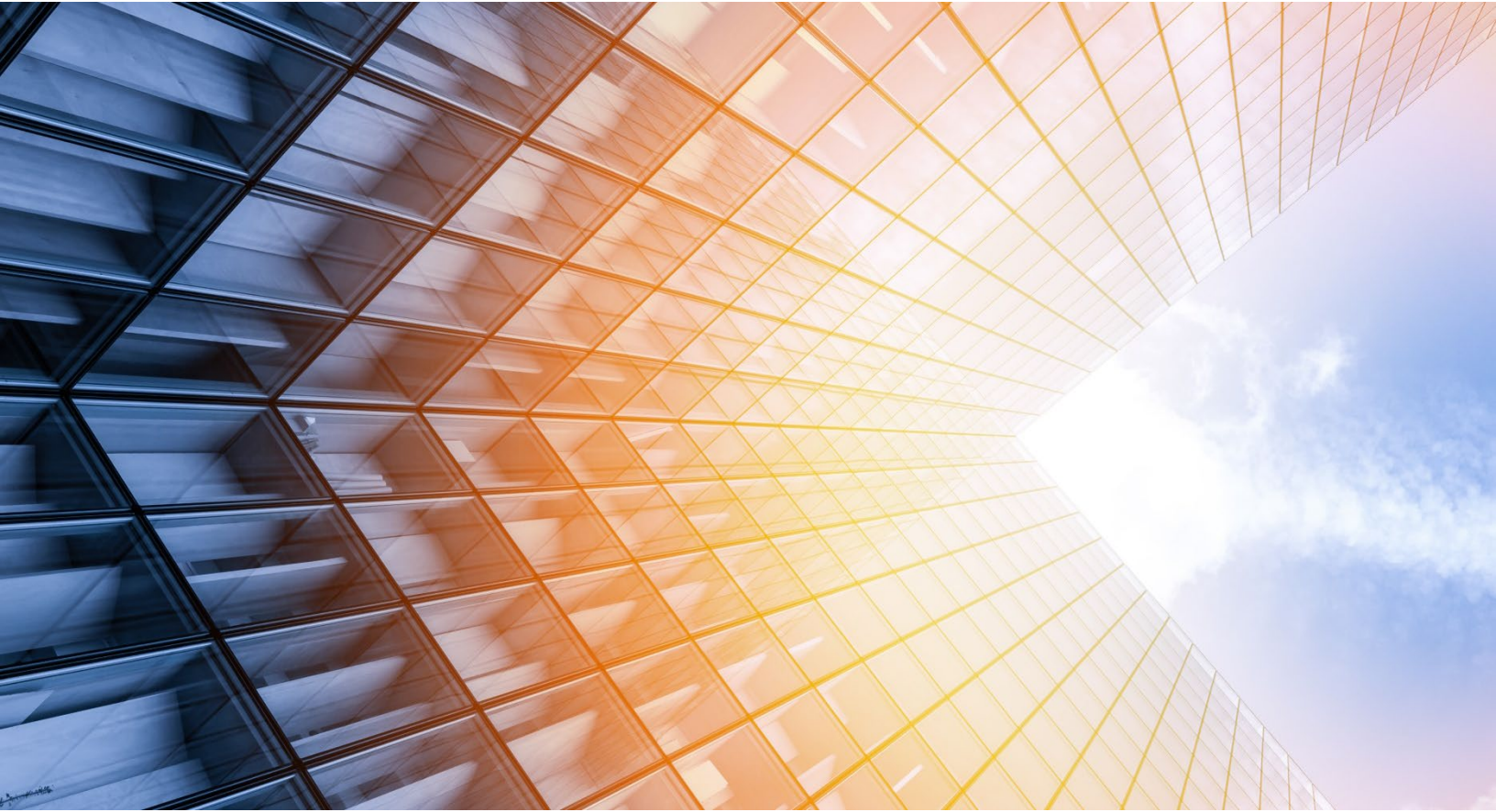




Q2 | 2025



The REIT Cap Rate Perspective

From Darling to Discounted:

The Industrial Sector's Pricing Reset

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.

