Q4.2023 REIT Earnings Update
Preferred Credit Standing and Coverages Remain Solid

March 2024

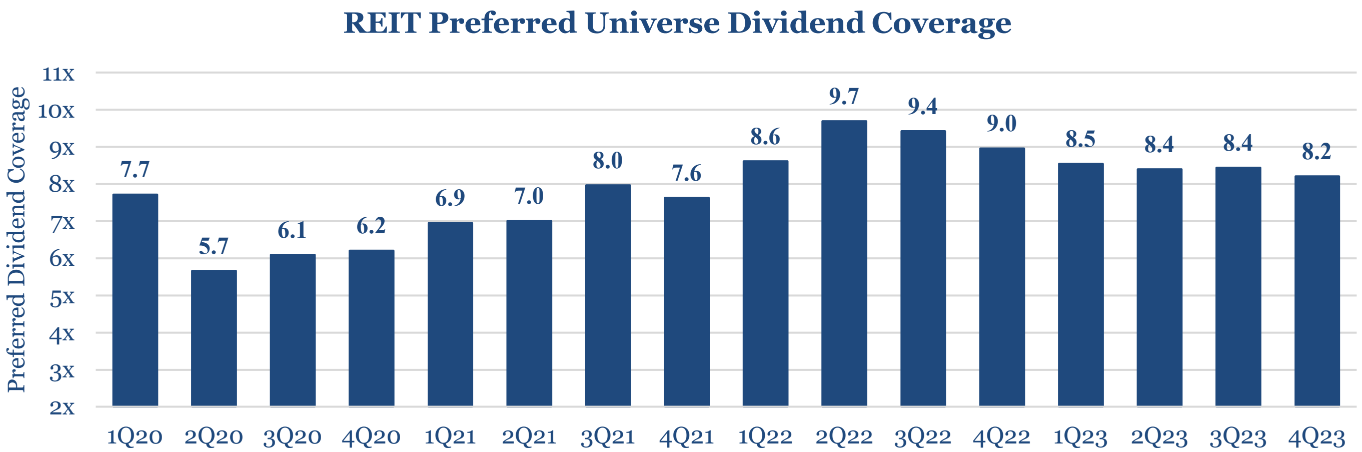
L D R CAPITAL MANAGEMENT

Key Takeaways

- *REIT Q4.2023 preferred credit standing and coverage remain solid.*
- *REIT Q4.2023 earnings and operating results were stable.*
- *REIT balance sheets and access to liquidity remains strong.*
- *Access to public capital markets is a key differentiator vs. private real estate.*

REIT Q4.2023 Preferred Credit Standing and Coverage Remains Solid

- REIT Preferred coverages remain steady; cash flow solidly covers dividends by a large 8.2 times.
- Credit losses remain de minimus, with only 3.8% in cumulative losses over the last 25 years.



Calculated as free cash flow after maintenance capital expenditures, divided by preferred coupon payments.
Source: LDR Capital Management, company reports.

REIT Q4.2023 Earnings and Operating Results Were Stable

- Q4 earnings reports were largely positive. 2023 REIT earnings growth (as measured by Funds From Operations per share) averaged 3.2%; analysts' consensus estimates call for slowing but positive 2.5% growth in 2024.
- Q4 net operating income growth for REITs was positive 4% in Q423 and expected to grow ~3% in 2024.

