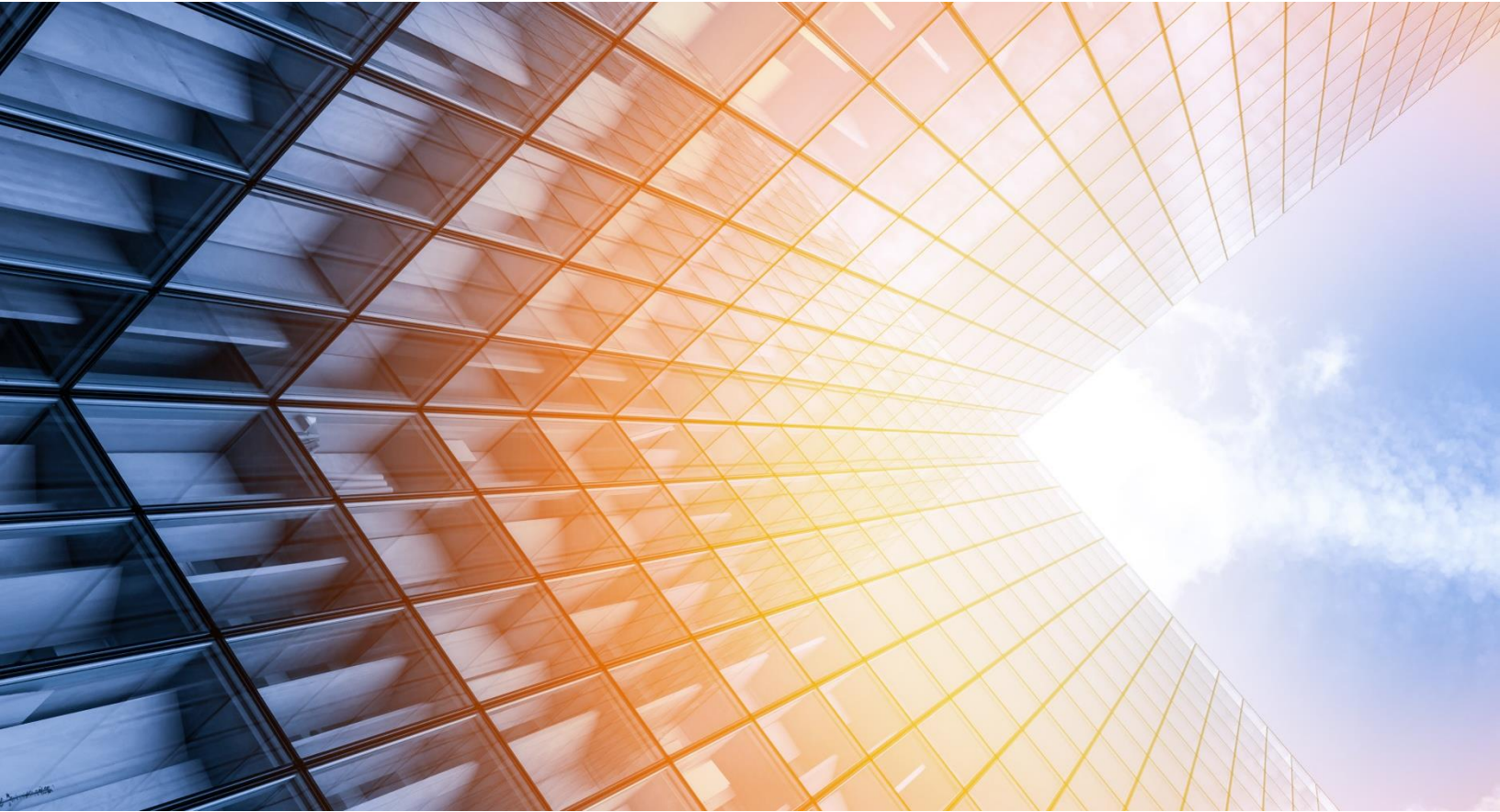




Q2 | 2023



The REIT Cap Rate Perspective

Anticipating Private Market Price Discovery

CenterSquare's REIT Cap Rate Perspective seeks to quantify the valuation gap between public and private markets, offering investors insights as to the possible future direction of real estate values through our proprietary REIT implied cap rate results across sectors.

Anticipating Private Market Price Discovery

The lack of price discovery in the private real estate market has persisted longer than expected, in large part due to the credit crunch that began in March. Access to debt capital remains constrained and, where available, that debt is coming at a steeper price tag. As market participants begin to accept that higher interest rates are "the new normal" for the foreseeable future, real estate valuations should reprice based on this new debt cost reality. While this repricing happened swiftly in the REIT market, it has been slow to occur in the private markets where transaction activity came to a screeching halt earlier this year. However, we anticipate a change in the coming months as enough transactions occur for appraisers to reference and, more importantly, an historic level of real estate loans come due and are refinanced at valuations that capture this shifting valuation landscape.

