INVESTING IN REITS

Don Stewart AAII Silicon Valley Chapter November 12, 2016

REIT Overview

- REITs were created by Congress in 1960 to allow ordinary investors to invest in commercial real estate.
- If REITs pay out at least 90% of their net income to shareholders, they don't pay income tax.
- However these dividends are not qualified, so shareholders are taxed at ordinary taxable income rate.
- Recommend holding REITs in tax deferred IRA accounts.

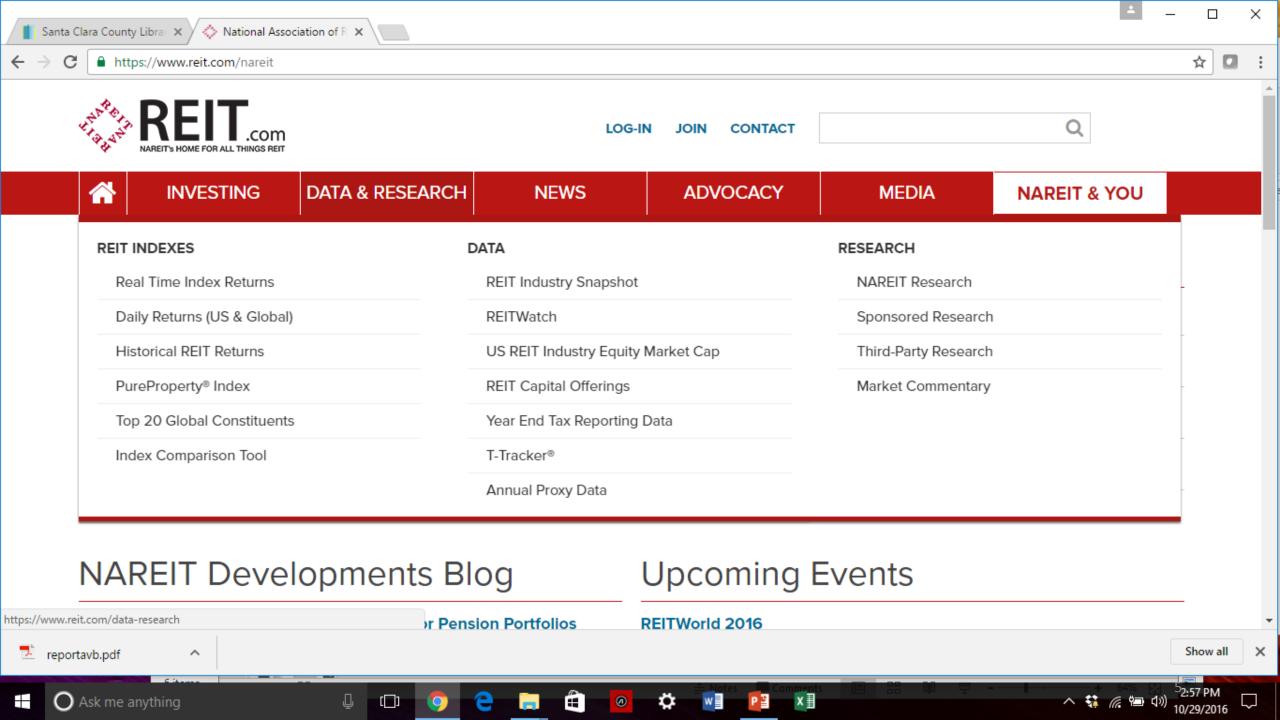
REIT Development

- In 1990 there were 119 REITs with a market cap of \$ 9 billion.
- 2015: 233 REITs market cap of \$ 939 billion.
- September 2016, Standard & Poor's added REITs as the 11th industry sector in the stock market.
- There are 9 REIT subsectors.
 No. 1 Retail, 2 Specialized, 3 Residential, 4 Healthcare, 5 Office, 6 Hotel, 7 Industrial, 8 Diversified, 9 Mortgage.

