



Q4 | 2024



The REIT Cap Rate Perspective

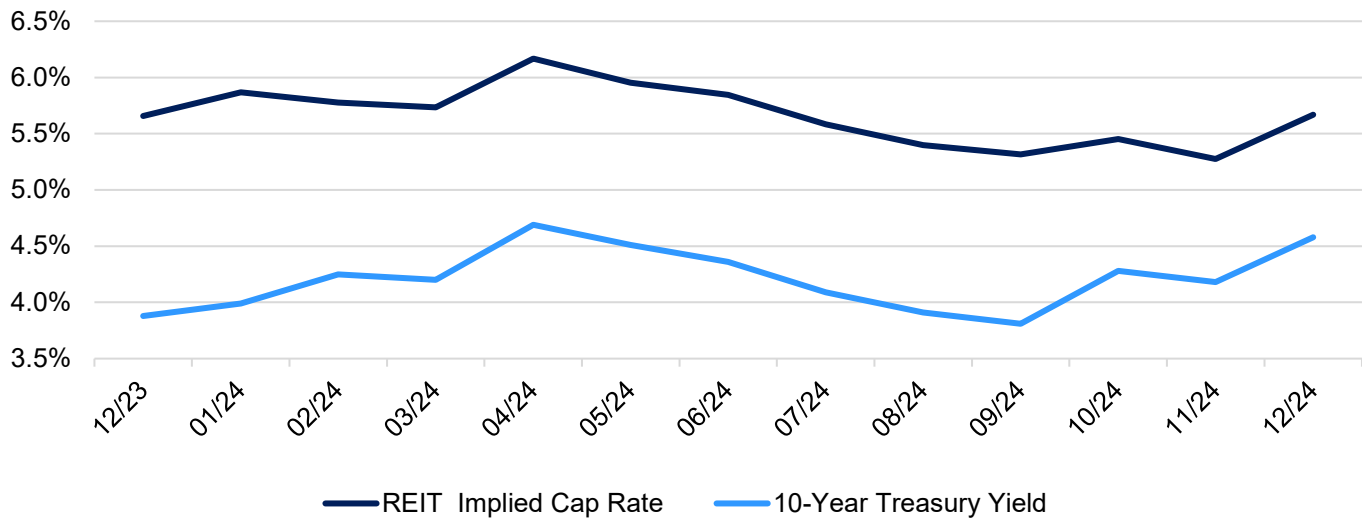
Shifting Tides in a Changing Market

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.

Shifting Tides in a Changing Market

After a steady shift lower in yields during the summer of 2024, the fourth quarter was marked by a rising 10-year treasury yield driven by market expectations for higher inflation and growth post-election, coupled with a continued rise in the term premium as geopolitical risks and fiscal spending remain concerns. Unsurprisingly, REITs reacted with 35 basis points of cap rate expansion.

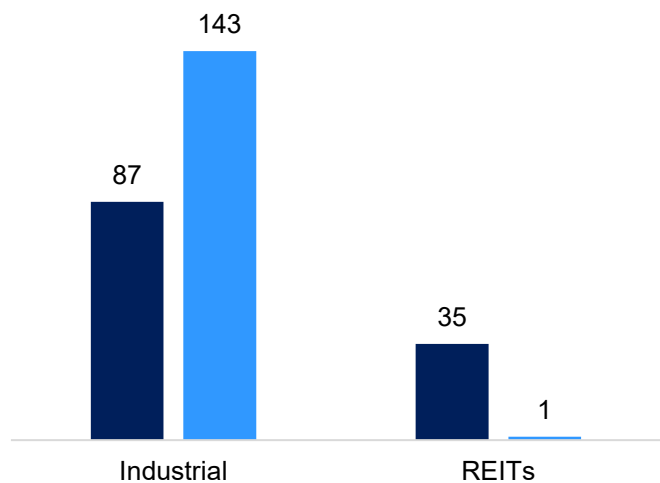
REIT Implied Cap Rates vs. 10-Year Treasury Yield



Source: CenterSquare, Federal Reserve, as of January 16, 2025.

The most notable cap rate expansion during the fourth quarter occurred across the industrial sector as investors became increasingly weary of the sector's deteriorating fundamentals, in a continuation of a 2024 trend. The reaction has not been unfounded, however, as weakening demand and a wave of supply resulted in the vacancy rate for the industrial sector increasing to 7.1% to close the year, per data from JLL, surpassing the 7% vacancy rate for the first time since the third quarter of 2014. The weakening fundamental backdrop resulted in rent growth flatlining in the fourth quarter and ending the year at just 1.1% above the prior year. Looking forward, while new deliveries are expected to decline versus 2024, much of the 270 million square foot existing construction pipeline is anticipated to be delivered in the coming year. This supply continues to be met with uncertainty in demand, creating questions about the trajectory of rent growth and a recovery of the industrial market.

Change in Implied Cap Rates

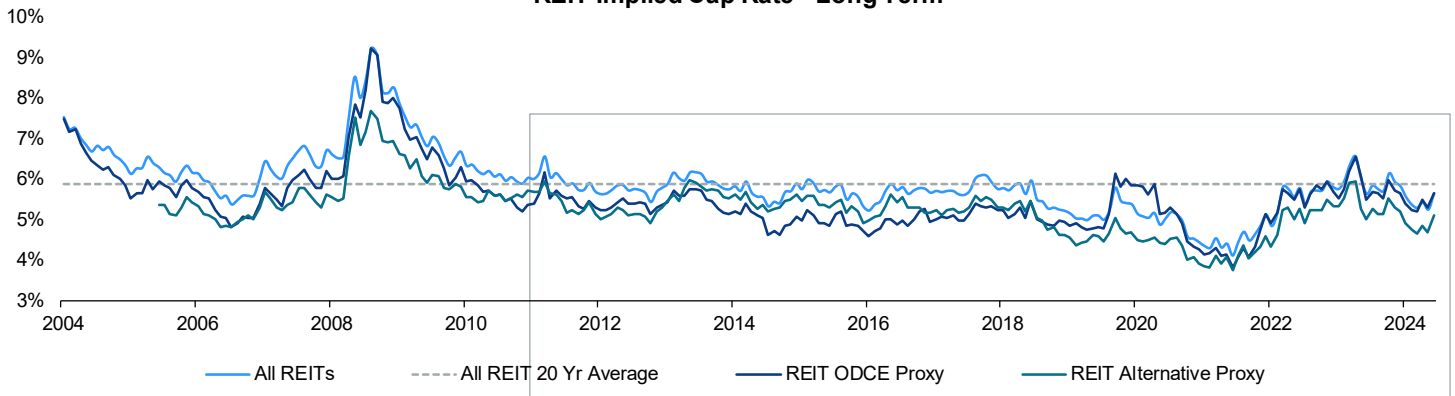


Source: CenterSquare, Federal Reserve, as of January 16, 2025.

