



Real estate liquidity insights

An analysis of fund-level cash flows

October 2026

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Unless otherwise noted, all data is as of September 2026.

Executive summary

Interest rate spike created persistent challenges

2022 interest rate spike led to a drop in property trading prices, systemic overleverage, and funding gaps. Market trading volume dropped and mostly recovered. Assets sales by funds fell much further than market trading volume and have not recovered.

Prices down, valuation gap

Higher interest rates lifted cap rates. However, appraisal-based carrying values for many fund assets, especially in US, are based on cap rates much lower than typical trading prices, leaving these funds overvalued.

Distributions low

Non-core fund distributions have been around half of long-term averages for three years. This is because asset sales have dropped by a roughly similar amount. Managers are holding assets longer, hoping to grow income and eventually overcome the drop in prices.

Capital calls at normal levels

Non-core fund capital calls are back in-line with long-term averages, driven by new opportunities (including motivated sales resulting from balance sheet challenges) plus funding of legacy assets amid extended hold periods

Realized loss ratios surging

Realized loss ratios demonstrate the gap between trading prices and carrying values as sales trigger loss recognition. Assets sold by non-core funds in 2025 realized an average loss of 28%.¹ Avoiding losses, enabled by the valuation mismatch, motivates longer holds, which are bolstered by hopes of value recovery.

Funds struggle to raise capital

Apart from mega funds (>\$5B), fundraising has been flat for 3 years around 2016 levels.

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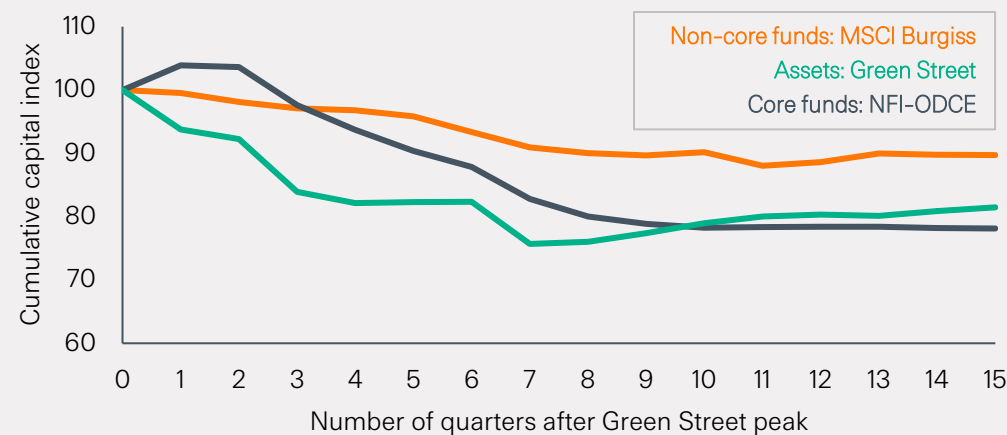
1. StepStone SPI Reporting, as of Q4 2025.

Marks lag trading prices, volume generally recovered

Fund valuations should have dropped much further than unlevered asset trading prices because fund assets are levered. In the US, they did not. More detail in House Views; non-core fund analysis is complicated.

	Cumulative value change	Leverage
Non-core funds	-10%	55% LTV
Assets	-19%	Unlevered
Core funds	-22%	27% LTV

