

# Pioneering European Alternatives



**Philip Wedge Bernal**  
Director, European Research

Global black swan events, generally considered to be once-in-an-economic-cycle occurrences, have been disrupting investment markets with alarming frequency. In the past few years, we have experienced Brexit, the COVID-19 pandemic and geopolitical conflicts. Europe's surge in inflation was significantly fueled by the economic shockwaves from the Ukraine crisis. The crisis significantly affected global energy and agricultural supply chains, driving up the cost of fuel, gas and essential commodities, which quickly fed through into consumer prices across the continent. In response to this inflationary shock, European central banks implemented a series of aggressive interest rate hikes, shifting from historically low rates to multi-year highs.

Although consumer price growth in many European countries has returned to target levels, 2025 has not been exempt from significant economic shocks. The latest in this series of black swan events was the economic uncertainty that arose from the US government's tariff policy. Although trade policy negotiations have since evolved and taken positive steps forward, these events continue to remind investors of the importance of allocating to assets with the potential for more stable performance over time, which have historically demonstrated their ability to be an effective partial inflation hedge during inflationary periods.

A decade ago, the lack of institutional investment in alternative sectors was driven by limited scale for investment, but also inadequate performance data to support investment decisions and a lack of knowledge of how these assets perform during difficult economic times. Today, the opposite is true. It is increasingly evident that institutional investors are rotating allocations from commercial sectors towards a wide range of alternative sectors across Europe. These groups have historically been attracted by relative outperformance, favourable demographic tailwinds, lower volatility and less correlation with economic cycles - particularly in a period of current macroeconomic uncertainty. We believe investors' interest in alternative real estate assets that offer resilience and durable income will accelerate even further in the current economic uncertainty, building on the momentum we have seen during the past decade.

## Opportunity for core

While these sectors remain highly fragmented with high barriers to entry, we believe the current state of these sectors in Europe resembles the opportunity seen in the United States some 10 to 20 years ago.

Many of the alternative sectors have now reached a critical scale, with a greater number of opportunities across the investment spectrum to invest in, or develop, institutional-quality real assets in a number of European markets. A marked increase in development during that time frame has boosted liquidity, as alternative real estate sectors' share of total European real estate investment increased from 8.7% in 2006 to 28.5% in 2024.<sup>i</sup> In the first half of 2025, further increases in alternative liquidity has boosted its share of total European real estate investment to 32.6%.<sup>ii</sup> Alternative portfolio composition that once relied on ground-up development of assets can now be achieved by acquiring stabilised assets across selective markets. However, the opportunity to invest in Europe is not equal. The UK has led the way for the development of institutional-quality alternative assets across these sectors. This is well illustrated in the student housing sector, where current private student housing levels in Europe are similar to UK student housing ownership a decade ago. Since then, almost 220,000 PBSA beds have been added to the UK PBSA stock, of which 93% percent<sup>iii</sup> This data suggests that certain sectors have matured to the point that a significant opportunity exists for specialist alternative investment

managers with a strong track record in these segments to create a diversified portfolio of high-quality, stabilised alternative real estate assets across major European markets.

In response, Harrison Street has launched the first pure-play core alternative real estate strategy in Europe. We believe 2026 is an attractive entry point for investors to pursue the creation of such a strategy, as the current market dislocation that has arisen from challenging capital market conditions has led to significant repricing in the past three years, providing an opportunity to acquire well-performing, core alternative assets at an attractive basis discount and at scale. We believe this environment creates an opportunity for attractive relative returns, particularly while there is lower competition from other investors.

## Focus on Continental Europe

While there are compelling reasons to remain bullish on the United Kingdom's real estate fundamentals, equally impressive real estate fundamentals, coupled with the ECB's more aggressive rate cutting cycle in the past year skews the near-term opportunity to continental Europe.

Earlier this year, the ECB cut its benchmark interest rate by 25 basis points to 2%, its eighth rate cut in the past year, but have since decided to hold rates where they currently are. As a result of this, all-in financing for core alternative opportunities in the Euro Zone are now accretive, while leverage remains neutral to slightly accretive for some UK alternative sectors. The consensus view is that we are now very close to the so-called terminate rate in this phase, as policy rates are likely to remain broadly where they are, unless there is a sharp and unexpected shock to the economy.

## Why now?

We believe that the substantial repricing of European alternatives since 2022, coupled with near-record lows of new delivery and starts, and strong demand for these product types, has created an extremely compelling investment opportunity in the next 12 to 18 months.

The continued growth and evolution of alternative asset classes presents an opportunity for investors to invest in areas of the real estate market that have historically demonstrated resilience and income stability during times of disruption, through economic cycles and multiple black swan events, including Brexit, the COVID-19 crisis and war in Europe.

We believe 2026 is set to be an exceptional vintage for European alternative investment but the current environment necessitates precise navigation, as sector and market selection becomes increasingly important as we enter the next cycle. While high barriers to entry remain and operational expertise is required, we believe European alternatives represent an outsized opportunity, as investors seek to diversify their portfolios against the volatile conditions that lie ahead.

## ABOUT HARRISON STREET ASSET MANAGEMENT

Harrison Street Asset Management is a leading global alternative investment management firm with over \$100 billion in assets under management through highly differentiated assets across infrastructure, real estate and credit strategies. Headquartered in Chicago, Toronto and London with approximately 520 employees in offices across North America, Europe, Asia and the Middle East, the firm offers innovative solutions across a variety of closed-end, open-end and specialized vehicles on behalf of 900 institutional and over 300 Registered Investment Advisors.<sup>iv</sup> For more information, visit [www.hsam.com](http://www.hsam.com).



**HARRISON STREET**  
ASSET MANAGEMENT

<sup>i</sup>JLL. Data as of Q4 2024.

<sup>ii</sup>JLL. Data as of Q2 2025.

<sup>iii</sup>Green Street. Data as of Q1 2025.

<sup>iv</sup>HSAM data is generally comprised of the aggregated data of investment advisors that are (or, subject to regulatory approvals, will be) owned in whole or in part by

HSAM. Assets under management ("AUM") reflects the AUM for the investment advisory and asset management clients of such investment advisors and is inclusive of the regulatory AUM of such investment advisors that is reported in their respective Form ADVs.