



David Hodes
Hodes Weill &
Associates



Eric Huang
Hodes Weill &
Associates



Peyton Dandridge
Hodes Weill &
Associates



Alec Bastone
Hodes Weill &
Associates

Back to the future

What historical and current trends can bespeak the future of real estate fundraising

KEY TAKEAWAYS

STABLE ALLOCATIONS

After decades of steady growth, institutional allocations to real estate have stabilized. Capital flows, driven by solid fundamentals and improving investor sentiment, should continue.

NOTABLE TRENDS

Developments over the past decade include the rise of real estate credit and niche sector strategies, increased portfolio diversification across sectors and geographies, and continued consolidation among managers and allocations. More investors are grouping real estate into a broader real assets strategy.

CHANGING INVESTOR PRIORITIES

Institutional capital is concentrating among scaled platforms and proven specialists, as well as shifting focus to strategies with greater visibility on near-term returns and realizations. In the current market environment, investors are prioritizing managers with repeatable track records and operational depth, while placing greater emphasis on underwriting discipline and a clear path to distributions.

Over the past ten years, investor allocations to real estate have become more diversified as they have changed in strategy and focus amid evolving geopolitical conditions, asset pricing, and interest rate levels. While capital is becoming increasingly concentrated on mega funds, sector specialists can play a growing role in institutional portfolios.

While private real estate fundraising activity remains subdued as 2026 begins, new allocations and LP engagement point to signs of an upturn in the market cycle. Distributions from legacy funds are increasing, bid-ask spreads are narrowing, investor sentiment is improving, and underlying occupier demand continues to be solid. After several years of market volatility, participants in the institutional real estate market continue to deploy their capital with renewed conviction and a decent level of dry powder, despite a wide array of potential risks in the markets ahead.

To take the pulse of institutional investors' allocations to, and preferences in, real estate investments, we refer to findings from Hodes Weill's most recent Institutional Real Estate Allocations Monitor representing data collected from 166 global institutional investors holding over \$14.7 trillion of total AUM.¹ This article compares findings from the 2025 vs. 2015 reports to assess how investor preferences have changed in the past decade, and what those changes may imply for real estate allocation trends in the years ahead.

Real estate now and then

The institutional real estate market has

expanded substantially over the past decade despite market volatility and mixed performance. Growth between 2015 and 2025, as measured by the total size of the respective regional ODCE-like composite funds, was observed across regions but more evident in Asia (+441%) and Europe (+524%), albeit from a lower base, than the United States (+60%), as shown in 1.

While this growth has been supported by positive performance and favorable market conditions, it has also been driven by rising target allocations to real estate among institutional investor portfolios. In 2015, participants reported an average target allocation of 9.6%. Institutional target allocations surpassed 10% for the first time in 2017 and were reported at 10.7% in 2025. Between

2022 and 2024, allocations generally held steady at around 10.8%.²

This plateau likely reflects the growing maturity of real estate portfolios and the increased focus of many institutions on the buildout of infrastructure as an under-allocated asset class. Infrastructure strategies have been gaining momentum over the recent years, with 2025 being the strongest fundraising year on record.³ However, the rise of infrastructure should be viewed less as a competitive threat to real estate and more as a reflection of evolving portfolio construction. During the past few years, institutions increasingly view the two as complementary strategies within a broader real assets framework, particularly as investment activity

converges around shared themes such as data centers, digital infrastructure, certain housing segments, and life science real estate. As a result, the line between real estate and infrastructure has become increasingly blurred over the past 8–10 years, with 68% of institutions in the 2025 Allocations Monitor reporting real estate as part of their broader real assets allocation.

Despite a more challenging fundraising and transaction environment, investors continue to express a positive sentiment towards the asset class. The Allocations Monitor’s Conviction Index, which ranks investors’ sentiment towards the asset class on a scale of 1 to 10, rose to 6.4 in 2025, the second-highest reading in the survey’s 13-year history and only slightly below the 6.5 reported at the prior market peak in 2021. In 2015, investors reported a Conviction Index of 5.6, a decline from prior years reflecting concerns around asset pricing, rising interest rates, and geopolitical uncertainty.

