



INTRODUCTION TO REITS

Fourth Quarter 2018

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WHAT IS A REIT

- REITs own, manage, lease and finance investment-grade commercial real estate.
- At least 75% of assets must be real property and 75% of gross income must come from real estate.
- Dividends - at least 90% of taxable income must be distributed to shareholders in the form of a dividend.
- Equity REITs derive revenues primarily from rental income.



LISTED EQUITY REIT INDUSTRY SNAPSHOT

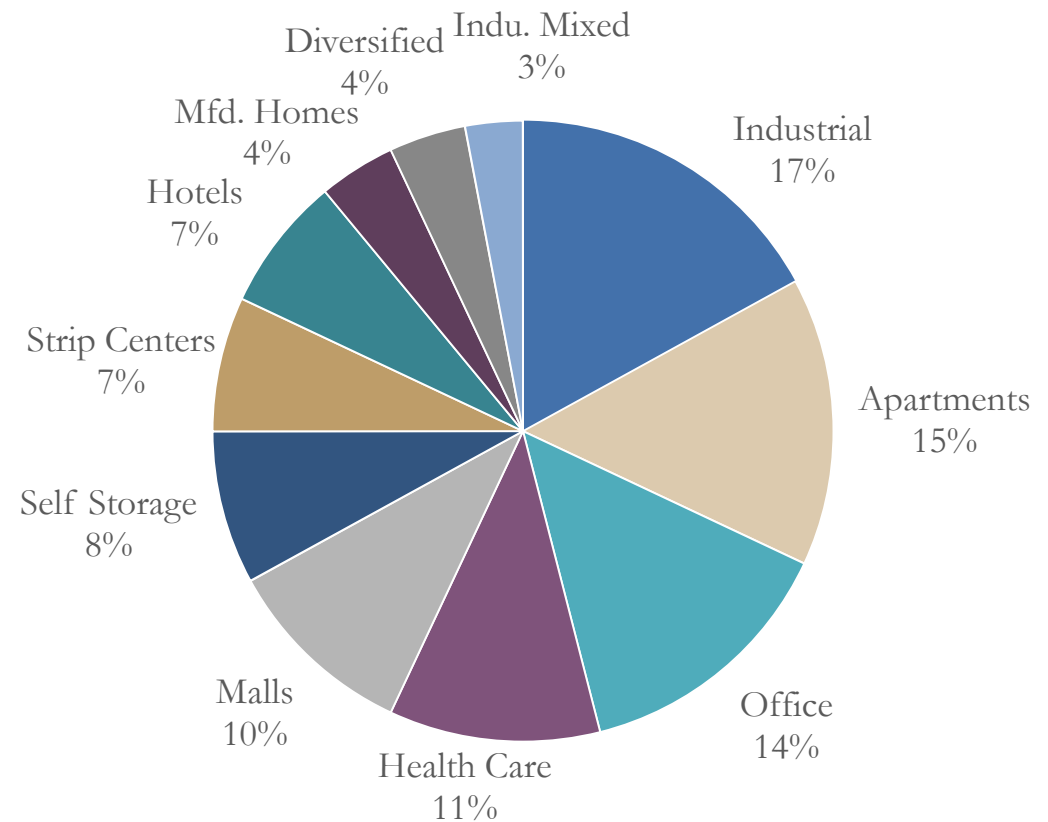
- Market Capitalization: \$772.4B

- Largest \$52.7B

- Smallest \$300.0M

- 114 Components
- REITs own ~10-15% of all institutionally owned CRE (\$1.8T)
- Diversification by geography and property type
- Dividend Yield: 3.9%

