

Real estate secondaries

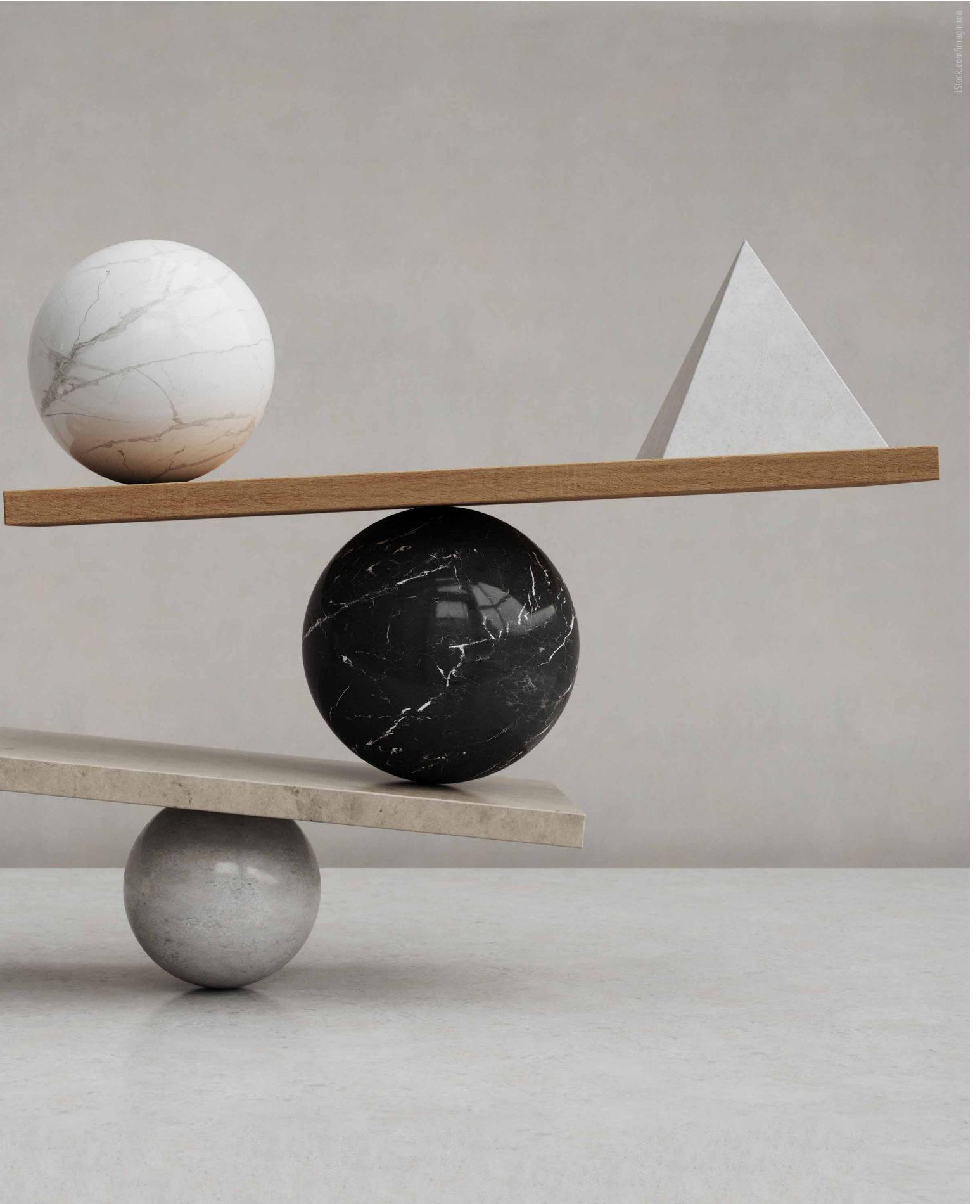
A maturing market and the questions that remain



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Real estate secondaries have evolved from a niche liquidity tool into a mainstream portfolio management mechanism, with record transaction volumes and a rapidly expanding institutional ecosystem. However, questions remain as to whether the market can sustain disciplined pricing and efficient execution in a downturn and whether LPs view secondary sales as a standard portfolio management tool rather than a last resort.





