

## **REIT Growth and Income Monitor**

### **Weekly Comments 10/14/2014**

**Positive performance gap for REITs expanded to 11% year to date for 2014, as REIT stocks rallied, while the S&P 500 Index continued to trade lower.**

**Corporate restructuring actions, including spin-outs and downsizing, may impact certain Office REITs.**

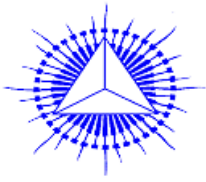
**Kilroy Realty has benefited from positive job market in San Francisco and northern west coast cities, driven by technology hiring.**

**SL Green Realty may be impacted by regulatory change impacting financial industry tenants.**

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**Weekly REIT Comments****10/14/2014**

REIT stocks in the S&P 500 Index rallied, trading up 2% on average for the week ended October 10, 2014, while the S&P 500 Index traded down (3%). Positive performance gap expanded to 11% year to date for 2014. Average gain for all REITs followed by REIT Growth and Income Monitor is now 6% year to date for 2014, exceeding 3% gain for the S&P 500 Index. REIT stocks trailed the S&P 500 Index during 2013, with average gain of 8%.

Investors still have weeks to wait for the update of REIT earnings reports for 3Q 2014. REITs showed positive earnings momentum for the first 8 months of 2014. Health Care REITs and Industrial REITs increased guidance, while other REIT sectors affirmed conservative guidance indicating modest growth for 2014. Health Care REITs continue to rally as Affordable Care Act is implemented, bringing more patient volume for tenants of Health Care REITs. Industrial REITs are gaining occupancy, allowing FFO guidance to increase. Hotel REITs demonstrate positive revenue and margin trends, with stock price performance aided by price decline for oil and gasoline. Most Residential REITs expect strong FFO growth to continue through 2014, driven by tight occupancy and rental rate increases, although a few have seen operating expenses increase enough to offset positive momentum. Performance of Retail REITs should respond to rental rate increases, as well as portfolio expansion and portfolio restructuring sustaining long term FFO growth. Certain Specialty REIT segments, such as Specialty Self-Storage REITs, Specialty Cell Tower REITs and Specialty Data Center REITs, have exceeded earnings expectations, while Specialty Timber REITs, with portfolios of timberlands and sawlog mills, traded lower on news of variable home sales. Investors take a cautious stance for Office REITs, due to exposure to financial industry layoffs and continued rent rollbacks.

Investor acceptance of eventual Federal Reserve tapering supports outlook for Financial Mortgage REITs, as bond market volatility moderates. Financial Mortgage REITs face significant fundamental change, with debate of Fannie Mae reform legislation likely to be delayed by interim elections. Proposals to liquidate Fannie Mae within 5 years face stiff opposition from Democratic Congressmen and Senators, as industry experts and lobbyists warn recession would follow removal of government support from the housing sector. Profits paid by Fannie Mae and Freddie Mac support the Treasury at a time of fiscal austerity, increasing probability that status quo for Fannie Mae will be maintained through the 2016 Presidential election.

REIT stocks normally perform like interest rate sensitive stocks, although none of the 20 REITs in the S&P 500 Index are actually invested in financial assets. Dividend increases for 2013 and 2014 indicate management confidence in continued FFO growth. As dividend payers, REITs may be viewed as income stocks, attracting investors in need of both consistent income and growth.

**Corporate Restructuring May Impact Certain Office REITs**

Change in the technology industry includes recent decisions by large companies to spin-off operations into stand-alone companies. Lower employment will follow as new management seeks to optimize spending in spin-off companies, while parent corporations plan to reduce total headcount in wake of the spin-off. Technology companies announcing such changes include PayPal's separation from Ebay and HP's division into 2 separate entities. Ebay is to separate PayPal to a freestanding online financial payments entity, while HP plans to separate software and IT consulting and services from printers and PCs, splitting into Hewlett-Packard Enterprise and HP Inc. Office REITs with portfolio concentration in the San Francisco bay area may see the impact of HP downsizing, as lower total employment at HP impacts use of subcontractors and external service providers. Office REITs with portfolio exposure to San Francisco bay area include **Boston Properties** and **Kilroy Realty**.

Other Office REITs with exposure to corporate restructuring include those with high exposure to financial industry tenants. As the new Dodd-Frank regulations take effect from 2014 to 2017, banks face increasing pressure to restrict proprietary trading activities, while reducing risk and improving balance sheet metrics, a formula that seems assured to lead to slower growth in loan originations and more employment reductions. As banks shrink in size (a stated goal for financial regulators), availability of sublets of unused office space and trading floors may impact rents in prime office financial centers. Among publicly traded Office REITs, exposure to financial industry tenants is greatest for **Boston Properties**, **SL Green Realty**, **Mack-Cali Realty** and **Vornado Realty Trust**.

**Trading Opportunities**

Exposure to financial industry tenants is an issue for large cap Office REIT **SL Green Realty**, with market cap of \$10.5 billion. **SL Green Realty** owns a portfolio of 51 million square feet of office space, concentrated in NY and NJ. **SL Green Realty's** stock increased 14% for 2014, outperforming other Office REITs. **SL Green Realty's** exposure to banks and other financial tenants is more than 30% of total rents, including Citi, Credit Suisse, Societe Generale and AIG, with Citi alone representing 11% of total **SL Green Realty** rental revenues. Occupancy remains strong at 95% for Manhattan properties, while suburban properties struggle to maintain occupancy at 82%. **SL Green Realty** reported FFO growth of 27% for 2Q 2014 (excluding unusual items), while guidance for FFO for 2014 indicates growth of 13%-14%. **SL Green Realty** increased dividends 32% during 2013 and 52% for 2014, now providing current yield of 1.9%.

Rapid employment growth in northern CA and the Pacific northwest contributes growth to midcap Office REIT **Kilroy Realty**, with market cap of \$5.3 billion supporting portfolio of 13.3 million square feet of office space concentrated in west coast metropolitan areas of Los Angeles, San Diego, Orange County, San Francisco and Seattle. Stock price appreciated 21% year to date for 2014, outperforming Office REIT sector. Portfolio occupancy is strong at 94% for 2Q 2014, with same property NOI up more than 10%, reflecting portfolio mix and rental rate increases. FFO growth of 9% was achieved for 2Q 2014, with guidance for FFO for 2014 indicating 2%-5% growth. **Kilroy Realty** has not increased dividends since 2009, now providing current annual dividend yield of 2.3%.

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Weekly Price Change for S&P 500 Index REITs

S&P 500 Index REITs:		Price	Price	Price	Price	Weekly	2014
		12/31/2013	09/26/2014	10/03/2014	10/10/2014	Price Change	Price Change
American Tower	AMT	\$80	\$93	\$94	\$95	1%	19%
Apartment Investment	AIV	\$26	\$32	\$32	\$33	2%	26%
AvalonBay Communities	AVB	\$118	\$141	\$143	\$146	2%	24%
Boston Properties	BXP	\$100	\$115	\$116	\$119	2%	19%
Crown Castle	CCI	\$73	\$80	\$81	\$79	-2%	8%
Equity Residential	EQR	\$52	\$61	\$63	\$65	4%	26%
Essex Property Trust	ESS	\$144	\$181	\$180	\$182	1%	27%
General Growth Properties	GGP	\$20	\$24	\$23	\$24	1%	18%
HCP	HCP	\$36	\$40	\$40	\$42	5%	15%
Health Care REIT	HCN	\$54	\$63	\$63	\$66	6%	24%
Host Hotels & Resorts	HST	\$19	\$21	\$21	\$21	-3%	7%
Kimco Realty	KIM	\$20	\$22	\$22	\$23	3%	15%
Macerich	MAC	\$59	\$64	\$64	\$66	3%	12%
Plum Creek Timber	PCL	\$47	\$39	\$39	\$40	1%	-15%
Prologis	PLD	\$37	\$38	\$38	\$37	-1%	1%
Public Storage	PSA	\$151	\$165	\$168	\$169	1%	12%
Simon Property Group	SPG	\$152	\$165	\$166	\$168	2%	11%
Ventas	VTR	\$57	\$62	\$63	\$66	5%	15%
Vornado Realty Trust	VNO	\$89	\$101	\$100	\$103	3%	15%
Weyerhaeuser	WY	\$32	\$32	\$32	\$32	-1%	1%
S&P 500 Index	S&P 500	\$1,848	\$1,983	\$1,968	\$1,906	-3%	3%
Average for S&P 500 Index REITs						2%	14%

