



ADELANTE

Capital Management

ACCESSING PUBLIC REAL
ESTATE

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December 3, 2015

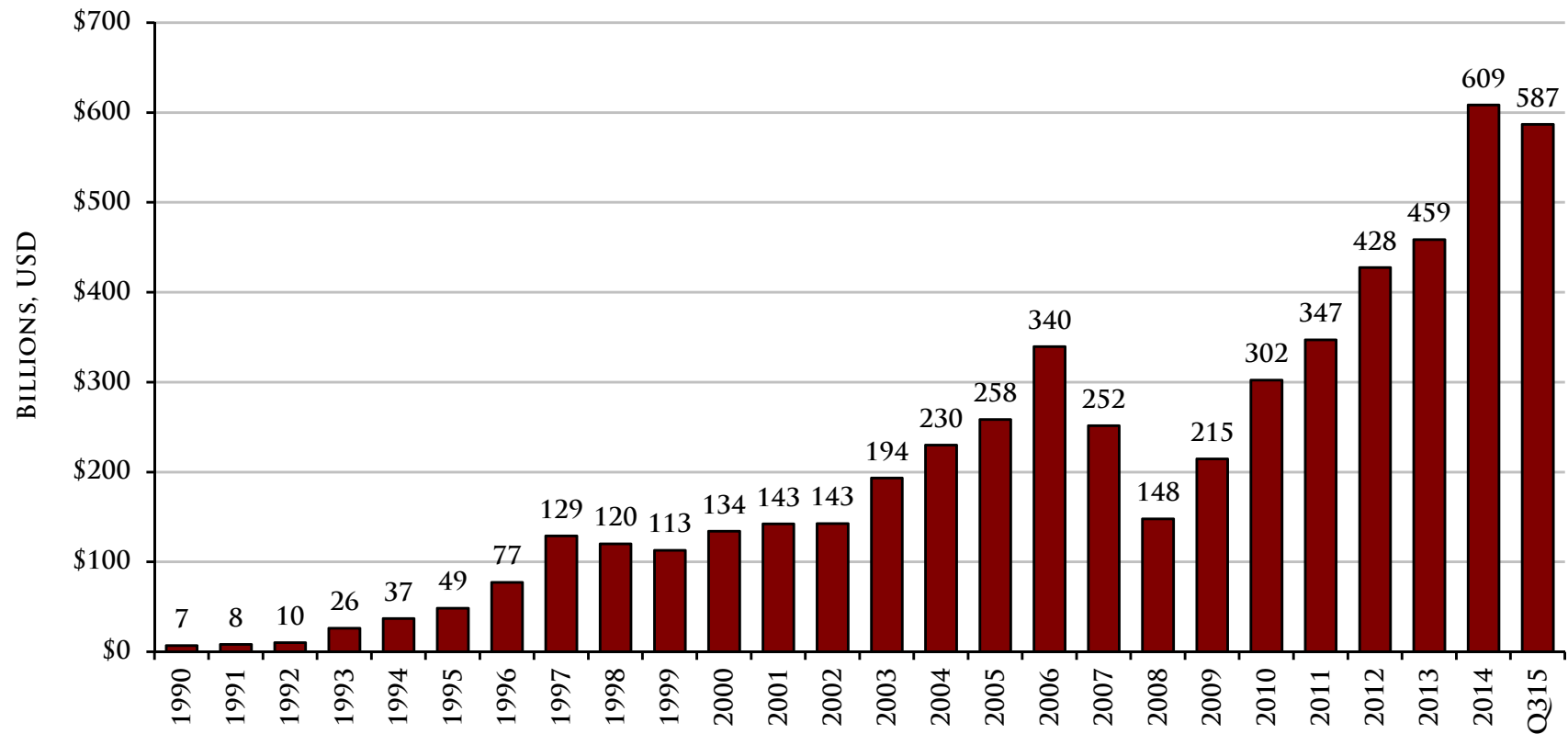
OWNING COMMERCIAL REAL ESTATE THROUGH REITs

- What is a REIT?
 - REITs own, manage, lease and finance investment-grade CRE
 - Dividends – at least 90% of taxable income must be distributed to shareholders
 - Equity REITs derive revenues primarily from rental income
- Listed Equity REIT Advantages
 - Attractive relative long-term investment performance
 - Dividend income
 - Transparency and simplicity
 - Diversifies real estate allocation – higher returns/lower risk
 - Liquidity



GROWTH OF THE PUBLIC REIT MARKET

Wilshire US REIT Index










Source: Adelante Capital Management and Wilshire Associates

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Countries that Have Adopted the U.S. REIT Approach

