American Realty Advisors

House View: H2 2021

FIVE KEY TAKEAWAYS

1 **The strong rebound** in the U.S. economy does not mean a hotter-but-shorter cycle given historical context.

2 **Inflation and Fed** interest rate policy are the greatest near-term risks, though structural forces that kept us in a “lower-for-longer” interest rate environment pre-pandemic are still intact and should prevail.

3 **Cyclical and secular forces** seem to be pointing in opposite directions in terms of where the greatest opportunities lie; we like the optionality to pursue both at varying points in the cycle.

4 **Shifts** in how and where people want to consume, live, and work are driving the outlook for property sectors.

5 **The start of a new cycle** creates sufficient runway to execute on both core and value-added real estate strategies.

Twice a year, the ARA Research team presents our views on current and future market conditions and the implications for the commercial real estate market.

The primary goal of the House View is to develop and drive internal strategy by identifying where we see the greatest opportunities and, equally important, where we see potential risks in the years ahead.

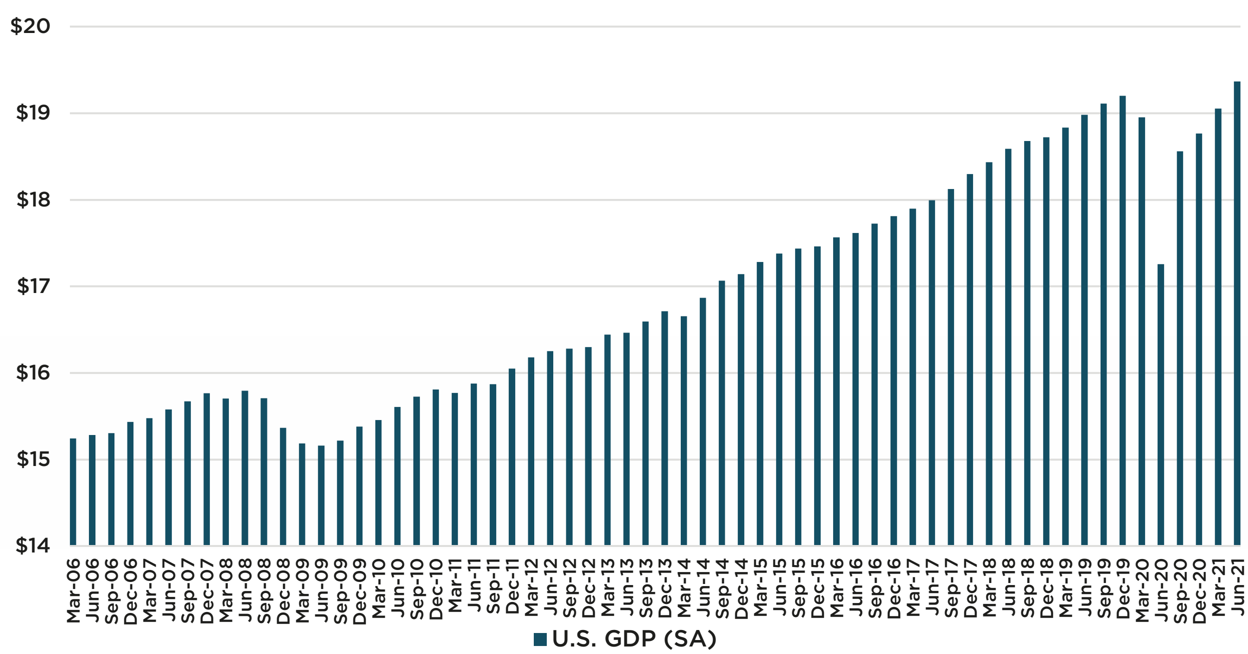
Macroeconomic Context

Given the unusual nature of the pandemic-induced recession, there has been a lot of focus on how quickly the economy has snapped back, and how that in and of itself might be a harbinger for the durability of the new cycle (that adage of "the candle that burns the brightest burns the shortest"). While a cycle spurred by a global pandemic is certainly atypical, we would argue that the trough-to-pre-pandemic-peak timeline is not so dissimilar from past recessions.

To put it into perspective, the U.S. economy surpassed pre-pandemic levels in 2Q 2021, four quarters after the 2Q 2020 trough. By comparison, if we look to the next most-recent recession, the Global Financial Crisis, it took six quarters to surpass the 2Q 2008 peak from the 2Q 2009 trough (Figure 1).

FIGURE 1: U.S. GDP Trajectory

U.S. GDP, Constant Prices, 1Q 2006 – 2Q 2021 (trillions)



Source: American Realty Advisors based on data from Macrobond as of October 2021

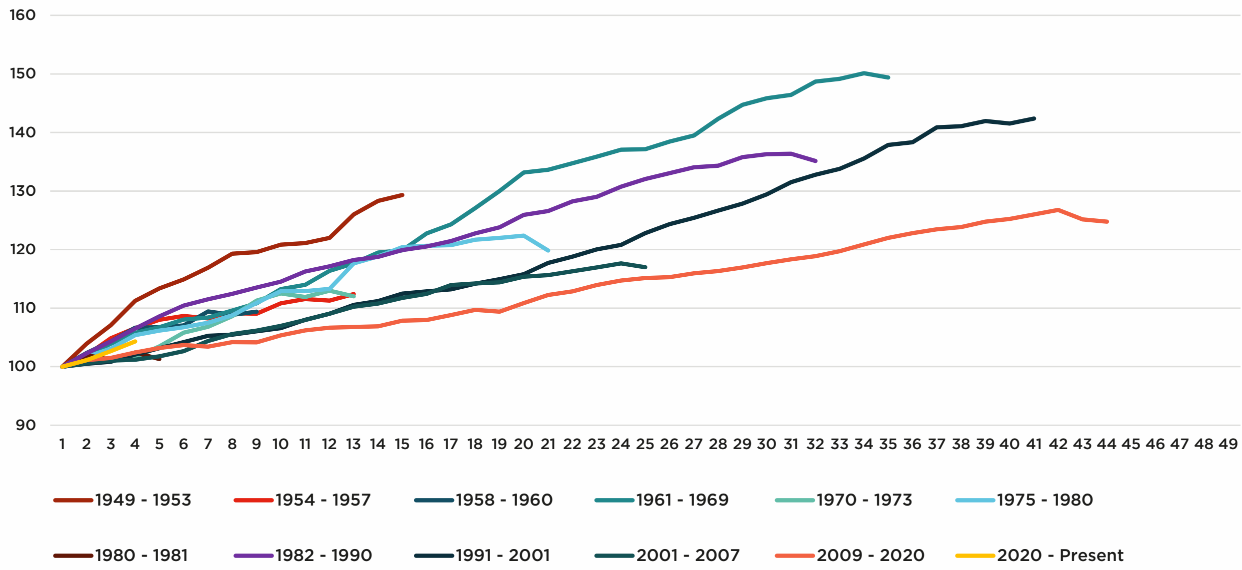
Given that it took twice as long to reach the trough in 2008-2009 as it did during the pandemic and that the corresponding recovery was just six months longer than this one suggests that the quickness of the current rebound is fairly proportionate to the contraction.

