

THE EXECUTIVE COMPENSATION CONUNDRUM: HOW MUCH IS TOO MUCH?

Executive compensation: a topic guaranteed to ignite passionate discussions – particularly among executives themselves. My early experiences writing on this subject as a sell-side analyst in the 1990s brought this reality home, with personal phone calls from executives whose "eye-popping" total compensation we had scrutinized. One individual, who was a genuine driver of long-term shareholder value, made a compelling case for sharing in that success – a difficult argument to refute. Another, a consistent underperformer, resorted to a thinly veiled threat: pay him lavishly or he'd walk (my candid interpretation). My response then (as it would be now): good riddance. Let someone capable deliver superior returns. Companies don't hesitate to remove underperforming employees – the C-suite should be no exception.

The common justification for exorbitant CEO pay – benchmarking against similarly sized companies – is fundamentally flawed. This logic incentivizes growth for its own sake, boosting executive pay rather than shareholder value. Board members who question a CEO's demand for peer-level compensation often find their time on a board is limited. Regrettably, board fees can seem to take precedence over the crucial fiduciary duty to maximize shareholder value. The engagement of compensation consultants often serves as a smokescreen for approving inflated CEO packages.

The selection of proxy compensation peers frequently involves companies in unrelated sectors with notoriously high executive pay, a transparent attempt to rationalize excessive compensation. Shareholders, however, rightly focus on performance relative to direct competitors.

Our analysis of 59 REITs over \$4 billion equity market cap for the 2025 proxy season revealed a troubling pattern: 15 companies consistently underperformed their peers over the trailing 1, 3, and 5 years (ending March 31, 2025 – see accompanying table) while compensation was rarely adjusted in concert. Alarming, a five-year lookback confirmed that this underperformance often was not an anomaly but a persistent pattern.

We have posted to LinkedIn and Twitter/X individual company analysis under the "Proxy Compensation Spotlight" moniker and provide a summary on the following page.

With crucial shareholder votes fast approaching and an annual opportunity to have your voice be heard, we encourage you to review this analysis. If you conclude that executives have been unduly rewarded despite underperformance, exercise your right to vote against the members of the compensation committee and against the advisory vote on executive compensation (say on pay)¹.

KEY POINTS

15 REIT CEOs have consistently underperformed their proxy peers, yet their executive compensation was rarely adjusted

Executives should be subject to the same review standards as other employees and removed for underperformance

Shareholders can best express their frustration by voting against the compensation committee members and say on pay

¹See "Legal Disclosure" at the end of white paper for additional disclosures

To ensure equitable and effective executive compensation, we believe a board's Compensation Committee must prioritize the following:

- Solicit and integrate shareholder perspectives
- Identify truly comparable companies (e.g. apartment REITs comparing to other apartment REITs) to benchmark compensation accurately
- Deemphasize market cap driven comparisons that may unduly reward growth over actual shareholder returns
- Implement robust accountability measures for executive underperformance, beginning with compensation adjustments and escalating to termination without severance
- Acknowledge the disparity between general employee annual reviews and termination for underperformance and set a higher bar for a CEO whose compensation significantly outpaces the average employee

15 REITs With Consistent Underperformance in Trailing 1-, 3- and 5- Year Periods

Performance vs. Proxy Compensation Peers			Total Shareholder Returns			Compensation (\$M)	
Company Name	Ticker	Annual General Meeting	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	2023	2024
Healthpeak Properties	DOC	4/24/2025	-7%	-27%	-72%	\$7.7	\$8.5
National Storage Affiliates	NSA	5/12/2025	0%	-25%	-76%	\$4.3	\$4.8
NNN REIT	NNN	5/13/2025	-17%	-3%	-86%	\$7.2	\$8.4
Realty Income	O	5/13/2025	-2%	-1%	-28%	\$13.1	\$15.2
Host Hotels & Resorts	HST	5/14/2025	-42%	-18%	-58%	\$17.7	\$16.4
Alexandria Real Estate Equities	ARE	5/13/2025	-52%	-40%	-83%	\$9.9	\$10.3
Sun Communities	SUI	5/13/2025	-16%	-14%	-64%	\$10.9	\$2.0
Americold Realty Trust	COLD	5/20/2025	-33%	-56%	-193%	\$8.1	\$11.0
CubeSmart	CUBE	5/20/2025	-14%	-5%	-20%	\$6.7	\$8.0
Crown Castle	CCI	5/21/2025	-11%	-58%	-167%	\$14.7	\$16.4
AvalonBay Communities	AVB	5/21/2025	-1%	-7%	-28%	\$9.5	\$9.1
SBA Communications	SBAC	5/23/2025	-8%	-28%	-97%	\$11.3	\$8.8
Rexford Industrial Realty	REXR	6/3/2025	-29%	-18%	-25%	\$27.7	\$26.3
WP Carey	WPC	6/12/2025	-6%	-13%	-68%	\$11.8	\$10.2
Equity Residential	EQR	6/26/2025	0%	-11%	-52%	\$11.4	\$11.4

Source: Bloomberg, Company SEC Filings; Note: Performance as of 3/31/2025; 2024 Proxy Compensation Peers consistent with disclosure in 2025 proxy.

