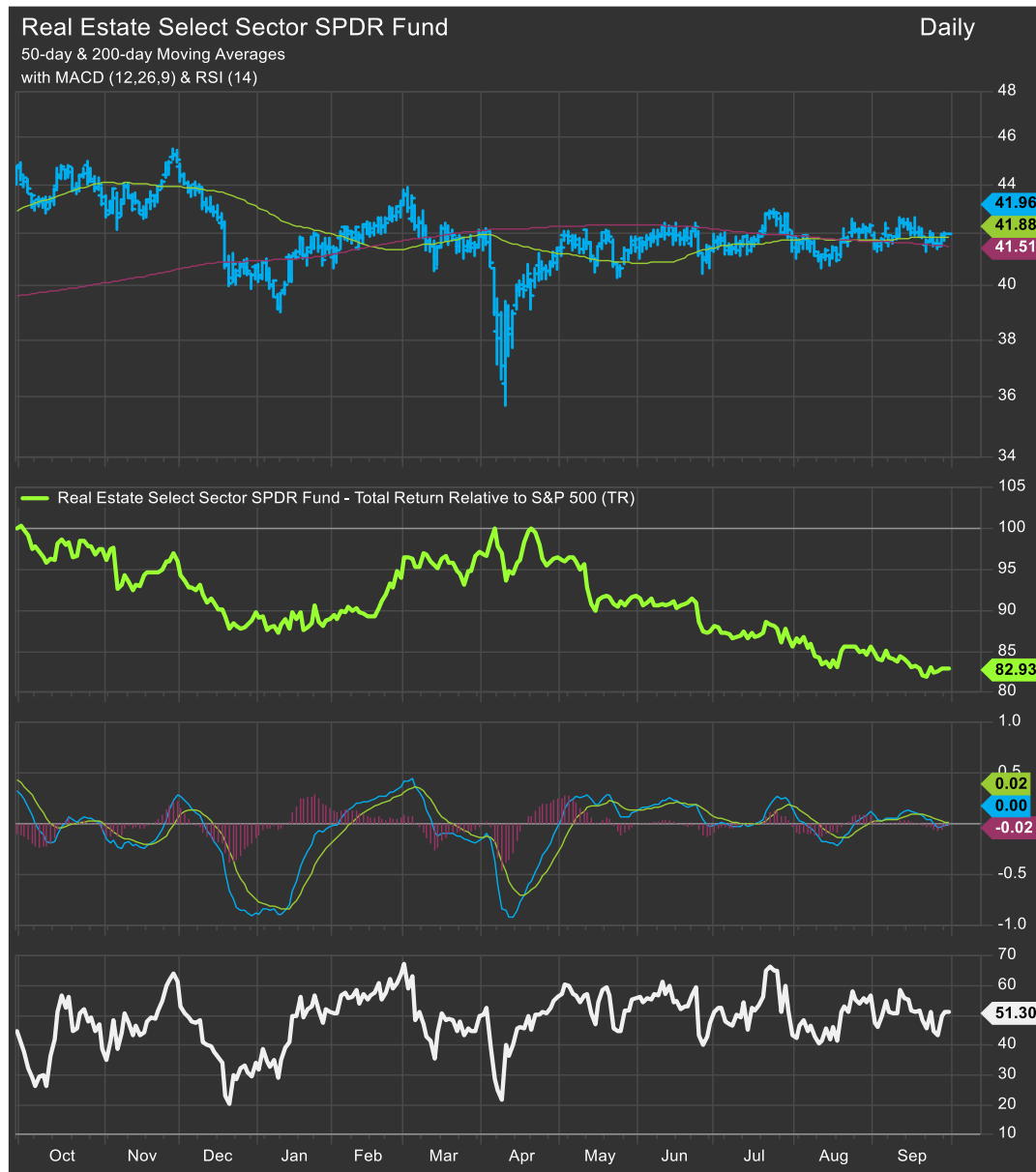


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Monthly Insights: October Outlook
Real Estate Sector

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Sector Price Action & Performance Review: Real Estate



The Real Estate Sector continues to drift sideways on price while the S&P 500 continued to print new all-time highs in September. The sector remains in the bottom of our performance tables and should continue to be viewed as a defensive play that is unlikely to keep pace with equities while the bull controls the tape.

