

# THE REIT STORY

Dividends & Diversification



## What is a REIT?

A Real Estate Investment Trust, or REIT, is a company that owns, and in most cases, operates income-producing real estate. Some REITs finance real estate. To be a REIT, a company must distribute at least 90% of its taxable income to shareholders annually in the form of dividends.

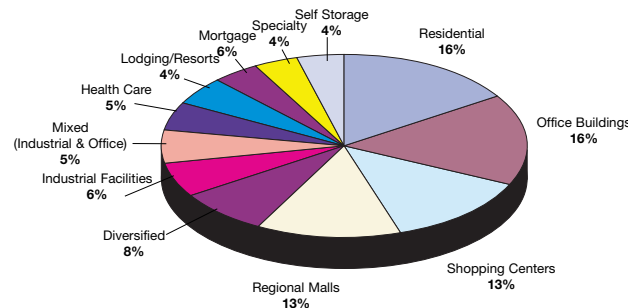
## Types of REITs

There are approximately 180 publicly traded REITs in the U.S. today, with assets totaling \$375 billion. The shares of these companies are traded on major stock exchanges, which sets them apart from traditional real estate. Other REITs may be publicly-registered but non-exchange traded or private companies. REITs are classified in the following categories:

- Equity REITs own and operate income-producing real estate.
- Mortgage REITs lend money directly to real estate owners and their operators, or indirectly through acquisition of loans or mortgage-backed securities.
- Hybrid REITs are companies that both own properties and make loans to owners and operators.

## REITs Invest In All Property Types

(as of Dec. 31, 2003)



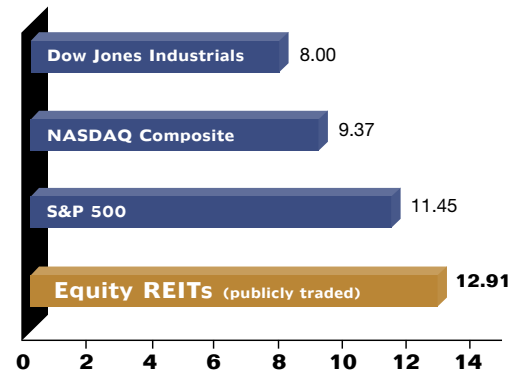
## The Evolution of REITs

Congress created REITs in 1960 to give anyone and everyone the ability to invest in large-scale commercial properties. The REIT industry has grown dramatically in size and importance since then, and during the last decade in particular. Factors sparking increased investor interest include:

- REITs—also known as real estate stocks—have outperformed most other major market benchmarks over three decades with significantly less volatility.

## REITs Measure Up Over Time

Compound Annual Total Returns In Percent: Dec. 1971 - Dec. 2003



- REITs operate commercial properties in nearly every major metropolitan area across the country and in several international locations.
- In 2001, Standard & Poor's recognized the evolution and growth of the REIT industry as a mainstream investment by adding REITs to its major indexes, including the S&P 500.

Please note: All data is derived from, and applies only to, publicly traded REITs.



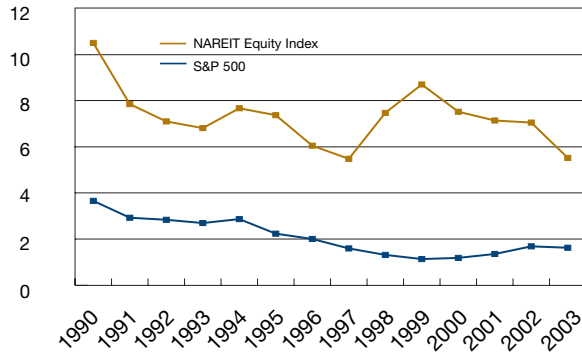
An Introduction To The Benefits Of Investing In Real Estate Stocks

REIT

# Dividends and Diversification

Because REITs must pay out almost all of their taxable income to shareholders, investors can look to REITs for reliable and significant dividends (typically four times higher than those of other stocks, on average).

## REIT Dividend Yield vs. S&P 500 Dividend Yield



Source: National Association of Real Estate Investment Trusts® and Standard and Poor's.

Analysis of historical data concluded that the relatively low correlation between REITs and other stocks and bonds makes them a powerful diversification tool.

In particular, Ibbotson Associates found:

- REITs offer an attractive risk/reward trade-off
- The correlation of REIT returns with other investments has declined over the last 30 years
- REITs may boost return and/or reduce risk when added to a diversified portfolio

Any investor can build greater long-term wealth by combining homeownership and REIT stocks as part of a diversified investment portfolio.

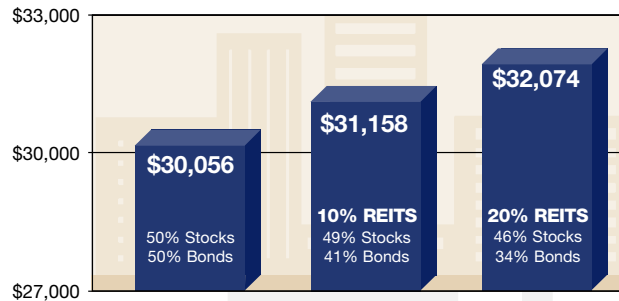
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# REITs and Your 401(k) Plan

Institutional investors (organizations such as pension funds) routinely have included real estate in their portfolios. Yet, the latest study shows that only 8% of the nation's 401(k) plans even offer participants the opportunity to invest in a real estate fund.

In view of real estate stocks' record of providing dividends and diversification, every retirement plan participant should have the right to choose REITs.

## \$10,000 Invested in 1994...



Source: NAREIT®; Stocks- S&P 500, Ibbotson U.S. Small Stock Series, MSCI EAFE Index; Bonds-20-year U.S. Government Bond, T-Bills- U.S. 30-day T-Bill. Figures based on average annual return over the period 1994-2003. Portfolios re-balanced annually.

If your 401(k) plan doesn't include a real estate option, ask for one. Your first step may be to talk with your company's benefits officer and request a prospectus containing information about the fees, expenses, and risks of investing in a REIT. That individual is also likely to serve as a liaison with your 401(k) provider. Remind them that a well-constructed 401(k) plan isn't possible without real estate.

To learn how to invest in real estate stocks, visit:

[www.InvestInReits.com](http://www.InvestInReits.com)