Real Estate Unit Trust Fact Sheet

AS AT 31 DECEMBER 2023



Economic Overview & Outlook

Jamaica's real GDP was estimated to have expanded by 2.9% in the first half of 2023, reaching its pre-crisis level. Growth was driven by net exports from an expansion in tourism and mining, whilst agriculture declined due to an extended drought. Despite the impact of drought conditions on the agriculture sector, GDP for the September 2023 quarter grew within the range of 1.0 to 3.0% approximately, and signs that the economy continued to expand in the December 2023 quarter was evident. The IMF expects Jamaica's economic growth to slow to 1.8% in 2024, with a downward revision from its previous estimate of 2%.

According to the World Bank, real GDP growth is expected to average only 1.8% over the medium term as global growth weakens. Monetary policy is expected to remain supportive of growth returning inflation to its target range by end-2023.

Inflation

According to data from the Bank of Jamaica (BOJ), Jamaica's annual headline inflation rate at November 2023 of 6.3%, which was outside the Bank's target range of 4.0 to 6.0%, was above the 5% at October 2023. An increase in public passenger vehicle (PPV) fares and high domestic agricultural prices primarily drove the uptick in headline inflation. Higher public wages, a historical increase in minimum wages, and increases in communication services generated inflationary pressures

Core inflation (which excludes food and fuel prices from the Consumer Price Index (CPI)) was 5.6% at November 2023, generally in line with the average for the past three months and lower than the 8.4% recorded at April 2022¹. This trend suggests that core inflation is being contained, which bodes well for the longer-term inflation outlook.

Interest Rates & Monetary Policy

Fiscal discipline and prudent macroeconomic management sped up post-pandemic recovery amidst the challenging

external environment of inflationary pressures and tightening global financial conditions. The BOJ's Monetary Policy Committee (MPC) maintained its policy rate at 7% for the tenth consecutive meeting in December 2023². This decision was influenced by declining international commodity prices and stable exchange rates, supported by strong tourism and remittance inflows.

The policy rate reduced excessive risks from global and domestic economic conditions. Additionally, the MPC heightened surveillance of inflation risks, particularly from potential wage adjustments and geopolitical tensions.

Exchange Rate

During the December 2023 quarter, the Jamaican dollar depreciated by 1.9% compared to December 2022. To ease pressure on the currency from high foreign currency demand, the BOJ sold US\$937 million through its B-FXITT tool, surpassing the US\$748 million sold during the same period in 2022, stabilizing the exchange rate by increasing foreign currency supply³.

The average nominal exchange rate was \$154.95 per US\$1.00, showing a 0.3% nominal appreciation from September 2023. This led to a real exchange rate increase of 2.7% against the US dollar, signaling significant strengthening of the Jamaican currency's purchasing power during December⁴

Commercial Real Estate Market Overview

Global Commercial Real Estate Market

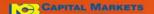
The 2023 'Commercial Real Estate Market Insights Report' by the National Association of REALTORS® Research Group (NARS) reveals that office occupancy struggle to meet expectations; while multifamily and industrial real estate experienced a deceleration in growth. This shift was largely propelled by the widespread adoption of hybrid work models, which notably surged in popularity.

^{1 &}lt;u>Summary of Decisions - December 2023 » Bank of Jamaica (boj.org.jm)</u>

² Bank of Jamaica Maintains the Policy Rate – Jamaica Information Service (jis.gov.jm)

³ February-2024-QMPR.pdf (boj.org.jm)

⁴ Performance Review of October–December 2023 - The Planning Institute of Jamaica (pioj.gov.jm)



Despite efforts to repurpose unused office spaces, there remained a high level of available leases due to a sluggish return to office movement. The retail sectors saw a decrease in leasing activity but maintained a low vacancy rate of around 4%. The industrial sector's performance eased from 2022 highs, yet rent prices surged over 8%, surpassing pre-pandemic levels. Globally, office utilization has improved, specifically in the US, return-to-office mandates are increasing, suggesting a gradual uptick in office utilization through 2024, as per JLL (Jones Lang LaSalle Inc.)⁵

Local Commercial Real Estate Market

In contrast to global observations, the local commercial real estate market continued to experience growth and development, even throughout the pandemic. According to data from Statista, the commercial real estate market was projected to reach US\$17.22Bn in 2024 and is projected to expand at a CAGR of 3.20% (2024-2028)⁶.

Industry Growth

Industry growth in commercial real estate was propelled by various factors such as evolving customer preferences. The strategic Caribbean location enhances its appeal to international businesses seeking offshore bases. This prompts a shift towards modern office designs, emphasizing amenities like high-speed internet, ample parking spaces.