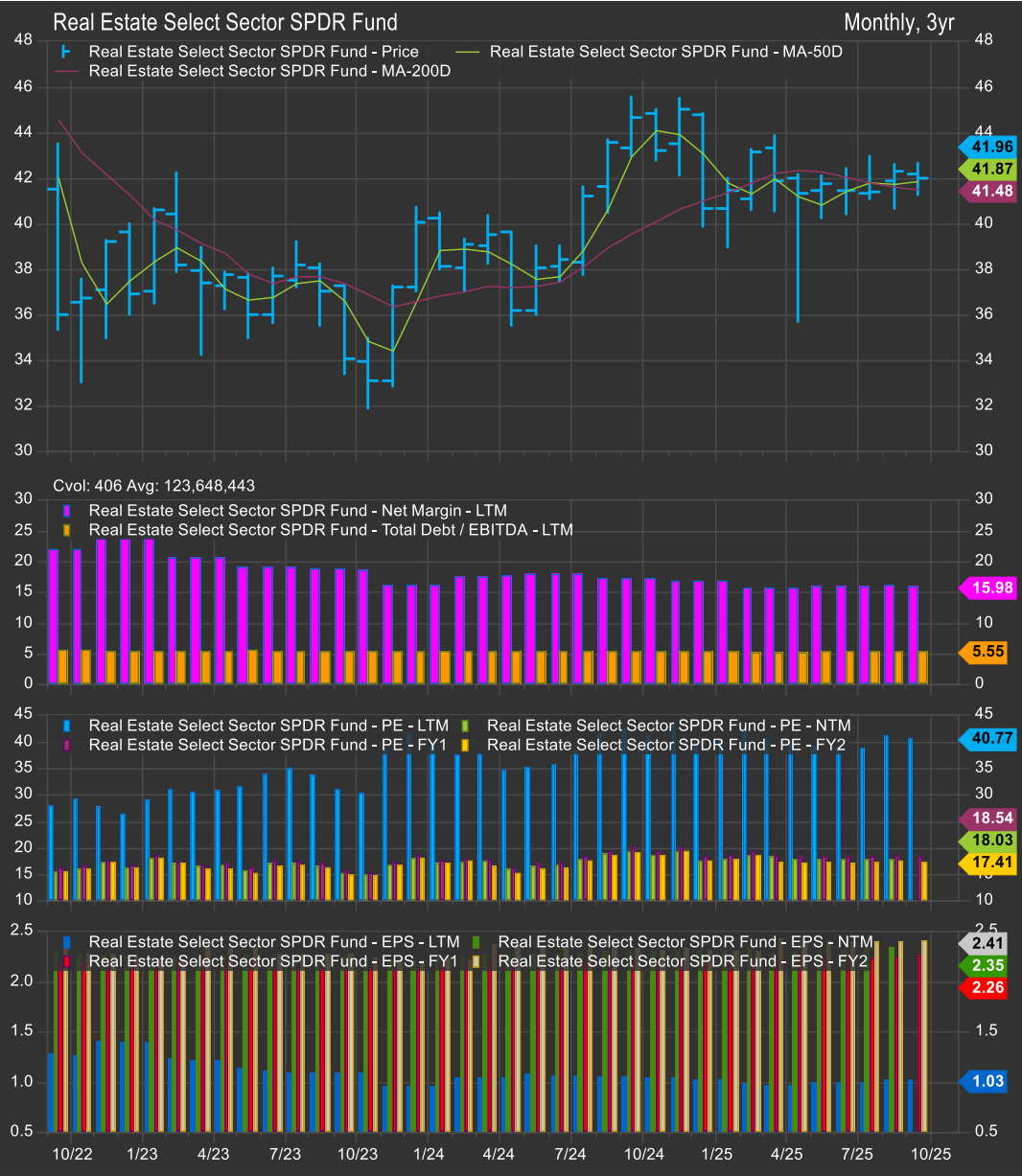
From a technical perspective, our oscillator studies are in a neutral position to start October, but we can see negative momentum divergence vs. price since February which is bearish considering the trend was already weak. We wouldn't expect the sector to outperform while equities remain in an uptrend, but we do think there could be rotation if the AI trade comes under pressure as we saw from January-April of this year.

