Dear Fellow Shareholders:

In last year's annual letter, I pointed out (or complained) that at a 12x multiple, Alpine Income Property Trust was one of the cheapest net lease REITs in the market. As of this writing, we are even cheaper at a 10x multiple! You would think that disaster struck; however, Alpine was actually one of the best performing net lease REITs in 2022.

PINE's total shareholder return was second best among net lease REITs in its retail-focused peer group, and it was 11th best in the entire REIT sector. PINE's outperformance for shareholders generated a positive return of 0.6%, which was significantly better than the (24.3%) loss the REIT-focused RMZ index delivered, and the negative (18.1%) total return generated by the S&P 500 index. So maybe cheaply valued, higher yielding net lease REITs aren't so bad after all.

Why did Alpine outperform last year? Well, as they say, "Don't fight the Fed." When it was crystal clear that the Fed was going to hike rates like there was no tomorrow, we got out of the way by aggressively selling our non-investment grade, lower cap rate assets, and redeploying proceeds into higher yielding, mostly investment grade-rated tenants. I think the market appreciated the quick asset recycling approach in response to the rapidly changing landscape.

Given that higher interest rates are supposed to be kryptonite to REITs, one of our long-term institutional investors told me recently he is just looking for a place to hide. I can't imagine a better place to hide from higher interest rates than Alpine Income Property Trust. At $16.13 per share price as of today's writing, PINE now has a well-covered current dividend yield of 6.8%, which is almost double the yield of the 10-year Treasury. This attractive yield is supported by a high-quality portfolio of more than 50% investment grade-rated tenants with a market valuation reflecting a very large discount to replacement cost.

Having a well-covered, high dividend yield provides a buffer to higher interest rates that fixed income bonds do not. Having a low valuation basis protects our investors from further inflation, as inflation makes it very difficult for tenants to relocate to new locations because increasing construction costs and land values make the new development rent much higher than existing rents.

Our investments team, led by Steven Greathouse, was very active last year selling largely non-investment grade, low cap rate assets ($155 million sold at an exit cap of 6.5% for gains of $34 million) and recycling the proceeds into high-quality, investment grade-rated tenants at accretive cap rates ($187 million acquired at a 7.1% cash cap rate, of which 77% were leased to investment grade-rated tenants). We intend to continue this strategy in 2023 as we look to continually improve our portfolio without taking outsized exposure to the capital markets.

It should be noted that cap rates have not risen as much as interest rates. This may be due to the fact that net lease real estate not only offers a higher yield than treasuries, but also provides tax depreciation that enhances an investor's after-tax return. Additionally, the assets usually require minimal operational involvement and provide a hedge against inflation as land and construction costs escalate with inflation. Alternative investments to net lease such as fixed income bonds and equities weren't a pretty picture last year, so we're hopeful that PINE investors will continue to be rewarded this year for their support.

Our CFO, Matt Partridge, was very effective in getting our balance sheet to a position of strength. He expanded our credit facility from $150 million to $250 million and extended the maturity out to January 2027, eliminating any debt maturities until 2026. We also grew the company by issuing approximately $36 million of new shares at close to $19.00 per share, improving the stock's accessibility and liquidity.

Matt also brought in new research coverage and additional lenders into our bank group (can't have enough banks these days!), so we believe we are well equipped to move PINE forward.

Let's compare our execution in 2022 and where we are now versus this time last year:

	2022	**2021**
Acquisitions:	$187 million	$260 million
Cash Cap Rate:	7.1%	6.8%
Investment Grade Tenant Exposure:	54%	45%
Largest Tenant:	Walgreens	Wells Fargo
Portfolio Market Value PSF:	$149	$157
Stock Price:	$16.13	$18.74
Annualized Dividend Yield:	6.8%	5.8%
AFFO Payout Ratio:	71%	70%
Net Debt-to-Total Enterprise Value:	47%	50%
Net Debt-to-Pro Forma EBITDA:	7.1x	8.1x
PINE Total Shareholder Return:	**0.6%**	**41.2%**
S&P index Total Return:	(18.1%)	28.7%
RMZ Index Total Return:	(24.3%)	43.1%

So, if cheaper valuation, higher yield, lower leverage, stronger credit, and more retained cash flow is your cup of tea – then drink up!

And finally, we want to thank our dedicated Board of Directors and incredible team for helping us navigate the waters of the ever-changing markets and we look forward to executing on our strategy which we hope will deliver another strong year of performance for our shareholders.

John P. Albright
President and
Chief Executive Officer