RESEARCH

JANUARY 2026

IPF Research Awards 2025
Global Capital Flows in a World of Increasing Nationalism and Protectionism: 2025 Update

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

This research was funded and commissioned through an extension to the IPF Research Programme 2022-2025.

This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

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

INTRODUCTION

In 2025, the IPF Research Programme launched its fourth grants scheme to provide financial assistance to promote real estate investment research. Prospective applicants were encouraged to examine issues that would advance the real estate investment industry's understanding of and implications for asset pricing, risk adjusted performance and investment strategy. The scheme was also open to individuals, working within institutional organisations, where the grant may be used to fund data acquisition.

The Grant scheme was first run in 2021, and again in 2023 and 2024. This time, an appraisal of proposals received by the deadline of 18 September 2025 resulted in the provision of grants to two submissions, with limited supervision afforded by a sub-committee of the IPF Research Steering Group during the research period.

Each paper, when finalised, is available to download from the IPF website. We hope you find them a diverse and interesting read.

The following paper has been written by Matthew Hopkinson, Maurizio Grilli and Stephen Ryan from Didobi with Anna Walker and Tobias Wellner from Control Risks.

Richard Gwilliam
Chair IPF Research Steering Group
January 2026

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Acknowledgment

The authors would like to acknowledge the help provided by MSCI in the production of this report.

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1. Foundations: What We Expected in 2019

The 2019 IPF report described an international environment already showing signs of mounting geopolitical complexity. Trade tensions, rising nationalism, and inconsistent policy signals were beginning to erode some of the assumptions that had underpinned an extended period of exceptional real estate liquidity. Even during an era of abundant capital, institutional investors were becoming increasingly sensitive to geopolitical shifts, regulatory intervention, and populist dynamics.

Three political trajectories were highlighted. First, fragmentation and geopolitical risk were expected to grow, particularly around trade disputes between major powers. Second, domestic policymaking was expected to become more interventionist, especially around foreign investment, strategic sectors, and planning regimes. Third, the report warned of potential erosion of investor confidence due to macro-political shocks, even though markets at the time still benefited from historically high liquidity.

The report also emphasised the importance of sovereign wealth funds, pension capital, and Asian institutions in maintaining global liquidity. It noted that restrictions, whether intentional or incidental, on these groups would disproportionately affect gateway markets. In summary, the report anticipated a world where political signals would increasingly shape the geography and pace of global real estate capital flows.

At the time, much of this volatility was interpreted through the lens of US presidential decision making; however, several of the dynamics once associated with individual leaders have since become embedded as structural geopolitical features.

2. Post-2019 Outcomes: How the World Actually Evolved

2.1 Political Risk

Events since 2019 have broadly validated and significantly amplified the expectations outlined in the original report. Political shocks accumulated in rapid succession, transforming the geopolitical and regulatory landscape far more forcefully than anticipated.

COVID-19 was the first major turning point. Emergency measures, cross-border restrictions, and sweeping fiscal interventions accelerated the trend toward state activism and strategic autonomy. Hybrid working became permanently embedded in labour markets, altering urban demand patterns and the nature of corporate occupancy. Governments assumed expanded roles in crisis management, supply-chain oversight, and public-health infrastructure.

Geopolitical competition intensified sharply. The Russia–Ukraine war was a structural rupture that reshaped European energy and defence policy almost overnight. Europe committed to sanctions as a central tool of geopolitical statecraft, with secondary sanctions increasing the exposure of multinational companies to complex compliance risks. Energy markets were rapidly reordered as countries diversified away from Russian supply, while defence spending rose across Europe.

