

CenterSquare

Leverage, Growth, and the Rate Story

The Summary REIT Cap Rate Perspective

Q3 | 2026

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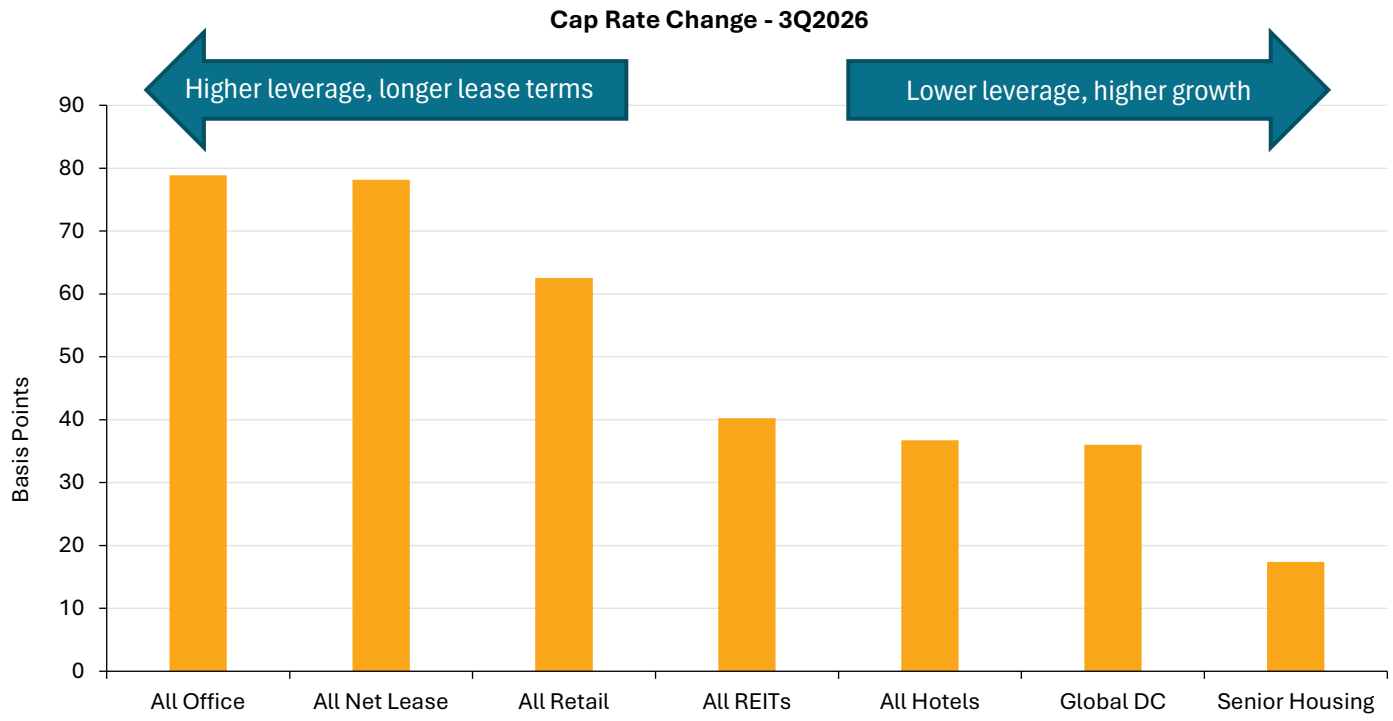
CenterSquare's REIT Cap Rate Perspective seeks to quantify the valuation gap between public and private markets, offering investors insights into the possible future direction of real estate values through our proprietary REIT Implied Cap Rate results across sectors.

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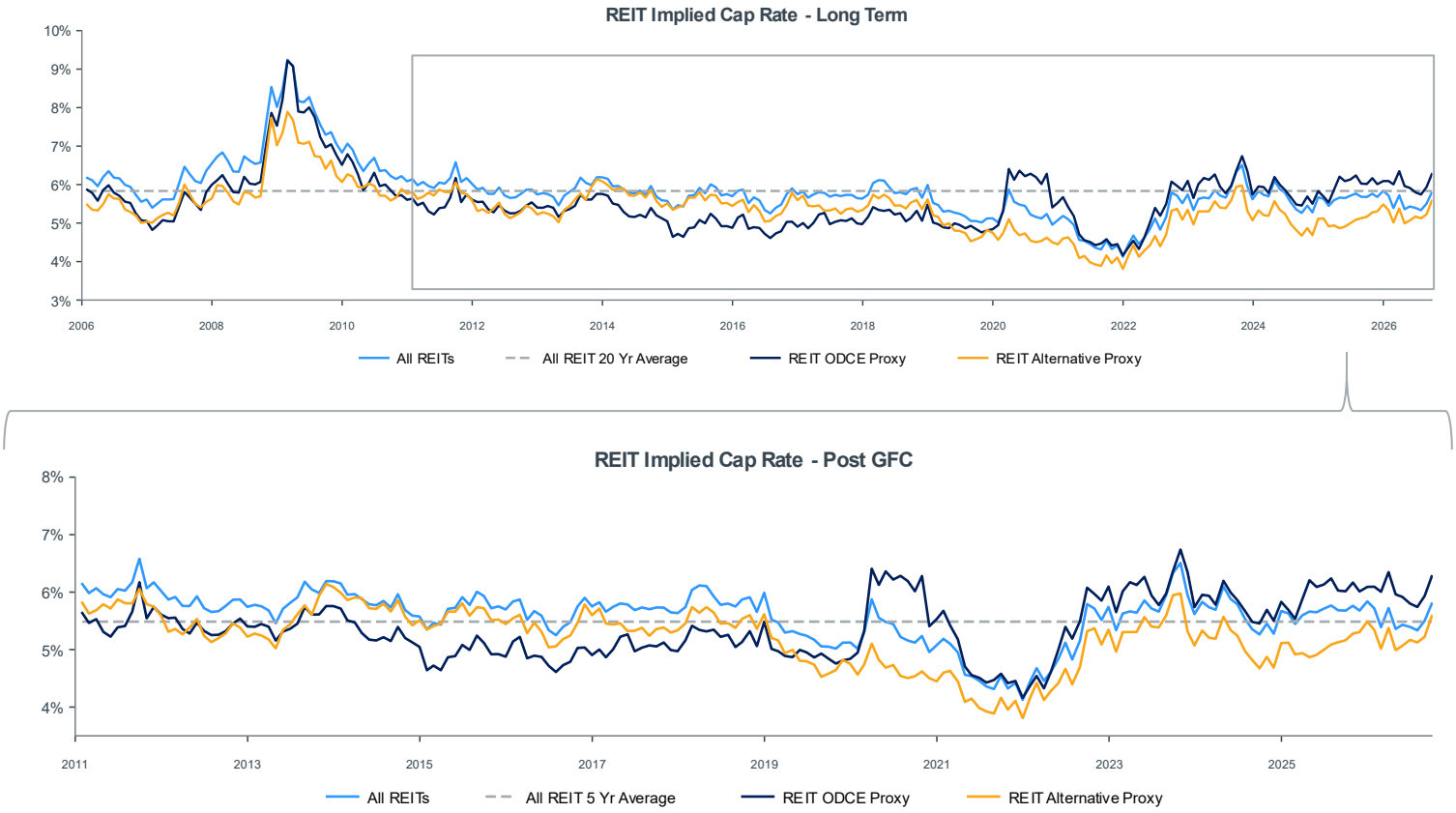
During the third quarter, the U.S. 10-year Treasury yield increased by about 85 basis points and, as usual, the listed real estate market was quick to react. Cap rates across all U.S. REITs increased roughly 40 basis points during that same time, implying values lower by about 7%.

