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# Private markets

How investments are increasingly incorporating elements of real estate, private equity, and infrastructure

## KEY TAKEAWAYS

### CHANGING INVESTOR REQUIREMENTS

Due to black swan events like COVID-19, interest rate volatility, and the rise of AI, investors are requiring greater income stability, inflation protection, and diversification from public equities.

### TRANSACTIONS ARE BECOMING MULTIDISCIPLINARY

Real estate transactions are expanding beyond traditional property-level investing into both entity-level and platform structures, combining real estate's historically defensive characteristics with private equity and infrastructure features.

### COMPLEXITY INTRODUCES RISKS

Successful execution is dependent upon a range of considerations, from company valuations to management oversight and interest alignment, to exit liquidity. Factor overlap is another consideration, with asset-level diversification masking shared underlying drivers and therefore unintended correlation risk.

The proliferation of real estate investments that have elements of private equity and infrastructure means that LPs and GPs alike need a new playbook on evaluating and operating multidisciplinary investments, as well as their role in investment portfolios.

While investing in private markets requires a high degree of specialization, private real estate investments are increasingly incorporating elements of corporate private equity and infrastructure. Large institutional real estate investors are moving beyond property-level investments into various types of entity-level investments as they seek to deploy capital more efficiently and at scale. These investments increasingly require private equity-like underwriting, structuring, and management skills. And certain property types — digital infrastructure, social infrastructure, logistics, healthcare real estate, and marinas — sit at the

intersection of real estate and infrastructure, requiring expertise from both asset classes.

This article examines the distinctions of each asset class, why multidisciplinary capabilities matter for how capital is deployed and managed in real estate, recent examples of real estate platform investments, and what this means for GPs and LPs navigating the market.

## Asset class overview

Real estate, infrastructure, and private equity each occupy a distinct role in portfolios (see [1](#)). Real estate has traditionally focused on current income, inflation protection, and diversification through ownership of physical assets.

## Investors have increased allocations to private markets, seeking assets that can offer resilient cash flows, partial inflation protection, and reduced reliance on public market performance.

Infrastructure shares many of these portfolio characteristics, particularly in core strategies centered on stable cash flows, but applies them to essential physical systems rather than individual properties. Private equity, by contrast, has historically focused more on value creation and higher return potential through ownership of operating businesses.

Asset class distinctions are evolving, moving away from rigid definitions and becoming more fluid. Real estate sectors with greater operational complexity or infrastructure-like characteristics may

offer better risk-return relationships, though they often require broader underwriting and management capabilities. Non-core infrastructure strategies frequently resemble private equity through their emphasis on platform growth, operational execution, and company building.

### Changing investment landscape

Several structural forces like black swan events, interest rate volatility, and artificial intelligence (AI) are shaping investment strategies, with direct implications for how real estate is underwritten and managed.

Investor demand for stable income, inflation protection, and diversification from public equities has grown since the COVID-19 pandemic, as geopolitical conflict and higher interest rates revealed the vulnerabilities of traditional portfolios. Investors have increased allocations to private markets, seeking assets that can offer resilient cash flows, partial inflation protection, and reduced reliance on public market performance. Institutional portfolios allocated roughly

10% more to private markets in 2023 than in 2014. Strong equity market performance, evidenced by a 9.1% per annum increase in the MSCI ACWI index over the period, has increased the capital base further. Put simply, larger portfolios mean larger allocations. The result is significant pressure to deploy larger pools of capital efficiently to private markets, without sacrificing return quality.

Returns across private markets have come under increased scrutiny — real estate in particular has underperformed in the wake of the interest rate spike, even as public equities have continued to set records. In response to this performance gap, investors are placing greater weight on managers' ability to create operational value and source differentiated opportunities.

Meanwhile, many investors remain focused on distributions, a concern that has driven innovation in capital structures. For example, continuation vehicles — formed to extend the life of funds with a new set of investors — originated in real estate through GP-led secondaries and recapitalizations before becoming a major trend in private equity secondaries. This trend illustrates how solutions developed in one asset class increasingly play a role in others.

