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By [Erika Morphy](#) | National

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NEW YORK CITY—**S&P Dow Jones Indices** and **MSCI Inc.** have elevated real estate into its own asset class in the **Global Industry Classification Standard structure**. Starting in 2016 real estate will have its own classification and no longer be folded into the financial sector classification.

REITs will be renamed Equity Real Estate, a sector from which Mortgage REITs will be excluded. Instead they will remain the Financial Sector under newly created Industry and Sub Industry called Mortgage REITs.

The companies are seeking comments for the move, which are due in February 2015. The list of securities affected by these changes will be announced at a later date closer to the implementation.

The drivers behind the decision are telling about the growing importance real estate is playing in many portfolios, not to mention diversification role. "Feedback from the annual GICS structural review confirmed that Real Estate is now viewed as a distinct asset class and is increasingly being incorporated separately into the strategic assets allocation of asset owners," said **Remy Briand**, managing director and Global Head Equity Research at MSCI.

"Investors told us that there are significant differences between public Real Estate and financial companies and therefore Real Estate deserves a dedicated GICS Sector."

Indeed, one of the commercial real estate assets' chief selling points, so to speak, for investors is the diversification it offers portfolios. Real estate, in other words, has a low correlation to other asset classes including stocks and their presence in a portfolio will smooth out a volatile cycle.

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About Our Columnist



Washington, DC reporter Erika Morphy goes deep inside the DC power scene to explore the link between Capitol Hill and your assets. Erika Morphy has been a financial journalist for 20 years. She's been covering the capital markets for ALM since 2004. [Contact Erika Morphy.](#)
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