Deregulation
  - Duration to recoup loss 2.75 years
- 2008/2009
  - Driven by lack of demand caused by the global recession
  - Oversupply not an issue in most markets
  - Duration to recoup loss 3.5 years
- 2020
  - COVID crash, S&P 500 down 20% March quarter
  - Office and Retail (Amazon affect) both hit hard
  - ODCE funds held their value due to industrial exposure

Potential Inflation Hedge

- With the exception to the early Nineties when there was an oversupply of assets, real estate has proven to be an effective hedge against inflation.

  - **Short Run** - Real estate has lease provisions that acknowledge inflation and market rental rate movements

  - **Long Run** - Inflation increases nominal prices of labor and materials and as a result of this, increases the value of existing (through replacement cost valuations) and new properties

Types of Risk

- **Economic/Valuation:** change in the underlying value of the property
- **Demographic/Location:** less people means lower occupancy rates
- **Improvement:** modifying property to improve its attractiveness with the intention of increasing leasing percentages or raising rents
- **Completion:** finishing a partially completed property and getting necessary permits
- **Development:** creating a project from the ground up
- **Illiquidity Risk**: if the investment is in a closed end vehicle, funds can be locked up for 7-10 years. If an open-end vehicle, during times of stress, it will be difficult to withdraw funds

Summary

- Real estate can play the role of a fixed income substitute, offering stable principal, an income stream, and low correlation to equity

- Real estate continues to be a strategic part of the capital structure for institutional investors
  - On average, institutional portfolios have a target allocation of 10.1%* for real estate

- Ability to increase return (relative to fixed income) while reducing risk (volatility, relative to equity) is the major appeal

- Real estate is not a perfect substitute for fixed income
  - Real estate has suffered steep, but temporary declines twice since 1978
    - September 1990 to June 1993: -13.34% return (peak-to-trough), and took 2.75 years to recover all losses
    - June 2008 to December 2009: -37.84% return (peak-to-trough), and took 3.5 years to recover all losses
    - March 2020 -1.56% return, +1.12% for the full year 2020

- Fees
  - Open-end funds - Management fee on invested capital of 1%-1.3%; usually no carried interest
  - Closed-end funds - Management fee on committed capital, 1%-2%; carried interest, 15%-30%

* 2019 Real Estate Allocations Monitor, Cornell University

Glossary

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Glossary

- **Absorption rate** - The rate at which rentable space is filled. Gross absorption is a measure of the total square feet leased over a specified period with no consideration given to space vacated in the same geographic area during the same time period. Net absorption is equal to the amount occupied at the end of a period minus the amount occupied at the beginning of a period and takes into consideration space vacated during the period.

- **Aggregation risk** - Risk associated with warehousing mortgages during the pooling process for future securitization

- **Amortization** - The liquidation of a financial debt through regular periodic installment payments.

- **Anchor Tenant** - The tenant that serves as the predominant draw to a commercial property, usually the largest tenant in a shopping center.

- **Appraisal** - An estimate of a property's fair market value that is typically based on replacement cost, discounted cash flow analysis and/or comparable sales price.

- **Appreciation** - An increase in the value or price of an asset.

Glossary

- **Asset management** - The various disciplines involved with managing real estate property assets from the time of investment through the time of disposition, including acquisition, management, leasing, operational/financial reporting, appraisals, audits, market review and asset disposition plans.

- **Blind pool** - A commingled fund accepting investor capital without prior specification of property assets.

- **Book value** - Also referred to as common shareholder's equity, this is the total shareholder's equity as of the most recent quarterly balance sheet minus preferred stock and redeemable preferred stock.

- **Build-out Space** - improvements put in place per the tenant's specifications.

- **Build-to-Suit** - A method of leasing property whereby the developer/landlord builds to a tenant's specifications.

- **Call date** - Periodic or continuous rights given to the fund manager to “call” capital dollars committed by the investor.

Glossary

- **Capitalization** - The total dollar value of various securities issued by a company.
- **Capitalization rate** - The rate at which net operating income is discounted to determine the value of a property. It is the net operating income divided by the sales price or value of a property expressed as a percentage.
- **Cash-on-cash yield** - The relationship, expressed as a percentage, between the net cash flow of a property and the average amount of invested capital during an operating year.
- **Chapter 11** - That portion of the federal bankruptcy code that deals with business reorganizations.
- **Chapter 7** - That portion of the federal bankruptcy code that deals with business liquidations.
- **Class "A"** – Represent the highest quality buildings in their market and area. They are generally newer properties built within the last 15 years with top amenities, high-income tenants and low vacancy rates. Class A buildings are well located in the market and typically demand the highest rents with little maintenance issues.

Glossary

- **Class "B"** – One step down from Class A, these properties are generally older than Class A and tend to have lower income tenants. Rental income is typically lower than Class A along with some deferred maintenance issues.
- **Class "C"** – Properties that are typically more than 20 years old and located in less than desirable locations. The property is generally in need of renovations, including updating the building infrastructure to bring it up to date. Class C properties tend to have the lowest rental rates in the market.
- **Closed-end fund** - A commingled fund that has a targeted range of investor capital and a finite life.
- **Closing** - A period of time, usually less than seven days, after a registration statement is effective and the offering commences, giving the underwriters time to receive payment for the securities.
- **CMBS (commercial mortgage-backed securities)** - Securities backed by loans on commercial real estate.
- **CMO (collateralized mortgage obligation) -** Debt obligations that are collateralized by and have payments linked to a pool of mortgages.

