2026 Institutional Real Estate Allocations Monitor

Cornell Baker Program in Real Estate

HODES WEILL
A CHATHAM FINANCIAL COMPANY



Dear Industry Friends,

Cornell University's Baker Program in Real Estate and Hodes Weill, a Chatham Financial Company, are pleased to present the findings of the 14th annual Institutional Real Estate Allocations Monitor (the "2026 Real Estate Allocations Monitor"). Launched in 2013, this annual assessment examines real estate's role in institutional portfolios, institutions' investment objectives and the implications of allocation trends for investment managers. The report analyzes portfolio and allocation trends by region, institution type and size.

The 2026 survey collected blind responses from 149 institutional investors across 24 countries. Participants represent approximately US$12.6 trillion in assets under management ("AUM") and portfolio investments in real estate totaling approximately US$1.2 trillion. Conducted from June through September 2026, the survey comprised 29 questions on current and expected allocations, investment plans, investor conviction, investment management trends, and the role of strategies and vehicles within real estate portfolios. It also covered historical and target returns and environmental, social and governance ("ESG") policies.

Key Findings of the 2026 Real Estate Allocations Monitor

1. **Institutions hold target allocations steady in 2026 following a decline in 2025, and anticipate a modest increase in 2027.** Target allocations remain at 10.7%, 10 bps below the survey's all-time peak, after rising more than 20% between 2013 and 2022. While institutions are focused primarily on managing existing portfolios in 2026, they expect to increase target allocations by 10 bps to 10.8% in 2027.
2. **Institutions' actual real estate allocations fall 120 basis points below allocation targets, as the gap between target and actual allocations has widened for the third consecutive year.** Actual allocations average 9.5% against a 10.7% target, the survey's second-largest shortfall. Approximately 54% of institutions are under-allocated, providing capacity for new commitments, though investors remain cautious and are slow to deploy capital.
3. **Institutional real estate returns improved in 2025, but trailing performance remains below target.** Portfolios returned 3.3%, up from 1.4% in 2024, with income driving the recovery. Returns since 2012 have averaged 8.1%, matching the current target. Wide dispersion in performance reinforces the importance of manager and sector selection.
4. **Investor conviction declines, but remains above historical average as interest rate and geopolitical risk contribute to a more cautious investment environment.** Sentiment improves in APAC and weakens in the Americas and EMEA. Despite these concerns, institutions see opportunities to capitalize on market dislocation and invest at attractive entry valuations.
5. **Institutions complement diversified real estate portfolios with targeted sector investments, specifically in sectors supported by structural demand tailwinds, led by Industrial/logistics, multifamily/residential and senior housing/healthcare**. Despite strong fundamentals, data center investment remains selective amid questions about the pace of AI-related spending and increasing community pushback.
6. **Institutions increase their reliance on third-party managers in 2026 while becoming more selective about manager relationships.** Investors are replacing underperformers and concentrating commitments with managers that have strong demonstrated track records. Existing relationships continue to attract an outsized share of capital, although appetite for first-time and emerging managers increase in 2026.
7. **Institutions are taking a more measured approach to risk, with interest shifting to core and core-plus strategies.** Appetite for opportunistic strategies declines as investors are prioritizing strategies with near-term cash flow and stable income. Real estate credit interest softens slightly year over year, although higher rates may renew appetite. Appetite for development remains limited.

8. **Appetite for cross-border investment declines as institutions increasingly favor domestic markets.** Only 56% of Americas-based institutions plan to invest outside their home region, compared with 81% in EMEA and 91% in APAC. North America remains the leading destination for capital flows, while interest in Europe moderates.
9. **Allocations to REIT strategies remain strong, as REITS have outperformed both public equities and private markets over the past 12 months.** Listed markets have led the real estate recovery in 2026, while the share of institutions planning to increase REIT allocations has risen for a third consecutive year. Most institutions include REITs within their real estate allocation, viewing them as a complementary component of their private real estate portfolios.
10. **ESG policy adoption declines as regional approaches continue to diverge.** Formal policies remain substantially more prevalent in EMEA and APAC than in the United States, reflecting different investment priorities and approaches to ESG integration.

Combining Cornell's academic resources with Hodes Weill's global institutional relationships and real estate expertise, the Real Estate Allocations Monitor offers unique insight into institutional investment trends. We hope it helps investors develop allocation strategies and benchmark returns, and supports investment managers' business planning and product development. Please contact us with comments, questions or suggestions.

We would like to express our sincere appreciation and thank everyone who participated in this year's survey. We look forward to discussing these findings with you.

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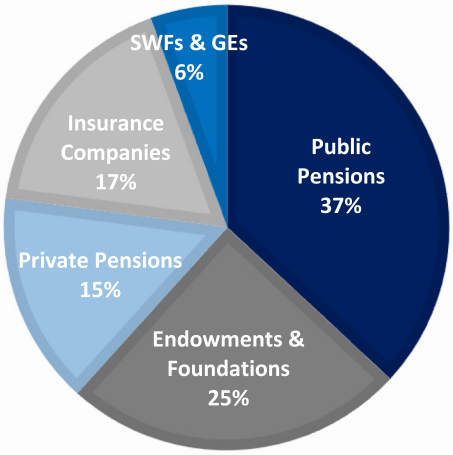
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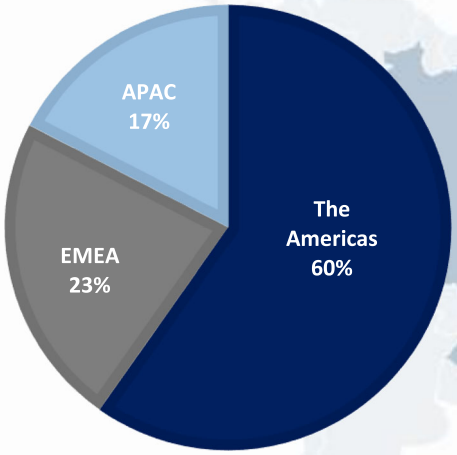
Global Institutional Participants

149 institutions across 24 countries, representing a combined approximately US$12.6 trillion in AUM and US$1.2 trillion in portfolio investments in real estate.

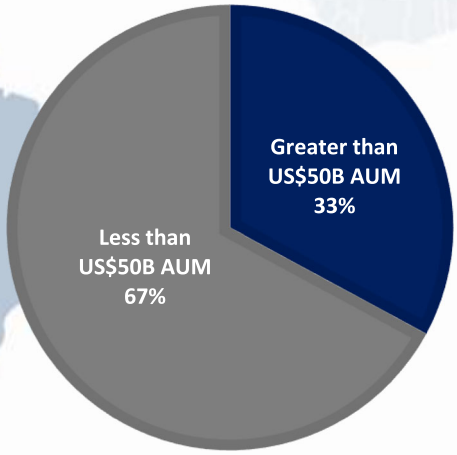
Breakdown of Participants By Type of Institution



Breakdown of Participants By Location of Institution



Breakdown of Participants By Size of Institution



List of Participating Institutions

Americas

Annie E. Casey Foundation

Boston Foundation

Bush Foundation

Catholic Order of Foresters

City of Phoenix Employees' Retirement System

Clarkson University

Desjardins Group Pension Plan

E-INVEST

Hawaii Pacific Health

HighGround Advisors

HRM Pension Plan

Indiana Public Retirement System

Montgomery County Employees' Retirement System

Nucleos

Public Employees' Retirement System of Nevada

QuadReal

Société de transport de Montréal

State of Wisconsin Investment Board

Virginia Retirement System

Voya Financial

YMCA Retirement Fund

And 68 Anonymous Participants

APAC

Government Employees Pension Service

And 25 Anonymous Participants

EMEA

Achmea Investment Management

Coöperatie DELA

OP Financial Group

Pension Protection Fund

Pensionskasse Graubünden

Zurich Insurance Group

And 28 Anonymous Participants

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Participation & Methodology

We wish to thank the 149 institutions across 24 countries that participated in the 2026 survey, representing approximately US$12.6 trillion in total assets and approximately US$1.2 trillion invested in real estate. Now in its fourteenth year, the Real Estate Allocations Monitor continues to be one of the industry's most comprehensive global surveys of institutional allocations and intentions in real estate.

We distributed the survey to approximately 2,500 primary allocators, including pension plans, insurance companies, sovereign wealth funds, and endowments and foundations. Approximately 6% completed the survey, with participation exceeding 5% across a range of regions, investor types and portfolio sizes. We believe that this participation rate has resulted in a representative sampling of the real estate institutional investor universe from a statistical standpoint.

Notes to readers regarding methodology:

- We conducted the survey over an approximately four-month period from June 2026 to September 2026.
- Target and estimated future allocations, actual allocations and the margin between target and actual allocations are presented on a weighted average basis by total AUM. We believe this provides the most relevant presentation of the quantum and directional trend of investable capital.
- To calculate weightings for AUM for each investor, we utilized the midpoint of each investor's AUM range. For example, investors that indicated an AUM range of US$10 billion to US$25 billion were counted as US$17.5 billion. Investors with AUM greater than US$200 billion were counted as US$200 billion.
- Unless otherwise stated, all other figures are based on straight averages by number of participants, including figures for investment activity, intentions, target returns and risk/return objectives.
- Percentages in the exhibits are rounded and may not sum to 100%.



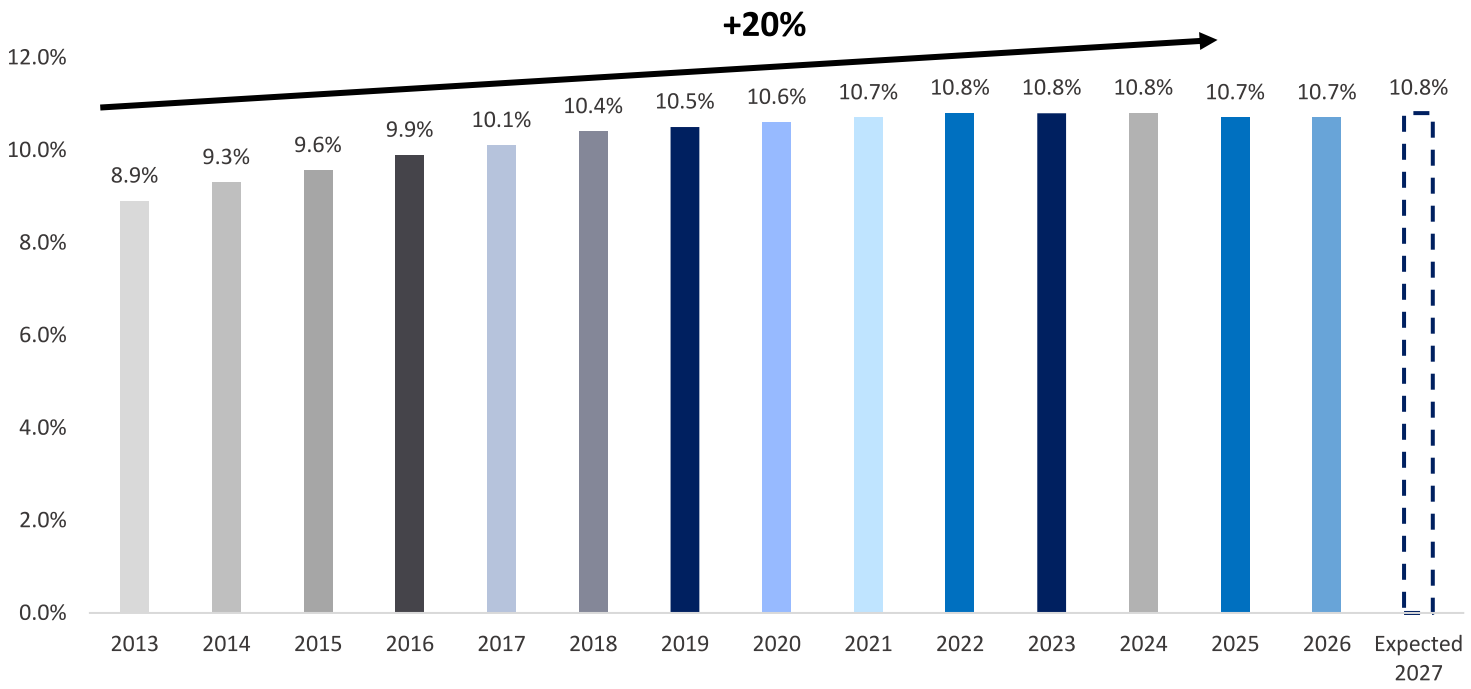
Definitions Guide

"**APAC**" refers to Asia Pacific and includes institutions located in Asia, The Caucasus and Australia
"**EMEA**" includes institutions located in Europe, the Middle East and Africa
"**The Americas**" includes institutions located in North and South America
"**SWFs & GEs**" refers to sovereign wealth funds and government-owned entities
"**Large Institutions**" includes institutions with AUM greater than US$50 billion
"**Small Institutions**" includes institutions with AUM less than US$50 billion
"**ESG**" refers to environmental, social, and governance

Target Allocations to Real Estate

Institutions hold target allocations steady in 2026 following a decline in 2025, and anticipate a modest increase in 2027.

Exhibit 1: Weighted Average Target Allocations, 2013–2026, All Institutions



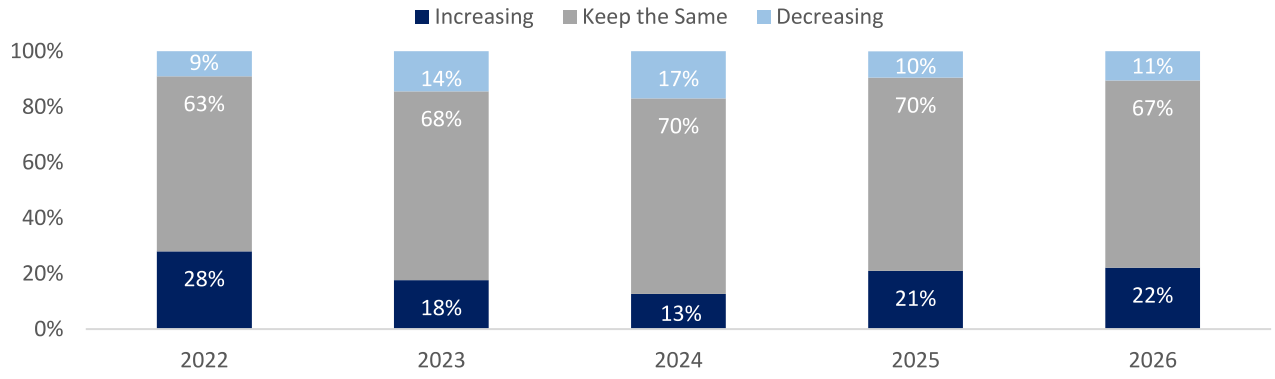
Target Allocations to Real Estate

Target allocations hold steady at 10.7% in 2026 following the survey's first decline in 2025. Targets rose 190 bps, or more than 20%, between 2013 and 2022, but have remained within a narrow range of 10.7–10.8% since 2021. Institutions expect a 10 bps increase to 10.8% in 2027.

High interest rates, weak returns, valuation pressure and limited distributions have continued to constrain real estate. Investors had anticipated further recovery following late-2025 momentum, but conflict in the Middle East pushed energy prices higher and renewed inflationary pressure. In May 2026, the US 30-year Treasury auction yield exceeded 5.0% for the first time since 2007.[1] By July, the 10-year yield reached 4.71%, up from below 4.0% before the conflict.[2] Rates remained elevated through the summer. In September, the Federal Reserve raised its benchmark rate 25 bps to 3.75–4.00%, its first increase since 2023.[3]

Stable targets throughout this time suggest continued commitment to real estate, with institutions focused on managing existing portfolios and prioritizing income and asset selection over allocation growth.

Exhibit 2: Expected Change in Target Allocations, 2022–2026, All Institutions

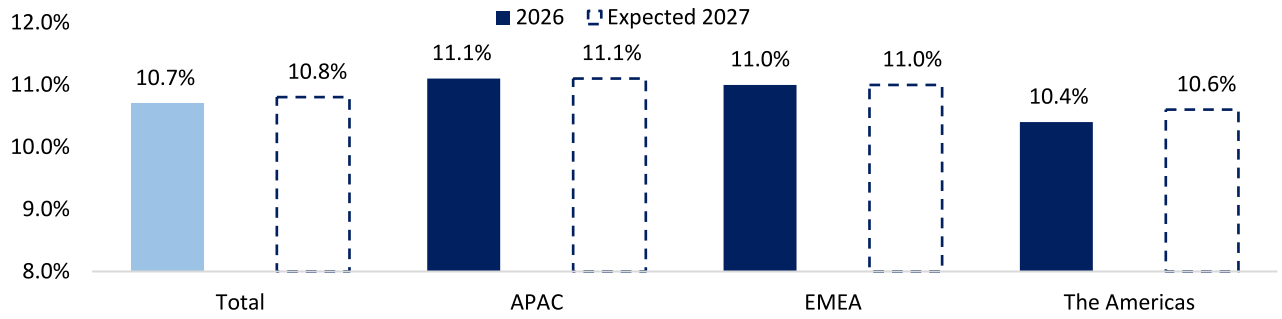


[1] "US 30-Year Bond Yields Hit 5% as Inflation Expectations Rise," Bloomberg, May 2026.
[2] Towfighi, John. "10-year Treasury yield jumps to highest level in over a year as oil surge rattles bond market," CNN, July 2026.
[3] "Federal Reserve FOMC statement," Federal Reserve, September 2026.

