



SEPTEMBER 2026

RESEARCH

Investing in real assets: Infrastructure and real estate

SHORT PAPER

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

Investing in real assets: Infrastructure and real estate

This research was funded and commissioned through the IPF Research Programme.

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The Programme is funded by a cross-section of businesses, representing key market participants. The IPF makes a contribution to the Programme and gratefully acknowledges the support of these sponsoring organisations:



Investing in real assets: Infrastructure and real estate

Short Paper

IPF Research Programme

September 2026

Investing in real assets: Infrastructure and real estate

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Investing in real assets: Infrastructure and real estate

Executive Summary	1
1. Introduction and research approach	2
2. The real asset universe	3
3. Allocations, capital flows, and investment performance	6
4. Scale, operational intensity, and investment structures	10
5. Conclusions and implications	14
Appendix	15

EXECUTIVE SUMMARY

This report summarises the findings of more than 30 semi-structured interviews with major investors, investment managers and consultants when asked for their views on private investment in real assets, with particular focus on infrastructure, real estate, larger assets and operationally intensive strategies. The organisations interviewed collectively manage, invest in or advise on an estimated £2.5-£3tn of real asset exposure. The respondents' decisions shape capital flows, investment structures and risk management practices across private real assets.

A key finding is that infrastructure and real estate are increasingly being assessed in a broader real assets, private markets, or 'total portfolio' context. Whilst real estate usually still has a dedicated allocation target or range, investors are more willing to compare it with infrastructure, private credit, private equity, and public markets. This has created a more competitive capital allocation environment. Infrastructure has benefited from strong inflows, a clear investment narrative around long-duration inflation-linked income and stronger recent reported performance. Real estate has faced difficult fundraising conditions, especially for core open-ended funds, reflecting the fact many investors already have their required exposure, weaker recent returns, and concerns about liquidity.

However, the interviews also show that infrastructure should not be treated as a simple, lower-risk substitute for real estate. Respondents repeatedly raised concerns about valuations, liquidity risk, and the limited experience of many private infrastructure strategies through a period of stress. Some infrastructure investments offer stable regulated or contracted income. Others are closer to private equity, with returns driven by development, operational improvement, and timely exit. This distinction matters for investors seeking durable income rather than a growth-oriented private markets exposure.

The boundary between infrastructure and real estate is increasingly blurred. Data centres were the most frequently cited example of an asset which could be either. They are buildings on land, but their value is also driven by power, connectivity, operational capability, and digital infrastructure demand. Social infrastructure, healthcare, student accommodation, housing, car parks, telecom towers, and energy-related real estate all occupy intermediate positions. The report therefore proposes a taxonomy based less on labels and more on cashflow characteristics, operational exposure, customer or occupier risk, capital intensity, and the source of value creation.

Operational intensity has grown over time for real estate. This reflects the growth of residential and alternative sectors, greater customer expectations, shorter or more flexible occupational arrangements, higher service requirements, and more active capital expenditure. Investors generally expect operationally intensive sectors to offer higher returns or stronger structural growth, but they are less certain that the additional returns always compensate for the risks. Underwriting increasingly requires skills associated with infrastructure and private equity: assessing operators, management teams, incentive structures, business plans, technology risk, and platform governance.

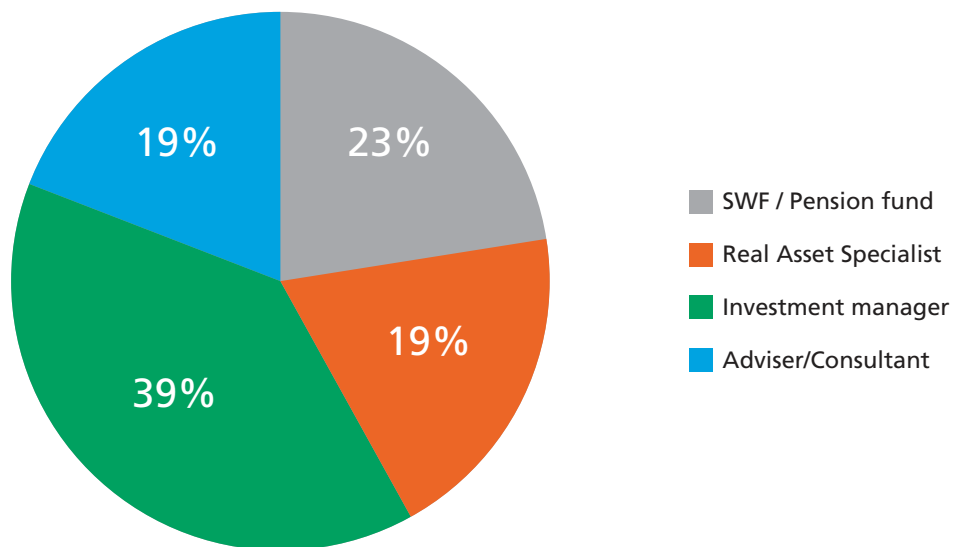
Scale matters, but not always in the way assumed. Large individual assets do not appear to deliver consistently higher risk-adjusted returns and may introduce liquidity, financing, and execution risks. Scale is more clearly valuable in operating platforms, where overheads can be spread across a larger revenue base and operational expertise can be institutionalised. Investment structures reflect these issues. Funds remain important for access, diversification, and specialist capability, but investors are seeking better alignment, more control and more realistic promises on liquidity and returns. Consequently, where investment is achievable directly or through a joint venture or management contract, these options are often preferred to a fund structure.

