

NATIONAL ASSOCIATION OF REAL ESTATE INVESTMENT TRUSTS®

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REITs: BUILDING DIVIDENDS AND DIVERSIFICATION®

April 15, 2015

The Honorable Orrin G. Hatch
Chairman
Senate Committee on Finance
215 Dirksen Senate Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
215 Dirksen Senate Building
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden:

NAREIT, the National Association of Real Estate Investment Trusts, is the worldwide representative voice for real estate investment trusts (REITs) and publicly traded real estate companies with an interest in U.S. real estate and capital markets. NAREIT's members are REITs and other businesses throughout the world that own, operate, and finance income-producing real estate, as well as firms and individuals who advise, study, and service those businesses.

NAREIT recognizes the importance of your joint initiative to examine the Internal Revenue Code of 1986. We also look to work constructively with both of you as you chart the path forward for comprehensive tax reform.

Consistent with our mission as an organization, our focus with respect to the Internal Revenue Code of 1986 and its potential reform includes REITs as well as real estate investment more generally.

After careful review and due consideration of the five Committee on Finance working groups, NAREIT has concluded that the most effective manner in which to share our perspective is to provide you with an overview of REITs, followed by identification of select issues important to REITs and real estate investment likely to be included in the portfolios of various working groups (Attachment A). For your background information, an abbreviated chronology of the REIT industry beginning in 1960 is also provided (Attachment B).

Separately, we are submitting a separate comment letter to the International Tax Working Group regarding some REIT-related issues raised by H.R. 1 as introduced last year by former Chairman Dave Camp.

REITs

REITs were created in 1960 when the U.S. Congress passed, and President Dwight D. Eisenhower signed into law P. L. 86-779, known as the Cigar Excise Tax Extension Act, which contained within it the initial Federal tax legislation authorizing REITs in the United States.

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This tax legislation was intentionally patterned after the tax rules governing mutual funds (regulated investment companies), a type of investment structure first adopted two decades earlier meant to provide the public with an efficient means for investing in diversified portfolios of corporate securities. As the legislative history of the original REIT rules states, the primary intention of Congress in authorizing the use of REITs was to provide a means "whereby small investors can secure advantages normally available only to those with larger resources," in connection with real estate investment. Congress specifically noted that these beneficial characteristics included "greater diversification of investment," "expert investment counsel" and the means of "collectively financing projects which the investors could not undertake singly."

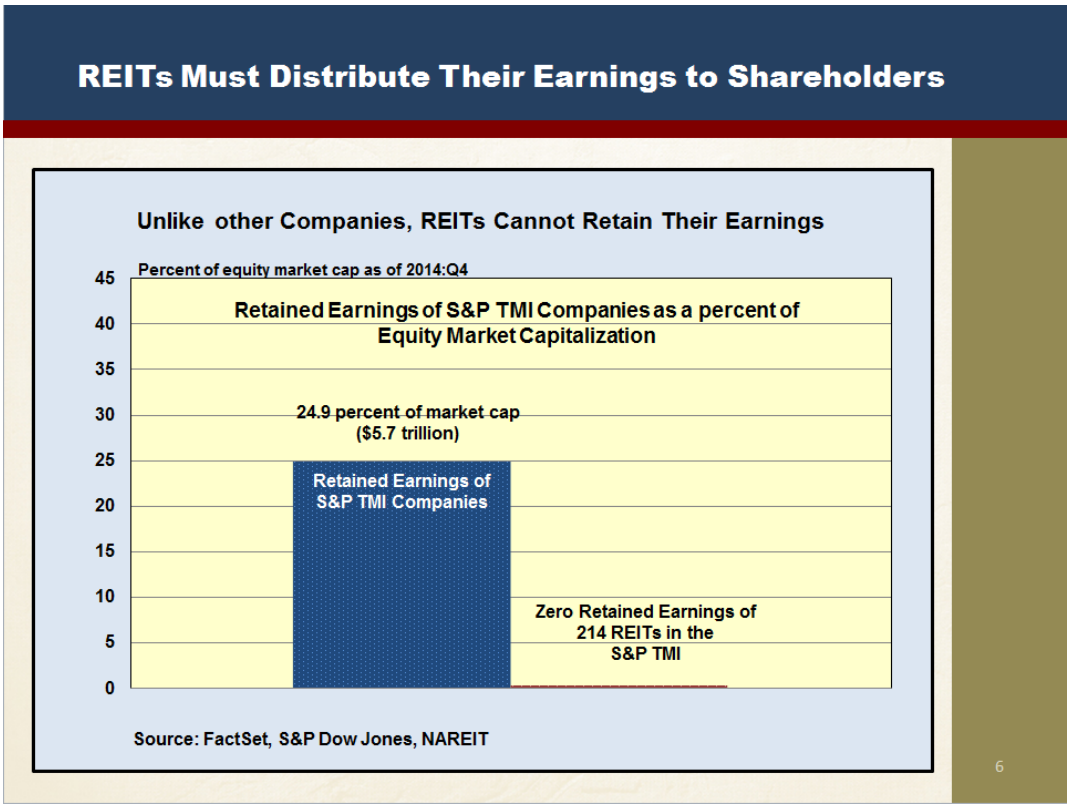
What Congress also understood then and has endorsed through support for, and amendment of, the REIT rules for over 50 years is that, without a model for real estate investment akin to mutual funds, only a select few would have the opportunity to gain from the three most fundamental benefits of real estate investment (aside from owner-occupied housing): 1) current income; 2) long-term capital preservation and appreciation; and, 3) investment diversification.