Expected Change in Target Allocations

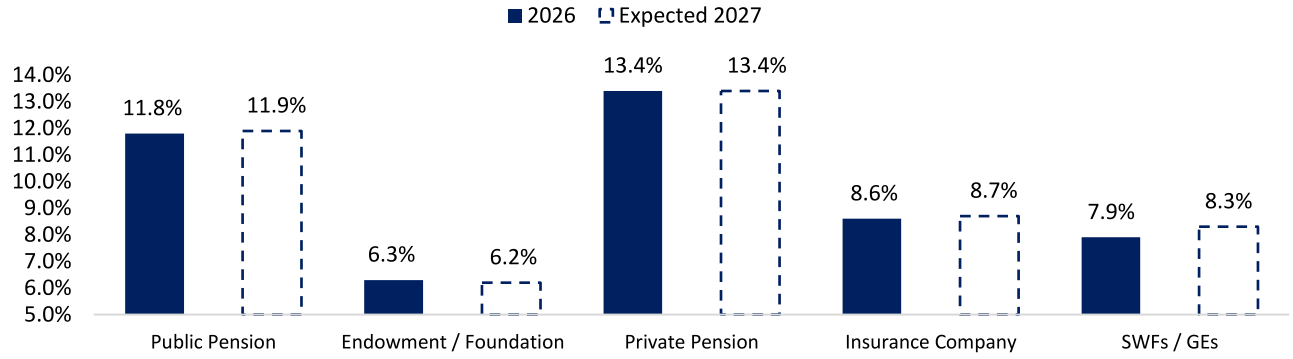
Approximately 22% of institutions plan to raise targets over the next 12 months, the highest share since 2022; 11% plan cuts and 67% expect no change. The planned 10 bps net increase suggests some investors are positioning to invest at reset valuations.

Exhibit 3: Weighted Average Target Allocation, By Location of Institution



Target allocations continue to vary meaningfully by institution type and region. Targets in the Americas average 10.4%, below EMEA (11.0%) and APAC (11.1%). Americas-based institutions nevertheless plan to raise targets by 20 bps in 2027. One Private Pension in the region noted that "the outlook is cautiously positive, especially if monetary conditions improve." A US Foundation also sees opportunities ahead, noting that "rates are higher and probably will be for some time. That should present buying opportunities in [real estate in] the near-term."

Exhibit 4: Weighted Average Target Allocation, By Type of Institution



Private and Public Pensions report the highest target allocations, at 13.4% and 11.8%, respectively, followed by Insurance Companies (8.6%) and SWFs & GEs (7.9%). Endowments & Foundations have the lowest target, 6.3%, and report plans for a further 10 bps reduction. Their emphasis on long-term growth places real estate in competition with public equities, private equity and venture capital. One Endowment & Foundation in the Americas noted, "Higher returning investments are challenged by less accretive leverage tied to persistently higher interest rates." Recent weak property returns may diminish relative appeal, while limited distributions have heightened the importance of liquidity. University endowments also face a growing demand to help fund operating expenses that contribute to the attractiveness of more liquid strategies.

Exhibit 5: Weighted Average Target Allocation, By Size of Institution

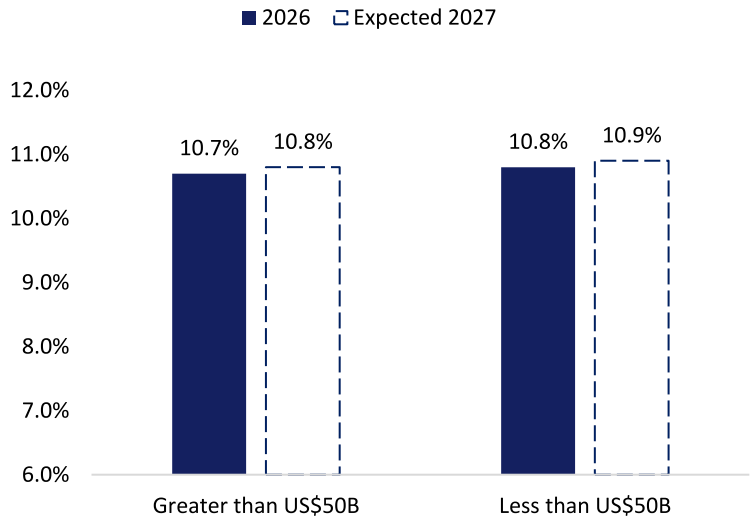
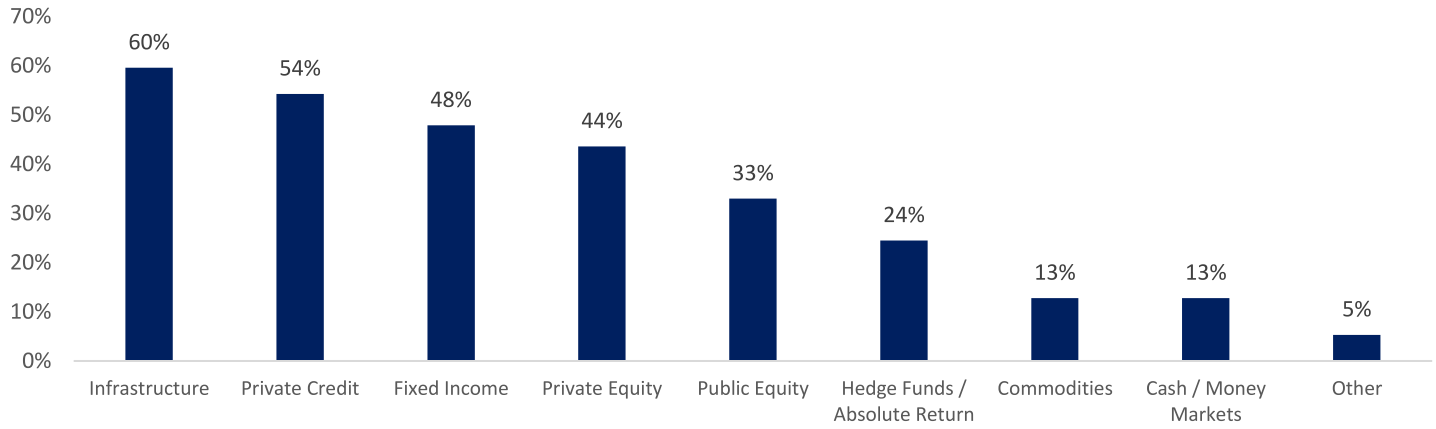


Exhibit 6: Notable Increases / Decreases to Real Estate Target Allocations[4]

Institution	AUM (bn)	Target Allocation		Change
		Prior	New	
Government Employees' Pension System of South Korea	*$13.5*	*2.9%*	*5.0%*	*↑210 bps*
Kansas Public Employees Retirement System	*$30.2*	*10.0%*	*12.0%*	*↑200 bps*
New York State Teachers' Retirement System	*$156.3*	*Stated directional shift*		*↑*
Alaska Retirement Management Board	*$51.7*	*Stated directional shift*		*↑*
Ohio Public Employees Retirement System	*$157.7*	*12.0%*	*11.0%*	*↓100 bps*
Arizona State Retirement System	*$62.9*	*17.0%*	*15.0%*	*↓200 bps*

Exhibit 7: Asset Classes Competing with Allocations to Real Estate, All Institutions



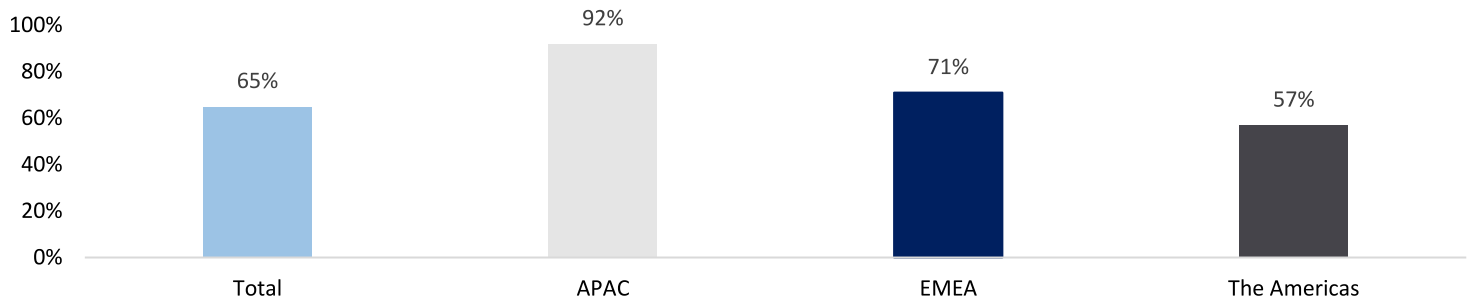
When asked which other asset classes are competing with real estate for allocations, infrastructure leads for the first time, cited by 60% of institutions, followed by private credit (54%), fixed income (48%) and private equity (44%). Infrastructure's growing appeal is also reflected in Hodes Weill and Cornell's 2026 Institutional Infrastructure Allocations Monitor, which reported a third consecutive year over year increase in infrastructure targets, up 30 bps to 6.2%.[5] An EMEA-based Insurance Company observed that "real estate returns are lagging" and valuations have been slow to adjust, contrasting the prolonged correction with infrastructure, which "has been much less volatile."

Public equities are cited by 33% of institutions, more than double 2025's 15%, likely reflecting strong returns and demand for liquidity amid low distributions to paid-in capital ("DPI"). Fixed income rises to 48% from 36% as bond yields attract income-oriented capital. In October 2026, BBB corporate yields (6.17%) exceeded US apartment cap rates (5.84%). Apartment and warehouse spreads to 10-year Treasuries compressed to 60 bps and 115 bps, respectively, versus 2000–2019 averages of 351 bps and 423 bps.[6]

The share of institutions citing private credit declines 6 percentage points to 54%, suggesting moderation in its relative appeal. The decline coincides with scrutiny of liquidity in private credit funds marketed to individuals. Blue Owl, for example, capped redemptions at two non-traded credit funds in each of 2026's first three quarters, although withdrawal requests eased after Q1.[7] These developments may create opportunities for income-oriented and core-plus real estate, provided investors gain confidence in prospective returns and liquidity.

[4] Based on public disclosures.
[5] Weill, D., & Gould, J., (2026). 2026 Institutional Infrastructure Allocations Monitor. Ithaca, NY: Cornell University's Program in Infrastructure Policy and Hodes Weill & Associates, LP, June 2026.
[6] Zandi, Mark. "Economic Headwinds & Tailwinds," Moody's Analytics, October 2026.
[7] Basil, Arasu Kannagi; Biswas, Pritam. "Blue Owl flagship fund withdrawal requests slow as private credit turmoil eases," Reuters, October 2026.

Exhibit 8: Institutions Including Real Estate as Part of Defined Real Assets Allocation, By Location of Institution



Institutions increasingly group real estate and infrastructure within broader real assets allocations. Approximately 78% of institutions maintain a defined real assets allocation. Among those institutions, 65% include real estate within it and 93% include infrastructure, illustrating the continued grouping of both asset classes within broader portfolios. Including real estate is more common outside the Americas: among institutions with a real assets allocation, 92% of those based in APAC and 71% in EMEA include real estate, compared with 57% in the Americas.

The overlap extends beyond portfolio classification. Sectors such as data centers attract both real estate and infrastructure capital through shared attributes, including physical assets and potential long-term contracted income. A shift toward infrastructure may therefore leave institutions pursuing some of the same opportunities while broadening the pool of capital for sectors traditionally associated with real estate.

Investment teams are adapting as the overlap between real estate and infrastructure expands. At September 2026's PEI Investor Council in Melbourne, Retail Employees Superannuation Trust's ("Rest") Head of Private Markets Marina Pasika described "opportunities that don't neatly fit any existing asset class" and a response of becoming "more and more integrated as a team." The Head of Private Markets and Infrastructure at the Australian Construction and Building Unions Supperannuation Fund ("Cbus Super"), similarly argued that investors should not miss opportunities because classification is difficult: "Good opportunities should always be considered."[8]

Hodes Weill and Cornell University's Brooks Center for Infrastructure ("BCI") published the fourth Institutional Infrastructure Allocations Monitor in June 2026, with the following key findings:[9]

> (1) Target allocations to infrastructure rose for a third consecutive year, though growth moderated year over year as the asset class transitioned from early adoption to broader expansion.
>
> (2) For the first time over the past four years, over half of institutions are at or above target allocation, a milestone that reflects both successful portfolio buildout and constrained distributions (versus paid-in capital). Institutions are under-invested in infrastructure by an average of 106 bps, relative to target allocations, up slightly from 100 bps in 2025.
>
> (3) Infrastructure portfolios delivered strong returns for the third consecutive year, outperforming other alternative asset allocations. Returns averaged 9.1% in 2025, broadly in line with the 9.2% target and consistent with the 8.8% to 9.2% range recorded across 2023 to 2025.
>
> (4) Investor conviction reached a four-year high of 7.3 out of 10, rising despite a period of elevated geopolitical risk, increased regulatory uncertainty, and rate-driven pressure on lower-risk strategies.
>
> (5) Geopolitical risk remains a dominant consideration for the second consecutive year, while regulatory risk has emerged as a growing institutional concern.
>
> (6) Energy has overtaken digital as institutions' top sector priority, while interest in transportation strategies has increased year over year.

[8] Kemp, Daniel. "Asset class boundaries continue to blur, but does it matter?" Infrastructure Investor, September 2026.
[9] Weill, D., & Gould, J., (2026). 2026 Institutional Infrastructure Allocations Monitor. Ithaca, NY: Cornell University's Brooks Center for Infrastructure and Hodes Weill & Associates, LP, June 2026.

(7) Europe has overtaken North America as the top geographic destination for incremental institutional capital, a notable shift in global infrastructure capital flows.

(8) Core-plus has overtaken value-add as institutions' most favored risk-return strategy, completing a shift that has unfolded over the past two years.

(9) Institutions are expanding manager rosters while becoming less willing to back new entrants, reinforcing the dominance of established platforms.

(10) ESG integration has become standard risk management for most institutions, though the transatlantic gap has widened.

Exhibit 9: Actual vs. Target Infrastructure Allocation, All Institutions[10]

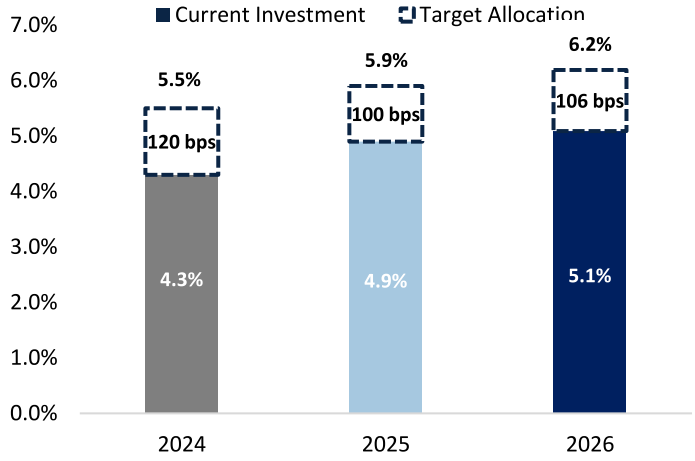
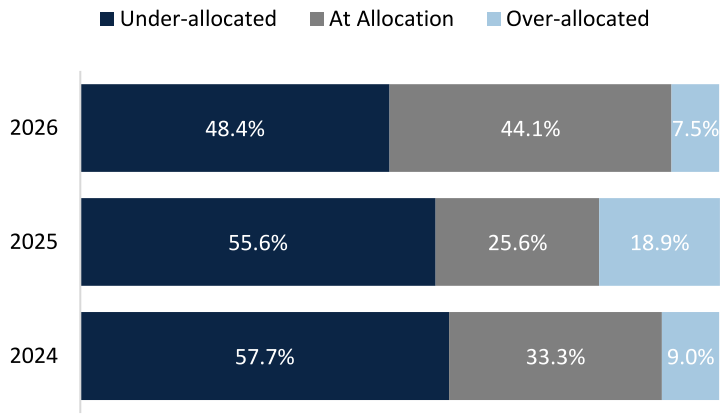


Exhibit 10: Over-Under Allocation to Infrastructure, All Institutions[11]



[10] Weill, D., & Gould, J., (2026). 2026 Institutional Infrastructure Allocations Monitor. Ithaca, NY: Cornell University's Brooks Center for Infrastructure and Hodes Weill & Associates, LP, June 2026.

[11] IBID.

Current Investments

Institutions' actual real estate allocations fall 120 basis points below allocation targets, as the gap between target and actual allocations has widened for the third consecutive year.

