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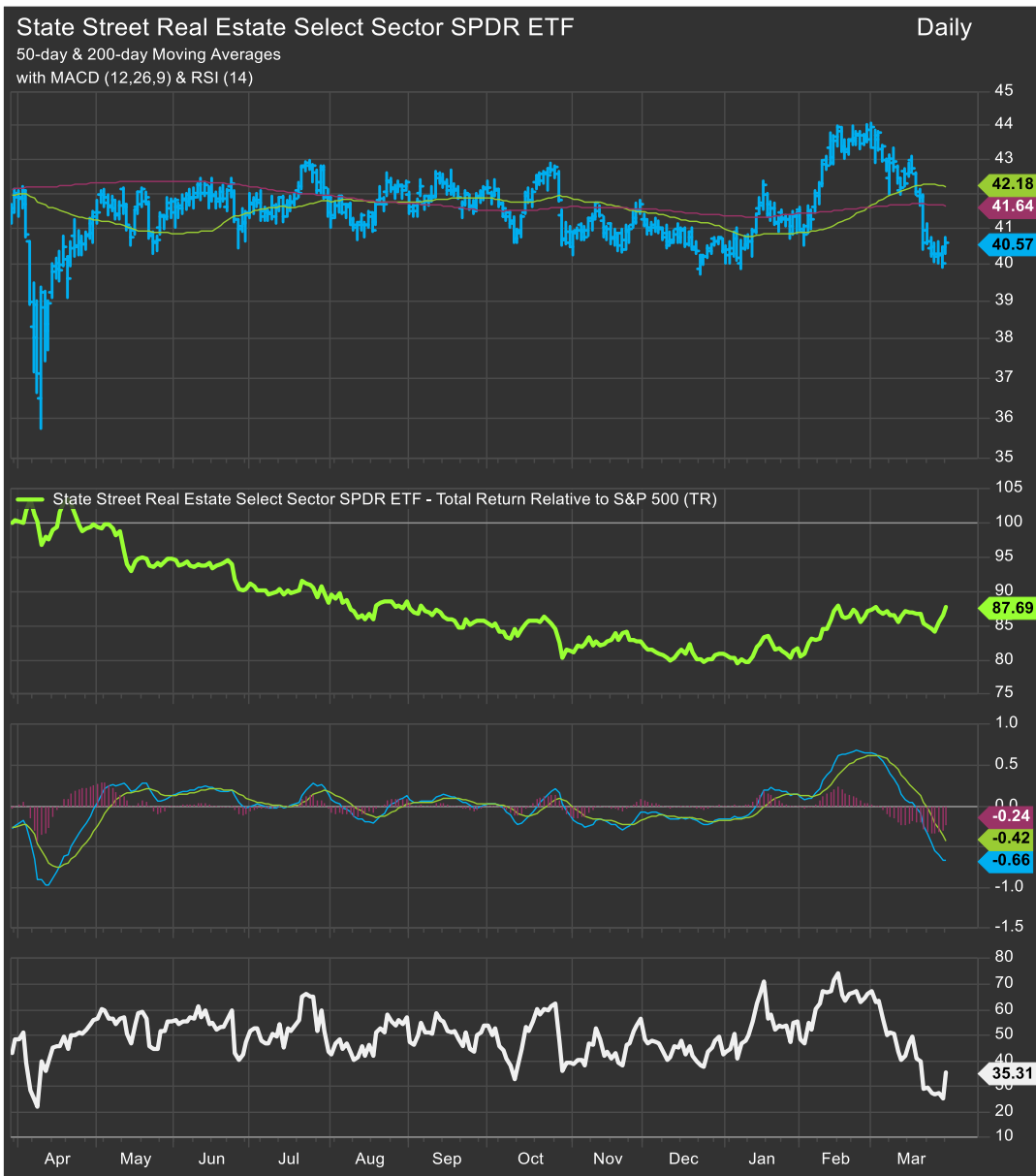
Monthly Insights: April

# Real Estate Sector

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# Sector Price Action & Performance Review: Real Estate



