



Q1 | 2025



The REIT Cap Rate Perspective

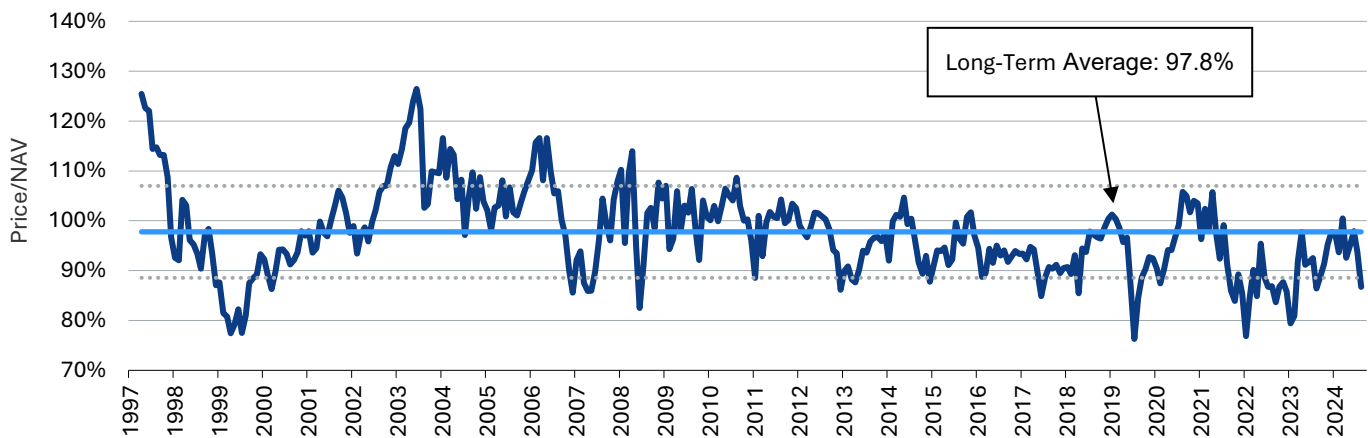
Political Changes Cloud the Economic Outlook

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.

Political Changes Cloud the Economic Outlook

The first quarter of 2025 was marked by a series of new policies coming from the Trump Administration. From changes to government staffing to a focus on restructuring trade policies with various nations, many of the proposed changes had impacts on the 10-year treasury yield, the US Dollar, and different impacts on various segments of commercial real estate.

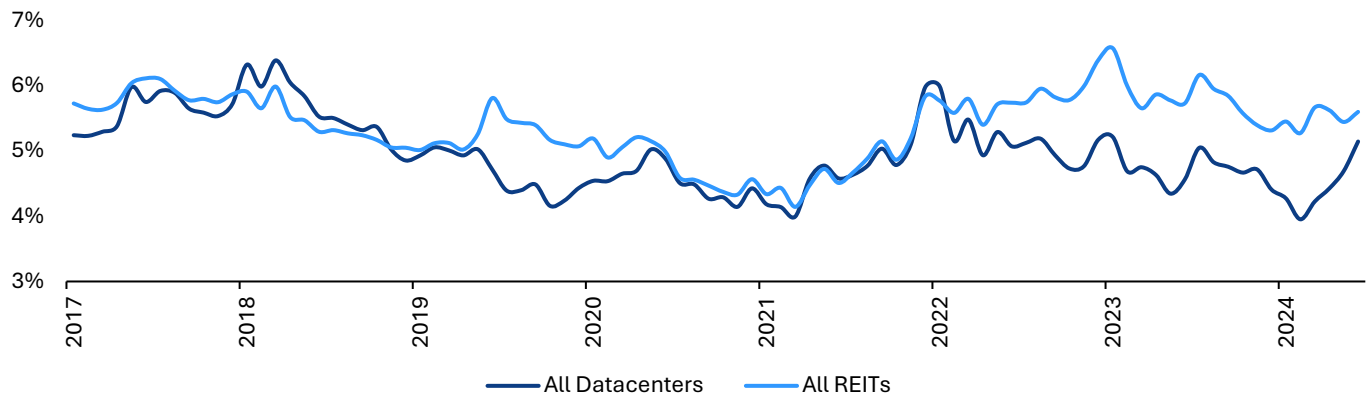
REIT Implied Cap Rates vs. Underlying Net Asset Value



Source: CenterSquare, Bank of America, Evercore ISI as of March 31, 2025.

The most notable cap rate expansion during the fourth quarter occurred across the data center sector as investors incorporated the announcement of a newly-built large language model (LLM) developed in China at materially lower cost, named DeepSeek. Additionally, Microsoft announced that it would not be exercising their reservation options at multiple data centers across the US. Taken in aggregate, the market began to incorporate this new information which caused the data center sector to pullback after a very strong 2024. As a result, the data center sector saw implied cap rates increase by 92bps during the first quarter of 2025. Of note, vacancy levels across data centers remain at all-time lows and pre-leasing for new supply currently sits at or above 90%. Year-to-date leasing has slowed from its torrid pace in late 2024; however, the data center REITs themselves have been able to sign more than their fair share of new signings. While tariffs on data center equipment could raise development costs on the margin, so far the impact has been immaterial due to robust rent growth.

