

INCANS[®] T200 Report

Tenant Income Risk Scores & Projected Default Rates

Q1 2023

NORTH AMERICA – U.S. & Canada

Key Highlights

Office tenants have remained stable at above average levels for the last 12 months. Office tenants rank as the second strongest sector based in INCANS scores, with an average INCANS[®] Score of 83. The sector is still yet to fully recover from the pandemic, occupiers and investors both continue to exercise a high level of caution regarding their office portfolios. However, demand for high quality office stock continues to be a strong focus for tenant and investor.

The hospitality continues to show the most volatility. Pubs & restaurants has one of the highest probabilities of default. The sub-sector has an average INCANS[®] Score of 73, significantly below the NA average INCANS[®] score of 80.

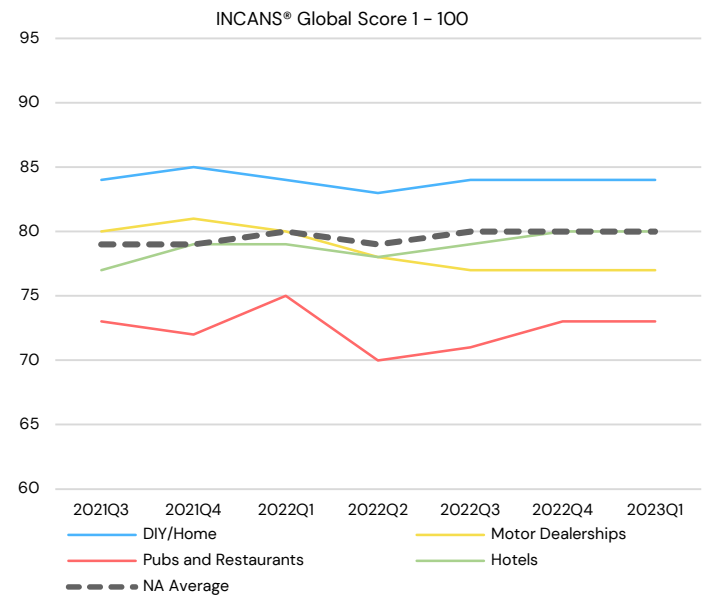
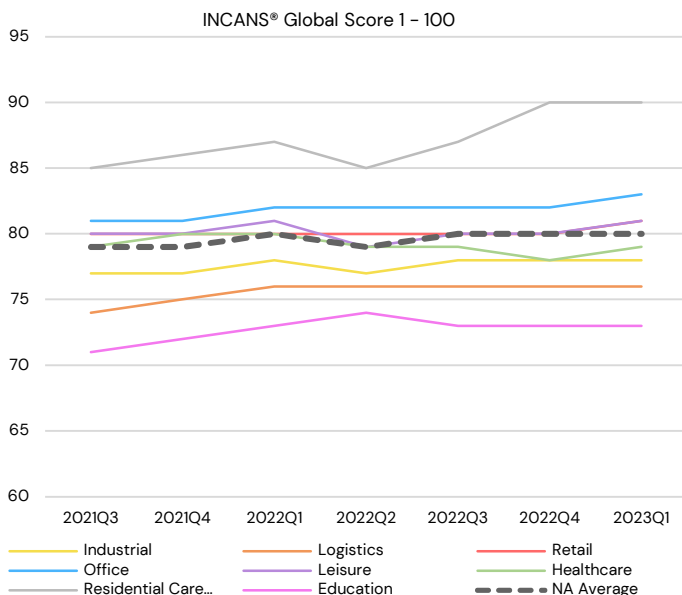
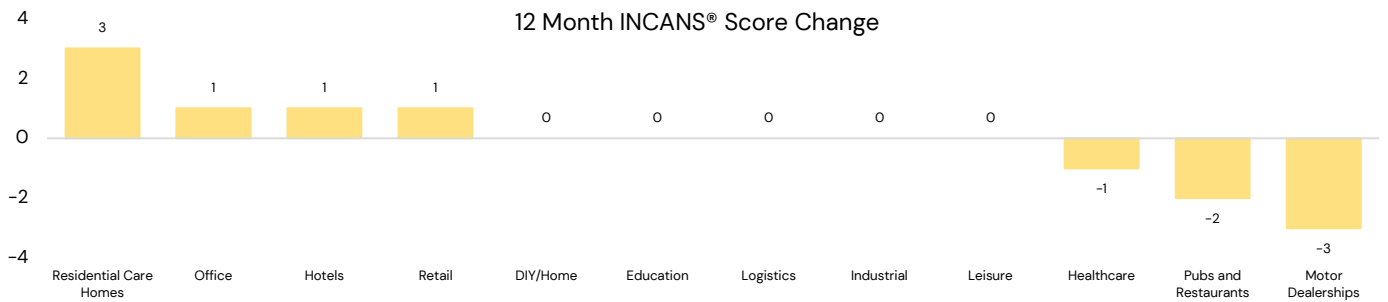
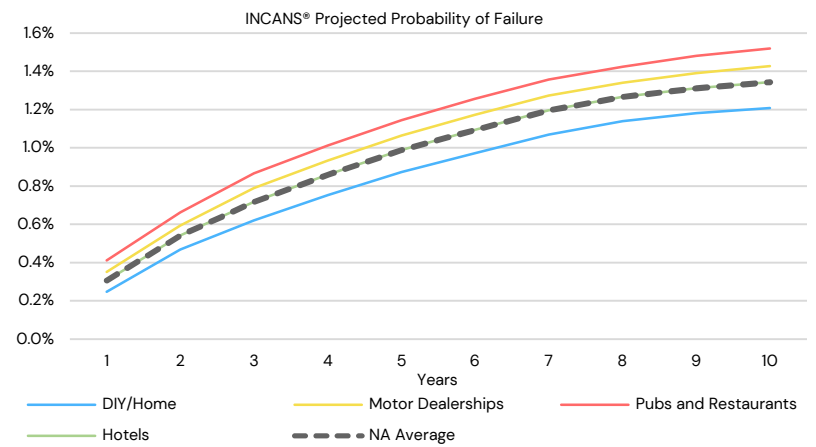
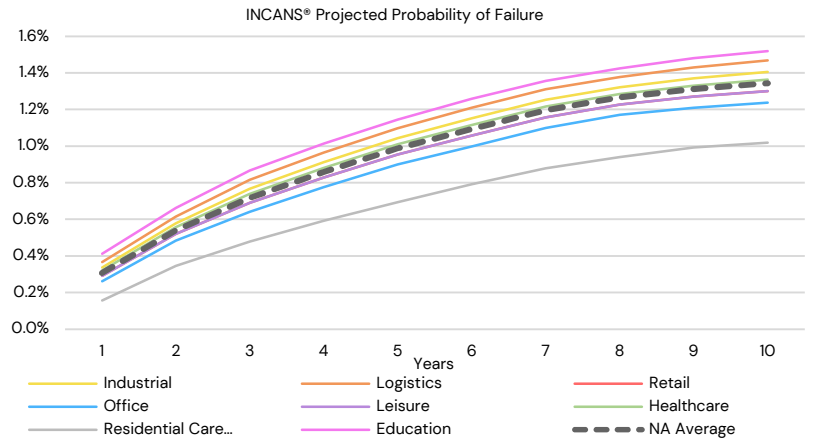
The Motor Dealership sector fails to rise above average levels. For the last nine months this sector has remained below the NA average INCANS[®] score of 80, falling 3 points over the last 12 months.