To provide this opportunity to the public, Congress has required since 1960 that REITs follow rules closely modeled after the mutual fund rules, with the proviso that REITs primarily invest in real estate rather than corporate securities. In general, the REIT rules create an operating framework requiring that real estate investment is undertaken for the longer term; that taxable income results from real estate-related investment; and, that REITs' taxable income is distributed annually to REIT shareholders.

This operating framework is delineated within the Internal Revenue Code by numerous rules, restrictions and limitations under which REITs are required to operate. Specifically, any entity that elects with the IRS to operate and be taxed as a REIT under the U.S. corporate income tax must be considered a corporation for tax purposes; must be incorporated or otherwise organized in the United States; must maintain at least 75% of its assets in qualifying real estate assets; must receive 75% of its income from some combination of rent from real property, interest from mortgages secured by real property and gains from the sale of real property; must receive 95% of its income from the aforementioned qualified real estate sources and from delineated passive sources such as interest; and, must have more than 100 shareholders with no fewer than five individuals owning more than 50% of its stock.

Certainly among the most burdensome of restrictions is the fact that REITs are required to distribute at least 90% of their taxable income each year to their shareholders. Consequently, REITs, unlike other corporations as well as unlike pass-through entities (partnerships, limited liability companies and S corporations), are not permitted to retain an appreciable amount of earnings, as illustrated in the chart below. This limitation on retained earnings imposes the concomitant requirement that REITs regularly return to the capital markets to fund new investment, thereby remaining disciplined in their use of capital and subject to the scrutiny of investors and the public. Unlike pass-through entities, which today account for a vast majority of commercial real estate investment in the United States, REITs also are not generally permitted to pass through tax losses or tax credits to their shareholders.

By complying with these burdensome restrictions as well as a number of other related constraints, a REIT may deduct from its taxable income the dividends it pays to its shareholders when completing its corporate income tax return. Moreover, the dividends paid by REITs generally are not treated as "qualified" dividends but are taxable at the shareholder's ordinary income tax rate. In 2014, SEC-registered REITs distributed $47 billion to shareholders.

