

October REITview

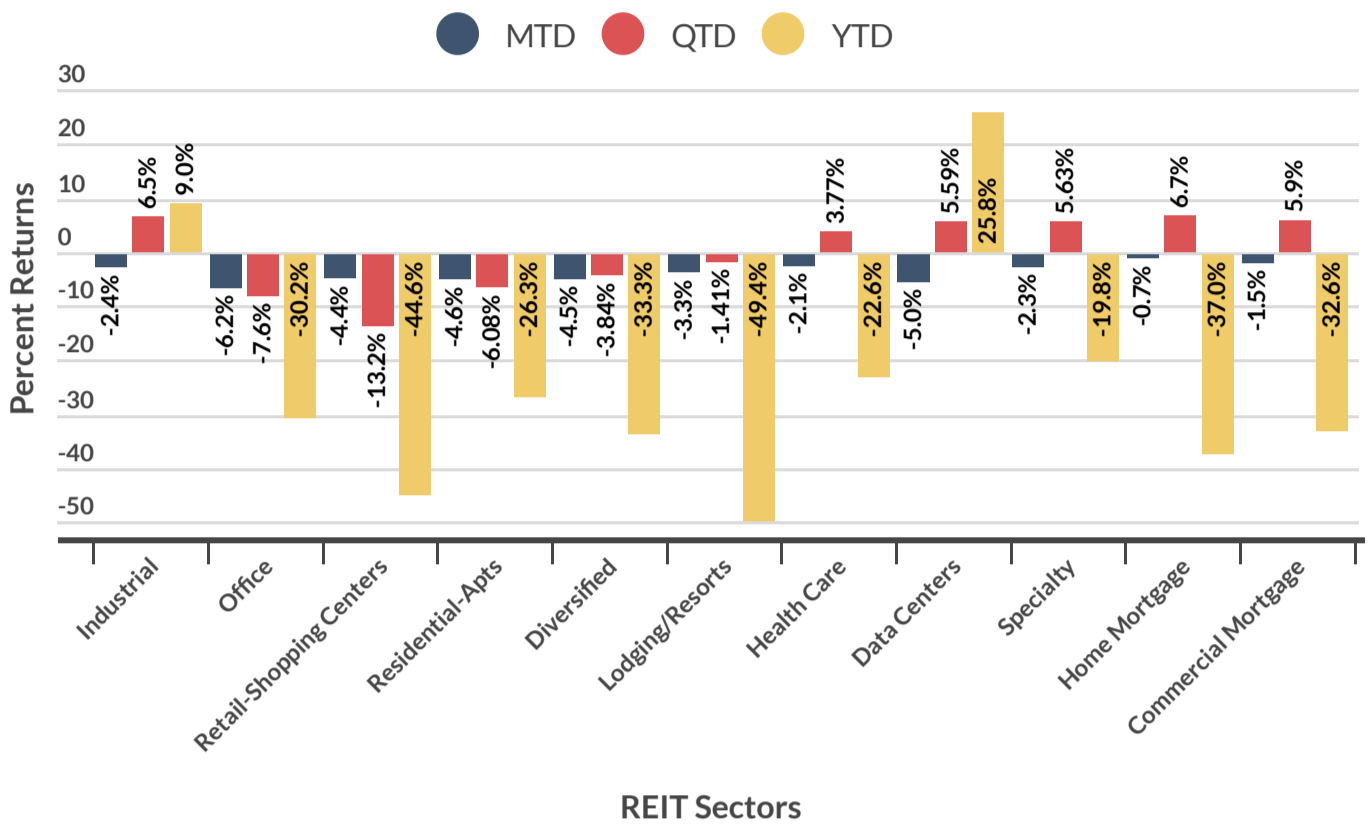
Welcome to our monthly REITview newsletter – where we analyze the latest national trends in real estate investment trusts (REITs) and their implications for investors and the Nevada real estate market. REITs own and often operate a pool of income-producing real estate assets. Investors can purchase a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

REITs had an abysmal September, with the 159 REITs tracked losing 2.8 percent for the month. Lodging/Resorts REITs, which had a terrific August, lost over 3 percent last month. The only sector that RCG tracks that improved its returns over August was Industrials, which still lost 2.4 percent for September. The best performer was Home Mortgage REITs, which slid only 0.69 percent, becoming the best-performing sector for the quarter, narrowly beating Industrials.