With the public market moving past the impact of rising rates, it is now focused on the anticipated recession and the impact on growth expectations across real estate sectors. Looking at the changes in REIT implied cap rates over the last quarter, there are two alternative sectors where markets are anticipating strong underlying performance in the face of an economic recession. The single-family rental (SFR) and data center sectors saw cap rates compress in the last quarter while the rest of the REIT market continued to see cap rate expansion.

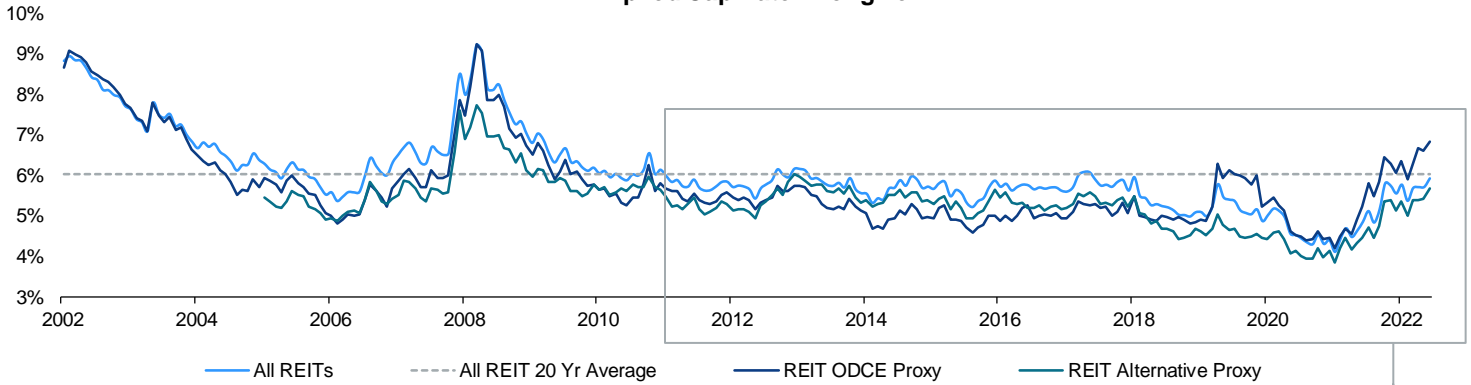
Across the SFR sector, rent growth remains strong as a structural undersupply of single-family housing is being met with the increasing demand from the aging millennial cohort. This dynamic is further exacerbated by home ownership remaining unaffordable as home prices and mortgage rates remain well above pre-COVID levels, keeping renters in place for longer terms. Data centers, meanwhile, are experiencing the benefits of demand associated with 1) corporations/governments ramping up data storage requirements, 2) cloud providers continually investing in data center operations, and 3) growth in artificial intelligence, which requires significantly more computing power. Elsewhere, the REIT market is pointing to more pain for the office market, including life science lab space where muted leasing demand and concerns of oversupply are hampering growth expectations.

We expect these shifting sector dynamics to manifest in the private market as well. While there will be the typical lag between public and private market movement, we are rapidly approaching a stark realization for private valuations, setting up an interesting second half of 2023.

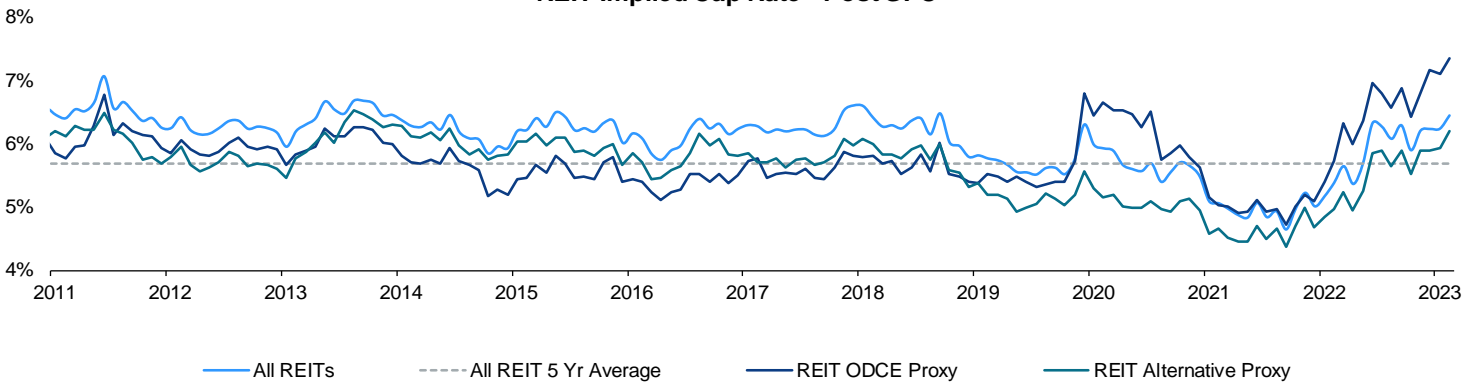
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The Data

