CenterSquare
REAL ASSET INVESTMENT LEADERSHIP

Value-Added Investing 2020
Accelerating Trends; Emerging Opportunities

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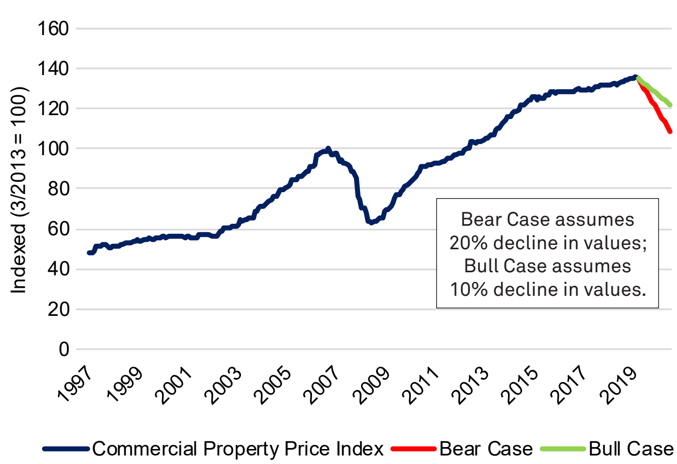
The wake of the COVID-19 crisis will have an unprecedented impact on commercial real estate markets. Many secular trends that existed before the virus will quicken; others will shift. Specifically, we expect to see an acceleration of the growth in eCommerce, an increased demand for value and affordability in the housing supply, and a need for more ergonomic and flexible modern office infrastructure. We also expect a faster migration to more affordable and lower density cities, away from gateway markets. Getting ahead of these trends from an investment perspective matters now more than ever, and being able to access opportunities that capitalize on these dynamics early in the recovery cycle offers significant return potential for those investors with the right strategy.

Dislocation and Uncertainty Creates Real Estate Investment Opportunity Post-COVID-19

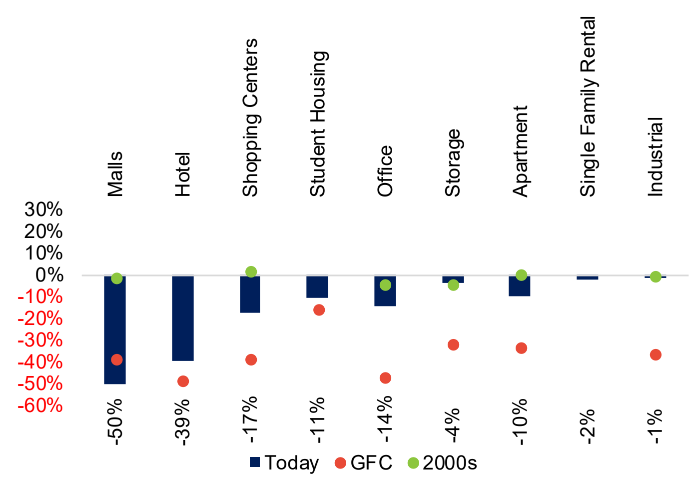
As stewards of capital, we are committed to taking an informed view on an uncertain future. Access to real-time, directional pricing of real estate cash flows, collections, liquidity and value from our dual platforms of listed real estate and private real estate debt and equity affords us a unique lens into an uncertain market. Our underwriting suggests a 15% decline in commercial property values (ODCE) as occupancy and rental rates respond to a multi-year recession outlook. However, we also forecast a wide dispersion of returns based on location and property types, with existential threats to many retail and hospitality owners, and winners in industrial, affordable rental housing and new modern office, as well as other non-traditional real estate types including medical office, life science, data centers and cell towers.

Commercial Property Price Index



Source: Green Street Advisors and CSIM projections as of April 6, 2020. Projections based on estimated changes in Same Store Net Operating Income (SSNOI) and Gross Asset Values (GAV). The chart above includes forward looking information. Actual results may be materially different than these estimates. Please refer to definition of indices at the end of this presentation.

