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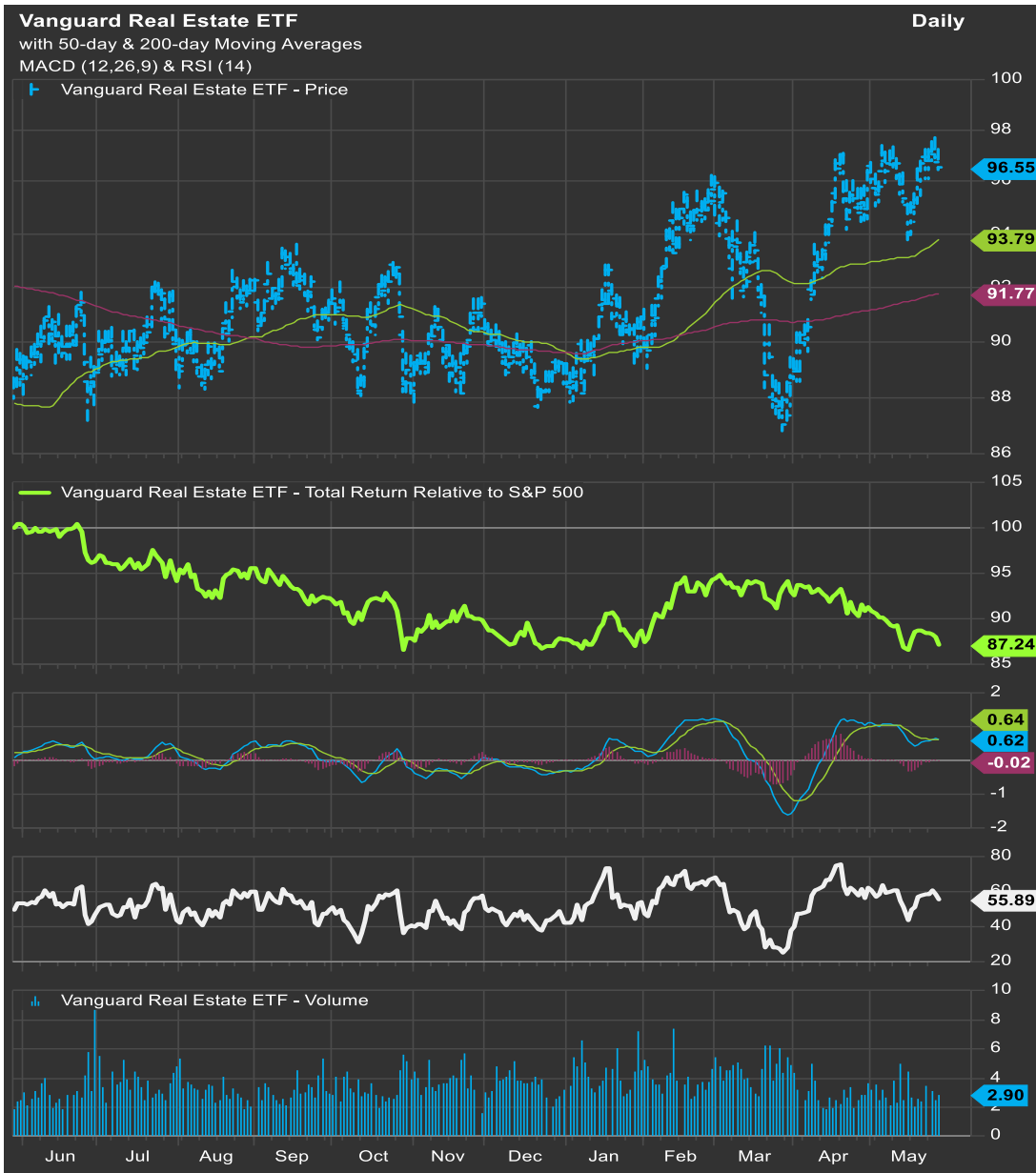
Monthly Insights: June

Real Estate Sector

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Sector Price Action & Performance Review: Real Estate



The S&P 500 Real Estate sector should be a **modest overweight** heading into June, but the positioning needs to be selective. The sector is no longer just a rate-sensitive income sleeve. It now contains several property types that are directly tied to the market's strongest secular themes: AI infrastructure, data-center demand, digital connectivity, senior housing demographics, logistics, scarce retail space and a gradual recovery in commercial real estate capital markets. That creates a better forward setup than the sector's traditional "bond proxy" label would imply.

