National Association of
Real Estate Investment Trusts®

2016 UPDATE

REIT
QUICK FACTS GUIDE
FOR FINANCIAL ADVISORS

Look inside for:

- **New insights** into the recent announcement by leading index providers that real estate warrants its own dedicated top-line Sector
- **5 REIT Quick Facts** that underscore how stock exchange-listed Equity REITs provide a liquid and transparent means of investing in real estate, widely accepted by the investment community as a fundamental asset class along with stocks, bonds and cash
- **FINRA-reviewed Fact Sheets** suitable for presentation to clients
- **Helpful guidelines** for defining appropriate REIT portfolio allocations

THERE ARE COMPELLING REASONS TO CONSIDER LISTED EQUITY REITS

REITs may be appropriate for a wide range of investors seeking income and portfolio diversification

Over time, listed U.S. Equity REITs have demonstrated a historical track record providing a high level of income combined with long-term share price appreciation, inflation protection, and prudent diversification for investors of all ages with varied investment goals[1] including:

EARLY SAVERS

(e.g., age 20 to 45, single/married, starting and/or raising a family)

Just like investors in other public companies, listed Equity REIT shareholders may receive value in the form of both dividend income and share price appreciation

MID-LIFE ACCUMULATORS

(e.g., age 40 to 65, single/married, raising family, approaching retirement years)

The ownership of listed Equity REIT shares has historically increased investors' total return and/or lowered the overall risk in both equity and fixed-income portfolios over time[1]

RETIREES

(e.g., age 65+, approaching retirement or in retirement)

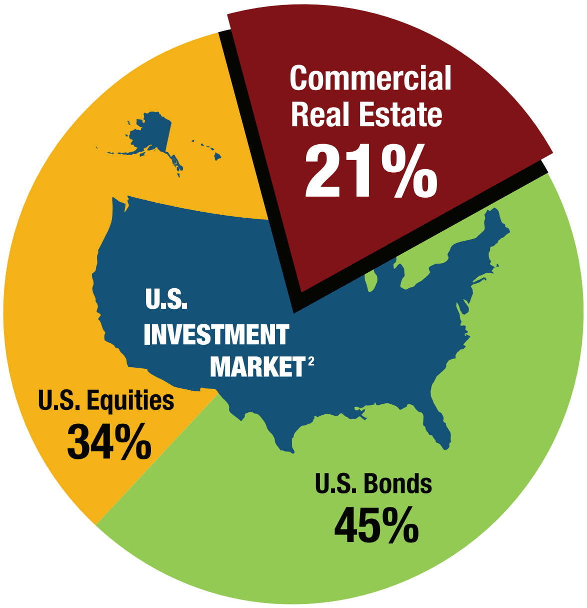
Listed Equity REITs may be well suited for income investors, since they have provided generally high and consistent dividends and have outpaced inflation over time[1]

To gain a clearer perspective, keep reading inside...

- **See page 2 for**:
  - considering whether your clients' portfolios are adequately diversified to the real estate asset class
  - defining diversification strategies that are well-matched to client needs and goals
- **See page 3 for QUICK FACTS** that highlight the 5 top reasons you should consider listed REITs for a diverse range of clients

Taking a big picture view

Are your clients' portfolios adequately diversified?



If you're among the vast majority of financial advisors who recommend listed Equity REITs, you already understand the importance of diversifying portfolios by including investments from multiple asset classes, including commercial real estate. Key factors include:

- The widely accepted view among the investment community that commercial real estate is a fundamental asset class along with stocks, bonds, and cash
- The significance of commercial real estate as the third largest asset in the U.S. investment market[2]
- The importance of real estate in diversification strategies that reflect the U.S. real estate economy and investment market
- The recent announcement by leading index providers that listed Equity REITs and real estate companies warrant their own top-level Sector within the Global Industry Classification Standard[3]

Stock exchange-listed Equity REITs provide a liquid and transparent means of investing in this fundamental asset class.

Defining an appropriate listed REIT portfolio allocation aligned with client needs and goals

The potential role for REITs in an optimally-diversified portfolio is driven by two key attributes: historically, REITs have provided **above average returns** while exhibiting **low long-term correlations with other major asset classes.[1]**

Many investors believe that a reasonable portfolio allocation to listed Equity REITs is between 5% and 10%. However, multiple studies from organizations such as Morningstar and Wilshire Associates have shown that the optimal allocation to listed Equity REITs for certain investors may be between 5% and 20%.

