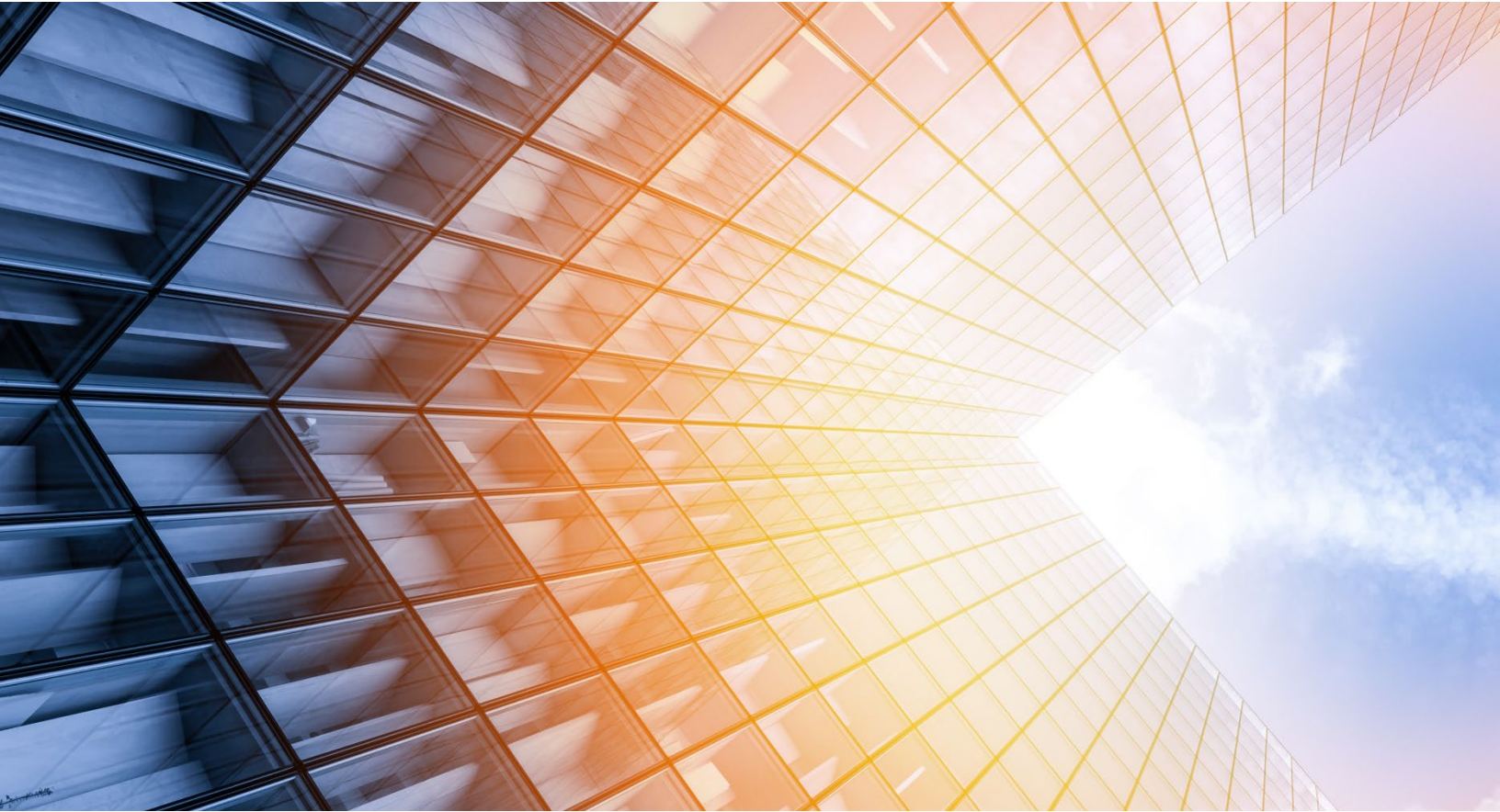




Q2 | 2024



The REIT Cap Rate Perspective

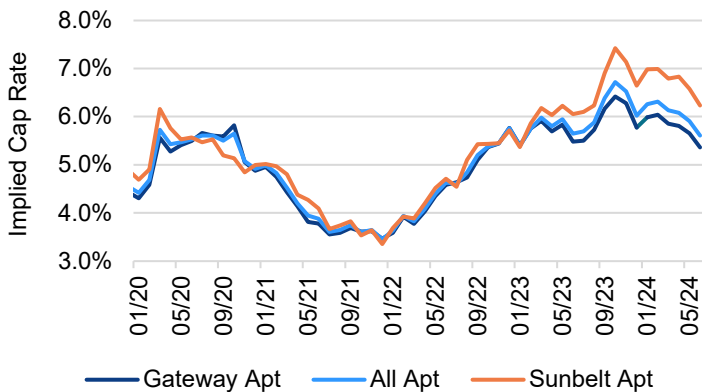
The Road to Price Discovery

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

The Road to Price Discovery

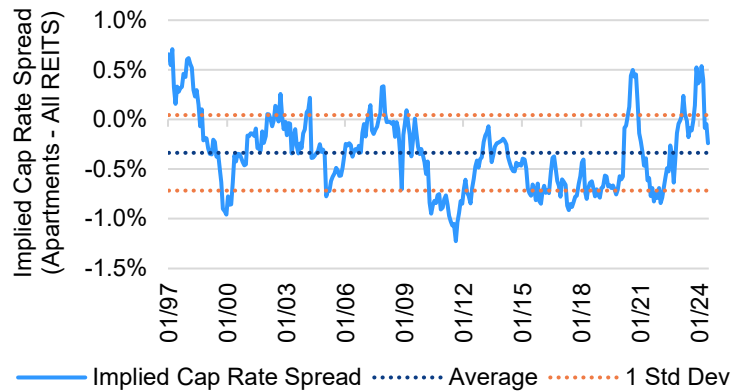
Overall, REITs remained relatively rangebound throughout the second quarter as uncertainty continued surrounding the Federal Reserve's victory in its fight against inflation and, in turn, its ability to start easing monetary policy. As a function, implied cap rates for the REIT market saw little change. However, one core property type demonstrated significant strength in the quarter—apartments. Worries about the pending wall of supply for