

Real Estate Strategies Overview

SACRS Spring Conference

BACKGROUND

Ryan Swehla

- President & Co-Founder
- 20+ years in the industry
- Columbia University (engineering, finance)
- Avid mountaineer & backpacker



Forbes

BARRON'S



Graceada Partners is a vertically integrated value-add real estate investor focused on apartments and industrial parks in secondary & tertiary markets of the Western US

2008

Year
Founded

70+

Team
Members

10

Number
of
Markets

4

Number of
Closed-
End Funds

41%

Realized
Net IRR

1.74x

Realized
Net MOIC

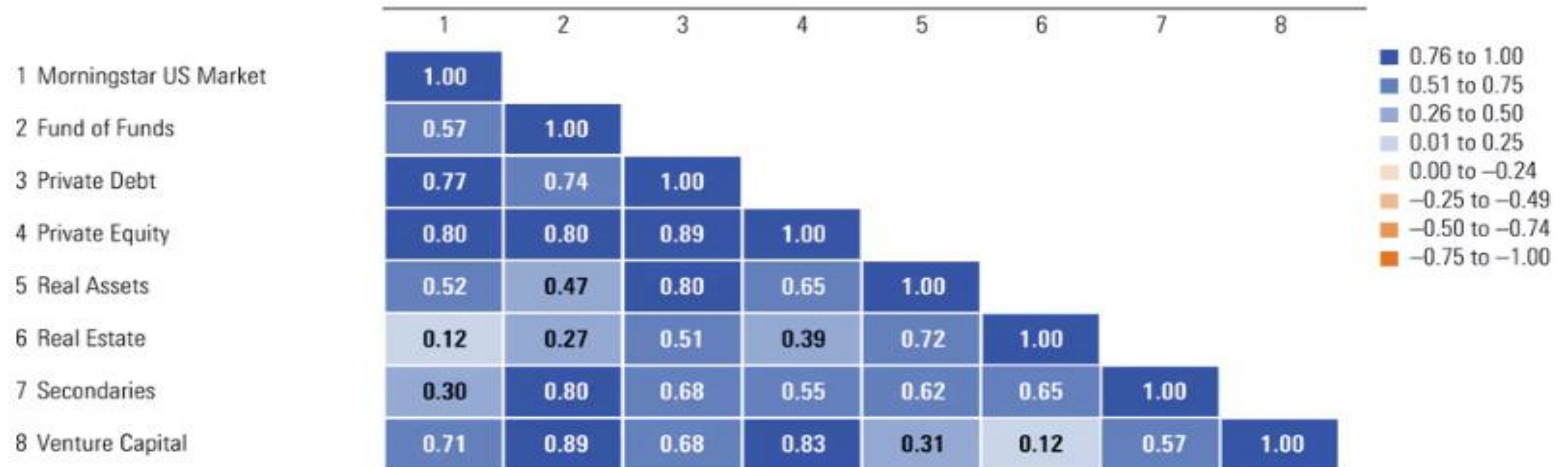
Why Do We Invest in Real Estate?

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- Income (Cash Flow) Generation
- Appreciation
- Intrinsic/Retained Value
- Low Correlation (Strong Diversifier)

