

March 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.

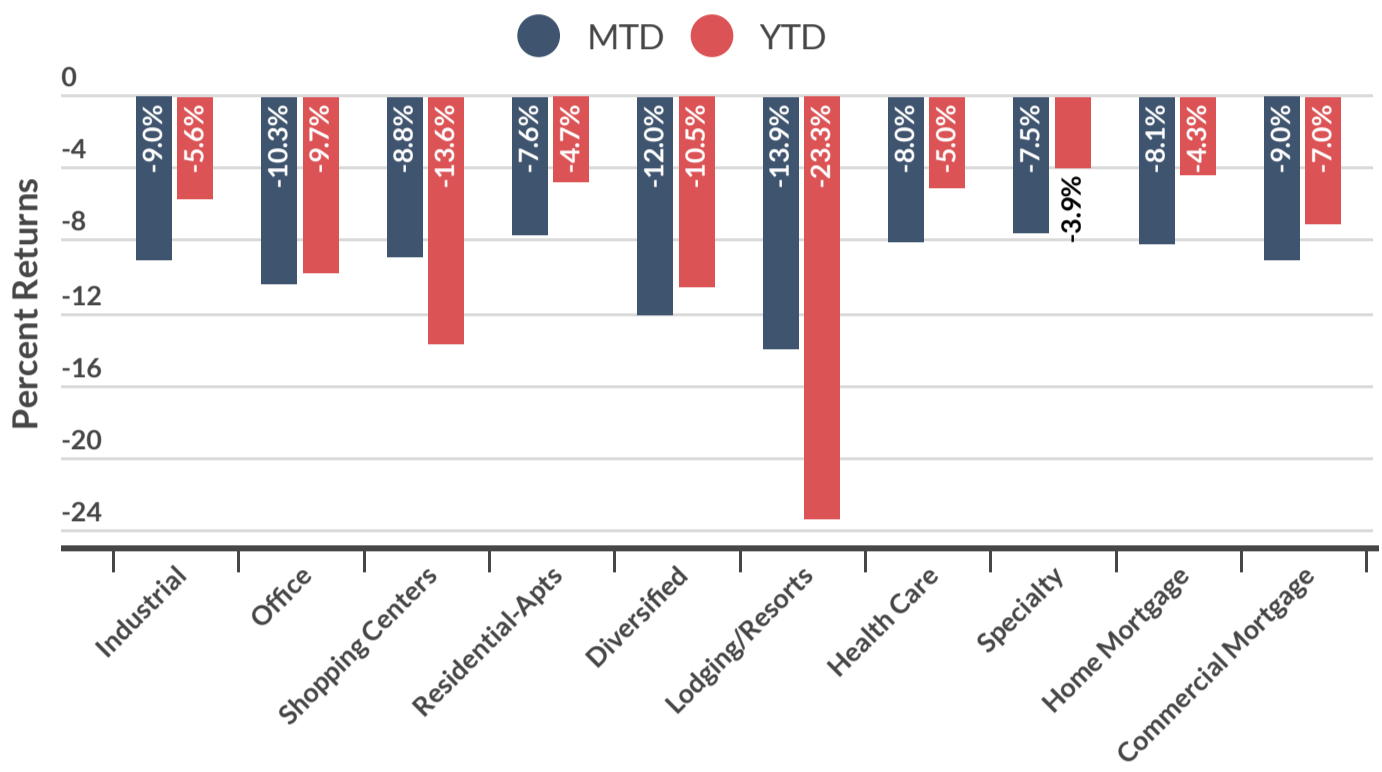
While REITs are not the biggest players in Nevada’s commercial real estate landscape, secondary markets like Las Vegas with above-average population and job growth are likely to attract REITs looking for value and growth opportunities.

The sectors listed below were selected because they include at least 10 REITs each. They represent more than 97 percent of the 163 Financial Times Stock Exchange (FTSE) REITs currently being traded. It is important to examine both short-term and long-term returns to determine trends.

Given the market turmoil attributable to the coronavirus (Covid-19) outbreak, we dedicate this month's REITview to the effect that this has had and may have on REIT investments.

The 163 REITs traded on the FTSE ended February down **7.03 percent**, down over 8 percentage points from January. Predictably, the hardest hit was the Lodging/Resorts sector, which had already had an abysmal first month of the year. The office sector also performed badly, down **10.25 percent**, perhaps amid fears that the outbreak will disrupt the normal course of business in commercial rentals. Apartment and Home Mortgage REITs have been lightly affected, relatively speaking, down roughly **4.5 percent** year-to-date.

