2017 REIT

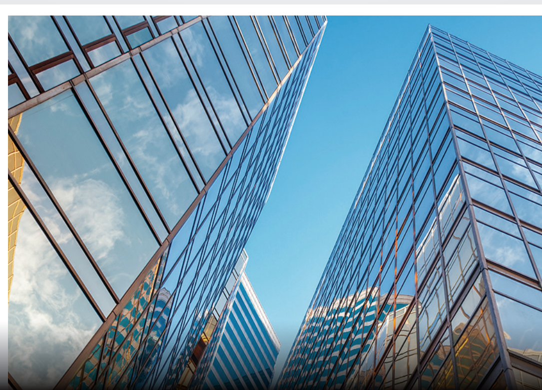
QUICK FACTS GUIDE

Updates and Insights for Financial Advisors

Fact Sheets including Key Performance Data

Guidelines for Setting Portfolio Allocations

National Association of Real Estate Investment Trusts®



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For more information and to download a printable copy of the enclosed Fact Sheets, visit

reit.com/quickfacts

Recent events point to a growing consensus about the REIT approach to real estate investment

If you are among the vast majority of financial professionals who embrace the use of REITs for portfolio diversification, you already recognize that:

- Along with stocks, bonds and cash, real estate is a fundamental asset class
- Stock exchange-listed Equity REITs are an effective and liquid means of investing in this asset class

Further validation of these facts came in 2016 with:

THE CREATION OF A NEW HEADLINE SECTOR

On August 31, 2016, S&P Dow Jones Indices and MSCI Inc. jointly implemented a new *Real Estate* Sector under the Global Industry Classification Standard (GICS®).

MOVES BY LEADING INVESTMENT MANAGERS

A number of leading investment management firms — including BlackRock®, State Street Global Advisors® and Fidelity® — added REIT-focused exchange traded funds (ETFs) to their product lineups.

Together, these events confirmed a growing consensus throughout the investment community about the wisdom and durability of the REIT approach to real estate investment.

Why real estate?

The elevation of real estate to its own headline Sector in GICS® is due to the growing position of real estate in today's global economy, as well as the recognition that real estate is viewed as a distinct asset class.

The real estate asset class proposition is based on specific, well-documented attributes of real estate investing, including:

A DISTINCT ECONOMIC CYCLE relative to the cycle for most other equities and bonds due, in part, to supply inelasticity

LONG-TERM INVESTMENT RETURNS that potentially provide high and growing income from rents plus moderate capital appreciation over time

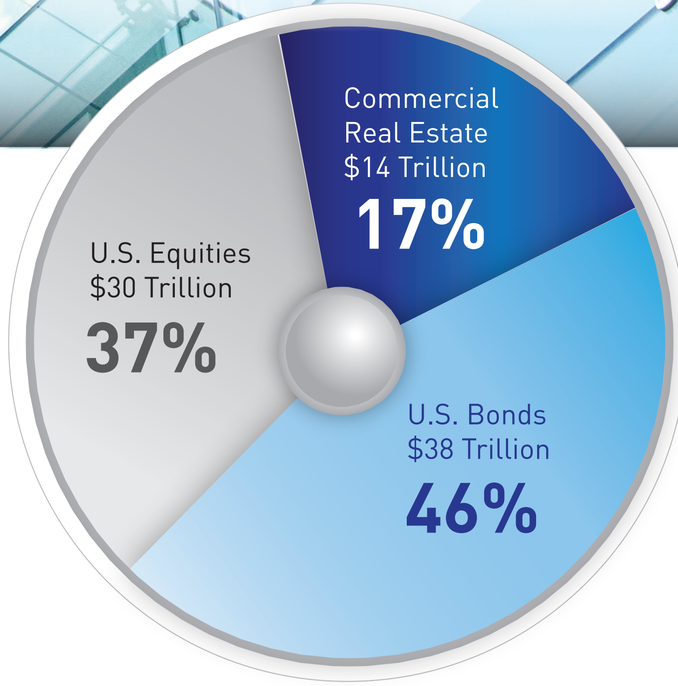
POTENTIAL INFLATION HEDGING ATTRIBUTES due in part to the fact many leases are tied to inflation and that real asset values tend to increase in response to rising replacement costs

Why REITs?

The potential role for REITs within a diversified portfolio is driven by these attributes:[1]

DIVERSIFICATION	Low correlation with other stocks and bonds
LIQUIDITY	Bought & sold like other stocks, mutual funds and ETFs
DIVIDENDS	Reliable income returns
PERFORMANCE	Outperformed the S&P 500 over the past 25 years

The significance of commercial real estate should not be overlooked



Modern portfolio theory indicates that well-diversified portfolios should include meaningful allocations to all assets in the market basket.