For example, Wilshire Associates found that the optimal allocation in a savings portfolio to listed U.S. Equity REITs would begin at **16.2% for an investor with a 40-year investment horizon**, then gradually decline along with other equities as the investment horizon shortens, ultimately to **8.1% for an investor at retirement**. Optimal portfolio allocations to global listed REITs and real estate companies were found to be comparable. For more details, visit REIT.com/quickfacts

These studies have demonstrated that adding REITs to a portfolio potentially increases return and lowers risk, improving diversification

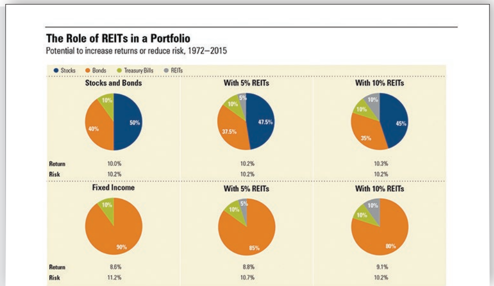
5 QUICK FACTS about stock exchange-listed **Equity REIT performance** from 1972 to 2015

The longest period of performance information available.

1. DIVERSIFICATION

Adding a 5% or 10% allocation of REITs to a hypothetical portfolio of other stocks and bonds **INCREASED RETURNS** with **NO INCREASE IN RISK**.

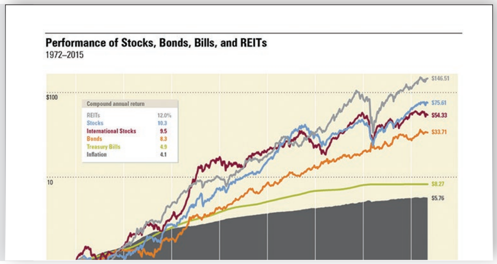
FULL STORY – See the DIVERSIFICATION FACT SHEET:
The Role of REITs in a Portfolio



2. LONG-TERM PERFORMANCE

REITs provided the **LARGEST INCREASE IN WEALTH** over 44 years when compared to other stocks, bonds and Treasury bills.

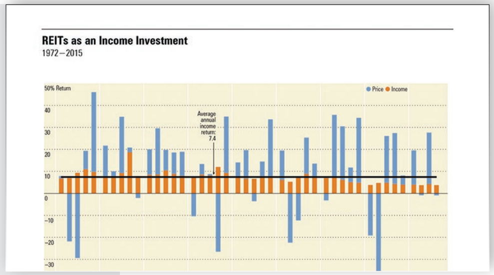
FULL STORY – See the LONG-TERM PERFORMANCE FACT SHEET:
Performance of Stocks, Bonds, Bills and REITs



3. INCOME STABILITY

REITs rewarded investors with **REGULAR INCOME RETURNS** through 44 years of market fluctuations.

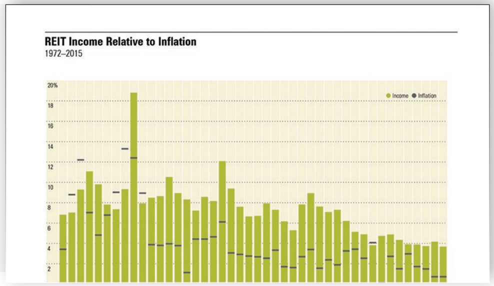
FULL STORY – See the INCOME STABILITY FACT SHEET:
REITs as an Income Investment



4. INFLATION PROTECTION

The income return of REITs **OUTPACED INFLATION FOR 38 OUT OF 44 YEARS.**

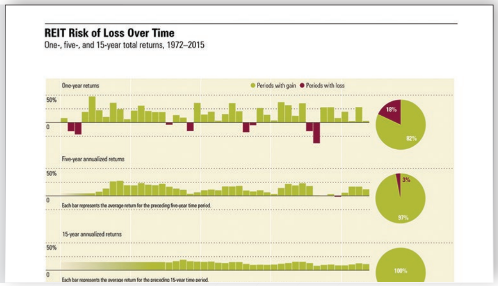
FULL STORY – See the INFLATION PROTECTION FACT SHEET:
REIT Income Relative to Inflation



5. RISK MANAGEMENT

An investment in REITs held for 5 years generated a loss in just **ONE** of 40 overlapping 5-year periods from 1972-2015 (2003-2008, ending during the Great Financial Crisis).

