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2025 Real estate capital raising insights report

agora

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Introduction and key findings

Introduction, market overview, and methodology

Raising capital in today's commercial real estate market presents distinctive challenges. Higher interest rates, building and labor costs, and certain asset classes like office space that have fallen out of favor make fundraising more difficult. Costs and opportunities also vary by regional areas of the country given population growth or localized government regulations.

Successful investment managers should create strong investor relations strategies to respond to these challenges. This includes consistent investor communications, streamlining the capital-raising and subscription process, and creating clear marketing materials for investment opportunities.

To learn more about the current state of raising capital, we surveyed 250 GP decision-makers to better understand their hurdles, opportunities, and recent fundraising results. Through our survey questions, we sought to identify key trends around successful strategies and top-performing asset classes. We also assessed GPs' sentiments and overall outlook for raising capital in the next six months.

This report analyzes the survey results and key insights. By examining these market insights and emerging trends, investment firms can better position themselves for successful fundraising in today's environment.

Market Overview

The commercial real estate sector appears poised for recovery, with Deloitte's latest research showing 88% of industry leaders expecting revenue growth, breaking a two-year streak of pessimistic projections. This positive outlook aligns with recent monetary policy changes. In September, the Federal Reserve lowered interest rates by 0.5%, followed by an expected additional rate cut in November.

Against this backdrop, certain sectors show particular strength. Residential real estate continues to outperform, driven by a shortage of 7.3 million rental homes. And while general private credit funds have attracted $200 billion during the past three years, our survey reveals that real estate equity investments are delivering both higher capital raised and better returns for investors.

Methodology

Talker Research surveyed 250 commercial real estate GP decision-makers between September 5 and 13, 2024. The participants included managing partners, CFOs, and investor relations managers. The survey used a random double-opt-in sampling process, and the survey team members hold accreditations from the Market Research Society (MRS) and the European Society for Opinion and Marketing Research (ESOMAR).

Key findings

1 Private equity is the primary capital source for 21% of investment firms

Private equity remains dominant, accounting for 21% of total capital raised across surveyed firms. Private REIT structures follow at 18%. Both of these top areas reflect GPs' continued ability to raise and deploy capital despite market headwinds. Existing asset cash flow contributes 17%, pointing towards the importance of operational efficiency in current portfolios. And, despite higher interest rates and tighter lending standards, firms listed bank loans at 15%.

2 Residential investments yield highest investor returns for 68% of firms

Higher returns from residential investments underscore the resilience of housing fundamentals. 68% of firms report residential assets as their highest-performing investment class, with multifamily properties accounting for 23% of this success.

3 50% of firms cite interest rates as the main challenge in raising capital

Higher interest rates are the primary obstacle to capital raising, with 50% of firms identifying this as their main challenge. Construction costs are the second most significant hurdle, at 39%, while rising labor costs impact 32% of firms. These cost pressures directly affect project feasibility and return projections.

4 40% of firms say maintaining investor contact is the best fundraising strategy

Personalized investor relationships are key to fundraising success. Consistent investor contact emerges as the top strategy, with 40% of firms identifying it as their most effective approach. This focus on relationship management helps drive more successful capital commitments in the current market.

30% of firms shared that technology adoption through CRMs and investor deal rooms supports their fundraising success. An equal percentage chose strategic communication, showing how modern tools can amplify traditional relationship building.

5 81% of GPs have a positive outlook for fundraising over the next 6 months

Market optimism remains strong among investment firms despite current challenges. 81% of GPs express positive sentiment toward fundraising over the next six months. This confidence suggests firms are adapting to market conditions and identifying viable opportunities.

Survey report findings

Capital raised in the last 6 months

Real estate capital raising spans small syndicators to larger firms, all working to secure investor dollars. With an average capital raise in the last six months of $33 million, investors are still supporting real estate deals today.

While this average is notable, it's heavily influenced by the larger raises, as 70% of respondents actually raised $1 million or less. This 70% breaks down to 32% of GPs raising between $200,000 and $1 million in investor capital. 21% of respondents raised under $50,000, while 19% raised between $50,000 and $200,000.

On the higher end, 15% secured funding between $1.1 million and $50 million, with 6% of respondents reaching $50 million to $1 billion and 2% crossing the $1 billion threshold.

Some participants left their recent fundraising amounts unknown. This could be due to deals still in progress or that detailed numbers weren't immediately available during the survey timeframe.

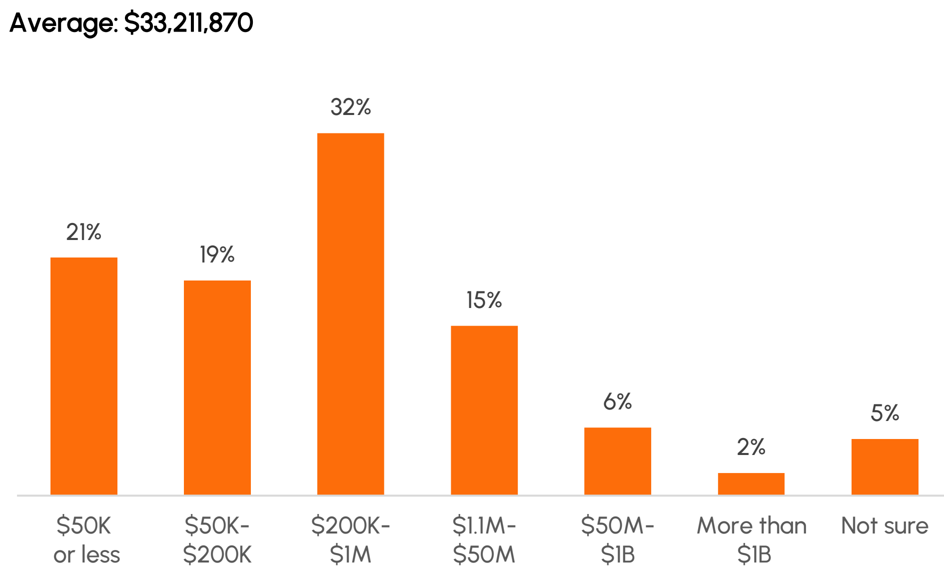

Figure 1: Capital raised in the last 6 months

Primary source of capital raised in the last 6 months

Investment managers are increasingly drawing from a variety of capital sources, minimizing dependence on any single type of funding. Private equity leads as the most common source, accounting for 21% of total capital raised, followed by Real Estate Investment Trusts (REITs) at 18% and cash flow from existing assets at 17%.

While private equity and REITs reflect strong institutional interest, the reliance on cash flow indicates a strategic industry shift toward operational efficiency and portfolio performance.