KEY TAKEAWAYS

CONTINUED GROWTH

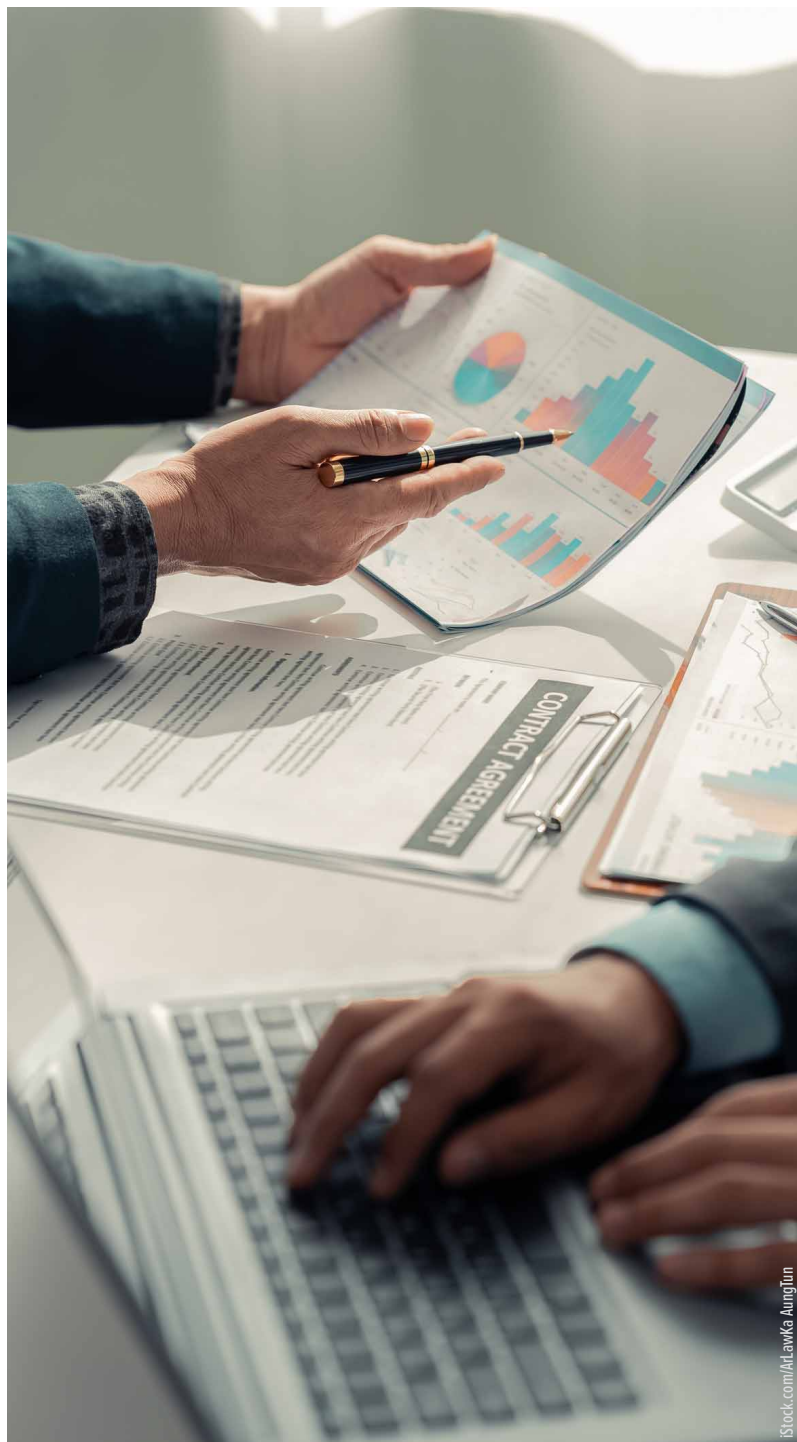
Structural drivers of real estate secondaries point to continued growth: rebalancing demand, low turnover versus private equity, institutionalization of GP-led continuation vehicles, and a broader and more global buyer base.

