

CenterSquare's REIT Cap Rate Perspective presents the market pricing of \$1.5 trillion of real estate in the U.S. REIT market and seeks 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 across sectors.

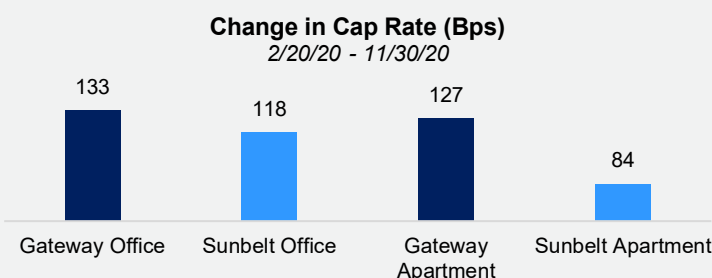
For a copy of CenterSquare's full REIT Cap Rate Perspective report, or to learn more about our strategies, please email contactus@centersquare.com.

Fourth Quarter 2020: Report Highlights

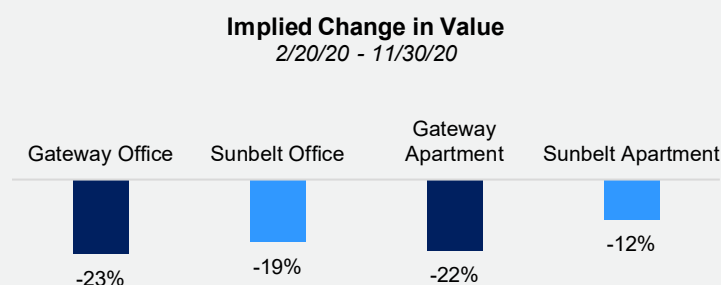
❖ The Great Migration

As the dust settles from 2020 and we look forward into next year, there are two noteworthy trends being priced into the U.S. REIT market: geographic and demographic migration. While both shifts have been underway for some years, the COVID-19 pandemic has accelerated this population movement, pushing it past the tipping point and impacting real estate fundamentals.

The flight from the higher-cost and higher-tax regime coastal markets into the lower-priced sunbelt markets has been steady but slow over the last decade. Yet, the abrupt move to a remote work environment and the search for affordability brought on by the pandemic have meaningfully accelerated this trend. As people have moved with their feet, investors have moved with their capital. Though the REIT sell-off in core real estate assets (multifamily, office, retail, lodging) has been slightly overdone in the public markets, the differential between coastal and sunbelt portfolios is striking. The incremental demand from job growth and in-migration into sunbelt portfolios is causing fundamentals to be assessed in a more favorable light, resulting in a far more muted impact on valuations versus coastal peers.

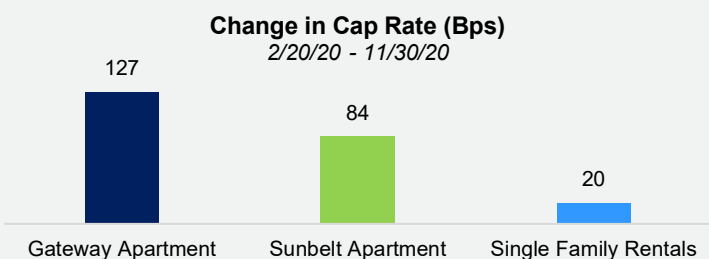


Source: CenterSquare Investment Management, as of November 30, 2020.

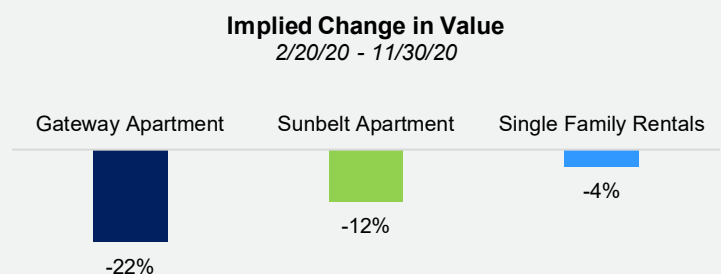


Source: CenterSquare Investment Management, as of November 30, 2020.

Similarly impactful is the impending change in demographics expected in the U.S. over this decade. According to research from John Burns Real Estate Consulting and the U.S. Census Bureau, the population of young professionals (ages 20–29) will decline by 0.4 million while the population of adults in family formation years (30–49 years) will grow by 8.4m. The increase in the population for the latter household-building category is expected to bring strong demand for suburban, single-family living, complete with more room for growing families and, now, home offices. The REIT market is pricing this expectation into valuations ascribed to single family rentals, especially as compared to the traditional multifamily properties.



Source: CenterSquare Investment Management, as of November 30, 2020.