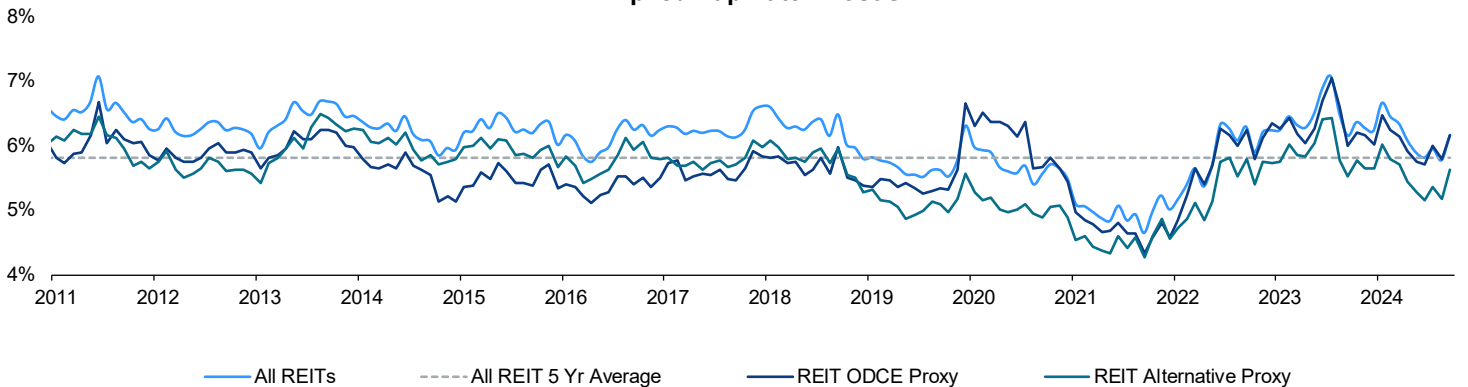
REIT-Implied Cap Rates for Major Sectors (all U.S.)

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	5.40%	18	(62)	5.12%	5.19%	(4.0%)
Industrial	5.56%	87	143	4.13%	4.57%	(17.9%)
Office	7.52%	39	(27)	6.94%	6.98%	(7.2%)
Retail	6.28%	6	(50)	6.87%	7.05%	12.1%
Hotel	7.10%	(10)	28	6.61%	5.85%	(17.7%)
REIT ODCE Proxy	5.67%	46	18	5.28%	5.43%	(4.2%)
Life Sci	7.61%	146	121	5.40%	5.50%	(27.7%)
Healthcare	4.93%	21	(82)	5.59%	6.69%	35.8%
Single Family Rentals	5.51%	31	28	4.79%	4.74%	(13.9%)
Manufactured Housing / RVs	5.04%	40	45	4.18%	5.05%	0.0%
Towers	5.21%	61	59	4.37%	4.59%	(11.9%)
Data Centers	4.23%	(18)	(53)	4.71%	5.48%	29.6%
Self Storage	5.50%	87	20	6.13%	5.28%	(4.0%)
REIT Alternative Proxy	5.12%	47	10	4.75%	5.44%	6.2%
All REITs	5.67%	35	1	6.18%	5.74%	1.2%

REIT Implied Cap Rate - Long Term



REIT Implied Cap Rate - Post GFC

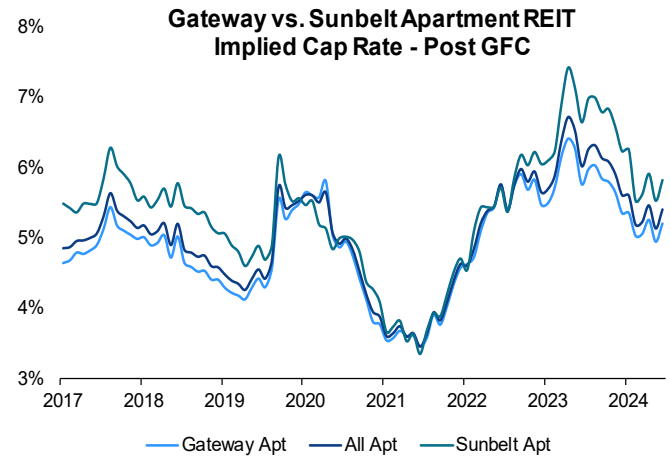
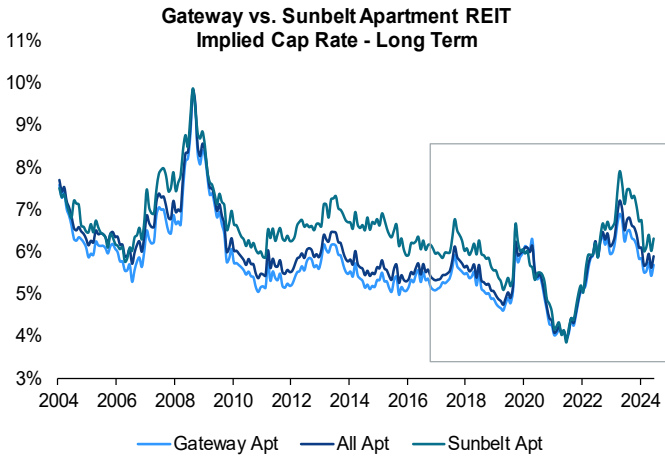
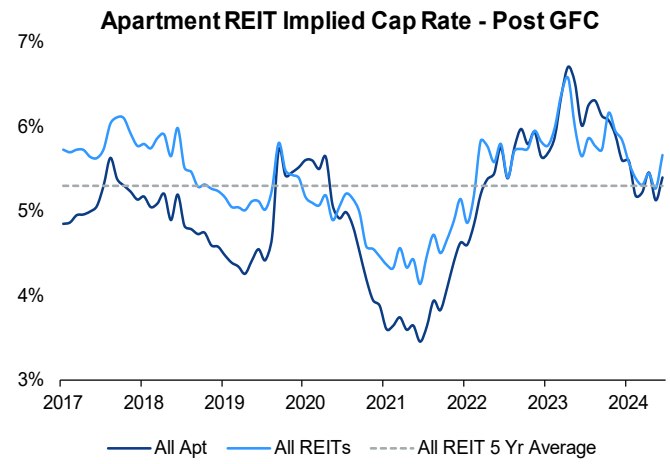
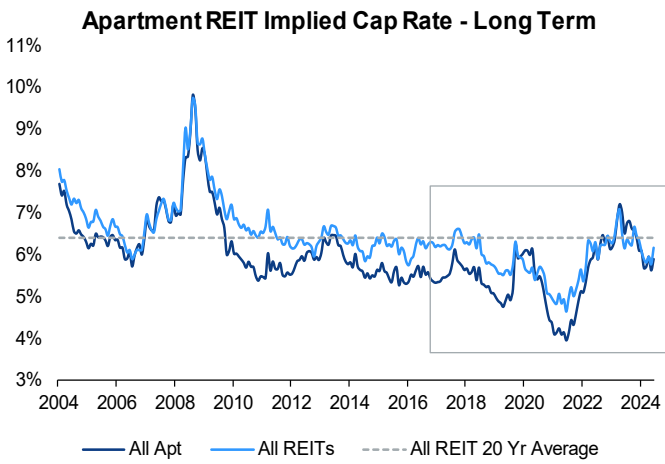


Note: The ODCE sector weights have been re-adjusted in alignment with the latest ODCE data, as sector weights continue to shift. Sources: CenterSquare Investment Management, REIT Company reports. "All REITs" refers to CenterSquare's U.S. REIT coverage universe. All data presented is based on financials reported by companies within CenterSquare's REIT coverage universe (defined on page 17) during September 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 pages 17 and 18 for glossary of terms and for more information on calculation methodologies and stock universe used.



