DLR can follow up on its already reported strong early 3Q leasing activity, we think the stock could see a nice near-term move higher.

Strip REIT valuations looking better, but Sports Authority optics could be a challenge

Last quarter we got less positive on the Strips as valuations had gotten ahead of fundamentals as investors sought the safety of grocery-anchored Strip centers with stable, albeit unexciting internal growth preferred given macro uncertainties. With the markets seemingly feeling less risk averse, the Strips have pulled back by 11%, pushing valuations into much more comfortable territory. The group continues to benefit somewhat as a safety trade, as reflected in smaller discounts to NAV than most of our coverage. Within the Strips, there remains a substantial, and in our view unwarranted, disparity in valuations, which we think will narrow as markets become more comfortable with the improving operating and financial risk profiles of Buy-rated names like RPT, RPAI, and BRX. 3Q could be optically challenging, however, as the impact from the Sports Authority bankruptcy, as flagged as it has been, finally hits reported SS NOI results. We will be more focused on how much progress has been made on releasing these boxes and who else might be next, with Golfsmith's bankruptcy a much smaller impact on the space.

Slowing trends expected in the Apartments, Malls, and Office sectors…

We are looking for moderating fundamentals for the Apartments and Office as supply in gateway markets remains elevated and job growth has slowed. While the issues in S.F. and NYC have been making headlines for some time, we will be focused on L.A. where job growth has decelerated for the past 2 months and D.C. where trends have improved. SLG, however, appears to have had another good leasing Q, with 2.3msf of YTD activity as of mid-September suggesting over 800ksf of deals signed with a few weeks left in 3Q.

…Healthcare fundamentals healthy, but investment volumes remain soft

Health care operating trends were positive in the Q, per data from NIC, as occupancy was up and rent growth improved versus last Q. Although we have been concerned about pending supply, demand appears to be healthy. Concerns about the acquisition environment, however, remain; with Sr. Housing transaction volume continuing to fall in 3Q and VTR's recent acquisitions in the life sciences and hospital segments also suggesting fewer opportunities in traditional Sr. Housing.