KEY ALLOCATOR QUESTIONS

Allocators looking to participate in the rapidly growing secondaries market should give careful consideration to price discovery against lagged NAVs, governance of GP-led transactions, and how the market behaves in a severe downturn.

DISTINCT CHARACTERISTICS

Compared to closed-end fund secondaries, open-end fund secondaries, which are LP-to-LP transactions typically priced against the most recently reported NAV, have faster execution, pricing closer to NAV, and discounts now compressing as ODCE and CPPI recover.



Secondaries have established themselves as a durable liquidity feature of institutional real estate. With annual real estate secondary volumes above \$7 billion every year since 2019 and reaching a record \$20.3 billion in 2025,¹ the more relevant question for allocators is no longer whether the market will persist, but how it will develop from here and what should inform participation.

This article examines the forces driving that expansion and what they mean for institutional allocators. It first lays out the structural case for continued growth, including denominator-effect rebalancing, low turnover relative to private equity, the rise of GP-led continuation vehicles, and a broadening buyer base. It then turns to the considerations that should inform participation: price discovery against lagged net asset values (NAV), governance of GP-led transactions, and the question of how the market will perform in a more severe downturn. A dedicated discussion of open-end fund secondaries follows, given their distinct pricing and execution dynamics, before closing with near and longer term outlooks on where the market is headed.

Overview

In the early 2000s, an LP seeking to exit a real estate fund interest had few options: wait in a redemption queue; try to find a willing buyer directly and negotiate a price with little market data to guide it; or hold. Today that LP can run a competitive process, receive bids from a pool of dedicated buyers, and close in a matter of weeks. That shift is the story of the real estate secondary market.

The mechanism has been decades in the making. Landmark Partners is widely credited with the first significant institutional real estate secondary transaction in 1996. The global financial crisis was the first real stress test, when distressed LPs looked to secondaries at scale for liquidity. Through the 2010s capital

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consolidated in specialist managers, capped by Ares Management’s \$1.08 billion acquisition of Landmark in 2021. GP-led continuation vehicles took hold as a deliberate sponsor tool, which prompted the Institutional Limited Partners Association (ILPA) to issue dedicated governance guidance in 2023. The 2022 to 2023 denominator-effect cycle then moved the market past its historical role as a periodic release valve into something closer to a standing portfolio management tool, which is what sets the current expansion apart from earlier ones.

Global secondary market transaction volume across all private asset classes totaled \$240 billion in 2025,² an increase of 48% from 2024. Within that expansion, real estate secondaries hit a record \$20.3 billion in 2025, exhibiting 39% growth from 2024 and more than tripling from the roughly \$6 billion transacted in 2017.³ (see [1](#))

The case for structural growth

The growth of the real estate secondaries market can be attributed to five factors.