Property sector exposure

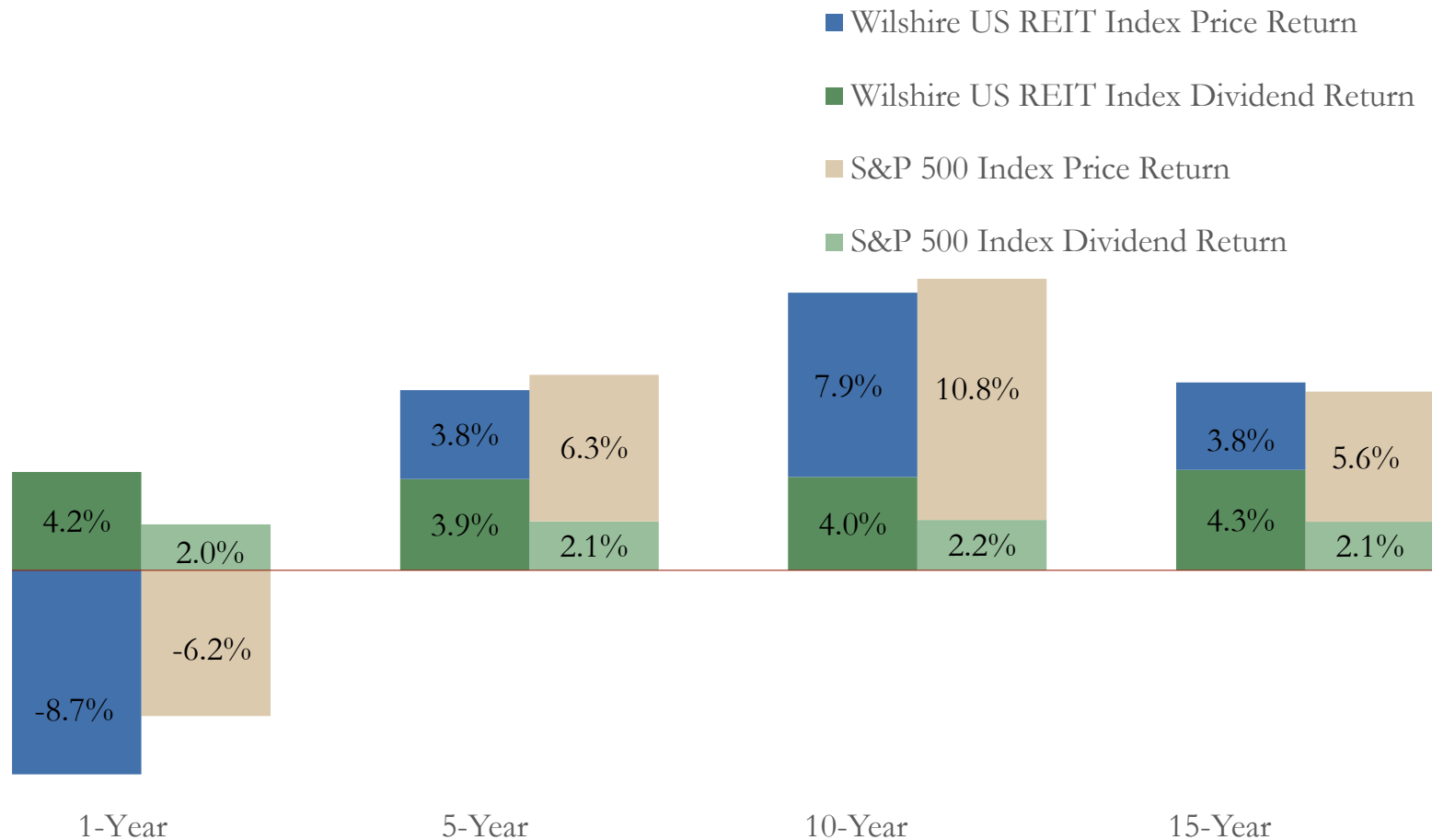


LISTED EQUITY REIT ADVANTAGES

- Efficient access to commercial real estate
- Attractive relative long-term investment performance
- Source of dividend income
- Transparency and simplicity
- Diversification benefits
- Liquidity
- Strong, investor-aligned corporate governance
- Inflation hedge (real assets)



