

Nareit Member Guide: Telling the REIT Story

Message from the CEO

Real Estate Working for You

Each and every day Nareit represents its members by communicating to the public how REIT-based real estate investment is all about real estate working for you.

Our goal is to show how REITs operating as real estate companies help serve the public's interest whether the public is seen individually as members of a community, investors saving for the future, or consumers who require goods and services made available through the use of real estate.

We document the many ways REITs operating as real estate companies help build and support communities at every level throughout the nation.

We underline how REITs operating as real estate companies truly democratize real estate investment, just as Congress intended when it authorized REITs almost 60 years ago.

We explain how REITs operating as real estate companies help provide the land, buildings, and structures essential to the economy.

Our lens is always focused on the full range of REIT real estate used by the public which covers where we live, work, shop, and relax. What's more, Nareit works to spotlight how real estate provided by REITs is integral to how we stay in touch with each other, keep healthy, store our data, and much more.

When speaking to policymakers, investors, the media, and the public along these lines, we always note that the REIT industry itself is made up of diverse companies with their own stories to tell, each with specific merits and individual distinctions; but united in a common approach to real estate investing shaped by the REIT rules and market practices.

Nareit developed this communications toolkit to help each and every member company better tell the REIT community's common story as you highlight your own company's story.

Whether talking about your own company or the universe of REITs operating as real estate companies, I am confident that the conversation will be largely about real estate working for you.

If you have questions, thoughts or comments about this guide, please let me know.

All the best.



Steven A. Wechsler
President & CEO, Nareit



Introduction to REITs

What are REITs?

A REIT, or Real Estate Investment Trust, is a real estate company that owns, operates or finances income-producing real estate. Modeled after mutual funds, REITs give all investors access to the benefits of real estate investment along with the advantages of investing in publicly traded stock.

REITs are required to distribute at least 90 percent of their taxable income to shareholders annually in the form of dividends. However, most REITs typically distribute 100 percent of their taxable income and as a result pay no corporate-level income tax.

Why were REITs created?

Congress created REITs in 1960 to give all Americans the chance to invest in large-scale, income-producing real estate beyond just their homes. In fact, the primary intention of Congress in authorizing the use of REITs was to provide a means “whereby small investors can secure advantages normally available only to those with larger resources,” in connection with real estate investment. Congress specifically noted that these beneficial characteristics included “greater diversification of investment, expert investment counsel” and the means of “collectively financing projects which the investors could not undertake singly.”

What are the financial benefits of REITs?

REITs have historically delivered to investors the benefits of commercial real estate investment along with the advantages of investing in a publicly traded stock. The special investment characteristics of income-producing real estate have historically provided REIT investors with competitive long-term rates of return that complement the returns from other stocks and from bonds.

In addition, REITs are total return investments. They have historically provided high dividends plus the potential for moderate, long-term capital appreciation. REITs have historically provided liquidity, portfolio diversification and strong corporate governance.

REIT Types



REITs

REITs

A REIT is a company that is registered with the SEC and owns income-producing real estate. REITs generate income through the collection of rent on, and from the sales of, the properties they own for the long-term. REITs span many markets, including residential, health care, data centers, industrial, timberland, self storage or retail.

mREITs

Mortgage REITs (mREITs)

mREITs provide financing for income-producing real estate by purchasing or originating mortgages and mortgage-backed securities (MBS) and earning income from the interest on these investments. mREITs invest in residential and commercial mortgages, as well as residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). mREITs typically focus on either home financing or commercial financing, although some invest in both RMBS and CMBS.

PLNRs

Public Non-Listed REITs (PNLRs)

PNLRs are registered with the SEC but do not trade on national stock exchanges. Liquidity options vary and may take the form of share repurchases programs or secondary marketplace transactions but are generally limited.

Private REITs

Private REITs

Private REITs are real estate funds or companies that are exempt from SEC registration and whose shares do not trade on national stock exchanges. Private REITs generally can be sold only to qualified institutional investors.

