



Welcome to this very special edition of the DCREC Podcast Series, sponsored by the Defined Contribution Real Estate Council. An organization passionate about providing American workers a financially secure retirement by investing in commercial real estate. And now, here's today's host, Todd Schnick.

Todd: Good morning, and welcome back to this special edition, DCREC briefing. I'm host Todd Schnick. Thanks for joining us. On tap for today, we're going to learn all about the Defined Contribution Real Estate Council's research and content committee. And we're joined by the committee co-chairs, Jason Frederick and Brian Velky. Gentlemen, welcome to the show.

Jason: Thank you very much.

Brian: Thank you Todd.

Todd: Alright, well good to have you, thanks for joining us. Jason, lead us off, walk us through what the role of the DCREC Research and Content Committee is?

Jason: Sure, appreciate the time this morning Todd. Really the role of the Research Committee is to assist the Defined Contribution Real Estate Council, in fulfilling its mission, which is to promote the inclusion of investments in both private commercial real estate and public real estate securities, including REITs within defined contribution plans. We do so by sponsoring research, and publishing analysis and insights, communicating the benefits of including commercial real estate within multi asset investment portfolios, with the goal of improving defined contribution participant outcomes. We also seek to provide insight from leading defined benefit plan sponsors, who have historically invested in the commercial real estate asset class and how they have incorporated both public and private commercial real estate into their plans to serve as a model for those asset allocators in the defined contribution market.

Todd: Alright, well thank you for explaining the role. Brian, walk us through some of the activities that committee has been working on.

Brian: Thank you Todd. DCREC and the Research Committee itself has invested significant time over the past several years bringing together industry leaders, and establishing a baseline around the market in its sentiment, support, and interest from plan sponsors, consultants and target date funds on the inclusion of commercial real estate in DC plans. It has been encouraging to see that as a result of these activities, stakeholders now - more than ever, view commercial real estate as a fundamental asset class that deserves serious consideration as part of the investment menu of DC plans. While the fundamental support can clearly be demonstrated in the research projects that have already been undertaken by the DCREC Research Committee it is really in



the past 2 weeks of market volatility that shines a light on the true diversification and low correlation benefits of private commercial real estate. It is the same fundamental research that has driven the defined benefit allocation to real estate since before the 1980's - and is now making it's way into the thinking of more and more DC investment plans. So to help support market awareness and promote growth of real estate investment available for DC plans, the DCREC Research Committee is in the process of finalizing a real estate investment manager survey that is being done to establish a daily valued real estate product inventory, that is available to the marketplace for investment. The long-term goal is ultimately to track growth of assets under management, and the corresponding usage in DC plans - for both public and private real estate. So with that, I'll actually turn it over to Jason Frederick, who can offer some additional insight into other research activities that have taken place on the Research Committee to date.

Jason: Thanks Brian. And really the hallmark of the research committee to date is - a report commissioned by the Defined Contribution Real Estate Council by Drew, Walk & Company-- Specifically doctors Michael Drew, Adam Walk and Jason West. The study, which is titled, "A Path to Better Retirement Outcomes: Allocating Real Estate Assets to Retirement Portfolios" examines the role of both public and private commercial real estate in defined contribution multi-asset portfolios for example, balanced funds, target risk and target date funds. The study investigated a potential investment case for adding commercial real estate, to protect against a shortfall in retirement funding, while simultaneously observing reduced volatility and enhanced risk adjusted performance - relative to target date type portfolios, using only the traditional equity or fixed income asset allocation strategy.

Todd: Yeah, Jason, I will want to ask about the findings of the study. It sounds fascinating. But Brian, walk us through why you went with Drew, Walk & Company.

Brian: Yes, well the authors are academics. They have deep expertise through their consulting business in the pension and retirement industry in Australia. As many know, the Australian superannuation fund is a mandatory defined contribution like system having significant allocation to commercial real estate, and really viewed as a world model in the use of commercial real estate investments within its investment plans. So Drew Walk works with institutions to seek out and optimize participant outcomes, which is precisely the reason why the DCREC Research Committee sought their expertise. To provide perspective, their clients include - defined benefit plans, defined contribution plans, sovereign wealth funds, foundations, and endowments and are highly respected throughout both Australia and the US. Their fundamental approach to research was to bring to life the academic theory behind the case for investing in real estate, while also realizing the importance of maintaining practical, real world application in the theory itself.



Todd: Alright, I got it. Now I understand why you worked with them. So Jason, share with us some of the key findings from this study.

Jason: Sure, the authors findings really confirm that certain defined contribution portfolios, such as what I mentioned previously - target date, target risk or balance strategies with a relatively modest, say 10% blended allocation to commercial real estate - both listed and unlisted and in respect to this report, that was both 5% respectively to those listed and unlisted commercial real estate, really provides similar outcomes and in some cases, better results - as compared to portfolios not including commercial real estate. In addition, the study found that this blended commercial real estate allocation, when added to portfolios, - also provides better down side protection and a smoother transition to portfolio success as those participants move from savings or the accumulation phase, if you will, - to a retirement or income-spending phase. So overall, the study found good, strong support for allocations to commercial real estate in defined contribution plan designs. Particularly a blended allocation, as mentioned previously, using both listed and unlisted commercial real estate exposures. The report concluded, or concludes that the diversifying characteristics of commercial real estate can both improve portfolio efficiency, and retirement outcomes.

Todd: Yeah, good stuff. Jason, thanks for sharing those key findings. Brian, how can one access this full report if they're interested in learning more?

Brian: Great question Todd. I would encourage anyone interested in learning more about the Defined Contribution Real Estate Council - or to download the complete research report by Drew, Walk & Company, titled, "A Path to Better Retirement Outcomes." To visit the council's website at www.dcrec.org. The dcrec.org website details the mission, member firms, and other relevant industry research and white papers.

Todd: Okay. Good stuff. So again, it's dcrec.org, where you can download this study. Alright, well that's all the time we have for today. So on behalf of my guests, Jason Frederick, and Brian Velky - I am Todd Schnick, we'll see you next time on the DCREC briefing.