

The Case for Private Core Real Estate

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What is Core Real Estate?

Core real estate has long been an “all-weather” investment strategy, valued for its ability to generate consistent income-oriented returns, create long-term value appreciation, and reduce portfolio risk in investors’ traditional multi-asset portfolios.

What is Core Real Estate?



Residential

- Apartments
- Student Housing
- Single-Family Rental



Office

- CBD
- Suburban
- Urban
- Medical Office

What is Core Real Estate?



Retail

- Mall
- Street
- Strip

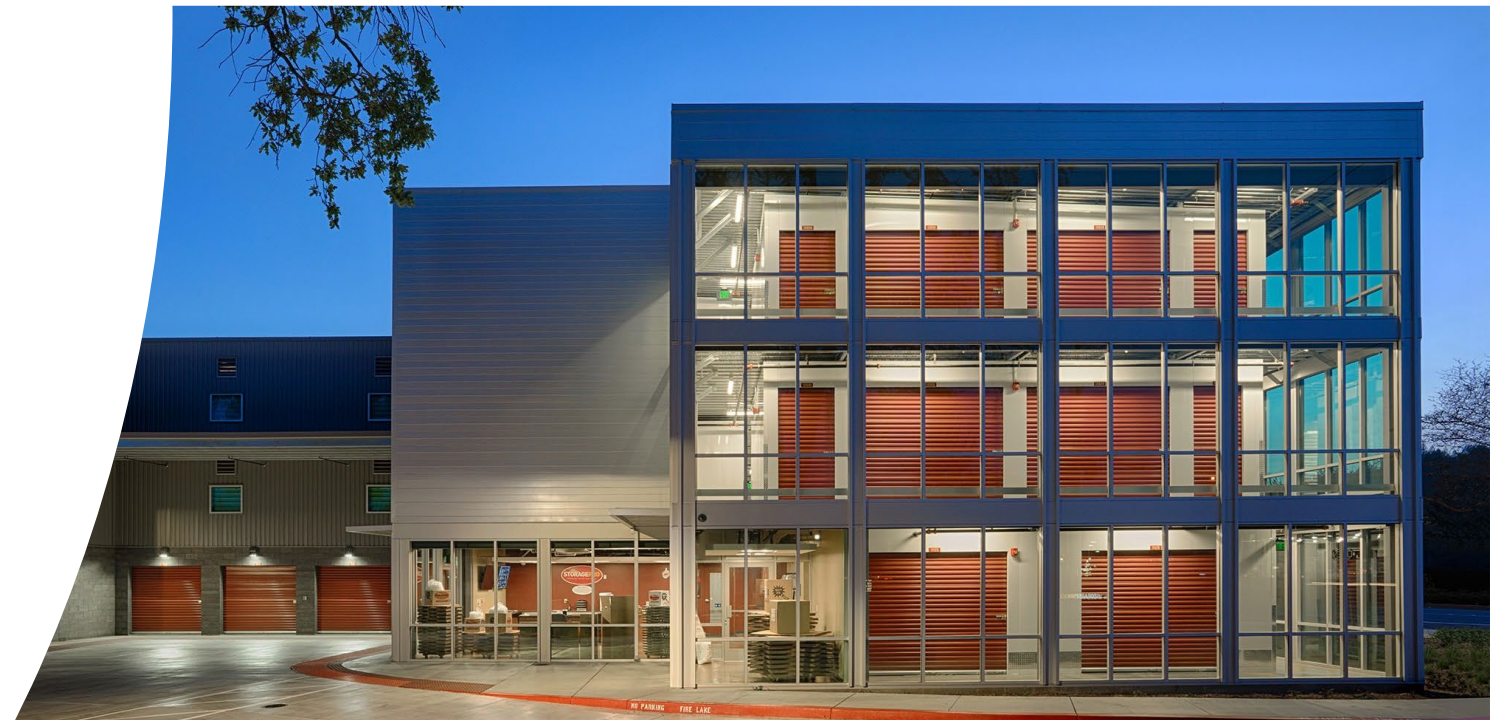


Industrial

- Manufacturing
- Warehouse
- Specialized

It's Also:

