Alibaba’s Internet Empire

By Bill Shu

On November 3rd, 2017, China’s e-commerce giant Alibaba reported a total second-quarter revenue of RMB 55.1 billion ($8.3 billion) with a 61 percent growth from last fiscal year’s Q2 report, while net profit for the period increased by 146 percent to reach RMB 17.7 billion ($2.7 billion) (Russell 2017). In fact, Alibaba’s shares and market capitalization have gained 107% in the past 12 months, tremendously outperforming the e-commerce industry’s average gain of 56%.

How did Alibaba become so successful? What is driving Alibaba’s growth?

An Overview of the Alibaba Empire

Alibaba is a Chinese e-commerce giant and is currently the largest online retailer in the world, claiming 44% of online retail market share in China (while its largest direct rival, JD, holds around 20%). Alibaba was originally started with Alibaba.com, a B2B platform that connected manufacturers from all over the world, and later grew and expanded into so much more. Now, Alibaba’s business includes not only a variety of core e-commerce operations but also cloud computing, mobile media, and entertainment, along with other internet and technology-related innovation initiatives.

In 2014, Alibaba was listed on the NYSE (New York Stock Exchange) and claimed the largest IPO in the world at the time. Today, as the industry leader in e-commerce in China, Alibaba’s vision is to “build the future infrastructure of commerce” and to last 102 years (since Alibaba was founded in 1999, Jack Ma wants it to operate over three centuries: the last year of the 20th century, all of the 21st century and into the 22nd century) (“Overview” n.d.).

Alibaba’s Core E-commerce Businesses

Alibaba’s core competency as an e-commerce titan lies in its three distinct online retail websites, Alibaba.com, Taobao, and Tmall. These three websites cover the three major business models of any e-commerce

“Now, Alibaba’s business includes not only a variety of core e-commerce operations but also cloud computing, mobile media, and entertainment, along with other internet and technology-related innovation initiatives.”
business (B2B, C2C, B2C) and remain as the largest source of revenue for the Alibaba Group.

1. Alibaba.com (B2B)

Alibaba.com, the first business of Alibaba, was first launched in 1999 by a group of 18 people led by Jack Ma, a former English teacher and now chairman of Alibaba. It is a B2B (Business to Business) trading platform that connects manufacturers from countries such as China, India, Pakistan, the U.S., Thailand with international buyers (Blystone 2015). Alibaba.com particularly targets small businesses and is currently the leading platform for global wholesale trade for millions of buyers and suppliers. Alibaba.com receives a commission on each transaction and also charges subscription fees to sellers who maintain storefronts in the marketplace, which makes it very profitable (especially in the early 2000s when B2B competition wasn’t very fierce). In addition to Alibaba.com, which targets international buyers, Alibaba also has a website, called 1688.com, that specifically serves Chinese wholesalers.

2. Taobao (C2C)

Taobao, often known as China’s eBay, is a C2C (Customer-to-Customer) website that lists hundreds of millions of products and services from millions of sellers. Taobao’s users (both buyers and sellers) have grown exponentially over the years, which creates a lot of network externality and has made it the largest online shopping website in China. Even today, Taobao still remains as Alibaba’s largest business by sales and profits.

What makes Taobao’s C2C business model different from other retail websites in China is the fact that merchants on the Taobao marketplace are primarily individuals and very small businesses. Also, unlike eBay, Taobao doesn’t charge any transaction fees (its primary revenue source is advertisements, like Google), which helps the website to attract an enormous user base (Zucchi 2014). In addition to branding Taobao as China’s largest mobile commerce destination, Alibaba also advertises Taobao’s use of big data analytics to optimize user experience (“Our” 2017).

3. TMall (B2C)

TMall was first launched in 2008 as a B2C (Business-to-Customer) company that focuses more on large companies with branded products (whereas Taobao targets individuals and small businesses). Since TMall targets primarily China’s middle-class customers with brand preferences and thus lower price elasticity where Taobao targets customers with lower income and higher price elasticity, these two websites are non-rivalry as they each serve a segmented market (and sometimes complementary for customers with different preferences for different types of products).

Tmall now hosts more than 50,000 merchants that are selling to over 180 million active users (“Our” 2017).

