

Geographic diversification in global real estate

The case for a multi-regional allocation strategy

The case for thinking beyond home markets

Real estate has secured its place in most institutional portfolios, yet the asset class remains frequently misunderstood, particularly when viewed through the lens of investors more accustomed to liquid financial markets. Real estate's fixed, physical nature demands deep geographical knowledge spanning local politics, regulation, building technology and demand preferences. Long transaction timelines and meaningful trading costs may reward those who take a long-term view.

These characteristics, often perceived as constraints, are the foundations of real estate's enduring diversification potential. Part of the asset class's uniqueness lies in its dual nature: combining bond-like income qualities with equity-like value characteristics. It is this duality that underpins real estate's diversification characteristics.

This paper explores the strategic case for geographic diversification within real estate allocations, drawing on Nuveen Real Estate's proprietary research and analysis across the three principal investable regions: the United States, Europe and Asia-Pacific (APAC). It examines both the compelling benefits and the genuine complexities that come with building a globally diversified real estate portfolio, with the aim of helping investors find the balance between optimal diversification and manageable complexity.

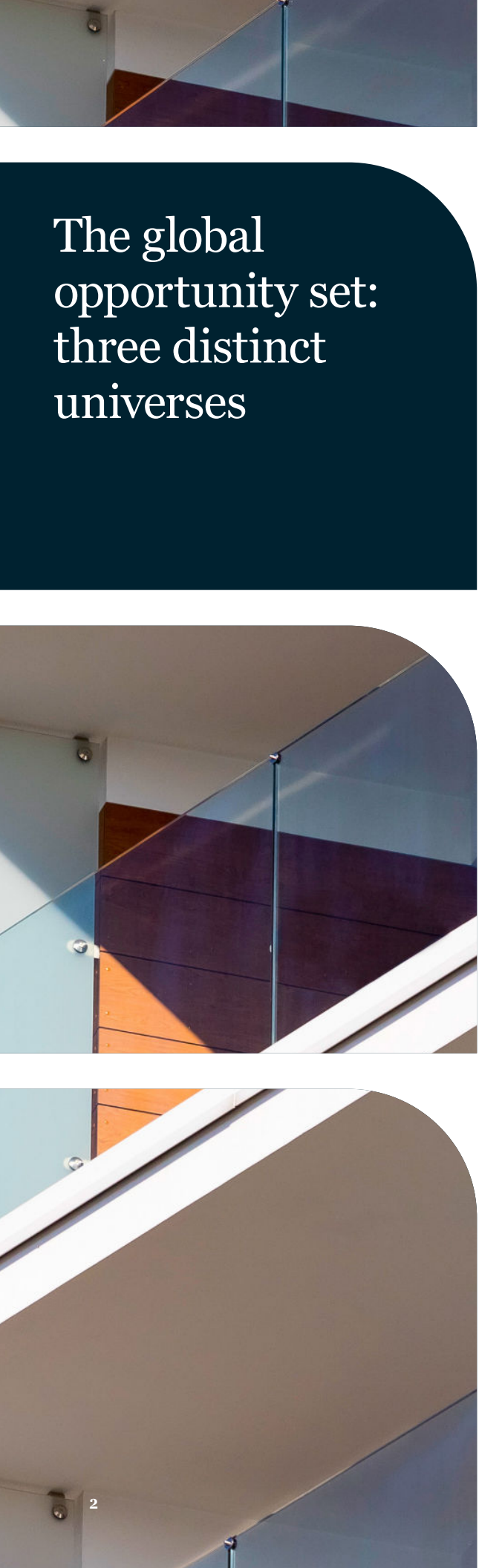


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The global opportunity set: three distinct universes

The investable global real estate market is valued at approximately \$12.5 trillion, and it is far from homogeneous (Figure 1). Three distinct regional universes define the landscape: the Americas, which account for over 40% of the total market; Europe, Middle East and Africa (EMEA) at approximately 30%; and Asia-Pacific (APAC) at over a quarter. Focusing on developed markets only narrows the universe marginally — from \$12.5 trillion to \$11.1 trillion — underlining that the bulk of investable stock is concentrated in a relatively small number of mature economies.

Just seven countries — the U.S., China, U.K., Japan, Germany, France and Australia — represent approximately 75% of the global investable universe. The U.S. alone accounts for over half of that subset and commanded around 44% of all global real estate transaction volumes between 2007 and 2025. This underscores its dominance and the concentration risk that a purely domestic American strategy entails.

