Direct Real Estate in the Next Cycle: A Practical Roadmap for Family Offices

(A comprehensive white paper on family offices partnering with Alternative Asset Advising Firms)

Introduction

Family offices are increasing their allocations to private markets and real estate, but the opportunity set is more complex, fragmented, and operationally demanding than ever. At the same time, many single-family offices identify resource constraints and a growing reliance on external consultants and co-investment partners to execute their strategies.

This white paper argues that alternative asset advisory firms should play the same role in real estate for family offices that top consulting firms play for Fortune 500 companies: strategic partners who design the roadmap, source and underwrite opportunities, and help execute across cycles, while remaining fully aligned with the family's mission, risk appetite, and governance. The core thesis is simple, family offices retain strategic control, but leverage specialized partners with the expertise, reach, and tools to convert the next cycle in real estate and private credit into durable, multi-generational wealth. [1]

I. The new reality for Family Office Real Estate

Global family office reports show that alternatives, private equity, private credit, real estate, and hedge funds, now represent roughly 40–45% of family office portfolios. Real estate remains a cornerstone: UBS and others report that family offices with real estate exposure are emphasizing core and core-plus strategies and, in North America, plan to increase allocations over the next five years. [2]

Yet the "do it yourself" model is under pressure.

- BNY Wealth notes that most single family offices expect to increase direct private investments, but resource constraints are driving greater interest in external consultants and co-investment platforms.
- Goldman Sachs and BlackRock both highlight a growing shift toward private credit and other alternative income strategies, which require specialized underwriting and structuring expertise.

The implication is clear, families want more from private markets and real estate, but do not always have the in-house bench to source, underwrite, structure, and operate opportunities at institutional quality and scale creating a natural opening for specialized advisory partners.

II. Strategic Partners for a Complex Opportunity Set

Fortune 500 companies routinely rely on strategic consultants to enter new markets, reshape portfolios, and scale into adjacent businesses. The logic is straightforward, when the playing field is complex and high-stakes, you bring in experts who see the entire landscape and have the tools to act.

Alternative asset advisory firms can fill a parallel role for family offices in real estate and hard money/private credit by:

- Acting as strategic architects, helping define the real estate and private credit mandate within the broader family office investment policy.
- Providing institutional-grade sourcing, due diligence, and structuring across both real estate equity and private credit/private money loans.
- Coordinating with tax, estate, and legal advisors so that every transaction advances the family's long-term objectives rather than occurring in isolation. [3]

In this model, the family office does not "abdicate" control; it elevates its role from asset-by-asset decision maker to strategic principal directing expert partners.

III. Why Alternative Asset Advisory Firms Add Strategic Value

1. Specialized Expertise and Market Reach

Real estate and private credit markets are highly local, increasingly intermediate, and data rich. Accessing the best opportunities; mid-market warehouses, medical office portfolios, necessity retail centers, distressed or transitional assets, and private debt exposures, requires institutional-level information, networks, and analytical infrastructure on a local level.

Advisory firms focused on alternatives bring:

- Dedicated research and deal flow across geographies and property types, including off-market and complex situations that individual families rarely see.
- Underwriting frameworks calibrated to current conditions in leasing, cap rates, financing markets, and tenant credit, informed by deep transaction experience.
- Tools from cash-flow modeling to stress testing and covenant analysis that align with how leading institutional investors approach risk.

2. Balance Between Growth and Income: Equity + Private Credit

Global surveys show family offices increasing exposure to both real estate and private credit as they search for a balance of growth and yield. Alternative asset advisory firms are uniquely positioned to design and execute strategies that combine:

- **Real estate acquisition**: Core/core-plus assets (e.g., warehouses, medical office, necessity retail) that provide durable cash flow, inflation-sensitive income, and potential value creation through leasing or operational improvements. [2]
- **Hard money and private credit lending**: Senior or mezzanine loans, bridge facilities, and structured credit backed by real estate or operating businesses, offering enhanced current yield and downside protection when underwritten conservatively. [1]

Together, these create a blended profile. Part growth and part income, that can be calibrated to the family's objectives, risk tolerance, and liquidity needs.

3. Governance and Coordination Across the Capital Stack

Leading family office commentary emphasizes that the real edge lies in integrating investment decisions with tax, estate planning, and family governance. Advisory firms that specialize in alternatives can:

- Help codify risk parameters (leverage limits, concentration caps, covenant standards) and embed them in a repeatable investment process.
- Ensure consistency across direct equity, credit, and co-investments so the overall exposure matches the family's strategic growth, income, or capital preservation.
- Provide continuous monitoring and reporting that rolls up disparate assets into a coherent, decision-ready view.

IV. Preserving Control While Leveraging Expertise

Many principals worry that engaging a specialized advisory firm means surrendering control. In practice, the most successful family office advisor relationships look very different.

