

Merlin Properties (MRL)



25 May 2021

GPR 250 Europe: 19.01 | STOXX Europe 600: 445.2

10-Year Spanish Gov't Bond: 0.493% | Euro 10+ Year Corp Bond: 1.265%

Net Lease Deep Dive

- Merlin went public in 2014 with a portfolio of c.880 BBVA bank branches in Spain
- Today, the BBVA portfolio makes up c.15% of total MRL rent and ~10% of value
- The triple-net master lease – signed in 2009 – is a cash generating machine
- While the master lease ends in 2039, industry headwinds are quickly intensifying
- The pandemic has greatly accelerated the pace of retail banking digitalisation
- Master lease's unique selling point is its 1.5X-inflation annual indexation until 2039
- Afterwards it is fair to assume a major downward rent reset plus structural vacancy
- Resulting perpetual unlevered IRR is mid-5% p.a.; spot value in-line with book
- MRL deems BBVA portfolio 'non-core', but are there buyers besides BBVA itself?
- Our BUY recommendation of Merlin Properties is unchanged at current share prices



Important disclosure on page 14

6th Floor, 30 Panton Street, London, SW1Y 4AJ, United Kingdom

+44 (0)20 3793 7000

This report contains copyrighted subject matter and is covered under Green Street's Terms of Use.
Green Street reserves all rights not expressly granted.

© 2021, Green Street

Key Points

Bank Branches

Fewer Needed

- This report explores the outlook for Merlin Properties' €1.7bn⁽¹⁾ bank branch portfolio across Spain
- Spaniards are in love with their local bank branch, even if the number of branches has halved since 2008
- Yet post pandemic it is clear that remote channels can substitute the need for physical branches
- Across Europe, the number of branches may reduce c.12% by 2025 (~2.5% p.a); more so in Spain
- Bank branches are evolving into client information hubs catering to clients' ad-hoc / complex needs

BBVA Portfolio

What's It Worth?

- Merlin came public in 2014 with a portfolio of c. 880 bank branches (BBVA); it still owns >650 of them
- Madrid (1/3) and Catalonia (Barcelona, ~15%) account for half of the spot value
- Master lease (expiring 2039/40) provides 1.5x annual income growth stipulated into the contract
- In-place rents are ~50% above market, on average, but Merlin is protected for the duration of the lease

Merlin's Strategy

What Next?

- BBVA portfolio (~10% of €13b Merlin GAV) is non-core; various exit routes are on the table
- Conflicting interests would ideally see Merlin sell the whole portfolio back to BBVA well before 2039
- Whilst a sale at spot value would be optimum, a trickle of bank branch sales to retail investors is likelier

Return Expectations

Mid-5% p.a. IRR

- Whilst lease provides solid cash flows until expiry, downward rent reset afterwards could be brutal
- Green Street assumes that alternative-use values in 2039/40 will average sixty cents on today's valuation euro
- In the meantime, structural capex (incl. to improve energy efficiency standards) is to be borne by BBVA
- Based off a high-4% spot economic cap rate and c. 2% LfL growth until 2039, unlevered IRR is mid-5% p.a.

(1) Excludes €230m additional considerations for the 'Tree' derivative instrument (linked to the 1.5x HICP multiplier), bringing total consideration for the 'Tree' portfolio to estimated €1,970m.

Recommendations are unchanged:

At current share prices, our investment recommendations are:

BUY: MRL

HOLD:

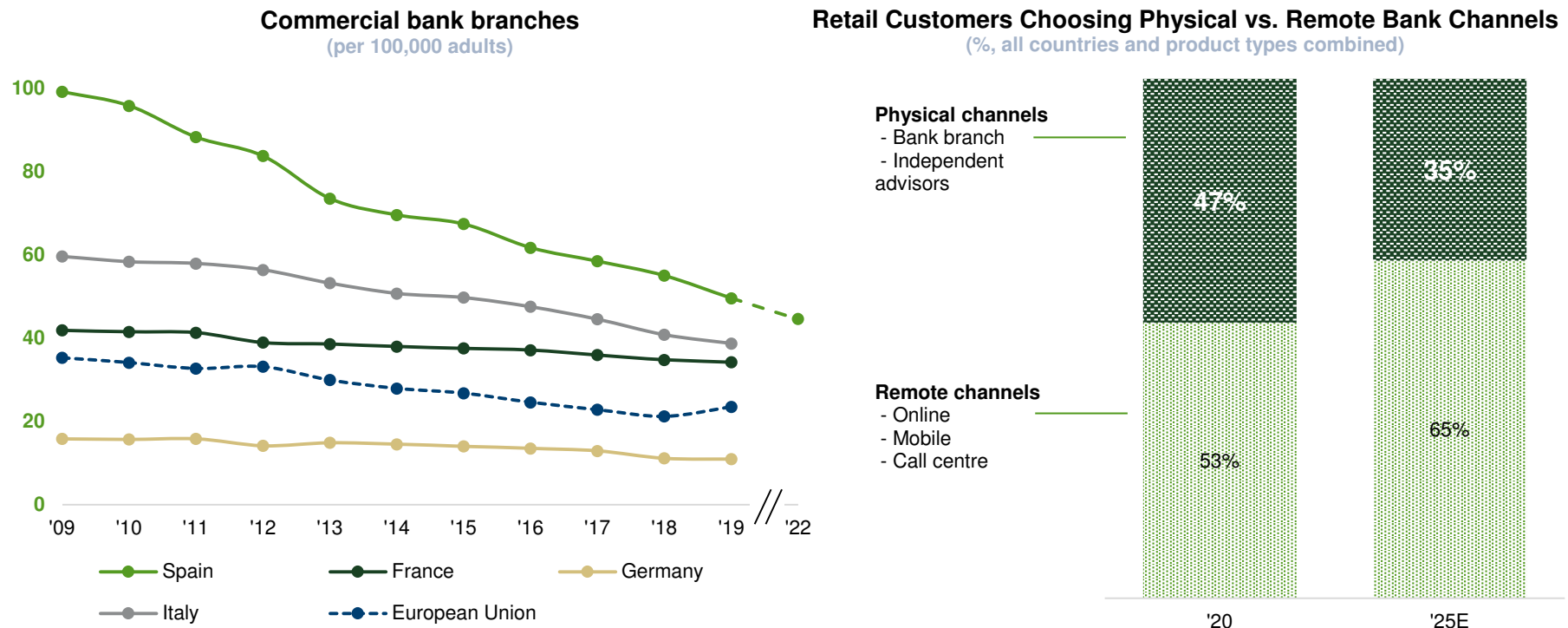
SELL:

Authors:

Peter Papadakos, *Managing Director*
Marie Dormeuil, *Analyst*
Nika Strelnikova, *Associate*

Bank Branches – The Way of Physical Retail

Network Consolidation Under Way: More than half of EU individuals use internet banking (up from 27% in 2007). The shift in consumer preferences in favour of remote channels is reducing the need for physical branches, expected to shrink 12% through 2025 (~2.5% p.a). In 2008, Spain had 105 bank branches per 100,000 adults, three times the European average. By 2019, that figure had more than halved, to 46. The health crisis of 2020/21 is projected to be a particular accelerant to more closures in Italy, Spain and the US. All three should expect a 15-20% jump in digital use vs. most other developed countries (+5% to +13%).

