News Release

For Immediate Release
July 29, 2014

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REITs DELIVER 16 PERCENT TOTAL RETURN TO INVESTORS IN THE FIRST HALF OF 2014

WASHINGTON, DC, July 29— Stock exchange-listed U.S. REITs significantly outperformed the broader equity markets for the first six months of 2014, according to the National Association of Real Estate Investment Trusts® (NAREIT®). On a global basis, REITs and other publicly traded real estate securities also performed well.

"The outperformance compared to the S&P 500 Index came from REIT sectors representing a broad range of U.S. economic activity, and was supported by good supply and demand balance in commercial real estate markets around the country," said NAREIT President and CEO Steven A. Wechsler. "The year's first half performance shows that favorable economic fundamentals supportive of REITs outweighed last year's interest rate concerns in the minds of investors and that REITs continue to build on their long-term track record of providing investors with performance, dividend based income, capital appreciation, and portfolio diversification."

REIT total returns and dividend yields more than twice those of S&P 500
The FTSE NAREIT ALL REITs Index was up 16.14 percent on a total return basis for the first six months of the year, with a dividend yield of 4.03 percent, as of June 30. U.S. Equity REITs were up 16.25 percent, with a dividend yield of 3.52 percent. These results compare to the S&P 500 Index first half 2014 total return of 7.14 percent and a dividend yield of 2.00 percent.

U.S. REITs outperformed the S&P 500 Index in both the first and second quarters of 2014: In the first quarter, the FTSE NAREIT ALL REITs Index delivered an 8.6 percent total return versus 1.8 percent for the S&P 500, and for the second quarter REITs delivered a 7.0 percent total return compared to 5.2 percent for the S&P 500.

The FTSE EPRA/NAREIT Global Real Estate Index – representing 456 companies from around the world with a combined market capitalization of $1.7 trillion – delivered a total return of 11.42 percent for the first six months, with a dividend yield of 3.57 percent at June 30.

"We have seen significant growth globally," Wechsler said. "Today, 30 countries have enacted their own REIT regimes, based largely on the U.S. model, and capital flows into REITs globally from investors around the world."

Apartment REITs led the way, but every major sector was up strongly
Among the major property sectors in the U.S., apartment REITs were the top-performing sector with a 23.54 percent total return for the first half of the year. Office REITs delivered a 17.78 percent return, while health care REITs and lodging/resort REITs followed closely behind with 17.59 percent and 17.26 percent returns, respectively. The retail sector was up 15.97 percent on a total return basis.

The FTSE NAREIT Mortgage REITs Index was up 17.73 percent for the first six months of the year, with the commercial financing subsector up 14.03 percent and the home financing subsector up 19.28 percent.

Market conditions supported REIT returns
Positive macroeconomic conditions helped drive robust REIT performance, with monthly U.S. job growth rising to an average of 231,000 in the first half of 2014 from 194,000 in 2013. Vacancy rates were little changed in national office and apartment markets but edged down in the retail sector, as strong tenant demand matched or exceeded increases in new supply.

Construction activity remains well below that seen in previous recoveries, however, suggesting further gains in occupancy and rent growth ahead. The U.S. apartment vacancy rate is at its low point for the recovery and has declined nearly 400 basis points from its peak in 2009-10, as the sector continues to benefit from the unprecedented level of pent-up demand for housing that built up during the financial crisis.

REIT balance sheets remain strong, with moderate leverage
Stock exchange-listed U.S. REITs raised $35.1 billion in new capital in the first six months of 2014 to deploy as part of their value creation strategies, compared to $45.5 billion in the same period last year. These REITs raised $18.7 billion of debt and $16.4 billion of common and preferred equity, including three IPOs raising a total of $763 million in the first half of 2014. Equity REITs had a debt ratio of 34.4 percent and an EBITDA to interest expense ratio of 3.5 times at March 31, the last period for which complete data are available.

Editors' Note: *REIT market performance data for the first half of 2014 summarized in this press release is available at the following link [Click Here for first half 2014 report]. In addition, NAREIT provides media resources on REIT Basics, a Glossary of REIT Terms, as well as other industry data and information on the value that REITs provide to investors, the economy and our communities on REIT.com. NAREIT also makes economists and other industry experts available for commentary on industry trends and research.*

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