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Monthly Insights: March  
**Real Estate Sector**

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# Sector Price Action & Performance Review: Real Estate



Real Estate stocks are forming a near-term bullish reversal after a pull-back from September-December of 2024

Headwinds to growth leadership and the emergence of tariff/trade war dynamics have halted upside momentum for US equities in the near-term

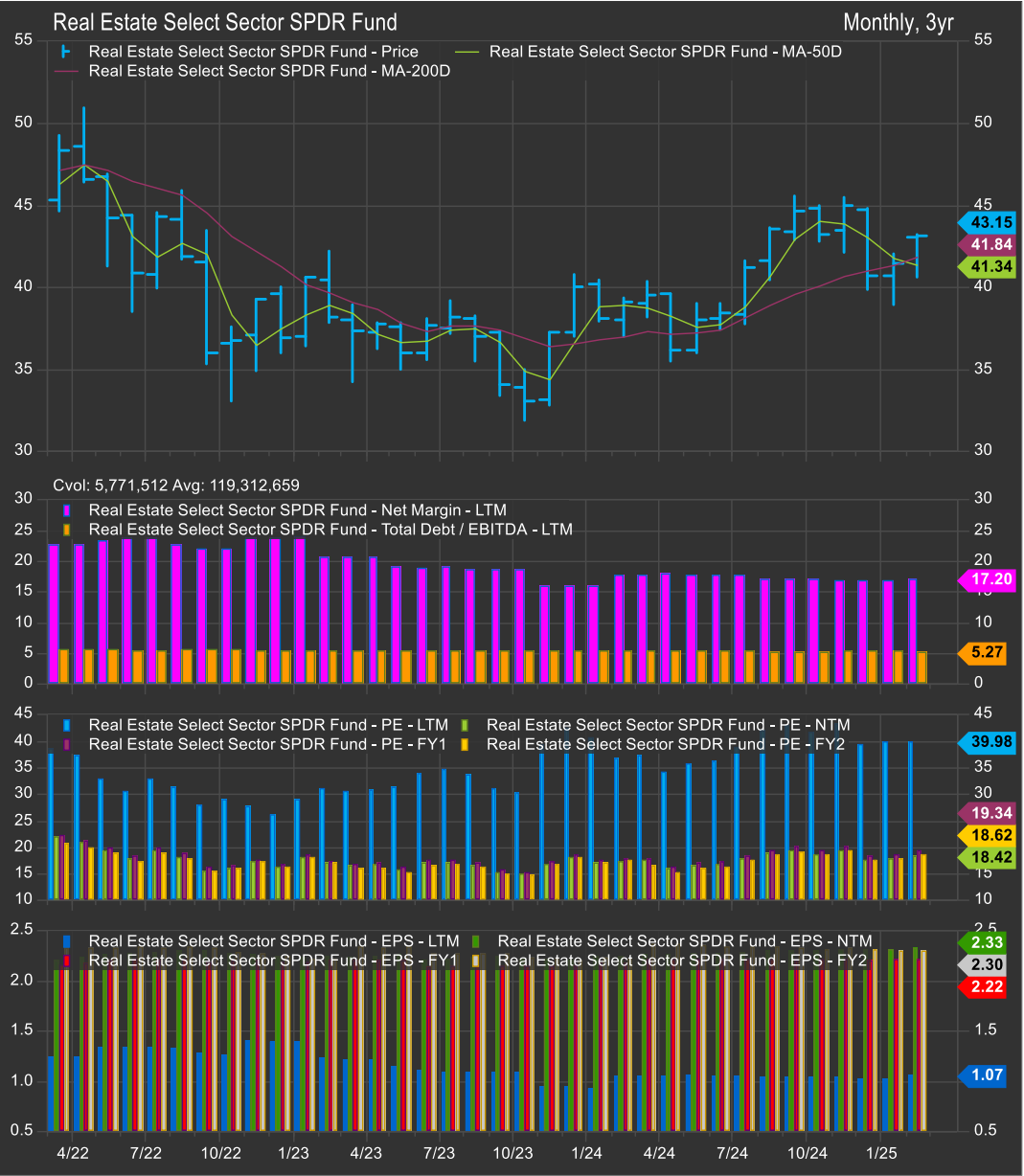
With consensus shifting from a bullish “soft landing” scenario to an economic picture with more uncertainty around inflation and employment, Real Estate stocks have a chance to continue outperforming in the near-term

Oscillator work is constructive as the sector in aggregate continues to see price and momentum firm up from lows in December. The MACD oscillator (chart, panel 3) is on a buy signal while we haven’t reached extreme overbought conditions on the RSI study (chart, panel 4)

**Outlook:** The REIT sector faces persistent challenges from interest rates, weak office demand, and trade-related cost pressures. However, with AI themes facing near-term headwinds due to ex-US competition, rising costs and economic uncertainty, REITs are likely to be seen as a haven for any near-term volatility now that economic data is showing patches of softness

**We start March with an **OVERWEIGHT** allocation to the Real Estate Sector of **+6.13%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Real Estate Sector