Traditional bank loans, at 15%, remain a staple despite higher interest rates, highlighting banks' continued role in real estate financing.

The remaining sources included institutional capital at 6%, crowdfunding platforms at 4%, and government programs like HOME investment partnerships and USDA rural development programs at 3%.

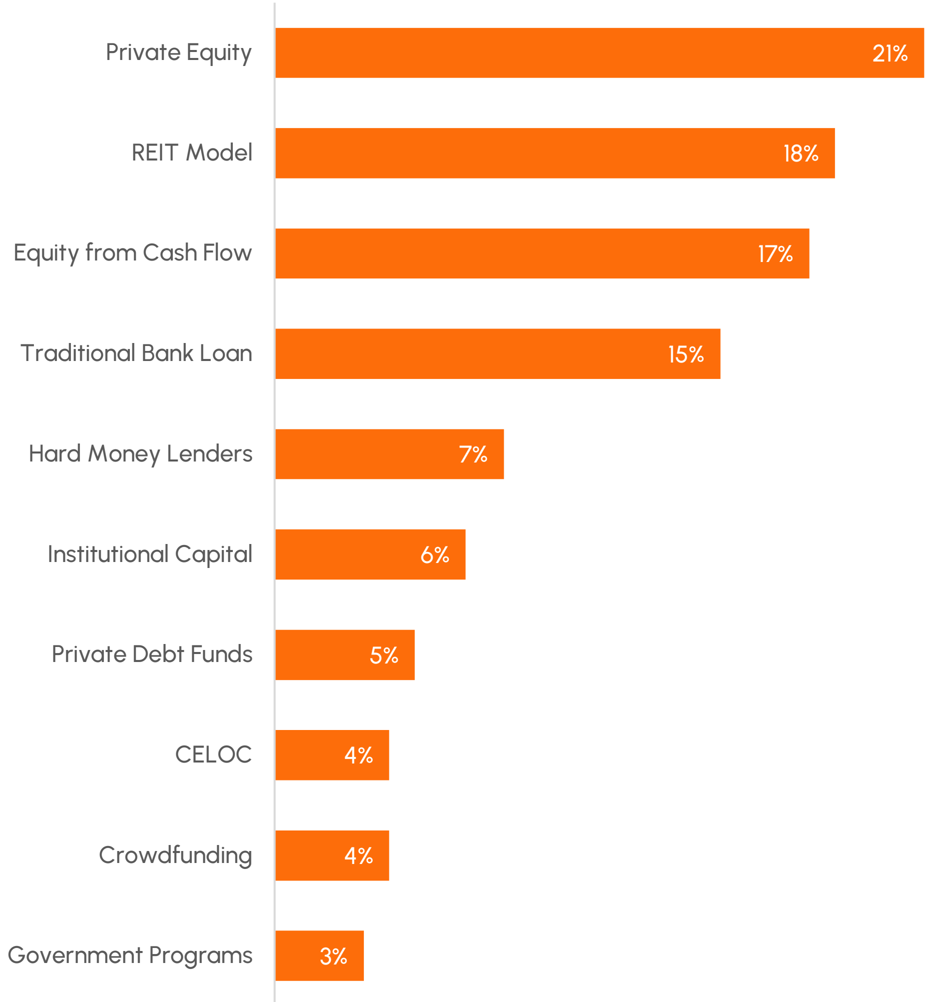

Figure 2: Primary source of capital raised in the last 6 months

Total capital raised from the primary source (private equity) in the last 6 months

The diversity in capital raised from primary sources, particularly private equity, underscores the adaptability and resilience of today's real estate operators. Despite varied deal sizes, real estate firms are effectively leveraging private equity to drive growth and scale their portfolios.

With an average capital raise of $28 million from private equity, our data shows that successful fundraising is not limited to large-scale operations—firms across all stages and sizes are securing capital to fuel their strategies.

37% of respondents raised $200,000 or less, with 18% raising $50,000 or less, 9% between $50,000-$100,000, and 10% between $100,000-$200,000. Another 36% secured between $200,000 and $900,000, while 16% received between $900,000 and $50 million from their primary source.

These insights highlight that private equity remains a versatile and dependable funding source, supporting operators at different scales to execute their vision and navigate today's dynamic market.

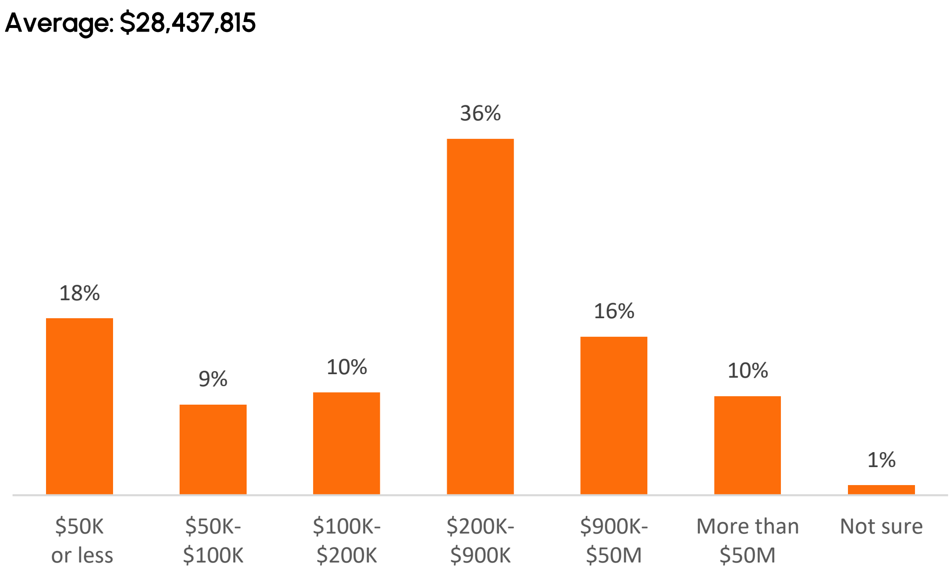

Figure 3: Total capital raised from the primary source (private equity) in the last 6 months

Asset class with highest investor returns in the last 6 months

Residential real estate continues to dominate investor returns, with 45% of respondents citing it as their best-performing sector. Multifamily stands out within this category, accounting for 23% of top returns.

Other top-performing asset classes included Equity at 10%, Retail at 7%, Industrial at 6%, and Debt at 3%.

Investor returns for residential and multifamily investments also reflect different regional success stories. Multifamily shows clear regional winners, while single-family residential performance is strong across multiple regions with less dramatic variations.

For residential, the Midwest leads in investor returns at 54%, followed by the Southeast and West, both at 51%. The Southwest accounts for 45%, and the Northeast for 27%.

