Advisor-Access.com

Delivered to more than 100,000 Investment Advisors

Compelling Investment Ideas for Advisors

The REIT Newsletter for Advisors • Spring 2017

In Partnership with

REIT.com

NAREIT's HOME FOR ALL THINGS REIT

NAREIT RESOURCES

About NAREIT

Investing

Data & Research

News

Advocacy

Media

NAREIT & You

Join NAREIT

Press Releases

Developments

Contact

As an investment advisor, you have been subscribed to the REIT newsletter so that you and your clients can stay abreast of this powerful income-generating sector. Published quarterly, the REIT Newsletter includes valuable information about REITs that you cannot get anywhere else.

The National Association of Real Estate Investment Trusts (NAREIT®) is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets.

The Spring 2017 issue features an article by the research department at Cohen & Steers Open-End Mutual Funds.

National Association of Real Estate Investment Trusts®

REITs: Building Dividends and Diversification®

Rising Rents Matter More to REITs Than Rising Rates

Rate hikes get a lot of attention, but for REITs they're often not the big story. The big stories today are 77 consecutive months of job growth, a nine-year low in unemployment, and a strengthening economy, giving landlords greater ability to raise rents. When rents are rising, history shows that REITs can deliver strong returns—despite higher interest rates.

The perception that REITs always underperform when interest rates are rising is simply not supported by historical data. Higher rates may unsettle markets in the short term, but what tends to matter more for REITs in the long run is the direction of the economy and job growth. Historically, REITs have had strong returns in periods of monetary tightening and rising bond yields, as this is usually a reflection of accelerating inflation and economic growth.

Rising yields with growth have been a positive combination for REITs: The chart below shows annualized returns of the U.S. REIT market since 1981, grouped according to changes in the 10-year Treasury yield and U.S. Leading Economic Indicators over one-month periods. In months when growth was improving and bond yields were rising, REITs outperformed the S&P 500, averaging 12.7%—consistent with their long-term buy-and-hold return.

Newsletter Sponsors

American Campus Communities
(NYSE: ACC)

Brixmor
(NYSE: BRX)

COPT
Corporate Office Properties Trust
(NYSE: OFC)

Farmland Partners
(NYSE: FPI)

LTC REIT
(NYSE: LTC)

Macerich
(NYSE: MAC)

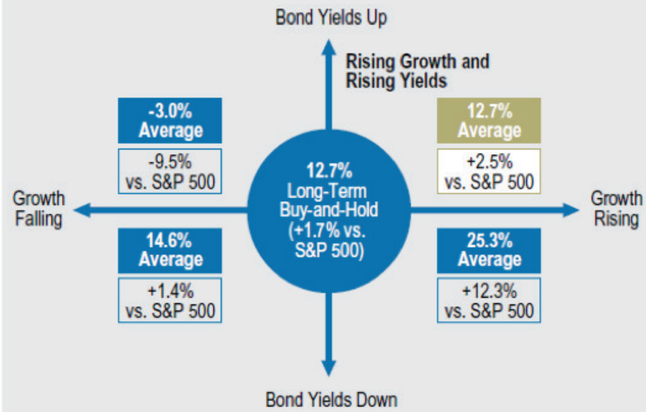
MREIC
Monmouth Real Estate Investment Corporation
(NYSE: MNR)

National Retail Properties
NYSE:NNN
(NYSE: NNN)

UMH Properties, Inc
(NYSE: UMH)

W. P. Carey
(NYSE: WPC)

Exhibit 1: Annualized U.S. REIT Returns in Different Growth/Bond Yield Environments
FTSE NAREIT Equity REIT Index, Since March 1981[(a)]



