

The case for combining public and private real estate

Key takeaways

- **Combining public and private real estate has the potential to improve portfolio efficiency.** Commercial real estate has historically increased risk-adjusted returns in diversified portfolios, and allocations that include public and private real estate have generally produced stronger diversification benefits than stock-and-bond portfolios alone.
- **Private real estate typically provides smoother returns.** Appraisal-based valuations, lower equity-market correlation and greater concentration in traditional property sectors can support a steadier return profile.
- **Public real estate has historically delivered higher long-term returns and greater liquidity.** Listed REITs have generated stronger annualized total returns and can be bought or sold daily through publicly traded securities and exchange-traded funds.
- **Public and private real estate offer different diversification benefits.** Private real estate has historically had a lower correlation with equities, while public real estate provides broader access to specialized sectors.
- **Listed real estate may provide an earlier indication of market inflections.** Public REIT prices have historically moved ahead of private real estate valuations by approximately two to three quarters, which could signal a potential repricing in private markets.
- **Public and private real estate can play complementary roles.** Combining private real estate's potential stability and traditional sector exposure with public real estate's liquidity, sector breadth and tactical flexibility can provide a more complete commercial real estate allocation.



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The similarities and differences of public and private real estate

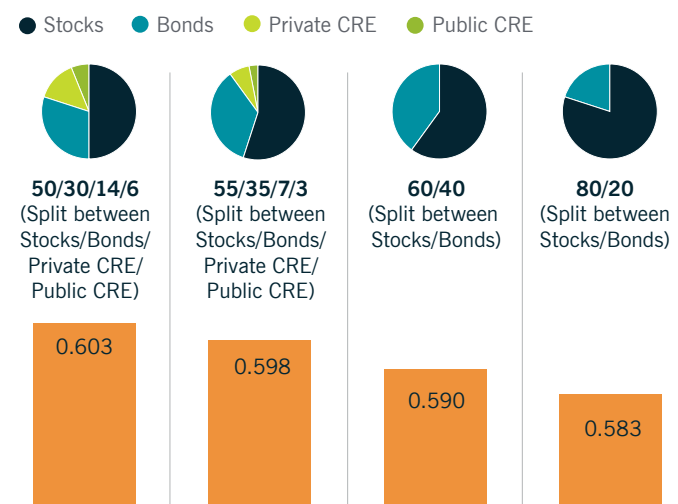
Adding commercial real estate (CRE) to a diversified portfolio has historically improved risk-adjusted returns.¹ The asset class combines bond-like features and equity-like characteristics; regular income from dividends or distributions typically represents a meaningful share of total return, while the underlying properties have the potential to appreciate in value over time. Despite these similarities, commercial real estate has low long-term correlations with both listed equities and fixed income. Leases also commonly include contractual rent increases, which can support income growth and provide a measure of inflation protection that most traditional bonds do not offer. These growing income streams can contribute to capital appreciation, independent of changes in capitalization rates.

After deciding to allocate to commercial real estate, investors have multiple options to gain exposure. This paper discusses why investors do not have to decide between public and private CRE, making the case for both and highlighting the factors investors need to consider. While public and private CRE vehicles provide exposure to the same underlying asset class, the timing, magnitude and volatility of their returns have differed over time. The analysis shows public real estate has delivered stronger total returns across many long-term periods, supported in part by higher leverage and broader exposure to alternative sectors, but with greater short-term volatility and more frequent drawdowns. Private real estate has generally produced smoother returns because of appraisal-based valuations and a greater concentration in core sectors, but with more limited liquidity.

The analysis examines these differences and makes the case for combining public and private real estate. As Figure 1 shows, representative portfolios that included both forms of commercial real estate generated higher Sharpe ratios than traditional stock-and-bond allocations, illustrating the potential contribution of real estate to portfolio efficiency.

Figure 1: Adding commercial real estate improves risk-adjusted returns

(Sharpe ratio between Q2 2006 and Q2 2026)



Source: NCREIF, NAREIT, Moody's Analytics, Nuveen Real Estate Research (As of Q2 2026). **Past performance is not a guide to future returns.**

Note: Private real estate is represented by the NCREIF NPI-ODCE Index; public real estate is represented by the FTSE NAREIT U.S. All Equity REITs Index; equities are represented by the S&P 500; fixed income is represented by the Barclays U.S. Aggregate Bond Index; and the risk-free rate is represented by the U.S. 10-Year Treasury Rate. The 20-year investment period is between 2006 Q2 and 2026 Q2.

