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Monthly Insights: August Outlook

# Real Estate Sector

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### Real Estate Select Sector SPDR Fund

50-day & 200-day Moving Averages  
with MACD (12,26,9) & RSI (14)

Daily

Real Estate Select Sector SPDR Fund - Total Return Relative to S&P 500 (TR)

MACD (12,26,9) & RSI (14)

RSI (14)

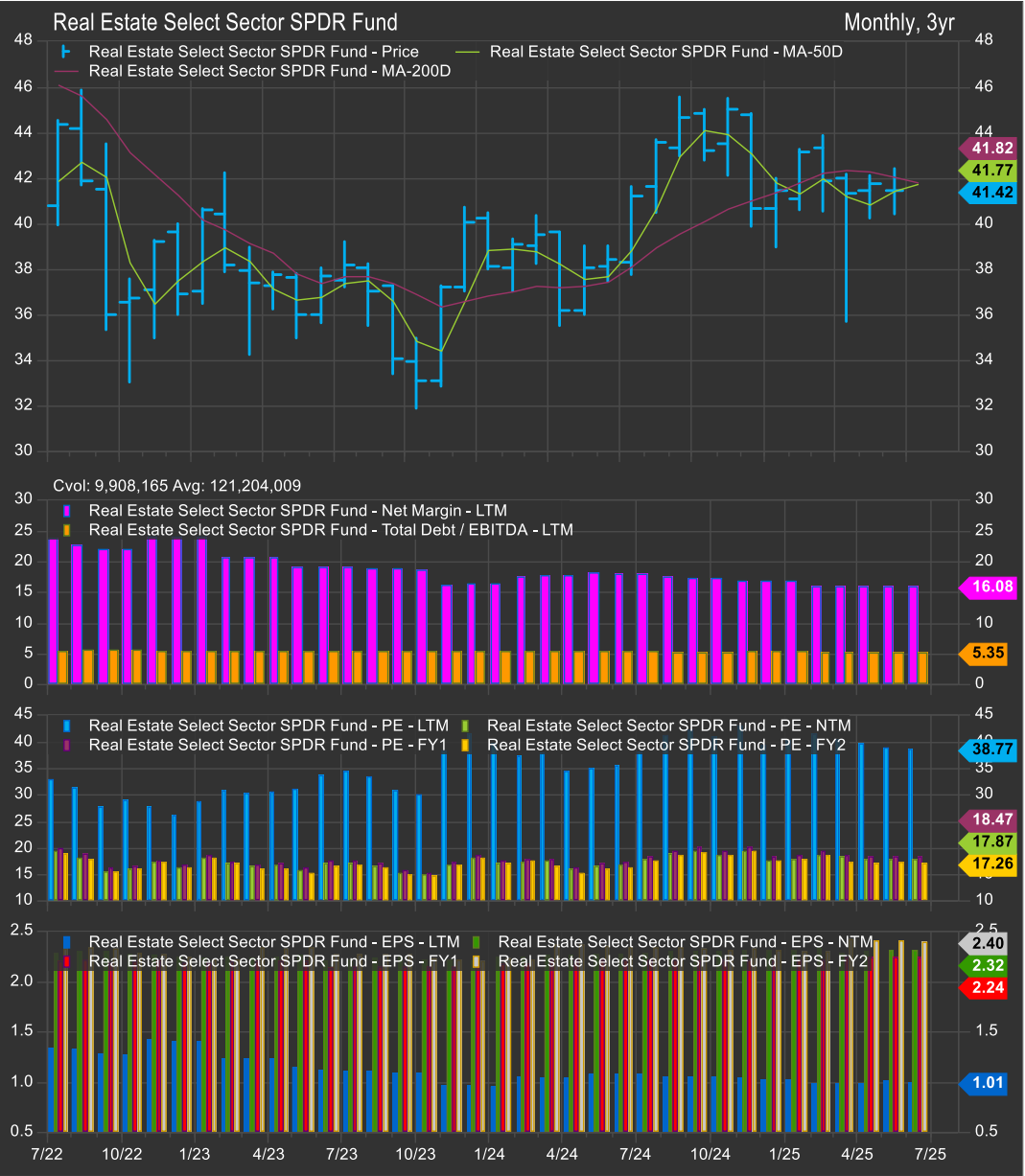
Indicator	Value
Price	42.15
50-day Moving Average	41.95
200-day Moving Average	41.78
TR	88.82
MACD	0.24
RSI	0.19
RSI	0.04
RSI	51.66

Currently the sector sits in a sideways trend with oscillator studies in a neutral position. Constituent breadth has narrowed significantly since May. Macro catalysts would likely come from a dovish Fed intervention on interest rates and/or some softness in coming economic data that might elevate the probabilities of such. However, the current earnings season featured a high rate of companies revising guidance lower as Office REITs continue to struggle with occupancy and Tower stocks and Self Storage continue to languish.

