

# Does Exchange Invest in Real Estate?

By: Exchange Capital Management

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When conducting due diligence on wealth management firms, you'll come across many investment philosophies. You might be wondering how real estate fits into our investment philosophy. Our portfolios are often built around two main strategies: diversification and strategic asset allocation.

Depending on a client's unique circumstances, we may allocate outside of stocks and bonds. One investment we may incorporate into some client accounts is real estate. Real estate is an investment that many people already have in other parts of their lives, outside of their primary residence. While a primary residence is still included in calculating your net worth and building your financial plan, it is classified as a necessity, rather than an investment. If you own a vacation home or lake house, that could be considered a real estate investment.

## Diversification

For some clients, real estate can provide an extra level of diversification in a portfolio outside of the traditional markets. Real estate often reacts differently than stocks and bonds. In times of a market downturn, the real estate in your portfolio could be performing well. Due to its differing reaction during certain market downturns, it can also provide an additional level of security and comfort for investors when the stock market is volatile.

## Hedge Against Inflation

Another benefit of real estate is how it reacts during inflationary periods. Historically, when experiencing inflation, real estate investments have typically thrived. This is because rent is a large component of the Consumer Price Index (CPI). The CPI measures the monthly average change in prices paid by U.S. consumers, reflecting the inflation rate. When prices rise, we

usually see rent for office spaces and apartments increase. These higher rent prices can provide investors with additional profit even when other markets are struggling.

## **What Real Estate Does Exchange Invest In?**

Our real estate investing due diligence is focused on institutional, high-quality properties, not seedy landlords and outdated apartments. When you hear real estate at Exchange, you should be thinking of Class A office spaces, industrial real estate, high-end apartments, retail, and specialty properties like medical research facilities.

We invest in these real estate sectors by utilizing interval funds. Interval funds are a type of closed-end mutual fund that allows shareholders to pool their money and invest in opportunities only available to large institutional investors. For real estate, an interval fund allows investors to buy into the fund and have access to a diversified holding of real estate sectors and investments.

## **The Bottom Line**

Real estate doesn't make sense in every portfolio. Its suitability depends on your long-term goals, time horizon, and investment experience. We tailor all portfolios to your long-term financial plan built by our advisors. Consider giving us a call and scheduling a discovery meeting to build a plan to reach your goals.