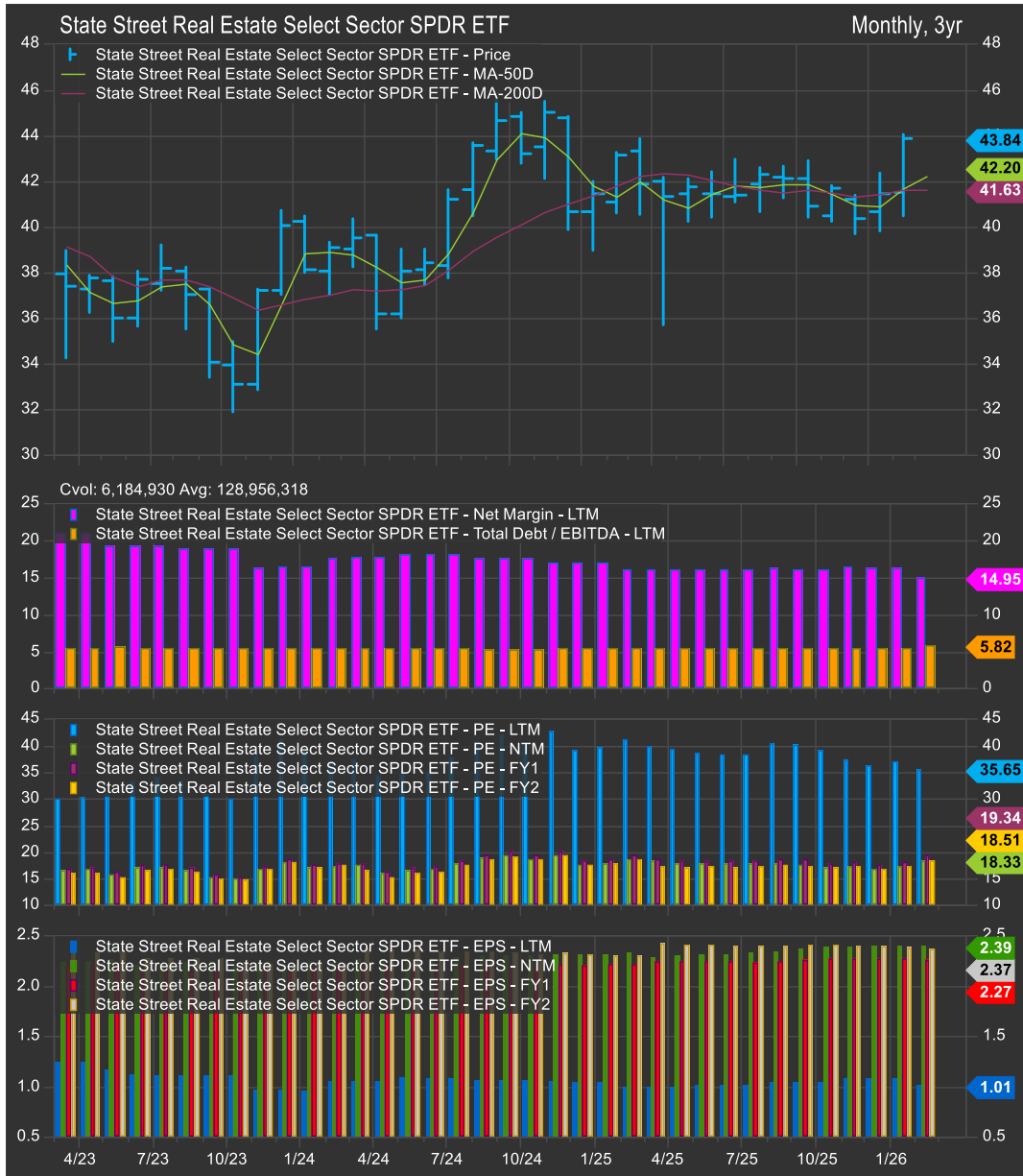
The Real Estate sector was one of the more nuanced stories in March. Unlike Utilities, which benefited cleanly from defensive rotation, REITs faced a more complex setup: the same equity market stress that drove capital into utilities created only selective haven demand for real estate, as the sector's sensitivity to interest rates, credit conditions, and economic activity introduced more differentiation than a simple risk-off trade would suggest. The Real Estate Select Sector SPDR (XLRE) underperformed XLU meaningfully on a YTD basis, though select subsectors — data center REITs, industrial, and net lease — held up considerably better than office and retail-exposed names.