Apartments

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
Gateway	5.1%	13	(60)	5.0%	5.1%	(1.0%)
West Coast	5.2%	15	(35)	4.9%	5.1%	(1.2%)
Sunbelt	5.8%	20	(82)	5.3%	5.3%	(9.3%)
All Apartment	5.4%	18	(62)	5.1%	5.2%	(4.0%)

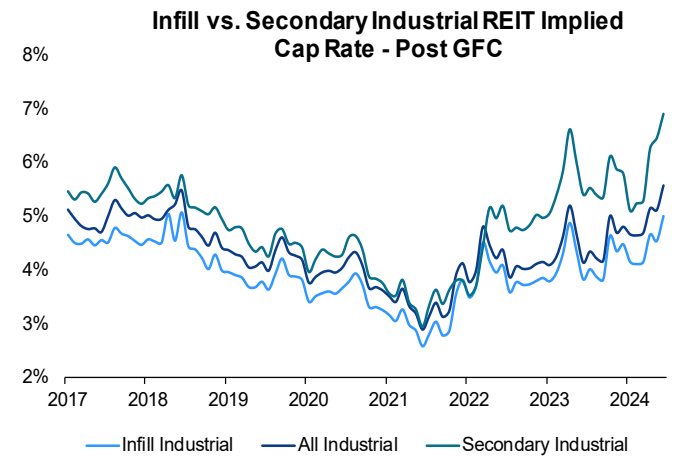
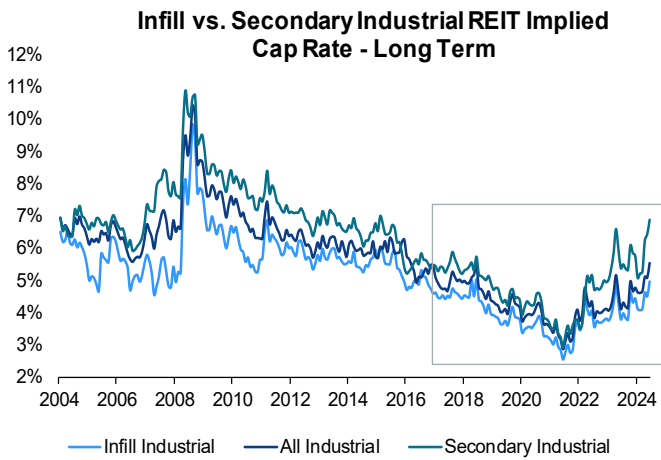
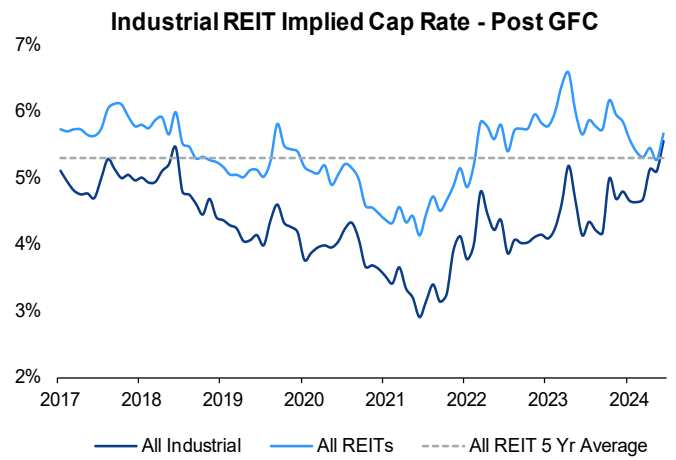
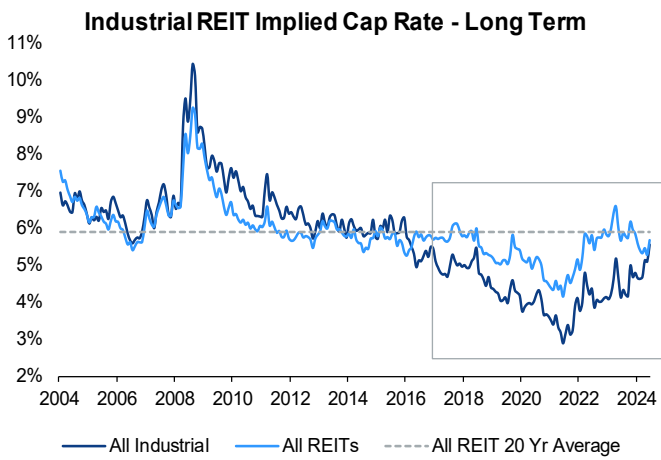


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Industrial

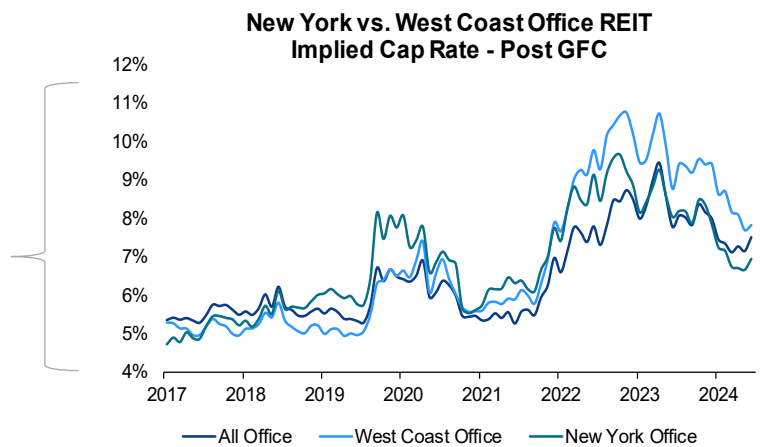
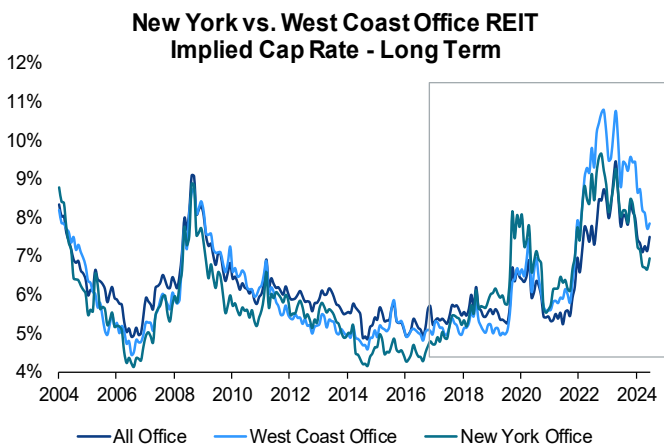
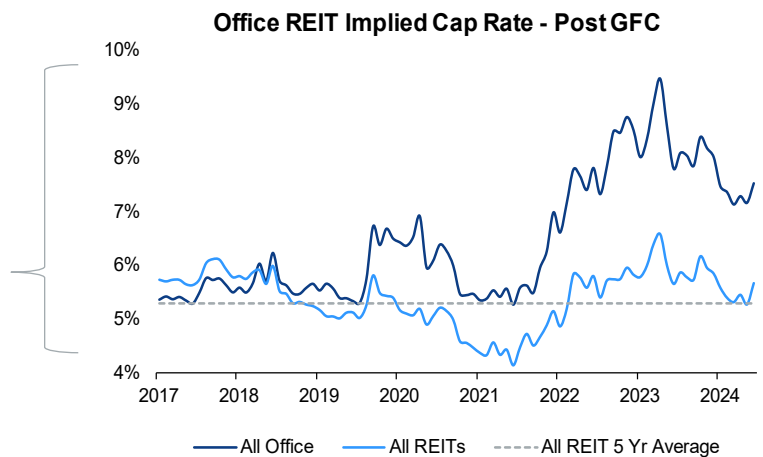
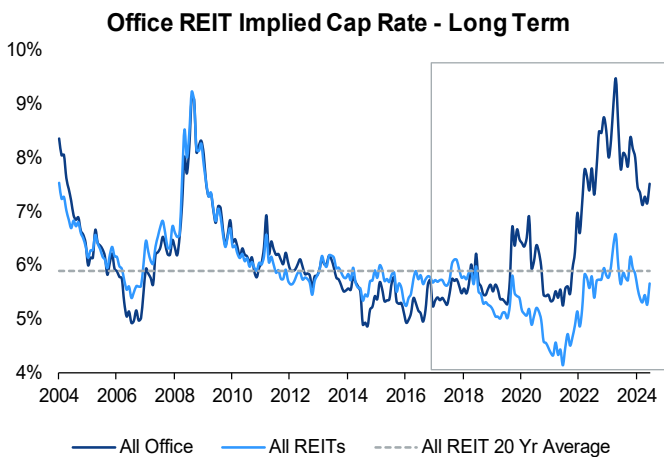
Sector	REIT Implied Cap Rate	3 Mo. Change (bps)	12 Mo. Change (bps)	5 Yr Avg Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Global	4.9%	79	110	3.7%	4.5%	(7.6%)
Infill	5.0%	85	117	3.8%	4.5%	(9.3%)
Secondary	6.9%	162	150	4.7%	5.3%	(24.0%)
Los Angeles	5.8%	110	184	3.7%	4.5%	(23.0%)
All Industrial	5.6%	87	143	4.1%	4.6%	(17.9%)



