

REIT Growth and Income Monitor

Weekly Comments 01/03/2013

REIT stocks ended the year 2012 up 12%, slightly underperforming the S&P 500 Index with negative performance gap of (1%).

Conclusion of "fiscal cliff" negotiations with delay of automatic spending cuts for 60 days sets up another deadline to deter optimistic investors, despite signs of renewed US economic growth.

Pentagon spending cuts are expected to move forward, impacting certain Office REITs renting space to US agencies and contractors.

Vornado Realty Trust faces lower occupancy in DC office portfolio, at same time as divestiture of retail properties impacts FFO growth.

Corporate Office Properties Trust has greatest exposure to DOD and intelligence agencies of any Office REIT.

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**Weekly REIT Comments**
01/03/2013

REIT stocks maintained trading gains during the last five trading days of December, through the year end holidays to December 31, 2012. REITs included in the S&P 500 Index increased 12% during 2012, slightly lagging performance of the S&P 500 Index, up 13% for 2012. Negative performance gap for 2012 ended the year at (1%). Average gain for all REITs followed by REIT Growth and Income Monitor was 18% for 2012, exceeding 13% gain for the S&P 500 Index.

Investors must reassess the outlook for economic growth in the context of the looming fiscal cliff, with elimination of tax cuts also impacting consumer income growth for 2013. Residential REITs expect exceptional FFO growth to continue through 2012 and 2013, driven by tight occupancy and rental rate increases. Retail REITs comment on better than expected tenant sales gains, although Holiday 2012 sales were not robust. Health Care REITs may be impacted by Medicare sequestration during 2013, pending positive impact of the Affordable Care Act in later years. Specialty Timber REITs with portfolios of timberlands and sawlog mills benefit from improving environment for homebuilders. Specialty REITs with portfolios of self-storage properties report significant profitability improvement. Industrial REITs are gaining occupancy, while their stocks trade in line with economic indicators. Investors remain skittish over Office REITs, due to exposure to financial industry layoffs and continued rent roll-downs, lagging economic recovery. Trading of Hotel REITs is impacted by new concern over 4Q 2012 cancellations due to Hurricane Sandy.

Financial Mortgage REITs face significant fundamental change, although timing of the change has been delayed, preserving the status quo for Financial Mortgage REITs with portfolios of agency guaranteed Residential MBS Fannie Mae issues will not be addressed until the new Congress convenes in 2013. Reform of Fannie Mae may ultimately impact the housing sector starting in 2013 and 2014, changing the outlook for Financial Mortgage REITs and certain Specialty REITs subject to demand fluctuations from home construction

REIT stocks normally perform like interest rate sensitive stocks, although none of the 14 REITs in the S&P 500 Index are actually invested in financial assets. Dividends should continue to move higher during 2013, as REIT managements see required payouts above current levels. As dividend payers, REITs may be viewed as income stocks, attracting investors in need of both consistent income and growth

Delay of "Fiscal Cliff" Sets Up Another Test for Investor Optimism

Conclusion of "fiscal cliff" negotiations with delay of automatic spending cuts for 60 days sets up another deadline ahead to deter optimistic investors, despite signs of renewed US economic growth. Rather than tackling all items impacting the budget, Congress chose to raise taxes on the wealthiest portion of US taxpayers, while continuing Bush-era tax rates for middle class taxpayers. While this outcome should limit pending decline in consumer spending during 2013, payroll tax increases were also set in motion, taking \$2,000 from each \$100,000 in annual salary or bonus. This provision is likely to cause lower retail sales by the end of 2013, making Holiday 2013 a disappointing selling season for retailers. Meanwhile, the return of the dreaded vote on the US debt ceiling is set once again to roil the markets by March 2013.

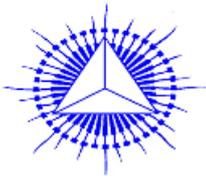
Investors should expect companies with exposure to DOD spending to show clear signs of negative impact from fiscal discipline. Pentagon decision makers are determined to proceed with mandated spending cuts, knowing the DOD budget will not be spared under any outcome proposed by either Republicans or Democrats. Office REITs with exposure to metropolitan DC markets have cautioned investors that uncertainty is likely to impact leasing volume for 2013 and 2014. For **Vornado Realty Trust**, the US government represents 7% of rents, while total exposure to the metropolitan DC market represents 28% of EBITDA. Management expects overall occupancy for DC properties to tumble to 80% by 2013 from 85% for 2011. Military and homeland security agencies and contractors serving them are key tenants for **Corporate Office Properties Trust**, representing 66% of rents. Even **Boston Properties**, with 5% of rents directly paid by the US government and 22% of total EBITDA drawn from properties located in the metropolitan DC area, may be forced to adjust guidance for FFO growth of as much as 6% for 2013.

Trading Opportunities

Vornado Realty Trust is one of the best known Office REITs, with market cap of \$16 billion, but investors should consider the risk of an extended period of lower earnings. **Vornado Realty Trust** stock retreated from prior gains, for gain of only 4% during 2012, as investors consider potential for new portfolio investment, following completion of more than \$1.0 billion retail divestitures. **Vornado Realty Trust** portfolio of 80 million square feet includes 41 million square feet of office properties, 25 million square feet of retail properties, and 5 million square feet of showroom (merchandise mart) properties, as well as 8 million square feet of uncategorized space. **Vornado Realty Trust** reported FFO up 1% for 3Q 2012, with no guidance provided for FFO for 2012, following flat FFO for 2011. Noting negative trends, 3Q 2012 EBITDA showed DC office properties with EBITDA decline of (13%). **Vornado Realty Trust** restored all cash dividends during 2010, now providing income investors with current yield of 3.4%.

