

Revisiting the Role of Real Estate for Pension Plans

ARA Research



The Big Picture

- ▶ Private real estate has historically been a key building block of investors' portfolios, offering compelling returns and diversification benefits.
- ▶ In periods of elevated uncertainty, exposure to asset classes with predictable, recurring income like real estate can help provide stability.



Reasons for Investing in Real Estate

Pension plans and other institutional investors have incorporated real estate into their portfolio allocations for years as it can provide consistent income returns, greater portfolio diversification, lower volatility, and a hedge against inflation.

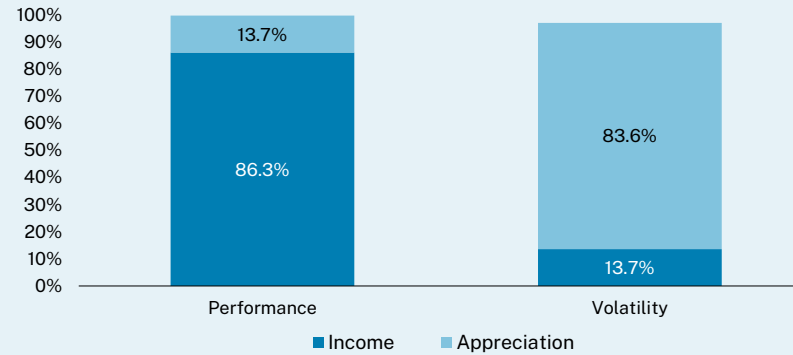
Today, volatility in public markets and elevated uncertainty in the broader macroeconomy warrants a revisiting of the case for real estate given a renewed need for portfolio stabilizers.



Evaluate your plan's exposure to real estate in your overall portfolio – is now the right time to consider increasing your allocations to this asset class?

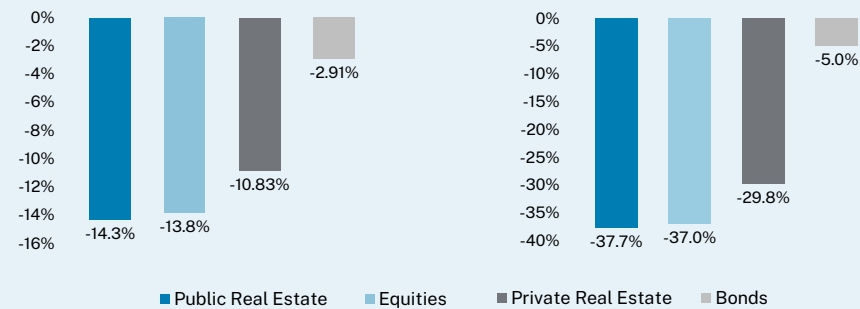
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FIGURE 1 Components of Long-Term Private Real Estate Performance and Volatility, Annualized 1980 – 2024¹



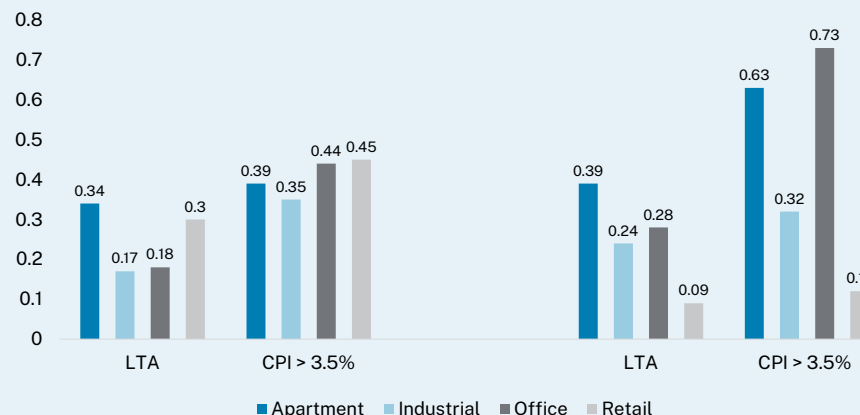
Despite accounting for less than 18% of annualized volatility, **over 80% of core real estate returns have come from income.**

FIGURE 2 Average of Negative-Year Returns, 1978 - 2024² and Maximum Negative-Year Returns, 1978 - 2024²



Lesser average and maximum down years during market downturns can make private real estate an attractive addition to a multi-asset portfolio.

FIGURE 3 Correlation between Inflation and Real Estate Income and Total Returns, LTA and CPI > 3.5%³



Investors today are also turning to real estate to protect against inflation. That is because **both income and total returns have tended to rise when inflation has**, offsetting negative effects in other asset classes.



- 1 Source: American Realty Advisors based on data from NCREIF as of March 2025. Data reflects the NCREIF Fund Index – Open-End Diversified Core Equity (NFI-ODCE) index value-weighted net returns.
- 2 Note: Equities are represented by the S&P 500. Public real estate is represented by the FTSE Nareit All-Equity REITs Index. Private real estate is represented by the NCREIF Open-End Diversified Core (ODCE) Index. Bonds are represented by the U.S. 10-Year Bond. Source: American Realty Advisors based on data from NCREIF, NYU Stern School of Business and Macrobond as of February 2025. Data reflects returns, gross of any fees. Please also see disclosures at the end of this presentation.
- 3 Source: American Realty Advisors based on data from NCREIF as of February 2025. LTA = long-term average, 1978 – 2024.

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