SEPTEMBER 2016

2016 EXECUTIVE COMPENSATION REPORT: REAL ESTATE INDUSTRY LONG-TERM INCENTIVE PRACTICES

LONG-TERM INCENTIVE PRACTICES FOR EXECUTIVES
AT THE TOP 125 REITS

CRITICAL THINKING
AT THE CRITICAL TIME™

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Methodology

The FTI Consulting, Inc. Real Estate Industry Long-Term Incentive ("LTI") report provides an overview of equity-based compensation practices at the top 125 publicly-traded REITs. We believe that the top 125 REITs provide the best insight into current and emerging compensation trends, and accordingly, our report concentrates on these companies. Any reference in this report to "REIT(s)" only denotes the top 125 REITs included in the study.

The following information is based on our extensive review and analysis of compensation-related disclosure obtained through public documents filed with the Securities and Exchange Commission. FTI has specifically analyzed long-term incentive information disclosed within the most recently filed proxy statements, plus any subsequent materials filed in a Form 4 or Form 8-K. Our goal is to provide the most timely and accurate information available for a more in-depth understanding of the LTI vehicles used in the real estate industry.

The top 125 REITs were determined based on December 31, 2015 enterprise values. Enterprise value includes the value of common shares and OP Units (i.e., equity market capitalization), plus debt and the book value of any preferred shares less cash, with the following modifications to the constituent list:

- Excludes externally-managed companies that do not directly compensate their Named Executive Officers ("NEOs");
- Excludes any IPOs, spinoffs or REIT conversions that were completed after June 30, 2015; and
- Adjusted to include select hotel companies that have not elected to qualify for REIT status for tax purposes but whose operations are comparable to other hotel REITs (e.g., Hyatt Hotels Corporation).

Executive Summary and Key Findings

Long-term incentives remain the largest pay element for NEOs and accounted for approximately 47% of total compensation at the median in 2015 (and for CEO's represented over 56% of compensation). Accordingly, a well-designed LTI compensation program is essential to ensure that key employees are properly retained and motivated, while also being mindful of best governance practices. The FTI Consulting, Inc. Real Estate Industry Long-Term Incentive report provides a summary of the practices and trends of LTI awards at the top 125 REITs. Key findings from our study include:

- All 125 REITs included in our study granted long-term incentives to their NEOs.
- REITs generally implement a balanced LTI program with the majority of companies utilizing a combination of two or more equity compensation vehicles.
- Time-vested shares are the most commonly utilized equity vehicle with 89% of REITs granting such awards for 2015 performance.
- The utilization of performance shares continues to increase in prevalence (although growth has slowed from previous years), with 82% of REITs granting such awards (up from 79% in 2014).
- Time-based vesting periods are generally three or four years for both time-vested shares, as well as for stock options/SARs.
- Three years is by far the most prevalent performance period in the REIT industry and generally represents a cumulative (or aggregate) three-year period.
- Total shareholder return (TSR) is the most prevalent performance measure and is utilized on 83% of performance shares.
- A broad-based index (such as the MSCI US REIT Index, NAREIT Equity Index or SNL Equity REIT Index) is the most prevalent relative performance measure for performance shares.
- Approximately 19% of REITs use a formulaic approach to determine the size of annual long-term incentive grants.