This includes commercial real estate which is the third largest asset class (17%) in the U.S. investment market[2]

Listed REITs represent 15% to 20% of the commercial real estate asset class. Past performance[1] suggests that:

- The real estate market is the primary driver of Equity REIT returns
- Listed Equity REITs may be used as a liquid proxy for gaining access to the entire commercial real estate market

A majority of financial advisors recommend REITs

The potential benefits of including REIT allocations within a diversified portfolio are key reasons why:

Looking closer at the numbers

The enclosed Morningstar Fact Sheets include performance data for stock exchange-listed Equity REITs through December 31, 2016. As these Fact Sheets show:[5]

Compared to other stocks, bonds and T-Bills,
REITs PROVIDED THE LARGEST INCREASE IN WEALTH OVER 45 YEARS[6]

Adding REITs to a hypothetical portfolio
INCREASED RETURNS WITH NO INCREASE IN RISK[7]

Adding REITs to a hypothetical portfolio
EXTENDED THE YEARS A PORTFOLIO MIGHT LAST[8]

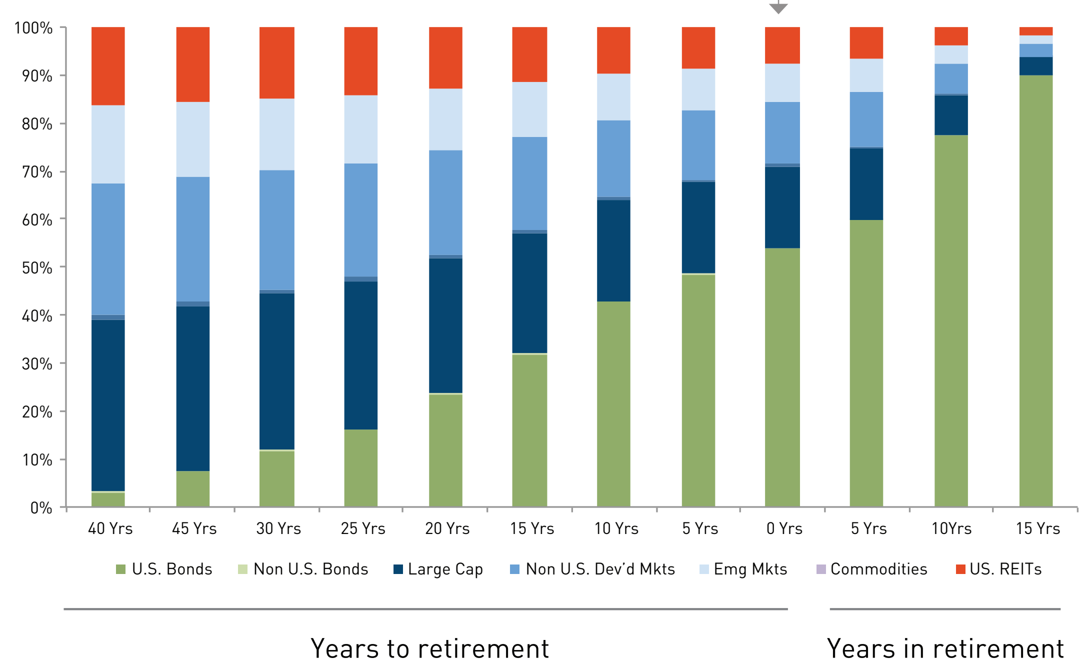
Equity REITs have provided
STABLE INCOME DESPITE INFLATION AND MARKET FLUCTUATIONS[9]

Defining appropriate portfolio allocations

Many investors believe a reasonable portfolio allocation to REITs is between 5% and 10%, but multiple studies have found the optimal allocation may be between 5% and 15%. For example, this model from Wilshire Funds Management defines the optimal allocation to U.S. Equity REITs as follows:[10]

15%+ for an investor with a 40-year investment horizon

Gradually declining to **8%+** at retirement



The optimal allocations to global listed Equity REITs and real estate companies were found to be similar[10]

Glide Path Allocations (U.S. REITs), Surplus Optimization

Learn more and download printable Fact Sheets at reit.com/quickfacts

Additional resources at reit.com:

- **Market Commentary**
- **REIT Investment Options**
- **FAQs about REITs**

About NAREIT

NAREIT®, the National Association of Real Estate Investment Trusts®, is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets. NAREIT's members are REITs and other businesses throughout the world that own, operate, and finance income-producing real estate, as well as those firms and individuals who advise, study, and service those businesses. This information is solely educational in nature and is not intended by NAREIT to serve as the primary basis for any investment decision. NAREIT is not acting as an investment adviser, investment fiduciary, broker, dealer or other market participant.

