The CenterCap Group is a boutique, real estate focused investment bank providing strategic advisory, capital raising, and consulting related services to public and private sector companies and fund managers across the real estate industry.

The CenterCap Group
media@centercapgroup.com
212-620-2655

CCG PERSPECTIVES

Wait … When was "Real Estate" Relabeled "Real Assets"?

By Deborah Smith, Co-Founder & CEO, The CenterCap Group

How traditional investment lines are blurring and what it means for everyone chasing yield.

What's going on with infrastructure? It's not just utility pipelines and toll roads anymore. Infrastructure is showing up in sectors that used to be the heart of commercial real estate — data centers, logistics parks, healthcare facilities, cold storage, even energy-embedded office campuses. Infrastructure capital is moving in, and it's reshaping how we think about real estate.

This isn't a story about KKR merging its infrastructure and real estate divisions, or AustralianSuper and Aware Super being early movers in combining each of theirs. Those are consequences, not drivers. The blurring of asset classes is about capital. It's about a masterful mix of silo-busting and cross-pollination. It's about more products and more distribution — the two engines of growth.

Labels aren't the decision-makers anymore; property characteristics are. For example, long-term contracts can be viewed through an alternative lens: tenant "stickiness." Essential, durable cash-flowing and built to last — these qualities can be achieved in different ways — not just a Public-Private Partnership ("PPP") and a government contract.

Take data centers. A few years ago, they were just real estate — leased space with strong tenants and cap rates. Now? They're treated like digital utilities due to their high uptime (i.e. they stay online and reliably run almost all the time), essential service characteristic, and the long-term contracts they hold with credit tenants. That's infrastructure language, and it's attracting infrastructure capital, with longer timelines and lower cost of capital.

But let’s be clear: not every real estate deal is an infrastructure play, and vice versa. A suburban office park with short-term leases and no essential function doesn’t magically qualify as infrastructure. Nor does a merchant-build multifamily project running on a 70 percent loan-to-value financing structure. These are cyclical, tenant-driven assets with shorter durations and higher operating risk. That’s not infrastructure, it’s real estate, plain and simple.

On the other hand, a toll road or water treatment plant wouldn’t make sense in a real estate wrapper. These assets are driven by tariffs, contracts and policy — very different fundamentals. Trying to stretch definitions to fit a narrative weakens both sides of the equation. It’s the “in-the-middle” asset classes that are causing confusion.

For example, think about logistics, cold storage and last-mile delivery hubs — basic industrial properties. These days these facilities get a new label, and they become “supply chain” infrastructure. It’s not that the fundamental characteristics of real estate or infrastructure have changed — what’s evolving is how assets are evaluated in terms of those characteristics. The change is in the inputs, the underwriting criteria and how those variables are deemed satisfactory, particularly when it comes to management intensity, market and speculative risk and long-term cash flow stability. A more liberal view creates opportunity for more inventive product development.

So what’s the catalyst driving convergence? To finish where we started, it’s products and distribution. If an investment manager can offer more products to more investors, that’s a decent recipe for growth. In some ways, it is a similar argument for niche strategies and offering focused investment products — the more products you can offer, the greater the likelihood for recurring fee income. This is a necessary component of platform value.

Commercial real estate managers aren’t just watching this happen from the sidelines; they’re responding. Many are repositioning parts of their portfolios as “infra-like” to tap into new capital sources and expand distribution. Firms like Harrison Street and CBRE Investors have created vehicles that focus on integrating energy, data and healthcare and/or connectivity, wellness and social/essential services. There are others, and there will be more to come.

But also keep in mind that infrastructure vehicles typically have lower costs of capital too. In fact, infra-style underwriting can help justify lower yields in exchange for greater cash flow visibility, inflation protection and downside resilience. Following this through, an unexpected consequence of this asset class blurring may actually be to the bottom line — if infrastructure investors have a lower cost of capital, how does pricing play out for these cross-over asset classes going forward?

The message is clear: convergence may be a threat to not only market dynamics, but also to how assets are priced. But there is also an opportunity, and it’s not just marketing. Reclassification, when done authentically, allows real estate platforms to appeal to institutional investors looking for inflation protection, ESG exposure and long-duration income. New capital flows, broader investor engagement and more flexible fund structures follow.

Still, competing in this space requires more than a new label. Real estate is operationally intensive and can be very messy, and tenant-facing (and consider lack of creditworthiness). There's no government-guaranteed or long dated durable cash flows. Leases expire, repairs are part of operating burden and tenants vacate. Success depends on execution, responsiveness and daily hands-on management. That's the edge real estate players must own.

Real estate at its core is a management business. Thriving in this evolving world requires financial creativity, operational grit and capacity to access, review and execute on opportunities from a wide variety of angles. It might be time to reimagine mandates, partner strategically and underwrite with an integrated mindset, or at a minimum be aware that there are plenty of investors out there open and willing to take this mindset. The future isn't binary. It's blended.

Bottom line? Infrastructure is moving in, and not quietly. It's coming with size, with conviction and with capital that's hard to compete with. For real estate managers, this isn't the end. But it is a turning point. The future of real assets won't be so easily defined by rigid labels and categories. Welcome to the new era of "Real Assets."