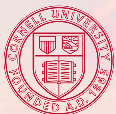
2023

Institutional Real Estate Allocations Monitor

HODES WEILL
& ASSOCIATES



Cornell
Baker Program
in Real Estate

Dear Industry Friends,

Cornell University's Baker Program in Real Estate and Hodes Weill & Associates are pleased to present the findings of the 11th annual Institutional Real Estate Allocations Monitor (the "**2023 Real Estate Allocations Monitor**"). The 2023 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 2023 Real Estate Allocations Monitor includes research collected on a blind basis from 175 institutional investors in 25 countries. The 2023 participants hold total assets under management ("**AUM**") exceeding US$10.2 trillion and have portfolio investments in real estate totaling approximately US$1.1 trillion. Our survey consisted of 27 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 (e.g., direct investments, joint ventures and private funds). We also included questions regarding historical and target returns as well as environmental, social and governance ("**ESG**") policies.

Key Findings of the 2023 Allocations Monitor

(1) **Institutions are maintaining their allocations to real estate, holding target allocations flat year-over-year.** Institutions held average target allocations at 10.8% between 2022 and 2023. This marks the first time since 2013 (the launch of the survey) that institutions have not reported an increase in target allocations. Overall, target allocations are up 190 basis points since 2013, representing an increase of over 20%.

(2) **While the majority of institutions are at or over target allocations to real estate, portfolios are beginning to come into balance as the denominator effect abates.** Nearly 40% of 2023 survey respondents report being overallocated to real estate, in comparison to 32% in 2022 and less than 9% in 2021. Institutions responding to the survey after the first of September reported being underallocated by an average of 70 bps, following a rebound in public equities and continued write-downs in real estate portfolios.

(3) **After declining in 2022, investor conviction is on the rise, as institutions begin to focus on the potential to take advantage of a favorable investment environment over the next several years.** Institutions reported an increase in conviction to 6.4 points, marking the second highest level of conviction over the past eleven years. Investors are starting to deploy capital to select opportunities, though remain cautious, citing concerns relating to further devaluations as interest rates remain higher for longer, and uncertainty regarding macro-economic fundamentals, including the potential for a recession. Institutions believe the next few years will prove to be good vintage years for deploying opportunistic capital.

(4) **Real estate portfolio returns, while still outperforming long-term average target returns, moderated in 2022 and are expected to decline significantly in 2023.** After returning 17.1% in 2021, real estate portfolios generated an average return of 9.5% in 2022, compared to an average target return of 8.5%. Institutions anticipate real estate portfolio returns will continue to decline, with a potential for negative returns in 2023, as private portfolios, including fund NAVs, are written down to market.

(5) **Contending with overallocation, institutions continue to show a strong preference for reallocating capital to existing manager relationships.** Approximately 64% of 2023 investments are expected to be allocated to existing manager relationships. Emerging managers continue to be at a disadvantage, with a nominal 11% of institutions willing to invest with first-time fund managers in 2023, compared to 16% in 2022.

(6) **Investors continue to favor value-add strategies, led by institutions in the Americas.** A strong appetite for high-return strategies continues to be the trend, with more than 25% of institutions expecting to invest more capital in both

opportunistic and value-add strategies, compared to approximately 10% with respect to core and core plus. Across the globe, investors are showing an increased appetite for credit strategies, with 34% of survey respondents noting they are planning to invest more capital in real estate debt, up from 14% in 2022.

(7) **The United States remains the preferred destination for capital allocations from both North American and international investors, and institutions are planning to increase cross-border investments.** Approximately 89% of institutions are actively investing in North America, followed by 73% in continental Europe, 65% in the United Kingdom and 41% in Asia. Notably, after retrenching and turning their focus to domestic strategies, institutions are planning to increase cross-border investments; approximately 91% and 71% of institutions in APAC and EMEA, respectively, expect to be active in allocating to North American-focused strategies over the next 12 months.

(8) **Despite a sluggish fundraising environment that has persisted since 2022, over 80% of institutions report that they are now actively considering investments in funds.** Institutions in the Americas continue to have the greatest appetite for funds, though notably 40% of APAC-based institutions expect to invest more capital into closed-end funds over the next year.

(9) **Institutions consider REITs to be a complement to private real estate in overall portfolios in terms of filling allocation needs and addressing liquidity objectives.** REITs and other real estate public equities are an increasingly important component of institutional portfolios, with approximately 84% of institutions that actively invest in REITs including REITs as part of their real estate allocation. Institutions report they are planning to increase their capital allocations to REITs in 2023, with approximately 42% of institutions planning to make investments in REITs.

(10) **ESG continues to grow in importance, with the majority of institutions reporting that ESG policies have an impact on investment decisions.** Approximately 58% of institutions have formal policies in place, up from 56% in 2022 and 32% in 2016. Institutions in Europe continue to lead the industry in implementing ESG policies.

The 2023 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.

This year we would like to extend special thanks to Nareit for their guidance and contributions with respect to the expansion of our survey to cover REITs and other real estate securities.

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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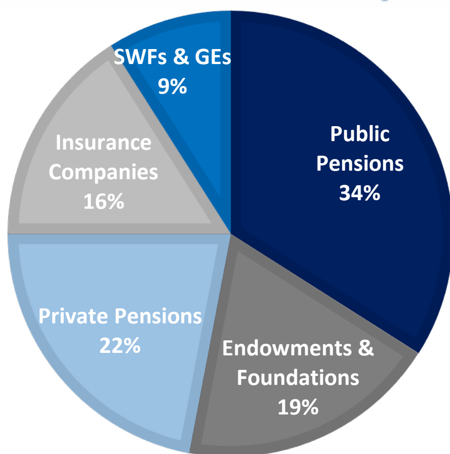
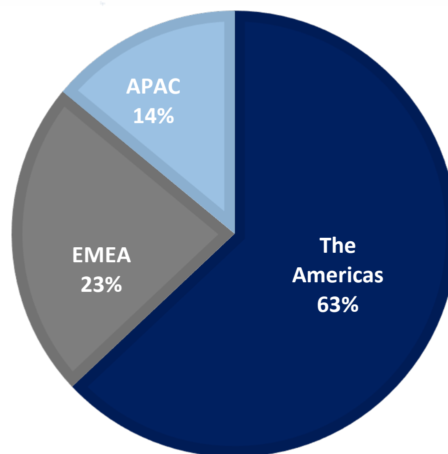
Global Institutional Participants

175 participants in 25 countries representing US$10.2 trillion in AUM and U$1.1 trillion in Real Estate.

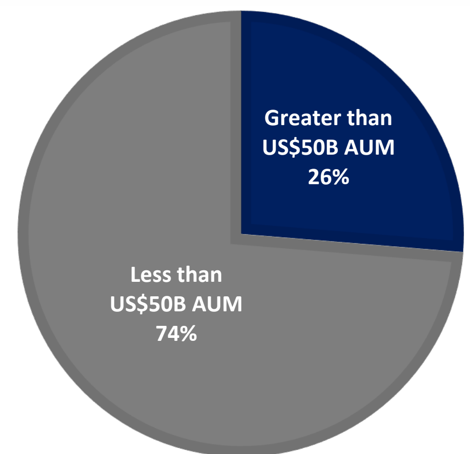
Breakdown of Participants By Type of Institution



Breakdown of Participants By Location of Institution



Breakdown of Participants By Size of Institution



List of Participating Institutions

Americas

Annie E. Casey Foundation
Arkansas Teacher Retirement System
Boston Foundation
Brandeis University Endowment
California State Teachers' Retirement System
City of Phoenix Employees' Retirement System
Consolidated Edison Pension Fund
Healthcare of Ontario Pension Plan
HRM Pension Plan
Inter-American Development Bank Staff Pension Plan
Massachusetts Pension Reserves Investment Management Board
Mendocino County Employees' Retirement Association
New Jersey State Investment Council
Parkland Health
Sacramento County Employees' Retirement System
Société de transport de Montréal
Southern Company Pension Plan
State of Wisconsin Investment Board
Teachers' Retirement Allowances Fund
Tennessee Consolidated Retirement System
Texas Permanent School Fund
Toronto Transit Commission Pension Society
University of Georgia Foundation
University of Michigan Endowment
Virginia Retirement System
Voya Financial
Wyoming State Treasurer's Office
And 84 Anonymous Participants

APAC

AISIN Employees' Pension Fund
Dai-ichi Life Insurance
HESTA Super Fund
New Zealand Superannuation Fund
ReturnToWorkSA
And 19 Anonymous Participants

EMEA

bpfBOUW
Etablissement Retraite Additionelle de la Fonction Publique
Inarcassa
Mandatum Asset Management Ltd
Tapiola Mutual Insurance
Zurich Insurance Group
And 34 Anonymous Participants

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Participation & Methodology

We wish to thank the 175 institutional investors that participated in the Allocations Monitor survey this year. The survey participants are from 25 countries and represent institutions with over US$10.2 trillion in total assets and real estate assets of approximately US$1.1 trillion. In its eleventh year of publication, the 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 2023 to October 2023.
- 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. All investors with AUM greater than US$200 billion were weighted at their listed AUMs – there were 13 such investors in 2023.
- 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.

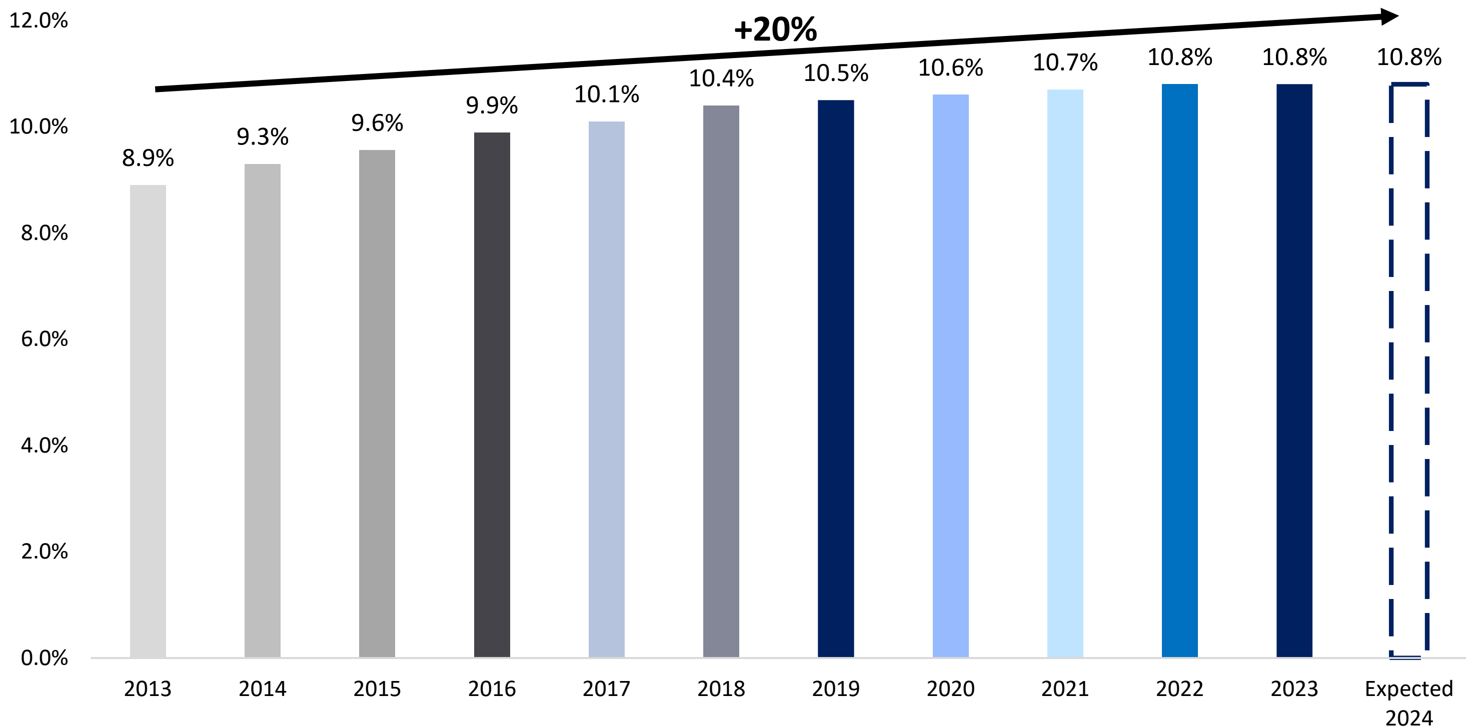
Definitions Guide

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

Target Allocations to Real Estate

Institutions are maintaining their allocations to real estate, holding target allocations flat year-over-year.

Exhibit 1: Weighted Average Target Allocation to Real Estate, All Institutions



Target Allocations to Real Estate

In 2023, for the first time in the last ten years, institutions did not increase their target allocations to real estate. After consistently increasing target allocations by 20-40 bps a year between 2013 and 2018, and steadily adding 10 bps a year between 2017 and 2022, institutions held their average target allocations at 10.8% in 2023. Amidst the backdrop of a tumultuous economy, rising interest rates, and frozen transaction markets, it is not surprising that institutions have used 2023 as a year to take a step back and focus on managing their existing portfolios in an environment in which investors are waiting for valuations to find a bottom. Institutions are expected to maintain their target allocations at 10.8% in 2024, amidst continued uncertainties in the market.

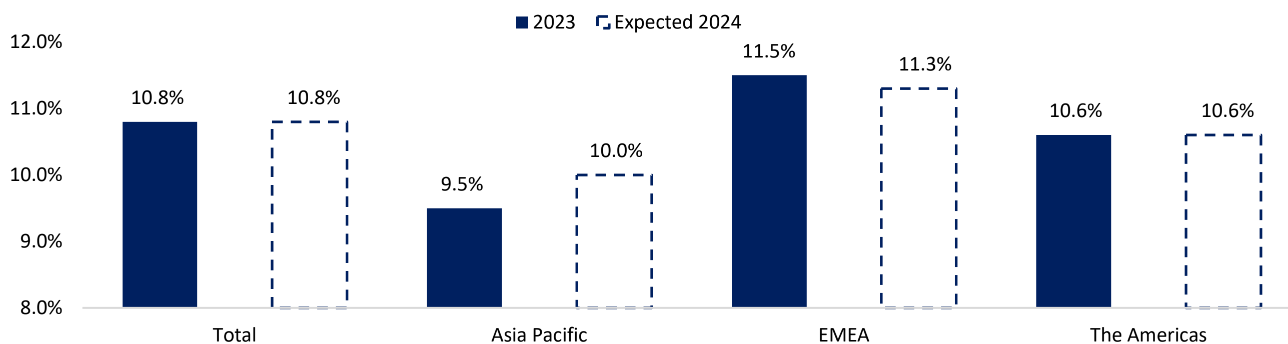
Though institutions have held target allocations flat year-over-year, overall target allocations are up 190 basis points since 2013, representing an increase of over 20%. Institutions have spent the last decade building up their real estate portfolios and the asset class plays an increasingly important role in institutional portfolios alongside other alternative allocations including private equity, private credit and venture capital.

