

REIT Executive Compensation Trends

Compensation and Corporate Governance Report and Analysis

August 2017

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Executive Summary – Key Findings

Methodology

- This report provides current compensation-related trends and highlights based on our extensive review and analysis of 2017 proxy statements for the top 150 REITs as determined based on year-end 2016 total capitalization values
 - “REITs” for purposes of this report generally refers only to the top 150 REITs
 - Based on the most forward-looking pay packages for the Named Executive Officers (NEOs) disclosed in the proxy statement
 - Total capitalization includes the value of common shares and OP Units (i.e., equity market capitalization), plus debt and the book value of any preferred shares
 - The top 150 REITs exclude externally-managed companies that do not directly pay cash compensation to their NEOs
 - The top 150 REITs also exclude any IPOs, REIT conversions or spinoffs that were completed after June 30, 2016
 - The top 150 REITs have been adjusted to include select real estate companies that have not elected to qualify for REIT status for tax purposes, but whose operations are comparable to other REITs (e.g., Hyatt Hotels Corporation and The Howard Hughes Corporation)
- FTI Consulting generally utilizes the median, instead of the average, as the preferred statistical measure for evaluating compensation data trends, as it is less affected by outliers within the data set that often skew the average
- Equity-based compensation represents the grant date fair value (“GDFV”) based on the accounting value of the awards granted in connection with 2016 performance regardless of whether such shares/options were granted in 2016 or in 2017. Multi-year awards, including retention awards, employment agreement-related awards, “end-to-end” multi-year performance shares, etc., have been annualized over the applicable vesting or performance period

2016 Compensation Summary – Key Takeaways

- Overall, 2016 total compensation increased over 2015 levels by approximately 5% at the median, with actual increases ranging from 2-7% depending on the position
 - 2016 increases were slightly larger than 2015 when pay increased by 3% at the median
 - Pay change by position reflected a tighter range than in 2015, with increases ranging from 1-9% at the median
 - REIT NEO pay increases have been muted over the past several years, which can in part be attributed to the increased prevalence of performance-based equity (down from +14% in 2010)
- In 2016, compensation adjustments varied significantly sector by sector, with healthcare REITS receiving the largest increases (+20% for the CEO) and hotel/resort REITs receiving pay decreases (-1% for the CEO)
- The utilization of performance-based equity continues to increase (although growth has slowed from previous years), with approximately 84% of REITs granting such equity for 2016 performance (up from 82% in 2015)
 - For REIT CEOs, approximately 50% of equity was allocated to performance shares in 2016 based on GDFV
 - Due to the leverage often built into such plans, the ultimate value realized under performance-based awards may be significantly more (or less) depending on performance
- As compared to general industries, REITs received significantly fewer negative voting recommendations from Institutional Shareholder Services (ISS) with only 5.8% of self-managed REITs receiving an Against voting recommendation as compared to 12.3% of companies in the Russell 3000
 - REIT Say-on-Pay approval rates were similar to the results of the Russell 3000

Recent REIT Market Trends

Based on our conversations with REIT boards and management teams, below are the key themes that have been discussed during 2016 and 2017:

- **Desire for Simplification**: Many REIT compensation committees and management teams have expressed a desire to “simplify” their compensation structures, which may include:
 - Condensing multiple performance-based equity programs into one grant (i.e., eliminating Outperformance Plans and using one performance share plan that includes leveraged payouts for outperforming expectations)
 - Reducing the number of metrics in the cash bonus plan to no more than four or five key measures
 - Elimination of additional perquisites or other add-ons
- **Increased Scrutiny on Goal Setting**: Companies have been taking a “deeper dive” into the performance goals to understand how meaningful and achievable they are as the scrutiny on cash bonus programs by proxy advisory firms and investors has shifted from plan design (i.e., formulaic vs. discretionary) to the appropriateness of the goals themselves
- **Evaluating Performance Metrics Beyond TSR for Equity Awards**: Both REITs and non-REITs alike are evaluating if total shareholder return (“TSR”) is the most appropriate metric for performance-based equity awards, or if certain operational metrics that drive long-term value creation are more appropriate
- **Transparency**: Continued focus on creating transparency for investors and proxy advisory firms by drafting proxy disclosure that is clear, concise and often employing the help of consultants and other graphic specialists to enhance the overall look and feel of disclosure

2016 Compensation Adjustments

Compensation Trends by Position

- Median compensation levels in the REIT industry increased (decreased) from 2015 to 2016 by position as follows⁽¹⁾:

Position	Base Salary	Cash Bonus	LTI GDFV	Total Comp
All Incumbents (527 incumbents)	2.9%	5.7%	4.9%	5.0%
Chairman (18 incumbents)	0.0%	0.0%	2.7%	-0.6%
Chief Executive Officer (125 incumbents)	0.0%	5.7%	5.5%	6.1%
Chief Operating Officer (65 incumbents)	2.3%	8.0%	4.6%	5.7%
Chief Financial Officer (107 incumbents)	3.0%	7.2%	8.9%	6.0%
Chief Investment Officer (37 incumbents)	3.0%	0.1%	2.1%	2.0%
General Counsel (51 incumbents)	3.0%	10.5%	5.5%	7.4%
Other Executives (124 incumbents)	3.0%	3.2%	4.3%	2.7%

Footnotes:

⁽¹⁾ Only includes incumbents who served in the same role in both 2015 and 2016. New hires and promotions were excluded from the analysis

Compensation Trends by REIT Sector⁽¹⁾

Diversified REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (7 incumbents)	0.0%	6.9%	9.6%	14.1%
Chief Operating Officer (3 incumbents)	ISD	ISD	ISD	ISD
Chief Financial Officer (6 incumbents)	2.6%	24.1%	17.3%	11.9%
Other Executives (17 incumbents)	3.0%	16.7%	20.2%	7.3%

TSR - SNL Diversified/Other REIT Index			
2016 ⁽³⁾		2017 ⁽⁴⁾	
1YR	3YR	5YR	YTD
16%	23%	60%	11%

Healthcare REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (10 incumbents)	0.0%	31.0%	-0.7%	19.5%
Chief Operating Officer (3 incumbents)	ISD	ISD	ISD	ISD
Chief Financial Officer (10 incumbents)	4.2%	7.2%	22.4%	20.9%
Other Executives (17 incumbents)	3.0%	2.5%	3.2%	5.4%

TSR - SNL Healthcare REIT Index			
2016 ⁽³⁾		2017 ⁽⁴⁾	
1YR	3YR	5YR	YTD
7%	33%	49%	11%

Industrial REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (8 incumbents)	2.8%	14.2%	-0.7%	1.1%
Chief Operating Officer (1 incumbents)	ISD	ISD	ISD	ISD
Chief Financial Officer (7 incumbents)	4.3%	31.4%	0.2%	5.8%
Other Executives (18 incumbents)	3.3%	19.7%	3.3%	2.4%

TSR - SNL Industrial REIT Index			
2016 ⁽³⁾		2017 ⁽⁴⁾	
1YR	3YR	5YR	YTD
26%	57%	123%	12%

Footnotes:

- (1) REIT sector as defined by NAREIT Classification
- (2) Other Executive data for each REIT sector also includes the Chief Investment Officer and General Counsel data due to the lack of incumbents for each position within many sectors
- (3) 2016 TSR data is as of 12/31/16
- (4) 2017 TSR data is as of 7/21/17

Compensation Trends by REIT Sector⁽¹⁾ (cont'd)

