CAPITAL SQUARE

An Investment Case for Housing REITs: Economic Indicators & The Strength of Multifamily

KEY TAKEAWAYS

- For decades, real estate investment trusts (REITs) have proven themselves by providing a reliable income vehicle with growth and inflation protection, a savings solution for the future or retirement.
- Housing-focused REITS are well positioned to unlock investment-grade real estate for tax-advantaged income and competitive total returns in 2025 and beyond.

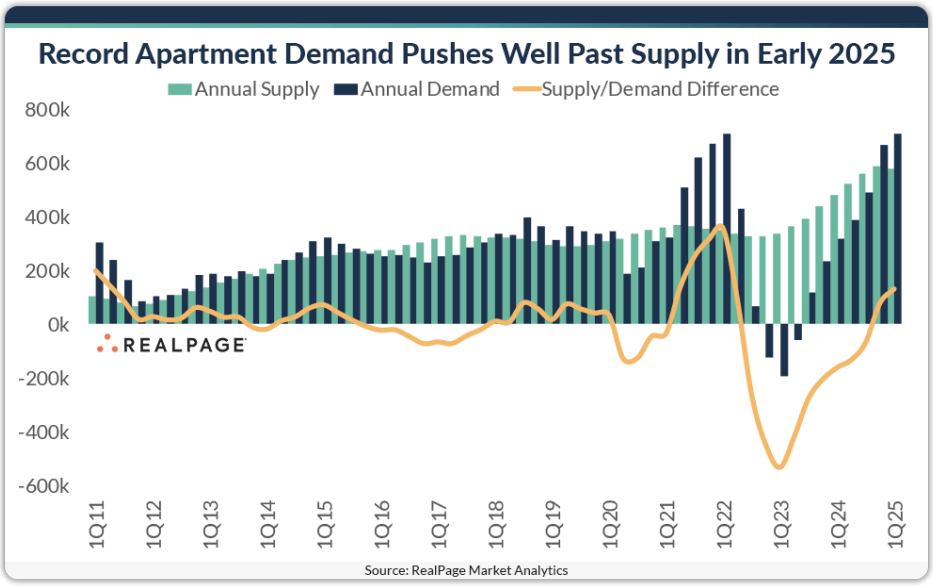
The Necessity of Housing

While some asset classes fluctuate in demand, people always need a place to live.

Household formation has grown steadily since 2021, with over 800,000 net renter households formed in 2024 alone.

- The numbers of renters moving out to buy a home are at a record low.
- The percentage of 30-year-olds that own a home (33% in 2024) is dramatically down from the average 50 years ago (47% in 1984).
- In 2025, owning a home costs approximately 25% more than renting one – the biggest gap in 15 years.

Source: "US Demographics: Insights and Strategies," John Burns Research & Consulting, March 12, 2025. | "2025 Multifamily Investment Report," InvestNext, March 2025.



REIT Performance Data Makes Its Case

Early 2025 NAREIT data demonstrates the potential outcomes of REIT investments:

	All REITs	All Equity REITS	S&P 500	Russell 2000	NASDAQ Composite	Dow Jones Industrial Average
2025: YTD	5.40	5.23	1.44	-2.87	-2.31	3.32
25-Year	9.83	10.15	8.07	6.84	5.72	6.04

Source: "REITWatch," Nareit, March 2025.

REITs benefit from the acquisition of high-performing properties and portfolio-wide operational management, driving strong occupancy, which supports predictable cash flow.

Source: Edward F. Pierzak, "REITs Continue to Offer Good Value to Real Estate Investors," Nareit, March 28, 2025.

Public and Private Real Estate Capitalization Rates and Occupancy Rates (Q4:2024)

- **Rental growth is rebounding in most markets:** Approximately 94% of U.S. markets assessed by CoStar saw an increase in quarter-over-quarter rent growth in early 2025.
- **Rental rate performance correlates with vacancy shifts:** While vacancy levels rose every quarter from late 2021 through the end of 2024, 2025 saw vacancy rates begin to decline across the U.S. multifamily sector.

Sources: S&P Capital IQ Pro; Nareit REIT Industry Tracker; NCIREIF.
Victor Rodriguez, "Rent increases return to most major US apartment markets, led by these cities," CoStar, April 20, 2025

Why Invest in a Housing REIT Now?

