Top-Line Findings and Key Insights

2020 Global Management Survey

2020 Compensation Survey

NAREIM

Ferguson Partners

NAREIM/FPL Survey Partnership

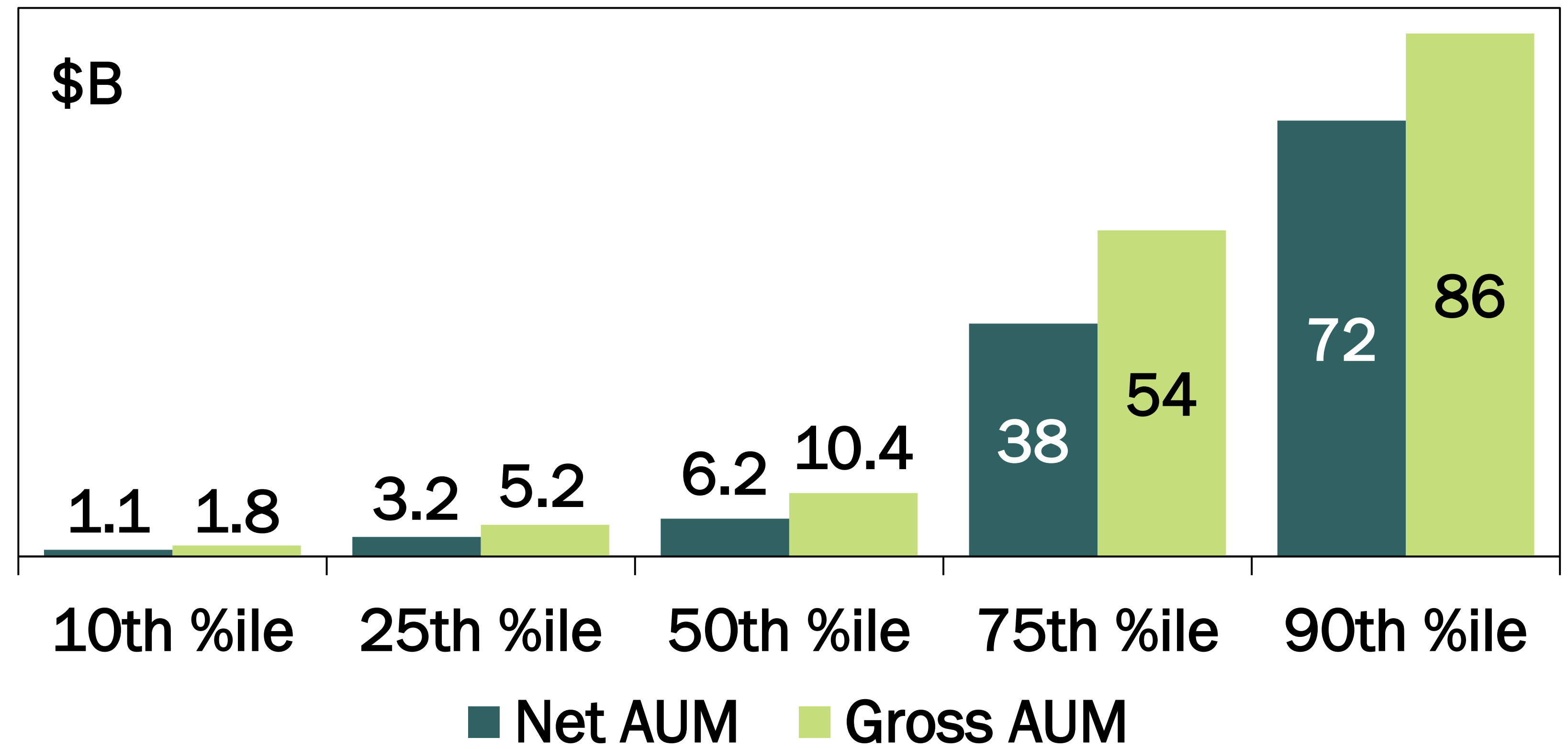
FPL is pleased to partner with NAREIM on three major survey initiatives

Background

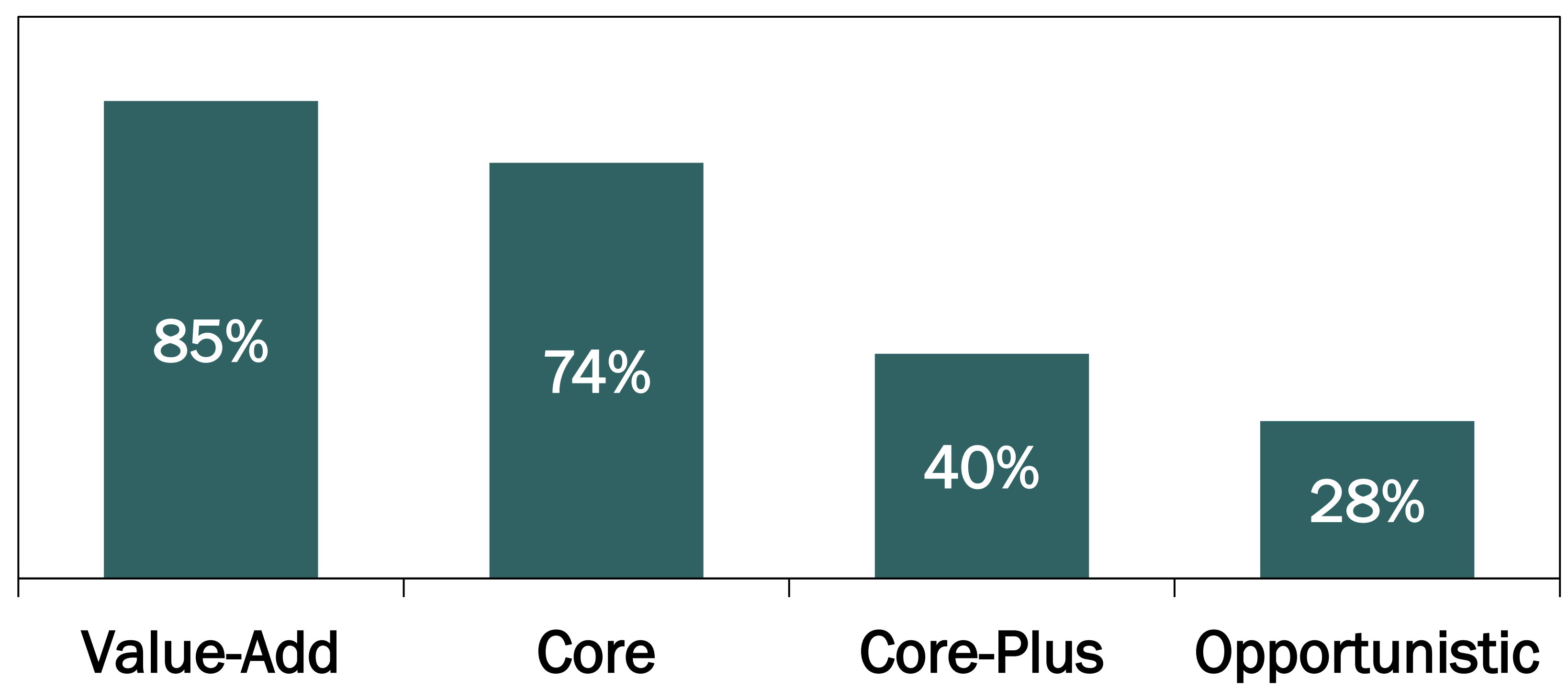
- **About FPL Associates**
  - Founded in late 1980s, FPL Associates is the compensation and management consulting business within Ferguson Partners
  - Annually conduct 200-250 projects and 20+ surveys (all real estate comp. and consulting)
- **Annual Survey Partnership with NAREIM**
  - 2020 Global Management Survey
    - Key organizational, financial, and operating metrics; 53 participants
    - 2020 was the 12th edition of the survey
  - 2020 Compensation Survey
    - Compensation magnitudes and pay practices; 39 participants
    - FPL has conducted the survey for 20+ years
  - 2020 Diversity & Inclusion Survey
    - In market now; comprehensive industry survey examining D&I related topics

