2025 Institutional Real Estate Allocations Monitor

Cornell Baker Program in Real Estate

Hodes Weill & Associates

Dear Industry Friends,

Cornell University's Baker Program in Real Estate and Hodes Weill & Associates, L.P. are pleased to present the findings of the 13th annual Institutional Real Estate Allocations Monitor (the "**2025 Real Estate Allocations Monitor**"). The 2025 Real Estate Allocations Monitor focuses on the role of real estate in institutional portfolios, and the impact of institutional allocation trends on the investment management industry. Launched in 2013, the Real Estate Allocations Monitor is a comprehensive annual assessment of institutions' allocations to, and objectives in, real estate investments. This report analyzes trends in institutional portfolios and allocations by region, type and size of institution.

The 2025 Real Estate Allocations Monitor includes research collected on a blind basis from 166 institutional investors in 26 countries. The 2025 participants hold total assets under management ("**AUM**") exceeding US$14.7 trillion and portfolio investments in real estate totaling approximately US$1.4 trillion. Our survey was conducted between June 2025 to September 2025 and consisted of 26 questions concerning portfolio allocations to the asset class, current and future investments in real estate, investor conviction, investment management trends and the role of various investment strategies and vehicles within the context of the real estate allocation. We also included questions regarding historical and target returns as well as environmental, social and governance ("**ESG**") policies.

Key Findings of the 2025 Real Estate Allocations Monitor

1. **After holding allocations steady from 2022 through 2024, institutions decreased target allocations by 10 bps in 2025.** Target allocations declined to 10.7% in 2025, which can be attributed to concerns regarding market uncertainty, as well as competition for allocations from other sectors including infrastructure and private credit. Notably, institutions are expecting to increase target allocations by 10 bps in 2026, led by institutions in EMEA that report the highest conviction.

2. **Institutions remain under allocated to real estate, with the gap between target and actual allocations widening year over year.** Over the past two years, the denominator effect has reversed, driven by a slowdown in capital deployment, strong gains in other asset allocations (in particular public equites) and modest real estate returns. Institutions report being under allocated to real estate by approximately 90 bps, up from 60 bps in 2024; this margin represents a return to the average level of under investment over the past 10 years.

3. **Institutional real estate portfolios saw a modest rebound in returns in 2024, though performance continues to lag target returns.** Institutional portfolios delivered a return of 1.4% in 2024, up from -1.4% in 2023. On a trailing 10-year basis, real estate portfolios have underperformed target returns, largely driven by returns reported in 2023 and 2024. For the 13-year period through 2024, portfolio returns averaged 8.5%, slightly outperforming target returns. With a view that portfolio valuations have bottomed, institutions are anticipating more favorable portfolio performance over the next few years.

4. **Conviction trending positive, as institutions express optimism about investment opportunities over the next several years.** The Real Estate Allocations Monitor Conviction Index rose slightly in 2025, with sentiment improving among institutions in the Americas and EMEA, while APAC remained steady year over year. Investors cited greater clarity on interest-rate trajectories and stabilizing market fundamentals as drivers of renewed confidence, viewing the next several years as a "good entry point" for capital deployment.

5. **While the share of institutions managing their real estate portfolios exclusively in-house is rising, the vast majority of institutions continue to rely on third-party managers and allocate to commingled funds.** Nearly two thirds of institutions report outsourcing their entire real estate portfolio to third-party managers, though the share of institutions managing their entire portfolio in-house increased. Over a quarter of institutions are looking to form new manager relationships (up from 22% in 2024) as they look to replace managers in their portfolio that have underperformed.

6. **Investors continue to favor value-add strategies, though appetite for core and core-plus strategies has increased.** Investors are taking a more measured approach to risk in the current environment and report an increased appetite for lower returning strategies and a decline in appetite for value-add and opportunistic strategies year over year. The shift towards core and core-plus strategies can be attributed to sentiment that valuations have bottomed.

7. **Institutions in the Americas report an increase in cross-border investment activity, whereas APAC- and EMEA-based institutions indicate a decline.** North America continues to be the dominant destination for institutional real estate capital flows, supported by the market's scale and liquidity – even as some investors temporarily moderate new commitments to the U.S. due to continued uncertainty regarding tariffs and geopolitical risk. Notably, institutional appetite for European and Australian investments has increased year over year.

8. **Closed-end funds remain the primary investment vehicle within institutional real estate portfolios, though appetite for structures offering greater investor discretion increased.** While appetite for closed- and open-end funds increased, so too did appetite for direct investments, separate accounts and joint ventures, underscoring a growing appetite for structures allowing investors to exert greater influence over investment decisions.

9. **REITs remain an important component of institutional real estate portfolios, offering liquidity and access to core strategies.** Approximately one-third of institutions invest in REITs, with nearly 90% doing so through their real estate allocation. Institutions view REITs as complementary to private real estate holdings, providing liquidity and access to large-scale, diversified core portfolios.

10. **ESG adoption drops as regional divergence and political polarization are reshaping institutional priorities.** The percentage of institutions with ESG policies declined slightly in 2025, marking the first decrease reported since 2015. This decline was led by institutions in the United States, while investors in Canada, EMEA and APAC continue to prioritize ESG policies and integration.

The 2025 Real Estate Allocations Monitor leverages the academic resources of Cornell University and the global institutional relationships and real estate expertise of Hodes Weill & Associates. We hope this report provides unique insight into the institutional investment industry, serving as a valuable tool for institutional investors in the development of portfolio allocation strategies and peer benchmarking of returns, and for investment managers in business planning and product development. With this goal in mind, please feel free to contact us with any comments, questions or suggestions.

We look forward to sharing additional insights and our perspective on the industry with you more directly in the near future. Again, we would like to express our sincere appreciation to everyone that participated in this year's survey.

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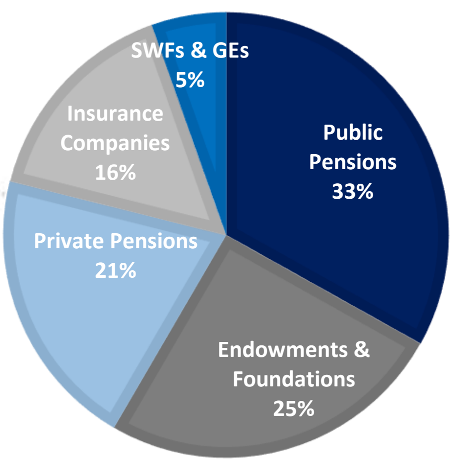
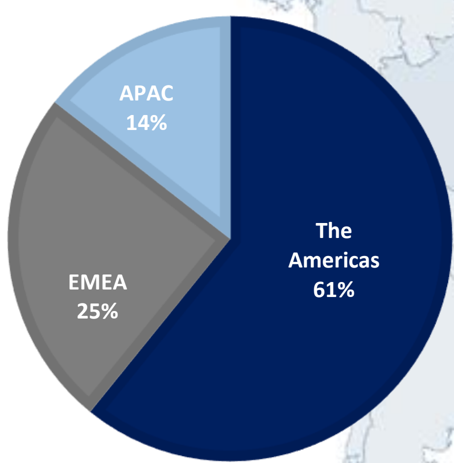
Global Institutional Participants

166 participants across 26 countries, representing a combined US$14.7 trillion in AUM and US$1.4 trillion in real estate investments.

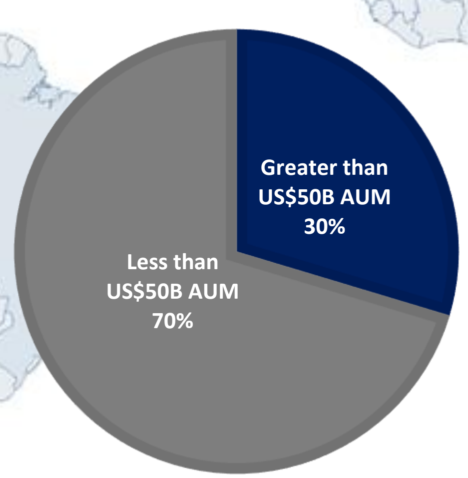
Breakdown of Participants By Type of Institution



Breakdown of Participants By Location of Institution



Breakdown of Participants By Size of Institution



List of Participating Institutions

Americas

Boston Foundation

Carleton University Pension Fund Management

Conrad N. Hilton Foundation

Desjardins Group Pension Plan

Fresno County Employees' Retirement Association

H-E-B Investment and Retirement Plan Trust

HRM Pension Plan

Illinois Firefighters' Pension Investment Fund

Inspirit Foundation

Jewish Board of Family & Children Services

Maryland State Retirement and Pension System

MetLife Insurance Company

NAV Canada Pension Plan

New Jersey State Investment Council

Premera Blue Cross

QuadReal

Reed College Endowment

Société de transport de Montréal

State of Wisconsin Investment Board

Tacoma Employees' Retirement System

Teacher Retirement System of Texas

Teachers' Retirement Allowances Fund

Texas Permanent School Fund

University of Georgia Foundation

Utah Retirement Systems

Virginia Retirement System

And 77 Anonymous Participants

APAC

ReturnToWorkSA

And 22 Anonymous Participants

EMEA

BNL Pension Fund

Compenswiss

Zurich Insurance Group

Fondenergia

Mutua Madrileña

And 36 Anonymous Participants

Table of Contents

Participation & Methodology

We wish to thank the 166 institutional investors that participated in the 2025 Real Estate Allocations Monitor survey this year. The survey participants are from 26 countries and represent institutions with over US$14.7 trillion in total assets and real estate assets of approximately US$1.4 trillion. In its thirteenth year of publication, 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 institutional investors. Our survey includes only primary allocators to investments, such as pension plans, insurance companies, sovereign wealth funds, and endowments and foundations. Approximately 7% of institutions that were contacted completed the survey, and the participation rate was greater than 5% across a range of regions, investor types, and size of institutional portfolios. 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 2025 to September 2025.
- 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.
- 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.

166 Institutions	**26** Countries	**7%** Participation Rate
US$14.7 Trillion Total Assets	**US$1.4 Trillion** Real Estate Assets	**49** Institutions with AUM in excess of US$50bn

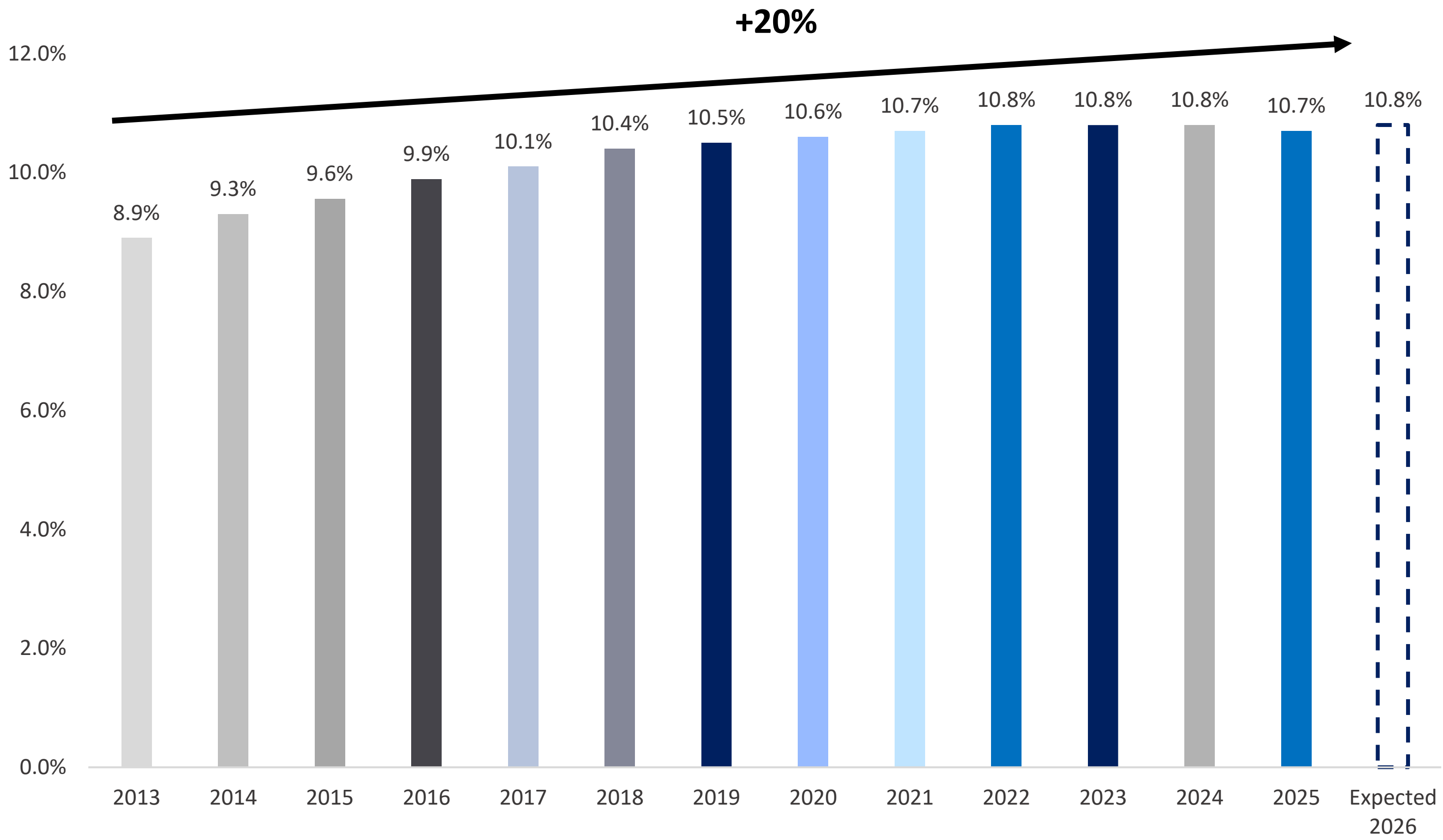
Definitions Guide

"**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

After holding allocations steady from 2022 through 2024, institutions decreased target allocations by 10 bps in 2025.

Exhibit 1: Weighted Average Target Allocations, All Institutions



Target Allocations to Real Estate

Target allocations declined by 10 bps to 10.7% in 2025, marking the first time target allocations have declined year over year since the Real Estate Allocations Monitor was launched. After a ten-year period between 2013 and 2022 when target allocations increased over 20% at 10-40 bps per year, target allocations plateaued at 10.8% between 2022 and 2024. The decline in target allocations is consistent with reported expectations in 2024, and can be attributed to concerns regarding market uncertainty, as well as competition for allocations from other sectors including infrastructure and private credit.

While institutions maintain strong conviction in the long-term attractiveness of real estate, many have approached re-entry to the market cautiously. The momentum seen in 4Q 2024 and continuing in the early months of 2025 seemed to slow with Liberation Day and was followed by muted activity over the summer. Investors report the pace of capital deployment reaccelerating in 3Q 2025 and an expectation that this momentum will continue into 2026. The uneven recovery in capital allocation trends can be attributed to persistent concerns regarding geopolitics, interest rates, and inflation, all of which have contributed to limited pricing transparency and muted transaction volumes. *Prashant Tewari, senior managing director at the Townsend Group, noted, "During periods of uncertainty, people are just reluctant to make commitments into an illiquid asset class – especially at a time when equities and bonds are both doing well."*[1] In more recent years, the asset class has been contending with negative returns as portfolios faced write-downs and liquidity challenges, though there are early signs of recovery as investors report positive (though moderate) returns for their portfolios in 2024.

Despite recent challenges, real estate remains a key ballast within broader institutional portfolios and institutions are hopeful the asset class will revert to its strong performance over the next cycle as the uncertainty around interest rates, inflation, and pricing begins to ease. *As noted in the StepStone Real Estate House Views Spring 2025, real estate maintains its long-term*

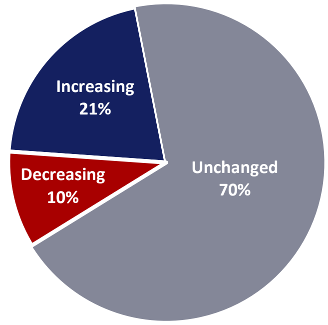
[1] D'Souza, Charlotte. "The GI 100 grapples with shrinking allocations to real estate," PERE. October 2025.

targeted role in portfolios due to inflation protection, current income, and risk/return profile. StepStone commented that the "new cycle [is] beginning with high uncertainty led by changing U.S. fiscal and trade policy, and slower growth expected globally."[2] While inflation expectations in the U.S. remain elevated, the broader trend toward monetary easing and improving liquidity conditions has strengthened investor confidence that a lower rate environment will support renewed activity and price discovery. Expectations for further rate reductions, coupled with an increase in transaction volume, have given investors conviction around the buying opportunity over the next 12 months.

