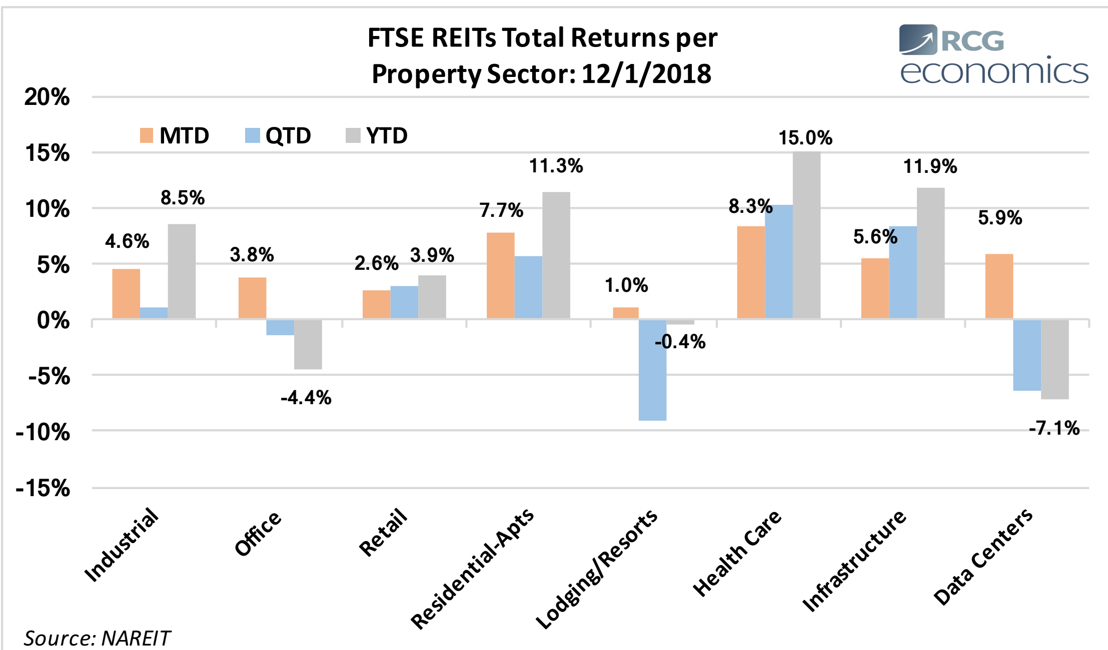
Welcome to our monthly REITView newsletter – analyzing the latest trends in real estate investment trusts (REITs) and the implications for investors and the Nevada real estate market. REITs own, and often operate, a pool of income-producing real estate assets. Investors can then purchase a liquid stake in these portfolios – think of them as mutual funds for real estate.

While REITs are not the biggest players in Nevada's commercial real estate landscape, secondary markets like Las Vegas with above-average population and job growth are likely to attract REITs looking for value and growth opportunities.

REIT RETURNS

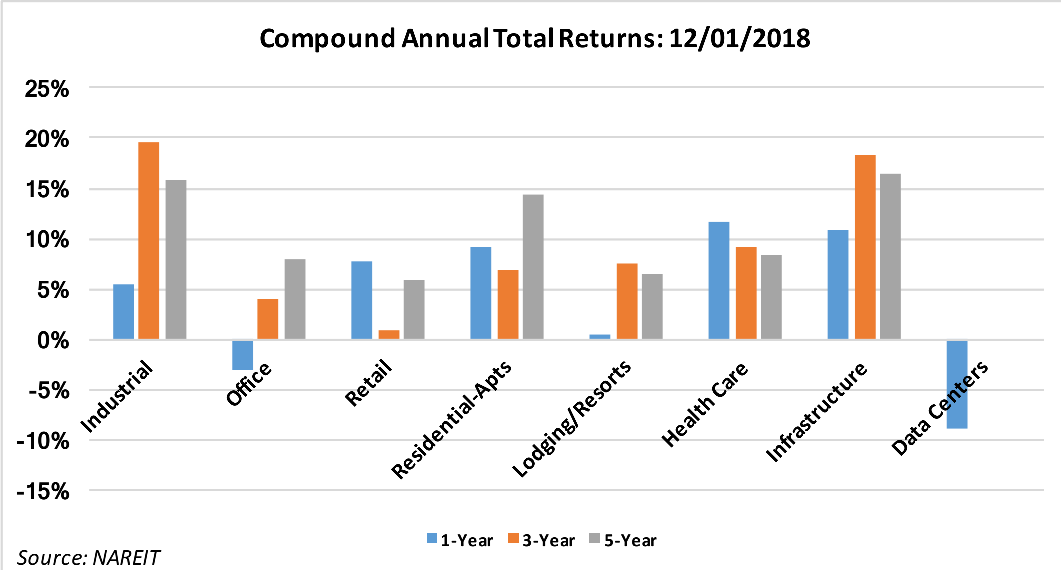
The sectors listed below, which were selected based on relevancy to Nevada, represent more than 75% of the 173 FTSE REITs currently being traded. It is useful to look at shorter-term and longer-term returns to determine trends.

