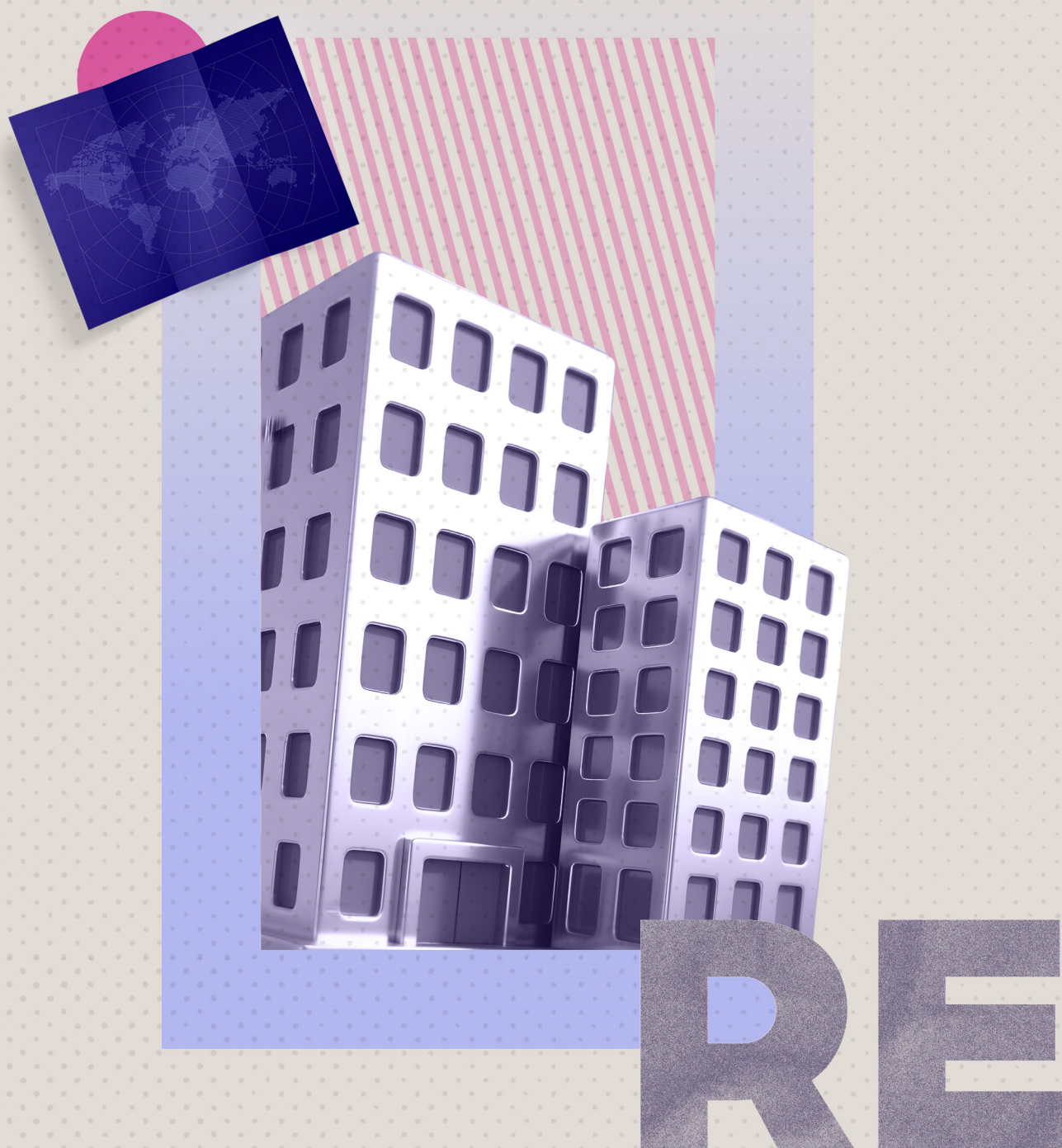


Prequin Global Report

Real Estate in 2026



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Executive summary

Real estate fundraising has seen a resurgence in 2025, led by strong interest in debt-focused and opportunistic funds



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Global real estate fundraising has been supported by accelerating capital inflows during the first three quarters of 2025. This marks the first time since 2021 that capital is set to increase year on year, signaling renewed confidence among investors. The uptick in fundraising has been primarily driven by robust activity in debt-focused and opportunistic funds.

Conversely, global real estate transaction values have remained broadly stable compared to the same period in 2024. North America continues to lead in deal value, underpinned by resilient allocations to the industrial and residential sectors. In Europe, aggregate deal value is likely to fall short of 2024's total, while APAC deal-making has been influenced by currency appreciation and is now showing signs of cooling momentum.

Beyond fundraising and deal-making trends, our report this year offers a detailed review of historical performance across real estate funds from the 2011–2020 vintages. These funds operated from a relatively stable decade to the bumpy 2020s. Our analysis examines how factors such as geographic exposure, exit timing, investment strategies, and fund size have impacted the ability to meet return targets. We also explore how investment terms have evolved in the current decade and what these changes imply for the future of private real estate markets.

Demographic shifts are redefining opportunities within the living sector. Residential deals have experienced a gradual increase in their share of total real estate deal value, perhaps driven by global housing shortages and affordability challenges. At the same time, delayed family formation is driving demand for smaller units and co-living arrangements, while the aging global population is widening the gap between supply and demand in senior housing.

In this report, we combine qualitative insights with a quantitative analysis to deliver a comprehensive view of market dynamics, equipping investors with actionable intelligence to navigate emerging opportunities and challenges. Drawing on forward-looking insights, forecasts, and findings from our latest investor survey, we aim to shed light on the evolving landscape of private real estate – particularly in the context of a fast-evolving macroeconomic environment.

Key findings

1

Real estate fundraising accelerates in 2025

Global real estate fundraising has gained significant momentum in 2025. A standout trend is the dominance of the largest funds: the 10 largest funds for Q1–Q3 2025 collectively raised 87% more capital than 2024's 10 largest funds. Fundraising has grown for real estate debt strategies – particularly those funds focused on North America. Following a softer fundraising environment in 2024, the combination of opportunistic return profiles and debt-focused strategies has reignited momentum, driving a resurgence in capital flows to the sector.

2

Positive investor interest in Europe

Europe-focused funds raised more capital in the first three quarters of 2025 than they did in all of 2024. This uptick signals improving investor confidence in European markets. However, the global share of capital raised by Europe-focused funds remains largely unchanged, as North America's strong performance in real estate debt fundraising mostly offsets Europe's gains.

3

North America's share of global deal value increases

North America has seen a modest increase in its share of global real estate deal value during the first nine months of 2025. This growth was particularly evident in the third quarter and was driven by accelerated deal closings amid heightened expectations of further interest rate cuts. In contrast, aggregate deal values in Europe and APAC declined. Notably, North America maintained a consistent distribution of deal value across sectors, avoiding the shifts observed in other regions.

4

Management fees near historic lows

Average management fee rates for real estate funds have dropped to near-record lows under mounting market pressure and investor scrutiny. For 2025-vintage funds and those still in fundraising mode, median management fees dropped to 1.00%, a sharp decline from the long-standing median of 1.50% observed between 2005 and 2022.

→ 2025: Year in review

2025 will mark a meaningful rebound in real estate fundraising, led by opportunistic and debt strategies, but performance still lags other asset classes and global deal flow appears patchy





Henry Lam, CFA, CAIA

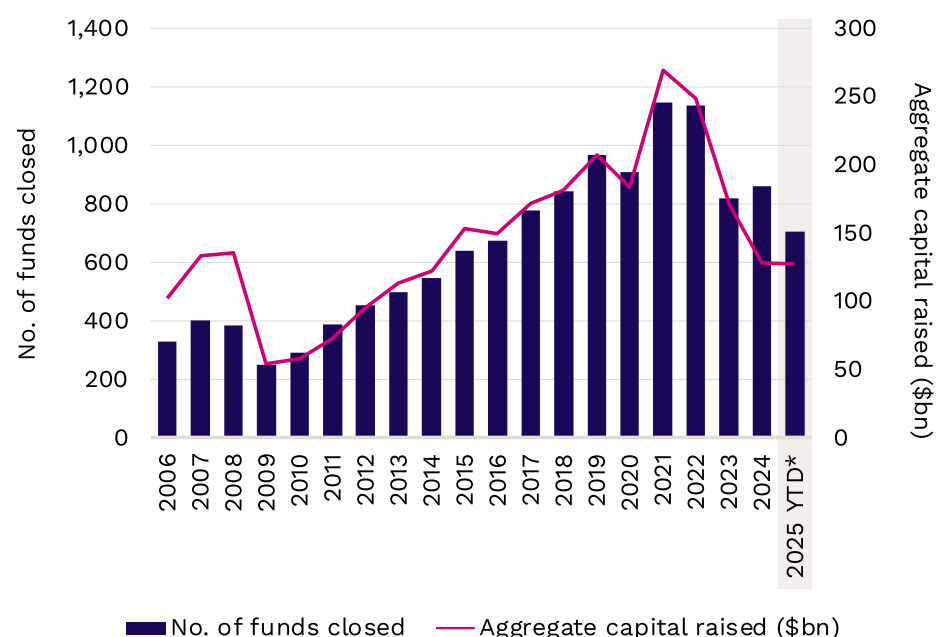
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The global real estate fundraising environment in 2025 has made a notable recovery in momentum and confidence. In the first three quarters alone, real estate funds amassed more than \$127bn – less than \$1bn shy of the total capital raised over the whole of 2024 (Fig. 1.1). This is the first time since 2021 that the previous year's annual total has effectively been equaled within three quarters, marking a meaningful milestone for the asset class.

Fig. 1.1: Real estate fundraising is well set to surpass 2024 total

Global private real estate fundraising

[View latest chart data in Preqin Pro](#)

*YTD to end-Q3 2025

Source: Preqin

Return of mega fund closings and GP consolidation

A defining feature of the 2025 fundraising landscape is the resurgence of mega fund closings. Based on Preqin data, relative to the full year 2024, the 10 largest funds have raised 87% more capital than 2024's 10 largest funds, reinforcing the continuing institutional preference for managers with scale and track records. The concentration of capital raised by the largest funds has increased markedly: the share of aggregate capital raised by the 10 largest funds closed in the first three quarters climbed to 53% from 33% in 2024 according to Preqin data.

Meanwhile, GP consolidation has continued, consistent with the trend flagged earlier in the year. Larger managers are actively acquiring specialist teams to expand sector-specific expertise and broaden their solution sets for investors. The result is a more concentrated manager landscape populated by well-capitalized platforms offering diversified strategies under a single umbrella.

For investors, the benefits include access to multi-strategy and multi-sector portfolios and deeper underwriting capabilities in nuanced subsectors. For managers, consolidation enhances sourcing reach, creates operating leverage, and amplifies brand presence in a competitive capital raising environment.

Cyclicality in opportunistic fundraising

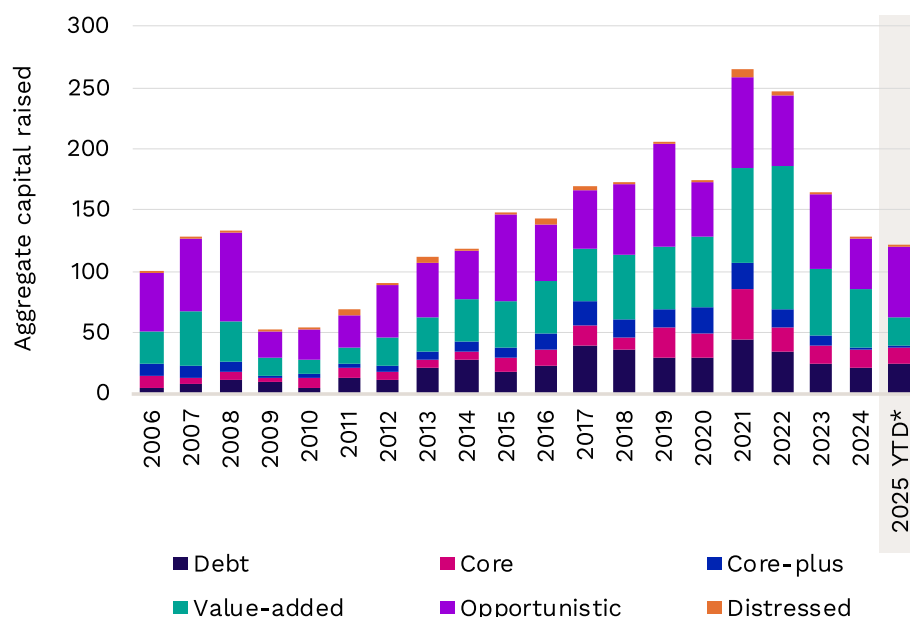
Opportunistic fundraising in 2023 showed a contrasting trend compared with the overall real estate market. According to Preqin data, a single fund accounted for more than half of the total opportunistic capital raised, driving a year-on-year increase in fundraising (Fig. 1.2). In contrast, overall real estate capital raised declined over the same period. Opportunistic fundraising then decelerated in 2024 – but still represented 32% of annual real estate capital raised.

Fig. 1.2: Higher fundraising for debt and opportunistic strategies in 2025

Private real estate fundraising by strategy

[View latest chart data in Preqin Pro](#)
Explore Preqin Pro now

This report includes active links to latest data on Preqin.com



*YTD to end-Q3 2025

Source: Preqin

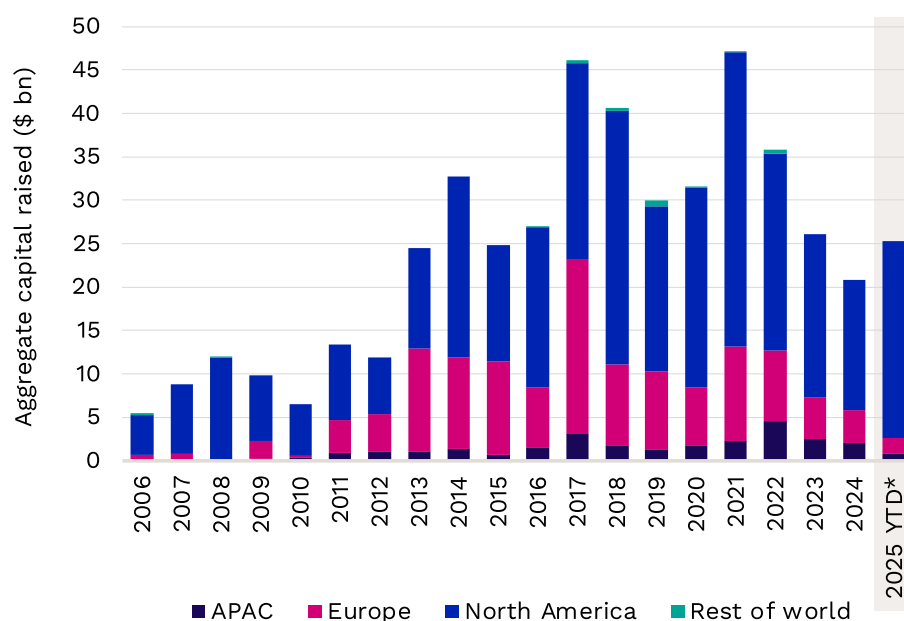
In 2025, the pendulum has swung back, driven by mega fund closings. Based on our data, aggregate capital raised by the three largest opportunistic funds represents more than 62% of whole strategy funds. Consequently, the opportunistic strategy represents the largest portion of closed-end funds raised year to date, with aggregate capital raised tracking close to 2023 full-year levels within the first three quarters of 2025. This pattern indicates that opportunistic fundraising has evidently become more cyclical and volatile, making rolling 12-month figures too short to accurately gauge investors' appetite for the strategy. As the opportunistic strategy is one of the main strategies for real estate fund investment, this also increases the fluctuation of global fundraising readings.

North America as leading destination for real estate debt investment

Debt strategies have offered steady growth and a defensive orientation, as we discussed in [last year's annual Real Estate Global report](#). As noted in our Q3 quarterly update, the US remains the dominant market for real estate debt investments. The US Federal Reserve has only made two rate cuts since December 2024 and the cost of borrowing remains elevated. This environment has supported debt fund formation, especially in North America, where capital raising for real estate debt vehicles has reached a high concentration: approximately 90% of total debt strategy capital has been directed to North America-focused funds in 2025 – the highest share since 2010 (Fig. 1.3).

Fig. 1.3: Real estate debt funds closed focusing on North America market

Real estate debt capital by primary region of focus



*YTD to end of Q3 2025

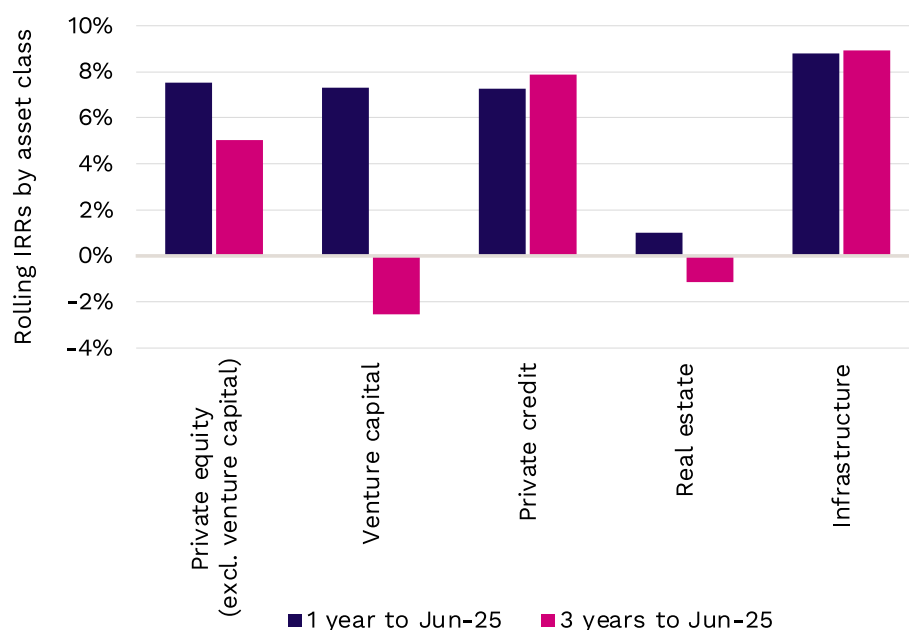
Source: Preqin

Challenges remain for real estate fund closing

Even amid encouraging fundraising dynamics for the current year, other factors – such as lower efficiency in capital recycling for LPs – could act as a brake on a further rebound in real estate capital raising, which we will examine later in this report. Also, real estate's performance is still lagging compared with other private asset classes. As of June 2025, real estate only delivered a 1% IRR on a one-year basis and a -1.2% return over three years (Fig. 1.4), while infrastructure has posted 8.8% returns over one year. That may result in lower allocations to real estate among portfolios globally, further slowing the fundraising recovery for the asset class.

Fig. 1.4: Real estate still lagging infrastructure in terms of returns

Private capital rolling IRRs by asset class as of June 2025

[View latest chart data in Preqin Pro](#)


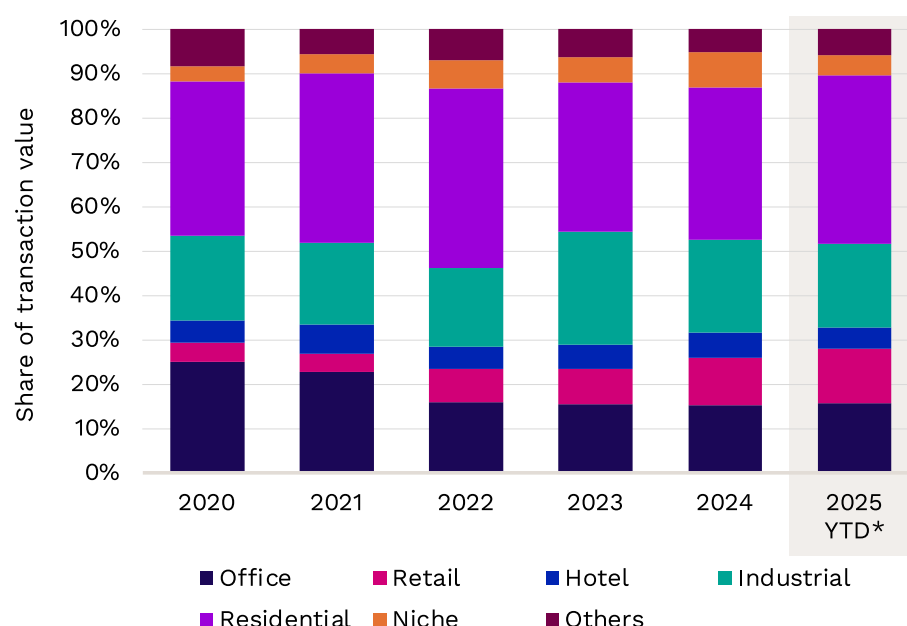
In North America, Q3 emerged as the strongest quarter for deal closings for the year, aided by improving confidence around eventual rate cuts and a gradual reopening of transaction pipelines that had been constrained by bid-ask gaps.