CORRELATION

3-Year Correlation Matrix: Private Investments

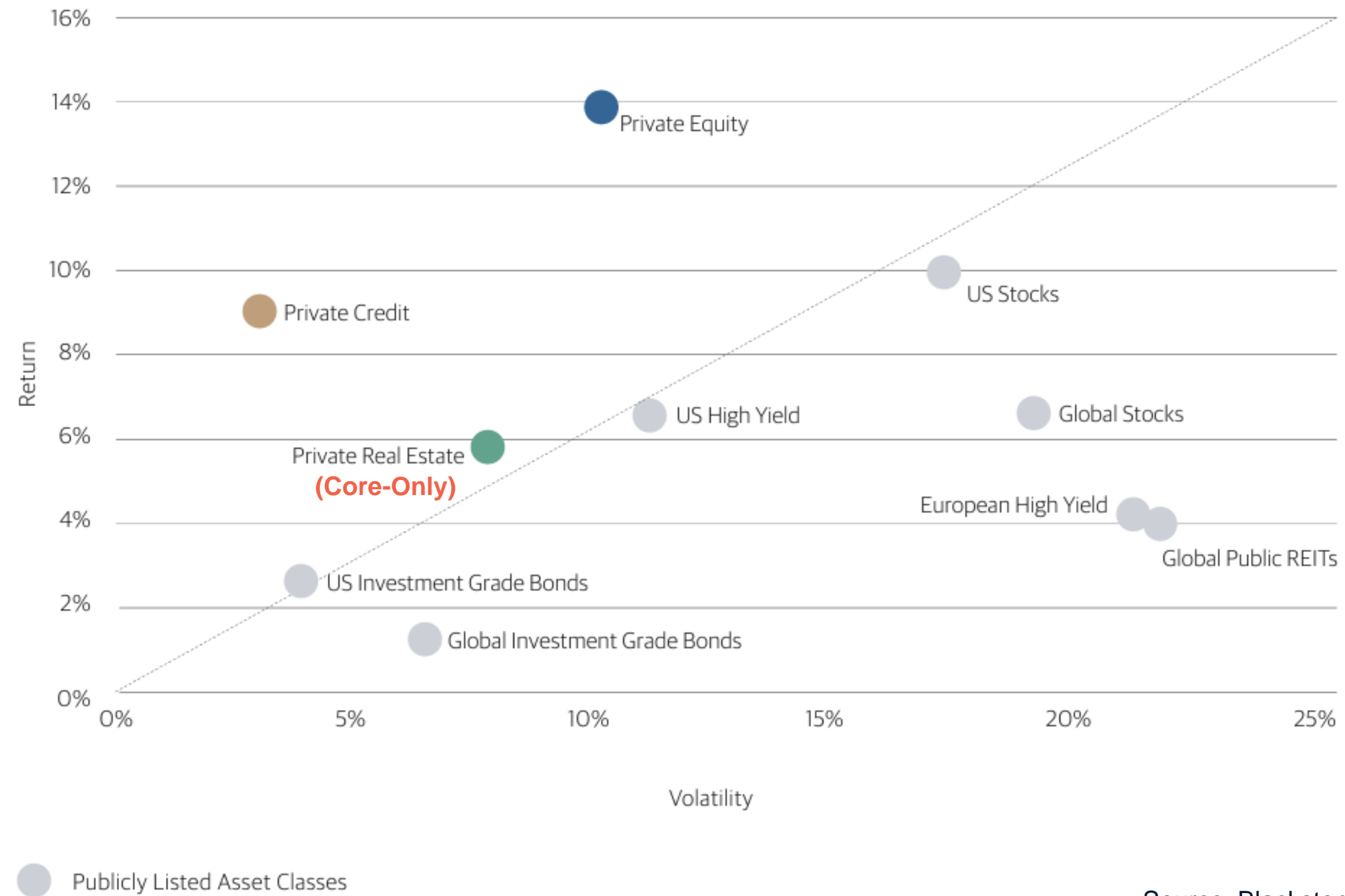


Sources: PitchBook and Morningstar Direct. Correlations are based on internal rates of return for all but the Morningstar US Market Index, which is based on total returns. Quarterly data as of June 30, 2022.

- Public real estate = high correlation to the stock market
- Private real estate = lowest correlation to the stock market
- Public real estate is not a meaningful diversifier from the stock market

RISK-RETURN

EXHIBIT 1: Risk-Returns of Select Asset Classes
(2008-2023)