Hotel and Resort REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (12 incumbents)	3.2%	1.0%	0.0%	-0.6%
Chief Operating Officer (9 incumbents)	2.1%	-2.1%	0.0%	4.7%
Chief Financial Officer (11 incumbents)	3.0%	3.0%	-1.5%	1.3%
Other Executives (21 incumbents)	3.0%	4.4%	0.0%	1.2%

TSR - SNL Hotel REIT Index			
2016 ⁽³⁾		2017 ⁽⁴⁾	
1YR	3YR	5YR	YTD
24%	27%	80%	-1%

Specialized REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (21 incumbents)	2.5%	11.2%	11.1%	8.7%
Chief Operating Officer (6 incumbents)	7.4%	0.4%	4.3%	7.7%
Chief Financial Officer (20 incumbents)	2.8%	8.8%	2.3%	2.9%
Other Executives (42 incumbents)	3.1%	9.4%	6.4%	7.5%

TSR - SNL Diversified/Other REIT Index			
2016 ⁽³⁾		2017 ⁽⁴⁾	
1YR	3YR	5YR	YTD
16%	23%	60%	11%

Residential REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (13 incumbents)	1.3%	-5.4%	7.8%	9.2%
Chief Operating Officer (10 incumbents)	2.9%	9.9%	7.7%	8.2%
Chief Financial Officer (11 incumbents)	3.0%	7.3%	14.1%	19.1%
Other Executives (24 incumbents)	3.0%	-0.7%	-1.5%	-7.1%

TSR - SNL Residential REIT Index			
2016 ⁽³⁾		2017 ⁽⁴⁾	
1YR	3YR	5YR	YTD
5%	67%	73%	10%

Footnotes:

- (1) REIT sector as defined by NAREIT Classification
- (2) Other Executive data for each REIT sector also includes the Chief Investment Officer and General Counsel data due to the lack of incumbents for each position within many sectors
- (3) 2016 TSR data is as of 12/31/16
- (4) 2017 TSR data is as of 7/21/17

Compensation Trends by REIT Sector⁽¹⁾ (cont'd)

Office REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (18 incumbents)	1.5%	3.8%	4.2%	5.5%
Chief Operating Officer (9 incumbents)	2.3%	20.2%	8.1%	14.0%
Chief Financial Officer (15 incumbents)	3.0%	3.2%	6.7%	6.0%
Other Executives (33 incumbents)	3.0%	7.1%	5.8%	6.4%

TSR - SNL Office REIT Index			
2016 ⁽³⁾			2017 ⁽⁴⁾
1YR	3YR	5YR	YTD
12%	42%	73%	0%

Retail REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (26 incumbents)	0.0%	0.0%	6.8%	2.0%
Chief Operating Officer (19 incumbents)	2.9%	9.1%	4.2%	5.7%
Chief Financial Officer (23 incumbents)	0.0%	1.4%	9.2%	3.8%
Other Executives (28 incumbents)	2.9%	-4.2%	4.0%	-0.5%

TSR - SNL Retail REIT Index			
2016 ⁽³⁾			2017 ⁽⁴⁾
1YR	3YR	5YR	YTD
1%	34%	78%	-10%

Mortgage REITs				
Position ⁽²⁾	Base Salary	Cash Bonus	LTI GDFV	Total Comp
Chief Executive Officer (9 incumbents)	0.0%	16.7%	11.1%	5.8%
Chief Operating Officer (5 incumbents)	0.0%	7.9%	13.0%	2.4%
Chief Financial Officer (4 incumbents)	19.3%	63.6%	38.0%	33.2%
Other Executives (12 incumbents)	3.1%	5.1%	0.0%	5.5%

TSR - SNL Finance REIT Index			
2016 ⁽³⁾			2017 ⁽⁴⁾
1YR	3YR	5YR	YTD
23%	29%	50%	16%

Footnotes:

- (1) REIT sector as defined by NAREIT Classification
- (2) Other Executive data for each REIT sector also includes the Chief Investment Officer and General Counsel data due to the lack of incumbents for each position within many sectors
- (3) 2016 TSR data is as of 12/31/16
- (4) 2017 TSR data is as of 7/21/17

Executive Compensation Design Trends

Annual Cash Incentive Plan Design

- Formulaic cash incentive plans that incorporate a discretionary component continue to be the most commonly utilized plan design (based on the design used for the CEO)
 - The use of entirely formulaic plans has increased over the past several years (while the use of entirely discretionary and formulaic with a subjective component has decreased)
 - 80% allocation to objective, corporate measures and 20% to discretionary or subjective measures was the most frequently utilized allocation
 - One company did not have a cash bonus program for the CEO

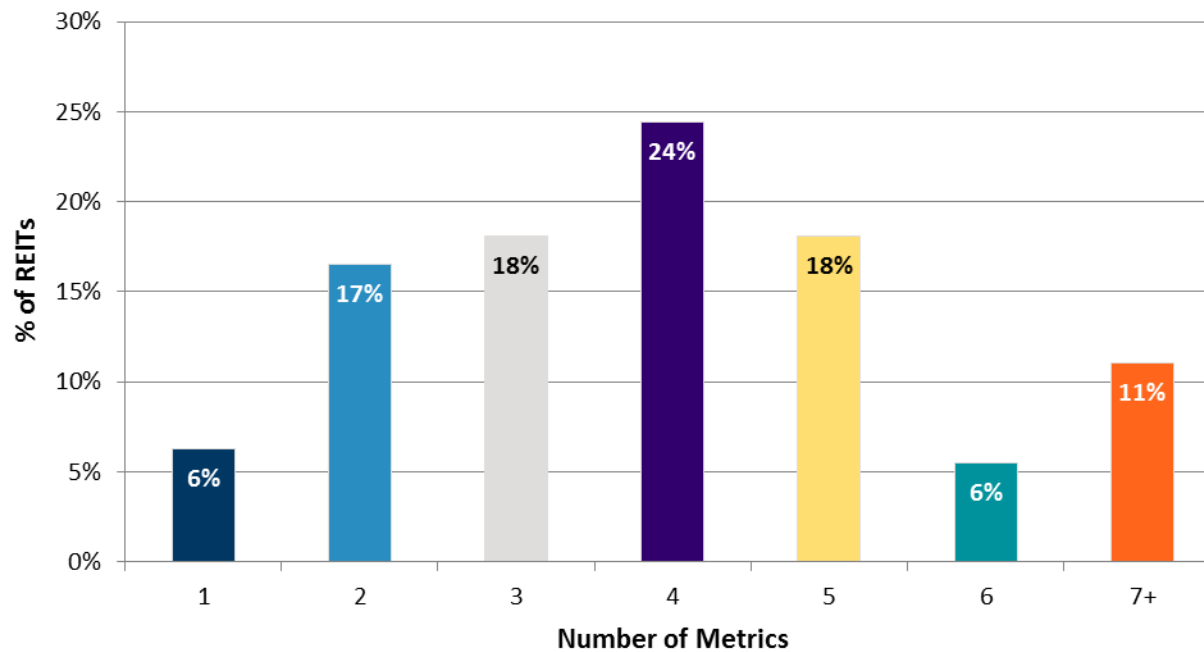
Plan Type	2013	2014	2015	2016
Entirely Discretionary	22%	16%	18%	13%
Entirely Formulaic	14%	14%	17%	25%
Formulaic with a Subjective Component	63%	70%	65%	62%

- Median annual bonus target for CEOs was \$1,050,000 and equaled 132% of base salary (target % increased by only 1% from 2015)

