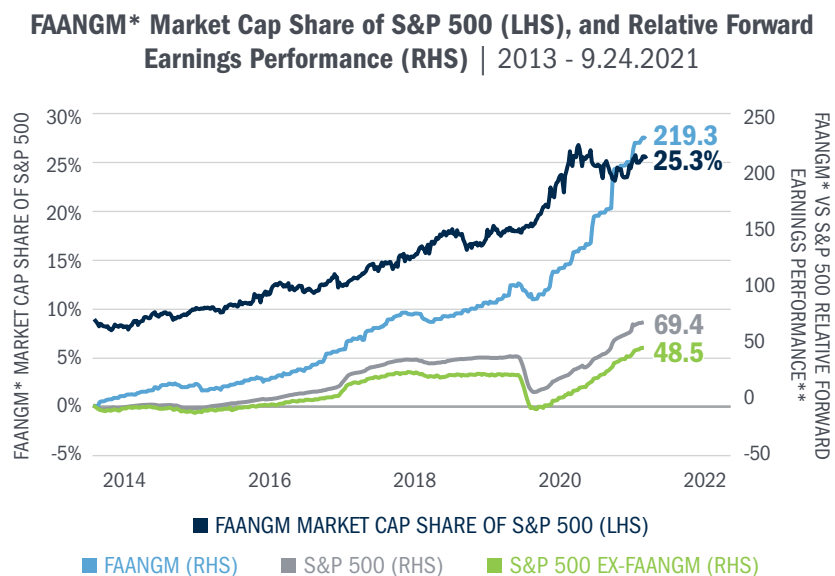


# Where are the Investment Opportunities in Today's Environment?

<b>CHALLENGE:</b>	Fundamental issues may exist within equities and fixed income markets, which should make investors cautious.
<b>SOLUTION:</b>	Several private real estate sectors have shown strong resiliency to today's market challenges and have experienced favorable trends.

## Equity Markets – Concentration and Valuation Concerns

Market capitalization continues to concentrate in the largest corporations, investors' exposure to the tech sector and reducing diversification. These same companies drive forward earnings and returns and increase the risk of loss if any of these miss expectations.

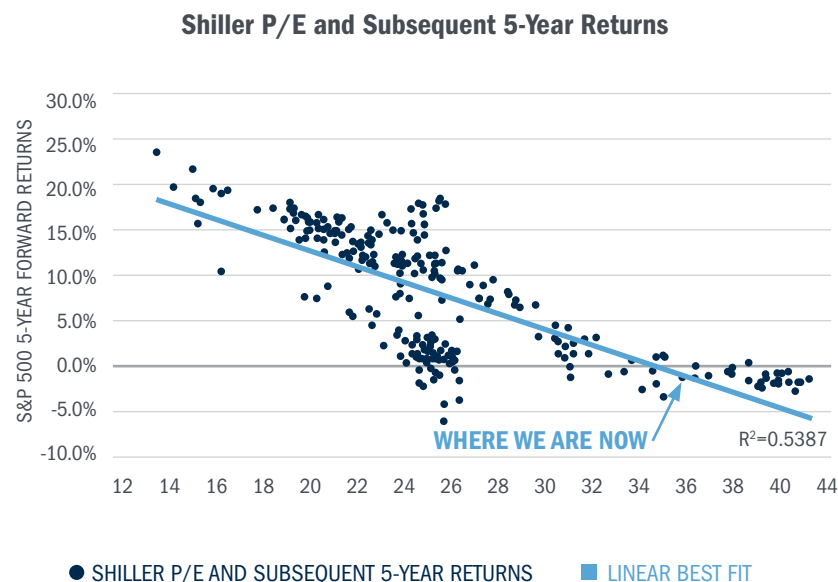


\*FAANGM stocks include Facebook, Amazon, Apple, Netflix, Google (Alphabet), and Microsoft. Both classes of Alphabet are included.

\*\* Indexed to 0 on 1.1.2015

Source: Yardeni Research

The Shiller cyclically adjusted P/E ratio has historically shown correlation to subsequent 5-year equity returns. At the current higher CAPE ratios, S&P 500 returns may be lower than the long-term average for the upcoming five years.