Corporate Office Properties Trust, with a market cap of less than \$2 billion, has long been perceived by investors as one of the best small cap investments among Office REITs, but reductions in defense and intelligence spending may reduce future growth. **Corporate Office Properties Trust** stock traded down (41%) for 2011, followed by 14% gain for 2012, underperforming Office REITs. **Corporate Office Properties Trust**'s portfolio totals 20 million square feet of office space, with "super core tenants" (including federal government intelligence, security and defense agencies, as well as tenants serving them) now representing 66% of total rents, expected to increase to 75% during 2013. Management's decision to divest suburban office properties to concentrate more investment in "super core tenants" will negatively impact NOI due to planned divestitures. FFO reported for 3Q 2012 increased 2%, while guidance for 2012 indicates FFO decline of as much as (6%), following similar FFO decline of (6%) for 2011. **Corporate Office Properties Trust** reduced dividends by one third for 2012, now providing income investors with annual dividend yield of 4.4%.

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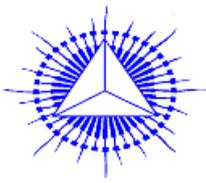
Weekly Price Change for S&P 500 Index REITs

S&P 500 Index REITS:		Price	Price	Price	Price	Price	Price	Weekly	2012
		12/30/2011	11/30/2012	12/07/2012	12/14/2012	12/21/2012	12/31/2012	Change	Price Change
Apartment Investment and Management	AIV	\$23	\$25	\$25	\$26	\$27	\$27	1%	18%
AvalonBay Communities	AVB	\$131	\$132	\$134	\$133	\$137	\$136	-1%	4%
Boston Properties	BXP	\$100	\$103	\$105	\$104	\$106	\$106	0%	6%
Equity Residential	EQR	\$57	\$56	\$55	\$55	\$57	\$57	0%	-1%
HCP Inc.	HCP	\$41	\$45	\$45	\$44	\$45	\$45	1%	9%
Health Care REIT	HCN	\$55	\$59	\$60	\$58	\$61	\$61	1%	12%
Host Hotels & Resorts	HST	\$15	\$15	\$15	\$15	\$16	\$16	-1%	6%
Kimco Realty	KIM	\$16	\$19	\$20	\$19	\$19	\$19	-1%	19%
Plum Creek Timber	PCL	\$37	\$43	\$43	\$43	\$44	\$44	0%	21%
Prologis, Inc	PLD	\$29	\$34	\$35	\$35	\$36	\$36	0%	28%
Public Storage	PSA	\$134	\$141	\$142	\$140	\$145	\$145	-0%	8%
Simon Property Group	SPG	\$129	\$152	\$156	\$154	\$158	\$158	0%	23%
Ventas	VTR	\$55	\$64	\$65	\$63	\$64	\$65	1%	17%
Vornado Realty Trust	VNO	\$77	\$76	\$77	\$77	\$80	\$80	0%	4%
S&P 500 Index	S&P 500	\$1,258	\$1,416	\$1,418	\$1,419	\$1,430	\$1,426	-0%	13%
Average for S&P 500 Index REITs								0%	12%

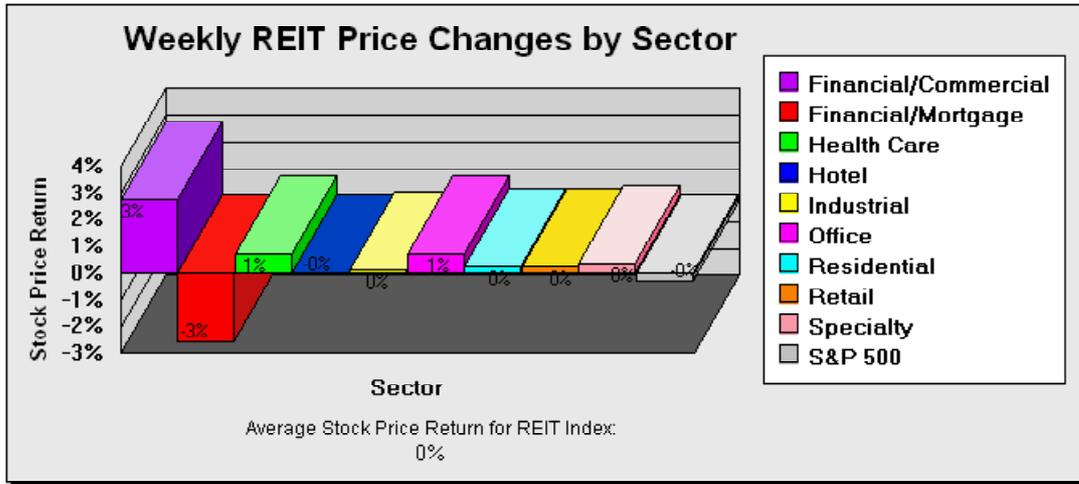
REIT stocks were unchanged for the last 5 trading days of December, through December 31, 2012. REITs traded in line with the S&P 500 Index, also unchanged for the 5 day period. The S&P 500 Index increased 13% for 2012, slightly exceeding REIT performance, up 12%. Negative performance gap for S&P 500 Index REITs narrowed to (-1%) for 2012.