Participant Demographics – 2020 Mgmt. Survey

Distribution of Participant Size by AUM

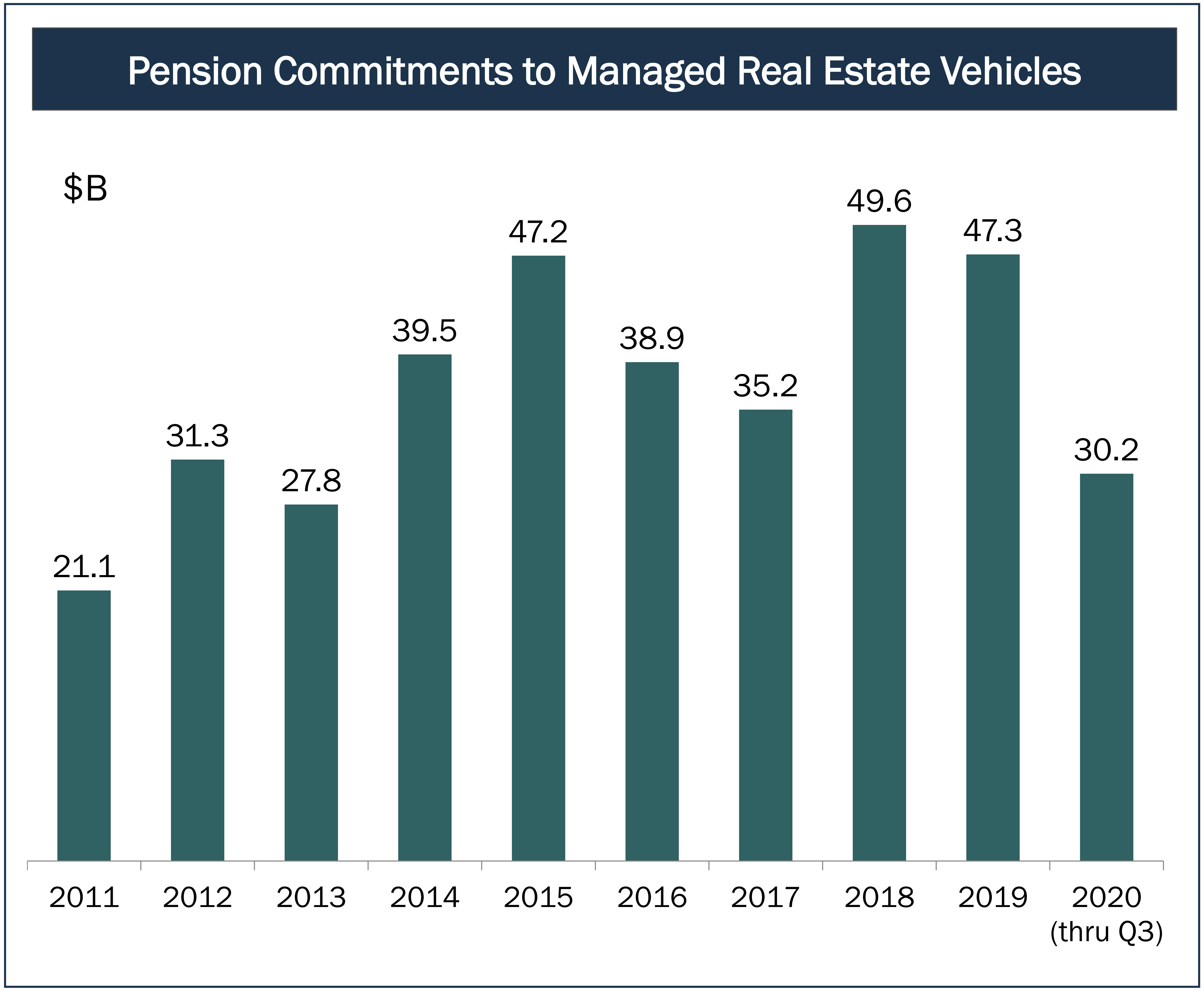


% of Firms Active Across Investment Strategies



Institutional Capital Flows

Capital flows into real estate have fallen notably in 2020

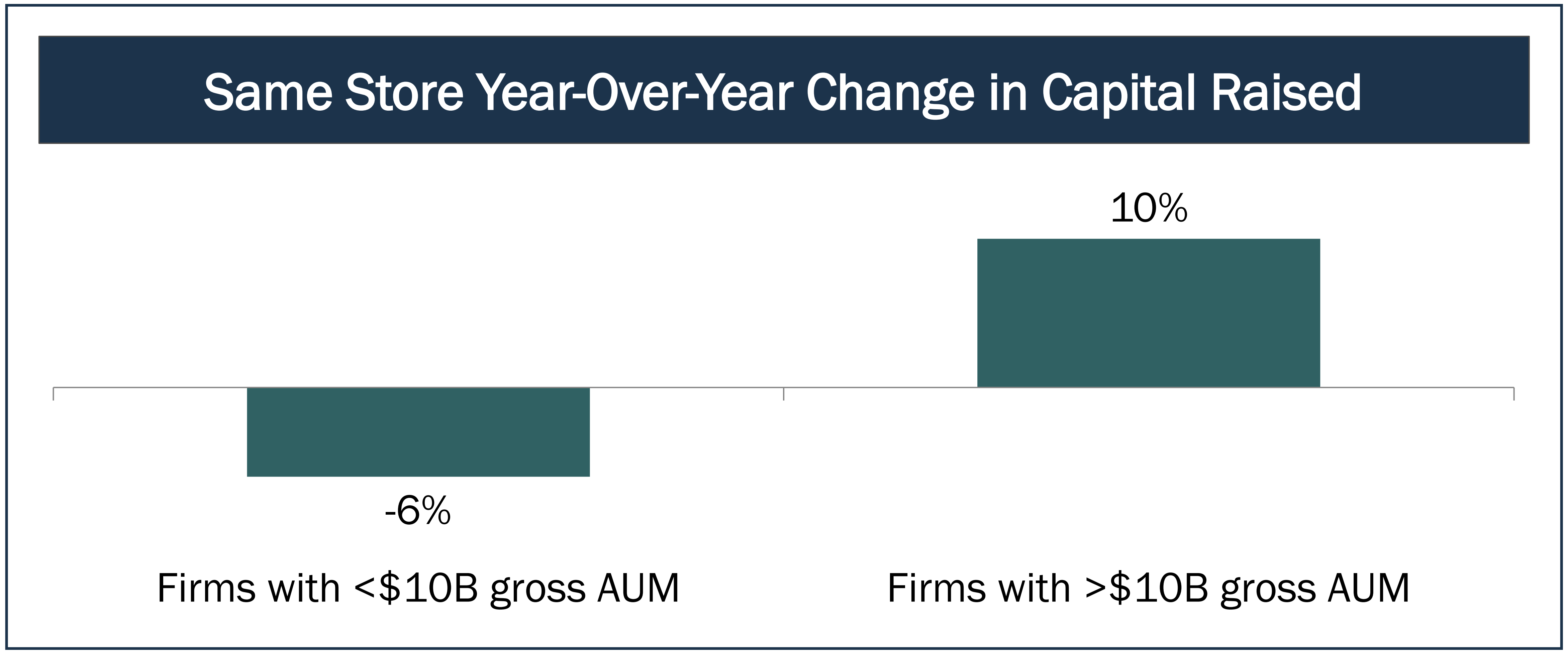


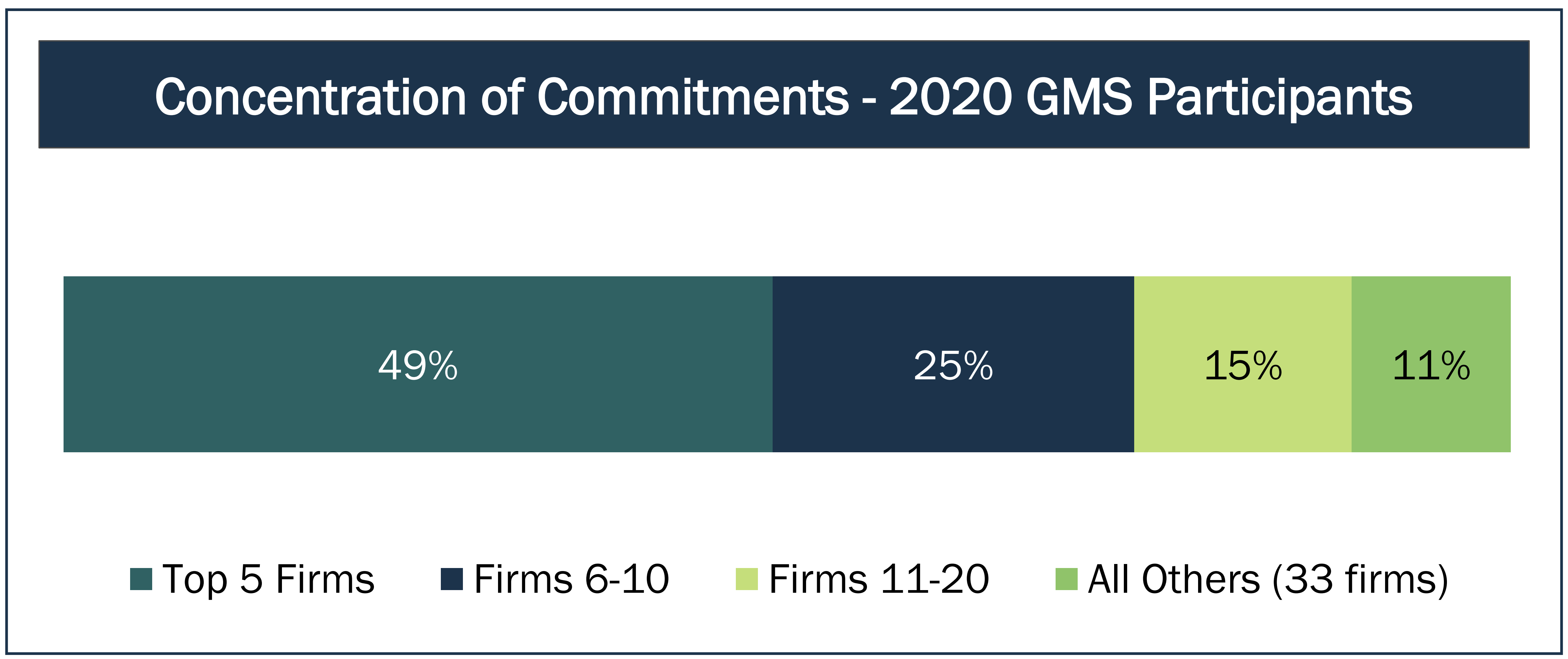
- FPL tracks commitment activity from U.S. public pensions into the real estate investment management industry
- Commitment volume has increased materially since we started tracking activity in 2011 with banner years in 2018 and 2019
- GMS data showed similar results with aggregate 2019 capital raised representing a modest 1% increase over 2018
- However, capital flows have dropped off materially in 2020 with YTD figures down about 20% from the same period in 2019

Source: FPL proprietary database tracking U.S. public pension commitments to managed real estate vehicles