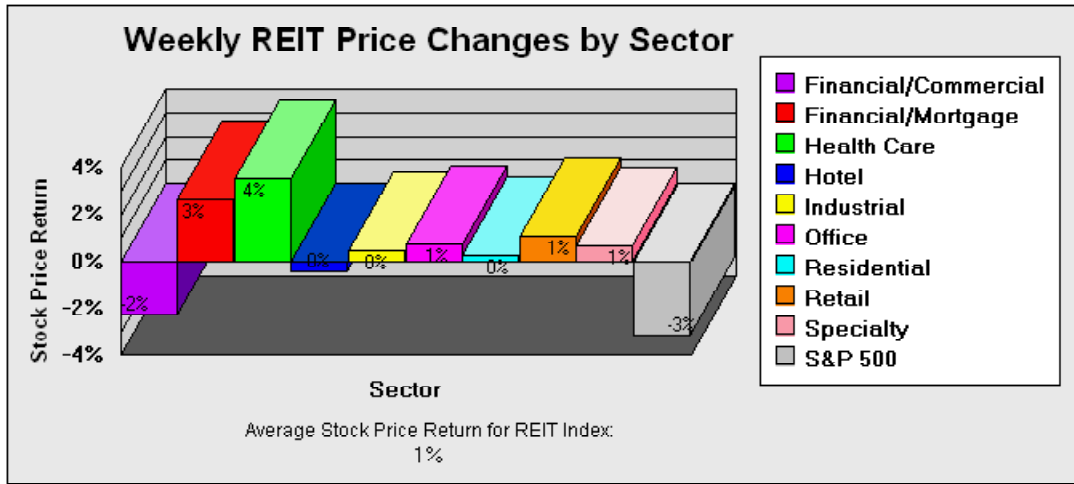
REIT stocks rallied, trading up 2% for the week ended October 10, 2014. REITs outperformed the S&P 500 Index, trading down (3%) for the week, now showing only 3% gain year to date for 2014. Positive performance gap for REITs expanded to 11% year to date for 2014. REIT stocks trailed the S&P 500 Index during 2013, with average gain of 8%. Outperformance of REIT stocks reflects investor interest in equity yield alternatives to low bond market returns

Almost all of the 20 S&P 500 Index REITs outperformed the S&P 500 Index year to date for 2014, with 17 of the 20 S&P 500 Index REITs trading up more than 3% gain for the S&P 500 Index during 2014. Only 1 of the S&P 500 Index REITs traded down year to date for 2014. Rally for Residential REITs now includes **Apartment Investment and Management** up 26%, **AvalonBay Communities** up 24%, **Equity Residential** up 26% and **Essex Property Trust** up 27%, all reporting strong earnings results. Office REITs also demonstrated strong performance, with **Boston Properties** up 19% and **Vornado Realty Trust** up 15% year to date for 2014. **Public Storage**, up 12%, and **Prologis**, up 1%, still show gains for 2014. Health Care REITs enjoy sustainable rally, buoyed by news of individual health enrollment under Affordable Care Act, with **Health Care REIT** up 24%, while **HCP** shows 15% gain and **Ventas** shows 15% gain. Retail REITs also show good gains, now lead by **General Growth Properties** up 18% and **Kimco Realty** up 15%, while **Macerich** shows 12% gain. **Simon Property Group** gave up a portion of its year to date gain due to recent spin-off of **Washington Prime Group**, with the parent company stock now up 11% year to date for 2014. **Host Hotels & Resorts**, now up 7%, announced higher group bookings during 2014. **American Tower** now shows 19% gain year to date for 2014, with REIT conversion **Crown Castle** trading up 8% for 2014. In contrast, Specialty Timber REITs traded down on news of variable sales of new and existing homes, with Specialty Timber REIT **Plum Creek Timber** now down (15%) and **Weyerhaeuser** up 1% year to date for 2014.

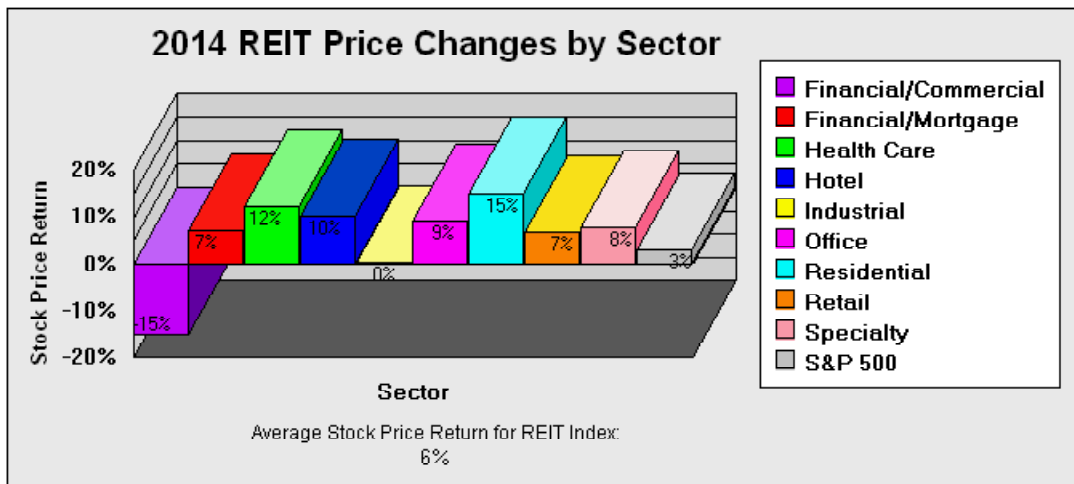
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Weekly REIT Price Changes by Sector



Most REIT sectors traded higher for the week ended October 10, 2014. Best performance was shown by Health Care REITs, up 4%, followed by Financial Mortgage REITs, trading up 3%. Office REITs, Retail REITs and Specialty REITs all traded up 1% for the week, while Hotel REITs, Industrial REITs and Residential REITs traded unchanged. Lagging REIT sectors were Financial Commercial REITs, trading down (2%) for the week. On average, stock prices for REIT Growth and Income Monitor increased 1% for the week ended October 10, 2014.



Stock prices for REITs followed by REIT Growth and Income Monitor traded up 6% on average year to date for 2014, once again outperforming the S&P 500 Index, up 3% year to date for 2014. REITs have unique tax structure, with 90% of pretax income required to be distributed to shareholders as dividends, ensuring continuity of dividends. Investors are attracted by consistent dividend income, and REITs have demonstrated ability both to pay and to increase dividends. REITs offer higher yields than S&P 500 stocks, with REIT dividends taxed at the same rate as ordinary income. REIT funds flow demonstrates moderate growth, at a time when other market sectors face adjusted revenue expectations due to currency exposure and variable international economies

Almost all REIT sectors outperform the S&P 500 Index during 2014. Leading REIT sector for 2014 is Residential REITs, up 15%. Health Care REITs are up 12% as the Affordable Care Act is implemented, bringing more patient volume to tenants of Health Care REITs. Hotel REITs traded up 10% year to date. Office REITs show gain of 9%. Specialty REITs traded up 8% year to date for 2014, supported by investor interest in Cell Tower REITs, Data Center REITs and Self-Storage REITs, offset by underperformance of Specialty Timber REITs. Retail REITs show gain of 7%. Financial Mortgage REITs show gain of 7%, as investors respond positively to the outlook for continued low interest rates. Industrial REITs reversed previous gains, now unchanged year to date for 2014. Lagging Financial Commercial REITs traded down (15%) year to date for 2014, reflecting investor concern over lower volume of new issues of commercial securitizations, as well as impact of spin-offs on stock prices of Financial Commercial REITs.

