

# 2024 REIT Say-on-Pay Recap:

## Rise in Average Support Despite Increase in Against Recommendations

Average support for REIT Say-on-Pay proposals continues to rise from the record low levels of support seen in 2022. While ISS recommendations continue to carry significant weight in vote outcomes for Say-on-Pay proposals, fewer REITs failed their 2024 Say-on-Pay proposal despite an increase in the number of Against recommendations.

Key Statistics at Self-Managed REITs	2024	2023
^ Average REIT Say-on-Pay Support	<b>89.8%</b>	89.0%
^ Number of ISS Against Recommendations	<b>21</b>	19
∨ Number of Failed Say-on-Pay Proposals	<b>3</b>	4
∨ Failure Rate with an 'Against' Recommendation	<b>14%</b>	21%
^ Average Support with an 'Against' Recommendation	<b>67.1%</b>	62.2%

### Key Themes at Self-Managed REITs

#### ISS 'Against' Recommendations and Sector Performance

- » The majority of Against Recommendations were concentrated in REIT sectors with 3-year TSR performance in the bottom quartile
- » Office REITs and Diversified REITs received the highest number of 'Against' recommendations, which were among the lowest performing sectors in terms of TSR performance over a 3-year period indicating a correlation between ISS recommendations and TSR performance

#### Office REITs Under Pressure

- » 8 out of 18 Office REITs with Say-on-Pay Proposals in 2024 received an ISS Against recommendation, accounting for more than one-third of ISS' Against recommendations this year despite the sector representing less than 15% of self-managed REITs
- » 4 Office REITs that received an ISS 'Against' recommendation in 2024 have received an 'Against' recommendation from ISS every year for the past three years

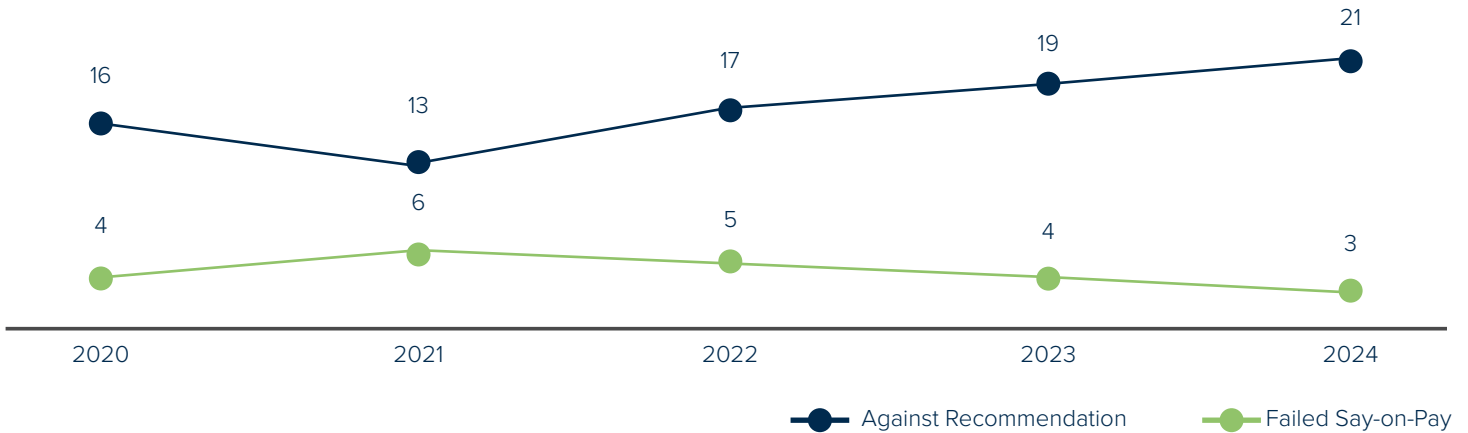
\* Say-on-Pay dynamics and results at externally managed issuers (or EMLs) are not directly analogous to self-managed companies since they do not directly compensate their executive officers and Say-on-Pay results essentially only relate to certain disclosure-related factors. Accordingly, self-managed REIT results have been separately analyzed.

