

Real Estate Investment Trusts

Core Asset Class By Design

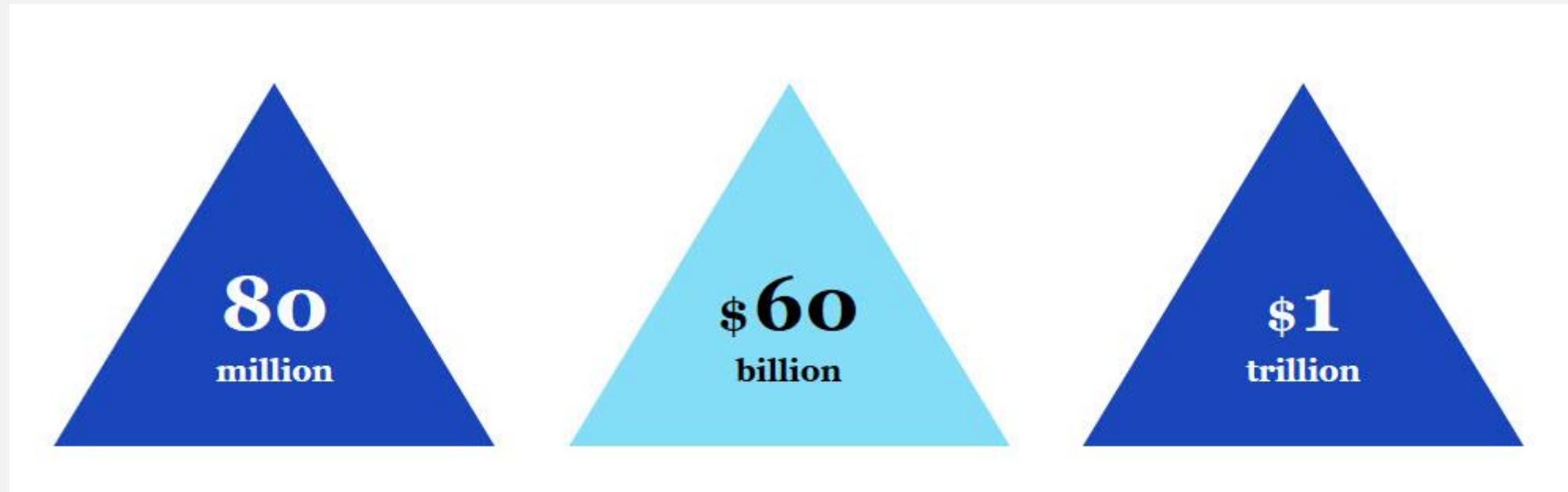
By: Brad Thomas



What's a REIT?

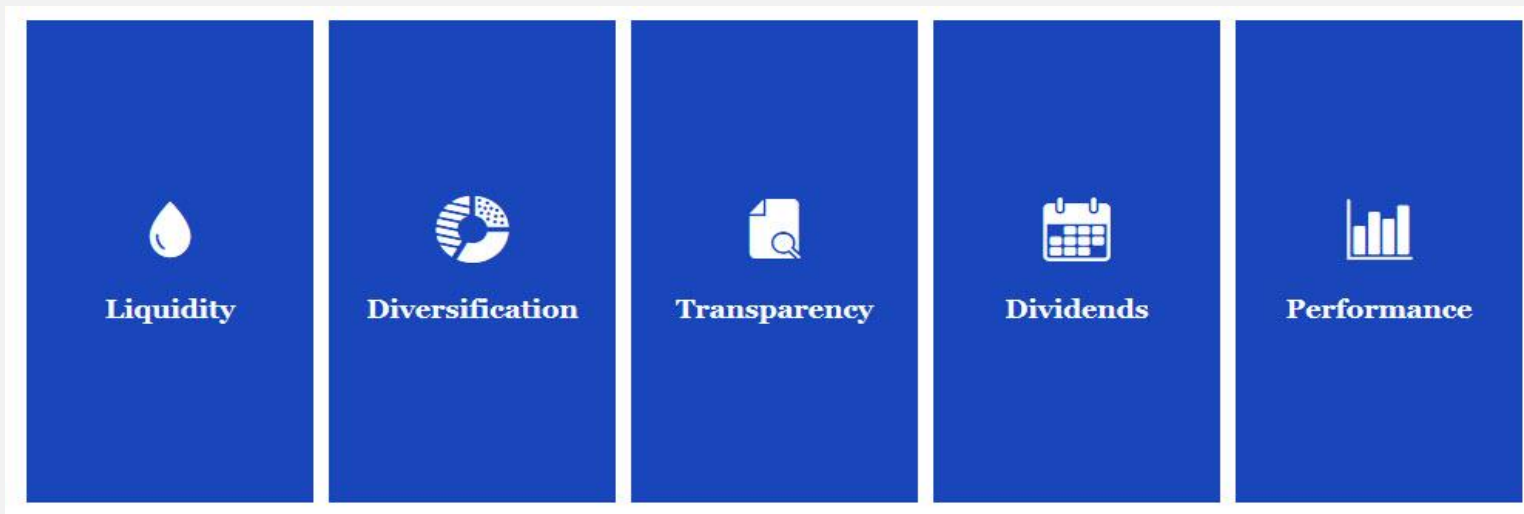
A REIT (*pronounced REET*), or real estate investment trust, is a company that owns, operates or finances income-producing real estate. Modeled after mutual funds, REITs historically have provided all types of investors with regular income streams, diversification and long-term capital appreciation.

An estimated 80 million Americans own REITs through their retirement savings and other investment funds.



Why Invest in REITs?

REITs historically have delivered competitive total returns, based on high, steady dividend income and long-term capital appreciation. Their comparatively low correlation with other assets also makes them an excellent portfolio diversifier that can help reduce overall portfolio risk and increase returns. These are the characteristics of REIT-based real estate investing.



Types of REITs

Most REITs are traded on major stock exchanges, but there are also public non-listed and private REITs. The two main types of REITs are equity REITs, and mortgage REITs (commonly known as mREITs).

- **Equity REITs** – a company that owns or operates income-producing real estate
- **Mortgage REITs** – mREITs provide financing for income-producing real estate by purchasing or originating mortgages and mortgage-backed securities, and earning income from the interest on these investments
- **Public Non-listed REITs** – PNLRs are registered with the SEC but do not trade on national stock exchanges
- **Private REITs** – Private REITs are offerings that are exempt from SEC registration and whose shares do not trade on national stock exchanges

REIT Sectors



RETAIL / SHOPPING CENTERS



HEALTH CARE



OFFICE / INDUSTRIAL



DIVERSIFIED



STORAGE



NET LEASE



APARTMENT



MANUFACTURED HOMES



HOTEL



TECHNOLOGY



STUDENT HOUSING



INDUSTRIAL



OFFICE



RETAIL / REGIONAL MALLS



SINGLE FAMILY



SPECIALITY

REITs by the Numbers

REITs are an important part of the economy, investors' portfolios, and local communities. Taken individually, a single REIT-owned property can change the entire complexion of a neighborhood. When viewed as an entire industry, REITs significantly contribute to the tax base, job market, and community.

2m

U.S. REITs contributed the equivalent of an estimated 2 million full-time jobs to the economy in 2016, generating \$118.6 billion of labor income.

1.8m

mREITs help finance 1.8 million homes in the U.S.

80m

An estimated 80 million Americans own REITs through their retirement savings and other investment funds.

\$52.8b

REITs invested \$52.8 billion in new construction and routine capital expenditures to maintain existing property in 2016.

\$3t

It is estimated that all REITs own approximately \$3 trillion in gross assets. Publicly traded equity REITs account for \$2 trillion.

511k

REITs own nearly 511,000 properties across the U.S.

REITs by the Numbers

REITs own more than \$3 trillion in gross real estate assets, with more than \$2 trillion of that total from public listed and non-listed REITs and the remainder from privately held REITs. The economic and investment reach of those assets are felt by millions of Americans all across the country.

\$1.1t

Total equity market capitalization of the FTSE Nareit All REITs Index including mREITs.

\$58b

REIT activities resulted in the distribution of \$57.5 billion of dividend income in 2017.

**227
REITs**

Are in the FTSE Nareit All REITs Index.

**32
REITs**

32 REITs are members of the S&P 500.

\$24b

REITs have raised \$24 billion in public markets offerings year to date through June 2018.