Expected Change in Gross Asset Value



Source: CSIM Gross Asset Value (GAV) estimates and Green Street Advisors historical data as of April 6, 2020. GAV estimates based on SSNOI, Initial and Terminal Cap Rates and Initial and Forward NOI. Sectors are based on the FNRE Index (FTSE Nareit Equity Index). Private real estate returns are based on the NCREIF Open End Diversified Core Equity (ODCE) Index weights. Please refer to definition of indices at the end of this presentation.

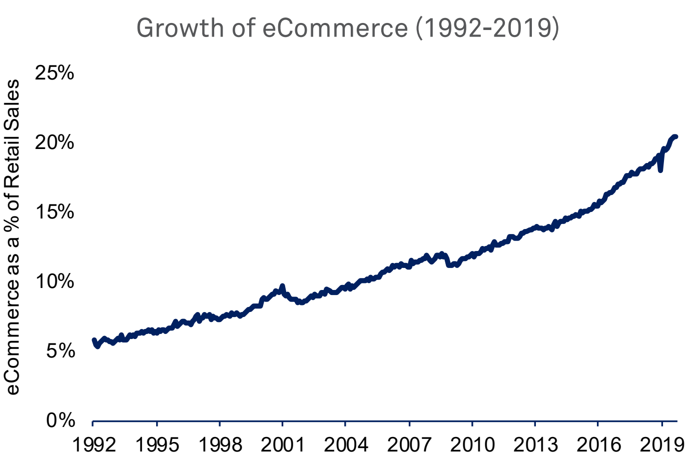
We are not believers in a V-shaped recovery. The economic damage and enduring behavioral changes from the COVID-19 shutdown will translate into permanent shifts in real estate demand patterns, which will dictate winning strategies in the new normal. Hence, we do not believe this crisis is an opportunity to be value hunting in areas of the economy that face obsolescence. Instead it is a time to access secular demand trends at extremely favorable prices; a strategy that is dependent on sourcing and execution. The forthcoming dislocation is good news for investors with the conviction and foresight to put capital to work at distressed prices, with a manager that can identify and source opportunities and who has a long history of successfully navigating cycles.

Enduring Investment Themes

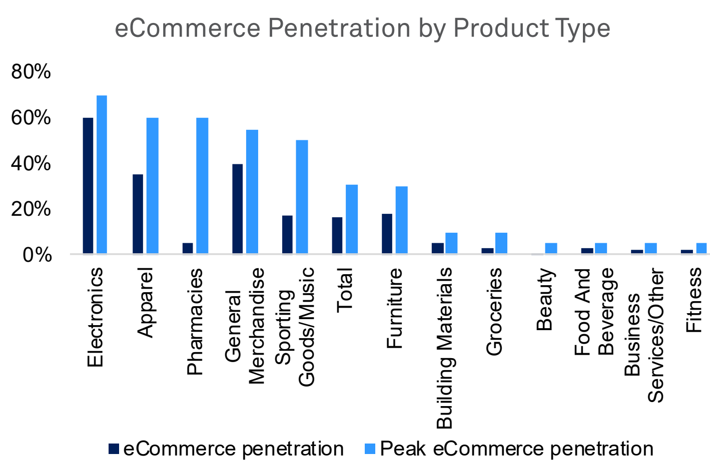
Prior to the COVID-19 pandemic, the longer term trends that CenterSquare identified as being favorable to value-added real estate strategies included: I) The Growth of E-Commerce; II) Growing Demand for Affordable Housing; III) Modern Office as a Competitive Advantage; and IV) Demographic Shift Away from Gateway Markets. Over the last few years, capital competition has been fierce for industrial, multifamily, and new, high quality office assets, all which represent the real estate poised to benefit from these secular themes. We believe the crisis will offer an attractive entry point to trends that will not only be sustained in the post-COVID-19 environment, but will, in fact, be accelerated.

The Growth of eCommerce

Over the last decade, the penetration of eCommerce into overall retail sales has doubled from approximately 10% to 20%. Based on an analysis of product types that have reached peak penetration such as books and music, we believe this market share could reach as high as 50% over the next ten years. Shifting demographics support this trend as a new generation of consumers who have grown up online increase their share of consumption while older generations accustomed to brick and mortar shopping retire and decrease spending. Economically, eCommerce represents an efficiency gain as sellers of goods experience the improved efficiencies and profit margins of digital storefronts and remote distribution.