# Impact of ISS Vote Recommendations

## Say on Pay Proposals

- » Despite an increase in the number of ISS 'Against' recommendations fewer REITs failed their Say-on-Pay proposal in 2024
- » Average support for REITs with an 'Against' recommendation continues to rise with almost 50% of REITs with an 'Against' recommendation receiving more than 70% support

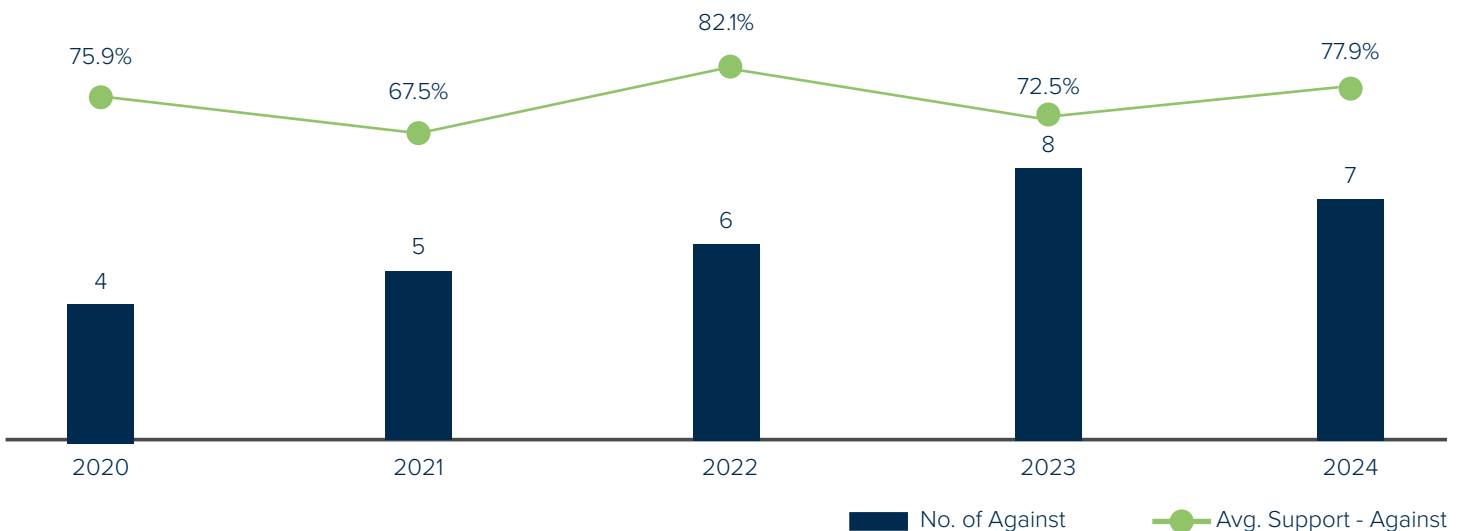
**Say-on-Pay Proposals**  
Number of Failures v. 'Against' Recommendations



## Equity Plan Proposals

- » In the past five years, no REITs have failed their equity plan proposal
- » There have only been two failed REIT equity plan proposals since 2010
- » Shareholders are more sensitive to the impact of a failed equity plan proposal. The ability to grant equity awards is a tangible benefit to both the company and its shareholder and these proposals are binding, meaning that the failure to gain approval has meaningful consequences.

**Equity Plan Proposals**  
Average Support Following 'Against' Recommendation



## Factors Influencing ISS Voting Recommendations

While the ISS pay-for-performance evaluation is heavily predicated on analyzing CEO pay magnitude relative to TSR performance, other qualitative factors have significant impact on their voting recommendations. Key stats for the 21 self-managed REITs that received an “Against” voting recommendation from ISS include:



**60%**

lacked rigor in setting performance goals



**60%**

lacked sufficient performance criteria for cash bonuses and/or LTI



**50%**

had magnitude concerns for specific elements of compensation



**30%**

provided insufficient disclosure surrounding their incentive program metrics or goals



**25%**

utilized annual performance periods in their LTI program



**20%**

had severance related concerns



**20%**

did not sufficiently reduce LTI payouts in the event of negative TSR



**20%**

provided multi-year guarantees in contracts



**15%**

paid CEO-level compensation (or higher) to more than one executive

Percentages are rounded to the nearest five percent.

## Exhibit A: 2024 Say-on-Pay Snapshot

- » Average support at self-managed REITs rose modestly year-over-year amid stronger stock price performance in the sector
- » 21 self-managed REITs received an 'Against' recommendation, but only 3 REITs failed their Say-on-Pay proposal, representing only a 14% failure rate
- » For the fourth consecutive year, no EMIs failed their Say-on-Pay proposal, but average support declined year-over-year
- » Average support at REITs has lagged the broader market since 2021. Prior to 2021, REITs had generally garnered higher support than the broader market

		Average Support	ISS 'Against' Voting Recommendations		Failed Say-on-Pay Proposals	
			#	% <sup>(1)</sup>	#	% <sup>(1)</sup>
All REITs	2024	89.5%	25	15.2%	3	1.8%
	YoY Trend	↑ 0.5%	↑ 1	↑ 1.8%	↓ 1	↓ 0.4%
Self-Managed REITs	2024	89.8%	21	15.2%	3	2.2%
	YoY Trend	↑ 0.8%	↑ 2	↑ 2.5%	↓ 1	↓ 0.5%
Externally-Managed REITs (EMIs)	2024	87.9%	4	15.4%	0	0.0%
	YoY Trend	↓ 0.8%	↓ 1	↓ 1.3%	0	0.0%
Russell 3000	2024	91.1%	248	11.3%	24	1.1%
	YoY Trend	↑ 0.9%	↓ 21	↓ 0.8%	↓ 21	↓ 0.9%

