

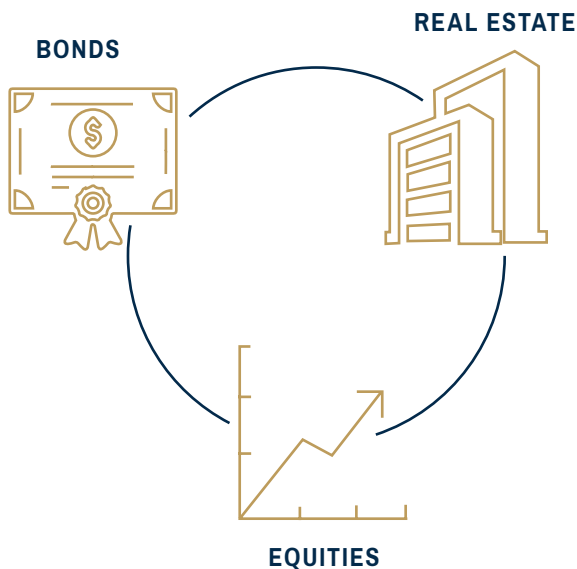


# Watch Skylines, Not Stock Tickers

DIVERSIFYING YOUR PORTFOLIO WITH COMMERCIAL REAL ESTATE



# Diversifying Your Portfolio with Non-Correlated Asset Classes



While diversifying your investments across various sectors in the stock market is key, it's not enough. The exposure that comes with maintaining a stake in today's often volatile equity markets requires additional diversification strategies that include classes of investments not correlated with financial markets.

Because real estate represents the third-largest asset class, after equities and bonds, and is not directly or causally related to financial markets, it has been a go-to choice for investors looking to round out investment portfolios that consist mostly of stocks and bonds.

In fact, the Harvard Management Company (HMC), responsible for managing Harvard University's \$37+ billion endowment, has benefited tremendously from including direct real estate investments as a key strategy in diversifying its portfolio. In 2015, HMC's direct real estate investments posted the highest annual return (19.4%) of all portfolio asset classes. Direct investing in institutional-quality commercial real estate has historically been inaccessible to the average investor, and has largely only been available to deep pocket investors—until now.

"The online platform lets me invest in CRE with good returns while diversifying from the stock market,"

**A CrowdStreet Investor,**  
2017–2018 CrowdStreet Investor Survey



“

The real estate portfolio continued its multi-year run as our highest performing asset class, driven primarily by the success of our direct investment strategy, which now comprises more than half of the overall real estate portfolio. Our internal real estate team and joint venture partners have developed a direct investment program that has delivered outstanding results since its inception in 2010.

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**ROBERT A. Ettl**  
**PRESIDENT AND CEO, HMC**  
HMC ANNUAL ENDOWMENT REPORT, SEPTEMBER 2016





# Crowdfunding: Transforming the Way We Invest

## HERE TO STAY

Global market for real estate crowdfunding surpassed \$3.5 billion in 2016<sup>1</sup>

Crowdfunding industry projected to grow to \$300+ billion by 2025<sup>2</sup>

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1 CROWDSOURCING.ORG

2 FUNDLY.COM

Until recently, many investors were limited by the options they had for moving into real estate investing. You could opt for a play in single-family investments, such as owning rental properties or flipping houses, or you could participate in Real Estate Investment Trusts (REITs) or commercial real estate (CRE) funds.

Today, those options are greatly expanded and it's possible for all investors to participate in previously out-of-reach, single-asset commercial real estate investments. This opportunity comes on the back of legislation changes and an increase in accessibility powered by crowdfunding platforms.

This means that individual investors can now maintain a balanced three-leg investment approach (equities—bonds—real estate) without needing to become landlords or house flippers. In fact, there's a whole world of commercial real estate options that were previously out of reach to everyday investors that are now available as viable investment vehicles.