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1. Unless otherwise indicated, REIT data presented are historical performance data which 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. 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.
2. Sources: Stock and bond data from Board of Governors of the Federal Reserve, Financial Accounts of the United States, 2016Q4; commercial real estate market size data based on NAREIT analysis of CoStar property data and CoStar estimates of Commercial Real Estate Market Size, 2016Q4.
3. Source: NAREIT-sponsored survey by APCO Insights, April 2015.
4. Source: NAREIT analysis using Morningstar Direct™.
5. IMPORTANT: These facts exclusively address stock exchange-listed Equity REITs. To learn how this type of REIT differs from a Mortgage REIT, and how listed REITs differ from non-listed REITs, see the SEC Investor Bulletin Real Estate Investment Trusts (REITs) available at http://sec.gov/investor/alerts/reits.pdf REIT investments are not suitable for all investors. Past performance is no guarantee of future results.
6. For details, refer to Performance: Stocks, Bonds, Bills, REITs, a Morningstar® Fact Sheet available at REIT.com/quickfacts
7. For details, refer to The Role of REITs in a Portfolio, a Morningstar® Fact Sheet available at REIT.com/quickfacts
8. For details, refer to Retirement Portfolios, a Morningstar® Fact Sheet available at REIT.com/quickfacts
9. For details, refer to Dividends and Inflation, a Morningstar® Fact Sheet available at REIT.com/quickfacts
10. Source: NAREIT sponsored study by Wilshire Funds Management – The Role of REITs and Listed Real Estate Equities in Target Date Fund Allocations. Large-cap stocks – Wilshire U.S. Large Cap Index; Small-cap stocks – Wilshire U.S. Small Cap Index; International stocks – Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index; Emerging Market Equities – MSCI Emerging Markets Index; U.S. bonds - Barclays U.S. Aggregate Bond Index; Non-U.S. bonds – Citigroup Non-USD World GBI; U.S. REITs – FTSE NAREIT All Equity REIT Index.

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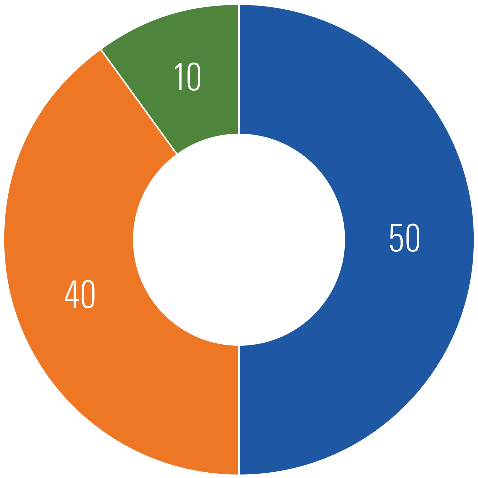
The Role of REITs in a Portfolio

Potential to increase returns (1972–2016)

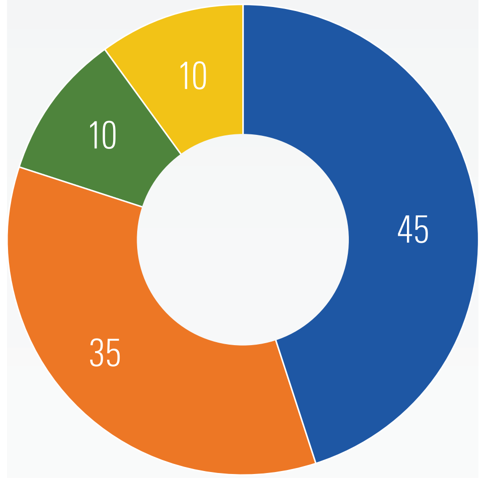
- Stocks
- Bonds
- Treasury Bills
- REITs

