Hines

The Scarcity Advantage: *The World Needs More Than It Can Build*

As supply constraints transform the global economy, opportunities appear to be emerging where demand has been durable and future capacity has been hardest to deliver.

Over the past several years, the defining investment challenge has shifted. While markets were focused on growth, inflation, rates, geopolitics, and technology, an increasingly important constraint emerged: limited supply.

This scarcity has been driven by four powerful waves reshaping the global economy:

Intelligence. Advances in artificial intelligence (AI), automation, and computing have been increasing demand for digital infrastructure and the systems that support it.

Energy. Electrification, grid modernization, and rising power demand have been placing greater pressure on energy systems worldwide.

Security and Sovereignty. Governments and businesses have been rethinking supply chains, manufacturing footprints, and strategic capacity after decades of prioritizing efficiency.

Demographics. Aging populations, migration, housing shortages, and household formation have been reshaping how and where people live and work.

Meeting these challenges will likely require substantial investment in the real assets needed to expand capacity, from housing and industrial facilities to energy infrastructure and digital systems.

Construction activity has slowed across many markets, entitlement processes remain lengthy, skilled labor shortages persist, and replacement costs continue to rise. These barriers have limited the pace at which new capacity can come online.

For real asset investors, the opportunity may lie not simply in identifying where demand will grow, but in understanding where future supply is likely to remain constrained. Assets in markets with durable supply limitations may be better positioned to benefit from stronger pricing power, rental growth, and long-term value creation.

Existing assets acquired below replacement cost could become increasingly valuable where new development is difficult. In other cases, selective development could potentially create value when execution capabilities, barriers to entry, and durable demand align.

The implications extend across living, industrial, powered land, mixed-use developments, retail, office credit, and targeted development opportunities. Although each sector tends to be driven by different fundamentals, they have shared a common theme: constrained capacity may be an increasingly important driver of investment performance.

As a result, this cycle may reward execution as much as market timing. Development expertise, operational capabilities, and recapitalization capabilities may become increasingly important differentiators as investors navigate an environment shaped by structural supply shortages.

The relative influence of intelligence, energy, security, and demographics will continue to evolve. What is less likely to change is the importance of capacity. Markets often focus on what is growing. We believe that investors should pay equal attention to what remains difficult to build, difficult to replace, and difficult to replicate.

Those constraints may prove to be among the most valuable assets of the next decade, in our view.

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