All in all, North America's aggregate deal value during the first three quarters of 2025 exceeded \$91bn. That represents modest year-on-year growth of roughly 17% for total transaction value and 8% for the number of transactions, based on our data. The sector breakdown of the overall market remained broadly stable through 2025, similar to the distribution pattern witnessed since 2023 (Fig. 1.5). Industrial and residential retained their position as the dominant allocations, while traditional commercial sectors such as office and hotel are still lagging.

Fig. 1.5: Sector share of total deal value in North America remains stable

Proportion of North America real estate transaction value by sector

[View latest chart data in Preqin Pro](#)



*YTD to end of Q3 2025

Source: Preqin

The office sector remains under structural pressure as hybrid working patterns continue in the aftermath of the pandemic. US office vacancy rates hovered over 20% as of Q3 2025, despite a pause in new construction and the removal of obsolete stock through redevelopment or refurbishment being curtailed.¹ The demand recovery has been uneven and slow, with leasing activity often concentrated in high-quality, amenity-rich assets in prime locations. That said, select gateway markets, such as New York midtown, Atlanta and San Jose have shown early signs of stabilization, with new leasing outpacing surrender and sublet activity.

Retail fundamentals softened in 2025 as higher interest rates and cautious discretionary spending weighed on tenant expansion. By Q2 2025, the sector had registered two consecutive quarters of net increases in space available for lease, and availability rate had risen to 4.9%.² Store closures accelerated in the US. As of June 2025, retailers had announced that about 6,000 stores were closing down, approaching the full-year count of 7,325 for 2024.³ Shop closures also outweighed openings by around 2,000 in H1 2025.

¹ <https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/us-office-marketbeat-reports>

² 2025 U.S. Real Estate Market Outlook Midyear Review | CBRE

³ News | Rising US store closings on pace for record year | CoStar

Meanwhile, the two sectors with highest transaction value for North America in 2025 so far, industrial and residential, are both encountering rising supply. Industrial assets sustained healthy investor interest, but performance normalized from pandemic-era peaks as supply caught up with demand. Following a record 358 million square feet delivered in 2024, vacancies increased from 2.8% in mid-2022 to around 7.1% by Q3 2025.⁴ Year-on-year rental growth hence slowed down to 1.7%, falling short of the 4% growth seen throughout 2024.

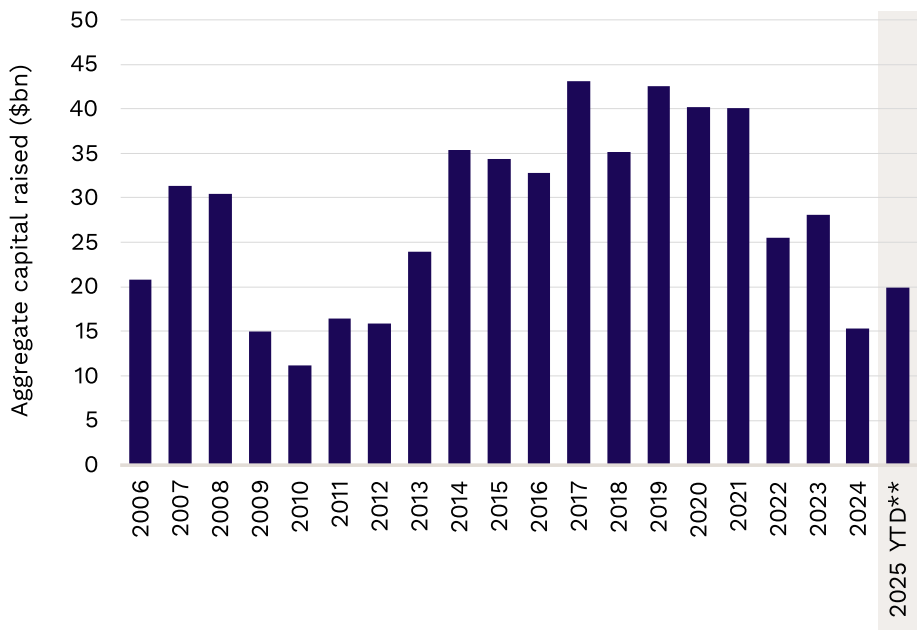
Rental growth in multi-family homes also moderated in 2025, as elevated deliveries weighed on rents and occupancy. The start of construction of US multi-family units peaked in mid-2023, translating into a slight increase in deliveries that could last until 2026. A small rise in vacancies – from 7.2% as of end 2022 to 9.0% over the year to date⁵ – has slowed rental growth. By Q3 2025, rental growth was up by a marginal 1.5% year on year. In the absence of a stand-out sector with very positive fundamentals, property buyers tend to stick to their current sector allocation pattern.

LP and end-user purchasing normalizes in Europe

From a fundraising perspective, the first three quarters of 2025 registered a tangible increase in capital directed toward Europe, reflecting improving investor sentiment towards the regional market. A total of \$20bn in capital has been raised by core, core-plus, value-added, opportunistic, and secondaries funds so far in 2025, up by 33% compared with the full year of 2024 (Fig. 1.6). However, the pronounced capital accumulation in North America-focused real estate debt funds dilutes Europe's relative weight when measured across global regional funds (Fig. 1.7).

Fig. 1.6: Strong rebound in fundraising of Europe real estate funds

Aggregate capital raised by real estate funds* focused on Europe



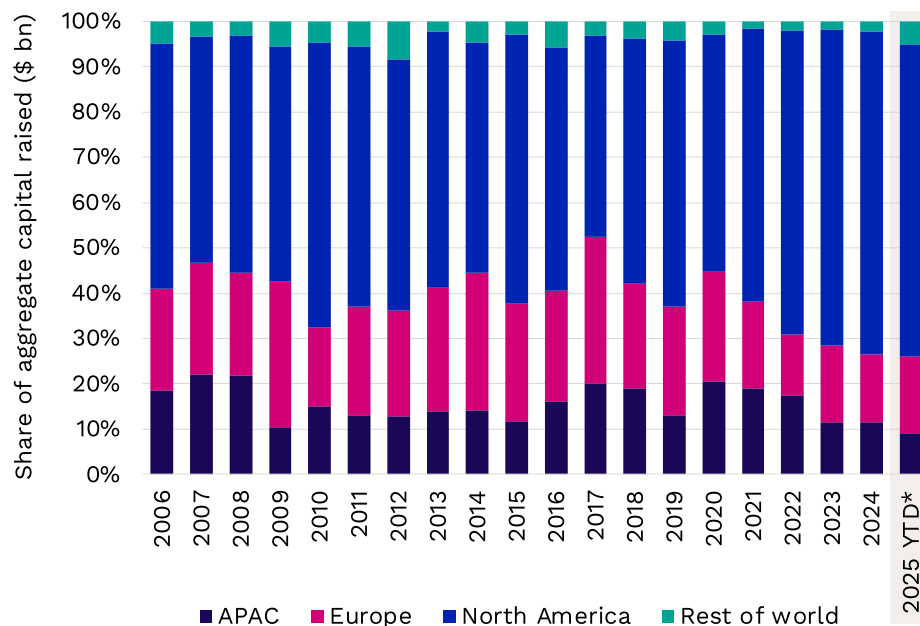
Source: Preqin

*Includes core, core-plus, value-added, opportunistic, and secondaries funds only
**YTD to end of Q3 2025

4 US Industrial MarketBeat Report | US | Cushman & Wakefield
5 US Multifamily MarketBeat | US | Cushman & Wakefield

Fig. 1.7: Strong North America fundraising diluted the impact of growth in Europe real estate fundraising

Share of real estate capital raised by region-focused funds



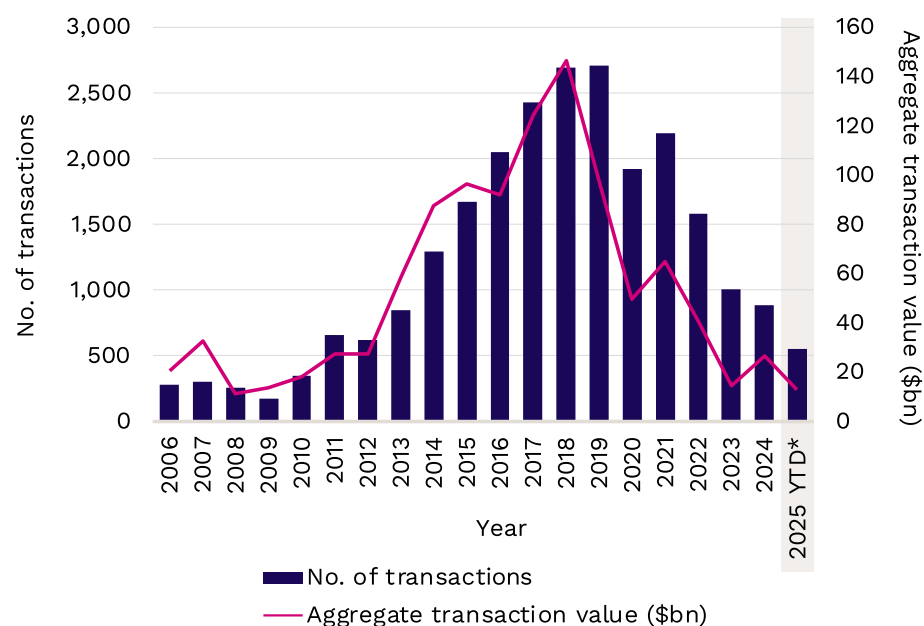
*YTD to end of Q3 2025

Source: Preqin

On transactions, 2025 real estate deal value reflected a normalization from 2024's exceptional spike, when a series of huge deals involving local regional LPs or end users were completed (Fig. 1.8). Activity rotated towards single-asset and smaller portfolio deals in 2025, as shown by a decline in average deal size from the previous year.

Fig. 1.8: Europe deal-making still remains off previous peak

Transaction volume and aggregate transaction value for Europe real estate



*YTD to end of Q3 2025

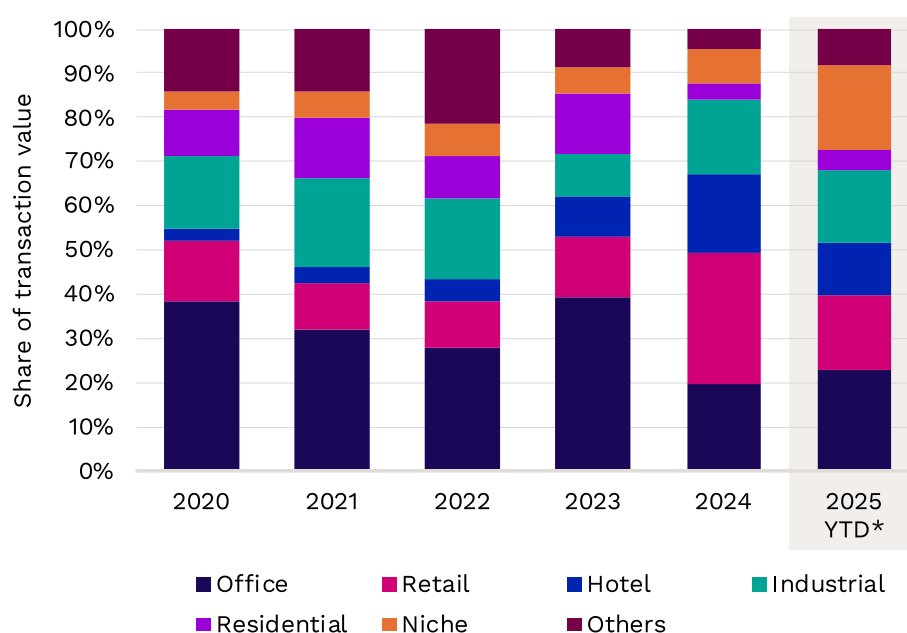
Source: Preqin

Retail illustrates the shift from an extraordinary 2024 to a moderate 2025. Last year, retail's share of European commercial real estate investment reached 30% (Fig. 1.9) – its highest since 2015 according to Preqin data. In 2025, retail remained comparatively strong, but moderated from that peak, accounting for roughly 17% of total deal value, its second-highest share since the pandemic. Student housing also retained favor across European markets, supported by chronic supply shortages. In Q1–Q3 2025, transaction value within the subsector more than doubled, according to Preqin data. That helped to take niche sector deal value to a new high of 19% of total Europe deal value.

Fig. 1.9: Europe retail deal closing cooled but remained a major sector for investment

Proportion of Europe real estate transaction value by sector

[View latest chart data in Preqin Pro](#)



*YTD to end of Q3 2025

Source: Preqin

In June 2025, the 32 NATO member states committed to materially raising defense spending targets by 2035.⁶ Several countries moved promptly, like Italy who has increased its 2025 defense budget by 7.2% to €31.3bn.⁷ Over the coming decade, these commitments are poised to generate substantial demand for specialized real estate: manufacturing plants for defense equipment, research and development facilities, logistics depots, testing and training centers, and secure industrial parks.

While this has not yet translated into a visible surge in aggregate transaction values, investors will pay attention to industrial and logistics assets situated near defense corridors – particularly in Central & Eastern Europe (including Poland and NATO's eastern flank) and in secondary Western European markets integrated into defense supply chains. The interplay of sovereign procurement, industrial policy, and private capital is likely to emerge as a meaningful thematic driver for specific asset classes, including real estate, in certain locations.

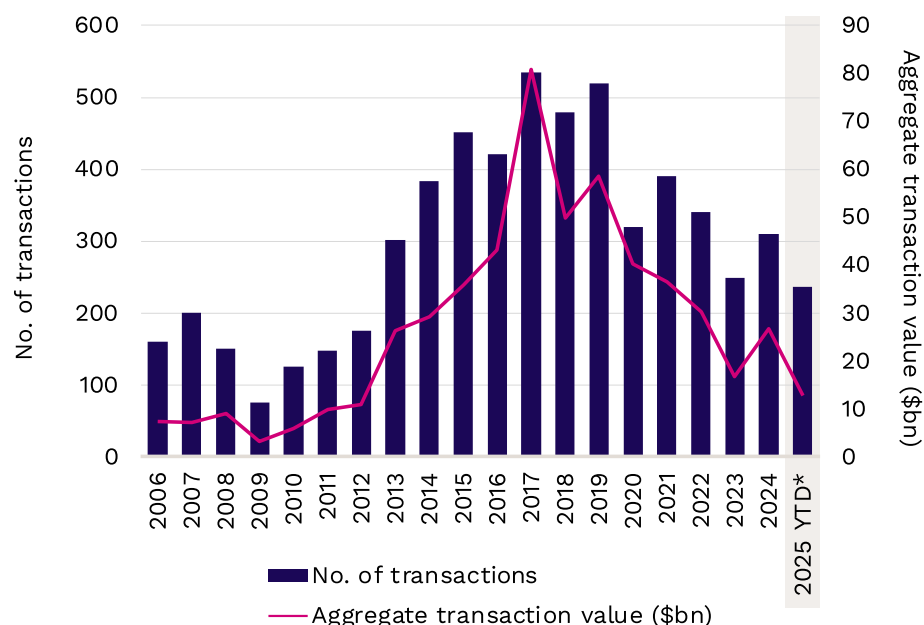
⁶ Nato agrees spike in defence spending and stresses 'ironclad' security guarantee | BBC News

⁷ Italy unveils €31 billion defense budget with NATO target in mind | DefenseNews

Across APAC, investment patterns shifted in 2025, generally under the influence of currency movements. Transaction value from Q1 to Q3 2025 was just 47% of the 2024 full-year total (Fig. 1.10). That trend was in part driven by the appreciation of major APAC currencies against the US dollar, which increased market entry costs and slowed the pace of inbound deployment by investors that had been active in the previous year.

Fig. 1.10: APAC recorded less than half of 2024's total deal value in 2025 YTD*

Transaction volume and aggregate transaction value for APAC real estate



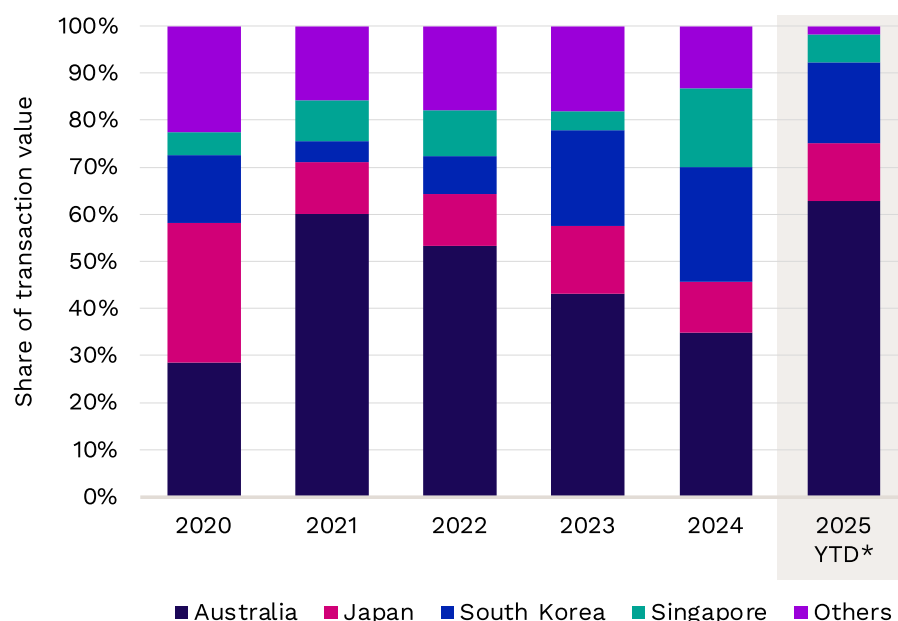
*YTD to end of Q3 2025

Source: Preqin

Japan, where the currency served as a safe haven and appreciated sharply against the US dollar during the first half of 2025, experienced the steepest slowdown in inbound real estate investment. Foreign buyer investment activities moderated and deal value declined accordingly. While deal value for Japan in the first nine months of 2025 is lower than the same period in the 2024, Japan's share of transaction value grew one percentage point. Transaction values and the number of deals in Australia remained relatively stable and claimed a larger portion of total APAC deal value (Fig. 1.11).

