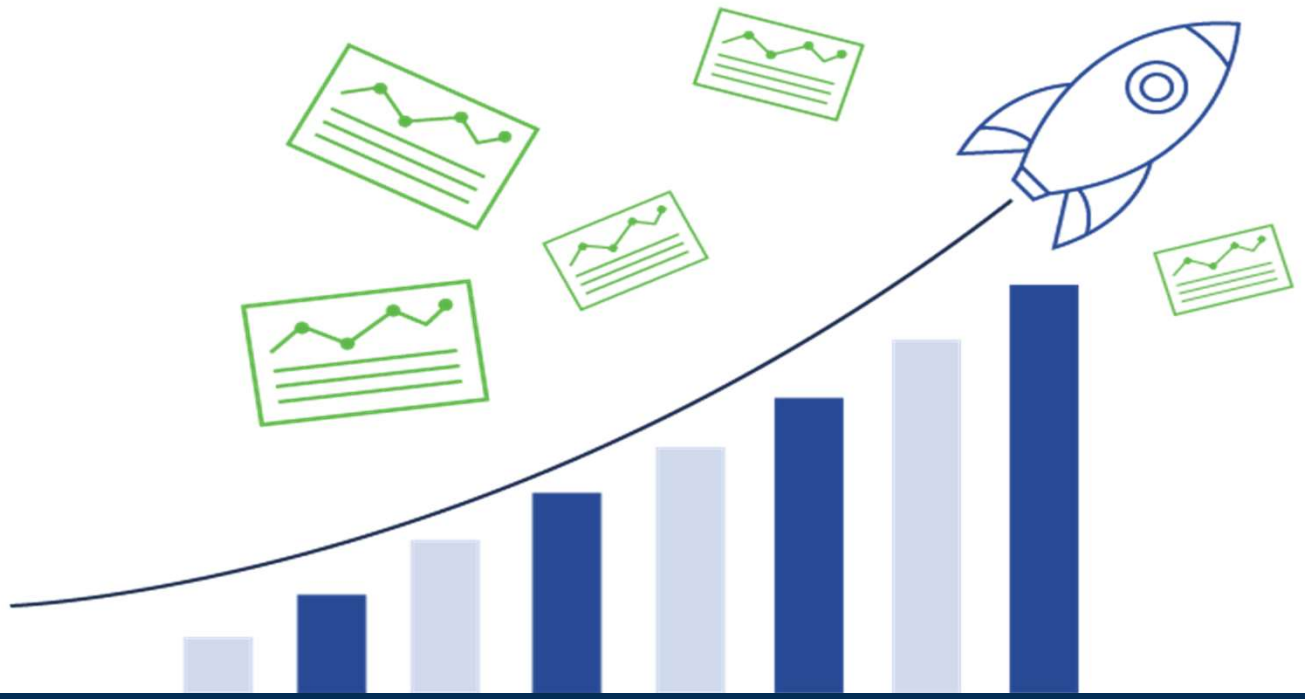
Intelligent REIT Investing

Brad Thomas, CEO of Wide Moat Research



Intelligent REIT Investing

Presented by: Brad Thomas

Brad Thomas

#1 Blogger in the U.S. (out of 7,000) according to TipRanks

About Brad Thomas

Brad Thomas has more than 25 years of experience in commercial real estate, where he's formulated a deep understanding of development, finance and securities analysis. His experience is rooted in value investing thanks to his background as a developer and his continuing career as an investor and advisor.

- 100,000+ Seeking Alpha Followers
- Author of *The Intelligent REIT Investor Guide*
- Instructor at NYU
- Editor of the *Forbes Real Estate Investor*