Position	Target Annual Incentive		Leverage as % of Salary	
	Dollar Value	% of Salary	Minimum	Maximum
Chief Executive Officer	\$1,050,000	132%	50%	200%
Chief Operating Officer	510,000	100%	44%	150%
Chief Financial Officer	416,719	100%	43%	150%
Chief Investment Officer	424,000	100%	40%	160%
General Counsel	322,500	86%	40%	150%
Other Executives	350,000	94%	23%	134%

Annual Cash Incentive Plan Design - Metrics

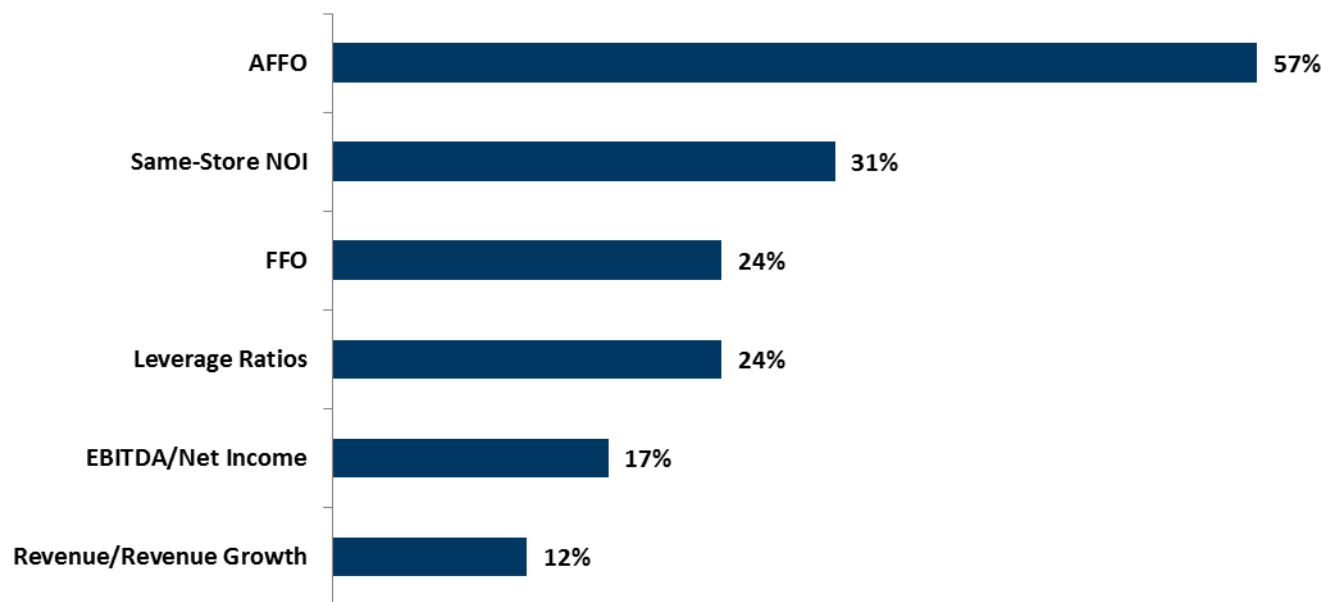
- Based on the CEO’s annual cash incentive plan, most REITs used between 3 and 5 bonus metrics as companies aim to balance motivating excessive risk-taking by using too few metrics and focusing management on critical business objectives
 - The utilization of 4 metrics has increased the most (up from 19% in 2015)
 - REITs using 7+ metrics has continued to decrease (down from 14% in 2015)



Annual Cash Incentive Plan Design – Metrics (cont'd)

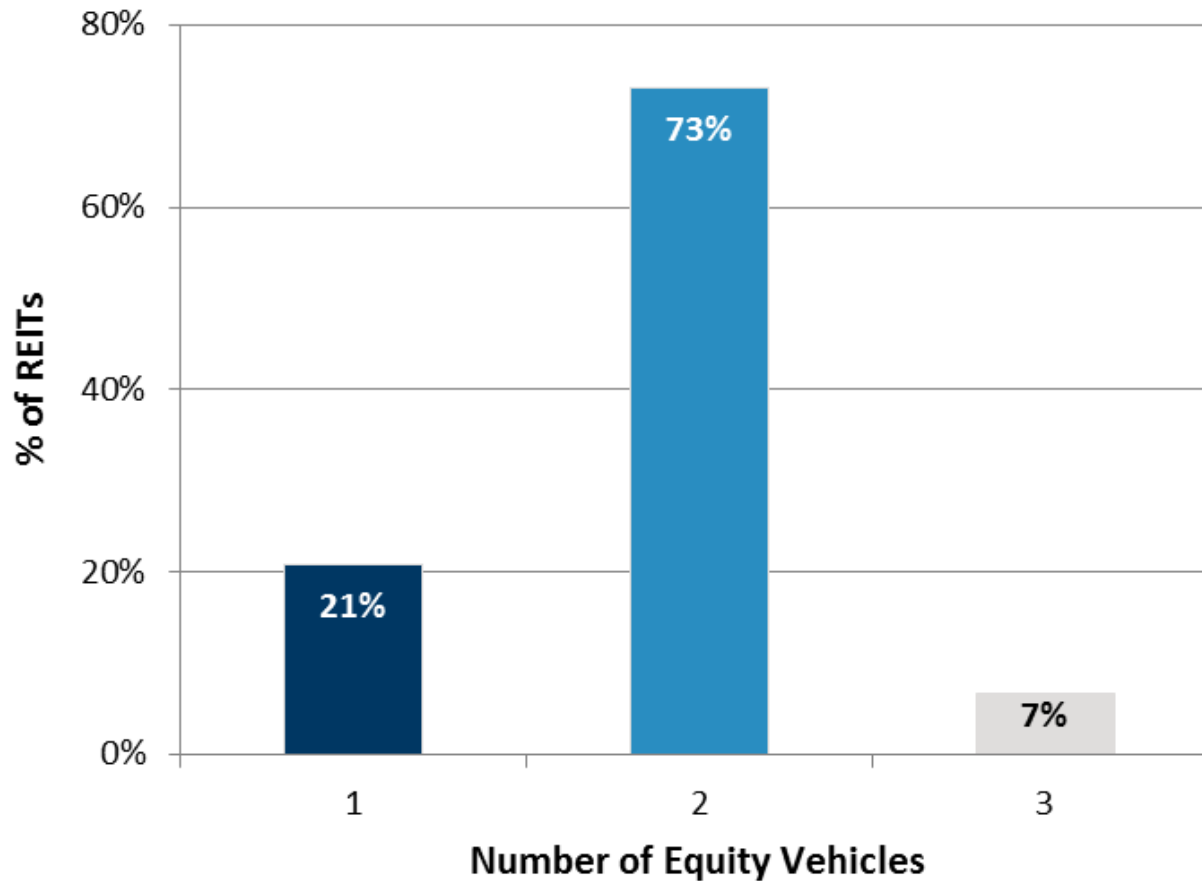
- The most commonly utilized corporate performance metrics continue to be REIT earnings metrics, with the following representing the most common corporate metrics (in order of prevalence):
 - AFFO, FFO and same-store NOI have consistently been highly utilized operational metrics in the REIT industry
 - Revenue/Revenue growth has experienced a growth in utilization over the past several years largely due to the increase in the number of non-traditional REITs (e.g., billboard REITs, infrastructure REITs, prison REITs, etc.)
 - Less than 10% of REITs still use TSR in their cash bonus program

