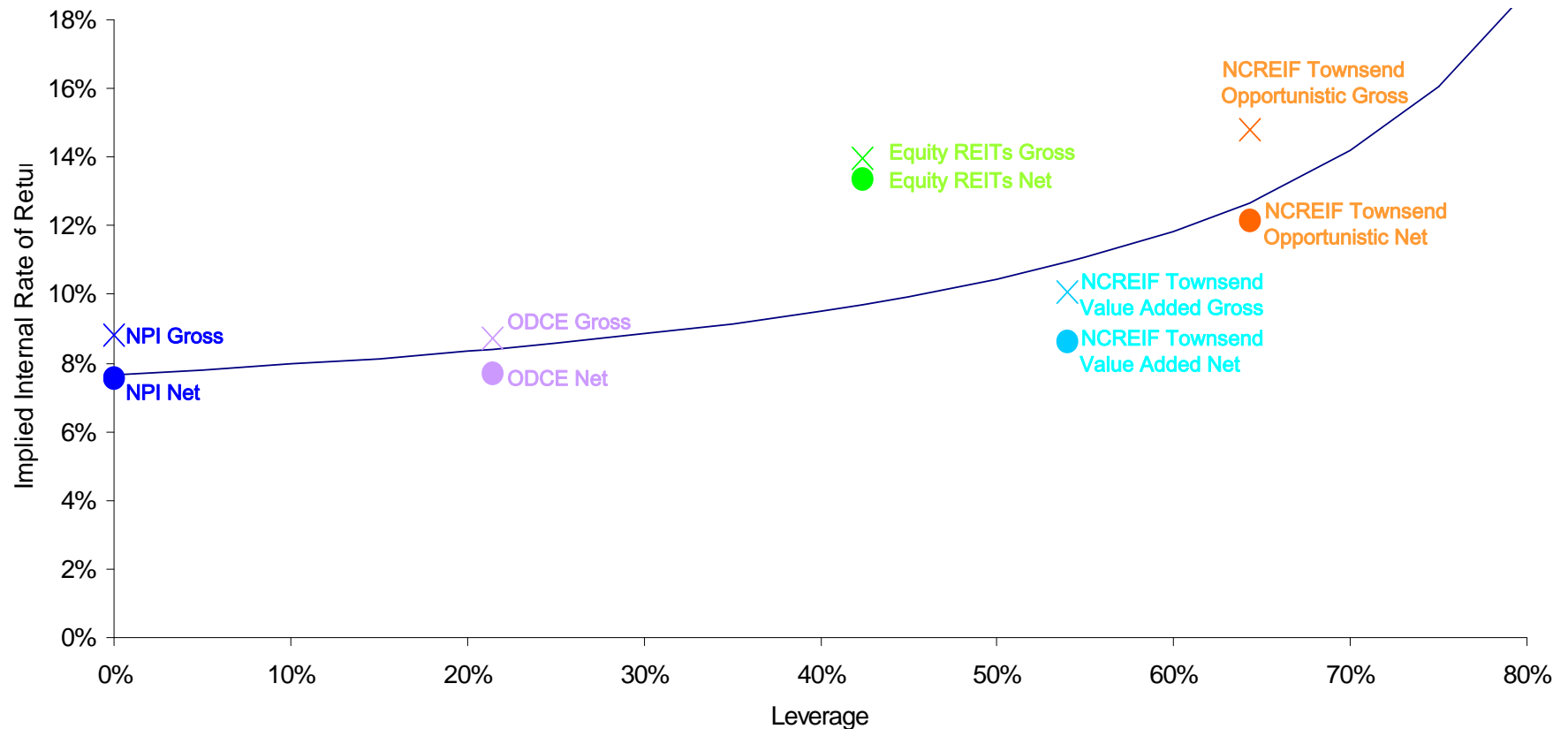


# REITs Have Used Leverage Effectively Relative to Other forms of Commercial Real Estate Ownership

Compound Annual Return, Gross and Net of Fees



- Investment returns above the curve exceed “normal” levered returns
- Investment returns below the curve fall short of “normal” levered returns
- REIT average annual investment returns have exceeded the “normal” expected levered return on both a gross and net basis

Note: Average returns are through-the-cycle from the peak in 1989/1990 to the peak in 2007/2008. Dates are 1990Q3-2008Q2 for NPI and ODCE, 1989Q3-2007Q1 for Equity REITs, and 1990Q3-2007Q4 for NCREIF/Townsend Fund Indices. Assumes 6.5 percent long-run average cost of capital. Fee Assumptions: Inst. Core R.E. = 115 bps; REITs = 50 bps. Fees for ODCE and NCREIF/Townsend are as reported. Source: NAREIT analysis of data from NCREIF (NPI, ODCE, NCREIF/Townsend Fund Indices) and from FTSE NAREIT Equity REIT Index.