Long-Term Incentive Vehicles and Utilization

Description of Long-Term Incentive Vehicles

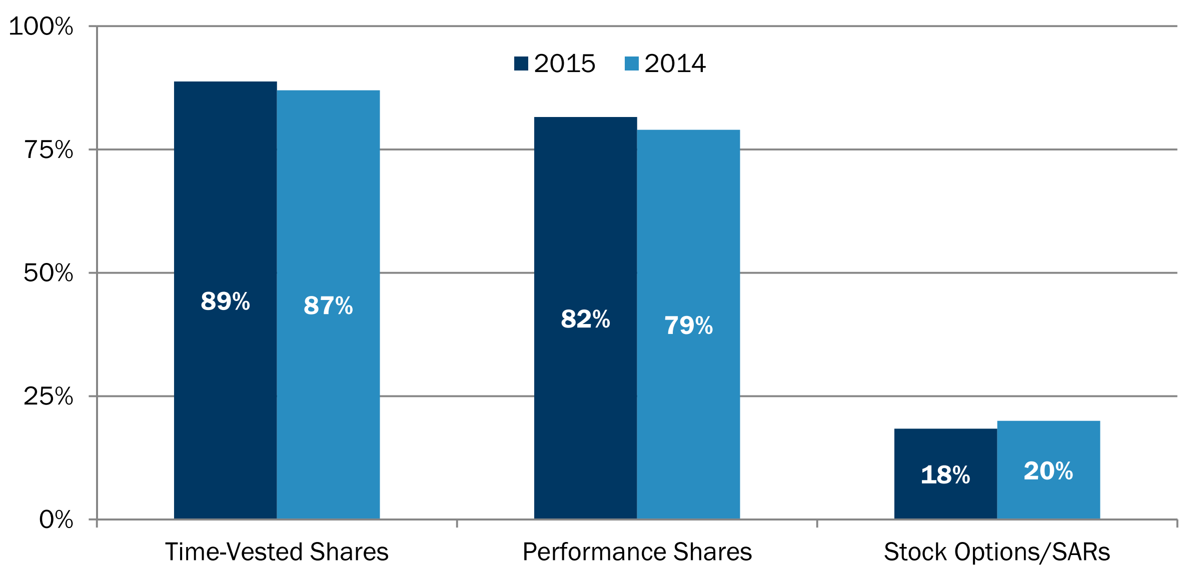
Stock Options/Stock Appreciation Rights ("SARs"): Represents the right to purchase shares of company stock at a specified price (generally the stock price on the date of grant) over a specific period of time (Stock Options) or the right to receive the increase in stock price between the grant date and exercise date (SARs). Dividends or dividend equivalents are generally **not** granted in conjunction with stock options/SARs.

Time-Vested Shares: Grant of an actual share of stock or "unit" that is subject to restrictions and risk of forfeiture until vested over a specified period of time. Similar to restricted stock, LTIP Units are granted through the company's operating partnership and require certain qualifying "book-up" events before being converted into REIT stock (discussed in more detail on page 4). Time-vested shares are generally entitled to receive dividends or dividend equivalents during the vesting period and are the most commonly utilized equity vehicle in the REIT industry.

Performance Shares: Represents shares or units of stock that may be earned based on the achievement of specified performance hurdles over a pre-determined time period (performance period or measurement period). Any shares that are not earned are forfeited by the recipient. Performance shares are generally **not** entitled to receive dividend or dividend equivalents during the performance period.

Utilization by Long-Term Incentive Vehicle

Time-vested shares continue to be the predominant LTI vehicle in the REIT industry as they provide shoulder-to-shoulder alignment between management and shareholders, as management is subject to the same market fluctuations in the company's stock price and is generally entitled to dividends (which for REITs represent a meaningful portion of total return). Performance shares continue to increase in utilization (up 3% from 2014) due to the focus on pay-for-performance in the REIT and general industries, coupled with the fact that the utilization of a performance-based equity element is generally the preference of investors and proxy advisory groups.



Long-Term Incentive Vehicle Utilization by REIT Sector

The prevalence of each LTI vehicle varies meaningfully between REIT sectors (as categorized by NAREIT), including the following key trends:

- Specialty REITs grant stock options meaningfully above the REIT industry norm.
- Performance shares are used by almost all industrial/office REITs, with 96% granting performance shares for 2015 performance.

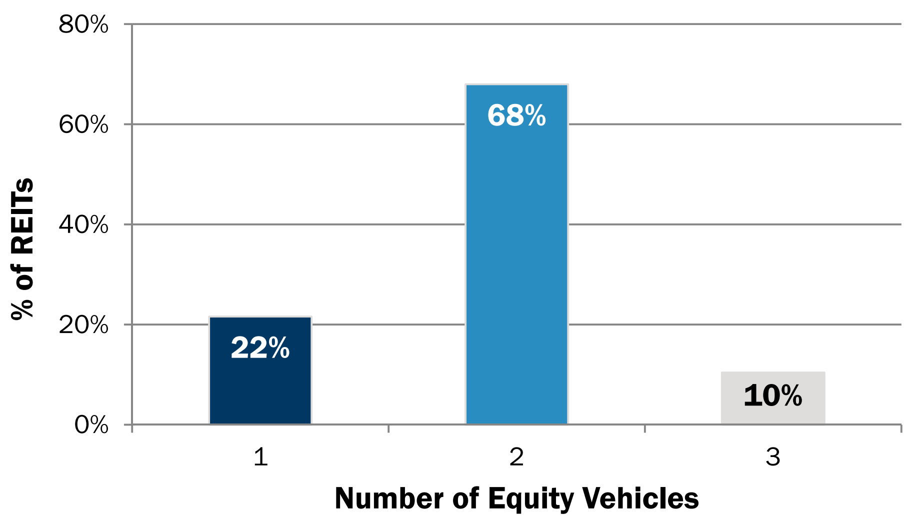
The utilization by each REIT sector is detailed in the table below.