FULL STORY – See the RISK MANAGEMENT FACT SHEET:
Risk of Loss Over Time



IMPORTANT: These Quick 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.**

ADDITIONAL CONSIDERATIONS

Choosing among varied REIT investment strategies

Finding REITs investments to match client needs and goals

- For clients who are interested in investing in specific companies, there are approximately 180 listed Equity REITs with a total equity market capitalization of more than $900 billion traded on the NYSE and NASDAQ. For a searchable directory of REITs, visit reit.com/quickfacts.
- To access a diversified portfolio of REITs, investors can choose from many REIT mutual funds or exchange traded funds (ETFs). There are about 300 mutual funds and ETFs focused on listed REITs.
- Many 401(k) plans offer a distinct REIT fund, and a vast majority of target-date funds now include REITs in their asset allocations.

HELPFUL TOOLS FOR FINANCIAL ADVISORS

MARKET COMMENTARY

The Market Commentary blog on REIT.com presents analysis of the macro- and micro- economic fundamentals impacting the REIT and commercial real estate industry.

LIST OF REIT FUNDS

Explore the numerous U.S. and Global REIT investment options, including mutual funds, exchange-traded funds, closed-end funds and global/ international funds, at REIT.com.

FAQS ABOUT REITs

The Frequently Asked Questions section of REIT.com provides answers to questions about types of REITs, how earnings are measured, taxation of dividends, and more.

1. Observations regarding the historical performance characteristics of REITs are based on stock exchange-listed Equity REITs for which historical performance data are readily available. **REIT investments are not suitable for all investors. Past performance is no guarantee of future results.**
2. Sources: Bond market data from Securities Industry and Financial Management Association (SIFMA); equity market data from World Federation of Exchanges (WFE); investment real estate market data from NAREIT analysis based on Florance, Miller, Peng & Spivey, "Slicing, Dicing, and Scoping the Size of the U.S. Commercial Real Estate Market" (2010), adjusted using Moody's/RCA CPPI, Costar CASI, and FTSE NAREIT PureProperty® Index. Commercial real estate includes apartments, retail, office, health care, industrial, lodging, and specialty property types, but for reasons of data availability does not include single-family housing (whether rental or owner-occupied}, condominiums, land, parking lots/garages, cell towers, and timberlands.
3. On 11/10/14, S&P Dow Jones Indices and MSCI Inc. first jointly announced 8/31/16 as the implementation date for the creation of a new Real Estate Sector under the Global Industry Classification Standard (GICS®) structure.

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To learn more about REITs, and to download a printable copy of the enclosed FINRA-reviewed Fact Sheets that you can use in client presentations, visit:

reit.com/quickfacts

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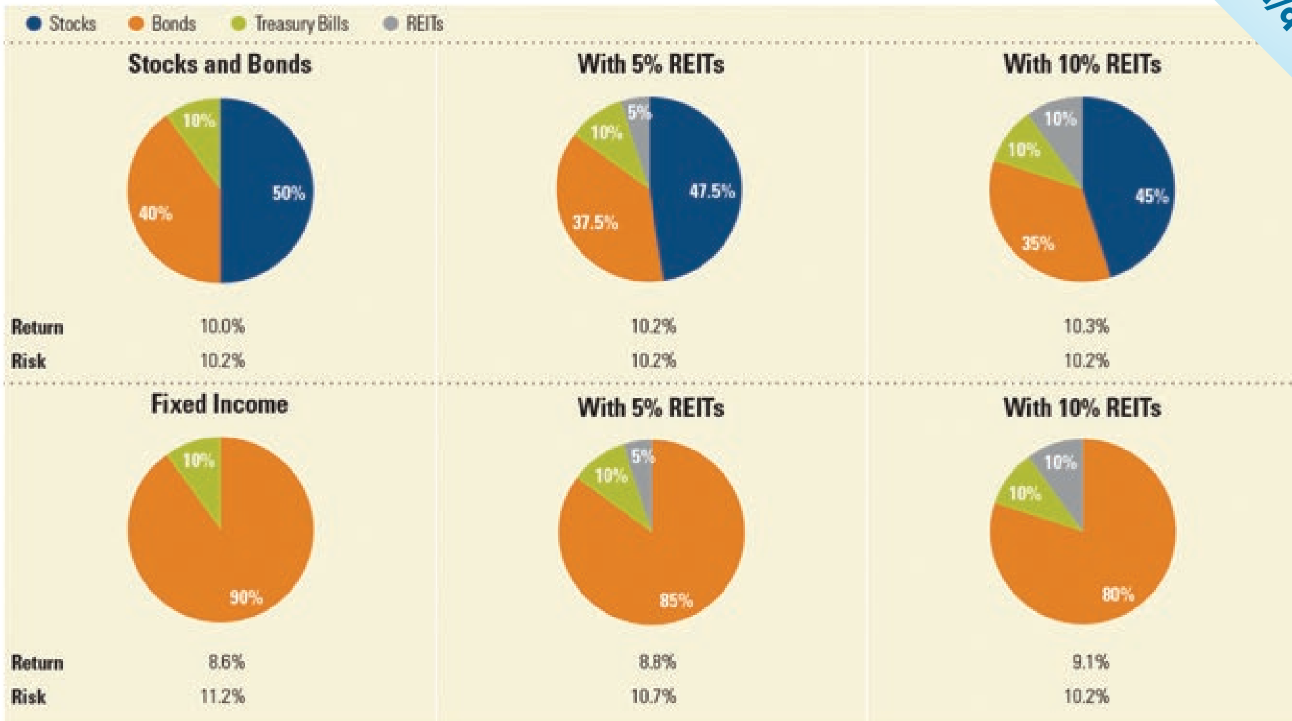
The Role of REITs in a Portfolio

