

## Rotation to Hard Assets: Cash-Flowing Multifamily Credit Opportunities

Over just one week in early February, roughly \$1 trillion in market capitalization was eliminated from software company valuations amid growing AI concerns.<sup>1</sup> Capital raising data from Robert A. Stanger showed private real estate fundraising in Q1 2026 was up 26% year over year, signaling a rotation of capital into sectors potentially insulated from technological disruptions.<sup>2</sup>

The Hard Asset Low Obsolescence ('HALO') framework gained traction across the investment community in early 2026, with Goldman Sachs among the firms publishing strategic analysis on qualifying assets. HALO focuses on investments whose economic value is derived primarily from physical components that are costly to replicate and less susceptible to technological obsolescence.<sup>3</sup> Although AI may reshape the way assets are built or managed, it may not replace the value or the essential nature of the services they provide.

At Prospect Credit REIT, LLC ("PCRED"), we see stabilized real estate credit as an attractive HALO investment, collateralized by cash-flowing hard assets with long useful lives. PCRED invests in non-discretionary, cash-flowing multifamily properties at conservative loan-to-value ("LTV") ratios.

**Non-Discretionary:** Multifamily assets generate cash flows from non-discretionary spending on rental housing. National vacancy rates average 7.2%<sup>4</sup> and it's estimated that an additional 2 million units are required to keep pace with demand.<sup>5</sup>

**High Replacement Costs / Long Useful Lives:** Real assets carry inherent residual value based on the tangible nature of land and vertical improvements. Replacement costs for new multifamily properties are currently at peak levels,<sup>6</sup> which is curtailing new supply.

Multifamily assets also benefit from long useful lives, with properties often operating for more than 50 years. According to National Multifamily Housing Council ("NMHC") data, 42% of all apartment units were built before 1979, a testament to the durability of multifamily real assets.<sup>5</sup> These properties may be periodically renovated to enhance quality and further extend their useful lives.

**Stabilized, Cash-Flowing Assets:** Stabilized assets carry an in-place occupancy rate above 90%,<sup>7</sup> generating recurring cash flow from a diversified, seasoned rent roll. This contrasts with bridge and transitional assets, which have weaker in-place cash flow to cover their debt service.

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**Real Estate Credit:** Lending on HALO assets provides investors with the ability to invest in hard assets with an equity cushion. Lending at 70% LTV on stabilized properties provides an equity cushion designed to potentially absorb up to a 30% decline in value before principal would be impaired.

**Conclusion:**

As concerns over AI disruption persist, it's our view that real estate investments offering consistent cash flow and lower volatility are better shielded than other transitional real estate. As this HALO rotation continues, we believe multifamily real estate credit presents an attractive HALO investment opportunity within this evolving landscape. As a provider of preferred equity on stabilized multifamily assets, PCRED offers a distinctive HALO investment strategy collateralized by cash-flowing hard assets.

For more information, contact PCRED Investor Services at:  
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## Sources & Definitions

### Sources:

1. Reuters – Selloff wipes out nearly \$1 trillion from software and services stocks as investors debate AI's existential threat
2. Robert A. Stanger - Capital Rotation Away from Private Credit Accelerates Toward HALO Strategies April 2026
3. Goldman Sachs, "The HALO Effect: Heavy Assets, Low Obsolescence in the AI Era," February 24, 2026.
4. Federal Reserve Economic Data through Q4 2025
5. NMHC – characteristics of apartment stock
6. NYC Tops Global List for Construction Costs, CRE Daily July 2025
7. Brookfield Glossary – Real Estate Stabilization

### Definitions:

**LTV** – Loan-to-Value is a metric that measures the size of a loan relative to the appraised value or purchase price of a property. It is expressed as a percentage and used by lenders to assess risk, with lower LTVs indicating more borrower equity and typically safer credit profiles.

**Debt Service Coverage** – Cash or income required to cover its interest and principal payments over a specific period.

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