

# An introduction to real estate investing

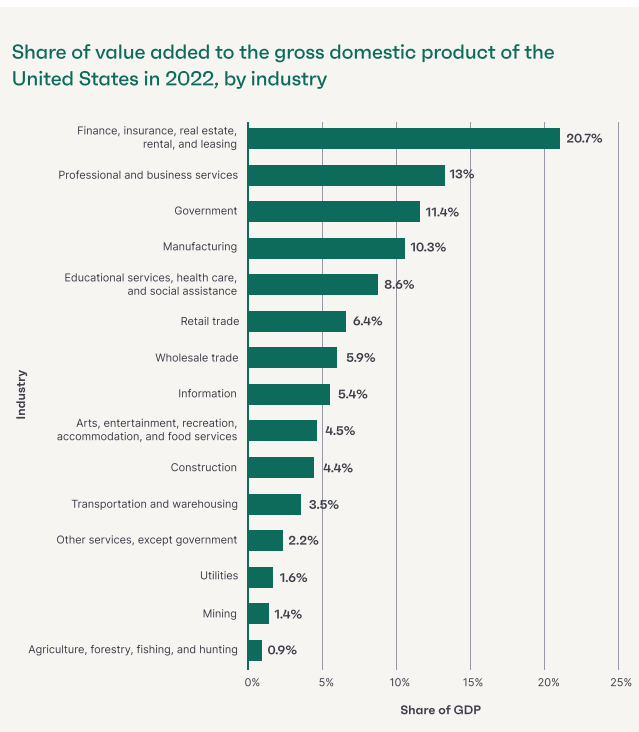
Investing in real estate is known for its potential, both in financial returns and in tangible, real world outcomes. Although real estate investments are complex and require thorough vetting, they have demonstrated strong returns for knowledgeable investors.

Now, individual investors can invest in real estate in various ways, including with platforms like Alto, as we work to facilitate access to this alternative asset so often associated with passive income.

## The importance of real estate in the economy

The U.S. economy depends heavily on real estate as a generator of jobs and revenue. According to a report from Statista, this industry, including all related financing, insurance, and management, accounts for over 20% of the U.S. GDP.

The real estate sector's impact on the economy (and daily life) cannot be overstated. Consider McDonald's. Famous for burgers, nuggets, and even secret sauces, the brand's balance sheet reveals an unexpected asset: over \$40 billion in real estate holdings, more than 70% of their \$56 billion in total assets.



Source: Statista

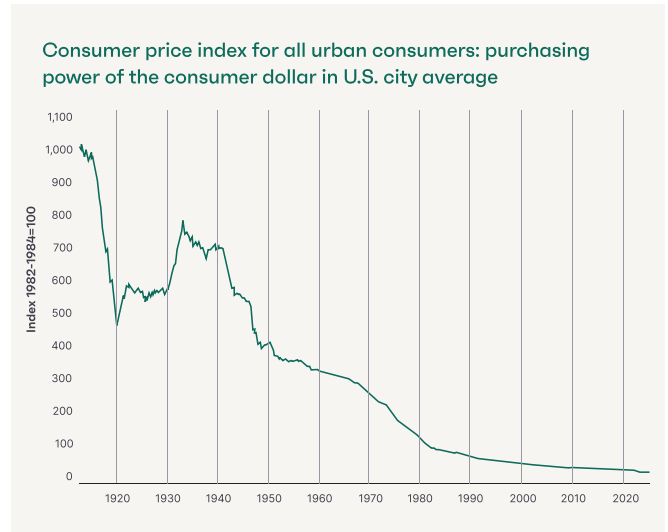
# Investing in real estate for long-term portfolio diversification

Investing into alternative assets can provide portfolio diversification that can boost returns and mitigate risk from public market downturns and other macroeconomic factors, like inflation.

**25%**

allocation in alts can improve 60/40 returns by 60 basis points

A [2024 report from JP Morgan](#) revealed that just a 25% allocation in alts can improve 60/40 returns by 60 basis points — an 8.5% improvement over the long-established 7% expectation.



Source: [U.S. Bureau of Labor Statistics via St. Louis Fed](#)

## Three upsides to committing retirement funds to real estate

Alto gives individuals access to alternatives including investing into real estate with one particularly key upside: the option to use retirement funds to fund an investment. Those retirement funds (and the investment strategies behind them) typically align with the characteristics of real estate in key ways:



**Longer time horizon**



**Historically resilient**



**Tax benefits**

- **Longer time horizon:** The nature of commercial real estate is known for buy-and-hold expectations, which align with more strategic savers who recognize these assets are highly illiquid and difficult to divest.
- **Historically resilient:** Assets like real estate offer potential insulation from public market risk.
- **Tax benefits:** Retirement funds are tax-advantaged, and real estate investments also enjoy certain tax breaks, appealing to investors who look for ways to keep as much of their earnings from an investment as possible.

The alignment of the longer-term time horizon naturally present in both retirement funds and alternative assets provides investors a strategy that we refer to as duration matching.

## Investing in real estate can offer the benefits of portfolio diversification

Diversified portfolios are for more than simply hedging against risk: they have outperformed traditional allocation strategies in the past. Alto believes that the term “diversification” itself can be broadened past the traditional definition of a 60/40 portfolio of stocks and bonds.



True diversification can extend further to include alternative assets that have long been more difficult to access, and real estate is one such sector.

**Alto**

Interested in learning more? Head to Alto to invest in alts today.

Get started