RCG economics

July REITview

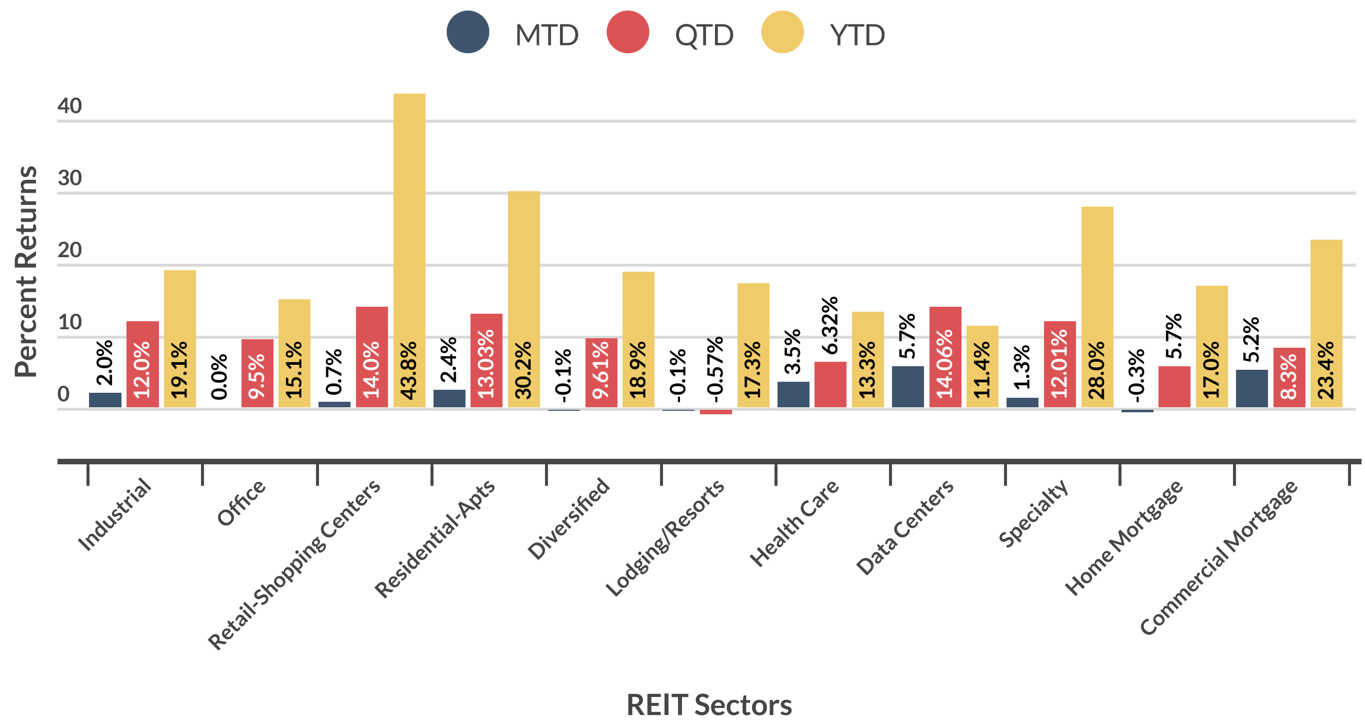
Welcome to our monthly REITview newsletter – where we analyze the latest national trends in real estate investment trusts (REITs) and their implications for investors and the Nevada real estate market. REITs own and often operate a pool of income-producing real estate assets. Investors can purchase a 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 157 Financial Times Stock Exchange (FTSE) REITs currently being traded. It is important to examine both short-term and long-term returns to determine trends.

REITs had a very strong June , returning **2.77 percent** across the 157 equities that FTSE tracks, up 1.95 percentage points from the previous month. The month was flat on average for the Lodging/Resorts sector, though these 13 REITs together still have the best one-year rebound (**74.49 percent**) from the pandemic of any sector RCG tracks. The Healthcare, Data Center, and Commercial Mortgage sectors greatly improved from the previous month, with the latter two leading the pack of REIT sectors with better than **five percent** returns in June. The Office sector is still struggling, with one of the slowest recoveries from the pandemic and the third-worst performance over the three-year horizon (only outperforming Home Mortgage REITs and the Lodging/Resorts sector).

