



Bluerock's MacDonald Says 'Uniquely Boring' Private Real Estate Is Value-Priced Now

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Chuck Jaffe, in this episode of The NAVigator podcast interviews Ryan MacDonald, Portfolio Manager for the Bluerock Private Real Estate Fund. Ryan says that in a world teeming with market worries and broad geopolitical concerns, private real estate is "uniquely boring, in a good way." He says the market has taken its pain over the last three years through interest rate changes and the market cycle, but now values have receded creating a solid entry point. MacDonald, who also serves as chief investment officer at Bluerock, says that "Entry point is the single biggest driver of future value for private real estate returns," and he notes that on an inflation-adjusted basis, the market is now approaching valuation levels "not seen since the depths of the 2008 financial crisis."

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CHUCK JAFFE: Ryan MacDonald, chief investment officer at Bluerock is here, we're talking about investing in private real estate now on The NAVigator. This is The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, a unique industry organization representing the full spectrum of the closed-end fund business, from investors and users all the way to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator will point you in the right direction. And today we're digging into private real estate with Ryan MacDonald, chief investment officer at Bluerock, and portfolio manager for the Bluerock Private Real Estate Fund, ticker symbol BPRE. You can learn about the firm at Bluerock.com, you can learn about the fund at BPREFund.com. And if you want to learn more generally about closed-end funds, interval funds, and business-development companies, check out AICAlliance.org, that's the website for the Active Investment Company Alliance. Ryan MacDonald, thanks for coming on The NAVigator.

RYAN MACDONALD: Great to be here, thanks for having us.

CHUCK JAFFE: For a lot of people, they hear about real estate investing, or even real estate closed-end funds, and they're thinking REITs, real estate investment trusts, companies that are on the stock exchange, that's not private real estate, and that's not what you do. So explain a little bit about what private real estate investing means and why an investor who's got a real estate allocation wants to include it alongside REITs and other things.

RYAN MACDONALD: Sure. So just before diving in, I want to highlight a little bit about the fund that we manage, we manage the largest real estate closed-end fund in the country, just under \$3.5 billion in net assets across almost 5,800 properties, and we listed it this past December on the NYSE under the ticker BPRE, as you said, and the strategy is quite different, I think, than most of the other closed-end fund real estate strategies focused primarily on publicly traded REITs, and as you point out, ours is primarily focused on access to institutional-grade private real estate. What does that mean? So taking a step back, when you look at most real estate closed-end funds, think Cohen & Steers, Nuveen, Neuberger Berman funds, they primarily own shares in public REITs, companies like Prologis or AvalonBay that trade on the stock exchange similar to Fortune 500 companies, but for real estate, so when the stock market has a bad day those funds tend to move with it, even if the underlying real estate

hasn't changed. BPRE, completely different, we own the real estate directly, actual buildings, through institutional investment funds, the same kind of assets that pension funds like CalSTRS, GE's Pension, New York State Teachers' Retirement System invests in. There's no daily stock price telling us what the portfolio's worth, instead net asset value, our price per share of what we actually own, that is set by independent third-party appraisers who physically evaluate the underlying properties. That value is derived by rents, occupancy and cash flow, not whether the Dow had a good week, so you are getting exposure directly to the underlying private real estate dynamics versus the underlying stock price movements that REITs may generate. So what does this mean for an investor holding our fund alongside maybe some of the other real estate closed-end funds? It means that we're giving the client something genuinely different, low correlation to the stock market, and strategies really that just don't exist in the public REIT universe given the fact that the IPO volume over the last three plus years has been fairly anemic, so it's highly, highly differentiated.

CHUCK JAFFE: We hear a lot right now about pressures in the real estate market in terms of interest rates and the rest. Does the private real estate market get impacted that way, and what does that mean for what kind of time this is to be investing in private real estate?

RYAN MACDONALD: Sure. I think we're generally quite bullish on the entry point for private real estate and what that means for future returns. I say that, I start out that way because entry point is the single biggest driver of future value for private real estate returns on a go-forward basis, and right now I would say that we're at a pretty compelling one on a historical basis. What I mean by that is on average real estate values, they've been generally marked down between 20-30% over the last three plus years, which as you point out on interest rates, was the result of the sharpest interest rate increase in modern history. On an inflation-adjusted basis we're approaching valuations levels not seen since the depth of the 2008 Financial Crisis. Why does that matter historically? Well, when you look at the NCREIF Property Index, which is the widely held institutional benchmark for private real estate going back to 1978, the index has actually returned on average almost 13% for a four-year period coming out of those prior market downturns, so very, very powerful entry point right now in this part of the cycle. The reason those, I would call it return expectations, rhyme against previous downturns is fairly intuitive, so what happens is, during downturns values fall, new construction stops almost completely, and again, the case has happened, this part of the

cycle, this last three-year cycle, which we've seen almost an 80% drop of supply across most property types, then as demand recovers, rents and occupancy climb and values follow, so we've seen this play out again twice before, and the setup is very similar today. Also on the financing side, the lifeblood and gasoline for real estate, ultimately we continue to see relief, credit spreads are compressed, interest rates, while they've moderated, they are stable, which is important for the capital markets activity, and ultimately it bodes well for a recovery in real estate values.

