

Dow Jones Global Select Real Estate Securities Indices Consultation on Specialty REITs – Extended

NEW YORK, OCTOBER 31, 2019: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the Dow Jones Global Select Real Estate Securities Indices.

Under the current methodology, a company must be both an equity owner and operator of commercial and/or residential real estate. Specialty REITs, comprising net lease, timber, railroad, tower, prison, advertising, etc. are currently excluded from these focused indices.¹ The current methodology also specifies that non-constituents must have at least 75% of the company’s total revenue derived from the ownership and operation of real estate assets. This threshold is relaxed to 50% for existing index constituents.

Since net lease businesses are not currently considered as ownership and operation of traditional real estate, revenue generated under this type of lease structure does not contribute to the eligible portion when calculating this percentage.

S&P DJI is seeking market feedback on whether net lease businesses align more with traditional real estate ownership and operation, and thus should be eligible for inclusion, or if they align more with specialty real estate and should continue to be excluded.

IMPACT ANALYSIS

Using data from the September 2019 rebalancing, the tables on the following pages show the actual one-time turnover and index country and sector weights, based on S&P DJI’s REIT/RESI Industry Classification Hierarchy, as well as the hypothetical results that would have occurred if all stocks currently excluded due to exposure to net lease arrangements were added at that time.² In addition, a list of companies that were ineligible at the September 2019 rebalancing due to net lease exposure that would have passed the revenue threshold screen if net lease exposure had been eligible is provided. Note that not every name listed would have been eligible for inclusion in the final basket in the hypothetical scenario, as a given name may have failed one or more of the other eligibility factors.

¹ Based on S&P DJI’s REIT/RESI Industry Classification Hierarchy.

² For details on S&P DJI’s REIT/RESI Industry Classification Hierarchy, please refer to Appendix II of the Dow Jones Global Select Real Estate Securities Indices methodology available [here](#).

Dow Jones Global Select Real Estate Securities Index

	Actual (Net Lease Ineligible)	Hypothetical (Net Lease Eligible)
Turnover	1.38%	11.49%
Country Weights:		
Australia	4.49%	4.01%
Austria	0.21%	0.19%
Belgium	0.28%	0.25%
Brazil	0.39%	0.35%
Canada	1.51%	1.35%
France	3.24%	2.90%
Germany	2.67%	2.39%
Hong Kong	3.48%	3.11%
Japan	13.42%	12.00%
Mexico	0.37%	0.33%
Netherlands	0.16%	0.15%
Philippines	0.61%	0.54%
Singapore	3.18%	2.85%
South Africa	1.05%	0.93%
Spain	0.65%	0.58%
Sweden	1.02%	0.92%
Switzerland	1.01%	0.90%
Thailand	0.24%	0.21%
United Kingdom	3.92%	3.50%
United States	58.10%	62.53%
Sector Weights:		
Apartments REIT	14.00%	12.52%
Commercial Mortgage REIT	0.00%	0.00%
Diversified REIT	11.18%	10.56%
Factory Outlets REIT	0.12%	0.11%
Health Care REIT	7.22%	8.66%
Hotels REIT	4.53%	4.05%
Hybrid REIT	0.00%	0.00%
Industrial REIT	10.71%	10.27%
Lease REIT	0.00%	5.86%
Manufactured Homes REIT	2.12%	1.90%
Mixed, Industrial/Office REIT	5.29%	4.73%
Office REIT	10.41%	10.57%
Other, Specialty	0.00%	0.00%
Real Estate Operating Company	11.97%	10.70%
Regional Malls REIT	9.57%	8.56%
Residential Mortgage	0.00%	0.00%
Retail, Other REIT	0.30%	0.27%
Self-Storage REIT	5.29%	4.73%
Strip Centers REIT	7.30%	6.53%

Dow Jones Global Select REIT Index

	Actual (Net Lease Ineligible)	Hypothetical (Net Lease Eligible)
Turnover	1.35%	12.71%
Country Weights:		
Australia	5.10%	4.50%
Austria	0.00%	0.00%
Belgium	0.32%	0.28%
Brazil	0.00%	0.00%
Canada	1.45%	1.28%
France	3.68%	3.25%
Germany	0.24%	0.21%
Hong Kong	2.15%	1.90%
Japan	11.82%	10.42%
Mexico	0.42%	0.37%
Netherlands	0.18%	0.16%
Philippines	0.00%	0.00%
Singapore	3.03%	2.67%
South Africa	0.80%	0.71%
Spain	0.74%	0.65%
Sweden	0.00%	0.00%
Switzerland	0.00%	0.00%
Thailand	0.00%	0.00%
United Kingdom	4.06%	3.58%
United States	66.00%	70.03%
Sector Weights:		
Apartments REIT	15.90%	14.02%
Commercial Mortgage REIT	0.00%	0.00%
Diversified REIT	12.70%	11.82%
Factory Outlets REIT	0.13%	0.12%
Health Care REIT	8.20%	9.70%
Hotels REIT	5.14%	4.53%
Hybrid REIT	0.00%	0.00%
Industrial REIT	12.17%	11.50%
Lease REIT	0.00%	6.56%
Manufactured Homes REIT	2.41%	2.12%
Mixed, Industrial/Office REIT	6.01%	5.30%
Office REIT	11.83%	11.83%
Other, Specialty	0.00%	0.00%
Real Estate Operating Company	0.00%	0.00%
Regional Malls REIT	10.87%	9.58%
Residential Mortgage	0.00%	0.00%
Retail, Other REIT	0.34%	0.30%
Self-Storage REIT	6.01%	5.30%
Strip Centers REIT	8.29%	7.31%

