

What is It?

CenterSquare's REIT Cap Rate Perspective presents the market pricing of \$1.5 trillion of real estate in the U.S. REIT market, seeking to quantify the valuation gap between public and private markets. While at times the disparity may be temporary or driven by short term volatility, the forward discounting inherent in public markets can also offer investors insights as to the possible future direction of real estate values. In this report we share our proprietary REIT implied cap rate results at the sector and geographical level on a quarterly basis.

For a copy of CenterSquare's full REIT Cap Rate Perspective report, or to learn more about our strategies, please email contactus@centersquare.com.

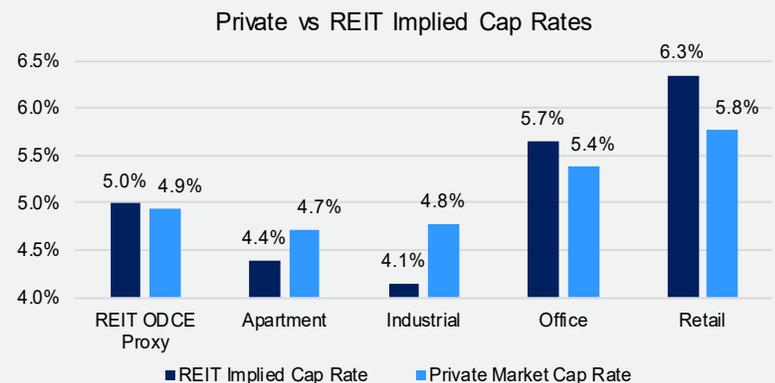
Third Quarter 2019 Report Highlights:

❖ Growing public / private pricing dispersion by property type

- The significant global uncertainty has driven capital into the relative safety of the REIT space in the last few months, pushing overall REIT implied cap rates lower. However, the dispersion in the pricing by property type between public and private markets continues to become more pronounced as apartment and industrial pricing in the public markets benefits from solid fundamentals coupled with lower interest rates while retail pricing, specifically for malls, continues to feel the pain from the copious retailer struggles.

Sector	REIT Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
REIT ODCE Proxy*	5.0%	4.9%	(1.0%)
Apartment	4.4%	4.7%	7.5%
Industrial	4.1%	4.8%	15.2%
Office	5.7%	5.4%	(4.8%)
Retail	6.3%	5.8%	(9.2%)

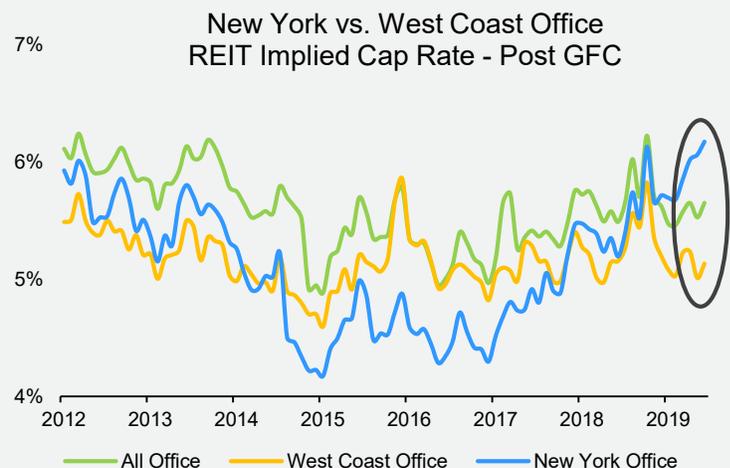
* The REIT ODCE Proxy is a universe of REIT stocks built to resemble the NCREIF Fund Index – Open End Diversified Core Equity (ODCE). The REIT ODCE Proxy is proprietary to CenterSquare and uses gateway/infill names in apartments, retail, industrial and office, and then weights them according to the ODCE index to create a proxy.



Source: CenterSquare Investment Management, as of August 30, 2019.

