



REIT Growth and Income Monitor

# REITs as Income Vehicles for Institutional Investors

FactSet Investment Process Symposium

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## Definition of REIT Status

- Asset Test - 75% Real Estate
- Revenue Test – 75% Real Estate
- Diversification Requirements
- Income Untaxed at REIT Level
- Required to Distribute 90% of Pretax Income as Dividends



REIT Growth and Income Monitor

# Regulatory Framework

- Created by Congress in 1960
- REIT Modernization Act of 1999
- REIT Improvement Act of 2003



## REITs Appeal to Individual Investors

- Highest Yielding Stock Group
- Long Term BUY and HOLD Strategy
- More Liquid Than Other High Yield Alternatives
- Marginable



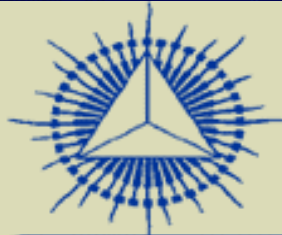
## REITs Appeal to Institutional Investors

- Yield Secondary to Performance
- Perceived as Low Volatility Stocks
- Few Analysts
- Dedicated REIT Funds Tend to BUY and HOLD
- Increasing Interest from Hedge Funds

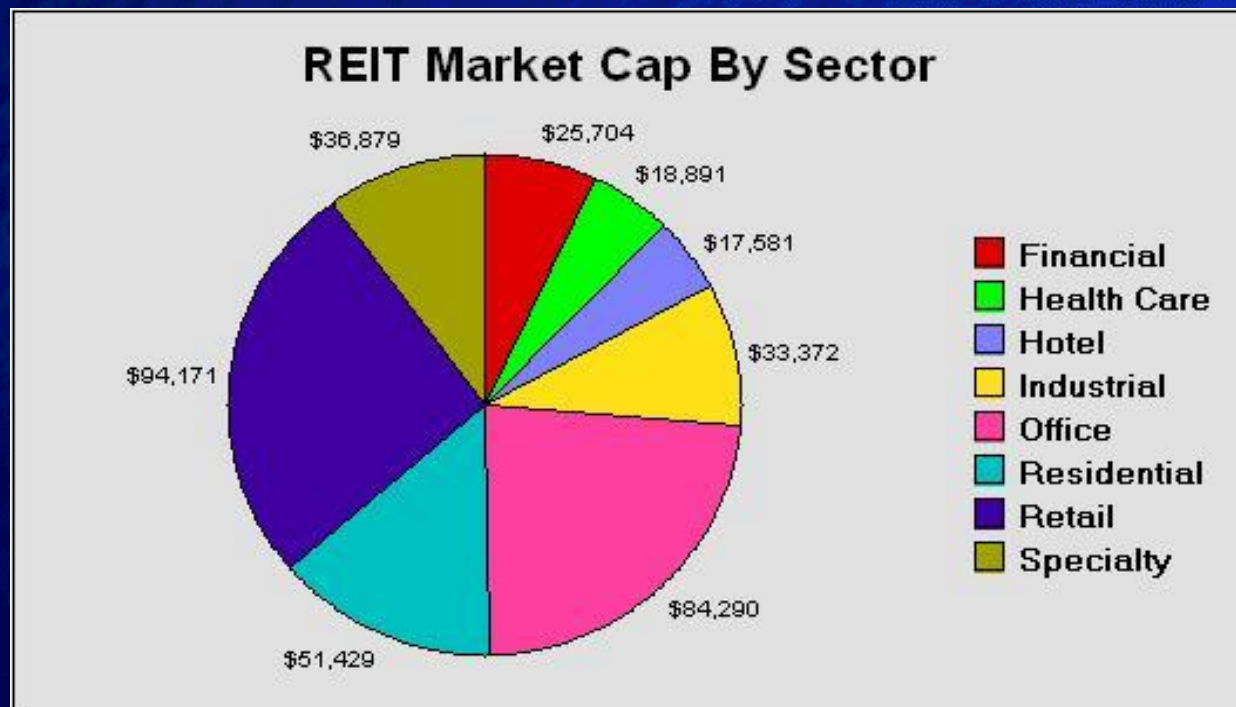


## REIT Market Caps - Total

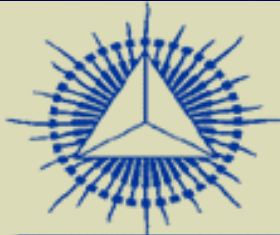
- REIT Growth and Income Monitor Reports on More Than 160 REITs
- Total of More Than \$350 billion Market Cap
- Range of Market Caps \$100 million to \$20.5 billion