Fig. 1.11: Australia deal market more active than other major APAC country markets

Proportion of APAC real estate transaction value by country



*YTD to end of Q3 2025

Source: Preqin

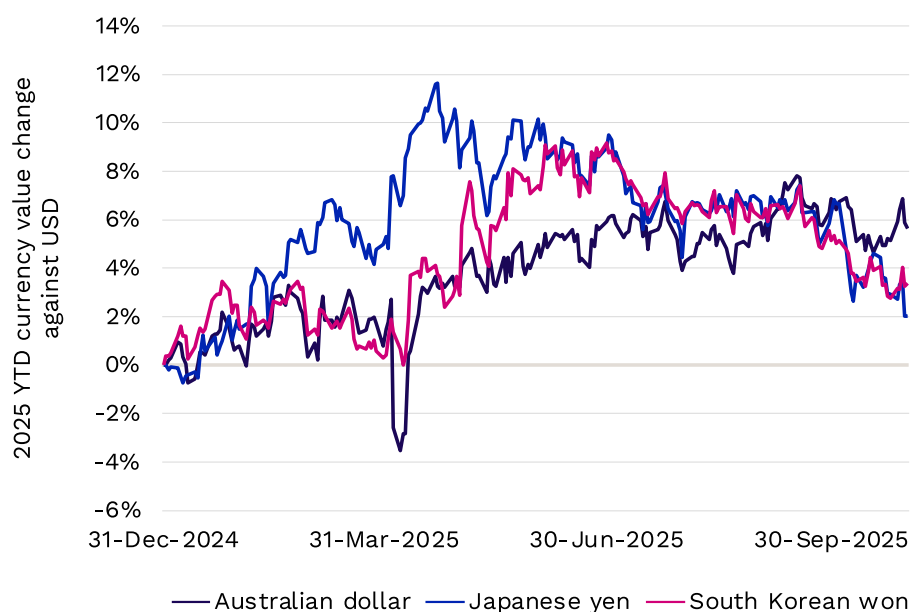
Investor interest in retail remained intact. Simultaneously, housing shortages intensified demand across living sectors, especially purpose-built student accommodation and retirement housing. These segments captured several large transactions, boosting the share of niche living strategies within the regional deal mix.

Currency fluctuations played a critical role in shaping capital flows for APAC real estate investments in 2025. While the appreciation of the Australian dollar against its US equivalent was relatively mild, the trend for the Japanese yen and Korean won began to reverse in Q3 (Fig. 1.12). This reversal could redirect inbound capital towards Japan and South Korea, potentially revitalizing investment activity in APAC.

Stronger fundraising in 2025 signals a stabilization in investor sentiment towards real estate fund investments. Nevertheless, based on fund life trends, we observe a continued increase in fund duration and a slower rate of capital distribution back to investors. This dynamic is limiting liquidity and delaying capital recycling for new commitments. Additionally, the surge in mega fund closings this year may absorb a significant portion of available dry powder, reducing capacity for investments in 2026 – similar to conditions in 2024.

Fig. 1.12: JPY and KRW appreciation starts moderating

Value change against USD among selected APAC currencies since end 2024



Source: S&P Capital IQ

At the same time, Europe has recorded exceptionally strong regional fund closings in 2025. The region continues to attract investor interest, according to our latest investor survey. This trend is expected to support sustained fundraising for Europe-focused vehicles, increasing dry powder for property investments over the longer term. Consequently, we expect a rebound in real estate transaction values in the coming years.

→ Preqin's forecasts to 2030

Real estate fundraising is set to recover gradually, with stronger growth expected from 2026. While AUM is projected to reach \$2.8tn by 2030, headwinds against performance and regional divergences will shape the sector's future





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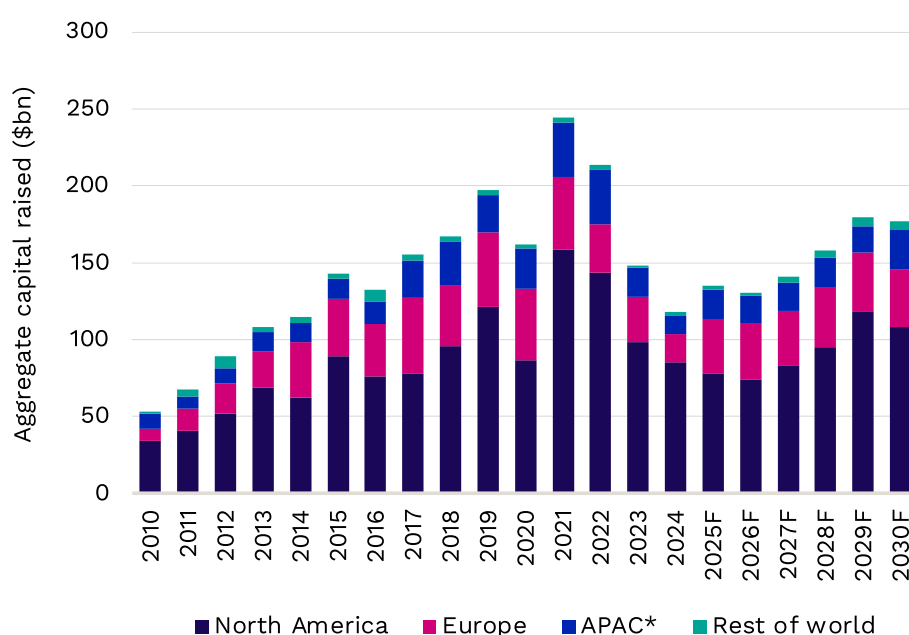
Recent data indicates that fund lifecycles are increasing¹ and, as longer fund lives typically translate into slower distributions back to investors, the amount of capital available to be recycled into new commitments is constrained. This dynamic ultimately weighs on the recovery process for both fundraising and AUM growth across the real estate investment industry.

For this reason, our view remains that the rebound in real estate fundraising and AUM will be backloaded, with the bulk of the recovery materializing in the later years of the forecast period. We expect the three-year decline in real estate fundraising to level out in 2025 and become bumpy until 2027F.

The slow recovery during the first half of the forecast period is expected to lead to average annualized growth of 6.9% for real estate capital raising, far lower than during the periods 2012–2018 or 2018–2021. At this pace, we estimate that annual real estate fundraising will recover to around \$177bn by 2030 (Fig. 2.1).

Fig. 2.1: Real estate fundraising growth expected to speed up

Real estate historical and forecast fundraising by region



Source: Preqin

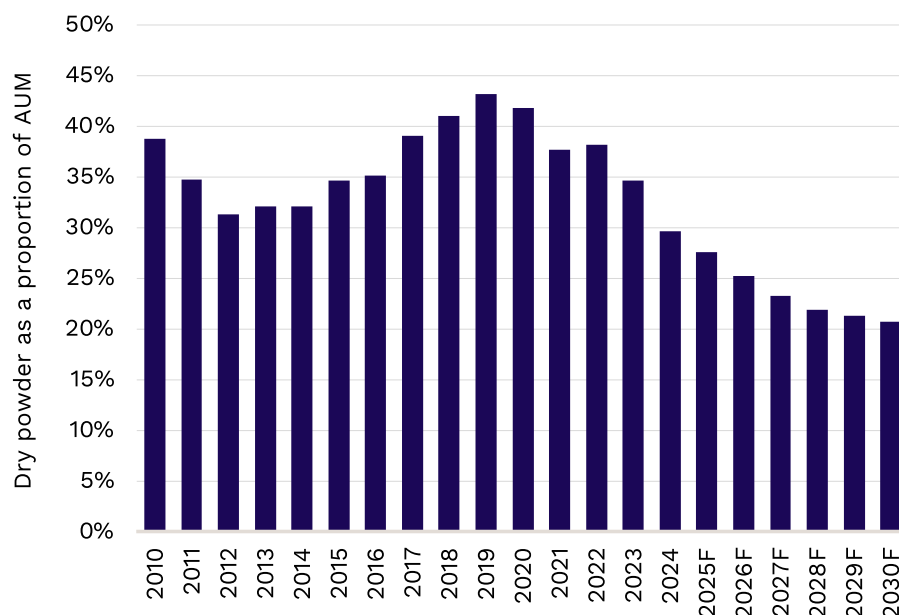
*Capital raised figures exclude funds denominated in yuan renminbi
We have enhanced our methodology for calculating private capital assets under management – more information available on request

¹ Discussed in greater detail in [the next chapter](#) of this report

While this is a meaningful rebound, it still lags behind the record high of \$244bn achieved in 2021 by roughly 28%. As a result, we also expect the proportion of dry powder within total real estate AUM to contract from 30% as of end-2024 to 21% at end-2030F (Fig. 2.2). Taken together, these dynamics point to real estate AUM approaching a new high of approximately \$2.8tn by the end of the forecast period.

Fig. 2.2: Ratio of dry powder to AUM shrinks due to weak fundraising

Real estate dry powder as a proportion of AUM



Source: Preqin

We have enhanced our methodology for calculating private capital assets under management – more information available on request

Although there has been a gradual decline in interest rates in 2025 across major economies, such as the eurozone and APAC markets, including South Korea and Australia, the situation is different in the UK and, most notably, the US where rate cuts are still likely to be some distance away.

At the same time, compared with other private asset classes, recent performance in real estate has been relatively soft. As we discussed in the previous chapter, the asset class delivered a negative three-year return, underscoring the headwinds it continues to face. Hence, on performance, even though we forecast that the average IRR for global real estate funds over the period end-2024 to 2030F will outperform the period from end-2018 to 2024, we expect a mild uptick of 1.7ppts.

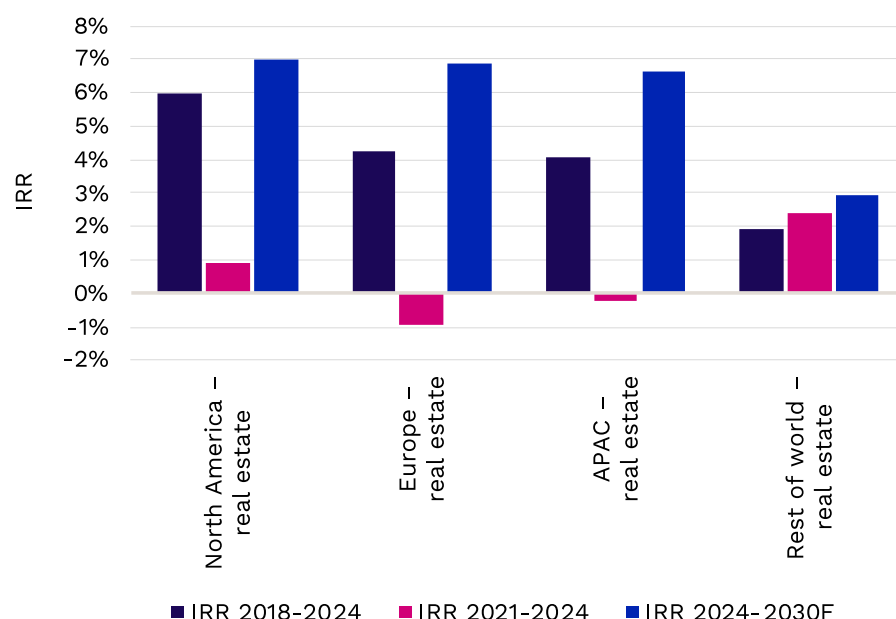
Fundraising could recover as investors look again at Europe and UK

Our [investor survey in June 2025](#) highlighted a gradual shift in respondents' focus toward Western Europe and the UK. The steady inflow of capital into Europe could improve dry powder levels in the region, support deal activity, and ultimately narrow the bid-ask spread in real estate transactions. This, in turn, could help facilitate a revival in property prices and fundraising momentum in Europe.

We expect this trend to be most visible in the early years of the forecast period, with some normalization in the later years. By contrast, North America is expected to demonstrate a more robust performance and stronger AUM growth over the full forecast horizon (Fig. 2.3), supported by its market depth and institutional investor base.

Fig. 2.3: North America is expected to outperform other regional markets

Real estate historical and forecast performance*



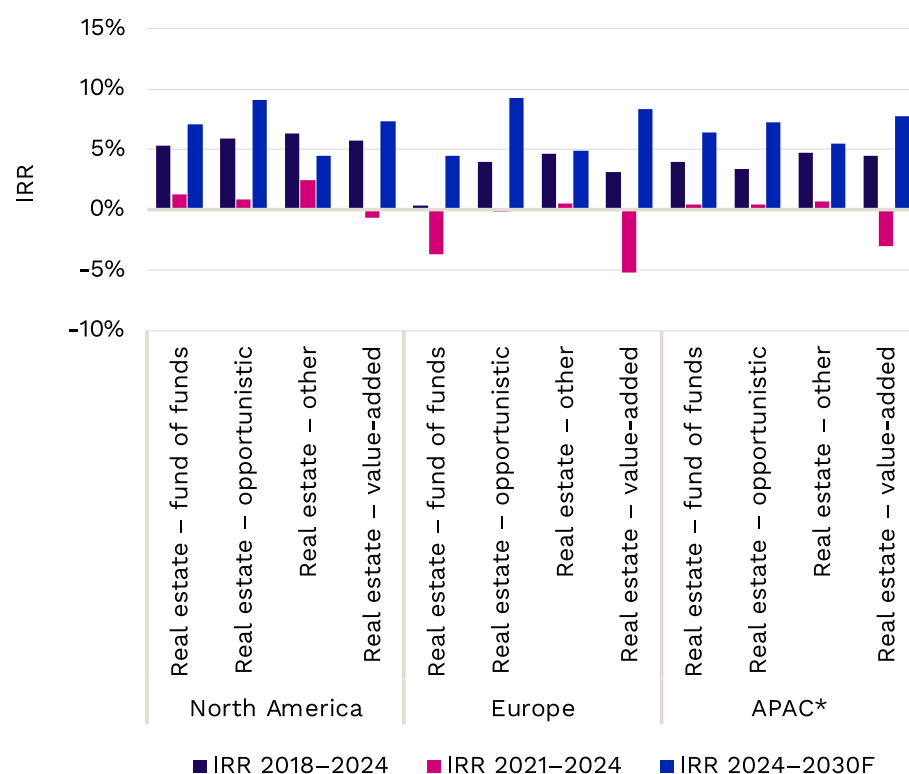
Source: Preqin. All figures are nominal

*When we calculate performance we exclude funds denominated in yuan renminbi
Note: values relate to end of year

Breaking down performance by strategy, APAC stands out as the only major region where opportunistic strategies are expected to underperform their value-added counterparts (Fig. 2.4). For the previous three years, Preqin data has shown that the proportion of total capital raised by opportunistic funds in APAC has steadily declined.

Fig. 2.4: Opportunistic strategies expected to lag behind value-added in APAC

Regional real estate historic and forecast performance by sub-strategy



Source: Preqin. All figures are nominal

*When we calculate performance we exclude funds denominated in yuan renminbi
Note: values relate to end of year

This trend reflects the fact that much of the AUM linked to opportunistic strategies is tied up in funds that are already closed or fully invested. Many of these funds have significant exposure to the Chinese market, which has experienced a pronounced slowdown in recent years. As a result, opportunistic strategies in APAC are likely to track the overall performance of the broader real estate market, rather than outperform it. Consequently, we expect opportunistic funds in the region to deliver lower IRRs than those in other regional markets during the forecast period.

Compared with other private asset classes, the real estate investment sector has experienced the most profound and multifaceted impact from recent global disruptions. The combined effects of the COVID-19 pandemic and the latest interest rate hike cycle have reverberated across every layer of the asset class – from property-level fundamentals and operational performance to fund deployment strategies and capital-raising dynamics.

These structural challenges suggest that real estate may need more time to fully normalize and regain stability compared with its private market peers. As a result, we foresee a more gradual path to recovery. Our outlook incorporates a more conservative forecast for real estate relative to other private asset classes, reflecting both the lingering headwinds and the time needed for the sector to reposition itself for a more pronounced and sustainable rebound.

→ **Real estate funds gain a new lease of life**

Real estate fund lifecycles have shifted dramatically in the past decade, decreasing on average. However, recent vintages now face slower deployment amid macro volatility, potentially increasing their longevity



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The real estate investment landscape has undergone profound structural changes over the past 20 years. After the Global Financial Crisis (GFC), the market entered a prolonged period of growth, supported by historically low interest rates, which continued until around 2017.

This environment fostered aggressive property acquisition and rapid capital deployment. However, the 2020s introduced volatility, marked by rate fluctuations and slower transaction activity. These shifts have had a direct impact on timelines for capital deployment and fund distribution – critical factors for investors and fund managers seeking efficient capital recycling and strong returns.

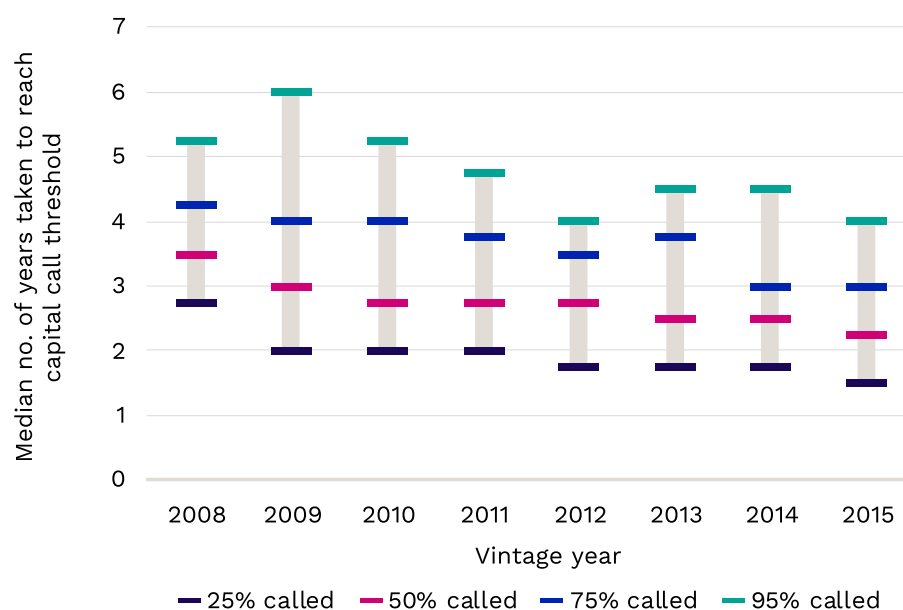
We examine how these timelines have evolved and what they mean for real estate investors moving forward. Our analysis draws on a dataset of 1,534 real estate funds launched between 2003 and 2022. We focus on median timeframes for achieving key milestones – 25%, 50%, 75%, and 95% – in both capital deployment and distribution. These trends provide valuable insights into the changing nature of fund management.

Deployment and distribution accelerate in the post-GFC era

Between 2008 and 2012, funds experienced a notable compression in deployment timelines (Fig. 3.1). The median time to reach major deployment milestones shortened by roughly five fiscal quarters compared with earlier vintages.

Fig. 3.1: Fund deployment period shortened across milestones

Median years taken to reach capital call threshold, by vintage year



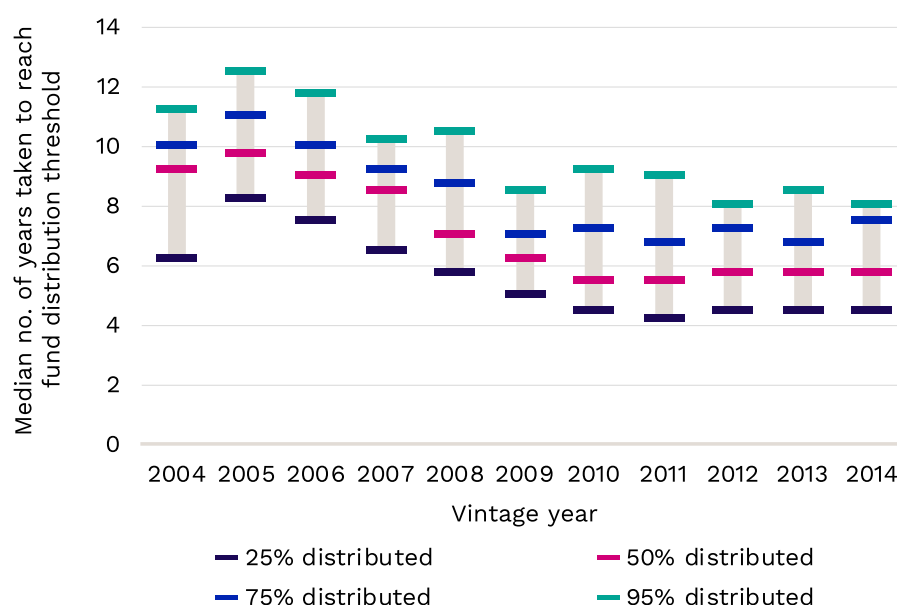
Source: Preqin Insights+, data as of March 2025

This period, situated between the GFC recovery and the onset of COVID-19, was characterized by macroeconomic stability and ultra-low interest rates. These conditions created a favorable backdrop for underwriting and deal-making, enabling fund managers to deploy capital quickly. The result was shorter investment periods and faster movement through the J-curve, allowing funds to generate positive returns sooner.