1. INTRODUCTION AND RESEARCH APPROACH

This research examines how institutional investors and their advisers are thinking about private investment in real assets, with particular focus on infrastructure, real estate, larger assets, and operationally intensive strategies. It has been undertaken during H1 2026, at a time when private markets have become more central to institutional portfolio construction, when government and policy initiatives are encouraging investment in productive finance, infrastructure, housing and local investment, and when several investors and managers are reconsidering whether real estate and infrastructure should be managed separately or as part of a wider real assets platform.

The report is based primarily on more than 30 semi-structured interviews with investors, investment managers, and consultants. The respondent group included major pension funds, sovereign wealth funds, global real estate and infrastructure managers, and consultants. The organisations interviewed are responsible for, or advise on, an estimated £2.5-£3tn of real estate and infrastructure exposure. It reflects the views of key decision-makers that allocate capital, oversee individual investment decisions, select managers, structure vehicles, and manage real asset portfolios in practice. Figure 1 shows the share of respondents from different types of organisations – real asset specialists, broad investment management firms, advisers/consultants and sovereign wealth and pension funds.

Figure 1: Composition of Interview Respondents



Source: Author

The interviews explored how investors think about infrastructure and real estate: what has driven allocations, performance, and risk; how they assess the need for scale; how they think about operational intensity; and what lessons have been learned about structures, control, alignment, and operating partners. The interviews were supported by industry data and a review of the literature on real assets.

A consistent theme was that the real assets market is changing with greater focus on the source of income, the resilience of that income, the extent to which the operator of the asset drives the performance, how value is created (or destroyed) is shared, liquidity risks and portfolio contribution.

The report is structured as follows. First, it considers the definition of infrastructure, real estate, and operational real estate. Second, it considers allocations, capital flows, and investment performance. Third, it considers scale, operational intensity, and investment structures. These themes are closely linked. Definitions influence allocations; allocations influence capital flows, pricing, and performance; operational intensity affects risk, performance, and governance; and the appropriate structure depends on operational intensity, scale, liquidity, and the source of value creation.

2. THE REAL ASSET UNIVERSE

Infrastructure and real estate investments can be quite distinct but also have significant areas of overlap. The OECD definition of infrastructure is broad: *“Infrastructure is the set of fundamental facilities and systems that support the provision of goods and services essential to enable, sustain, or enhance societal living conditions and maintain the surrounding environment”*.¹ It includes economic infrastructure (transport, energy, water, waste, telecommunications, and other networks that support the wider economy) and social infrastructure (education; health; public order and safety; culture; and recreation). Infrastructure is commonly associated with essential services, high barriers to entry, long asset lives, regulated or contracted revenue and inflation-linked cashflows. Real estate, by contrast, is commonly associated, firstly, with land and buildings that face more competition from new supply or changing market dynamics and, secondly, cashflows that have more exposure to the economic cycle through changes in occupier demand and the rent review process but have scope to add value through asset-level management and development.

These distinctions remain useful, particularly at the traditional core of each asset class. A regulated water utility or electricity transmission network is plainly different from a multi-let office building. Equally, a traditional long-leased office or logistics asset is not the same as an airport, port, or regulated energy asset. However, many investable real assets now combine features of both infrastructure and real estate e.g., data centres, healthcare facilities, education assets, social and affordable housing, and car parks/electric vehicle (EV) charging facilities.

The interviews suggested that investors increasingly look beyond sector labels and focus on underlying characteristics. Relevant considerations include: whether the asset provides an essential service; whether income is regulated, contracted or exposed to market rents; the duration and inflation sensitivity of cashflows; the degree of operational involvement; the importance of the operating platform; the extent of customer or user risk; the scale and capital intensity of the asset; and the likely exit market. This approach helps explain why two investments in the same sector can be classified differently. A long-leased healthcare building may look like real estate, while a concession-based healthcare facility with government availability payments may look more like infrastructure.

Data centres were frequently cited as an asset that might be considered either infrastructure or real estate. They are buildings on land and therefore require real estate expertise in planning, construction, location, power procurement, leasing, and asset management. Yet their investment case is also driven by connectivity, energy availability, cooling, technical specification, customer relationships, operating capability, and demand for digital infrastructure. Some respondents viewed data centres as infrastructure because of their role in the digital economy and dependence on power. Others saw them as operational real estate because the physical building remains central and because the income is derived through the lease. For most, the key consideration is not whether it fits into a particular asset class but whether the returns look attractive relative to the risks, including technological obsolescence and liquidity risks e.g. *“for us, it doesn’t really matter which bucket we put it in, as long as we have the right opportunity”*.

Several respondents noted that the source of value creation may be the decisive point. Where returns come primarily from the ownership of a physical asset and rental income, the investment is closer to real estate. Where returns depend on operating capability, platform growth, customer relationships, business execution and exit valuation, it becomes closer to infrastructure or private equity. This distinction is important because it changes the skills required for underwriting, the governance model, and the appropriate valuation approach. Interestingly, this distinction recognizes the importance of infrastructure service businesses in the infrastructure investment universe.

