Nareit Real estate working for you®

2020-2021

REIT Quick Facts

For financial professionals

Understanding REITs
- Key Insights
- Why Real Estate
- Why REITs

Considering Allocations
- Leading Perspectives
- The Role of Lifestages

Performance Data
- Morningstar® Fact Sheets

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Morningstar® Fact Sheets | COVID-19 Updates

reit.com/quickfacts

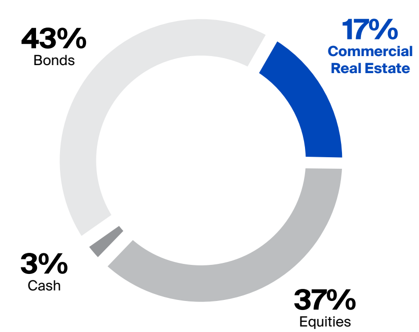
START

Are REITs underrepresented in your clients' portfolios?

If you are among the vast majority of financial professionals who recommend the use of REITs for portfolio diversification[1], you recognize that:

1. Commercial real estate is a fundamental asset class representing 17% of the U.S. investment market[2]
2. REITs are an effective and liquid means of investing in this asset class, allowing your clients to build a diversified portfolio that covers the entire U.S. investment market
3. Commercial real estate can bring unique attributes to a portfolio including:
   - A distinct economic cycle relative to most other stocks and bonds
   - Potential inflation protection

At 17%, commercial real estate is the **third largest asset class** in the U.S. investment market[2]



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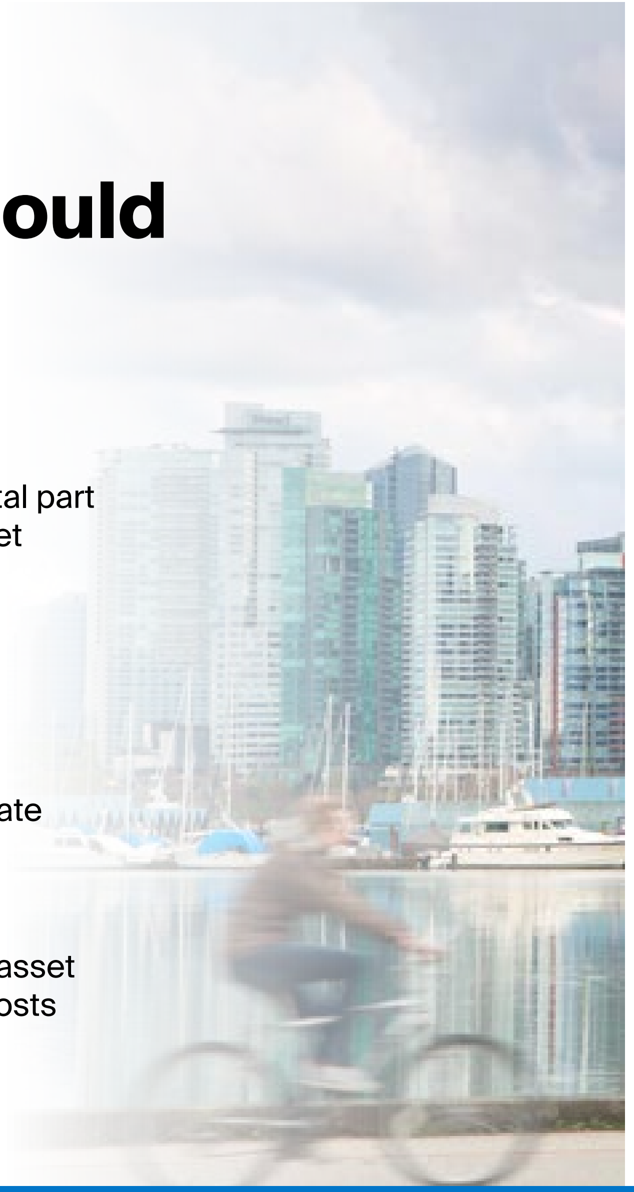
The significance of commercial real estate should not be underestimated



A key asset class

commercial real estate, like stocks, bonds and cash, is a fundamental part of a diversified portfolio that covers the entire U.S. investment market

A distinct economic cycle

relative to the cycle for most other stocks and bonds due, in part, to supply inelasticity

Long-term investment returns

that have provided high and growing income from rents plus moderate capital appreciation over time

Inflation protection attributes

due in part to the fact many leases are tied to inflation and that real asset values have tended to increase in response to rising replacement costs

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REITs are real estate working for you

Performance
The real estate market is the primary driver of REIT returns, therefore REITs may be used as a liquid proxy for gaining access to the entire asset class[2]

Liquidity
Bought and sold like other stocks, mutual funds and ETFs

Diversification
Low correlation with other stocks and bonds[3]

Dividends
Reliable income returns[4]

Simplicity
Compared with alternatives, REIT investing is straightforward and transparent, so investors may be more likely to understand and utilize REITs in their portfolios[5]

Key performance statistics through December 31, 2019 include:

10.89%	The trailing 25-year annualized total return of the Index*
15	The total number of years out of the past 25 that the Index* has outperformed the S&P 500
3.70%	The dividend yield of the Index* (which was double the S&P 500 dividend yield of 1.85%)

* Key performance data for the FTSE Nareit All Equity REITs Index through 12/31/19. For the latest data, visit reit.com/data-research

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What is an appropriate allocation to REITs?