In tandem with deployment trends, fund distribution timelines also shifted. Between the 2008 and 2012 vintages, liquidation periods contracted significantly. The median time to distribute 95% of fund value fell from more than 10 years for 2008 vintages to roughly eight years for 2012 vintages (Fig. 3.2). This acceleration improved IRRs and enhanced the appeal of real estate funds, fueling strong fundraising momentum from 2013 through 2019. Investors were drawn to predictable performance and efficient capital recycling, which supported increased allocations to the asset class.

Fig. 3.2: Fund life compression has stabilized since 2012 vintage

Median years taken to reach fund distribution threshold, by vintage year



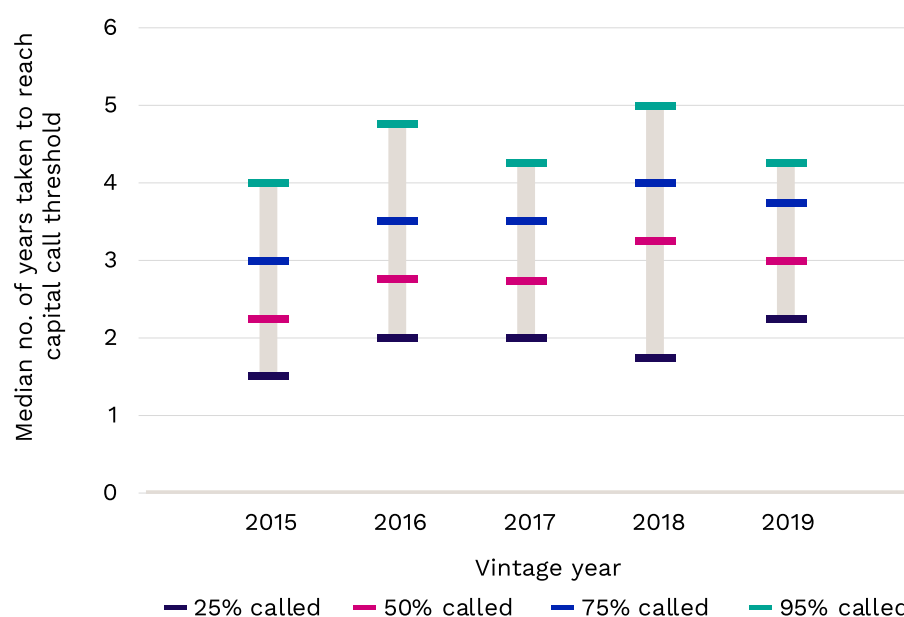
Source: Preqin Insights+, data as of March 2025

Signs emerge of lengthening fund lifecycles

Recent data, however, suggests a reversal of this historical trend. Timelines for funds with vintages between 2015 and 2018 to deploy 50% and 75% of capital have increased – by around three quarters on average (Fig. 3.3). This slowdown reflects not only

Fig. 3.3: Fund deployment period has reversed since 2015 vintage

Median years taken to reach capital call threshold, by vintage year



Source: Preqin Insights+, data as of March 2025

pandemic-related disruption but also broader macroeconomic headwinds, including tighter global monetary policy and geopolitical uncertainty. The time taken to close real estate transactions has hence increased, generally as a result of more difficulties in underwriting. At the same time, heightened caution among investors in commercial sectors such as office and retail further slowed deal-closing for related assets. These factors collectively dragged capital deployment, signaling that more time was needed for assets within portfolios of recent funds to mature and be sold for profit realization.

The earlier dynamic – shorter fund lifespans supporting robust fundraising – appears to be fading. While recent investor surveys indicate continued interest in real estate commitment, the actual fundraising value is unlikely to return to pre-COVID or 2021 peak levels in the short term. Fund managers planning new vehicles may choose to adopt conservative targets and avoid overestimating available capital. Overly ambitious fundraising goals risk prolonged closings, which can erode performance and investor confidence.

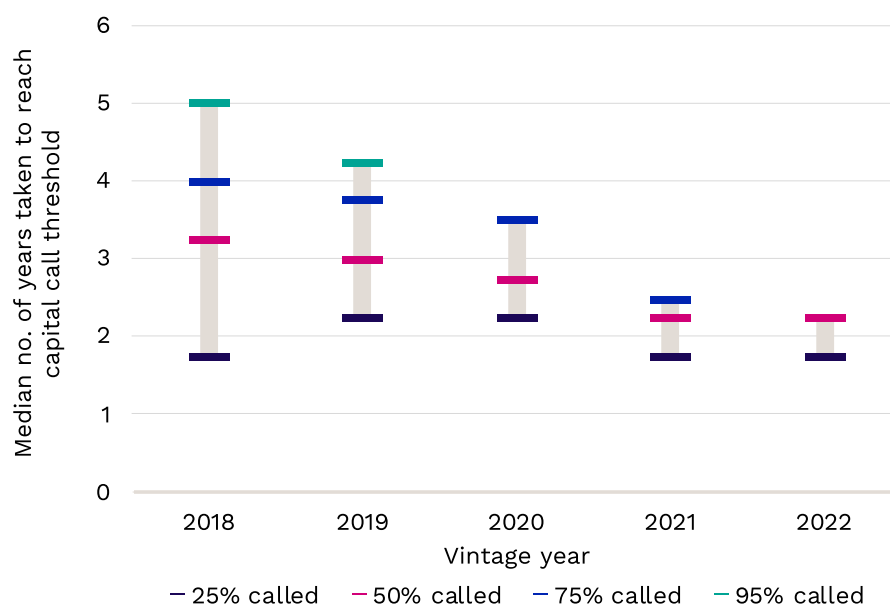
Navigating the longer-term outlook

LPs may notice that funds nearing the end of their lifecycle are taking longer to wind down than initially projected. This extension affects return expectations and delays in capital recycling. Nevertheless, current evidence suggests this is a medium-term trend – likely to continue for two to three years – rather than a permanent structural shift.

The recent rate hike cycle elevated discount rates and compressed property valuations, creating higher yields but reducing fundraising momentum. With less dry powder available, competition for acquisitions has reduced. Deployment timelines for newer vintages show early signs of improvement: the median time to deploy 50% of capital fell from nearly 13 quarters for 2018 vintages to about nine quarters for 2022 vintages (Fig. 3.4). If sustained, this acceleration could catalyze a return to shorter fund lifecycles.

Fig. 3.4: Time to get to 50% capital called has reduced since 2018

Median years taken to reach capital call threshold, by vintage year



Source: Preqin Insights+, data as of March 2025

Note: Sample size is not enough to deduce median years for 75% and 95% thresholds across all vintage, as most of the recent funds are still investing

The 4Ds shaping the future of real assets

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The future looks bright for real assets, with four key drivers unlocking opportunities for investors – and asset managers who can identify and execute early



**EDMOND
DE ROTHSCHILD**



Christophe Caspar
CEO, Asset Management,
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Edmond de Rothschild Asset Management has been serving institutional, distribution, and intermediary clients for several decades, managing today €110bn across all major asset classes.

Christophe Caspar joined Edmond de Rothschild in 2018, and was appointed Head of Asset Management in 2019. Prior to that, Christophe was Head of Investments at Pictet Wealth Management and executive Board member. From 1999 to 2016, he held various positions at Russell Investments, including CIO for the APAC markets and Global CIO Multi-asset Solutions. Christophe is a CFA Charterholder and holds post graduate degrees from ESC Reims and Royal Holloway University of London.

What are the structural forces driving the real assets market?

We believe that the global investment landscape is being shaped by four enduring trends: deficits, deglobalization, decarbonization, and demographics. These '4Ds' point to a positive long-term outlook for real assets (real estate and infrastructure).

Driven by the need to modernize infrastructure, support defense capabilities, and accelerate energy transition projects, many governments are running growing deficits. This fiscal expansion boosts demand for real assets, while also reinforcing their role as long-term inflation hedges.

Deglobalization is another defining force. The COVID-19 pandemic and geopolitical tensions have prompted many nations to near-shore production, diversify supply chains, and enhance domestic capabilities to improve resilience and energy independence.

At the same time, the decarbonization push is reshaping real asset investment opportunities, particularly in infrastructure. It is estimated that \$94tn will be needed in infrastructure financing by 2040 to keep pace with growth and development requirements enabling the energy transition.¹

Finally, changes in demographics are driving demand in certain types of real estate. For instance, there is a need for healthcare-related properties to support aging populations. Meanwhile, urbanization has impacted buying and renting behavior for residential properties.

What opportunities do the 4Ds give investors?

The 4Ds are redefining how investors allocate their assets, and are the tailwinds for growth in some emerging sectors.

One example is logistics and warehouses. As deglobalization and decarbonization initiatives take hold, there is a growing demand for smaller, strategically located warehouses near city centers to support last-mile delivery and domestic supply chains. This is especially the case in densely populated areas, like Germany and France, which are the heart of major transport routes and have a large amount of logistics assets.

Another example is life sciences. Purpose-built laboratories and research facilities are in high demand due to demographic shifts and advances in healthcare. There is potential for value creation for investors from identifying, adapting, and managing assets to facilitate operations in this industry.

What do asset managers need to capture these opportunities effectively?

Agility and focus are becoming key differentiators among managers. In a capital-constrained environment where exits are limited, institutional investors are increasingly selective about the managers they back. Those able to identify and execute early on emerging trends will stand out.

Mid-sized managers, like Edmond de Rothschild, who have deep market knowledge and local presence are well placed. Having teams on the ground enables faster execution, closer tenant engagement, and better oversight of regulatory developments.

Investors who align their strategies with the 4Ds and partner with managers who can adapt quickly to evolving market conditions and execute early on emerging trends will be in a good position to capture the long-term return potential of real assets.

¹ <https://outlook.gihub.org/>

→ **Sector in focus: Global living**

Residential now accounts for around a third of real estate investment and global demographic shifts are opening up new subsectors, such as affordable co-living units and senior care





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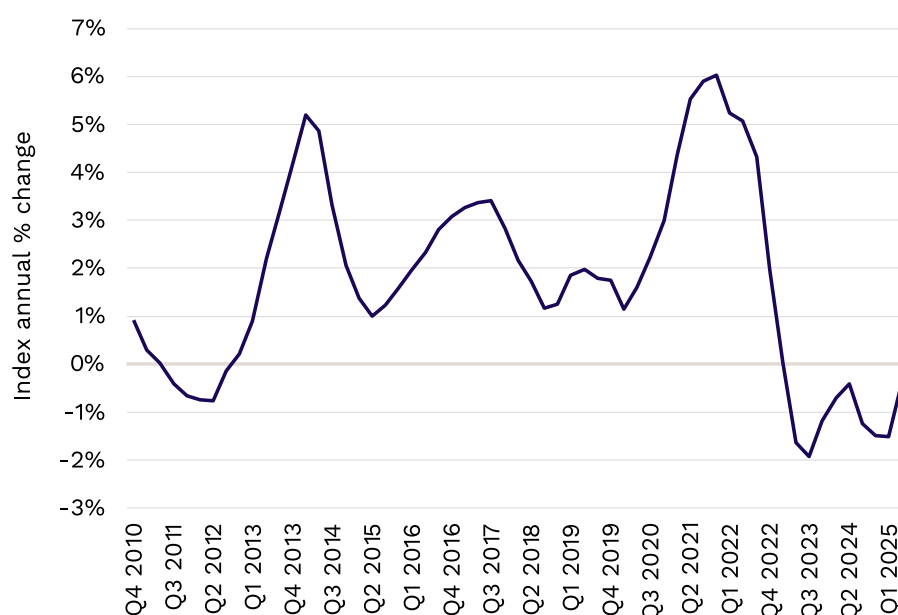
The global living sector – which encompasses multifamily rental housing and niche subsectors such as student housing, co-living spaces, and retirement (senior) housing – is undergoing profound transformation. A combination of pandemic-related disruptions and monetary tightening has intensified a chronic housing shortage across many country markets. Meanwhile, a gradual shift of the population demographic, such as later marriage and first childbirth, as well as aging populations, triggers additional demand for other subsectors of living. In this chapter, we present an overview of multifamily – the core subsector of living – and explore rising opportunities in other subsectors.

Residential gained traction amid global housing shortage

In terms of real price, global housing prices have climbed steadily for 10 years. The Knight Frank Global House Price Index, for example, surged by 31% from Q2 2012 to Q2 2025 (Fig. 4.1). The steepest growth started during the COVID-19 pandemic in 2020 and continued until 2022, totaling an 11% uptick in real housing prices. Even though overall real house prices retreated due to the rate hikes of recent years, some markets have still seen dramatic increases in nominal terms over the last 12 months to Q2 2025 – for example, 18% in Portugal, 9.4% in India and 7.6% in Japan.¹ As housing affordability deteriorates, more potential home buyers need to accumulate greater wealth to afford the down payment and mortgage which increases the demand for residential leasing, boosting demand for rental housing. This shift has also elevated residential assets as attractive alternative investment options.

Fig. 4.1: Worldwide housing prices have edged up steadily since 2012

The Knight Frank Global House Price Index, overall index annual % change



Source: Global House Price Index, data as of Q2 2025

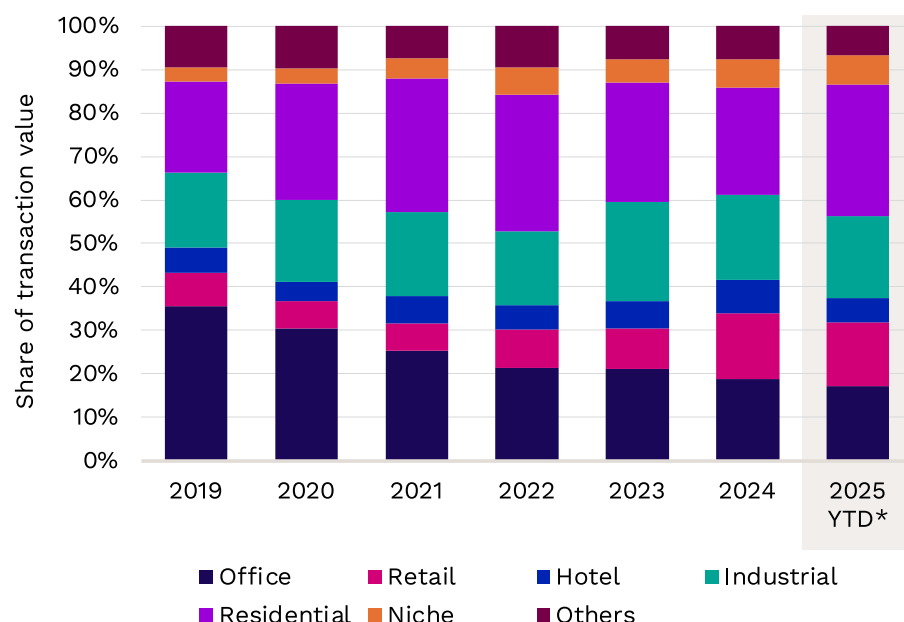
COVID-19 triggered a structural shift in the investment landscape, altering the fundamentals of various sectors. Traditional commercial segments such as office and retail have faced headwinds from hybrid working models and the acceleration of e-commerce. As a result, both LPs and GPs have turned to the residential segment for new opportunities. Residential has gained prominence in real estate portfolios – accounting for nearly one-third of global deal value in 2022 and maintaining a strong 30% share in Q1–Q3 2025 (Fig. 4.2). This shift is particularly pronounced in North America, where residential has emerged as the largest sector for real estate transactions, as we pointed out in a [previous chapter](#).

¹ Knight Frank Global House Price Index | Q2 2025 Knight Frank

Fig. 4.2: Residential represents a growing share of real estate deals

Proportion of global real estate transaction value by sector

[View latest chart data in Preqin Pro](#)



*YTD to end of Q3 2025

Source: Preqin

Potential future headwinds for traditional residential

This does not mean the residential sector is immune to challenges. The US multifamily market is currently facing a wave of new supply, which is putting downward pressure on rental growth rates. At the same time, governments in major real estate markets are actively implementing measures to address housing affordability and supply constraints. For example, in July 2025, the UK government announced its intention to deliver approximately 300,000 social and affordable homes under the new £39bn Social and Affordable Homes Programme,² with at least 60% designated for social rent. In Australia, the National Housing Accord³ was agreed in 2023 with a target of delivering 1.2 million new homes over five years starting mid-2024. This includes AUD 3.5bn in payments to state, territory, and local governments to support housing delivery, as well as a one-time AUD 2bn payment to increase the stock of social housing. In Germany, new rental agreements are limited by law such that the rent can be no more than 10% above the local comparative rent allowed in designated tight housing markets.⁴ These housing control measures are expected to increase the supply of traditional residential units and may weigh on a future valuation upside for the sector.

New solutions needed for a new demographic reality

While multifamily housing is still the main subsector for residential investment, the current worldwide trend in the population demographic suggests an increasing demand for alternative living subsectors. In the US, for example, the mean age at first birth rose from 26.6 in 2016 to 27.5 in 2023.⁵ The number of first births among mothers aged 30 and older increased significantly: by 12.6% for those aged 30–34 and by 25%

² [Delivering A Decade Of Renewal For Social And Affordable Housing | GOV.UK](#)

³ [Delivering The National Housing Accord | Australian Government Treasury](#)

⁴ [Rent Freely Determined: Can The Rent For Residential Leases Be Freely Determined? | DLA Piper Real World Law](#)

⁵ [National Vital Statistics Reports: Trends in Mean Age of Mothers, United States, 2016–2023 | U.S. Centers For Disease Control And Prevention](#)

for those aged 35 and older over the same period of time. In the European Union (EU), data shows the mean age at first birth rose from 29.0 in 2001 to 31.2 in 2023.⁶ In APAC, South Korea's average age of first birth is 33.6 years.⁷

At the same time, age of first marriage has also been trending up. Across the EU, the mean age at first marriage has increased in all 19 countries with available data between 2003 and 2023.⁸ For instance, in Spain, the average age for women at first marriage rose from 28.9 in 2003 to 36.9 in 2023. In APAC, the trend is also pronounced: in South Korea the average age at first marriage reached 34.0 for men and 31.5 for women as of 2023.⁹ These demographic shifts are reshaping housing demand, as more occupants aged 20–35 target smaller units suitable for one or two people instead of traditional family homes.

Co-living: the alternative for younger, more mobile urban residents

Co-living operators are well-positioned to meet this demand by offering a hybrid of private and shared spaces: providing residents with private bedrooms (often with en-suite bathrooms) alongside shared common areas such as kitchens, lounges, coworking spaces, gyms, and rooftop gardens. More importantly, co-living companies emphasize community programming – organizing events, workshops, networking opportunities, and social activities that foster a sense of belonging. The goal is to offer not just a place to live, but a built-in lifestyle and community.

Affordability is another key driver. Co-living offers an affordable alternative to small studio apartments, with shared facilities and all-inclusive pricing that eliminates the need for separate utility bills or furnishings. Tenants typically sign shorter-term leases or even month-to-month agreements, which suit individuals who may only stay in a city for a limited time due to work or study. This flexibility, combined with the convenience of bundled services, makes co-living an increasingly attractive option.

According to data by Preqin, total capital raised from 2022 to Q3 2025 by commingled real estate funds focused on co-living was less than \$1bn.¹⁰ That echoes the fact that co-living is still an emerging subsector and fund products focusing on that sector are limited. Instead, investors may access the subsector via exposure to diversified funds. Another common way to invest is to set up joint ventures, engaging with country or regional co-living operators that are seeking capital for expansion.

Senior housing: a growing demand–supply gap

At the other end of the demographic spectrum lies senior housing: independent living communities for active seniors, assisted living facilities, and nursing homes offering higher levels of care. The aging global population is a well-documented megatrend – one that is accelerating rapidly.