Using VNQ as the reference ETF, the technical profile is constructive but not stretched. In the 5/28 return and flow data you provided, VNQ is up **2.38% over one month**, **3.09% over three months** and **10.19% over six months**, with an **RSI of 57.9**. Flows are also supportive, with approximately **\$79 million of one-month inflows**, **\$270 million year-to-date inflows** and **\$896 million of one-year inflows**. That is not a euphoric setup, but it is a clear improvement from the prior rate-driven drawdown cycle.

The flow backdrop is also supportive. Positive one-month, year-to-date and one-year inflows suggest investors are gradually rebuilding exposure. That matters because Real Estate was under-owned after a long period of rate sensitivity and private-market stress. A sector with improving fundamentals, positive flows and a non-extended technical profile can outperform if the rate environment stops worsening.

The main technical risk is Treasury-yield sensitivity. A sharp move higher in the 10-year yield would likely pressure VNQ, especially if it occurs because inflation expectations rise. A second risk is breadth. VNQ needs leadership from data centers, health care REITs, retail, industrial and residential at the same time; if performance narrows only to data centers, the ETF may not fully participate

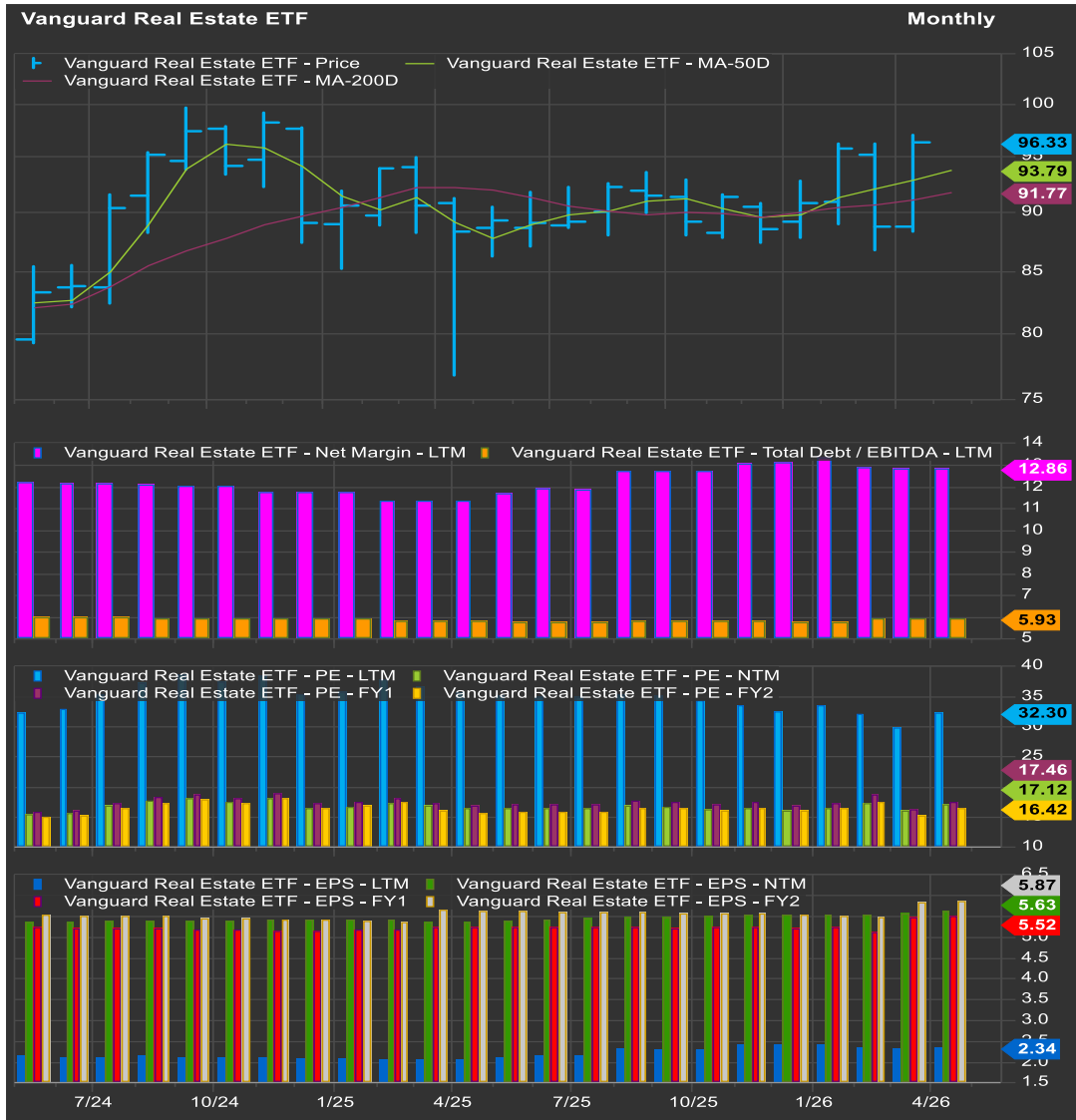
The upside case is that Treasury yields stabilize, the Fed avoids a more hawkish tone, REIT credit markets remain open, data-center demand stays strong, senior-housing occupancy continues to rise, and investors broaden into sectors that have lagged the AI-led rally. In that environment, VNQ can outperform as a catch-up trade with real fundamental support.

