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Global Market Insights

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Slowing growth points to importance of working existing assets as hard as possible

The very gentle move back into positive territory for global non-listed real estate funds continued in the third quarter of 2025 with growth across all three regions, albeit at a slower rate than the first and second quarters of the year.

The Global Real Estate Funds Index (GREFI) returned 0.89% in Q3 2025 down from 1.02% in the second quarter of the year. Both Europe and Asia Pacific had growth of over 1% for the quarter while the US slightly underperformed their peers with growth of 0.65%

In most markets valuations have bottomed and started to improve in certain assets, however there are still locations where values continue to slide, and wider capital markets conditions are proving to be a headwind.

With a renewed focus on growing income as the main driver of performance, the role of asset management and enhancement will play an ever more important role in ensuring investors are maximizing the potential returns from individual assets and portfolios.

Sustainability and environmental considerations in general have been under pressure in recent times, with some organisations reducing the importance of these initiatives in their planning, underwriting and decision-making processes.

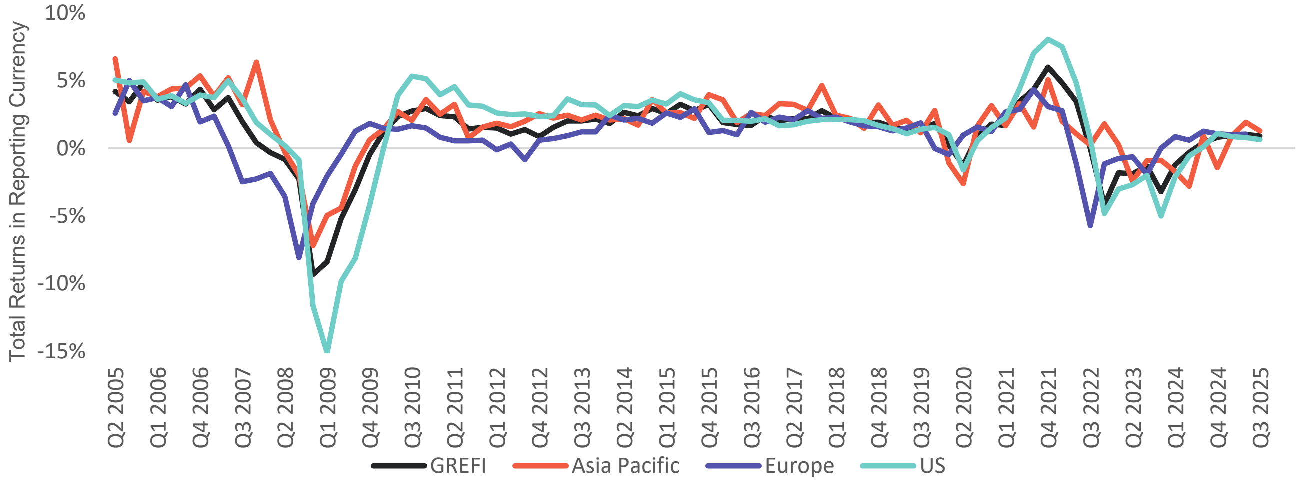
However, we have seen in the performance data that the newer more sustainable assets are able to secure higher rents from tenants and maintain and grow the value of the buildings.

Using environmental improvement techniques as well as asset enhancements to differentiate assets are sure to become balance sheet priorities for many owners during this cycle, which is likely to be punctuated with more volatile monetary and fiscal policies.

This emphasis on core, newer, greener buildings with enhanced amenities is borne out in the index results. Core has outperformed non-core over the last quarter and one year in Europe and Asia Pacific. In the US core markets have been lagging non-core, but only slightly.

Global allocations to real estate look to be in line with targets at the global level, but investors in Asia Pacific are lagging their European and North American peers. However, some investors are actively looking to decrease their allocations and focus on existing assets rather than expanding their portfolios.

Figure 1 : GREFI Total Returns by Region, 2005-2025



Source: Global Real Estate Fund Index Q3 2025

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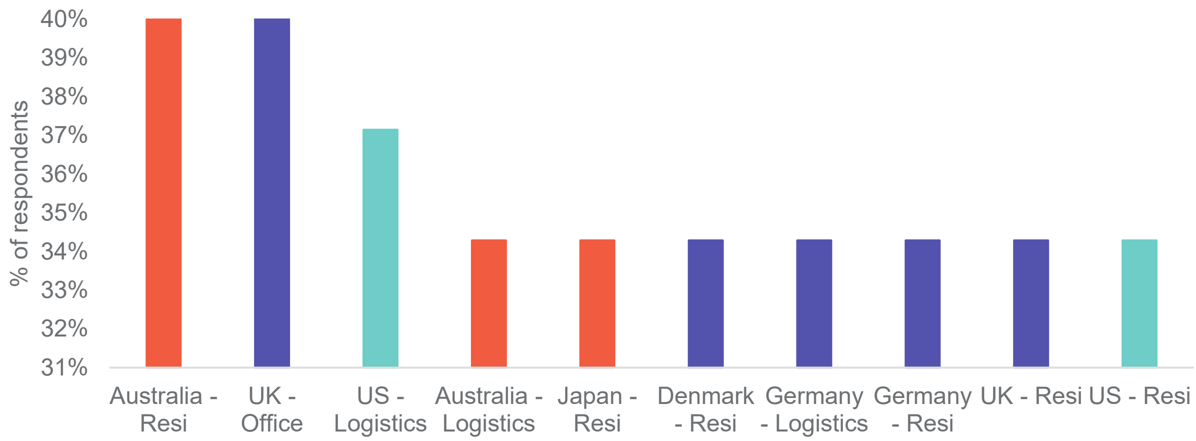
Where will the investors money go in 2026?

At the start of each year the global investment community gives us their thoughts on what and where they would prefer to invest their capital in 2026. The [ANREV/INREV/PREA Investment Intentions Survey 2026] covers 78 global institutional investors with combined assets under management of over USD1 trillion.

The 2026 results follow a similar patten to previous years with a significant number of respondents focusing on the residential and logistics sectors around the world. Unsurprisingly then Australian residential, or build to rent sector, emerged as the favoured investment destination. In equal first place was a surprising choice with UK offices, primarily London, matching Australian residential amongst investor preferences.

Figure 2 : Investment Intentions Global Preferences 2026



Source: ANREV/INREV/PREA Investment Intentions Survey 2026

Surprising in that with higher interest rates than many of its global peers and a work from home culture that is now embedded in many companies. Why would investors look on the office sector in the UK so favourably?

It comes down to the simple rule of occupier demand and supply. Covid put the breaks on construction activity globally with building costs surging in the immediate aftermath. During this period in an effort to attract people back to the office companies focused on relocating to better quality, sustainable office space with better amenities in predominately newer buildings.

This has pushed demand and rental growth significantly higher, with record leasing volumes being recorded as companies race to secure the best space. With investors increasingly focused on income growth the deployment of capital into the UK looks set to increase in 2026.

Global Research Committee's Review

2025 marked a stagnant period for commercial real estate. Persistent inflation, stoked by tariffs, kept the Federal Reserve cautious, resulting in higher-than-expected interest rates, elevated property yields and muted transaction activity. Meanwhile, policy uncertainty slowed occupier decision-making and demand, leaving excess supply—particularly in the U.S.—to pressure rent growth.

As we enter 2026, the outlook is more constructive. A combination of supportive fiscal and monetary policies is fostering procyclical growth across most economies. This backdrop strengthens the investment case for real estate, especially for assets that have repriced by 20–25%. Motivated sellers, engaged buyers, and improved debt availability are setting the stage for a rebound in transactions and valuations. While cyclical recovery will underpin overall market momentum, structural forces are expected to drive greater differentiation in performance. As clarity emerges around demographic shifts, supply chain realignment, and return-to-office trends, occupier preferences are becoming more defined—requiring targeted strategies at the asset, location, and sub-sector levels.

The balance of real estate risks and opportunities is shifting—from elevated macro policy uncertainty to a landscape increasingly defined by rising and more volatile geopolitical risk. In 2025, unpredictable fiscal, monetary, trade, and regulatory policies, particularly in the U.S., contributed to shifting occupier preferences and slower demand across several sectors. As we move into 2026, the positive impacts of these policies should become more apparent, supporting more predictable occupier behavior and pockets of strengthening demand. This evolving risk environment requires investors to adopt a flexible, dynamic, diversified, and highly granular investment approach.