

Real Estate Co-Investment: What Participants Are Saying

By William Maher and Nolan Eyre

Introduction

Co-investment, also known as “sidecar” investment, in commingled real estate funds has become an increasingly popular strategy that investors use to make project specific investments, often at lower fees than investments in the fund itself. Co-investment can lead to greater control over property type allocation and risk levels. Co-investment typically does not provide additional control over financing and disposition. Despite growing popularity, there is little data or organized information about this strategy.

RCLCO Fund Advisors (RFA) conducted parallel surveys of institutional real estate investors and fund managers to capture how co-investments are experienced and valued. Together, the two surveys offer a view of where expectations align, where they diverge, and what that gap means for how co-investment programs are structured and negotiated. The investor survey focuses on participation history, portfolio sizing, fee expectations, evaluation process, and future intentions. The manager survey examines motivations, program design, fee norms, access policies, and outlook. The survey was offered to a wide range of institutional investors and real estate investment managers. Response rates were typical of similar industry surveys¹. Our findings are presented below.

Summary of Findings

Our survey results indicate that most investors and managers view co-investment as an important add-on to real estate commingled funds. However, there are clearly diverging viewpoints regarding performance, future participation, and appropriate fee structure.

Investors

- Investors indicated that **co-investment is a widely used** but unevenly valued feature of institutional real estate portfolios. Participation is high, but only half of prior participants described the experience as positive.
- For participants, the mechanics of the process that scored well include **timeline and information quality**. 80% of respondents include the right to participate in co-investments in fund documents.
- Co-investment **decisions are largely handled in-house**. Seventy percent of respondents said they do not use an external consultant or advisor.
- For **non-participants**, the barriers are predominantly structural: mandate constraints, organizational scale, and required decision timeframes. These are unlikely to change in the near term.
- The **overall trajectory for investors is flat to declining**. A third of respondents indicated that they will reduce future co-investment commitments, while only 16% plan to increase commitments. (Half indicated that future co-investment amounts will be close to current levels.)

Managers

- Seventy-nine percent of survey respondents have offered co-investments. Of those offering co-investments, **95% called it a positive experience**.
- **Co-investments average about 25% of fund size** among managers that offer them, ranging from 11% at the low end to 40% at the high end.
- The **main reasons for offering co-investment** include investor demand (30%), avoiding concentration limits (25%), and deal volume exceeding fundraising capacity (20%).
- Co-investment rights are increasingly being **negotiated into fund documents**, although a growing share of managers are opening co-investments to outside investors as a way to build new relationships.
- The **outlook for manager participation is stable to growing**, with only a small minority expecting to pull back.

¹ There were 17 investor responses and 29 manager responses.

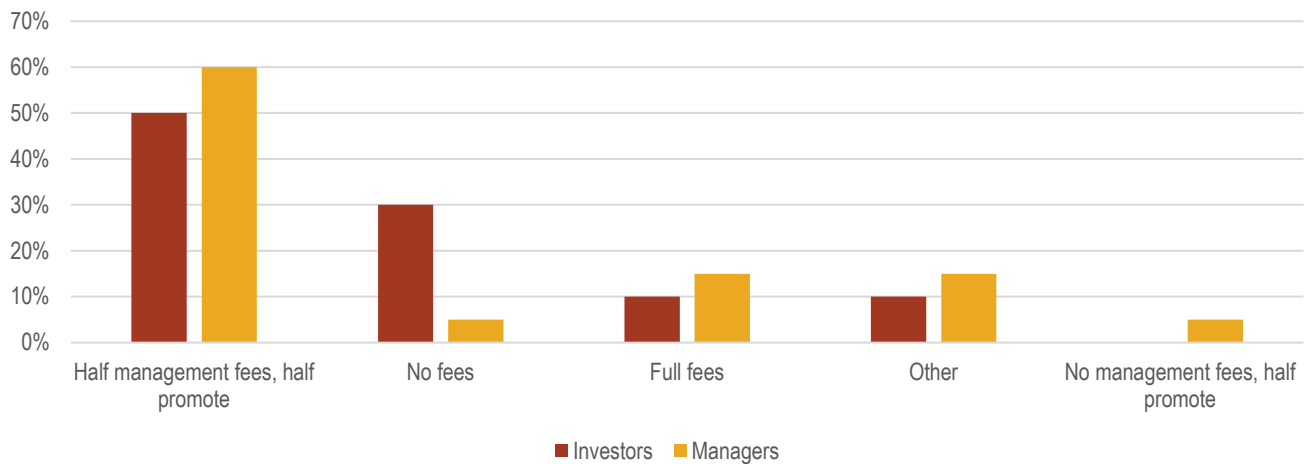
Areas of Potential Disagreement/Improvement