G7 Countries

Canada  1993	France  2003
Germany  2007	Italy  2007
Japan  2000	United Kingdom  2007
United States  1960	

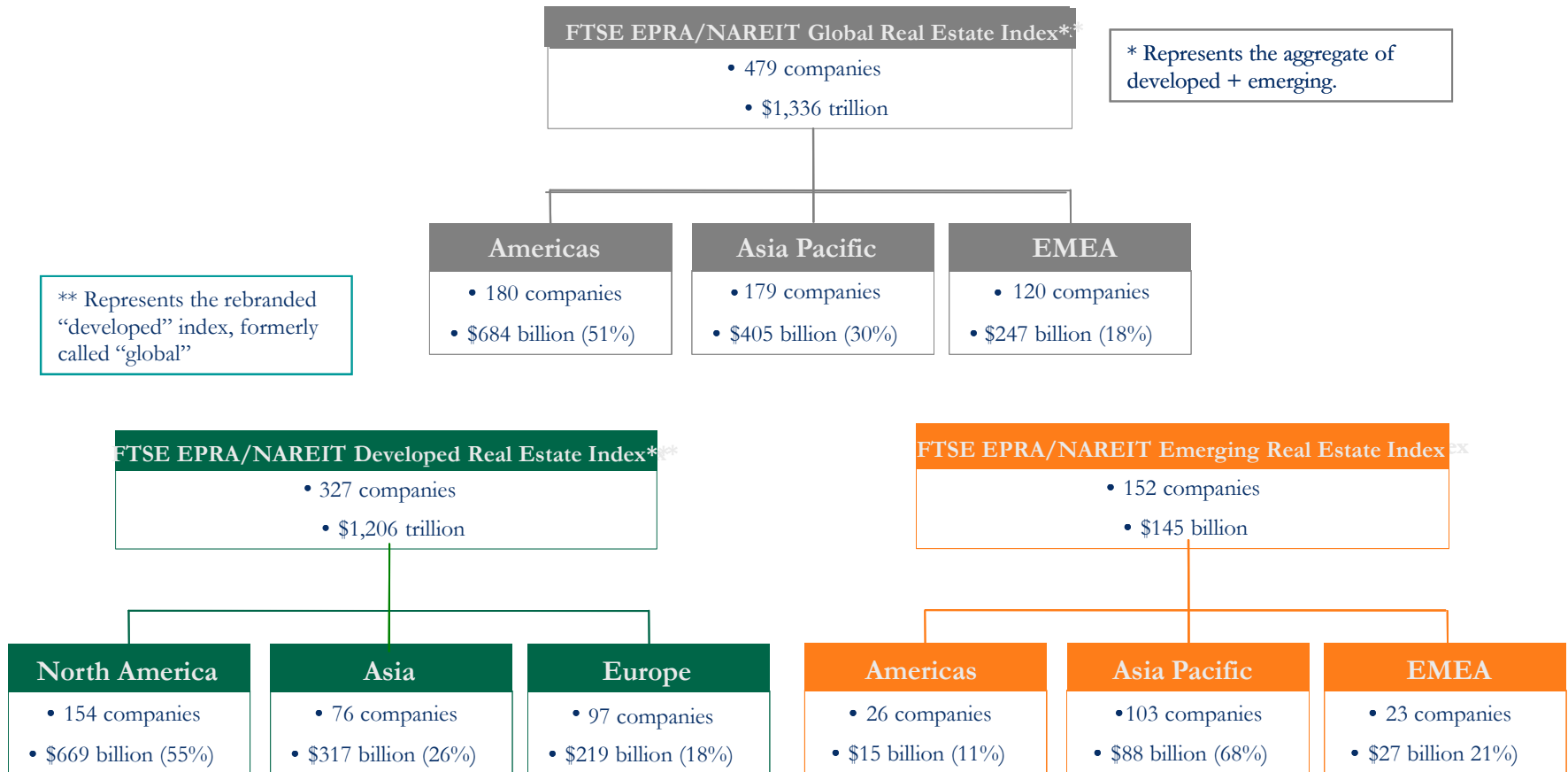
Australia  1971	Bahrain  2015	Belgium  1995	Bulgaria  2005	Dubai  2006
Finland  2009	Hong Kong  2003	Hungary  2011	India  2014	Ireland  2013
Israel  2006	Kenya  2014	Malaysia  2005	Mexico  2010	Netherlands  1969
New Zealand  1969	Pakistan  2008	Philippines  2010	Singapore  1999	South Africa  2013
South Korea  2001	Spain  2009	Taiwan  1969	Thailand  2005	Turkey  1995