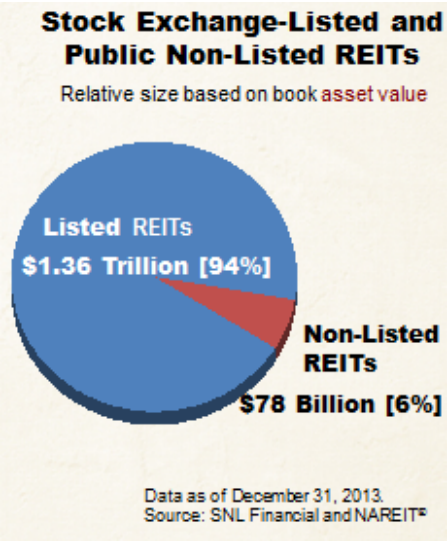


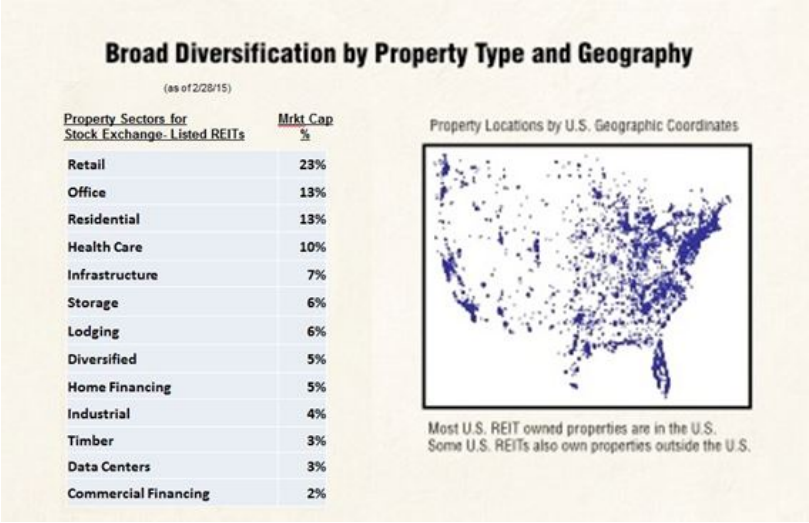
U.S. REIT INDUSTRY TODAY

The U.S. REIT industry today includes a vibrant range of companies engaged in real estate ownership or financing that support nearly all sectors of the economy. While there is great diversity within the industry, the REIT rules as described above remain true to their original purpose: a REIT must primarily invest in and derive income from real estate; it must be widely held; and each year it must distribute virtually all of its income to its shareholders.

A REIT may be a public company with its shares registered with the Securities and Exchange Commission (SEC), or it may be a private company. A public REIT's shares may be either listed on an established stock exchange, or its shares may be unlisted and sold directly to investors through a broker-dealer.

At the end of February 2015, 316 REITs were registered in the U.S. with the SEC, and 223 of these REITs were listed on established U.S. stock exchanges (predominantly on the NYSE). Of the 316 SEC-registered REITs, 94% (by asset value) are stock exchange-listed REITs, and 6% are public non-listed REITs. Private REITs are not registered with the SEC; nevertheless, each of them still must comply with the REIT rules, and each must file with the IRS every year.

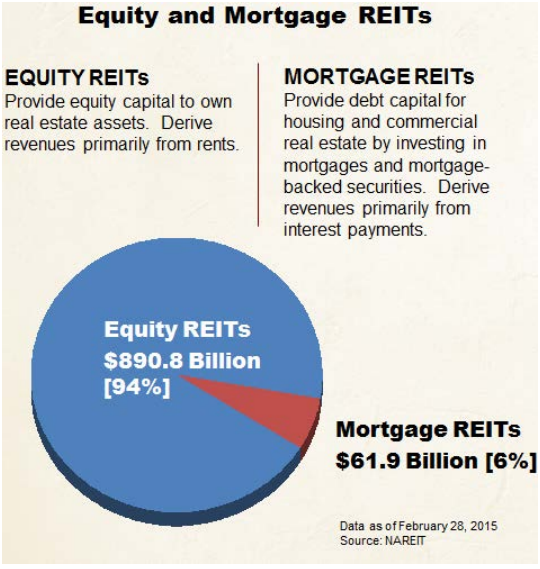




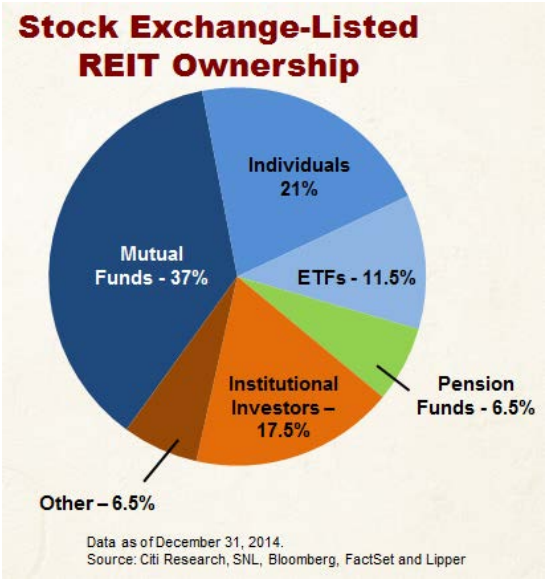
Today's REITs generally specialize in either owning or financing real estate. "Equity REITs" primarily own, and in most cases operate, income-producing properties, including apartments, data centers, hospitals, hotels, industrial facilities, life science buildings, nursing homes, offices, shopping malls, storage centers, senior housing, student housing, telecommunications towers and timberlands. Equity REITs are estimated to currently own more than $1.3 trillion of real estate in the United States, including more than 80,000 properties in all 50 states and accounting for an estimated 15% of the total commercial real estate market.

"Mortgage REITs" primarily invest in mortgages and mortgage-backed securities, providing financing for residential and commercial properties. More than 2 million single-family homes are estimated to be currently financed by mortgages owned by mortgage REITs. Most of these mortgages would otherwise be funded on the balance sheets of commercial banks or one of the government-sponsored enterprises.

On the basis of total stock exchange-listed REIT equity market capitalization, 94% of today's stock exchange-listed REITs are equity REITs, and 6% are mortgage REITs.



