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Contact: Ron Kuykendall
(202) 739-9425
RKuykendall@nareit.com

U.S. REIT RETURNS DOUBLE THOSE OF S&P 500 IN 2014

Residential Sector Returns Lead REIT Market Performance

Listed REITs Raise $63.64 Billion in Public Markets: Third-Largest Annual Amount in REIT History

Global Real Estate Markets Also Report Gains

WASHINGTON, DC, January 8—U.S. REITs delivered a banner performance in 2014, doubling both the total return and the dividend yield of the S&P 500 at year-end. The FTSE NAREIT All REITs Index, the broadest benchmark of the U.S. REIT industry including both equity and mortgage REITs, finished the year with a total return of 27.15 percent and a dividend yield of 4.00 percent at December 31. The FTSE NAREIT All Equity REITs Index produced a 28.03 percent total return and a 3.56 percent dividend yield at year-end, while the FTSE NAREIT Mortgage REITs Index delivered a 17.88 percent total return with a 10.66 percent dividend yield at year-end. In comparison, the S&P 500 produced a 13.69 percent total return for the year with a 2.00 percent dividend yield at year-end.

At December 31, 2014, the equity market capitalization of the FTSE NAREIT All REITs Index, representing 216 listed REITs, was $907 billion, and the equity market capitalization of the FTSE NAREIT All Equity REITs Index, with 156 listed REITs, was $833 billion.

“REITs delivered exceptional value to their shareholders in 2014, as they have done over the decades,” said NAREIT President and CEO Steven A. Wechsler. “REITs have a long track record of providing investors with competitive performance, strong dividend income and portfolio diversification.

“The compound annual total returns of the FTSE NAREIT All Equity REITs Index have outperformed those of the S&P 500 for the past 1-, 5-, 10-, 15-, 20-, 25-, 35-, and 40-year periods ending December 31, 2014,” Wechsler noted. He added that REIT dividend income was an important component of REITs’ total return performance, accounting for approximately 60 percent of total returns over longer periods.

Residential Sector Benefits From Favorable Supply and Demand Conditions

Residential REITs were the top performing major REIT market sector for 2014, with Manufactured Homes and Apartment REITs delivering total returns of 46.20 percent and 39.62 percent, respectively.

Results for Apartment sector REITs were driven by a continuing shortage in the supply of apartment space and rising demand, fueled by the gradually improving economy.

Among other major equity REIT market sectors, Health Care REITs delivered the second best performance of 2014 with total returns of 33.32 percent. Holiday spending trends boosted retailers, with Regional Malls recording a 2.08 percent increase for December and a 32.64 percent total return for 2014 as a whole. Rising demand for business and leisure travel also supported growth for Lodging and Resort REITs, which rose 2.98 percent in December to finish the year with a total return of 32.50 percent.

Self-Storage REIT total returns were up 31.44 percent in 2014; Diversified REITs were up 27.18 percent; Office REITs were up 25.86 percent; and Industrial REITs were up 21.00 percent.

The total return of the Home Financing subsector of the FTSE NAREIT Mortgage REITs Index was up 19.38 percent for the year, and the Commercial Financing subsector was up 14.46 percent.

REIT Balance Sheets Remain Strong, With Moderate Leverage

Stock exchange-listed U.S. REITs raised $63.64 billion in new capital in 2014 to deploy as part of their value creation strategies, compared to $76.96 billion in 2013. The total amount of public capital raised in 2014 was the third-largest annual amount raised in the industry's history.

Listed REITs raised $32.71 billion of common and preferred equity, including $3.98 billion in five IPOs, as well as $30.93 billion of unsecured debt.

The U.S. REIT industry maintained conservative leverage in the first three quarters of the year, the latest period for which data are available. The debt ratio (total debt divided by total market capitalization) of the FTSE NAREIT All REITs Index was 42.7 percent, and the debt ratio of the FTSE NAREIT All Equity REITs Index was 31.6 percent at September 30, 2014.

"The U.S. REIT industry is entering 2015 with strong balance sheets," Wechsler said. "REITs are well prepared to meet the challenges and opportunities of the year ahead."

Listed Real Estate Also Rewards Global Investors

Listed real estate also proved to be a good investment globally in 2014. The FTSE EPRA/NAREIT Global Real Estate Index – representing 464 listed real estate companies from around the world with a combined equity market capitalization of $1.4 trillion – delivered a total return of 14.73 percent (based in U.S. dollars) in 2014 with a dividend yield of 3.40 percent at December 31.

The FTSE EPRA/NAREIT Americas Index delivered the best performance of any region, with a total return of 26.19 percent for the year. The FTSE EPRA/NAREIT Middle East/Africa Index delivered a 14.96

percent total return for the year despite a 10.65 percent decline in December, as regional equity markets were impacted by global oil price volatility. The 2014 total returns for Europe and Asia/Pacific were 9.47 percent and 2.08 percent respectively.

Thirty countries in addition to the United States have now enacted REIT legislation to foster the development of commercial real estate markets and facilitate investment in real estate securities.

TO ACCESS A DETAILED 2014 REIT MARKET DATA SUMMARY, CLICK HERE.

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.*

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