In the multifamily space, the Northeast provided the highest investor returns, as reported by 40% of respondents, followed by the Southwest for 29%. Lower performing regions included the West at 20%, the Southeast at 15%, and the Midwest at 11%.

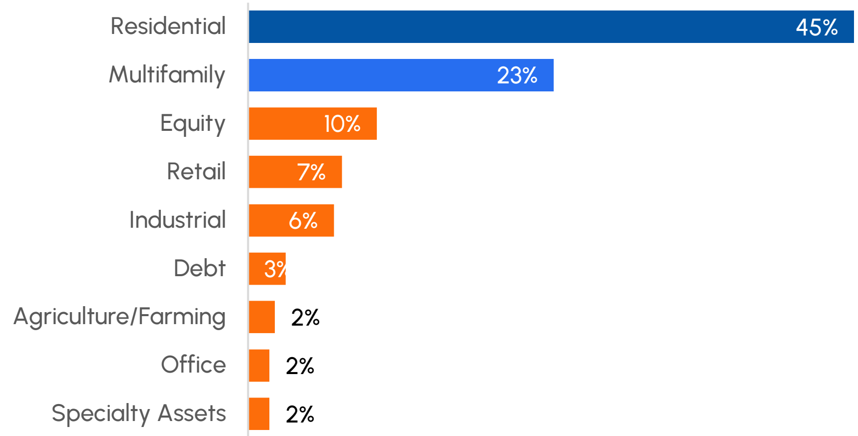

Figure 4: Asset class with highest investor returns in the last 6 months

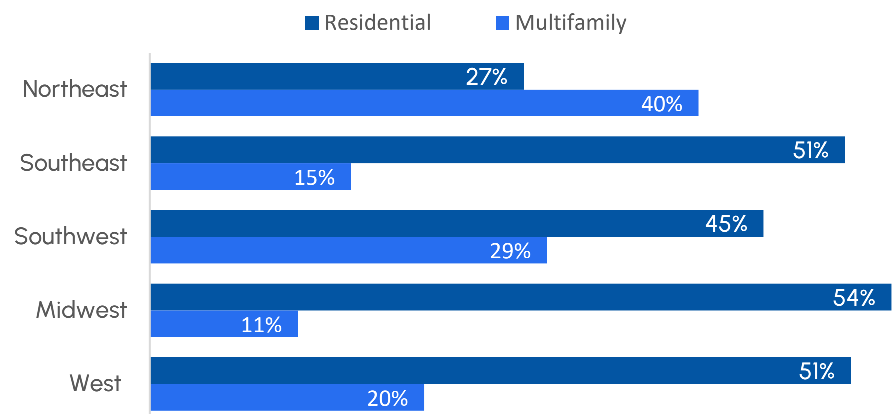

Figure 5: Performance of residential and multifamily by region

Total investor returns from the highest performing asset class (residential)

While average investor returns from the best-performing assets reached $9 million, this number tells only part of the story. The data reveals a widespread performance, with most operators delivering returns under $900,000 while a select few achieved significantly higher figures.

4% achieved investor returns above $50 million, and 18% generated between $900K and $50 million. The largest segment, 38% of respondents, returned between $200K and $900K.

Among other respondents, 11% achieved $100k-$200K, 13% returned $50K-$100K, and 12% generated $50K or less.

This distribution demonstrates that residential real estate can yield returns across a wide spectrum. While a few projects achieve exceptionally high returns, the majority of operators find reliable performance at moderate levels, reinforcing the stability and resilience of residential real estate as a leading asset class.

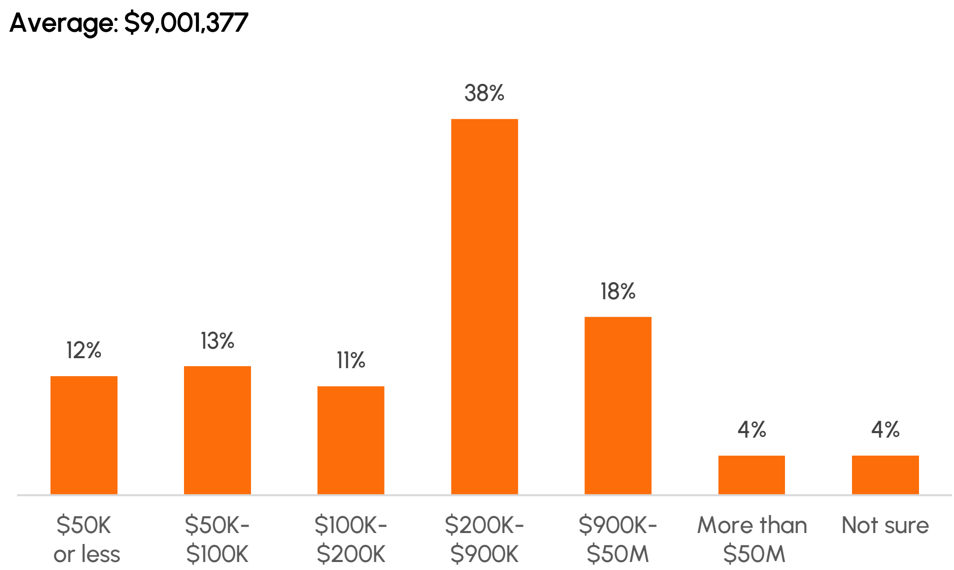

Figure 6: Total investor returns from the highest performing asset class (residential)

Asset class with the highest dollar amount raised

Persistent housing shortages and strong rental demand continue to attract investor capital. When we asked GPs about the highest dollar amount raised by asset class, residential captured 64% of capital raised, with 24% specifically in the multifamily space.

Retail represented 8%, industrial 5%, while office, specialty assets, and agriculture/farming each stood at 2%. Other asset types comprised 1%.

For investment types, respondents shared that they raised 14% for equity investments compared to debt at 2%.

Multifamily investments concentrate heavily in two regions, with other markets showing varied levels of activity. Specifically, 34% of properties are in the Southwest, 31% in the Northeast, 18% in the West, 19% in the Southeast and 14% in the Midwest.