What's more, it does not suggest that this cycle will end by virtue of an overheated recovery — after all, the post-GFC cycle was the longest on record.

The relative shape of the current cycle looks quite similar to a few past ones — when indexed to the same starting point, the current cycle's growth (denoted in yellow in Figure 2) through the first four quarters seems to resemble most closely the 1961-1969, 1975-1980, and 1982-1990 cycles, at least at this early stage. To put it into perspective, the U.S. economy surpassed pre-pandemic levels in 2Q 2021, four quarters after the 2Q 2020 trough.

FIGURE 2: Strength and Duration of Past U.S. Economic Cycles

U.S. Real GDP Expansion, Number of Quarters, Past Economic Cycles, 1949 – Present



Note: As defined by the National Bureau of Economic Research (NBER) makes a determination of the calendar quarter of a peak or trough based on measures of aggregate economic activity over the relevant quarters; generally, the peak or trough quarter contains the peak or trough month, though there are exceptions, with Q4 2019 the most recent. Source: American Realty Advisors based on data from the National Bureau of Economic Research and the Federal Reserve Bank of St. Louis (FRED) as of September 2021

Absent any other analysis, this might suggest the current cycle could run for seven to nine years, a wide margin that would meaningfully impact investment strategies, depending on where one's conviction inevitably lands. However, when we consider the overall conditions of each of those cycles, the one common factor is that the end of each was generally predicated on monetary tightening (the Fed raising interest rates) to combat inflation.

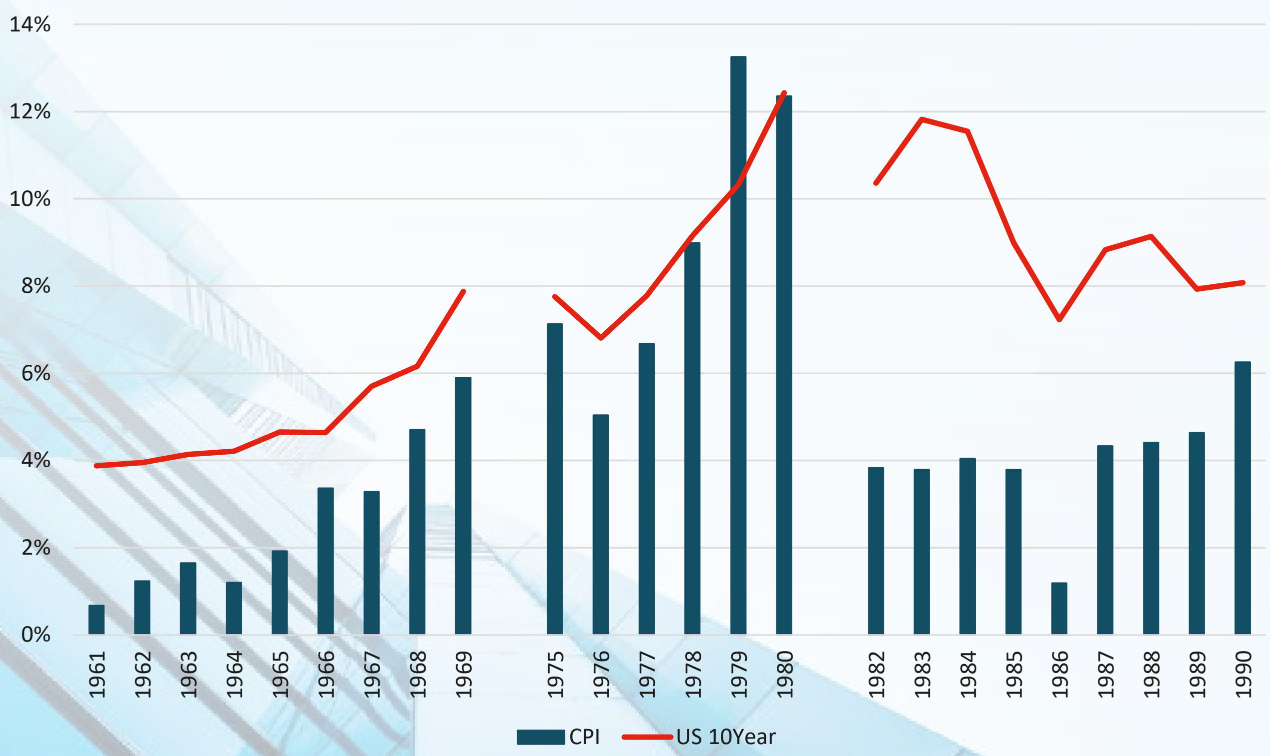
In the 1960's, inflation had increased from 1.9% in 1965 to 5.9% by 1969, was running well in excess of 5% throughout much of the 1970's (with double-digit inflation in 1974, 1979, and 1980), and was firmly above 4% in the late 80's heading into the 1990 oil price shock (Figure 3).

If monetary tightening and rising inflation seem to be the calling card for recessions, it's no surprise that so much attention is being paid to the current inflationary backdrop and the pending Federal Reserve response. With the Fed clearly stating intentions to begin tapering its bond purchase program imminently (near the end of this year), there is the clear expectation that interest rate hikes will follow, creating conditions conducive to a premature end to this nascent cycle.