Globally, the number of people aged 65 and older is projected to more than doubled from 2019 to 2050, rising from approximately 700 million to 1.5 billion.¹¹ By mid-century, 16% of the global population will be aged 65 or above, up from around 10% as of 2022.¹² In East Asia, countries such as Japan, South Korea, Hong Kong, and Taiwan are on track to have around 40% of their populations aged over 65 by 2050.¹³ In North America, the over-65 cohort is expected to account for 20% of the population by 2030.¹⁴

⁶ Eurostat Fertility Statistics

⁷ South Korea's Fertility Rate Sinks To Record Low Despite \$270bn In Incentives | The Guardian

⁸ Eurostat Interactive Statistics: Demography Of Europe | 2025 Edition

⁹ First Marriage Age Rises To 34 For men, 31.5 For Women | Korean Herald Graphic News

¹⁰ Only includes fund samples with 'coliving' or 'co-living' wording in the fund name

¹¹ About The Human Rights Of Older Persons: Independent Expert On The Enjoyment Of All Human Rights By Older Persons | UN Report

¹² Frontiers In Public Health Editorial: Integrating age structural change into global policy | National Center For Biotechnology Information National Library Of Medicine

¹³ The World's Oldest Populations | World Economic Forum Health And Healthcare Systems Report

¹⁴ 1 in 5 Americans to be 65 years old or older by 2030 | S&P Global

This demographic's transformation is driving surging demand for retirement housing and elderly care facilities. However, the supply of dedicated senior housing has not kept pace. In the US, which has a relatively developed senior living industry, the gap is still significant. One estimate suggests that an additional 560,000 senior housing units will be needed by 2030 to accommodate the aging Baby Boomer generation. Yet new construction is lagging, with only 191,000 units expected to be added by that time.¹⁵ At that rate, the supply gap will widen dramatically over the coming years.

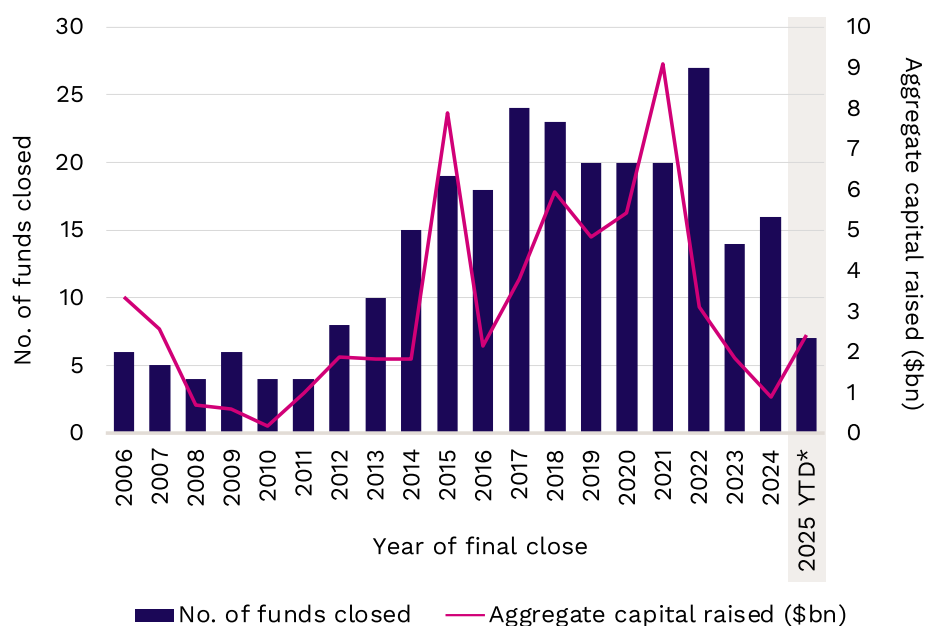
These trends point to stable and growing demand for senior housing for the foreseeable future. Retirement communities, assisted living apartments, and memory care centers for dementia patients will all be in greater demand. From an investment standpoint, senior housing offers attractive returns: cap rates across major markets average around 6.8%, and senior housing assets are priced more than 150 basis points wider than traditional multifamily apartments in the US – indicating potential for yield enhancement in diversified portfolios.¹⁶

Capital dedicated to senior housing investment is still limited

Despite strong fundamentals, capital dedicated exclusively to senior housing remains limited. Aggregate capital raised by residential or niche sector (which includes senior homes under Prequin data classification) funds peaked in 2021, at \$9bn, but have remained below \$3.1bn annual per year ever since (Fig. 4.3). And transaction data reflects that deal momentum could not catch up with growth in demand: global deal value in senior housing peaked at \$4.8bn in 2019 but fell to just \$784mn during the first three quarters of 2025 (Fig. 4.4).

Fig. 4.3: Fundraising for senior home investment has been subdued since 2021

Capital raising of residential or niche sector funds that open to senior home



*YTD to end-Q3 2025

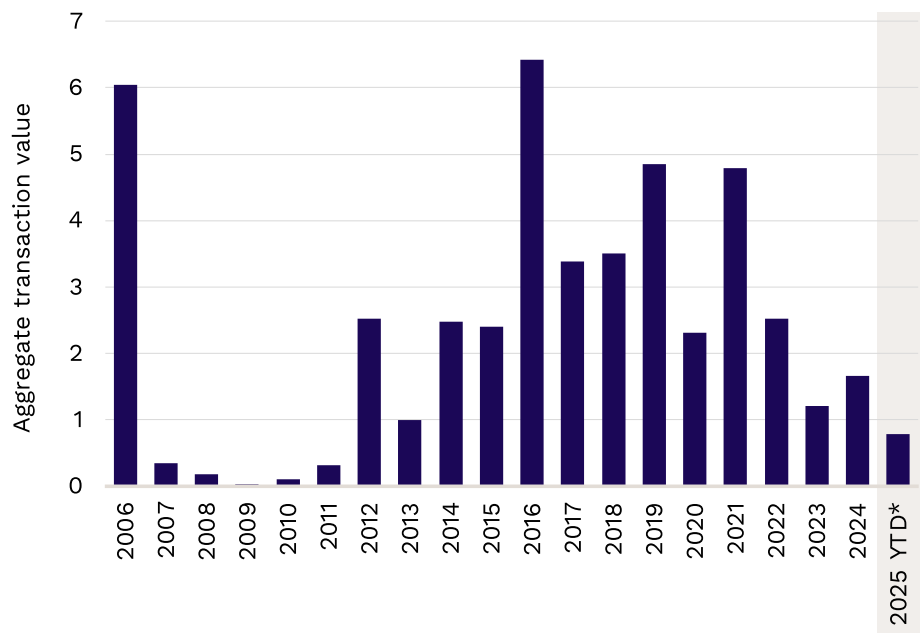
Source: Prequin

¹⁵ Aging Boomers Are About to Rekindle the Senior-Housing Market | The Wall Street Journal

¹⁶ The Case for Investing in U.S. Senior Housing | PGIM Real Estate

Fig. 4.4: Senior home deal value still below 2022 levels

Aggregate transaction value of senior home



*YTD to end-Q3 2025

Source: Preqin

The global living sector is at an inflection point. Structural shifts driven by macroeconomic pressures, demographic changes, and evolving consumer preferences are reshaping the residential landscape. While traditional multifamily housing remains a cornerstone, emerging segments such as co-living and senior housing present compelling growth opportunities.

→ **Real estate performance: On target?**

Whether a fund can achieve actual returns close to its target tends to be influenced by factors such as fund size, investment strategy, and target region



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Interest rate cuts initiated worldwide in 2024 marked an end to the recent hike cycle. Tightening monetary policies, together with the effect of the pandemic on commercial property, led to a notable adjustment in the global real estate market.

As the asset class has stabilized through 2025, now may be an opportune moment to analyze the historical performance of real estate funds with respect to characteristics such as investment strategies and geographic exposure. Understanding how various fund types have performed against their objectives can provide valuable insights for building portfolios that are well-positioned for the challenges and opportunities that lie ahead.

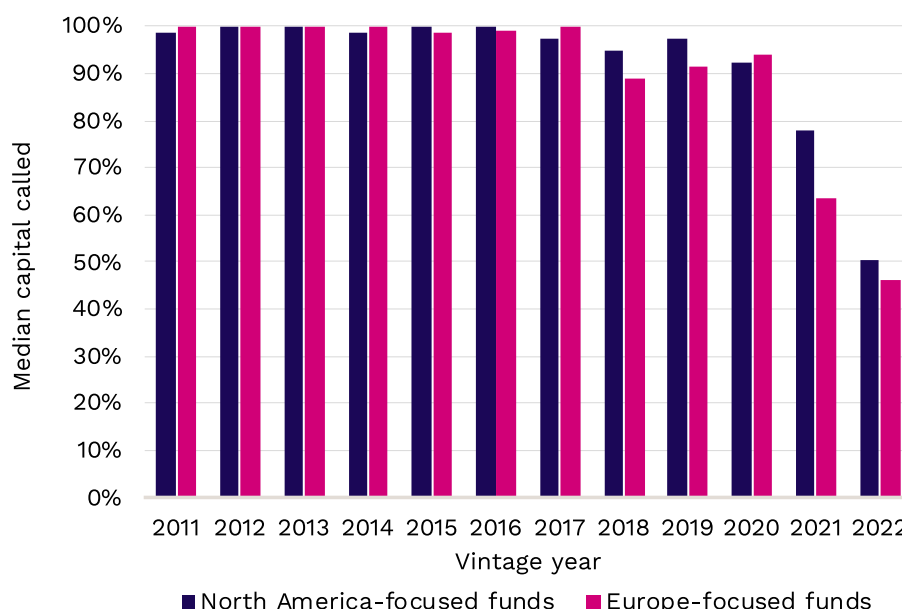
To ensure this study is robust, the analysis focused exclusively on funds with target return data and actual performance figures available as of year-end 2024. Only funds that were substantially invested were included, using the median percentage of capital called as an indicator.

Funds launched in 2020 or earlier typically had at least 90% of committed capital called, signaling that they were close to being fully deployed (Fig. 5.1). By restricting the sample to vintages prior to 2020, the analysis avoided distortions from the J-curve effect, which can obscure early performance results.

Fig. 5.1: Funds from vintage 2020 or earlier are around 90% invested

Median percentage of capital called for real estate funds, by vintage year

[View latest chart data in Preqin Pro](#)



Source: Preqin

The final dataset comprised 431 North America-focused funds and 100 concentrating on Europe, spanning vintages from 2011 to 2020. Actual fund performance was benchmarked against the lower bound of each fund's target return range to examine the disparity between actual and target returns across vintages.

Ongoing underperformance since 2011

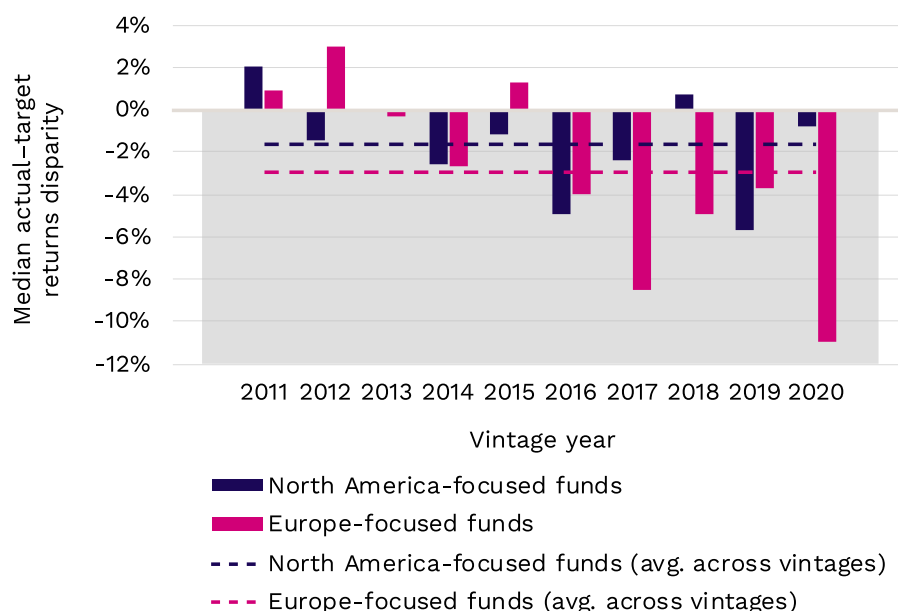
One of the most striking findings from our analysis is the persistent gap between expectations and reality. Across the 12 vintages studied, North America- and Europe-focused funds achieved their target returns in only three years (North America-focused funds in 2011, 2012 and 2018; Europe-focused funds in 2011, 2012 and 2015).

Overall, 69% of Europe-focused funds and 55% of North America-focused funds fell short of their targets. The median shortfall was more pronounced in Europe, at -3 percentage points (ppts), compared with -1.6 ppts in North America (Fig. 5.2).

Fig. 5.2: Actual return lags target for most fund vintages

Median actual–target return disparity for real estate funds, by vintage year

[View latest chart data in Preqin Pro](#)

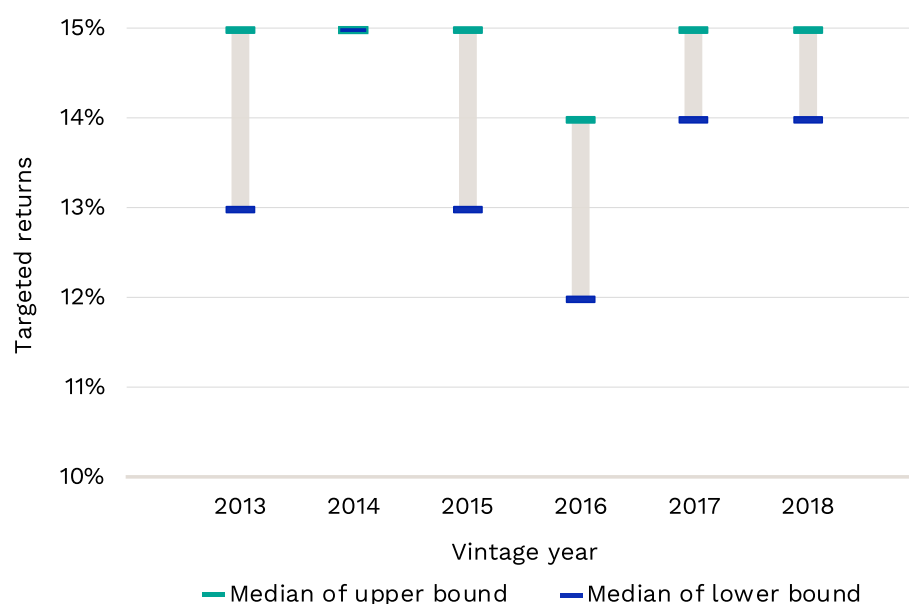


Source: Preqin

Europe's weaker record reflects its exposure to complex market shocks over the past decade. For example, the 2016 UK referendum on EU membership created significant turbulence in the UK property market, which is a core allocation for many pan-European funds. Although managers began lowering target returns in 2015 as Brexit risks became apparent, funds that closed just before the referendum remained vulnerable to valuation declines (Fig. 5.3).

Fig. 5.3: Europe-focused funds vintaged in 2015 and 2016 targeted lower returns, given the risk of Brexit

Median lower and upper bounds of target return of Europe-focused real estate funds, by vintage year



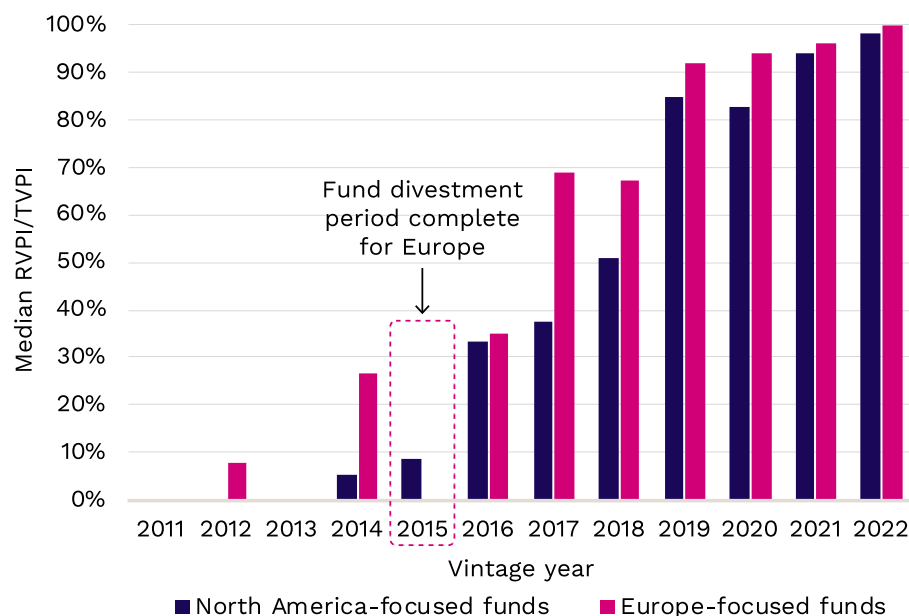
Source: Preqin

Exit timing is critical to meeting target return

Exit conditions emerged as a decisive factor in determining whether funds met their targets. Analysis of residual value to paid-in capital (RVPI) as a proportion of the total value to paid-in capital (TVPI) over fund life indicates that funds typically take around nine years to complete their investment and distribution cycles (Fig. 5.4).

Fig. 5.4: Fund divestment period mostly completed within nine years

Median RVPI/TVPI of real estate funds by vintage year as of February 2025



Source: Preqin

Taking 2011-vintage funds as an example, most fund exits occurred before the COVID-19 pandemic, during a relatively stable market environment. These funds outperformed expectations, with North America-focused vehicles exceeding targets by 2 ppts and Europe-focused funds by 1 ppt against the median (Fig. 5.2 above). By contrast, 2014-vintage funds faced exits during the pandemic, when valuations of office, retail, and hospitality assets were severely impaired. Median return shortfalls widened by 2.6 ppts in North America and 2.4 ppts in Europe between 2013- and 2014-vintage funds.

The rebound of 2015-vintage funds also illustrates the importance of timing. Benefiting from post-2020 interest rate cuts and a surge in deal activity in 2021, these funds achieved stronger outcomes. Europe-focused funds recorded a positive disparity of 1.3 ppts, while North America-focused funds narrowed their shortfall by 1.4 ppts relative to 2014 vintages.

Diversification vital to meeting expectations and withstanding market shocks

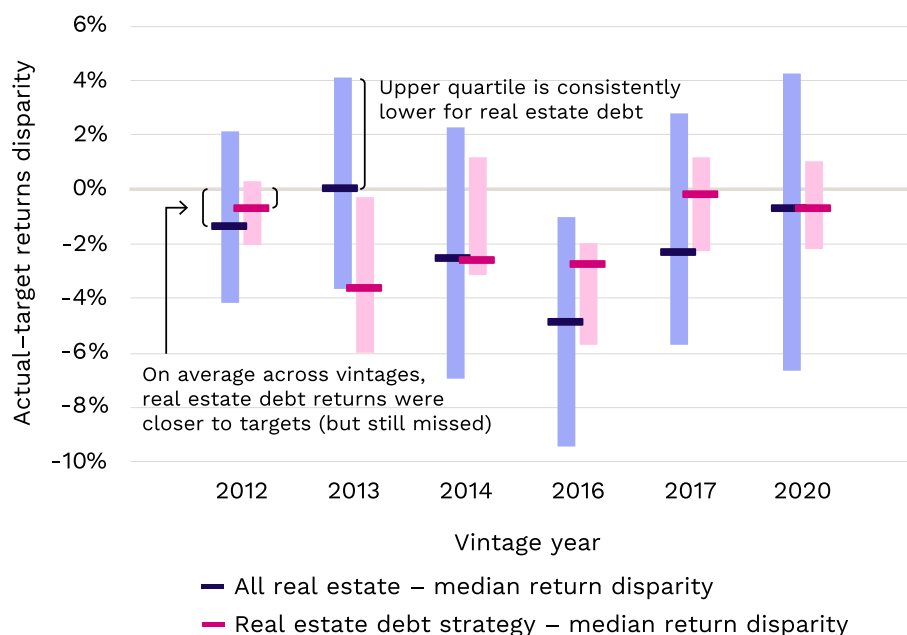
Between 2011 and 2020, North America-focused funds displayed lower volatility in return disparities than their European peers. Variance in North America was 0.057%, compared with 0.196% in Europe. Computation suggests the covariance between the two series is just 0.023%, which is much lower than the variance of either North America or Europe-focused vehicles. That suggests a limited correlation between the two. All in all, while diversification cannot eliminate global systemic risks – such as the COVID-19 pandemic or the post-2022 interest rate surge – it remains a critical tool for smoothing deviations between actual and targeted returns, helping portfolios stay closer to expectations.

