

Succession Planning in CRE: The Case Has Only Gotten Stronger

One year later

Last year, in *The Risk of Legacy*, I argued that privately held real estate owners and family offices could not afford to keep delaying succession planning. The case rested on three pressures: aging leadership, a historic transfer of wealth, and a next generation whose priorities may not include running the family business. The numbers behind that case were stark. Only about 30% of family-owned firms make it to a second generation, 12% to a third, and 3% to a fourth.

Twelve months later, none of those pressures has eased. Each one has grown, and the rate environment has added a fourth. Some of the data below covers family offices and family businesses broadly rather than real estate specifically, but the same trends are playing out among CRE owners.

The rate environment has removed the margin for error

Many owners spent 2024 and 2025 waiting for rates to fall before restructuring, refinancing, or transferring assets. That wait has not paid off.

- **Rates went up, not down.** On September 16, 2026, the Federal Reserve raised its target range by 25 basis points to 3.75%–4.00%, in a unanimous vote.
- **Long-term borrowing costs hit a 19-year high.** The 10-year Treasury yield averaged 5.08% in the last week of September, its highest level since July 2007.

- **The maturity wall is still here.** $875 billion of commercial and multifamily mortgages, 17% of the $5.0 trillion outstanding, mature in 2026. That follows $957 billion that came due in 2025.
- **Values have not recovered.** Green Street's Commercial Property Price Index was still 16% below its 2022 peak in May 2026, even before the latest move in yields.

These numbers matter for succession because leadership and capital decisions now arrive together. A loan maturing into a 5% Treasury environment forces choices about paying down debt, recapitalizing, selling, or bringing in partners. Each of those choices affects the estate plan and the governance of the family entity. Each also needs someone with the authority and expertise to execute it.

In a low-rate market, a founder could carry an informal succession arrangement for years, and the portfolio would largely run itself. At today's rates it won't. If a principal becomes unavailable during a refinancing cycle without a designated successor and documented authority, the family is negotiating with lenders from a position of weakness. That's the scenario I described last year: transitions that trigger "tax burdens, liquidity issues, and loss of investor confidence." The rate environment makes each of those outcomes more likely and more expensive.

The next generation wants the asset class, not the operating role

Last year I noted that younger generations "may have different priorities or lack interest in continuing the family business." The data since then is more specific, and the pattern is consistent.

- **Few heirs are in place.** Only 5% of U.S. family offices say the next generation is fully involved. Another 33% report partial involvement, and 62% say preparation is insufficient.
- **Owners themselves are unsure.** Up to 57% of family business owners do not know whether the next generation intends to take over. Among billionaires, 82% want heirs to build success independently, and only 43% want their children to continue the family business.
- **Succession will change the strategy.** In Bank of America's 2025 survey of 335 family offices, 74% expect "a complete shift" in mission after the generational transition.
- **Portfolios look different.** Wealthy investors aged 21–43 hold 47% of their portfolios in stocks and bonds, compared with 74% for those 44 and older. They hold 17% in alternatives versus 5%, and 14% in crypto versus 1%.

One finding deserves attention because it is easy to misread. Younger investors are not walking away from real estate. In the same Bank of America study, 31% of younger wealthy investors named real estate their greatest growth opportunity, effectively the same as the 32% of older investors who said so. Bank of America also reports that incoming family office leaders want to deploy capital into real estate and direct deals.

The distinction is between owning real estate and operating a real estate company. The next generation wants the asset class as one allocation in a diversified portfolio. Fewer heirs want to spend their careers managing tenants, lenders, contractors, and capital calls. A plan that assumes a child will step into the founder's operating role is increasingly a plan built on an assumption the data doesn't support.

That makes the question I raised last year more pressing. If family members won't lead operations, who will? The answer is professional, non-family leadership. It takes time to identify,

align, and integrate, and it works best when the founder is still present to transfer relationships and judgment.

The transfer is larger, and closer

The wealth transfer has been revised up by roughly 47%. Last year I cited Cerulli's estimate of $84.4 trillion moving between generations by 2045. Cerulli has since raised it to $124 trillion through 2048. About $62 trillion of that comes from high-net-worth and ultra-high-net-worth households, which make up only 2% of all households. Concentrated, illiquid real estate is a large share of that group's wealth.

The timeline is shorter than most owners assume. One in three family offices expects a leadership transition within five years, and 59% within ten. Yet 87% have not yet transitioned to the next generation. A five-year window is roughly the time it takes to define a successor profile, recruit, and run a real overlap period with the founder.

Succession has already arrived for many firms. In PwC's 2025 U.S. Family Business Survey, 44% of U.S. family firms said succession planning affected their business in the past year, compared with 34% globally.

The estate tax deadline is gone, but the problem isn't. Under the One Big Beautiful Bill Act, the federal estate exemption is $15 million per person ($30 million per couple) for 2026. It is now permanent and indexed to inflation. For many owners, the scheduled 2026 sunset was what forced estate planning conversations to happen. That forcing event no longer exists.

The risk now is that families read permanence as permission to wait. A multigenerational portfolio can easily exceed $30 million, and the amount above the exemption is still taxed at the 40% federal rate. More importantly, the exemption addresses taxes. It does not answer who runs the company, who holds signing authority with lenders, or how decisions are made when family members disagree.

A real-world example

This risk is not theoretical; we are seeing it play out with our own clients. One founder, whose firm was considered a top-10 multifamily fund manager, recently decided to wind down the business. He had not put a succession plan in place or signaled to the market that the next generation of leaders was being developed.

The consequences surfaced when he went to raise his next fund. Investors commit capital for seven to ten years, and they were reluctant to re-up with a sponsor whose leadership might not last the life of the fund.

This firm didn’t fail because of a tax event or a forced sale. It lost the investor confidence I warned about last year, and the business went with it. Other sponsors will face the same question from their investors. It is far better to answer it before the next raise than during it.

What a credible process looks like now

Last year I wrote that a successful transition requires "thoughtful and long-term planning, buy-in from all decision makers, and a commitment to run a thoughtful process." That still holds. Given the evidence above, four elements now deserve priority:

1. **Separate ownership succession from leadership succession.** Heirs can inherit the economics without inheriting the operating role. Decide each one on its own merits.
2. **Tie the leadership plan to the capital plan.** List every loan maturing in the next 36 months and name the person who will own each negotiation if the principal is unavailable.
3. **Assess the bench honestly.** If no family member or internal executive is ready to lead within five years, start defining the external profile now, not when the need becomes urgent.
4. **Build in overlap.** The most valuable assets a founder transfers are relationships with lenders, partners, and tenants. Those transfer only when the successor and founder work side by side.

The argument hasn't changed since last year, but the evidence for it is stronger. Rates are higher, the transfer is larger, the timeline is shorter, and fewer heirs plan to run the business. ULI's figures show how few family firms reach a second generation. For owners without a plan, the most likely outcome is a transition decided under pressure, by lenders, tax deadlines, or circumstances, rather than by the family.