

2026

Global Outlook

EMERGING TRENDS IN REAL ESTATE®



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EXECUTIVE SUMMARY

“The deglobalisation trend should be positive for real estate demand. The global theme that we are watching is the security of everything.”

Private equity real estate investor



The real estate industry is buoyed by improving fundamentals and the increasing availability of capital as a new cycle gathers momentum, and yet the prevailing geopolitical uncertainty still presents investors with a major test of nerve.

According to the senior property professionals interviewed for this Global edition of *Emerging Trends in Real Estate®*, there is a sense that the asset class is coming “off the lows in terms of valuations”, with liquidity returning to the

United States, Europe and Asia Pacific. Positive momentum is also attributed to the rotation out of technology stocks into the real economy and more traditional asset classes.

But as all three regional reports underline, this is an industry undergoing an extended transition period, with optimism around opportunities not always matched by capital commitments. At a time when passive ownership of buildings is challenging and operational real estate is viewed as a more compelling route to value creation, some of the market’s hesitancy is likely attributed

to capital adjusting to the increased complexities associated with this type of investing.

For 2026, greater stability around inflation and interest rates is certainly supporting many real estate markets. But that has to be balanced against volatile geopolitics and challenging economic conditions in the era of deglobalisation.

Last year’s *Global Emerging Trends* reflected industry concerns over Ukraine, Israel and Gaza, and Liberation Day tariffs, all of which helped keep investment volumes “muted” for

much of 2025. Tariffs remain in one form or another, and the geopolitical uncertainty has now spread across the Middle East and extended to Venezuela and Greenland. One year on, the industry believes there is a “real risk” that the effect on investment could be much the same in 2026.

Even if the volatility is unavoidable, it still requires a response. As one US-based interviewee puts it: “Investors don’t have the luxury of sitting on the sideline, there are liabilities they have to match.”

Industry concerns: Challenges ahead

North America	Europe	Asia Pacific
 Interest rates/cost of capital	 International political instability	 Construction costs
 Labour costs/availability	 Escalation of global conflicts	 Trade friction/geopolitical tensions
 Job and income growth	 Housing affordability	 Interest rates/cost of capital
 Immigration policy	 European economic growth	 Low yields
 State and local regulations	 European political instability	 Asian economic growth



As a consequence, investors are placing even more onus on diversification across countries and sectors. Pricing in many European and Asia Pacific markets is also judged to have fallen far enough to offer an attractive trade-off with risk. Another plus point is that occupier markets remain relatively healthy even in the face of weak economic conditions. Overall, the interviews reflect a strong belief that the resilient qualities of real estate should still shine through, despite the volatility.

The trade-offs between re-pricing and risk are evident in retail and offices. Both sectors are seen as highly investable in select markets. Indeed, grocery-based retail and local shopping centres, in particular, are drawing in investors across all three regions. MSCI data show that offices accounted for \$195.80 billion of deals in 2025, which represented an 18 percent increase year-on-year and the largest allocation shift of all sectors despite ongoing post-pandemic occupancy issues. The interviews highlight both sectors as important counter-cyclical plays in 2026.

But when quizzed on the biggest opportunities for the industry in the year ahead, the interviewees invariably refer to artificial intelligence (AI) and with it the extraordinary global growth of data centres, a sector that epitomises the blurring of boundaries between real estate and infrastructure.

Once again, data centres lead the respective sector rankings for investment prospects in the Europe and United States & Canada *Emerging Trends* reports. According to respondents to the Asia Pacific survey, the sector is the most attractive niche property type for the coming year.

It was the 2024 edition of *Global Emerging Trends* which signalled the sector was moving from niche to mainstream in Western markets albeit still with small capital allocations compared with traditional sectors. The interviews for this year's Global report suggest that prediction is coming to pass despite ongoing concerns about an "AI bubble" allied to the vast capital expenditure plans of the big tech firms for data centre mega-campuses in the US.

The interviewees also note the obsolescence risks from technology advances and the serious issues around water and energy usage. "The risk of not getting it right is high," says one global player, "but it's a key megatrend. You also don't want to miss out in full on the opportunity as it is here to stay."

Such opportunities also underline the challenge the industry faces in upholding its commitment to sustainability. The three regional reports indicate an evolving approach to environmental, social, and governance (ESG) strategies in real estate. Views on sustainability vary widely across Asia Pacific although there is a growing consensus that asset owners need to focus on deliverable and measurable initiatives. European leaders see ESG increasingly as a pragmatic, rather than philosophical, endeavour. *Emerging Trends US & Canada* does not refer to ESG at all, focusing instead on ideas such as asset resilience in the face of climate change.

The underlying commitment is still evident. As one interviewee concludes: "Sustainability is not throwing money after ideological things. We are always showing our investors that it will ultimately lead to a better value story."

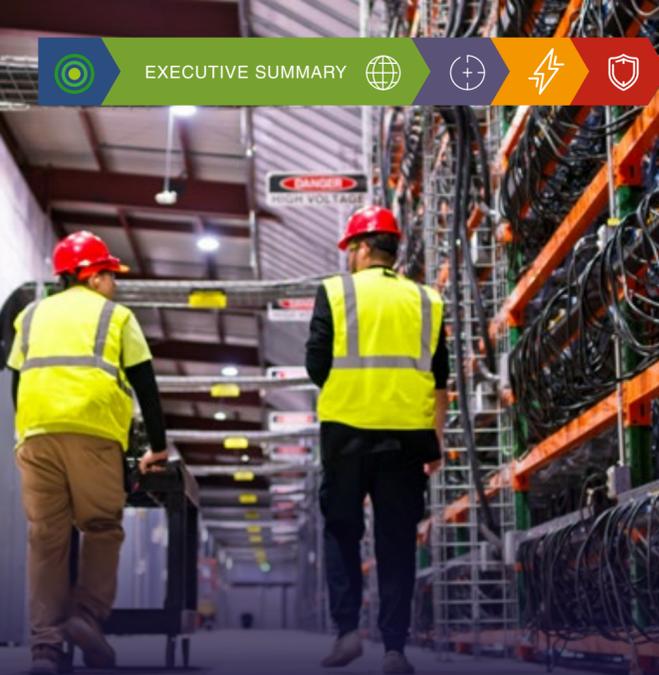


Sustainability is not throwing money after ideological things. We are always showing our investors that it will ultimately lead to a better value story.



BUILDING AN OFF SHORE WIND TURBINE OFF SCOTLAND





DATA CENTRES



**SENIOR HOUSING/
ASSISTED LIVING**



**LOGISTICS/
INDUSTRIAL**



**PRIVATE RENTED
RESIDENTIAL**



**STUDENT
HOUSING**

SECTORS TO WATCH



**HEALTHCARE
FACILITIES**



**STORAGE
FACILITIES**



HOTELS



OFFICES



RETAIL



Changing capital currents

Target allocations to real estate among institutional investors declined for the first time in 13 years in 2025, reflecting the fact that the asset class faces stiff competition for capital from infrastructure and private credit.

Yet as we investigate in Chapter 2, the industry’s focus on traditional institutions has obscured the rise of private wealth, which will not only make up some of the short fall but is likely to have a lasting influence on the global real estate investment landscape.

The regional editions of *Emerging Trends* reflect how the composition of capital is changing. In Europe and the US, private equity, family offices, high-net-worth individuals and private local investors are becoming more prominent sources of funding, acting as a counterbalance to the continued caution of traditional institutions. In Asia Pacific, the trend is even more pronounced, with expanding family offices, private banks, insurers and newer sovereign wealth funds driving capital flows.

Unlike institutions, retail investors typically prefer semi-liquid structures – such as open-ended funds or publicly traded vehicles – which require different deal structures, liquidity planning and investor communications. Retail investors are already demonstrating the ability to adapt structures, strategies and operations to a rapidly evolving global market.

According to the interviews conducted for this Global edition, aggregated retail flows, as well as “household” wealth more generally through the rapid growth of defined contribution pensions, could represent hundreds of billions to trillions in potential capital.

Exactly how this will play out is unclear, but the changing nature – as much as the volume – of capital flowing into real estate is undoubtedly important to its evolution, alongside the shift towards operational assets, the increasing overlap with infrastructure, and the impact of technology and decarbonisation challenges.



BEIJING, CHINA



CHAPTER 1

PLAYING THE LONG GAME

“The opportunity here is the fact that real estate has fallen in value. As a highly cyclical asset class, the last three to four years have been quite painful. But that pain is largely behind us and it is now an interesting time to build up your holdings again.”

CEO, global investment manager



Global investors in real estate have drawn up bullish strategies for 2026 in the light of improving fundamentals and the increasing availability of capital.

The asset class also looks relatively attractive against other investments, as a new cycle gathers momentum following several fits and starts. And yet, despite a technical greenlight, a storm of geopolitics is clouding clarity around whether or not to pull the trigger on deals.

First, the good news: the conditions for investing in real estate have improved on paper, compared with a year ago, as 2026 enters its second quarter. Industry leaders canvassed for this Global edition of *Emerging Trends in Real Estate*® list several reasons to be cheerful. “We are bullish on real estate. The cost of debt has lowered and indices have come in as rates have come down or normalised,” says a US-based private equity investor. “There’s a sense we are off the lows in terms of valuations. Institutional investor sentiment has also improved.”

According to a European asset management head: “Real estate is emerging as one of the brightest asset classes compared to other investments, not least because it is coming from a very low point.” They add that liquidity is back in Europe, Asia Pacific and North America, alongside greater availability of debt.

However, there are footnotes to the optimism. Another asset manager says, “this is not a V-shaped recovery; we will not see rapid cap rate compression”, referring instead to



Real estate is emerging as one of the brightest asset classes compared to other investments, not least because it is coming from a very low point.

“patient capital that is going to play through these income stories”. They add: “If you buy into this, this is an asset class that will give you upside even in a volatile environment.”

The other issue, of course, is global volatility amid geopolitical stand-offs and the widening conflict in the Middle East. Unpredictability has become the only constant. As Canadian Prime Minister Mark Carney declared at the World Economic Forum in Davos in January: “The old order is not coming back.”

“We haven’t seen this level of unpredictability in the geopolitical scene for many years,” says an investment manager with a European and Asian focus. “Last year, we were focused on topics such as Ukraine, Israel and Gaza, Liberation Day tariffs ... and since mid-September, it’s been a different set of topics.”



NEW YORK, UNITED STATES





We haven't seen this level of unpredictability in the geopolitical scene for many years.

The issues around Venezuela, Chagos islands Greenland and an escalating Middle East conflict have all emerged following publication of the regional editions of *Emerging Trends*.

The topics might have changed, but there is fear of some of 2025's worst themes repeating, namely investment strategies floundering in the face of global uncertainty.

This sentiment echoes the views of two of the regional reports, where trade frictions and geopolitics are flagged as a major concern for Asia Pacific real estate professionals, rising to a higher score than the average for the past five years. International political instability and the escalation of global conflicts top the social and political issues for European respondents. However, more than half of US industry leaders cite immigration policy and housing availability as the most important social and political issues facing real estate in 2026.

Global volumes in the first half of 2025 were distinctly muted by uncertainty relating to geopolitical risks and macroeconomic impacts,

as cautious investors delayed signing deals before and after US Liberation Day tariffs.

One global manager says there is a "real risk" that 2026 follows a similar script if the ad hoc declarations continue. "This could give rise to new potential flashpoints and conflict affecting financial markets, that could affect investor sentiment in real estate."

A US-based investor is more sanguine about the market response being "different this time around", however. "In Q1 2025, you were seeing tariffs on every country in the world, the US had just started the easing cycle and people were worried that inflation would follow and the Fed cuts wouldn't happen."

However, they point out that Liberation Day actually proved "a great buying opportunity" in the public markets, rewarding risk-takers who follow a familiar playbook that "there will be more back and forth and a practical resolution will emerge". They add: "Some of these things will just be constant, but not to the point where people won't invest or participate in the markets."

Yet even if the volatility is seen as unavoidable by many, it still requires a degree of strategising. "You might want to hedge it through diversification, or by avoiding asset classes that relate to commodities," says one European pension fund manager.





Make sure you diversify across countries and sectors because the world continues to be extremely unpredictable.

But as this manager points out, “you can’t really underwrite against such flashpoints because they are such binary events”, adding: “I have seen many geopolitical milestones, 9/11, Ukraine, the Gulf War – there is usually a bit of a blip and then everything goes on. I think this is going to be the same unless something really big happens.”

Despite this view, “diversification” as a pragmatic response is a recurring theme among the interviewees for *Global Emerging Trends*. “Real estate has a five to ten-year time frame, but we are in a period of change in the world order and that is not being taken into account,” says the real estate head of an investment bank. “We need to be able to think very differently about everything, but diversification matters a lot.”

A US-based investment banker draws parallels with the 1930s, when “burgeoning conflict and tremendous change, financial volatility and an inflationary environment” burnt investors that were not diversified by asset type and geography. Adds a global investment manager: “For the first time in 20 years, diversification is a very important part of the story. Cap rate compression made it less relevant, but it is now going to be the central driver to your returns.”

Balancing risk and pricing

In the light of this, how should investors act? “Investors don’t have the luxury of sitting on the sideline, there are liabilities they have to match,” says a US-based real estate investment head.

In any case, “real estate investment has lagged for several years ... people are seeing that as an opportunity to invest in it again”. Yet they suggest some clarity is required to strike deals: “The signal noise element is going to get harder; we are going to have to become experts in our own markets to get anywhere ... the US has plenty of opportunities.”

Not all investors believe that sticking to your own region is the only solution to this, however, with one global investment manager observing that prices have fallen in Europe and Asia, and the outlook is positive. “Europe is slightly ahead in terms of pricing, but Asia has better growth prospects”. They say that they would “on balance focus more on Europe”, however, as “a larger and more liquid market”.

Such trade-offs, between risk and pricing, the known and the unknown, bring investors back to the balanced portfolio theory. An Asia-focused investment manager adds: “Make sure you diversify across countries and sectors because the world continues to be extremely unpredictable.”



PARIS, FRANCE



That unpredictability may include plenty of geopolitical chatter but there are still structural issues in play. Research from Cornell University’s Baker Program in Real Estate and Hodes Weill & Associates observes that target allocations to real estate declined for the first time in 13 years in 2025 as institutional investors favoured infrastructure and private credit (Figure 1-1).

According to the data, some 60 percent of investors now view these as direct competitors to real estate allocation and prefer to view real estate within a broader real assets framework, particularly in EMEA and APAC.

Alongside this, the boundaries are increasingly blurred between infrastructure and real estate, with data centres a case in point. This “new economy” sector may be attracting plenty of attention and capital, but risks abound (see Trending Topics, page 19).

Data from MSCI also suggest that while equity fundraising in Europe and the US struggles to improve, debt funds are in the ascendency, with US closed-end real estate debt vehicles particularly conspicuous, as we investigate in Chapter Two.

Macroeconomic risks, meanwhile, had been moving in the right direction until the most recent events in the Middle East. The risk of a prolonged conflict and disruption to oil supplies from the region has reignited fears of a spike in inflation globally and a fall in economic output.