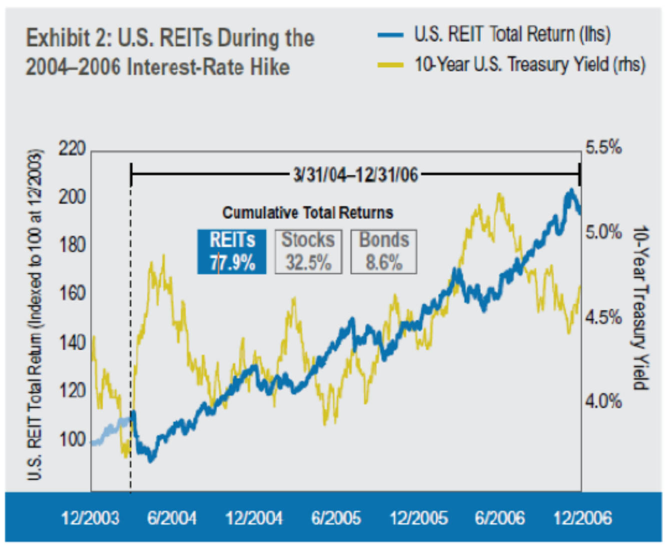
At December 31, 2016. Source: NAREIT, Thomson Reuters, Cohen & Steers.

(a) The period since March 1981 selected based on the common period of available index and economic data. Bond yields based on the 10-year Treasury. Growth measured by Cohen & Steers' U.S. Leading Economic Indicator (LEI), comprised of six cyclical macro factors that have historically signaled turning points in broad economic growth. Annualized performance based on monthly data, grouped according to positive/negative change in bond yields and rising/falling U.S. LEI. Percent of monthly observations out of 424 total, by quadrant: growth rising/yields down: 22%; growth rising/yields up: 26%; growth falling/yields down: 31%; growth falling, yields up: 21%.

What happened in the last rate-hike cycle?

In March 2004, a strong jobs report caused a spike in Treasury yields, causing REITs to sell off and lag the S&P 500 over the next month. As markets digested the data and volatility subsided, REITs recovered. Over the next two years, the Federal Reserve raised interest rates 17 times, from 1.0% to 5.25%. From the 10-year Treasury yield low in March 2004 through the end of 2006, REITs had a cumulative return of 78%, widely outperforming U.S. stocks and bonds.

Exhibit 2: U.S. REITs During the 2004–2006 Interest-Rate Hike



Source: Bureau of Labor Statistics and Morningstar.

Data quoted represents past performance, which is no guarantee of future results. The information presented here does not reflect the performance of any fund or account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. See back page for index associations and definitions and additional disclosures.

REITs in the News

W. P. CAREY	**W. P. Carey** (NYSE: WPC) Announces Fourth Quarter and Full Year 2016 Financial Results
UMH PROPERTIES, INC	**UMH Properties** (NYSE: UMH) Releases Fourth Quarter and Yearend 2016 Financial Results
NATIONAL RETAIL PROPERTIES NYSE:NNN	**National Retail Properties** (NYSE: NNN) News
MREIC Monmouth Real Estate Investment Corporation	**Monmouth Real Estate Investment Corporation** (NYSE: MNR) Announces New Acquisition- Grand Rapids MI
MACERICH®	**Macerich** (NYSE: MAC) Announces Strong Fourth Quarter Results
LTC REIT	**LTC Properties** (NYSE: LTC) Reports 2016 Fourth Quarter Results and Announces New Investments
FARMLAND PARTNERS	**Farmland Partners** (NYSE: FPI) Reports Fourth Quarter and Full Year 2016 Earnings Call Supplement
COPT CORPORATE OFFICE PROPERTIES TRUST	**Corporate Office Properties Trust** (NYSE: OFC) Releases 2016 Annual Report
BRIXMOR®	**Brixmor Property Group** (NYSE: BRX) Reports Fourth Quarter and Full Year 2016 Results
AMERICAN CAMPUS COMMUNITIES	**American Campus Communities** (NYSE: ACC) Announces Interim Leasing Update for Fall 2017.

Opportunity Amid Rate-Driven Volatility

Too often, we see investors focus on short-term changes in interest rates, yet lose sight of the bigger picture. As investors adjust asset allocations for the shifting market environment, we believe REITs offer attractive characteristics.

- **Attractive yields with growth potential:** As of year-end 2016, real estate was the third highest yielding sector in the S&P 500 at 3.5%, compared with the S&P average of 2.1%. The broad U.S. REIT market, represented by the FTSE NAREIT Equity REIT Index, had a dividend yield of 3.9%. REITs have historically provided steady dividend growth along with capital-appreciation potential.
- **Inflation protection:** REITs have historically exhibited a positive association with inflation surprises due to the impact of higher replacement costs on property values, as well as the ability of landlords to raise rents.

