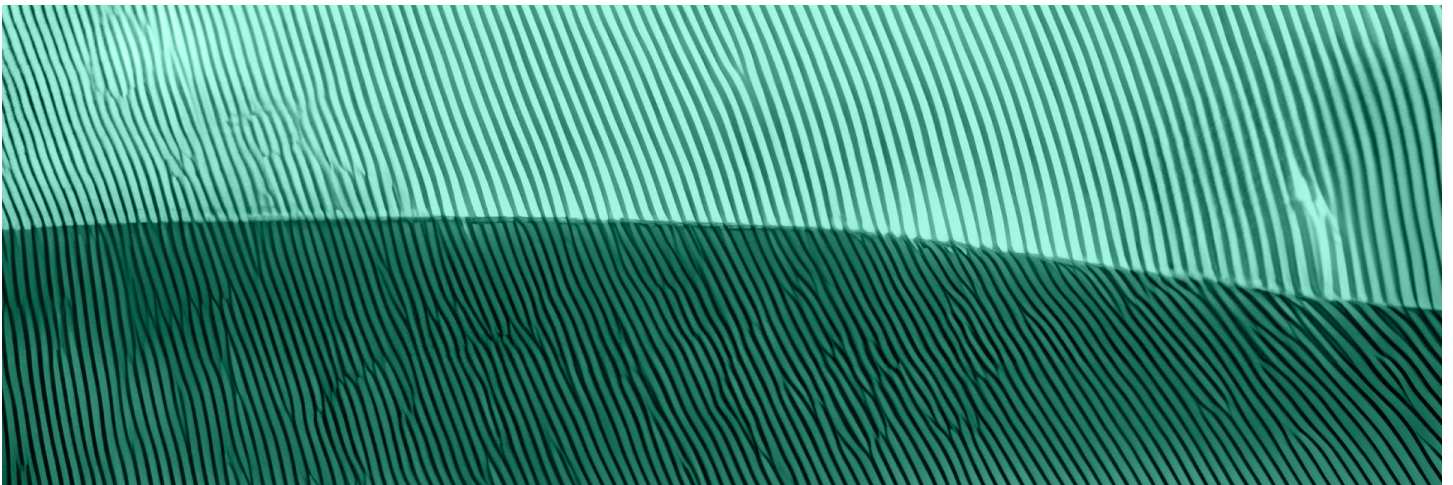


# Private Real Estate

Private real estate funds invest directly in real estate properties ranging from warehouses to apartments.



# Need to Know

01

## Large Market Opportunity

Commercial real estate is the **third-largest** asset class after equities and fixed income. Yet **individual investors** on average **have a negligible allocation**<sup>1</sup> in their portfolios, significantly lower than institutional investors.<sup>2</sup>

02

## Attractive Risk-Return Profile

Private real estate can drive meaningful income **generation and capital appreciation** and can also offer a hedge against inflation<sup>3</sup> as well as low correlation to stocks and bonds.<sup>4</sup>

03

## Where You Invest Matters

Sector and manager selection are critical. To benefit from private real estate's opportunities, important considerations include **asset quality** and **growth potential**.

# Understanding Private Real Estate

Private real estate focuses on commercial, income-generating properties across a wide range of assets from warehouses and multifamily housing to office, hotel and retail. It excludes the for-sale residential market of both new and existing homes.

With more than 90% of commercial real estate privately owned,<sup>5</sup> the private opportunity set is several multiples the size of publicly traded real estate. (Exhibit 1)

Yet individual investors on average hold considerably less than 3% of commercial real estate in their portfolios — due in part to a historic lack of access and a need to better understand where to invest. This underallocation by individual vs. institutional investors is now changing.<sup>6</sup>