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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
Gateway	6.9%	(86)	(190)	6.6%	6.7%	(2.6%)
Secondary	8.3%	(116)	(173)	7.9%	8.2%	(1.8%)
Geographic						
New York	6.8%	(109)	(207)	7.5%	6.9%	2.8%
Sunbelt	7.9%	(115)	(198)	7.8%	8.0%	0.8%
West Coast	8.2%	(124)	(201)	7.6%	7.8%	(5.1%)
Los Angeles	7.1%	(105)	(195)	6.6%	7.3%	2.6%
Specialty						
Life Sci	6.2%	(63)	(210)	5.3%	5.5%	(10.6%)
All Office	7.1%	(88)	(188)	6.8%	7.0%	(2.1%)

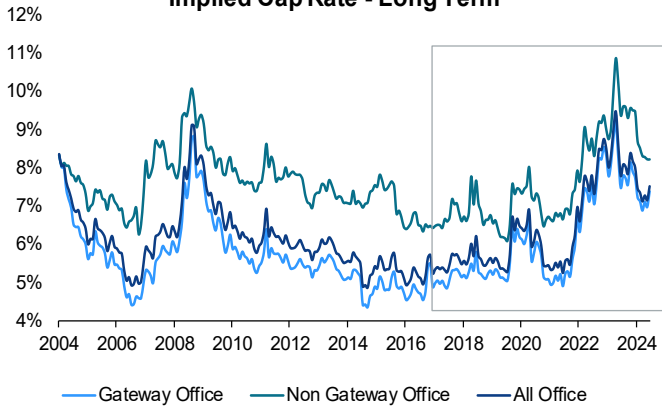


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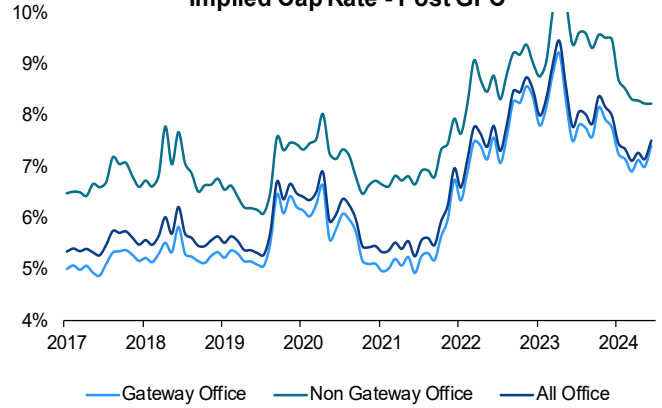


Office Continued

**Gateway vs. Non-Gateway Office REIT
Implied Cap Rate - Long Term**



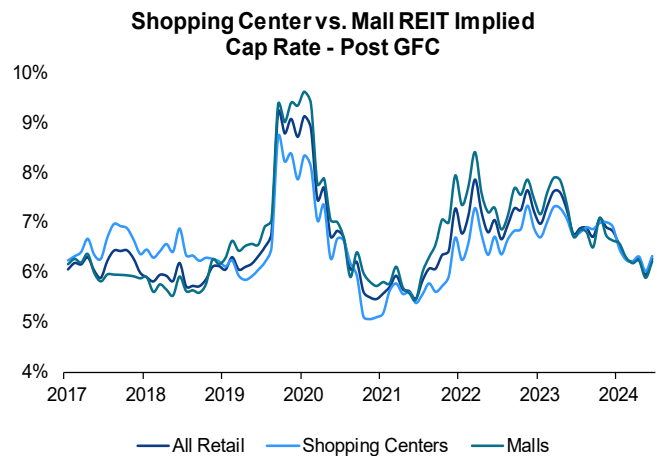
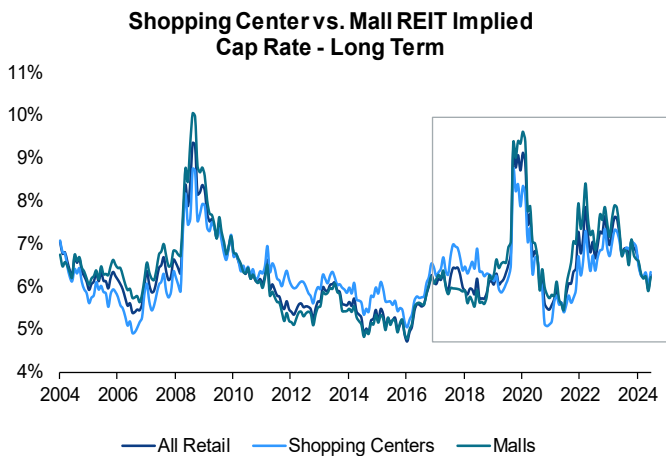
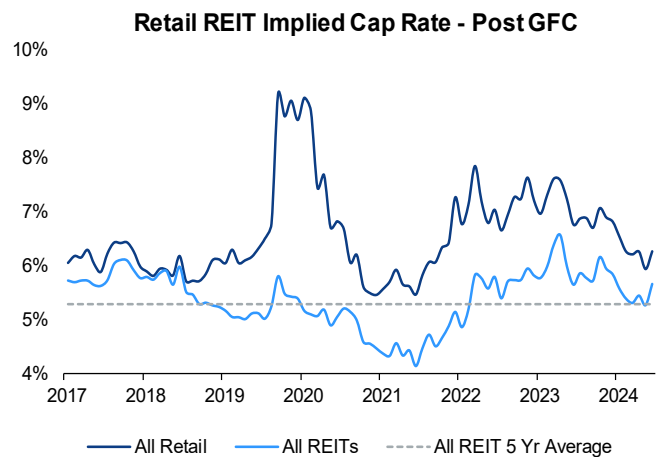
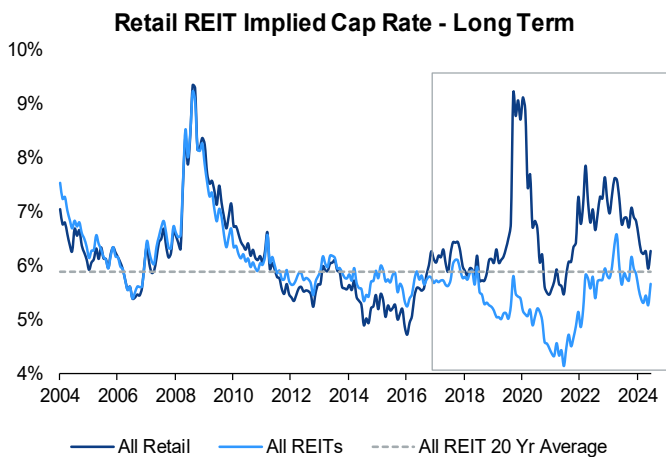
**Gateway vs. Non-Gateway Office REIT
Implied Cap Rate - Post GFC**