Source: ISS Corporate Solutions for data available as of June 30, 2024

(1) Reflects percentage of 'Against' and Failed proposals as a percent of companies that held a vote in that year, as of June 30



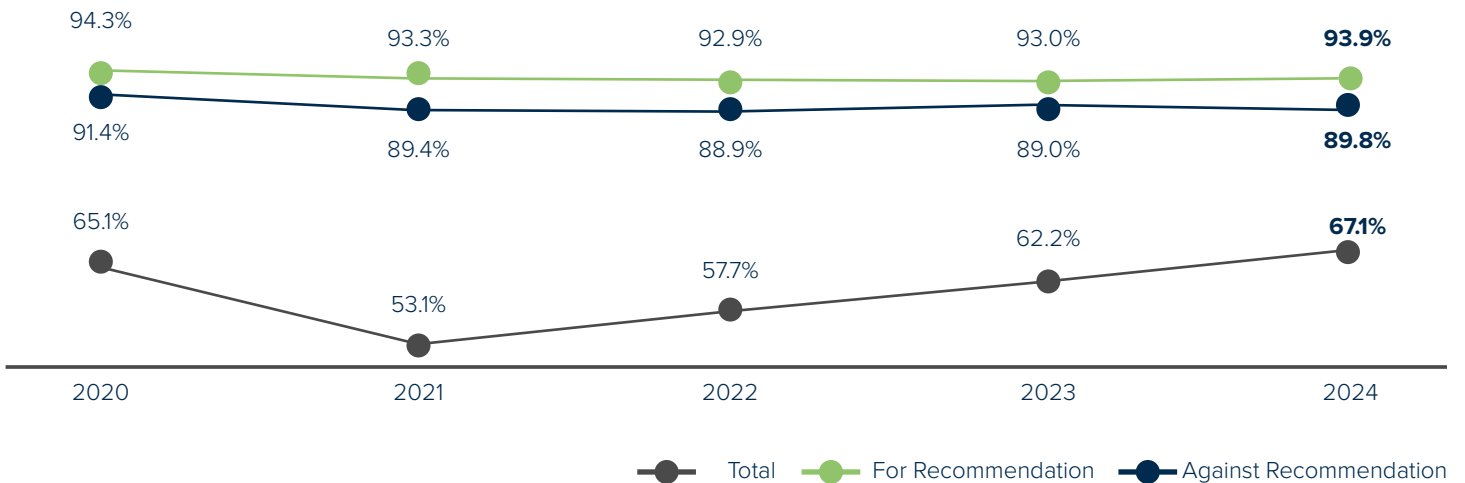
## Exhibit B: Evaluation of Say-on-Pay Support Levels

Say-on-Pay proposals require only a majority of shareholders to approve (i.e., >50%), however support levels of less than 80% generally warrant shareholder engagement that if left unaddressed can lead to further scrutiny and potential for adverse voting recommendations from proxy advisory firms. There are generally four levels of support that warrant different types of shareholder engagement, as follows:

Support Level	Description	% of Self-Managed REITs	
		2024	YoY Trend
<b>80% or More</b>	Generally considered high enough support that no action is expected	<b>86.2%</b>	<b>↓ 0.3%</b>
<b>70% - 80%</b>	Glass Lewis expects that companies with less than 80% support to conduct shareholder engagement; this benchmark is generally less critical for REITs given that only 5%-10% of REIT shareholders are influenced by Glass Lewis guidance	<b>5.8%</b>	<b>↑ 1.1%</b>
<b>50% - 70%</b>	ISS expects that companies with less than 70% support to conduct shareholder engagement; this benchmark is generally the REIT industry standard to trigger the shareholder engagement process given ISS substantial influence on Say-on-Pay results	<b>5.8%</b>	<b>↓ 0.2%</b>
<b>Less than 50%</b>	A failed Say-on-Pay proposal requires shareholder engagement to mitigate the risk of low shareholder support on other non-advisory proposals	<b>2.2%</b>	<b>↓ 0.5%</b>

## Exhibit C: Self-Managed REIT Say-on-Pay – Historical Trends

Average Support at Self-Managed REITs  
(based on ISS recommendation)



## About Ferguson Partners Public Compensation Consulting Practice

Ferguson Partners' public compensation practice partners with boards, compensation committees and management teams to address critical compensation issues throughout the year based on public company requirements, including benchmarking, program design, disclosure, and investor-related matters. We have unparalleled access to the board room and understand the intricacies of REITs, allowing us to offer customized solutions that meets the specific needs of our clients.



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