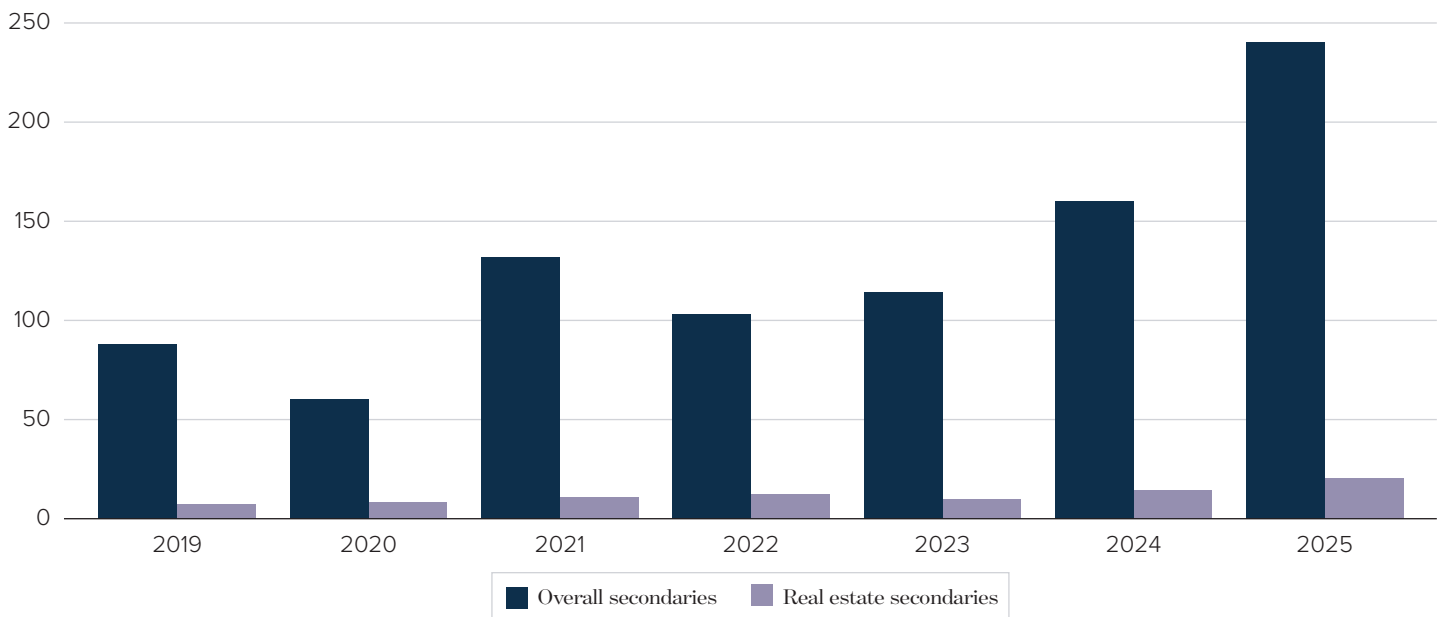
1. The denominator effect of 2022 to 2023 was an accelerant, not the underlying source of demand. It pushed more institutions into the secondaries market, but the activity that followed revealed a broader use case: secondaries had become a practical portfolio management tool for investors seeking liquidity, rebalancing, and timing control. In open-end funds, sellers used secondary sales to execute allocation changes that could have taken years through redemption queues. In closed-end funds, sellers used the market to accelerate capital recovery and reduce uncertainty around tail-end exposures. The specific motivations differed by institution type, but the common thread was clear: real estate secondaries were no longer just a distress outlet, but an increasingly accepted mechanism for active portfolio management.
2. Turnover rates suggest significant runway. According to estimates from Townsend, secondary AUM in real estate represents a little over 2% of total real estate AUM, compared to about 6.5% for private equity buyouts.⁴ While it is difficult to predict where real estate turnover ultimately settles, private

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Real estate secondaries activity reached a record \$20.3 billion in 2025

Secondaries have become a durable liquidity feature of institutional real estate. LPs can now run a competitive secondaries process, receive bids from a pool of dedicated buyers, and close in a matter of weeks.

SECONDARIES MARKET TRANSACTION VOLUME (\$BN)



Sources: Jefferies, Ares Management.

equity is the closest comparable private markets asset class. If real estate secondaries were to move even partway toward private equity’s turnover rate, the market would significantly grow without assuming expansion in the underlying real estate AUM base.

Arguably, the popularity of semi-liquid structures like real estate open-end funds has slowed down the growth of secondaries within the real estate sector as compared to private equity. However, this cycle has demonstrated limited liquidity even for open-end funds and the importance of secondaries as a liquidity mechanism has been paramount.

3. The growth of GP-led transactions shows that secondaries are becoming a sponsor-driven capital management tool, not just an outlet for LP liquidity. GP-led transactions, including continuation vehicles and fund recapitalizations, accounted for an estimated \$14.5 billion, or roughly 72% of total real estate secondary volume, in 2025.⁵ These are deliberate capital management decisions by sponsors seeking to extend hold periods on performing assets while providing existing LPs with a liquidity option. The rapid institutionalization of this

segment is one of the strongest arguments that secondaries have moved beyond their historical role as a release valve (see [2](#)).