Most Prevalent Performance Metrics: % of Top 150 REITs



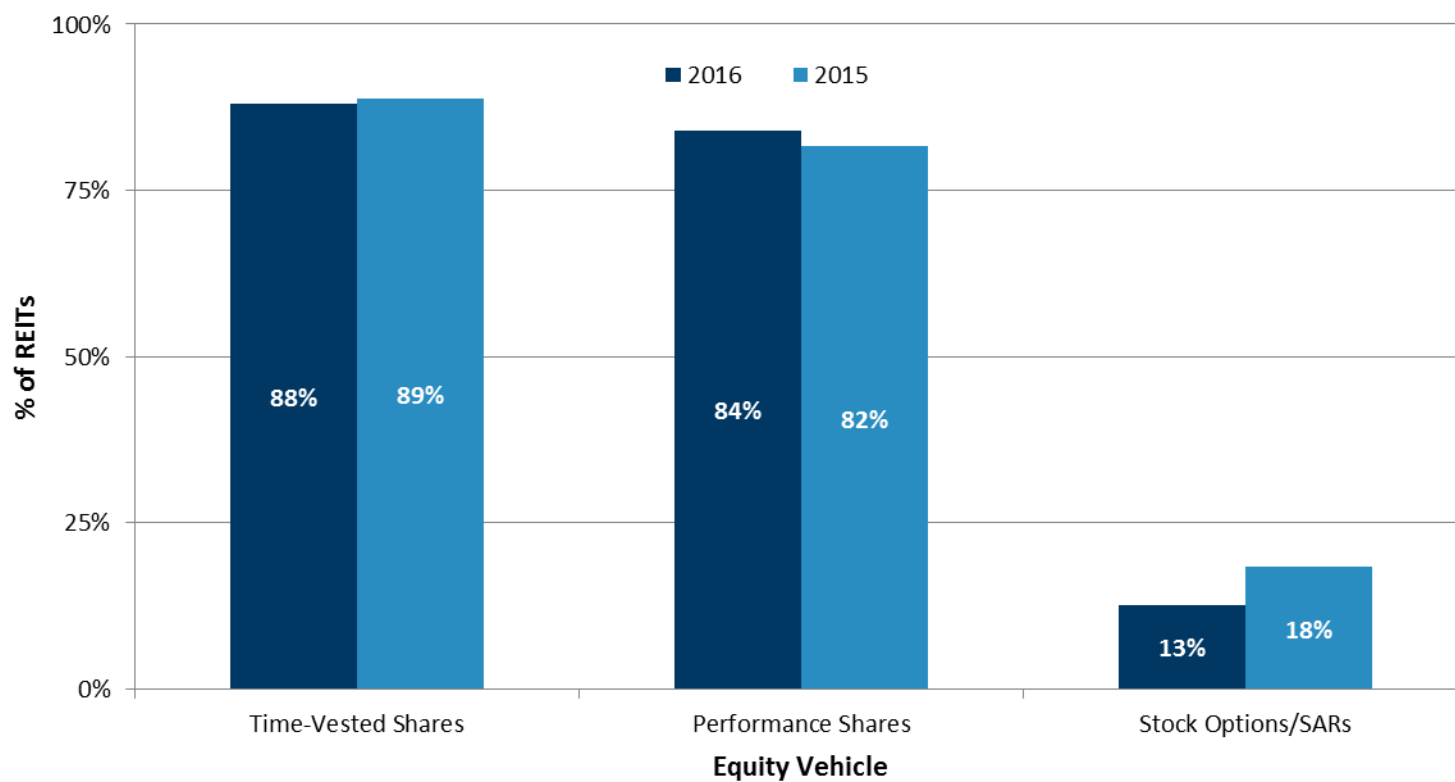
Number of Equity Compensation Vehicles Utilized

- The majority of REITs utilized 2 or more equity compensation vehicles in their LTI program
- Use of 2 vehicles increased from 68% in 2015 to 73% in 2016
- Decrease in the number of companies using 3 vehicles (due largely to a reduction in the number of REITs issuing stock options)



Summary of Equity Compensation Vehicles Granted

- Approximately 84% of REITs grant performance shares, which account for 50% of CEO long-term incentive compensation, on average
- Time-vested shares continue to be the most commonly utilized equity vehicle
- The use of stock options continues to decline
- 3 years continues to be the most prevalent vesting and performance period



Relative TSR – Selection of an Appropriate Competitor Group

- rTSR is widely used across all company size and industry categories
- Relative TSR plans are favored by proxy advisory firms as such plans (i) have strong shareholder alignment, (ii) are objective and transparent, (iii) permit multi-year measurement of performance and (iv) do not require long-term goal setting

- Relative TSR (rTSR) is the most prevalent performance measure for equity-based awards, with approximately 86% of REITs utilizing
- Using a rTSR metric without properly considering who is the right competitor group may materially affect the payout
- rTSR is generally measured vs. an existing stock index, compared to the company's executive compensation peer group or a custom peer group
- Component Rank Plan: Performance award payouts are dependent on the company's TSR as a percent rank of the comparator group (i.e., target TSR at the 55th percentile of the peer group)
 - Typically component rank plans do not assign weightings to companies, therefore, smaller companies (which can be more volatile) may play a larger role
- Composite Index Plan: Company's shareholder return growth is evaluated against the comparator group as a whole (i.e., target TSR is 5% above the index)
 - A composite index includes weightings for each company (typically based on market cap), therefore, larger companies may have an outsized impact
- An individual company must identify which parameters are most important for their individual needs and develop a comparator group that best fits its business and operating characteristics
 - Companies that may not be appropriate for compensation comparison purposes may be good competitors for performance comparison purposes
 - It is important to revisit the relative competitor group annually as company size and/or business characteristics are always subject to change

Moving Beyond TSR for Performance-Based Equity?

- Historically, TSR has been the go-to metric for performance-based equity in the REIT industry
 - Results in fixed, equity accounting treatment (at a discount to max value)
 - Provides direct alignment between management and shareholders' interests
 - We anticipate that TSR will continue to be the predominant performance measure for equity awards in the REIT industry
- Notwithstanding the fact that TSR will be the most predominant performance measure, it is anticipated that more REITs will incorporate an operational measure into their performance-based equity mix
 - Only 34% of REITs currently use a non-TSR measure to determine the vesting of their performance shares
 - Results in variable, or possibly liability, accounting treatment
 - Provides a more direct line-of-sight for management between company results and payouts; should be based on operational metrics that drive long-term value creation
 - Glass Lewis was critical of any company for only using one metric in their LTI program
 - Companies that incorporate operational measures often use a TSR modifier that may increase or decrease the number of shares earned by +/- 25% to 50% based on relative TSR performance (can also provide for slightly better accounting treatment)