The Alibaba Ecosystem

Alibaba’s founder and chairman, Jack Ma, envisions Alibaba to be more than just a company, but also an economy by itself (as he says Alibaba can be the world’s fifth largest economy by 2036). Therefore, Alibaba’s retail empire consists not only three leading e-commerce websites, but also encompasses an “ecosystem” of numerous other companies that target other technology-related blue seas, in order to complement its retail portals and add strategic value to the firm. Through a growth strategy of both internal innovation and aggressive mergers and acquisitions, Alibaba positions itself not only as a retail giant, but also the most powerful internet company in Asia. Among its numerous subsidiaries and affiliates, the most important strategic wise are Ant Financials and Alibaba Cloud.

Alibaba’s successful strategic expansion into the internet finance market is mainly supported by its affiliate, Ant Financials. Ant Financials provide various financial services to both small and micro businesses and consumers, and its most renowned subsidiary is Alipay, which is often acknowledged as China’s Paypal. Alipay is an online third party payment platform that
A detailed graphical illustration of Alibaba’s complementary services in its ecosystem that Alibaba Group posted on Twitter.

Source: Twitter

provides payments for transactions on Alibaba Group platforms. Alipay is now the leader in China’s online payment market with 300 million users (Blystone 2015).

In addition, Alibaba Cloud, the cloud computing arm of the group, is also China’s largest provider of public cloud services, as it offers a complete suite of cloud services including elastic computing, database, storage and content delivery network, large scale computing, etc (“Our”). Alibaba also aims to integrate Alibaba Cloud into its existing marketplaces, as merchants from its e-commerce websites can also have access to its cloud computing services.

Moreover, Alibaba has also made significant investments in other internet-related sub-industries. For instance, it is a major investor in Weibo (China’s Twitter) and it has recently acquired Youku Tudou, which is comparable to Youtube in the Western context. Alibaba has also expanded into the music industry through Alibaba Music (Blystone 2015). Through numerous conglomerate integrations in the internet industry such as the ones listed above, Alibaba really positions itself to be a leader not only in online retail but also among all internet companies.

Alibaba’s Singles’ Day

On November 11th, 2017, otherwise known as the Singles’ Day in China (numerically written as 11/11), Alibaba generated a record 168.2 billion yuan ($25.3 billion) in sales on just one day, growing approximately 40% from last year (“Alibaba’s”). In fact, this figure is higher than what American shoppers spent on Black Friday and Cyber Monday combined. What underlies this magnificent marketing miracle is Alibaba’s strategic promotional strategy, as Alibaba was the company that branded the Singles’ day into a festival of shopping and entertainment. Initially, in 2009, Alibaba’s
Tmall marketed Nov 11th as a day for bachelors to buy themselves a gift, but it has now grown into a day filled with discounted merchandises on Alibaba’s websites (Armstrong 2016). To attract more attention and boost sales (both domestically and globally), Alibaba also hosts a star-studded gala with numerous celebrities, including Nicole Kidman and Pharrell Williams this year. In short, Alibaba’s Singles’ Day is the best illustration of its marketing strategies that are critical to its current success.

**Alibaba’s corporate culture**

In addition to its well-planned expansion and extraordinary growth over the year, Alibaba’s corporate culture is definitely another key to its success as an Internet giant.

One crucial element of Alibaba’s corporate culture is family unity, as Alibaba employees are expected to bond with each other like family members. In fact, in 2014, just three days after Alibaba’s IPO in the U.S., Jack Ma hosted a massive wedding for 102 Alibaba couples (the number 102 resonated with the 102 years that Jack Ma said Alibaba will survive). Meanwhile, Alibaba’s employees also get numerous other benefits, such as an internal annual gala for employees and an Alibaba-created mortgage called “iHome”, which provides its employees with interest-free mortgages (Shao 2014).

Another rather bizarre thing is, Alibaba’s employees also come up with nicknames for themselves and these nicknames often originate from Ancient Chinese Martial Arts characters (since Jack Ma is a huge fan of these novels). These nicknames definitely implement a unique set of corporate culture and also minimizes hierarchy and structure, as even the senior managers at the very top, including Jack Ma himself, can be called by these nicknames (Haralabidou 2017).

