Rising Rates

REITS poised to perform well

March 2022

As is the case with most income-oriented stocks, REITs are typically hit hard when central banks begin talks of raising interest rates. This is due to investors views on how the higher interest rates will impact a REIT's cost of capital.

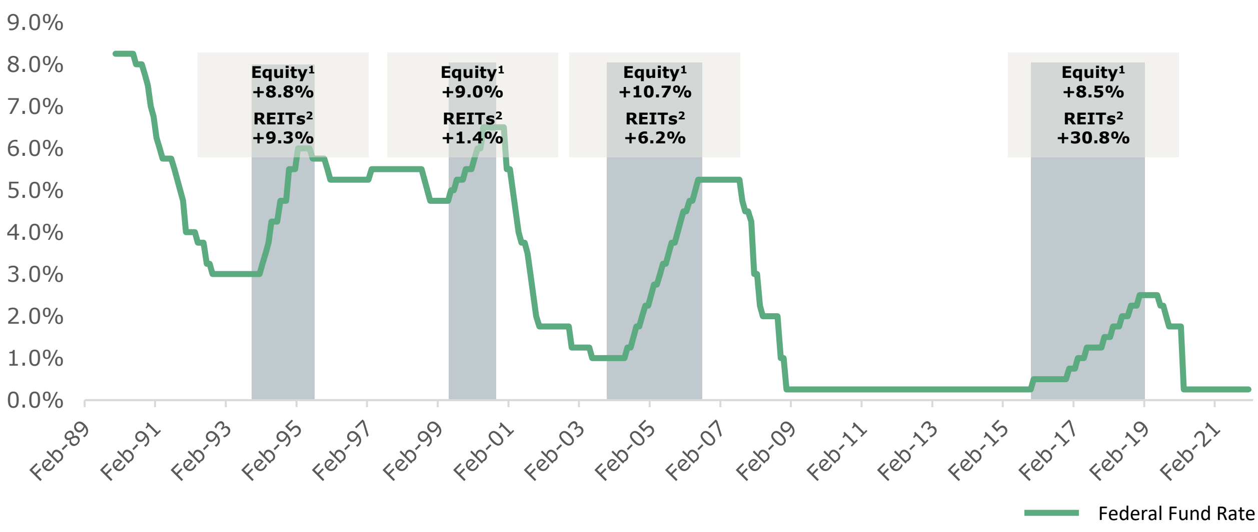
It is important to note, however, that a tightening monetary policy is typically coupled with strong economic and job growth, fundamentals that lead to demand outstripping supply and driving rental growth in real estate.

We are experiencing these conditions today. REITs have corrected in tandem with equity markets as the US Federal Reserve hints of rate hikes, but earnings growth remains strong driven by demand that is greater than supply.

As we have illustrated below, in periods where rate hike talks turn to rate hike actions, REITs have historically performed very well, suggesting that the risk of rate hikes to REIT stock prices may be behind us.

Furthermore, markets are already pricing in six or more rate hikes over the next 12 months. If that happens according to plan, then that price action should already be reflected and if it stops short, we could see outperformance.

WITH RATE HIKES ALREADY PRICED IN, AND STRONG MARKET FUNDAMENTALS EXPECTED TO CONTINUE, HISTORY WOULD SUGGEST THAT THIS INFLECTION POINT IN MONETARY POLICY IS A GOOD TIME TO BUY REITS.



Time Period	# of Hikes	Changes	Duration	Equity[1]	REITs[2]
1994-1995	7	+300 bps	15 months	+8.8%	+9.3%
1999-2000	6	+175 bps	14 months	+9.0%	+1.4%
2004-2006	17	+425 bps	27 months	+8.5%	+30.8%
2015-2019	9	+225 bps	39 months	+10.7%	+6.2%
Avg. of last 4 cycles				**+9.2%**	**+12.0%**

All data: Bloomberg, Jan. 31, 2022. 1.Global Equities: S&P500. 2.Global REITS: FTSE EPRA/NAREIT United States Total Return Index

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hazelview INVESTMENTS

About Us

We are driven to create value for people and places

$11.1B[3]	20+	Toronto New York Hamburg Hong Kong	80+
AUM	Years of Investments	4 Global Offices	Investment Team

3. AUM as of December 31, 2021

Contact us to learn more

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