

Global Market Insights

April 2026

Returns edged higher at year-end, but uncertainty remains

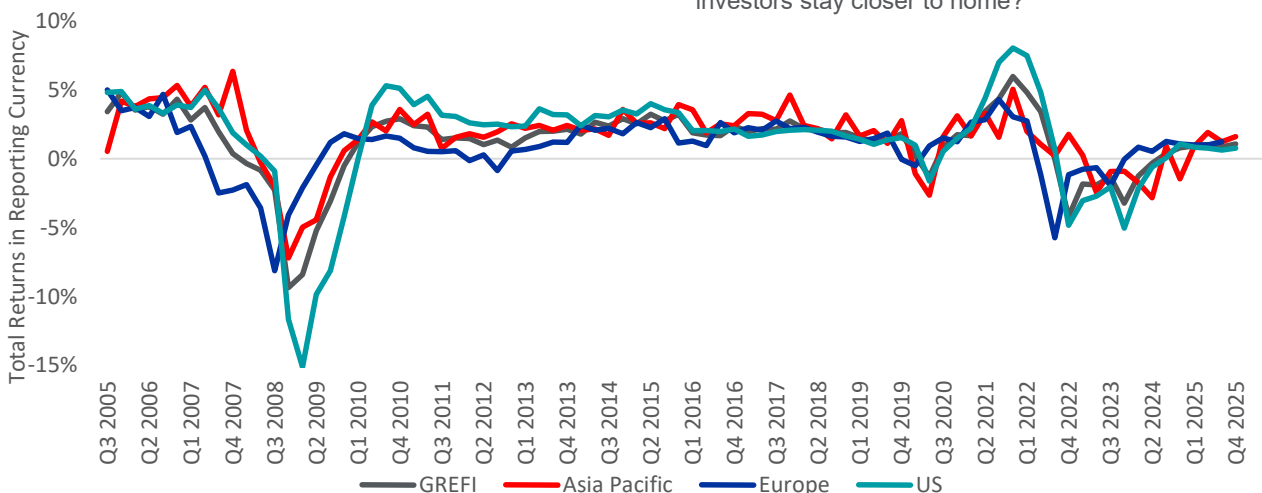
Global commercial real estate markets positive performance accelerated in the final quarter of 2025, reaching new quarterly highs and delivering a total return of 4% for the full year.

However, while these results provide further evidence of the moderate upturn in the real estate cycle the headwinds in the first quarter of 2026 have certainly strengthened. The threat of higher interest rates, driven by turmoil in the Middle East, will likely subdue markets as we move through the year.

The Global Real Estate Funds Index (GREFI) returned 1.08% in Q4 2025 up from 0.88% in the third quarter of the year. This is now the sixth consecutive quarter of positive returns for the overall index. Asia Pacific funds outperformed Europe and the US for the third time in 2025. Europe and the US have seen a more consistent recovery profile with no negative returns since Q3 2024, while performance in Asia Pacific has been slightly more volatile since the market bottomed out in Q2 2024.

Despite the wider financial market turmoil core and non-core returns have generally matched each other during the market correction.

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



This is unlike what we have seen in previous downturns and recovery cycles. During the global financial crisis (2007-2009), non-core funds significantly underperformed, as expected given their generally higher gearing levels. As markets recovered and stabilized, we moved back into a long period of outperformance for non-core funds, even during the COVID period.

However, the post-COVID period, with higher interest rates, has had a bigger negative impact on core funds, and performance has been synchronised since the final quarter of 2023.

With regional and style of funds now so closely matched in terms of market performance, how should investors assess the risks and rewards of allocating capital?

Wider market indicators have shown that within office and retail property types, tenants are increasingly attracted to newer, higher-quality assets with continually improving amenities. This suggests that core funds holding higher-quality assets will benefit from rising rents and lower vacancy than those funds with more value added and opportunistic strategies.

But with potentially higher interest rates on the horizon in some developed markets, Australia and Japan have raised rates recently, will this once again hamper core funds more than non-core funds? And in the absence of a meaningful geographic separation in returns, do investors stay closer to home?

Capital raised globally holds steady in 2025

Global capital raising recovered slightly in 2025, rising by 12% year on year to USD 138 billion. While still well below the record pace of 2021 and 2022, the slight rise does at least show a renewed confidence in real estate as an investible asset class. (In euro terms, the 2025 global non-listed real estate capital raising activity was broadly in line with the 2023 and 2024 results, at €117 billion).

Over 80% of the capital raised in 2025 was by managers based in Europe and North America, matching the transactional growth that we have seen in those two regions over the last two years.

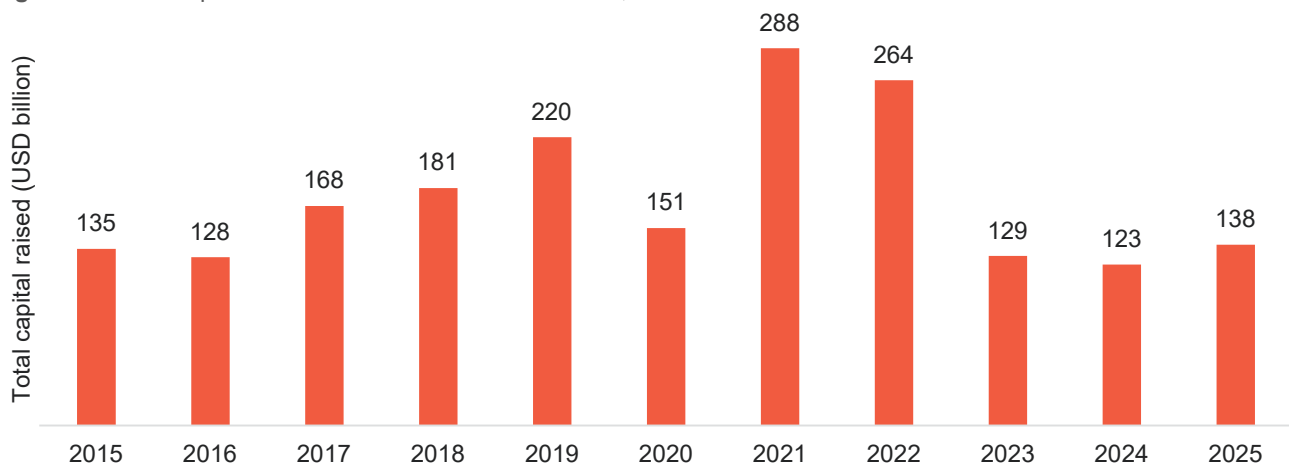
While the majority of that capital is focused on their home region, almost 40% is looking to invest in geographical strategies outside of their home region. In Asia Pacific over 90% of the capital raised is focused on investments in the AP region.

The dominance of the largest managers continued in 2025 with over 60% of the total capital raised coming from just 15 managers. The five largest managers all individually raised over USD 5 billion during 2025.

Of the 103 responses, 71 managers raised less than USD 1 billion, while 17% of those who responded reported no capital raised, down from 21% in 2024. However, over 80% of respondents expected the capital raising environment to improve over the next two years.

As the [ANREV/INREV/NCREIF Capital Raising Survey 2026](#) shows, the increase in raised capital should be positive for transactional activity during the year. However, this pick up in activity may be delayed until the second half of the year given the geo-political and economic headwinds that have emerged in the first quarter of 2026.

Figure 2 : Total Capital Raised for Real Estate Investment, 2015-2025



Source: ANREV/INREV/NCREIF Capital Raising Survey 2026

Global Research Committee's Review



Private real estate markets remain highly exposed to macro volatility. Top of mind today is the chain reaction of hostilities in the Middle East; from liquid markets (rates, FX) and commodities, into inflation and policy expectations and ultimately into real demand across consumers and industries. While a clear resolution remains elusive, one area of relative clarity is that commodity prices are likely to carry a sustained geopolitical risk premium. This reinforces that input costs and inflation expectations remain stickier than previously anticipated, which could bear more negative consequences on capex heavy strategies.

Higher bond yields are also shaping investor behavior. While elevated yields should, in theory, reset return expectations, it remains challenging to translate this into executable, attractively priced deals. As seen in the post-Covid period, adjustment is likely to be slow and uneven. Importantly, outcomes will diverge across regions and countries. While most central banks are expected to be on hold (though not fully aligned with market pricing today), policy paths are not uniform. Some economies face tightening or normalization pressures, complicating new investment decisions.

At the same time, this shock is layering onto an already complex backdrop. The impact of AI on real estate demand remains uncertain and could be negative in some segments, while trade tariffs (though lower under Section 122), remain embedded in the macro environment. Offsetting this, stress in private credit markets is supporting demand for hard assets, reinforcing the so-called HALO (hard asset, low obsolescence) effect. Improved amounts of capital raised in 2025 is also expected to sustain deployment in 2026. While optimism seen in H2 2025 has moderated, it has not reversed, with investor behavior shifting toward a more cautious and selective approach.