¹ OECD National Accounts Defining Infrastructure, 2021

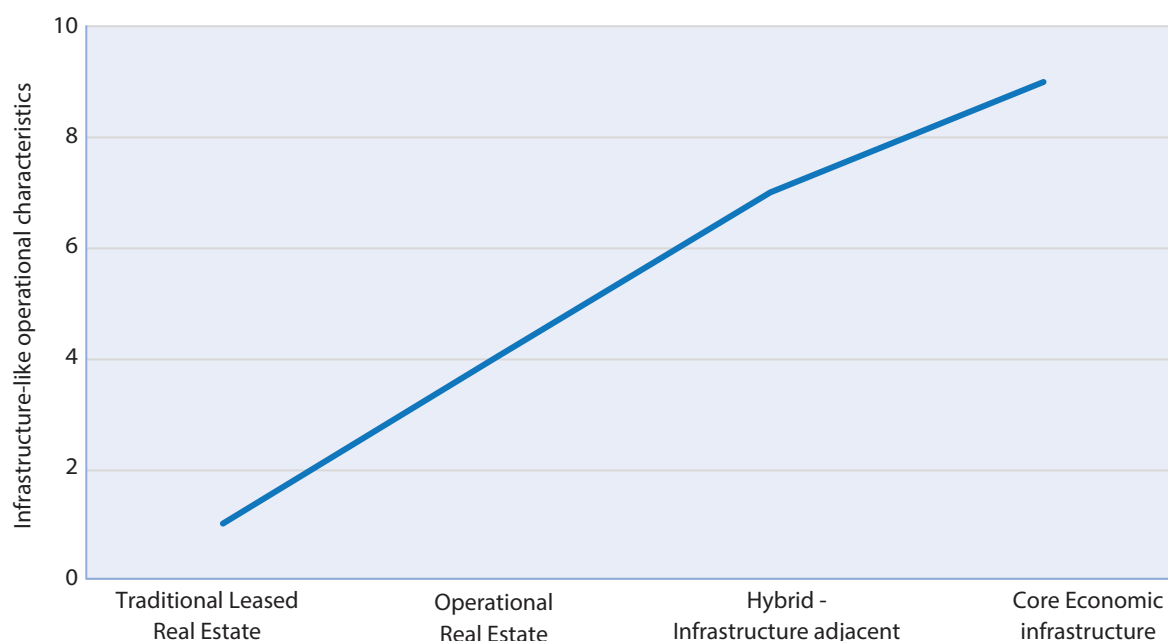
2. THE REAL ASSET UNIVERSE

Operational real estate brings an additional dimension. The 2021 IPF report defined investment in operational real estate, as investment where returns are directly and deliberately linked to the revenues and profits of the business conducted on or from the premises.² The INREV definition similarly focuses on a strong correlation between returns to the asset owner and the performance of the operator or occupant.³ Interviewees extended this definition by highlighting shorter occupancy terms, high tenant or customer turnover, significant operating expenditure, ongoing capital expenditure, brand, marketing, technology, and service delivery.

A strong interview theme was that real estate is becoming more operational, even where leases have not shortened materially in all sectors. This reflects a change in the composition of the institutional universe towards residential, student accommodation, healthcare, self-storage, hotels, serviced or flexible offices, and other alternative sectors. It also reflects changes within sectors: occupiers and customers expect more service, amenities, flexibility, and data-led management. The evidence on lease lengths is mixed (the MSCI lease events review does not show a fall in average lease length in recent years), and the traditional leased market has not disappeared, but the investment management demands of the asset class are changing.

The implication is that the real asset universe should be understood as a spectrum, as illustrated in Figure 2, where traditional leased real estate sits at one end. Regulated or concession-based economic infrastructure sits at the other. Between them are operational real estate and infrastructure-adjacent real estate. There are property types that can sit in several categories or places along this spectrum and also further dimensions around risk and security of cashflows with core, core plus, value added and opportunistic strategies within both real estate and infrastructure. Table 1 sets out a taxonomy of the real asset universe, highlighting that many real asset types may fit into different categories and some of the key risk considerations from the interviews.

Figure 2: Spectrum of real assets



Source: Author

² IPF Operational Real Estate: Risk and Reward, February 2021

³ INREV Explaining Operational Real Estate, October 2023

2. THE REAL ASSET UNIVERSE

Table 1: Taxonomy of real assets

Category	Typical characteristics	Examples	Key investment questions
Traditional leased real estate	Income from traditional leases; asset and location underwriting; occupier market exposure	Offices, retail, logistics, leased residential, long-leased hotels	Rental growth prospects (is the location and building attractive and likely to remain so?) What is the exit liquidity?
Operational real estate	Variable or shorter-term income linked to operator, customer demand, service model, and operating costs	Student accommodation, BtR, self-storage, hotels, flexible workspace	Quality of asset and operator? How stable are margins and occupancy? Are incentives aligned/who has control? Exit?
Hybrid / infrastructure-adjacent	Both physical asset and infrastructure-like service characteristics; often capital intensive	Data centres, social infrastructure, transport-linked logistics, car parks	Where does value come from e.g., assets, contracts, platform, power, or customer relationship? Exit?
Core economic infrastructure	Essential services; regulated or contracted income; long asset lives; high barriers to entry	Utilities, energy networks, toll roads, ports, airports, rail, water	How strong is regulation or contract protection? What are political, technological and liquidity risks?