Top performer by far among S&P 500 Index REITs for 2012 was **Prologis Inc**, showing 28% gain for 2012. Retail REITs also outperformed, with **Simon Property Group** up 23% and **Kimco Realty** up 19%. Specialty Timber REIT **Plum Creek Timber** showed gain of 21% for 2012, as investors considered news of higher home prices indicating US housing sector recovery. Health Care REITs maintained gains after Supreme Court approval of the Affordable Care Act, with **HCP Inc** up 9%, **Health Care REIT** up 12% and **Ventas** up 17% during 2012. Residential REITs held their gains, with **Apartment Investment and Management** up 18%, **AvalonBay Communities** up 4% and **Equity Residential** down (-1%) during 2012. **Public Storage** showed gain of 8% year to date for 2012, while volatile **Host Hotels & Resorts** showed gain of 6% year to date for 2012, as investors pondered negative impact of Hurricane Sandy on 4Q 2012 with cancelled room nights, as well as closures due to power outages and water damages to east coast hotels. Lagging Office REITs showed disappointing performance, with **Boston Properties** up 6% and **Vornado Realty Trust** up only 4% for 2012.

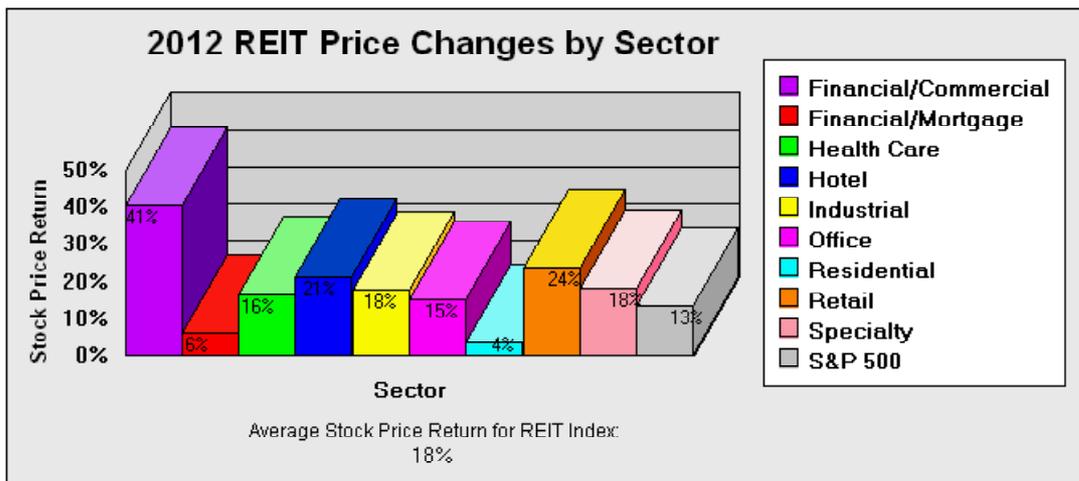
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Weekly REIT Price Changes by Sector



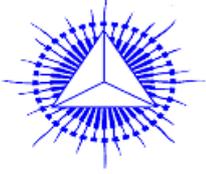
Most REIT sectors were unchanged in quiet trading during the last 5 trading days of December, through December 31, 2012. Strongest sector was Financial Commercial REITs, up 3%. Health Care REITs and Office REITs increased 1%. Industrial REITs, Residential REITs, Retail REITs and Specialty REITs were all unchanged, while Hotel REITs traded marginally lower. Lagging sector was Financial Mortgage REITs, down (3%). On average, stock prices for REIT Growth and Income Monitor were unchanged for the last 5 trading days of the year, ended December 31, 2012.



Stock prices for REITs followed by REIT Growth and Income Monitor traded up 18% on average during the full year 2012, exceeding performance of the S&P 500 Index, up 13% for 2012. REITs outperformed due to higher yields than S&P 500 stocks. Investors responded positively to earnings announcements for 3Q 2012, as REIT funds flow remained consistent, at a time when other market sectors face adjusted expectations due to currency exposure and variable international economies. Leading sectors for 2012 were Financial Commercial REITs, up 41%, followed by Retail REITs, up 24%. Volatile Hotel REITs rebounded to show 21% gain for 2012. Specialty REITs increased 18% during 2012, supported by improved performance of Specialty Timber REITs, responding to improved news on the US housing sector. Industrial REITs showed 18% gain, followed by Office REITs, up 15%. Health Care REITs gained 16% during 2012, as investors contemplated positive long term impact of Affordable Care Act. Financial Mortgage REITs ended the year with 6% year to date gain. Residential REITs were laggards, up 4% for 2012. We expect better performance for Residential REITs during 2013, with strong profit gains driving exceptional FFO growth from 2011 to 2013.

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REIT Comment



Company:	Prologis Inc
Price:	\$36
Recommendation:	BUY
Ranking:	2
Market Cap:	\$17,386
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012

Prologis Inc PLD news of pending ILA dock strike on east coast may impact trading in Industrial REITs

PLD ILA (International Longshoremen's Association) issued strike threat for this week due to expiration of contracts effective December 30, 2012

PLD east coast strike would not threaten Holiday 2012 retail sales, but would impact 1Q 2013

PLD exposure to east coast ports represents 10% of total portfolio NOI, with all US markets representing 54%, Europe 26%, Asia 13% and Canada and Mexico 6% of total NOI

PLD guidance for FFO for 2012 indicates growth UP +10%

PLD stock price supported by current annual dividend yield of 3.1%

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

PLD we rank 2 BUY

PLD market cap \$17.4 billion

PLD an S&P 500 Index REIT

REIT Comment



Company:	Duke Realty
Price:	\$14
Recommendation:	BUY
Ranking:	2
Market Cap:	\$3,819
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
DRE \$14

Duke Realty DRE news of pending dockworkers strike on east coast may impact operations for certain Industrial REITs

