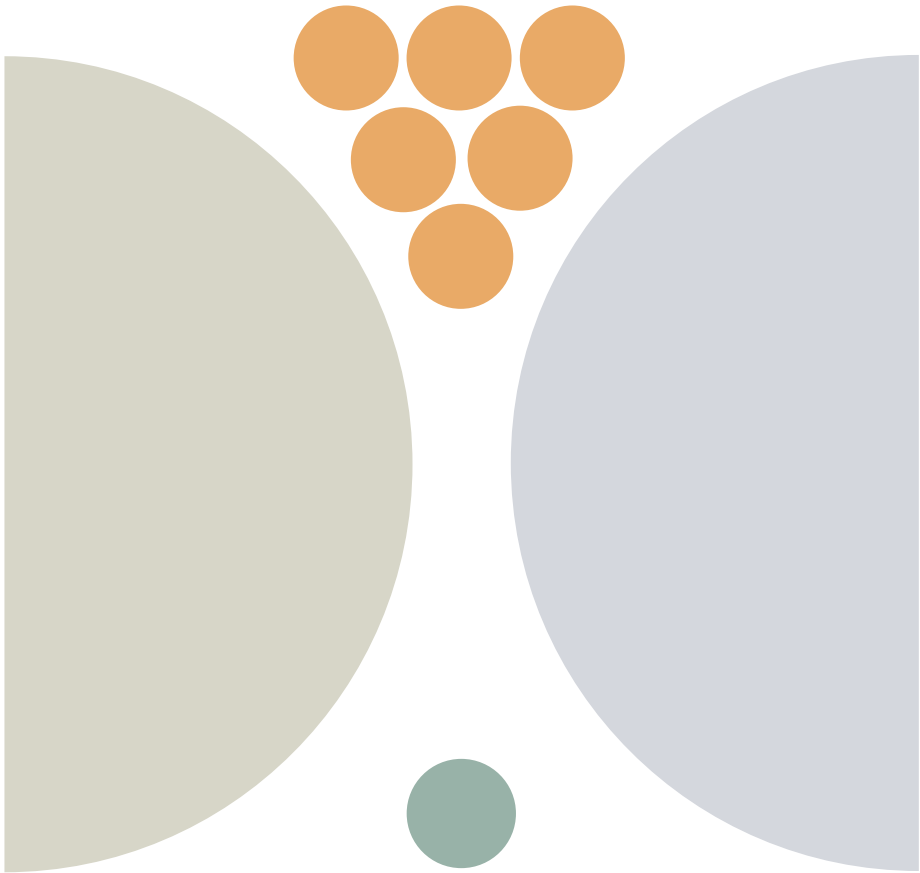


THE NARROW GATE



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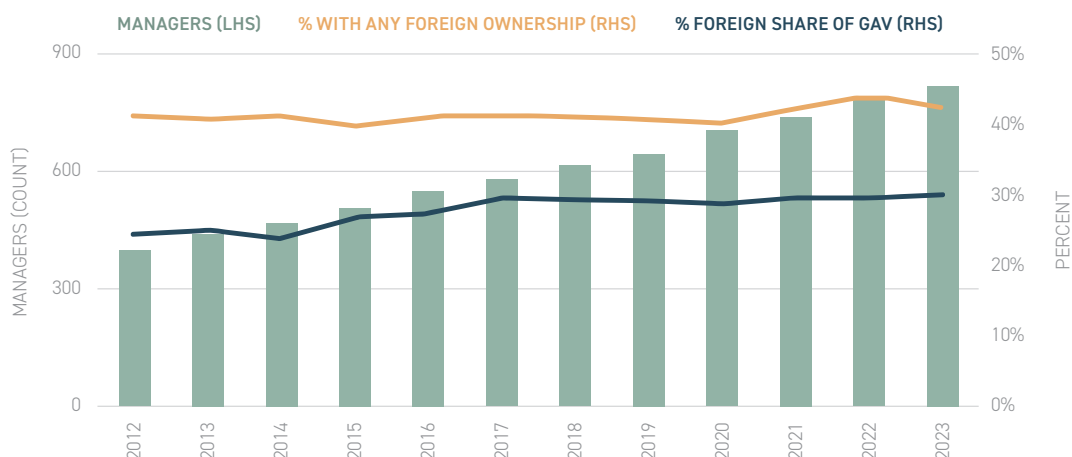
Foreign investors now hold nearly 30% of US private real estate fund assets. Yet success is highly unequal between firms and funds. We analyzed 2,376 adviser brochures to find out which firms succeed, which don't, and why.