Power Your REIT Portfolio

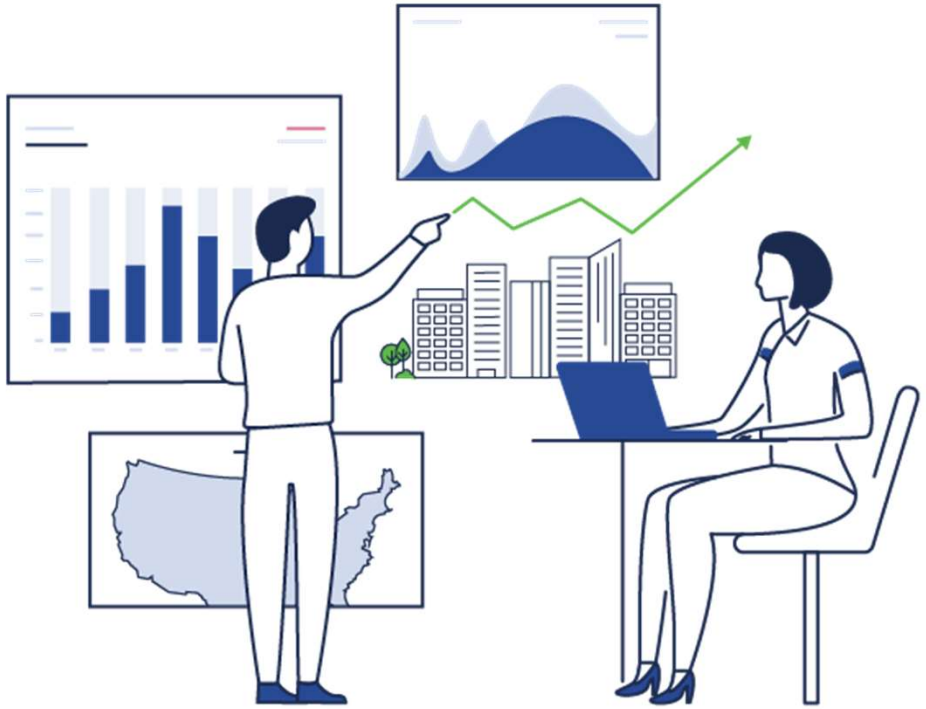
Dividends derive a large part of the total return thesis….

What Is A REIT?

REITs were legally created in 1960 as a means to provide individual investors with access to institutionally held real estate. REITs do not pay any corporate income tax, instead, they must pay out at least 90% of their taxable income to investors in the form of dividends.

U.S. REITs have flourished so much over the years that they've served as the model for more than 35 other countries around the world.

The REIT sector has grown to around $1 trillion equity market capitalization and represents nearly $3 trillion in gross real estate assets. That growth led, in part, to the creation of the new real estate headline sector in the Global Industry Classification Standard in 2016.



REIT Performance

	1-year	3-year	5-year	10-year	15-year	20-year	25-year	30-year	35-year	40-year
FTSE Nareit All Equity REITs	13.01	5.92	8.88	16.03	9.41	10.66	10.47	10.51	11.06	12.02
FTSE EPRA/Nareit Developed	8.64	5.45	5.79	11.45	8.00	8.83	8.40	N/A	N/A	N/A
Russell 1000 (Large-Cap Stocks)	10.02	14.15	10.45	14.77	8.94	6.19	10.09	10.13	11.45	11.81
Russell 2000 (Small-Cap Stocks)	-3.31	12.30	7.06	13.45	8.15	7.77	9.26	9.29	9.83	10.92
Bloomberg Barclays US Aggregate Bond	7.87	2.31	2.95	3.90	4.27	4.93	5.50	5.99	7.21	7.32