CHUCK JAFFE: You present a pretty positive picture. I don't want to say that the market doesn't believe you, but I have looked at the discount on your fund and it's discounted to some extent because the market doesn't necessarily believe you, and it's been that way since BPRE went to its current listing, but you're positive the market is beating you down? How do you explain that gap? I mean, we all understand people love buying closed-end funds at a discount, but why hasn't the market recognized what you are talking about here?

RYAN MACDONALD: Let's dissect this question, it's an important one. So first, let's be clear about what NAV means for BPRE, it's \$24.06 per share, it's set again by independent third-party appraisers evaluating the actual real estate values, the same institutional valuation standards used by pension funds, governed by ARISA standards, and we have real-world proof on the accuracy of this NAV. Over the last three years, during the teeth of the worst commercial real estate downturn in a generation since the GFC, our fund, BPRE has liquidated over \$3.4 billion of underlying assets at prices within roughly 2% of our NAV, also note that in '25 that gap narrowed to about 1%, so ultimately the buildings are being sold for what we said they were worth. So in our view, the discount is not a sign that the NAV is wrong, it reflects a classic closed-end fund dynamic, when we listed there was a large wave of selling, in our case, investors who had been locked up for years in an interval fund who now finally have liquidity, share price can temporarily disconnect from the underlying value, So in our first two days of trading alone, over 10% of the shares changed hands, that's an enormous amount of supply hitting the market at once. And there is data, historical data on similar listings, on how this plays out, and our experience with the discount and the share turnover, is actually quite consistent with past direct listings. So when you look at the comparable funds that have gone through similar listings, the share price typically troughs within six days of listing, and then substantially recovers within about 180 days. Large

closed-end funds and large real estate closed-end funds typically have historically traded at or very close to NAV, and we expect to be no different. So the thing that you need to think about with a direct listing ultimately, is somewhat similar to a corporate spinoff, so when a company spins off a division, the new stock often trades down at first because there's a wave of sellers, people who own the parent company and don't want the spin off. Over time, that overhang clears and the market properly values the business, the price recovers, and studies show spinoffs have historically outperformed the market by over 10% once that process runs its course, the dynamic for a recently listed closed-end fund is quite similar. And I think you heard me point out that the troughing of six days and the ultimately the climb back to close to NAV within a 180 days, I would tell you that since the listing our share price has risen over 28% from the opening price, and we continue to believe that the discount will continue to narrow as the market recognizes the value of buying our extremely high-quality institutional private real estate at a significant discount to what independent appraisers say it's worth. And by the way, it's also a cyclical trough in the cycle of private real estate, so when you put those two things together, it's a very, very powerful opportunity for investors.

CHUCK JAFFE: Are you taking steps to narrow the discount? Some managers worry about it and do it and sort of say, "I'm very cognizant of the discount," others don't. Given that there's the cycle going on, is narrowing the discount a real focus, because it sort of sounds like it's going to happen naturally as the cycle of the change in your listing status goes through?

RYAN MACDONALD: Sure, and just by way of background, my firm and myself have a history of executing as a management team and in the public REIT space for that matter, we took a company public in 2014 and ultimately selling it to Blackstone, pricing it at the height of the market in '21 and selling it in '22. What I can tell you, is that being an active manager or management team of a publicly traded fund or company, you need to have an external capital market strategy that works in concert with the underlying investment strategy. And so what I mean by that is capital market strategy can be as follows; one is a dividend growth story, is that we're focused on raising the distribution towards a best-in-class level compared to our closed-end fund peers, and we've already started to do this, two raises since the listing, and I think that's important. As our customer demands a yield-oriented structure, we've moved to a monthly distribution structure from a quarterly structure, and that was effective on January 26th, we're actively engaged with the Wall Street research community, we've got a

share buy-back program established, we're making institutional non-deal roadshow outreach, again, similar to the execution that my partners and I made over that eight-year stretch running our publicly traded REIT, of which I will point out, that we actually delivered the highest total shareholder return amongst all 170 plus publicly traded REITS for the four years before we sold that business at the peak of the market. I will also point out that during the eight-year period from when we took it public to which we sold it, I think we dropped to number six, not against our sector peers, but against the entire public real estate universe. So lastly, the additional focus is on advisor education, again, we want to be a partner to our end customer, whether that's institutional, whether that's retail, we want to be an educator of what we are doing and drive awareness to the underlying stock.

