The Role of Real Estate in a Portfolio

Real estate is a major sub-sector within hard assets, a broader space that encompasses tangible assets or resources including infrastructure, equipment, and commodities. Real estate assets are generally classified by usage type, such as office, industrial, retail, residential, and hospitality. Risk and return potential varies across asset type and depends on underlying property characteristics such as occupancy level, required maintenance or renovations, and lease terms. Assets may range from stabilized, fully leased properties to properties in need of renovation and repositioning to ground-up development of new properties.

Including real estate in a portfolio can offer the following unique benefits and considerations:

Diversification

- Private real estate has historically exhibited less correlation to traditional asset classes, such as public equities and fixed income, though access to private real estate comes with the risk of less liquidity[1]
- Supply and demand dynamics, as well as migration trends, job and population growth, may impact private real estate differently than equities and fixed income

Inflation Hedge

- Real estate income streams have the potential to grow over time, as market rents grow or rent escalators built into leases step up, often outpacing inflation and contributing to real assets' strong performance in periods of high inflation[2]
- Properties built with physical commodities like lumber and concrete can also offset inflation, though rising input costs may hurt growth

Income

- Properties that generate income through rent payments can offer investors stable, consistent distributions
- Average annual yields for private real estate have been historically higher than other asset classes, including public REITs and fixed income[3]
- Asset depreciation and some investment structures can provide tax efficiency for income generated by real estate given certain government legislations

Capital Appreciation

- Real estate offers the potential for capital appreciation, as demographic trends and supply and demand imbalances may enhance property values
- Changing market dynamics and consumer preferences can impact the supply and demand of real estate sub-sectors, which can lead to interesting opportunities for investors
- Valuations in private real estate may take longer to reflect pricing changes

Attractive Risk-Adjusted Returns

- Real estate has historically contributed positively to portfolio returns. Investors should consider performance on a net basis given the impact of fees on returns[4]
- The range of potential returns tends to be more narrow within private real estate; over the past 10 years, private real estate has had just a 2.5% standard deviation relative to public real estate at 14.9%[5]

Past performance does not guarantee future results.

Fundamentals of Investing in Real Estate

Investors can invest directly into a single real estate property or they can invest through an institutionally-managed, diversified portfolio of assets. Depending on suitability, liquidity needs, and overall investment objectives, investors can access real estate through a number of vehicles, including the following:

Open-end private real estate vehicles often have an indefinite lifecycle, where investors can subscribe and redeem from the fund on a regular basis, usually monthly or quarterly (subject to certain limitations), and they may provide some form of current income to investors. Investor eligibility and suitability may vary based on the vehicle's structure.

Non-traded REITs ("NTRs") are a type of open-ended vehicle that are publicly registered with the SEC but do not trade on public exchanges. NTRs can typically be accessed through various types of wealth management channels and might have lower suitability requirements than other types of investment vehicles.

Closed-end private real estate vehicles have a finite lifecycle and tend to be more illiquid. Investors commit capital upfront, which is deployed over a period of time, and receive capital back usually only as underlying assets are sold.

Different real estate strategies provide varying levels of income, appreciation, and liquidity:

	Core	Core-Plus	Value-Add	Opportunistic
Return Drivers	Mainly income	Income with some capital appreciation	Income and capital appreciation	Mainly capital appreciation
Typical Holding Period	7-10+ years	7-10 years	~5-7 years	~5 years
Expected Leverage	Low (0-40% LTV)	Moderate (40-60% LTV)	Medium (60-70% LTV)	High (65-75% LTV)
Yield Profile	50%+ of total return	20-30% of total return	0-20% of total return	0-20% of total return
Typical Structure	Open-end	Often open-end	Often closed-end	Closed-end
Investment Profile	Stabilized properties with long-term, predictable income streams	Mostly stabilized properties generating steady income with potential to drive additional value	Properties with upside potential to cash flow that can be realized through value-add management opportunities and capital investment	Properties requiring redevelopment, development, and/or repositioning, with majority of returns from appreciation

Lower Risk ⟷ **Higher Risk**

Please note the Yield Profiles displayed are samples and are for illustrative purposes only. No returns are guaranteed.