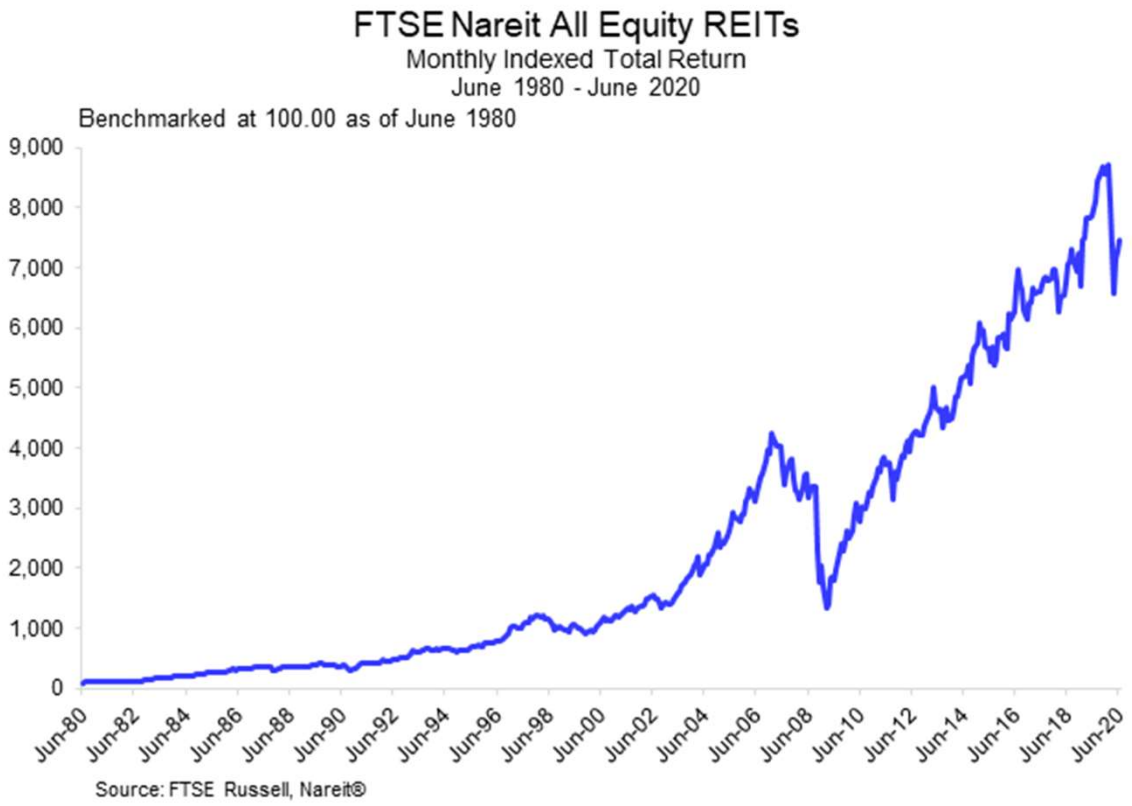
Nareit. Source: Nareit analysis of monthly total returns through June 2019.

REITs have outperformed most asset sectors during multiple market cycles.

Including over the last **10, 15, 20, 25, 30, and 40 years.**

REITs delivered an average annual total return of 11.38%

Over 40 Years



REIT Sectors

Office REITs

Office REITs

- ~$75 Billion Market Cap
- ~10% of REIT Indexes

Fast Facts

- Long Lease Terms (Typically 10-15 Years)
- Higher Cap Ex and Lease Fee Burden
- Work from Home (WFH) has created volatility during Covid-19
- Demand increased in "Sun States" due to Covid-19
- Best performers have low cost of capital
- Steady FFO per share growth

Healthcare REITs

Healthcare REITs

- ~$110 Billion Market Cap
- ~10-12% of REIT Indexes

Fast Facts

- US Spends 18% of GDP on Healthcare
- Key driver is "Siler Tsunami" (aging population)
- 5 subs-sectors include life science, medical office, senior housing, skilled nursing, and hospital.

Self-Storage REITs

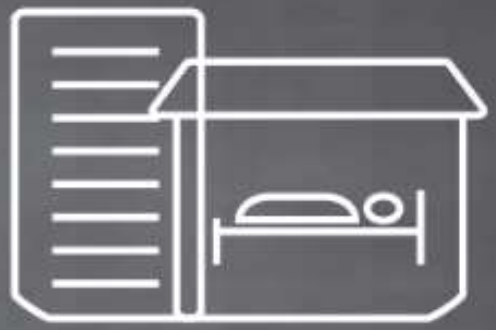
Storage REITs

- ~$60 Billion
- ~5-8% of REIT Indexes
- ~20% of Total Storage Assets

Fast Facts

- Around 10% rent storage space (in US)
- 40% of Renters Stay Longer Than 24 Months
- Average Monthly Cost Per Unit: ~$90
- Highly fragmented as REITs continue to consolidate inventory
- Low Cap-Ex (4.7% of revenue)

Hotel REITs



Hotel REITs

- ~$30 Billion Market Cap
- 3-4% of REIT Indexes

Fast Facts

- Hotel REITs Own The Hotels, and operated By "C-Corps" (Marriott, Hyatt, Starwood, Etc)
- Ownership is High Capital Intensity & Low Margin Business
- Hotels do not perform well in recessions
- Day-to-day leases

Mall REITs 101

Manufactured Housing REITs

- ~$50 Billion Market Cap
- 5-7% of REIT Indexes
- REITs own 50-70% of US Malls

Fast Facts

- Covid-19 has caused acceleration in department store closures
- US Malls are overbuilt (roughly 1,400 malls)
- Significant Cap-Ex Needed for repurposing ($20-$40 mm per dept store)

