GRIFFIN CAPITAL
guardians of wealth

Commercial Real Estate

Five Potential Benefits

Investing in Commercial Real Estate Offers a Myriad of Potential Benefits

Stocks and bonds do not have to be your only investment options. Commercial real estate may be the missing link in a traditional portfolio. The asset class can potentially provide robust income and capital appreciation, along with other benefits that may improve the efficiency of a portfolio. Although not as common to you as stocks and bonds, institutions such as university endowments and pension funds have long used commercial real estate to diversify and to improve the risk-adjusted performance of their portfolios.

There is no assurance that real estate investments will achieve capital appreciation or provide regular, stable distributions.

Commercial Real Estate May Offer Benefits of Stocks and Bonds

	YIELD ORIENTED	CAPITAL APPRECIATION ORIENTED
Stocks $46 trillion total U.S. stock market		✓
Bonds $46 trillion total U.S. debt outstanding	✓	
Commercial Real Estate $6.5 trillion U.S. commercial real estate	✓ Potential income from tenant rents.	✓ Potential capital appreciation from increased property values.

Sources: Securities Industry and Financial Markets Association (SIFMA) and Pension Real Estate Association (PREA). Market size for U.S. stocks and U.S. bonds are estimated as of Q1 2021 and Q3 2020, respectively. The market size for U.S commercial real estate includes estimated values of public real estate debt and equity, as well as private real estate debt and equity using data from Q4 2019 and Q3 2020.

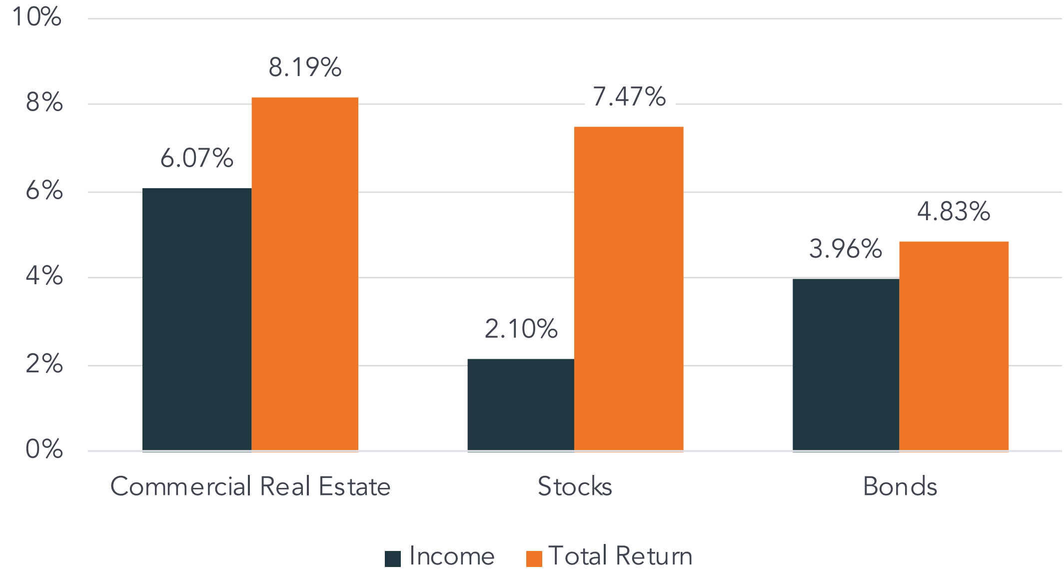
Potential Benefits of Commercial Real Estate Investing:

1. Income and Capital Appreciation
2. Low Correlation to Traditional Investments
3. Lower Volatility
4. Inflation Protection
5. Enhanced Risk-Adjusted Return

1. Income and Capital Appreciation

Historically, commercial real estate has provided income and generated a total return that are well above those of stocks and corporate bonds. Commercial real estate is an asset class that can offer high income in a low-yield environment. Over a 20-year period, commercial real estate has generated higher income and total return each year on average than traditional asset classes, as depicted below.