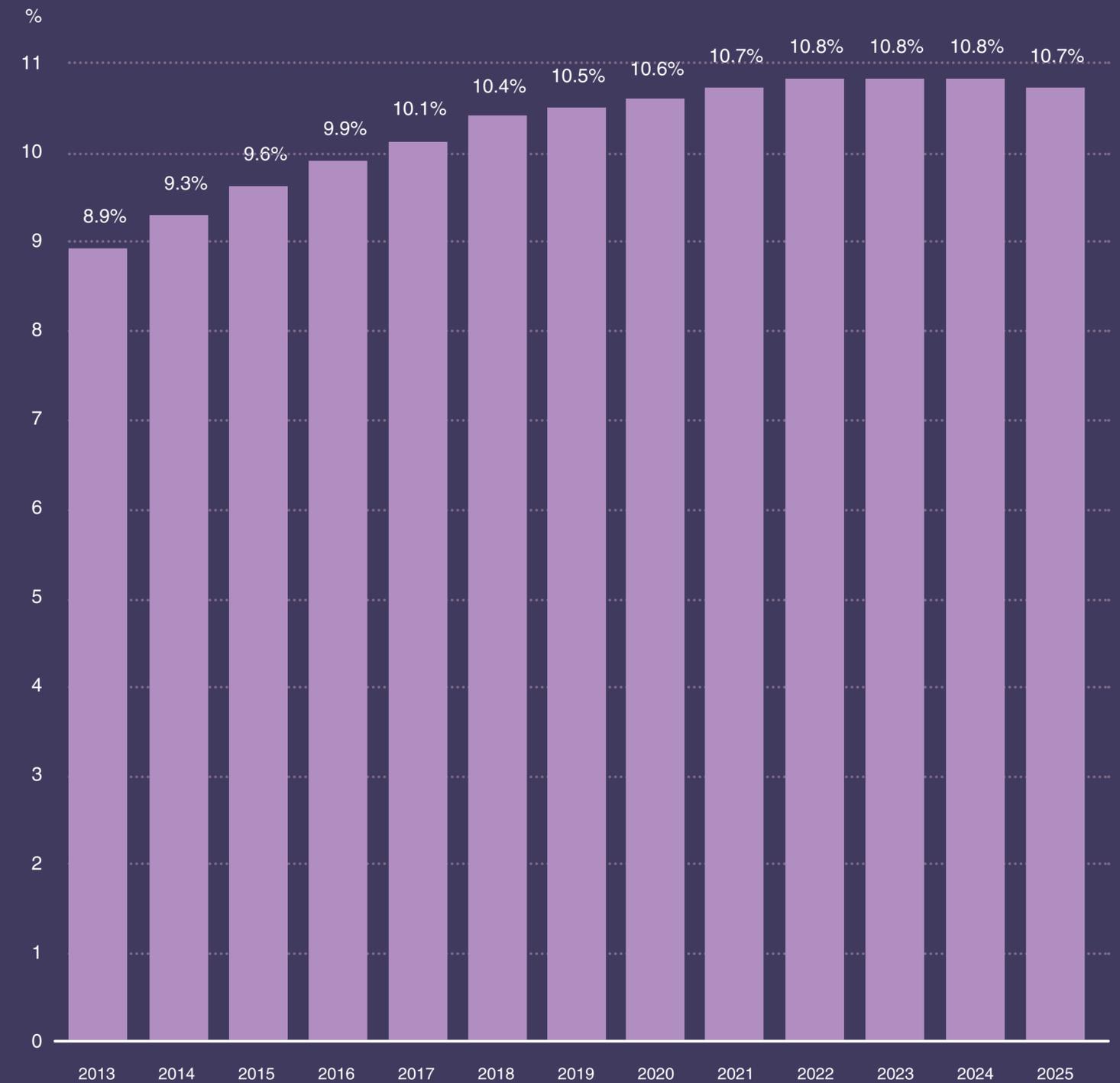


Europe is slightly ahead in terms of pricing, but Asia has better growth prospects.

Several interviewees warn that Europe looks like the lowest growth environment of all three global regions, with growth likely to come from government spending on defence rather than arising from improvements in the business environment or more productive spending routes.

Asia Pacific’s diverse market presents a greater range of risks, with “inflation having returned to the Japanese market for the first time in decades – bond yields have gone up dramatically”, says an asset manager with an Asian portfolio. They add: “A worry among investors is that these elevated interest rates will affect real estate values.” However, the snap re-election of Prime Minister Sanae Takaichi seems to have been well received by the markets. “There is a belief she will be more expansionary fiscally and monetarily, putting pressure on the Bank of Japan to reduce rates, or not increase them so quickly,” suggests a global investment manager.

Figure 1-1 Target allocations to real estate



Source: Weill, D. (2025). 2025 Institutional Real Estate Allocations Monitor. Ithaca, NY: Cornell University’s Baker Program in Real Estate and Hodes Weill & Associates, LP, October 2025



The US narrative, meanwhile, could go a couple of different ways. A global pension fund investor suggests that “the US will give you a good story ... if you buy into the politics of the current administration”. According to this theory, “the US won’t go into a severe recession, the AI bubble won’t burst ... and inflation remains under control”. The counter point, they warn, is if “inflation stays higher, the cost of capital is slow to reduce and recession kicks in”. Other regions may benefit from a shift in allocations, should the latter scenario prove a reality. “Is the US still

going to receive 70 percent of global capital, as was the case up until 2024? I doubt it,” they add.

As for interest rates, a global asset manager suggests that “you would expect that interest rates would be either on hold or still slightly reducing” over the next year in most major markets, with differences emerging once again in Asia Pacific. While rates in Japan are likely to rise in response to the recent inflationary pressures, the same might happen in Australia too, as it is also subject to “a higher inflationary

environment, which is likely to prolong the correction there in values”, says the real estate research head of a global investor. However, they add that “differences are good for investors overall looking for diversification”.

Bid-ask spreads are in the “goldilocks” zone for several interviewees, with “repricing looking a lot better in Europe compared to other markets around the world”, according to a global private equity investor. However, investors still hoping for the emergence of distress in some markets

might be waiting a long time, according to interviewees on both sides of the pond. “There’s no distress, there’s merely disappointment,” suggests a US-headquartered investment banker. With “leverage much lower than the previous crisis”, they argue, “we haven’t had the same catalyst to bring pricing in line to a level that suits everyone”. That might be “good from a financial industry perspective, but it’s a lot messier from a real estate perspective”, they add.



“
Repricing is looking a lot better in Europe compared to other markets around the world.”

BARCELONA, SPAIN



A European real estate investment chief, referencing stagnation in secondary office markets, adds: “It’s not horrible, there’s no distress, so you hang on – which is perhaps the problem.”

The lack of development in many sectors is also propping up values. “Alongside prices falling dramatically and interest rates topping out, there has been very little development and no overdevelopment,” notes a global investment manager. “So occupational markets are very healthy, and people may feel that the resilient qualities of real estate should still shine through, despite the volatility.”

Indeed, investment volumes are expected to increase year-on-year in 2026 in all markets, continuing a positive trend. By the end of 2025, a recovery in real estate volumes across all three regions had begun to gather pace and demonstrated returning investor appetite for the asset class.

MSCI data reveals that global real estate volumes rose 14 percent year-on-year to \$888.6 billion in 2025 (Figure 1-2). Volumes in the Americas rose 22 percent to \$457.9 billion, while in EMEA, volumes reached \$242.9 billion, an increase of 8 percent. In Asia, volumes grew to \$187.8 billion, a rise of 3 percent.

Strategies driven by structural trends as well as diversification continue to play out in terms of sector selection. As *Emerging Trends United States & Canada* highlights, sectors identified as niche two decades ago have become the new essential property types.



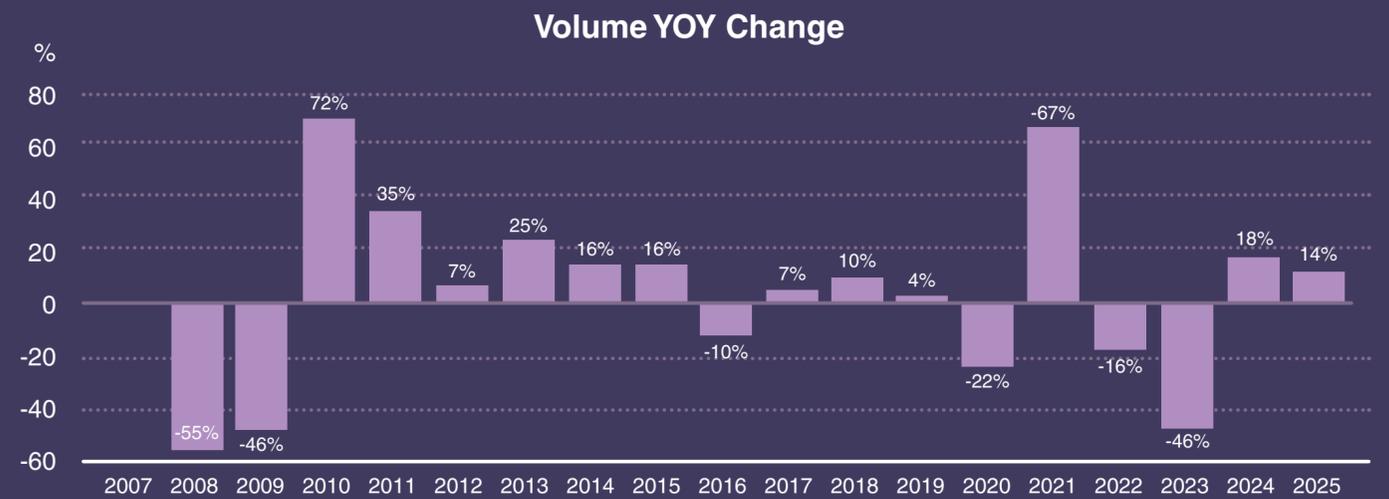
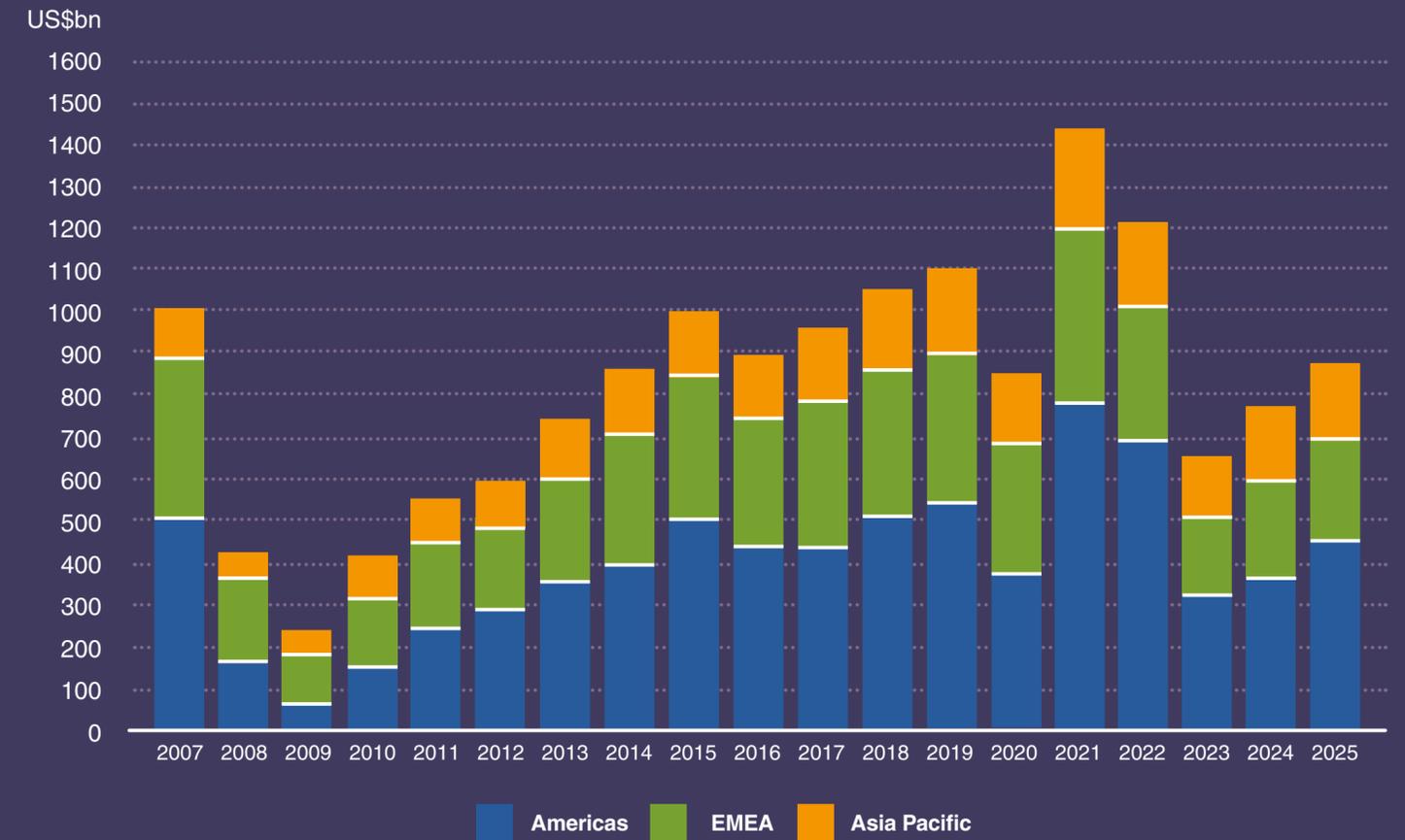
The key sectors that we focus on to capitalise on megatrends are living, data centres and self-storage

In this region, data centres dominate the preferred categories, while senior housing and self-storage have all become significant sectors today. In fact, self-storage holdings in the largest US core funds exceed hotel market value. European respondents also see the overall prospects for data centres as better than other segments, while highly rating new energy infrastructure, student housing, serviced apartments and healthcare. Asia Pacific respondents name industrial and logistics and multifamily residential as preferred targets, staying loyal to sectors that they have backed since 2023. However, they also clearly favour data centres among niche property types.

Views canvassed for *Global Emerging Trends* are little changed. “The big theme is data centres,” says a US real estate investor. “Others are going to pile into multifamily, because it’s very hot and there’s still an imbalance of supply and demand.”

“The key sectors that we focus on to capitalise on megatrends are living, data centres and self-storage,” adds a European real estate investment manager with a global remit.

Figure 1-2 Global real estate capital flows 2007-2025



Source: MSCI

Note: Charts exclude development sites.



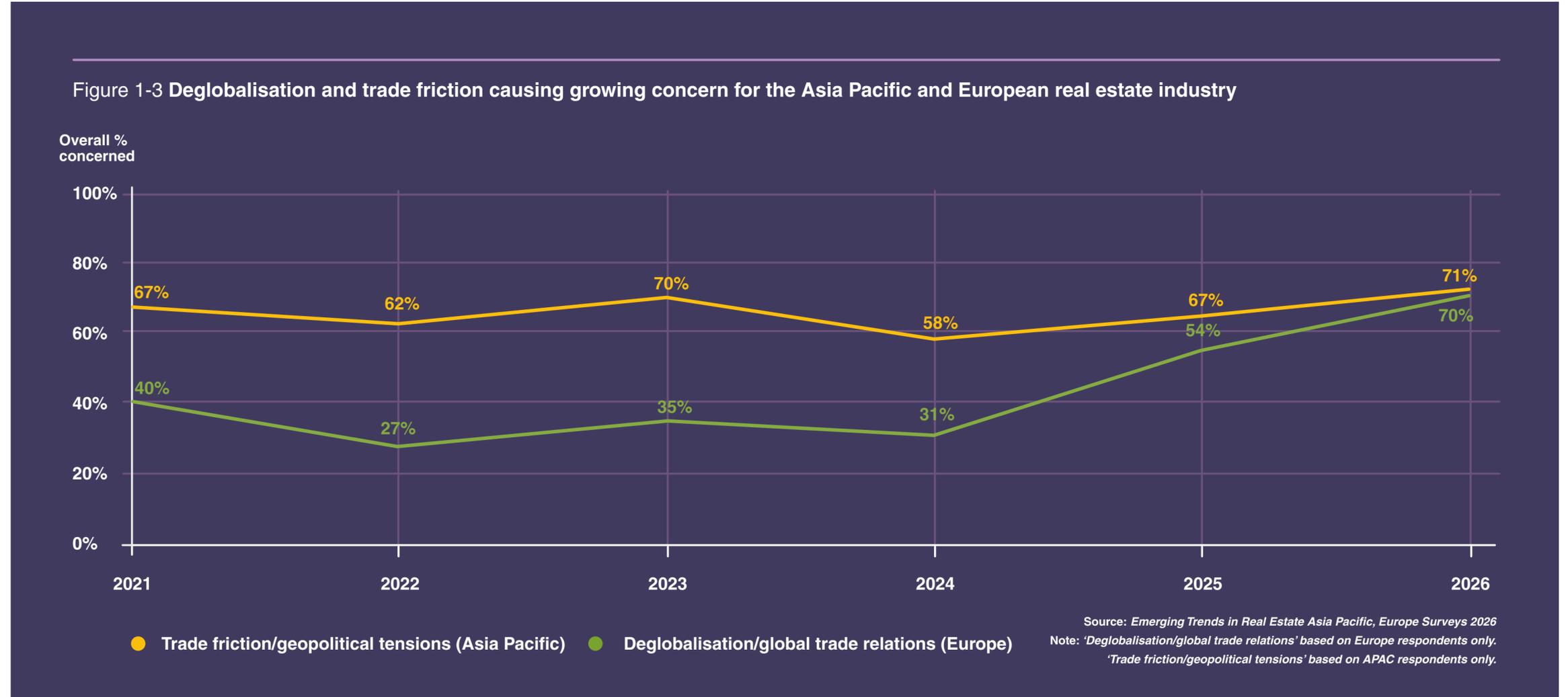


Data centres represent a huge opportunity, but also a huge risk.