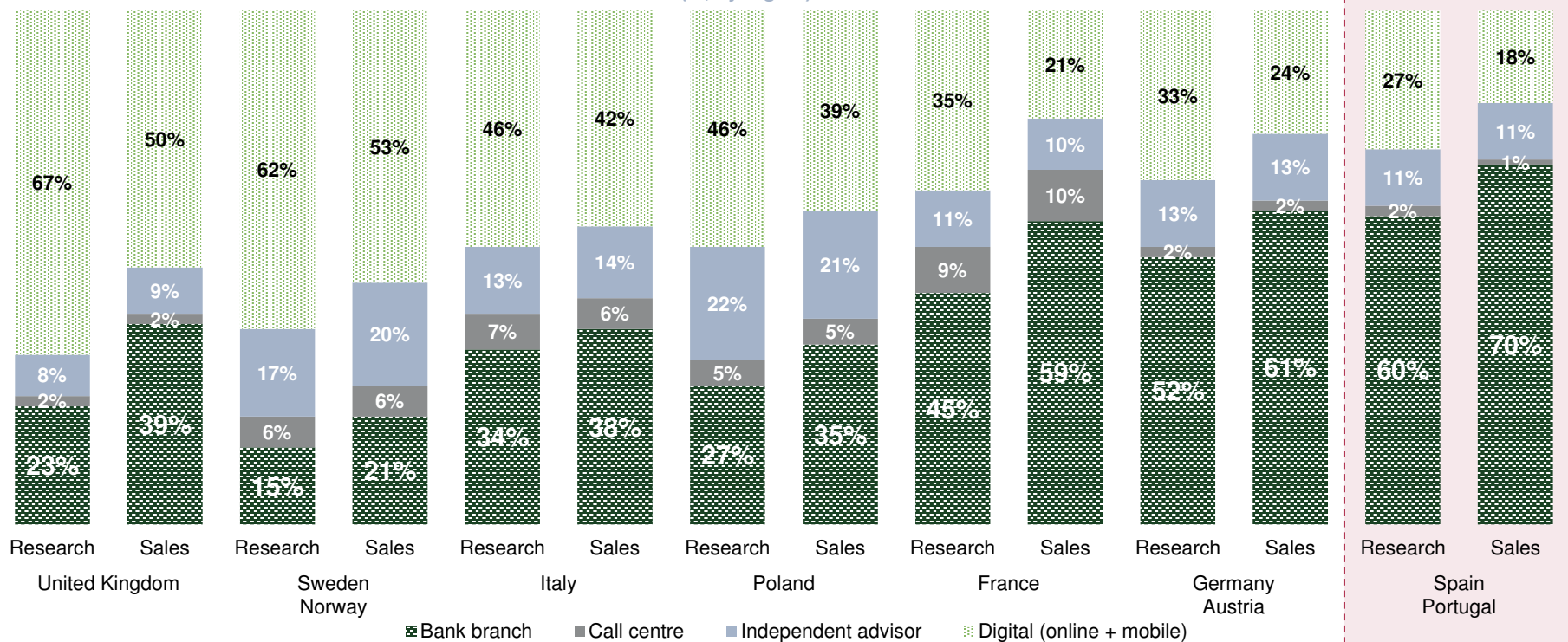


Source: European Retail Banking Radar Kearney, IMF, McKinsey *Reshaping retail banking for the next normal*, World Development Indicators

Spaniards' Love Affair With Their Local Bank Branch Won't Last

Changes Afoot: Spanish banks rely much more heavily on bank branches than their European counterparts due to limited available end-to-end digital infrastructure. The most common cash transactions in Spain have proved to be the most difficult to convert to digital banking. The pandemic has forced consumers to make better use of digital channels, a convenient way of banking that's likely to have lasting appeal. The physical footprint of bank branches will inevitably shrink, albeit in the case of Merlin there is breathing room.

Clients' Preferred Channel When Researching & Buying Bank Products
(%, by region)