Stocks and Bonds



Return (%)	10.0
Risk (%)	10.1

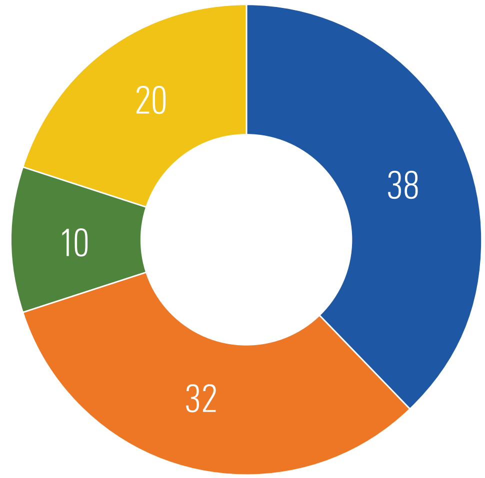
With 10% REITs



Return (%)	10.3
Risk (%)	10.1

Past	3 Year	5 Year	10 Year
Return (%)	8.4	9.2	7.3
Risk (%)	8.6	6.2	8.0

With 20% REITs



Return (%)	10.5
Risk (%)	10.1

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment.
Stocks—Ibbotson® Large Company Stock. Bonds—20-year U.S. government bond. Treasury bills—30-day U.S. Treasury bill.
REITs—FTSE NAREIT All Equity REIT Index®. An investment cannot be made directly in an index.

The Role of REITs in a Portfolio

Real Estate Investment Trusts (REITs) have unique characteristics that may make them attractive to both income and growth investors. Like all stocks, REIT stocks and can fluctuate in price, but they also pay out a large part of their income in the form of dividends. REITs may be used to help provide income in conservative portfolios or long-term growth in more aggressive portfolios. Some portion of a portfolio may be appropriately allocated to REITs for a broad range of investor types.

The image illustrates risk-and-return profiles for three hypothetical portfolios from 1972 to 2016, and for the 10% REIT portfolio over the last 3, 5, and 10 years. Adding a 10% allocation to REITs in a stock, bond, and cash portfolio increased return from 10.0% to 10.3%. Adding a 20% allocation to REITs further increased return to 10.5% while maintaining the same level of risk.

Because stocks, bonds, cash, and REITs generally do not react identically to the same economic or market stimuli, combining these assets may produce a more appealing risk-and-return trade-off. This makes REITs a potentially good candidate for investors looking to build a diversified portfolio, whether for long-term growth or for income.

Methodology: The allocations herein are intended to represent simplified portfolios for moderate (50% equity/50% fixed-income to 60% equity/40% fixed-income) investors. The portfolios represented are not Morningstar recommendations and should not be viewed as investment advice. The 1972 start date is constrained by the maximum available historical data for REITs. In order to analyze the impact of REITs on the portfolio's risk and return, 10% and 20% REIT allocations were added to the initial portfolios. Return was calculated by the arithmetic annual return and risk by the annual standard deviation. Standard deviation measures the fluctuation of returns around the arithmetic average return of the investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns. No optimizations were used in this analysis. Portfolios were rebalanced annually. The result of this analysis illustrates that adding REITs to a portfolio has the potential to increase return through diversification.

REIT investments are not suitable for all investors. Past performance is no guarantee of future results. Diversification does not eliminate the risk of experiencing investment losses. An investment cannot be made directly in an index. This is for illustrative purposes only and not indicative of any investment. The data assumes reinvestment of all income and does not account for taxes or transaction costs. Capital gains and dividends received may be taxed in the year received. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. Bonds in a portfolio are typically intended to provide income and/or diversification. U.S. government bonds may be exempt from state taxes, and income is taxed as ordinary income in the year received. With government bonds, the investor is a creditor of the government. Stocks and REITs are not guaranteed and have been more volatile than bonds. Stocks provide ownership in corporations that intend to provide growth and/or current income. REITs typically provide high dividends plus the potential for moderate, long-term capital appreciation. A REIT must distribute at least 90% of its taxable income to shareholders annually. REITs involve special risks such as management quality, corporate structure, the ability to increase revenues from rents, and the balance of the supply of new buildings with demand for space. Additional risks include general and local economic conditions, interest rate fluctuation, credit risks, and liquidity risks. Holding REITs for the long term does not ensure a profitable outcome and investing in REITs always involves risk, including the possibility of losing the entire investment. The information, data, analyses and opinions contained herein do not constitute investment advice offered by Morningstar and are provided solely for informational purposes.

