

The U.S. CRE investable universe

Just how big is the U.S. commercial real estate market?

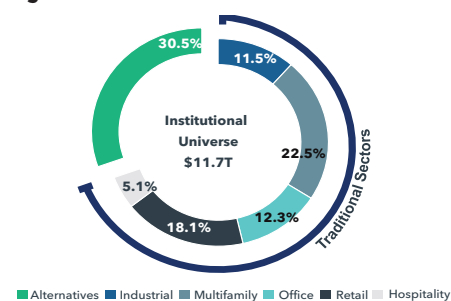
Although a seemingly straightforward question, estimating the size of the market is challenging for several reasons: lack of data and transparency (especially for smaller, less-liquid and historically tracked property sectors), the widely diverse nature of the range of investable property types, and inconsistent industry definitions or classifications. This analysis attempts to answer the question through a two-step process: first, estimating the gross asset value of each property sector regardless of ownership, occupancy, tenure, size, location and quality. After arriving at an estimate for the overall size of each sector, the second step is to apply filters based on assumptions for building class, vintage, size and/or market to further narrow the investable universe to only include institutional assets – a subsegment of the investable universe that is limited to properties that fit the typical criteria of institutional investors.

Sector sizes are estimated using the most reliable private and public data sources for commercial real estate available. For most sectors, the approach to calculating the overall value involves estimating the physical size of the sector, be it square footage, units, rooms or beds, and combining this with an estimated value based on recent transaction data. Less historically tracked property sectors require more assumptions to estimate market-level and still-fluid industry definitions. For property sectors where square footage or unit counts were not available, total value was estimated using information from third-party data sources or insights from market participants.

Our estimate of the investable universe

We estimate the total size of the U.S. commercial real estate investable universe to be \$26.8 trillion. From an institutional investor's perspective, however, this is an overestimate, as it includes properties that fall below typical institutional standards for building size and quality. Similarly, this broad measure of the commercial real estate universe includes a full range of geographies, including markets that are generally too small or insufficiently liquid for institutional investors. As such, we filtered our investable universe value using a meticulous series of assumptions to generate an institutional universe estimate. These filters vary by property sector and include building location, quality, age and size. Through this approach, the total size of the institutional universe is estimated to be \$11.7 trillion. Note, that this is over 10 times the size of the largest commercial real estate index, the NCREIF Property Index (NPI).

Figure 1. Institutional universe



Sources: Clarion Partners Investment Research and RCG, as of H1 2024

We segment the investable universe into two broad categories: traditional and alternative property types.

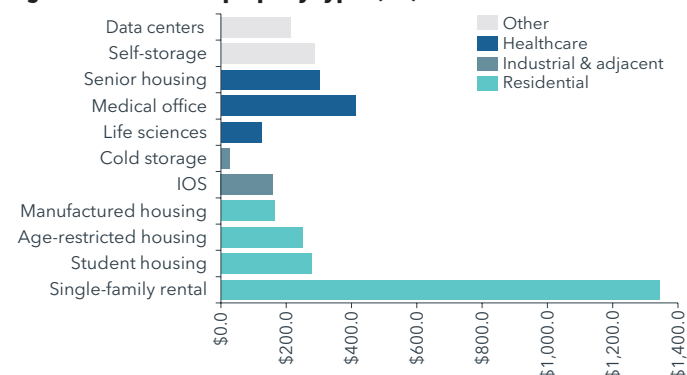
Traditional property types maintain a dominant share

Traditional property sectors, which include industrial, multifamily, office, retail and hotels, are valued at \$16.9 trillion, accounting for 63 percent of the investable market. Of this total, 48 percent, or \$8.2 trillion, is estimated to be of institutional quality. Within the \$11.7 trillion institutional universe, traditional sectors then account for close to 70 percent of the total. With a value of \$2.6 trillion, apartments are the largest traditional sector, accounting for more than one-fifth of the institutional universe.