The downside case is that inflation remains sticky, long-term rates rise, refinancing risk returns to the foreground, and investors become more skeptical of REIT valuations. Real Estate would also be vulnerable if data-center power constraints delay projects, if residential rent growth remains weak, or if office credit stress spills into broader CRE sentiment.

Bottom line: Real Estate deserves a **modest overweight** in June, but only on a selective basis. The sector has improved enough to own: FFO is growing, occupancy is solid, listed REIT balance sheets are relatively healthy, and several property types are tied to AI, demographics and scarcity. The sector is still not a low-risk allocation because rates and refinancing remain the key gating variables. VNQ should be owned as a selective recovery and infrastructure-adjacent allocation, not as a generic defensive yield trade.

We start June with an OVERWEIGHT allocation to the Real Estate Sector of +1.38% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Real Estate Sector



VNQ's portfolio composition supports a modest overweight because the fund is better diversified and less office-exposed than many investors assume. Vanguard's March 31 profile shows VNQ with **145 stocks**, a **30.5x P/E**, **2.4x P/B**, **7.0% return on equity** and an **8.2% earnings-growth rate**. The top holdings include Vanguard Real Estate II Index Fund, Welltower, Prologis, Equinix, American Tower, Digital Realty, Simon Property Group, Realty Income, Public Storage and CBRE. The top ten holdings represent **54.7%** of total net assets.

The subindustry mix is important. VNQ's largest sleeves are **Health Care REITs at 16.5%**, **Retail REITs at 14.5%**, **Industrial REITs at 11.5%**, **Data Center REITs at 10.7%**, **Telecom Tower REITs at 9.1%**, **Multi-Family Residential REITs at 6.9%**, **Other Specialized REITs at 6.7%**, **Real Estate Services at 6.5%**, **Self-Storage REITs at 5.6%**, **Single-Family Residential REITs at 3.5%**, and **Office REITs at only 2.3%**. That mix is why VNQ can be a modest overweight even though office and refinancing risk remain real.

