

## PRICING WHAT GROWTH OBSCURES



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On the surface, the features in this issue's Where are they Now? series seem to have little in common. But a common thread runs through them: what happens when capital's enthusiasm outruns the analytical framework investors use to price risk? We want to pull on that thread, particularly as it applies to data centers, because it raises a question relevant well beyond any single sector.

In a conversation with PREA CEO Zoe Hughes, Advait Arun of the Center for Public Enterprise revisits his November 2025 paper, "Bubble or Nothing," which mapped the capital structure of the AI and data center sector from hyperscaler to GPU producer. His core observation is deceptively simple: the balance sheets of the companies in this ecosystem are interlinked, and the collateral justifying the risk-taking is, frequently, another company's future growth. Six months later, his view has evolved but not softened. The maturity wall that most worried him has receded, thanks in part to unprecedented bond structures like the Meta-Blue Owl \$27 billion Hyperion issuance. But the asset-liability mismatches he identified persist. GPUs depreciate on a cycle shorter than the leases and loans they collateralize. Neoclouds like CoreWeave are borrowing at 14% to 17% with two customers generating over 70% of revenue. And the hyperscaler cash cannon, as Arun frames it, may be masking rather than resolving the fragility further down the capital stack.

For institutional investors whose mandates run decades, the question is not whether to have a view on data centers. It is whether conventional real estate underwriting — tenant credit, lease duration, replacement cost — captures the actual risk. When the tenant's creditworthiness rests on inventory whose useful life is uncertain and whose resale value declines with each product cycle, the traditional landlord-tenant framework may need revisiting. Arun is not arguing this is 2008. He is arguing that we do not yet have the right metrics, and that the sheer volume of hyperscaler cash is allowing participants to defer that reckoning.

That kind of analytical gap is worth sitting with. This issue's other features offer their own versions of the same discipline. Phil Barker of ACRE Solutions traces how real estate secondaries have evolved from a periodic release valve into a standing portfolio management tool, with record volume of \$20.3 billion in 2025 — but notes that price discovery against lagged NAVs and governance of GP-led transactions remain live questions. Jay Parsons makes the case that the US multifamily slowdown is a supply story, not a demand story, and that the emerging flight to quality among both renters and capital is reshaping where value will concentrate as deliveries normalize. And Jim Costello and Michael Savino of MSCI offer a rigorous framework for understanding cross-border capital flows into US real estate, finding that the macro signals that have historically driven those flows are not broken — but may not be strong enough to overcome the friction of the current geopolitical environment.

What connects these pieces is a shared insistence on looking past the headline narrative to the structure underneath. We encourage you to read them in that spirit. The sectors and strategies examined here will continue to evolve. The investors who perform well in the next cycle will likely be those willing to do the work at the asset level — and to ask whether their frameworks are keeping pace with the markets they are meant to describe.

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