**For Immediate Release**

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**New study finds:**

**ADDING REAL ESTATE EXPOSURE TO DEFINED CONTRIBUTION PLANS ENHANCED THE RISK-RETURN PROFILE, DAMPENED VOLATILITY & IMPROVED OUTCOMES FOR PARTICIPANTS**

*A 10 percent mix of listed and unlisted real estate would have improved retirement outcomes for plan participants and provided a smoother path to success*

NEW YORK, (November 4, 2014)– An allocation of as little as 10 percent to a mix of listed and unlisted real estate enhanced the risk-return profile of a defined contribution (DC) plan portfolio, improving the probability of successfully achieving desired retirement outcomes, according to the results of a new study released today by the Defined Contribution Real Estate Council (DCREC).

The study, ***A Path to Better Retirement Outcomes: Allocating Real Estate Assets to Retirement Portfolios***, was conducted by Michael E. Drew, PhD, a Professor of Finance at the Griffith Business School at Griffith University, Adam N. Walk, PhD, also from the Griffith Business School, and Jason M. West from Bond University.

The study determined that the sequence of portfolio returns plays a critical role in the ability of DC plan participants to achieve their retirement savings goals, and this is particularly important late in the accumulation phase and early in the transition to retirement. Further, a portfolio strategy that includes real estate could deliver a smoother transition, improving long-term participant outcomes, and helping DC investors avoid adverse responses to temporary market setbacks – for

example, switching out of risky assets and moving out of the market altogether after a significant downturn. This gradual transition increases the likelihood that participants will 'stay the course' and achieve their goals.

In the study covering the period from January 1976 to January 2014, the authors examined historical DC-style asset allocations, including target date and target risk funds, and added a 10 percent allocation to real estate for their research. The simulated portfolios ranged from 100 percent stocks to a 60/40 stock/bond blend, and included well-known established target date and target risk glidepaths. The real estate allocation was made up of a 50/50 blend of listed and unlisted real estate. For the portfolio simulations including a real estate allocation, the exposure to real estate was taken equally from the stock and bond portions of the portfolio.

Based on these simulations, the authors concluded that the portfolios:

- Achieved similar expected outcomes and in some cases better results when compared to portfolios without an allocation to real estate;
- Did so with better tail risk characteristics; and,
- Achieved success to a similar extent as their non-real estate alternative portfolios, but with a smoother path to the end goal.

The study notes that listed real estate, represented by REITs, has often played a role in DC portfolios as REITs provide an easily implemented exposure to the asset class due to their liquidity, generally diverse holdings, and valuation cycles that mirror stocks and bonds. Plan sponsors have been slower to adopt unlisted real estate. The authors point out that unlisted core real estate has a number of characteristics that should make it attractive to plan sponsors as well, including returns closer to that of bonds but with significantly lower (reported) risk than stocks, regular income (making it a reasonable bond substitute), low (reported) volatility and low correlation to listed markets.

In addition, some types of unlisted real estate have demonstrated inflation hedging characteristics, potentially making the asset class a reasonable defensive asset from the perspective of a liability-driven investor.

"Given the myriad of retirement risks faced by plan participants – market returns, inflation, taxes, and interest rates, to name but a few – the diversifying characteristics of both listed and unlisted real estate may provide an opportunity to improve portfolio efficiency and retirement outcomes," said Professor Drew. "With the prominent role real estate plays globally in retirement plans, we believe the time is right for US-based plan sponsors to re-think how they provide exposure to this asset class in defined contribution programs."

**About the Defined Contribution Real Estate Council (DCREC)**

The Defined Contribution Real Estate Council was formed in 2012 to promote the inclusion of investments in direct commercial real estate and real estate securities, including REITs, within defined contribution plans. Its goal is to improve participant outcomes by furthering education about, advocacy for, and best practices of such investments.

Founding members include many of the leading providers of real estate investment products to the defined contribution marketplace. Total membership has grown from 10 to 28 firms since its launch.

More information can found be at www.dcrec.org

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