The sectors forward prospects are tied to the level of interest rates as office to residential conversion remains a key plank of longer-term recovery. Low rates would grease the skids on that transformation by keeping capital costs low and maintaining access to credit. AI infrastructure demand remains a tailwind to data centers, but risk on sentiment at the investor level keeps the sector in a laggard position.

We do think after robust performance in September that a lot of good news is priced in and exogenous risks from a potential government shutdown and tariff escalation are being taken fairly lightly by investors. With that in mind we have some exposure to low vol in the Elev8 portfolio entering October.

We start October with a **MARKETWEIGHT allocation of **+0.44%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Real Estate Sector



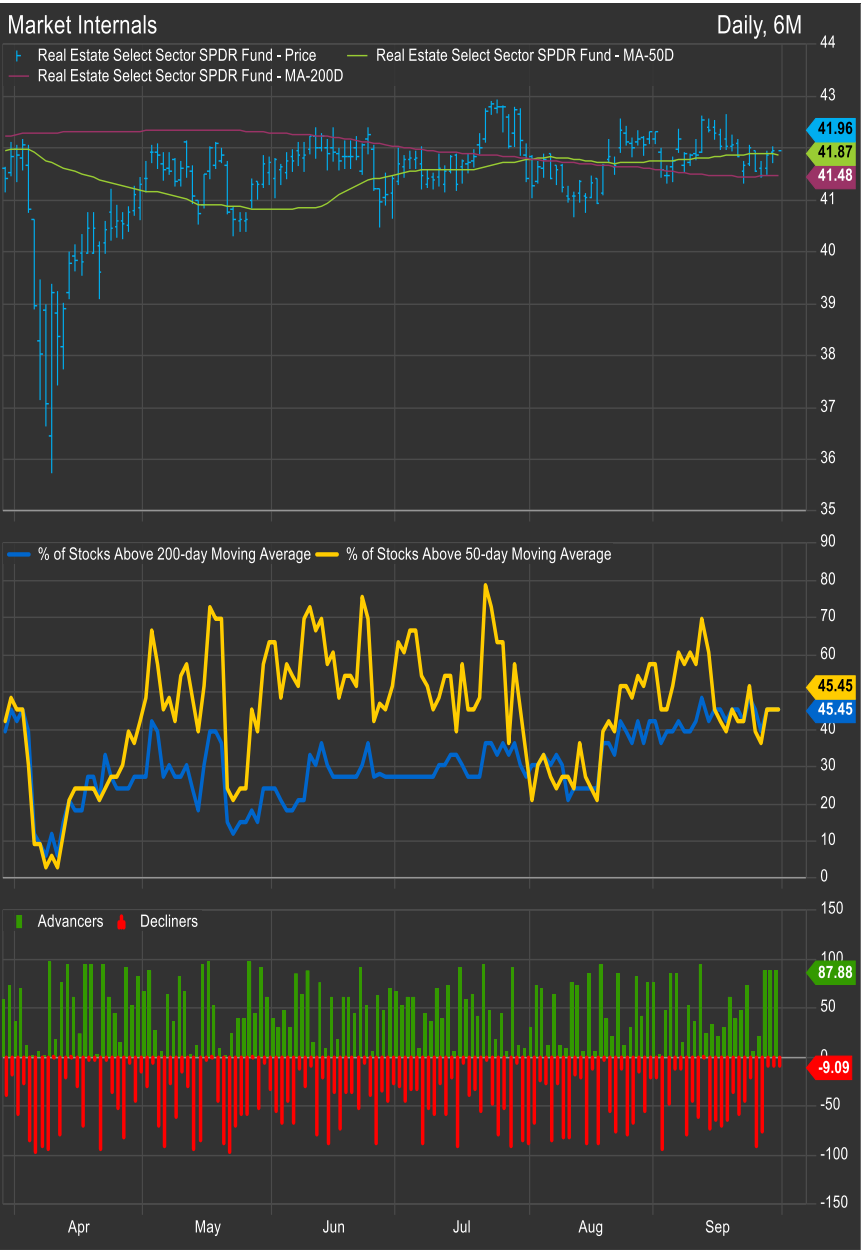
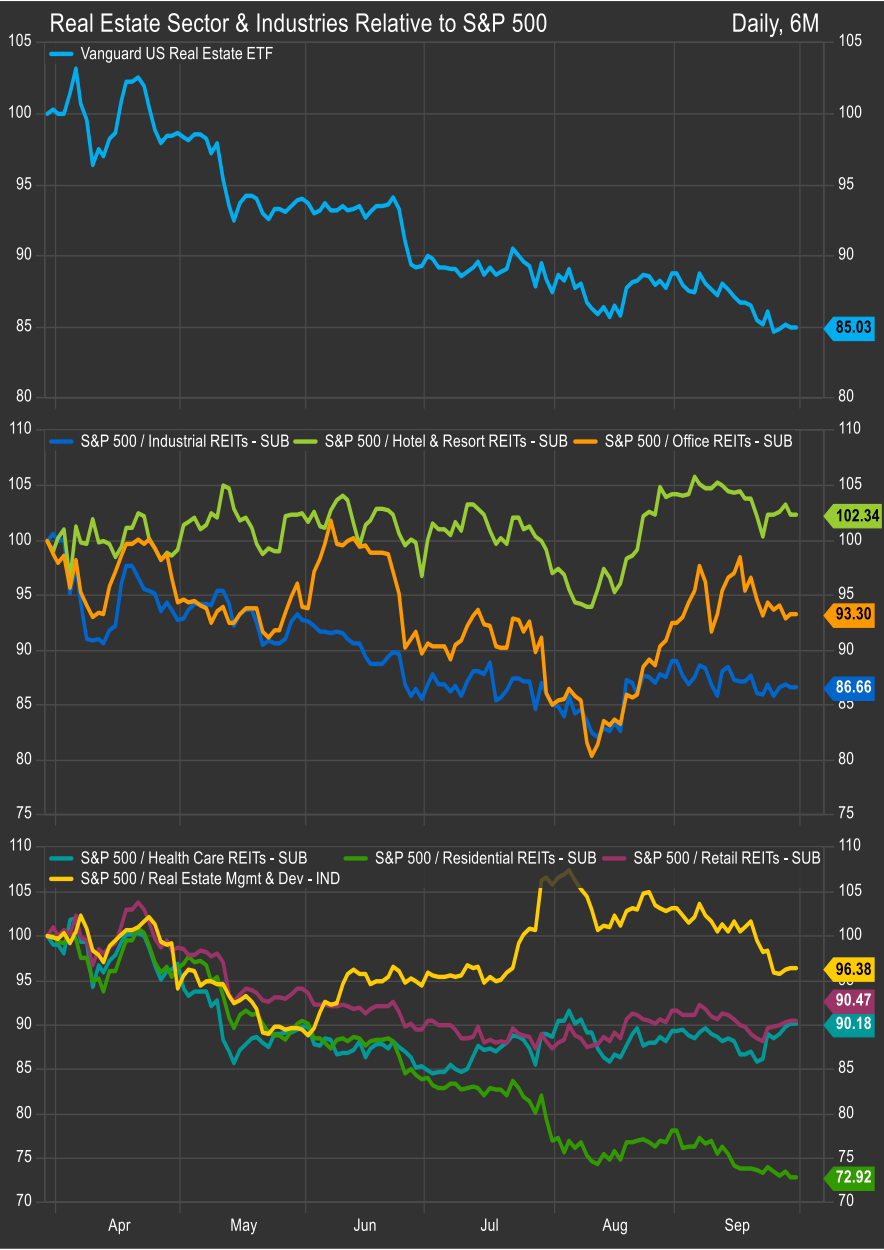
The chart (left) shows S&P 500 Real Estate Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins remained firm throughout Q2's reporting season (chart, panel 2) with debt levels also remaining firm.

