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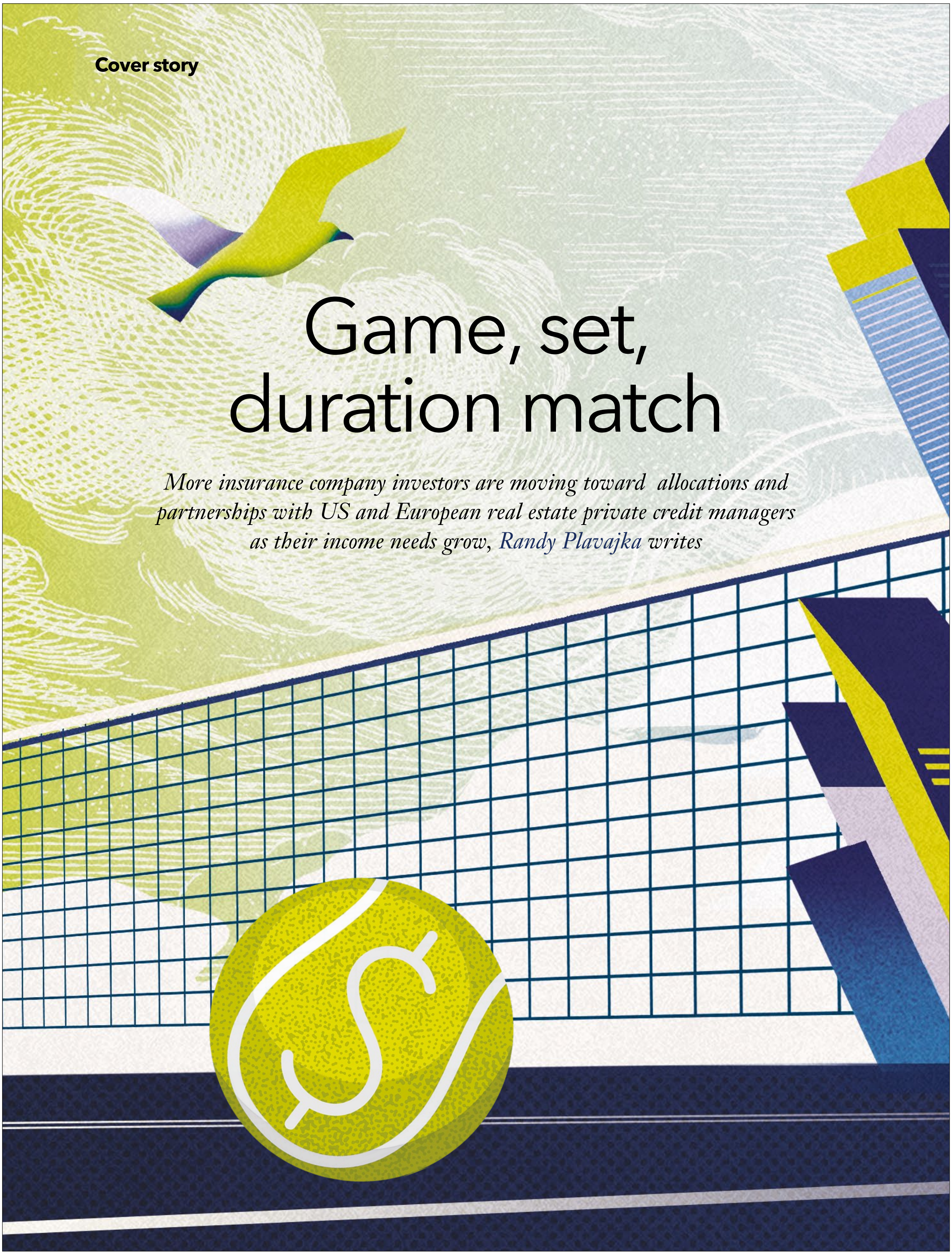
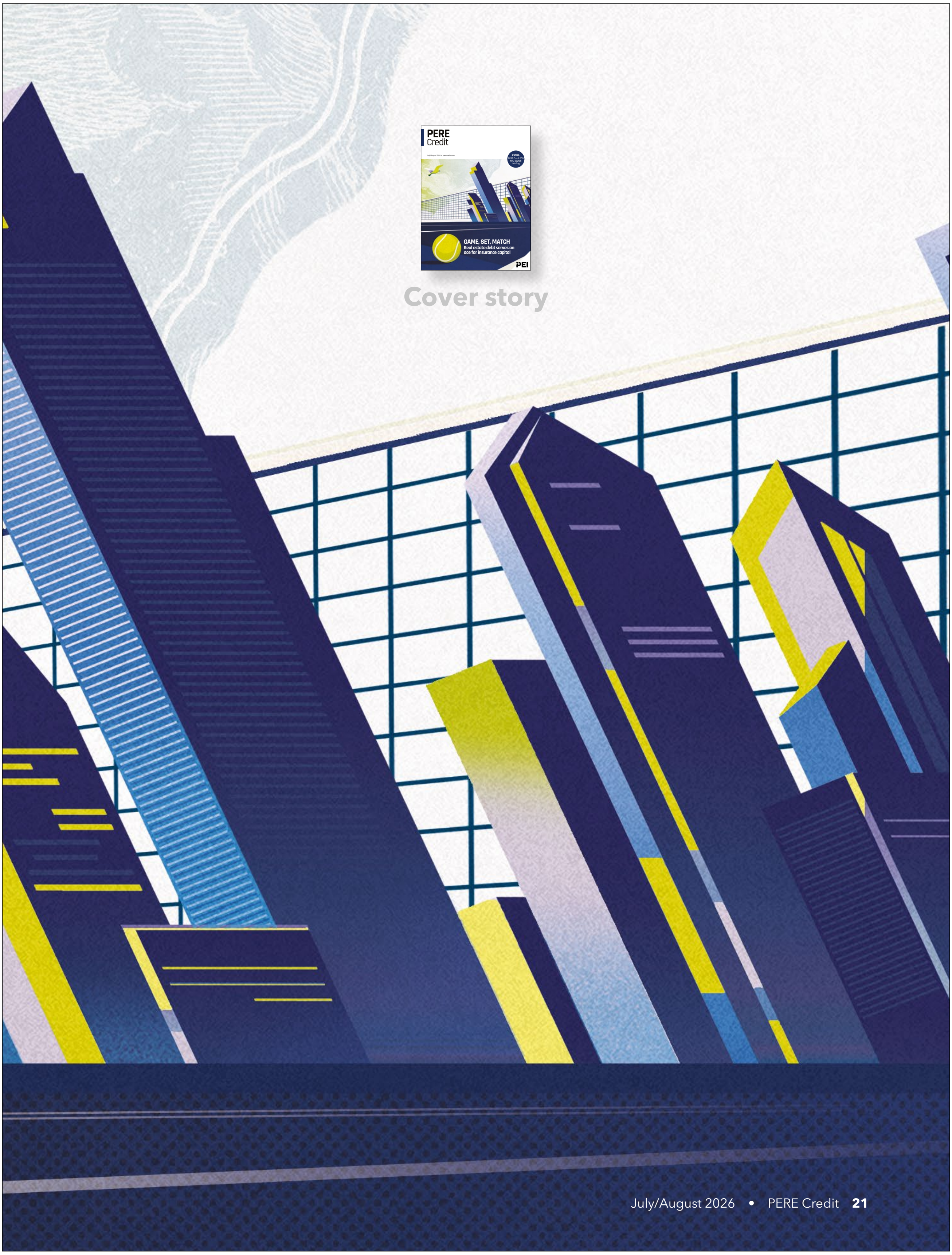