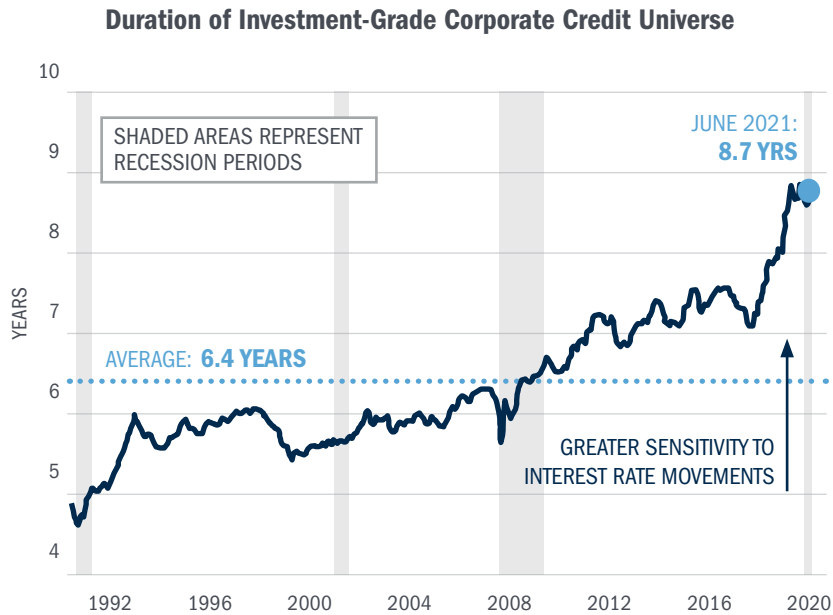


Shiller CAPE ratios measured each month-end from July 1996 through October 2016. S&P returns represent annualized forward 5-year returns, through September 2021.

Source: Morningstar

## Fixed Income Markets – Interest Rate Risk and Inflation Risk Continue to Increase

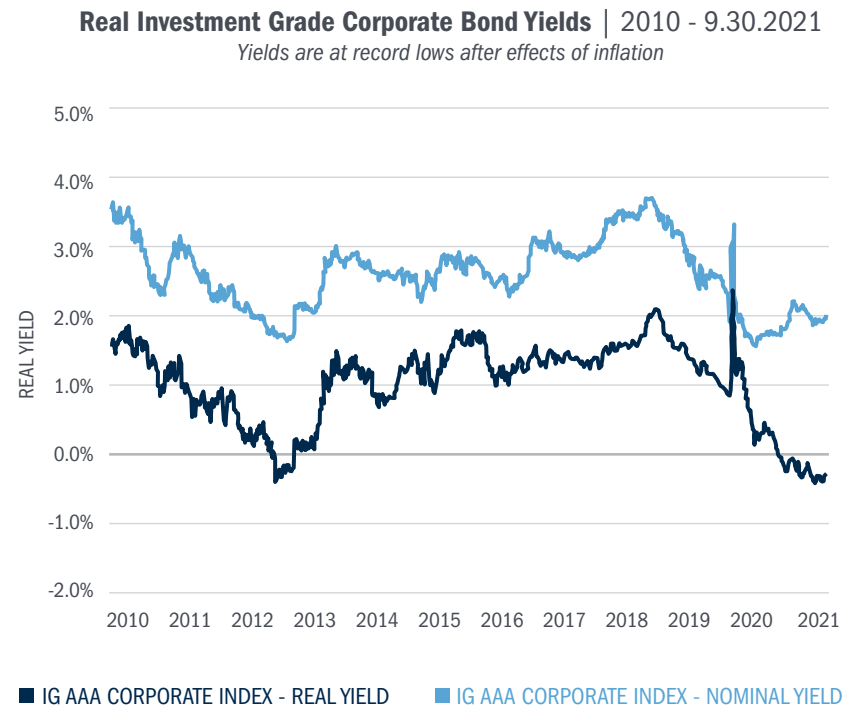
With low yields in US and global markets, both passive indexes and active managers have lengthened fixed income duration to all-time highs, increasing the risk of capital loss if rates rise.



Duration of investment grade is based on the Bloomberg Barclays U.S. Aggregate Investment Grade Corporate Credit Index.