Institutions in the Americas expect to hold target allocations flat over the next 12 months, and EMEA-based institutions, which reported the highest target allocation at 11.5%, indicated an intention to lower target allocations by 20 bps. Notably, the substantial portion of this decline is out of Europe, where nearly 20% of institutions report an intention to lower target allocations. APAC-based institutions reported plans to increase their target allocation 50 bps from 9.5% in 2023 to 10.0% in 2024. Approximately 69% of institutions in APAC reported they are expecting to increase their target allocations in 2024, compared to 17% in EMEA and 10% in the Americas. Asia-based investors have been increasingly turning their attention towards the asset class, and 2022 marked the first year on record that Asia-based investors were the largest source of capital for real estate funds globally.[1] *Institutions in the region are optimistic about the opportunities that may arise in the coming*

[1]Phillips, Michael "Asian Investors are Now the Dominant Force in Real Estate Capital Raising," *Bisnow*, April 2023.

year, with one Government-Owned Entity in APAC commenting that in today's market it is "difficult to make investments in general, although it could be the best vintage to invest".

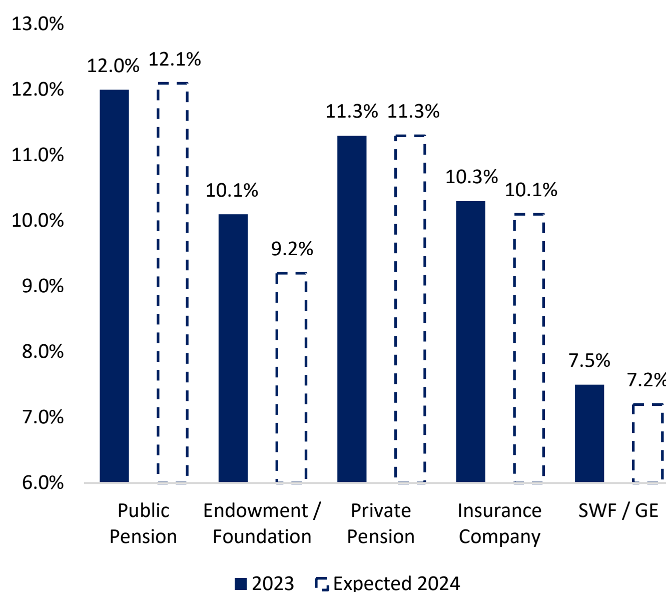
Exhibit 2: Weighted Average Target Allocation, By Location of Institution



Target Allocations by Type of Institution

SWFs & GEs reported the lowest target allocation to the asset class at 7.5%, while Public Pensions continued to lead as the institutions with the highest target allocation, set at 12.0%. While on average institutions are expected to hold their allocations at 10.8%, many institutions have reported plans to reallocate their portfolios across various sectors and strategies. *Within its real estate allocation, Public Pension Fund, Alaska Retirement Management Board ("ARMB"), announced plans to decrease exposure to core real estate and REITS and add exposure to non-core real estate and real estate debt investments. ARMB is increasing the share of real assets in its infrastructure investments from 15% to 20%, of which real estate makes up 50%.*[2] Such strategic adjustments reflect institutions' adaptation to the changing investment landscape as they aim to capitalize on strategies set to benefit in current market conditions.

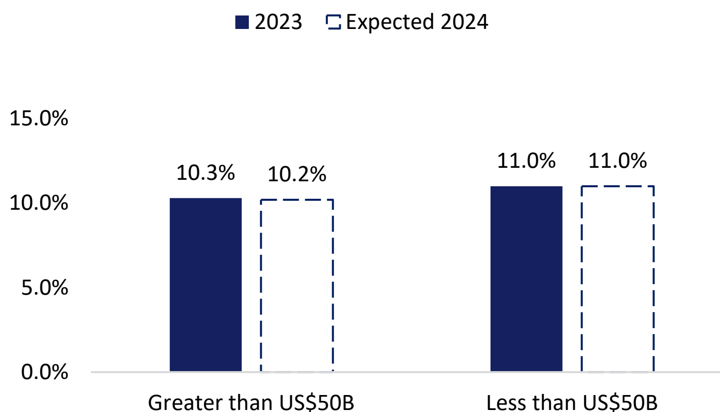
Exhibit 3: Weighted Average Target Allocation, By Type of Institution



Target Allocations by Size of Institution

Small Institutions reported a target allocation of 11.0% in 2023, compared to Large Institutions' target allocation of 10.3%. In 2020 we noted that Large Institutions were the first to return to the market following the outbreak of COVID-19. In a period marked by a similar pause in transaction activity, Large Institutions continue to lead the market. *Singaporean sovereign wealth fund, GIC, deployed approximately $69 billion of equity in private real estate in 2022, during a time where many investors sat on the sidelines. GIC's active deployment resulted in the sovereign wealth fund earning the top spot on PERE's Global Investor 100 Ranking in 2023.*[3]

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



[2]Dayton, Lewis, "Alaska Retirement rebalances real estate, infrastructure target allocations," *IREI*, September 2023.
[3]Brasse, Jonathan, "How Singapore's GIC Lept to the GI 100's Top Spot," *PERE*, October 2023.

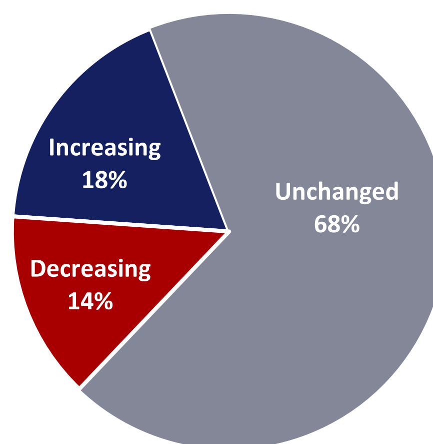
Exhibit 5: Notable Increases / Decreases to Target Real Estate Allocations[4]

Institution	AUM (bn)	Target Allocation		Change
		Prior	New	
Kansas Public Employees Retirement System	***25.7***	***13.0%***	***15.0%***	***↑200 bps***
Norges Bank Investment Management (NBIM)	***1279.3***	***Up to 5%***	***Up to 7%***	***↑200 bps***
Ohio Public Employees Retirement System	***96.0***	***10.0%***	***12.0%***	***↑200 bps***
West Virginia Investment Management Board	***24.2***	***10.0%***	***12.0%***	***↑ 200 bps***
Vermont Pension Investment Committee	***5.6***	***3.0%***	***4.0%***	***↑100 bps***
Montana Board of Investments	***14.0***	***10.0%***	***11.0%***	***↑100 bps***
GIC	***769***	***9.0-13.0%***	***9.0-13.0%***	↔
Arizona State Retirement System	***49.1***	***20.0%***	***17.0%***	***↓300 bps***
Oklahoma Tobacco Settlement Endowment Trust	***1.6***	***10.0%***	***7.0%***	***↓ 300 bps***
Alaska Retirement Management Board (ARMB)	***31.5***	***35%***	***30%***	***↓ 500 bps***

Expected Change in Target Allocations

With respect to allocation plans over the next 12 months, over two thirds of investors are planning to hold their allocations flat. Approximately 18% of institutions plan to increase their allocations, compared to 28% in 2022, indicating target allocations are no longer growing at the accelerated rate documented in prior years. Further, the percentage of institutions planning to decrease target allocations grew from 9% in 2022 to 14% in 2023. While we do not expect target allocations to decline over the coming years, it is clear that the pace of growth has moderated in the face of market uncertainty.

Exhibit 6: Expected Change in Target Allocations, All Institutions

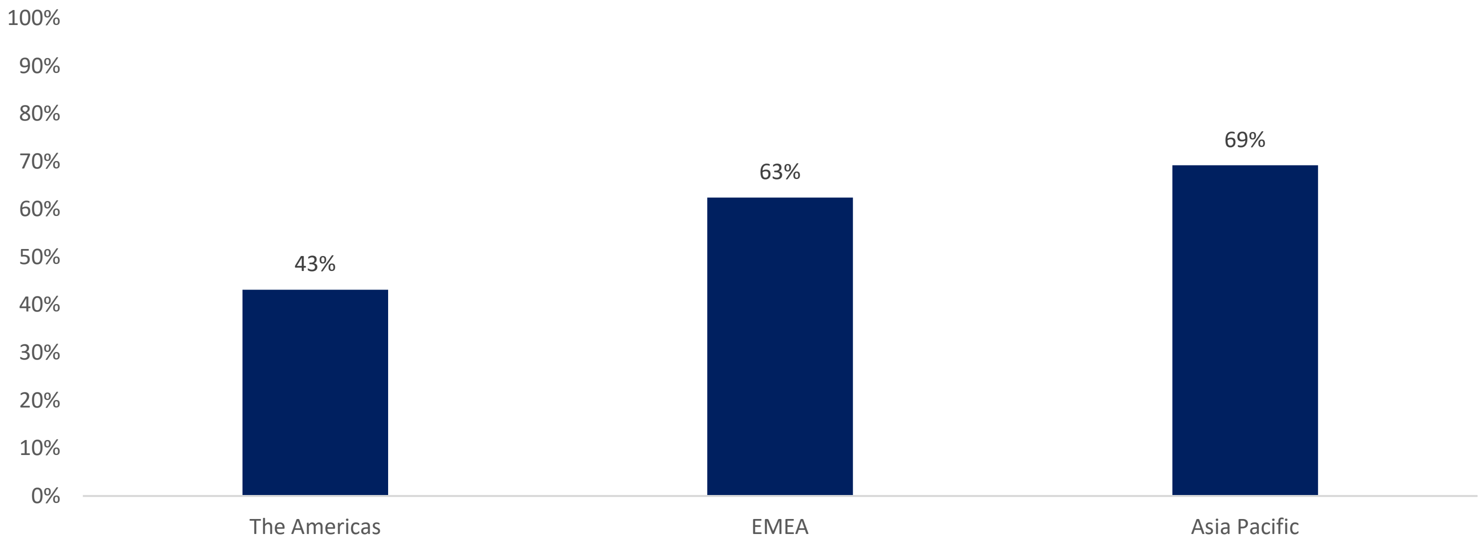


Allocations to Real Assets and Infrastructure

Many institutions include real estate within a broader definition of real assets, with approximately 50% of survey respondents including real estate within a defined real assets allocation. A greater number of institutions in EMEA and APAC include real estate as part of their real assets allocation, at 63% and 69%, respectively compared to 43% of institutions in the Americas. Institutions that include real estate within their real assets allocation reported that real estate represents approximately 52% of the entire allocation. Moreover, of those institutions with real assets allocations, approximately 92% of investors include infrastructure within their allocation, and approximately 63% include natural resources.

[4]Based on public disclosures.

Exhibit 7: Institutions including Real Estate as Part of Real Assets Allocation, by Location of Institution



Hodes Weill & Associates, in partnership with Cornell University's Program in Infrastructure Policy ("CPIP") released the Institutional Infrastructure Allocations Monitor in June 2023. Our inaugural report on infrastructure noted the following key findings from the survey, which was conducted over an approximately two-month period from March 2023 to May 2023:

(1) Globally, institutions are under-invested in infrastructure by an average of 98 bps versus target allocations. This under-allocation is particularly pronounced in The Americas, where institutions are currently 152 bps under-invested, with many expected to further increase their target allocations in 2024.

(2) The 3-year average return across all institutions (~10.7%) exceeded target return levels (~9.3%) by 141 bps. The consistent performance of infrastructure demonstrates the resiliency and role infrastructure can play as a portfolio stabilizer for institutional investors.

(3) Globally, institutions continue to gravitate to higher risk, higher return Core+ and Value-Add strategies. Institutions are favoring higher return strategies as portfolios mature, and a rising rate environment impacts the relative attractiveness of SuperCore and Core strategies.

(4) Institutional investors globally are planning to grow allocations to North American infrastructure opportunities more than any other geographic region. Growth in North America is expected to be driven by the Inflation Reduction Act of 2022 (the "IRA"), which is a first-of-its-kind legislation and the single largest investment in climate and energy in US history.

(5) Investors cited interest rates and market volatility as their top concerns for infrastructure investing. With rising interest rates, appetite for infrastructure credit strategies is growing, specifically for institutions based in APAC.

(6) Institutions are most likely to increase capital investments in Digital Infrastructure among the four major infrastructure verticals. On the opposite end of the sectoral interest spectrum, demand for social infrastructure was the weakest out of the four major categories.

(7) Appetite for Energy Transition is robust and expected to grow over the next several years. Roughly 40% of respondents indicated that they plan to increase allocations to renewable energy and storage, which was more than any other Energy subsegment.

(8) Institutions continue to show preference for established managers, with appetite for first-time funds and emerging managers remaining limited. Approximately 71% of institutions surveyed indicated that they are either very unlikely or somewhat unlikely to invest in a first-time fund or with an emerging manager.