Expected Change in Target Allocations

While average target allocations have declined year over year, institutions are expecting to increase target allocations by 10 bps in 2026 to 10.8%. With respect to allocation planning for 2026, only 10% of institutions plan to decrease their target allocations (down from 17% in 2024), while 21% of institutions expect to increase targets (up from 13% in 2024). This is a meaningful shift in allocation plans, suggesting a potential resumption of growth in allocations over the coming years.

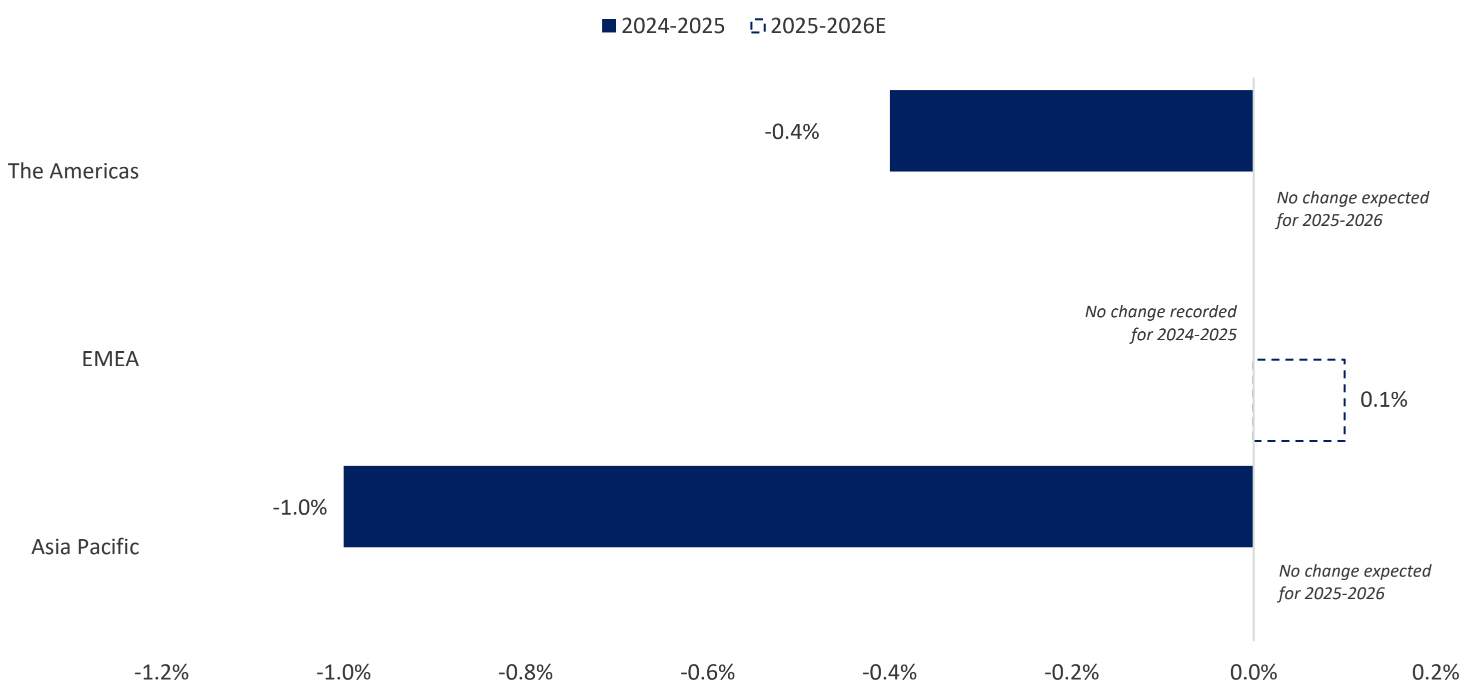
Exhibit 2: Expected Change in Target Allocations, All Institutions



Target Allocations by Region of Institution

On a same-store basis, institutions in APAC reported the highest decline in target allocations year over year at 100 bps – led by large institutions that took a step back from allocations to real estate in 2025. This compares to a moderate decline from institutions in the Americas at 40 bps and no change from EMEA-based institutions. When looking to 2026, institutions in the Americas and APAC intend to hold their target allocations flat, with the intended increase in 2026 being driven by EMEA-based institutions that report an expected increase of 10 bps. This correlates with EMEA-based institutions reporting the highest conviction in the real estate asset class and the highest portfolio returns in 2024.

Exhibit 3: Change in Weighted Average Target Allocations, By Location of Institution (Same-store Data)



[2] StepStone Staff. "StepStone Real Estate House Views." Spring 2025.

Target Allocations by Size of Institution

Small Institutions reported a larger decrease in target allocations to real estate than Large Institutions between 2024 and 2025, with target allocations declining 100 bps, likely reflecting greater portfolio rebalancing needs stemming from their higher existing allocations across open- and closed-end funds and joint ventures.

Exhibit 4: Change in Weighted Average Target Allocations, By Size of Institution (Same-store Data)

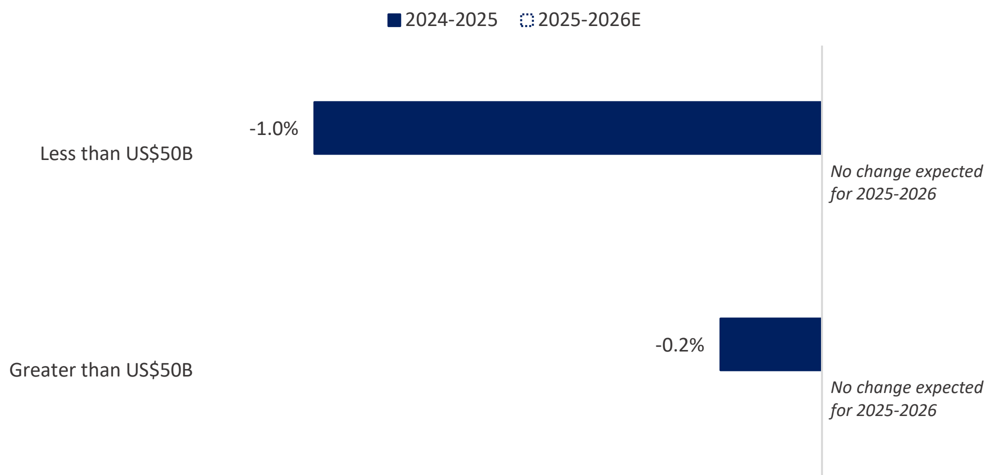
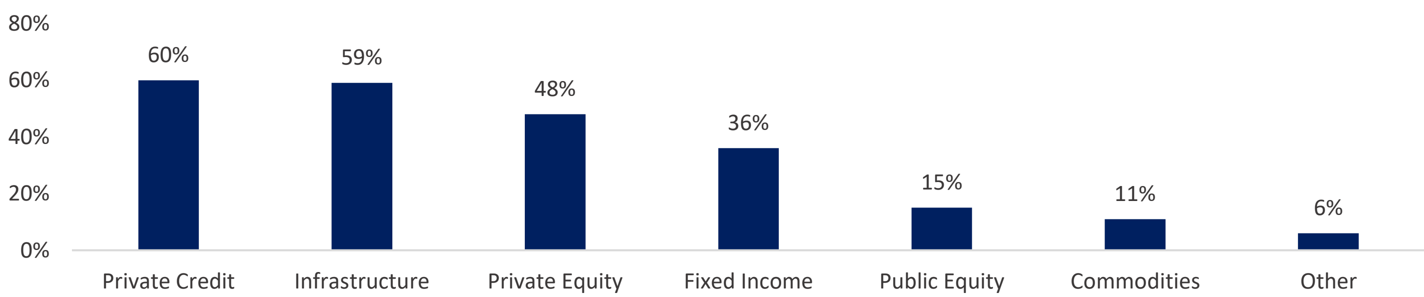


Exhibit 5: Notable Increases / Decreases to Real Estate Target Allocations[3]

Institution	*AUM (bn)*	*Target Allocation – Prior*	*Target Allocation – New*	*Change*
New York State Common Retirement Fund	***$283.9***	***9.0%***	***12.0%***	***↑300 bps***
State Teachers' Retirement System of Ohio	***$102.5***	***8.0%***	***10.0%***	***↑200 bps***
Government Pension Investment Fund	***$1,696.0***	***Stated directional shift***		***↑***
School Employees' Retirement System of Ohio	***$20.8***	***Stated directional shift***		***↓***
Maryland State Retirement & Pension System	***$69.5***	***10.0%***	***9.0%***	***↓100 bps***
Teachers' Retirement System of Oklahoma	***$23.7***	***10.0%***	***8.0%***	***↓200 bps***
North Dakota Investment Board	***$8.2***	***10.0%***	***8.0%***	***↓200 bps***

Exhibit 6: Asset Classes Competing with Allocations to Real Estate, All Institutions



When asked which of private credit, infrastructure, private equity, fixed income, public equities, commodities, and other asset classes were competing with real estate for allocations, 60% of institutions reported private credit. Following private credit, approximately 59% of institutions selected infrastructure, 48% selected private equity, and 36% selected fixed income as asset classes competing for allocations from real estate. The findings reflect a perception that real estate offers a less compelling risk-adjusted return profile relative to other private market strategies. *One Insurance Company noted that "from 2014 to 2022, real estate took allocation from other asset classes [and now] we're giving it back."* 2025 has already

[3] Based on public disclosures.

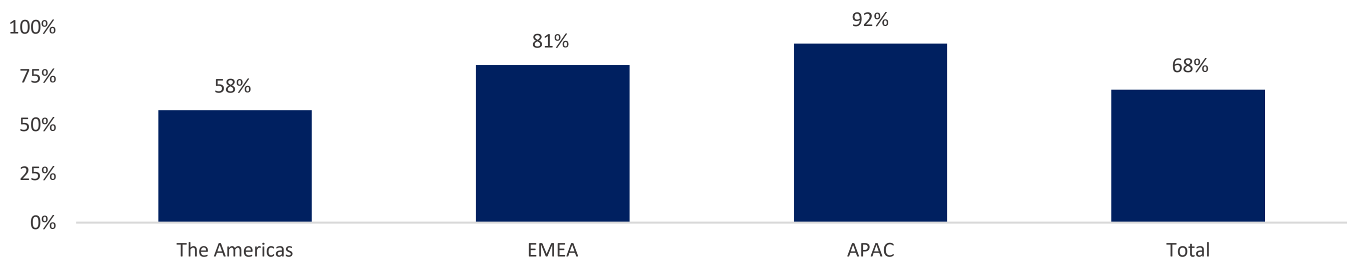
been the most successful fundraising year for unlisted, closed-end infrastructure funds, with $200 billion of capital raised, marking the first year the asset class has hit that fundraising milestone.[4]

One APAC-based Public Pension fund commented, "[Investors are] addressing the high-interest rate, low-growth environment, and are prioritizing stability and risk management. Notably, there's a clear trend toward increasing allocations to private debt and infrastructure assets. Recently, market trends show that the top priorities are securing stable returns and managing risk in a low-growth, high-interest-rate environment. To achieve this, we plan to focus on strengthening our portfolio's defensive capabilities and diversifying our investments."

In this environment some CIOs are looking to become more creative in bucketing asset classes within their broader alternatives portfolio to generate alpha. *As an example, Norges Bank Investment Management ("NBIM"), Norway's $1.7 trillion wealth fund, merged its real assets business with equities in Q1 2025 to create "Active Strategies." NBIM noted that the adjustment seeks to bring together people with complementary expertise.*[5] This structural evolution underscores a growing industry trend toward integrated platforms where more than the office of the CIO collaborates across asset classes. By aligning real estate, infrastructure, public equities, and credit under shared oversight, institutions can leverage cross-functional insights, underwriting standards, and pursue macro-thematic allocations, such as energy transition, digital infrastructure, and demographic shifts, through multiple investment strategies. This integration enables institutions to more effectively capture the systematic factors driving returns, while preserving flexibility for teams to express differentiated, high-conviction views across public and private markets. Ultimately, this approach reflects a broader shift from siloed asset management toward holistic active-portfolio construction.

Allocations to Real Estate and Infrastructure

Exhibit 7: Institutions Including Real Estate as Part of Real Assets Allocation, By Location of Institution



While in the current market, investors may view infrastructure as a lower risk alternative to real estate, there is a growing convergence between real estate and infrastructure allocations. Some of this convergence is being led by concerns regarding energy constraints. *In a recent Infrastructure Investor article, Jacob Monroe, co-founder and CEO of London-based Camion Energy noted he believes "the growing scarcity of power – and the potential for greater returns – will lead to greater cooperation between the real estate and infrastructure asset classes."*[6] Leading investment managers such as KKR have combined their real estate and infrastructure platforms under a real assets umbrella. Notably, approximately 68% of survey respondents now include real estate as part of their broader real assets allocation. *Julie Ingersoll, CIO of Americas direct real estate at CBRE Investment Management, noted that "as access to energy increasingly dictates asset selection, collaboration between infrastructure and real estate personnel has become a critical part of the firm's deployment strategy. Remarking that they have "never worked more closely with [their] infrastructure colleagues", frequently "[tapping] the infrastructure team's expertise on where power is available, the cost of energy in an area and the feasibility of using renewable energy on a given asset."*[7]

[4] Alves, Bruno. "2025 is already infra's best fundraising year," Infrastructure Investor, October 2025.
[5] Ummelas, Skjeseth. "Norway's Wealth Fund Merges Real Assets With Equities Unit - Bloomberg Pension Real Estate Association," Bloomberg as reported in PREA. November 2024.
[6] Connery, Harrison; Marsh, Joe. "The hidden driver behind the convergence of real assets." PERE. September 2025.
[7] Connery, Harrison; Marsh, Joe. "The hidden driver behind the convergence of real assets." PERE. September 2025.

Beyond power constraints, further collaboration between real estate and infrastructure is also driven by strategies that staddle both real estate and infrastructure (including data centers, student housing and life sciences) as well as by shared investment attributes including low correlation to other asset allocations, high component of income yield, and inflation hedging characteristics.

The percentage of institutions including real estate as part of their broader real assets allocation varies across regions. While only 58% of institutions in the Americas report including real estate as part of a broader real assets allocation, approximately 81% of EMEA-based institutions and 92% of institutions in the APAC region, respectively, include real estate as part of their broader real assets allocation. In recent years, EMEA- and APAC-based investors such as Australian Retirement Trust, AustralianSuper, Phoenix Group and Mubadala Investment Company have reported combining their real estate and infrastructure units.[8]

Hodes Weill & Associates, in partnership with Cornell University's Program in Infrastructure Policy ("CPIP") released the third-annual Institutional Infrastructure Allocations Monitor in June 2025. The report on infrastructure noted the following key findings:[9]

(1) Institutions continue to increase long-term allocations to infrastructure, with average target allocations rising to 5.9% in 2025—up 40 bps year over year.

(2) Institutions remain under-invested in infrastructure by an average of 100 bps versus target allocations.

(3) After a lackluster year in 2023 when investment returns moderated to below target expectations, returns rebounded in 2024, averaging 9.6%. On a trailing three-year basis, returns averaged 9.4%, slightly ahead of target returns.

(4) Institutional conviction in infrastructure remains positive, reflecting sustained investor confidence despite market volatility and global geopolitics.

(5) Geopolitical risk has overtaken valuations and interest rates as the top investment concern for infrastructure investors, signaling that institutions are increasingly focused on navigating macro-political dynamics and protecting downside exposure.

(6) Asset valuations are the top concern for infrastructure investors, with concerns regarding interest rates and capital markets volatility declining year over year.

(7) Digital and transportation infrastructure remain the top investment priorities for institutions. However, deployment intentions have moderated relative to prior years, suggesting a more disciplined approach to pacing amid macroeconomic uncertainty and increasingly mature portfolio exposure.

(8) Institutional appetite continues to shift to higher returning strategies including core+ and value-add, while appetite for core and super core strategies remains tepid.

(9) Institutional appetite remains concentrated on developed markets, with declining interest in new geographies and emerging markets.

(10) Commingled funds remain the preferred investment product for infrastructure investment, while direct and separate account investment activity continues to grow.