4. Buyer profiles also have broadened considerably. Transaction records from ACRE Solutions show counterparties spanning domestic public pension plans; international pension funds from Asia Pacific, Europe, and the Middle East; insurance-linked capital; sovereign wealth funds; family offices; and dedicated secondary vehicles.

Buying interest has been driven primarily by the opportunity to acquire exposure to institutional-quality vehicles at a discount to prevailing NAV — typically mid-single digits for core open-end fund interests; mid- to high-single digits for core-plus; and 20% to 50% or wider for closed-end value-add and opportunistic funds, with the wider end reflecting higher risk exposure due to leverage, vintage, or business plan execution, and other factors. The range of institutions now active on both sides of these trades suggests the market has matured well beyond its early days.

5. The outperformance of dedicated secondary fund investments has also contributed to increased

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GP-led and LP-led secondaries differ across initiator, governance, and return drivers

LP-led deals are LP-initiated portfolio management trades against reported NAV; GP-led continuation vehicles are sponsor-initiated asset transfers with reset economics and heightened conflict considerations.

Dimension	LP-led	GP-led
Initiator	Selling LP, often via intermediary	Fund sponsor (GP)
Structure	Whole fund portfolio at most recent NAV	Single asset or curated subset moved into continuation vehicle
Conflict risk	Limited; arm’s length between LPs and buyer	Inherent; GP sits on both sides as fiduciary to legacy fund and sponsor of new vehicle
Pricing driver	Discount or premium to reported NAV	Negotiated against independent valuation
LP optionality	Selling LP exits; other LPs unaffected	Existing LPs typically choose to roll, cash out, or remain status quo within a compressed election window
Governance complexity	Standard transfer mechanics; GP consent required	LPAC review, conflicts disclosure, fairness opinion, ILPA 2023 guidance applies
Typical buyer	Pensions, sovereigns, family offices, dedicated secondaries funds	Dedicated secondaries funds (lead/co-lead), with pensions, sovereigns, and insurance capital participating as syndicate or anchor investors
Return driver	Entry discount (or in times of entry queues, premiums) to NAV plus residual fund performance	Underwriting of the specific asset’s go-forward business plan and exit

Sources: ILPA, Continuation Fund Guidance, 2023; Jefferies; Ares Management; CFA Institute, Continuation Funds: Ethics in Private Markets, 2025.

capital raising within the sector and broader acceptance among institutions. In recent years, market participants including StepStone, Goldman Sachs, Ares, Blackstone, Madison International Realty, Brookfield, Townsend, CBRE Investment Management, and Neuberger Berman have all raised multibillion-dollar real estate secondaries funds. Across private markets, secondary funds have historically paired strong returns with unusually resilient downside protection relative to other asset classes. Cambridge Associates data cited by Bain show a 14.8% median net IRR for secondaries⁶ across vintage years 2000 to 2019, compared with 13.8% for private equity, 12.4% for venture capital, 8.8% for real estate, and 7.0% for natural resources⁷ (see [3](#)). Notably, secondaries were the only asset class in the comparison in which the lower end of the return distribution remained positive.

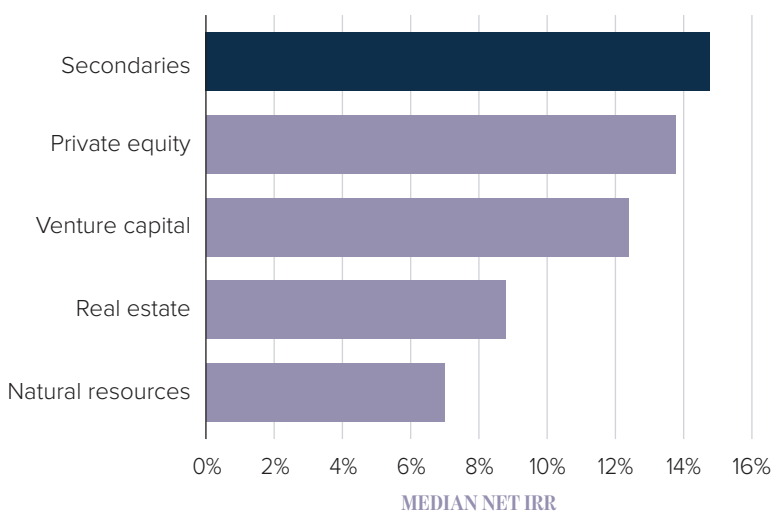
Considerations for allocators

As with any rapidly growing market, secondaries raise questions that allocators should evaluate thoughtfully.