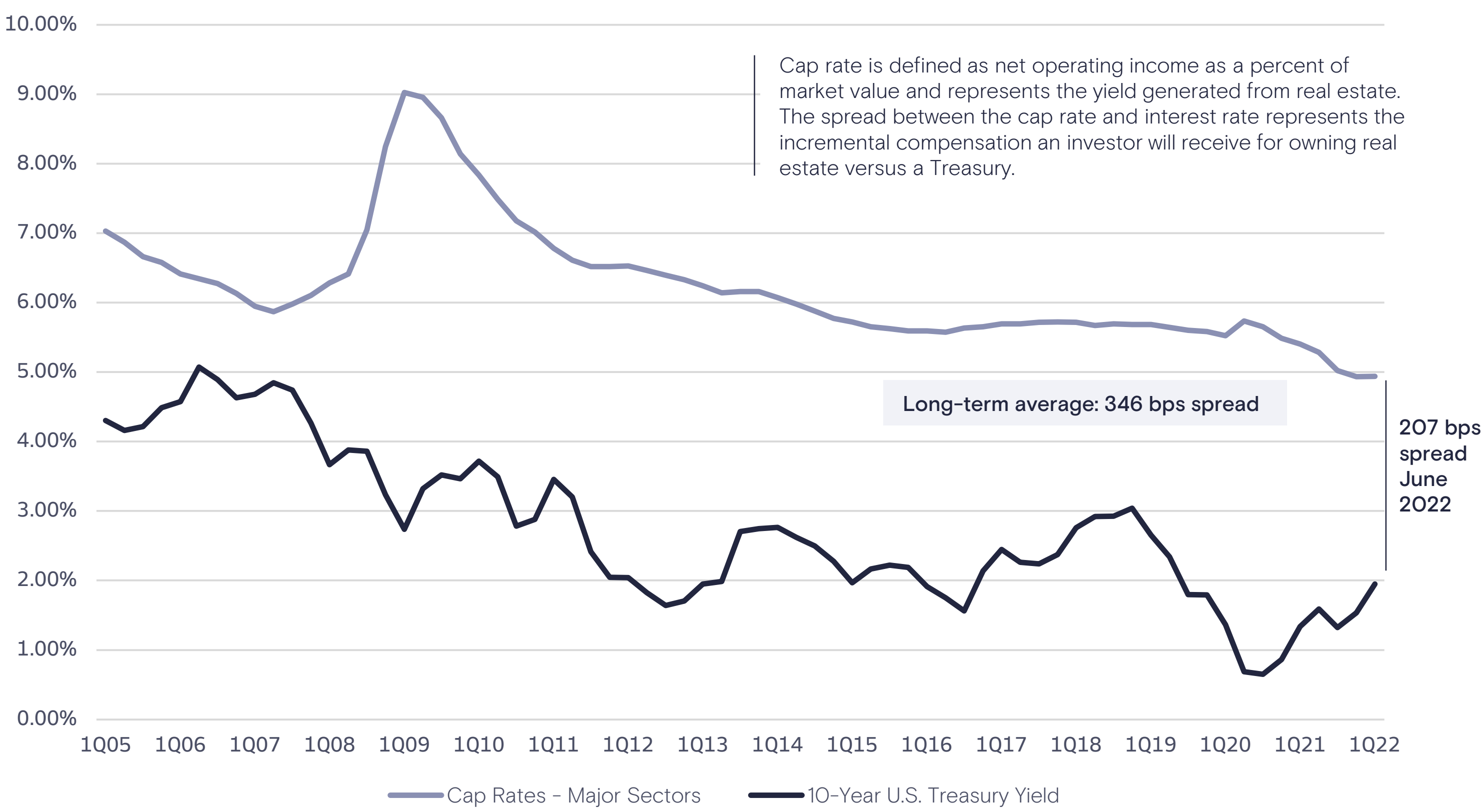
Real Estate in the Current Environment

Real estate can help investors take advantage of current market dynamics, including rising interest rates, rising inflation, and elevated market volatility.

Rising Interest Rates

- Periods of rising interest rates have generally historically corresponded with strong private real estate fundamentals.[6]
- Although the cost of borrowing to finance the purchase of real estate assets may increase, the total yield of real estate, or cap rate, continues to be in excess of the 10-Year U.S. Treasury Yield, providing positive financing leverage.
- The spread between cap rates and the 10-year U.S. Treasury yield is currently ~210 basis points for major property sectors, which provides enough room between the two and could indicate that a rise in interest rates might not necessarily result in a corresponding rise in cap rate (or decline in real estate values).