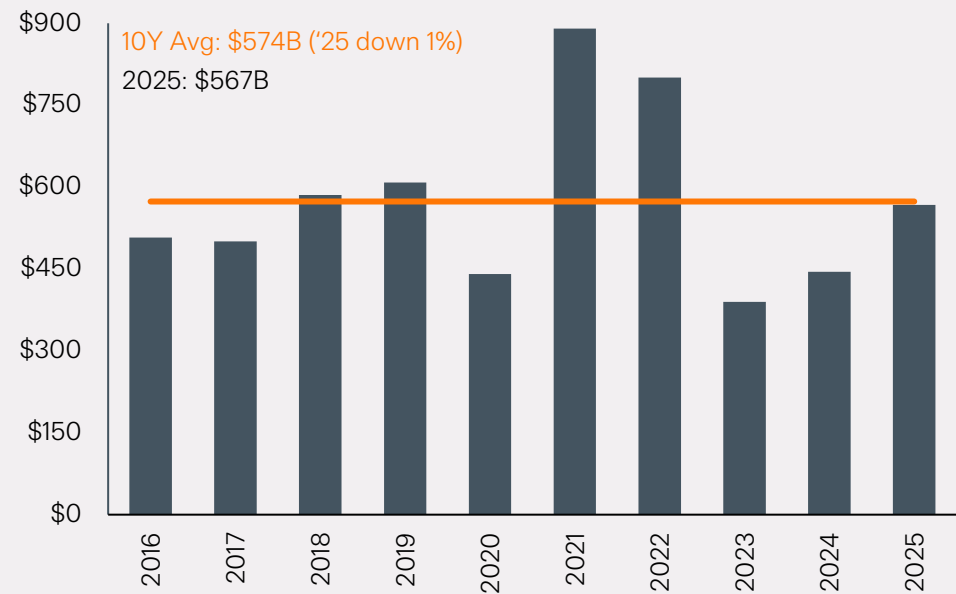
Valuations of funds and traded assets over time



Limited trading and price discovery no longer justify the valuation gap because volumes are generally back around long-term averages, bolstered by healthy debt availability. There are laggards, including the office sector. In addition, core funds, traditionally dominant buyers, are far less active than usual in US and Germany

US annual transaction volume

\$ in billions

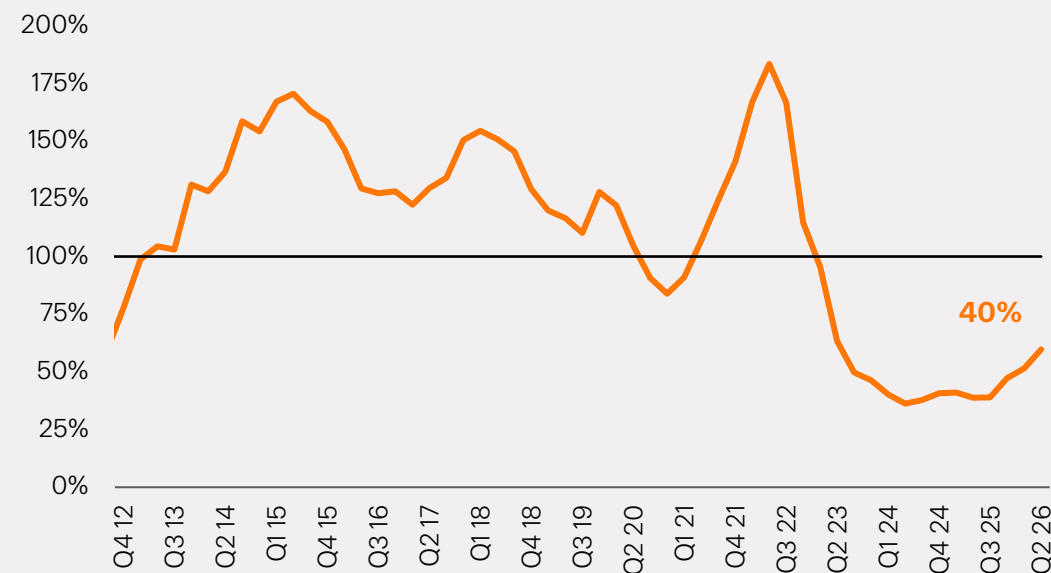


Sources: Green Street, NCREIF ODCE, Burgiss, Bank for International Settlements, MSCI RCA , as of Q4 2025, July 2026.
1. Green Street CPPI's latest peak quarter is Q1 2022.

