

**MARKET OPPORTUNITIES FOR ENERGY SERVICE COMPANIES  
AMONG REAL ESTATE INVESTMENT TRUSTS**

**September 1999**

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This paper is to be presented at the 10<sup>th</sup> National Energy Services Conference in December 1999.  
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## **I. Introduction**

Real estate investment trusts (REITs) are corporations whose primary business is the buying, selling, development, management, and renovation of real estate. Since the early 1990s, REITs have come to hold a significant and still-growing share of commercial real estate in the United States — in mid-1997, about 8.3 percent of the \$1.3 trillion institutionally-owned commercial real estate market.<sup>a</sup> At present

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**B.**



## **C. Health Care**

Health-care REITs own health-care facilities and lease them to health care providers. Such facilities include nursing homes, assisted-living facilities, hospitals, medical office buildings, and rehabilitation/trauma centers. Although they make up only eight percent of all REITs, and have underperformed the REIT universe, analysts predict that health care REITs are set to grow in the long term.<sup>d</sup>

### **Management Structure**

Unlike the other sectors discussed here, health-care REITs are considered a service provider (as are hotel REITs); as such, they are required by the Tax Reform Act of 1986 to outsource all property management responsibilities. Some use only one company for all of their properties (such as Health Care Realty Services Property Management Company), while one has 10 different property management companies





always purchases state-of-the-art equipment, and conducts yearly inspections on all of its rooftop HVAC units. The company has also conducted extensive relamping.





## **References**

Block, Ralph, *Investing in REITs*, Bloomberg Press, Princeton, NJ, 1998.

“Health Care REITs: Patience is a Virtue,”