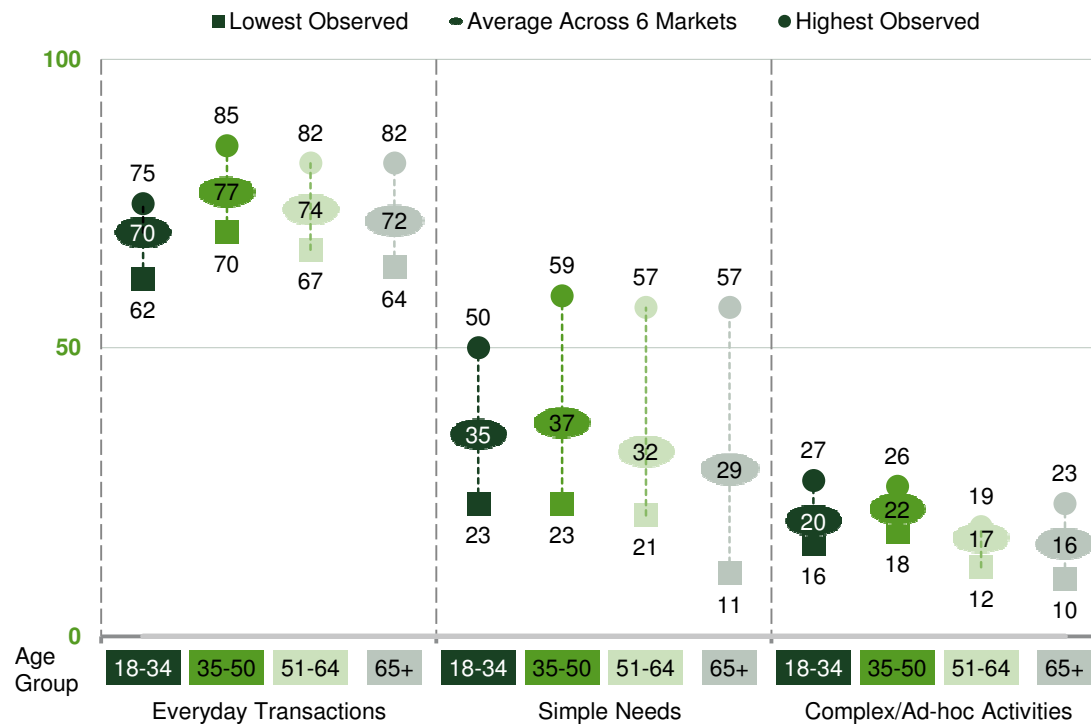


Source: European Retail Banking Radar Kearney

The Bank Branch Still Has A Purpose, But It's Changing

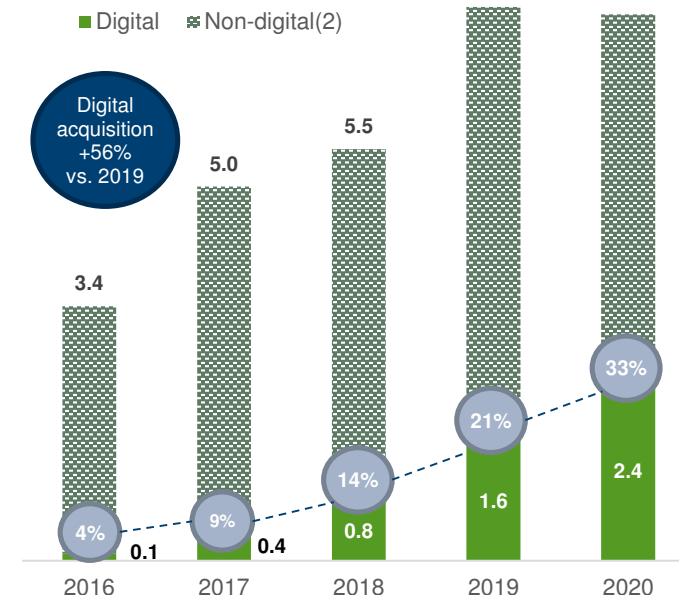
Reshaping Bank Branches For Evolving Needs: While branch network consolidation is expected to continue in the coming years and will result in a reduction in the overall number of physical locations, this process will also involve the evolution of retail bank branches that serve different needs. Most branches are still designed around daily transactions. However digitalisation, spurred by increasing client comfortability around e-banking, has meant there is less need for physical branches. A wholesale transformation is underway whereby branches are becoming information hubs, smart kiosks and places to cater to the more complex needs of customers.

Internet/Mobile Banking User Preferences Across Age Groups



BBVA's New Customer Acquisition Track Record⁽¹⁾

(Mn customers, % of customers acquired through digital channels)



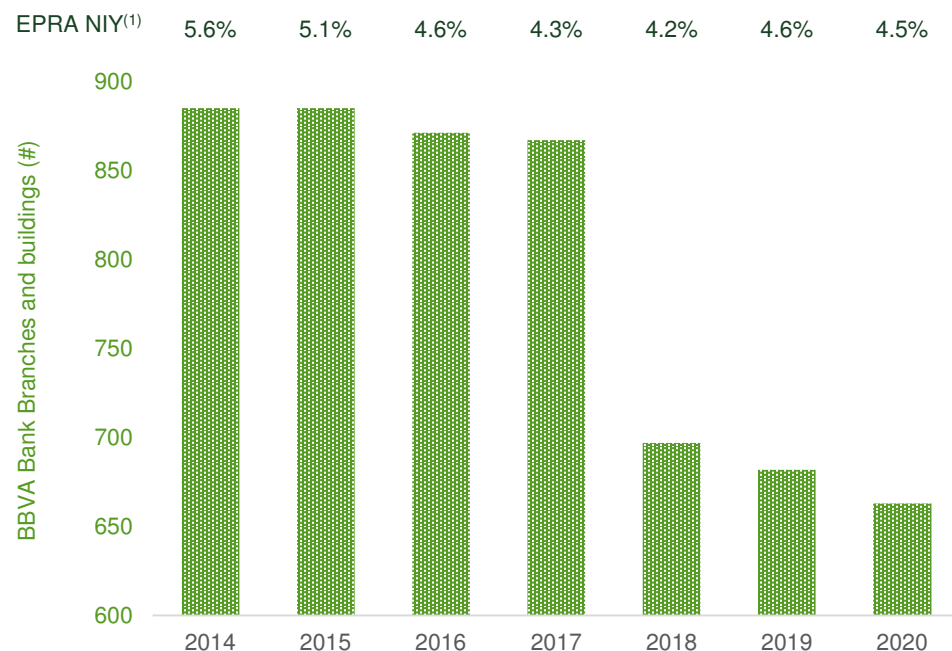
(1) Gross customer acquisition through own channels for retail segment. (2) Branches, external salesforce and ATMs.

Source: BBVA, McKinsey *Reshaping retail banking for the next normal*

Net Lease Portfolio – Key Characteristics

Appealing Terms: BBVA bank branches (650+ across Spanish high streets) make up ~10% of Merlin's overall €13bn investment portfolio. Lease conditions were set as part of the 'Tree' portfolio master lease back in '09. These allow for a high degree of flexibility and protection in favour of the landlord. Disposals have come in irregular waves; all the while the portfolio's reported valuation has benefitted as Spain's long-term borrowing costs collapsed, more than compensating for the rising structural headwinds due to retail bank digitalisation.

Merlin's BBVA Portfolio Since IPO



Note: Detailed geographic considerations are laid out in the *Appendix*. Reported EPRA NIY per disclosure.

(1) 2014 and 2015 are reported as EPRA "topped-up" yields. Reclassification of BBVA portfolio in disclosure does not allow for recent comparability.

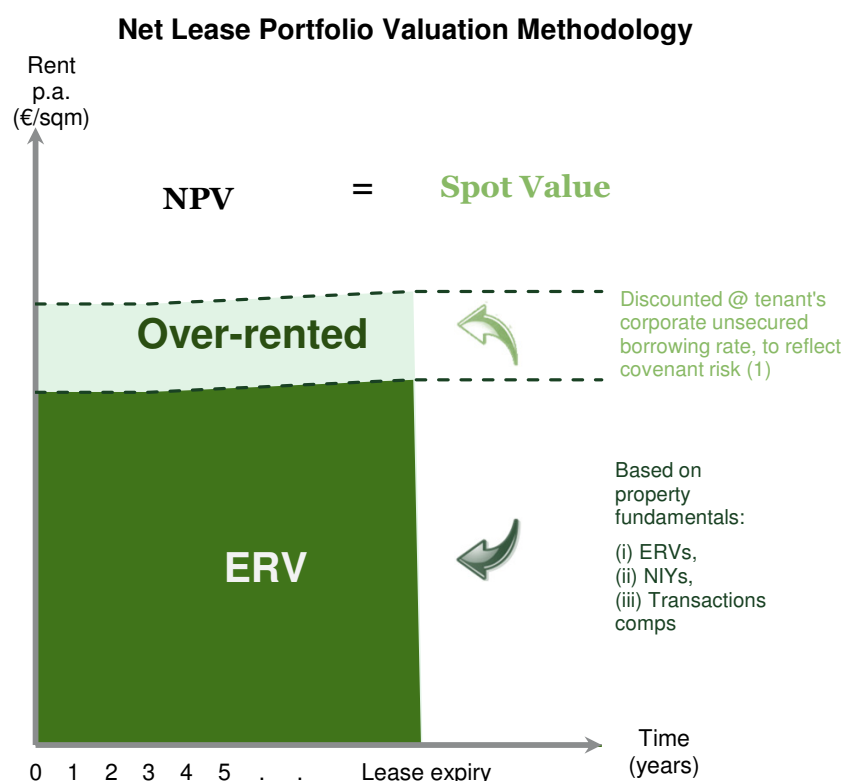
Source: Company disclosure, Green Street

