

# Q3 2021 REITview

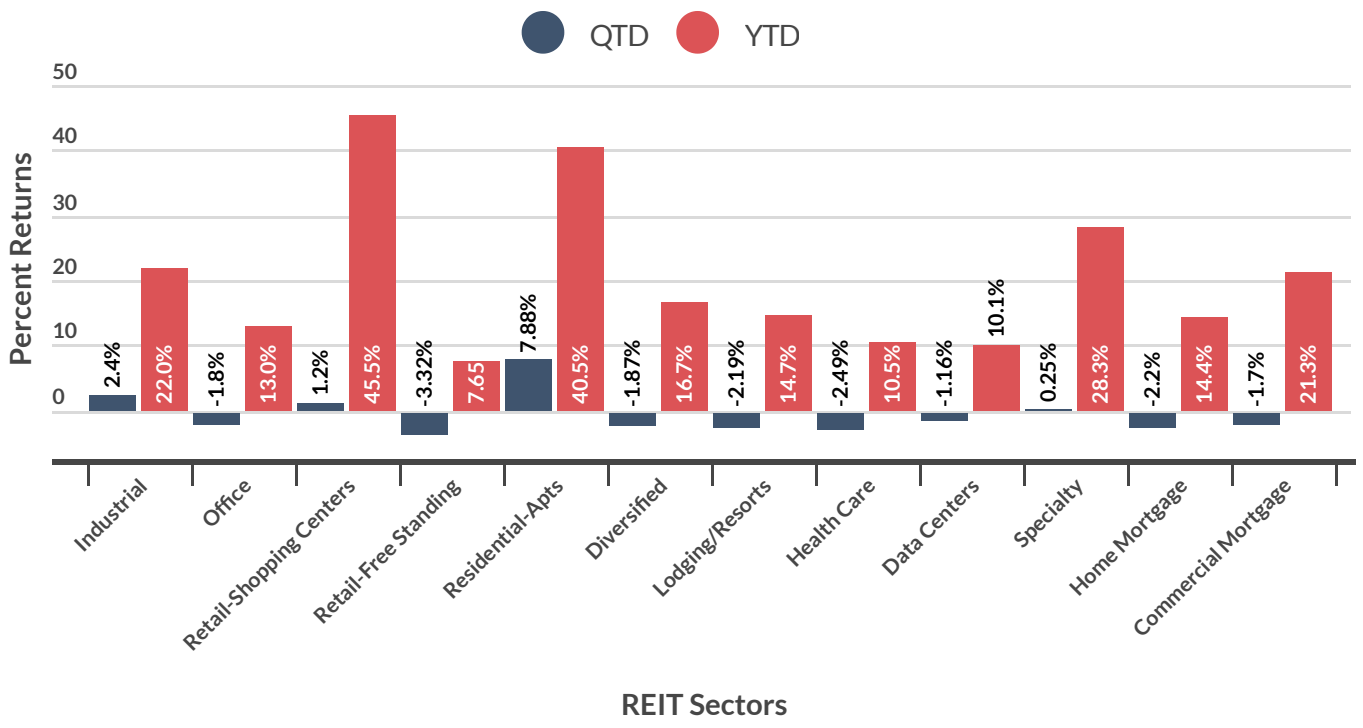
Welcome to our quarterly REITview newsletter – where we analyze the latest national trends in real estate investment trusts (REITs) and their implications for investors and the Nevada real estate market. REITs own and often operate a pool of income-producing real estate assets. Investors can purchase 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 and Industrial, which include four). They represent more than 95 percent of the 154 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 stagnant quarter increasing only **0.23 percent** across the 154 equities that FTSE tracks, which is a substantial market correction from last quarter's **12 percentage point** growth. This quarter was a major improvement for Residential REITs. Altogether they increased **6.81 percent** from last quarter, and within this sector the highest returning REIT category was residential apartments at **7.88 percent**. Industrial REITs also posted a strong quarter increasing **2.43 percent**. Infrastructure and Free Standing Retail REITs struggled this quarter with total returns decreasing more than **three percent**; however, RCG expects these categories to rebound and post strong returns over longer time horizons given the waning of the Delta variant.

