

REITs: Real Estate Investment Trusts

Seeking Higher Yields for a DGI Portfolio

OLLI Investment Forum
March 20, 2019

Bob Baker

Agenda

- Investment Profile and Goals
- What is a REIT
- Types of REITs
- Benefits, Performance and Risks
- Evaluating REITs: Valuation Metrics
- Qualifying REITs: Use of Screeners
- Some popular, higher yielding, relatively Safe REITs
- OLLI Investment Forum REIT (Play) Portfolio
- Real Estate Funds/ETFs vs Investment Forum REIT
- Conclusion
- REIT Resources
- Considerations for RMDs from Dividends

Investment Profile and Goals

- Then: Growth focus (with DRIP), Risk Tolerant, Index and ETFs
- Now: Income focus (cash, no DRIP), <Conservative, Systematic
- Goals in Retirement:
 - Gain knowledge; implement strategies; learn from mistakes; repeat
 - Build and manage a diversified Dividend Growth Income (DGI) portfolio
 - Create a growing income stream to cover annual RMD obligations with minimal liquidation of equities for as long as possible
 - Excess dividends selectively reinvested in value-based equities (new or existing) to continually grow the “dividend engine”
- Systematic use of a refined workflow, resources and tools for:
 - Identifying equities for watch-listing and investing (i.e., new position, adding to, or shaving shares)
 - Evaluating high-growth holdings (>50% profit) for cash redeployment (using the “Benner Theorem” and the “Baker Corollary”)

A Few Caveats

- Investment approach easily applies to tax-deferred accounts (IRA, SEP, 401K, 403B) – since focus is on cash dividends to pay annual RMDs with no tax consideration from selling any holdings
- I consider myself an *active* investor: I do *trade for the long term* – I do *not day-trade*
- By choice, personal workflow has become somewhat of a ritual activity (practice, learning, doing)
- Daily monitoring the market, sectors, and specific equities – with plenty of time for other activities and interests.
(You have to enjoy this!)
- *iPhone, tablet, notebook, desktop computers* are the “*toolkit*”
- Due diligence, market “presence”, buying and selling equities are and have been done from *anywhere at any time*.

What's a REIT

- A REIT (*pronounced REET*), is a company that owns, operates or finances income-producing real estate. Modeled after mutual funds, REITs historically have provided investors of all types regular income streams, diversification and long-term capital appreciation.
- An estimated 80 million Americans own REITs through their retirement savings and other investment funds.
- Stock exchange-listed REITs paid out approximately \$58 billion in dividends during 2017.
- U.S. REITS have an equity market capitalization > \$1 trillion.
- REIT dividends are substantial because they are required to distribute at least 90 percent of their taxable income to their shareholders annually, and tend to be among those companies paying the highest dividends.

What's a REIT (cont.)

- Created by Congress in the 1960s as “pass-through” entities, to make it easier for retail investors to participate in America’s real estate market.
- REITs are required to earn at least 75% of their income from rental properties or investments in real estate.
 - Must pay out 90% of profits as unqualified dividends to investors
 - As long as they meet these requirements, REITs pay no corporate taxes

Factor	Corporations	REITs
Diversification	Low to High	Low
Yield	Low to Medium	Medium to High
Volatility	Medium to High	Low to Medium
Type Of Dividend	Qualified	Unqualified
Dividend Tax Treatment	Long-Term Cap Gain	Regular Income
IRA/401K Suitability	Yes	Yes
Tax Form	1099	1099
Retain Earnings/Internally Funded	Yes	No
Pass Through	No	Yes
Share Counts Over Time	Generally Flat or Declining	Rising