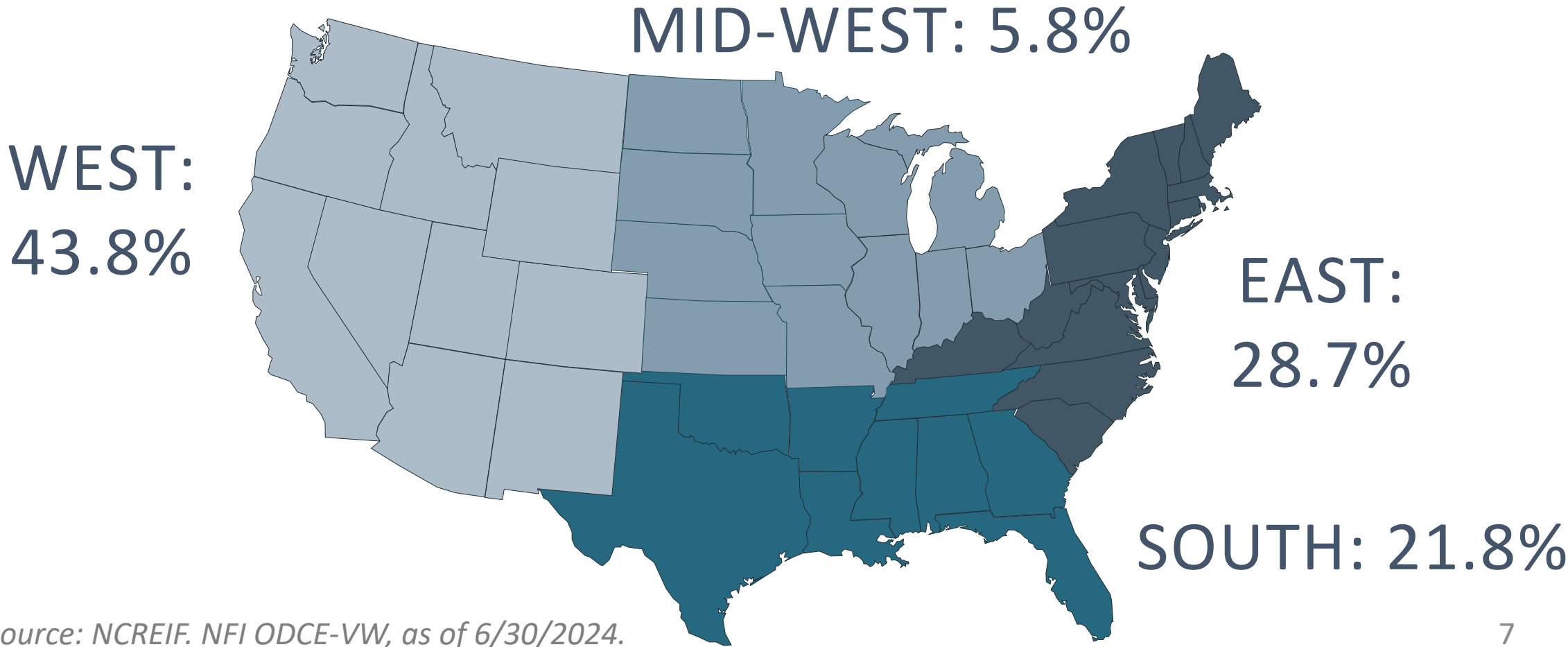
- Data Centers
- Life Sciences
- Self-Storage
- Entertainment
- Hotels
- Parking
- Land



Real Estate Strategies

	CORE	VALUE ADD	OPPORTUNISTIC
Return Focus	Income	Mixed	Appreciation
Lifecycle	Stabilized	Rehab	Dev / Distress
Leverage	<35%	50%-65%	50%-65%
Diversification	High	Varies	Varies

Diversified Exposure



Source: NCREIF. NFI ODCE-VW, as of 6/30/2024.