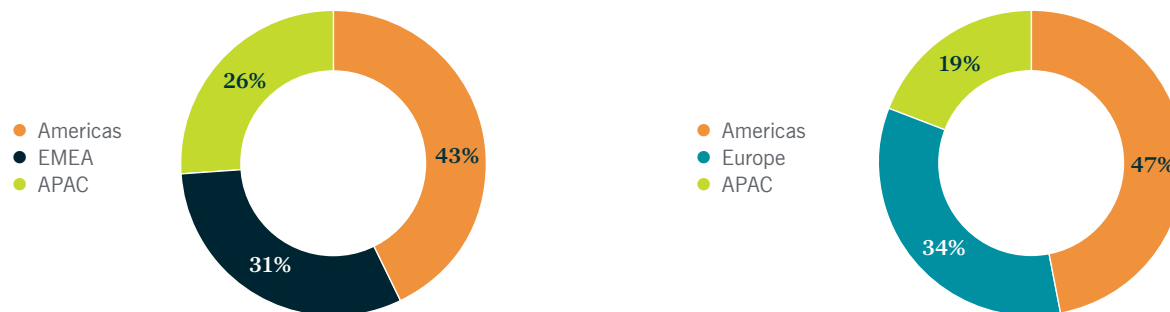
Analysis of the data shows the structural composition of these regions differs meaningfully. The U.S. stands out for its high allocation to alternative sectors and residential, while Europe retains a proportionally larger office and retail opportunity (Figure 2). APAC is notable for its relatively vibrant listed real estate markets, with developing Asia overrepresented in the listed universe relative to its share of total stock.¹ Unlisted real estate makes up 60% of the global total, with open-ended core pooled funds accounting for the largest share within that segment (Figure 3).

These structural differences translate directly into differentiated return drivers, risk profiles and portfolio construction opportunities — and they are the starting point for any global allocation strategy.

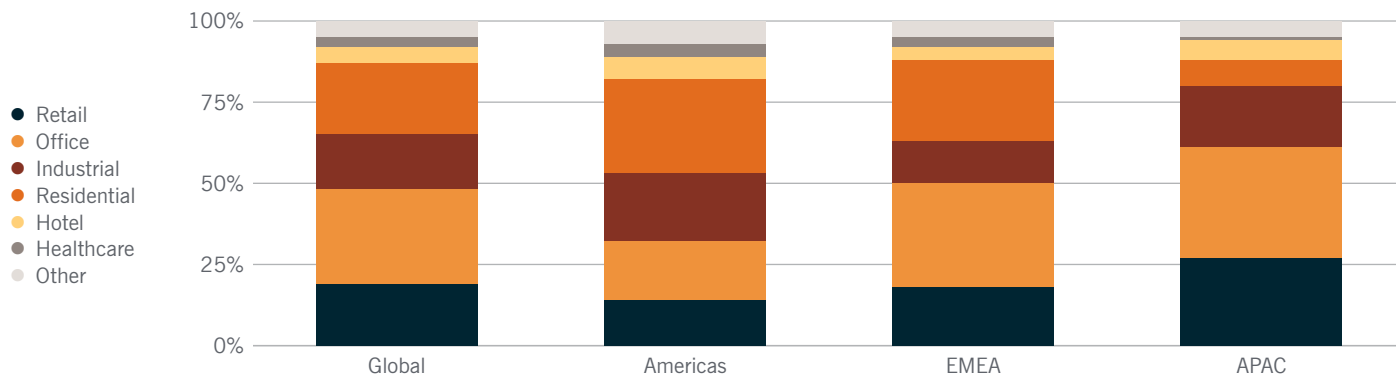
Figure 1: Mapping the global investable real estate universe

Market size, including emerging markets (USD 12.5 trillion)

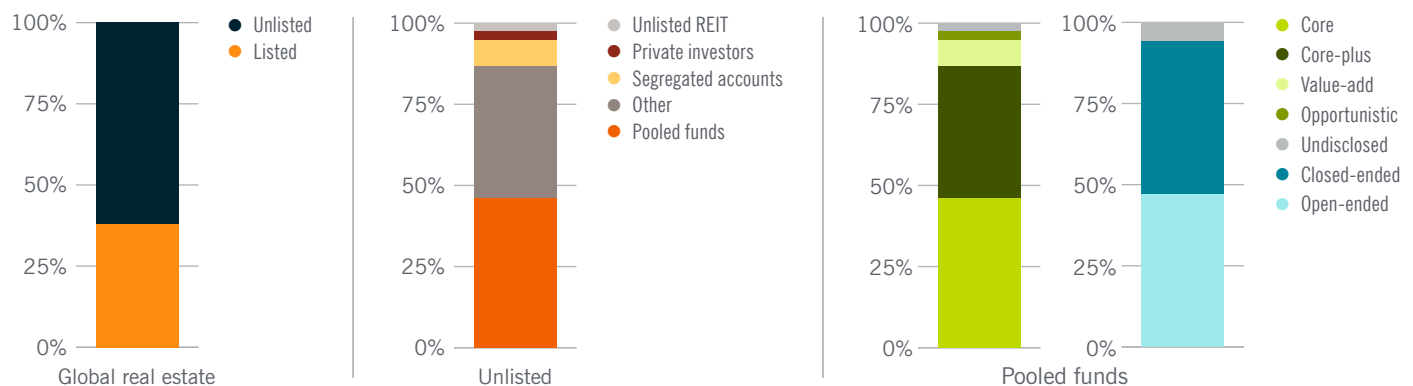
Market size, developed* markets only (USD 11.1 trillion)



Source: MSCI, 2025. *Developed markets: Americas (U.S., Canada), APAC (Australia, Hong Kong, Japan, New Zealand, Singapore, South Korea), Europe (Austria, Belgium, Czechia, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, U.K.).