For more than 50 years, REITs have built a record of success in meeting the intent of Congress to provide all Americans with the opportunity to earn the benefits of long-term real estate investment. For example, by investing in the shares of stock exchange-listed equity REITs, the public can efficiently and effectively own a stake in a diversified portfolio of large-scale, income-producing properties. The portfolio diversification benefits manifest themselves in two ways: first, by providing exposure to the real estate asset class alongside other stocks, bonds, cash and other assets; and second, by diversifying the real estate exposure across many different property sectors and geographic regions owing to REIT-owned properties being located around the country and supporting different sectors of the economy. A further source of diversification is available to investors through mutual funds and exchange-traded funds (ETFs) that diversify their investments across many different REITs.



REITs that are listed on stock exchanges currently have an equity market capitalization of nearly $1 trillion and help support nearly one million jobs in the U.S. each year, both through their own operations and operations of the businesses that occupy their properties. In addition to the REIT rules, these listed REITs are subject to SEC as well as stock exchange listing requirements.

Because stock exchange-listed REITs must invest for the long-term, must generate reliable and predictable current income for shareholders, must use their capital in a disciplined manner and finance themselves with only moderate leverage, many have argued that listed REITs, being widely monitored and scrutinized by analysts and investors through their transparent financial statements and publicly available information, have served as a stabilizing force within the real estate market and broader economies during times of economic turbulence.[1]

Not only have stock exchange-listed REITs served an important role in moderating the extreme highs and lows that have characterized previous commercial real estate cycles, they also have performed well relative to other equity and fixed income investments, both in the U.S. and internationally over both short- and long-term investment horizons due in no small part to the discipline and demands associated with required dividend distribution.

It is important to note that, as the public increasingly searches for investments to help secure their savings and their futures, the U.S. REIT industry – primarily through the elected burden of mandatory distribution of taxable income – has helped to foster growing interest in long-term, income-oriented real estate investment in the U.S. and, increasingly, around the world.

[1] *See*, e.g., F. Packer, T. Riddiough & J. Shek, *Securitization and the Supply Cycle: Evidence from the REIT Market*, J. Portfolio Management, Vol. 39 pp. 134-143.

The transparency of these public REITs, together with the disciplined use of capital encouraged by the REIT rules and public markets, have benefited all participants in the real estate market, including institutional and individual investors; providers of credit; local, state and federal governments; and regulators. REITs also make significant contributions to the economic growth and stability of the country through their development and redevelopment projects.

As a result of this track record, REITs have become widely accepted in today's investment landscape. For example, 70 million Americans are estimated to own REITs through their pension funds and other retirement savings and investment accounts, including more than half a million defined contribution plans such as 401(k) plans. There are approximately 300 mutual funds and exchange traded funds dedicated to REITs and real estate stocks sponsored by companies like Vanguard, Fidelity and T. Rowe Price. Further, REITs are in 75% of target date funds, the fastest-growing retail investment default option in 401(k) and other retirement plans.

NATURE OF REAL PROPERTY FOR REITS

From the beginning of REITs, a broad definition of real estate was employed by Congress to underline the diverse manner in which real estate is used in the economy and therefore by businesses and consumers to conduct their activities. Notably, the legislative history of REITs explains that Congress was seeking to address in part the shortage of capital from private sources for "individual homes, apartment houses, office buildings, factories and hotels".[2] Consequently, two years later, when the Internal Revenue Service issued final regulations, it concluded that, for REIT purposes, real property includes "land or improvements thereon, such as buildings or other inherently permanent structures thereon (including items which are structural components of such buildings or structures)."[3]

Over time, this common sense definition of real property (generally consistent with the notion of real property in the 50 states) has enabled REITs to be used to raise real estate investment capital from the private sector through the public capital markets; and has permitted REITs to deploy that capital in a manner appropriate to the evolving real estate-related requirements of an ever-changing, dynamic economy.

A good example of this longstanding reality can be seen in the history of REITs and the evolution of communications-related real estate. As early as 1964 the question arose as to whether communications-related transmission towers were qualifying real estate under the REIT rules when leased to one or more third parties. As part of its review, the IRS issued an internal ruling concluding that television broadcast towers constituted real property under the REIT rules because they were inherently permanent structures.[4] Consistent with its 1964 determination, in 1975 the IRS issued a revenue ruling concluding that microwave transmission systems (including towers) similarly

[2] H.R. Rep. No. 2020, 56th Cong., 2d Sess. 4 (1960).
[3] Treas. Reg. § 1.856-3(d).
[4] General Counsel Memorandum 32907 (Sept. 3, 1964)

qualified as real property.[5] Given the continued development and evolution of communications technology, it is not surprising that in 1995 the IRS issued the first of several private letter rulings based on prior precedent that concluded that telecommunications towers leased by a REIT to telephone service providers to provide mobile phone coverage similarly qualify as real property under the REIT rules.[6] In light of the demonstrable need in the nation for real estate investment to help support mobile phone technology, it is not surprising that in 1999 the first stock exchange-listed REIT focused on owning and operating telecommunications towers leased to third parties completed its initial public offering. Today, investment through and by tower REITs is one way the nation's demand for real estate specialized to meet the needs of mobile phone providers and users is met.

