

An Overview of REITs

Trends in the Commercial & Residential Real Estate Industry

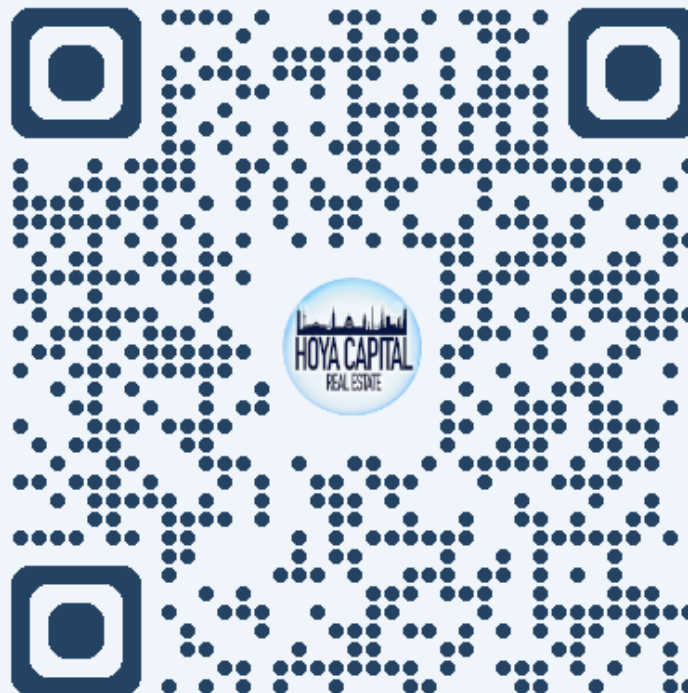


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Interest Rates & REITs

REITs Have Outperformed in 2025 Following the Year-End Slide in 2024

Hoya Capital Real Estate Indexes		Saturday, April 19, 2025		U.S. Benchmark Equity ETFs																		
Cell Tower	18.5%	S&P 500 Index	5,283	-9.9%	S&P 500 (Large-Cap)	-9.9%																
Healthcare	10.9%	10-Year Yield Δ (bps)	4.32%	-25	S&P 400 (Mid-Cap)	-11.7%																
Casino & Gaming	10.5%	2-Year Yield Δ (bps)	3.80%	-44	S&P 600 (Small-Cap)	-16.2%																
Net Lease	9.7%	<div></div> <div>Year-to-Date Performance</div> <div>Hoya Capital US Housing Index Industry Sectors</div> <table><tr><td>Real Estate Insurance</td><td>5.3%</td></tr><tr><td>Residential REITs</td><td>-0.1%</td></tr><tr><td>Technology & Brokerage</td><td>-2.3%</td></tr><tr><td>Mortgage Lenders/Services</td><td>-7.0%</td></tr><tr><td>Hoya Capital Housing Index</td><td>-8.4%</td></tr><tr><td>Homebuilding Products</td><td>-9.3%</td></tr><tr><td>Home Improvement Retail</td><td>-9.4%</td></tr><tr><td>Homebuilders</td><td>-16.5%</td></tr><tr><td>Home Furnishings</td><td>-21.0%</td></tr></table>	Real Estate Insurance	5.3%	Residential REITs	-0.1%	Technology & Brokerage	-2.3%	Mortgage Lenders/Services	-7.0%	Hoya Capital Housing Index	-8.4%	Homebuilding Products	-9.3%	Home Improvement Retail	-9.4%	Homebuilders	-16.5%	Home Furnishings	-21.0%	Nasdaq 100	-13.0%
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Single Family Rental	3.2%	Dow Jones	-7.6%																			
Manufactured Home	-0.1%	U.S. Fixed Income & High-Yield ETFs																				
Equity REIT Index	-1.5%	Short-Term Treasury	2.0%																			
Self-Storage	-2.0%	Mid-Term Treasury	3.4%																			
Apartment	-2.9%	Long-Term Treasury	1.5%																			
Industrial	-3.2%	Investment Grade Corp	1.0%																			
Timber	-5.7%	High Yield Corporate	0.3%																			
High Dividend REIT Index	-5.9%	Preferred Stock	-4.4%																			
Mortgage REIT Index	-6.7%	Residential MBS	2.0%																			
Strip Center	-8.6%	Commercial MBS	2.5%																			
Billboard	-11.6%	Commodities & Currency ETFs																				
Regional Mall	-12.2%	Crude Oil	-8.1%																			
Farmland	-12.4%	Commodities	6.0%																			
Data Center	-15.3%	Natural Gas	1.3%																			
Office	-16.3%	Gasoline	-7.6%																			
Cannabis	-18.5%	Gold	26.4%																			
Hotel & Lodging	-23.2%	US Dollar	-5.3%																			

It is not possible to invest directly in an index. Index performance does not reflect the performance of any fund or other account managed or serviced by Hoya Capital. Hoya Capital Real Estate advises two ETFs tracking the HOMZ and RIET Index. Information presented is believed to be factual and up-to-date, but we do not guarantee its accuracy. Index definitions and full disclosures are available at HoyaCapital.com.

Fed Watch - Rate Cut Tracker					
June 2025					
Fed Funds	Rate Cuts	Now	Last Week	Last Month	Sep 2024
4.00%	2	6%	22%	13%	5%
4.25%	1	60%	63%	54%	2%
4.50%	Current	34%	15%	33%	0%
Implied Interest Rate		4.32%	4.23%	4.30%	3.60%
Odds of Cut	66%	Rate (Δ bps)	9	2	70
Implied Cuts (Jun)		0.7	1.1	0.8	3.6
Source: CME FedWatch Tool - Target Rate Probabilities					
Saturday, April 19, 2025					
December 2025					
Fed Funds	Rate Cuts	Now	Last Week	Last Month	Sep 2024
3.25%	5	17%	15%	3%	35%
3.50%	4	35%	32%	14%	30%
3.75%	3	31%	32%	29%	25%
4.00%	2	13%	15%	32%	5%
Implied Interest Rate		3.66%	3.71%	3.90%	3.20%
Odds of Cut	100%	Rate (Δ bps)	-5	-24	46
Implied Cuts		3.4	3.2	2.4	5.2