The INCANS[®] T200 series of reports have been developed by Income Analytics using company level data provided by Dun & Bradstreet. The figures are calculated at the end of each quarter by generating an average % probability of failure for the top 200 companies in each of the 83 x SIC 2 industry code type across a particular country or geographic region.

INCANS® Global Score by Property Type

Sector	Quarterly Score 1 - 100
Residential Care Homes	90
Office	83
Retail	81
Leisure	81
NA Average	80
Healthcare	79
Industrial	78
Logistics	76
Education	73

Sub Sector	Quarterly Score 1 - 100
DIY/Home	84
NA Average	80
Hotels	80
Motor Dealerships	77
Pubs and Restaurants	73



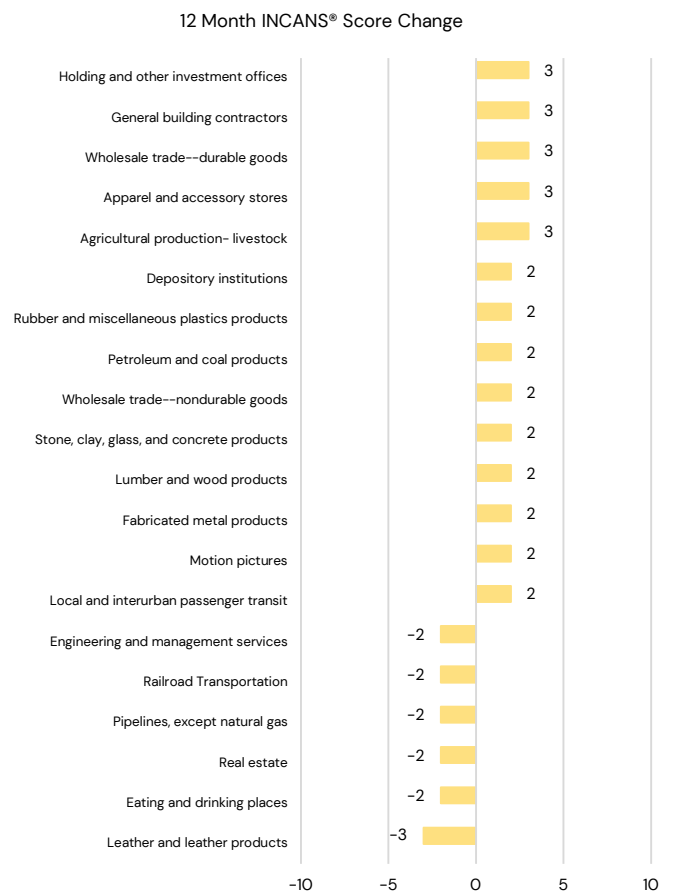
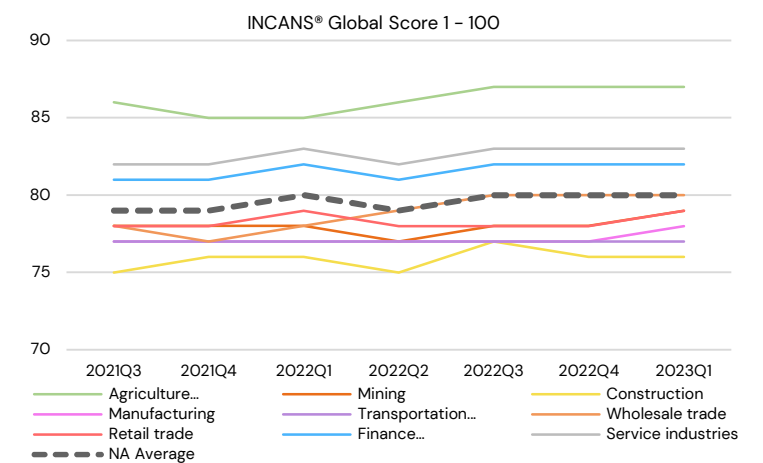
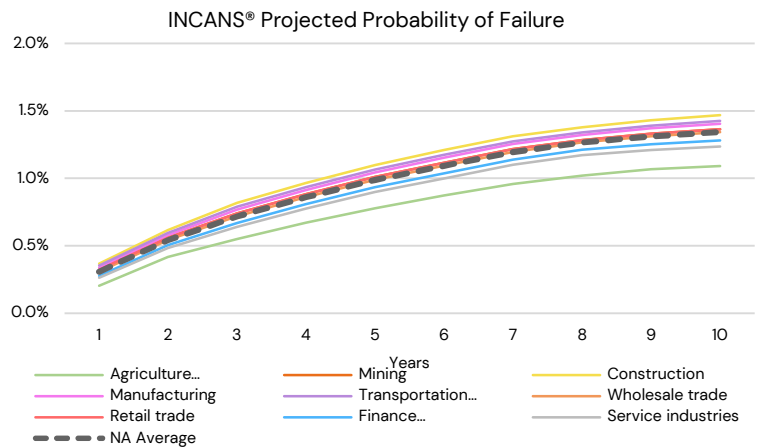
INCANS® Global Score by Industry Type