[8] Connery, Harrison; Marsh, Joe. "The hidden driver behind the convergence of real assets." PERE. September 2025.
[9] Weill, D., & Gould, J., (2025). 2025 Institutional Infrastructure Allocations Monitor. Ithaca, NY: Cornell University's Program in Infrastructure Policy and Hodes Weill & Associates, LP, June 2025.

Exhibit 8: Actual vs. Target Infrastructure Allocation, All Institutions[10]

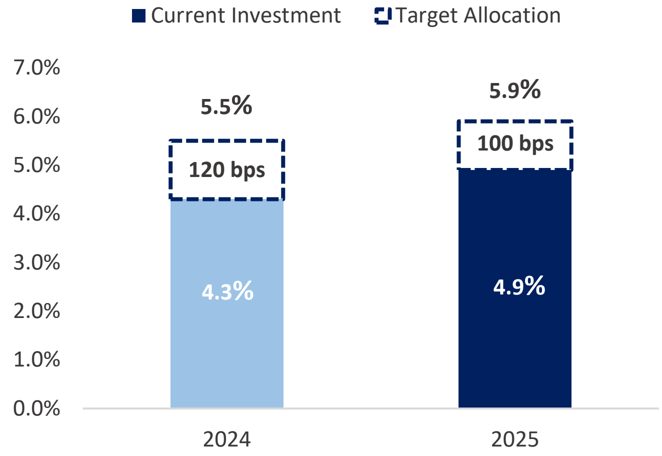
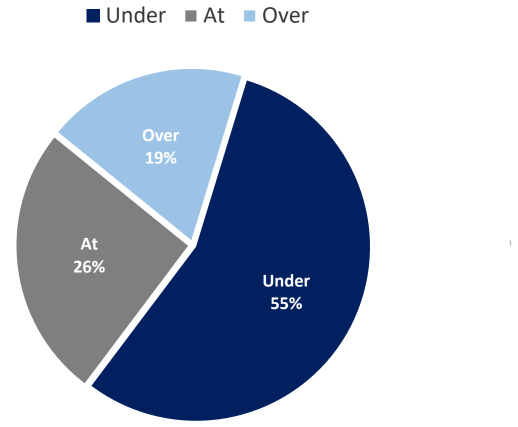


Exhibit 9: Over-Under Allocation to Infrastructure, All Institutions[11]



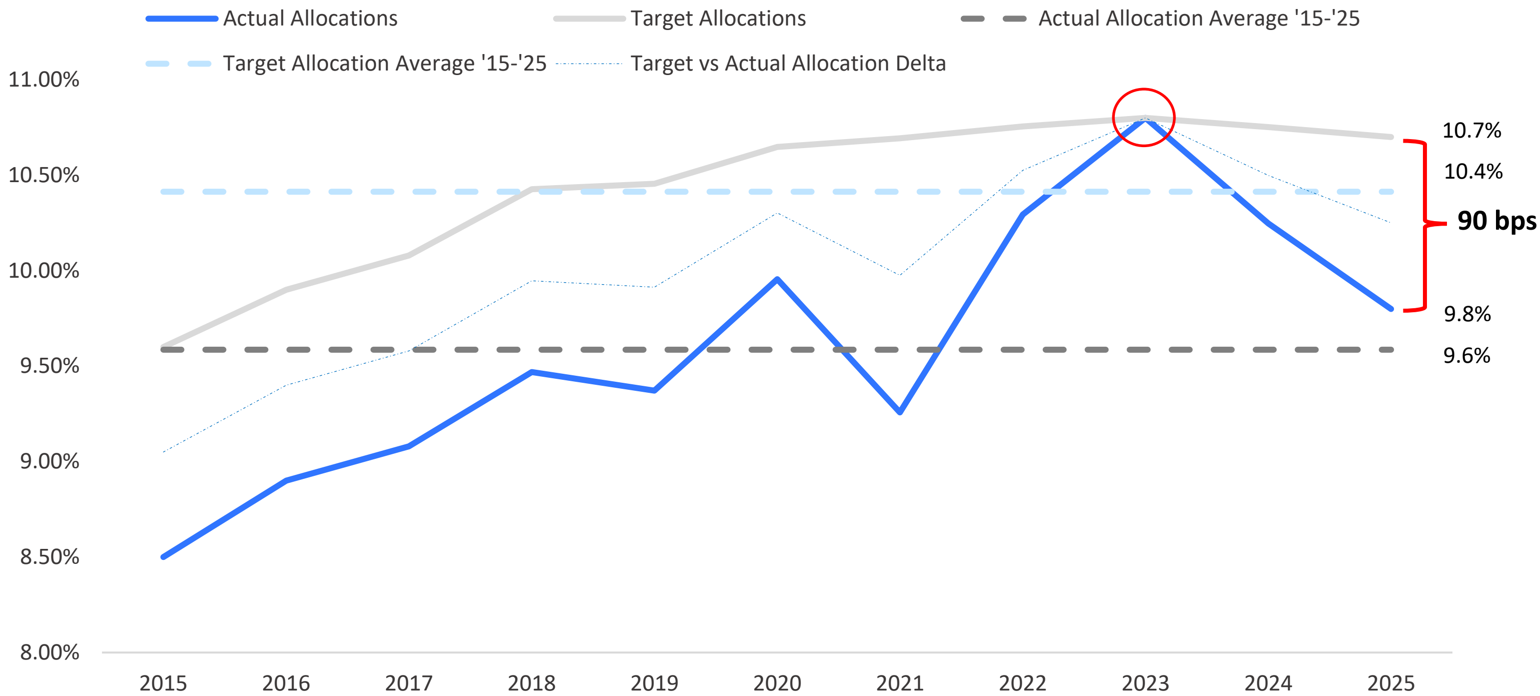
[10] Weill, D., & Gould, J., (2025). 2025 Institutional Infrastructure Allocations Monitor. Ithaca, NY: Cornell University's Program in Infrastructure Policy and Hodes Weill & Associates, LP, June 2025.

[11] Weill, D., & Gould, J., (2025). 2025 Institutional Infrastructure Allocations Monitor. Ithaca, NY: Cornell University's Program in Infrastructure Policy and Hodes Weill & Associates, LP, June 2025.

Current Investments

Institutions remain under allocated to real estate, with the gap between target and actual allocations widening year over year.

Exhibit 10: Actual vs. Target Allocations, 2015-2025



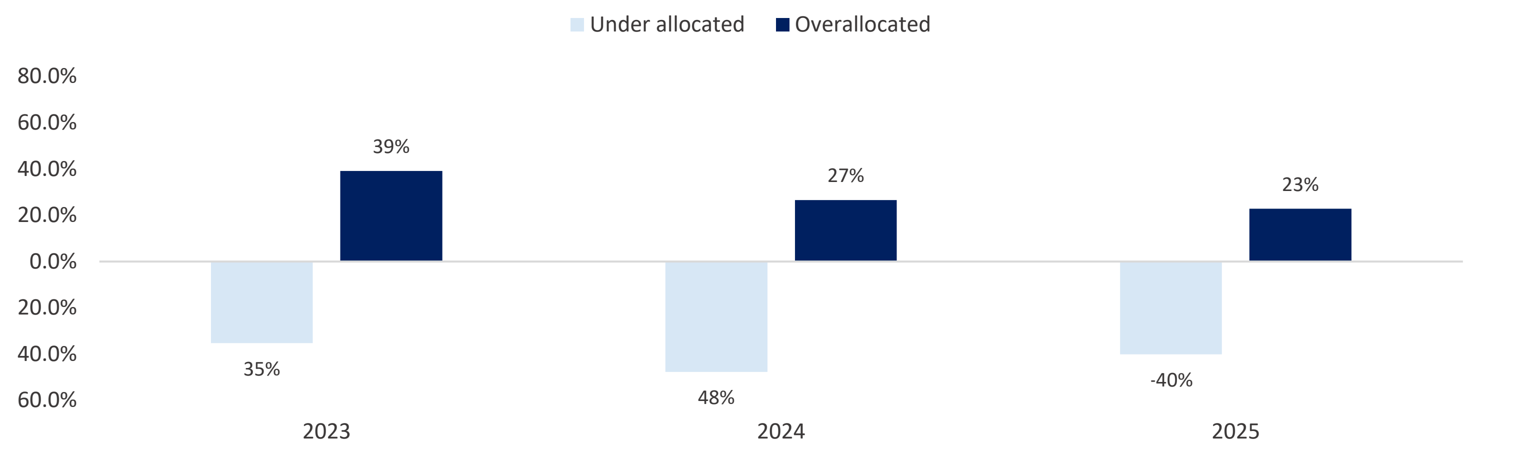
Despite a year over year decline in target allocations, the margin between target and actual allocations widened in 2025. Institutions reported actual allocations at approximately 9.8%, down significantly from 10.3% in 2024. The 90 bps gap between target and actual allocations reflects a combination of factors, including a slowdown in capital deployment as investors adopted a “wait-and-see” approach, strong gains in other asset allocations (i.e., the denominator effect), relatively weak real estate performance in recent years (i.e., the numerator effect), as well as intentional divestments driven by underperformance. Additionally, limited distributions to paid-in capital (“DPI”) have constrained new allocations, as managers have been slow to liquidate assets over the last 12-24 months while waiting for a market recovery.

The current level of under allocation indicates substantial runway for renewed investment activity, with institutions positioned to accelerate their pace of deployment over the next several years. Investors responding to the survey are optimistic about the near-term opportunities in the market. *One Insurance Company, based in the Americas, commented that the “current environment presents a good investment vintage with likelihood of growth and appreciation.” Another Insurance Company based in the Americas commented that the market presents an “attractive entry point, given clarity on underlying fundamentals for each real estate sector.”*

This environment allows investors to be thoughtful in their deployment planning, reassessing sector exposures and capitalizing on dislocation across property types. *For example, while School Employees Retirement System of Ohio (“Ohio SERS”) is planning to reduce its overall real estate allocation in favor of infrastructure, the pension has indicated plans to redeploy liquidity into new real estate strategies within residential and niche property types.*[12] More broadly, institutions appear to be re-entering a period of active portfolio management, with renewed emphasis on targeted sector exposures rather than broad beta plays. As liquidity conditions stabilize, selective commitments to income-resilient sectors such as housing and logistics are expected to define the next phase of institutional pacing plans.

[12] Peterson, Jon. “Ohio SERS requests $218m in real estate fund redemptions.” IPE Real Assets Daily News. July 2025.

Exhibit 11: Institutions Above and Below Target Allocations, 2023-2025



The percentage of investors that report being overallocated to real estate has steadily declined over the last three years, with 23% of survey respondents reporting overallocation in 2025, down from 39% in 2023. Approximately 40% of investors responding to the survey report being under allocated to real estate, compared to 48% in 2024 and 35% in 2023.

Exhibit 12: Actual vs. Target Allocations, By Region of Institution

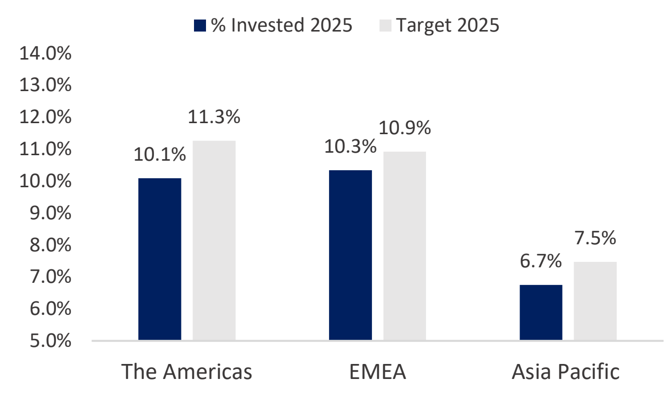
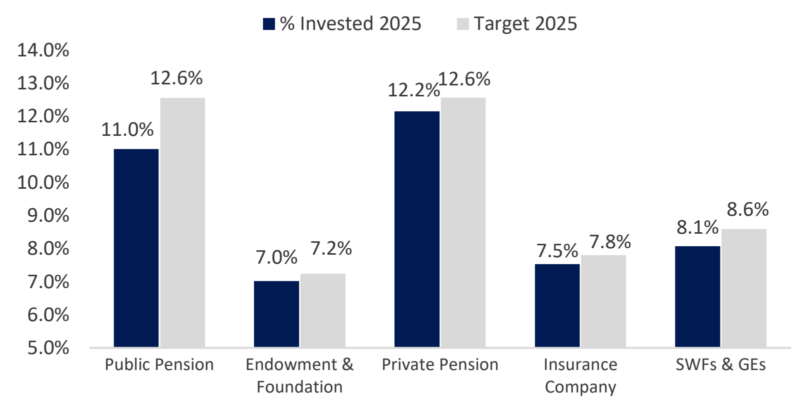


Exhibit 13: Actual vs. Target Allocations, By Type of Institution



Current Investments and Target Allocations by Location and Size of Institution

Institutions in the Americas report being under allocated by the widest gap at 120 bps in 2025, with a target of 11.3% and actual allocation of 10.1%. This under allocation may be attributed to a larger exposure to U.S. public equities, which have demonstrated particularly strong performance over the past several years. APAC-based institutions report an under allocation of approximately 80 bps, while EMEA-based institutions reported the smallest margin of under investment at 60 bps.

Current Investments and Target Allocations by Type of Institution

Across the board, all types of institutions report being under allocated to real estate, with Public Pensions reporting the largest gap at 160 bps and Endowments & Foundations with the narrowest gap at 20 bps.

California State Teachers' Retirement System ("CalSTRS"), the second largest pension fund in the United States, releases quarterly portfolio updates which demonstrate the dynamic impact of the denominator (and numerator) effect. Based on public disclosures, CalSTRS's allocation to real estate trended from 12.9% in Q4 2021 to a peak of 17.2% in Q3 2022; a period during which the Dow Jones Industrial Average ("DJIA") declined ~20%, while the NCREIF Fund Index–Open End Diversified Core Equity ("NFI-ODCE") delivered a total positive return of 12.4%. Since Q3 2022, CalSTRS's actual allocation has trended down to 12.8%, 220 bps below its target of 15%.[13] This has coincided with the continued strong performance of public equities since Q3 2022

[13] Reported on September 30th, 2025.

and write-downs in real estate portfolios as demonstrated by the NFI-ODCE, which delivered a cumulative negative return of ~21% through trough in Q2 2024. *In a September 2025 CalSTRS board meeting, real estate consultant RCLCO Fund Advisors' CEO, Taylor Mammen, told the board that while industry headwinds – particularly in the office market – led to a several-year deterioration of values, there are signs of a rebound after a valuation low point that the market hit last year." Mammen continued to note, "[RCLCO's] view is that there's an opportunity in real estate at a time when CalSTRS has dry powder to invest in it … We'd even say at this point in time, there's some urgency to do so."*[14]

Exhibit 14: Indexed Returns for DJIA and NFI-ODCE, EOQ Q4 2021 to EOQ Q2 2025[15]

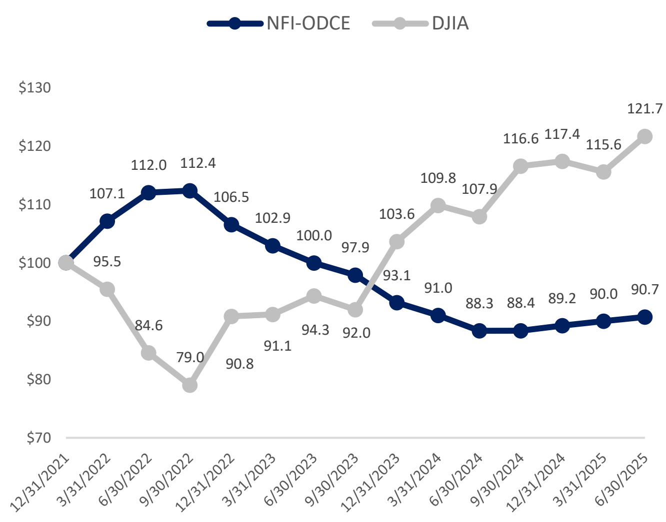
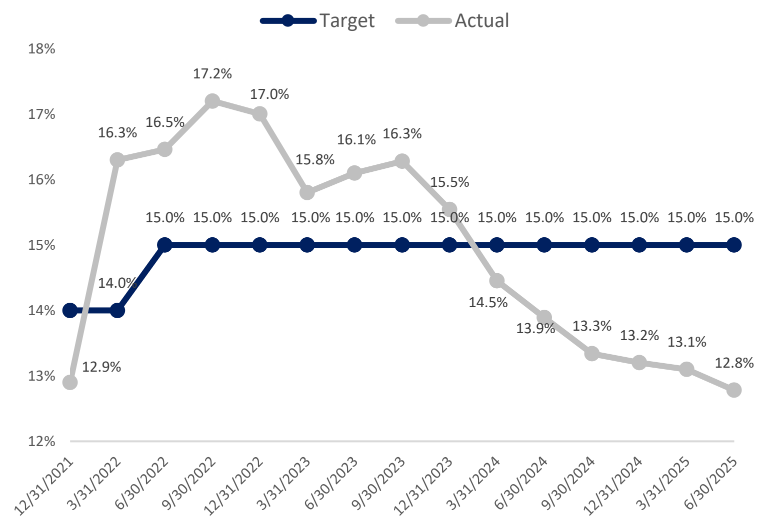


Exhibit 15: CalSTRS Real Estate Portfolio Allocation, Actual vs. Target, EOQ Q4 2021 to EOQ Q2 2025[16]



[14] Jonson, Brett. "CalSTRS' real estate consultant urge deployment into valuation-reset market." PERE, September 2025

[15] National Council of Real Estate Investment Fiduciaries (NCREIF).

