A 4-quadrant approach to real estate investing

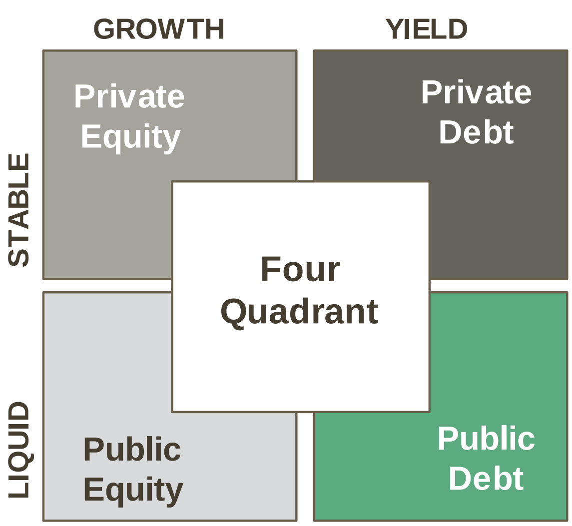
Boost portfolios with a balance of public and private exposure to real estate equity and debt

Investors have long turned to real estate for income, inflation protection and diversification. There are a variety of ways to access this asset class, including private, direct investments in bricks-and-mortar properties, debt investments backed by real estate, publicly traded real estate investment trusts (REITs) and publicly traded debt-like instruments. Each of the four main types of real estate exposure – private equity, private debt, public equity and public debt – has its own set of advantages. Arguably the best approach is to combine their complementary benefits.

Combining strengths

Having all four types of real estate exposure allows investors to offset the limitations of one type with the benefits of another. Figure 1 illustrates the primary features of each type of exposure

Figure 1: The Four Quadrant Real Estate Exposure



PRIVATE EQUITY: HIGH RETURNS WITH LOW VOLATILITY

A private equity allocation consists of direct investments in real estate (bricks-and-mortar investments) and privately held companies that primarily own real estate. As an active investor, Hazelview's focus is on investments where value can be created by improving net operating income (e.g., through renovations or recapitalization) or the overall quality and competitiveness of the property.

PRIVATE DEBT: STABLE INCOME

A private debt exposure involves direct investments in debt that's secured by real estate or issued to companies that focus on real estate. The aim of the portfolio manager should be to identify opportunities that generate more yield than would normally be expected for the level of risk undertaken. Hazelview's focus is on shorter-duration mortgage loans to protect invested capital in a rising interest rate environment.

PUBLIC EQUITY: STRONG RETURNS WITH HIGH LIQUIDITY

This is the most liquid form of real estate investing, targeting common equities of publicly traded issuers backed by real estate, such as REITs. Investing in REITs provides a diversified exposure to real estate assets. Hazelview targets both income and opportunistic growth with the aim of generating substantial returns.

PUBLIC DEBT: STABLE INCOME AND LIQUIDITY

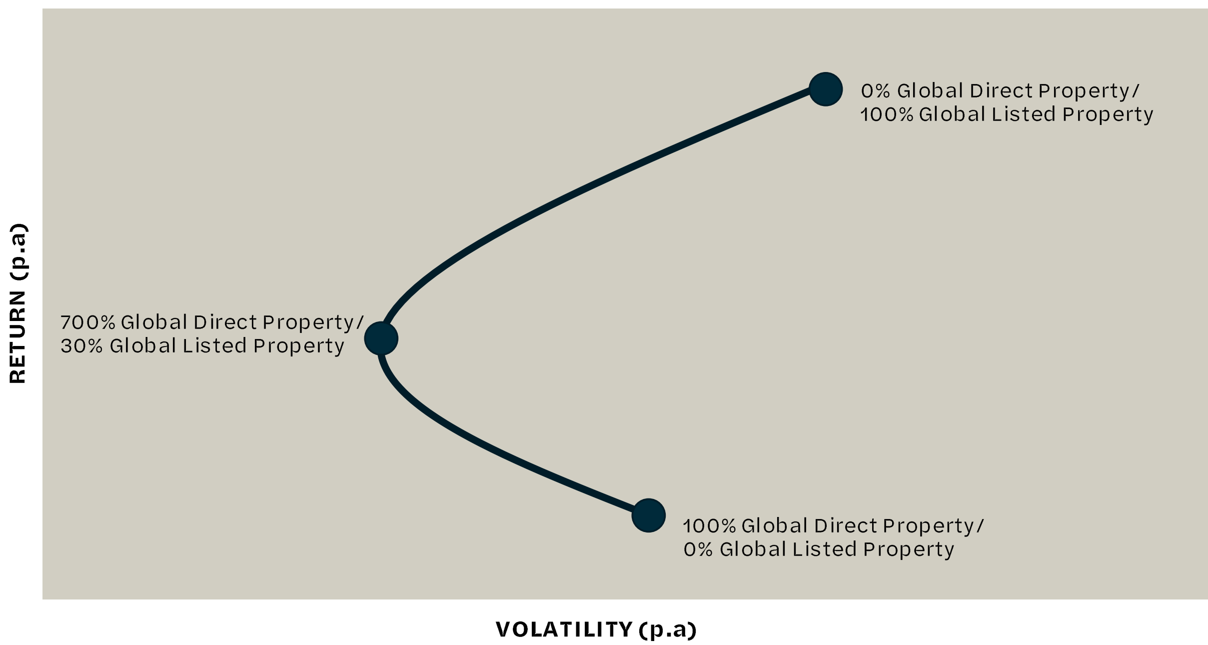
A public debt exposure includes investments in publicly traded preferred stock, unsecured debt, convertible debentures, preferred equity of REITs and mortgage REITs. Hazelview targets undervalued securities to generate outsized returns. As with private debt, Hazelview is looking for securities with yields that are greater than would be expected given their risk levels.