apartments coming in 2024 and 2025, particularly in the Sunbelt region, had heavily weighed on the sector's performance last year, bringing implied cap rates across the sector to 6.7% in October of 2023, with Sunbelt apartments trading at a 7.4% cap rate at that time. Relative to all REITs, apartments have historically traded at a premium. But at a 7.4% implied cap rate, the sector was trading at a relative discount seen only twice since we began collecting data in the late 1990s.

Historical Apartment Implied Cap Rates



Source: CenterSquare, as of June 30, 2024.

Historical Implied Cap Rate Spread Between Apartments and REITs



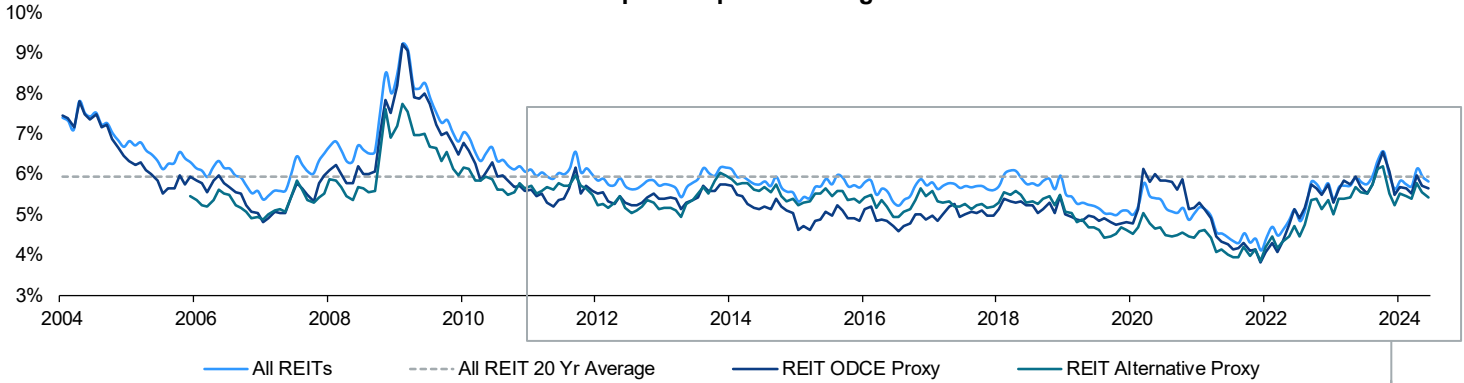
Source: CenterSquare, as of June 30, 2024.