A US-based banker suggests that counter-cyclical sectors like retail and offices are also worth watching, while finding a lot of industrial product “mediocre”. They warn that while there is plenty of residential demand, “there is an issue around tenants being able to actually pay”.

Global MSCI data for 2025 shows that while residential was responsible for the lion’s share of deals, at \$224.27 billion, it was offices – on \$195.80 billion – that actually represented the largest allocation shift – an 18 percent increase year-on-year.

But when quizzed on the biggest opportunities and the biggest risks for the industry in the year ahead, talk returns to the AI race. Speaking for many, one global investment manager says: “It’s the same answer on both – data centres. They represent a huge opportunity, but also a huge risk.” They add: “The risk of not getting it right is high – but it’s a key megatrend. You also don’t want to miss out in full on the opportunity as it is here to stay.”



Getting to grips with deglobalisation

From geopolitical rifts to divergent macroeconomic scenarios, it is clear that deglobalisation themes will influence the investment strategies of the future.

While many investors are likely to take a “globalised” stance anyway and diversify across borders in response to uncertainty, they must also

consider regional occupier trends and the impact of government directives.

Europe appears to be one of the markets most affected by deglobalisation, as the continent’s politicians seek to respond to the US administration’s approach over issues like Greenland and NATO, driving it to rethink spending priorities and energy policy strategies.

The energy security debate dates back to the Russian invasion of Ukraine in 2022, when

policymakers realised the risks of Russia supplying some 45 percent of European gas. In the bid to phase out that power source, green energy is seen as an important part of the equation. A week after the high-octane debates of Davos in January, European leaders met to sign the Hamburg Declaration, a pledge to build 100 gigawatts of joint offshore wind projects.

Signatories included Belgium, Denmark, France, Germany, Iceland, Ireland, Luxembourg, the Netherlands, Norway and the UK.



According to data from BloombergNEF, investment in the low-carbon energy transition in Europe rose 18 percent last year to \$455 billion. The surge was broad-based, with renewables, grids, storage, EVs, heat, shipping and CCS all contributing.

Tense discussions with the US administration about defence spending and the future of Greenland are also shaping regional policy. There are signs, too, that the private sector is weighing its place in the political arena. Following the Davos summit, Danish pension fund AkademikerPension announced plans to divest approximately \$100 million worth of US government bonds.

The real estate industry might also be called to pick a side should relations worsen again, suggests a real estate executive at a European insurer. If US actions in Greenland were deemed to have gone too far, would that make the US un-investible for European investors? “Would a Danish investor be able to get a US deal approved?” they ask. “Danish and Canadian pension funds are formidable – they do big deals and they do smart deals.”

One consequence of Europe taking greater responsibility for its own defence is higher spending on sector R&D, manufacturing, logistics and personnel. European defence spending increased from €343 billion in 2024 to €381 billion in 2025, according to the Economics Observatory, with further spending targets in the pipeline as part of the European Defence Industrial Strategy (EDIS), signed in March 2024.

This aims to strengthen the competitiveness and readiness of the European Defence Technology and Industrial Base (EDTIB) through greater inter-state collaboration. Its targets for 2030 include 50 percent of defence procurement budgets and 40 percent of defence equipment procurement to come from pan-European efforts.



Danish and Canadian pension funds are formidable – they do big deals and they do smart deals.



COPENHAGEN, DENMARK





TOKYO, JAPAN

Both defence and energy policy are likely to boost key European economies, including real estate and infrastructure development. “The industrial and logistics market will benefit from increased defence spending in Europe and the market as a whole will benefit from German fiscal expansion generally, not just on defence,” says one global investment manager.

The US is also seeing the benefits of deglobalisation, argues the global investment head of a US real estate company. “US tariffs are having an impact on occupiers,” they note, citing European manufacturers in aerospace relocating to Florida’s “space coast” following the introduction of tariffs.

In Texas, onshoring drives around chipmaking are creating new economic zones, with successful manufacturing plants driving contingent demand for housing, retail and other amenities. The counter-argument to this is that the threat of further tariffs might delay occupier decision making, or affect economically-sensitive sectors such as retail and hospitality in the case of an economic downturn.

The impact of deglobalisation on Asia is creating significant shifts in relationships between east and west, including China's engagement in international trade. As *Emerging Trends Asia Pacific* confirms, trade frictions and geopolitics remain a major concern for the region’s property professionals.

“

Many investors are focused on climate risk, although it can depend on geography.

While the US has pursued a more aggressive, tariff-led strategy with the Asian superpower, countries and blocs including Canada, the UK and the EU are looking to sign new international trade deals.

A global investment manager, meanwhile, sees opportunity emerging from deglobalisation: “In Asia, there continues to be focus on investing in diversified supply chains,” they note, with the “China plus 1” strategy – a manufacturing hedge against tariffs on China – leading some occupiers to lease additional space in Vietnam, Thailand, and the Philippines.

Whatever the industry’s direction, local politics are likely to remain a key challenge for investment decision-making.



Sustainability still shows its value

The three regional reports indicate an evolving approach to environmental, social, and governance (ESG) strategies in real estate.

Emerging Trends Asia Pacific notes that views on sustainability vary widely across the region but identifies a growing consensus that asset owners need to focus on deliverable and measurable initiatives. *Emerging Trends Europe* also sees ESG entering a pragmatic, rather than philosophical, era: “Sustainability is not throwing money after ideological things. We are always showing our investors that it will ultimately lead to a better value story,” says one interviewee.

The general view from Europe is that the term “ESG” is increasingly politicised in the US. Indeed, *Emerging Trends US & Canada* does not refer to ESG at all, focusing instead on ideas such as asset resilience in the face of climate change and sustainability initiatives.

“There has definitely been a backlash in the US, more around the nomenclature,” confirms a US-based private equity investor. However, he notes that “if you’re just talking about the sustainability of an asset that improves the efficiency, the liquidity and the value ... people are on board with that”. Adds a US real estate investment banking

head: “From a European point of view, it’s still 100 percent relevant. From a US point of view, it has taken more of a backseat but not disappeared.” They add that “you can’t talk about it because it’s not the political flavour of the month”, but note that “asset risks around fire, seismic activity, flooding ... these questions absolutely get looked at”. At the same time, they identify a “key shift” towards a broader idea that “it’s not necessarily about saving the world, it’s an energy independence story”.

A European investor with a global remit says that their firm “continues to run its high standards” and reports positive encounters with US general partners that have “unchanged ESG policy and plans”. However, this investor expresses concern on the infrastructure side in the US, citing the government directive in December to pause offshore wind farm developments over security concerns. While these cases are now being debated in the courts, the interviewee is “more concerned about the administration than changing industry views”. Indeed, after officially exiting the Paris climate agreement for the second time in January, the US administration has continued to reverse other environmental policies, such as revoking the landmark ruling that greenhouse gases endanger public health.



If you’re just talking about the sustainability of an asset that improves the efficiency, the liquidity and the value ... people are on board with that.

A preference for pragmatism aligns with property owners being better able to “show and tell” on the effects of climate change. From the winter storms that recently struck the US, to wild fires and deadly floods in Asia and Europe, sustainability proponents now have multiple evidence-based examples to demonstrate the need for attention and action. Carbon reduction can feel like an abstract concept in comparison, according to one US-based interviewee, who identifies a longer-term shift “to a greater focus not on decarbonisation but the climate change risks of ESG”. A European real estate banker, however, still believes decarbonisation is a priority in their region. Identifying “investments in new technologies such as cement ... and the search for different solutions on the materials side” remain a core part of the construction industry’s evolution.



FOREST FIRES IN PORTUGAL



FLOODS IN INDIA



WINTER STORMS IN THE UNITED STATES



Trending topics

Data centres in demand

Data centres have become one of real estate’s most alluring sectors, with industry leaders in all three regional reports citing it as one of the most exciting investment options.

For Asian survey respondents, it is the most attractive niche property type. European respondents place data centres first for overall prospects in 2026, in other words the best sector for investment, development and income. For US respondents, data centres rank the highest for investment and development prospects, with ratings exceeding the five traditional property types. “Investment volumes in data centres can only go up,” comments a US-based lender.

Growth metrics for the sector – actual and projected – help make sense of this positive sentiment. A recent UN Trade and Development report shows that more than one fifth of global greenfield investment in 2025 was directed towards data centres. Morgan Stanley research, meanwhile, estimates that global spending on data centres will reach \$3 trillion between now and 2028.

Everything about data centres is big – the investment required to build out facilities, the market cap of the major tech firms developing

artificial intelligence (AI), and the amount of energy and water needed to power and cool them. Accelerating obsolescence risks from technology advancements, binary leasing risks, rising carbon emissions and the relatively immature transactions market are also “big” challenges for real estate investors.

The risks of investments going very well – or very badly – are not lost on real estate leaders interviewed for *Global Emerging Trends*. “The biggest risk is that all these developments are very large – where does the take-out capital come from?” asks a real estate banker. “On the other hand, the numbers are so huge, you do two or three of these deals and you’re done for the year.”

Although the data centre industry and the hyperscalers intent on monetising AI are not always the same, their destinies are often entwined. The biggest hyperscalers, including Amazon Web Services (AWS), Microsoft Azure, Google Cloud Platform (GCP), Alibaba Cloud, IBM Cloud, and Oracle Cloud Infrastructure, offer compute and storage facilities as well as AI or machine learning services, alongside security solutions. Meanwhile, the so-called "Magnificent Seven" tech giants are identified by Bank of America for having an outsized impact on the stock market.

DATA CENTRES

#1 Top sector for investment and development prospects for the 3rd consecutive year across all 3 regions

“The fundamental need for data centres is so great, shaped by sector specifics such as power, that it won’t be a problem for the long-term viability of the sector.”



DATA CENTRE IN HOLLAND





DATA CENTRE, UNITED STATES

To put this in perspective, the combined capex spending on AI build-out by the top five tech companies is expected to be \$660 billion in 2026, up 60 percent on last year and equivalent to \$2 billion a day.

It is precisely the weight and significance of these firms that matters as investment analysts try to gauge how the AI race is going. A Deutsche Bank briefing note finds that “recent months have seen a clear shift in markets from AI euphoria towards more differentiation between companies, and growing concern about its disruption to existing business models”.

The real estate industry is not exempt from analysts’ concerns, with AI’s potential to replace a range of tasks in so-called knowledge sectors also impacting broader business forecasts. In February, a handful of commercial real estate stocks dipped including CBRE, JLL, Cushman & Wakefield and Savills, as AI fears spread across shares in sectors such as wealth management, software, finance, data and analytics stocks. This dynamic reflects the findings of *Emerging Trends Europe*, which reveals that 75 percent of real estate firms are now using AI, compared with 50 percent last year and 33 percent two years ago.

The recent market volatility is worth monitoring, even if it might not ultimately be cause for alarm, suggests an investment banker, who notes that “the fundamental need for data centres is so great, shaped by sector specifics such as power, that it won’t be a problem for the long-term viability of the sector”. CBRE research forecasts that maturing capital markets for data centres



Recent months have seen a clear shift in markets from AI euphoria towards more differentiation between companies, and growing concern about its disruption to existing business models.

could attract more investor types to the sector or direct investor attention further toward the risks.

Given the timeline for property development, data centre construction often begins before power capacity is fully secured, while the role of limited land, water, and power constraints on future growth are still not fully understood, the broker suggests. Regional upward pressure on electricity costs due to overburdened grids is also increasingly coming under the lens.

Meanwhile, on the question of capital, Morgan Stanley notes that of that \$3 trillion required to build out the sector, only half is likely to be covered by the hyperscalers, with private credit likely to be called upon to fill the funding gap – another part of the evolving allocations story.



Retail therapy for investors

Retail real estate is back on investor shopping lists as the once maligned sector reemerges in more competitive shape.

As with its cyclical counterpart, offices, significant repricing and a shortage of supply are key drivers. A US-based investment banker notes: “Retail has become investible again and is probably the most interesting sector of all. Office will come back and already has in some pockets like New York.”

Yet while the office sector’s malaise is a relatively recent issue – driven by the occupancy story that emerged during the pandemic – retail’s woes began two decades ago, meaning longer and deeper troughs for the sector, but also more time to shape its return. “It took retail five to eight years from last peak to crash to become investible again and recover, via repricing, changes in rents and a lot of product disappearing,” a real estate investment head notes, suggesting that its renaissance is further ahead than offices.

Adds a global fund manager: “If you have more of a tactical focus than a long-term strategic focus at the moment, you should be considering offices and retail.”

Global transaction volumes in the retail sector for 2025 were not dramatic, but the relative lack of deals is connected to supply side issues, which are also propping up pricing. According to MSCI, global retail deals rose by 7 percent in 2025, reaching \$125 billion, placing it within competitive distance of the popular industrial sector, which grew by 6 percent to \$186 billion. Looking at the longer-term picture, global retail deals have been



It took retail five to eight years from last peak to crash to become investible again and recover, via repricing, changes in rents and a lot of product disappearing.

steadily climbing since 2007, with a notable peak in the second year of the pandemic, when resilient grocery stores returned to favour. Meanwhile, a JP Morgan outlook report for 2026 charts the strongest valuations in a decade in the US across active shopping centres, excluding regional malls.

Even so, investors are highly selective, remaining largely focused on a narrow band of “necessity-based” retail, including neighbourhood-level convenience stores, grocery-anchored centres and small-footprint retail formats.

A global investment manager says of the US retail market: “We are seeing a fair amount of bidding in open air retail. Closed malls are still challenged, more so than grocery anchored malls.” In December, Bain Capital and 11North successfully raised \$1.6 billion for a joint venture targeting high quality and value-add grocery-anchored centres, emphasising investor appetite for the sector.

The story is similar in Europe, where grocery stores and local malls are part of an impressive return on investment (ROI) story.



UNITED STATES



EUROPE



ASIA PACIFIC



“

The lack of development in the retail sector remains a double-edged sword, with construction costs and lack of permitting likely to weigh on retail through 2026.

For example, Knight Frank data for the UK find that retail was the best performing sector in 2025, with total returns reaching 9.2 percent by the third quarter of the year, beating industrial (9.1 percent), offices (3.2 percent) and all property (6.6 percent). Shopping centres and food stores lead the way, both with total returns of 10.2 percent. A UK-based broker also identifies a growing trend of grocery retailers buying back stores, with yields having moved so far out as to have created “tremendous arbitrage, while permitting operators to hedge against rental rises”.

Asia Pacific’s retail scene, which has been underpinned by positive population and income growth, also continues to offer strong opportunities. Successful niches include luxury retail, food and health and wellness spending. The regional report highlights an “incredibly positive” outlook for retail owners while noting that the “gap between the best and the rest remains dramatic”. Australia is a strong performer, with the Property Council of Australia data showing that retail was the best-performing property sector in the first half of 2025. Oversupply in some parts of the region remains problematic, but Southeast Asian retail property markets are broadly positive, boosted by a steady recovery in tourism numbers and growing domestic prosperity.

Worldwide, retailers in segments including fashion and household goods are also making reassuring moves to strengthen store portfolios, turning attention away from online investment.

JLL data show the strength of prime retail in Europe, where high street locations and shopping centre rents are now 11 percent above pandemic lows.

The lack of development in the sector remains a double-edged sword, with construction costs and lack of permitting likely to weigh on retail through 2026. However, the flight-to-quality trend will continue to reward investors that concentrate on successful locations with proven footfall and spending patterns.