Source: JP Morgan, Guide to the Markets

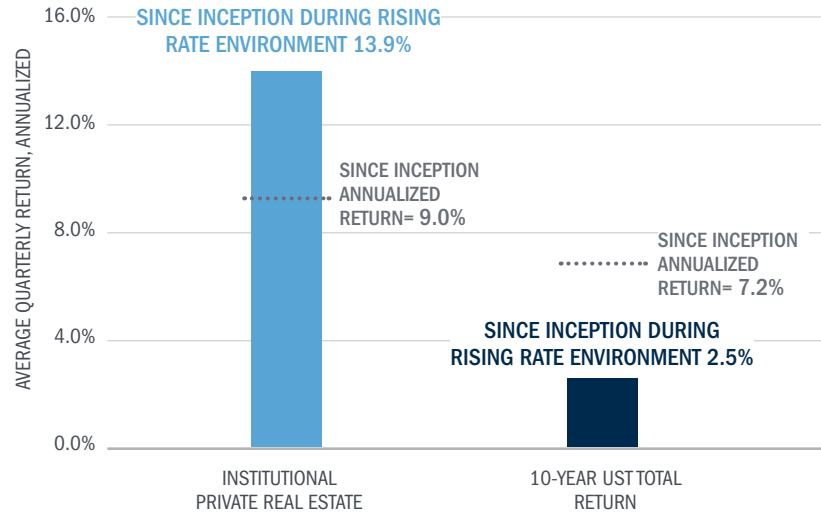
US corporate fixed income has entered into negative real-yielding territory after the effects of inflation are taken into account.



Source: Morningstar, US Federal Reserve

# Institutional Private Equity Real Estate May Experience Tailwinds in Today's Markets – Rising Interest Rates May Signal a Strong GDP Growth, Driving Real Estate Appreciation

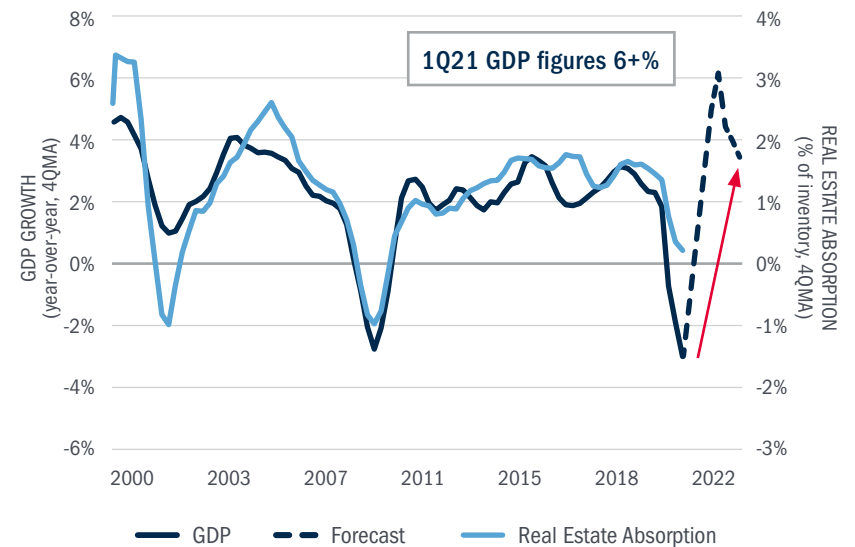
Private real estate significantly outperforms during rising rate environments both its long-term average, as well as fixed income.



A rising interest rate environment is defined as quarters when the Effective Federal Funds Rate (FFR) increased 25 basis points or more; NCREIF Property Index (NPI) and 10-year US Treasury Bond Total Return (ICE BofA US Treasury 7-10 yr.) tallied, averaged and annualized for those quarters. Analysis since NPI inception (Jan 1978) through Dec 2020.

Source: NCREIF, US Federal Reserve

The level of newly occupied real estate (or absorption rate) tends to rise as GDP rises. Higher occupancy rates tend to drive higher rental rates and higher overall valuations.



Source: DWS First Quarter 2021.

To learn more, please reach out to your Bluerock representative.



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