Commercial Real Estate Can Offer High Income and Total Return (2000 – 2020)



Source: Morningstar Direct. NCREIF Property Index or NPI ("Commercial Real Estate") — provides returns for institutional grade real estate held in a fiduciary environment in the U.S., Bloomberg Barclays U.S. Aggregate Bond Index ("Bonds"), S&P 500 or Standard & Poor's 500 Index ("Stocks"). Data as of December 31, 2000 to December 31, 2020.

Past performance is no guarantee of future results. The charts depicted herein are for illustrative purposes only and not indicative of any specific investment. An investment cannot be made directly in an index. Stocks and bonds are typically more liquid than direct investments in real estate. Tax efficiencies of investments in stocks and bonds may vary from those related to investments in real estate depending on the unique circumstances of the assets in the portfolio, portfolio management decisions, the tax status of the structure in which assets are held, and the tax status of the investor. Direct investments in real estate and bonds tend to have less volatility than investments in stocks due to general and industry-related market fluctuations, but the vehicle in which those assets are owned can also have a material impact upon that volatility. Expenses related to an investment in a professionally managed non-traded REIT that has a daily NAV may be higher than the expenses associated with an investment in a publicly traded stock or bond. The risks associated with an investment in real estate may materially differ from an investment in a publicly traded stock or bond and one should therefore review risk factors prior to making any such investment. Past performance is no guarantee of future results. The charts depicted herein are for illustrative purposes only and not indicative of any specific investment. **There is no assurance that real estate investments will achieve capital appreciation or provide regular, stable distributions.**

2. Low Correlation to Traditional Investments

With low or even negative correlation to stocks and bonds, commercial real estate may be helpful in providing diversification and lowering portfolio volatility.

Commercial Real Estate (CRE) May Help with Portfolio Diversification

(Correlations of Quarterly Returns 2000 – 2020)

	CRE	Stocks	Bonds	Public REITs
CRE	1.00	0.14	-0.16	0.24
Stocks		1.00	-0.32	0.70
Bonds			1.00	0.03
Public REITs				1.00

* Source: Morningstar Direct. NCREIF Property Index or NPI ("Commercial Real Estate") — provides returns for institutional grade real estate held in a fiduciary environment in the U.S., Bloomberg Barclays U.S. Aggregate Bond Index ("Bonds"), S&P 500 or Standard & Poor's 500 Index ("Stocks") and FTSE Nareit All Equity REITs Index ("Public REITs").