Key Terms of Merlin / BBVA Lease

Master lease?	Yes
NNN lease?	Yes
Annual indexation clause?	1.85x Euro Zone Harmonised CPI (HICP); 1.5x CPI (from Sep-2017)
Payment of rent	Quarterly (on 15 th of second month of calendar quarter)
End of lease term	Sep-2039/40 (bank branches); Sep-2029 (five buildings)
Renewal at lease end?	Yes: 3 x 5yr periods (no rent MtM allowed at renewal)
Can tenant substitute properties at same terms?	Max. 1% p.a. (of initial rent-roll). Accumulates if unexercised.
Can tenant terminate individual leases?	Yes: max. 6% (of initial rent-roll), limited to 0.5% per year. Recycling capped at 27% of rent-roll (incl. substitutions). Termination only allowed Sep-2021 to Sep-2033.
Can the Landlord sell?	Yes subject to (i) pre-emptive right to BBVA, (ii) not to competitor of tenant
Right of first refusal?	Yes. Tenant has right to acquire entire portfolio at end of extended lease terms (i.e. Sep-2054 for branches, Sep-2044 for buildings).

Net Lease Portfolio – Valuation Considerations

What's It All Worth? The thoughtfulness of the master lease provides for a growing cashflow stream, appealing in the current context of rock-bottom interest rates. Our sale-and-leaseback valuation approach is based off a two-tier Discounted Cash Flow (DCF) method, including an over-rented element. Given the extent to which passing income is above market (i.e., ERV), roughly one-third of our spot value is based on intrinsic property fundamentals and two-thirds on the net present value of the over-rented cashflow element.



Green Street's Key Spot Valuation Metrics

BBVA

# Assets	660	
Spot value (€m)	€1,740 (1)	
Spot value (€/sqm)	€6,080	vs. €6,050 BV as at Dec-20 ⁽³⁾
EPRA NIY	~4.7%	
% of GAV	~10%	
Lease Term Remaining	~17yrs	
% of Spot value, over-rented part	~40%	
Over-rented part, discount rate (1)	~0.8%	
BBVA credit rating	BBB/Baa2/BBB+	

(1) Ideally, maturity of corporate bonds should match lease expiry dates. Green Street is using BBVA bond maturing in 2037 (4.6% p.a. coupon; 0.8% p.a. YTM).

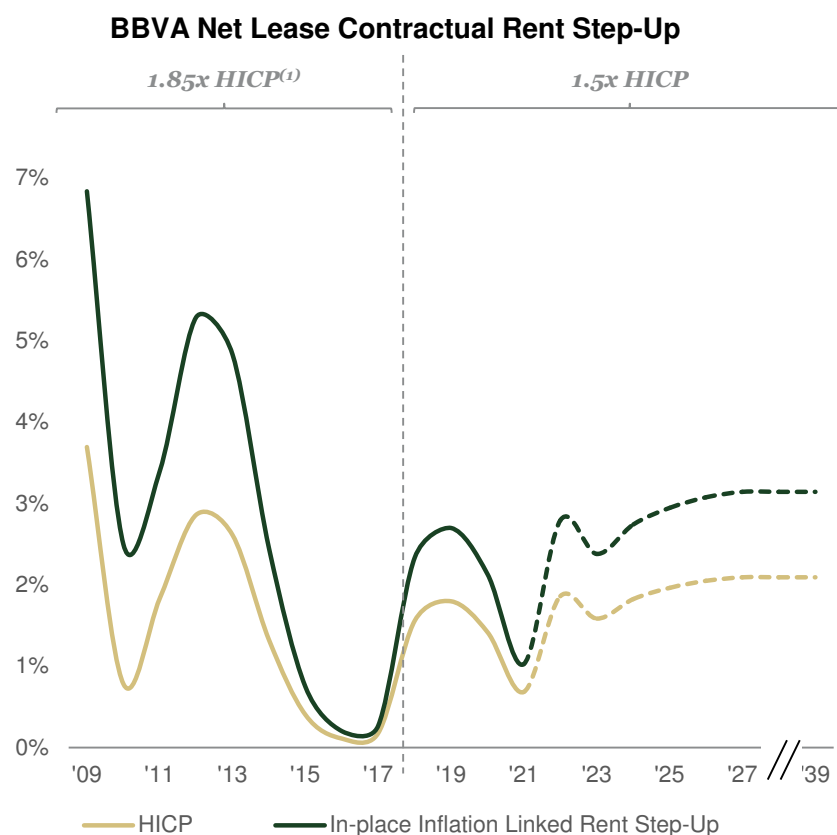
(2) Green Street Spot NAV includes an **additional** €230m value for in-place Tree derivative instrument (linked to the 1.5x HICP multiplier), bringing total consideration for the Tree portfolio to €1,970m.

(3) Estimated **BBVA** net lease portfolio value (excludes supermarket chain Caprabo which would account for ~5% of total Merlin net lease portfolio).

Source: Green Street

Net Lease Portfolio – Valuation Considerations (cont'd)

Time is Ticking: Key terms of the BBVA lease include an annual rent step-up, indexed to a multiplier of the Eurozone Harmonised Index of the Consumer Prices (HICP). In the current context of rising inflation expectations, such an attribute may help offset (partially) the valuation erosion that comes with the passage of time (as estimated market rents are well below passing). Our base-case assumption allows for a ~2% p.a. value erosion over the next few years, accelerating to double that pace once lease duration falls below eight years.



(1) Harmonised Index of Consumer Prices of the Eurozone excluding tobacco.

Source: Company disclosure, Oxford Economics, Green Street





BBVA Net Lease Portfolio Valuation Sensitivity

(valuation delta vs. spot)

Average inflation rate p.a. ⁽¹⁾ (1.5X HCIP multiplier)				
	1.9%	2.4%	2.9%	3.4%
... '21	5,980	6,080	6,180	6,280
Delta vs. spot	-2%	-	+2%	+3%
... '23	5,770	5,870	5,970	6,070
	-5%	-3%	-2%	-0%
... '25	5,550	5,650	5,740	5,850
	-9%	-7%	-6%	-4%
... '27	5,330	5,420	5,510	5,610
	-12%	-11%	-9%	-8%

What Next for Merlin's Net Lease Portfolio?




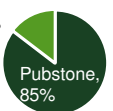

Weighing Its Options: Merlin has made it clear that its net lease portfolio is "non-core". The attractive lease structure with BBVA allows Merlin to explore several strategic options. Our view of what the future may hold is indicated below. 'Status quo' is the likeliest scenario, whereby Merlin continues selling individual branches each year. BBVA and Merlin are tied at the hip given their multiple business links, so wholesale changes to the master lease would require full agreement on other aspects of their complicated relationship.