Why REITs Matter

REITs are modeled after mutual funds. They give everyday Americans the chance to invest in income-producing real estate, which would otherwise likely be financially out of reach, by allowing them to buy and sell REIT shares like other stocks or mutual funds. **Everyone deserves the opportunity to invest in real estate.**

The REIT way of real estate investment has historically offered everyone the opportunity for competitive investment returns, portfolio diversification and strong dividends—**putting real opportunity within reach.**

REITs help shape local communities through new development and by renovating existing properties, creating new jobs, increased economic activity, and other enhancements to the quality of life for the surrounding community.

REITs help house the U.S. economy by providing much of the real estate where we live, work, shop and spend our leisure time—from the shopping centers we frequent to the offices where we work and the data centers that enable our communication.

Key Messaging Points

General

- REITs can benefit both investors and the communities they serve. Taken individually, a single REIT-owned property can change the entire complexion of a neighborhood. REITs help communities grow and increase access to resources.
- When viewed as an entire industry, REITs significantly contribute to the local tax base, job market and business community.
- REITs comprise 97 percent of the real estate sector in the stock market.

Dividends

- The REIT industry's dividend yields have historically produced a steady stream of income through a variety of market conditions. Such dividends have helped to reduce portfolio volatility.

Transparency

- REITs must disclose financial information to investors and report on material business developments and risks, allowing investors to analyze and value REIT stocks independently.
- Various independent sources monitor REITs' financial reporting on a regular basis. This scrutiny provides a measure of protection and more than one barometer of any REIT's financial condition.
- Since they are registered with the SEC, REITs are required to make regular SEC disclosures, including quarterly and yearly financial reports.

Key Messaging Points

Liquidity

- REITs are bought and sold daily like other equities.
- Shares of REITs are readily converted into cash because they can be sold on the major stock exchanges.
- REITs have made it easier to rebalance portfolios.

Performance

- REITs have historically outperformed the S&P 500 Index over most moderate to long investment periods and have had better returns than corporate bonds.
- REIT stocks on average have historically outperformed other stocks on average over the long term.

Diversification

- REITs can help diversify investment portfolios, and are increasingly a key aspect of investment portfolios and retirement savings.
- REITs can offer a balance of capital appreciation and income.
- REITs have historically provided low correlation with the broader market.
- REITs historically have increased portfolio returns and reduced portfolio risk.
- REITs have helped to complete portfolio asset allocation.

The REIT Landscape: Industry Reach, Size & Performance



As a REIT, you are part of a large and extremely important segment of the economy representing the vast majority of a headline sector in the investment market. Use some of the facts and figures on our website: reit.com/data-research/data/reits-numbers to help contextualize that perspective.

REITs by Sector

After framing the overall size and scope of the industry and highlighting the investment benefits, then focus on your company's sector and its benefits to the overall economy. As you continue to build your communications, use specific examples to emphasize the impact of your type of REIT

Home

Housing and timberland

REITs provide a variety of housing options for Americans of all ages and income levels across the country. From apartments and single-family home rentals, to student housing and senior living facilities, REITs provide homes for more than a million individuals across the U.S.

REITs own nearly 31 million acres of U.S. timberlands and provide much of the lumber needed for construction around the world.

- Multifamily rental properties—3,700+
- Manufactured home communities—940
- Student housing residences—285+
- Assisted living facilities—2,500+
- Single-family rental homes—135,000+
- Total apartment units—1,000,000+

Office

Business and industry

Millions of Americans work in one of the more than 500,000 properties owned by REITs, including some of the most iconic office buildings, like the Empire State Building in New York, Embarcadero Center in San Francisco and the Prudential Center in Boston.

REITs own office buildings of all shapes and sizes providing the space for employees in any industry to get the job done. Even if you work at home or on the road, REIT-owned properties (including hotels, cell towers and data centers) are there to make it possible.

- REITs own more than 3,000 office buildings
- REITs directly employed an estimated 265,000 full-time employees in 2017
- REIT-related construction activity in 2017 supported the equivalent of 488,000 full-time jobs in 2017

Health care

Health and medical

REITs provide the necessary medical facilities for the health care needs of everyone from newborns to seniors. From medical facilities and offices to assisted living and additional health care facilities, health care REITs span across the U.S.