DRE ILA (International Longshoremen's Association) issued strike threat for this week due to expiration of contracts effective December 30, 2012

DRE exposure to east coast ports represents 23% of bulk distribution space, including Atlanta 8%, Savannah 6%, FL 8% and Baltimore/DC 1%

DRE tenants for bulk distribution facilities owned and operated by Industrial REITs primarily retail vendors and retail chains

DRE repositioning portfolio with divestiture of suburban office properties and acquisition of medical office buildings

DRE guidance for FFO for 2012 indicates decline DOWN as much as (13%) due to divestitures

DRE stock price supported by current annual dividend yield of 4.9%

DRE an Industrial REIT with a diverse portfolio of distribution, industrial, commercial and office properties

DRE we rank 2 BUY

DRE market cap \$3.8 billion

REIT Comment



Company:	DCT Industrial Trust
Price:	\$7
Recommendation:	BUY
Ranking:	2
Market Cap:	\$1,785
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
DCT \$7

DCT Industrial Trust DCT news of pending dockworkers strike on east coast may impact operations for certain Industrial REITs

DCT ILA (International Longshoremen's Association) issued strike threat for this week due to expiration of contracts effective December 30, 2012

DCT exposure to east coast ports represents 23% of total bulk distribution space, including Atlanta 10%, Baltimore/DC 4%, PA 3%, NJ 3% and FL 3%

DCT continuity of air freight deliveries a more important factor than shipments to US ports serving international customers

DCT investing to expand portfolio in coastal regions, while divesting assets in midwest

DCT guidance for FFO for 2012 indicates growth UP +5%

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

DCT an Industrial REIT

DCT we rank 2 BUY

DCT market cap \$1.8 billion

REIT Comment



Company:	Annaly Capital Management
Price:	\$15
Recommendation:	BUY
Ranking:	2
Market Cap:	\$14,384
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
NLY \$15

Annaly Capital Management NLY higher sales of US existing homes signals housing sector recovery gaining momentum

NLY report from NAR (National Association of Realtors) found US existing home sales UP +5.9% for November 2012 from previous month to annual rate of 5.04 million

NLY existing home sales UP +14.5% from previous year

NLY report from NAR also found average home price UP +10.1% from previous year, reflecting less impact from foreclosures and other distressed sales

NLY proposals for reform of Fannie Mae expected from new Congress to convene in January 2013

NLY plans to invest up to 25% of equity in non-agency real estate assets, including pending acquisition of publicly traded NLY subsidiary Crexus Investment CXS

NLY stock price supported by current annual dividend yield of 12.2%, above 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 2 BUY

NLY market cap \$14.4 billion

REIT Comment



Company:	Ashford Hospitality Trust
Price:	\$10
Recommendation:	BUY
Ranking:	2
Market Cap:	\$891
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
AHT \$10

Ashford Hospitality Trust AHT announced transition for chairman of the board

AHT Chairman Archie Bennett Jr to retire as chairman effective January 2013, to continue as Chairman Emeritus

AHT current CEO Monty J Bennett to succeed his father as Chairman of the Board

AHT also announced 2 new board members, including Douglas A Kessler, President of AHT, and Kamal Jafarnia of Alston & Bird

AHT no guidance provided for FFO for 2012

AHT stock price supported by current annual dividend yield of 4.7%, with 100% of dividend untaxed as return of capital for 2011

AHT a Hotel REIT

AHT we rank 2 BUY

AHT market cap \$891 million

REIT Comment



Company:	Hatteras Financial
Price:	\$25
Recommendation:	BUY
Ranking:	2
Market Cap:	\$2,463
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
HTS \$25

Hatteras Financial HTS low interest rates stimulate HARP refinance

HTS report from FHFA (Federal Home Finance Agency) finds HARP refinance representing 19% of total refinance volume for October 2012

HTS as of October 2012, average interest rate for 30 year fixed rate HARP refinance was 3.47%, close to current rate

HTS current annual dividend yield 12.7%, above 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 2 BUY

HTS market cap \$2.5 billion

REIT Comment



Company:	Capital Trust
Price:	\$2
Recommendation:	SELL
Ranking:	4
Market Cap:	\$44
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
CT \$2

Capital Trust CT now trading ex-dividend following completion of sale of CTIMCO money management platform to Blackstone for \$21 million, plus investment in stock of CT

CT Blackstone acquired 5 million new shares of CT for \$10 million, representing 17% equity stake in CT

CT sale of CTIMCO, together with payment of \$2.00 per share special dividend, represents partial liquidation of CT

CT Blackstone also appointed 2 representatives to CT board, including John G Schreiber, co-founder of Blackstone Real Estate Advisors, to serve as Chairman of the Board

CT to be externally managed by Blackstone affiliate BREDS(Blackstone Real Estate Debt Strategies)

CT remaining assets include interest in CT Legacy REIT Mezz Borrower, incentive management fee interests in CT Opportunity Partners I, and retained subordinate interests in 3 CT sponsored CDOs

CT unwinding of previous Equity Office Properties portfolio, now held by Blackstone, may impact CMBS and CDOs held in CT owned VIEs

CT a Financial Commercial REIT

CT we rank 4 SELL

CT market cap \$44 million

REIT Comment



Company:	Hospitality Properties Trust
Price:	\$23
Recommendation:	SELL
Ranking:	4
Market Cap:	\$2,874
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
HPT \$23

Hospitality Properties Trust HPT traded UP \$0.27 per share to close UP +1% day

HPT stock traded UP +1% year to date for 2012, underperforming Hotel REITs, UP +21%