Thought leadership on family offices stresses that external advisors function best when they are empowered yet clearly accountable, acting as long-term stewards of the family's mission rather than short-term product distributors. In a well-structured partnership:

- The family office sets the mandate such as asset class ranges, target returns, risk appetite, impact or legacy priorities, and governance thresholds.
- The advisory firm proposes strategy and transactions consistent with that mandate, executes diligence, structures deals, and manages life-cycle decisions within pre-approved parameters.
- Key decisions, such as entering new markets, materially changing leverage, or exiting are preserved for the family or its investment committee. [4]

This is analogous to how Fortune 500 boards engage consulting firms. The consultants design, test, and help execute strategies, but ultimate authority rests with the board and executive leadership.

Not every advisory relationship delivers on its promise. Family offices that have experienced disappointing outcomes often trace the failure to the same root causes: advisors who prioritized deal volume over deal quality, fee structures that rewarded transactions rather than long-term performance, and mandates that were never clearly defined in writing. The answer is not to avoid advisory partnerships but to structure them with the same rigor the family applies to its investments. This means insisting on transparent, performance-aligned economics, requiring co-investment participation that puts the advisor's own capital at risk alongside the family's, and establishing clear governance checkpoints where the relationship itself is evaluated, not just the portfolio.

V. A Framework for Collaboration: From Policy to Portfolio

Drawing on global family office research and best practices, a practical framework for engaging alternative asset advisory firms in real estate and private credit includes five steps.

i. ***Define the Role of Real Assets and Private Credit***

  - Clarify whether the primary emphasis is income, total return, inflation hedging, or capital preservation.
  - Set a strategic allocation range within the overall portfolio, recognizing that many family offices now target mid-teens to high-teens percentages in real estate alone.

ii. ***Select the Right Advisory Partner***

  - Evaluate track record across cycles, not just recent vintages, and specifically in the property types and credit exposures of interest.
  - Create alignment on economics, co-investment behavior, reporting standards, and cultural fit with the family's values and time horizon.

iii. ***Jointly Build the Playbook***

- Co-develop a written strategy that integrates acquisitions, dispositions, development/value-add, and hard money/private credit programs. [5]
- Identify acceptable structures direct ownership, co-investments, programmatic JVs, and loan programs and the risk/return expectations for each.

iv. ***Execute with Discipline***

- Use the advisory firm's sourcing reach and underwriting capabilities to triage opportunities and focus on those that truly match the playbook.
- Apply consistent risk lenses: asset quality, tenant/borrower profile, leverage, covenants, and exit pathways.

v. ***Review, Learn, and Adapt***

- Conduct periodic joint reviews of portfolio performance, stress tests, and market outlooks, with clear feedback loops into the strategy.
- Involve next-generation family members in these reviews to build literacy and continuity.

VI. The Strategic Case for Acting Now

Recent surveys from UBS, BlackRock, and major private banks confirm that family offices are increasing allocations to private markets, with particular interest in real estate and private credit as sources of differentiated returns and income. At the same time, they are candid about constraints, few have the internal resources to operate as fully integrated real estate and credit platforms. [6]

The families that will capture the most value from the coming real estate and private credit cycle are likely to be those that:

- Embrace real assets and hard money/private credit as a deliberate, scaled part of their allocation not an opportunistic side pocket. [7]
- The traditional private equity and real estate fund model characterized by the "2 and 20" fee structure and blind pool mandates is facing a significant reckoning among sophisticated family offices. As the next real estate cycle begins, family offices are increasingly bypassing traditional fund managers in favor of Club Deals and Direct Co-investments. [2]
- Partner with alternative asset advisory firms that can translate a high-level family mandate into a disciplined, opportunity-driven program across both sides of the balance sheet.
- Preserve strategic control while granting their partners the authority and tools needed to operate at institutional standards in sourcing, underwriting, and execution.

For family offices, the question is no longer whether to engage with private real estate and private credit, it is whether to do so alone or with specialized partners who live in these markets every day. The strategic answer, increasingly backed by data and practice, is partnership.

Citations:

[1] https://www.blackrock.com/institutions/en-global/institutional-insights/thought-leadership/global-family-office-survey

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[3] https://www.wealthmanagement.com/high-net-worth/five-reasons-why-investment-consultants-are-increasingly-partnering-with-multi-family-offices

[4] https://info.wealth.bny.com/rs/636-GOT-884/images/BNYW_2025_Investment_Insights_Single_Family_Offices_Report.pdf

[5] https://www.goldmansachs.com/pdfs/insights/articles/adapting-to-the-terrain/family-office-investment-insights-report.pdf

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[7] https://www.cnbc.com/2025/08/15/family-offices-private-markets.html

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