Institutional Capital Flows

Moreover, capital concentration is expected to become more exacerbated





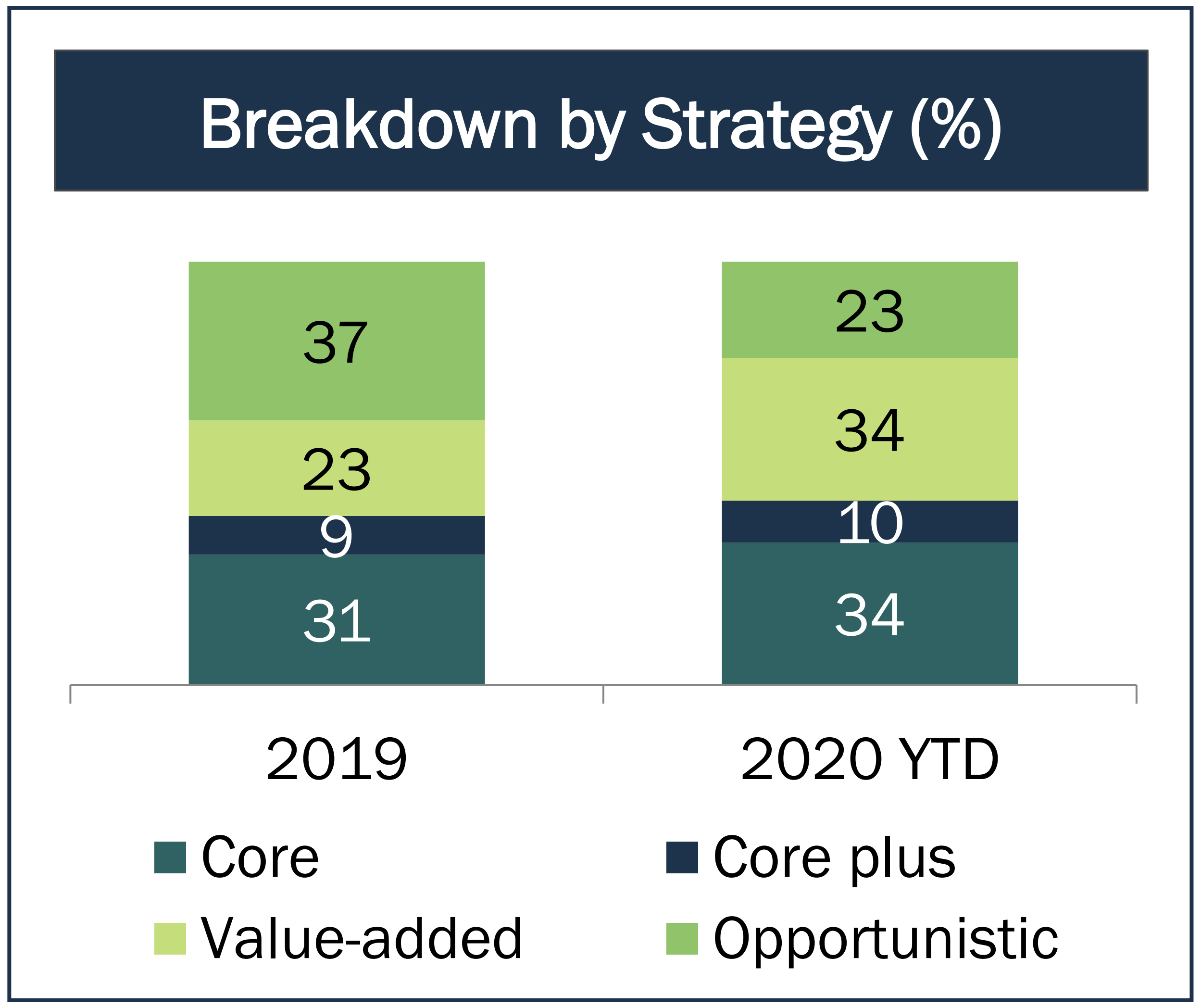
- 2020 GMS data highlights the disparity between large, blue-chip firms and smaller, less prominent fund managers
- This disparity is expected to increase in light of COVID-19
  - Flight to quality / comfort with prominent, established GPs
  - LPs challenged to diligence new managers in current environment and are instead retrenching with existing managers
  - This will make it more challenging for newer managers to gain traction and grow fund size
  - As a result, we anticipate further concentration across the industry

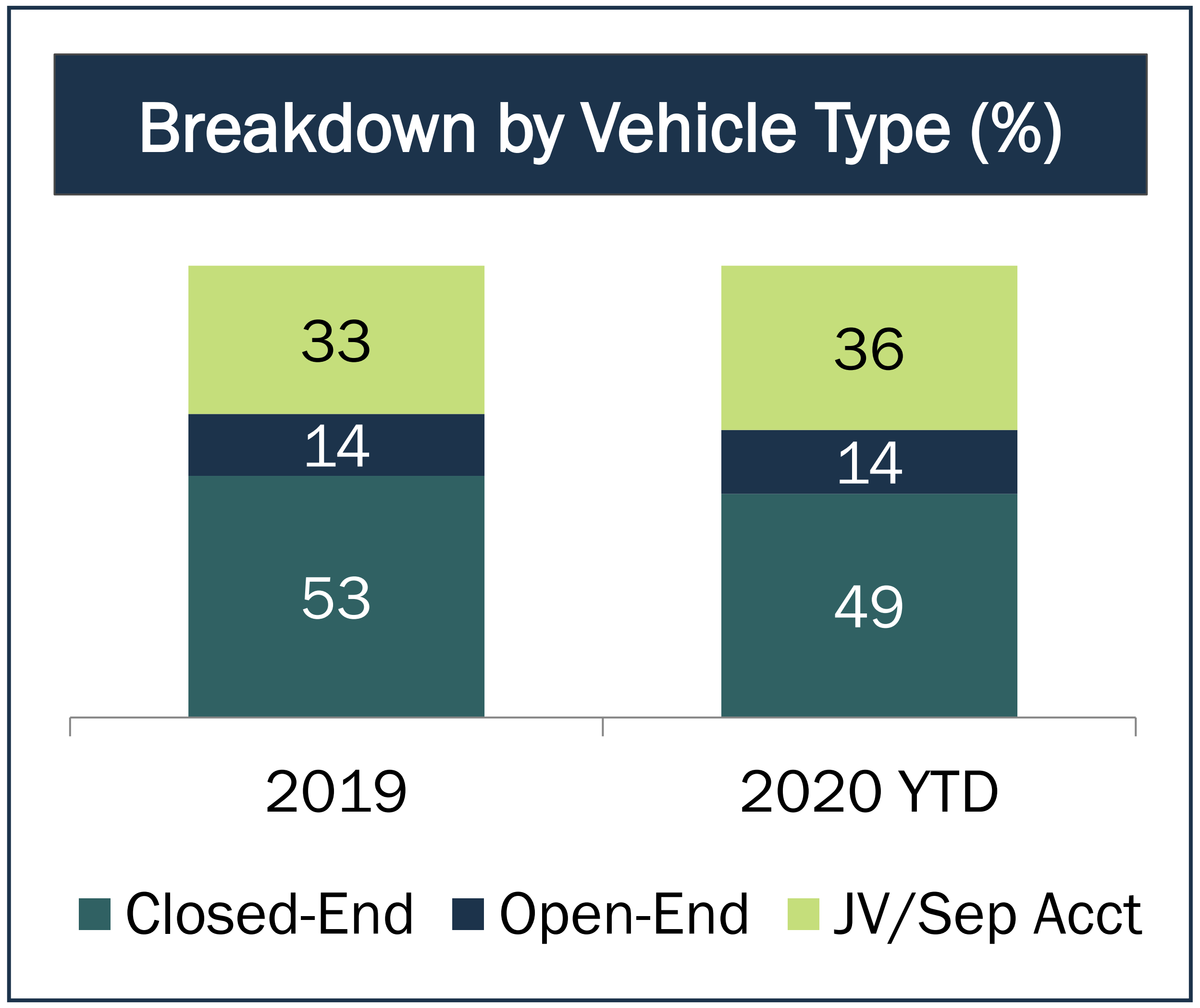
Source: 2020 NAREIM/FPL Global Management Survey