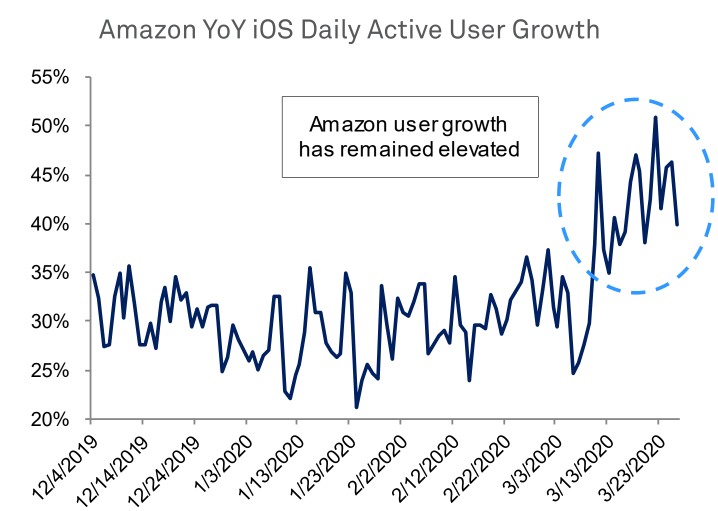


Source: US Census Bureau, as of 9/30/2019, ex auto and gas.



Source: US Census Bureau CenterSquare as of January 2020.

We believe that this trend will accelerate due to the effects of the COVID-19 pandemic. As a result of the extended shelter-in-place and mandatory shuttering of businesses, retailers have had to develop or improve upon their online sales and fulfillment capabilities to survive. Additionally, many consumers entered the world of eCommerce for the first time, and may stay there indefinitely. Online fulfillment of groceries, medicine and other necessities increased as consumers that previously had lower eCommerce utilization rates had to adapt. We have already witnessed this trend play out in real time with a dramatic and sustained increase in Amazon users by over 40% during the crisis.



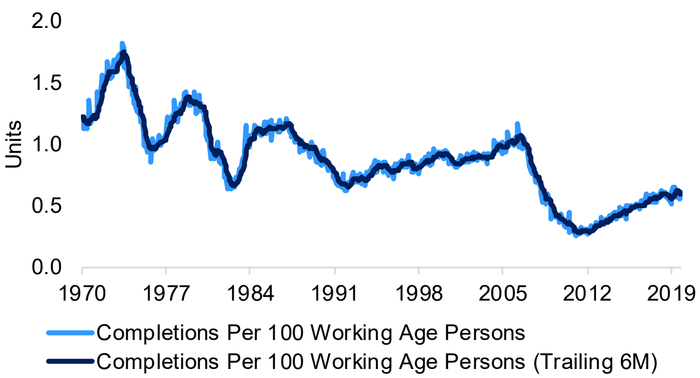
Source: Evercore ISI (December 4, 2019 - March 23, 2020)

With the shift to eCommerce comes significant challenges in moving product and fulfilling orders, highlighting the need for infrastructure improvements in the areas of logistics and fulfillment within the supply chain. To address these issues, we believe more companies will focus on developing industry leading supply chain capabilities to compete with fulfillers such as Amazon. We also see the potential diversification of manufacturing, warehousing and last mile distribution locations to create resiliency in the supply chain. These factors will only further increase demand for investment in industrial real estate.

Growing Demand for Affordable Housing

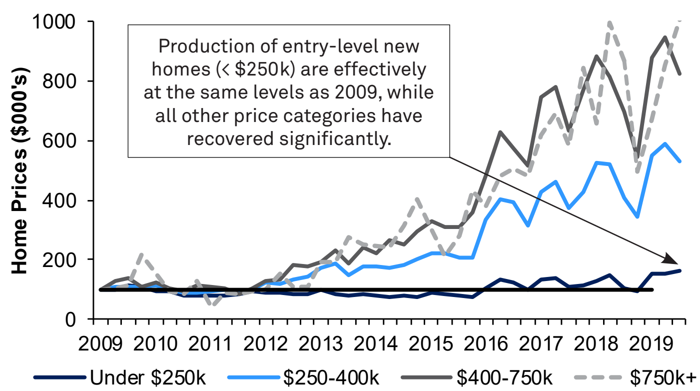
Prior to the pandemic, increased construction costs and infrastructure constraints led to a housing shortage felt most acutely in the affordable housing sub-sector. Historically, delivery has been overweighted to multifamily relative to single family, with product skewed towards the higher-end, given the rents or home pricing needed to justify the cost of development.