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REIT Comment



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Company:	Kilroy Realty
Price:	\$60
Recommendation:	BUY
Ranking:	2
Market Cap:	\$5,224
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
KRC \$60

Kilroy Realty KRC news of pending HP spin-off of Printers and Personal Systems Division to new company HP Inc may roil the market for office space in San Francisco metropolitan area

KRC stimulus from major employer HP in Silicon Valley and San Francisco frequently cited by office lessors as reason for dramatic growth in technology tenants over the past 10 years

KRC layoffs for HP may total more than 55,000, compared to 36,000 in past 2 years since restructuring announced

KRC separation of HP into HP Enterprise and HP Inc (now Printers and Personal Systems Division) expected to take place at end of 2015

KRC technology hiring driving local economies in key northwestern cities

KRC guidance for FFO for 2014 indicates growth UP +5%

KRC provides current yield of 2.4%

KRC an Office REIT with a portfolio of properties concentrated in southern and northern CA with new investment in Seattle

KRC we rank 2 BUY

KRC market cap \$5.2 billion

REIT Comment



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Company:	AvalonBay Communities
Price:	\$143
Recommendation:	BUY
Ranking:	2
Market Cap:	\$18,712
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
AVB \$143

AvalonBay Communities AVB last weeks stronger than expected employment gains supports positive growth outlook for Residential REITs

AVB Residential REITs normally benefit from employment growth as most new jobs are taken by 25-34 year old age group, target market for apartment dwellers

AVB like all Residential REITs reporting high occupancy and rental rate increases due to strong demand

AVB seeing rental rate renewals UP +6.5%-+7.0% in most markets

AVB investing \$3.0 billion in development pipeline, representing 11% portfolio capacity expansion

AVB guidance for FFO for 2013 indicates growth of UP +8%-+10%

AVB provides current annual dividend yield of 3.3%

AVB a Residential REIT with a portfolio of upscale apartment communities in east coast and west coast locations

AVB we rank 2 BUY

AVB market cap \$18.7 billion

AVB an S&P 500 Index REIT

REIT Comment



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Company:	Prologis
Price:	\$38
Recommendation:	BUY
Ranking:	2
Market Cap:	\$19,440
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
PLD \$38

Prologis Inc PLD news of lower forecast for China GDP does not change China's status as world's fastest growth economy

PLD World Bank adjusted forecast for China GDP growth to UP +7.4% for 2014 and UP +7.2% for 2015, compared to previous forecast UP +7.6% for 2014 and UP +7.5% for 2015

PLD World Bank forecast report notes China slight slowdown due to "government reforms to address financial vulnerabilities and structural constraints", viewed as positive long term adjustments

PLD recently completed new China Logistics Venture2 to invest \$1.0 billion in bulk distribution centers in China, with institutional equity commitments of \$588 million

PLD portfolio concentration now 69% US, EU 25% and Asia 6%, while focus of development spending overweights Asia at 39% of total investment

PLD total \$29 billion assets under management in institutional funds enables PLD to increase market share in international markets

PLD reported FFO for 2Q 2014 increased UP +17%, exceeding expectations

PLD increased guidance for FFO for 2014 to indicate growth UP +10%-+13%

PLD increased dividend distribution by 18% for 2014, bringing current yield to 3.5%

PLD an Industrial REIT with a portfolio of bulk distribution facilities in US, Europe and Asia

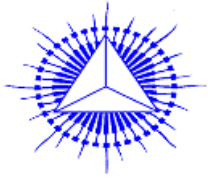
PLD we rank 2 BUY

PLD market cap \$19.4 billion

PLD an S&P 500 Index REIT



REIT Comment



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Company:	CYS Investments
Price:	\$8
Recommendation:	BUY
Ranking:	1
Market Cap:	\$1,351
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
CYS \$8

CYS Investments  
CYS bond market remains uneasy over potential large sales of securities due to PIMCO redemptions from Total Return Fund previously managed by Bill Gross

CYS investors fear PIMCO may face as much as \$200 billion in withdrawals, forcing portfolio divestitures of more than 10% of total assets under management

CYS conservative investment posture reflected in decision to increase position in Treasury securities during 2Q 2014, now 14% of portfolio

CYS majority of \$12.2 billion portfolio invested in 15 and 30 year fixed rate agency mortgage bonds

CYS stock now trading at (14%) discount to book value of \$9.68 per share as of June 2014

CYS stock price supported by current annual dividend yield of 15.4%, at the high end of the range for Financial Mortgage REITs

CYS a Financial Mortgage REIT with a portfolio of agency guaranteed Residential MBS

CYS we rank 1 BUY

CYS market cap \$1.4 billion

REIT Comment



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Company:	MFA Financial
Price:	\$8
Recommendation:	BUY
Ranking:	2
Market Cap:	\$2,905
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
MFA \$8

MFA Financial MFA investors fear potential sales from PIMCO portfolio to meet withdrawals may impact market for agency and non-agency Residential MBS

MFA portfolio of PIMCO Total Return Fund includes agency and non-agency mortgage securities, derivatives, GSE agency bonds and bank-issued ABS securitizations, as well as numerous domestic and international corporate bond issues and bank loans

MFA illiquidity of many older issues of non-agency MBS and bank-issued ABS securitizations may force aggressive unloading by PIMCO of more liquid issues, impacting normal bond market funds flow

MFA earnings drawn 72% from non-agency portfolio and 28% from agency securities, with total portfolio generating higher yield than most Financial Mortgage REITs

MFA stock now trading at discount of (5%) to latest book value of \$8.37 per share as of June, 2014

MFA provides current annual dividend yield of 10.0%, below the midpoint of the range for Financial Mortgage REITs

MFA a Financial Mortgage REIT with a portfolio of agency guaranteed and nonagency guaranteed Residential loans and MBS

MFA we rank 2 BUY

MFA market cap \$2.9 billion

REIT Comment



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Company:	Redwood Trust
Price:	\$16
Recommendation:	SELL
Ranking:	4
Market Cap:	\$1,380
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
RWT \$16

Redwood Trust RWT traded DOWN (\$0.33) per share to close DOWN (2%) day

RWT stock traded DOWN (16%) year to date for 2014, underperforming Financial Mortgage REITs, trading UP +4% for 2014

RWT investor fears of negative impact of PIMCO portfolio sales on bond market trading impacting stocks of Financial Mortgage REITs

RWT PIMCO Total Return Fund, unlike many fixed income funds, included investment in some illiquid mortgage issues, including non-agency Residential MBS, as well as related derivatives

RWT illiquidity of many older issues of non-agency MBS and bank-issued ABS securitizations may force aggressive unloading by PIMCO of more liquid issues

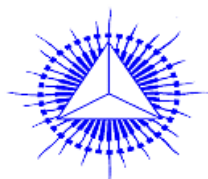
RWT provides current annual dividend yield of 6.9%, at the low end of the range for Financial Mortgage REITs

RWT a Financial Mortgage REIT with a portfolio of non-agency residential loans and securities

RWT we rank 4 SELL

RWT market cap \$1.4 billion

REIT Comment



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Company:	Mack-Cali Realty
Price:	\$19
Recommendation:	SELL
Ranking:	4
Market Cap:	\$1,914
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
CLI \$19

Mack-Cali Realty CLI stock traded DOWN (\$0.27) per share to close DOWN (1%) day

CLI stock traded DOWN (11%) year to date for 2014, underperforming Office REITs, trading UP +8% for 2014

CLI exposure to financial industry tenants causes investor concern at a time when new regulations may force downsized operations

CLI portfolio restructuring follows management strategy to divest low return office properties while investing in residential properties in target markets

CLI guidance for FFO for 2014 indicates decline DOWN (24%)-(29%) for fourth consecutive annual FFO decline

CLI after recent (50%) dividend reduction, current annual dividend yield 3.1%, below midpoint of the range for Office REITs

CLI an Office REIT with a portfolio of office properties concentrated in NY and NJ

CLI we rank 4 SELL

CLI market cap \$1.9 billion

REIT Comment



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Company:	Omega Healthcare Investors
Price:	\$35
Recommendation:	BUY
Ranking:	2
Market Cap:	\$4,477
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
OHI \$35

Omega Healthcare Investors OHI traded UP \$0.48 per share to close UP +1% day

OHI stock traded UP +18% year to date for 2014, outperforming Health Care REITs, trading UP +9% for 2014

OHI tenants of Health Care REITs seeing higher patient traffic due to implementation of Affordable Care Act during 2014

OHI portfolio acquisitions add to FFO growth

OHI guidance for FFO for 2014 indicates growth UP 11%-+13%

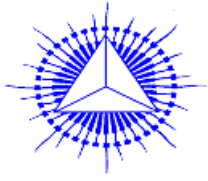
OHI provides current annual dividend yield of 5.8%

OHI a Health Care REIT with a portfolio concentrated in skilled nursing and assisted living properties