Shopping Center REITs

Shopping Center REITs

- ~$30 Billion Market Cap
- 3-7% of REIT Indexes

Fast Facts

- Shopping centers classified as grocery-anchored, lifestyle, community, and power centers.
- Densely populated markets perform best.
- Anchor leases are 10-20 years (with options to renew)
- Small Shop leases are usually 5 years (with options to renew)

Net Lease REITs 101

Net Lease REITs 101

- Highly fragmented sector ($3 Trillion Industry)
- $80 Billion Market Cap

Fast Facts

- Modern day banks in a REIT wrapper
- Many properties acquired via sale-leaseback
- Many properties acquired using 1031 Exchange proceeds
- Long Lease Terms, 10-15 Years With Fixed or CPI-Based Escalators

Cell Tower REITs

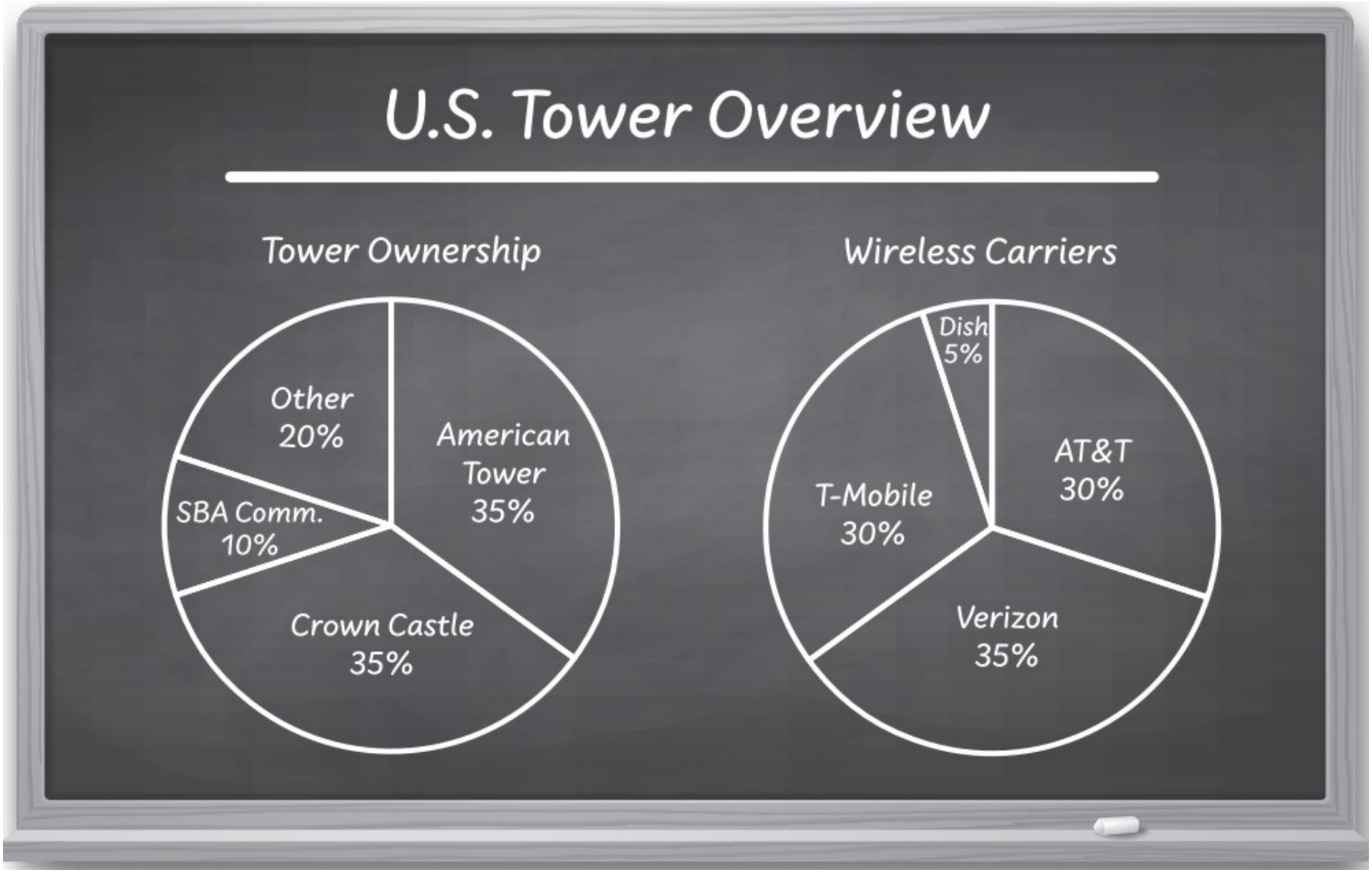
Cell Tower REITs

- ~$125 Billion
- ~10% of REIT Indexes

Fast Facts

- REITs Own 50-80% market share of Towers
- Equipment Upgrades from Carriers For 5G & Network Densification Drives Organic Growth
- High Operating Leverage, Tenant Switch costs & Barriers to Entry