Sector	Time-Vested Shares	Performance Shares	Stock Options/ SARS
Diversified	92%	83%	25%
Finance	92%	83%	8%
Health Care	78%	56%	22%
Industrial/Office	96%	87%	17%
Lodging/Resorts	92%	83%	25%
Residential	93%	57%	7%
Retail	83%	96%	12%
Specialty*	84%	84%	32%

*"Specialty" sector is comprised of Timber, Infrastructure, Self-Storage and Specialty REITs

Number of Long-Term Incentive Vehicles Granted

The majority of REITs employ a balanced LTI approach that includes two equity vehicles in their LTI program. The percentage of REITs utilizing only one equity vehicle increased from 18% in 2014 to 22% in 2015 and often reflects REITs that grant performance shares exclusively.



Time-Vested Long-Term Incentives

Vesting Period

Three years is overwhelmingly the most common time-based vesting period in the REIT industry. The typical time-based vesting period is generally as follows in the REIT industry (based solely on companies that utilize that LTI vehicle):

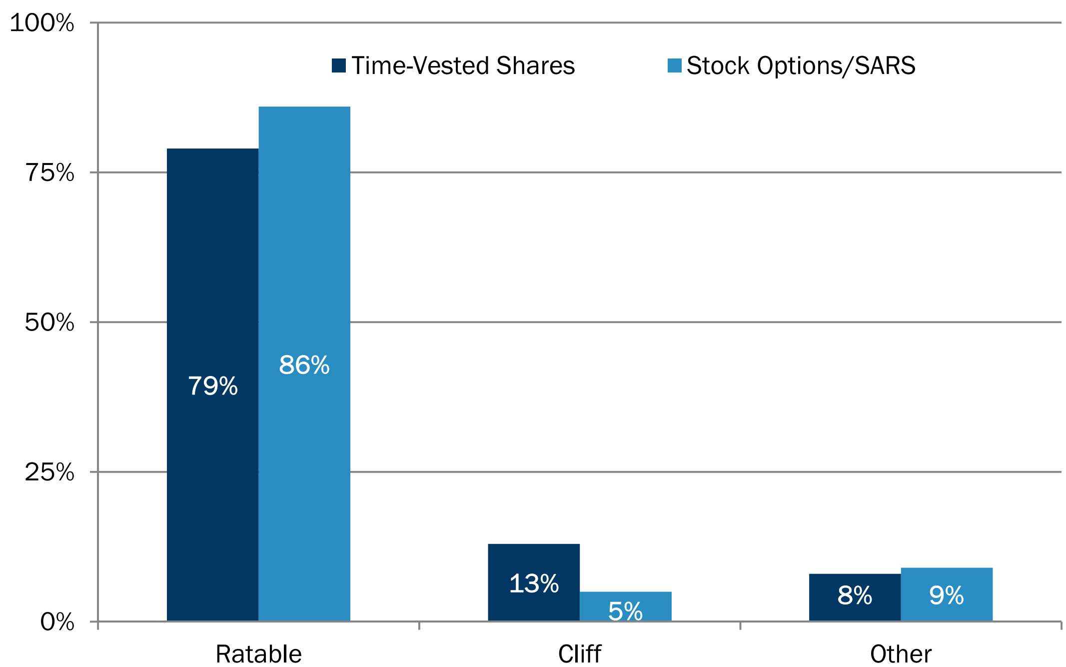
Vehicle Type	1 Year or Less	2 Years	3 Years	4+ Years
Time-Vested Shares	4%	1%	59%	36%
Stock Options/SARS	4%	9%	48%	39%

Vesting Schedule

Time-vested shares and stock options/SARS generally vest using one of the following schedules:

- Ratable: Vest in equal tranches over a set number of years;
- Cliff: All shares or units vest 100% at the end of the vesting period; or
- Other: Shares or units may vest using an uneven vesting schedule (i.e., 25% in year 1, 25% in year 2 and 50% in year 3).

Ratable vesting schedules are the most predominant in the REIT industry.



Performance Shares

Performance Period

Three years is also the most common performance (or measurement) period in the REIT industry.