Source: Author

3. ALLOCATIONS, CAPITAL FLOWS, AND INVESTMENT PERFORMANCE

The interviews highlighted a shift in how real assets are considered in institutional portfolios. Real estate often continues to have a dedicated allocation or target range, but it is increasingly assessed in comparison with infrastructure and other real assets, other private assets and with public markets. For example, one respondent highlighted *“what is the purpose of investing in real assets? Is it to generate an attractive risk-adjusted return relative to private equity or is it to generate an attractive risk-adjusted income return relative to fixed income”*. Infrastructure, private credit, and private equity are now part of the same private market capital allocation discussion. This is a change from when real estate was considered more distinctly and judged mainly against real estate benchmarks.

Allocations to real estate have been more stable whilst infrastructure has increased. In the Local Government Pension Schemes (LGPS) in England and Wales, for example, infrastructure allocations rose sharply between 2018 and 2024 with exposure increasing from 1.1% (£3bn) to 5.9% (£23bn) while property allocations fell slightly from 9.0% to 7.4%.⁴ The pattern is consistent with broader institutional surveys showing investors seeking to increase infrastructure exposure. Respondents repeatedly noted that this growth has sometimes been partly at the expense of real estate, especially where investors already had meaningful property exposure and were seeking to diversify into other private markets.

Several factors explain the relative appeal of infrastructure. It is associated with long-duration income, inflation linkage, essential services and a strong policy narrative around energy transition, digitalisation, and economic development. It has also delivered stronger recent reported performance than real estate. Infrastructure provides a story that is easy to explain to trustees, boards, and stakeholders: long-term capital invested in assets that society needs and that may provide stable inflation-sensitive cashflows. However, investors highlighted that, in reality, infrastructure investments are often shorter term and more business related—reflecting the opportunity set and vehicles used. This contrast is also highlighted in the academic literature.⁵

Real estate has faced a more difficult environment. Concerns about office occupancy and retail demand, the impact of higher interest rates, open-ended fund liquidity challenges and weaker recent performance have all weighed on capital raising. Most investors already hold real estate exposure and because new capital has often been directed towards infrastructure, private credit, or specialist operational strategies it has been a particularly challenging environment for core real estate funds.

Some respondents noted that real estate strategies must now work harder to articulate their role in a multi-asset context. Respondents continued to identify real estate as a source of income, diversification, and inflation linkage as well as providing exposure to long-term structural trends such as demographics, housing shortages, and changes in working and consumption patterns. Real estate also has better developed data, valuation, and benchmarking frameworks than infrastructure, particularly in the UK and European markets. Its relatively broad transaction market, especially for smaller assets, was seen by some respondents as a strength relative to infrastructure.

The issue is therefore not whether real estate remains relevant, but what is it doing for the wider multi-asset portfolio. In a private markets context, private equity is often expected to provide growth and higher returns; private credit is expected to provide high and durable income; infrastructure is expected to provide inflation-linked cashflows and essential-service exposure. Real estate must show whether it provides diversification, inflation protection, income, impact, access to structural growth or some combination of these. The move into operational real estate may strengthen the growth and inflation case but may also increase correlation with corporate profits, private equity, and economic cycles.

4 <https://lgpsboard.org/scheme-annual-report/scheme-annual-report-2024/investments-and-funding/>

5 Andonov et al. Institutional Investors and Infrastructure Investing, Review of Financial Studies, 2021

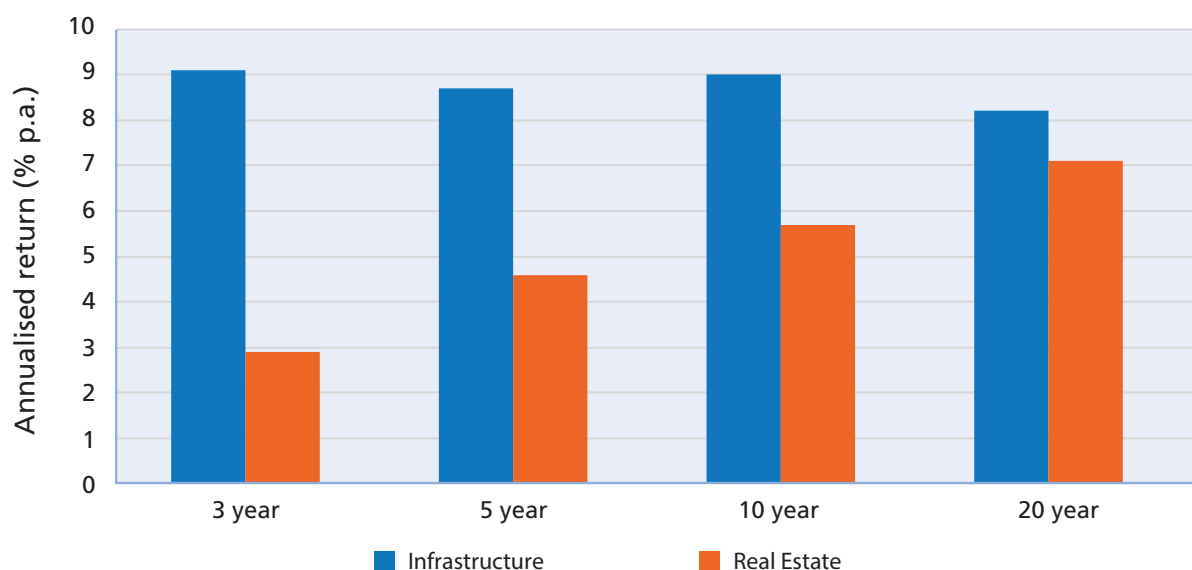
3. ALLOCATIONS, CAPITAL FLOWS, AND INVESTMENT PERFORMANCE

Respondents expressed different views on return expectations. Some expected real estate to deliver lower returns than infrastructure because they viewed real estate as lower risk, more adaptable and less exposed to regulatory or political risk. Others expected infrastructure to deliver lower returns because stabilised infrastructure assets are seen as more defensive and less economically sensitive. The discussion reinforced the point that broad asset-class labels are insufficient. Core infrastructure and opportunistic infrastructure are very different, in the same way long-leased real estate is very different from a real estate development strategy.

