

Driven by AI Investment, Interest Rates, and Inflation

This report is excerpted from the *Fourth Quarter 2026 Fixed-Income Sector Views*.

Power connectivity and selective capital deployment in a higher rate environment.

Real assets enter the fourth quarter with strong structural demand as AI investment, rising electricity demand, energy security, and supply chain investment continue to support infrastructure. The opportunity extends beyond data centers to generation, transmission, storage, cooling, and connectivity. Scarce grid capacity, construction constraints, and more expensive refinancing make project readiness and contracted cash flows central to underwriting. Commercial real estate conditions are improving, but income growth, property quality, and local supply matter more than broad exposure to the asset class.

Sector Commentary

- Infrastructure activity remains resilient, with capital increasingly focused on contracted, inflation-linked, cash flowing assets amid macro and geopolitical uncertainty.
- Behind-the-meter opportunities are becoming more prevalent as a way of addressing AI-driven demand needs more quickly, avoiding the long lead times and substantial infrastructure upgrades and enhancements required for new generation to be grid interconnected.
- Refinancing remains an important source of transactions. Given the recent rise in interest rates, debt originated at lower rates may require more equity, revised amortization, or recapitalization when it matures. The pressure extends to portions of the data center buildout.
- Commercial real estate leasing and capital market activity have improved, but performance varies sharply. Lower industrial vacancy and strong multifamily absorption in the third quarter, alongside a quality-led office recovery, point to pockets of strength, though general property fundamentals remain weak.

Investment Themes

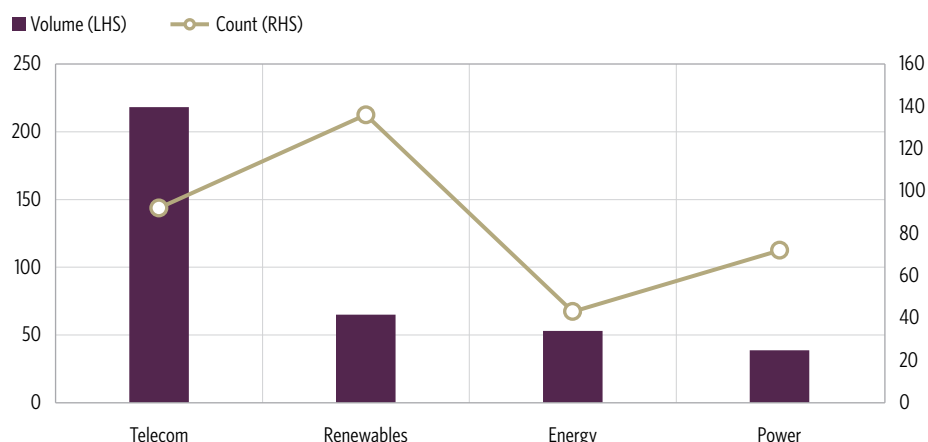
- AI and electrification continue to accelerate infrastructure demand, while geopolitical conflict is strengthening the case for energy security and increased investment in resource real assets.
- Real estate sales activity is increasing as owners begin to accept the higher-for-longer rate environment and special servicing becomes more active. Valuations below peak averages are creating compelling opportunities.
- We continue to provide structured capital selectively. For example, senior debt, preferred equity, and recapitalizations can fill funding gaps where asset quality is sound but existing leverage no longer works. We favor conservative cash flow assumptions, meaningful sponsor equity, and controls over additional debt and distributions.
- We are prioritizing cash flow over thematic exposure. We look for long-term contracts, creditworthy and diversified counterparties, enforceable inflation linkage, and a clear path from committed capital to operating cash flow. We also stress test for higher rates, slower lease-up, delayed energization, and weaker exit multiples.

By John Tanyeri

Telecom infrastructure continues to lead sector volumes at ~\$218bn YTD, as AI-driven network densification, data center growth, 5G buildout, and early 6G pilots sustain demand for digital connectivity investment to support accelerating data throughput requirements.

AI Demand Shows Up in Deal Flow as Telecom Far Outpaces Energy and Power

Volume Year-to-Date by Sector (USD \$B)



Source: Guggenheim Investments, Infralogic. Data as of 9.30.2026.



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