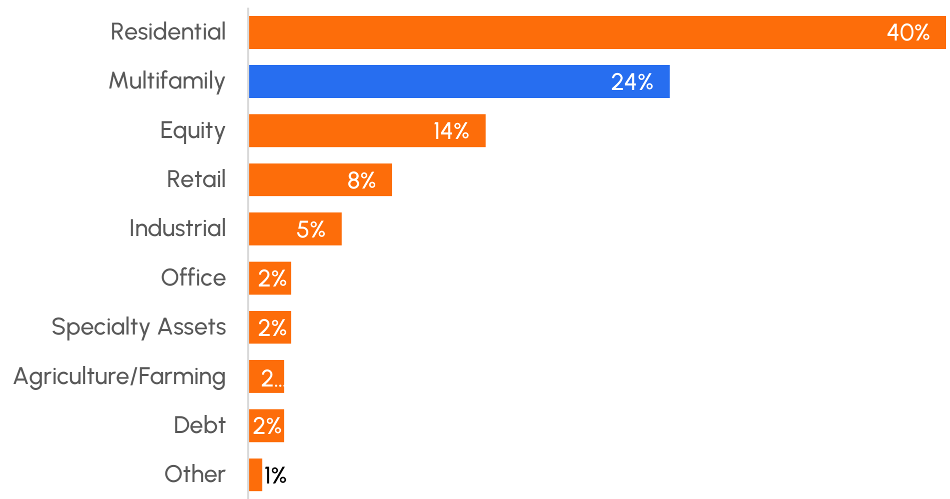

Figure 7: Asset class with the highest dollar amount raised

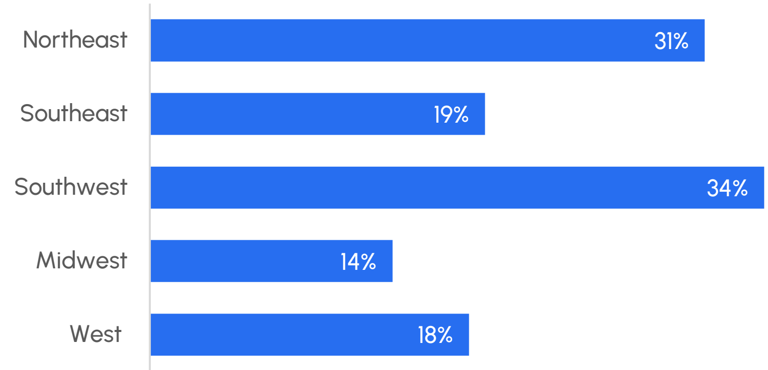

Figure 8: Performance of multifamily by region

Total capital raised by the top asset class in the last 6 months

The scale of capital deployment varies widely across real estate operators. While average raises approached $30 million, most activity occurred at more modest levels.

37% raised between $200K and $1 million, 19% raised $50k to $200k, and 16% raised $50K or less. On the higher end, 14% raised $1.1 million to $50 million, and 8% raised $50 million to $1 billion.

This mix of moderate and higher raises shows a balanced approach in the market, combining the flexibility of smaller projects with confidence in large-scale investments.

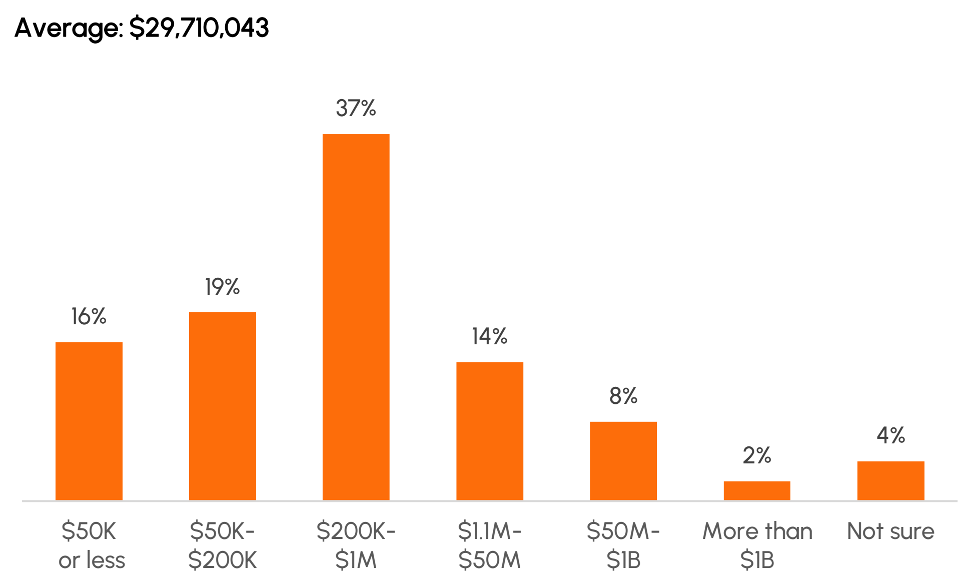

Figure 9: Capital raised in the last 6 months

Average percentage of recent fundraising targeted to each asset class

Investment preferences across asset classes show a clear hierarchy. While housing leads capital deployment, investors also have strategic positions across other commercial and specialty sectors.

The GPs surveyed concentrated heavily on the residential and multifamily sectors, at 41% and 21%, respectively. Industrial followed at 9%, while equity funds comprised 7% and office space 5%.

Retail malls and strip centers tied with agriculture and debt funds at 4% each. The remaining average percentage is split between special assets at 3% and other investments at 2%.

This allocation emphasizes a strong preference for housing-related investments, with diversified but smaller commitments in commercial and specialty sectors to balance portfolios strategically.

