

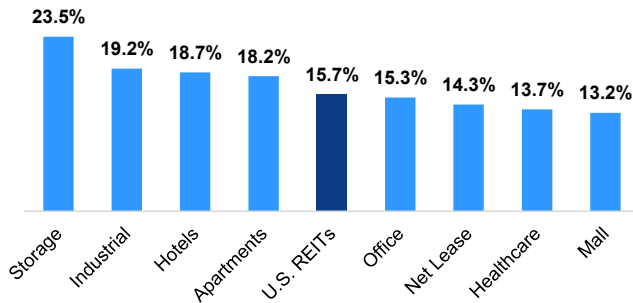
## U.S. REITs Positioned to Outperform Equities During Periods of Inflation and Rising Rates

| Q2 2022

To understand the performance of modern REITs in the context of rising rates and inflation, we analyzed the market from the early 1990s to today and identified 130 monthly periods during which one-year forward rates and inflation were both rising. During these periods, REIT total returns, on average, slightly exceeded total returns in the broader equity market, as represented by the Standard & Poor 500® (S&P 500) Index. During those same periods, sectors with pricing power posted total returns above average. Shorter lease terms also contributed to above average total returns while those sectors with longer lease terms tended to perform below average with few exceptions.

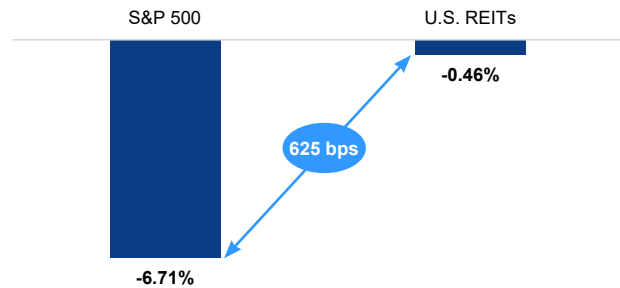
Today the macro environment is dominated by inflation, higher interest rates (particularly shorter term), geopolitical uncertainty and potentially slowing growth. This macro backdrop has already seen U.S. REITs outperform the broader U.S. equity market so far this year. Since January 12, 2022, when it was first reported that inflation had exceeded the 7% level in the previous month, REITs have outperformed the Standard & Poor 500® (S&P 500) Index by 625 bps.

U.S. REIT Total Returns During Periods of Inflation and Rising Rates (1991-2022)



Source: Bloomberg, CenterSquare as of February 28, 2022. U.S. REITs = FTSE Nareit Equity REITs Index (FNRE). Past performance is not indicative of future results.

U.S. REIT vs S&P 500 Total Return (January 12 - April 14, 2022)



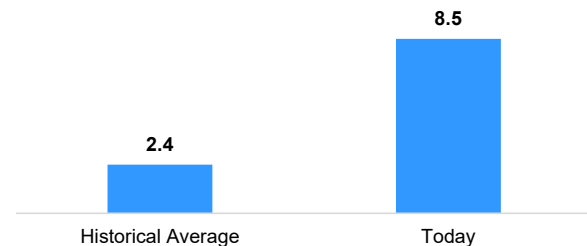
Source: Bloomberg, CenterSquare as of April 14, 2022. U.S. REITs = FTSE Nareit Equity REITs Index (FNRE). Past performance is not indicative of future results.

Within the REIT space, we believe history is likely to repeat itself, as sectors like storage, industrial, and apartments with strong pricing power, that also may benefit from shorter lease terms and meaningful demand tailwinds, are positioned to perform particularly well. More broadly, we anticipate real estate outperformance, compared to the equities market, to be more pronounced in this cycle due to three main factors: higher inflation, the broader equity market's exposure to technology, and the REIT market's secular demand drivers.

### Higher Inflation

Our historical data analyzes the era of the modern REIT (1991-2022), during which time we have not experienced inflation at the elevated and persistent levels we are seeing today. In the context of that inflationary backdrop, when hard assets tend to outperform, we expect real estate to prove even more resilient.

Inflation Rate



Source: Bloomberg, CenterSquare as of April 11, 2022. Historical average: April 1991 – December 2021 | Today: March 31, 2022.

