

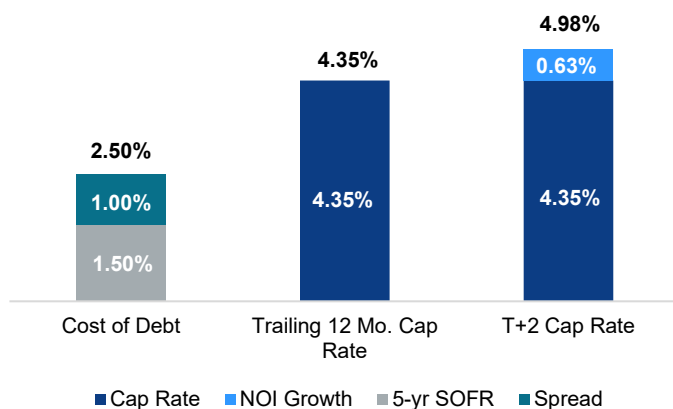
Third Quarter 2022

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.

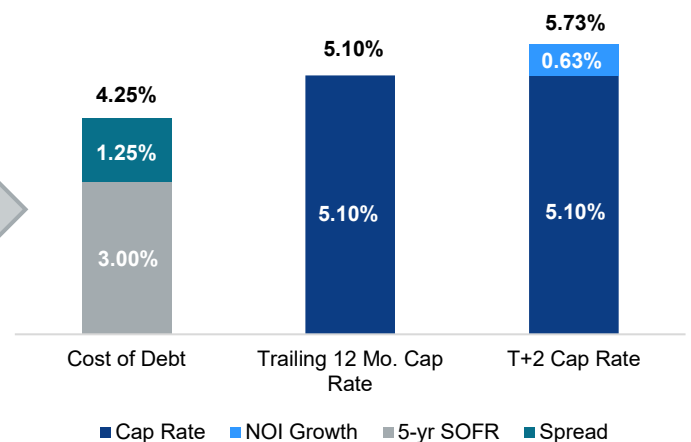
## Interest Rates and Inflation: A Dynamic Impact on Cap Rates

Investors have had to adapt to a rapidly rising cost of debt over the last nine months. We anticipate the impact of these debt markets on real estate underwriting and return requirements will lead to cap rate expansion across the market. Here, we believe current REIT market implied cap rates and pricing are more accurate than those in the private markets, where a considerable lag exists with regards to the unfolding asset value correction. For illustrative purposes, the below figures show how a rapid change in the financing environment theoretically can impact real estate values. A 150-basis point increase in the 5-year debt yield, plus a 25-basis point higher spread to the Secured Overnight Financing Rate (SOFR), offset by a 100-basis point lower spread of cap rates to debt costs, translates to a 75-basis point increase in exit cap rates and results in a 15% reduction in real estate values.

### Previous Real Estate Underwriting\*



### Potential Real Estate Underwriting\*

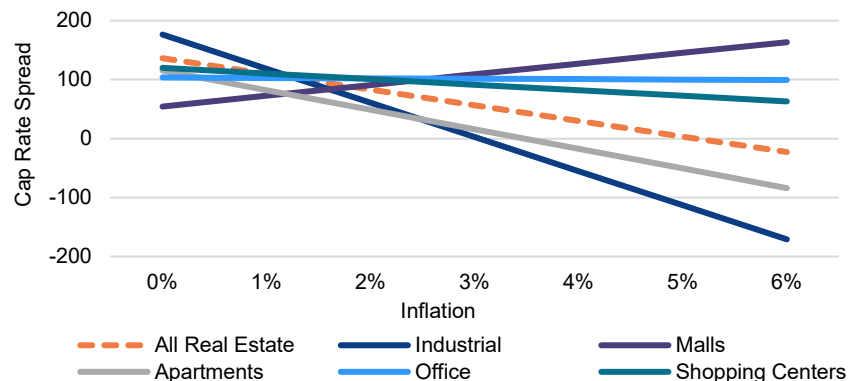


\*NOI growth assumed 9% in year 1 followed by 5% in year 2 based on existing cap rate at the beginning of the year.

The question of the appropriate spread between cap rates and debt costs warrants further analysis. Historically, we have seen a negative relationship between inflation and real estate cap rate spreads versus corporate BAA bonds. That is, more inflation equals tighter spreads, a dynamic which can be rationalized by higher nominal growth rates leading to a lower initial yield requirement. In fact, in the high inflationary periods in the 1970s and 80s, real estate yields were often below debt costs.

Looking at the interaction of inflation and cap rate spreads on a sector basis, we see that relationship has been most acute for industrial and multifamily assets; less pronounced for office and retail assets. Interestingly, within the retail landscape, we find there is a bifurcation in the relationship between shopping centers and malls. Thus, if history were to repeat itself, cap rate expansion in the current environment may be most acute for office and mall assets, which already face structural headwinds. On the other hand, investors may be willing to take lower spreads for multifamily and industrial assets, both which enjoy structural tailwinds and can also capture above-inflation rental growth, presenting lower levels of perceived risk in the current environment.