REIT Implied Cap Rate - Long Term



REIT Implied Cap Rate - Post GFC



Sector	REIT Implied Cap Rate	3 Mo. Change (bps)	12 Mo. Change (bps)	5 Yr Avg Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Apartment	5.94%	19	155	4.78%	5.15%	(13.3%)
Industrial	3.85%	3	24	3.92%	4.21%	9.3%
Office	8.75%	92	250	6.18%	6.39%	(27.0%)
Retail	7.63%	69	119	6.65%	7.00%	(8.3%)
Hotel	7.70%	47	273	6.49%	6.30%	(18.2%)
REIT ODCE Proxy	6.86%	56	162	5.33%	5.67%	(17.3%)
Life Sci	7.26%	144	235	4.66%	5.30%	(27.0%)
Healthcare	7.28%	59	161	6.05%	6.33%	(13.1%)
Single Family Rentals	5.18%	(29)	78	4.64%	4.74%	(8.4%)
Manufactured Housing / RVs	4.86%	28	85	3.86%	4.80%	(1.3%)
Towers	5.48%	51	159	4.21%	4.60%	(16.0%)
Data Centers	5.19%	(10)	42	4.99%	5.53%	6.6%
Self Storage	5.49%	5	100	5.92%	5.08%	(7.3%)
REIT Alternative Proxy	5.71%	32	124	4.73%	5.21%	(8.7%)
All REITs	5.96%	24	107	5.89%	5.46%	(8.3%)

Source: CenterSquare Investment Management, REIT Company reports. "All REITs" refers to CenterSquare's U.S. REIT coverage universe (defined on page 4). Data presented above is based on financials reported by companies within CenterSquare's REIT coverage universe during June 2023. All periods presented are ending June 2023 (i.e. 3 month change represents the change from financials reported in March 2023 to June 2023). REIT Implied cap rates are generated by a proprietary calculation that divides a company's reported net operating income ("NOI") adjusted for non-recurring items by the value of its equity and debt less the value of non-income producing assets. See full disclosures on page 4 for more information on calculation methodologies and stock universe used. See important disclosures at the end of this presentation.

CenterSquare REIT Cap Rate Perspective Methodology

CenterSquare REIT Implied Cap Rates are based on a proprietary calculation that divides a company's reporting net operating income ("NOI") adjusted for non-recurring items by the value of its equity and debt less the value of non-income producing assets. The figures above are based on Q2 2023 earnings reported in June 2023.

The universe of stocks used to aggregate the data presented is based on CenterSquare's coverage universe of approximately 200 U.S. listed real estate companies. Sector cap rates are market cap weighted. Sectors and market classifications are defined by the following:

Apartment: REITs that own and manage multifamily residential rental properties; Industrial: REITs that own and manage industrial facilities (i.e. warehouses, distribution centers); Office – REITs that own and manage commercial office properties; Retail – REITs that own and manage retail properties (i.e. malls, shopping centers); Hotel – REITs that own and manage lodging properties; Healthcare – REITs that own properties used by healthcare service tenants (i.e. hospitals, medical office buildings); Gateway – REITs with portfolios primarily in the Boston, Chicago, LA, NYC, SF, and DC markets; Non-Gateway – REITs without a presence in the gateway markets.

The REIT ODCE Proxy is a universe of REIT stocks built to resemble the NCREIF Fund Index – Open End Diversified Core Equity (ODCE). The ODCE, short for NCREIF Fund Index - Open End Diversified Core Equity, is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of 36 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The REIT ODCE Proxy is proprietary to CenterSquare and uses gateway/infill names in apartments, retail, industrial and office, and then weights them according to the ODCE index to create a proxy.

Private Market Cap Rates represent the cap rate achievable in the private market for the property portfolio owned by each company, and are based on estimates produced by CenterSquare's investment team informed by various market sources including broker estimates.

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interest rates and credit quality requirements will also affect the cash flow of real estate companies and their ability to meet capital needs.

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Definition of Indices

FTSE Nareit All Equity REITs Index "FNER"

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

This benchmark is a broad-based index which is used for illustrative purposes only. The investment activities and performance of an actual portfolio may be considerably more volatile than these indices and may have material differences from the performance of any of this index.

A direct investment in an index is not possible.

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Founded in 1987, CenterSquare Investment Management is an independent, employee-owned real asset manager focused on listed real estate, private real estate equity and private real estate debt investments. As a trusted fiduciary, our success is firmly rooted in aligning our interests with those of our clients, partners and employees. CenterSquare is headquartered in suburban Philadelphia, with offices in New York, Los Angeles, London and Singapore. With approximately \$13 billion in assets under management (April 30, 2023), our firm and subsidiaries are proud to manage investments on behalf of some of the world's most well-known institutional and private investors.

For a copy of CenterSquare's full REIT Cap Rate Perspective report, or to learn more about our strategies, please contact:

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