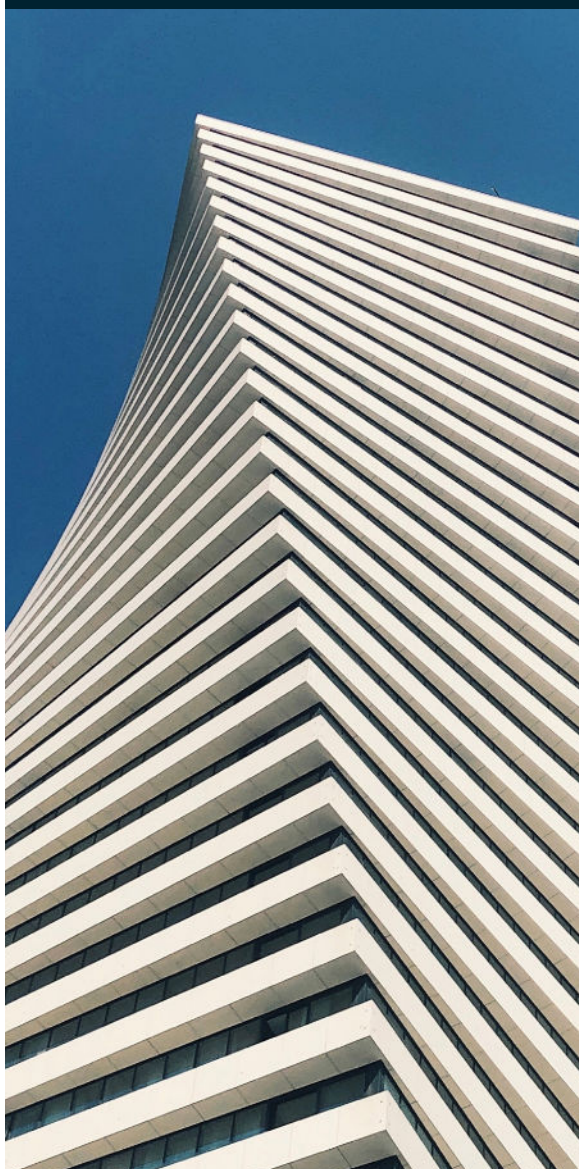
Figure 2: Sector composition varies significantly across global regions*Property type composition*

Source: MSCI, 2025.

Figure 3: How capital is structured — listed, unlisted and pooled fund breakdown*Portfolio type composition*

Source: MSCI, 2025.

Navigating systemic risks: liquidity, currency and required returns

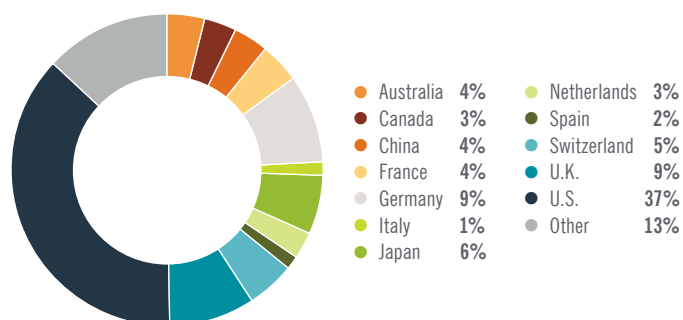


Systemic risks shape the global real estate investment landscape. For an asset class characterised by relative illiquidity, the ease of deploying and recovering capital across geographies and property types is a critical consideration.

The U.S. market is unrivalled in aggregate transaction value, but Europe and APAC offer a more nuanced picture (Figure 4). European cities account for a disproportionately large share of the 150 most liquid cities globally, with capital cities and national business centres consistently demonstrating strong transaction activity relative to their population size (Figure 5). Cities such as London, Paris, Berlin, Stockholm and Zurich are reliable anchors of liquidity. Across APAC, many capital or gateway cities are notable in GDP and population size. Tokyo and Seoul, for instance, each account for about a quarter of their national economies.² Tokyo leads all global cities on liquidity metrics, with Seoul, Sydney, Shanghai and Hong Kong also featuring prominently.

Figure 4: Beyond the U.S., Europe and APAC command a substantial share of global liquidity

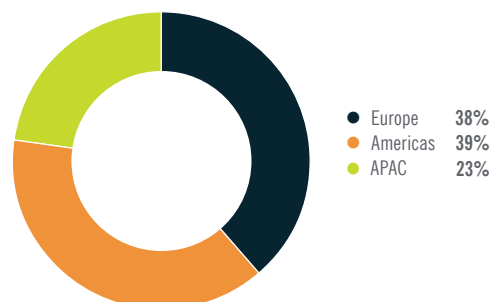
Global share of total liquidity scored cities by country



Source: RCA, 2026.

