REIT EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE INSIGHTS

APRIL 2018

The Early 30: Compensation Trends from the First 30 Filed REIT Proxy Statements and Notable REIT Compensation Highlights

The 2018 proxy season is in full swing with new proxy statements being filed on a daily basis. FTI Consulting, Inc. has analyzed executive pay levels for the first 30 self-managed REITs, the “Early 30”, that filed their proxy statements in 2018 and had comparable year-over-year data. The following provides a “sneak-peek” of REIT compensation trends based on the Early 30 REIT filers and additional compensation highlights from around the REIT world.

Compensation Trends at the Early 30

3.3%	Increase in CEO Compensation Approximately 60% of CEOs received a pay increase
8.3%	Increase in Overall NEO Compensation CFOs received the largest pay increases with a 10.7% jump
1.4%	Increase in Cash Compensation
14.8%	Increase in LTI Compensation
(7.5%)	Decrease in Chairman Compensation
57:1	Median CEO Pay Ratio CEO Pay Ratios ranged from 5:1 at the low end to 439:1 at the high end

Note: Statistics are based on the median change

Although the figures above will likely change for the larger REIT population, trends at the Early 30 filers provide an initial indication that executive compensation at REITs is poised to increase by meaningful amounts from 2016 to 2017. Our analysis of the Early 30 also suggests that the perceived hyper-focus on CEO pay levels and reliance on long-term incentives is proving true, as year-over-year growth in CEO pay levels is muted in comparison to other NEOs and increases in LTI compensation far outpace increases in cash.

Additional Compensation Highlights

In its review of the REIT proxy statements filed as of mid-April, FTI Consulting also observed several noteworthy compensation highlights at select REITs (including the Early 30).

CEO Compensation

- ***Simon Property Group, Inc.***
  Simon Property Group shareholders will vote on a proposal to prohibit the inclusion of change-of-control benefits in any future employment agreements with the CEO. The Laborers' District Council and Contractors' Pension Fund, a shareholder owning 3,162 shares, put forth the proposal noting that the size of the termination benefit is not justified given the CEO's current alignment with shareholders' interests. The board has recommended that shareholders vote against the proposal.

- ***Ventas, Inc.***
  At first glance, CEO compensation at Ventas would likely draw significant scrutiny this year with an increase to $25.3 million from $9.7 million. The magnitude of the year-over-year increase, however, is quite misleading given that the Company moved from a "backward-looking" to a "forward-looking" LTI program in 2017. Consequently, the Company's January 2017 grant included both the "forward-looking" 2017 award valued at approximately $8 million and the "backward-looking" grant made for 2016 performance equal to $8.8 million. In addition, a one-time transitional stock grant of approximately $4 million was also awarded in 2017. On a recurring, normalized basis, the CEO's target compensation is $11.3 million or $13.3 million including the annualized transitional award. Either of these amounts are significantly less than the $25 million that may garner attention.

Annual and Long-Term Incentives

- ***Regency Centers Corp.***
  Regency awarded special performance shares tied to "merger synergies" in connection with the Equity One, Inc. merger transaction. The shares will be earned based on the achievement of net G&A expenses as a percentage of revenues under management ranging from 4.2% to 5.3% during 2018. Awards will be earned at the end of 2018 and will be subject to 3 additional years of time-based vesting.

- ***Simon Property Group, Inc.***
  Simon Property Group did not grant any performance-based long-term incentives in 2017 and discontinued their existing LTIP program in favor of a newly redesigned LTIP Program for 2018. The new program eliminated absolute TSR as a performance metric and replaced it with CAGR of the Company's FFO per share.

Enhanced Focus on Environmental, Social and Governance (ESG) Factors

- ESG factors continue to garner more of the proxy spotlight. A number of ESG topics have experienced a more notable presence in the proxy statement, with a particular focus on board diversity, board qualifications, corporate sustainability and charitable contributions. The growing importance of these factors is highlighted by the fact that one REIT incorporated "inclusion and diversity" as a performance metric in their 2017 cash bonus plan.

List of the Early 30 REITs

- American Campus Communities, Inc.
- American Homes 4 Rent
- Apartment Investment and Management Company
- Camden Property Trust
- City Office REIT, Inc.
- Cousins Properties Incorporated
- DCT Industrial Trust Inc.
- Duke Realty Corporation
- Equity LifeStyle Properties, Inc.
- Farmland Partners Inc.
- The GEO Group, Inc.
- Getty Realty Corp.
- HCP, Inc.
- Kimco Realty Corporation
- LaSalle Hotel Properties
- National Retail Properties, Inc.
- Physicians Realty Trust
- Prologis, Inc.
- PS Business Parks, Inc.
- Public Storage
- QTS Realty Trust, Inc.
- Regency Centers Corporation
- Seritage Growth Properties
- STAG Industrial, Inc.
- Sunstone Hotel Investors, Inc.
- Terreno Realty Corporation
- Urstadt Biddle Properties Inc.
- VEREIT, Inc.
- Weingarten Realty Investors
- Welltower Inc.

ABOUT FTI CONSULTING EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE PRACTICE

The Executive Compensation and Corporate Governance practice at FTI Consulting has the unique capability to advise our clients on both routine and complex compensation and other strategic matters by leveraging our in-depth knowledge of the real estate industry and the issues directly impacting REITs. Our team of professionals have experience providing practical guidance on deal structuring, tax structuring, value-add governance changes and implementing compensation programs that are aligned with each REIT's strategic plan and that rewards employees for creating tangible value.

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