



FACT SHEET

Contact: Ron Kuykendall

(202) 739-9425

RKuykendall@nareit.com

FTSE NAREIT PureProperty[®] Index Series: Facts and Uses

- The FTSE NAREIT PureProperty[®] Index Series provides a way of measuring performance (price returns and total returns) on real estate investments at the *property* level as well as the equity level, based on price appreciation and income distributions derived from property portfolios held by stock exchange-listed U.S. equity REITs.
- There are FTSE NAREIT PureProperty indices for six property types (Apartment, Health Care, Hotel, Industrial, Office, Retail), four regions (East, Midwest, South, West), and 11 type/region combinations (*e.g.*, East region Apartments), as well as nationwide all-property aggregates.
- The FTSE NAREIT PureProperty indices are computed daily (in contrast with other property-level indices that are computed monthly or quarterly) and are published at the end of the same day (in contrast with publication delays of four to eight weeks for property-level indices based on the private real estate market).
- The FTSE NAREIT PureProperty indices can be replicated without significant tracking error simply by investing in the constituents of the indices—all of which are traded in liquid markets—in proportion to their weights in the indices. Investment products tracking the indices may also be developed to enable investors to track the indices simply by investing in tracking products.
- Replicability means that institutional investors who want unlevered exposure to the nearly \$1.5 trillion of real estate owned by stock exchange-listed REITs (in aggregate, in a property type, in a region, or in a type/region segment) will be able to get it simply by investing in accordance with the property-level indices rather than by seeking out, evaluating, buying, and managing a diversified portfolio of properties in those segments of the real estate market.
- Similarly, investors who want to take tactical asset allocation positions in different segments of the real estate market may be able to do so without buying and selling the corresponding properties. For example, if an investor believes South region Apartments are undervalued while West region Offices are

overvalued, he or she can buy holdings corresponding to the South region Apartment index while selling holdings corresponding to the West region Office index.

- An investor with large direct real estate holdings in a particular segment of the real estate market can sell holdings corresponding to the FTSE NAREIT PureProperty index for that segment of the market, with the purpose of hedging his or her over-exposure and reducing portfolio concentration risk.
- The FTSE NAREIT PureProperty Index Series also includes a set of PureProperty equity indices – similarly targeted by property type, region or region/type combination – measuring the returns of real estate investments through the balance sheets of the REITs owning properties in that category. This means that investors who want to target a given amount of leverage can combine holdings corresponding to the property and equity versions of the FTSE NAREIT PureProperty indices to achieve the target leverage. For example, if REITs are using 40 percent leverage on average but an investor wants 20 percent, an investor can track the appropriate property-level index with half of his or her capital and track the corresponding equity-level index with the other half.
- The FTSE NAREIT PureProperty indices can be used for a portable-alpha strategy. For example, if an investor has a manager who consistently generates alpha (superior risk-adjusted returns) with properties in the Midwest region, the investor can invest capital with the manager while also selling holdings corresponding to the Midwest region FTSE NAREIT PureProperty index and buying holdings corresponding to the other FTSE NAREIT PureProperty indices with the purpose of capturing the manager's Midwest-based alpha along with the beta of the entire real estate market.
- Investors who want to transform real estate returns into a more predictable stream of earnings can use the FTSE NAREIT PureProperty indices to set up a swap contract: for example, to swap Midwest region Retail returns for bond yields or inflation-indexed payments to cover pension obligations.
- Finally, because the FTSE NAREIT PureProperty indices serve as accurate, timely benchmarks of changes in the values of REIT-owned properties, they may help developers and lenders make better decisions about real estate development, and thereby reduce the severity of real estate market cycles.

Editors' Note: NAREIT provides media resources on [REIT Basics](#), a [Glossary of REIT Terms](#), as well as other industry data and information on the value that REITs provide to investors, the

economy and our communities on REIT.com. NAREIT also makes economists and other industry experts available for commentary on industry trends and research.



NAREIT is the worldwide representative voice for REITs and listed real estate companies with an interest in U.S. real estate and capital markets. Members are REITs and other businesses that own, operate and manage income-producing real estate, as well as those firms and individuals who advise, study and service those businesses. NAREIT is the exclusive registered trademark of the National Association of Real Estate Investment Trusts, Inc.®, 1875 I St., NW, Suite 600, Washington, DC 20006-5413. Follow us on REIT.com. Copyright© 2015 by the National Association of Real Estate Investment Trusts, Inc.® All rights reserved.

NAREIT is not acting as an investment adviser, investment fiduciary, broker, dealer or other market participant, and no offer or solicitation to buy or sell any security or real estate investment is being made. NAREIT does not allow any agent, employee or representative to personally solicit any investment or accept any monies to be invested in a particular security or real estate investment.

“FTSE®” is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited (“FTSE”) under license. The Industry Classification Benchmark (“ICB”) is owned by FTSE. All rights in and to the FTSE NAREIT PureProperty Index Series vest in FTSE and/or NAREIT. Please see ftse.com for additional legal disclosures, index methodology and governance details. Distribution of FTSE data and the use of FTSE indices to create financial products require a license with FTSE and/or its licensors. FTSE is not an investment adviser and makes no representation regarding the advisability of investing in any security/investment

This information is solely educational in nature and is not intended by NAREIT to serve as the primary basis for any investment decision. Indices cannot be invested in directly. Inclusion of a security in an index is not a recommendation to buy, sell or hold such security. Index returns do not represent the results of the actual trading of investable assets. Performance results are provided only as a barometer or measure of past performance, and future values will fluctuate from those used in the underlying data. Any investment returns or performance data (past, hypothetical or otherwise) shown herein or in such data are not necessarily indicative of future returns or performance.

All REIT data are derived from, and apply only to, publicly traded securities. While such data are believed to be reliable when prepared or provided, such data are subject to change or restatement. NAREIT does not warrant or guarantee such data for accuracy or completeness, and shall not be liable under any legal theory for such data or any errors or omissions therein. See <http://reit.com/TermsOfUse.aspx> for important information regarding this data, the underlying assumptions and the limitations of NAREIT’s liability therefor, all of which are incorporated by reference herein.

Before an investment is made in any security, fund or investment, investors are strongly advised to request a copy of the prospectus or other disclosure or investment documentation and read it carefully. Such prospectus or other information contains important information about a security’s, fund’s or other investment’s objectives and strategies, risks and expenses. Investors should read all such information carefully before making an investment decision or investing any funds. Investors should consult with their investment fiduciary or other market professional before making any investment in any security, fund or other investment.