

## MARKET MICROSCOPE: REIT's – The “New” Market Sector

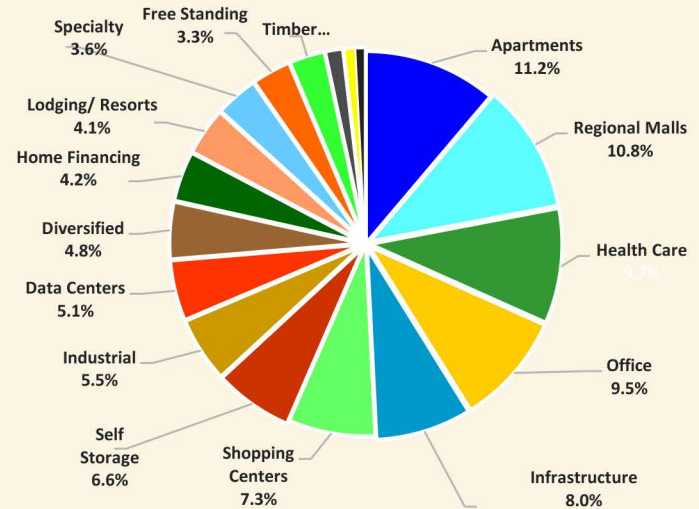
In October, several major stock market index providers will be taking Equity Real Estate Investment Trusts (REITs) out of the Financial sector and listing them as their own separate market sector. So what are REITs, and what portion of the market do they represent?

### Russell Indexes Approx. REIT Exposure

	Value	Core	Growth
Large	4.8% 69 stocks	3.7% 77 stocks	2.6% 22 stocks
Mid	14.9% 68 stocks	9.1% 62 stocks	4.5% 23 stocks
Small	15.7% 108 stocks	9.9% 114 stocks	3.7% 25 stocks

In the Russell Indexes, REITs are most heavily concentrated towards the small value corner of the market. The REIT index has a correlation to the broader stock market of about 0.75.

### Composition of FTSE NAREIT All REIT Index



The newly added REIT sector will include only Equity REITs (REITs that actually own and operate properties), which represent 94% of the REIT sector. The remaining 6% is Mortgage REITs (REITs that invest in mortgage securities), which will remain in the Financial sector.

## Two Major Types of REITs

- 1.) **Equity REITs (94% of the NAREIT index)** own and operate properties for the long-term and generate income from collecting rent on and/or selling those properties. Equity REITs will be included in the newly-created Real Estate sector.
- 2.) **Mortgage REITs (6% of the NAREIT index)** invest in mortgage securities tied to commercial and/or residential properties and earn income from the interest on the underlying loans. Mortgage REITs will remain part of the Financials sector.