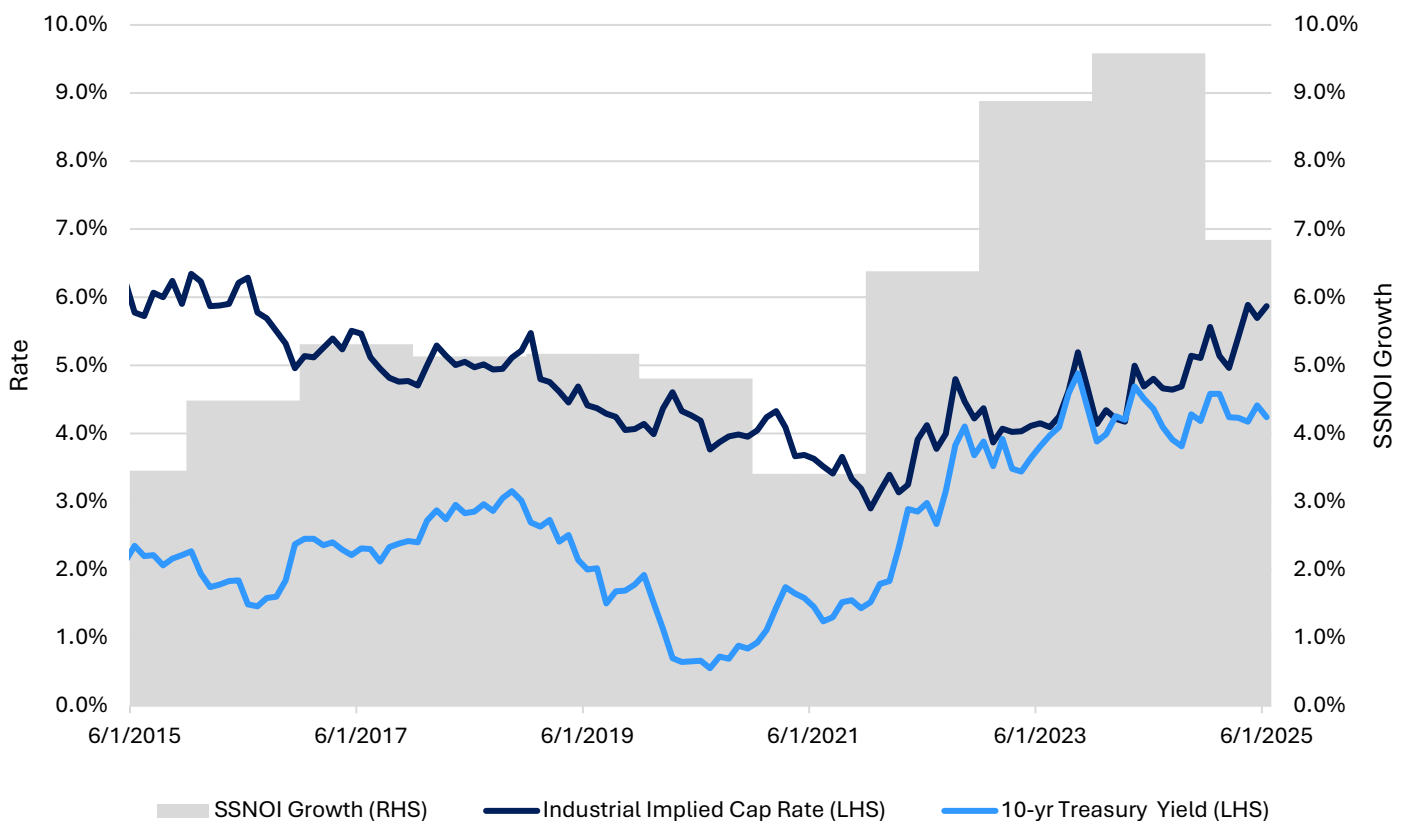
From Darling to Discounted: The Industrial Sector's Pricing Reset

The second quarter was rife with market uncertainty, beginning with "Liberation Day" and continuing as the regulatory landscape was changing—seemingly daily. Given the heightened uncertainty around trade, it's no surprise the industrial sector saw a more meaningful expansion in cap rates of 45bps compared to REITs overall at 11bps.

The industrial sector has been under pressure for some time now. The favorite child of the real estate industry was priced to perfection coming out of COVID, when demand was so strong that supply simply couldn't keep up. Understandably, when fundamentals began slowing last year, the rose-colored glasses came off quickly and the sector underperformed the REIT market by over 30% for the year. The elevated trade uncertainty further weighed on fundamentals and investor sentiment in the second quarter. In fact, the sector is trading at cap rates not seen since 2017 (Figure 1). While this is partly driven by the repricing of real estate in response to higher interest rates, there has been a marked change in the second derivative of growth for the industrial property type. Nowhere has this been truer than across the Southern California market, where astronomical rent growth quickly turned. As a function, the REIT market is pricing Southern California industrial at a 6.2% implied cap rate, compared to the broader industrial sector at 5.9%.

While the visibility on declining supply appears favorable in the coming quarters, continued uncertainty in the operating environment is expected to create choppy waters for the foreseeable future, and the REIT market is pricing the sector as such.