Types of REITs

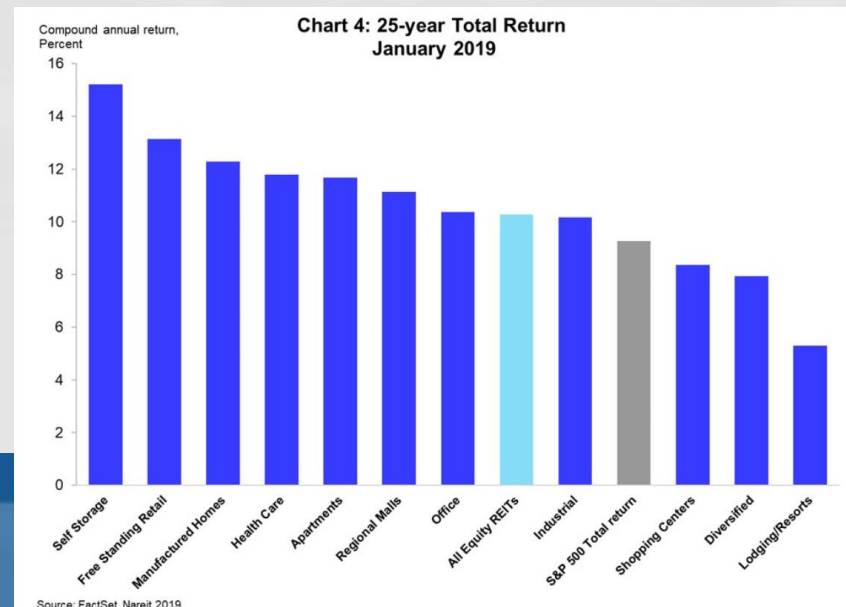
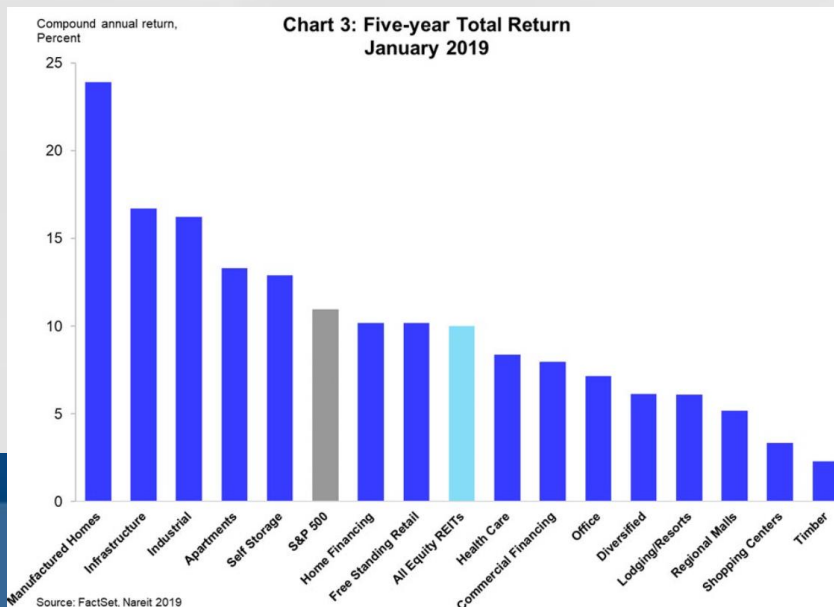
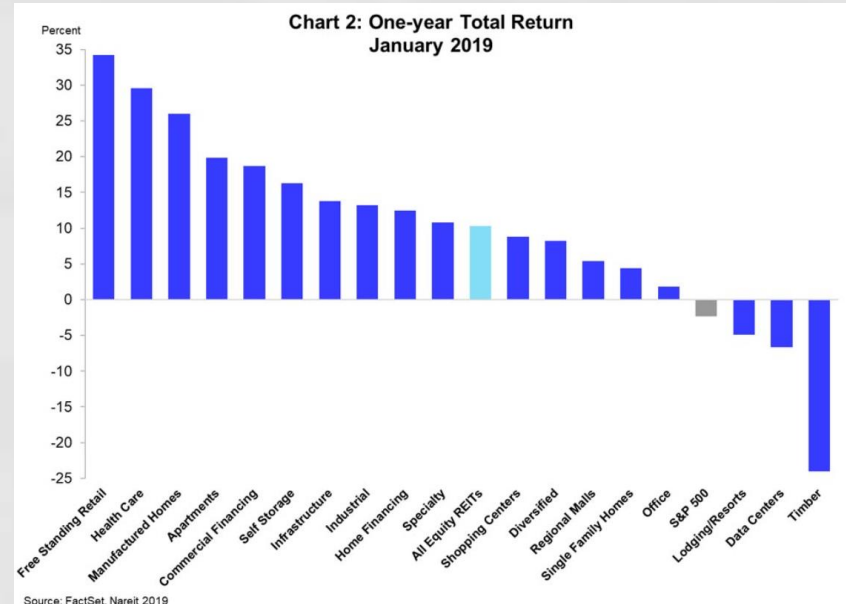
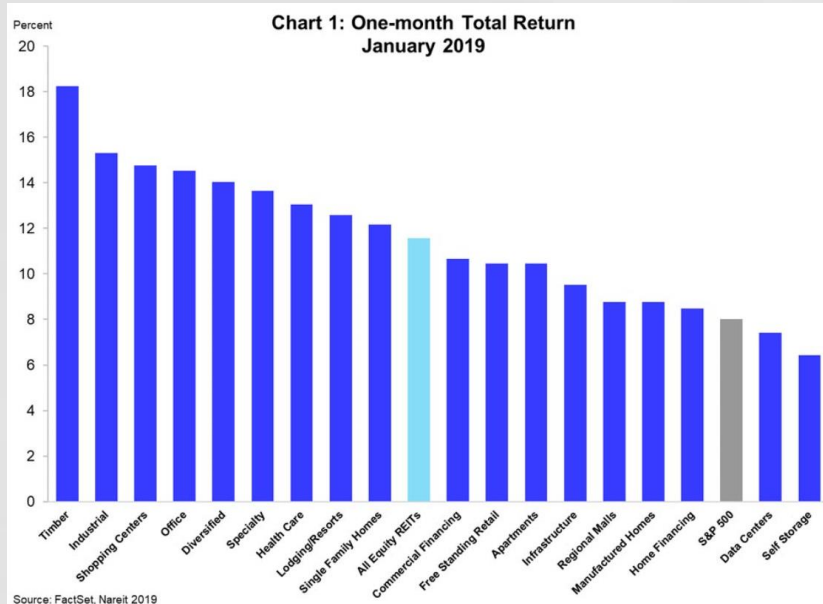
- There are over 200 publicly listed REITs that operate across various industries:

Office	Student Housing
Industrial	Hotels
Shopping Center	Triple Net Lease Retail
Malls	Manufactured Homes
Single Family Units (rental)	Storage
Apartments	Timber
Medical	Infrastructure
Data Centers	Mortgage REITs (mREIT)
Specialty	Diversified

Benefits, Performance and Risks of REITs

- “Average Annual Return for a Long Term Investment in the Real Estate Sector” (*Investopedia, March 14, 2019*)
 - Average **20-year** returns . . . REITs perform best, with an **average annual return of 11.8%**
 - The S&P 500 Index's average annual return over the past 20 years is approximately **8.6%**. By any measurement, the real estate sector has outperformed the overall market, even factoring in the drastic collapse in housing prices during the 2008 financial crisis
 - REITs have established a reputation for offering investors **liquidity, diversification** and **good overall investment returns**
 - REITs are required to distribute 90% of their taxable income to shareholders annually, and not pay corporate taxes. Result is clearly a benefit: **many of the >200 REITs offer high dividend yields > 5%+**
- Risk for investing in REITs (or any dividend paying equity) is that the company will eliminate or cut dividends to shareholders (recent examples/experiences: GE, Xerox, CBL, Kraft-Heinz)

“REIT Property Sectors: Total Return and Diversification Over Short- and Longterm Horizons” (Nareit Market Commentary 2/14/19)



