Pensions and Real Estate: What Pension Fund Trustees Should Know About Investing in Real Estate

As the third-largest asset class, real estate houses the U.S. economy and is a fundamental component of a diversified investment portfolio. Experts say you should have **15-20% of your portfolio invested in real estate.** Models that include a broad mix of asset classes demonstrate that an allocation to real estate in the 15-20% range is appropriate.

Wilshire Analysis
Surplus Optimization
1990-2018

Morningstar Analysis
Fat Tail Optimization
1990-2009

Morningstar Analysis
Mean Variance Optimization
1990-2010

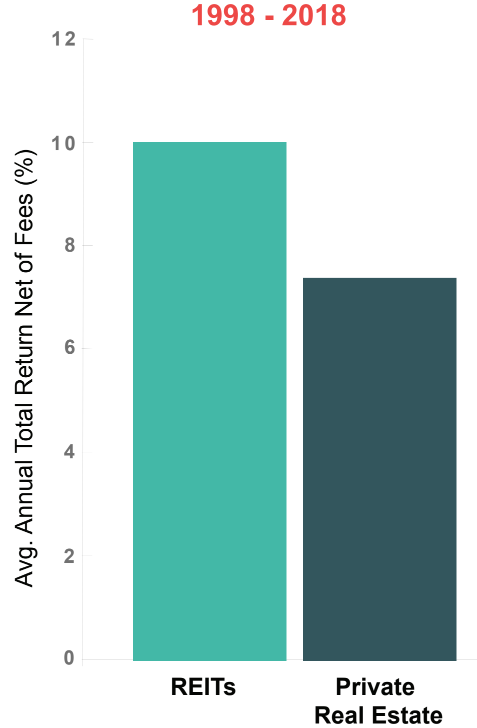
Most pension funds that invest in real estate, on an asset weighted basis, invest in real estate using a **blend of REITs and private real estate investment**. A REIT is a company that owns, operates, or finances income-producing real estate. REITs of all types collectively own around $3.5 trillion in gross assets across the U.S. **REITs historically have outperformed private real estate.**

Investing in both REITs and private real estate can be a powerful risk management tool—**mitigating the likelihood of negative investment returns** while providing the opportunity to capture more of the upside in the form of higher returns.

REIT strategies can help address critically important priorities, including:

1. Ability to efficiently invest in the real estate asset class
2. Governance
3. Performance and cost management
4. Risk management

Annual Net Total Return by Asset Class for U.S. Defined Benefit Pension Funds 1998 - 2018



Nareit speaks with hundreds of pension funds every year and provides training and education at no cost for boards and staff on how real estate and REITs can help your plan. Please reach out to mdespins@nareit.com with any questions. Learn more at pensionsandrealestate.com