Cover story

Game, set, duration match

More insurance company investors are moving toward allocations and partnerships with US and European real estate private credit managers as their income needs grow, Randy Plavajka writes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GAME, SET, MATCH
Real estate debt serves an ace for insurance capital
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Cover story

Insurance companies have been long-term allocators to commercial real estate debt, but the scope of their investments is set to grow substantially as their need to match assets and liabilities to produce income for an aging population becomes more urgent.

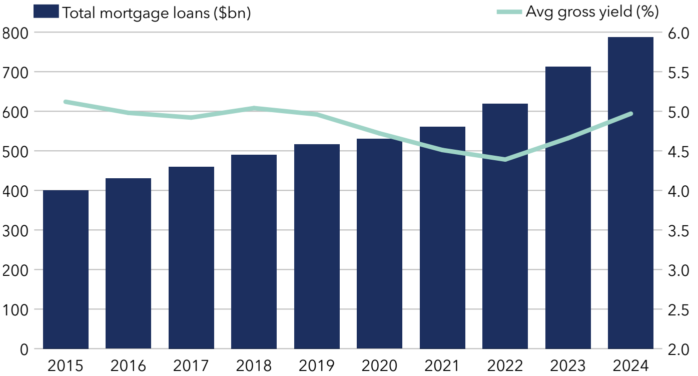
While many insurers have invested in real estate debt via established, in-house teams, there is a growing convergence between insurance companies and real estate private equity and debt managers.

Blackstone, Brookfield, Ares Management, Apollo Global Management and KKR have all built, acquired or expanded their affiliated insurance arms in some form over the last decade. Market participants are looking ahead to an accelerated round of allocations and partnerships between real estate debt managers and insurance allocators.

A case in point is Singaporean insurer Income Insurance, which is considering expanding its real estate portfolio to include credit for the first time, affiliate *PERE* reported in June.

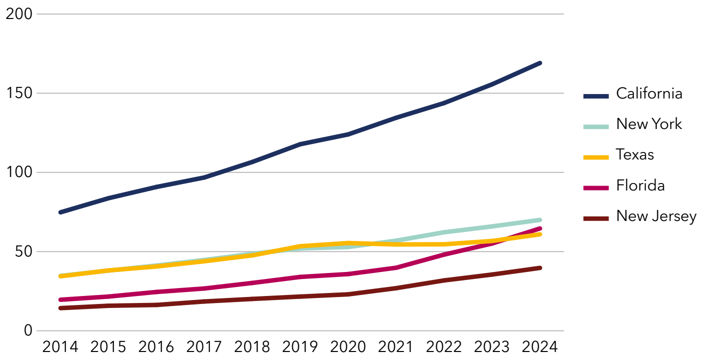
"If real estate credit offers better return-risk trade-offs, [and] on top of that has the ability to hit our returns, then to me it's clearly a question for us to then relook at the mix of our equity versus credit mix in our real estate portfolio," David Chua, chief investment officer, told *PERE*. "Credit strategies are already offering a certain level of returns. For us to take on equity risk like we did in the past, there has to be compensation on top of that."

US life insurers have steadily grown their mortgage exposure with the recent resurgence in gross yields



Source: Milliman, NAIC, ACLI

California has maintained its leading position as a fixture for insurers' US commercial real estate mortgage exposure ($bn)



Source: ACLI

Field of play

Insurance companies are looking at increasing their investments in real estate debt at a time when there is substantial need. Steadily increasing annuity sales needing fixed and sustainable returns coupled with a shift in bank-lending relations have opened the door wider to insurer expansion into real estate credit.

Banks, bound by Basel IV and other regulatory requirements, have continued to pull back from the asset class while opting to instead function as warehouse line and credit facility originators. Additionally, there is a massive wall of loans slated for maturity over the next two years, many of which were originated in a substantially lower rate environment.

"There have been times when banks have pulled back from lending due to regulatory and capital constraints, and insurance companies together with other non-bank lenders have filled the gap," says David Politano, head of debt strategies at New York-based manager MetLife Investment Management.