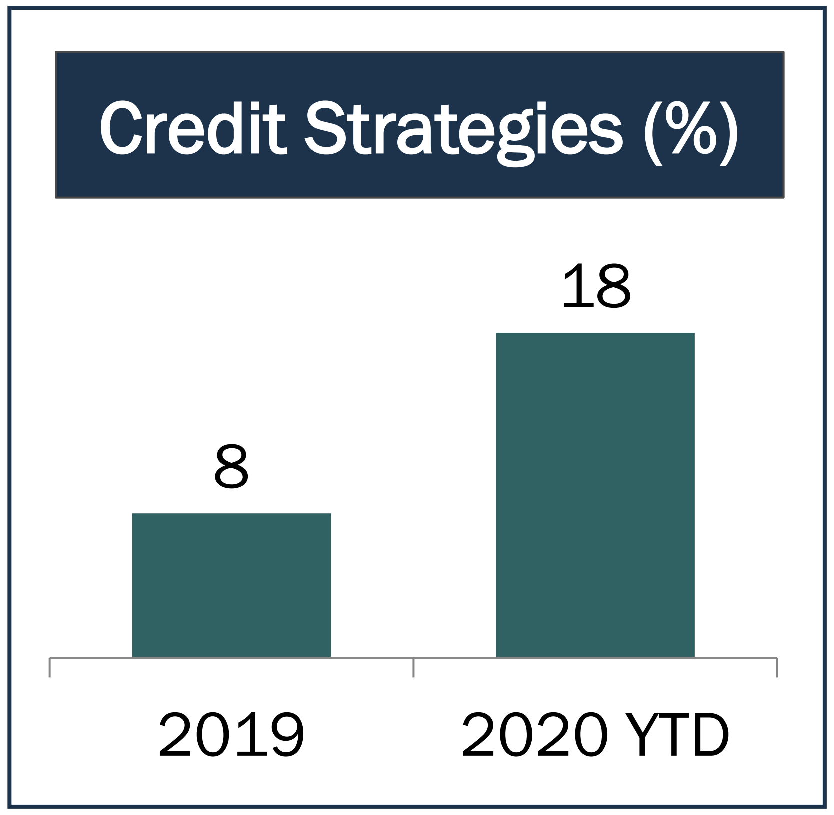
Institutional Capital Flows

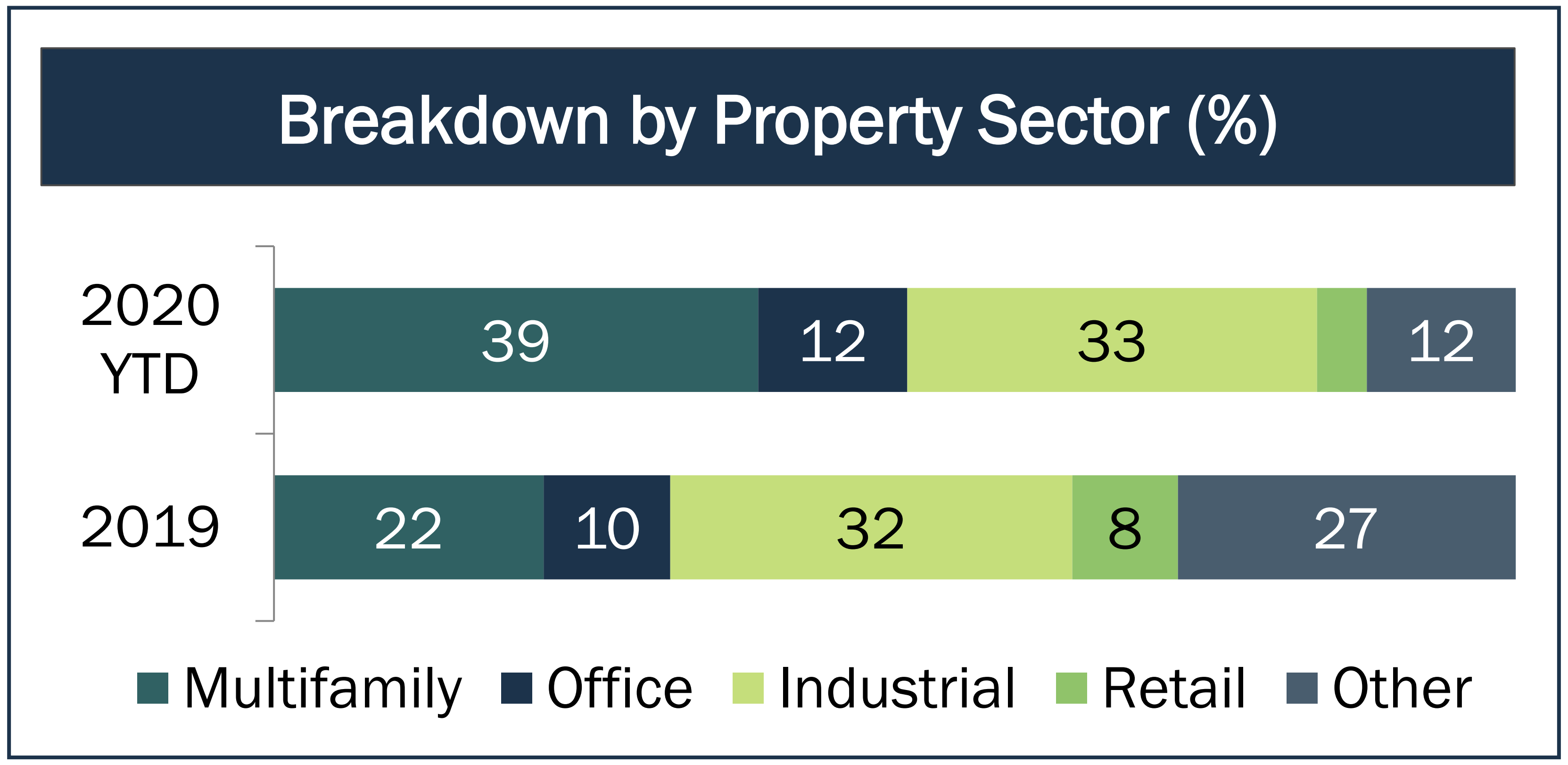
There will be 'winners' and 'losers' on the product strategy front in light of the pandemic

- Anecdotal LP feedback suggests that opportunistic strategies are likely to be in favor going forward; however, this preference is not yet reflected in actual capital flows
- Closed-end fund structures continue to be in favor in '20
- Credit strategies have been in favor thus far in 2020; a trend expected to continue in 2021
- Among vehicles dedicated to a specific property type, multifamily and industrial are the clear favorites among LPs
- Retail, hotel, and seniors strategies are significantly more constrained