Scrutiny on Goal Setting

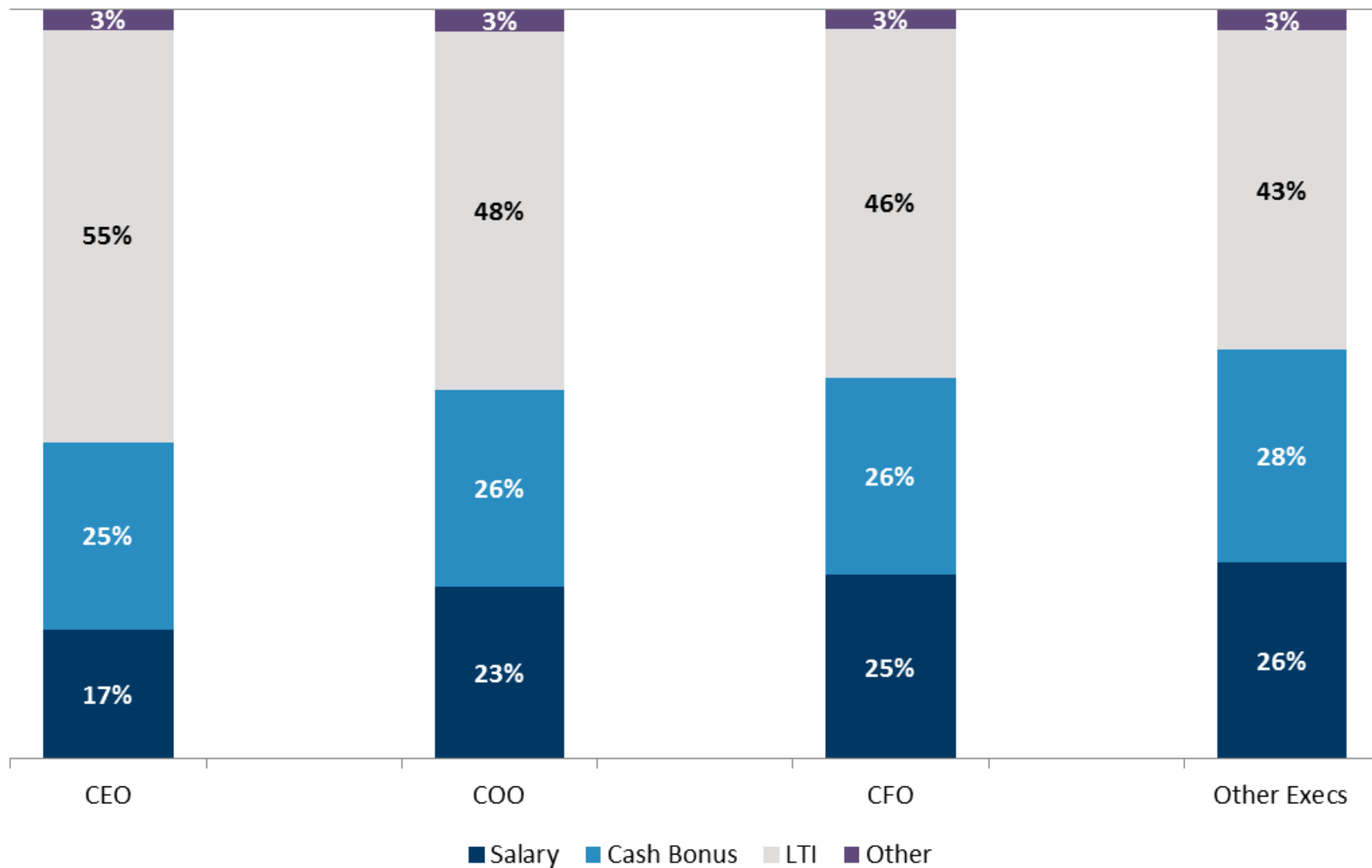
- In prior years, the focus of investors and proxy advisory firms (such as ISS) was largely directed at plan design
 - Is the annual incentive plan formulaic or discretionary?
 - How much of a formulaic plan was determined based on subjective and/or individual performance goals?
 - Did the company grant time-vested or performance-vested stock?
- During the last proxy season, there was a notable increase in the comments from investors and ISS on the goal setting process
 - How often has the annual incentive plan paid out above target?
 - What is the process for setting performance goals?
 - Does the plan allow for payouts above target for performance below the median of the peer group?

Most Commonly Used Factors in Goal Setting Process:

- Annual Budget/External Guidance
- Historical Performance
- Analyst Expectations
- Peer Information

2016 Pay Mix

- The pay mix between the four key components of executive compensation has remained relatively consistent over the past few years



2017 Say-on-Pay Results

2017 Say-on-Pay Results

- Self-managed REITs continue to receive Say-on-Pay support at a slightly higher rate than other industries
 - In terms of ISS feedback, REITs received significantly fewer negative voting recommendations with only 5.8% of self-managed REITs receiving an Against voting recommendation as compared to 12.3% of companies in the Russell 3000
- Externally-managed REITs or issuers (EMIs) continue to receive Say-on-Pay pressure following ISS adding “Insufficient Executive Compensation Disclosure by EMIs” to its list of problematic pay practices in 2016

Industry/Index	Average Support	ISS Against Voting Recommendations		Failed Say-on-Pay Proposals	
		#	%	#	%
All REITs	91.6%	25	13.9%	4	2.2%
Self-Managed REITs	93.3%	9	5.8%	2	1.3%
Externally-Managed REITS (EMIs)	81.3%	16	61.5%	2	7.7%
Russell 3000	91.9%	271	12.3%	27	1.2%

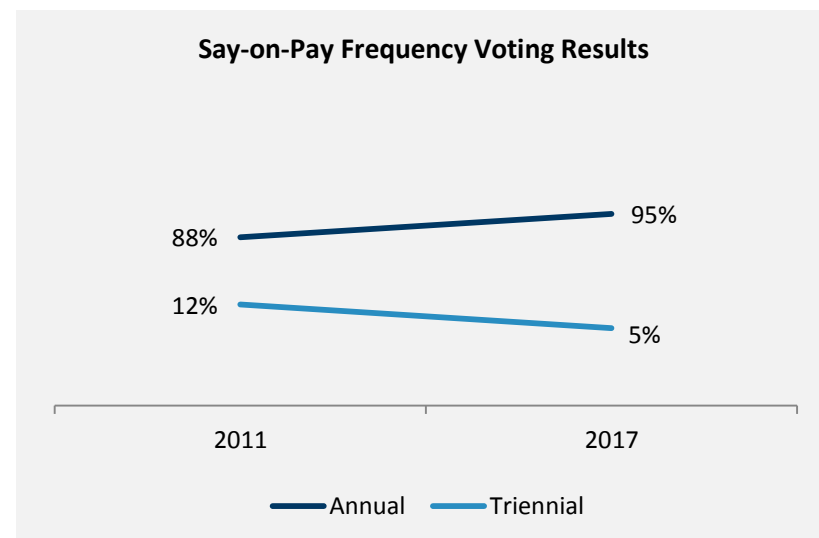
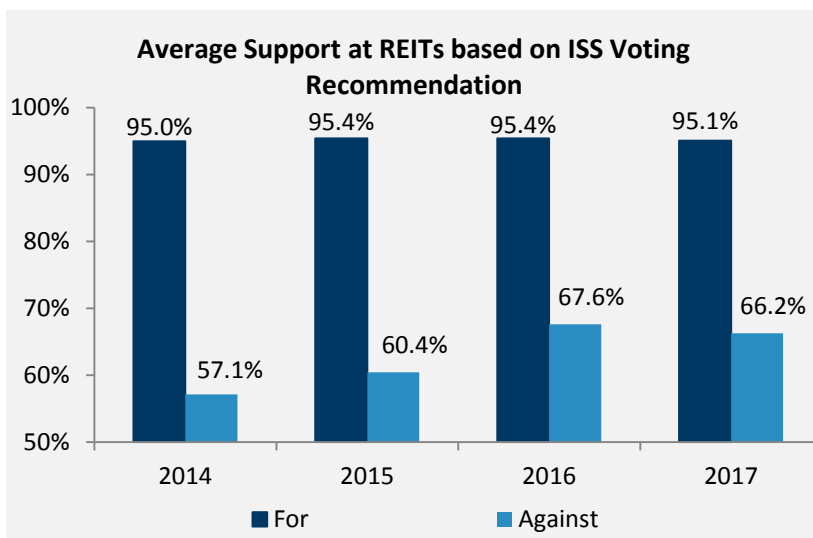
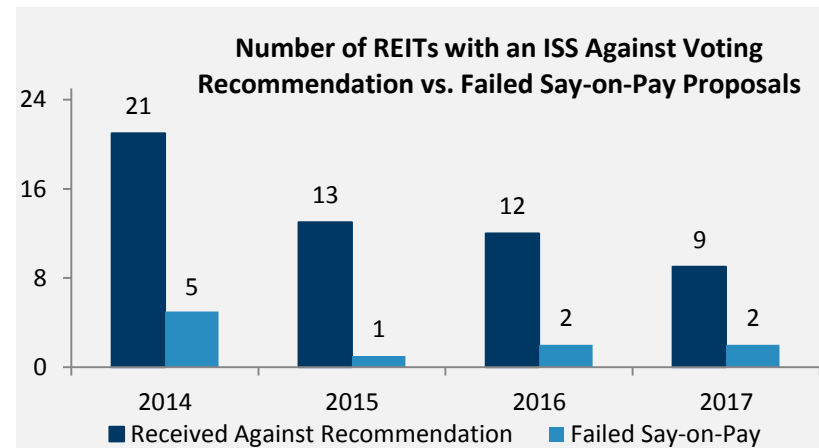
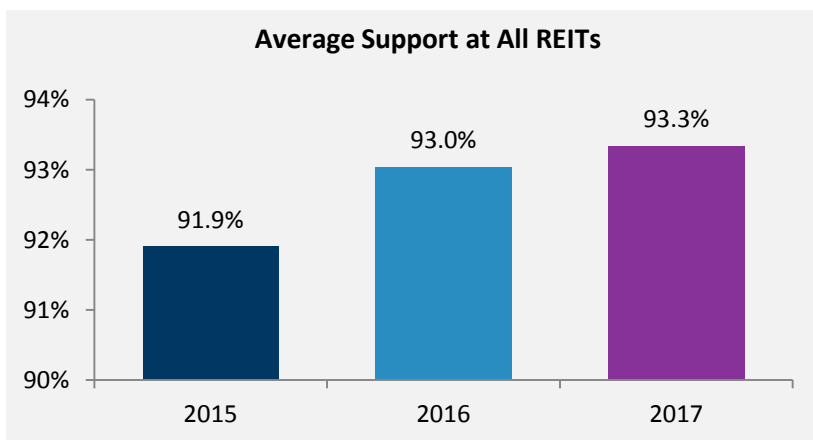
- While it is hard to ascertain the precise reason for such strong REIT Say-on-Pay support from ISS, it is likely attributable to a number of factors that are beneficial under the ISS pay-for-performance evaluation, including:

Factors Contributing to Strong ISS Results for REITs

- Strong TSR performance at REITs for the three-year period ending in 2016, which directly affects the relative Pay-TSR relationship used for ISS’ pay-for-performance model;
- REITs heavily utilize formulaic cash bonus plans that promote pay-for-performance alignment and transparency; and
- REITs grant TSR-measured performance-based equity plans at a higher rate than other industries, which provides direct alignment between CEO pay and shareholder returns

Snapshot of Self-Managed REIT Say-on-Pay Results

- Only 9 self-managed REITs received a negative Say-on-Pay voting recommendation from ISS in 2017
- 2 REITs failed Say-on-Pay
- ISS continues to be influential on Say-on-Pay voting results
- Shareholders overwhelmingly prefer annual Say-on-Pay votes



Factors Influencing an ISS Voting Recommendation

- ISS evaluates pay-for-performance alignment using a proprietary model that is heavily dependent on the TSR-CEO pay relationship
- 8 out of the 9 self-managed REITs that received an Against voting recommendation from ISS triggered a “High” pay-for-performance concern and 1 REIT triggered a “Medium” concern under ISS’ quantitative evaluation
- While the CEO pay-for-performance relationship is a significant factor used by ISS, it is generally not the only contributing reason cited by ISS for issuing an Against voting recommendation. The most common reasons cited by ISS include:

Reasons/Concern	# of REITs (out of 9 that received an Against voting recommendation from ISS)
Pay-for-Performance Misalignment	9
Short-Term Incentive (or Cash Bonus) Plan (Design)	3
Long-Term Incentive Plan (Design)	8
Base Salary (Outsized or Significant Increase without Compelling Reason)	4
Severance-Related Provisions	4
Rigor of Performance Goals (STI or LTI)	3
Peer Group/Benchmarking Concerns	3
Mega Equity Grants	3
Inadequate or Poor Disclosure	3

Board Compensation Trends

Board Compensation Trends

- 2016/2017 board compensation remained flat at the median
 - Approximately 33% of REITs increased board compensation in 2016/2017, a significant decline from 51% of REITs that increased board compensation in 2015
 - At REITs that increased compensation, the median increase for 2016/2017 levels was 11%
- There is a bias towards equity in favor of cash in the total compensation pay mix
 - Approximately 40% in cash and 60% in equity at the median (which has been consistent over the past several years)
- The usage of meeting fees has declined in recent years but stabilized at current levels, with only 27% still paying board meeting fees
 - Alternatively, some REITs are electing to pay meeting fees only for meetings above a certain threshold to provide additional compensation in years that the Board is more active
- Equity is almost always delivered in full-value shares awarded under a fixed-dollar value formula with immediate and one year being the most common vesting periods
- REITs continued to use restricted stock, rather than stock options, as the predominant form of equity in their board compensation programs

Additional Retainers and Fees

Most REITs provide additional fees for service as non-executive chair/lead independent director and committee chairpersons in recognition of their additional time commitments and responsibilities

The number of REITs that pay committee member fees appears to be stabilizing, with the fee generally equal to 50% of the chairperson fee

Additional retainers remained relatively flat year over year

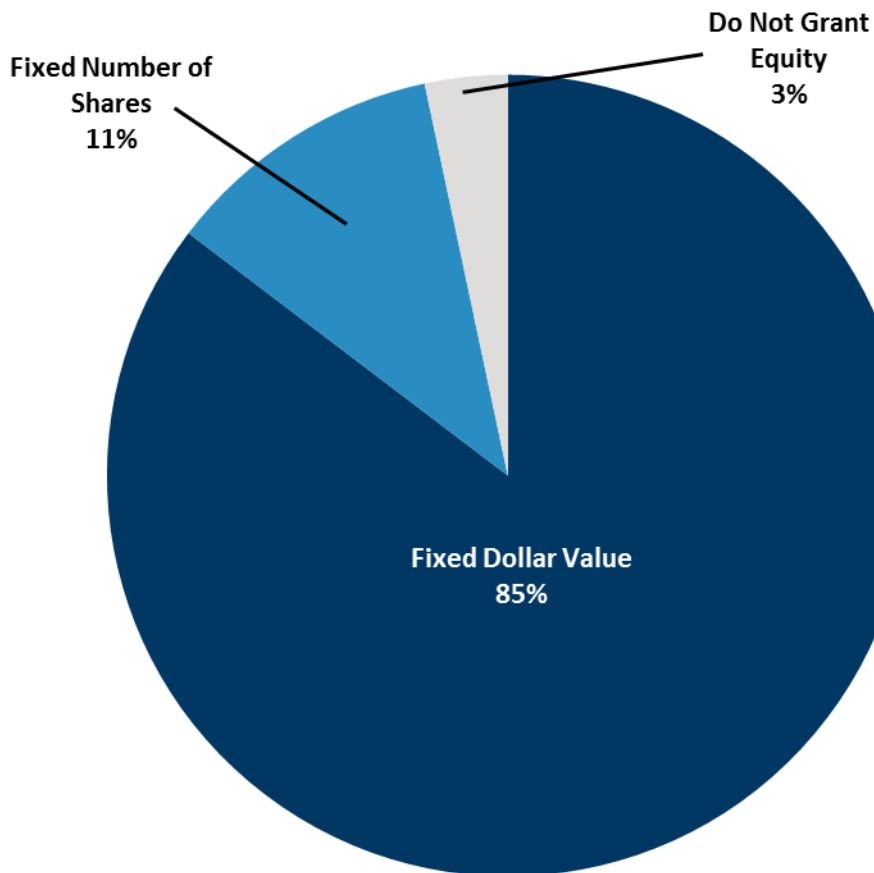
Fee/Retainer	2016		2015	
	Prevalence	Median Pay	Prevalence	Median Pay
Lead Independent Director	51%	\$25,000	47%	\$25,000
Non-Executive Chair	40%	\$75,000	40%	\$75,000
Committee Meeting Fees	29%	\$1,500	27%	\$1,500
Committee Chair				
Audit	95%	\$20,000	98%	\$20,000
Compensation	93%	\$15,000	95%	\$15,000
Nominating & Governance	89%	\$12,500	90%	\$11,000
Committee Member				
Audit	53%	\$10,000	54%	\$10,000
Compensation	49%	\$8,000	49%	\$7,500
Nominating & Governance	47%	\$6,625	46%	\$6,000