Figure 1- 4 Top 10 city rankings for investment and development prospects

	Europe	USA	Asia Pacific
1.	London	Dallas/Ft. Worth	Tokyo
2.	Madrid	Jersey City	Singapore
3.	Paris	Miami	Sydney
4.	Berlin	Brooklyn	Osaka
5.	Amsterdam	Houston	Seoul
6.	Munich	Nashville	Melbourne
7.	Milan	Northern New Jersey	Ho Chi Minh City
8.	Barcelona	Tampa/St. Petersburg	Mumbai
9.	Frankfurt	Manhattan	New Delhi
10.	Hamburg	Phoenix	Hong Kong

Figure 1-5 Top cities for real estate investment in 2025

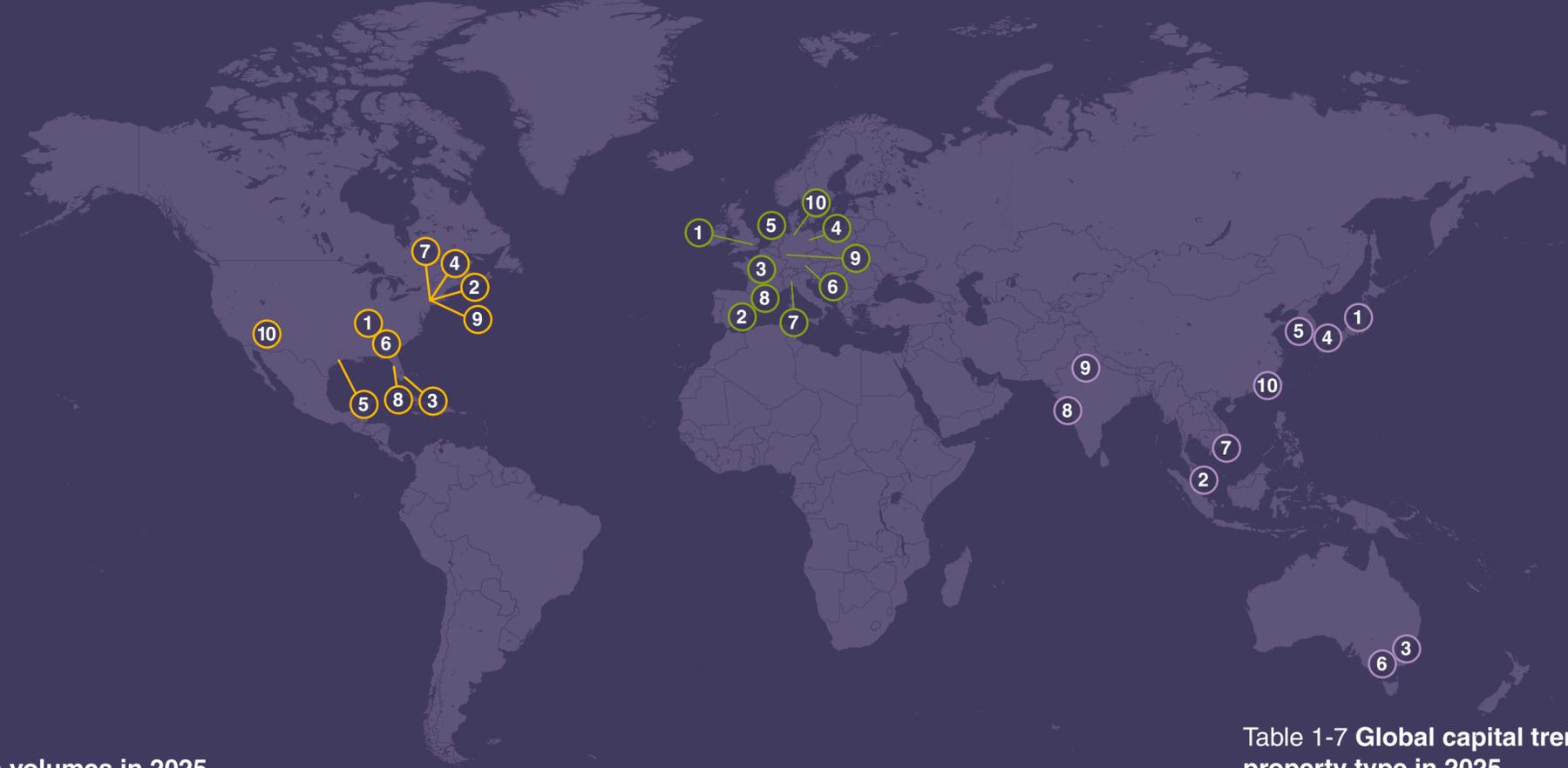


Figure 1-6 Transaction volumes in 2025

Americas			EMEA			Asia Pacific		
	(US\$ bn)	YOY(%)		(US\$ bn)	YOY(%)		(US\$ bn)	YOY(%)
United States	428.0	24%	United Kingdom	67.1	9%	Japan	54.2	-2%
Canada	22.5	1%	Germany	39.4	11%	China	33.8	-8%
Mexico	2.9	-35%	France	31.3	29%	Australia	31.0	6%
Brazil	2.4	-3%	Sweden	16.3	42%	South Korea	28.0	14%
			Spain	14.8	0%	Singapore	10.3	11%
			Netherlands	13.5	5%			
Americas	457.9	22%	EMEA	242.9	8%	Asia Pacific	187.8	3%

Table 1-7 Global capital trends by property type in 2025

	Volume (US\$ bn)	YOY (%)
Office	195.8	18%
Industrial	186.3	6%
Retail	125.0	7%
Apartment	224.3	9%
Data centres	54.7	37%
Hotel	67.6	10%
Seniors housing and care	34.9	80%
Income properties	888.6	12%
Development sites	462.4	1%
Grand total	1,351	8%

Source: MSCI; Emerging Trends in Real Estate Asia Pacific, Europe, United States and Canada 2026



Regional snapshots

United States

Nearly 90 percent of the industry leaders canvassed for *Emerging Trends US & Canada*, regard interest rates and the cost of capital as the most pressing economic and financial issue facing real estate in 2026.

Jobs and income growth (66 percent) and inflation (49 percent) are the other top issues albeit some way behind.

However, three back-to-back rate cuts at the end of 2025 – in September, October and December – have brought rates down to a range of 3.5 percent to 3.75 percent. This means that borrowing costs are now at their lowest level since 2022.

Indeed, interviewees for *Global Emerging Trends* are generally more positive about interest rates and the cost of capital, with some caveats.

“We have seen a real improvement in the broader capital markets,” notes a private equity investor. “The cost of debt has come in, indices have come in, as rates have come down or normalised.”

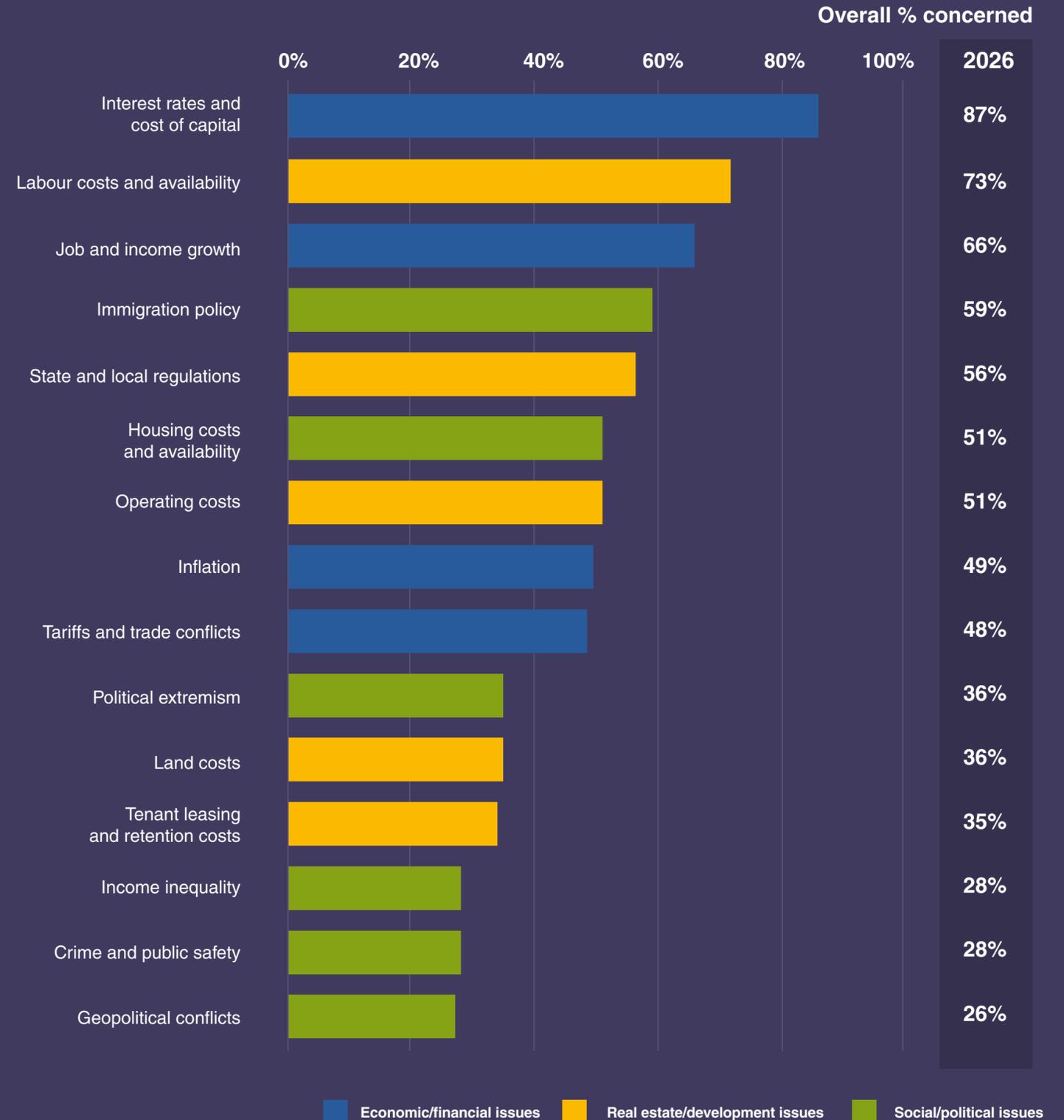


We have seen a real improvement in the broader capital markets.

The Federal Reserve left the federal funds rate unchanged at the 3.5 percent – 3.75 percent target range in its January 2026 meeting. And analysts such as JP Morgan no longer expect the Fed to cut rates further this year, with the regulated market expected to tighten and the disinflation process likely to be gradual. The appointment of new Fed chair, Kevin Warsh, has alleviated some interviewees’ concerns over Fed independence, although governance by committee means that the chair’s powers remain limited.

“The main problem is that the US deficit will continue to rise and at some point, people are going to start taking note,” says a US-based banker, pointing out that “inflation is sticky and the K-shaped recovery is real”. They add: “While decision makers are often on the upper part of the K, it isn’t pretty on the lower part, where the affordability crisis is real.”

Figure 1-8 Key issues causing concern in North America, 2026



Source: *Emerging Trends in Real Estate United States and Canada 2026 survey*
 Note: Chart shows the issues causing highest concern from the survey based on the percentage of respondents ranking each issue within their top 3 for each category.



HOUSTON, UNITED STATES

In *Emerging Trends US & Canada*, the greatest real estate/development concern (labour) and social/political issue (immigration policy) both hinge on demographics. Labour costs and availability are inextricable from immigration policy, which in turn has wider economic ramifications. “How do immigration restrictions impact real estate? Can’t build. Fewer renters. The spigot has been cut off,” argues a real estate strategist at a private investment firm.

While net international migration remains an important component of US economic growth, it is expected to decline as deportations increase. According to data from the American Immigration Council, when President Trump took office, US Immigration and Customs Enforcement (ICE) was holding approximately 40,000 people in a nationwide network of detention centres on any given day. Within a year, this figure had risen by more than 75 percent to 73,000 people as of mid-January 2026, alongside a rise in deportations.

Observers are also closely watching US tourism figures, particularly in light of the upcoming FIFA World Cup, which will be jointly hosted by the US, Canada and Mexico.

A report by the World Travel & Tourism Council and Oxford Economics predicts that the US will have registered a decline in international visitor spending for 2025, with the lost expenditure, in the light of travel warnings and media reports, calculated at \$12.5 billion.



Operational investing requires a much wider range of skills; marketing, hospitality skills, customer facing skills.

The US was the only nation out of 184 forecast to see a decline.

Hilton is one of several hotel groups that have reported lower occupancies while the extended government shutdown has also impacted hospitality receipts. Despite the impressive rebound of the hospitality sector post-COVID, a number of investors are cooling slightly on the sector. “Hotels depend so much on the economy,” observes a real estate banking head.

A US-based investment banker sees funds trying to increase allocations to more operational sectors but not fully grasping their complexities. “Operational investing requires a much wider range of skills; marketing, hospitality skills, customer facing skills.” They add: “Hotels are a terrible beta play and a great alpha play, but the number of people who know what they are doing is remarkably small.”



According to the regional report, real estate leaders are optimistic about US buying opportunities ahead. The 2026 “buy” rating of 3.74 marks a peak in the *Emerging Trends Barometer* score for the past 20 years. The barometer also shows good scores (above three) for holding and selling real estate in 2026 (Figure 1-9).

Sector allocations are likely to continue to target growth segments like data centres, deep markets like multi-family, as well as select industrial deals. Data centres remain the “big story” for a number of industry leaders. “A lot of the world’s AI investment is coming to the US,” notes one private

equity investor, pointing out that the volumes are so great they will have a positive impact on the wider economy. “Some \$700 billion a year is being spent by the Magnificent 7, that’s 2 percent of GDP being generated by seven companies – all being pumped back into the US.”

But risks are also top of mind, including development costs and fears of an AI bubble bursting. “The euphoria has stabilised on data centres,” remarks a North American asset manager. “It’s a great asset class and will generate returns, a lot of people just wonder whether they are too late in that cycle.”

The residential market is still compelling in key areas, despite the fact that pockets of oversupply remain. A private equity real estate investor predicts, however, that in the light of the sluggish development pipeline, this will work itself out in the next couple of years. “The multifamily oversupply in some of the sunbelt markets remains, although demand has been strong in places like Charlotte and Austin,” they note. “You probably don’t reach equilibrium in some of those markets until 2027.”

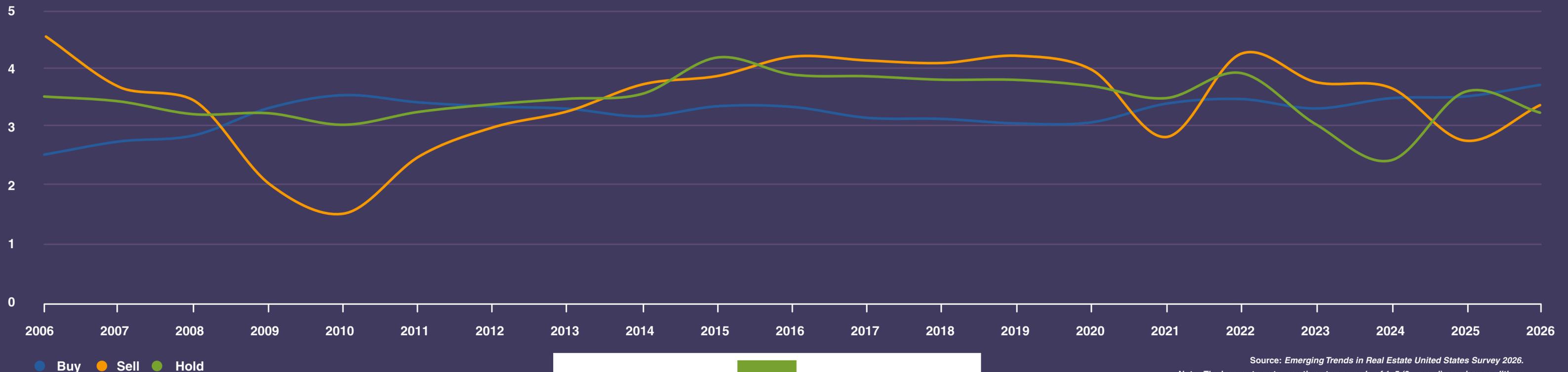
This investor is particularly active in senior housing, where they have identified “almost no new supply post-pandemic, while the 80-plus



The multifamily oversupply in some of the sunbelt markets remains, although demand has been strong in places like Charlotte and Austin.

cohort has been growing”. In logistics, they see supply-side issues “burning off” and more supply required imminently.

