RCG economics

December REITview

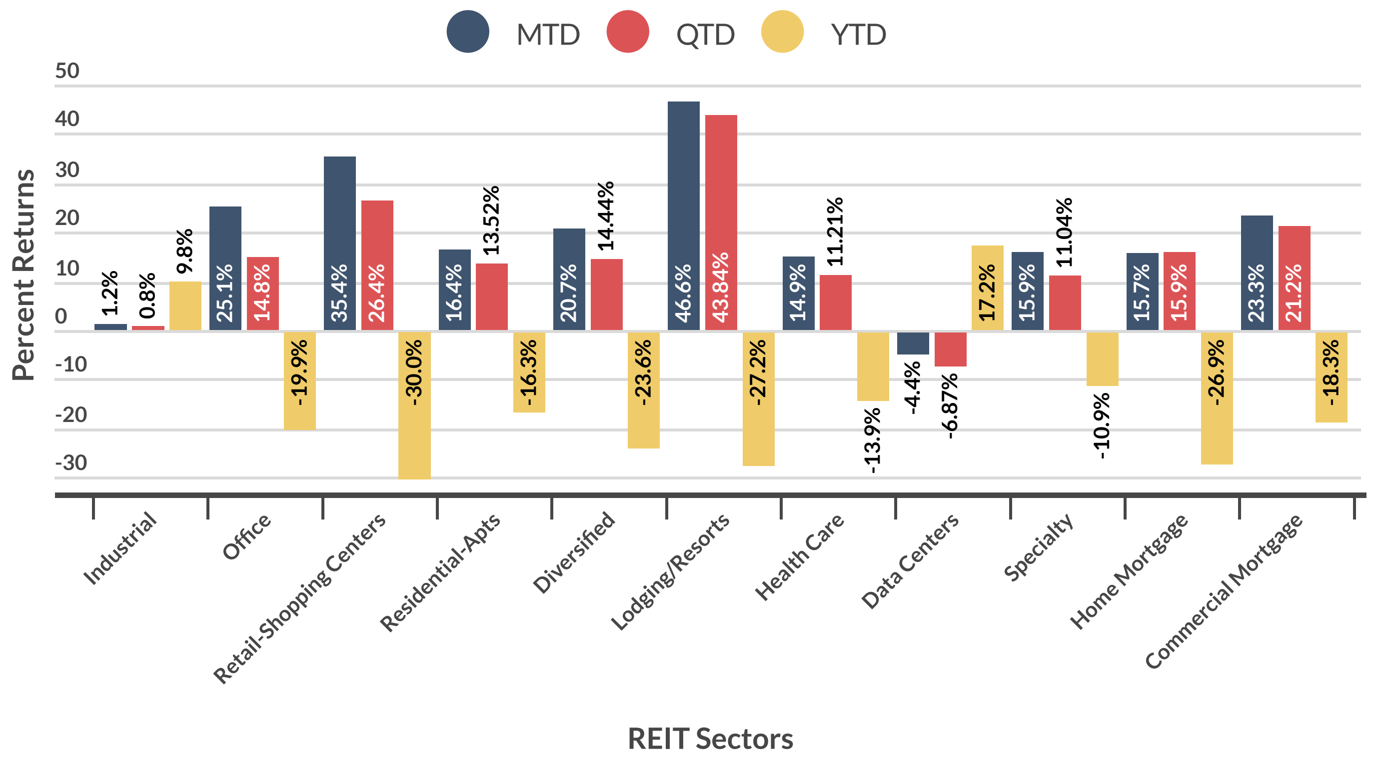
Welcome to our monthly REITview newsletter – where we analyze the latest national trends in real estate investment trusts (REITs) and their implications for investors and the Nevada real estate market. REITs own and often operate a pool of income-producing real estate assets. Investors can purchase a 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.

The sectors listed below were selected because they include at least 10 REITs each (except for Data Centers, which includes five). They represent more than 97 percent of the 159 Financial Times Stock Exchange (FTSE) REITs currently being traded. It is important to examine both short-term and long-term returns to determine trends.

REIT investments finally rebounded in November, with the 150 FTSE Nareit Equity REITs posting a 13.53 basis point improvement versus October as investors in the broader market rotated out of tech stocks and into value plays. The Office and Shopping Center sectors, October's biggest losers, posted 25 and 35 percent returns for the month, respectively. As good as that is, it pales in comparison with the eye-popping 46.63 percent return for the Lodging/Resorts sector! Data Centers, which benefitted most from the NASDAQ's pandemic run this year, comprise the only sector RCG tracks with negative returns for the month. Still, Data Centers and Industrial are the only sectors with positive returns year-to-date.