Another way the use of real estate has evolved over the decades to support the communications-related needs of businesses and consumers is related to the development of the personal computer and growth of the Internet. As each year passes, more and more real estate is required to store data electronically in the "cloud." Of course, the cloud is not a cloud, but it is an array of computers, servers and hard drives which must be maintained in suitable buildings. The range of electronic activities now routinely expected by businesses and consumers, from trading stocks to backing up documents, and from routine social interaction to on-demand recreation, all requires real estate to house the cloud. Not surprisingly, a number of REITs now specialize in providing the real estate necessary to house the cloud and therefore effectively serve as landlords to the cloud.

Without a doubt, the range and type of real estate needed to run the economy and to serve our nation's citizens is wide and deep. REITs and REIT-based real estate investment have emerged to help provide the real estate needed to keep businesses competitive and to serve consumer needs. Consequently, today REITs provide to third parties all types of real estate consistent with the 1960 mandate from Congress and the 1962 IRS regulations, including: life science centers, student housing, timber, senior housing, consumer and business storage facilities, factory outlet centers, entertainment facilities such as movie theaters, gasoline stations, high security office buildings rented to government agencies, medical office buildings, manufactured home communities, electrical transmissions and distribution systems, billboards, farmland and single family rental housing. NAREIT urges the Senate Committee on Finance to retain a broad definition of real estate under the REIT rules in any fundamental tax reform system that it considers in the future.

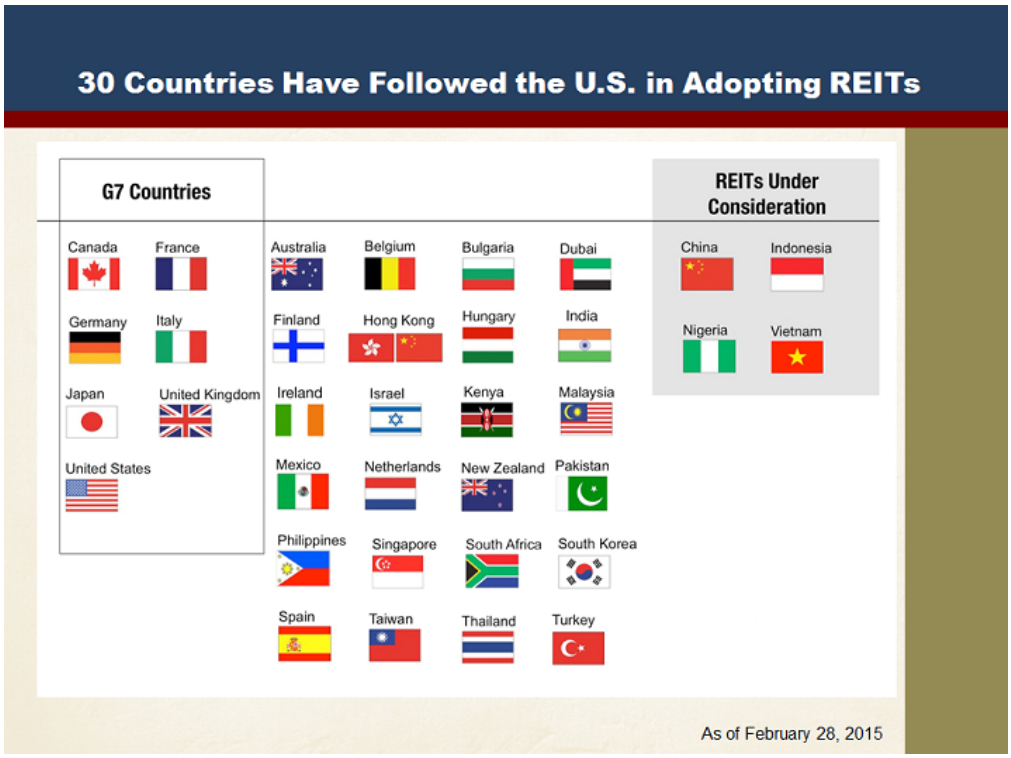
REITS AROUND THE WORLD

Over the course of the past five decades, the U.S. REIT industry has both grown substantially and performed well. Not surprisingly, other nations have taken notice. In an effort to provide their citizens and economies with the benefits of REIT-based real estate investment, 30 countries so far have adopted various versions of the U.S. REIT model.

[5] Rev. Rul. 75-424, 1975-2 C.B. 269.
[6] PLR 9612024 (Dec. 22, 1995).