### Promising Future

In conclusion, while Alibaba’s success is primarily fueled by its success in the online retailing industry through Alibaba.com, Taobao, and T Mall, its rapid and broad expansion into various other areas of the internet industry, along with its effective marketing strategies and unique corporate culture are definitely critical factors of its tremendous growth as well. Because of its rapid growth in sales and profits, as well as market capitalization in the past year, it is clear that the investor community definitely has a very high level of confidence and expectation of the internet giant's future.

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**Alibaba’s Tremendous Growth in Market Capitalization in the past year.**

*Source: Bloomberg*
Throughout his election campaign, Donald Trump has repeatedly attacked NAFTA, calling it one of the “worst trade deal maybe ever.” He unleashed this rage over Twitter last October, vowing to renegotiate the contracts of the agreement and “tearing it up” if the deal does not align with American interests. Despite many campaign pledges to make America great again, this was one promise that Trump has delivered since his inauguration. Now in its 24th year of effect, NAFTA’s future is in question as talks of renegotiation are underway, initiated by the Trump administration.

Background
The North American Free Trade Agreement (NAFTA) is a powerful treaty between three nations: Canada, Mexico, and the United States. The combined gross domestic product of these three members is more than $20 trillion, making it one of the largest free trade agreements in the world. The essence of the treaty is to increase cross-border commerce by eliminating tariffs on exports and imports. In this regard, the pact has succeeded as it had nearly quadrupled trade between these nations. As depicted in Figure 1, the NAFTA agreement triggered a surge in trade and investment, resulting in a trilateral trade volume of more than $1 trillion. (Floyd, 2017) In addition to boosting national economic output, the NAFTA agreement spurred billions of dollars from foreign investments and created millions of jobs.

Mexico
NAFTA may have increased overall GDP and average household incomes, but it also contributed to a steep decline in well-paying U.S manufacturing jobs. Since the treaty went into effect in 1994, many U.S. companies in labour-intensive industries such as the automotive, textile and computer industries have moved their manufacturing facilities to Mexico, where labor is cheaper and regulations are looser. As a result, this job migration has led to a wage stagnation and a loss of more than 600,000 U.S. jobs, brought about by the emergence of maquiladoras. These are low-cost factories located across the Mexican border that allows U.S. companies to assemble finished products. In total, maquiladoras are responsible for over 65 percent of Mexico’s exports and employ nearly 30 percent of its workforce. (Amadeo, 2017) It is

<table>
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<th>Channel</th>
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<th>1993</th>
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<th>Real increase*</th>
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*Adjusted for inflation using BLS core CPI; source: Mexican Embassy in Canada
The fear of a possible NAFTA collapse has sent the Mexican peso tumbling as rounds of negotiations continue. Last month alone, the currency has fallen over 4 percent against the U.S. dollar, a bearish trend that reflects the uncertainty of the trade agreement and the tumultuous Mexican politics. Chart 1 depicts the volatility of the currency and its direct interdependence to NAFTA.

Edward Glossop, an economist at Capital Economic, predicts that the peso could drop by as much as 25 percent if NAFTA does collapse. (Hologny, 2017) On the other hand, the peso will be expected to rise if the deal does come through. However, the nature of the trade deal is rather complicated, so investors should be wary when trading this currency. One potential investment opportunity lies in the automotive and steel industries. This is because Trump demands that at least 50 percent of the content in vehicles be produced in the United States in order to travel duty-free between the NAFTA countries. (Bottoni, 2017) This proposal, if enforced, could make it worthwhile to invest in American stocks such as Ford (NYSE: F), General Motors (NYSE: GM) and U.S. Steel (NYSE: X).

Moreover, companies that are involved in the maquiladora programs such as General Electric (NYSE: GE), IBM (NYSE: IBM) and Xerox (NYSE: XRX) may experience volatility in their stock prices. Naturally, the unpredictability of NAFTA’s future creates a plethora of opportunities and challenges for investors.
investment opportunities in the financial market.