REITs by the Numbers

Since their creation in 1960, REITs have grown in size, impact and market acceptance. The creation of headline real estate sectors - populated mainly by REITs - in leading industry classification standards underscores the growing importance of REIT-based real estate investment in the equities marketplace.

16 of 25

The FTSE Nareit All Equity REITs Index has outperformed the S&P 500 in 16 of the last 25 years.

10.2%

The current trailing 25-year annualized total return of the FTSE Nareit All Equity REITs Index.

5% to 15%

Multiple studies have found that the optimal REIT portfolio allocation may be between 5 percent and 15 percent.

4.3%

The FTSE Nareit All REITs Index has a dividend yield of 4.3 percent, more than double that of the S&P 500 (2.0 percent)

70%

70 percent of registered investment advisors recommend REITs to their clients.

12 Sectors

REITs own and operate properties across diverse property sectors including retail, residential, infrastructure, health care, office, industrial, data centers, self-storage, lodging, timberlands, and others.

REIT Performance

REITs have historically produced a track record of strong performance. The industry's track record has resulted in a broader acceptance among institutional investors, financial advisors and retail investors.

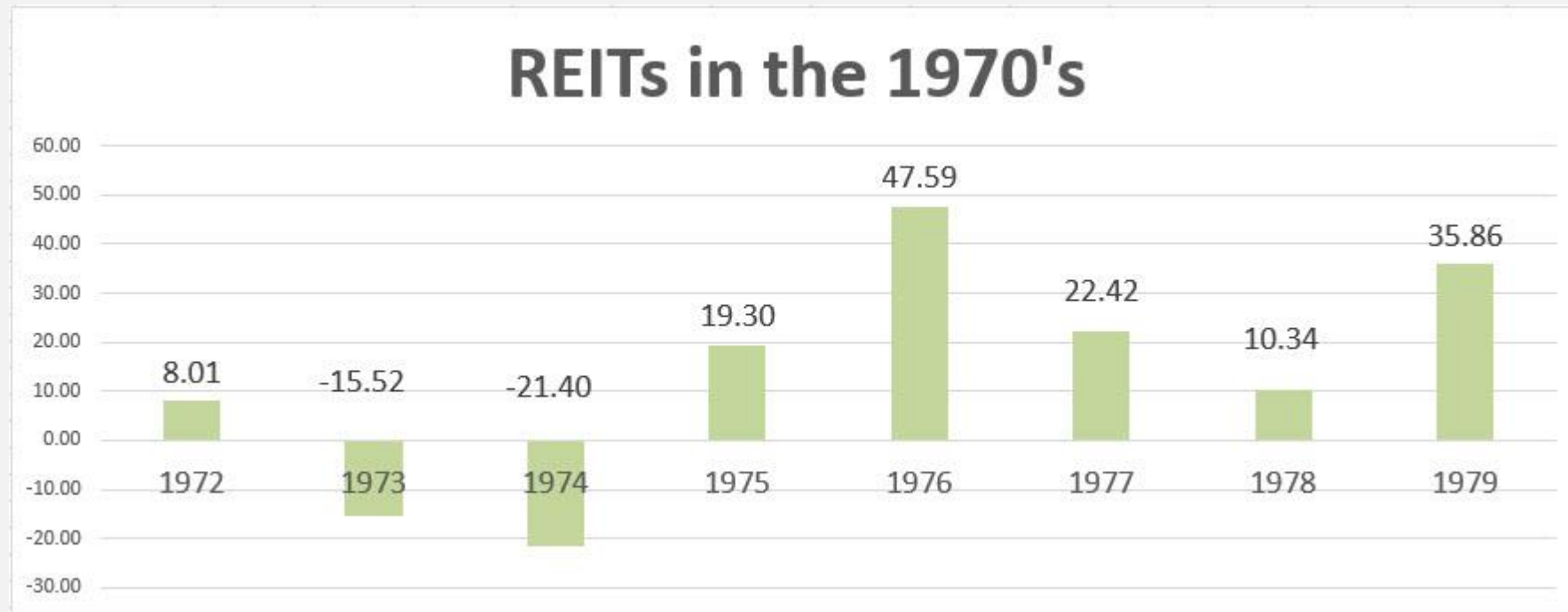
REIT Performance: 1960's

U.S. REITs were established by Congress in 1960 to give all investors, especially small investors, access to income-producing real estate. Since then, the U.S. REIT approach has flourished and served as the model for more than 35 countries around the world.

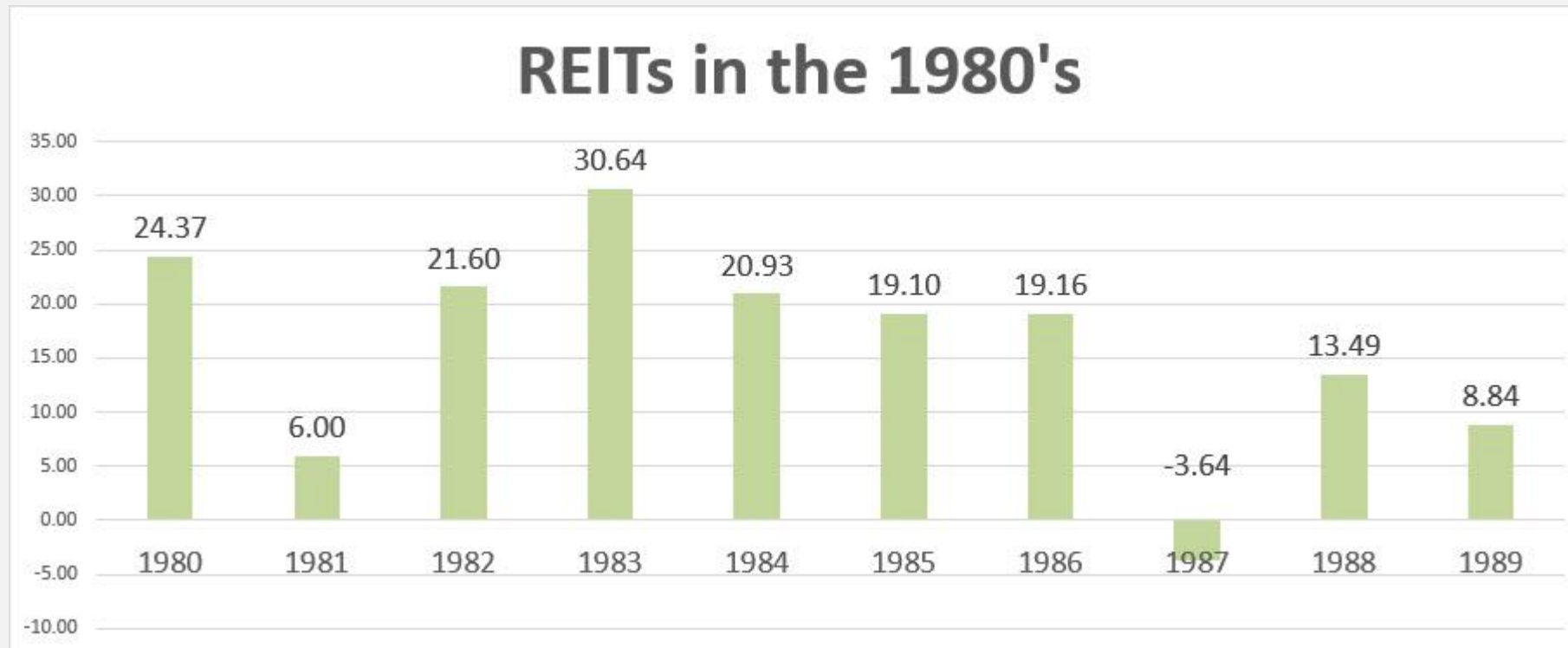
On Sept. 14, 1960, President Dwight D. Eisenhower signed legislation that created a new approach to income-producing real estate investment – a manner in which the best attributes of real estate and stock-based investment are combined.

REITs, for the first time, brought the benefits of commercial real estate investment to all investors – benefits that previously had been available only through large financial intermediaries and to wealthy individuals.