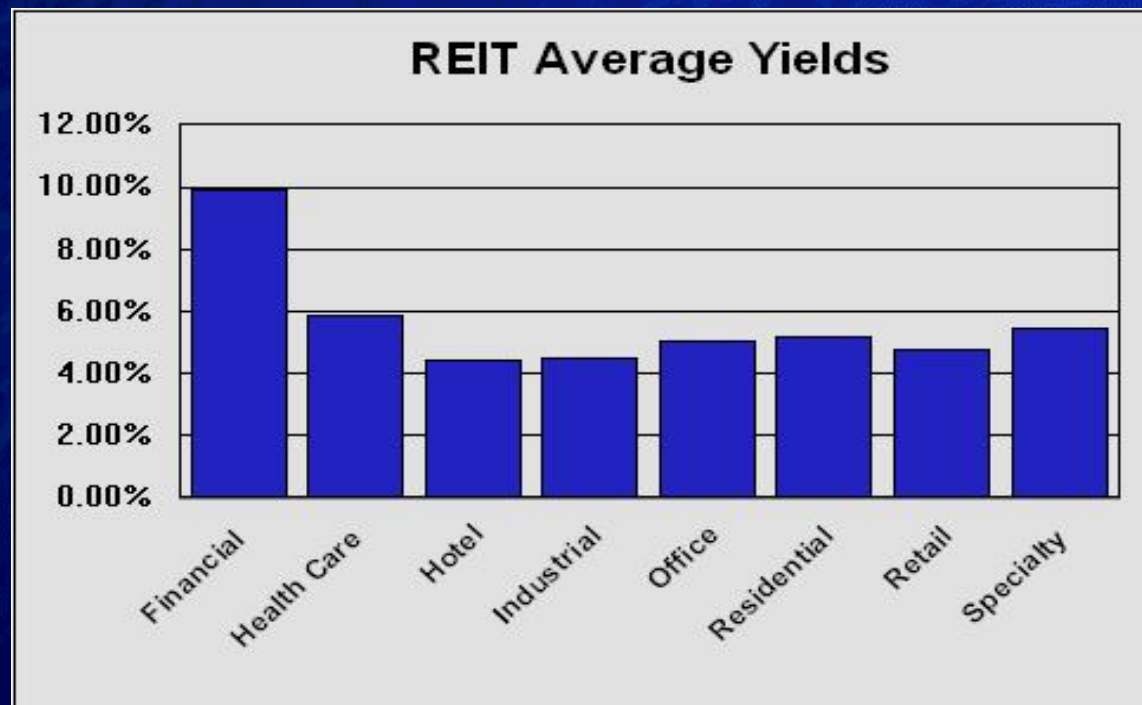
# REIT Market Caps – By Sector

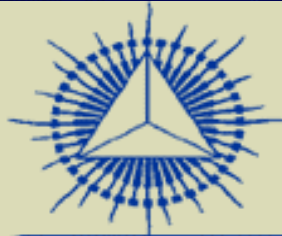






# REIT Yields

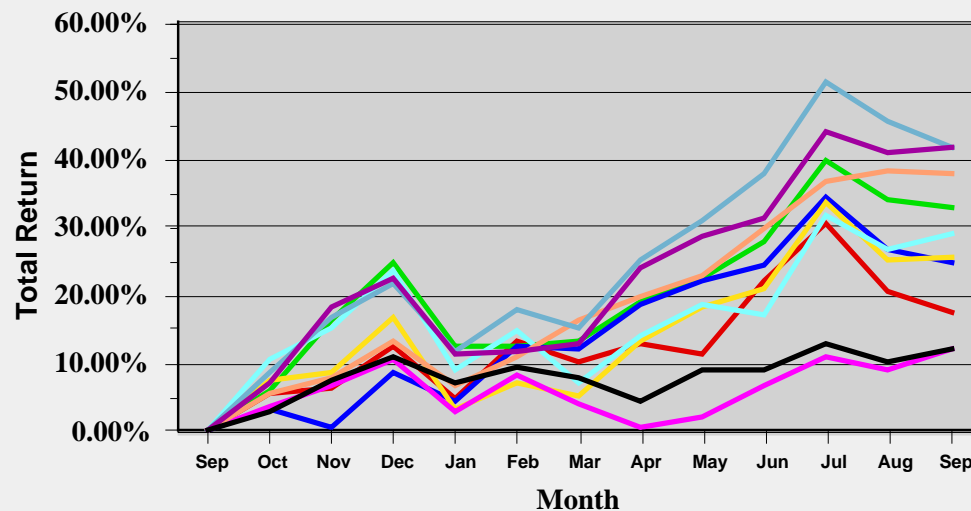




## REIT Growth and Income Monitor

# REITs In the Indexes – S&P 500

### Total Return Trailing 12 Months



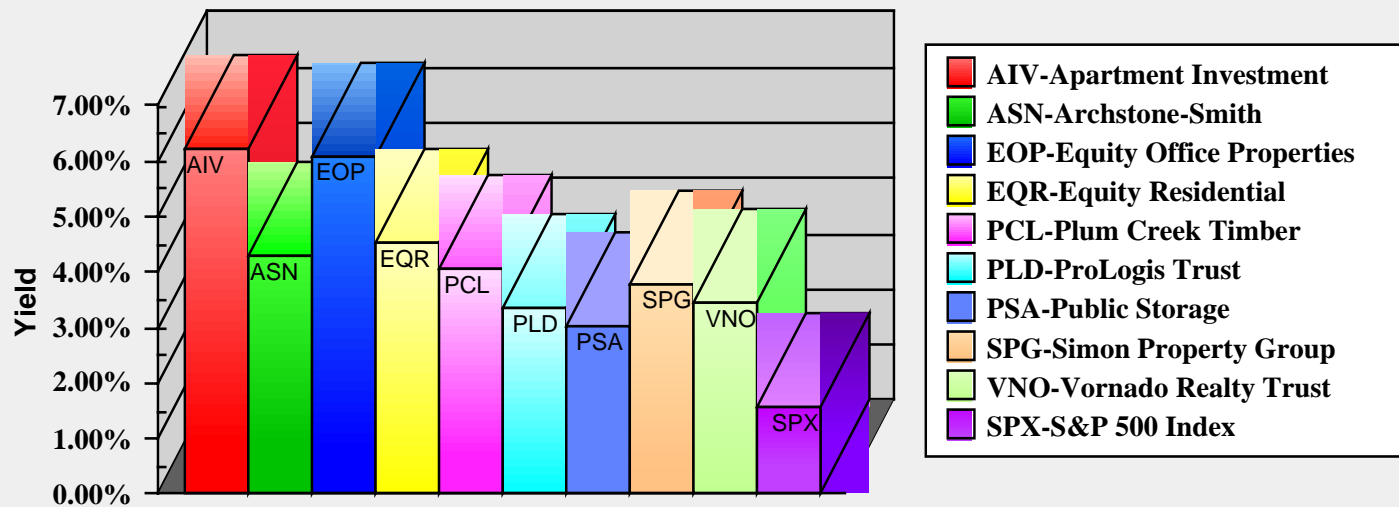
As of 09/30/2005

- AIV-Apartment Investment
- ASN-Archstone-Smith
- EOP- Equity Office Properties
- EQR-Equity Residential
- PCL-Plum Creek Timber
- PLD-ProLogis Trust
- PSA-Public Storage
- SPG-Simon Property Group
- VNO-Vornado Realty Trust
- SPX-S&P 500 Index

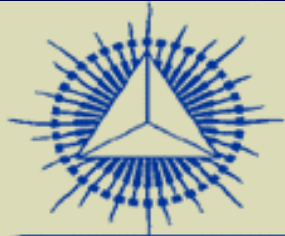


## REITs In the Indexes – S&P 500

### Current Yields Of REITS In The S&P 500

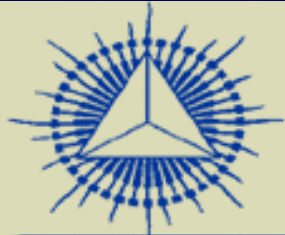


As of 10/04/2005



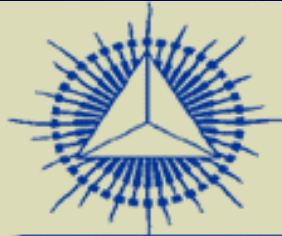
## REITs In the Indexes – Russell 3000

- Total REITs in Russell 3000 Index 148
- Total Market Cap of REITs  
Included in Russell 3000 Index \$293 billion
- Average REIT Market Cap \$2.0 billion  
Range of Market Cap \$124 million - \$13.7 billion