Select Strategic Options for the BBVA Portfolio b/w Now & 2039/40	✓	✗	How Likely?	Green Street Preference
Sell whole portfolio to one buyer: In '20, European volume of sale and leaseback (S&LB) transactions totalled €8.4bn, 8.5% higher than the trailing five-year average. Interest is likely to continue for well-structured master leases, yet BBVA's total size (€1.6bn) and covenant puts off most investors.	✓ Allows Merlin to shrink while trading at a GAV discount	✗ NAV dilutive if buyer secures portfolio discount given ticket size	Low	
Keep selling individual branches / micro-portfolios: Since seeding its IPO with the BBVA portfolio in '14, Merlin has sold ~220 bank branches (i.e. ~25% of the original 885 assets). Master lease agreement allows Merlin to continue selling down properties <i>subject to a pre-emptive right conferred to BBVA</i> .	✓ Reduces exposure to BBVA ✓ Maintains stable earnings	✗ Value of remaining branches erodes as lease length shortens	High	
BBVA buys back portfolio before lease expiry (2039/40): Since 1-Jan-19, changes to IFRS lease accounting (i.e., IFRS 16) have forced regulated banking institutions to amend how they recognise assets and liabilities on their B/S. Lease commitments are now on-balance-sheet liabilities. In the case of BBVA, the Merlin lease reduced its overall equity ratio by 11 bps (to 11.63%). Separately, the agreed annual rent escalation (1.5x the growth of EU HICP index) could weigh on BBVA management's mind in a world of higher expected look-forward inflation.	✓ Allows Merlin to shrink while trading at a discount to NAV		Low / Medium	
Asset swap with BBVA: Back in 4Q19, Merlin bought a 14.5% stake in a multi-decade urban regeneration project in northern Madrid called Distrito Castellana Norte (DCN), joining BBVA (75.5%) and San Jose (10%). Although BBVA is reportedly exploring a sale of its controlling equity stake to third parties, its stake is subject to a pre-emptive right conferred to existing DCN shareholders. While BBVA is attempting to lift this legal binding, Merlin could get creative and offer an asset swap deal, whereby it releases BBVA from its lease obligations in exchange for BBVA's equity stake in the DCN scheme (without diluting San Jose).	✓ Merlin & BBVA could achieve what they each want to meet their goals at fair pricing	✗ Complexity is high (e.g. tax, legal, administrative)		

Source: Company disclosure, Savills, Green Street

Select Net Lease Portfolios Within European Listed Coverage

Some Context: Green Street's pan-European listed coverage owns €3bn of net lease real estate. Long unexpired remaining lease terms to good covenants has resulted in steady / higher valuation trajectories during the pandemic. Two U.S. REITs (Realty Income Properties and WP Carey) have been active in Europe, yet they have a bias towards high cap rate portfolios, which reduces the odds of the BBVA portfolio being of interest to them.

	Europe Net Lease portfolios ⁽¹⁾			US Net Lease Sector ⁽²⁾
	Merlin	LMP	Cofinimmo	
Tenant	BBVA	Various	ABInBev 	
# of Properties	660	113	1,171	19,303
Asset Value Allocation by Property Type				
Geography	Spain	U.K.	BE/NL/FR	US
Occupancy Rate	100%	100%	98%	99%
Annual Inflation indexation	1.5x HCIP	RPI linked	Local CPI linked	CPI or fixed growth (1 to 2%)
Avg. Remaining Lease Term	17.4	16.2	13.4	10.5
% of GAV	~10%	~30%	~10%	100%
Spot Asset Value (€m)	1,740	1,000	570	22,850
Spot Capital Value	€ 6,080/sqm	£ 240/sq ft	€ 1,530/sqm	\$ 220/sq ft
Economic Cap Rate	4.8%	5.1%	6.0%	6.9%
Pvt-market IRR Spread to Local Gov't Bonds	+480 bps	+520 bps	+540 bps	+550 bps

(1) Europe Net Lease Sector include BBVA, Cofinimmo and LMP portfolios. (2) Green Street's U.S. Net Lease coverage universe includes: National Retail Properties (NNN), Realty Income Properties (O), Spirit Realty Capital (SRC), Store Capital (STOR), VEREIT (VER) and WP Carey Inc (WPC).

Source: Company disclosure, Green Street

Private Market Sector Allocation

NNN Leases: In Green Street's European coverage, select REITs own triple-net-lease portfolios. BBVA branches rank lower than LondonMetric's (LMP) or Cofinimmo's (COFB) net lease assets on a risk-adj. return basis.

Sector	EPRA NIY Cap Rate	Cap Ex Reserve	Economic Cap Rate	Estimated Inflation ¹	LFL NOI '22-'25	Growth Long Term	Adjustment for Risk ²	Expected Pvt market Return	Return Prem. to 10-Yr Govt Bond (Basis Points) ³
Self Storage	5.5%	8%	5.8%	2.0%	+2.5%	+2.0%	-	7.9%	710
Continental Care Homes	4.5%	9%	4.5%	1.7%	+1.6%	+1.5%	-	6.0%	580
UK Student Housing	3.7%	14%	4.0%	2.0%	+5.6%	+2.0%	-	6.6%	580
US Net Lease	7.1%	3%	6.9%	2.3%	-0.3%	+0.2%	0.2%	7.1%	550
COFB - Retail NNN Lease	5.9%	5%	6.0%	1.7%	+1.9%	-1.1%	-	5.6%	540
Nordic Office	4.1%	16%	3.5%	2.5%	+2.9%	+2.1%	-	5.7%	530
UK Primary Care	4.4%	8%	4.3%	2.0%	+1.6%	+1.7%	0.1%	6.1%	530
LMP - Long Income	5.1%	9%	5.1%	2.0%	+1.7%	+0.7%	-	6.0%	520
Continental Office	3.8%	18%	3.7%	1.7%	+2.5%	+1.3%	-	5.1%	480
MRL - BBVA NNN Lease	4.7%	1%	4.8%	1.7%	+2.1%	+0.2%	-	5.3%	480
UK Industrial	3.4%	11%	3.2%	2.0%	+3.1%	+2.3%	-	5.6%	480
German Residential	2.7%	19%	2.1%	1.8%	+3.2%	+1.8%	0.5%	4.6%	460
Continental Retail	5.3%	30%	3.9%	1.9%	+3.0%	+0.8%	-	5.0%	440
Swiss Office	3.2%	15%	3.0%	1.6%	+0.5%	+1.2%	0.1%	4.2%	430
UK Retail	4.8%	29%	3.6%	1.9%	+1.7%	+1.2%	-	4.9%	420
UK Residential	2.6%	14%	2.5%	2.0%	+2.9%	+2.2%	0.2%	4.9%	410
UK Office	4.6%	22%	3.6%	2.0%	-0.1%	+1.3%	-	4.7%	390
UK Office	4.6%	22%	3.6%	2.0%	-0.1%	+1.3%	-	4.7%	470
Continental Europe	3.8%	21%	3.2%	1.8%	+2.8%	+1.4%	0.2%	4.9%	450

Note: Data at 17-May-21. UK industrial NNN Lease refers to LMP long income portfolio.