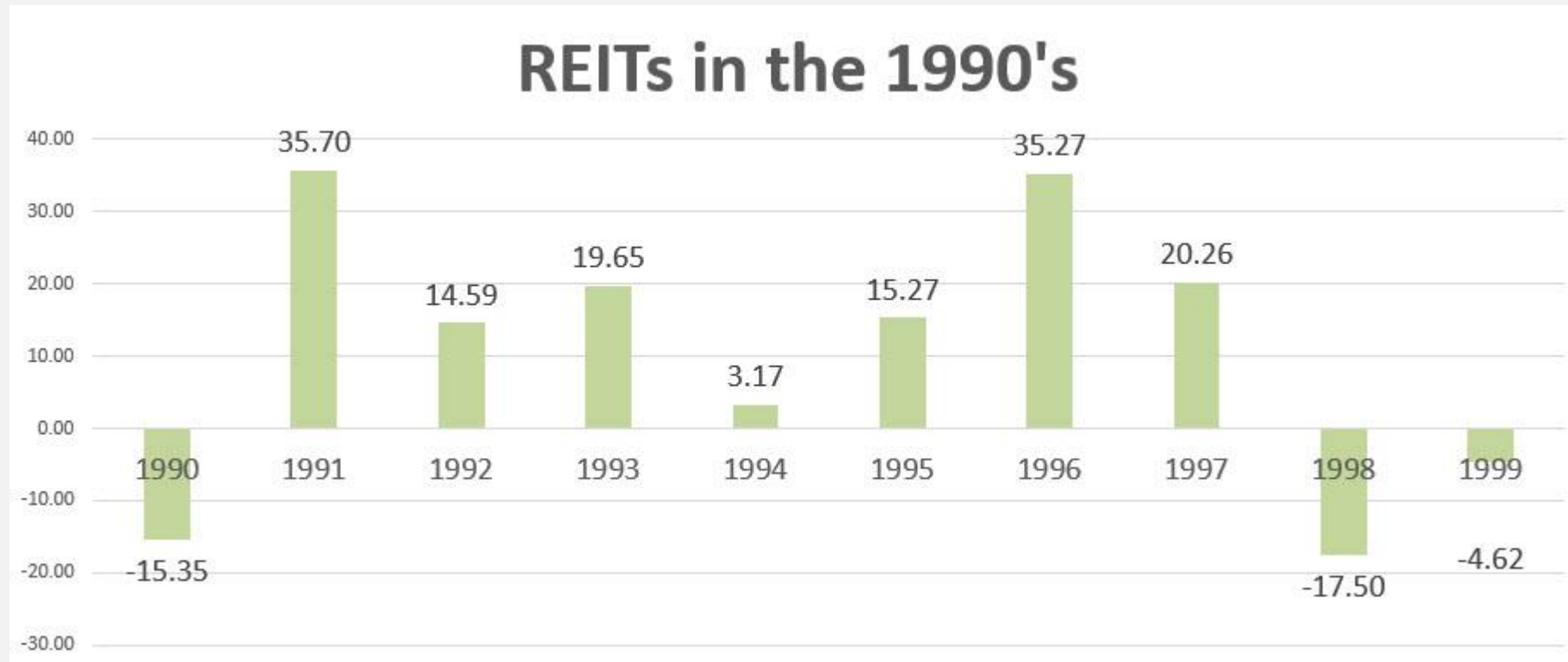
REIT Performance: 1970's



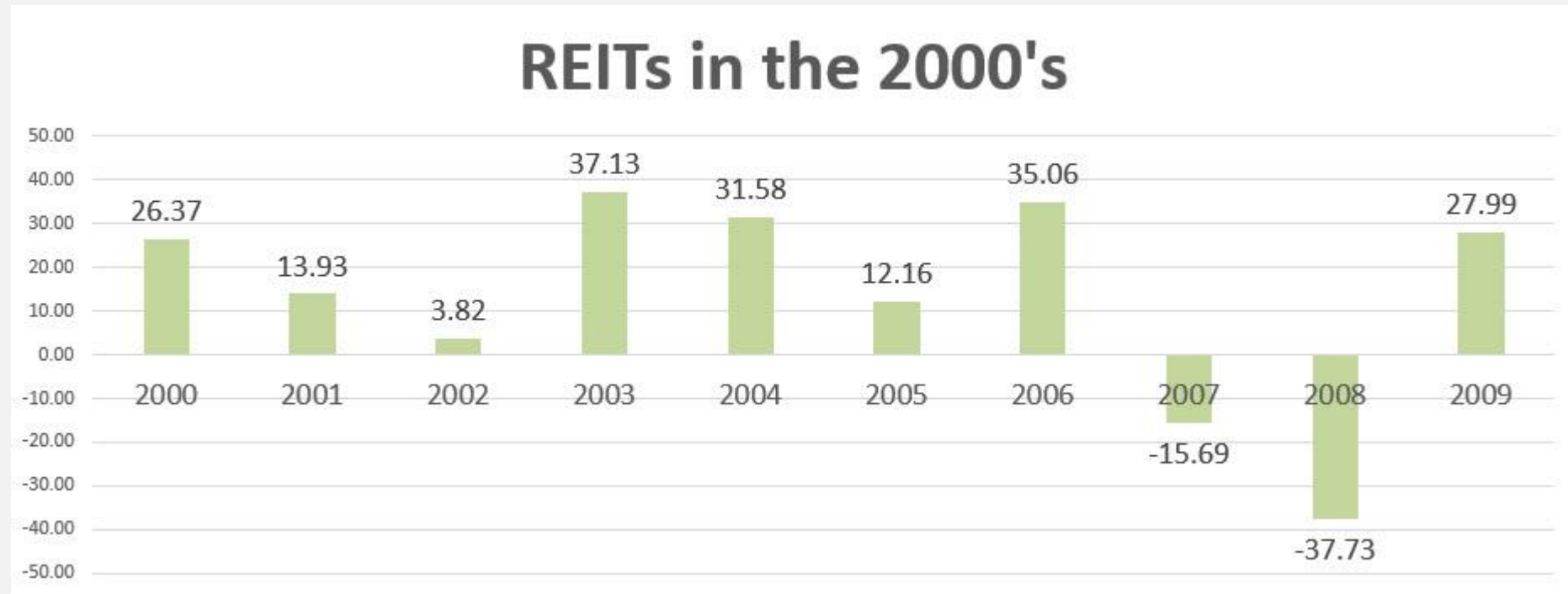
REIT Performance: 1980's



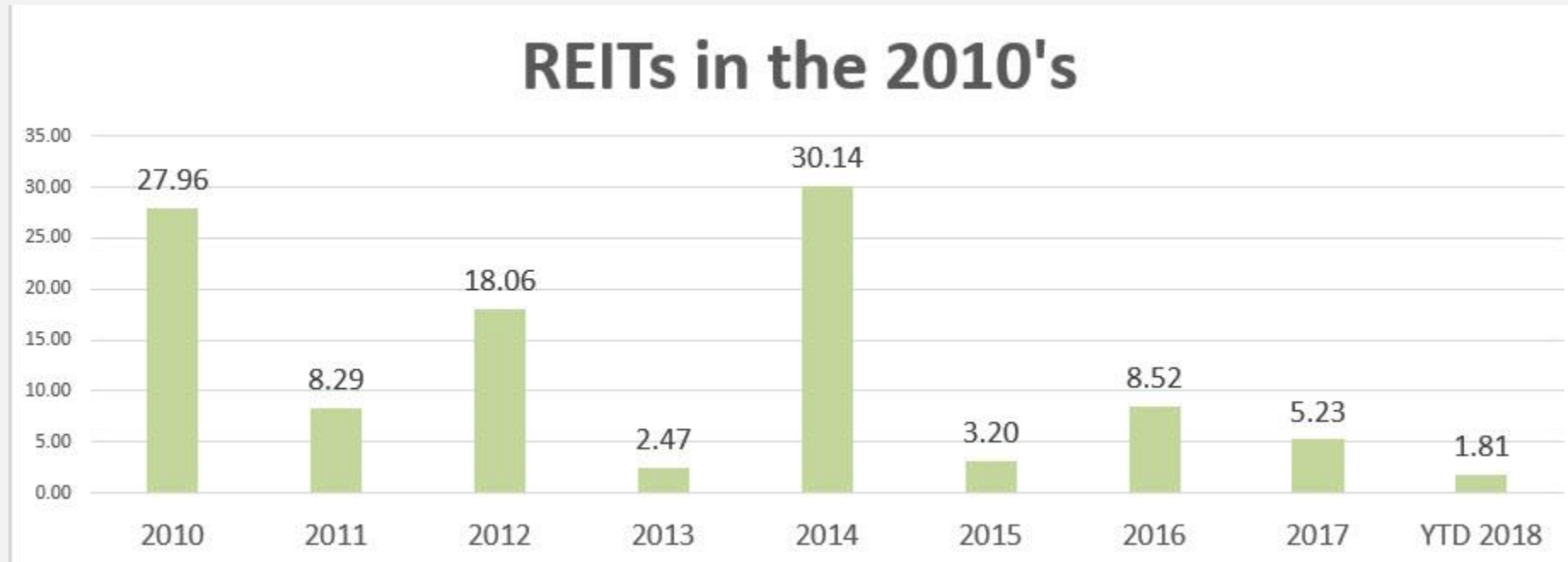
REIT Performance: 1990's



REIT Performance: 2000's



REIT Performance: 2010's



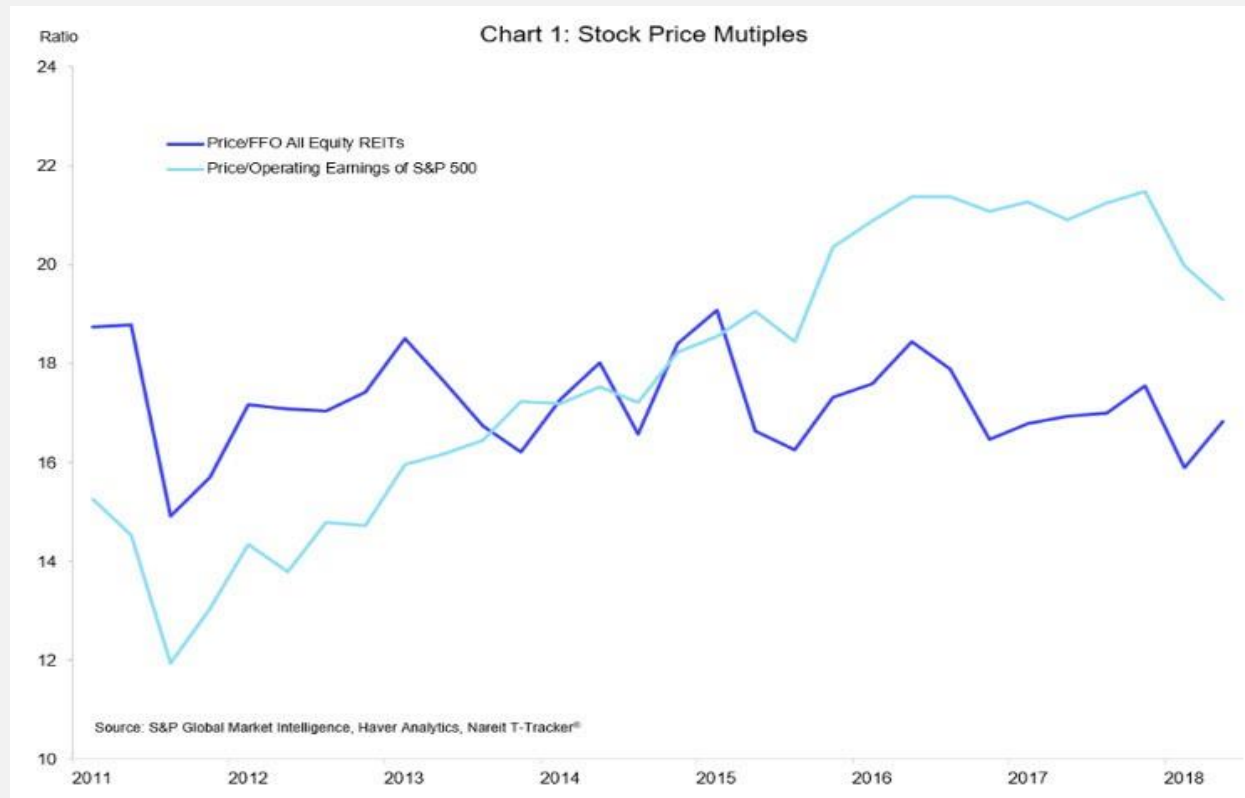
