Green Street
ADVISORY & CONSULTING

U.S. Farmland Sector Primer

June 2021

This Primer was produced by Green Street's Advisory Group and commissioned by Farmland Partners. This is not a Research Report. Please see the last slide for additional disclosure.

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Executive Summary

Investment Rationale

- U.S. Farmland is one of the largest commercial real estate sectors (~$2.5 trillion) and remains under allocated among institutional real estate investors. The sector has delivered steady returns through cycles that are best viewed over long time horizons.
- Farmland broadly consists of row crops (e.g., corn) and permanent crops (e.g., fruits). Row crops tend to generate more predictable cash flows compared to permanent crops which are more prone to various production risks.
- Farmland as an investment vehicle offers unique attributes compared to traditional real estate, including lower risk of obsolescence, lower fungibility risk, and lower capex burden. Farmland is also a "zero-vacancy" sector.

Demand Drivers

- Agriculture has benefited from tremendous innovation (i.e., productivity gains) over the years, but no fundamental disruptions in the way food is produced; land is still the essential component for food production.
- Demand for food in the U.S. and globally is increasing at a steady pace. Agriculture is an industry essential to U.S. food security, muting long-term demand risk.
- Population growth has vastly outpaced the growth in available arable land worldwide, leading to a shrinking stock of available agricultural land per capita.
- Farmland's attractive supply/demand dynamic can offer a combination of income stability and growth prospects to landowners through cycles. U.S. agriculture is competitive on the global stage and is well-positioned to capture incremental growth.

Investment Attributes

- Commodity prices are volatile, but income from farm operations has shown to be relatively steady and stable over time.
- Farmers' income is a function of both price and productivity. Steady and growing yields from best-in-class U.S. farming operations has helped balance the fluctuation in commodity prices (which reflects short-term imbalances in supply and demand of a certain commodity).
- The U.S. government deems the agriculture sector so essential to a functioning society that it provides support mechanisms to farmers, which provides another layer of income stability.
- Landowners can structure land leases that exhibit even less volatility than farmers' income from operations, but traditional real estate investors must challenge their conventional wisdom when assessing term and credit of these land lease investments.
- Farmland investments offer initial yields at the lower range of traditional real estate sectors, but historically superior NOI growth and lower cap-ex spending have proven to be the true drivers of total return outperformance over time.

Source: Green Street Advisory Group

Section II

Farmland Investment Rationale

Key Concept 1

Large, Under-Allocated Sector that can Accommodate a Range of Investment Mandates

Misconception

"Investing in Farmland is difficult, costly, and requires large amounts of capital"

Key Takeaway

→ *There is a wide range of investment options in the sector, offering different exposure and risk profiles*

*U.S. Farmland is both one of the most under-allocated and **largest** real estate sectors*

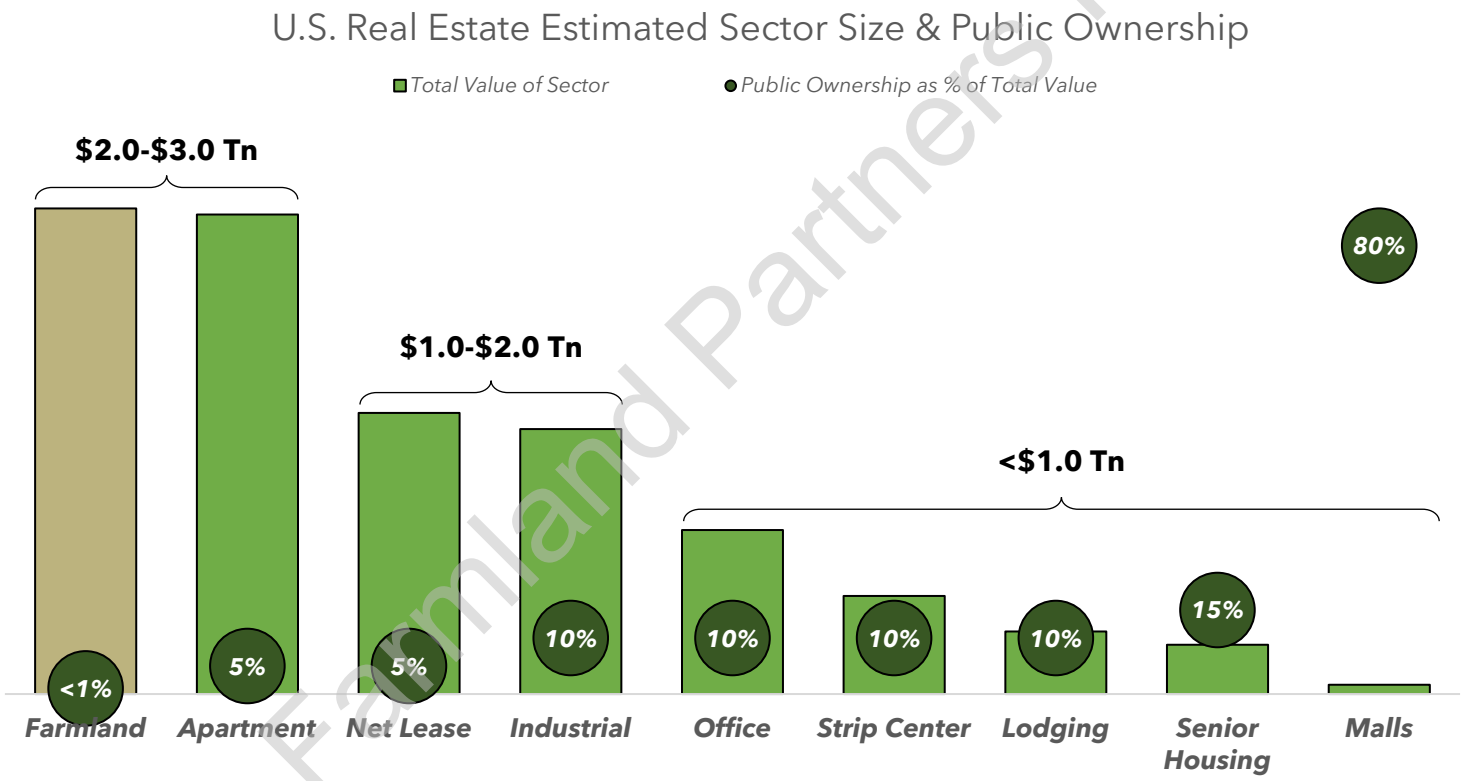
*Crop **types vary in nature and function**, leading to various and distinct cash flow attributes and return profiles*

***Land lease** investment offers exposure into the sector through rental stream of cash flows which are similar to a Net Lease investment structure*

Source: Green Street Advisory Group

Large & Under-Allocated Real Estate Sector

The U.S. Farmland sector is estimated to be one of the largest real estate sectors along with Apartments. Farmland remains one of the only real estate sectors with very little institutional ownership, which is in contrast to most other traditional commercial real estate sectors where institutional ownership has grown to 5-15% over the years.



Farmland is one of the largest commercial real estate sectors with the least institutional exposure

Source: Green Street Advisory Group, NAREIT

Different Risks for Different Crops

The variety of crops in U.S. agriculture can be classified into two broad groups: row and permanent crops. From a landowner perspective, these two categories offer different attributes (e.g., soil and trees as assets), and risk profiles. Row crops tend to generate more predictable and resilient cash flows compared to permanent crops which are more prone to climate disruptions and various other long-term risks (e.g., fungibility and obsolescence).

Crop Types & Observed Cap Rates

Row Crops

- Mostly grains (e.g., corn, wheat, etc.)
- Assets: Soil
- Shorter life (planted annually), but more resilient and dependable outputs
- Lower risk, lower initial yield

Permanent Crops

- Mostly produce (e.g., fruit, nuts, etc.)
- Assets: Trees, Orchards, Bushes
- Longer life (planted every 10-25+ years), but harvest is more prone to climate and more volatile
- Higher risk, higher initial yield

Crop types vary in nature and function, leading to various and distinct farmer cash flow attributes

Source: Green Street Advisory Group

Key Concept 2

Steady Returns Through Cycles

Misconception

"Investing in Farmland is risky and volatile"

Key Takeaway

→ *U.S. Farmland has delivered steady returns through cycles, uncorrelated with other asset classes*

*U.S. Farmland has delivered attractive relative returns over long holding periods, and strong **outperformance** during recessionary environments*

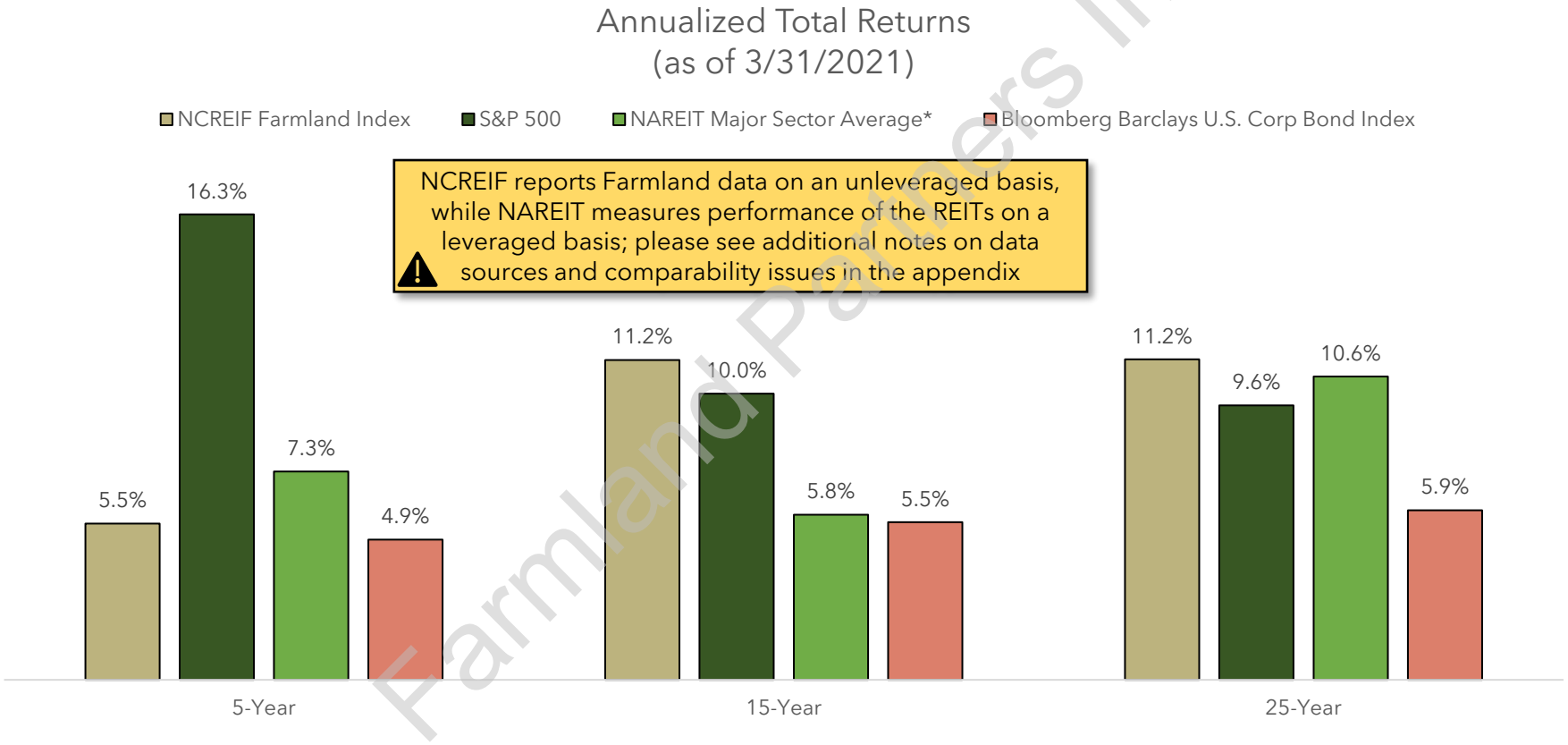
*U.S. Farmland performance has exhibited less **volatility** than equities and the broader commercial real estate industry*

*U.S. Farmland performance has been **uncorrelated** to most other financial investment vehicles*

Source: Green Street Advisory Group

Long-Term Outperformance

U.S. Farmland has a strong track record of delivering attractive returns over long holding periods, especially periods marked by deep recessionary environments. The NCREIF Farmland Index consists of a ~$13 billion pool of individual farmland properties acquired in the private market for investment purposes and is the leading proxy for institutional farmland returns.



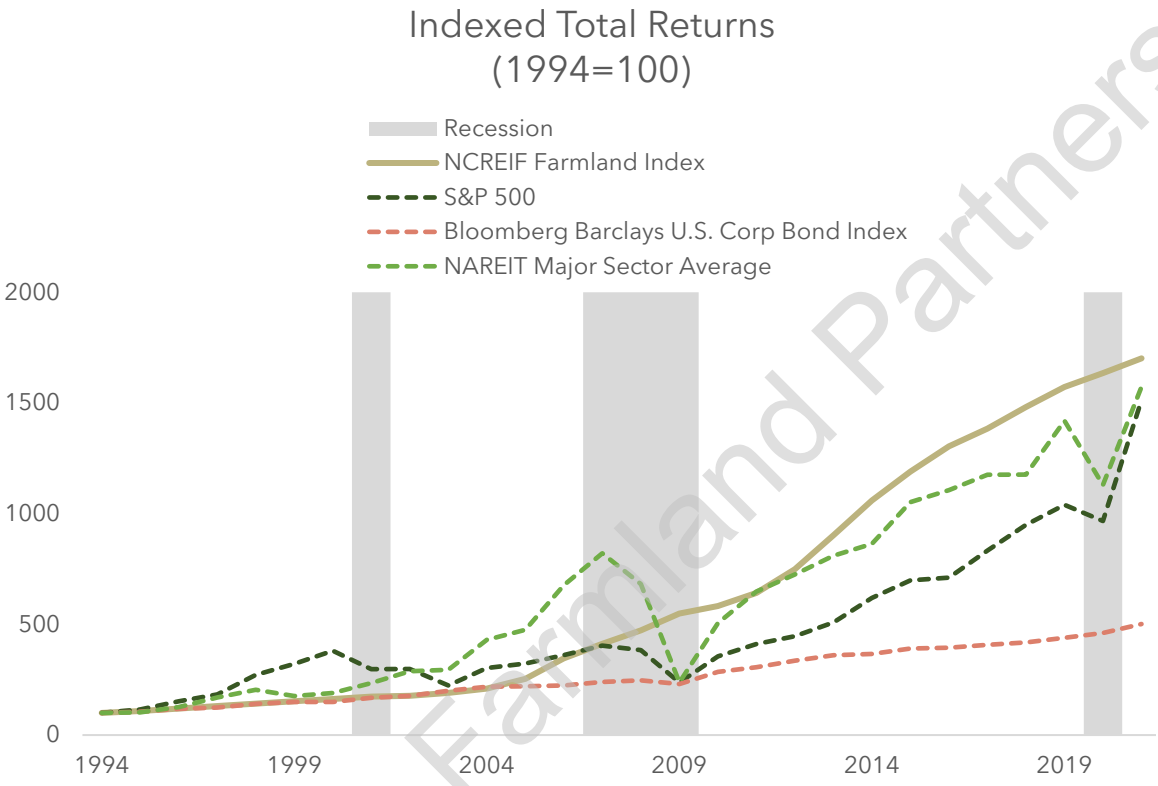
U.S. Farmland has delivered steady returns through cycles that are best viewed over long time horizons

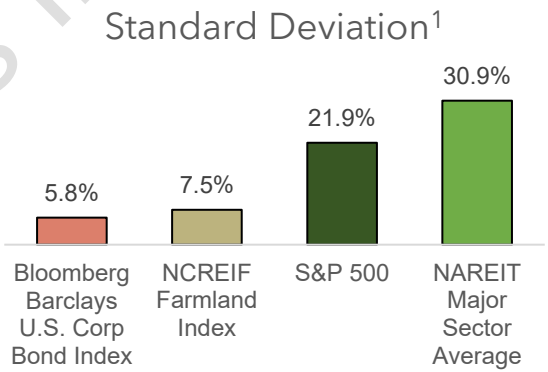
*Core sector weights: apartment (25%), industrial (25%), office (25%), and retail (25%)

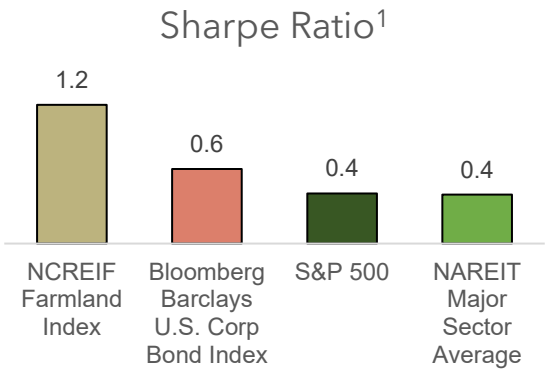
Source: Green Street Advisory Group, NCREIF Farmland Index, Bloomberg, NAREIT

Low Volatility Through Cycles

Over the last 30 years, Farmland has delivered steady returns while exhibiting less volatility than equities and the broader commercial real estate industry. This is reflected in a higher Sharpe ratio relative to the S&P and NAREIT index, which is indicative of higher excess return per unit of risk. Farmland has presented investors the opportunity to diversify their portfolio while reducing overall risk.







Farmland's steady returns during recessions have led to overall superior risk-adjusted returns

1. Standard deviation and sharpe ratio calculated with Q1 year-over-year total return data for the 25-year period from 1997-2021

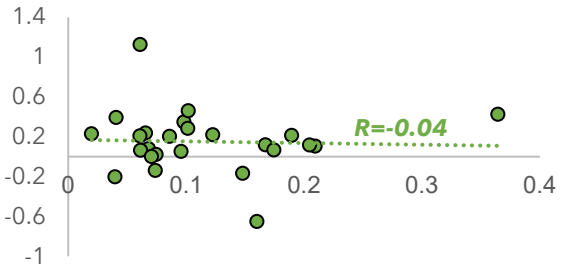
Source: Green Street Advisory Group, NCREIF Farmland Index, Bloomberg, NAREIT

Low Correlation with Other Asset Classes

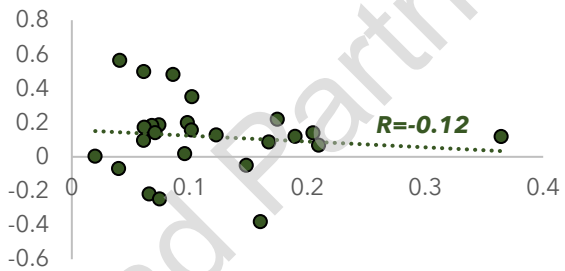
Farmland's uncorrelated returns compared to traditional asset classes such as equities, bonds or commercial real estate offer diversification opportunities to investors, especially through cycles. NCREIF's farmland index was up ~20% during the GFC, a powerful hedge to the losses incurred in virtually all other investment classes.

Return Correlation with Farmland[1]

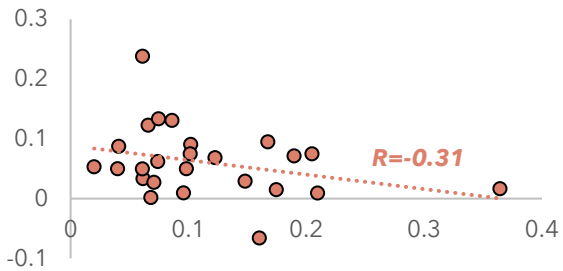
NAREIT Major Sector Average vs. Farmland



S&P 500 vs. Farmland



U.S. Corp Bond Index vs. Farmland



	NCREIF Farmland Index	NAREIT Major Sector Avg	S&P 500	U.S. Corp Bond Index
NCREIF Farmland Index	1.00			
NAREIT Major Sector Avg	-0.04	1.00		
S&P 500	-0.12	0.67	1.00	
U.S. Corp Bond Index	-0.31	0.72	0.43	1.00

Farmland returns are not correlated to other asset classes, offering diversification opportunities to investors

1. Correlation calculated with Q1 year-over-year total return data for the 25-year period from 1997-2021.

Source: Green Street Advisory Group, NCREIF Farmland Index, Bloomberg, NAREIT

Key Concept 3

Unique Attributes vs. Traditional Real Estate

Misconception

"Farmland contains many of the risks/drawbacks associated with commercial real estate investment"

Key Takeaway

↪ Farmland offers distinct attributes versus traditional real estate, and challenges conventional wisdom

*Certain crops in Farmland can be fully **sustainable** year-after-year, reducing obsolescence risk*

*Agricultural land can relatively easily **adapt** to changes in eating habits and food requirements*

*Farmland improvements are relatively minimal and may only require **low capital expenditures** by the landowner*

Note: Another unique attribute of Farmland lies in its ESG potential, including carbon sequestration, renewable fuels, reducing global hunger, food security, and investment/employment in rural communities

Source: Green Street Advisory Group

Lower Risk of Obsolescence

The requirements of traditional real estate tenants are constantly evolving making older buildings less attractive and unable to sustain their competitive position in the marketplace. Farmland on the other hand, thanks in part to advanced and evolving farming practices, can be sustainable over time and may not be faced with the same amount of obsolescence risk.

Obsolescence Risk in…

Commercial Real Estate

- ✗ *Commercial real estate requires **constant improvements** in technology, building efficiency, design, and space configuration to remain competitive*
- ✗ *Tenants are typically attracted to newer buildings supporting the latest innovations, making older buildings **increasingly less competitive** and profitable over time*

Farmland

- ✓ *Advanced farming practices have allowed certain types of crops to be used year after year for production **without a loss in fertility or productivity***
- ✓ *While fertility is inherent to soil quality (e.g., access to water is a risk), scarcity of agricultural land globally reinforces **lower obsolescence risk** in the sector*

Certain crops can be fully sustainable year-after-year, muting obsolescence risk

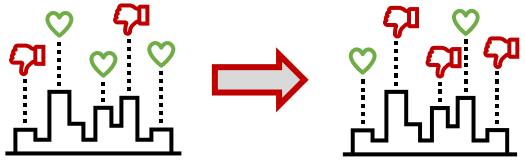
Source: Green Street Advisory Group

Lower Fungibility Risk

Traditional real estate assets can be exposed to changes in demand that are so severe that buildings become unusable over time. Farmland is also faced with evolving demand, such as long-term changes in eating habits, but can more easily be adapted to grow different kinds of food.

Fungibility Risk in…

Commercial Real Estate



- *With large demand shifts, older buildings go from "playing catch-up" with more modern buildings to eventually becoming **unusable***
- *Fungibility is a concern in real estate, where large-scale improvements or changes in uses are at best **cost prohibitive** (e.g., retrofit), and at worst unfeasible*

Farmland

- *While **demand for food is continual**, the Farmland sector can be exposed to changing eating habits over long periods of time*
- *Fungibility is less of a concern in Farmland, where agricultural land can more easily be **adapted and transformed** to grow other types of food, in some instances at relatively low costs*

Farmland can adapt to changing eating habits with land that is relatively easily fungible

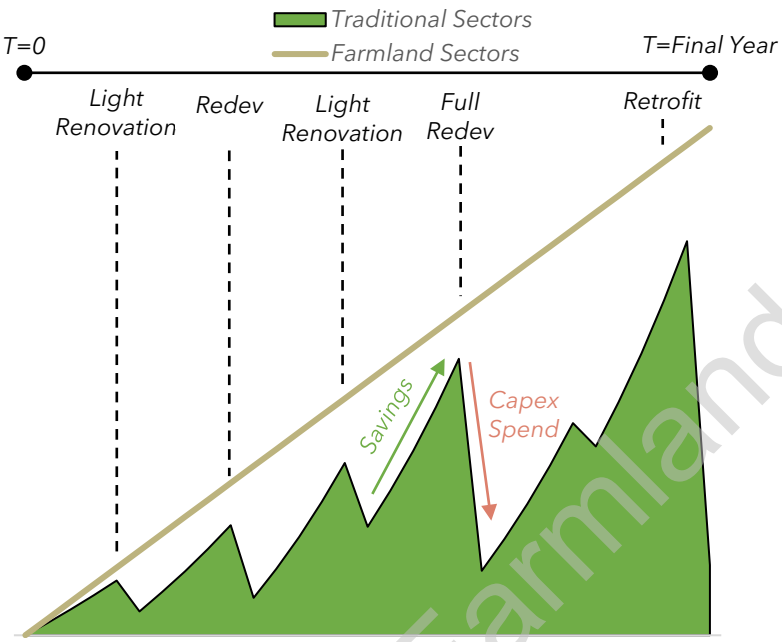
Source: Green Street Advisory Group

Lower Capex Burden

Traditional real estate assets depreciate over time, requiring constant reinvestment of capital in order to maintain their competitive positioning among peers and to continue to grow their rents at market average levels. Farmland as an asset class for the most part does not depreciate, and improvements in certain crops can be minimal and may require relatively low capital expenditures by the landowner (e.g., row crops).