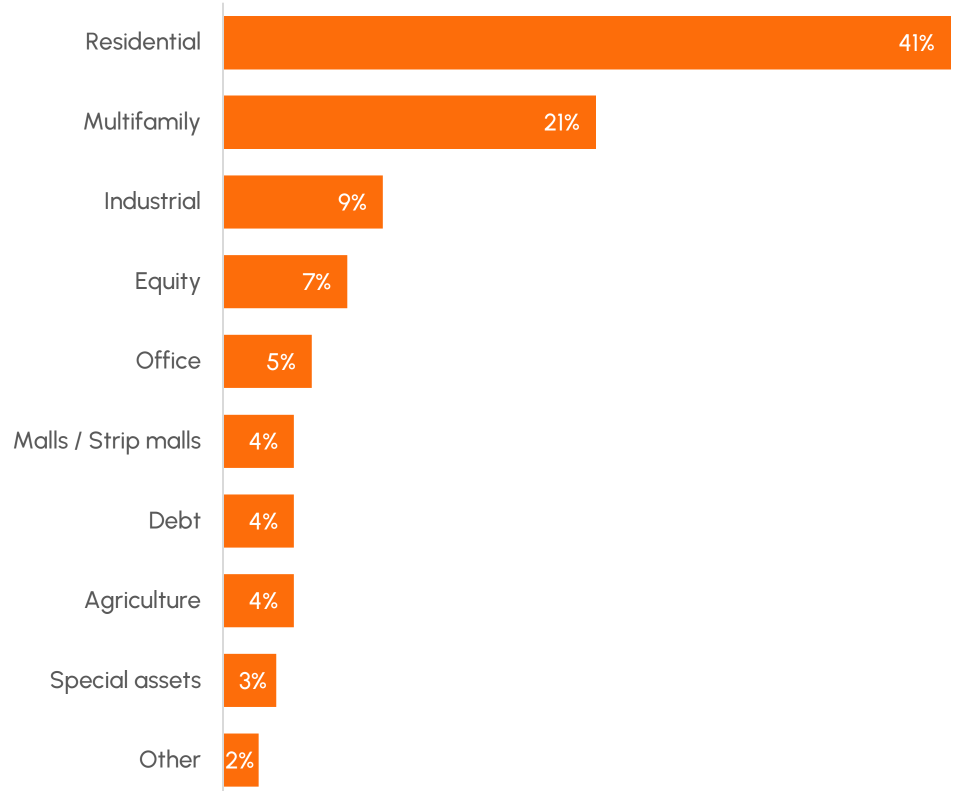

Figure 10: Average percentage of recent fundraising targeted to each asset class

Region with highest investor returns in the last 6 months

Geographic performance shows a relatively balanced picture across U.S. markets, with modest variations between regions.

The Southeast leads investor returns at 25%, with the Northeast a close second at 21%. The Midwest followed at 17%, while the West and Southwest tied at 16% each. Five percent of those surveyed weren't sure which region held the highest returns.

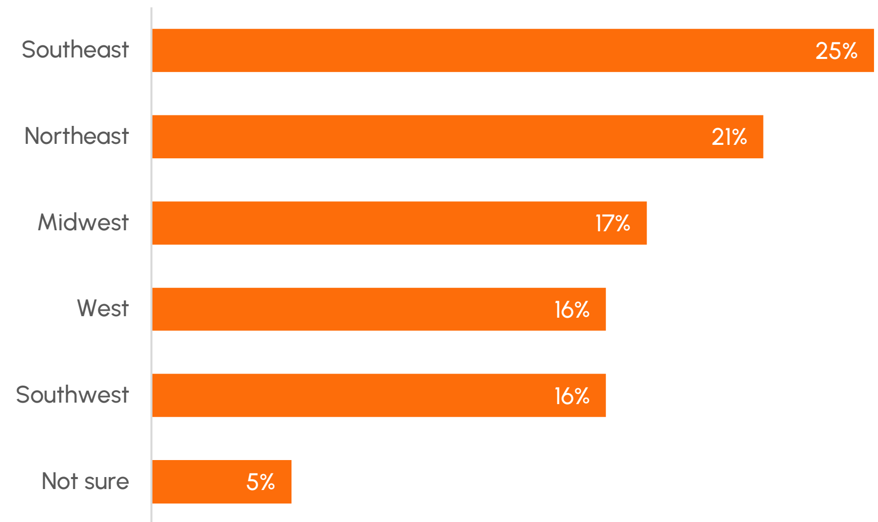

Figure 11: Region with highest investor returns in the last 6 months

Total investor returns by the top performing region (southeast)

Regional performance reflects the wide range seen across the industry, from moderate returns to larger investor distributions. Within the respondents' top-performing region, the average returns were $28.5 million.

38% of GPs provided investor returns between $200K and $900K, 16% between $900K and $50 million, and 11% over $50 million.

Below the $200K threshold, 13% were $50K or less, 10% $50K to $100K and 9% between $100K to $200K.

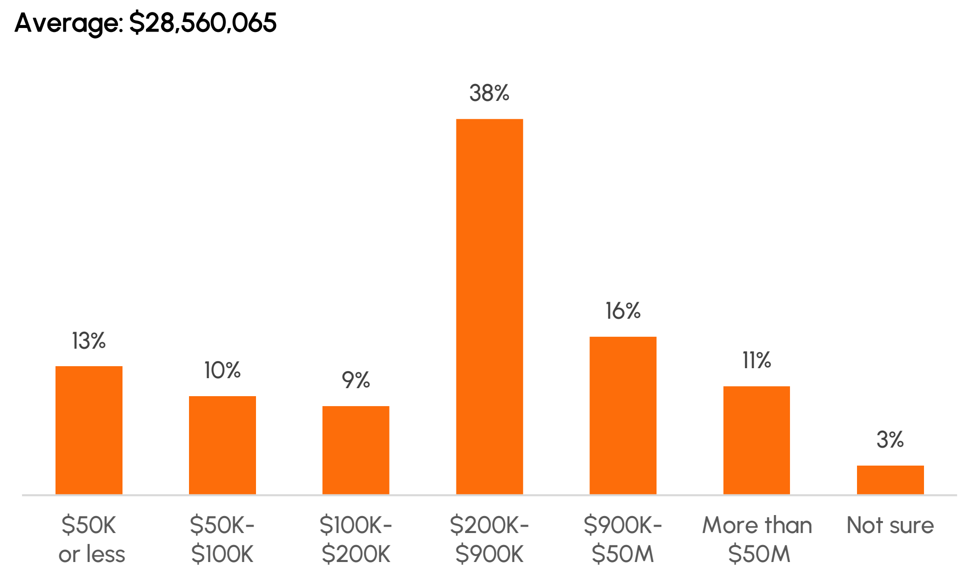

Figure 12: Total investor returns by the top performing region (southeast)

Region with the highest capital raised in the portfolio

Surveyed GPs reported the Southeast as the region with the highest capital raised, leading at 24%, reflecting strong investor interest driven potentially by economic growth and population influx. The Northeast closely follows at 23%, indicating sustained demand in established urban markets.

The Midwest accounts for 19%, while the West and Southwest trail at 16% and 13% respectively. The remaining 5% of respondents were unsure.

This regional breakdown reflects a balance between emerging markets and established hubs, allowing GPs to diversify geographically and capitalize on regional strengths.

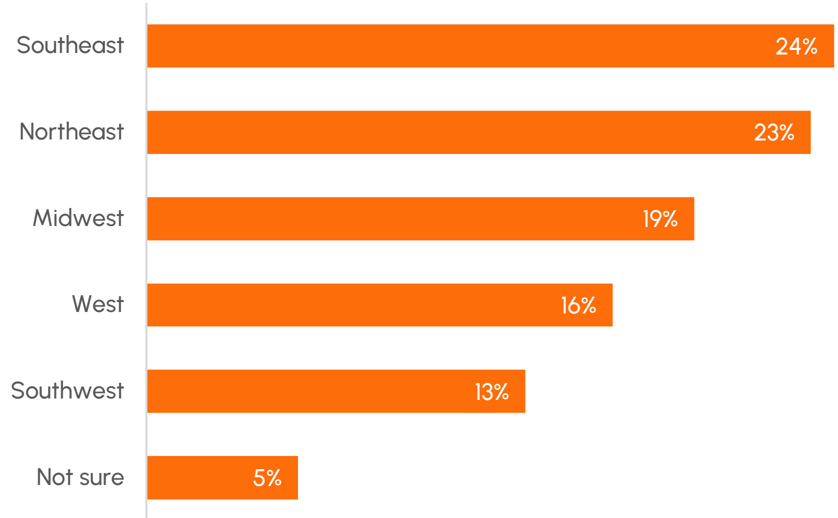

Figure 13: Region with the highest capital raised in the portfolio

Total capital raised by the top-performing region (southeast)

In the top-performing region (southeast), GPs raised an average of $32.5 million.