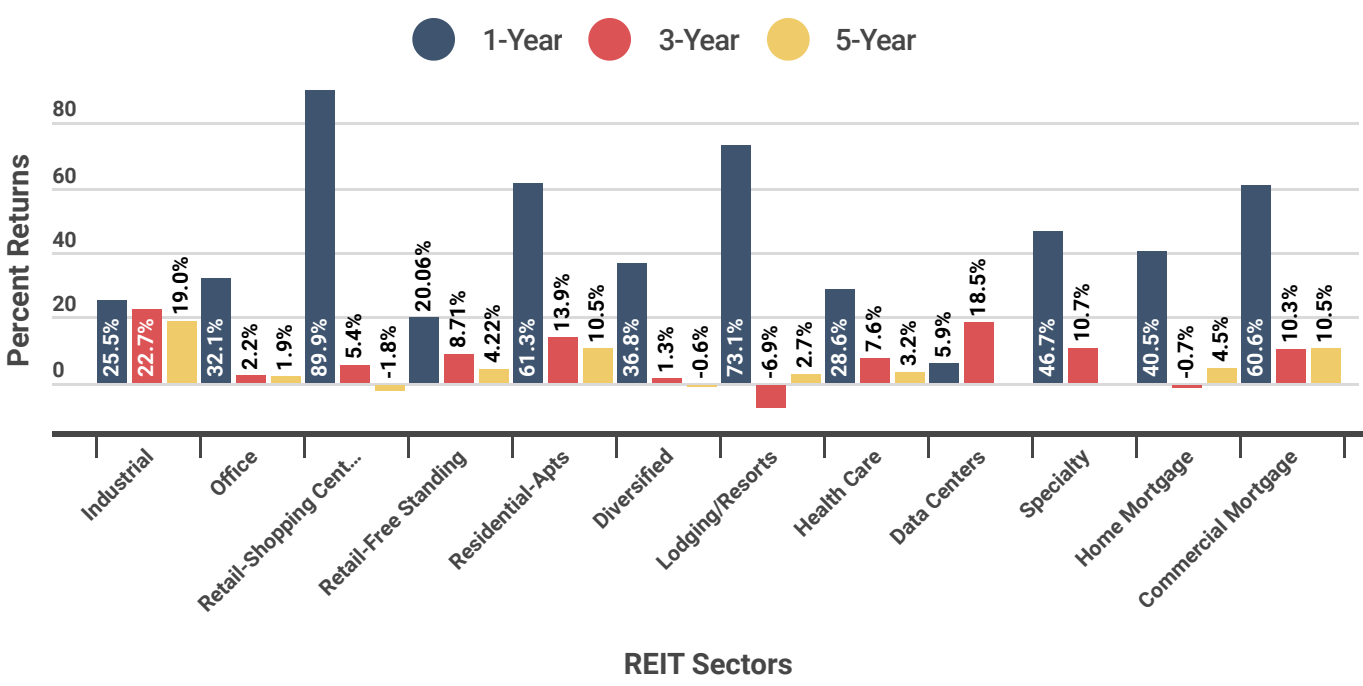
Q3 2021 REIT Performance (as of September 30, 2021)



