

White Paper

Investor Communications White Papers

Market Question

What are the current and future trends to pay attention to?

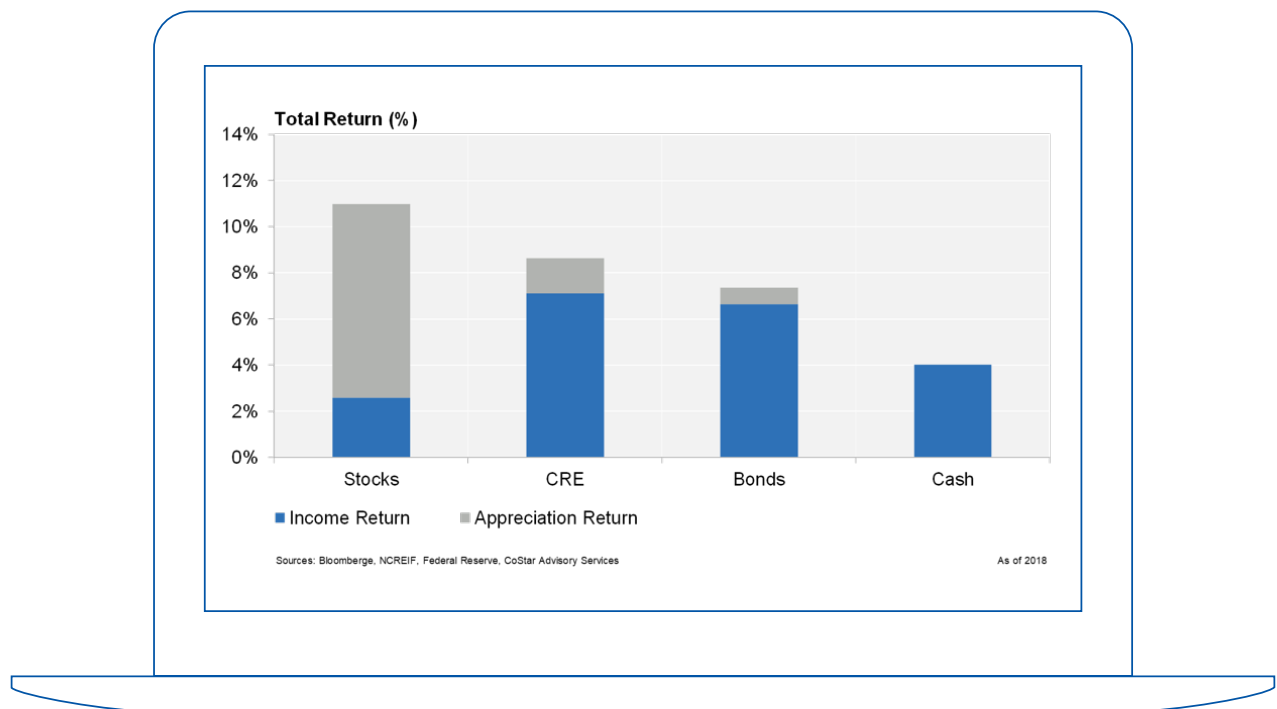
CoStar Advisory Services provides strategic investor communications through publications of white papers addressing a range of topics relevant to the CRE investor community.



Why U.S. commercial real estate (CRE)?

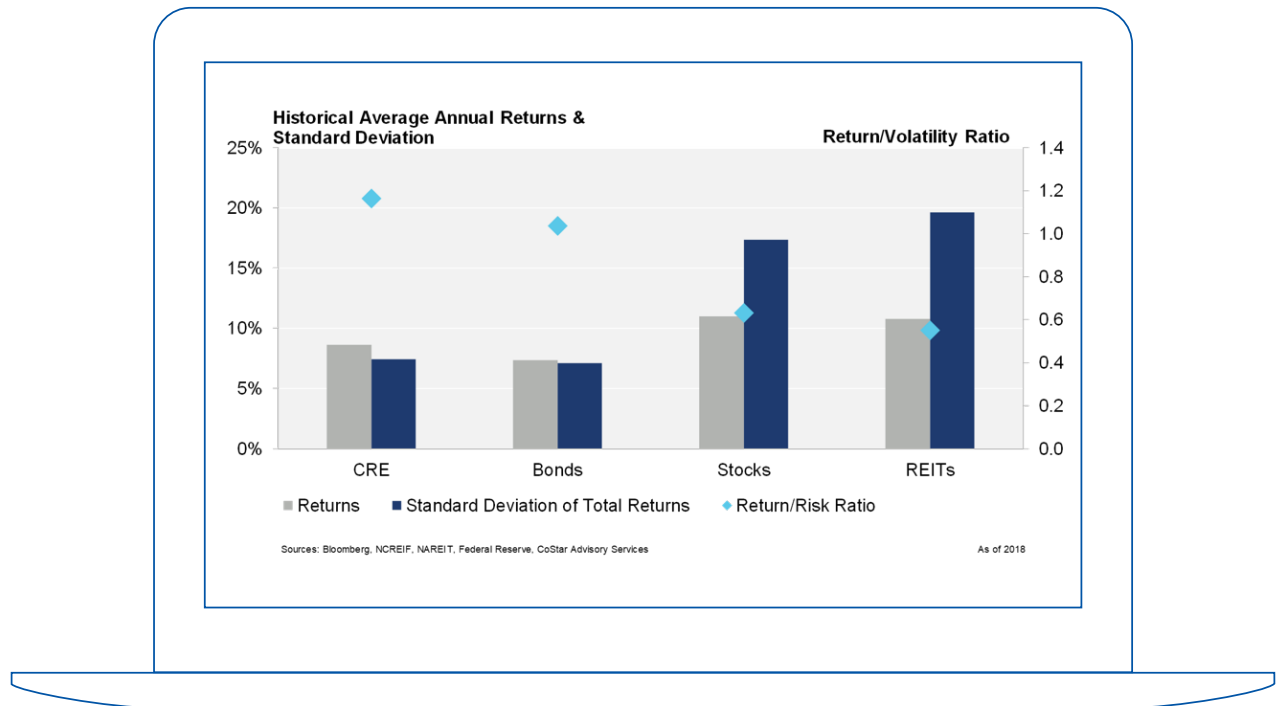
Investing in U.S. commercial real estate provides the long-term benefits of CRE investing and deserves a significant place in a well-diversified investment portfolio.