# The Old Barriers to Entry for CRE

“Being new to commercial real estate investing, I think that the most important advantage [the platform] offers me is the ability/opportunity to invest in a wide variety of high-quality real estate projects. The platform enables me to participate in potentially lucrative opportunities across the U.S. that would otherwise have been unknown/unavailable to me.”

**A CrowdStreet Investor,**  
2017–2018 CrowdStreet  
Investor Survey

Commercial real estate used to be an option that only a few could (or would want to) gain access to. You could either invest in a REIT, which came with relatively high management fees and a lower level of transparency than other real estate investing options, or choose to part with a relatively large amount of cash to be included in a private CRE deal being floated in your personal network.

Today, however, investors have the ability to choose exactly which projects they'd like to invest in with access to an entire marketplace of no-fee, single-asset CRE opportunities. Not to mention, the introduction of advanced technology platforms into the mix means that investors can monitor all of their CRE investments from a robust reporting dashboard.

The days of private commercial real estate being available to only a limited few are over. Access to CRE investment opportunities used to be a case of needing to know the right person, being part of the right social scene, having a very large amount of investable capital, or living in the right geographical area—but not anymore.

It's no longer necessary to be a part of a CRE broker's immediate professional or social network to have access to single-asset commercial real estate opportunities. All of these barriers to entry have been removed and individual investors are now accessing CRE opportunities all over the country.

# The New World of CRE

In the early 90s, you needed a stock broker if you wanted to buy and sell on the major exchanges, and that came with a lot of fees, but E-Trade and the other investment-based apps and websites changed that model. This put the power directly into the hands of investors. And now CrowdStreet is doing for CRE investments what those players did for the stock market.

This democratization of opportunity means that you don't need to be a part of a CRE sponsor's social networks to have access to single-asset CRE offerings. Not to mention, you can enter these opportunities with less risk, because you have the option to further diversify your investments by participating across more offerings. The lower minimum investment amounts are possible because CRE sponsors now have the ability to offer their investment opportunities to a larger pool of investors.

## THE DEMOCRATIZATION OF OPPORTUNITY

### THEN

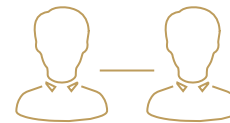


Personal Stock Broker

### NOW

**E\*TRADE**

Online Investing



Personal Social Network

**CS**  
CROWDSTREET

Online CRE Investing

# Diversifying Beyond the Surface

"Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is about the safest investment in the world."

**Franklin D. Roosevelt,**  
U.S. President

To maintain a truly diversified portfolio, you must take the principle of diversification beyond the point of simply allocating funds to a new broad category of asset class. This is just the first level to be considered. The next level of course requires the employment of diversification strategies within that asset class.

With CrowdStreet, investors are not only able to participate in previously unavailable real estate opportunities, but are also afforded the chance to spread their investments across the asset class into various types of opportunities.

Commercial real estate is generally broken into four main categories: office, industrial, retail and multi-family, although there are a plethora of opportunities that fall outside the traditional four, including: hotels, student housing, self storage facilities, senior housing and mobile home parks. These various categories provide investors with an additional layer from which to diversify investments.

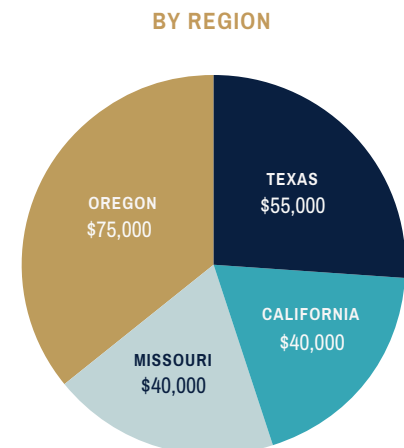
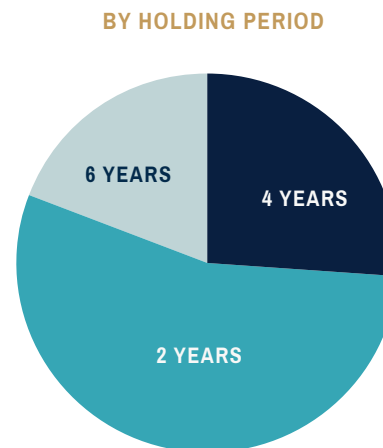
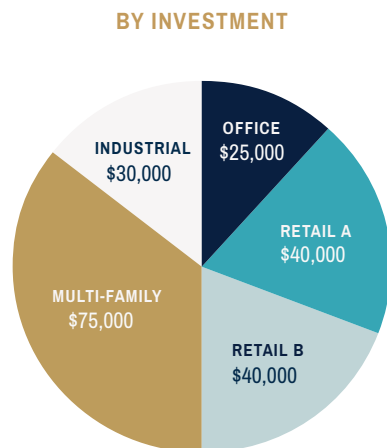
# Commercial Real Estate Portfolio Holdings

