

## "What Is a REIT?"

The term "REIT" is an acronym for Real Estate Investment Trust. A REIT is a company that owns and usually manages income-producing real estate property such as apartments, offices and industrial space. REITs were established by Congress in 1960 as a means to provide small investors with the opportunity to invest in large, income-producing properties that would otherwise be beyond their financial means. Accordingly, the stocks of most REITs are freely available on major stock exchanges, thereby presenting investors with an efficient method of investing in real estate with each shareholder earning a pro rata percent of the REIT's profits. To qualify as a REIT a company must (in addition to other criteria): (i) pay at least 90% of its taxable income to shareholders every year, (ii) have at least 100 shareholders, (iii) invest at least 75% of its total assets in real estate, and (iv) derive at least 75% of its income from rent or mortgage interest from properties in its portfolio.

Investors can utilize investments in REITs to gain broad or specific exposure to the real estate market. For example, since it is common for a given REIT to focus on one particular type of property (e.g. residential, commercial or industrial) investors are able to finely tailor their investment portfolios to gain exposure to very discreet segments of the real estate market. Conversely, much like indexes tracking other market segments, investors are able to purchase shares in REIT indexes to gain exposure to the entire real estate market while ensuring the least volatility and greatest diversification for their investment portfolios. REITs are also a popular investment for those investors who desire exposure to real estate but are not interested in the daily management of a real estate property.

For more detailed information about investing in REITs please visit [The National Association of Real Estate Investment Trusts' website](#) which offers information and tracks various REIT indices and the performance of individual REIT stocks across the retail, office, industrial, apartment and other less traditional sectors.

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