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Monthly Insights: November 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 October. 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. Given a vol. spike in October (VIX moved to >27 intra month), we see an elevated risk of correction for equities in the near-term.

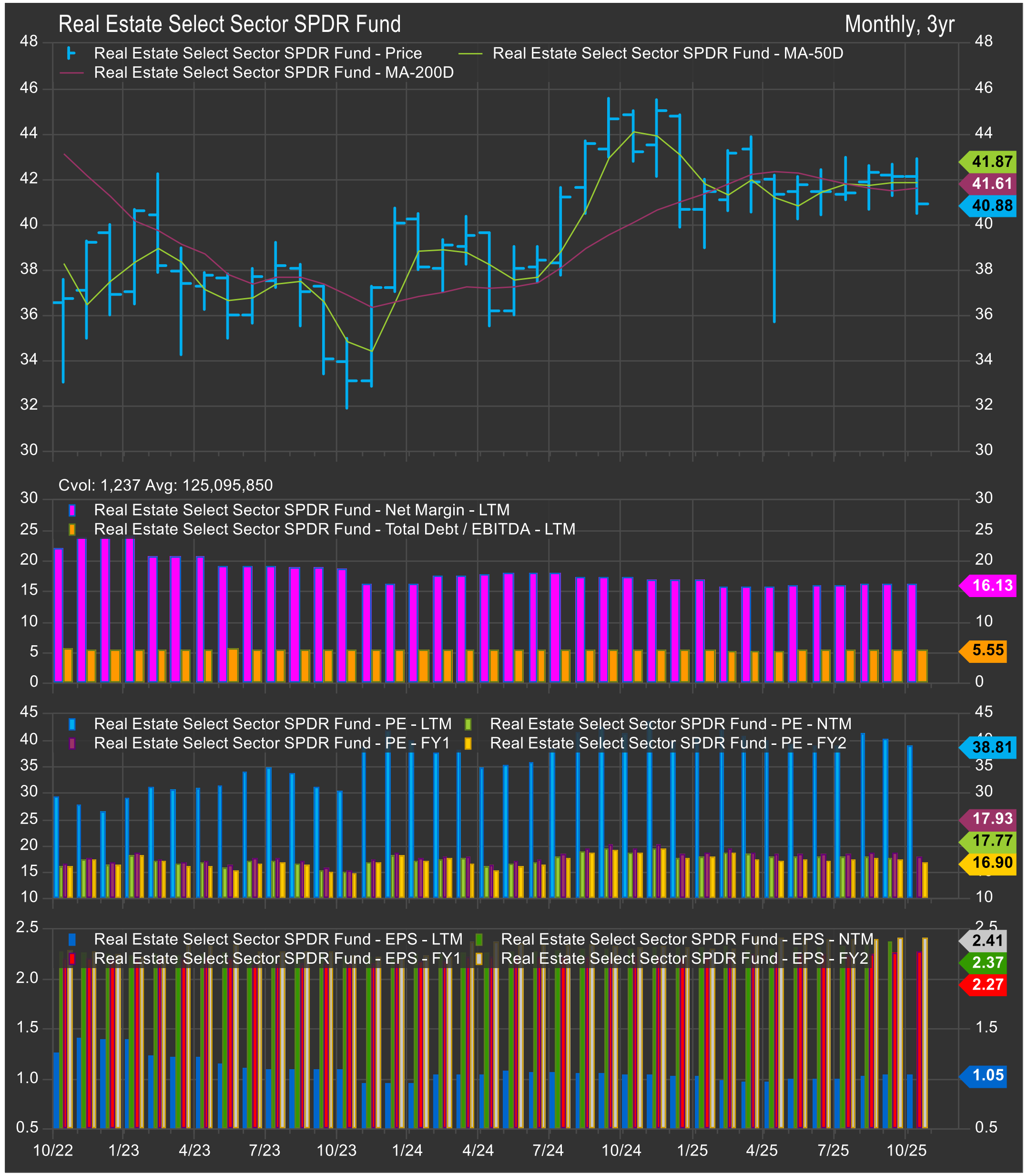
From a technical perspective, our oscillator studies are near oversold levels to start November with price at intermediate-term support in absolute terms.