Macro-economic factors

The government's proactive stance with policies like special economic zones, the Global Services Sector program, and tax breaks/incentives for service sector companies fostered market growth by attracting more businesses to Jamaica. Additionally, Jamaica's robust economic performance and political stability have bolstered the real estate sector and created an appealing environment for investment.

Returns and Credit

Real estate investments maintain their strength as a robust asset class, offering investors substantial capital appreciation alongside moderate lease and rental yields. Additionally, credit strategies are expected to maintain focus despite higher interest rates. Investor enthusiasm for acquiring new assets is evident, as reflected in PwC's Emerging Trends Barometer for 2024, which recorded its

highest "buy" rating since 2010, likely due to recent and anticipated price declines⁷. This environment presents a more favorable entry point for acquisitions after a decade of consistent appreciation.

Real Estate (rE) Portfolio Overview

In March 2022, the NCBCM Real Estate (rE) Unit Trust portfolio initiated a leasing agreement with the National Commercial Bank Jamaica Limited ("NCBJ") to acquire and lease back several branches and car parks. The agreement incorporates an annual lease rate increase to accommodate inflation and interest rate fluctuations. Upon the agreement's conclusion on March 31, 2025, the portfolio owner will retain the option to renew and renegotiate lease terms.

The rE Portfolio currently manages a pool of commercial properties with leasable space of over 96K square feet, delivering a net operating income yield of over 10%. The independently assessed values of the properties have increased at a CAGR of over 12%, for the period August 2021 to January 2024.

Value Proposition- Why Invest in the UT Real Estate Portfolio?

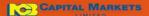
The rE Unit Trust (UT) offers investors a means to diversify their portfolios and increase exposure to real estate without direct property ownership. The rE UT enables investors to access commercial property without requiring the entire capital amount typically needed for individual property investments. Instead, investors can purchase units representing portions of various properties within the fund.

With an average capital gains rate of over 12% in the last two years, it presents an attractive yield potential. Additionally, investors are provided with regular income of quarterly cash distributions of up to 85% of net distributable income annually. The rE UT is cost-effective and easily accessible to investors. Moreover, the performance benchmark, set at CPI + 100bps, offers a hedge against inflation.

⁵ Global Real Estate Outlook 2024 (jll.com)

⁶ Commercial Real Estate - Global | Statista Market Forecast

⁷ Emerging trends in real estate 2024: PwC



Investment Objectives

The rE Portfolio seeks long-term capital appreciation by providing investors with access to a broad range of income as well as growth producing real estate assets.



- Commercial properties
- Developmental properties
 Listed real estate securities
- Financial securities
- Other assets

Target Investor Type

The rE Portfolio is tailored for investors with moderate to aggressive risk profile, who aims for capital appreciation. The target investor should be comfortable with moderate to high short-term fluctuations in unit prices.

Conservative

Moderate

Aggressive

Investment Strategy

The rE portfolio's investment strategies are as follows:

- Investing primarily in high quality local and regional commercial real estate assets that are situated in prime locations, which can attract and retain high occupancy levels.
- Investments may also include development properties for sale and/or leasing as well as listed real estate securities. Direct real estate offers diversification benefits and returns while listed real estate and real estate investment trusts allows for liquidity and further exposure to professional portfolio management.
- The Investment Manager (IM) strategically selects relevant assets in different currencies, taking into account currency exchange rate fluctuations to maximize the portfolio's total return in Jamaican dollars.
- The portfolio has the flexibility to invest in debt securities issued by corporate and government entities across different countries and hold significant cash or cash equivalents temporarily.
- The portfolio will employ an integrated investment management approach, which spans the real estate risk & return spectrum.

Portfolio Growth Plans

Short-term plans

The portfolio is set to acquire five additional properties, including branches and a car park, from NCB Jamaica Limited, adding 114K square feet of space expected to enhance portfolio performance. The IM aims to extend or increase property lease terms for stable cash flows and strengthen partnerships within the real estate industry to secure relevant opportunities. The target internal rate of returns (IRR) for these investments is 12% and higher.

Medium term plans

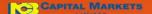
The IM will increase portfolio participation in development opportunities both locally and regionally to yield higher returns. Although, property development entails heightened risks, including regulatory hurdles and construction delays, leveraging developments can amplify returns based on the underlying investment value. Hence, the portfolio will prudently manage the allocation of developmental properties considering these factors.