- Only **half of the investor respondents considered prior co-investments to be a positive experience**, while 20% indicated that prior co-investment was negative. For managers, **co-investment is firmly embedded** in how most of them operate. Participation is nearly universal, and sentiment is strongly positive.
- A majority (60%) of managers indicated that the market rate for co-investment fees is a **“half management fee/half promote”** structure. However, almost a **third of investors think that no fees should be standard**.
- Another issue is that it is difficult to tell if co-investments have outperformed overall fund level performance.

Next Steps

- Managers and the industry as a whole need to do a better job in **showing that co-investment improves risk adjusted returns**.
- The range of **fee structures needs to be streamlined** and more in line with the overall private equity industry. A recent survey of institutional investors indicated that for private equity broadly co-investments “typically carry little or no incremental cost.”²
- RFA will continue this survey on a biannual basis in order to provide transparency to both groups and to track trends and results.

Market Rate for Co-Investment Fees



Investor Survey

Investor Survey Overview

RFA surveyed institutional real estate investors to understand their experience with, and attitudes toward, co-investment opportunities alongside co-mingled real estate funds. The survey covers participation history, investment rationale, fee expectations and experience, evaluation process, and future intentions. This survey is an effort to bring investors’ perspectives into focus.

Respondent Profile

The respondent pool skews toward large, sophisticated institutional capital. Public pension funds are the largest respondent cohort at 41%, followed by a diverse "Other" category including asset managers and an institutional private fund at 24%. Endowments and foundations make up 18%, with corporate pensions, insurance companies, and family offices rounding out the remainder at 6%

² [Pensions & Investments, May 12, 2026.](#)

each. Respondents have dedicated real estate programs, established manager relationships, and the organizational capacity to evaluate co-investments when they arise.

Organization Type	Share
Public Pension Fund	41%
Endowment / Foundation	18%
Corporate Pension Fund	6%
Family Office	6%
Insurance Company	6%
Other	24%
Total	100%

Note: not all survey participants responded to all questions.

Team sizes vary considerably. Roughly a third of respondents have fewer than five real estate professionals, while others represent large institutional platforms with dedicated co-investment infrastructure. The scale of capital varies widely across respondents, although 53% manage between \$10 billion and \$100 billion in total assets. The average assets under management (AUM) across survey respondents is \$97 billion, reflecting the institutional weight of this group.

Total Assets Under Management	Share
Less than \$10B	20%
\$10B – \$50B	33%
\$51B – \$100B	20%
\$101B – \$500B	20%
\$500B or more	7%
Total (responding)	100%

Prior Co-Investment Experience

Most respondents (71%) have previously invested in a co-investment opportunity and among those who have, sentiment is mixed. Half called the experience positive, 20% answered that it was not positive, and 30% characterized it as neither positive nor negative. One respondent remarked that they could not determine whether the portfolio's co-investments had outperformed its fund investments, noting a wide range of outcomes, including total losses. That kind of uncertainty about return attribution is a real structural challenge for investors trying to build an evidence base for or against co-investment as a strategy.

Has co-investment been a positive experience?	Share
Yes	50%
No	20%
Neither positive nor negative	30%
Total (responding)	100%

Allocation and Portfolio Role

Among prior participants, co-investment represents a modest slice of overall real estate exposure. Sixty percent report allocations below 5% of their committed real estate portfolio, although the average sits at approximately 6.4%. When measured specifically against co-mingled fund commitments, the average rises to 9.9%, though that figure is pulled up by a small number of investors with concentrated co-investment programs, one of whom reported co-investments at 50% of fund commitments.

Co-investments as % of committed real estate allocation	Share
Less than 5%	60%
5% – 10%	30%
Greater than 10%	10%
Total (responding)	100%

Co-investments as % of committed co-mingled fund allocation	Share
0%	20%
1% – 5%	50%
6% – 15%	10%
16% – 30%	10%
More than 30%	10%
Total (responding)	100%

The modest average allocation belies the strategic importance some investors place on co-investment. For most, it is a complement to fund exposure rather than a replacement and a way to increase conviction-weighted exposure to specific assets or geographies without building a separate direct investment program.

