



REIT Growth and Income Monitor

# REITs : Stunning Performance, Steady Yield

Independents Day Conference

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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

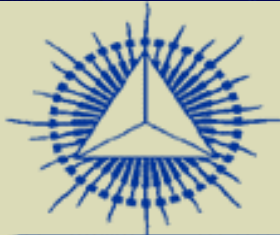
- Yield Secondary to Performance
- Perceived as Low Volatility Stocks
- Few Analysts
- Dedicated REIT Funds Tend to BUY and HOLD
- Increasing Interest from Hedge Funds



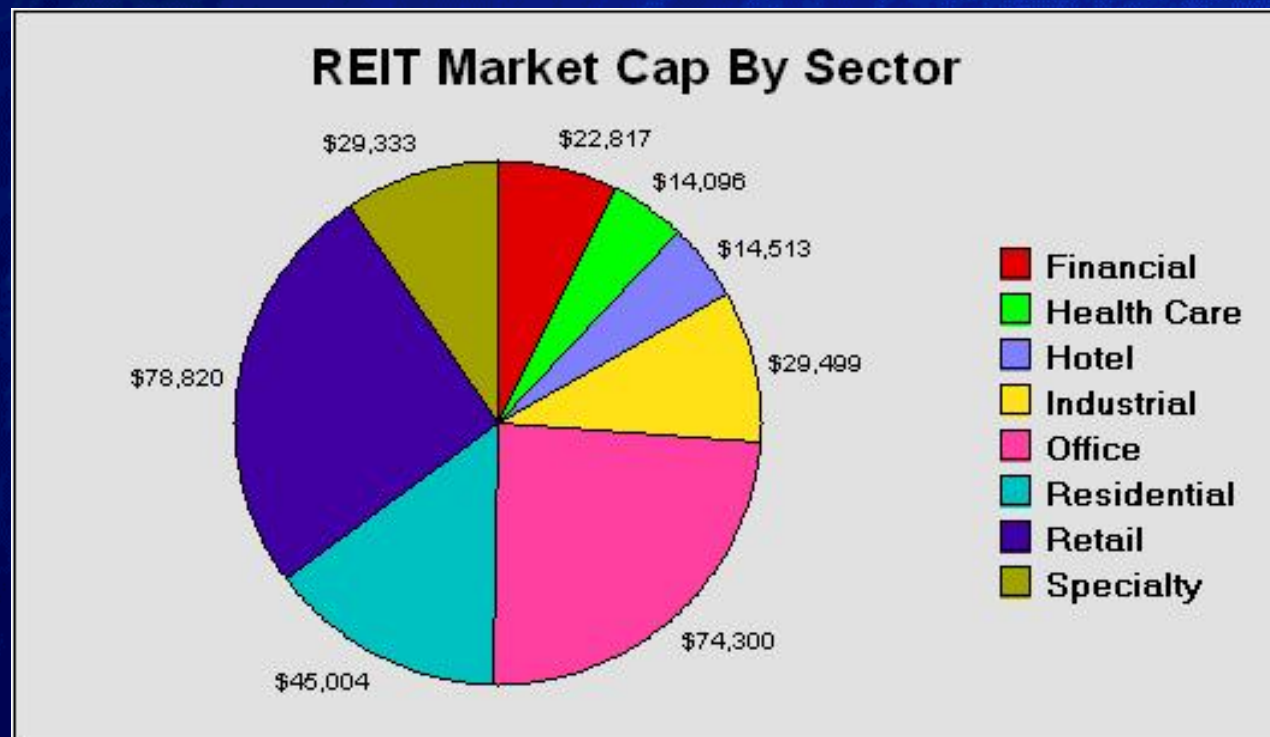


## REIT Market Caps - Total

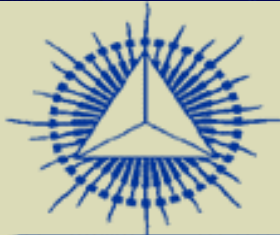
- REIT Growth and Income Monitor Reports on More Than 140 REITs
- Total of More Than \$300 billion Market Cap
- Range of Market Caps \$100 million to \$17.8 billion



