



PRESS RELEASE

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REIT STOCKS DELIVERED IMPRESSIVE RETURNS IN 2004

NAREIT Composite Index Rose 30.4%

Washington, D.C. -- With a total return of 30.4 percent, REITs in 2004 outpaced most other stock market benchmarks for a fifth consecutive year.

“REITs continue to provide a very competitive investment option,” said Steven A. Wechsler, president and CEO of the National Association of Real Estate Investment Trusts® (NAREIT). “The long-term performance has been impressive, reflects the industry’s core attributes, and should provide for growing appeal.”

Based on the NAREIT Composite Index of all publicly traded REITs, REIT stocks over the last five years have produced a compound annual total return of 22.5 percent, according to NAREIT Senior Vice President of Research and Investment Affairs Michael R. Grupe. “However, we make a point of reminding investors to look at the long-term performance of REIT stocks, rather than just the past five years,” he explained. “Look back in time and you’ll discover that real estate stocks have outperformed the S&P 500, the Dow Jones Industrial Average and the Nasdaq on a compound annual total return basis over the past 30 years. Any investment sector may outperform or underperform other sectors over short periods of a few years, but REITs’ long-term record of high total returns, reliable dividends and low correlation create critical diversification benefits that make REIT stocks a necessary element of any balanced portfolio.”

Among REIT property sectors, retail was the top performer in 2004. The 34 companies in the sector had a combined compound annual total return of 40.2 percent. REITs that own apartment communities also fared well last year, with a combined compound annual total return of 34.7 percent. And industrial REITs also were strong performers, with eight companies in the sub-sector gaining 34.1 percent on average (see chart).

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Property Sector/Subsector	2004 Total Return	Dividend Yield	Number of REITs
Composite REIT Index			
Composite REIT Index	30.41	4.97	190
Industrial/Office	25.24	5.05	37
Office	23.28	5.44	23
Industrial	34.09	3.96	8
Mixed	19.59	5.30	6
Retail	40.23	4.35	34
Shopping Centers	36.25	4.53	19
Regional Malls	45.01	4.13	8
Free Standing	32.87	4.69	7
Residential	32.72	4.86	26
Apartments	34.72	4.87	21
Manufactured Homes	6.40	4.63	5
Diversified	29.18	5.22	16
Lodging/Resorts	32.16	2.73	17
Health Care	21.67	6.01	12
Mortgage	18.43	8.15	33
Home Financing	24.91	8.66	21
Commercial Financing	7.45	6.88	12
Self Storage	29.40	3.91	5
Specialty	26.85	4.58	10

Source: NAREIT

The story was much the same globally, as the EPRA/NAREIT Global Real Estate Total Return Index gained almost 38 percent in 2004, fueled by particularly strong performance in Europe (with a 52.7 percent total return). Over the last five years, the Global Index has registered a compound annual total return of 16.8 percent.

“REITs and publicly traded real estate stocks performed well worldwide in 2004,” Grupe noted. “And a growing number of countries either have taken, or are taking, steps to adopt REIT-like structures that permit institutions and individuals to invest in commercial real estate. All in all, the industry’s track record, both near- and long-term, bodes well for investors around the world.”

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What's in store for 2005? "Industry analysts are forecasting total returns in the mid-to-high single digits, on average," Grupe explained. "That would be competitive with the outlook for other broad stock and bond benchmarks."

"With more than 30 years of outstanding performance behind us, as well as the last five years beating the S&P 500, some investors are asking if this is a good time to begin investing in REIT stocks," Wechsler said. "Long-term investors recognize that trying to identify the perfect moment to make an investment for most of us is nearly impossible and seldom a good investment strategy. However, the data show that a portfolio that includes real estate stocks clearly will perform better over time than one with no REIT exposure. So choose a target allocation—5 to 10 percent is often viewed as appropriate—and make REITs' dividends and diversification part of your investment and retirement plan."

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