3

Secondaries posted the highest median net IRR across private market asset classes

For 2000 to 2019 vintage funds, secondaries, which have paired strong returns with resilient downside protection, were the only asset class in which the lower end of the return distribution remained positive.



Note: Median net IRR across vintage years 2000 to 2019.

Source: Cambridge Associates, as cited by Bain & Company.

- **Price discovery.** Secondary transactions are priced relative to appraisal-based NAVs, which can lag actual market values by a quarter or more. During the 2022 to 2023 repricing, some LPs sold at what looked like modest discounts to NAV, only to see later write-downs erode the premium buyers thought they were getting.⁸ This lag cuts both ways and is worth accounting for in any trade. Sophisticated buyers increasingly use real-time indicators like the Green Street Commercial Property Price Index (CPPI), cap rate movements, and property-level operating data to form their own view on where the next mark will land, rather than relying solely on the reported NAV.⁹
- **GP-led governance.** When a GP proposes a continuation vehicle, it is acting as both fiduciary to existing LPs and as the party with an economic interest in extending the management relationship. The ILPA published dedicated guidance on continuation fund transactions in May 2023, building on its earlier 2019 framework for GP-led secondaries, covering conflicts mitigation, LP advisory committee oversight, independent valuation opinions, and LP election timelines.¹⁰ As these practices become standard, the GP-led segment should continue to mature as a credible liquidity tool.
- **Market depth in a downturn.** The 2023 dip in real estate secondary volumes — to \$9.8 billion from \$12.4 billion in 2022 — proved temporary, with activity rebounding to a record \$14.6 billion in 2024 and \$20.3 billion in 2025. Across all private asset classes, capital raised by dedicated secondary funds reached a record \$302 billion by mid-2025. Whether that capital deploys at scale during a severe correction remains to be seen. The more important question for allocators is not simply how much capital has been raised, but whether the market can sustain disciplined pricing and efficient execution when a more severe downturn tests both valuation confidence and buyer conviction.

Outlook and execution

Near term, the setup is different from 2022 to 2023. Sellers today are less often distressed institutions and more often investors making deliberate rebalancing or redeployment decisions. Bid-ask spreads have narrowed, dry powder among dedicated secondary funds is substantial, and pricing is increasingly driven by underwriting conviction rather than urgency on

either side. That is a sign of a market functioning as intended, though it also means buyers can no longer rely on wide discounts to carry returns. Selectivity matters more than it did two years ago. A key question going forward is whether LP-led secondary activity will decline as redemption queues normalize, or whether the market has created a permanent behavioral shift in which LPs view secondary sales as a standard portfolio management tool rather than a last resort.

Over the longer term, GP-led transactions remain early in their evolution as a structured product, and governance frameworks are still being refined. These are currently the most popular type of secondary transactions due to the incoming investor's control rights. Per our conversations with the largest dedicated real estate secondaries managers, GP-led recaps will continue to dominate as the preferred method of investment within the secondaries landscape.

Open-end fund secondaries

Open-end fund secondaries deserve separate treatment because they operate under distinct dynamics. These are LP-to-LP transactions typically priced against the most recently reported NAV, with transfers typically completed quickly within two to six weeks and pricing much narrower, compared to the typical closed-end fund secondary. In a typical LP-led transaction, the selling LP engages an intermediary to run a competitive process, sourcing qualified buyers and facilitating price discovery against the most recent NAV. The intermediary coordinates transfer documentation between buyer, seller, and fund administrator.

As observed from 2015 to 2020 specifically prior to the COVID-19 pandemic, most open-end US funds traded in the secondary market in the 0.5% to 4.0% premium range to the prevailing NAV.¹¹ Following the onset of the pandemic, real estate asset values fell sharply and the majority of open-end funds began trading at moderate to steep percentage discounts, depending on the perceived risk level. Investment appetite diminished as uncertainty around asset valuations grew, contributing to historically large exit queues as investors sought to reduce exposure.