Evaluating REITs: Valuation Metrics

Dividend Safety	Safety ratings that factor in numerous REIT-based fundamentals that influence a company's ability to continue to pay and increase dividends.
Dividend Yield	REITs must distribute 90% of their earnings to shareholders through dividends. Valuation is often seen as current yield vs 5 year average.
Dividend Growth	Periodic increase (as a percentage) of dividends paid to shareholders.
Adjusted FFO Payout Ratio	Percentage of AFFO (similar to FCF for REITs) paid out as a dividend. Preference is to see AFFO payout ratio < 90%. Rising payout ratio means dividend is growing faster than cash flow or cash flow is declining.
Forward P/AFFO Ratio	Similar to P/E ratio used to assess the value of a corporation
Adjusted FFO Per Share	Adjusted net income for various non-cash charges, maintenance costs, and other items to approximate FCF for REITs. The best REITs increase their earning power over time to help fuel dividend growth and stock price appreciation.
Adjusted FFO Per Share Growth	Rising AFFO is needed to drive a REIT's stock price higher and support dividend growth over time.
Sales Growth	Important driver of cash flow growth over time. REIT revenue is largely driven by property expansion, rental income, and occupancy. Preference for steady, moderate growth



Evaluating REITs: Valuation Metrics (cont.)

Total Sales (Billions)	Healthy REIT grows its total sales over the long term; larger revenue base is key to driving sustainable long-term earnings growth and dividends.
Return on Equity	Measures how many dollars of profit a company earns for every dollar shareholders have invested in the firm.
Return on Invested Capital	Divides a firm's profits by the money both equity and debt holders have given the company to gauge management's capital allocation skill.
Operating Margin	A measure of profitability that divides operating income (what's left after a company deducts its cost of goods sold and operating expenses) by total sales.
Net Debt to EBITDA	Indicates how many years of EBITDA (proxy for cash flow) a company would need to pay off all its debt, net of cash on hand. If leverage rises too high, a company might cut its dividend to free up cash flow for debt reduction.
Net Debt to Capital	The proportion of a company's financing that is from debt (net of cash) rather than equity. Companies with a high dependence on debt to fund their operations can be more likely to run into trouble if business conditions weaken.
Interest Coverage	Divides operating income by interest expenses to gauge how easily a firm can meet its interest obligations. If REIT has significant debt, interest can consume most of its cash flow and potentially cut the dividend.



Qualifying REITs: Use of Screeners

- Demo using live (online) SSD Screener
- Identify “Winner” and “Loser” REITs through Filters & Metrics

Screener [Reset Screener to the default filters](#)

Show companies that match these filters:

Dividend Yield ×
 > 3.0%

Payout Ratio ×
 Very low, Low, Edging high, or High

Beta ×
 Very Low, Low, or Average

5-Year Dividend Growth ×
 Any rate

Timeliness ×
 Undervalued, Reasonably Valued, or Overvalued

Sector ×
 1 shown

Dividend Growth ×
 Any rate most recently

Dividend Safety ×
 > 40 (borderline safe or higher)

Market Cap ×
 Mega Caps, Large Caps, and Mid Caps

[Add a filter](#)

38 companies match Columns ▼ [Export](#)

Name	Market Cap	Timeliness	Dividend Yield	Dividend Safety	Dividend Growth	5-Year Dividend Growth	20-Year Dividend Growth	Payout Ratio
HPT • Real Estate Hospitality Properties Trust Hospitality Properties Trust is a real estate investment trust, or REIT,...	\$4.29 billion Mid Cap	May be undervalued HPT's dividend yield is 13% above its 5-year average	8.13% 	<div style="border: 1px solid #ccc; padding: 2px; text-align: center;">43</div> Borderline	2% last year Very Slow 	2% Very Slow	-1% Very Slow	61% Low for hotel REITs
OHI • Real Estate Omega Healthcare Investors Omega is a real estate investment trust that invests in the long-term... Research	\$7.33 billion Mid Cap	Looks reasonably valued OHI's dividend yield is 3% above its 5-year average	7.36% 	<div style="border: 1px solid #ccc; padding: 2px; text-align: center;">47</div> Borderline	2% last year Very Slow 	7% Average	-0% Very Slow	98% High for senior living REITs
APLE • Real Estate Apple Hospitality REIT Apple Hospitality REIT, Inc. (NYSE: APLE) is a publicly traded real estate... Research	\$3.67 billion Mid Cap	May be undervalued APLE's dividend yield is 14% above its 5-year average	7.31% 	<div style="border: 1px solid #ccc; padding: 2px; text-align: center;">42</div> Borderline	0% last year Very Slow 	-6% Very Slow	-6% Very Slow	70% Edging high for hotel REITs
IRM • Real Estate Iron Mountain Incorporated Iron Mountain Incorporated (NYSE: IRM), founded in 1951, is the global leader... Research	\$9.97 billion Mid Cap	May be undervalued IRM's dividend yield is 15% above its 5-year average	7.02% 	<div style="border: 1px solid #ccc; padding: 2px; text-align: center;">52</div> Borderline	6% last year Average 	17% Very Fast	17% Very Fast	78% Low for REITs
KIM • Real Estate Kimco Realty Corporation	\$7.39 billion Mid Cap	May be undervalued KIM's dividend yield is 55% above its 5-year average	6.39% 	<div style="border: 1px solid #ccc; padding: 2px; text-align: center;">46</div> Borderline	3% last year Very Slow 	6% Average	3% Very Slow	77% Low for REITs

A look at several higher yielding, relatively Safe REITs

- Iron Mountain, Inc. (IRM)
- Simon Property Group (SPG)
- Realty Income Corp. (O)
- Tanger Factory Outlet Centers (SKT)

Hypothetical OLLI Investment Forum REIT Portfolio

- 15 REITs
- ~\$550K investment budget (Monopoly money)
- Examine growth, effective dividend yield, safety, income and dividend growth

Iron Mountain, Inc. (IRM)

- Founded in 1951, IRM is the global leader for storage and information management services.
- Trusted by > 225,000 organizations around the world, and with a real estate network of > 85 million square feet across more than 1,400 facilities in over 50 countries
- Stores and protects billions of valued assets, including critical business information, highly sensitive data, and cultural and historical artifacts.
- Providing solutions for information management, digital transformation, secure storage, secure destruction, as well as data centers, cloud services and art storage and logistics
- Helps customers lower cost and risk, comply with regulations, recover from disaster, and enable digital transformation