DIVIDEND AND PRICE RETURNS FOR REITs AND EQUITIES



LONG TERM PERFORMANCE BY MAJOR ASSET CLASS- 12/31/18

	US REITs	Foreign REITs	Large Cap US Stocks	Small Cap US Stocks	Foreign Stocks	US Bonds	Foreign Bonds
1 year	(4.04%)	(5.79%)	(4.78%)	(11.01%)	(14.09%)	0.01%	(2.15%)
3 year	4.24%	5.09%	9.09%	7.36%	3.11%	2.06%	3.15%
5 year	8.32%	3.00%	8.21%	4.41%	0.34%	2.52%	(0.01%)
10 year	12.53%	9.24%	13.28%	11.97%	6.24%	3.48%	1.74%
15 year	8.52%	7.22%	7.93%	7.50%	4.78%	3.87%	2.88%
20 year	9.95%	8.17%	5.85%	7.40%	3.68%	4.55%	3.22%
25 year	9.92%	6.29%	9.14%	8.28%	4.76%	5.09%	4.39%

Source: Nareit analysis of monthly total returns through December 2018.

US REITs- FTSE Nareit All Equity REIT index

Foreign REITs- FTSE EPRA Nareit Developed ex US Index

Large Cap US Stocks- Russell 1000 Index

Small Cap US Stocks- Russell 2000 Index

Foreign stocks- MSCI World ex US Index

US Bonds- Barclays US Aggregate Bond Index

Foreign Bonds- Barclays Global Aggregate Bond ex US Index

CORRELATIONS- 12/31/18

	US REITs	Foreign REITs	Large Cap US Stocks	Small Cap US Stocks	Foreign Stocks	US Bonds	Foreign Bonds
US REITs	1.00	0.60	0.47	0.58	0.34	0.26	0.22
Foreign REITs		1.00	0.68	0.59	0.82	0.25	0.61
Large Cap Stocks			1.00	0.87	0.79	0.09	0.17
Small Cap Stocks				1.00	0.66	(0.02)	0.10
Foreign Stocks					1.00	0.07	0.37
US Bonds						1.00	0.48
Foreign Bonds							1.00

Source: Nareit analysis based on a DCC-GARCH (Dynamic Conditional Correlation – Generalized Autoregressive Conditional Heteroskedasticity: Engle 2002) model using monthly total returns through December 2018. US REITs (FTSE Nareit All U.S. Equity REIT), and U.S. large-cap stocks (Russell 1000) from January 1972; Foreign REITs (FTSE EPRA/Nareit Developed x-US) from January 1990; small-cap US stocks (Russell 2000) from January 1979; Foreign stocks (MSCI AC World ex-US) from January 1988; RE; U.S. bonds (Bloomberg Barclays US Aggregate) from January 1976; Foreign bonds (Bloomberg Barclays Global Aggregate x-USD) from January 1990.

HISTORICAL VOLATILITY BY ASSET CLASS

US REITs	14.1%
Foreign REITs	13.6%
US Large Cap Stocks	13.2%
US Small Cap Stocks	17.7%
Foreign Stocks	13.6%
US Bonds	3.0%
Foreign Bonds	6.9%

Source: Nareit analysis of monthly total returns through December 2018.

