PGIM Real Estate

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Global Real Estate Securities FAQs

First Quarter 2016

Why Real Estate Securities?

Global real estate securities can provide investors with many benefits:

- Attractive Absolute Performance
- Superior Risk-Adjusted Performance
- Healthy Distributable Current Income
- Liquidity
- Diversification
- Transparency & Governance

In addition, global real estate securities historically have had relatively low correlation with global bonds or global stocks. Although they have experienced more volatility than bonds, they have experienced less volatility than stocks. From this perspective, investing in global real estate securities can be an effective way to diversify an investment portfolio.

Also keep in mind that while the global real estate securities market has grown, it still represents less than five percent of all real estate investments. So as new REIT legislation gains traction throughout the world, the demand for publicly traded real estate securities is expected to grow.

What is a REIT?

A Real Estate Investment Trust (REIT) is a company that owns and frequently operates commercial real estate to generate profits and pay dividends to its investors. REITs may also finance real estate projects as an alternate way to generate profits. Shares of REITs are traded on major stock exchanges and almost all of a REIT's taxable income must be divided annually among its shareholders.

REITs were developed more than 50 years ago by the U.S. government. They allowed the general public to invest in larger commercial real estate opportunities that were otherwise only accessible to institutions and wealthy investors. Today, REITs offer investors comparable dividends, increased diversification, impressive liquidity, superior transparency and competitive performance.

How do REITs and Limited Partnerships differ?

Several legal, financial and operational differences separate REITs from limited partnerships. Compared to partnerships, REITs are publicly traded, are far more liquid, offer much greater oversight and governance and require smaller minimum investments.

REITs also avoid unrelated business income taxes (UBITs) that can still afflict tax-exempt accounts, making them suitable for IRAs, 401(k)s and pension plans. REIT investors only pay taxes in their states of residence and enjoy the relative simplicity of Form 1099, compared to partnership investors who must endure the complexities of Form K-1.

Unlike partnerships that are usually run by general partners who can be difficult to replace, REIT investors maintain control through shareholder elections. And while partnerships can pass losses on to its investors, REITs typically don't.

Is It Important to Invest Outside the United States?

The growth and development of regional economies across the world are important considerations for investors. Although separating cause and effect in the financial markets can be challenging, increased demand for commercial real estate investments should continue to drive growth worldwide — REITs in particular. In addition, a growing acceptance of commercial real estate as an asset class, the adoption of new REIT legislation, and continued development of the industry's infrastructure suggest a long-term growth trend. This appears to be more enduring than cyclical as investors are increasingly recognizing commercial real estate as an effective way to further diversify their portfolios, add comparably stable cash flows, and help mitigate many of the risks that have historically kept them from investing in commercial real estate.