

# Building Generational Wealth Through Commercial Real Estate



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Since the Great Depression, homeownership has been core to the “American dream,” and to this day remains the principal means of real estate investing—and by extension, generational wealth creation—for families across the country. Nearly all Americans

(94%) believe that homeownership is a critical part of the American dream according to a recent Lending Tree [survey](#), yet over half (51%) admit that owning a home is not within reach in their lifetime. Barriers to entry include hefty down payment requirements, high home valuations, excessive debt including student loans and, importantly, interest rates.

A knowledge-transfer gap could be fueling the gap in financial agency and wealth-transfer for the vast majority of Americans. Not only are more people renting in the current economy, but many are becoming what *The Wall Street Journal* has dubbed “[forever renters](#).” This shift toward long-term renting reflects an evolving financial landscape where traditional homeownership is not the only path to build generational wealth. There are other ways to reap the financial benefits of owning real estate, such as the commercial real estate market.

## The Dawn Of A New Era

Investing directly in commercial real estate assets—properties used specifically for business or income-generating purposes—remains a field ripe with opportunities for wealth creation that challenges the status quo and may redefine the road map to financial agency.

In partnership with traditional investments like stocks or bonds, private commercial real estate stands as a complementary investment option intended to diversify an overall investment portfolio. While balancing risk across asset types and geographies, commercial real estate investments provide an avenue that may reshape the financial trajectory for everyday Americans.

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# The Financial Knowledge-Transfer Gap

The reality, however, is that commercial real estate investing remains a foreign concept to most. Until recently, access to these investments was almost exclusively held among the well-connected and well-off—in my experience, typically those with a net worth over \$1 million (excluding their house) or with an income over \$200,000 individually or \$300,000 with a partner.

Effectively, since 1946 when the first venture capital firm in the U.S. was formed, it's America's top 2% who've gained the experience and wherewithal to navigate private commercial real estate investing. And this knowledge, understanding and access has transferred generationally among the top 2% for decades, likely helping to fuel-inject America's extraordinary wealth disparity.

In a February 2024 Ipsos poll conducted by my organization, Ignite Investments, [81% of respondents](#) agreed that while growing up, their family did not teach them enough about investing to feel empowered to reach their personal wealth goals today. According to [findings](#) from the Congressional Budget Office, over the last 30 years, “the total wealth held by families in the top 10 percent increased at a faster rate than wealth held by families in the rest of the distribution.”

Time To Immerse For all its allure, the idea of investing in the commercial real estate market is undeniably daunting. It's

completely different than investing in stocks or bonds, which is daunting for most already. Further complicating matters, the industry is notorious for its exclusivity and lack of transparency.

So, where do you begin?

Certainly, there is no shortage of online resources offering guidance. A quick search will return a crushing volume of information, but without context, it isn't very digestible. Throw in the industry's proprietary jargon and technical vocabulary, and just getting started feels formidable.

But it is attainable. Like any learning journey, take it one step at a time and you will reach the destination. Start with the fundamentals:

## **1. Learn the vocabulary.**

Commercial real estate investing is a jargon- and acronym-laden industry that requires a user manual to follow along. Bookmark Investopedia and Investor.gov to help you decipher. The first step begins with speaking the language.

## **2. Learn about the asset types.**

There are six types of commercial real estate assets in which to invest, referred to as "sectors." Each sector is distinct and presents unique investment profiles and investment return models. Educate yourself on each sector before entering the fray:

- **Office:** Office buildings can be multi-tenanted or single-tenanted and may be custom-built. They are ranked in three tiers: Class A, Class B and Class C, depending on quality and risk.

- **Retail:** Retail space includes commercial spaces that host retailers and restaurants. They can be multi-tenant or single-use, stand-alone buildings.
- **Industrial:** Buildings that accommodate industrial operations for a variety of tenants including heavy manufacturing, light assembly, bulk warehouse and flex industrial, which contain both office and industrial space.
- **Multifamily:** Types of real estate outside of single-family, including apartments, condos, co-ops and townhomes. They are also classified into Class A, Class B and Class C.
- **Hospitality:** Establishments providing accommodations, meals and other services for travelers and tourists. Hotels may be independent or part of a hotel chain.
- **Special Purpose:** Special purpose real estate falls outside of the sectors above and can include fairgrounds, amusement parks, churches, self-storage facilities and bowling alleys.

### 3. Learn about the different sponsors.

Sponsors are the property owners responsible for all aspects of the transaction and ongoing operations of an asset. For this route, I recommend choosing established sponsors with longevity, a proven performance track record, offering transparency and a seasoned team of experts defining the investment strategy. Verify they have proven leadership, a methodical approach to investments, and their own capital to invest alongside yours.

### 4. Consider investment platforms.

Sponsors may partner with capital-raising platforms that connect investors with their offerings, facilitate the investor's investment in

the property and liaise with the investor throughout the investment term. They provide access to the investor relations team and ongoing reporting throughout the investment's life. Consider platforms helmed by real humans who are committed to building long-term relationships with their investors.

## What's Possible

Contrary to the privacy within its name, the beauty of commercial real estate is its openness. If you're equipped with the necessary knowledge, this once-exclusive realm can become your playground too.

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