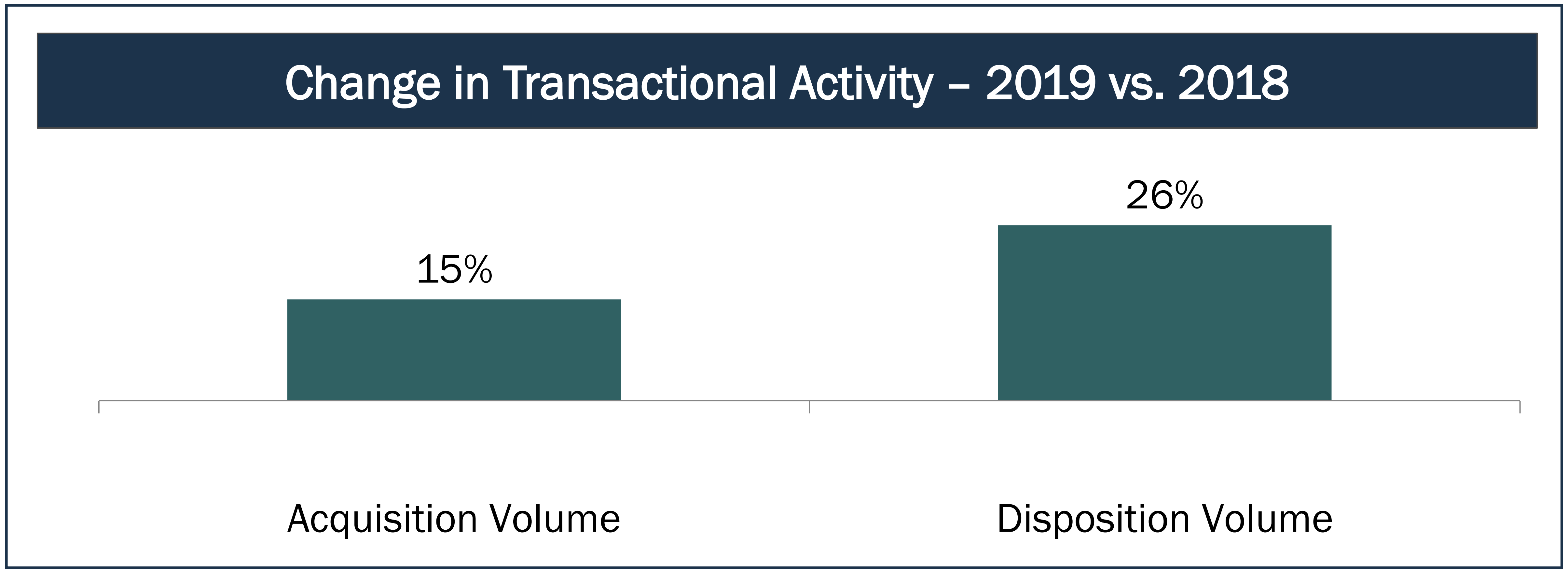


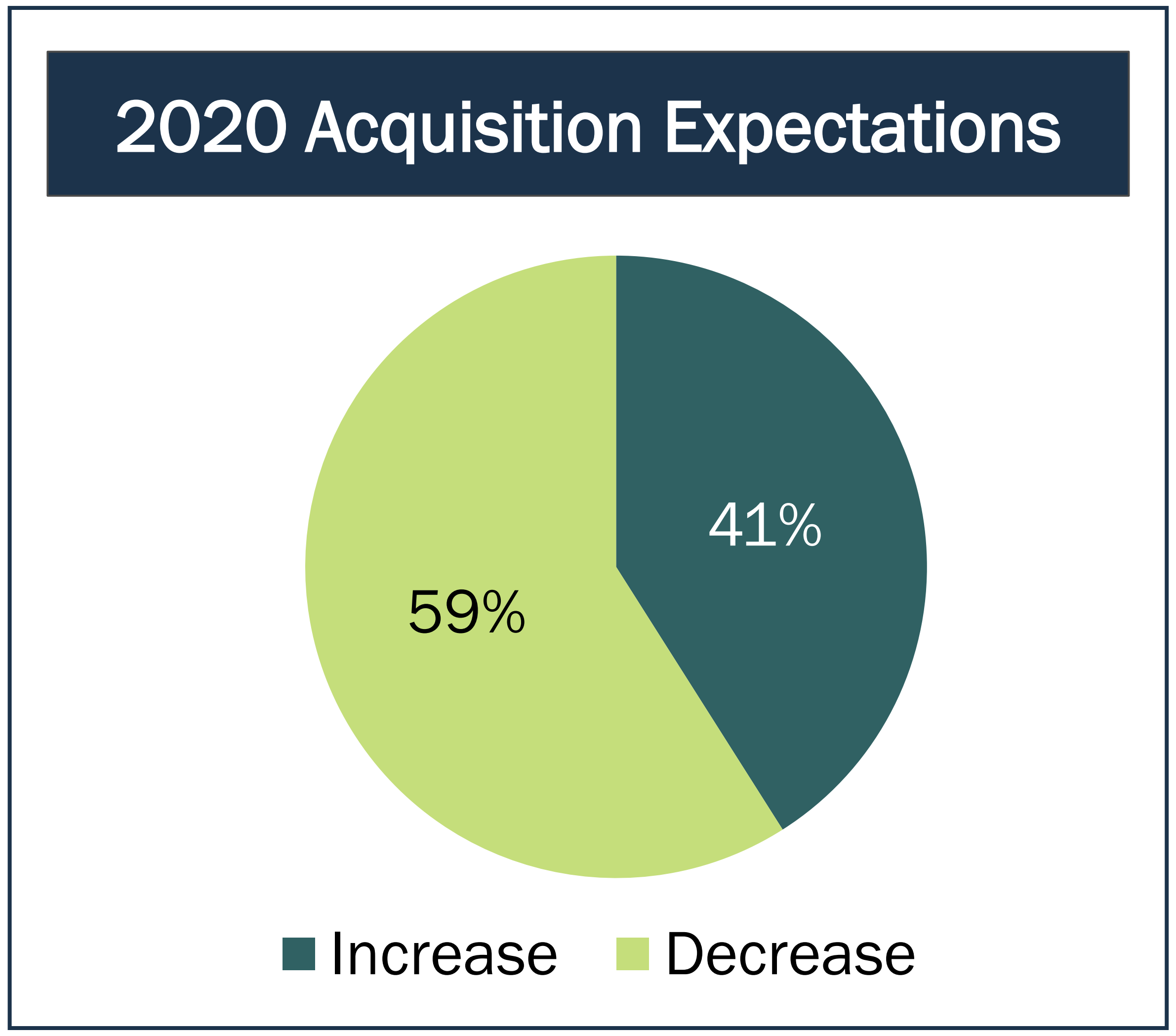


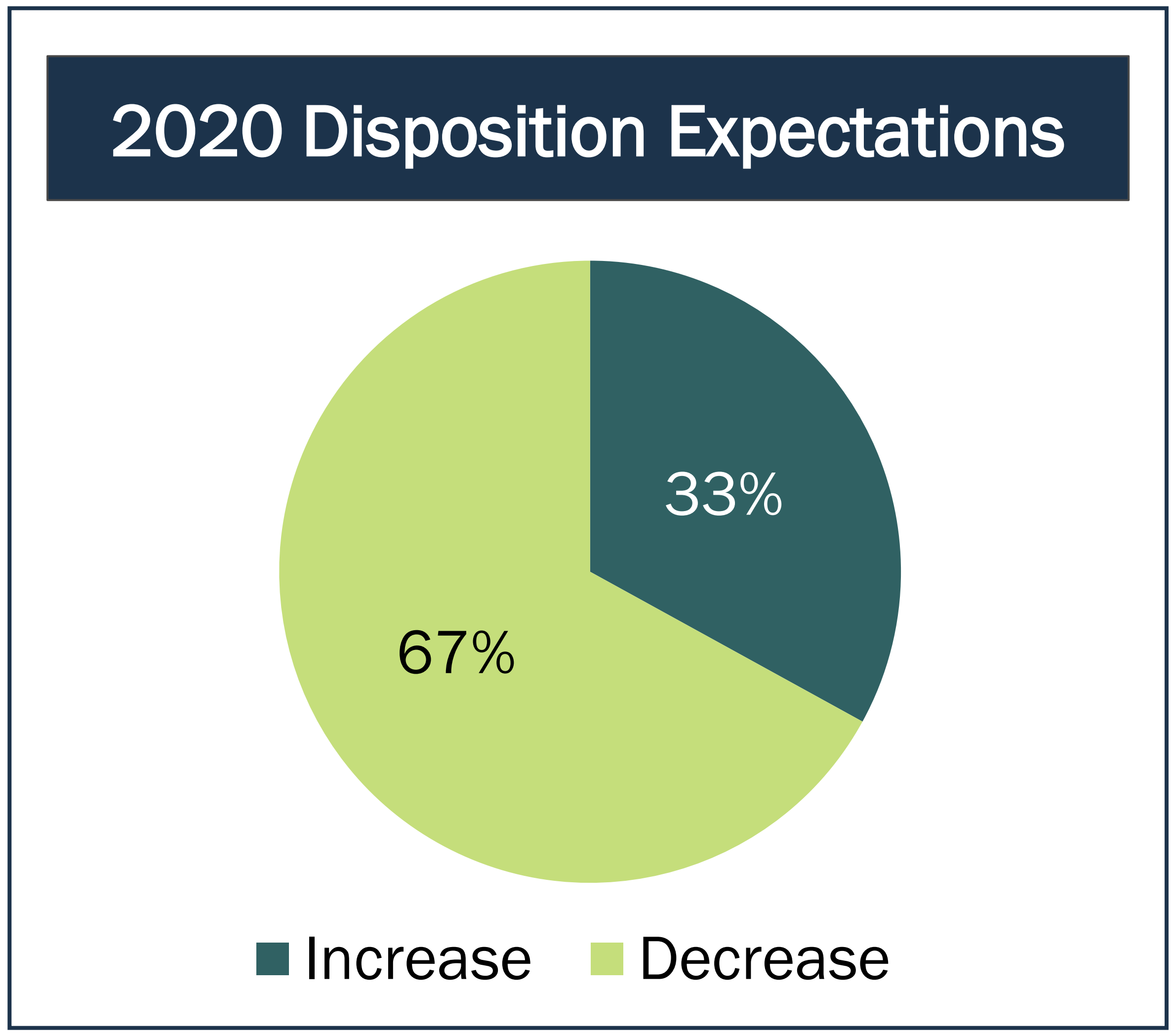
Source: FPL proprietary database tracking U.S. public pension commitments to managed real estate vehicles

Transactional Activity

Transactional activity has also been significantly more constrained in 2020







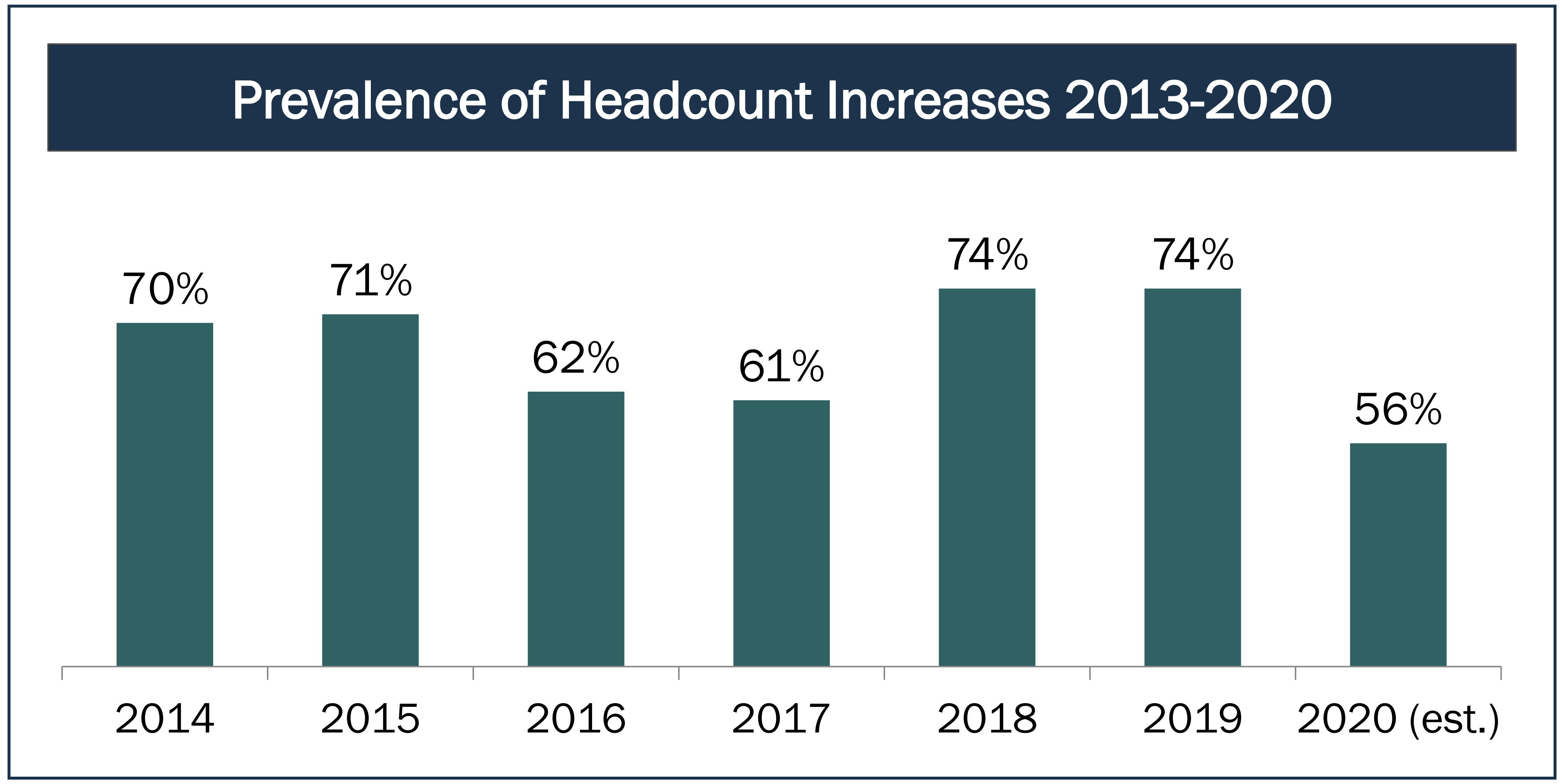
- 2019 was a strong transactional year for GMS survey participants
- Same-store participants reported 15% YoY increases in acquisition volume and 26% increases in dispositions
- However, 2020 expectations are significantly more moderated
- According to Real Capital Analytics, U.S. commercial real estate transaction activity decreased by 68 percent in Q2 2020 compared to a year earlier, falling to the lowest Q2 level since the global financial crisis

Source: 2020 NAREIM/FPL Global Management Survey

Headcount and Organizational Trends

Headcount continued to grow in 2019 but is expected to taper in 2020

- Headcount has been steadily increasing over the past several years
- In 2019, 74% of firms reported headcount increases and the median firm reported a 5% increase
- Looking forward, only 56% expect an increase in 2020
- Moreover, 39% report that employees are more or much more concerned with job layoffs/security than last year (up from 11% in 2019)