HPT Hurricane Sandy may cause higher than expected cancellations for 4Q 2012, hitting investors with negative surprise

HPT still receiving rents below contractual levels from certain hotel tenants

HPT no guidance provided for FFO for 2012

HPT stock price supported by current annual dividend yield of 8.1%

HPT a Hotel REIT with a portfolio of hotels and travel centers located near airports and major highways

HPT we rank 4 SELL

HPT market cap \$2.9 billion

REIT Comment



Company:	Saul Centers
Price:	\$42
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$1,112
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/24/2012
BFS \$42

Saul Centers BFS traded UP \$0.48 per share to close UP +1% day

BFS stock traded UP +18% year to date for 2012, underperforming Retail REITs, UP +23%

BFS investors should be concerned over pending impact of "fiscal cliff" on REITs with portfolios concentrated in metropolitan DC area

BFS no guidance provided for FFO for 2012

BFS stock price supported by current annual dividend yield of 3.4%

BFS a Retail REIT with a diverse portfolio of retail and commercial assets located in the metropolitan DC area

BFS we rank 3 HOLD

BFS market cap \$1.1 billion

REIT Comment



Company:	Prologis Inc
Price:	\$37
Recommendation:	BUY
Ranking:	2
Market Cap:	\$17,414
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
PLD \$36

Prologis Inc PLD pending ILA dock strike on east coast appears set to start this weekend

PLD ILA (International Longshoremen's Association) issued strike threat for this week due to expiration of contracts effective December 30, 2012

PLD ILA announcement threatens closure at 12 container ports on east coast and TX

PLD major issue is allocation of container royalty fees, viewed by ILA union members as a supplement to wages

PLD exposure to east coast ports represents 10% of total portfolio NOI, with all US markets representing 54%, Europe 26%, Asia 13% and Canada and Mexico 6% of total NOI

PLD guidance for FFO for 2012 indicates growth UP +10%

PLD stock price supported by current annual dividend yield of 3.1%

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

PLD we rank 2 BUY

PLD market cap \$17.4 billion

PLD an S&P 500 Index REIT

REIT Comment



Company:	Simon Property Group
Price:	\$158
Recommendation:	BUY
Ranking:	2
Market Cap:	\$57,538
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
SPG \$158

Simon Property Group SPG Holiday 2012 sales growth below expectations, according to MasterCard survey

SPG report from MasterCard Advisors Spending Pulse found US sales UP+0.7% for the 2 months before Christmas 2012

SPG negative impact of Hurricane Sandy and concern over pending "fiscal cliff" cited as issues impacting consumer credit card purchases

SPG report found spending DOWN (3.9%) for mid-Atlantic states, with sales in northeastern states DOWN (1.4%)

SPG guidance for FFO for 2012 indicates growth UP +14%

SPG provides current annual dividend yield of 2.8%

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 \$57.5 billion

REIT Comment



Company:	Macerich
Price:	\$58
Recommendation:	BUY
Ranking:	2
Market Cap:	\$8,426
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
MAC \$58

Macerich MAC report of slower than expected Holiday 2012 sales growth impacted by weather and consumer confidence issues

MAC report from MasterCard Advisors Spending Pulse found US sales UP+0.7% for the 2 months before Christmas, 2012, compared to previous year

MAC negative impact of Hurricane Sandy and concern over pending "fiscal cliff" cited as issues impacting consumer credit card purchases

MAC sales for western and southern states UP+2%-+3%, compared to lower sales on east coast due to Hurricane Sandy

MAC outlook for growth for 2013 enhanced by recent \$1.25 billion acquisition of 2 NY retail properties from Vornado Realty Trust VNO

MAC guidance for 2012 FFO indicates growth UP +13%

MAC provides current annual dividend yield of 4.0%

MAC a Retail REIT with a portfolio of regional malls concentrated in western states

MAC we rank 2 BUY

MAC market cap \$8.4 billion

REIT Comment



Company:	Annaly Capital Management
Price:	\$15
Recommendation:	BUY
Ranking:	2
Market Cap:	\$14,209
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text
12/16/2012
NLY \$15

Annaly Capital Management NLY positive news of higher US home prices indicates US housing sector recovery continues

NLY report from Case-Shiller found US home prices UP +4.3% from previous year for October 2012

NLY rate of improvement in US home prices showed steady gain since spring 2012

NLY greatest price gain shown by Phoenix UP+21.7%, Detroit UP +10.0%, Minneapolis UP +9.2% and San Francisco UP +8.9%

NLY only 2 of 20 cities showed price decline from previous year, including Chicago DOWN (1.3%) and New York DOWN (1.2%)

NLY home price reports now benefit from less impact of foreclosures and other distressed sales

NLY proposals for reform of Fannie Mae expected from new Congress to convene in January 2013

NLY plans to invest up to 25% of equity in non-agency real estate assets, including pending acquisition of publicly traded NLY subsidiary Crexus Investment CXS

NLY stock price supported by current annual dividend yield of 12.2%, above 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 2 BUY

NLY market cap \$14.2 billion

REIT Comment



Company:	DuPont Fabros Technology
Price:	\$24
Recommendation:	BUY
Ranking:	2
Market Cap:	\$2,004
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
DFT \$24

DuPont Fabros Technology DFT online sales growth continues to outperform instore sales for Holiday 2012

DFT report from MasterCard Advisors Spending Pulse found US online sales UP+8.4% to \$48 billion for the 2 months before Christmas, while total US sales increased only UP +0.7%

DFT report from Internet analysis firm comScore found online sales UP +16% from previous year for Holiday 2012