Benchmarking and performance data remains more developed in real estate than infrastructure. UK real estate investors often have access to relative return benchmarks, sector-level data, and long histories of performance, one respondent summarised this as *“you’ve got much more transparency in the land of real estate”*. Infrastructure benchmarking is less mature and often relies on absolute return targets, vintage-year comparisons and private fund internal rate of return (IRR) data.⁶ Several respondents cautioned that IRRs are an imperfect measure in private markets e.g., *“IRR is hugely flawed”*; timing, valuation, leverage and exit conditions can distort or give misleading comparisons and can also lead to insufficient attention to risks. Respondents highlighted that they would like to know how closed-ended fund performance compared with the market and others e.g., *“what return would I have got had I simply levered up beta?”* and *“how does my return compare to other people with the same risk appetite”*.

The performance evidence has nonetheless favoured infrastructure in recent years. MSCI private closed-end fund data, illustrated in Figure 3, shows infrastructure funds outperforming real estate over three, five and 10 years to 2025, while the 20-year gap is narrower. Respondents suggested several explanations: infrastructure cashflows were less affected by Covid and interest-rate rises (infrastructure funds often had longer maturity debt); operational earnings growth in infrastructure was stronger; and strong capital flows may have supported valuations and exit pricing.

Figure 3: MSCI Global Private Closed-End Fund performance to 2025



Source: MSCI

⁶ EDHEC, InfraMetrics - Robust Benchmarks for investors in private infrastructure funds, Nov 2021

3. ALLOCATIONS, CAPITAL FLOWS, AND INVESTMENT PERFORMANCE

However, the interview evidence was notably cautious about treating this performance gap as definitive. Some respondents questioned whether infrastructure valuations have adjusted as fully as real estate valuations to higher bond yields (and higher required rates of return). Others noted that infrastructure has not yet been tested by a period of weak liquidity. A recurring concern was that strong fundraising has enabled funds to sell assets to other funds, potentially masking exit risk. There was also scepticism about whether the stable-income narrative fully reflects what some infrastructure funds actually do. Many infrastructure strategies are development-oriented or involve operational improvement and relatively quick exits, making them closer to private equity than to long-duration income investing—“it’s running a business... it’s a private equity play”.⁷

Higher-risk infrastructure strategies have not always delivered higher returns. Published data set out in Table 2 and interview comments both suggest that dispersion is wide and that opportunistic or value-add strategies can disappoint. This is similar to real estate, where higher-risk closed-ended funds have also often struggled to deliver attractive risk-adjusted returns.⁸ The shared lesson is that private market complexity, leverage, timing and exit dependency mean it is dangerous to assume higher risk strategies will deliver higher net returns.

Table 2: Returns of private infrastructure funds launched during 2010-20

Type of fund	Median net IRR %p.a.	SD of IRR (%)	Returns/SD
Debt	8	7	1.13
Core	12	10	1.19
Core plus	10	13	0.76
Value added	12	15	0.77
Opportunistic	8	15	0.56

Source: Infrastructure Monitor 2024 (World Bank GI Hub) – Prequin (2024b)

The growth of infrastructure capital also affects the boundary with real estate. Infrastructure managers increasingly invest in assets that might traditionally have sat in real estate, including housing, student accommodation, leisure, social infrastructure, and digital assets. For real estate managers, this is both a threat and an opportunity. It creates competition for assets and capital, but it also broadens potential exit routes and may support valuations in sectors with infrastructure-like characteristics.

⁷ Andonov et al. Institutional Investors and Infrastructure Investing, Review of Financial Studies, 2021

⁸ Gupta and Van Nieuwerburgh, Valuing Private Equity Investments Strip by Strip, 2021

3. ALLOCATIONS, CAPITAL FLOWS, AND INVESTMENT PERFORMANCE

The discussion of local investment and productive finance added another layer to the allocation question. As part of the next phase of LGPS pooling, there is both an expectation and a commitment to local investment, which could amount to around £18bn for LGPS funds in England alone. Respondents are supportive of the principle that long-term institutional capital can help finance housing, regeneration, infrastructure, and energy transition, but fiduciary duty and investment discipline are central. The difficulty is often not identifying social or economic need, but creating investable opportunities with appropriate scale, governance, and attractive returns for the risks involved.

The interviews also showed that investors are becoming more comfortable with competition between private asset classes. Some respondents welcomed this, arguing that it prevents automatic reinvestment into overheated asset classes and encourages better pricing discipline. Others warned that comparison may understate the distinct benefits of real estate, including adaptability of assets, depth of local markets, and the ability to create value through leasing, refurbishment, and active management. The best allocation frameworks therefore combine relative value discipline with an understanding of what each asset class uniquely contributes.

