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## Retail REIT Sector Comments

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### Summary and Outlook

Retail REITs showed only moderate gains during 2014, trading up 12% on average during the first 8 months of 2014, matching average gain of 12% year to date for all REITs followed by **REITMonitor.net**. Retail REITs report continued strong FFO growth, as high occupancy enables rents to increase more than 10% on lease turnover. Most retail tenants appear healthy, although a few are downsizing, including Sears, JC Penney, Best Buy, Office Depot and SuperValu. New retail developments add portfolio expansion for 2014 and 2015. Most Retail REITs expect to report 5%-7% FFO growth for 2014, excluding major portfolio changes.

### Yield Range

Yields for Retail REITs range from 2.6% for **General Growth Properties** to 7.6% for **American Realty Capital Properties**. Average yield for Retail REITs is 4.2%. Dividend growth is expected to follow FFO growth for 2014. Outlook is for more dividend growth during 2015.

### Capitalization Range

Market cap for Retail REITs totals \$196 billion, representing 26% of total market cap for all REITs followed by **REITMonitor.net**. IPOs and expanded coverage added \$24 billion to Retail REIT sector market cap during 2014, while transfer of **Realty Income** from Specialty REITs added \$9 billion to total Retail REIT market cap. Retail REITs report total capitalization (including market cap, as well as debt, preferred stock and non-trading equity) in a range of 18.1X-72.3X to annualized FFO. Lowest valuation is **American Realty Capital Properties** and highest is **Retail Opportunity Investments**.

### S&P 500 Index Retail REITs

Retail REITs included in the S&P 500 Index include **Simon Property Group** (at market cap of \$61 billion and total cap/FFO at 24.8X, yielding 3.1%), **General Growth Properties** (with market cap of \$21 billion, total cap/FFO at 35.4X and yield of 2.6%), **Kimco Realty** (market cap of \$10 billion, total cap/FFO 23.4X, yielding 4.2%) and **Macerich** (market cap of \$10 billion and total cap/FFO at 30.6X, yielding 3.8%).

### Retail REIT Rankings

Our highest BUY rankings among Retail REITs are **Kimco Realty**, among the largest and most consistent Retail REITs, with a portfolio of neighborhood and community shopping centers, and **Brixmor Property Group**, with a portfolio of grocery anchored shopping centers. Particular BUY ranked favorites among Retail REITs with regional malls include **Simon Property Group**, **General Growth Properties**, **Macerich**, **PREIT** and **CBL & Associates**. We also maintain BUY ranking on **Federal Realty Investment Trust**, **National Retail Properties**, **Realty Income**, **American Realty Capital Properties**, **Agree Realty**, **Regency Centers** and **Tanger Factory Outlet Centers**. We maintain HOLD rankings on **Equity One**, **Glimcher Realty Trust**, **Inland Real Estate**, **One Liberty Properties**, **Ramco Gershenson Properties** and **Washington Prime Group**.

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