DFT latest week from December 17 to December 23, 2012, saw online sales UP +53%, according to comScore, due to Free Shipping Day promotion

DFT data centers needed to support sales activity as well as all Internet social and information services

DFT significant 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 narrowed guidance for FFO for 2012, to indicate decline DOWN (6%)-(8%), while indicating 4Q 2012 likely to show FFO growth for the first time during 2012

DFT stock price supported by current annual dividend yield of 2.5%

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

DFT we rank 2 BUY

DFT market cap \$2.0 billion

REIT Comment



Company:	Capstead Mortgage
Price:	\$12
Recommendation:	BUY
Ranking:	2
Market Cap:	\$1,129
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
CMO \$12

Capstead Mortgage CMO low mortgage interest rates support US housing sector recovery

CMO Freddie Mac shows mortgage interest rates for 30 year fixed rate mortgage at 3.37%, while 5 year ARMs at 2.71%

CMO stock now trading at discount of (14%) to 3Q 2012 GAAP book value of \$13.88 per share

CMO reform of Fannie Mae delayed until new Congress convenes in January 2013

CMO stock price supported by current annual dividend yield of 10.0%, below 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 2 BUY

CMO market cap \$1.1 billion

REIT Comment



Company:	Equity Residential
Price:	\$56
Recommendation:	BUY
Ranking:	2
Market Cap:	\$17,804
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
EQR \$56

Equity Residential EQR traded DOWN (\$0.63) per share to close DOWN (1%) day

EQR stock traded DOWN (2%) year to date for 2012, outperforming Residential REITs, UP +4%

EQR Residential REITs underperforming other REIT sectors, despite unusually rapid FFO growth

EQR investor concern that recovering US housing sector may impact apartment demand as apartment dwellers consider home ownership

EQR guidance for FFO for 2012 indicates growth UP +14%

EQR pending \$9.4 billion acquisition of 60% of Archstone portfolio expected to close during 1Q 2013

EQR stock supported by 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 \$17.8 billion

EQR an S&P 500 Index REIT

REIT Comment



Company:	Corporate Office Properties Trust
Price:	\$25
Recommendation:	SELL
Ranking:	5
Market Cap:	\$1,769
Link:	http://www.reitmonitor.net/atlantiss/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
OFC \$25

Corporate Office Properties Trust OFC traded DOWN (\$0.28) per share to close DOWN (1%) day
OFC stock traded UP +16% year to date for 2012, outperforming Office REITs, UP +14%
OFC sudden rally inexplicable in face of pending "fiscal cliff" concerns impacting tenants
OFC exposure to pending federal spending reduction is due to direct exposure to defense and intelligence agencies, as well as to contractors serving those agencies
OFC has greatest exposure of any Office REIT to federal agencies at 66% of total rents
OFC planned divestitures of suburban office properties to concentrate as much as 75% of total rents among federal agencies and contractors serving government contracts
OFC guidance for FFO for 2012 indicates decline DOWN (6%)
OFC stock price supported by current annual dividend yield of 4.4%
OFC an Office REIT with a portfolio of office properties concentrated in metropolitan DC area
OFC we rank 5 SELL
OFC market cap \$1.8 billion

REIT Comment



Company:	Public Storage
Price:	\$144
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$24,770
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
PSA \$144

Public Storage PSA traded DOWN (\$1.49) per share to close DOWN (1%) day

PSA stock traded UP +7% year to date for 2012, underperforming Specialty REITs, UP +18%

PSA storm-related demand may benefit Specialty Storage REITs as homeowners seek temporary storage pending home renovations

PSA no guidance provided for FFO for 2012

PSA provides current dividend yield of 3.1% on common shares

PSA a Specialty REIT with a portfolio of self-storage facilities in US and Europe

PSA we rank 3 HOLD

PSA market cap \$24.8 billion

PSA an S&P 500 Index REIT

REIT Comment



Company:	Government Properties Income Trust
Price:	\$24
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$1,108
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/26/2012
GOV \$24

Government Properties Income Trust GOV stock traded UP \$0.20 per share to close UP +1% day

GOV stock traded UP +4% year to date for 2012, underperforming Specialty REITs, UP +18%

GOV pending "fiscal cliff" should concern investors

GOV pending (10%) spending cuts to take effect at federal agencies in January 2012 if "fiscal cliff" is not averted by Congressional action

GOV has greatest exposure of any REIT to federal agency tenants at 83% of total rents

GOV portfolio expansion by acquisition drives FFO growth

GOV no guidance provided for FFO for 2012

GOV stock price supported by current annual dividend yield of 7.3%

GOV a Specialty REIT with a portfolio of office properties net leased to federal and state government agencies

GOV we rank 3 HOLD

GOV market cap \$1.1 billion

REIT Comment



Company:	Equity Residential
Price:	\$56
Recommendation:	BUY
Ranking:	2
Market Cap:	\$17,804
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
EQR \$56

Equity Residential EQR news of lower new unemployment claims a positive signal for Residential REITs

EQR Labor Department reported new claims for unemployment DOWN(15,000) to 350,000 for week ended December 22, 2012

EQR 4 week moving average of new unemployment claims DOWN (11,250) to 356,750

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 2012 indicates growth UP +14%

EQR pending \$9.4 billion acquisition of 60% of Archstone portfolio expected to close during 1Q 2013

EQR stock supported by 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 \$17.8 billion

EQR an S&P 500 Index REIT

REIT Comment



Company:	Host Hotels & Resorts
Price:	\$16
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$11,877
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
HST \$16

Host Hotels & Resorts HST bad weather impacts 4Q 2012, limiting year end performance for Hotel REITs