The monthly returns for November were positive across the board. Health Care is the strongest performer for the month, quarter, and year to date. While this sector faces challenges due to wages, inflation, and poor government reimbursements, the fundamentals are strong as the health needs of aging Baby Boomers grow. Apartments saw the second-highest monthly growth at 7.7%, followed by Infrastructure at 5.6%. Infrastructure jumps to second place for the quarter and year, pushing Apartments to third. Also of note – a poor quarter is leaving Resort REITs relatively flat for the year, and Data Centers and Office are contracting despite decent bumps in November.



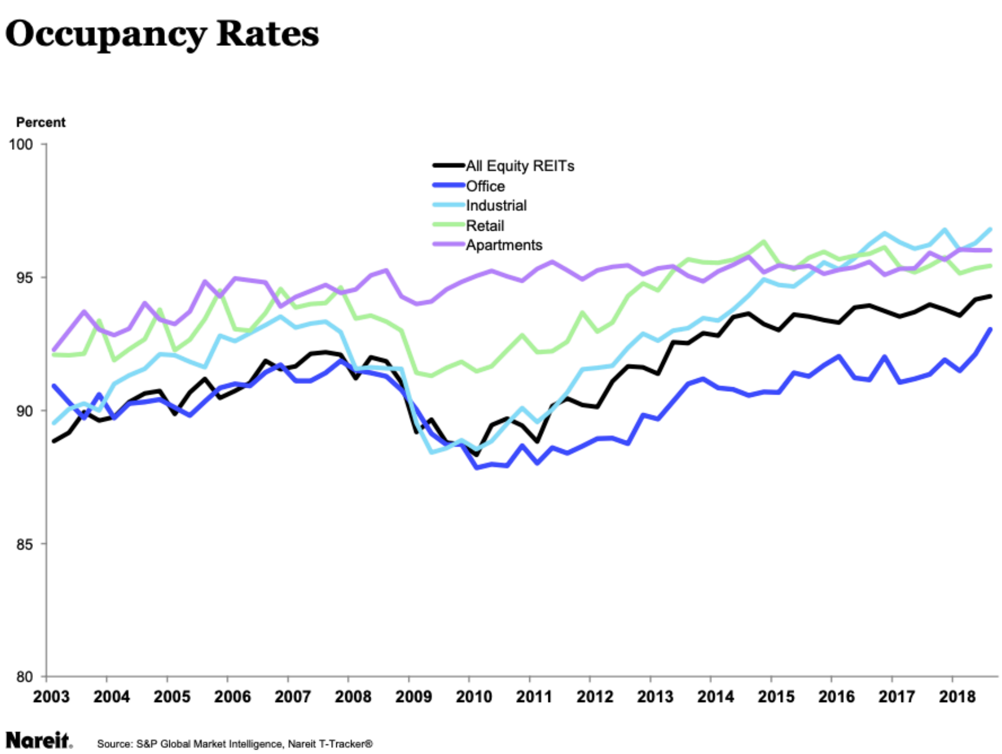
Retail REITs have modest but positive gains across the month, quarter, and year. While much has been said about the impact of e-commerce on retail, the sector has been adapting, and REITs are well positioned with portfolios that have above-average quality, customer traffic, and neighborhood incomes.

Looking longer-term, at compound annual total returns, we see that infrastructure and industrial REITs are performing the best during a 5-year period, each with compound gains of about 16%. Industrial is the best performer in the 3-year period with 19% growth, consistent with the rapid expansion of online retail fulfillment over the same timeframe. Meanwhile, retail's returns point to adaptation despite increased volatility and a weak 3-year timeframe. Apartments have been doing better over the last 5 years, as the housing market recovered, than they are recently. The same could be said with office space, although the recovery has been smaller and looks like it may have come to an end this year. Finally, the aging baby boomers point to a growth in Health Care real estate each year.



OTHER REIT TRENDS

Nareit's T-Tracker for the third quarter was released – giving additional information and breakdowns of REIT fundamentals. Occupancy rates for most sectors and for REITs overall were up, and net operating income was up 4.8% over the year. Leverage ratios are also on the decline. In summary, the fundamentals are strong for real estate investment looking ahead.



CONCLUSION

With strong occupancy rates, declining debt loads, benefits of the Tax Cuts and Jobs Act, and volatility in the stock market, real estate is well positioned for investment and gains in the near term – especially sectors with strong fundamentals for growth, like apartments, health care, and industrial property. Another boost could come if the new Congress can deliver a substantial new investment in infrastructure.