The US private real estate fund market more than doubled over 11 years. But the foreign capital gate mostly didn't open to new firms.

In 2012, our analyzed data set (Form ADV SEC filings) contained 398 investment advisers managing qualifying US real estate funds. By 2023, it more than doubled to 812. Yet the share reporting any foreign ownership showed no clear sustained increase, moving from 41.2% in 2012 to 42.4% in 2023.

Foreign capital's share of gross asset value by fund increased from 24.4% to 30%, climbing steadily across the period (*Exhibit 1*). Capital deepened with existing managers, but it did not broaden to include new managers.

EXHIBIT 1: MORE MANAGERS, BUT SIMILAR SHARES OF FOREIGN CAPITAL



Source: US Securities and Exchange Commission, Form ADV filings; analysis prepared by the authors.

None of this reflects a lack of appetite. AFIRE's own International Investor Survey has tracked what global institutions say they intend for more than thirty years; the filings we analyzed show what happened. In the February 2026 survey, a majority of members (59%) rejected the idea that foreign institutions will accelerate divestment from US real estate in the coming years. Stated intent, in other words, remains supportive today. The filings, which run through 2023, show the structural constraint that intent keeps meeting: the share of managers reporting foreign capital showed no clear sustained increase over eleven years.

The product-level picture is even more revealing. Among the 3,161 funds we could match to their offering filings, we identified 193 whose filings disclosed paid sellers soliciting foreign investors, the clearest public signal that a manager both created the foreign capital structures – and spent money marketing it. One in three of them (61 funds) still reported zero foreign ownership over the following years. They paid sellers to find foreign investors, and the investors never arrived in any of their vehicles.

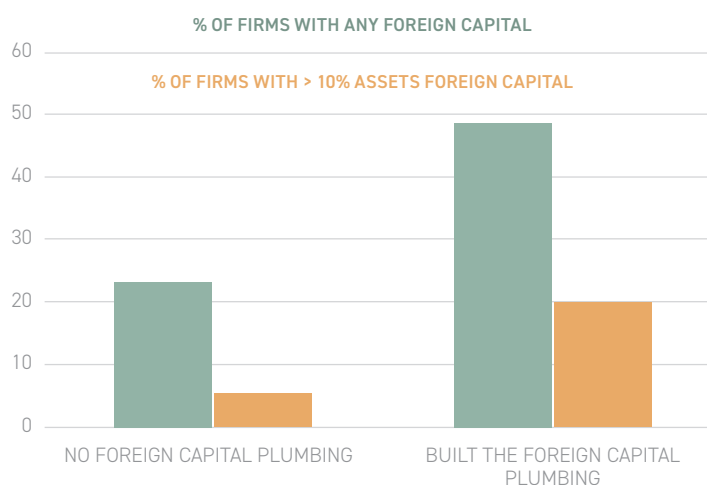
When viewed from a platform perspective, 42 of these 61 empty funds (69%) sat inside managers that were raising foreign capital successfully on other funds that had also disclosed foreign solicitation, at the same time. These firms had platforms that worked, but this fund did not.

That is the capital formation puzzle that was previously unreported, hiding in dense public filings. Legal structures and distribution can get a fund into the market. But they cannot guarantee that investors will actually invest.

IF YOU BUILD IT, THEY WILL COME (48.6% OF THE TIME)

The standard numerical SEC filings tell us whether foreign ownership appeared or not. They do not show what the manager had built in preparation. For that, we used AI to read and analyze 2,376 dense, non-standardized adviser brochures: 31.5 million words, more than a full working year of continuous reading for one person.

EXHIBIT 2: SHARE OF FIRMS RAISING FOREIGN CAPITAL, BY READINESS



These structures are a serious spend. Having sat inside a manager while it created a Luxembourg parallel fund vehicle, one of the authors can attest that the legal invoices arrive long before the first foreign commitment does. The reading also showed that much of that expensive drafting is recycled: the same passage describing offshore blockers and investor-specific structures appears nearly verbatim across some twenty unrelated firms' brochures.

We identified language indicating foreign investor access, investor-specific tax or regulatory accommodations, or a verified structure capable of serving cross-border capital. We call this observable readiness the "foreign capital plumbing": the structures and provisions that can make a manager more competitive for foreign investors.

For managers, the implication is direct: build the plumbing to remove friction, but readiness works best when paired with an established platform, and do not mistake operational readiness for investor demand.