Fund distributions well below average since 2022

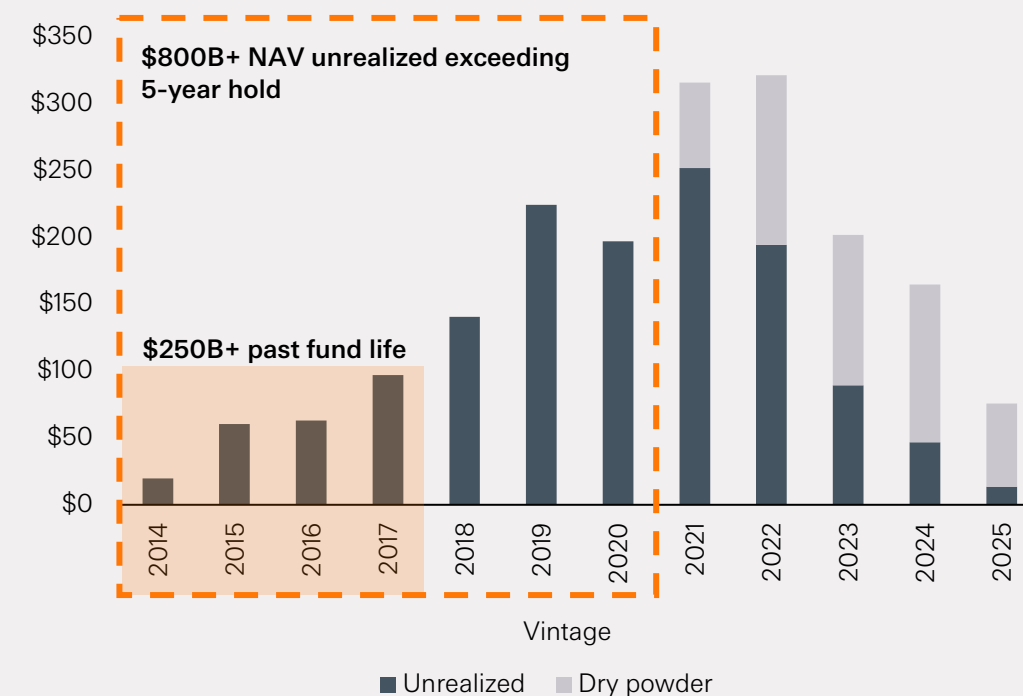
IRR-based funds selling less, accumulating over \$800B in assets held for over 5 years

Fund-level distribution, TTM vs long-term average¹



Global private real estate unrealized NAV by vintage²

\$ in billions



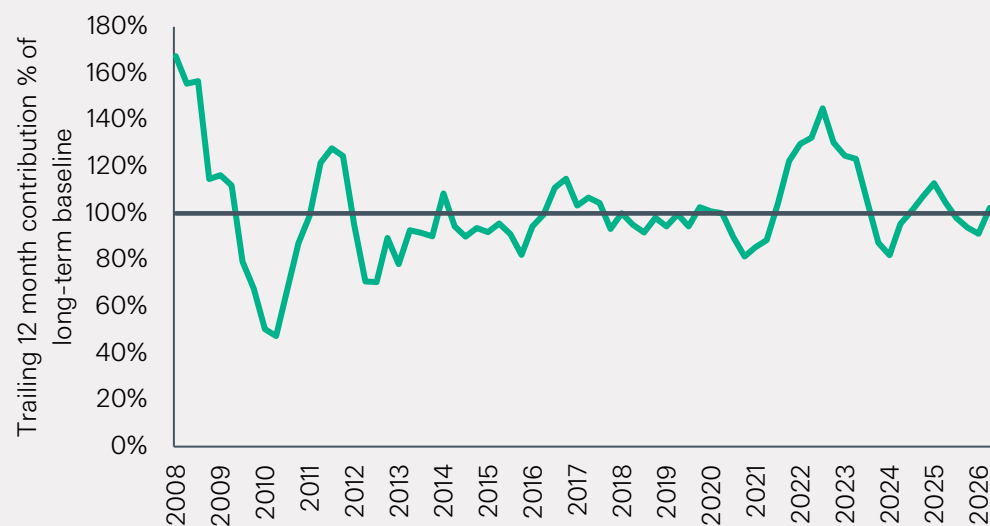
1. SPI Research and Reporting, as of Q2 2026, September 2026.