The broad XLRE YTD return through March trailed the utilities sector by a wide margin, with the index posting modest gains rather than the double-digit outperformance seen in XLU. The rate environment, while stable, has not been sufficiently accommodative to unlock the full valuation recovery the sector needs, and the tariff-driven economic slowdown fears weighing on equities broadly introduced specific concerns around retail tenant health and office demand.

The Real Estate sector enters April 2026 as a tale of two markets. Data center REITs (EQIX, IRM) and healthcare REITs (WELL, DOC) have structural demand drivers that are largely independent of the rate cycle and are the most compelling longs in the sector regardless of the macro backdrop. Net lease names (O, NNN) offer defensive income characteristics closest to the utility-style haven bid for investors seeking yield stability. Industrial (PLD) is a hold with a constructive 12-month view once the tariff impact on trade volumes clarifies. Office REITs (BXP, VNO, ARE) remain structurally challenged with no near-term catalyst — selective trophy asset exposure aside, these are not April buys. The overall XLRE index is unlikely to replicate utilities' Q1 outperformance without a visible rate catalyst, but the subsector opportunities within it are among the more interesting in the equity market given the dispersion in fundamental drivers. We think its profile as technically oversold and historically a defensive play will help the sector outperform in April as Oil supply shocks roil global equity markets.

**We start April with an **OVERWEIGHT** allocation to the Real Estate Sector of **+4.51%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Real Estate Sector