Countries Considering REITs

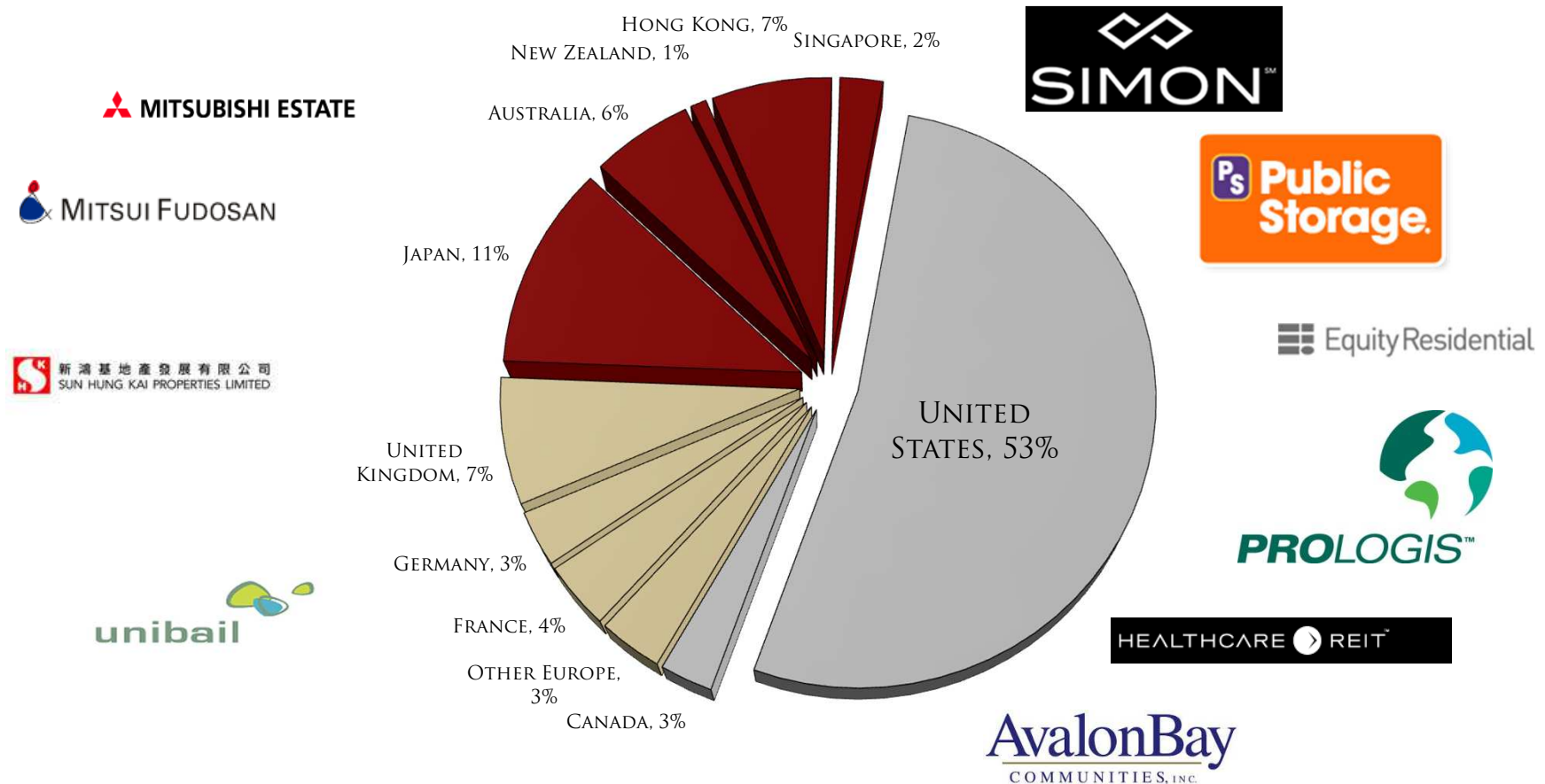
China 	Indonesia 
Malta 	Nigeria 
Saudi Arabia 	Tanzania 
Vietnam 	

Source: NAREIT®
Date indicates adoption year of REIT rules.

FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDEX SERIES



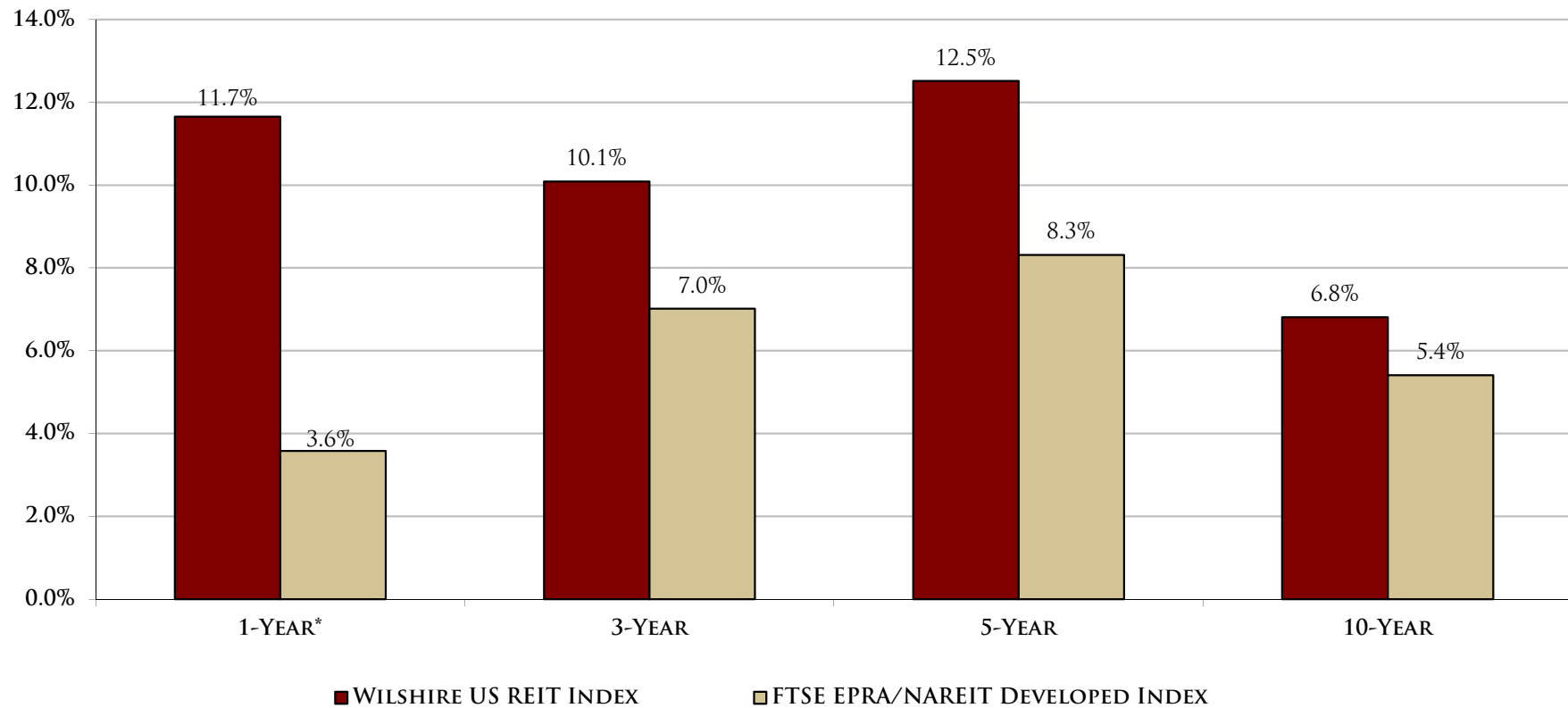
GLOBAL PROPERTY SECURITIES BY REGION AND COUNTRY
FTSE EPRA/NAREIT Developed Index



Source: Adelante Capital Management, FTSE EPRA/NAREIT and FactSet in USD; As of August 30, 2015
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ACHIEVING INVESTMENT OBJECTIVES

Annualized investment returns



** Not annualized*

Source: Adelante Capital Management, Wilshire Associates, as of September 30, 2015.