Performance Period	1 Year or Less	2 Years	3 Years	4+ Years
% of REITs	6%	1%	89%	4%

Vesting Tail Following the Performance Period

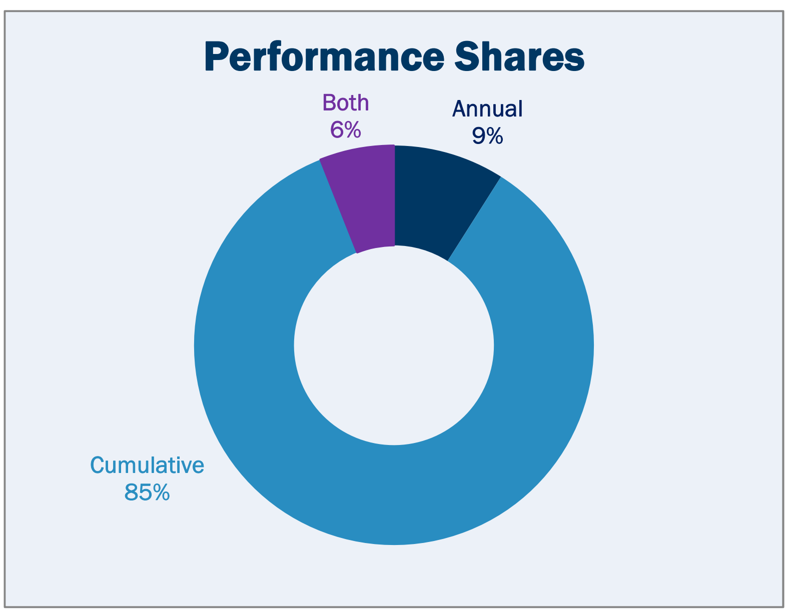
Twenty-four percent (24%) of REITs that grant performance shares incorporate subsequent time-based vesting restrictions following the performance period on any earned shares to further align management's interests with shareholders and to promote retention.

Vesting Tail (years)	None	1 Year	2 Years	3+ Years
% of REITs	76%	12%	8%	4%

Annual and Cumulative Performance Periods

The majority of REITs utilize a cumulative performance period, with the following trends:

- The utilization of cumulative performance periods has increased over the past few years, with approximately 85% of REITs using such structure.
- The utilization of both an annual performance period, plus a cumulative look-back at the end of the performance period is considered a poor pay practice by proxy advisory firms and many large institutional investors resulting in only a limited number of REITs using such structure.



Performance Measures

Types of Performance Measures

Total Shareholder Return (TSR) is the predominant performance measure as a result of the following:

- Provides for fixed equity accounting under ASC 718 and generally results in an accounting discount.
- Directly links management compensation with shareholder's interest.
- Is more easily explained and justified to investors and proxy advisory firms.

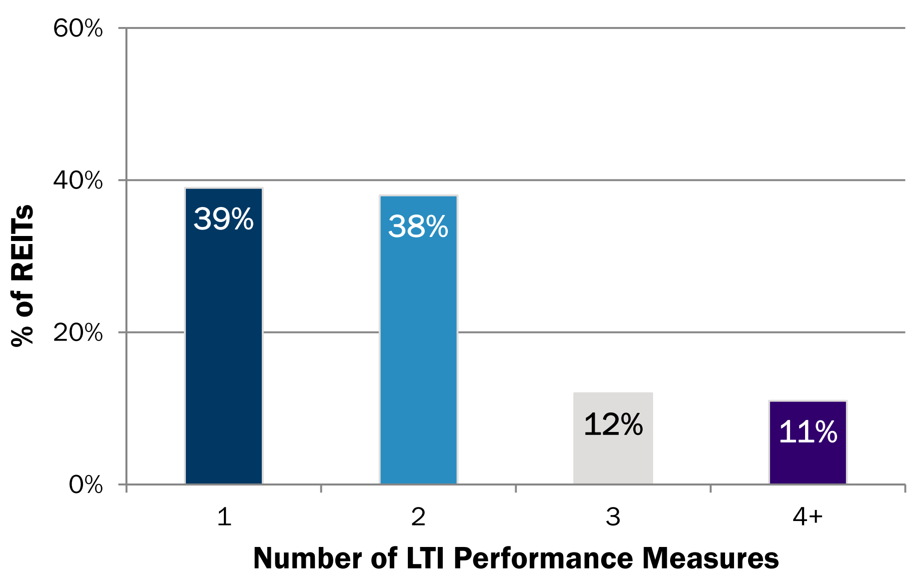
Performance measures utilized in the REIT industry are as follows:

Performance Measure	Performance Shares*
Total Shareholder Return (TSR)	86%
Funds from Operations (FFO)	11%
Adjusted Funds from Operations (AFFO)	6%
Return on Investments (ROI)	5%
Other (Economic Return, Asset Growth, RevPar Index etc.)	21%

*Some plans include more than one performance measure.