Portfolio Key Risks

Real estate investments may underperform relative to expectations, much like any other investment. Property values may vary due to global as well as local market conditions and as interest rates change. There may also be risks relating to the IM's ability to select, finance and manage real properties. Management of properties includes handling leases, controlling expenses, property improvement, maintenance and potential disposal. The IM seeks to mitigate these risks by engaging appropriate additional expertise, particularly property management services.

rE Fund Details as at December 2023

Main Currency	JMD
Net Asset Value per unit:	\$11.558
Year-to-date Growth Rate:	15.53%
Estimated Yearly Yield:	5.93%
Minimum Investment:	\$50,000
Subsequent Investment:	\$5,000
Minimum Holding Period:	3 year
Preliminary Charge:	2.0%
Management Fees:	2.5%
Early Redemption Charge:	4.0%
Performance Relative to	2 nd
Industry Peers:	
Fund Manager:	NCB Capital Markets Limited
Trustee:	MF&G Asset Management Ltd



Real Estate Portfolio Properties- Bank Branches

Location	9 Knutsford Boulevard
Building Size	8,010.00 sq. ft.
Market Value	J\$290.0M
Valuation CAGR (2021-24)	6.0%
Net Operating Income Yield	8.3%



Building Size	32,464.98 sq. ft.
Market Value	J\$858.0M
Valuation CAGR (2021-24)	8.4%
Net Operating Income Yield	12.10%

Location	6 Perth Rad, Mandeville
Building Size	15,990.00 sq. ft.
Market Value	J\$530.0M
Valuation CAGR (2021-24)	8.3%
Net Operating Income Yield	9.1%

Location	41 Main Street, May Pen
Building Size	10,648 sq. ft.
Market Value	J\$195.0M
Valuation CAGR (2021-24)	7.1%
Net Operating Income Yield	10 9%

















Car Parks

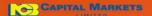
Location	17 Trafalgar Road
Building Size	18,183.00 sq. ft.
Market Value	J\$270.0M
Valuation CAGR (2021-24)	63.5%
Net Operating Income Yield	2.9%
Location	39 Main Street, May Pen
Location Building Size	39 Main Street, May Pen 10,890.00 sq. ft.
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Building Size	10,890.00 sq. ft.









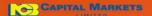




Real Estate Fund Facts

Here are some additional fund facts about the NCB Real Estate Fund!

- The NCBCM Real Estate Fund first launched in March of 2023 after entering into a 3-year triple-net leasing arrangement with the National Commercial Bank Jamaica Limited ("NCBJ") to buy and lease back several of its branches and car parks.
- The Real Estate Fund (rE Fund) seeks long term capital appreciation by providing investors with access to a broad range of income as well as growth producing real estate assets.
- > The portfolio consists of primarily high quality commercial real estate assets, situated in prime locations in Kingston, Mandeville and May Pen. The portfolio will be acquiring an additional five (5) properties consisting of branches and a car park from NCB Jamaica Limited.
- The rE Fund provides an incredible opportunity for investors diversify their portfolio and potentially benefit from significant Capital Gains that have averaged at 12% in the last two (2) years.
- > The Real Estate Portfolio is suitable for investors who have a moderate to aggressive risk profile.
- The minimum investment stands at JMD\$50,000 with a minimum holding period of three (3) years. The Net Asset Value per unit as at December 2023 is \$11.558 with a Year-to-Date Growth Rate of 15.53%.
- The long-term goal of the fund is to expand the portfolio with more active participation in development opportunities locally and across the region, which will attract a higher returns.
- The primary risk faced by the fund is the fluctuating property values due to global as well as local market conditions and as interest rates change.



DISCLOSURE

Company Identification

NCB Capital Markets Limited (formerly Edward Gayle and Company) was established in 1968 and is Jamaica's oldest stock brokerage company. The company became a part of the NCB Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Company was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J\$ and US\$ Repos), primary dealer services, stock brokerage and investment advisory services. Edward Gayle and Company was renamed NCB Capital Markets Limited in October 2003.

Important Disclosures

The views expressed in this report are the views of NCB Capital Markets Limited at the date of this report.

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Data Sources:

Quarterly Reports » Bank of Jamaica (boj.org.jm)

https://boj.org.jm/summary-of-decisions-december-2023/

February-2024-QMPR.pdf (exactdn.com)

Monetary Policy Press Release - December 2023 » Bank of Jamaica (boj.org.jm)

Global Real Estate Outlook 2024 (jll.com)

Commercial Real Estate - Global | Statista Market Forecast

Emerging trends in real estate 2024: PwC

February-2024-QMPR.pdf (exactdn.com)