Figure 1-9 *Emerging Trends Barometer* for buying and selling real estate, United States 2006–2026



Source: *Emerging Trends in Real Estate United States Survey 2026*.
 Note: The barometer rates sentiment on a scale of 1–5 (3 = good), scoring conditions for buying, holding, and selling real estate. Based on US respondents only.



The best bet for 2026 is not a single market or asset class, but a shortlist of resilient geographies and thematic sectors that align with demographics, technology and shifting consumer demand.

Offices and retail are potential counter-cyclical plays, where price and performance align. A US-based investment manager describes retail as one of the most “interesting” options for 2026, observing that asset repricing, changes in rents and product consolidation all support the sector’s renaissance. “The same will happen in offices – there is not a top-down solution, it will have to be on an asset-by-asset situation.”

A consultant interviewed for *Emerging Trends US & Canada* summarises a pragmatic approach: “The best bet for 2026 is not a single market or asset class, but a shortlist of resilient geographies and thematic sectors that align with demographics, technology and shifting consumer demand.”

As for who will buy US real estate, figures suggest that cross-border capital flows are in evolution. MSCI research notes that Canadian acquisitions of US real estate in 2025 fell to the lowest annual level since 2010. The trend fits with speculation that Canada may seek out new markets as political tensions rise between the two countries.

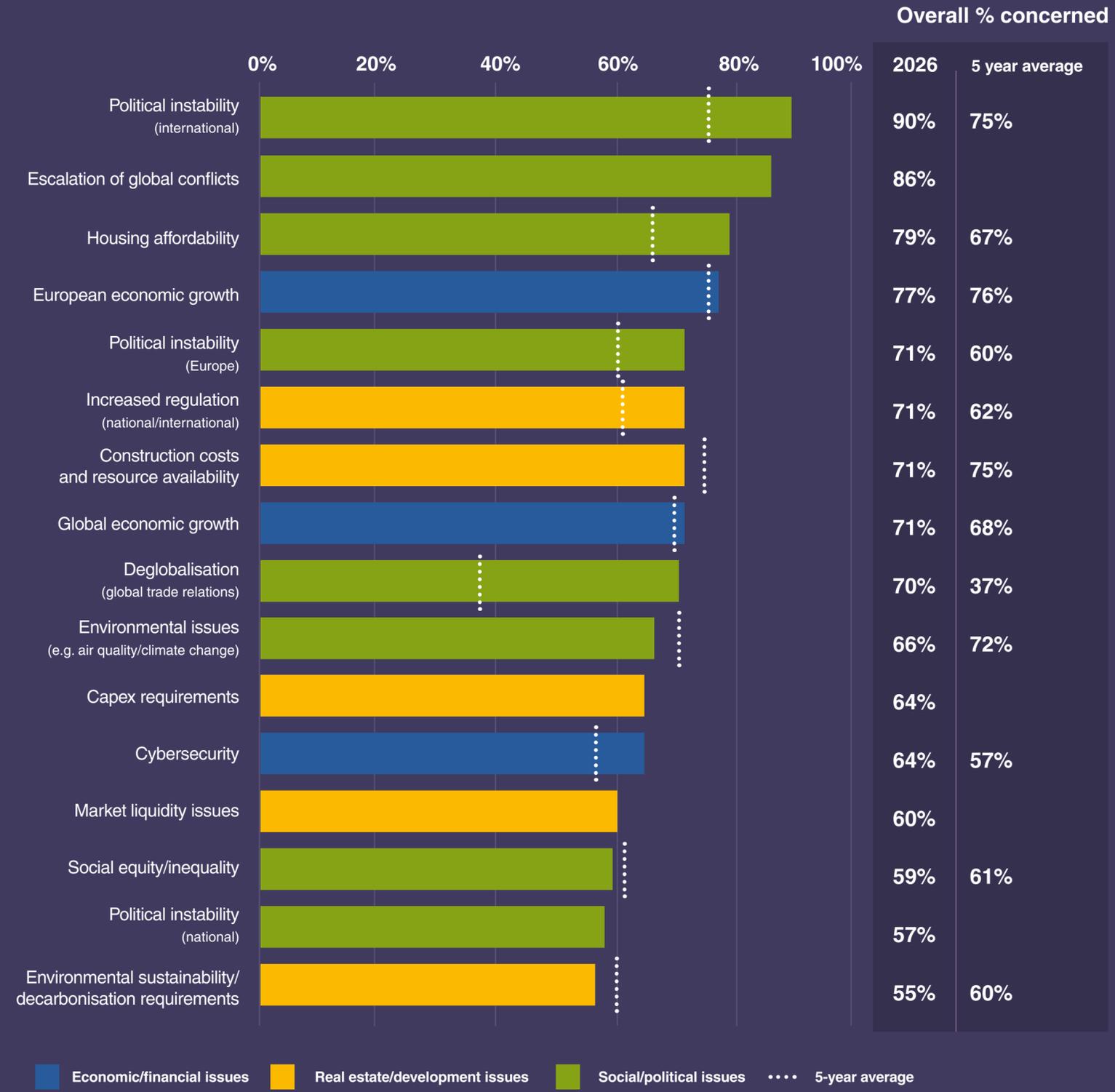
“In a world of deglobalisation, you might imagine that capital will stay a bit closer to home,” suggests a US-based CEO. “I’m not too worried about negative investor sentiment toward the US, considering the sheer quantity of domestic capital.”



AUSTIN, UNITED STATES



Figure 1-10 Key issues causing concern in Europe, 2026



Source: *Emerging Trends in Real Estate Europe Survey 2026*
 Note: Chart shows the issues causing highest concern from the survey based on the sum of respondents indicating to be 'Very concerned' or 'Somewhat concerned'.

Europe

Geopolitical uncertainty has scarcely been greater but real estate investors focused on Europe could pull off a successful 2026 if they hold their nerve and follow the fundamentals, according to industry leaders.

Indeed, while international political instability is the main social/political concern in *Emerging Trends Europe*, several executives interviewed for this Global edition have reframed the challenge.

“Europe could prove something of a safe-haven in a more uncertain world,” suggests a global investment manager. Another global player notes that Europe’s relatively swift repricing has propelled it to the top of acquisition lists. “In 2008, the US repriced first and Europe dragged; in this cycle, Europe repriced first,” they note. “Also, Southern Europe has been the first to come back, another reversal on the previous cycle.”

There are still major hurdles: flat interest rates and economies, competition for allocations from private credit and infrastructure strategies, and lacklustre institutional activity. Combined with geopolitical uncertainty, these factors left European real estate volumes for 2025 little changed year-on-year at €224.9 billion, according to MSCI.



Europe could prove something of a safe-haven in a more uncertain world.

Yet the interviewees believe further fine-tuning of interest rates and more palatable inflation figures – particularly over the last six months – have placed European real estate in a more favourable light. “Europe is heading for lower growth but a lower cost of capital; that’s good, and means that financing is accretive from day one,” says a global insurer.

“Even if you foresee an environment where you will have more inflation overall, real estate is good as it can capture some of this,” notes a European investment manager. “Lack of supply and the high cost of construction in Europe is also positive for rental growth and existing values.”

Europe also benefits from Canadian investors’ allocation shifts away from the US. MSCI reports that European assets now account for over 40 percent of Canadian cross-border investment, up from a long-term average of 23 percent.

In another vote of confidence, Blackstone reported receiving a €1 billion commitment to its core-plus investment strategy in Europe late in 2025.



Though overall deal volumes for last year were flat, MSCI data show that “alternatives”, including data centres, senior housing, student accommodation and healthcare facilities, accounted for a record 18 percent share of European transactions in 2025.

“The industry says, ‘politics and geopolitics I can’t assess, so I’m going to look at other factors’, which, for many investors, means moving into alternatives,” suggests the real estate head of an investment bank.

“The living sector is our biggest strategy, everything from senior to student to multifamily,” says an institutional investor based in Europe. “It has a natural inflation link and it’s the most liquid sector in the world.”

“It is evident that investors are interested in non-traditional property types,” adds the real estate research head of an insurance firm. “That’s why data centres top the shopping lists of so many investors.”

Yet the counter-cyclical attributes of offices and retail are also appealing. Says a European banker: “Canary Wharf looked high risk a year ago, now occupiers are returning due to a lack of opportunities in the City and West End. One of the most crucial factors for real estate is timing, especially with respect to investment terms.”



It is evident that investors are interested in non-traditional property types.

However, another institutional investor warns that legacy office holdings are still affecting the capital markets. “Even if you are comfortable with the realities of offices today, it doesn’t mean you want more of it – you probably want less of it,” they say, noting that it is not easy, for example, to trade out of secondary offices and into fashionable living niches.

The UK surged to become the top global investment destination for cross-border investment in 2025, marginally overtaking the US, according to MSCI. Among European markets, it accounted for more deals by volume than Germany and France combined. A US real estate private equity investor echoes other interviewees in saying: “We are particularly focused on the UK, Ireland, Nordics, and Germany, and on four sectors, residential, data centres, industrial and hospitality.”

In the regional survey, European and global economic growth are the top two business environment concerns. Doubts persist, although GDP forecasts have slightly picked up this year. The German economy grew by just 0.3 percent in 2025, but should grow by 1.1 percent this year, according to the IMF. Expansionary fiscal policy is expected to boost domestic demand, although trade tensions remain. France, too, should see growth of 1 percent, as it also benefits from rising defence spending, like several of its neighbours. “The macroeconomic outlook is positive, thanks to public spending, such as on defence,” says a European banker. “But in the long term, we will have to drive growth by defining a new order around global trade.”

Adds a US financier: “A European defence strategy will really mean the emergence of an industrial policy for Europe, but I worry about Europe keeping up on topics like energy, keeping the regulatory environment competitive, and being able to stay relevant in things like AI, space, and data.”

Indeed, *Emerging Trends Europe* concludes that for Europe to close its competitiveness gap, buildings and cities must increasingly function as active facilitators of economic growth rather than passive backdrops.



LONDON, UNITED KINGDOM



Asia Pacific

Real estate markets in Asia Pacific (APAC) are heading for a year of consolidation in 2026, as economic growth slows across the region while investment opportunities remain elevated.

CBRE reports that net buying intentions for real estate investors continue to rise, with countercyclical sectors such as offices and retail likely to be popular targets, as leasing metrics tick up. Occupier demand for industrial and hospitality respectively may have neared peaks in 2025, but well-positioned assets should continue to perform well.

Investors who target APAC for outsized growth may have to temper expectations: GDP is forecast to grow at 3.9 percent this year, CBRE suggests, compared with 4.3 percent in 2025, due to the slowing economies of China and Japan. However, Korea and Australia are among markets expected to see growth rise backed by stronger domestic consumption.

“We see Asia as a higher growth market than Europe, albeit coming off a base of higher prices,” confirms a global asset manager who invests in the region, referring to the fact that repricing in APAC has been less aggressive than in Europe.

Interviews for this Global edition indicate signs of caution about rising rates and inflation in both Australia and Japan.



We see Asia as a higher growth market than Europe, albeit coming off a base of higher prices.

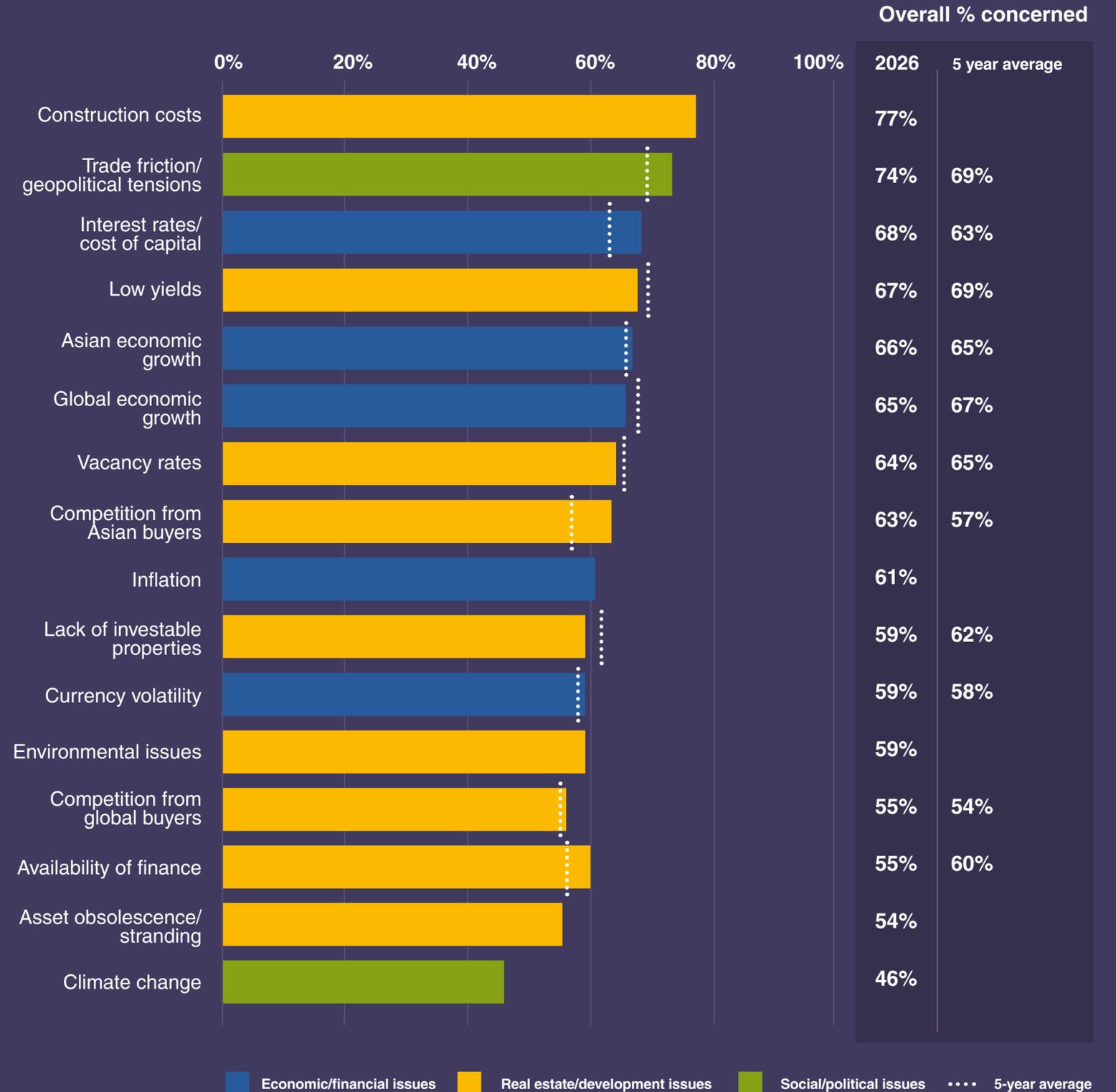
“When we look at our portfolio, the areas that still have the greatest amount of challenge in terms of managing the risks are the high interest rate, high inflation markets,” confirms a North American-based global investor. “The increases in rates in Japan may be marginal, but they are having some effect as they have come off such a low base.”

A global investment manager also highlights a “worry among investors that Japan’s elevated interest rate will affect the underlying real estate values”.

One of the other chief business issues highlighted in the regional report is construction costs, which have risen sharply since the pandemic and continue to rise in markets where inflation remains an issue.

However, a global institutional investor sees development expenses on the whole starting to moderate, with commodity prices levelling out and tariffs inflicting less damage than expected.

Figure 1-11 Key issues causing concern in Asia Pacific, 2026



Source: Emerging Trends in Real Estate Asia Pacific 2026 survey
 Note: Chart shows the 'Most Problematic Issues for Real Estate Investors' from the survey, based on respondents' score of how 'problematic' the issue is on a 9-point scale (9 being 'Most problematic'). The issues have been categorised by key themes (economic/financial, social/political, real estate/development) and normalised into percentage terms.



Investors continue to invest despite Trump’s threats, either because they believe his words aren’t going to be followed through with action, or because they believe in the underlying real estate fundamentals.

“Costs haven’t continued to climb at that ferocious pace that they were previously,” they note, while adding that a greater development risk remains in markets where “you are able to buy existing stock at a significant discount to replacement costs”.

Trade friction and geopolitical tensions are the second most pressing business concern for 2026 and, to a lesser degree, over the medium term. However, even then, there appears to be a gap between dramatic headlines prompted by President Trump’s social media rhetoric and actual, enacted policy. In the interviews conducted for this Global edition, a more sanguine sentiment continues to grow.