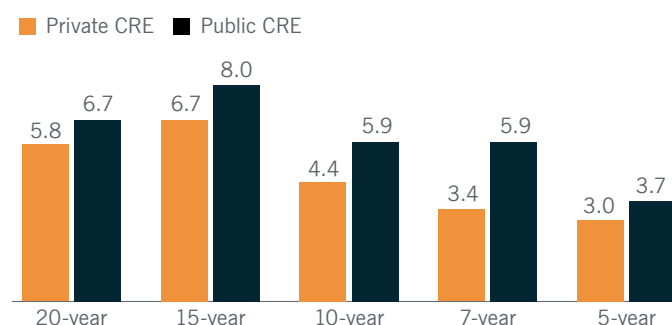
Stronger or smoother returns?

While private real estate has offered lower volatility, public real estate has generated stronger total returns across the periods shown in Figure 2. Over the past 20 years, public real estate produced a 6.7% annualized total return, compared with 5.8% for private real estate.² Public real estate benefited from earlier and broader exposure to alternative real estate sectors, many of which outperformed traditional sectors over recent decades. By contrast, private core diversified real estate, as represented by the NCREIF ODCE Index, follows allocation guidelines that must maintain substantial exposure to traditional property sectors. Although core diversified private real estate funds

have increased their allocations to the alternative real estate sector in recent years,³ these investments are likely to remain a smaller component of ODCE-benchmarked portfolios because of those constraints.

Figure 2: Higher returns from public real estate

Annualized total returns, CAGR by period (%)



Source: NCREIF, NAREIT, Nuveen Real Estate Research (As of Q2 2026). **Past performance is not a guide to future returns.**

Note: Private real estate is represented by the NCREIF NPI-ODCE Index; public real estate is represented by the FTSE NAREIT U.S. All Equity REITs Index.

Public and private real estate also behave differently in rising and falling equity markets, as Figure 3 highlights. Since 2006, public REITs captured approximately 80% of S&P 500 Index gains (which equates to an 8% increase in a public REIT when the market rises 10%). They also experienced slightly more than the market's downside, with a 10% decline in the S&P 500 Index associated with a 10.7% decline in public REITs. Private real estate displayed a different story. It captured approximately 25% of equity-market gains, but when the S&P 500 Index posted losses, private real estate delivered positive returns on average. This return asymmetry — meaningfully less downside participation while retaining a portion of the upside — helps explain private real estate's role as a portfolio diversifier.

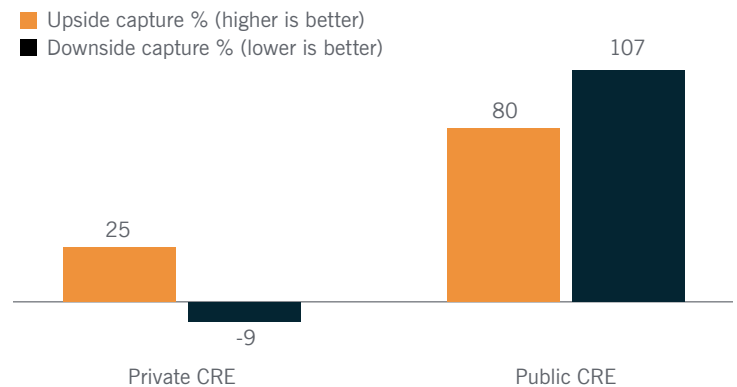


Public REIT
pricing reflects both
underlying property
fundamentals and
broader equity-market
sentiment



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Figure 3: Asymmetric upside/downside capture



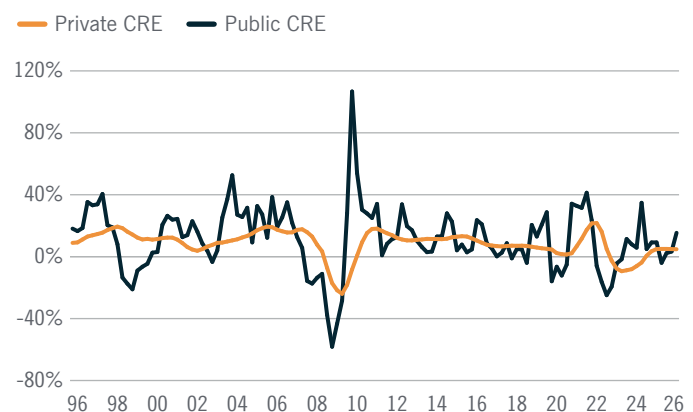
Source: NCREIF, NAREIT, Moody's Analytics, Nuveen Real Estate Research (As of Q2 2026)

Note: Private real estate is represented by the NCREIF NPI-ODCE Index; public real estate is represented by the FTSE NAREIT U.S. All Equity REITs Index; equities are represented by the S&P 500.

