

REAL ESTATE

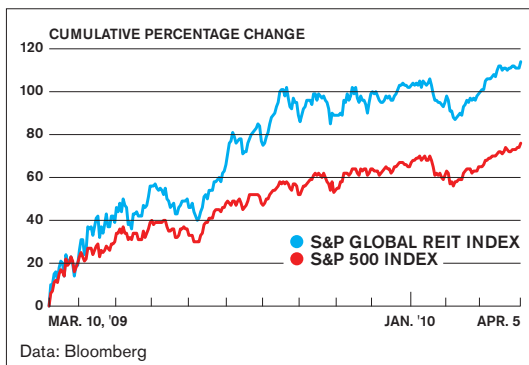
RIDING THE REIT REBOUND

By Tara Kalwarski

It's hard to believe that any asset class could top the 76% runup in equities since the stock market bottomed last March, but real estate investment trusts have done just that. Since Mar. 9, 2009, the S&P Global REIT Index has climbed 114%. In the U.S., the 14 REITs in the S&P 500 are up 140%. "A year and a half ago, people were saying that the REIT industry is going to disappear," says Howard Roth, global leader of real estate at Ernst & Young. Now, even after posting such gains, the industry

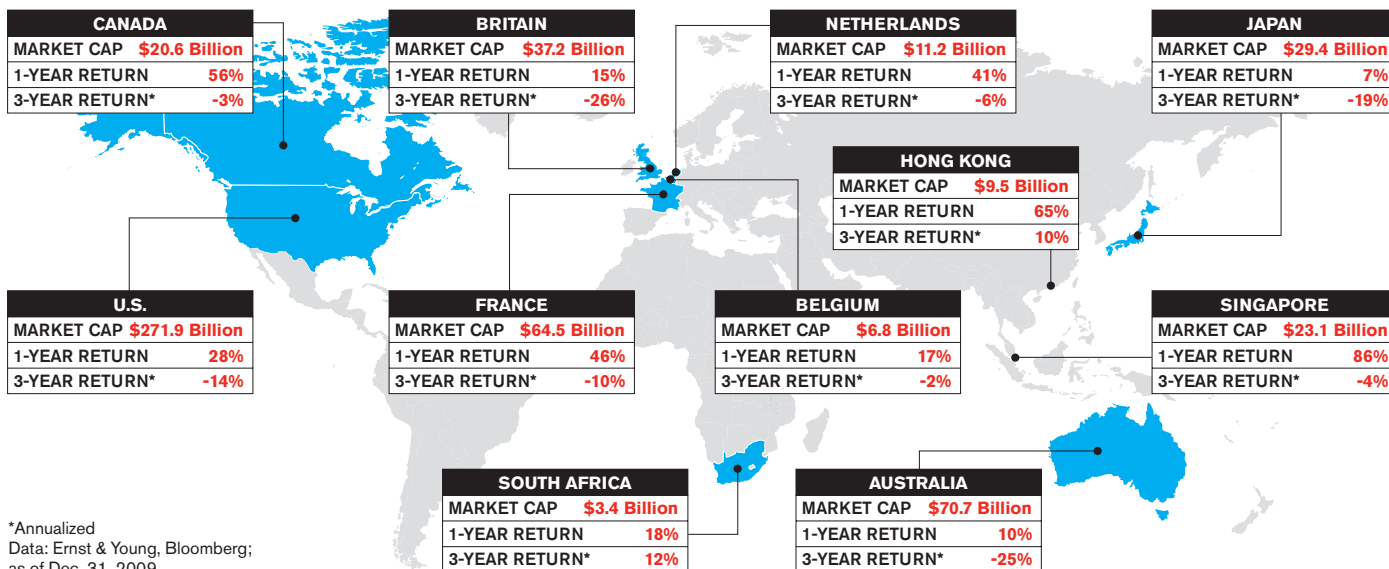
is in recovery mode, says Roth. He points out that most REIT markets around the world remain well below their peaks in 2007 or earlier. "With only a couple of exceptions and against all odds, REITs have survived and are on the way up," according to an E&Y report that Roth co-authored. Although there may be speed bumps ahead—real estate fundamentals vary widely depending on market and property types—many REITs have full coffers they can use "as a cushion and as a war chest," says Roth.

To get diversified REIT exposure, investors can choose from a number of exchange-traded funds. And real estate mutual funds, most of which have big REIT stakes, gained an average 87% in 2009's rally, the second-best showing among all fund categories, according to Morningstar analyst Andrew Gogerty. Much of that performance, as well as any continued rise, he says, can be attributed to a REIT's "ability to gain access to capital and repair [its] balance sheet." ^



REITs AROUND THE WORLD

The U.S. boasts the biggest REIT market by a long shot. The industry is still in its infancy in other countries.