Exhibit 8: Infrastructure Actual vs. Weighted Average Target Allocations, All Institutions[5]

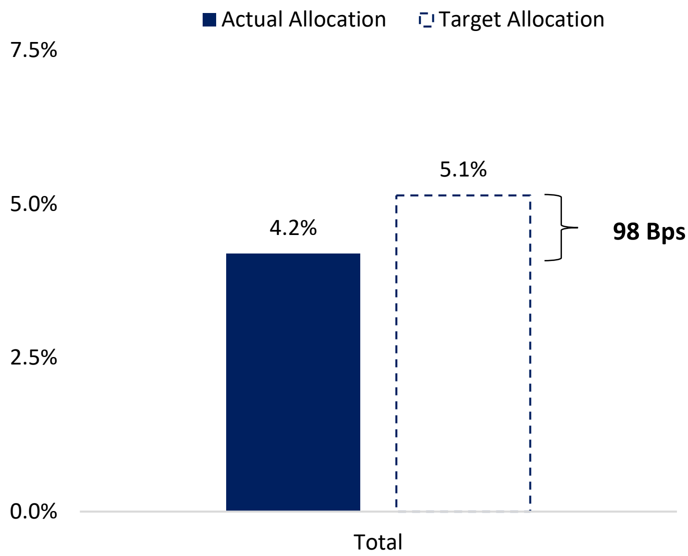
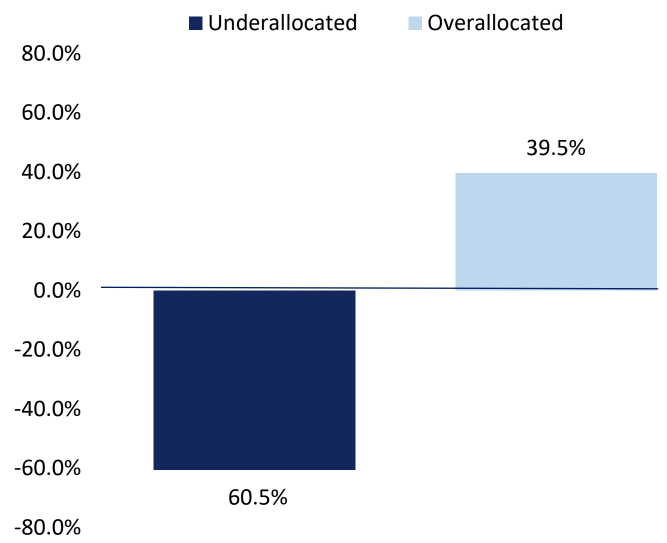


Exhibit 9: Institutions Above and Below Target Allocations, 2023[5]

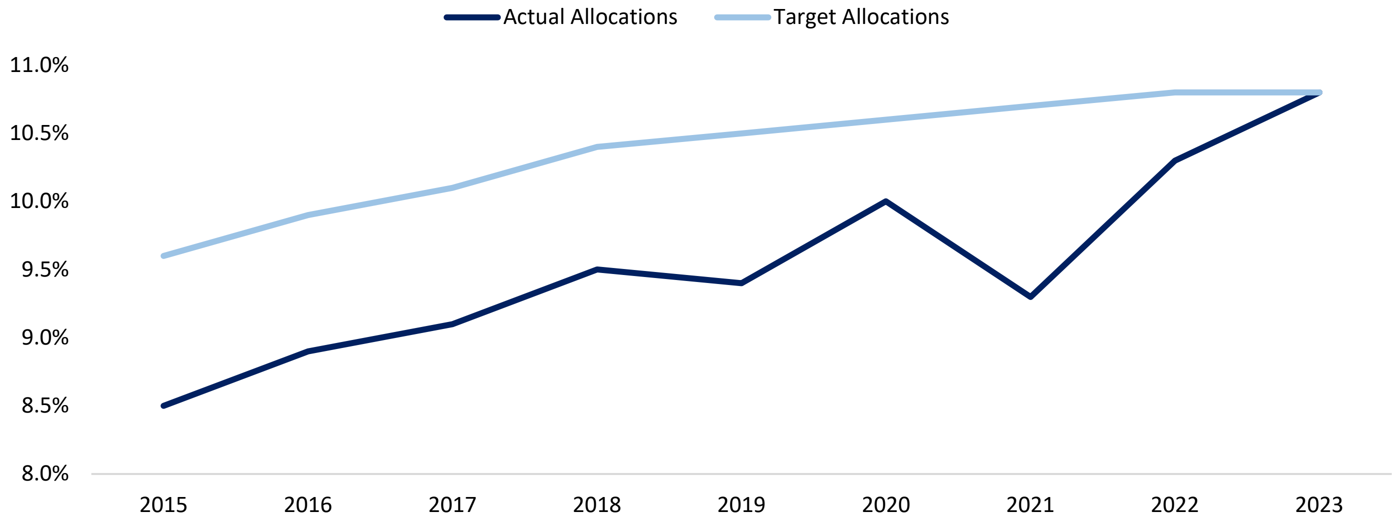


[5] Rudovic, M., & Gould, J., (2023). 2023 Institutional Infrastructure Allocations Monitor. Ithaca, NY: Cornell University's Program in Infrastructure Policy and Hodes Weill & Associates, L.P., June 2023.

Current Investments

While the majority of institutions are at or over target allocations to real estate, portfolios are beginning to come into balance as the denominator effect abates.

Exhibit 10: Actual vs. Target Allocation, 2015-2023



The majority of institutions reported being at or over allocated to real estate in 2023. Nearly 40% of institutions reported being overallocated to real estate by an average of 200 bps, as compared to 32% of institutions in 2022 by an equal margin.

Actual allocations increased from 10.3% in 2022 to 10.8% in 2023 and are now equal to average target allocations. Although last year institutions reported an underallocation of 50 bps, we noted that institutions responding to the survey after mid-August 2022 reported an overallocation to real estate by a margin of 36 bps. We attributed this discrepancy to the combination of the denominator and numerator effects, as public equity values had declined and real estate had not yet taken write downs. While public equities dropped 14.2% throughout the course of last year's survey, they have since rebounded from their September 2022 low.[6] Conversely, private real estate portfolios began taking marks in late 2022, and these write-downs have continued throughout the third quarter of 2023. The rebound in public equities combined with write-downs on private real estate portfolios appear to be bringing portfolios back into balance. Similar to last year's survey, responses varied throughout the course of the 2023 survey period, and there are some early signs that institutional portfolios have been trending towards allocation targets over the last few months. Institutions responding to the survey after the first of September reported being underallocated by an average of 70 bps. One consultant recently remarked that they are "beginning to hear from their clients that the denominator effect is abating."

Throughout 2023, many institutions were constrained with respect to making new real estate investments, mandated by their allocation policies to slow, and in some cases even halt, their investments in real estate. *Dallas-based investment manager, Invesco Real Estate reported that some investors in its sixth value-add and opportunistic vehicle, Invesco US Real Estate Fund VI, had to downsize their original commitments after the denominator effect resulted in an overallocation to real estate.*[7] This is not an isolated instance, and many managers faced difficulties in fundraising as a result of investors' overallocation to the asset class. The first half of 2023 was the worst H1 for real estate fundraising in the last decade with $72.3 billion raised across 90 funds closed, compared to $100.8 billion raised across 198 funds closed in H1 2022.[8,9] Investors remain hopeful that allocation restrictions will be less of a concern in 2024 as portfolio allocations come back into balance.

As write-downs continue in private real estate portfolios to levels more representative of fair market value, actual allocations should continue to trend down (assuming public equities and other allocations remain flat to up). The investment portfolio of

[6]"Dow Jones Industrial Average [DJIA]" *Federal Reserve Bank of St. Louis,* October 2023.
[7]Benson, Peter, "Invesco Real Estate raises return target for US Fund VI," *PERE*, June 2023.
[8]Ou, Christie, "Blackstone dominates during worst H1 in a decade," *PERE*, July 2023.
[9] Christie Ou and Tom Zimmermann, "Fundraising Repot H1 2023," *PERE*, July 2023.

California State Teachers' Retirement System ("CalSTRS"), which ranks as the third largest pension fund in the US, is representative of the trending of target and actual allocations, and the impact of the lag of real estate write-downs.[10] Based on public disclosures, CalSTRS's allocation to real estate trended from 12.9% at December 31, 2021 to a peak of 17.2% at September 30th, 2022; a period of time during which the Dow Jones Industrial Average ("DJIA") declined over 20%, while the NCREIF Fund – Open End Diversified Core Equity ("NFI-ODCE") delivered a total positive return of 12.4%. Between September 30th, 2022 and June 30th, 2023, CalSTRS's allocation declined to 16.1%; which coincided with the DJIA delivering a total positive return of 15.3% and the NFI-ODCE declining 12.4%.

Exhibit 11: Indexed Returns for DJIA and NFI-ODCE[11]

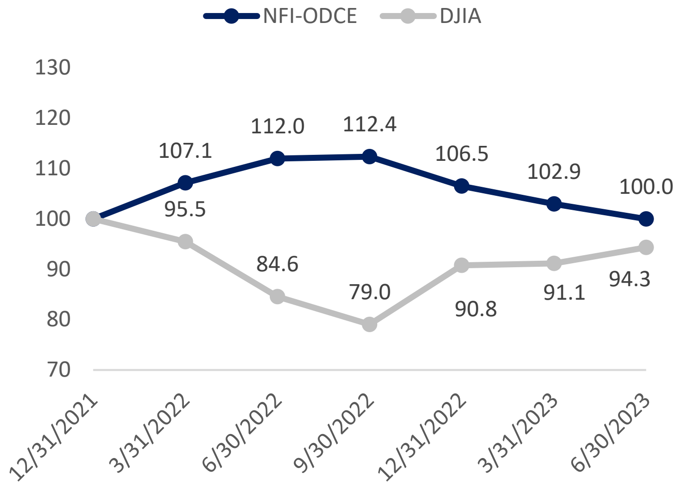
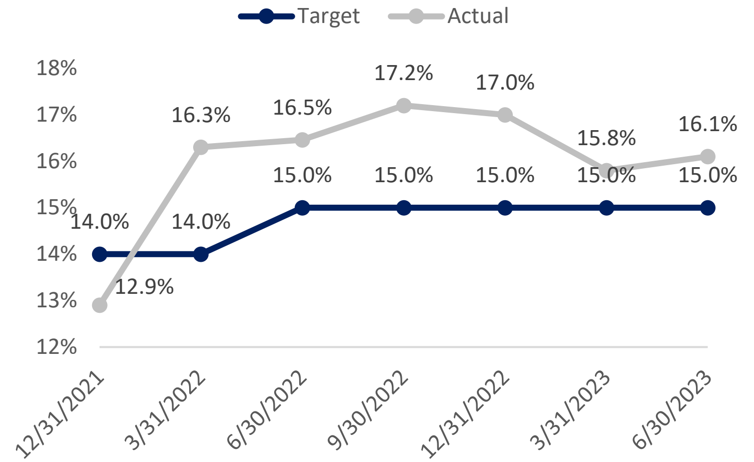


Exhibit 12: CalSTRS Real Estate Portfolio Allocation, Actual vs. Target, EOQ Q4 2021 – Q2 2023[12]

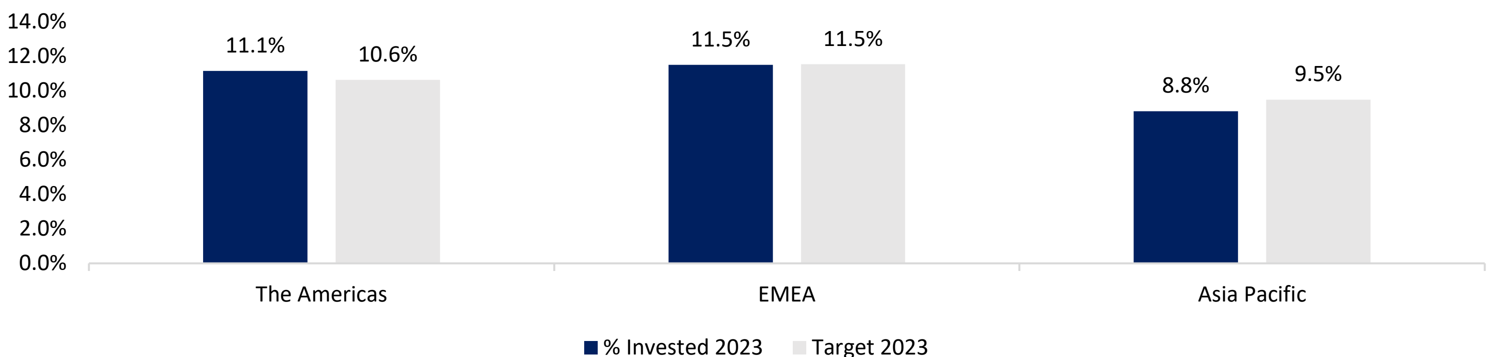


Current Investments and Target Allocations by Location and Size of Institution

In terms of location, APAC institutions were the only group in this year's survey that reported being underallocated to real estate in 2023, with institutions in the region meaningfully underinvested by 70 bps (as compared to 53 bps in 2022). This can largely be attributed to the relatively early stage of real estate investment programs in the APAC region, including, for example, those in Japan. In comparison, institutions in the EMEA region reported being at allocation in 2023. EMEA-based investors' actual allocation of 11.5% may be attributed to their concentration in European investments, which have had a sharper, and perhaps more accurate, mark to market. Institutions in the Americas are on average overallocated to real estate by 50 bps.

Notably, while Large Institutions are overallocated to their 10.3% target by a margin of 20 bps, Small Institutions reported being 90 bps underinvested with respect to their 11.0% target. This may in part be attributed to Endowments' underallocation to the asset class, as further noted below.

Exhibit 13: Actual vs. Target Allocation, By Region of Institution



[10] "The P&I 1,000 largest U.S. retirement funds: 2022," Pensions & Investments.
[11] National Council of Real Estate Investment Fiduciaries (NCREIF).
[12] Based on public disclosures.

Current Investments and Target Allocations by Type of Institution

It is interesting to note that among the surveyed types of institutions, Insurance Companies weighed in as the most overallocated to real estate at 11.1% invested versus a 10.3% target. This is in contrast to Endowments & Foundations, who reported being underallocated by a margin of 20 bps, perhaps as Endowments have pivoted to Private Equity and Venture Capital over the past several years. *Private Pensions reported being overallocated by an average of 20 bps, with one Private Pension commenting "like many other institutional investors, we are still dealing with the denominator effect that has resulted in us being overweight to real estate. We need to get back down to our target rate."*

Exhibit 14: Actual vs. Target Allocation, By Type of Institution and Year

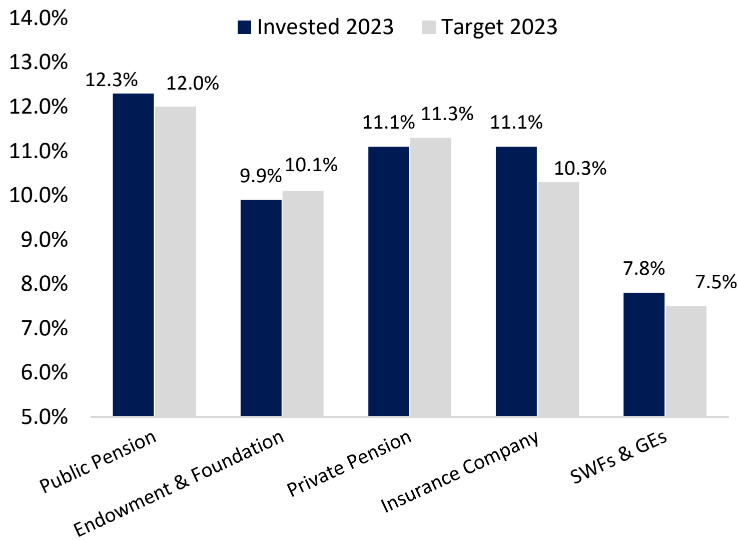
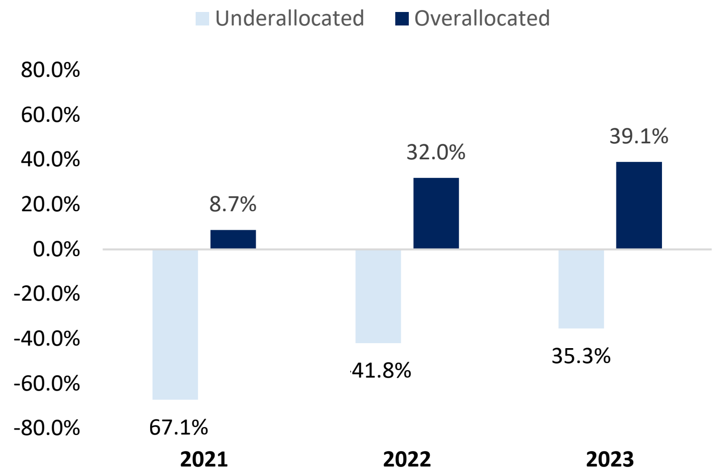


Exhibit 15: Institutions Above and Below Target Allocations, 2021-2023



Historical & Target Returns

Real estate portfolio returns, while still outperforming long-term target returns, moderated in 2022 and are expected to decline significantly in 2023.

