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Specialty REIT Sector Comments

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Summary and Outlook

Specialty REITs rallied up 12% during the first 8 months of 2014, matching average gain of 12% for all REITs followed by **REITMonitor.net**. Specialty REIT portfolio concentrations include cell towers (**American Tower** and **Crown Castle**), corrections facilities (**Corrections Corp of America** and **The GEO Group**), data centers (**Digital Realty Trust**, **DuPont Fabros Technology** and **Equinix**), student housing (**American Campus Communities** and **EdR**), self-storage properties (**CubeSmart**, **Extra Space Storage**, **Public Storage** and **Sovran Self Storage**), gas stations and convenience stores (**Getty Realty**), cinemas, ski resorts and charter schools (**Entertainment Properties Trust**), offices for government agencies (**Government Properties Income Trust**) as well as timberlands and sawlog mills (**Plum Creek Timber**, **Potlatch**, **Rayonier** and **Weyerhaeuser**).

Yield Range

Yields for Specialty REITs range from 1.4% for **American Tower** to 7.2% for **Government Properties Income Trust**. Average yield for Specialty REITs is 4.0%. Always among the most consistent dividend payors of all REITs, most Specialty REITs maintain modest annual dividend growth.

Capitalization Range

Market cap for Specialty REITs totals \$192 billion, representing 25% of total market cap for all REITs followed by **REITMonitor.net**. (Specialty REIT market cap increased \$56 billion during 2014 through addition of REIT conversions **Crown Castle**, **Corrections Corp of America**, **The GEO Group**, **Equinix**, and **Iron Mountain**, as well as expanded coverage of Data Center REITs.) Specialty REITs report total capitalization (including market cap, as well as debt, preferred stock and non-trading equity) in a range of 12.0X-51.7X to annualized FFO. Lowest valuation is **Iron Mountain** and highest is **Plum Creek Timber**.

S&P 500 Index Specialty REITs

At this time, there are 5 Specialty REITs represented in the S&P 500 Index, including **Plum Creek Timber** (at market cap of \$7 billion and total cap/FFO at 51.7X, yielding 4.3%) and **Public Storage** (with market cap of \$30 billion and total cap/FFO at 27.6X, yielding 3.2%), as well as REIT conversions **American Tower** (with market cap of \$39 billion and total cap/FFO at 30.6X, yielding 1.4%), **Crown Castle** (with market cap of \$27 billion and total cap/FFO at 27.3X, yielding 1.8%) and **Weyerhaeuser** (with market cap of \$18 billion and total cap/FFO at 51.7X, yielding 3.4%).

Specialty REIT Rankings

We place our highest BUY ranking on **Digital Realty Trust**, **CubeSmart** and **Iron Mountain** at this time. Specialty Data Center REITs are all ranked BUY (including **CoreSite Realty**, **CyrusOne**, **DuPont Fabros Technology**, **Equinix** and **QTS Realty Trust**). We maintain BUY ranks on Specialty Cell Tower REITs **American Tower** and **Crown Castle**, as well as **The Geo Group** and Specialty Self-Storage REITs **Extra Space Storage** and **Sovran Self Storage**. We maintain HOLD rankings on **Plum Creek Timber**, **EdR**, **American Campus Communities** and **Corrections Corp of America**, while **Rayonier** is ranked SELL.

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