(1) Inflation estimates are long-term estimates based on breakeven inflation implied from the pricing of inflation-linked government bonds (U.S.) and inflation swaps (U.K. and Eurozone).

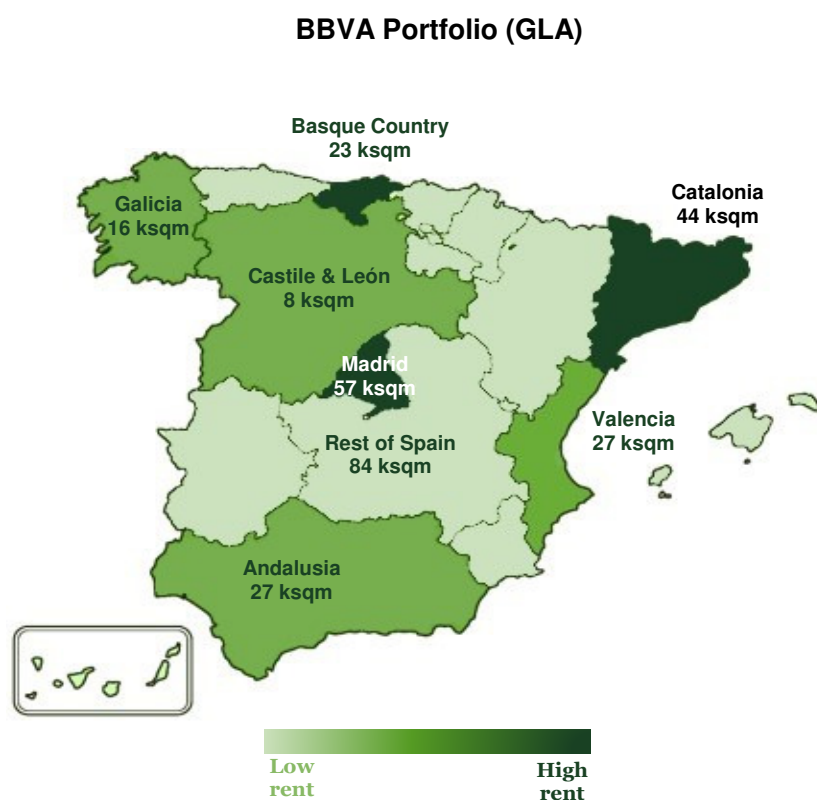
(2) Property types with less risk have their unadjusted returns increased, while those with more risk have their returns decreased.

(3) Differences in sovereign yields play a big role in the output. In theory, lower rates should be attributable to lower inflation expectations, but that is often not the case. Instead, large differences in real yields are commonplace.

Source: Green Street

Appendix A – BBVA Portfolio

~50% in Madrid and Catalonia: BBVA bank branches are heavily concentrated in richer parts of Spain. Disposals since the original sale-and-leaseback transaction have reduced the number of branches to ~660 (from ~880 in '14). The proportion of Green Street's current spot value that is sourced from the above-ERV component of the total rental cash flow earned until the end of the lease ranges from 30% to 50%+, depending on the location.



BBVA Portfolio					
Location	GLA ('000s)	Over renting (est.)	Capital value (€k / sqm)	Over-rented share of end value	% of port. value
Madrid	57	40%-50%	9,700	~30%	32%
Catalonia	44	~40%	6,630	~30%	17%
Basque Country	23	~50%	6,900	30%-40%	9%
Andalusia	27	~50%	5,250	30%-40%	8%
Valencia	27	~50%	5,250	30%-40%	8%
Galicia	16	~50%	5,300	30%-40%	5%
Castile & León	8	>80%	4,910	50%-60%	2%
Rest of Spain	84	>50%	3,930	40%-50%	19%
Total	286	~50%	6,080	35%-40%	100%

Note: 'Over-renting' is the percentage by which in-place rent is above estimated rental values (ERV), i.e., market rent.

Source: Company disclosure, Green Street

Appendix B – BBVA Key Metrics

Covenant Strenght: Credit quality of underlying tenant of the portfolio (BBB/Baa2/BBB+) is one of the most important factors when assessing the quality of a net lease portfolio. BBVA traded bonds (below a maturity date close to the 2039 lease expiry is selected) has mirrored investors' confidence of the Spanish banking sector.



Overview

Key Geographies	Spain, Latin America, Turkey
Annual Revenue	~€20bn [2020]
~ of Employees	~123,000
Year founded	1999
Nr. of bank branches globally	7,432 ⁽¹⁾
% of bank branches located in Spain	33%
Merlin's market share of BBVA Spain	27%
BBVA branches: % of MRL portfolio GAV	~11%
Valuation (May'21)	
Market cap	~€34bn
P / E	10.0x

(1) Reported FY20 metrics.

Source: Bloomberg, Company disclosure, Green Street

BBVA 2037 Unsecured Bond Yield to Maturity



Aa1/AA+ rating

Green Street' Disclosure Statement

Green Street (US) accepts all responsibility for the content of this report.

Issues of this Report: US and EEA: This report has been prepared by analysts working for Green Street (Green Street (US)) and/or Green Street (U.K.) Limited (Green Street (UK)). Green Street (US) is the parent company of Green Street (UK).

This report is issued in the USA by Green Street (US). Green Street (UK) accepts no responsibility for this report to the extent that it is relied upon by persons based in the USA. Green Street (US) is regulated by the United States Securities and Exchange Commission, and its headquarters is located at 100 Bayview Circle, Suite 400, Newport Beach, CA 92660.

This report is issued in the European Economic Area (EEA) by Green Street (UK). Green Street (US) accepts no responsibility for this report to the extent that it is relied upon by persons based in the EEA. Green Street Advisors (UK) Ltd is registered in England, (Company number. 6471304), and its registered office is 6th Floor, 30 Pantion Street, London SW1Y 4AJ. Green Street Advisors (UK) Ltd is authorized and regulated by the Financial Conduct Authority in the United Kingdom and is entered on the FCA's register (no. 482269).

References to "Green Street" in Disclosures in this section and in the Other Important Information section apply to:

- **Green Street (US) to the extent that this report has been disseminated in the USA; or**
- **Green Street (UK) to the extent that this report has been disseminated in the EEA.**

Green Street US is exempt from the requirement to hold an Australian financial services license under the Act in respect of the financial services; and is regulated by the SEC under US laws, which differ from Australian laws.

Green Street UK is exempt from the requirement to hold an Australian financial services license under the Act in respect of the financial services; and is regulated by the FCA under UK laws, which differ from Australian laws.

Swiss recipients: the funds, the REITs, the investment companies and any collective investment schemes referred to in these reports may not have been registered with the Swiss Financial Market Supervisory Authority (FINMA) and no Swiss representative or paying agent has been appointed in Switzerland. This report is provided in Switzerland for the use of the addressees only and may not be distributed, copied, reproduced or passed on to any third parties.

Green Street reserves the right to update the disclosures and policies set out in this document at any time. We encourage a careful comparison of these disclosures and policies with those of other research providers, and welcome the opportunity to discuss them.