OHI we rank 2 BUY

OHI market cap \$4.5 billion

REIT Comment



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Company:	Senior Housing Properties Trust
Price:	\$21
Recommendation:	BUY
Ranking:	2
Market Cap:	\$4,228
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/06/2014  
SNH \$21

Senior Housing Properties Trust SNH traded UP \$0.22 per share to close UP +1% day

SNH stock traded DOWN (5%) year to date for 2014, underperforming Health Care REITs, trading UP +9% for 2014

SNH portfolio expansion to be accelerated by pending \$539 million acquisition of medical office properties, as part of planned \$3.0 billion acquisition of Cole Corporate Income Trust by Select Income REIT SIR

SNH medical office properties and life science properties to represent 51% of SNH rental income, following completion of pending \$539 million acquisition

SNH no guidance provided for FFO for 2014

SNH stock price supported by current annual dividend yield of 7.4%

SNH a Health Care REIT with a diverse portfolio of health care properties

SNH we rank 2 BUY

SNH market cap \$4.2 billion

REIT Comment



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Company:	DuPont Fabros Technology
Price:	\$27
Recommendation:	BUY
Ranking:	2
Market Cap:	\$2,220
Link:	<a href="http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/07/2014  
DFT \$27

DuPont Fabros Technology DFT projection for faster online sales growth favorable for online retailers operating through Data Center REITs

DFT forecast from Shop.org indicates online sales expected to increase UP+8%-+11% to \$105 billion for Holiday 2014

DFT Shop.org forecast indicates more rapid online sales growth than for 2013, UP +8.6%

DFT online sales growth supported by proliferation of smartphones and mobile Internet devices with many new apps enabling e-commerce

DFT tenants include the largest Internet websites and online service providers including Facebook, Google, Microsoft and Yahoo!, as well as managed hosting services such as Rackspace and AboveNet (providing Amazon cloud web service)

DFT latest guidance for FFO for 2014 indicates growth UP +24%

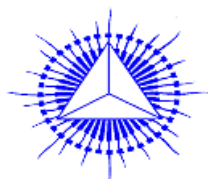
DFT now providing current annual dividend yield of 5.1%

DFT a Data Center REIT with a portfolio of wholesale data centers leased to key Internet portals and service providers

DFT we rank 2 BUY

DFT market cap \$2.2 billion

REIT Comment



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Company:	Capstead Mortgage
Price:	\$12
Recommendation:	BUY
Ranking:	1
Market Cap:	\$1,172
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:

10/07/2014

CMO \$12

Capstead Mortgage CMO news of PIMCO Bill Gross departure still upsetting bond market investors concerned over potential portfolio liquidations

CMO PIMCO Total Return Fund saw total net assets decline DOWN(\$58.1) billion to \$201.6 billion during first 9 months of 2014, due to investor withdrawals

CMO portfolio of PIMCO Total Return Fund includes agency and nonagency mortgage securities, derivatives, GSE agency bonds and bank-issued ABS securitizations, as well as numerous domestic and international corporate bond issues and bank loans

CMO illiquidity of many older issues of non-agency MBS and bank-issued ABS securitizations may force aggressive unloading of more liquid issues by PIMCO

CMO 49% of portfolio of PIMCO Total Return Fund is in government issues, including Treasuries, GSE bonds and sovereign debt

CMO while most of 22% investment in mortgage securities is concentrated in high quality agency bonds, portfolio also holds many small positions in mortgage trust issues from 2006-2008, issued by mortgage originators and securitizers now bankrupt or forced to merge with other banks including Bear Stearns, Lehman Brothers, Countrywide, Washington Mutual, NovaStar, IndyMac, Ameriquest, and other mortgage trusts still in complex litigation with investors

CMO many of the small positions in illiquid mortgage trust issues are valued by PIMCO Total Return Fund at surprisingly little discount to face value, despite lawsuits indicating inadequate cash flows to investors

CMO investors seeking income should consider Financial Mortgage REITs as alternative to bonds and bond funds, due to high yields and current valuations at discount to book value

CMO concentration of \$14 billion portfolio in agency guaranteed Residential MBS ARM securities indicates conservative investment posture

CMO stable book value viewed favorably by investors

CMO stock now trading at discount of (3%) to book value of \$12.69 per share as of June 2014

CMO provides current annual dividend yield of 11.1%, near the midpoint of the range for Financial Mortgage REITs

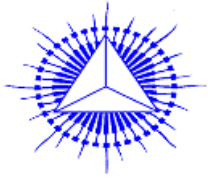
CMO a Financial Mortgage REIT with a portfolio of agency guaranteed Residential MBS

CMO we rank 1 BUY

CMO market cap \$1.2 billion



REIT Comment



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Company:	Rouse Properties
Price:	\$16
Recommendation:	BUY
Ranking:	2
Market Cap:	\$937
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/07/2014  
RSE \$16

Rouse Properties RSE tomorrow's investor meeting for JC Penney JCP likely to generate more discussion of pending store closings by key anchor tenant

RSE JC Penney JCP expected to announce plans to reduce total store count below 1,000 stores, a preferred scenario predicated on optimism for earnings recovery among retail analysts and investment bankers

RSE exposure to JC Penney JCP now 28 anchor stores (57% owned by RSE) and exposure to Sears Holdings SHLD now 24 anchor stores (50% owned by RSE) among total 38 regional malls in RSE portfolio

RSE exposure to these struggling anchor tenants represents 60%-75% of all malls owned by RSE

RSE management comments that store closing decisions by struggling anchor tenants such as JC Penney JCP and Sears Holdings SHLD may provide opportunity for RSE to release anchor space at higher rents, with potential to convert properties to cinemas or other entertainment venues, as well as expansion of mall space for traditional retail leases

RSE recently increased guidance for FFO for 2014 to indicate growth UP +3%-+6%

RSE increased dividends by 31% during 2014, bringing current annual dividend yield to 6.9%

RSE a Retail REIT with a portfolio of smaller regional malls

RSE we rank 2 BUY

RSE market cap \$937 million

REIT Comment



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Company:	Simon Property Group
Price:	\$166
Recommendation:	BUY
Ranking:	2
Market Cap:	\$60,395
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/07/2014  
SPG \$166

Simon Property Group SPG report for Holiday 2014 sales growth supports positive outlook for tenants of Retail REITs

SPG report from NRF (National Retail Federation) projects retail sales for Holiday 2014 to increase UP +4.1% from previous year

SPG sales gain for Holiday 2014 expected to exceed growth UP +3.1% for 2013

SPG higher tenant sales enable retailers to make optimistic decisions on store expansions and lease renewals

SPG guidance for FFO for 2014 indicates growth UP +2%

SPG provides current annual dividend yield of 3.1%

SPG a Retail REIT with a portfolio of regional malls and brand name outlet centers in US, Europe and Asia

SPG we rank 2 BUY

SPG market cap \$60.4 billion

SPG an S&P 500 Index REIT

REIT Comment



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Company:	PREIT
Price:	\$20
Recommendation:	BUY
Ranking:	2
Market Cap:	\$1,379
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/07/2014  
PEI \$20

PREIT PEI traded DOWN (\$0.55) per share to close DOWN (3%) day

PEI stock traded UP +3% year to date for 2014, underperforming Retail REITs, trading UP +6% for 2014

PEI continuing to divest non-core assets

PEI seeking to maximize shareholder value by divesting less productive retail centers while concentrating investment in regional malls offering highest potential for tenant sales

PEI guidance for FFO for 2014 indicates growth UP +5%

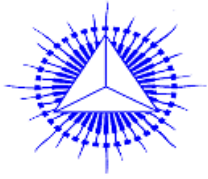
PEI provides current annual dividend yield of 4.1%

PEI a Retail REIT with a portfolio of regional malls in mid-Atlantic states

PEI we rank 2 BUY

PEI market cap \$1.4 billion

REIT Comment



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Company:	Ramco-Gershenson Properties
Price:	\$16
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$1,242
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/07/2014  
RPT \$16

Ramco-Gershenson Properties RPT traded DOWN (\$0.28) per share to close DOWN (2%) day

RPT stock traded UP +1% year to date for 2014, underperforming Retail REITs, trading UP +6% for 2014

RPT acquired retail and office property in Ft Collins CO for undisclosed investment