Future Co-Investment Plans

Among prior participants, 60% plan to continue co-investing, although the direction of travel is flat to down. Half of respondents expect future activity (in dollars) to be "about the same," and a third expect it to be less. Only 17% of respondents expected future co-investment activity to be greater. One respondent that did not expect to make additional co-investments noted that they, "are less important to us now as we have moved to focusing on separate account vehicles".

How will future co-investment activity (in \$) compare to past activity?	Share
More	17%
About the same	50%
Less	33%
Total (responding)	100%

Fee Structures and Negotiation

Half of prior participants cited half management fees / half promote structure as the market rate for co-investments. Another 30% considered no fees as market rate. Only one respondent considered full fees the market rate. The fee question is not just about economics; it is also a signal of how managers view the co-investment relationship. Reduced fees indicate that co-investment is being offered as a partnership. Full fees suggest it is being treated as another product.

What is the market rate for co-investment fees?	Share
No fees	30%
Half management fees, half promote	50%
Half management fees, no promote	10%
Full fees (same as underlying fund)	10%
Total (responding)	100%

Negotiation of co-investment rights has become a standard feature of engagement. Eighty percent of prior participants reported negotiating access to co-investment opportunities as part of their fund documents. That is a high rate and suggests that for this investor cohort, co-investment is no longer an afterthought in fund negotiations; it is a core ask.

Evaluation Process and Due Diligence

Despite the mixed sentiment about outcomes, investors are largely satisfied with the mechanics of the co-investment process itself. Seventy percent described the typical evaluation timeline as reasonable or sufficient, and 90% rated the quality of information provided as very good or sufficient. These are strong scores. They suggest that the frustration investors express about co-investment outcomes is not primarily about process failures – managers are generally providing adequate information and time.

Quality of information provided	Share
Very good	30%
Reasonable / Sufficient	60%
Mostly Sufficient	10%
Insufficient	0%
Total (responding)	100%

When asked how much time they would ideally have to evaluate a co-investment, responses clustered in the three-to-four-week range, with an average preferred window of approximately 3.4 weeks. That is a relatively tight ask, particularly for large institutions with investment committee requirements and legal review processes. The fact that most respondents characterized existing timelines as adequate suggests managers have generally calibrated their processes to match LP capacity.

Use of Consultants and Advisors

Co-investment decisions are largely handled in-house. Seventy percent of respondents said they do not use an external consultant or advisor when evaluating co-investment opportunities. Among those who do, fee arrangements vary: one uses a flat fee, one time-and-materials, and one an existing retainer. The prevalence of internal decision-making reflects the sophistication of this investor pool, but it also means that co-investment quality control sits within each institution. For organizations without deep internal underwriting capacity, the absence of external advisory support may contribute to the difficulty of systematically evaluating whether co-investments are performing as expected relative to comparable fund exposure.

Non-Participants: Barriers and Outlook

Five respondents had not previously co-invested, and their reasons reflect a range of structural and situational constraints. One respondent pointed to insufficient time to make decisions while another had not yet encountered the right opportunity. Two gave other reasons, including a desire for more control over the investment and the perception that the organization is too small to participate meaningfully.

Do you intend to co-invest in the future?	Share
Yes	40%
Maybe	40%
No	20%
Total (responding)	100%

Non-participants appear open to future involvement. 80% said yes or maybe when asked if they intend to participate. But the barriers they face are not easily removed. Mandate constraints require policy changes. Decision speed requires either organizational redesign or a manager willing to accommodate slower processes. Relationship access requires time and fund commitments that have not yet been made. One respondent framed the challenge clearly: “for co-investment to become more active, the benefits for overseas investors of partnering with experienced local investors need to be more clearly demonstrated”. The benefits that feel self-evident to managers and experienced domestic partners are not always obvious from the outside.

Manager Survey

Manager Survey Overview

RFA surveyed 29 real estate fund managers to understand how they structure and think about co-investment alongside co-mingled funds. Respondents skew toward smaller, value-add-focused managers (most run teams of 25 or fewer and manage less than \$5 billion in assets), but the findings carry implications for the broader market. The survey delves into manager motivations, program design, fee norms, access policies, and future intentions.

Respondent Profile

The respondent pool is dominated by investment managers with some ancillary services (55%), followed by pure investment managers (21%), owner/operators (17%), and diversified services firms (7%). Nearly all respondents (83%) offer value add or opportunistic closed-end vehicles, which shapes almost every other finding in this survey. Fewer respondents offer core and core-plus strategies.

