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Monthly Insights: March Outlook

# Real Estate Sector

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# Sector Price Action & Performance Review: Real Estate



The Real Estate stocks surged to a clear, near-term bullish reversal in February as rotation to lower vol. sector exposures became a theme as the month progressed.

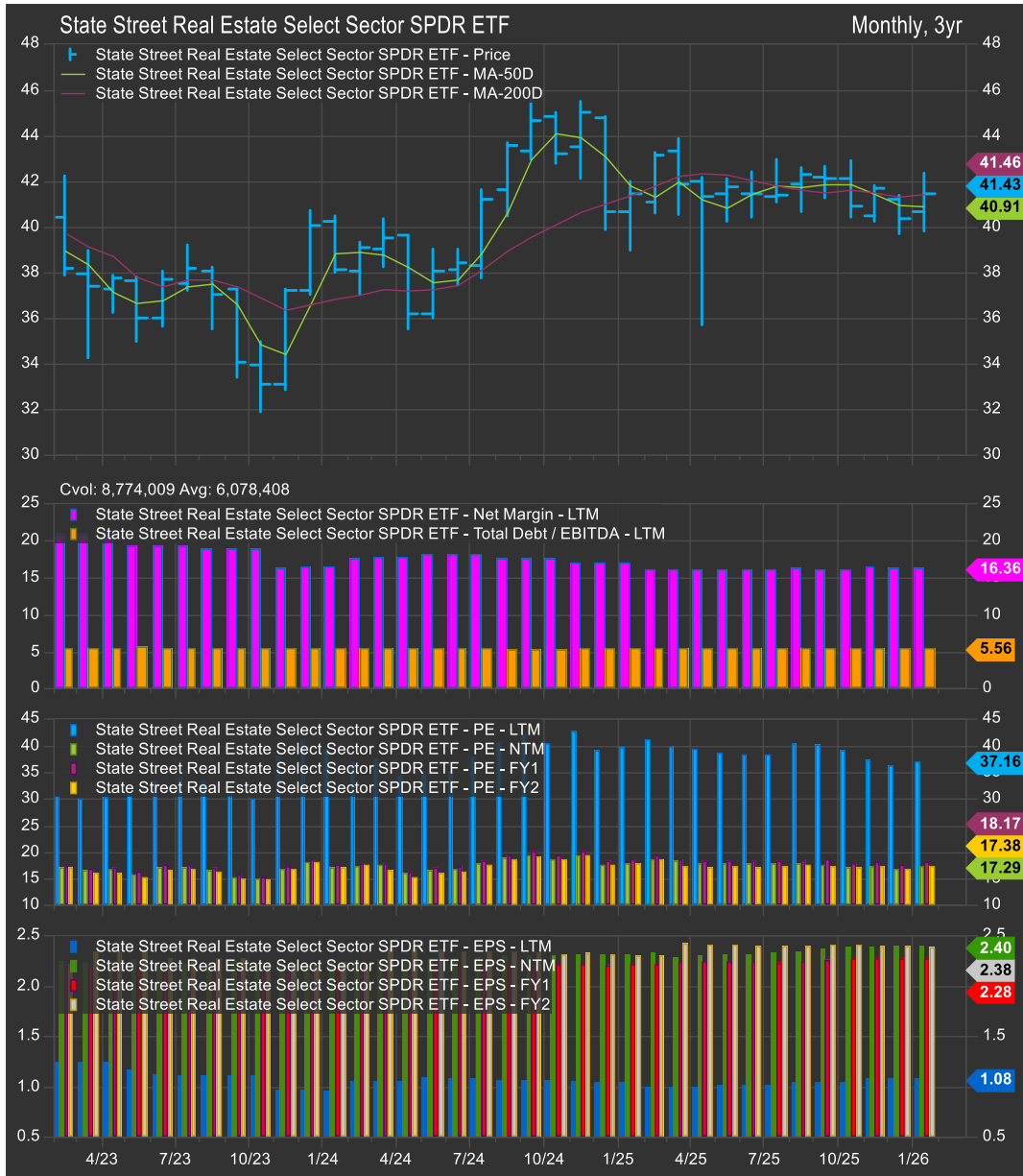
From a technical perspective the XLRE chart improved with price making new 52-wk highs at the \$44 level. Our oscillator studies remain in constructive positions. In circumstances where there is sudden rotation, the structurally oversold setup is potentially advantageous. Continued rotation away from Mega Cap. Growth exposures has been a tailwind for the sector.