Alternative property types are a significant and rising component

Alternative sectors, which include property types that have historically not been the predominant focus of institutional investors, account for the remaining 37 percent (\$9.9 trillion) of the investable universe and \$3.6 trillion, or 31 percent, of the institutional universe. The alternative subsegment of the commercial real estate universe includes the property types shown below. Many listed REITs have been long-time players in the alternative sectors, but non-REIT investment has historically been limited. Alternatives, however, are an increasing share of institutional-investor portfolios. There are three identifiable groupings within the alternatives subset of the institutional market: residential, industrial and adjacent, and healthcare.

Figure 2. Alternative property types (\$B)



Sources: Clarion Partners Investment Research and RCG, as of H1 2024

The residential sector is the largest component

The residential alternatives grouping (inclusive of single-family rentals, student housing, age-restricted housing and manufactured housing) is valued at \$2 trillion, or 17 percent of the institutional universe. Within this group, the single-family rental sector (with 3.9 million houses) has the largest estimated value (\$1.3 trillion), accounting for 11.5 percent of the institutional universe. The student housing sector is the next largest housing sector within the group, comprised of 2.4 million beds with a valuation of \$277 billion, followed by age-restricted housing at \$251 billion and manufactured housing at \$165 billion. Combining the residential alternatives grouping with traditional apartments results in the combined valuation of \$4.7 trillion, making

housing in a broader sense account for the lion's share (40 percent) of the institutional universe.

Industrial and adjacent sectors

Comprised of industrial outdoor storage (IOS) and cold storage warehousing, the industrial-adjacent group is valued at \$187 billion, amounting to 1.6 percent of the institutional universe. Combining this group with the traditional industrial market results in a value of \$1.5 trillion, or 13.1 percent, of the institutional universe.

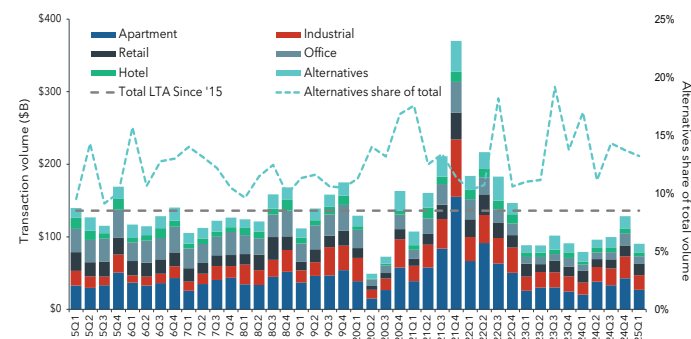
Healthcare sector

The healthcare property types – life sciences, medical office and seniors housing – have a combined estimated institutional value of \$839 billion, equating to 7.2 percent of the institutional universe. With a value of \$413 billion, medical office accounts for close to half of the value of the combined healthcare sector, followed by senior housing (\$302 billion) and life sciences (\$125 billion).

An evolving commercial real estate landscape

The commercial real estate investment landscape is evolving quickly. Certain traditional sectors, such as office and retail, have faced structural challenges in the past decade, reducing their overall share of the investable universe by value; meanwhile, many alternative sectors have seen values increase substantially due to strong tenant and investor appetite. As a result, the share of capital flowing into the alternative sectors has increased substantially. Investments in alternative commercial real estate sectors amounted to \$54.5 billion in transaction volume during the past four quarters, accounting for 13 percent of total commercial real estate volume, according to MSCI Real Capital Analytics.

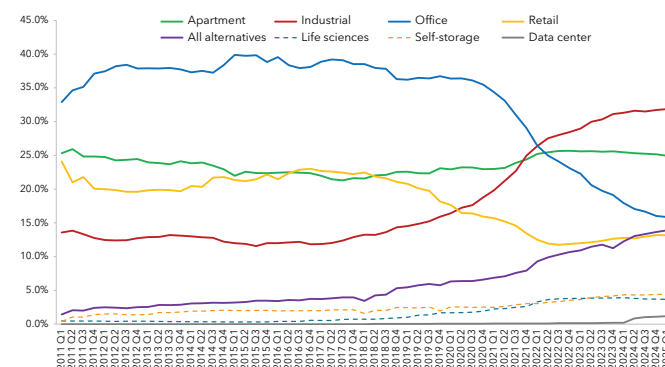
Figure 3. U.S. transaction volume by property type (\$B)



Sources: MSCI Real Capital Analytics, as of 1Q 2025; Clarion Partners Investment Research and RCG. Note: Alternatives includes office and industrial R&D (life sciences), data centers, age-restricted apartment, student housing, cold storage, seniors housing, self-storage and medical office. All transactions are greater than \$2.5 million. Land transactions are not included.