Unlike some of the other metrics in the Allocations Monitor, the Conviction Index is particularly sensitive to near-term market conditions, whereas other measures tend to reflect the cumulative effects of multi-year market cycles. In 2025, investors pointed to greater clarity on the interest rate outlook and stabilizing market fundamentals as key drivers of improved sentiment, with many viewing the coming years as an attractive entry point for capital deployment.⁴

Shifts in capital allocation

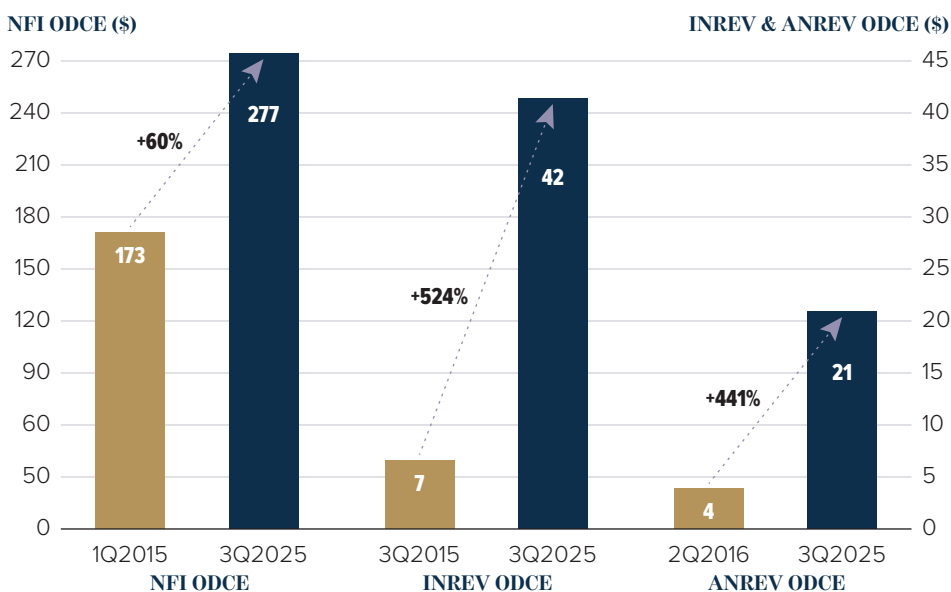
Against this backdrop of an expanding market, improving investor sentiment, and stable target allocations, there are several notable shifts in how investors allocate their real estate capital now compared to 10 years ago.

In 2015, the NFI-ODCE Index remained heavily concentrated in office, which

1

Growth of investor allocations to European and Asian real estate has outpaced the US in the past decade

Although the US remains the largest market, allocations to European and Asian real estate have grown more quickly, increasing 524% and 441%, respectively, between 2015 and 2025 as shown by the Regional ODCE-like Composite Funds by Total GAV Index.

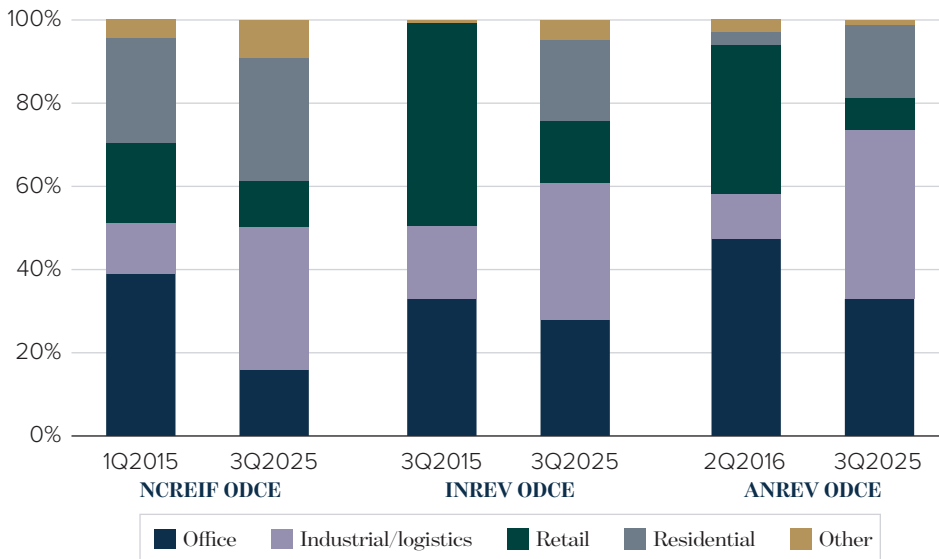


Sources: NCREIF, NFI-ODCE Index (2015 and 2025); INREV, INREV ODCE Index (2015 and 2025); ANREV, ANREV ODCE Index (2016 and 2025).

