



Core v. Value-Add Investments

What are core investments?


Core investments may represent a stable and income-focused category in commercial real estate. Participants choose core strategies because they could potentially provide a reliable income and relatively low volatility. The focus is on preserving capital while generating predictable cash flow. These properties are typically high-quality, well-located, and already performing at a strong level. They tend to have:




High Occupancy



Long-Term Leases



Strong Credit Tenants



Minimal Physical & Operational Issues

What are value-add investments?

Value-add investments target properties that are fundamentally sound but have room for improvement. The goal is to elevate an underperforming property to a higher level. The returns are potentially higher than core investments, but the path carries more risk. Value-add investments can transform a property into a higher and better use, which can also include repositioning, re-entitling, and/or redeveloping. These assets may be located in transitional neighborhoods and tend to have:



Deferred Maintenance



Outdated Interiors



Inefficient Operations



Below Market Rents

	RISK PROFILE	RETURN PROFILE
CORE	Tend to hold up well in downturns because they rely on stable tenants and steady demand. Cash flow may shift, but major drops are unlikely.	Typically offer lower returns since they are already performing at a high level. Investors usually benefit from stable income rather than significant growth, and appreciation tends to be gradual.
VALUE-ADD	Properties face more pressure during weak markets since they depend on the smooth execution of renovations and lease-up plans. Delays, slower rent growth, or shifting demand can all affect performance and create added uncertainty.	Target higher total returns by raising income through upgrades and better operations. Once improvements are complete, the property can often earn more cash flow and sell for a higher price, creating value through both income gains and appreciation.

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