

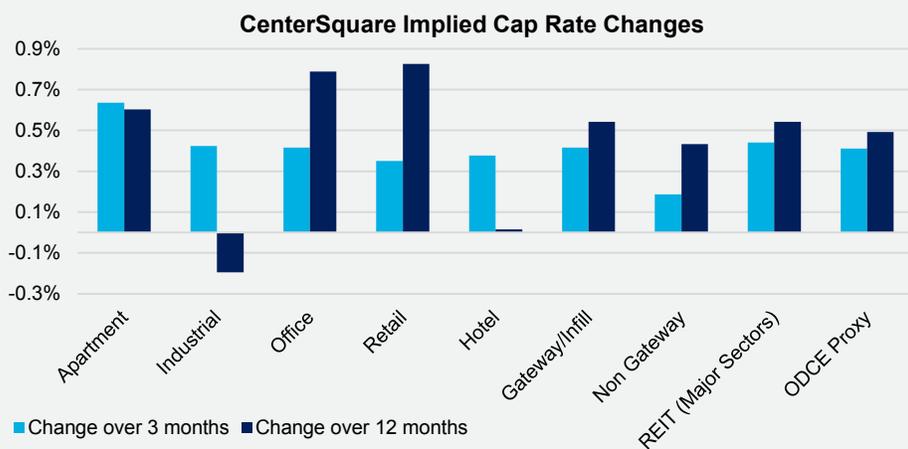
What is It?

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 [Contact Us](#).

March 2018 Report Highlights:

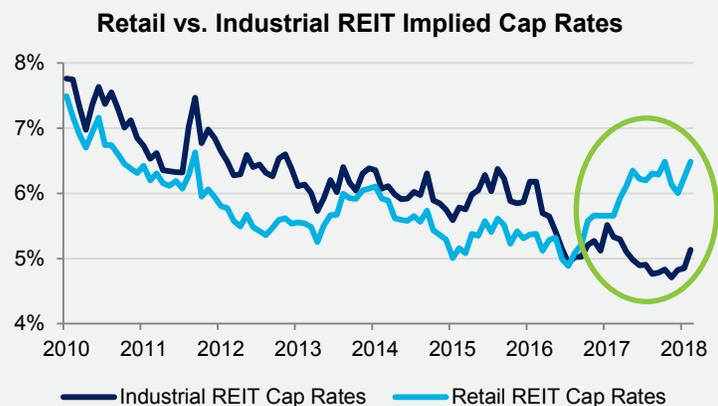
Implied Cap Rates Tick Up



Sector	REIT vs. Private Market Valuation Gap	REIT Implied Cap Rate
Apartment	(15.1%)	5.6%
Industrial	4.7%	5.1%
Office	(9.8%)	5.8%
Retail	(14.0%)	6.5%
Hotel	(5.6%)	7.6%
Gateway/Infill	(11.0%)	5.6%
Non Gateway	(2.1%)	6.6%
REITs (Major Sectors)	(10.0%)	6.1%
REIT ODCE Proxy	(7.9%)	5.4%

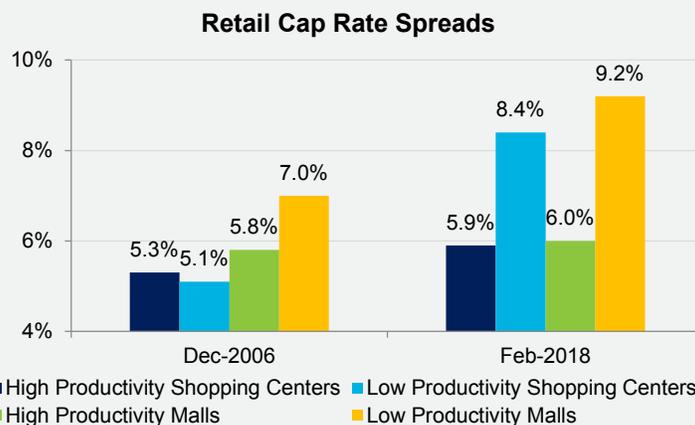
Ecommerce Driving Wedge between Industrial and Retail Cap Rates

- Ecommerce is having a significant influence on implied real estate pricing. REIT markets are implying continued cap rate compression for industrial which is now priced at a below average yield for one of the few times in history.
- Meanwhile, implied retail cap rates have continued to increase, foreshadowing a permanent repricing of this asset class.