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

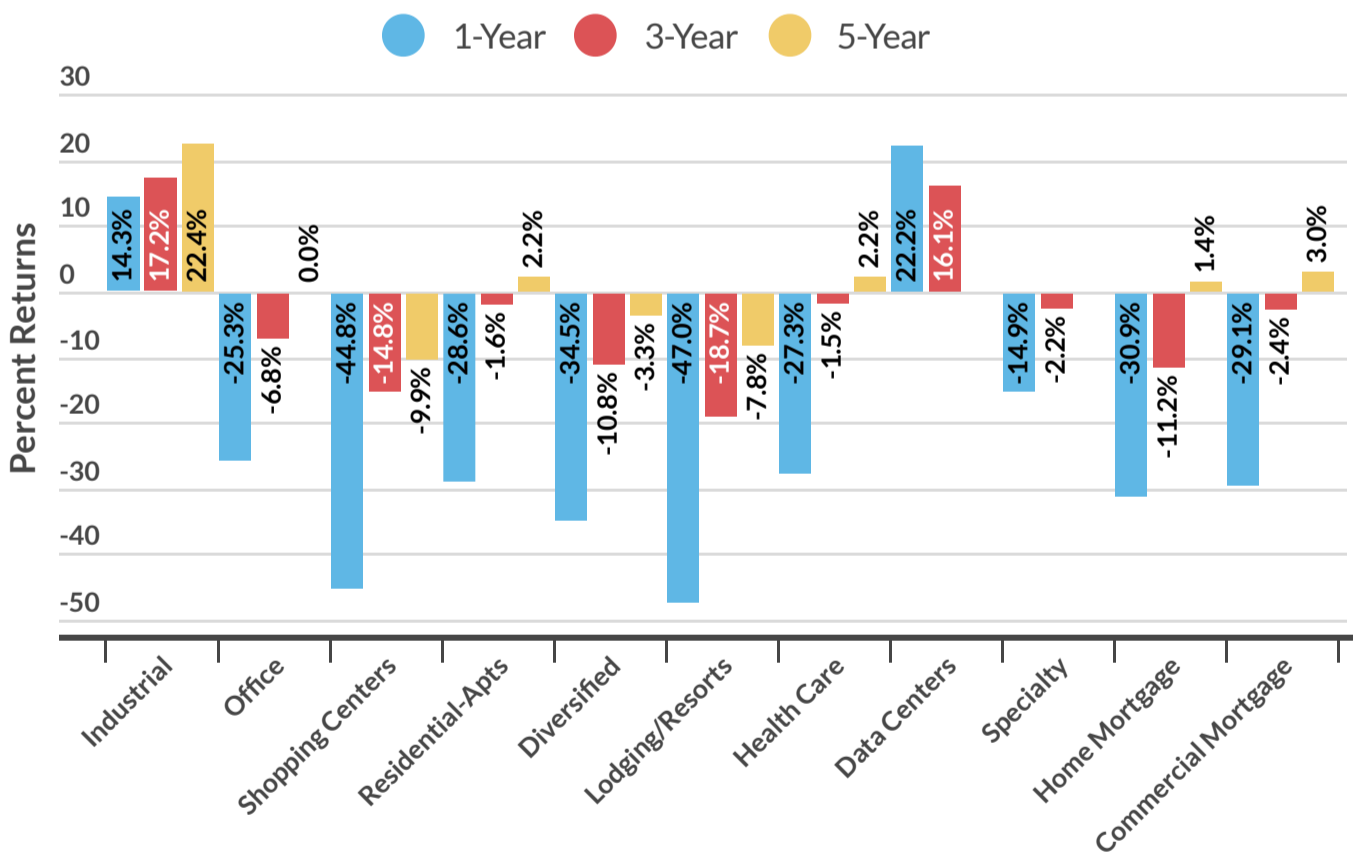


REIT Sectors

What the experts are saying:

- "Steven Wieting, chief investment strategist and chief economist at Citi Private Bank, says the REIT market [has] suffered a 'very substantial correction' due to the COVID-19 pandemic. However, 'for patient investors, this represents a significant valuation improvement for the sector and an entry point very different than the pre-COVID period.' ... However, a post-COVID normalization in real estate is unlikely until the second half of 2021, he adds. ... '[Also], I think we want to be global on equity REITs. By this I mean the COVID impact is not the same everywhere, but easy monetary policy is widespread.'" -- [REIT magazine: September/October 2020](#). For more on data center REITs in overseas markets, see our [August edition of REITview](#).
- "The trend toward densification of office space over the past decade will be reversed—but how much? The combination of flexible WFH [Work from Home] but greater spacing within an office may result in more moderate changes in overall demand for space." -- [Nareit's Fall 2020 Economic Outlook](#)
- "With greater online communications ... businesses may shift [their offices] to locations in suburbs, office parks, or in smaller cities for a greater portion of their total staffing needs. In addition to lower rents, these locations often have an easier commute and may be closer to residential areas where many employees live, and these locations may have more parking available. Such a shift may reduce the premium for rents and property prices in the downtown areas of major cities, but boost rents and prices in the suburbs and smaller metro areas." -- [Nareit's Fall 2020 Economic Outlook](#)

