



CenterSquare Secular vs Cyclical: The Residential Divide

The Summary REIT
Cap Rate Perspective

Q3 | 2025

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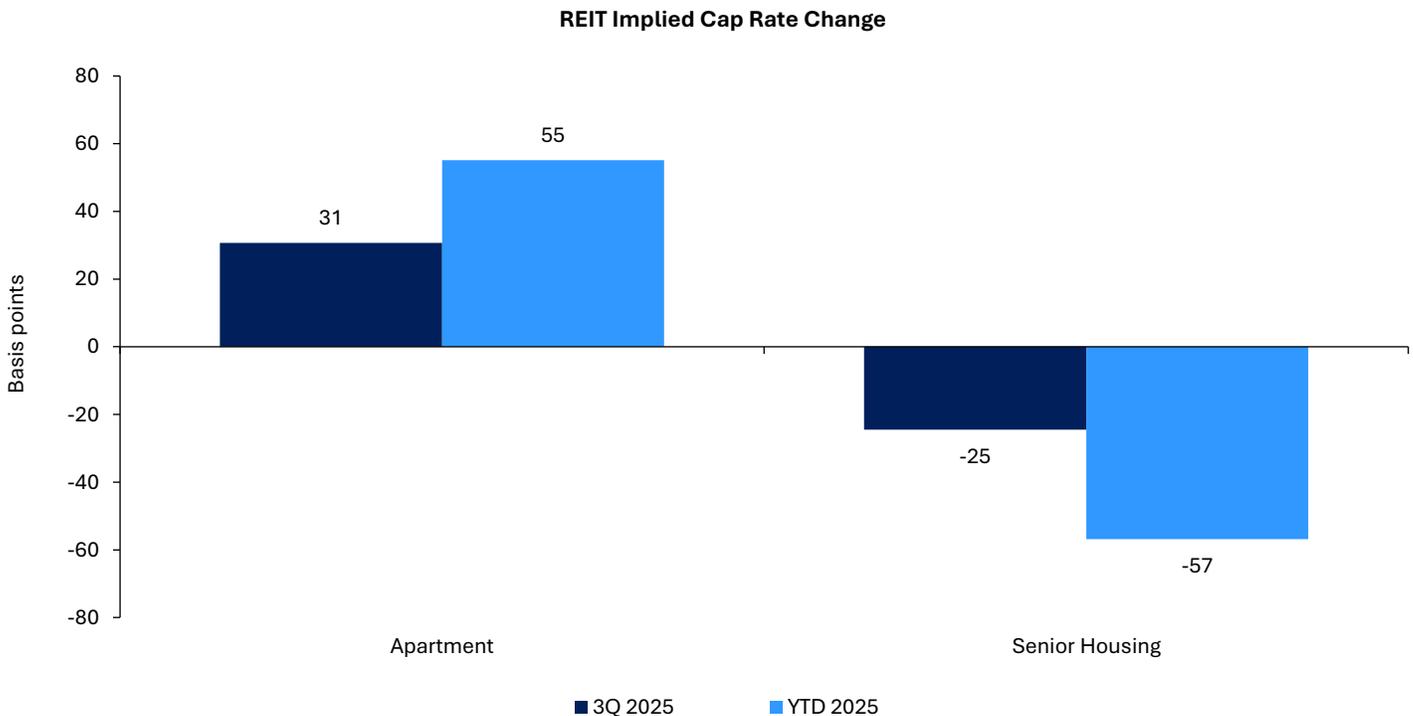
CenterSquare

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.