Meanwhile, the sector has remained a conviction buy for many investors across private markets, where core multifamily assets are still being appraised at a 4.25% cap rate per the latest ODCE data. The resulting valuation discount offered by public REITs did not go unnoticed for long as the sector became a target for acquisitions, with Blackstone's all-cash offer to take private Air Communities (AIRC) at a 25% premium to its stock price at the time. This likely represented a 5.25-5.50% in-place cap rate for Blackstone. Not only was this deal notable for its size (at ~\$9.5b, it represents one of the largest U.S. apartment REIT privatizations in history), but it signaled that the public markets were meaningfully undervaluing the sector. This undervaluation was due to concerns surrounding short-term supply softness despite the sector's strong long-term fundamentals, as the country remains significantly undersupplied in housing. Additionally, KKR's recent ~\$2.1b acquisition of an 18-property portfolio from a subsidiary of Lennar (Quarterra Multifamily) for an estimated 5.1% cap rate provided further data for the market looking for price discovery. It has become increasingly evident that a significant bid exists for multifamily across the private market, providing a floor for apartment valuations in the public market. As a function, we have seen the apartment sector meaningfully outperform the REIT market as cap rates across the sector compressed over 50bps during the last quarter.

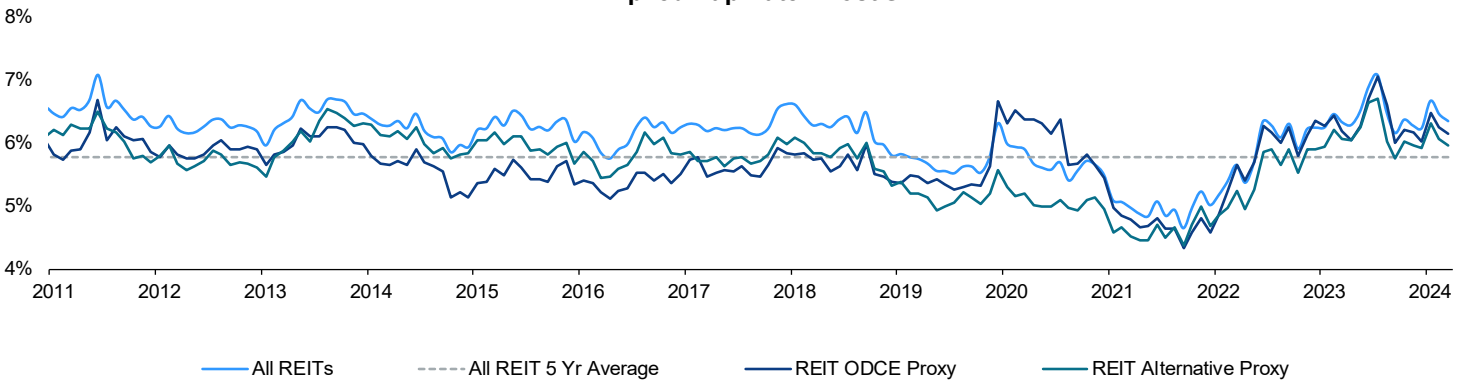
While the REIT market tends to overreact to market dynamics, it remains a guidepost for the direction in which valuations trend in the substantially lagging private transaction market. While the near-7% cap rates were too discounted in the public markets, the current 4.25% appraisal cap rates will prove to be too expensive, and values will likely settle somewhere in the middle. With buyers and sellers seemingly coming back to the table at 5.0-5.5% cap rates so far this year, the sector might be nearing price discovery in the private market.

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	5.61%	(53)	(4)	5.03%	5.34%	(4.7%)
Industrial	4.53%	65	63	3.82%	4.63%	2.2%
Office	8.01%	16	(50)	6.76%	6.99%	(12.8%)
Retail	6.80%	10	(41)	6.86%	7.19%	5.8%
Hotel	7.13%	50	(53)	6.59%	6.06%	(15.0%)
REIT ODCE Proxy	5.65%	13	(4)	5.22%	5.52%	(2.3%)
Life Sci	6.79%	27	(47)	5.16%	5.50%	(18.9%)
Healthcare	6.87%	(45)	(22)	6.30%	6.74%	(1.9%)
Single Family Rentals	5.08%	(2)	(1)	4.70%	4.84%	(4.7%)
Manufactured Housing / RVs	5.01%	17	30	4.03%	5.13%	2.5%
Towers	5.23%	30	(11)	4.31%	4.59%	(12.2%)
Data Centers	4.76%	19	(18)	4.78%	5.48%	15.2%
Self Storage	5.35%	(18)	(2)	6.10%	5.29%	(1.2%)
REIT Alternative Proxy	5.45%	4	(11)	4.84%	5.45%	0.0%
All REITs	5.85%	11	2	6.08%	5.66%	(3.2%)

Note: The ODCE sector weights have been re-adjusted in alignment with the latest ODCE data, as sector weights continue to shift.
 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 March 2024. All periods presented are ending June 2024 (i.e. 3 month change represents the change from financials reported in March 2024 to June 2024). 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 2024 earnings reported in March 2024.

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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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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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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