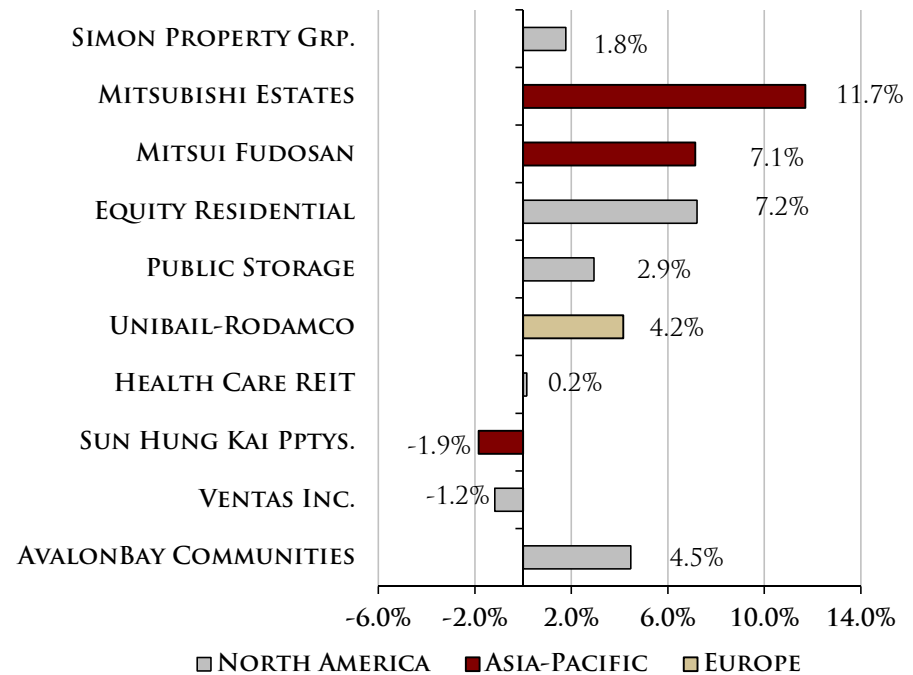
TEN LARGEST GLOBAL PROPERTY OWNERS

FTSE EPRA/NAREIT Developed Index

10 LARGEST CONSTITUENTS

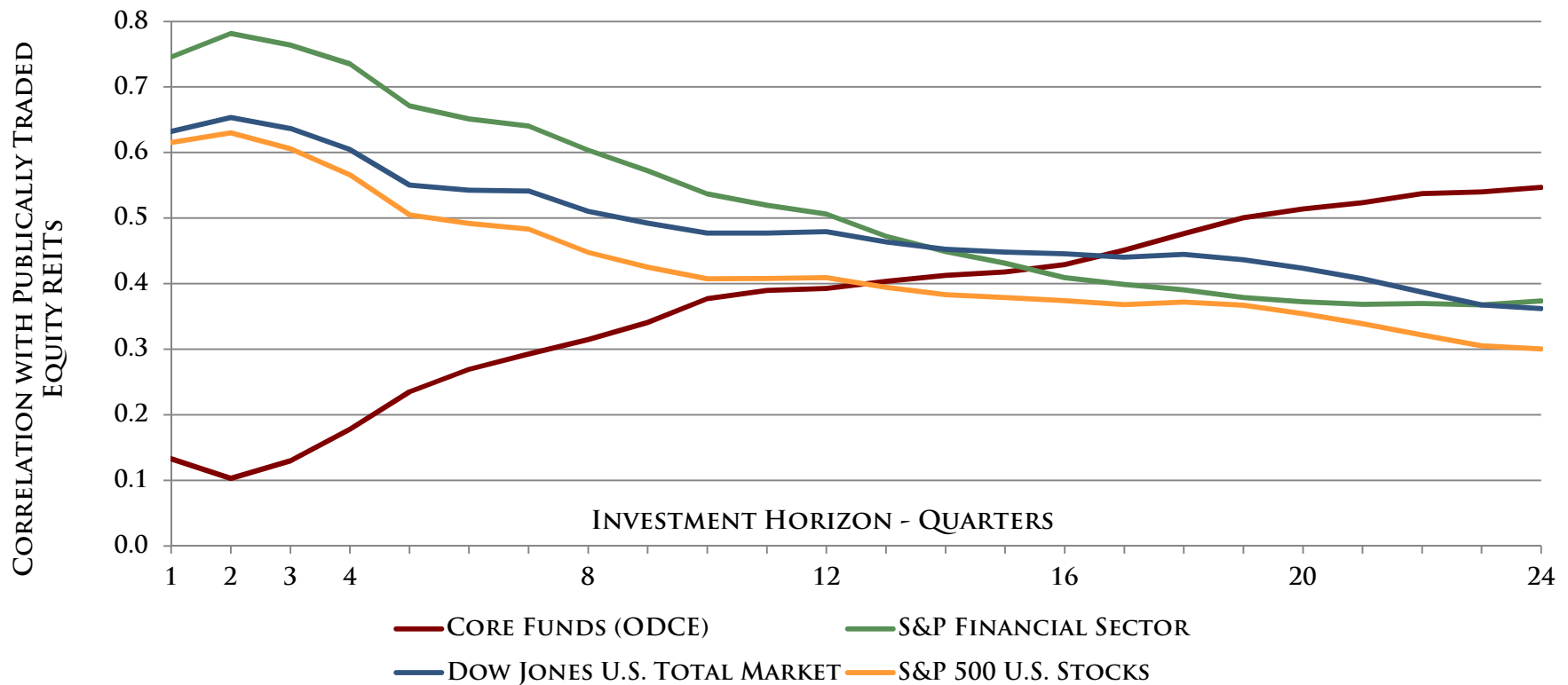
<u>NAME</u>	<u>WEIGHT</u>	<u>YIELD</u>
SIMON PROPERTY GROUP	4.6%	2.8%
MITSUBISHI ESTATES	2.4%	0.4%
MITSUI FUDOSAN	2.2%	0.6%
EQUITY RESIDENTIAL	2.2%	2.6%
PUBLIC STORAGE	2.2%	2.9%
UNIBAIL-RODAMCO	2.1%	3.8%
HEALTH CARE REIT	1.9%	4.4%
SUN HUNG KAI PPTYS.	1.8%	2.9%
VENTAS INC.	1.8%	3.3%
AVALONBAY COMMUNITIES	1.8%	2.9%
TEN LARGEST HOLDINGS	22.8%	