A large portion of the expected decline in private fund valuations has now been realized across the open-end fund sector, which experienced in aggregate a valuation decline of approximately 22% from peak values in late 2022. The NCREIF ODCE Benchmark has since posted six consecutive quarters of positive gross total returns (see [4](#)). The trailing one-year gross return stood at approximately +3.7% as of 4Q2025, the strongest since late 2022.¹² It is important to note that total returns also incorporate an income component, typically approximately 4% annualized, which would account for the majority of the positive returns — indicating that pricing has remained relatively static.

The Green Street CPPI similarly saw unlevered valuations bottom in late 2023, with the all-property index recovering approximately 7% from that trough through year-end 2025 and continuing to move modestly higher into 2026.¹³ As sellers have mostly met their liquidity needs and valuations have demonstrated an ongoing recovery, secondary market discounts have narrowed meaningfully to low to mid single digits for the high quality diversified funds. As redemption queues persist while NAV marks stabilize, the question for allocators is whether discounts will remain, compress further toward par, or eventually return to the modest premiums that characterized the pre-2022 market.

Core ODCE fund interests have recently traded at low to mid single-digit discounts to prevailing NAVs, while core-plus vehicles are typically trading in the mid to high single-digit discount range, with wider discounts for funds exhibiting elevated redemption queues, higher leverage ratios, or overweight exposure to development and/or land.¹⁴ Industrial and logistics-focused strategies led the recovery in secondary pricing given strong sector fundamentals, and diversified core strategies have since followed, with discounts compressing as valuations appear to be stabilizing.

For institutional buyers, the opportunity is to acquire core real estate exposure at a discount, effectively dollar-cost averaging into a stabilizing market. For sellers, the calculus is more nuanced: selling at a discount means crystallizing a loss relative to reported NAV, and whether that trade-off is attractive depends on the seller's basis, reinvestment opportunity set, and outlook on valuation trajectory. The practical question for a selling LP is whether the discount to NAV is justified by the opportunity cost of capital sitting in a redemption queue, the reinvestment return available elsewhere, and the value of immediate liquidity. The secondary market does not resolve this judgment call; it simply creates the option to act on it.


As the secondary market continues to scale toward private equity adoption, it is likely to become an increasingly standard tool in institutional portfolio management. The participants who perform well over that period will probably be those who do the work at the asset level rather than relying on index-level views, and who build relationships with GPs and LPs before a transaction is in market, rather than after.

Conclusion

The real estate secondary market has grown, professionalized, and earned a permanent place in the institutional portfolio management toolkit. Volume trends, the growing number of dedicated secondary funds, and the increasing comfort of both GPs and LPs with secondary transactions all point toward continued expansion. Current turnover in real estate funds through secondaries has trended upward toward the private equity average, implying meaningful runway for continued growth. The secondary market no longer

exists simply to solve liquidity problems; it exists to enable more efficient portfolio construction. The allocators who recognize that shift will be best positioned in the next cycle.

Price discovery will continue to improve as transaction volumes grow and data becomes more widely available. GP-led governance is advancing and the capital base available to secondary buyers is deeper today than at any prior point. Transaction volume at ACRE Solutions, from under \$500 million in 2021 to over \$2 billion in 2024, is one illustration of that broader trend.