Equity Grants for Directors

Equity is almost always delivered in full-value shares awarded under a fixed-dollar value formula as follows:

- Approximately 94% of REITs grant full-value shares
- Only 4% of REITs grant stock options
- Only 3 REITs did not grant any equity to their directors

Determination of Grant Size



Vesting Period for Annual Equity Grants

- The annual equity awards granted to directors vest as follows:

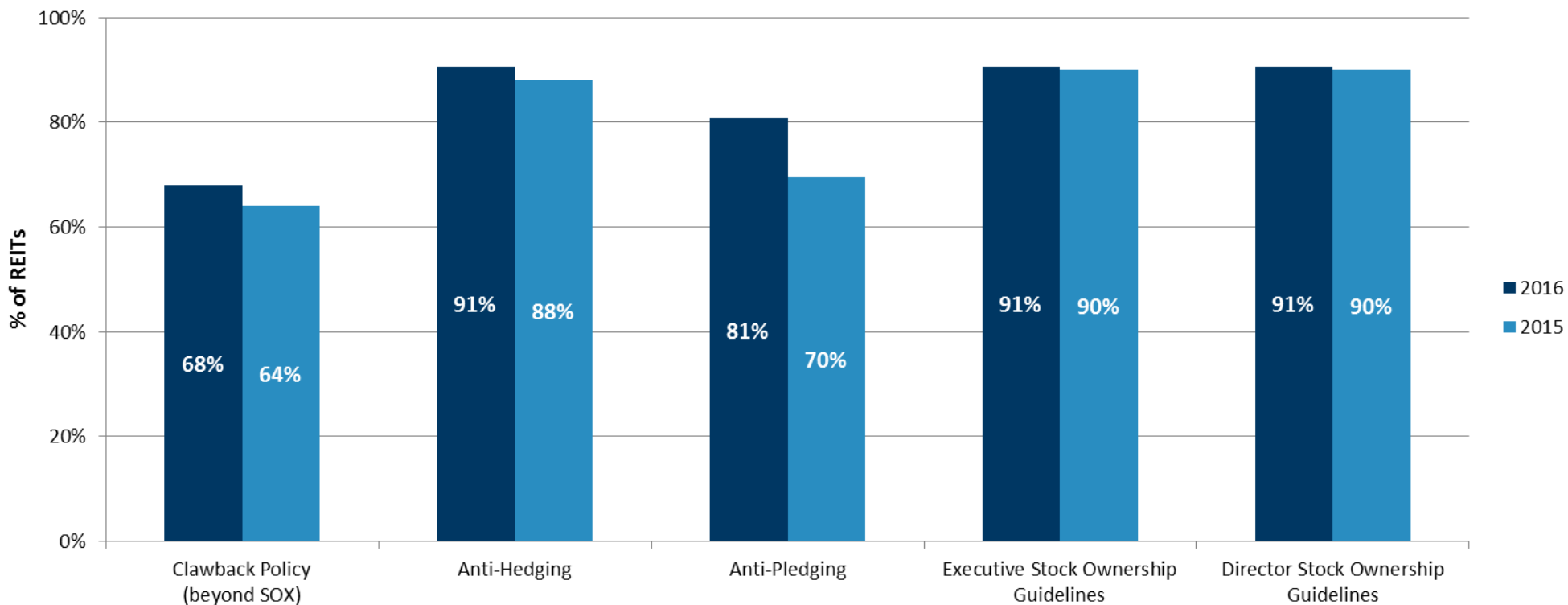
Year	Immediately Vested	1 Year	2 Years	3 Years	4 Years	5+ Years
2016	35%	47%	2%	11%	4%	1%
2015	41%	41%	2%	11%	5%	1%

- Extended vesting periods continue to decrease in utilization due to the following factors:
 - As REITs continue to de-stagger their Boards, the vesting periods are often adjusted to reflect the new annual term for directors
 - No longer considered best practice as directors should not be motivated to stay on the board just to wait for past awards to vest

Trends and Current Issues in Executive Compensation and Corporate Governance

Corporate Governance-Related Compensation Policies

REITs continue to make changes to the more “qualitative” aspects of their compensation programs, which have been well received by ISS and other proxy advisory firms



*Anti-pledging data includes companies with partial anti-pledging policies (i.e., Requires board approval)

Stock Ownership Trends

- Stock ownership guidelines are defined by a multiple of salary (or cash/equity retainer for board members), with over 90% of REITs that have implemented such guidelines using one of these multiples:

Title	Multiple of Base Salary/Board Retainer									
	1x or Less	1.5x	2x	2.5x	3x	4x	5x	6x	8x	10x
CEO	0%	0%	0%	0%	6%	5%	40%	41%	1%	7%
COO	1%	3%	9%	0%	68%	9%	6%	4%	0%	0%
CFO	1%	2%	11%	1%	74%	7%	2%	2%	0%	0%
GC	8%	2%	19%	3%	59%	3%	3%	3%	0%	0%
Other Executives	3%	1%	15%	0%	67%	11%	3%	1%	0%	0%
Directors	1%	0%	2%	2%	31%	9%	53%	2%	0%	0%

- For boards of directors, 87% use the cash retainer, 7% use the equity retainer and 7% use both as the basis for the multiple
- 5 years is the most common grace period to meet requirements
- Approximately 40% of REITs have also implemented holding requirements in connection with stock ownership guidelines for executives (approximately 30% of REITs have also implemented holding requirements for directors)
 - Executives and directors are subject to a holding requirement, which require executives to hold 50-100% of equity compensation shares (on a post-tax basis) until ownership targets have been met

CEO Pay Ratio Timeline

- CEO pay ratio disclosure rule was finalized per Dodd-Frank on October 19, 2015 and applies to fiscal years beginning on or after January 1, 2017
 - First disclosure will generally be required in proxy statements for 2018 annual meetings
 - Disclosure is required in any annual report, proxy, or information or registration statement that requires executive compensation disclosure
 - Emerging growth companies, smaller reporting companies, foreign private issuers, Multijurisdictional Disclosure System (MJDS) filers, and registered investment companies are exempt
 - New IPO companies will be exempt from the rule until they have been public for at least 12 months beginning on or after January 1, 2017 and filed at least one annual report that does not contain the CEO pay ratio disclosure
 - For instance, if a Company’s IPO is on March 1, 2017, the pay ratio disclosure will not be required until 2019 with disclosure relating to 2018 compensation