Figure 5: The U.S. leads, but Europe and APAC offer meaningful depth

150 most liquid cities globally



Source: RCA, 2026.

Importantly, city liquidity can fluctuate substantially over time. Some markets that appeared highly liquid in benign conditions have suffered sharp reversals during periods of stress. Prime examples include Dublin, Madrid, Barcelona, San Francisco, Las Vegas, Seattle and Sydney (Figure 6). This variability reinforces the case for diversification across multiple liquid markets rather than concentration in a small number of seemingly deep pools. In APAC, for instance, 60% to 70% of prime investable stock is held by domestic investors with strong holding power — pricing volatility is more contained during periods of stress, as evidenced during COVID-19.

Figure 6: City liquidity fluctuates over time

City	Average volatility of liquidity scores
Tokyo - 5 Wards	1.91
Stockholm	4.05
Toronto	5.77
Sydney	11.59
Barcelona	11.86
San Francisco	12.74
Madrid	13.62
Dublin	23.81

Source: RCA as of May 2026.

Currency risk is another important dimension. Currency fluctuations are more likely to amplify portfolio volatility than dampen it, as real estate returns tend to correlate with broader economic performance, which in turn correlates with currency strength. The eurozone partially mitigates this for European allocations, with approximately 70% of European transactions denominated in euros across 21 member states. This is a meaningful structural advantage for investors seeking pan-European exposure. For APAC, some economies have a soft peg to the U.S. dollar, mitigating currency volatility to some extent, although the prolonged weakness in the Japanese yen since 2021 has led to weaker total return performance in U.S. dollar terms in recent years.

Risk premiums vary across markets and sectors, and investors must ensure that target returns adequately compensate for the full spectrum of risks. Across developed markets, risk premiums range from approximately 1.9% to 4.3%, rising sharply in emerging economies (Figure 7). At the sector level, volatile property types — such as offices and hotels — carry higher required returns than historically more stable residential and industrial assets (Figure 8).

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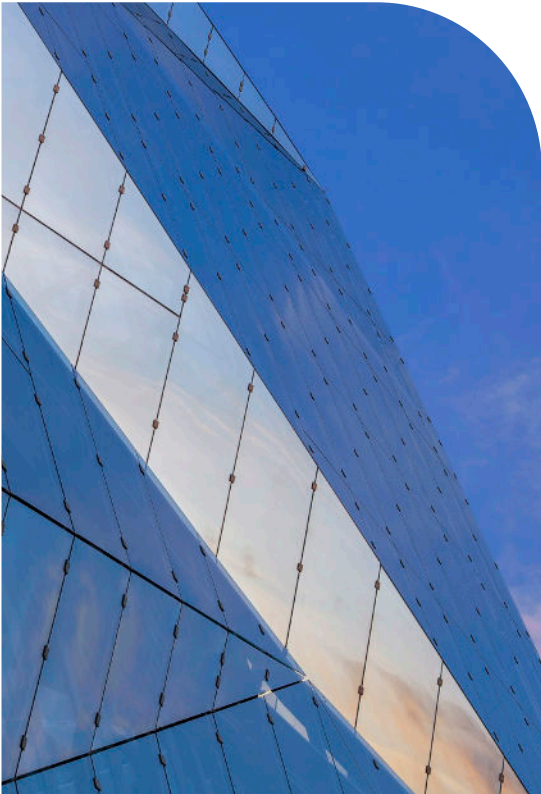
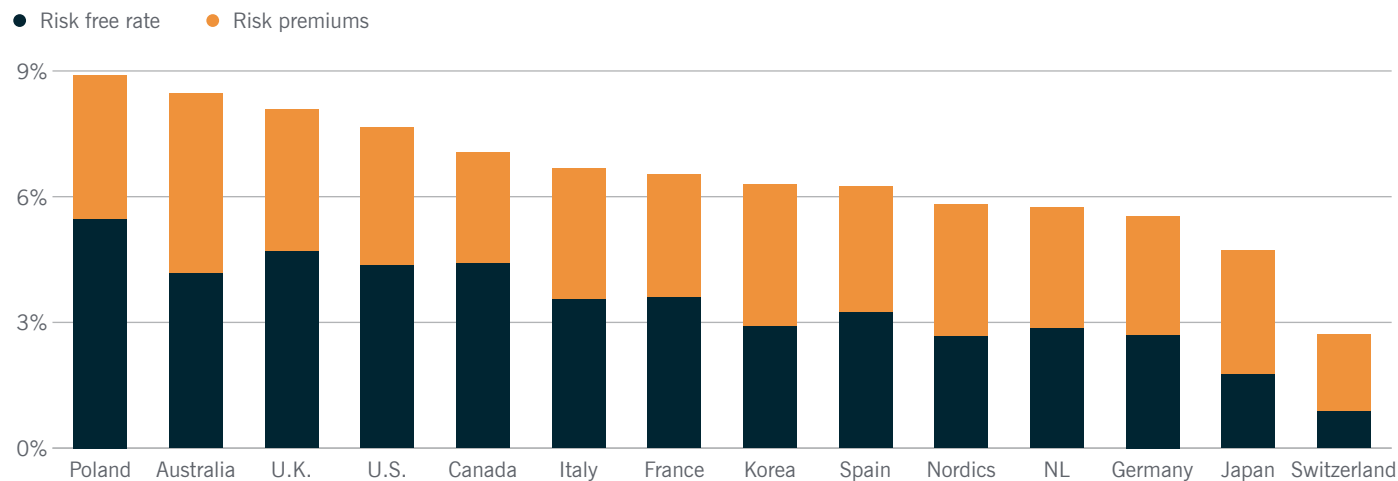