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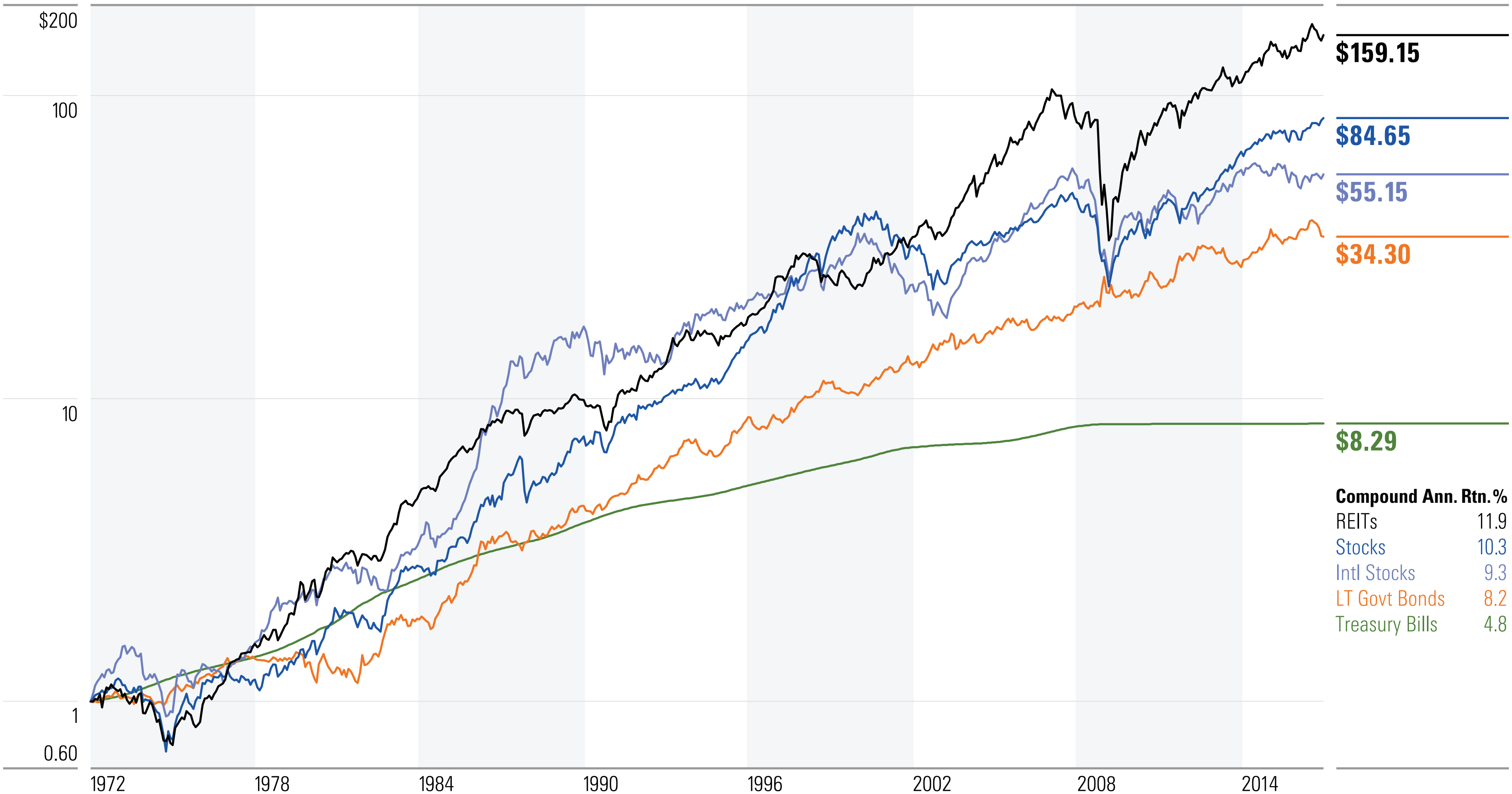
Performance: Stocks, Bonds, Bills, and REITs

1972–2016



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Performance: Stocks, Bonds, Bills, and REITs

A 45-year examination of past capital market returns provides historical insight into the performance characteristics of various asset classes. This graph illustrates the hypothetical growth of a $1 investment in five asset classes over the time period January 1, 1972 to December 31, 2016.

REITs and other stocks have provided the highest returns and largest increases in wealth over the time period analyzed. As illustrated by the image, REITs provided the largest growth, followed by domestic and international stocks. Among fixed-income investments, bonds appreciated considerably, but still finished behind stocks, and Treasury bills offered only a fraction of the growth provided by REITs and other stocks. However, the higher returns achieved by stocks and REITs also come with certain risks, which can be identified by the volatility or fluctuation of the graph lines.

Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than other asset classes.