Exhibit 11: Actual vs. Target Allocations, 2015–2026

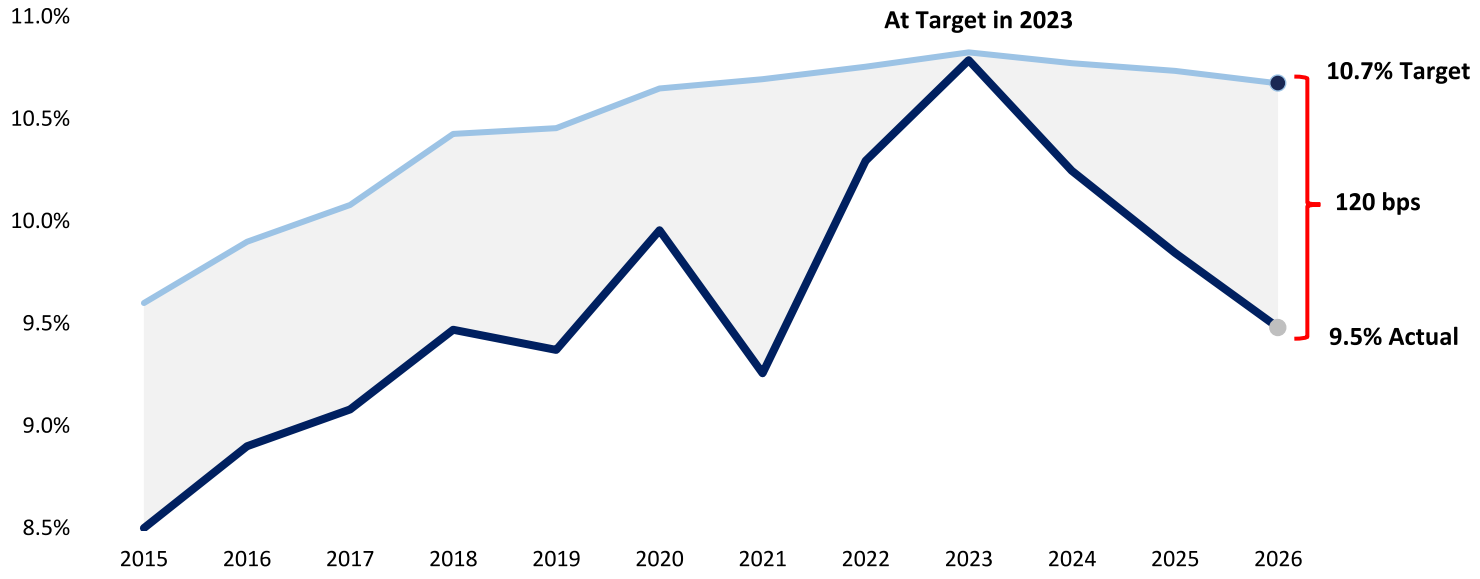
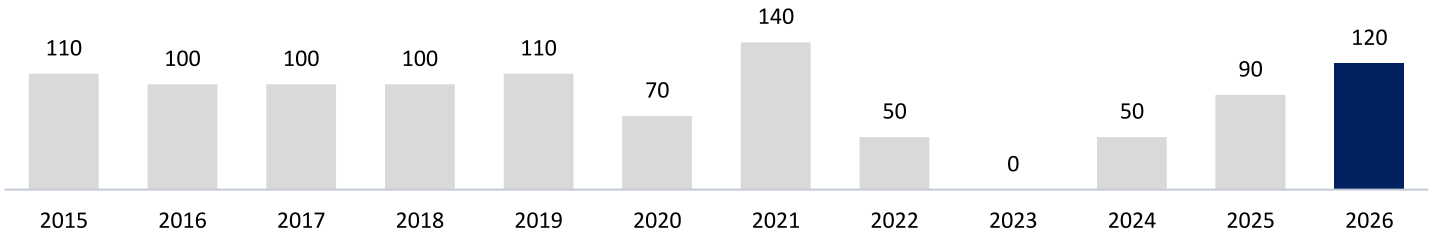


Exhibit 12: Shortfall to Target Allocation in Basis Points, 2015–2026



Actual allocations average 9.5% in 2026, 120 bps below the 10.7% target, compared with gaps of 90 bps in 2025 and 50 bps in 2024. This marks the third consecutive year the gap has widened and the second-largest discrepancy between actual and target allocations in the survey's history. The gap represents substantial capacity for new investment: applied to an estimated US$147 trillion of global institutional AUM, it implies approximately US$1.8 trillion of potential incremental real estate capital, though actual deployment will depend on institutions' liquidity and willingness to invest.[12]

With targets unchanged, the gap reflects actual allocations falling 30 bps from 9.8% in 2025. Strong public equity performance increased overall AUM in institutional portfolios, while real estate valuation adjustments and subdued deployment have weighed on the asset class's share of portfolios. High financing costs, the return of a negative leverage environment, and broader uncertainty also constrained investment.

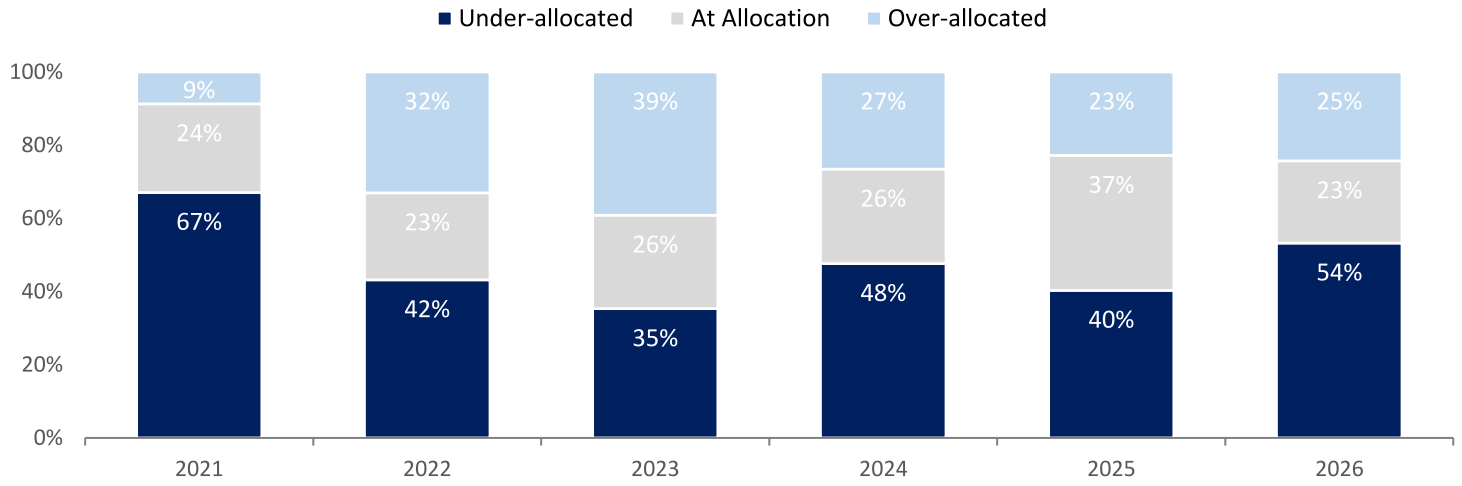
Limited distributions are a particular constraint for institutions that fund commitments with proceeds from existing investments. Entering 2026, investors expected improving capital markets and strong asset-level fundamentals to support transactions and capital recycling. Geopolitical and interest rate risk have delayed those realizations. The Head of Overseas Real Estate Investment at a Korea-based institution summarized the challenge: "Theoretically we have room, but the reality is we don't have cash."[13]

[12] BCG. Global Asset Management Report 2026: An Imperative for Growth. April 2026.

[13] Ou, Christie. "Korean investors rethink private real estate amid stock market volatility," PERE, September 2026.

Against this backdrop, plans for new commitments have moderated. Approximately 27% of institutions plan to commit more capital in 2026 than in 2025, down from 38% a year ago but near the 28% average since 2019. The decline reflects liquidity constraints and lower conviction. Under-allocation nevertheless leaves investors better positioned than when portfolios exceeded targets. With less pressure to reduce exposure, institutions can invest selectively at reset valuations and reshape portfolios toward their highest-conviction opportunities. As distributions recover, this allocation headroom could support a renewed pace of investment.

Exhibit 13: Institutions Above and Below Target Allocations, 2021–2026



Approximately 54% of institutions are under-allocated, up from 40% in 2025 and the highest share since 2021. The share at target falls to 23% from 37%. Approximately 25% are over-allocated, versus 23% in 2025, 27% in 2024 and 39% in 2023, when excess exposure constrained investment.

Exhibit 14: Actual vs. Target Allocations, By Region of Institution

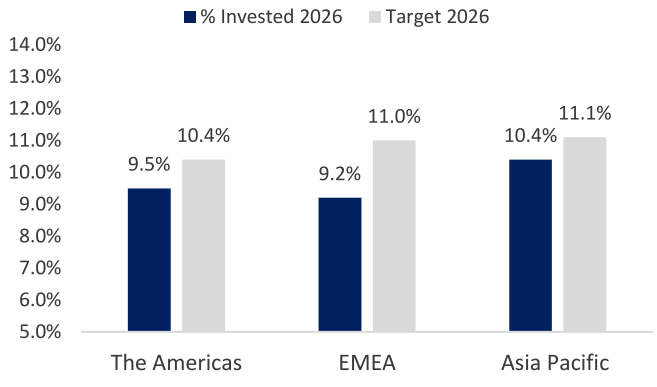
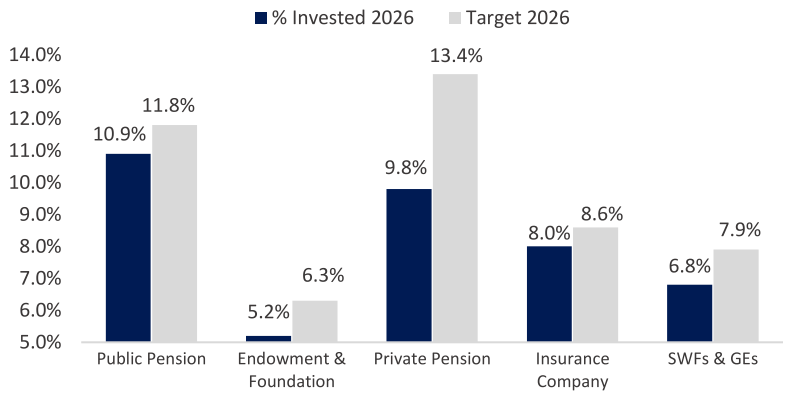


Exhibit 15: Actual vs. Target Allocations, By Type of Institution



Current Investments and Target Allocations by Location and Type of Institution

All regions and institution types report being under-allocated to real estate. EMEA reports the widest regional gap at 180 bps, followed by the Americas at 90 bps and APAC at 70 bps. Private Pensions report the largest gap by type (360 bps), followed by SWFs & GEs and Endowments & Foundations (110 bps each), while Insurance Companies have the narrowest (60 bps).

California State Teachers' Retirement System ("CalSTRS"), the second-largest pension fund in the United States, releases quarterly portfolio updates that illustrate the combined impact of the denominator and numerator effects. Its real estate allocation rose from 12.9% in Q4 2021 to 17.2% in Q3 2022 as the Dow Jones Industrial Average (“DJIA”) fell over 20% and the NCREIF Fund Index–Open End Diversified Core Equity (“NFI-ODCE”) returned 12.4%. As equities recovered and property

valuations reset, exposure fell to 11.9% in Q2 2026, 310 bps below its 15.0% target – the widest gap since Q4 2021. CalSTRS has continued investing through the cycle, approving 15 commitments totaling US$5 billion in H1 2026.[14]

Exhibit 16: Indexed Returns for DJIA and NFI-ODCE, EOQ Q4 2021–EOQ Q2 2026[15]

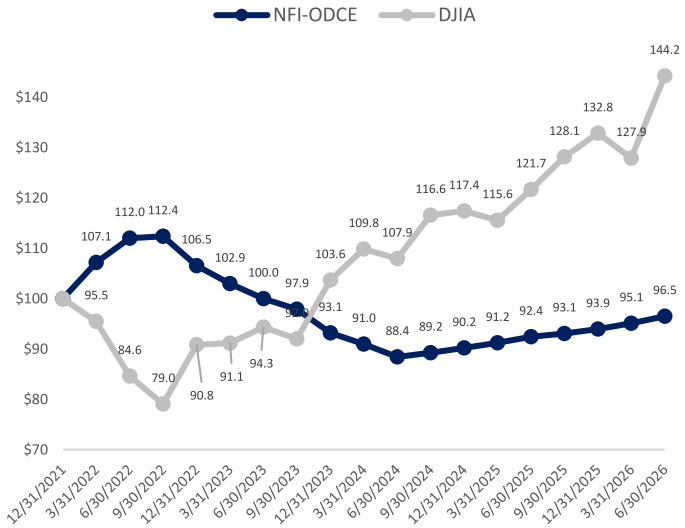
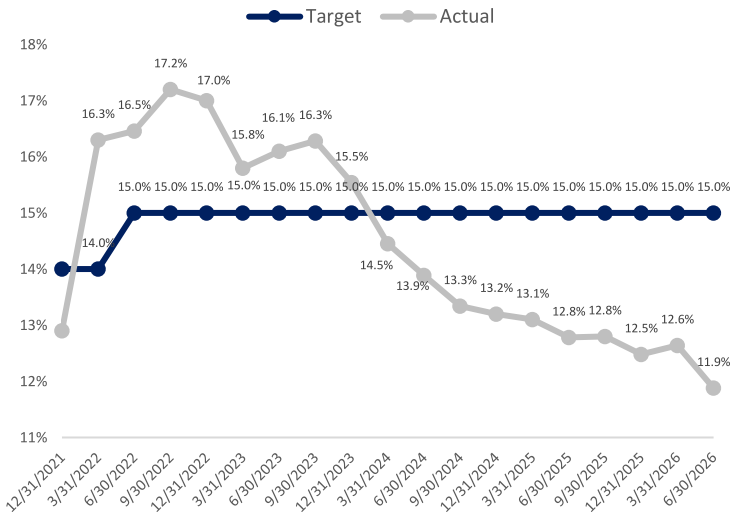


Exhibit 17: CalSTRS Real Estate Portfolio Allocation, Actual vs. Target, EOQ Q4 2021–EOQ Q2 2026[16]



[14] Peterson, Jon. "CalSTRS adds $5bn of new commitments to real estate during the first half of 2026," IPE Real Assets, September 2026.
[15] National Council of Real Estate Investment Fiduciaries (NCREIF).
[16] Based on public disclosures.

Historical & Target Returns

Institutional real estate returns improved in 2025, but trailing performance remains below target.

Exhibit 18: Target vs. Actual Returns, All Institutions, by Type, Location, and Size

	Target Return	Actual 2025	Actual 2024	Actual 2023	Actual 2022	Actual 2021	Actual 2020	Actual 2019	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014	Actual 2013	Actual 3-Year Avg.	Actual 5-Year Avg.	Actual 10-Year Avg.
All Institutions	8.1%	3.3%	1.4%	-1.4%	9.5%	17.1%	5.9%	8.5%	8.8%	9.1%	8.7%	11.0%	11.8%	10.8%	1.1%	6.0%	7.1%
By Type																	
Public Pension	7.3%	2.0%	0.1%	-5.1%	10.9%	19.2%	5.4%	8.3%	8.4%	9.2%	8.8%	11.6%	11.7%	10.0%	-1.0%	5.4%	6.7%
Endowment & Foundation	9.2%	3.5%	0.1%	0.6%	11.8%	18.0%	7.5%	8.0%	9.1%	8.9%	9.1%	10.9%	13.0%	13.9%	1.4%	6.8%	7.7%
Private Pension	8.4%	6.4%	3.7%	-1.4%	7.8%	16.8%	4.8%	9.4%	9.0%	8.9%	8.2%	11.2%	12.6%	10.5%	2.9%	6.7%	7.4%
Insurance Company	7.7%	3.4%	4.6%	0.6%	6.4%	12.4%	6.3%	10.2%	8.7%	9.9%	9.1%	9.6%	8.3%	7.3%	2.9%	5.5%	7.2%
SWFs & GEs	9.1%	5.2%	2.4%	3.2%	8.7%	9.3%	5.8%	7.9%	9.3%	8.9%	8.1%	10.0%	11.4%	11.4%	3.6%	5.8%	6.9%
By Location																	
The Americas	8.5%	3.9%	0.3%	-2.3%	10.7%	19.2%	5.5%	8.6%	9.2%	9.3%	8.7%	11.7%	12.6%	12.5%	0.6%	6.4%	7.3%
EMEA	7.1%	3.8%	3.5%	-2.5%	5.8%	13.7%	6.2%	8.3%	7.5%	8.5%	8.4%	9.5%	10.4%	6.2%	1.6%	4.9%	6.3%
Asia Pacific	7.9%	0.7%	2.7%	4.0%	9.2%	10.4%	7.8%	8.3%	9.1%	9.1%	9.2%	10.0%	9.5%	9.3%	2.5%	5.4%	7.1%
By Size																	
Greater than US$50 billion	7.7%	3.0%	0.8%	-2.8%	8.6%	18.6%	4.2%	8.4%	9.2%	9.6%	9.4%	11.2%	11.1%	10.1%	0.3%	5.6%	6.9%
Less than US$50 billion	8.3%	3.5%	1.6%	-0.9%	9.9%	16.7%	6.2%	8.5%	8.7%	9.0%	8.6%	11.0%	12.0%	10.9%	1.4%	6.1%	7.2%

Participants reported that their real estate portfolios returned 3.3% in 2025, up from 1.4% in 2024. Despite improvement, trailing 10-year returns average 7.1%, 100 bps below the current 8.1% target. The shortfall is more pronounced in the shorter-term: three- and five-year returns averaged 1.1% and 6.0%, respectively. Since 2012, the first year of performance data captured by the survey, returns have averaged 8.1%, matching the current target.

Greater valuation clarity is supporting improving returns. Addressing the California Public Employees' Retirement System's ("CalPERS") Investment Committee in March 2026, Christy Fields, Meketa's Head of Real Estate Portfolio Services, noted that values were starting to recover: "you'll see in your performance, although not terribly impressive absolute returns, improving relative returns."[17]

Returns in the Americas improved most, from 0.3% in 2024 to 3.9% in 2025; EMEA rose from 3.5% to 3.8%. APAC declined to 0.7%, its fourth consecutive decrease from 10.4% in 2021. However, APAC remains the only region with positive average returns every year since 2012, and leads trailing three-year performance at 2.5%.