What Does It Mean to “Own”?

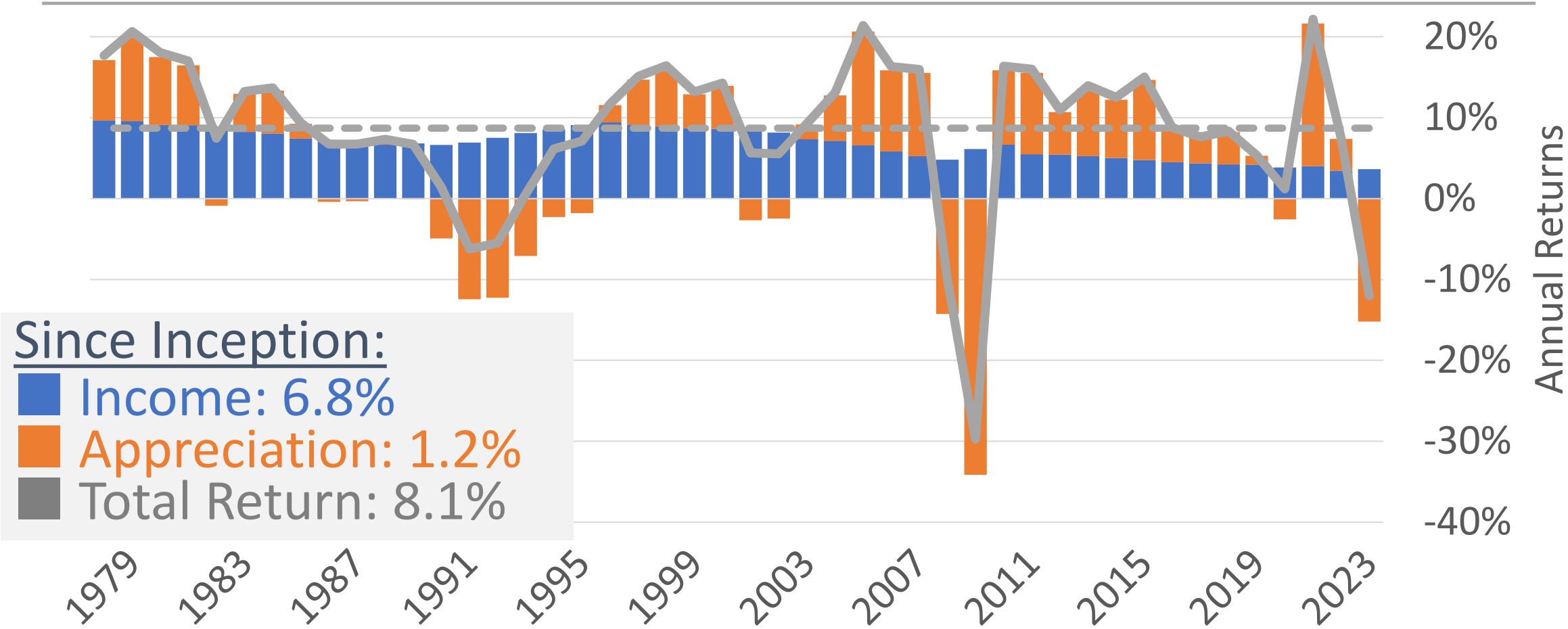
- Ability to make all decisions (paint, repairs, etc.)
- Determine rents
- Decide when to sell
- Requires active, hands-on management



What Does It Mean to “Own”?