North America offers scope for granular strategy analysis

North America, which held 70% of global real estate AUM in 2024, offers a robust sample for strategy analysis. As noted in last year's [Strategy in Focus: Real Assets Debt](#), real estate debt gives LPs stability with minimal performance variance across vintages. Among strategies studied, debt funds' actual returns were closest to targets, with a median disparity of -1.8% versus -2.0% for overall real estate (Fig. 5.5). However, upper-quartile differences averaged near zero. While predictable, debt lacks the return potential of other strategies.

Fig. 5.5: Real estate debt funds are defensive but sacrifice the upside

Difference between actual and target return for overall real estate and real estate debt funds (North America-focused), by vintage year*



Source: Preqin

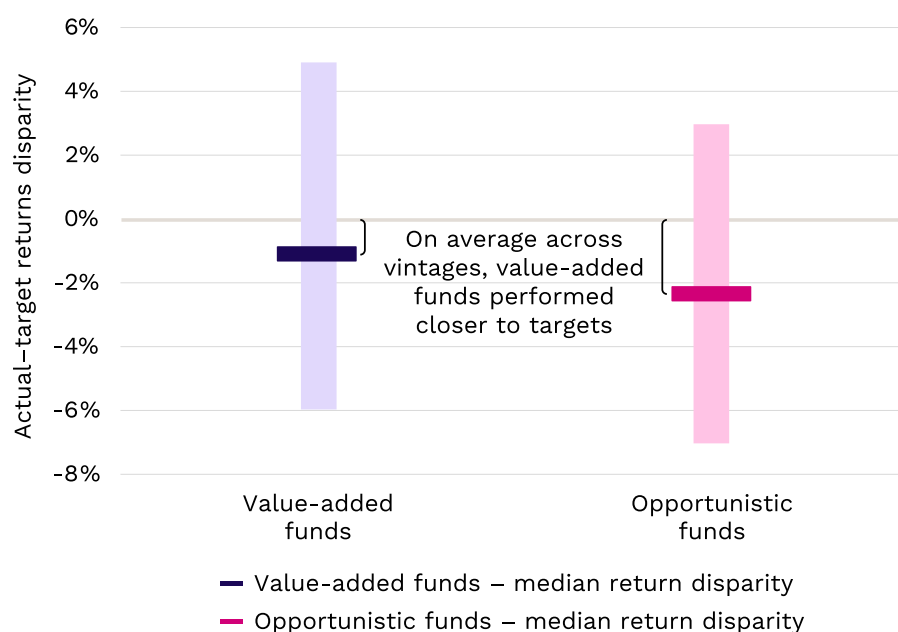
*Because of the relatively small sample size for certain vintages, this analysis focuses on vintage years 2012, 2013, 2014, 2016, 2017, and 2020 only

Regarding private equity real estate investment strategies, our data shows value-added and opportunistic as the most common North American closed-end strategies (2011–2020). Across vintages, value-added was more capable of realizing actual returns closer to targets (Fig. 5.6). That is most significant in terms of upper quartiles, where value-added led opportunistic by 1.9 ppts.

Segmenting North America-focused funds by size into small ($\leq \$500\text{mn}$), medium ($\$500\text{mn} - \$1\text{bn}$), and large ($> \$1\text{bn}$), smaller funds were consistently closer to targets across quartiles (Fig. 5.7). Large funds, reliant on high-value assets, face liquidity challenges in downturns, often requiring steep discounts to meet divestment schedules, which puts returns under pressure.

Fig. 5.6: Value-added funds were better able to meet target return

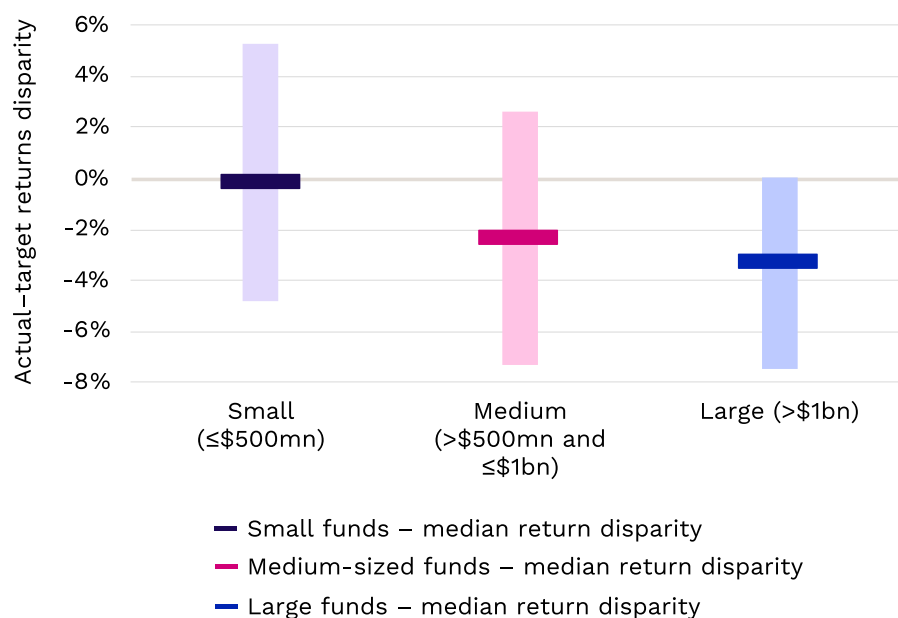
Difference between actual and target returns for value-added and opportunistic funds (North America-focused real estate), averaged across vintages 2011-2020



Source: Preqin

Fig. 5.7: Small funds can better meet their preset target

Difference between actual and target return for funds of different sizes (North America-focused real estate), by vintage year from 2011 to 2020



Source: Preqin

Trends in underperformance may have turned a corner

Funds launched from 2014 onward have faced extraordinary tail-risk events, including the pandemic and the sharp interest rate hikes of the 2020s. These shocks were largely unforeseen and difficult to incorporate into target return assumptions at the fundraising stage. The gap between actual and targeted returns therefore widened significantly for these vintages.

Looking ahead, however, the trends in underperformance could moderate. With interest rates expected to stabilize and markets adjusting to post-pandemic dynamics, the environment for exits and valuations should gradually improve. While the optimism of earlier vintages may not return, more realistic target setting and disciplined fund management could narrow disparities over time.

→ **Real estate management fees continue to fall**

Lower fee rates associated with better-performing real estate funds and the latest median management fee rate falls to a record low





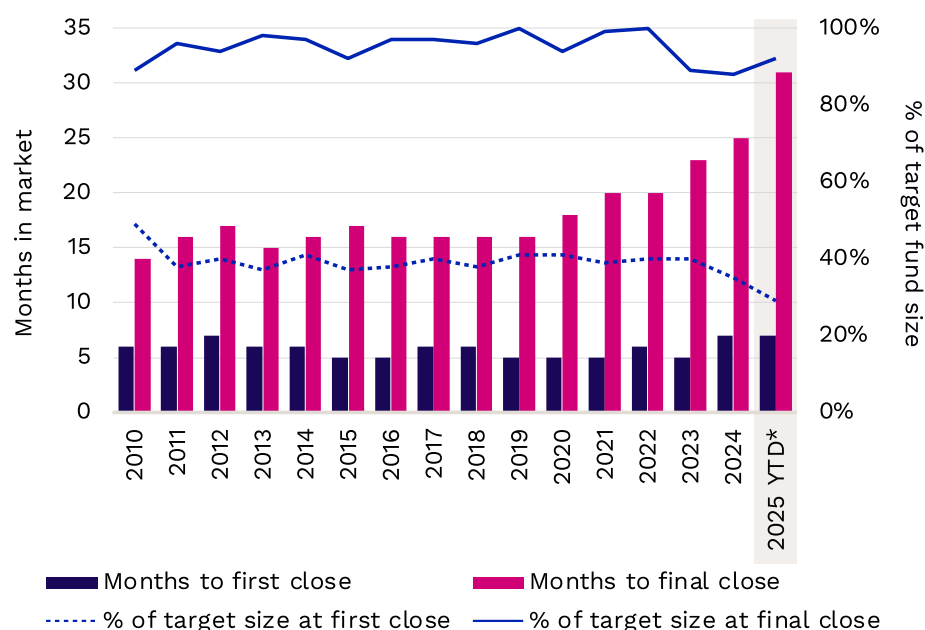
Brigid Connor, CFA, CAIA
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The relative condition of real estate fundraising can be conveniently summarized in Figure 6.1; in 2025 YTD,¹ the number of months to first and final close was at all-time high of seven months and 31 months, respectively. Complicating matters, the average percentage of target fund size at first close was 29%, 11 percentage points down from the 15-year average of about 40% of target fund size. On average over the past 15 years, real estate funds closed at approximately 95% of their target fund size. In 2025 YTD, they closed at 92% of fund size, an improvement on 88–89% over the prior two years.

Fig. 6.1: Real estate funds spending longer to raise less

Average months in market and percentage of target size at first/final close

[View latest chart data in Preqin Pro](#)



*YTD includes data up to August 2025

Source: Preqin, data as of August 26, 2025

Investment period management fee rates near record lows

From 2005 to 2023, median management fees were steady at 1.50%. Over the same horizon, the mean fluctuated between 1.28% (in 2012) and 1.63% (in 2019). However, in 2024, both mean and median reached new lows of 1.21% and 1.40%, respectively. For 2025-vintage funds and those still raising, mean and median were tallied at 1.24% and 1.00% (Fig. 6.2). The latest median is a record low, while the mean is only slightly higher than in 2024.

Figure 6.3 looks at fee rates by strategy for vintage 2020–2024 funds tracked by Preqin's [Term Intelligence](#). It shows the difference between headline investment period rates and the lowest fee payable under LPA terms, i.e., the net rate, including early bird² and maximum big bird³ discounts. These discounts significantly reduce the net fee rates: for opportunistic funds, the mean net fee rate is 1.04% while value-added funds' mean net fee rate is 0.63%.

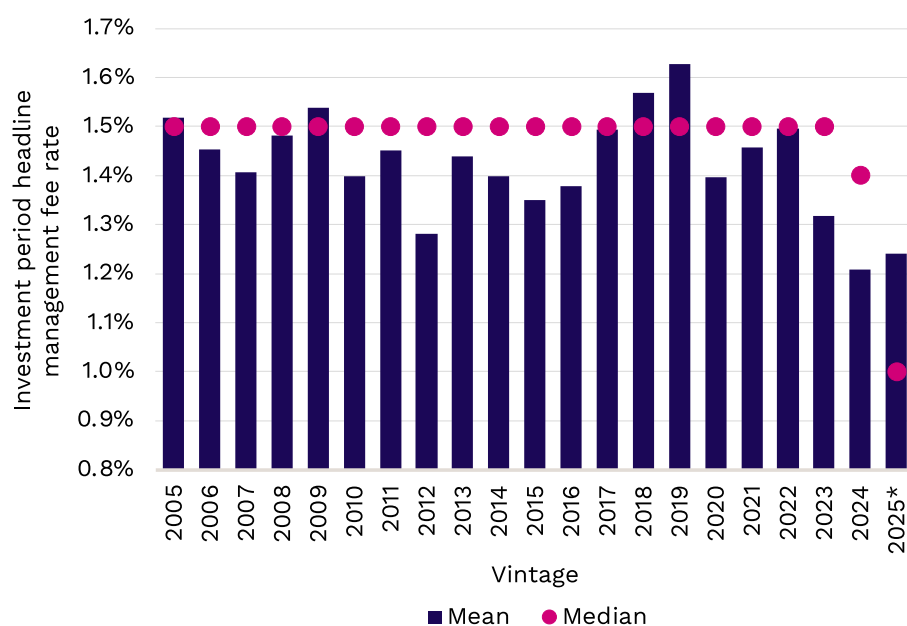
¹ As of August 26, 2025

² Early bird discounts are available to investors that make commitments in early closings

³ Big bird discounts are available to investors with large commitment sizes

Fig. 6.2: Real estate fees continue to slide

Average management fee rate for real estate funds, by vintage

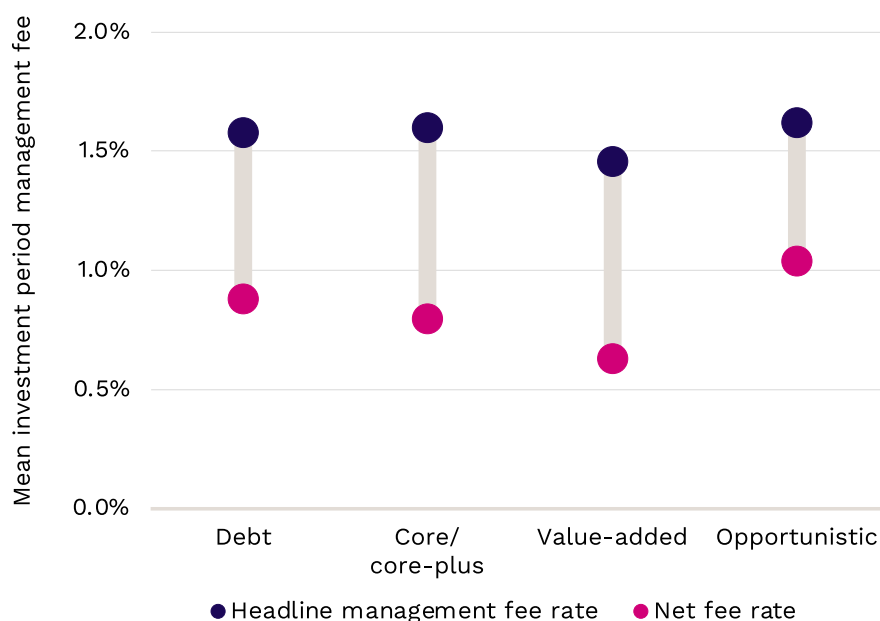


*YTD includes data up to August 2025

Source: Preqin, data as of August 26, 2025

Fig. 6.3: Fee discounts can lower headline fees by more than half

Comparison of headline and net management fee rates, by real estate strategy: vintages 2020–2024



Source: Preqin's Term Intelligence, as of April 2025

Note that the sample was constrained to only those funds with an investment period management fee basis of initial commitment, which significantly reduced the sample size (to 44 funds). For discussion of the investment period basis in real estate, see the 2024 Fund Terms Advisor

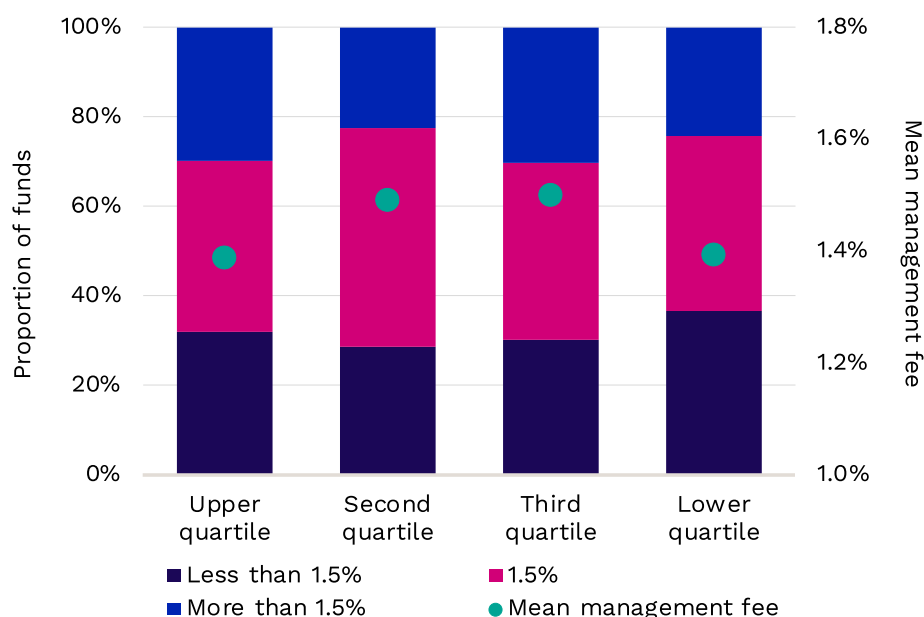
A few words of caution in interpreting the data: most investors do not qualify for the highest discounts. Further, only 35% of LPAs in our 2020–2024 sample offer early bird discounts, and 45% offer big bird discounts. Likely, further discounts would be available in side letters. Perhaps more importantly, to facilitate comparison, our sample comprises funds from vintages 2020–2024 that charge fees on the basis of initial commitment size. This means we are showing only 54% of the dataset – other bases on which fees are charged include actively invested capital and NAV. LPAs that charge fees on a dual basis (e.g., actively invested capital plus unfunded commitment) are found in 22% of Term Intelligence’s real estate funds. This is notable because dual basis is the ILPA-recommended best practice for alignment of interest; real estate has the highest incidence of such terms across asset classes.

Lowest fee rate in top-performing funds over several vintage ranges

As performance flags across private markets and distributions slow, LPs increasingly scrutinize fees in relation to performance. Here we compare fees and quartile performance across vintage ranges 2010–2014, 2015–2019, and 2020–2024. Across all three vintage ranges, upper-quartile performance was associated with lower fees: 1.26% for the 2010–2014 vintage range and 1.39% for 2015–2019 and 2020–2024 (Figs. 6.4 and 6.5). We note that correlation is not causality – low fees do not necessarily result in higher performance.