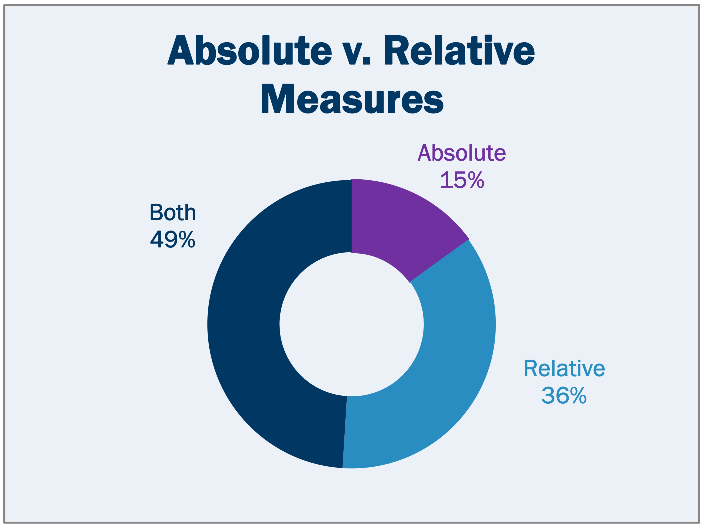
Number of LTI Performance Measures

The majority of REITs use 1 or 2 measures to determine if performance shares have been earned.



Absolute or Relative Performance Hurdles

Performance measures may be based on an absolute hurdle, relative hurdle or a combination of both. Over the past several years, REITs have increased the utilization of relative performance metrics with approximately 85% incorporating a relative measure.



Relative Performance Benchmarks

Over 85% of REITs use performance shares that are earned based upon the achievement of pre-determined relative benchmarks as follows:

- Selecting the appropriate comparative benchmark can be one of the more challenging aspects of plan design, with many companies preferring to utilize a third-party index to ensure transparency to investors.
- Broad-based REIT Indices (MSCI REIT/SNL REIT/NAREIT Equity Index) are the predominant relative performance benchmark for performance awards.
- Many REITs utilize more than one relative performance benchmark often incorporating one broad-based index, coupled with a more specialized sector index or the executive compensation peer group.

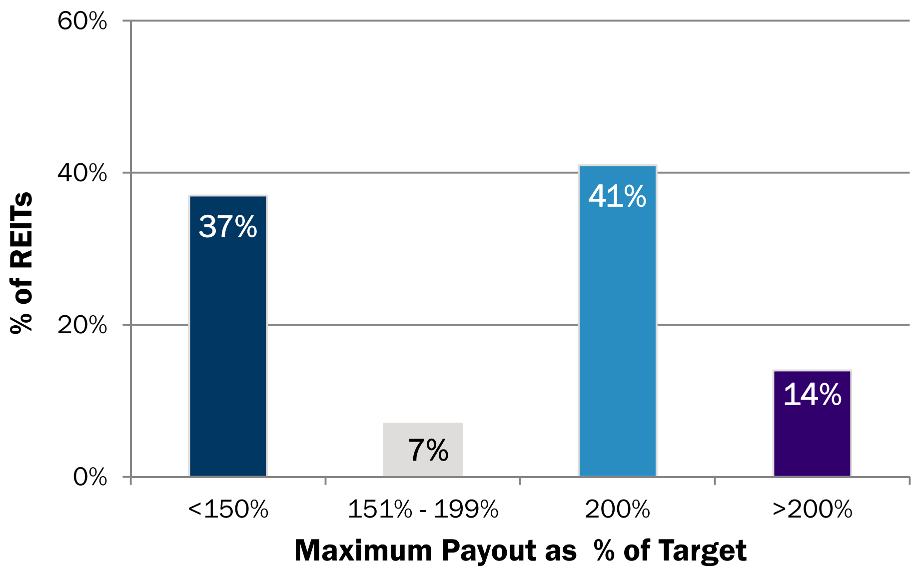
The frequency by which each relative benchmark is utilized is detailed in the table below (with some programs using more than one relative measure).