We began with managers reporting exactly zero foreign ownership; our reference set, since we can track their market entry attempts from a standing start, ignoring firms with existing foreign capital relationships. Starting at 185 managers, 35 of them had visible plumbing and 150 had no demonstrated foreign capital structures. We followed both cohorts across four annual filings to understand their evolution over time.

Creating the foreign capital structure more than doubled these firms' likelihood of attracting foreign capital: 17 of the 35 prepared managers (48.6%)—those with the foreign capital plumbing—later reported positive foreign ownership. Among the other managers without the plumbing in place, 35 of 150 (23.3%) did so (*Exhibit 2*).

Firm scale matters too. All 17 converters were firms managing at least \$500 million firmwide (regulatory assets under management). Readiness and platform capacity reinforce each other rather than substitute for one another. Nor is readiness just size in disguise: among firms of comparable scale, prepared managers converted at roughly twice the rate of unprepared peers. But below \$500 million, none of the nine prepared managers converted in our window. The structures work with scale behind them, not instead of it.

Entry was only the first test. By the end of the four-year window, seven of 35 prepared managers (20%) reported foreign ownership of at least 10% of fund assets, compared with eight of 150 in the comparison group (5.3%).

For managers, the implication is direct: build the plumbing to remove friction, but readiness works best when paired with an established platform, and do not mistake operational readiness for investor demand.

That covers the first foreign dollar raised. But what persists?

PRIOR SUCCESS HELPS (A LOT), BUT DOES NOT GUARANTEE THE NEXT FUND

The clearest advantage in the data was prior foreign capital raising experience.

Across all 5,729 US real estate fund records filed for 2023, funds run by managers with a prior foreign capital win reported foreign ownership at rates more than five times higher than funds without a foreign capital track record (45.5% vs. 8.1%).

Prior real estate fund experience mattered little. For managers with previous real estate funds but no foreign capital track record, only 3.8% of these funds reported foreign ownership.

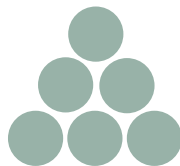
Fund experience is the wrong test. Winning foreign investors is the experience that counts.

But are these stats just a byproduct of platform size? No. Among firms under \$500 million, which could be termed emerging managers, funds with prior foreign capital track records hit 44.4% against 3.1% without: a 14x gap within the emerging-manager cohort, where overall platform scale is much less likely to explain the result. The gap holds in every size band, and it holds when each manager is counted only once.

The practical lesson is that foreign fundraising capability persists and compounds. A prior win seems to bring relationships, references, operating knowledge and credibility into the next campaign. But it is not a guarantee. More than half of the current funds run by prior winners still reported no foreign ownership.

For LPs, platform credibility (the brand) and product traction (current fund offering) remain separate diligence questions. Each fund must be assessed on its individual merits. For GPs, a foreign capital track record is an entry ticket, not automatic permission for the next vehicle - which needs to stand on its own two feet.

Knowing your local investor market and industry relationships make a meaningful difference in results.



DISTRIBUTION HELPS—WHEN IT IS DIRECTLY AIMED AT FOREIGN INVESTORS

Form D provides a separate view of the route to market. Among 3,161 qualifying funds, reporting a compensated sales recipient (such as a placement agent) increased the likelihood of reporting foreign ownership by approximately 50% (39.4% with vs. 26.9% without). Most of that gap, though, is fund size: larger funds hire third parties to sell, and larger funds attract foreign money. Controlling for fund size, the difference shrinks dramatically.

The more interesting split is where the selling was targeted. The 869 recipient-linked funds divide into two groups: those with non-US solicitation (aimed abroad) and those with no foreign solicitation reported. Unsurprisingly, compensated solicitation efforts targeting non-US investors corresponded to far higher foreign ownership rates: 68.4% compared to 31.1%.

This Form D field describes where a compensated recipient solicited or intended to solicit, not where that recipient is based. Therefore, a US placement agent marketing in Europe belongs in the foreign-solicitation group.

Meanwhile, the number of paid third party sellers told us nothing. Successful and zero-ownership funds both had a median of two compensated recipients, and an external marketer appeared at about the same rate in both groups (40% versus 44%). Whether a manager paid for outside selling did not separate winners from losers, though where the selling was directed did make a difference.

