



Sector Spotlight:

REITs

Voice of Investor[®] Sentiment
and Recommended
Communication Strategies

OUTPERFORMANCE
BUILT ON TRUST[™]

Following the publication of our **Q1'24 Earnings Primer**[®] and subsequent earnings season, we interviewed 27 REIT investors and analysts, whose firms collectively manage \$1.8 trillion equity assets under management.

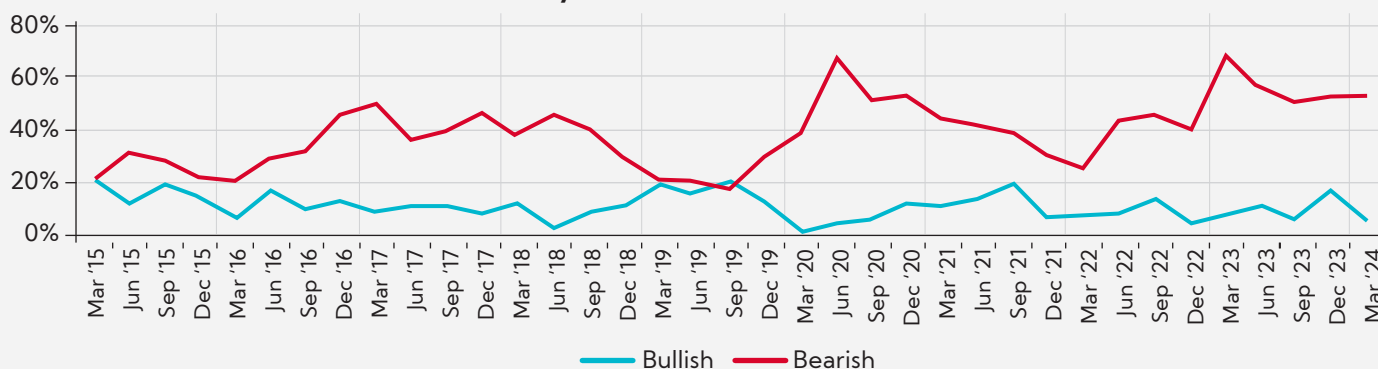
In this REIT Sector Spotlight, we cover **investor sentiment on Retail, Multifamily, and Office**, as well as recommended communication strategies to differentiate your company as an investment and attract both REIT and generalist investors. **Are REITs at an inflection point and poised to stand out more favorably in the current economic backdrop and interest rate environment?**

Sector Spotlight: REITs

In the last decade of Corbin's quarterly **Inside the Buy-Side®** survey that tracks investor sentiment toward REITs, the sector has been challenged relative to others, with 25 out of 27 quarters seeing more REIT bears than bulls, and the most recent quarter seeing the third highest percentage of bears relative to bulls in survey history¹. The last time we captured more REIT bulls than bears was in 2019, when slowing economic growth led to more investors looking toward REITs as a safe haven.

Following a challenging operating environment in the early 2020s driven by the COVID-19 onset, and subsequent interest rate hikes for the last two years, REITs are poised to attract more investment in the back half of 2024. The prospect of slower economic growth, relative interest rate stability, and improved company fundamentals and balance sheets may usher in increased opportunity for REITs to stand out in 2024 and into 2025.

Inside The Buy-Side® Investor Sentiment: REIT Sector



As it relates to REIT industry sentiment:



- **Retail:** **Bullish** to **Neutral** views driven by "cheap" valuations and relative stability and predictability in leases; malls remain highly out of favor while views on outdoor shopping centers are generally favorable

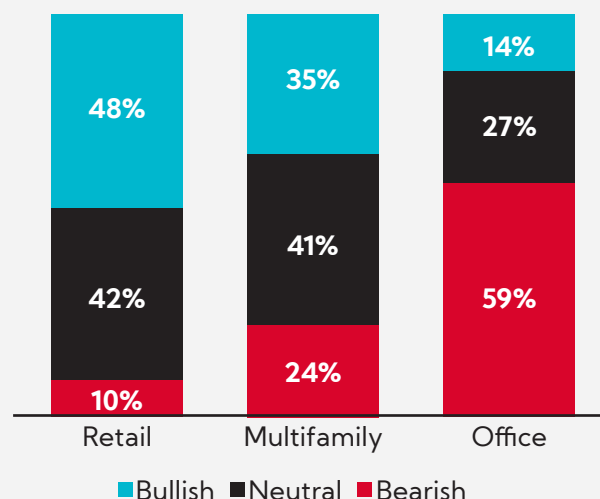


- **Multifamily:** **Neutral** to **Bullish** sentiment driven by supply concerns and preference for certain geographies