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. With treasury yields moving lower in the past few months, we think the macro backdrop supports some speculative bottom-fishing in low vol. sectors.

Economic readings and Tech earnings (NVDA, AVGO) will go a long way in determining whether the bull continues to control the tape. Any misstep likely redounds to the benefit of lower vol. sectors in our opinion and we've bar-belled our Tech sector long with increase exposure to lower vol. sectors like Real Estate.

We start November with an OVERWEIGHT allocation of +1.24% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Real Estate Sector



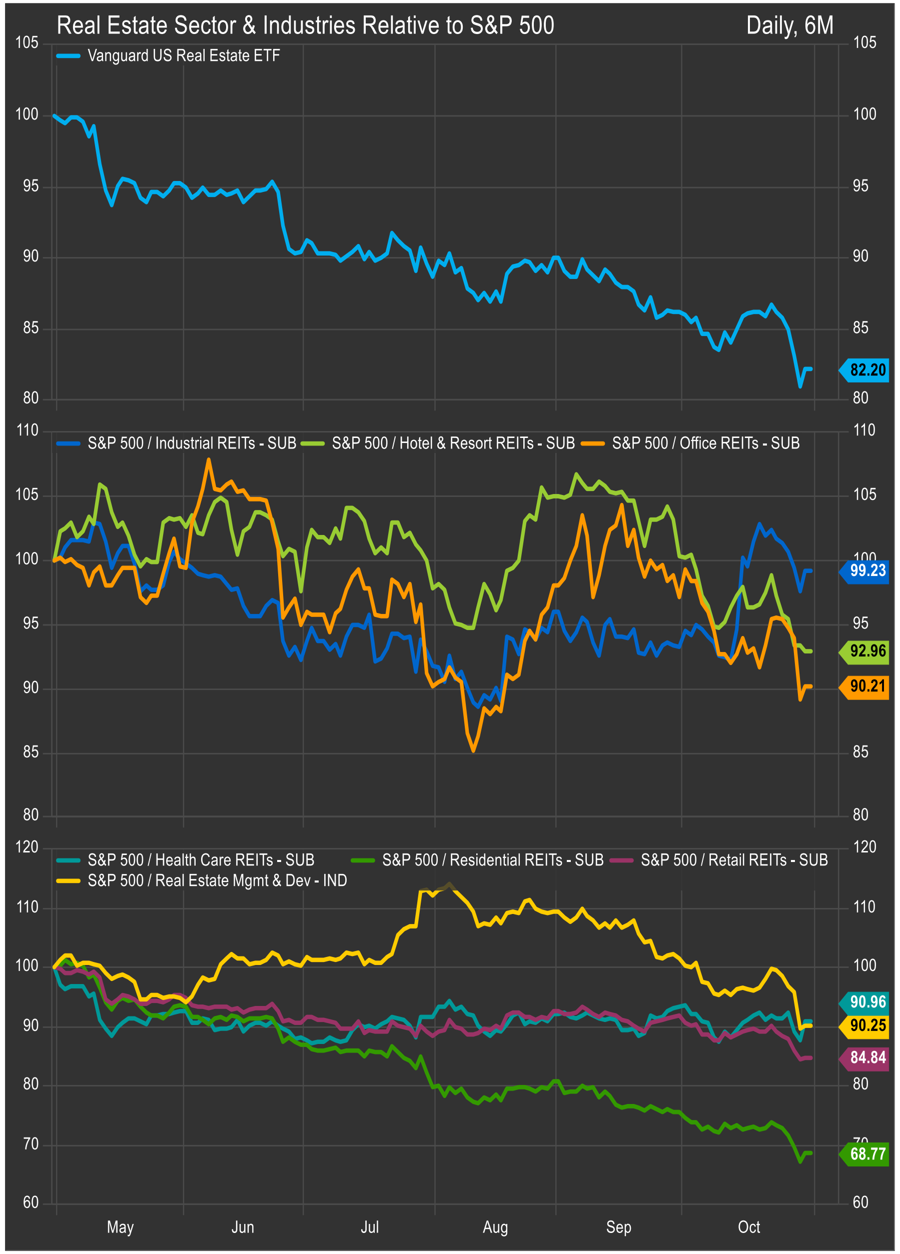
The chart (left) shows S&P 500 Real Estate Sector Margins, Debt/EBITDA, Valuation and Earnings