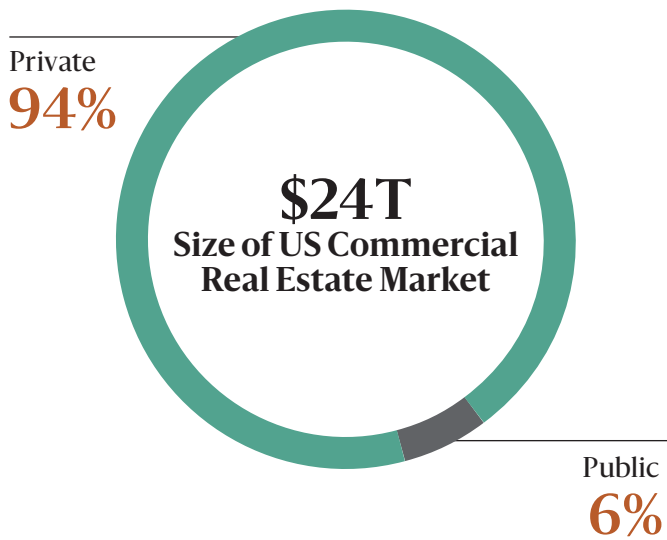
**Past performance does not predict future returns.** Represents Blackstone's view of the current market environment as of the date appearing in this material only. The property value of private real estate may fluctuate. Any investment involves a high degree of risk and should only be made if an investor can afford the loss of the entire investment. There can be no assurance that any Blackstone fund or investment will be able to effectively hedge inflation, implement its investment strategy, achieve its investment objectives or avoid substantial losses. Private real estate is represented by the NFI-ODCE and reflects total returns excluding management and advisory fees. See "Index Definitions" and "Important Disclosure Information" including "Trends."

1. The "Individual Investor" figure reflects Bain & Company data as of December 31, 2022, latest available and includes all alternatives, of which real estate is just one component.
2. "Institutional investors" reflect Hodes Weill & Associates and Cornell Baker Program in Real Estate data as of December 31, 2023.
3. Private real estate has historically outpaced inflation during inflationary periods. See Exhibit 2.
4. Private real estate's returns are largely uncorrelated to that of equities, investment grade bonds, municipal bonds and public REITs. See exhibit 3.
5. Federal Reserve, as of June 30, 2023. Represents the U.S. commercial real estate market. "Public" is the aggregate of all public REITs that are tracked by the NAREIT Total Industry Tracker excluding Timber, Telecommunications, and Specialty sectors as of June 30, 2023.
6. "State of the Market: Non-Traded REITs and BDCs" (July 2022), UMB Fund Services.

## EXHIBIT 1: Private Real Estate vs. Public REITs

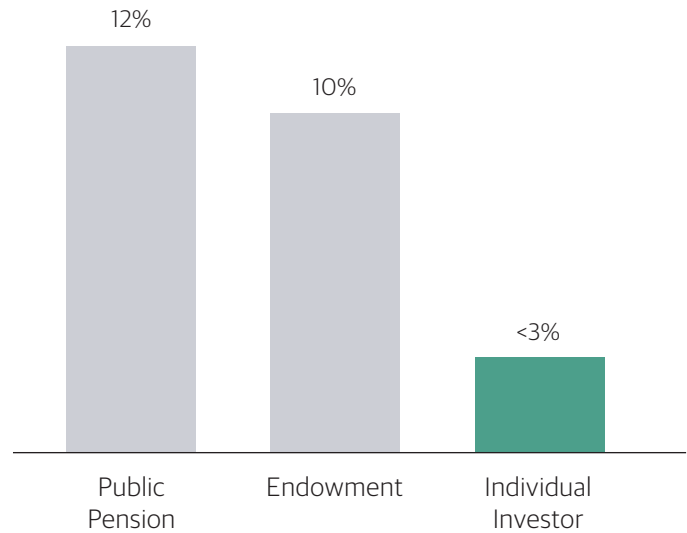
### Private Market Much Larger Than Public Market

