The Bell Can't Be Unrung: Opportunity Amid Uncertainty

By David Steinbach and Joshua Scoville
HINES

At the start of 2025, optimism was quietly returning. The U.S. election outcome was clear, and it appeared that the U.S. Federal Reserve's historic tightening cycle was potentially nearing its end. Meanwhile, markets were stabilizing, central banks more broadly were pausing or easing interest rates, and the bid-ask gap was narrowing. But as the year progressed, U.S. tariff policy abruptly disrupted progress and shifted the conversation. In this environment, global investors were asked to hold two opposing truths, with growth moderating and inflation remaining sticky.

However, the underlying forces shaping this moment (including deglobalization, demographic pressure, energy insecurity, and political bifurcation) had been building over time, like massive tectonic shifts gradually making their way to the surface. As a result, the landscape built over the last four decades is transforming, becoming more fragmented and localized. In other words, the bell had been ringing; it's only now that we can finally hear it.

Hines has long believed that this cycle would be different. That valuations would reset not with a bang, but with a steady recalibration. That fundamentals would reassert themselves. And that real estate (especially private real estate) would emerge as one of the few places where long-term capital could find income, resilience, and strong relative value.

Historical perspective informs that view.

Hines Research has done some interesting work to analyze a period in U.S. history (specifically from 1966 to 1982) when cap rates rose sharply and inflation spiked. What was the outcome then? Real estate income growth not only kept up, it accelerated. Rent growth emerged, driven by scarcity, discipline, and rising replacement costs. We are beginning to see these echoes now.

Today, global construction has fallen off compared to historic averages. Yet demand has remained. We believe that we are not building enough to meet the next cycle's needs. That supply/demand mismatch is not hypothetical; it's currently being baked into the back half of this decade. In the immediate moment, these forces potentially represent an uncommon buying opportunity. However, as the cycle progresses, we believe we will begin to shift to a building moment—an inflection point that many could miss.

We have been closely tracking the key themes of deglobalization, deleveraging, demographics, dispersion, data, and decarbonization. These are structural forces that we believe will shape the future investment landscape.

Practically speaking, the Living sector remains our strong focus, and we continue to lean in on Retail and U.S. Office Credit. Industrial remains interesting on a selective basis, and we're closely monitoring Office on the equity side. Data Centers remain a priority, with an emphasis on powered land aggregation globally. And while we're currently focused on acquisitions, we continue to monitor for signals to build.

Broadly speaking, we remain in an evolving investment landscape that requires a patient, efficient, and methodical approach. In this environment, it's especially important to avoid recency bias and keep a broader perspective because opportunities can be found in all markets for those who know where to look.

Read more in our 2025 Mid-Year Global Investment Outlook. ■

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