[16] Based on public disclosures.

Historical & Target Returns

Institutional real estate portfolios saw a modest rebound in returns in 2024, though performance continues to lag target returns.

	Target Return	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 2012	Actual 3-Year Avg.	Actual 5-Year Avg.	Actual 10-Year Avg.
All Institutions	8.4%	1.4%	-1.4%	9.5%	17.1%	5.9%	8.5%	8.8%	9.1%	8.7%	11.0%	11.8%	10.8%	9.6%	3.2%	6.5%	7.9%
By Type																	
Public Pension	7.7%	0.1%	-5.1%	10.9%	19.2%	5.4%	8.3%	8.4%	9.2%	8.8%	11.6%	11.7%	10.0%	10.3%	2.0%	6.1%	7.7%
Endowment & Foundation	9.0%	0.1%	0.6%	11.8%	18.0%	7.5%	8.0%	9.1%	8.9%	9.1%	10.9%	13.0%	13.9%	9.3%	4.2%	7.6%	8.4%
Private Pension	8.4%	3.7%	-1.4%	7.8%	16.8%	4.8%	9.4%	9.0%	8.9%	8.2%	11.2%	12.6%	10.5%	9.1%	3.4%	6.4%	7.8%
Insurance Company	8.2%	4.6%	0.6%	6.4%	12.4%	6.3%	10.2%	8.7%	9.9%	9.1%	9.6%	8.3%	7.3%	6.8%	3.9%	6.1%	7.8%
SWFs & GEs	10.6%	2.4%	3.2%	8.7%	9.3%	5.8%	7.9%	9.3%	8.9%	8.1%	10.0%	11.4%	11.4%	14.4%	4.8%	5.9%	7.3%
By Location																	
The Americas	9.1%	0.3%	-2.3%	10.7%	19.2%	5.5%	8.6%	9.2%	9.3%	8.7%	11.7%	12.6%	12.5%	10.6%	2.9%	6.7%	8.1%
EMEA	7.3%	3.5%	-2.5%	5.8%	13.7%	6.2%	8.3%	7.5%	8.5%	8.4%	9.5%	10.4%	6.2%	5.9%	2.3%	5.4%	6.9%
Asia Pacific	7.3%	2.7%	4.0%	9.2%	10.4%	7.8%	8.3%	9.1%	9.1%	9.2%	10.0%	9.5%	9.3%	9.4%	5.3%	6.8%	8.0%
By Size																	
Greater than US$50 billion	8.3%	0.8%	-2.8%	8.6%	18.6%	4.2%	8.4%	9.2%	9.6%	9.4%	11.2%	11.1%	10.1%	10.2%	2.2%	5.9%	7.7%
Less than US$50 billion	8.4%	1.6%	-0.9%	9.9%	16.7%	6.2%	8.5%	8.7%	9.0%	8.6%	11.0%	12.0%	10.9%	9.5%	3.5%	6.7%	7.9%

Institutional portfolios delivered a return of 1.4% in 2024, marking a modest recovery from the -1.4% return reported in 2023. Portfolio challenges have persisted over the past couple of years, as portfolio valuations have experienced write downs despite reasonably solid operating performance. Institutions expect more favorable returns over the next few years, as valuations seem to have hit an inflection point. *This sentiment was echoed by Callan in a recently published market update where the firm noted that "valuations appear to have bottomed…. Investors and managers are adapting to higher financing costs, with pricing reflecting increased borrowing rates." Furthermore, "U.S. private real estate showed signs of early-stage recovery in 2Q25, as most property types saw appreciation returns – apart from Office and Hotel."*[17]

In recent years, institutional real estate portfolios have underperformed relative to target returns. On a trailing 10-year basis, returns have averaged 7.9%, 50 bps below investor's target return of 8.4%. Underperformance is more pronounced on a 3- and 5-year trailing average, at 3.2% and 6.5%, respectively – largely influenced by the returns reported in 2023 and 2024. Since survey inception, actual returns have averaged 8.5%, outperforming the long-term average target return by 10 bps. Notably, real estate performance across leading investment institutions continues to lag compared to other asset classes. *CalSTRS's real estate portfolio recorded a -9.7% return for its 2024 fiscal year and was its weakest performing asset class, with public equities and fixed income reporting returns of 16.9% and 2.0%, respectively.*[18] *The performance of CalSTRS's real estate portfolio appears to have stabilized this year, with a reported return of -3.25% for the 12-months ending June 30, 2025 and a 0.55% gain in Q2 2025, as reported in the most recent Investment Committee Semi-annual Activity Report.*[19] *Other large institutions are reporting a return to positive performance, including Norges Bank Investment Management, which reported a return of 4.0% over the same 12-month period.*[20]

[17] Callan Staff. "Real Estate Sectors Stabilize as Infrastructure Investment Remains Resilient." Callan, August 2025.
[18] Peterson, Jon. "CalSTRS's real estate portfolio underperforms benchmark with -3% return". IPE Real Assets Daily News, August 2025.
[19] CalSTRS Staff. "Investment Committee Semi-annual Activity Report." CalSTRS, September 2025.
[20] Norges Bank's Executive Board. "Half-year Report 2025." Norges Bank Investment Management, August 2025.

Regional differences in returns are pronounced, with institutions in the Americas posting the lowest average annual return at 0.3%, despite carrying the highest target return of 9.1%. Institutions in EMEA reported the highest average return in 2024 at 3.5%, reversing two years of underperformance relative to peers in the Americas and APAC and suggesting that EMEA may be more advanced in terms of its real estate recovery. *The European Central Bank's continued rate cuts – with its key facility rate at 2.00% as of October 2025 – largely contrasts with the Federal Reserve's monetary policy, with the federal funds rate at 4.25%.*[21,22] *Further, prime office and shopping center valuations rose in Europe for the first time in 2 years in 2024, signaling a positive shift at the asset level.*[23] Interestingly, real estate returns for APAC-based institutions have remained positive (though moderate), over 2023 and 2024.

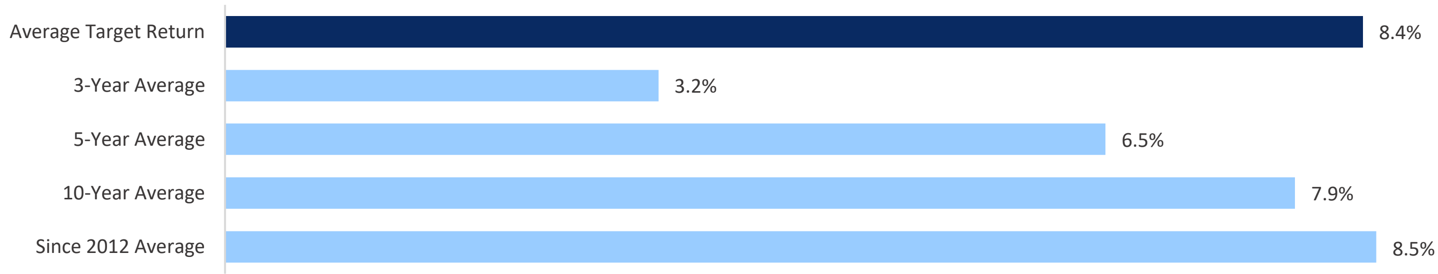
Exhibit 16: Actual Return Quartiles 2025, By Type of Institution

Quartile	Endowments & Foundation	Private Pension	Public Pension	Insurance Company	SWFs & GEs	All Institutions
1st Quartile	3.2%	6.1%	3.6%	6.3%	4.4%	4.8%
Median	-0.2%	3.5%	-0.4%	3.9%	2.3%	2.2%
Mean	0.1%	3.7%	0.1%	4.6%	2.4%	1.4%
3rd Quartile	-3.4%	0.2%	-3.2%	2.4%	0.6%	-1.9%

Performance dispersion was wide across investor types in 2024, reflecting differences in portfolio composition and strategy. Insurance Companies achieved the strongest results in 2024 with an average return of 4.6%, with even-bottom quartile performers posting positive returns at 2.4%. Conversely, Public Pensions and Endowments & Foundations posted average near-flat returns of 0.1%; while on a third-quartile basis, returns averaged -3.2% and -3.4%, respectively. The outperformance in insurance portfolios may be attributed to more conservative portfolio positioning, including lower leverage, or more defensive sector exposures.

Despite underperformance relative to benchmarks, there are signs of stabilization across the real estate market. The NFI-ODCE Index has now reported four consecutive quarters of positive performance, most recently reporting gross returns of 1.03% in Q2 2025, suggesting a rebound.[24] *Reflecting this sentiment, one U.S. based pension fund has observed that "the commercial real estate cycle has appeared to bottom out," underscoring a growing sense of cautious optimism among investors.* At the same time, transaction activity is picking up, which will help support distributions and provide LPs with the opportunity to reset their exposure to poorly performing legacy vintages. *According to PREA's Winter 2025 Quarterly feature, transaction volumes appear to have bottomed out in 2023, increasing nearly 10% year over year in 2024. While assets acquired during the 2020–2022 vintages remain behind pace on sales, the pickup in transaction activity points to a gradual normalization in distributions.*[25] Notably, investment activity is expected to grow 8 – 10% across the asset class this year.[26]

Exhibit 17: Average Target Return vs. Average Actual Returns, All Institutions

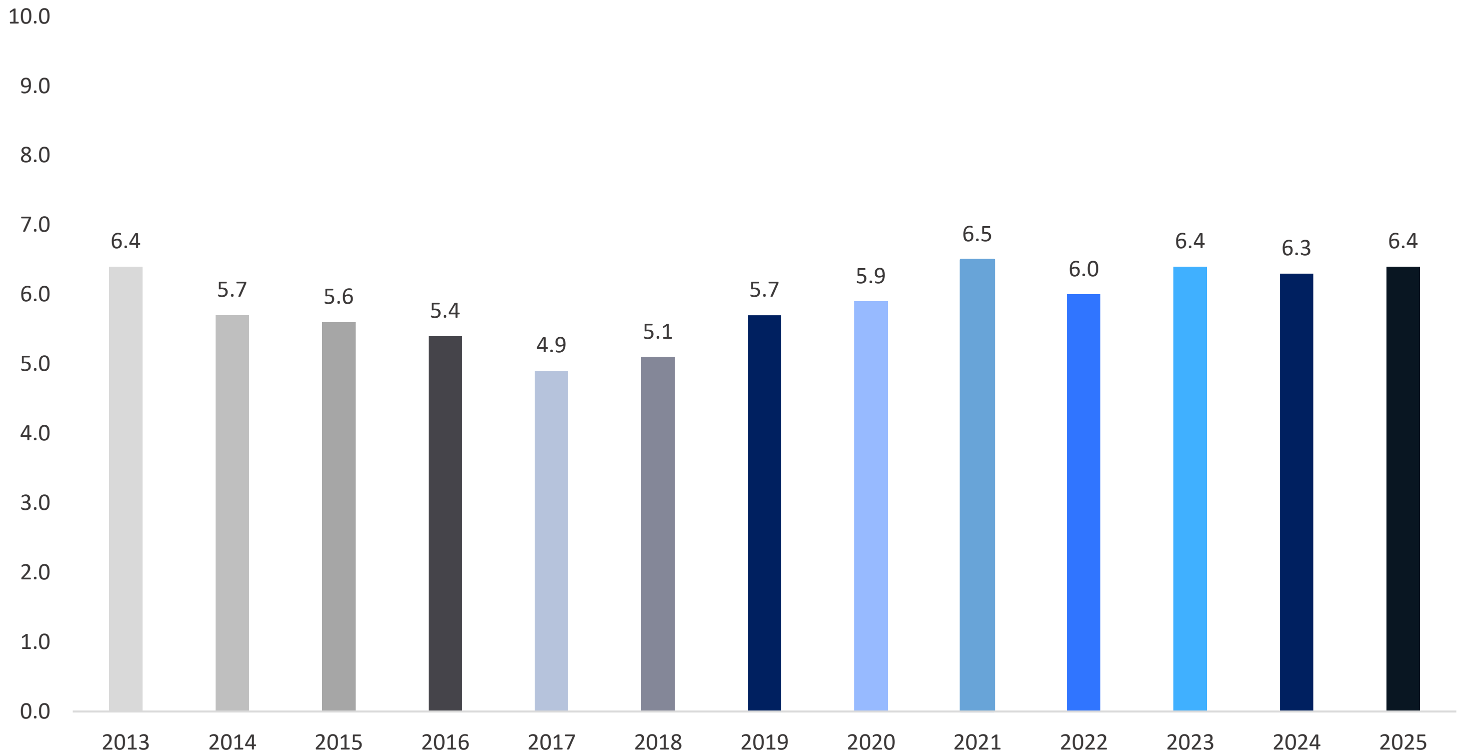


[21] Key ECB interest Rates, European Central Bank, October 2025.
[22] Selected Interest Rates, Federal Reserve, October 2025.
[23] Oliver, Joshua. "Prime UK office and shopping centre values rise for first time in 2 years." Financial Times, November 2024.
[24] National Council of Real Estate Investment Fiduciaries (NCREIF).
[25] McKnight, Margaret; Ptacek Liz; Zhang Laura. "No One Else to Blame: Without Distributions, Funds Can't Raise Capital." PREA Quarterly Feature, Winter 2025.
[26] Smithberg, Kristen. "CRE Investment Activity Expected to Rise by 10% This Year, Says CBRE." Pension Real Estate Association, August 2025.

Conviction Index

Conviction trending positive, with a slight year over year improvement, as institutions express optimism about investment opportunities over the next several years.

