



# REIT S



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## What Is A REIT??

- Real
- Estate
- Investment
- Trust



- Portfolio of properties
- Operating Income ( Rents, Leases, Sales, Managing)



# What Is A REIT??

## Classify as a REIT:

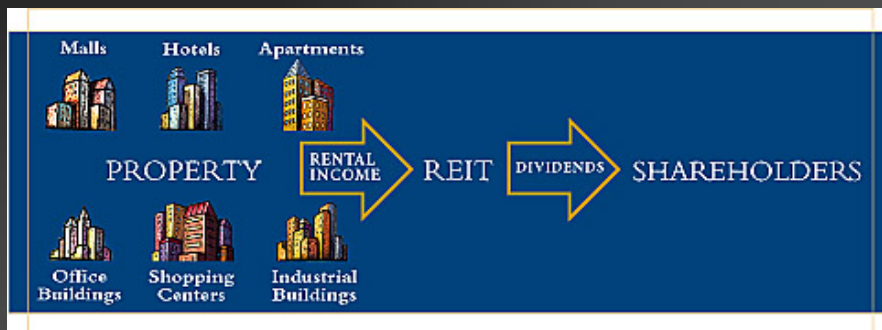
- Taxable Corporation (pays no taxes)
- Minimum of 100 Shareholders
- 75% of Total Assets in Real Estate
- 75% of gross income from rents from real properties
- At least 90% of taxable income must be paid out in dividends

■ REIT earnings must be distributed to shareholders, who pay taxes at the individual level.

■ Between September 1980 and September 2000, equity REIT's had a total annual return that far outpaced that of direct property investments (12.57% vs 8.42%)

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# What Is A REIT??



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# Residential

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## Risks:

- maintenance costs
- tenants not paying
- high turnover

## Rewards:

- great opportunities for growth
- potential for rent increases



# Manufactured Housing

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## Risks:

- limited rent increases
- low turnover
- no depreciation due to land

## Rewards:

- Strong Demand
- Many Barriers to entry



# Retail Properties

## Risks:

- saturated
- success tied to brand name

## Rewards:

- diversity of tenants
- shared operating costs
- rent tied directly to sales



# Office REITS

## Risks:

- most vulnerable to overbuilding
- tied to growth of surrounding businesses
- telecommuting and automation threaten growth

## Rewards:

- stable tenants
- less improvement spending after tenant moves in



## Triple Net Lease

### Risks:

- credit risk
- interest rate risk

### Rewards:

- Stable cash flows
- all operating costs are taken care of rent

## Self Storage Center

### Risks:

- high management involvement
- not many barriers to entry
- very competitive
- high turnover

### Rewards:

- consistent income
- more room to increase rents
- lack of financing has prevented overbuilding

# Healthcare

## Risks:

- M&A upward
- credit risk of operators
- more sensitive to debt rating

## Rewards:

- great growth potential
- great diversification

# Lodging Industry

## Risks:

- very dependent on economic stability
- high turnover
- no barriers to entry
- must lease to third party agents

## Rewards:

- brand name recognition
- diversification according to income class
- great opportunities for expansion

# Mortgage REITS

## Risks:

- highly dependent on credit quality
- interest rate risks

## Rewards:

- declining interest rates are good
- diversification

# Diversified REITS

## Risks:

- pre-1990 diversified are loaded with debt
- passive management

## Rewards:

- diversification

# Performance

Securities	Crcncy	Prc Appr	Total Ret	Difference	Annual Eq
1 SPX Index	USD	79.76 %	94.04 %	24.35 %	14.16 %
2 CCMP Index	USD	67.09 %	69.68 %		11.14 %
3 CSRSX US Equity	USD	22.61 %	70.07 %	.38 %	11.19 %

(\* = No dividends or coupons)



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# What Makes a Good REIT?

- High Dividend Yields
- Stable dividend income
- Portfolio Diversification
- Strong CAD and/or FFO

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# Valuation on REITS

## FUNDS FROM OPERATIONS (FFO):

net income, excluding gains (or losses) from sales of property, plus depreciation and amortization

## Cash Available for Distribution (CAD):

FFO adjusted for straight lining of rents (AFFO)



# Office REIT

Ticker	Price	Dividend	CAGR	P/FFO	PEG
EOP	27.42	6.57%	9.76%	8.37%	0.8576
BXP	37.33	5.68%	11.55%	10.13%	0.8771
TZH	15.31	2.29%	13.93%	7.74%	0.5556
HRP	8.3	9.64%	2.98%	6.11%	2.0503

## Recommend:

Trizec Hahn Corp (TZN)

Equity Office (EOP)



# Healthcare REIT

Ticker	Price	Dividend	CAGR	P/FFO	PEG
HCP	33.97	8.97%	4.33%	10.09%	2.33
HRP	24.13	9.45%	3.55%	9.08%	2.56
NHP	17.35	10.61%	2.94%	7.98%	2.71
HCN	21.8	10.73%	3.67%	7.84%	2.14

## Recommend:

Health Care REIT (HCN)  
Health Care Property (HCP)



# Thank You