But not all real estate is the same; the impact of higher rates on the fundamental values for listed REITs looks different across sectors based on leverage and growth. The REIT sector overall is less than 30% levered with about 90% fixed rate debt exposure – the move in interest rates during the third quarter would have resulted in an impact below 1% on REIT earnings. The impact was largest for sectors like office where leverage runs slightly higher and lowest for sectors like data centers and healthcare, where a combination of lower leverage and stronger structural demand drivers are propelling growth. Here lies the evidence for why REITs shouldn't just trade like bond proxies in the public markets and should be less sensitive to higher interest rates today than they were 15-20 years ago. REITs are far more operating-intensive than they used to be. The traditional "big four" of retail, residential, industrial and office now make up only about one-third of the index. The alternative sectors, nearly two-thirds, which include senior housing and data centers, are businesses where operating performance and secular demand growth drive earnings and valuations more than the capitalization rate on a simple lease cash flow stream.



Source: CenterSquare, as of September 30, 2026.

The Data



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	6.45%	66	50	5.52%	5.19%	(19.5%)
Industrial	5.40%	21	(16)	4.60%	5.46%	1.1%
Office	8.31%	79	72	7.96%	7.11%	(14.4%)
Retail	6.45%	63	16	6.61%	6.32%	(2.1%)
Hotel	6.49%	37	(113)	6.86%	5.74%	(11.4%)
REIT ODCE Proxy	**6.27%**	**53**	**26**	**5.74%**	**5.68%**	**(9.4%)**
Life Sciences	9.11%	53	151	6.98%	7.00%	(23.2%)
Healthcare	4.23%	17	(23)	5.16%	6.51%	53.8%
Single Family Rentals	6.82%	76	73	5.35%	4.74%	(30.4%)
Manufactured Housing / RVs	5.71%	47	64	4.72%	5.04%	(11.8%)
Towers	6.19%	24	94	4.92%	4.92%	(20.5%)
Data Centers	5.31%	54	7	4.89%	5.84%	10.1%
Self Storage	5.84%	55	20	5.27%	5.30%	(9.1%)
REIT Alternative Proxy	**5.58%**	**46**	**39**	**5.05%**	**5.47%**	**(2.1%)**
All REITs	**5.80%**	**46**	**12**	**5.48%**	**5.98%**	**3.2%**

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 5). Data presented above is based on financials reported by companies within CenterSquare's REIT coverage universe during September 2026. All periods presented are ending September 2026 (i.e. 3 month change represents the change from financials reported in June 2026 to September 2026). 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 pages 5 and 6 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 in the CenterSquare REIT Cap Rate Perspective Methodology below.
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.
Core – REITs with portfolios primarily consisting of core product in core markets.
Non-Core – REITs with portfolios primarily in non-core markets.
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

Malls – Mall REITs that own and operate shopping malls.
Neighborhood centers: Centers with 1–3 anchors (usually including a grocer) alongside small shop service-oriented shops.
Community Centers – Larger centers with 2+ anchors and a similar tenant mix to neighborhood centers.
Power Centers – Anchor-dominated centers with 3+ anchors and more discretionary-category tenants.
Urban Street Retail – Ground-floor retail space along pedestrian-oriented commercial corridors in dense urban markets.
Outlets – REITs with portfolios of open-air outlet malls.

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.
Senior Housing – REITs that primarily own private pay senior housing facilities across the case acuity spectrum.

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.

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 2026 earnings reported in September 2026.

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.

Disclosures

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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 and private real estate 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 $16 billion in assets under management (September 30, 2026), our firm and subsidiaries are proud to manage investments on behalf of some of the world's most well-known institutional and private investors.

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