Equity REITs Have Fully Recovered From Financial Crisis But Broader Financials Lagging Behind
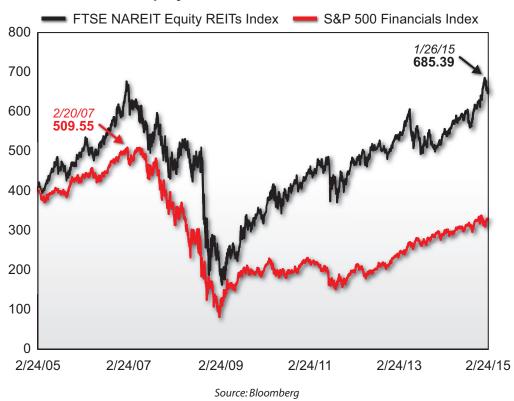
Equity REITs vs. Financial Stocks

— **FTSE NAREIT Equity REITs Index**   — **S&P 500 Financials Index**

1/26/15
685.39

2/20/07
509.55

Source: Bloomberg

View from the Observation Deck

1. The all-time high for the FTSE NAREIT All Equity REITs Index was posted on 1/26/15, at a reading of 685.39. Its previous all-time high of 676.54 was set on 2/7/07, prior to the 2008-2009 financial crisis. It stood at 646.11 on 2/24/15.

2. The all-time high for the S&P 500 Financials Index was posted on 2/20/07, at a reading of 509.55. It stood at 329.67 on 2/24/15, or 35.3% below its peak.

3. REITs, which are classified as financial companies, have enjoyed a significant yield advantage over the broader financial sector since the end of 2009. This is notable considering investors' post-crisis appetite for yield, in our opinion.

4. The dividend yield on the FTSE NAREIT All Equity REITs Index stood at 3.49% on 2/25/15, according to Bloomberg. Its dividend yield has closed above 3.00% in every calendar year since 2009.

5. The dividend yield on the S&P 500 Financials Index stood at 1.77% on 2/25/15, according to Bloomberg. Its dividend yield has closed below 2.00% in every calendar year since 2009.

6. While equity REITs could potentially appreciate from current levels, investors should consider them primarily for their dividend income potential at this stage of their recovery.

7. Financials, on the other hand, do represent a potential growth and income opportunity at current levels, in our opinion.

This chart is for illustrative purposes only and not indicative of any actual investment The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The FTSE NAREIT All Equity REITs Index is a free float adjusted market capitalization-weighted index that includes all tax qualified REITs listed on the major U.S. exchanges, while the S&P 500 Financials Index is a capitalization-weighted index comprised of 85 financial constituents.