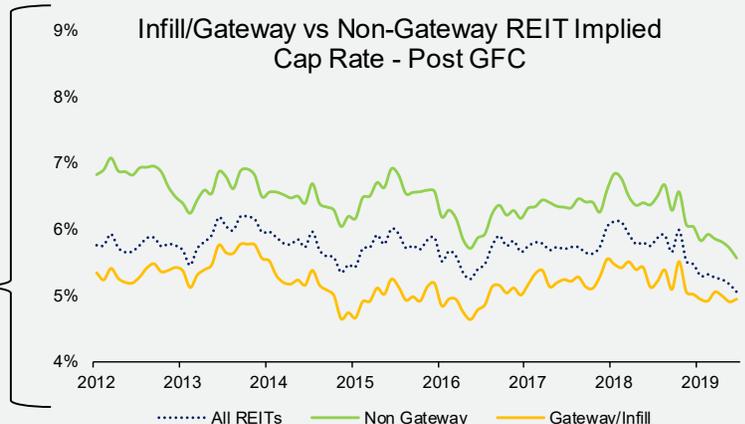
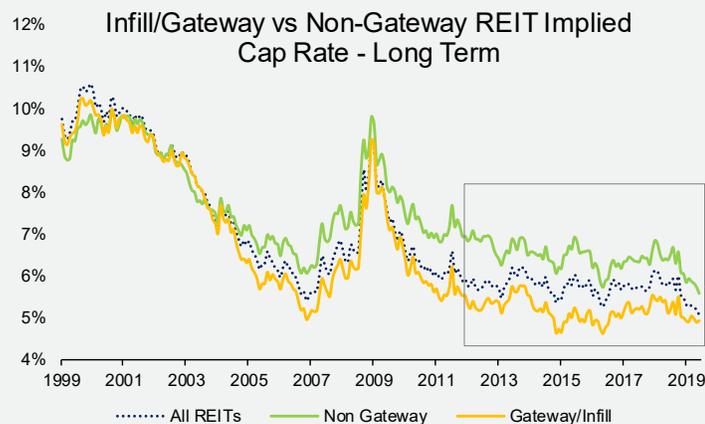
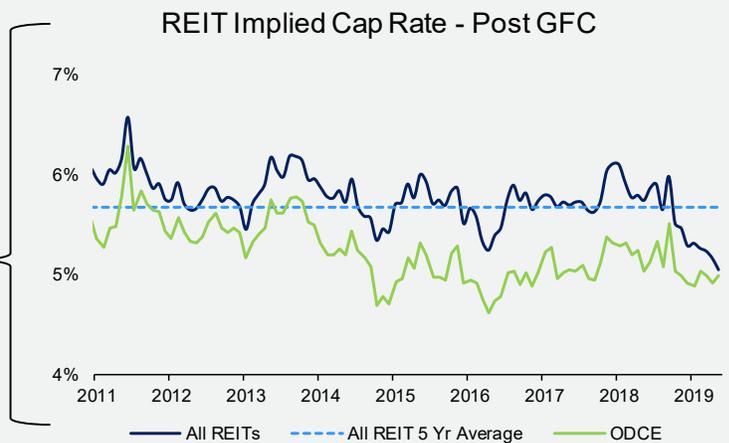
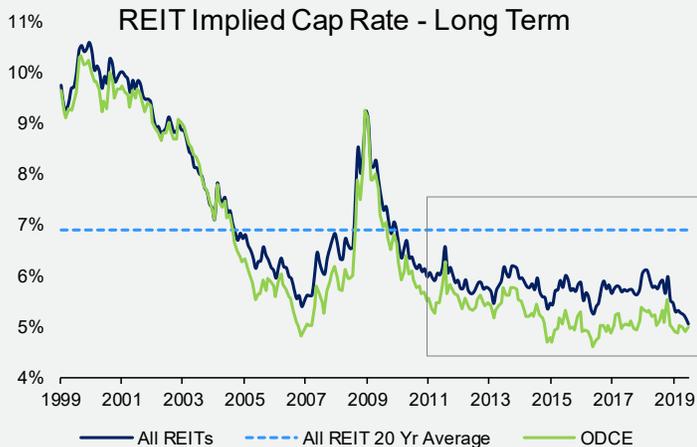
❖ What's next for New York Office

- New York office fundamentals have been challenged recently as a wave of new supply has come into a market that had previously experienced a drought in terms of new product. On the demand side of the equation, as traditional office job growth has slowed in the metro, 85% of New York office demand in the last two years has been driven by coworking. While the creative workspace revolution has been absorbing a large amount of square footage, the sustainability of this demand could be called into question as the coworking business model's strength could deteriorate severely in a downturn. Such concerns have already put significant pressure on WeWork's IPO and valuation as the public markets underwrite the risks associated with the business and it seems prudent to question the associated impact on New York office demand and fundamentals.



Sources: CenterSquare Investment Management, REIT Company reports. All data presented above is based on financials reported by companies within CenterSquare's REIT coverage universe (defined on page 3) during August 2019. All periods presented are ending August 2019 (i.e. 3 month change represents the change from financials reported in May 2019 to August 2019). 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 3 for more information on calculation methodologies and stock universe used.

The Data:



Sector	REIT Implied Cap Rate	3 Mo. Change (bps)	12 Mo. Change (bps)	5 Yr Ave Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Apartment	4.4%	(20)	(66)	5.0%	4.7%	7.5%
Industrial	4.1%	(38)	(64)	5.2%	4.8%	15.2%
Office	5.7%	8	16	5.4%	5.4%	(4.8%)
Retail	6.3%	6	44	5.8%	5.8%	(9.2%)
Hotel	7.2%	25	70	7.2%	6.2%	(13.1%)
Gateway/Infill	4.9%	(11)	(18)	5.1%	4.9%	(0.7%)
Non Gateway	5.6%	(29)	(80)	6.3%	6.1%	9.5%
REIT (Major Sectors)	5.5%	9	(0)	5.7%	5.4%	(3.2%)
REIT ODCE Proxy	5.0%	(4)	(4)	5.0%	4.9%	(1.0%)

Source: CenterSquare Investment Management, REIT Company reports. "All REITs" refers to CenterSquare's U.S. REIT coverage universe (defined on page 3). Data presented above is based on financials reported by companies within CenterSquare's REIT coverage universe during May 2019. All periods presented are ending August 2019 (i.e. 3 month change represents the change from financials reported in May 2019 to August 2019). 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 3 for more information on calculation methodologies and stock universe used.

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 2Q19 earnings reported in August 2019.

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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Because the investment strategies concentrate their assets in the real estate

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Founded in 1987, CenterSquare Investment Management is an independent, management-owned real asset manager focused on listed and private equity real estate and listed infrastructure investments. As an investor and manager, our success is firmly rooted in aligning our firm's interests with those of our clients, partners and employees, as well as our commitment to alpha-generating research.

CenterSquare Investment Management is headquartered in suburban Philadelphia, with offices in Los Angeles, Denver, London and Singapore. CenterSquare is proud to manage investments on behalf of some of the world's most well-known institutional and private investors.



Philadelphia, Pennsylvania

**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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