2

Sector allocations in ODCE-like indices across regions have changed

Industrial and residential have overtaken office and retail by a large margin as the two most heavily concentrated sectors in 2025 compared with a decade ago. The proportion of industrial has more than trebled to 34% from 11%.



Sources: NCREIF, NFI-ODCE Index (2015 and 2025); INREV, INREV ODCE Index (2015 and 2025); ANREV, ANREV ODCE Index (2016 and 2025).

represented 39% of the index, followed by residential at 25% and retail at 19%. By contrast, after years of being de-emphasized by investors, office and retail represent just 16% and 11%, respectively, of the index in 2025. The index is now led by industrial/logistics and residential, which account for approximately 34% and 30% of the index, respectively. The most dramatic shift has occurred in industrial/logistics, which represented only 11% of the index in 2015. Similar trends were observed in the INREV and ANREV ODCE-like indices, as shown in [2](#).

In 2024, the NFI-ODCE Index formally expanded beyond the five traditional property types (apartment, hotel, industrial, office, and retail) to include three additional categories within the alternatives segment: self-storage, senior housing, and 'other.'⁵ The index also introduced six new property subtypes: single-family rental, manufactured housing, and student housing (now grouped within a broader residential category), as well as industrial life science, office life science, and medical office.⁶

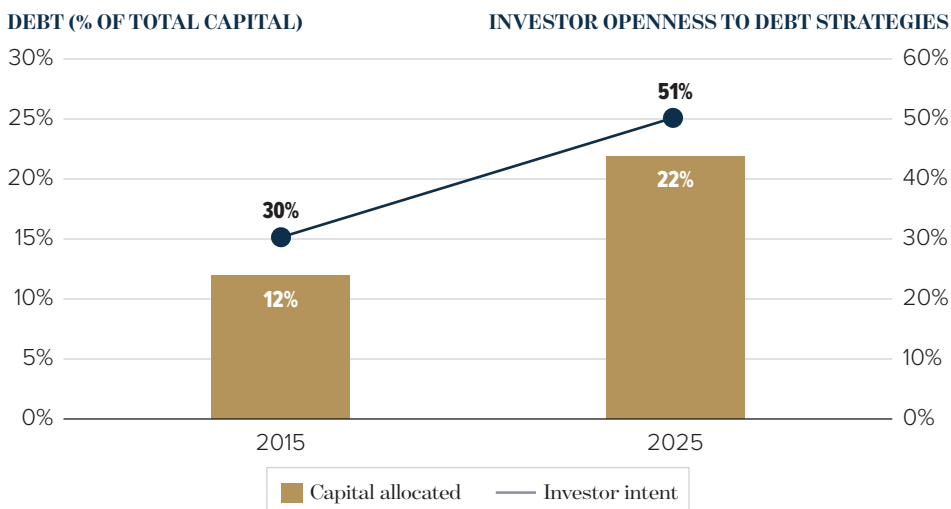
The inclusion of these sectors shows that asset classes that once fell outside traditional property types have earned a place in institutional real estate portfolios over the past 10 years. This evolution has given rise to a sizeable new cohort of sector-specialist fund managers, even as diversified strategies continue to play a central role in institutional portfolios.

Another notable evolution over the past decade has been the growing role of real estate credit. As shown in [3](#), debt strategies accounted for 22% of real estate capital raised in 2025, compared to 12% in 2015. In addition, we have observed that some managers without a dedicated credit fund now tend to build in the flexibility or even a small dedicated allocation within their diversified funds to invest in credit

3

Appetite for real estate debt strategies has increased over the past decade

Higher interest rates have pushed capital toward debt strategies that can provide equity-like return profiles with better downside protection in certain market conditions. This trend has also coincided with the retrenchment of commercial banks from lending to CRE.



Source: Preqin data. Accessed February 2026.

opportunities (which was not captured in the credit fund data mentioned above).