The strongest fundamental sleeve is health care real estate, especially senior housing. Welltower's large VNQ weight matters because senior housing has one of the clearest supply/demand imbalances in the market: occupancy is rising, construction is constrained and demographics are becoming increasingly favorable. Medical office and skilled nursing are more mixed, but the senior-housing operating story is a clear positive.

Data centers are the second strongest sleeve. Equinix and Digital Realty provide exposure to AI infrastructure demand, cloud growth, enterprise digitization and tight power markets. The challenge is that data-center REITs are no longer cheap and their growth depends on securing power, interconnection, land and capital at acceptable spreads. Still, relative to traditional property types, data centers have superior pricing power and leasing visibility.

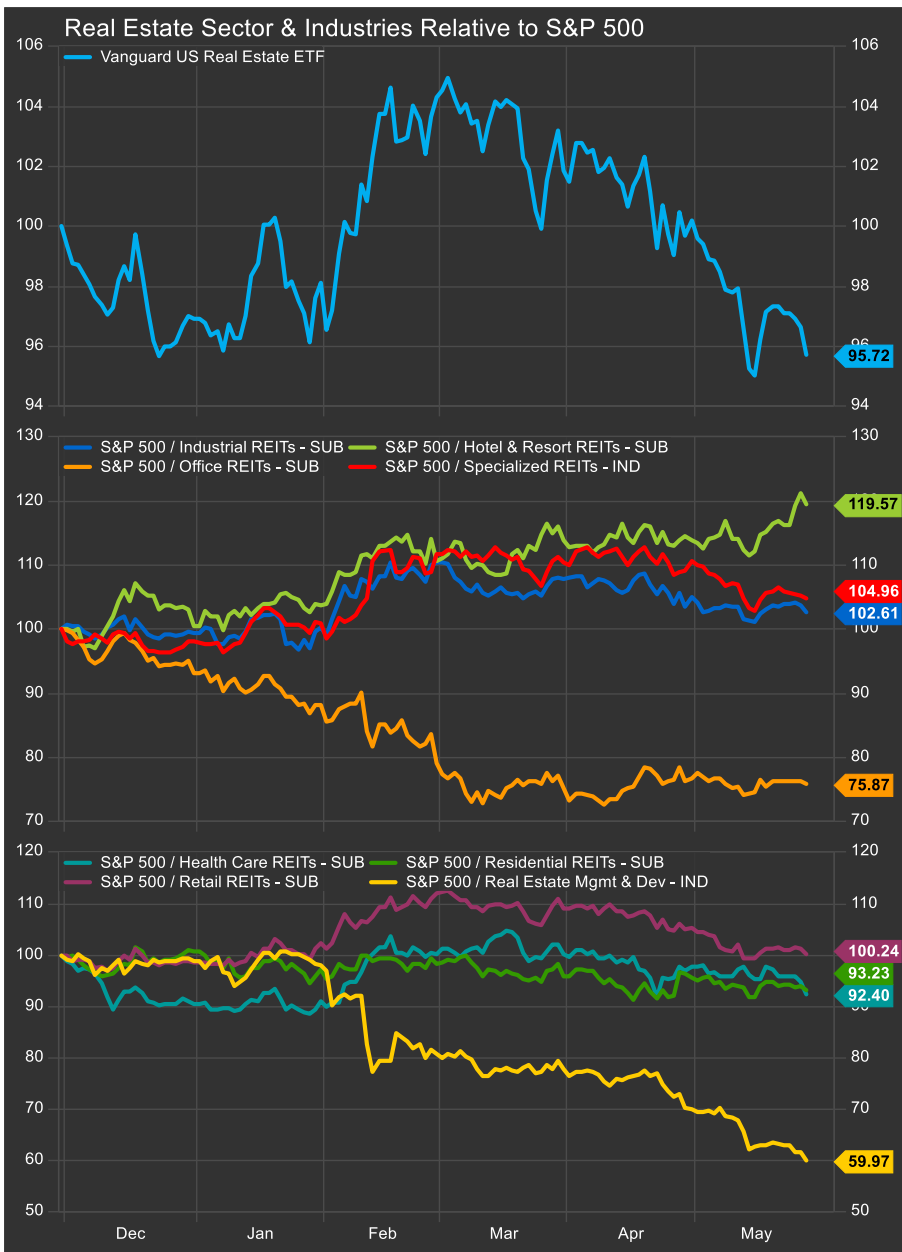
Retail REITs are more attractive than the market's old mall narrative suggests. The best retail REITs benefit from low new supply, strong grocery and restaurant demand, retailer rationalization into the best centers, and asset scarcity. The risk is consumer bifurcation: lower-income pressure, higher gasoline prices and weaker apparel/electronics demand can affect weaker tenants and lower-quality centers.