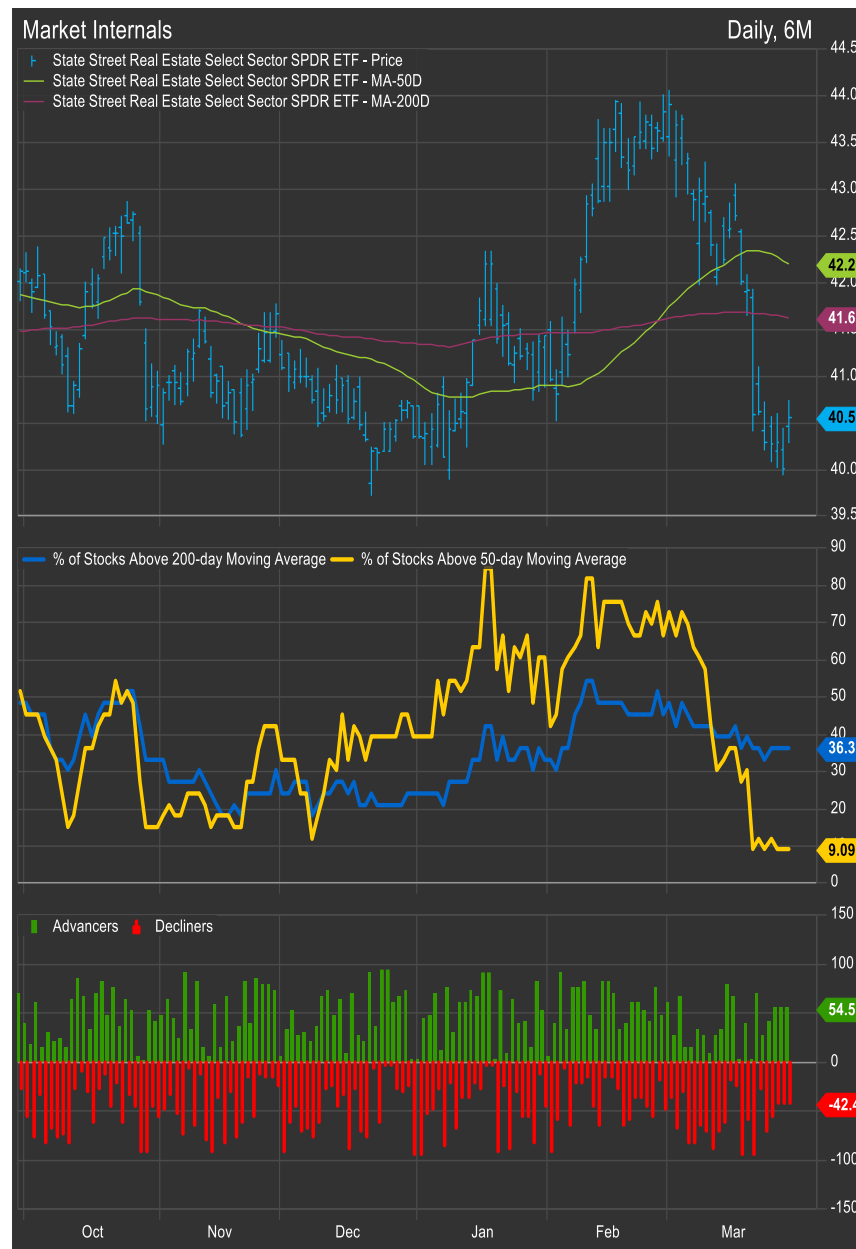
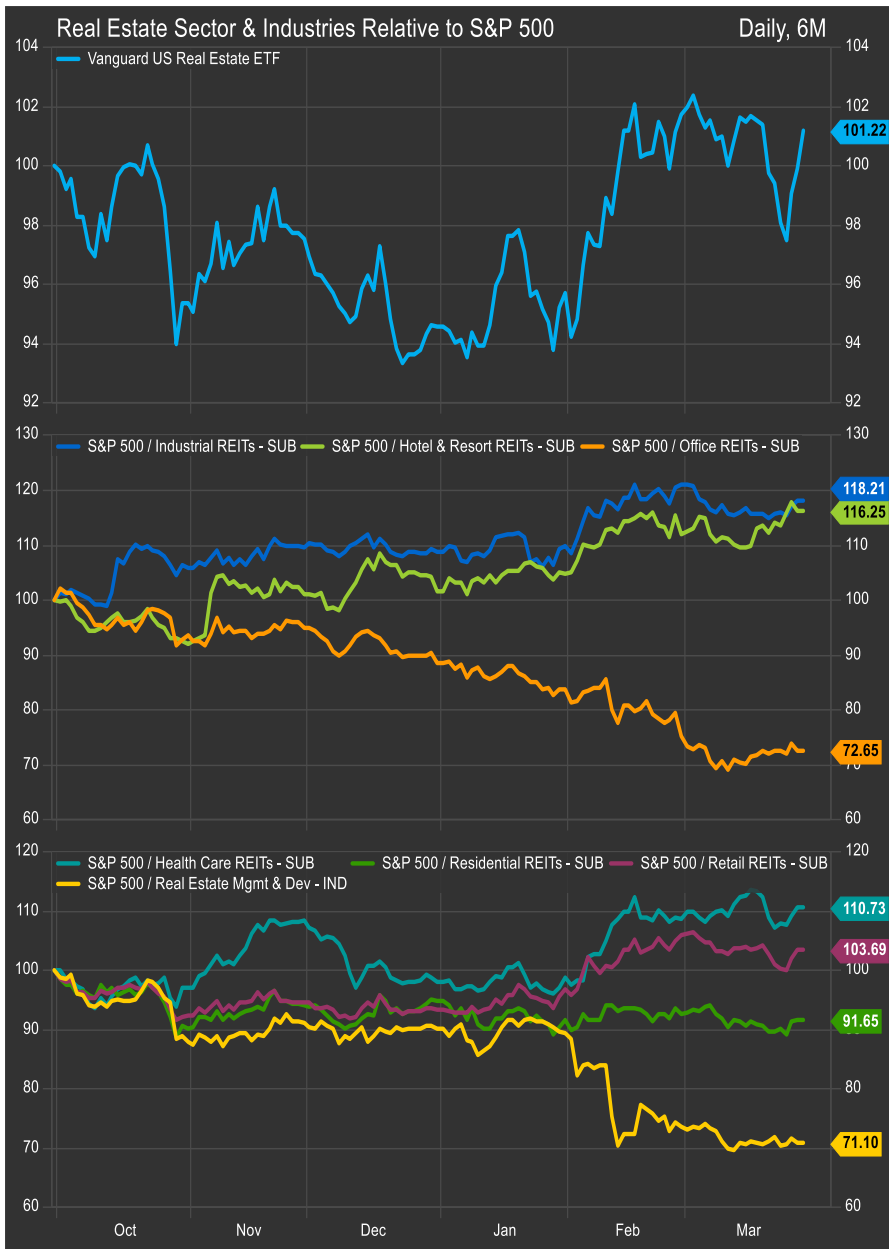
The chart (left) shows S&P 500 Real Estate Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to compress while debt burden relative to EBITDA has ticked higher in the near-term(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