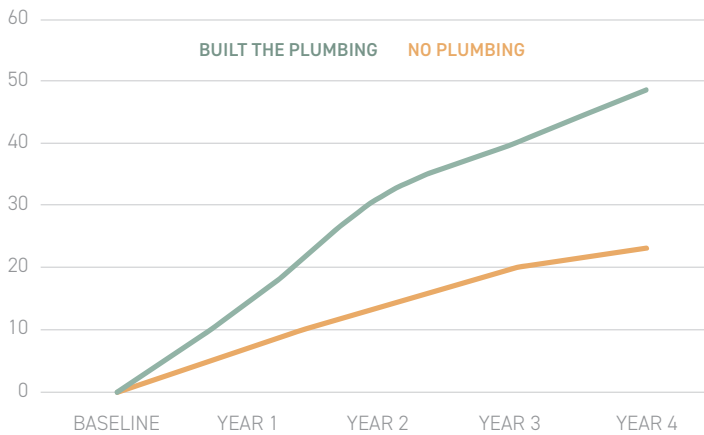
Local market expertise and industry relationships are rightly viewed as critical when analyzing real estate investments. Our data shows that the capital raising side of the business runs on similar dynamics: knowing your local investor market and industry relationships make a meaningful difference in results.

SUCCESS TAKES TIME: THREE YEARS

Cross-border fundraising runs on a longer horizon than a single filing year.

Among the 17 prepared managers that eventually converted, traction took time; conversions accumulated steadily through year four (*Exhibit 3*).

EXHIBIT 3: CUMULATIVE SHARE OF ZERO-BASELINE MANAGERS REPORTING FOREIGN OWNERSHIP



But patience needs a limit. How long before an empty structure becomes an answer? In our data, roughly three years on each manager's own clock (annual filings after its baseline brochure): 14 of the 17 eventual winners were visible by then, and late conversions were rare. Beyond that, almost nothing. Revisiting the 61 empty foreign-solicitation funds on each fund's most recent filing in our data, 53 still report zero foreign ownership.

For a capital formation team, time should inform the diagnosis. Recently built plumbing may reflect ordinary fundraising timing as the fundraising marketing machinery moves forward. Plumbing that remains empty after sustained, credible market exposure raises harder questions about the fund product market alignment.

FIVE TESTS OF FOREIGN CAPITAL FORMATION

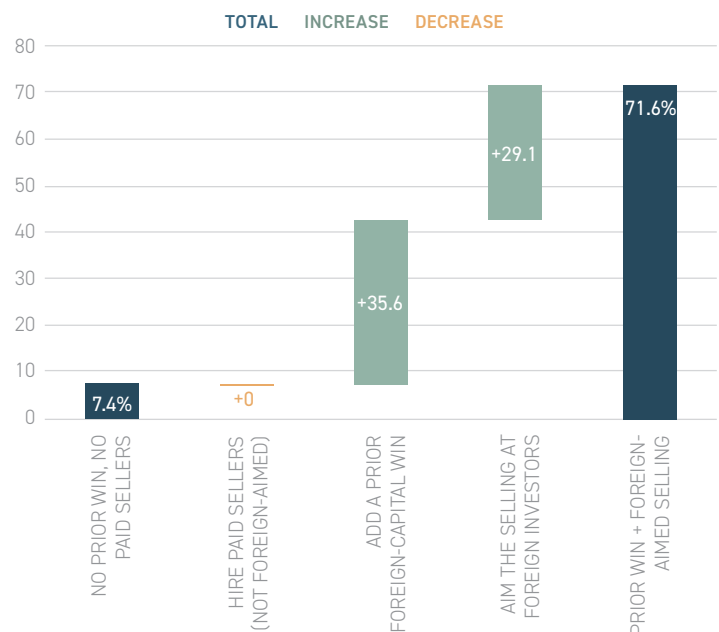
The findings point to five separate measurable tests separating foreign capital goals from repeatable platform success.

- 1. Eligibility:** Can the investor enter without unacceptable tax, regulatory, governance or reporting friction? The plumbing doubled the entry rate, but 18 of 35 prepared managers still ended empty.
- 2. Access:** Can the platform reach the right LP segment through internal relationships, consultants, affiliated distribution or an external agent? Foreign-aimed selling converted at 68% versus 31%.
- 3. Product pull:** Is the strategy competitive for those investors at this point in the market cycle? One in three paid foreign campaigns ended up empty - mostly at firms winning elsewhere.
- 4. Conversion:** Is capital actually arriving in the intended fund, feeder or parallel vehicle, on a realistic time horizon? Expect little in year one, though start to worry when sustained, credible marketing still shows nothing after three years.
- 5. Repetition:** Can the manager deepen and retain the capital across subsequent products? Prior winners saw their next funds report foreign ownership at 45.5% rates versus 8.1%.