Within the sector, renewed interest in data centers and healthcare focused REITs drove performance. Retail REITs also saw gains as lower yields pushed equity investors towards income generating stocks. Some M&A activity percolated which put a floor under some of the weakest pockets of the sector (office, residential). Given clear demonstrations of “AI fatigue,” there is a chance previously out of favor sectors like REITs have some more room to run.

We’d expect the sector to outperform on an index level correction as it did in March-April 2025, but renewed interest in low vol. sectors have benefitted the sector even as index level prices have remained stable. We’ve taken a constructive view on the sector this month.

**We start March with Real Estate as an overweight allocation of 7.26% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Real Estate Sector



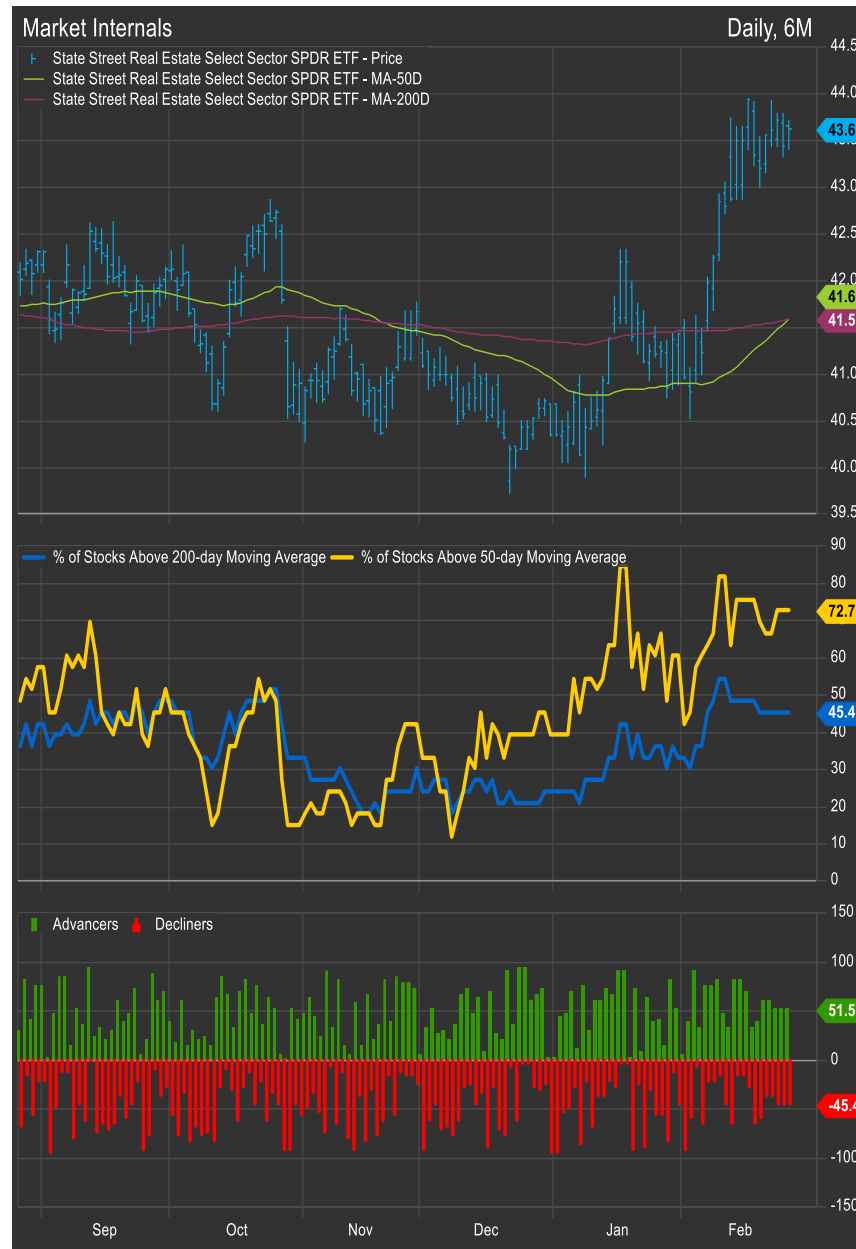
