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Monthly Insights: April Outlook

Real Estate Sector

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Sector Price Action & Performance Review: Real Estate

Real Estate Select Sector SPDR Fund — Daily
50-day & 200-day Moving Averages
with MACD (12,26,9) & RSI (14)

Real Estate Select Sector SPDR Fund - Total Return Relative to S&P 500 (TR)

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, but have been a boon to previously lagging sectors with historically defensive characteristics.

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)

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 +5.37% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

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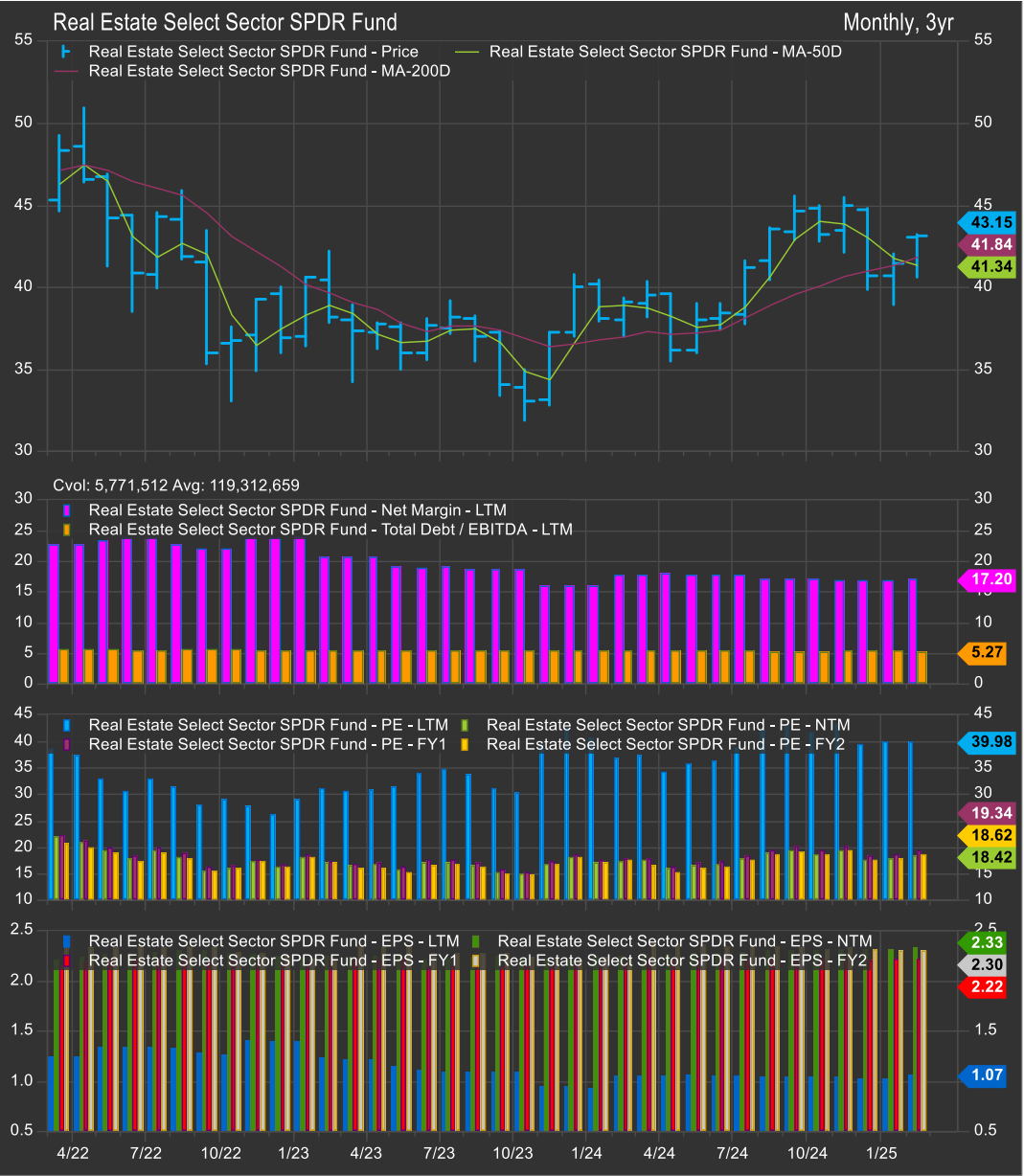
The chart (left) shows S&P 500 Real Estate Sector Margins, Debt/EBITDA, Valuation and Earnings

