Global Market Insights

July 2025

Reshuffling, Not Retreating: Navigating Recovery in a Nuanced Market

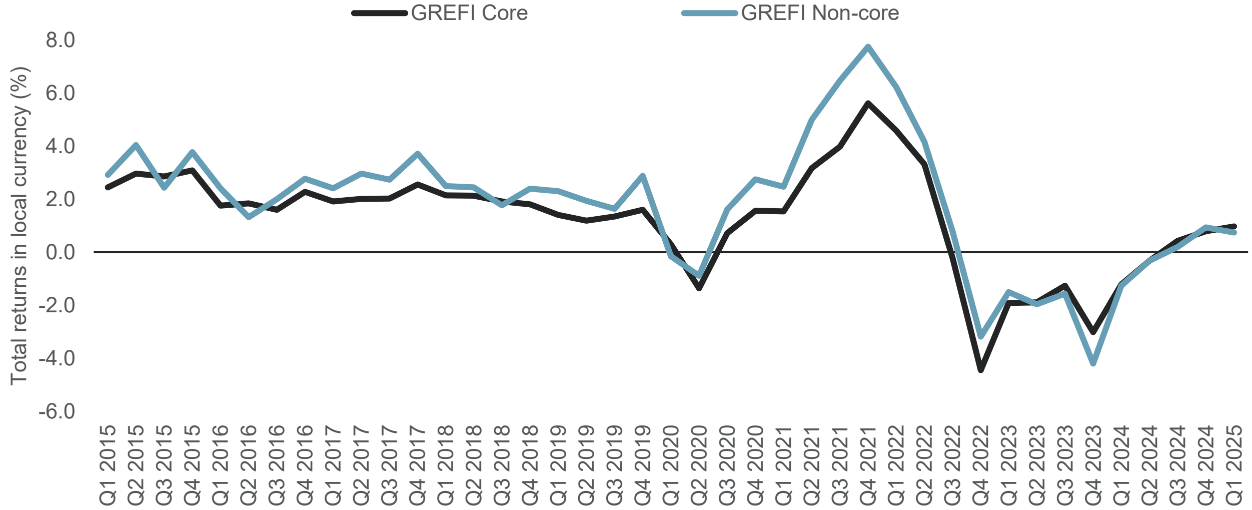
Global non-listed real estate markets continued their gradual recovery in Q1 2025, with the Global Real Estate Funds Index (GREFI) posting a total return of 0.92%, up from 0.82% in Q4 2024. All three regions delivered positive performance, led by Europe with returns of 1.04%, followed by Asia Pacific with 0.89%, rebounding from –1.44%, and the US with 0.85%. Core strategies outperformed non-core across all markets, with the GREFI Core Index returning 0.97% versus 0.74% for non-core.

Despite these encouraging numbers, market sentiment is mixed. Investors remain cautious amid persistent concerns about low transaction volumes, limited new development activity, macroeconomic conditions and geopolitical risks. Valuation uncertainty remains a key factor, as appraisals in several regions are still catching up to actual market conditions. This is especially evident in Asia Pacific, where valuation lags persist and yields remain tight – particularly in Japan. In Europe, Germany stands out for its yield rigidity and conservative appraisal practices, which have slowed the adjustment of asset values. A disconnect persists between improving market performance and capital deployment, with many investors still waiting for more convincing signs of improving fundamentals recommitting fully.

Sectoral preferences are also evolving. Global investors continue to reassess logistics allocations in light of trade frictions and supply chain volatility, while niche segments such as student housing and retirement living are gaining momentum, especially where demographic demand aligns with institutional scalability. The global markets appear to be in a "Golden Age of Asset Management" where differentiation, asset-level strategy, tenant alignment and operational resilience matter more than ever.

Strategically, the landscape is becoming more nuanced. Some investors are repositioning across borders and asset classes, while others remain in "wait-and-see" mode, maintaining dry powder for distressed or repriced opportunities. Overall, capital is not retreating; it is reshuffling, selectively and strategically. Investors are repositioning both geographically and thematically, placing greater emphasis on transparency, governance, and long-term alignment over short-term upside.

Figure 1: GREFI core vs non-core total returns



Source: Global Real Estate Fund Index Q1 2025

Core Realignment and Institutional Priorities

The continued preference for core real estate strategies observed in Q1 2025 is reinforced by findings from the Global ODCE Management Fees Study 2025, jointly published by ANREV, INREV, and NCREIF. The study highlights how investor sentiment is increasingly shaped by transparency, alignment, and governance standards.

With core funds globally outperforming non-core peers in Q1 (0.97% vs. 0.74%) and exhibiting lower volatility over time, institutional capital appears to be consolidating around ODCE-style vehicles offering dependable income and strong reporting frameworks.

The ODCE fee study shows sustained pressure on fees, with investors scrutinizing both base and performance components more closely. In many markets, fee reductions or caps are becoming more common – especially where managers also provide enhanced governance practices, such as clearer expense definitions, advisory board oversight, and regular independent valuations.

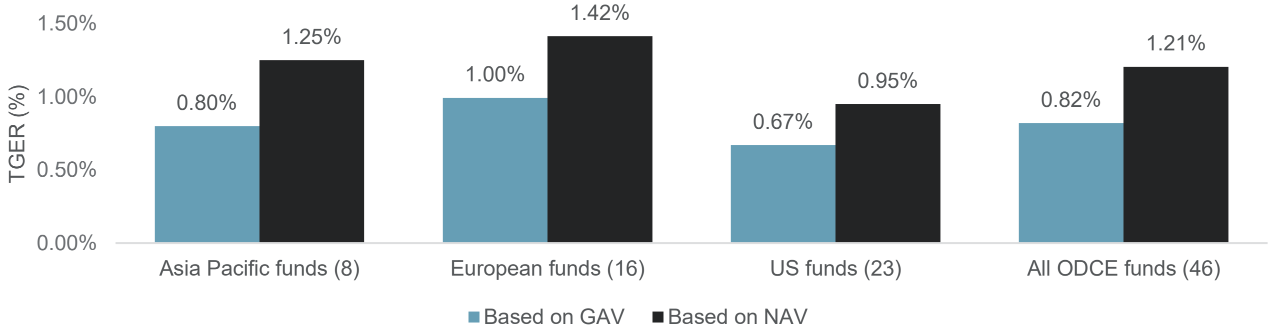
In today's low-growth, high-dispersion environment, capital is not exiting real estate but reallocating toward platforms that demonstrate resilience and fairness. Institutional appetite for alignment and risk management is shaping not only which managers attract capital, but also which regions and sectors gain from reinvestment.

Sustainability-linked features and tiered fee structures that reward long-term commitments with lower expense ratios are also more common in ODCE-style vehicles

As capital continues to reshuffle rather than retreat, ODCE-style funds may serve as a blueprint for investor confidence—blending cost control with structural integrity.

For more on the results of this Management Fees Study, please refer to the [ANREV/INREV/NCREIF Global ODCE Fund Management Fees Study 2025].

Figure 2: Average Total Global Expense Ratio (TGER) of ODCE Funds by Region (equal-weighted)



Source: ANREV/INREV/NCREIF Global ODCE Management Fees Study 2025

Global Research Committee's Review

Rapidly evolving global trade policies have shifted the global real estate market from cautious optimism to a less predictable but still gradually improving outlook. All three regional indices took small steps into positive territory in the first quarter – modest gains, but notable progress after the prolonged period of market stress. Stabilizing interest rates and improved pricing clarity have supported this momentum, with central banks in Europe and parts of Asia further easing rates in early 2025. The U.S. Federal Reserve, meanwhile, remains cautious, resulting in uneven capital conditions globally.

The recovery that began in mid-2024 is uneven and sector-specific, but forward momentum continues. Recent large, strategic transactions indicate investor confidence in sectors supported by structural tailwinds such as the privatization of a major logistics firm in Asia, the acquisition of a senior living operator in Australia, and the growing consolidation of student housing platforms in Europe and the UK. These moves reflect a shift toward capital targeting relative resilience and have kept pricing tight for many multifamily markets, for example.

Risks remain, including ongoing refinancing stress, geopolitical instability, and policy-related uncertainty that continue to dampen some investment. Despite these headwinds, the broader trajectory for real estate remains intact. While near-term uncertainty lingers, it is not reversing the overall recovery—only prolonging its full realization. Looking ahead to the second half of 2025, well-positioned, resilient assets in supply-constrained markets are likely to benefit most.