CRE offers income-driven returns



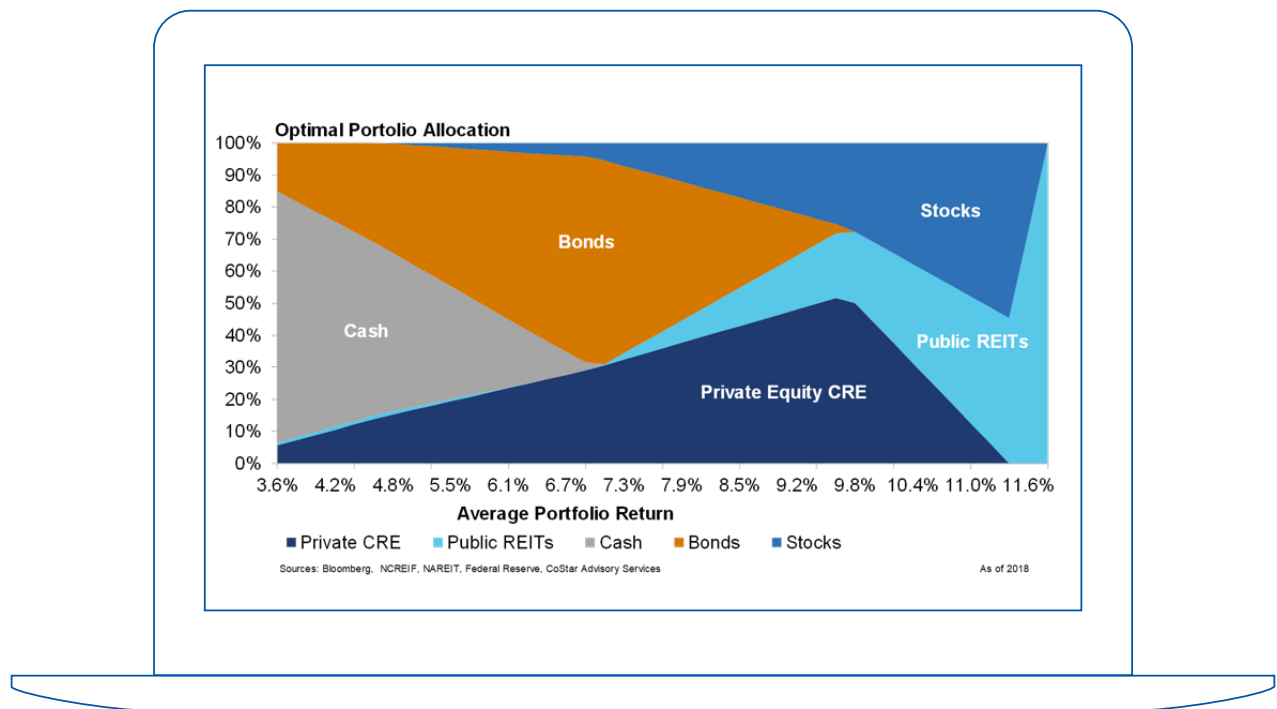
- CRE has historically performed well compared to other investment alternatives.
- One of the most attractive features is that like the returns of bonds, CRE returns are heavily weighted to income over capital gains.
- CRE's income-focused returns also provide a hedge against inflation. CRE income returns rise over long-term investment horizons with increasing rental rates, whereas fixed-interest income from most bond investments erodes in real value over time with inflation.

CRE adds portfolio diversity and reduces risk



- The substantial contribution of steady income to CRE returns helps temper the volatility of the asset class.
- Even during economic recessions, most commercial properties continue generating more income than operating expenses.
- Over the long term, CRE's return-to-volatility ratio remains favorable relative to other major asset classes.

CRE's role in optimal portfolio allocation



- Modern portfolio theory allows for the construction of portfolios with optimal allocations of the various asset classes given their historical risk and return profiles.
- To minimize the portfolio volatility for any given level of target return, significant allocations to CRE have historically been necessary.