“Investors continue to invest despite Trump’s threats, either because they believe his words aren’t going to be followed through with action, or because they believe in the underlying real estate fundamentals,” says a global investment manager.

For China, MSCI figures point to an 8 percent contraction in transaction volumes in 2025, though 2026 marks the start of its latest five-year plan, a roadmap for economic and industrial development running up until 2030. The policy framework places technology at the heart of economic growth, while also pointing to a changing world order. Economic security and technological self-reliance are prioritised, with a focus on domestic innovation and strengthening

manufacturing supply chains capable of withstanding “even dangerous storms”.

All this could be good news for sectors including data centres and industrial assets. Regulatory trends are also positive for China’s commercial property REITs, with hotels and offices recently admitted as eligible assets for infrastructure REITs, China’s established REIT programme for investing in real assets. S&P Global Ratings research suggests developers will increasingly tap into the country’s established and emerging REIT channels.

India’s rapidly growing REIT market is also attracting attention. Its first ever REIT, an office park listed in 2019, was also Asia’s biggest by area at the time, backed by heavyweights Blackstone and Embassy Group. The rebounding office sector is a significant part of this story, with JLL research suggesting that the country’s REITs offer fivefold expansion potential due to its increasingly investment-grade commercial stock.

Yet despite the opportunities in China and India, not all cross-border investors feel ready to commit, at least for now.

“We have a very focused strategy on large liquid markets,” says a US private equity investor, describing their APAC strategy as “focused on Japan, South Korea, and, to a lesser extent, Australia”.





We have a very focused strategy on large liquid markets.

Across the wider APAC market, the AI and data centres boom is expected to help balance out economic headwinds. Manufacturers and governments in the region around Taiwan, South Korea and Japan are betting on heightened appetite for semiconductors, which generally remain exempt from US tariffs. This aligns with interviews conducted for the report, with one global investor confirming major industrial deals in South Korea and Japan in the light of the positive manufacturing outlook. However, as in other regions, data centres are part of a wider debate about environment and resources, in the light of their powerful growth story.

Oxford Economics projects that Asia Pacific will nearly double its data centre capacity to 57 GW by 2030, while the region's spending on internet and cloud services will nearly double to about US\$300 billion by 2035. Yet as fossil fuels remain the dominant power source, and several countries face acute water shortages, the environmental challenge is clear. Real estate leaders say that APAC's sustainability drives are not being scaled back, and that the industry remains committed to "driving a high bar". However, it may well fall to governments and operators in this case to take the lead on materially reducing energy and water use, as the data centre sector expands at pace.



NEW DELHI, INDIA



CHAPTER 2

CHANGING CAPITAL CURRENTS

“What used to be geographically constrained capital is now completely interconnected.”

Legal adviser



The global real estate investment landscape has undergone a profound transformation since the millennium, driven by the scale of capital, increasing investor sophistication and the convergence of asset classes and capital structures.

What was once a segmented and relatively predictable market – defined by clear distinctions between equity and debt, public and private markets, real estate and infrastructure, and stable investor relationships – has evolved into a far more diverse, interconnected and fluid ecosystem.

A key driver of this shift has been the diversification of capital sources and the exponential growth of global capital pools. Over the past two decades, institutional investors have significantly increased their exposure to private markets, replacing siloed allocations with integrated alternatives platforms. Pension funds, insurers, sovereign wealth funds and alternative asset managers now deploy capital at a scale unimaginable 20 years ago, with real estate increasingly positioned alongside infrastructure, private credit and private equity rather than as a standalone allocation.

This evolution is now entering a new phase, marked by the rising global influence of private wealth. Across Europe, the US and Asia Pacific, respondents to the latest *Emerging Trends* surveys expect equity availability to improve through 2026, but the composition of capital is shifting. In Europe and the US, private equity, family offices, high-net-worth individuals

and private local investors are becoming more prominent sources of funding, acting as a counterbalance to the continued caution of traditional institutions. In Asia Pacific, the trend is even more pronounced, with expanding family offices, private banks, insurers and newer sovereign wealth funds driving flows. Together, these developments point to a structural shift towards more agile, private-wealth-driven equity.

To put this trend in context, the top 10 institutional investment managers accounted for €1.9 trillion in assets under management, or 52 percent of the capital allocated to real estate globally, according to the latest data from ANREV, INREV and NCREIF. Yet the fastest-growing segment is “household wealth” – or retail capital in its broadest sense – directed or influenced by individuals through defined-contribution (DC) pensions, insurance wrappers, high-net-worth investors or family offices. Often intermediated, this capital is structurally distinct – typically more income-oriented and less tolerant of volatility than traditional institutional allocations. Its growing influence carries significant implications for risk allocation and competitive dynamics, especially with real estate as an asset class facing intensifying competition from infrastructure.

Shifting capital sources are reshaping the real estate ecosystem. The influence of increased retail capital flows, as well as “household” wealth more generally, could have significant ramifications for how the asset class evolves to appeal to this type of capital.



HO CHI MINH CITY, VIETNAM





MANHATTAN, UNITED STATES

Fundamental questions follow: what types of real estate and infrastructure are modern capital providers seeking and what drives their allocations – financial returns, social or impact objectives, brand positioning or technological innovation? Equally important is the issue of resilience: does broader dispersion of exposure reduce systemic risk or does it create new, less visible vulnerabilities yet to be fully understood? Exactly how this will play out remains unclear. But the changing nature of capital flowing into real estate is clearly an important piece of the puzzle in the sector's evolution, alongside the shift towards more operational real estate, the increasing overlap with infrastructure, and the impact of technology and decarbonisation.

From institutional stability to family office flexibility

Global real estate markets were long defined by a relatively stable division of capital.

Large institutional investors – endowments, pension funds, insurers and sovereign wealth funds – dominated private real estate through closed-end and open-end fund structures while retail investors accessed exposure primarily via public markets or mutual funds. Today, as public markets consolidate and private markets expand, that balance is shifting decisively.

Institutional capital remains central, but its growth is slowing. Fewer limited partners now control significantly larger allocations, with capital

increasingly flowing to general partners able to deploy funds at scale, operate assets directly and navigate the blurring boundaries between real estate and infrastructure. Many institutions are investing more directly off-balance sheet across different risk profiles and are using funds selectively rather than as default exposure. Pension fund strategies increasingly diverge based on demographics and maturity: younger, growing schemes invest opportunistically and tolerate illiquidity, while mature funds prioritise income stability and capital preservation.

Family offices have also developed into highly sophisticated investors over the past decade. Alongside large sovereign wealth funds – particularly from the Middle East, Asia and Canada – these offices have grown in scale, expertise and staff, often rivalling or exceeding traditional pension funds. Major family offices, such as those of the Duke of Westminster, Bertarelli and Primat families, routinely commit tens to hundreds of millions to real estate and other strategic assets, supported by dedicated investment teams and formal governance structures.

While family offices and high-net-worth individuals may not match private equity in scale, they are increasingly flexible and opportunistic, often co-investing with partners to access development returns without taking full execution risk. Private capital is also often more hands-on than commingled fund managers, with stronger accountability enabling more tailored investments across both core and value-add strategies.



Indeed, many family offices operate as professional institutions, staffed by former endowment, foundation and pension professionals and blending rigour with agility. One investment manager describes working with them today as like “driving a Ferrari rather than a bus”.

Precision capital

Across the spectrum, sophisticated institutions are favouring direct investments and private equity-style platforms over commingled funds.

These approaches that combine direct ownership with partnerships allow investors to tailor risk, capture operational upside and diversify globally without sacrificing governance. As an institutional investor notes: “Structure follows strategy, not the other way around.”

Institutional structures are also evolving as the lines between insurers, pension funds and asset managers continue to blur. In recent years, private equity firms have increasingly entered the insurance sector, exemplified by Apollo’s acquisition of Athene and KKR’s purchase of Global Atlantic, reflecting a broader strategy to harness insurers’ stable cash flows and long-duration liabilities for alternative investment opportunities. These vertically integrated platforms now compete across the risk spectrum, intensifying pressure on both banks and traditional insurers.

Counterbalancing this trend is the rapid rise of retail capital in private markets. PwC’s latest *Asset and Wealth Management Revolution* report forecasts

that such assets under management will rise from \$139 trillion today to \$200 trillion by 2030. Industry experts believe aggregated retail flows into real estate could represent hundreds of billions to trillions in potential capital. As one adviser observes, “Retail capital is where most of the growth will come from.”

Three structural forces are driving this development:

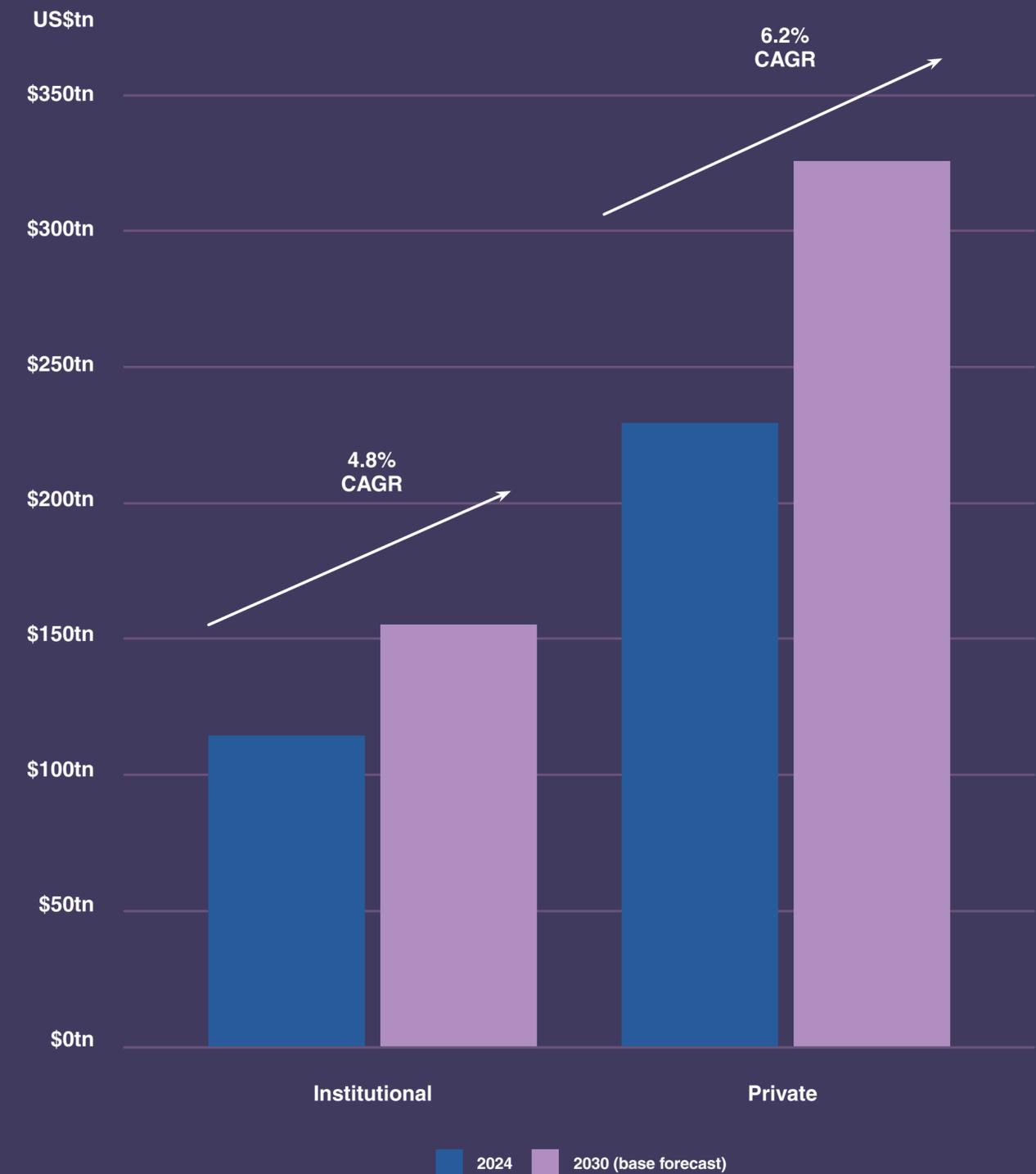
Pension reform: The shift from defined benefit (DB) pension schemes to auto-enrolment defined contribution (DC) systems – well advanced in Australia and the UK and emerging in the Netherlands – places investment responsibility squarely on individuals. Their long-term return needs cannot be met by public markets alone, prompting growing flows into private assets. Even modest increases in DC allocations translate into substantial capital inflows.

Public market concentration: Public equity markets, particularly in the US, are dominated by a few large technology companies and have become more volatile. Private markets offer diversification and lower volatility, appealing to long-horizon savers.

Demographics and life insurance: Rising life expectancy has channelled significant capital into life insurers and annuity providers, which require long-duration, income-generating assets to match liabilities.

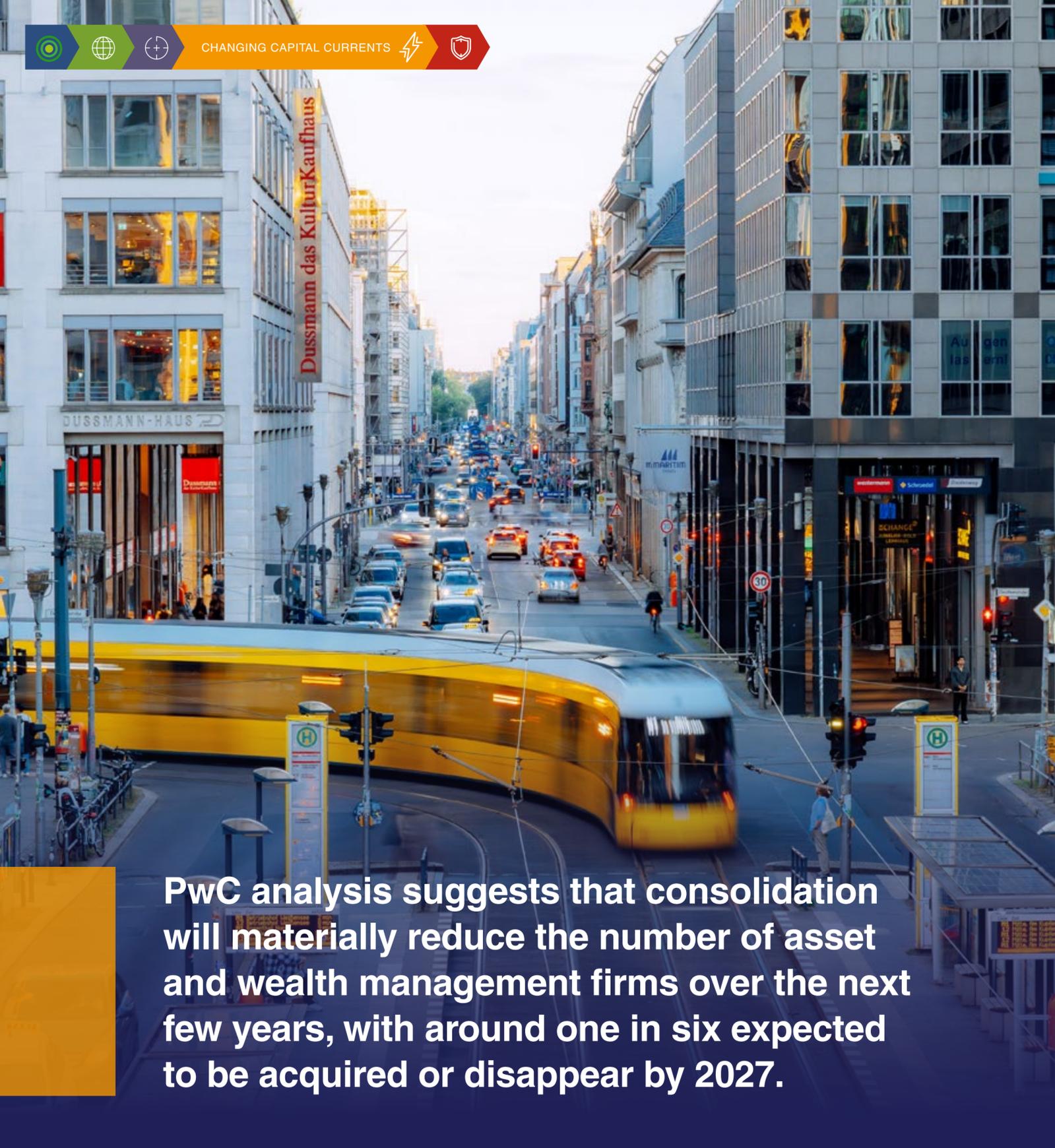
Historically, household wealth was concentrated in DB pension schemes and owner-occupied housing, with investment decisions intermediated through insurers, pension trustees and banks.