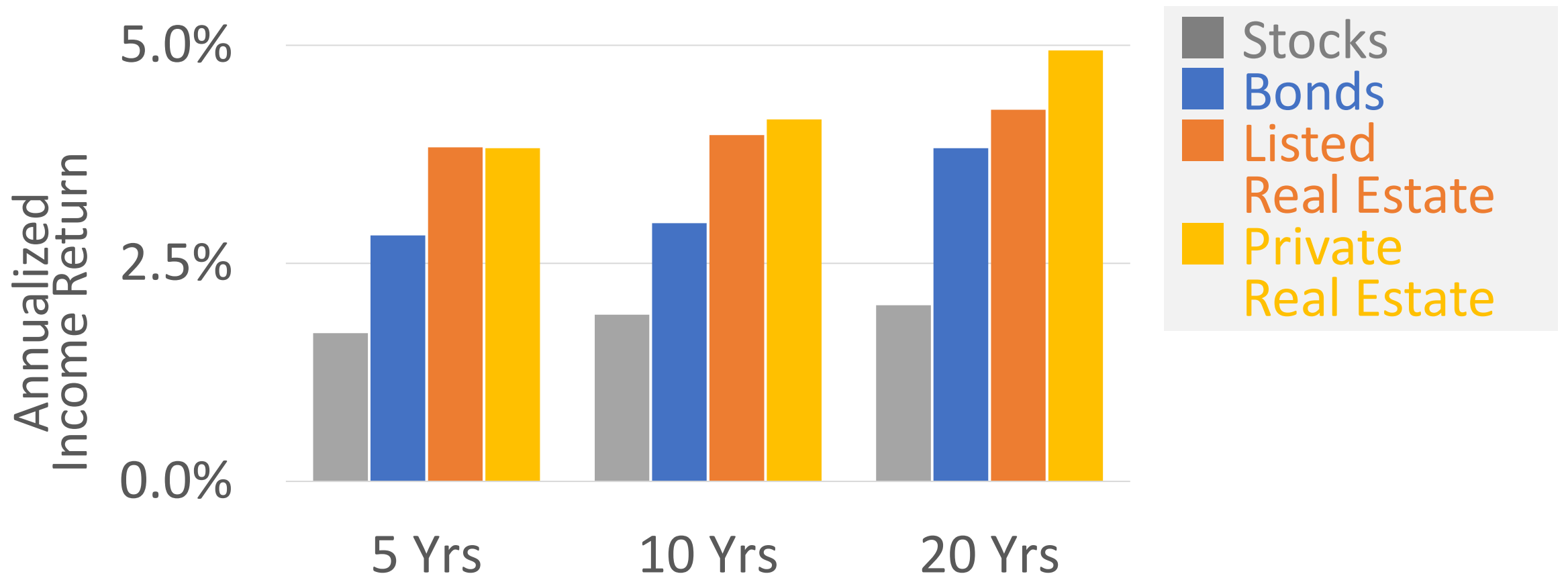
- Help achieve long-term actuarial return objectives
- Invest in properties or funds to unlock a range of positive benefits:
 - ✓ Income
 - ✓ Inflation cushioning
 - ✓ Long-term growth potential
 - ✓ Enhanced diversification

Private Real Estate Over Time



Sources: Bailard, NCREIF. NFI-ODCE VW Gross of Fees, annual returns 1978-2023.
Past performance is no indication of future results. All investments have the risk of loss.