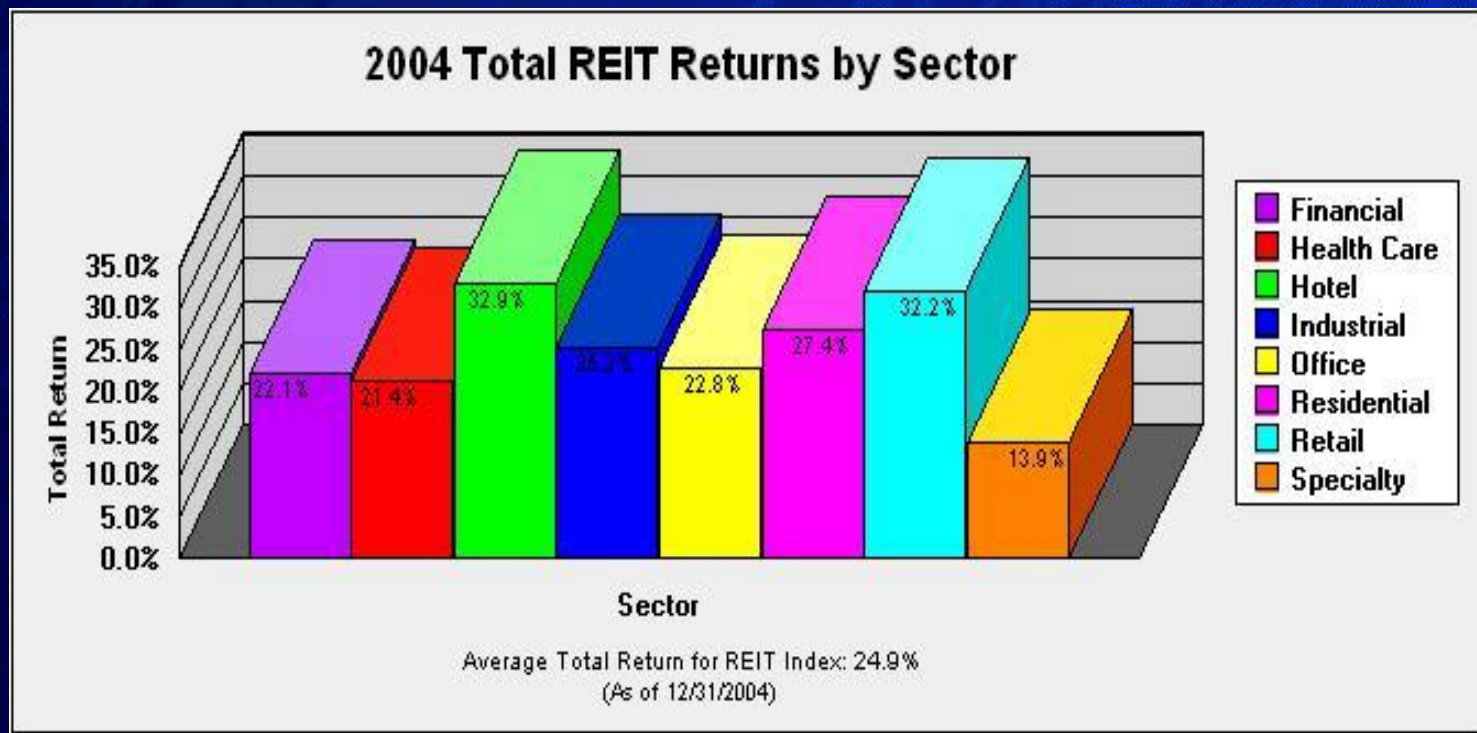


## REITs In the Indexes – Russell 2000

- Total REITs in Russell 2000 Index 92
- Total Market Cap of REITs Included in Russell 2000 Index \$78 billion
- Average REIT Market Cap \$848 million  
Range of Market Cap \$124 million - \$2.4 billion