U.S. Tower Overview



Industrial REITs

Industrial REITs

- ~$100B Market Cap
- ~10% of REIT Indexes
- REITs Own 5-10% of US Industrial Real Estate

Fast Facts

- Demand Fueled By E-Commerce & Supply Chain Densification for Delivery Speed
- Limited Supply of High-Value Logistics and Fulfillment Centers
- Distribution & Last-Mile Fulfillment Facilities Are Fastest-Growing Segment

Casino REITs

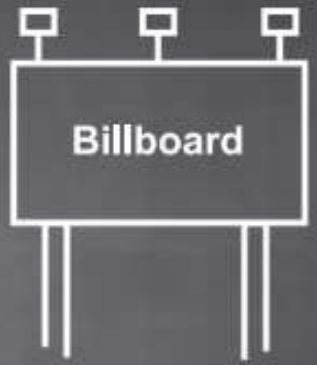
Casino REITs

- $20 Billion in Market Value
- ~1-2% of REIT Indexes
- REITs Own ~1/3 of Casinos

Fast Facts

- ~1,000 Casinos in United States
- Gaming is Legal in 25 States (they love taxes)
- High barrier to entry (licensing required)
- Leased as under "net lease" structure (10-20 years with options)

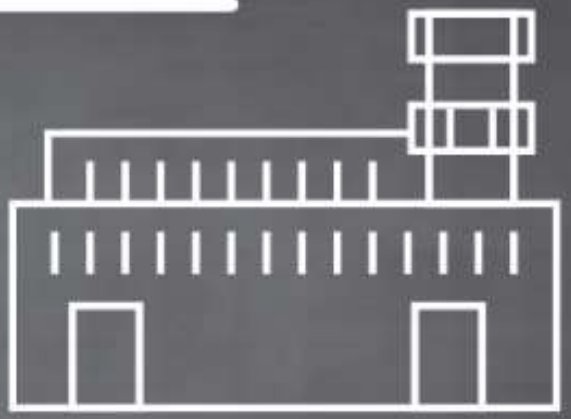
Billboard REITs



Billboard REITs
- $10 Billion in Market Cap
- <1% of REIT Indexes

Fast Facts
- High recession risk (ads are the first expense to be cut)
- High barrier to entry (due to zoning)
- Billboards have become a technology play that provide products and processes to drive media allocation.

Prison REITs



Prison REITs

- ~140,000 Active Beds
- >90% of Private Prison Population in US

Fast Facts

- US Has the Largest Prison Population in the World (~2 million incarcerated)
- Federal Government and 26 US States Currently Utilize Private Prisons

Timber REITs

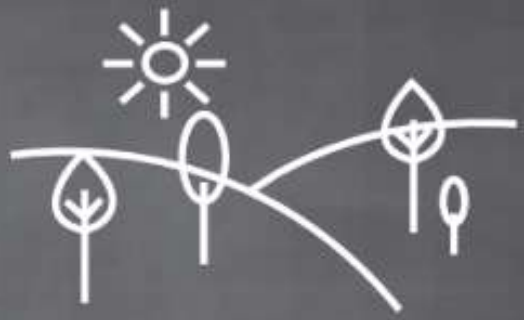
Timber REITs

- ~20 Million Acres
- ~20 Million Acres$30B Market Cap
- ~20 Million Acres(~2-4% of REIT Indexes)

Fast Facts

- Bulk of High-Quality Forest Ownership is in Pacific Northwest & Southeast
- Demand is correlated To Single Family Housing
- Revenue Comes from Mix of Sold Timber, Wood Production & Land Leases

Farmhand REITs



Farmhand REITs

- $700 Million in Market Cap
- <1% of REIT Indexes

Fast Facts

- As available farmland to feed the world's growing population continues to decline, U.S. cropland has steadily appreciated in value.
- The amount of available farmland in the U.S. will continue to decrease.