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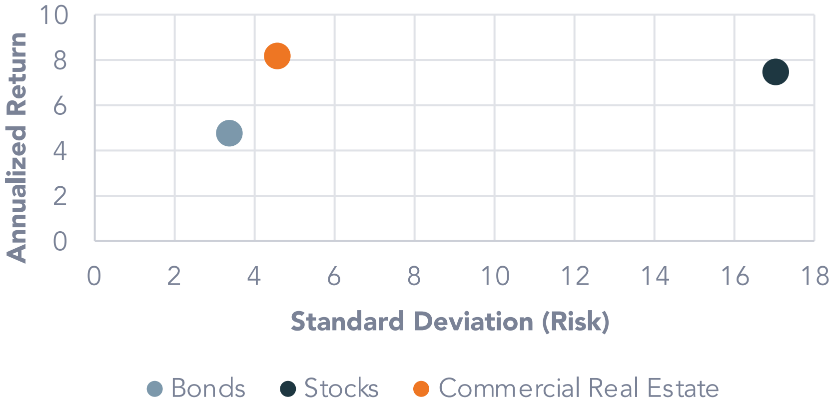
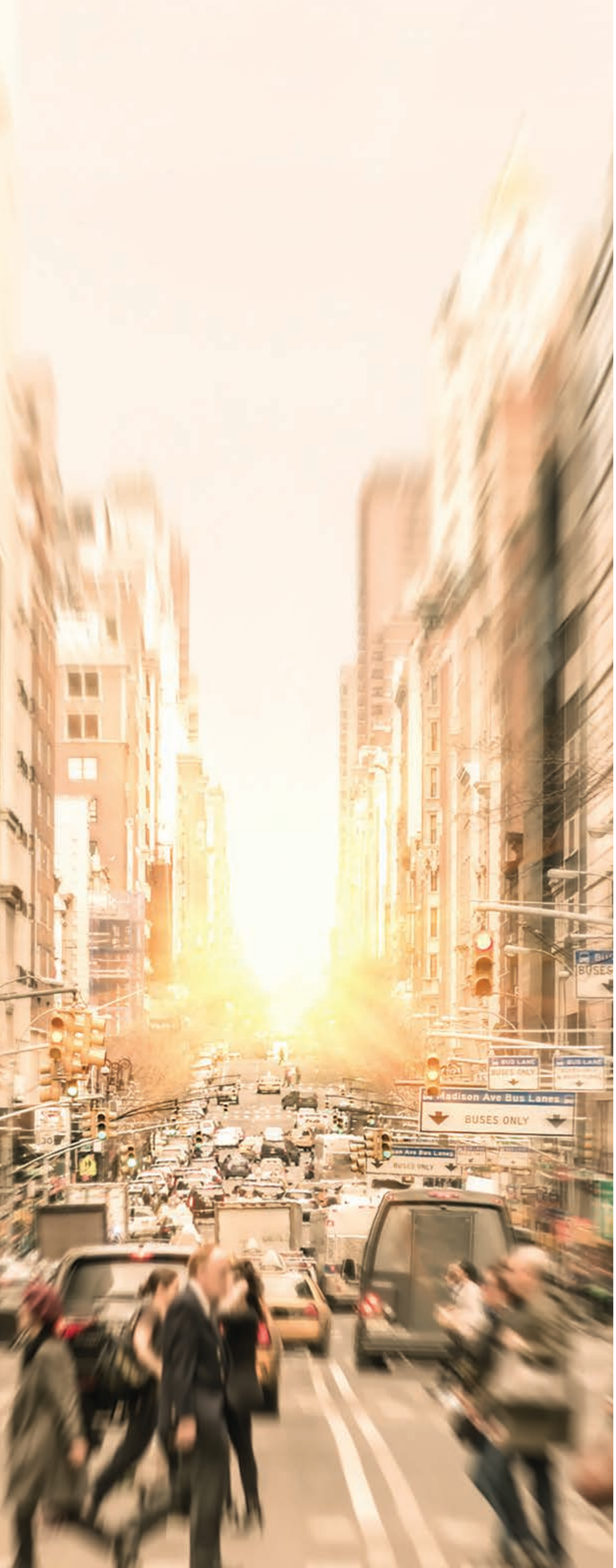
3. Lower Volatility

Movements in the broad markets, corporate announcements and analyst actions can cause large fluctuations in prices of stocks and bonds. Since commercial real estate is not publicly traded, the asset class exhibits volatility that is substantially lower than stocks and closer to bonds, which may help reduce portfolio volatility.

Commercial Real Estate Has Historically Been Less Volatile Than Stocks*

(2000 – 2020)