Q4 and Full Year 2018 Financial Results

February 14, 2019



Strong organic total revenue growth and margin expansion in FY18

- Revenue up 10% and Adjusted EBITDA up 14%, both on a constant currency basis
- 100 bps and 120 bps expansion in Adjusted EBITDA margin for Q4 and FY18, respectively
- AFFO growth of 16%; improved payout ratio by 160bps to 78%

NYSE: IRM

Real Estate > Specialized REITs

Iron Mountain Incorporated

Dividend Yield

7.00%

5-Year Average



Dividend Safety

52

Borderline Safe



Dividend Growth

6% last year

Average



Price

\$34.93 ▲ 0.5%

Fri, Mar 15

Market Cap

\$10 billion

Large Cap

Beta (Volatility)

0.83

Average

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Dividend Growth

Last Year

6%

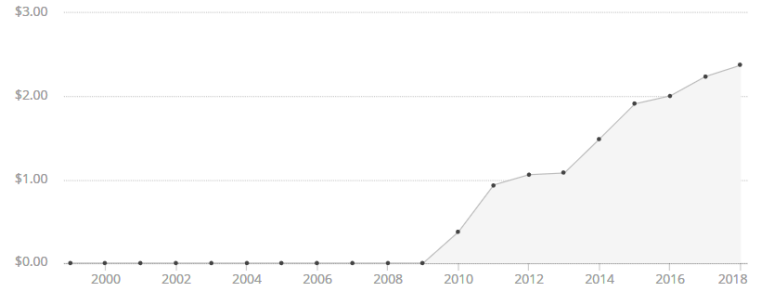
Average

Last 5 Years

17% per year

Very Fast

Annual Dividends Per Share



Dividend Growth Streak

8 years

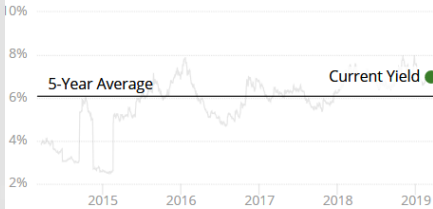
of consecutive increases

Uninterrupted Dividend Streak

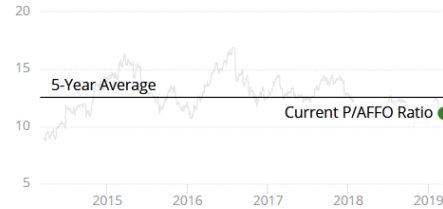
8 years

without a dividend cut

Dividend Yield



Forward P/AFFO Ratio



Sector P/AFFO Ratio Comparison

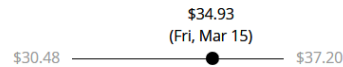
Iron Mountain Incorporated

11.2

Real Estate

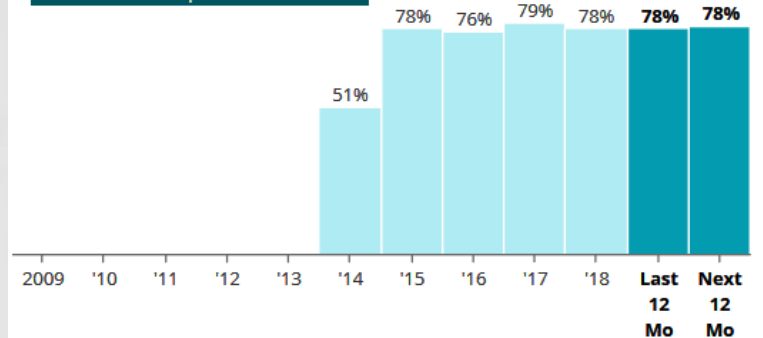
17.5

52-Week Price Range



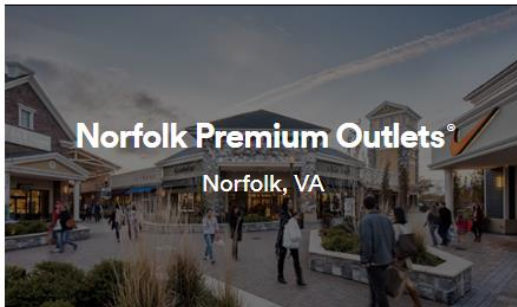
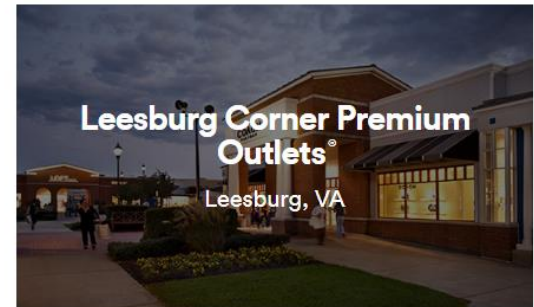
Adjusted FFO Payout Ratio

Below 90% is our preference for REITs



Simon Property Group (SPG)

- Simon is a global leader in the ownership of premier shopping, dining, entertainment and mixed-use destinations; SPG is the **only REIT** in the S&P 100 Index of mega cap companies)
- Properties across North America, Europe, and Asia provide community gathering places for millions of people every day and generate billions in annual sales
- SPG's recognizable names in VA



NYSE: SPG

Real Estate > Retail REITs

Simon Property Group

Dividend Yield

4.66%



Dividend Safety

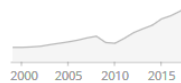
72

Safe

Dividend Growth

10% last year

Fast



Price

\$176.09 ▼ 2.1%

Fri, Mar 15

Market Cap

\$54.4 billion

Large Cap

Beta (Volatility)