The change in appetite for credit is pronounced in the Allocations Monitor. In 2015, approximately 30% of respondents indicated they plan to invest in real estate debt strategies, compared to 51% in 2025.⁷ This change reflects both a response to the higher interest rate environment and a growing recognition among institutions that, in certain market conditions, debt strategies can offer equity-like return potential with better downside protection. It also coincides with the retrenchment of bank lending, as commercial banks, historically the largest providers of CRE debt, have pulled back, creating both increased capital needs and new opportunities for private lenders.

North America remains the largest target market for institutional real estate capital flows, but there has been significant growth in the UK, Europe, and Asia, mirroring the growth seen in the various ODCE indices. Between 2015 and 2025, appetite for investments in the UK and Continental Europe increased by approximately 24% and 27%, respectively, on a relative basis, and appetite for investments in Asia increased by 36%.⁸

While appetite for North American investments increased by 12% between 2015 and 2025 on a relative basis, some non-US investors have become more selective in pacing new US commitments, citing existing undrawn commitments, policy uncertainty, and relative value considerations. Nevertheless, the long-term trend toward geographic diversification remains.

We have also witnessed an increasing trend of institutional investors consolidating their portfolios and manager relationships. They seek to simplify portfolios, concentrate capital with fewer partners, and prioritize scale.

What's ahead

Looking ahead, we expect that real estate will remain an important component of institutional portfolios, as a long-term, relatively stable, and inflation-hedging asset class. Emerging trends from recent years may evolve over the medium term, but they're worth reviewing as investors and managers assess and navigate the market.

- Steady inflows into the real estate sector.** Despite allocations stabilizing after decades of steady growth, we expect healthy capital inflows to the real estate sector as:
 - existing institutions' portfolios continue growing in absolute size, creating room for new deployment to real estate to diversify into new sectors and meet target allocation levels; and
 - institutions with a shorter operating history (e.g., global family offices, sovereign wealth funds in emerging markets) are still building their real estate portfolios. This fresh capital source will provide liquidity to both existing holdings and new development.
- Niche sectors become mainstream.** Demographics and occupier demand continue to evolve. Coupled with institutional desire for alpha and diversification within real estate portfolios, we expect to see emerging subsectors become more widely accepted as allocators embrace non-traditional asset classes. As we have seen over the past decade, industrial, once considered a niche segment, now represents the largest allocation in the ODCE indices across regions.
- Merging of real estate and other real assets allocations.** About a decade ago, we began to see institutional investors consolidating real estate and other real assets (infrastructure, natural resources, etc.) into one single allocation in their portfolios. In more recent years, investment managers (e.g., KKR) are following suit, with data centers and digital infrastructure as a key driver of this trend. Student housing and senior living are often now considered social infrastructure. This trend is logical, efficient, and likely irreversible given the blurring lines between asset types, shared asset characteristics, and operational efficiencies.
- Manager consolidation continues, although new platforms are emerging.** In 2025, there were 28 announced M&A transactions among real estate investment managers, well above the average of 25 transactions per year over the preceding eight years.⁹ This trend occurred against the backdrop of fundraising increasingly concentrated among mega managers. Small and middle market diversified managers have struggled to attract or retain investors. Joining forces with a larger platform and leveraging synergies (brand name, distribution, efficiency, etc.) has therefore become a plausible option. Nonetheless, we expect that there will be new managers that gain prominence, including teams with strong track records spinning out from large platforms where performance and track records have suffered.
- AI is becoming an essential consideration.** AI is disrupting business, and real estate is not immune. Mega managers like Blackstone have been vocal about AI being "a top consideration in evaluating existing and new investments".¹⁰ To date, AI has been applied in a wide range of disciplines across the real estate industry, such as property and asset management, investment analysis, valuation, and fundraising. We expect the applications will become more pervasive over time.

When capital raised is aggregated at the manager level, the top 10 managers in terms of capital raised accounted for 49% of total capital raised in 2025, compared to 29% in 2015 as shown in [4](#). This shift reflects both structural and cyclical forces, including continued streamlining of manager rosters, and the growing capacity of scaled platforms and mega-funds to attract and deploy an outsized share of institutional capital.

What this means for managers

Despite the ongoing evolution in technology, shifting sector preferences, and volatile macroeconomic conditions, the core principles guiding institutional investors in real estate strategy and investment decision-making remain largely unchanged: an emphasis on supply-demand fundamentals, manager track record and capabilities, and alignment with LPs’ investment objectives.