Management and Development stocks (CBRE, CSGP) are positive standouts, but the average Real Estate stock remains out of favor and without the fundamental strength to change the trend.

**We start August out of the Real Estate Sector with an **UNDERWEIGHT** allocation of **-2.04%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Real Estate Sector



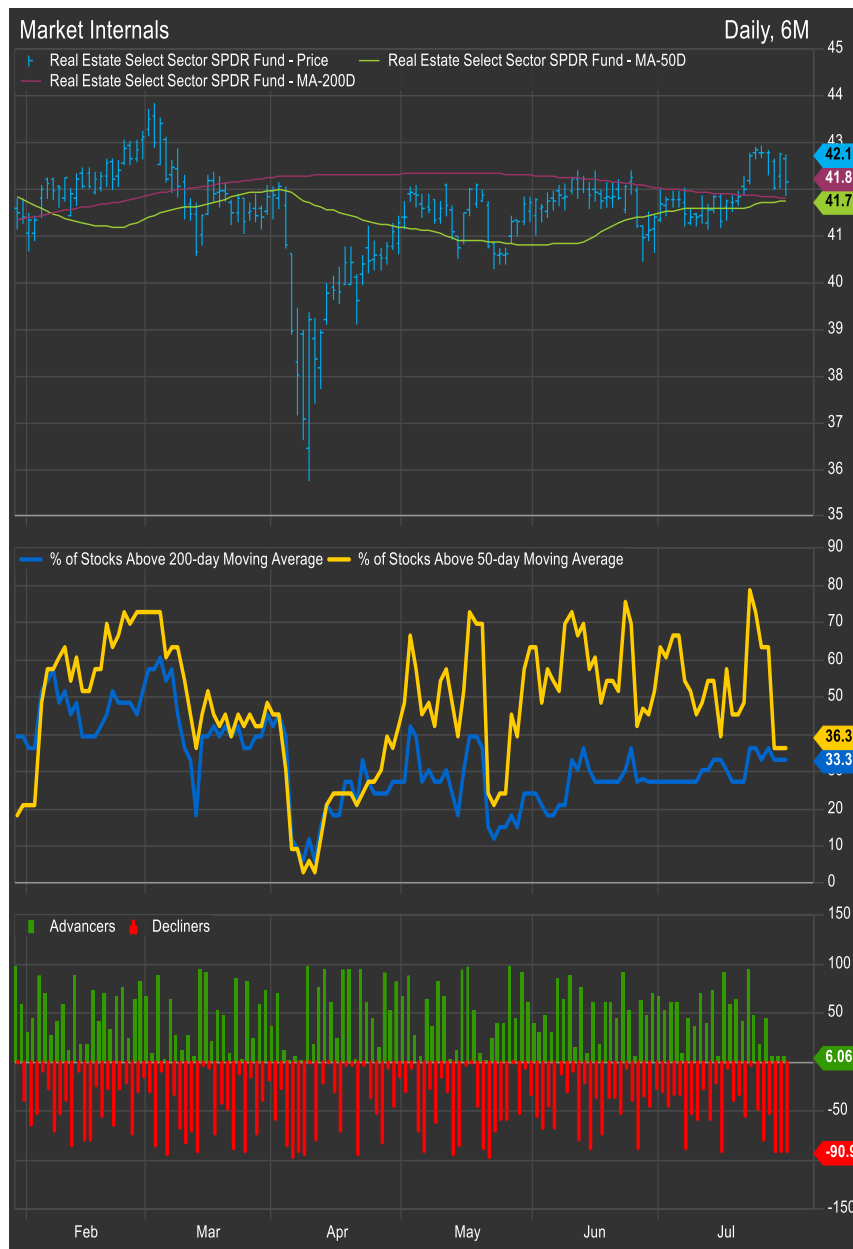
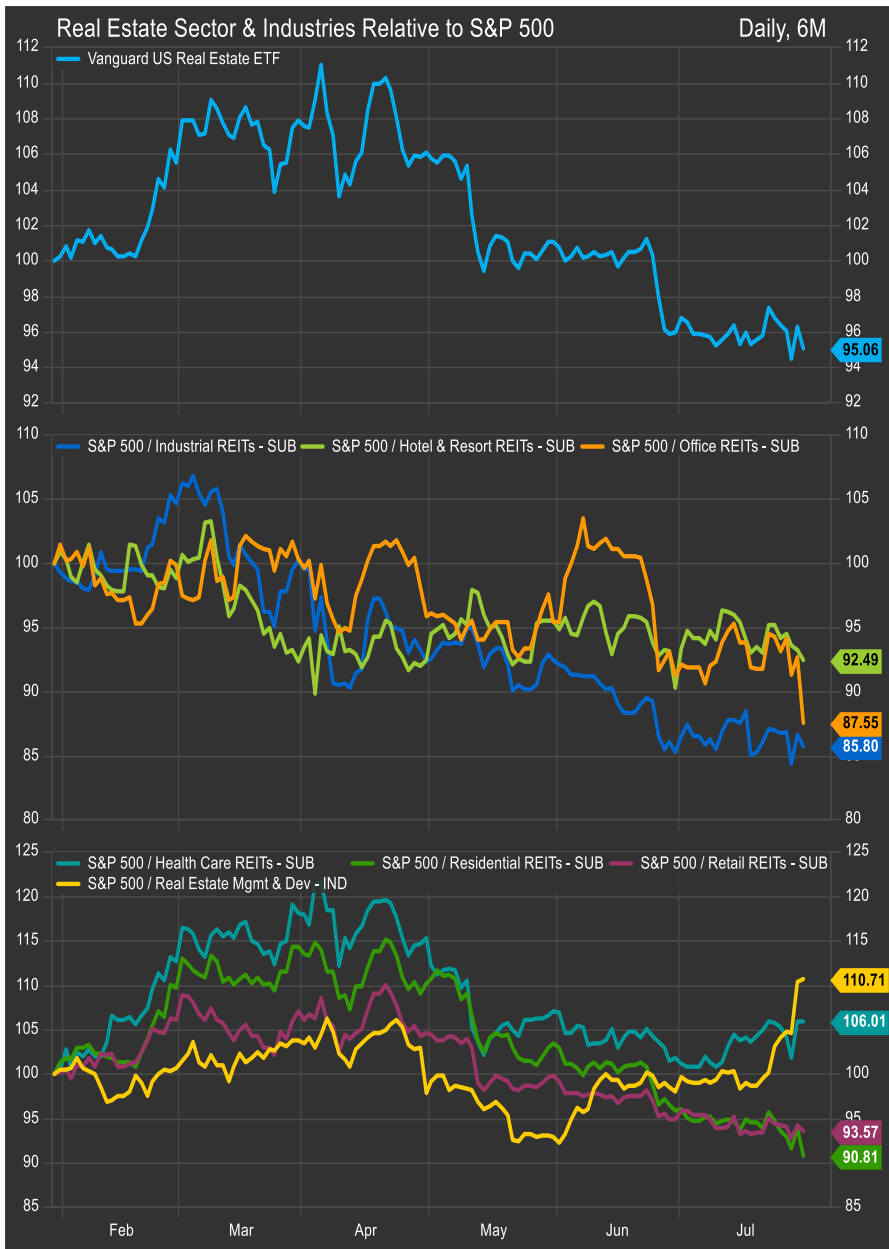
The chart (left) shows S&P 500 Real Estate Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to contract in 2025(chart, panel 2)

Valuation (chart, panel 3) is lofty due to earnings impairment from Office REITs though we can see out year P/E multiples are set to contract if the consensus for >100% EPS growth comes to fruition

Out year valuations remain elevated, despite a favorable consensus outlook on earnings growth. We've also seen near-term guidance lowered for more than half of the companies reporting this quarter.

# Industry Performance and Breadth: Real Estate



**Real Estate Industries** (chart, left): Real Estate Mgmt & Development names accelerated to the upside, forming a clear bullish reversal vs. the S&P 500

Healthcare REITs remained firm as well, but that was where the strength ended for the sector

Office, Industrial, Residential and Retail REITs all moved lower as well along with Tower stocks and Self Storage

**We saw some uptick among Real Estate Sector Internals** (chart, right): Market internals for the sector collapsed in July as many names moved below their 50 and 200-day moving averages...