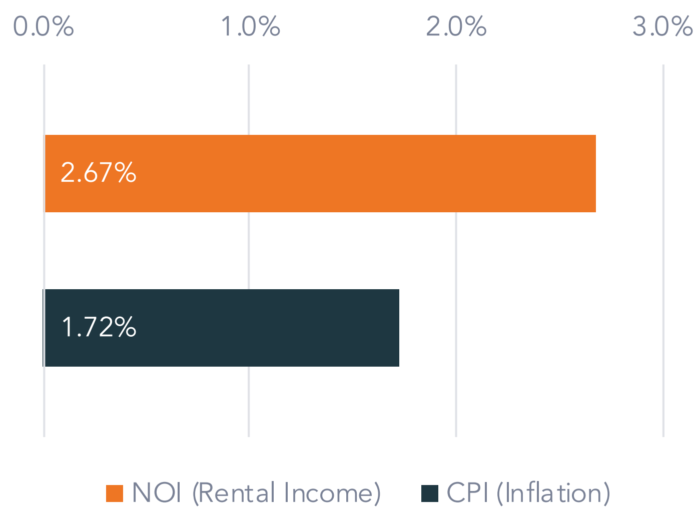


4. Inflation Protection

Inflation erodes the purchasing power of money. But commercial real estate may provide some protection against inflation.

Growth in Net Operating Income Has Historically Outpaced Inflation

10-year Average Annual Growth Rates
(March 31, 2011 – March 31, 2021)



Sources: National Council of Real Estate Investment Fiduciaries (NCREIF) and the U.S. Department of Labor, Bureau of Labor Statistics.

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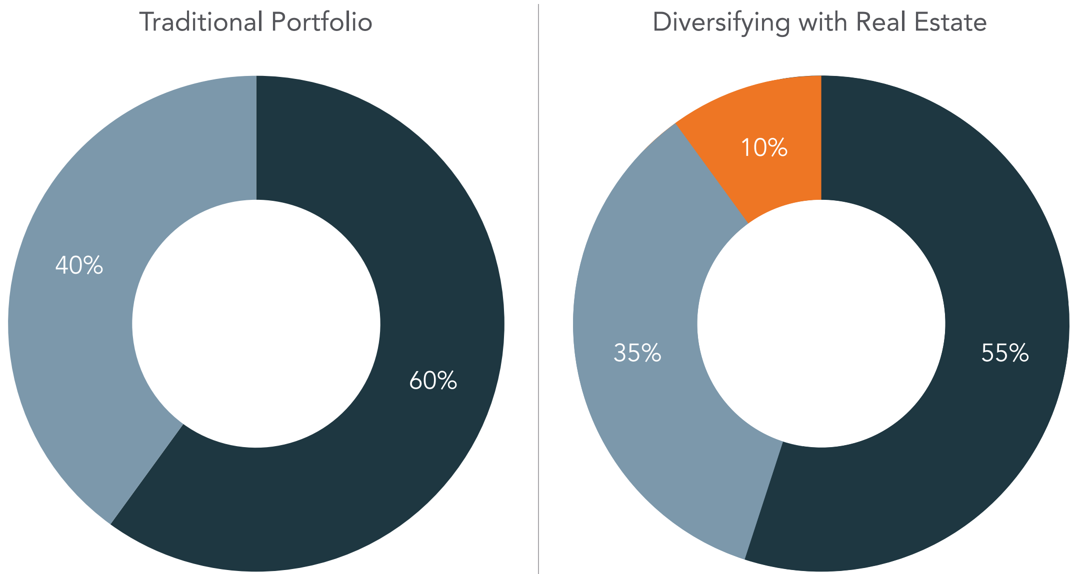
5. Enhanced Risk-Adjusted Return

Adding commercial real estate to stock and bond holdings can boost your portfolio performance and lower risk. As shown below, a portfolio with commercial real estate has historically delivered higher returns with lower risk than a portfolio with only traditional asset classes.

Commercial Real Estate May Lower Risk and Improve Portfolio Return (2000 – 2020)



	Traditional Portfolio		Diversifying with Real Estate
Return	6.86%	Return	7.06%
Volatility	9.90%	Volatility	9.15%

Bonds Stocks Commercial Real Estate

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60%

Diversify with Commercial Real Estate

Commercial real estate is an asset class that institutions have used for lasting income and potential for capital appreciation. With low correlation and low volatility, commercial real estate can complement a traditional portfolio of stocks and bonds by improving diversification and risk-adjusted performance.

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