	2023 Target Return	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 Average	Actual 5-Year Average
All Institutions	8.5%	9.5%	17.1%	5.9%	8.5%	8.8%	9.1%	8.7%	11.0%	11.8%	10.8%	9.6%	10.8%	10.0%
By Type														
Public Pension	8.0%	10.9%	19.2%	5.4%	8.3%	8.4%	9.2%	8.8%	11.6%	11.7%	10.0%	10.3%	11.9%	10.5%
Endowment & Foundation	9.8%	11.8%	18.0%	7.5%	8.0%	9.1%	8.9%	9.1%	10.9%	13.0%	13.9%	9.3%	12.4%	10.9%
Private Pension	7.4%	7.8%	16.8%	4.8%	9.4%	9.0%	8.9%	8.2%	11.2%	12.6%	10.5%	9.1%	9.8%	9.6%
Insurance Company	8.8%	6.4%	12.4%	6.3%	10.2%	8.7%	9.9%	9.1%	9.6%	8.3%	7.3%	6.8%	8.4%	8.8%
SWFs & GEs	9.5%	8.7%	9.3%	5.8%	7.9%	9.3%	8.9%	8.1%	10.0%	11.4%	11.4%	14.4%	7.9%	8.2%
By Location														
The Americas	9.1%	10.7%	19.2%	5.5%	8.6%	9.2%	9.3%	8.7%	11.7%	12.6%	12.5%	10.6%	11.8%	10.6%
EMEA	6.8%	5.8%	13.7%	6.2%	8.3%	7.5%	8.5%	8.4%	9.5%	10.4%	6.2%	5.9%	8.6%	8.3%
Asia Pacific	8.8%	9.2%	10.4%	7.8%	8.3%	9.1%	9.1%	9.2%	10.0%	9.5%	9.3%	9.4%	9.1%	9.0%
By Size														
Greater than US$50 billion	8.1%	8.6%	18.6%	4.2%	8.4%	9.2%	9.6%	9.4%	11.2%	11.1%	10.1%	10.2%	10.5%	9.8%
Less than US$50 billion	8.6%	9.9%	16.7%	6.2%	8.5%	8.7%	9.0%	8.6%	11.0%	12.0%	10.9%	9.5%	10.9%	10.0%

In 2022 institutions saw average real estate portfolio returns normalize to a healthy 9.5%, following exceptionally strong performance in 2021 when institutions reported the highest returns generated over the past decade, at 17.1%. The 2022 return of 9.5% is consistent with historical levels of returns, with institutions reporting a 5-year average return of 10.0%, inclusive of 2021's outperformance. Importantly, 9.5% is the second highest return reported in the past seven years and is 100 bps above institutions' average target return of 8.5%. Institutions anticipate real estate portfolio returns will continue to decline substantially in 2023, and may turn negative, as private portfolios continue to take write downs. The NFI-ODCE index, as a proxy for core returns, has generated negative returns for three straight quarters ended Q2 2023, representing cumulative negative appreciation of 12.4%. This represents the longest continuous period of negative returns since Q4 2009.[13]

In 2022, institutions in the Americas reported the highest average annual return at 10.7%, marking the second consecutive year institutions in this region have led returns. APAC-based institutions generated a 9.2% return in 2022, followed by EMEA-based institutions, which reported an average return of 5.8%

Endowments & Foundations reported the highest returns in 2022 at 11.8% and have also generated the highest returns in the trailing three-year and five-year time periods, which may be explained by lower exposure to core strategies and vehicles with

[13] Dierking, Dan, "Core Real Estate Funds Record Four Consecutive Quarters of Negative Appreciation Not Seen Since December 2009." *NCREIF*, July 2023.

more rapid mark to markets. Insurance Companies reported the lowest returns at 6.4%. This may be attributed in part to their preference for core and core plus strategies, which have seen the most significant valuation write downs to date.

Notably, trailing five-year returns continue to outpace target returns across all types of institutions, with the exception of SWFs & GEs at 8.2% versus a target return of 9.5%. The consistent outperformance of real estate relative to target returns further cements the asset class as an integral component of institutional portfolios. Institutions reported an average target return of 8.5% in 2023, up from the 8.2% target reported in 2020, 2021 and 2022. This may be attributed to an increase in risk weighting due to market uncertainties and volatility, as well as the sharp rise in fixed income returns. It further supports the increase in risk appetite for many institutions, shifting from core to value-add and opportunistic strategies.

When looking towards expectations for the future, investors are anticipating a further decrease in returns. While the asset class has had three consecutive quarters of write-downs, investors expect that real estate values have not yet bottomed, and will continue to decline over the coming quarters, with the potential to lead to negative returns. *A Sovereign Wealth Fund in the Americas noted that "the market is waiting for a substantial repricing to happen."*

Exhibit 16: Target vs. Actual Returns, By Type of Institution

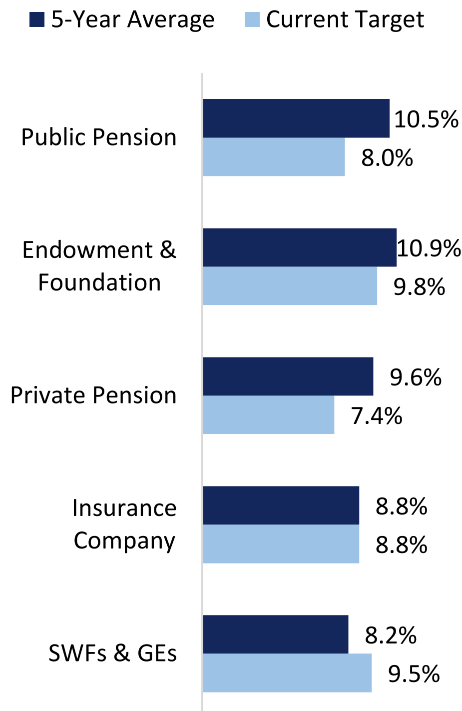


Exhibit 17: Target vs. Actual Returns, By Location of Institution

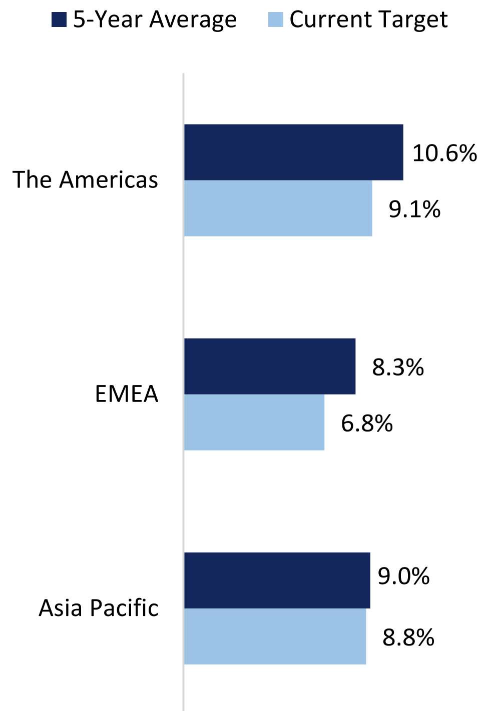
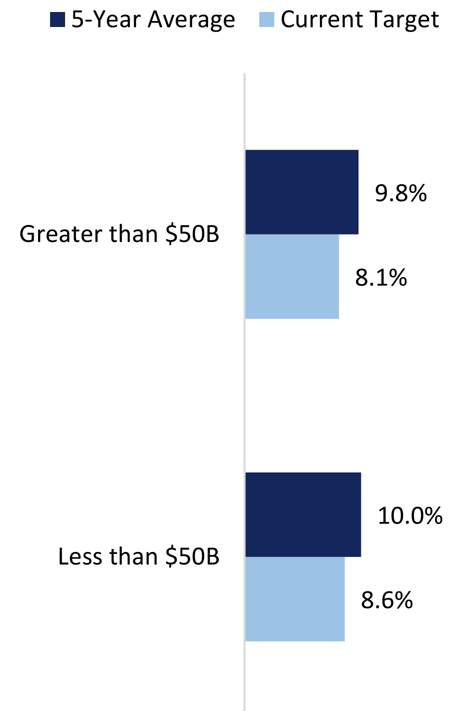


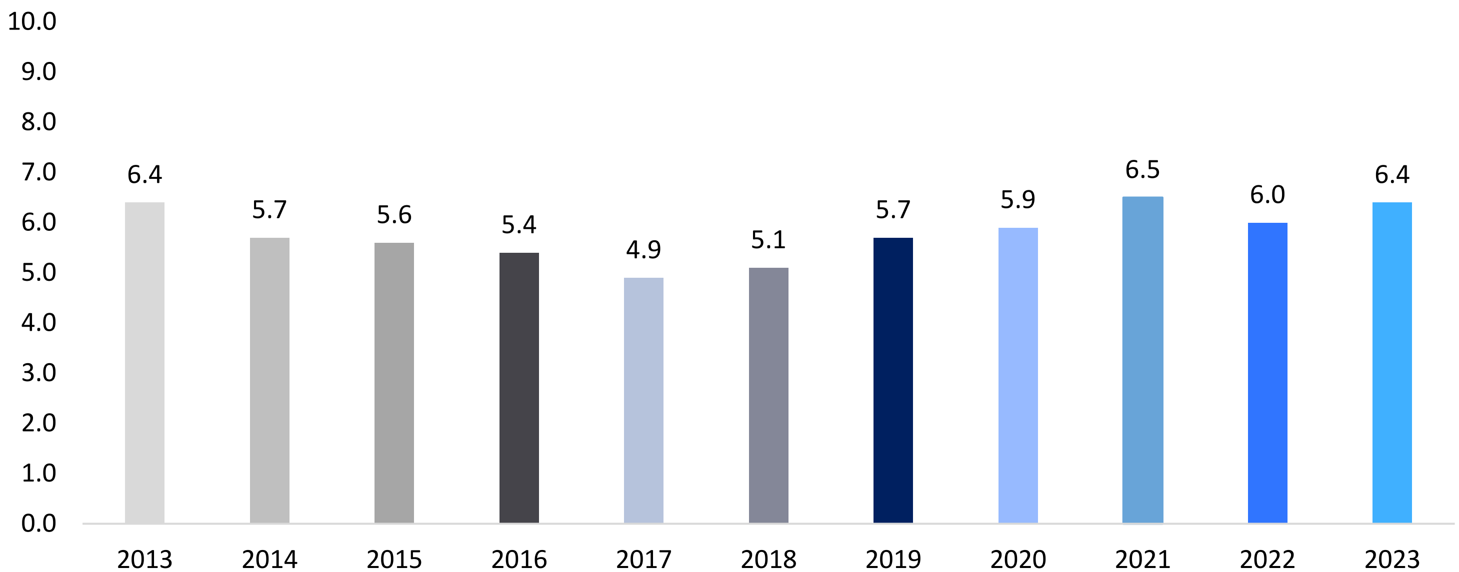
Exhibit 18: Target vs. Actual Returns, By Size of Institution



Conviction Index

After declining in 2022, investor conviction is on the rise, as institutions begin to focus on the potential to take advantage of a favorable investment environment over the next several years.

Exhibit 19: Conviction Index, All Institutions



The 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). From 2013 to 2017, the "Conviction Index" (i.e., investor sentiment) steadily declined from 6.4 to 4.9, as institutions cited concerns regarding valuation levels and the potential for a peak in the market cycle. However, as operating fundamentals remained strong and the cost of debt steadily declined, the outlook for real estate investing improved, and market sentiment rose steadily from 2017 to 2021. Investor sentiment decreased for the first time in four years in 2022 as the market was clouded with uncertainties regarding inflation, interest rates, geopolitical issues and the potential for a global recession.

Despite cyclically low transaction volumes continuing into 2023, institutions responding to this year's survey reported an increase in conviction to 6.4 points, marking the second highest level of conviction reported since 2013. This increase in conviction suggests that investors are increasingly optimistic about returning to the market and deploying capital, after sitting on the sidelines for much of the past 18 months.

2023 has marked a year of limited real estate investment activity, with strained liquidity, rising interest rates and pricing uncertainty leaving many investors "frozen", as described by a Private Pension in the Americas. Following the crash of Silicon Valley Bank in March, small and regional banks have tightened credit standards and taken a step back from commercial property lending. This limited liquidity is further hampered by the increase in interest rates, with the United States federal funds rate currently at its highest level in the last 22 years.[14] While the increase in rates has certainly pushed investors to the sidelines, many cite that it is not the actual rise in rates but "how quickly rates increased" that sent a shock into the commercial real estate market.

The looming wall of debt maturities may be the catalyst for valuations to find a bottom, as lenders force recapitalizations and sales. Morgan Stanley analysts predict that nearly $1.5 trillion in commercial real estate debt across the US will mature by the end of 2025, forcing owners to make the decision to refinance at higher rates or sell.[15] An increase in transaction volumes at reset values may be the encouragement investors need to return from the sidelines.

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[14]Picchi, Aimee, "The Federal Reserve is making a decision on interest rates today. Here's what to expect." *CBS News*, September 2023.
[15]TRD Staff, "SF nearly tops nation on pending CMBS maturities, distress," *The Real Deal*, July 2023.

While current dynamics have made it difficult for many investors to deploy capital, institutions are signaling that they are preparing to move from defense to offense. Investors have commented that they are starting to see "signs of green shoots" in the market and are beginning to cautiously deploy capital, with a particular focus on taking advantage of market volatility.

Institutions are anticipating the arrival of distress and dislocation in the market and are expecting that the next few years will prove to be good vintage years for deploying capital. The anticipation of distress, as well as the expectation that transaction volumes will pick up is supporting conviction in the asset class, and investors are optimistic about the opportunities that are expected to arise in the next couple of years. *One Public Pension in the Americas commented: "Stress = Opportunity."*

Institutions are citing that it is a "much better environment to be a lender than a borrower" and survey respondents seem to be adjusting to the changing landscape by increasing their investments in debt strategies. *A Public Pension in the Americas noted that "2023 and 2024 will be good vintages for strategies that pursue debt and assets from distressed sellers."*

Given the expectation that rates are likely to remain higher for longer, real estate investors are also favoring investments that are able to generate returns without relying on large amounts of leverage. Adjusting to a higher cost of capital, investors are seeking to invest in sectors and strategies with favorable operating tailwinds, that can produce safe and stable (and hopefully growing) cash flows. In particular, sectors such as industrial, build for rent single-family, student housing and data centers remain in favor. Despite the headlines regarding capital raising momentum for proptech strategies, over 90% of institutions noted they are not actively allocating in proptech in 2023.

