

# PruFund investment insights: a closer look at Real Estate

 a 5 minute read

Real Estate is one of the main types of assets that the PruFund range of funds invests in. While it's probably one of the easiest asset classes to understand, your financial adviser has given you this article so that you can learn a bit more about real estate investments.



## Introducing Real Estate

When PruFund funds invest in real estate, the investment managers buy buildings, such as offices, warehouses and shopping centres. They aim to make money for our investors by renting out these buildings and, in time, selling some of them on at a profit. Improving their décor, fittings and facilities may increase the value of the buildings, at both rental and sale. And we can also sometimes change the purpose of existing buildings so that they become more profitable.

PruFund funds invest in real estate because it typically offers an attractive and steady income, along with the potential for growth in the value of each building. Because real estate prices tend to be more stable than those of shares, real estate investments can add an important element of diversification (or variety) to the PruFund portfolio. Over the coming pages, we take a look at the different sectors of the real estate market and take a look at the team who manages the PruFund real estate investments.

We recommend that you read this article about real estate investment and get in touch with your financial adviser if you have any questions. They're best placed to help you understand what investment options are right for you. **Please bear in mind that the value of your investments can rise as well as fall, and you may get less back than what you invest.**



## Diversification: how and why we do it

Diversifying (or varying) investment in real estate means that we spread your money between many different investments, which helps to reduce the overall risk. Read on to find out more about how and why we do this.



### Investing sector by sector

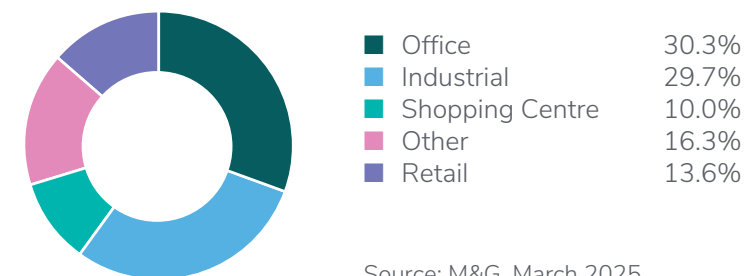
One way in which we spread the risk of real estate investments is by investing in different areas or sectors of the overall real estate market. The real estate we invest your money in falls into four main categories: industrial, offices, retail and living.

**Industrials** are buildings such as warehouses and factories. The rise in popularity of online shopping has been boosting demand for warehouses and other logistics facilities, and the COVID-19 pandemic accelerated this.

**Offices** are spaces used for commercial or professional business, and due to the pandemic the demand for offices declined. This is because working from home became well established during the Covid related lockdowns, and it seems unlikely that people will abandon this. For this reason, PruFund focuses on high-quality offices, especially in London, for which demand is likely to remain.

**Retail** real estate is real estate within the commercial sector used for shopping. The high street has been suffering from the rise of online shopping, as have traditional shopping centres. The pandemic accelerated the changes that were already underway in this sector. But out-of-town retail warehouses have done well because of the way that they mesh with online shopping, through 'click and collect' and their role as distribution hubs for online orders. Supermarkets have continued to benefit amidst the cost-of-living crisis and maintain strong occupancy levels.

The chart below shows the global split of real estate investments by sector in the PruFund Growth Fund.



Source: M&G, March 2025.



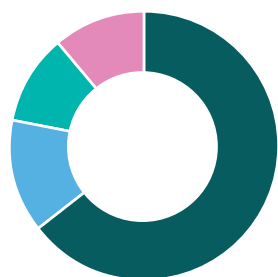
Diversification: how and why we do it (continued from previous page)



## Investing around the world

Although most of PruFund's real estate investments are in the UK, our investment managers also invest in real estate in Europe, the US and Asia. This provides an important element of diversification within PruFund's real estate investments. If the UK real estate market isn't doing well, other real estate markets may continue to perform positively – in which case, our geographical diversification will provide some benefits for our investments.

The chart below shows the global split of real estate investments by region in the PruFund Growth Fund.



■ UK	64.8%
■ Asia	13.0%
■ Europe	11.3%
■ North America	11.0%

Source: M&G, March 2025.







## Our investment strategy in practice

Here we take a look at the team who manages the PruFund real estate investments, and we find out about some of the properties they've bought and sold for the PruFund Growth Fund during 2024.



### Introducing M&G Real Estate

M&G Real Estate is the specialist real estate manager for M&G. Recognised as one of the world's leading real estate investors, its portfolio spans all sectors and 25 countries. Its team of investment managers has decades of experience in buying, selling and managing properties. Globally, M&G Real Estate manages more than £38.5 billion of assets as of 31 March 2025 on behalf of their clients, which includes Prudential Assurance Company and, in turn, PruFund Growth Fund.



### Some new purchases and lettings

2024 saw a number of purchases of industrial estates across the UK.

Demand for the highest quality assets with strong ESG (Environmental, Social and Governance) factors and energy efficiency remains high and in low supply.



### And some sales too

The retail sector continues to be challenged by high inflation, supply chain disruption, labour shortages and economic uncertainty; the rising cost of living has led to consumers cutting back on discretionary spend. 2024 has shown some signs of recovery with UK retail sales rising 0.7%.

M&G Real Estate sold non core retail assets such as Supermarkets, at a premium in 2024.



### Considering the wider impact on society

Environmental, social and governance concerns are important to many of our investors who want to invest in companies that are helping to solve some of the global challenges with a long term view and consideration of the future for people and the planet. So these factors are crucial considerations when deciding where your money is invested. This is particularly important in real estate because buildings are a major source of carbon emissions.

By driving environmental improvements and increasing the operational efficiency of its buildings, M&G Real Estate is committed to achieving net zero carbon emissions across its global real estate portfolio by 2050. Around half of the global asset portfolio (by value) has a green building certification, and the team continues to work to improve each property's ESG credentials.

It's always a good idea to know where your money is invested. If reading this article has made you want to know more about the PruFund range of funds, you might also be interested in reading our other articles about **bonds**, **shares** and **alternative** investments. Ask your adviser if you'd like to receive any of them.

## If you have any questions after reading this

We hope that you've found this insight into real estate investments interesting and helpful. If you have any questions, it's always best to speak to your adviser. Only your adviser will have a complete view of your situation and be able to answer questions with your financial goals in mind.



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