Real estate myths and facts

Myth

Fact

Myth: Is not regulated

Real estate investment is regulated under AIFMD

Since 2013 AIFMD has subjected almost all non-listed real estate funds for institutional investors in Europe to regulation and government oversight.

Myth: Focuses on constructing new buildings

Focuses on existing buildings

Most institutional investment is for acquisition of existing buildings. Maintaining, decarbonising, improving value and keeping buildings fit for purpose require investment in renovation and retrofitting. This investment supports revitalisation of Europe's cities.

Myth: Is risky and highly leveraged

Relatively low levels of volatility, risk and leverage

Institutional investors achieve attractive returns through real estate with less volatility and risk. Real estate's low correlation with equities and bonds offers portfolio diversification while geographic and sector diversification of real estate portfolios spreads risk. Furthermore, leverage levels of non-listed real estate funds on a weighted base average around 20%.

Myth: Feeds bubbles that lead to financial crises

Institutional investors invest for the long term

Real estate bubbles are driven by short-term investors exploiting overheated markets. Long-term institutional investors, like pensions funds and insurance companies are primarily focused on stable income and long-term value to match future liabilities with secured income flows.

Myth: Real estate investment is incompatible with sustainability goals

Long-term investment aligns with sustainability and decarbonisation

Long-term investment and sustainability go hand in hand. Institutional investors protect and enhance their real estate investment by funding conversion of the built environment to carbon neutral and resource efficient while delivering social impact.