These dynamics have pushed real estate strategies toward greater sophistication, expanding the opportunity set beyond traditional property-level investing into both entity-level and platform structures. These approaches combine the defensive characteristics historically associated with real estate — long-term cash flows and contractual income — with the return potential of operational execution, strategic growth, and corporate exits.

Data centers illustrate this complexity. A powered-shell data center fits

**1**

### Each private market asset class offers attractive characteristics

Private equity, real estate, and infrastructure each have specific alpha drivers, risk considerations, and roles in a portfolio, but the converging nature of investments is blurring the lines between the asset classes and thus their attributes.

	Private equity	Real estate	Infrastructure
<b>Definition</b>	Ownership of private operating companies	Ownership of physical property assets	Ownership of essential physical systems
<b>Portfolio role</b>	High return potential (equity market correlation)	Income, inflation protection, diversification	Income, inflation protection, diversification
<b>Risk choices</b>	Higher only	Spectrum — core to non-core	Spectrum — core to non-core
<b>Value driver</b>	Operational value creation including growth	Optimizing income within the box	Varies, non-core more like PE, core more like RE

comfortably within traditional real estate investing. But a turnkey data center requires technological, operational, and energy expertise more commonly associated with infrastructure investing. The asset looks similar on the surface; the required capabilities are different.

## Platform and entity-level investments

Platform and entity-level investments represent perhaps the clearest example of where certain real estate transactions require multidisciplinary skills. These structures involve taking equity stakes in both the operating companies and their underlying real estate, with the intention of scaling the business over time. Value creation depends not only on the assets themselves, but also on the ability to optimize operations, structure financing, and execute corporate-level strategic initiatives.

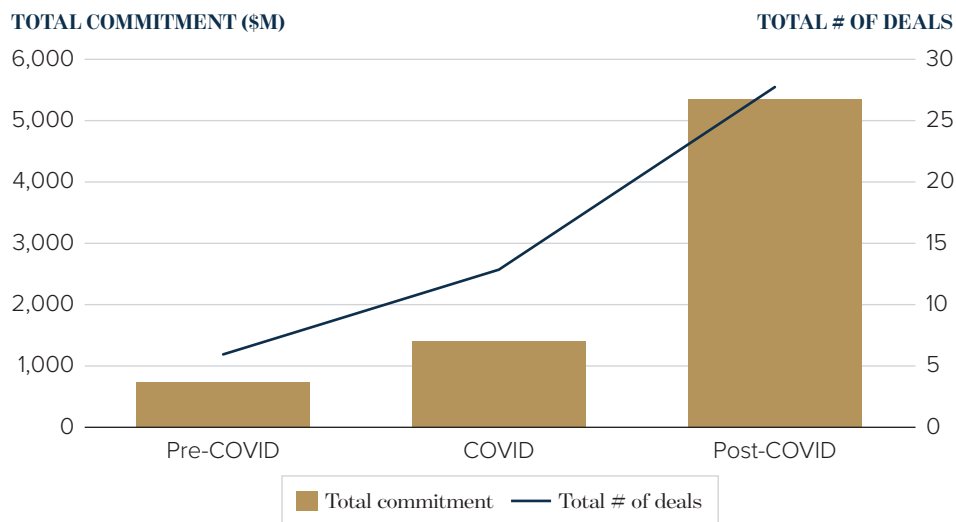
Compared with traditional single-asset ownership, platform strategies offer greater operational control, stronger incentives, and more diversified paths to value creation and exit. These approaches have become particularly attractive in sectors where operational expertise and strategic oversight are critical drivers of performance. By controlling both the operating company and the real estate, managers can pursue efficiencies, accelerate growth initiatives, optimize financing structures, and create strategic optionality through future monetization or exit opportunities.