Cannabis REITs

Cannabis REITs

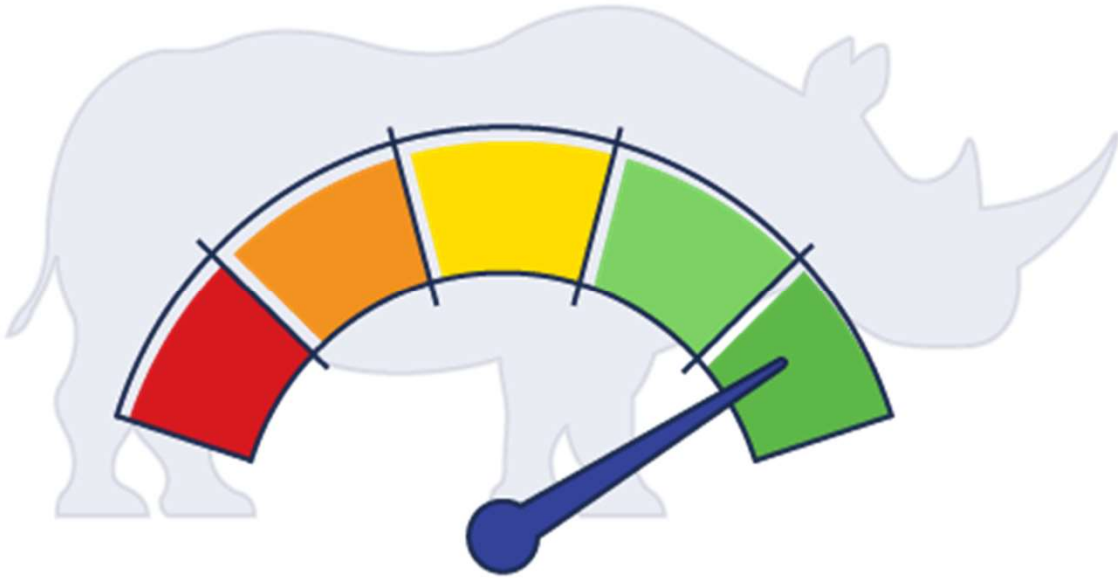
- $4.5 Billion in Market Cap
- Two publicly -listed REITs own cannabis real estate

Fast Facts

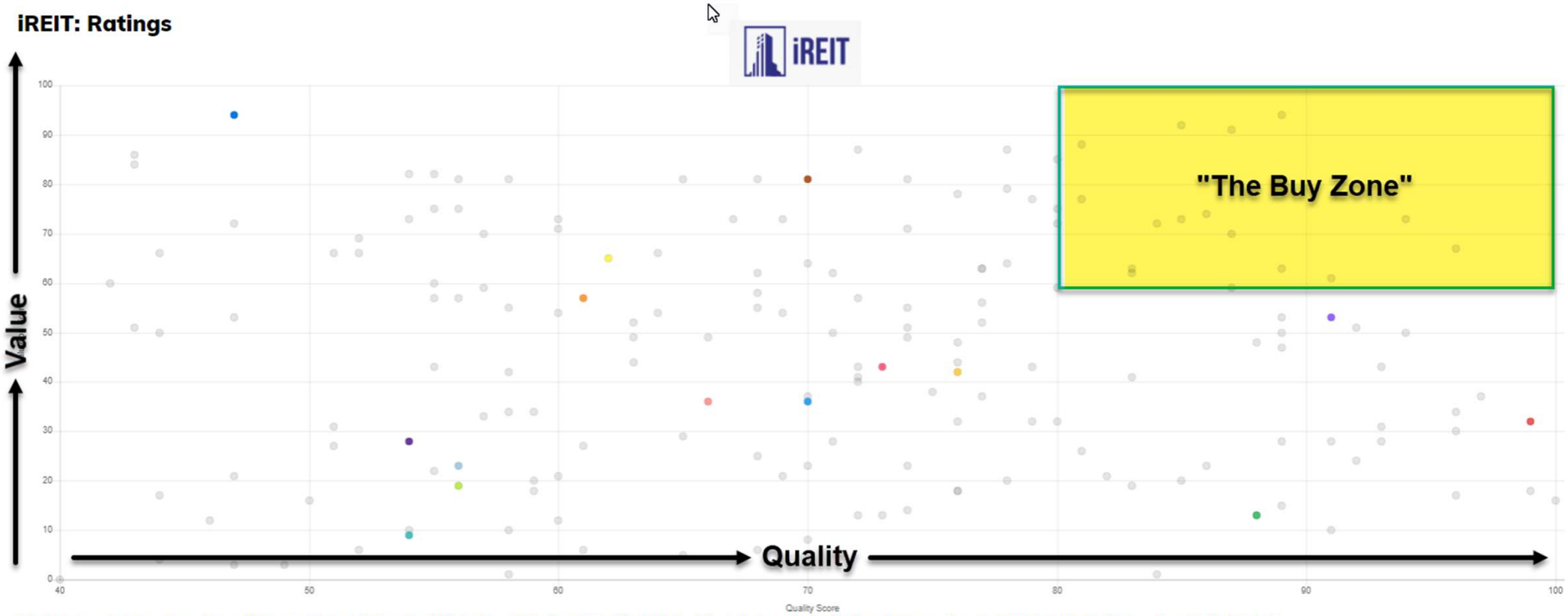
- The regulated market expanded to an estimated $12.4 billion in 2019 (a 37% increase over 2018) and is expected to approach $34 billion by 2025.
- Polling of U.S. citizens also continually shows 90%+ support for medical-use cannabis and strong support for regulated adult-use cannabis programs too.