NAREIT Resource

The National Association of REITs: NAREIT, has a huge source of information about REITs in its website: reit.com

- Lists of about 200 REITs with links to their websites.
- Lists of about 100 REIT mutual funds, ETFs, and closed end funds, with links to their websites.
- Sections covering REIT history, operation, and statistics.



LIBRARY Resources

- The Santa Clara County Library offers free online access to 3 excellent investing websites: Value Line, Morningstar, & Standard & Poor's.
- Library cards are free to California residents. Branches include Saratoga, Cupertino, Los Altos & Campbell.
- Printed versions of some of their products are also available at the branches.
- Their websites offer excellent research on REIT, and other, stocks, industries, mutual funds & ETFs.
- Note: Standard & Poor's has an 83 page report on REIT Sector.
- You can read Morningstar's 4 newsletters.

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Avalo	onBay C	omm	uniti	es Inc	AVB	+**	-				PDF Report
Quote	Chart Stock	Analysis	Perform	ance Key	Ratios Fin	ancials Valu	ation Insiders Sha	areholders Transcr	ipts Filings	Bonds Optic	ons
Overview	Company	Profile	Industry	/ Peers							
Last Price \$167	.46 ↑	^{Change}	1.0	06%		Open Price \$ 166.53	Day Range 165.70-169.62	52-Week Range 159.18-192.29	Yield 3.16%	Market Cap 23.0 bil	
	s: 167.46 0.00					Volume 897,587	Avg Vol. 759,291	Forward P/E 33.8	Price/Boo 2.3	k Price/Sales 11.6	Price/Cash Flov 20.6
	10/28/2016 5:22 Real-Time Price	PM EST	USD								
BATS BZX		PM EST					More	Dividends AV	В		More
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Company Profile Overview Quote News/Press Releases Chart	Resources Stock Reports Search by Ticker	Industries industries brectories infinitial Education Image view/Printer friendly			
Vital Statistics Valuation Financials Dividends & Stock Splits Industry Information Estimates & Opinions Competitors(All)	05348410.pdf	1 / 11 Stock Report October 25, 2016 NYS Symbol: AVB AVB is in the S&P 500 AvalonBay Communities Inc.	¢ :	± ē	
Competitors(S&P Covered) Industry Related News Stock Reports		S&P Capital IQ HOLD Image: Constraint of the second secon			
PDF Register		GICS Sector Real EstateSummary This real estate investment trust, formed via the merger of Bay Apartment Communities and Avalon Properties, specializes in upscale apartment communities.Sub-Industry Residential REITS		#	
Corporation Records Corporate News Industry Surveys HTML PDF		Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports) 52-Wk Range \$192.29-159.18 S&P FF0/Sh. 2016E 8.20 Market Capitalization(B) \$22.914 Beta 0.62 Trailing 12-Month FF0/Share \$4.11 S&P FF0/Sh. 2017E 8.80 Yield (%) 3.24 S&P 3-Yr. FF0/Sh. Proj. CAGR(%) NA Trailing 12-Month P/FF0 NA P/FF0 on S&P FF0/Sh. 2016E 20.4 Dividend Rate/Share \$5.40 S&P Quality Ranking B+ \$10K Invested 5 Yrs Ago \$15,708 Common Shares Outstg. (M) 137.3 Institutional Ownership (%) 97		+	
Sub-Industry Reviews		Price Performance Analyst's Risk Assessment 30-Week Mov. Avg.			
	ee Analyst Certification Disclosures a, a part of McGraw-Hill Financial. All	<u>Legal Disclaimers</u> <u>Accreditations</u> rights reserved.			TAL IQ

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How to invest in REITs: Complicated or Simple

- Complicated: Buy several REIT stocks, funds or ETFs from the several hundred choices available.
- Simple: Buy Vanguard REIT Index Fund which holds 150 REITs. Total assets about \$64 Billion. 3 choices:
- VGSLX Admiral Fund: Expense .12%. Minimum \$10K
- VGSIX Investor Fund: Expense .26%. Minimum \$3K
- VNQ ETF: Expense .12%. Minimum none