As Figure 4 demonstrates, private real estate has exhibited less than half the volatility of public real estate across most long-term periods, including the past 20 years.⁴ Public REIT pricing reflects both underlying property fundamentals and broader equity-market sentiment, which can create meaningful short-term divergence from property values. Private real estate valuations, by contrast, are typically based on independent quarterly appraisals informed by transaction data, resulting in a smoother return profile. Over longer periods, public and private real estate tend to move in the same direction, particularly after accounting for the typical two- to three-quarter lag in private market valuations.

Figure 4: Private real estate offers smoother return profile

12-month trailing quarterly total returns



Source: NCREIF, NAREIT, Nuveen Real Estate Research (As of Q2 2026). **Past performance is not a guide to future returns.**

Note: Private real estate is represented by the NCREIF NPI-ODCE Index; public real estate is represented by the FTSE NAREIT U.S. All Equity REITs Index.

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Two distinct diversification profiles and a useful signal

One of the primary reasons investors allocate to real estate is its historically low correlation with traditional asset classes, which can support portfolio diversification and improve risk-adjusted outcomes. Figure 5 demonstrates a significant distinction between public and private real estate. Over the past 20 years, private real estate's 12-month trailing quarterly returns had a correlation coefficient of 0.11 to equities, compared with 0.75 for public real estate.

Figure 5: Correlation differences create diversification opportunities

Correlation coefficient of quarterly 12-month trailing total returns since 2006

	Private real estate	Public real estate	Equities
Public real estate	0.26		
Equities	0.11	0.75	
Fixed income	-0.07	0.28	0.15

Source: NCREIF, NAREIT, Moody's Analytics, Nuveen Real Estate Research (As of Q2 2026). **Diversification does not assure a profit or protect against loss.**

Note: Private real estate is represented by the NCREIF NPI-ODCE Index; public real estate is represented by the FTSE NAREIT U.S. All Equity REITs Index; equities are represented by the S&P 500; and fixed income is represented by the Barclays U.S. Aggregate Bond Index.

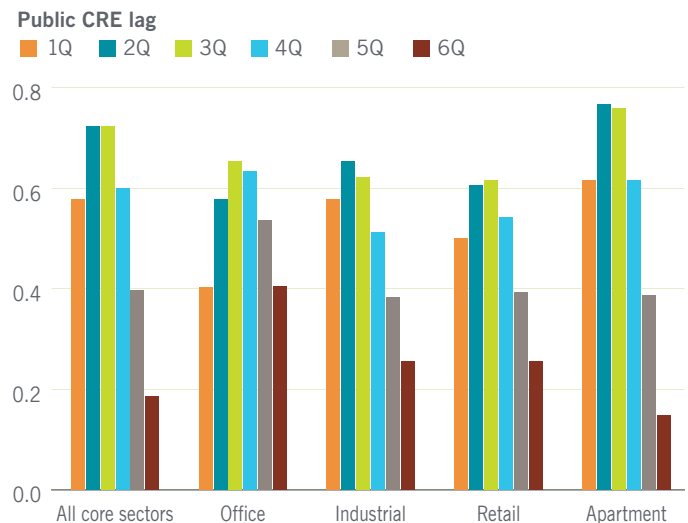
Public and private real estate had a relatively low correlation of 0.26 from Q2 2006 through Q2 2026. As Figure 6 shows, however, the relationship strengthens considerably after accounting for the timing difference between listed and private market pricing. Correlation peaks at approximately 0.72 when public real estate returns are compared to private real estate returns two to three quarters later. In practical terms, public REITs tend to move first, while private real estate valuations can take six to nine months to catch up. Furthermore, the analysis highlights that this phenomenon is evident across the core sectors as well as for the market as a whole.

This lagging relationship may offer a useful signal for investors. Changes in public real estate pricing can provide an early indication of potential repricing in private markets, creating a window to reassess exposure before valuations fully adjust.