While the influence of Fed policy (and markets' response to that policy) cannot be overstated, there is a lot to be unpacked when it comes to what is happening today and what it suggests about the structural underpinnings of longer-term inflation prospects.

FIGURE 3: Similar Early-Phase Cycles' Inflation and Interest-Rate Backdrops

Details of U.S. Economic Cycles That Most Closely Mirror Today's Based on First Four Quarters' Growth During Expansion



Note: Inflation reflects the annual average change in CPI-U, All Items (SA).
Source: American Realty Advisors based on data from Macrobond as of October 2021

What *is* going on with inflation?

At its most basic, inflation occurs when demand outpaces supply, increasing competition for a finite amount of goods, which in turn allows suppliers to raise prices. A lot has been made about whether or not the current rate of price increases is transitory (if you read our H1 2021 House View, you probably know where we stand in that debate). We believe it is safe to say that the next six to eight months will reflect persistent price pressures relative to what we had been used to pre-pandemic; however, it is important to remember that we are coming off an exceptionally low inflation period pre-pandemic, and that today's increased prices become tomorrow's base.

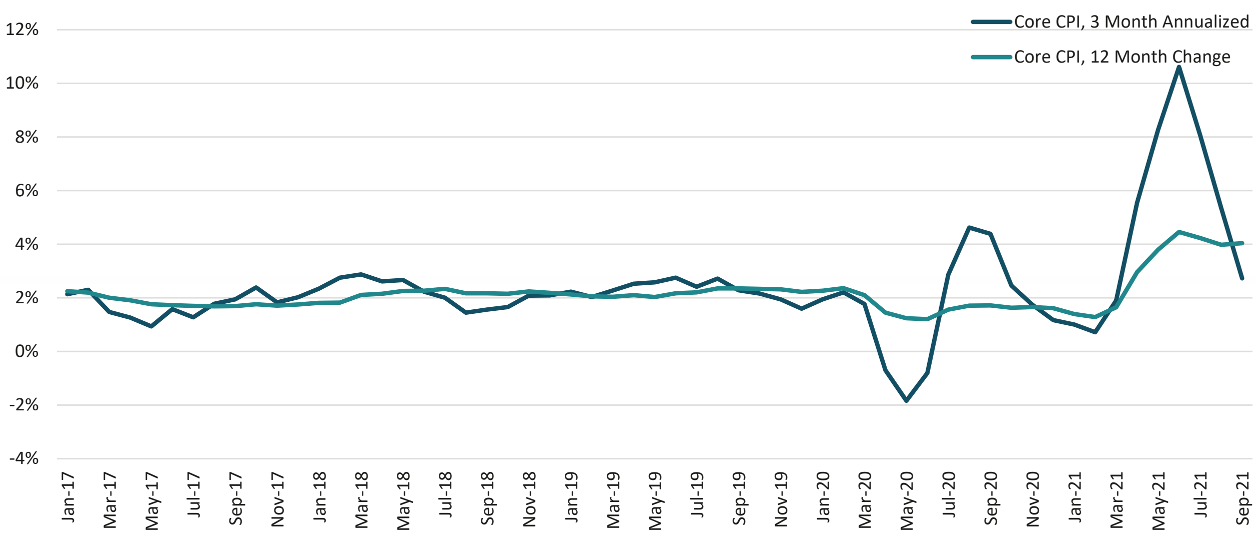
This is best demonstrated with an example. Suppose you have a tee-shirt, and at the end of 2020 the shirt cost $10. As more people ditch their suits and ties, demand for tee-shirts outpaces producers' ability to deliver them; tee-shirt retailers realize they can and need to raise prices in order to buy more manufacturing equipment to satisfy stronger demand, so they increase prices 5%. Now that same shirt costs $10.50, which is the new base price. The supply-demand imbalance needed to create another 5% reciprocal price increase now needs to be stronger than the conditions that created the original 5% increase given the new and larger denominator.

By virtue of these higher denominators, it seems all but certain that the pace of inflation in the aggregate should moderate in the coming year as consumers work through their excess savings, supply chain backlogs gradually unwind, and suppliers ratchet up production to capitalize on greater revenue potential, eventually serving to bring supply and demand back nearer to equilibrium.

In fact, the latest core CPI figure (which carves out food and energy prices, which are, even under normal conditions, much more volatile) reflects a pretty substantial deceleration in the rolling 3-month annualized pace of price growth (denoted in the steep mountain-esque shape shown in the dark blue in Figure 4) which will in turn bring the year-over-year pace back down toward the long-run average in subsequent months.

FIGURE 4: Inflation Comes Back Down to Earth

3-Month Annualized and 12-Month Change, Core CPI, January 2017 – September 2021



Note: Core CPI reflects the change in CPI-U, All Items Less Food and Energy (SA).
Source: American Realty Advisors based on data from Macrobond as of October 2021

In our view, the greatest risk in all this lies in how the Fed will interpret the noisy and somewhat complicated inflation and employment backdrop to determine its rate hike agenda. Recall that the Fed's dual mandate is price stability (which it has pinned to 2% average inflation) and maximum sustainable employment, a much-less-defined target. Given the interconnectedness of the former to the latter (a lower unemployment rate creates wage pressures, which in turn puts more money in consumers' pockets and elevates demand relative to unadjusted supply, thereby creating inflation), the Fed will be focused on the labor market achieving an unemployment rate that is compatible with stable price growth.

Pinpointing the magic number that would precede a rate hike in this environment is an incredibly difficult task. We know that, prior to the pandemic, the U.S. unemployment rate reached a low of 3.5% without creating a corresponding price pressure. In fact, inflation was below 2% for so long that the Fed opted to shift to average inflation targeting, which allows for above-average periods of inflation to balance those years of underwhelming price growth.

The relied-upon relationship between unemployment, wages and inflation has been turned on its head, complicating the Fed's playbook. The pace of inflation, though moderating, is still above target; upward wage pressures are persisting, at least for the time being; yet economic growth is slowing, and unemployment still remains above pre-pandemic levels, at 4.8%, with 10.4 million job openings as of the end of August. Oxford Economics has categorized the backdrop as "M.E.S.S.I." — moderating expansion with sticky supply-driven inflation — which complicates the predictability of future Fed rate hikes. The task left to investors is now to determine what the magnitude and frequency of forthcoming rate hikes will mean for relative yield values being offered across asset classes.

Whether the Fed hikes rates at the end of 2022 or early 2023 is relatively inconsequential for long-term investors. If it happens earlier, it reflects the U.S. economy reaching critical expansion thresholds such that it can withstand moderately less accommodative policy and moderately higher borrowing costs without derailing, while, if it happens a few months later, it simply means it took a few months longer to reach that position.

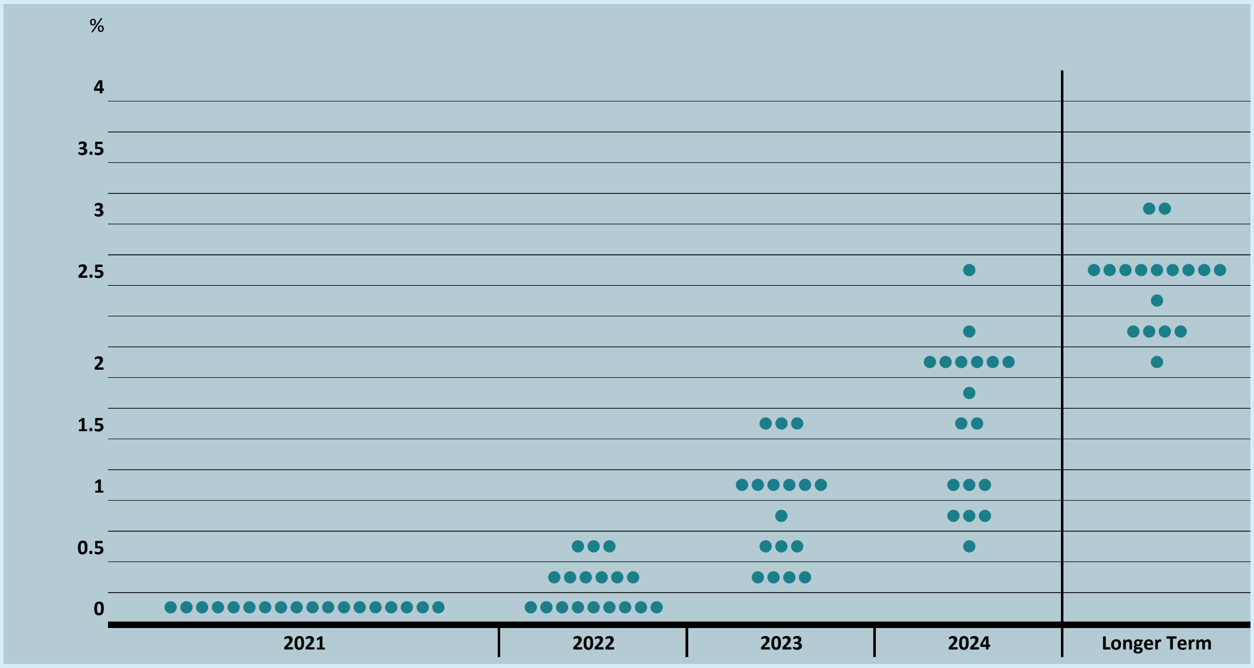
What does matter is the magnitude by which the Fed would hike rates and whether there is a likelihood of multiple increases. In its mid-October meeting the Fed insinuated it could hike rates six to seven times by the end of 2024, with the dot plot showing the 18-member committee split on whether it will enact at least one 25-bp rate hike in 2022 or not, and 2023 reflecting expectations of three to four total rate hikes (Figure 5).

This may give real estate investors pause — if the U.S. 10-year yield (which serves as the risk-free benchmark against which real estate income yields, or cap rates, are evaluated) rises, should we expect real estate cap rates to reverse course and begin to expand to account for the added premium now required above the risk-free return?

Perhaps, were it not for the fact that these interest rate hikes will be the result of a strong demand-driven economy. This is an important point to remember — if the Fed anticipates multiple rate hikes in the coming five years, it is because inflation is proving persistent, which would be driven by healthy consumer spending outpacing supply even after the pandemic-induced backlogs have been worked through.

FIGURE 5: Anticipating Rate Hikes

FOMC "Dot Plot" 2021 – 2024 and Longer Term



Source: American Realty Advisors based on data from the Federal Open Market Committee Summary of Economic Projections from meeting held September 21-22, 2021

You can start to envision how this flows through to real estate through various cause-and-effect relationships:

- **If interest rates are rising to curb inflation that is the result of an expanding economy (cause),** construction costs would likely be increasing as well, causing supply to decline as it becomes more expensive to build (effect).
- **At the same time, if the economy is expanding (cause),** we expect demand for space generally to increase (effect); if supply is curtailed and demand is increasing (cause), conditions are ripe for landlords to raise rents, driving stronger rent growth and thus creating greater potential for appreciation (effect), which in turn should elevate real estate's total return profile (effect).

Even with bonds offering higher yield in this scenario, real estate's returns should trend higher too, attracting more capital to the asset class and maintaining competition (and thus, pricing) for prime assets. All of this serves to neutralize any outward expansion of real estate cap rates purely as a function of higher bond yields, which should offer current and potential investors in real estate some comfort when facing prospects for rate hikes in the coming years.

As it relates to the economic cycle, we believe the Fed will move prudently in considering its rate hike agenda. If the economy is healthy enough to withstand multiple rate hikes, then the Fed, by raising rates, acts as the release valve that creates the makings of another lengthy cycle by tempering growth from becoming too hot. Should the economy prove to be progressing at a cooler pace, inflation will naturally moderate (due to a host of structural factors) and mitigate the need for additional hikes. In both scenarios, we envision a cycle that could run 28-36 quarters in total (seven to nine years) with nominal average GDP growth marginally higher than what we saw in the previous cycle.

Property Markets

Whereas the focus of our H1 House View was the idea of selection levers, for this iteration our analysis is focused on the idea of interpreting opposing cyclical and secular opportunity signals.

Investors have long been told to lean into sectors and markets with persistent structural tailwinds — for example, overweighting industrial given the fundamental shift to e-commerce, or pursuing lower-density/suburban rentals to capture an aging Millennial cohort — as these are the areas that have the staying power to be outperformers over a longer period of time, and generally to lean away from those that are facing longer-term headwinds (such as non-essential retail).