While platform investing has historically been more common in infrastructure, large LPs have increasingly invested in real estate operating companies (REOCs) and other real estate platform-oriented structures in recent years (see [2](#)). GP-led global real estate secondaries volume reached nearly \$15 billion in 2025, up from just \$5.6 billion in 2020 (see [3](#)).

**2**

### Investments in real estate operating companies have grown significantly post-COVID

Platform strategies can offer greater operational control, stronger incentives, and more diversified paths to value creation and exit. However, they require multidisciplinary skills to execute well.



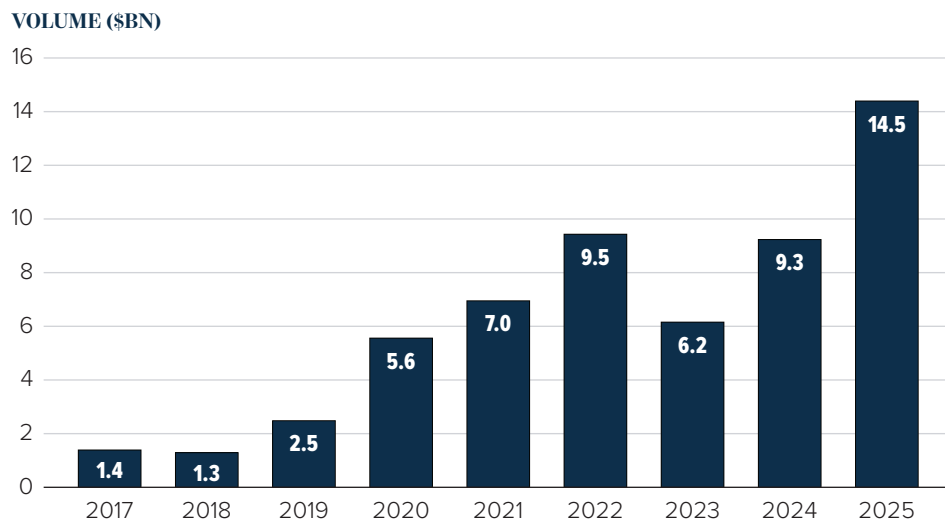
Note: Tracking of infrastructure platform investments began in 2022.

Source: StepStone SPI Reporting, as of March 2026. Pre-COVID: 2015–2019, COVID: 2020–2021, post-COVID: 2022–2025.

**3**

### GP-led global real estate secondaries reached nearly \$15 billion in 2025

With the rise of GP-led secondaries, real estate is taking a page out of the infrastructure playbook where platform investing historically has been more common. There were \$1.3 billion of deals in 2018, \$5.6 billion in 2020, and nearly \$15 billion in 2025.



Sources: Jefferies, Ares, Greenhill, 4Q2025.



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## Implications for LPs and GPs

The growth of transactions that require skills across multiple asset classes has consequences at two levels: for how markets and capital are evolving, and for how investments must be underwritten and managed.

Certain investments now draw on risk factors that span more than one asset class, and factor overlap can increase underlying portfolio risk. For example, an LP could simultaneously participate in a private equity buyout of a logistics company, a real estate investment in a distribution center, and an infrastructure investment in a port terminal. These transactions may appear diversified across asset classes, but they ultimately depend on similar underlying drivers, including goods consumption, trade, and fuel costs in the same market, so they end up highly correlated.

At the GP level, fundraising data already reflects this changing landscape. Between 2020 and 2025, the largest funds (over \$1.5 billion) comprised 44% of total capital raised, compared with 34% in the prior five years and just 24% before the global financial crisis (GFC). Meanwhile, the share of total capital raised by funds between \$250 million and \$750 million has contracted from 39% in the pre-GFC period to 25% since 2021. The trends indicate that large multi-asset class managers may attract more capital while smaller firms continue to compete as specialists. Mid-sized

**Certain investments now draw on risk factors that span more than one asset class, and factor overlap can increase underlying portfolio risk.**

## Case studies on platform investing

Two recent transactions illustrate what platform investing requires in practice, and what it can deliver when executed with capabilities across asset classes.