REITs Involved Across Entire U.S. Economy



The U.S. Real Estate Universe

REIT Sector Indexes	# of REITs	REIT Market Value (\$B)	Percent of Total	% Private Market	Total Market Value (\$B)
Healthcare	18	\$200	14.3%	10%	\$2,670
Cell Tower	3	\$169	12.1%	75%	\$300
Industrial	11	\$167	11.9%	10%	\$2,230
Data Center	3	\$155	11.1%	50%	\$410
Apartment	14	\$136	9.7%	5%	\$3,630
Net Lease	21	\$108	7.7%	15%	\$960
Self-Storage	5	\$96	6.9%	30%	\$430
Strip Center	14	\$65	4.7%	15%	\$730
Regional Mall	4	\$63	4.5%	60%	\$180
Mortgage*	39	\$61	4.5%	5%	\$1,630
Office	25	\$51	3.7%	5%	\$1,580
Casino & Gaming	2	\$48	3.4%	40%	\$160
Single Family Rental	2	\$35	2.5%	1%	\$4,380
Manufactured Home	3	\$31	2.2%	15%	\$280
Hotel & Lodging	15	\$30	2.1%	3%	\$1,670
Timber	3	\$29	2.1%	20%	\$200
Billboard	2	\$15	1.1%	60%	\$30
Cannabis	5	\$3	0.2%	5%	\$70
Farmland	2	\$1	0.1%	1%	\$120
Diversified/Other	5	\$1	0.0%	0%	--
REIT Universe	196	\$1,404	--	15%	\$21,660,000

*Mortgage REITs Excluded From Total. REIT Leverage: 35%

Advantages & Characteristics of REITs



Liquidty

REITs have historically provided:

- Ability to buy/sell like other stocks, mutual funds and ETFs.
- Opportunities for tactical asset allocation.
- Easy portfolio rebalancing.



Diversification

REITs have historically provided:

- Low correlation with other stocks and bonds.
- Higher risk-adjusted returns.
- An investment in real, tangible assets.



Transparency

REITs have historically provided:

- Corporate governance aligned with shareholders interests.
- Audited financial reports.



Dividends

REITs have historically provided:

- Dividends & wealth accumulation.
- Regular income from rents.
- Reduced portfolio volatility.



Performance

REITs have historically provided:

- Total returns above the S&P 500 over the past 25 years.
- Higher returns than corporate bonds.

\$1.4 Trillion

Total equity market capitalization of the FTSE Nareit All REITs Index including mREITs.

\$111b

REIT activities resulted in the distribution of \$111.2 billion of dividend income in 2019.

205 REITs

Are in the FTSE Nareit All REITs Index.

29 REITs

29 REITs are constituents of the S&P 500.

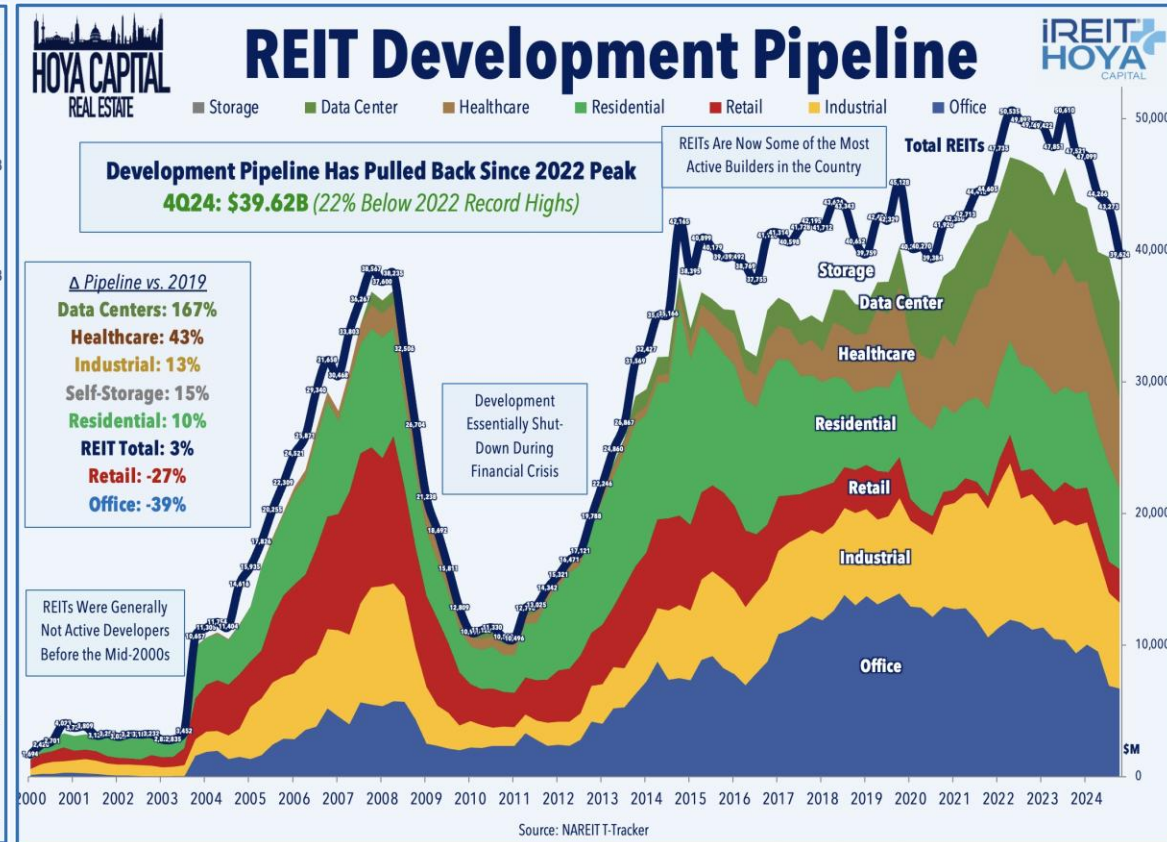
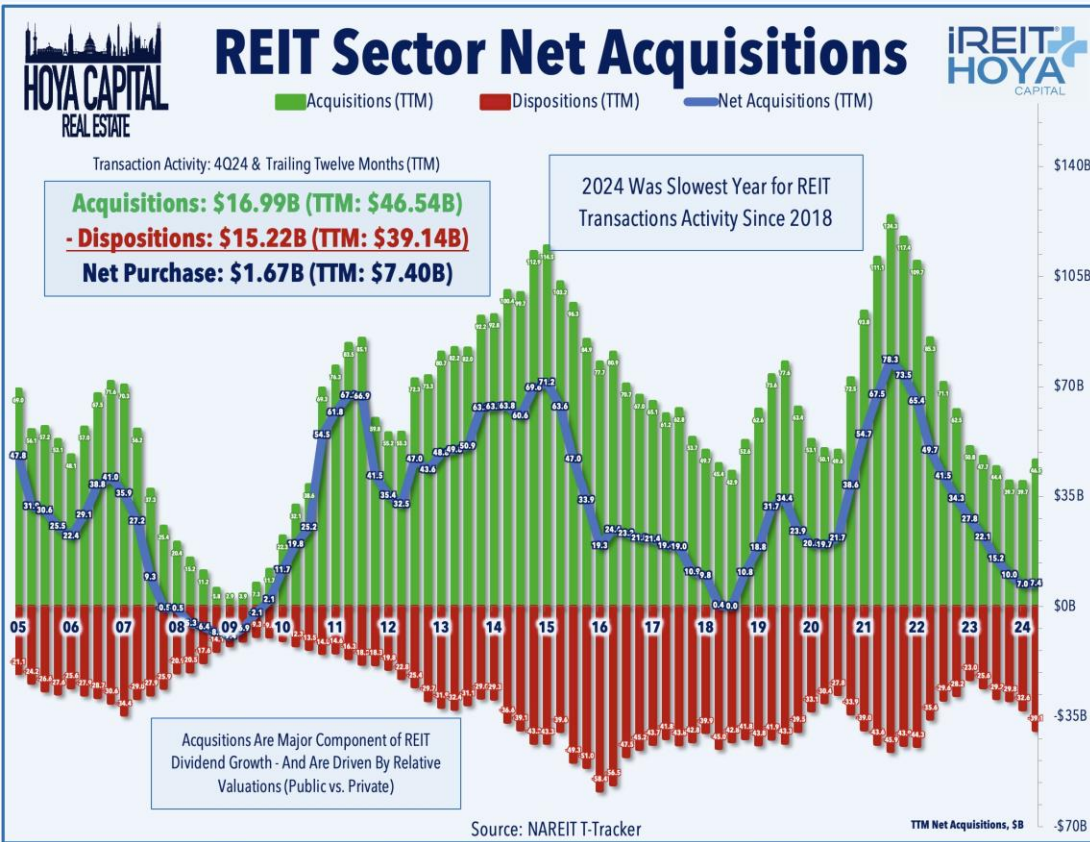
\$3.5t