Industrial REITs are stabilizing after a post-pandemic normalization. JLL reported Q1 industrial leasing of **145.2 million square feet**, up **17.8% year over year**, net absorption of **50.9 million square feet**, vacancy holding at **7.5%**, and big-box leasing up **80.7% year over year**. That supports the long-term logistics thesis, though rent growth is no longer as powerful as it was earlier in the cycle.

Multifamily is also improving, but not uniformly. CBRE reported that Q1 multifamily vacancy fell **20 bps to 4.8%**, net absorption totaled **78,100 units**, average rent rose **0.2% year over year**, and construction completions fell **30% year over year** to 58,100 units. That is constructive because supply pressure is moderating, but rent growth remains subdued and regional dispersion is high.

Ticker	Price	1D	1W	1M	3M	6M	RSI	1M Flow	YTD Flow	1Y Flow
VNQ	\$96.77	+0.10%	+1.85%	+2.38%	+3.09%	+10.19%	57.9	\$79.3M	\$269.7M	\$896.4M

Industry Performance and Breadth: Real Estate



5/28/2026

Industry	Approx. Fund Weight	Fundamental Read	Macro / Policy Sensitivity
Health Care REITs	16.5%	Senior housing strong; medical office and skilled nursing mixed.	Demographics, labor, reimbursement, rates, operator health.
Retail REITs	14.5%	Low supply and quality tenants support fundamentals.	Consumer spending, e-commerce, cap rates, taxes.
Industrial REITs	11.5%	Logistics normalizing, but nearshoring and e-commerce support demand.	Goods volumes, supply additions, tariffs, cap rates.
Data Center REITs	10.7%	AI leasing demand strong; power is the constraint.	Power access, interconnection, AI capex, cooling, regulation.
Telecom Tower REITs	9.1%	Long-term data demand supports cash flow.	Wireless capex, rates, spectrum, lease escalators.
Multi-Family Residential REITs	6.9%	Rent growth stabilizing as supply is absorbed.	Jobs, supply, rent regulation, insurance, mortgage affordability.
Other Specialized REITs	6.7%	Niche growth; quality varies.	End-market demand, cap rates, financing.
Real Estate Services	6.5%	Transactions and leasing drive recovery.	Credit, property transactions, office leasing.
Self-Storage REITs	5.6%	Defensive, but housing turnover matters.	Moving activity, supply, rates.
Single-Family Residential REITs	3.5%	High mortgage rates support rental demand.	Mortgage rates, wages, taxes, rent regulation.
Office REITs	2.3%	Small weight but challenged.	Return-to-office, refinancing, capex, local tax policy.
Other	6.2%	Diversified residual exposure.	Cap rates, financing, local regulation.