Where one of these four types of exposure shows limitations, another steps in to offset it. For example, private equity's stability comes at the expense of liquidity. This disadvantage is overcome when the investor has an allocation to public real estate equity and debt. Conversely, while strong active management will dramatically reduce the volatility of a public real estate portfolio, an allocation to private equity and debt can provide a degree of stability that exchange-listed investments cannot match.

Combining strengths

A portfolio that includes a real estate allocation combining all four exposure types has substantial benefits over the typical 60% equity, 40% bond portfolio. In addition, Figure 2 illustrates the benefits of achieving the optimal combination of global direct and global listed property.

Figure 2: Combining Global Direct and Global Listed Real Estate



Source: Atchison Consultants, FTSE EPRA/NAREIT (2016)

A 30% allocation to global listed property and a 70% allocation to global direct property provides the highest potential return with the lowest volatility of returns in a global property portfolio.

Best of all worlds

Innovative new solutions now enable clients to harness the full range of benefits real estate offers. With a multi-strategy approach, investors no longer have to make compromises to achieve liquidity, stability, income and growth. In today's investing environment, it's important to look at asset classes that can help enhance portfolio returns and lower volatility. The real estate asset class can do just that, with an active approach enhancing these benefits.

Disclaimer:

Certain statements in this presentation may constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, “Forward Looking Information”). The Forward Looking Information is stated as of the date of this presentation and is based on estimates and assumptions made by Hazelview Securities Inc. (“Hazelview”) management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate and reasonable in the circumstances. There can be no assurance that such Forward Looking Information will prove to be accurate, as actual results, yields, levels of activity, performance or achievements or future events or developments could differ materially from those expressed or implied by the Forward Looking Information.

The information provided is general in nature and may not be relied upon nor considered to be tax, legal, accounting or professional advice. Readers should consult with their own accountants, lawyers and/or other professionals for advice on their specific circumstances before taking any action. The information contained herein is from sources believed to be reliable, but accuracy cannot be guaranteed.

This document is for informational purposes only and is not an offer or solicitation to deal in securities. Any opinion or estimate contained in this document is made on a general basis and is not to be relied upon for the purpose of making investment decisions. The statements made herein may contain forecasts, projections or other forward looking information regarding the likelihood of future events or outcomes in relation to financial markets or securities. These statements are only predictions. Actual events or results may differ materially, as past or projected performance is not indicative of future results. Readers must make their own assessment of the relevance, accuracy and adequacy of the information contained in this document and such independent investigations as they consider necessary or appropriate for the purpose of such assessment. This document does not constitute investment research. Consequently, this document has not been prepared in line with the requirements of any jurisdiction in relation to the independence of investment research or any prohibition on dealing ahead of the dissemination of investment research. Any research or analysis used in the preparation of this document has been procured by Hazelview for its own use. The information is not guaranteed as to its accuracy.

Hazelview is currently registered with the Ontario Securities Commission as a portfolio manager, investment fund manager, and exempt market dealer. The Manager is wholly-owned subsidiary of Hazelview Investment Inc.

hazelview
INVESTMENTS

For more information please contact:

Hazelview Investments
1133 Yonge Street, 4th Floor
Toronto, ON
Canada M4T 1W1
1-888-949-8439
info@hazelview.com

George Ganas, MBA, CFA
Executive Director Retail Sales
gganas@hazelview.com

hazelview.com