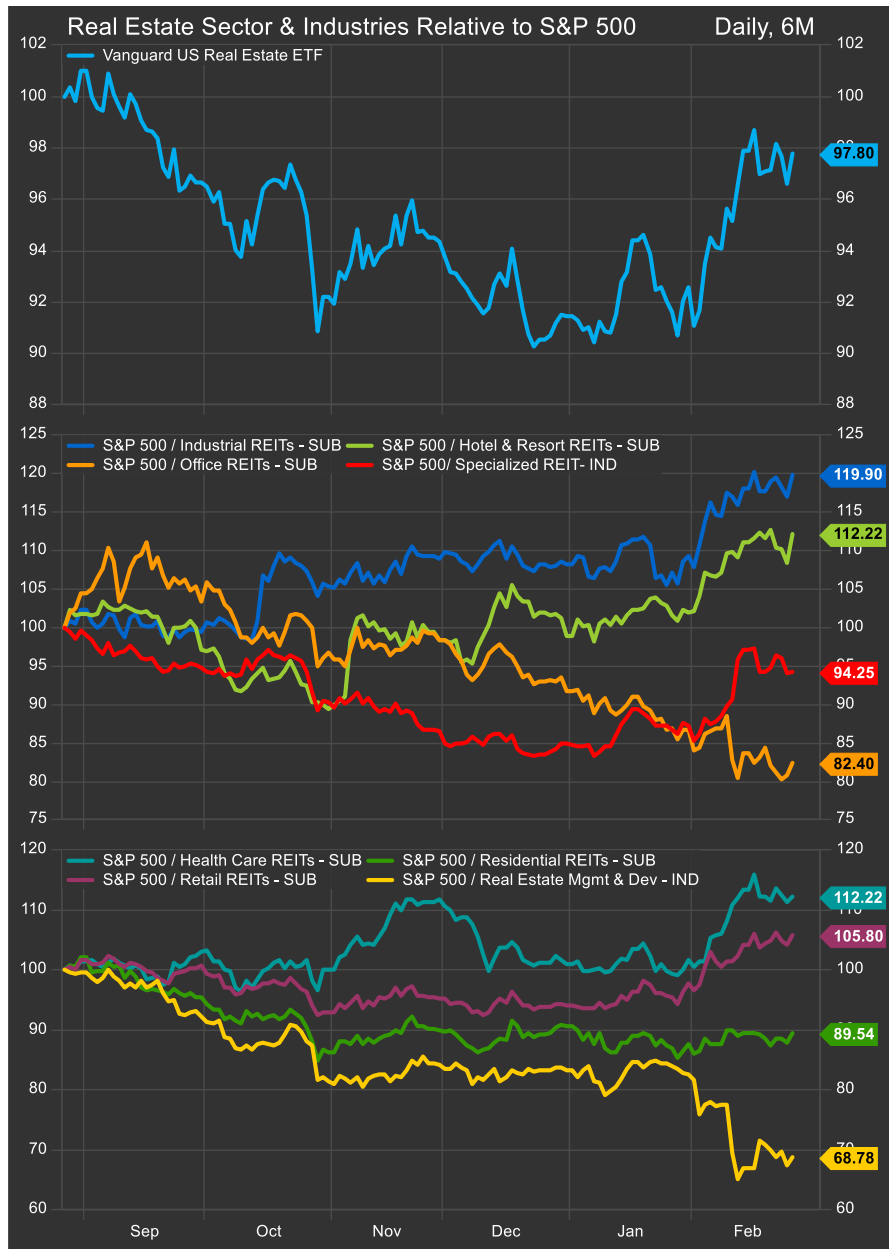
The chart (left) shows S&P 500 Real Estate Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to remain near worst levels (chart, panel 2) with debt levels stable.

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. We've been talking about a disconnect between lagging performance and solid consensus out-year earnings growth. There may be some bullish recognition going on at the sector level.

# Industry Performance and Breadth: Real Estate



**Real Estate Industries** (chart, left): Hotel and Industrial REITs had some upside follow-through in February along with better performance from specialized REITs (Data Centers), Healthcare and Retails categories.

Office REITs and M&D stocks remain out of favor.