- Competitive total returns based on steady dividends and long-term appreciation
- A low correlation with other assets and the stock market
- Inflation protection and capital preservation
- Reduced risk from diversification across properties and geographic locations

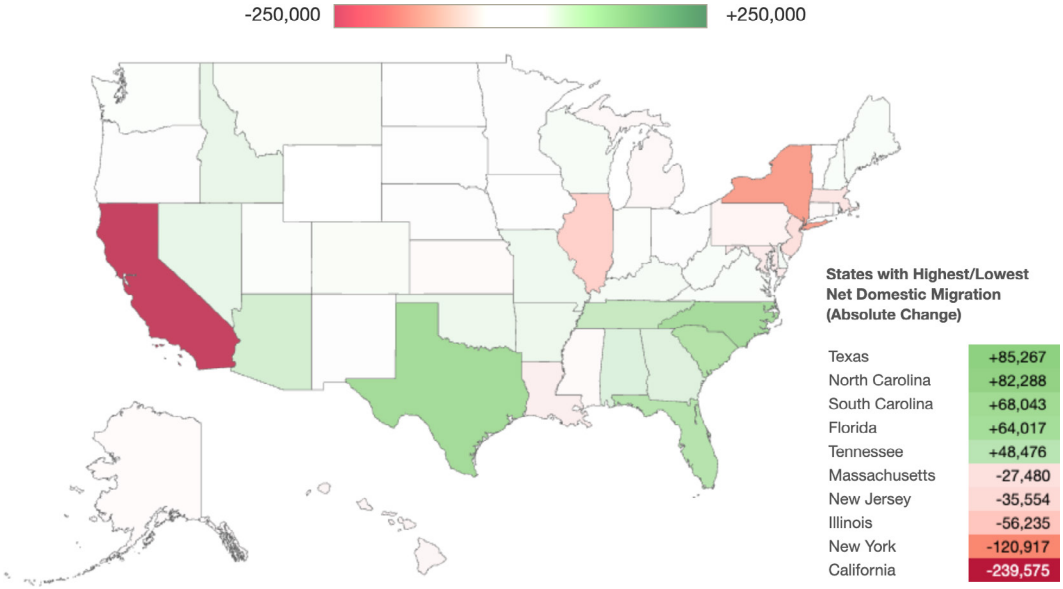
Source: "Financial Benefits of REITs," Nareit, https://www.reit.com/investing/financial-benefits-reits -- Accessed May 15, 2025.

The What's Next for America's Housing Crisis?

Even after a glut of new multifamily supply in recent years, demand for housing remains strong across most markets. Moreover, between 1.34 million to 1.56 million new homes per year will be needed to meet demand through 2034.

Pandemic-era migration patterns are settling from their heights, but Americans are continuing to migrate to the Sun Belt because of the region's affordability, strong job growth and friendly business climate.

Net Domestic Migration in the United States, 2023-2024



Sources: "US Demographics: Insights and Strategies," John Burns Research & Consulting, March 12, 2025; U.S. Census Bureau, State Population Totals and Components of Change, Vintage 2024..

Contact the Capital Square team to learn more about the tax-advantaged potential and competitive total returns of a real estate investment trust focused on housing.

ABOUT CAPITAL SQUARE HOUSING TRUST

A real estate investment trust (REIT) sponsored by Capital Square, Capital Square Housing Trust acquires and manages a range of housing solutions, including Class A and B multifamily as well as build-for-rent communities in growth markets to mitigate risks while providing long-term capital appreciation for stakeholders. To learn more, please visit CapitalSquareREIT.com.

ABOUT CAPITAL SQUARE

Capital Square is one of the nation's leading sponsors of tax-advantaged real estate investments and an active developer and manager of multifamily communities. The firm's real estate investment offerings include Delaware statutory trusts (DSTs), qualified opportunity zone funds, development funds and a real estate investment trust (REIT). Capital Square sponsors turn-key real estate investment offerings with low investment minimums to provide investors access to larger and higher quality real estate than they would be able to acquire on their own. Learn more at CapitalSq.com.

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WealthForge approval stamp number: 20250610-4574858-14410151