Relative to population, housing supply remains depressed



Source: CoreLogic as of December 2019.

Unmet Affordable Housing Development



Source: U.S. Census Bureau and Raymond James Research as of December 2019.

The trend towards a rental housing lifestyle was also solidly in place pre-COVID-19. Scarred by the housing market decline during the Global Financial Crisis and burdened with student debt, millennials that otherwise would be transitioning to homeownership were unable or unwilling to do so. Higher income workers were renting suburban multifamily or single family product that could serve as a longer transitional phase towards eventual homeownership or a permanent substitute. Baby Boomers were selling homes to downsize and move into minimal maintenance rental housing.

Now, as a result of the COVID-19 pandemic, potential homebuyers looking to plant roots in good suburban neighborhoods will likely be more reluctant or unable to make the necessary down payment required for home ownership in the face of an economic recession. The desire for urban living with the density and walkable amenities may not have the same appeal after witnessing the virus spread in major urban areas. A premium for space and less density may drive residents to the suburbs where the need for affordability will accelerate the migration away from more expensive urban neighborhoods. For these reasons, we believe single family rental and differentiated multifamily housing, in affluent suburbs with good school districts and features such as direct access garages and larger floor plans, will continue to benefit and be even better positioned in the long term.

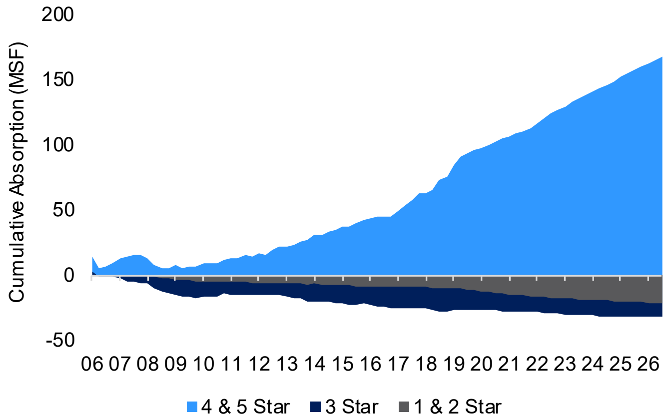
Modern Office as Competitive Advantage

Leading up to the COVID-19 crisis, many companies were already transitioning their environments to modern office space, driving human capital optimization. This trend has been evident over the last several years with all positive net absorption occurring in the higher quality office assets. In the tight labor, pre-COVID-19 market, office space was a recruiting and retention tool in the fierce competition for talent, and therefore do not occupy premium office product at significant scale. The relative importance and impact of efficiently managing employees delivered greater value than the rent paid to lease the space.

We believe this trend will continue in the post-COVID-19 environment as the companies and industries that have been leaders in office space absorption are best positioned to survive the pandemic-induced recession. These technology, financial services, healthcare/life sciences, and business services organizations will continue to need modern environments to attract and retain talent during the recovery. On the contrary, industries most negatively impacted by COVID-19 will include tourism, retail, and hospitality, none which face the same competition for talent, and therefore do not occupy premium office product at significant scale.