For example, every G-7 nation has adopted a regime for REIT-based real estate investment. Additionally, a majority of countries that are members of the Organisation for Economic Co-operation and Development (OECD) have adopted their own regimes for REIT-based real estate investment. Finally, both of our nation's neighbors, Canada and Mexico, have REIT regimes in place. All of these countries have chosen to follow, more or less, the pioneering experience set forth by the U.S.

The FTSE EPRA/NAREIT Global Real Estate Index is the leading investment benchmark worldwide for stock exchange-listed equity real estate investments. The equity market capitalization of the Index today is approximately $1.5 trillion worldwide, nearly three-fourths of which represent stock exchange-listed equity REITs. Notably, the largest listed real estate company in the world is a U.S. REIT, and U.S. REITs represent 13 of the top 20 listed real estate companies worldwide. However, with REIT models now adopted by many nations around the world, an additional 3 of the top 20 constituents of the Index are REITs organized and headquartered outside the U.S (representing, in these cases, REITs from Australia, the Netherlands and the United Kingdom).



Because the United States currently has the highest corporate tax rate in the world, advocates of comprehensive tax reform have argued for reducing the statutory corporate rate. It is noteworthy in the table below that most nations that have adopted the REIT approach to real estate investment also have significantly lower corporate tax rates when compared to the United States. These tax disparities underscore the fact that REITs, as a matter of national economic policy, have become an attractive and important way to provide public access to real estate investment worldwide, regardless of the rate and related structure of a national corporate income tax.

Corporate Tax Rates of REIT Nations

G7		OECD		OTHERS		POTENTIAL ADOPTEES	
Canada	15.0%	Australia	30.0%	Bulgaria	10.0%	China	25.0%
France	33.3%	Belgium	33.0%	Dubai	0.0%	Indonesia	25.0%
Germany	15.8%	Finland	24.5%	Hong Kong	16.5%	Nigeria	30.0%
Italy	27.5%	Hungary	19.0%	India	32.4%	Vietnam	25.0%
Japan	25.5%	Ireland	12.5%	Kenya	30.0%		
UK	23.0%	Israel	25.0%	Malaysia	25.0%		
USA	35.0%	Mexico	30.0%	Pakistan	35.0%		
		Netherlands	25.0%	Philippines	30.0%		
		New Zealand	28.0%	Singapore	17.0%		
		Spain	30.0%	South Africa	28.0%		
		Turkey	20.0%	South Korea	22.0%		
				Taiwan	17.0%		
				Thailand	20.0%		

Source: 2014 EY Worldwide Corporate Tax Guide (rates are for 2013)

REITS AND THE TAX REFORM ACT OF 1986

Notably, when Congress last considered comprehensive tax reform during the 1980s resulting in the Tax Reform Act of 1986, it made the affirmative decision to largely eliminate the use of real estate investment to "shelter" other income; and to, at the same time, to renew its support for REITs and its support for taxable income-oriented REIT-based real estate investment. It did so by updating the REIT rules in the spirit of tax reform to permit a REIT to generally provide customary services associated with its real estate investment, *i.e.*, by permitting REIT employees to provide the real estate-related services to its tenants that previously had to be provided by independent contractors. It is important to note that this affirmation of REITs in the context of tax reform helped set the stage for the dawn of what many call the Modern REIT Era beginning in the early 1990s, shifting real estate investment by the public from a debt- and loss-oriented focus to the equity- and taxable income-oriented focus of REIT-based real estate investment today. Consistent with the mission for REITs set forth by Congress in 1960 and updated by Congress in 1986, we strongly believe that REIT-based real estate investment is both consistent and consonant with the spirit of comprehensive tax reform in the 21st century.

* * * * * *

NAREIT very much appreciates the opportunity to provide this letter to you and your colleagues on the Senate Committee on Finance. We welcome the opportunity to discuss this submission, or any of the issues affecting REITs and real estate investment, as you continue to work towards the enactment of comprehensive tax reform. If you have any questions, please contact me or Tony Edwards, NAREIT's Executive Vice President and General Counsel, at [redacted] or [redacted]

Respectfully submitted,



Steven A. Wechsler
President & Chief Executive Officer

ATTACHMENT A

SELECT TAX REFORM ISSUES OF IMPORTANCE to REITs and REAL ESTATE INVESTMENT

For Use by Senate Committee on Finance Tax Reform Working Groups

Business Income Tax Working Group

- Integration
- Corporate mergers and acquisitions
- Cost recovery methods
- Treatment of debt, including deductibility of interest
- Like kind exchanges
- Deductibility of state and local taxes
- Interaction of mandatory distribution requirement with other corporate tax rules
- Modernization of the REIT rules, such as H.R. 5746, the Update and Streamline REIT Act of 2012
- Partnership taxation
- REMICs
- Treatment of energy efficient investments
- Treatment of equity, including common and preferred stock
- Treatment of UPREITs