0.53

Low

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Dividend Growth

Last Year

10%

Fast

Last 5 Years

11% per year

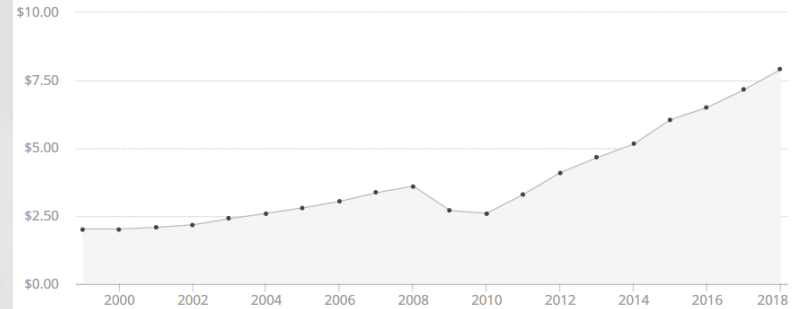
Fast

Last 20 Years

7% per year

Average

Annual Dividends Per Share



Dividend Growth Streak

8 years

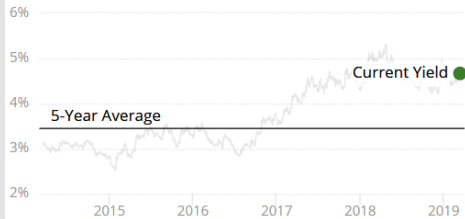
of consecutive increases

Uninterrupted Dividend Streak

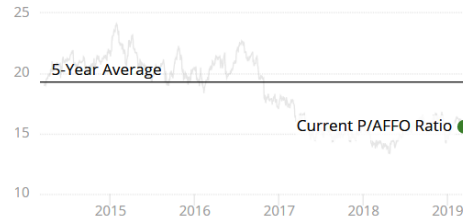
8 years

without a dividend cut

Dividend Yield



Forward P/AFFO Ratio



Sector P/AFFO Ratio Comparison

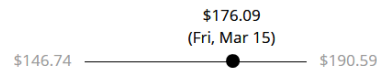
Simon Property Group

15.5

Real Estate

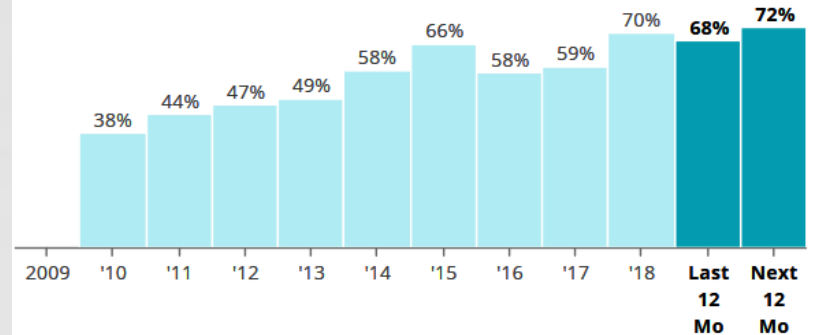
17.5

52-Week Price Range



Adjusted FFO Payout Ratio

Below 90% is our preference for REITs



Realty Income Corporation (O)

- Realty Income (O) was founded in 1969 and is one of the largest REITs in America. The company owns > 5,600 properties located in 49 states and leases its buildings to 260 commercial tenants in 48 diverse industries.
- O has begun diversifying into non-retail properties: offices (4% of rental revenue), industrial warehouses (12%), and farmland (2%).
- Retail properties still generate 81% of total rental revenue.
- **Top 20 tenants generate 54% of annualized rental revenue**



NYSE: O

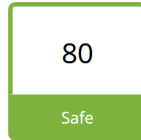
Real Estate > Retail REITs

Realty Income Corporation

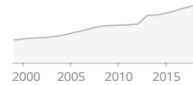
Dividend Yield
3.82%



Dividend Safety



Dividend Growth
4% last year
Slow



Price
\$71.01 ▼ 0.3%
Mon, Mar 18

Market Cap
\$21.6 billion
Large Cap

Beta (Volatility)
0.29
Very Low

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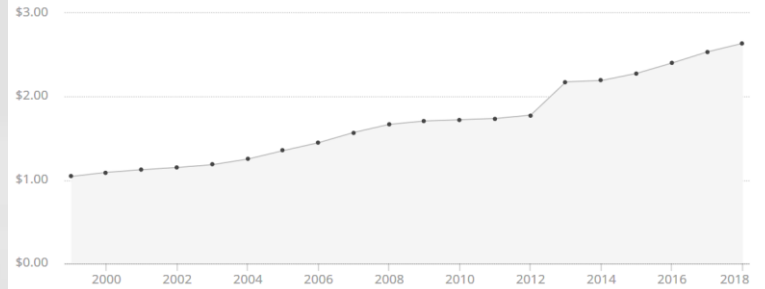
Dividend Growth

Last Year
4%
Slow

Last 5 Years
4% per year
Slow

Last 20 Years
5% per year
Average

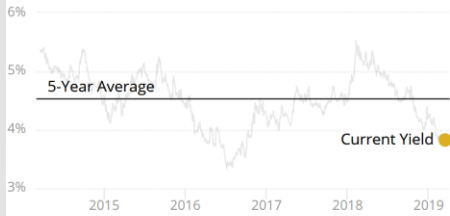
Annual Dividends Per Share



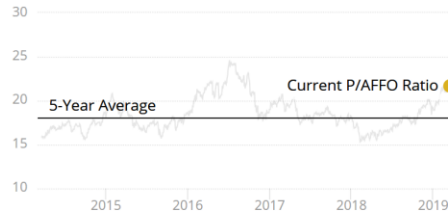
Dividend Growth Streak
26 years
of consecutive increases