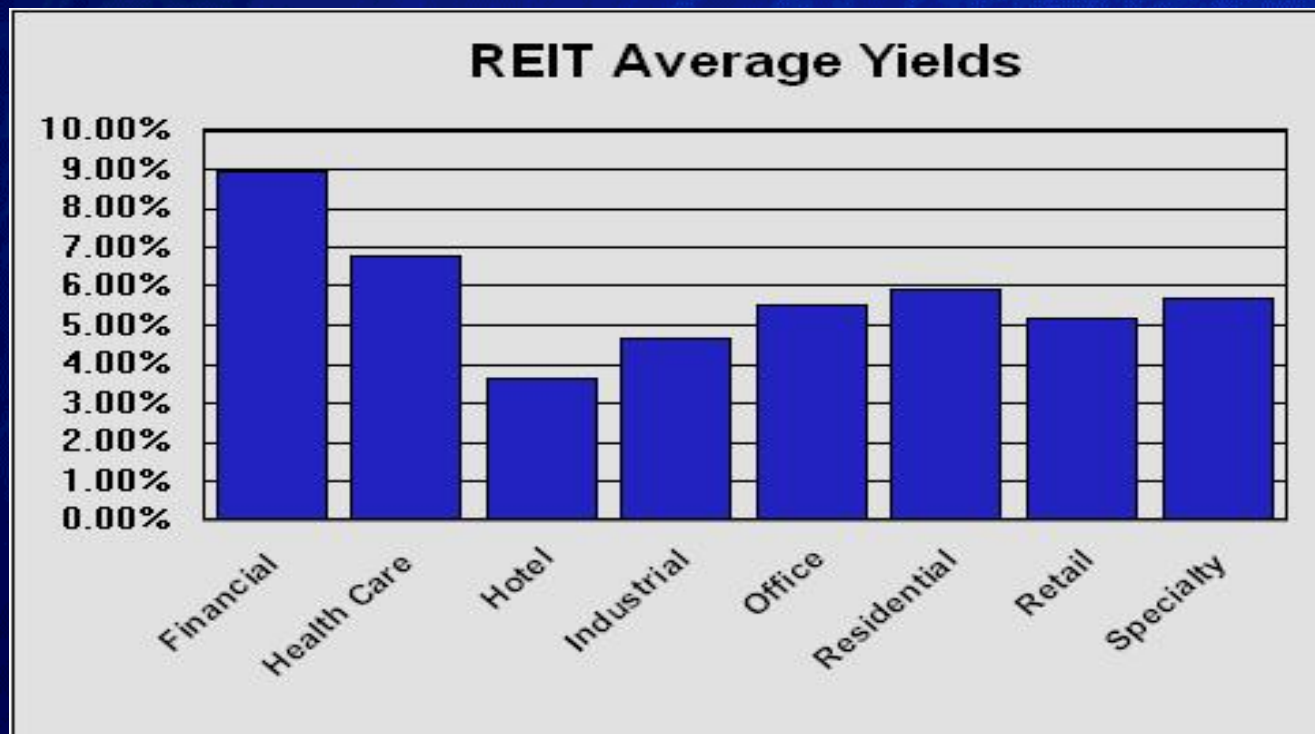
# REIT Market Caps – By Sector







# REIT Yields

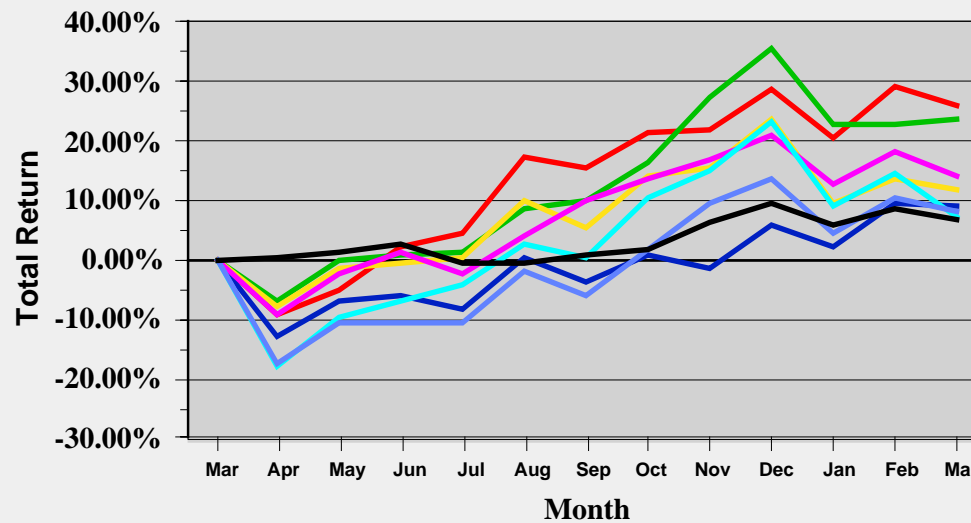




## REIT Growth and Income Monitor

# REITs In the Indexes – S&P 500

### Total Return Trailing 12 Months



As of 03/31/2005

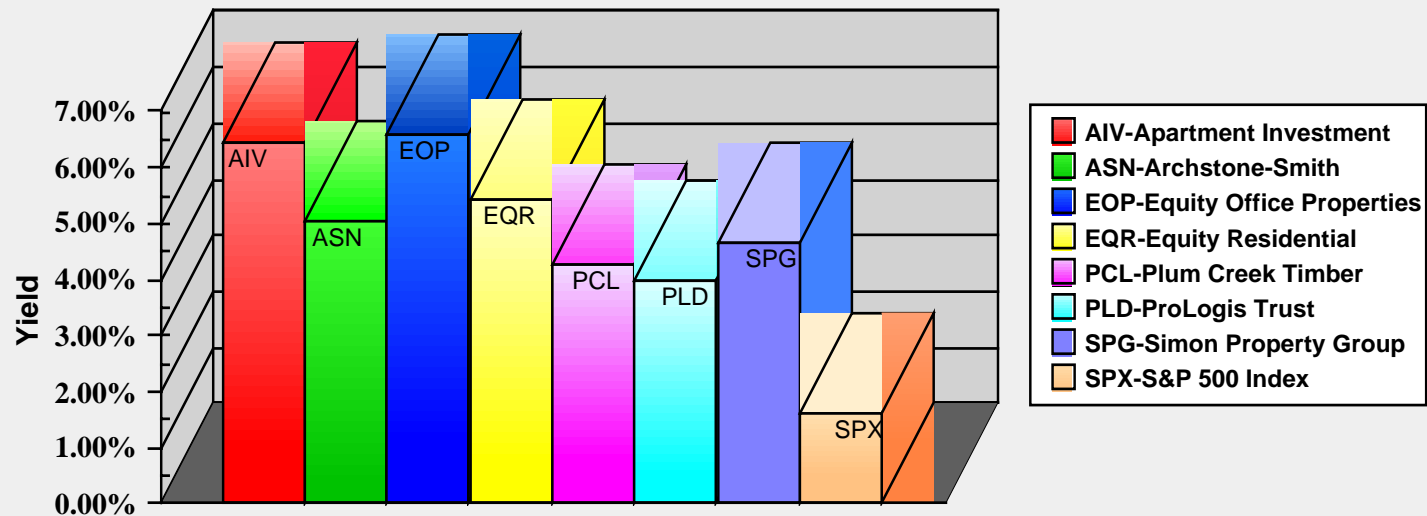
- AIV-Apartment Investment
- ASN-Archstone-Smith
- EOP-Equity Office Properties
- EQR-Equity Residential
- PCL-Plum Creek Timber
- PLD-ProLogis Trust
- SPG-Simon Property Group
- SPX-S&P 500 Index



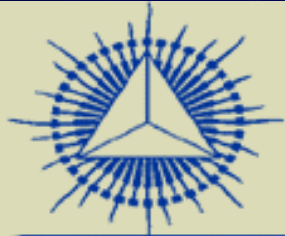


## REITs In the Indexes – S&P 500

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



As of 04/01/2005



## REITs In the Indexes – Russell 3000

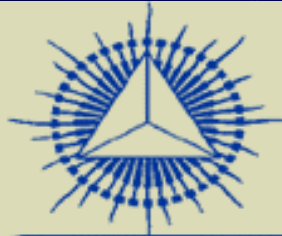
- Total REITs in Russell 3000 Index 119
- Total Market Cap of REITs Included in Russell 3000 Index \$249 billion
- Average REIT Market Cap \$2.1 billion  
Range of Market Cap \$182 million - \$14.0 billion