Index	% of REITs
Broad-Based REIT Index	31%
MSCI US REIT Index	20%
SNL US REIT Index	1%
NAREIT All Equity Index	10%
Sector-Based Index	27%
Executive Compensation Peer Group	18%
Other Index/Custom Peer Group	24%

Performance Share Payout Leverage

Performance shares are generally structured so that varying degrees of performance will result in payouts at different levels as follows:

- At the low end, the vast majority of REITs structure performance shares so that 50% of target shares are earned at the threshold level.
- Payouts at the maximum level most frequently equal 200% and typically range from 150% to 200% of target.
- Payouts are typically interpolated on a linear basis for performance in between the stated threshold, target and maximum performance goals.



Partnership LTIP Units

Partnership LTIP Units represent a partnership interest award in the REIT's Operating Partnership ("OP") and generally vest based on terms similar to restricted stock (may be subject only to continued employment or further may require the attainment of specified performance objectives). REITs that grant LTIP Units aim to provide employees with beneficial tax treatment, but as a result the recipient assumes additional risk associated with the requirement of a "book-up" event.

25% of REITs Use Partnership LTIP Units	Taxed at Capital Gains Rates	Tax Deferral Feature
In lieu of utilizing restricted stock, approximately 25% of REITs grant Partnership LTIP Units to their NEOs.	The employee is taxed at capital gains rates, which provides employees with significant tax savings.	LTIP Units are taxed upon conversion into REIT shares and/or cash at the election of the employee.

Book-Up Events

In order for LTIP Units to qualify as profits interests for tax purposes and provide recipients with favorable tax treatment (as discussed in detail below), LTIP Units are also subject to "book-up" event risk as follows:

- Compensatory LTIP Units have initial book capital account balances of zero and such balances must be "booked-up" in order for the LTIP Units to achieve parity with common partnership units and ultimately become convertible into REIT shares and/or cash.
- In order to achieve such parity with common partnership units, the capital accounts of LTIP Units are entitled to a priority allocation of any increase in the value of the partnership's assets recognized upon a qualifying capital event, which may include a stock offering, issuance of OP Units for the purchase of assets, exercise of stock options and/or issuance of restricted shares, among others.
- The capital event must occur at a stock price or NAV price above the date of grant stock price, and accordingly, the book-up requirement serves as an inherent (though not explicit) performance requirement.

Favorable Tax Treatment

The primary advantage of utilizing an LTIP Unit is the favorable tax treatment afforded to the recipients as follows:

- LTIP Units are taxed upon conversion into REIT shares and/or cash, with the ultimate date of such conversion at the election of the employee (as long as the Units are vested and have been booked-up). Accordingly, LTIP Units effectively contain a valuable tax deferral feature, as a taxable event can theoretically be deferred for as long as the employee continues to hold the Units and elects not to convert into shares or cash.
- Under current tax law, once the LTIP Units are converted into shares or cash, the employee is taxed at capital gains rates based on the full value received upon conversion. As capital gains tax rates are meaningfully less than income tax rates, the utilization of LTIP Units can provide employees with significant tax savings.

Other Key Features

Other key features of Partnership LTIP Units include:

- Unlike restricted stock that qualifies under 162(m), the company would not be entitled to any tax deductions.
- Issuing LTIP Units to employees obliges the employees to become limited partners in the OP. As limited partners in the OP, employees would receive K-1s with respect to any income/distributions they receive from the OP, and further would generally be required to file individual tax returns in states in which the OP operates.
- Most REITs that utilize LTIP Units generally only grant them to NEOs and other select executive officers due to their complicated structure that can be difficult to fully explain and often requires the advice of a tax professional.

Post Vesting Holding Periods

Approximately 12% of REITs utilize a post vesting holding requirement that restricted an individual from selling stock awards after the vesting period has elapsed (generally for an additional 1 to 3 years). Many companies adopt post vesting holding period in consideration of the following factors:

- Proxy advisory firms (such as ISS) have clearly illustrated that the mandatory holding periods are a form of good compensation governance;
- Provides a mechanism for the recoupment of incentive-based compensation if a clawback policy ever needed to be enforced; and
- One of the biggest benefits of is that such provisions often result in a 5% to 20% accounting discount under ASC 718. This discount results in a reduction in stock-based compensation expense for the financial statements and

also reduces the compensation value that will be reported in the Summary Compensation Table and Grants of Plan-Based Awards Table in the annual proxy statement.