14% of respondents raised $50K or less, 9% raised between $50k-$100k, and 7% raised between $100k-$200k.

The largest group, 35%, raised between $200K and $900K. 19% raised between $900K and $50 million, while 11% raised more than $50 million. The remaining 5% of respondents were unsure.

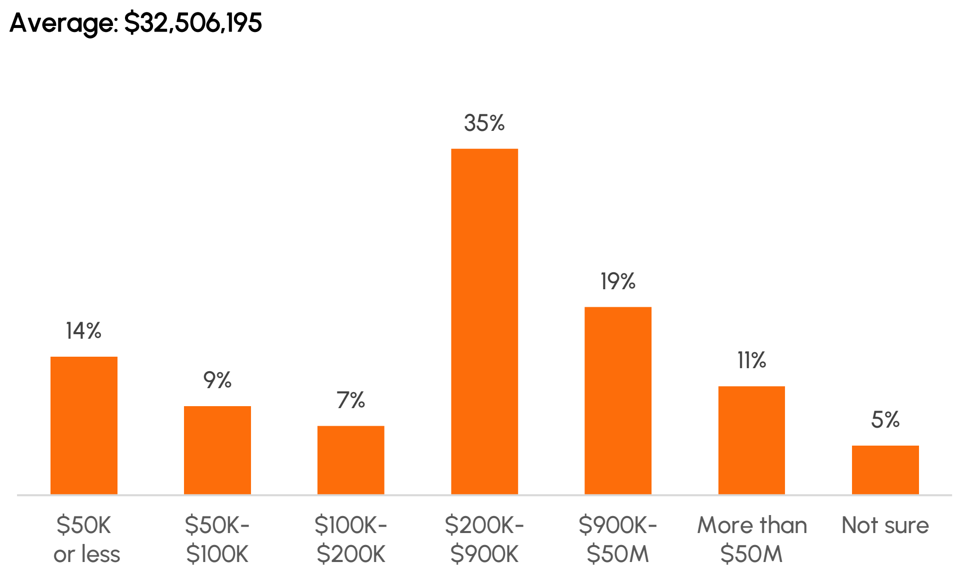

Figure 14: Total capital raised by the top performing region (southeast)

Major challenges in raising capital in the last 6 months

We asked GPs to choose from several key challenges in raising capital during the last 6 months to get a picture of current obstacles. The highest ranking factor at 50% is higher interest rates. Close behind are rising costs, including 39% for construction/building and 32% for labor.

Firms also pointed towards operational issues, with 26% choosing cash flow as an issue, 23% citing investment management, 18% driving profits, and 16% reporting underwriting as a challenge.

In investor relations and onboarding, GPs reported additional hurdles, with 19% facing challenges in communicating with investors, 16% managing transactions, and 11% investor reporting.

Construction costs vary greatly across U.S. regions, creating different challenges for operators based on their geographic focus. We found the highest increases in the Southeast at 51% and the Midwest at 46%.

The Southwest saw an increase of 34%, the Northeast 31%, and the West experienced a 27% increase.

*Question allowed more than one answer and as a result, percentages will add up to more than 100%

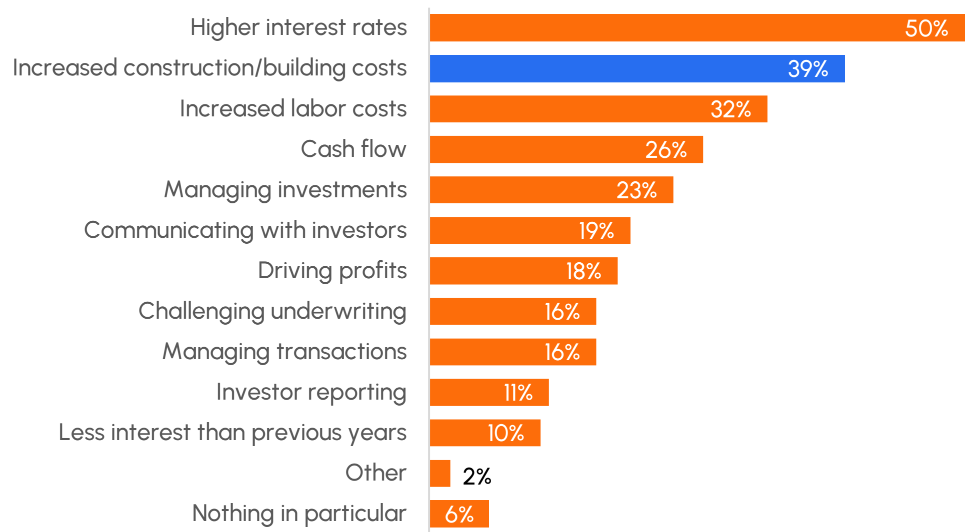

Figure 15: Major challenges in raising capital in the last 6 months

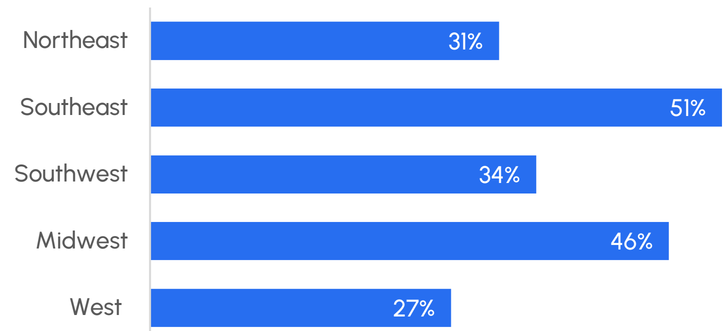

Figure 16: Increased construction/building costs, by region

Most effective fundraising strategies in the last 6 months

40% of respondents shared that maintaining contact with investors is one of the best strategies for raising capital. Not surprisingly, having strong investor relations for both existing and prospective investors helps to drive better outcomes. Firms also use personalized investor relations using tools like CRM to adjust investor messaging or investor portals to present customized deal information.