LTM 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 have contracted as companies have guided forward earnings higher. There still seems to be a disconnect between the bearish present trend and consensus estimates for robust forward EPS Growth. At face value, out year valuation levels seem appropriate

Industry Performance and Breadth: Real Estate



Real Estate Industries (chart, left): Real Estate Mgmt & Development stocks continued to retrace YTD gains in September while Retail and Healthcare REITs perked up. Office REITs surged in August on dovish policy expectations, but enthusiasm has cooled as interest rates have backed up towards the end of the month

Residential and Industrial REITs continue to lag.

We saw some uptick among Real Estate Sector Internals (chart, right): Market internals for the sector collapsed in July, but we've seen some rebound with the Fed coming out in support of the economy in August. That said, both top line and internal trends remain weak with less than 50% of sector constituents above their respective 50-day and 200-day moving averages (middle panel).

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
IRM	Iron Mountain, Inc.	Consolidation	29,809.5	1.81	-1.6	2.0	1.40	8.3
DOC	Healthpeak Properties, Inc.	Consolidation	13,161.9	2.83	-1.7	4.2	1.07	4.3
SPG	Simon Property Group, Inc.	Bullish Reversal	60,527.0	1.11	4.3	3.0	1.43	2.3
WELL	Welltower Inc.	Uptrend	116,823.4	3.00	3.5	1.1	0.79	2.2
BXP	BXP Inc	Consolidation	11,849.7	1.57	0.8	3.2	1.02	2.1
O	Realty Income Corporation	Consolidation	55,150.9	1.68	-1.8	3.5	0.81	2.0
ARE	Alexandria Real Estate Equities, Inc.	Consolidation	14,502.6	3.38	-1.6	4.2	1.29	0.2
DLR	Digital Realty Trust, Inc.	Consolidation	58,476.5	3.17	-3.1	1.9	1.26	0.1
PLD	Prologis, Inc.	Consolidation	105,975.5	1.62	-2.3	2.3	1.59	0.0
VTR	Ventas, Inc.	Consolidation	31,358.5	4.94	-2.3	1.8	0.77	-0.1

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.	Consolidation	35,582.4	2.78	-7.6	0.0	0.87	-9.3
SBAC	SBA Communications Corp. Class A	Downtrend	20,855.2	0.88	-20.0	1.5	0.84	-8.0
INVH	Invitation Homes, Inc.	Support	17,887.6	1.40	-17.8	2.6	0.71	-7.0
UDR	UDR, Inc.	Downtrend	12,319.5	2.50	-16.8	3.1	0.71	-7.0
WY	Weyerhaeuser Company	Downtrend	17,705.9	2.24	-15.2	2.2	1.40	-7.0
AMT	American Tower Corporation	Consolidation	90,967.2	1.19	-16.9	2.3	0.91	-6.4
CPT	Camden Property Trust	Downtrend	11,433.2	2.67	-14.4	2.6	0.81	-5.7
MAA	Mid-America Apartment Communities, Inc.	Downtrend	16,339.6	1.45	-14.7	2.9	0.68	-5.5
KIM	Kimco Realty Corporation	Consolidation	14,620.8	1.16	-6.1	3.1	1.16	-4.9
CBRE	CBRE Group, Inc. Class A	Uptrend	47,013.6	0.91	1.7	0.0	1.38	-4.8

IRM rebounded from its intermediate-term retracement to led the sector in September, thought the stock level rally falls short of our bullish reversal threshold

Healthcare REITs continue to be the strongest industry with WELL and DOC perking up.

On the laggard side, Management and Development stocks (CSGP and CBRE) pulled back. Those had been leading the sector but generally outperform when rates are moving higher

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

Rates & Curve: Treasury moves dominated factor exposure. The long end rallied into month-end (long yields down ~5 bps on 29-Sep; **2s/30s at narrowest in ~2 months**), supporting duration-sensitive REITs. Earlier in the month, backup in yields weighed on performance (sector **-0.97% on 25-Sep**).