US Commercial Real Estate<sup>7</sup>



### Individual Investors Are Significantly Underallocated

Average Allocation to US Commercial Real Estate<sup>8</sup>

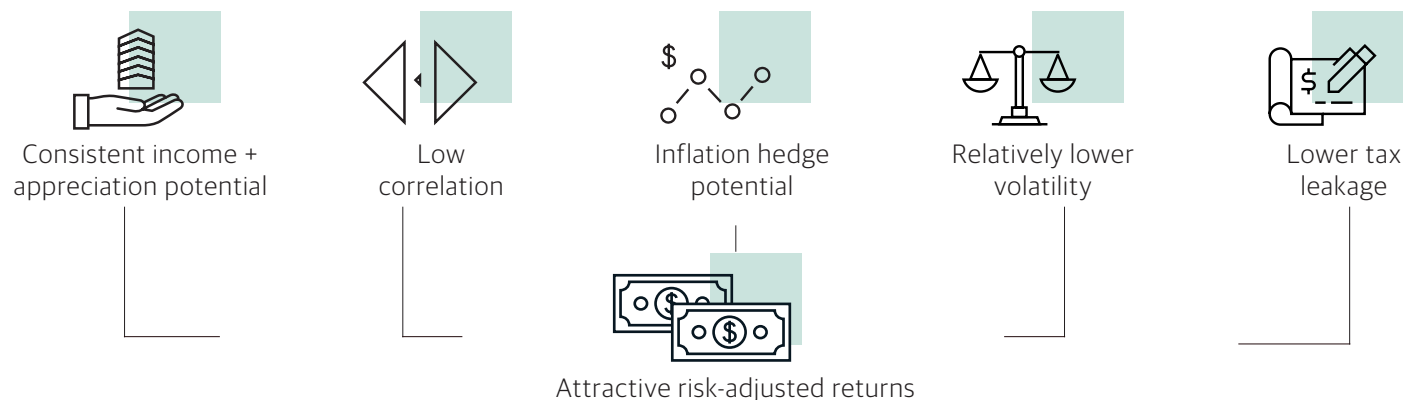


7. Federal Reserve, as of June 30, 2023. Represents the US commercial real estate market.

8. "Public Pension" and "Endowment" reflect Hodes Weill & Associates and Cornell Baker Program in Real Estate data as of December 31, 2023. "Individual Investor" reflects Bain & Company data as of December 31, 2022, latest available and includes all alternatives, of which real estate is just one component.

# Why Private Real Estate?

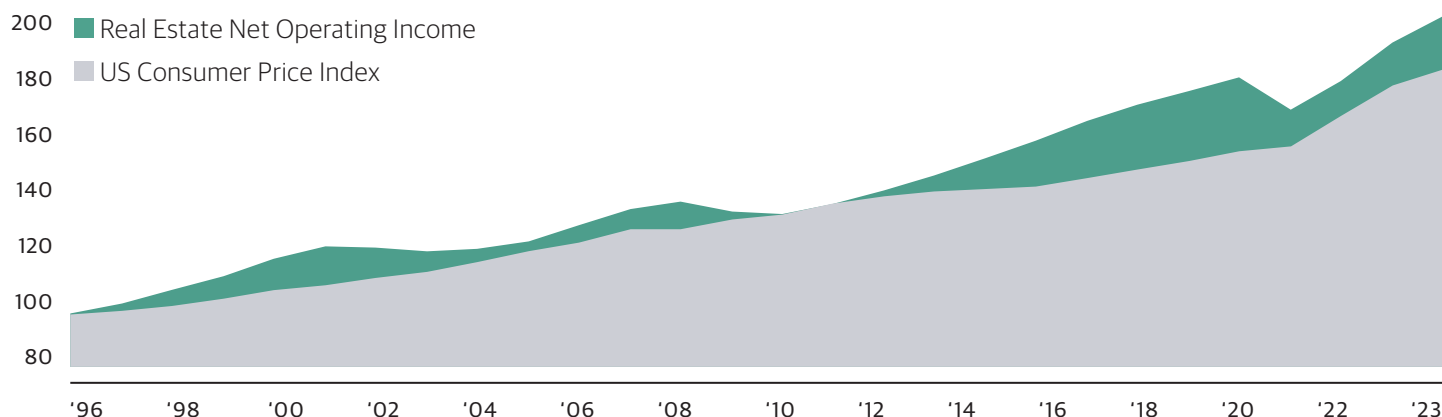
For decades, individual investors have accessed income-producing real estate through public REITs, yet private real estate has historically had a more **attractive risk-return profile** (Exhibit 4), with portfolio diversification benefits such as low correlation to stocks and bonds (Exhibit 3). Key potential benefits include:



Private real estate can be a steady source of income for investors, providing a +4% annual yield for 16 out of the last 20 years.<sup>9</sup> Additionally, private real estate's income has generally outpaced inflation (Exhibit 2). Investors may also consider the taxdeferral features of private real estate when accounting for significant depreciation deductions. Given these characteristics, private real estate can help investors create a more efficient, albeit less liquid, portfolio than a traditional 60/40 equity-bond allocation.