Canada

Meanwhile, the relationship between Canada and the United States is undoubtedly more positive. Although the trade balance favours Canada, which exports $9.1 billion more to America than it imports from them, this deficit is significantly smaller compared to Mexico. However, the U.S. may still be worse off considering that Canada is also the world’s largest purchaser of U.S. goods. This heavy dependence on U.S. imports leaves Canada extremely vulnerable going into the NAFTA talks. Already, the Trump administration is attacking prominent Canadian industries such as the diary, lumber, and aerospace industries by imposing harsh tariffs. For example, the U.S. insisted on slapping an 18 percent tariff on Canadian lumber, which Trump believes is unfairly subsidized by the federal and provincial governments. Stocks that could be negatively affected by this policy include Acadian Timber (TSX: ADN) and West Fraser Timber (TSX: WFT) Moreover, another corporation worth looking at is Bombardier Inc. (TSE: BBD.B), a Canadian-based aerospace manufacturer and a rival to Boeing. To avoid the duties imposed by the U.S. government, Bombardier decided to assemble their planes in the United States, a move that has brought the stock up by nearly 47 percent in three months. Trump may threaten to put trade barriers between Canadian businesses, but the U.S. is just as dependent on Canada as is the other way around. Consequently, the Canadian dollar is less susceptible to NAFTA uncertainties compared to the Mexican peso.

Negotiation

The NAFTA agreement plays an important role in establishing and promoting trade between these three members. A collapse of this trade deal will unravel many industries and businesses, leaving a significant dent in the world economy. In the short run, tariffs would benefit U.S. oil companies by raising the price of Mexican oil as well as restoring thousands of manufacturing jobs once lost to Mexico. However, the long-term economic effects outweigh the short-term benefits. High tariffs would raise the price of imported consumer goods, such as oil, manufactured and agricultural products, coffee and much more. This would, in turn, fuel inflation and reduce consumer spending power.

Within days of his term as president, Trump threatens to redo or undo the NAFTA trade deal that binds Canada, US, and Mexico. His administration sets out stringent demands to the other nations, including stricter policies in the auto industry, the shutdown of maquiladora programs, and the introduction of the “sunset clause”, which automatically terminates the new NAFTA deal in five years. That said, Trump is right to set up rounds of negotiations because the NAFTA pact is indeed outdated. This deal, which has been around for over 20 years, needs to be updated with provisions about the e-commerce industry and environmental and labour protections. Although progress has been made to modernize NAFTA, Trump’s unrealistic and outrageous demands put this trade agreement at risk of collapse. According to him, “NAFTA will have to be terminated if we’re going to make it good.”

“The NAFTA agreement plays an important role in establishing and promoting trade between these three members. A collapse of this trade deal will unravel many industries and businesses, leaving a significant dent in the world economy.”
The Trans-Pacific Partnership Gets an Upgrade

By Jared Arcilla

Earlier in November, a scheduled meeting with world leaders to finalize the Trans-Pacific Partnership (TPP) was skipped by Prime Minister Justin Trudeau. This decision by the Canadian leader was largely due to a lengthy discussion with the chair of the free trade agreement Japanese Prime Minister Shinzo Abe. This debate between two superpowers only showed Trudeau how much work needed to be done on the TPP. "At the end of the meeting [with PM Shinzo] it became clear it was in everyone's interest to postpone the meeting on [TPP]", said the Canadian Prime Minister (Tasker, 2017). An official who did attend the meeting painted an cringe-inducing picture of the event saying, "There were a lot of unhappy leaders left sitting there...everyone was screwed" (Murdoch, 2017).

The disappointment in the leaders might have been worth it, however, as Canada exercised its power as the second largest economy in the trade agreement. It was back to the drawing board with Canadian Trade Minister François-Philippe Champagne and other TM’s drafting an updated "Comprehensive and Progressive Agreement for Trans-Pacific Partnership" (CPTPP). While the ministers feel very hopeful about this version of the TPP, some key issues such as the impact on the auto industry and preservation of culture are still hot topics that will be negotiated further in the future (Patterson, 2017).

Overview of the agreement

The CPTPP's main goal is a united market between the eleven countries - nations that account for 40% of all world trade (BBC News, 2017). Introducing the elimination of over 95% of all tariffs will be monumental and the waves will be felt by countries that are not even participating. Some of the larger industries will likely be affected by the CPTPP are as follows:

Meat Industry

In 2015, Canada exported $3.4 billion CAD worth of pork internationally with 82% of that pork going to TPP members. Needless to say, the meat industry is ecstatic about this trade deal and will be able to increase their competitive position through the demolition of tariffs. The Canadian Meat Council (CMC) described "severe, rapid, and
enduring negative consequences" in the event that Canada is the odd country out of the trade deal. The CMC mentions a time in history when Canada was late to sign trade deals with South Korea leading to a 56% decrease in Korean meat exports as other countries had beaten Canada to the chase. Today, a repeat of that event might happen as Japan currently buys over $1 billion CAD of meat from Canada and is projected to buy $500 million more once the trade deal is struck up. The total potential losses in not signing could be $1 billion of meat (CMC, 2017).