Exhibit 19: Actual Return Quartiles 2025, By Type of Institution

Quartile	Endowments & Foundation	Private Pension	Public Pension	Insurance Company	SWFs & GEs	All Institutions
1st Quartile	6.8%	9.7%	4.7%	6.8%	6.2%	6.0%
Median	4.0%	4.7%	3.1%	6.0%	4.7%	4.0%
Mean	3.5%	6.4%	2.0%	3.4%	5.2%	3.3%
3rd Quartile	-1.0%	0.6%	0.3%	4.5%	3.0%	0.3%

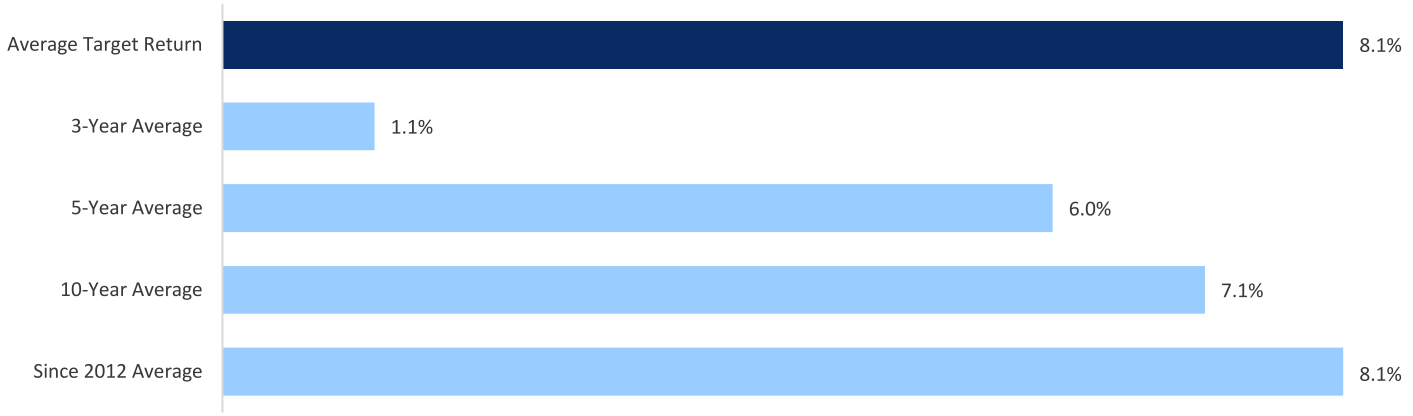
[17] Johnson, Brett. "CalPERS sees higher real estate returns after allocation shift," PERE, March 2026.

Approximately 78% of institutions reported a positive return for the year. Private Pensions achieved the highest average return in 2025 at 6.4%, though dispersion within the group was wide, with first- and third-quartile returns of 9.7% and 0.6%, respectively, a spread of 910 bps. Insurance Companies reported the tightest spread, with first- and third-quartile returns of 6.8% and 4.5%, respectively, potentially reflecting differences in sector exposure, income characteristics and leverage.

Individual results illustrate the dispersion. CalPERS reported a real estate return of 5.1% for calendar year 2025, exceeding its 3.2% benchmark by 190 bps, with performance driven primarily by income and its multifamily, retail and data center holdings..[18] By contrast, PSP Investments lost 7.3% on its C$27.8 billion real estate portfolio in the fiscal year ended March 31, 2026. Real estate was its only asset class to post a loss, which it attributed to valuation declines, leverage and currency movements.[19,20]

Broader real estate indices strengthened in H1 2026. ANREV, INREV and NCREIF's Global Real Estate Fund Index returned 1.29% in Q2, its eighth positive consecutive quarter, led by APAC (1.94%, its strongest since Q1 2022) and the US (1.45%, its strongest since Q2 2022).[21] US NFI-ODCE gross returns rose to 1.49% from Q1's 1.25%. Income still dominates, contributing 4.08% of the trailing four-quarter 4.45% return. The unleveraged NCREIF Property Index returned 5.00% over four quarters, its highest four-quarter return since Q4 2022. Its Q2 sector returns ranged from 3.91% for senior housing to 0.70% for office.[22]

Exhibit 20: Average Target Return vs. Average Actual Returns, All Institutions



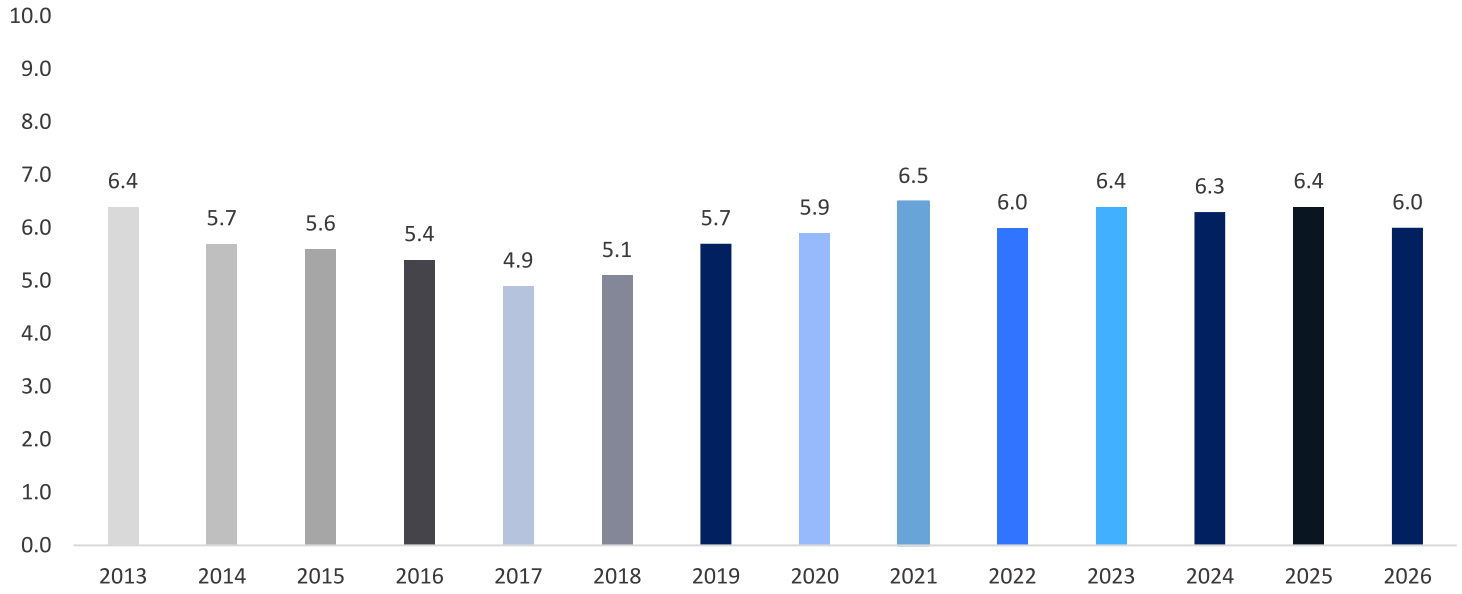
Institutions report an average target return of 8.1% in 2026, down 30 bps from 8.4% in 2025 and the lowest level since the Real Estate Allocations Monitor began tracking target returns in 2016. The moderation is consistent with increased appetite for core and core-plus strategies, suggesting greater emphasis on income and stability rather than higher-risk capital appreciation.

[18] "Real Estate Trust Level Review as of December 31, 2025," CalPERS Investment Committee, March 2026.
[19] "PSP Investments outperforms 10-year benchmarks and posts solid performance in fiscal 2026," PSP Investments, June 2026.
[20] Baba, Razak Musah. "PSP Investments' infrastructure returns 10.1% as real estate posts loss," IPE Real Assets, June 2026.
[21] INREV Staff. "Global real estate performance increased to 1.29% in Q2 2026," INREV, September 2026.
[22] National Council of Real Estate Investment Fiduciaries (NCREIF), July 2026.

Conviction Index

Investor conviction declines, but remains above historical average as interest rate and geopolitical risk contribute to a more cautious investment environment.

Exhibit 21: Conviction Index, 2013–2026, All Institutions



The Conviction Index rates real estate's risk/return opportunity from one (least favorable) to ten (most favorable). It falls 0.4 points to 6.0 in 2026, though remains above the 5.9 historical average. After declining from 6.4 in 2013 to 4.9 in 2017, the Conviction Index peaked at 6.5 in 2021. Conviction has now remained at or above 6.0 for six years, a level not reached during 2014-2020.

Geopolitical risk, elevated financing costs and slower-than-expected recoveries in returns and liquidity temper sentiment. One EMEA-based Insurance Company noted that anticipated improvements in transactions, fundraising and performance had failed to materialize: "In 2026, conditions have not developed as expected," prompting "a more sober tone." Repeated delays have tested confidence. Speaking to Bloomberg in March 2026, ULI Research and Advisory Vice-President Simon Chinn described concern that "the recovery is just like it has been for the last three years – always three-to-six months off."[23]

Exhibit 22: Range of Conviction Index 2025 & 2026, All Institutions

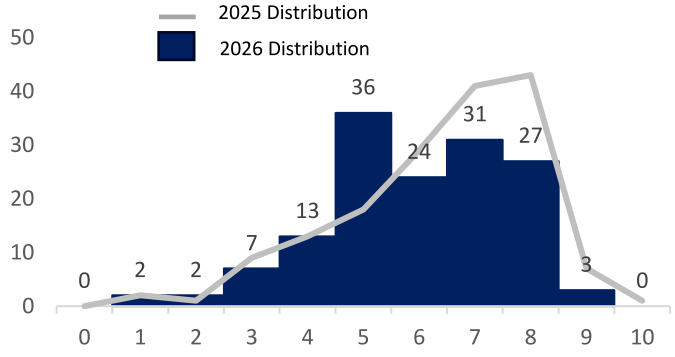
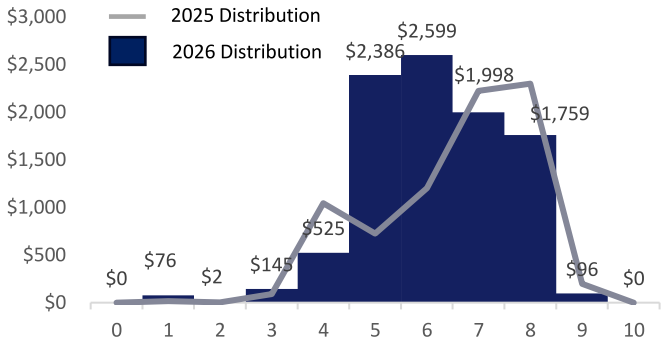


Exhibit 23: Range of Conviction Index 2025 & 2026, By AUM Midpoint (US$ Billions)

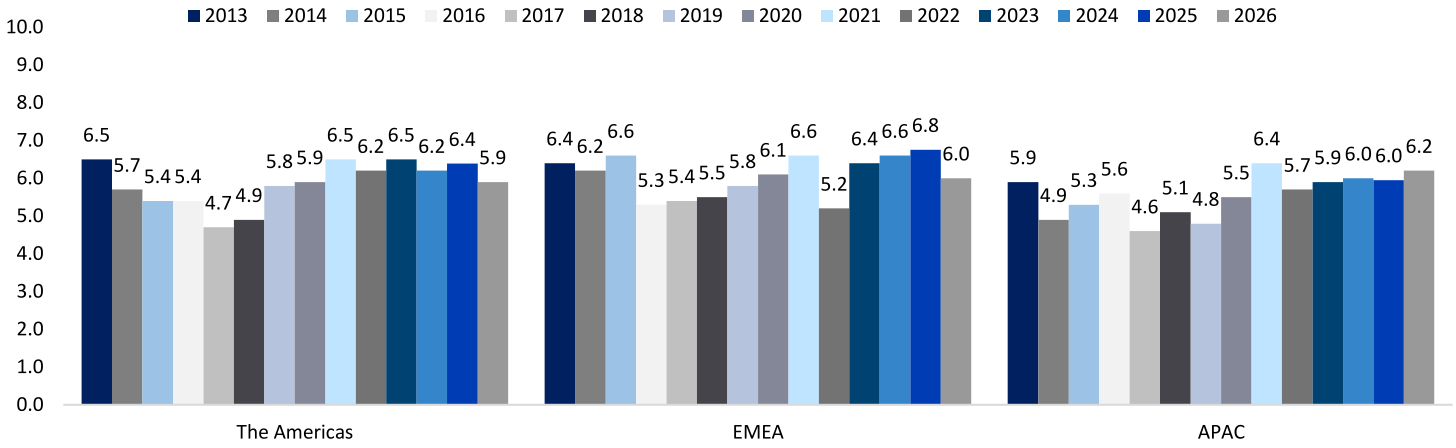


In comparison to 2025, the distribution of responses shifts away from strongly favorable views toward more moderate assessments. Approximately 42% of institutions report a Conviction Index of 7.0 or higher, down from 56% in 2025, while the share reporting 8.0 or higher declines to 21% from 31%. By contrast, the proportion reporting 4.0 or lower increases only

[23] "Iran Shock Upends Real Estate's Long-Anticipated Recovery," Bloomberg, March 2026.

modestly, to 17% from 15%. On an AUM-weighted basis, institutions representing 92% of survey participants' assets report conviction of 5.0 or higher. These findings suggest that investors have tempered their optimism while remaining broadly neutral to positive toward the investment opportunity.

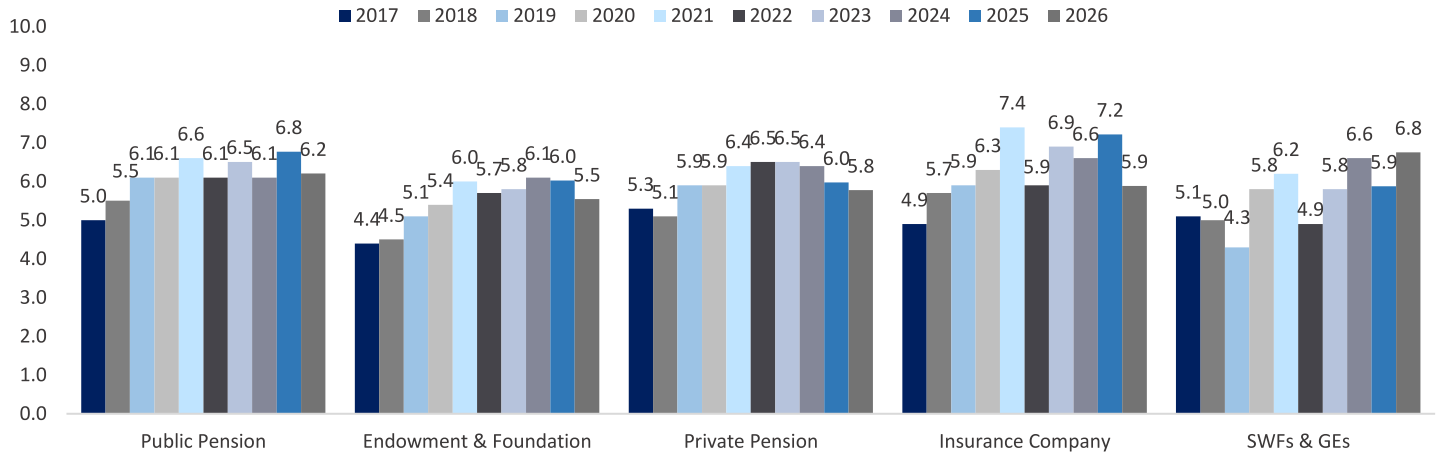
Exhibit 24: Conviction Index, 2013–2026, By Location of Institution



Conviction improves year over year only for APAC-based institutions, which report an improvement to 6.2 from 6.0, leading regional conviction for the first time since 2016. Conviction in the Americas falls to 5.9, the lowest since 2020. Its 2025 improvement reflected greater clarity on rates and Federal Reserve signals of further cuts, but recent volatility likely reversed those expectations. EMEA, which reported the highest conviction in 2025, falls 0.8 points to 6.0. This aligns with StepStone's assessment that Europe and the UK are particularly exposed to the war-driven energy shock, while the US is "relatively protected due to energy independence."[24]

Only 0.3 points separate the regions, the narrowest spread since 2021. Despite differing portfolio performance and local market conditions, institutions across regions share a measured outlook. Reset valuations appeal, but investors need greater confidence in pricing, financing and recovery before materially increasing deployment.

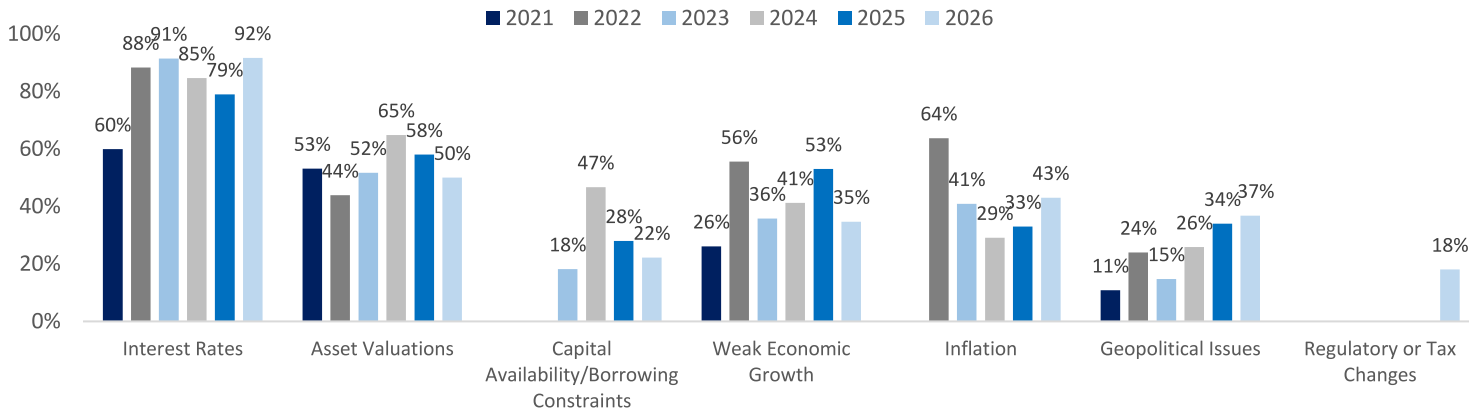
Exhibit 25: Conviction Index, 2017–2026, By Type of Institution



Among institution types, SWFs & GEs and Public Pensions report the highest level of conviction at 6.8 and 6.2, respectively. SWFs & GEs are the only institution type to report an improvement in conviction year over year, up 0.9 points and reversing the decline reported in 2025, while Public Pensions, Private Pensions, Endowments & Foundations and Insurance Companies each report a decrease. SWFs & GEs, with the largest improvement in conviction, also report the largest planned increase in target allocations (40 bps), while Endowments & Foundations, with the lowest conviction, note a planned reduction.

