





Clarion Calls: Unlocking Private Real Estate for DC Plans

Dispelling Myths and Misconceptions

Defined contribution (DC) plans are increasingly exploring private market investments, including private real estate, as a means to enhance diversification, generate stable income, and improve long-term risk-adjusted returns. Historically, DC plans have relied heavily on public market solutions, particularly those focused on publicly listed REITs. While these options offer ease of implementation and liquidity, they may not fully capture the benefits available through private real estate strategies. As interest in private markets grows, it is essential to reevaluate the myths and misconceptions that may be preventing broader adoption of these strategies within DC plans. **Below we identify possible retirement plan sponsor concerns and potential solutions:**

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 <p>Private markets funds are confusing and opaque...</p>		<p>Historically, private core real estate has offered less volatility and has been less correlated with public markets and has offered enhanced diversification and better risk adjusted returns.¹ Generally, the funds' documents list each property, or asset, in an easy-to-understand format. Managers mitigate risk by acquiring assets across a variety of property types and geographies.</p>
 <p>Private funds won't work in my DC plan...</p>		<p>Key participants² across every level of the DC management ecosystem have worked through the operational issues that previously hampered the adoption of private real estate in DC plans. Today, private real estate strategies are typically delivered in CITs that offer daily valuation and daily tradability via recordkeeping and clearing systems.</p>
 <p>Private markets funds can't be valued daily...</p>		<p>Institutional-quality real estate has long been appraised by independent third-party professionals. These valuations form the basis for quarterly or monthly net asset values (NAVs) used by institutional open-end funds. DC plan structures build on this foundation by incorporating projected cash flows and accounting for any unexpected events at the property level—allowing for the calculation of a daily NAV and enabling private real estate strategies to meet the operational demands of DC plans, including daily valuation.</p>
 <p>I don't want my participants to give up liquidity...</p>		<p>Modern private real estate strategies designed for DC plans typically offer daily liquidity to accommodate for participant contributions, exchanges, and re-balancing. Liquidity is achieved by blending private real estate, typically (70-85% of the fund), with a highly liquid passive listed REIT strategy (typically 15-35% of the fund).</p>

¹ Clarion Research June 2025.

² Example participants: custodians, recordkeepers, managed account providers, glide path managers, consultants, and asset managers

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I don't want my participants to have unlimited access to private markets strategies...

Most private real estate allocations are not made available to plan participants on the plan investment menu, but rather included in professionally managed portfolios, such as target date funds, white label real assets funds, or managed accounts. These structures allow a professional fiduciary to oversee rebalancing and plan level liquidity needs.



Private fund fees are too high...

Most core private real estate strategies charge a reasonable asset management fee with no performance fees, comparable with traditional long-only equity and fixed income managers.³



I don't want to be first...

Today, there are over a dozen daily valued, daily tradable, daily liquid private real estate products in the market. DC plans hold over \$45 billion in private real estate strategies.⁴

Furthermore, several of the largest target date fund managers see the benefits of private real estate, as household names like Fidelity Investments, Prudential Global Investment Management, JP Morgan Asset Management, TIAA/Nuveen, Callan Glidepath Funds, and MissionSquare Investments have all added private real estate exposure to their off-the-shelf TDFs for the diversification, income, inflation protection, and volatility dampening benefits.

³ Preqin. Clarion Partners Investment Research. June 2024.

⁴ Defined Contribution Real Estate Council Annual Survey, 2025.

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