The Sector has been down and out over a multi-year period, but the fundamental setup is supportive of more reflation in the near-term

# Industry Performance and Breadth: Real Estate



**Real Estate Industries** (chart, left): Office REITs and M&D stocks remain the weakest within the sector. Healthcare and Industrial REITs have been consistent winners while Hotel REITs have seen near-term improvement

**Real Estate Sector Internals** (chart, right): Internal strength measures have moved to wash-out levels in the near-term. Given the sector buckets as a low vol. exposure, we are expecting some tailwind rotation as institutions de-risk in the near-term

# 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
DLR	Digital Realty Trust, Inc.	Bullish Reversal	60,277.0	4.51	14.3	1.82	0.90	7.0
EQIX	Equinix, Inc.	Bullish Reversal	94,619.5	2.97	24.6	1.39	0.91	6.2
WY	Weyerhaeuser Company	Consolidation	17,195.1	3.18	6.2	2.25	1.31	5.4
HST	Host Hotels & Resorts, Inc.	Bullish Reversal	12,958.2	0.97	10.1	3.08	1.08	3.5
KIM	Kimco Realty Corporation	Bullish Reversal	14,977.8	1.41	11.4	3.04	0.81	2.7
VTR	Ventas, Inc.	Bullish Reversal	38,904.4	4.91	10.9	1.64	0.29	2.4
REG	Regency Centers Corporation	Bullish Reversal	13,590.0	1.54	9.9	2.62	0.50	2.3
FRT	Federal Realty Investment Trust	Consolidation	8,875.2	1.79	7.1	2.82	0.63	1.9
WELL	Welltower Inc.	Uptrend	136,599.0	3.37	9.2	1.03	0.36	1.8
DOC	Healthpeak Properties, Inc.	Consolidation	11,530.8	3.39	5.7	4.85	0.96	1.7
INVH	Invitation Homes, Inc.	Downtrend	14,911.7	1.72	-3.2	3.17	0.70	1.3
ESS	Essex Property Trust, Inc.	Consolidation	15,449.0	2.09	-0.8	2.82	0.68	1.2
EQR	Equity Residential	Consolidation	22,180.9	2.19	0.1	3.11	0.62	0.3
IRM	Iron Mountain, Inc.	Bullish Reversal	29,080.6	2.14	14.1	2.22	1.22	-1.2
PLD	Prologis, Inc.	Bullish Reversal	119,820.2	1.93	7.5	2.13	1.54	-1.5
AVB	AvalonBay Communities, Inc.	Consolidation	22,526.8	1.65	-5.0	2.87	0.63	-2.0
O	Realty Income Corporation	Bullish Reversal	56,589.8	1.86	8.6	3.50	0.62	-2.1
MAA	Mid-America Apartment Communities, Inc.	Downtrend	14,094.8	1.83	-4.7	3.28	0.60	-2.6
UDR	UDR, Inc.	Downtrend	11,033.4	3.46	-1.5	3.32	0.69	-3.1
VICI	VICI Properties Inc	Consolidation	28,445.8	0.47	-1.8	4.40	0.51	-3.2
CPT	Camden Property Trust	Downtrend	10,026.5	3.68	-3.8	2.83	0.76	-3.2
SPG	Simon Property Group, Inc.	Bullish Reversal	58,551.9	1.36	1.9	3.19	1.31	-3.3
BXP	BXP Inc	Downtrend	8,158.3	1.46	-14.9	3.59	1.31	-3.4
CBRE	CBRE Group, Inc. Class A	Consolidation	38,893.0	0.86	-9.8	0.00	1.49	-3.4
CSGP	CoStar Group, Inc.	Consolidation	16,695.2	1.44	-27.7	0.00	1.06	-3.6
CCI	Crown Castle Inc.	Downtrend	34,270.8	1.76	-5.1	3.46	0.80	-3.9
AMT	American Tower Corporation	Consolidation	79,010.7	1.32	-0.8	2.73	0.72	-4.3
PSA	Public Storage	Downtrend	46,686.5	1.39	3.6	2.93	1.01	-5.2
EXR	Extra Space Storage Inc.	Consolidation	27,228.3	1.39	1.2	3.31	1.51	-6.3
ARE	Alexandria Real Estate Equities, Inc.	Downtrend	7,978.7	19.10	-9.0	3.99	1.48	-7.5
SBAC	SBA Communications Corp. Class A	Downtrend	17,673.0	1.10	-7.6	1.90	0.59	-9.1