[24] "StepStone Real Estate House Views Report, Spring 2026," StepStone Group, April 2026.

Exhibit 26: Real Estate Investment Risks, 2021–2026*



**Please note that institutions were not asked about capital availability & borrowing constraints in the 2021 or 2022 Institutional Real Estate Allocations Monitor and 2026 was the first year institutions were asked about regulatory or tax changes.*

When asked what risks are expected to have the greatest impact on investment decisions in 2026, interest rates remain the leading risk, cited by a record 92% of institutions, up from 79% in 2025. Inflation rises to 43% from 33%, its highest since 2022; geopolitical concerns reach a record 37%, up from 34%. Geopolitical issues rank second among concerns in EMEA (50%) and APAC (54%), compared with 26% in the Americas. Real estate-specific concerns continue to ease: the share citing asset valuations falls to 50% from 58% in 2025 and 65% in 2024, while the share citing capital availability declines to 22% from 28% and 47%, respectively. Overall, concerns increasingly center on macroeconomic conditions, including rates, inflation, geopolitics and regulatory or tax changes, while anxiety about asset class fundamentals has receded.

Investors distinguish challenges in existing portfolios from prospects for new investments. Lower entry valuations and resilient income offer reasons to deploy despite weak recent performance. One Americas-based Public Pension noted that a "prolonged market slog coupled with an uncertain rate environment may yield attractive opportunities." An APAC-based Public Pension described a "constructive but selective" environment increasingly driven by income growth and asset-level fundamentals. Caution is encouraging selectivity rather than broad withdrawal.

"The market still provides an attractive basis with limited recovery to date."

- Insurance Company, APAC

"Valuations stabilizing after several years of declines, but risk remains elevated due to geopolitical uncertainty (including tariffs and trade wars) and elevated inflation and interest rates."

- Public Pension, The Americas

"Sound occupier markets, mixed capital market conditions, and challenging development viability"

- Endowment & Foundation, EMEA

"Most of our allocations are barbelled to [alternative real estate] sectors or distressed opportunities."

- *Endowment, The Americas*

"Some might capture the upside after the correction, it's difficult to tell the timing now though."

- SWF & GE, APAC

"Boiling Frog Risk: Wide Dispersion in Industry Returns Requires Careful Selection."

- Insurance Company, APAC

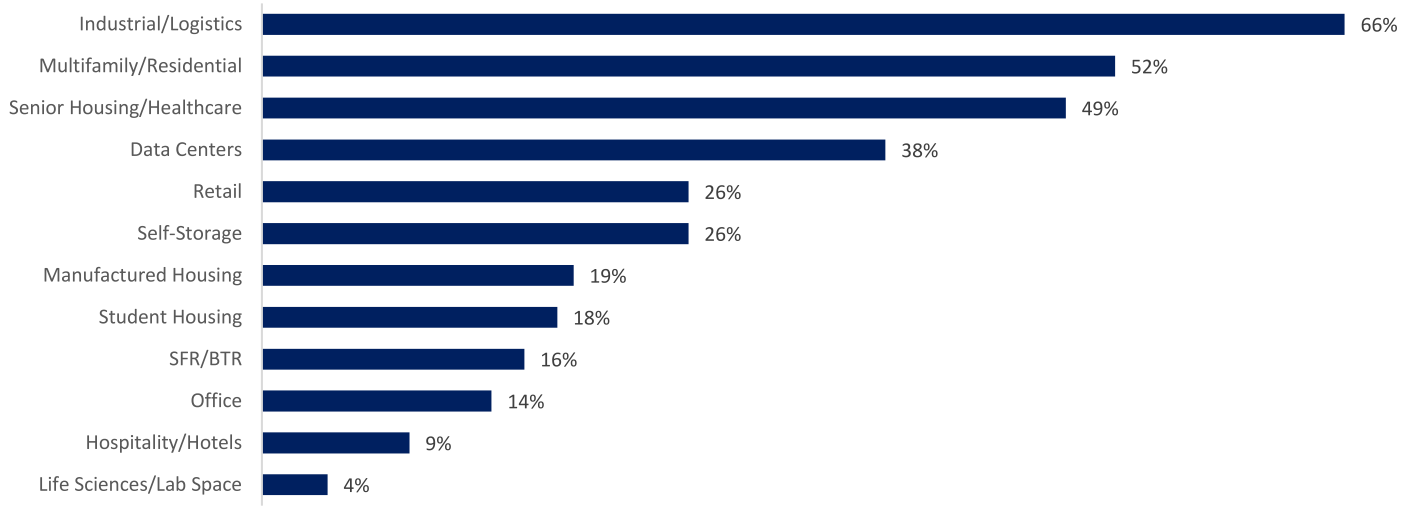
"Geo-political issues have significant impact on inflation, which trickles down to interest rates and currency market volatility."

- Private Pension, EMEA

Sector Preferences

Institutions complement diversified real estate portfolios with targeted sector investments, specifically in sectors supported by structural demand tailwinds, led by Industrial/logistics, multifamily/residential and senior housing/healthcare.

Exhibit 27: Highest Conviction Real Estate Sectors, Next 12 Months, All Institutions



In 2026, the survey was expanded to ask institutions which real estate sectors offer the highest-conviction investment opportunities over the next 12 months. Industrial/logistics is reported as the highest-conviction sector, selected by 66% of respondents, followed by multifamily/residential (52%) and senior housing/healthcare (49%). With distributions limited, these sectors appeal to institutions seeking durable income, supported by long-term demand drivers including evolving supply chain needs and demographic shifts.

Industrial/logistics continues to benefit from e-commerce growth, evolving supply chains, functional obsolescence, and emerging demand associated with AI and data centers. Conviction in residential reflects the enduring need for housing and a growing gap between supply and demand, as elevated interest rates make new development more difficult. Residential and industrial are also the two largest components of the professionally managed real estate market in the Americas, at 30.1% and 24.3% of MSCI's measure at the end of 2025.[25] Institutions' strongest sector preferences thus align with the largest established segments of the market.

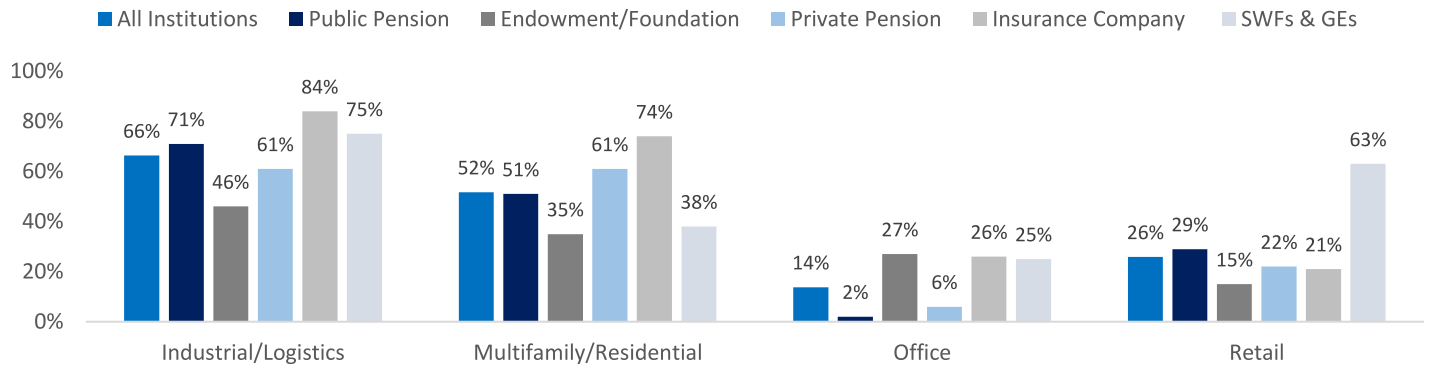
Senior housing continues to recover from the pandemic. Occupancy reached 90.4% in Q3 2026, marking its 21st consecutive quarterly increase and the first time it exceeded 90% since before 2008. NIC MAP CEO Arick Morton observed in October 2026 that "the first baby boomers turn 80 in 2026, the age our industry has long used to mark the front edge of senior housing demand." He noted that NIC MAP's third-quarter data show a sector "already pressing against the limits of its existing supply, with two decades of growth in the 80-plus population still ahead of it."[26] Health care spending adds a further source of demand, with US national health expenditures projected to reach nearly US$9.0 trillion by 2034, or 20.6% of gross domestic product.[27]

Data centers attract high conviction from 38% of institutions, led by Private Pensions and SWFs & GEs (50% each), and institutions in APAC (43%) and the Americas (40%). Fundamentals remain strong, with North American primary-market vacancy at 1.4% in H1 2026, while over 80% of a record 7,481 MW under construction was pre-leased.[28] Demand is underpinned by record spending, notably from Alphabet, Amazon, Meta and Microsoft, who plan US$725 billion of 2026 capital expenditure, largely for AI, up

[25] MSCI data as referenced in Morphy, Erika. "A $5.1T CRE Market Faces a New Investment Reality," GlobeSt, August 2026.
[26] Morton, Arick. "Senior housing occupancy clears 90% as new supply stalls," Institutional Real Estate, Inc., October 2026.
[27] Fiore, Jacqueline. "National Health Expenditure Projections, 2025-34: Strong Utilization Growth Initially, Legislative Impacts Later," Health Affairs, June 2026.
[28] "North American Data Center Demand Continues to Outpace Supply Despite Record Construction," CBRE, September 2026.

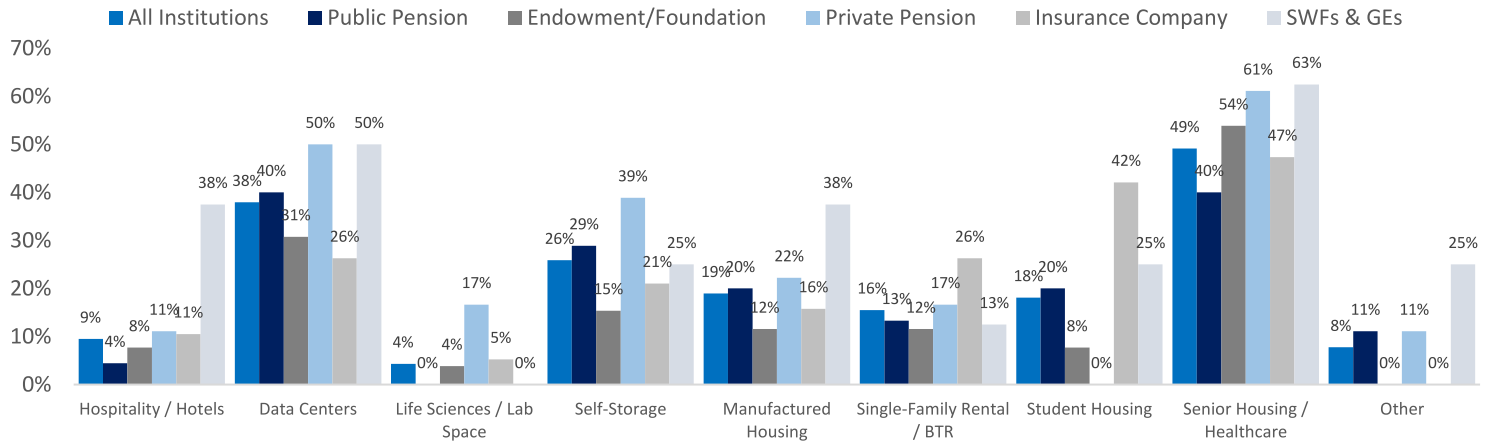
77% from US$410 billion in 2025.[29] Yet the scale and pace raise questions about sustainable demand and valuations. RCLCO concluded in February 2026 that "it will likely take several years to know if we are in a data center boom or bubble."[30] Investors remain selective: PERE's Perspectives 2026 found 19% of investors are planning to reduce data center investment, up from 4% in 2025.[31]

Exhibit 28: Conviction in Traditional Real Estate Sectors, Next 12 Months, By Type of Institution



Among traditional real estate sectors, industrial/logistics leads for every type of institution (tied with residential among Private Pensions). Insurance Companies report the strongest conviction in both industrial (84%) and residential (74%), consistent with their preference for core strategies. Office conviction is selective and concentrated among Endowments & Foundations (27%), Insurance Companies (26%) and SWFs & GEs (25%), compared to Private Pensions (6%) and Public Pensions (2%).

Exhibit 29: Conviction in Non-Traditional Real Estate Sectors, Next 12 Months, By Type of Institution

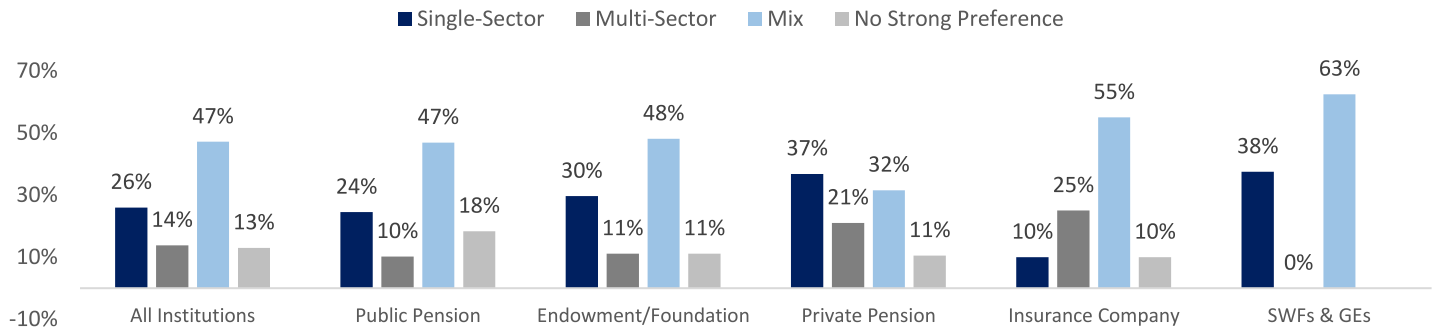


More broadly, institutions express strong interest in non-traditional sectors, with 84% identifying at least one as a high-conviction investment opportunity. *One Endowment & Foundation based in the Americas noted that "medical office, student housing, senior living and other specific sub-segments offer more attractive opportunities."*

For non-traditional sectors, senior housing/healthcare ranks first or is tied for the highest conviction sector amongst every type of institution, led by SWFs & GEs (63%) and Private Pensions (61%). Insurance Companies extend their residential conviction into student housing (42%) and SFR (26%). The breadth and diversification of sector preferences suggest a continued role for specialist managers that can potentially provide additional alpha compared to more diversified platforms.

[29] James, Luke. "Big tech's AI spending plans reach $725 billion," Tom's Hardware, April 2026.
[30] Maher, William; Bommarito, Scot; Janko, Andrew; Hughes, Amber. "Data Center Pipeline: Boom or Bubble?" RCLCO, February 2026.
[31] D'Souza, Charlotte. "Perspectives 2026: Investors rekindle their ambitions for private real estate," PERE, February 2026.

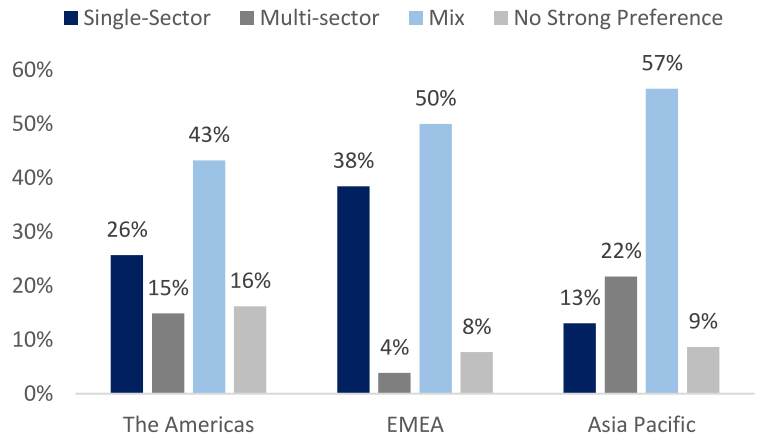
Exhibit 30: Preference to Access Real Estate Sector Exposure, By Type of Institution



When allocating among sectors, 47% of institutions prefer a mix of sector-specific and diversified strategies, 26% prefer primarily sector-specific strategies, 14% prefer primarily diversified strategies and 13% express no strong preference. Institutions seek diversified exposure alongside targeted investments in their highest-conviction sectors. Barings' Global Head of Client Portfolio Management for real estate, Greg Eudicone, described the need for optionality: "a diversified fund, a sector fund (e.g., living or logistics), blended exposure, or a combination of all three."[32]

Institutions across all regions report a preference for a mix of single-sector and multi-sector strategies. EMEA-based institutions show the strongest demand for single-sector strategies, at 38%, while institutions in APAC show the strongest preference for multi-sector strategies, at 22%.