Exhibit 20: Conviction Index, By Location of Institutions

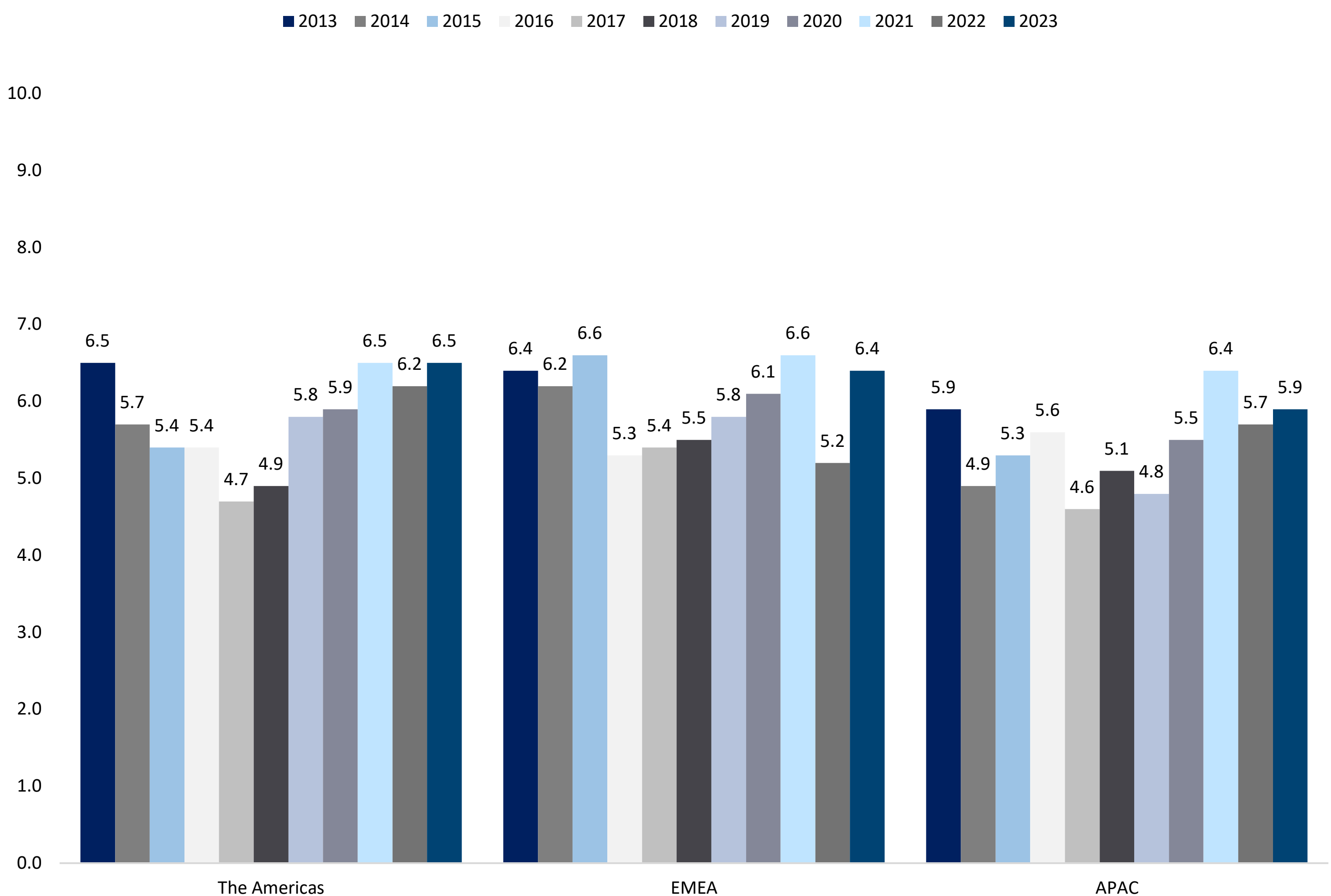
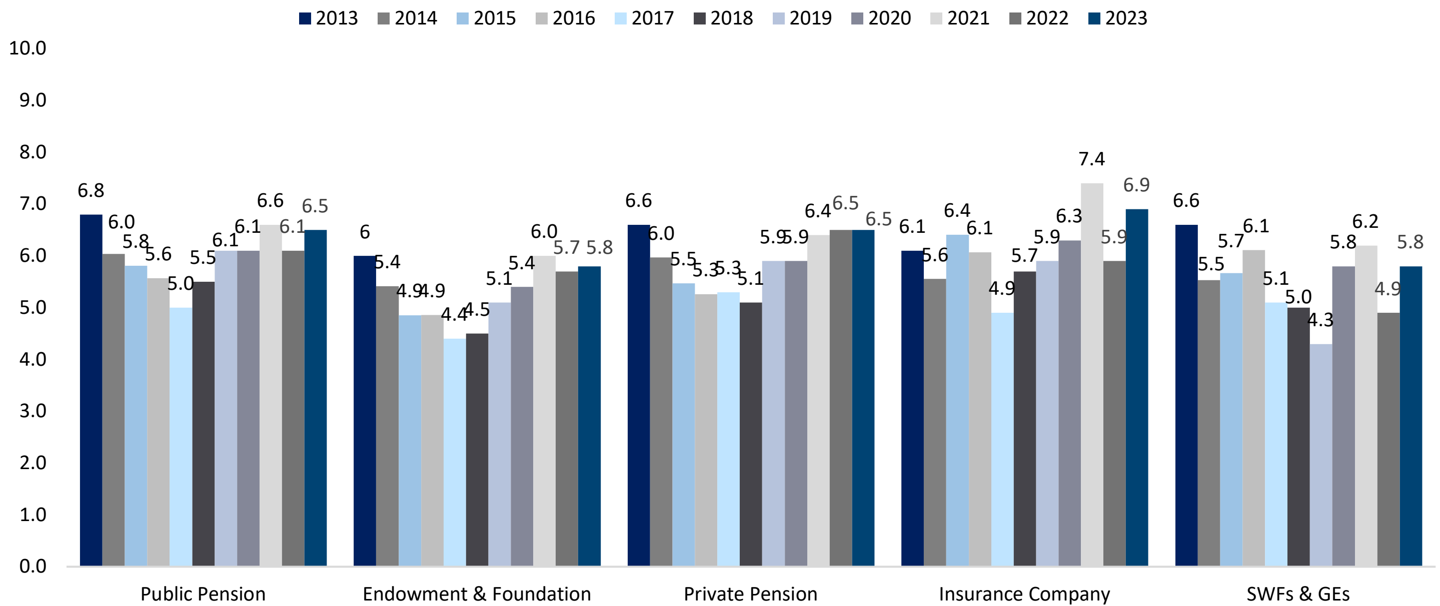


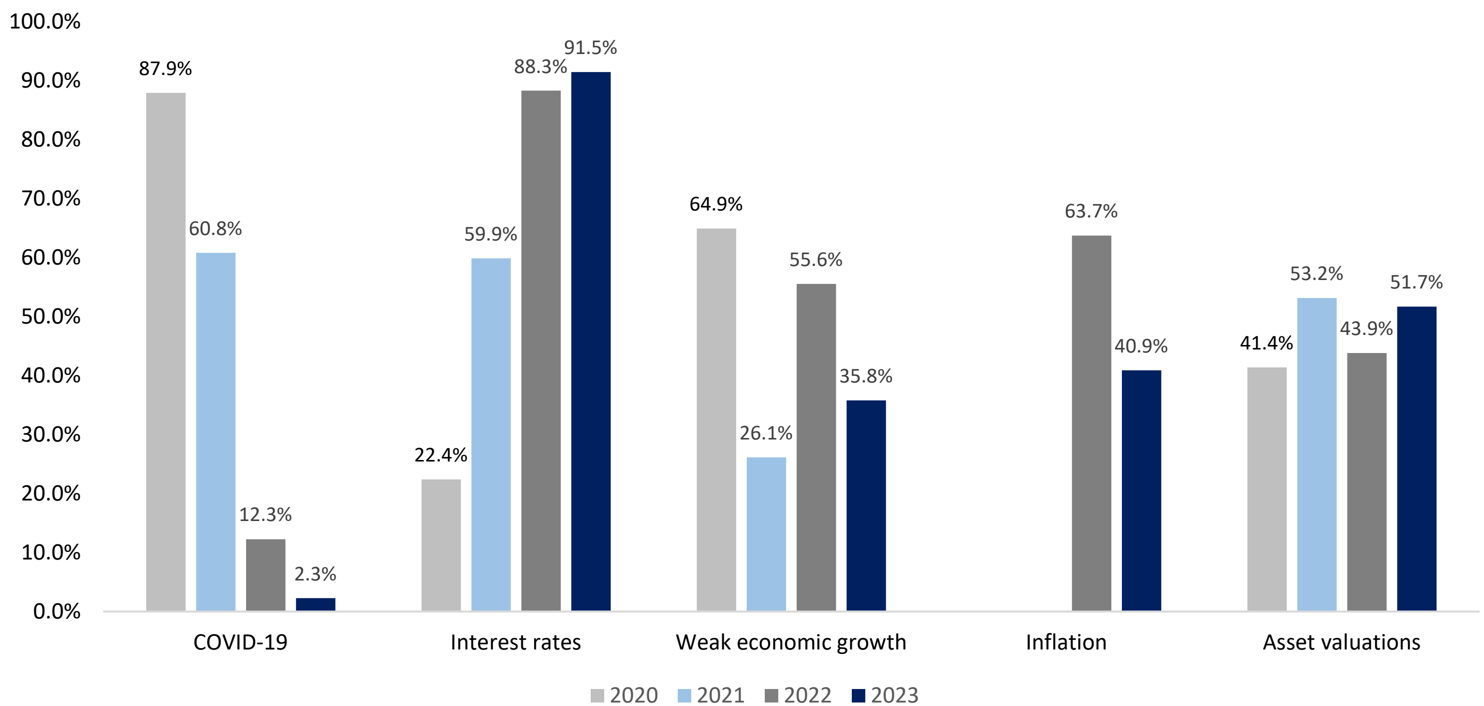
Exhibit 21: Conviction Index, By Type of Institutions



Conviction increased across all geographic regions in 2023. Notably, institutions in EMEA have shown the greatest rebound in conviction after reporting a sharp decline of 1.4 points in 2022. This may be attributed to a concentration in European investments, which have had a sharper mark to market over the past 12 months. Further, European institutions' concerns regarding geopolitical risks declined from 2022 to 2023, perhaps as Europeans have adjusted to the protracted war in Ukraine.

Insurance Companies also demonstrated a significant reversal in their sentiment reported in 2022, increasing conviction by 1.0 point to 6.9. This may be attributed to their outsized allocation to real estate credit, and its attractive risk-return return profile in today's market.

Exhibit 22: Real Estate Investment Risks, 2020 – 2023*



**Please note that institutions were not asked about inflation concerns in the 2020 and 2021 Institutional Real Estate Allocations Monitor surveys.*

When asked what risks are expected to have the greatest impact on investment decisions in 2023, institutions overwhelmingly pointed to interest rates as the most significant concern, with over 91% of respondents identifying rates as a risk. Concerns about interest rates were followed by worries of asset valuations with over 50% of institutions reporting valuations will have an impact on their investment decisions. *A Private Pension in the Americas commented "the potential shakeout has not yet begun, so the interest rate backdrop may be instrumental in determining whether the market has a bleak future or a soft landing ahead."* Surprisingly, concerns of weak economic growth declined in significance, with less than 40% of institutions identifying this as a risk. Concerns regarding inflation remained elevated but have notably declined over the past 12 months. Approximately 27% of institutions in the US identified the Banking Crisis as an ongoing concern.

For several years, COVID-19 was overwhelmingly the most significant concern cited by real estate investors. Today, just 2.3% of institutions cite COVID-19 as having an impact on investment decisions, compared to ~88% in 2020, during the early onset of the global epidemic. While investors are no longer identifying the virus as a meaningful risk, COVID-19 undoubtedly left its mark on real estate, and certain asset classes, such as office may not fully revert to pre-COVID fundamentals.

Exhibit 23: Range of Conviction Index 2022 & 2023, All Institutions

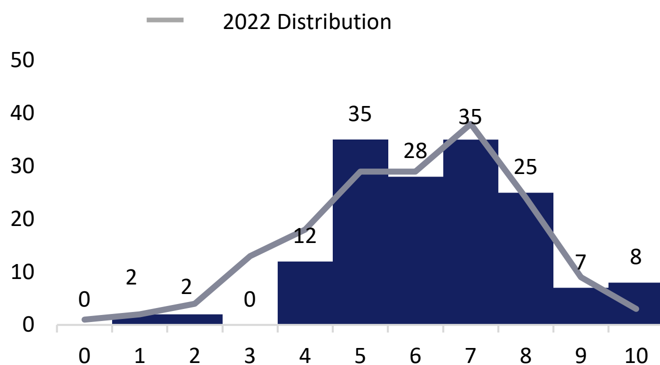
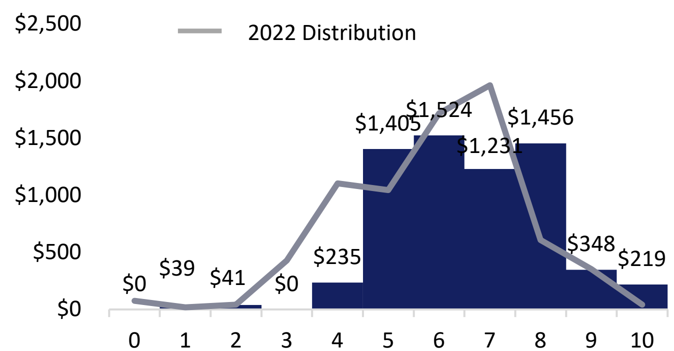


Exhibit 24: Range of Conviction Index 2022 & 2023, By AUM Midpoint (US$ Billions)



"Real estate is and has been hurt by the real rate reset in the denominator of asset valuations. In specific instances, (e.g., office) the numerator is also being hurt."

- Endowment / Foundation, The Americas

"Liquidity matters, someone making investments now will be well compensated."

- SWF / GE, APAC

"We have believed and still do believe that real estate credit has a more attractive risk/return profile than equity."

- Public Pension, The Americas

"The pricing mechanism is not working in many markets (there is no price discovery because there are no transactions)."

- Public Pension, EMEA

"Last year's rate hikes are not yet fully reflected in real estate valuations and tighter credit conditions have kept many investors on the side-lines. Polarisation is the watchword and we see the recent divergence in performance as a harbinger of things to come. In an environment of reduced liquidity, conviction themes will become crowded."

- Insurance Company, EMEA

"The real estate capital markets continue to be somewhat frozen. Debt is difficult to get and significantly more expensive than 18 months ago. As a result, transaction markets are somewhat frozen with a continued bid/ask spread among buyers and sellers and the market slowly finding equilibrium."

- Public Pension, The Americas

"The calm before the storm."

- Endowment / Foundation, the Americas

"Interest rates are by far the greatest risk."

- Public Pension, EMEA

Third Party Management

Contending with overallocation, institutions continue to show a strong preference for reallocating capital to existing manager relationships.