Sector	Avg. Margin Of Safety	Dividend Yield	Quality Score	Valuation Score
Apartments	-58	3%	74	22
Billboards	-56	2%	63	13
Cell Towers	-27	2%	90	41
Commercial Mortgage	-10	8%	57	38
Data Center	-56	2%	86	35
Diversified	-5	4%	68	54
Farmland	-44	2%	63	28
Gaming REITs	-3	5%	83	67
Healthcare	-10	5%	73	58
Industrial	-38	3%	79	32
Lodging	-11	0%	53	62
Malls	-3	4%	56	46
Manufactured Housing	-60	2%	74	19
Net Lease	-12	5%	75	52
Office	-1	5%	74	67
Self Storage	-43	3%	82	26
Shopping Center	-10	3%	70	55
Single Family Rentals	-65	1%	87	18
Timber	-39	3%	75	36

Take Charge with the iREIT iQ (Quality) Tracker

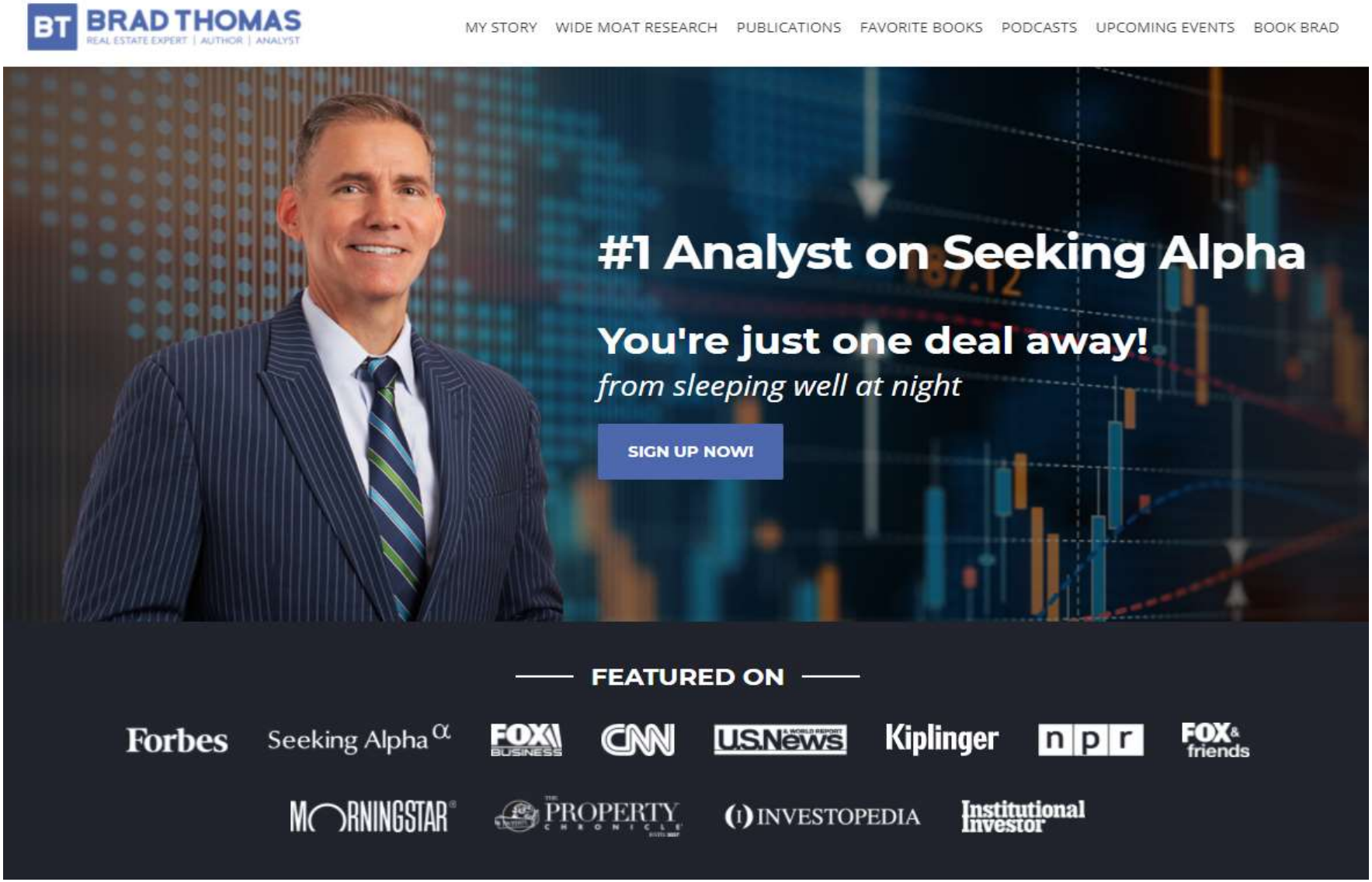


iREIT: Ratings



*The table above is designed to easily see which companies rank highly on the iREIT Quality and Valuation models. The top right of the charts is seen as the Buy Zone. Improvements are being made to this chart to have it react to the table below.

-	Company Name	Sector	Dividend Yield	Buy|Hold|Sell	Current Price	Margin Of Safety	Quality Score (IQ)	Valuation Score (IV)
	Agree Realty (ADC)	Net Lease	3.70%	Hold	$70.19	-4.76%	91	53
	American Finance Trust (AFIN)	Net Lease	10.24%	No Coverage [Poor Fundamentals]	$8.30	0.00%	56	23