Banks, facing elevated scrutiny around commercial real estate exposure in their legacy loan books, are seeking lower-risk entry points, like repo lending or warehouse lines, adds Gregory Eudicone, head of global real estate client portfolio management at manager Barings.

"Insurance capital and asset managers backed by insurance capital can really step in where banks are dislocated," Eudicone says.

This combination of capital sources is critical as refinancing pressure rises.

An estimated $1.148 trillion of US commercial real estate debt is set to mature this year followed by another $1.257 trillion in 2027, according to data from S&P Global. In Europe, global real estate manager AEW has estimated a cumulative €74 billion real estate funding gap will persist across the region from 2026 through 2028. Over

All-insurance assembly

Nuveen Green Capital's fundraising success highlights insurers' growing use of specialist credit managers

Nuveen's sustainable lending affiliate Nuveen Green Capital has solidified a returning pattern of marketing real estate credit diversification into insurance company commitments.

The New York-based manager has raised three distinct commercial property-assessed clean energy financing strategies featuring insurance allocators as the primary investor across the trio. Since debuting the fund series in August 2023, the firm has raised $2 billion in total capital commitments across the series, closing $525 million in Fund I, $475 million in Fund II and $985 million in Fund III.

Jason Hernandez, global head of real estate debt at Nuveen, says giving investors optionality in how they work with a debt platform is critical to forming repeat relations.

"If all I have is real estate credit, I am going to tell you all the time it is the best thing to invest in. But we can ask, 'What problem are you trying to solve?' Maybe it's private placements, maybe it's C-PACE, maybe it's infrastructure credit. The ability for those investors to allocate capital across different pieces, I think that is what is really attractive to them," Hernandez says.

the next five years, analysts approximate the global maturity wall to clock between $4 trillion and $5 trillion.

A February 2026 report from investment manager BGO brings the current value proposition together, noting commercial real estate debt has been historically underused by insurance companies.

The report, *Value-Added Real Estate Lending for Insurance Companies*, cites factors including a defensive profile driven by rising equity cushions, the potential for meaningful income from floating-rate loans, yearly interest rate floors and capital efficiency.

"Value-add commercial real estate lending's blend of income and capital preservation characteristics models well in an insurance portfolio's strategic asset allocation, potentially increasing yield, return and Sharpe ratio, while reducing implied volatility," the report states.

Chemistry alignment

A major theme at all real estate finance conferences attended by *PERE Credit* this year has been consistent: insurance capital is available and ready to move.

This sentiment is backed by data in the US from the Mortgage Bankers Association, a Washington, DC-based trade group. The MBA found life insurers held more than $770 billion in US commercial real estate debt exposure heading into 2026, accounting for 16 percent of all outstanding US debt and ranking as the third-largest share behind banks and agencies.

In 2025, life insurance companies grew their US real estate debt holdings by more than $47 billion, outpacing both banks and agencies. Production goals are climbing in 2026, with select insurance companies capturing business from more risk-tolerant bank lenders, debt funds and commercial mortgage-backed securities lenders.

Joseph Burke, head of commercial real estate at PPM America, an indirect wholly owned subsidiary of Jackson Financial, has seen sentiment rising

Cover story

APAC exports

Asia-Pacific insurers are moving beyond traditional capital allocation

Asia-Pacific insurance company investors are either taking stakes in managers or exploring fresh initiatives to build their exposure toward real estate credit.

Mitsui Sumitomo Insurance finalized an 18 percent equity stake in Barings for approximately $1.44 billion in May this year. That deal gave the Tokyo-based insurer direct access to Barings' platform and expanded the Charlotte-based manager's involvement in managing the company's general investment account.

Tokio Marine, the largest insurer in Japan by market cap, similarly took a majority interest stake in San Francisco-based manager ACORE Capital in November last year.

"Demand for commercial real estate credit products continues to grow, and I don't see that slowing anytime soon," Warren de Haan, chief executive, told *PERE* at the time of the transaction.