## EXHIBIT 2: US Private Real Estate Income Has Generally Outpaced Inflation<sup>10</sup>

Indexed, 1996 = 100



**Past performance does not predict future returns.** Represents Blackstone's view of the current market environment as of the date appearing in this material only. The property value of private real estate may fluctuate. Any investment involves a high degree of risk and should only be made if an investor can afford the loss of the entire investment. There can be no assurance that any Blackstone fund or investment will be able to effectively hedge inflation, implement its investment strategy, achieve its investment objectives or avoid substantial losses. Private real estate is represented by the NFI-ODCE and reflects total returns excluding management and advisory fees. It is not possible to invest in an index. See "Index Definitions" and "Important Disclosure Information" including "Trends". There is no assurance that any Blackstone fund or strategy will effectively hedge inflation.

9. NCREIF, 20-year period ending December 31, 2023. Reflects the NFI-ODCE Index. Represents Blackstone's view of the current market environment as of the date appearing in this material only.

10. Morningstar Direct, NCREIF, 20-year period ending December 31, 2023. Represents Blackstone's view of the current market environment as of the date appearing in this material only. Past performance does not predict future returns. Diversification does not assure a profit or protect against a loss in a declining market. Indices are meant to illustrate general market performance. Comparisons shown are for informational purposes only, do not represent specific investments and are not a portfolio allocation recommendation. Correlation measures how one investment performs in relation to another, with a coefficient of +1 being a perfect, positive correlation and a coefficient of -1 being a perfect, negative correlation. When two asset classes have a correlation of +1, they will both move up or down by the same amount in the same direction. Conversely, a correlation of -1 indicates that when one asset class moves up or down, the other moves in the opposite direction by the same amount. In general, asset classes with a correlation of less than 0.70 or greater than -0.70 are considered to have relatively low correlation. Private real estate is represented by the NFI-ODCE. Public REITs are represented by the total return of the MSCI U.S. REIT Index. Equities are represented by the total return of the S&P 500 Index, including dividends. Investment grade bonds are represented by the total return of the Bloomberg U.S. Aggregate Bond Index. Municipal bonds are represented by the Bloomberg U.S. Municipal Index. See "Important Disclosure Information-Index Definitions" and "Trends".



**EXHIBIT 3: Diversifying with Private Real Estate<sup>11</sup>**

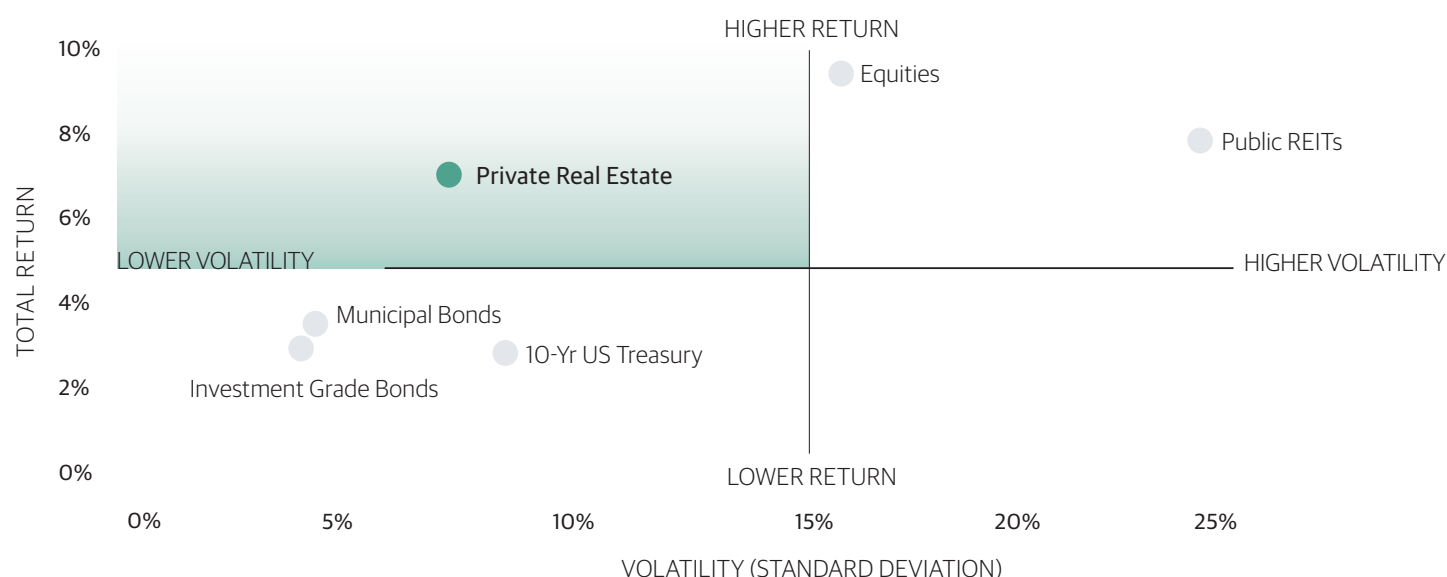
Last 20 years (2004-2023)