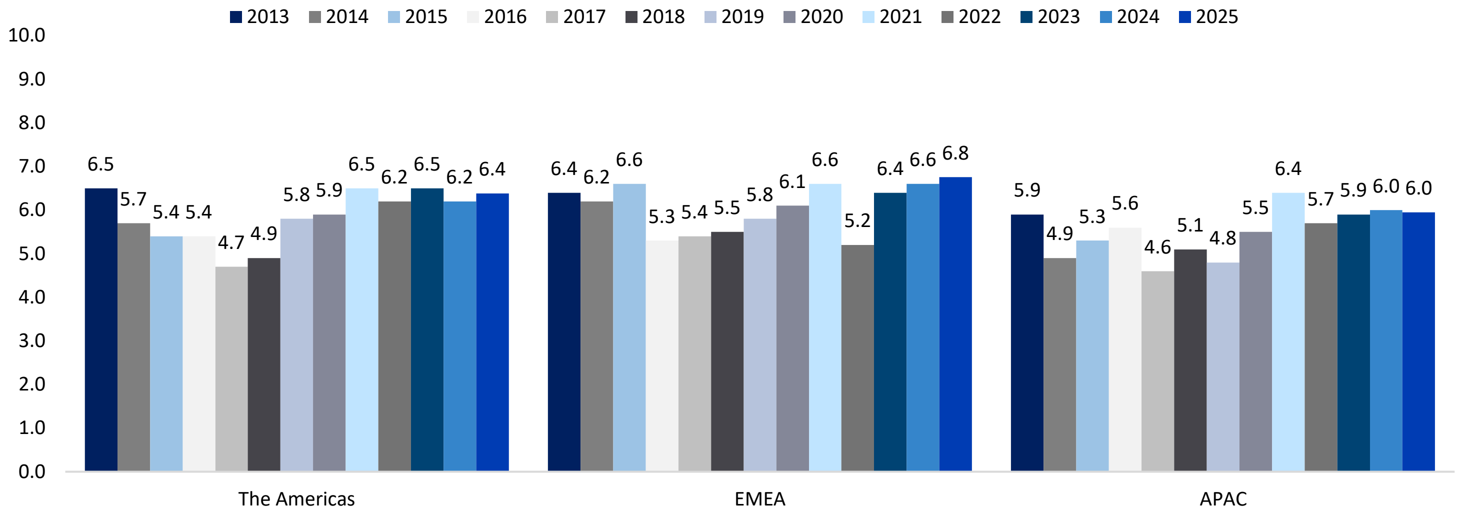
Exhibit 18: Conviction Index, All Institutions



The Real Estate Allocations Monitor asks investors to rate on a scale of one to ten their view of the investment opportunity in real estate from a risk/return perspective (one being the least favorable, ten being the most favorable). While investors reported a significant increase in conviction in 2023, conviction declined in 2024. This year, conviction trended up to an average of 6.4 (just short of the prior peak in conviction in 2021 of 6.5). While concerns around geopolitical risks, inflation, and interest rates weighed on sentiment, investors are finding comfort in real estate as a ballast to their broader portfolios against the backdrop of potential market volatility. In recent months, macroeconomic conditions are showing signs of stabilization. The headwinds of inflation, elevated interest rates, and muted transaction volumes in 2024 have begun to ease, and investors are entering the second half of 2025 with renewed clarity on the direction of the economy in a post-Liberation Day environment. As the uncertainty that previously weighed on capital flows recedes, investors that had remained largely on the sidelines over the past 24 to 36 months are beginning to rebuild their real estate investment pipelines in anticipation of deploying capital in late 2025 and into 2026.

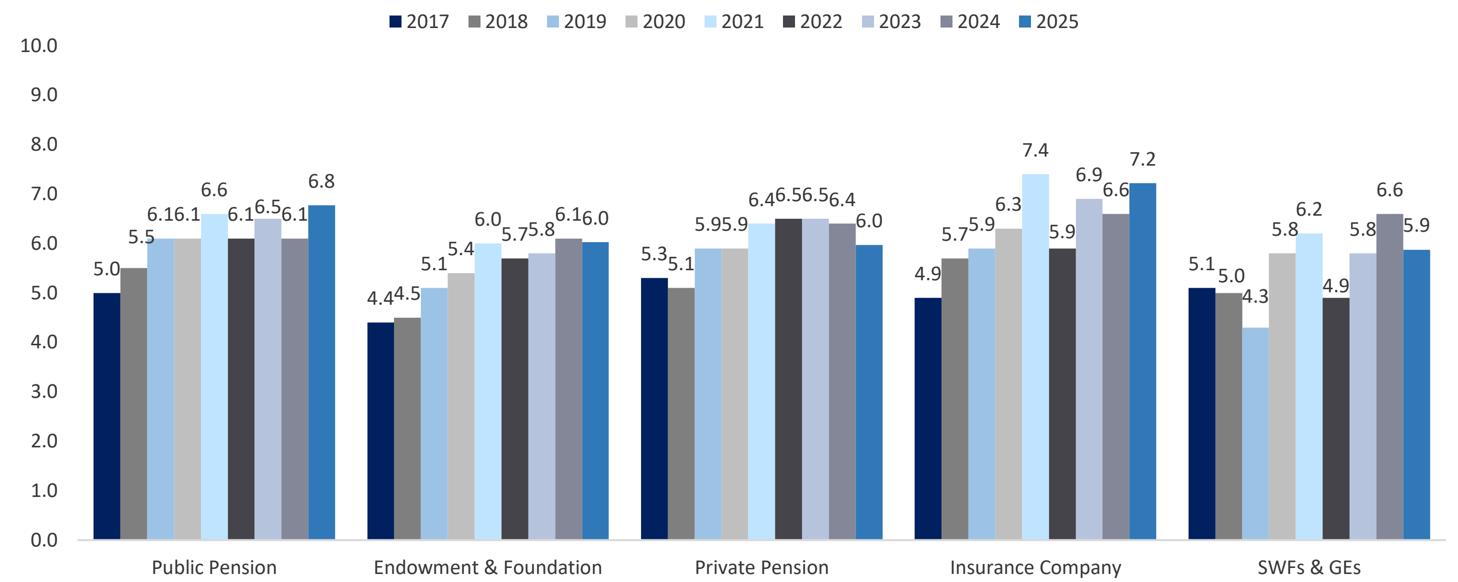
Institutions that have weathered several years of economic turbulence, from the COVID-era slowdown to prolonged rate uncertainty and, more recently, tariff-related impacts, continue to reaffirm the long-term value of real estate within diversified portfolios. *A Canadian Public Pension summarized its outlook succinctly: "Head down, think long term."* However, investors remain mindful of lingering challenges and are approaching the current market with measured caution. *Reflecting this sentiment, an EMEA-based Public Pension cited "macroeconomic tensions, weakening jobs data in the U.S., rate cuts started in the U.S., [and] high currency volatility mostly impacting the U.S. and APAC," signaling a reserved stance toward further overseas capital deployment. In a recently published report, Hamilton Lane commented that they are "seeing multiple trends emerge in real estate that have formed our positive views on the current environment including a healthier capital markets environment, increasing* *transaction activity, decreased bid/ask spreads, rapidly slowing new construction and attractive returns in the public REIT market."*[27]

Exhibit 19: Conviction Index, By Location of Institution



Conviction has continued to trend up year over year for both EMEA-based institutions, and institutions based in the Americas, which reported conviction scores of 6.8 and 6.4, respectively. This increase in conviction in the Americas, which followed a decline in conviction in 2024, may be attributed to more clarity on the direction of interest rates, as the Federal Reserve began signaling additional rate cuts in Q3 2025, and the moderation of the broader uncertainty around tariffs' effect on the global economy. Institutions in the APAC region reported the lowest conviction score of 6.0, which did not change from 2024.

Exhibit 20: Conviction Index, By Type of Institution

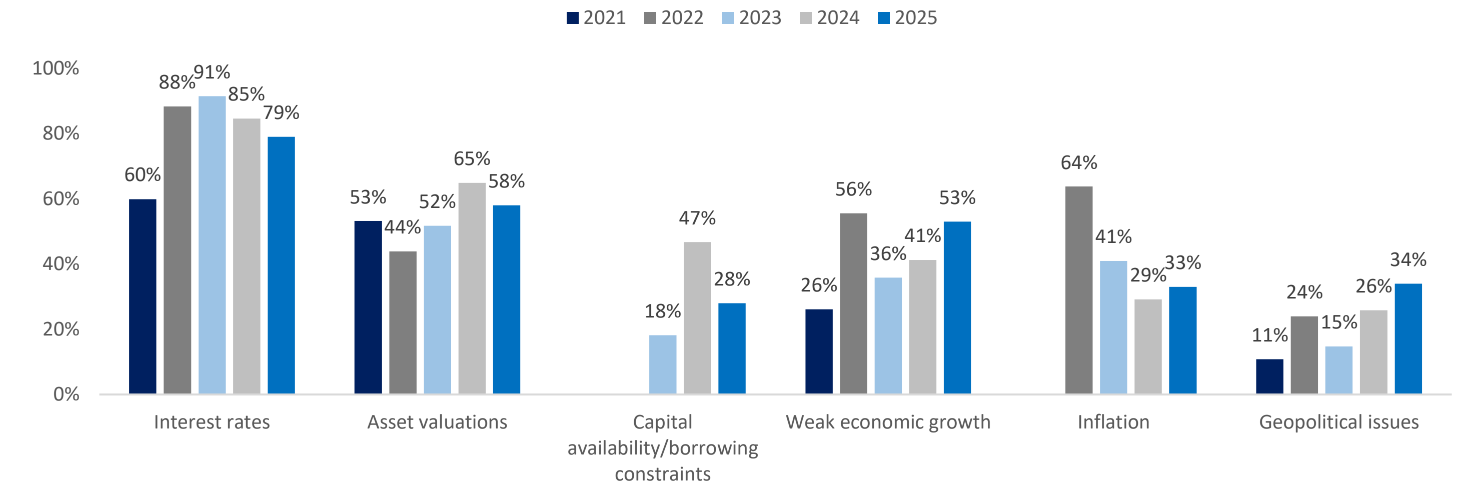


Insurance Companies and Public Pensions report the highest level of conviction at 7.2 and 6.8, respectively. Endowment & Foundations, Private Pensions, and SWFs & GEs demonstrated a decrease in conviction year over year. SWFs & GEs reported the greatest decline in conviction, with a 70 bps change from 2024 to 2025, while Public Pensions reported the highest increase in conviction with a 70 bps change for the same period. *As reported in Invesco's Global Sovereign Asset Management Study published in Q3 2025, sovereign wealth funds' allocations to real estate have continued to decline, as they recalibrate their*

[27] Hamilton Lane Staff. "Real Estate Market Overview 2025." May 2025.

allocation strategies in a more fragile environment. Many sovereign investors have pivoted away from real estate and towards a "reprioritization of fixed income, greater emphasis on liquidity, and a growing role for private credit", underscoring a broader erosion of conviction in the asset class among this investor type.[28]

Exhibit 21: Real Estate Investment Risks, 2021 – 2025*



**Please note that institutions were not asked about capital availability & borrowing constraints in the 2021 or 2022 Institutional Real Estate Allocations Monitor surveys nor about inflation concerns in 2021.*

When asked what risks are expected to have the greatest impact on investment decisions in 2025, interest rates remained the single greatest concern, albeit less so than in each of the past two years. Asset valuation levels remain the second biggest concern, although the level of concern has also decreased in significance year over year (58% of institutions, down from 65% in 2024). Concerns regarding weak economic growth grew significantly in 2025, at 53% of institutions, up from 41% in 2024.

Exhibit 22: Range of Conviction Index 2024 & 2025, All Institutions

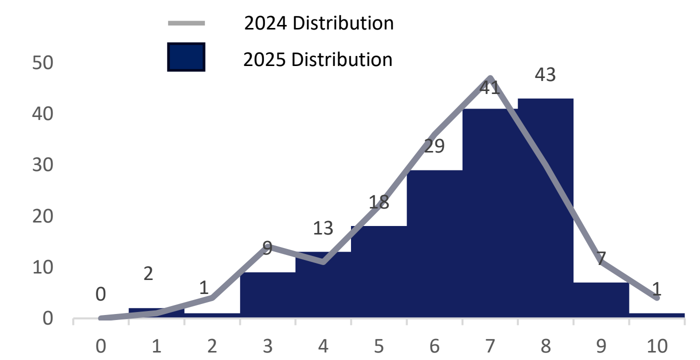
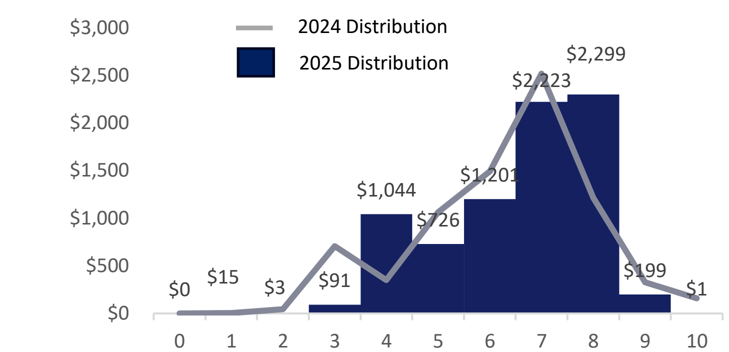


Exhibit 23: Range of Conviction Index 2024 & 2025, By AUM Midpoint (US$ Billions)



"The opportunity is in alternative real estate sectors. Traditional sectors will have a hard time raising capital with competing asset classes."

- Public Pension, EMEA

"Cautious but interesting opportunities ahead"

- Public Pension, The Americas

[28] Invesco. "Global Sovereign Asset Management Study." 2025.

"It seems like a good time…"

- Insurance Company, Asia Pacific

"Within real estate, we think challenges are specific (office, life sciences, etc.), not systemic."

- Foundation, The Americas

"The macroeconomic outlook remains uncertain with ongoing geopolitical conflicts, market uncertainty and tariff impact leading investors to favour lower-risk assets. As a result, the UK real estate investment market is expected to remain challenging in the near term, reflecting this risk-off sentiment. However, [our] high-quality asset base, strong income profile and active management approach positions it well to navigate short-term market volatility."

- Private Pension, EMEA

"Prices are set by capital flows, not fundamentals, and we struggle with asset valuations today in real estate equity markets for the most part"

- Public Pension, The Americas

"It's hard to find bargains in private markets."

- Endowment, The Americas

Third-Party Management

While the share of institutions managing their real estate portfolios exclusively in-house is rising, the vast majority of institutions continue to rely on third-party managers and allocate to commingled funds.

Existing Investments

In line with findings in recent years, nearly two thirds of institutions report outsourcing their entire real estate portfolio to third-party managers. Overall, approximately 90% of institutions report outsourcing all or a portion of their portfolio to third-party managers, while 10% report managing their entire real estate allocation in-house, up slightly from 7% in 2024.

Public Pensions are increasingly internalizing their real estate investment operations. In 2025, 8% of Public Pensions reported managing their entire real estate allocation in-house up from 4% in 2024. In addition to controlling investment decisions, cost efficiencies remain a key objective, with many institutions citing reduced expenses as a primary motivation for bringing investment management in-house. *As an example, earlier this year, New Hampshire Retirement System (NHRS) hired a head of private markets for the first time as part of an initiative to bring a larger share of investment decision-making activities in-house.*[29] Institutions in EMEA are most likely to manage assets in-house, with 61% of institutions in the region reporting they manage all or a portion of their portfolios in-house, compared to 32% in APAC and 25% in the Americas.

Future Allocations

Allocations to existing manager relationships remained largely consistent in 2025, with a slight increase to 65% from 64% in 2024. However, in 2025, 26% of institutions anticipate that they will allocate capital to new manager relationships, representing an increase from 22% in 2024. This paired with under allocation may lead to a more constructive fundraising environment, as investors look to refresh manager lineups and replace fund managers that have underperformed over multiple market cycles. It has been noted by several industry participants that investment performance issues are creating significant challenges for "perennial fund raisers" and that similar to post-GFC, the industry is seeing "falling stars" being replaced by new manager relationships.