**What the experts are saying:**

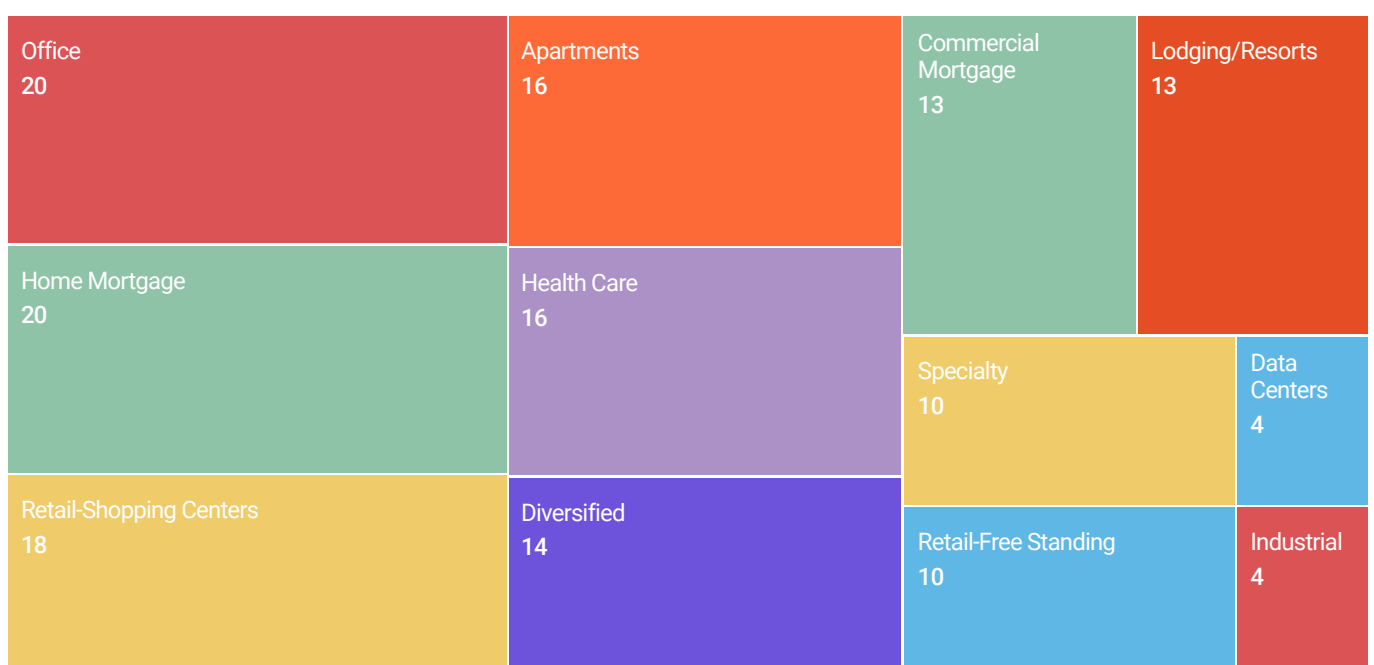
- “There are several sectors of the REIT industry that support the digital economy and have benefitted from a tailwind as the pandemic spurs online interactions and purchases. Industrial REITs delivered a positive total return of 11.5% through the first eight months of this year due to sharply rising demand for their logistics facilities used in the shipment of goods bought online. Infrastructure REITs, which own many of the cell towers used to transmit voice and data communications, and data centers, which house the servers that host cloud computing, had total returns of 13.6% and 31.8%, respectively.”-- Nareit, ["Fall 2020 Economic Outlook for REITs and Commercial Real Estate"](#)
- “The pandemic abruptly reversed the multi-decade population migration to ever-larger, denser CBD [Central Business District] locations, at the expense of the suburbs/exurbs,” says David Toti, Senior REIT Research Analyst at Colliers Securities. “Many second-tier cities and dense suburban locations have seen an explosion of in-migration. The pandemic was likely only the ‘last straw,’ however, added to high costs of living, friction costs in commuting, and now, health and well-being costs. We expect these to remain in place for some time, which could yield lower CBD asset values, higher suburban office values, a spike in suburban office supply, and an acceleration of adaptive re-use for older CBD inventory.”--Nareit, ["Is the Outlook for Office Real Estate Becoming Clearer?"](#)

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



- "Location... location... and location... are the three most important tenets of real estate investing. That's because if you own a desirable property in a rapidly growing area, you are likely to experience growing rents and property values. With that in mind, Tesla (TSLA) recently announced that it is officially moving its headquarter from California to Austin, Texas. This is big news for real estate investors because it reaffirms that the migration from California to Texas is in full force and unlikely to end any time soon."-- Seeking Alpha, ["Tesla Is Moving To Texas: 2 REITs To Buy Today"](#)
- “[The travel, lodging/resorts, hospitality sectors, along with restaurants and entertainment] sectors are developing new procedures to minimize risks of infection and allow some resumption of activity. This includes cleaning, social distancing and direction of foot traffic patterns, contactless check-in and check-out, and more. Travel and entertainment are vital parts of the lives of many people, however, and important for business operations as well. It is likely that, once the threats of infection have been adequately addressed, the travel/hospitality/entertainment sectors will rebound. For the long-term investor with high tolerance for risk, today’s prices may represent a good opportunity.”--Nareit, ["Fall 2020 Economic Outlook for REITs and Commercial Real Estate"](#)

Number of REITs Tracked



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