Potential to increase returns or reduce risk, 1972–2015



There may be a place for REITs in a portfolio

Real Estate Investment Trusts (REITs) have unique characteristics that may make them attractive to both income and growth investors. REITs trade like 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.

Reconstruct your portfolio to include REITs

The image illustrates the risk-and-return profiles of six hypothetical portfolios. Adding a 10% allocation to REITs in a stock, bond, and cash portfolio increased return from 10.0% to 10.3%. Adding a 10% allocation to REITs in a fixed-income portfolio decreased risk from 11.2% to 10.2%.

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 you are an investor seeking long-term growth or income, you may want to consider finding a place for REITs in your portfolio.

Methodology: The allocations herein are intended to represent simplified portfolios for moderate (50% equity/50% fixed-income) and conservative (90%–100% 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, 5% and 10% REIT allocations were added to the initial portfolios. Return was calculated by the arithmetic annual return and risk by 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. The result of this analysis illustrates that adding REITs to a portfolio may either increase return, decrease risk, or, in some cases, both.

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.

Source: Stocks—Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the U.S. stock market in general; Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; REITs—FTSE NAREIT All Equity REIT Index®.

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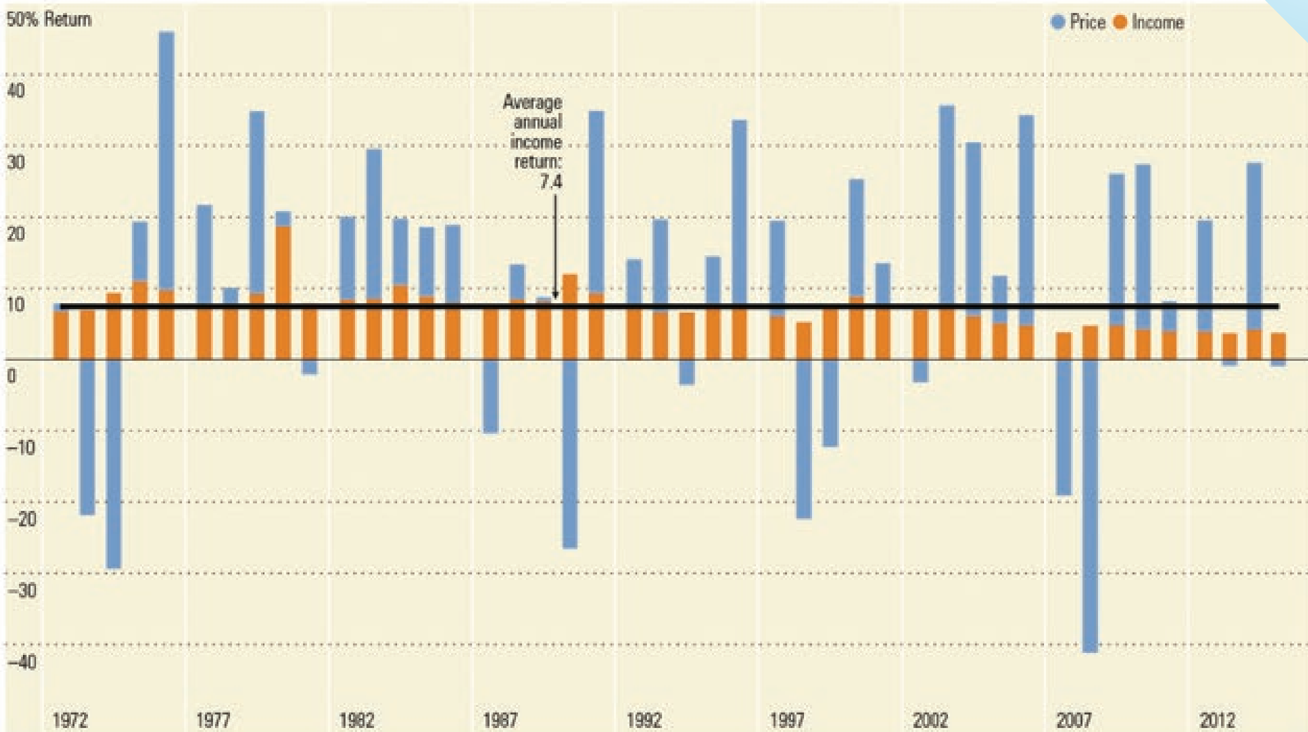
REITs as an Income Investment