The answer will vary based on each investor's goals, risk tolerance and investment horizon, but here are some key insights that can help:

- Multiple studies have found that the optimal REIT portfolio allocation may be between 5% and 15%.[6]
- David F. Swensen, PhD, noted CIO of the Yale endowment and author of *Unconventional Success: A Fundamental Approach to Personal Investment*, recommends a 15% allocation to REITs for most investors.

5% to 15%

Further insight comes from Princeton Economics Professor Burton Malkiel, PhD who suggests that a long-term investor saving for retirement should consider a portfolio that is heavily equity-oriented, with a meaningful portion of their equity investments focused on real estate.

Read the interview in REIT Magazine

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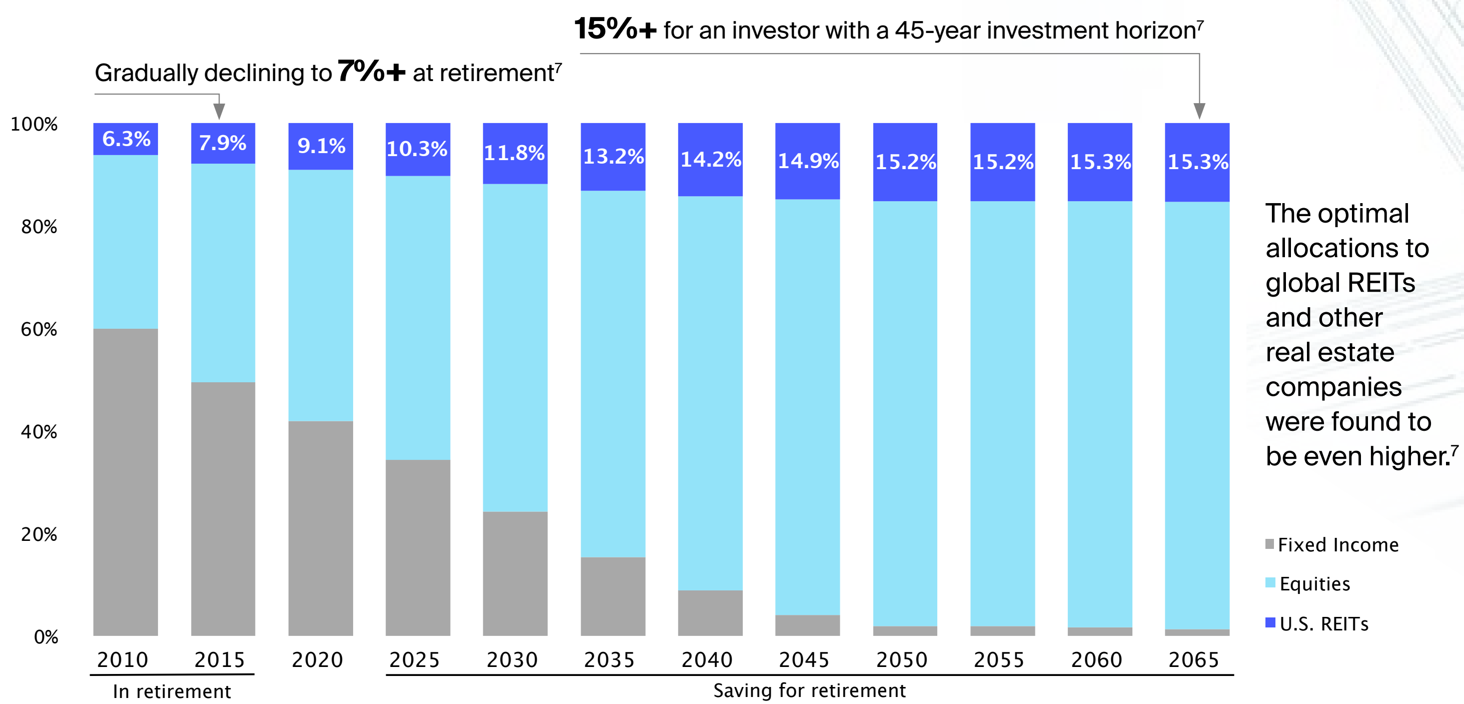
How do lifestages affect the optimal REIT allocation?