June 2021 REIT Performance (as of June 30, 2021)

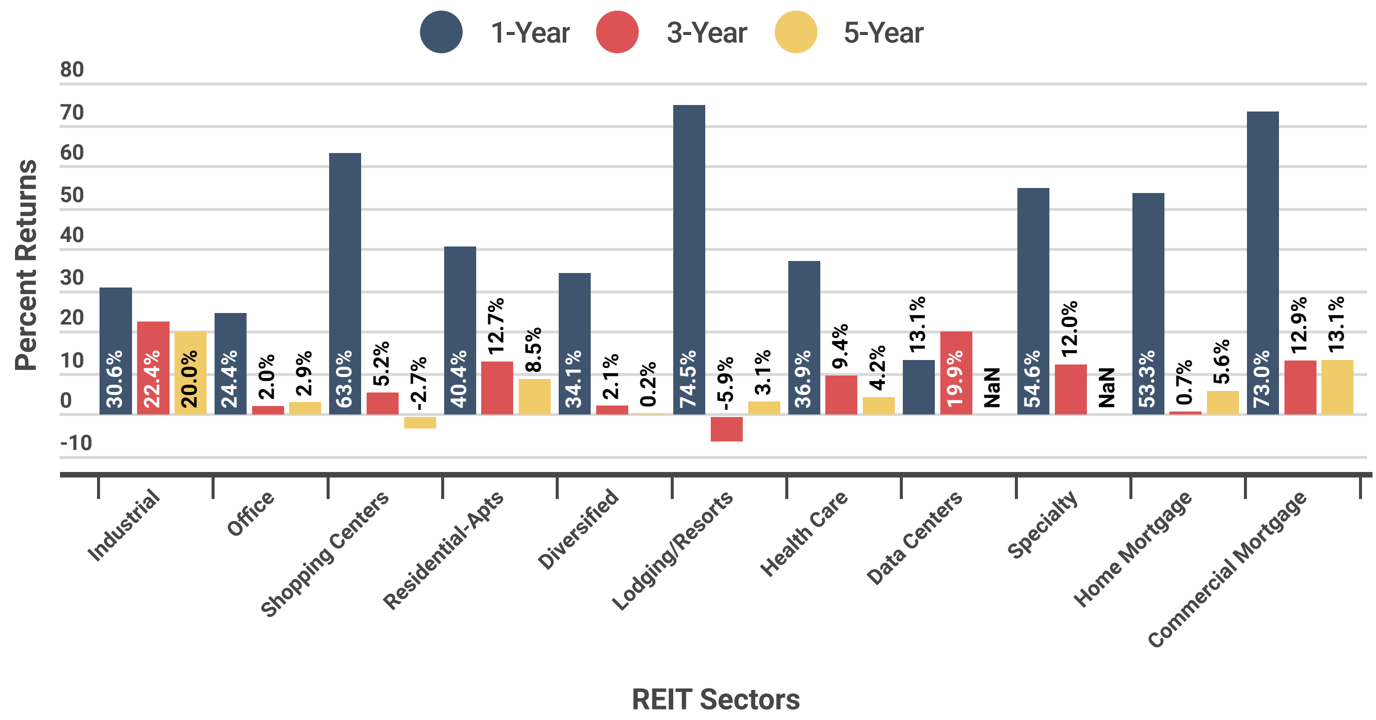


What the experts are saying:

- "The biggest change [to REITs emerging from the pandemic] is portfolio diversification," says Brian Sutherland, VP of commercial real estate at Yardi. "I suspect we are going to see more multifamily build-outs happening in current office towers. We are going to see hospitality mixed in. … We are going to see coworking in office buildings as well, potentially as an amenity within the property."--GlobeSt.com, "REITs Adopt a New Strategy: Diversification," June 29, 2021

- "The U.S. economy is growing again after large parts of the country had been shut down for much of 2020. Real GDP rose at a 6.4% annual rate in the first quarter, and economists surveyed by the Wall Street Journal expect growth for the full year 2021 to match this 6.4% pace. Such growth would place 2021 in the top ten years during the post-WWII period …. [However, some] sectors of commercial real estate will likely lag the overall economy. Lodging/resorts and retail property markets have stabilized, but are unlikely to see significant improvement until travel volumes and shopping patterns get much closer to pre-pandemic patterns. Travel volumes and foot traffic in stores have been picking up this spring, but a full recovery is unlikely to be completed until 2022. Senior housing properties within the health care sector have experienced a drop in occupancy due to a hesitancy to move in during the pandemic, and higher costs for personnel, PPE, and cleaning supplies."--Nareit, "2021 Midyear Outlook for REITs and Commercial Real Estate: A Robust Recovery Ahead"