Organization Type	Share
Real Estate Investment Manager, with some ancillary services	55%
Real Estate Investment Manager, with no operating capabilities	21%
Owner / Operator	17%
Diversified Real Estate Services Company	7%
Total	100%

Note: not all survey participants responded to all questions.

Most respondents are US-focused (46%) or regional-based (41%), with a small handful of global platforms (10%). Firm size skews small: over two-thirds of respondents have 25 or fewer real estate professionals, and the median total assets under management (AUM) falls in the \$1B–\$5B range. A few large global firms pull the averages up considerably; the mean headcount is 112 and the mean AUM is \$9.2 billion.

Real Estate Headcount	Share
Less than 10	28%
10 – 25	45%
26 – 100	10%
101 – 500	7%
More than 500	10%
Total (responding)	100%

Total AUM Range	Share
Less than \$1B	29%
\$1B – \$5B	57%
\$6B – \$25B	7%
More than \$25B	7%
Total (responding)	100%

Co-Investment Experience

Manager sentiment about co-investment is strongly positive. Of respondents who have offered co-investments, 95% called it a positive experience. That near-unanimity is notable given that 79% of managers have offered co-investment at some point, meaning the positive sentiment reflects a broad base of actual experience.

Have you offered co-investment opportunities?	Share
Yes	79%
No	19%
Total	100%

Has co-investment been a positive experience?	Share
Yes	95%
No	5%
Total (responding)	100%

Why Managers Offer Co-Investment

When asked why they offer co-investment, 35% of manager respondents cited investor demand as the primary driver, while 25% pointed to avoiding concentration limits. Another 20% noted that deal volume exceeds their fundraising capacity. 15% of respondents specified that they offer co-investments for all of the listed reasons and 5% did not list a single reason. No single motivation dominates.

Primary Reason for Offering Co-Investment	Share
Investors demand/prefer that we do	35%
Avoid concentration limits	25%
Deal volume exceeds fundraising capacity	20%
All of the above	15%
No investor interest	5%
Total (responding)	100%

Just under half of managers (45%) report that co-investment is contractually required for at least some of their investors, while the remaining 55% treat it as discretionary. That split suggests the market is still divided on whether co-investment should be a formal entitlement or an informal offering, and how managers land on that question likely shapes how they structure and administer their programs.

Are co-investments required for some investors?	Share
Yes	45%
No	55%
Total (responding)	100%

Scale and Structure

Co-investments average about 25% of fund size among managers that offer them, but the range is wide, from 11% at the low end to 40% at the high end. That spread reflects meaningful differences in how managers approach co-investment.

Co-investment as % of Fund Size	Average % Across Respondents
Average	25%
Minimum (average of reported minimums)	11%
Maximum (average of reported maximums)	40%

Eighty percent of managers offer co-investment within their value-add vehicles, 45% do so in opportunistic funds, and only 10% in core strategies. Value-add is the clear home for co-investment among this respondent pool, which is consistent with the overall composition of the survey.

Fund Types with Co-Investment Options	% of Responding
Value-Add	80%
Opportunistic	41%
Core	10%
Other	5%

Fee Structures

The most commonly cited market rate is half management fees with half promote, selected by 60% of respondents. Full fees were cited by 15%, and another 15% indicated other structures. The remaining respondents reported no management fees with half promote or no fees at all. The half/half structure has a clear majority, suggesting it has become the working standard for most managers in this group.

Market Rate for Co-Investment Fees	Share
Half management fees, half promote	60%
Full fees	15%
Other	15%
No management fees, half promote	5%
No fees	5%
Total (responding)	100%

Access for Non-Fund Investors

Seventy percent of managers allow investors outside their existing fund base to participate in co-investments, while 30% restrict access to current investors only. That majority suggests co-investment is increasingly being used as a relationship-building tool, offering prospective investors a lower-commitment way to get familiar with a manager before making a full fund commitment.

Do you allow co-investment from non-fund investors?	Share
Yes	70%
No	30%
Total (responding)	100%

Future Outlook

Managers are leaning in. Eighty-four percent of managers plan to continue offering co-investment with future funds. Among those who do, 62% expect activity to be about the same as in the past, 19% expect to do more, and the remaining 19% expect to do less or a lot less. The outlook is broadly stable, with a modest lean toward growth.

Future co-investment activity vs. past	Share
More	19%
About the same	62%
Less	14%
A lot less	5%
Total (responding)	100%

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