

## REAL ESTATE

# A balanced approach to real estate

**Hazelview Investments'** Four Quadrant Global Real Estate Partners Fund gives investors access and exposure to various real estate strategies as an efficient way to build their portfolio

**ACCESS TO** strong and reliable income, diversification, and capital preservation are all achievable through Hazelview Investments' Four Quadrant Global Real Estate Partners Fund. This value proposition is accomplished by combining the inflation-hedged benefits of real estate equity with the stable and consistent yield of real estate debt. Investments are also made both privately and publicly to optimize liquidity while maintaining stability. This unique, multi-strategy approach to real estate investing relies on Hazelview's 20 years of real estate investment experience and the firm's fully integrated global platform.

"There are a variety of ways to access real estate today, and each have their own set of advantages," says Corrado Russo, head of public real estate investments and lead portfolio manager of the Four Quadrant Fund at Hazelview. "We believe the best approach is to combine strategies to offset the limitations of one with the benefits of another. That is how we came to launch the Four Quadrant Fund over 10 years ago."

Over time, the strategy has resonated well with wealth managers who are looking for an all-in-one real estate solution for their portfolios. Now, with more than \$1 billion

in assets, the Four Quadrant Fund is further diversified by property type and geography, enhancing its capital preservation characteristics. The Four Quadrant fund has also delivered a return of more than 9% for investors since its inception in 2011.

"It took some time for investors to understand the thesis initially, but once they were able to see how this integrated approach performs through different market cycles, it



**"This product allows more investors access to the strong benefits of commercial real estate through a well-diversified, balanced portfolio"**

**Ugo Bizzarri, Hazelview Investments**

became quite popular," Russo says.

Hazelview CEO Ugo Bizzarri notes that commercial real estate should be part of every investor's portfolio. "I know that most individuals have exposure to real estate through their homes or cottages, but those assets are not producing income," he explains. "Commercial



real estate, on the other hand, does generate income, and that income can grow over time, typically at the pace of inflation or better. That is an important differentiator."

The Four Quadrant Fund, however, isn't just focused on buying commercial real estate and collecting income – it's focused on investing in assets where value can be enhanced through active management. Hazelview employs

several different strategies to achieve this – including leveraging the expertise of different teams and units across the business, managing the renovation and leasing up of vacant space, improving zoning/density on a property, and developing new assets – all of which are focused on improving the properties' ability to



## ALLOCATION OF THE FOUR QUADRANT GLOBAL REAL ESTATE PARTNERS FUND



- Multi-family **21.9%**
- Diversified **16.1%**
- High-rise office **11.6%**
- Low-rise office **8.1%**
- Residential **7.8%**
- Life sciences and R&D **7.7%**
- Industrial **7.5%**
- Cash and cash equivalents **7.2%**
- Mortgage REITs **5.3%**
- Open-air grocery-anchored centres **4.2%**
- Technology REITs **2.8%**
- Hotels **2.2%**
- Self-storage **1.6%**
- Specialty/triple net lease **1.3%**
- Healthcare **0.9%**
- Single-family rental/MHC **0.9%**
- Regional malls **0.2%**

Source: Hazelview Investments, as of Dec. 31, 2020

generate income.

Hazelview also looks for opportunities on the debt side. By providing loans to other real estate investors, the company is able to generate income that is secured by real estate without taking on equity risk.

“Private real estate gives you the low volatility – it gives you the great total returns over the long term,” Russo says, although he warns that it’s less liquid than other investments. Hazelview addresses that by combining private investments with public equity, which also gives investors more global diversification, as well as exposure to niche sectors such as data centre or cell towers REITs.

With the public portion of the fund, which makes up roughly 30% of the portfolio, Hazelview seeks to enhance value by making investments at prices it believes are below the longer-term intrinsic value of the properties. Russo notes that current market conditions, driven by COVID-19, have presented excellent opportunities to gain access to high-quality real estate at significant discounts to the intrinsic value of the underlying real estate.

“We expect a strong recovery in the next year, which will compress that discount and

lead to outsized returns,” he says.

Russo adds that real estate investments tend to provide more income right now than fixed income, while the volatility of investing in real estate is relatively similar. When combined with a broader portfolio, he says, it makes the overall portfolio more efficient from a risk-adjusted perspective.

Hazelview’s depth and breath of experience is critical to the Four Quadrant Fund’s success. Real estate investing has become increasingly more complicated in recent years. Optimizing long-term, risk-adjusted returns requires in-depth knowledge of an asset to appropriately ‘future-proof’ and meet the evolving needs of tenants in a sustainable and socially responsible manner. Hazelview currently has more than \$9 billion in assets under management, primarily institutional capital, with more than 20 years of real estate investment experience and a team composed of over 80 professionals located in Canada, the United States, Europe and Asia.

As CEO of Hazelview, Bizzarri says watching the Four Quadrant Fund grow has been exciting. “I’m thrilled that this product allows more investors access to the strong

benefits of commercial real estate through a well-diversified, balanced portfolio,” he says. “Through the Four Quadrant Fund, we can bring our diverse experience of real estate investing – private, public, debt and equity – into one accessible solution.” **WPI**