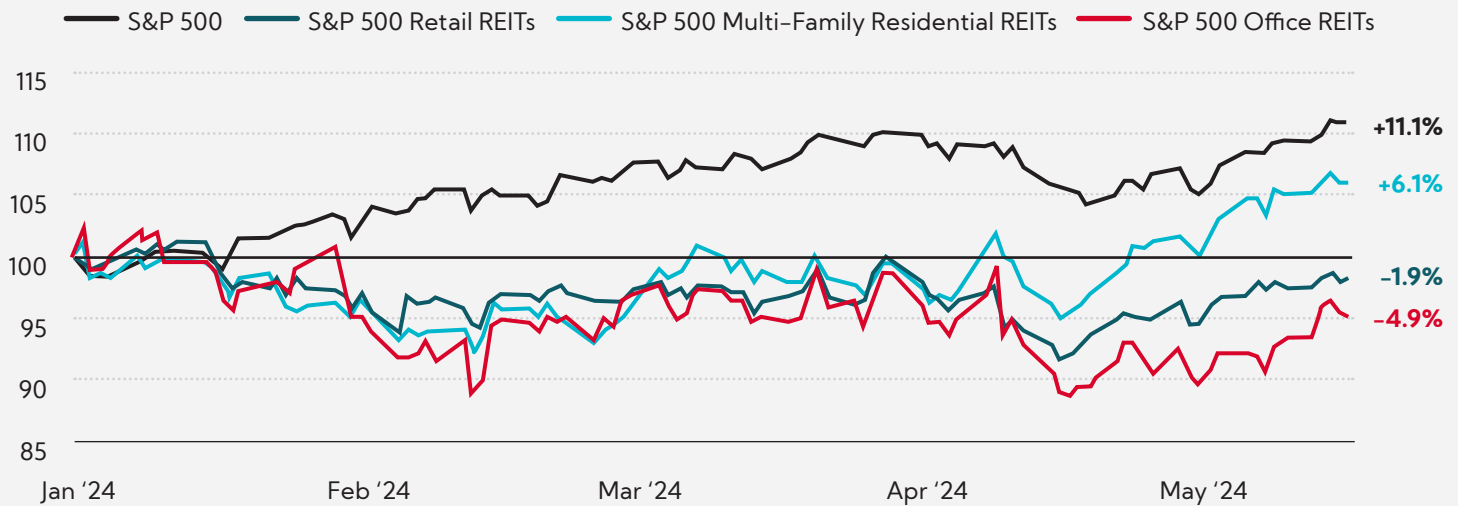
- **Office:** Continued **Bearish** sentiment, driven by fundamental headwinds and record-high vacancies amid the long-term secular trend of hybrid work

REIT Industry Sentiment



¹ Inside The Buy-Side® launched in 2007; REIT sector sentiment commenced in 2015.

Indexed Price Performance, YTD



Retail

"With **malls, big box, and outlets**, I am slightly negative. I am slightly positive on strip malls and anchors."

"There is **more stability and predictability in retail leases**."

"We are **positive on strip centers**. They have turned a corner in terms of operations. The market is a little skeptical toward retail, so it also makes valuations attractive. **We are more bullish on retail than we are on office**."

"I am a little **more positive about this space**. In the last couple of years, the retail space has performed very well in terms of the **strip centers, but not the malls**. The consumer in the U. S. showed **high resilience** and the strip centers benefited from it. The portfolios are relatively high quality and debt maturities are well managed, but I am still bearish."

"We are **cautious on retail**. We came underweight on the retail REITs mostly because of concerns of the consumer but it has not panned out. It has been amazingly resilient. **Given the interest rate environment and stretched consumer balance sheets, the weakening consumer is not great for the retail REITs**."

Multifamily

"I am cautious near term because of oversupply and medium long-term positive because of a general housing shortage in the country."

"We are negative on Sunbelt but positive on the single-family rental within that setup in manufactured housing."

"It depends on the region. Generally, there is a lot of supply coming and we expect rents to come down even more from where they were in the past year. I am more bearish for the Sunbelt and less so for the coastal area."

"My general sentiment is positive. The country is undersupplied from a residential perspective and there are affordability concerns to purchase."

"From a stock perspective, we are more positive but from a fundamental perspective, we are negative. In terms of the fundamentals for the next 12 months, apartments are going to be bad given the supply."

"Our sentiment is bearish because there is too much supply."

Office

"There are fundamental headwinds, such as shorter leases, concessions, free rent, and tenant improvement, which resulted from the long-term trend toward hybrid work. In terms of the financing environment overall, banks do not want to lend against office properties as much and those who have debt coming due will have to refinance at higher rates."

"We are cautious. Many who follow the space closely are looking for signs of things bottoming in the market fundamentals, but from our seat, there has been so little visibility around that and the data points have not been consistent enough. Overall, **it is likely going to take multiple years to resolve the issues going on. Late last year, we did push out our expectations for recovery beyond 2024."**

"Vacancies are high and rent growth is non-existent. Tenant incentives are very high, but we have it all priced in. If you look at where share prices trade versus what we think the office REITs are intrinsically worth, then share prices are in the right ballpark on our estimates."

"There was a run-up in prices at the end of the year but there are still record-high vacancies, and rents are still in a tough position. There are leasing volumes that are well below pre-pandemic levels, so **it is not quite as exciting as some of the share price moves at the end of the year indicated."**

THE *Big* SO WHAT™

With REIT fundamentals on better footing and the potential for an inflection point in sentiment, companies have the opportunity to control their narratives and leverage strategic communication to rise above the pack as more investor eyes turn to the sector:

- Lead with a well-defined, **differentiated** investment thesis – the case for why to invest
- Highlight operating fundamental and financial strengths, including **balance sheet flexibility**
- Underscore access to **capital advantage** that will enable growth and execution against strategic goals; detail sources and uses
- Emphasize any resilient and defensive characteristics, including **portfolio diversity, tenant quality, property type, and geographic positioning** as well as **high barriers to entry, operational excellence, and digital**
- Outline capabilities, including **strength or emerging strength in development and redevelopment**
- Highlight **structural tailwinds** and path to capture opportunity



Let Corbin help you cut through the noise and develop a differentiated investment thesis that serves to educate and capture investor mindshare.



Contact us today:

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