2. Preqin Pro, as of Q4 25, September 2026, Real Estate closed-ended primary funds.

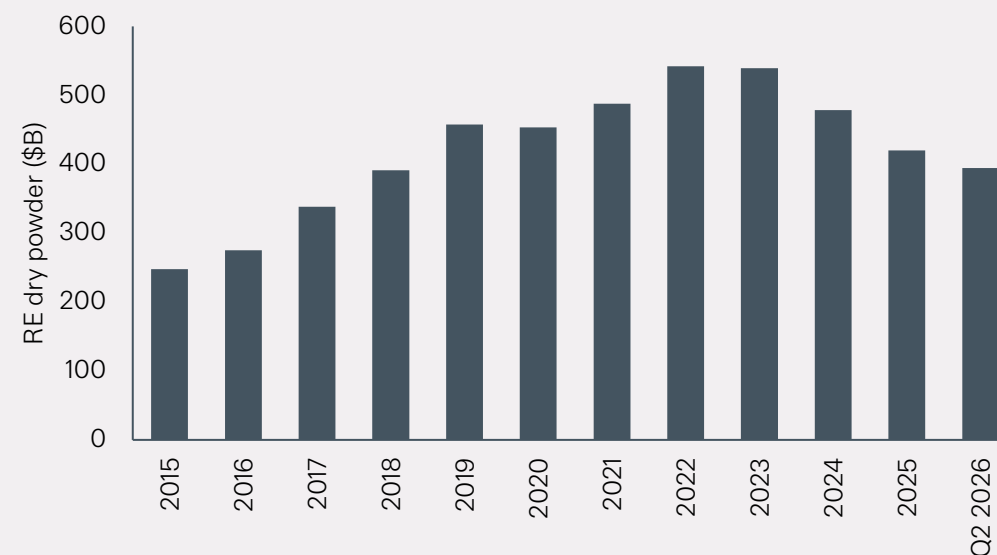
Capital calls around long-term averages

- Non-core fund managers are actively acquiring new assets in an attractive buying market
- Dry powder is declining from the high levels that resulted from peak fundraising years of 2021 and 2022
- Capital calls for pre-correction funds were partly used to fill funding gaps caused by higher interest rates, reflected in a capital call spike in 22-23. Closed-ended funds were significantly impacted by the rate rise, with average 55% leverage¹, heavy use of floating rate debt to match short underwritten hold periods and transitional assets with reduced income.

Fund-level capital calls, TTM vs long-term average²



RE dry powder normalizing³



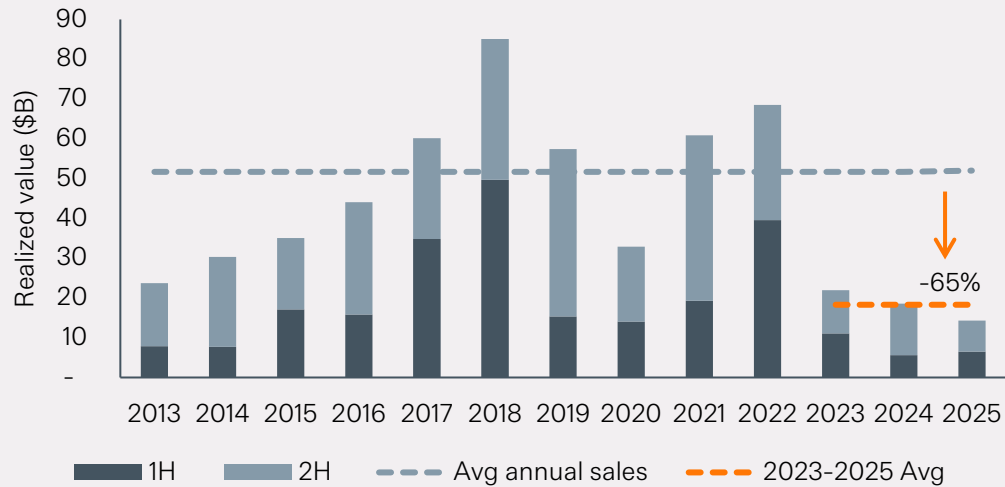
1. Sourced from StepStone SPI Reporting as of Q3 2025.

2. Sourced from SPI Research and Reporting, as of Q2 2026, September 2026.

3. Sourced from Preqin Pro, Real Estate closed-ended primary funds, as of Q2 2026. Dry powder reflects only the last 4 vintage years and excludes potentially expired dry powder.