Asset Class	Private Real Estate	Public REITs	Equities	Investment Grade Bonds
Public REITs	0.1	1.0		
Equities	0.0	0.8	1.0	
Investment Grade Bonds	-0.3	0.2	0.1	1.0
Municipal Bonds	-0.3	0.4	0.3	0.8

Private real estate has historically been characterized as having relatively **attractive returns while exhibiting significantly lower volatility** than publicly traded REITs or equities.

**EXHIBIT 4: Attractive Historical Risk-Return Profile<sup>12</sup>**

Last 20 Years (2004-2023), Annualized



11. Net operating income ("NOI") reflects Green Street Advisors data, as of December 31, 2023. 2023 NOI growth represents year-end estimate as of April 02, 2024. U.S. CPI reflects Bureau of Labor Statistics data, as of December 31, 2023. NOI growth represents the average NOI growth by year across the equal-weighted average of the asset-weighted average of the multifamily, industrial, mall, office and shopping center sectors. Multifamily refers to apartment; shopping center refers to strip retail. The Consumer Price Index (CPI) measures changes in the prices paid by urban consumers for a representative basket of goods and services. NOI may not be correlated to or continue to keep pace with inflation. See "Important Disclosure Information-Trends".

12. Morningstar Direct, NCREIF, 20-year period ending December 31, 2023. Represents Blackstone's view of the current market environment as of the date appearing in this material only. Past performance does not predict future returns. Diversification does not assure a profit or protect against a loss in a declining market. Indices are meant to illustrate general market performance. Comparisons shown are for informational purposes only, do not represent specific investments and are not a portfolio allocation recommendation. Correlation measures how one investment performs in relation to another, with a coefficient of +1 being a perfect, positive correlation and a coefficient of -1 being a perfect, negative correlation. When two asset classes have a correlation of +1, they will both move up or down by the same amount in the same direction. Conversely, a correlation of -1 indicates that when one asset class moves up or down, the other moves in the opposite direction by the same amount. In general, asset classes with a correlation of less than 0.70 or greater than -0.70 are considered to have relatively low correlation. Private real estate is represented by the NFI-ODCE. Public REITs are represented by the total return of the MSCI U.S. REIT Index. Equities are represented by the total return of the S&P 500 Index, including dividends. Investment grade bonds are represented by the total return of the Bloomberg U.S. Aggregate Bond Index. Municipal bonds are represented by the Bloomberg U.S. Municipal Index. See "Important Disclosure Information-Index Definitions" and "-Trends".

# Where You Invest Matters

When investing in private real estate, selecting the right sectors, markets and assets can be critical to generating strong performance. It is important to focus on high-quality assets with outsized growth potential driven by long-term, secular tailwinds.

