

Private real estate: The missing piece in model portfolios

Model portfolios have become the default for how wealth is managed at scale. By mid-2024, assets in turnkey asset management platforms (TAMPs) surpassed \$4 trillion–\$5 trillion when including adviser-led and proprietary models.

Yet for all their growth, most model portfolios still look a lot like they did 20 years ago. Roughly 70 percent follow the traditional 60/40 allocation of stocks and bonds. The strength of that approach depends on the two asset classes moving in opposite directions to offset one another. But in practice, that has not always been the case. In 2022, both stocks and bonds fell, producing a –16.8 percent return. Since then, correlations have fluctuated but often stayed positive, shaped by inflation, higher-for-longer rates, and uncertainty.

Alternatives are going mainstream

The search for diversification is bringing alternatives into focus. Private markets – including private real estate, private credit and private equity – have become too large to ignore. Private real estate alone has grown into a \$21 trillion asset class, the third-largest behind stocks and bonds. Private wealth allocations are catching up: cumulative flows into alternatives are projected to surpass \$1 trillion by the end of 2025.¹

Even so, average client portfolios still allocate only 2 percent to 3 percent to private markets – far short of the 10 percent to 20 percent that history suggests could strengthen outcomes. Advisers are signaling change: more than 90 percent plan to increase allocations to alternatives, and more than three-quarters want access delivered seamlessly within model portfolios.²

Bringing resilience to model portfolios

Among private market options, private real estate stands out for its diversification benefits.

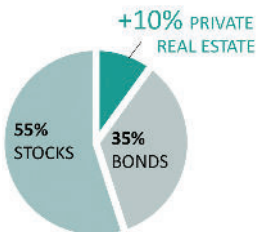
Correlation, past 15 years³

	Private Real Estate	REITs	U.S. Stocks	Bonds
Private Real Estate	1.00	-0.02	-0.20	-0.29
REITs	-0.02	1.00	0.73	0.42
U.S. Stocks	-0.20	0.73	1.00	0.16
Bonds	-0.29	0.42	0.16	1.00

The importance of this shows up in outcomes. During the past 15 years, private real estate posted negative performance in only eight quarters – versus 12 for equities, 17 for bonds and 19 for REITs. During recessionary periods, such as the early 1990s downturn, the Tech Bubble, the Global Financial Crisis and the COVID-19 shock, it declined only –13.1 percent on average, compared with –30 percent for equities and –32.7 percent for REITs. For model portfolios in search of less volatility, the case for private real estate is clear.

The portfolio impact of a 10% allocation

The effect of including private real estate in a model portfolio can be measured.



	Annualized, Past 25 Yrs ⁴	Traditional 60/40	55/35/10	Change	% Change
YIELD		2.49%	2.67%	+18 bps	▲7.2%
RETURN		6.72%	6.75%	+3 bps	▲0.4%
VOLATILITY		9.95%	9.13%	-82 bps	▼8.2%
SHARPE RATIO		0.49	0.54	+0.05	▲10.2%
RETURN DURING INFLATIONARY PERIOD ⁵		3.54%	5.01%	+147 bps	▲41.5%

For advisers tasked with delivering dependable outcomes across cycles, these numbers speak directly to better risk management and client experience.

The structural fit of interval funds

Historically, barriers around liquidity, valuations and investor eligibility kept private markets out of model portfolios. That is changing with interval funds. They are legally required to provide quarterly liquidity – typically 5 percent of net asset value – enough to cover most rebalancing and partial redemption needs. This contrasts with tender-offer funds and non-traded REITs, which also offer periodic liquidity but can reduce it at the manager’s discretion.

They also offer transparency through regular NAV calculations, audited financials and ‘40 Act governance. And because interval funds carry no accreditation requirements with ticker-based investment execution, they can be broadly integrated into model portfolios without creating operational hurdles for advisers or platforms.

Conclusion

Model portfolios define the investment experience for millions of households. As they evolve, the need for diversification beyond the 60/40 has never been clearer.

For advisers and TAMPs building the next generation of model portfolios, private real estate is no longer just an alternative – it is the missing piece.



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CORPORATE OVERVIEW

Accordant Investments is a registered investment adviser based in Scottsdale, Ariz. Accordant creates investment solutions that allow private wealth investors to access private real estate in a way that was once only available to the world’s largest investors.

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All data as of Q2 2025. ¹Robert A Stanger; ²CAIS; ³15-year correlation of total gross returns for all asset classes. Source: NFI-ODCE Index (“Private Real Estate”), FTSE Nareit Equity (“REITs”), S&P 500 (“U.S. Stocks”), Bloomberg Barclays U.S. Aggregate Bond Index (“Bonds”); ⁴Annualized investment portfolio characteristics, 25 years. Source: Bloomberg, NCREIF, Affinius Capital. ⁵Studied inflationary environment. Since 1978, there have been 27 quarters where annualized inflation was 6% or greater. Average annualized returns for these quarters were – Stocks: 1.5%, Fixed Income: 0.8%, Real Estate: 16.9%. Stocks – S&P 500; Bonds – Bloomberg US Aggregate; Private Real Estate – NFI-ODCE Index.

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