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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
Malls	6.2%	4	(50)	7.1%	7.3%	18.0%
High Productivity	6.2%	4	(50)	7.1%	7.3%	18.0%
Shopping Centers	6.3%	11	(41)	6.6%	6.7%	5.7%
High Productivity	5.8%	3	(29)	6.0%	6.4%	9.2%
Low Productivity	6.8%	18	(48)	7.2%	6.9%	2.7%
Outlets	7.1%	(7)	(103)	9.6%	8.5%	20.3%
All Retail	6.3%	6	(50)	6.9%	7.0%	12.1%



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Retail Continued

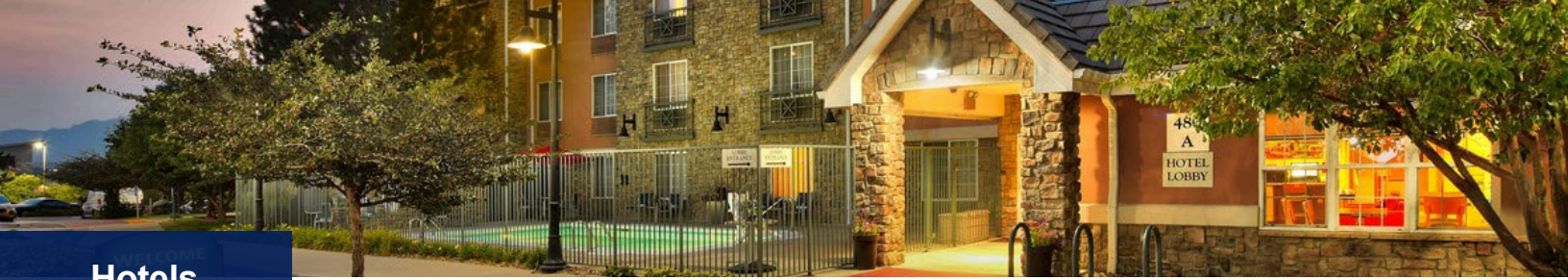
**High vs. Low Productivity Shopping Center
REIT Implied Cap Rate - Long Term**



**High vs. Low Productivity Shopping Center
REIT Implied Cap Rate - Post GFC**

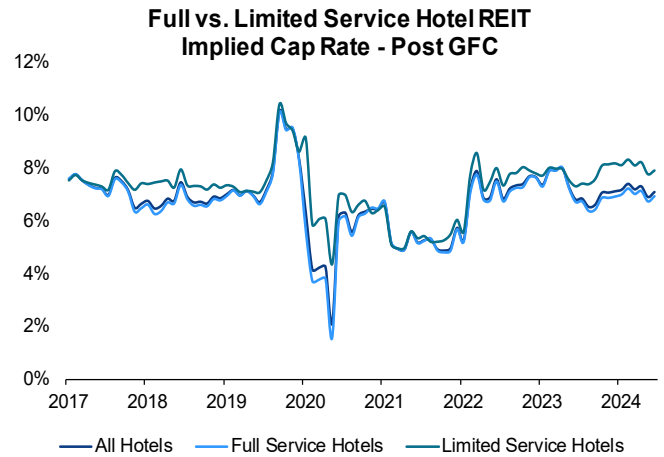
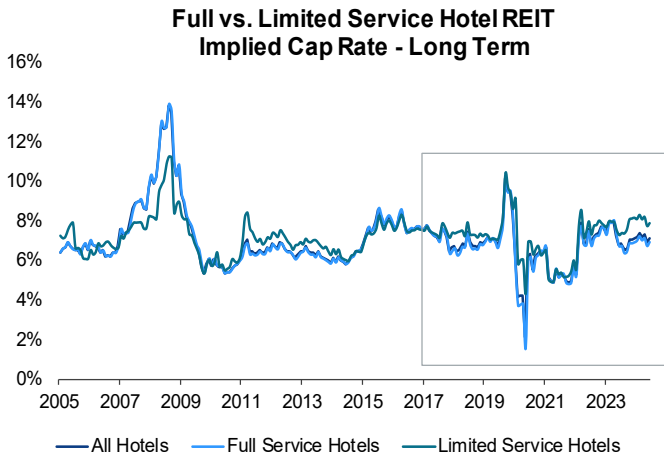
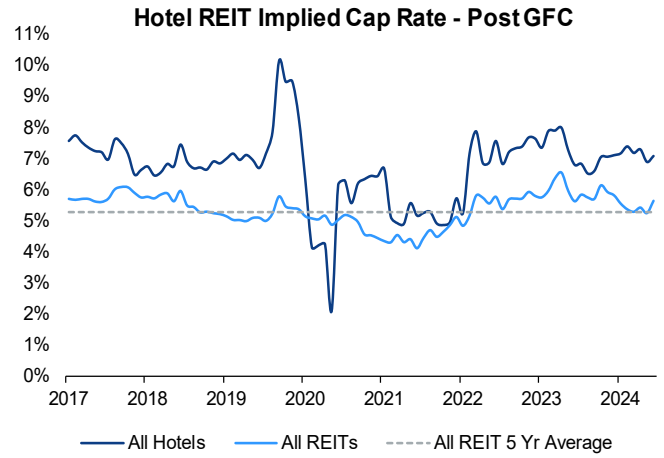
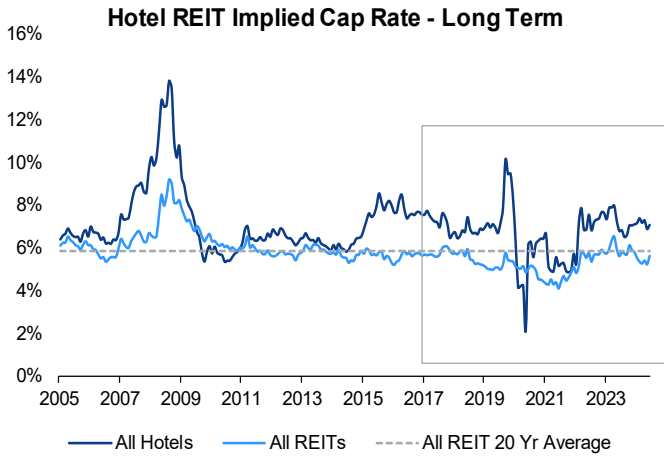


