

Innovative Specialist REITs flourish on global stock markets

The emergence of Specialist REITs are rewarding investors who get in early.

By Wim Prinsloo, CFA

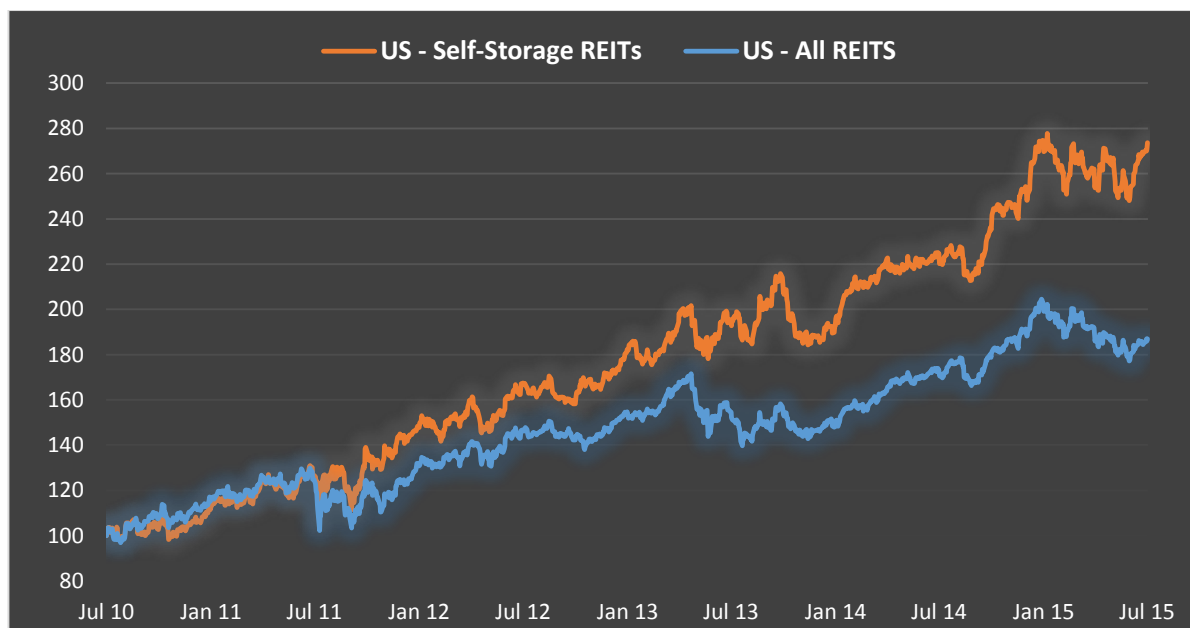
Real Estate Investment Trusts ("REITs") that are specialists in Student Accommodation, Self-Storage, Communication Towers, Data Centres and even Prisons have listed their stock on public markets in recent years. This ongoing development of the REIT business model is a huge benefit for those investors willing to venture beyond the status quo of traditional Office, Industrial or Retail sectors. Specialist REITs provide investors with the opportunity to earn strong returns whilst further diversifying their property portfolio.

In this note, we discuss two Specialist REIT sectors that are currently enjoying superior income growth despite the tepid global economic environment:

Self-Storage REITs

Self-Storage is an excellent example of the benefits of investing in Specialist REITs. Over the 5-year period to 31 July 2015, the US Self-Storage sector produced a total return of 22.31% p.a. This splendid return proved much higher than the respectable 13.34% p.a. delivered by the broader US REIT market.

Performance of US Self-Storage REITs and the general US REIT market – 5 years to 31 July '15



Source: Reitway Global, Thomson Reuters Datastream. Total Returns in USD.

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Early entrants into Self-Storage recognised the business model as a long-term play on urbanisation and city densification. Demand for self-storage increases as populations grow and people live in smaller city apartments. A recent development also benefitting self-storage is online retailing, where smaller retail outlets are using self-storage facilities as warehouses.