Figure 7: The price of risk: required return premiums across global markets



Source: Oxford Economics, October 2025.

Figure 8: Volatility, illiquidity and climate risk by sector



Source: Oxford Economics, October 2025. Note: The data range used is between 2008–2025.

The diversification dividend: what the data shows

Nuveen Real Estate's portfolio simulations, based on the MSCI Global All Property Index, demonstrate that portfolio volatility declines sharply as assets are added across different markets. However, the speed and magnitude of that decline is heavily dependent on whether diversification remains domestic or extends internationally.

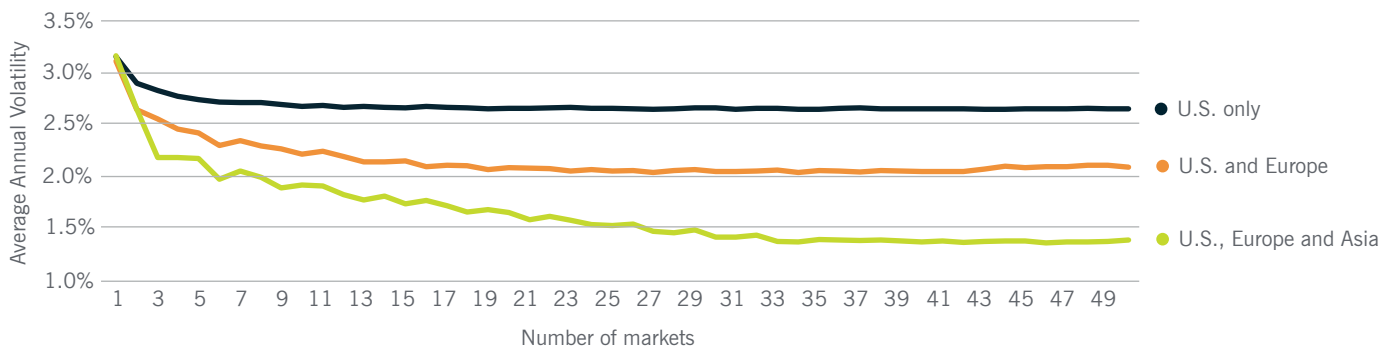
For a U.S. only real estate portfolio, diversification benefits plateau rapidly. Adding more than five domestic markets yields almost no additional reduction in volatility.

The picture changes dramatically once European and APAC markets are introduced. A portfolio spanning all three

regions and up to approximately 30 markets continues to benefit from meaningful volatility reduction. Adding more than 30 no longer adds material value. The difference in outcomes is stark: a globally diversified portfolio achieves substantially lower average annual volatility compared to a U.S.-only portfolio of equivalent breadth (Figure 9).

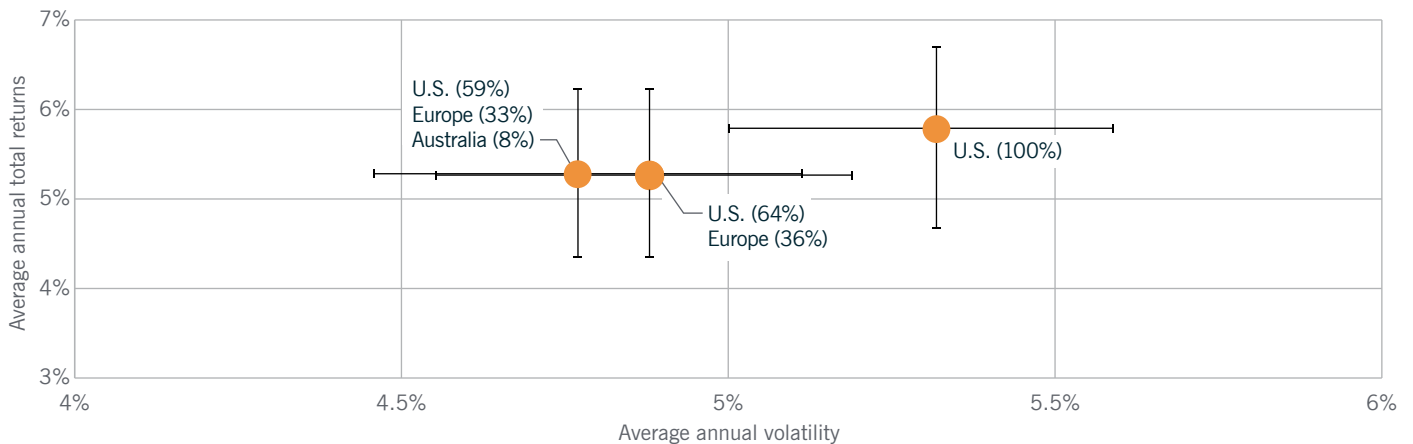
The impact on overall returns is also notable. Adding a European allocation and an Australian allocation to a predominantly U.S. portfolio lowers risk but also returns modestly. However, risk-adjusted returns suggest the gain in lower volatility outweighs the reduction in returns. Data between 2008 and 2025 show the Sharpe ratio for the U.S.-only portfolio is 0.57, while adding European and Australian allocations at 33% and 8% portfolio weightings respectively increases the Sharpe ratio to 0.66 (Figure 10).