- Medical facilities—7,300
- Medical offices—2,300+
- Assisted living facilities—2,500+
- Additional health care facilities—2,400+

REITs by Sector (cont.)

Connected World

Data centers and communication

The growing reliance on wireless infrastructure, mobile communications, streaming content and e-commerce puts tremendous demands on the country's infrastructure. REITs are at the center of providing the real estate necessary to connect the world. Cell towers owned by REITs provide the infrastructure that enables local emergency systems to function in communities across America. REIT-owned warehouses and fulfillment centers are a critical component to meeting the growing demand for e-commerce and rapid-delivery services.

- Telecommunications towers—95,000
- Data centers—260+
- Industrial facilities—5,400+

Travel

Hotels and accommodations

Whether you are traveling for business or pleasure, hotel and lodging REITs provide your home away from home. With properties in all 50 states and around the world, REITs own hotels and resorts at or near your next travel destination. REITs own some of the top hotels in the country's most popular destinations including the New York Marriott Marquis, Sir Francis Drake Hotel in San Francisco and the Gaylord Opryland Resort in Nashville.

- Limited service hotels—890
- Full service hotels—620+
- Extended stay hotels—540
- Budget hotels—4

Shopping

Retail and entertainment

REIT-owned properties run the gamut of shopping experiences from grocery anchored shopping plazas and outlet centers to local malls and modern shopping/entertainment destinations. REITs own some of the most notable retail centers in the U.S., including Ala Moana Center in Hawaii, King of Prussia Mall in Pennsylvania and Tysons Corner Center in Virginia.

- Regional malls—500+
- Shopping centers—3,400+
- Restaurants—5,600+
- Retail facilities (total)—13,000+

For additional information, visit TheREITWay.com

FAQs

Answers to basic questions for every audience

Questions	Answers
Where are REITs located?	REITs own real estate in all 50 states and in countries around the world. In fact, more than 35 nations around the world have embraced REIT-based real estate investment.
What types of properties do REITs own and manage?	REITs own and manage all types of real estate throughout the economy, including apartments, health care and life science facilities, hotels, office buildings, shopping centers, timberland and farmland, warehouses, cell phone towers and more. Some REITs invest throughout the country or in some cases, throughout the world. Others specialize in one region only, or even in a single metropolitan area.
What are the different types of REITs?	<p>A REIT is a company that is registered with the SEC and owns income-producing real estate. REITs generate income through the collection of rent on, and from the sales of, the properties they own for the long-term.</p> <p>Also registered with the SEC, an mREIT makes or owns loans and other obligations that are secured by real estate mortgages or mortgage-backed securities. mREITs invest in mortgages or mortgage securities tied to commercial and/or residential properties helping to provide essential liquidity into the market.</p> <p>Public non-listed REITs (PNLRs) are registered with the SEC but do not trade on national stock exchanges. Liquidity options vary and may take the form of share repurchases programs or secondary marketplace transactions but are generally limited.</p> <p>Private REITs are real estate funds or companies that are exempt from SEC registration and whose shares do not trade on national stock exchanges. Private REITs generally can be sold only to institutional investors.</p>
How do investors own REITs?	Investors own REITs directly or through REIT mutual funds and exchange-traded funds. The majority of REITs trade on the New York Stock Exchange. Investors may invest in a REIT by purchasing shares through a securities dealer. As with other publicly traded securities, investors may purchase common stock, preferred stock or debt securities.
How do REITs make their money?	Most REITs operate along a straightforward and easily understandable business model. REITs' reliable income is derived from rents paid to the owners of commercial properties whose tenants often sign leases for long periods of time, or from interest payments from the financing of those properties. REITs typically pay out all of their taxable income as dividends to shareholders. In turn, shareholders pay the income taxes on those dividends.

Key Nareit Resources

REIT.com/brandcenter

Nareit's online guide for strategic communications and brand guidelines.

REIT.com

Nareit's website for all things REIT includes educational information, industry data and REIT index information, as well as legal and regulatory updates.

TheREITWay.com

A website maintained by Nareit that highlights the economic benefits of REITs and how REITs impact local communities.

REIT.com/glossary

Glossary of terms and principals.

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