Uninterrupted Dividend Streak
26+ years
without a dividend cut

Dividend Yield



Forward P/AFFO Ratio



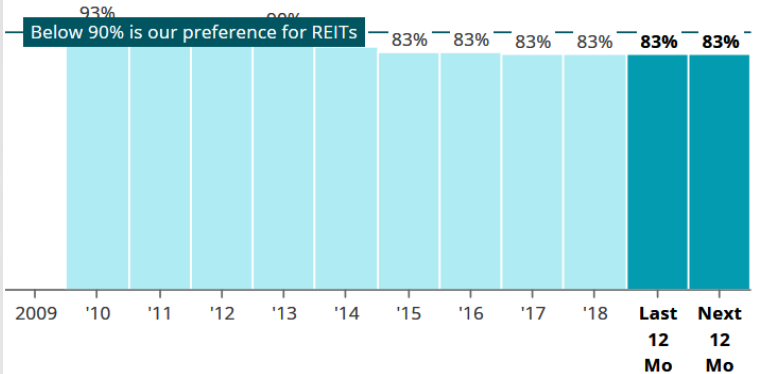
Sector P/AFFO Ratio Comparison

Realty Income Corporation	Real Estate
21.6	17.5

52-Week Price Range



Adjusted FFO Payout Ratio



Tanger Factory Outlet Centers (SKT)

- America's largest REIT specializing in discount outlet centers
- Founded in 1981, Tanger has grown to own or have 50% ownership stakes in 44 outlet centers in 22 states and Canada, with more than 15 million square feet of leasable retail space (over 20% of all outlet center space in the U.S.)
- Tanger leases its 3,100 premium store locations to over 500 high-end retailers, including Coach, Brooks Brothers, Michael Kors, and Ralph Lauren and others.
- No tenant accounts for more than 8% of Tanger's revenues
- 97% year end occupancy over full portfolio
- 5% revenue growth (source: 2017 Annual Report)
- Mid-Atlantic Outlets: National Harbor, Ocean City, MD; Rehoboth Beach, DE; Hershey, Lancaster, Pittsburgh, PA

Tanger Factory Outlets (cont.)

DIVIDEND GROWTH

SKT is a constituent of the S&P High Yield Dividend Aristocrat® Index. Tanger has increased its dividend each year and paid an all-cash dividend every quarter since its IPO.



*Represents dividends paid. Excludes the \$0.2100 per share special dividend paid on January 15, 2016.



NYSE: SKT

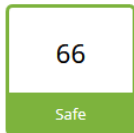
Real Estate > Retail REITs

Tanger Factory Outlet Centers

Dividend Yield
7.12%



Dividend Safety



Dividend Growth



Price
\$19.95 ▼ 1.1%
Mon, Mar 18

Market Cap
\$1.86 billion
Small Cap

Beta (Volatility)
0.70
Low

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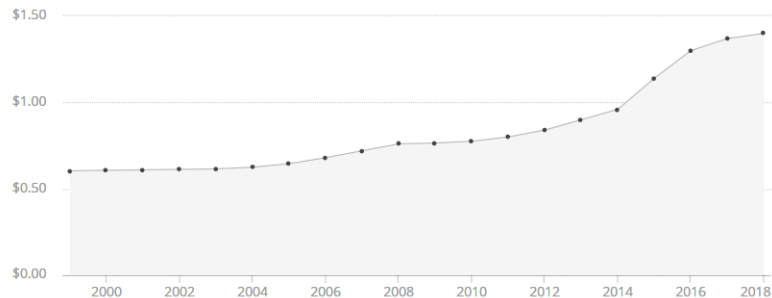
Dividend Growth

Last Year
2%
Very Slow

Last 5 Years
9% per year
Fast

Last 20 Years
4% per year
Slow

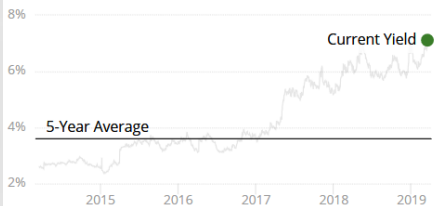
Annual Dividends Per Share



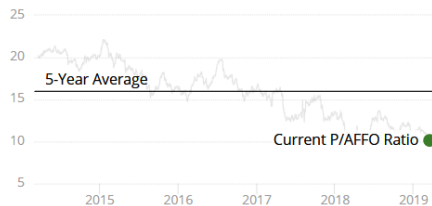
Dividend Growth Streak
25 years

Uninterrupted Dividend Streak
25+ years

Dividend Yield



Forward P/AFFO Ratio



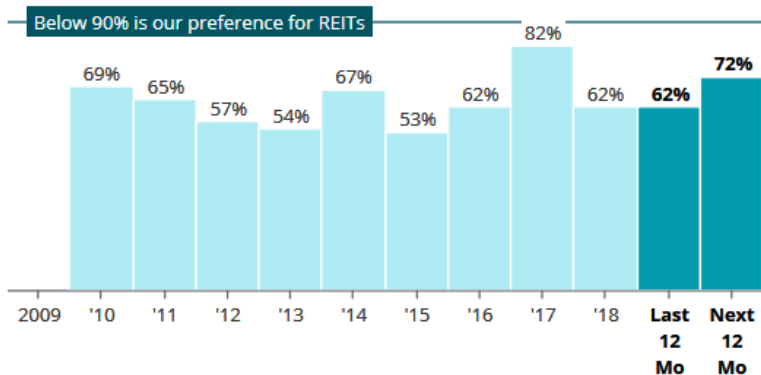
Sector P/AFFO Ratio Comparison

Tanger Factory Outlet Centers	Real Estate
10.1	17.4

52-Week Price Range



Adjusted FFO Payout Ratio



OLLI Investment Forum REIT (Play) Portfolio

- REIT Portfolio comprised of 15 REITs – built in late January with “*Monopoly Money*”
- Experiment: ~\$500K (actual \$550K) invested in diversified REITs with yields 3.6% - 11.8%
- Based on actual holdings and/or watchlist holdings at real or preferred cost per share
- Goal: assess growth, effective dividend yield, safety, income and dividend growth

REITs only -- OLLI Investment Forum [Edit...](#)

Income

Your annual income

\$34,033



Balance & Performance

\$629,421 ▼ 0.7%

Monday, Mar 18

Beta: 0.59 (Low)

Valuation

Your dividend yield

5.41%

SKT, KIM, INN, SPG, and 1 other could be timely holdings to add to.

