

# EMBREY INSIGHTS



## THE COMEBACK OF INSTITUTIONAL CAPITAL:

EMBREY INSIGHTS HOSTS JLL'S MARK GIBSON

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For several years, the question plaguing the commercial real estate industry has been where to find funding to build, own and invest. Of particular interest has been the constant assurance that billions in dry powder are on the sidelines, waiting for more clarity amid the volatility.

According to Mark Gibson, JLL's CEO, Capital Markets, Americas, much of that sidelined capital is finally starting to flow back into the market as institutional investors regain confidence in CRE. He emphasized that there is no shortage of capital, both debt and equity, available at scale. The one caveat is core capital, which remains accessible primarily in smaller check sizes: under \$150 million for individual assets and under \$300 million for portfolios.

As the guest during the September EMBREY Insights call, Gibson explained that:

- CRE institutional investment criteria are changing, while capital is being allocated to value-add and opportunistic plays
- Alternative lending will continue to be essential to the industry
- Banks are returning to real estate—but with a different strategy
- Some sectors attract more investment than others

## Institutional Investors and the Decision-Making Criteria

Gibson launched his presentation with numbers:

- Returns from the S&P 500 and listed securities increased by 75% since 2022
- Returns from commercial real estate decreased by 25% since 2022
- The market, once “incredibly focused” on the 10-year Treasury, has now shifted its attention to GDP, viewing Treasury volatility as the new normal

**As a result, Gibson noted that for a value investor, real estate currently offers a far more attractive risk-return profile than liquid securities.** Macro considerations continue to guide decision-making, including:

- GDP and job growth/decline (movement of the economy)
- Fiscal and monetary policies (the Federal Reserve and the EFR)
- Geopolitical factors (regional conflicts and tariffs)
- Legislative actions (H.R. 1 – the tax bill)
- Operational expertise, especially among owner-operated properties

“This is what they’re concerned about today, and how it impacts real estate pricing,” Gibson observed.

## Capitulation and Conviction

Gibson also said that two themes drive the current CRE financing and transaction environment.

### #1—Capitulation

Capitulation refers to LPs, GPs and funds recycling capital to deploy in new opportunities.

### #2—Conviction

Meanwhile, investors are more confident in financing and owning real estate investments with more realistic pricing and narrowing bid-ask spreads. This is resulting in increased transaction volumes.

## Where it's Coming From

Gibson emphasized the capital is beginning to come back to the market from a broad base of investors:

- Retirement plans, pensions and wealth management accounts. These accounts have long relied on real estate investments for steady returns. Importantly, Gibson noted that a major driver of future CORE capital will be large mutual fund families—Vanguard, Fidelity, T. Rowe Price, and others—who are now able to include real estate in 401(k) defined contribution plans under the new tax bill. This structural change is expected to accelerate capital flows into CRE.
- Sovereign wealth and state funds. Despite ongoing national and international rhetoric around tariffs, overseas funds continue to prospect the United States for real estate investment opportunities.
- Alternative capital, through private capital funds and ABL, continues to fill the financing gap, and will have the means to continue doing so through 2026, at least. **“Those debt funds have enough dry powder to absorb all the potential at-risk assets,”** Gibson added.
- Traditional banks. Banks are back in the game but have an additional strategy from the past. Rather than funding CRE directly, traditional lenders are paying into private credit and debt funds. Gibson explained that doing so means a lower cost of capital. **“That’s a tailwind that we haven’t seen for a while,”** he added.

## Where it's Going

Even with the increases in transactions and funding, not all CRE assets benefit. Gibson commented that much of the allocation is directed to value-add and opportunistic strategies.

Furthermore, an examination of Open End Diversified Core Equity (ODCE) allocations demonstrates a focus on the living and industrial sectors. Industrial demand depends on the region (and continues experiencing some headwinds), but the living sector, not so much.

**“Living is extraordinarily important because everyone knows that we are going to need more housing,” Gibson said. “I believe this will be in demand from an investor perspective for some time.”**

Living—multifamily, student housing, senior housing, SFR/BTR and manufactured housing—is primed to offer positive returns over the next several years. Gibson explained that 2024 and 2025 recorded record deliveries of multifamily units. However, construction has declined, with the shortage likely to be felt in 2026, 2027 and beyond.

As a result, Gibson suggested that now would be a good time to examine multifamily investments, saying, “We have some institutional investors that are looking at this as a smart strategy.”

## **The Takeaway**

Gibson declined to provide a formal investment outlook but acknowledged several key trends:

- Institutional capital is steadily returning, but patience is still required. He noted that the market is “bumping along the bottom” and has been adjusting to a new normal for some time. While this normalization is healthy, it has taken time for owners and investors to rationalize pricing shifts.
- Opportunities are emerging for best-in-class operators. Narrowing bid-ask spreads and more realistic pricing are creating attractive entry points particularly in the living sector, which remains structurally undersupplied despite record deliveries in 2024–2025.
- Transaction volumes are set to accelerate. Barring any major economic or geopolitical disruption, Gibson expressed confidence that deal activity will meaningfully increase for the first time in more than three years, fueled by renewed conviction to invest in CRE and the pressing need for LPs to recycle their capital after extended hold periods.

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Garrett Karam leads investment and capital markets activity for EMBREY. As a seasoned industry professional, he sets strategic direction and drives performance alongside a talented in-house investments team, with a focus on maximizing returns and building long-term relationships.

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