

# PRESS RELEASE



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## **NEW ANALYSIS VALIDATES BENEFITS OF INCLUDING REAL ESTATE AS CORE PORTFOLIO HOLDING**

**Washington, D.C.** — The benefits of REIT stock investing have been further validated by new research concluding that real estate should be considered a core portfolio asset.

Ibbotson Associates, a leading authority on asset allocation, was commissioned by the National Association of Real Estate Investment Trusts® (NAREIT) to analyze how REIT stocks and direct real estate equity interact in diversified investment portfolios.

“Ibbotson found that REITs and direct real estate have similar, though not identical, long-term investment characteristics and create more efficient portfolios when combined as complementary investments,” said NAREIT President and CEO Steven A. Wechsler.

Using annual returns for a 15-year period (1987-2001), Ibbotson determined that expected annual returns were as much as 27 basis points (.27 percent) higher in portfolios that included both REITs and direct real estate equity than in portfolios with no real estate allocation (see Chart 1).

“There is a growing body of real estate research suggesting that direct real estate investments and publicly traded real estate securities perform well together as complementary investments,” explained Michael R. Grupe, NAREIT senior vice president for research and investor outreach. “And there are compelling reasons for including both in an institutional portfolio.”

The study’s message for individual investors also is clear. “Real estate should be viewed as a core asset. Pension plans and other institutions have recognized

(more)



this fact for many years and have capitalized on direct real estate equity and REITs for dividends and diversification,” Grupe explained. “Real estate stocks remain the best way for the average American to gain the same benefits. In fact, adding REITs to a diversified investment portfolio increased the total return by as much as 50 basis points at most risk levels, according to the most recent update of Ibbotson’s earlier analysis using 2002 performance data (see Chart 2). Yet, fewer than one in 10 defined contribution plans offer participants a REIT option, according to the Profit Sharing/401(k) Council of America’s latest survey.”

“Our view, supported by Ibbotson’s findings, is that REIT stocks should be part of every investment portfolio—be it individual or institutional,” Wechsler added. “The scarcity of real estate choices in 401(k) plans today places individual savers at a significant disadvantage and denies them the benefits of investing in commercial real estate that have long been available to institutional investment professionals.”

Data for REITs used in this study are based only on publicly traded REITs.

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The National Association of Real Estate Investment Trusts® (NAREIT) is the national trade association for REITs and publicly traded real estate companies. Members are real estate investment trusts (REITs) and other businesses that own, operate and finance income-producing real estate, as well as those firms and individuals who advise, study and service those businesses. Visit our Web sites at [www.nareit.com](http://www.nareit.com) and [www.investinreits.com](http://www.investinreits.com).



## Chart 1

# Higher Returns from Real Estate

Basis points

| Risk in Percent | REITs and Direct Real Estate Combined | Direct Real Estate Alone | REITs Alone |
|-----------------|---------------------------------------|--------------------------|-------------|
| 2               | 8-13                                  | 5-10                     | 6           |
| 4               | 11-20                                 | 6-14                     | 10          |
| 6               | 16-27                                 | 8-18                     | 13          |
| 8               | 20-27                                 | 17-20                    | 17          |
| 10              | 9                                     | 0-9                      | 9           |

This is for illustrative purposes only and not indicative of any investment.

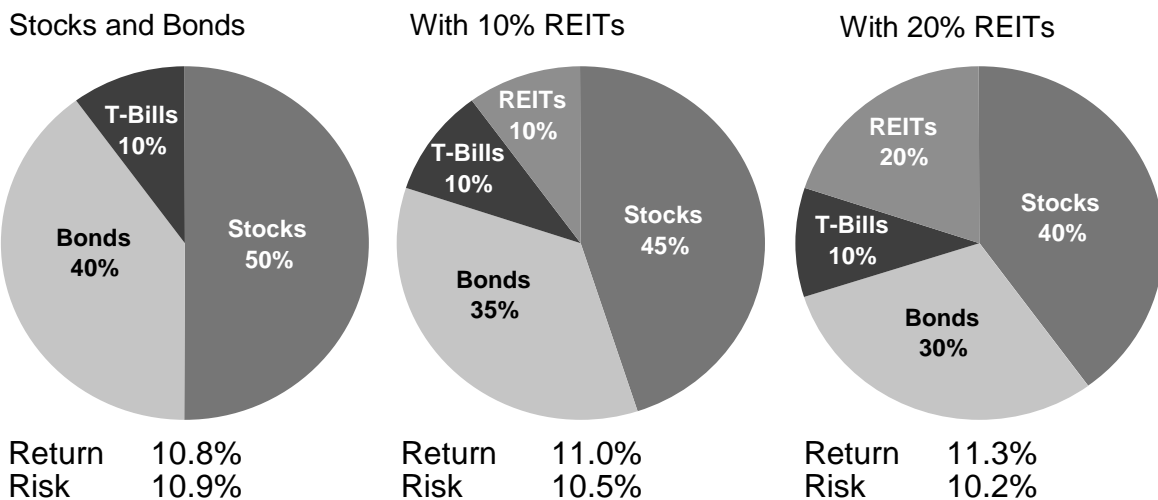
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## Chart 2

# Diversify to reduce risk or increase return

Stock and bond investors 1972–2002



Source: Large Stocks — Standard & Poor's 500<sup>®</sup>; Bonds — 20-year U.S. Government Bond; T-Bills — U.S. 30-Day T-Bill; REITs — NAREIT Equity Index

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