November 2020 REIT Performance (as of November 30, 2020)

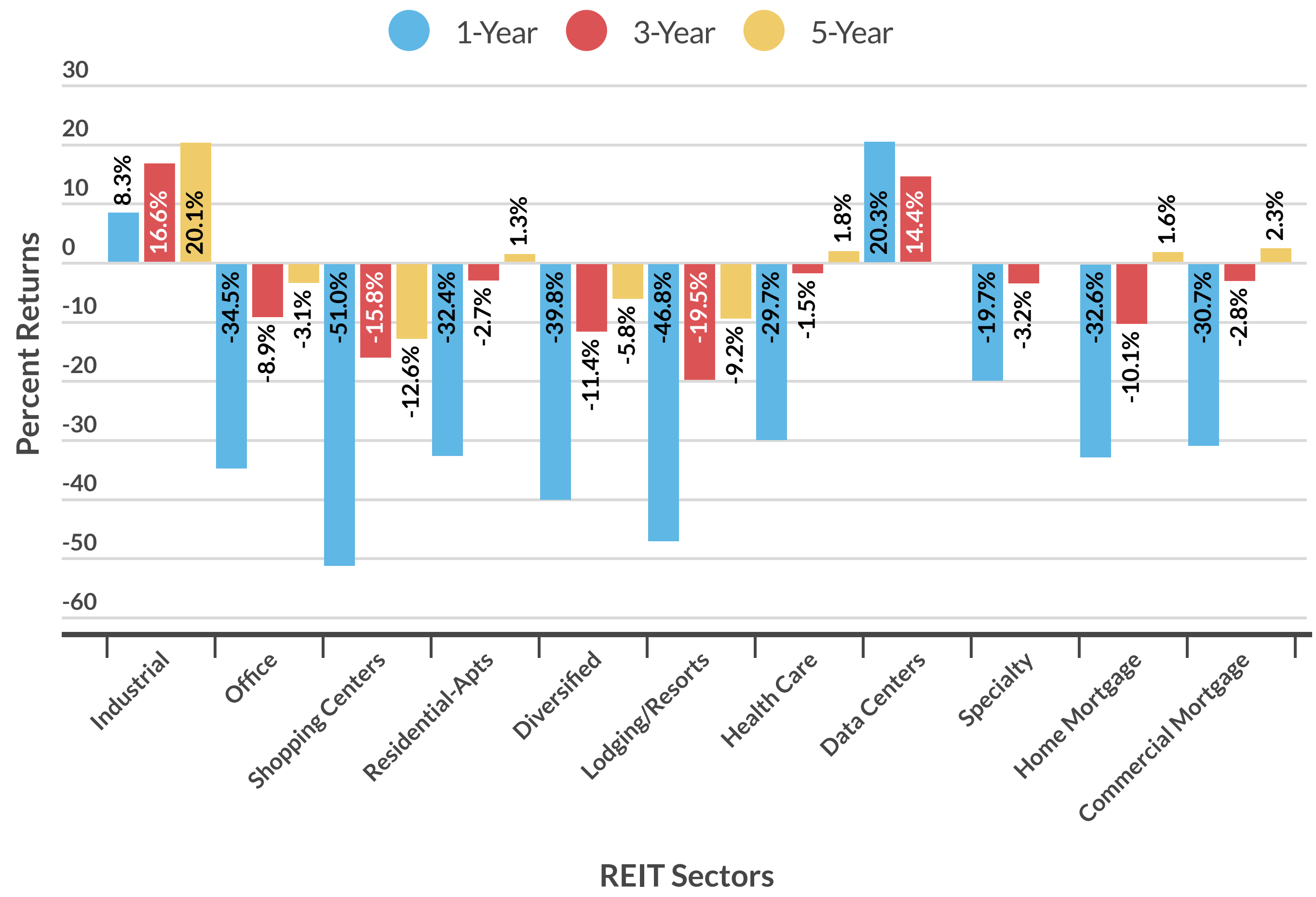


What the experts are saying:

- "With increased work-from-home, more people are seeking larger units, although that trend may be challenged with the recession and employment trends, [AvalonBay's CIO] Birenbaum points out. … 'I wouldn't be surprised if the average size for the industry as a whole grew by 10% to 15% through the course of this decade' [(NYSE: AVB)]. … More affordable regions and more suburban locations can accommodate larger properties and more two-bedroom units and still keep a price point that's affordable to the majority of the renter market." --REIT Magazine: November/December 2020

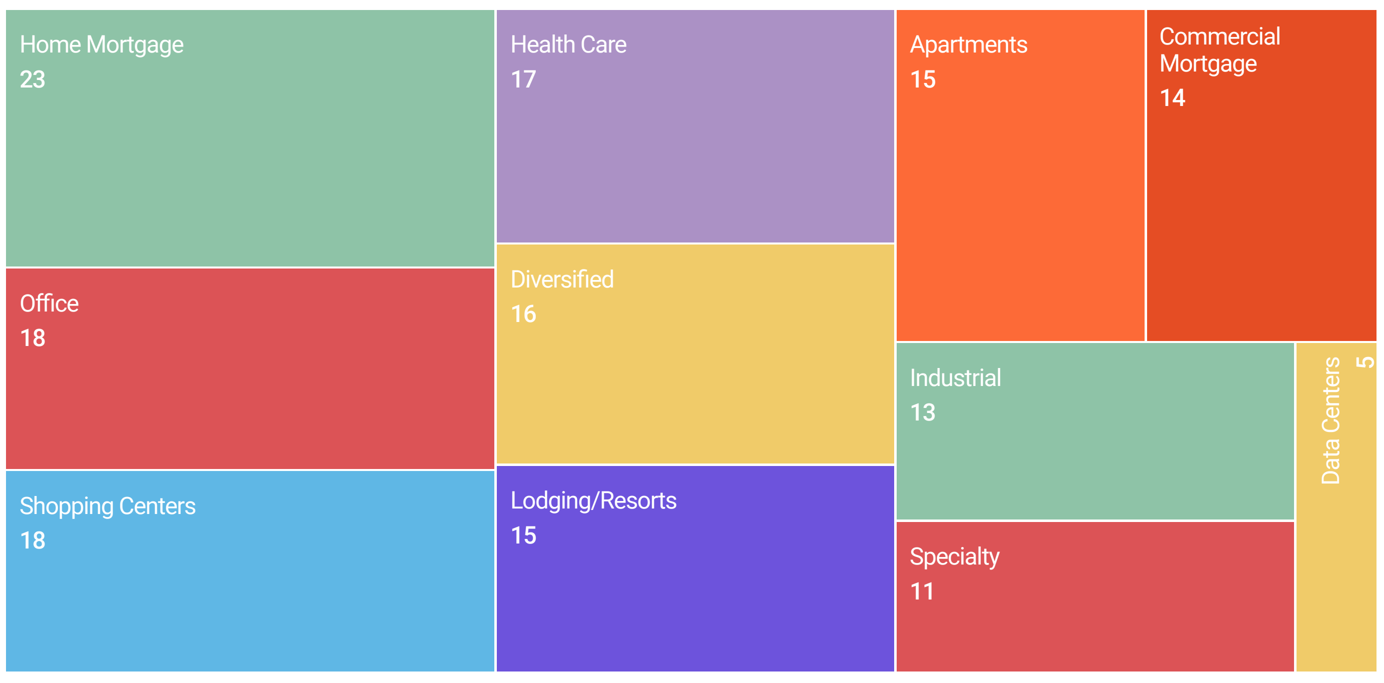
- "[D]emand for single-family rental homes has surged during the pandemic. … Occupancy rates increased 15 percentage points between the first and second quarter. Nearly 60% of operators say homes are spending less time on the market, up from 35% in the first quarter. 'In a typical year, we see occupancy decline seasonally in the summer months,' says Kristi DesJarlais, SVP of communications at Invitation Homes Inc. (NYSE: INVH). "However, this summer we have seen occupancy rise. We're currently experiencing a record-high occupancy of 97.5% overall.'"--REIT Magazine: November/December 2020

Compound Annual Total Returns (as of November 30, 2020)



- "Bolstering [Mortgage REITs'] attractiveness, the Fed is now protecting both sides of their positions. It has indicated that it will keep its policy super-easy to get average inflation above 2%. At the same time, the central bank is supporting mortgage-backed securities through monthly purchases of $40 billion of them, as part of its quantitative-easing program." -- Barron's, October 16, 2020

Number of REITs Tracked



Data Source: National Association of Real Estate Investment Trusts (NAREIT)