Fig. 6.4: No clear link between fund performance and fees in older funds

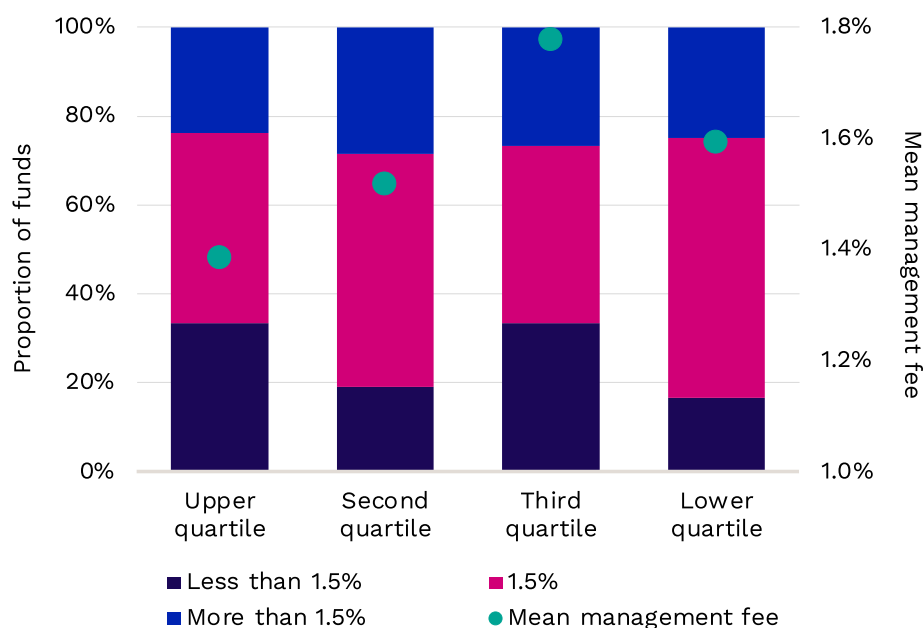
Real estate management fees by fund performance quartile: vintages 2015–2019



Source: Preqin, data as of June 30, 2025

Fig. 6.5: Lowest fees associated with top-quartile performance in recent funds

Real estate management fees by fund performance quartile: vintages 2020–2024

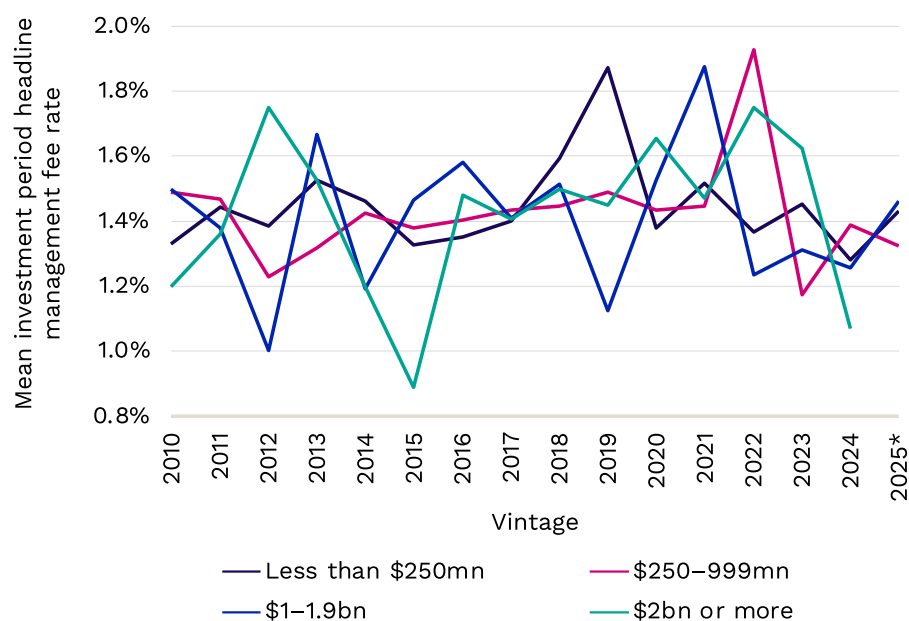


Source: Preqin, data as of June 30, 2025

Looking at fees and fund size bands over time, there is no clear relationship between a given size band having higher or lower fees than another (Figs. 6.6–6.7). For example, 2024-vintage funds managing \$2bn or more had the lowest average fee, at 1.07%, when compared to other fund sizes, but the same category of 2023-vintage funds had the highest average fee, at 1.63%.

Fig. 6.6: Larger funds don't always offer lowest fees...

Real estate average management fees, by fund size and vintage



*Comprises vintage-2025 funds and those still raising

Source: Preqin, data as of June 30, 2025

Fig. 6.7: ...but largest funds have charged lower fees in recent vintages*

Real estate average management fees, by fund size



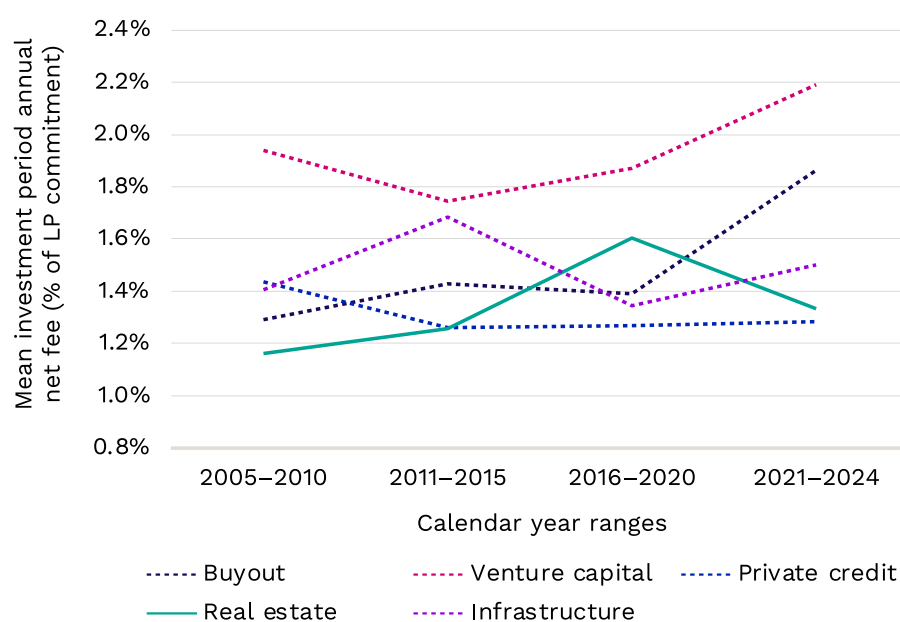
*Vintages 2024–2025 and funds still raising

Source: Preqin, data as of June 30, 2025

Based on our analysis of a separate sample of fees data gathered through FOIA requests, net investment period management fees paid – including rebates, waivers, offsets, and discounts – averaged 1.33% per annum of an investor’s commitment for calendar years 2021–2024 (Fig. 6.8). Compared with net fees of other asset classes, real estate fees were low – only five basis points higher than net fees for private credit. Real estate net fees were lower in 2021–2024 than in 2016–2022.

Fig. 6.8: Real estate investment period net management fees move closer to private credit

Net fees paid in calendar-year groups, according to FOIA data*



Source: Preqin data from FOIA requests, data as of June 30, 2025

*Data gathered on the basis of FOIA requests that tends to skew toward larger LPs, such as US pension funds

Real estate fund managers may find themselves competing against infrastructure managers for a share of investor allocations to real assets. GPs raising real estate funds could look to partnerships with infrastructure managers, leveraging the former's expertise in property management, leasing, improvements, and negotiations. For investors seeking liquidity, real estate managers are better known in the open-ended space, comprising about 50% of total open-ended fund NAV according to Preqin data. As liquidity remains a concern for the foreseeable future, open-ended real estate managers could see additional growth in these funds. They could also attract infrastructure allocations if they can pivot to real asset/infrastructure open-ended funds.

According to our [June investor survey](#), LPs rank transparency and good governance as the second-most important criterion in evaluating managers. In client conversations, LPs are keen to see improvements in the level of reporting they receive from real estate managers. They would welcome greater detail on leverage, cash flow, and return metrics by asset – not only for the portfolio in aggregate. GPs who are able to provide this could find better alignment with LPs.

For investors weighing increased allocations to real assets, two key factors are in real estate's favor: the relatively low minimum LP commitment size of real estate⁴ and the relatively short fund lifespan.⁵ Further, as real estate funds are often much smaller than infrastructure funds, investors could ostensibly have better access to fund managers.

While headwinds persist for real estate, we see opportunities based on our surveys and client conversations. For example, improved reporting could be the deciding factor in real estate manager selection, and any increase in appetite for open-ended fund structures could benefit real estate managers with such vehicles.

4 See Fig. 6.6 in [chapter 8](#) of The 2025 Preqin Private Capital Fund Terms Advisor

5 See Fig. 7.1 in [chapter 9](#) of The 2025 Preqin Private Capital Fund Terms Advisor

→ **Our survey: Taking the pulse**

Despite a fundraising rebound, our latest survey suggests greater investor caution heading into 2026





Gerard Minjoot
Associate, Deals

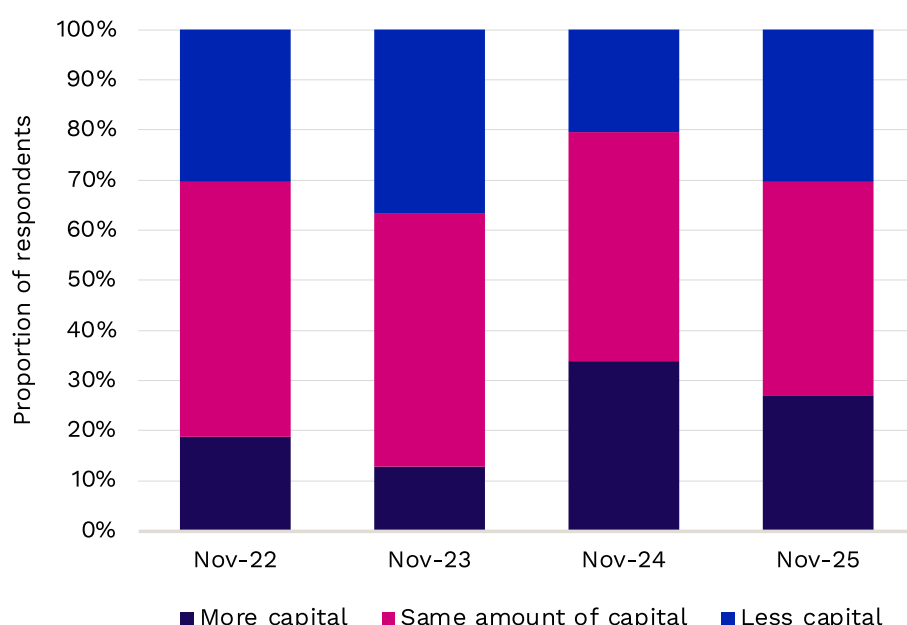
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Global real estate fundraising staged a notable recovery in 2025, as addressed in earlier chapters. Despite this fundraising rebound, our latest survey suggests greater investor caution heading into 2026. In our November 2025 survey of more than 400 investors globally, 30% of respondents indicated they plan to reduce capital commitments in the next twelve months (up from 20% in November 2024) while those intending to increase capital commitments fell to 27%, down from 34% a year ago (Fig. 7.1).

Long-term allocation trends mirror this shift, with more investors signaling reductions and fewer planning increases (Fig. 7.2), although these sentiments are less pronounced than they were in the 2022 and 2023 survey results. In our fund manager survey,¹ 90% of managers stated they believe there is more competition among fund managers now than there was 12 months ago. This sentiment could be due to factors like the delayed recycling of capital and may mean greater pressure on first-time and emerging managers, as the capital that investors are allocating to real estate may be concentrated among large, established players (Fig. 7.3).

Fig. 7.1: Near-term capital commitments expected to soften...

Investors were asked: ‘How much capital will you commit in the next 12 months?’

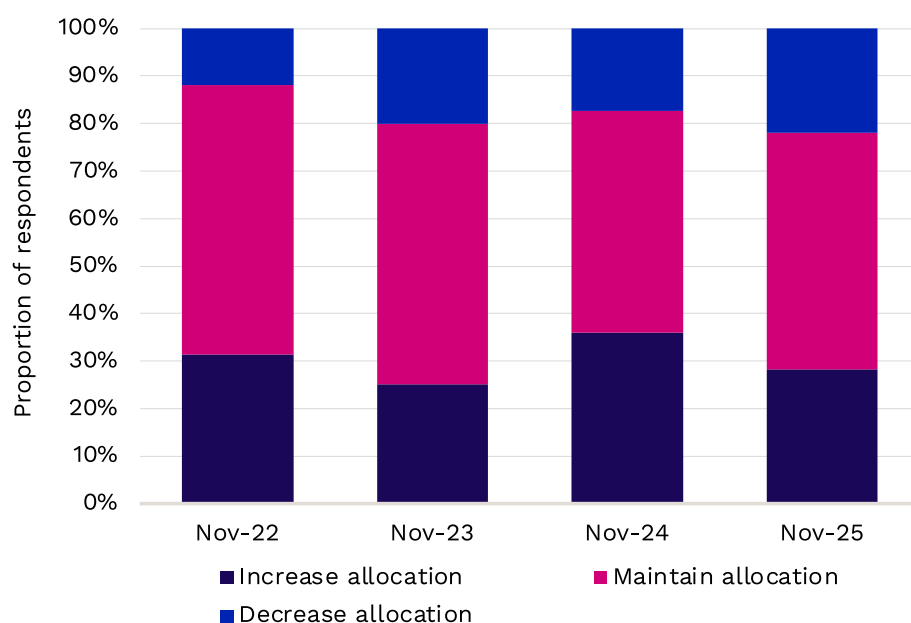


Source: Preqin Investor Surveys, November 2022–2025

¹ The fund manager survey consisted of 160 respondents

Fig. 7.2: ...while long-term allocations moderate

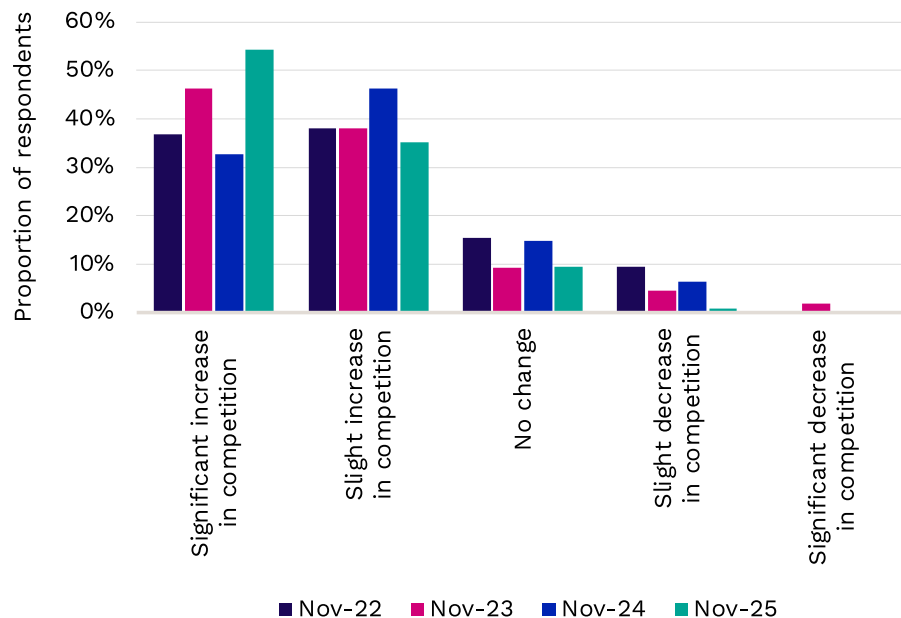
Investors were asked: 'How will you allocate to real estate over the longer term?'



Source: Preqin Investor Surveys, November 2022–2025

Fig. 7.3: Fund managers anticipate fiercer competition for investor capital

Managers were asked: 'Do you think there is more competition among fund managers for investor capital than 12 months ago?'



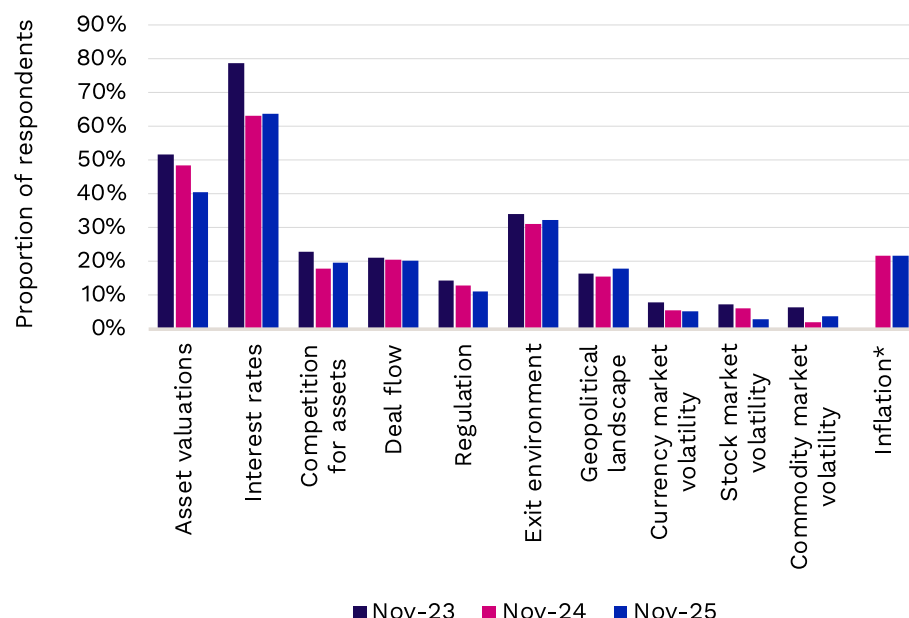
Source: Preqin Investor Surveys, November 2022–2025

Interest rate concerns persist, but new risks emerge

Despite the start of an easing cycle, interest rates remain a dominant concern for investors, cited by 64% of respondents. While this is broadly unchanged from last year, it has tapered down from 72% in 2022. Valuations follow as investors' second-largest concern (41%, Fig. 7.4).

Fig. 7.4: Investors remain wary on interest rates

Investors were asked: 'What are key challenges for return generation in the next 12 months?'

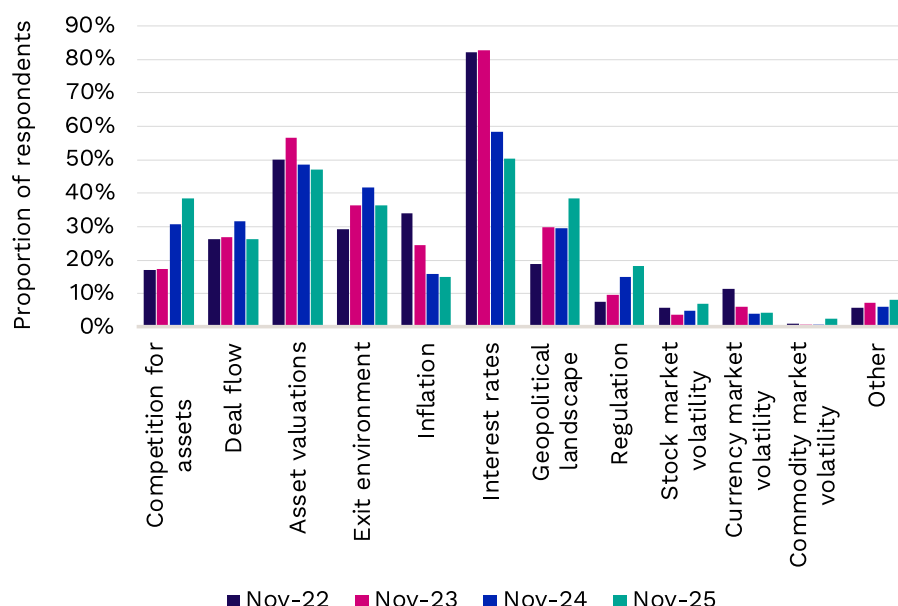


Source: Preqin Investor Surveys, November 2023–2025

For fund managers, interest rates (50%) and valuations (47%) remain the key challenges, though their prominence has gradually declined since our 2023 survey, suggesting that fund managers are becoming increasingly comfortable with the current interest rate environment and valuation levels (Fig. 7.5). Meanwhile, new risks are surfacing. The geopolitical landscape has been a growing cause for concern, with 38% of managers viewing it as a challenge in November 2025, up from 19% in November 2022. While competition for assets is seen as less of a concern than it was in our November 2021 survey, more than a third of managers currently see it as a key challenge for real estate.

Fig. 7.5: Competition for assets and geopolitical uncertainties are starting to weigh on fund managers

Managers were asked: ‘What do you see as being the main challenges to return generation in the next 12 months?’