RPT acquisition goal for 2014 \$350-\$500 million

RPT portfolio of retail properties concentrated 40% in MI and 26% in FL

RPT provides current annual dividend yield of 4.7%

RPT a Retail REIT with a portfolio of big box retailers and grocery anchored shopping centers

RPT we rank 3 HOLD

RPT market cap \$1.2 billion

REIT Comment



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Company:	Essex Property Trust
Price:	\$177
Recommendation:	BUY
Ranking:	2
Market Cap:	\$11,353
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/07/2014  
ESS \$177

Essex Property Trust ESS traded DOWN (\$3.54) per share to close DOWN (2%) day

ESS stock traded UP +23% year to date for 2014, outperforming Residential REITs, trading UP +14% for 2014

ESS portfolio concentration in west coast markets with high employment growth enables strong occupancy and rental rate increases

ESS guidance for FFO for 2014 indicates growth UP +9%-+11%

ESS recently increased dividends by 30%, bringing current annual dividend yield to 2.9%

ESS a Residential REIT with a diverse portfolio of apartment communities in west coast states

ESS we rank 2 BUY

ESS market cap \$11.4 billion

ESS an S&P 500 Index REIT

REIT Comment



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Company:	Liberty Property Trust
Price:	\$33
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$4,962
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/07/2014  
LPT \$33

Liberty Property Trust LPT traded DOWN (\$0.58) per share to close DOWN (2%) day

LPT stock traded DOWN (3%) year to date for 2014, underperforming Industrial REITs, trading unchanged year to date for 2014

LPT Industrial REITs trading DOWN on news of lowered expectation for US economic growth from IMF

LPT continuing divestiture of office properties (except for recently completed build-to-suit properties) to concentrate investment in industrial sector

LPT current portfolio of 102.5 million square foot concentrated 63% in industrial/flex properties and 37% in office properties,

LPT provides current annual dividend yield of 5.8%

LPT an Industrial REIT with a diverse portfolio of industrial, office and flex properties

LPT we rank 3 HOLD

LPT market cap \$5.0 billion

REIT Comment



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Company:	Annaly Capital Management
Price:	\$11
Recommendation:	BUY
Ranking:	1
Market Cap:	\$10,387
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
NLY \$11

Annaly Capital Management NLY mortgage application volume showed increase for latest week narrowing year to date decline to less than(10%)

NLY report from MBA (Mortgage Bankers Association) found mortgage applications increased UP +3.8% for week ended October 3, 2014 from previous week

NLY mortgage applications for refinance increased UP +5.0%, while mortgage applications for home purchase increased UP +2%

NLY mortgage applications for home purchase decreased DOWN (8%) from previous year

NLY mortgage refinance applications represented 56% of total mortgage application volume last week

NLY report from MBA (Mortgage Bankers Association) found average interest rate on 30 year fixed rate conforming mortgage decreased DOWN (0.3%) to 4.30%

NLY Financial Mortgage REITs benefit from mortgage application volume, providing opportunities for portfolio repositioning

NLY stock price supported by current annual dividend yield of 11.0%, near the midpoint of the range for Financial Mortgage REITs

NLY a Financial Mortgage REIT with a portfolio of agency guaranteed Residential MBS

NLY we rank 1 BUY

NLY market cap \$10.4 billion

REIT Comment



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Company:	Host Hotels & Resorts
Price:	\$21
Recommendation:	BUY
Ranking:	2
Market Cap:	\$16,455
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
HST \$21

Host Hotels & Resorts HST hotel portfolio transactions continue portfolio expansion partially funded by divestitures

HST acquired small downtown Miami hotel for \$58 million, with planned investment for repositioning with management company Destination Hotels & Resorts

HST joint venture in EU acquired 90% interest in Grand Hotel Esplanade Berlin for \$103 million

HST divested Tampa Marriott Waterside Hotel & Marina for \$199 million

HST latest guidance for FFO for 2014 indicates growth UP +10%-+12%

HST increased regular quarterly dividend by 33% for 4Q 2014 for fourth consecutive quarterly dividend increase

HST now provides current annual dividend yield of 2.7%

HST a Hotel REIT with a portfolio of upscale hotels and resorts in US, Mexico, Europe and Pacific

HST we rank 2 BUY

HST market cap \$16.5 billion

HST an S&P 500 Index REIT



REIT Comment



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Company:	DuPont Fabros Technology
Price:	\$27
Recommendation:	BUY
Ranking:	2
Market Cap:	\$2,227
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
DFT \$27

DuPont Fabros Technology DFT investor presentation by JC Penney JCP highlights importance of "omni-channel retail strategy", enabling integration of online sales with in-store merchandising and delivery

DFT JC Penney JCP management presentation noted most customers now research purchases online prior to making trip to store, with more than 50% of total shopping trips integrating online with in-store retail access

DFT JC Penney JCP seeing online sales moving from desktop computers (previously 72%, now only 52% of total online transactions), while tablets (increased from 13% to 16%) and smartphones (more than doubled to 32%) gaining share of transactions

DFT majority of online shoppers for JC Penney JCP use Apple AAPL iPhone smartphones with JC Penney app

DFT JC Penney JCP reported home and home furnishing departments have highest dollar value of online sales

DFT online sales growth supported by proliferation of smartphones and mobile Internet devices with many new apps enabling e-commerce

DFT tenants include the largest Internet websites and online service providers including Facebook, Google, Microsoft and Yahoo!, as well as managed hosting services such as Rackspace and AboveNet (providing Amazon cloud web service)

DFT latest guidance for FFO for 2014 indicates growth UP +24%

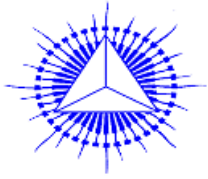
DFT now providing current annual dividend yield of 5.1%

DFT a Data Center REIT with a portfolio of wholesale data centers leased to key Internet portals and service providers

DFT we rank 2 BUY

DFT market cap \$2.2 billion

REIT Comment



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Company:	Rouse Properties
Price:	\$16
Recommendation:	BUY
Ranking:	2
Market Cap:	\$921
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text  
10/08/2014  
RSE \$16

Rouse Properties RSE investor presentation by JC Penney JCP indicates plan to retain most anchor tenant stores in order to maximize sales growth potential

RSE survey of JC Penney JCP customer base indicates importance of maintaining local presence to ensure customer satisfaction, with satisfied customers spending 30% more annually than other JC Penney JCP customers

RSE JC Penney JCP management views merchandising as critical to improving sales while effective purchasing and private label brands enables improved gross profit margin

RSE comments on decision by competitor Sears Holdings SHLD to close stores indicates JC Penney JCP management unconcerned about loss of Sears presence indicating that similarity of Sears customer would lead to improved local market share for JC Penney stores

RSE management of JC Penney JCP believes only "50 malls may be at risk" for closing of significant anchor tenant

RSE exposure to JC Penney JCP now 28 anchor stores (57% owned by RSE) and exposure to Sears Holdings SHLD now 24 anchor stores (50% owned by RSE) among total 38 regional malls in RSE portfolio

RSE exposure to these struggling anchor tenants represents 60%-75% of all malls owned by RSE

RSE management comments that store closing decisions by struggling anchor tenants such as JC Penney JCP and Sears Holdings SHLD may provide opportunity for RSE to release anchor space at higher rents, with potential to convert properties to cinemas or other entertainment venues, as well as expansion of mall space for traditional retail leases

RSE recently increased guidance for FFO for 2014 to indicate growth UP +3% - +6%

RSE increased dividends by 31% during 2014, bringing current annual dividend yield to 7.0%

RSE a Retail REIT with a portfolio of smaller regional malls

RSE we rank 2 BUY

RSE market cap \$921 million

REIT Comment



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Company:	General Growth Properties
Price:	\$23
Recommendation:	BUY
Ranking:	2
Market Cap:	\$22,136
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
GGP \$23

General Growth Properties GGP today's comments of JCP Penney JCP at investor meeting indicate disappointing sales growth trends for 3Q 2014, despite slight increase in mall traffic

GGP management of JCP Penney JCP disappointed by back-to-school season, lowering guidance for comp store sales growth to UP +1.5% - +3.0% for 3Q 2014

GGP mall customer traffic showed slight increase for 3Q 2014

GGP tenant sales trends have indirect impact on Retail REITs as FFO growth determined by rental rate increments, not by tenant sales