REITs of all types collectively own more than \$3.5 trillion in gross assets across the U.S., with stock-exchange listed REITs owning over \$2.5 trillion in assets. U.S. listed REITs have an equity market capitalization of more than \$1 trillion.

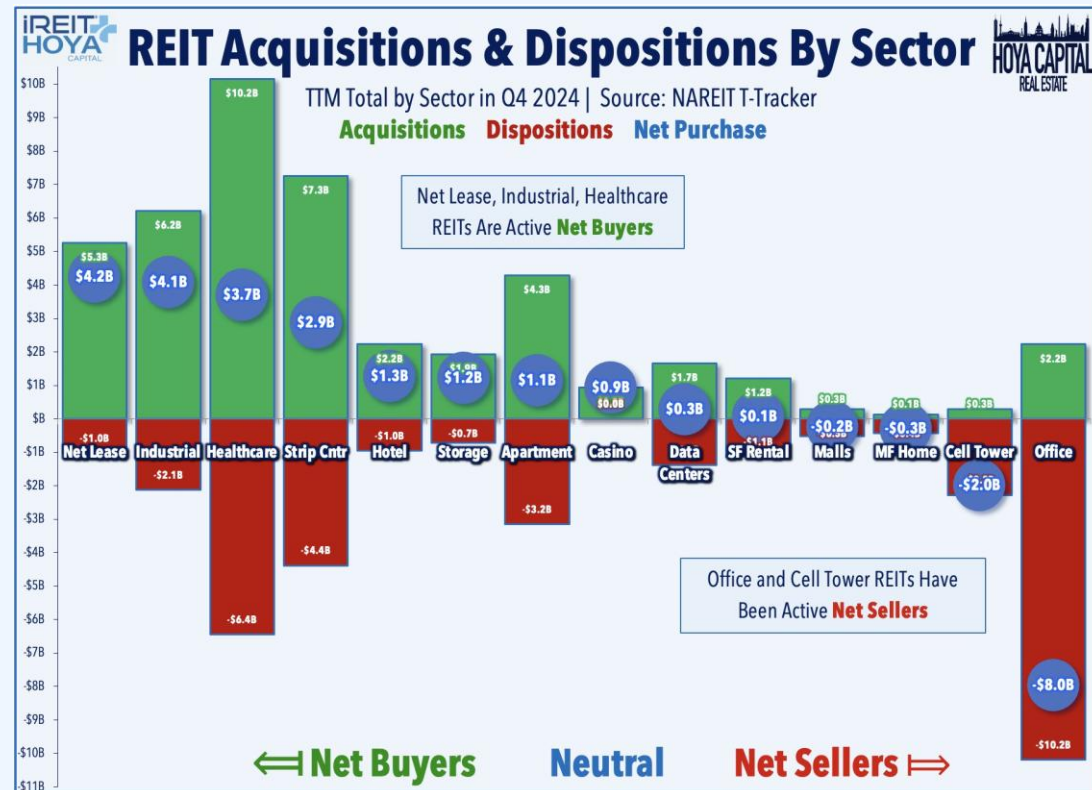
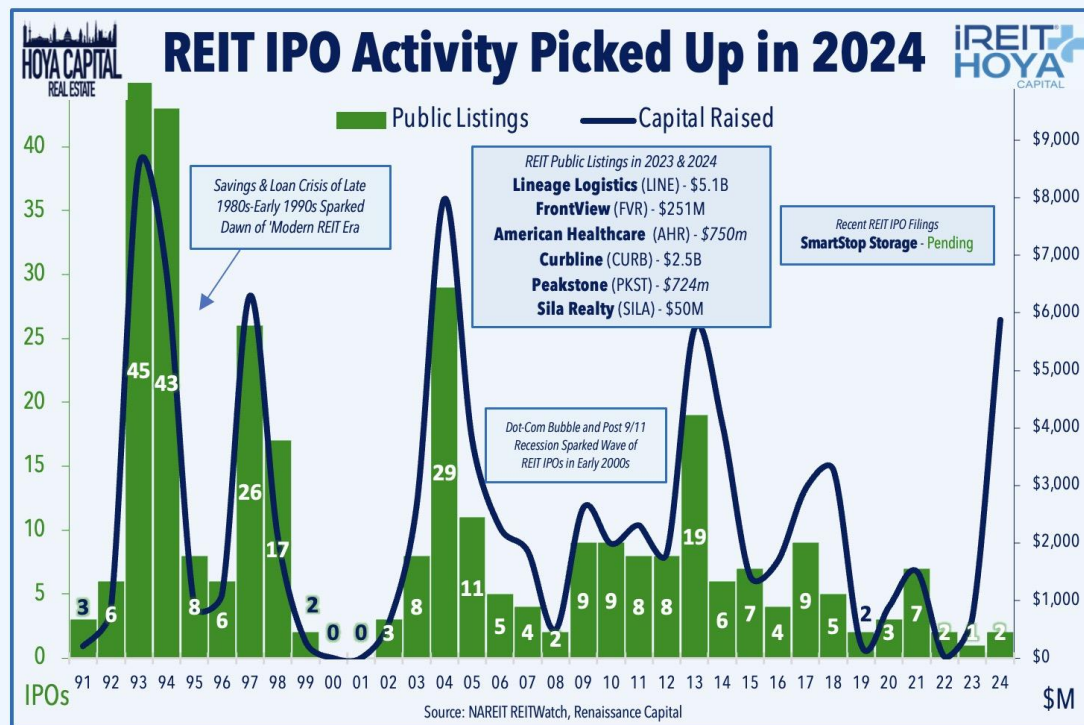
\$102b