However, there is often just as much potential to create value in structurally challenged areas in times of cyclical upswings as there is in sectors where the overall trajectory is up.

To that point, our property markets analysis bifurcates short-term opportunities in otherwise-challenged areas and considers the best strategic orientations for our portfolios over the long term.

Industrial

OUTLOOK

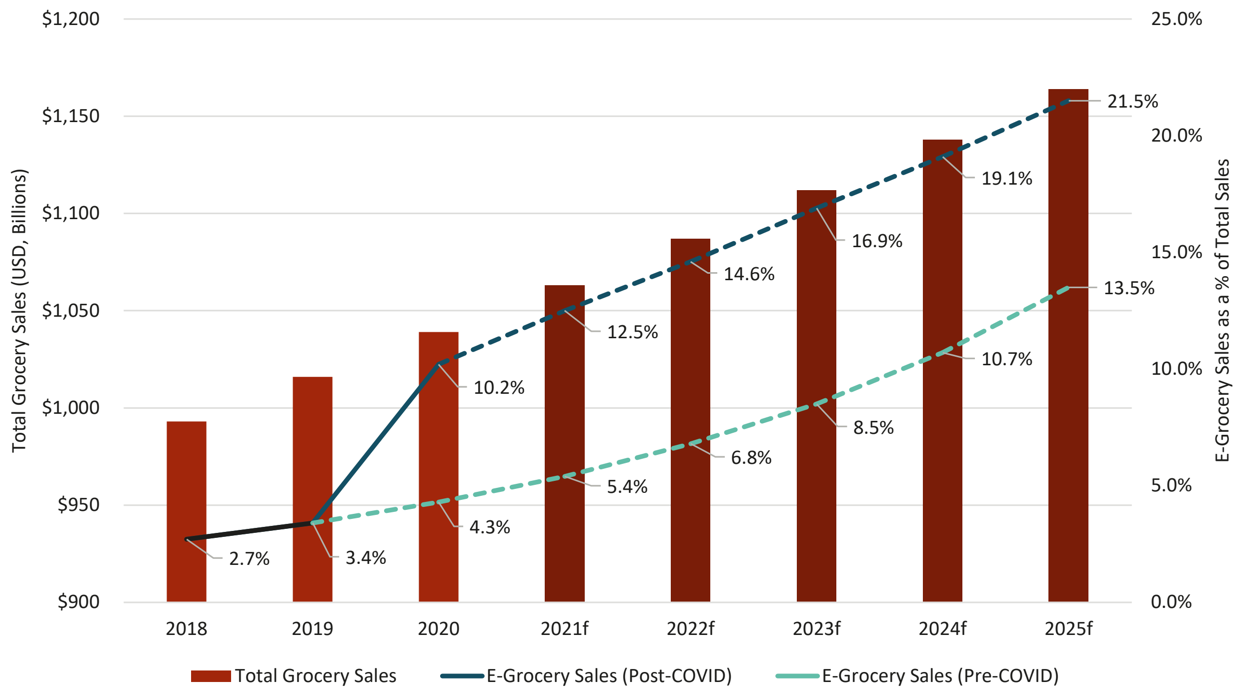
The pandemic has served as an accelerant to consumer e-commerce utilization and delivery time targets, a net positive for the industrial sector. With much of the population benefiting from high levels of stimulus-supported savings, ample job openings, and rising wages, consumer spending has been robust. Despite the recent rush for in-person retail experiences after lengthy stay-at-home orders, the boost that e-commerce received during the pandemic is expected to stick and translate to continued robust demand for all types of industrial facilities.

As consumers have become accustomed to quicker and quicker fulfillment, retailers have continued to focus on facilities that allow them to meet or exceed expectations by increasing their last-mile logistics exposure. Locating infill locations for last-mile distribution can be challenging, though with the pandemic wreaking havoc on some traditional retail formats, retail-to-distribution conversions may increase in the coming months as retail values decline below the rapidly rising value of warehouses.

The outlook is also strengthening for cold/cooler temperature-controlled facilities. E-commerce penetration in the grocery sector has permanently increased as many home-bound residents who were introduced to e-grocery platforms for their shopping needs during the pandemic have opted to continue usage, at least in some capacity, due to convenience. In fact, online penetration of total grocery sales is now forecast at double what had been expected pre-COVID, reaching 22% of all grocery sales by 2025 compared to a pre-COVID estimate of 13.5% (Figure 6).

FIGURE 6: Where E-Grocery Goes From Here

Online Grocery Sales Pre- and Post-COVID as a percent of Total Grocery Sales, 2018 – 2025f



Source: American Realty Advisors based on data from Mercatus and Incisiv as of October 2021. f=forecast.

OPPORTUNITIES

With the resilient structural tailwinds in the industrial sector, we believe the current environment has created opportunities for both core and value-add investment strategies over the next few years.

CYCLICAL

- **The Cold Storage Sector is Warming Up:** As the e-grocery base continues to grow, demand for cold storage warehouse product is expected to increase. However, at an average age of 40 years for assets in most markets, much of the existing cold storage stock is inadequate for today's distribution models. Due to a combination of functional obsolescence and a lack of existing cold storage product, we anticipate a strong appetite will emerge for new build-to-suit product in order to satisfy growing occupier demand. Since perishable items, such as grocery goods and vaccines, are sensitive to delivery timelines, large cities, and high in-migration markets (Austin and New York/ Northern New Jersey) may offer the greatest opportunity.

STRUCTURAL

- **E-Commerce Momentum Will Continue to Support Industrial:** The pandemic did not ignite the e-commerce trend, but only accelerated its adoption. With more consumers utilizing every form of e-commerce for daily necessities, grocery and food subscription, and discretionary shopping, all types of industrial assets (big-box distribution, last-mile logistics, and cold storage) will remain in high demand. Portfolios that construct an overweight position toward the sector will be better positioned to benefit from continued growth.

- **Retail-to-Warehouse Repositioning:** Transportation costs remain the largest supply chain expense for most warehouse occupiers. The cost savings created on the transportation side of the equation by infill warehouses closer to the rooftops allow firms to justify paying more rent for urban last-mile logistics, making the per-square-foot cost to acquire existing buildings more palatable given the demand outlook. Infill markets with high in-migration (Austin, Seattle, and South Florida) will have the strongest demand and offer robust rent growth.