Figure 2-1 Global asset growth by investor segment



Source: PwC Global AWM & ESG Research Centre, LSEG Lipper, Preqin, Monterey Insights
 Note: Data excludes funds of funds and secondaries/ Institutional covers: Pension assets, insurance companies and sovereign wealth funds/ Private covers: High-net worth individuals and mass affluent investors.





PwC analysis suggests that consolidation will materially reduce the number of asset and wealth management firms over the next few years, with around one in six expected to be acquired or disappear by 2027.

Today, that wealth is increasingly market-linked and self-directed. The shift from DB to DC schemes has transferred investment risk from sponsors to individuals, while capital allocation decisions are now shaped more by member perception, engagement and sentiment.

Vehicles such as individual savings accounts (ISAs) and self-invested personal pensions (SIPPs), alongside low-cost platforms including exchange-traded funds, index funds, retail trading apps and crowdfunding or fractional ownership structures, have broadened direct participation in capital markets. Social media-driven trading themes, environmental, social and governance (ESG) preferences and political narratives – ranging from housing affordability and rental markets to climate transition – now influence retail flows in ways that would have been unimaginable two decades ago.

The ultimate owners of capital are therefore more visible and more influential than ever. Household wealth increasingly seeks clear, thematic strategies – urban regeneration, digital infrastructure, energy transition or elderly care – blurring the traditional boundaries between real estate and social or economic infrastructure. In this context, the old model of “owning buildings and reporting to institutions” is giving way to an approach focused on operating businesses, platforms and consumer-facing services embedded within real assets.

These ongoing shifts and the rise of private wealth and insurance money is widening the gap between market players.

Many interviewees believe only the largest global asset managers – already deploying across equity, credit, infrastructure and operations – have the scale, resources and distribution networks to reach retail investors, intensifying competition and driving consolidation. Moreover, expectations are shifting: younger, tech-savvy and wealthier clients increasingly demand personalised, digital-first experiences while institutional investors value real-time analytics, customisation and seamless digital interfaces. Mid-market generalist funds are increasingly squeezed as capital flows towards well-capitalised mega-funds offering broad exposure or specialist managers delivering returns above a benchmark average.

The erosion of the middle ground is likely to continue as consolidation accelerates, driven partly by the costs of retail participation including education, compliance and sophisticated reporting. PwC analysis suggests that consolidation will materially reduce the number of asset and wealth management firms over the next few years, with around one in six expected to be acquired or disappear by 2027. As one investor says, “The large institutions are becoming larger, and the middle ground is increasingly at risk.”

Since 2022, rising interest rates and the end of cheap leverage have shifted real estate returns further towards operational performance and income growth rather than valuation gains. Combined with the COVID shocks, this has exposed market fragilities, slowed transactions and reinforced the advantage of well-resourced platforms.



Recent stress in open-ended funds and non-listed REITs in the US and Europe further highlights the sector's illiquidity and the ongoing need for scale, robust oversight and investor education.

While retail capital offers opportunities, rapid inflows of less sophisticated funds can increase the risk of high fees, weak underwriting and market instability. French Société Civile de Placement Immobilier (SCPI) funds illustrate this dynamic: these alternative vehicles which primarily target retail investors face constant pressure to deploy inflows and often focus on smaller, yield-driven transactions. Their growing presence in the UK is reshaping competition at the sub £20 million level, a shift seen as structural in smaller-scale real estate investing. Misaligned objectives may lead to painful corrections, one manager warns: "Retail is the investor of last resort. Usually, that doesn't bode well."

Real estate allocations under pressure

Over the past two decades, real estate capital has reoriented from predictable, geographically constrained patterns to a more selective, opportunity-driven global market.

Today's landscape is professional and diverse, with disciplined capital and shifting priorities reshaping where and how capital is deployed. While overlap exists between investor types, institutional investors dominate core assets, family offices and high-net-worth individuals focus on



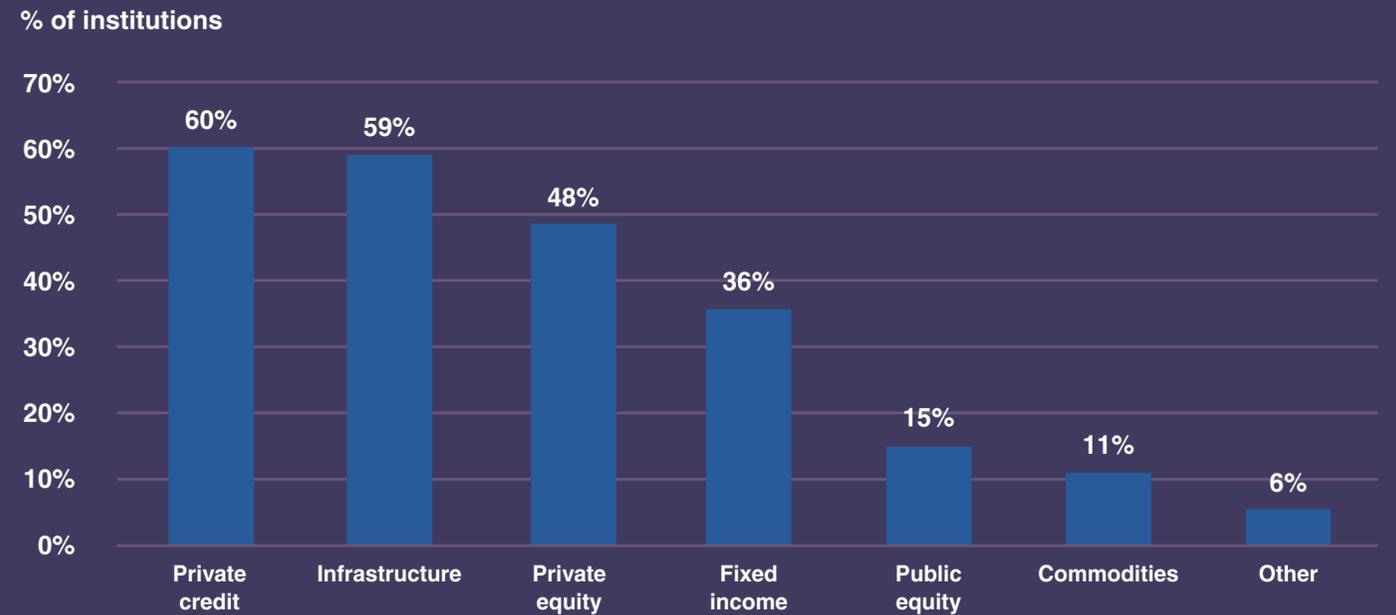
Retail is the investor of last resort. Usually, that doesn't bode well.

opportunistic or value-add opportunities and domestic private capital is increasingly active in under-penetrated markets.

More recently, cross-border flows have slowed overall, and core capital has structurally pulled back, although Middle Eastern investors remain an exception. This has coincided with a shift by institutional investors towards infrastructure and private credit, leading to a decline in target allocations to real estate in 2025 for the first time in 13 years, according to Cornell University's Baker Program in Real Estate and Hodes Weill & Associates. Around 60 percent of investors polled in their research now view these alternatives as direct competitors to real estate, with many – particularly across EMEA and Asia Pacific – embedding real estate within a broader real-assets framework (Figure 2-2).

This retreat has left real estate markets even more illiquid, creating, a private equity player says, "the hardest fundraising environment ever". The result is a global buyer's market, especially for core assets. As investors reassess risk and return, infrastructure is also increasingly viewed as a stable, long-duration alternative, challenging traditional real estate allocations (Figure 2-3).

Figure 2-2 Asset classes competing with allocations to real estate, all institutions



Source: Cornell University's Baker Program in Real Estate and Hodes Weill & Associates

Figure 2-3 MSCI Private capital benchmarks, closed-end fund returns



Source: MSCI Global Private Equity Closed-End Fund Index. MSCI Global Private Credit Closed-End Fund Index. MSCI Global Private Real Asset Closed-End Fund Index





Real estate now has to re-earn its place in asset allocations.

As one fund manager concludes, “Real estate now has to re-earn its place in asset allocations.” Amid this global reassessment, Australian superfunds – long strong in real assets – have emerged as a key source of international capital alongside Dutch and Canadian pension funds.

Partly reflecting the limitations of their modest domestic market, they are diversifying overseas, backed by a growing DC system and fund consolidation. Like their Canadian and Dutch peers, these funds leverage centralised platforms to enhance control and strategic allocation across global real estate and infrastructure markets.

Looking ahead, Europe is set to attract a broader mix of non-US capital, including Middle Eastern second-tier families and investors from Japan, Singapore and Malaysia as US institutions focus more domestically. In the UK, family offices and high-net-worth investors are gaining influence through joint ventures and co-investments while Middle Eastern and Asian investors are returning to logistics, retail parks, offices and student accommodation as markets stabilise.

Stabilising valuations, manageable inflation, accretive leverage, constrained supply and a modest increase in fundraising have informed a pragmatic approach to investment in 2026. Any recovery is expected to be gradual, with geopolitical risks continuing to influence allocations.

In regions such as Central and Eastern Europe (CEE), domestic and regional investors are filling gaps left by retreating international capital. In Poland, for example, around 20 percent of real estate transactions involved domestic investors in 2025, mainly family offices and high-net-worth individuals, operating with institutional discipline and focusing on value-add and opportunistic office deals, according to a legal adviser.

Investors make the most out of the capital stack

In the past decade, real estate finance has grown increasingly inventive across the globe.

The rise of non-bank lenders, hybrid debt-equity structures and the integration of private equity and infrastructure enable investors to operate across the entire capital stack, often taking exposure to multiple layers of the same deal to optimise returns and manage risk. This sophistication reflects the ingenuity of market participants responding to higher capital costs and evolving investor expectations.

Capital markets worldwide have shifted decisively from public to private solutions, with secondaries, continuation vehicles and sponsor-to-sponsor transactions resolving capital structure challenges.



Figure 2-4 Availability of capital for real estate by type of lender in 2026



Source: Emerging Trends in Real Estate United States, Europe, Asia Pacific Surveys 2026
 Note: Percentages represent the share of respondents who expect capital availability from each lending source to increase in 2026. Results are based on respondents' ratings of capital availability using a 5-point scale in the United States survey (5 = 'large increase') and a 9-point scale in the Asia Pacific survey (9 = 'large increase'). Scores have been normalised to percentage terms for comparability across regions.

Real estate debt markets vary widely by region due to history, regulation and capital market depth. In the US, alternative lenders have long complemented banks, supported by deep capital markets and a mature fund ecosystem. Asia Pacific remains more securitised, with property companies typically issuing corporate debt rather than relying on dedicated real estate debt funds. Europe historically sat between these models but changed significantly after the global financial crisis (GFC). Before 2009, European real estate lending was bank-dominated. As banks retrenched post-GFC, Europe adopted elements of the US model and from 2012, dedicated real estate debt funds emerged, initially acquiring non-performing loans. This was followed by a second wave that originated new loans. These closed-ended funds typically offer senior to mezzanine lending and are often highly specialised by geography or asset class.

The market correction since 2022 has created fertile ground for debt funds, and the European market is maturing further. While banks typically cap credit at 55-60 percent loan to value (LTV) due to regulatory requirements, debt funds have moved into the 65-85 percent range, competing on leverage and certainty of execution rather than price. One European banker sees the benefits: with alternative lenders taking on higher-risk financings for yield, traditional banks gain greater flexibility to remain selective and maintain a healthy portfolio.



With alternative lenders taking on higher-risk financings for yield, traditional banks gain greater flexibility to remain selective and maintain a healthy portfolio.

Scale has become a decisive advantage in today's market. Limited partners increasingly prefer fewer, broader relationships, enabling bigger platforms to raise funds more quickly and cross-sell products across their networks. Large US-based debt funds can underwrite single tickets of €500 million or more – amounts that many banks are unwilling or unable to hold – making them particularly attractive for sizable, cross-border transactions. Meanwhile, early-generation funds are facing refinancing tests amid a challenging fundraising environment, accelerating further consolidation.

New tools, new rules

Innovative structures continue to reshape real estate finance.

Back leverage, for example, layers fund- or portfolio-level debt on top of asset-level financing to enhance equity returns and provide flexibility for portfolio management or acquisitions without refinancing individual assets.





Some of these debt funds are using so much back leverage that they're bumping up against their leverage covenants.

For diversified, stable-income portfolios, back leverage can support higher distributions and more efficient equity deployment. However, reliance on this financing structure introduces vulnerabilities: mark-to-market provisions allow lenders to demand additional capital if an underlying asset's value drops while a shock to funding markets could quickly constrain capacity. A European financier warns: "Some of these debt funds are using so much back leverage that they're bumping up against their leverage covenants."

In Europe, back leverage has only gained traction since the pandemic, whereas it is long established in the US. US banks typically finance large lending platforms rather than holding loans on balance sheet. These platforms aggregate loans and distribute risk through deep commercial mortgage-backed securities (CMBS) and collateralised loan obligation markets, allowing banks to act as facilitators rather than direct risk holders.

Europe lacks this infrastructure. Fragmented legal, regulatory and leasing regimes, combined with the absence of natural buyers like insurers and pension funds, have limited securitisation and liquidity.

Instead, Europe has a bespoke, fund-based private credit model. Aligning interests in these back leverage debt structures remains challenging: banks typically provide only the super-senior 20-30 percent LTV tranche, leaving central banks relatively unconcerned.

The real risk lies with private investors – often pension funds or insurers – in junior or mezzanine positions. Post-GFC awareness has improved among experienced lenders, but younger, fintech-driven funds often lack institutional memory, and limited oversight continues to widen the gap between risk and supervision. The European Central Bank is seeking greater transparency for these funds, but the industry is resisting tighter rules. "The danger isn't in the banks – it's in where the risk has shifted, and how lightly it's monitored," a financial adviser notes.

While CMBS issuance has largely fallen away in Europe since the GFC, local banks are increasingly using synthetic risk transfers (SRTs) to manage credit exposure and free up regulatory capital while retaining loans on their balance sheets. By transferring credit risk to external investors such as pension funds and hedge funds, banks can continue lending despite tighter capital requirements, while investors earn an attractive premium and gain exposure to asset classes they would not typically access. Although SRTs are complex, bespoke transactions that require banks to retain part of the risk, they function as targeted securitisations, enabling capital to be recycled efficiently and redeployed to support new lending.



EUROPEAN CENTRAL BANK IN FRANKFURT, GERMANY





WIND POWER STATION, AUSTRALIA

Despite increasing “Americanisation”, Europe’s debt markets remain structurally distinct with local banks keen to retain exposure. Fragmented legal systems and creditor rights reward institutions with local presence, favouring pan-European banks and platforms that can operate across multiple jurisdictions. As a local financier observes: “Europe will always be more relationship-driven than the US.”

Rising and volatile capital costs have meanwhile spurred further innovation, particularly in capital-intensive sectors like data centres and energy transition, with solutions ranging from off-balance-sheet financings to bespoke partnerships between private capital and corporates. Such innovation demonstrates how private credit enables capital to be deployed efficiently, solving complex financing challenges without relying on public markets or government backstops.

Greater financial complexity brings more risk but also fosters deliberate risk management. Debt exposures are now explicitly underwritten and priced, guided by lessons from past crises. Supply constraints and extended maturities reflect lender caution, and banks are providing time and flexibility to restructure deals.

One important conclusion here – highlighted by several interviewees – is that a well-functioning private credit market is vital for Europe’s competitiveness, particularly as domestic investment and self-reliant economic ecosystems gain prominence.

“

Europe will always be more relationship-driven than the US.

In Germany, for example, historically conservative fiscal policies now provide scope for strategic investments, and a robust private credit market can provide the financing flexibility needed for large-scale real estate and infrastructure projects.

