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## Industrial REIT Sector Comments

08/29/2014

### Summary and Outlook

Industrial REITs achieved only 7% average gain for the first 8 months of 2014, underperforming the average for all REITs followed by **REITMonitor.net**, up 12%. Industrial REITs see increasing occupancy with improved rental rates during 2014. Occupancy improvement should continue to drive higher profitability through the end of 2015. Key indicators (including volume of international trade, retail sales, manufacturing output, and level of wholesale inventories) remain generally positive, with surprising resilience demonstrated for US factory activity through the summer months. Portfolio expansion follows distribution trends to new ports and transportation facilities.

### Yield Range

Yields for Industrial REITs range from 2.3% for **First Industrial** to 8.3% for **Gladstone Commercial**. Average yield for Industrial REITs is 4.4%. Industrial REITs should provide stable dividends, with increments likely to be a result of portfolio growth.

### Capitalization Range

Market cap for Industrial REITs totals \$43 billion, representing 6% of total market cap for all REITs followed by **REITMonitor.net**. Industrial REITs report total capitalization (including market cap, as well as debt, preferred stock and non-trading equity) in a range of 14.4X-35.1X to annualized FFO. Lowest valuation is **Select Income REIT** and highest is **Prologis Inc**.

### S&P 500 Index Industrial REITs

At this time, there is a single Industrial REIT included in the S&P 500 Index, **Prologis Inc** (at market cap of \$21 billion and total cap/FFO at 35.1X, yielding 3.2%). **Prologis Inc** is the largest Industrial REIT worldwide, with 570 million square feet of bulk distribution space in 22 countries, as well as \$29 billion under management in institutional property funds. **Prologis Inc** is investing to expand international portfolio, with particular focus on Japan, China and other Asian markets.

### Industrial REIT Rankings

**Prologis Inc** stands out as the largest Industrial REIT to receive investor recognition, with a well positioned portfolio of assets including locations in international markets. Other BUY rankings for Industrial REITs include **DCT Industrial Trust**, **Duke Realty**, **EastGroup Properties** and **Gladstone Commercial**. Our HOLD rankings include **First Industrial**, **Liberty Property Trust**, **Select Income REIT** and **PS Business Parks**. We transferred **First Potomac Realty Trust** to Office REIT sector (due to divestiture of industrial properties) with rank of HOLD.

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