While the primary focus on the partnership will be to scale ACORE's existing core, value-add and opportunistic credit strategies, an expansion into Europe could be on the cards, de Haan added.

toward increasing real estate credit exposure. Burke tells *PERE Credit* he has held more than two dozen conversations with insurance allocators about increasing investments in real estate debt.

"Only one company said they were flat. Almost every other company said they were up 10-30 percent in what they would like to put out compared to 2025," he says.

The growth is happening amid a cross-asset class competition with other fixed income categories that can generate similar or better returns compared with real estate credit. For insurers, this means it is critical to consider every option on the table.

"Every asset class [insurance companies] think about has a capital charge, and they need to think about risk-adjusted [and] capital-adjusted returns. Real estate credit is competing with direct lending, with infrastructure, with some public high-yield debt strategies. They are much more asset class and strategy agnostic, and much more focused on maximizing that overall capital-adjusted risk-adjusted return," says Joseph Pursley, head of insurance, Americas at manager Nuveen.

Capital charges, which typically comprise a minimum required investing amount and management fees, serve as the cost of entry into a private alternative investment fund.

Geoff Cornell, head of insurance solutions at manager AllianceBernstein, says an added debate occurs when considering entry-point yield pickup, typically 75-150 basis points over similarly rated corporate bonds for core commercial mortgage loans. The more durable case, however, is touting real estate credit as a means of diversification.

The real estate credit market has remained a distinct opportunity because of its stability compared with the broader private credit market.

"We are benefiting from the higher-for-longer base rate dynamic, while unlike perhaps some other asset classes, seeing fairly healthy spreads and credit standards remain robust in our space," says Charlie Rose, global head of credit at manager Invesco Real Estate. "And real estate credit has evidenced a long-run correlation to asset classes like private credit of less than 0.1, so it is a strong diversifier within diversified fixed income balance sheets."

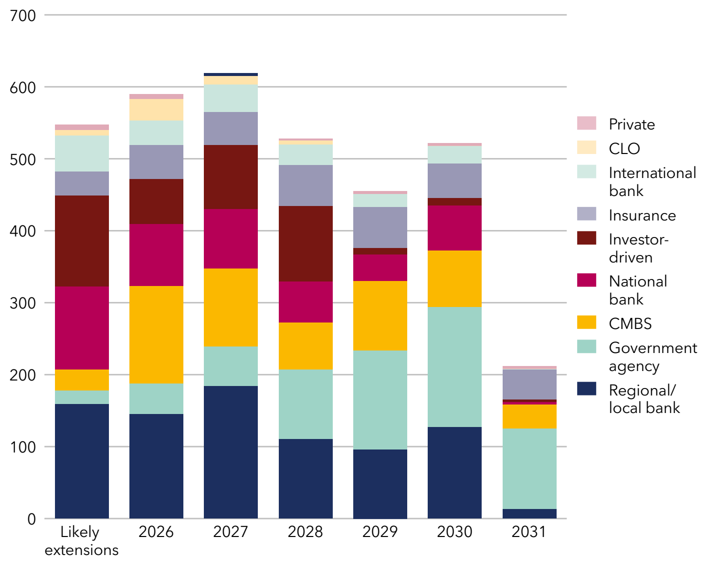
AB's Cornell says an important part of the equation for insurance allocators is liquidity. Commercial real estate debt can offer that.