As institutions continue to face resource constraints and seek greater efficiency, many are opting to streamline their

Exhibit 24 Percentage of Portfolio Outsourced to Third-Party Managers, All Institutions

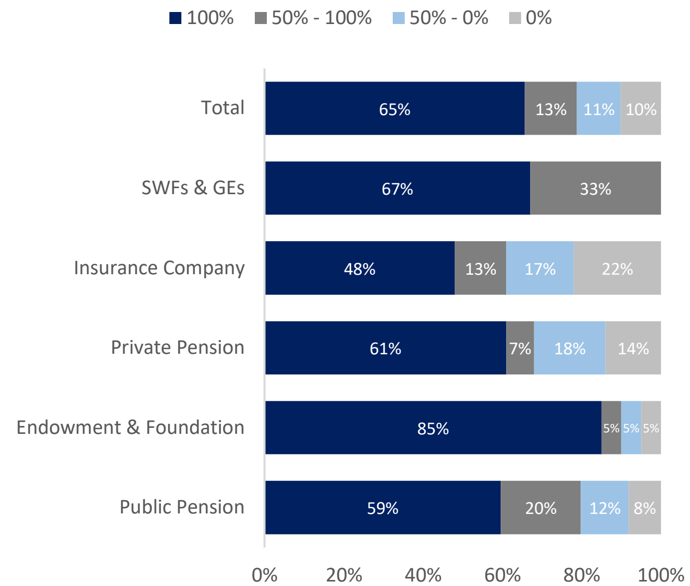


Exhibit 25: Allocations to Managers in 2025, All Institutions

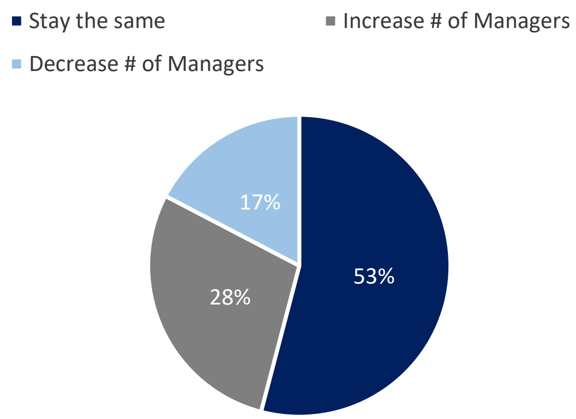
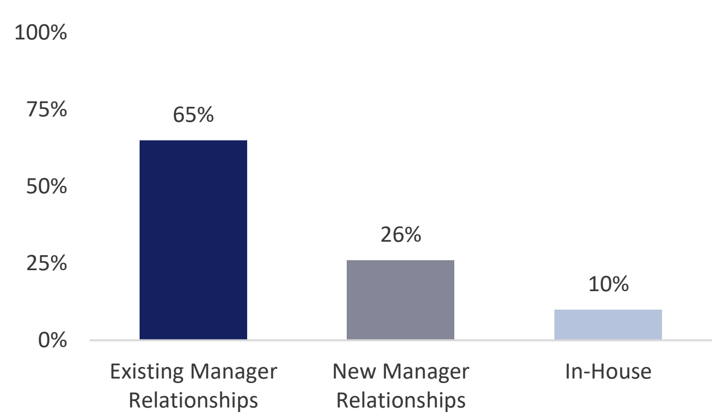


Exhibit 26: Estimated Breakdown of 2026 Investments, All Institutions



[29] Persall, Kali. "New Hampshire Retirement System brings on Danita Johnson as head of private markets." July 2025.

portfolios and concentrate commitments with fewer managers. Approximately 17% of participants expect to decrease the number of managers in their portfolios in the near term, a figure that has continued to rise from 8% in 2022. Echoing this trend of consolidation, approximately 28% of participants indicated plans to increase their roster of managers over the next 12 months, down from 41% in 2021. *Large scale managers continue to attract an increasing share of institutional allocations; in 2025, the ten largest real estate private equity managers represented 37% of all capital raised by the top 100 managers, marking a five year high.*[30]

When evaluating managers, internal rates of return (IRRs) and estimated multiples on invested capital (MOICs) remain important return metrics, but institutions have indicated that distributions to paid-in capital (DPIs) are an increasingly important metric. *As returns continue to remain low, liquidity has become an urgent issue for investors, that need the payouts from older funds to invest in the subsequent vintages of vehicles. Meketa, an investment consulting and advisory firm, now actively takes this into account in its analyses and looks for established private managers with diversified revenue streams to mitigate distribution risk.*[31] Notably, some managers are facing pressure from investors urging them to sell older, stabilized assets to return capital. In many cases, this has resulted in lower-return realizations, which could weigh on managers' track records as they return to market with new vehicles.

Emerging managers continue to face significant headwinds in attracting institutional capital, with execution and dispersion risk keeping the bar for first-time funds especially high. In 2025, only 9% of institutions indicated a willingness to invest with first-time fund managers, down from 13% in 2024. With investors underlining an emphasis on track record, institutions have a difficult time pushing emerging managers through their investment processes. *TPG Next, which is San Francisco-based alternative asset manager TPG's platform for backing emerging and underrepresented managers, has experienced a very difficult year fundraising for emerging managers. "There have been declines of overall capital formation, and unfortunately, the reduction in capital availability has disproportionately hurt new firms," said Pamela Pavkov, partner and managing director at TPG Next. "We are acutely worse off as allocators in weaker fundraising environments like this one."*[32]

[30] Connery, Harrison. "When Real Estate capital formation became bigger and broader," PERE, July 2025.
[31] Connery, Harrison. "Deep Dive: The performance metric that has become 'top of mind,'" PERE, October 2025.
[32] Connery, Harrison. "TPG Next's Pavkov: 'We are acutely worse off as allocators," PERE, July 2025.

Risk Preferences

Investors continue to favor value-add strategies, though appetite for core and core-plus strategies has increased.

Exhibit 27: Risk Preference, All Institutions

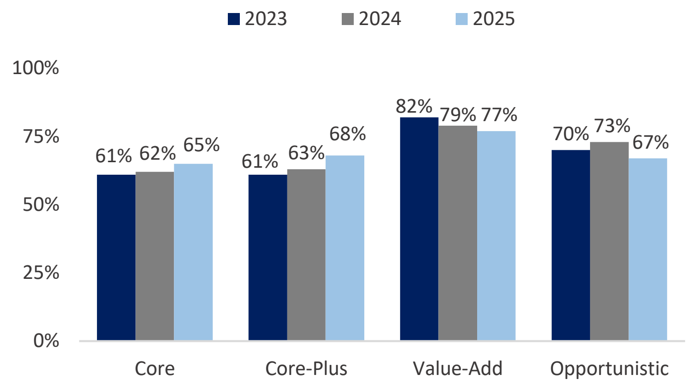


Exhibit 28: Risk Preference, By Location of Institution

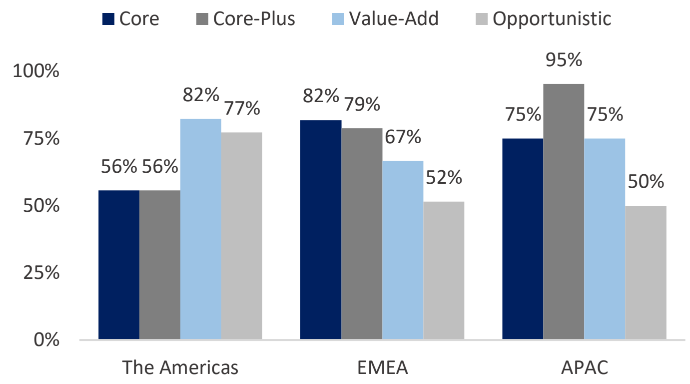
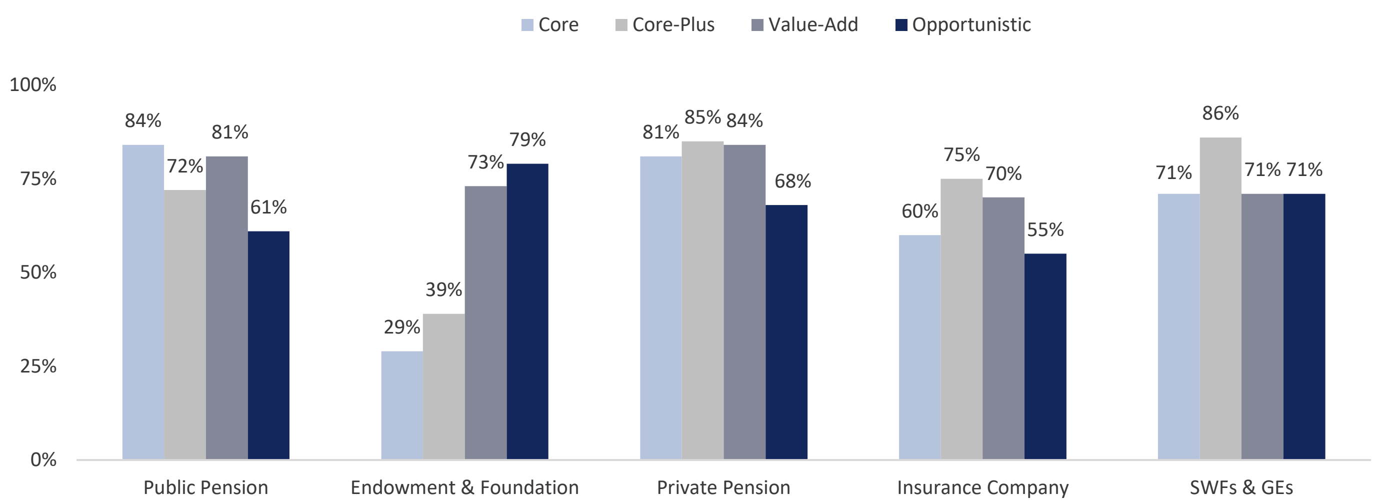


Exhibit 29: Risk Preference, By Type of Institution



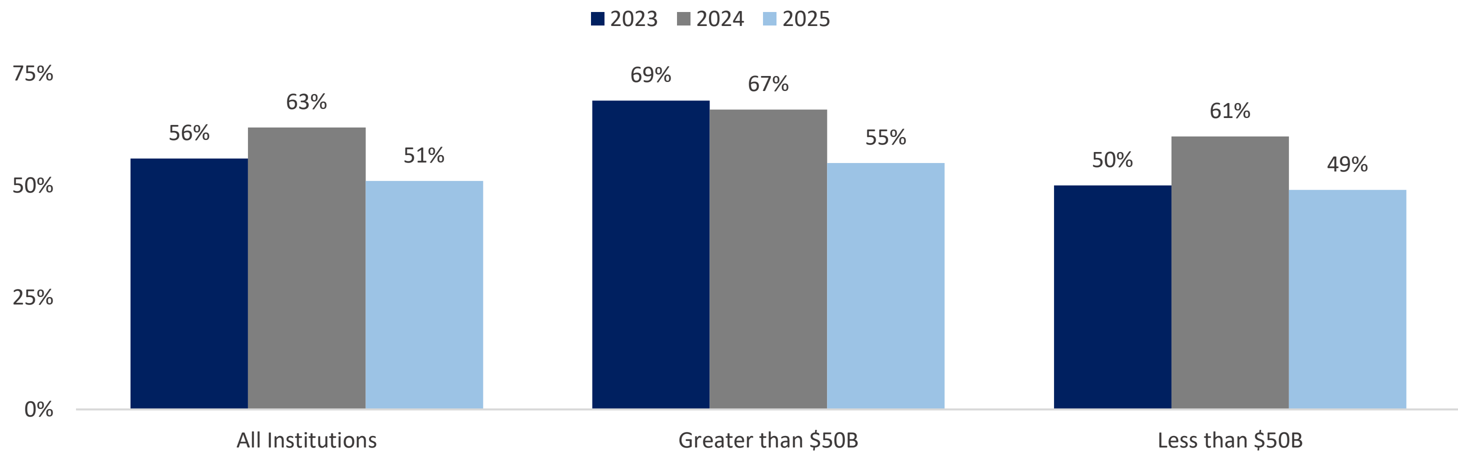
Institutions continue to show strong appetite for higher-returning strategies. However, the gap in preference versus lower-risk investments has narrowed considerably, suggesting that investors are taking a more measured approach to risk as markets show signs of stabilization. In 2025, value-add remains the most favored strategy, with 77% of respondents planning to actively allocate capital. Value-add is followed by core-plus at 68%, opportunistic at 67%, and core at 65%. The percentage of institutions planning to invest in core-plus strategies rose from 63% in 2024 to 68% in 2025, while the percentage planning to invest in opportunistic strategies declined from 73% to 67%, further underscoring a more balanced approach to risk. The shift towards core and core-plus strategies can be attributed to sentiment that valuations have bottomed.

As noted in past reports, there are significant differences in portfolio composition and risk tolerance by region. Institutions in the Americas continue to show the greatest appetite for value-add and opportunistic strategies, with 82% and 77% of investors in the region, respectively, planning to allocate to such strategies. Investors in APAC show the greatest appetite for core-plus strategies, with 95% intending to invest, compared to 56% in the Americas and 79% in EMEA, though many in the APAC region still favor higher-returning strategies, with 75% planning to invest in value-add. Institutions from EMEA remain the most risk-averse, with 82% expecting to allocate to core strategies.

Credit Strategies

Interest in real estate credit moderated in 2025, with 51% of institutions reporting plans to allocate, down from 63% in 2024. Appetite was subdued across both Large Institutions and Small Institutions, suggesting a broad-based shift in sentiment. This reversal follows three consecutive years of growing appetite and reflects several factors, including tightening spreads and signs of stabilization in property values, as well as increased competition from the broader private credit market. Still, many investors continue to view the sector as attractive in the current environment. *Cornelius Belser, Senior Investment Manager at Germany-based BF Capital, noted, "It's not easy to underwrite business plans on the equity side, with a lot of uncertainty and volatility. So real estate debt definitely makes sense in the current market."*[33] *Recent performance data reinforces this sentiment – the NCREIF/CREFC debt fund aggregate generated one-year returns of 6.2% and three-year annualized returns of 4.4%, outperforming the NCREIF Open-End Diversified Core Equity Index, which posted returns of 2.0% and 4.3% over the same periods.*[34] While growth has slowed, private credit remains a compelling option for institutions seeking downside protection and yield in a capital-constrained market across the broader portfolio.

Exhibit 30: Investing in Real Estate Debt, By Size of Institution



[33] Beal, Anna-Marie. "Private real estate debt's stabilizer effect." PERE Credit. August 2025.
[34] Cole, Benjamin. "Equity play. Will equity displace debt at the fore of institutional real estate as the post-pandemic era matures?" IREI, October 2025.

Geographic Preferences

Institutions in the Americas report an increase in cross-border investment activity, whereas APAC- and EMEA-based institutions indicate a decline.

Exhibit 31: Geographic Focus, All Institutions

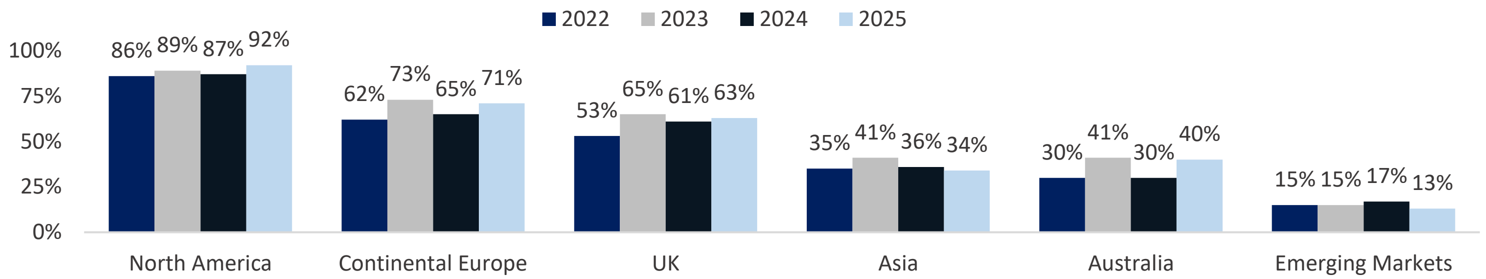


Exhibit 32: Geographic Focus, By Location of Institution

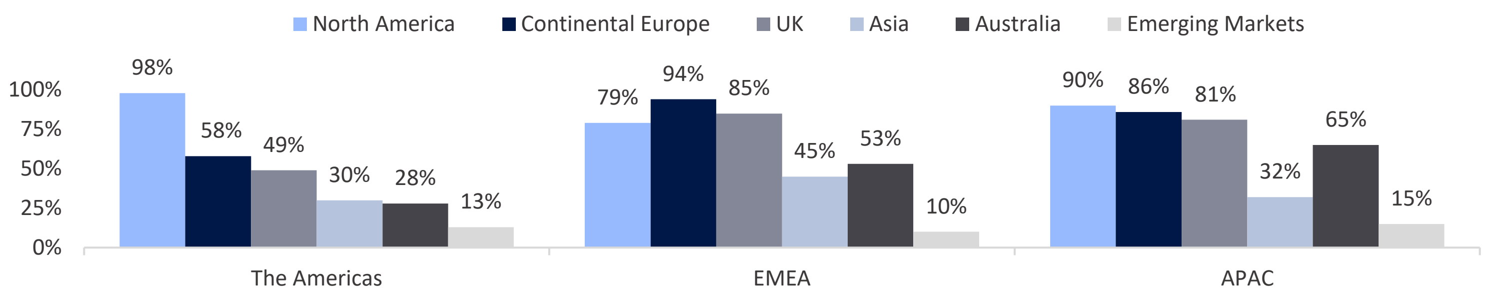
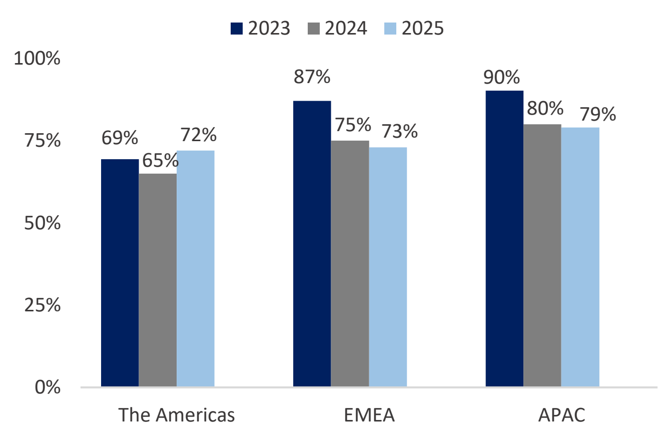


Exhibit 33: Institutions Investing Outside of their Domestic Region, By Location of Institution



North America remains the largest target market for institutional real estate capital flows, with 92% of institutions planning to allocate capital to the region, reflecting the depth of opportunity in the market despite persisting uncertainty. Continental Europe follows at 71%, and the United Kingdom at 63%, with Asia, Australia and emerging markets remaining less favored among institutional investors. Notably, appetite for investments in Australia increased the most year over year, followed by Continental Europe.