30% of firms surveyed mentioned that their overall communication strategy is a core part of their capital-raising process.

GPs also rated technology to support fundraising at 23%, and 18% added project metrics into their marketing materials. 14% found dedicated web pages or communication platforms to be effective, and 10% used feedback mechanisms to shape their strategy.

A deeper analysis of primary capital sources reveals how firms use personalized investor relations solutions in their fundraising to increase success. The highest adoption comes from private equity users at 41% and those with traditional bank loans at 40%.

*Question allowed more than one answer and as a result, percentages will add up to more than 100%

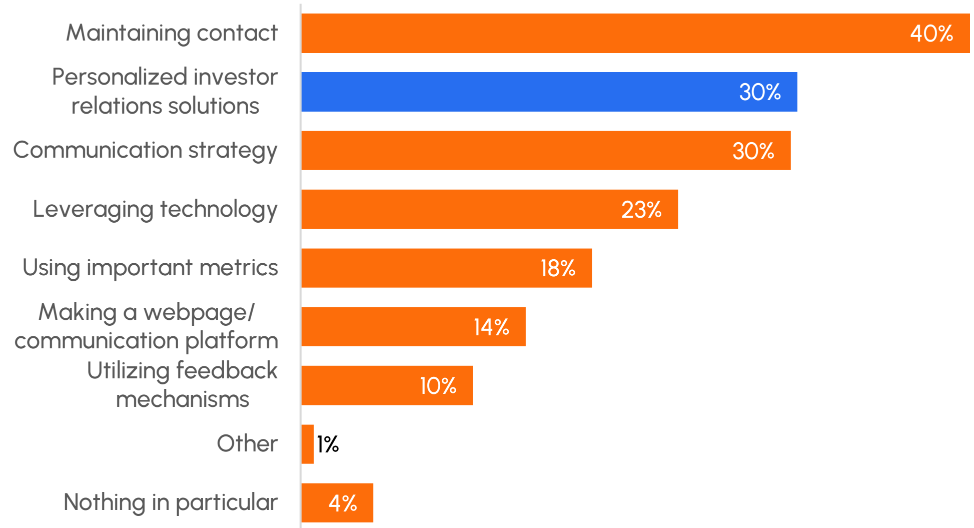

Figure 17: Most effective fundraising strategies in the last 6 months

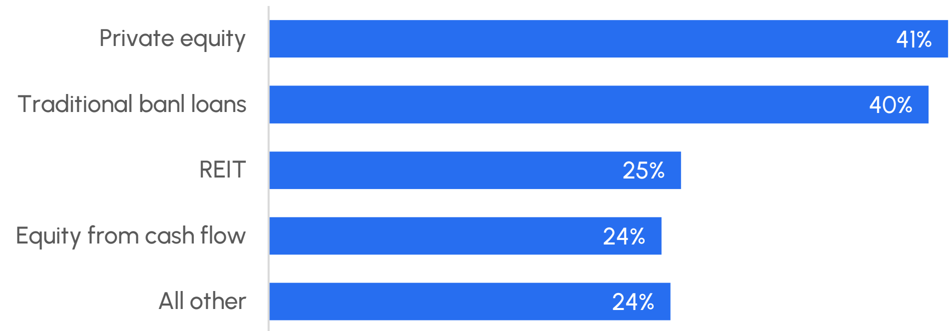

Figure 18: Use of investor relations solutions by primary source of capital

Perception of fundraising trends for the next 6 months

Market challenges haven't dampened real estate operators' fundraising outlook. The majority of respondents have a positive perception of fundraising trends for the next six months, with 41% expressing a somewhat positive outlook and 40% a very positive outlook. A smaller portion of 12% remains neutral. Just 6% of respondents have a somewhat negative outlook, and 1% have a very negative outlook.

Regional analysis reveals varying sentiment patterns across the U.S. The Southeast shows the highest positive sentiment at 91%, followed by the Northeast at 85%. The West shows 80% positive sentiment and the Southwest 74%, while the Midwest trails at 62%. Negative sentiment follows an inverse pattern. The Midwest shows the highest negative sentiment at 36%, followed by the Southwest at 24% and the West at 20%. The Northeast and Southeast show the lowest negative sentiment at 14% and 5%.

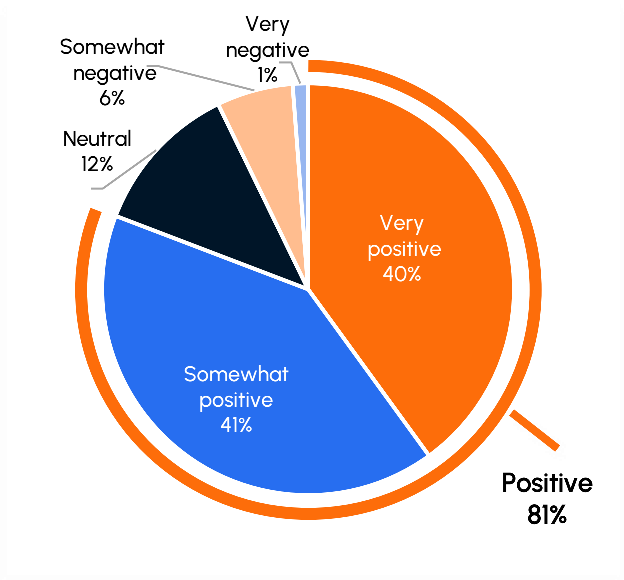

Figure 19: Perception of fundraising trends for the next 6 months

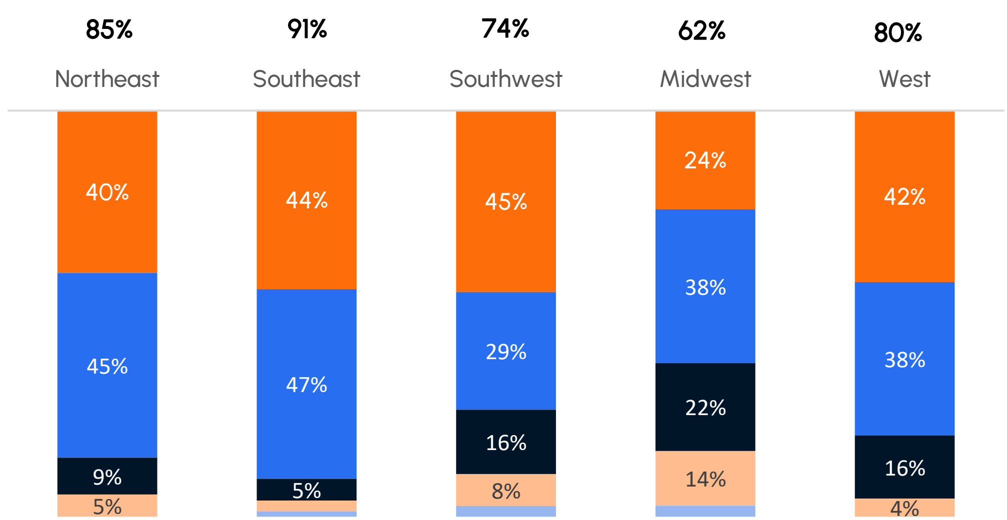

Figure 20: Perception of fundraising trends for the next 6 months, by region

Expected changes in fundraising efforts for the next 6 months

Firms signal an active period ahead for capital markets, with 62% of respondents planning to increase fundraising efforts over the next six months. Meanwhile, 24% expect them to remain the same, and 9% anticipate a decrease.