Capex Burden Over Time

(Illustrative)



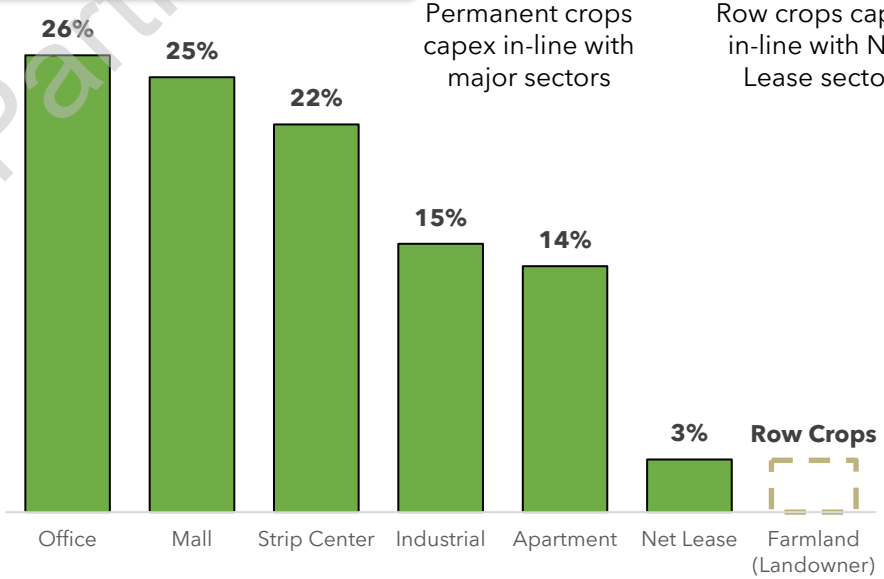
Capex Reserve as Percentage of NOI

(Green Street Normalized Reserve)

Please see important notes on data sources and comparability issues in the appendix

Permanent crops capex in-line with major sectors

Row crops capex in-line with Net Lease sector



Farmland capex may solely consist of maintaining irrigation and drainage, and can be de minimis in the long-run

Source: Green Street Advisory Group, NCREIF, Public REIT Portfolio Reporting

Key Concept 4

Attractive Supply and Demand Dynamics

Misconception

"Demand growth in Farmland is sluggish"

Key Takeaway

→ *The combination of stable demand and shrinking supply has bolstered Farmland returns*

*As a basic need of humans and an essential industry, food and agriculture have benefited from **sustained demand growth** over the years*

*Sustained demand in the sector is combined with **shrinking supply** of available agricultural land both domestically and on a global basis*

*Farmland returns are part income, part appreciation, providing an interesting combination of **safety** and **growth prospects***

Source: Green Street Advisory Group

Stable and Growing Demand

Commercial real estate sectors are exposed to long-term secular shifts in demand, constantly adapting to evolving needs of societies. The rise of e-commerce, for example, has meaningfully shifted demand from retail real estate to industrial real estate. Farmland is different in that it remains the essential component to meeting one of humans' most basic need, food consumption.

Demand Risk in…

Commercial Real Estate

- ✗ *Secular shifts around the way people shop for goods have led to **falling demand** for retail space in favor of industrial space*
- ✗ *The recent COVID pandemic is leading to widespread adoption of work-from-home policies, to the **detriment of office space** demand nationwide*
- ✗ *Less at-risk sectors like apartments also **suffer during recessions** (e.g., the dramatic rise of young adults living with parents after '08)*

Farmland

- ✓ *Food is one of the most **basic needs** of humans globally, along with water, clothing and housing*
- ✓ *Agriculture went through tremendous innovation over the years, but **no fundamental disruptions** in the way food is produced; land is still the essential component for food production*
- ✓ *Stable and growing demand for food, coupled with shrinking supply of land has led to Farmland being a **"zero-vacancy"** sector*

Agriculture is an industry essential to U.S. food security, muting long-term demand risk

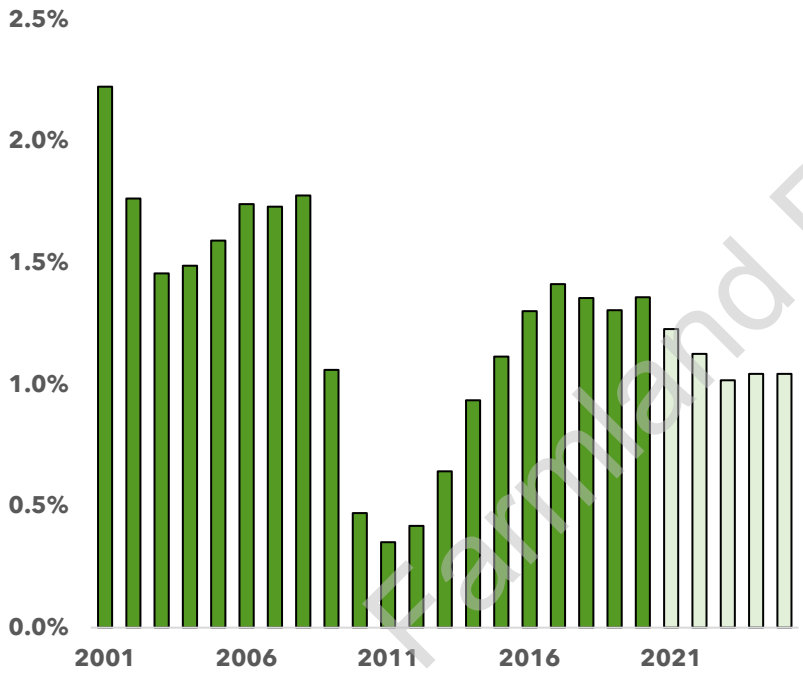
Source: Green Street Advisory Group

Shrinking Supply

Supply growth is ubiquitous in commercial real estate and oversupply is often the catalyst for downturns. In contrast, U.S. Farmland has experienced decreasing supply of available land due to land being taken offline for commercial real estate development, transportation networks, and other uses. Supply may decrease even further in the future with water losses and potential decreases in overall productivity caused by regulations and/or food preferences (e.g., organic farming requires relatively more land to produce equivalent outputs).

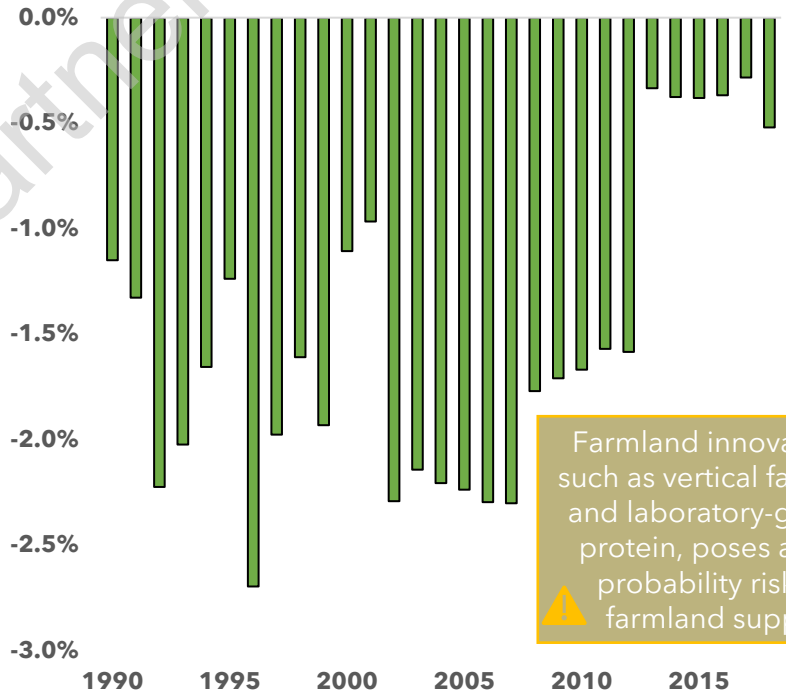
Supply Growth in Traditional Real Estate

(% Growth per Year)



Shrinking Supply in U.S. Agriculture

(% Change of Arable Land Per Capita)



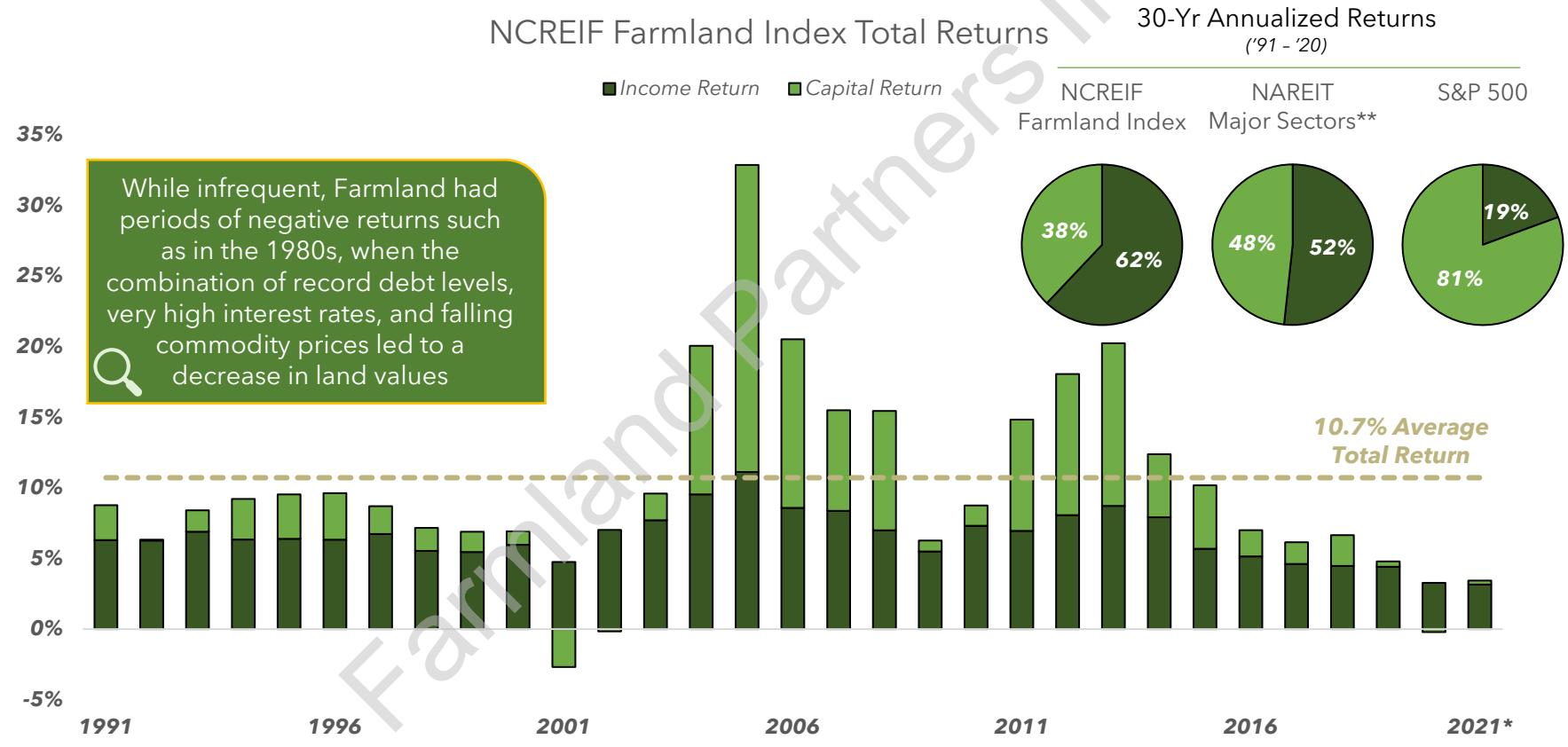
Farmland innovation, such as vertical farming and laboratory-grown protein, poses a low probability risk to farmland supply

Farmland is the rare investment opportunity that combines growing demand with shrinking supply

Source: Green Street Advisory Group, World Bank, Public REIT Portfolio Reporting

Returns are Part Income, Part Appreciation

Farmland is a total return investment vehicle with a history of steady current income and attractive asset value appreciation. Farmland income returns have been relatively stable and provided cash flow certainty, including through recessions, while growth prospects from appreciation have contributed to bolster total returns historically.



Farmland has delivered reliable current income coupled with attractive asset value appreciation

*2021 estimate consists of Q1 data annualized; **NAREIT major sector data only available for 27-yr period from '94-'20

Source: Green Street Advisory Group, NCREIF, NAREIT, Bloomberg

Key Concept 5

Different Valuation Considerations

Misconception

"Shorter-team leases are risky, and the practice of renting Farmland takes advantage of small farmers."

Key Takeaway

→ *Land lease valuation methodology resembles the net lease structure but incorporates different factors*

Term and Credit *are the foundation of a Net Lease portfolio valuation*

In Net Lease, investors seek long-term leases to avoid cash flow volatility

How should "Term" be viewed in Farmland?

In Net Lease, investors seek credit-worthy tenants to avoid risk of bankruptcy

How should "Credit" be viewed in Farmland?

Source: Green Street Advisory Group

Farmland Investment Alternatives

There are a number of ways investors can invest in Farmland. The different investment alternatives offer distinct liquidity, diversification, exposure and overall risk profile considerations. Farmland REITs, who purchase agricultural land and lease it to farmers, offer both one of the most direct exposure into the sector with the highest liquidity profile among other alternatives. Liquidity in REITs offer investors the ability to capture appreciation growth without a sell of the assets.

	Direct Property Investment	Private Funds	Agriculture Stocks	Farmland REITs	ETFs	Mutual Funds	Commodities
Investment Type	Land & Operations	Land & Operations	Varies (R&D, etc.)	**Land** *(lower risk profile than operations)*	Operations	Operations	Commodity
Investment Required	Substantial	Moderate	Minimal	**Minimal**	Minimal	Moderate	Minimal
Farmland Exposure	Direct	Direct	Varies	**Direct**	Indirect	Indirect	Indirect
Diversification	Very Low	Moderate	High	**High**	High	High	Low
Liquidity	Very Low	Low	High	**High**	Moderate	High	High
Cash Flow Profile	Farm income	Varies	Varies	**Rent from farmers**	Varies	Varies	No Cash Flow

Farmland REITs offer both liquidity and direct exposure into the sector

Source: Green Street Advisory Group

Term Considerations

Long-term leases in the Net Lease sector are a prerequisite to achieve dependable long-term cash flows, especially in a sector prone to disruptions (e.g., retail). As a "zero-vacancy" sector, cash flow interruption in Farmland is less of a concern, especially since the demand for high-quality institutional properties has resulted in a "natural selection" of better skilled farmers operating the assets. Shorter-term leases in the sector can prove an effective tool to maximize cash flows over time.

Term	Net-Lease	Farmland
Investment Goals	*Provide long-term, stable and growing cash flows*	*Provide long-term, stable and growing cash flows*
Investment Hurdles	*Cash flow interruption, or growth disruption, from risk of property sitting vacant between tenants*	*As a "zero-vacancy" sector, cash flow interruption is less of a concern than cash flow maximization*
Investor Requirements	→ *Long-term leases (~10-20 years) to achieve dependable and consistent cash flows*	→ *Short-term leases (~3 years) can serve as an effective tool to achieve frequent repricing of rent*

In a "zero-vacancy" sector such as Farmland, shorter-term leases can serve to maximize rent obligations

Source: Green Street Advisory Group

Credit Considerations

A tenant's ability to pay their future rent obligations is at the core of evaluating credit. Net Lease investors demand for large portions of leases to be backed by "investment-grade" tenants, as rent roll tenants can be more or less prone to bankruptcy risk over the life of the lease. Farmers on the other hand have demonstrated very low "bad debt" historically, as the U.S. government deems the agriculture sector so essential to a functioning society that it provides support mechanisms to farmers.

Net-Lease	Credit	Farmland
Investment Goals		**Investment Goals**
Provide safe and reliable cash flows		*Provide safe and reliable cash flows*
Investment Hurdles		**Investment Hurdles**
Different tenants bear different risk profiles (e.g., bankruptcy), especially in sectors with secular headwinds		*The safeguard of food production is an essential duty of the U.S. government, which is achieved by maintaining continuity and sustainability of farmer operations*
Investor Requirements		**Investor Requirements**
→ *Investment-grade tenants offer the safest level of cash flow safety and sustainability during the term*		→ *Flexible balance sheets, personal guarantees, and first lien security interest in growing crops*

Farmland is an essential sector of the U.S. economy in which farmers have exhibited minimal risk of default historically

Source: Green Street Advisory Group

Same Structure, Different Factors

An important consideration for assessing tenants in Farmland is their ability to both navigate government and insurance programs while maximizing growth prospects in opportune times, in part through inventory management. Other factors include their ability to meet productivity targets thanks to their ecosystem of operations and achieved economies of scale, as well as their balance sheet flexibility. Farmland has proven over time to be a sector with a low probability of rent default.

Net-Lease	**What matters?**	***Farmland***
Investment-Grade Tenants		Farmer Operational Prowess
✓ Investment Grade Tenants (avg. ~30% of NOI)		✓ Farmer's track record of cash flow stability
✓ Diversification of Tenants & Industry		✓ Farmer's understanding of government support
✓ Long-Term Leases		✓ Existing land improvements and machinery
		✓ Farmer's track record of productivity growth
		✓ Ecosystem of operations & economies of scale
		✓ Farmer's balance sheet strength & flexibility
		✓ Willingness to provide personal guarantees
		✓ Ability to pre-pay rent obligations
		✓ First lien security interest in growing crops

Traditional real estate investors must challenge their conventional wisdom when assessing Farmland

Source: Green Street Advisory Group

Potential Risks in Farmland Investment

The Farmland sector has historically been plagued by certain misconceptions surrounding its relative risk profile and appropriate valuation. To make a well-educated investment decision, investors must see past 'real estate conventional wisdom' in addition to assessing the valid risks facing the industry going forward.

U.S. Farmland Risk Considerations

1	Increases in global agricultural productivity outpace growth in global demand	
2	Trade policies with certain regions impede the ability for the U.S. to respond to import/export demand	
3	Environmental risk (e.g., access to water) poses a risk of damaging high-quality land supply in certain U.S. geographies	
4	Food production innovations reduce the long-term demand for Farmland (e.g., meat alternatives, vertical farming, etc.)	
5	Macro shifts in consumer preferences result in a reduction in global demand for select agricultural products	

Source: Green Street Advisory Group

Section III

Understanding Farmland - *Macro Demand Drivers*

Macro Demand Drivers: Introduction

Farmland Supply/Demand Dynamic Outlook is Favorable

- *Demand for food in the U.S. and globally is **increasing at a steady pace**, while available agricultural **land per capita is shrinking***
- *Most of the **growing population** stems from less developed countries, where both caloric intake and **import dependence** are on the rise*
- *Growing wealth and changing eating habits are also bolstering demand. Food is a basic necessity that **provides downside protection to the sector***

U.S. Farmland Is Well Positioned to Capture Incremental Demand

- *U.S. agriculture is **one of the most productive** in the world, averaging outputs that are 2.0x that of other developed countries on a per unit of land basis*
- *High productivity means better cost efficiency. The U.S. is **very competitive** on a global scale and is a **net exporter** of corn and soybeans*
- *The U.S. superior yields, stemming from good soil, technology advancements, and best-in-class farming operations, is well positioned to **capitalize on domestic and global growth***

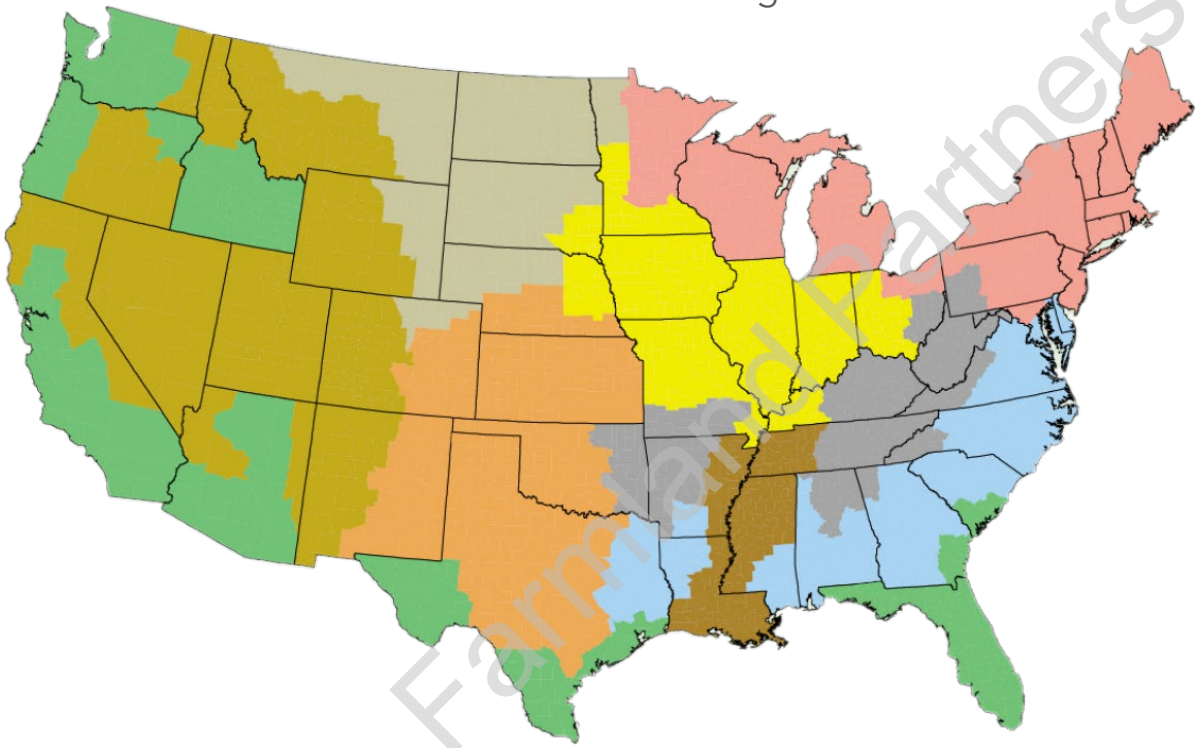
*Farmland's attractive supply/demand dynamic can offer a **combination of income stability and growth prospects** to landowners through cycles*

Source: Green Street Advisory Group

U.S. Agriculture Regional Landscape

The U.S. is one of the most productive and valuable agricultural regions in the world with an estimated $2.7 trillion[1] in Farmland spread throughout nine economic regions. Farmland has historically been owned and operated by family farms, but changing demographics coupled with farmers and other landowners' increasing desires to free up some of their capital base have created an opportunity for outside investors.

Agriculture in the U.S.



Region	% of Cropland ↓	% of Production Value
Heartland	27%	23%
Northern Great Plains	17%	6%
Prairie Gateway	17%	12%
Northern Crescent	9%	15%
Fruitful Rim	8%	22%
Southern Seaboard	6%	9%
Eastern Uplands	6%	5%
Mississippi Portal	5%	4%
Basin and Range	4%	4%

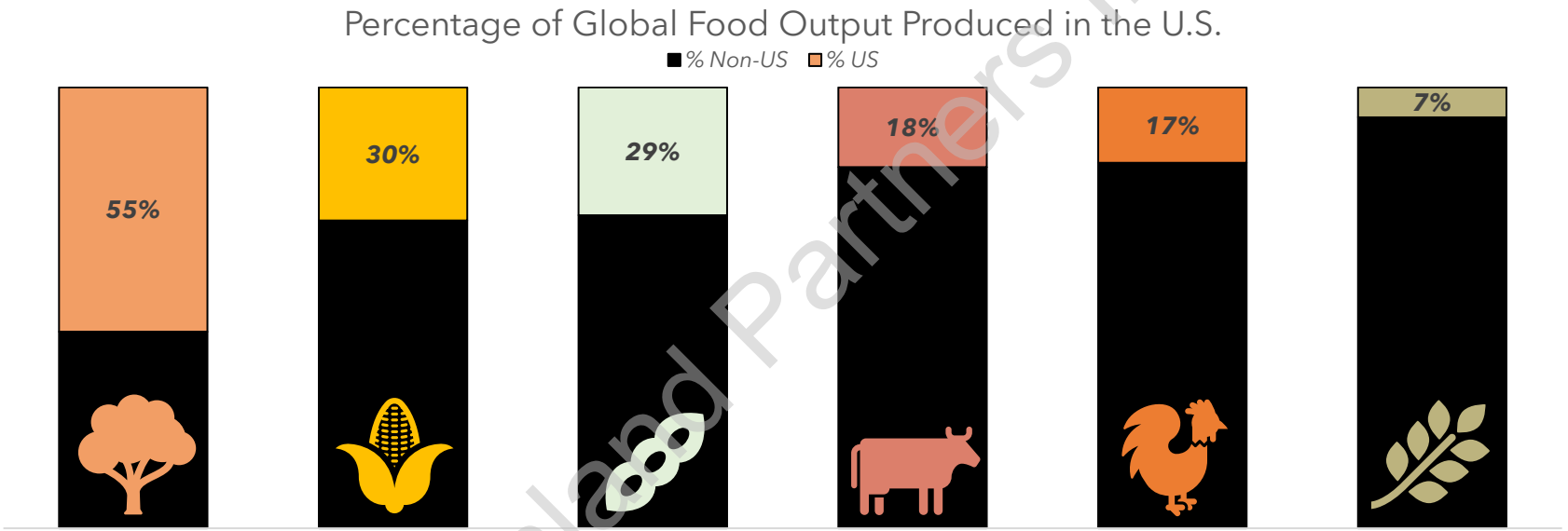
The bulk of U.S. agriculture value is concentrated in the Central and West Coast/Florida regions

1. Total value does not include Alaska or Hawaii.

Source: Green Street Advisory Group, ERS USDA, FAO

U.S. Agricultural Strengths

Growing population, increasing caloric need per capita, increasing wealth and food dependence all point to sustained and increased demand for grains. The U.S. is among the largest producers of corn and soybeans in the world, in part thanks to some of the highest levels of productivity achieved by U.S. farmers which make our crops relatively cost-efficient and competitive on the global stage. Therefore, the U.S. is relatively well-positioned to capture incremental growth in demand for grains.

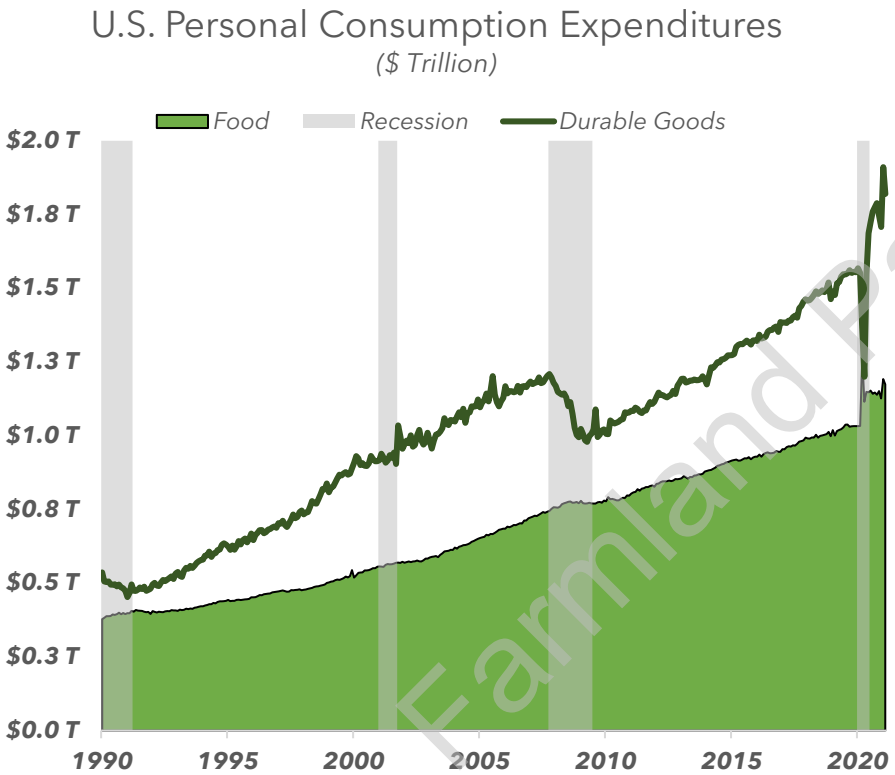


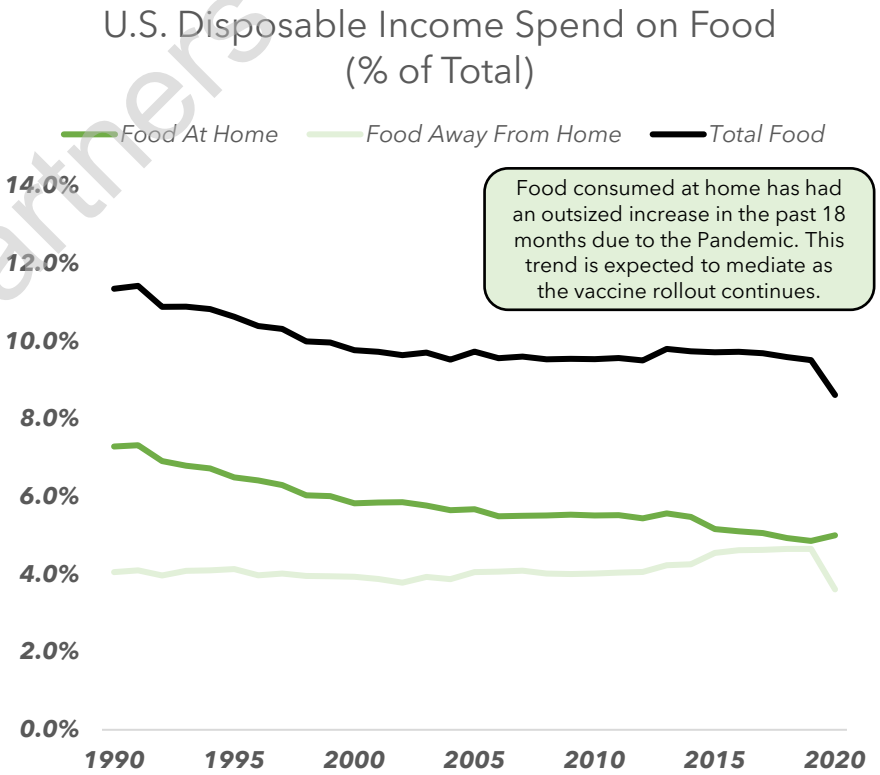
U.S. agriculture is competitive on the global stage, and is well-positioned to capture incremental growth

Source: Green Street Advisory Group, FAO

Steady Demand for Food

Demand for food, an absolute necessity compared to other types of spending, has been very steady through cycles. Impressive productivity gains in the U.S. have also led to modest increases in food prices over the last thirty years that have not kept up with rising incomes. This favorable trend for consumers should ensure that food spending, now only ~10% of incomes, remain one of the safest and most protected type of spending going forward.



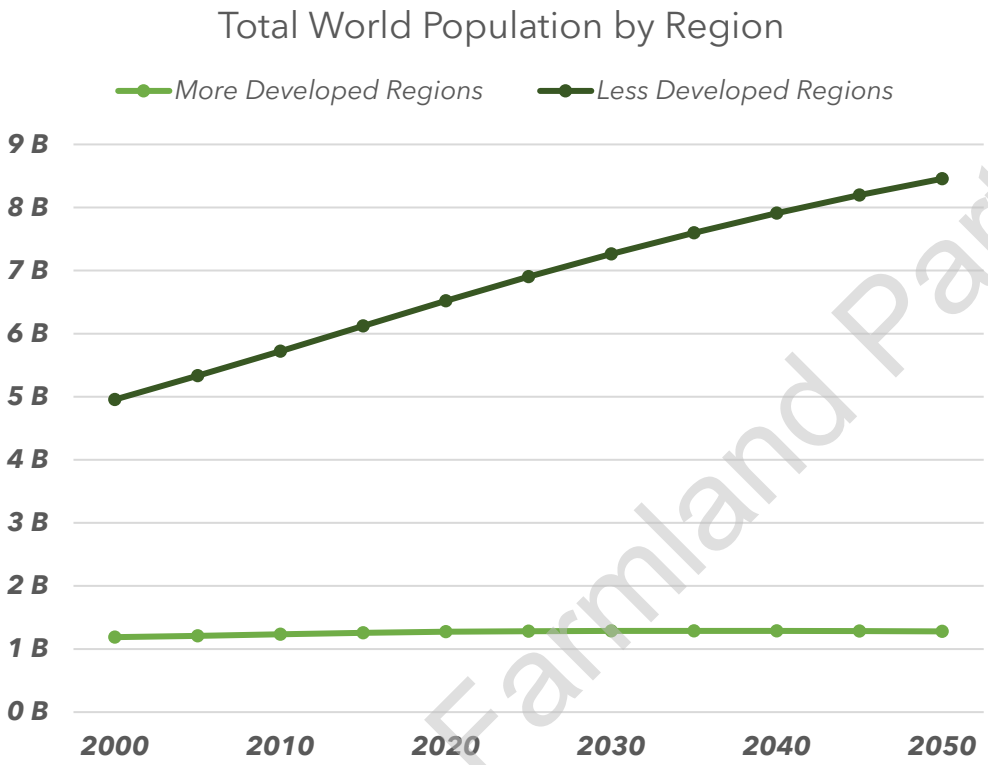


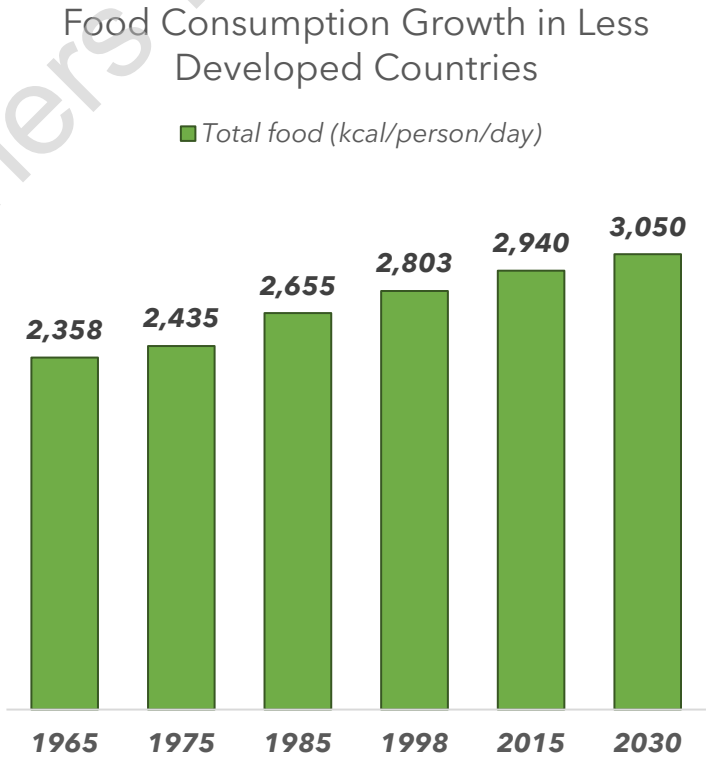
Demand for food, an absolute necessity, remains steady when other consumption expenditures fluctuate

Source: Green Street Advisory Group, USDA, FRED

Growing Population

World population is expected to increase ~2 billion people by 2050, overwhelmingly stemming from less developed countries. Coexisting with these projections are the consumption growth per capita (i.e., caloric intake) of the same countries that are seeing the largest population growth. The concurrence of these two factors should substantially bolster grains consumption.





Growing population and consumption per capita of less developed countries should bolster demand for grains

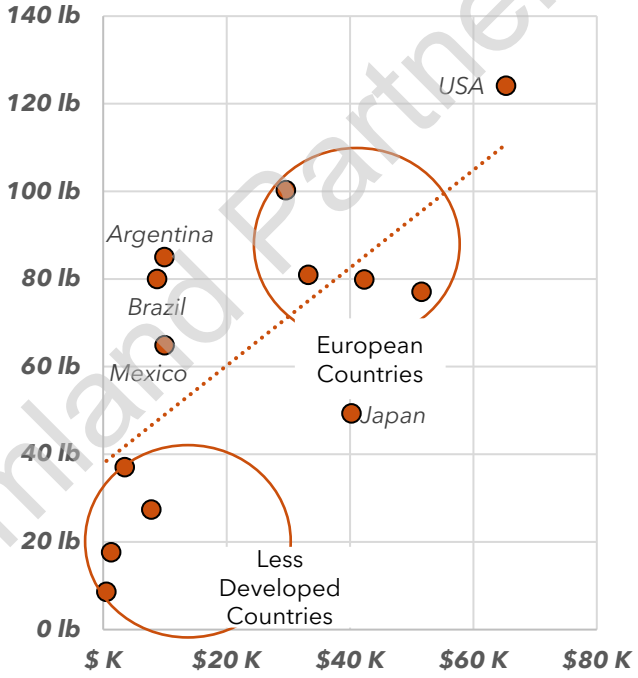
Source: Green Street Advisory Group, United Nations, FAO

Changing Eating Habits

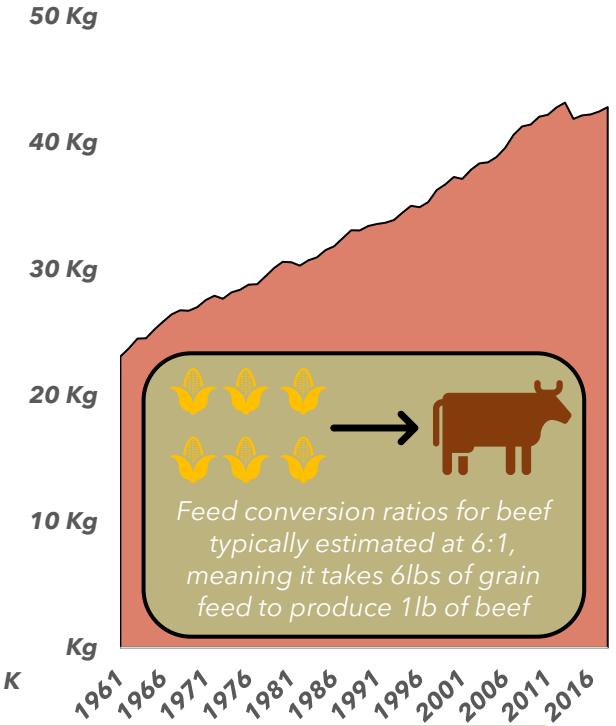
Global wealth and economic production has steadily grown over the past century at a rate of ~5% per year. An increase in wealth is highly correlated with increased meat consumption across developing and developed countries. Because meat production is so resource-intensive, any incremental demand for meat has a compounding effect on demand for grains.

Global GDP Per Capita

Meat Consumption vs. GDP Per Capita



Global Meat Consumption Per Capita

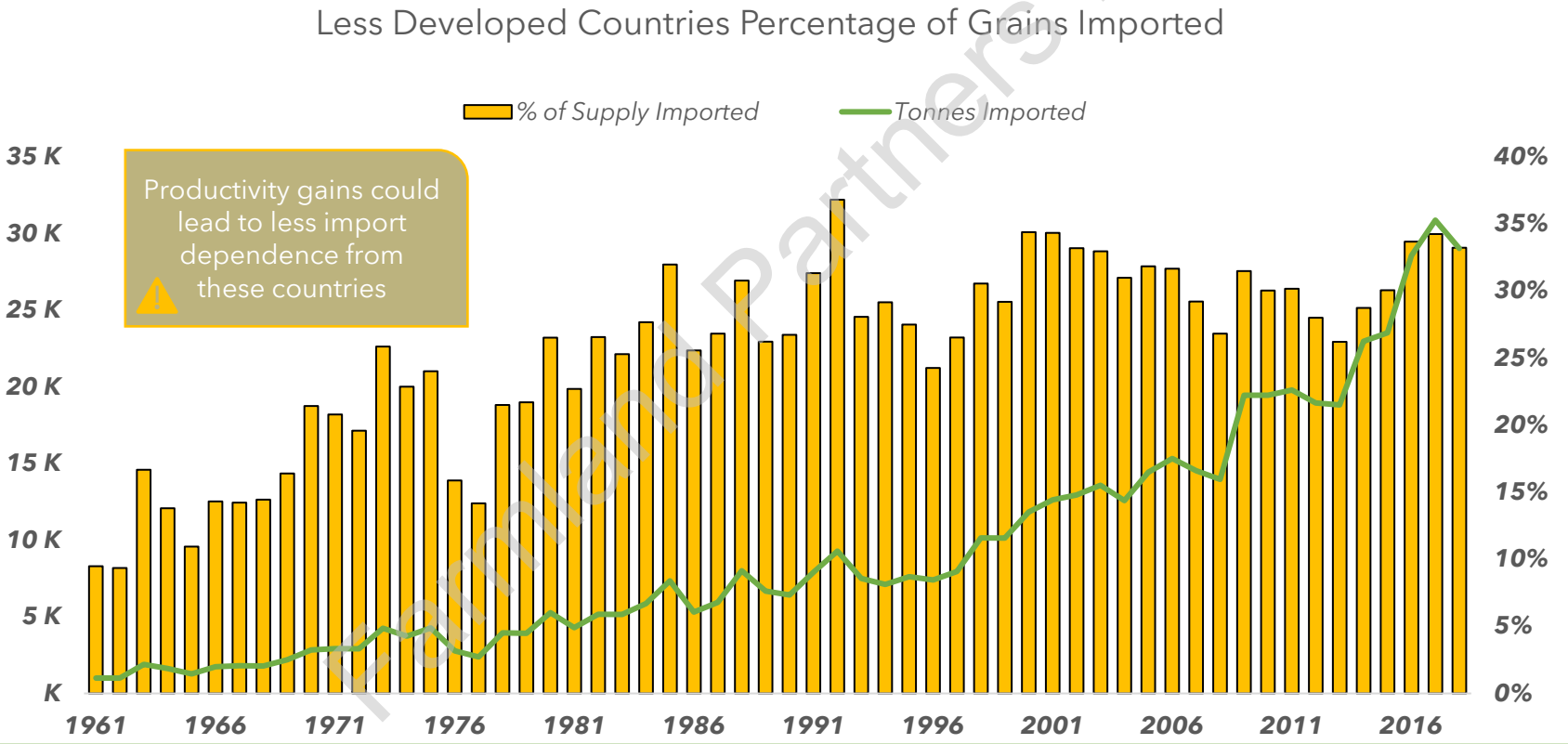


Demand for grains is magnified by meat consumption, which is growing globally alongside wealth

Source: Green Street Advisory Group, FAO, World Bank

Growing Import Dependence

The less developed countries are growing more dependent on global trade to support their food needs, which consist primarily of different grains. In 2001, they imported 21% of the products ultimately consumed. By 2021, this has steadily climbed to almost one third of domestic consumption.

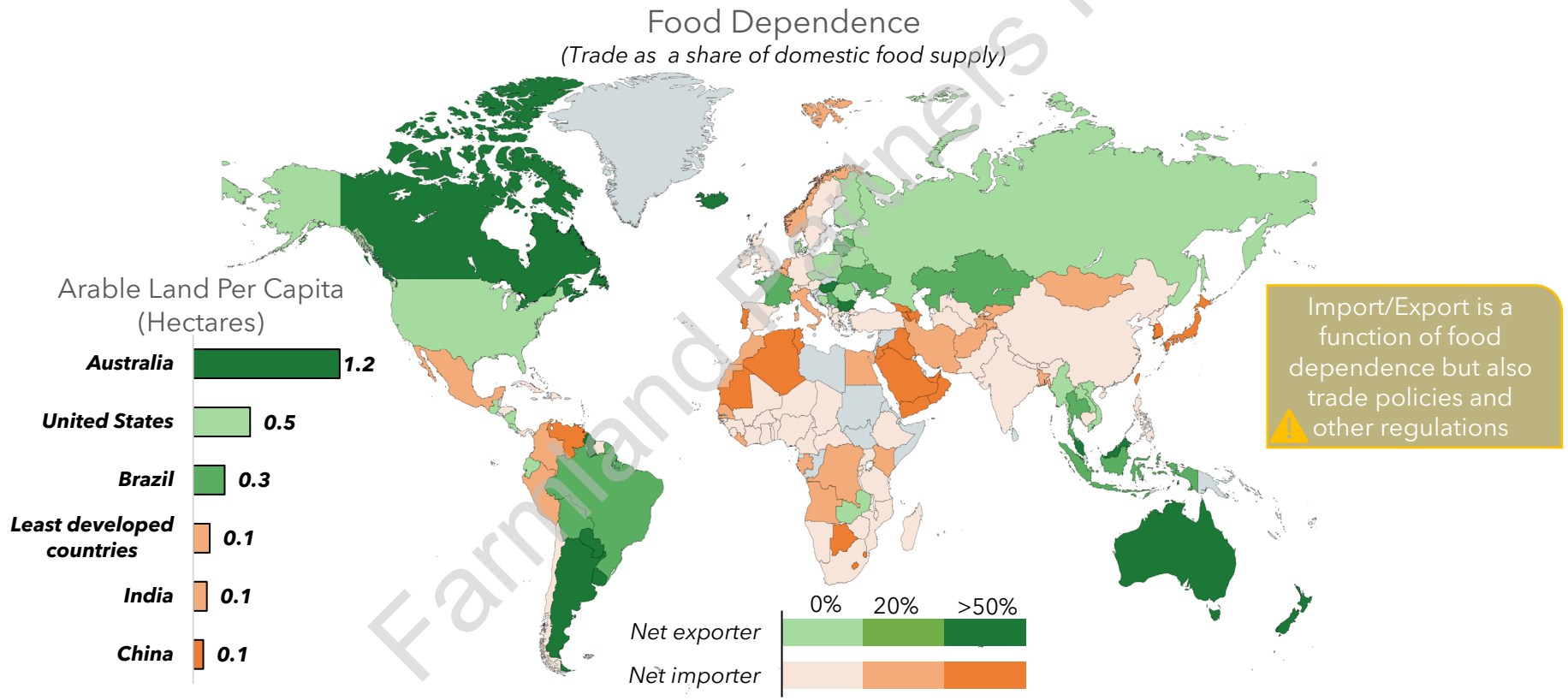


Demand for grains is also magnified by increasingly higher food dependence of the less developed countries

Source: Green Street Advisory Group, NCREIF, FAO

Global Food Dependence

Food is a major element of trade around the world. Certain countries like the U.S. are net exporters of food, as they benefit from land that is naturally conducive to agriculture (soil type, climate, etc.) and advanced transportation networks, along with employing advanced agricultural techniques. The growing population and demand in less developed countries is not met with adequate supply locally, leading to a number of these countries relying on import of food from countries like the U.S.



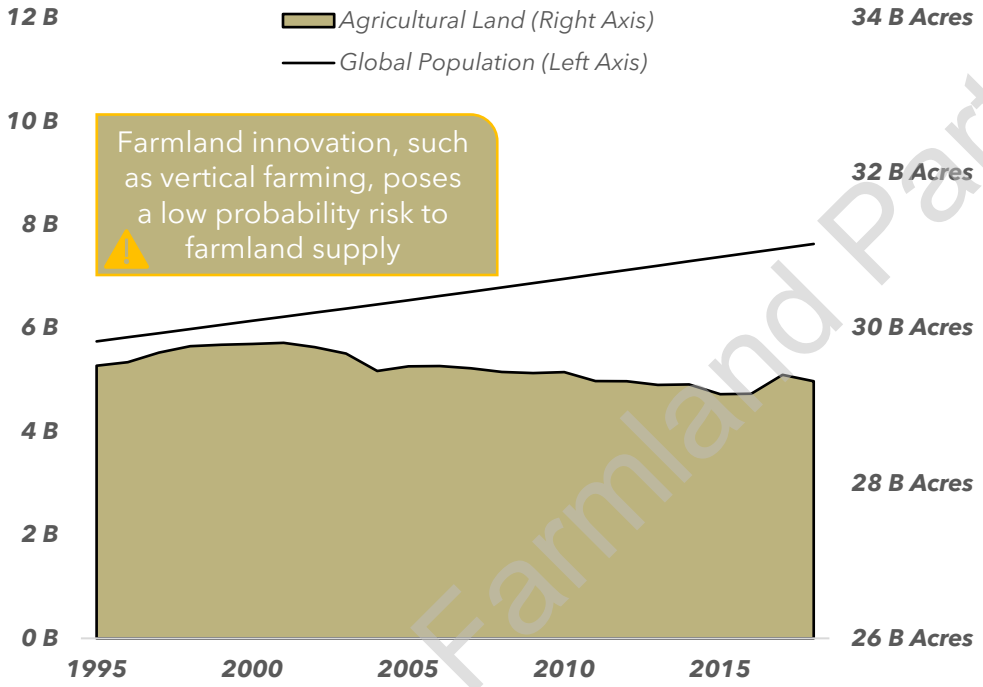
The less developed countries, needing more and more grains, are relying on other countries to feed their population

Source: Green Street Advisory Group, UN's Food & Agriculture Organization Global Perspectives Studies, FAO

Land Scarcity/Shrinking Supply

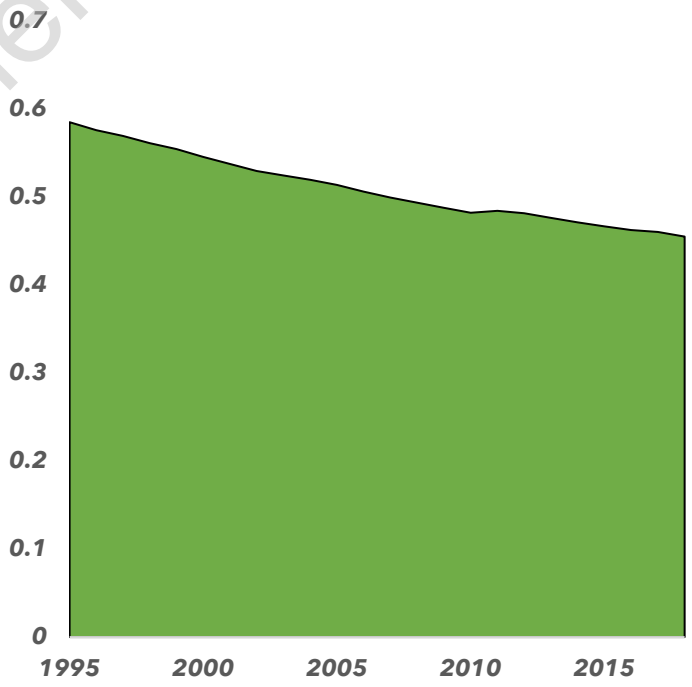
Increased demand for food globally has been met with shrinking supply of available agricultural land, especially in more developed countries. This is the consequence of larger metropolitan areas allowing for a different "highest and best use" of the agricultural land into other used, such as commercial or residential real estate development. The pace of increased food demand over the last 30 years has only been met thanks to gains in productivity, not by increasing the stock of agricultural land.

Global Population vs. Global Agricultural Land



Global Agricultural Land

(Acres Per Capita)



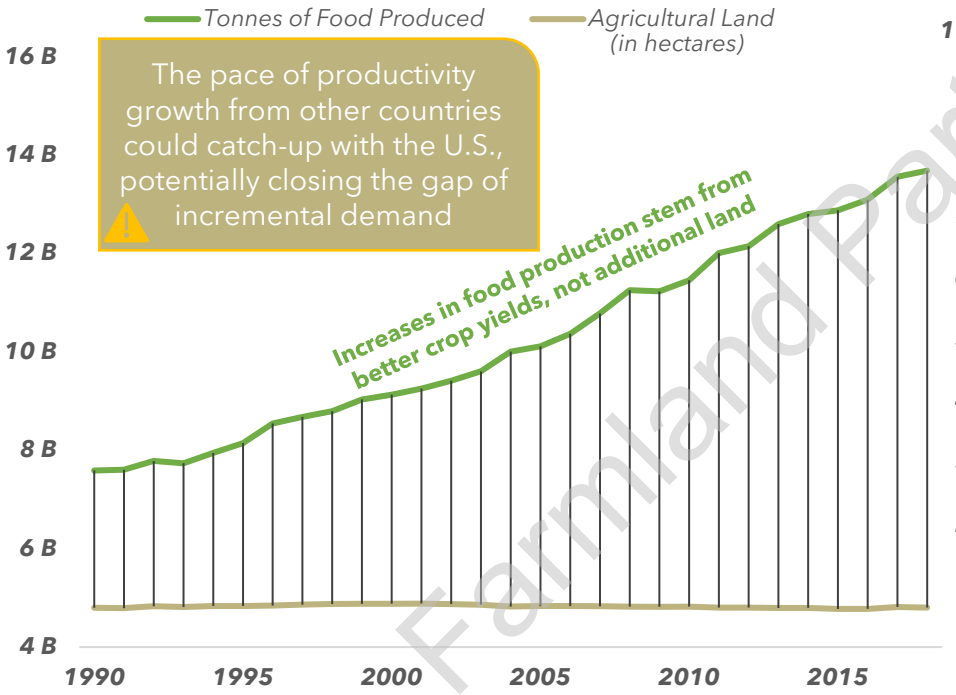
Population growth has vastly outpaced the growth in available arable land worldwide in the last thirty years

Source: Green Street, USDA, FAO

Global Productivity Growth

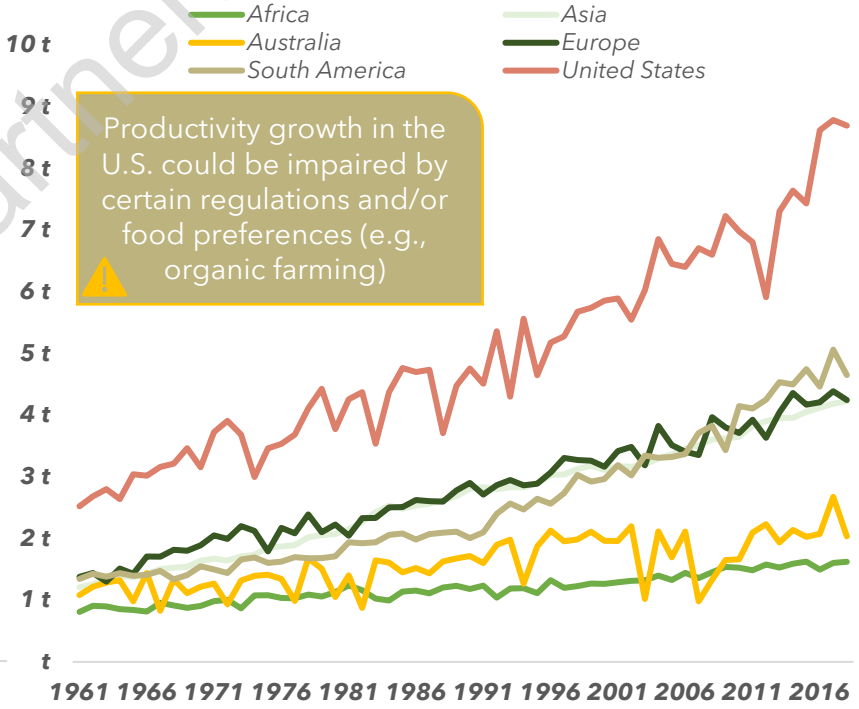
Today, the world can produce almost three-times as much cereal grain[1] from a given area of land as it did in the 1960's. Most of the improvements in crop production have arisen from improvements in yield. The U.S. has been instrumental in adopting and delivering best-in-class technology improvements and farm best practices through the years, and is now one of the most productive nations in the world for certain crops.

Global Food Produced vs. Global Agricultural Land



Cereal Yields by Country

(Tonnes per Hectare)



The U.S. has championed impressive productivity growth over the last ~50 years

1. Cereal grain consists of wheat, rice, corn, barley, oats, rye, millet, sorghum, buckwheat, and mixed grains

Source: Green Street Advisory Group, FAO, USDA

U.S. Productivity Growth

The U.S. superior agricultural yields stem from inherent good soil, ongoing technology advancements, and farming best practices. The U.S. favorable geographical attributes are coupled with good infrastructure networks that make the transport of food both reliable and cost-efficient, unlike many less-developed countries. The safeguarding of farming best practices- where most farm operations in the U.S. today are still done by families with high alignment of interest- is another important and distinct driver of achieving one of the highest crop yields worldwide.

Geography

- ✓ *Inherent fertile soil*
- ✓ *Conducive climate*
- ✓ *Good access to water*
- ✓ *Adequate infrastructure (e.g., Mississippi River)*

Technological Improvements

- ✓ *Machinery*
- ✓ *Automation*
- ✓ *Higher-yielding fertilizer*
- ✓ *Genetic enhancements*
- ✓ *Precision agriculture*

Best-in-Class Operations

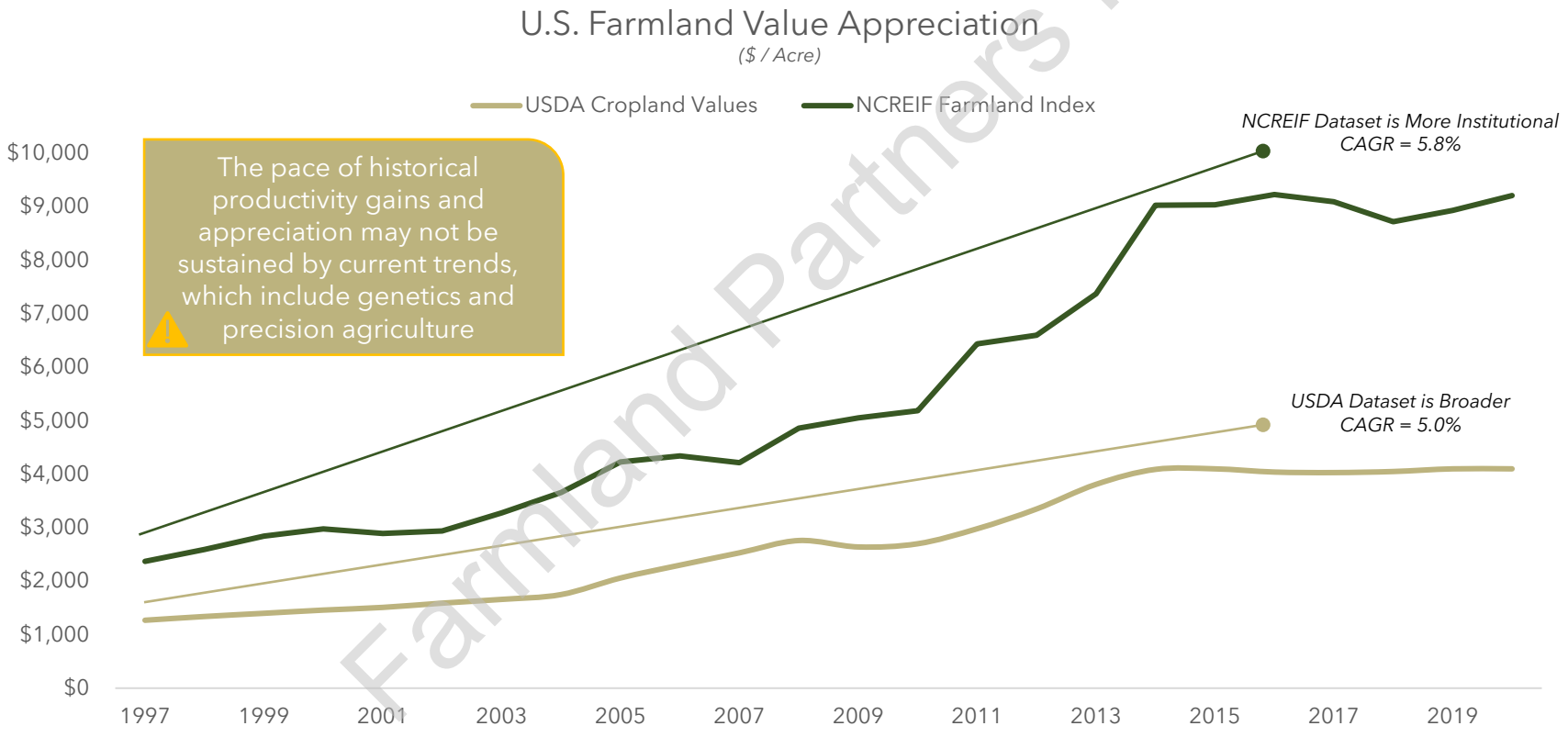
- ✓ *Family-owned operations*
- ✓ *Long-standing proven farm practices*
- ✓ *Direct incentives to maximize income*

Best-in-class U.S. productivity stems from good soil, technology advancements, and farming best practices

Source: Green Street Advisory Group

Appreciation Returns

Unlike traditional real estate, Farmland values have experienced a nearly uninterrupted rise over the past ~30 years thanks to continuing improvements in productivity growth. Historical productivity growth was driven by the transition to mechanical power and the application of nutrients. Future productivity growth will be driven by technology (improved genetics, precision agriculture, etc.).



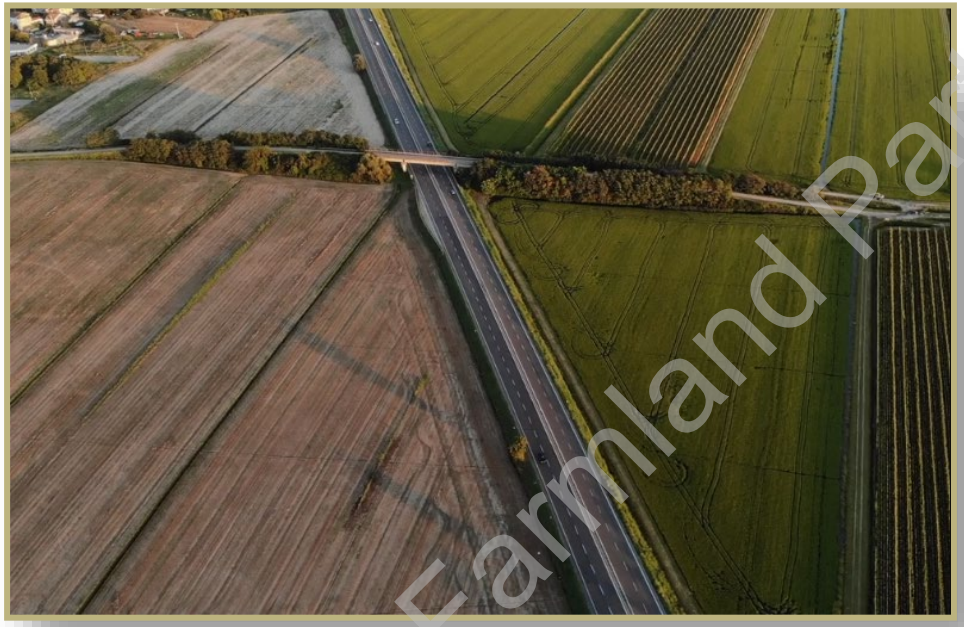
Productivity growth has spurred impressive Farmland appreciation growth

Source: Green Street Advisory Group, NCREIF, FRED

Potential for Highest and Best Use

An additional consideration for investment returns over longer holding periods include the possibility for outsized returns via a higher and best use of the land. While agriculture remains in the vast majority of cases the highest and best use of farmland, the sector can be prone to opportunities for higher and better use such as commercial real estate or transportation networks.

Higher-and-Best-Use Considerations



- *Farmland that is located closer to population centers or in the way of vast transportation networks can sometimes be identified as having a higher and better use*
- *A higher and better use can consist of highway expansion, conservation use, solar and wind farms, residential or commercial real estate development*
- *Higher and better use of the land can potentially lead to outsized returns on land sale value*

Higher-and-best-use opportunities have the potential to bolster returns over time

Source: Green Street Advisory Group

Section IV

Understanding Farmland *Income Characteristics*

Income Characteristics: Introduction

Volatile Commodity Prices / Steady Farmer Incomes

- *Farmers' income is a **function of price and productivity**, and is dependent on the type of crops produced. Row crops (e.g., grains) are more resilient, while permanent crops (e.g., trees) are more volatile*
- *Prices for row crops are dictated by **global food demand**, while prices for permanent crops are generally more insulated and driven by domestic demand*
- *While commodity prices are volatile, **U.S. farmers' income is relatively steady** because agriculture is considered an essential industry of our society*

Price and Yield a Natural Hedge / Government Backstop

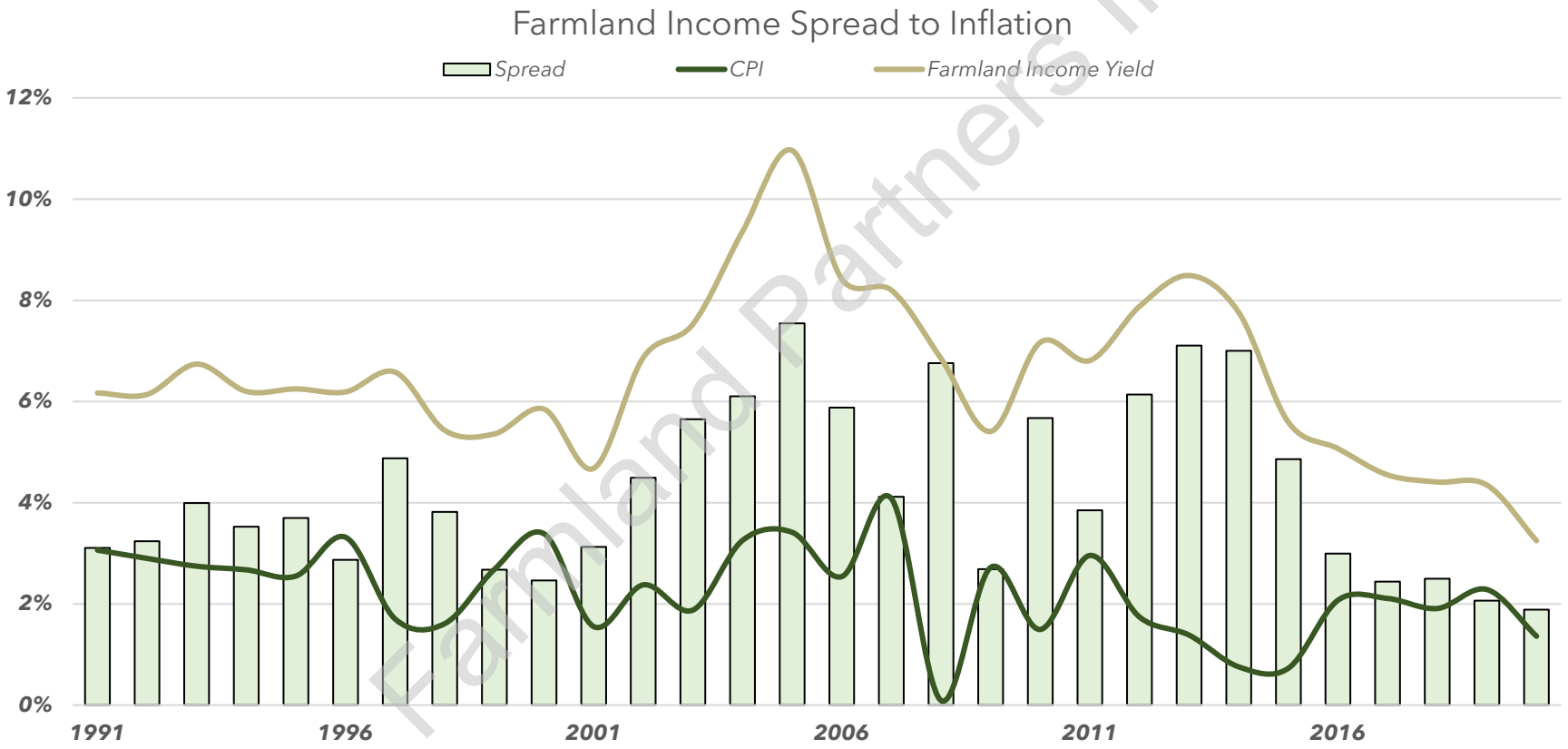
- *Government sponsored crop insurance **limits downside income-risk**. Additionally, the sector receives government support when incomes are low (e.g., COVID-19, trade war, etc.)*
- ***Steady and growing yields** from best-in-class U.S. farming operations also contribute to income stability*
- *Farmers with stronger balance sheets also have the ability to **manage** their inventory (e.g., harvest, stock, and sell at a more opportune time)*

*Income returns are a factor of yield and price and have proven to be **relatively stable** over time, including during recessionary environments*

Source: Green Street Advisory Group

Spread to Inflation

Historically, most years have seen farmland income returns between 4-8%. However, today's low yields on financial assets across the board has pulled farmland income returns below 4% for the first time, still offering a positive spread to inflation.



Farmland income returns have delivered a positive spread to fluctuating inflation

Source: Green Street Advisory Group, NCREIF, FRED

Stable Cash Flow Relative to Commodity Prices

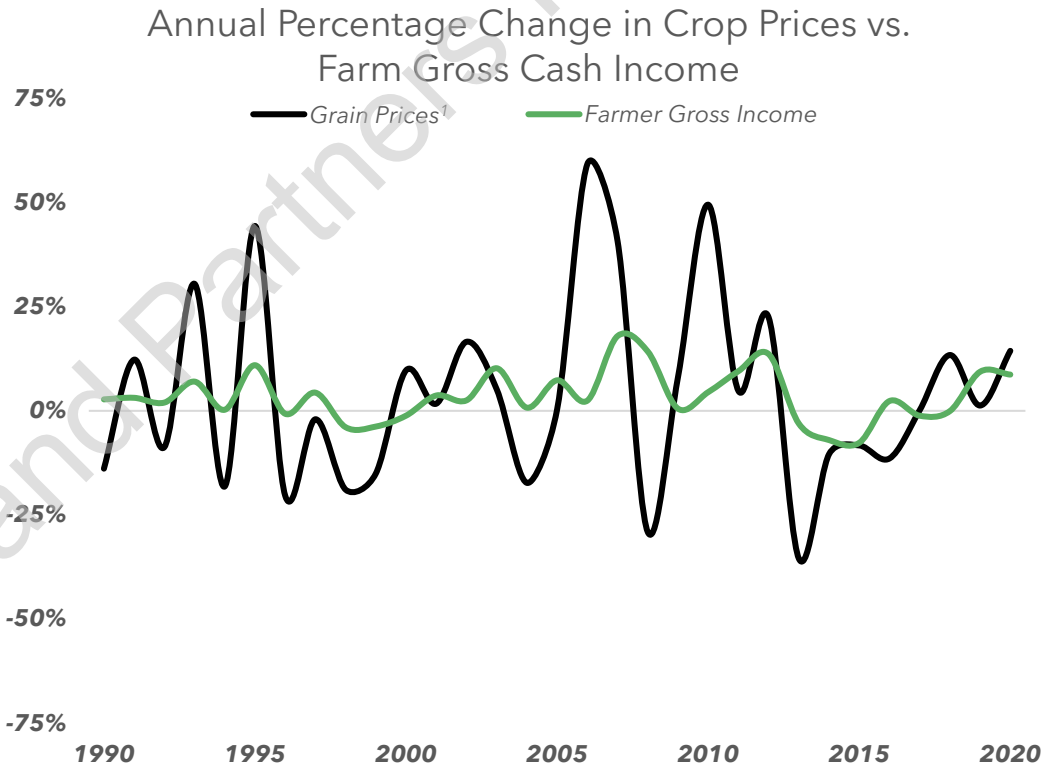
One of the most misunderstood dynamic in the agriculture sector is the effect that commodity prices have on other aspects of the industry, including the health and stability of a farmer's operation. Commodity prices are dictated by global market prices and regularly swing up and down year-over-year, yet farmers have displayed relatively stable and steady cash flows from their agricultural operations over time. The income stability is supported by a natural hedge; when prices are low, volumes are high, and vice-versa.

Misconception

"Volatile commodity prices dictate farmer income"

Key Takeaway

→ *Farmer income has proven to be relatively stable over time*



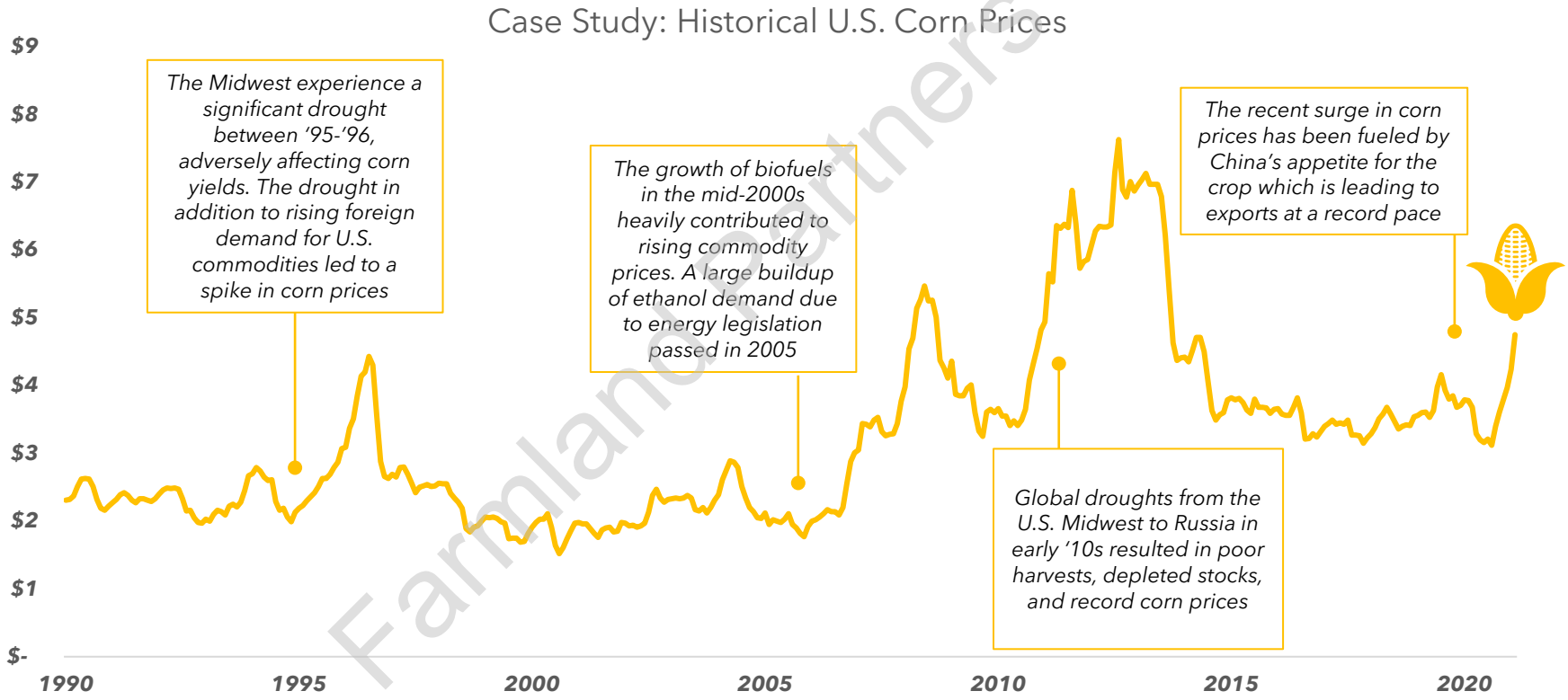
Commodity prices are volatile, but income from farm operations is relatively steady and stable over time

1. Grain prices include wheat, corn, barley, oats, and rice

Source: Green Street Advisory Group, FRED, USDA

Commodity Prices Case Study

The reason commodity prices exhibit large fluctuations over short periods of time has to do with short-term induced imbalance in the supply/demand dynamics. For example, 2012 was plagued by bad weather in almost all the world's top food producing regions, resulting in depleted stock of several commodities and surging prices. Other factors include geopolitical circumstances and government policies (e.g., China's recent increase in imports, or Russia's ban of all grain exports in 2010 after they suffered a bad harvest year).

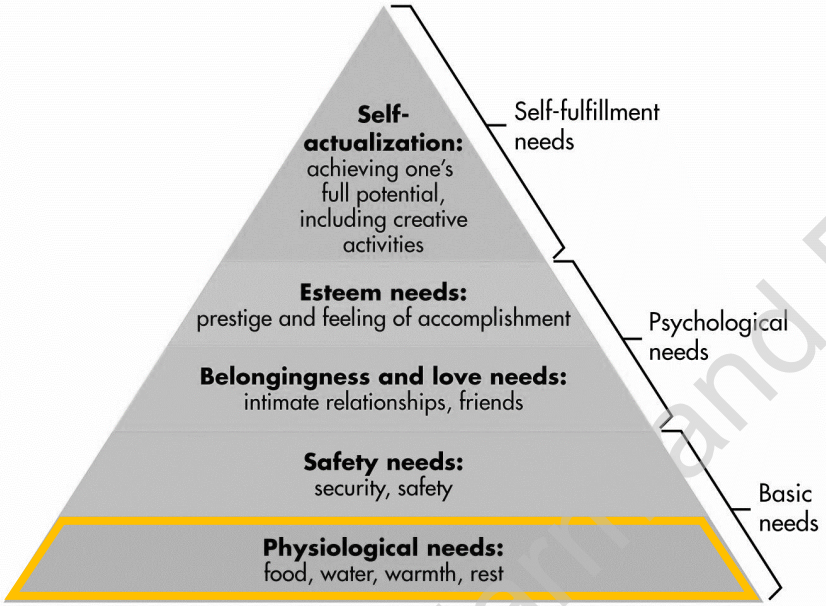


Fluctuation in prices reflect short-term imbalances in supply and demand of a certain commodity

Source: Green Street Advisory Group, USDA

Role of U.S. Government in Safeguard of Food Production

Food consumption is a basic, physiological need and therefore agriculture is considered an industry essential to Homeland Security. One must only think about the disastrous effect of a situation in which our food supply was interrupted or contaminated to prove this statement correct. U.S. government' safeguard of our food supply intrinsically provides a backstop of long-term cash flow stability and sustainability to U.S. farmers.



Food consumption is a basic and fundamental need

Food production is therefore considered an industry essential to U.S. food security

The goal of the U.S. government is to safeguard food production, and programs are in place to maintain continuity of farmer operations

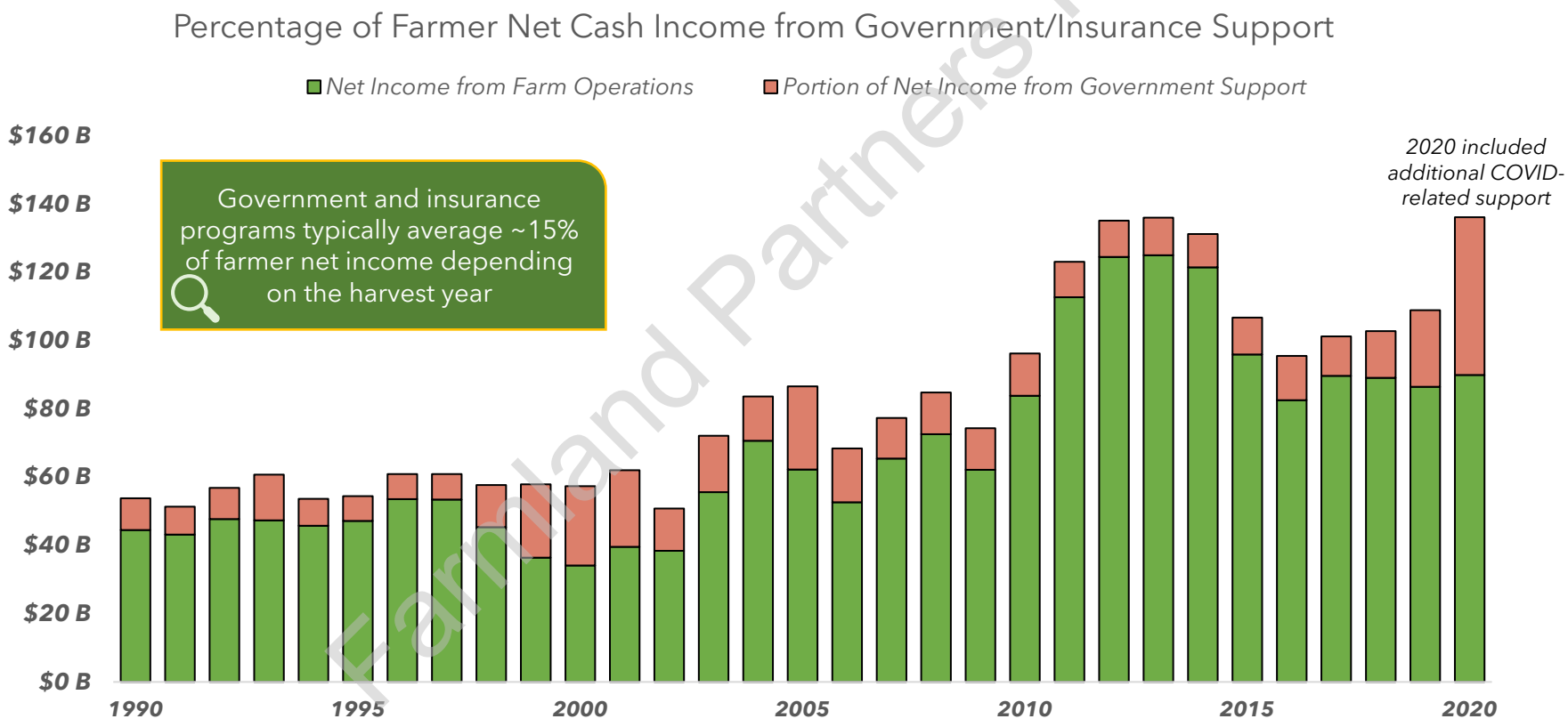
Government backstop provides a "floor" and a certain stability to farmer cash flows

The essential nature of food consumption translates into relative stability of farmer cash flows

Source: Green Street Advisory Group, USDA

Government Impact on Farmer Cash Flows

Farmers in the U.S. benefit from government and insurance programs to help mitigate fluctuations in commodity prices. These programs have provided a relatively high level of stability to farmers income over time, with cash flows at the end of the harvest period typically not below ~90% of expectations, while still retaining upside potential when commodity prices rise.



Government and insurance programs provide a relative level of stability to farmer cash flows

Source: Green Street Advisory Group, USDA, ERS

Yield Growth: the Other Part of the Equation

Commodity prices are only one part of the equation to derive farmer income. Productivity, which is often measured as bushel per acre for corn for example, is also a main driver of the stable to increasing revenue generated by farmers on any given year. While productivity can fluctuate year-over-year based on extraneous events (climate, etc.), the steady and sustained growth of productivity over the years has been a key element of stable farmer cash flows.

Farm Revenue Calculation

Total Yield (Bushels/Acre)

×

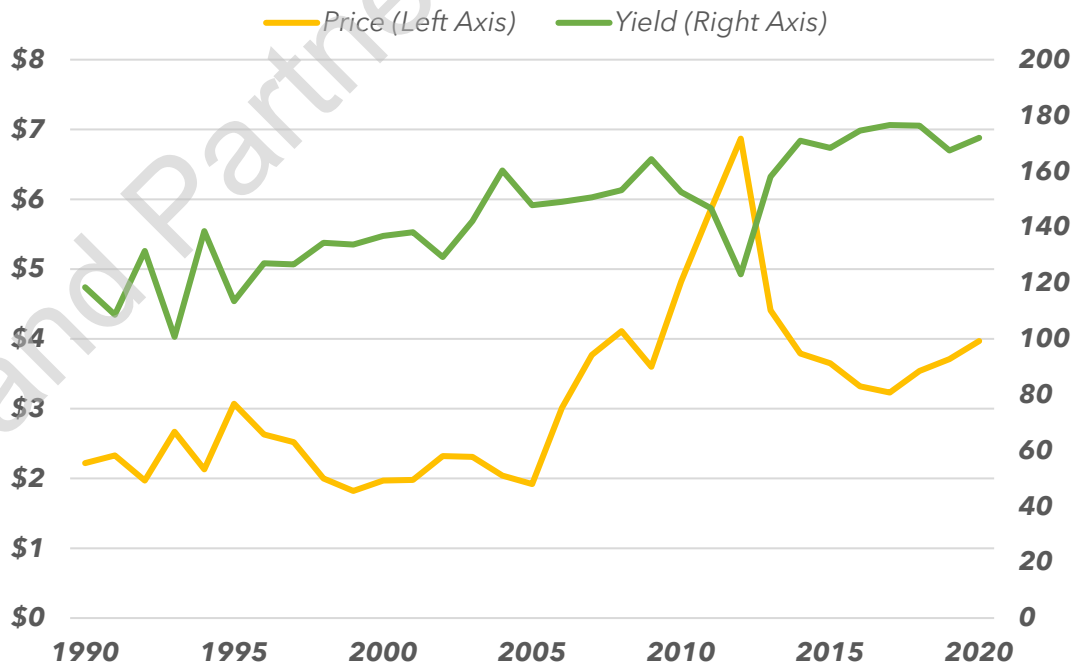
Price Per Bushel

=

Gross Revenue

Commodity Price vs. Yield

(U.S. Corn Production)

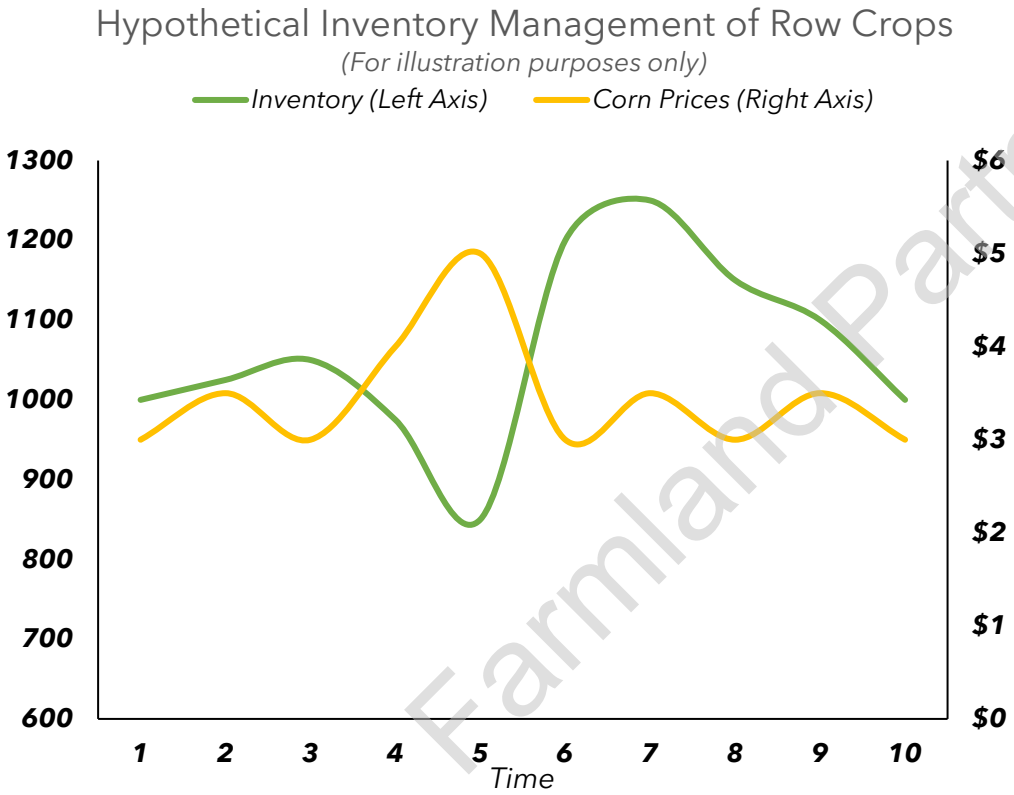


Crop yield has been a main driver of income stability and represents a natural hedge to price fluctuations

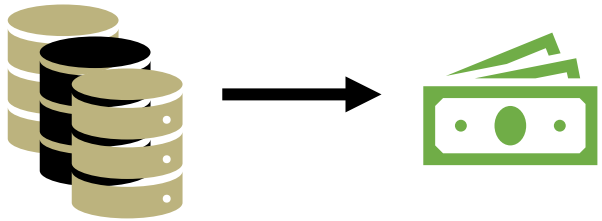
Source: Green Street Advisory Group, USDA, NASS

Inventory Management of Certain Crops as a Mitigant

Another element of stable farmer cash flow is their ability to maintain control over timing of sale of their crops through inventory management and forward sales through the CBOT and other commodity exchanges. For example, corn farmers with strong balance sheets have the ability to build up their stock of corn in times when corn prices are low (and yields have been high) and sell off in times when stocks are depleted, and prices are higher.



- *When commodity prices experience extended lows, farmers have the capability to retain their crop inventory and store it for long periods of time*
- *When prices recover, farmers can begin to sell off inventory for greater profits than at time of harvest*

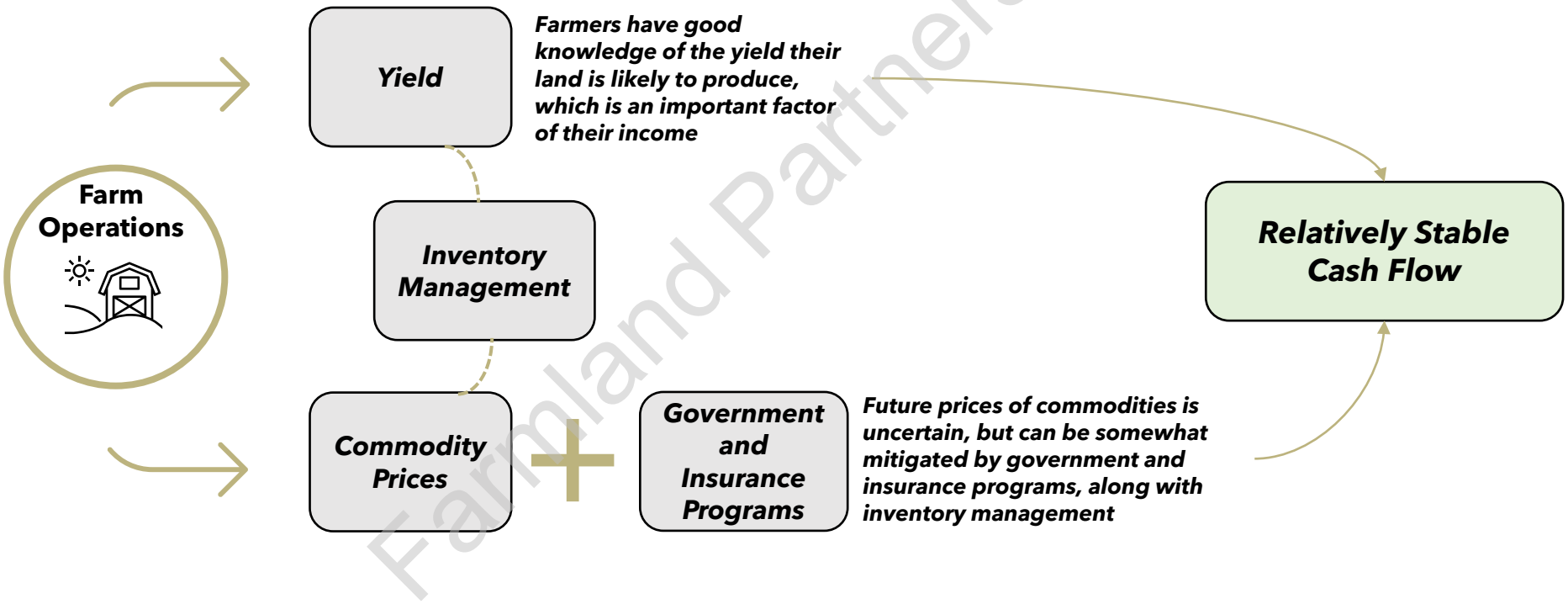


An additional element of stable farmer cash flows is their ability to maintain control over timing of crop sale

Source: Green Street Advisory Group

Income Characteristics Reconciliation

Farmer income characteristics are a factor of expected yield and expected price of their crops. While the former is typically well understood by farmers, the latter is subject to sometimes volatile global market prices which are due to imbalances in global supply and demand for the crop. In the U.S., government and insurance programs can help farmers mitigate these fluctuations in commodity prices, which, with stable and growing yield, offers an attractive backdrop to cash flow stability.



Cash flow stability is supported by relative certainty around yields and safeguard practices around food production

Source: Green Street Advisory Group

Section V

Land Lease Investment Attributes

Land Lease Investment: Introduction

Tenant Credit Considerations

- *Farmland sector tenant credit analysis necessitates additional **considerations** compared to Net Lease tenants*
- *Farmland is an **essential** sector of the U.S. economy in which farmers have exhibited minimal risk of default historically*
- *The **"natural selection"** of tenants is a unique characteristic of Farmland, where higher-productivity farmers have accumulated a larger percentage of land leases over time*

Lease Term Considerations

- *The Farmland sector is unique to traditional commercial real estate in that **supply is finite** and **high-quality farmland is perpetually in high demand***
- *The pairing of land scarcity with high demand results in a **"zero vacancy"** sector, a unique characteristic of the Farmland sector*
- *"Zero-vacancy" allows Farmland lessors to maintain shorter lease terms **and mark-to-market rents more frequently***

The "Credit" and "Term" analysis of a Farmland investment opportunity requires additional factors and considerations compared to traditional real estate

Source: Green Street Advisory Group

Public Market Participants

	FARMLAND PARTNERS	GLADSTONE LAND	ALICO incorporated	LIMONEIRA SINCE 1893
Entity	REIT	REIT	Agriculture Stocks	Agriculture Stocks
Business Model	• Land Lease	• Land Lease	• Agribusiness • Land Lease	• Agribusiness • RE Development
Farmland Acres	156,000	101,000	103,000	14,500
Crop Type	Focus on row crops (~60%)	Focus on permanent crops (~90%)	Citrus	Citrus
Geographic Presence	Nationwide	Nationwide	Florida	California/Arizona
Ticker	FPI	LAND	ALCO	LMNR
Management Team	Internal	External	Internal	Internal

Source: Green Street Advisory Group

Land Lease Investment Rationale

Land lease structures can provide mutual benefits to both the landowner and the farmer. Landowners can seek a reliable stream of rental cash flow while farmers have the ability to expand their operations at a fraction of fee simple costs and benefit from greater economies of scale.

Farmer (Operator) Pros

- *Gain access to larger stock of available land to reach greater economies of scale*
- *Less upfront capital necessary when compared to fee simple ownership, which can be invested in land improvements to increase productivity*
- *Less capital tied to ownership, which can help the farmer build a stronger balance sheet, affording more flexibility with inventory management, potentially maximizing profits*
- *Fully aligned landlord and lease structure giving farmer control of business operations and the sale of crops*

Landowner (Landlord) Pros

- *Long-term stability and appreciation of land assets; relative cost of land ownership decreases over time as farmer productivity/profitability increases*
- *Ability to participate in a stable, essential industry with a favorable outlook and unique supply/demand dynamics*
- *Lease structure is backed relatively stable famer cash flows*
- *Build strong farmer/landlord relationship and maintain control over land use*

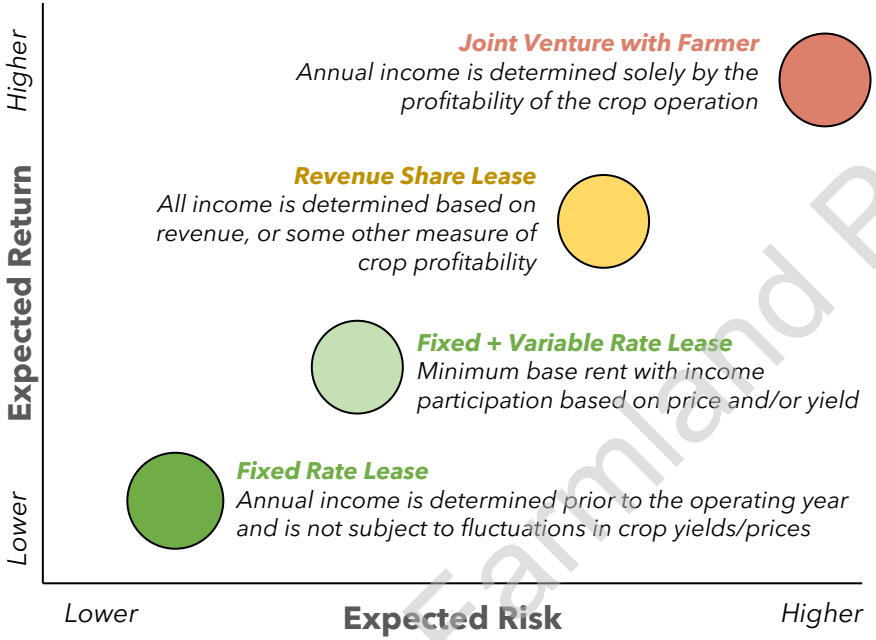
The land lease structure can be a win-win for both landowners and farmers, and represents ~40% of the sector

Source: Green Street Advisory Group

Typical Farmland Lease Structures

Fixed rent lease structures are more prevalent with row crops and provide a more passive participation in returns, which is appropriate considering row crops' more predictable operations. Variable rent lease structures offer a more active participation in returns based on production price and yield, which is more prevalent in and appropriate for permanent crops.

Risk/Return Profile of Different Lease Structures



"Fixed" Leases	"Fixed + Variable" Leases
Fixed leases are primarily used with **row crop** farmland, which exhibits relatively predictable productivity levels	Leases with a variable component are primarily used with **permanent crop** farmland, which can bear more uncertain productivity outcomes
Typical Lease Structure	
• Rent is 100% fixed • Term is 1-3 years • Lower coverage ratios • Lower cash flow risk, lower return	• Rent has a variable component • Term is 5-10 years • Higher coverage ratios • Higher cash flow risk, higher return

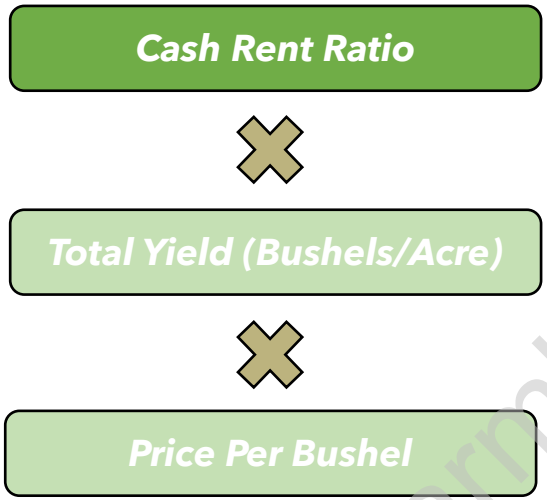
Farmland offers a variety of different lease structures that contain unique risk and return characteristics

Source: Green Street Advisory Group

Approaches to Setting the Rent

Setting rent is a dual approach that encompasses assessing the subject farm as well as the farmer's broader operations. One part of the equation involves the expected productivity of the subject farm, while the other part of the equation evaluates "rent paying ability" of the farmer, based on their broader operations, profitability, local competition and economies of scale.