HST bad weather disrupting flights and travel for the last 2 weeks of 2012

HST negative impact of Hurricane Sandy also caused much higher than normal level of cancellations during 4Q 2012

HST guidance for FFO for 2012 indicates growth UP +15% - +18%

HST stock price supported by new annual dividend yield of 2.3%

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

HST we rank 3 HOLD

HST market cap \$11.9 billion

HST an S&P 500 Index REIT

REIT Comment



Company:	Plum Creek Timber
Price:	\$44
Recommendation:	BUY
Ranking:	2
Market Cap:	\$7,162
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
PCL \$44

Plum Creek Timber PCL news of higher sales of new homes supports Specialty Timber REITs

PCL report from Commerce Department found US new home sales UP+4.4% from previous month to adjusted annual rate of 377,000 for November 2012

PCL new home sales UP +15.3% from previous year

PCL new home purchases aided by current low mortgage interest rates

PCL as homebuilders sell out of inventory of new homes new construction starts should continue to gain momentum

PCL Specialty Timber REITs benefit from higher prices for lumber and sawlogs as demand increases to meet US and international requirements

PCL stock price supported by current annual dividend yield of 3.8%

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

PCL we rank 2 BUY

PCL market cap \$7.2 billion

PCL an S&P 500 Index REIT

REIT Comment



Company:	Kimco Realty
Price:	\$19
Recommendation:	BUY
Ranking:	1
Market Cap:	\$7,966
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
KIM \$19

Kimco Realty KIM retailers struggle in the face of bad weather to complete sales for 2012 at moderately disappointing levels

KIM report from MasterCard Advisors Spending Pulse found US sales UP +0.7% for the 2 months before Christmas 2012

KIM negative impact of Hurricane Sandy and December winter storms as well as concern over pending "fiscal cliff", cited as issues impacting consumer credit card purchases

KIM guidance for FFO for 2012 indicates growth UP +5%, to be followed by FFO guidance for 2013 indicating growth UP +6%

KIM recent dividend increase provides current yield of 4.3%

KIM a Retail REIT with a diverse portfolio of retail concepts, 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 \$8.0 billion

KIM an S&P 500 Index REIT

REIT Comment



Company:	Lexington Realty Trust
Price:	\$10
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$1,600
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
LXP \$10

Lexington Realty Trust LXP traded UP\$0.26 per share to close UP 3% day

LXP stock traded UP 38% year to date for 2012, outperforming Office REITs UP +14%

LXP new build-to suit contracts drive portfolio expansion

LGP guidance range for FFO for 2012 indicates growth UP +2%

LXP also increased dividend distribution by 20%, now providing current annual dividend yield of 5.8%

LXP an Office REIT with a portfolio of properties net leased to single tenants

LXP we rank 3 HOLD

LXP market cap \$1.6 billion

REIT Comment



Company:	Tanger Factory Outlet Centers
Price:	\$34
Recommendation:	BUY
Ranking:	2
Market Cap:	\$3,402
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
SKT \$34

Tanger Factory Outlet Centers SKT traded UP \$0.47 per share to close UP +1% day

SKT stock traded UP 17% year to date for 2013, underperforming Retail REITs UP +23%

SKT guidance for 2012 FFO indicates growth UP +13%

SKT provides current annual dividend yield of 2.5%

SKT a Retail REIT with a portfolio of brand name outlet centers

SKT we rank 2 BUY

SKT market cap \$3.4 billion

REIT Comment



Company:	AvalonBay Communities
Price:	\$136
Recommendation:	BUY
Ranking:	2
Market Cap:	\$13,034
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
AVB \$136

AvalonBay Communities AVB traded UP \$1.69 per share to close UP +1% day

AVB stock traded UP 4% year to date for 2012, in line with Residential REITs UP +4%

AVB news of pending acquisition of 40% of Archstone apartment portfolio in joint transaction with Equity Residential EQR receiving positive response from investors

AVB pending acquisition to add quality assets in high rent east coast and west coast locations

AVB also promised significant dividend increase, UP +8%-+12% for 2013

AVB stock price supported by current annual dividend yield of 2.9%

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 \$13.0 billion

AVB an S&P 500 Index REIT

REIT Comment



Company:	CommonWealth REIT
Price:	\$16
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$1,435
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/27/2012
CWH \$16

CommonWealth REIT CWH traded DOWN \$0.36 per share to close DOWN 2% day

CWH stock traded DOWN (5%) year to date for 2012, underperforming Office REITS UP +14%

CWH investor concern over office rents lagging recovery for other REIT sectors

CWH still consolidating quarterly results from 70.5% owned publicly traded subsidiary Select Income REIT SIR

CWH reduced dividends by (50%) for 4Q 2012 to avoid double payment to Select Income REIT SIR shareholders

CWH stock price supported by current annual dividend yield of 6.4%

CWH an Office REIT with a diverse portfolio of office and commercial properties

CWH we rank 3 HOLD

CWH market cap \$1.4 billion

REIT Comment



Company:	Duke Realty
Price:	\$14
Recommendation:	BUY
Ranking:	2
Market Cap:	\$3,789
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
DRE \$14

Duke Realty DRE news of pending dockworkers strike on east coast may impact operations for certain Industrial REITs

DRE exposure to east coast ports represents 23% of bulk distribution space, including Atlanta 8%, Savannah 6%, FL 8% and Baltimore/DC 1%

DRE guidance for FFO for 2012 indicates decline DOWN as much as (13%) due to divestitures

DRE stock price supported by current annual dividend yield of 4.9%

DRE an Industrial REIT with a diverse portfolio of distribution, industrial, commercial and office properties