# REIT Performance - 2004

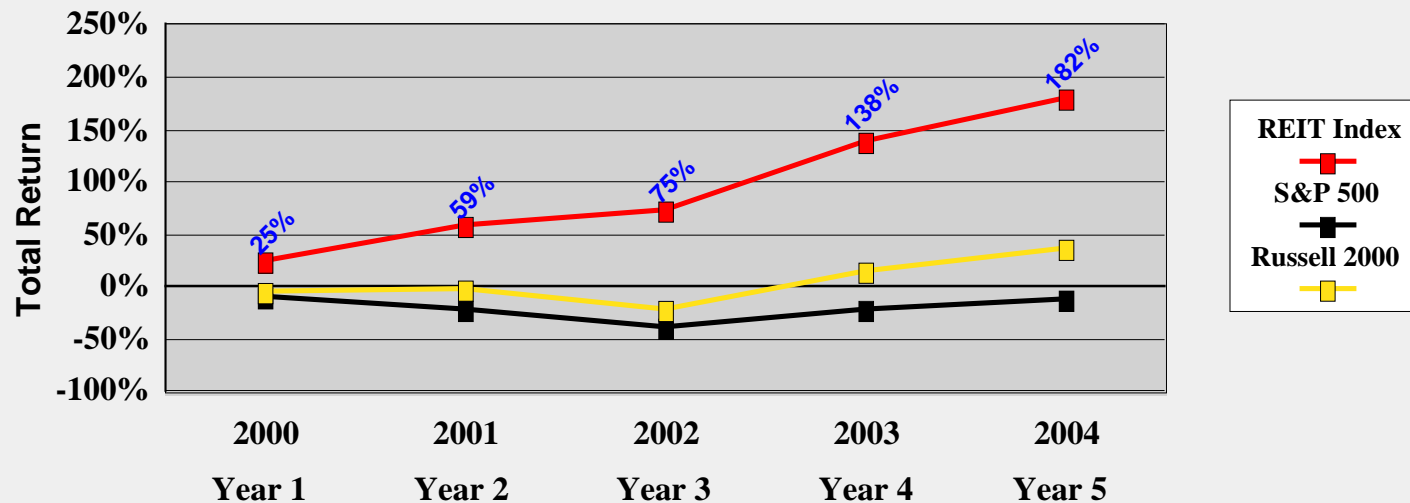




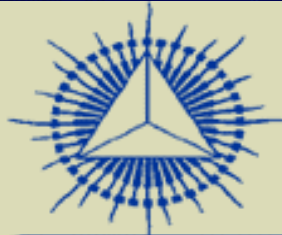
## REIT Growth and Income Monitor

# REIT Cumulative Total Return 1999-2004

### REIT Index Average 5-year Total Return



REIT Index consists of 119 REITs publicly traded for full 5-year period  
Dividends are added to total return as they are received over the course of each year



## REIT Growth and Income Monitor

# Best and Worst Performing REITs 2005

### Best and Worst REIT Performance First 9 Months of 2005

#### Best:

Ticker	Total Return
KRC	33.8%
SHU	29.9%
GGP	26.7%
ELS	26.0%
GBP	25.6%
TRZ	24.5%
OHI	22.5%
PSA	22.3%
OFC	21.3%
RYN	21.0%
SHO	20.9%
VTR	20.7%
YSI	20.6%
FRT	20.5%
SSS	19.9%

#### Worst:

Ticker	Total Return
FBR	-36.9%
SAX	-36.4%
AMV	-32.9%
AIC	-30.6%
NEW	-30.4%
IMH	-30.0%
CMO	-27.2%
NLY	-23.9%
LUM	-22.5%
MFA	-21.9%
ARC	-21.5%
HCM	-20.0%
BMM	-18.0%
SFO	-17.6%
RWV	-17.5%