This means identifying and concentrating capital around major trends, such as the rise of e-commerce,<sup>13</sup> a structural undersupply in housing, or the growth in cloud computing and artificial intelligence. (See QTS Case Study)

Manager selection is also critical to success. Blackstone is the world's largest owner of commercial real estate with a 30+ year track record, serving individual and institutional investors alike.<sup>14</sup>



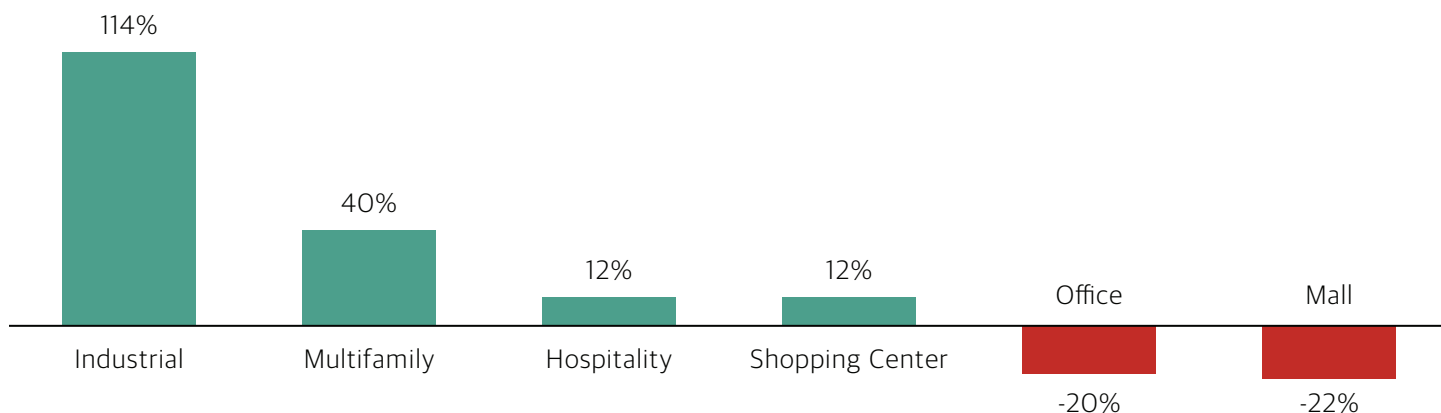
**Not all real estate is created equal. Where you invest matters — if you invest in the right sectors even in a more challenging rate environment, you can have a differentiated outcome.”**

Jon Gray, President and Chief Operating Officer of Blackstone

## EXHIBIT 5: Not All Real Estate Is Created Equal<sup>15</sup>

### Cumulative Performance

US Sectors - 2008-2023



Past performance does not predict future returns.

13. Morningstar Direct, NCREIF, as of December 31, 2023. Represents Blackstone's view of the current market environment as of the date appearing in this material only. There can be no assurance that any Blackstone fund or investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Indices are meant to illustrate general market performance. Comparisons shown are for informational purposes only, do not represent specific investments and are not a portfolio allocation recommendation. An investment in a yield-oriented U.S. Core+ Strategy for income-focused individual investors (the "Strategy") has material differences from a direct investment in real estate, including related to fees and expenses, liquidity and tax treatment. The Strategy's share price is subject to less volatility because its per share NAV is based on the value of real estate assets it owns (which may fluctuate and may be worth less than initial price) and is not subject to market pricing forces as is the price of the indices presented. The Strategy shares are significantly less liquid than public REITs and may fluctuate. Private real estate is represented by the NFI-ODCE and reflects total returns excluding management and advisory fees. Public REITs are represented by the total return of the MSCI U.S. REIT Index. Equities are represented by the total return of the S&P 500 Index, including dividends. Investment grade bonds are represented by the total return of the Bloomberg U.S. Aggregate Bond Index. 10- Year U.S. Treasury is represented by the Bloomberg 10-Year U.S. Treasury Bellwethers Index and is subject to interest rate risk. Municipal bonds are represented by the Bloomberg U.S. Municipal Index. See "Important Disclosure Information-Index Definitions" and "-Trends". U.S. Census Bureau, as of December 31, 2023. E-commerce growth represented by the increase in e-commerce sales from the year ended December 31, 2015 to the trailing one-year ended December 31, 2023.

14. World's largest owner of commercial real estate based on estimated market value per Real Capital Analytics as of March 31, 2024.

