

# September REITview

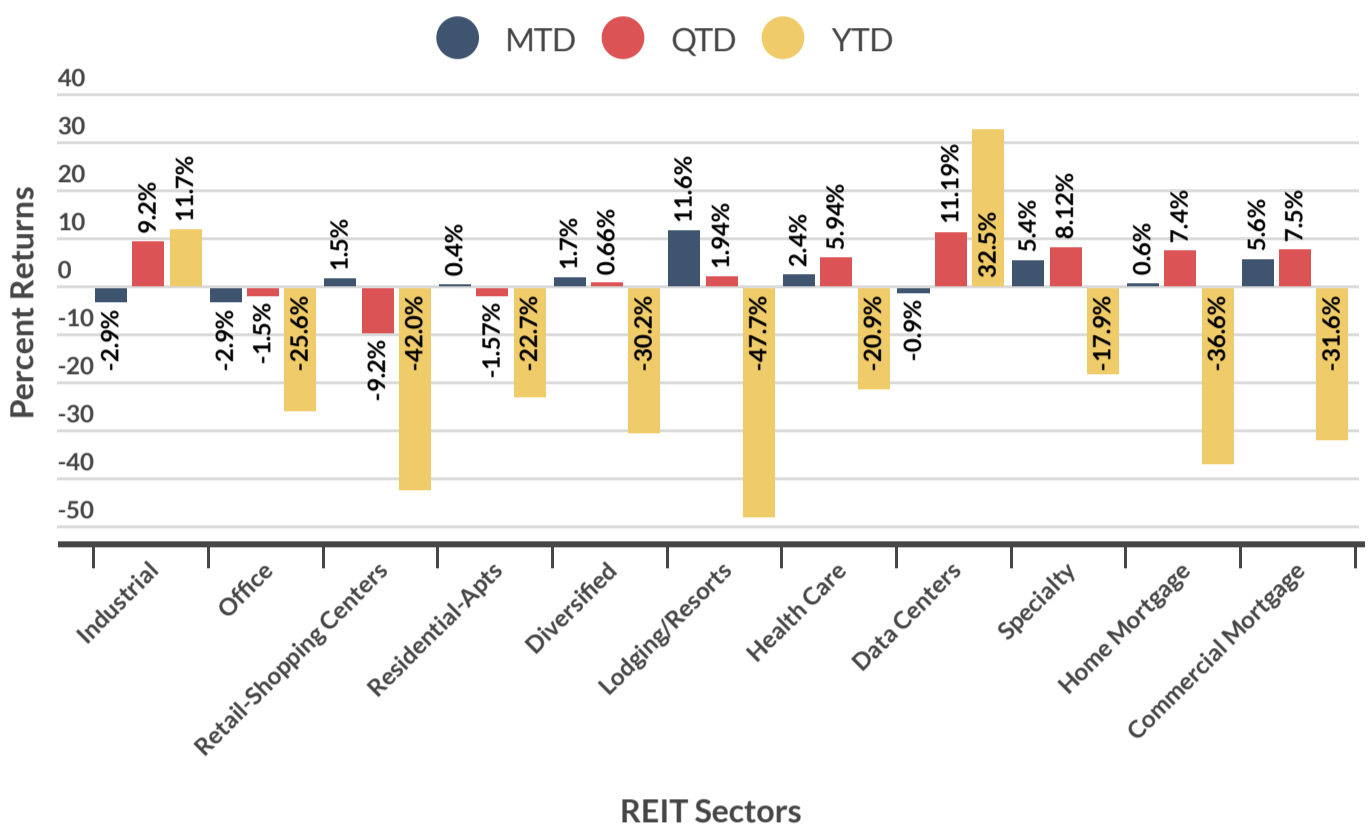
Welcome to our monthly REITview newsletter – where we analyze the latest national trends in real estate investment trusts (REITs) and their implications for investors and the Nevada real estate market. REITs own and often operate a pool of income-producing real estate assets. Investors can purchase a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

In August, REIT gains plateaued as a whole, with the 158 REITs in the index essentially flat. The good news for the the Las Vegas market is that the Lodging/Resorts sector improved its returns by 20 basis points over July, gaining **11.55 percent**, more than twice the returns of the second-best performer. Shopping Centers also had a great recovery, improving their July returns by 8.5 basis points. By contrast, this year’s REIT investment darlings--the Industrial and Data Center stocks--took a dive in August, reversing their July gains by 15 and 13 basis points, respectively.

