June REITview

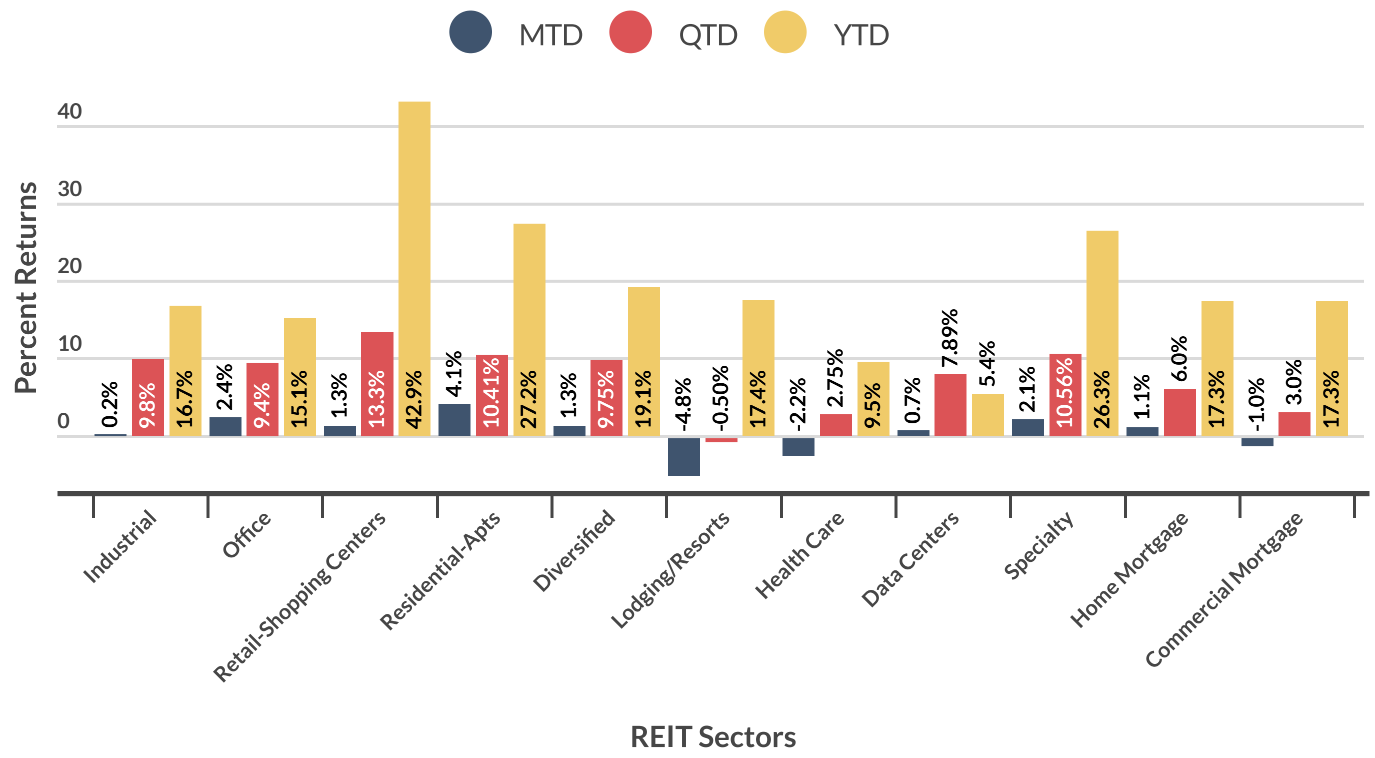
Welcome to our monthly REITview newsletter – where we analyze the latest national trends in real estate investment trusts (REITs) and their implications for investors and the Nevada real estate market. REITs own and often operate a pool of income-producing real estate assets. Investors can purchase a 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 95 percent of the 158 Financial Times Stock Exchange (FTSE) REITs currently being traded. It is important to examine both short-term and long-term returns to determine trends.

The 158 FTSE REITs remained in the black for April but plateaued from their March surge, gaining just **0.82 percent** for the month. Lodging/Resorts REITs reversed course in April, with the worst performance of any sector RCG tracks, but remain in the top five best-performing sectors over the trailing 12 months. With the best year-to-date of any sector, Retail REITs are now the second-best performing sector over the past year, bolstered by the phenomenal quarter- and year-to-date posted by Shopping Center REITs. That said, Lodging/Resorts are still down **6.21 percent**, annually, over the past three years and Retail REITs have returned **-1.1 percent**, annually, over the 5-year horizon.