15. Green Street Advisors, as of December 31, 2023. Based on the Green Street Commercial Property Price Index, which captures the prices at which U.S. commercial real estate transactions are currently being negotiated and contracted. Reflects percent change by property sector from January 1, 2008 to December 31, 2023. Shopping center refers to strip centers, and hospitality refers to lodging.

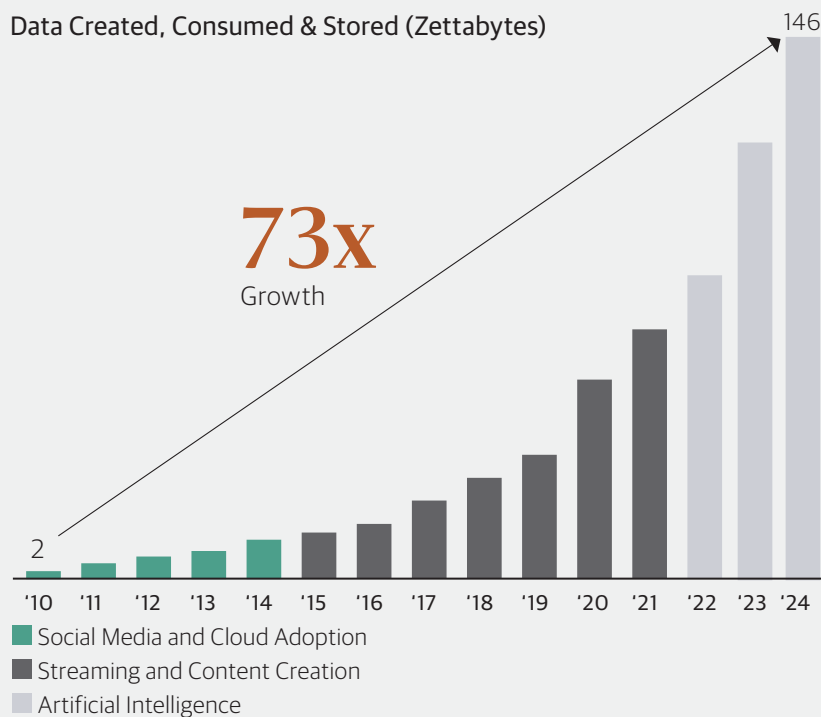
# Unlocking Value through Private Market Ownership

Private real estate managers may have greater flexibility than public REITs to invest in areas of highest conviction and execute on complex transactions given they are less subject to public market forces. Managers in private markets can more easily drive long-term value-creation opportunities, whereas public market participants may face pressure to achieve predictable quarterly earnings.

## Explosive Growth in Data

### EXHIBIT 6: Capitalizing on Surging Growth in Data Creation

Data Created, Consumed & Stored (Zettabytes)



The privatization of QTS Realty Trust, a ~\$10B public REIT, exemplifies Blackstone's commitment to high-conviction thematic investing, capitalizing on long-term trends in data growth (Exhibit 6). In fact, more data was created in the last 3 years (2021-2024) than all of history combined.<sup>16</sup>

Just as e-commerce drove demand for warehouses, cloud computing, content creation and now artificial intelligence are driving the surge in data creation and consumption. Blackstone views the rise of artificial intelligence as a once-in-a-generation engine for future growth in data centers and is committed to unlocking the full power of QTS' platform through private ownership.



<sup>16</sup> International Data Corporation (IDC), as of December 31, 2021. 2021-2024 represent year-end estimates.

# Accessing Private Real Estate Today

Investors can access commercial real estate by either acquiring properties **directly** or by committing capital to a **public or private real estate vehicle**, which allows an investor to benefit from a diversified portfolio of assets and professional management. A variety of investment strategies span the risk-return spectrum (Exhibit 7). One of the most popular is Core+, where a property provides stabilized income and has the potential for value appreciation through modest asset transformation.

Blackstone has reimagined access to such strategies by offering semiliquid private market funds. These funds are generally open-ended, meaning investors can subscribe and redeem at regular intervals, subject to restrictions in the fund's documentation.<sup>17</sup>

Through private perpetual funds, individual investors can access long-term investments at lower investment minimums compared to traditional closed-ended funds and capital can be deployed immediately rather than episodically. These features are contributing to eligible individual investors' increased allocation to private real estate across their multi-asset class portfolios.



