Rates don't drive REIT returns; fundamentals do

The relationship between REITs and interest rates is often reduced to a simple but ultimately misguided rule of thumb: rates up, REITs down. History has been more nuanced.

Interest rates do not tell the whole story. REIT returns are not driven by rates alone. Fundamentals drive returns: cash flow growth, supply and demand dynamics, and valuations.

How sensitive are REITs to rates?

Correlations between REIT returns and changes in 10-year Treasury yields have repeatedly shifted over time. The level or direction of rates alone has not been a reliable predictor of REIT performance.

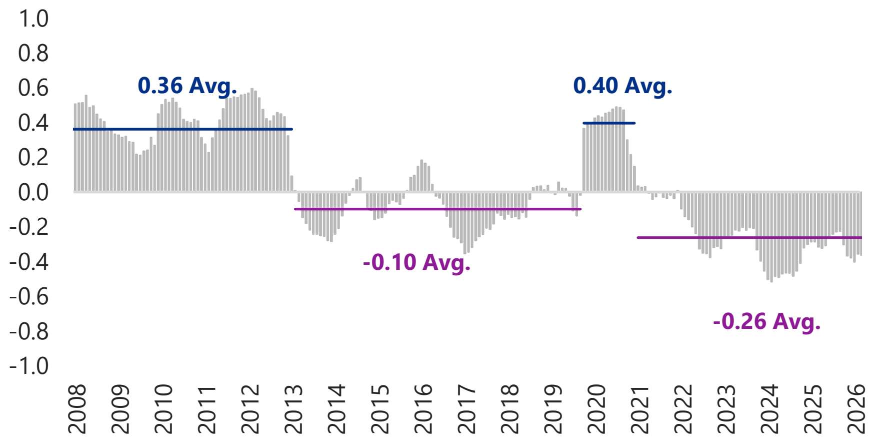
If rate changes were a predictor of REIT returns, a strong, persistent negative correlation would be observed.

Fundamentals matter more than rates

2022-2024 was about more than higher rates. REIT cash flow growth slowed as post-pandemic rent growth normalized, new supply emerged, and tighter financial conditions shut off external growth opportunities.

In 2026, many of those headwinds have faded. New supply has peaked, cash flow growth is accelerating, and valuations remain attractive versus equities.

Rates have not been a reliable predictor of REIT performance
(REITs vs. 10-year Treasury yields rolling 1-year correlations)[1]



We believe REITs are now in a long-term recovery cycle[2]

	2022-2024	YTD 2026
10-Year Treas. Yield	1.5% → 4.6%	4.2% → 5.0%
Cash flow growth	8.2% → 3.2%	4.2% → 9.2%E
Cash flow multiple	24.9x → 15.1x	16.9x → 17.8x
REIT cumulative return	**-12.3%**	**+11.6%**

At September 21, 2026. Source: Bloomberg, Morningstar, Cohen & Steers.
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(1) REITs represented by the FTSE Nareit All Equity REITs Index. The index is a market-capitalization-weighted index designed to measure the performance of publicly traded U.S. equity REITs (2) Cash flow growth shows the weighted average funds available for distribution (FAD) growth by year. Cash flow multiple shows share price relative to funds available for distribution (FAD) per share. Cash flow data is from Cohen & Steers. Cohen & Steers data excludes FAD growth outliers of +/-100% and is based on the constituents of the FTSE Nareit All Equity REITs Index.

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Correlation, based on daily data, measures how closely two statistics move together, ranging from -1.0 (perfect inverse relationship) to 1.0 (perfect positive relationship).