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EQUITY REITS OUTPERFORM BROADER MARKET

REITS Outpace S&P in September, Third Quarter and First Nine Months of 2015

Listed REITs Raise $49 Billion in Public Markets for Year Through September

WASHINGTON, DC, Oct. 7—U.S. Equity REITs outperformed the broader equity market in September, the third quarter of 2015, and the first nine months of the year, the National Association of Real Estate Investment Trusts (NAREIT) reported. September was the third straight month in which Equity REITs outperformed other equities.

The FTSE NAREIT All REITs Index, the broadest benchmark of the stock exchange-traded U.S. REIT industry containing both Equity and Mortgage REITs, gained 1.87 percent in September and 0.76 percent in the third quarter on a total return basis, while the FTSE NAREIT All Equity REITs Index gained 2.13 percent for the month and 0.99 percent for the quarter. The FTSE NAREIT Mortgage REITs Index was down 2.37 percent in September and 2.96 percent for the third quarter.

In comparison, the S&P 500 declined 2.47 percent in September and 6.44 percent in the third quarter. The S&P Composite 1500, which, like the REIT market, includes large-, mid- and small-cap stocks, was down 2.57 percent in September and down 6.69 percent in the third quarter.

Economy and Market Fundamentals Favor REITs

“Equity REITs’ improved returns in September and the third quarter may reflect growing investor perceptions that REITs have been undervalued,” said NAREIT President and CEO Steven A. Wechsler. “Investor concerns about the impact of rising interest rates on REITs helped depress REIT share prices earlier this year, which may have helped set the stage for their third-quarter rebound.

“REITs continue to benefit from an improving U.S. economy, which boosts demand for real estate, as well as a favorable supply situation,” Wechsler said. “Across all property sectors, demand continues to exceed supply.”

For the year through September 30, the total return of the FTSE NAREIT All REITs Index decreased 4.52 percent, the FTSE NAREIT All Equity REITs Index was down 4.51 percent and the FTSE NAREIT Mortgage REITs Index was off 7.90 percent. The total return of the S&P 500 decreased 5.29 percent for the year through September and the S&P Composite 1500 was down 5.23 percent.

REITs Reward Income Investors

REITs continued to deliver solid dividend yields for income-seeking investors. At September 30, the dividend yield of the FTSE NAREIT All REITs Index was 4.44 percent; the yield of the FTSE NAREIT All Equity REITs Index was 3.97 percent; and the FTSE NAREIT Mortgage REITs Index yielded 12.00 percent. In comparison, the dividend yield of the S&P 500 at September 30 was 2.28 percent.

In the full year 2014, U.S. REITs paid out approximately $46 billion in dividends to their shareholders.

At the end of September, the FTSE NAREIT All REITs Index included 223 REITs with a combined equity market capitalization of $890 billion. The FTSE NAREIT All Equity REITs Index included 167 REITs with a combined equity market capitalization of $831 billion, and the FTSE NAREIT Mortgage REITs Index included 38 REITs with a total equity market capitalization of $54.5 billion.

Self-Storage, Residential are Top-Performing Sectors

Almost all sectors of the U.S. Equity REIT market delivered gains for investors in September. The Self-Storage sector led the market with a 6.19 percent total return for the month. The Apartment sector was second with a 5.46 percent gain and the Manufactured Homes sector was third, gaining 5.21 percent.

Among other property sectors, Shopping Centers were up 4.35 percent, Free-Standing Retail was up 3.98 percent, Industrial was up 3.97 percent, Office gained 3.78 percent, Health Care was up 3.58 percent, and Mixed Industrial/Office was up 3.52 percent.

Year-to-date, the top-performing sector was Self-Storage, with a 20.46 percent gain, followed by Manufactured Homes, with 15.20 percent, and Apartments, with 7.52 percent.

U.S. Listed REIT Industry is Well-Capitalized

Stock exchange-listed REITs raised a total of $49.05 billion in public capital year-to-date through the end of September 2015 to deploy as part of their value creation strategies, compared with $51.18 billion raised in the same period of 2014.

Listed REITs raised $23.78 billion of common and preferred equity for the year to date, including $1.37 billion in six IPOs, as well as $25.27 billion of unsecured debt.

The U.S. REIT industry continued to maintain conservative leverage. The debt ratio (total debt divided by total market capitalization) of the FTSE NAREIT All REITs Index was 45.1 percent, and the debt ratio of the FTSE NAREIT All Equity REITs Index was 34.1 percent.

Europe Leads Global Listed Property Market in Returns

For the first nine months of 2015, the FTSE EPRA/NAREIT Global Real Estate Index's total return decreased 5.03 percent (based in U.S. dollars), and produced a dividend yield of 3.67 percent at the end of the month. The global index includes 487 companies from around the world with a combined equity market capitalization of $1.8 trillion, nearly three-quarters of which is from REITs.

The FTSE EPRA/NAREIT Europe Index has delivered the best performance of any region this year, with a total return of 5.88 percent for the year through September. The Middle East/Africa index lost 1.35 percent, the Americas Index declined 5.56 percent and the Asia/Pacific index was down 9.49 percent.

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

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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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