Existing Investments

In line with findings from recent years, nearly two thirds of institutions report outsourcing their entire real estate portfolio to third-party managers. Overall, 93% of institutions report outsourcing all or a portion of their portfolio to third-party managers, while 7% report managing their entire real estate allocation in-house (trending up slightly from 4% in 2022 and 2% in 2021). Some Large Institutions continue to pull allocations in-house as they look to reduce fees, gain more discretion over investment decisions, and fortify in-house expertise in investment and asset management.

There continues to be a significantly greater proportion of Small Institutions outsourcing the management of their entire real estate portfolios at 67%, as compared to Large Institutions at 50%. Due to a lack of internal infrastructure and personnel, Small Institutions more often rely heavily on the expertise of third-party managers to deliver risk-adjusted returns.

Future Allocations

As discussed in prior sections, many investors have remained capital constrained in 2023 as a result of over allocation to the asset class. Those that do have capital to invest are significantly more likely to allocate funds to existing manager relationships. Throughout 2023, managers have relied heavily on their existing investors for support, as attracting capital from new clients has proven to be more challenging. Approximately 64% of 2023 investments are expected to be allocated to existing manager relationships, with 23% allocated to new relationships. *A Public Pension in the Americas remarked "While fundraising is tough for everyone, it is even harder for smaller and / or new managers. Existing mangers are going to garner the lion's share of commitments as LPs are constrained."*

Just 28% of participants expressed interest in increasing their roster of managers over the next 12 months, down from 31% in 2022 and 41% in 2021. Additionally, 15% of participants anticipate decreasing their number of manager relationships in the near term. This speaks to the trend that the large managers are only getting larger and commanding an increasing share of annual allocations. Notably, ten managers

Exhibit 25: Percentage of Portfolio Outsourced to Third party Managers, All Institutions

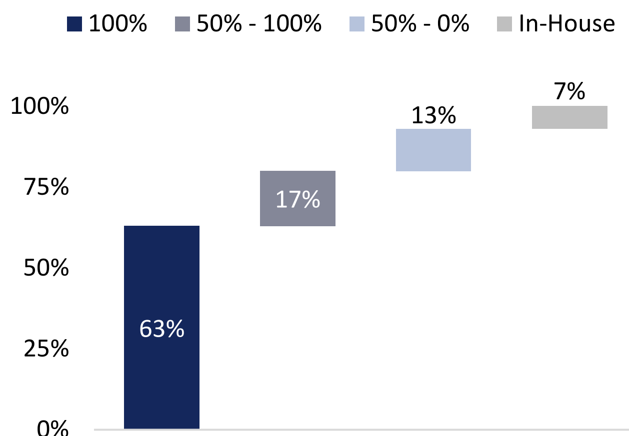


Exhibit 26: Allocations to Managers in 2023, All Institutions

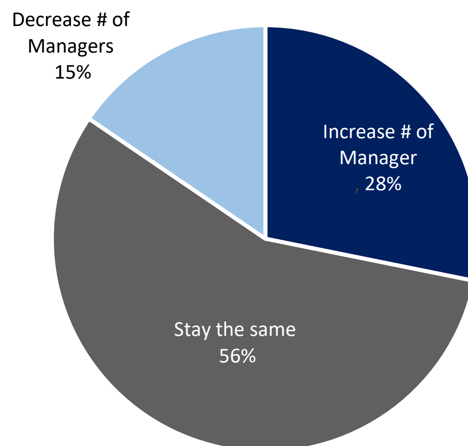
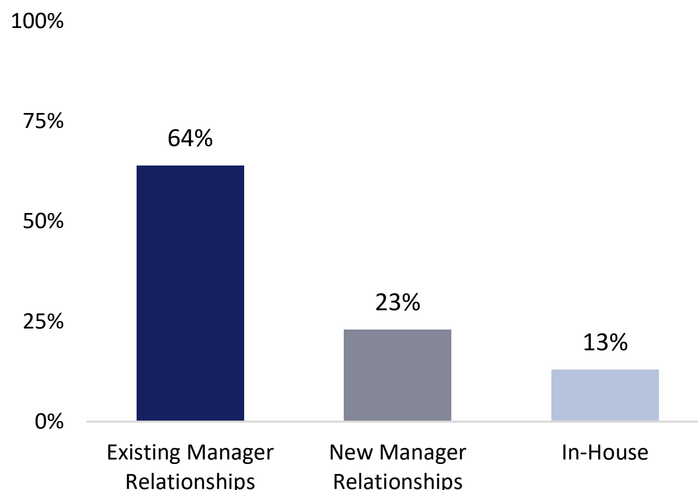


Exhibit 27: Estimated Breakdown of 2023 Investments, All Institutions



have accounted for over 50% of the capital raised since the beginning of 2020.[16]

Given current market dynamics, there has been an increased focus on partnering with managers that have experience investing across market cycles. Particular accolades are given to those managers which have navigated COVID and the Global Financial Crisis, earning reputations as trustworthy stewards of capital.

Emerging managers continue to be at a disadvantage when looking to attract capital from institutional investors, and the bar remains high for first-time funds. Approximately 11% of institutions are willing to invest with first-time fund managers in 2023, down from 16% in 2022. Without being able to point to a strong track record, institutions have a difficult time pushing emerging managers through their investment processes, particularly in today's investment environment. *Managers also benefit from scale, with one Public Pension noting they are "favoring large managers and would rather take risks on the assets themselves, without having to worry about firm risk".* That said, several new firms have been formed over the past few years, and in a market where carried interest has been wiped out, it is expected that seasoned principals will take the risk to form new platforms and be successful in raising institutional capital.

[16] "Private Capital Fundraising" *Preqin*, October 2023.

Risk Preferences

Investors continue to favor value-add strategies, led by institutions in the Americas.

Exhibit 28: Risk Preference, All Institutions

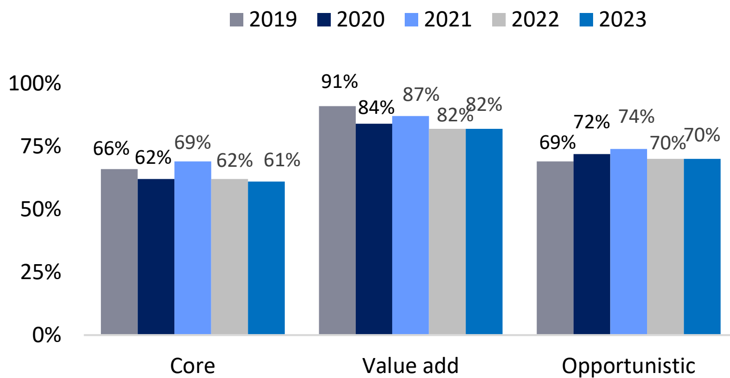


Exhibit 29: Risk Preference, By Location of Institution

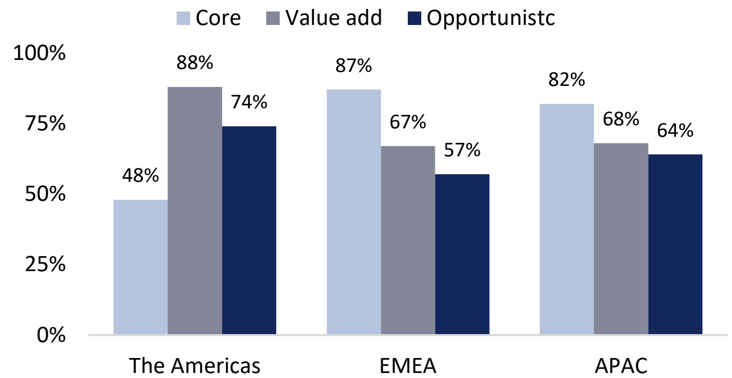
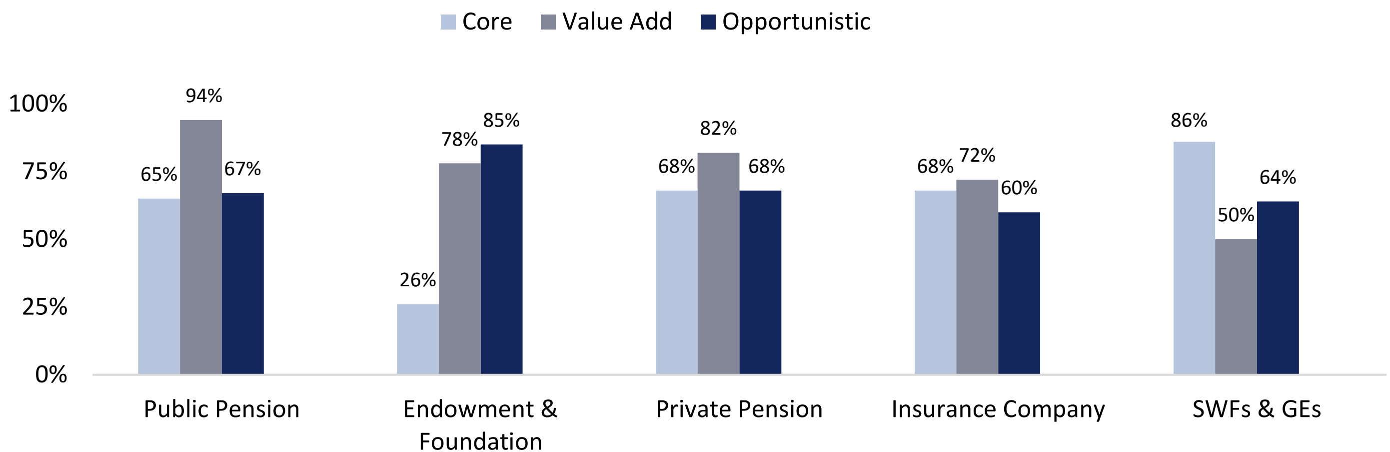


Exhibit 30: Risk Preference, By Type of Institution



Strong appetite for high-return strategies continues to be the trend, with in excess of 25% of institutions expecting to invest more capital in both opportunistic and value-add strategies, compared to approximately 10% with respect to core and core plus. Value-add remains the preferred strategy, with 82% of institutions actively investing in this category. As current dynamics are driving investors to seek out distressed opportunities, institutions are also prioritizing opportunistic strategies, with approximately 70% of institutions reporting an intention to invest in opportunistic real estate. *An APAC-based Insurance Company remarked "Today is not the right time for core. Non-core strategies have the potential for outsized returns due to the lack of capital available from traditional sources and repricing."*

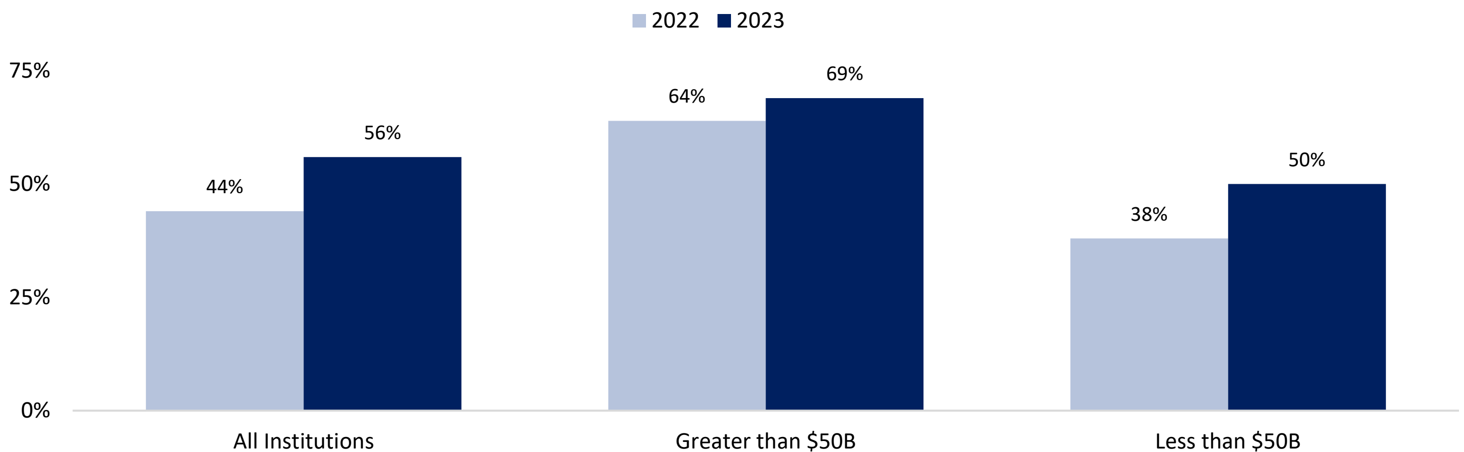
In terms of region, 88% of institutions in the Americas are actively investing in value-add strategies, compared to only 48% actively investing in core strategies. While institutions in the Americas continue to show the greatest appetite for risk, their counterparts in EMEA and APAC appear to be seeking lower-leverage strategies. Institutions in both the EMEA and APAC regions reported that their primary preference was in core strategies, with 87% of EMEA-based institutions and 82% of APAC-based institutions planning to invest in core. APAC-based institutions' appetite for core real estate is largely driven out of Australia, where 100% of institutions reported investing in core strategies. Opportunistic investments were the least favored strategy amongst investors in both EMEA and APAC.

Endowments & Foundations continue to favor high-return opportunistic and value add strategies, with 85% and 78% of respondents planning to invest in such strategies, respectively. Given their appetite for high-return strategies, it is not surprising that Endowments & Foundations have the smallest appetite for core strategies, with only 26% making investments in core real estate. In contrast, SWFs & GEs reported the greatest preference for core, with 86% of respondents investing in core strategies.

Credit Strategies

There is an increasing focus on real estate credit in today's high interest rate environment. *As one Insurance Company in EMEA noted, "the sudden increase in interest rates and the continuous volatility of the rate expectations make it difficult to be an equity investor." Howard Marks, co-founder of distressed debt investment manager, Oaktree Capital Management, has warned that "there is a seismic change occurring in the markets." While the previous low interest rate environment has been exceptionally challenging for lenders and for credit, "with low interest rates increasing the value of assets and decreasing the cost of capital" the new environment will give way to new winning strategies.*[17] Marks is one of many credit players seeking to take advantage of current dynamics to generate equity-like returns with lower risk. In response to the new investment landscape, an increasing number of institutions are looking to invest in real estate debt. Approximately 34% of 2023 survey respondents are planning to invest more capital in real estate debt, compared to 14% in 2022. Large Institutions are more likely to make debt investments than Small Institutions, with 69% of Large Institutions planning to invest in real estate debt, compared to 50% of Small Institutions.

Exhibit 31: Investing in Real Estate Debt, By Size of Institution



[17] Uhlman, Lisa, "Howard Marks on market dislocation and remarkable credit opportunities," *The Inside Adviser*, August 2023.

Geographic Preferences

The United States remains the preferred destination for capital allocations from both North American and international investors, and institutions are planning to increase cross-border investments.