Affiliate Disclosures: Green Street does not directly engage in investment banking, underwriting or advisory work with any of the companies in our coverage universe. However, the following is a potential conflict regarding our affiliate that should be considered:

- Green Street has an advisory & consulting practice servicing investors seeking to acquire interests in publicly-traded companies. Green Street may provide such valuation services to prospective acquirers of companies which are the subject(s) of Green Street's research reports.

For EEA recipients: Green Street (US) has approved the content of this report. In addition, the following foreign research analysts contributed to the material in this report: Peter Papadakos, Marie Dormeuil and Nika Strelnikova. Notwithstanding the contributions of those foreign research analysts, the Green Street (UK) analyst identified in the Analyst Certification above is responsible for its production and distribution to EEA recipients, on behalf of Green Street (UK).

For US recipients: Green Street (US) has approved the content of this report. In addition, the following foreign research analysts contributed to the material in this report: Peter Papadakos, Marie Dormeuil and Nika Strelnikova. The foreign research analysts who contributed to this report may not be registered as research analysts with the NYSE and/or FINRA. These foreign analysts may also not be associated persons of Green Street (US) and therefore may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Other Important Information

Management of Conflicts of Interest: Conflicts of interest can seriously impinge the ability of analysts to do their job, and investors should demand unbiased research. In that spirit, Green Street adheres to the following policies regarding conflicts of interest:

- Green Street employees are prohibited from owning the shares of any company in our coverage universe.
- Green Street employees do not serve as officers or directors of any of our subject companies.
- Neither Green Street nor its employees/analysts receives any compensation from subject companies for inclusion in our research.
- On occasion, Green Street analysts may be contacted by companies within the firm's coverage universe regarding potential employment opportunities. Additional disclosure will be made when appropriate.
- The research analysts who authored this report may hold shares of the non REIT companies mentioned in this research report. These are not companies in our coverage universe.

Please also have regard to the Affiliate Disclosure listed above when considering the extent to which you place reliance on this research report and any research recommendations made herein.

Green Street, at times, assists Eastdil Secured, a real estate brokerage and investment bank, when Eastdil Secured provides investment banking services to companies in Green Street's coverage universe. Green Street is never part of the underwriting syndicate or the selling group, but Green Street may receive compensation from Eastdil Secured for consulting services that Green Street provides to Eastdil Secured related to Eastdil Secured's investment banking services. Green Street does not control, have ownership in, or make any business or investment decisions for, Eastdil Secured.

A number of companies covered by Green Street research reports pay an annual fee to receive Green Street's research reports. Green Street may periodically solicit this business from the subject companies. In the aggregate, annual fees for Green Street (U.S.) and Green Street (UK) research reports received from subject companies represent approximately 3% of each of Green Street (U.S.)'s and Green Street (UK)'s respective total revenues.

Green Street publishes research reports covering issuers that may offer and sell securities in an initial or secondary offering. Broker-dealers involved with selling the issuer's securities or their affiliates may pay compensation to Green Street upon their own initiative, or at the request of Green Street's clients in the form of "soft dollars," for receiving research reports published by Green Street.

The information contained in this report is based on data obtained from sources we deem to be reliable; it is not guaranteed as to accuracy and does not purport to be complete. This report is produced solely for informational purposes and is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it is not, and it should not be construed as, advice designed to meet the particular investment needs of any investor. This report is not an offer or the solicitation of an offer to sell or buy any security.

Green Street Advisors, LLC is a Registered Investment Advisor doing business as Green Street. Services are only offered to clients or prospective clients where Green Street, LLC and its representatives are properly licensed or exempt from licensure.

For Green Street's advisory customers, this research report is for informational purposes only and the firm is not responsible for implementation. Nor can the firm be liable for suitability obligations.

Green Street (US) generally prohibits research analysts from sending draft research reports to subject companies. However, it should be presumed that the analyst(s) who authored this report has/(have) had discussions with the subject company to ensure factual accuracy prior to publication, and has/(have) had assistance from the company in conducting due diligence, including visits to company sites and meetings with company management and other representatives.

Terms of Use

Protection of Proprietary Rights: To the extent that this report is issued by Green Street (U.S.), this material is the proprietary and confidential information of Green Street, LLC, and is protected by copyright. To the extent that this report is issued by Green Street (UK), this material is the proprietary and confidential information of Green Street (U.K.) Limited, and is protected by copyright.

This report may be used solely for reference for internal business purposes. This report may not be reproduced, re-distributed, sold, lent, licensed or otherwise transferred without the prior consent of Green Street. All other rights with respect to this report are reserved by Green Street.

EEA Recipients: For use only by Professional Clients and Eligible Counterparties: Green Street Advisors (UK) Ltd is authorized by the Financial Conduct Authority of the United Kingdom to issue this report to "Professional Clients" and "Eligible Counterparties" only and is not authorized to issue this report to "Retail Clients", as defined by the rules of the Financial Conduct Authority. This report is provided in the United Kingdom for the use of the addressees only and is intended for use only by a person or entity that qualifies as a "Professional Client" or an "Eligible Counterparty". **Consequently, this report is intended for use only by persons having professional experience in matters relating to investments. This report is not intended for use by any other person. In particular, this report intended only for use by persons who have received written notice from Green Street (UK) that he/she/it has been classified, for the purpose of receiving services from Green Street (UK), as either a "Professional Client" or an "Eligible Counterparty". Any other person who receives this report should not act on the contents of this report.**

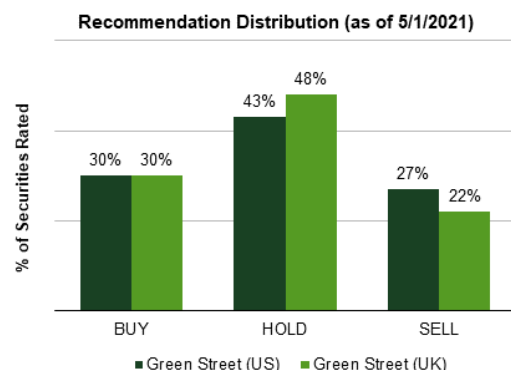
Green Street' Disclosure Statement

Review of Recommendations:

- Unless otherwise indicated, Green Street reviews all investment recommendations on at least a monthly basis.
- The research recommendation contained in this report was first released for distribution on the date identified on the cover of this report.
- Green Street will furnish upon request available investment information supporting the recommendation(s) contained in this report.

At any given time, Green Street publishes roughly the same number of "BUY" recommendations that it does "SELL" recommendations.

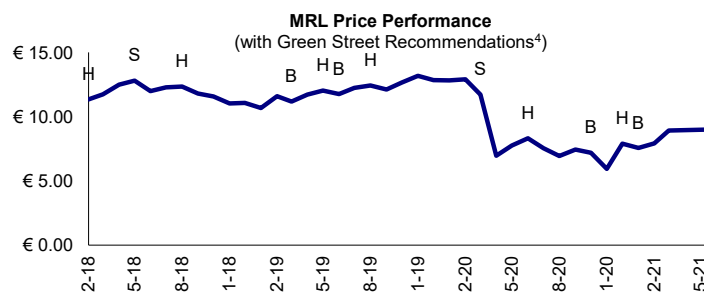
Green Street UK's "BUYs" have historically achieved far higher total returns than its "HOLDs", which, in turn, have outperformed its "SELLs".