For example, instead of investing \$210,000 into just one multi-family property, with CrowdStreet, you can choose to allocate that \$210,000 across five separate properties.

In this case, you may choose to invest the first \$25,000 in an office building, the next \$40,000 into two separate retail projects, \$75,000 into a multi-family property, and the final \$30,000 in an upcoming industrial space.

Beyond just category, CRE investments can be diversified across geography, risk profile, sponsorship, holding period, business model, and more. Today's investors want options. They are looking to diversify, whether that means investing in a mix of opportunities with different distribution models, or, in the words of one CrowdStreet investor, "developing a ladder portfolio of short-term and long-term hold periods."

\$210,000  
investment





# Three Ways to Invest with CrowdStreet

CrowdStreet believes that every investor deserves open and equal access to CRE offerings – it's why we created the marketplace in the first place. But we also know that investors want choice, which is why CrowdStreet provides investors with three ways to buy into commercial real estate offerings.

Choose the best investment vehicle for you.

## DIRECT INVESTING

- Invest directly in individual institutional-quality CRE offerings on the CrowdStreet marketplace
- Be empowered through choice - you invest in the offerings that meet your criteria
- No middle-person - get direct access to sponsor information and communication
- Investment minimum varies by offering & sponsor

## FUND INVESTING

- Single contribution to invest in 30 - 50 highly vetted CRE offerings via the CrowdStreet Blended Portfolio
- Achieve unparalleled diversification across multiple property types, risk profiles, sponsors, offering structures & geographies
- No need to choose a single “winner” in the marketplace
- Investment minimum is \$25,000

## MANAGED INVESTING

- CrowdStreet Advisors will build a personalized portfolio of direct CRE investments based on your profile and needs
- Our expert advisors will fully manage your portfolio according to your customized strategy
- Developed with your other investments in mind to create a holistic, long-term investment strategy
- Investment minimum is \$250,000

# What Type of Investor Uses CrowdStreet

Real estate has long been known to be a primary driver for wealth creation, as well as a stable vehicle for maintaining that wealth. And today, investors have more options than ever before for participating in the commercial side of this asset class.

Based on data culled from the CrowdStreet Marketplace platform, the average CrowdStreet investor is an experienced and sophisticated investor with a high net worth. To get a feel for what this means in relative terms, of the active investors on CrowdStreet, 20% have portfolios consisting of \$1M+ in investments, with an average portfolio size of \$1.6M. Another 20% of the investor base has a portfolio ranging between \$500K-\$1M, with an average portfolio size of \$674K. And for the CrowdStreet investors with portfolios consisting of less than \$250K, the average portfolio size is nearly \$75K.

If this sounds like you and you're interested in diversifying your investment portfolio with commercial real estate holdings, please visit us at [CrowdStreet.com](https://www.CrowdStreet.com)

[SALES@CROWDSTREET.COM](mailto:SALES@CROWDSTREET.COM)

610 SW BROADWAY, SUITE 600

PORTLAND, OR 97205

888.432.7693

[CROWDSTREET.COM](https://www.CrowdStreet.com)

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