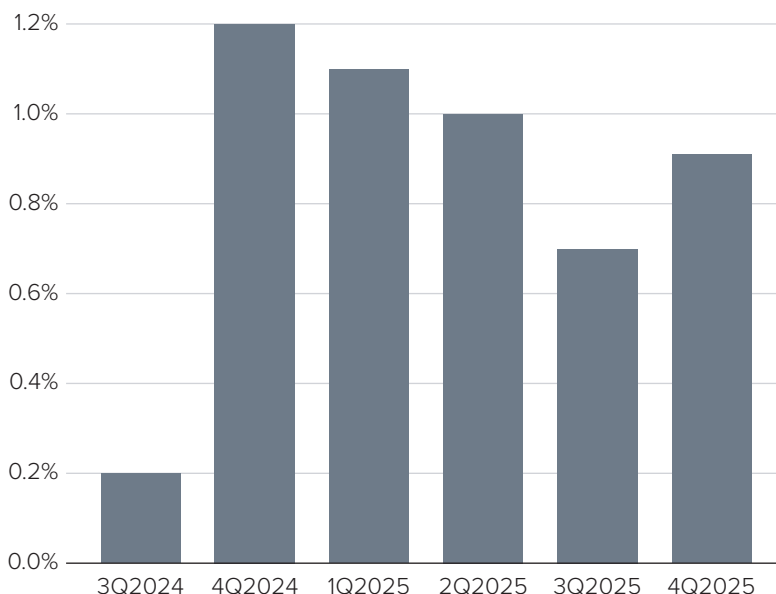
For allocators, the secondary market now offers a proven tool for strategic portfolio management, whether the objective is to accelerate deployment at a discount (or in certain cases a premium), exit an underperforming position, rebalance sector or manager concentration, or simply gain flexibility in an asset class that has historically offered very little. The decision to transact should, as always, be driven by the investor’s own underwriting, portfolio construction needs, and views on valuation. 

4

Open-end real estate secondaries returns have been positive since 3Q2024

With the NCREIF ODCE posting six consecutive quarters of positive gross returns. The trailing one-year gross return is +3.7% as of 4Q2025, the strongest since late 2022.

NCREIF ODCE QUARTERLY GROSS TOTAL RETURNS



Source: NCREIF ODCE Index.

¹ Real estate secondary transaction volume. Sources: Jefferies. 2025. “Global Secondary Market Review January 2025”; Ares Management, real estate secondaries market data (2025). Annual volumes have exceeded \$7 billion each year since 2019, reaching a record \$20.3 billion in 2025.

² Jefferies. 2025. “Global Secondary Market Review January 2025”; Lazard. 2024. “2024 Secondary Market Report”; Evercore. 2024. “FY 2024 Secondary Market Survey.”

³ Ares Management, Secondaries Investor, and BlackRock secondary market reports; ACRE Solutions proprietary transaction data.

⁴ Townsend Group. 2025. “Why The Time is Right for Real Estate Secondaries.” January. Citing Preqin.

⁵ Jefferies PEI; Lazard; Secondaries Investor, FY 2025 preliminary estimates.

⁶ Includes secondaries for all private market asset types, not just real estate.

⁷ MacArthur, H., R. Burack, G. Rose, C. De Vusser, K. Yang, and S. Lamy. 2024. “Global Private Equity Report 2024.” Bain & Company; Drake, K. and R. Dutt. 2023. “Streamlined Private Investing: Uncovering Growth in Secondaries.” Cambridge Associates. May.

⁸ NCREIF NFI-ODCE Benchmark, quarterly gross total return data; Corl, J. 2026. “Private Real Estate Prices Have Bottomed.” Cohen & Steers. January.

⁹ Green Street Commercial Property Price Index (CPPI), all property unlevered series.

¹⁰ ILPA. 2023. “Continuation Funds: Considerations for Limited Partners and General Partners.” May 1.

¹¹ ACRE Solutions proprietary transaction data and market observations, 2014–2025.

¹² NCREIF NFI-ODCE Benchmark, quarterly gross total return data through 4Q2025. Cohen & Steers (2026) (Exhibit 1), reporting peak-to-trough decline of approximately 20% and five consecutive quarters of positive returns through 3Q2025.

¹³ The CPPI index bottomed in late 2023 and rose approximately 4.8% in 2024 and 2.3% in 2025, a cumulative recovery of roughly 7% through year-end 2025; the index was up 3.1% on a trailing 12-month basis through April 2026. Green Street. 2025. “Modest Price Gains for Fairly Valued Real Estate.” December 4; Green Street. 2026. “Property Prices Increase 2% in 2025.” January 7.

¹⁴ Callan, PREA Quarterly, Connect CRE, and NCREIF NFI-ODCE reports on redemption queue data.

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