Institutional investor interest in the alternative sectors has grown, as well. The alternative sector share of the NCREIF Open-End Diversified Core Equity Index (ODCE) has increased from around 4 percent in 2017 to 13.9 percent as of first quarter 2025, led by investments in self-storage and life sciences – the largest alternative property sectors in the ODCE portfolio.

Figure 4. ODCE sector allocation in recent history



Sources: NCREIF NPI-ODCE, as of Q1 2025; Clarion Partners Investment Research and RCG

The evolution of the commercial real estate market and increased appetite for real estate investments outside of the traditional property types has brought alternative sectors to the forefront of the minds of commercial real estate investors.

Figure 5. Investable universe vs. institutional universe

Property sector	Investable universe		Institutional universe	
	Value (\$B)	% share of investable universe	Value (\$B)	% share of overall institutional universe
Traditional sectors				
Industrial	\$3,294.1	12.3%	\$1,346.7	41%
Multifamily	\$5,813.1	21.7%	\$2,632.3	45%
Office	\$3,261.3	12.2%	\$1,442.2	44%
Retail	\$3,747.9	14.1%	\$2,110.6	56%
Other Retail	\$2,083.2	7.8%	\$970.3	47%
Nbhd. Comm, Strip	\$1,101.5	4.1%	\$769.7	70%
Lifestyle, Mall, Power	\$583.2	2.2%	\$370.7	64%
Hospitality	\$806.0	3.0%	\$595.0	74%
Alternative Sectors				
Single-family rental	\$6,270.1	23.4%	\$1,341.6	21%
Student housing	\$568.9	2.1%	\$276.6	49%
Age-restricted	\$446.2	1.7%	\$251.4	56%
Housing manufactured	\$522.4	1.9%	\$165.0	32%
Housing self-storage	\$326.4	1.2%	\$288.3	88%
Life sciences	\$145.2	0.5%	\$124.8	86%
Medical office	\$613.8	2.3%	\$413.1	67%
Senior housing	\$448.0	1.7%	\$301.5	67%
Data centers	\$243.0	0.9%	\$214.6	88%
IOS	\$200.0	0.7%	\$160.0	80%
Cold storage	\$66.7	0.2%	\$27.2	41%
Traditional sectors	\$16,942.5	63.2%	\$8,126.9	48%
Alternative sectors	\$9,850.7	36.8%	\$3,563.9	36%
Total	\$26,793.2		\$11,690.8	44%

Sources: Census, BLS, Moody's Analytics, USDA, National Association of Realtors, U.S. Energy Information Administration, NICMAP, RevistaMed, Lodging Econometrics, Yardi Matrix, Greenstreet, Marcus & Millichap, CBRE-EA, CBRE, JLL, Joint Center for Housing Studies of Harvard University, MSCI Real Capital Analytics, Rosen Consulting Group, Clarion Partners Investment Research

CONTRIBUTORS



Indraneel Karlekar
Managing Director,
Global Head of
Investment Research
Clarion Partners



David Bank
Partner and Director
of Research
Rosen Consulting
Group (RCG)

CORPORATE OVERVIEW

Clarion Partners has been a leading U.S. real estate investment manager for more than 40 years. Headquartered in New York City, the firm has offices in major markets throughout the United States and Europe. With more than \$73 billion in total assets under management as of June 30, 2025, Clarion Partners offers a broad range of both debt and equity real estate strategies across the risk/return spectrum to its approximately 500 domestic and international institutional investors.

CORPORATE CONTACT

Hugh Macdonnell, Head of Client Capital Management | clarionpartners@clarionpartners.com | +1 212-883-2500 | www.clarionpartners.com

This article presents the authors' opinions reflecting current market conditions. It has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product.

Copyright © 2025 by Institutional Real Estate, Inc. Material may not be reproduced in whole or in part without the express written permission of the publisher.