Secular vs Cyclical: The Residential Divide

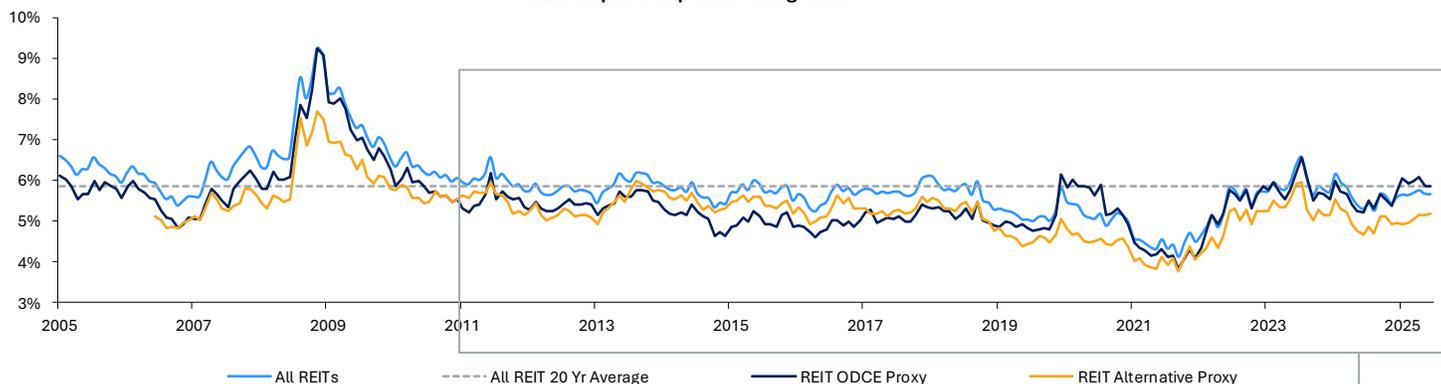
The strength of secular demand tailwinds versus the precariousness of cyclical ones has recently been on full display across two parts of the residential real estate market. Demand for traditional multifamily tends to be cyclical in nature, impacted by similarly cyclical economic factors like job growth. The latest labor data indicate that job growth has stalled with only 22k new jobs reported in August and negative revisions in prior months. In fact, the U.S. lost 13k jobs in June, marking the first month of negative job growth since 2020. This is driven by a confluence of lower demand for labor and lower labor supply as immigration policies impact the total available labor force. The lack of new jobs is most acutely impacting new college grads with degrees in fields prone to efficiency gains through generative AI. Unemployment rates are highest for this cohort with degrees in areas such as physics (7.8%), computer engineering (7.5%), and computer science (6.1%). Given the meager job growth, coupled with elevated levels of supply, it's not surprising that traditional multifamily has not experienced enough net demand to command pricing power and rent growth. Unsurprisingly, the sector has been an underperformer in the REIT market, and cap rates expanded 31bps in the third quarter alone and have expanded 55bps year to date.

On the other hand, senior housing demand tends to be more secular in nature as it's needs-based. The secular tailwind here is simply a function of demographics – this year an average of 11,400 turn 65 every day – an historic pace. As the Baby Boomer generation ages into the needs-based living offered by senior housing, they're doing so with large pools of wealth, driving strong rent growth. This is happening while supply for new senior housing is quite muted. The combination of strong secular demand coupled with low supply is generating some of the strongest levels of growth across the real estate industry for the sector, resulting in pricing that reflects this reality. This space in the REIT sector has generated returns so far this year exceeding 30% and well outperforming the broader REIT index. In the third quarter, cap rates here compressed an additional 25bps and have compressed 57bps so far this year.

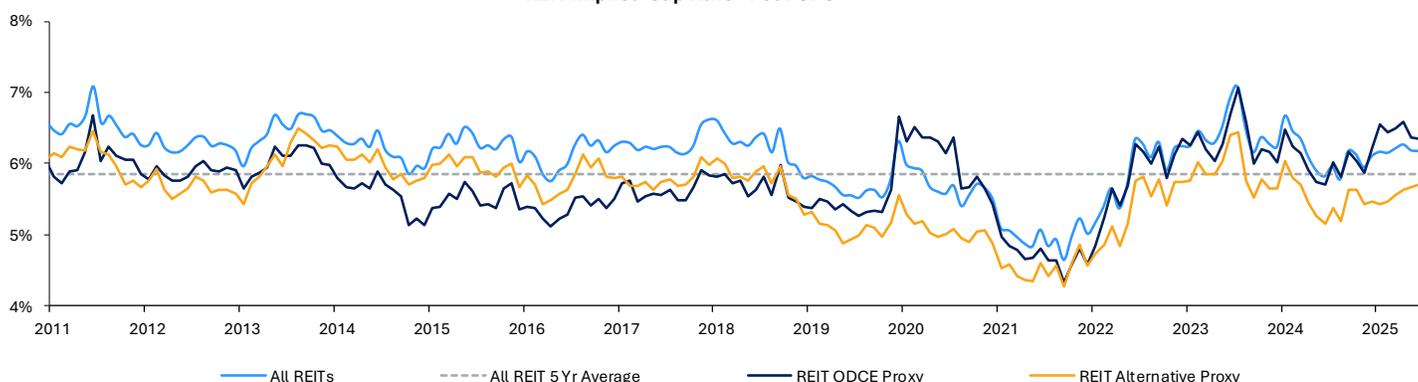


The Data

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	5.95%	31	73	5.16%	5.19%	(12.8%)
Industrial	5.55%	(32)	86	4.34%	4.98%	(10.2%)
Office	7.60%	(31)	47	7.17%	7.37%	(3.0%)
Retail	6.29%	(40)	7	6.60%	6.87%	9.1%
Hotel	7.62%	(19)	42	6.64%	5.76%	(24.4%)
REIT ODCE Proxy	5.85%	(15)	64	5.30%	5.66%	(3.2%)
Life Sci	7.60%	(86)	145	5.95%	6.75%	(11.2%)
Healthcare	4.23%	(35)	(48)	5.30%	6.68%	57.9%
Single Family Rentals	6.09%	54	89	4.93%	4.74%	(22.1%)
Manufactured Housing / RVs	5.07%	5	43	4.40%	5.04%	(0.6%)
Towers	5.24%	50	64	4.53%	4.80%	(8.4%)
Data Centers	5.05%	1	64	4.77%	5.48%	8.6%
Self Storage	5.63%	22	99	6.20%	5.31%	(5.7%)
REIT Alternative Proxy	5.20%	15	55	4.81%	5.66%	8.8%
All REITs	5.67%	(4)	36	6.23%	6.02%	6.1%

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.