Exhibit 32: Geographic Focus, All Institutions

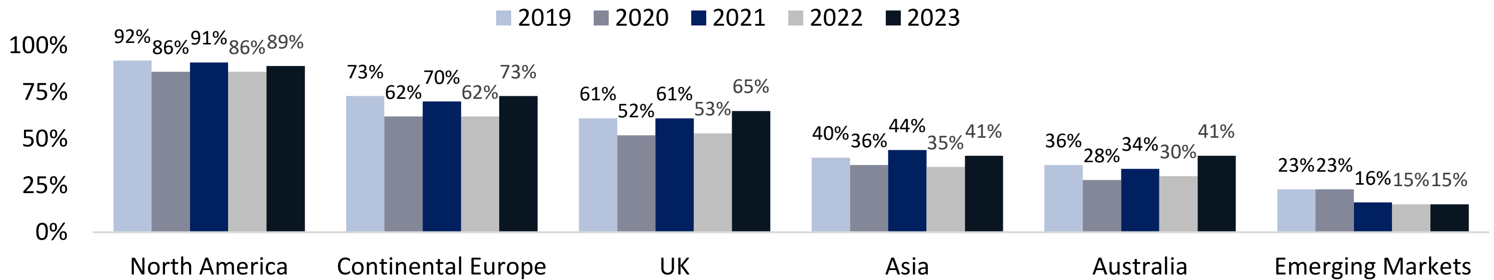
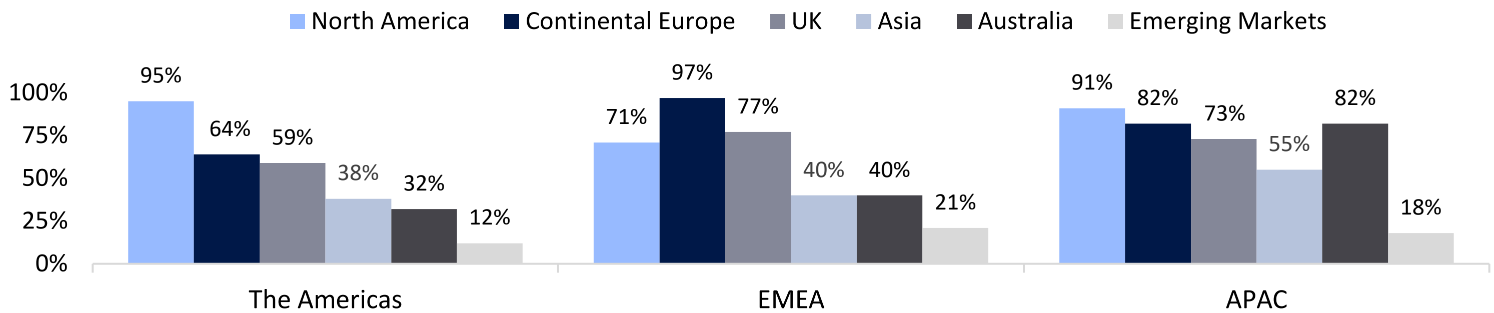


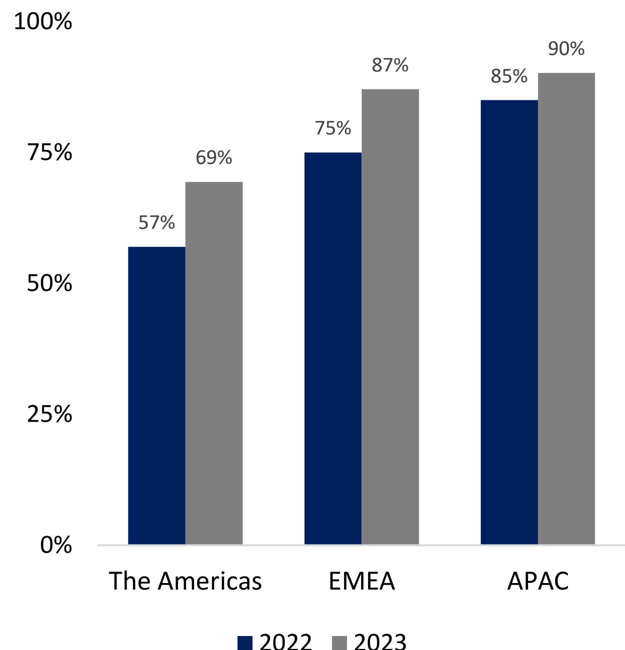
Exhibit 33: Geographic Focus, By Location of Institution



North America continues to be the largest recipient of capital allocations with 89% of institutions actively allocating to the region, followed by Continental Europe (73%) and the United Kingdom (65%). Approximately 45% of institutions expect to invest the same amount of capital in North America in 2023 (up from 38% in 2022), while 23% expect to invest more capital. Notably, the percentage of investors planning to invest in Australia increased from 30% to 41%, with the region matching Asia in terms of investor appetite.

Cross-regional capital flows between North America, Europe and Asia Pacific decreased 52% in H1 2023, accounting for $30.5 billion in total transaction volume.[18] While investors have remained cautious in deploying capital across borders given uncertainty in the market, 2023 responses indicate that institutions plan to increase cross-border investments. Across the Americas, EMEA and APAC, institutions have shown an increased appetite for cross-border investments. Consistent with prior years, APAC-based institutions have the largest appetite for cross-border investments, with 90% of institutions in the region planning to invest outside their domestic market in 2023,

Exhibit 34: Institutions Investing Outside of their Domestic Region, By Location of Institution



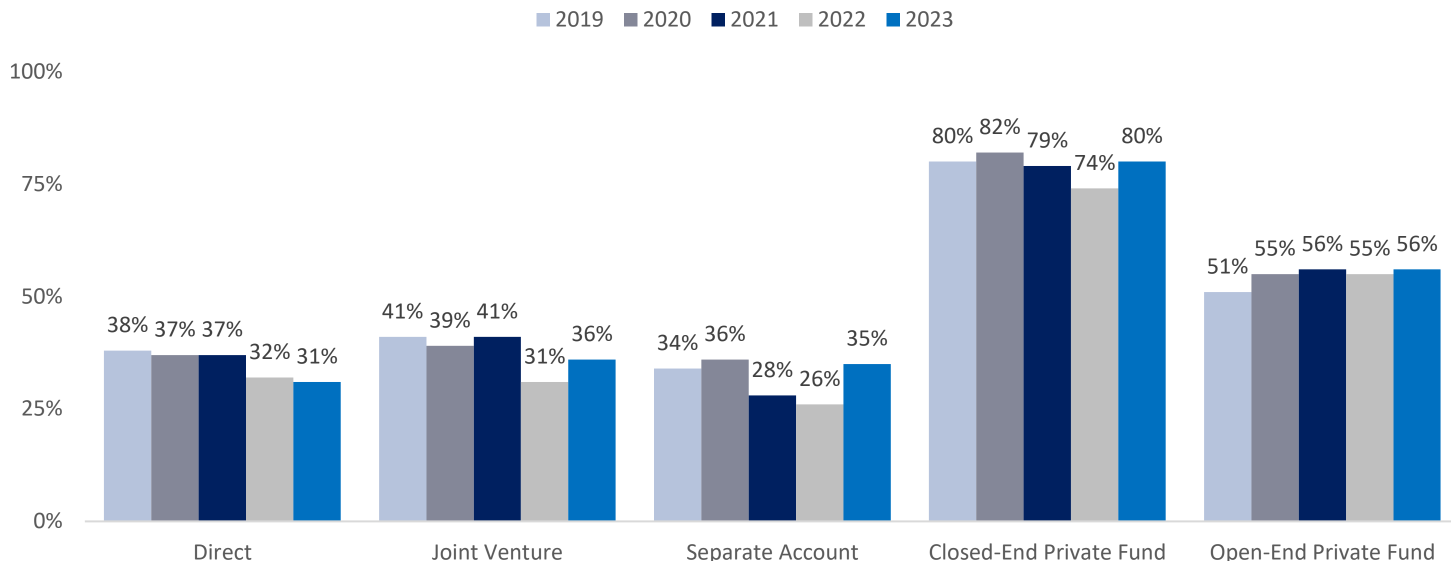
[18]Coen, Andrew, "Global CRE Capital Flows Way Down, But Poised for Upswing: CBRE," *Commercial Observer*, September 2023.

compared to 87% in EMEA and 69% in the Americas. While institutions in the Americas are least likely to invest outside of their home region, their appetite for cross-border investments has increased by 12 percentage points year-over-year.

Investment Product Trends

Despite a sluggish fundraising environment that has persisted since 2022, over 80% of institutions report that they are now actively considering investments in funds.

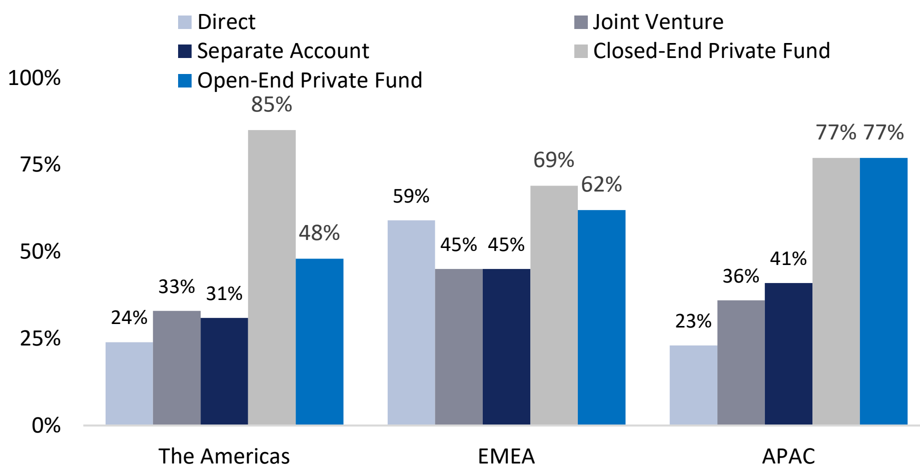
Exhibit 35: Investment Product Preferences, All Institutions



While the sluggish fundraising environment from 2022 has continued throughout the third quarter of 2023, managers are hopeful that the trend will reverse in 2024, as portfolio allocations come back into balance. Despite the headlines, over 80% of institutions are actively investing in closed-end funds in 2023 (with 50% of institutions expecting to invest an equal amount of capital or more into closed-end funds over the next year), reversing a three-year decline and up from 74% in 2022. Additionally, the percentage of institutions investing in both closed and open-end funds, as well as joint ventures and separate accounts increased marginally in 2023. Consistent with findings from prior years, institutions continue to favor closed-end funds over open-end funds, with only 56% of investors reporting actively investing in open-end funds. Approximately 66% of institutions are planning to invest no or less capital into open-end funds. This is not surprising given the long queues at many ODCE funds reflecting illiquid markets and questions regarding valuations.

The greatest appetite for funds continues to come from institutions in the Americas, though notably, 40% of APAC-based institutions are planning to invest more capital into closed-end funds. EMEA-based institutions show the largest appetite for direct investments, with 59% of institutions reporting they are investing directly, compared to 24% in the Americas and 23% in APAC.

Exhibit 36: Investment Product Preferences By Location of Institution

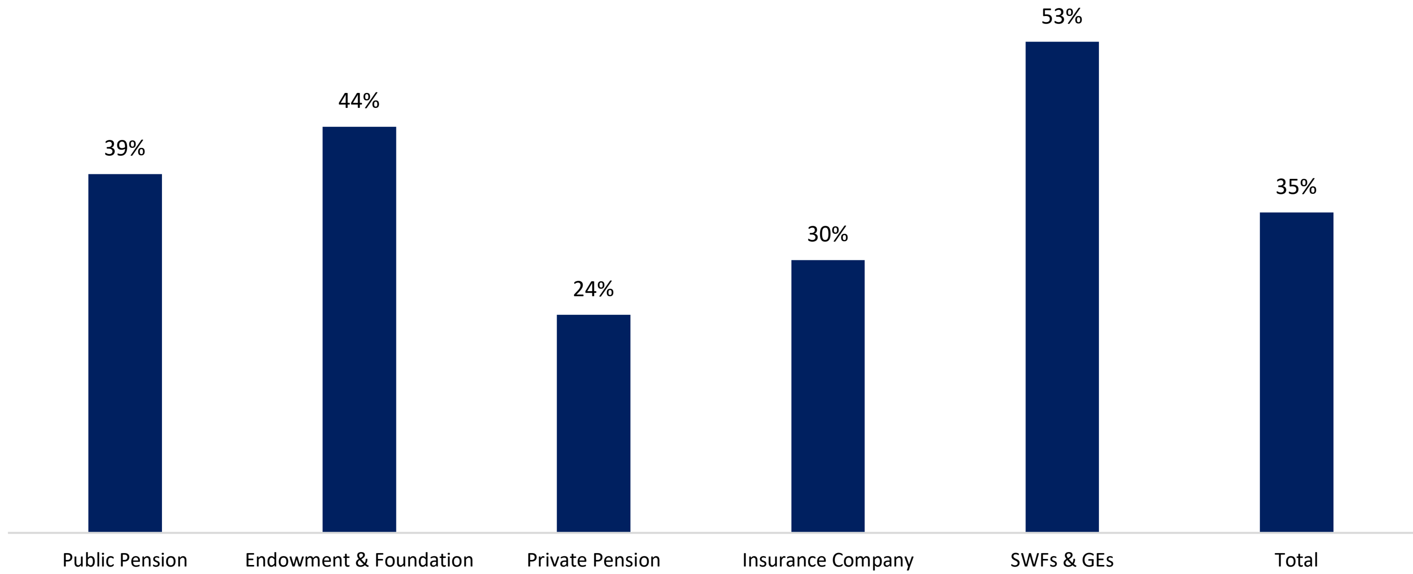


Endowments & Foundations showed the greatest appetite for closed-end funds, while direct investments are most favored by Insurance Companies. SWFs & GEs have the largest appetite for both joint ventures and separate accounts. These trends are not surprising given direct investments, joint ventures and separate accounts require a greater level of managerial oversight, which resource-equipped Insurance Companies and SWFs & GEs are more easily able to provide.

Real Estate Investment Trusts (REITs)

Institutions consider REITs to be a complement to private real estate in overall portfolios in terms of filling allocational needs and addressing liquidity objectives.