FINDING TERRA FIRMA IN ETFs

Real estate exchange-traded funds are a cheap way for retail investors to get exposure to real estate investment trusts.

PROPERTY TYPE

REAL ESTATE ETFS/TICKER	YEAR-TO-DATE RETURN*
iShares FTSE NAREIT Retail Capped/RTL	14.4%
iShares FTSE NAREIT Residential Plus Capped/REZ	8.5
iShares FTSE NAREIT Industrial/Office Capped/FIO	6.7
iShares FTSE NAREIT Mortgage Plus Capped/REM	4.8

GLOBAL/FOREIGN FOCUS

SPDR Dow Jones Global Real Estate/RWO	4.8%
Cohen & Steers Global Realty Majors/GRI	4
iShares S&P Developed Ex-U.S. Property/WPS	1.5
SPDR Dow Jones International Real Estate/RWX	1
iShares FTSE EPRA/NAREIT Developed Asia/IFAS	1
WisdomTree International Real Estate/DRW	0.7
Claymore/AlphaShares China Real Estate/TAO	-0.1
iShares FTSE EPRA/NAREIT Dev. Europe/IFEU	-0.7

U.S. FOCUS

iShares Cohen & Steers Realty Majors/ICF	10%
Vanguard REIT/VNO	9.9
First Trust S&P REIT/FRI	9.9
SPDR Dow Jones REIT/RWR	9.9
iShares Dow Jones U.S. Real Estate/IYR	9.5
iShares FTSE EPRA/NAREIT North America/IFNA	9.2
Powershares Active U.S. Real Estate/PSR	8.6
iShares FTSE NAREIT Real Estate 50/FTY	8.1

Data: Bloomberg, Morningstar

*As of Mar. 3

HOT PROPERTIES

These eight REITs are among the most widely traded in the industry. Five have beaten the S&P 500 REIT Index's 117% one-year gain.

MOST WIDELY TRADED U.S. REITs*

COMPANY/TICKER	PRICE	1-YEAR RETURN	3-YEAR RETURN
Annaly Capital Management/NLY	\$17.34	48%	18%
Chimera Investment/CIM	3.91	33	N.A.
Host Hotels & Resorts/HST	14.81	288	-14
ProLogis/PLD	13.43	117	-37
General Growth Properties/GGP	15.95	2401	-35
Developers Diversified Realty/DDR	12.30	495	-37
Kimco Realty/KIM	15.74	138	-27
MFA Financial/MFA	7.41	46	11

*As of Apr. 1; based on average 30-day trading volume; 3-year return is annualized; N.A. = not available
Data: Bloomberg

FUNDS RICH IN REITs

The six real estate mutual funds below all boast top Morningstar ratings. The pie charts indicate the percentage of holdings currently invested in real estate investment trusts.

PRINCIPAL INVESTORS REAL ESTATE SECURITIES/PRRAX
1-YEAR RETURN: 101%
3-YEAR RETURN: -9%

Right now, REITs make up about **98%**. Since its inception at the end of 1997, this fund has returned 8% a year, on average.

FIRST AMERICAN REAL ESTATE SECURITIES/FREAX
1-YEAR RETURN: 107%
3-YEAR RETURN: -8%

REITs account for more than **94%** of the portfolio, including 10% in Simon Property Group and 4% in Vornado Realty Trust.

NEUBERGER BERMAN REAL ESTATE/NBRFX
1-YEAR RETURN: 115%
3-YEAR RETURN: -7%

Almost **89%** of total assets are in REITs, and the 38 holdings in this fund have a median market cap of \$5.1 billion.

AIM SELECT REAL ESTATE INCOME/ASRAX
1-YEAR RETURN: 72%
3-YEAR RETURN: -6%

REITs make up about **80%** of holdings, but this fund can also buy debt issued by companies in the real estate industry.

CGM REALTY /CGMRX
1-YEAR RETURN: 113%
3-YEAR RETURN: 2%

Some **67%** of this fund's portfolio is in REITs, and at 0.93%, its expense ratio is the cheapest among top-rated real estate funds.

FIDELITY REAL ESTATE INCOME/FRIFX
1-YEAR RETURN: 57%
3-YEAR RETURN: 0%

In addition to its **61%** stake in REITs, this fund also owns commercial mortgage-backed securities and homebuilder stocks.

As of Apr. 1; 3-yr. return is annualized Data: Bloomberg, Morningstar