In short, modern real estate finance is more complex but better equipped to absorb shocks and sustain investment across cycles. “That’s healthy for the system,” a consultant says.

Operational assets deliver higher returns

Once considered niche, operational sectors such as student housing, senior living, logistics, data centres and social infrastructure are now widely seen as capable of delivering higher, more stable yields amid compressing traditional returns.

Platform-based investing is gaining traction in Europe and Asia Pacific, following US-style models in build-to-rent and operational residential.



“Affordable housing in Europe presents a significant opportunity for scaled investors, with stable returns available across a fragmented market ripe for consolidation,” notes one investment manager.

But as all three regional *Emerging Trends* reports show, the industry is undergoing an extended transition period, with optimism around opportunities not always matched by capital commitments. At a time when passive property ownership has been challenging, and operational real estate is viewed as a more compelling route to value creation, some of the market's hesitancy is likely attributed to capital adjusting to the increased complexities associated with this type of investing.

At the same time, the focus on underlying businesses alongside physical assets has increasingly blurred the lines between real estate and infrastructure, with many assets straddling both categories. As a result, a growing number of institutions are adopting broad “real assets” frameworks that prioritise cash flow, operational synergies and long-term value creation over traditional distinctions. Platforms that are not constrained by rigid asset-class boundaries are better positioned to underwrite, compete and capture opportunities, while the time required to realise operational and real estate synergies further reduces the relevance of the conventional real estate versus infrastructure classification. As one adviser observes, “There are no longer two separate buckets – they’ve converged into real assets.”

Data centres exemplify these complexities. Large projects, often involving €10 billion-to-€15 billion in funding, exceed typical bank capacity, necessitating securitisation or asset-backed financing solutions

such as CMBS. Rapid technological change accelerates obsolescence, and long development timelines make standard five-year fund horizons inadequate. Market hype is attracting inexperienced players, yet power, water and grid connectivity are as critical as land, requiring deep operational expertise. According to one pan-European banker, growth in data centres could help revive Europe’s CMBS market, with far stronger safeguards than pre-GFC.

Tapping into technology

Technology is transforming real estate capital markets, investment strategies and the profession itself.

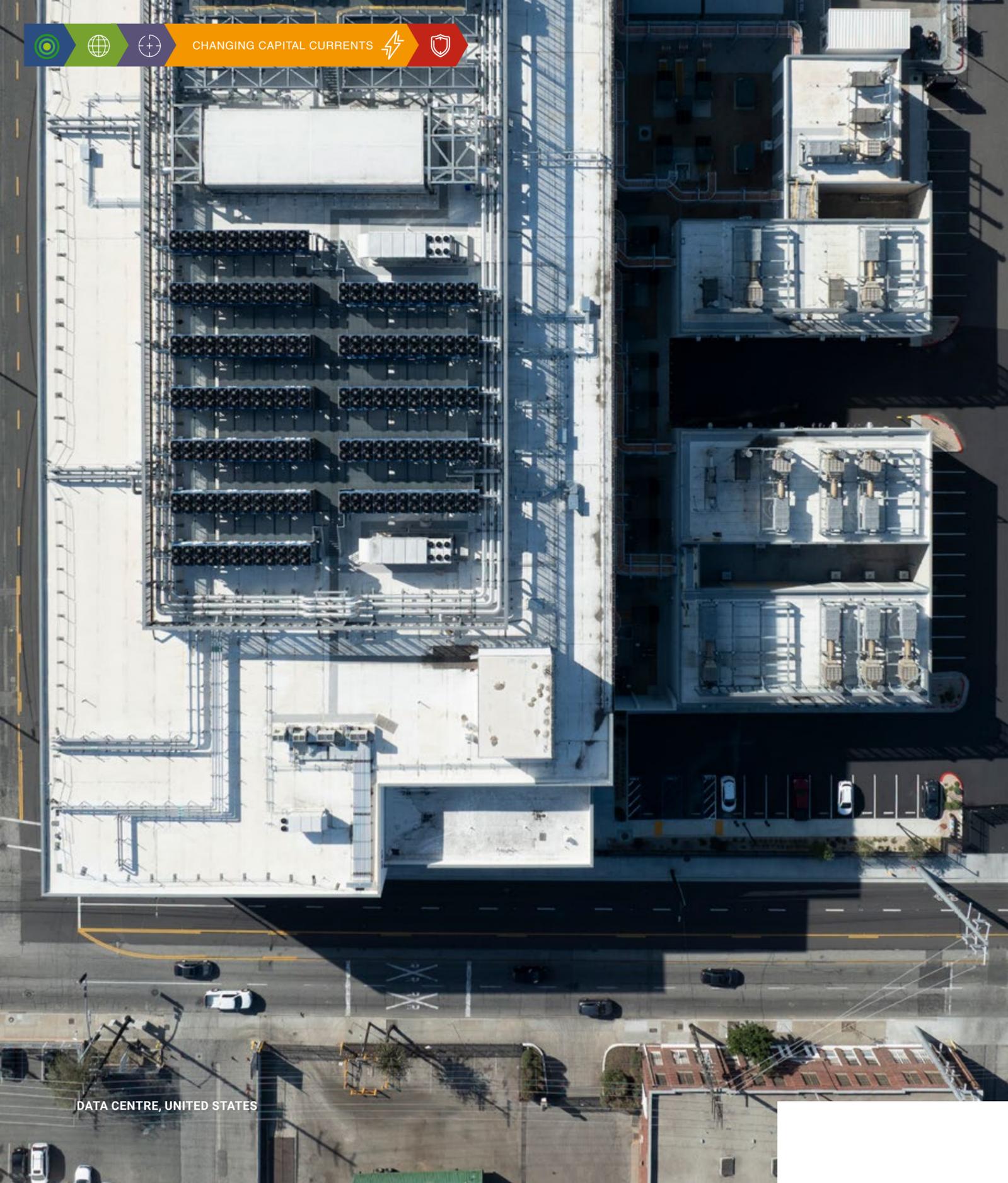
At the core is artificial intelligence (AI), which automates routine tasks across portfolio management, reporting and due diligence, accelerating analysis and execution while raising client expectations for efficiency. By offloading repetitive work, advisers can focus on creative problem-solving, shifting legal and advisory roles towards risk allocation and strategic decision-making. Technology is also enhancing operations across sectors – from hospitality to offices – but a key challenge is adapting operating models, data systems and talent strategies to keep pace.

An open question is whether AI and related technologies could fundamentally remap the asset management industry.



AFFORDABLE HOUSING, UNITED KINGDOM





DATA CENTRE, UNITED STATES



We believe tokenisation will be here to stay, but how big it becomes and what it will really look like is still very difficult to say.

Historically, entrenched players, conflicts of interest, and complex interdependencies across fund management, property management and advisory roles have preserved the existing ecosystem. Could AI act as the catalyst or enabler for collapsing these traditional boundaries, creating a more integrated, efficient and strategic model? The answer remains uncertain – but its potential to reshape how value is created and captured is undeniable.

Tokenisation is meanwhile transforming how private wealth can access commercial real estate. Building on the legacy of property unitisation and securitisation, it fractionalises ownership through blockchain-based digital tokens linked to properties or their cash flows. Unlike traditional structures, tokenisation enables faster transfers, automated compliance, smaller ticket sizes and potentially 24/7 trading, significantly enhancing liquidity. Leading firms such as Apollo, KKR, and Partners Group have already tokenised portions of their private

equity funds, signalling a shift towards broader accessibility. With effective digital platforms, private investors can now participate in markets once reserved for institutions, opening new avenues to diversify portfolios and engage directly with real estate as a tradable asset.

Adoption remains limited and regulation is still evolving, but the industry is watching closely. As one banker observes, “We believe this market will be here to stay, but how big it becomes and what it will really look like is still very difficult to say.”

Balancing scale, agility and discipline

Today’s real estate capital markets are evolving rapidly within a complex, interconnected global ecosystem.

Nuveen’s recent acquisition of Schroders epitomises the ongoing consolidation in asset management, and future developments may see public and private managers merging to offer more diversified, multi-asset portfolios, with global firms providing a broad spectrum of products across risk and return profiles. While institutional allocations remain relatively sticky, private wealth and insurance money are becoming increasingly important sources of equity. Unlike institutional investors, retail capital typically prefers semi-liquid structures – such as open-ended funds or publicly traded vehicles – which require different deal structures, liquidity



planning and investor communications.

As technology advances and innovations such as tokenisation gain traction, the market is increasingly shaped by a tension between scale and agility. Large platforms dominate global capital flows, but their focus on fee income can limit performance in niche or specialist sectors, creating opportunities for smaller, more nimble firms. As one manager observes, “Scale is the future until it’s not.” In parallel, digital platforms and blockchain-based tools are beginning to open new channels for private investors, enabling fractional ownership, faster execution and broader participation in markets that were once largely institutionally restricted.

Amid this dynamic and increasingly digital environment, success will depend not only on access to capital but also on the ability to adapt structures, strategies and operations to a rapidly evolving global market. And one constant remains: careful underwriting, disciplined asset selection, and prudent risk management will continue to separate winners from losers.



LONDON KINGS CROSS, UNITED KINGDOM

New investment frontiers

Sophisticated deal structures and a growing appetite for complexity are evident in development projects and urban regeneration schemes.

Acquisitions and developments are no longer reliant solely on straightforward purchases or simple financing. Today, structures such as deferred consideration, forward financing, profit participation and layered ownership are becoming standard – especially in large-scale, mixed-use developments.

These arrangements allow developers to manage upfront capital, share risk with landowners and align incentives to capture long-term upside, often blurring the line between traditional sale and joint venture. They require intricate legal structuring – including phased development rights, clawbacks, long leasehold carve-outs and lender-friendly security – designed for flexibility and allowing parts of a scheme to be financed, sold or retained independently as markets evolve.

A greater focus on urban regeneration reflects both the convergence of asset classes and the rising sophistication of investors. In the US, mixed-use projects – often anchored by sports, entertainment or experiential assets – are common, highlighting the growing overlap between real estate and infrastructure. In Europe, brownfield sites offer prime mixed-use opportunities if approached holistically, integrating housing, workplaces, retail and public spaces under active management.

The Nordics are pioneering purpose-built, long-term urban regeneration vehicles backed by experienced institutional investors, combining up to 15 years of ownership with active management, structured cash flows and phased land acquisition to capture synergies and value across complex developments. To maximise the opportunity, investors must treat regeneration as its own asset class, an urban planner concludes: “It can no longer be viewed as traditional real estate.”



Glossary

Back Leverage:

Debt provided by a bank to a private debt manager, secured against loans the manager has already originated. Back leverage has become an important tool in Europe to bridge the debt funding gap, enabling refinancings at higher LTVs without fresh equity, boosting non bank lenders' capacity and helping to stabilise debt markets. Most back leverage is secured against investment loans, but some banks extend it to construction financings. Providers typically finance up to 80 percent of a debt funds' loan portfolio, equivalent to a LTV of 55-65 percent. According to CREFC Europe, outstanding European back leverage balances are near €30 billion, making it a significant component of current funding solutions.

Debt-on-debt:

Another term for back leverage.

Synthetic risk transfer:

A type of securitisation used by banks or financial institutions to reduce or offload credit risk from their balance sheets without actually selling the underlying assets. Instead of transferring the assets, the bank uses derivative contracts – usually credit default swaps – to transfer the risk

of default to another party, often a pension fund, hedge fund or an insurance company. Some SRT structures involve the buyer receiving cash flows that are tied to the performance of the loans, but they are still structured as risk premiums, not ownership of the underlying interest.

Credit default swaps:

A financial derivative that functions like insurance on a loan or bond. The buyer pays a premium to the seller in exchange for protection against a credit event – such as default, bankruptcy or restructuring – on a reference asset. If the credit event occurs, the seller compensates the buyer for the loss, transferring credit risk without transferring the underlying asset itself.

Collateralised debt obligations:

A structured financial product that pools together various debt instruments – such as corporate bonds, loans or other fixed-income assets – and repackages them into tranches that are sold to investors. A CDO is a way to repackage a pool of debt into risk layers, allowing risk and return to be distributed according to investor appetite.

Deferred consideration:

Refers to a portion of the payment for a property, land or development project that is paid later rather than upfront. Essentially, the buyer agrees to pay part of the purchase price after certain conditions are met or at a future time.

Forward financing:

A financing arrangement often used in development projects where an investor or lender commits capital in advance for a project that will be developed or delivered in the future. The financing is “forward-looking”, based on the expectation of a future cash flow or completion of a project. The future asset itself often serves as collateral for the investment. Returns or repayment are usually linked to sale of the completed asset, lease or operating cash flows, or conversion into equity once the project is completed.

Preferred equity:

Preferred equity is a type of ownership in a company, but with some features that make it behave differently from common equity. Preferred shareholders usually receive dividends before common shareholders. Dividends are often fixed, like interest payments on debt.

Unlike common equity, preferred shares often do not carry voting rights. In the event of a company's liquidation, preferred shareholders are paid before common shareholders but after debt holders. Some preferred shares can be converted into common shares under certain conditions. Preferred equity is called a hybrid structure because it combines elements of debt and equity.

Tokenisation:

An innovative way to digitally divide ownership of real estate into smaller units, or tokens, on a blockchain, allowing investors to buy or sell fractions of a property more easily. Each token typically represents a fraction of the property's value, a share in rental income or capital appreciation, and certain governance or voting rights, depending on the structure. The property is legally structured, often through a special purpose vehicle, and then digital tokens are issued on a blockchain.



ABOUT THE REPORT



Interviewees

AEW
Hans Vrensen

AF Advisory
Nicole Lux

APG Asset Management
Patrick Kanters

Aware Super
Mathieu Elshout

Bank of America Merrill Lynch
Struan Robertson

Barclays Capital
Schecky Schechner

Cale Street Partners
Edward Siskind

CBRE Investment Management
Rik Eertink

DLA Piper
Joanne Owen

DWF
Joanna Wojnarowska

Gowling WLG
Matt Walker

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Christian Schmid

Hines
David Steinbach

ING
Michael Shields

KKR Real Estate
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About ULI

The Urban Land Institute is a global, member-driven organisation comprising more than 48,000 real estate and urban development professionals dedicated to advancing the Institute’s mission of shaping the future of the built environment for transformative impact in communities worldwide.

ULI’s interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 80+ countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanisation, demographic and population changes, new economic drivers, technology advancements, and environmental concerns. Drawing on the work of its members, the Institute recognises and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at uli.org

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2026

Global Outlook

EMERGING TRENDS IN REAL ESTATE®



Based on interviews with the most senior property professionals, the *Emerging Trends in Real Estate*® United States and Canada, Europe, and Asia Pacific reports, produced annually by the Urban Land Institute and PwC, are key indicators of sentiment in global real estate. We have drawn together those regional insights with additional interviews to focus on the most relevant investment and development trends across the globe, the outlook for real estate finance and capital markets, and the long-term influence of megatrends over the industry.

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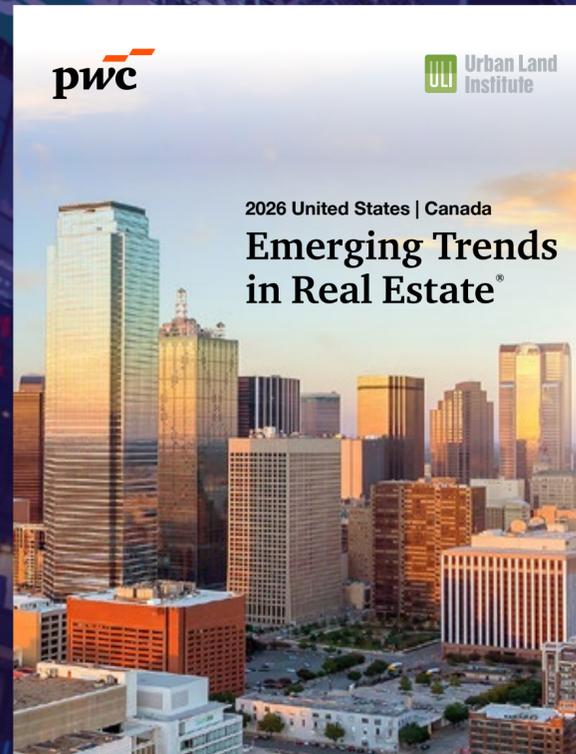
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