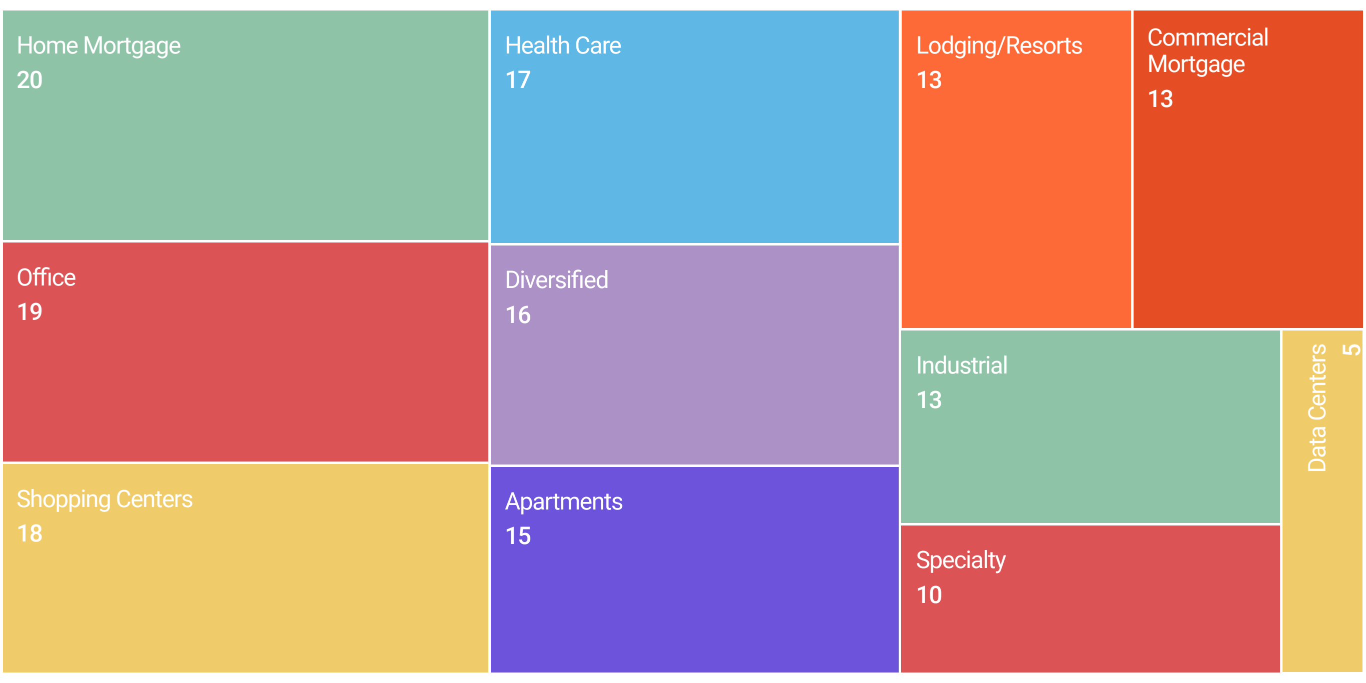
Compound Annual Total Returns (as of June 30, 2021)



- "Nareit expects transitory upticks in prices due to supply-chain and reopening issues as the economy recovers. During this transition period, inflation may stay in the headlines and on the minds of investors. Real estate and REITs have historically been resilient during periods of inflation. Historically, both rents and real estate values tend to increase along with broader price levels, providing real estate owners with higher nominal revenues, albeit in inflated dollars."--Nareit, "2021 Midyear Outlook for REITs and Commercial Real Estate: A Robust Recovery Ahead"

- "Among the ten major asset classes, REITs are now the best performing this year, leaping over the Commodities (DJP) and Small-Caps (SLY) this past week. Despite the rough 2020 in which REITs were the worst-performing asset class, REITs are still the fourth best-performing asset classes since the start of 2010, producing average annual total returns during this time of 11.8%. REITs lag only Small-Cap, Mid-Cap, and Large-Cap equities over this time period, producing far superior total returns to Bonds (AGG), TIPS (TIP), Commodities (DJP), Emerging Markets (EEM), and International (EFA) stocks."--Hoya Capital Real Estate, "Fed Sparks Sell-Off As Shortages Worsen," Seeking Alpha, June 19, 2021

Number of REITs Tracked



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