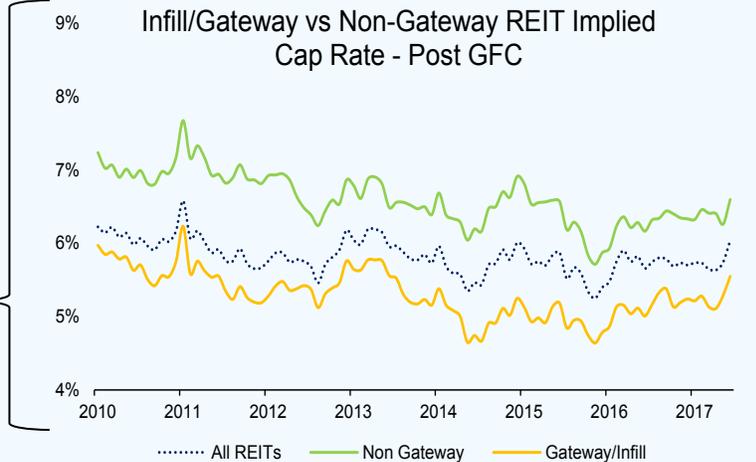
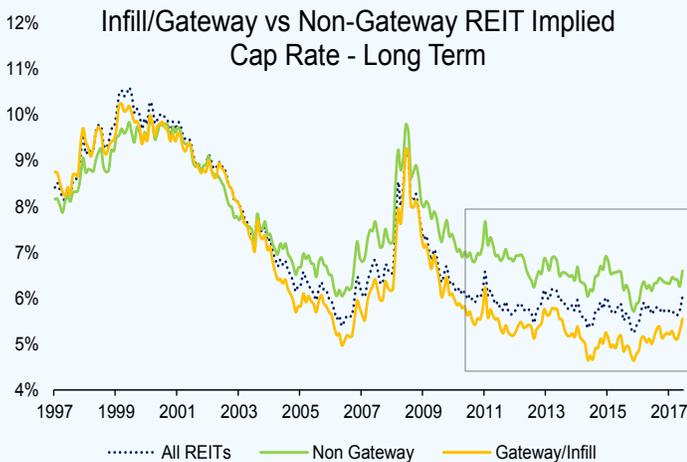
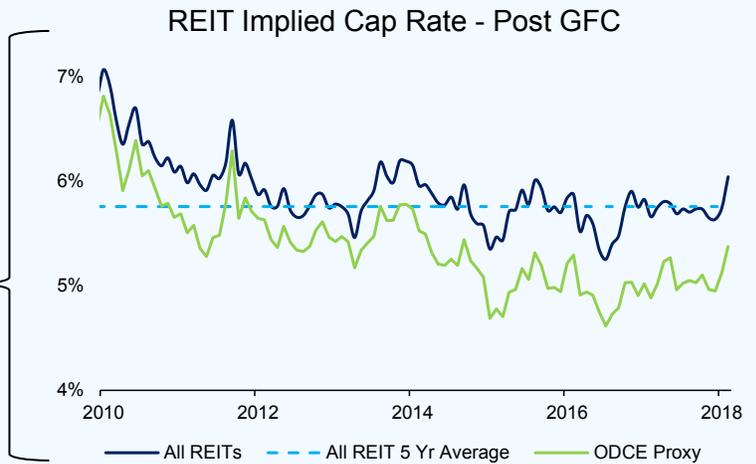
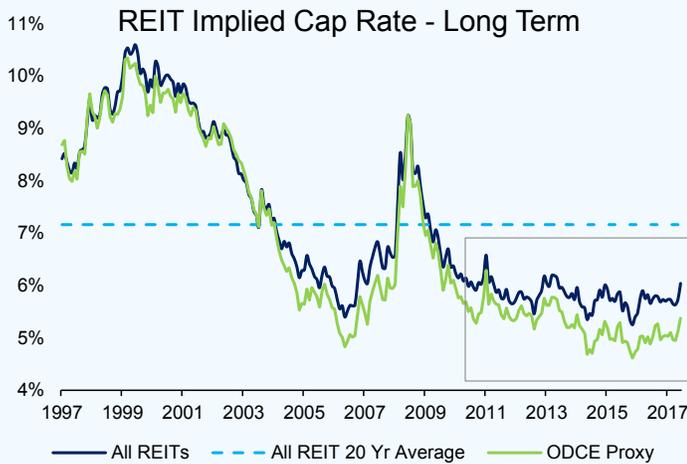
Retail Then and Now

- The pricing of retail in the REIT market has changed significantly since the last cycle. Over the last decade, implied cap rates spreads between high and low productivity retail, and in particular for shopping centers, has expanded materially. Implied cap rates for high quality malls have moved up as well.
- The implication is that lower quality retail assets in the private markets are likely to see negative value growth and high quality retail is likely to prove more resilient.



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 February 2018. All periods presented are ending February 2018 (i.e. 3 month change represents the change from financials reported in November 2017 to February 2018). 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 Month Change (bps)	12 Month Change (bps)	5 Yr Average Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Apartment	5.6%	64	60	5.2%	4.8%	(15.1%)
Industrial	5.1%	42	(20)	5.7%	5.4%	4.7%
Office	5.8%	42	79	5.5%	5.2%	(9.8%)
Retail	6.5%	35	83	5.6%	5.6%	(14.0%)
Hotel	7.6%	38	2	7.0%	7.2%	(5.6%)
Gateway/Infill	5.6%	42	54	5.2%	4.9%	(11.0%)
Non Gateway	6.6%	19	43	6.4%	6.5%	(2.1%)
REIT (Major Sectors)	6.1%	44	54	5.8%	5.5%	(10.0%)
REIT ODCE Proxy	5.4%	41	49	5.1%	4.9%	(7.9%)

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 February 2018. All periods presented are ending February 2018 (i.e. 3 month change represents the change from financials reported in November 2017 to February 2018). 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 4Q17 earnings reported in February 2018.

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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