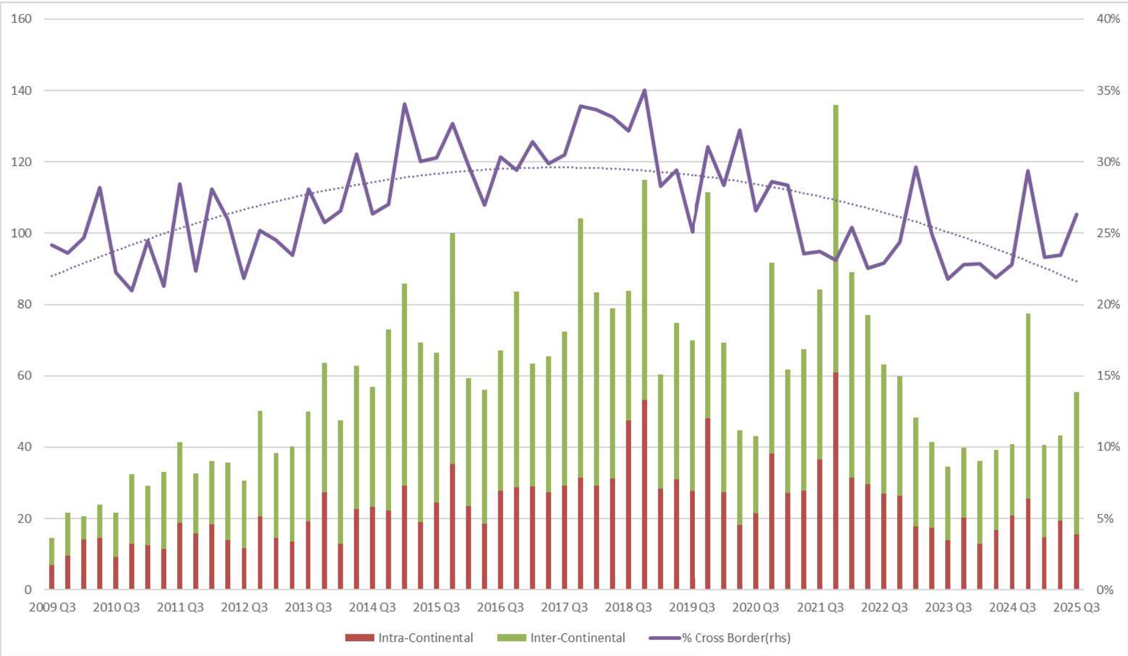
Fragmentation became a defining feature of the international system. Conflicts in Ukraine, Gaza, and Sudan layered additional instability on top of intensifying US–China rivalry, a global tech race, climate-related disruptions, and sluggish economic growth. Companies faced new reputational pressures as investors, employees, and civil society increasingly expected clear positions on politically charged issues. Norway's sovereign wealth fund divestment from Israeli assets illustrated how geopolitical conflict can reshape institutional strategies.

Meanwhile, nationalism and state intervention expanded. Many countries introduced foreign-ownership restrictions in sensitive and dual-use sectors, particularly infrastructure and strategic technologies. Overall, politics has become more intrusive, less predictable, and more influential in shaping investment decisions than at any time since the early 1990s.

2.2 Global Capital Flows

Capital-flows analysis shows that the evolution of global real estate investment since 2019 followed three distinct phases rather than a simple cycle.

Figure 1. Real Estate Capital Flows 2009 to 2025



Source: MSCI

Phase 1: 2018–2019 marked the tail end of a high-liquidity period. Cross-border investment peaked in 2018, driven by large corporate and entity-level acquisitions. A natural moderation followed in 2019 as major strategic deals had already taken place. At the same time, Chinese outbound investment continued its multi-year contraction due to domestic capital controls and regulatory tightening.

Phase 2: 2020–2021 saw an unprecedented collapse linked directly to the pandemic. Travel restrictions, lockdowns, and elevated uncertainty impeded physical due diligence, paralysing underwriting and reducing cross-border capital mobility. Although global foreign direct investment rebounded in 2021, real estate flows remained muted because structural shifts, particularly remote work and retail disruption, altered investor risk appetite.

Phase 3: From 2022 onwards, the interest-rate shock became the dominant constraint on global capital deployment. With valuations uncertain, bid-ask spreads wide, and financing costs elevated, transaction pipelines shrank sharply. By 2024, cross-border real estate investment as a share of total activity had reverted to early-2010s levels. Notably, intercontinental flows declined more steeply than intracontinental activity.

Across all phases, geopolitical factors clearly influenced sentiment, but interest-rate policy exerted overwhelming influence. In effect, economic and monetary shocks overshadowed political ones—even as the political environment grew more complex.

3. 2025 Snapshot: Political and Investment Conditions Today

3.1 Political Risk

Today's political landscape features structural uncertainty rather than short-term crisis. Four dynamics now define the global environment. This shift from 'emerging risk' (2019) to 'structural feature' (2025) reflects the way events since 2019 have accelerated the dynamics previously identified.

First, major-power competition has hardened. US–China rivalry is set to persist irrespective of temporary diplomatic stabilisation. Around 20 US states have introduced restrictions on foreign—particularly Chinese—ownership of agricultural land and land near military facilities. US trade agreements increasingly include clauses allowing exits if partner states take decisions deemed contrary to US strategic interests. Cases such as Wingtech/Nexperia (see below) illustrate how corporate decisions, including senior leadership appointments, can become entangled in geopolitical pressure. US export controls, sanctions, tariffs and broader US trade policy have increased compliance pressures on multinational corporate governance.