Listed REITs raised \$102 billion in public market offerings in 2020.

REIT External Growth Has Slowed in Higher Rate Environment... But Still A Large Development Pipeline Awaiting Completion



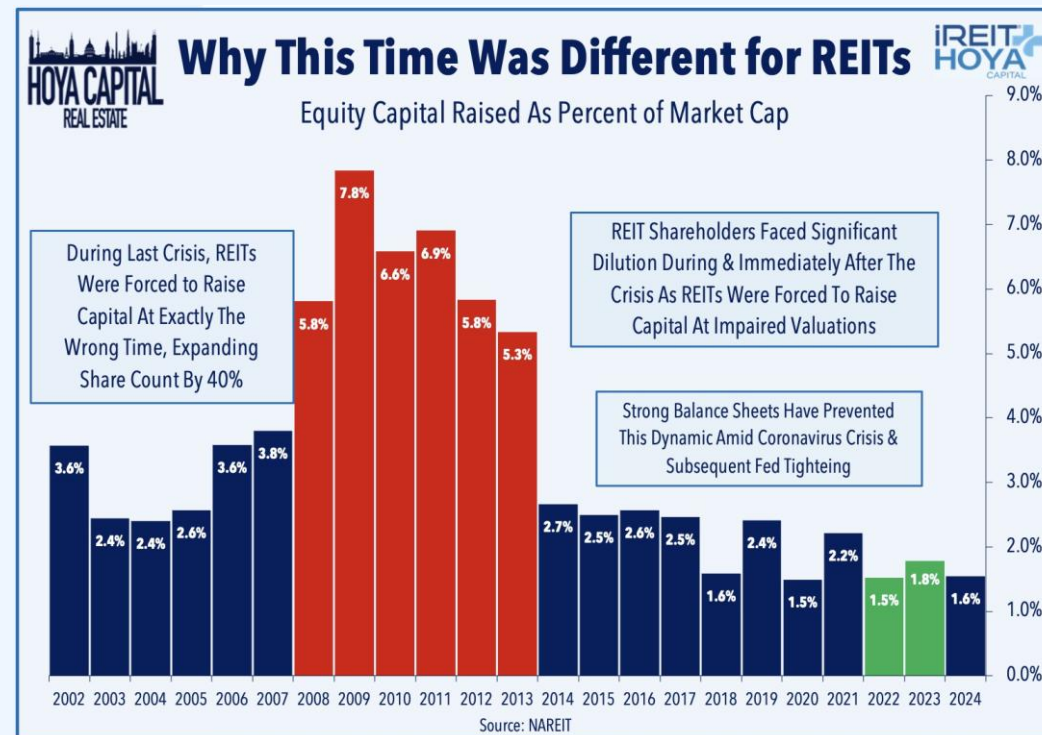
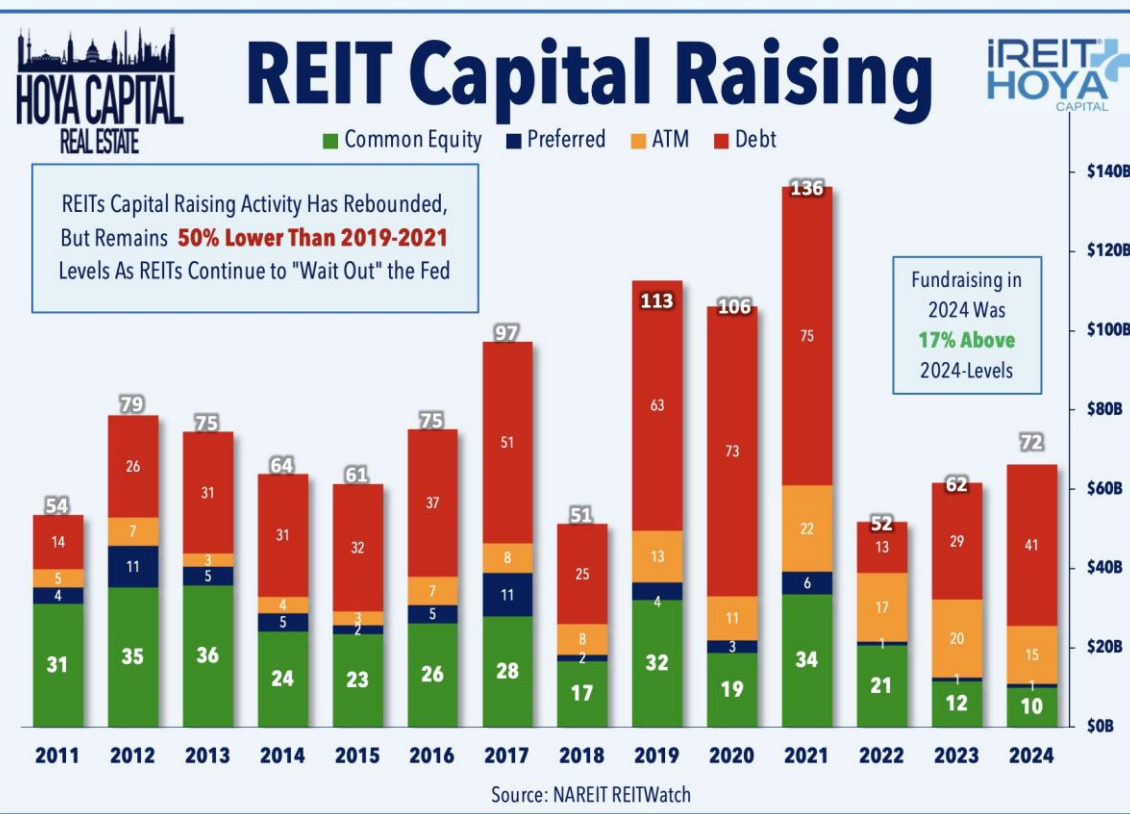
Animal Spirits Were Finally Starting To Come Back to Life As Valuations Rebound, Including Several IPOs