"Right now, liquidity as defined by your public bonds is really expensive. Spreads are incredibly tight on

> *"Full transparency. Send me your underwriting model and let's go tour the asset"*
>
> **STELLA PAPPAS**
> **TruAmerica**

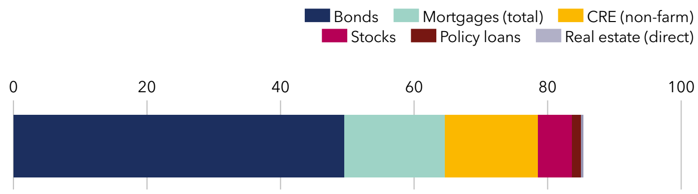
> *"For them to go hire a team to do what we do is expensive. Technology, people, all of it"*
>
> **GREG MICHAUD**
> **Voya Investment Management**

The US real estate maturity wall ahead skews toward debt funded by banks, agencies and CMBS packages ($bn)



Source: MSCI

Bond commitments account for the largest share of US insurer exposure toward fixed income categories ($bn)



Source: ACLI Life Insurers Fact Book

corporate bonds. You really cannot earn your cost of capital if you are going to invest in all public bonds," Cornell says.

"Insurance companies love real estate because you can match your liabilities. We all know what happens, looking at Silicon Valley Bank, when you try to fund long-dated assets with short-dated liabilities."

Front-row view

Much like other institutional investor categories, transparency is a must-have for real estate credit managers working with or seeking more in-roads with insurance companies.

Dan Pottorff, head of debt investment at manager Tristan Capital Partners, says there are similarities in how insurers in the US, Europe and Asia-Pacific approach real estate credit.

"The attraction for insurance investors for real estate lending is fairly simple: senior mortgage loans, senior secured loans. If you can allow insurance investors to look through to each investment you're making, it tends to be quite capital efficient," Pottorff says.

Unlevered senior mortgages, analysts note, are able to generate a predictable single digit return that insurance allocators can seamlessly comprehend. Layering in a degree of back leverage can allow managers to amplify those returns especially among core debt opportunities.

Greg Michaud, head of real estate finance at Voya Investment Management, says insurance company investors typically want more than a marginal slice of the deals in which they invest.

Michaud cites a hypothetical example of how a $200 million-$400 million account will not like being given a $20 million piece of a $400 million deal. Instead, they want debt origination to happen side-by-side in a more appropriately sized deal for that investor.

Forming partnerships with debt funds means insurance allocators without real estate debt platforms will not have to build origination capabilities themselves but instead can trust an established manager with track record. "For them to go hire a team to do what we do is expensive. Technology, people, all of it," Michaud says.

Stella Pappas, head of investor relations at manager TruAmerica, says the need for transparency runs beyond open communication lines. "Full transparency. Send me your underwriting model and let's go tour the asset," she says. "A lot of the big insurance companies have the in-house capability to do this analysis. What they don't necessarily have is the capability to scale. So, we send all our underwriting models and investment committee memos, which of course are available to all our fund investors should they want to review them."

Existing investors are quick to return and work alongside platforms they already have a relationship with. "You have to evolve," Pappas says, "but I think it's really important to stay in your sector, stay in your lane."

Evening the score

With every asset class competing on comparable capital- and risk-adjusted fronts, allocation selection becomes less of a choice of manager and more of category such as direct lending, infrastructure debt, investment-grade private placements and public high-yield investments, as Pursley notes.

The most sophisticated insurance company allocators are focusing attention on shoring up their portfolios, especially against macro downside turns independent of the real estate landscape.

"Everyone knows there's going to be another crisis, and everyone also knows it's going to be difficult, if not impossible, to predict where it's going to come from," says Nuveen's Pursley. "The smartest insurers now are digging in and asking, 'Are we over-concentrated anywhere?' That's why you are going to see more investment in real estate credit. You're still getting that familiar feel in your portfolio, but it is a different position that diversifies you."

MetLife IM's Politano sees insurance allocators trending toward stable assets as they seek to optimize their portfolios. "Insurance companies traditionally focus on stable properties with a predictable income stream at moderate leverage. Most of these [commercial and multifamily loans] will experience losses in line with comparable investment-grade bonds. They are looked at as bond-like," he says.

This bond-like quality, which can limit upside for pension and sovereign wealth investors seeking higher returns, is precisely what makes them capital-efficient for regulated insurance balance sheets, Politano adds.