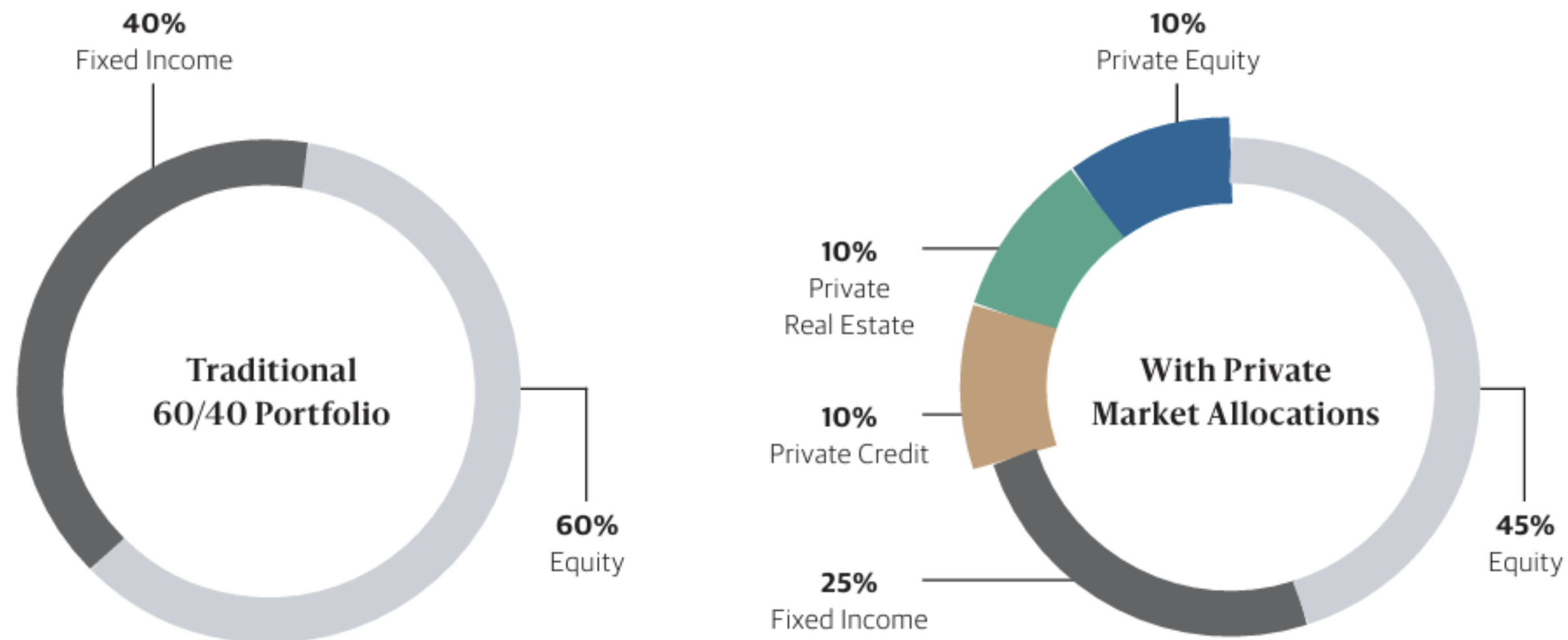


Source: Blackstone

Real estate is not an efficient market > Greater return without greater risk

EXHIBIT 3: Allocating to Alternatives, 2008-2023 | An Illustration

	60/40 Portfolio	Portfolio with Private Market Allocations
Annualized Return	4.7%	6.5%
Annualized Volatility	12.6%	10.3%
Current Yield	2.9%	3.4%