Rent Setting



Step 1: Assess the Farmer Broader Operations

- *Due diligence on farmer's broader operations (including off-farm income), and profitability*
- *Investigate the management of the farming operations*
- *Determine the tenant's ability to sell their crops*

Step 2: Evaluate the Subject Farm

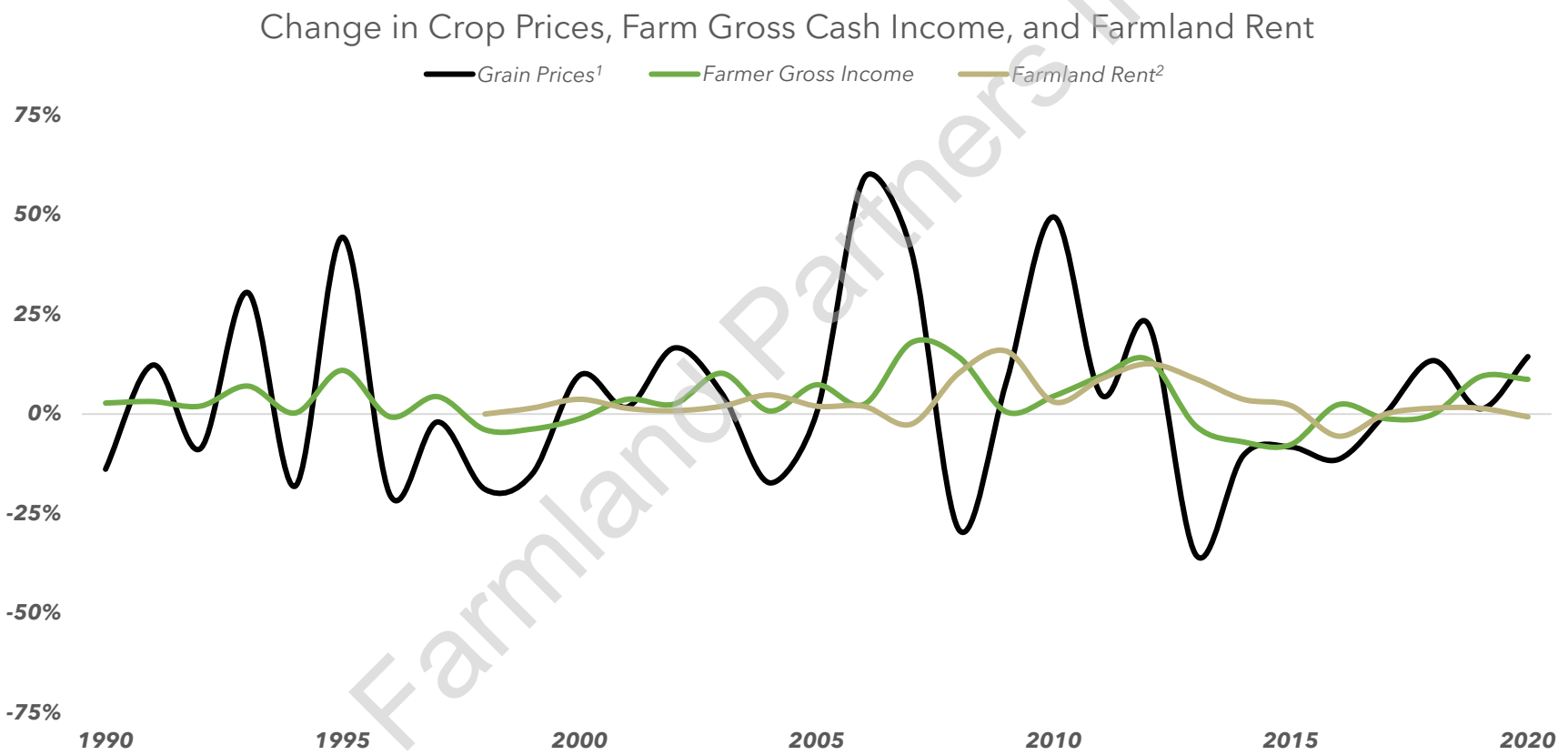
- *Soil tests to determine quality*
- *Appraisal of property and improvements*
- *Study of recent capex spend*
- *Water availability and other infrastructure*
- *Tenant demand for subject property*

Setting rent is an approach that encompasses evaluating both the subject farm and the farmer's broader operations

Source: Green Street Advisory Group

Stability of Rental Income

Landowners have the ability to structure fixed rent leases that exhibit even less volatility than farmers' income over time.



Landowners can structure land leases that exhibit less volatility than farmers' income from operations

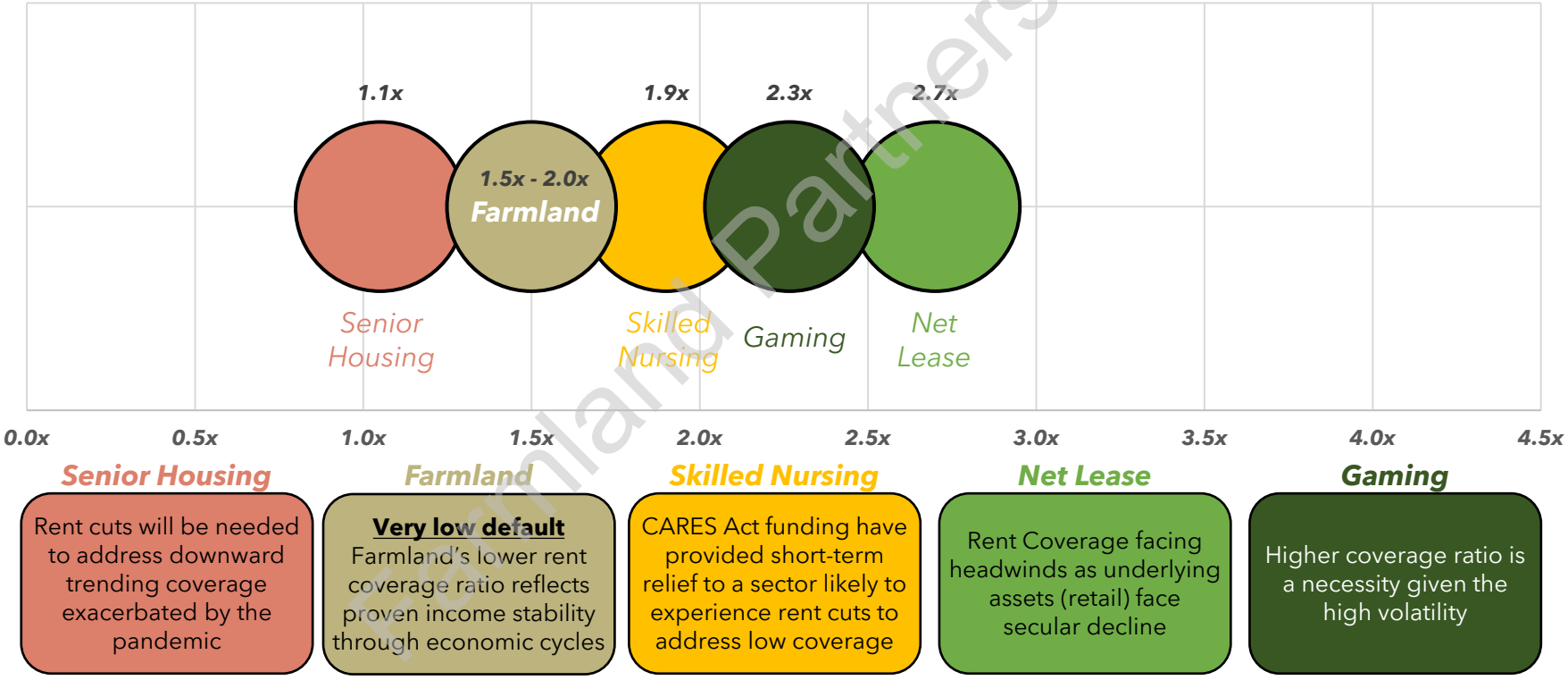
1. Grain prices include wheat, corn, barley, oats, and rice 2. Farmland rent is aggregated by the USDA on a per acre basis

Source: Green Street Advisory Group

Rent Coverage Ratio

A common metric used to assess the rent-paying ability of a Net Lease tenant is the "rent coverage ratio." The figure provides a rough gauge as to how far the EBITDAR of a property or portfolio could fall before the tenant would be unable to pay its rent. In general, higher ratios are required in sectors where cash flow is at increased risk of default. Compared to other sectors, Farmland's lower rent coverage ratio is a reflection of relative stability of farmer income through economic cycles.

Rent Coverage Ratio Average by REIT Sector



Senior Housing

Rent cuts will be needed to address downward trending coverage exacerbated by the pandemic

Farmland

Very low default

Farmland's lower rent coverage ratio reflects proven income stability through economic cycles

Skilled Nursing

CARES Act funding have provided short-term relief to a sector likely to experience rent cuts to address low coverage

Net Lease

Rent Coverage facing headwinds as underlying assets (retail) face secular decline

Gaming

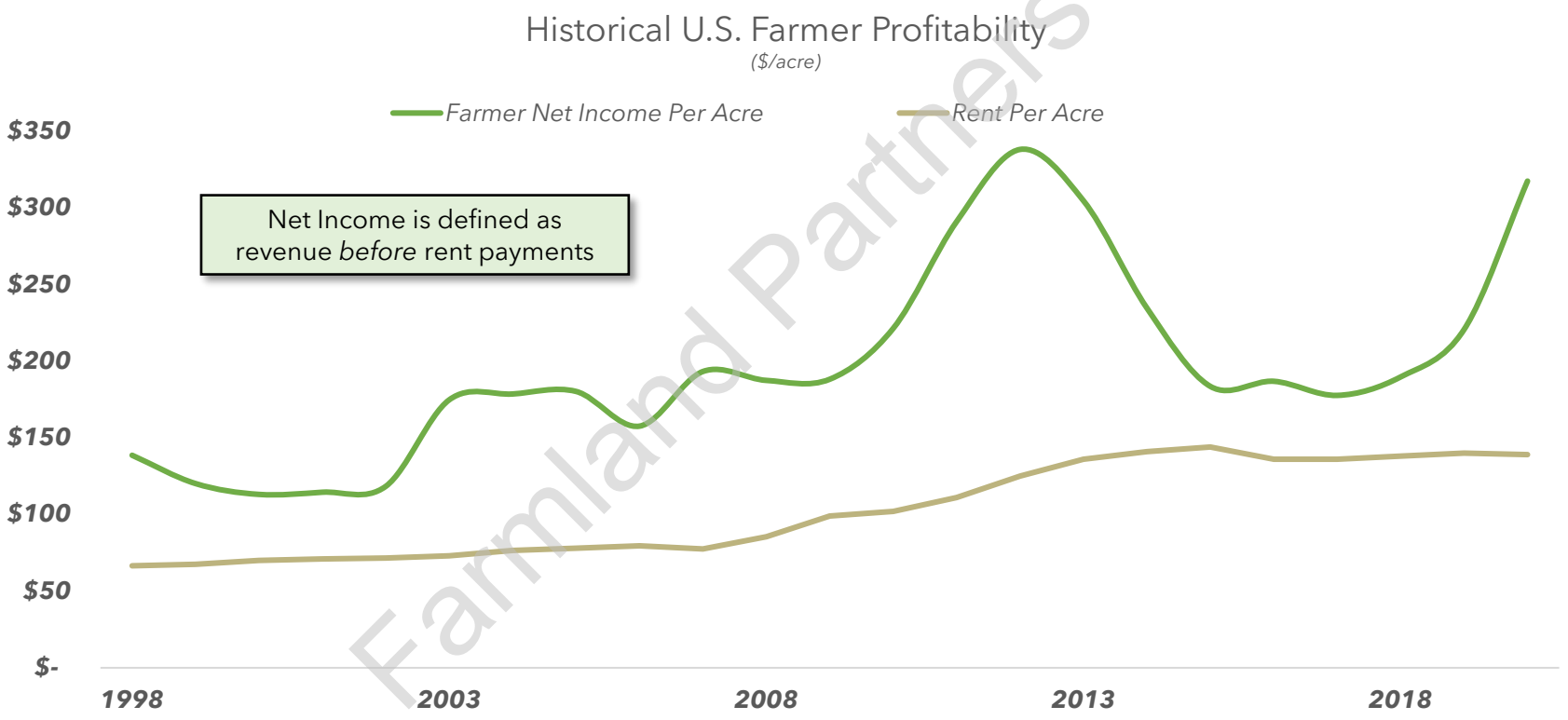
Higher coverage ratio is a necessity given the high volatility

Lower relative rent coverage ratios for Farmland are sustainable and commonplace within the sector

Source: Green Street Advisory Group

Low Event of Default

A history of de-minimis bad debt in the sector is a reflection of farmers' strong balance sheets, willingness to provide personal guarantees, and experience weathering the volatility within their business, while still capitalizing on growth in opportune times. The scarcity of high-quality land also requires that farmers prioritize meeting their rent requirements or risk losing acreage.



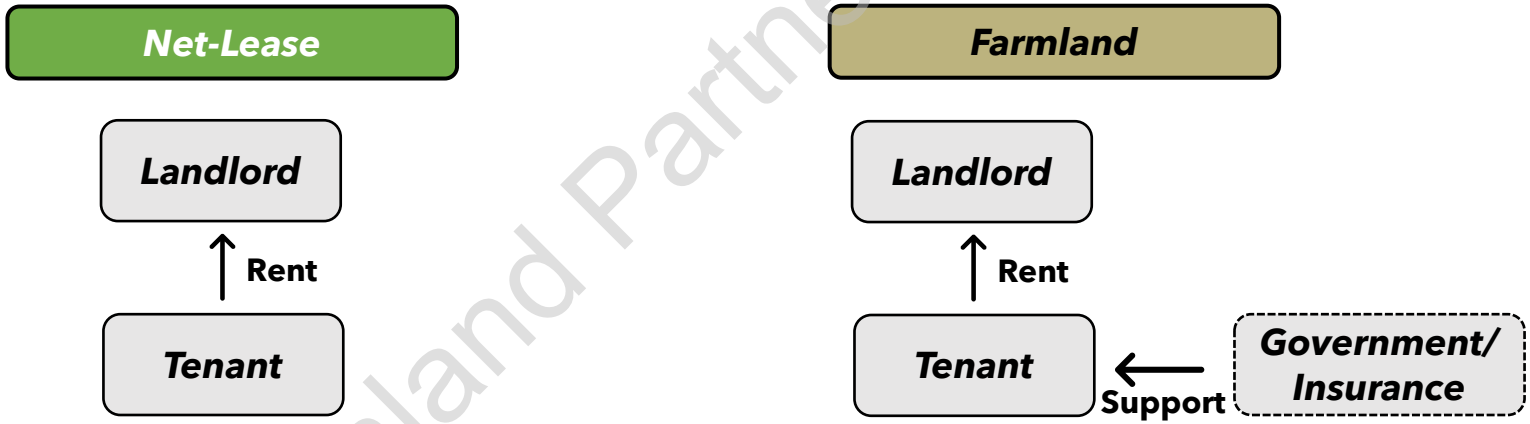
Farmland has experienced low probabilities of rent default over time

Source: Green Street Advisory Group, USDA

Tenant Credit Considerations

A tenant's ability to pay their future rent obligations is at the core of evaluating credit. Net Lease investors demand for large portions of leases to be backed by "investment-grade" tenants, offering the safest level of cash flow safety and sustainability during the lease term. In Farmland, the safeguard of food production is an essential duty of the U.S. government, which is achieved by maintaining continuity and sustainability of farmer operations, providing a backstop for more stable cash flows.

Tenant Credit Considerations In…



Tenant credit is crucial in the Net Lease sector *as tenants are directly responsible for the landlord's cash flow safety and sustainability*

Rent received by Farmland tenants has proven to be relatively secure over time*, thanks to robust balance sheets, personal guarantees and access to government and insurance programs*

Farmland tenant credit considerations rely on a different set of factors than Net Lease investments

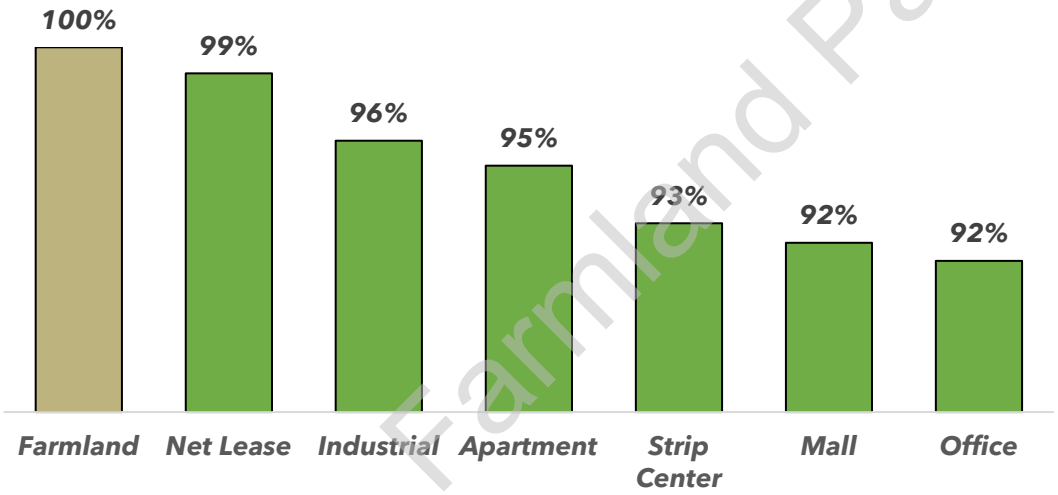
Source: Green Street Advisory Group

“Zero-Vacancy” Sector

Farmland differs from traditional real estate sectors in that it is a “zero-vacancy” sector. This has several ramifications including acting as a “natural selection” process where the highest bidders for the land are typically the best operators, as well as creating an environment where short-term leases are best positioned to capture rent increases.

Occupancy in Farmland and Other REIT Sectors

Farmland’s attractive occupancy profile compared to public real estate portfolios should screen even more attractively against the broader private commercial real estate industry



Farmland is a zero-vacancy sector that yields the best operators

Short-term leases can best capitalize on the economics of a zero-vacancy sector

Net Lease REITs business model tend to prioritize higher portfolio occupancy by disposing of older assets. This strategy results in public Net Lease REIT portfolio reporting showing lower capex and higher occupancy, which does not depict an accurate representation of broader net lease investment characteristics

Please see additional notes on data sources and comparability issues in the appendix

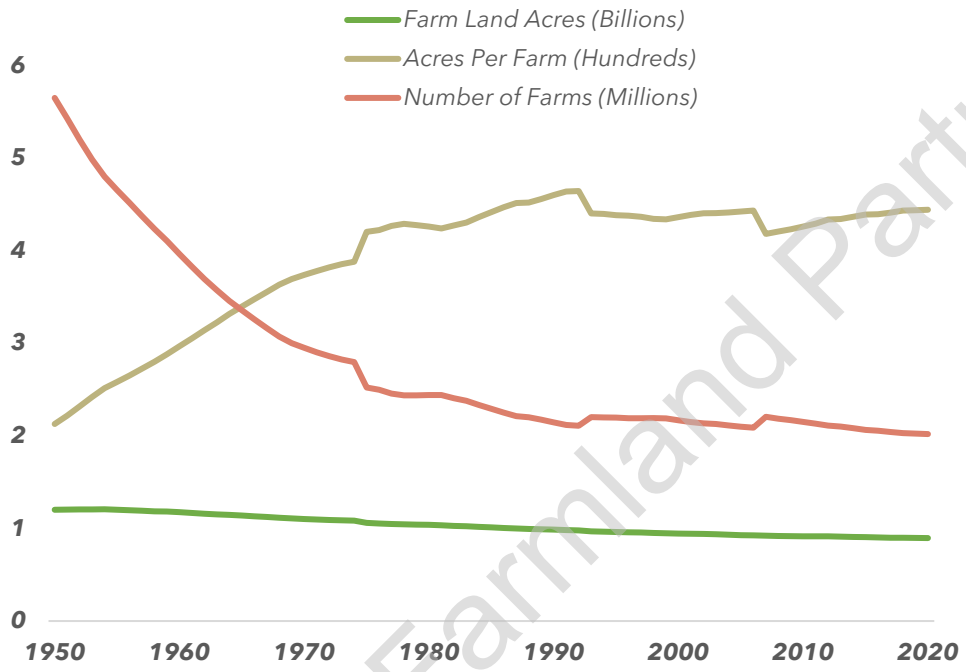
The scarcity of high-quality farmland coupled with sustained demand has resulted in a zero-vacancy sector

Source: Green Street Advisory Group, Public REIT Portfolio Reporting

Better Operators

Farmland differs from traditional real estate sectors in that it is a "zero vacancy" sector. The demand for high-quality institutional farmland has resulted in a "natural selection" within the farmland sector. Less sophisticated farmers who vacate their land are replaced by more experienced and institutional farmers.

U.S. Number of Farms and Acres per Farm



Zero Vacancy Yields the Best Operators:

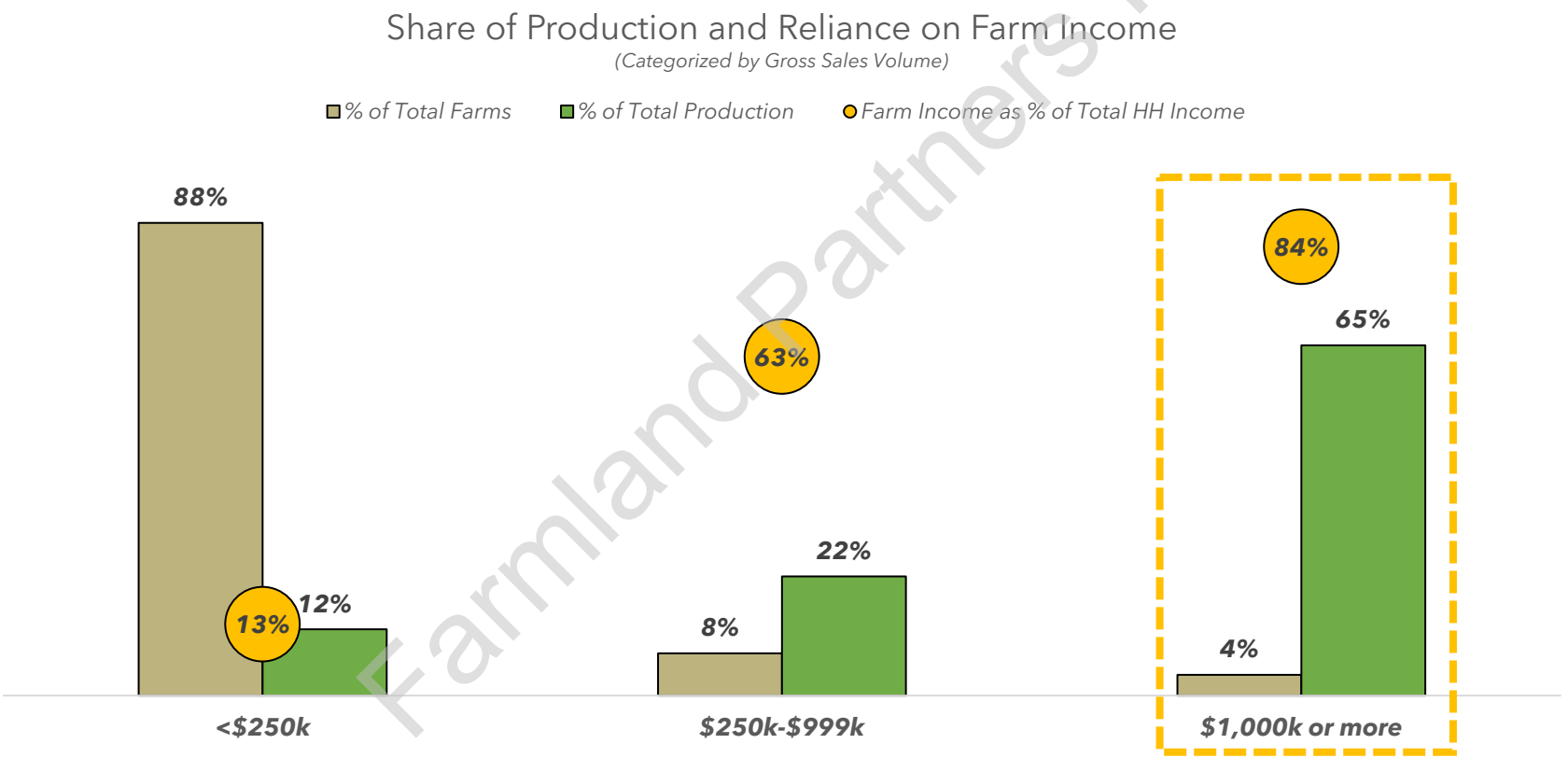
1. *Zero vacancy means there is a relatively larger pool of farmers available and interested in buying and/or renting a piece of agricultural land*
2. *Each potential buyer/renter will underwrite the farm and estimate how much they can pay for it based on entire farming operation and off-farm business activities*
3. *Productivity and management cost structure estimates are likely the largest variables between the different farmers*
4. *The highest bidders will likely be the farmers with the best productivity forecasts, stemming in part from higher sophistication and better economies of scale in their operation ecosystem*

No vacancy in the sector leads to the highest bidders for the land also being the best and most productive operators

Source: Green Street Advisory Group, USDA

Tenant Profile

According to the USDA, there are roughly two million farms throughout the U.S. About 90% of these are considered small with gross cash farm income less than $350k, and this is the group of farmers that has the greatest reliance on off-farm income. The actual number of farms that have a strong balance sheet and would be part of the investment universe for institutional investors is closer to 90,000.