Compensation Committee Members of Consistently Underperforming REITs

Company Name	Ticker	Compensation Committee Members
Healthpeak Properties	DOC	Lewis, Cartwright and Connor
National Storage Affiliates	NSA	Cohn and Meisinger
NNN REIT	NNN	Holden, Fick and Fritsch
Realty Income	O	Huskins, Hogan Preusse, Lopez, McKee and McLaughlin
Host Hotels & Resorts	HST	Stein, Baglivo, Hogan Preusse and Smith
Alexandria Real Estate Equities	ARE	Hash, Cain and Klein
Sun Communities	SUI	Low 2024 CEO compensation warrants committee support
Americold Realty Trust	COLD	Fernandez, Barrett, Kohn and Neithercut
CubeSmart	CUBE	Dowling, Bussani, Remondi and Rogatz
Crown Castle	CCI	Thornton III, Goldsmith, Kabat and Stephens
AvalonBay Communities	AVB	Lieb, Brown, Hills and Swanezy
SBA Communications	SBAC	Langer, Beebe, Bowen and Chan
Rexford Industrial Realty	REXR	Antin, Kleiman and Morris
WP Carey	WPC	Farrell, Alexander, Beier, Calaway and Lewis
Equity Residential	EQR	Haben, Huque, Shapiro and Sterrett

Proxy Compensation Peer Detail of Consistently Underperforming REITs

Company Name	Ticker	Proxy Compensation Peers
Healthpeak Properties	DOC	ARE, AVB, BXP, EQR, HR, HST, KIM, MPW, OHI, O, REG, UDR, VTR, and WELL
National Storage Affiliates	NSA	BRX, CUZ, CUBE, EGP, ELS, FR, IRT, KRG, RYN, REXR, STAG, SKT, UNIT
NNN REIT	NNN	ADC, BRX, CPT, EPR, FRT, KIM, KRG, MPW, OHI, O, REG, SKT, WPC
Realty Income	O	ARE, AVB, BXP, CCI, DLR, EQIX, EQR, ESS, DOC, PLD, PSA, SPG, VTR, WPC, WELL
Host Hotels & Resorts	HST	ARE, AVB, BXP, EQR, ESS, FRT, DOC, HLT, H, KIM, MAR, PK, REG, UDR, VTR, VNO, WELL
Alexandria Real Estate Equities	ARE	BXP, KRC, VNO, DOC, HR, MPW, OHI, VTR, WELL, PLD
Sun Communities	SUI	AVB, CPT, CUBE, ELS, EQR, ESS, EXR, FRT, INVH, MAA, UDR, VTR
Americold Realty Trust	COLD	BJ, CHRW, CUBE, CAG, EXR, FR, FDP, GO, GXO, IRM, LW, PSMT, PSA, R, SPTN, SFM, STAG, GEO, UNFI
CubeSmart	CUBE	AMH, AIRC, APLE, BDN, BRX, CPT, CHH, OFC, ELS, EXR, FRT, HIW, MAA, SBAC, SUI, SKT, UDR, VICI
Crown Castle	CCI	AMT, AMAT, ANET, BKNG, BXP, CHTR, DLR, EQIX, INTU, KLAC, LRCX, LUMN, MSI, NTAP, PLD, PSA, SBAC, NOW, SPG, VTR, WELL
AvalonBay Communities	AVB	WELL, SPG, DLR, PSA, EXR, VTR, EQR, BXP, INVH, ESS, SUI, MAA, UDR, AMH
SBA Communications	SBAC	AMT, AVB, CPT, CCI, DLR, EQIX, EQR, ESS, EXR, DOC, IRM, LAMR, OUT, PLD, PSA, O, UNIT, VTR, VSAT, WELL
Rexford Industrial Realty	REXR	ARE, COLD, AVB, BXP, DEI, EGP, FR, KW, KRC, KIM, MPW, SLG, STAG, UDR, VNO
WP Carey	WPC	ARE, DOC, O, BRX, KIM, VTR, DLR, MPW, WELL, EPR, GLPI, OHI
Equity Residential	EQR	AMT, PLD, EQIX, WELL, SPG, DLR, PSA, EXR, VTR, AVB, BXP, INVH, ESS, SUI, MAA, UDR, CPT

Publication Date: June 2025

Source: Bloomberg, Company SEC Filings; Note: Performance as of 3/31/2025; 2024 Proxy Compensation Peers consistent with disclosure in 2025 proxy.

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