Total Return of Green Street's Recommendations^{1,2}

Year ³	Buy	Hold	Sell	Universe
2021 YTD	17.1%	8.5%	5.6%	9.9%
2020	5.2%	-26.6%	-16.4%	-14.4%
2019	40.8%	26.1%	23.5%	29.0%
2018	1.8%	-6.9%	-20.9%	-8.5%
2017	30.9%	19.2%	11.1%	19.9%
2016	5.4%	2.1%	-2.3%	1.9%
2015	22.8%	14.4%	10.5%	16.1%
2014	35.6%	28.3%	24.1%	29.8%
2013	16.3%	7.6%	9.4%	11.2%
2012	39.8%	29.3%	17.0%	29.8%
2011	-7.6%	-8.2%	-12.7%	-9.2%
2010	13.1%	0.3%	7.9%	9.2%
2009	10.0%	5.5%	1.6%	7.0%
Cumulative Total Return	658.7%	125.6%	57.3%	213.1%
Annualized	19.1%	7.3%	4.0%	10.4%

The chart below shows MRL's price performance since February 2018, along with Green Street's recommendations during that time.



The results shown above are hypothetical and for illustrative purposes only. Hypothetical results do not represent actual trading. Actual performance will vary from the hypothetical performance shown above due to, but not limited to, (1) advisory fees and other expenses incurred; (2) transaction costs; (3) exchange rate movements; (4) the inability to execute trades at the last published price (the hypothetical returns assume execution at the last closing price); (5) the inability to maintain an equally-weighted portfolio in size (the returns above assume an equal weighting); and (6) market and economic factors that will almost certainly cause one to invest differently than projected by the model that simulated the above returns. All returns assume reinvestment of dividends. Hypothetical and past performance does not guarantee future results.

- (1) Results are for recommendations made by Green Street's European Research Team only. Since 5 July 2017, performance is calculated whenever a recommendation is changed using the share price at the most recent market close. Previously, performance was based on recommendations provided in Green Street's "Real Estate Securities Monthly" (RESM) and assumed no change in recommendation between RESM publications. Results from 1 September 2009 through 4 January 2016 were independently verified by an international "Big 4" accounting firm. The accounting firm did not verify the stated results subsequent to 4 January 2016. As of 4 January 2016, the annualised total return of Green Street's recommendations since 1 September 2009 was: Buy +19.6%, Hold +11.4%, Sell +8.5%, Universe +14.1%.
- (2) Beginning 5 July 2017, all companies in Green Street's European coverage universe are included in the performance calculation. Previously, inclusion in the calculation of total return had been based on whether the companies were listed in the primary exhibit of Green Street's RESM.
- (3) From 1993 until 3 July 2017, the returns for each year cover the period following the first RESM issued in the respective year through the first RESM issued in the following year and are not based on a calendar year. Subsequent to 5 July 2017, returns are based on calendar months.
- (4) Green Street has only three recommendations: BUY ("B"), HOLD ("H") and SELL ("S"). The firm does not consistently publish price targets and therefore price targets are not included in this graph. "Buy" = Most attractively valued stocks, in which we recommend overweight position; "Hold" = Fairly valued stocks, in which we recommend market-weighting; "Sell" = Least attractively valued stocks, in which we recommend underweight position. "Not Rated" companies are covered by the firm's research department, but are not rated due to fundamental attributes related to business prospects and balance sheets that are deemed to make the securities more option-like than equity-like.

Green Street (UK) Limited's track record will continue to be published monthly in RESM – Europe Edition. The results may not be relied upon in connection with any offer or sale of securities. Neither Green Street (UK) Limited, its affiliates nor any of their respective directors, employees, agents or representatives makes any implicit or explicit representation or warranty with regard to the accuracy or completeness of this information or accepts or assumes any responsibility for the accuracy or completeness of this information or any loss whether direct or indirect, incidental, special or consequential that may arise from or in connection with the use of this information or otherwise.

Green Street will furnish upon request available investment information regarding the recommendation

Green Street European Team

Research

EVP, Director of Global REIT Research	Cedrik Lachance	clachance@greenstreet.com
Head of European Research	Peter Papadakos, Managing Director	ppapadakos@greenstreet.com
Health Care	Peter Papadakos, Managing Director Edoardo Gili, CFA, Senior Associate	ppapadakos@greenstreet.com egili@greenstreet.com
Industrial/Self-Storage	Peter Papadakos, Managing Director Sophie Park, Senior Associate	ppapadakos@greenstreet.com spark@greenstreet.com
Office	Marie Dormeuil, Analyst Edoardo Gili, CFA, Senior Associate Lucie Plassard, Associate Nika Strelnikova, Associate	mdormeuil@greenstreet.com egili@greenstreet.com lplassard@greenstreet.com nstrelnikova@greenstreet.com
Residential	Andres Toome, Analyst	atoome@greenstreet.com
Retail	Rob Virdee, Analyst	rvirdee@greenstreet.com
Data Management	Sadie Baldwin, Senior Associate Rahul Kaushal, Associate Bhavin Karsan, Associate	sbaldwin@greenstreet.com rkaushal@greenstreet.com bkarsan@greenstreet.com
Market Analytics	Andrew McCulloch, CFA, EVP, Global Head of Data & Analytics Ryan Miller, CFA, Analyst Alex McIntyre, Associate Chinar Rastogi, Associate Mitchell Briggs, Associate	amcculloch@greenstreet.com rmiller@greenstreet.com amcintyre@greenstreet.com crastogi@greenstreet.com mbriggs@greenstreet.com

Account Management

Adam Shapton, Vice President ashapton@greenstreet.com

Sales

Kris Hoffman, EVP, Head of Revenue khoffman@greenstreet.com
Alistair Bush, Vice President abush@greenstreet.com

Advisory

Jesse Freitag-Akselrod, Managing Director jfreitag-akselrod@greenstreet.com
Andy Simmons, Senior Vice President asimmons@greenstreet.com
Ruben Bos, CFA, Vice President rbos@greenstreet.com
Claire Demaine, Vice President cdemaine@greenstreet.com
John Hawinkels, CFA, Senior Associate jhawinkels@greenstreet.com
Leon Johnson, Associate ljohnson@greenstreet.com
Samuel Charlton, Associate scharlton@greenstreet.com
Nikki Pagdades, Associate npagdades@greenstreet.com

Marketing & Communication

Gabi Peak, Senior Associate gpeak@greenstreet.com

Green Street (UK) Limited
6th Floor, 30 Panton Street
London SW1Y 4AJ
T +44 (0)20.3793.7000

Green Street
100 Bayview Circle, Suite 400
Newport Beach, CA 92660
T: 949.640.8780