Driving force

A critical factor shaping insurer demand for real estate credit and capital formation for the asset class has been the upshift in annuity sales.

"There is no sign of slowing down in fixed annuity [and] fixed indexed annuity [sales]," AB's Cornell says. "Demographics are driving it. The US, and many other places in the world, are getting older."

Data from insurance trade group LIMRA shows total US annuity sales clocked at $463.1 billion across 2025, a 6 percent increase from the prior year. Cornell notes if 15 percent of annuity investments are funneled toward real estate, as a hypothetical example, it is fair to assume allocation numbers will similarly go up.

Insurance capital providers also want more styles of real estate debt in the current market.

Barings' Eudicone says allocators have become more sophisticated as their volume has grown. "You are seeing sophisticated insurers do bridge and construction lending. You are seeing reinsurance do core-plus bridge lending backed by annuities, which have a three-to-five-year duration profile," Eudicone says.

"Some insurance companies have even told me that slightly shorter duration loans get better capital treatment, so they're not necessarily looking for duration," Tristan's Pottorff says of a distinct nuance in the UK and continental European markets.

The expansion into transitional and shorter-duration financing strategies has largely stemmed from a change in borrower behavior driven by higher interest rates and a shift in liability linked to sold annuity products.

The rise of the registered index-linked annuity, or RILA, in the US has reduced average loan terms by proxy for many managers working with insurance capital. Speaking with *PERE Credit*, one source notes origination approaches are now reflecting the shift in annuity preferences and the need to match liabilities as a result. As an example, loans tied to this realm of insurance capital have moved from 7-10 years of term toward about four years with the shift in sales from fixed annuities toward RILA products.

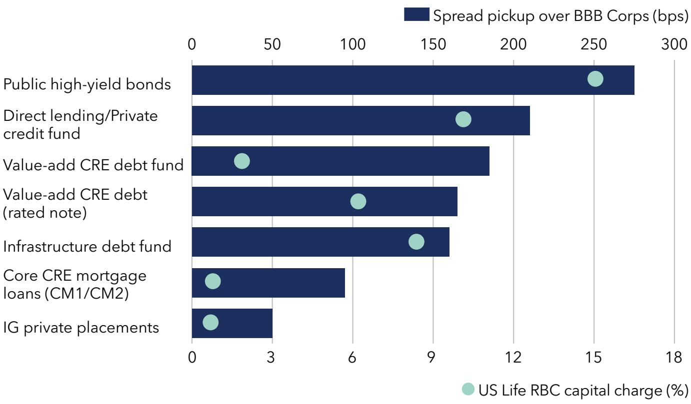
Win conditions

Insurance allocators are arriving in the current market with actuarial discipline, liability-driven investment frameworks and a regulatory cost-of-capital lens that most fund marketing decks were not designed to address.

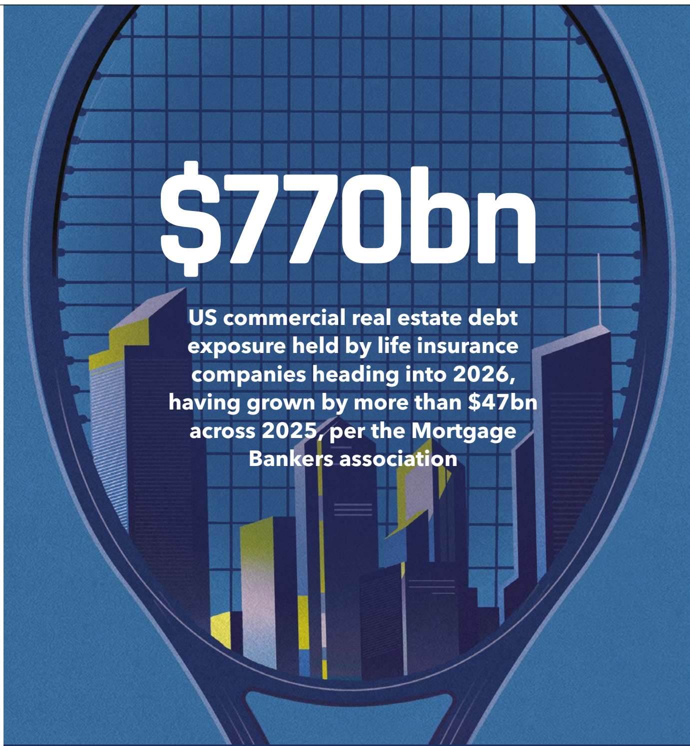
Managers looking to sustain these capital relations ahead are having to learn to speak in insurers' terms and distinguish real estate credit relative to every other fixed income opportunity up for consideration, market participants tell *PERE Credit.*