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
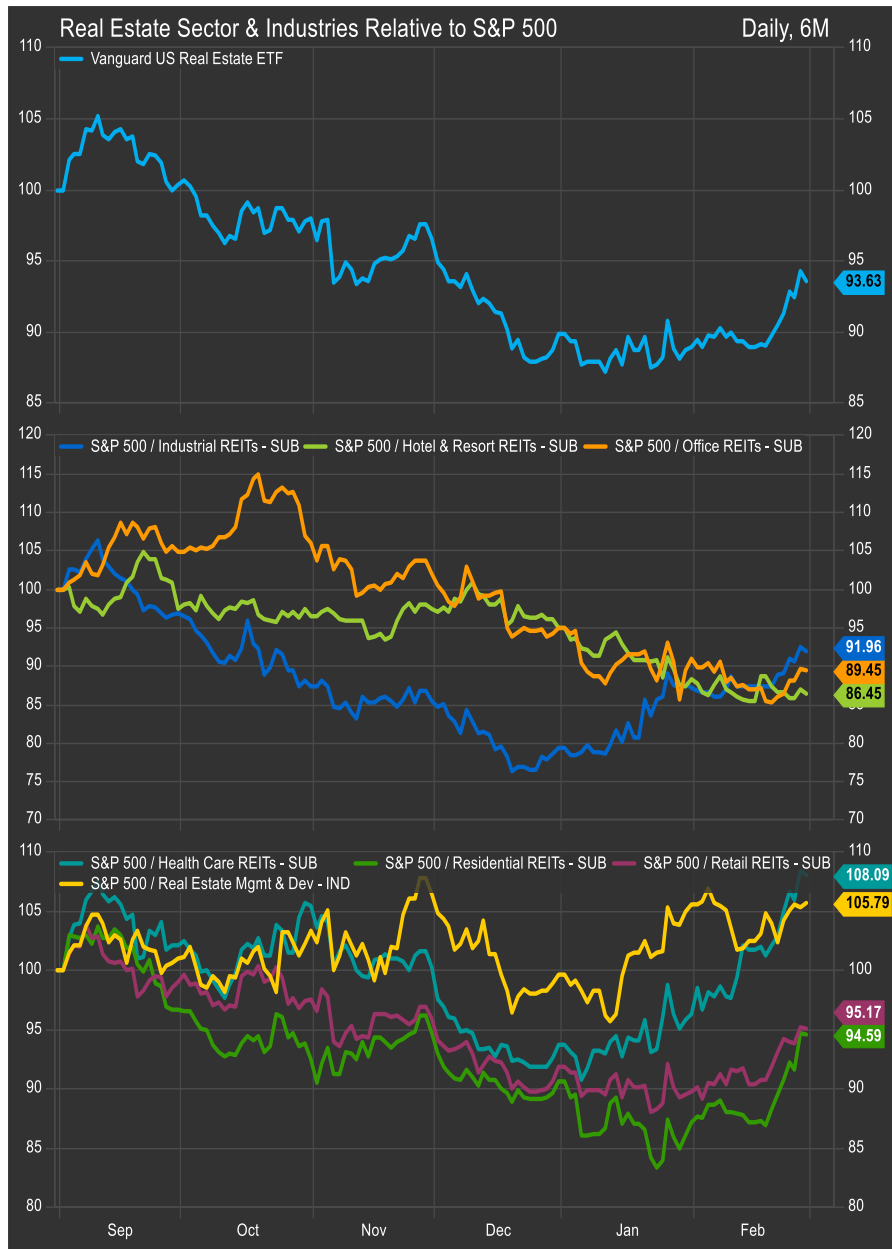
Real Estate Industries (chart, left): Industrial REITs (PLD) have been firming since December while Management & Development, Healthcare, Residential and Retail REITs have all perked up in 2025

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

Real Estate Sector Internals (chart, right): One of the few sectors where internal trends have responded positively to bottoming out in December & January

3/31/2025

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	1-Month Excess Return vs. BMK	Near-term OB/OS
CCI	Crown Castle Inc.	Bullish Reversal	45,110.7	2.91	5.3	3.2	17.9	NT OVERBOUGHT
AMT	American Tower Corporation	Bullish Reversal	100,765.1	1.33	8.4	2.1	11.0	NT OVERBOUGHT
CSGP	CoStar Group, Inc.	Consolidation	33,450.0	2.98	3.9	0.0	10.2	
INVH	Invitation Homes, Inc.	Bullish Reversal	21,119.4	1.82	4.6	2.3	8.4	
SBAC	SBA Communications Corp. Class A	Consolidation	23,335.3	1.02	1.1	1.4	6.2	
WELL	Welltower Inc.	Bullish Reversal	98,389.5	3.14	31.0	1.2	6.1	
VICI	VICI Properties Inc	Consolidation	33,825.0	0.47	7.9	3.6	6.0	
O	Realty Income Corporation	Consolidation	50,483.1	1.51	3.6	3.8	5.9	
VTR	Ventas, Inc.	Bullish Reversal	30,090.5	4.55	23.1	1.8	5.6	
DOC	Healthpeak Properties, Inc.	Consolidation	14,104.7	3.43	1.9	4.0	4.8	