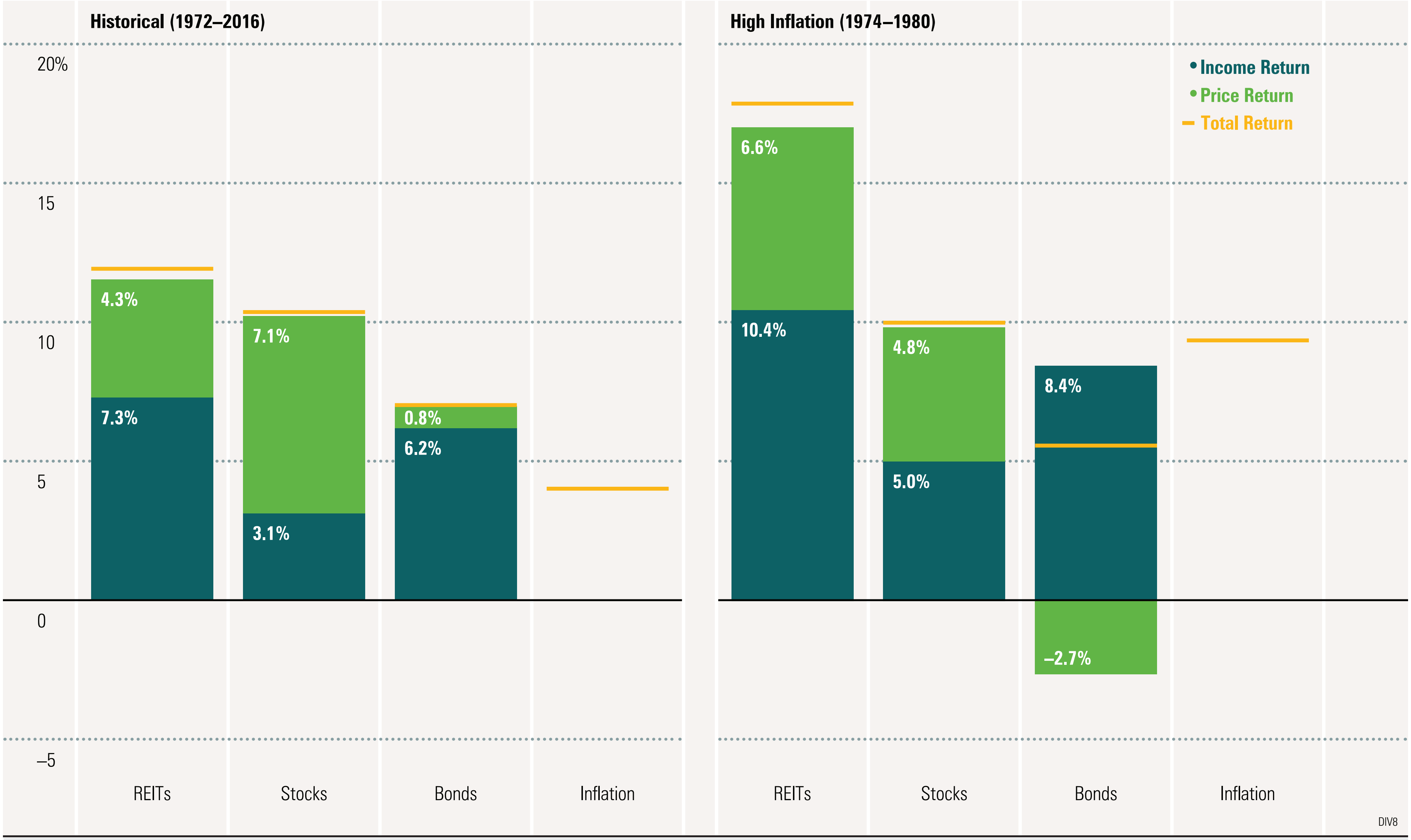
Like all common stocks, returns and principal invested in REITs are not guaranteed. REITs typically provide high dividends plus the potential for moderate, long-term capital appreciation. A REIT must distribute at least 90% of its taxable income to shareholders annually. As with all stocks, real estate investment options are subject to certain risks, such as risks associated with general and local economic conditions, interest rate fluctuation, credit risks, liquidity risks and corporate structure. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, liquidity risks, and differences in accounting and financial standards.

ABOUT THE DATA

REITs are represented by the FTSE NAREIT All Equity REIT Index®, stocks by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the U.S. stock market in general, international stocks by the Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) index, bonds by the 20-year U.S. government bond, and Treasury bills by the 30-day U.S. Treasury bill. Inflation is represented by the Consumer Price Index. An investment cannot be made directly in an index.

Dividends and Inflation

Stocks, bonds, and REITs, 1972–2016



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Dividends and Inflation

As an investor nearing retirement, you may ask whether an allocation to dividend-paying stocks, including REITs, in your retirement portfolio will help counter high inflation. Examining stock and REIT returns during periods of high inflation may help answer this question. Investors often think of stocks and REITs as a capital appreciation investment or a tool for growing portfolio wealth. Little do some investors realize, however, that dividend-paying stocks or REITs can also be an income tool. This is especially relevant for investors seeking to manage their portfolios in retirement, when the need for current income may take precedence over the need for capital accumulation.