Legacy Data Center plays (EQIX, DLR) are firming in the near-term. Healthcare REITs remain the strongest at the stock level while Tower stocks (AMT, SBAC, CCI) remain challenged

Some rotation towards min vol. at the end of March was a tailwind to the sector and we're expecting some continuation of that dynamic

Metrics:

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

Cap. Weighted Earnings Growth

Higher score preferred when Large/Mega Cap stocks outperforming

Valuation Adjusted Earnings Growth

Higher scores preferred absent high momentum

Volatility Adjusted Income

Higher score preferred when equities and yields are moving lower

Momentum

Long higher scores, short lower scores

# Economic & Policy Drivers: Real Estate Sector

**Interest Rates** — The Central Variable Real estate is more directly rate-sensitive than any other equity sector, and the Fed's hold at 3.50–3.75% was a necessary but not sufficient condition for REIT recovery. REITs require not just stable rates but a credible downward trajectory to unlock meaningful multiple expansion — the cap rate math that drives REIT valuations needs a falling discount rate, not merely a paused one. The spread between REIT dividend yields and 10-year Treasuries remains compressed relative to historical norms, reducing the relative income appeal that typically anchors institutional REIT allocations. Until the 10-year moves convincingly below 4.0–4.25%, the sector's valuation recovery will remain partial.

**Credit Conditions and Refinancing Risk** Commercial real estate debt markets remain selectively tight. Office and retail-oriented REITs with near-term debt maturities face a refinancing environment that is more expensive and more structurally skeptical than the origination environment most of this debt was written in. Industrial, data center, and net lease names with long-duration, investment-grade balance sheets are largely insulated from this dynamic. The divergence in credit access between subsectors is amplifying the performance gap between quality names and weaker operators.

- Tariffs and Economic Slowdown Risk The tariff-driven growth slowdown creates specific headwinds across REIT subsectors:
- Retail REITs face potential tenant stress as consumer spending compresses and discretionary retail margins thin
- Industrial REITs face a complex cross-current — nearshoring and supply chain restructuring are long-term positives, but a near-term trade volume decline could soften warehouse demand
- Office REITs see no relief — a slowing economy reduces space absorption without meaningfully reversing hybrid work structural trends
- Data center and healthcare REITs are largely insulated, with demand drivers disconnected from the trade cycle

**Equity Market Stress and the Haven Bid** Unlike utilities, real estate does not attract a clean haven bid in equity stress environments. REITs are operationally leveraged, credit-dependent, and economically cyclical enough that investors seeking pure safety tend to preference utilities or Treasuries over REITs in a genuine risk-off move. The selective haven bid that REITs can attract is concentrated in net lease names (O, NNN) — with their long-duration, inflation-linked leases and investment-grade tenants — and healthcare REITs with demographic-driven demand. Data center REITs attract capital for structural growth reasons more than defensive ones.

**Housing Market** Residential REITs (multifamily in particular) are navigating a challenging supply dynamic. The Sun Belt construction boom of 2021–2023 has delivered significant new inventory into markets like Austin, Phoenix, and Charlotte, pressuring occupancy and rent growth. Meanwhile, affordability constraints in coastal markets are keeping single-family home purchases out of reach for many renters, providing a floor to multifamily demand even

as supply pressures rents. Net migration patterns continue to favor Sun Belt metros structurally, but the near-term supply overhang is real and is expected to take until late 2026 to fully absorb.