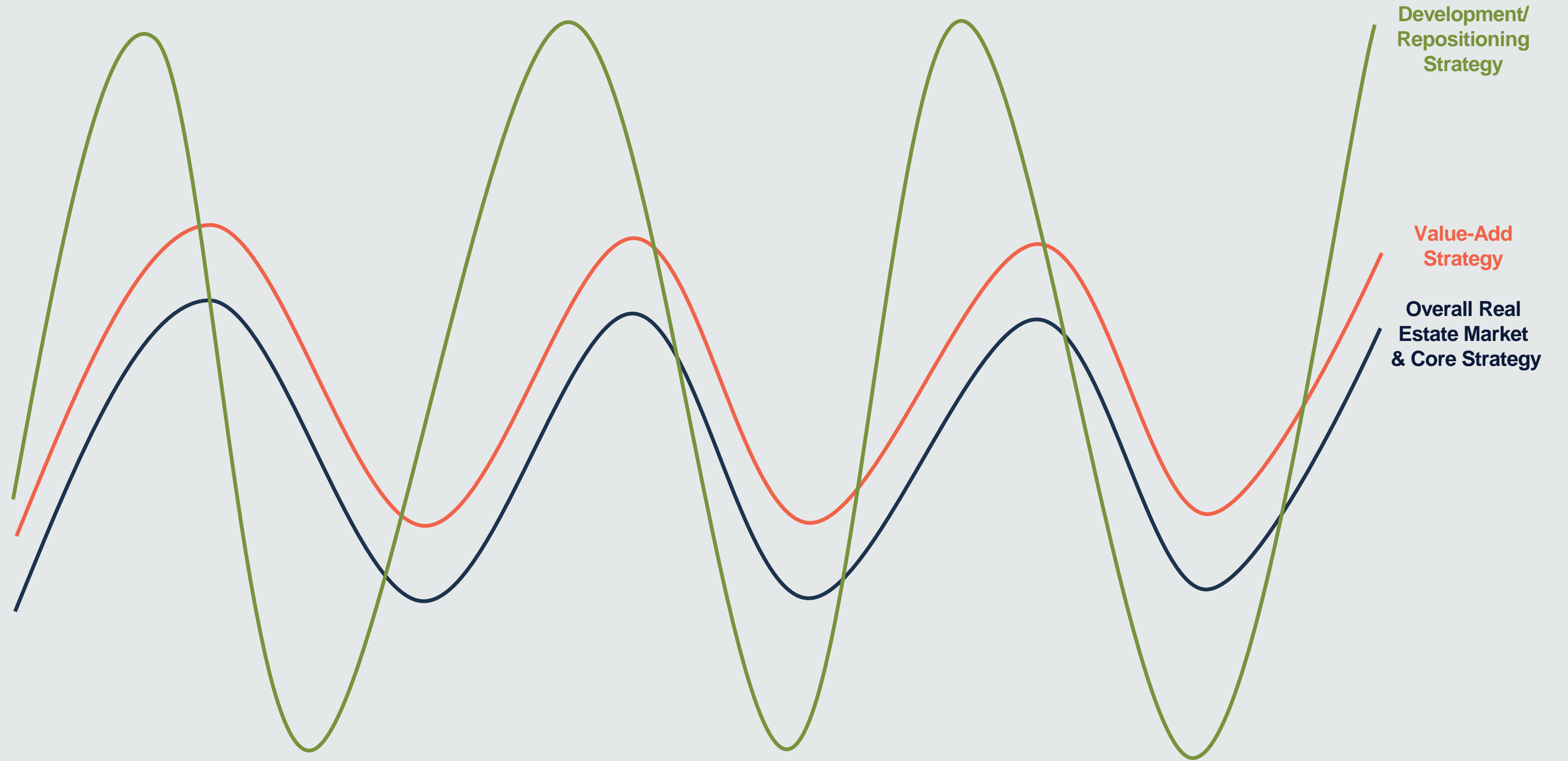
Source: Blackstone, Bloomberg, Morningstar, Cambridge Associates, NCREIF, Cliffwater, as of 3/31/2023. As commonly used in the industry, the 60/40 portfolio is 60% allocated to the MSCI ACWI and 40% is allocated to the Bloomberg Global Aggregate Bond index. Private Credit is represented by the Cliffwater Direct Lending Index. Private Real Estate is represented by the NFI-ODCE Index. Private Equity is represented by the Cambridge Assoc. US Private Equity Index.