YEAR-TO-DATE PERFORMANCE



CORRELATIONS CHANGE WITH INVESTMENT HORIZONS

Long-term, REITs have low correlation to other asset classes and an increasing correlation to private real estate



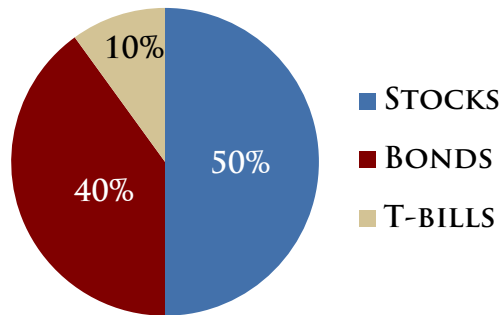
Source: NAREIT analysis of data from NCREIF and FactSet ; FTSE NAREIT All Equity REITs Index, NCREIF Open-End Diversified Core Equity (ODCE Index), Dow Jones U.S. Total Market and S&P 500 Stock Index from 1Q1978 and 4Q2014. S&P Financial Sector Index from 4Q1989

REITS PROVIDE DIVERSIFICATION BENEFITS

Potential to increase returns or reduce risk, 1972-2014

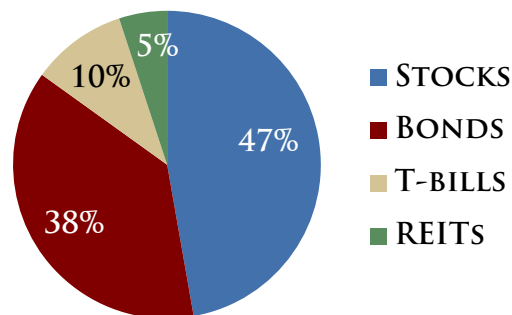
STOCKS AND BONDS