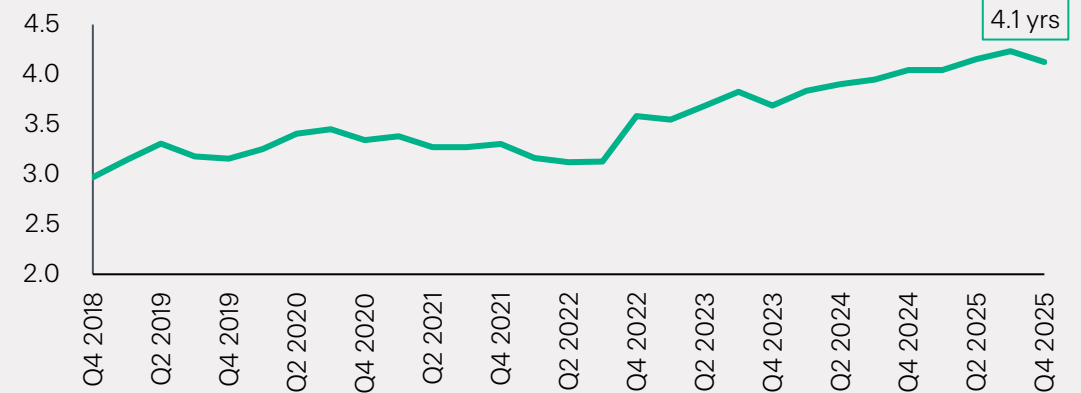
Less sales by funds, longer holds, more losses

Annual asset sale proceeds (\$B) fell after 2022

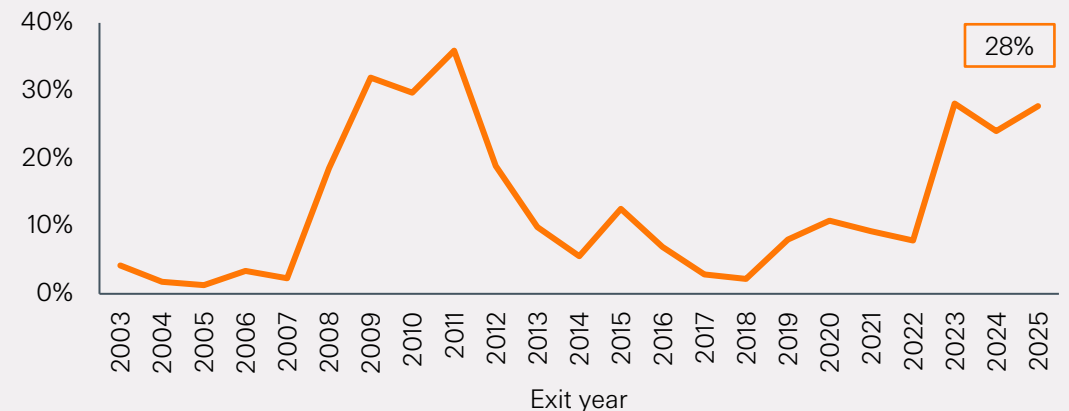


- After 2022, asset sales volume dropped 65% below the trailing 10-year average, which was calculated without the disruptive year of 2020.
 - Market trading volume dropped by only 17%¹ so fund sales are disproportionately low
- This leaves more unrealized assets, increasing the average asset age
- Loss ratios rose, reaching 28% for assets sold in 2025
 - High loss ratios suggest carrying values are too high
 - Sales trigger recognition of losses, which is a disincentive to sell