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Hotels

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
Limited Service	7.9%	(19)	60	7.2%	7.3%	(7.2%)
Full Service	6.9%	(9)	21	6.5%	5.5%	(20.0%)
All Hotel	7.1%	(10)	28	6.6%	5.8%	(17.7%)



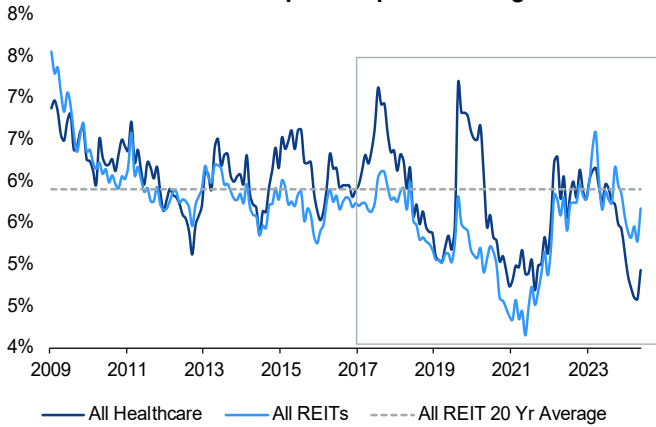
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Healthcare

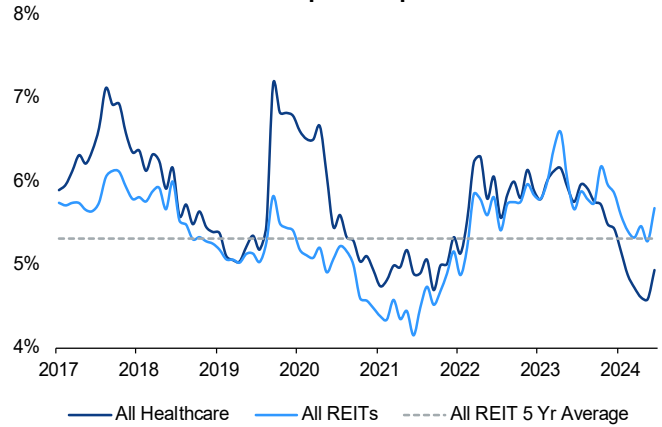


Sector	REIT Implied Cap Rate	3 Mo. Change (bps)	12 Mo. Change (bps)	5 Yr Avg Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Diversified	4.0%	13	(53)	4.8%	6.2%	55.8%
Hospital	9.0%	21	(231)	7.7%	9.0%	0.2%
Medical Office	7.2%	51	17	6.2%	6.6%	(9.3%)
Skilled Nursing	6.9%	106	(63)	7.3%	8.8%	27.1%
All Healthcare	4.9%	21	(82)	5.6%	6.7%	35.8%

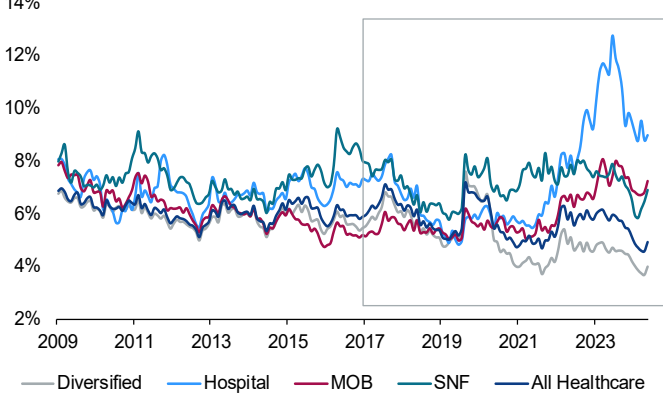
Healthcare REIT Implied Cap Rate - Long Term



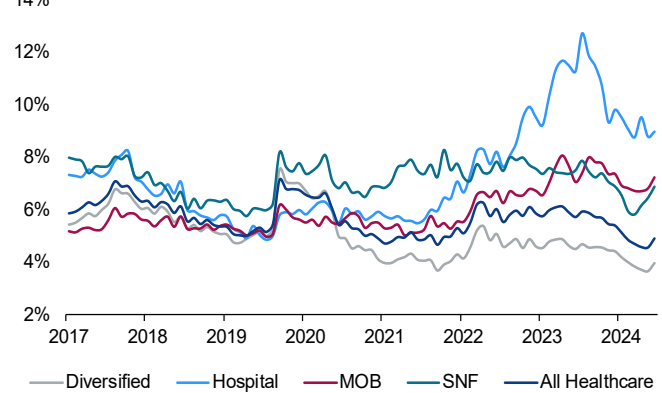
Healthcare REIT Implied Cap Rate - Post GFC



Detailed Healthcare REIT Implied Cap Rate - Long Term



Detailed Healthcare REIT Implied Cap Rate - Post GFC

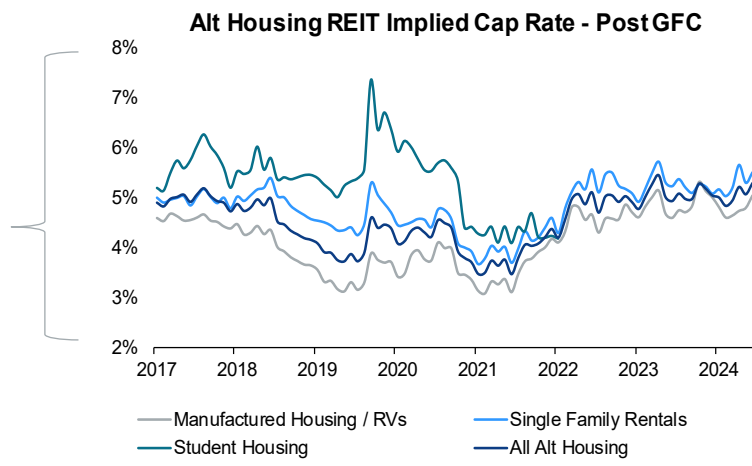
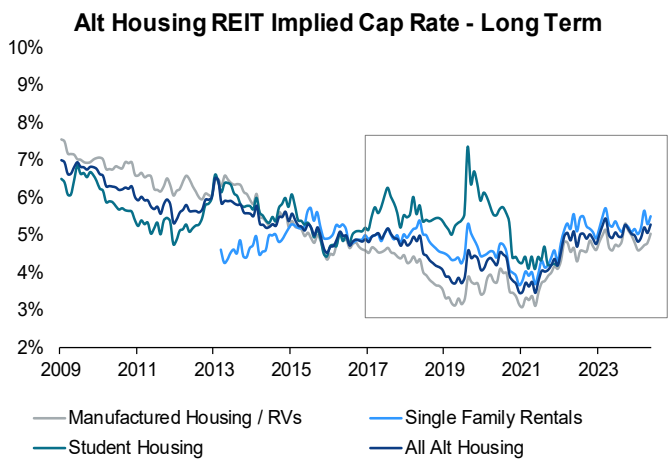