Community Development & Infrastructure Working Group

- Environmental cleanup costs
- Treatment of energy efficient investments

Individual Income Tax Working Group

- Rules governing investors in real estate

International Tax Working Group

- Taxation of international income
- Interaction of mandatory distribution requirement with other international tax rules
- Cross-border investment rules for real estate investment
- FIRPTA
- Rules governing investors in real estate

Savings & Investment Working Group

- Financial products
- Interaction of mandatory distribution rules with other corporate tax requirements
- Capital gains
- Treatment of derivatives used to manage risk
- Pensions
- Retirement savings
- Savings incentives

Attachment: REIT Chronology

1960 REITs are Created



Sept. 14, 1960 REITs are created when President Eisenhower signs into law the REIT Act title contained in the Cigar Excise Tax Extension of 1960. REITs, patterned after mutual funds, were created by Congress in order to give the public the opportunity to invest in large-scale, diversified portfolios of income-producing real estate.

NAREIT is Formed



Sept. 15, 1960 NAREIT is incorporated and today is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets.

Initial REITs Debut



1960-1961 The first REITs--Bradley Real Estate Investors, Continental Mortgage Investors, First Mortgage Investors, First Union Real Estate (now Winthrop Realty Trust, NYSE: FUR), Pennsylvania REIT (NYSE: PEI) and Washington REIT (NYSE: WRE)--are created. The latter three are still in existence today.

1965 First NYSE REIT



June 1965 Continental Mortgage Investors becomes the first REIT to be listed on the New York Stock Exchange.

1969 REITs Around the World



1969 The first European REIT legislation is passed in The Netherlands. This marks the beginning of the global spread of the REIT model, with REITs launching in Australia shortly after in 1971. REITs began to spread across Asia with the launch of Japanese REITs in 2001. REITs in Europe were buoyed by legislation in France (2003), Germany (2007) and the U.K. (2007). In total, more than 25 countries now have REIT legislation.

1970 First Health Care REIT



June 1970: Health Care Fund, founded by Bruce Thompson and Frederic Wolfe, becomes the first health care REIT. The company changed its name to Health Care REIT, Inc. (NYSE: HCN) in 1985.

1972 First REIT Index Unveiled



January 1972 NAREIT REIT Index debuts as the first REIT index available for benchmarking the price and total return investment performance of REITs. The index originates the classification of Equity and Mortgage REITs.

Attachment: REIT Chronology

1976 Tax Reform Act of 1976



November 1976 As part of the Tax Reform Act of 1976, President Ford signs into law the first package of REIT simplification amendments, most notably allowing REITs to be established as corporations in addition to business trusts.

1985 Dedicated Real Estate Funds Developed



January 1985 The National Real Estate Stock Fund is formed as the first open-end mutual fund dedicated to REITs. Today, there are more than 300 dedicated real estate mutual funds and ETFs. In 1986, Martin Cohen and Robert Steers found Cohen & Steers, which becomes the nation's largest REIT manager with more than $26 billion in assets under management.

1986 Tax Reform Act of 1986



October 1986 President Reagan signs the Tax Reform Act of 1986. Among its real estate provisions, there are several new rules that prevent taxpayers from using partnerships to shelter earnings from other sources. Additionally, a number of REIT simplification changes take effect, including one that for the first time allows REITs to be internally advised and managed.

1989 Dramatic Real Estate Downturn



1989-1991 The nation is beset by the worst real estate downturn since the Great Depression of the 1930s. REIT stock prices decrease well before prices of private real estate begin substantial decline. However, REIT share prices also begin to increase well before recovery in the private real estate market.

1991 Kimco's IPO Launches the Modern REIT Era



November 1991 Kimco Realty Corporation (NYSE: KIM) concludes the first successful equity REIT IPO in many years. This step marks the beginning of the modern REIT era, sets the stage for the resurgence of the REIT industry and helps to stabilize the financial and real estate markets.

Attachment: REIT Chronology

1993 Pension Plans



August 1993 As part of the Omnibus Budget Reconciliation Act of 1993, President Clinton signs into law a change that makes it easier for pension plans to invest in REITs.

Simon Property Goes Public



December 1993 Setting the stage for offerings to come, Simon Property Group (NYSE: SPG) concludes what was then the biggest REIT IPO to date, raising $839.9 million. Simon has gone on to become the largest publicly traded real estate company in the world as well as the largest U.S. REIT.

1997 First Life Sciences Buildings REIT



May 1997 Alexandria Real Estate Equities, Inc. (NYSE: ARE) completed its initial public offering, making it the first publicly traded Life Sciences Buildings REIT.