Average age of unrealized assets rising from 3.25 to 4.1 years



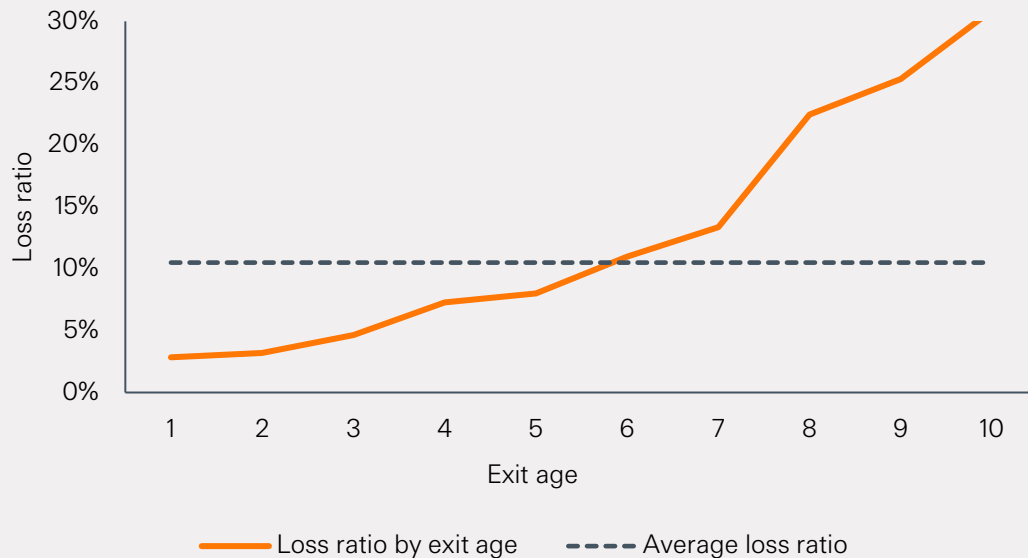
Realized loss ratio surged after 2022



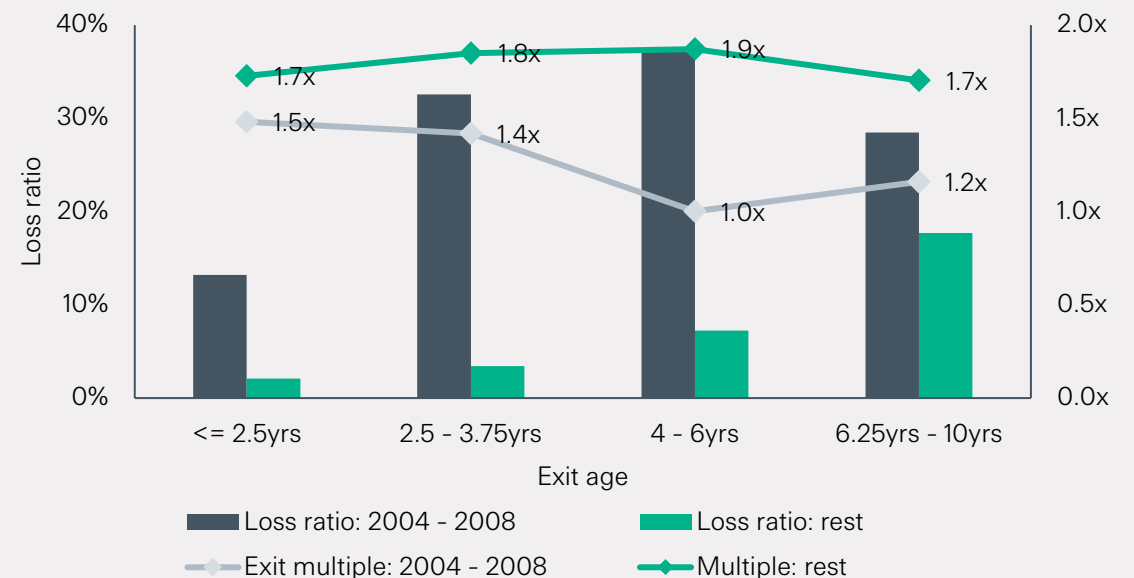
Longer hold periods mean higher losses

- The average loss ratio for all assets sold since 2006 that had been held 6+ years exceeds 10%. This is double the average loss ratio for assets exited between years 4 and 6
- Assets acquired right before GFC (2004 -08) reported materially higher loss ratios across all holding periods. Flat multiples over extended holding periods mean IRRs fall. Assets exited 6-10 years after the GFC enjoyed the benefit of falling interest rates, which tended to lift exit prices
- 2018-20 acquisitions have longer hold periods than normal, which implies higher losses
- 2021-22 acquisitions, bought at cyclic peak pricing (spurred by COVID-era interest rate lows), have even greater risk of losses

