

Contents

Introduction	xi
Acknowledgments	xv

Part I Meet the REIT

Chapter 1	REITs: What They Are and How They Work	3
	Types of REITs	5
	General Investment Characteristics	6
	Higher Current Returns	11
	Summary	17
Chapter 2	REITs versus Competitive Investments	19
	Bonds	20
	Convertible Bonds	22
	Preferred Stocks	23
	Other High-Yielding Equities	24
	Other Real Estate Investment Vehicles	26
	Summary	31
Chapter 3	Today's REITs	33
	The First REIT	33
	The Tax Reform Act of 1986	34
	UPREITs and DownREITs	35
	REIT Modernization Act and RIDEA	37
	Lending REITs versus Ownership REITs	39

Expansion of REIT Property Sector Offerings	40
Summary	41

Chapter 4	Property Sectors and Their Cycles	43
	<i>Ups and Downs</i>	45
	<i>Property Sectors</i>	49
	<i>Summary</i>	87

Part II History and Mythology

Chapter 5	REITs: Mysteries and Myths	91
	<i>Changing Attitudes toward REITs</i>	91
	<i>Myths about REITs</i>	97
	<i>Summary</i>	108

Chapter 6	A History of REITs and REIT Performance	109
	<i>The 1960s: Infancy</i>	109
	<i>The 1970s: Adolescence and Turbulence</i>	111
	<i>The 1980s: Overbuilding—The Troll Under the Bridge</i>	113
	<i>The 1990s: The Modern REIT Era—Plus More Growing Pains</i>	115
	<i>2000 to 2007: Credibility and Market Acceptance</i>	124
	<i>2007 through 2010: REITs Survive the Great Recession</i>	127
	<i>Recent Trends</i>	134
	<i>Summary</i>	139

Part III Investing Intelligently in REITs

Chapter 7	REITs: Growth and Value Creation	143
	<i>The Significance of FFO and AFFO</i>	144
	<i>The Dynamics of FFO/AFFO Growth</i>	149
	<i>Internal Growth</i>	152
	<i>How to Build Internal Growth into a Lease</i>	157
	<i>Other Ways to Generate Internal Growth and to Create Shareholder Value</i>	158
	<i>External Growth</i>	163
	<i>More External Growth Avenues</i>	172
	<i>Summary</i>	173

Chapter 8	Searching for Blue Chips	175
	Investment Styles	175
	Growth REITs	176
	Value or “Turnaround” REITs	178
	Bond-Proxy REITs	179
	The Virtues of Blue-Chip REITs	180
	The Importance of Allocating Capital Wisely	190
	Summary	212
Chapter 9	The Quest for Investment Value	215
	The Investor’s Dilemma: Buy-and-Hold versus Trading	215
	The Buy-and-Hold Strategy	217
	REIT Stock Valuation	218
	Valuing REITs as a Group	231
	Summary	237
Chapter 10	Building a REIT Portfolio	239
	How Much of a Good Thing Do You Want?	239
	Diversification among REITs	245
	Toward a Well-Balanced Portfolio	248
	How to Get Started	251
	Summary	259
Chapter 11	Investing in Global REITs and Property Companies	261
	How the U.S. REIT Revolution Spread around the Globe	264
	Mapping the Size of Global Property Stock Markets	274
	Managing a Global Real Estate Securities Portfolio	284
	The Practicalities of Investing Overseas for the Individual Investor	287
	A Summary: Stocks for All Investment Seasons	298
	The Long-Term Evidence Supporting Investments in Global Real Estate Securities	300

Part IV Risks and Future Prospects

Chapter 12	What Can Go Wrong?	309
	Issues Affecting All REITs	309

Problems Affecting Individual REITs	323
Summary	333
Chapter 13 Tea Leaves: Some Thoughts about the Future	335
Additional Real Estate Owners Will “REITize”	337
Increasing Investor Demand for REITs	344
Larger REITs: Is Bigger Really Better?	353
Additional New Trends	360
So Much More to Come	366
Summary	367
Appendix A Death and Taxes	369
Appendix B Case Study: FFO, AFFO, FAD, and CAD	373
Appendix C Cost of Equity Capital	377
Appendix D REIT Portfolio Management	381
Appendix E Largest Global Real Estate Companies as of December 2010	391
Glossary	413
About the Author	423
About the Contributors	425
Steven D. Burton	425
Kenneth D. Campbell	425
Index	427