Hines

Perspectives

Rethinking Energy Risk

As energy markets become less predictable, investors may need to rethink how they evaluate and manage risk.

By **Steve Luthman**
Managing Partner,
Global Head of Real Estate

Sean Murphy
Senior Managing Director,
Head of Global Management Solutions

Energy has increasingly become more than an operating consideration. It has been emerging as a structural factor that could influence inflation, financing conditions, asset competitiveness, and long-term investment performance.

That shift reflects the evolution of the energy landscape itself. Oil and natural gas has remained critical inputs to economic growth, while electricity has rapidly become a strategic constraint as electrification, artificial intelligence, and data-center demand accelerate. As a result, energy exposure has become more consequential across markets and asset classes.

In this environment, we believe investors may benefit from focusing less on forecasting energy prices and more on understanding how portfolios could perform across a range of energy outcomes. The objective is not prediction. It is identifying where exposure is concentrated and how it could affect income durability, valuations, and portfolio resilience over time.

We believe this broader perspective—what we describe as energy intelligence—is becoming increasingly relevant for long-term investors seeking to preserve capital through changing market cycles.

The Asymmetry of Energy Shocks

Energy-driven inflation could create a nuanced tradeoff for investors. Rising energy costs may support nominal income growth in certain real assets and other investments that benefit from inflation-linked pricing. At the same time, those same pressures could contribute to higher interest rates, reduced consumer purchasing power, and slower economic growth.

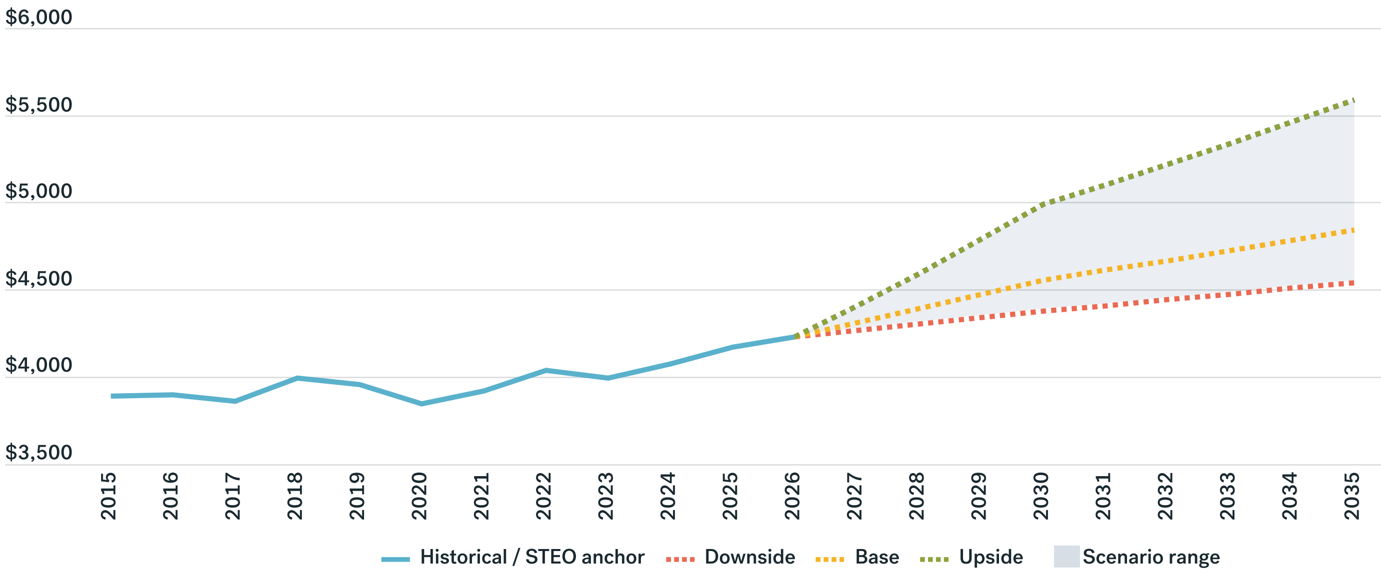
The effects are rarely distributed evenly. Geography could amplify those differences, with energy-importing economies often facing different pressures than resource-rich markets. Infrastructure quality, grid reliability, and access to energy supply may also influence how regions respond to future disruptions.