Major sectors cap rate vs. 10-year U.S. Treasury yield[7]

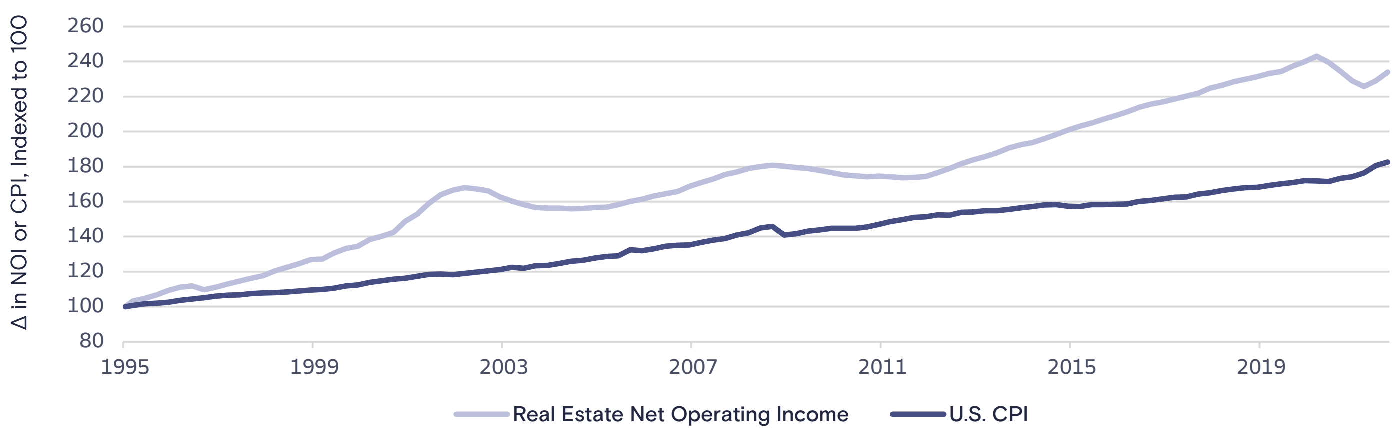


Real Estate in the Current Environment

Rising Inflation

- Real estate rental growth and net operating income have historically kept up with or outpaced rising costs, serving as both an inflation hedge and source of reliable income for investors.
- As costs of land, construction, and other materials rise, the supply of new assets might be muted, which could create interesting investment opportunities.

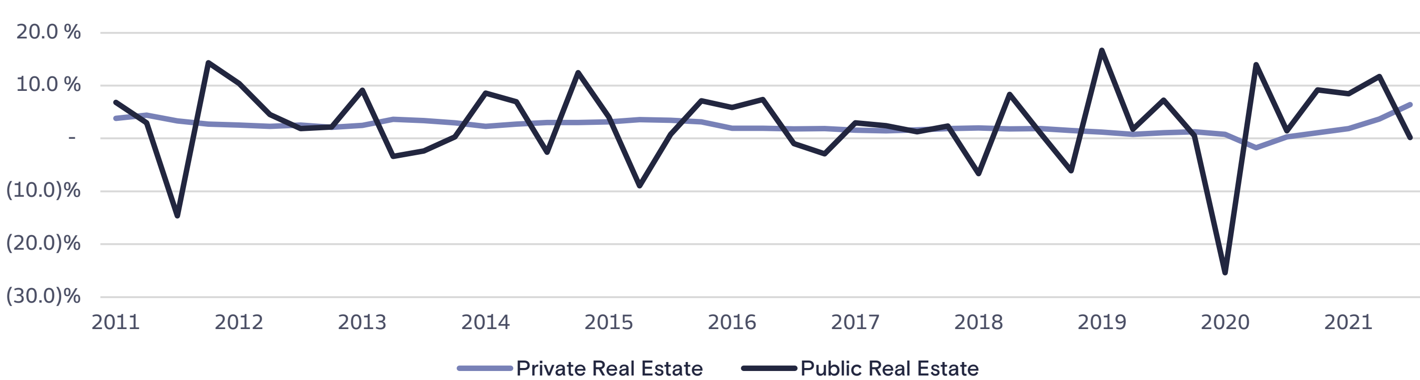
Real estate income and inflation[8]