REIT Performance: 2018





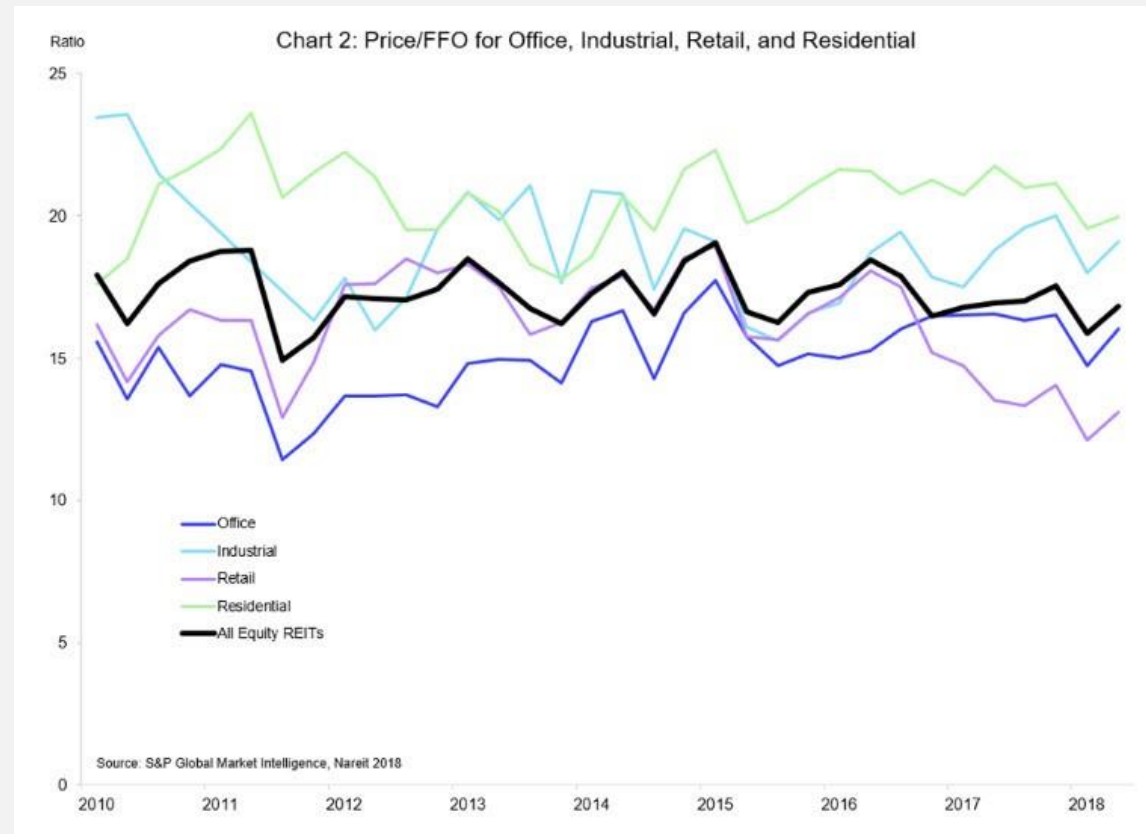
REIT Performance

REITs, compared with ordinary stocks, are still trading at sound value. Compare with equities and retail...



REIT Performance

In terms of the risk-reward tradeoff, REITs have perhaps greater upside potential than the S&P 500



What's Hot?