## EXHIBIT 7: A Selection of Key Real Estate Investment Strategies



### Opportunistic

Higher equity appreciation through "hands on" management requiring substantial active asset transformation, with a shorter hold period



### Core / Core+

Stabilized income with value creation through modest asset transformation



### Debt

Real estate debt investing involves issuing loans and debt securities backed by high-quality real estate

<sup>17</sup> Please note that the Fund Manager may have the discretion to amend / suspend unit repurchases if such action is deemed in the best interest of shareholders.



# Considerations before Allocating

Ultimately, private market investing means entrusting capital to a manager who takes active ownership of less liquid assets and creates value over time in an arena that is far more expansive than the public markets. With private real estate, a broad set of return drivers, evolving access to the market and a diverse opportunity set all underscore the importance of purposeful asset selection and partnering with the right private markets manager. Key differentiating attributes include scale, staying power and a long track record.

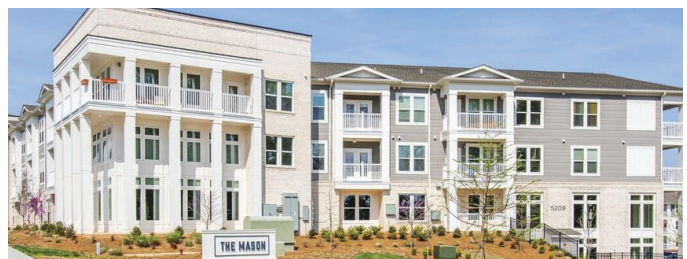
Education is also critical to understanding both the asset class and the secular tailwinds that drive returns. The right long-term partner must commit to broadening investors' understanding of private real estate and what it can bring to their overall investment strategy.



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**Recent Market Events Risk.** Local, regional, or global events such as war (e.g., Russia/Ukraine), acts of terrorism, public health issues like pandemics or epidemics (e.g., COVID-19), recessions, or other economic, political and global macro factors and events could lead to a substantial economic downturn or recession in the US and global economies and have a significant impact on the Fund and its investments. The recovery from such downturns is uncertain and may last for an extended period of time or result in significant volatility, and many of the risks discussed herein associated with an investment in the Fund may be increased.

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## Index Definitions

**Bloomberg US 10-Year Treasury Bellwethers Index:** The index measures tracks Treasury bonds and is used as a benchmark against the market for long-term maturity fixed-income securities. The index assumes reinvestment of all distributions and interest payments.

**Bloomberg US Aggregate Bond Index:** The Bloomberg US Aggregate Bond Index is an index of US dollar-denominated, investment-grade US corporate government and mortgage-backed securities.

**Bloomberg US Municipal Bond Index:** The index measures the performance of the Bloomberg U.S. Municipal bond, which covers the USD-denominated Long-Term tax-exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds.

**Consumer Price Index for All Urban Consumers (All Items in U.S. City Average):** The Consumer Price Index for All Urban Consumers: All Items (CPIAUCSL) is a price index of a basket of goods and services paid by urban consumers. Percent changes in the price index measure the inflation rate between any two time periods. The most common inflation metric is the percent change from one year ago. It can also represent the buying habits of urban consumers. This particular index includes roughly 88 percent of the total population, accounting for wage earners, clerical workers, technical workers, self-employed, short-term workers, unemployed, retirees, and those not in the labor force.

**Green Street Commercial Property Price Index:** The index is a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted. Features that differentiate this index are its timeliness, its emphasis on high-quality properties, and its ability to capture changes in the aggregate value of the commercial property sector

**MSCI US REIT Index:** The MSCI US REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. The index is based on MSCI USA Investable Market Index (IMI) its parent index which captures large, mid and small caps securities. It represents about 99% of the US REIT universe. The index is calculated with dividends reinvested on a daily basis.

**NFI-OCDE Index:** The National Council of Real Estate Investment Fiduciaries Fund Index - Open End Diversified Core Equity, is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of 38 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-OCDE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted. NCREIF will calculate the overall aggregated Index return.

**S&P 500 Index:** The index measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid 1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