4. SCALE, OPERATIONAL INTENSITY, AND INVESTMENT STRUCTURES

Respondents distinguished between the scale of individual assets, the scale of operating platforms, the scale of funds or investment managers, and the scale of investors. These different forms of scale have different implications. Large individual assets may create liquidity and execution risk. Large operating platforms may create efficiency and capability advantages. Large investors may be able to use separate accounts, joint ventures and direct structures while still achieving diversification. Large fund managers may have access and resources but may also face challenges deploying capital efficiently.

Infrastructure assets are typically much larger than real estate assets. Average UK property lot sizes were £15-20m in 2025; this compares with c£300m for infrastructure transactions (excluding the largest multi-billion pound transactions).⁹ This makes 100% ownership impractical for most investors in infrastructure and explains the greater reliance on funds, club deals, joint ventures, and co-investments in infrastructure. Even very large investors often prefer shared ownership for diversification, governance, and risk management reasons.

Interviewees did not generally believe that large individual assets consistently generate superior risk-adjusted returns. Some respondents saw periods when larger assets could offer higher returns, but most were concerned about liquidity and exit risk. A narrow buyer universe can be problematic when assets need to be sold. Larger assets may also require greater leverage, more complex governance, and more extensive asset management. Respondents felt there is not a significant illiquidity premium available consistently from large assets. This is supported by data on investment performance for both real estate and infrastructure which indicate similar or weaker performance by the largest assets.¹⁰

Several respondents saw real estate's deeper market for smaller assets as a relative advantage. Assets below around £20m may have a broader range of buyers and more flexible exit options than very large infrastructure assets or specialist operational platforms. This does not mean small assets are always preferable, but it does challenge the assumption that bigger is automatically better. Scale at asset level must be justified by occupier appeal, operational efficiency, strategic control, placemaking, or aggregation benefits rather than by size alone.

Data centres illustrate both the opportunities and the risks of scale. Large facilities can be extremely capital intensive, with asset values or development costs beyond the capacity of many investors. They require specialist expertise, power access, technology understanding, and operational resilience. There is seen to be strong demand, but they also raise questions about obsolescence, future customer requirements, power availability, sustainability, and exit liquidity. Some respondents viewed these risks as insufficiently reflected in current enthusiasm for the sector.

Scale appears more valuable at the operating platform level. Respondents repeatedly noted that operational real estate requires sufficient scale to spread overheads, build systems, attract management talent, and generate useful data. In sectors such as residential, student accommodation, self-storage, hotels, and healthcare, small portfolios may struggle to support the management infrastructure required. The objective is not scale for its own sake, but efficient scale: large enough to support professional operations, but not so large that capital deployment discipline, asset quality or exit options are weakened.

⁹ Sources: RCA, Infralogic

¹⁰ MSCI, Will Robson – Assessing infrastructure: The impact of scale and ownership on performance. 2026 and Ambrose et al. - Size effects and economies of scale in European real estate companies, 2019

4. SCALE, OPERATIONAL INTENSITY, AND INVESTMENT STRUCTURES

Operational intensity was the strongest area of consensus. Most respondents believed that real estate has become, and will continue to become, more operational—*“everything’s becoming more operationally intensive these days”* and *“it is increasingly necessary”* to be invested in more operationally intensive assets were typical comments. This is partly a sector-mix effect: residential, alternatives, healthcare, student accommodation, self-storage, life sciences, hotels, and flexible workspace are growing parts of institutional portfolios. It is also a within-sector effect: occupiers and customers expect more service, flexibility, amenities, technology, and sustainability performance. Even traditional assets require more active management than in the past.

The investment case for operational real estate is that it is supported by structural trends with stronger demand (higher returns) and a stronger link to inflation. Residential rents, student accommodation pricing, hotel revenues, self-storage rates, and some healthcare or leisure revenues may adjust more frequently than traditional leases. This can be attractive in an inflationary environment. However, the same features can also increase income volatility and economic sensitivity. The diversification case for real estate may be weakened if income becomes more closely linked to operating profits.

Respondents identified a wide range of operational risks: uncertain operating costs *“a lot of those assumptions around operational expenditure can be quite wrong”*, high capital expenditure, income variability, technology and obsolescence risk, reputational exposure, health and safety, customer service, partner failure, management team quality, and exit risk. Several interviewees emphasised that real estate professionals are still learning how to underwrite and manage these risks. Traditional surveying and asset management skills remain important, but they are no longer sufficient in more operational sectors.

The skills required increasingly resemble those used in infrastructure and private equity. Investors need to assess management teams, incentive structures, business plans, operating KPIs, customer acquisition and churn, pricing power, technology systems, governance, and culture. They also need to understand when value sits in the real estate and when it sits in the operating business. Some respondents explicitly assumed no separate value for operating platforms in underwriting because business valuation methods remain uncertain and evidence is limited. Others believed that platform value can be substantial where there are genuine scale benefits, brand effects, and operational capabilities advantages.