STRATEGIES

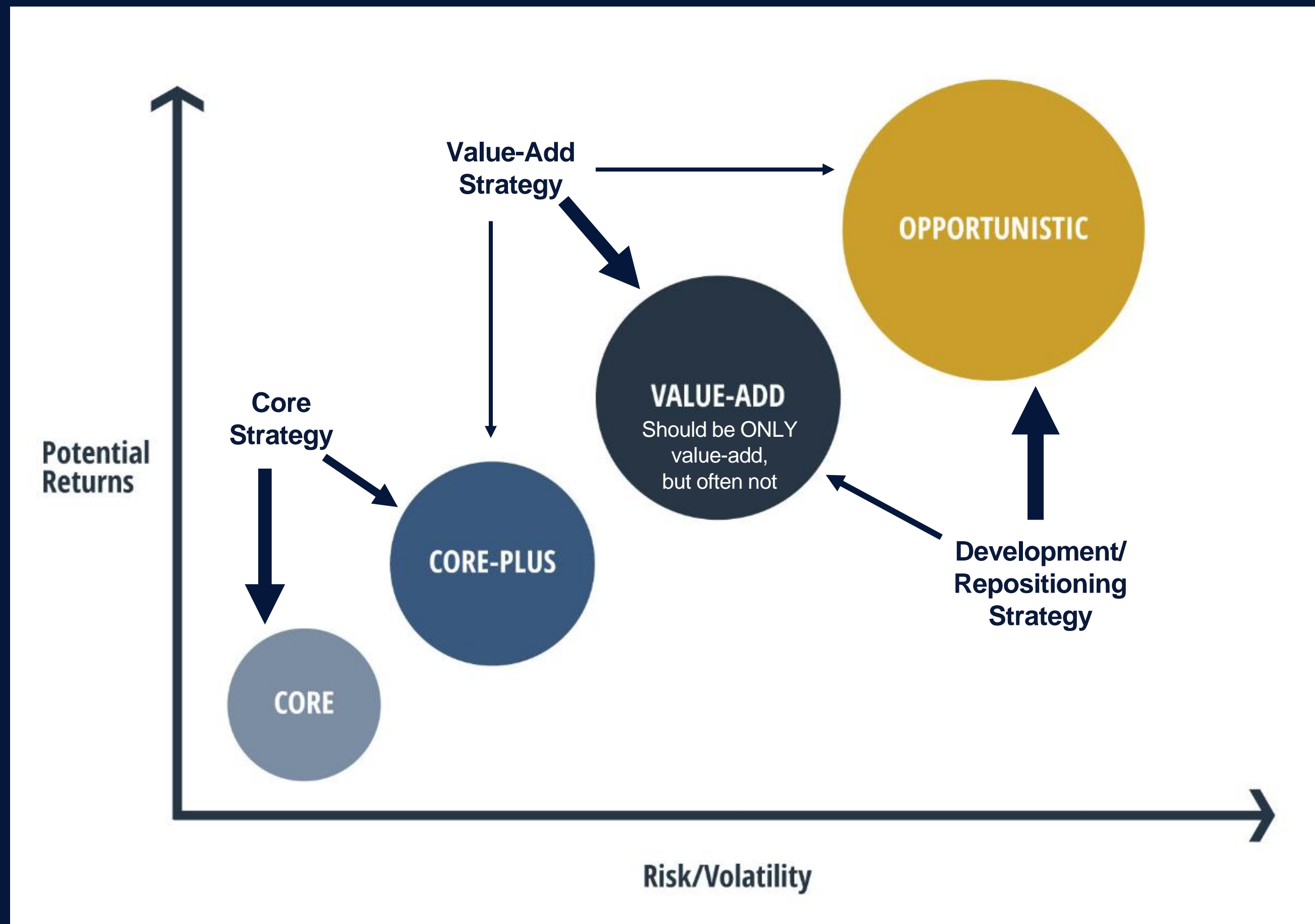
	Core	Value-Add	Development/ Repositioning*
Portfolio Characteristics	Bond or dividend stock-like: cash flow with appreciation	Private equity-like: focused on growing cashflow & value and harvesting	Venture capital-like: Creating value from little/nothing
Typical Return Range	5-8%+	11-15%+	16-20%+
Source of Return	Cash flow + market appreciation	Cash flow + value creation through income (NOI) growth	Value creation through construction/repositioning & leasing
Capital Appreciation	Moderate	High	High
Timing of Return	Quarterly on cash flow	Quarterly cash flow (more limited) and exits	At exits
Volatility/Risk	Low volatility	Low volatility	High volatility
Management Style	Passive Management	Active Management	Active Management
Structure	Open-end fund with fees	Closed-end fund with fees and performance-based compensation	Closed-end fund with fees and performance-based compensation
Impact From Real Estate Market Cycles	Value reflects the current real estate market	Market cycle hedge - value can be added through cycles	Highly dependent upon real estate market cycle timing
Market Size	Large universe of investments	Small universe of investments	Small universe of investments
Leverage (Debt)	40-60%	50-70%	60-80%+

* Includes distress strategy which is a very limited/tactical time-dependent strategy

STRATEGY CYCLE



WHAT'S IN A NAME



Operator (Vertically Integrated)

- Directly and wholly owns & operates investments
- Generally not able to deploy as much capital as an allocator
- Full control of execution
- Sourcing from relationships in the markets
- More capital and people intensive
- Fees & compensation to operator
- Less common structure

Allocator

- Allocates capital to operating partners who execute investments
- Generally able to deploy more capital than an operator
- Reliant on operating partners for execution
- Sourcing from operating partners
- Less capital and people intensive
- Fees & compensation split between allocator and operating partners
- Most common structure

TAKEAWAYS

- Private real estate is the strongest diversifier (lowest correlation) to stocks
 - Public real estate (REITs) has high correlation (weak diversifier) to stocks
- Different private real estate strategies serve different purposes
 - Core: Bond/dividend replacement, market-driven outcome
 - Value-add: Private equity-like, market hedge, active value creation
 - Development/Repositioning: Venture capital-like, high potential returns
- A name is a name – know what strategies are allowed in the docs
 - Find value-add strategies that take on limited/no development risk to preserve value-add characteristics/risk (reduced volatility & market cycle exposure)
- Know your preference for allocators vs. operators

GRACEADA
PARTNERS

Thank you

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