Residential

OUTLOOK

Upheaval from the pandemic ushered in headlines of urban exodus and suburban revival, but although these theories hold some water, they do not accurately represent the more nuanced reality pre- or post-COVID-19. Renter demand had been diversifying beyond just the urban core as early as 2018 as the front end of the Millennial renter cohort sought more space and better school districts in conjunction with reaching major life milestones.

Offerings that were typically in greater availability in suburban locations became all the more compelling against an urban backdrop of strict lockdowns and smaller dwellings.

The structural lifestyle changes attracting Millennial demand out to the suburbs are likely to continue to support low-density for-rent prospects for years to come. Despite an openness to ownership, with for-sale values rapidly appreciating, interest rates poised to increase (albeit modestly), and still-burdensome student loan debts lingering, many Millennials have been priced out of homeownership. A natural alternative for this cohort has been institutional single-family rentals, as these properties offer larger living space and more bedrooms typical of a for-sale home but with the flexibility (and lower capital-on-hand requirement) of traditional apartments.

That's not to say the demand for urban apartments is expected to wane. In fact, as we had anticipated, pandemic-induced weakness in urban apartment fundamentals was relatively short lived, with demand surging back once vaccines were made readily available and cities' offerings reopened.

Nowhere is this perhaps more evident than in Manhattan, where, at the worst of the pandemic-induced retreat, the number of available apartments surpassed 40,000 — in the span of a year, vacancies dropped by more than 55% while asking rents had recovered to within 11% of pre-pandemic peak (Figure 7). This recovery is indicative of the revival many cities' downtown apartment markets have experienced over the last several months, suggesting cities remain attractive to employers and young professionals looking to make their mark.

OPPORTUNITIES

Despite COVID-19 creating uncertainty for many other property types, residential real estate largely held up and has come out the other side in an arguably stronger position than it entered the pandemic in. As a result, opportunities abound across the near- and longer-term investment horizons.

CYCLICAL

- **Suburban SFR:** With affordability and de-densification enticing more renters into the single-family rental space, demand for the asset class will outstrip supply. The cyclical supply-demand imbalance provides an opportunity to build single-family renter product in low-density areas. We favor high-growth/low-affordability markets like Austin and Seattle/Tacoma.

- **Urban Rent Rebound:** While many urban markets experienced rent depreciation during the pandemic, multifamily rents have come roaring back over the past 12 months, allowing landlords to recoup some of their lost revenue. We favor opportunities to substantially increase rents in market-rate units that still have pandemic-depressed rates.

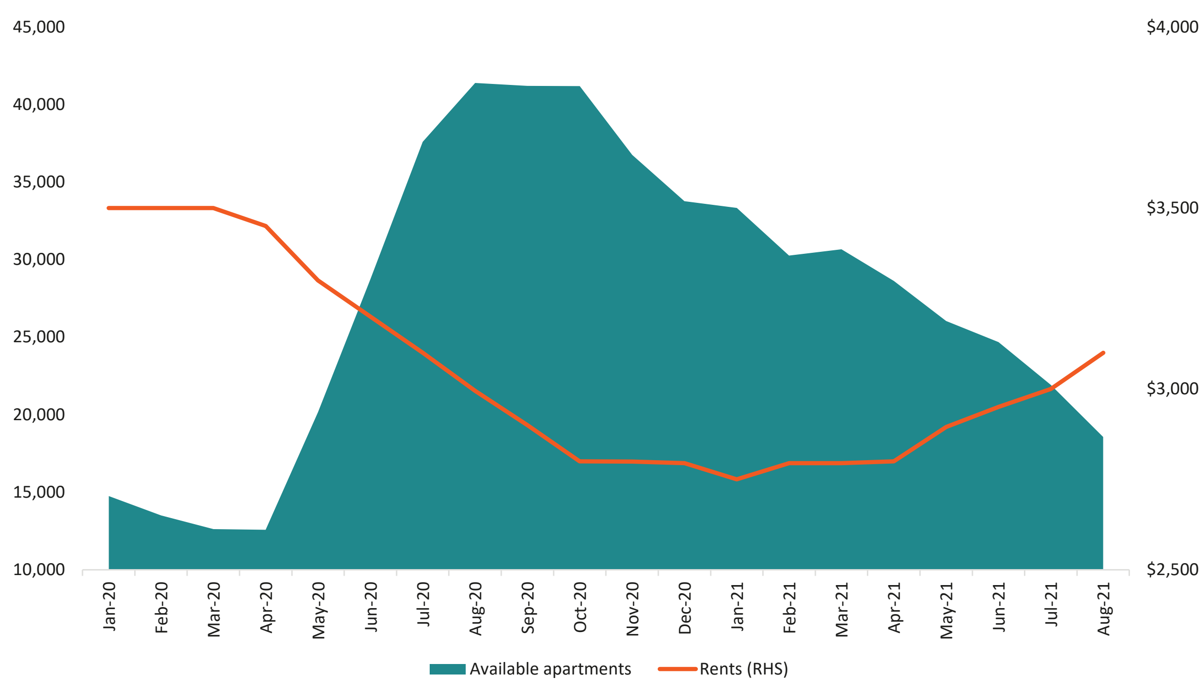
STRUCTURAL

- **Portfolio Diversification:** Renter preferences have created strong demand in both urban and suburban housing, we favor a targeted mix of high- and low-density residential properties in order to diversify portfolios and create the strongest potential for outperformance.

- **Pandemic Promoted Policy Changes:** As large markets across the nation enacted eviction moratoriums to varying degrees, some jurisdictions have attempted to pass more permanent legislation. Longer term, investors should consider reducing exposure to unfriendly markets.

FIGURE 7: Bright Lights Beckon Apartment Renters Back

Rental inventory and median asking rents, Manhattan, January 2020 – August 2021



Source: American Realty Advisors based on data from StreetEasy as of October 2021

Office

OUTLOOK

With nineteen months elapsing since the onset of the pandemic, investors and firms alike have shifted focus from work-from-home implementation to the future of office operations. Corporate psychology suggests that it takes three years to permanently change company culture. With many firms nearing the two-year anniversary of work-from-home, the possibility of a full return to business-as-usual office-only work is diminishing. While we do anticipate a reduction in overall office demand deriving from many companies embrace work-from-home flexibility, the demand impact will differ across markets as select metros are better suited for remote work than others. Labor force composition, reliance on public transit, and elevated exposure to certain industries are likely to factor into recovery trajectories across markets.