Glossary

All REITs: Refer to CenterSquare’s U.S. REIT coverage universe defined on page 16.

Apartment: REITs that own/manage multifamily residential rental properties.

Industrial: REITs that own/manage industrial facilities (i.e. warehouses, distribution centers).

Office: REITs that own/manage commercial office properties.

Retail: REITs that own/manage retail properties (i.e. malls, shopping centers).

Hotel: REITs that own/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.

Apartment

Gateway – REITs with portfolios primarily in gateway markets.

West Coast – REITs with portfolios primarily in West Coast markets.

Sunbelt – REITs with portfolios primarily in sunbelt markets.

Industrial

Global – REITs with a presence in all markets globally.

Infill – REITs with portfolios primarily in infill markets.

Secondary – REITs with portfolios primarily in secondary markets.

FLEX – REITs with portfolios primarily of assets that give tenants flexibility in the use of the space and typically include an office component.

Los Angeles – REITs with portfolios primarily in the LA market.

Office

Gateway – REITs with portfolios primarily in gateway markets.

Secondary – REITs with portfolios primarily in secondary markets.

Geographic – REITs with portfolios primarily in respective geographic markets.

Specialty – REITs with portfolios primarily dominated by respective tenants.

Retail

High Productivity Malls (Shopping Centers) – Mall REITs (Shopping Center REITs) with higher sales/sq ft.

Low Productivity Malls (Shopping Centers) – Mall REITs (Shopping Center REITs) with lower sales/sq ft.

Outlets – REITs with portfolios of open-air outlet malls.

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 Q2 2025 earnings reported in June 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

Hotel

Limited service – REITs with hotel portfolios that lack dedicated, revenue-producing food and beverage components and offer rooms at a more economic price point.

Full service – REITs with hotel portfolios that maximize offerings and amenities to provide guests with an all-in-one experience at a higher price point.

Healthcare

Medical Office Buildings – REITs that own office and lab facilities constructed for the use of physicians and other healthcare professionals.

Skilled Nursing Facilities – REITs that own nursing facilities with the staff and equipment required to give skilled nursing care, rehabilitative services, and other related health services.

Hospitals – REITs that own institutions for the care and treatment of the acutely sick and injured.

Diversified – REITs that own portfolios of hospitals, MOBs, SNFs, and Senior Housing facilities.

Alternative Housing

Manufactured Housing / RV – REITs in the business of operating and developing manufactured housing and recreational vehicle communities.

Student Housing – REITs that own and manage collegiate housing communities located near campuses.

Single Family Rental – REITs that own and lease single family homes.

Data Centers and Towers

Data Centers – REITs are operators and developers of data center facilities which tenants use as part of their network infrastructure.

Towers – REITs are owners and developers of wireless infrastructure assets mainly comprised of rural and urban cellular towers which facilitate mobile data and voice connectivity.

Net Lease

Net Lease – REITs are owners of free-standing retail, office, industrial, and gaming assets leased to operators on a triple net basis.

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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Founded in 1987, CenterSquare Investment Management is an independent, employee-owned real asset manager focused on listed real estate, private real estate equity and private real estate debt investments. As a trusted fiduciary, our success is firmly rooted in aligning our interests with those of our clients, partners and employees. CenterSquare is headquartered in suburban Philadelphia, with offices in New York, Los Angeles, London and Singapore. With approximately \$14 billion in assets under management (September 30, 2025), our firm and subsidiaries are proud to manage investments on behalf of some of the world's most well-known institutional and private investors.

Contact Information

Steve Carroll

Director,
Capital Markets

P | +44 (203) 423-6698
scarroll@centersquare.com

Deborah Considine

Managing Director,
Capital Markets

P | +1 (949) 253-5077
dconsidine@centersquare.com

Robert Glenn III

Managing Director,
Capital Markets

P | +1 (610) 818-4619
rglenn@centersquare.com

Scott Maguire, CFA, CAIA

Managing Director, Global
Head of Real Estate
Securities Solutions

P | +1 (610) 818-4612
smaguire@centersquare.com

Rachel Gines

Vice President,
Capital Markets

P | +1 (610) 818-4653
rgines@centersquare.com

CenterSquare Investment Management LLC

Eight Tower Bridge
161 Washington Street, 7th Floor
Conshohocken, PA, 19428
P | +1 (610) 834-9500

contactus@centersquare.com
centersquare.com

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