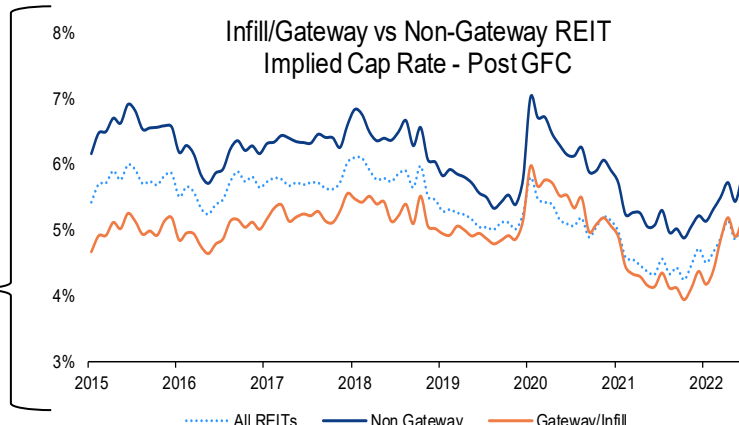
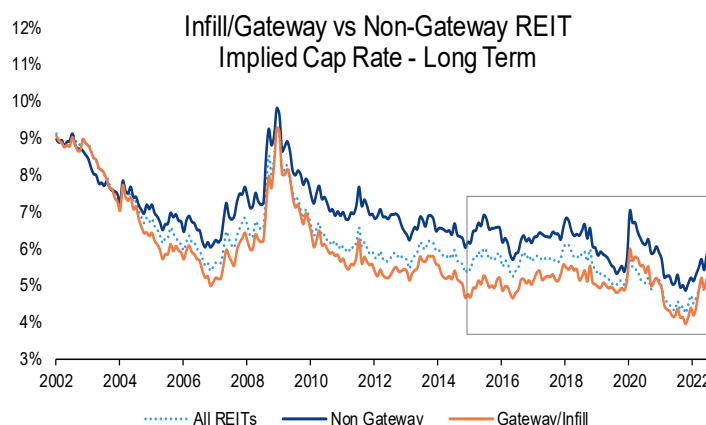
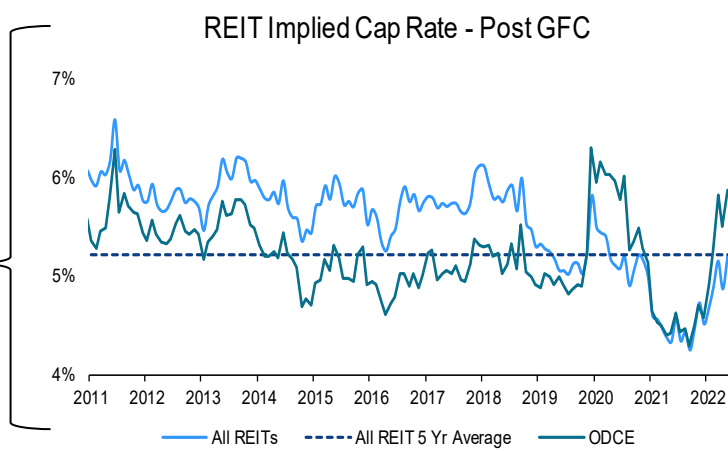
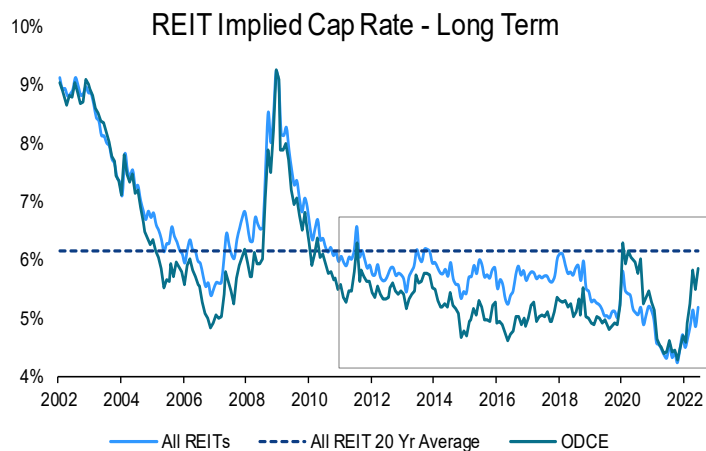
### Inflation vs Real Estate Cap Rate Spread to BAA Bonds



Inflation = YoY% change in Personal Consumption Expenditure (PCE) Index  
 Cap Rate spread = REIT Implied Cap Rate vs BAA bonds (bps)

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 September 2022. 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. See important disclosures at the end of this presentation.

## The Data:



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	4.84%	45	120	4.72%	4.25%	-12.3%
Industrial	3.70%	8	50	4.06%	3.85%	4.3%
Office	7.16%	90	178	5.82%	5.46%	-23.7%
Retail	7.14%	70	139	6.53%	6.43%	-10.0%
Hotel	7.18%	221	202	6.48%	6.06%	-15.7%
Life Sci	5.44%	53	175	4.44%	4.60%	-15.4%
Single Family Rentals	4.79%	39	101	4.59%	4.54%	-5.1%
Gateway/Infill	5.16%	31	102	4.99%	4.63%	-10.2%
Non Gateway	5.86%	36	78	5.90%	5.74%	-2.0%
All REITs	5.20%	31	86	5.90%	4.91%	-5.4%
REIT ODCE Proxy	5.86%	62	144	5.14%	4.97%	-15.2%

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 September 2022. All periods presented are ending September 2022 (i.e. 3 month change represents the change from financials reported in June 2022 to September 2022). 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. 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 3Q22 earnings reported in September 2022.

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 industry, an investment is closely linked to the performance of the real estate markets. Investing in the equity securities of real estate companies entails certain risks and uncertainties. These companies experience the risks of investing in real estate directly. Real estate is a cyclical business, highly sensitive to general and local economic developments and characterized by intense competition and periodic overbuilding. Real estate income and values may also be greatly affected by demographic trends, such as population shifts or changing tastes and values. Companies in the real estate industry may be adversely affected by environmental conditions. Government actions, such as tax increases, zoning law changes or environmental regulations, may also have a major impact on real estate. Changing 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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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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