Generally, such provisions only apply to restricted shares or performance shares granted to executive officers and in many cases are limited to only the CEO. One of the factors often overlooked in adopting post vesting holding periods is the tax considerations. Restricted shares are taxed upon vesting (notwithstanding if an 83(b) election was made), while restricted stock units are subject to income tax when the award is distributed (although FICA/FUTA taxes are still due upon vesting). Thus, it is often appropriate to permit individuals to sell stock to cover taxes and only subject the post-tax shares to the additional holding period.

Outlook

Trends that we expect to affect LTI compensation over the next couple of years include the following:

- REITs are slowly incorporating measures beyond TSR into their performance-based equity compensation in order to balance market fluctuations of stock price performance, with measures that may ultimately influence long-term shareholder value creation but are not subject to the same macro-economic influences of stock prices. More companies will continue to incorporate such measures but TSR will continue to be the predominant performance measure due to its favorable accounting treatment.

- There has been a notable increase in the utilization of performance shares, which is expected to continue but somewhat level off from the dramatic rise experienced over the past couple of years. Instead, it is anticipated that the balance between the allocation of annual equity to performance shares as compared to time-based stock awards will shift more favorable towards the performance-based element.

- We anticipate that more companies will implement a formulaic approach to determine the value of LTI awards on grant date (similar to the methodology employed for formulaic cash bonuses but generally using different performance metrics). This approach will allow REITs to more effectively align their annual compensation values, as disclosed in the Summary Compensation Table, with the correlation of pay and performance as calculated under the ISS evaluation model and thus, potentially alleviating unnecessary Say-on-Pay concerns.

- Many REITs are increasing their focus on actual (or take-home pay) instead of on the accounting or grant date value approach. As more REITs disclose such information in their proxy disclosure, companies will be able to prepare better comparative analyses to understand the take-home pay of their executives as compared to the market and will be able to more effectively explain to shareholders any one-off discrepancies between Summary Compensation Table values and the company's performance in a given year.

- In the last several years, there have been a number of "carried interest" bills introduced in Congress that would require the holders of Partnership LTIP Units to recognize ordinary income instead of capital gain when the holders dispose of their units (e.g., converting Partnership LTIP Units into public REIT stock). The language of the latest versions of the proposed legislation is quite broad and could cover LTIP Units issued prior to (but converted after) the enactment date. If enactment of the legislation appears imminent, Partnership LTIP Unit holders may consider converting vested LTIP Units prior to the enactment date in order to trigger the capital gain and avoid ordinary income characterization in the future.