February 2020 REIT Performance (as of February 29, 2020)



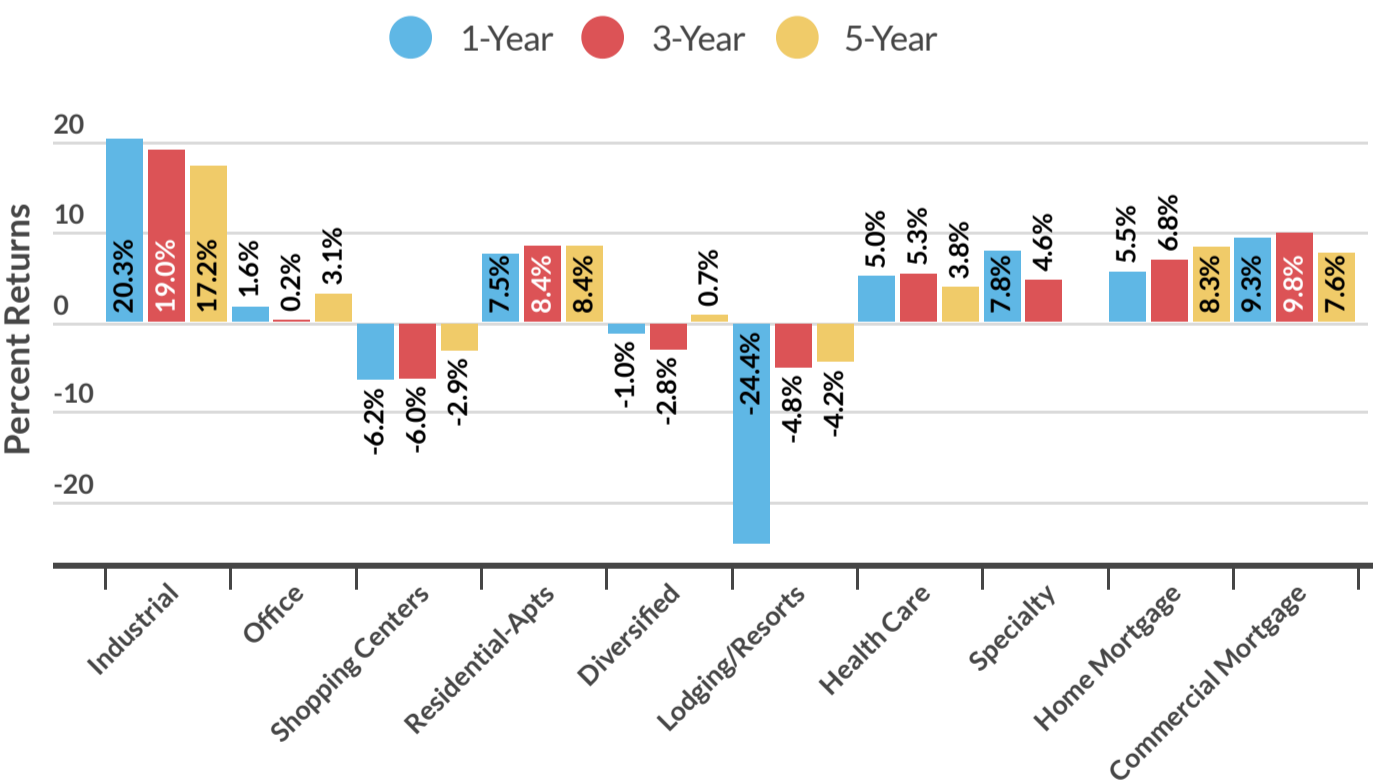
REIT Sectors

Bank of America Securities analysts expect datacenter and cell tower investment REITs to be relatively unscathed by the global downturn. "There is no evidence of correlation between GDP growth and data center leasing activity," [MarketWatch reports](#). "Data centers are necessary for corporate internet continuity" and fears over COVID-19 "could drive greater use of internet shopping." REITs that invest in towers for wireless carriers are a defensive play, "with long-term lease contracts and no human interaction at sites." BofA expects wireless carriers "to maintain their [capital expenditures] with mobile data demand usage growing 30-40 percent per year." Datacenter REITs like Digital Realty Trust (DLR) and Equinix (EQIX) are up over **5 percent** the last week, and tower REITs Crown Castle (CCI) and American Tower (AMT) are up **11 percent** and **7 percent** the last week, respectively. For more on Digital Realty Trust and Datacenter REITs, see the [January 2020 issue of REITview](#).