The resilience in North America is notable given continued concerns regarding tariffs and geopolitical risk in the U.S., and anecdotal accounts of investors pausing investments to the region. It is important to note that the question on geographic preferences refers to investment intentions over the next 12 months. While there are institutions that are refraining from making investments in the U.S.at the moment, they may begin to allocate to the region again in the near future. *Ben Maslan, managing director for institutional consultant, RCLCO Fund Advisors, says North America – and the U.S. in particular, as it accounts for 90% of the region's overall activity – is a must have for global portfolios. "It's tough to avoid the U.S. market," which is the world's largest at about $5 trillion in value.*[35] In addition, those willing to look past geopolitical tensions and uncertainty in the region may find attractive opportunities. *As Alek Misev, Head of Property at Aware Super, told PERE,"[Pricing in the U.S.] is somewhere near the bottom across all sectors," while limited new development has kept supply constrained and demand relatively healthy. "When those factors are combined with anticipated interest rate cuts, the U.S. is actually looking pretty attractive."*[36]

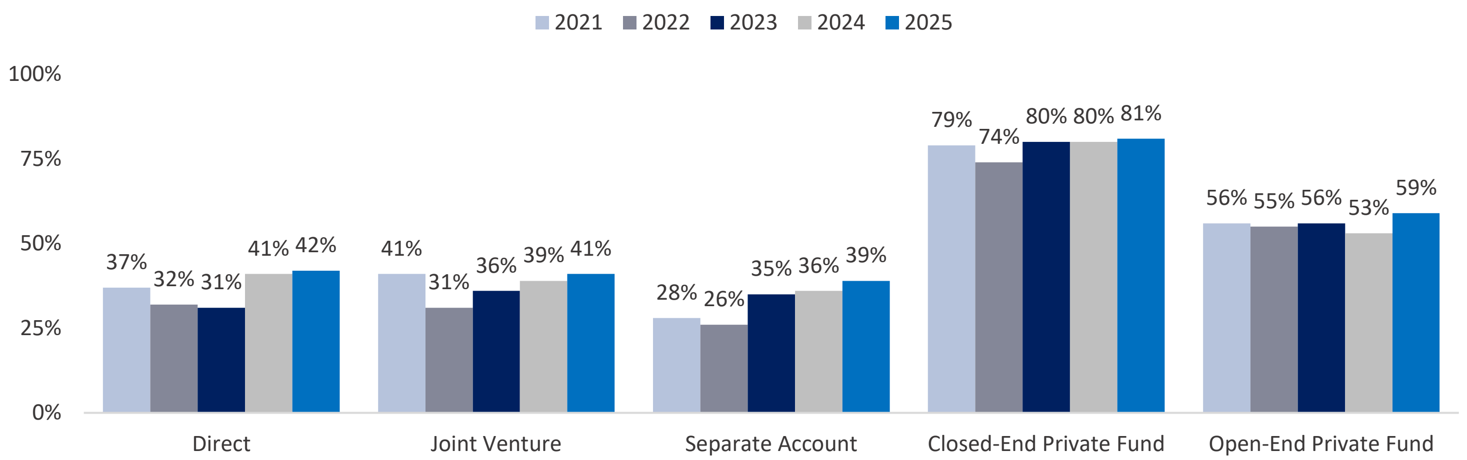
[35] Campbell, Kyle. "North America's decade of record volatility," PERE, July 2025.
[36] Lee, Evelyn. "Aware Super's Misev: 'We're actively looking at the U.S.'". PERE, September 2025.

Approximately 72% of institutions in the Americas plan to make cross-border investments over the next 12 months, up from 65% in 2024. Although many continue to favor domestic markets, access to foreign opportunities has become increasingly attractive for Americas-based investors. This trend is particularly pronounced among Canadian institutions, which have increased cross-border investment activity by nearly 20% year over year. In contrast, institutions in EMEA reported a decline from 87% in 2023 to 73% in 2025, representing a meaningful decline in initiating new outbound investment. Similarly, APAC institutions reduced their ex-APAC allocations from 90% to 79% over the same period. While investors recognize the long-term importance of geographic diversification, many cite macroeconomic uncertainty and elevated hedging costs as reasons for allocating more capital domestically in the near term.

Investment Product Trends

Closed-end funds remain the primary investment vehicle within institutional real estate portfolios, though appetite for structures offering greater investor discretion has increased.

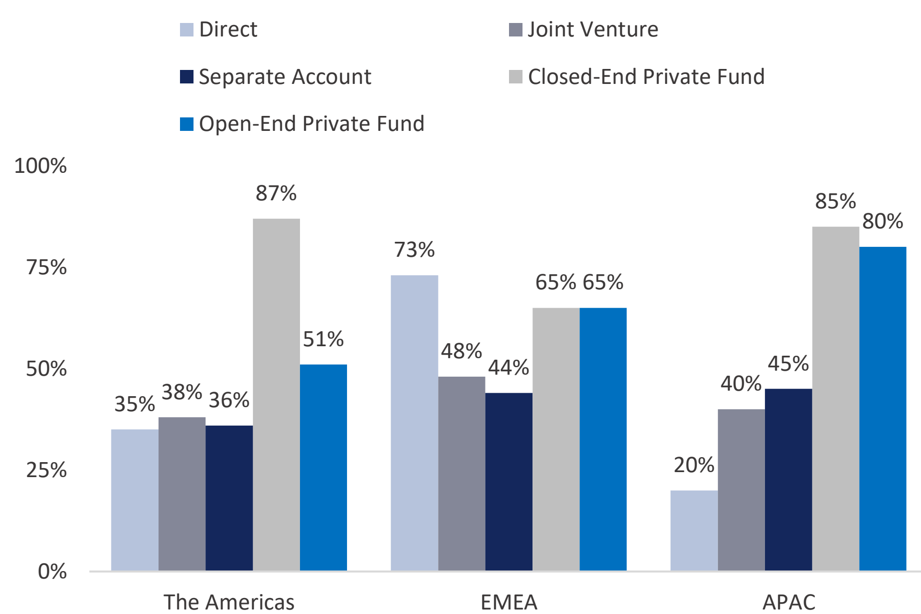
Exhibit 34: Investment Product Preferences, All Institution



Institutional investors continue to favor closed-end private funds as the preferred vehicle for real estate allocations, with 81% of institutions reporting plans to allocate to commingled funds in 2025. The continued strength of closed-end funds highlights investors' willingness to commit to more illiquid vehicles in exchange for access to niche strategies and specialized managers.

At the same time, institutions are seeking greater control and customization in their portfolios. Allocation plans for direct investments, joint ventures, and separate accounts rose to 42%, 41%, and 39%, respectively, in 2025 – a five-year high for each investment product – underscoring the growing appetite for structures that provide more discretion over capital deployment, asset selection, and leverage decisions. These vehicles allow investors to exert greater influence over portfolio composition and governance while maintaining the efficiency and access of working with institutional managers, particularly in the case of joint ventures and separate accounts.

Exhibit 35: Investment Product Preferences, By Location of Institution



Interest in open-end funds increased from 53% in 2024 to 59% in 2025, as perpetual structures continue to attract pension plans and insurance companies seeking long-term, income-oriented exposure. *However, net flows from open-end core real estate funds remained negative in 2024 (at ~$12.9 billion), signaling that, while fund redemptions queues may have peaked, contributions are at cyclical lows relative to historical averages.*[37] *According to Callan, redemption queues were approximately 12.0% of NAV as of Q2 2025, having declined from a peak of 19.3% in Q1 2024.*[38]

[37] McKinsey & Company, Global Private Markets Report 2025.

[38] Callan, Real Estate Market Outlook. August 2025.

Capital Markets and economic uncertainty have weighed significantly on fund raising across the private real estate landscape in recent years. *The PERE Top 100 managers collectively raised $641 billion over the past five years – an 8.3% decline from the prior period – reflecting extended fundraising cycles and heightened selectivity among investors.*[39] Many institutions have reduced re-ups to manage pacing and liquidity, instead concentrating on commitments with their highest-conviction managers. Meanwhile, smaller and mid-sized managers have faced prolonged fundraising timelines, and in some cases, have been forced to merge or pivot towards more niche strategies to stand out and attract institutional capital. This bifurcation underscores a cautious but deliberate capital environment – one where institutions are focusing on fewer relationships and more bespoke investment structures to maintain greater control and better navigate a volatile market.

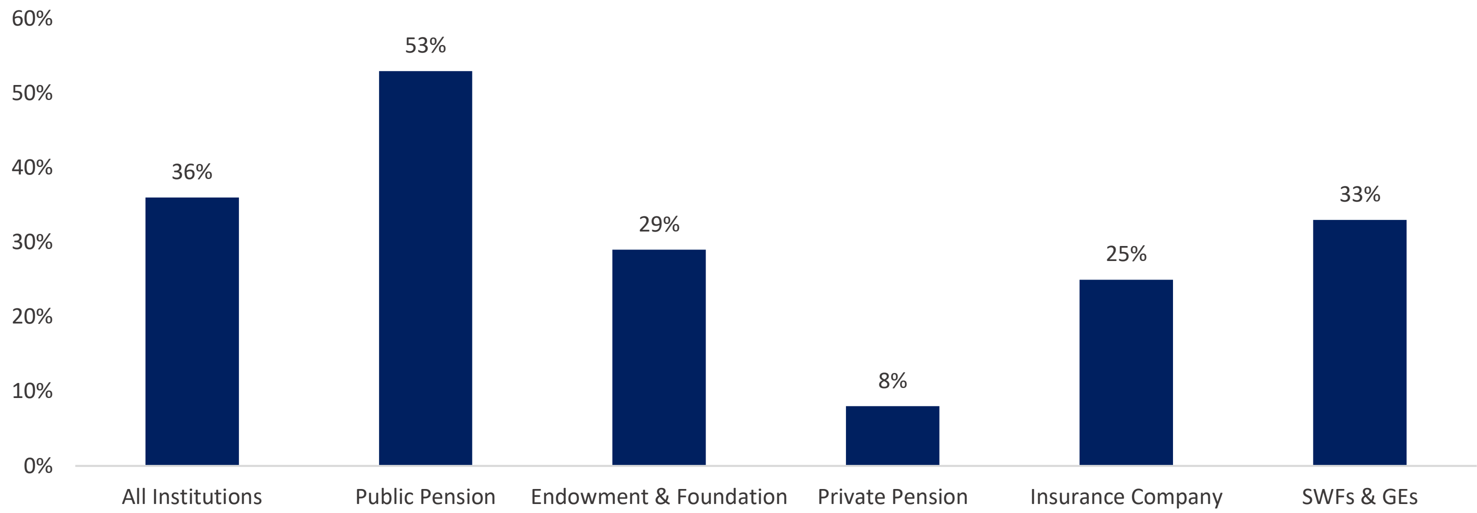
There are, however, early signs of recovery in the fundraising market. *Capital raised for private real estate funds from Q1 to Q3 2025 totaled $164.39 billion, nearly matching 2024's full year total of $167.39 billion and signaling that 2025 is on track to outpace 2024 in terms of full-year fundraising, the first year over year increase since 2021.*[40] This momentum is expected to be further driven by investor sentiment and portfolios facing under allocation.

[39] PERE Staff. "Fundraising woes drag down the PERE 100 and PERE 200." PERE. June 2025.
[40] Ou, Christie; Leow Ping Jer. "Fundraising Report Q3 2025." PERE. October 2025.

Real Estate Investment Trusts (REITs)

REITs remain an important component of institutional real estate portfolios, offering liquidity and access to core strategies.

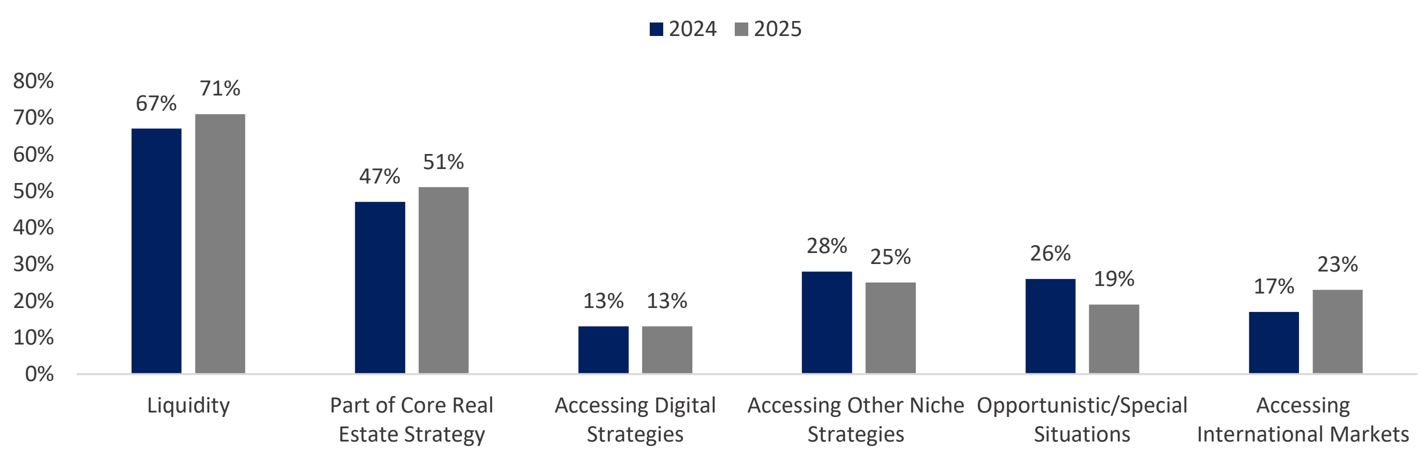
Exhibit 36: Institutions Investing in REITs in 2025, By Type of Institution



REITs and other real estate related public equities continue to comprise an important component of institutional portfolios with 36% of institutions actively allocating in 2025. Consistent with findings in recent years, liquidity remains a key driver for institutions investing in REITs, as approximately 71% of institutions cite liquidity as their primary objective for investment. The liquidity provided by REITs has become increasingly important as private investment vehicles are extending vehicle terms, deferring distributions, and restricting redemptions in response to constrained exit markets. Institutions cited access to core strategies as the second largest driver for investments in REITs.

