



WHY INVEST IN COMMERCIAL REAL ESTATE?

POTENTIAL BENEFITS OF OWNING COMMERCIAL REAL ESTATE



CASH FLOW

Properties earn income from tenants who pay rent. The more stabilized the property, or higher its occupancy, the greater the chance of a steady and predictable stream of cash.



INFLATION PROTECTION

Over the long-term, real estate is considered a hedge against inflation, since property values and rental income typically increase during periods of inflation.



DIVERSIFICATION

In a diversified portfolio of investments, real estate offers diversification to traditional investments such as stocks and bonds.

POTENTIAL RISKS

While there are many potential reasons to invest in commercial real estate, there are also risks investors should consider such as asset management risk, property management risk, tenant risk, market risk, and geographic risks.

COMMERCIAL REAL ESTATE PROPERTY TYPES



Multifamily

Includes properties that have five or more residential units in a single building and may be further classified as garden style, mid-rise, or high-rise.

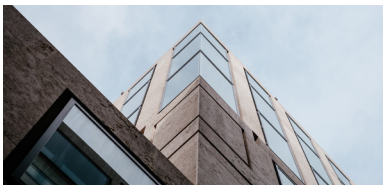
Economic drivers include demographic trends, home ownership, household formation rates, and local employment growth. Leases are typically short term and adjust quickly to market conditions. Multifamily is generally considered to be one of the more defensive investment types within commercial real estate, though they are still subject to competitive pressures from newer construction.



Retail

Examples include grocery-anchored centers, shopping centers, power centers and strip malls.

Retail properties are influenced by the general state of the national economy, especially by employment growth and consumer confidence levels. At a local level, influencing factors include the property location and its traffic flow, population demographics, local household incomes and buying patterns. Leases also often have long terms, which means that after a while lease rates may lag current market rates, and changes to rental rates may need to wait until leases expire.



Office

Includes mid-rise, or high-rise, and can be downtown or suburban.

Office rents and valuations are influenced by employment growth and a region's economic focus. When re-leasing an office space, tenants are typically provided with tenant improvements and the credit quality of tenants is key. Office properties often have longer-term leases that can lag behind current market rates, so that significant "step-ups" (or "step-downs") of rental rates may occur when leases expire.



Industrial

Examples include manufacturing facilities, warehouse and distribution centers, research & development (R&D) properties and flex-space.

Manufacturing and R&D properties tend to be build-to-suit buildings that can be difficult to "re-tenant" without extensive modifications, while warehouses and distribution centers can be more generic buildings. Industrial properties are influenced by large economic drivers such as global trade growth (imports and exports) and corporate inventory levels. As with office buildings and retail centers, industrial property leases tend to have long terms and over time lease rates can fall behind market rates.



Other

Examples include self-storage facilities, mobile home parks, student housing and hospitality.

Key drivers include demographic trends, the state of the national economy, and large macroeconomic drivers such as supply and demand.

INVESTMENT RISK AND REWARD STRATEGY

There are three primary categories of real estate investment strategies, each with its own risk and return characteristics.

Moving between the three primary real estate investment strategies is a bit like stepping up the ladder in terms of taking on more risk, and in theory, being compensated for that risk with a higher return objective.

A well-balanced commercial real estate portfolio may include some or even all of these different investment strategies.



INVESTMENT STRATEGIES



Core

Property characteristics

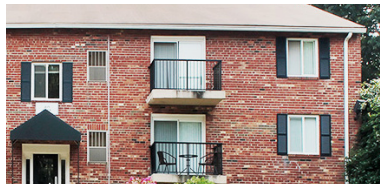
Stable, fully leased, well-located and typically Class A

Risk/Reward

Lower

Leverage

None to low



Value-Add

Property characteristics

Lower occupancy or secondary market locations with potential value-add opportunity through renovations

Risk/Reward

Medium

Leverage

Low to Medium



Opportunistic

Property characteristics

Typically raw land or ground-up development with little to no near term cash flow

Risk/Reward

High

Leverage

High

ACTIVE VS. PASSIVE FORMS OF OWNERSHIP

The way an investor owns real estate can be just as important as the underlying real estate and investment strategy. Considerations need to be made for taxes, transparency, property operations, potential tenant issues, diversification and individual financial responsibility.

Not offered by RealtyMogul

Investor purchases their own property and does their own property management and upkeep.

Investor purchases their own property but hires a third party property manager to oversee the property.

Offered by RealtyMogul

Investment in a property with an operating partner who handles the day-to-day & provides oversight & management.

Investment in a fund that invests in properties managed by operating partners who handle the day-to-day.

LEVELS OF INVOLVEMENT

HIGH

LOW

AVERAGE MINIMUM INVESTMENT AMOUNT

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