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Alternative Housing

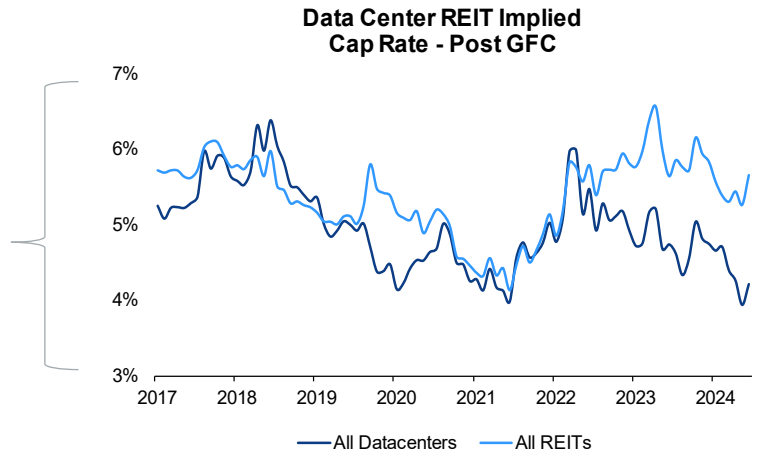
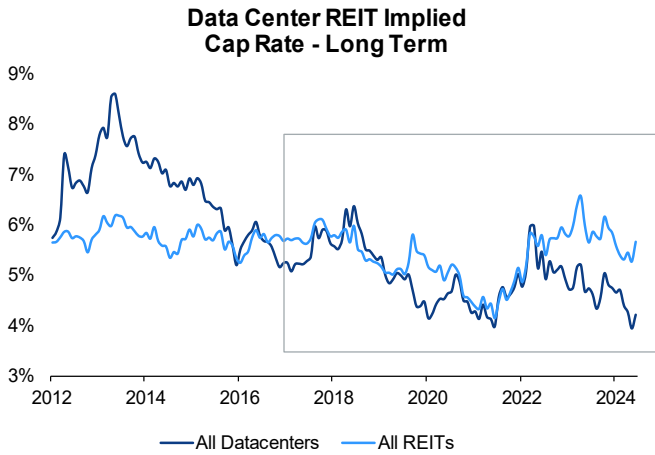
Sector	REIT Implied Cap Rate	3 Mo. Change (bps)	12 Mo. Change (bps)	5 Yr Avg Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Manufactured Housing / RVs	5.0%	40	45	4.2%	5.0%	0.0%
Single Family Rentals	5.5%	31	28	4.8%	4.7%	(13.9%)
All Alt Housing	5.3%	35	36	4.5%	4.9%	(7.9%)



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Towers and Data Center

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
All Towers	5.2%	61	59	4.4%	4.6%	-11.9%
All Data Centers	4.2%	(18)	(53)	4.7%	5.5%	29.6%

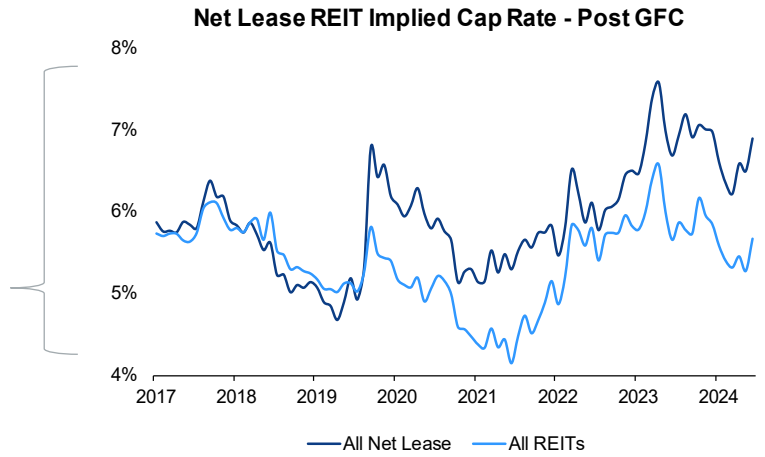
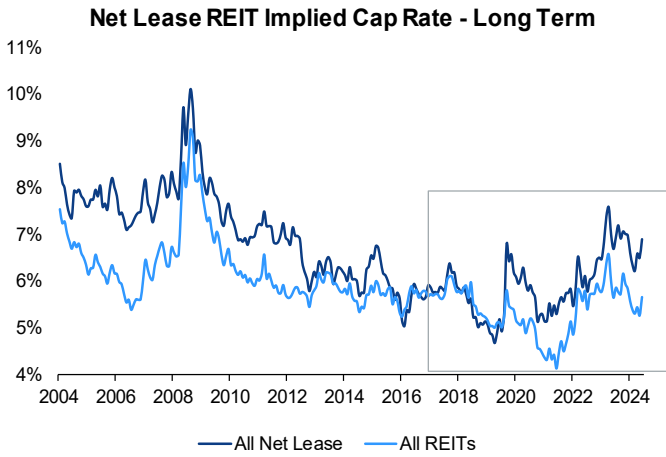


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Net Lease

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
Net Lease	6.9%	68	21	6.1%	7.0%	2.1%

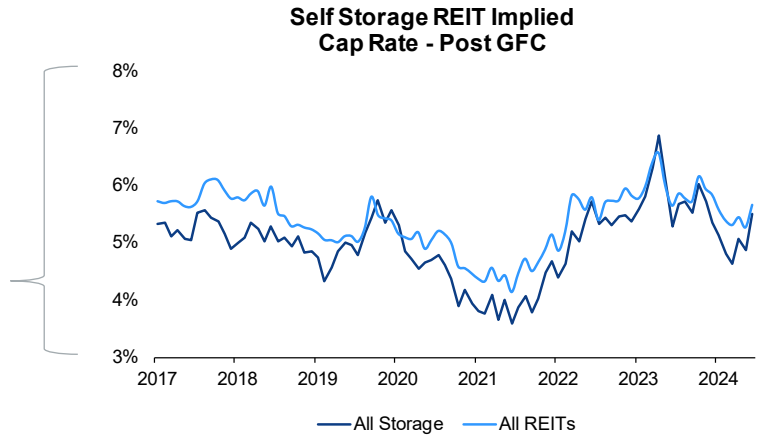
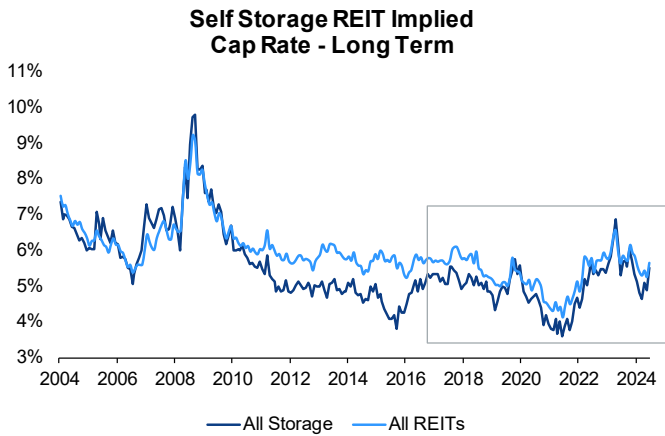