Liquidity continues to be constrained in today’s market. Dry powder and capital availability provide investors with meaningful leverage as attractive opportunities arise, and there is an expectation that the market is moving into a few strong vintages. LPs are shifting their focus to strategies with greater visibility on near-term returns and realizations.

For investment managers and fundraisers, the capital environment is likely to remain highly competitive over the near term. Agility and flexibility in response to investors’ bespoke requirements can also make a big difference amidst the fierce competition for anchor commitments.

Finally, while AI is reshaping the industry, investment and capital allocation decisions still remain with real estate professionals and investment committees — and not AI analytics (yet).

Investment and fundraising professionals will not be replaced by AI, but they will figure out a way to leverage it in their day-to-day work.

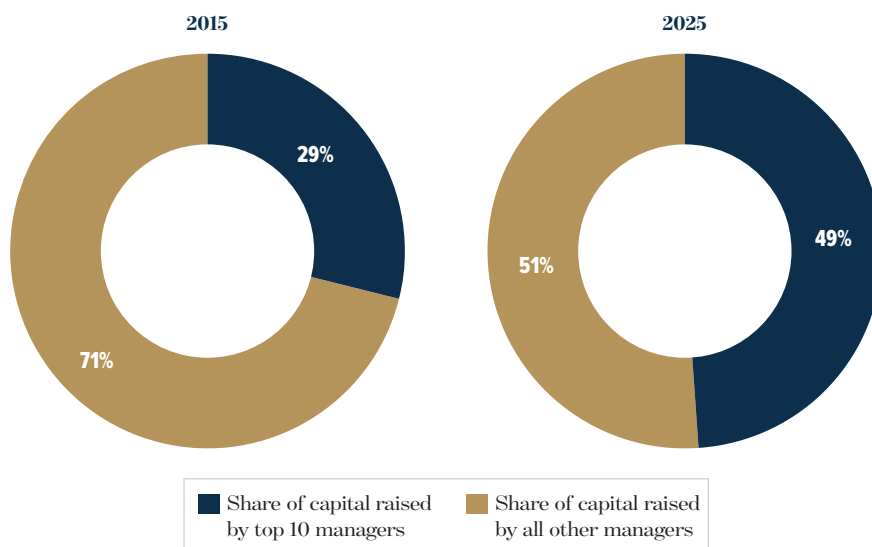
Conclusion

The 2015 Allocations Monitor indicated that investors were increasingly concerned about asset pricing, interest rates, and geopolitical risks. These factors have, to a certain extent, all materialized at some point in the past decade and continue to be the same key considerations for real estate investments today; circumstances, risk tolerances, target asset classes, and strategies all evolve to reflect the changing economic environment and resulting opportunity set. Across multiple market cycles, investors and managers have shown resilience, adaptability, and a long-term perspective consistent with the fundamental nature of the real estate asset class. As shown in the 2025 report, positive signs of continued recovery and improving sentiment among investors and consultants all point to continued conviction of the real estate investment management sector for the years to come. [10](#)

4

Institutional investors are investing more with less

Capital raised by the top 10 managers increased from 29% in 2015 to 49% in 2025 as institutional investors continued to streamline their manager rosters and mega-funds grew in scale and capacity.



Source: Preqin data. Accessed January 2026.

¹ Published by Hodes Weill & Associates, in partnership with Cornell University’s Baker Program in Real Estate.
² Weill, D. 2015. “Institutional Real Estate Allocations Monitor, 2015”; Weill, D. 2025. “Institutional Real Estate Allocations Monitor, 2025.”
³ Alves, B. 2026. “Fundraising in 2025 Smashes All Records.” *Infrastructure Investor*, January 8.
⁴ Weill (2015); Weill (2025).
⁵ NCREIF defines “other” as including data centers, operating land, entertainment, and parking.
⁶ Zhang, W. 2025. “Private Real Estate: The Ascent of Alternatives.” Hamilton Lane.
⁷ Weill (2015); Weill (2025).
⁸ *ibid.*
⁹ Hodes Weill started systematically tracking real estate manager M&A activities from 2017.
¹⁰ Lynn, A. 2025. “Blackstone’s Gray: We may seek faster exits to avoid AI disruption risk.” *Private Equity International*, November 4.

David Hodes is Managing Partner; Eric Huang is a Principal, Peyton Dandridge is a Vice President, and Alec Bastone is an Analyst, all at Hodes Weill & Associates.