August 2020 REIT Performance (as of August 31, 2020)

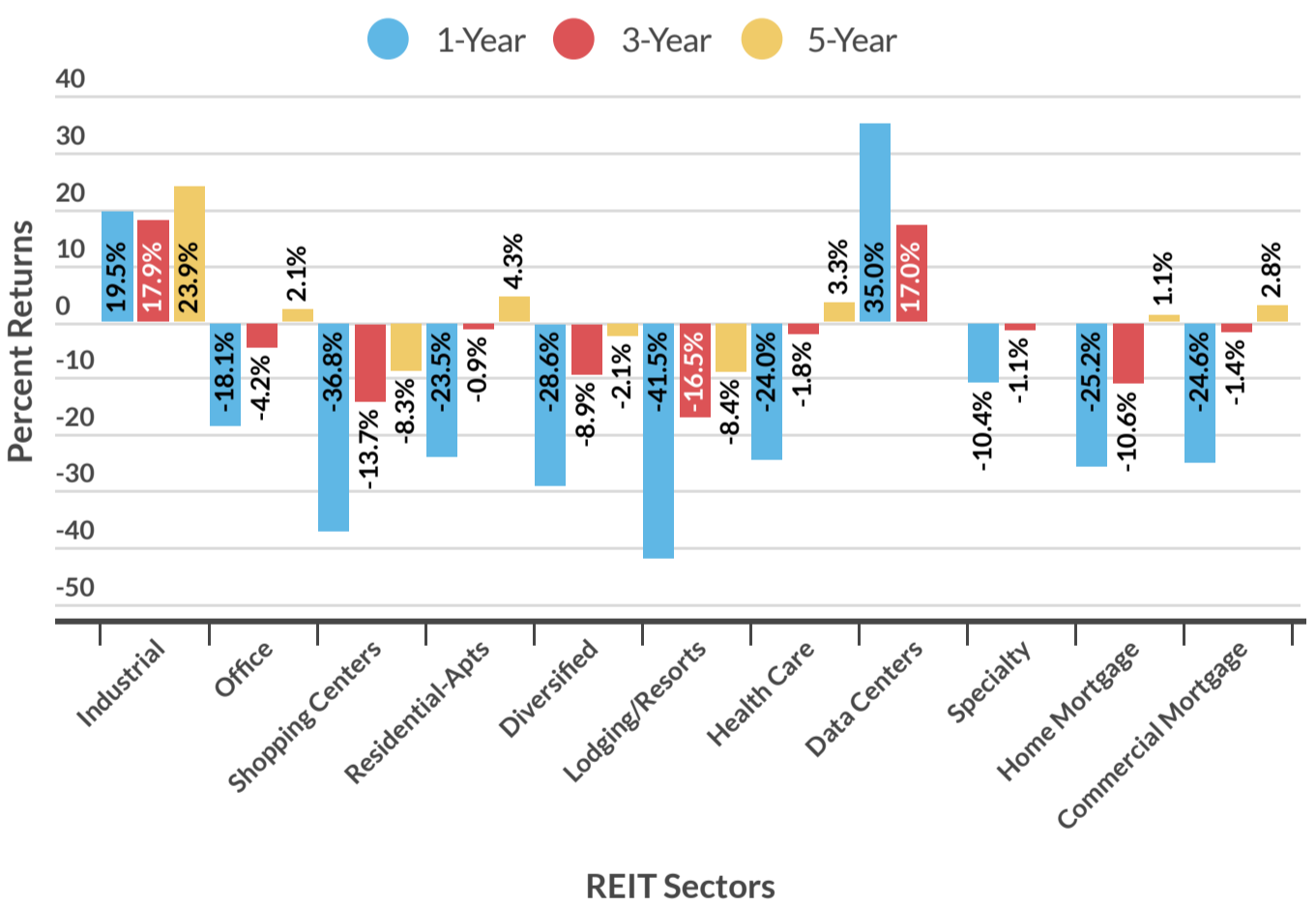


REIT Sectors

What the experts are saying:

- "REITs across the board face challenges ahead with the Federal Reserve’s economic forecasts for 2020 predicting a contraction in GDP of 6.5% and an unemployment rate of 9.3%. However, the impact will be very different across property sectors and geographic regions. ... [E]conomies that rely more heavily on tourism and convention business, such as Las Vegas, Orlando and San Francisco, face a tougher recovery ahead, even as businesses begin to reopen." -- [REIT magazine: July/August 2020](#)
- "New home sales in July rose to their highest level since 2006. Durable goods orders rose more than expected, and industrial production and business investment are on track to return to pre-pandemic levels... . Consumer spending also rose nearly 2% in July. ... While the level of [commercial real estate] transactions has tapered off, valuations have remained steady, according to new data from the CoStar commercial repeat sales index. In fact, multifamily valuations appear to be higher for the year." -- [Calvin Schnure, Nareit’s Senior Economist, 8/31/2020](#)