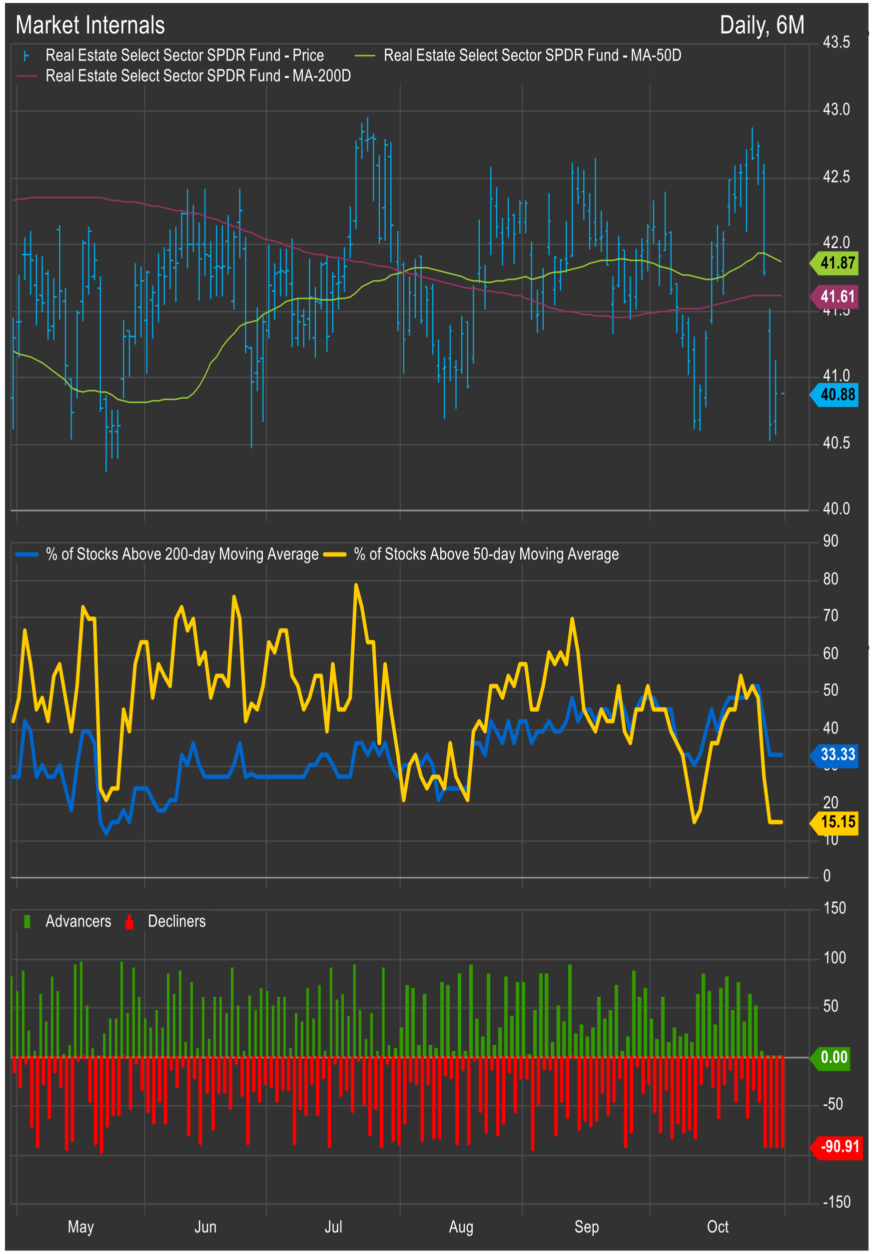
Margins remained firm throughout Q2's reporting season (chart, panel 2) with debt levels also remaining firm.