Glossary

- **Co-investment** - Co-investment occurs when two or more pension funds or groups of funds share ownership of a real estate investment. In co-investment vehicles, relative ownership is always based on the amount of capital contributed. It also refers to an arrangement in which an investment manager or adviser co-invests its own capital alongside the investor.

- **Commercial real estate** - Buildings or land intended to generate a profit for investors, either from rental income or capital gain. Types of commercial real estate include office buildings, retail properties, industrial properties, apartments and hotels, as well as specialty niche property categories such as healthcare, student housing, senior housing, self-storage, data centers and farmland.

- **Commingled fund** - A pooled fund vehicle that enables qualified employee benefit plans to commingle their capital for the purpose of achieving professional management, greater diversification or investment positions in larger properties.

- **Comparables** - Used to determine the fair market value or lease rate, based on other properties with similar characteristics.

- **Convertible debt** - A mortgage position that gives the lender the option to convert to a partial or full ownership position in a property within a specified time period.

Glossary

- **Convertible preferred stock -** Preferred stock that is convertible to common stock under certain formulas and conditions specified by the issuer of the stock.
- **Cost-approach value** - The current cost to construct a reproduction of, or replacement for, the existing structure less an estimate for accrued depreciation.
- **Coupon** - The nominal interest rate charged to the borrower on a promissory note or mortgage.
- **Covenant** - A written agreement inserted into deeds or bonds stipulating performance or non-performance of certain acts, or use or non-use of a property and/or land.
- **Cross-collateralization** - A grouping of mortgages or properties that serves to jointly secure one debt obligation.
- **Current occupancy** - The current leased portion of a building or property expressed as a percentage of its total area or units.
- **Debt service** - The outlay necessary to meet all interest and principal payments during a given period.

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Glossary

- **Discount rate** - A yield rate used to convert future payments or receipts into present value.
- **Exit strategy** - Strategy to liquidate all or part of the investment fund.
- **First mortgage** - The senior mortgage that, by reason of its position, has priority over all junior encumbrances. The holder has a priority right to payment in the event of default.
- **First-loss position** - The position in a security that will suffer the first economic loss if the underlying assets lose value or are foreclosed on. The first-loss position carries a higher risk and a higher yield.
- **Flex space** - A building that provides a configuration allowing occupants a flexible amount of office or showroom space in combination with manufacturing, laboratory, warehouse, distribution, etc.
- **General partner** - A member of a partnership who has authority to bind the partnership and shares in the profits and losses of the partnership
- **Implied cap rate** - Net operating income divided by the sum of a REIT's equity market capitalization and its total outstanding debt.

Glossary

- **Internal rate of return (IRR)** - A discounted cash-flow analysis calculation used to determine the potential total return of a real estate asset during an anticipated holding period.

- **Limited partnership** - A type of partnership comprised of a general partner who manages the business and is personally liable for partnership debts, and one or more limited partners who contribute capital and share in profits but who take no part in running the business and incur no liability above the amount contributed.

- **Mark to market** - The process of increasing or decreasing the original investment cost or value of a property asset or portfolio to a level estimated to be the current market value.

- **Mezzanine financing** - Mezzanine financing is somewhere between equity and debt. It is that piece of the capital structure that has senior debt above it and equity below it. There is both equity and debt mezzanine financing, and it can be done at the asset or company level, or it could be unrated tranches of CMBS. Returns are generally in the mid- to high-teens.

- **Mixed-use** - A building or project that provides more than one use, such as office/retail or retail/residential.

Glossary

- **<u>NAREIT (National Association of Real Estate Investment Trusts)</u>** - The national, not-for-profit trade organization that represents the real estate investment trust industry.

- **<u>NCREIF (National Council of Real Estate Investment Fiduciaries)</u>** - An association of real estate professionals who serve on working committees, sponsor research articles, seminars and symposiums, and produce the NCREIF Property Index.

- **<u>NCREIF Property Index (NPI)</u>** - The index reports quarterly and annual returns consisting of income and appreciation components. The index is based on data collected from the voting members of NCREIF. Specific property-type sub-indices include apartment, office, retail, industrial and hotel; regional sub-indices include West, East, South and Midwest.

- **<u>Net asset value (NAV)</u>** - The value of an individual asset or portfolio of real estate properties net of leveraging or joint venture interests.

- **<u>Net operating income (NOI)</u>** - A before-tax computation of gross revenue less operating expenses and an allowance for anticipated vacancy. It is a key indicator of financial strength

Glossary

- **<u>Nominal yield</u>** - The yield to investors before adjustments for inflation.
- **<u>Open-end fund</u>** - A commingled fund that does not have a finite life, continually accepts new investor capital and makes new property investments.
- **<u>REIT (Real estate investment trust)</u>** - A business trust or corporation that combines the capital of many investors to acquire or provide financing for real estate. A corporation or trust that qualifies for REIT status generally does not pay corporate income tax to the IRS. Instead, it pays out at least 90 percent of its taxable income in the form of dividends.
- <u>Replacement cost</u> - The estimated current cost to construct a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout.
- <u>Sales comparison value</u> - A value indication derived by comparing the property being appraised to similar properties that have been sold recently

Glossary

- **Triple net lease** - A lease that requires the tenant to pay all expenses of the property being leased in addition to rent. Typical expenses covered in such a lease include taxes, insurance, maintenance and utilities.

- **Write-down** - The accounting procedure used when the book value of an asset is adjusted downward to better reflect current market value.

- **Write-off** - The accounting procedure used when an asset has been determined to be uncollectible and is therefore charged as a loss.