The image illustrates the income potential for bonds, REITs, and stocks historically (1972–2016) as well as during a period of high inflation (1974–1980). The figures in the bars represent the portion of total return that can be attributed to income return and price return. While stocks and REIT prices tend to be volatile, dividends serve as a stable component of total return and may provide better inflation protection compared to bonds. Between 1974 and 1980 (high inflation), the average rate of inflation was 9.3%, much higher than the historical rate (1972–2016) of 4.0%. During this time, bonds yielded 8.4% from income, but prices declined by 2.7%, resulting in a total return of 5.6%—way short of inflation. On the contrary, stocks returned a total of 10.0%: 5.0% from dividend income and 4.8% from price return, outpacing inflation for this time period. The income return of REITs alone was 10.4%, higher than the 9.3% rate of inflation. REITs returned a total of 17.9% for this time period.

Dividend-paying stocks and REITs can serve as part of a growth investor's strategy, while also helping to provide the income return requirement for income-oriented investors. These investments can also play an important role in retired investors' portfolios because of their high potential to generate income.

Dividends are not guaranteed and are paid at the discretion of the stock-issuing company. Diversification does not eliminate the risk of experiencing investment losses. An investment cannot be made directly in an index. Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks and REITs are not guaranteed. REITs and stocks are subject to certain risks, such as risks associated with general and local economic conditions, interest rate fluctuation, credit risks, liquidity risks and corporate structure. It is important to note that REITs may not be suitable for all investors.

The price return and income return do not add up to total return in the image because the calculations are based on monthly annualized figures. Total return = Price return + Income return at monthly frequency. However, when each return is annualized separately, this equation does not hold anymore because compounding is not taken into account.

ABOUT THE DATA

REITs are represented by the FTSE NAREIT All Equity REIT Index®, stocks by the Ibbotson® Large Company Stock Index, bonds by the 5-year U.S. government bond, and inflation by the Consumer Price Index.

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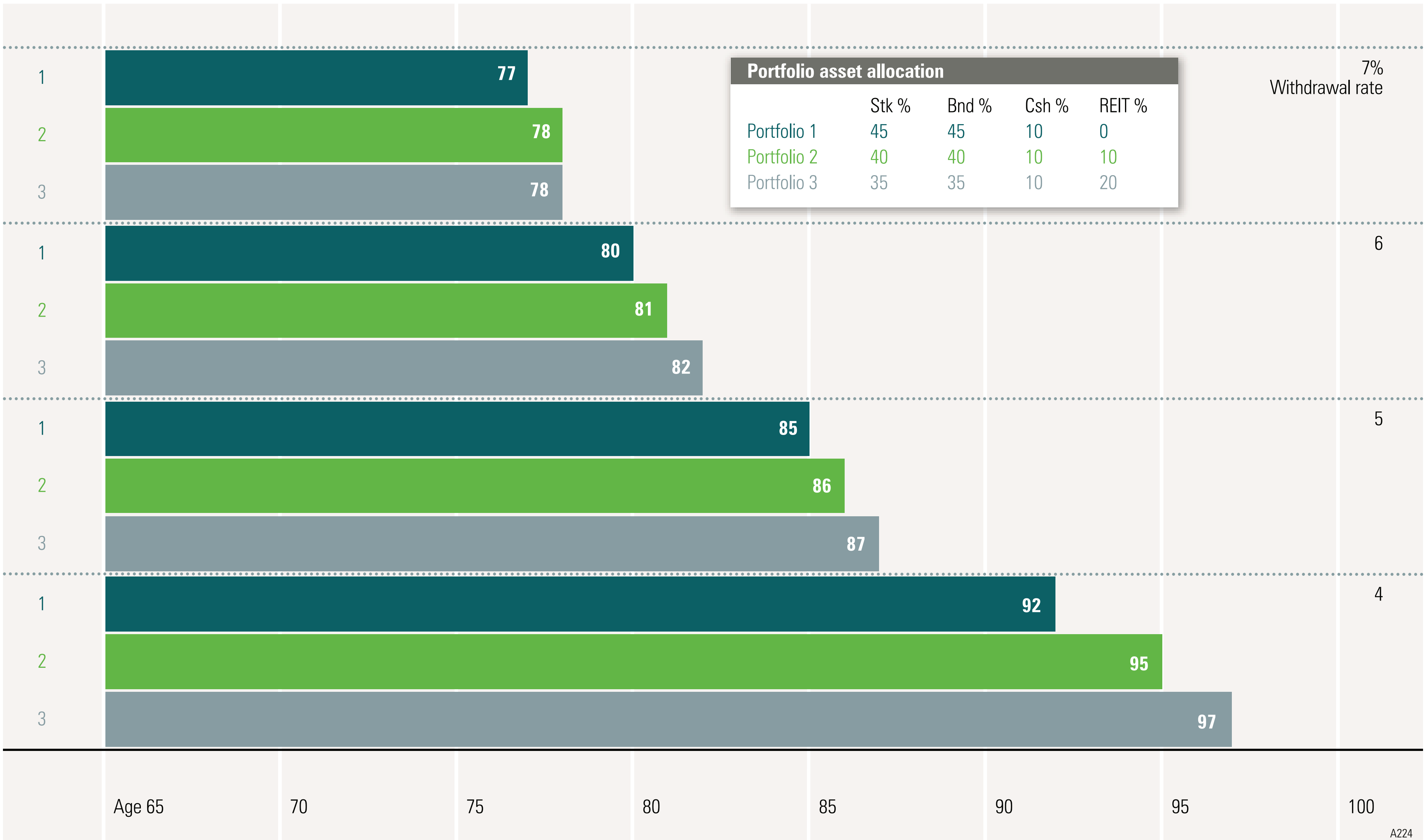
Retirement Portfolios

