REITs Sag Under General Market Pressure in April, May 2022

The 2nd quarter of 2022 has been a scary ride for markets and investors around the world. Increased geopolitical tensions, widespread inflation and rising interest rates in many countries have been a cause for concern and the capital markets bore the brunt of that low sentiment.

A recent look at the numbers shows that real estate investment trusts (REITs) didn't escape the sell-off.

Crunching the Numbers

The FTSE Nareit All Equity REITs index shows a decline of 3.66 percent in April. This is, as Wealth Management succinctly argues, "a major reversal from 2021, when REITs posted a 40 percent rise in total returns".

Benchmarking against Peers

Despite this, REIT total returns are trending stronger than many other indices in 2022, including some "darlings of the market" like S&P 500 (contracted 12.92 percent) and the Dow Jones Industrial Average (declined by 8.73 percent).

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A History of Performance

Bezinga data says: “The FTSE Nareit All Equity REITs index has outperformed the S&P 500 in total returns during 13 out of the last 20 years with an average total annual return of 13.1% versus 11.1% for the S&P 500 over the same time period”.

REITs Use Case

As an investment vehicle type, REITs are considered one of the most accessible ways for individuals to buy into commercial real estate (CRE), which has long been the terrain of institutional investors.

Although regulation changes have opened up this category in recent years, REITs still enjoy popularity with retail investors for the above reasons, and the relatively high dividend yields.

Takeaway

Although we do not offer this as financial advice and individual investment products must be reviewed on their own fundamentals, REITs are still largely considered an inflation hedge when rents are rising – making them one fascinating asset type to watch in 2022.