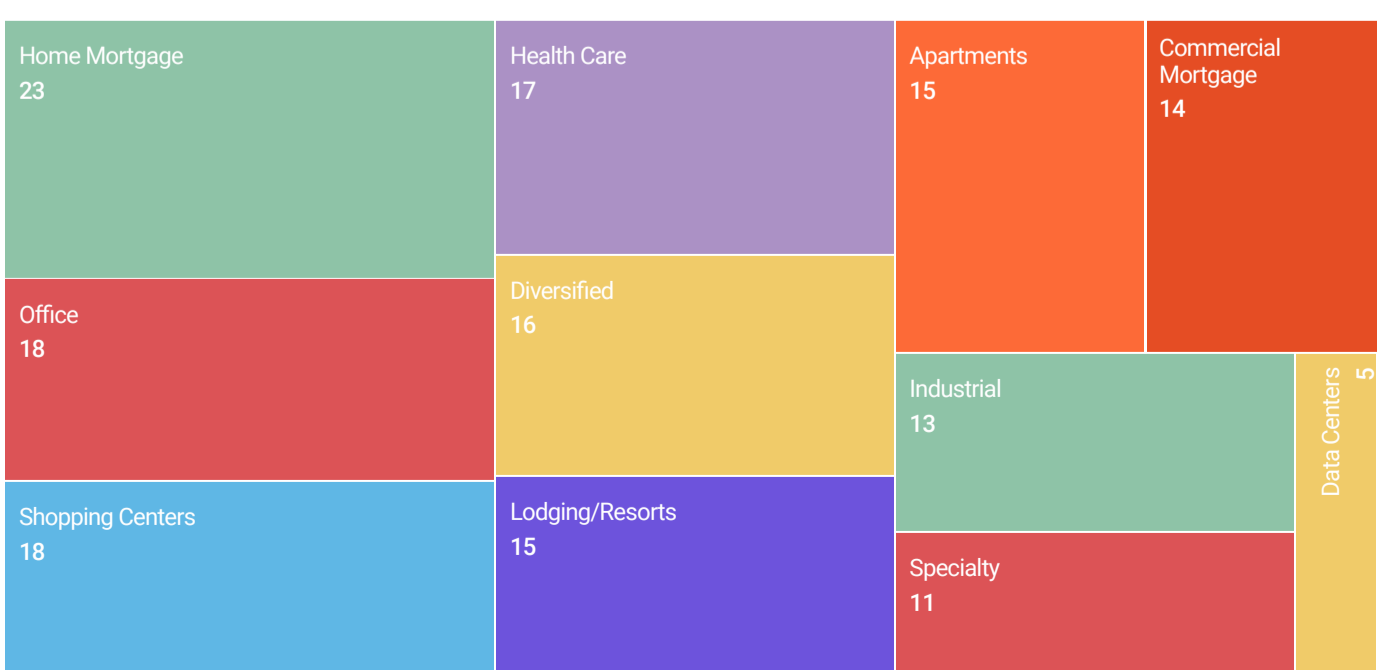
Compound Annual Total Returns (as of August 31, 2020)



REIT Sectors

- "The CMBS [Commercial Mortgage Backed Security] delinquency rate continued to decline in August as the reopening of the economy helped revive cash flows at some troubled tenants. The overall 30+ delinquency rate fell 58 bps, to 9.02%, according to data from Trepp. While delinquencies are considerably below the June peak of 10.32%, they are still 648 bps above one year ago." -- [Calvin Schnure, Nareit’s Senior Economist, 9/2/2020](#)
- "Year-to-date total returns for the FTSE Nareit All Equity REITs Index show ... three sectors with the most exposure to e-commerce outperforming the rest of the index, as well as the broader Russell 1000 index. These sectors, comprised of cell phone towers (infrastructure), data centers, and industrial and logistics REITs, ... have grown from less than 10% of REIT equity market capitalization in 2010 to over 40% today. The COVID-19 crisis has increased demand for these property types, as more households shift their activities online. ... The other sectors in this group [of REITs with positive returns and operating performance] are single family rentals, manufactured homes, and self-storage. Not only is the pandemic not leading to direct shutdowns, longer-term trends have generally been favoring these sectors." -- [Nareit Market Commentary, 8/26/20](#)

Number of REITs Tracked



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