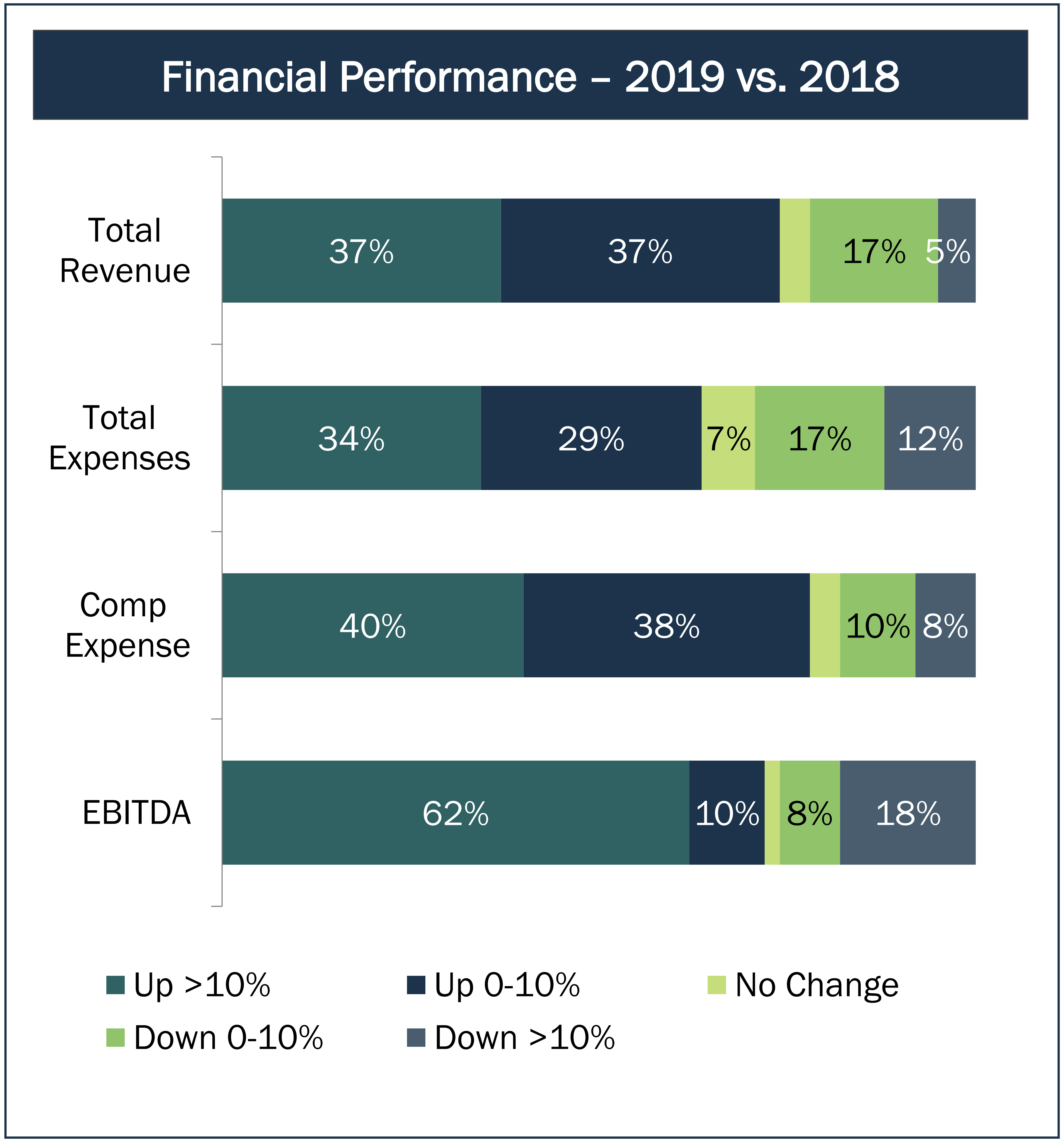


- FPL also recently conducted an industry survey polling private real estate firms on the impact of COVID-19 on their human capital management policies/actions in 2020; key findings include:
  - 49% reported having a cautious approach but still hiring
  - 23% reported implementing a temporary hiring freeze this year
  - 18% reported a reduction in headcount
  - 8% furloughed employees
  - For firms that have reduced headcount (18%), the average reduction was 10%

Source: 2020 NAREIM/FPL Compensation Survey

Financial Performance

2019 was a strong performance year for most; expectations for 2020 are more moderated



- Most survey participants reported strong financial performance in 2019
  - 72% reported increases in post-bonus EBITDA, the majority of which reported increases of over 10% year over year
  - 74% reported increases in revenues
- At the same time, costs continued to rise
  - Nearly two-thirds of participants reported increased expenses in 2019
  - 78% reported higher compensation costs
- Looking forward, financial performance is likely to contract for many
  - A recent FPL survey found that 76% of firms expect revenues to decrease in 2020; moreover, 22% expect declines of over 15%
  - For many, the impact will be felt well beyond 2020 as fundraising delays, abandoned product launches, and/or smaller fund sizes impact future fee streams

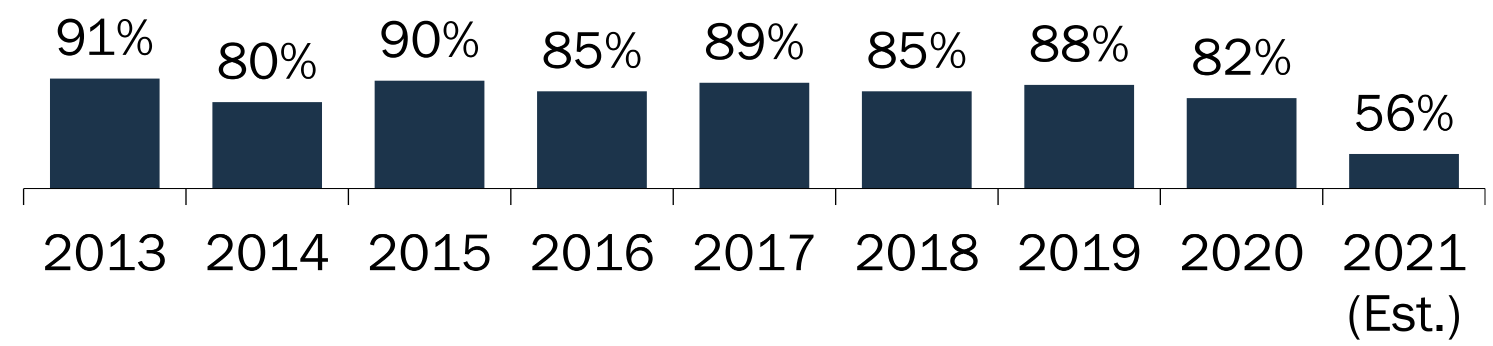
Source: 2020 NAREIM/FPL Global Management Survey

Base Salaries

Base salaries increased in 2020, though 2021 increases will likely be tempered

- The majority of survey participants increased salaries over the prior year's levels
  - With an average increase of 5% and total change of +4.1%
  - This represents the largest increase in the preceding 8-year period (2019 was 4.9%)
  - The average increase was consistently applied across virtually all levels, with only senior-level professionals citing an increase below 5% (4.7%)
- Executive management levels continued to see increases (though only 55% of firms increased salaries at this level)
  - In 2019, the average increase was 7.1% and in 2020, the increase remained strong at 5.6%, consistent with the average increase for junior-level professionals
- Historically, NCS participants have estimated salary increases lower than actual (3.4% estimate in 2019 for 2020 salary increases)
  - However, only 56% of 2020 NCS participants anticipate increasing salaries in 2021, and on average by 3.4%, likely a more realistic outcome for 2021
  - In FPL's most recent COVID-19 Pulse Survey, 8% of non-public firms had reduced salaries and 16% indicated they would be forgoing salary increases for 2021, so while we do anticipate salaries will increase, the increase, in aggregate, will likely be tempered

Prevalence of Base Salary Increases



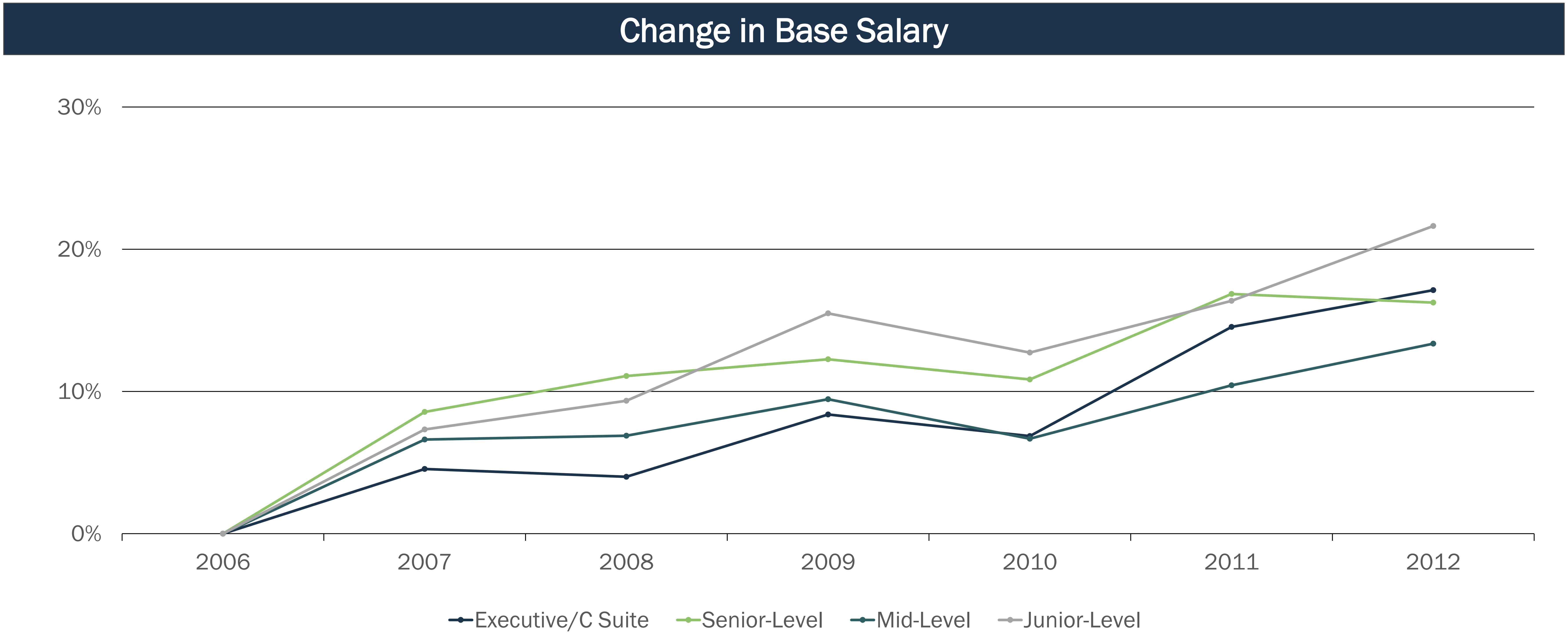
	2013	2014	2015	2016	2017	2018	2019	2020	2021 (Est.)
YOY % Change	+3.3%	+3.2%	+4.1%	+3.8%	+4.1%	+3.8%	+4.3%	+4.1%	+1.7%
Average Increase	3.6%	4.1%	4.5%	4.7%	4.7%	4.5%	4.9%	5.0%	3.4%

Functions with Noteworthy Salary Increases

- Accounting
- Asset management
- Investor relations/ capital raising
- Research
- Technology
- Transactions
- Administrative roles

