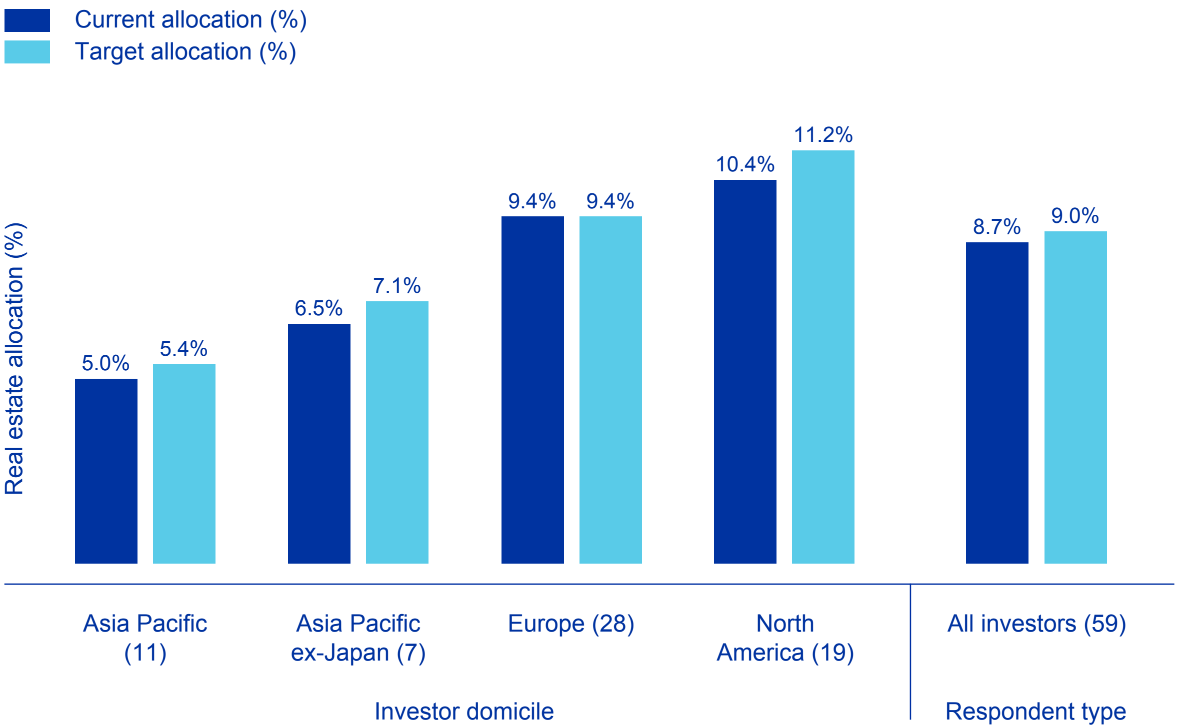
Global real estate allocations close to targets in 2025

- > Investors globally exhibit a slight underallocation to real estate in 2025
- > Core strategies regain traction when investing in Europe
- > Student accommodation emerges as the third top preferred sector in Europe

Figure 1: Current and target allocations to real estate globally (weighted by total AUM)*



** Number of respondents in parentheses*

Allocations to real estate align more closely with target levels globally, according to the 2025 Investment Intentions Survey – published today by INREV, ANREV and PREA. The average current allocation to real estate globally stands at 8.7%, just below the average target of 9.0%.

European investors, who had been overallocated for the past two years, now report their average allocation matching their average target of 9.4%. North American investors continue to show the highest current allocation at 10.4% and are still some 80 bps under their average target. Asian Pacific investors remain structurally underallocated, but the gap narrowed significantly compared to the average 120-200 basis points recorded in recent years.

The gap between the average current and average target allocations is mainly driven by factors such as fluctuating market dynamics, evolving investor priorities, and the challenges of aligning portfolios with long-term strategic goals.

The survey highlights several macro-level trends impacting real estate investment strategies across regions. Interest rates are cited by approximately 80% of investors globally as the most significant factor influencing investment plans. Inflation is the second most commonly mentioned factor for

North American and Asian Pacific investors, but only less than half of European investors consider it a major influence.

The United Kingdom, Germany, and Spain are the top three preferred investment destinations, followed by the Netherlands and France. Notably, this marks the first time since the survey's inception that Spain has entered the top three and France fell out. Additionally, markets such as Italy and the Nordics have experienced increased investor interest compared to the previous year.

Residential and industrial/logistics sectors remain the most favored in Europe. However, student accommodation has gained significant traction, making its debut in the top three with a preference of 67%, a substantial increase from its five-year average of just 35%.

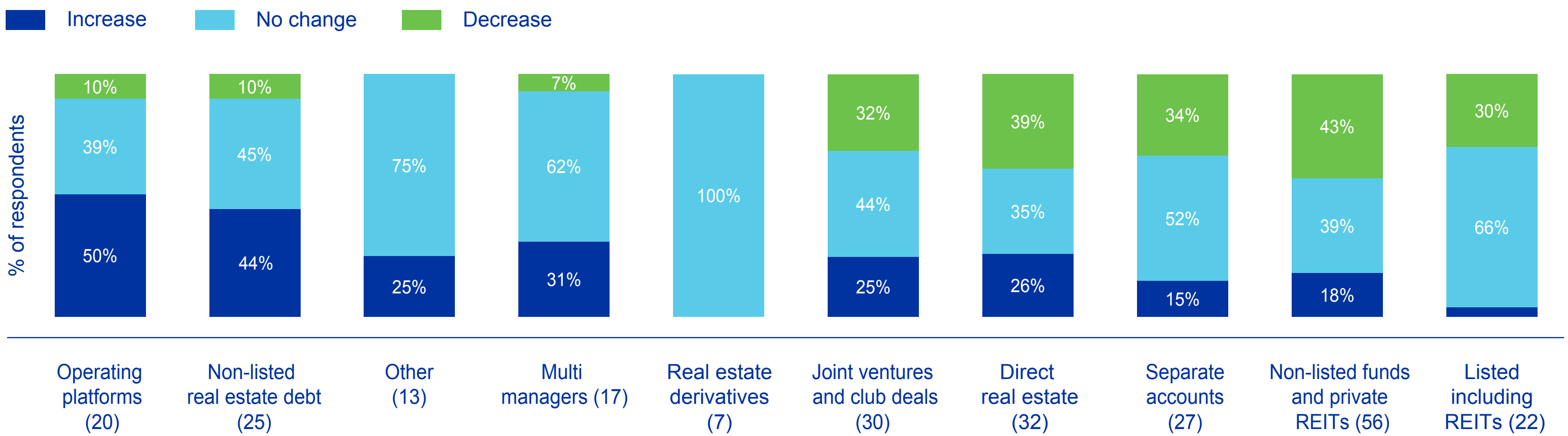
Conversely, the office sector has seen a sustained decline in investor preference, to a record low level of 48%. This is notably down on a five-year average of 64% and marks the first time since the survey inception that offices have fallen out of the top three preferred sectors for European investments.

While sentiment continues to favor value added (47%) strategies for European investments, there has been a notable resurgence in interest toward core strategies, now preferred by 38% of respondents. This shift reflects a cautious outlook for 2025, with investors gravitating toward more risk-averse approaches amidst heightened economic and geopolitical uncertainties.

Operating platforms were introduced in the survey for the first time this year and have emerged as the most preferred access route for European real estate investments, in alignment with residential sector growth. Notably, 35% of respondents indicated plans to increase their allocations to operating platforms in 2025. This preference becomes even more pronounced when weighted by AUM, with investors representing 50% of the total respondents' AUM intending to increase allocations.

For further details, contact research@inrev.org. The full report is available for members at inrev.org/research.

Figure 2: Expected changes to real estate allocations in Europe over the next two years (weighted by real estate AUM)*



** Number of respondents in parentheses*