5% of respondents are unsure about the expected changes in fundraising efforts.

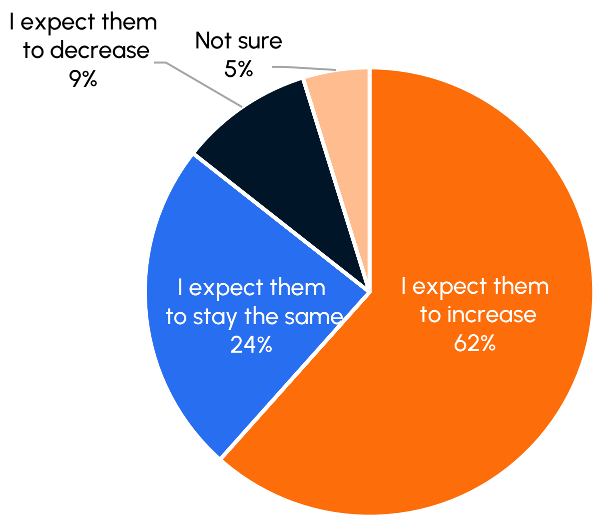

Figure 21: Expected changes in fundraising efforts for the next 6 months

Demographics

Gender, age, region, and industry cover

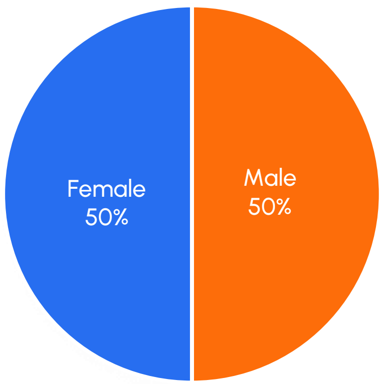

Figure 22: Gender

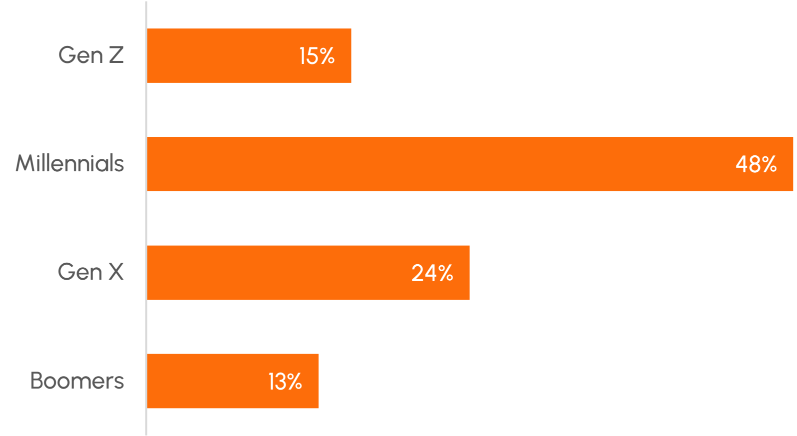

Figure 23: Age

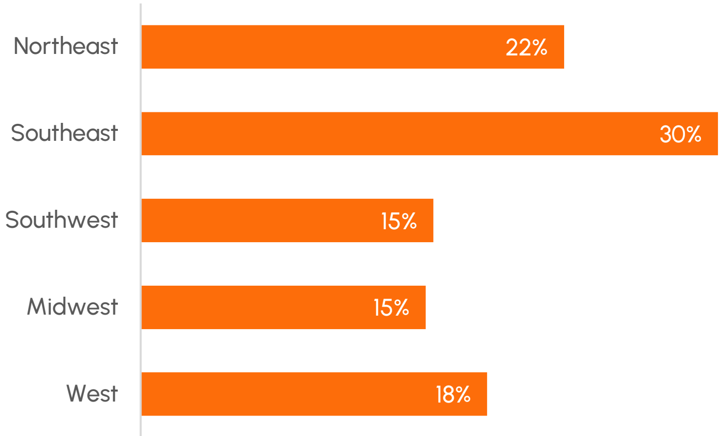

Figure 24: Region

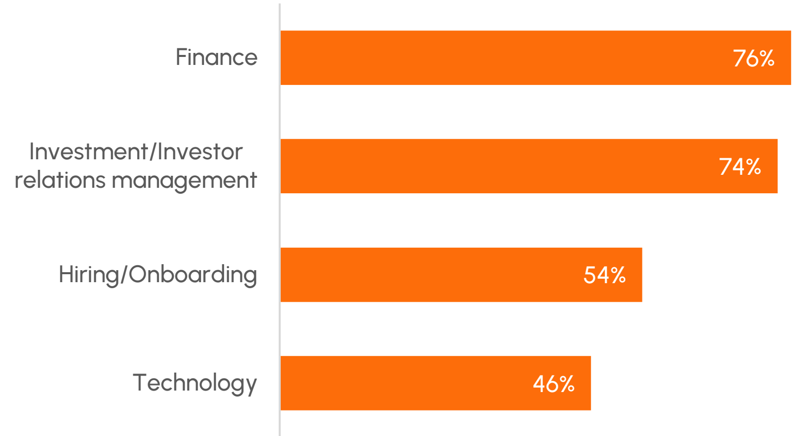

Figure 25: Industry cover

About Agora

Agora is a comprehensive investment management solution revolutionizing the real estate industry by providing much-needed tech solutions for real estate investment management. Agora's comprehensive platform offers a wide range of services, from CRM to data rooms, automation of investor onboarding, tools for financial transactions, and expert CPAs dedicated to bookkeeping and tax needs. This empowers real estate entrepreneurs with the efficient workflows and seamless operations they deserve. Using Agora, they are empowered to scale their business effortlessly while fostering strong investor relations and efficient and accurate financial operations. Connect with our team today to take the next step in optimizing your investment management operations.

Book a demo

For more information, please visit us: