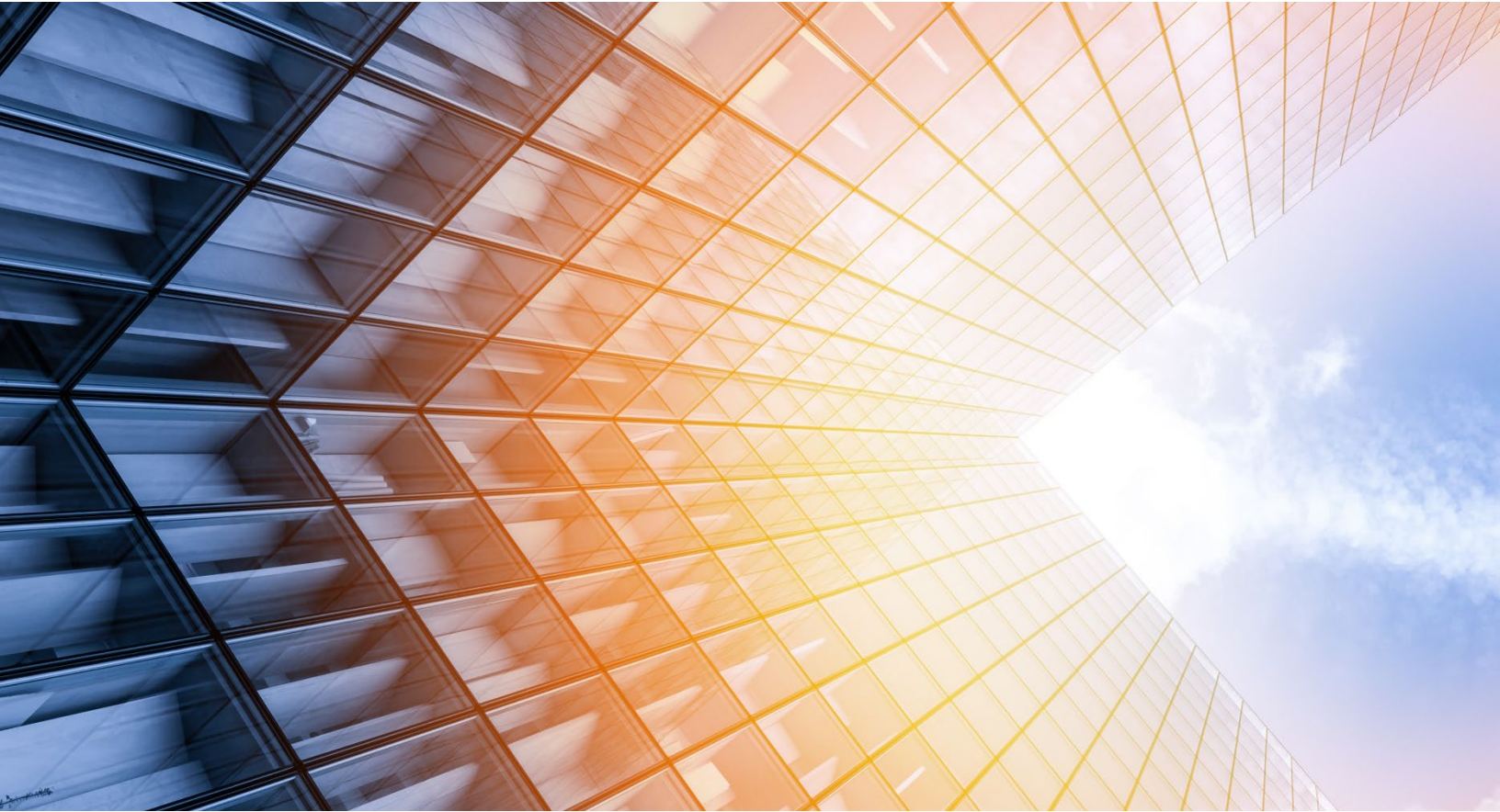




Q1 | 2024



The REIT Cap Rate Perspective

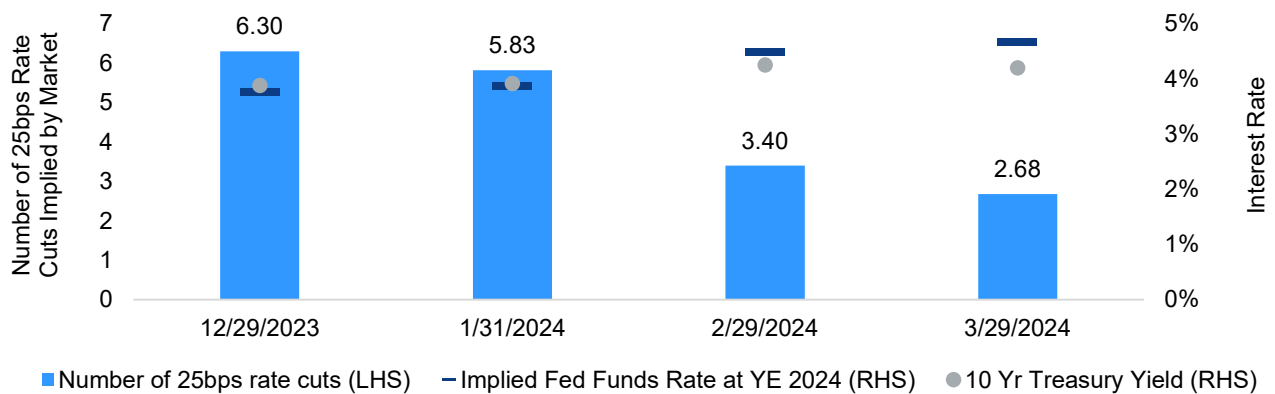
REITs and Rate Expectations

CenterSquare's REIT Cap Rate Perspective seeks to quantify the valuation gap between public and private markets, offering investors insights into the possible future direction of real estate values through our proprietary REIT implied cap rate results across sectors.

REITs and Rate Expectations

The REIT market has been reacting to the meaningful changes across the interest rate environment for over two years. Throughout the first quarter, the 10-year treasury yield oscillated around 4% between 3.88% - 4.33% as economic data continued to indicate stickier inflation primarily driven by a strong consumer and labor market, reinforcing the “higher for longer” sentiment. On the lower end of the interest rate curve, the market’s expectation for rate cuts from the Federal Reserve was pushed later into the year. The market was expecting over six 25bps rate cuts at the end of last year, implying the Fed Funds rate would be close to 3.75% by the end of 2024. By the end of the first quarter, the expectation was for less than three 25bps rate cuts for the year.

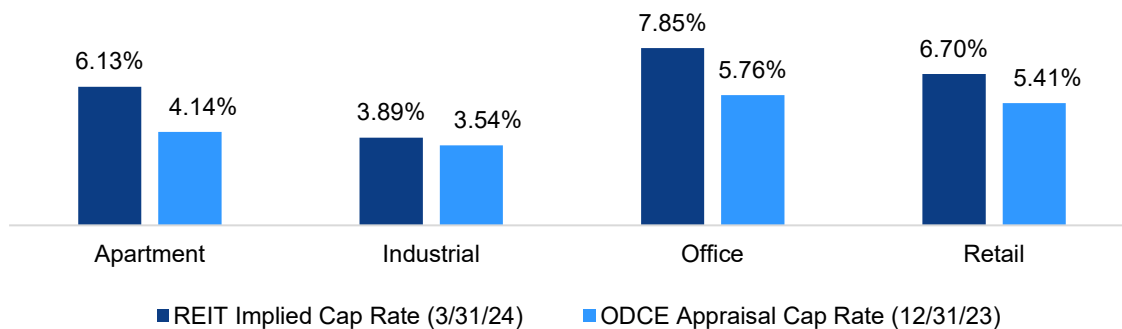
Changes in Interest Rate Expectations during 1Q 2024



Source: Bloomberg, as of April 2, 2024.

Our expectation here at CenterSquare, as we outlined in our [outlook](#), has always been for rate cuts to not begin until the second half of this year and for the 10-year treasury yield to stay somewhere near 4% for the foreseeable future driven by structural issues keeping inflation higher than the Fed’s 2% target, anemic real growth, and the reemergence of a term premium as risks continue to rise globally. The data economic data we have seen this year further supports our thesis. With the 10-year treasury settling in this 4% range, we believe the REIT market remains an indicator of the direction of real estate pricing across the private market, where appraisal cap rates remain too low.

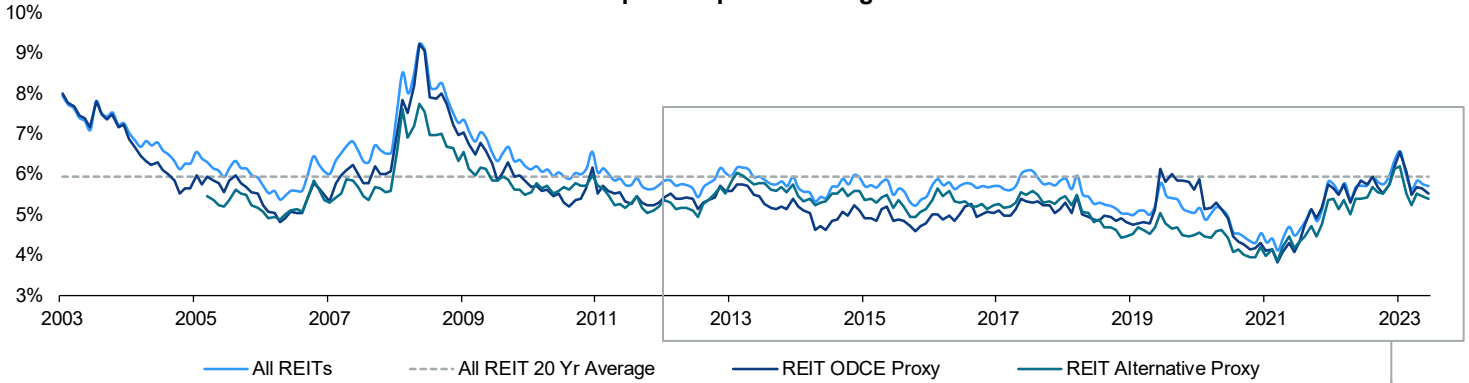
Private Market Cap Rates Still Lagging



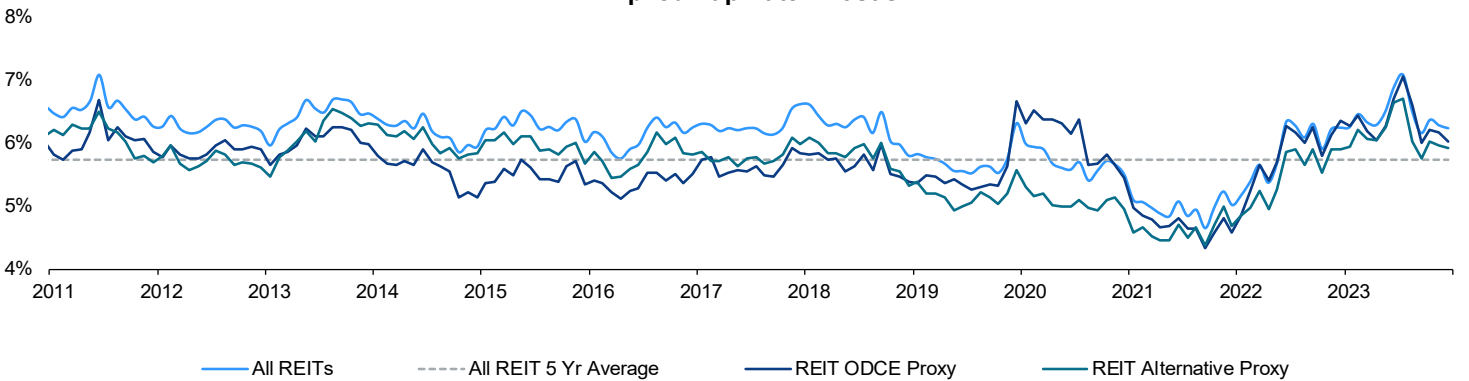
Source: CenterSquare, NCREIF, as of March 31, 2024.

The Data

REIT Implied Cap Rate - Long Term



REIT Implied Cap Rate - Post GFC



Sector	REIT Implied Cap Rate	3 Mo. Change (bps)	12 Mo. Change (bps)	5 Yr Avg Implied Cap Rate	Private Market Cap Rate	REIT vs. Private Market Valuation Gap
Apartment	6.13%	11	16	4.97%	5.60%	(8.7%)
Industrial	3.89%	(1)	12	3.81%	4.81%	23.7%
Office	7.85%	5	(64)	6.62%	6.99%	(11.0%)
Retail	6.70%	(6)	(57)	6.82%	7.35%	9.7%
Hotel	6.62%	(19)	(73)	6.57%	6.10%	(8.0%)
REIT ODCE Proxy	5.53%	3	(32)	5.18%	5.72%	3.5%
Life Sci	6.52%	11	(34)	5.03%	5.75%	(11.8%)
Healthcare	7.32%	22	40	6.24%	6.75%	(7.7%)
Single Family Rentals	5.10%	(13)	(41)	4.67%	4.78%	(6.2%)
Manufactured Housing / RVs	4.84%	24	26	3.96%	5.14%	6.2%
Towers	4.93%	30	2	4.25%	5.30%	7.6%
Data Centers	4.57%	(19)	(51)	4.81%	5.50%	20.4%
Self Storage	5.53%	23	22	6.04%	5.54%	0.2%
REIT Alternative Proxy	5.41%	16	1	4.79%	5.66%	4.5%
All REITs	5.73%	8	(1)	6.02%	5.63%	(1.8%)

Note: The ODCE sector weights have been re-adjusted in alignment with the latest ODCE data, as sector weights continue to shift.
 Source: CenterSquare Investment Management, REIT Company reports. "All REITs" refers to CenterSquare's U.S. REIT coverage universe (defined on page 4). Data presented above is based on financials reported by companies within CenterSquare's REIT coverage universe during December 2023. All periods presented are ending March 2024 (i.e. 3 month change represents the change from financials reported in December 2023 to March 2024). 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 4 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 Q1 2024 earnings reported in December 2023.

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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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 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.

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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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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