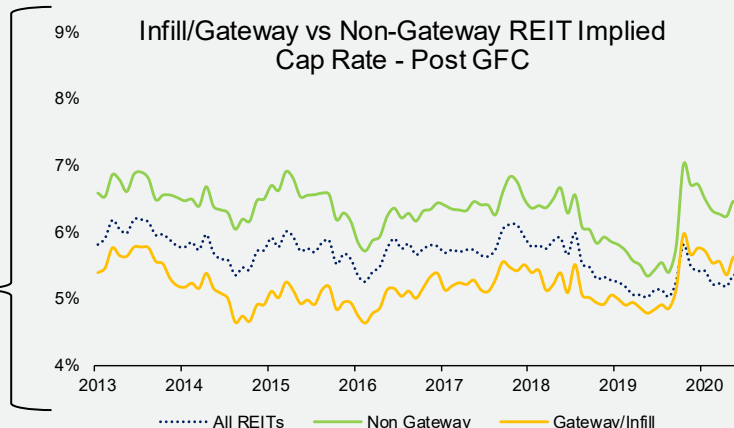
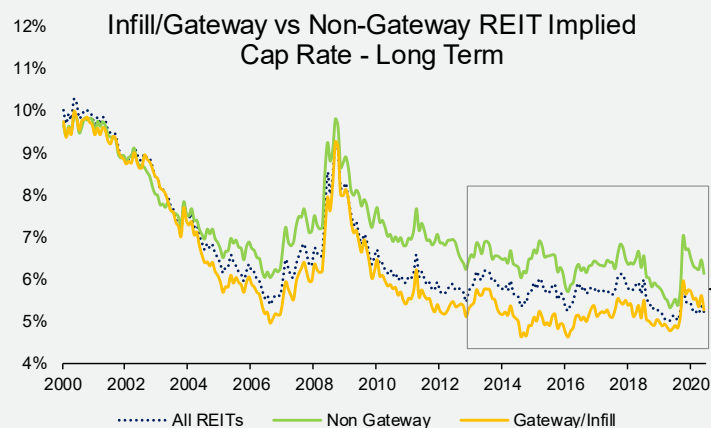
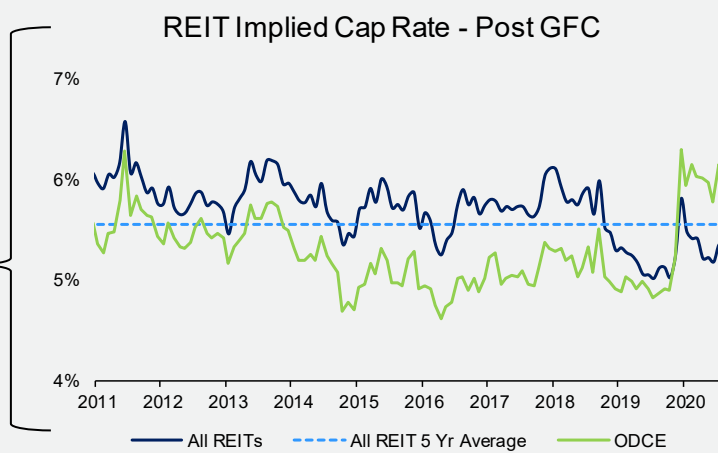
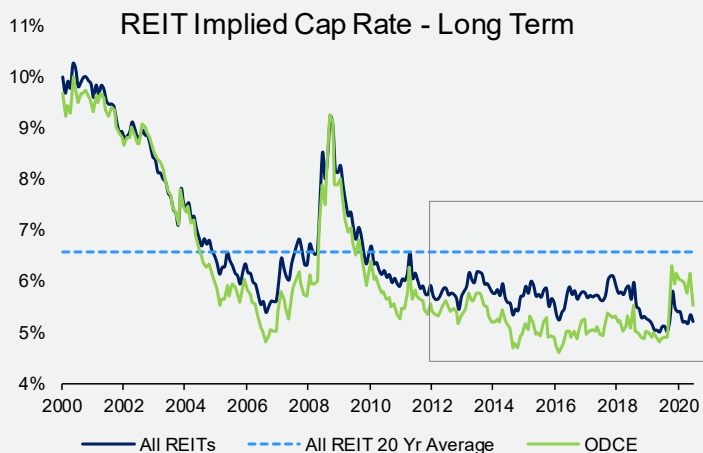


Source: CenterSquare Investment Management, as of November 30, 2020.

These trends, while potentially overpriced in the public market today, could be a key indicator of future of real estate valuations. The REIT market has increasingly demonstrated that the public market tends to be directionally correct in price discovery, and if past evidence proves true, could indicate implications for the multifamily and office sectors going forward.

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 December 2020. All periods presented are ending December 2020 (i.e. 3 month change represents the change from financials reported in September 2020 to December 2020). 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 Ave Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Apartment	5.4%	(22)	97	5.0%	4.6%	(15.3%)
Industrial	3.7%	5	(14)	4.7%	3.6%	(3.5%)
Office	6.1%	(25)	74	5.6%	5.0%	(18.1%)
Retail	7.4%	(134)	116	6.4%	6.9%	(7.6%)
Hotel	8.1%	(166)	112	7.7%	6.0%	(25.6%)
Gateway/Infill	5.3%	(27)	44	5.2%	4.8%	(10.0%)
Non Gateway	6.1%	(13)	72	6.2%	5.5%	(11.1%)
REIT (Major Sectors)	5.7%	(47)	67	5.5%	5.0%	(13.0%)
REIT ODCE Proxy	5.5%	(43)	68	5.2%	4.9%	(12.2%)

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 December 2020. All periods presented are ending December 2020 (i.e. 3 month change represents the change from financials reported in September 2020 to December 2020). 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 4Q20 earnings reported in December 2020.

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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Definition of Indices

FTSE Nareit Equity REITs Index "FNER"

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.

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, management-owned real asset manager focused on listed real estate, private equity real estate, private real estate debt 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 New York, Los Angeles, London and Singapore. CenterSquare is proud to manage investments on behalf of some of the world's most well-known institutional and private investors.



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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