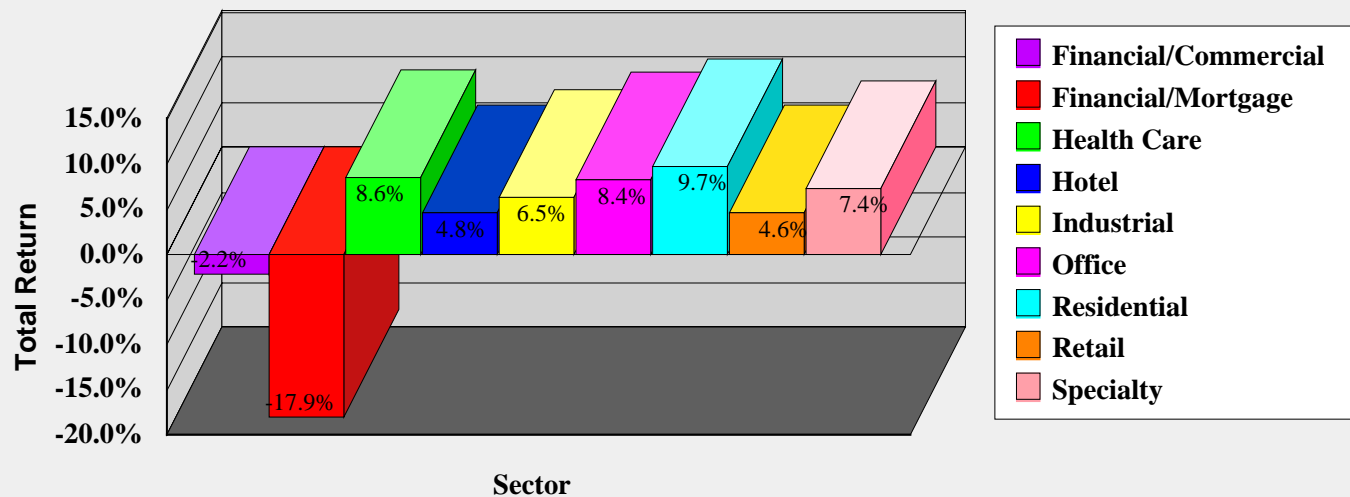


## REIT Growth and Income Monitor

# REIT Performance – First 9 Months of 2005

### Year-To-Date Total REIT Returns by Sector

As of September 30, 2005



Average Total Return for REIT Index: 3.3%



## Key Economic Drivers for REITs

- Employment Growth
- Interest Rates
- Availability of Institutional Funds for Joint Ventures
- Sector Dynamics



## Non Economic Risks in REIT Investing

- Tenant Bankruptcies
- Aging Assets
- Non-controllable Expenses
- Related Party Transactions
- Weather



## Successful REIT Strategies

- Development in Growth Areas
- Acquisitions that Improve Portfolio Yield
- Dispositions
- Investment in Technology and Services



## Sector Comments – Retail REITs

- Terrific Performance Last 4 Years
- Exceptional Same Store NOI Growth
- Development Cycle Returning
- Tenant Restructurings
- Tenant Bankruptcies



## Sector Comments – Office REITs

- Slow Recovery From Overbuilding
- Geographic Exposure Key to Positive Returns
- Rental Rates Still Declining



## Sector Comments – Residential REITs

- Recovery Evident
- Occupancies Increasing
- Lower Tenant Concessions
- Slight Increases in Rental Rates



## Sector Comments – Industrial REITs

- Faster Recovery Than Office Sector
- International Expansion for the Largest Industrial REITs
- Build-to-Suit Projects will Follow Corporate Expansions





## Sector Comments – Financial REITs

- Tremendous Asset Growth from Refinancings
- Compression of Net Interest Margin
- Taxable Income vs GAAP Income
- Originations and Defaults
- Overly Negative Perception of the Sector



## Sector Comments – Specialty REITs

- Variety of Investment Choices Available
- Some Steady Growth Companies
- Restructurings among Manufactured Home REITs
- Recent IPOs



## Specialty REITs – Unique Examples

- Plum Creek Timber
- Capital Automotive REIT
- Entertainment Properties Trust
- Correctional Properties Trust
- Government Properties Trust



## REIT Growth and Income Monitor

### REIT Growth and Income Monitor Valuation Methodology

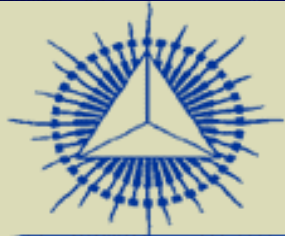
- 1) FFO Relative to the Dividend
- 2) Total Capitalization Relative to FFO



## REIT Growth and Income Monitor

### REIT Growth and Income Monitor Analytical Methodology

- 1) Growth Dynamics
- 2) Focus on Key Strategic Moves
- 3) Look for Unusual Risk Factors
- 4) FFO Adjusted to Exclude Nonrecurring Charges



REIT Growth and Income Monitor

# Institutional Products

## REIT Growth and Income Monitor

- Individual company reports on more than 140 REITs updated at least quarterly
- Each report includes contrast to specific REIT sector

## REITMonitor.net

- Updated Views - valuation statistics sorted by REIT sector updated daily
- Premium Membership – interactive access to complete database

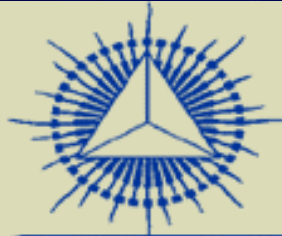
## REITonAIM

- Trader Service – instant messaging of rank changes and headline comments



## Summary

- REITs have Provided Exceptional Total Returns Over the Last 5 Years
- Growth and Income Characteristics of REITs are Intact
- Institutional Investors should Participate in This Dynamic Sector



## REIT Growth and Income Monitor