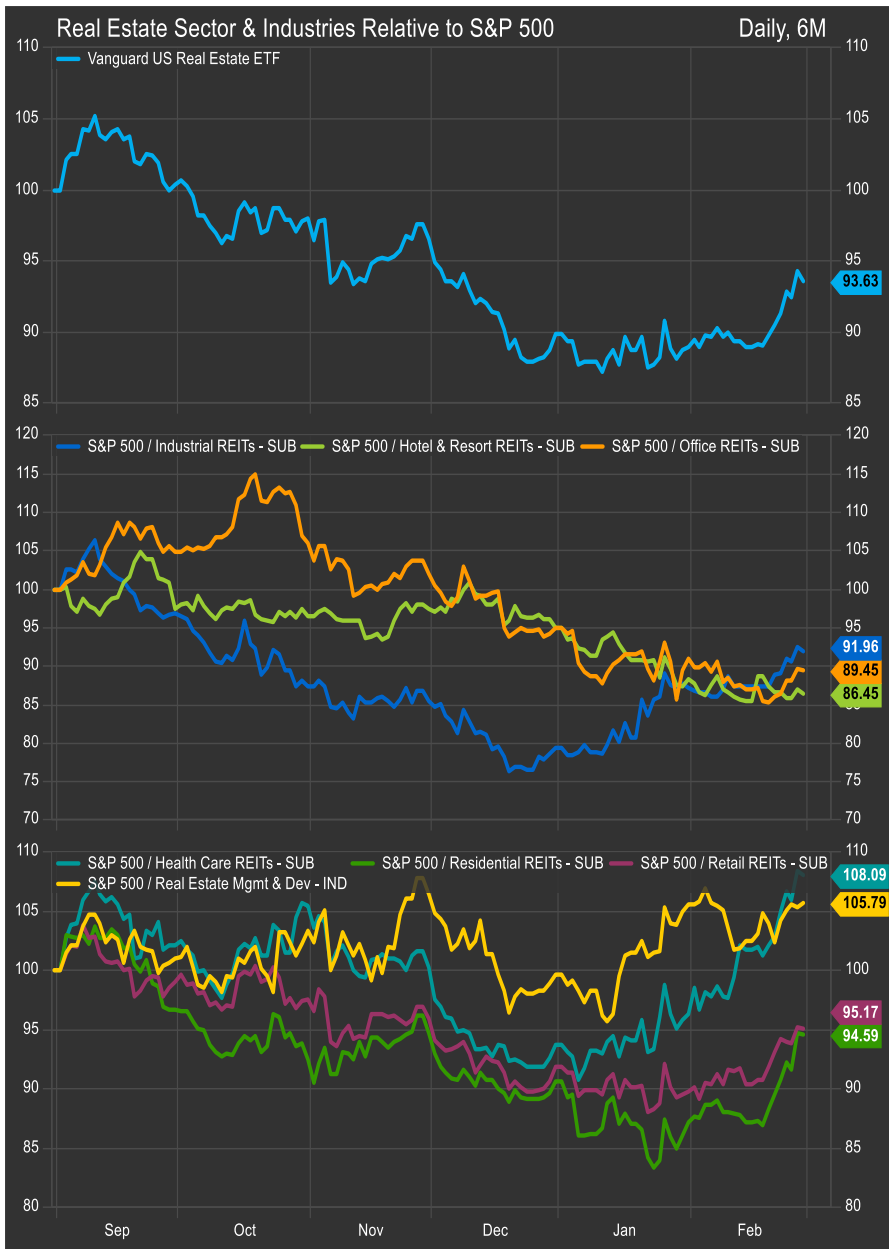
The chart (left) shows S&P 500 Real Estate Sector Margins, Debt/EBITDA, Valuation and Earnings

The second half of 2024 saw net margins contract for the sector while debt burden relative to EBITDA has stayed level (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): Industrial REITs (PLD) have been firming since December while Management & Development, Healthcare, Residential and Retail REITs have all perked up in 2025

Office and Hotel REITs remain in performance downtrends, but overall it's an improving picture for the sector

**Real Estate Sector Internals** (chart, right): Internal strength measures are showing a constructive recovery, but the % of stocks above their 200-day moving average remains below the 50% level which is an indication the sector is still facing some structural headwinds