The Ratio

- Required disclosure is as follows with total compensation determined in accordance with the rules for the proxy Summary Compensation Table:

Pay Ratio Disclosure Example:

- CEO's annual total compensation package is valued at \$10,000,000
- Median Annual total compensation of the Company's employees is \$67,000
- Pay Ratio equates to 150:1 or (\$10,000,000:\$67,000)

- Median non-CEO compensation must be set to "1" and may be disclosed in ratio or narrative form
- No compensation adjustments to full-time equivalent are allowed for part-time employees, and compensation for temporary and seasonal employees cannot be annualized
 - Compensation for partial-year full-time employees can be annualized
- For employees living in different jurisdictions than the CEO, cost-of-living adjustments may be applied for identifying and reporting the median employee's compensation (although the cost-of-living adjustment use must also be disclosed)

Median Employee

- The median employee must be identified from “all employees” as of a date within the last three months of the last fiscal year
 - The median employee identification date must be disclosed and explained if changed from the prior year
- “All employees” applies to consolidated subsidiaries and includes international, part-time, temporary, and seasonal employees
 - Independent contractors and “leased” workers would generally be included unless employed and compensated by an unaffiliated third party
 - Non-US employees may be excluded if foreign data privacy laws would be violated or they account for 5% or less of total employees
 - If non-US employees account for more than 5% of total employees, up to 5% of total employees (non-US) can be excluded on a jurisdiction-by-jurisdiction basis
 - Acquired employees can be excluded for the year acquired
- The median employee may be identified only once every three years as long as there have been no changes to the employee population or compensation arrangements that would materially impact the pay ratio disclosure
 - However, the pay ratio must be calculated annually

Potential Implications of CEO Pay Ratio

- Pay ratio benchmarking in CEO pay decision process and addition of related CD&A disclosure
- Greater shareholder engagement to explain or defend the CEO pay ratio in advance of a say-on-pay vote
- Tougher compensation negotiations with unions and CEOs
- Outsourcing of lower-paid positions to unaffiliated third parties
- Freezing or elimination of CEO defined benefit SERPs
- Reduction in morale and engagement from those employees lower in the pay hierarchy
- Greater activism by investors who use the ratio to identify potential inefficiencies in the compensation structure lower in the organization
- More negative press regarding CEO pay

Firm Introduction

Executive Compensation and Corporate Governance Advisory Services

- We have extensive experience in executive compensation planning and have represented over 75 leading public and private real estate companies
- We are experienced real estate professionals, allowing us to design compensation programs around the true drivers of value creation at real estate companies
- At FTI Consulting, we believe that compensation should not be dealt with on a seasonal basis and thus, we regularly publish compensation and corporate governance research studies throughout the year

Executive Compensation Solutions	
Compensation Plan Design and Implementation Services	Corporate Governance Services
<ul style="list-style-type: none"> - Annual compensation program and peer group review - Annual bonus program design - Long-term compensation program design - Employment agreement review and analyses - Proxy drafting and shareholder outreach support - Equity incentive plan review and upsizing - Compensation tax and accounting consulting services 	<ul style="list-style-type: none"> - Corporate governance policy review - Compensation-related risk assessments - Board and executive performance evaluations - Succession planning

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About

Larry Portal is a Senior Managing Director in the FTI Real Estate Solutions practice and is based in Roseland, New Jersey where he leads the firm’s Business Tax Advisory group, heads the Executive Compensation practice and is involved with several firm initiatives.

Mr. Portal has achieved industry-wide recognition for his tax expertise in the structuring of corporate and private real estate transactions, including mergers and acquisitions. In addition, he is widely considered a leading expert in the field of REIT and real estate executive compensation and has consulted over 75 leading public and private real estate companies in the design and implementation of their compensation programs.

Prior to joining FTI Consulting, Mr. Portal served as Corporate Secretary and Vice President of Taxation at Vornado Realty Trust, the largest publicly-traded diversified real estate company in the United States. At Vornado, Mr. Portal was a member of the Senior Executive Management team and was in charge of all executive compensation and tax-related matters.

Mr. Portal is a frequent speaker at conferences and seminars around the country where he has spoken on Executive Compensation Practices and M&A Transactions. Mr. Portal is also regularly quoted in and/or contributes to articles and studies on

Executive Compensation that have appeared in publications such as *The Mann Report*, *Real Estate Weekly* and *Crain’s New York Business*, among others, and he is the publisher of the *FTI Executive Compensation Quarterly Newsletter*.

Mr. Portal has a B.S. in accounting from Yeshiva University and is a Certified Public Accountant in New York.

Certifications

Certified Public Accountant, New York

Professional Affiliations

American Institute of Certified Public Accountants

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About

Katie Gaynor is a Managing Director in the FTI Real Estate Solutions practice and is based in Charlotte, North Carolina. Ms. Gaynor co-leads the firm’s Executive Compensation and Corporate Governance practice.

Ms. Gaynor has over 10 years of executive and corporate governance consulting experience. During this time her responsibilities have included competitive assessment of executive and director pay, short-and long-term incentive plan design, drafting proxy statements and shareholder outreach materials, conducting corporate governance reviews, compensation planning for public and private companies initial public offerings and for mergers and acquisitions and developing industry-related compensation surveys.

Prior to joining FTI Consulting, Ms. Gaynor worked in the internal compensation department for Cox Enterprises, a \$15 billion, diversified communications, media and automotive services company with more than 50,000 employees worldwide. At Cox Enterprises, she worked on equity compensation plan design and administration for both public and private entities, conducted annual benchmark reviews for over 1,000 different positions, administration of the employee stock purchase plan and performed compensation services relating to the privatization of a public subsidiary, which included the conversion of outstanding

stock awards into a new private company equity instrument and the payment of special transaction-related bonuses.

Ms. Gaynor has been a speaker at seminars and also contributes to articles on executive and director pay and has appeared in publications such as Crain’s, Real Estate Forum, among others.

Ms. Gaynor holds a B.S. in human resources policy and development from Georgia State University and is a Certified Equity Professional and Certified Compensation Professional. She is a member of the National Association of Stock Plan Professionals and World at Work.

Certifications

Certified Equity Professional
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Professional Affiliations

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About

Jarret Sues is a managing director at FTI Consulting and is based in Roseland, New Jersey. Mr. Sues is a member of the Corporate Finance group and co-leads the firm’s Executive Compensation and Corporate Governance practice

Mr. Sues has over 10 years of executive compensation and corporate governance consulting experience covering both public and private companies in multiple industries, including banking, distribution, finance, healthcare, industrial, manufacturing, medical device, pharmaceutical, retail, real estate and technology.

During this time his responsibilities have included all aspects of executive/director compensation, including competitive assessments of executive and director compensation programs, short- and long-term incentive plan design, conducting corporate governance reviews, review of employment/severance agreements and compensation planning for public and private companies, initial public offerings and mergers & acquisitions

Prior to re-joining FTI Consulting, Mr. Sues worked as a consultant in the New York City office of Frederic W. Cook, & Co., an independent executive compensation consulting firm serving all industries. Prior to consulting, Mr. Sues was a professional baseball player, most notably in the Tampa Bay Rays organization where he pitched professionally for the Princeton (WV) Rays of the Appalachian League

Mr. Sues holds a B.S. in business administration from Xavier University (OH). He is a member of the National Association of Stock Plan Professionals and World at Work

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