Elevated Volatility

- Quarterly returns, including both income and appreciation, for private real estate have historically remained more consistent than returns for public real estate, particularly during periods of elevated public market volatility
- Certain strategies may be able to take advantage of volatility and invest into market dislocation

Quarterly Returns (2011 – 2021)[9]



Recent Trends and Investable Themes

The **real estate industry is responding to complicated market dynamics** as well as widespread changing consumer preferences. For example, many consumers favor e-commerce over traditional brick-and-mortar retail, an increasing number of residents prefer a better quality of life and are migrating towards lower-cost cities, and a growing population combined with rising costs have created a fundamental shortage of housing. Many of these trends have been underway over the last decade and were accelerated by the COVID-19 pandemic. We expect some of these trends to create interesting opportunities across the real estate market and are focused on a few key investment themes outlined below:

1 The retail sector is undergoing long-term structural shifts on both the supply and demand sides. As **e-commerce continues to transform how we consume products**, retailers are adjusting their distribution networks, focusing on maintaining inventory close to the consumer and strengthening their supply chains to handle buyers' preferences for accessibility and immediacy. This has created **strong demand for warehouse assets** located in dense, urban markets where land can be limited, creating opportunity in the logistics sector.

2 Rising home ownership and construction costs, population and employment growth, and demographic trends are shining a light on **housing supply issues in the U.S.** This creates unique opportunities to **develop new multi-family and single-family rental assets to meet the growing demand** and help address housing concerns. Geographically, markets with lower costs of living and business-friendly regulations, such as Austin, Nashville or Charlotte, have seen outsized population and job growth, creating interesting investment opportunities as well.

3 While the future of the general office market is still uncertain, use of office space in major metropolitan areas is experiencing an upward trajectory relative to the past few years. [10] Within these cities, adaptable, modern office space is increasingly in demand from tenants.[11] Broader macro trends, including the **shift to more flexible work environments, increased content creation spend and tailwinds around healthcare innovation, are driving demand for more specialized office space**, such as studio and media offices and life science assets, which we expect to continue over the long term.

4 **Pent-up demand for travel and experience-based spending is increasing**, as travel and government restrictions ease.[12] This, combined with the COVID-19 related dislocation experienced across assets such as hotels, restaurants and recreational centers, can **create attractive investment opportunities within the travel and leisure sector** over the short and long term.

Determine if real estate is right for your needs and risk preferences

Investors should consider their existing holdings and the risks associated with investing in real estate. If you would like to discuss these trends further, please reach out to your Goldman Sachs team.

Endnotes

[1] Goldman Sachs Global Investment Research. Global Strategy Paper No. 55: Balanced Bear Despair – Part 3: Strategies to keep it real with balanced portfolios. 14 March 2022.

[2] Goldman Sachs Global Investment Research. Global Strategy Paper No. 55: Balanced Bear Despair – Part 3: Strategies to keep it real with balanced portfolios. 14 March 2022.

[3] Goldman Sachs Asset Management. Bloomberg, NAREIT, NCREIF. Note: Private real estate is represented by the National Council of Real Estate Investment Fiduciaries Property Index (NPI), which is weighted by market value, reported on an unleveraged basis, includes multifamily, hotel, industrial, office, and retail properties, and has quarterly history through fourth quarter 1977. Public REITs are represented by the FTSE NAREIT U.S. Real Estate Index Series Composite, which tracks the performance of the U.S. publicly traded REIT industry with an inception date of 1972. Fixed income is represented by AGG iShares Core U.S. Aggregate Bond ETF and is subject to credit risk. Equities are represented by the S&P 500 Index and are subject to market risk. Treasury Bonds are represented by the market yield on U.S. Treasury Securities at 5-Year and 7-Year Constant Maturity per Federal Reserve Economic Data (FRED) database and are subject to interest rate risk. Indices are meant to illustrate overall market performance. It is not possible to invest in indices directly. The NPI presents commercial property-level returns. Analysis represents average annual yields (2011 – 2021). Past performance does not guarantee future performance.