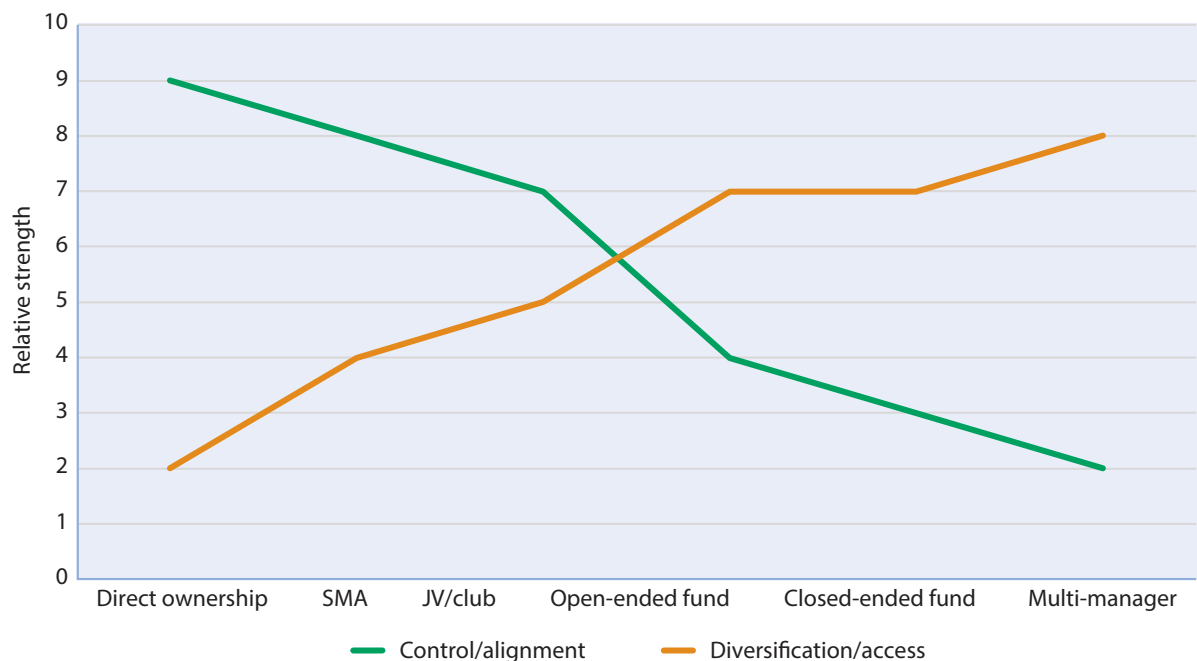
Partner selection was repeatedly described as critical. In newer operational sectors, track records may be short, and it can be difficult to assess whether an operator has the capability, culture, alignment, and motivation to deliver. Several respondents stressed the need for systematic due diligence on partners and on the risks that could prevent an investment succeeding. The challenge is not only selecting the strongest partner at the outset, but ensuring the partner remains strong and the relationship is successfully managed as the business evolves. As one respondent put it *“what was previously a really great specialist firm might not be tomorrow”*. A partner that is effective in a growth phase may be less suited to a stabilised phase. Incentives can also change if the operator sees better opportunities elsewhere or becomes less committed to the venture, consequently, ensuring focus is critical. An important message in selecting managers/partners was to resist the pressure to deploy quickly and *“be systematic in identifying all the potential risks to it [a fund, business or strategy] being successful”*.

Reputational risk was another important theme. More operational assets often involve direct or indirect exposure to consumers, residents, patients, students, or public-service users. Service failures can therefore have reputational consequences for investors as well as financial consequences. Some respondents saw this as a reason to use specialist operating partners and to remain one step removed from direct operational delivery. Others argued that investors cannot avoid responsibility and therefore need strong oversight, reporting, and governance.

4. SCALE, OPERATIONAL INTENSITY, AND INVESTMENT STRUCTURES

Interviews also highlighted how investors' access to real assets is evolving. Investors have become more interested in direct investment, separate accounts, joint ventures, and club deals because these structures can provide greater control, transparency, and alignment. Sustainability and decarbonisation strategies were also cited as reasons for wanting more direct influence over assets and capital expenditure. For large investors, separate accounts or joint ventures can provide diversification while allowing tailored governance and strategy.

Figure 4: The trade-off between control and diversification/access



Source: Author

Figure 4 illustrates this trade-off across different approaches to investment with greater control and alignment coming at the expense of diversification and the ability to access the wider investment universe. Conversely, structures that provide access to a broader set of geographies, property types and strategies may offer less control and weaker alignment.

Funds nevertheless remain essential. They provide access to specialist expertise, local market knowledge, diversification, and management efficiency. For smaller or less experienced investors, funds may be the only practical way to access infrastructure or specialist operational real estate. Several respondents noted that it can make sense to build experience through funds before moving towards separate accounts or direct operating partnerships. Multi-manager approaches can also reduce the burden of manager selection and monitoring.

The concern for most investors is whether fund structures are aligned with the underlying assets and investor objectives. Respondents raised concerns about closed-ended funds where managers are slow to sell, seek additional capital rather than confronting problems, or are insufficiently aligned with investors. For open-ended funds, respondents said that liquidity terms must be more realistic and better matched to the underlying assets. If liquidity is offered, valuation discipline and fairness between investors become central.

4. SCALE, OPERATIONAL INTENSITY, AND INVESTMENT STRUCTURES

The growth of defined contribution (DC) and retail-oriented private market vehicles adds further importance to this issue. Several respondents believed that consolidation in DC mastertrusts and pooled vehicles may help private market access, and that structures such as Long Term Asset Funds (LTAFs) and Reserved Investor Funds (RIFs) can facilitate investment. But they also warned that the industry must not overpromise liquidity or returns. Large, operational, and hard-to-value assets are not naturally suited to daily or frequent liquidity. Any structure offering access to such assets must be clear about what liquidity can realistically be provided, how valuations are set, and who bears the cost of liquidity.