Exhibit 31: Preference to Access Real Estate Sector Exposure, By Location of Institution



[32] Eudicone, Greg. "Change of mindset: The rise of investor demand for sector-specific real estate funds," Institutional Real Estate Europe, May 2026.

Third-Party Management

Institutions increase their reliance on third-party managers in 2026 while becoming more selective about manager relationships.

Existing Investments

Approximately 70% of institutions report outsourcing their entire real estate portfolio management to third-party managers, up from 65% in 2025 and matching the highest level reported over the past ten years (70% in 2019 and 2021). Overall, 97% of institutions outsource all or a portion of their portfolio to third-party managers. This may be attributed to the increasing popularity of operationally intensive sectors, such as data centers and senior housing/healthcare, that require specialist expertise.

Insurance Companies continue to outsource: 58% use third parties for their entire portfolio, up from 48% in 2025 and 39% in 2022. In April 2026, Singapore's Income Insurance appointed CapitaLand Investment to manage its S$2.4 billion directly held real estate portfolio and source APAC investments, citing the manager's "breadth, scale, and extensive network.[33]

Future Allocations

Approximately 29% of institutions expect to increase the number of managers in their portfolio, 56% expect no change and 15% expect reductions. Maintaining a stable number of managers can still lead to new relationships as investors scrutinize performance of existing relationships in a limited-distribution environment. One Insurance Company in the Americas expects "roughly the same number of managers over time with new managers offsetting other managers with poor performance and funds in wind-down mode." A Public Pension in the Americas likewise seeks fewer relationships but remains "open to attractive opportunities available with specific new managers."

This is reflected by a slight shift in institutions' estimated breakdown of 2027 investments. Institutions expect to allocate 63% of their 2027 real estate investments to existing manager relationships, 27% to new manager relationships and 10% to investments managed in-house, compared to 65%, 26% and 10% for 2026, respectively.

The bar remains high for first-time fund managers, though willingness to back these platforms doubles to 18% from 9% in 2025, a nine-year high. Appetite is strongest among Private

Exhibit 32: Percentage of Portfolio Outsourced to Third-Party Managers, All Institutions

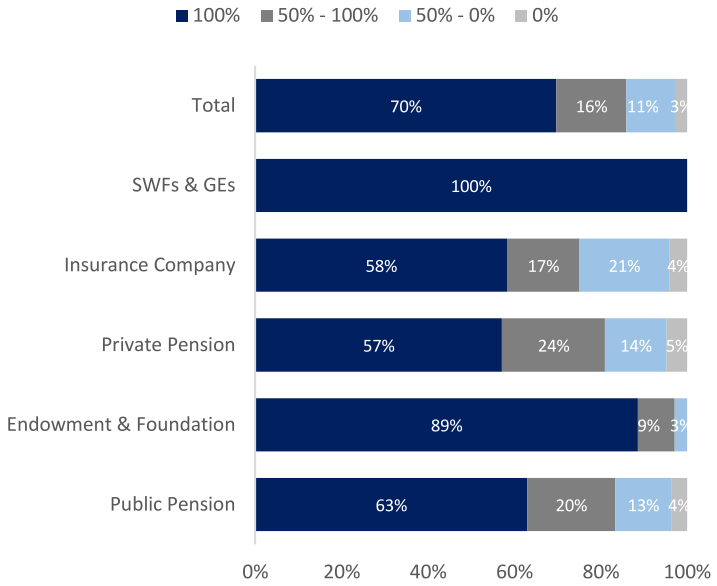


Exhibit 33: Allocations to Managers in 2026, All Institutions

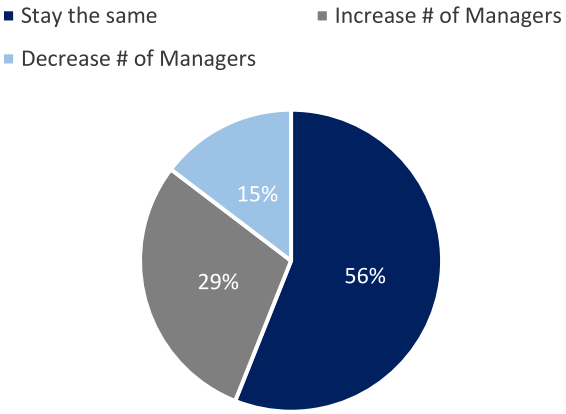
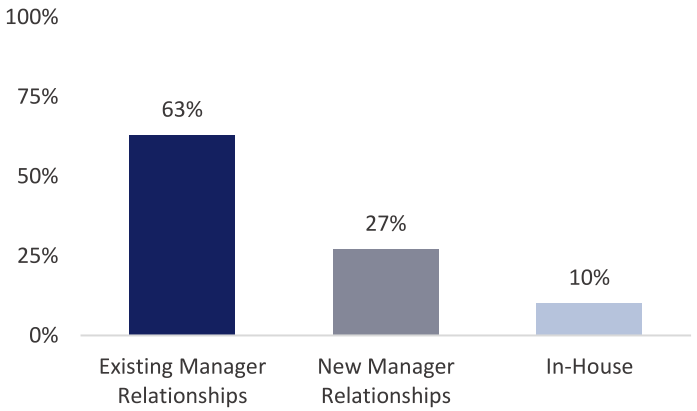


Exhibit 34: Estimated Breakdown of 2027 Investments, All Institutions



[33] "CapitaLand Investment wins S$2.4 billion real estate investment mandate from Income Insurance," CapitaLand Investment, April 2026.

Pensions (29%, up from 9%) and Large Institutions (23%, up from 10%), while the share of institutions very unlikely to invest declined to 37% from 44%. Newer platforms can pursue current opportunities without legacy portfolio demands or underperforming 2020–2021 vintages. Debut funds sponsored by established operators have also found significant support, with data center firm Digital Realty and senior housing specialist Welltower each closing first private funds with multi-billion-dollar commitments over the past year.[34] Yet first-time managers increasingly must share meaningful economics to secure anchor capital. One Endowment in the Americas views "the sale of GP ownership and economics unfavorably," adding that consolidation has made "finding independent, entrepreneurial, differentiated RE managers more difficult."

Rise in Industry Consolidation & Manager M&A Activity

Hodes Weill's 1H 2026 M&A Market Review recorded 14 real estate and infrastructure manager transactions, with activity favoring control and scaled platforms. Major deals included Nuveen's agreed Schroders acquisition and Sun Life's purchase of BGO's remaining 44%.[35] Middle-market managers are pursuing strategic transactions to access GP and LP capital and distribution support, while insurers and listed managers expand real assets exposure. The ten largest managers captured 49% of 2025 private real estate fundraising, versus 30% in 2015.[36] One Public Pension in the Americas observed that "many middle market real estate GPs have plateaued in terms of AUM and / or are grappling with succession planning, creating reasons for management teams to at least explore options."

[34] Dool, Greg. "RMR's Adam Portnoy: 'Investors are reluctant to bring on new relationships'

[35] "1H 2026 M&A Market Review: Real Estate & Infrastructure Investment and Funds Management," Hodes Weill & Associates, August 2026.

[36] Preqin Data. October 2026.

Risk Preferences

Institutions are taking a more measured approach to risk, with interest shifting to core and core-plus strategies.

Exhibit 35: Risk Preference, All Institutions

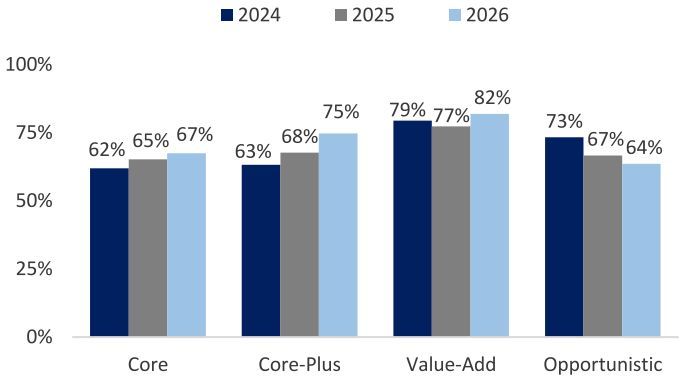


Exhibit 36: Risk Preference, By Location of Institution

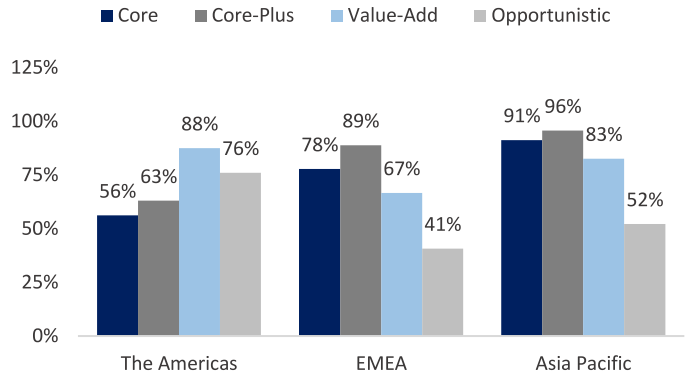
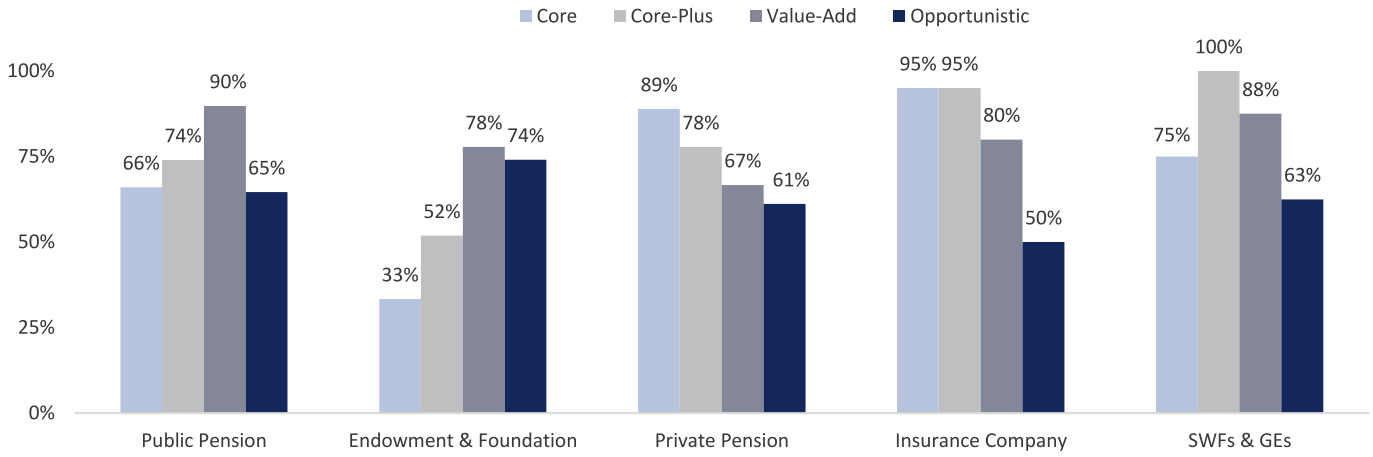


Exhibit 37: Risk Preference, By Type of Institution



Institutions are taking a more measured approach to risk across their real estate allocations in 2026, placing greater emphasis on near-term cash flow and stable income in a more uncertain investment environment. Value-add remains the most favored strategy, with 82% of institutions actively allocating capital to value-add investments in 2026, up from 77% in 2025. Core-plus follows at 75%, up from 68% in 2025 and 63% in 2024, while core rises to 67% from 65%, its third consecutive annual increase and the highest level since 2021. Appetite for opportunistic strategies declines for a second consecutive year, to 64% from 67% in 2025 and 73% in 2024.

Return preferences continue to vary by region. The Americas favor higher-return strategies, with 88% allocating to value-add, up from 82% in 2025, and 76% to opportunistic. EMEA has lower leverage tolerance and more limited appetite for value-add (67%) and opportunistic (41%), favoring core-plus (89%). APAC reports broad appetite: 96% core-plus, 91% core and 83% value-add. Some Japanese institutions are moving up the risk curve as domestic rates rise. Development Bank of Japan's Head of Real Estate Finance Hayato Tsuji explained: "we need to shift the portfolio to a higher risk-return spectrum. We need to focus more on the value-add or opportunistic side."[37]

Insurance Companies favor core and core-plus (95% each), versus 50% opportunistic. Endowments & Foundations favor opportunistic (74%) over core (33%). These preferences align with target returns, with Endowments & Foundations seeking 9.2%, the highest by type, versus Insurance Companies' 7.7%. Insurance Companies, nevertheless, are adding risk at the margin, with

[37] Ou, Christie. "Japanese real estate investors raise return targets amid rising rates," PERE, June 2026.

45% planning more value-add investment. ORIX Life Insurance's Daisuke Yamagami described expanding beyond open-end core funds into value-add while pursuing both stability and growth: "we are aiming to achieve both in our portfolio."[38]

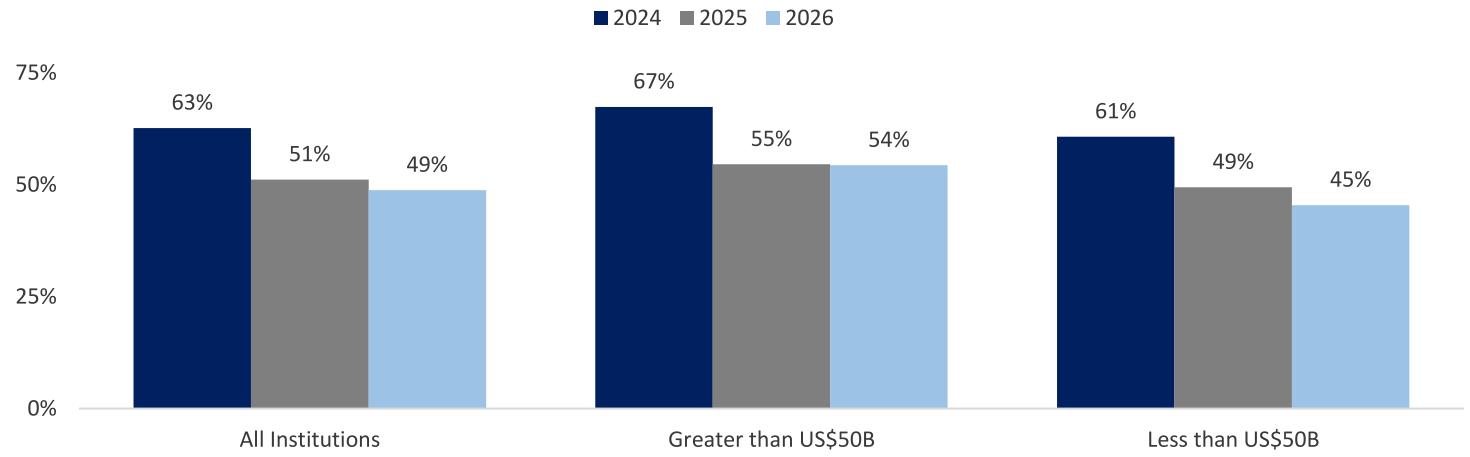
Credit Strategies

Credit appetite eases to 49% from 51% in 2025 and 63% in 2024, although 22% plan to invest more and only 6% less. APAC-based institutions report the strongest appetite at 74% actively allocating, versus 45% in the Americas and 38% in EMEA; 39% of APAC-based institutions plan increased investment in the sector.

Responses after September's rate increase suggest renewed credit interest: 28% plan increased investment, versus 20% beforehand, while the share not investing falls to 47% from 52%. The shift suggests that higher interest rates may have reinforced credit's appeal.

For some, the relative appeal of real estate credit predates the latest shift in interest rates. One Endowment & Foundation in the US commented that "for the last several years we have felt real estate credit would have a better risk-adjusted return than real estate equity, and that has worked out well for us."

Exhibit 38: Investing in Real Estate Debt, By Size of Institution

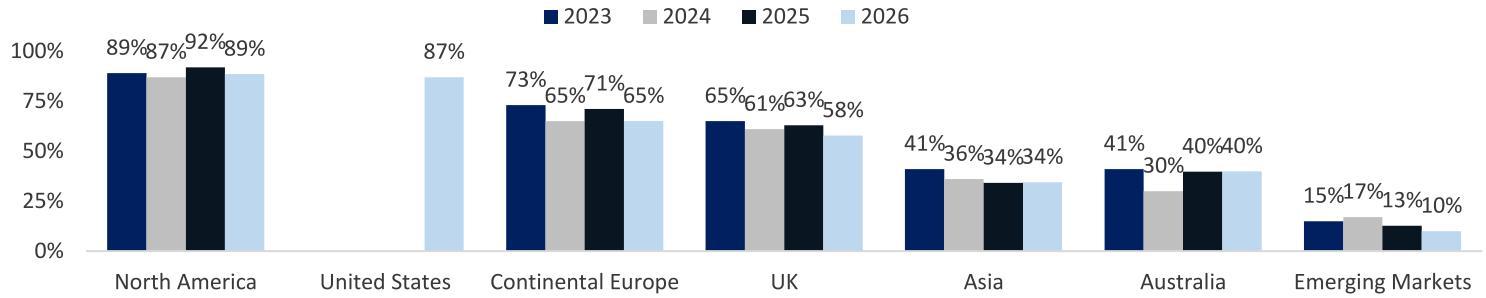


[38] Ou, Christie. "Japanese real estate investors raise return targets amid rising rates," PERE, June 2026.