1972–2015



Traditional sources of income may not be sufficient

Individuals looking for income have traditionally turned to bonds. However, with current bond yields that are very low, investors may need to consider non-traditional asset classes to help meet their income needs.

Investors often think of REITs as a capital appreciation investment or a tool for growing portfolio wealth. Little do some investors realize, however, that REITs may also serve as an income tool. While more volatile than bonds, REITs may offer higher income potential compared with current fixed-income investments.

Consider REITs to potentially increase current income

The image illustrates the income return and price appreciation of REITs since 1972. While REITs offer the potential for appreciation, prices can fluctuate widely from year to year. On the other hand, the income generated from REITs has been relatively stable through various market conditions. The average annual income return for REITs from 1972 to 2015 was 7.4%.

REITs may serve as part of a growth investor's strategy, while also helping to seek the income return requirement for income-oriented investors. Talk to your financial advisor about the suitability and benefits of investing a portion of your portfolio in REITs.

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Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. REITs are not guaranteed and have been more volatile than bonds. 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.

Source: REITs—FTSE NAREIT All Equity REIT Index®.

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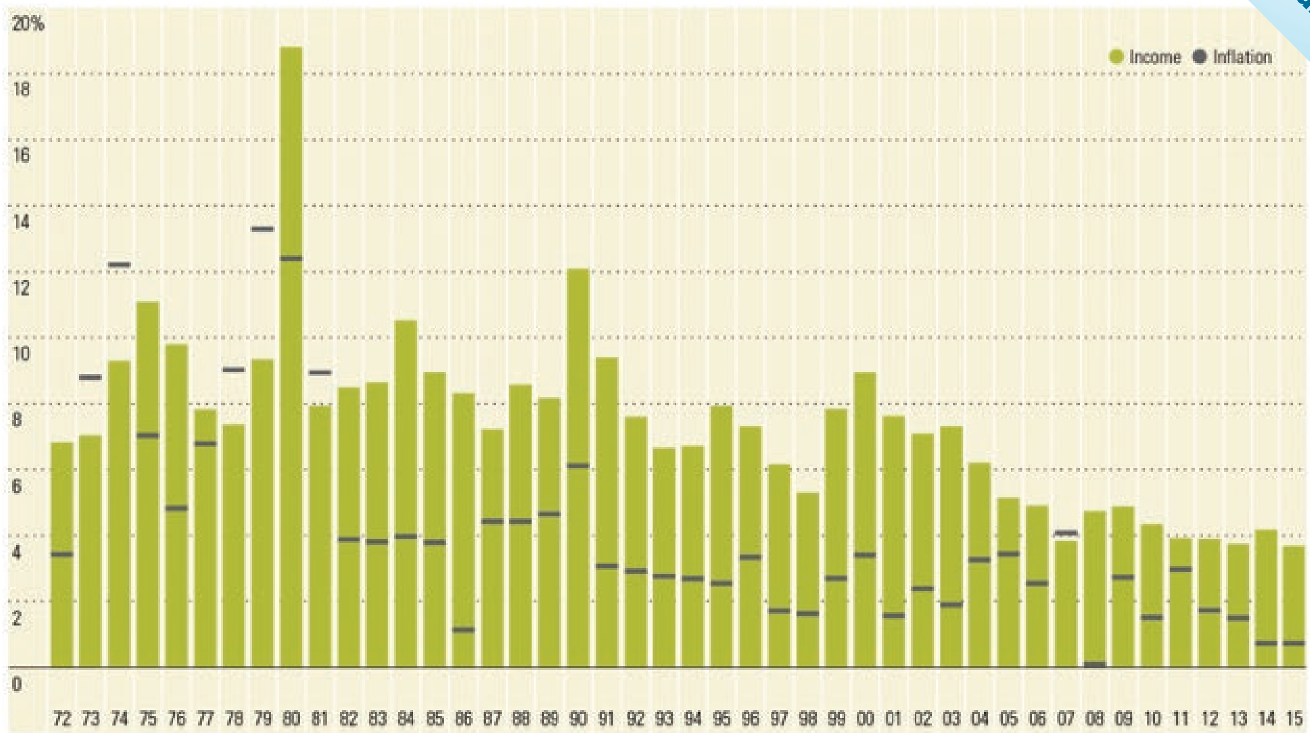
REIT Income Relative to Inflation

