

REIT Research

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What is a Real Estate Investment Trust?

Company that purchases, through publicly raised capital, income generating real estate.

Thus, these companies become investment vehicles for real estate, comparable to mutual funds, allowing both small and large investors to gain access to the real estate market.



Business Structure

Market and Regulations

Investment Tactics & Returns

First Creation of REIT institutions

In **1960** the United States by Congress passed the **REIT Act**, signed by Eisenhower, to allow the creation of such entities.



The benefits of commercial real estate investment, that were previously available only to wealthy individuals through large financial intermediaries, were made available to all investors.

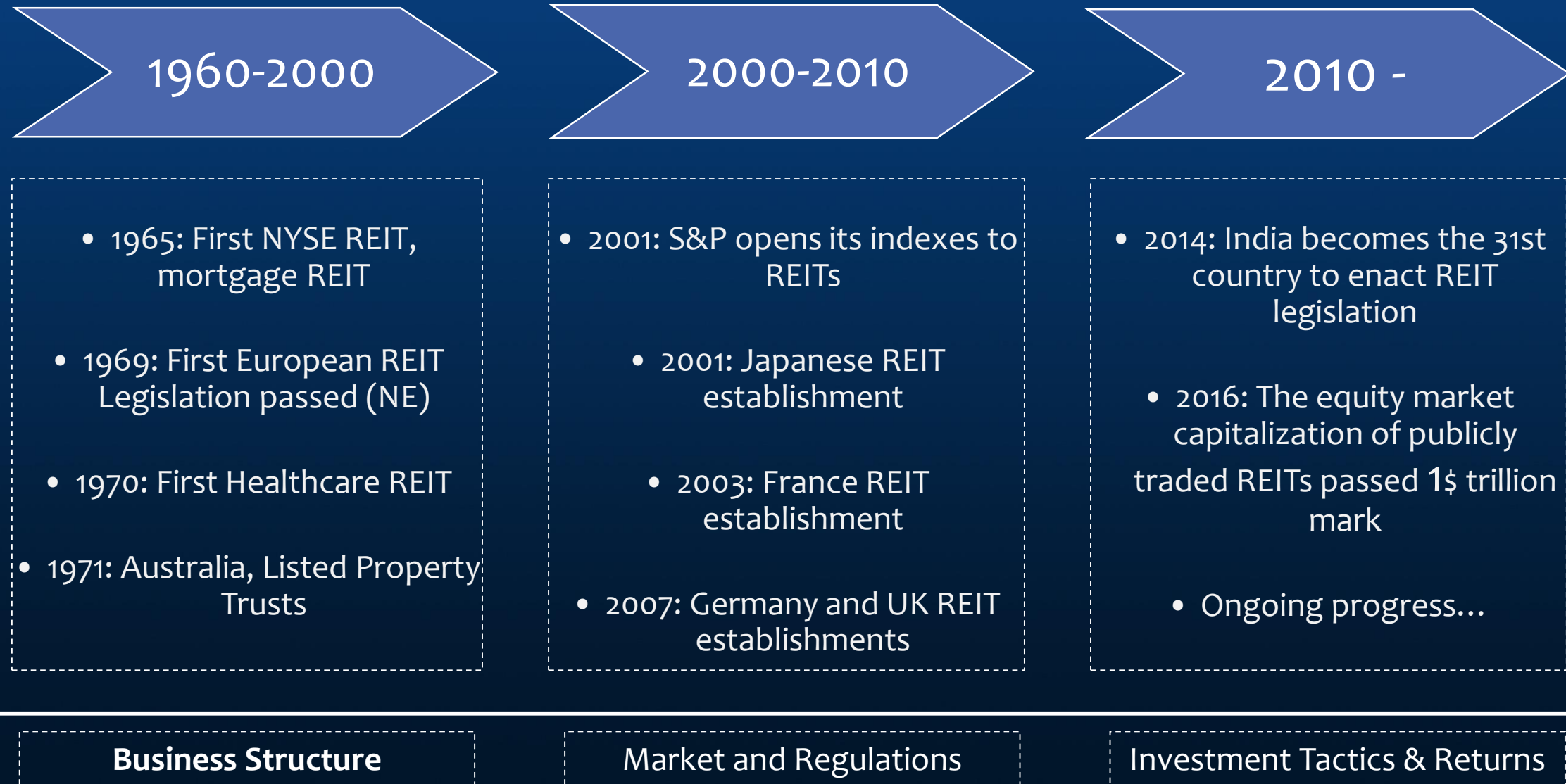


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Milestones of REIT Institutions



Types of REIT

 <p>Retail REIT</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Invest in shopping malls and stand-alone retail shops <input type="checkbox"/> Lease space to tenants to generate income <input type="checkbox"/> Consider strength of tenant pool and profits
 <p>Residential REIT</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Own and operate apartment complexes <input type="checkbox"/> Collect rent from tenants <input type="checkbox"/> Consider large urban area with high demand
 <p>Healthcare REIT</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Invest in hospitals, retirement homes, etc. <input type="checkbox"/> Consider quality and quantity of healthcare funding
 <p>Office REIT</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Invest in office buildings <input type="checkbox"/> Income from rent payments <input type="checkbox"/> Consider economy, unemployment, and local office vacancies
 <p>Mortgage REIT</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Invest in mortgages and MBS <input type="checkbox"/> Fund investments with both equity and debt <input type="checkbox"/> Earn profit from Net Interest Margin

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Publicly traded vs non-traded REIT

Publicly Traded REITS

- Traded **on an exchange** like stocks or ETFs. There are 200+ available on the market.
 - Transparent governance
 - More liquid stocks
 - Quickly bought and sold



...which makes them **very popular**

Publicly non-traded REITS