GGP increased guidance for FFO for 2014 to indicate growth UP +14%

GGP provides current yield of 2.7%

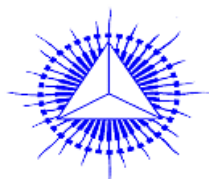
GGP a Retail REIT with a portfolio of regional malls

GGP we rank 2 BUY

GGP market cap \$22.1 billion

GGP an S&P 500 Index REIT

REIT Comment



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Company:	Corporate Office Properties Trust
Price:	\$26
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$2,234
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
OFC \$26

Corporate Office Properties Trust OFC September 2014 Analyst & Investor Day highlighted strategic plan to increase FFO and NAV through portfolio concentration on strategic tenants

OFC management targets FFO growth UP +3%-+6% from 2015-2019, supported by same property NOI growth UP +2%-+3%, with developments and redevelopments adding +1%-+3% to FFO

OFC strategic niche tenants include government defense and intelligence agencies as well as contractors serving them, now representing 70.5% of total rents

OFC secure facilities have high level of tenant investments, implying high switching cost and low lease turnover

OFC cost of investment per square foot at \$296 for secure facilities is 5.7% higher than normal commercial office space

OFC portfolio includes land located near government demand drivers, offering potential for future development

OFC cyber security budget for DOD increased UP +8.5% to \$5.1 billion for FY 2015, to be developed by contractors, with new operating facilities including secure office facilities and data centers

OFC existing investment in 18 megawatts of data centers now only 50% operational, with 6.3 megawatts currently leased

OFC shifting focus from divestitures to new investments, as low growth suburban office portfolio now fully divested

OFC guidance for FFO for 2014 indicates decline DOWN (6%) due to divestitures

OFC stock price supported by current annual dividend yield of 4.3%

OFC an Office REIT with a portfolio of office properties concentrated in metropolitan DC area

OFC we rank 3 HOLD

OFC market cap \$2.2 billion

REIT Comment



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Company:	Associated Estates Realty
Price:	\$18
Recommendation:	BUY
Ranking:	2
Market Cap:	\$1,048
Link:	<a href="http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
AEC \$18

Associated Estates AEC increased quarterly dividend distribution by 5% to \$0.20 per share for 4Q 2014

AEC new annual dividend \$0.80 per share

AEC new yield 4.4%

AEC a Residential REIT with a diverse portfolio of apartment communities

AEC we rank 2 BUY

AEC market cap \$1.0 billion

REIT Comment



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Company:	Associated Estates Realty
Price:	\$18
Recommendation:	BUY
Ranking:	2
Market Cap:	\$1,048
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
AEC \$18

Associated Estates AEC traded UP \$0.63 per share to close UP +4% day

AEC stock traded UP +13% year to date for 2014, underperforming Residential REITs, trading UP +14% for 2014

AEC underperformed other Residential REITs due to disappointing FFO for 2Q 2014, FLAT due to higher than expected expenses and slower employment growth for secondary markets

AEC portfolio expansion provided by acquisitions and selected new development projects

AEC guidance for FFO for 2014 indicates growth UP +2%

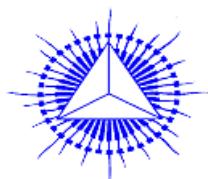
AEC increased dividend by 5%, bringing current annual dividend yield to 4.4%

AEC a Residential REIT with a diverse portfolio of apartment communities

AEC we rank 2 BUY

AEC market cap \$1.0 billion

REIT Comment



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Company:	First Industrial
Price:	\$18
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$2,029
Link:	<a href="http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
FR \$13

First Industrial FR traded UP \$0.67 per share to close UP +4% day

FR stock traded UP +1% year to date for 2014, underperforming Industrial REITs, trading unchanged for 2014

FR Industrial REITs showing volatile trading on news IMF reduced forecast for US and global economic growth

FR guidance for FFO for 2014 indicates growth UP in range UP +3%-+12%

FR current annual dividend yield to 2.3%

FR an Industrial REIT with a diverse portfolio including bulk distribution, light industrial and manufacturing facilities

FR we rank 3 HOLD

FR market cap \$2.0 billion

REIT Comment



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Company:	QTS Realty Trust
Price:	\$32
Recommendation:	BUY
Ranking:	2
Market Cap:	\$921
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/08/2014  
QTS \$32

QTS Realty Trust QTS traded UP \$1.35 per share to close UP +4% day

QTS stock traded UP +28% year to date for 2014, outperforming Specialty REITs, trading UP 7% for 2014

QTS investor enthusiasm for rapid growth Data Center REITs reflected in stock market performance

QTS seeing faster FFO growth for 2014 than most Data Center REITs, as portfolio experiences rapid lease-up in key east coast markets and new data center in Dallas

QTS added new corporate tenant Crabtree & Evelyn for fully managed hosting of cloud based apps

QTS services provided from data centers includes custom data centers and colocation, as well as cloud and managed services

QTS guidance for FFO for 2014 indicates growth UP +40%

QTS provides current annual dividend yield of 3.7%

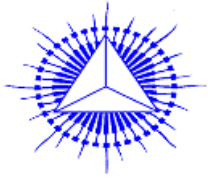
QTS a Specialty Data Center REIT with a portfolio of data centers leased to corporate telecom and government tenants

QTS we rank 2 BUY

QTS market cap \$921 million



REIT Comment



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Company:	Equity Residential
Price:	\$64
Recommendation:	BUY
Ranking:	2
Market Cap:	\$23,952
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
EQR \$64

Equity Residential EQR surprisingly low new unemployment claims a positive signal for employment trends, supporting trading in stocks of Residential REITs

EQR Labor Department reported new claims for unemployment decreased DOWN(1,000) to 287,000 for week ended October 4, 2014 from revised number for previous week

EQR more stable 4 week moving average of new unemployment claims also decrease, DOWN (7,250) to 287,750 from revised average for previous week

EQR insured unemployment rate still at 1.8%, lowest level since May 27, 2006

EQR Residential REITs benefit from positive employment trends, as most new jobs are taken by 25-34 year old age group, target market for apartment dwellers

EQR guidance for FFO for 2014 indicates growth UP +8%-+9% for 2014

EQR provides current annual dividend yield of 3.2%

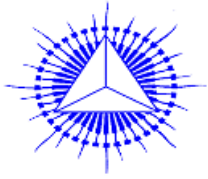
EQR the largest publicly traded Residential REIT with a diverse portfolio of apartment communities

EQR we rank 2 BUY

EQR market cap \$24.0 billion

EQR an S&P 500 Index REIT

REIT Comment



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Company:	QTS Realty Trust
Price:	\$32
Recommendation:	BUY
Ranking:	2
Market Cap:	\$921
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
QTS \$32

QTS Realty Trust QTS offering data recovery in service mode, expanding market for corporate cloud clients seeking external support for security issues

QTS comprehensive DRaaS (Disaster Recovery as a Service) offers secure, cost effective solution, enabling tenants to customize parameters for back-up replication and recovery

QTS services provided from data centers includes custom data centers and colocation, as well as cloud and managed services

QTS seeing faster FFO growth for 2014 than most Data Center REITs, as portfolio experiences rapid lease-up in key east coast markets and new data center in Dallas

QTS guidance for FFO for 2014 indicates growth UP +40%

QTS provides current annual dividend yield of 3.7%

QTS a Specialty Data Center REIT with a portfolio of data centers leased to corporate telecom and government tenants

QTS we rank 2 BUY

QTS market cap \$921 million

REIT Comment



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Company:	Kimco Realty
Price:	\$23
Recommendation:	BUY
Ranking:	1
Market Cap:	\$9,333
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
KIM \$23

Kimco Realty KIM optimism for recovery of anchor tenant Sears SHLD crashing on news of insurance crisis

KIM vendors to Sears Holdings SHLD unable to secure insurance for retail shipments from 3 major retail insurers

KIM recent Sears announcement of \$400 million bridge loan from CEO and key shareholder Edward Lambert indicates Sears facing abrupt end to lifeline at the end of December 2014

KIM \$400 million short term bridge loan from entities affiliated with Lamperts ESL Investments secured by 25 Sears properties, with maturity of December 31, 2014

KIM anchor tenant Sears/Kmart represents less than 2% of total rental revenue for KIM