CHUCK JAFFE: Let's take one other chance to educate folks here, which is, BPRE, as we've discussed, was a non-traded interval fund, that's part of why when you went and listed, you had so much turnover, because any handcuffs that were on folks were taken off. Again, the listing just occurred in December. Why was it important for you, because the fund was successful before, why was it important for you to make that transition, and maybe how do investors benefit more from this structure than that one?

RYAN MACDONALD: You're right, we operated as what's called an interval fund for the better part of almost 13 years, and what an interval structure is, it means investors could only redeem shares during limited quarterly windows and up to a certain amount, it's actually a very common structure for funds holding illiquid assets like private real estate. But what the listing changes, and since December 16th and since we've started to trade on the New York Stock Exchange, the reality is that now investors can buy or sell shares at any time on the exchange just like a stock or a traditional closed-end fund. What it allows us to do is to no longer have to manage the fund for liquidity and meeting the quarterly redemption queue, it allows us to invest a hundred percent of the capital and put the portfolio to work into our highest conviction private real estate opportunities, again, in this trough part of the real estate cycle, which we think is ultimately going to drive significant long-term shareholder value.

CHUCK JAFFE: There is a lot of one-off risk in this market, we've got new fighting in the Middle East, software in the tank with AI changing things, about as far removed as you can get from some of those things would be private real estate. I mean, the last time it was really in the

idiosyncratic risk was after Covid and what was happening with real estate and commercial property values or what have you. Does private real estate stand to benefit from some of the other turmoil that's going on as people are looking for safer havens and defensive plays?

RYAN MACDONALD: Absolutely. I would say that private real estate is uniquely boring, in a good way. In a sense, we've taken our pain, a lot of it had to do with interest rates over supply over the last three plus years, but that has worked its way through the system, values have receded, entry point makes sense, and again, you're investing in a hard asset that is, as I said, boring, but easy to understand the cashflows to underwrite future value. Whereas some of these other investment asset classes certainly have, I would call it more exogenous risk associated with them.

CHUCK JAFFE: Ryan, nothing boring about this conversation, thanks so much for taking the time. I hope we get a chance to do it again with you sometime.

RYAN MACDONALD: Thank you, Chuck. Great being here.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and I'm Chuck Jaffe and you can check out my hour-long weekday show by going to MoneyLifeShow.com or just search for it wherever you find your favorite podcasts. Now to learn more about interval funds, closed-end funds, business-development companies and the rest, go to AICAlliance.org, it's the website for the Active Investment Company Alliance. Thanks to my guest Ryan MacDonald, he's chief investment officer at Bluerock, and the portfolio manager for the Bluerock Private Real Estate Fund, which is ticker BPRE, learn about the firm at Bluerock.com and about the fund by going to BPREFund.com. The NAVigator podcast has something new for you every Friday, so make plans to join us again next week for some more closed-end fund fun. Follow along on your favorite podcast app to make sure you don't miss any of the action, and until next week, happy investing, everybody.

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Sources & Notes

Real Estate Market Data

20–30% Value Decline in Private Real Estate. Inflation-adjusted NCREIF capital values declined materially from peak following the 2022–2023 rate environment. Source: NCREIF / Green Street Advisors, as of Q3 2025.

Inflation-Adjusted Valuations at Post-GFC Levels. NCREIF Property Index (NPI) Capital Value Index, Q1 1995–Q3 2025, inflation-adjusted. Source: NCREIF as of Q3 2025.

NCREIF NPI ~13% Average Annualized Return in Post-Decline Recovery Periods. NCREIF Property Index (NPI) / Morningstar Direct, 1978–Q3 2025.

~80% Drop in New Supply Across Property Types. Construction starts declined sharply across most property types from 2022 peak levels. Source: CBRE Research / CoStar construction pipeline data.

NYSE Listing & Trading Dynamics

CEF Share Price Typically Troughs ~6 Days Post-Listing, Recovers Within 180 Days. Historical analysis of direct-listed closed-end funds. Source: Morningstar CEF database

Spin-Offs Historically Outperform the Market by 10%+. Source: JPMorgan.

Bluerock Track Record — BRG / Blackstone Sale

Bluerock Residential Growth REIT (BRG) Sale to Blackstone. Source: BRG shareholder 145% premium is based on the unaffected closing stock price on September 15, 2021, the date prior to a media article reporting that BRG was exploring strategic options including a sale. BHM's current implied Net Asset Value estimated of \$5.60 is based on the midpoint of the valuation range provided by Duff & Phelps, an independent financial advisor to the Company's board of directors.