- Registered with the **securities commission**, but **not publicly traded** on an exchange. They can be purchased from a broker involved with public non-traded offerings.
 - Highly illiquid
- Time-consuming to value



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Global REIT Market Overview

- 1 NASCENT**
Less than 15 REIT
- 2 EMERGING**
20+ active REIT
- 3 ESTABLISHED**
50+ active REIT and
stable industry returns
- 4 MATURE**
100+ active REIT and
stable industry returns



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Global REIT market statistics and common regulations

Market Statistics

- 37 REIT markets globally
- Global REIT Market Cap = \$1.7 Trillion US
- Global REIT Market yearly growth rate = 4-5%
- US REIT Market accounts for 2/3 of the Global REIT Market size
- China is about to pass the legislations to enter and disrupt this market in the following years

Common Regulations across States:

- Have a minimum of 100 shareholders by the 2nd year of operations
- No more than 50% of shares must be held by five or fewer individuals
- Must derive at least 75% of its gross income from real estate-related sources
- Must invest at least 75% of its total assets in real estate.
- Must pay at least 90% of its taxable income as a dividend to shareholders annually

US REIT Market

- 1,100 US REIT have filed tax returns through the Internal Revenue Service
- More than 225 REIT are registered with the SEC and trade on the NYSE
- The vast majority of US REIT are Retail REIT, accounting for almost 50% of total
- Average Annual Return of US REITS = 13%
- Average Annual US REIT Market growth rate = 3%



\$2.1 Trillion US

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Italy REIT Market

- 23 Italian REIT have filed tax returns
- 2 REIT publicly trade on the FTSEMIB, more IPOs are highly expected
- Office/Retail REIT account for 100% of publicly traded REIT
- Average Annual Return of US REITS = 7.5%
- Average Annual US REIT Market growth rate = 4.7%



\$60
Billion
US

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Pros and Cons of investing in REIT

PROS

Buying and selling is easy



Highly liquid



Lower cash flow risk



Higher diversifications



High Divident Pay



CONS

Taxation



May rely on debt



Property taxes



Tax inefficient



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THANK YOU FOR
LISTENING

&

we hope this
research will be
useful in the future