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): Weakness at the industry level was broad-based in October with Industrial REITs (PLD) the only positive performer. We are expecting some selling exhaustion in the near-term and potential bottom-fishing which makes the sector a decent hedge against any complications for the AI trade.

We saw some uptick among Real Estate Sector Internals (chart, right): Market internals for the sector collapsed again in October, and we're expecting an oversold bounce

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
PLD	Prologis, Inc.	Consolidation	114,687.2	1.67	3.3	2.2	1.55	4.6
EQIX	Equinix, Inc.	Consolidation	78,069.0	2.15	-11.2	1.5	1.10	-1.5
VTR	Ventas, Inc.	Consolidation	31,713.0	4.85	-6.7	1.8	0.58	-2.0
IRM	Iron Mountain, Inc.	Consolidation	29,930.6	1.78	-5.3	2.0	1.35	-2.5
WELL	Welltower Inc.	Uptrend	121,452.6	2.94	-3.0	1.0	0.58	-3.1
PSA	Public Storage	Consolidation	50,737.5	1.14	-10.1	2.9	1.00	-3.3
EXR	Extra Space Storage Inc.	Consolidation	30,089.1	1.18	-12.5	3.3	1.28	-3.3
KIM	Kimco Realty Corporation	Consolidation	14,492.1	1.14	-9.5	3.1	1.13	-4.8
DLR	Digital Realty Trust, Inc.	Consolidation	57,003.2	3.37	-12.4	1.9	1.10	-5.3
SBAC	SBA Communications Corp. Class A	Downtrend	20,447.1	0.87	-23.2	1.5	0.76	-6.4
O	Realty Income Corporation	Consolidation	53,358.9	1.62	-8.7	3.7	0.70	-6.7
FRT	Federal Realty Investment Trust	Consolidation	8,235.8	1.20	-9.6	3.1	0.98	-6.9
CBRE	CBRE Group, Inc. Class A	Uptrend	45,445.4	0.86	-8.0	0.0	1.31	-7.5
REG	Regency Centers Corporation	Consolidation	12,590.7	1.17	-13.0	2.7	0.82	-7.5
CCI	Crown Castle Inc.	Downtrend	40,202.6	1.42	-20.5	3.4	0.80	-7.5
HST	Host Hotels & Resorts, Inc.	Consolidation	11,213.8	0.78	-7.3	3.5	1.55	-8.8
INVH	Invitation Homes, Inc.	Downtrend	16,839.3	1.34	-21.9	2.8	0.70	-8.9
BXP	BXP Inc	Consolidation	11,143.3	1.52	-9.4	3.2	1.13	-9.3
ESS	Essex Property Trust, Inc.	Consolidation	15,919.4	1.51	-20.9	2.8	0.52	-9.8
SPG	Simon Property Group, Inc.	Consolidation	56,690.8	1.04	-7.2	3.2	1.46	-10.1
WY	Weyerhaeuser Company	Downtrend	16,739.1	3.20	-18.9	2.4	1.36	-10.2
DOC	Healthpeak Properties, Inc.	Downtrend	12,217.2	2.58	-10.4	4.6	1.07	-10.5
AMT	American Tower Corporation	Downtrend	83,835.7	1.08	-23.9	2.5	0.78	-10.7
CPT	Camden Property Trust	Downtrend	10,426.7	2.48	-21.9	2.8	0.83	-11.0
MAA	Mid-America Apartment Communities, In	Downtrend	14,783.7	1.33	-24.3	3.1	0.69	-11.4
UDR	UDR, Inc.	Downtrend	11,120.0	2.23	-24.2	3.4	0.71	-11.6
AVB	AvalonBay Communities, Inc.	Downtrend	25,100.7	1.23	-21.6	2.7	0.64	-11.6
EQR	Equity Residential	Downtrend	22,497.6	1.45	-21.4	3.1	0.65	-11.6
VICI	VICI Properties Inc	Consolidation	31,671.2	0.42	-18.1	3.9	0.68	-12.3
CSGP	CoStar Group, Inc.	Downtrend	29,871.6	2.21	-31.2	0.0	1.02	-19.8
ARE	Alexandria Real Estate Equities, Inc.	Downtrend	10,155.2	3.34	-34.7	6.1	1.43	-32.8