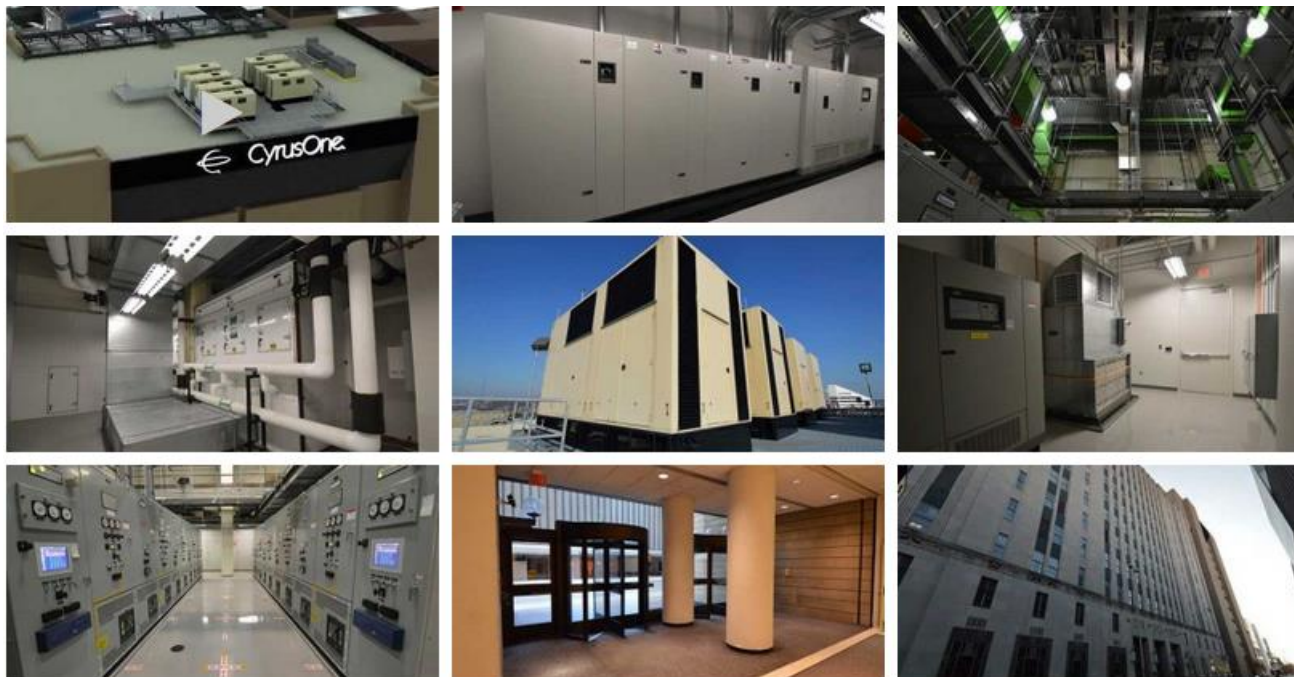
Astute REIT management teams like those of **Cubesmart** and **Sovran Self-Storage** are currently on an acquisition spree in the US. They are effectively consolidating the large number of privately owned mom 'n pop stores. We believe that the high level of fragmentation in the self-storage sector leaves investors with plenty of scope for superior investment returns.


Data Centre REITs

Data Centres are another prime example of innovation in the REIT industry. Increased regulation surrounding disaster recovery planning has spurred companies to outsource their data storage to independent, specialist operators like NASDAQ-listed **CyrusOne**.

Data Centre REITs are highly specialised REITs that satisfy the non-stop and ever increasing demand for data storage. Their tenants are household names such as Facebook and Google. These businesses are highly capital intensive compared to traditional property types – they are required to power, cool and provide security to the mission critical nature of data stored in the buildings.

CyrusOne's Data Centre in Cincinnati, Ohio



Specialist REITs like Self-Storage and Data Centre operators are innovative investment opportunities available to property investors on listed stock markets. They ultimately provide investors the opportunity to diversify their income streams by investing in differentiated property types that are well-positioned for future growth. 

For more information about the Reitway Global Property Funds, please visit our website at www.reitwayglobal.com or contact us at 021 551 3688.