Dow Jones U.S. Select REIT Index³

	Actual (Net Lease Ineligible)	Hypothetical (Net Lease Eligible)
Turnover	1.33%	17.71%
Sector Weights:		
Apartments REIT	21.30%	17.70%
Commercial Mortgage REIT	0.00%	0.00%
Diversified REIT	2.92%	3.31%
Factory Outlets REIT	0.20%	0.17%
Health Care REIT	12.42%	13.85%
Hotels REIT	6.66%	5.53%
Hybrid REIT	0.00%	0.00%
Industrial REIT	14.36%	13.05%
Lease REIT	0.00%	9.37%
Manufactured Homes REIT	3.65%	3.03%
Mixed, Industrial/Office REIT	4.65%	3.86%
Office REIT	9.58%	9.97%
Other, Specialty	0.00%	0.00%
Real Estate Operating Company	0.00%	0.00%
Regional Malls REIT	7.64%	6.35%
Residential Mortgage	0.00%	0.00%
Retail, Other REIT	0.00%	0.00%
Self-Storage REIT	9.11%	7.57%
Strip Centers REIT	7.52%	6.25%

³ At present, the constituents of the Dow Jones U.S. Select REIT Index match those of the Dow Jones U.S. Select Real Estate Securities Index so the impact is the same for both indices in the family.

CONSULTATION

Companies with Net Lease Exposure⁴

Company Name	S&P DJI REIT/RESI Classification
Essential Properties Realty Trust Inc	Diversified REIT
Global Net Lease, Inc.	Diversified REIT
Spirit Realty Capital Inc	Diversified REIT
CareTrust REIT Inc	Health Care REIT
Medical Properties Trust	Health Care REIT
National Health Investors	Health Care REIT
Omega Healthcare Investors	Health Care REIT
Physicians Realty Trust	Health Care REIT
Sabra Health Care REIT	Health Care REIT
Industrial Logistics Properties Trust	Industrial REIT
Innovative Industrial Properties	Industrial REIT
STAG Industrial Inc	Industrial REIT
Terreno Realty Corp	Industrial REIT
Agree Realty Corp	Lease REIT
EPR Properties	Lease REIT
Four Corners Property Trust	Lease REIT
Lexington Realty Trust	Lease REIT
Monmouth REIT A	Lease REIT
National Retail Properties Inc	Lease REIT
Realty Income Corp	Lease REIT
STORE Capital Corp	Lease REIT
VEREIT Inc	Lease REIT
WP Carey Inc	Lease REIT
Alexandria Real Estate Eqty	Office REIT

Return Summary and September 2019 Baskets

For illustrative purposes, hypothetical historic index returns calculated as of November 11, 2019 are available [here](#). These returns assume that companies with net lease exposure were included as of five years ago. Separate from the historical return illustrations, hypothetical baskets assuming net lease exposure was eligible during the September 2019 rebalancing are available [here](#).

IMPLEMENTATION TIMING

S&P DJI is proposing to implement any methodology changes, if adopted, prior to the market open on Monday, March 23, 2020, in conjunction with the quarterly reconstitution of the indices.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

- 1. Should companies with significant net lease exposure be eligible for the indices?**
- 2. If you answered Yes in Question 1, do you have any feedback on the list of companies that would have passed the September 2019 rebalancing revenue threshold screen if net lease exposure had been eligible, or their hypothetical sector classifications?**

⁴ Note that not every name listed would have been eligible for inclusion in the final basket in the hypothetical scenario, as a given name may have failed one or more of the other eligibility factors.

CONSULTATION

3. Do you believe that any of the other currently excluded specialty REITs should be eligible for the indices?
4. Do you have any other comments or feedback regarding the potential for changes to the treatment of specialty REITs in the indices?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. S&P DJI will make responses to consultations externally available upon request.⁵ If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **December 31, 2019**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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⁵ Individual and company names as well as contact details will be redacted.