The sector skewed sharply negative at the stock level in October with Residential REITs bringing up the rear

Data Centers and Healthcare REITs remain relative winners vs. the sector, but our modest long is about hedging with lower vol. exposures and the potential for some near-term mean-reversion higher rather than any sign of emerging strength

Metrics:

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

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valueation

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

The Real Estate sector traded mixed in October as higher long-term yields and cautious post-FOMC tone weighed on rate-sensitive REITs. While the Fed's decision to end QT by December provided some relief, elevated real yields kept pressure on cap rates and property valuations. Sector breadth remained narrow—data center, logistics, and housing-linked REITs outperformed while office and retail lagged. The sector ended October slightly positive (+0.6%), outperforming the broader S&P 500's −1% decline.

Macro & Policy Drivers:
The hawkish-leaning Fed rate cut in late October underscored a slower easing path, keeping financing costs elevated. Treasury yield volatility and ongoing government shutdown uncertainty delayed some real-estate transactions and development pipelines. Mortgage rates eased slightly late in the month (approaching 6%), boosting homebuilder-linked equities and REITs with residential exposure. However, higher-for-longer rate expectations continued to limit NAV expansion and capital recycling. Meanwhile, trade de-escalation headlines between the U.S. and China reduced fears of construction-material tariffs, marginally supporting development cost forecasts.

Industry-Level Trends:

Data Centers: Continued to lead sector performance as AI and cloud expansion drove record leasing demand. Nvidia's comments on $500B in Blackwell/Rubin chip backlog and hyperscaler capex growth reinforced structural demand for high-density power capacity. REITs such as DLR and EQIX benefited from renewed investor inflows and stronger rent growth.

Industrial & Logistics: Resilient leasing and elevated replacement costs supported valuations. Broad e-commerce volume stabilization and stronger parcel/logistics trends (UPS, CHRW beats) provided macro support. However, higher financing costs curbed speculative development.

Residential: Mixed performance—apartment REITs stabilized on softer supply outlook, while single-family rental operators gained on lower mortgage rates. Broader affordability constraints continued to cap rent growth.

Retail: Underperformed as consumer caution resurfaced in QSR and apparel spending data (CMG, VFC misses). Necessity-based centers held up better, though discretionary tenants saw slower foot traffic.

Office: Remains the weakest subsector amid elevated vacancies, hybrid work normalization, and refinancing headwinds. Transaction volume near cyclical lows; cap rates continued to widen.

Specialty/Healthcare REITs: Select outperformance from healthcare and lab space operators tied to biotech pipeline activity and hospital system consolidation (HCA, CNC strength).

Earnings & Outlook:
Q3 results largely in line with modest rent growth and stable occupancy trends across industrial and residential assets. Management guidance pointed to limited debt issuance and an emphasis on deleveraging, with many REITs relying on asset sales to preserve liquidity. Sector analysts expect improving demand fundamentals in 2026 as borrowing costs ease and construction pipelines normalize.

Tailwinds: AI-driven data center demand, easing mortgage rates, industrial supply discipline, stabilized residential rents, and end of QT.
Headwinds: Elevated financing costs, weak office demand, macro uncertainty, and soft discretionary retail traffic.

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.