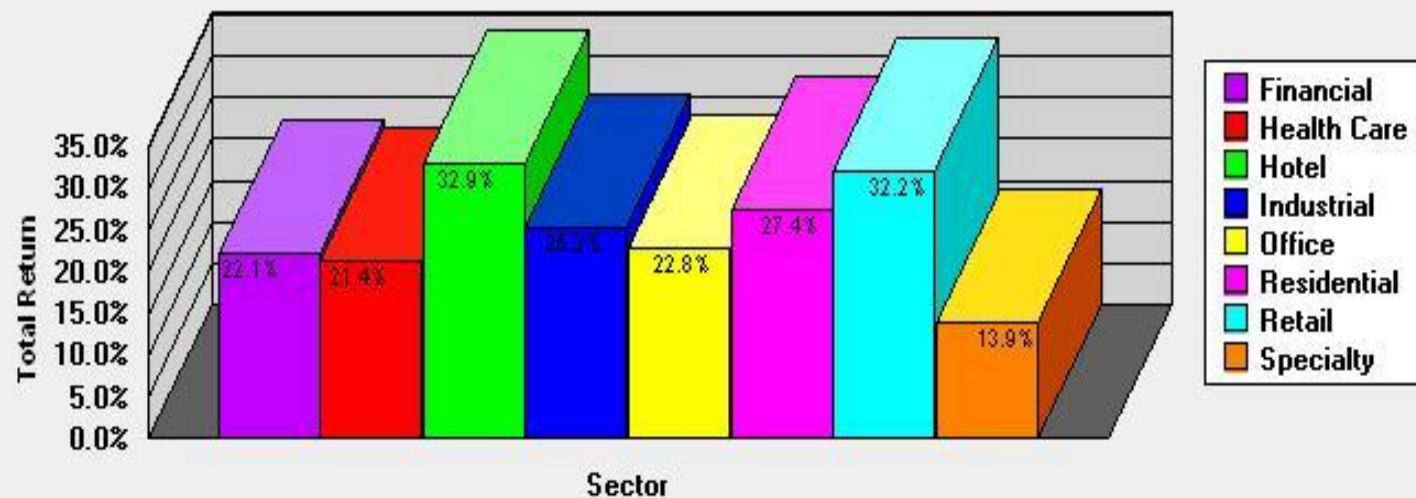
## REITs In the Indexes – Russell 2000

- Total REITs in Russell 2000 Index 63
- Total Market Cap of REITs Included in Russell 2000 Index \$56 billion
- Average REIT Market Cap \$894 million  
Range of Market Cap \$182 million - \$2.4 billion



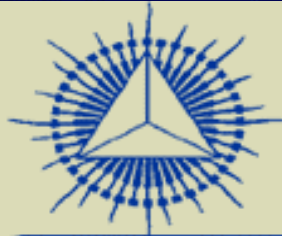
# REIT Performance - 2004

2004 Total REIT Returns by Sector



Average Total Return for REIT Index: 24.9%  
(As of 12/31/2004)