- **Potential diversification benefits:** Since 1990, REITs have had a 0.55 correlation with broad equities and a 0.19 correlation with bonds. Combining assets with different performance drivers has the potential to improve risk-adjusted returns.

Hitting the Reset Button on Real Estate

We believe key policy changes could be game changers for the U.S. economy, raising the potential for real estate fundamentals to strengthen. On the demand side, more fiscal spending and lower taxes could drive job growth, corporate profits, and consumption due to wage inflation. On the supply side, higher inflation may pressure the environment for construction—higher costs for labor, raw materials, and financing would, in turn, mean a higher cost to replace aging real estate, raising the value of existing properties. Against this backdrop, we believe interest rate-driven volatility could create attractive opportunities for allocating to U.S. REITs.

— Cohen & Steers Open-End Mutual Funds

Cohen & Steers U.S.-registered open-end funds are distributed by Cohen & Steers Securities, LLC, and are available only to U.S. residents.

Index Definitions: *An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.* **Bonds:** The Barclays Capital U.S. Aggregate Bond Index is a broad-market measure of the U.S. dollar-denominated investment-grade fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. **REITs:** FTSE NAREIT Equity REIT Index contains all tax-qualified REITs except timber and infrastructure REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria. **Stocks:** S&P 500 Index is an unmanaged index of 500 large-capitalization, publicly traded U.S. stocks representing a variety of industries.

Please consider the investment objectives, risks, charges, and expenses of any Cohen & Steers U.S.-registered open-end fund carefully before investing. A summary prospectus and prospectus containing this and other information may be obtained from your financial advisor, by calling (800) 330-7348, or by visiting cohenandsteers.com. Please read the summary prospectus or prospectus carefully before investing.

Data quoted represents past performance, which is no guarantee of future results. This material is for informational purposes and reflects prevailing conditions and our judgment as of this date, which are subject to change without notice. The information presented above does not reflect the performance of any fund or account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated herein will be repeated in the future, and there is no way to predict precisely when such a trend will begin. There is no guarantee that any market forecast made in this commentary will be realized. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice, is not intended to predict or depict performance of any investment and does not constitute a recommendation or an offer for a particular security. We consider the information in this presentation to be accurate, but we do not represent that it is complete or should be relied upon as the sole source of suitability for investment. Investors should consult their own advisors with respect to their individual circumstances. No representation or warranty is made as to the efficacy of any particular strategy or the actual returns that may be achieved.

Risks of Investing in Real Estate Securities. The risks of investing in real estate securities are similar to those associated with direct investments in real estate, including falling property values due to increasing vacancies or declining rents resulting from economic, legal, political, or technological developments, lack of liquidity, limited diversification, and sensitivity to certain economic factors such as interest-rate changes and market recessions. Foreign securities involve special risks, including currency fluctuations, lower liquidity, political and economic uncertainties, and differences in accounting standards. Some international securities may represent small- and medium-size companies, which may be more susceptible to price volatility and less liquidity than larger companies.

This commentary must be accompanied by the most recent Cohen & Steers fund fact sheet(s) and summary prospectus if used in connection with the sale of mutual fund shares.

Cohen & Steers Capital Management, Inc. (Cohen & Steers) is a registered investment advisory firm that provides investment management services to corporate, public and union retirement plans, endowments, foundations, and mutual funds. Cohen & Steers Securities, LLC, distributor.

Cohen & Steers UK Limited is authorized and regulated by the Financial Conduct Authority (FRN 458459). Cohen & Steers Japan, LLC is a registered financial instruments operator (investment advisory and agency business with the Financial Services Agency of Japan and the Kanto Local Finance Bureau No. 2857) and is a member of the Japan Investment Advisers Association.

ABOUT ADVISOR ACCESS

Advisor-Access LLC was designed to bring compelling investment ideas to investors in the form of in-depth interviews with company management and the latest fact sheets and corporate presentations, in a concise format: the critical pieces of information an investor needs to make an informed investment decision.