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Pension Pledges Fall Another 9% Through Q3

U.S. public pension pledges to commercial real estate vehicles ticked down again in the third quarter, as the fundraising market continues to stall ahead of a potential recovery.

Some $7.10 billion was committed to funds and separate accounts from July through September, down 13% from $8.18 billion in the prior-year period, according to **Ferguson Partners.** That brought total pledges for the first nine months of 2024 to $24.20 billion, down 9% from $26.63 billion a year earlier.

The **Federal Reserve's** recent interest-rate cut — and the expectation of more over the next year — have capital-raising pros, managers and investors expecting fundraising to pick up in 2025. But given that the process for pledges often takes six months or longer, 2024's fundraising volume is expected to remain at a depressed level.

"Sentiment first, metrics to follow," Ferguson director **Scott McIntosh** said. "There's a different sentiment from two quarters ago as I think organizations in this space — both on the [general partner] side and the [limited partner] side — have more optimism."

As a result, managers and pensions are preparing for a stronger fundraising year in 2025, McIntosh said.

"It's putting an organization in the best position for a market that will hopefully look different two quarters from now," he added. It's "positioning themselves to take advantage of a market that's hopefully going to shift in the right direction."

To be sure, 2025 isn't expected to be a record year like 2022, which saw $65.09 billion pledged to real estate vehicles. But given that 2023's total haul of $32.68 billion was the lowest annual figure since 2013 — and expectations that 2024 will be in that ballpark — a material rise is likely, McIntosh said.

"Looking at these last two years together shows you a market that was quickly forced to reckon with a new interest-rate environment that it hadn't seen in over a decade," he said. "In terms of '25, I would expect and hope for more activity."

Investors continue to focus on higher-yielding strategies, though not as much as last year. Some 35% of pledged dollars in the first nine months of 2024 went to opportunistic strategies, up from 31% in 2023. Value-added vehicles corralled 30% of commitments, down from 45%.

The largest increase was seen by managers of core vehicles, which attracted 28% of pledged dollars, up from 20%. McIntosh said that uptick "isn't insignificant" and is tied to an increase in sector-specific separate accounts that have lower return thresholds.

Vehicles dedicated to a single property type took home 48% of pledged dollars in the first nine months, above 2023 (44%) and below 2022 (53%). Among those, the largest category is "other/niche," with 35% of all pledged dollars, up 2 percentage points from last year. Ferguson defines niche as vehicles focused on life-science, single-family rental, healthcare, data-center and cold-storage properties, among others, as well as debt.

Funds and separate accounts focused on multifamily and industrial properties each accounted for 29% of all pledged dollars. That's up from 27% for apartments and down from 34% for warehouses.

"We used to talk about four major food groups," McIntosh said. "Of those four, two are active and sought after."

The 308 pension systems tracked by Chicago-based Ferguson have some $5.5 trillion under management. They represent the vast majority of assets held by U.S. public pensions. Ferguson, which has tracked the sector since 2011, will release its findings in a report next week. ❖