Data Centers

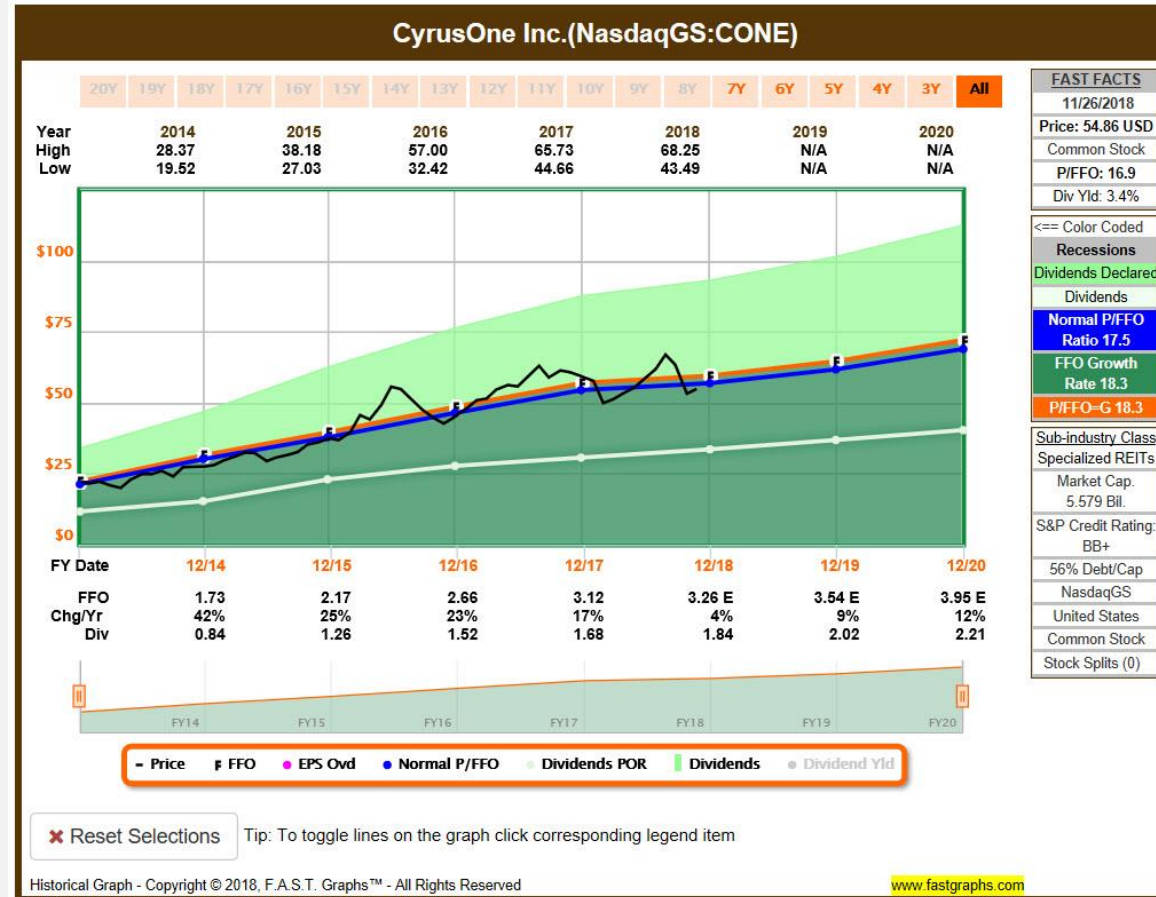
Cell Towers

Industrial

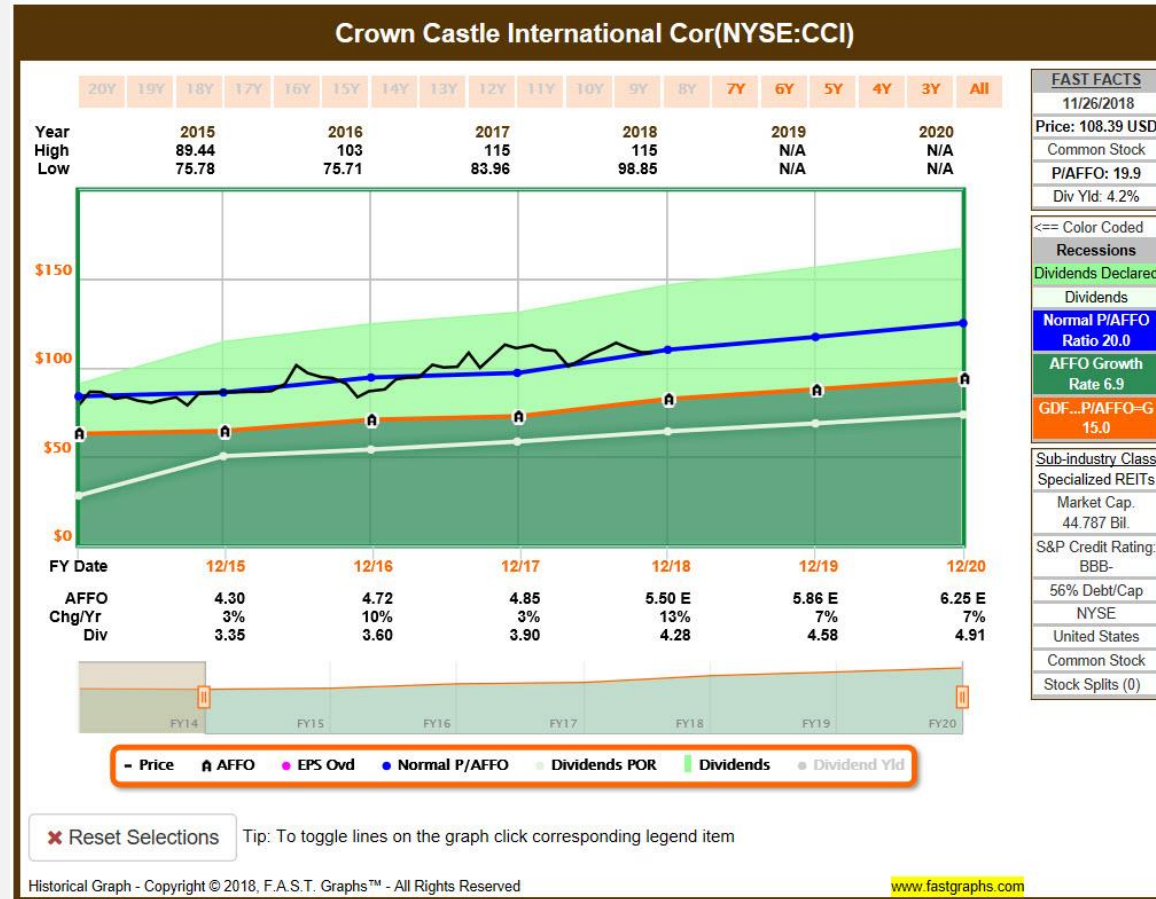
Healthcare?



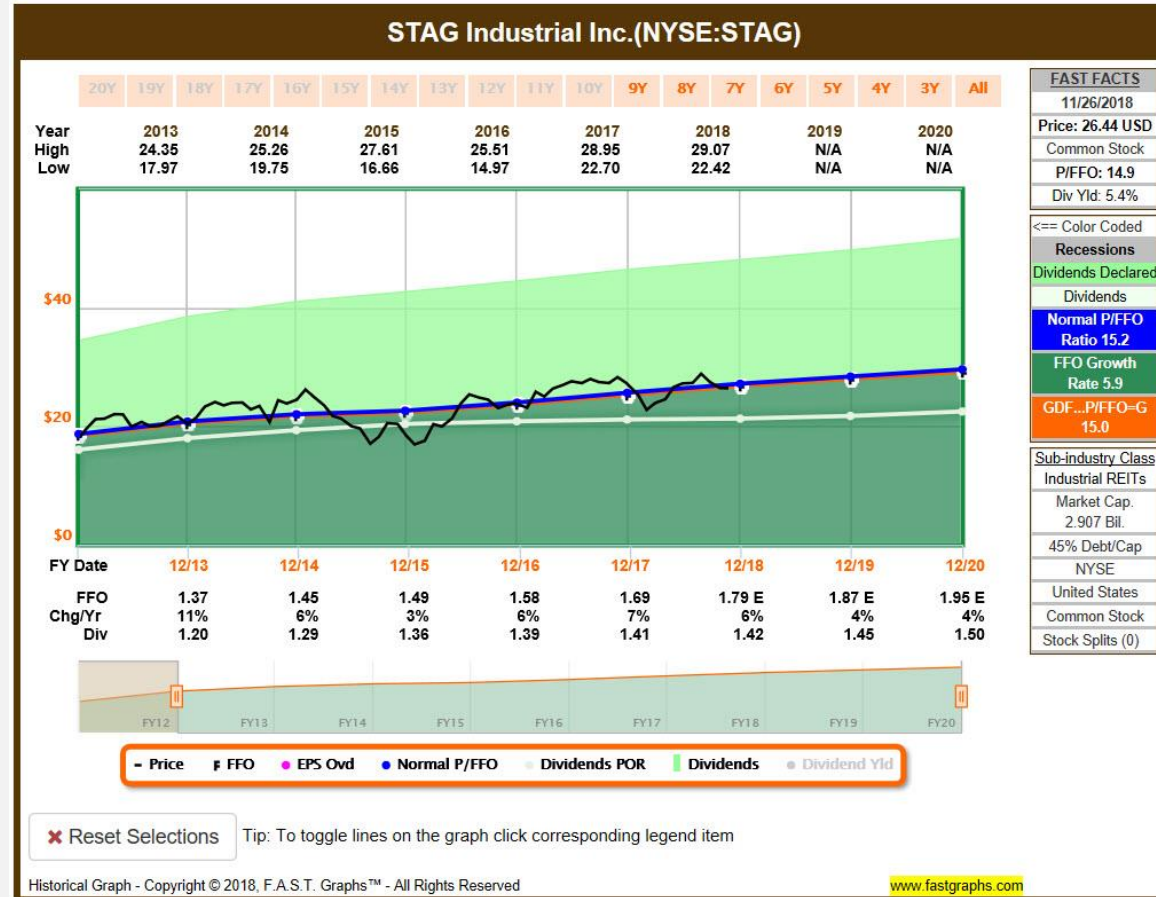
Data Center REIT: CyrusOne (CONE)



