

November REITview

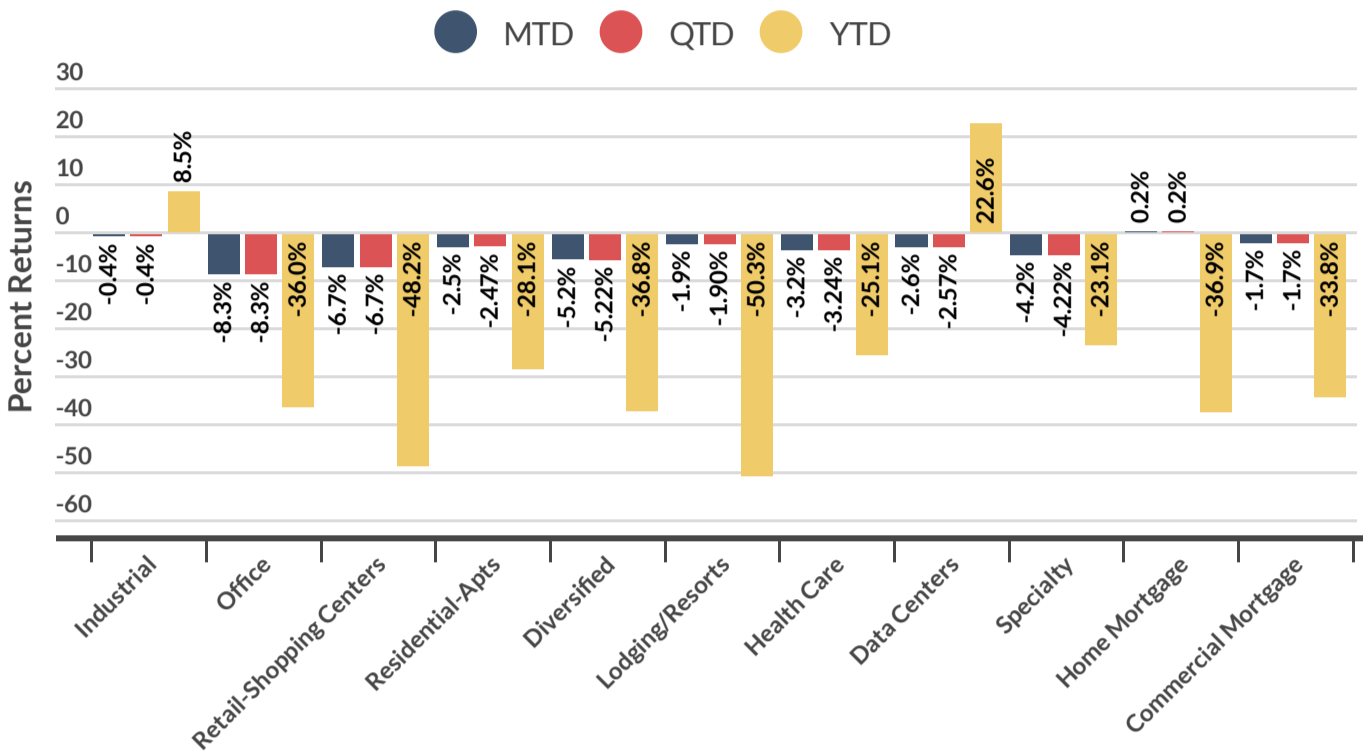
Welcome to our monthly REITview newsletter – where we analyze the latest national trends in real estate investment trusts (REITs) and their implications for investors and the Nevada real estate market. REITs own and often operate a pool of income-producing real estate assets. Investors can purchase a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

As a whole, REITs continued their slide through October, losing 3.35 percent for the month. The Office and Shopping Center owners suffered the most, performing over two percentage points worse than in September, making Shopping Centers the worst-performing sector over the trailing 12 months. The Industrial, Residential, Lodging/Resorts, and Data Center sectors all lost ground again in October but at a slower rate than the previous month. The only sector RCG tracks that posted gains for October was the Home Mortgage sector, which was also the best performer in September.

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

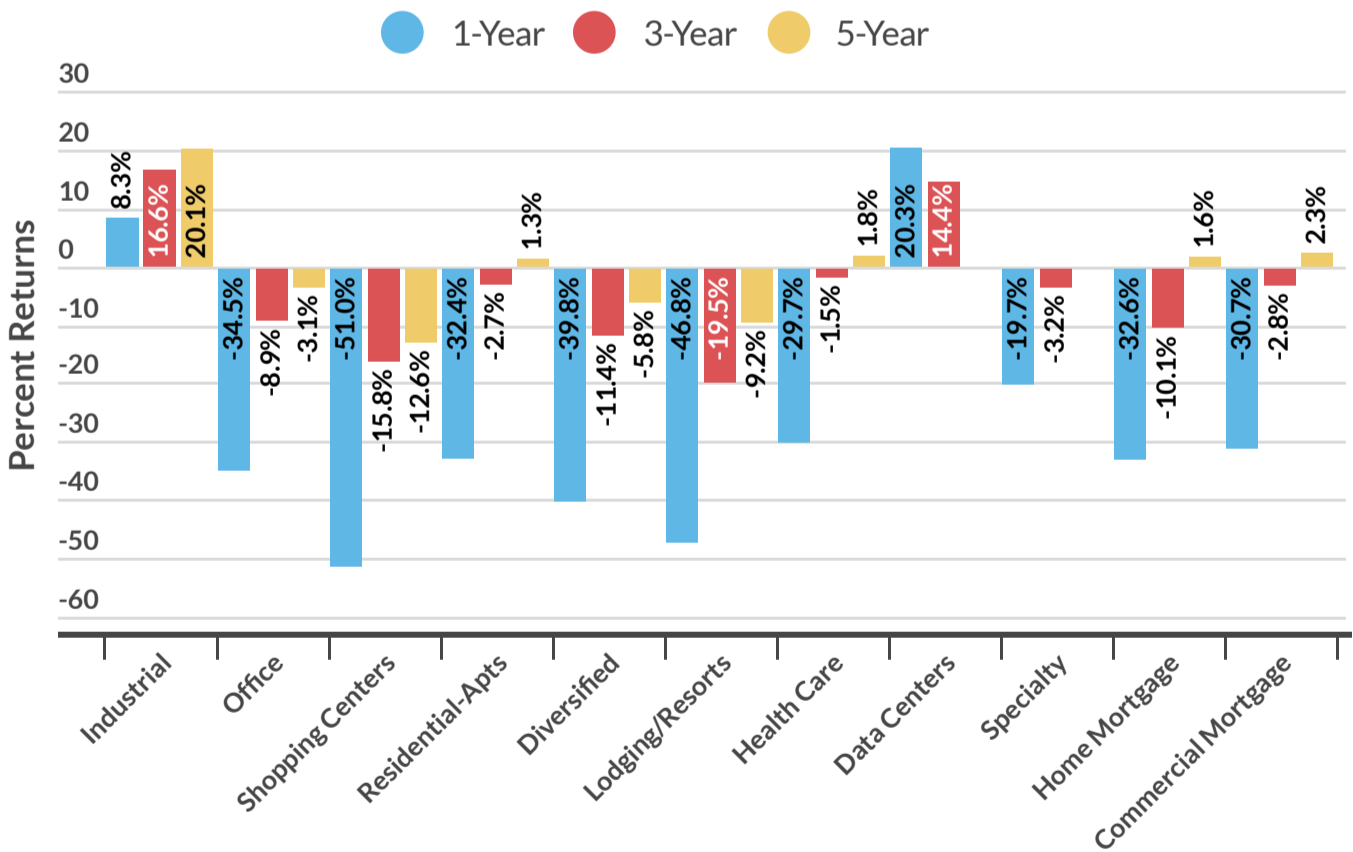


REIT Sectors

What the experts are saying:

- "The pandemic had a significant impact on demand for commercial real estate in the third quarter, resulting in rising vacancy rates and slowing or falling rents and property prices... with greater effects on office and retail property markets, but smaller or little impact on multifamily and industrial properties. Demand for office space fell sharply in the third quarter, as total occupied space declined 33 million square feet. ... This is a larger decline than in any quarter during the financial crisis 2008-2009, and the largest decline since 2001." -- [Calvin Schnure, Senior VP of Research & Economic Analysis, Nareit, 11/6/20](#)
- "Once the threats of infection have been adequately addressed, the travel, hospitality, and entertainment sectors are likely to enjoy a full recovery. Share prices of lodging/resort REITs ... have recovered just a fraction of their initial decline, suggesting that the market has perhaps overreacted to the near-term challenges this sector faces. Many REITs in the lodging/resort sector have maintained solid balance sheets and sources of liquidity during this difficult period. For the long-term investor with high tolerance for risk, today's share prices may represent a good investment opportunity. -- [Nareit's Fall 2020 Economic Outlook](#)
- "In uncertain times the market can become very inefficient and irrational We believe there are great opportunities to invest in the REIT market at this time because of this market inefficiency.' To that end, Cornerstone [Realty Advisors] has teamed up with Capital Square to launch the REIT Recovery Fund. ... Phase one of the fund's investment strategy will be more focused on residential assets. 'We believe these companies will bounce back quickly.'" -- [Jay Olander, managing partner of Cornerstone Realty Advisors](#)

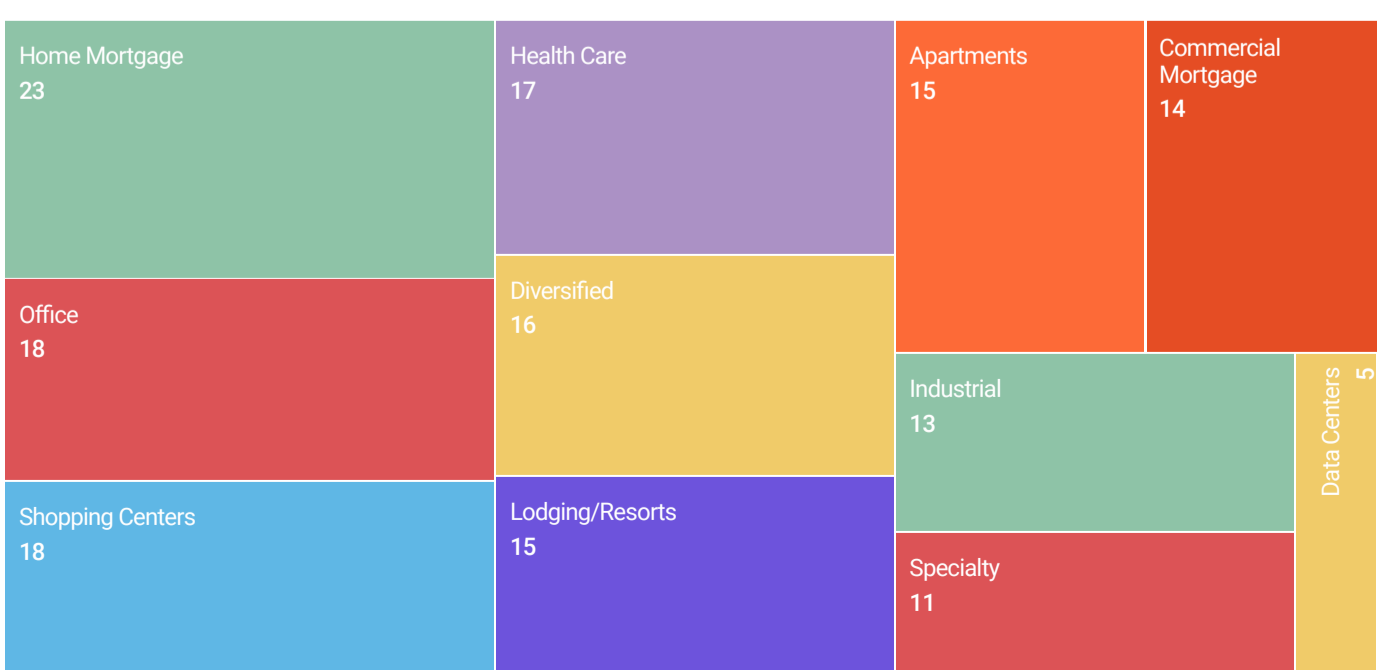
Compound Annual Total Returns (as of October 30, 2020)



REIT Sectors

- "Bolstering [Mortgage REITs'] attractiveness, the Fed is now protecting both sides of their positions. It has indicated that it will keep its policy super-easy to get average inflation above 2%. At the same time, the central bank is supporting mortgage-backed securities through monthly purchases of \$40 billion of them, as part of its quantitative-easing program." -- [Barron's, October 16, 2020](#)

Number of REITs Tracked



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