Automotive Industry

In recent years, Canada has signed trade deals with the European Union and Korea, leading to European and Korean car companies were able to get a leg up on the competition in the automotive industry. Seeking to obtain a fair competitive field, TPP countries, mainly Japan, are looking to benefit from the reduced tariffs that the TPP can bring. David Worts, executive director of the Japan Automobile Manufacturers Association of Canada, sees a future market in the TPP where both the Japanese and Canadians will be able to thrive. Worts estimates that the deal will create an estimated 200,000 jobs across Canada accompanied by 1230 dealerships. (Wort, 2017)

An analysis of the trade deal written by the Canada West Foundation (CWF) in June is not quite as optimistic. CWF could not say for certain whether the Canadian automotive industry will see benefits and "much would depend on how a [TPP] would proceed on the rules of origin". One of the key points of disagreement between Trudeau and Shinzo Abe centered around automotive rules in the TPP and moving forward, how Canada negotiates with Japan around this section of the trade deal will have a large impact on the Canadian automotive industry (CWF, 2017).

Pharmaceutical Industry

In the original TPP agreement, a chapter on intellectual property was included. This was a cause for concern for the everyday Canadian as patent provisions would lead to a large increase in prices due to more pharmaceutical monopolies (Naidu-Ghelani, 2015). Thanks to Canadian negotiations, this chapter has been revised thoroughly in the CPTPP and many citizens and pharmaceutical companies alike will be watching to see what the CPTPP has to offer their respective parties.

Canada’s Position

Since U.S. President Trump opted out of the original TPP in January, the remaining eleven countries have worked hard to make the most out of a deal that lacks the giant of the West and has churned out results that will benefit all countries involved. U.S.’s exclusion in the deal causes U.S. imports to drop by an estimated $4 billion CAD in the future as opposed to the $17 billion that the country could have had access to. This will result in an extra $1 billion CAD increase in Canadian exports (CWF, 2017).

With an increase in exports, Canada will find itself in a more competitive position over the U.S. and will perhaps allow Canada to get the ball rolling in catching up with the American economy.

As the eleven countries tread lightly on unprecedented ground, citizens can start to relax and hope for the best in a newer, more globalized Canada.

Figure 2: TPP country exports with and without U.S. comparison

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<tr>
<th>TPP12</th>
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<td><strong>Exports to TPP Parties</strong></td>
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Source: Canada West Foundation
Real Estate Investing Without the Hassle

By Edward Su

As we all know, the Toronto housing market has faced some serious concerns over the last few months. Jared Arcilla, another market analyst here at FARMSA, discussed some of the recent developments happening in the housing market in last month's newsletter. Many parents have invested their savings in condos around the Waterloo region as a way of providing housing for their children as well as an investment in real estate. This way, mortgage payments are offset by charging enough rent to cover the costs associated with repairing and owning the property. Compared to owning a stock that sits in a bank account, being a landlord comes with many responsibilities: screening tenants, maintaining the property, managing disputes and dealing with condo fees and insurance. On top of that, a large amount of start-up capital is required to finance a mortgage along with proof of a secure job and a good credit score. In this article, we are going to discuss how a retail investor can invest in the real estate market without the costs of land ownership.

Real Estate Investment Groups provide a way of owning a rental property without the hassle of being a landlord. A company buys or builds a group of condos or apartment blocks and allows investors to purchase them through the group. The company deals with maintenance, advertising vacant units, and selecting tenants in exchange for a percentage of the rent.