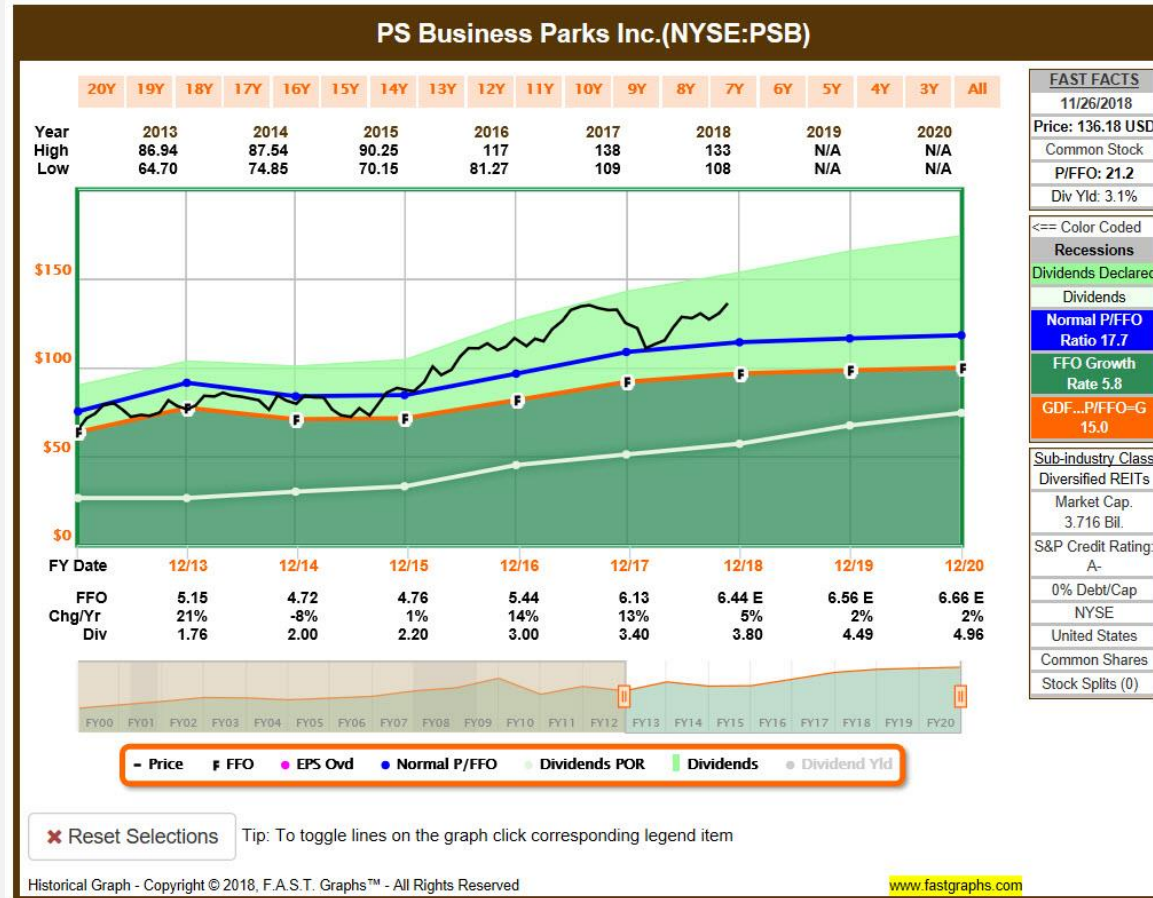
Cell Tower REIT: Crown Castle (CCI)



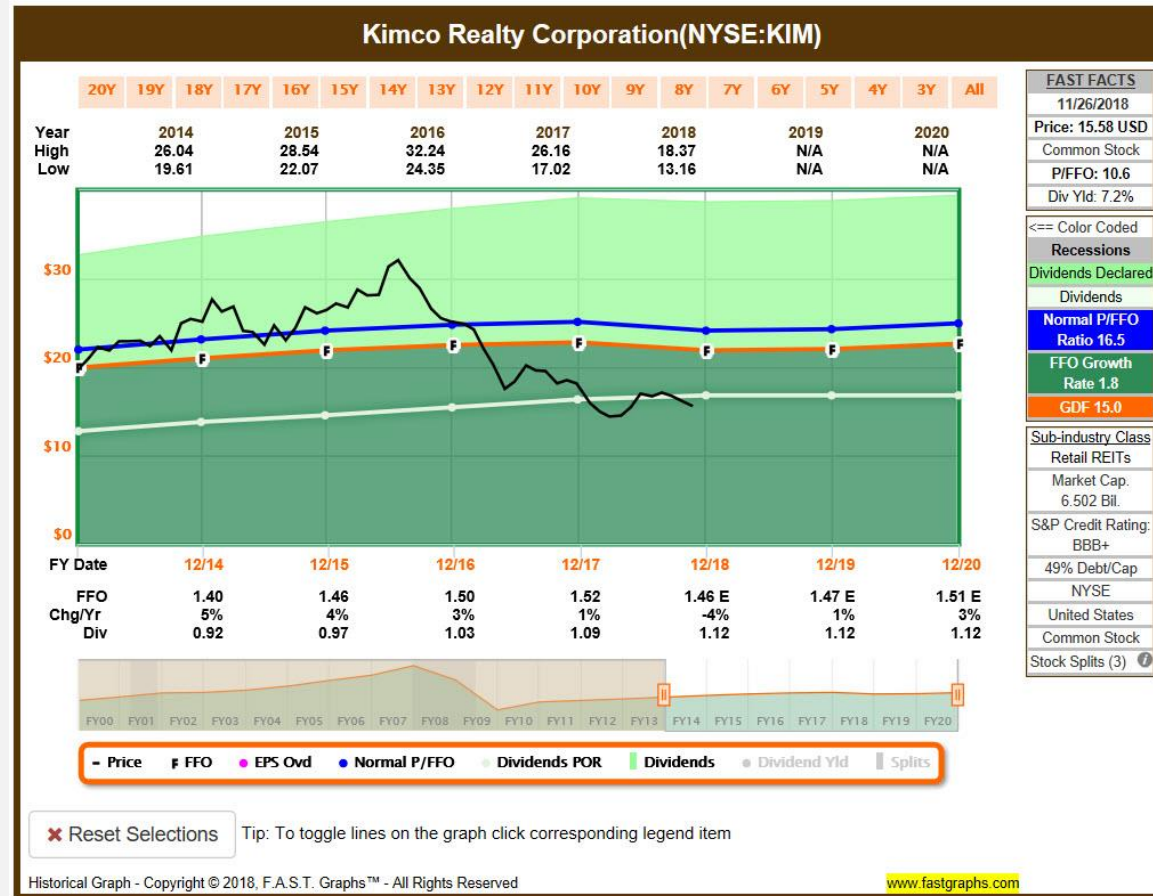
Industrial REIT: STAG Industrial (STAG)



