

REIT on the Money

Critical Facts About Today's Listed Real Estate Market

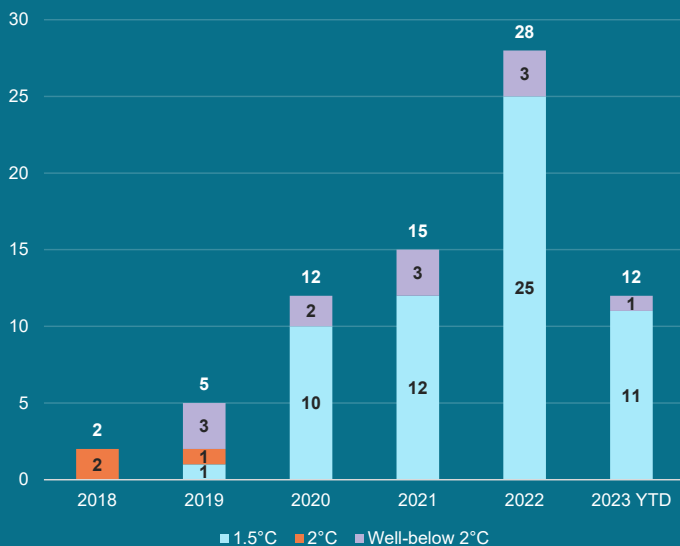
The Takeaway: Early Data Suggests SBTi Participation Correlates With 1 Year Alpha Generation

The Science Based Target Initiative (SBTi), a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), has evolved to become the pre-eminent organization supporting companies setting emissions reduction and net zero targets in alignment with the 2015 Paris Agreement. We assessed the performance of REITs relative to the global index one year following the date their targets were approved and published.

Fact #1: As of Q2 2023, nearly 75 REITs representing over 40% of our global investible universe¹ by market cap have published science-based targets.

The initial targets were set in accordance with the goal of keeping global temperature rise to 2°C. Yet, since 2020, the vast majority of commitments have been focused on keeping global temperature rise to 1.5°C.

Number of Global REITs Setting Science Based Targets by Temperature



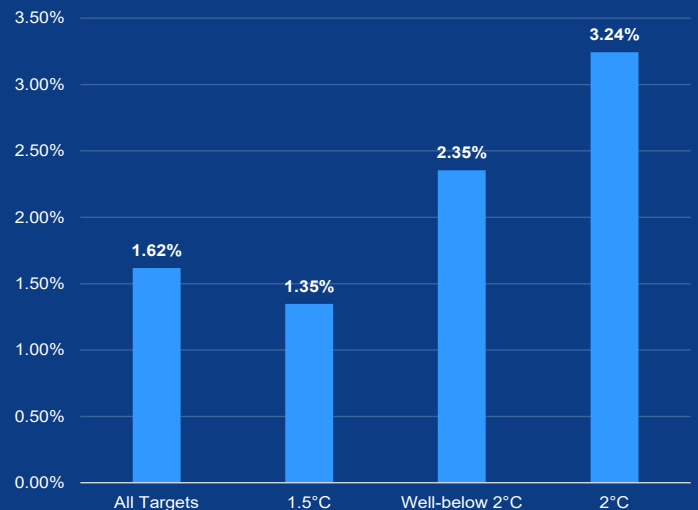
Source: SBTi, CenterSquare as of June 30, 2023.

¹FTSE EPRA NAREIT Developed Index, by weight

Fact #2: REITs that have published science-based targets have outperformed the global index on average over the one-year period following publication, regardless of their level of commitment.

This correlation may reflect the notion that sustainable buildings are more efficient with lower operating costs that directly flow to the bottom line. Further, we are increasingly seeing a greater impact on revenues (more leasing success, higher rents and lower occupancies) and valuations associated with more sustainable real estate assets.

Average REIT Relative Performance 1 Year Following Target Publication



Source: SBTi, CenterSquare as of June 30, 2023.

Given real estate accounts for approximately 40% of end-use carbon emissions globally, the decarbonization movement cannot advance without action from our industry. While this preliminary analysis points to positive performance for REITs following science-based target setting, it is important to note this data is not inclusive of all REITs in the global universe nor are we able to assess longer time periods due to nascency of the SBTi program. However, we do believe the case for the decarbonization of real estate is not only “doing good” but also “good business.” We will continue to test this hypothesis as more data becomes available.

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Definition of Indices

FTSE EPRA/Nareit Developed Index (and FTSE EPRA/Nareit Developed Net Index)

The FTSE EPRA Nareit Developed Index is designed to track the performance of publicly listed real estate companies and REITs worldwide, containing eligible constituents from Developed markets as classified by FTSE Russell based on the nationality rules for FTSE EPRA Nareit Global Real Estate Index Series.

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