REIT Capital Raising

Most REITs Have Been Able To Defer/Delay New Capital Raises in Hopes of “Waiting Out” the Fed

...Unlike in The 2008-2010 Period When REITs Were Forced to Issue Equity At Dilutive Valuations

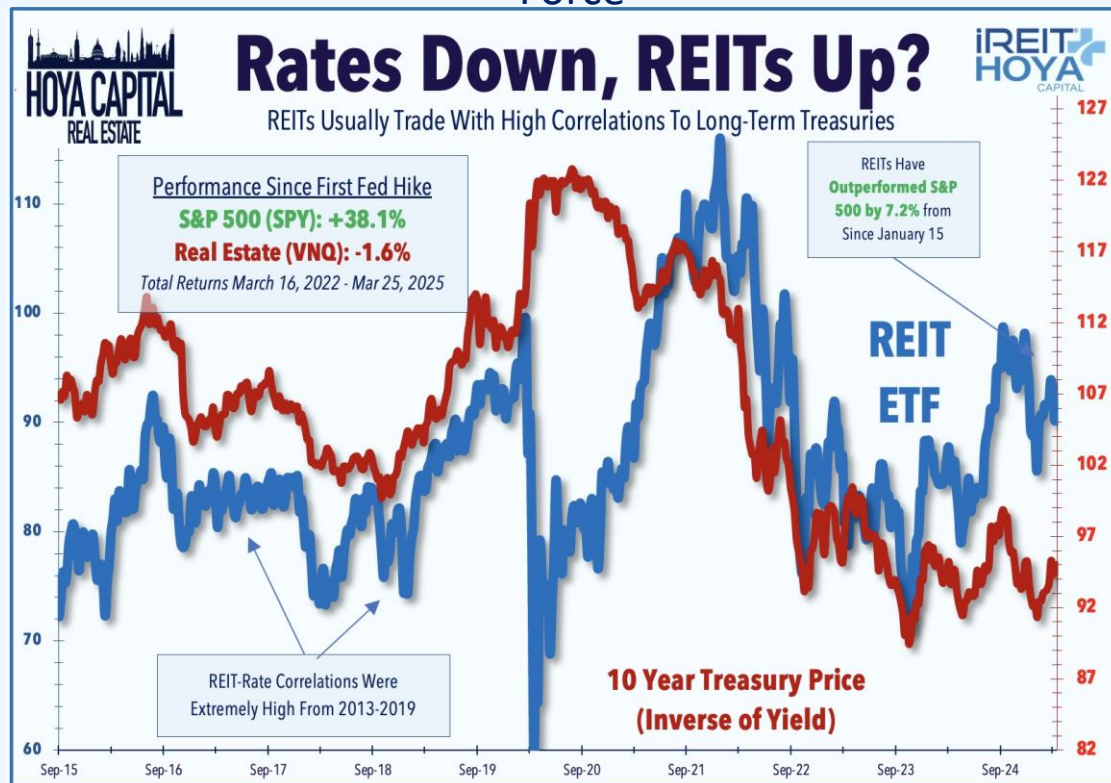


In This Case, Debt Is Better Than Alternative: No Capital At All

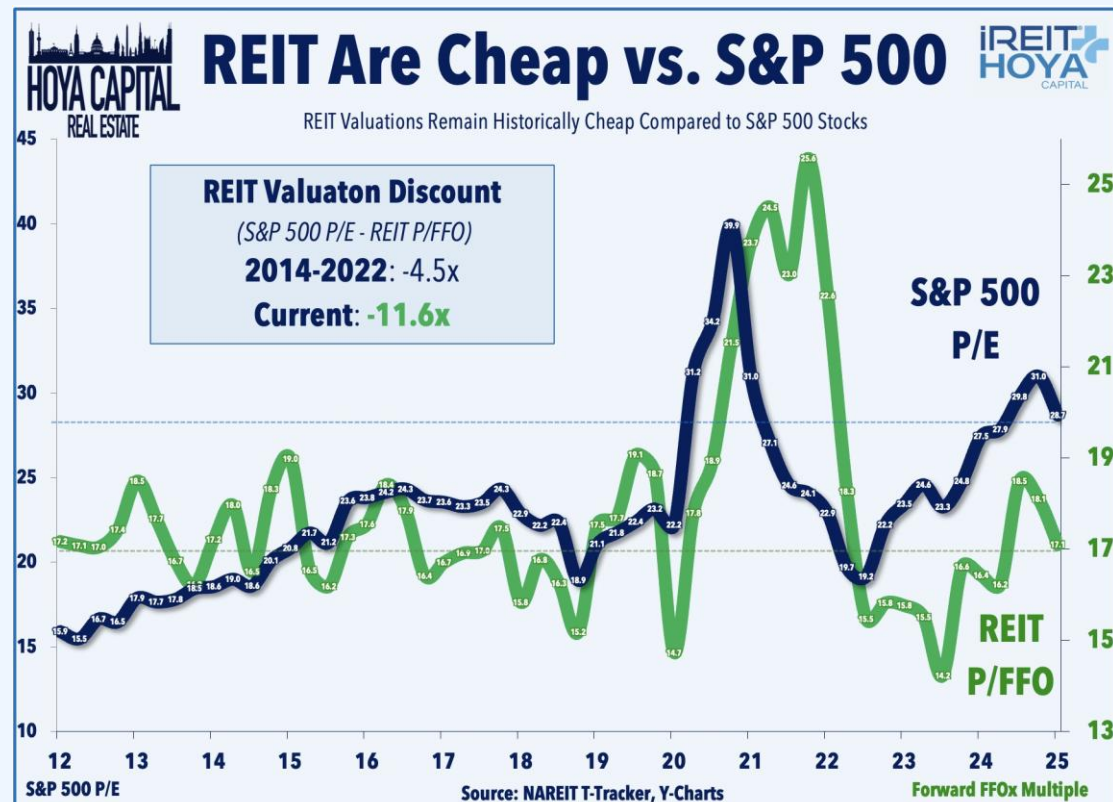