### Vitalia

In October 2025, StepStone Real Estate (SRE) announced the recapitalization of Vitalia, Spain's second largest senior care operator by number of beds, in a €1.5 billion transaction. The deal involved acquiring a majority stake from existing sponsors while committing more than €500 million of additional growth capital to accelerate expansion across Spain.

Vitalia currently operates 75 care home facilities, and, with a secured pipeline of new developments, will own and operate approximately 15,000 beds across Spain. With a 2.5% market share in a fragmented and undersupplied sector and demand driven by Spain's rapidly aging population, the company is addressing a projected 40% shortfall in new care home delivery by 2030 by aiming to deliver approximately 50% of top Spanish players' bed pipeline over that period.

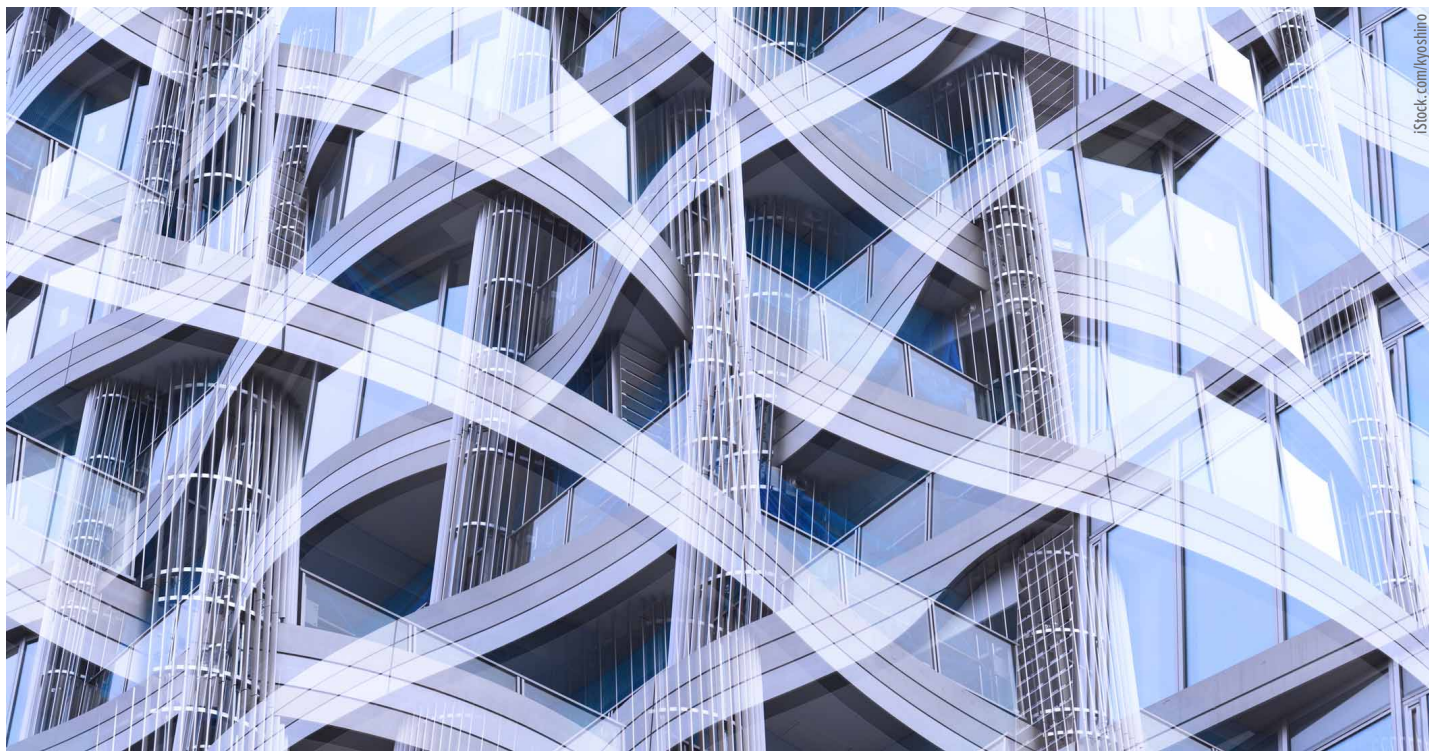
The transaction highlights how value creation in certain real estate platform investments depends not only on the underlying real estate, which remains critical, but also on the performance of the operating business itself. In senior care, operational execution — staffing, care quality, occupancy management — drives profitability as much as the physical assets themselves. Underwriting and managing an investment like Vitalia therefore requires private-equity-style capabilities alongside traditional real estate skills: the ability to assess management teams, model operating businesses, and actively oversee a scaling company.