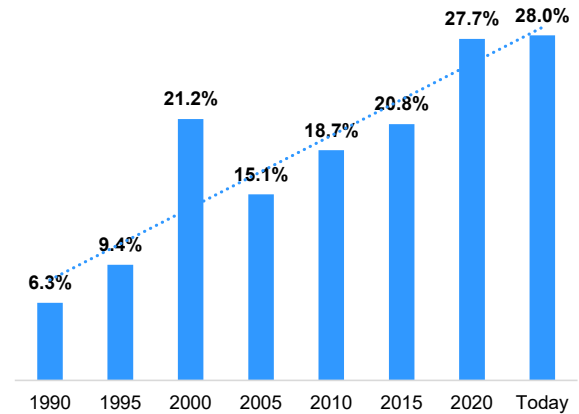
## The Technology Drag

Over time, the broader market's exposure to the technology sector has meaningfully increased. Given the technology sector's back-end heavy cash flows are much more sensitive to rising rate, the impact of higher interest rates should be more pronounced in the broader market. Therefore, we can anticipate a heavier performance drag than seen historically compared to the REIT market which is more insulated from such factors.

## Real Estate of the Future

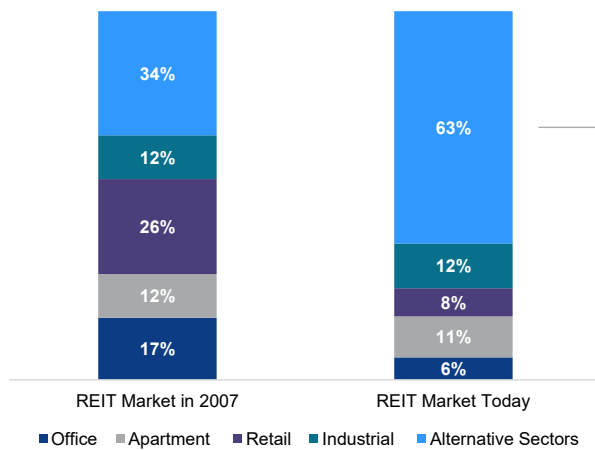
Driven by demographics and evolving preferences over the last decade, the built environment has evolved, giving way to the rise of non-traditional property types that represent what we believe to be the real estate of the future. Property types like data centers, cell towers, single-family rentals, and life sciences labs will all benefit from secular tailwinds and REITs today provide significant exposure to these asset classes. While the make-up of the REIT market through prior economic cycles had been more weighted toward "core" sectors like retail or office, today's REIT market is dominated by these "alternative" sectors, which enjoy secular tailwinds and subsequent pricing power, therefore being more resilient to inflation.

## S&P Composition - Info Tech Sector Weight

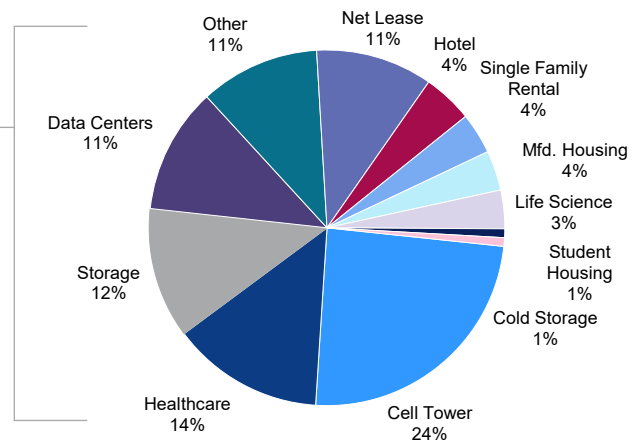


Source: Bloomberg as of April 1, 2022. Represents year-end composition. Today = March 31, 2022.

## REIT Market Composition



## REIT Alternative Sectors



Source: Bloomberg, CenterSquare as of April 11, 2022. REIT market represented by the FTSE Nareit All Equity REITs Index (FNER).

## Conclusion

The combination of inflation, rising rates, and potential for slowing growth is poised to impact investors in numerous ways. Yet, if past is precedent, we can expect U.S. real estate to serve as a port in the storm with sectors with pricing power, strong demand and shorter lease terms to do particularly well. Yet overall, we believe the entire real estate asset class will benefit from this period of economic volatility and continue to outperform the broader equity markets.

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## Definition of Indices

### FTSE Nareit Equity REITs Index (FNRE)

The FTSE Nareit US Real Estate Index Series is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax qualified real estate investment trusts (REITs) that are listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National Market List. The index constituents span the commercial real estate space across the US economy and provides investors with exposure to all investment and property sectors.

### 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.

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### S&P 500® Index (S&P 500)

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These benchmarks are broad-based indices which are 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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As of March 31, 2022 CenterSquare and its affiliates manage over \$15 billion in assets on behalf of some of the world's most well-known institutional and private investors. For more information, visit [www.centersquare.com](http://www.centersquare.com).

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