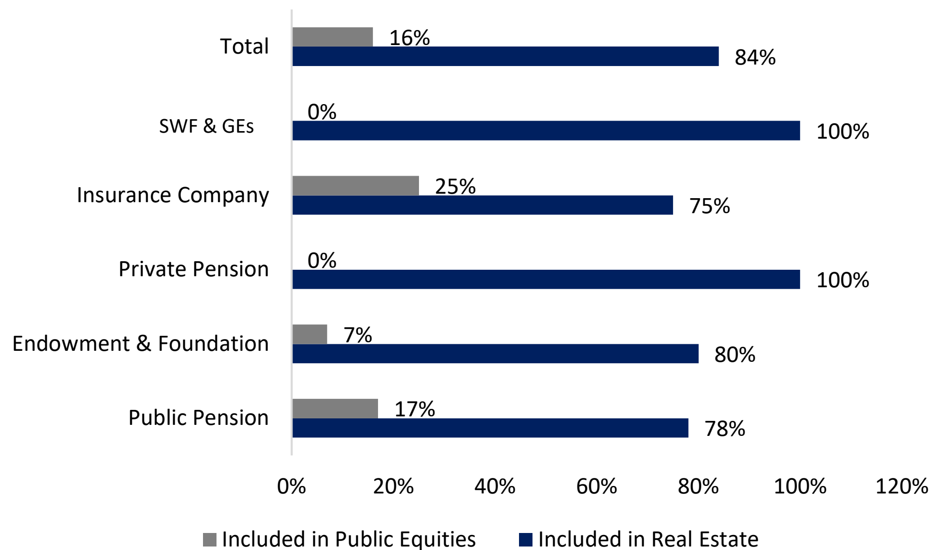
Exhibit 37: Institutions Invested in REITs in 2022, By Institution Type



REITs and other real estate public equities are an increasingly important component of institutional portfolios. Edward Pierzak, Senior Vice President of Research at Nareit, noted that in today's market in particular "REITs offer investors access to institutional-quality properties with best-in-class operators at substantially discounted prices relative to the private market."[19]

In addition to the benefit of liquidity, REITs are a proxy for core real estate holdings. For many institutions, particularly Large Institutions, REITs enable tactical allocations to certain real estate sectors, strategies and geographies, and the ability to allocate opportunistically to take advantage of discounts to intrinsic value and special situations.

Exhibit 38: REIT Allocations, by Type of Institution



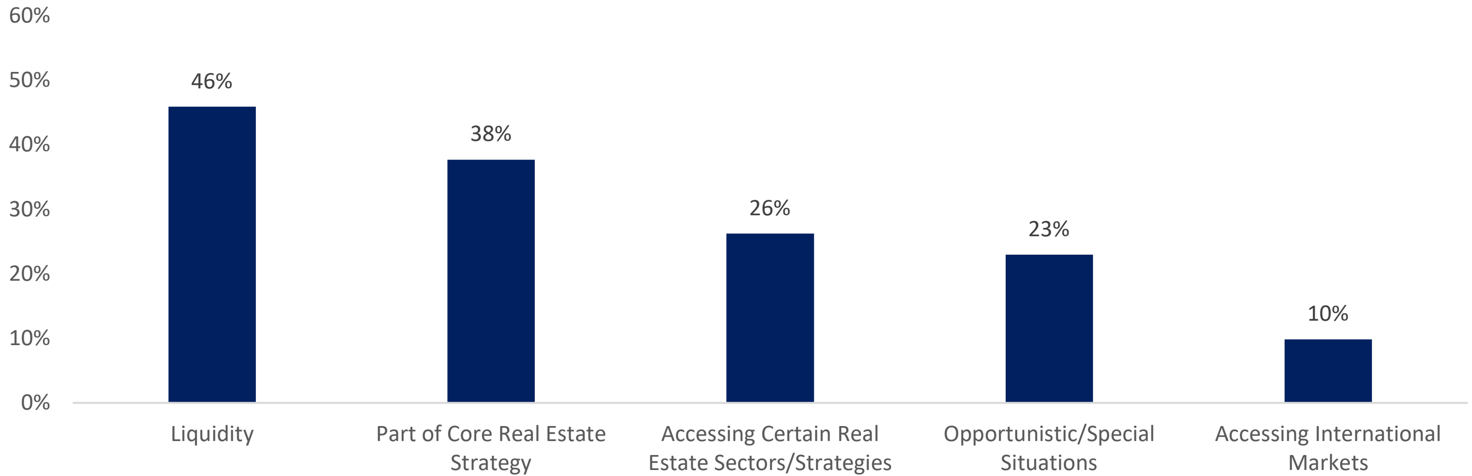
Approximately 36% of institutions reported investing in REITs in 2022, including 52% of Large Institutions, and more specifically, 65% of Large US-based Institutions. When asked about investment intentions, 42% of institutions reported they are planning to allocate additional capital to REITs, led by SWFs & GEs at 64%.

For institutions that actively invest in REITs, approximately 84% include REITs as a part of their real estate allocation, while 11% include REITs in their public equities allocation. Notably, 25% of Insurance Companies include REITs in their public

[19] Pierzak, Edward, "Public and Private Real Estate: Divergences, Harbingers, and Opportunities." *PERE*, Spring 2023.

equities allocation. This may in part explain why fewer Insurance Companies indicate that they are investing in REITs. On the contrary, 100% of SWFs & GEs indicated that REITs are included in their real estate allocation.

Exhibit 39: Reasons for Investing in REITS, All Institutions

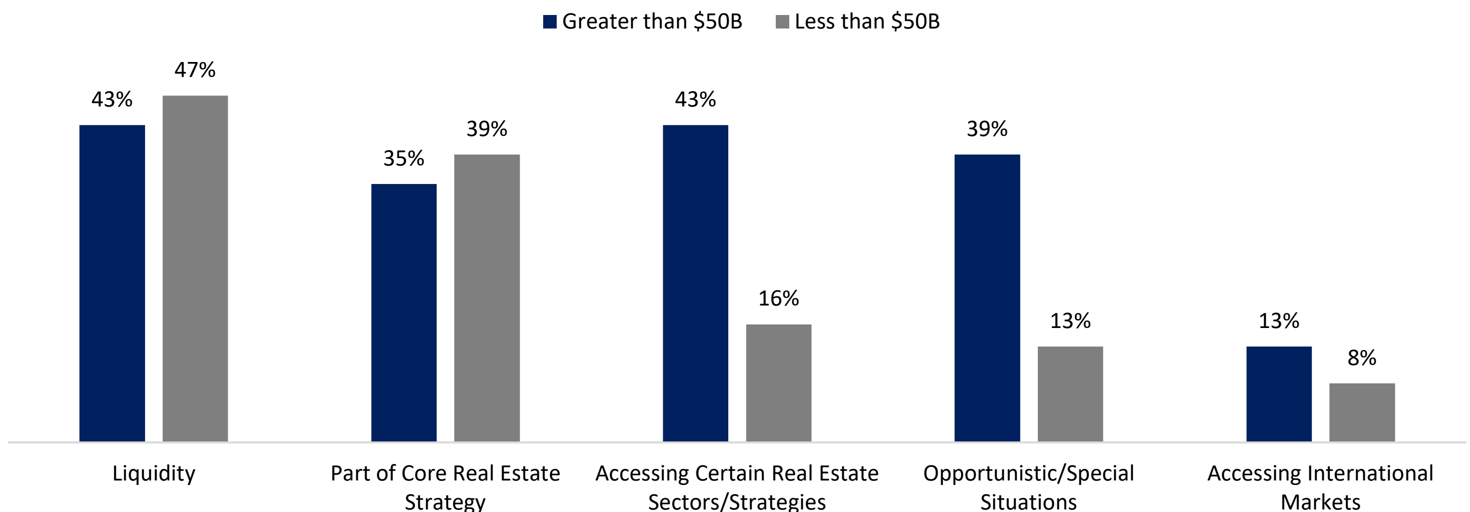


Of the institutions investing in REITs, 46% of respondents identified liquidity as a leading objective for investment. Approximately 38% of respondents indicated they invest in REITs as part of their core real estate strategy, and 26% indicated their investments are driven by an objective to broaden exposure to certain real estate sectors and strategies.

Reasons for investing in REITs vary across size of institution. Approximately 43% of Large Institutions indicated that their investments in REITs are driven in part by an objective to access certain real estate sectors and strategies, compared to 16% of Small Institutions. Additionally, 39% of Large Institutions indicated they are investing in REITs to achieve opportunistic and special situations exposure, compared to 13% of Small Institutions. This suggests that Large Institutions take a more tactical approach to allocating to public real estate securities.

Geographically, institutions based in the Americas are the most active REIT investors, with 40% of participants having exposure. Institutions in APAC followed those in the Americas with 38% of institutions allocating to REITs, and institutions in EMEA were the least active with 26% of institutions investing in REITs.

Exhibit 40: Reasons for Investing in REITs, By Size of Institution



Environmental, Social & Governance (ESG)

ESG continues to grow in importance, with the majority of institutions reporting that ESG policies have an impact on their investment decisions.

Exhibit 41: Formal ESG Polices, 2016 – 2023

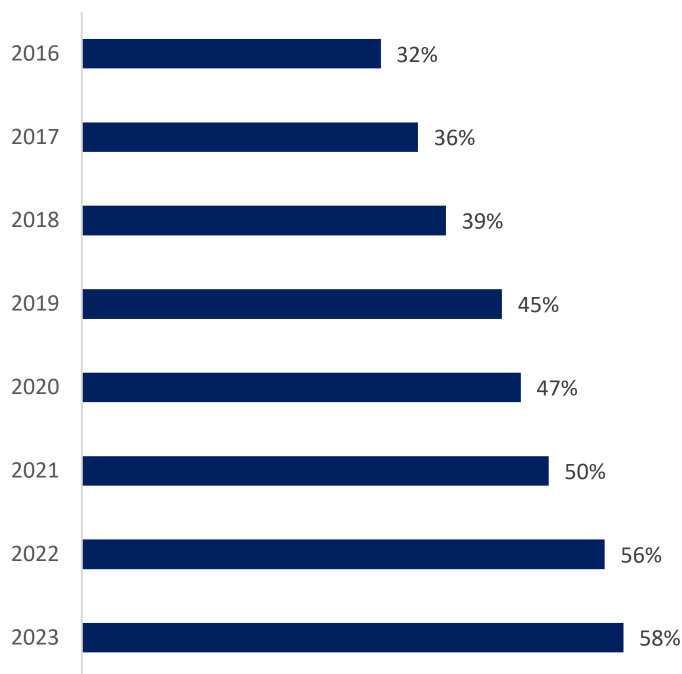
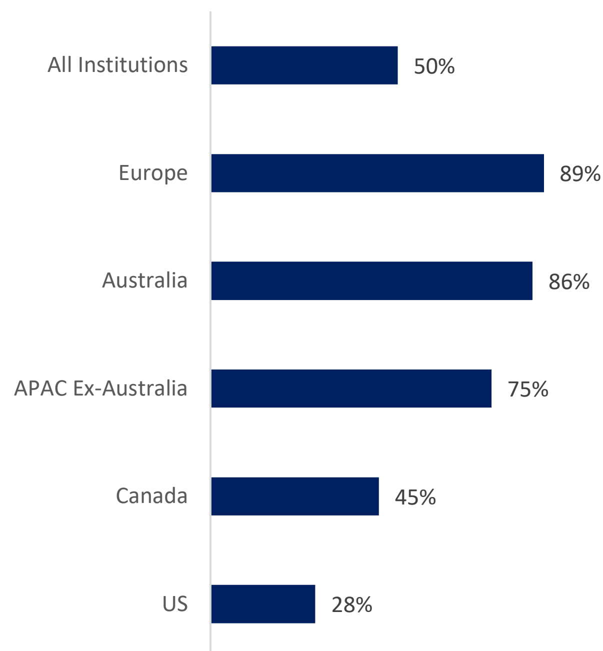


Exhibit 42: Investment Process Influenced by ESG Policies, by Location of Institution

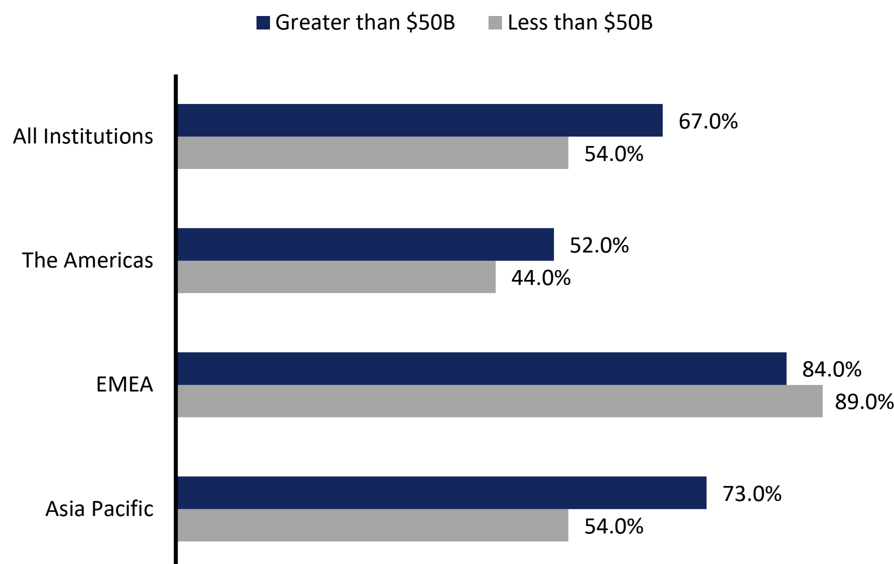


ESG Considerations

The importance of environmental sustainability, social responsibility, and governance ("ESG") continues to shape institutions' investment decisions. Institutions increasingly emphasize the importance of ESG when making investment decisions, and investment managers are repositioning their organizations and product offerings in response.

This year, approximately 58% of institutions indicated that they have a formal policy in place, up from 56% in 2022 and 32% in 2016. As to whether these policies affect investment decisions, the answer varies by region. European institutions continue to lead the industry, with 89% of institutions responding that their investment decisions are influenced by ESG policies, compared to 28% of institutions in the US. David-Alexandre Dahan, industry initiatives director of CREFC Europe, noted that while Europe has involved both legislators and regulators in its implementation of ESG Policy, America has been resoundingly reliant on its regulators. The introduction of federal legislation could have profound effects on the ESG movement throughout the country, though recent controversies prove to be obstacles to

Exhibit 43: Formal ESG Policy, By Region & Size of Institution



such progress.[20] The "anti-ESG" movement continues to make headlines in 2023 and has become so polarizing that Larry Fink, CEO of BlackRock announced he will no longer "use the word ESG anymore, because it has been entirely weaponized." BlackRock is instead preferring terms such as "transition risk" and "climate risk".[21]

Despite the headlines, portfolio management platform, Vidrio Financial, notes that an increasing number of asset managers are using ESG factors to weight their investments, incorporating such evaluation into their due diligence processes. Approximately 64% of institutions responding to Vidrio's survey of asset managers said they were using ESG factors to evaluate the risk and opportunity of investments, compared to 38% in 2021.[22]

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[20]Staropoli, Anna, "Europe vs. America on ESG: Why One Might Overtake the Other," *Commercial Observer*, May 2023.
[21]Hoekstra, Tjibbe, "BlackRock CEO blacklists 'the word ESG,'" *IPE Daily News*, June 2023.
[22]Thrasher, Michael, "Backlash Hasn't Kept ESG From Seeping Further Into Asset Management," *Institutional Investor*, August 2023.

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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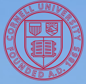

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