### SafeHost

In 2019, SRE recapitalized a Swiss data center company, SafeHost, acquiring a secondary interest in the company from the founding shareholder alongside the management team. At entry, the company owned and operated three sites in Geneva and eastern Switzerland. The original business plan was to lease up and stabilize the existing assets, execute a build-to-suit development for a major hyperscale tenant, and potentially expand the portfolio through pre-leased and build-to-suit developments.

Under SRE's ownership, the company was repositioned from a focus on the colocation market towards being a partner of choice for hyperscaler tenants seeking access to the Swiss data center market. It also added a fourth development site, with a fifth under option. Hyperscale capacity increased from 3.5MW to 38.5MW over the ownership period, while the capital structure was optimized via Holdco debt facilities and a development loan to finance construction of the fourth asset. The management team was also restructured to bolster the hyperscale capabilities of the platform.

In late 2021, following implementation of the business plan, and to capitalize on the strength of the European data center market, SRE engaged an M&A advisor to ascertain the optimal exit route for the business. Following a sales process, with bids from global institutional capital, the business was sold in July 2022. Repositioning the business toward hyperscale required understanding power infrastructure, evaluating technology tenant requirements, and executing a corporate-level strategic pivot.



Valuing a company can involve multiple, and at times conflicting, methodologies, including DCF, NAV, EV/EBITDA, and price-to-book analysis. Intangible assets introduce another layer of complexity.

generalists, meanwhile, often face pressure to grow or merge with other firms.

### Risk considerations

At the transaction level, the same complexity that creates opportunity also raises the bar for execution. Adding private equity or infrastructure elements to a real estate investment introduces considerations that may be less familiar to some real estate investors. Valuing a

company can involve multiple, and at times conflicting, methodologies, including DCF, NAV, EV/EBITDA, and price-to-book analysis. Intangible assets introduce another layer of complexity around how investors should assess management teams, operating systems, or brand strength.

Management teams themselves also require active oversight in ways that physical assets do not. Weaker managers tend to offer enhanced economics, while stronger ones can introduce retention, integration, and governance challenges. Aligning interests, maintaining key personnel, and establishing appropriate governance structures all demand ongoing attention.

The fixed costs of REOCs and platforms — overhead, personnel, technology — add another layer of exposure that property-level investors may underestimate. Development-oriented platforms carry additional execution risk, and exits are often more complex than traditional asset sales, with a narrower

buyer pool and longer processes. These are manageable risks, but only for investors with the right capabilities across asset classes. For those without them, the risks are even greater.

### Conclusion

Changing market conditions, industry growth, and evolving investor needs are driving increasingly complex investment structures across private markets, a trend that is likely to continue. For real estate, capturing the benefits requires capabilities that extend beyond traditional property investing, including operational expertise, corporate structuring, and multidisciplinary underwriting. Therefore, managers and investors who build the right multidisciplinary capabilities will be better positioned to source differentiated opportunities and manage complexity in this sophisticated market. 

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