KIM guidance for FFO for 2014 indicates growth UP +4%

KIM provides current annual dividend yield of 4.0%

KIM a Retail REIT with a diverse portfolio of retail properties including neighborhood and community shopping centers and big box retail, as well as grocery anchored shopping centers

KIM we rank 1 BUY

KIM market cap \$9.3 billion

KIM an S&P 500 Index REIT

REIT Comment



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Company:	Hatteras Financial
Price:	\$19
Recommendation:	BUY
Ranking:	1
Market Cap:	\$1,804
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
HTS \$19

Hatteras Financial HTS investors seeking income should consider Financial Mortgage REITs as alternative to bonds and bond funds, due to high yields and current valuations at discount to book value

HTS maintaining conservative investment strategy, with almost entire \$20 billion portfolio invested in agency guaranteed ARM securities

HTS portfolio leverage at low level of 6.2X, reflecting management caution

HTS stock trading at discount of (16%) to latest book value of \$22.23 per share

HTS management comfortable with current level of quarterly dividend distribution at \$0.50 per share, fully supported by current core EPS of \$0.63 per share

HTS provides current yield of 10.7%, below the midpoint of the range for Financial Mortgage REITs

HTS a Financial Mortgage REIT with a portfolio of agency guaranteed Residential MBS

HTS we rank 1 BUY

HTS market cap \$1.8 billion

REIT Comment



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Company:	Equinix
Price:	\$201
Recommendation:	BUY
Ranking:	2
Market Cap:	\$10,376
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
EQIX \$201

Equinix EQIX traded DOWN (\$5.99) per share to close DOWN (3%) day

EQIX stock traded UP +13% year to date for 2014, outperforming Specialty REITs, trading UP +7%

EQIX fastest growth REITs trading DOWN more than S&P 500 Index, DOWN (2%) day

EQIX seeing growth in all Data Center vertical market segments, including mobility, electronic payments and electronic content, as well as corporate cloud applications and retail e-commerce

EQIX guidance for FFO for 2014 indicates growth UP +13%

EQIX in preparation for REIT conversion, EQIX expects to pay \$145-\$180 million cash taxes during 2014, to be followed by shareholder distribution of \$0.7-\$1.1 billion, to be paid 80% in stock and 20% in cash

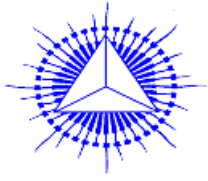
EQIX no dividends paid during 2013 nor 2014

EQIX pending REIT conversion to Specialty Data Center REIT with a portfolio of 75 data centers in global locations

EQIX we rank 2 BUY

EQIX market cap \$10.4 billion

REIT Comment



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Company:	Iron Mountain
Price:	\$32
Recommendation:	BUY
Ranking:	1
Market Cap:	\$5,908
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
IRM \$32

Iron Mountain IRM traded DOWN (\$0.94) per share to close DOWN (3%) day

IRM stock traded UP +7% year to date for 2014, in line with Specialty REITs, trading UP +7% for 2014

IRM announced acquisition of Fortis International, providing cloud based subscription service for records retention policies and procedures

IRM recent announcement of REIT status dividends ensures stock should trade in line with full yield REITs

IRM recent announcement of 76% dividend increase brings current annual dividend yield to 5.9%

IRM to make special distribution of \$3.62 per share, to be paid during November 2014, with shareholders to have option to receive special distribution in stock or cash

IRM expects total distributions for 2014 to be \$400 million, in line with previous guidance

IRM a Specialty Storage REIT with a portfolio of real estate for enterprise data storage and information management services in US and 35 global markets

IRM we rank 1 BUY

IRM market cap \$5.9 billion

REIT Comment



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Company:	Realty Income
Price:	\$43
Recommendation:	BUY
Ranking:	2
Market Cap:	\$9,452
Link:	<a href="http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
O \$43

Realty Income O traded UP \$0.59 per share to close UP +1% day

O stock traded UP +15% year to date for 2014, outperforming Retail REITs, trading UP +6% year to date for 2014

O stock performance despite market downdraft indicates investor confidence of stability and consistency of O portfolio income

O latest guidance for FFO for 2014 indicates growth UP +7%-+9%

O regular monthly dividends and consistent pattern of slight increases attract investors for total return

O stock price supported by current annual dividend yield of 5.1%

O a Retail REIT with a portfolio of net leased properties to franchised and commercial tenants

O we rank 2 BUY

O market cap \$9.5 billion

REIT Comment



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Company:	Ventas
Price:	\$65
Recommendation:	BUY
Ranking:	2
Market Cap:	\$19,047
Link:	<a href="http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/09/2014  
VTR \$65

Ventas VTR traded UP \$0.85 per share to close UP +1% day

VTR stock traded UP +13% year to date for 2014, outperforming Health Care REITs, trading UP +9% year to date for 2014

VTR investors see portfolio expansion driving FFO for VTR, supporting stock despite market downdraft

VTR pending \$3.8 billion acquisitions of 2 diverse portfolios of health care assets to add \$225-\$230 million to NOI and \$0.10 per share to FFO for VTR

VTR guidance for FFO for 2014 indicates growth UP +6%

VTR provides current annual dividend yield of 4.5%

VTR a Health Care REIT with a diverse portfolio of health care properties

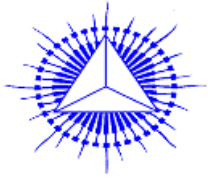
VTR we rank 2 BUY

VTR market cap \$19.0 billion

VTR an S&P 500 Index REIT



REIT Comment



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Company:	MFA Financial
Price:	\$8
Recommendation:	BUY
Ranking:	2
Market Cap:	\$2,960
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text  
10/10/2014  
MFA \$8

MFA Financial MFA news of Freddie Mac FMCC program for small apartment mortgages may provide additional asset growth path for Financial Mortgage REITs investing in nontraditional mortgage loans

MFA Freddie Mac FMCC announced plan to originate small apartment loans of \$1-\$5 million in plan to support affordable housing

MFA Freddie Mac FMCC expects average loan size under new small apartment loan program to be \$2.5 million for 1-5 apartment units, compared to current average Fannie Mae FMCC apartment loan size of \$15 million, with largest up to \$540 million for a single building

MFA borrowers under new Freddie Mac FMCC small loan program may be small developers and urban homeowners seeking to convert homes to apartment structures

MFA local lenders are the only current source of multifamily mortgage loans of this size representing 29% of total multifamily mortgage originations, according to Fannie Mae FMCC

MFA earnings drawn 72% from non-agency portfolio and 28% from agency securities, with total portfolio generating higher yield than most Financial Mortgage REITs

MFA stock now trading at discount of (3%) to latest book value of \$8.37 per share as of June, 2014

MFA provides current annual dividend yield of 9.9%, below the midpoint of the range for Financial Mortgage REITs

MFA a Financial Mortgage REIT with a portfolio of agency guaranteed and nonagency guaranteed Residential loans and MBS

MFA we rank 2 BUY

MFA market cap \$3.0 billion

REIT Comment



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Company:	Apartment Investment and Management
Price:	\$33
Recommendation:	BUY
Ranking:	2
Market Cap:	\$4,785
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text  
10/10/2014  
AIV \$33

Apartment Investment and Management AIV new Freddie Mac FMCC program to originate small apartment loans unlikely to impact demand for affordable apartment communities owned and operated by AIV

AIV Freddie Mac FMCC expects average loan size under new small apartment loan program to be \$2.5 million for 1-5 apartment units, compared to current average Freddie Mac FMCC apartment loan size of \$15 million, with largest loan up to \$540 million for a single building

AIV borrowers under new Freddie Mac FMCC small loan program may be small developers and urban homeowners seeking to convert homes to apartment structures

AIV existing affordable apartment communities always fully occupied with more than 100 apartments per building on average

AIV rent controls make affordable apartment communities segment the lowest return portion of AIV portfolio, representing less than 10% of total NOI for 2Q 2014

AIV guidance for FFO for 2014 indicates growth UP +4%

AIV provides current annual dividend yield of 3.4%

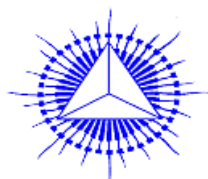
AIV a Residential REIT with a diverse portfolio of conventional and affordable apartment communities

AIV we rank 2 BUY

AIV market cap \$4.8 billion

AIV an S&P 500 Index REIT

REIT Comment



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Company:	American Tower
Price:	\$95
Recommendation:	BUY
Ranking:	2
Market Cap:	\$37,861
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/10/2014  
AMT \$95