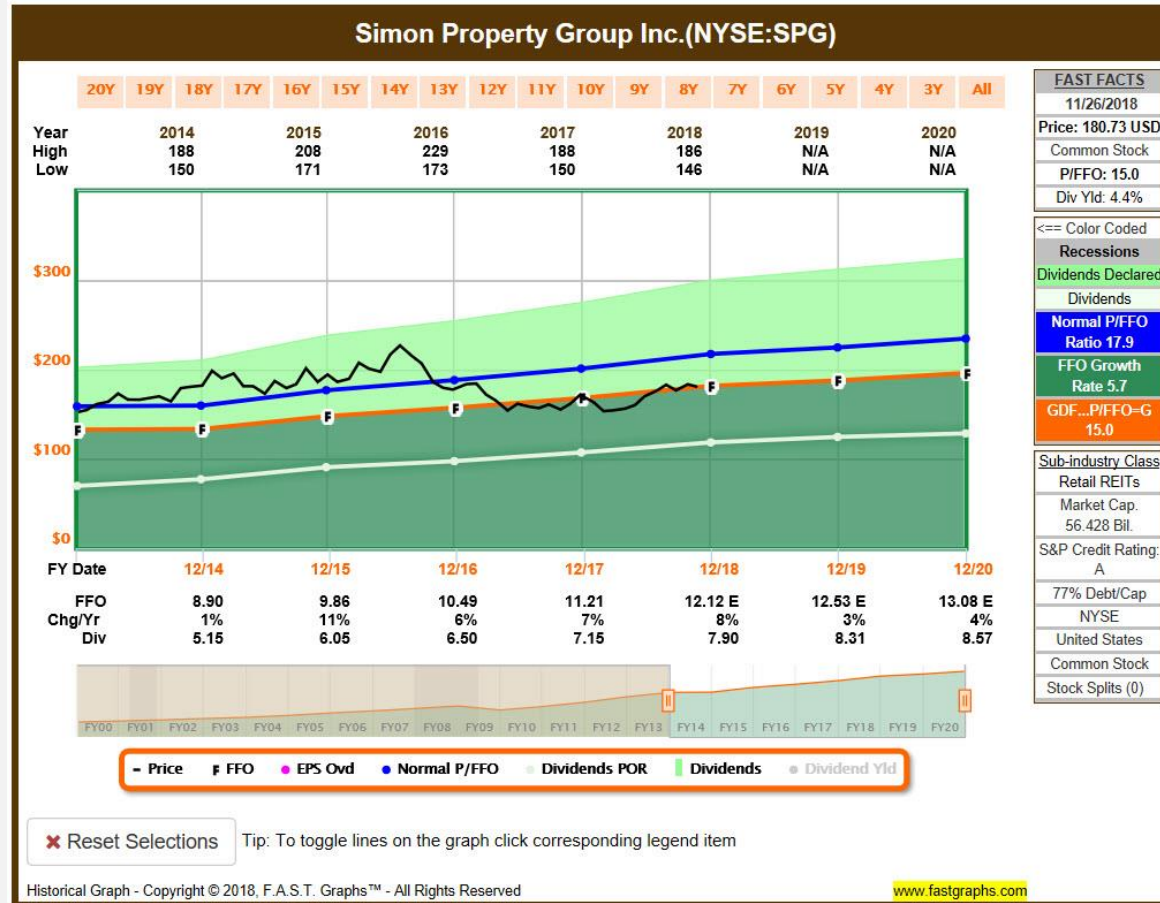
Industrial REIT: PS Business (PSB)



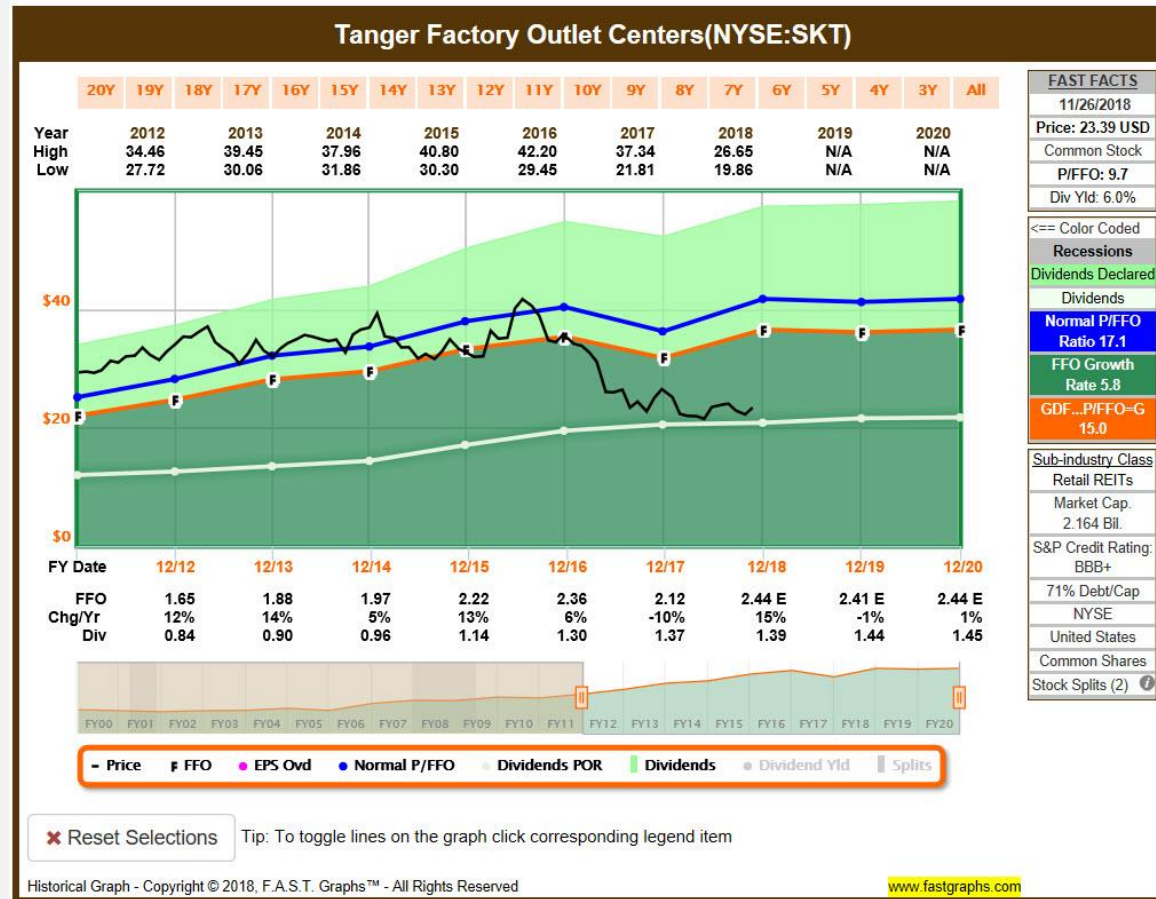
Shopping Center REIT: Kimco Realty (KIM)



Mall REIT: Simon Property (SPG)



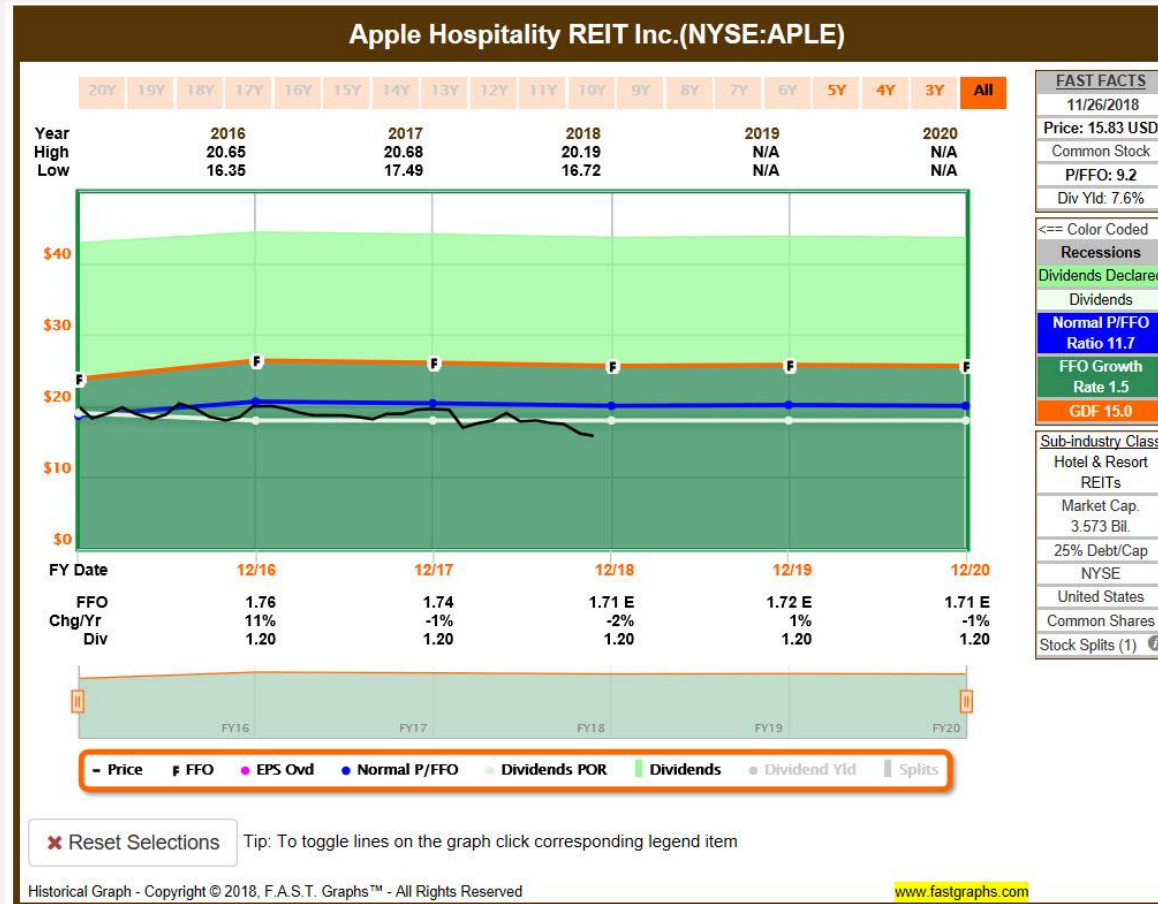
Mall REIT: Tanger Outlets (SKT)