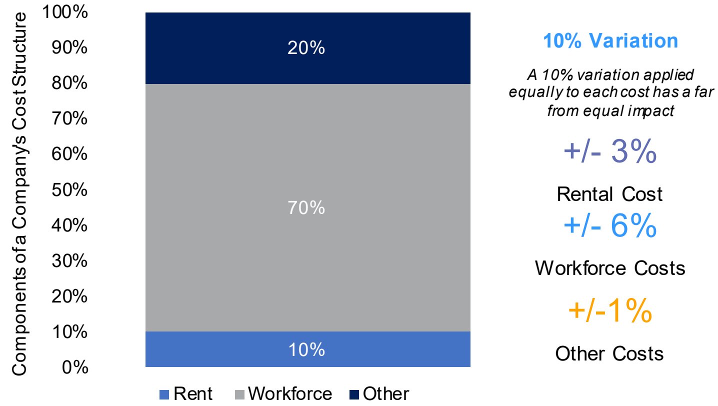
The opportunities to deliver modern office product beyond ground up development may even increase as the COVID-19 recession forces certain lower quality tenants on long-term leases out of business. This scenario will distress owners and create the opportunity for well-capitalized investors to acquire prime location office properties, newly unburdened of long-term leases to low quality tenants, at an attractive basis. These distressed assets are prime for conversion to modern office. Additionally, we may see the trend towards more dense office utilization reverse, resulting in demand for more space per employee.

All Positive Net Absorption Has Been in High Quality Assets



Source: CoStar as of 4Q 2019.

Optimized Human Capital More Important Than Higher Rents



Source: World Green Building Council as of January 2020.

Demographic Shift Away from Dense Gateway Markets

CenterSquare utilizes a proprietary Target Market Report to continually assess markets based on multiple factors including demand drivers, supply, operating fundamentals and our Livability Index, which captures items such as affordability, tax climate and more. Over the past several years, the results have directed an overweight to primarily Sun Belt markets, which had been experiencing three times the national average in population and employment growth pre-COVID-19.

While all growth will be slower on an absolute basis as the economy recovers, we believe these target markets will continue to experience outsized relative growth and that disparity may even widen. With massive government rescue programs implemented in the face of the COVID-19 pandemic, huge deficits must eventually be addressed through higher taxes and reduced services and benefits, which will hit gateway cities hardest. Furthermore, behavioral changes as a result of the pandemic are likely to accelerate the desire for diffusion of density. Busy streets, high rise living, and crowded urban cores may be traded in for more personal space. The desire for a more affordable and less dense lifestyle was already being reflected in migration trends and we expect these demographic trends to accelerate going forward.

Demographic Shift to Non-Gateway Markets

Source: CenterSquare Investment Management as of January 2020.

Opportunity for Experienced Investors, Steady in Conviction

The acceleration of these trends affords investors with conviction and experience in distressed markets the ability to acquire compelling real estate at a reset, attractive basis, providing a competitive advantage upon which to execute value-added investment strategies. We believe these assets will be in a superior position to capture an outsized share of the demand recovery.

CenterSquare's investment team is cycle-tested and we have an extensive track record of sourcing and executing on value-added investments during periods of dislocation, most recently in the aftermath of the Global Financial Crisis. We believe our middle market focus is ripe for sourcing attractive opportunities during this crisis. This segment of the market is inhabited by smaller owners and lenders that often lack the capital and expertise to salvage operationally impaired real estate. Further inefficiencies of the middle market will likely be accentuated in the downturn and give rise to a larger volume of investment opportunities with less competition from larger funds.

With the backdrop of accelerating trends and cycle-tested experience, we will pursue the opportunity set highlighted below alongside our established network of local operating partners who enable us to source compelling, primarily off-market opportunities during periods of both economic strength as well as times of distress.

Strategic Opportunities

1 Distressed Development	2 Note Purchase Opportunities	3 Rescue Capital	4 Impaired Modern Office Assets	5 Markets / Industries Impacted by COVID-19	6 Non-Traditional Asset Classes
Situational			Thematic		
Significant Impairment	Focus on Single Notes vs. Portfolios	Recap with Structured Capital for Constrained Borrowers	Undercapitalized Landlords Will Struggle to Re-tenant Vacancy due to High Basis	Tourism and Entertainment Market Will Experience Outsized Job Losses	Public Markets Signaled Valuation Premiums for Certain non-Traditional Sectors
Pre-Crisis Underwriting Assumptions	Under-capitalized, Over-levered, Inexperienced Borrowers	Address Shortfalls in Refinance of Pending Loan Maturities	Specifically Target Co-Working Exposure	Forced Sales at Depressed Pricing	COVID Accelerant for SFR,MOB, Life Sciences
Construction Timing Delayed + Carry Costs	Reset Basis for Current Valuation		Asset / Liability Mismatch = Liquidity Squeeze	Non-Gateway Growth Markets – Recover from Temporary Demand Destruction	Reposition Flawed Traditional Assets
Banks are Sellers of this Type of Risk	Structured to Provide "Rescue Capital" or Full Repayment				

For more information, and specific examples of CenterSquare's experience with these opportunities in market downturns, please contact us.