State of REIT Nation

Higher Rates Have Pressured Public REITs Since Mid-2022 As

“Rates Up, REITs Down” Correlations Remain in Full-Force



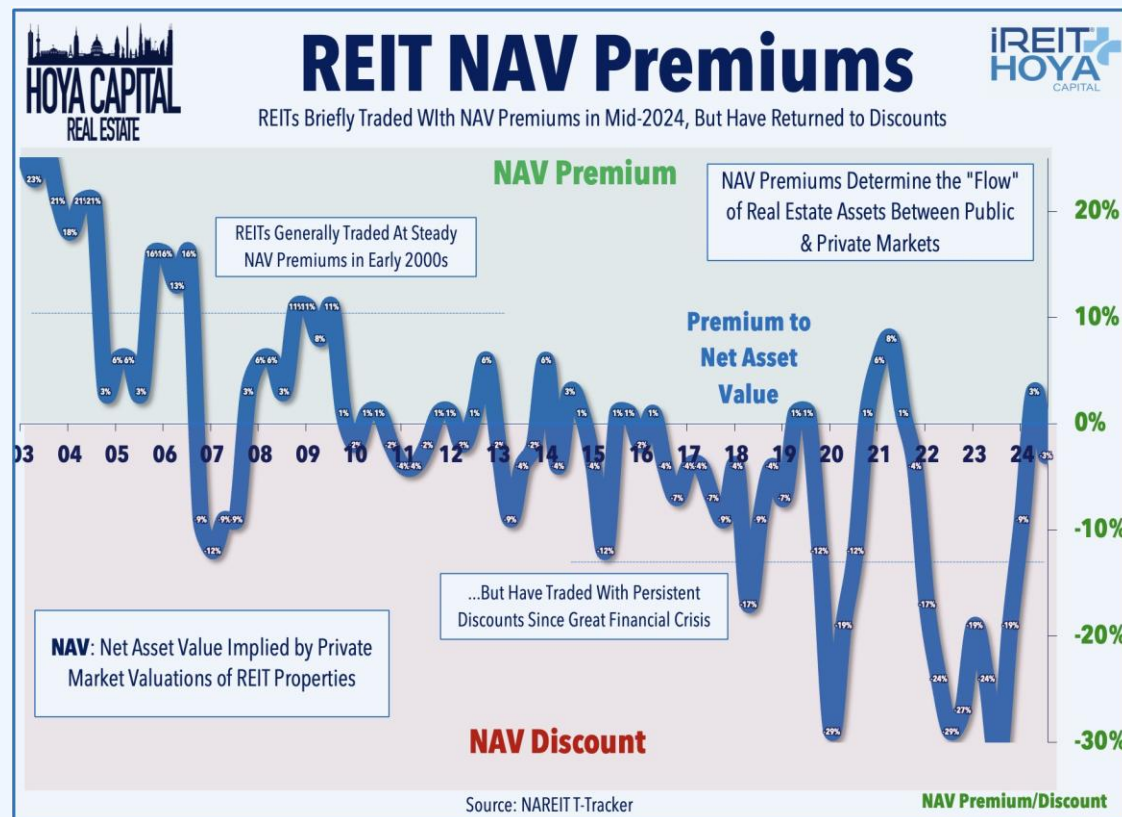
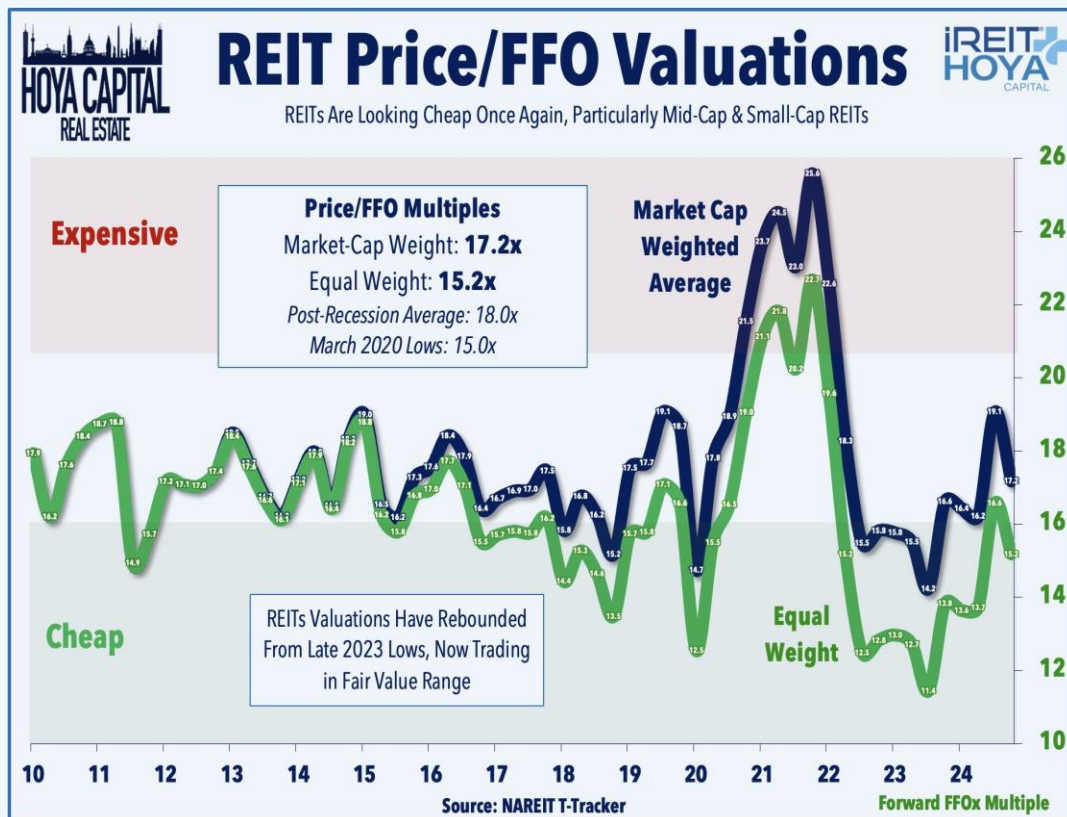
Despite Recent Rebound, REITs Have Still Accumulated Roughly **45 Percentage Points of Underperformance** vs. S&P 500



