

# Methodology

## Introduction

The Dow Jones REIT Composite Index expanded its market coverage to include the float-adjusted market capitalization of all publicly traded U.S. REITs, effective as of the close of trading on Friday, March 18, 2005. The index, and all of its sub-categories, have been chain-linked to their respective 95%-coverage REIT indexes using the index divisor adjustment procedures described in Section 8.3 of the Guide to the Dow Jones Global Indexes. Index price returns and total returns are calculated using the Laspeyres formula described in Section 8.2 of the guide.

## Membership

To be included in the indexes, an issue must be all of the following:

- All publicly traded companies in the Dow Jones U.S. stock universe that have elected to be taxed as REITs will be included in the index.

## Adjustments and Maintenance

Periodic and ongoing reviews of the index composition and shares are conducted based on the following rules:

- Routine shares and float updates are made after the close of trading on the third Friday of March, June September, and December. The changes become effective at the opening of trading on the next business day. The float calculation process is described in Section 7 of the Guide to the Dow Jones Global Indexes.
- During the quarter, a component company's float-adjusted shares outstanding will be adjusted whenever and at the same time a change in that company is made in the Dow Jones Wilshire 5000 Composite Index.
- A REIT that drops its REIT status and becomes taxed as a "C" corporation will be removed from the REIT Index immediately upon completion of the change of tax status.
- A company will be removed from the index when it is removed from the Dow Jones Index universe.
- If an index component enters bankruptcy proceedings, it will be removed from the index and will remain ineligible for re-inclusion until it has emerged from bankruptcy. However, the Dow Jones Index Oversight Committee may, following a review of the bankrupt company and the issues involved in the filing, decide to keep the company in the index.
- The Dow Jones Index Oversight Committee may, at its discretion, remove a company it has determined to be in extreme financial distress from any Dow Jones Index to which it belongs, if the committee deems the removal necessary to protect the integrity of the index and the interests of investors in products linked to that index.
- REITs will be added to the Index after the close of trading on the third Friday of each month. The additions include all noncomponent REITs that met inclusion standards as of the close of trading on the second Friday of that month, whether from IPOs, conversion to REIT status or new exchange listings.

## The Dow Jones REIT Industry Classification Hierarchy

Dow Jones Indexes introduced its revised REIT Industry Classification hierarchy after the close of trading on December 17, 2004. While introduced at the same time as the transition to the new Industry Classification Benchmark, the REIT hierarchy is an independent structure designed specifically to meet the needs of REIT analysts and investors.

Each REIT in the Dow Jones Universe is classified, based on its description of its business as reported in its SEC filings, into one of three categories: equity, mortgage or hybrid. Following are the definitions used by Dow Jones Indexes.

- **EQUITY** – REITs that primarily own and operate income-producing real estate.
- **MORTGAGE** – REITs that lend money directly to real estate owners and/or operators or indirectly through the purchase of mortgages or mortgage backed securities.
- **HYBRID** – REITs that participate in both Equity and Mortgage investing.

## Sub-Categories of REITS

Please note, that as in the primary classification, the primary focus of its portfolio, as described by the REIT company, is used to determine the sub-category for each REIT. Any REIT may or may not hold additional property types, or debt instruments, at any given time.

### **EQUITY REIT**

1. **Industrial/Office:** The focus is on investment in office, industrial, and/or flex properties. This category is further sub-divided into:
  - **Office:** The focus is on investment in office buildings.
  - **Industrial:** The focus is on investment in industrial buildings.
  - **Mixed Office/Industrial:** The focus is on investment in office, industrial, and flex properties, without a primary focus on either office or industrial.
2. **Retail:** The focus is on investment in retail properties. This category is further sub-divided into:
  - **Malls:** The focus is on investment in malls, defined as large, enclosed, retail centers that contain primarily national brand stores.
  - **Strip Centers:** The focus is on investment in strip centers, defined as small, local shopping centers that are usually open-air facilities containing some nationally branded stores, but mostly local retail establishments. Often these centers are described as grocery-anchored or local/community shopping centers.
  - **Factory Outlets:** The focus is on investment in outlet centers, defined as spaces where national brands sell merchandise at a discount. Generally these spaces are open-air and have the word outlet in the property name.
  - **Other:** Any REIT that invests in retail properties that can not be classified into any of the categories listed above (for example, restaurant properties) or any portfolio that contains a mix of the above property types.
3. **Residential:** The focus is on investment in residential home properties. This category is further sub-divided into:
  - **Apartments:** The focus is on investment in multi-family dwellings.
  - **Manufactured Homes:** The focus is on investment in manufactured home communities for individual households.
4. **Hotels/Lodging:** The focus is on investment in hotel or lodging properties.
5. **Self Storage:** The focus is on investments in self storage properties.
6. **Diversified:** Invests in a variety of property types without any single property type dominating the portfolio.
7. **Healthcare:** The focus is on investments in properties used in the healthcare industry, such as hospitals,

assisted living facilities and healthcare laboratories.

8. Specialty: This category is for REIT types that can not be easily classified into any of the above categories. This classification is further sub-divided into:

- Lease: A REIT is considered a LEASE REIT when it leases properties using long-term leases under which the tenant is responsible for the upkeep and expenses of the property. Many of these REITs specialize in sales and leasebacks. Net Lease and/or Triple Net Lease are often used to describe the type of leasing these REITs utilize.
- Other: This category is for REIT types that can not be otherwise classified, such as auto dealerships and timber REITs. It is not anticipated that many REITs will fall into this category.

### MORTGAGE REIT

1. Commercial: Lends money to owners or operators of commercial properties or invests in mortgages and/or mortgage backed securities where the underlying properties are commercial.

2. Residential: Lends money to owners or operators of residential properties or invests in mortgages and/or mortgage backed securities where the underlying properties are residential.

### HYBRID REIT

There are no subcategories in the Hybrid Classification.

REIT INDEX	BASE DATE
DJ REIT COMPOSITE	Dec. 31 1991
EQUITY REIT	Dec. 31 1991
Industrial/Office	Dec. 31 1993
Office	Dec. 31 1993
Industrial	Dec. 31 1993
Mixed, Industrial/Office	Dec. 31 2004
RETAIL	Dec. 31 1993
Strip Centers	Dec. 31 1993
Malls	Dec. 31 1993
Factory Outlets	Dec. 31 1993
Retail, Other	Dec. 31 1993
RESIDENTIAL	Dec. 31 1993
Apartments	Dec. 31 1993
Manufactured Homes	Dec. 31 1993

REIT INDEX	BASE DATE
HOTELS	Dec. 31 1993
SELF STORAGE	Dec. 31 1993
DIVERSIFIED	Dec. 31 1993
HEALTHCARE	Dec. 31 1993
SPECIALTY LEASE	Dec. 31 1993
SPECIALTY, OTHER	Dec. 31 1993
MORTGAGE REIT	Dec. 31 1991
Commercial	Dec. 31 2004
Residential	Dec. 31 2004
HYBRID REIT	Dec. 31 1991

For more information on the Dow Jones REIT Composite Index<sup>SM</sup>,  
email [djindexsupport@dowjones.com](mailto:djindexsupport@dowjones.com) or call 609.520.7249. Learn more at [www.djindexes.com](http://www.djindexes.com).

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