DRE we rank 2 BUY

DRE market cap \$3.8 billion

REIT Comment



Company:	Government Properties Income Trust
Price:	\$24
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$1,114
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
GOV \$ 24

Government Properties Income Trust GOV pending (10%) spending cuts to take effect at federal agencies in January 2012 if "fiscal cliff" is not averted by Congressional action

GOV has greatest exposure of any REIT to federal agency tenants at 83% of total rents

GOV portfolio expansion by acquisition drives FFO growth

GOV no guidance provided for FFO for 2012

GOV stock price supported by current annual dividend yield of 7.3%

GOV a Specialty REIT with a portfolio of office properties net leased to federal and state government agencies

GOV we rank 3 HOLD

GOV market cap \$1.1 billion

REIT Comment



Company:	Corporate Office Properties Trust
Price:	\$25
Recommendation:	SELL
Ranking:	5
Market Cap:	\$1,756
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
OFC \$25

Corporate Properties Income Trust OFC risk of stock price decline on "fiscal cliff" should concern investors

OFC exposure to pending federal spending reduction is due to direct exposure to defense and intelligence agencies, as well as to contractors serving those agencies

OFC has greatest exposure of any Office REIT to federal agencies at 66% of total rents

OFC guidance for FFO for 2012 indicates decline DOWN (6%)

OFC stock price supported by current annual dividend yield of 4.5%

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

OFC we rank 5 SELL

OFC market cap \$1.8 billion

REIT Comment



Company:	Kimco Realty
Price:	\$19
Recommendation:	BUY
Ranking:	1
Market Cap:	\$7,954
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
KIM \$19

Kimco Realty KIM investors beginning to realize "fiscal cliff" impact on consumer spending may be long lasting

KIM specific concerns include higher tax rates impacting pay checks and mandatory spending reductions delaying social security payments to seniors

KIM guidance for FFO for 2012 indicates growth UP +5%, with 2013 expected UP +6%

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

KIM a Retail REIT with a diverse portfolio of retail properties

KIM we rank 1 BUY

KIM market cap \$8.0 billion

KIM an S&P 500 Index REIT

REIT Comment



Company:	First Potomac Realty Trust
Price:	\$12
Recommendation:	HOLD
Ranking:	3
Market Cap:	\$648
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
FPO \$12

First Potomac Realty Trust FPO traded DOWN (\$0.25) per share to close DOWN (2%) day

FPO traded DOWN (6%) year to date for 2012, underperforming Industrial REITs UP 18%

FPO investor concern over impact of "fiscal cliff" on local economy in metropolitan DC area

FPO guidance for FFO for 2012 indicates growth UP +9%

FPO stock price supported by current annual dividend yield of 6.5%

FPO an Industrial REIT with a portfolio of industrial, commercial and office properties concentrated in metropolitan DC area

FPO we rank 3 HOLD

FPO market cap \$648 million

REIT Comment



Company:	LaSalle Hotel Properties
Price:	\$25
Recommendation:	SELL
Ranking:	4
Market Cap:	\$2,143
Link:	http://www.reitmonitor.net/atlantis/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
LHO \$25

LaSalle Hotel Properties LHO traded DOWN (\$0.39) per share to close DOWN (2%) day

LHO stock traded UP +3% year to date for 2012, underperforming Hotel REITs UP +21%

LHO results for 4Q 2012 impacted by bad weather causing travel cancellations

LHO hotel portfolio concentrated in metropolitan DC area, representing more than 30% of NOI

LHO provides annual dividend yield of 3.2%

LHO a Hotel REIT

LHO we rank 4 SELL

LHO market cap \$2.1 billion

REIT Comment



Company:	Pennsylvania REIT
Price:	\$17
Recommendation:	BUY
Ranking:	2
Market Cap:	\$1,017
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
PEI \$17

Pennsylvania REIT PEI traded DOWN (\$0.28) per share to close DOWN (2%) day

PEI traded UP +67% year to date, outperforming Retail REITS UP +23%

PEI continuity of consumer spending a concern in face of "fiscal cliff"

PEI guidance for FFO for 2012 indicates decline DOWN (6%)

PEI provides current yield of 3.7%

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

PEI we rank 2 BUY

PEI market cap \$1.0 billion

REIT Comment



Company:	Taubman Centers
Price:	\$78
Recommendation:	BUY
Ranking:	2
Market Cap:	\$11,490
Link:	http://www.reitmonitor.net/atlantia/REITWebRpt.nsf/PayBuy?OpenForm&REIT

Additional Text:
12/28/2012
TCO \$78

Taubman Centers TCO traded DOWN (\$0.98) per share to close DOWN (1%) day

TCO stock traded UP +25% year to date for 2013, outperforming Retail REITs UP +23%

TCO concern over consumer confidence decline impacting spending decisions

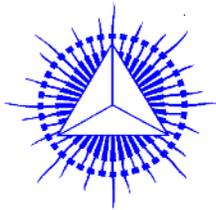
TCO guidance for FFO for 2012 indicates growth UP +9%

TCO current yield 2.4%

TCO a Retail REIT with a portfolio of upscale regional malls

TCO we rank 2 BUY

TCO market cap \$11.5 billion



REIT Growth and Income Monitor posted 35 REIT comments for the 5 trading days ended December 31, 2012. Comments were issued on REITs in the following sectors:

Financial REITs	5
Health Care REITs	0
Hotel REITs	4
Industrial REITs	6
Office REITs	5
Residential REITs	3
Retail REITs	8
Specialty REITs	4

Information on REIT sectors may be found using this link:

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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