RETURN: 10.3% RISK: 10.3%



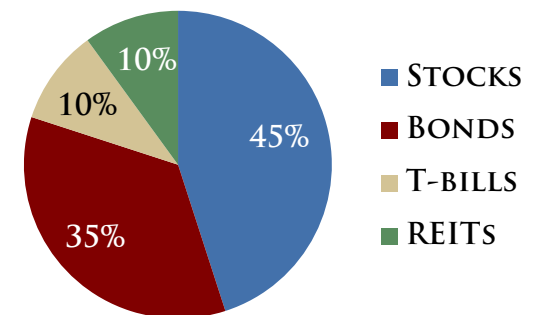
WITH 5% REITS

RETURN: 10.4% RISK: 10.2%



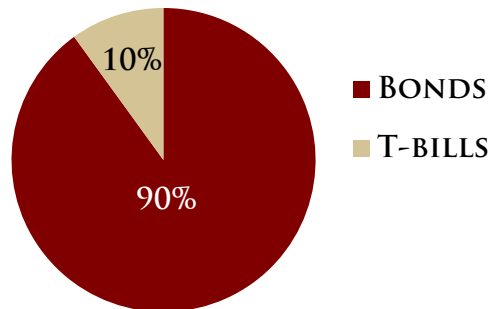
WITH 10% REITS

RETURN: 10.6% RISK: 10.2%



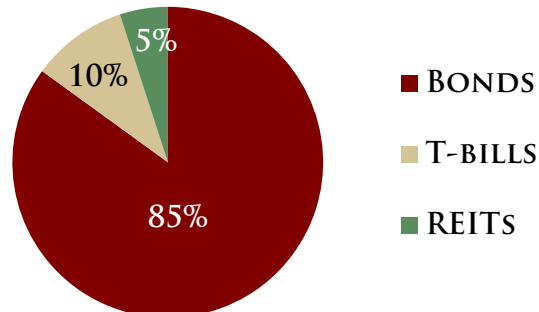
FIXED INCOME

RETURN: 8.8% RISK: 11.2%



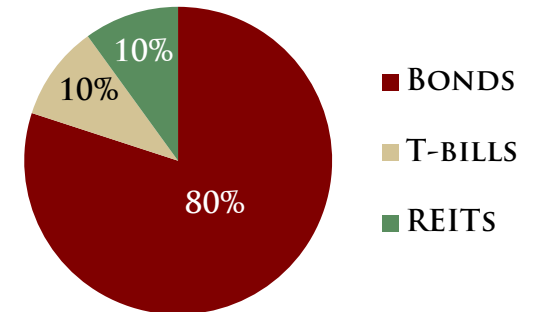
WITH 5% REITS

RETURN: 9.1% RISK: 10.7%



WITH 10% REITS

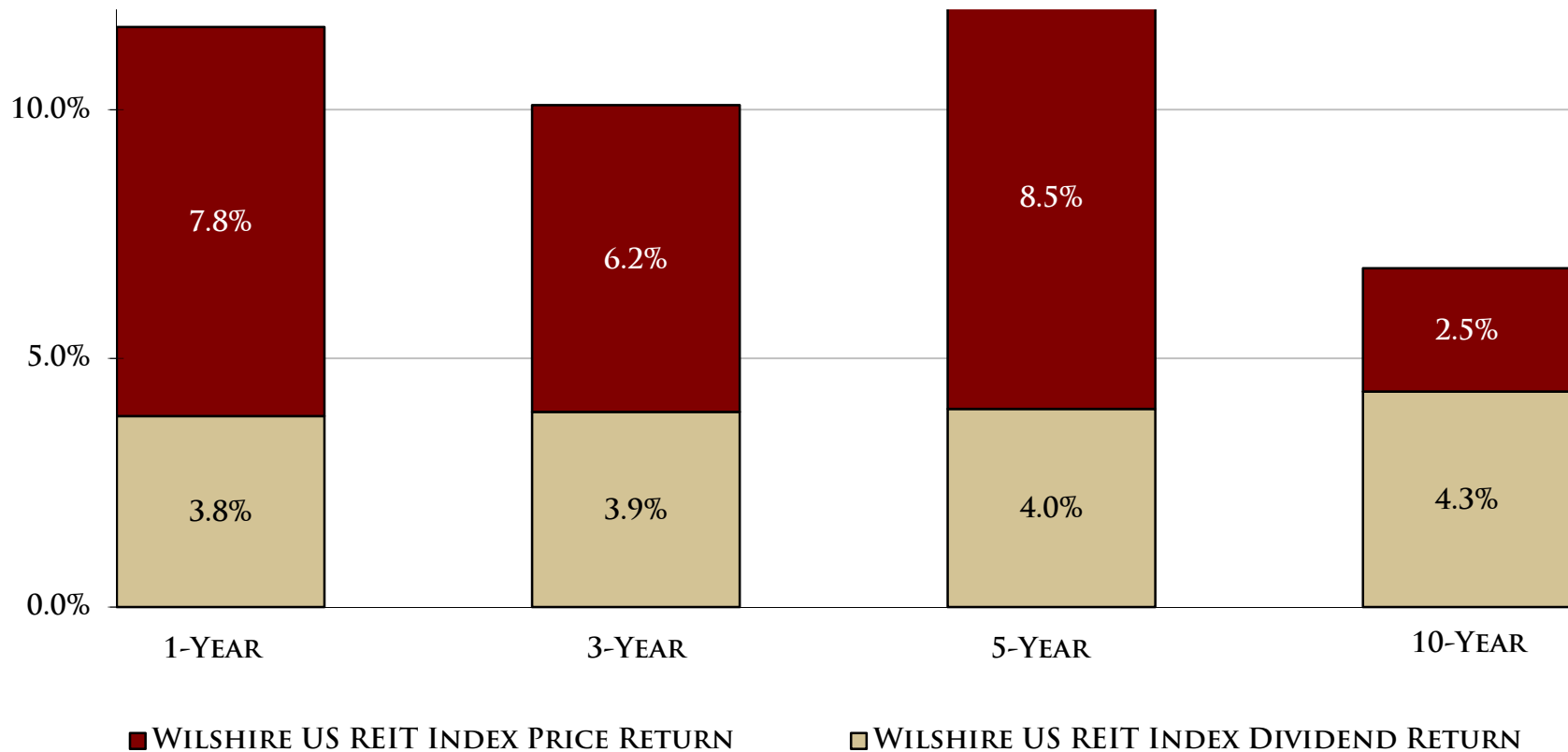
RETURN: 9.3% RISK: 10.2%



Source: www.REIT.com/quickfacts

REITS: COMPONENTS OF RETURN

Dividends and Price Returns for REITs



Source: Adelante Capital Management, Wilshire Associates and FactSet, as of September 30, 2015