## Sector-Specific Drivers

**AI Infrastructure Demand** Data center REITs are the most direct real estate expression of the AI buildout. EQIX and IRM are effectively infrastructure utilities for the digital economy — their colocation facilities house the physical hardware supporting cloud and AI workloads, with demand driven by the same hyperscaler capex cycle benefiting utilities like Constellation and Vistra. Leasing backlogs for powered shell data center space remain extended, and pre-leased development activity gives both names unusually high earnings visibility for a property sector.

**Demographic Tailwinds in Healthcare** The U.S. population aged 80+ is growing at an accelerating rate through the late 2020s, driving structural demand for senior housing, medical office, and skilled nursing facilities. Welltower and Healthpeak (DOC) are primary beneficiaries. Senior housing occupancy has recovered from its COVID-era lows and is now generating operating leverage as fixed-cost structures benefit from higher occupancy rates. This trend is multi-year, largely rate-insensitive, and independent of AI or tariff dynamics — making healthcare REITs one of the cleaner structural longs in the sector.

**Industrial and Nearshoring** Prologis remains the bellwether for industrial real estate. While rent growth has decelerated from its 2021–2022 peaks, the structural case for modern logistics facilities — driven by e-commerce, supply chain redundancy buildout, and nearshoring from Mexico and Southeast Asia — remains intact. Tariff policy introduces both a risk (trade volume) and an opportunity (domestic manufacturing capacity buildout), with the net effect likely positive for industrial demand over a 12–24 month horizon as companies reconfigure supply chains.

**Office Structural Decline** Office remains the sector's most persistent problem. Hybrid work has structurally reduced space demand per employee, and a slowing economy is not the catalyst needed to reverse this — if anything, economic stress accelerates corporate real estate footprint rationalization. The opportunity in office is selective and contrarian: trophy assets in gateway cities with strong tenant credit are finding a floor, but commodity suburban office remains in a structural decline that no rate cycle will fully reverse.

# Appendix: Metric Interpretation/Description (All Data Sourced From FactSet Research Systems Inc.)

## Valuation Adjusted Earnings Growth

Higher scores with positive momentum preferred

*Valuation Adjusted Earnings Growth (simple mean)*

**Relative Earnings Growth Multiple** (vs. Benchmark)

*Divided by*

**Rel. Valuation Multiple** (vs. Benchmark)

*Relative Earnings Growth Multiple:*

**Company Earnings Growth:**

Consensus EPS Estimates for the next 4 Unreported Qtrs (FY1) /  
Restated LTM Annual Earnings

*Divided by*

**Benchmark Earnings Growth:**

Benchmark consensus mean EPS NTM / Restated Annual Benchmark  
EPS

*Relative Valuation Multiple*

Company NTM P/E / Index NTM P/E

## Volatility Adjusted Income

Higher score preferred when equities and yields are moving  
lower

*Volatility Adjusted Income (simple mean)*

**Dividend Yield Multiple**

*Divided by*

**3yr Beta Vs. S&P 500**

*Dividend Yield Multiple*

**Stock Dividend Yield (Consensus NTM)**

*Divided by*

**S&P 500 Dividend Yield (Consensus NTM)**

# Appendix: Metric Interpretation/Descriptions

## Cap. Weighted Earnings Growth

Higher score preferred when Large/Mega Cap stocks outperforming

### Cap. Weighted Earnings Growth

Consensus EPS Estimates for the next 4 Unreported Qtrs (FY1) / Restated LTM Annual Earnings \* weight of each company in the universe 1-n

## Momentum

Long higher scores, short lower scores

### Momentum (simple mean)

**1-Month Excess Total Return (vs. S&P 500) \* 0.1**

*Plus*

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

*Plus*

**6-Month Excess Total Return (vs. S&P 500) \* 0.4**

*Plus*

**12-month Excess Total Return (vs. S&P 500) \* 0.2**

# 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.