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

Symbol	Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BMK	Valuation Adjusted Earnings Growth	Volatility Adjusted Income	Momentum Score	1-Month Excess Return vs. BMK	3-Month Excess Return vs. BMK	6-Month Excess Return vs. BMK	Near-term OB/OS
VTR	Ventas, Inc.	Bullish Reversal	30,241.3	4.70	0.7	1.46	17.0	15.5	8.4	7.6	NT OVERBOUGHT
WELL	Welltower Inc.	Bullish Reversal	98,447.2	4.77	1.4	1.06	23.4	14.2	11.1	20.8	
MAA	Mid-America Apartment Communities, Inc.	Bullish Reversal	19,653.5	-0.30	-0.2	2.51	5.9	12.8	3.2	-1.0	
ESS	Essex Property Trust, Inc.	Bullish Reversal	20,041.8	-1.94	-0.8	2.35	5.8	12.5	0.9	-0.2	
CPT	Camden Property Trust	Bullish Reversal	13,244.3	-0.10	0.0	2.30	2.1	11.9	-1.0	-6.0	
AMT	American Tower Corporation	Consolidation	96,118.6	1.30	1.0	1.87	-6.6	11.7	-0.5	-14.4	
UDR	UDR, Inc.	Bullish Reversal	14,960.6	4.53	1.3	2.68	2.5	11.2	-1.0	-2.9	
INVH	Invitation Homes, Inc.	Consolidation	20,837.6	4.26	2.1	2.22	-6.9	11.1	-0.4	-12.3	
VICI	VICI Properties Inc	Consolidation	34,320.5	0.30	0.6	4.23	-1.6	10.0	1.5	-6.4	
SBAC	SBA Communications Corp. Class A	Support	23,449.4	0.84	0.8	1.32	-6.9	9.8	-4.2	-11.1	

Strong and weak stocks alike were bid to the tune of >10% gains in February

Generally, we're more interested in names showing sustained upside like WELL and CBRE, but residential REITs triggered our bullish reversal threshold this month and we've upgraded several of them to buy ratings in our stock level work

REITs have been out of favor in this longer-term cycle, and if risk appetite continues to erode, we could see more outperformance given that setup

Symbol	Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BMK	Valuation Adjusted Earnings Growth	Volatility Adjusted Income	Momentum Score	1-Month Excess Return vs. BMK	3-Month Excess Return vs. BMK	6-Month Excess Return vs. BMK	Near-term OB/OS
IRM	Iron Mountain, Inc.	Retracement	27,367.8	8.32	4.1	1.76	-15.3	-3.9	-24.1	-23.2	
HST	Host Hotels & Resorts, Inc.	Support	11,276.6	-0.74	-0.9	2.45	-15.3	-3.7	-10.6	-10.9	
KIM	Kimco Realty Corporation	Retracement	15,016.6	0.97	0.7	2.38	-8.3	-1.9	-13.0	-9.8	
DLR	Digital Realty Trust, Inc.	Support	52,624.2	-0.56	-0.1	1.73	-7.7	-1.9	-19.0	-1.6	
BXP	BXP Inc	Consolidation	11,221.8	73.84	45.0	2.96	-8.0	-1.3	-12.9	-9.3	
FRT	Federal Realty Investment Trust	Support	9,032.5	-0.44	-0.3	2.23	-9.8	-1.3	-9.0	-13.7	
WY	Weyerhaeuser Company	Consolidation	21,839.9	1.63	1.0	1.27	-10.7	-0.4	-6.0	-7.7	
EXR	Extra Space Storage Inc.	Consolidation	32,340.2	0.51	0.4	2.10	-11.2	0.1	-10.3	-18.2	
CBRE	CBRE Group, Inc. Class A	Bullish Reversal	42,587.3	3.58	3.7	0.00	14.3	1.3	1.3	16.1	
CSGP	CoStar Group, Inc.	Downtrend	31,272.1	7.14	2.3	0.00	-11.0	1.9	-6.6	-7.6	

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

**1. Office space demand remains soft** due to the continued prevalence of hybrid and remote work, with leasing activity still below pre-pandemic levels.

Rising sublease availability and high vacancy rates have kept rent growth subdued, particularly in major metro markets like New York, San Francisco, and Chicago.

Despite pressure on leasing fundamentals, some high-end, amenitized office properties continue to outperform, while lower-quality assets face higher vacancy risks.

**2. Office-to-Residential Conversions: Policy Tailwinds But High Costs**

Interest in converting underutilized office buildings into residential units is rising, particularly as some cities look to address housing shortages.

The Trump administration has signaled support for regulatory reforms to ease zoning and permitting restrictions for conversions.

However, high construction costs, labor shortages, and financing difficulties remain major barriers, making large-scale conversions uneconomical without government incentives.

REITs with exposure to mixed-use developments or urban residential conversions could benefit from policy incentives, but cost concerns continue to limit activity.

**3. The Trump 2.0 policy agenda has fueled uncertainty around housing market dynamics**, particularly regarding tax incentives and rental market regulations.

Potential extensions of tax cuts from the 2017 Tax Cuts and Jobs Act (TCJA) could favor homeownership, reducing rental demand and pressuring multifamily REITs.

At the same time, tariff-driven inflation and elevated interest rates could keep affordability low, supporting continued demand for rentals.

The administration has also hinted at new tax incentives for homeownership, which could shift demand away from large institutional rental housing operators.

**4. New tariffs on Canada, Mexico, and China—set to take effect on March 4—have introduced inflationary pressures**, particularly on building materials like steel, lumber, and copper.

Higher input costs could slow new construction and renovation projects for both commercial and residential real estate.

The Federal Reserve has cited trade-related inflation risks as a reason to maintain higher-for-longer interest rates, further raising REIT borrowing costs.

Real estate developers and REITs with heavy debt loads are feeling the strain, as refinancing at higher rates erodes profitability.

# 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.