**We saw some uptick among Real Estate Sector Internals** (chart, right): Market internals have improved with **short-term readings** among the strongest at the sector level.

# Top 10/Bottom 10 Stock Level Performers: Real Estate

Symbol	Name	GICS Sector 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
EQIX	Equinix, Inc.	Real Estate	Bullish Reversal	94,375.8	2.38	22.6	1.45	1.07	21.5
IRM	Iron Mountain, Inc.	Real Estate	Bullish Reversal	33,068.5	1.93	23.2	2.06	1.33	18.9
WELL	Welltower Inc.	Real Estate	Uptrend	145,307.0	2.91	7.3	1.01	0.44	13.2
DLR	Digital Realty Trust, Inc.	Real Estate	Consolidation	61,709.9	3.71	10.0	1.87	1.02	12.3
VTR	Ventas, Inc.	Real Estate	Bullish Reversal	41,041.7	4.31	10.9	1.56	0.42	11.7
KIM	Kimco Realty Corporation	Real Estate	Consolidation	15,719.2	1.19	8.6	2.96	0.95	10.7
PLD	Prologis, Inc.	Real Estate	Bullish Reversal	130,166.1	1.66	10.6	1.99	1.60	9.6
REG	Regency Centers Corporation	Real Estate	Consolidation	14,253.9	1.26	7.1	2.54	0.60	9.0
O	Realty Income Corporation	Real Estate	Bullish Reversal	60,704.6	1.63	11.7	3.27	0.72	8.6
SPG	Simon Property Group, Inc.	Real Estate	Bullish Reversal	65,615.6	1.20	7.6	2.90	1.37	8.3
FRT	Federal Realty Investment Trust	Real Estate	Consolidation	9,316.9	1.46	6.3	2.77	0.70	5.6
VICI	VICI Properties Inc	Real Estate	Consolidation	32,320.9	0.43	0.5	4.07	0.56	5.4
PSA	Public Storage	Real Estate	Consolidation	52,537.9	1.19	5.1	2.72	1.07	5.4
HST	Host Hotels & Resorts, Inc.	Real Estate	Bullish Reversal	13,554.4	0.83	8.8	3.38	1.20	4.9
SBAC	SBA Communications Corp. Class A	Real Estate	Consolidation	21,007.8	0.91	-2.9	1.50	0.77	4.8
EXR	Extra Space Storage Inc.	Real Estate	Consolidation	31,009.8	1.23	5.4	2.99	1.48	3.2
ESS	Essex Property Trust, Inc.	Real Estate	Consolidation	16,759.1	1.75	-2.4	2.66	0.66	1.8
EQR	Equity Residential	Real Estate	Consolidation	23,936.5	1.80	-0.3	2.92	0.63	1.6
AMT	American Tower Corporation	Real Estate	Consolidation	85,051.2	1.11	-3.9	2.58	0.86	1.5
CPT	Camden Property Trust	Real Estate	Consolidation	11,254.9	3.18	-0.9	2.57	0.81	0.4
UDR	UDR, Inc.	Real Estate	Consolidation	12,377.3	2.95	-0.8	3.05	0.67	-0.7
AVB	AvalonBay Communities, Inc.	Real Estate	Consolidation	25,242.1	1.43	-5.0	2.66	0.64	-0.8
CCI	Crown Castle Inc.	Real Estate	Downtrend	37,519.5	1.60	-7.8	3.25	0.92	-1.2
MAA	Mid-America Apartment Communities, Inc.	Real Estate	Downtrend	15,670.6	1.62	-4.2	3.01	0.62	-1.8
DOC	Healthpeak Properties, Inc.	Real Estate	Consolidation	12,170.2	2.61	-4.4	4.68	1.08	-3.1
INVH	Invitation Homes, Inc.	Real Estate	Downtrend	15,612.5	1.32	-11.9	3.04	0.71	-6.3
BXP	BXP Inc	Real Estate	Downtrend	9,555.7	1.36	-16.0	3.10	1.33	-8.5
WY	Weyerhaeuser Company	Real Estate	Consolidation	17,555.4	2.87	-1.7	2.31	1.34	-9.2
ARE	Alexandria Real Estate Equities, Inc.	Real Estate	Consolidation	9,368.6		-10.2	3.59	1.49	-10.0
CBRE	CBRE Group, Inc. Class A	Real Estate	Consolidation	43,459.1	0.77	-14.0	0.00	1.38	-13.5
CSGP	CoStar Group, Inc.	Real Estate	Downtrend	18,978.8	1.31	-40.6	0.00	0.96	-32.3