For LPs and consultants, foreign offering language, a parallel vehicle or a placement mandate is evidence of serious preparation, not proof of product quality.

For GPs, measure and assess each test separately. Building out foreign capital investor capabilities and structures can be a significant investment. Better to validate demand to derisk the initiative before allocating resources. Scale and structure help determine the first win, and the first win compounds: nothing in our data predicted the next raise like past successes (*Exhibit 4*).

EXHIBIT 4: FROM 7% TO 72%: WHAT SEPARATES THE FUNDS THAT RAISE FOREIGN CAPITAL



If we were running a capital formation team off these findings, three things would change.

1. **Sequence the spend:** The filings are full of paid campaigns and finished legal structures at funds that never saw a foreign dollar, so secure demand evidence - such as executed anchor term sheets for seed investors plus credible conversations with prospective investors - before the Luxembourg structure invoices, not after.
2. **Focus the sales efforts:** Winners and empty funds hired the same number of sellers; what separated them was where the selling was directed. Hire or engage local sales capacity in the target investor market, not your home market.
3. **Devote outsized efforts on securing initial investors:** Nothing else in eleven years of filings impacted a manager's next raise like it, so generate and deepen those first relationships as if the platform depends on it—because it might just. Reward those important early investor commitments to the platform through flexibility on fees and terms as applicable.

For emerging managers specifically, the data draws a clear map. Below roughly \$500 million, none of the nine prepared managers below that line converted from a standing start: at that scale, the realistic path to a first foreign win likely runs through partnership rather than plumbing, a joint venture, sub-advisory mandate, or anchor relationship with a foreign-experienced platform. But the same data shows why that first win is worth pursuing creatively and aggressively: among small firms, managers with a prior foreign win converted new funds at 44.4% against 3.1% without, the widest gap anywhere in our analysis. Scale is a barrier to entry, not to repetition. For a small manager, the first foreign relationship is the single most valuable asset the filings can see.

METHODS AND LIMITATIONS

This analysis uses SEC Form ADV filings (2012 to 2023), linked Form D offering filings, and 2,376 adviser brochures (31.5 million words) read with AI extraction tools, validated against hand-audited samples; every figure traces to a source file, and a full verification package, including findings that failed our tests and were cut, is available from the authors.

Manager counts are adviser registrations, so some market growth reflects affiliates registering separately rather than new entrants. Throughout this article, foreign ownership refers to the share of fund gross asset value attributable to non-US beneficial owners as filed, not commitments, flows or investor identity, and the 2023 fund analysis covers US-domiciled real estate fund records with a reported non-US ownership percentage. Figures reflect filings for fiscal year 2023; current filings will differ. The analysis ends at fiscal 2023 because that was the last complete annual panel assembled for this study. Fiscal 2024 filings are now available through the SEC's successor bulk-download service but were not incorporated before the analysis was frozen.

All results are associations observed in public filings and do not establish that structure, experience, scale or distribution caused foreign ownership. Nothing in this article constitutes legal advice. Sources: US Securities and Exchange Commission, Form ADV and Form D data sets; AFIRE International Investor Survey, February 2026; analysis prepared by the authors.

A note on how to use these findings: there are many factors at work that cannot be observed from public data sources – including whether soft-circled commitments preceded the legal spend, so readiness may partly mark demand already in hand. Or, for example, firms hiring paid solicitation services such as placement agents, we cannot know if the excluded investor list is extensive (which could severely restrict the potential of the raise) or whether the offering fund's fees were outside of market norms. We suggest readers integrate our data analysis (and further analysis we hope we motivated you to do based on this article) with their industry knowledge and domain expertise to add depth and improve our collective decision-making processes in the industry when it comes to raising foreign capital for US real estate.

ABOUT THE AUTHORS

Donal Warde is the Principal of Folio Strategy Partners, where he advises real estate investment firms on portfolio strategy, analytics, and capital formation. He has authored six research papers published in AFIRE Summit Journal and Thesis Driven, guest lectured on real estate analytics at Columbia Business School and led a research practicum on AI in real estate at the Urban Land Institute. Ryna Irengbam is a data scientist at a proptech company building AI agents for real estate operations, where she applies text and statistical analytics to optimize both agent performance and real estate operations for clients. She holds an MA in Statistics from Columbia University and brings nearly two years of experience in commercial real estate spanning asset management, including portfolio analytics and applying machine learning to enable efficient underwriting of new construction projects for lenders.