Despite the ever-evolving return-to-office backdrop, conditions for urban office have improved this year as companies have gradually called workers back to the office. With tenant activity progressively increasing in many major markets, total available sublease space is steadily recovering from pandemic-induced peaks (Figure 8).

Pairing improving demand with prospects for lessened supply both now and over the longer term (by virtue of office-to-multifamily conversions and headwinds to speculative office development), we expect office fundamentals should start to normalize by 2023. We anticipate the urban office recovery will continue between now and then — CBD should reign supreme as the center of gravity since market CBDs typically house a larger quantity of newer and higher-quality product capturing the greatest share of tenant demand. This bears out in the return stats: CBD office assets outperform suburban assets approximately 60% of the time by an average of 485 basis points.

OPPORTUNITIES

With the commencement of the urban office recovery, we believe the space offers select opportunities for core and value-add strategies to play the cyclical recovery and orient towards structural strong spots.

CYCLICAL

- **Capitalize on CBD Rebound:** As office fundamentals start to normalize, investors who hold or buy CBD office product in the interim will be best positioned to benefit from the rent (and potential valuation) rebound in 2023 and beyond.

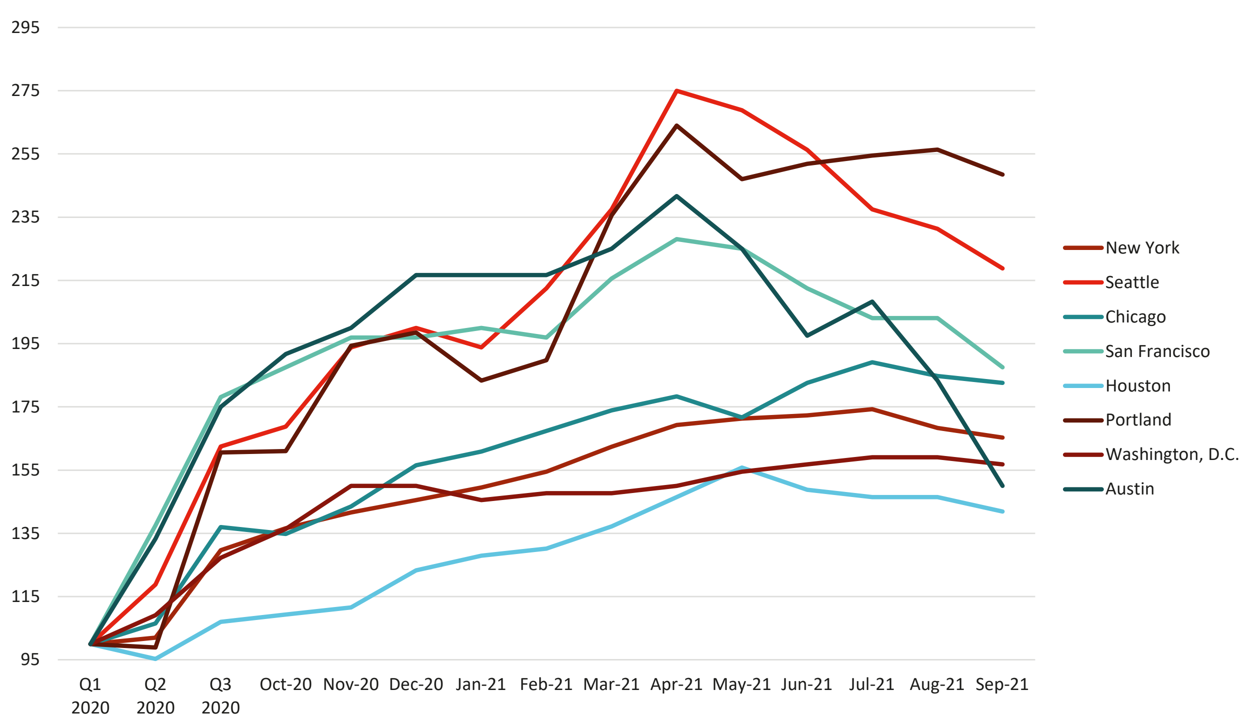
STRUCTURAL

- **Location, Location, Location:** Though the pandemic has brought interest in suburban office to the forefront, the spoke-and-wheel story is not as compelling as urban office on a total-returns basis. Over the longer term we favor office products in CBD locations supported by strong employment growth fundamentals, such as Charlotte, Boston, and Raleigh.

- **The Embodiment of Health and Wellness:** The pandemic has highlighted the necessity of best-in-class sanitation methods in office buildings. Couple wellness with the global focus on environmental issues and carbon footprint reduction and these evolving tenant preferences will serve as a distinguisher between in demand and obsolete buildings. We favor holding office assets that have achieved environmental certifications, as these requirements will capture the lion's share of demand.

FIGURE 8: Total Sublease Space Recovery

Total Available Sublease Space Indexed – Q1 2020 – September 2021 (Q1 2020 = 100)



Source: American Realty Advisors based on data from CoStar as of October 2021

Retail

OUTLOOK

Widespread access to COVID-19 vaccines has allowed consumers to come roaring back after a year cooped up at home. Craving traditional in-person retail experiences, consumers have “revenge spent” across non-essential categories, pushing sales closer to their pre-pandemic levels. Despite this strong rebound, spending in more experiential categories is still roughly 10% below pre-crisis levels, indicating there remains a ways to go before sales in these segments return to normal, which, even under pre-pandemic conditions were not all that compelling (Figure 9).

While the boost to traditional retail is a welcome reprieve for owners, the sector will continue to experience the same structural headwinds it was facing pre-pandemic, including the erosive effects of e-commerce and chronic oversupply. Data from CoStar suggests the sector would need to shed up to 1.1 billion square feet to achieve a healthy sales-per-square-foot equilibrium. These structural headwinds have created a performance bifurcation between retailers with more essential product offerings and those whose shopping experiences can be easily replicated online.