[4] Goldman Sachs Investment Strategy Group, Consumer and Wealth Management Division. Bloomberg. Annualized Volatility and Returns from July 2001 through December 2021 for a Taxable Investor with Alternatives, including tactical tilts. Indices: Investment Grade Municipal Bonds – Barclays Capital Municipal 1-10; Municipal High Yield – Barclays Capital Municipal High Yield; US Large Cap – S&P 500; US Small Cap Equity – Russell 2000; Non-US Equity – MSCI EAFE; Global Equity – MSCI All Country World; Emerging Market Equity – MSCI Emerging Markets; Hedge Funds – HFRI Fund of Funds Composite; REITs – Dow Jones Wilshire REITs; MLPs – Alerian MLP.

[5] Goldman Sachs Asset Management. Bloomberg, NCREIF Note: As of September 30, 2021. Represents quarterly returns for each index. Private real estate is represented by the NFI-ODCE index and reflects the returns of diversified, private core, open-end funds that invest in private real estate, including leverage and fund expenses, but excluding management and advisory fees. Returns net of management and advisory fees would be materially lower. The funds in the NFI-ODCE index typically employ lower risk investment strategies, utilize low leverage and generally represent equity ownership positions in stable U.S. operating properties diversified across regions and property types. It is not possible to invest directly in an index. Public Real Estate is represented by the S&P United States REIT Index.

[6] U.S. Private Real Estate return is represented by the NFI-ODCE index annualized return. The NFI-ODCE excludes the impact of management and advisory fees. The rise in interest rates is represented by the peak and trough of the 10-Yr U.S. Treasury Yield over time as of December 31, 2021.

[7] GreenStreet Advisors. Cap rates presented as the equal-weighted average of the asset-weighted averages inclusive of major property sectors (Industrial, Apartment, Office, Strip Centers). FRED Graph Observations. Federal Reserve Economic Data. Link: https://fred.stlouisfed.org. Help: https://fredhelp.stlouisfed.org. Economic Research Division. Federal Reserve Bank of St. Louis. Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Percent, Daily, Not Seasonally Adjusted. Data presented from Q1 2005 – Q2 2022.

[8] NCREIF, Bureau of Labor Statistics Note: As of September 30, 2021. Private real estate is represented by the NFI - ODCE index and reflects the returns of diversified, private core, open-end funds that invest in private real estate, including leverage and fund expenses, but excluding management and advisory fees. Returns net of management and advisory fees would be materially lower. The funds in the NFI - ODCE index typically employ lower risk investment strategies, utilize low leverage and generally represent equity ownership positions in stable U.S. operating properties diversified across regions and property types.

[9] Goldman Sachs Asset Management. Bloomberg, NCREIF Note: As of September 30, 2021. Represents quarterly returns for each index. Private real estate is represented by the NFI-ODCE index and reflects the returns of diversified, private core, open-end funds that invest in private real estate, including leverage and fund expenses, but excluding management and advisory fees. Returns net of management and advisory fees would be materially lower. The funds in the NFI-ODCE index typically employ lower risk investment strategies, utilize low leverage and generally represent equity ownership positions in stable U.S. operating properties diversified across regions and property types. It is not possible to invest directly in an index. Public Real Estate is represented by the S&P United States REIT Index.

[10] Goldman Sachs Global Investment Research. Americas Real Estate: REITs. Office 1Q22 Preview: Return-to-office improving. 18 April 2022.

[11] Goldman Sachs Global Investment Research. Americas Real Estate: REITs. The Future of Office: Flight-to-New and Rising Obsolescence; KRC up to Buy. 25 May 2022.

[12] WTTC: U.S. Travel & Tourism Recovery Projected to Exceed Pre-Pandemic Levels in 2022. February 2022.

Endnotes

General Disclosure

This material is provided for informational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives. The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk.

Past performance does not guarantee future results, which may vary. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.

This material contains information that discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions. It also pertains to past performance or is the basis for previously-made discretionary investment decisions. This information should not be construed as a current recommendation, research or investment advice. It should not be assumed that any investment decisions shown will prove to be profitable, or that any investment decisions made in the future will be profitable or will equal the performance of investments discussed herein. Any mention of an investment decision is intended only to illustrate our investment approach and/or strategy, and is not indicative of the performance of our strategy as a whole. Any such illustration is not necessarily representative of other investment decisions.