American Tower AMT speculation that Verizon VZ may renew interest in possible sale of internal cell tower portfolio supports trading of Cell Tower REIT stocks AMT and Crown Castle CCI

AMT speculation that Verizon VZ may sell as many as 12,500 towers (representing 83% of internal portfolio of 15,000 towers) excites Wall St analysts seeking to promote \$5-\$7 billion transaction

AMT takeover or sale-leaseback valuation for Verizon towers VZ will ultimately depend on ability of acquiror to expand revenues by adding equipment of competing cell carriers to operate on Verizon VZ towers

AMT both AMT and Crown Castle CCI already have significant tenant relationship with Verizon VZ representing 11% of total rental revenue for AMT and 29% for Crown Castle CCI

AMT recent December 2013 \$4.9 billion deal by Crown Castle CCI for sale leaseback of 9,700 AT&T towers may put AMT in preferred acquiror position for Verizon VZ towers for strategic reasons

AMT Verizon VZ may be motivated by cash requirement to acquire radio spectrum in November 2014 auction

AMT reported AFFO growth for 2Q 2014 UP +29% due to acquisitions

AMT guidance for AFFO for 2014 indicates growth UP +24%

AMT provides current annual dividend yield of 1.5%

AMT a Specialty REIT with a portfolio of wireless and broadcast communications real estate with towers in US, Europe, South America, Africa and India

AMT we rank 2 BUY

AMT market cap \$37.9 billion

AMT an S&P 500 Index REIT

REIT Comment



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Company:	Redwood Trust
Price:	\$16
Recommendation:	SELL
Ranking:	4
Market Cap:	\$1,397
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/10/2014  
RWT \$16

Redwood Trust RWT news that FHFA has delayed decision on FHLBs for Financial Mortgage REITs indicates caution in front of major pending change

RWT proposed regulation from FHFA (Federal Home Finance Agency) would cause Financial Mortgage REIT membership in FHLB (Federal Home Loan Banks) to sunset after 5 years

RWT Financial Mortgage REITs participate in FHLBs through captive insurers, to be eliminated as eligible for FHLB membership under FHFA new proposed regulation

RWT FHFA announced extension of comment period by 60 days to January 2015

RWT new investment flowing directly to jumbo loans, as Financial Mortgage REITs facing higher amortization charges due to high prices for Residential MBS

RWT provides current annual dividend yield of 6.8%, at the low end of the range for Financial Mortgage REITs

RWT a Financial Mortgage REIT with a portfolio of non-agency residential loans and securities

RWT we rank 4 SELL

RWT market cap \$1.4 billion

REIT Comment



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Company:	Strategic Hotels & Resorts
Price:	\$11
Recommendation:	BUY
Ranking:	2
Market Cap:	\$2,546
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/10/2014  
BEE \$11

Strategic Hotels & Resorts BEE traded DOWN (\$0.25) per share to close DOWN (2%) day

BEE stock traded UP +20% year to date for 2014, outperforming Hotel REITs, trading UP +11% for 2014

BEE improved hotel profitability for 2014 driven by higher ADR (average daily rate)

BEE recent acquisition of remaining joint venture interests in 2 largest resort hotels, Hotel del Coronado in San Diego and Scottsdale Fairmont Princess near Phoenix AZ, assures FFO growth for 2014 and 2015

BEE latest guidance for FFO for 2014 indicates growth up +50%

BEE redemption of preferred shares, as well as offset of taxable income with accumulated losses, clears the way for resumption of common stock dividends by mid-2016

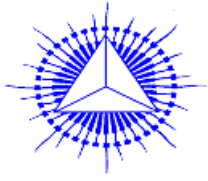
BEE has not yet restored common stock dividends

BEE a Hotel REIT with a portfolio of upscale and resort hotels

BEE we rank 2 BUY

BEE market cap \$2.5 billion

REIT Comment



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Company:	Health Care REIT
Price:	\$66
Recommendation:	BUY
Ranking:	2
Market Cap:	\$19,811
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/10/2014  
HCN \$66

Health Care REIT HCN traded UP \$1.53 per share to close UP +2% day

HCN stock traded UP +24% year to date for 2014, outperforming Health Care REITs, trading UP +9% for 2014

HCN tenants of Health Care REITs expecting Affordable Care Act to add to patient volume stimulating demand for incremental space

HCN portfolio includes more international exposure than other Health Care REITs with US representing 88% of portfolio, UK 7% and Canada 5%

HCN guidance for FFO for 2014 indicates growth UP +9%

HCN providing current annual dividend yield of 4.8%

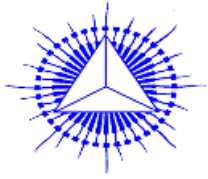
HCN a Health Care REIT with a diverse portfolio of health care and life science properties

HCN we rank 2 BUY

HCN market cap \$19.8 billion

HCN an S&P 500 Index REIT

REIT Comment



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Company:	HCP
Price:	\$42
Recommendation:	BUY
Ranking:	1
Market Cap:	\$19,472
Link:	<a href="http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/10/2014  
HCP \$42

HCP Inc HCP traded UP \$0.77 per share to close UP +2% day

HCP stock traded UP +15% year to date for 2014, outperforming Health Care REITs, trading UP +9% for 2014

HCP new \$1.2 billion CCRC (continuing care retirement community) joint venture with Brookdale expected to demonstrate strong returns on long term investment

HCP invested \$360 million year to date 2014 for acquisitions, renovations and developments, including \$127 million for UK care home acquisitions and \$233 million for US investments

HCP guidance for FFO for 2014 indicates a FLAT year

HCP provides current annual dividend yield of 5.2%

HCP a Health Care REIT with a diverse portfolio of health care and life science properties

HCP we rank 1 BUY

HCP market cap \$19.5 billion

HCP an S&P 500 Index REIT

REIT Comment



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Company:	Potlatch
Price:	\$41
Recommendation:	BUY
Ranking:	2
Market Cap:	\$1,686
Link:	<a href="http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT">http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&amp;REIT</a>

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Additional Text:  
10/10/2014  
PCH \$41

Potlatch PCH traded UP \$0.52 per share to close UP +1% day

PCH stock traded DOWN (1%) year to date for 2014, underperforming Specialty REITs, trading UP +7% for 2014

PCH news today of new Freddie Mac FMCC program to make small loans averaging \$2.5 million for 1-5 apartment units may prove beneficial to Specialty Timber REITs

PCH loans may be made by local lenders to small developers and urban homeowners seeking to convert homes to apartment structures

PCH any stimulus to construction should help improve demand for lumber and sawlogs supplied by Specialty Timber REITs

PCH latest survey of homebuilder confidence for September 2014 showed marked improvement due to higher buyer traffic

PCH Specialty Timber REITs rely on construction of new homes to drive demand for lumber and building materials

PCH management previously indicated confidence in higher harvest and improved lumber prices during 3Q 2014

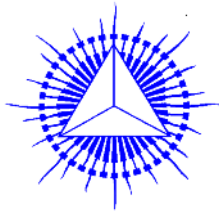
PCH provides current dividend yield of 3.4%

PCH a Specialty Timber REIT with a portfolio of timberlands and sawlog mills

PCH we rank 2 BUY

PCH market cap \$1.7 billion





**REIT Growth and Income Monitor** posted 43 REIT comments for the week ended October 10, 2014. Comments were issued on REITs in the following sectors:

Financial REITs	8
Health Care REITs	5
Hotel REITs	2
Industrial REITs	3
Office REITs	3
Residential REITs	7
Retail REITs	7
Specialty REITs	8

Information on REIT sectors may be found using this link:

[http://www.reitmonitor.net/REIT\\_Resources](http://www.reitmonitor.net/REIT_Resources)

Information on **REIT Growth and Income Monitor** ranking methodology may be found using this link:

[http://www.reitmonitor.net/atlantis/reitwebrpt.nsf/All/F2B543B28817460985256EB80001D03A/\\$FILE/REIT%20Methodology%20and%20Ranking%20System.pdf](http://www.reitmonitor.net/atlantis/reitwebrpt.nsf/All/F2B543B28817460985256EB80001D03A/$FILE/REIT%20Methodology%20and%20Ranking%20System.pdf)

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