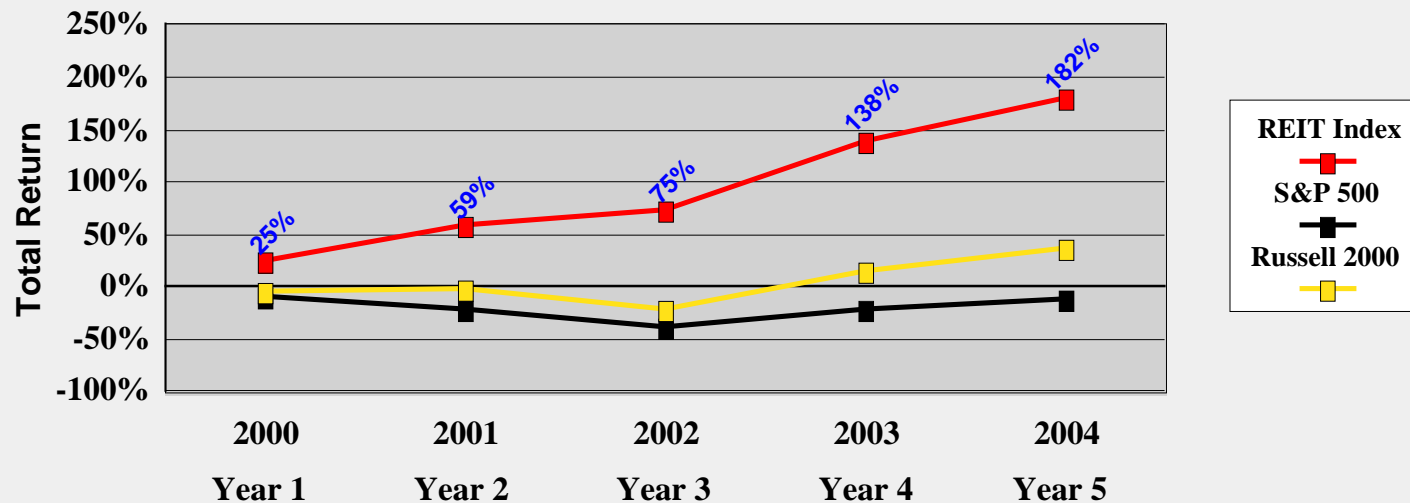




## REIT Growth and Income Monitor

# 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 2004

### Best and Worst REIT Performance in 2004

<b>Best:</b>		<b>Worst:</b>	
<b>Ticker</b>	<b>Total Return</b>	<b>Ticker</b>	<b>Total Return</b>
LHO	75.0%	ARC	-19.5%
KPA	69.9%	GPP	-19.3%
NEW	63.7%	CMO	-17.6%
AVB	61.1%	MSW	-8.8%
AHM	58.5%	FBR	-7.4%
CMM	54.0%	AMV	-3.4%
TCO	48.6%	UMH	-1.2%
SLG	48.4%	HCM	-0.8%
MLS	47.3%	AFR	-0.4%
AEC	45.3%	MFA	2.0%
EQY	45.3%	PGE	2.4%
MAC	44.9%	HIH	5.2%
SPG	44.3%	CPV	6.3%
VNO	43.3%	CLP	6.8%
WRI	41.4%	NHR	8.4%

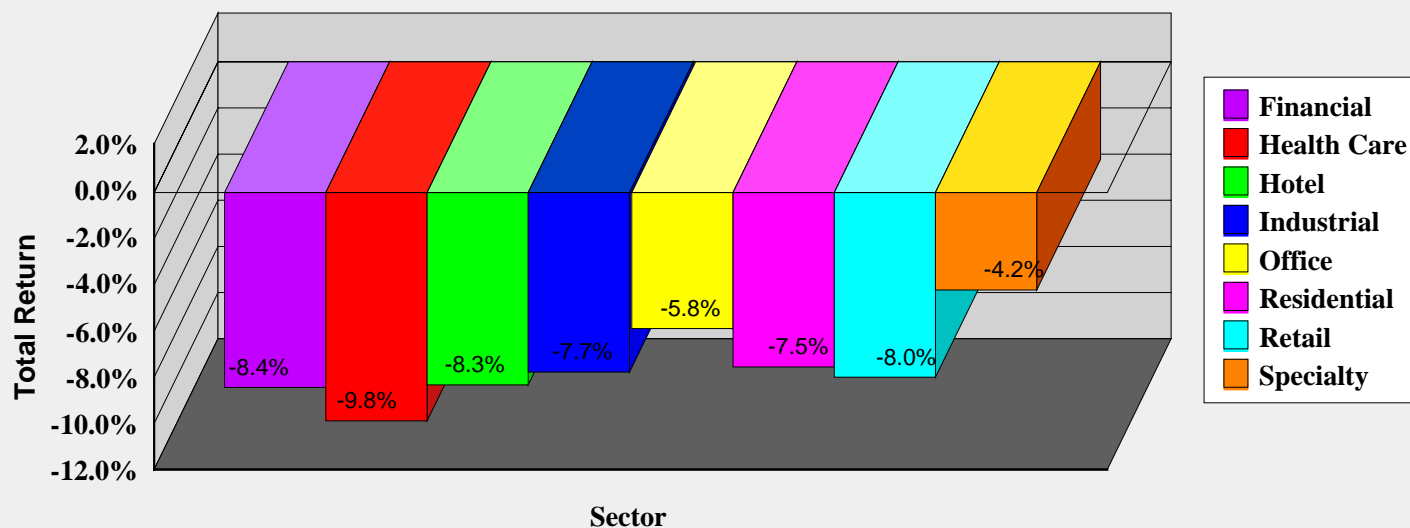
Data presented assumes that shares were purchased on January 31, 2004. Dividends are added to price performance as they are received over the course of the year.





## REIT Performance – 1Q 2005

### 1Q 2005 Total REIT Returns by Sector



Average Total Return for REIT Index: -7.2%



## 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

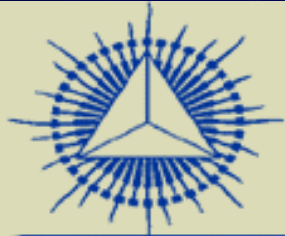




## REIT Growth and Income Monitor

### 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

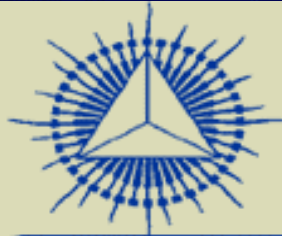




## Summary

- 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