As this Wilshire Funds Management Glide Path Model shows, an optimal allocation for certain investors could start at 15%+ for an investor with a 45-year investment horizon, gradually declining to 7%+ at retirement and 6%+ after 10 years in retirement.[7]



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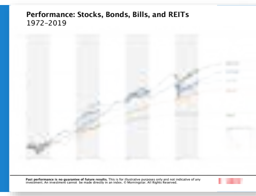
Looking closer at REIT performance

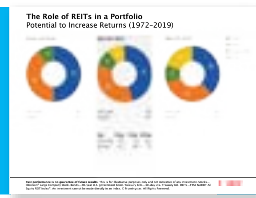
Here's what these Morningstar® Fact Sheets reveal about past REIT performance for the 48-year period ending December 31, 2019 (the longest period for which data are available):

Largest Increase



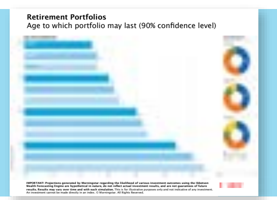
Compared to bonds, T-Bills and other stocks, REITs provided the **largest increase** in wealth in 48 years. Details

Increased Returns



Adding REITs to a hypothetical portfolio **increased returns** with no increase in risk. Details

Extended Lifespan



Adding REITs to a hypothetical portfolio **reduced the risk of outliving assets** for retirees. Details

Click here to view, download or print the Fact Sheets

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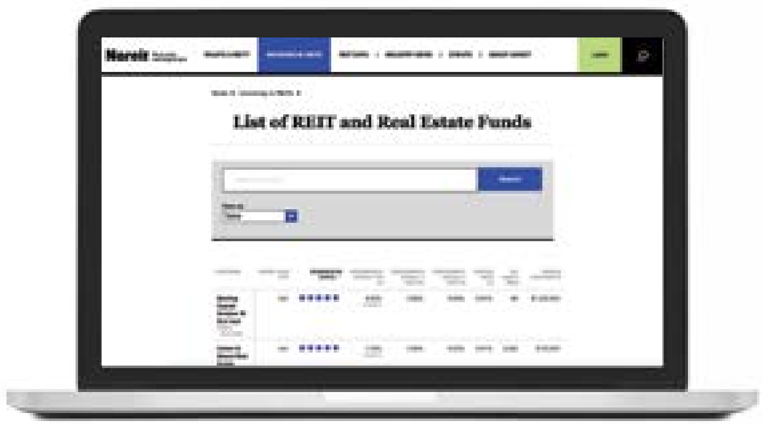

Nareit's free, searchable database is the only place you can:

- **RESEARCH** more than 300 REIT mutual funds and ETFs for your clients
- **ACCESS** performance details on individual REITs
- **CUSTOMIZE** your dashboard to follow specific funds, individual REITs and more

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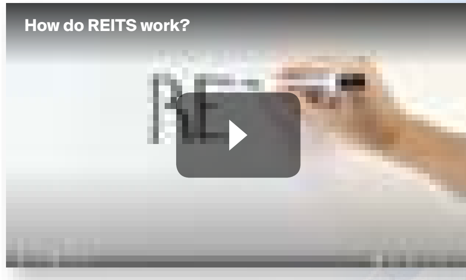
How REITs work

Watch this whiteboard video to learn more about the rules that govern REITs and how they operate.



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1. Source: Investment News' 2018 Outlook Survey of 344 advisers in December 2017
2. Sources: Stock and bond data from Board of Governors of the Federal Reserve, Financial Accounts of the United States, 2018Q4; commercial real estate market size data based on Nareit analysis of CoStar property data and CoStar estimates of Commercial Real Estate Market Size, 2018Q4.
3. Source: CEM Benchmarking, 2019, available at https://www.reit.com/sites/default/files/media/PDFs/Research/NAREITCEMESupdate2018Oct24.pdf
4. Source: Nareit sponsored study by Wilshire Funds Management – Income Oriented Portfolios – Challenges and Solutions, October 2016
5. Source: Cohen & Steers. "REITs: Answering the Call for DC Plan Diversification," January 2019.
6. Examples of studies within the stated range include: Ibbotson Associates, Morningstar, and Wilshire Funds Management.
7. Source: Nareit sponsored study by Wilshire Funds Management, 2020 – The Role of REITs and Listed Real Estate Equities in Target Date Fund Allocations. Large-cap stocks – Wilshire U.S. Large Cap Index; Small-cap stocks – Wilshire U.S. Small Cap Index; International stocks – Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index; Emerging Market Equities – MSCI Emerging Markets Index; U.S. bonds - Barclays U.S. Aggregate Bond Index; Non-U.S. bonds – Citigroup Non-USD World GBI; U.S. REITs – FTSE Nareit All Equity REIT Index.

IMPORTANT: These facts exclusively address stock exchange-listed Equity REITs. To learn how this type of REIT differs from a Mortgage REIT, and how listed REITs differ from non-listed REITs, see the SEC Investor Bulletin Real Estate Investment Trusts (REITs) available at http://sec.gov/investor/alerts/reits.pdf. REIT investments are not suitable for all investors. Past performance is no guarantee of future results.

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