1972–2015



Overlooking inflation can be costly

For investors, particularly income-oriented investors, purchasing power risk is a great concern. Investors need to ensure that the income generated from their investments is enough to outpace inflation so that they will be able to purchase the same amount of goods or services in the future as they can today.

While inflation hasn't been at alarming levels recently (0.7% in 2015 and 0.8% in 2014), it does, however, erode savings over long time periods. Those looking for ways to achieve real returns may wish to consider asset classes that have historically performed well in periods of accelerating inflation. REITs may serve as a solution because the rents and profits generated by commercial properties generally increase as inflation increases.

REITs may serve as an inflation hedge

The image illustrates the income return of REITs compared with inflation since 1972. The income return of REITs has outpaced inflation for 38 of the 44 years analyzed. The average annual income return for REITs and the average annual rate of inflation from 1972 to 2015 were 7.4% and 4.1%, respectively. Historical data suggests that REITs may be effective when their income grows faster than the rate of inflation.

Investors may want to consider investments such as REITs, which offer the income potential to keep up with inflation. Amid the changing markets, it might be wise to include inflation protection, especially if you have a low tolerance for risk. Ask your financial advisor about how to protect your portfolio from potential high inflation.

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REITs are not guaranteed and have been more volatile than other asset classes. 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.

Source: REITs—FTSE NAREIT All Equity REIT Index®; Inflation—Consumer Price Index.

Performance of Stocks, Bonds, Bills, and REITs

1972–2015

Don't limit your portfolio to traditional investments

Real estate investing has gained popularity among investors around the globe. With increased access to commercial real estate through REITs, competitive historical performance, and potential diversification benefits, this once non-traditional asset class may now have a place in a diversified portfolio.

A historical examination of past capital market returns provides insight into the performance characteristics of various asset classes. Relative to the broad stock market and bonds, REITs have generated competitive returns since 1972. REITs may serve as an attractive investment because of their long-term growth potential, but investors shouldn't enter into these investments always expecting a positive short-term experience. True stability from such asset classes may only come with time.

REITs have provided consistent long-term performance

The image illustrates the hypothetical growth of a $1 investment in five asset classes plus inflation over the time period January 1, 1972 through December 31, 2015. REITs have provided the highest returns and largest increase in wealth over the past 44 years. Among fixed-income investments, bonds appreciated considerably, but still finished behind REITs and stocks for the time period analyzed, and Treasury bills offered only a fraction of the growth provided by REITs and stocks. However, the higher returns achieved by REITs also come with higher risks, which can be identified by the volatility or fluctuation of the graph lines.

Talk to your financial advisor to see if a long-term investment in REITs may be right for you.

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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 and REITs are not guaranteed. REITs and stocks have been more volatile than bonds. 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. 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. The information, data, analyses and opinions contained herein do not constitute investment advice offered by Morningstar and are provided solely for informational purposes.

Source: REITs—FTSE NAREIT All Equity REIT Index®; Stocks—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—Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index; Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; Inflation—Consumer Price Index.