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	1-Month Excess Return vs. BMK	Near-term OB/OS
HST	Host Hotels & Resorts, Inc.	Downtrend	9,976.3	0.78	-18.4	4.0	-5.4	NT OVERSOLD
EQIX	Equinix, Inc.	Consolidation	78,157.6	2.41	-7.0	1.5	-5.1	NT OVERSOLD
SPG	Simon Property Group, Inc.	Bullish Reversal	53,595.3	1.02	2.0	3.4	-4.4	
PLD	Prologis, Inc.	Consolidation	102,371.7	1.51	-4.1	2.4	-3.9	
CBRE	CBRE Group, Inc. Class A	Bullish Reversal	38,842.9	0.83	9.3	0.0	-2.6	
DLR	Digital Realty Trust, Inc.	Retracement	47,837.2	4.02	-8.8	2.3	-2.2	NT OVERSOLD
FRT	Federal Realty Investment Trust	Consolidation	8,305.0	1.29	-8.5	3.0	-1.9	
IRM	Iron Mountain, Inc.	Retracement	24,997.4	1.74	-13.0	2.3	-1.7	NT OVERSOLD
ARE	Alexandria Real Estate Equities, Inc.	Support	16,547.6	1.12	-11.6	3.7	-0.3	
AVB	AvalonBay Communities, Inc.	Consolidation	30,382.8	1.44	2.5	2.2	0.6	

Tower stocks finally perked up in March as investors leave no stone unturned in their quest to move capital into historically defensive exposures

Healthcare and Residential REITs have picked up while office and Hotel REITs remain challenged

Data centers are also under pressure as they are grouped into the AI trade for better or worse

Metrics:

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

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valueation

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

1. Interest Rates & Monetary Policy Outlook

The sector was heavily influenced by **shifting Fed expectations**. After a string of **hawkish Fedspeak** and stronger-than-expected inflation data (notably February **core PCE at +0.4% m/m)**, **market-based rate cut odds diminished**.

However, **Treasury yields fell sharply** into month-end amid broader risk-off sentiment and flight-to-safety dynamics. This helped cushion downside for **REITs and rate-sensitive property stocks**, which tend to underperform in rising rate environments.

The **flattening yield curve** supported real estate equities, particularly **high-quality REITs** with stable income profiles and **residential names tied to refinancing or mortgage trends**.

2. Housing Market & Construction Trends

February existing home sales beat expectations, rising +4.2% m/m to 4.26M SAAR, helped by increased inventory and pent-up demand. **New home sales also surprised to the upside**, and building permits/starts improved sequentially.

However, **KBH (KB Home)** flagged soft orders and guided down for FY25, citing consumer affordability concerns, macro/geopolitical headwinds, and a cautious tone on the **spring selling season**.

March saw further signs of **homebuilders tightening production of spec homes**, per Bloomberg, due to rising costs and policy uncertainty.

Despite strong hard data, **consumer sentiment** remained fragile. **UMich Consumer Sentiment final March reading was lowest since 2022**, and inflation expectations rose again.

3. Trade Policy, Tariffs & Supply Chain Concerns

The real estate sector is **indirectly exposed** to trade via input costs and construction materials. March saw heavy attention to Trump's upcoming **April 2 "reciprocal tariff" plan** and the **25% auto tariff announcement** on March 27.

Reports noted that tariffs could soon extend to **lumber, copper, steel, aluminum**, and potentially **construction equipment or imported building materials**.

Higher materials costs could further pressure margins for **residential and commercial developers**, and **delay project pipelines** for construction-heavy REITs.

Canada's PM Carney warned that "nothing is off the table" in retaliation, raising concern for **cross-border lumber and housing components**.

4. Institutional Flows & Investment Sentiment

The real estate sector benefited from **month- and quarter-end rebalancing flows**, as institutional investors rotated into **defensive sectors**.

With the **S&P 500 down for 5 of the past 6 weeks**, real estate attracted inflows as **low-beta exposure** during heightened macro uncertainty.

Real estate also saw **tailwinds from gold and Treasury strength**, as both typically move inversely with broader equity volatility, bolstering demand for **stable yield-oriented assets**.

Some signs of institutional deal activity continued, including:

> **Mitsui Sumitomo**'s strategic investment in U.S. financials and insurance

> Ongoing **foreign interest in U.S. logistics and industrial real estate assets**

However, **tightening credit conditions** and **rising delinquencies** (e.g., student loans, auto loans) raised longer-term concerns about commercial property demand

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) * 0.1

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.