REIT Valuations

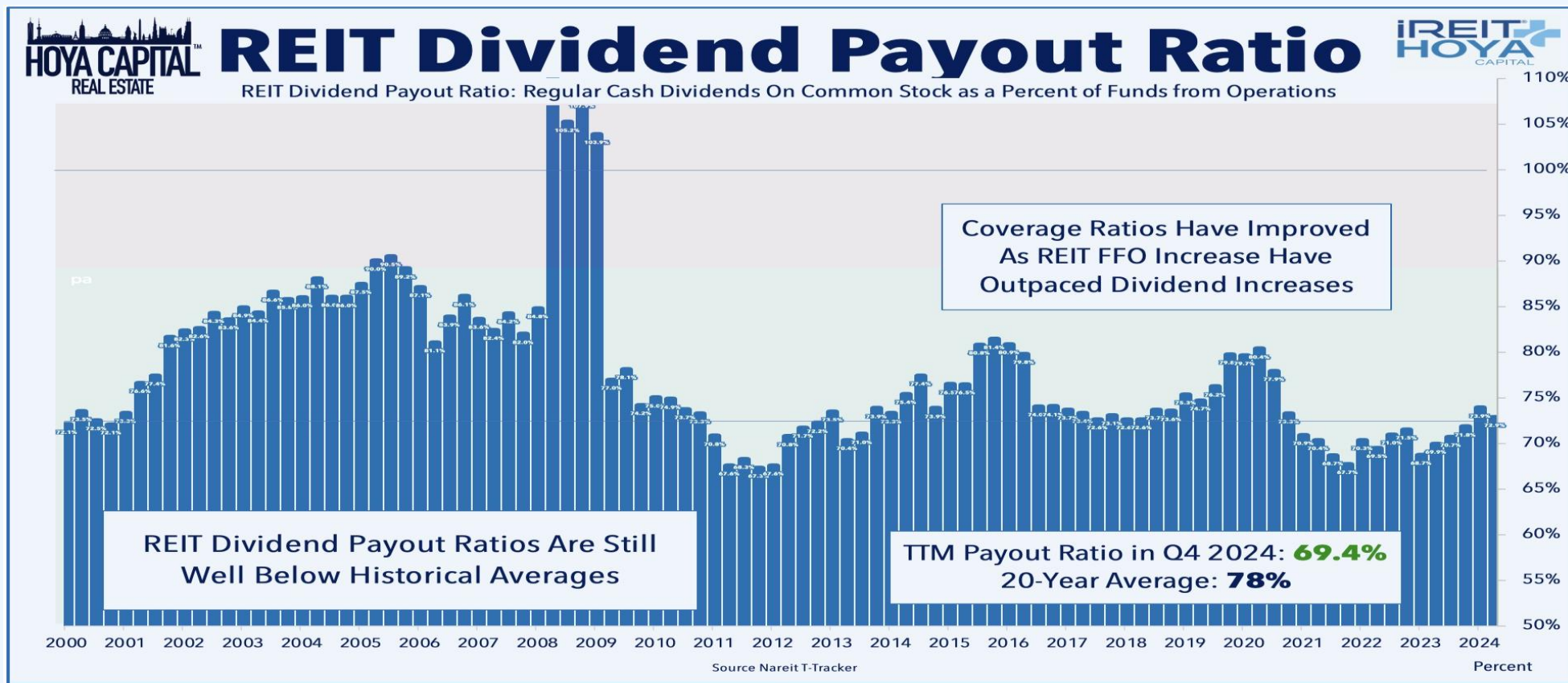
REIT Sector Now Trading Back in “Fair Value” Range,
But Small-Caps Still Deeply Discounted

For REITs, Being Too Cheap Isn’t Necessarily Good. REITs
Have Traded With Persistent NAV Discounts For Past
Decade