May 2021 REIT Performance (as of May 28, 2021)

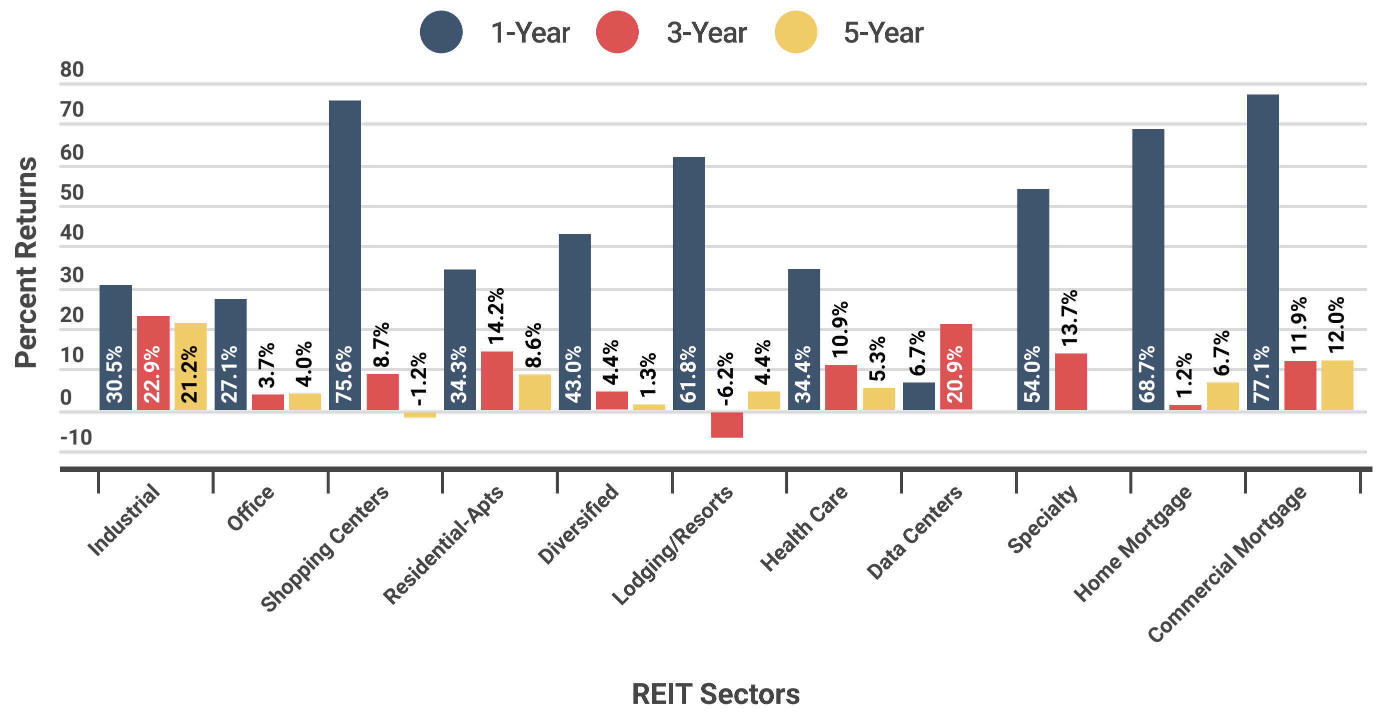


What the experts are saying:

- "In my 20-year career, this appears to be the biggest challenge I've seen – greater even than the Financial Crisis of 2008, because the effects have been so devastating to certain sectors. In 2008, we saw massive hits to commercial real estate (CRE) values overnight, but we didn't see such deep pain in individual segments of the industry. But in the current environment for retail and hospitality for instance, we're likely to see situations that are unrecoverable for several years. Or we could even see permanent paradigm shifts disrupting those industries. It's going to be fascinating to see how quickly behaviors rebound that impact real estate like retail, hospitality, and even office."--Jason Krentler, Stout, REIT Magazine, March/April 2021

- The Urban Land Institute's (ULI) survey of 42 economists and analysts "noted that [two-year] warehouse and apartment occupancy and rent growth are predicted to outpace long-term trends. In 2021, industrial and apartment rent growth is forecast to be 4% and 1.7%, respectively, and 3.7% and 3% respectively in 2022. By 2023, positive rental growth is forecast for all sectors, ranging from 3.1% for both the industrial and apartment sectors to 1.5% and 2% in the retail and office sectors, respectively. Meanwhile, housing starts exceeded the 20-year average in 2020 for the first time since the financial crisis. Housing starts are expected to continue to increase to 1.1 million in 2021 and 1.2 million in 2022, and remain at that level in 2023."--"ULI Spring Economic Forecast Sees Real Estate Metrics Outpacing Long-Term Averages," Nareit, 05/21/21