Real Estate Investment Trusts

The focus of this article will be discussing “Real Estate Investment Trusts (REITs)” a type of security that can be traded on an exchange but conducts its business in various aspects of the real estate market. These securities provide investors with high yields, steadily growing payouts, diversification, and an income stream fit for a long-term investment. When an investor invests in a REIT, the funds are used to purchase income generating properties. Compared to owning real estate, REITs require a lower investment threshold, more liquidity, and greater diversification. Furthermore, if the REIT meets the 4 criteria listed below, then the entity is not required to pay any income taxes which prevents the problem of double-taxation (Block, 2011).

- The REIT must distribute at least 90 percent of its annual taxable income, excluding capital gains, as dividends to its shareholders.
- The REIT must have at least 75 percent of its assets invested in real estate, mortgage loans, shares in other REITs, cash, or government securities.
- The REIT must derive at least 75 percent of its gross income from rents, mortgage interest, or gains from the sale of real property. And at least 95 percent must come from these sources, together with dividends, interest, and gains from securities sales. The REIT must have at least 100 shareholders and must have less than 50 percent of the outstanding shares concentrated in the hands of five or fewer shareholders.

Only the individual investor is required to pay income taxes on the dividends received which makes this a great candidate for tax-sheltered accounts like TFSAs or RRSPs. REITs can be divided into 2 main categories: Equity REITs and Mortgage REITs. Equity REITs invest and own properties like office spaces, shopping centers, or other owned properties. Most of the income is derived from the rent that the tenants pay, but the capital appreciation of the property could also be a factor. Mortgage REITs are far more complex and volatile since the use of debt and leverage, making them far more sensitive to interest rate changes. Their earnings come from the interest payments on the large pools of real estate debt they own.

“The next question to ask would be ‘How do REIT returns compare to the returns of equities?’”
The chart above shows average annual total returns over rolling 10-year periods. This chart shows equity REIT/equity returns by looking at annualized returns over 10-year periods. The first period goes from Dec 1978 to 1988 and the last period goes from Dec 2005 to 2015. By analyzing the data this way, we can see how each investment performs over a longer time period. For about half the 10-year periods, REIT returns were greater than stock returns, and for the other half, stock returns beat REIT returns. However, equity REIT returns were much more dependable with a cross-sectional standard deviation of 7.9% compared with 16.9% for the Russell 3000 (Case, 2016). Investors interested in dividend paying investments usually have a long investment time horizon and are averse to risk, making equity REITs an attractive investment.

The chart at the bottom of the page analyzes returns based on rolling 30-year periods. This is similar to rolling 10-year periods but the first period goes from Dec 1978 to Dec 2008 and the last period goes from Dec 1985 to Dec 2015. The long-term average stock returns are slightly less volatile than the long-term average equity REIT returns with a standard deviation of 3.4% for REITs compared to 2.1% for stocks (Case, 2016). However, this added certainty for stocks is the trade-off for the lower returns compared to REITs. REIT returns outpaced stock returns during 82% of the available 30-year periods (Case, 2016). For those with long time horizons, equity REITs are a great way to invest in real estate while proving to match if not exceed the risk-adjusted returns of stocks.
Types of REITs

One advantage of REITs is that they can cover a wide range of industries and sectors. There are four main categories that equity REITs fall into and many factors must be considered before choosing which one to invest in.

Retail REITs invest in shopping malls and freestanding retail stores. This type of REIT accounts for approximately 24% of all REIT investments (Ashworth, 2017). An investor must consider the strength of the retail industry itself and its outlook. If retailers are experiencing poor sales, this could increase the probability of default on monthly rent payments. If bankruptcy occurs for a retailer, finding a new tenant for a retail space can be a costly task. Grocery and home improvement stores act as anchor tenants to reduce this default risk. The retail industry itself is faced with harsh competition from companies that focus on online sales. Despite efforts to innovate and to find non-retail oriented tenants, this subsector is under pressure.

Residential REITs own and operate rental apartment buildings and manufactured housing. The best residential markets tend to be where home affordability is low. For places like New York or Silicon Valley, the high cost of homes forces more people to rent which drives up the income generated in a REIT. Falling vacancy rates may be a sign that demand is improving. As long as supply in a particular market remains low, the combination of increased demand and low supply will ensure residential REITs perform well.

Healthcare REITs invest in hospital buildings, medical centers, nursing facilities and retirement homes. Due to an aging population, demand for healthcare services should be growing consistently. However, since these REITs are directly tied to the healthcare system, uncertain healthcare legislation like Medicare and Medicaid will be a source of volatility for healthcare REITs.