Figure 9: International diversification reduces volatility



Source: Nuveen Real Estate, MSCI Global All Property Index, 2026. Note: The data range used is between 2008–2025.

Figure 10: Risk-adjusted returns improve with geography vs. diversification

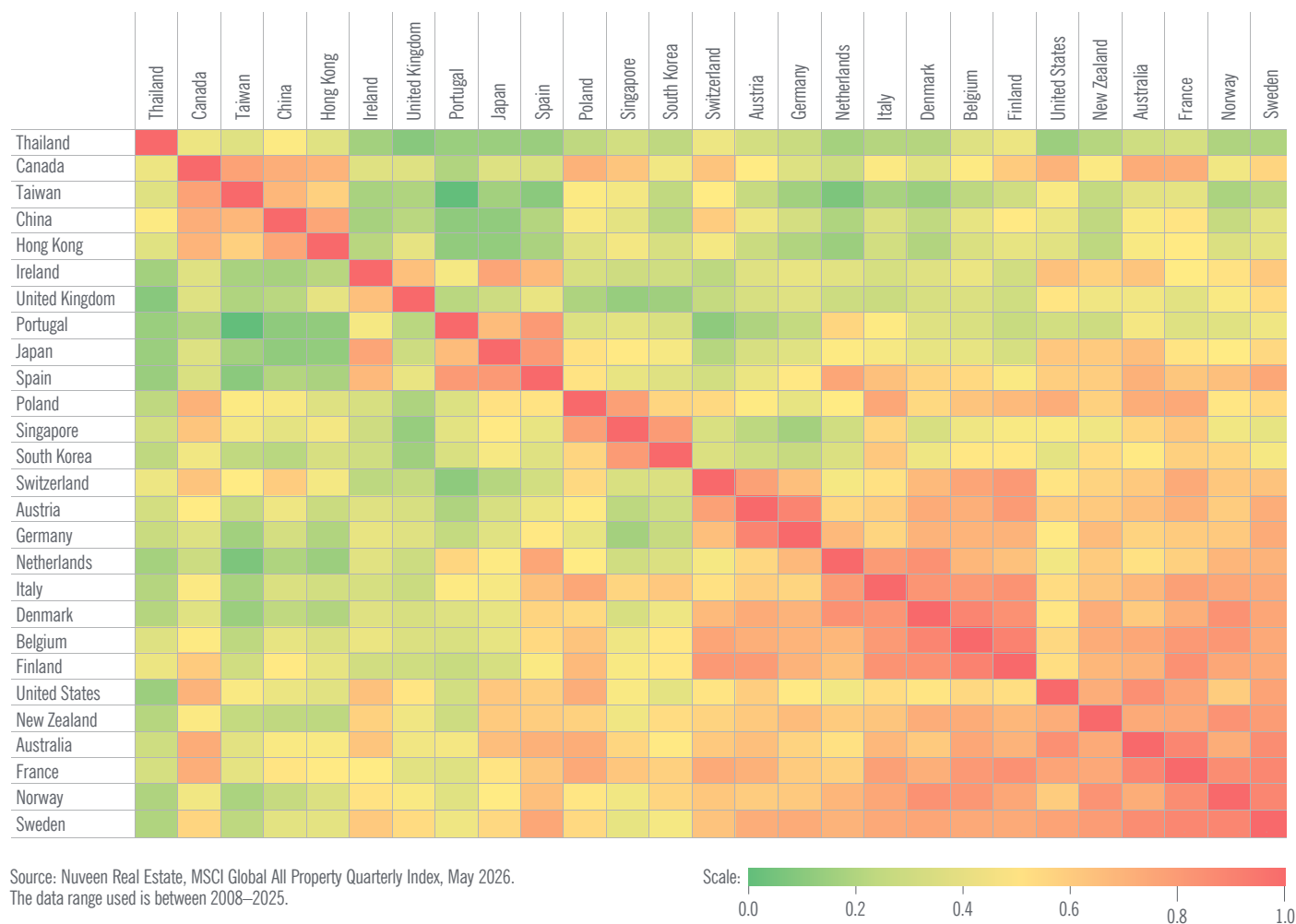


Source: MSCI Global Quarterly Index 2025, Nuveen Research as of May 2026. Note: The data range used is between 2008–2025.

