

Investors return to real estate — but pick their spots

Elliot Smither

Real estate is attracting fresh capital after years of disruption, but investors are increasingly selective about where they see opportunities

Real estate stood out among alternative assets in the first quarter of the year, attracting \$3.78bn while most other private market categories suffered net outflows. Yet it appears that investors are not coming back to property in an indiscriminate way, rather seeking out particular niches where they see opportunity.

A report from Canoe Intelligence, which drew on data processed from more than 44,000 alternative investment funds representing \$11tn in assets under administration, showed that while private equity, private debt and hedge funds saw outflows, real estate and venture capital bucked the trend. Infrastructure also recorded its first negative flow since 2024, ending four consecutive quarters of inflows. Value-added real estate took the lion's share of new deployment, accounting for \$4.6bn in net inflows.

So why might investors be turning to real estate now?

"In a world of persistent volatility and rapid AI disruption, we are seeing investors turn to real estate due to its tangible, cash-flowing assets and lower obsolescence risk relative to other asset classes," says a spokesperson for Blackstone Private Wealth. As AI's role in the economy continues to grow, people will still need a place to live, goods will still flow through warehouses, and data centres will only become more essential, they point out.

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Blackstone Private Wealth spokesperson

Real estate can bring meaningful diversification benefits at a favourable valuation entry point, with real estate values today at 14 per cent below their prior peak while most other asset classes are near all-time

highs, says the spokesperson. "Together, these dynamics have triggered meaningful capital rotation into the sector."

In June, the Blackstone Real Estate Income Trust saw its fifth consecutive month of positive net flows, while the second quarter of 2026 was BREIT's first quarter of positive net flows in nearly four years, and the average ticket size has increased 18 per cent year-on-year.

Scarce new supply and healthy capital markets are underpinning the ongoing recovery, says the spokesperson. On the supply side, new construction starts have fallen dramatically across most major sectors globally, driven by higher construction costs, which have risen considerably in recent years.

"As new construction becomes more costly, demand concentrates in existing assets, supporting rents and valuations," they say. "This favourable supply-demand dynamic, combined with a strong capital markets backdrop, underpins our conviction that now is the time to be invested in real estate."

But the returning capital is not flowing evenly across the property market, with investors increasingly differentiating between sectors and strategies. BREIT's highest-conviction sectors today include rental housing, industrial and data centres, each of which it believes is backed by durable, long-term megatrends.

Real assets resonate

Real estate allocations are also on the rise on the CAIS alternative investment platform for independent financial advisers, up 54 per cent in the first half of 2026 compared with the same period a year earlier. Though as Brad Walker, partner and co-president of CAIS notes, infrastructure allocations also increased 189 per cent during that same period, reflecting particularly strong demand for real asset strategies.

"While private equity remains the highest-

demand strategy on the CAIS platform, we've seen increased allocations to infrastructure, real estate and structured investments, alongside more moderate private debt activity," he says.

Within infrastructure, demand on the platform has been concentrated in evergreen structures across both core and digital infrastructure strategies. Real estate has seen increased activity across core equity, debt, opportunistic and triple net lease strategies.

Macro dynamics are leading advisers to broaden allocations to real assets, including real estate, believes Walker. "Advisers continue to seek alternative sources of yield for their clients, and we're seeing them add hard-asset strategies such as real estate debt and triple-net lease alongside other asset-backed lending strategies."

This is all part of the continued evolution of private markets and the expanding opportunity set available to advisers and their clients, he says.

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"While the mix of allocations will continue to evolve, the range of strategies and structures available to advisers is expanding, creating more ways to address client objectives across income, diversification and tax management."