Top 10/Bottom 10 Stock Level Performers: Real Estate

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
CSGP	CoStar Group, Inc.	Bullish Reversal	40,496.7	3.46	8.9	0.0	0.99	15.1
CBRE	CBRE Group, Inc. Class A	Uptrend	47,115.5	0.95	11.5	0.0	1.43	10.1
ARE	Alexandria Real Estate Equities, Inc.	Support	13,746.8	1.83	-3.7	4.5	1.33	7.0
WELL	Welltower Inc.	Bullish Reversal	108,529.8	3.13	2.9	1.1	0.82	5.8
CCI	Crown Castle Inc.	Consolidation	47,558.6	2.25	1.7	3.0	0.92	5.3
VTR	Ventas, Inc.	Consolidation	30,165.5	4.10	-6.1	1.9	0.80	3.8
KIM	Kimco Realty Corporation	Consolidation	14,835.6	1.23	-3.0	3.0	1.17	1.5
SPG	Simon Property Group, Inc.	Consolidation	54,864.2	1.02	-4.1	3.4	1.44	1.4
HST	Host Hotels & Resorts, Inc.	Consolidation	11,293.7	0.85	0.6	3.5	1.42	1.4
BXP	BXP Inc	Consolidation	11,150.8	1.51	-2.5	3.9	1.01	0.9

Management and Development names continued to outperform in July while HC REIT Welltower continues to be one of the strongest stocks in the sector

To the downside, SBAC disappointed and fell out of its intermediate-term bullish reversal

Tower stocks and Self Storage remain under pressure

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
IRM	Iron Mountain, Inc.	Consolidation	29,333.3	1.83	-3.7	2.0	1.16	-6.1
INVH	Invitation Homes, Inc.	Downtrend	19,614.4	1.53	-11.2	2.4	0.78	-5.5
AMT	American Tower Corporation	Consolidation	100,514.0	1.33	-7.5	2.2	0.92	-4.7
SBAC	SBA Communications Corp. Class A	Consolidation	24,597.9	1.05	-8.4	1.3	0.82	-4.1
AVB	AvalonBay Communities, Inc.	Downtrend	28,917.8	1.44	-11.0	2.4	0.75	-3.0
WY	Weyerhaeuser Company	Downtrend	18,716.0	1.97	-11.6	2.2	1.37	-2.9
DOC	Healthpeak Properties, Inc.	Downtrend	12,070.8	2.39	-11.9	4.7	1.04	-2.7
EQR	Equity Residential	Downtrend	25,752.6	1.83	-10.1	2.8	0.74	-2.6
UDR	UDR, Inc.	Downtrend	13,450.6	2.69	-9.4	2.9	0.74	-2.5
PSA	Public Storage	Downtrend	51,326.0	1.15	-8.7	2.8	0.93	-2.4

Metrics:  
(Formulas are in the appendix at the end of the report)

Valuation Multiple Relative to Index  
Premium (or discount) to benchmark valuation

Momentum  
Long higher scores, short lower scores

Dividend Yield Relative to Index  
Higher scores preferred when rates and equities are moving lower

Near-term Overbought/Oversold  
Price is >10% away from the 50-day moving average Above/Below

GREEN|RED  
Company scores positively|negatively for Elev8 Sector Rotation Model for April

# Economic & Policy Drivers: Real Estate Sector

## Earnings & Operating Trends

Q2 earnings across the sector showed **solid leasing and rental performance**, particularly in **industrial and data center REITs**, but **margin compression and cost inflation** weighed on broader profitability:

About **65% of reporting REITs beat on FFO**, but **fewer than half raised full-year guidance**—reflecting persistent **tariff-linked construction delays**, elevated **property tax growth**, and **sluggish traffic trends** in office and mall segments.

**Residential REITs** showed resilience in Sunbelt multifamily, but **urban coastal portfolios faced higher turnover and lower renewal spreads**.

**Office REITs continued to struggle**, with most maintaining flat or declining occupancy outlooks. Some commentary noted **conversion incentives are helping reduce churn**, but capex requirements remain high.