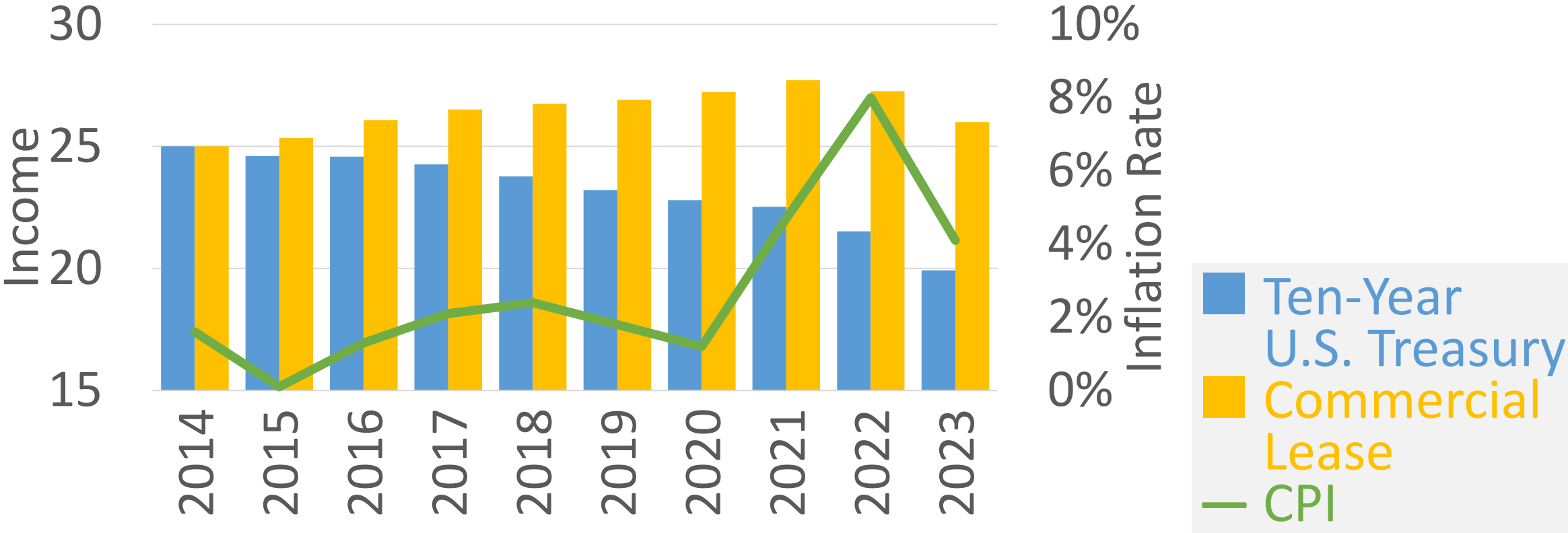
Consistent Income Over Time



Sources: Bailard, NCREIF. Gross of fee, as of 6/30/2024.

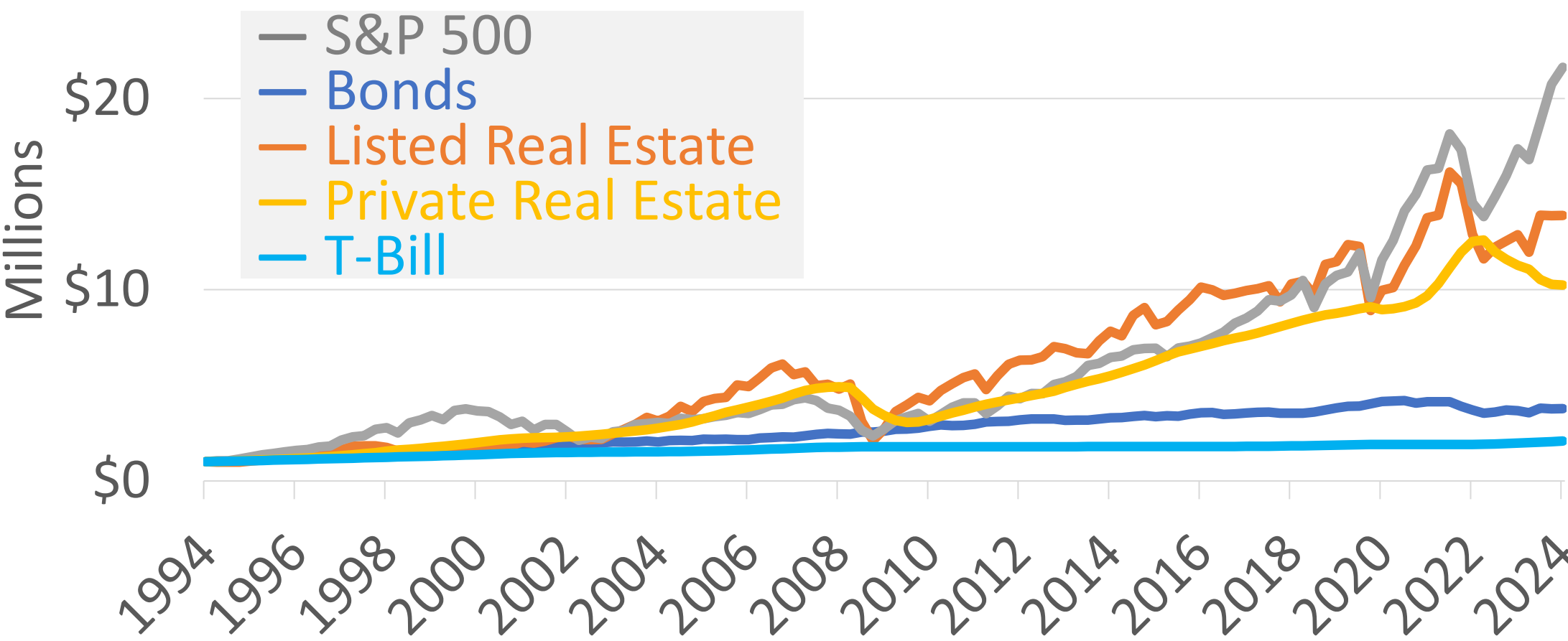
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Rent Steps Cushion Inflation