This competition increasingly centres on control over strategic inputs and supply-chain dependencies, including access to critical raw materials, which our sources highlight as a key lever in statecraft and a growing point of geopolitical tension.

> *Example: Wingtech, the Chinese parent of Dutch chipmaker Nexperia, was placed on the U.S. Entity List in late 2024, and by mid-2025 U.S. officials warned that Nexperia*

could face similar controls unless its Chinese CEO, Wingtech founder Zhang Xuezheng, was replaced. In October 2025, an Amsterdam court suspended Zhang and, together with a Dutch government emergency order restricting Wingtech's influence over Nexperia, effectively insulated the Dutch company from full "listed entity" treatment while formally citing governance and national-economic-security concerns rather than U.S. pressure as the legal basis.

Several 'middle powers' have gained influence in this more multipolar system, including states such as Saudi Arabia, Brazil and Indonesia, whose strategic relationships increasingly shape global capital flows even when they sit outside traditional power blocs.

Second, domestic political volatility has become common. France faces ongoing turbulence; Germany is adjusting to new fiscal and energy paradigms; the UK remains economically constrained; and deep US political polarisation contributes to regulatory unpredictability. Investors must navigate shorter policy cycles and more frequent shifts in regulatory emphasis.

Third, the risk of multi-domain shocks remains elevated. Geopolitical tension in the Middle East, instability along NATO's eastern flank, East Asian security concerns, cyber-geopolitical threats, energy fragility, climate-driven disruptions, and renewed health vulnerabilities all increase systemic risk.

These multi-domain dynamics also heighten physical and cyber-security risks to critical real-estate infrastructure, particularly data-rich assets such as data centres, which become more exposed as geopolitical competition increasingly spans digital and physical spheres.

Fourth, management capability is paramount. In an environment of rapid and continuous change, both governments and companies require adaptability and robust contingency planning. Political risk has become a permanent, structural feature of strategic decision-making.

3.2 Global Capital Flows

Despite political noise, market data reveal remarkable continuity in where capital is deployed. The list of the most active markets in 2025 closely resembles that of 2020: New York, London, Paris, Tokyo, Seoul, San Francisco, Dallas, and Miami remain among the world's most liquid real estate markets. Only two of the top 10 locations in 2025 were not in the top 10 in 2020.

Table 1: Most Active Real Estate Markets

Ranking	2020	2025 (ytd)
1	NYC Metro	NYC Metro
2	Paris	LA Metro
3	Tokyo	Tokyo
4	LA Metro	Dallas
5	SF Metro	SF Metro
6	London	Seoul
7	Seoul	London
8	Dallas	Miami/South Florida
9	DC Metro	Paris
10	Boston Metro	Phoenix

Source: MSCI

The ANREV/INREV/PREA Investment Intentions Survey 2025 shows global real-estate allocations at 8.7% versus a target of 9.0%. European investors are exactly on target at 9.4%. North American investors remain under-allocated by roughly 80 bps, while Asia-Pacific (APAC) investors show structural under-allocation but are gradually closing the gap. The persistence of these patterns demonstrates that institutional commitment to real estate remains firm despite several years of geopolitical and macroeconomic volatility.

Sector preferences have shifted meaningfully. Residential and logistics continue to lead. Student accommodation has surged into the top tier, with European investor preference rising to 67%, nearly double the five-year average. Offices have fallen out of the top three for the first time since the survey began. Operating platforms are now the preferred access vehicle for many institutions.

The key constraints on deployment remain pricing uncertainty, interest-rate volatility, and high financing costs—rather than a withdrawal from real estate as an asset class. Investors continue to delay or re-sequence allocations until valuation floors become clearer.

4. 2030 Horizon: Political Risks and Capital Flow Outlook

4.1 Outlook for Political Risk

Over the next five years, six structural political themes will shape real estate capital flows.

1. **Democratic cycles and volatility.**

Major elections across the US, UK, France, India, and other democracies will produce fragmented mandates and heightened policy variability. Coalition management will remain challenging, and regulatory uncertainty will persist.

2. **Geopolitical fragmentation and selective re-regionalisation.**

Global supply chains will continue to reorganise around geopolitical blocs. Strategic industries—especially advanced manufacturing, semiconductors, energy infrastructure, and data centres—will be increasingly influenced by political geography.