Age to which portfolio may last (90% confidence level)



IMPORTANT: Projections generated by Morningstar regarding the likelihood of various investment outcomes using the Ibbotson Wealth Forecasting Engine are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

Retirement Portfolios

The inclusion of REITs in a retirement portfolio may increase the age to which the portfolio may last. The image illustrates the estimated age to which portfolios ($1,000,000 initial value) with various allocations to REITs may last given a withdrawal rate. Consider a scenario where an investor retiring at age 65 withdraws 4% of his or her initial portfolio amount each year. A portfolio consisting of 45% stocks, 45% bonds, and 10% cash would last until age 92. This number increases by three years for a portfolio comprised of 40% stocks, 40% bonds, 10% cash, and 10% REITs. Furthermore, the portfolio with a 20% allocation to REITs would last until the investor is 97 years old.

While including REITs may potentially improve the ability of a portfolio to support required withdrawals over a longer time period, it is also important to note that a higher rate of withdrawal would exhaust retirement savings sooner.

It is assumed that a person retires at 65 and withdraws an inflation-adjusted percentage of the initial portfolio wealth each year beginning at that age. The image was created using Monte-Carlo parametric simulation that estimates the range of possible outcomes based on a set of assumptions including arithmetic mean (return), standard deviation (risk), and correlation for a set of asset classes. The inputs used herein are hypothetical, based on historical long-term figures. The hypothetical risk and return of each asset class, cross-correlation, and annual average inflation follow. Stocks: risk 20.2%, return 12.1%; Bonds: risk 9.8%, return 5.9%; REITs: risk 18.4%, return 13.5%; Inflation: return 3.0%. Annual investment expenses assumed were 0.73% for stock mutual funds and REITs and 0.60% for bond mutual funds. Other investments not considered may have characteristics similar or superior to those being analyzed. The simulation is run 5,000 times, to give 5,000 possible 35-year scenarios. While simulation can produce results that show probabilities of an outcome, the analysis presented herein is at the 90% confidence level. A 90% confidence level indicates that there is a 90% chance of the outcome being as shown or better. Higher confidence levels are chosen in order to simulate tougher market conditions. A limitation of the simulation model is that it assumes a constant inflation-adjusted rate of withdrawal, which may not be representative of actual retirement income needs. This type of simulation also assumes that the distribution of returns is normal. Should actual returns not follow this pattern, results may vary.

Diversification does not eliminate the risk of experiencing investment losses. Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than other asset classes.

Returns and principal invested in stocks and REITs are not guaranteed. REITs typically provide high dividends plus the potential for moderate, long-term capital appreciation. A REIT must distribute at least 90% of its taxable income to shareholders annually. Real estate investment options are subject to certain risks, such as risks associated with general and local economic conditions, interest rate fluctuation, credit risks, liquidity risks and corporate structure.

ABOUT THE DATA

Stocks are represented by the Ibbotson® Large Company Stock Index. Bonds are represented by the 20-year U.S. government bond, cash by the 30-day U.S. Treasury bill, REITs by the FTSE NAREIT All Equity REIT Index®, and mutual fund expenses from Morningstar. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

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