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Q+A: Morgan Stanley's \$58bn playbook – housing, defence spending and the AI buildout

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Brian Niles, global co-head of the real estate investment branch, discusses the firm's core and value-add strategies positioning across sectors



From housing shortages in European cities to the industrial buildout around AI, structural shifts are reshaping where and how real estate capital gets deployed. Morgan Stanley Real Estate Investing (MSREI), which manages \$58bn in assets across North America, Europe and Asia, is seeing these trends play out across every major region and sector.

Brian Niles, global co-head of MSREI, sat down with *Green Street News* to discuss how the firm's core and value-add strategies are positioned across sectors, including the AI-driven demand rippling through industrial and R&D real estate.

Niles, who joined Morgan Stanley in 2006 and has led MSREI's global private real estate investing business since 2022, has spent more than 28 years

investing in real estate across multiple geographies and asset classes.

He explains why the firm has deliberately steered clear of direct data centre investment in favour of the broader ecosystem around it, where he sees the firm's edge in student housing and self-storage, and what a defence spending boom means for industrial demand in markets like Paris and Munich. Niles also highlights what [the firm's recent exit from the Pullman Paris Tour Eiffel](#) signals about opportunity in Europe's gateway hospitality markets.

MSREI manages \$58bn in real estate assets. Could you walk us through the composition of your portfolio – how it breaks down across strategies and geographies, and whether that allocation is shifting over time?

Our fund strategies encompass the entire risk spectrum from core to value-add/opportunistic.

The majority of the capital we manage is concentrated in a series of diversified, open-ended core funds in the US, Europe, and Asia. The funds focus on investing in sectors that are supported by long-term structural demand where we can drive sustained income growth and value creation over time for investors. While North America remains our largest market, Europe and Asia continue to

represent important areas of investment and growth.



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BRIAN NILES, MORGAN STANLEY

Within our global value-add/opportunistic fund series, we have a flexible mandate that allows us to leverage the access and insights of our global

platform. We compare opportunities across regions and sectors and allocate capital to investments with the most attractive risk-adjusted returns. While each fund is diversified across regions and asset classes, we do have the ability to shift over time as market conditions change.

Where do you see the most compelling opportunities in Europe relative to other regions and what's driving that? Where do you see opportunities in the US and Asia?

Europe stands out today because some long-term structural trends are colliding with an environment where very little supply is being created.

Housing is an obvious example. Across many European markets, residential supply has historically been limited by regulatory hurdles, and higher financing and construction costs have only reinforced that dynamic. We believe there is a compelling backdrop for investors with a longer-term horizon.

We also continue to see attractive opportunities in logistics, where demand remains supported by supply chain realignment, defence spending, and continued e-commerce penetration. Hospitality assets in several European markets continue to benefit from attractive long-term demand drivers and limited supply.

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In the US, we're particularly constructive on growth opportunities. Ageing demographics will create sustained demand for senior housing for the foreseeable future while supply remains near historical lows. The reshoring of manufacturing and increasing infrastructure requirements linked to AI are creating attractive investment opportunities in many industrial markets.

In Asia, the opportunity set is more nuanced and market specific. Japan remains attractive despite rising interest rates as the reflation economy drives rental growth across the Tokyo residential and office markets, but asset selectivity is key. Korean and Australian markets have stabilized and offer opportunities after a period of repricing.

Morgan Stanley hasn't really made direct real estate investment in data centres. What's the thinking behind that?

AI is clearly a significant driver of economic growth and real estate investment opportunities. Rather than focus on data centres alone, we've spent a lot

of time analysing the wider ecosystem that supports AI growth. This includes investing in industrial assets that are leased to tenants in the data centre ecosystem and developing or acquiring R&D assets that are used to support the research of robotics, defence technologies, and the evolution of physical AI.

We believe those supporting sectors offer equally compelling, and sometimes more attractive, risk-adjusted opportunities.

The mid-market affordable housing shortage is a reality and higher interest rates aren't helping with new supply. How is the firm approaching the housing sector and where are you deploying capital?

Housing remains one of the clearest examples of a structural imbalance in European real estate today. Demand continues to grow in select cities, driven by urbanisation trends and increasing household formation, while supply remains subdued due to regulatory constraints and higher construction and financing costs. As investors, we're focused on delivering affordable, quality housing in markets with sustained demand drivers.

We typically acquire existing rental assets where we can improve the tenant experience through investment and improved management, although

we will also selectively evaluate development opportunities, particularly in the more affordable segments of the market.

How does student housing fit into that picture?

Student housing benefits from many of the characteristics we look for in residential real estate, including persistent demand, limited supply and resilient cash flows. That said, we're highly selective about where we invest.

One of the key factors we look at is the diversity and resilience of demand. We generally prefer university markets with broad domestic and international student populations rather than locations that rely heavily on a single source of demand. We believe that creates a more stable foundation for occupancy and rental growth over the long term.



Pullman Paris Tour Eiffel

As with housing more broadly, we favour markets where structural undersupply, strong universities and supportive demographic trends can drive sustainable performance over many years.

The sale of the Pullman Paris Tour Eiffel was a strong exit. What makes Europe particularly well positioned in hospitality right now and which markets are you most excited about?

Our investment in the [Pullman Paris Tour Eiffel](#) reinforced our conviction in the strength of Europe's leading gateway city hotel markets. It also demonstrates how combining the selective acquisition of high-quality assets with active asset management initiatives can drive investment performance.

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European hospitality assets benefit from the combination of continued growth in global tourism,

including from US and Asian markets, with significant barriers to new supply, including recent laws limiting new development. We are most interested in markets and assets that benefit from a diverse demand base of corporate travel and tourism.

How do you expect the uptick in European defence spending to feed through into demand for industrial real estate?

Rising defence spending in Europe is part of a much broader shift toward strategic autonomy, supply chain resilience and domestic manufacturing capacity.

From a real estate perspective, that has implications for industrial facilities, logistics assets, research and development campuses, and advanced manufacturing infrastructure. We believe tenant demand will grow in markets and clusters that are leveraged to those trends, such as Paris and Munich, although that is likely to play out over many years as opposed to the near term.

You have an established self-storage platform in the US. How are you thinking about that strategy in Europe?

Our experience owning a self-storage platform in the US has been positive and it has been a top-performing sector in select European markets.

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While the sector has many attractive qualities, it has also attracted significant investor interest over recent years, so we're careful to assess opportunities through the lens of relative value. Ultimately, our capital allocation is driven by where we see the most compelling risk-adjusted returns across the broader real estate landscape.