BofA also likes grocery-anchored retail strip malls. "Grocery visits will remain essential" and since goods can be sourced domestically there is limited supply-chain risk. "Side tenants provide services for the local community that are likely to remain in demand." Regency Centers Corp (REG), for example, is up over **4 percent** the last week.

[Benjamin Rains of Zacks](#) likes Prologis, Inc. (PLD) in the Industrial sector. "Prologis is a logistics-focused REIT that leases distribution facilities mostly to retail/online fulfillment and business-to-business clients. The firm operates in what it calls 'high-barrier, high-growth markets' around the world. ... PLD shares are up **11 percent** in 2020 to easily outpace its industry's **5 percent** climb." For more on Prologis, and the Industrial sector see the [November issue of REITview](#).

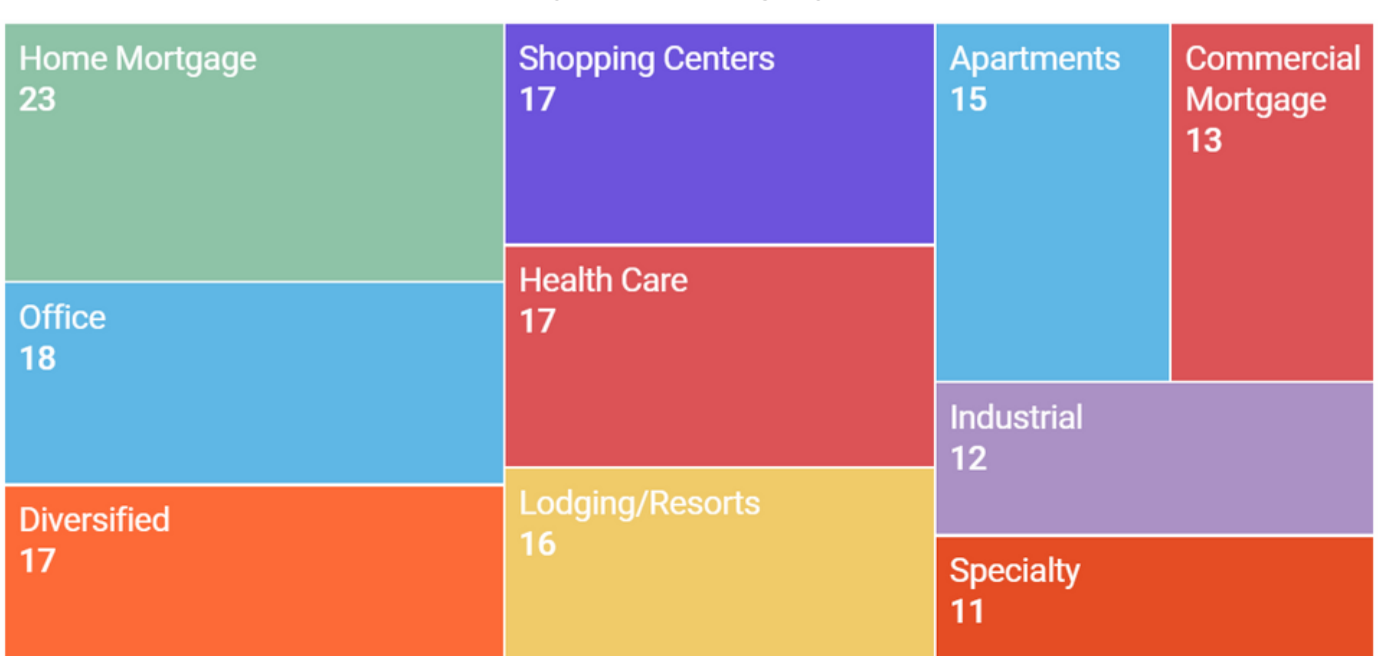
Compound Annual Total Returns (as of February 29, 2020)



REIT Sectors

Finally, if you're looking to add an Apartment REIT to your portfolio, [Zacks recommends](#) giving NexPoint Residential a look. Operating in the Texas and Southeast multifamily space, this REIT focuses on properties in areas with well-paying jobs and a limited supply of affordable housing. "Shares of the Dallas, Texas-based firm have soared 115% during the last two years, compared to its industry's 50% climb. More recently, NXRT stock is up over 12% in 2020... NexPoint is a Zacks Rank #2 (Buy) right now and it trades at a discount against its industry."

Number of REITs Tracked



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