US REITs- FTSE Nareit All Equity REIT index

Foreign REITs- FTSE EPRA Nareit Developed ex US Index

Large Cap US Stocks- Russell 1000 Index

Small Cap US Stocks- Russell 2000 Index

Foreign stocks- MSCI World ex US Index

US Bonds- Barclays US Aggregate Bond Index

Foreign Bonds- Barclays Global Aggregate Bond ex US Index

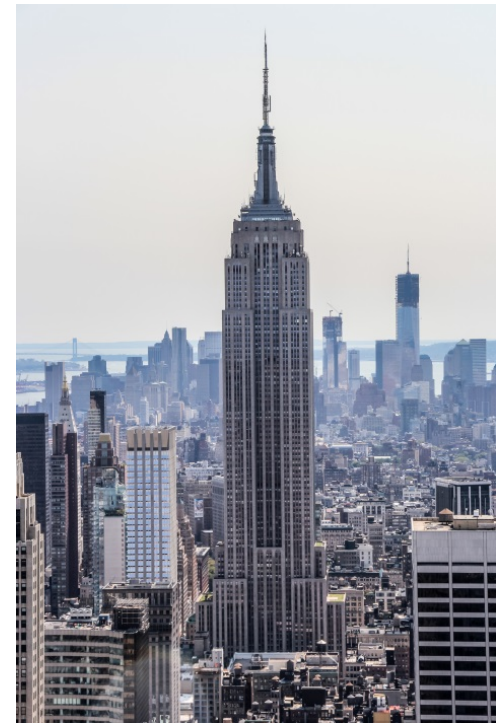
DIVERSIFICATION MATTERS

Wilshire US REIT Index, annual returns ranked by property sectors (%)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
28.6	28.6	9.2	17.6	1.9	31.8	4.2	7.3	4.2	-4.8
Hotels 66.8	Apartments 46.8	Storage 35.4	Industrial 31.7	Hotels 26.8	Mfd. Homes 47.4	Storage 40.7	Industrial 31.1	Mfd. Homes 25.7	Mfd. Homes 12.3
Regional Mall 63.1	Hotels 40	Regional Mall 22.1	Regional Mall 28.0	Diversified 12.7	Apartments 39.9	Mfd. Homes 27.0	Indu. Mixed 28.7	Industrial 22.8	Health Care 7.6
Indu. Mixed 50.5	Outlet 36	Mfd. Homes 21.6	Local Retail 26.2	Mfd. Homes 11.2	Health Care 33.3	Apartments 16.5	Hotels 23.5	Indu. Mixed 10.4	Apartments 4
Mfd. Homes 40.9	Regional Mall 34.2	Outlet 18	Outlet 19.8	Storage 9.6	Regional Mall 32.4	Industrial 8.7	Single Family 14.4	Hotels 6.6	Storage 2.9
Office 35.7	Local Retail 30.1	Health Care 15.4	Health Care 19.1	Industrial 6.9	Hotels 32.2	Local Retail 6.2	Outlet 13.4	Diversified 4.1	Industrial -4.1
Apartments 30	Storage 29.2	Apartments 15	Storage 19	Office 5.9	Indu. Mixed 31.9	Regional Mall 4.3	Mfd. Homes 13.1	Storage 3.7	Regional Mall -6.1
Health Care 23.2	Mfd. Homes 26.5	Indu. Mixed 13.7	Office 14.4	Local Retail 5.8	Storage 31.5	Office 0.8	Office 12.2	Single Family 3.7	Diversified -7.8
Diversified 19	Diversified 24.7	Office -0.3	Indu. Mixed 13.1	Single Family 0	Local Retail 30.7	Indu. Mixed -0.9	Diversified 8.2	Apartments 3.6	Single Family -10.7
Industrial 11.4	Office 19.5	Local Retail -2.6	Hotels 12.4	Regional Mall -1	Diversified 29.8	Single Family -1.5	Health Care 6.8	Office 3	Indu. Mixed -10.8
Outlet 8.3	Health Care 19.1	Diversified -3.5	Diversified 10.6	Outlet -4	Office 26.7	Diversified -1.9	Apartments 3.8	Health Care -0.4	Hotels -13.7
Storage 8.1	Industrial 18.2	Industrial -4.7	Apartments 7.1	Indu. Mixed -4.7	Industrial 20.9	Health Care -7.5	Local Retail 2.2	Regional Mall -2.4	Local Retail -14.2
Local Retail -1.7	Indu. Mixed 8.9	Hotels 13.4	Mfd. Homes 6.3	Apartments -6.3	Outlet 18.6	Outlet -8.2	Regional Mall -5	Local Retail -10.7	Office -14.2
				Health Care -9.1	Single Family 5.7	Hotels -24.6	Storage -8.2	Outlet -22.3	Outlet -19.1

KEY TAKEAWAYS FOR REITS

- Real estate is a strategic asset class for investors.
- An investment in REITs is investing in real estate.
- A significant share of total REIT returns comes from dividends.
- Publicly traded REITs diversify an investment portfolio.



THANK YOU