November 2016

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Chris Nebenzahl
Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Justin Dean
Real Estate Market Analyst
Justin.Dean@Yardi.com
(800) 866-1124 x2071

REIT World Special Report: REIT Expectations in a Shifting Economy

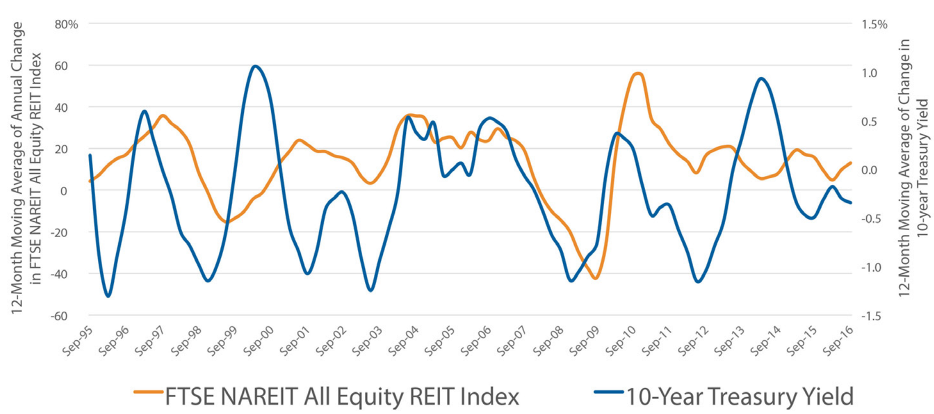
Following one of the most contentious and surprising elections in recent history, the REIT industry remains generally optimistic, although economic uncertainty provides cause for concern.

Economic and real estate drivers will fluctuate in the coming months, while fiscal and legislative policy changes are likely to impact the REIT market. Rising interest rates, accelerating GDP growth and tax reform will almost certainly affect the real estate industry.

Although the election came as a shock to many, Tuesday's results did not alter the fundamental state of the economy, and the employment sector remains robust. In addition to strong job gains and low unemployment rate, John Worth, NAREIT economist and panelist at a recent NAREIT conference, noted that the ratio of job openings to unemployment is high, and workers have sufficient confidence in the labor market to leave their jobs in search of better employment. As a result of labor turnover and increasing demand for workers, wage growth is beginning to accelerate.

One factor potentially skewing job strength is the participation rate, which remains near 40-year lows. Following the recession, many people who voluntarily or involuntarily left the workforce have remained on the sidelines and have not actively pursued employment during the recovery. Demographic shifts and an aging population will likely ensure that the participation rate does not return to pre-recession levels, however, an increase in participation would further support economic growth.

REIT Returns vs. 10-Year Treasury Yield



Sources: FTSE NAREIT All Equity REIT Total Return Index and the 10-year US Treasury note yield.