Management structures within investment managers are also changing. Some investment managers have experimented with combining real estate and infrastructure teams under a real assets umbrella. The interviews suggested that this can create useful opportunities, particularly around energy (including for data centres, renewable energy, and EV charging), as well as encouraging the sharing of best practice in underwriting operating partners. However, respondents also noted that synergies are not automatic. In several organisations, real estate and infrastructure teams remained distinct, with different valuation methods, investment committees, skill sets, and time horizons. In some cases, teams that had previously been combined were later separated again once infrastructure had grown sufficiently to justify having its own distinct reporting line as the teams had neither projects nor products that involved combined expertise. The practical lesson is that integration needs a clear investment purpose.

Several respondents also argued for a broader real assets perspective across listed and unlisted markets and across debt and equity. Listed real estate and infrastructure markets can provide pricing signals, liquidity, information on operating models, and relative value comparisons. Debt markets can provide insight into risk pricing, refinancing conditions, and capital structure. Investors able to compare across these quadrants may be better placed to identify relative value and risks.

Cost transparency was another recurring issue. Investors are increasingly focused on the total cost of accessing specialist real asset sectors, including management fees, performance fees, operating costs, development fees, platform costs, and expenses passing through fund structures.¹¹ Pooling, scale, and separate accounts may reduce some costs, but only if governance is strong and services are not duplicated. Several respondents saw lower-cost access to specialist sectors as one of the potential benefits of pension pooling and larger investor platforms.

The interviews also contained a warning about investment discipline. In fashionable sectors, capital flows can weaken underwriting standards. A sector, such as data centres or BtR residential, may have persuasive structural narratives, but a good theme does not ensure a good investment. Entry price, operating partner quality, leverage, exit market depth, and local supply dynamics remain decisive. Attractive long-term demand does not remove the need for asset-level and business-level discipline.

Interviewees were asked about the most effective ways for individuals and DC pensions to access larger and more operational assets. Public markets and diversified multi-asset products that have exposure to these underlying assets were seen as the best solutions currently. In addition, embedding automation in valuations to ensure they better reflect all current information in a timely manner and potentially insurance, or a liquidity backstop arrangement could help in avoiding some of the problems seen in the past two decades.

5. CONCLUSIONS AND IMPLICATIONS

The research points to a real assets market that is becoming more integrated, more operational, and more demanding of investors and managers. Infrastructure and real estate remain useful categories but the boundaries are blurred and key investment questions increasingly cut across them. Investors need to understand the source of cashflow, the nature of operational exposure, the role of the platform, the exit market, and the contribution to total portfolio objectives.

For real estate, the challenge is to articulate its role in a more competitive private markets environment, increasingly compared with infrastructure, private credit, and private equity. Real estate managers therefore need to be clearer about what they offer and why it is attractive on a risk-adjusted basis—whether it is income durability, diversification benefits, inflation-matching, or a social or wider impact.

For infrastructure, the challenge is to ensure that the investment reality matches the investment narrative. Some infrastructure assets provide long-duration, contracted, or regulated income. Others are more operational, development-led, and exit-dependent. Investors need to distinguish between these exposures and avoid assuming that all infrastructure is inherently stable or defensive. Valuation discipline, liquidity analysis, and benchmarking will become increasingly important as the asset class matures.

For both asset classes, operational capability is becoming central. The growth of operational real estate, digital infrastructure, social infrastructure, and energy-related assets requires a combination of real estate, infrastructure, and private equity skills. Underwriting buildings is no longer enough in many sectors. Investors must underwrite people, platforms, incentives, customer demand, technology, and governance.

Scale should be pursued selectively. Larger individual assets can create complexity and liquidity risk without guaranteed return benefits. Platform scale can be valuable where it reduces overheads, improves data, and supports professional operations. Investor scale can allow greater control and more tailored structures, but it also requires governance capacity and specialist expertise.

Investment structures are likely to remain diverse. Funds will continue to provide access, diversification, and specialist capability. Separate accounts, joint ventures, and direct structures will remain attractive for investors seeking control, alignment, and sustainability influence. The key is not to identify a single best structure, but to align structure with asset liquidity, operational complexity, investor objectives, and governance capacity.

In structuring and facilitating access for retail investors and DC schemes, it was felt that it is especially important that the industry should not over-promise on liquidity and ensure what is offered both in liquidity and indicative performance is realistic and deliverable.

The most important practical message is that real assets investing is moving away from simple labels and towards deeper analysis of risk, cashflow, and operational capability. This creates opportunities for managers and investors able to combine real estate discipline with infrastructure and business-underwriting skills. It also creates risks for those relying on asset-class narratives, assumed liquidity, or untested operational models. The quality of decision-making, alignment, and execution will matter more as the boundaries between infrastructure and real estate continue to blur.

APPENDIX

Respondent organisations

Respondent organisations include:

Aberdeen, ADIA, AEW, Aviva Investors, Bfinance, BlackRock, Blackstone, CBRE Investment Management, DWS, GIC, Goldman Sachs Asset Management, Hymans, JP Morgan, Knight Frank Investment Management, LaSalle, LCP, LGIM, London CIV, M&G, Marsh, Northern Pool / GMPF, Nuveen, Orchard Street, Patrizia, Pension Protection Fund, PGGM, PGIM, Principal, Railpen, Schroders, Townsend, Tristan, USS and WTW.

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