## Interest Rates & Financing Costs

The **Fed's decision to hold rates steady** at the July 31 FOMC meeting—alongside a moderately dovish Powell press conference—helped **anchor rate-sensitive sectors** like Real Estate:

**10-year Treasury yields fell ~13 bps** during the final week of July, a key tailwind for REIT valuation models.

However, **average REIT interest expense climbed 9–12% YoY**, and many firms **highlighted tighter credit spreads and increased refinancing hurdles** on earnings calls.

Commercial mortgage lending remains constrained, especially for **Class B and C office assets**, according to Fed Beige Book summaries and REIT commentary.

## Construction Costs, Tariffs & Labor

**Tariffs on EU-sourced steel, glass, and finish materials**, set to begin **August 1**, are expected to hit development-heavy REITs and property managers more acutely:

Some REITs flagged 3–5% project cost overruns due to advanced orders being caught between procurement cycles and implementation timing.

**Labor shortages in construction and building maintenance** also remain a challenge: JOLTS data showed **job openings in real estate and rental/leasing remained above**

Federal statistics show **hourly wages in building maintenance up 5.3% YoY**, pressuring operating margins across commercial and mixed-use portfolios.

## Demand & Utilization Trends

**Warehouse and datacenter demand continues to outperform**, driven by:

AI infrastructure buildouts (including **semiconductor packaging and cloud compute capacity**).

E-commerce fulfillment center expansions, especially in **inland logistics hubs like Dallas-Fort Worth and Central PA**.

In contrast, **mall traffic and office leasing metrics were flat to down**, with **Class A urban office occupancy still ~15% below pre-pandemic baselines**.

**Policy-driven conversion incentives** (including new **HUD guidance on office-to-resi financing**) have shown **early traction**, but require additional local implementation to be material.

## Policy Backdrop & Market Positioning

REITs and real estate lobby groups are watching for potential **tax treatment changes in Q4**, including how **Trump's proposed TCJA extension** might affect **1031 exchanges and bonus depreciation**.

**No new restrictive zoning or ESG-linked building mandates** were introduced in July, though **FCC broadband rollout guidelines released July 15** included incentives for rooftop infrastructure access, which could benefit cell tower and small-cap comm REITs.

## August Outlook

**August 1:** EU building product tariffs take effect—watch for earnings commentary from REITs with active development pipelines.

**August 5–7:** FCC to reconvene for follow-up broadband infrastructure hearings—updates could influence rooftop leasing and fiber permits.

**August 29:** PCE inflation data may alter September Fed rate-cut odds, potentially affecting REIT cost-of-capital narratives

# Appendix: Metric Interpretation/Descriptions

## Valuation Multiple Relative to Index

Higher scores correspond to more expensive earnings than the index, lower scores are cheaper

### *Valuation Multiple Relative to Index*

(Company Price/NTM EPS)/ (Index Price/NTM EPS)

## Dividend Yield Relative to Index

Higher scores correspond to higher company dividend yield relative to the S&P 500 Index dividend Yield

### *Dividend Yield Relative to Index*

Company FY1 Rolling Dividend Yield / Index FY1 Rolling Dividend Yield

## Momentum

Long higher scores, short lower scores

### *Momentum (simple mean)*

**1-Month Excess Total Return (vs. S&P 500) \* 0.2**

*Plus*

**3-Month Excess Total Return (vs. S&P 500) \* 0.5**

*Plus*

**6-Month Excess Total Return (vs. S&P 500) \* 0.3**

# Metric Interpretation/Descriptions

## Price Structure

We categorize stock chart patterns into 7 categories

**Uptrend**—Stock exhibits sustained outperformance

**Bullish Reversal**—Stock has outperformed over the past 3-6 months by > 10% vs. benchmark

**Consolidation**—Sideways price action, generally a bearish pattern in a bull market

**Retracement**—A sharp move lower in a previously strong chart

**Distributional**—A topping pattern

**Downtrend**—Sustained underperformance, lagging the benchmark by >15% per year

**Support**—Price has reached a level where major bottom formations or basing has occurred in the past

**Basing**—A protracted consolidation at long-term support

## Deviation from Trend

Intermediate-term: Price % Above/Below 200-day moving average

Near-term: Price % Above/Below 50-day moving average

## Overbought/Oversold (We want to sell overbought charts with declining momentum)

Overbought = Stock price > 25% above 200-day m.a.

Oversold = Stock price > 20% below 200-day m.a.

## Near-term Overbought/Oversold (Signals depend on trend context)

Overbought = Stock price > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.