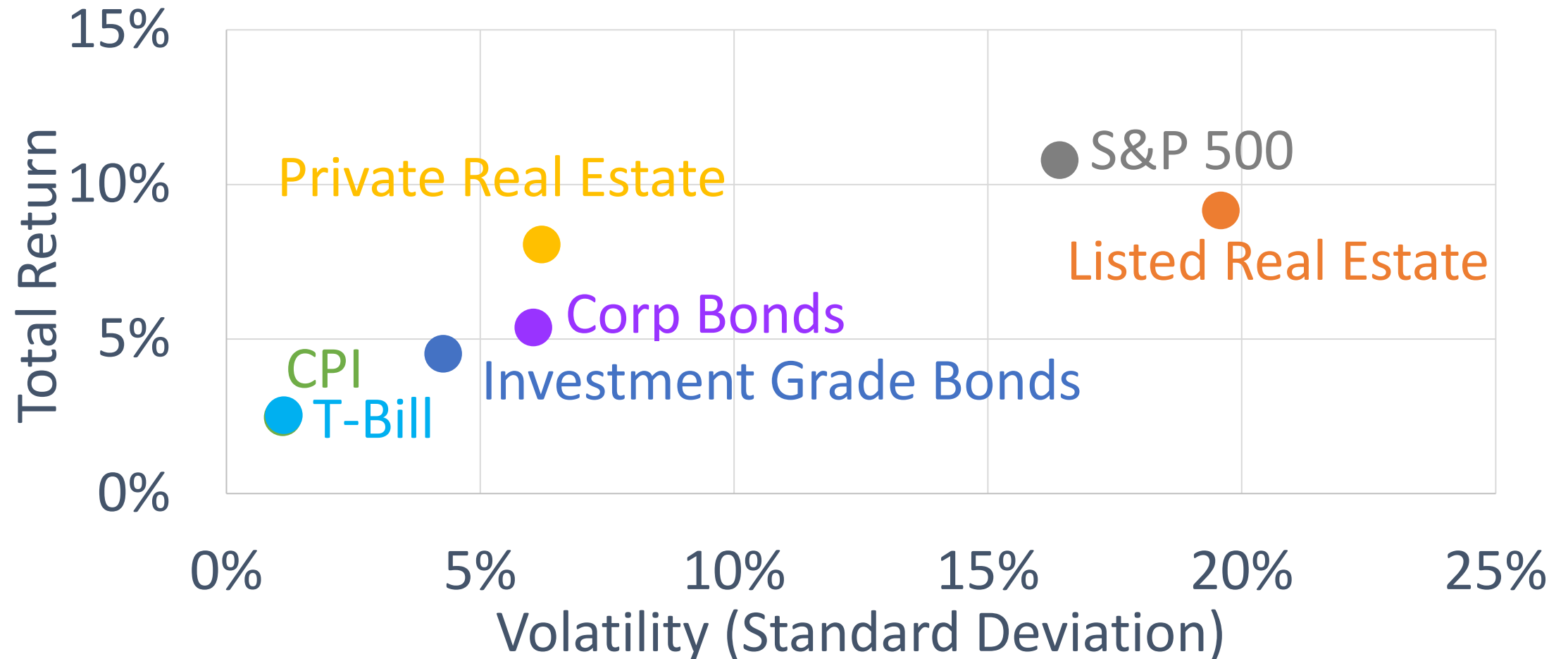
Source: Bailard, as of year-end 2023. Inflation-adjusted Income: Ten-Year U.S. Treasury Note with 2.5% Initial Rate, Commercial Lease with 3% annual rent increases, and CPI is Consumer Price Index. Past performance is no indication of future results. All investments have the risk of loss.