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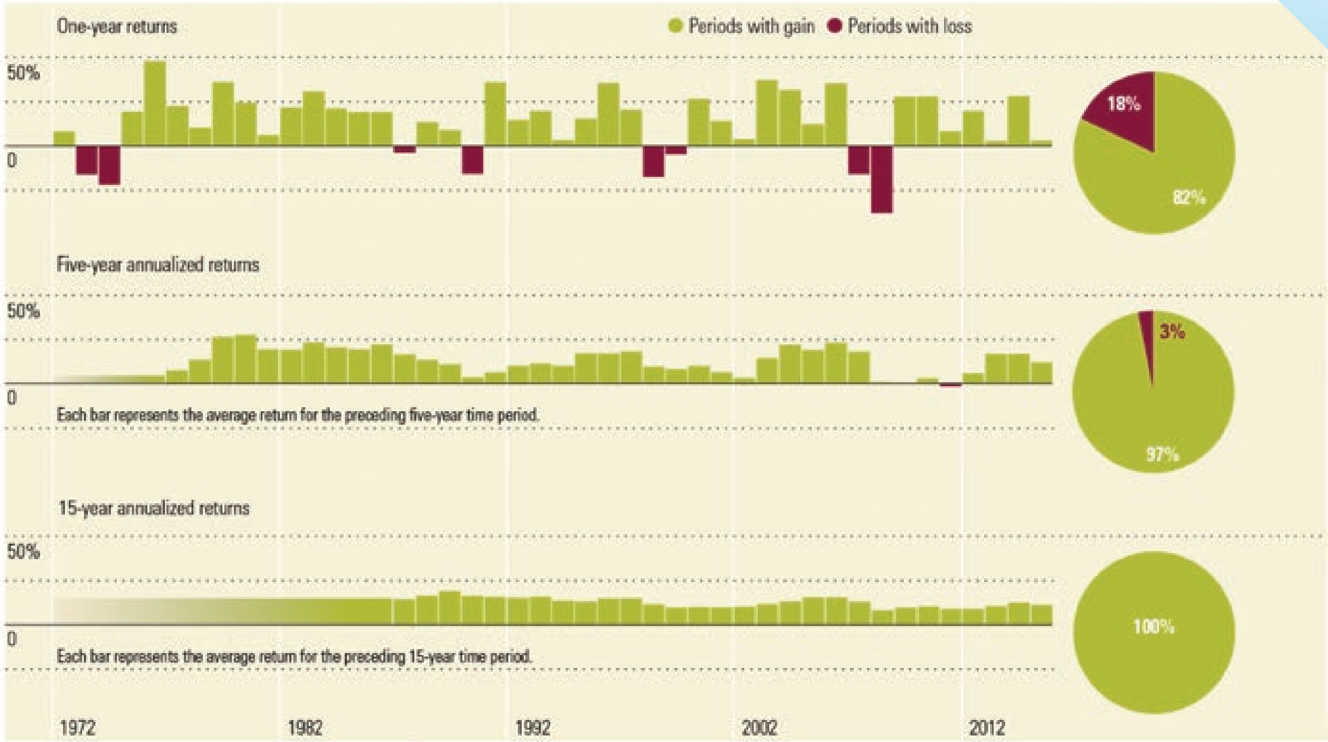
REIT Risk of Loss Over Time

One-, five-, and 15-year total returns, 1972–2015



Losses: A fact of investing

It is important to understand that investors could experience ups and downs when investing. In fact, no asset class comes with a guarantee, and losses can be expected for fixed-income investments as well as equities.

Though REITs are often considered risky investments, the long-term return potential, along with their large income component, may offset short-term losses for investors with longer holding periods. Investors can expect to experience losses from time to time when investing in REITs. With a long investment horizon, however, losses could be potentially recouped.

REITs may offer reliable returns in the long run

The graph illustrates the realized gains and losses in REITs for one-, five-, and 15-year periods. Of the 44 one-year periods from 1972 to 2015, only eight resulted in a loss. By increasing the holding period to five years, only one of the 40 overlapping five-year periods resulted in a loss, while none of the 30 overlapping 15-year periods from 1972 to 2015 resulted in losses.

Individuals looking for ways to safeguard their investments have traditionally turned to fixed income. However, given the income characteristics of REITs, they may be worth investigating as an addition to many types of portfolios. Talk to your financial advisor to see if REITs may be right for you.

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