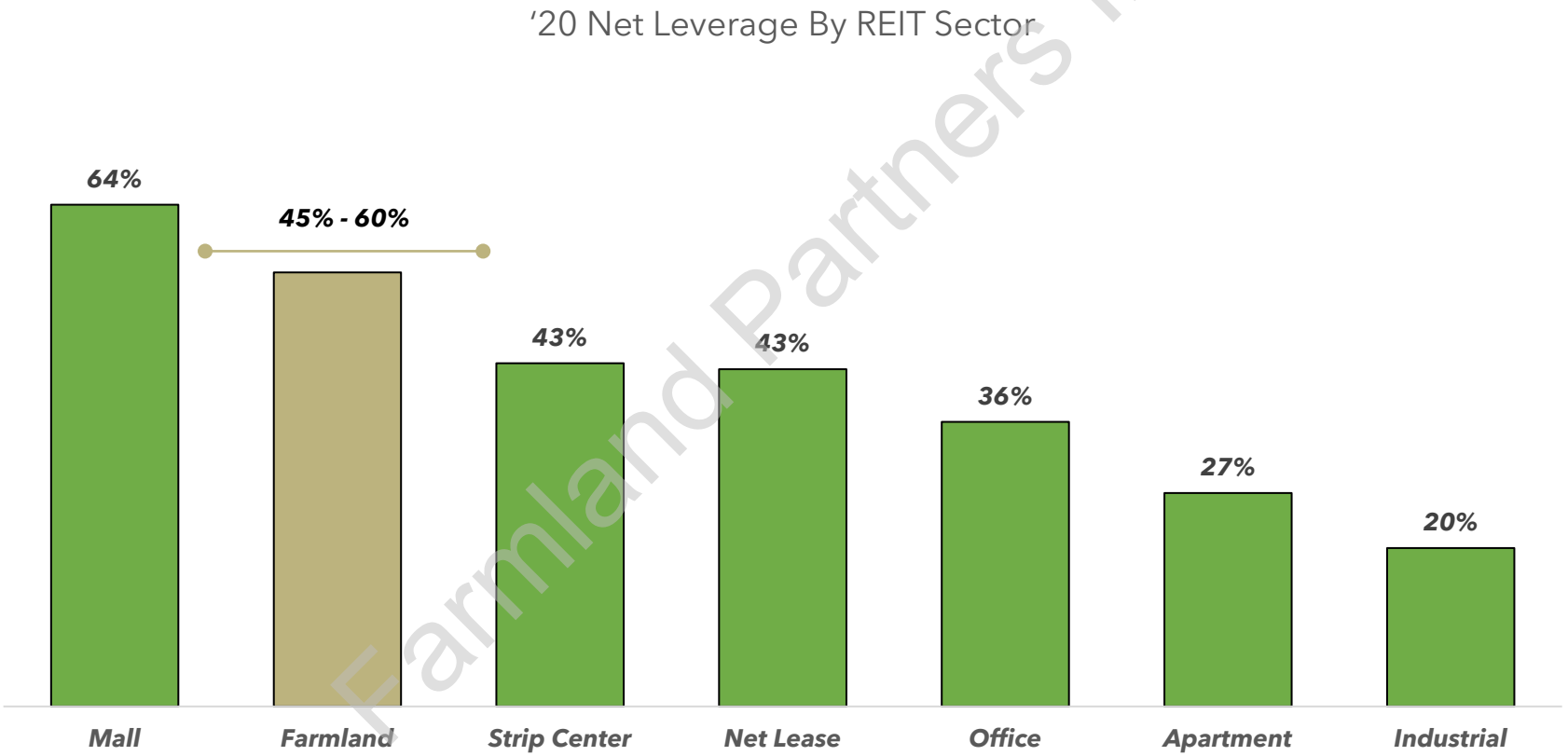


There is an estimated 90,000 farmers with sizeable operations, economies of scale and strong balance sheets

Source: Green Street Advisory Group, USDA

Sector Leverage

Farmland REITs utilize more leverage when compared to traditional sectors due to relatively stable food demand and asset values. The countercyclical nature of farmland paired with the U.S. government considering the sector as essential has allowed the REITs to sustain these elevate leverage levels throughout economic cycles.



Farmland REITs tend to have higher leverage than other traditional real estate sectors

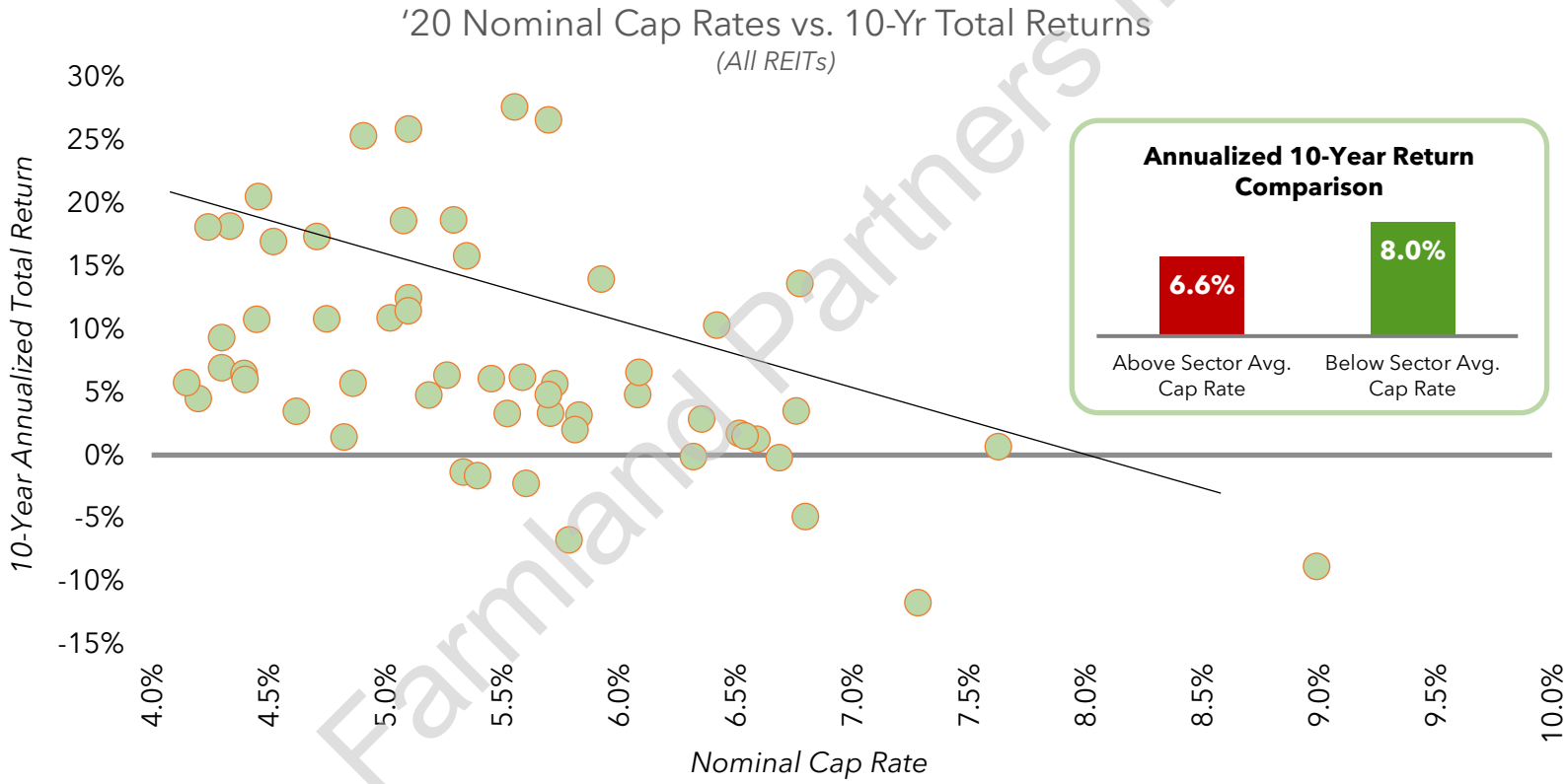
Source: Green Street Advisory Group, Sentieo, Public REIT Portfolio Reporting

Section VI

Relative Valuation Considerations

Real Estate Total Returns: High Quality Outperforms

REITs that have chased high initial yields by investing in high cap rate real estate assets have underperformed on a total return basis over time. The main drivers of high-quality outperformance are superior NOI growth and lower cap-ex spending for lower cap rate properties across the various commercial real estate sectors.

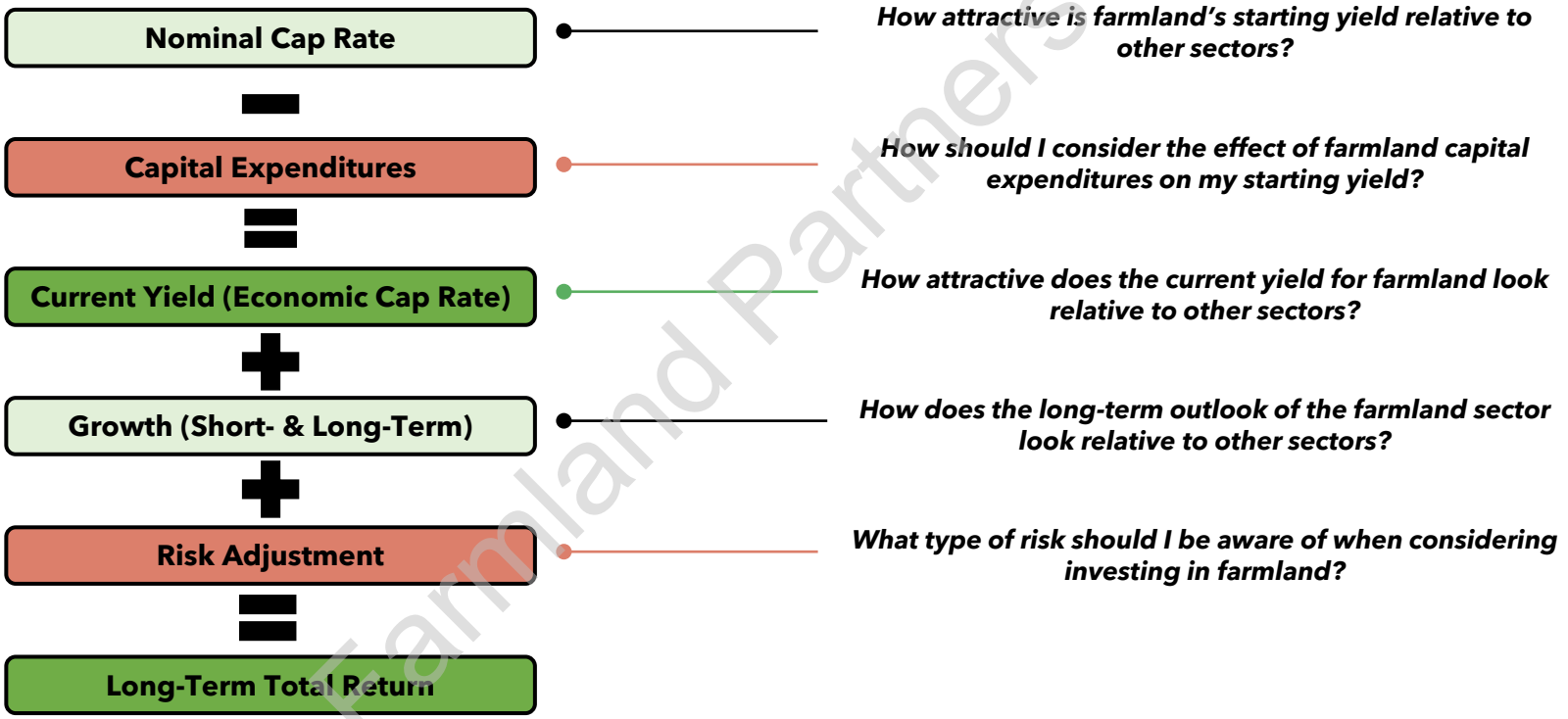


Superior NOI growth and lower cap-ex spending have proven to be the true drivers of outperformance

Source: Green Street Advisory Group

Valuation Considerations: Framework

Green Street uses an IRR-based valuation methodology to value commercial real estate leases. This entails determining the expected long-term return of a company's property portfolio, by estimating near- and long-term growth rates, as well as normalized cap-ex expenses.

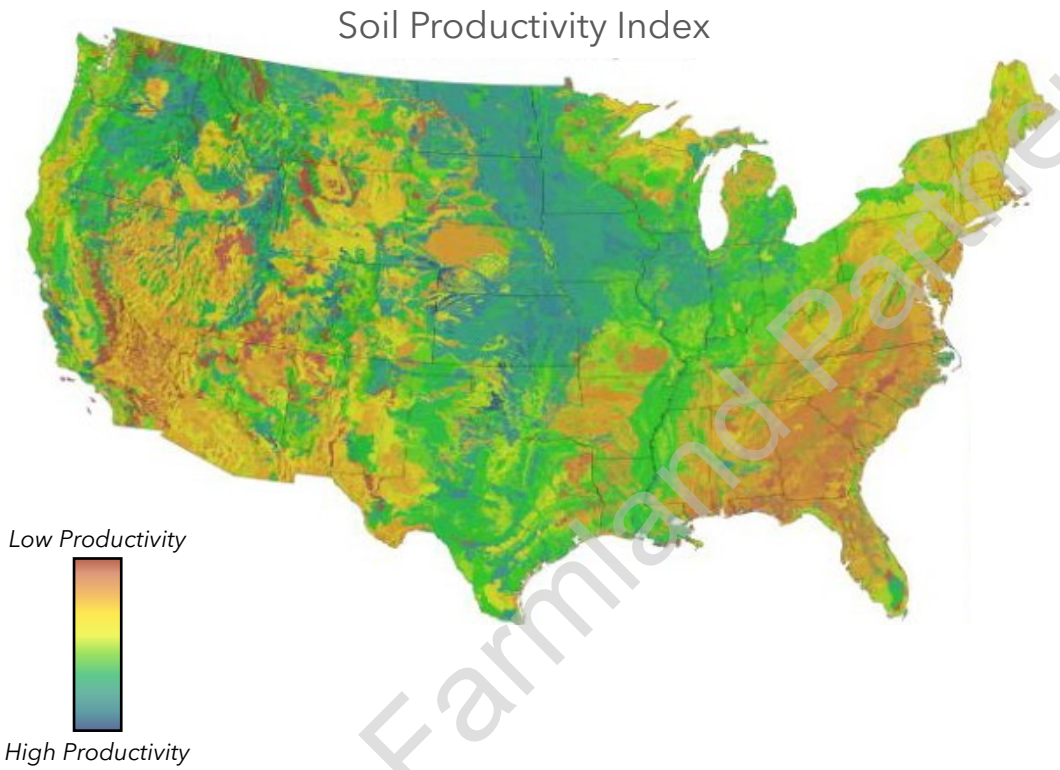


Investment diligence in Farmland can be conducted using a similar approach as with a real estate framework

Source: Green Street Advisory Group

Portfolio Quality Drivers

Key factors affecting Farmland productivity are tied to the physical location and can dictate the type of crops that can be grown and their respective yield. These factors include fertility of the soil, climate, unusual weather conditions, access to water, and adjacent transportation infrastructure.



Locational Quality Drivers
Fertility of Soil
Access to Water
Climate
Transportation Infrastructure

Asset Quality Drivers
Farmer Configuration
Technological Advancements
Mechanical Advancements
Farmer's Operational Skill

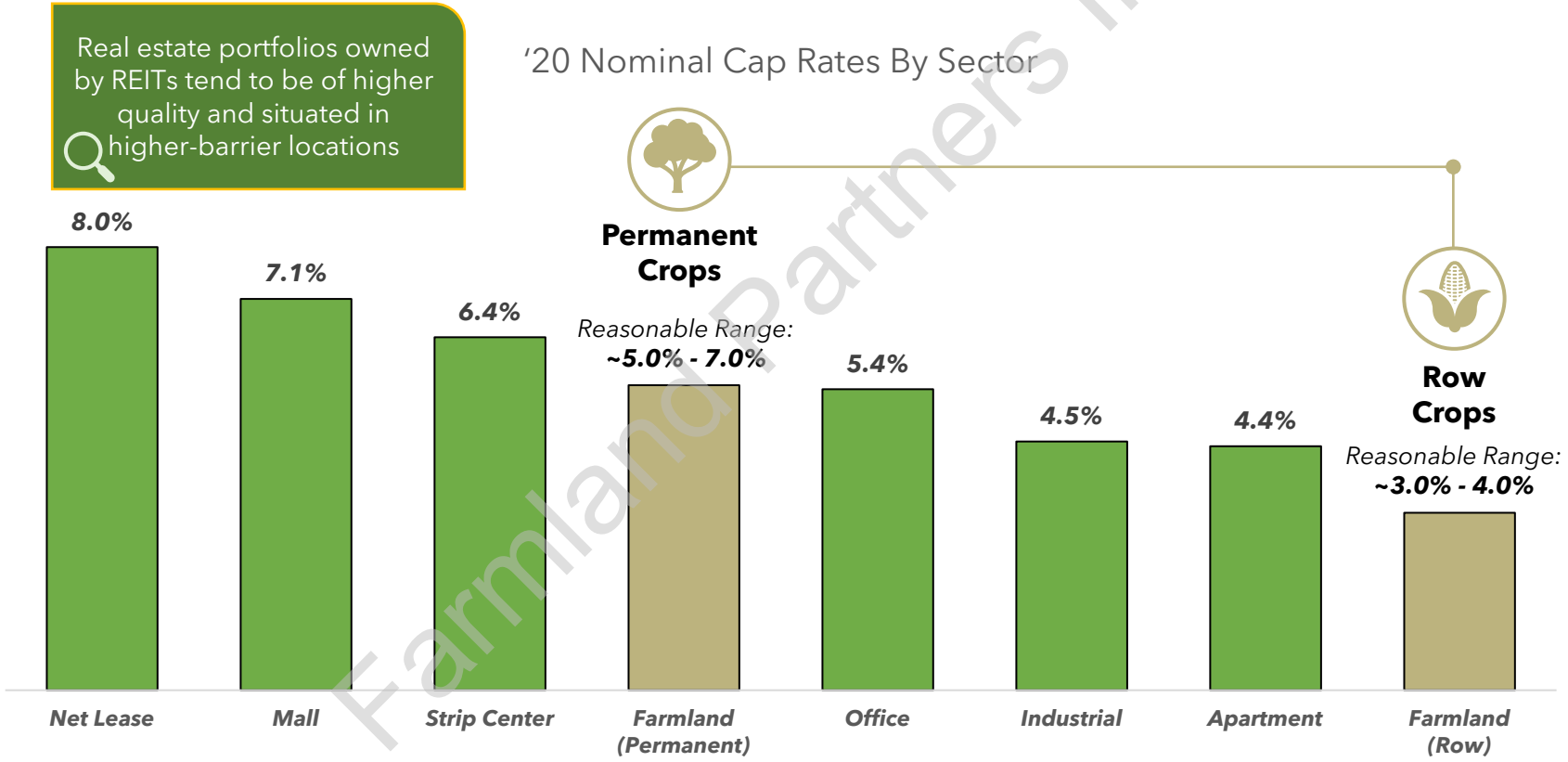
Key factors affecting Farmland locational quality include inherent soil quality and local climate

Source: Green Street Advisory Group, USDA

Nominal Cap Rates

Row crop nominal cap rates have compressed to now be among the lowest in the commercial real estate space. Permanent crops on the other hand support higher initial yields, in-line with major sector real estate.

Real estate portfolios owned by REITs tend to be of higher quality and situated in higher-barrier locations



Farmland nominal cap rates are within the lower end of the range of commercial real estate

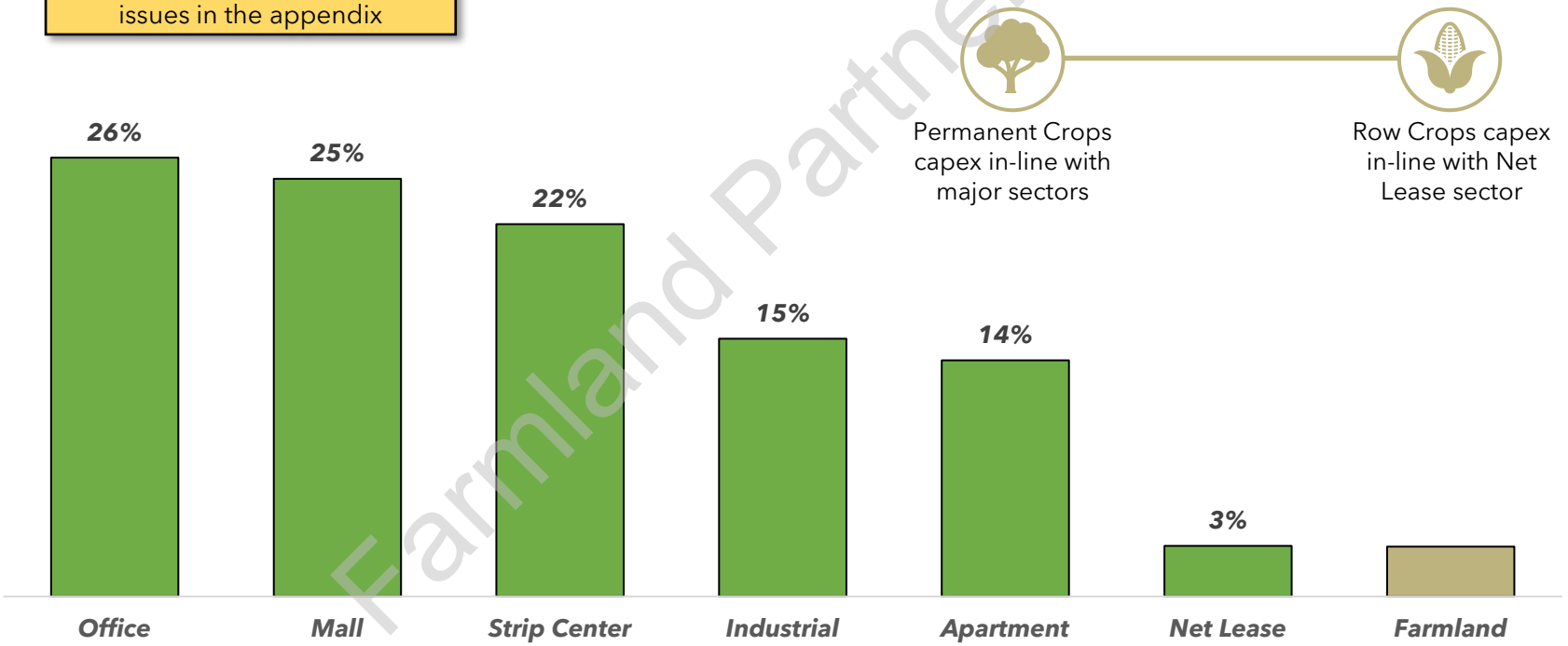
Source: Green Street Advisory Group, USDA, NCREIF, Public REIT Portfolio Reporting

Capex Burden By Sector

The average cap-ex incurred by property owners over long holding periods can absorb as much as 30% of net operating income in traditional real estate. In the case of Farmland, landlords are typically only involved in capital expenditures dealing with longer-life improvements. In row crops, improvements are minimal, and capex is within the lower range of traditional real estate sectors. In permanent crops, improvements are more substantial and capex load is more similar to major sector real estate.