1999 First Timber REIT



1999 Plum Creek Timber Company (NYSE: PCL) becomes the first timber REIT.

First Telecommunications Tower REIT



February 1999 Pinnacle Holdings Inc. completed its initial public offering, making it the first publicly traded telecommunications tower REIT.

REIT Modernization Act



December 1999 As part of the Ticket to Work and Work Incentives Improvement Act of 1999, President Clinton signs into law provisions of the REIT Modernization Act of 1999. Among other items is the ability of a REIT to form one or more taxable REIT subsidiaries (TRS).

2000 REIT ETFs Hit the Market



June 2000 The iShares Dow Jones U.S. Real Estate Index Fund launches, becoming the first real estate exchange traded fund. Within less than a year, it is joined by the streetTRACKS Wilshire REIT Index Fund and iShares Cohen & Steers Realty Majors Index Fund. Today, there are more than 20 REIT ETFs.

Attachment: REIT Chronology

2001 Ibbotson Research Highlights REIT Benefits



August 2001 Ibbotson Associates, a leading authority on asset allocation, releases results of its landmark research clarifying the benefits of REITs in a diversified investment portfolio. The results, which were a driving force in the industry's investor outreach efforts, show that exposure to REITs not only improves portfolio returns but also lowers portfolio risk.

Global Real Estate Index Launches



October 2001 In a joint venture, NAREIT, EPRA and FTSE launch the EPRA/NAREIT Global Real Estate Index.

Equity REITs Added to S&P Indexes



October 2001 Standard & Poor's opens its indexes to equity REITs.

2003 SEC Recognizes Funds From Operations (FFO)



January 2003 The Securities and Exchange Commission explicitly allows companies to use FFO per share as defined by NAREIT in SEC filings.

2003 Research Identifies Complementary Nature of Public and Private Real Estate Investment



June 2003 Ibbotson Associates releases results of its pioneering research with respect to the comparative performance of REIT and direct real estate investment in diversified investment portfolios. Ibbotson's analysis clearly demonstrates the complementary nature of both public and private forms of commercial real estate investment in long-term portfolios.

2004 IBM Adds a REIT Option



May 2004 IBM, the country's largest 401(k) plan sponsor, introduces a REIT index fund as a distinct investment choice to its plan.

First Data Center REIT



October 2004 Digital Realty (NYSE:DLR) completed its initial public offering, making it the first publicly traded data center REIT.

Attachment: REIT Chronology

2004 REIT Improvement Act



October 2004 President Bush signs into law the American Jobs Creation Act, including all three titles of the REIT Improvement Act.

2008 REIT Investment and Diversification Act



July 2008 REIT Investment and Diversification Act (RIDEA) becomes law, allowing REITs to buy and sell real estate assets more efficiently, among other things.

2008 Research Shows REITs Assist with Liability Relative Optimization



September 2008 Ibbotson Associates releases results of its pioneering research with respect to the benefits of including publicly traded REITs and property companies in long-term, diversified investment portfolios using liability relative optimization.

OECD Model Tax Treaty Modified



The Organization for Economic Cooperation and Development adopts a model tax treaty to achieve uniform tax treatment for cross-border REIT investments around the world.

2009 Emerging Markets Added to Global Index



January 2009 FTSE, NAREIT and EPRA announce the addition of REITs and listed property companies in emerging markets to the FTSE EPRA/NAREIT Global Real Estate Index.

REITs Prove Resilient in Great Recession



2009 In response to the global credit crisis, listed REITs respond by deleveraging and re-equitizing their balance sheets. Listed REITs and REOCs raised $37.5 billion in 91 secondary equity offerings, nine IPOs, and 37 unsecured debt offerings as the public continued to act favorably to companies strengthening their balance sheets amidst the Great Financial Crisis.

2010 REITs at 50



Sept. 14, 2010 REITs and NAREIT celebrate their 50th anniversaries, as recognized by a U.S. Congressional Resolution.

Attachment: REIT Chronology

2012 Performing for the Long-Term



Since the first REIT Index was introduced in 1972, REITs delivered a compound annual return of 12.1%.

First Single Family Rental REIT

December 2012 Silver Bay Realty Trust Corp. (NYSE: SBY) completed its initial public offering, making it the first publicly traded Single Family Rental REIT.

2013 S&P Opens Door for Mortgage REITs



Standard & Poor's announces mortgage REITs are eligible for inclusion in its indexes.

First Farmland REIT

January 2013 Gladstone Land Corporation (NYSE: LAND) completed its initial public offering, making it the first publicly traded Farmland REIT.

2014 S&P Recognizes Real Estate Sector As Distinct from Financial Services



S&P announces creation of Real Estate Industry Sector within its Global Industry Classification Standard (GICS) and its intention to move stock exchange-listed Equity REITs and other listed real estate companies from the Financials Sector in 2016