3. **Defence and security pressures**.

Europe's renewed focus on defence spending will create new real-estate demand linked to manufacturing, logistics, and cyber-infrastructure. However, ESG-driven investors may hesitate to target defence-adjacent assets.

4. **Technology, data protectionism, and investment screening.**

Data localisation rules will strengthen. GDPR-style enforcement will intensify. Screening of inbound and outbound investment will rise in AI-driven R&D, semiconductors, biotech, aerospace, robotics, quantum technologies, critical minerals, and energy (including nuclear fusion and fission).

5. **Sanctions, compliance, and state intervention.**

EU Directive 2024/1226 harmonises sanctions enforcement across member states and will likely expand. More secondary sanctions are expected. Governments will intervene more in sectors considered strategically relevant. As a result, political risk will vary by geography: Germany may become more attractive; France may face short-term uncertainty; the UK and US will continue to experience deeper structural volatility.

6. **Climate and environmental stress.**

Climate and environmental issues will become even more urgent over the next five years. Optimistically, this may drive policy acceleration and a stronger focus on resilience in building standards, infrastructure investment, and urban planning. However, conflict between local authorities and central governments is likely to increase as different administrative levels engage in a 'blame game' over responsibilities and costs. For real estate investors, this creates both regulatory uncertainty (as climate policies diverge across jurisdictions) and physical risk (as extreme weather events and long-term environmental changes affect asset values and insurability).

4.2 Outlook for Capital Flows

PwC's Asset and Wealth Management Revolution 2025 report highlights that global investable wealth is expanding at a rapid pace. Of this wealth, the proportion managed by asset managers ("assets under management" or AUM) is projected to exceed USD 200 trillion by 2030. Even if allocations to real estate remain constant in percentage terms, the absolute volume of capital seeking real-estate exposure will continue to grow.

Table 2: Global Assets (US$ trillion)

Clients	**2020**	**2022**	**2024**	**2030 Base case scenario**
Pension assets	56.8	54.4	65.0	87.0
Insurance companies	35.9	33.9	39.1	49.1
Sovereign wealth fuds	9.9	11.4	13.3	19.5
High-net-worth individuals	103.5	106.4	127.0	185.7
Mass affluents	88.5	91.4	100.6	140.5
Total client assets	294.6	297.4	344.9	481.8
Total AUM	116.2	113.6	139.9	200.4

Source: PwC, Asset and Wealth Management Revolution 2025

The ANREV/INREV/PREA Investment Intentions Survey 2025 suggests persistent under-allocation—especially in APAC—implying pent-up demand that could be unlocked once pricing conditions stabilise. However, several headwinds will moderate the speed of deployment: heightened political instability, increased protectionism, restrictions on foreign ownership in strategic sectors, valuation uncertainty, and continued high financing costs.

We expect volumes to grow gradually, not rapidly, with a more pronounced upturn once interest-rate volatility subsides and valuation clarity improves.

4.3 Outlook for Sector and Country Strategy

Several sectoral patterns are likely to define the coming years.

In Europe, even an undersupply of prime offices is unlikely to translate into strong aggregate demand growth. A shrinking working-age population and more restrictive immigration dynamics limit the prospect of a step-increase in office demand, and much of any incremental need can be met by upgrading existing secondary stock. By contrast, chronic undersupply in housing — including senior living — is reinforced by ongoing urban migration patterns, supporting the long-term case for residential-linked sectors.

Geographically, North America remains the dominant destination for global capital. Europe becomes more differentiated: Germany may regain favour due to infrastructure investment and defence spending; France faces short-term political uncertainty; the UK appears politically stable but economically constrained.

APAC will see the fastest growth in AUM in absolute terms, driven by wealth creation in India, intergenerational transfers, and reforms in Japan. However, structural under-allocation and geopolitical sensitivities around foreign ownership will continue to shape cross-border activity.

Nearshoring and friendshoring trends will benefit markets close to major consumption regions, particularly in logistics, advanced manufacturing, and data infrastructure.

5. Recommendations

5.1 Background Factors

The years since 2019 have confirmed many of the structural dynamics outlined earlier, even as the sources of volatility have shifted from political shocks to a combination of macro-financial pressure, pandemic-driven disruption, and a more continuous form of geopolitical intervention. Nationalism, intensified geopolitical competition, and more interventionist states have become enduring features of the global environment. Real estate investors now operate in a world where political, regulatory, and macro-financial risks interact more frequently and with greater impact than before.