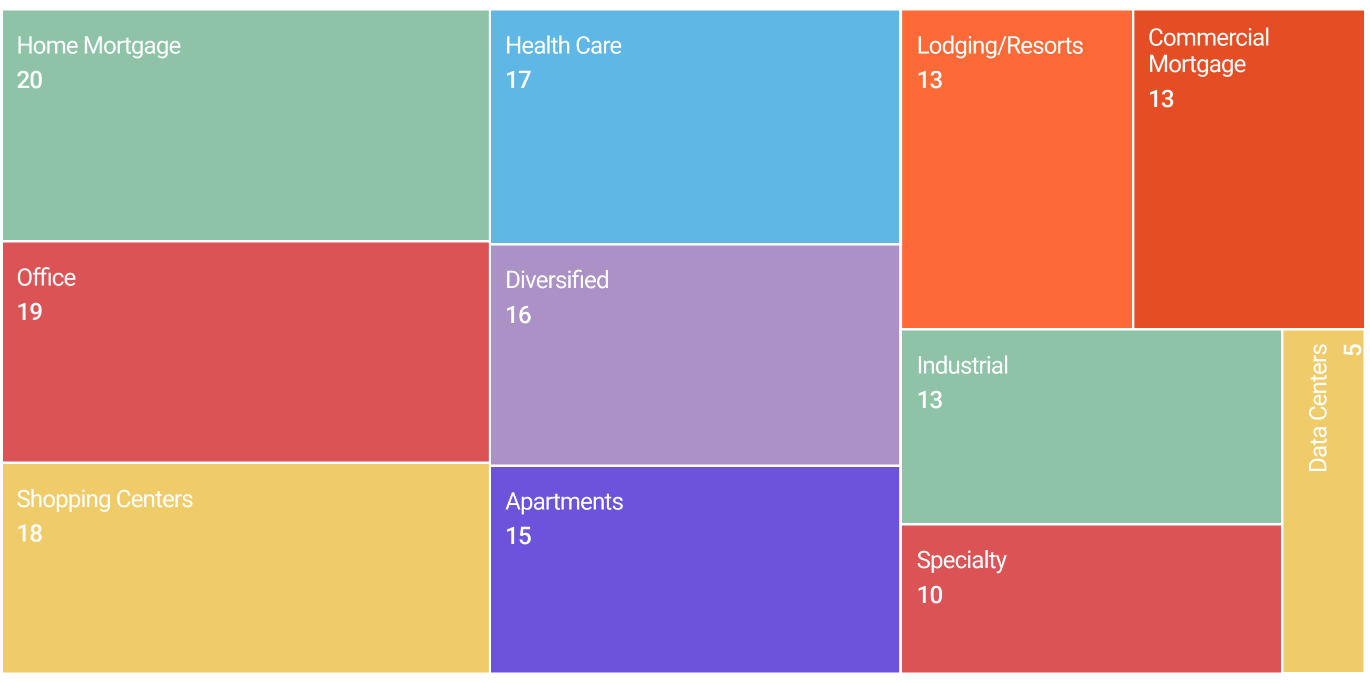
Compound Annual Total Returns (as of May 28, 2021)



- "In all but three of the last 20 years, REITs' dividend increases have outpaced inflation as measured by the Consumer Price Index. … Over the twenty-year period, average annual growth for dividends per share [was] 9.4% (or 8.4% compounded) compared to only 2.1% (2.0% compounded) for consumer prices."--"How REITs Provide Protection Against Inflation," Nareit, 05/17/21

- "Some observers have expressed concern about the impact of higher rates on commercial and residential real estate markets. Most of the evidence, however, suggests that the rate environment will remain favorable for real estate. … Many economists expect the economy to grow at a 6% or faster annual rate over the remainder of this year. To the extent that faster growth generates higher inflation, it also generates higher business activity and demand for commercial space, higher occupancy rates, higher earnings for commercial real estate, and higher property valuations. These higher earnings generally offset any drag from rising interest rates during periods when growth accelerates."--Calvin Schnure, senior vice president of research & economic analysis, Nareit, 05/11/21

Number of REITs Tracked



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