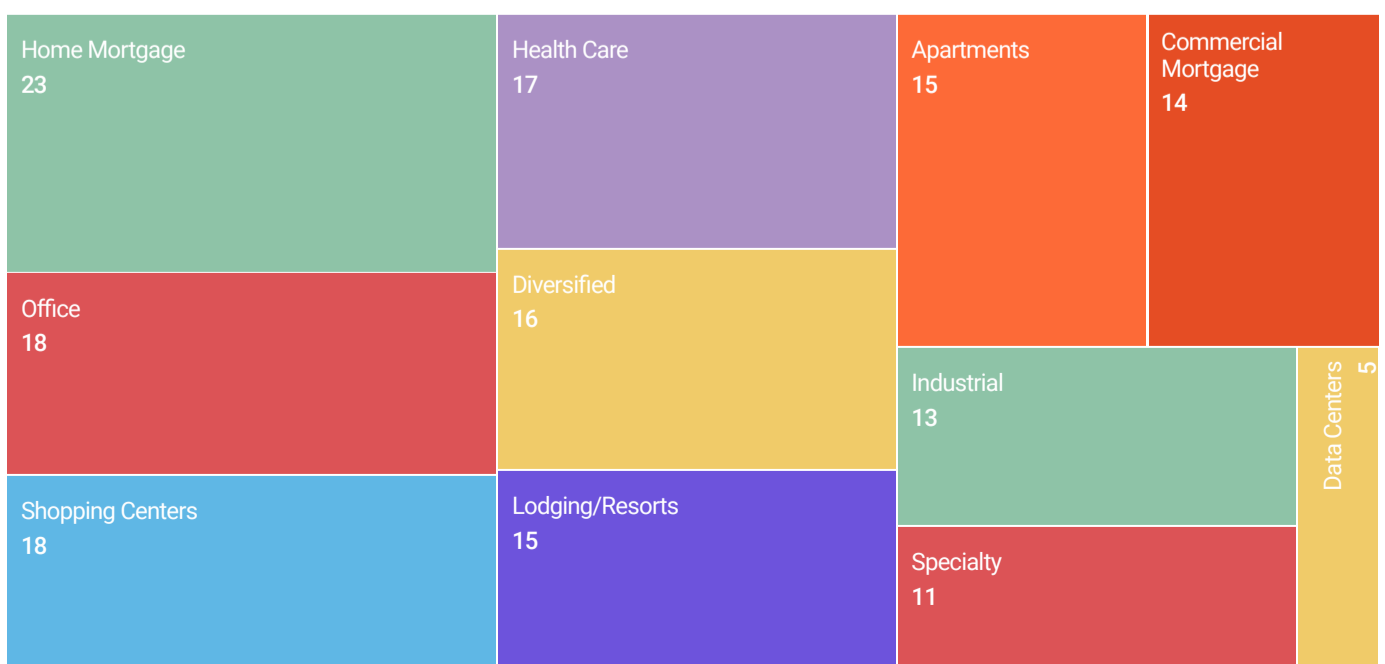
Compound Annual Total Returns (as of September 30, 2020)



REIT Sectors

- "The future of residential markets, including apartments, single-family homes (owner-occupied and for rent), and manufactured housing, is closely linked to the changes in office and working arrangements discussed above. ... The existing apartment stock in most cities is dominated by one- or two-bedroom units that may be less able to accommodate a larger number of inhabitants who are at home several days a week. This could spur demand for the single-family rental market. In addition, households whose financial position was weakened by job loss or the failure of a personal business during the crisis may opt for rental housing, including single family rentals. Stock returns to the single-family home REIT subsector reflect a possible increase in demand, as this is one of the few areas in positive territory over the first eight months of 2020." -- [Nareit's Fall 2020 Economic Outlook](#)

Number of REITs Tracked



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