This is perhaps the most important insight: even when an international market underperforms the domestic market on a standalone basis, its inclusion in a portfolio can improve risk-adjusted returns. From a total returns perspective, certain countries have historically provided stronger diversification benefits. For example, China,

Spain, Ireland and Canada are strong diversifiers relative to the U.S., Australia and France (Figure 11). However, diversification does not require that every region outperforms — only that their return cycles diverge sufficiently to provide a smoothing effect.

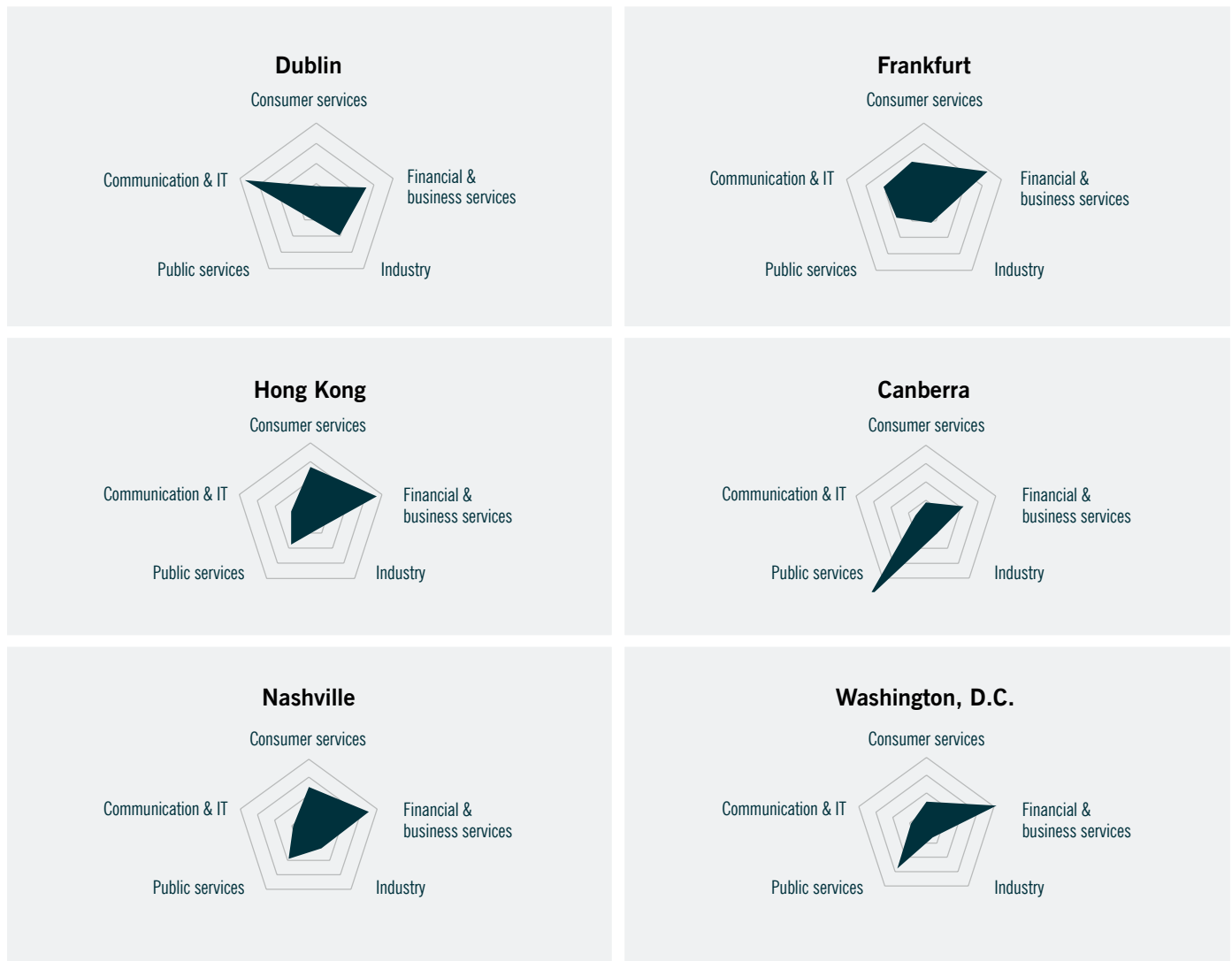
Figure 11: Total return correlations across global real estate markets



It is important to understand the industry drivers of city performance and not just historic total return performance correlations (Figure 12). Cities such as Washington, Hong Kong and Frankfurt are strongly driven by their focus on financial and business services, making their outlook and performance highly correlated. Cities such as Canberra and Dublin are heavily weighted to public services and technology respectively, providing diversification benefits relative to the major financial cities. However, Dublin and Canberra's industry exposure may carry concentration risk, whereas other cities — such as Hong Kong and Nashville — also cater to consumer services, which diversifies their risk profiles further.