Dividend Safety

Your income



- 9% may be unsafe
- 31% is borderline
- 61% is likely safe

Dividend Growth

Last 5 Years

7.7% per year



Diversification

Financials



Real Estate



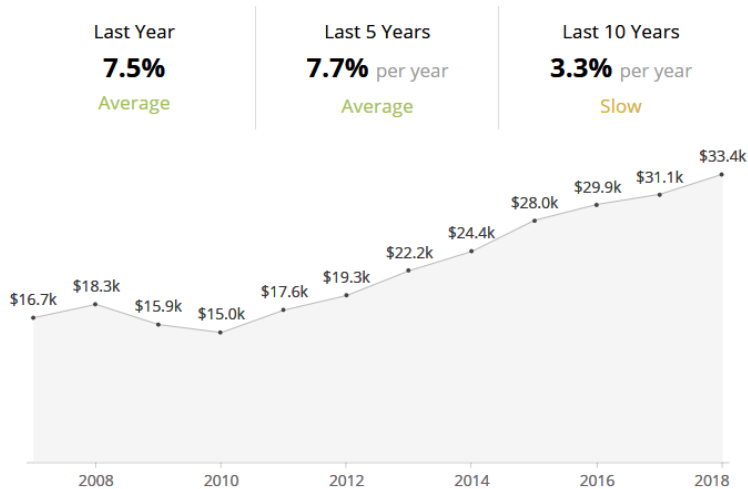
CCI	Crown Castle International	Largest provider of shared wireless infrastructure in the country.
EPR	EPR Properties	Entertainment, educational and experiential commercial real estate properties.
INN	Summit Hotel Properties	Upscale/premium branded hotels.
IRM	Iron Mountain, Inc.	One of the largest data storage centers in the world serving commercial, legal, banking, healthcare, accounting, insurance, entertainment, and government organizations to meet their information storage (and sensitive information destruction) needs.
KIM	Kimco Realty Corp.	One of North America's largest publicly traded owners and operators of open-air shopping centers primarily concentrated in major metropolitan markets along the coast
MAA	Mid-Atlantic Apartment Communities	Focus on ownership, management, acquisition, development and redevelopment of quality apartment communities in the Southeast, Southwest, and Mid-Atlantic regions of the US
NNN	National Retail Properties	One of America's oldest triple net lease REITs; follows a "sale-leaseback" model to buy a property from existing tenant and then rent the property back to the former owner under long-term contracts.
NRZ	New Residential Investment Corp.	A niche residential mortgage REIT, or mREIT; specializes in acquiring attractively priced, but higher-risk forms of loans including: Excess Mortgage Servicing Rights, Servicer Advances, Non-agency Residential Mortgage-Backed Securities, and Associated Call Rights.
O	Realty Income Corp.	One of the largest triple net lease REITs in America; owns more than 5,600 properties located in 49 states and leases its buildings to 260 commercial tenants operating in 48 diverse industries.
OHI	Omega Healthcare Investors	The largest U.S. skilled nursing facilities REIT, with over 900 properties rented to 67 operators across America and the United Kingdom (U.K.).
SKT	Tanger Factory Outlet Centers	America's largest REIT specializing in discount outlet centers.
SPG	Simon Property Group	America's largest mall owner, with interest in 235 properties across North America, Europe, and Asia.
VTR	Ventas	The second largest medical REIT in the country, with nearly 1,200 properties in the U.S., U.K., and Canada; portfolio consists primarily of seniors housing communities, medical office buildings, life science centers, and inpatient rehab and long-term acute care facilities.
WELL	Welltower	One of America's largest medical REITs; owns more than 1,600 properties across the U.S., Canada, and the U.K.; involved in every aspect of patient care, from hospitals and long-term skilled nursing facilities to senior assisted living communities and medical office buildings.
WPC	W.P. Carey	Helped to pioneer the triple net lease and sale-leaseback REIT business model; owns 890 properties located in 19 countries around the world, broadly diversified across tenants.

Ticker	Shares	Beta (Volatility)	Gain or Loss (%)	Dividend Yield	Dividend Safety
CCI Crown Castle Inte... Edit or Delete	300	0.42 Very Low	44.1%	3.61% 5-Year Average	61 Safe
EPR EPR Properties Edit or Delete	500	0.70 Low	14.0%	6.00% 5-Year Average	61 Safe
INN Summit Hotel Pro... Edit or Delete	3,000	1.39 High	0.4%	6.32% 5-Year Average	42 Borderline
IRM Iron Mountain Inc... Edit or Delete	750	0.83 Average	0.3%	7.02% 5-Year Average	52 Borderline
KIM Kimco Realty Corp... Edit or Delete	2,900	0.72 Low	5.3%	6.39% 5-Year Average	46 Borderline
MAA Mid-America Apar... Edit or Delete	195	0.47 Very Low	18.4%	3.60% 5-Year Average	92 Very Safe
NNN National Retail Pr... Edit or Delete	1,500	0.33 Very Low	31.5%	3.80% 5-Year Average	91 Very Safe
NRZ New Residential L... Edit or Delete	1,500	1.31 High	4.3%	11.80% 5-Year Average	17 Very Unsafe
O Realty Income Cor... Edit or Delete	1,100	0.29 Very Low	32.0%	3.82% 5-Year Average	80 Safe
OHI Omega Healthcar... Edit or Delete	1,200	0.54 Low	15.7%	7.36% 5-Year Average	47 Borderline
SKT Tanger Factory O... Edit or Delete	1,400	0.70 Low	-17.3%	7.12% 5-Year Average	66 Safe
SPG Simon Property G... Edit or Delete	300	0.53 Low	7.4%	4.70% 5-Year Average	72 Safe
VTR Ventas Edit or Delete	600	0.53 Low	2.7%	5.15% 5-Year Average	65 Safe
WELL Welltower Edit or Delete	600	0.44 Very Low	16.8%	4.59% 5-Year Average	69 Safe
WPC W. P. Carey Edit or Delete	450	0.72 Low	26.5%	5.37% 5-Year Average	62 Safe
Cash 50 Edit					
Totals	16,295	0.59	14.4%	5.41%	



Dividend Growth

Here's how your portfolio would've grown its income over the past decade, assuming dividends were withdrawn and not reinvested.