List of the Top 125 REITs

- Acadia Realty Trust
- Alexandria Real Estate Equities, Inc.
- American Assets Trust, Inc.
- American Campus Communities, Inc.
- American Homes 4 Rent
- American Tower Corporation
- Apartment Investment and Management Company
- Apple Hospitality REIT, Inc.
- Arlington Asset Investment Corp.
- AvalonBay Communities, Inc.
- Boston Properties, Inc.
- Brandywine Realty Trust
- Brixmor Property Group Inc.
- Camden Property Trust
- Capstead Mortgage Corporation
- CBL & Associates Properties, Inc.
- Chimera Investment Corporation
- Colony Capital, Inc.
- Colony Starwood Homes
- Columbia Property Trust, Inc.
- Communications Sales & Leasing, Inc.
- CoreSite Realty Corporation
- Corporate Office Properties Trust
- Corrections Corporation of America
- Cousins Properties Incorporated
- Crown Castle International Corp.
- CubeSmart
- CyrusOne Inc.
- CYS Investments, Inc.
- DCT Industrial Trust Inc.
- DDR Corp.
- DiamondRock Hospitality Company
- Digital Realty Trust, Inc.
- Douglas Emmett, Inc.
- Duke Realty Corporation
- DuPont Fabros Technology, Inc.
- Dynex Capital, Inc.
- EastGroup Properties, Inc.
- Education Realty Trust, Inc.
- Empire State Realty Trust, Inc.
- EPR Properties
- Equinix, Inc.
- Equity Commonwealth
- Equity LifeStyle Properties, Inc.
- Equity One, Inc.
- Equity Residential
- Essex Property Trust, Inc.
- Extra Space Storage Inc.
- Federal Realty Investment Trust
- FelCor Lodging Trust Incorporated
- First Industrial Realty Trust, Inc.
- Gaming and Leisure Properties, Inc.
- General Growth Properties, Inc.
- GEO Group, Inc.
- Gramercy Property Trust Inc.
- HCP, Inc.
- Healthcare Realty Trust Incorporated
- Healthcare Trust of America, Inc.
- Highwoods Properties, Inc.
- Host Hotels & Resorts, Inc.
- Hudson Pacific Properties, Inc.
- Hyatt Hotels Corporation
- Iron Mountain Incorporated
- iStar Inc.
- Kilroy Realty Corporation
- Kimco Realty Corporation
- Kite Realty Group Trust
- Ladder Capital Corp
- Lamar Advertising Co.
- LaSalle Hotel Properties
- Lexington Realty Trust
- Liberty Property Trust
- Macerich Company
- Mack-Cali Realty Corporation
- Marriott International, Inc.
- Medical Properties Trust, Inc.
- MFA Financial, Inc.
- Mid-America Apartment Communities, Inc.
- Monogram Residential Trust, Inc.
- National Health Investors, Inc.
- National Retail Properties, Inc.
- New York Mortgage Trust, Inc.
- Omega Healthcare Investors, Inc.
- OUTFRONT Media Inc.
- Paramount Group, Inc.
- Parkway Properties, Inc.
- Pebblebrook Hotel Trust
- Pennsylvania Real Estate Investment Trust
- Piedmont Office Realty Trust, Inc.
- Post Properties, Inc.
- ProLogis, Inc.
- PS Business Parks, Inc.
- Public Storage
- QTS Realty Trust, Inc.
- RAIT Financial Trust
- Rayonier Inc.
- Realty Income Corporation
- Redwood Trust, Inc.
- Regency Centers Corporation
- Retail Opportunity Investments Corp.
- Retail Properties of America, Inc.
- RLJ Lodging Trust
- Ryman Hospitality Properties, Inc.
- Sabra Health Care REIT, Inc.
- Simon Property Group, Inc.
- SL Green Realty Corp.
- Sovran Self Storage, Inc.
- Spirit Realty Capital, Inc.
- STORE Capital Corporation
- Sunstone Hotel Investors, Inc.
- Sun Communities, Inc.
- Tanger Factory Outlet Centers, Inc.
- Taubman Centers, Inc.
- UDR, Inc.
- Urban Edge Properties
- Ventas, Inc.
- VEREIT, Inc.
- Vornado Realty Trust
- W.P. Carey Inc.
- Washington Real Estate Investment Trust
- Weingarten Realty Investors
- Welltower, Inc.
- Weyerhaeuser Company
- WP Glimcher Inc.
- Xenia Hotels & Resorts, Inc.

About FTI Real Estate and Infrastructure Solutions

FTI Real Estate and Infrastructure Solutions has a singular focus on the real estate and finance industry and the capital markets that serve it. Our services are designed to create integrated financial, operating and tax solutions for clients with interests in real estate.

We provide an unsurpassed range of real estate advisory services including merger & acquisitions, due diligence, valuation, lease consulting, restructuring, litigation support, forensic accounting, financial outsourcing, IPO advisory, REIT tax structuring and compliance, executive compensation, development advisory , cost segregation and private client services. We represent leading public and private real estate entities including equity and mortgage REITs, financial institutions, investment banks, opportunity funds, insurance companies, hedge funds, pension advisors and owners/developers.

About FTI Executive Compensation and Corporate Governance Practice

At FTI Real Estate and Infrastructure Solutions, we are first and foremost real estate professionals allowing us to design compensation programs around the true drivers of value creation at real estate companies. Through our primary focus on real estate and the drivers of success in the industry, we are able to serve as facilitators to our clients creating tailored and balanced compensation programs that effectively reward and motivate management and employees for the right kind of performance while closely aligning the interests of employees with those of the company's shareholders and investors.

Our compensation practice is unique from other compensation consulting firms in that our practice is comprised of experts in the fields of both compensation and real estate. We have served as the compensation consultants and corporate governance advisors to over 75 public and private real estate companies, private equity firms and specialty finance companies on a host of compensation and corporate governance related matters, including:

Executive Compensation Solutions	
Compensation Plan Design and Implementation Services	Corporate Governance Services
Annual compensation program and peer group review	Corporate governance policy review
Annual bonus program design	Compensation-related risk assessments
Long-term compensation program design	Board and executive performance evaluations
Employment agreement review and analyses	Succession planning guidance
Proxy drafting and shareholder outreach support	
Equity incentive plan review and upsizing	
Compensation tax and accounting consulting services	

The views expressed herein are those of the authors and are not necessarily the views of FTI Consulting, Inc., its management, its subsidiaries, affiliates or other professionals.

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About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.