Please see important notes on data sources and comparability issues in the appendix

Capex Reserve as Percentage of NOI

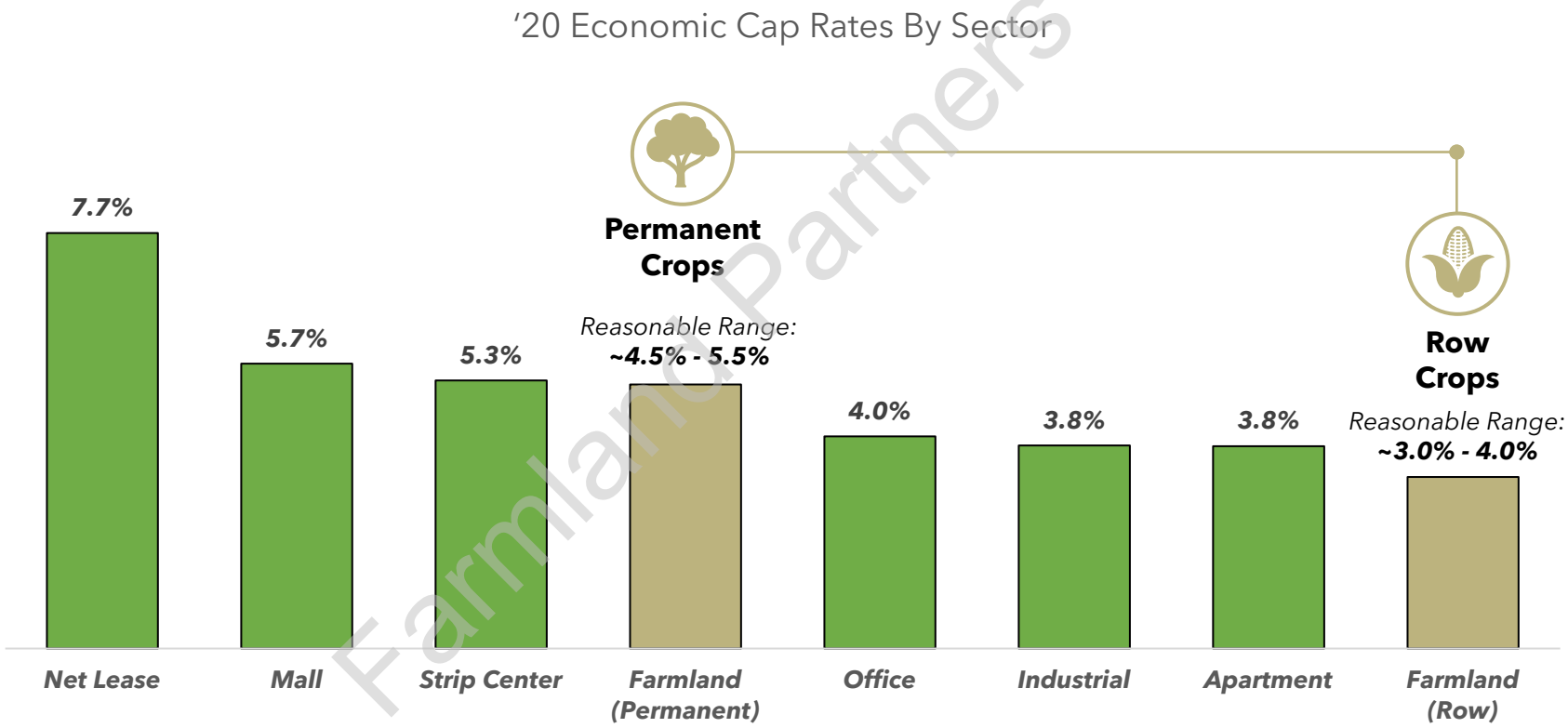


Capital expenditures for row crops are at the lower range of traditional real estate sectors

Source: Green Street Advisory Group, USDA, NCREIF, Public REIT Portfolio Reporting

Economic Cap Rates

"Nominal" cap rates are a starting point for assessing how investors are pricing the growth and risk characteristics of cash flows for different property types in their valuation of the portfolio or companies. However, "economic" cap rates provide a more accurate gauge of the investment yield an investor will receive after considering normalized capital expenditure reserves.

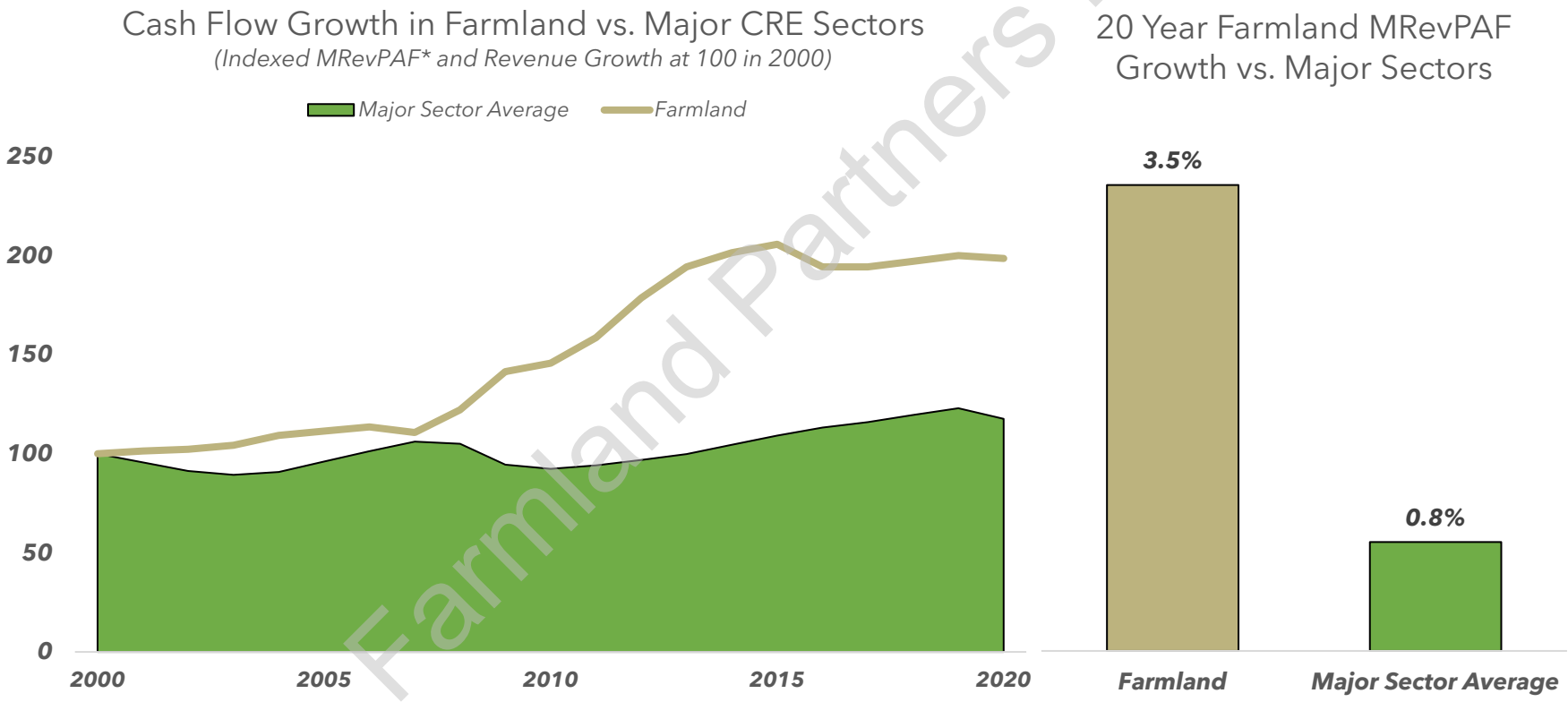


Farmland economic cap rates are within the lower end of the range of commercial real estate

Source: Green Street Advisory Group, USDA, NCREIF, Public REIT Portfolio Reporting

Cash Flow Growth

Market Revenue per Available Foot is a measure that combine effective market rents and occupancy into a single value. This measure serves as a timely proxy for sector-level operating fundamentals and more specifically, cash flows.



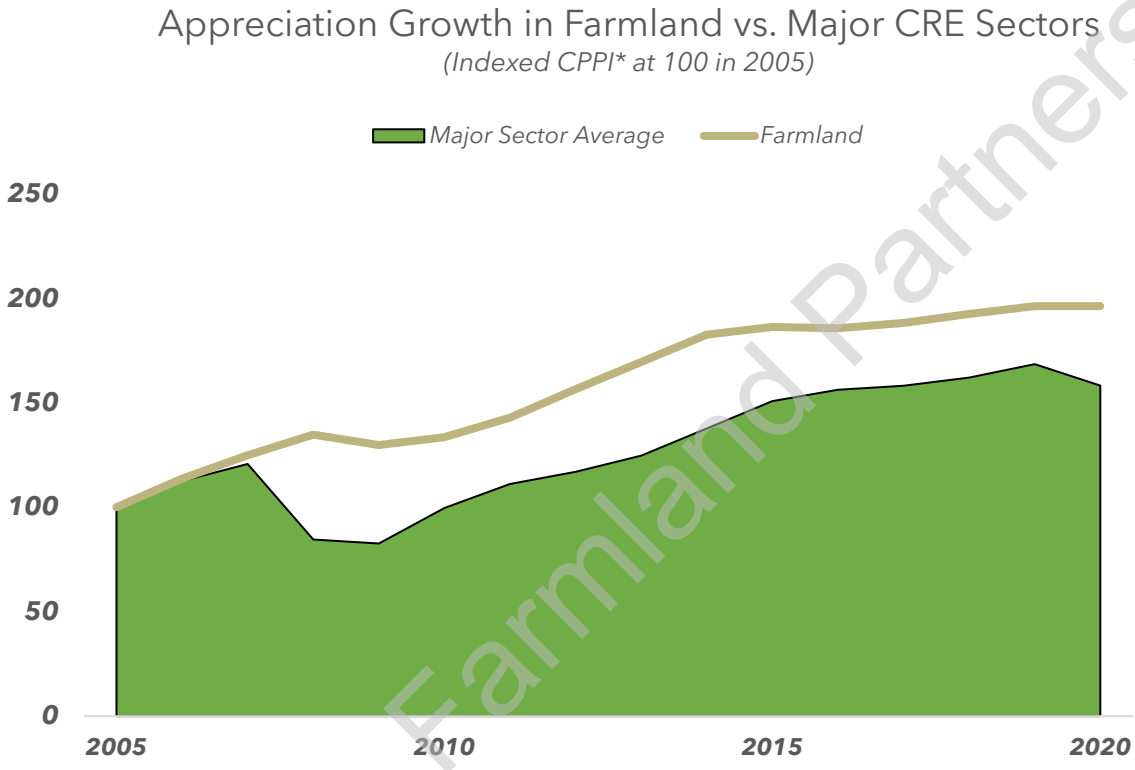
Cash flow growth in Farmland has outperformed traditional real estate sectors

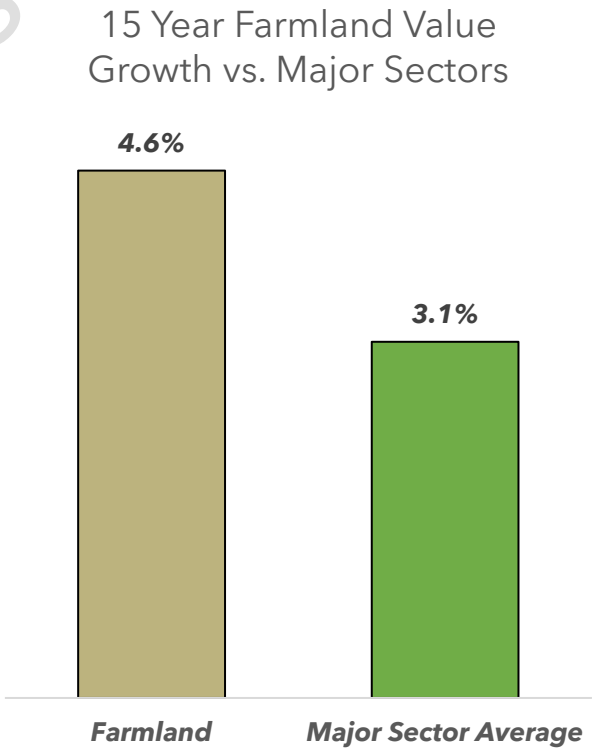
*MRevPAF combines both occupancy and rent growth per unit in a single metric; in Farmland, it is entirely driven by rent growth since occupancy is at 100% in the sector

Source: Green Street Advisory Group, USDA, NCREIF, Public REIT Portfolio Reporting

Appreciation Growth

Farmland values have appreciated at a superior rate compared to traditional real estate sectors over the past economic cycle. In addition to this growth, Farmland has exhibited lower volatility and correlations to recessionary environments.





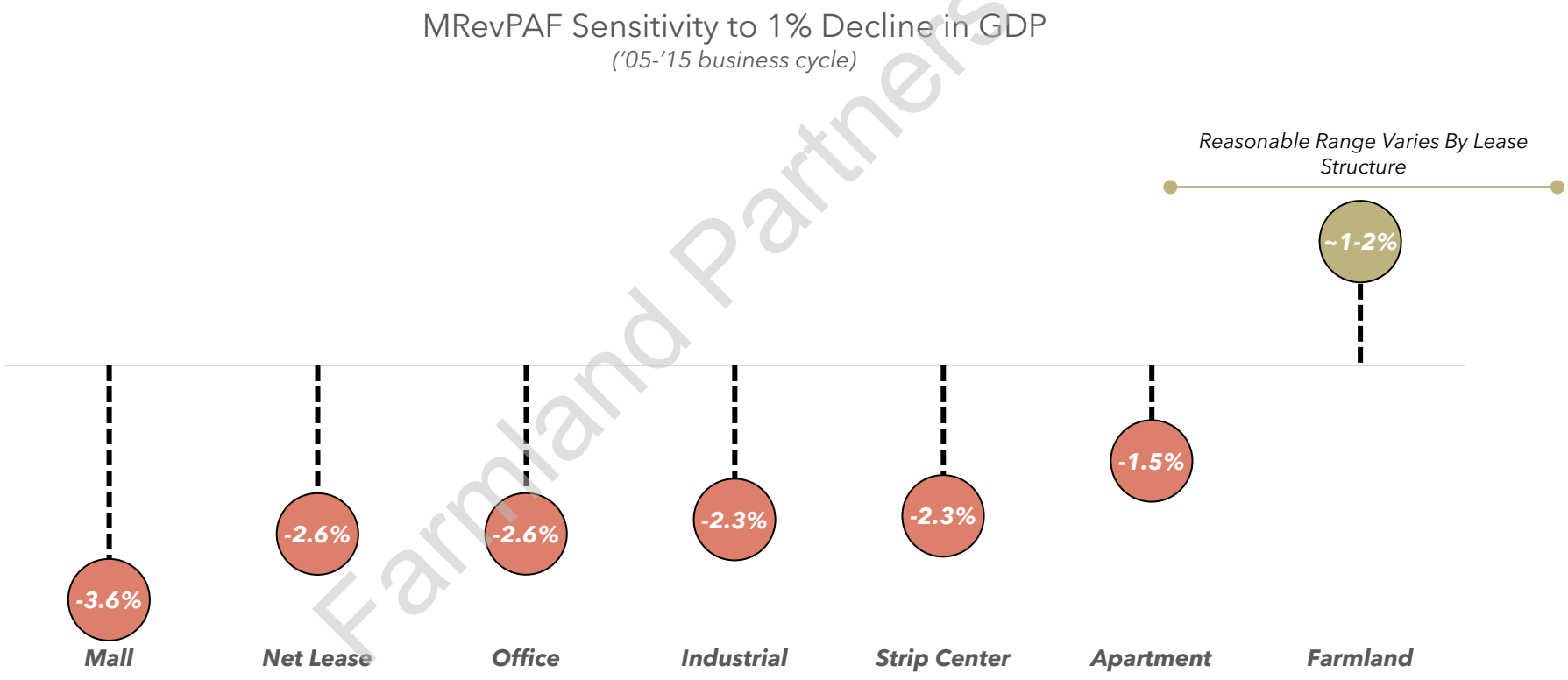
Appreciation growth in Farmland has outperformed traditional real estate sectors

*CPPI is Green Street's Commercial Property Price Index, tracking private-market real estate values

Source: Green Street Advisory Group, USDA, NCREIF, Public REIT Portfolio Reporting

Income Sensitivity to GDP

Sector MRevPAF betas are an important tool when underwriting an investment risk and volatility. MRevPAF beta indicates the sensitivity of sector rental rates to a 1% decline in GDP, highlighting a sector's volatility during recessionary environments. Farmland is the only sector within commercial real estate with a defensive response to decline in GDP, highlighting the essential characteristics of the sector and its low correlation to the business cycle.

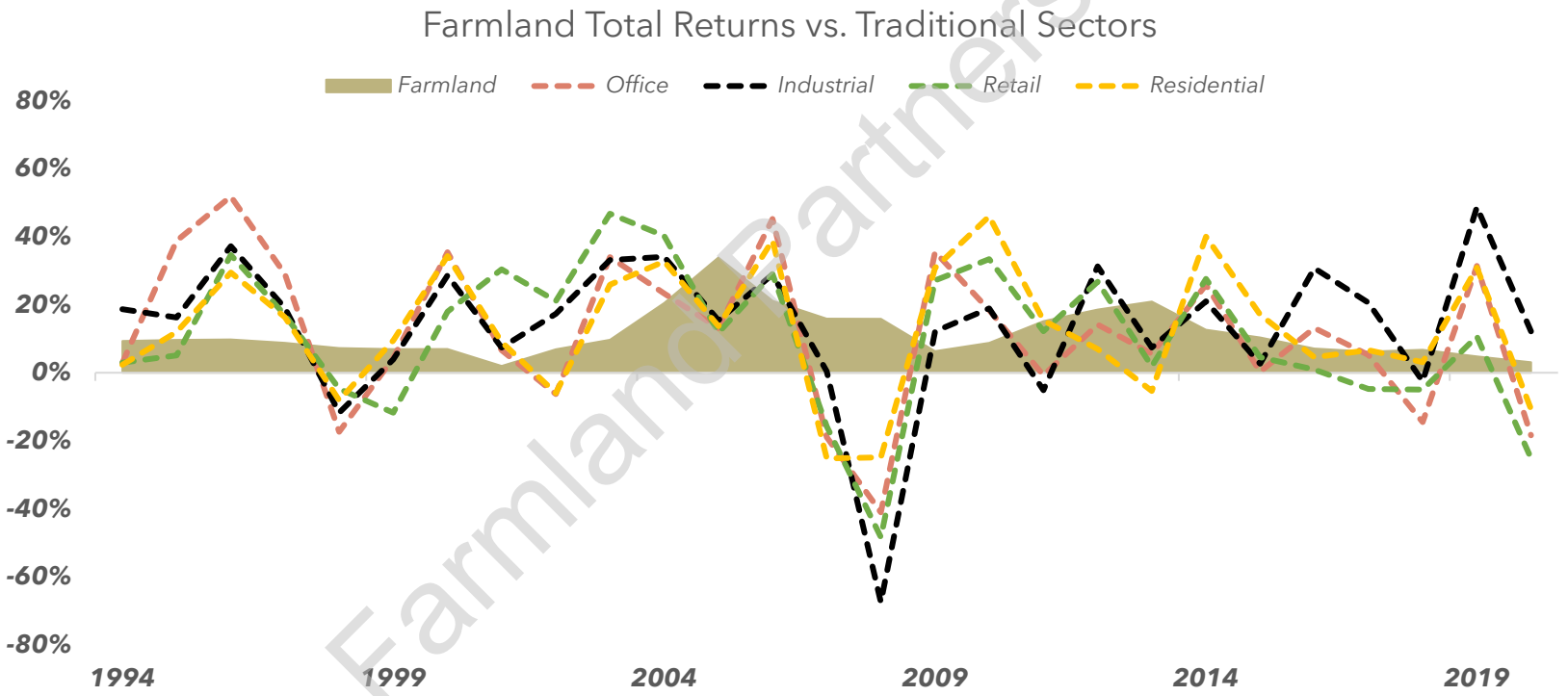


Farmland's essential functions in the economy result in low correlations to a decline in GDP

Source: Green Street Advisory Group, USDA, NCREIF

Farmland Risk Adjustments

Secular shifts in traditional commercial real estate can carry additional risk adjustments above and beyond the current value of the real estate. Lower volatility and a lack of "down" years (e.g., negative returns) in Farmland imply a more favorable risk adjustment than for traditional real estate.

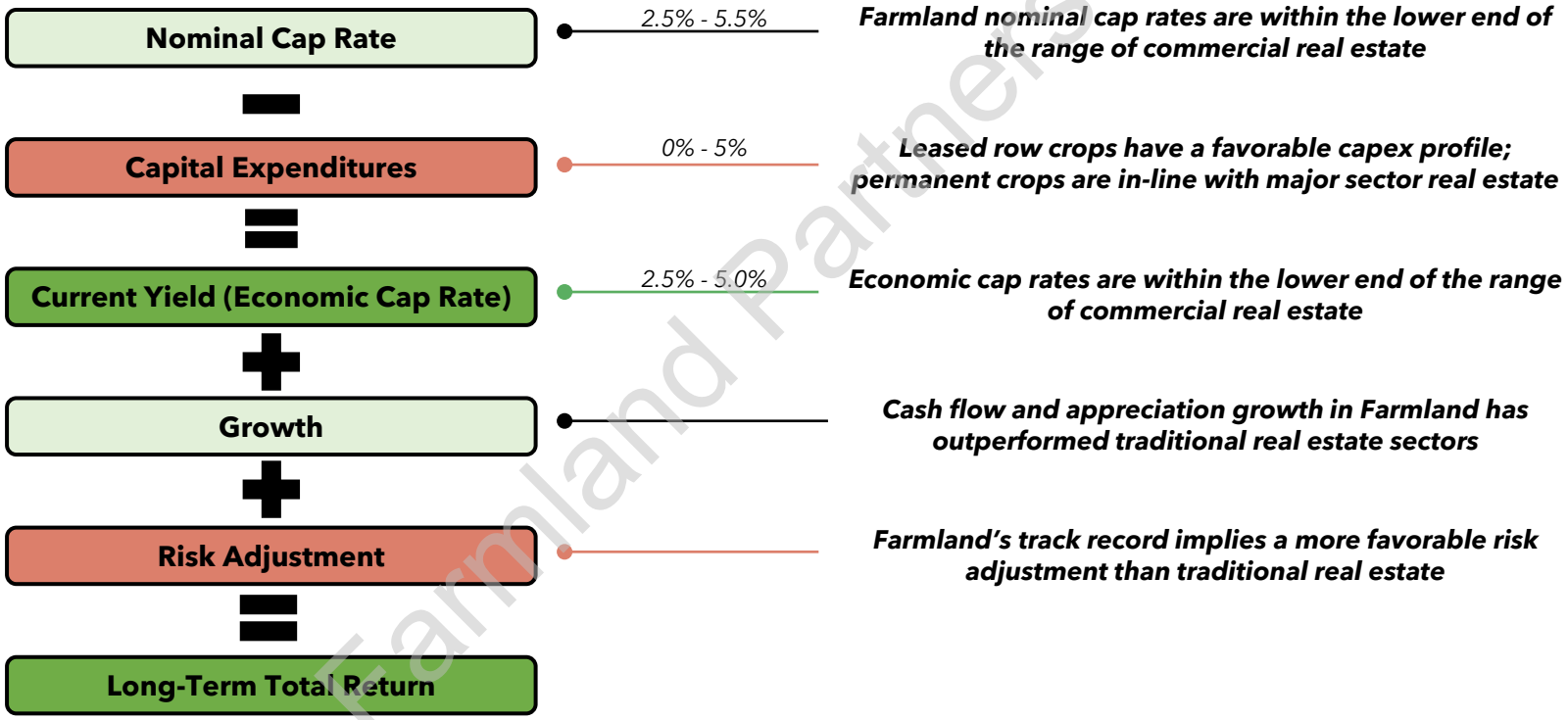


Farmland's track record implies a more favorable risk adjustment than traditional real estate

Source: Green Street Advisory Group, USDA, NCREIF

Valuation Considerations: Reconciliation

Estimating Farmland expected long-term total returns requires thorough due diligence into the crop type, location, and lease structure of a given investment. The sector has on aggregate offered lower capital expenditure loads, lower volatility and more stable growth over time compared to traditional real estate.



Source: Green Street Advisory Group

Section VII

Appendix

Note on Data Sources

Green Street used the leading data sources available to compare historical performance of traditional REIT sectors and Farmland. However, it needs to be noted that datasets in the Farmland sector represent only a very small fraction of the overall industry.

	Farmland Sector	Traditional Real Estate Sectors
Dataset Availability	→ **Very limited** datasets compiling performance of investments in U.S. farmland	→ **Extensive datasets** compiling performance of publicly-traded REIT portfolios
Dataset Utilized	**Sector Performance/Total Returns**: → NCREIF Farmland Index **Benchmark of Investment Attributes**: → USDA Datasets	**Sector Performance/Total Returns**: → NAREIT Major Sector Index **Benchmark of Investment Attributes**: → REIT Portfolio reporting
Dataset Considerations	→ NCREIF Farmland Index is the leading index for the sector comprising ~$13 billion in farm assets, spanning both row and permanent crop types → USDA datasets encompass the broader industry → All properties are reported on an unleveraged basis	→ NAREIT constituents comprise over ~$1.2 trillion in market capitalization → REIT portfolio reporting in this primer focuses on traditional real estate sectors and net lease → NAREIT measures performance of the REITs on a leveraged basis

The performance comparison between traditional real estate sectors and Farmland is imperfect

Source: Green Street Advisory Group

Note on Comparability

There are comparability issues between the performance of Farmland REITs and Net Lease REITs, as Net Lease REITs have been known to prioritize high portfolio occupancy levels by disposing of under-performing assets. Therefore, Net Lease REIT occupancy levels are not representative of the broader net lease investment characteristics.

	Farmland Sector	Traditional Real Estate Sectors
Comparability Issues	→ Farmland REITs own farmland that they lease to farmers in exchange for rent payments → REIT investors may be familiar with similar structures in the Net Lease sector, which Green Street uses as a principal benchmark in this primer → The entire Farmland sector is considered "zero-vacancy"	→ Net Lease REITs also boast very high occupancy levels, although it needs to be noted that the comparison is only based on a subset of the best performing Net Lease assets comprising the public Net Lease REIT portfolios → Moreover, Net Lease REITs business model tend to prioritize higher portfolio occupancy by **disposing of older assets**. This strategy results in public Net Lease REIT portfolio reporting showing **lower capex** and **higher occupancy**, which does not depict an accurate representation of broader net lease investment characteristics

Net Lease REITs do not necessarily depict an accurate representation of broader net lease investment characteristics

Source: Green Street Advisory Group

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