Industry Type	Quarterly Score 1 - 100
Agriculture, forestry, and fishing	87
Service industries	83
Finance, insurance, and real estate	82
Wholesale trade	80
Retail trade	79
Mining	79
Manufacturing	78
Transportation, communications, and utilities	77
Construction	76

Industry Type	12 Month Score Change
Agriculture, forestry, and fishing	2
Wholesale trade	2
Manufacturing	1
Mining	1
Construction	0
Transportation, communications, and utilities	0
Retail trade	0
Service industries	0
Finance, insurance, and real estate	0

Top SIC2 Industry Averages	INCANS® Score
Legal services	90
Museums, art galleries, botanical & zoological gardens	90
Agricultural production- livestock	89
Metal mining	88
Fishing, hunting, and trapping	88
Building materials, hardware, garden supply, & mobile home	88
Agricultural production- crops	87
Depository institutions	86
Lumber and wood products	86
Non-metallic minerals, except fuels	85

Bottom SIC2 Industry Averages	INCANS® Score
Transportation services	71
Educational services	72
Leather and leather products	73
Pipelines, except natural gas	73
Oil and gas extraction	73
Transportation equipment	73
Eating and drinking places	73
Apparel and accessory stores	74
Tobacco manufactures	74
Railroad Transportation	74



INCANS® Top 200 Methodology

What is the INCANS® Tenant Global Score?

The INCANS® Tenant Global Score is a normalised international cross border score that predicts the likelihood that a company will seek credit relief or worse, go out of business within the next 12 months. The scale is based on the historical default data from every company over recent history. A higher score indicates a lower probability of failure or default. It can be interpreted as the rough percentile the company sits in against all global companies in terms of their failure risk over all of modern history. e.g. 100/100 means that the company is broadly in the top 1% of all global companies that have existed over modern history. A score today in any country is comparable in risk level with the same score at any point in time in any other country.

Methodology

- PARTITION** Split the entire D&B universe of 500m+ companies into global regions: UK, Western Europe, North America, and Eastern Europe.
- CORPORATE GROUP** Group the companies into their corporate group – taking the highest parent company in each region. (Note that multiple parent branches may exist in the event that the global parent is outside of the region.)
- CONSOLIDATE REVENUES** Calculate the consolidated total revenue for each parent together with all of its subsidiaries.
- INDUSTRY CLASSIFICATION** Define industry type using a globally standardised SIC system based around the US 1987 SIC classification system. Take the SIC of the parent company of each corporate group and identify the top 200 corporate groups by revenue in each of the 83 x SIC 2 industry 4 sectors in each region.
- CLEAN & RECLASSIFY** Remove any companies which are currently unscored (e.g. for regulatory reasons), and assign any companies in general SIC groups (e.g. Holding Companies) into their primary business activity classification.
- CREATE AVERAGES & AGGREGATES** Create averages for each of the 83 x SIC 2 Industry sectors, and aggregate these into the main 10 x Industry Groups (SIC 1). Assign the industry SIC 2 codes to relevant Real Estate Sectors, and create custom-defined Subsectors to produce scores for likely occupiers of each type of assets.

Disclaimer

The Scores and Ratings included in this report are designed as a tool to help real estate professionals make their own investment related decisions, and should be used as part of a balanced and complete assessment relying on the knowledge and expertise of the user, and where appropriate on other information sources.

The Score and Rating models are developed using statistical analysis in order to generate a prediction of future events. Income Analytics predictive models use data provided by Dun & Bradstreet ("D&B").

D&B monitors the performance of thousands of businesses for at least 12 months in order to identify characteristics common to specific business events. These characteristics are weighted by significance to form rules within the models that identify other businesses with similar characteristics and provide a Score and Rating.

Like all forward looking predictions, Income Analytics Scores & Ratings are not a statement of what will happen, but an indication of what is more likely to happen based on previous experience using base data provided by D&B.

Whilst Income Analytics uses extensive procedures to maintain the quality of the information we hold, we cannot guarantee that it is always accurate, complete or up to date, and this may affect the Scores & Rating we publish.

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