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
DOC	Healthpeak Properties, Inc.	Real Estate	Consolidation	13,698.8	4.08	8.2	4.51	0.83	18.4
IRM	Iron Mountain, Inc.	Real Estate	Bullish Reversal	37,788.6	2.44	14.4	1.91	1.41	7.7
HST	Host Hotels & Resorts, Inc.	Real Estate	Bullish Reversal	16,081.0	0.95	13.1	4.63	1.04	7.5
UDR	UDR, Inc.	Real Estate	Consolidation	12,356.5	2.67	-2.5	3.31	0.81	5.2
ARE	Alexandria Real Estate Equities, Inc.	Real Estate	Downtrend	8,701.3	2.30	-9.5	4.15	1.16	4.6
CCI	Crown Castle Inc.	Real Estate	Downtrend	39,660.4	1.79	-3.9	3.36	0.89	4.0
FRT	Federal Realty Investment Trust	Real Estate	Bullish Reversal	10,458.3	1.72	5.5	2.72	0.61	4.0
INVH	Invitation Homes, Inc.	Real Estate	Consolidation	17,470.8	1.84	1.9	2.97	0.89	3.1
ESS	Essex Property Trust, Inc.	Real Estate	Consolidation	17,789.9	2.23	0.2	2.74	0.78	2.8
EQR	Equity Residential	Real Estate	Consolidation	24,964.4	2.12	-1.0	3.07	0.76	2.0
AVB	AvalonBay Communities, Inc.	Real Estate	Consolidation	25,906.8	1.58	-2.4	2.79	0.81	1.9
CPT	Camden Property Trust	Real Estate	Downtrend	10,865.2	3.52	-5.4	2.84	0.88	1.4
AMT	American Tower Corporation	Real Estate	Downtrend	86,180.9	1.32	-7.3	2.77	0.77	0.6
PLD	Prologis, Inc.	Real Estate	Bullish Reversal	136,606.2	1.99	-2.1	2.11	1.40	-0.3
BXP	BXP Inc	Real Estate	Downtrend	9,683.5	1.52	-6.6	3.33	1.42	-0.3
MAA	Mid-America Apartment Communities, Inc.	Real Estate	Downtrend	15,197.5	1.83	-8.2	3.40	0.70	-0.8
VTR	Ventas, Inc.	Real Estate	Bullish Reversal	42,807.2	5.20	-3.6	1.73	0.46	-1.0
EXR	Extra Space Storage Inc.	Real Estate	Downtrend	30,512.4	1.44	-6.9	3.25	1.49	-1.4
SPG	Simon Property Group, Inc.	Real Estate	Bullish Reversal	67,051.8	1.43	-3.6	3.15	1.30	-2.2
WELL	Welltower Inc.	Real Estate	Uptrend	151,192.7	3.31	-5.0	1.06	0.53	-2.6
KIM	Kimco Realty Corporation	Real Estate	Bullish Reversal	16,468.6	1.41	-1.1	3.11	0.79	-2.7
VICI	VICI Properties Inc	Real Estate	Downtrend	30,606.3	0.46	-9.7	4.65	0.65	-4.3
PSA	Public Storage	Real Estate	Consolidation	53,855.7	1.47	-5.1	2.82	1.13	-4.5
O	Realty Income Corporation	Real Estate	Consolidation	57,991.7	1.78	-9.5	3.82	0.68	-5.4
REG	Regency Centers Corporation	Real Estate	Consolidation	14,455.5	1.50	-5.8	2.80	0.50	-6.2
EQIX	Equinix, Inc.	Real Estate	Bullish Reversal	105,549.6	2.84	5.1	1.39	0.85	-6.3
WY	Weyerhaeuser Company	Real Estate	Consolidation	17,672.8	2.37	-6.3	2.46	1.02	-7.0
DLR	Digital Realty Trust, Inc.	Real Estate	Bullish Reversal	67,368.1	4.22	-0.3	1.83	0.89	-7.3
SBAC	SBA Communications Corp. Class A	Real Estate	Downtrend	21,233.8	1.21	-9.2	1.77	1.15	-11.3
CSGP	CoStar Group, Inc.	Real Estate	Downtrend	13,198.1	1.00	-36.0	0.00	0.70	-15.8
CBRE	CBRE Group, Inc. Class A	Real Estate	Retracement	38,110.1	0.76	-21.7	0.00	1.40	-15.9

Management & Development stocks remain at the bottom of the pile while IRM, DOC and HST have been the strongest REITs in the near-term

Data Centers (EQIX, DLR) remain top ideas but have pulled back in the near-term setting up a decent entry point entering June.