For diversified portfolios, these distinctions could translate into materially different risk and return profiles. Assets and markets that appear similar today may respond very differently if energy costs rise, electricity demand accelerates, or supply constraints emerge.

As a result, energy exposure has increasingly become a source of return dispersion rather than a uniform market risk.

Figure 1

Understanding the Range of Future Outcomes



Sources: EIA historical electricity consumption and STEP near-term anchors; LBNL/DOE U.S. data center electricity use outlook; EIA Energy and AI; NERC 2024 Long-Term Reliability Assessment; ICF high-load case cited by Axios; Hines Research powered by ChatGPT. As of 1Q 2026. Scenario values are model outputs calibrated to source ranges, not direct source forecasts.

Energy: No Longer a Footnote

Energy has become a material factor in how investments respond to inflation, how capital is priced, and how assets maintain their competitiveness over time.

The implications extend beyond near-term performance. As governments, businesses, and communities place greater emphasis on energy reliability, grid capacity, and resilience, access to affordable and dependable energy may increasingly influence long-term economic outcomes.

Energy is neither a universal tailwind nor a blanket headwind. It is a factor that can shape inflation, interest rates, asset values, and portfolio resilience in ways that may not be immediately visible during stable market environments.

For investors focused on wealth preservation, income generation, and long-term performance, understanding energy exposure is becoming less about operational detail and more about strategic positioning. As energy continues to intersect with economic growth, technological change, and capital markets, its influence on investment outcomes is likely to become increasingly difficult to ignore.

About the Authors

Steve Luthman is Global Head of Real Estate at Hines, leading the strategic direction and optimization of the company's real estate assets across the globe. He oversees Hines's real estate initiatives across development, construction management, asset management, acquisitions, dispositions, and property operations, ensuring asset optimization, strong customer partnerships, innovation, and maximizing returns from Hines's real estate investments.

Sean Murphy is Head of Global Management Solutions (GMS) at Hines, leading the strategy, operating models, platforms, and transformational initiatives that improve real estate operations and asset performance across the firm's global portfolio. He focuses on operational excellence, AI and technology enablement, process modernization, and capability building to drive scalable growth, efficiency, and business outcomes.

Important Disclosures and Risk Factors

Investing in real estate involves a high degree of risk. Real estate investments may be highly illiquid and can engage in leverage and other practices that may increase volatility and risk of loss. International investing involves additional risks, including the burden of complying with a wide variety of foreign laws and the uncertainty of such laws, the tax treatment of transaction structures, political and economic instability, foreign currency fluctuations, and inflation and governmental measures to curb inflation.

Represents subjective opinions of Hines Interests Limited Partnership ("Hines") and should not be viewed as financial advice. Other market participants may reasonably have differing opinions. There is no assurance that the experience of and management by Hines will translate into positive results for any investment available through Hines Private Wealth Solutions LLC ("Hines Private Wealth Solutions"). Investors are not acquiring an interest in Hines.

This communication is for general information purposes only and does not constitute an offer or solicitation to buy or subscribe for securities, units or other financial instruments, nor does it constitute financial promotion, investment advice or an inducement to participate in any offering or investment.

The use of "we" and "our" refers to Hines.

This material contains forward-looking statements (such as those concerning market forecasts, investment objectives, strategies, economic updates, other plans and objectives for future operations or economic performance, or related assumptions or forecasts) that are based on our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Any of the assumptions underlying the forward-looking statements could prove to be inaccurate and results could differ materially from those expressed or implied. You are cautioned not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements.

Past performance cannot guarantee future results.

This article contains information in the form of charts, graphs and/or statements that we indicate were obtained by us from published sources or provided to us by independent third parties, some of whom we pay fees for such information. We consider such sources to be reliable. It is possible that data and assumptions underlying such third-party information may have changed materially since the date referenced. You should not rely on such third-party information as predictions of future results. None of Hines, its affiliates or any third-party source undertakes to update any such information contained herein. Further, none of Hines, its affiliates or any third-party source purports that such information is comprehensive, and, while it is believed to be accurate, it is not guaranteed to be free from error, omission or misstatement. Hines and its affiliates have not undertaken any independent verification of such information. Finally, you should not construe such third-party information as investment, tax, accounting or legal advice.