That said, the signal should not be used in isolation, because not every listed-market drawdown or run-up is ultimately mirrored in private real estate. Investors should consult with real estate portfolio managers with experience through different market conditions.

Figure 6: Private CRE correlation increases with a 2- to 3-quarter Public CRE lag

Correlation coefficient of lagging public CRE returns versus private CRE since 2006



Source: NCREIF, NAREIT, Nuveen Real Estate Research (As of Q2 2026). **Diversification does not assure a profit or protect against loss.**

Note: Private real estate is represented by the NCREIF NPI-ODCE Index; public real estate is represented by the FTSE NAREIT U.S. All Equity REITs Index.

Liquidity and ease of access considerations

Public REITs trade on major stock exchanges, and ETFs can provide diversified exposure across companies and property sectors. As a result, public real estate exhibits better liquidity characteristics than private real estate and is easier to invest in. Investors can adjust public real estate holdings daily and at comparatively low investment minimums. Private real estate generally requires larger commitments, longer holding periods and potentially extended redemption queues, particularly during periods of market stress.

Different sector exposure creates a complementary way to access the real estate market

Analysis of the NCREIF ODCE Index and the FTSE NAREIT All Equity REITs Index illustrates the contrast in property sector allocations, reflecting private real estate's core real estate mandate and listed real estate's broader opportunity set. Traditional property sectors⁵ represented 90% of ODCE, compared with 39% of the FTSE NAREIT Index.⁶ Industrial was ODCE's largest allocation at 35%, followed by apartments at 28%, office at 17% and retail at 10%. For the FTSE NAREIT Index, retail was the largest traditional allocation at 15%. Non-traditional sectors like data centers, self-storage and telecommunications represented 61% of the index, despite accounting for a smaller share of the overall investable real estate universe.

The composition of these indexes has also evolved differently. Private real estate's office allocation declined from 40% in 2015 to 17% in 2025, while listed REITs reduced office allocations from 10% to 3% over the same period. Retail exposure also diverged: ODCE's allocation fell from 18% to 10%, while listed REITs dropped from 24% to 15%. Industrial exposure increased across both indices, but ODCE's exposure nearly tripled. These shifts reinforce private real estate's stronger core sector tilt, while listed REITs moved more decisively toward specialized sectors.

For investors, the distinction is practical. Private real estate can provide diversified exposure to the traditional building blocks of commercial real estate, while public real estate can extend the opportunity set to property types such as data centers, cell towers and self-storage that are more difficult to access through many core private vehicles.

Why combine public and private real estate?

The research suggests that public and private real estate serve complementary roles in an institutional portfolio. Private real estate can act as a core allocation, supported by smoother appraisal-based returns, low correlation with equities and meaningful exposure to traditional sectors such as industrial, apartment, office and retail. Public real estate can serve as a liquid, tactical complement, providing broader sector reach with the flexibility to adjust exposure to property types as market conditions change.

This division reflects the vehicle's structural constraint differences. Core private real estate funds benchmarked to the NCREIF ODCE Index usually maintain meaningful allocations to traditional sectors, limiting the amount of alternative exposure they can provide even as the opportunity set expands. Public REITs do not face the same portfolio constraints, helping explain their more decisive move into specialized property sectors while private portfolios retained greater, though declining, exposure to areas such as office.

For investors, combining the two can therefore provide a more complete real estate allocation – balancing stability and diversification with liquidity, sector breadth and tactical flexibility.

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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 590 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, 30 June 2026.

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

- 1 Based on the Sharpe ratio of a representative sample of portfolios with various mixes of stocks, bonds, private and public commercial real estate (See Figure 1).
- 2 Based on the compound annual growth rates between 2006 Q2 and 2026 Q2 for the NCREIF NPI-ODCE Index and the FTSE NAREIT U.S. All Equity REITs Index.
- 3 As reported by NCREIF measuring property sector market value over time for the 25 funds in the NCREIF NFI-ODCE Index.
- 4 Based on the standard deviation of 12-month trailing quarterly returns since 2006.
- 5 Traditional core sectors are apartment, industrial, office and retail.
- 6 Funari, Nicole. "Private, Listed Real Estate Diverge on Traditional Property Sector Investment Choices." Nareit, September 19, 2025. <https://www.reit.com/news/blog/market-commentary/private-listed-real-estate-diverge-traditional-property-sector>.

Sources

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