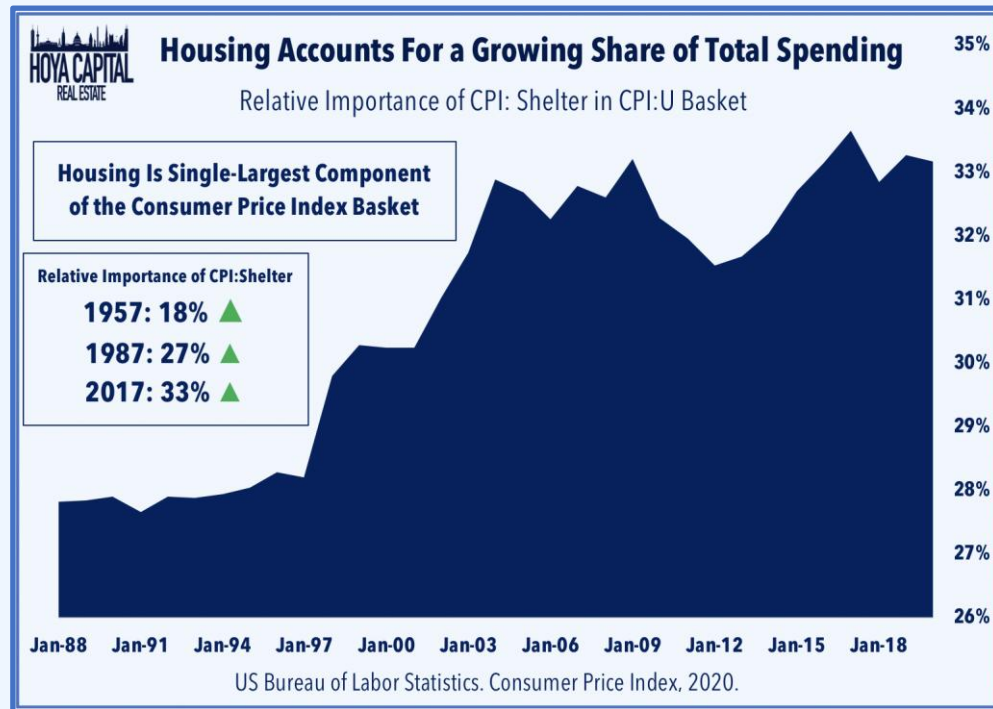
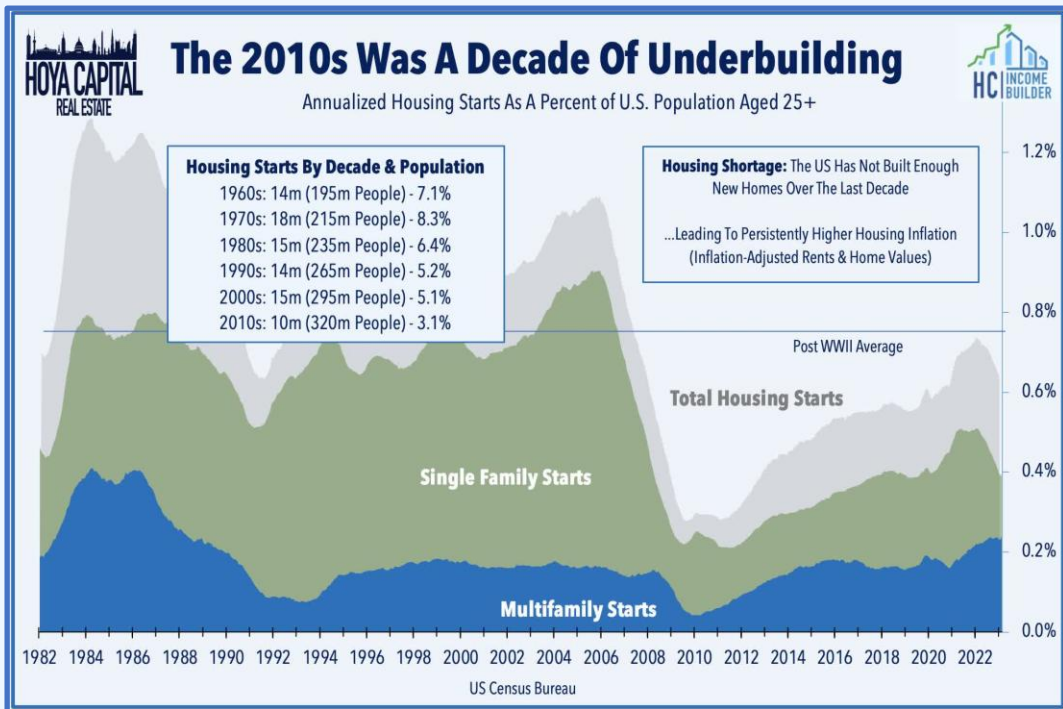
REIT Dividend Fundamentals

Dividends Have Rebounded, But Payout Ratios Historically Low



Capturing Thematic Growth Trends

The U.S. Has Been Underinvesting in Housing Since the Great Financial Crisis, Leading To Rising Costs & Growing Share of Household Spending





We believe that this underbuilding has led to an acute housing shortage across many major housing markets and has resulted in persistent housing inflation. A secondary effect is the aging of the U.S. housing stock and the accumulation of deferred home improvement spending.


Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Residential Fixed Investment consists of new construction of permanent-site single-family and multi-family units, improvements to housing units, expenditures on manufactured homes, brokers' commissions on the sale of residential property, and net purchases of used structures from government agencies.

Impact of Tariffs to REITs

REITs Are Largely Immune to Direct Tariff Impacts, But Some Goods-Oriented Sectors Face Indirect Impacts

 Tariff Sensitivity Potential Impact From Tariff Effects	
Timber	High
Farmland	High
Industrial	High
Hotel	Medium/High
Mall	Medium/High
Shopping Center	Medium/High
Data Center	Average
Billboard	Average
REIT Average	Average
Office	Average
Healthcare	Medium/Low
Gaming/Casino	Medium/Low
Cell Tower	Medium/Low
Net Lease	Medium/Low
Storage	Low
Apartment	Low
Single Family Rental	Low
Manufactured Home	Low

 General Economic Sensitivity Exposure To General Economic Slowdown	
Hotel	High
Timber	High
Mall	High
Billboard	High
Industrial	Medium/High
Office	Medium/High
Gaming/Casino	Medium/High
Shopping Center	Average
REIT Average	Average
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Cell Tower	Medium/Low
Apartment	Medium/Low
Single Family Rental	Medium/Low
Farmland	Medium/Low
Healthcare	Low
Net Lease	Low
Storage	Low
Manufactured Home	Low

 Interest Rate Sensitivity Impact from Changes in Interest Rates	
Healthcare	High
Manufactured Home	High
Net Lease	High
Storage	High
Farmland	Medium/High
Cell Tower	Medium/High
Single Family Rental	Medium/High
Data Center	Average
Apartment	Average
REIT Average	Average
Gaming/Casino	Medium/Low
Shopping Center	Medium/Low
Industrial	Medium/Low
Office	Medium/Low
Timber	Low
Mall	Low
Billboard	Low
Hotel	Low

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