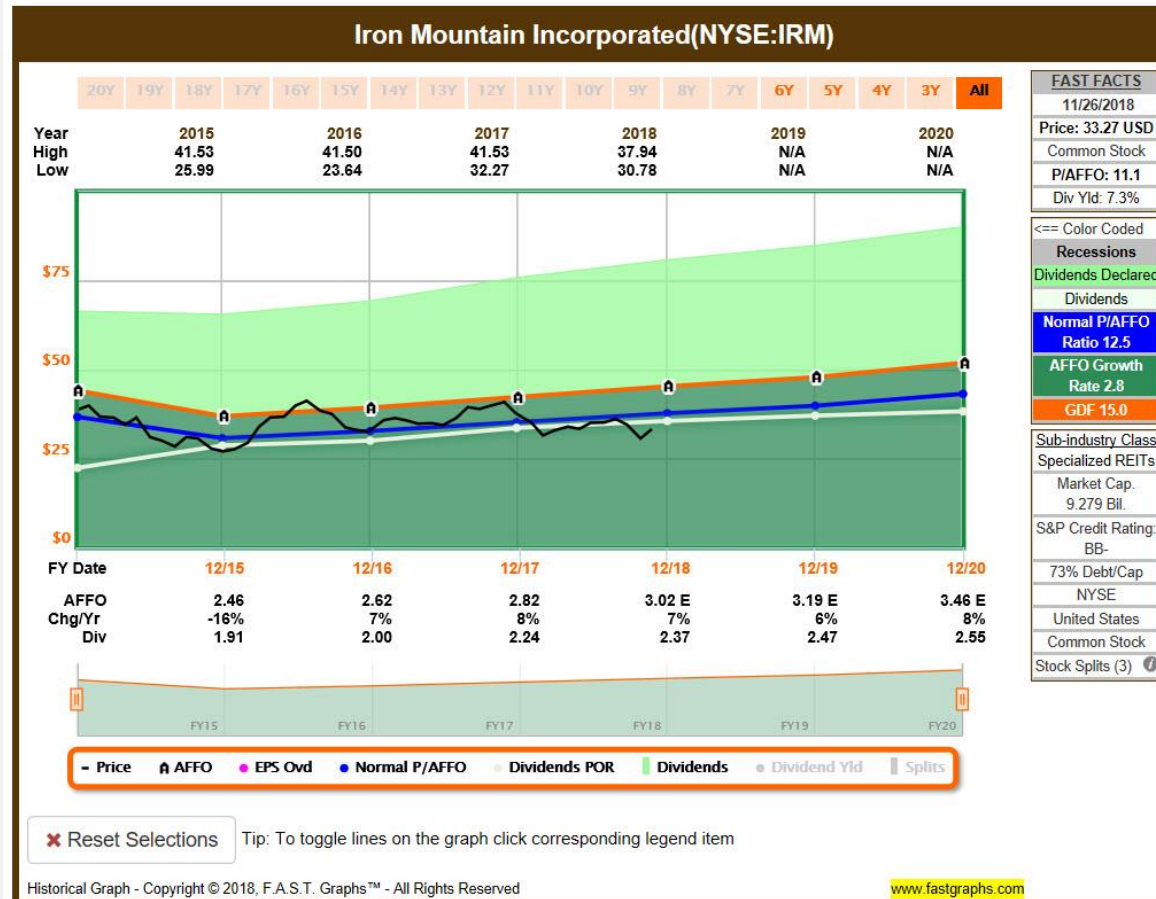
Net Lease REIT: Realty Income (O)



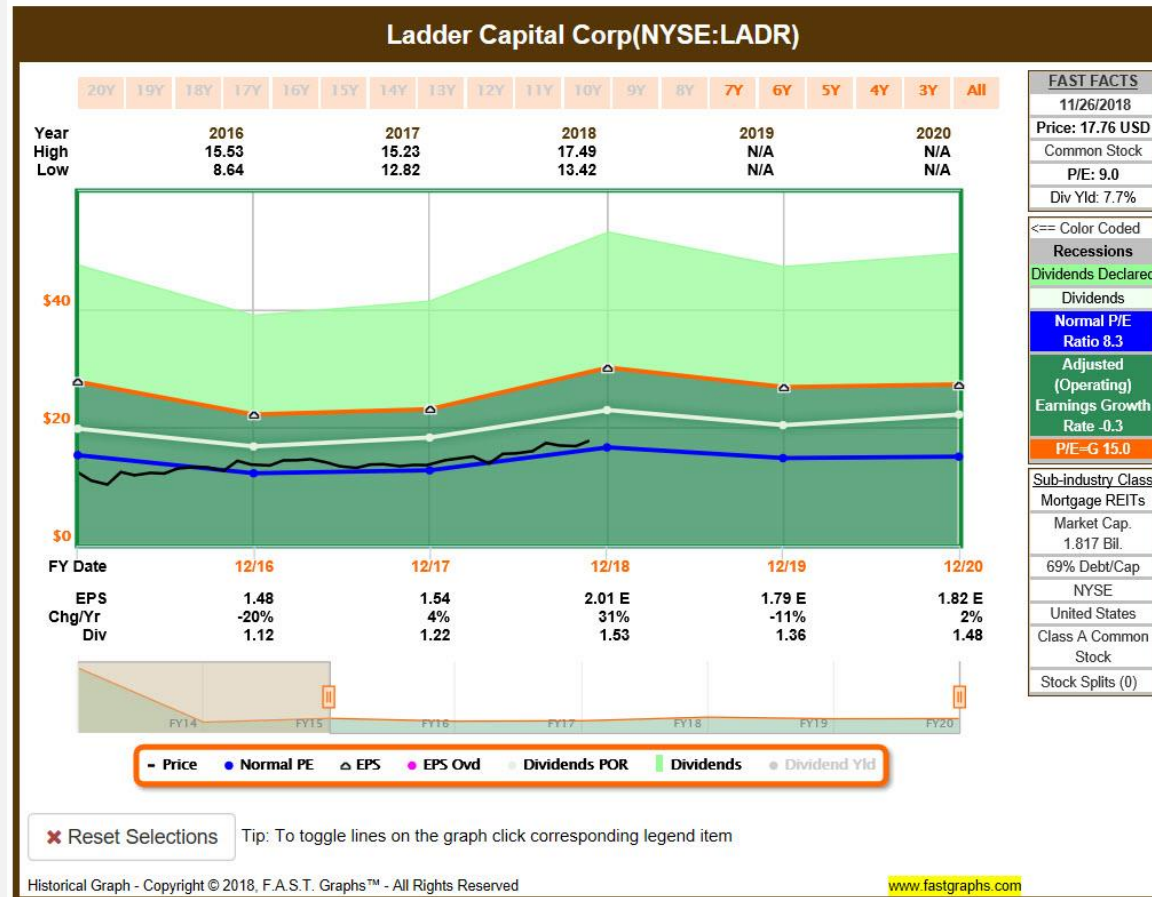
Lodging REIT: Apple Hospitality (APLE)



Other REIT: Iron Mountain (IRM)



Commercial mREIT: Ladder (LADR)



Focus on Quality

The 'Rhino Rating' Model



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