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# The Widening World of Real Estate Secondaries

*“Secondary” covers a multitude of transactions in relation to real estate assets. It encompasses everything from a simple fund-interest sale to the wholesale reconstruction of a fund or joint venture. This update provides a short guide to the forms and the key legal considerations with respect to them.*

Whilst real estate markets have been slow to rebound, the secondary market has become an increasingly important release valve. Redemptions have been throttled, closed-end funds are running past their wind-down dates, and reported NAVs have lagged the fall in underlying values – sponsors have been able to recapitalise, rather than sell into a soft market, and give their investors liquidity.

Secondaries have quietly become one of the fastest-evolving parts of the real estate sector. Real estate secondary volume reached a record $20.3 billion in 2025, up 39% on the previous year, with sponsor-led transactions accounting for $14.5 billion of it – 72% of the market, and 60% up year on year.[1] Set against the more than $2 trillion of net asset value held in closed-end real estate funds and in non-fund vehicles such as joint ventures and co-investment vehicles, there is still considerable room for further growth.

What really sets the real estate sector apart is the *breadth*. So much of it is held outside traditional funds – in joint ventures, club deals, separate accounts and other operating platforms – and therefore the range of what can trade on the secondary market is vast. “Secondary” now covers everything from the transfer of a single fund interest to the wholesale reconstruction of a fund or joint venture, and each form asks something different of the lawyers who execute it.

**The Traditional Fund Secondary – Now at Portfolio Scale**

What has changed in relation to the classic secondary, a straight sale of a fund interest from one investor to another, is the scale. Large institutions – pension plans, insurers and sovereign funds – now sell down whole tranches of fund positions in single negotiated portfolio trades to rebalance over-allocated books, often at material discounts, and dedicated capital has grown up to absorb them.

The key legal workstreams are structuring, pragmatic and targeted diligence, coordinating the transfer mechanics with sponsors and understanding the tax profile of a large number of fund interests. Gibson Dunn's Investment Funds practice has advised on some of the most significant of these portfolio trades.

**The Sponsor-Led Recapitalisation: Rebuilding Around the Assets**

Here the sponsor drives the deal: a recapitalisation of current fund buys out interests at a set price so that investors who want out can exit while the sponsor keeps hold of the real estate; a continuation fund goes further, moving one (or more) assets into a new, longer-dated vehicle on recut terms, with existing investors choosing to cash out or roll.

***Like the operational real estate deals in our previous note, a sponsor-led recapitalisation or continuation vehicle is not one transaction but potentially several at once.***

The legal difficulty is that these strands pull against each other: the exit or transfer price shapes the entry economics, the control conceded to a new anchor or lead investor shapes the sponsor's future flexibility, and the new fund terms driven by incoming investors may challenge whether the outgoing investors consent. In our experience, who the incoming investor is really matters: a secondaries sponsor tends to run a lighter-touch, portfolio-priced process; an institutional or sovereign investor may underwrite it more like a direct real estate acquisition – deeper diligence, more protections, a potentially longer road to closing. Identifying that "buyer" early, and structuring the process accordingly, is critical.

**The Direct Secondary: Trading Joint Ventures and Platforms**

Increasingly the interest is not a fund interest at all, but a stake in a joint venture or club – frequently with additional capital in order to complete the business plan or fund adjacent projects. This is where the real estate M&A component of the secondary transaction is likely to be the most involved and where a fully integrated team earns its place translating the asset-level considerations into the purchase documentation and governing documents of the joint venture or club. These transactions demands a team that is structured to seamlessly advise on fund formation, joint ventures, M&A, financing, tax and regulatory matters, an integrated approach that mirrors how Gibson Dunn structures its offering to its global clients.

**The Hybrid: Growth Capital and the Operating Platform**

At the most highly structured end, the line between secondaries and operational real estate deals can blur: the incoming investor buys into existing portfolio assets, provides additional growth capital and, in return, participates in and shares the growth of the platform. We see this most frequently where the asset class has a significant operating dimension – including the living and hospitality sectors – where the incoming investor wants to buy into the platform itself, not just the assets, as part of the deal.

**Execution: Positioning for Success**

**The price only means something if you understand the asset(s).** A discount to reported NAV is meaningless without a real grasp of the underlying real estate; the adviser's job is to take a pragmatic and proportionate approach to diligence in order to surface any material asset-level risks clearly to allow the client to price and protect for them.

**How you can manage conflicts will impact the process and timeline.** Where the sponsor sits on both sides of the deal, investor and/or advisory committee consents must be front of mind from the outset. These transactions are subject to increasing regulatory scrutiny on both sides of the Atlantic, particularly as regards setting the price at which its investors sell or roll.

**Match the scope to the buyer.** A secondaries sponsor may accept lighter touch due diligence and a more passive interest/controls; whereas an institutional or sovereign investor is more likely to want to understand the asset(s) that underpin the interest and be more involved in governance – and that choice sets the timetable.

**An Integrated Approach**

The link to our previous note is deliberate. As "secondary" has widened, a number of different disciplines have been folded into a single transaction. Executing well means running all of it at once, from fund to underlying asset(s) – this is where the breadth of the wider firm tells. Members of our London team have advised across this spectrum – from GP-led portfolio sales to platform recapitalisations – and are used to working across portfolios of assets spanning multiple jurisdictions. Alongside them, Gibson Dunn's real estate and investment funds teams in North America, the Middle East and Asia-Pacific bring deep local knowledge and, working as one, an understanding of what matters to the different pools of capital that invest in these deals. Our real estate finance practice adds a further dimension, with extensive experience of the full range of financing solutions these transactions call for – an integrated offering, from the investment vehicle through the underlying asset(s) to the debt that supports it.

[1] https://www.ares.com/us/news-and-insights/real-estate-secondary-market-volume-hits-record-20 billion-2025.

**The following Gibson Dunn lawyers prepared this update: Chris Slack, Angus Lennox, Sean Tierney, and Hayden Cameron.**

Gibson Dunn advises across the full range of real estate secondary transactions. To discuss how best to navigate these transactions, or to explore how we can support your strategy, please contact the Gibson Dunn lawyer with whom you usually work, any member of the firm's Real Estate practice group, or the authors:


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