An Introduction To The Benefits Of Investing In Real Estate Stocks

The REIT Story

What is a REIT?

A Real Estate Investment Trust, or REIT, is a company that owns, and in most cases operates, income-producing real estate. Some REITs finance real estate. To be a REIT, a company must distribute at least 90 percent of its taxable income to shareholders annually in the form of dividends.

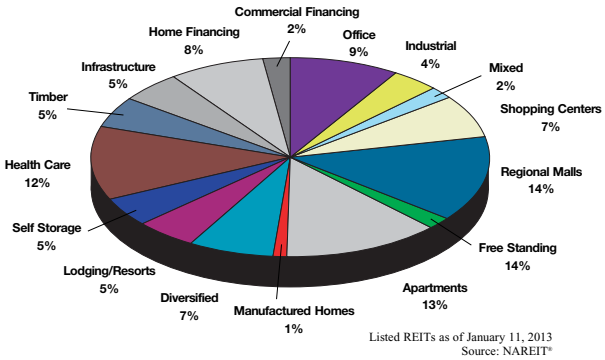
Types of REITs

There are approximately 172 publicly traded REITs in the U.S. today, with a combined equity market capitalization of about $603 billion. The shares of these companies are traded on major stock exchanges, which sets them apart from traditional real estate investment. Other REITs may be either publicly registered (but non-exchange traded) or private companies. REITs are classified in the following categories:

- Equity REITs own and operate income-producing real estate.

- Mortgage REITs lend money directly to real estate owners and their operators, or indirectly through acquisition of loans or mortgage-backed securities.

Listed REITs Invest In All Property Types



Listed REITs as of January 11, 2013
Source: NAREIT®

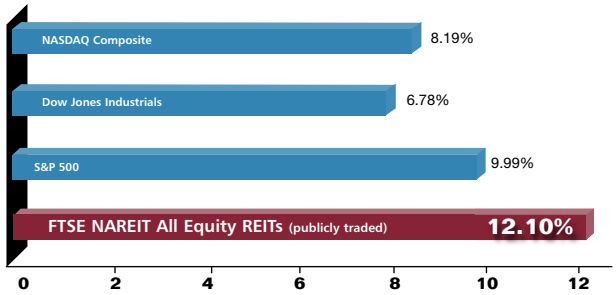
The Evolution of REITs

Congress created REITs in 1960 to give anyone and everyone the ability to invest in large-scale commercial properties. The REIT industry has grown dramatically in size and importance since that time. Factors leading to this growth include:

- REITs—also known as real estate stocks—have matched or outperformed most other major equity market benchmarks over three decades.

REITs Measure Up Over Time

Compound Annual Total Returns In Percent
(Dec. 1971 - Dec. 2012)



Source: NAREIT®
Past performance is no guarantee of future results.

- REITs operate commercial properties in every major metropolitan area across the country and in several international locations.

- In 2001, Standard & Poor's recognized the evolution and growth of the REIT industry as a mainstream investment by adding REITs to its major indexes, including the S&P 500.

Please note: All data are derived from, and apply only to, publicly traded securities.

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National Association of Real Estate Investment Trusts®
REITs: Building Dividends and Diversification®
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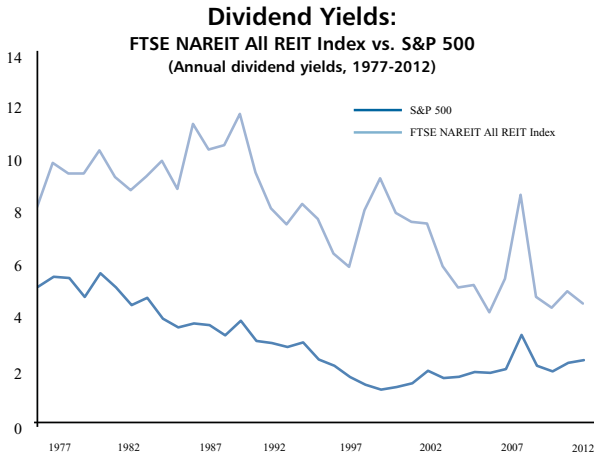
Dividends and Diversification

Because REITs must pay out almost all of their taxable income to shareholders, investors have historically looked to REITs for reliable and significant dividends (typically four times higher than those of other stocks, on average).



Source: National Association of Real Estate Investment Trusts® and Standard and Poor's.

Analysis of historical data concluded that the relatively moderate correlation over time between REITs and other stocks and bonds makes them a powerful diversification tool.

In particular, Ibbotson Associates found:

- REITs offer an attractive risk/reward trade-off
- REITs may boost return and/or reduce risk when added to a diversified portfolio

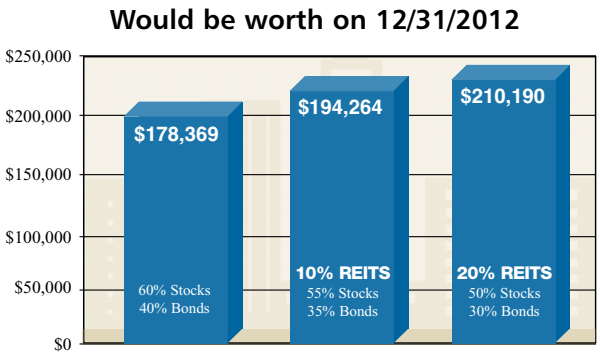
Any investor can build greater long-term wealth by combining homeownership and REIT stocks as part of a diversified investment portfolio.

REITs and Your 401(k) Plan

Institutional investors (organizations such as pension funds) routinely have included real estate in their portfolios. Yet, the latest study shows that only 25 percent of the nation's 401(k) plans even offer participants the opportunity to invest in a real estate stock fund.

In view of real estate stocks' record of providing dividends and diversification, every retirement plan participant should have the right to choose REITs.

If your 401(k) plan doesn't include a real estate option, ask for one. Your first step may be to talk with your company's benefits officer and request a prospectus containing information about the fees, expenses, and risks of investing in a REIT fund. That individual is also likely to serve as a liaison with your 401(k) provider. Remind them that a well-constructed 401(k) plan isn't possible without real estate.



Source: NAREIT®. Note: Portfolios rebalanced annually on the last trading day in December. Stocks represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; Bonds represented by Barclays Capital U.S. Aggregate Bond Index; REITs represented by the FTSE NAREIT All Equity REIT Index.

To learn more about investing in real estate stocks, visit: REIT.com

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