A central continuity is that real estate's immovable nature leaves it uniquely exposed to political intervention. Governments have expanded their reach through investment screening, sanctions, data-localisation requirements, and national-security-driven oversight. This reinforces a basic vulnerability identified several years ago: immobility brings strategic value but also direct policy exposure.

Lower global liquidity, anticipated previously, has indeed materialised—though through a monetary rather than political shock. Interest-rate volatility, valuation uncertainty, and wide bid-ask spreads have suppressed transaction volumes and constrained deployment. The resulting pressure on fee income and market turnover resembles earlier forecasts, even if the underlying cause has been macroeconomic rather than overtly political.

At the same time, some earlier conclusions still stand: the globalisation of real estate cannot easily be reversed. Cross-border capital continues to concentrate in established gateway markets, and overall portfolio allocations remain resilient. Under-allocation in several regions suggests that substantial latent demand could re-emerge once pricing stabilises. Global investment patterns have narrowed, not collapsed.

The emerging picture is one of selective continuity: global capital continues to flow but through fewer channels; investors remain active but deploy with greater caution; and real estate retains its role in institutional portfolios while facing heightened political and regulatory constraints. Once (or if) interest-rate volatility subsides and valuation clarity improves, transaction activity is likely to recover—though unevenly and with more political filters than in the past. In this environment, the combination of global opportunity and political-risk awareness will define successful investment strategy through the remainder of the decade.

While the analysis throughout this report is global, the recommendations that follow focus on the United Kingdom. Investors operating in other geographies will recognise similar patterns and the UK provides the most practical reference point for implementation by IPF members.

5.2 Five Key Recommendations

Looking ahead, political and liquidity risks will remain closely intertwined. Regulatory intervention, sanctions, supply-chain politics, and domestic policy volatility now shape investment decisions alongside financing conditions and yield expectations. These forces reinforce one another, making political-risk assessment an integral part of underwriting. In this environment, investors and market participants should:

1. **Treat political risk as structural and UK policy volatility as a core underwriting input.**

10.

Build political-risk scenarios explicitly into underwriting (e.g. shifts in fiscal stance, planning, foreign-investment screening, sanctions) using objective, reliable political risk analysis with global coverage. Shorten the assumed policy half-life in models: stress-test cashflows, exit yields and refinancing against more frequent rule changes.

2. **Use the UK's gateway status but assume lower liquidity and more selective flows.**

Position prime, globally relevant assets (especially in London) to capture the next deployment wave once interest-rate volatility and valuation uncertainty ease. Accept that deal velocity will be slower and pricing discovery more protracted; focus on assets and structures that can tolerate elongated hold periods.

3. **Pivot portfolios toward "structural winners" and be highly selective on UK offices.**

Tilt new capital and capex towards logistics, living and operational platforms (including student) where UK fundamentals and investor preference are aligned. Treat UK office, especially in London, as a stock-selection and pricing trade, not a beta trade: only commit where repricing, repositioning (e.g. mixed-use, high-ESG, amenity-rich) and genuine scarcity of future Grade A stock can be evidenced.

4. **Turn sanctions, screening and data rules into a competitive advantage.**

For UK managers and platforms, invest in best-in-class compliance, governance and data-handling so that global capital (especially from more heavily screened jurisdictions) views UK vehicles as safe, "plug-and-play" access routes. When structuring UK assets in sectors that may be deemed strategic (data centres, life-sciences, advanced manufacturing-adjacent logistics, critical infrastructure), assume tighter future screening and ensure joint venture partners, capital stacks and tenant rosters are sanctions-resilient.

5. **Prepare to capture pent-up global capital once pricing stabilises.**

Use the current low-liquidity phase to restructure vehicles, clarify strategies and upgrade assets, so they are "allocation-ready" when under-allocated investors move. When preparing to capture this reinstated demand, managers should align UK strategies with the sectors that investors are actively rotating into — including logistics, living, student accommodation and operational platforms.

Looking ahead to 2030, the composition of cross-border real-estate capital is likely to shift toward pension funds, particularly those in North America and APAC that remain structurally under-allocated according to the ANREV/INREV/PREA Investment Intentions Survey 2025. Once valuation clarity improves, these investors are well placed to increase deployment, in contrast to Asian institutional outbound capital, which has been in multi-year decline and is unlikely to return to earlier levels.

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