VALUE CREATION

**Opportunistic Strategy:** The successful execution of this project is a testament to 13TH Floor’s ability to capitalize on opportunistic strategies regardless of asset class or geographic location.

**Successful Rezoning:** 13TH Floor entered into a long-dated purchase contract with the land owners in order to pursue rezoning efforts within Knox County. After a successful campaign with the Knox County Commission, the 57-acre parcel was rezoned to Planned Commercial.

**Risk Management:**

- **Favorable Rent Structure:** To secure a favorable development spread to projected exit cap rates for this asset, 13TH Floor negotiated a lease structure in which the rent paid by the tenant is a function (%) of construction costs. Doing so provides the tenant flexibility in designing the building, as every dollar invested into the project is capitalized and realized in the form of annual rent.

- **Guarantor Credit:** The guarantor of the lease, holds an investment grade rating of Baa2 / BBB. In the event that they are downgraded to sub-investment grade during construction, 13TH Floor negotiated a springing yield provision in which the yield (rent function) increases commensurately.

- **Absolute Net Lease:** 13TH Floor negotiated the lease to check every box demanded by the net lease industry markets such as minimal to no landlord responsibility, 20-year initial term, 2% annual rent escalations, and effectively no tenant termination rights. With this lease structure, 13TH Floor was able to achieve top-of-market pricing on a forward sale.

**Market Risk:** Within 3-months of breaking ground, 13TH Floor entered into an agreement to forward sell the asset thus eliminating all interest rate and market risk for the remaining life of the transaction.