Peter Gordon, head and chief investment officer, US commercial real estate debt at AllianceBernstein, says his team has refined its own approach over the last six years to keep pace. The firm, in which American insurer Equitable maintains a 68 percent stake interest, has benefited from its learned experience.

Core real estate debt ranks as one of the most accessible fixed income opportunities based on capital-adjusted yields



Source: Sun Life Capital Management, NAIC, Milliman



Solvency II sequence

Changes to EU capital rules could unlock a new wave of insurance capital for European real estate debt

Real estate debt is set to benefit from major changes to European Union Solvency II regulations coming into force in January 2027, driven by a reduction in the capital charges required of European insurers when holding certain types of securitized exposure.

Securitized debt has historically attracted high capital charges under Solvency II, limiting insurer appetite for the asset class. Amendments to spread risk treatment will reduce the capital required for certain exposures.

Industry participants say the changes could help revive the European commercial mortgage-backed securities market, support the emergence of real estate-backed collateralized loan obligations and, crucially, improve the viability of back-leverage structures. "Securitized real estate loans, including back-leverage structures, attracted higher capital requirements, reflecting perceived risk," says Ruth Harris, partner at London-based law firm Ashurst. "However, performance data has demonstrated the resilience of these assets, and regulators now recognize them as lower risk."

Under the updated rules, insurers will benefit from more favorable treatment when investing in senior tranches of securitizations, including those that do not meet so-called 'STS' – simple, transparent and standardized – criteria. This includes many bespoke or private commercial real estate securitizations. "While real estate debt whole loans are not explicitly addressed in the amendments, a reduction in capital charges elsewhere on insurers' balance sheets will free up capital to be redeployed, and real estate debt could be a key beneficiary," says Federico Passerini, head of insurance strategy and solutions at manager Schroders.

"What we didn't know was the translation from there to how it sits on a balance sheet, how it's perceived by investors or regulators. I consider us lucky that we are owned by an insurance company, because the education has been both parental and insightful," Gordon says.

Rob Boyd, head of commercial mortgage debt at New York Life Real Estate Investors, says lenders who can source all forms of commercial real estate debt will be in greatest demand going forward. "A broad originations skillset across multiple property types and loan structures playing up and down the risk curve will be highly desirable," he adds.

Invesco's Rose echoes the template ahead. "The winning profile is those managers able to offer a really distinct originations capability, aligned with the ability to understand the insurance regulatory framework, structure loans consistent with those requirements and communicate in a transparent way how the portfolio achieves those objectives," he says.

Where one insurance company allocator goes, others are likely to follow too, Pottorff says."They like seeing that there are other insurance investors who invest with you," Pottorff adds. "The fact that we have got [an existing partnership with] New York Life, and they've been a consistent investor with us, is very supportive of getting other like-minded investors in. If I'm investing alongside those balance sheets, I know I've got alignment."

Across geographies, the underlying framework is the same: insurance capital providers are seeking yield, downside protection and duration match that traditional fixed income cannot reliably provide. The managers who adapt to those liabilities, intricacies of solvency capital and regulatory frameworks – and who show up consistently – are set for more third-party insurance capital growth ahead. ■

Additional reporting by Lucy Scott