	Broadstone Net Lease (BNL)	Net Lease	3.88%	Hold	$26.26	-9.42%	63	52
	EPR Properties (EPR)	Net Lease	6.28%	Trim	$47.76	-36.46%	76	32
	Essential Properties Realty Trust (EPRT)	Net Lease	3.21%	Trim	$31.11	-36.75%	81	26
	Four Corners Property Trust (FCPT)	Net Lease	4.76%	Hold	$26.67	-2.58%	64	66
	Global Net Lease (GNL)	Net Lease	9.76%	Hold	$16.39	-9.27%	68	58
	Gladstone Commercial Corp. (GOOD)	Net Lease	6.84%	Trim	$21.92	-46.13%	51	31
	Getty Realty (GTY)	Net Lease	5.15%	Hold	$30.28	-12.15%	71	50
	National Retail Properties (NNN)	Net Lease	4.69%	Buy	$45.25	7.65%	94	73
	NetSTREIT (NTST)	Net Lease	3.13%	Hold	$25.59	-16.32%	76	44
	Realty Income (O)	Net Lease	4.17%	Buy	$67.92	5.67%	96	67
	Alpine Net Lease (PINE)	Net Lease	5.58%	Buy	$17.91	8.15%	58	81
	Postal Realty Trust (PSTL)	Net Lease	4.80%	Strong Buy	$18.54	13.77%	74	81
	Spirit Realty Capital (SRC)	Net Lease	5.16%	Trim	$49.45	-23.63%	75	38
	Store Capital (STOR)	Net Lease	4.23%	Hold	$34.08	-13.60%	88	48
	Vereit (VER)	Net Lease	3.88%	Hold	$47.63	-36.09%	79	32
	W.P. Carey (WPC)	Net Lease	5.57%	Buy	$75.38	5.78%	86	74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