Individual stock returns skewed mildly positive in January for the sector

Data centers, Residential and Commodity related names were among the leaders while IRM has also started to show accumulation after a bearish retracement for most of 2025

Tower stocks remain weak while HC REITs have seen profit taking after recent outperformance

## 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

Real Estate repeatedly traded as a **duration-sensitive defensive**—benefiting on days when investors rotated away from Growth/Tech and when Treasury yields stabilized or fell—while **office-linked and CRE-adjacent equities** remained vulnerable to the month’s dominant “AI disruption” narrative. **Rates, curve, and affordability: the key macro transmission channel**

Real Estate’s February tape was heavily shaped by **rates and housing affordability signals**:

The reports called out softer housing read-throughs multiple times (e.g., NAHB surprise decline earlier in the month; later, **pending home sales down -0.8% m/m** vs expectations; and “record low” framing in afternoon headlines).

Mortgage-rate headlines also mattered: one report cited the **30-year fixed rate falling to ~5.99%**—the lowest since 2022—which is supportive at the margin for residential/housing-related demand, even if buyer psychology remained constrained by prices and uncertainty.

On the data front, you also had firmer house price prints (**FHFA +0.1% m/m; Case-Shiller +0.5%**) on Feb. 24, which reinforced the idea that housing supply/price dynamics stayed tight even as activity softened.

The net February message: Real Estate liked the **rate relief / duration bid**, but housing transaction volume remained the weak link, keeping many housing-sensitive sub-industries from fully participating.

## **Policy uncertainty and tariffs: second-order effects via capex, confidence, and financing**

Tariff policy uncertainty (SCOTUS strike-down of IEEPA tariffs and the pivot to other authorities) influenced Real Estate mostly through **confidence and financing conditions** rather than direct revenue. The reports framed uncertainty as elevated even when “near-term macro doesn’t change much,” which is a headwind for transaction activity and CRE risk appetite. When policy uncertainty spikes, spreads and underwriting standards tend to matter more—particularly for levered or development-heavy parts of the REIT universe.

## **AI disruption: office/CRE narrative became a macro factor, not just a tech factor**

A uniquely important February theme for Real Estate was that AI disruption fear broadened beyond software into **commercial real estate intermediaries and office exposure**. Your February headlines explicitly cited **CRE brokers and office REITs** as

groups pressured by AI concerns, with the narrative extending into worries about **white-collar employment** and space utilization. That matters because it shifts office from a slow-cycle recovery story into a **structural demand-duration question**, which compresses multiples and keeps capital cautious even when rates help the sector at the index level.

## **Corporate / event-driven: take-privates and portfolio deals supported the “floor”**

Real Estate had meaningful idiosyncratic catalysts in your blotter that complemented the macro duration bid:

**KW (Kennedy-Wilson) take-private** was one of the notable gainers earlier in the month (+9.8% on Feb 17, per your report).

**VRE (Veris Residential) acquisition** was a major single-name mover on Feb 23 (+12.2%) as a cash deal reinforced private-market appetite for the right residential assets.

The broader tape also referenced private credit scrutiny and liquidity considerations; those issues can cut both ways for real estate, but in February they also helped keep attention on **asset values and takeout optionality** where balance sheets were credible.

## **March 2026 setup: what to watch**

Real Estate’s March setup remains a function of **rates + credit + the office/white-collar narrative**. If yields stabilize or drift lower and macro volatility stays elevated, Real Estate can continue to behave as a favored “defensive duration” allocation—especially in residential-tilted REITs and higher-quality balance sheets. The risks are (1) renewed rate backup (especially real rates), (2) any widening in credit spreads tied to private credit stress, and (3) an escalation of the “AI-driven white-collar employment” storyline that further pressures office/CRE sentiment. Upside catalysts would be continued evidence of easing financing conditions (mortgage rates staying near cycle lows), incremental stabilization in transaction activity, and additional M&A/take-private signals that put a valuation floor under select REIT subsectors.

# 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.