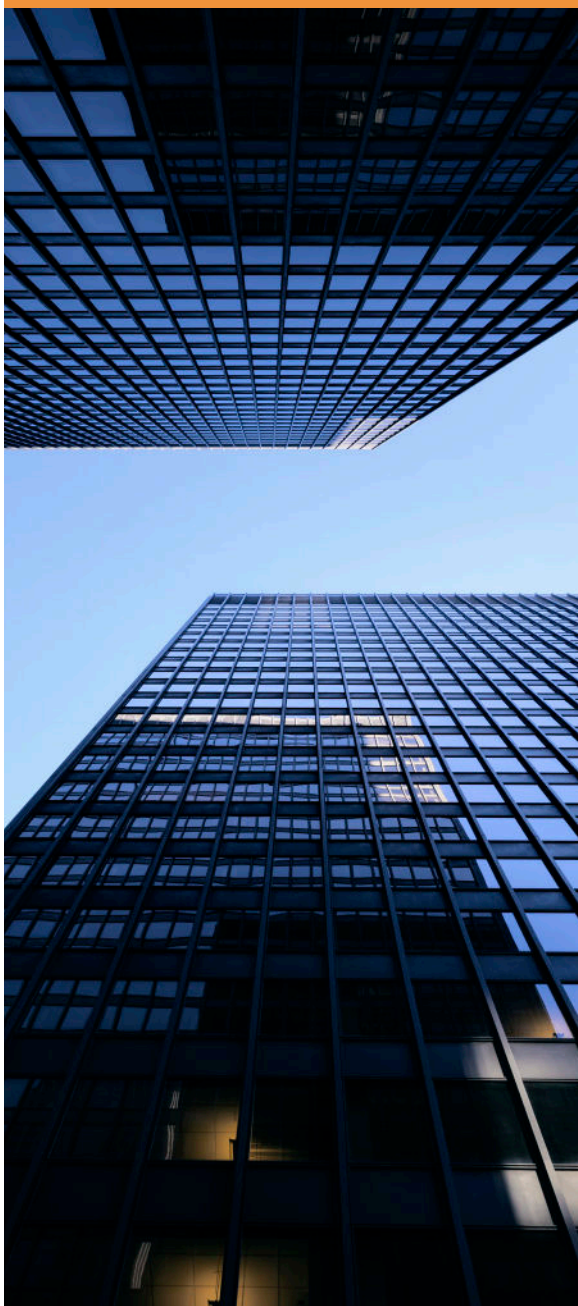
Even when an international market underperforms the domestic market on a standalone basis, its inclusion in a portfolio can improve risk-adjusted returns.

Figure 12: Diversification by industry drivers



Source: Oxford Economics GVA 2025, Nuveen Real Estate research as of May 2026.

The advantages outweigh the challenges



The potential geographic diversification benefits in real estate portfolio construction — reduced volatility, improved risk-adjusted returns and access to a broader opportunity set — are material and, critically, available even to investors based in the world's largest and most developed real estate market. The U.S. market, for all its depth and liquidity, is not a substitute for genuine global diversification.

According to the MSCI Global All Property Index, only five assets are needed to reap almost all diversification benefits within a single country, but international diversification delivers far superior portfolio effects. Growing a portfolio to cover approximately 30 countries and regions captures almost all available diversification benefits across local markets. Even U.S. investors gain substantially from international diversification and investing in markets that modestly underperform the domestic market on a standalone basis could still increase risk-adjusted returns through the power of low correlation. Global cities are uniquely different — some are capital or financial centres, others are tourist hubs and some are education centres — and a mix of gateway and secondary cities is additive to a globally diversified portfolio.

At the same time, the challenges of international investing are real. Currency risk, structural complexity, varying tax regimes and the demands of market transparency require careful management and specialist expertise. Investors seeking to build a globally diversified real estate portfolio will need to partner with a manager who possesses both local market knowledge and global strategic perspective — one capable of constructing portfolios that deliver specific investment objectives while maximising the diversification benefits that only a genuine multi-regional allocation can provide.

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Nuveen Real Estate is one of the largest investment managers in the world with \$136 billion of assets under management.

Managing a suite of funds and mandates, across both public and private investments, and spanning both debt and equity across diverse geographies and investment styles, we provide access to a broad range of real estate investing opportunities.

With over 90 years of real estate investing experience and more than 600 dedicated employees* located across 30+ cities throughout the United States, Europe and Asia Pacific, the platform offers global reach with deep sector expertise, providing investors access to high quality investments across the private real estate investment landscape.

For further information, please visit us at nuveen.com/realestate.

* Includes 360 investment team members, supported by over 1,000 shared services employees across the broader Nuveen organization.

Source: Nuveen, 31 March 2026.

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Sources

1 EPRA, 2025.

2 CEOworld, November 2025.

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