As the spread between over- and under-performers continues to widen, investors are eager to insulate their retail portfolios from demand weakness. This is where necessity retail comes into play, as spending at essential suppliers, like grocery stores, remained consistent throughout the pandemic, due in part to a stickier in-person customer base. Thus, we believe retail centers are better poised for outperformance if they have a strong grocery anchor, since the necessity-fostered foot traffic provides surrounding retailers with higher odds for consumer visits. Portfolios whose retail exposure is more heavily weighted toward grocery-anchored centers will benefit from the long-term durability of necessity retail.

OPPORTUNITIES

We believe that the fast-paced structural changes in the retail sector provide opportunities for investors who utilize insightful strategy and transformative innovation.

CYCLICAL

- **Sell at the Top of the Spending Recovery:** Pent-up demand and revenge spending have created a strong retail recovery — conditions not seen in the retail space in many years. We favor opportunities to sell non-strategic retail amidst robust visitor rebound.

STRUCTURAL

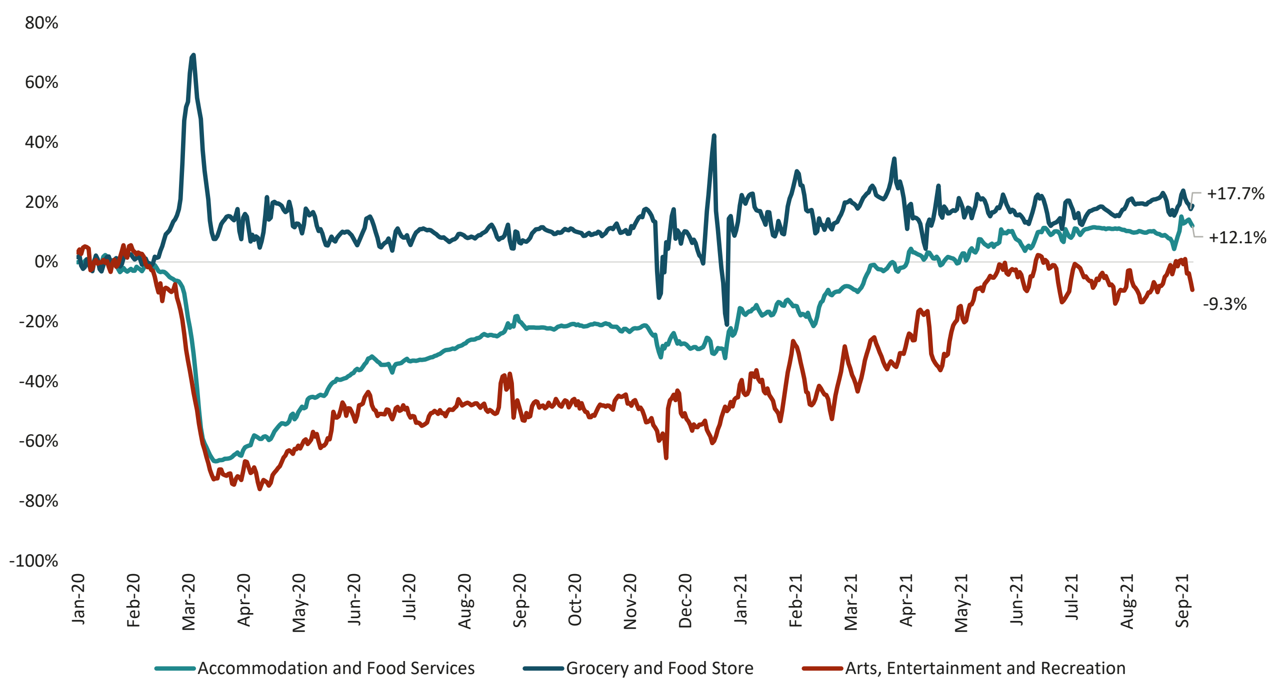
- **Reduce Exposure to Non-Necessity:** The pandemic served up a one-two punch to already struggling discretionary retail.

  With non-necessity shopping so easily replicated online, the fundamental outlook for these retailers has weakened. We favor opportunities to reduce exposure to discretionary-focused centers, in favor of grocery-anchored facilities.

- **Reposition Under-Utilized Retail:** As select retailers assess their space needs amidst the changing retail landscape, investors are met with opportunities to reimagine vacant space in new and innovative ways. We favor repositioning to last-mile logistics in virtually every major market, though dense population centers like LA, New York, and the Bay Area offer the greatest and most favorable supply-demand imbalance.

FIGURE 9: Consumer Spending: Ongoing Discretionary Spending Recovery

Retail, grocery, and entertainment/recreation spending, relative to January 2020 baseline



Source: American Realty Advisors based on data from Opportunity Insights and Affinity as of October 2021

Conclusion

With the Second Quarter of 2021 marking the return to pre-pandemic GDP levels, the U.S. moved from early recovery to full-on expansion. GDP growth is likely to have already peaked, inventory levels are gradually on the mend, and the potential is there for Fed policy to move nearer towards neutral (which by historic standards is still skewed towards the accommodative). It certainly feels like the makings of another lengthy, but generally lower-growth era. The good news is that this type of macroeconomic backdrop served the real estate asset class well before, and with fundamentals in generally better shape than they were at this same point during the last cycle, there is all the more reason for real estate investors to feel optimistic about return prospects going forward.

That's not to say the environment is wholly without risk. Persistently above-target inflation remains a concern, though a myriad of structural factors (demographic, technologic, and policy-related) seems to argue against above-average inflation materializing beyond the near term (for more details, see our piece "The Case For (and Against) Stronger, Longer-Term Inflation" August 2021). Once the inflation genie has been safely returned to its lamp, the focus will surely turn towards other macro risk factors on the environmental, societal, and geopolitical fronts — all areas we are actively engaged in addressing or mitigating against today, even as attention has been temporarily focused elsewhere.

For real estate, sectors, markets, and assets seem poised to fall on one side of the divides or the other: disruptor or disrupted, haves or have nots, winners or losers. Yet opportunities needn't only come from column A; rather, we recommend following the guidance of structural convictions while maintaining the tactical flexibility to pursue opportunities with value creation upside that can make the longer-term path more interesting.

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