About CenterSquare

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.

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Disclosure Statements

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General Real Estate Risks

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. 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 Equity REITs Index

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.

NCREIF Open End Diversified Core Equity (ODCE) Index

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.

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 these indices.

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About the Authors

Jeffrey Reder, *Senior Vice President, Private Real Estate*

Mr. Reder serves as a Senior Vice President in the Acquisition Group of CenterSquare and is based in the Southern California office. He is responsible for the sourcing, underwriting and closing of real estate acquisitions and investment transactions in the western region of the U.S. Mr. Reder brings many years of experience in both real estate and investment banking to his position. Immediately prior to joining CenterSquare, he served as Vice President for a private real estate investment firm where he was a member of the Investment Committee, headed the asset management department, led the evaluation and underwriting of prospective acquisitions and managed the day-to-day operations and leasing of properties nationwide. Mr. Reder began his career as an investment banker at Salomon Brothers in New York eventually leaving Wall Street as a Vice President of Corporate Finance before returning home to his native Southern California.

Mr. Reder holds a B.A. in both Economics and Psychology from Northwestern University. He is also professionally affiliated with the Urban Land Institute, International Council of Shopping Centers, National Association for Industrial and Office Parks, National Multi Housing Council and Real Estate Investment Advisory Council. He serves as a member of the Investment Committee for CenterSquare's Private Real Estate Group.

Chad Burkhardt, *Senior Vice President, Private Real Estate*

Chad Burkhardt is a Senior Vice President in the Private Real Estate Group. Since joining CenterSquare in 2013, Mr. Burkhardt has been responsible for portfolio management, acquisitions in the Eastern United States, and serves as a member of the Investment Committee. Before joining CenterSquare, Mr. Burkhardt led real estate acquisitions in the United States and Puerto Rico for a New York based family office. Prior to that, Mr. Burkhardt was a Vice President at D. E. Shaw & Co., a multi-strategy hedge fund based in New York, where he oversaw commercial real estate acquisitions, and was responsible for real estate credit, which included the purchase of senior and subordinate debt positions, as well as CMBS and REIT securities. In addition, he was responsible for portfolio management and the disposition of select real estate assets globally. Mr. Burkhardt started his career at Merrill Lynch & Co. as a Vice President in Global Principal Investments, the group responsible for investing the firm's balance sheet in commercial real estate debt and equity, with a focus on the Americas. Mr. Burkhardt graduated from Cornell University with a B.S. in Hotel Administration with a concentration in Real Estate Finance and Management. Mr. Burkhardt serves as a Director of NYPEN Real Estate and Girard College Foundation.

Scott Crowe, *Chief Investment Strategist*

Scott Crowe is the Chief Investment Strategist at CenterSquare Investment Management and joined the firm in 2015. Scott is a member of CenterSquare's private real estate investment committees. In this capacity he works with each team's portfolio managers and investment professionals in the leadership of the investment process, with a particular focus on thought leadership by synthesizing our real asset views across the business. Scott is the portfolio manager of the Global Concentrated real estate securities strategy. Scott also works directly with CenterSquare's clients, providing education and guidance on the market and helping them execute their investment goals. Prior to joining CenterSquare, Scott was CIO of Liquid Alternatives at Resource Real Estate where he built and led a global investment and distribution platform. Prior thereto, Scott was the lead Global Portfolio Manager for Cohen & Steers, where he was responsible for $10B in assets under management and led the investment and research team of over 20 portfolio managers and analysts. Prior to this, Mr. Crowe held the position of Head of Global Real Estate for UBS Equities Research, where he built and managed the U.S. REIT division while leading a global team of more than 40 analysts. Scott began his career at Paladin Property Securities and holds an Honors Finance Degree from the University of Technology Sydney and a Bachelor of Commerce from the University of NSW/ National University of Singapore.

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