Geographic Preferences

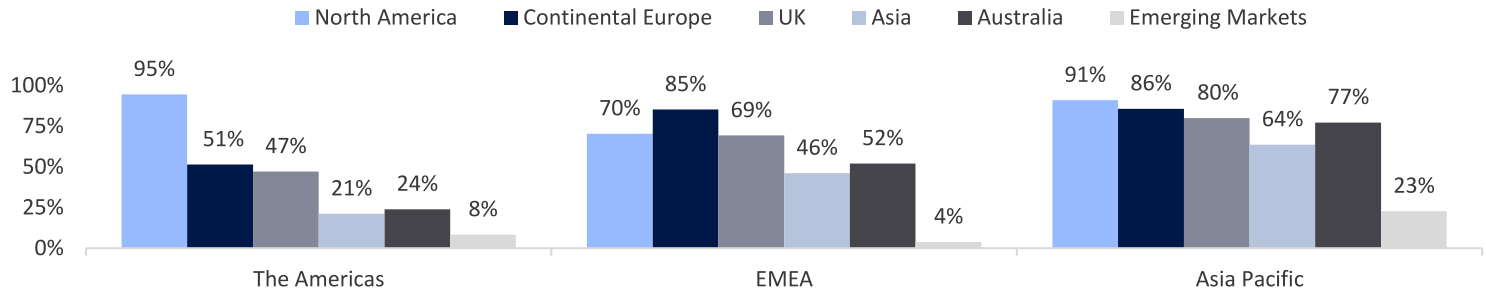
Appetite for cross-border investment declines as institutions increasingly favor domestic markets.

Exhibit 39: Geographic Focus, All Institutions*



**Please note that in 2026 institutions were asked separately about the United States and North America excluding the United States; prior surveys asked about North America as a whole. The 2026 North America figure includes institutions planning to invest in either.*

Exhibit 40: Geographic Focus, By Location of Institution

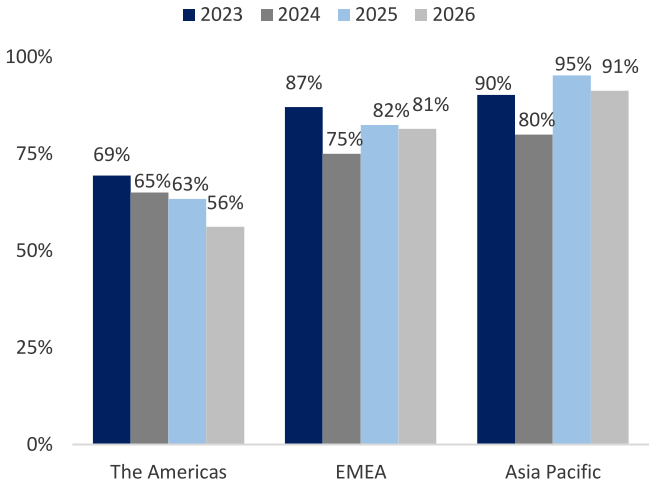


North America leads geographic preferences, with 89% planning allocations to the region over the next 12 months. The 2026 survey asked about the United States separately from the rest of North America; appetite remains strong with 87% of institutions planning to invest. Continental Europe follows at 65% and the UK at 58%; Australia (40%) and Asia (34%) are unchanged.

Approximately 34% plan more US investment in 2026, versus 11% planning less. Among non-US institutions, 26% expect increased US investment despite tariff disputes and rate volatility.

Institutions are showing a strong preference for investing in domestic markets. Cross-border investment intentions fall to 68% from 73% in 2025, with declines across all regions. Conflict in the Middle East and uncertainty over US tariffs and trade policy may increase the appeal of familiar markets, where institutions have established relationships and greater visibility into local conditions.

Exhibit 41: Institutions Investing Outside of their Domestic Region, By Location of Institution

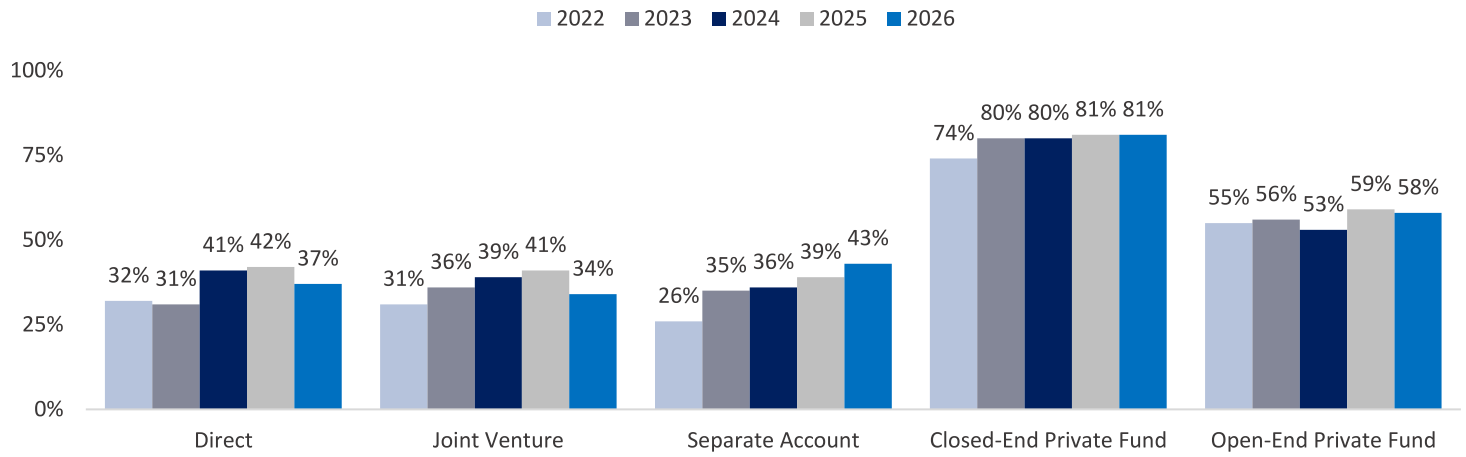


Institutions in the Americas remain the most domestically focused: 95% favor North America, while 56% plan investment outside their region, versus 63% in 2025. The depth of domestic markets may limit demand for cross-border risk. In EMEA, 85% favor Continental Europe and 81% plan cross-border investment. APAC leads cross-border appetite at 91%.

Investment Product Trends

Closed-end funds remain the primary investment vehicle within institutional portfolios, though institutions continue to balance illiquidity with structures offering greater control.

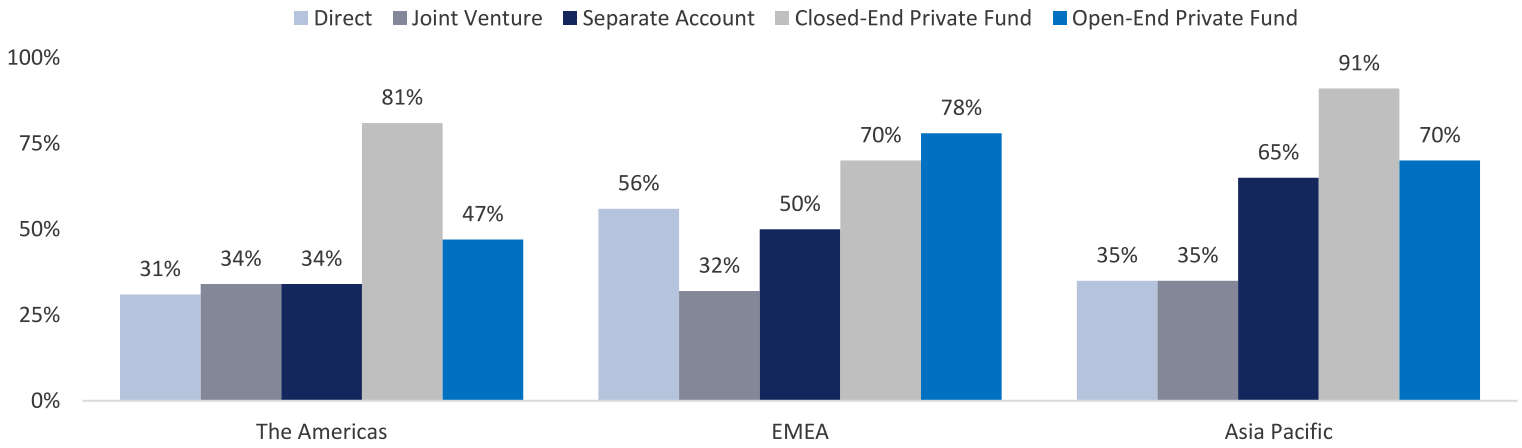
Exhibit 42: Investment Product Preferences, All Institutions



Closed-end funds remain the preferred vehicle for institutional allocations to real estate, with 81% of institutions planning to invest through this structure in 2026, unchanged from 2025. Approximately 31% plan larger commitments to closed-end funds in 2026, the highest since 2021, while 11% plan less, down from 14% in 2025.

At the same time, institutions continue to seek greater control over their portfolios. Appetite for separate accounts rises to 43%, up from 26% in 2022, while direct investment and joint venture intentions ease to 37% and 34%, respectively. Tailored structures offer targeted investments and strategies, potentially lower fees, and greater control over liquidity and dispositions. Larger institutions are also increasingly pairing private fund commitments with sidecar commitments or co-investments, providing exposure through a preferred structure with greater discretion and more favorable economics. In June 2026, Korea's National Pension Service (NPS) outlined a shift toward club deals, separate accounts and direct investments to sharpen strategy, accelerate deployment and reduce fee leakage.[39]

Exhibit 43: Investment Product Preferences, By Location of Institution



EMEA-based institutions lead appetite for direct investment (56%), versus APAC (35%) and the Americas (31%). Institutions in EMEA also report the largest appetite for open-end funds at 78%, versus 65% in 2025. Institutions in APAC favor managed structures: 91% closed-end, 70% open-end and 65% separate accounts. Institutions in the Americas favor closed-end funds (81%)

[39] Ou, Christie. "NPS pivots towards more bespoke vehicles in real estate." PERE. June 2026.

over open-end funds (47%). Direct investments, joint ventures and separate accounts are each favored by approximately one-third of institutions in the region.

Open-end funds remain the primary vehicle for core exposure, with appetite holding near 58%, led by SWFs & GEs (75%) and Insurance Companies (70%). Weak inflows are largely co-existing with improving liquidity dynamics. As of April 2026, six of 25 US NFI-ODCE funds accounted for 48% of net redemption queues; 15 had queues below 10% of NAV, including five with none, concentrating pressure in a subset of underperforming vehicles.[40] Contributions remain weak, partly reflecting valuation gaps identified between NFI-ODCE appraisal cap rates and current transaction prices. StepStone estimates industrial and multifamily appraisal cap rates, representing nearly two-thirds of fund exposure, are 140 bps and 90 bps below market, respectively.[41]

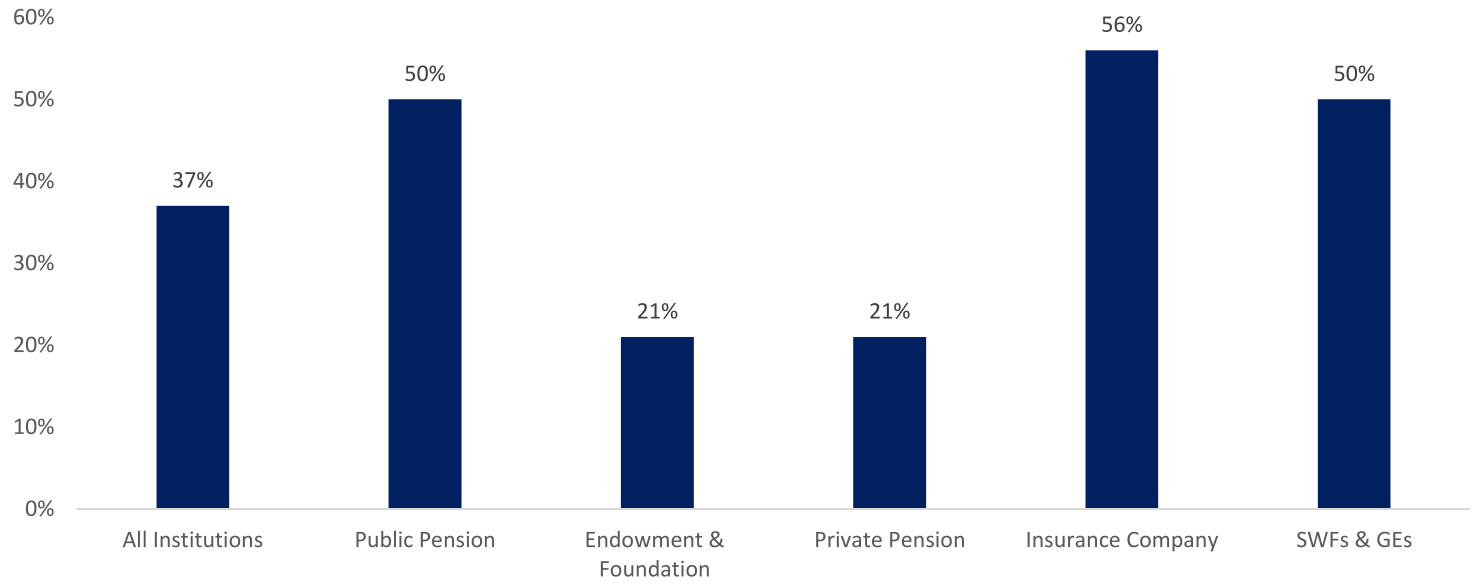
Overall fundraising has slowed in 2026 after 2025's recovery, when US$222.2 billion was raised, up 29% from US$172.4 billion in 2024 and the first increase since 2021.[42] Q3 2026 closings fell to US$30.74 billion, the lowest since 2013, leaving nine-month fundraising at little more than half of 2025's total.[43]

[40] "StepStone Real Estate House Views Report, Spring 2026," StepStone Group, April 2026.
[41] IBID.
[42] Ou, Christie; Leow, Jer Ping. "Fundraising Report Full Year 2025," PERE, January 2026.
[43] Ou, Christie. "Fundraising Report Q3 2026," PERE, October 2026.

Real Estate Investment Trusts (REITs)

Allocations to REIT strategies remain strong, as REITS have outperformed both public equities and private markets over the past 12 months.

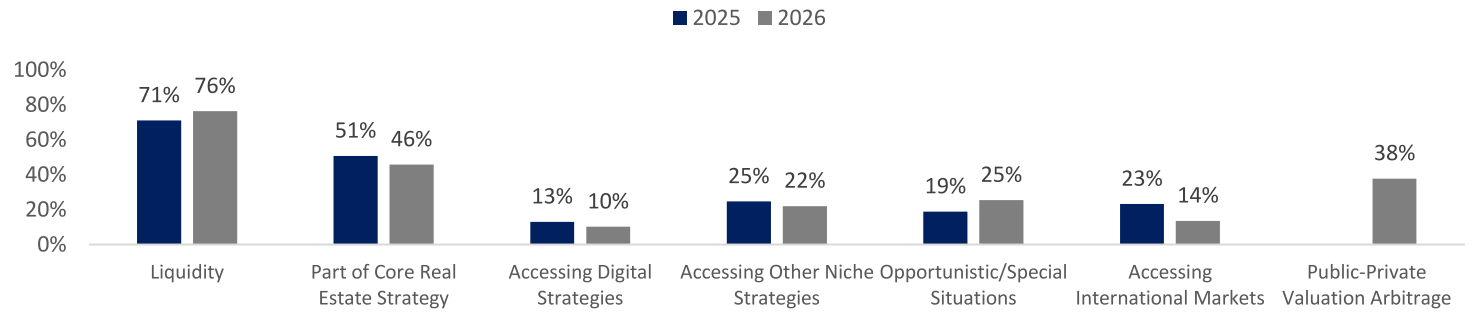
Exhibit 44: Institutions Investing in REITs in 2026, By Type of Institution



Institutions continue to use listed real estate as a complement to their private holdings with 37% actively allocating in 2026, largely in line with the 36% reported in 2025. Insurance Companies lead at 56%, up from 25%; Public Pensions and SWFs & GEs each report 50%. Institutions in the Americas report the highest use of REITs at 46%, followed by APAC (38%) and EMEA (14%). Large Institutions invest in REITs more than Small Institutions, at 44% versus 32%.