Housing & Mortgage Channel: Mortgage rates **fell for a fourth straight week to ~6.34%**, spurring an **MBA refi surge (+58% w/w; +70% y/y)** and modest **purchase application** lift (+0.3%). Housing prints were mixed: **new-home sales jumped to 800K (highest since early-2022)** and **existing-home sales beat**, but **starts/permits missed** and the **NAHB** index held flat—consistent with affordability constraints and uneven supply.

Tariffs & Trade: Late-month tariff announcements created cross-currents: **30% on upholstered furniture, 50% on select housing products**, and discussion of **lumber/housing goods**—potentially raising build-out and tenant fit-out costs and elongating development timelines. Additional Section 232 probes (medical devices, robotics, industrial machinery) imply possible cost pressure for grid/plant equipment used in specialized real estate.

Shutdown Risk & Data Flow: Markets largely faded the risk of a federal shutdown, but agencies noted potential **delays to economic releases** and permitting, a modest operational overhang for developers/owners.

AI Power Demand: PG&E outlined a **\$73B grid plan** to meet accelerating **data-center electricity** needs—an upstream read-through supportive for **data-center REIT** demand pipelines but highlighting interconnection/power-availability gating factors.

Earnings & Company Developments PGRE (Office): Agreed to be acquired by **RITM** for **\$6.60/sh**, extending the office consolidation theme; consideration was below the prior close on announcement, reflecting still-challenged office valuations.

Sub-Sector Dynamics

Data Centers: Secular demand tailwind intact—AI training/inference pipelines and sovereign/hyperscale capex remain robust. Power availability/interconnect queues (e.g., utility **\$73B** plan) are the binding constraint, supporting pricing and pre-leasing but potentially pacing deliveries.

Industrial/Logistics: Benefited from firmer macro prints (**durable goods +2.9% m/m; core +0.6%**), tariff-driven onshoring narratives, and resilient consumption. Freight volatility (airlines/trucking swings) did not dent rails-linked optimism; **CSX** governance change (new CEO) keeps network

rationalization and volume mix in focus for rail-adjacent industrial demand.

Residential: Lower mortgage rates aided sentiment, but **starts/permits softness** and mixed confidence point to gradual rather than abrupt demand normalization. **Lennar** cited continued incentive needs and dialed back production—consistent with **rent growth deceleration** and selective concessions across some markets. Furniture/housing-goods tariffs may weigh on tenants' costs.

Retail / Experiential: Tariff headlines (furniture, foreign films) were a mixed bag for mall/open-air centers. Activism around **Six Flags' real estate monetization** (REIT/OpCo-PropCo chatter) highlights latent asset value in experiential footprints but financing and rate conditions remain pivotal.

Office: The **PGRE-RITM** deal underscores ongoing **price discovery and consolidation**. Leasing remains bifurcated (flight-to-quality) with capex for amenities/build-outs elevated; higher materials tariffs could further pressure TI budgets and timelines.

Outlook for October

Rates Path & Data: With Fed messaging mixed (dovish **Miran** vs. cautious **Goolsbee/Daly/Williams**), the sector's near-term path hinges on **long-rate direction** and whether September jobs/ISM prints (timing subject to shutdown) reinforce a “soft-landing with cuts later” narrative. Stabilizing or lower long yields typically re-rate cash-flow-durable REITs.

AI-Linked Demand vs. Power Constraints: Expect continued leasing strength and pricing power in **data-center REITs** where power is secured; interconnection queues and equipment lead times remain the pacing item.

Development & Costs: Watch tariff transmission into **fit-out and materials**; any escalation could lift **TI/CapEx** budgets and slow starts. Where rents are indexing with CPI floors, some owners can partially offset; others face margin squeeze.

Balance Sheets: With credit windows open and HY active, **well-capitalized large caps** should maintain funding flexibility. A sustained curve bull-flattening would ease AFFO headwinds; a renewed yield backup would re-tighten the screws.

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.