Balance & Performance

As of Monday, Mar 18

Portfolio Balance
\$629,421

Beta (Volatility)
0.59
Low

1-Day Change
▼ 0.7%
-\$4,355

Total Gain / Loss
▲ 14.4%
+\$79,348

Dividend Growth Potential

Here's how much you could earn in the future if your income grows at your five-year growth rate of 7.7% and you make no additional investments.

Current annual income \$34,033

Projected growth 7.7% per year

Based on your 5-year dividend growth rate

Annual income in 5 years \$49,232

In 10 years \$71,219

In 15 years \$103,026

In 20 years \$149,038

Your projected annual income

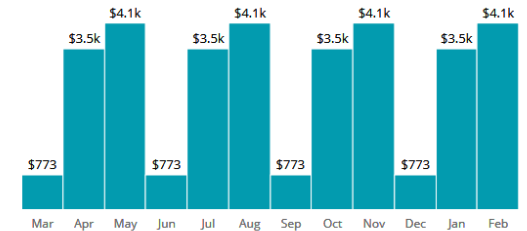
\$34,033

Upcoming Payments

Mar 29	Crown Castle Inter...	\$337.50
Apr 2	Iron Mountain Inco...	\$458.25
Apr 12	Ventas	\$475.50
Apr 15	Kimco Realty Corp...	\$812.00
Apr 15	Realty Income Cor...	\$248.60
May 15	Tanger Factory Out...	\$497.00

[See more...](#)

Monthly Breakdown



Real Estate Funds/ETFs vs Investment Forum REIT

- Below is a comparison of the hypothetical OLLI Investment Forum REIT portfolio versus several Real Estate Funds and ETFs mentioned in an email exchange on 2/24/19 with Messrs. Smuzynski, Crooker, Dann, Ruhl, Baker

Real Estate Fund / ETF	Div Yield (3/19/19)	Div Growth 1 year	Div Growth 5 years
Fidelity Real Estate Income Fund (FRIFX)	4.41%	-6%	-2% per year avg
iShares U.S. Real Estate ETF (IYR)	3.09%	-12%	2% per year avg
Vanguard Real Estate ETF (VNQ)	4.14%	0%	5% per year avg
T. Rowe Price Real Estate Fund (TRREX)	2.55%	-8%	8% per year avg
OLLI Investment Forum REIT	5.41%	7.5%	7.7% per year avg

- TAKE-AWAY: IF-THEN-ELSE**

IF: an investor will take some time to perform due diligence in finding higher-yield, safe, dividend growth REIT ETFs using valuation criteria, **THEN:** it's possible to outperform the broader real estate market mutual funds/ETFs. **ELSE:** investor should focus on brokerage real estate mutual funds/ETFs (also requires their due diligence).

Conclusion

- REIT sector can make a solid addition for any dividend growth income portfolio.
- REITs have proven to be a solid long-term asset class over time.
- REITs can be especially appealing for investors who seek high current income, dividend growth that can beat inflation, and stocks that provide unique portfolio diversification benefits.
- Select appropriate screening metrics to identify REITs at value for your portfolio.
- Focus on the most important metrics such as Safety, AFFO Payout Ratio, Forward P/AFFO Ratio, and AFFO Per Share Growth; and diversify your REITs to ride market cycles while enjoying safe, reliable, and growing dividends.
- Use your “toolkit” to find data for evaluating your candidate REITs.
- Buy good REITs that are “on sale,” buy partial positions, and average down.
- “Chasing Yield” vs “High Yield” – *bigger is better, except when it isn't; every high yield stock isn't all that bad*. Just make sure you're looking at way more than dividend yield before pulling the trigger
- It's well worth screening and research now – to reap the reward later of a good yield and growing dividend income stream, or as some people refer to it – **cash flow**.

Questions

REIT Resources

- National Association of Real Estate Investment Trusts (Nareit)
- REIT Annual Reports and Shareholder Presentations
- Wall Street Journal and Barron's
- Seeking Alpha (Brad Thomas, David Van Knapp)
- Dividend Newsletters
 - "Forbes Real Estate Investor" Newsletter (subscription, Brad Thomas)
 - Morningstar Dividend Investor
 - Simply Safe Dividends "Intelligent Income" (subscription, Brian Bollinger)
- Book: "The Intelligent REIT Investor – How To Build Wealth With Real Estate Investment Trusts," Stephanie Krewson-Kelly and R. Brad Thomas, Wiley 2016
- (via) Schwab website and "StreetSmart Edge" trading platform:
 - Morningstar Equity Analyst Report
 - Credit Suisse Research Report
 - Ned Davis Research Report
 - Argus Analyst Report
 - CFRA Stock Report

Considerations for RMDs from Dividends

- Qualified dividends are taxed at the same lower rates as long-term capital gains.
- Non-qualified ordinary dividends, such as those paid by many real estate investment trusts (REITs), are taxed at ordinary income rates.
- IRS allows for an "aggregation" of IRAs - they don't care which IRAs you take the distribution from - they just want you to withdraw at least the minimum amount.
- Take your RMD from your best performing account or better yet any IRAs that have excess cash from accumulated dividends.
- Know what your RMD is at the beginning of the year; decide on lumpsum or automatic monthly, quarterly, semiannual transfers
- Accumulating dividends thus satisfy your RMD and create an additional source of cash flow; excess dividends are reinvested

The “Benner Theorem”

Discussion on Ludwig Benner’s March 29, 2017
Investment Forum presentation “Knowing When to Sell”

Benner Theorem

*“Track prices, and sell when
profit gains far exceed the expected dividend returns
for your personal time horizon”*

Baker Corollary

Don’t get emotionally attached to your profit winners!