Long-Term Growth Potential



Sources: Bailard, NCREIF. Gross of fee, as of 6/30/2024. 30-Year compounded total return of multiple asset classes. Past performance is no indication of future results. All investments have the risk of loss.

Strategic Diversification



Sources: Bailard, NCREIF. Gross of fee, as of 6/30/2024. 30-Years ending 6/30/2024, quarterly calculations. Past performance is no indication of future results. All investments have the risk of loss.

Strategic Diversification

Historically low correlations with other asset classes

	Private RE	Bonds	T-Bill	Listed RE	Stocks
5-Yr	1.00	-0.47	-0.75	-0.08	-0.31
10-Yr	1.00	-0.36	-0.76	-0.06	-0.30
20-Yr	1.00	-0.24	-0.09	0.15	0.02
30-Yr	1.00	-0.16	0.05	0.13	0.04

Sources: Bailard, NCREIF. Gross of fee, as of 6/30/2024.

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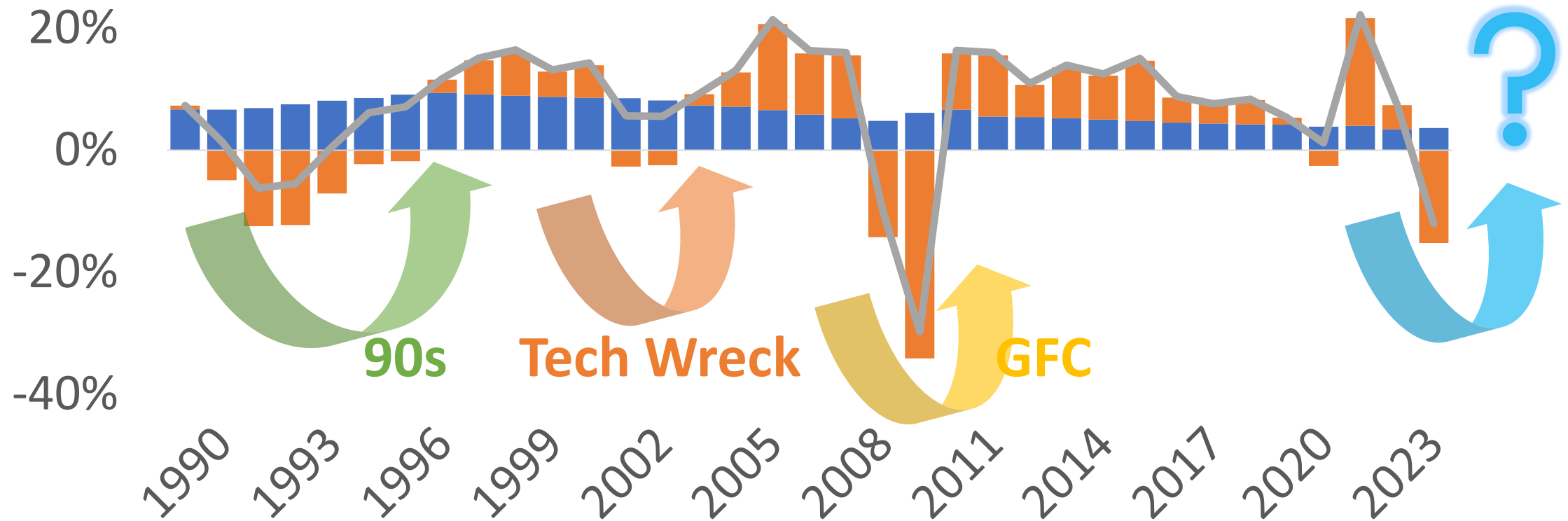
Why Now?