Base Salaries

During the most recent economic downturn, salaries continued to increase YoY

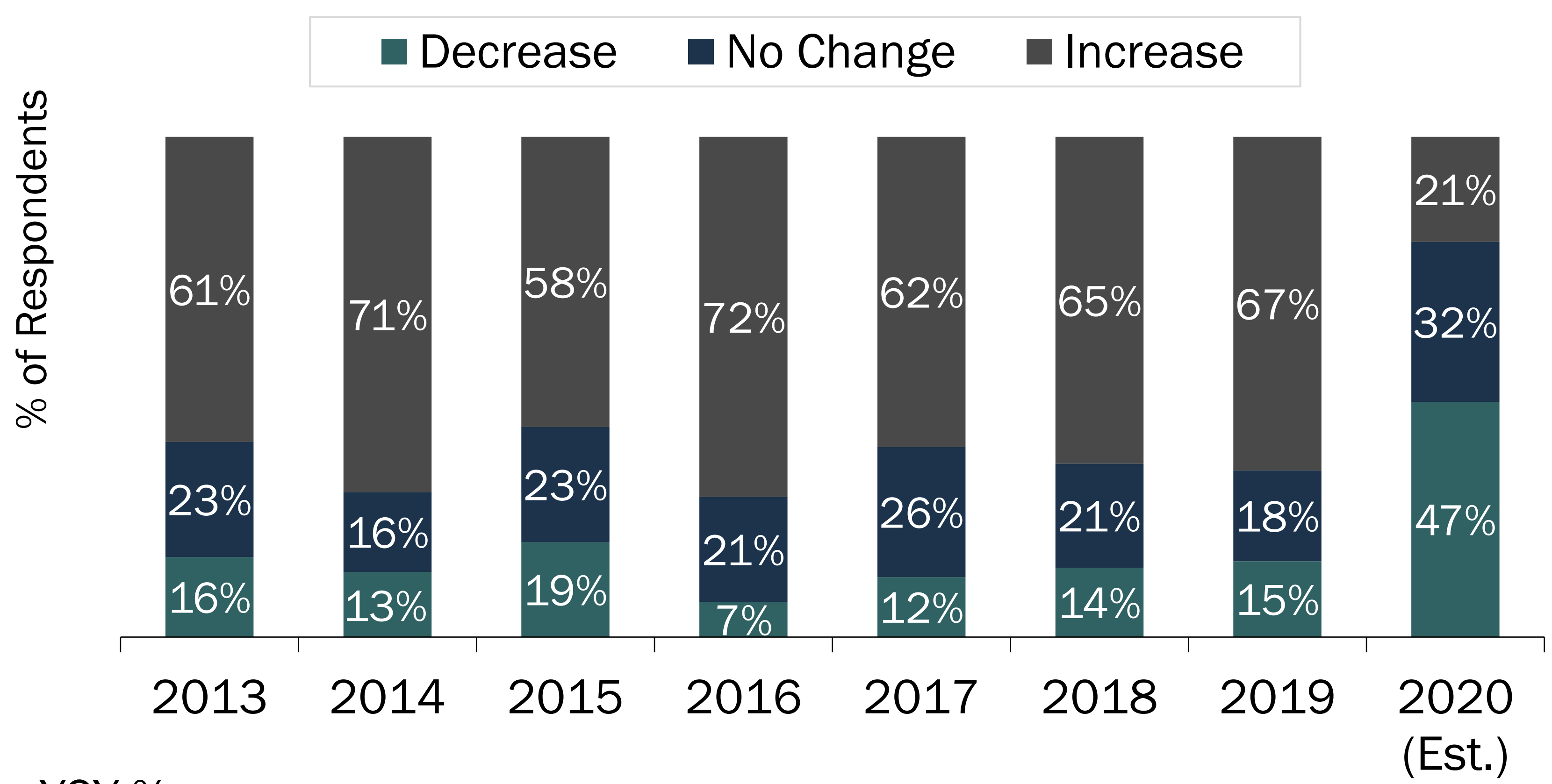


- FPL reviewed historical NCS data during the most recent economic downturn to evaluate the impact to base salaries at various organization levels
- Using 2006 as a baseline, most levels saw increases in base salaries YoY, although there was a notable "dip" in the increase percentage for most levels between 2009 to 2010 (which more than recovered by 2011)
- While we do not anticipate the same pace of salary increases, we anticipate that key in-demand functions (and individuals) may likely continue to see salary increases in 2021

Annual Bonuses

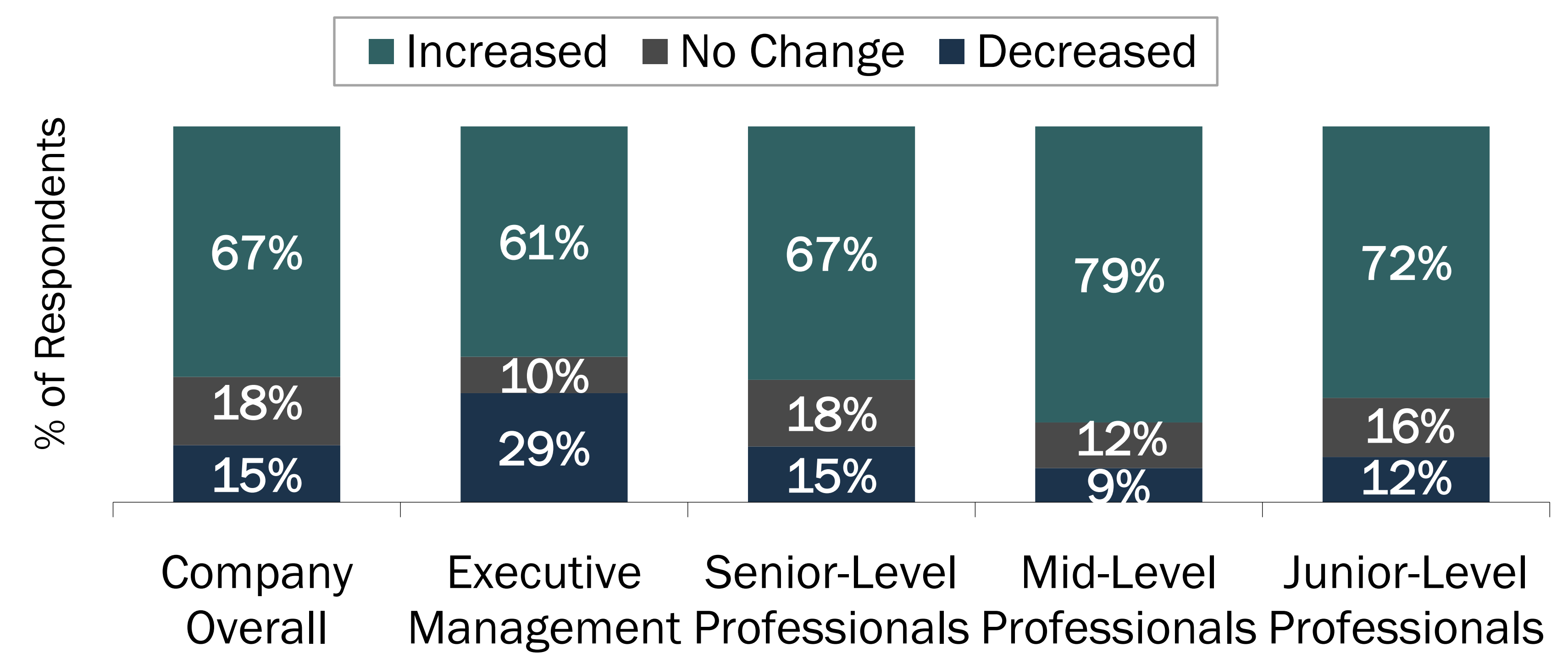
Annual bonuses increased in 2019; 2020 bonuses are expected to be flat or down

YoY Changes in Annual Bonus



YOY % Change	+7%	+13%	+7%	+12%	+7%	+17%	+11%	-5%

YoY Changes in Annual Bonus by Org. Level

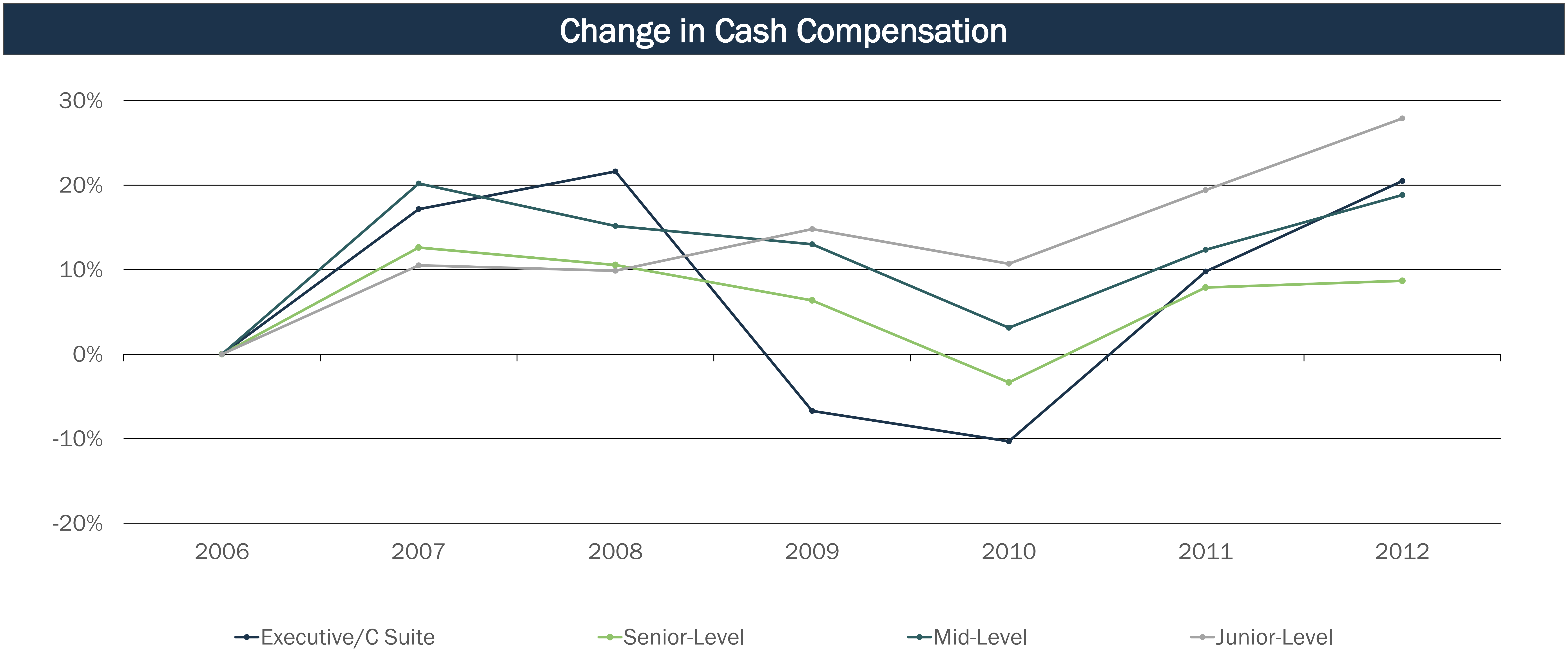


	Increase (only respondents indicating increase)				
Median	16%	10%	14%	19%	25%
Average	18%	17%	16%	21%	29%