Exit age & loss ratio



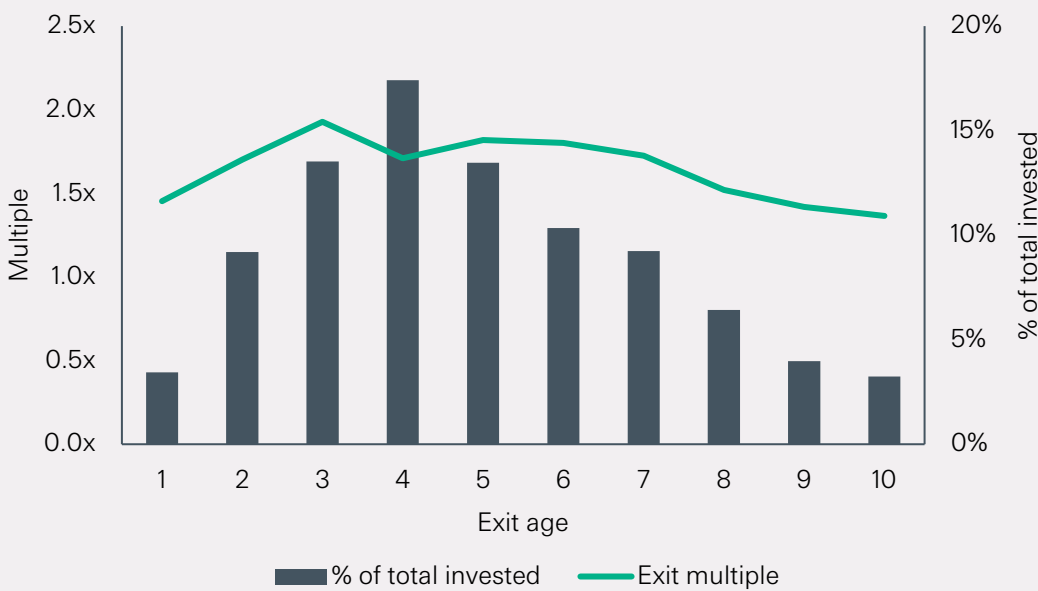
Bear years vs others



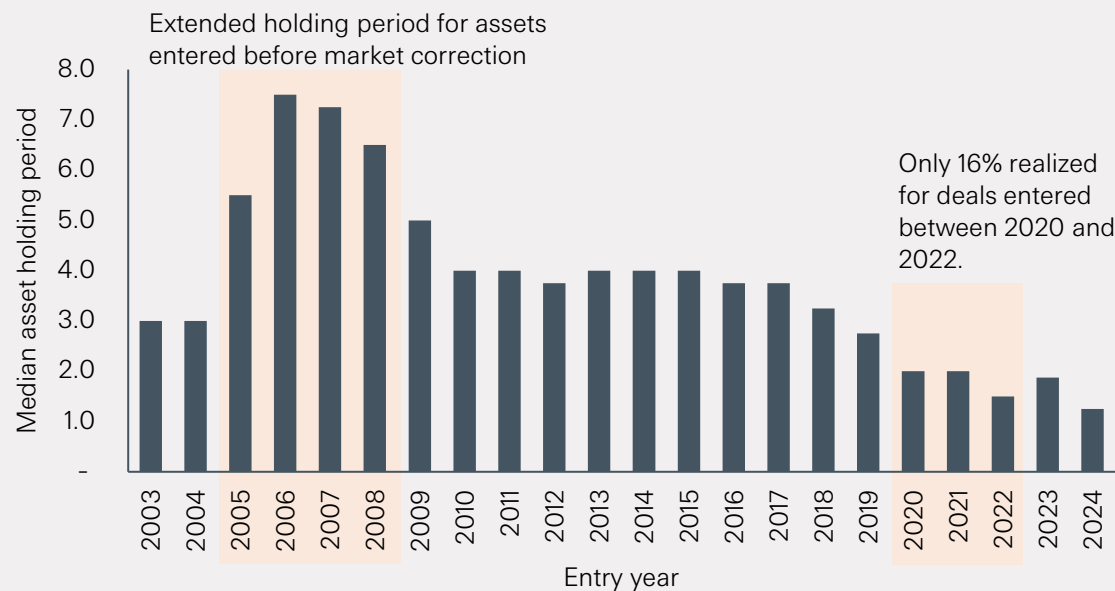
Holds are longer in distressed periods

- The median holding period of investments in non-core funds is 3.75 years
- Market dislocation significantly extends holding periods. Assets entered right before the GFC had a median holding period of 7 years
- Assets entered 2020-2022 are younger than the median holding period, but already lag normal holds for their vintage, with only 16% of assets realized
- Of the assets sold between 2023 and 2025, 74% of invested capital came from vintages prior to 2017

Longer hold periods mean lower multiples



Median holding period by investment entry year



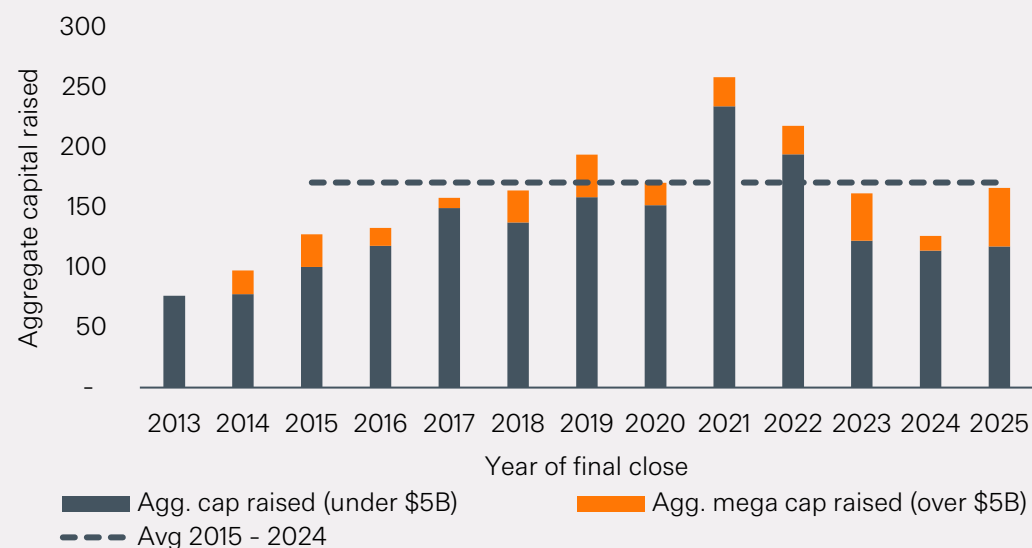
Sources: SPI Research and Reporting, June 2026.1. Percentage calculated by invested capital.

Mega funds lead fundraising recovery, rest still depressed

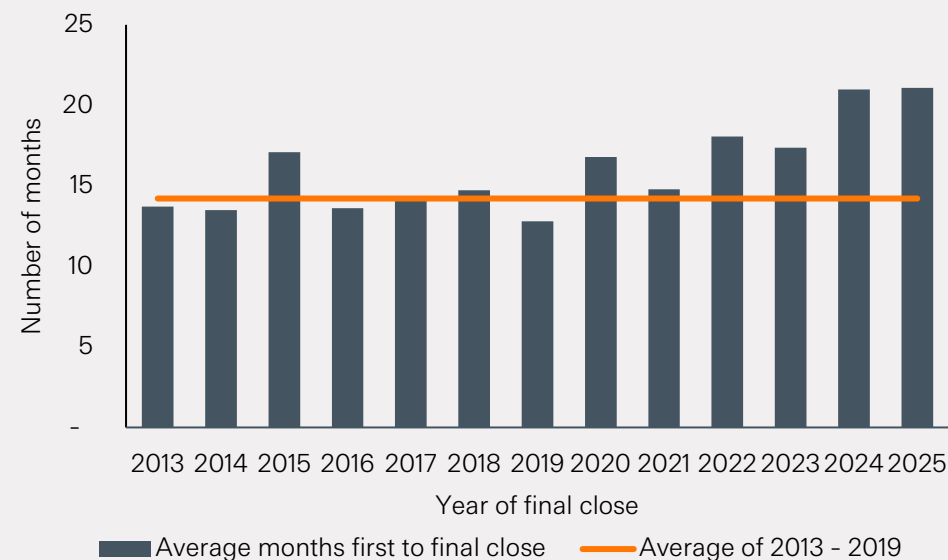
- Fundraising in 2025 hit long-term normal levels but remained below post COVID peaks.
 - The lift came from mega funds, those >\$5B. Excluding mega funds, fundraising has been flat for 3 years, sitting around 2016 levels
- In 2025, funds over \$1.5B took approximately 20 months from first to final close, up from 18 months in 2024.
 - The time gap narrowed for smaller funds, with smaller funds taking only a month longer to raise in 2025, versus three in 2024.
- Since 2013, large funds (over \$1.5B) have raised 39% of total non-core capital

Global private real estate fundraising

\$ in billions



Funds now taking longer to close



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