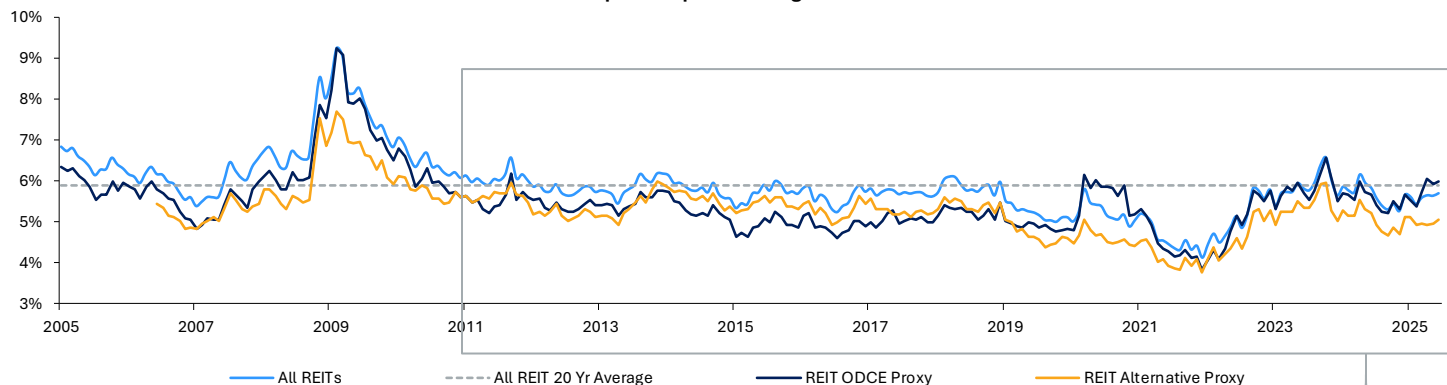
Figure 1: Industrial Implied Cap Rates vs 10-Year Treasury Yields & Same-Store NOI Growth



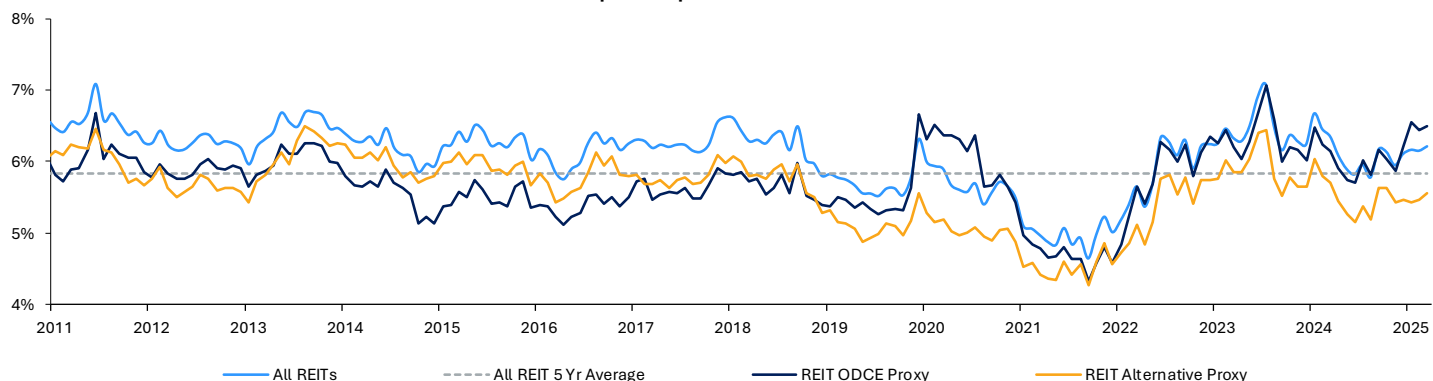
Source: CenterSquare, Bloomberg, Green Street as of July 15, 2025.

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	5.65%	33	4	5.15%	5.19%	(8.0%)
Industrial	5.87%	45	107	4.25%	4.78%	(18.5%)
Office	7.91%	5	(10)	7.11%	7.09%	(10.4%)
Retail	6.69%	18	(14)	6.70%	6.90%	3.0%
Hotel	7.80%	(8)	67	6.50%	5.74%	(26.4%)
REIT ODCE Proxy	6.00%	28	35	5.29%	5.59%	(6.9%)
Life Sci	8.46%	93	167	5.76%	6.75%	(20.2%)
Healthcare	4.58%	17	(84)	5.41%	6.67%	45.5%
Single Family Rentals	5.56%	26	47	4.86%	4.74%	(14.6%)
Manufactured Housing / RVs	5.02%	4	1	4.32%	5.04%	0.4%
Towers	4.74%	6	(49)	4.46%	4.80%	1.2%
Data Centers	5.04%	(11)	28	4.72%	5.48%	8.8%
Self Storage	5.41%	(0)	6	6.18%	5.28%	(2.4%)
REIT Alternative Proxy	5.05%	9	(15)	4.78%	5.66%	12.0%
All REITs	5.71%	11	(14)	6.21%	5.99%	5.0%

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 2024. All periods presented are ending March 2025 (i.e. 3 month change represents the change from financials reported in December 2024 to March 2025). 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 2025 earnings reported in March 2025.

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 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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