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

The macro backdrop is mixed but sufficiently supportive for a modest overweight. Real Estate benefits from three forces in June: stabilization in commercial property prices, improving listed REIT operating fundamentals, and structural growth in select property types. It is constrained by three offsetting risks: elevated Treasury yields, refinancing maturities and property-type dispersion.

Rates remain the most important macro variable. Real Estate is one of the most rate-sensitive GICS sectors because property values are discounted by cap rates, REIT dividends compete with fixed-income yields, and debt costs directly affect acquisition spreads and development economics. If June inflation data keep long-term yields under pressure, Real Estate can lag even if property-level fundamentals are stable. Conversely, if rates stabilize or decline modestly, VNQ can re-rate because listed REITs are already showing better FFO and NOI growth.

Credit availability is the second key driver. The Fed's Financial Stability Report described CRE prices and fundamentals as stabilizing, but still flagged refinancing risk for borrowers unable to roll maturing mortgages. This is why listed REITs are better positioned than private real estate in many cases: public REITs generally have better access to unsecured debt markets, more fixed-rate debt, longer maturity profiles and more balance-sheet flexibility.

The AI infrastructure theme is now a major policy driver. Data-center growth requires power, transmission, interconnection, cooling, water, local permits and utility coordination. The value of a data-center site is increasingly determined by secured power rather than just location or fiber connectivity. This is bullish for operators with existing campuses and power rights, but it also introduces policy risk: local governments and utilities are beginning to scrutinize who pays for grid upgrades, how quickly projects can connect and whether residential ratepayers are subsidizing hyperscaler demand. CBRE's investor survey showed power availability was the top data-center industry challenge for the third consecutive year.

Housing policy and affordability are also relevant. High mortgage rates reduce affordability, depress transaction volumes and slow housing turnover, which can weigh on real estate services, self-storage, home-adjacent retail and residential transaction activity. But high mortgage rates also support rental demand and single-family rental occupancy because fewer households can transition into ownership. The result is not uniformly bearish; it depends on the property type.

Local regulation is another driver. Residential REITs face rent regulation, insurance costs, property taxes and zoning constraints. Retail REITs face local permitting and tax issues. Senior housing faces labor regulation, health-care policy and operator quality. Data centers face power, water and land-use scrutiny. Office faces conversion policy, tax-base pressure and incentives for return-to-office. These are not macro footnotes; they increasingly determine which REITs can grow cash flow and which assets become stranded.

Other Important Narratives:

The most important May narrative was the shift from "real estate as a rate casualty" to "real estate as a selective recovery and infrastructure asset class." The Federal Reserve's May Financial Stability Report noted that commercial real estate prices and fundamentals have continued to stabilize after the sharp declines between mid-2022 and early 2024, though it also warned that distressed sales remain possible if borrowers needing to refinance cannot do so. That is the key sector tension: fundamentals are no longer broadly deteriorating, but the refinancing channel still prevents a full, low-risk re-rating.

The second narrative was the capital-market improvement in listed REITs and real estate operating fundamentals. Nareit's Q1 2026 Industry Tracker showed **14.8% year-over-year FFO growth, 5.6% year-over-year NOI growth, 3.8% same-store NOI growth, 93.2% equity REIT occupancy, a 35.4% leverage ratio, a 5.9-year weighted average debt maturity, and 89.3% fixed-rate debt.** That balance-sheet

profile is important because it suggests listed REITs are generally better positioned than private real estate owners facing floating-rate debt and near-term maturity pressure.