**REIT RETURNS DURING PERIODS
OF RISING INTEREST RATES**

Since January 1, 1995

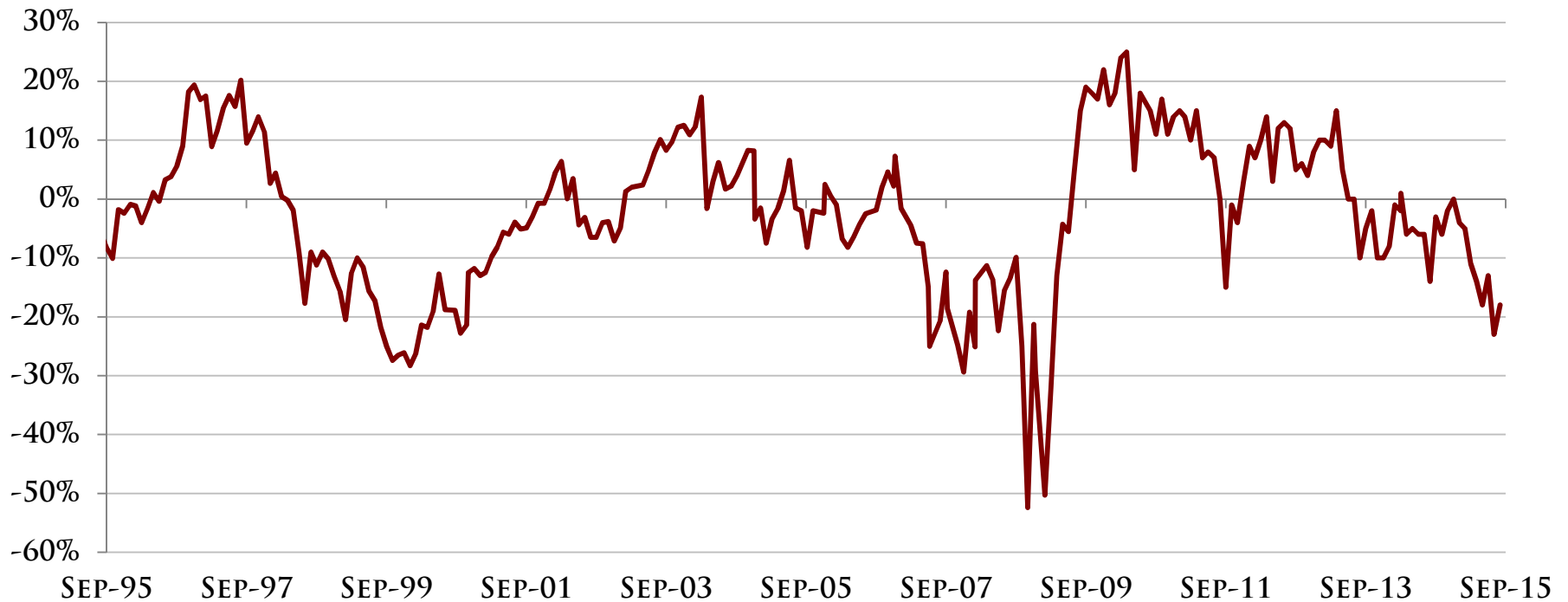
Time Period	REIT Returns	Time Period	REIT Returns
January 1996 - July 1996	6.18%	October 2004 - March 2005	1.94%
November 1996 - January 1997	10.66%	June 2005 - June 2006	20.70%
February 1997 - April 1997	-2.01%	December 2006 - June 2007	-5.38%
October 1998 - January 2000	2.02%	March 2008 - June 2008	9.18%
March 2001 - May 2001	7.33%	December 2008 - June 2009	-0.74%
November 2001 - April 2002	15.71%	October 2009 - April 2010	29.43%
June 2003 - September 2003	8.13%	October 2010 - February 2011	9.74%
March 2004 - June 2004	-7.02%	July 2012 - September 2013	2.70%

Source: NAREIT analysis of data from Federal Reserve Board, MSCI U.S. REITs Index and FTSE NAREIT All U.S. Equity REITs Index

WHERE ARE PUBLIC REAL ESTATE MARKET VALUATIONS?

U.S. REIT Universe

PREMIUM/DISCOUNT TO NAV



Source: Adelante Capital Management and Green Street Advisors

KEY TAKEAWAYS FOR REITS

- Real estate is a strategic asset class for investors
- Investment in REITs **is** investment in real estate
- Larger share of total REIT returns comes from dividends vs. other equities
- REITs provide diversification benefits to an investment portfolio

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Please visit our website for more information www.adelante.com

Check our blog, *Looking Forward*, regularly for REIT news and weekly market updates www.adelante.com/blog