Office REITs invest in office buildings for businesses. Factors that affect the success of these REITs include but are not limited to: the state of the economy, unemployment rates, vacancy rates, and whether or not the REIT has enough capital to acquire new properties.

The government made it possible for investors to buy into large-scale commercial real estate projects since the 1960s. However, investors have only started to embrace REITs over the last decade. Due to low-interest rates, investors looking for income-generating investments along with time horizons have increased the demand for REITs.

Definitions:

DIVIDEND PAYOUT RATIO: A ratio of the total amount of dividends paid to the net income of the company (Investopedia)

TFSA: Tax Free Savings Account, an account where investment income is not taxed (RBC)

RRSP: Registered Retirement Savings Account, an account where tax payment is deferred to the future (RBC)
Works Cited


Our Chief Editors

Danny is a second-year student in the Math/Financial Analysis and Risk Management - CFA specialization program at the University of Waterloo. His love for writing, financial markets, social sciences, and his desire to learn more about the world of finance led him to this role. Danny is particularly interested in crypto currencies, financial derivatives, and statistics.

Outside of class and the library, Danny loves reading finance textbooks, financial news, and books on psychology, biology, anthropology, neuroscience, and history. He is also an extremely outdoorsy person and loves to bike, run, fish, hike, and free-dive when weather and work allows him to. Danny is currently training for his first Olympic distance triathlon and can be often found in the pool.

Kwadwo is a second-year student studying statistics and finance at University of Waterloo and Wilfrid Laurier University. He is hoping to combine his love for statistics, analytics, and capital markets in post-graduate studies. Kwadwo’s passion for efficiency and logistics has also currently led him to the role of Internal Analyst in the University of Waterloo’s Finance Association.

When he is not in class, Kwadwo loves to find new investing opportunities based on intrinsic value and read the financial reports of companies he understands. In the same way he likes to find undervalued stocks, he approaches fantasy football. He is an avid fantasy football player, football statistics aficionado, and public speaking enthusiast.
Our Editors

Cindy is a second-year student studying Financial Analysis & Risk Management. She has been a member of FARMSA for three terms now and spent her last semester as VP Finance. Cindy hopes to better understand the financial market so she can share this knowledge with her peers.

In her spare time, Cindy likes to watercolour, rock-climb, and watch Friends. She is passionate about entrepreneurship, the environment, and global development. Cindy nurtures these passions by being active on campus and always being open to new opportunities.

Bill is a first-year student studying Math / Financial Analysis and Risk Management at the University of Waterloo. Bill is extremely passionate about economics and finance and is a seasoned competitor in various business competitions in high school such as DECA. Bill hopes to continue his passion for economics and finance by sharing his knowledge and insights on the capital markets to the others as a market research analyst.

Outside of school, Bill also reads about the financial markets, economic journals and business cases. Bill loves both playing and watching basketball and his favourite NBA teams are the Lakers and the Warriors. Bill also enjoys watching TV shows such as HIMYM, Friends, Suits and The Big Bang Theory.
Jared is currently studying math and business at the University of Waterloo and Wilfrid Laurier University. His passion is data science and how Big Data is changing the world of finance. As a market research analyst, Jared plans to exercise his analytical skill and love for data to provide a deeper look into capital market events.

During his spare time, Jared likes to work on calligraphy to relax. In addition to this, Jared is a moviegoer who loves all types of genres - from Ratatouille to Moneyball.

Edward is currently studying math and business at the University of Waterloo and Wilfrid Laurier University. Edward hopes to learn more about how financial markets work and the factors that drive investment decisions. He plans on furthering this goal by discussing and sharing his insights as a market research analyst.

Outside of class, Edward is interested in discussing philosophy and the ethics behind society.
Our designer

**Sofia** is a second-year Mathematics and Business administration double degree student. She is new to the FARMSA market research team this term. Her interest in financial markets and her experience in designing promotional posters led her into the role of market research analyst & newsletter designer. She desires to share her passion for finance with other members.

Sofia develops the habit of constantly following the finance-related news through internet and newspaper after participating a few times in stock-trading competitions. Her other hobbies include running, playing piano, swimming, ski.