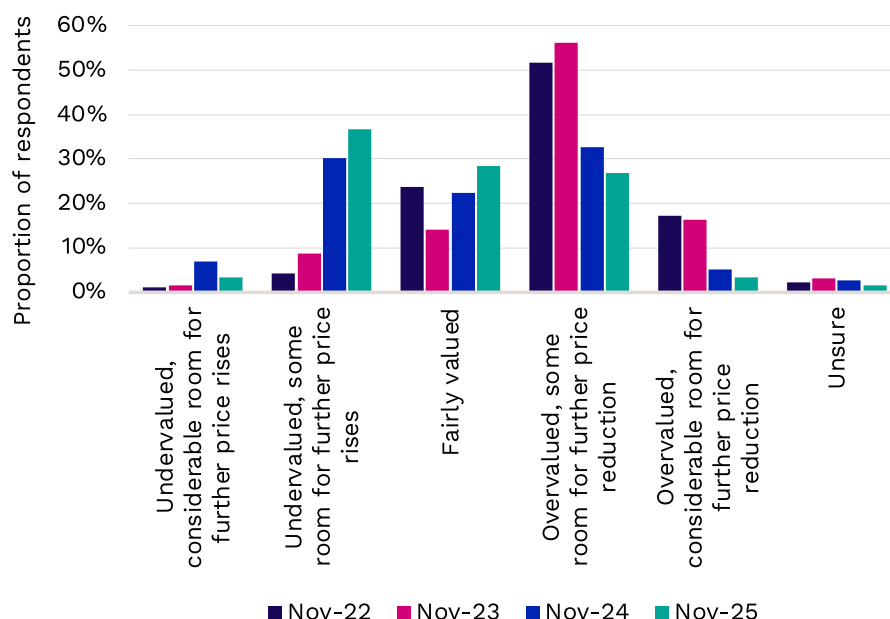


Source: Preqin Fund Manager Surveys, November 2022–2025

Rising concerns over competition for assets likely stem from a combination of factors. Our November 2025 survey revealed that 40% of managers now believe asset pricing is attractive, the highest proportion since 2021 (Fig. 7.6). This, combined with ample dry powder accumulated by large, established managers following strong fundraising in 2025, will likely intensify competition for deals. As a result, these forces could intensify bidding activity, exert upward pressure on pricing, and potentially improve deal-making conditions in the near term.

Fig. 7.6: More managers see assets as undervalued

Managers were asked: ‘In real estate do you think portfolio companies/assets are...’



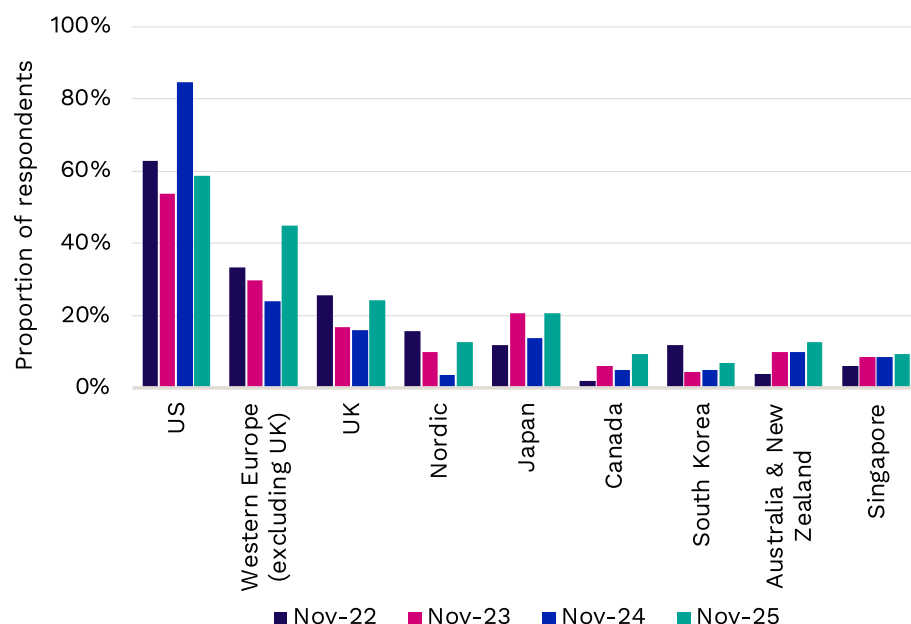
Source: Preqin Fund Manager Surveys, November 2022–2025

Fund managers maintain confidence in US market while investors look to diversify

Investor sentiment toward the US as the developed market with the best opportunities has softened compared with a year ago. Heightened trade tensions between the US and its global trading partners have likely prompted investors to seek alternative developed market opportunities, a trend evident since our June 2025 investor survey. Compared to our survey in November 2024, interest in Western Europe (45%) surged to the highest level since 2021, with some growth in interest in the UK (24%) and especially Japan (21%), where regulatory stability and economic growth have been encouraging tailwinds (Fig. 7.7).²

Fig. 7.7: Investor interests diversify across markets...

Investors were asked: ‘Which developed markets the best opportunities?’



Source: Preqin Fund Manager Surveys, November 2022–2025

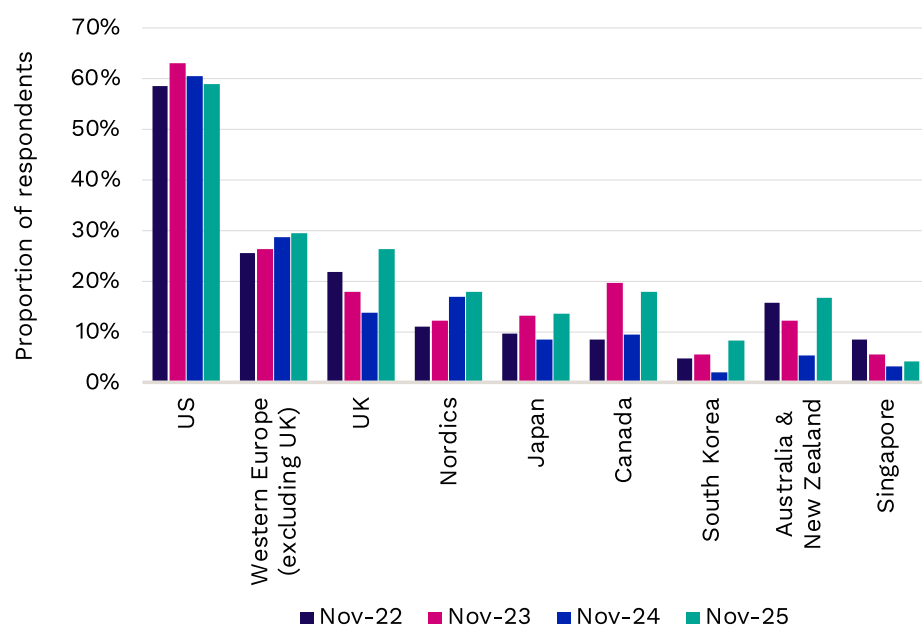
Fund managers, however, are steadfast. The US remains the most attractive for 59% of these respondents, only two percentage points (ppts) lower than in 2024 (Fig. 7.8). This resilience likely reflects the US’s position as the world’s largest real estate market, offering diversified opportunities across sectors. Still, interest in other developed markets is rising, with the most notable gains in the UK (26%) and Australia & New Zealand (17%).

In emerging markets, investor and fund manager preferences exhibit slight divergences. Both groups identify Southeast Asia and Central & Eastern Europe as presenting the best opportunities. However, fund managers demonstrate slightly greater interest in India, with 30% indicating the market has the best opportunities, compared to 25% of investors surveyed (Fig. 7.9). Conversely, sentiments towards China reveal 17% of investors express optimism, while only 9% of fund managers share this view. Overall, fund manager interests appear more geographically diversified across emerging markets, whereas investors concentrate primarily in four markets. Emerging markets remain a secondary focus for most real estate fund managers, with fewer than one-third actively investing in these regions (Fig. 7.10).

² Japan’s 2025 Real Estate Market Trends, Prices and Forecast | Tokyo Portfolio

Fig. 7.8: ...while fund managers remain steadfast on the US for opportunities

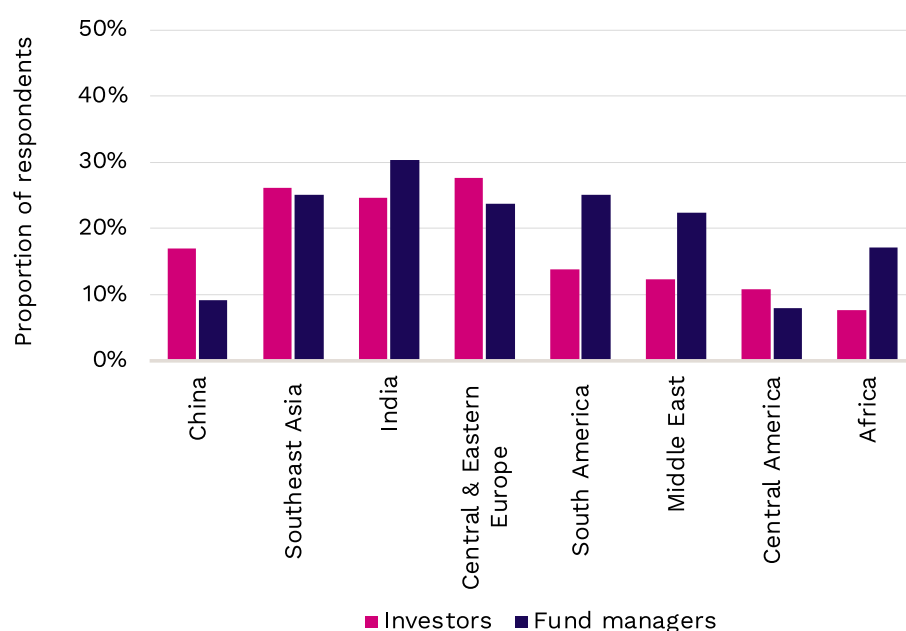
Managers were asked: 'Which developed markets do you see presenting the best opportunities?'



Source: Preqin Fund Manager Surveys, November 2022–2025

Fig. 7.9: India leads fund manager preference as investors identify opportunities across markets

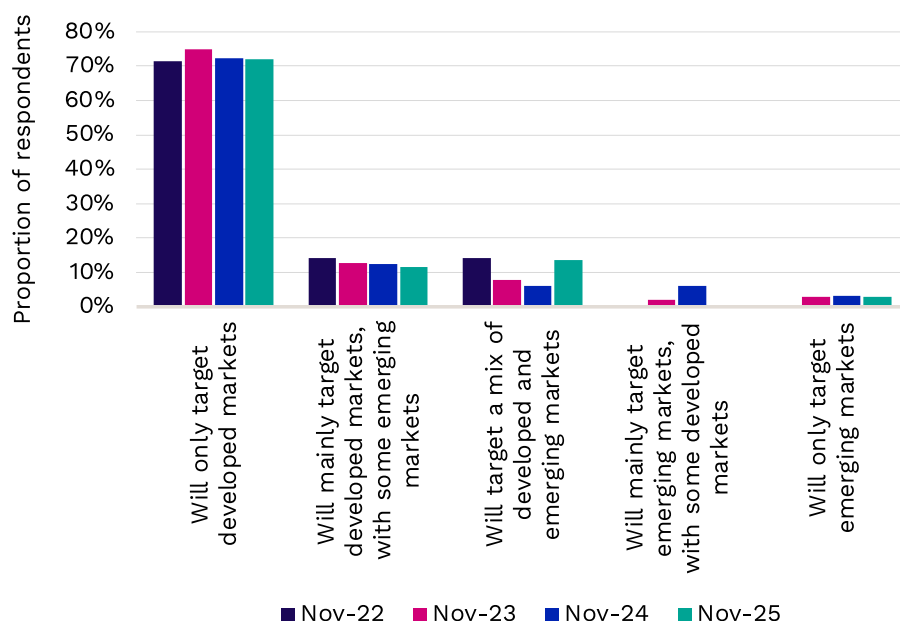
Investors & fund managers were asked: 'Which emerging markets present best opportunities?'



Source: Preqin Investor & Fund Manager Surveys, November 2025

Fig. 7.10: Developed market remains the core focus for most fund managers

Managers were asked: ‘Over the coming 12 months will you look to target developed or emerging markets?’



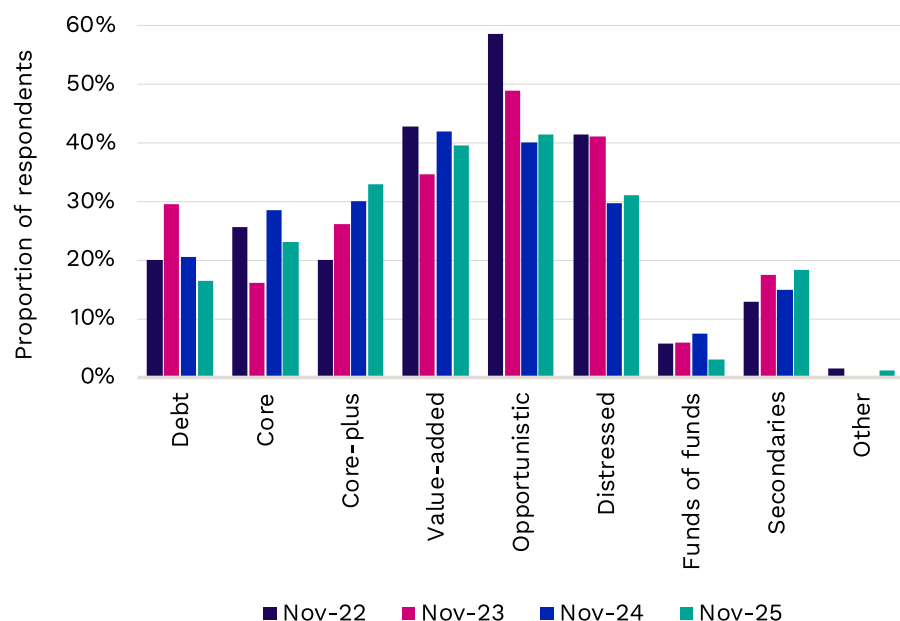
Source: Preqin Fund Manager Surveys, November 2022–2025

Return expectations to remain cautious amid strategy shifts

Looking ahead, investor demand for value-added (40%) and opportunistic (41%) strategies remains strong but interest in core-plus has grown year on year, rising from 20% in 2022 to 33% in 2025 (Fig. 7.11). This trend reflects expectations of interest rate easing or stabilization, which will likely prompt investors to move up the risk spectrum in search of better yields without taking on excessive risk. Core-plus strategies are well-positioned to meet this demand and provide higher target returns than core assets while offering a more moderate risk profile compared to value-added or opportunistic approaches.

Fig. 7.11: The appeal for core-plus grows

Investors were asked: ‘What types of real estate funds do you think will present the best opportunities in the next 12 months?’

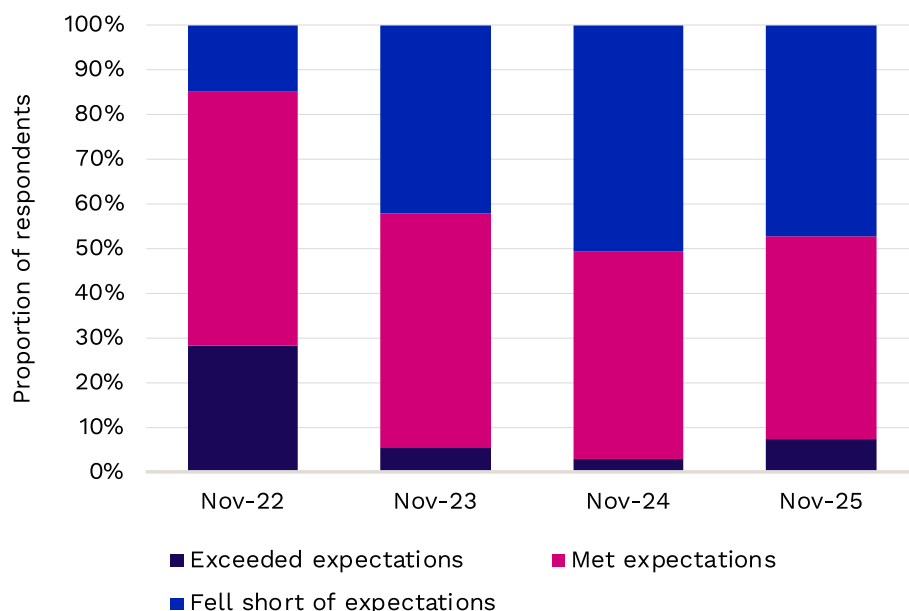


Source: Preqin Fund Manager Surveys, November 2022–2025

While 47% of investors have reported disappointment in real estate returns over the past twelve months in our November 2025 survey, there were modest improvements in performance sentiments compared to the November 2024 survey; 7% of investors surveyed indicated performance exceeding expectations, up from just 3% in 2024 (Fig. 7.12). Yet, investors continue to remain cautious on future performance, with 45% anticipating returns will remain the same over the next twelve months (Fig. 7.13).

Fig. 7.12: Slightly more investors experienced improvement in performance

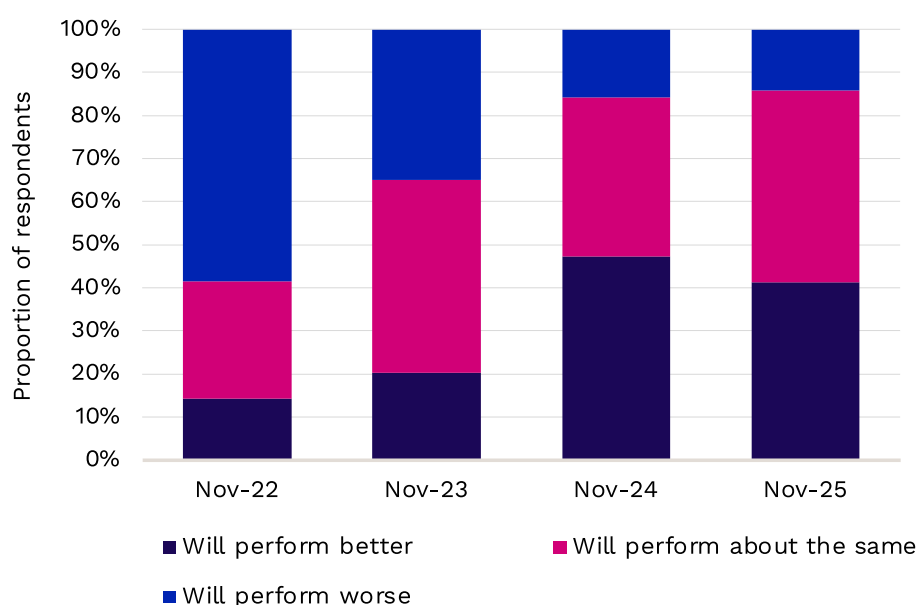
Investors were asked: ‘Have investments met expectations over the past 12 months?’



Source: Preqin Investor Surveys, November 2022–2025

Fig. 7.13: Future performance expectation to remain largely unchanged

Investors were asked: ‘How will next 12 months’ performance compare the previous 12 months?’



Source: Preqin Investor Surveys, November 2022–2025

Predictions

1

Moderate pace for fundraising recovery

Real estate fundraising in 2025 has seen the strongest rebound since 2021, signaling renewed investor confidence. However, several structural factors weigh on momentum, chief among them the extended fund lifecycle, which delays capital distributions back to investors and limits the recycling of capital for new commitments. This dynamic constrains liquidity and slows the pace at which investors can reallocate capital to fresh opportunities, creating a more measured recovery trajectory.

2

Heightened volatility in fundraising patterns

The fundraising landscape has been characterized by pronounced volatility over the past three years, following an up-down-up cycle from 2023 through 2025. This fluctuation is closely linked to the concentration of capital among the largest funds. Mega fund closings often lead to short-term exhaustion of investor capital, temporarily dampening commitments to smaller vehicles. Investor preference for managers of scale with established track records remains strong, reinforcing the trend toward GP consolidation, and could eventually lead to a persistently elevated share of capital being raised by mega funds. This concentration effect introduces seasonality into fundraising figures, making timing and strategy increasingly critical for managers seeking commitments.

3

Sustained momentum for Europe-focused funds

Investor sentiment toward Europe has strengthened notably. Our June 2025 investor survey highlighted growing interest in Western Europe and the UK, and this sentiment has continued in the November 2025 survey. This optimism has been reflected in robust fundraising for Europe-focused vehicles throughout 2025 and we anticipate that Europe-focused funds will continue to increase fundraising into 2026.

4

Deal recovery in Europe and APAC

While North America maintained deal momentum in 2025, transaction values in Europe and APAC declined. Nonetheless, recent stronger fundraising in Europe could raise dry powder earmarked for these markets. At the same time, APAC currency appreciation against the US dollar moderated in the second half of the year, paving the way for renewed investor interest. We expect transaction activity in both Europe and APAC to recover in 2026.

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