Listed real estate led the 2026 recovery, when the correlation between REIT returns and interest rates reached a four-year low, and the FTSE Nareit All REIT Index gained over 6% through October despite higher Treasury yields.[44] REITs outperformed broader public markets in both Q1 and Q2, which managers view as an early signal for private markets. On Blackstone's July earnings call, President and COO Jon Gray said "more forward-looking" public markets were responding to slower new supply. He suggested that easing war and rate uncertainty, strong fundamentals and investor demand for hard assets could accelerate private real estate's recovery.[45]

Exhibit 45: Reasons for Investing in REITs, 2025–2026, All Institutions



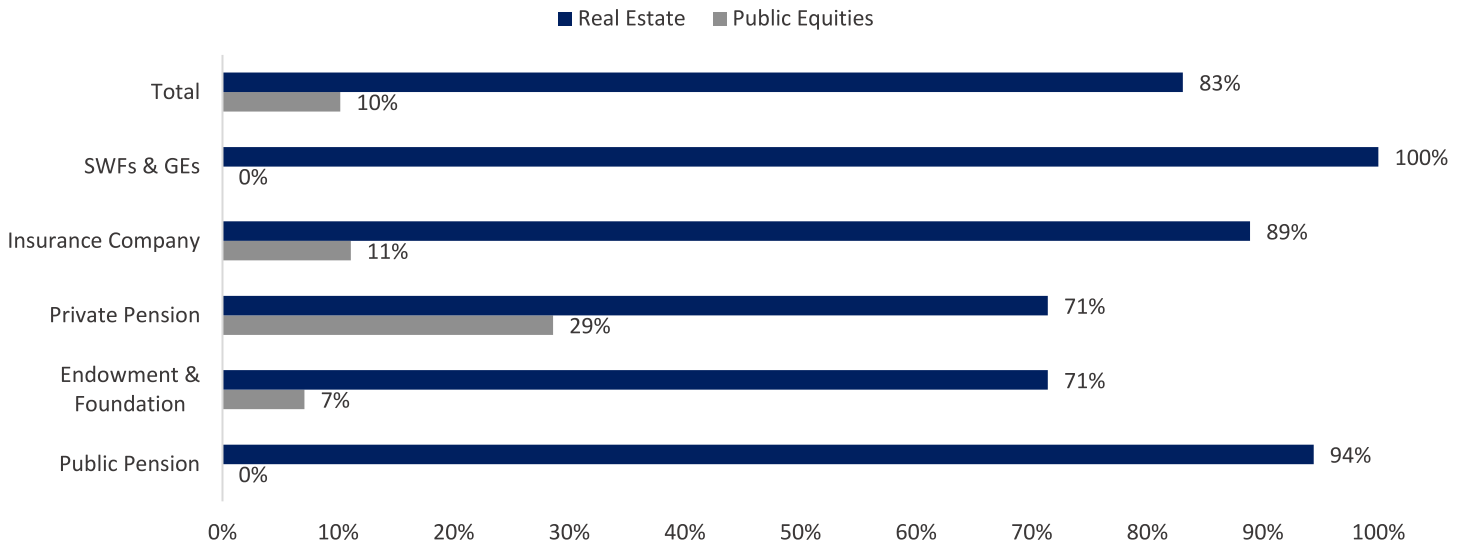
**Please note that institutions were not asked about public-private valuation arbitrage in prior publications of the Institutional Real Estate Allocations Monitor survey. This is a new response that was added in 2026.*

Liquidity continues to be the leading objective for REIT allocations (76%) as private market distributions remain constrained, with access to core exposure following (46%). Public-private valuation arbitrage ranks third (38%), reflecting differences between

[44] Olick, Diana. "Why REITs aren't getting killed by rising interest rates this time around," CNBC, October 2026.
[45] Dool, Greg. "Iran War delays private real estate comeback, says Blackstone's Gray," PERE, July 2026.

listed pricing and private appraisals. Nareit reported a 127 bps spread between REIT implied and private appraisal cap rates in Q2.[46] Opportunistic and special situations rank fourth, cited by 25% of institutions investing in REITs, up from 19% in 2025, suggesting that institutions also use listed real estate within opportunistic and tactical allocations to take advantage of gaps between public and private pricing and establish an attractive basis in out-of-favor sectors. Access to other niche strategies (22%), international markets (14%) and digital strategies (10%) are less frequently cited.

Exhibit 46: Portfolio Allocation for REIT Investments, By Type of Institution



Among REIT investors, 83% hold exposure within real estate allocations and 10% within public equities, compared to 79% and 13%, respectively, in 2025. For example, CalSTRS committed US$500 million to REITs within its core portfolio in H1 2026.[47] Institutions generally treat REITs as an extension of property portfolios despite their public-market characteristics.

Exhibit 47: Management of REIT Portfolio, By Location of Institution

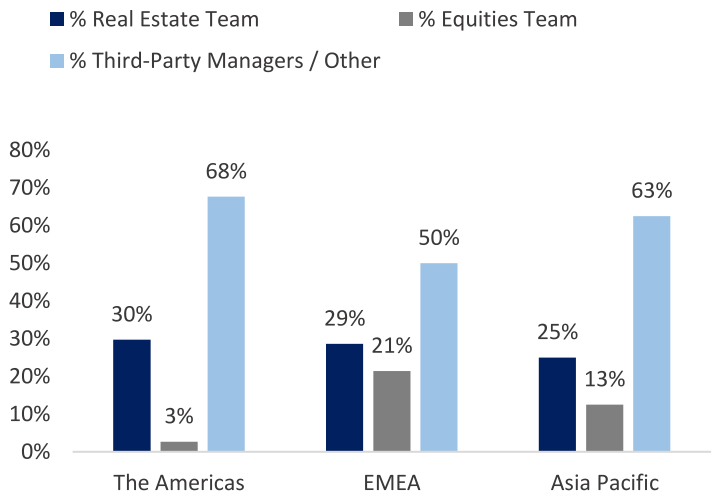
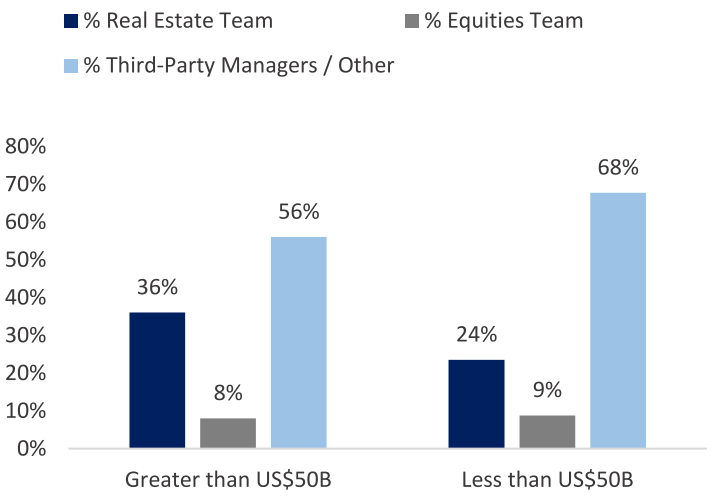
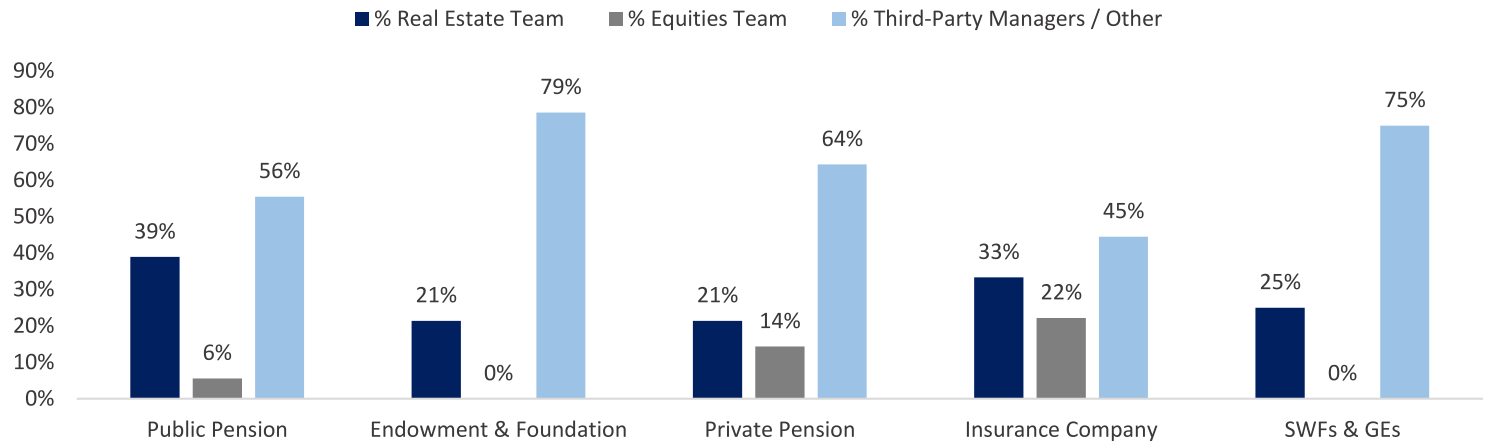


Exhibit 48: Management of REIT Portfolio, By Size of Institution



[46] Pierzak, Edward F. "Real Estate's 'Triple D': Valuation Divergence, Denial, and Discounts," Nareit, September 2026.
[47] CalSTRS, Semi-Annual report, September 2026.

Exhibit 49: Management of REIT Portfolio, By Type of Institution



Approximately 63% of institutions investing in REITs report that their portfolios are managed by third-party or other managers, up from 59% in 2025, mirroring wider outsourcing trends. Use is highest in the Americas (68%), followed by APAC (63%). EMEA has a more balanced model: 50% use third-party or other managers, 29% real estate teams and 21% public equity teams. Small Institutions rely more on third-party or other managers than Large Institutions (68% versus 56%), and Large Institutions more often use real estate teams (36% versus 24%). Implementation continues to vary by location and institutional resources. Endowments & Foundations rely most on third-party or other REIT managers (79%). How institutions manage these portfolios varies with the scale and specialization of their investment teams.

Environmental, Social & Governance (ESG)

ESG policy adoption declines as regional approaches continue to diverge.

Exhibit 50: Formal ESG Policies, All Institutions, 2017–2026

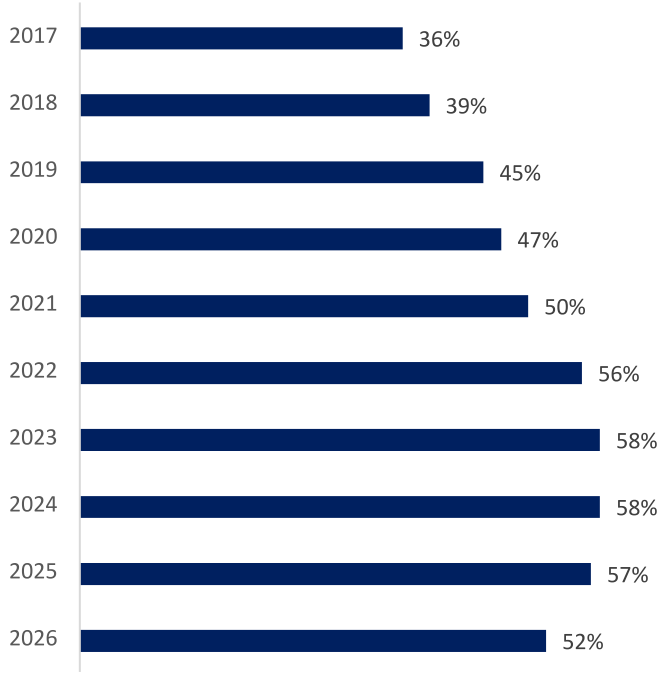
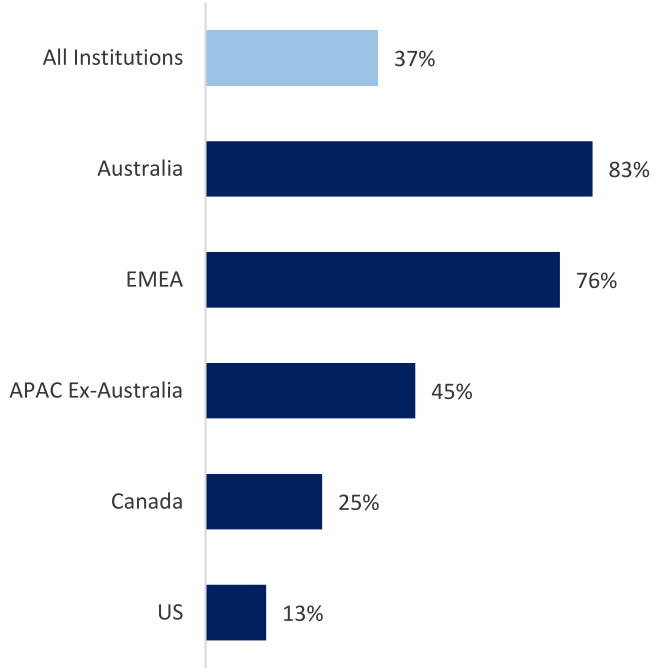


Exhibit 51: Investment Process Influenced by ESG Policies, By Location of Institution

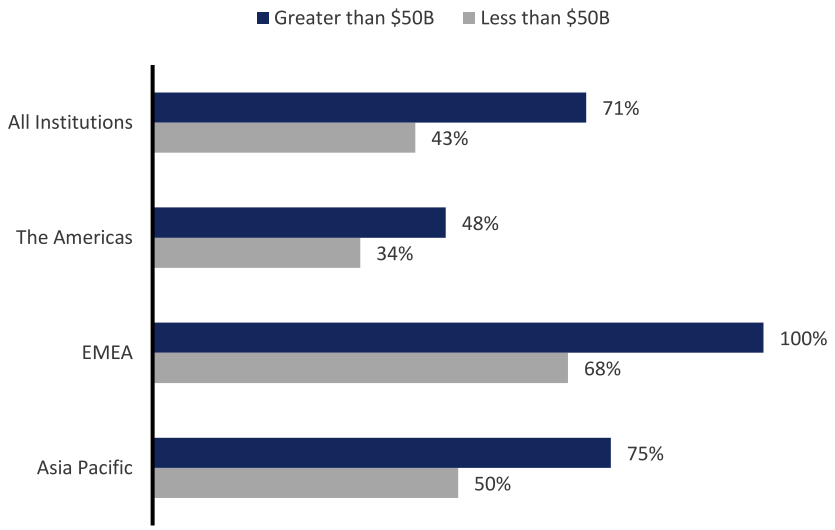


ESG Considerations

The percentage of institutions with formal ESG policies declines for the second consecutive year to 52% from 57% in 2025 and 58% in 2023 and 2024. This is the lowest figure since 2021, but remains significantly above the 36% reported in 2017. Regional differences widen: formal policies remain in place at 82% of EMEA-based institutions and 62% in APAC, versus just 27% in the US, the lowest reported figure since 2020.

ESG influences investment decisions at 37% of institutions, down from 40% in 2025. The share is highest among Australian (83%) and EMEA-based institutions (76%), and is the lowest in the US, at just 13%.

Exhibit 52: Formal ESG Policy, By Region & Size of Institution



Policies are more common at Large Institutions (71%) than Small Institutions (43%). The gap may reflect differences in the resources available to implement and maintain formal policies. One APAC-based Public Pension observed that smaller and mid-sized institutions "face growing challenges in funding technology, compliance, ESG reporting and fundraising infrastructure."

Separately, European investor coalitions are working to improve the consistency and comparability of sustainability data. In July 2026, the Netherlands-based Global Real Estate Engagement Network (GREEN) reported broad agreement on key climate metrics among 30 major owners and managers representing €1.1 trillion in real estate. Metrics span energy use, emissions and physical risk. Rutger van der Lubbe, Managing Director, Global Real Estate, at APG Asset Management,

noted that “as a long term investor, we can only price climate risks properly if the underlying data is reliable and comparable,” adding that “the next step is to harmonize definitions and improve access to data.”[48]

Fewer formal ESG policies, particularly in the US, does not necessarily mean that institutions have stopped assessing risks. CalPERS’s Managing Investment Director for Sustainable Investments, Peter Cashion, described replacing “ESG” with “sustainability integration” as a terminology change, noting that sustainability remains a core portfolio management consideration aligned with the pension’s fiduciary duty.[49] Some institutions have a renewed focus on energy efficiency and sustainability given the recent rapid increase in fuel prices impacting NOI and investor returns.

[48] Hof, Maaike. “Measuring What Matters: Climate Metrics in Real Estate Investment Decision-Making,” Global Real Estate Engagement Network (GREEN), July 2026.

[49] McCann, Bailey. “Labels Are Changing, Goals and Risks Are Not,” Chief Investment Officer, August 2026.

Cornell's Baker Program in Real Estate is a unique 2-year Master of Professional Studies in Real Estate, which boasts a comprehensive, graduate-level curriculum with the rigor, structure, and academic profile of an MBA while focusing mainly on Real Estate. The program is jointly administered by the College of Architecture, Art, and Planning and the School of Hotel Administration under the Cornell SC Johnson College of Business.

The Cornell Baker Program in Real Estate boasts the largest full-time real estate faculty in the country. Comprising faculty from four colleges at Cornell, the Baker Program includes experts to research, advise, and teach real estate classes in any specialty within the industry. The core courses in the Baker Program in Real Estate are drawn from each of the colleges to create a multidisciplinary educational experience that utilizes the full resources at Cornell. Students in the program receive broad exposure to real estate, from real estate finance & investment to real estate development, and asset management to deal structuring, as part of their core coursework.

The two-month internship after the first year and the ability to specialize in one of six real estate niches during their second year create the opportunity to maximize Cornell's extensive real estate offerings in sculpting a concentration ideally suited to the individual student's interests. A weekly Distinguished Speaker Series that attracts global industry leaders and alumni to campus is another highlight of the program. This provides the students with valuable industry connection and exclusive opportunity to interact with recognizable figures from diverse fields of real estate.

Cornell is also home to the Cornell Real Estate Council (CREC), a non-profit, volunteer-led organization which is one of the largest university-based real estate alumni networks in the world. CREC represents the many voices of 'real estate at Cornell,' including current and former members of Cornell's world-renowned graduate and undergraduate schools of business, real estate, hotel administration, architecture, art, and planning, engineering, law, industrial and labor relations, and more. The annual Cornell Real Estate Conference is a highlight event organized by CREC.

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Since inception, Hodes Weill has completed advisory assignments (17 M&A transactions, including 10 assignments as a sell-side advisor) for property companies and fund managers involving approximately US$216.3 billion of assets under management and closed approximately US$33.1 billion of institutional private placements for funds, separate accounts and joint ventures.

As part of Chatham Financial, Hodes Weill combines its deep expertise in real assets with Chatham's global capabilities to deliver a breadth of value to clients through differentiated expertise, expansive reach and independent advice.

Hodes Weill's professional team is located in New York, Hong Kong, London, Amsterdam and Tokyo. The firm is led by five senior managing directors with an average of 37 years of institutional experience across many disciplines, including investment banking, restructuring, advisory, institutional capital raising and principal investing. In total, the firm has 35 professionals and coverage of over 1,700 institutional investors and consultants throughout the United States, Canada, Europe, Asia, Australia, the Middle East, and Latin America.

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