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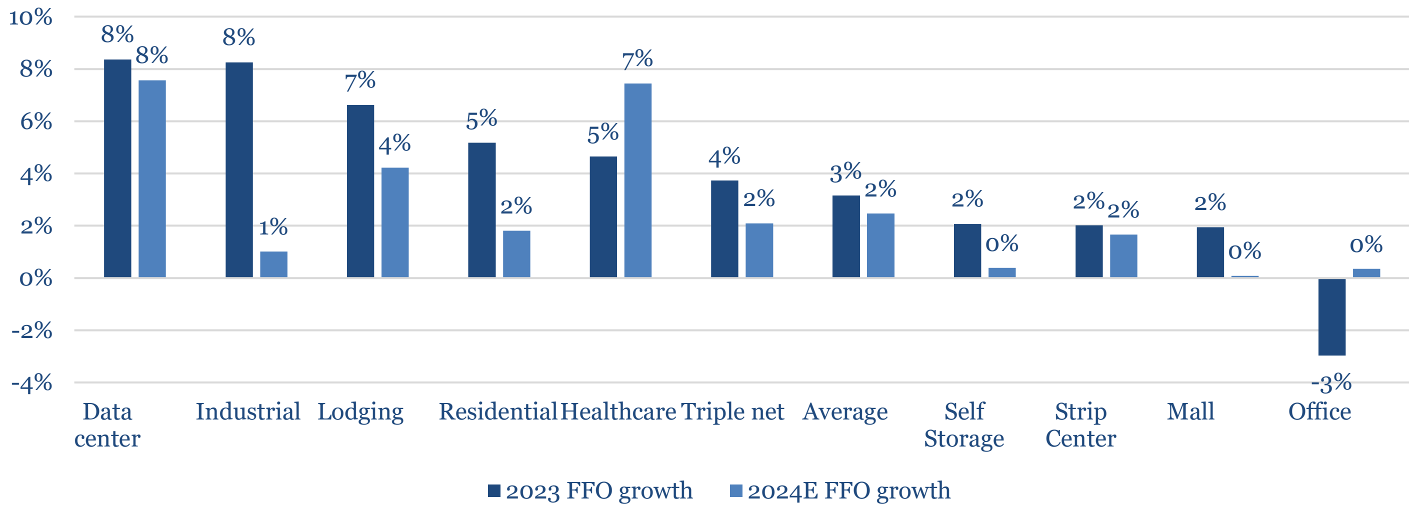
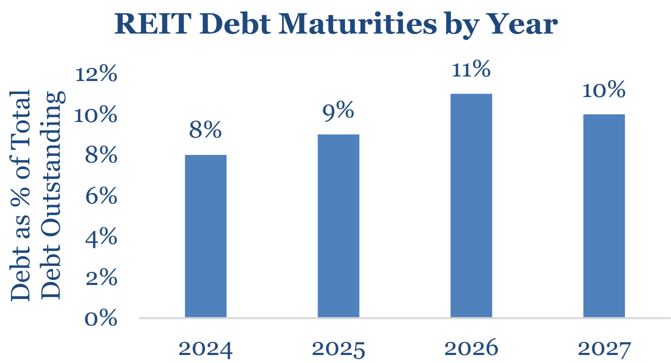


2024E FFO based on consensus estimates.
Source: LDR Capital Management, Bloomberg, company reports.

REIT Balance Sheets and Access to Liquidity Remains Strong

- Current debt/EBITDA levels for the REIT universe are approximately 5.5x, below previous market peaks.
- Total REIT debt of ~$650 billion is only 39% of the $1.7 trillion in REIT common equity.
- REITs entered 2024 with over $22 billion in bond maturities, a manageable amount given $37 billion of senior notes was issued in 2023 and $12 billion has already been issued in 2024.



Source: JPMorgan Research, Bloomberg, SNL Financial. As of 12/31/2023.

Access to Public Capital Markets a Key Differentiator vs. Private Real Estate

- Even as private real estate capital remains in flux, public REITs continue to access capital with $5.2 billion of debt, preferred, and common equity raised in Q4 2023.
- Thus far this year, REITs have completed $13 billion of new issuances, including $11.6 billion of senior notes, $210 million of preferred equity, and $1.2 billion of common equity.

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LDR Database Definitions

LDR's calculations regarding REIT preferreds described herein are derived from its proprietary database, which strives to track the performance and valuation metrics for all currently outstanding publicly-traded REIT preferreds issued in North America (excluding $1000-par preferreds, as they are not exchange-listed). LDR's proprietary database does not include historical data, so references to historical yields and returns prior to 9/30/22 are based on relevant indices, as noted. Overall issuance data, where indicated, includes U.S. and Canada-issued fixed-rate and convertible REIT preferreds. Yield data consists only of U.S.-issued fixed-rate preferreds. All pricing and trading data for the database are derived from Bloomberg.

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Indices

REIT Preferreds is based on the LDR Capital Management proprietary database. Overall Preferreds are represented by the ICE BofA Core Plus Fixed Rate Preferred Securities Index, which tracks the performance of fixed U.S. dollar-denominated preferred securities issued in the U.S. domestic market. Bloomberg US Aggregate Bond Index tracks the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bonds, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS. High Yield Bonds are represented by the ICE BofA BB US High Yield Index which tracks the performance of the U.S. dollar-denominated below investment grade corporate debt rate BB1 through BB3 publicly issued in the U.S. domestic market. Investment Grade Bonds use the ICE BofA BBB US Corporate Index which tracks the performance of U.S. dollar-denominated investment grade corporate debt rates BBB1 through BBB3 publicly issued in the U.S. domestic market. Municipal Bonds use the Bloomberg Municipal Bond Total Return Index, which covers the USD-denominated long-term tax-exempt bond market. The TNX Index represents the U.S. 10-Year Treasury. NFI-ODCE Index stands for Open-end Diversified Core Equity index, which is a capitalization weighted index that tracks the return of open-end core real estate funds. Qualified Dividend Income ("QDI") are ordinary dividends that meet specific criteria to be taxed at the lower long-term capital gains tax rate of 20% rather than at the higher tax rate for an individual's ordinary income.