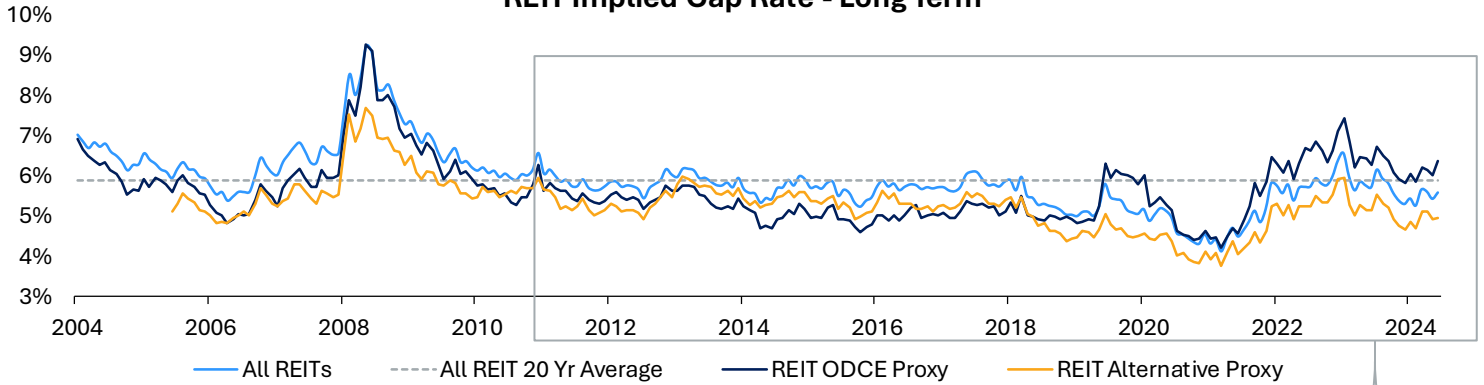
Change in Implied Cap Rates



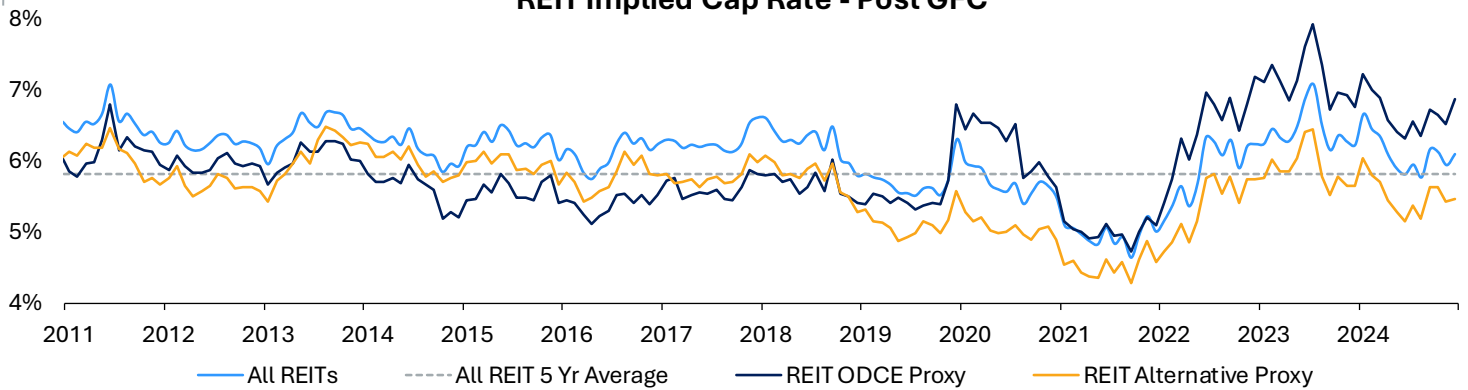
Source: CenterSquare as of March 31, 2025.

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	REIT vs. Private	
					Private Market Cap Rate	Market Valuation Gap
Apartment	5.32%	(8)	(81)	5.14%	5.19%	(2.4%)
Industrial	5.41%	(15)	124	4.17%	4.68%	(13.6%)
Office	7.86%	34	1	7.03%	7.09%	(9.8%)
Retail	6.51%	23	(21)	6.81%	6.90%	5.9%
Hotel	7.88%	78	126	6.56%	5.74%	(27.2%)
REIT ODCE Proxy	6.38%	16	12	5.80%	5.48%	(14.1%)
Life Sci	7.53%	(8)	101	5.55%	5.50%	(27.0%)
Healthcare	4.42%	(51)	(133)	5.52%	6.67%	51.1%
Single Family Rentals	5.30%	(21)	20	4.83%	4.74%	(10.5%)
Manufactured Housing / RVs	4.98%	(6)	14	4.25%	5.04%	1.2%
Towers	4.68%	(53)	(25)	4.41%	4.61%	(1.5%)
Data Centers	5.15%	92	58	4.71%	5.48%	6.5%
Self Storage	5.42%	(9)	(12)	6.17%	5.28%	(2.4%)
REIT Alternative Proxy	4.96%	(16)	(18)	4.77%	5.52%	11.2%
All REITs	5.60%	(7)	(13)	6.20%	5.91%	5.5%

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 December 2024.

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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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 (March 31, 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.

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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