- Rapidly shrinking development pipeline
- Relatively balanced supply/demand fundamentals
- Clearer path to lower short-term interest rates

Why Now?



- Positive RE returns following market troughs



Sources: Bailard, NCREIF. Gross of fee, NFI-ODCE VW Calendar year returns 1978-2023.
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Timing Isn't Everything

1990s		Tech Wreck		GFC	
Qtr-End	Next 5 Yrs	Qtr-End	Next 5 Yrs	Qtr-End	Next 5 Yrs
1994 Q2	12.0%	2002 Q1	13.7%	2009 Q2	10.0%
1994 Q3	12.2%	2002 Q2	14.6%	2009 Q3	12.4%
1994 Q4	12.7%	2002 Q3	15.1%	2009 Q4	13.9%
1995 Q1	12.7%	2002 Q4	15.1%	2010 Q1	14.5%
1995 Q2	13.1%	2003 Q1	15.0%	2010 Q2	14.4%

*NFI-ODCE Value Weighted Index total annualized returns shown, gross of fee.
 Past performance is no indication of future results. All investments have the risk of loss.*

Private Real Estate Take Aways

- Long history of appreciation and income
- Diversification advantages
- Long-term value for pension plans
- Compelling time to be a “buyer”
- Active management drives value creation



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Management

- 12 yrs experience, 8 with firm
- Former Debt Capital Markets, Eastdil Secured; Portfolio Analyst, SunTrust Institutional Investment Solutions
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- 26 yrs experience, 5 with firm
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Disclosures

Private real estate entails significant risks that are customarily associated with the development and ownership of income-producing real estate, including illiquidity, changes in supply and demand, and inexact valuation. Bailard undertakes no duty to update any of the information contained herein. The information includes forward-looking statements, including statements regarding the outlook for the real estate market. These statements involves risks and uncertainties, and actual results may differ materially from these forward-looking statements. Unless otherwise indicated, charts and performance information portrayed are not indicative of past or future performance of any Bailard product. The presentation contains the current opinions of the author(s) as of June 30, 2024, and such opinions are subject to change without notice. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. **Past performance is no indication of future results. All investments have the risk of loss.**

Disclosures

Market Indices: The FTSE Nareit Equity REITs index contains all Equity REITs not designated as Timber REITs or Infrastructure REITs. The NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE) is a fund-level, time weighted return index reporting the performance results of various open-end commingled funds pursuing a core private real estate investment strategy and qualifying for inclusion in the NFI-ODCE based upon certain pre-defined index policy inclusion characteristics. The S&P 500 Index is a commonly used U.S. stock index of 500 large capitalization stocks. The Bloomberg Barclays US Aggregate Bond Index is a broadly diversified index that includes U.S. Treasuries, agencies, corporates and mortgage-backed securities. These U.S. stock and bond indices show the performance of different asset classes and should not be used to evaluate the performance of real estate investments. All of these indices are uninvestable, unmanaged, and presented gross of fee.