- 67% of firms increased annual bonuses (average increase of 18%, total change of +11%)
- Mid- and junior-level professionals more consistently and more materially saw bonus increases
- Bonuses as a percentage of pre-incentive EBTIDA remained consistent at 32-43% (median to 75th %-ile)
- 2020 bonus awards are expected to be tempered, with only 21% of firms anticipating an increase (YoY net change is anticipated to be -5%)
  - In a recent FPL COVID-19 Survey, 26% of firms indicated they intend on using more discretion to determine 2020 bonuses than in previous years
  - Select firms that use fixed pools to calculate total bonuses may produce outsized bonus pools relative to individual or firm performance, in which case excess awards will be allocated to key individuals/functions and/or deferred into 2021

Total Cash Compensation

During the most recent downturn, bonuses pushed down compensation for a 2 to 3-year period

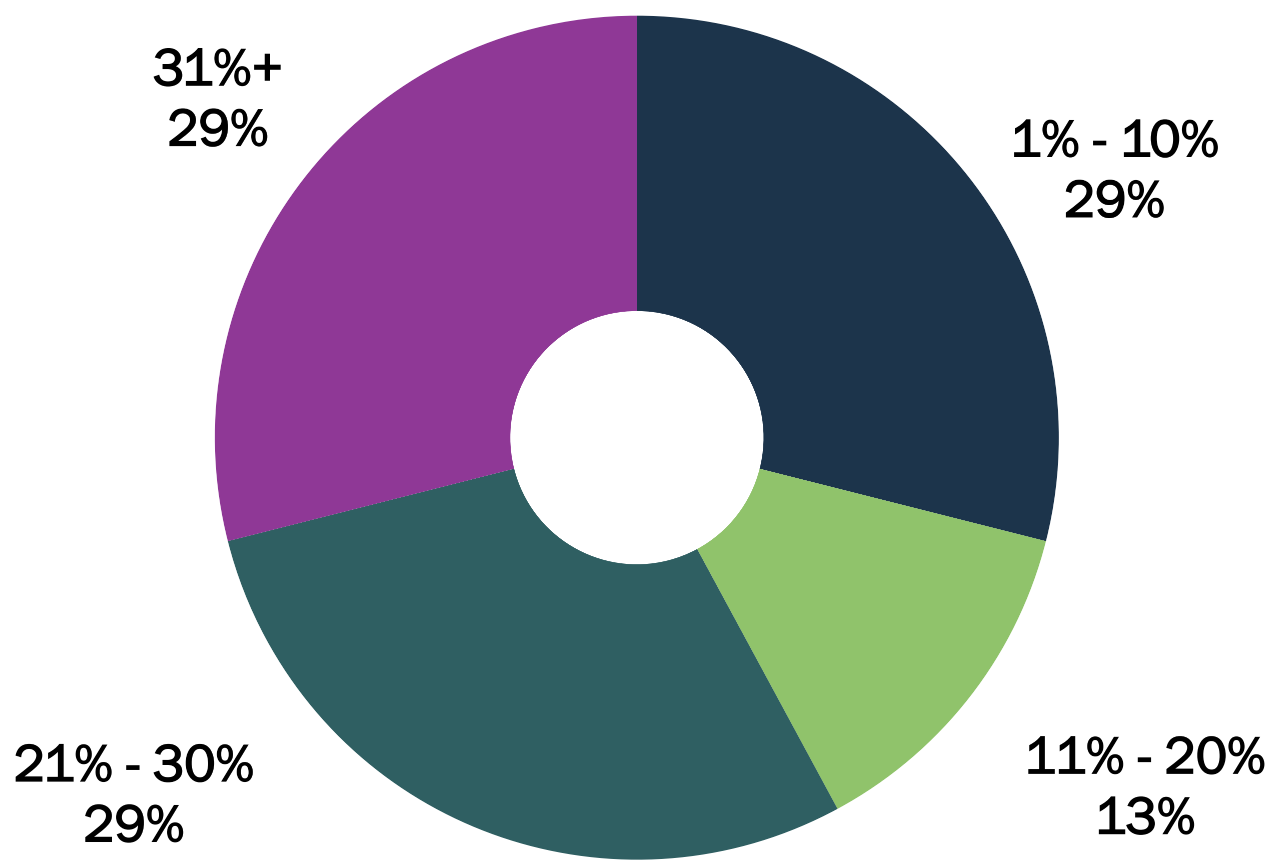


- FPL also analyzed historical data during the most recent downturn for total cash compensation from 2006 through 2012
- This showed a more material and longer-lasting impact, resulting in two years of pay below the 2006 baseline for Executive/C-Suite professionals, and another two years to recover back to pre-downturn compensation levels

Long-Term Incentives

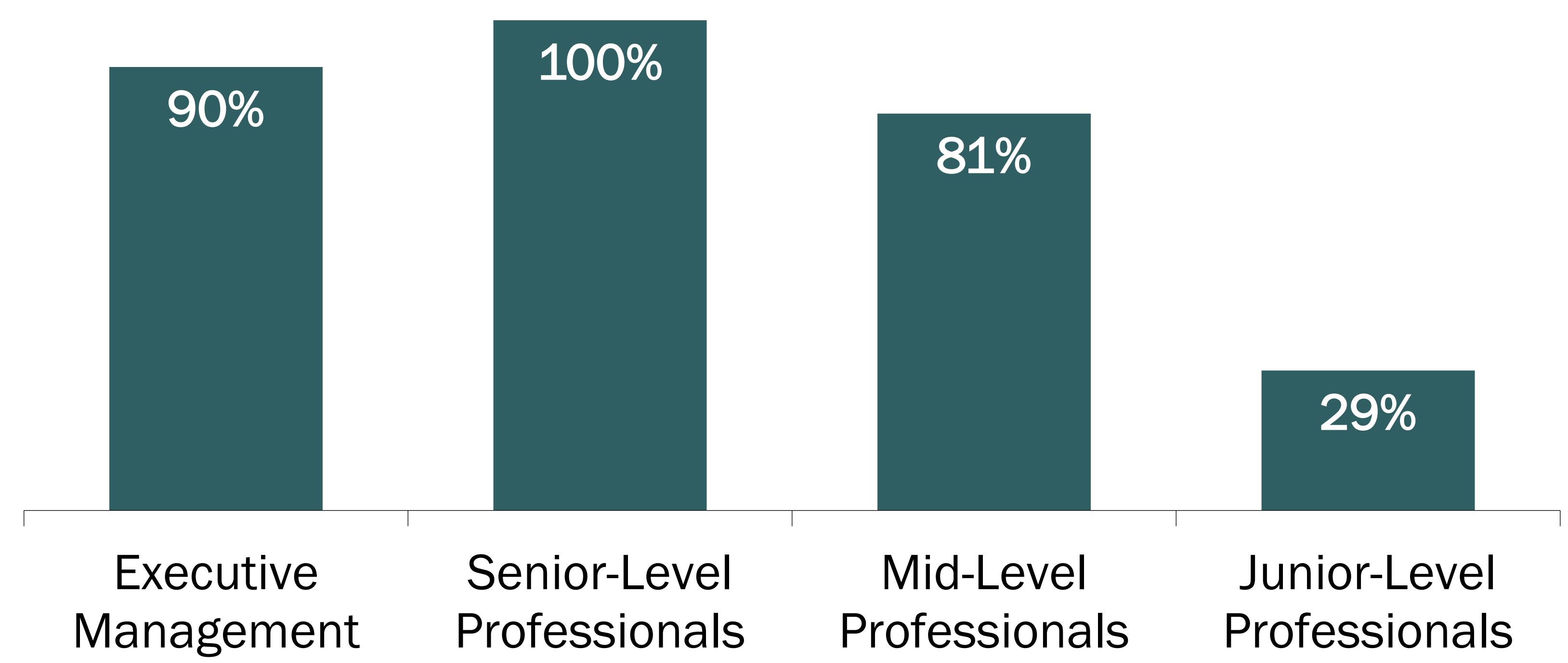
Carried interest and non-carried interest eligibility practices expanded in 2019

% of Employees Eligible for LTI Grants



- Non-carry LTI exists at ~half of this year's participation
- Eligibility expanded this year: nearly 60% of firms offer LTI to more than 20% of employees, an increase from 38% in 2018
- Awards increased and decreased at 36% of firms (each) and remained the same at 28%

% of Employees Eligible for Carry



- 62% of participants have a carried interest program
- Eligibility increased for mid-level professionals (81% in 2019 vs. 75% in 2018)
- Aggregate allocation to management remained consistent (36-50%)

Benefits

This year's study covered benefits, which may be of heightened interest in 2020 and 2021

7-14%: Total benefit cost as a percentage of total rewards

Includes cost of medical, dental, long-term disability, short-term disability, wellness, and transportation as a percentage of salary, bonus, and total benefits

Health & Education Benefits

- 90% of firms offer health benefits
  - On average, firms cover 82- 85% of employee premiums on average
  - 51% and 67% of firms have HSA and FSA plans, respectively
- 90% of firms have a group life insurance plan, with a median company-paid premium of 100%
- Over half of this year's participants offer tuition reimbursement (capped)

Wellness

- 62% of participants offer some form of a wellness program
- Twenty-eight percent (28%) of firms have a formal flexible work arrangement plan
  - Includes alternative work schedules, telecommuting, flexible hours, etc.
- In FPL's recent COVID-19 Survey, 42% of firms indicated they were somewhat or very likely to expand its virtual workforce as restrictions are lifted and employees return to work

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