This overview is strictly confidential and may not be reproduced or provided, in whole or in part, to any other party without the express written consent of Goldman, Sachs & Co., and should be returned upon the request of Goldman, Sachs & Co. The information contained herein has been prepared internally by Goldman Sachs and has not been verified by third party sources. This information should not be relied upon for the purpose of investing in current or any future product, or for evaluating any existing investment you may have in a Goldman Sachs product, or for any other purpose.

Any information herein regarding investment returns is merely estimated and should not be considered indicative of the actual returns that may be realized by a Goldman Sachs investment product or predictive of the performance of an investment. Further, the information contained herein includes observations and/or assumptions and involves significant elements of subjective judgment and analysis.

No representations are made as to the accuracy of such observations and assumptions and there can be no assurances that actual events will not differ materially from those assumed. In the event any of the assumptions used in this presentation do not prove to be true, results are likely to vary substantially from those discussed herein. Opinions expressed are current opinions as of the date appearing in this material only. This presentation is for informational purposes only with respect to certain investment products that Goldman, Sachs & Co. may offer in the future. It does not constitute an offer to sell or a solicitation of an offer to buy an interest in any Goldman, Sachs & Co. product to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation. Any such offering will be made only in accordance with the terms and conditions set forth in a private placement memorandum pertaining to any such product.

Investors are urged to consult with their financial advisors before buying or selling any securities. The material provided herein is for informational purposes only. It does not constitute an offer to sell or a solicitation of an offer to buy any securities relating to any of the products referenced herein, notwithstanding that any such securities may be currently being offered to others. Any such offering will be made only in accordance with the terms and conditions set forth in the offering documents pertaining to such Fund. Prior to investing, investors are strongly urged to review carefully all of the offering documents.

No person has been authorized to give any information or to make any representation, warranty, statement or assurance not contained in the offering documents. THIS MATERIAL DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO.

This material is provided for informational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives. Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

Conflicts of Interest

There may be conflicts of interest relating to the Alternative Investment and its service providers, including Goldman Sachs and its affiliates. These activities and interests include potential multiple advisory, transactional and other interests in securities and instruments that may be purchased or sold by the Alternative Investment. These are considerations of which investors should be aware and additional information relating to these conflicts is set forth in the offering materials for the Alternative Investment.

This material is intended for educational purposes only and is provided solely on the basis that it will not form a primary basis for any investment decisions.

Investment Risks and Information. Risks vary by the type of investment. Additional information regarding investments and risks may be available in applicable product materials. Before transacting or investing, you should review and understand the terms and the nature and extent of the associated risks, and you should be satisfied the investment or transaction is appropriate for you in light of your individual circumstances and financial condition.

Endnotes

Alternative Investments ("AI"). AIs may involve a substantial degree of risk, including the risk of total loss of an investor's capital and the use of leverage, and may not be appropriate for all investors. Private equity, private real estate, hedge funds, and IA investments structured as private investment funds are subject to less regulation than other types of pooled vehicles and liquidity may be limited. Review the Offering Memorandum, Subscription Agreement, and any other applicable offering documents for risks, potential conflicts of interest, terms and conditions and other disclosures.

Real Estate. Real estate investments involve additional risks not typically associated with other asset classes, such as sensitivities to temporary or permanent reductions in property values for the geographic region(s) represented. Real estate investments (both through public and private markets) are also subject to changes in broader macroeconomic conditions, such as interest rates. Investments in a portfolio of equity investments in issuers that are primarily engaged in or related to the real estate industry, including real estate investments trusts ("REITS") and non-traded REITS, may carry additional risks not typically associated with other asset classes. Investing in non-traded REITS involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. Non-traded REITS consist of shares that are not listed on any national securities trading exchange, and can sometimes: (i) not own real estate assets or have specified real estate assets at the time of public offering; (ii) offer limited liquidity through a share-redemption program; (iii) emphasize anticipated income as being a percentage of sale price; and/or (iv) be managed by an external, third party manager which is an affiliate of the non-traded REIT. As such, non-traded REITS may carry a higher risk of illiquidity, incomplete or nontransparent valuations, dilution of shares, and conflicts of interest. Review and understand all non-traded REIT prospectuses before investing in non-traded REITS.

No Distribution; No Offer or Solicitation. This material may not, without GS' prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorized agent of the recipient. This material is not an offer or solicitation with respect to the purchase or sale of any security in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation. We have no obligation to provide any updates or changes to this material.