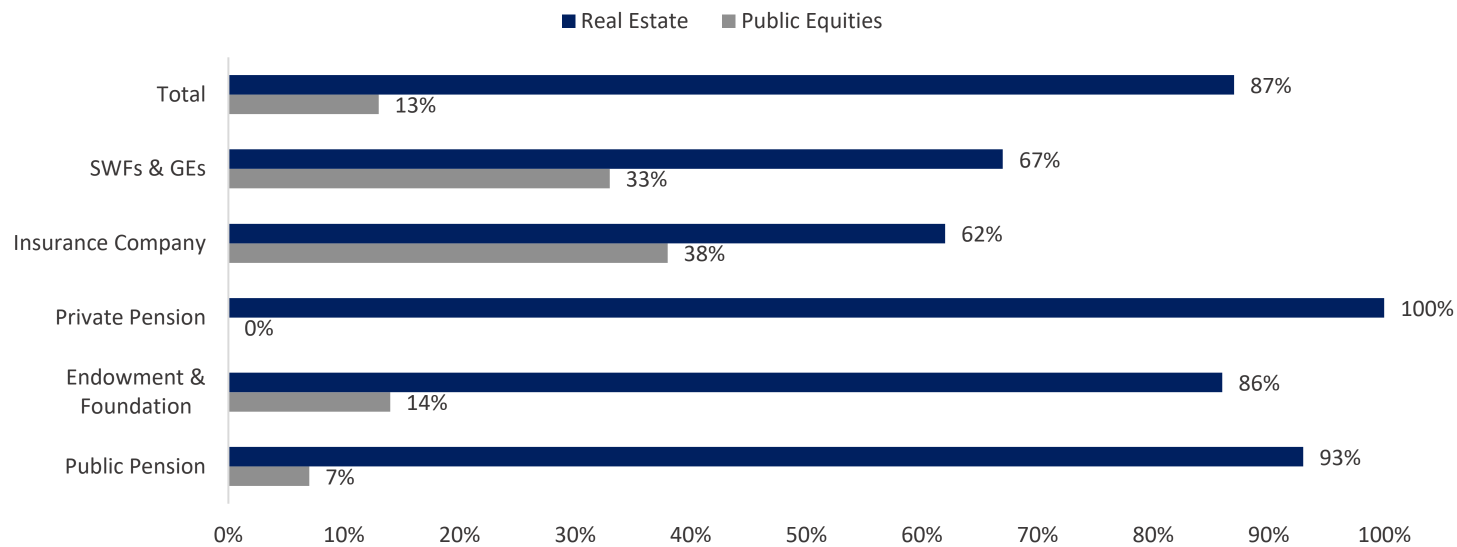
Approximately 19% of institutions reported opportunistic and special situations as a primary objective for allocating to REITs in 2025. In prior years, institutions noted that their REIT investments allowed them to take advantage of pricing dislocation between public and private real estate valuations. However, as pricing visibility returns to the market, such arbitrage opportunities have become fewer and far between. *As noted in the 2024 Allocations Monitor, Teacher Retirement System of Texas ("TRS") committed $400 million for a tactical investment in U.S. public equity REITs, seeking to capitalize on pricing discrepancies between public and private market valuations. The pension subsequently sold its position, yielding a 17.1% IRR with $47 million in profit. In light of this success, the $200 billion pension noted that is not planning any major allocations to publicly listed REITs in the near future.*[41]

Exhibit 37: Reasons for Investing in REITs, All Institutions



[41] Kandell, Jonathan. "REITs Are in a Rut." Institutional Investor. April 2025.

Exhibit 38: Portfolio Allocation for REIT Investments, By Type of Institution



Institutions may invest in REITs out of different portfolio allocations, as they would with credit. Approximately 87% of institutions invest in REITs out of their real estate allocation, while 13% invest in REITs out of their public equities allocation. Approximately 38% of Insurance Companies include REITs in their public equities allocation, while 100% of Private Pensions include REITs in their real estate allocation. Large Institutions continue to allocate capital to REITs, with 50% reporting they invested additional capital in 2025, compared to 28% of Small Institutions.

Exhibit 39: Management of REIT Portfolio, By Location of Institution

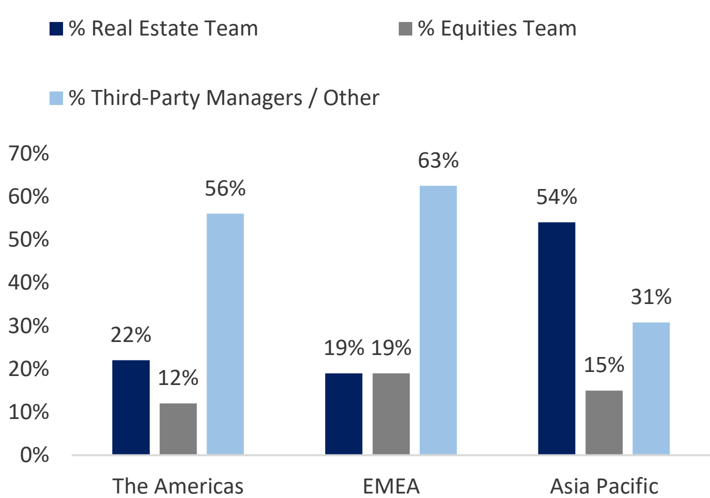
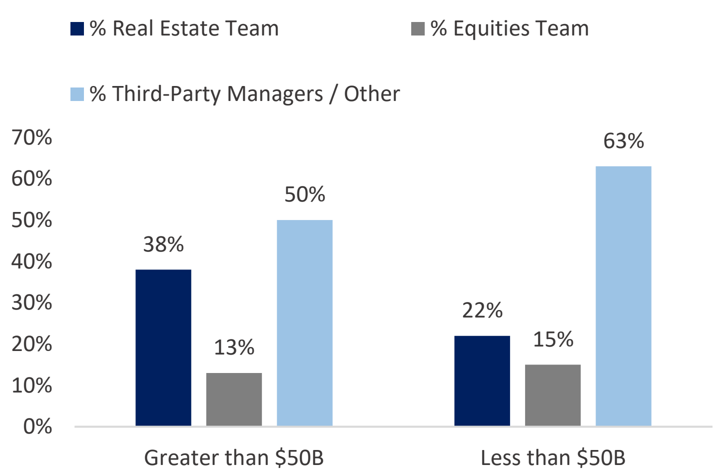


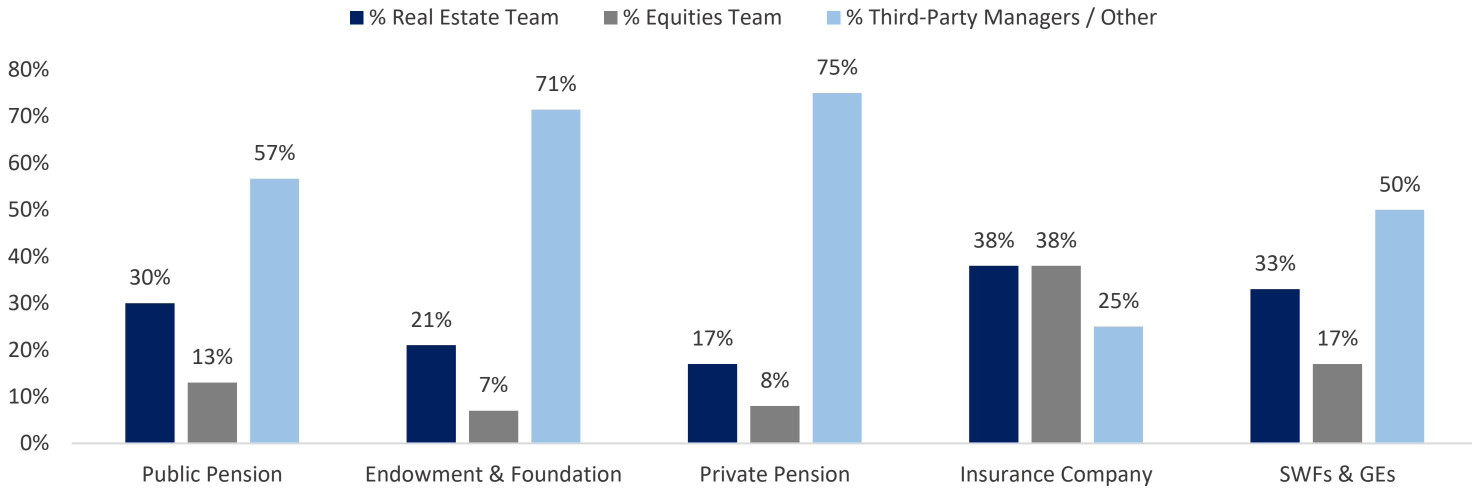
Exhibit 40: Management of REIT Portfolio, By Size of Institution



On average, approximately 59% of institutions reported that their REIT portfolios are managed by third-party or other managers, while 27% and 14% reported they are managed internally by their real estate and public equity teams, respectively. Consistent with findings in previous years, management of REITs differs by location, type, and size of institution. A majority of institutions in the Americas outsource REIT portfolio management to third-party managers at 56%. APAC-based institutions continue to leverage internal teams, with 54% of institutions in the region reporting their portfolios are managed by their real estate teams and 15% by their public equities team.

Consistent with the trend reported in the Third-Party Management section, Small Institutions are more reliant on third-party or other managers for their REIT portfolios at 63% as compared to 50% of Large Institutions. Approximately 38% of Large Institutions reported that their REIT Portfolio is managed by their real estate team, compared to only 22% of Small Institutions.

Exhibit 41: Management of REIT Portfolio, By Type of Institution



Environmental, Social & Governance (ESG)

ESG adoption drops as regional divergence and political polarization are reshaping institutional priorities.

Exhibit 42: Formal ESG Polices, All Institutions 2017 – 2025

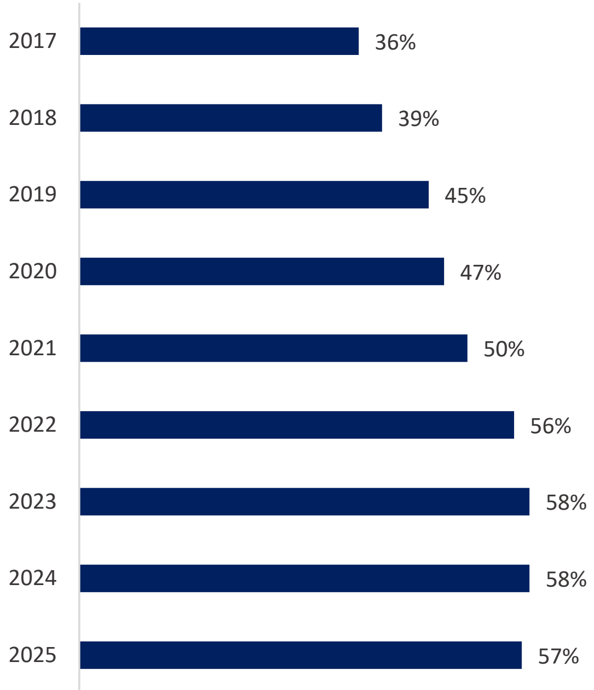
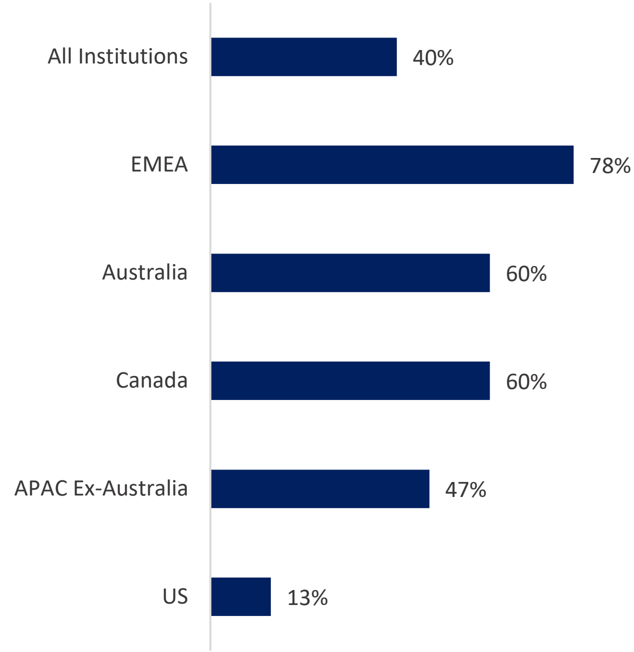


Exhibit 43: Investment Process Influenced by ESG Policies, By Location of Institution



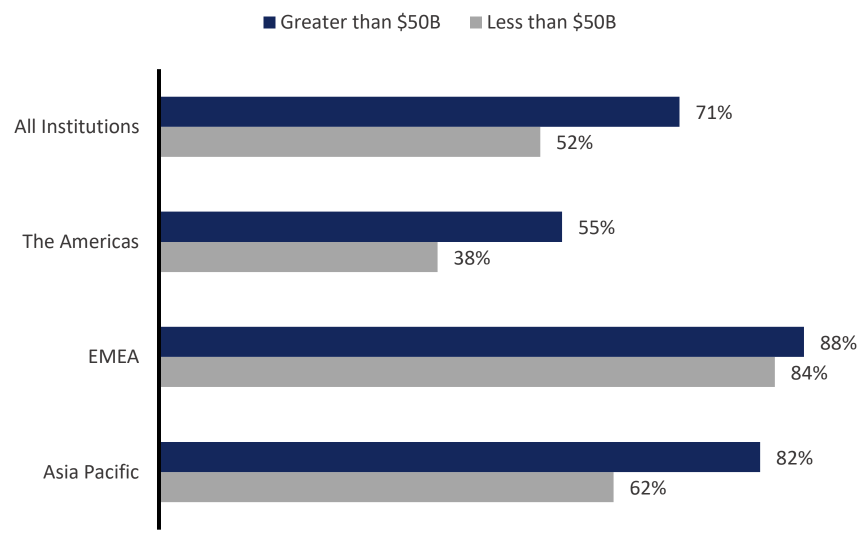
ESG Considerations

The percentage of institutions with formal ESG policies declined slightly to 57% in 2025, marking the first decrease since the survey began tracking this metric in 2015. While this remains well above the 36% reported in 2017, the pullback signals the rebalancing of priorities for institutional investors amid political and regulatory uncertainty. Unsurprisingly, the decline is led by U.S.-based institutions, with only 32% of institutions reporting formal policies in place.

The influence of such policies is increasingly geographically segmented and EMEA and APAC institutions continue to lead in policy implementation. Approximately 78% of institutions from EMEA and 52% from APAC reported that ESG factors influence their decision-making, against the broader average of 40% for all institutions. Only 13% of institutions in the United States cite that ESG has an influence on their investment decisions, down from 23% in 2024, and a peak of 28% in 2023.

In Europe, ESG leadership is supported by domestic legislative momentum and active investor coalitions. *In early 2025, investors representing €6.6 trillion in assets urged the European Union not to weaken its sustainability rules, warning that "reopening these regulations in their entirety risks creating regulatory*

Exhibit 44: Formal ESG Policy, By Region & Size of Institution



uncertainty and could ultimately jeopardize the Commission's goal to reorient capital in support of the European Green Deal."[42] *At the same time, a separate coalition of leading European institutional investors, including ATP, APG, PGGM, MN, and CBRE Investment Management, joined forces through the Global Real Estate Engagement Network (GREEN) to establish standardized ESG metrics for the real estate industry. As Derk Welling, Senior Portfolio Manager at APG, noted, "Without standardized metrics, effectively managing climate risks and making responsible investment decisions remains a challenge. Only through collaboration can we enhance transparency, reduce the reporting burden, and contribute to a more sustainable and resilient real estate sector."*[43] These collaborative movements underscore Europe's leadership in the space and their continued emphasis on ESG as a major factor in investment decision making.

On the contrary, in the United States, several jurisdictions have enacted anti-ESG legislation, placing asset managers on restricted lists, citing the augmentation of investment decisions due to non-financial factors, including diversity and climate initiatives.[44] While a decrease in ESG support is widespread throughout the U.S., some institutional investors remain engaged in sustainability, as concerns around climate risk continue to dominate headlines. *By example, New York City Employees' Retirement System ("NYCERS") required all private market managers to provide net-zero or alternative decarbonization plans by mid-2025. John Adler, Chief ESG Officer, highlighted that "this is consistent with our fiduciary duty… we [NYCERS] are focused on real-world decarbonization, not portfolio optics.*[45]

[42] Abnett, Kate; Furness, Virginia. "Investors with 6 trillion euros warn EU not to weaken green rules." Reuters. February 2025.
[43] Hof, Maaike. "The globe's leading institutional real estate investors join forces to cut the ESG data spaghetti." Green, April 2025.
[44] Segal, Mark. "Texas-Led Multi-State Coalition Threatens BlackRock, Goldman Sachs, JPMorgan and Others with Legal Action Over ESG Commitments." ESG Today, January 2025.
[45] McGown, Justin. "NYCERS asks most GPs for net-zero plans by 30 June." New Private Markets, April 2025.

Cornell Baker Program in Real Estate

HODES WEILL & ASSOCIATES

Cornell's Baker Program in Real Estate is a unique 2-year Masters 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 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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The 2025 Real Estate Allocations Monitor results presented herein are based on the subset of institutional investors that participated in the Allocations Monitor. If a greater number of institutional investors had participated in the Allocations Monitor, the Allocations Monitor results may have been different and contrary to the findings presented herein. Information contained herein is also based on data obtained from recognized statistical services, market reports or communications, or other sources, believed to be reliable. No representation is made and no attempt was made to verify its accuracy or completeness. Neither Cornell University nor Hodes Weill & Associates, LP has any obligation to update the Allocations Monitor.

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