The third narrative was data-center demand. CBRE's 2026 data-center outlook said U.S. data-center demand is reaching unprecedented levels, 2026 leasing activity is on pace for a new record, vacancy remains at historic lows, pricing is at all-time highs, and preleasing is expected to remain in the mid-70% range versus a historical norm of 40% to 50%. The constraint is not demand; it is power, interconnection and construction timelines. CBRE noted that the ability to secure 300-MW-plus power deliveries in under 36 months now outweighs connectivity in site selection, while large AI campuses can push construction schedules into multi-year territory.

JLL reinforced the same structural point, projecting that global data-center capacity could effectively double by 2030, with nearly 100 GW of new capacity required between 2026 and 2030, a 14% CAGR for the sector, and up to **\$3 trillion** of total investment required when real estate, debt financing and tenant IT fit-out are included. For VNQ, that supports the data-center REIT sleeve and also has indirect implications for towers, utilities, industrial land, construction and real estate services.

The fourth narrative was senior housing. NIC reported that senior housing occupancy rose to **89.5%** in Q1 2026 from 89.1% in Q4 2025, marking the **19th consecutive quarter** of occupancy improvement. NIC also noted that year-over-year inventory growth hit a record low of **0.4%**, new units under construction fell to the lowest level since 2012, and occupancy is on track to exceed 90% before year-end. This is one of the strongest property-level fundamental backdrops in the REIT universe because it combines demographic demand, limited supply and operating leverage.

The fifth narrative was that retail real estate remains more resilient than many investors assume. JLL reported that U.S. retail vacancy held steady at **4.4%** in Q1 2026, with new supply at historic lows. Restaurants, discount retailers and grocery operators led tenant expansion, while apparel and electronics contracted. That supports quality shopping centers, grocery-anchored retail and well-located malls, but it also argues for caution on lower-productivity retail formats.

The sixth narrative was the early stabilization of office. Office is still the most challenged property type, but the data are no longer uniformly negative. CBRE reported that Q1 office net absorption was **6.9 million square feet**, the highest Q1 total since 2020 and the eighth consecutive quarter of positive demand. Overall vacancy declined to **18.6%**, prime vacancy fell to **12.7%**, and total office investment volume is expected to rise **20%** in 2026. JLL similarly reported positive net absorption for a third consecutive quarter and strong demand for high-quality space.

That said, office remains a risk, not a reason for the overweight. JLL noted that office delinquency rates continued to rise to **11.41%** from December to March, which underscores the bifurcation between prime assets with improving occupancy and weaker assets still facing refinancing and obsolescence. The positive for VNQ is that office REITs are only a small portion of the ETF, so the sector's worst property-type narrative is not the dominant portfolio exposure.

Finally, residential and mortgage-rate data remained a headwind. Freddie Mac reported that the 30-year fixed mortgage rate averaged **6.53%** as of May 28, up from 6.51% the prior week. Higher mortgage rates hurt housing turnover, transaction volumes and affordability, but they can also support rental demand by keeping households in apartments or single-family rentals. For Real Estate equities, that creates dispersion: high rates hurt transaction-sensitive and refinancing-sensitive names, but they can support rental demand for selected residential REITs.

Appendix: Sources (all chart sourced from FactSet Research Systems Inc.)

- **Federal Reserve Financial Stability Report, May 2026** — CRE pricing stabilization, refinancing risk and financial-system context.
- **Nareit REIT Industry Tracker** — FFO, NOI, occupancy, leverage, debt maturity and listed-REIT balance-sheet data.
- **CBRE 2026 Data Center Market Outlook** — U.S. data-center demand, leasing, vacancy, pricing and power constraints.
- **JLL Global Data Center Outlook** — global data-center capacity, investment and AI infrastructure demand.
- **NIC News / Senior Housing Data** — senior-housing occupancy and supply-demand backdrop.
- **JLL U.S. Retail Market Dynamics** — retail vacancy, tenant demand and supply conditions.
- **Freddie Mac Primary Mortgage Market Survey** — mortgage-rate backdrop for residential, transaction-sensitive and housing-linked REITs.

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.