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Self Storage

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
Self Storage	5.5%	87	20	6.1%	5.3%	(4.0%)



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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
Gateway	5.15%	13	(60)	5.02%	5.10%	(1.0%)
West Coast	5.16%	15	(35)	4.93%	5.10%	(1.2%)
Sunbelt	5.82%	20	(82)	5.35%	5.28%	(9.3%)
All Apartment	5.40%	18	(62)	5.12%	5.19%	(4.0%)
Global	4.87%	79	110	3.75%	4.50%	(7.6%)
Infill	5.00%	85	117	3.79%	4.53%	(9.3%)
Secondary	6.91%	162	150	4.66%	5.25%	(24.0%)
Los Angeles	5.84%	110	184	3.72%	4.50%	(23.0%)
All Industrial	5.56%	87	143	4.13%	4.57%	(17.9%)
Gateway	7.41%	50	(10)	6.67%	6.73%	(9.2%)
Secondary	8.24%	(9)	(116)	8.05%	8.17%	(0.8%)
Geographic						
New York	6.96%	20	(109)	7.50%	6.94%	(0.2%)
Sunbelt	7.81%	(12)	(116)	7.87%	7.99%	2.3%
West Coast	7.85%	(35)	(94)	7.78%	7.78%	(0.9%)
Los Angeles	6.73%	(34)	(159)	6.74%	7.25%	7.7%
Specialty						
Life Sci	7.61%	146	121	5.40%	5.50%	(27.7%)
All Office	7.52%	39	(27)	6.94%	6.98%	(7.2%)
Malls	6.23%	4	(50)	7.08%	7.34%	18.0%
High Productivity	6.23%	4	(50)	7.07%	7.34%	18.0%
Shopping Centers	6.34%	11	(41)	6.58%	6.70%	5.7%
High Productivity	5.82%	3	(29)	6.01%	6.35%	9.2%
Low Productivity	6.76%	18	(48)	7.18%	6.94%	2.7%
Outlets	7.06%	(7)	(103)	9.65%	8.50%	20.3%
All Retail	6.28%	6	(50)	6.87%	7.05%	12.1%
Limited Service	7.91%	(19)	60	7.16%	7.34%	(7.2%)
Full Service	6.93%	(9)	21	6.48%	5.54%	(20.0%)
All Hotel	7.10%	(10)	28	6.61%	5.85%	(17.7%)
Diversified	3.98%	13	(53)	4.82%	6.20%	55.8%
Hospital	8.99%	21	(231)	7.69%	9.00%	0.2%
Medical Office	7.25%	51	17	6.24%	6.57%	(9.3%)
Skilled Nursing	6.88%	106	(63)	7.28%	8.75%	27.1%
All Healthcare	4.93%	21	(82)	5.59%	6.69%	35.8%
Manufactured Housing / RVs	5.04%	40	45	4.18%	5.05%	0.0%
Single Family Rentals	5.51%	31	28	4.79%	4.74%	(13.9%)
All Alt Housing	5.30%	35	36	4.53%	4.88%	(7.9%)
All Towers	5.21%	61	59	4.37%	4.59%	(11.9%)
All Data Centers	4.23%	(18)	(53)	4.71%	5.48%	29.6%
Net Lease	6.90%	68	21	6.13%	7.05%	2.1%
Self Storage	5.50%	87	20	6.13%	5.28%	(4.0%)
All REITs	5.67%	35	1	6.18%	5.74%	1.2%
REIT ODCE Proxy	5.67%	46	18	5.28%	5.43%	(4.2%)
REIT Alternative Proxy	5.12%	47	10	4.75%	5.44%	6.2%

Sources: CenterSquare Investment Management, REIT Company reports. All data presented is based on financials reported by companies within CenterSquare's REIT coverage universe (defined on page 17) during September 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 pages 17 and 18 for glossary of terms and for more information on calculation methodologies and stock universe used.

All REITs: Refer to CenterSquare's U.S. REIT coverage universe defined on page 15.

Apartment: REITs that own/manage multifamily residential rental properties.

Industrial: REITs that own/manage industrial facilities (i.e. warehouses, distribution centers).

Office – REITs that own/manage commercial office properties.

Retail – REITs that own/manage retail properties (i.e. malls, shopping centers).

Hotel – REITs that own/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.

Apartment

Gateway – REITs with portfolios primarily in gateway markets.

West Coast – REITs with portfolios primarily in West Coast markets.

Sunbelt – REITs with portfolios primarily in sunbelt markets.

Industrial

Global – REITs with a presence in all markets globally.

Infill – REITs with portfolios primarily in infill markets.

Secondary – REITs with portfolios primarily in secondary markets.

FLEX – REITs with portfolios primarily of assets that give tenants flexibility in the use of the space and typically include an office component.

Los Angeles – REITs with portfolios primarily in the LA market.

Office

Gateway – REITs with portfolios primarily in gateway markets.

Secondary – REITs with portfolios primarily in secondary markets.

Geographic – REITs with portfolios primarily in respective geographic markets.

Specialty – REITs with portfolios primarily dominated by respective tenants.

Retail

High Productivity Malls (Shopping Centers) – Mall REITs (Shopping Center REITs) with higher sales/sq ft.

Low Productivity Malls (Shopping Centers) – Mall REITs (Shopping Center REITs) with lower sales/sq ft.

Outlets – REITs with portfolios of open-air outlet malls.

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 Q4 2024 earnings reported in September 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.

Hotel

Limited service – REITs with hotel portfolios that lack dedicated, revenue-producing food and beverage components and offer rooms at a more economic price point.

Full service – REITs with hotel portfolios that maximize offerings and amenities to provide guests with an all-in-one experience at a higher price point.

Healthcare

Medical Office Buildings – REITs that own office and lab facilities constructed for the use of physicians and other healthcare professionals.

Skilled Nursing Facilities – REITs that own nursing facilities with the staff and equipment required to give skilled nursing care, rehabilitative services, and other related health services.

Hospitals – REITs that own institutions for the care and treatment of the acutely sick and injured.

Diversified – REITs that own portfolios of hospitals, MOBs, SNFs, and Senior Housing facilities.

Alternative Housing

Manufactured Housing / RV – REITs in the business of operating and developing manufactured housing and recreational vehicle communities.

Student Housing – REITs that own and manage collegiate housing communities located near campuses.

Single Family Rental – REITs that own and lease single family homes.

Data Centers and Towers

Data Centers – REITs are operators and developers of data center facilities which tenants use as part of their network infrastructure.

Towers – REITs are owners and developers of wireless infrastructure assets mainly comprised of rural and urban cellular towers which facilitate mobile data and voice connectivity.

Net Lease

Net Lease – REITs are owners of free-standing retail, office, industrial, and gaming assets leased to operators on a triple net basis.

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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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 \$15 billion in assets under management (December 31, 2024), 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 More Information, Please Contact:

CenterSquare Investment Management LLC

Eight Tower Bridge, 161 Washington St., 7th Floor
Conshohocken, PA 19428

Phone: 610-834-9500 / Fax: 610-834-9505

contactus@centersquare.com

www.centersquare.com

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