

MARKET PERSPECTIVE

Hard Assets, Low Obsolescence

The quiet case for HALO exposure in a market that has learned to price durability.

In a market where private capital has grown comfortable underwriting cash flows that depend on software renewal cycles, tenant credit, or the next technology wave, a quieter category of real assets keeps compounding. Sponsors have begun calling them **HALO assets — Hard Assets, Low Obsolescence**. The label is shorthand, not a defined asset class, but it captures something real: physical, long-duration assets whose utility doesn't erode as technology, tenant preferences, or capital markets shift underneath them.

What makes an asset 'HALO'

Two tests, applied together.

HARD

The asset is physical, tangible, and productive on its own. It occupies land, it has a replacement cost, and its value is anchored to the real economy rather than to a contract, a brand, or a software stack. Hard assets are inflation-responsive because their replacement cost moves with construction, labor, and materials — not with discount rates alone.

LOW OBSOLESCENCE

The asset's usefulness doesn't degrade meaningfully over time, and it isn't exposed to a technology, format, or tenant-preference shift that could strand it. A Class A office tower is a hard asset, but the last several years have shown it is not a low-obsolescence one — tenant demand, floorplate expectations, and amenity standards have moved against it. A regional mall is hard; its use case is obsolescing. A data center is hard, but its mechanical and electrical systems carry real functional-obsolescence risk as chip density and cooling requirements evolve.

HALO sits in the overlap: durable physical assets whose underlying use case has been stable for decades, and whose building design is simple enough that it doesn't age out.

The property types that tend to qualify

Not an exhaustive list, and reasonable people draw the lines differently:

- **Self-storage.** Simple structures, minimal tenant improvements, no technology dependency, and demand drivers (life events, household formation, downsizing, small business) that are structural rather than cyclical.
- **Manufactured housing communities.** The land is the asset; the homes are owned by residents. Replacement supply is constrained by zoning in most markets, and the use case — affordable, owned housing — doesn't go out of style.

- **Industrial outdoor storage (IOS) and low-coverage industrial.** Yards, truck terminals, equipment storage. The improvement is largely the entitlement and the site work; functional obsolescence is minimal.
- **Certain infrastructure.** Water, waste, select midstream, and transmission assets where the physical system has a multi-decade useful life and the service is non-discretionary.
- **Agricultural land and timberland.** Productive hard assets with biological, not technological, cycles.

What these share: low tenant-improvement intensity, simple building systems, structural demand, and a replacement-cost floor that holds up against inflation.

Why the category matters now

Three forces are pushing allocators toward HALO exposure.

OBSOLESCENCE HAS BECOME VISIBLE

The office correction, the slow repricing of enclosed retail, and the questions now being asked about the useful economic life of first-generation data centers have made clear that 'real estate' is not a monolith. The duration of an asset's utility is now underwritten explicitly, not assumed.

INFLATION CHANGED WHAT 'DEFENSIVE' MEANS

Through the long disinflationary period, defensive meant long leases to high-credit tenants. In a higher-for-longer rate environment, defensive increasingly means short-duration leases that reprice with inflation, replacement-cost barriers to new supply, and operating cost structures that aren't exposed to wage or energy shocks. HALO property types tend to score well on all three.

CAPITAL MARKETS DISLOCATION HAS SORTED THE FIELD

When debt is expensive and equity is cautious, the assets that keep attracting capital are the ones with the clearest, simplest underwriting. HALO assets underwrite cleanly: the demand case is structural, the physical plant is understood, the exit is to a known buyer universe.

What HALO is not

It isn't a promise of returns, and it isn't a substitute for underwriting discipline. A self-storage facility in an oversupplied submarket is still an oversupplied asset. An MHC with deferred maintenance and a hostile municipality is still a problem. The HALO framing describes the *category's* resistance to obsolescence; it does not immunize an individual deal from basis, supply, or operating risk.

It also isn't the same as 'core.' Core connotes stabilized cash flow and institutional quality. HALO is a statement about the *nature* of the asset — its physicality and its durability of use — and applies across the risk spectrum, from stabilized to development.

How to think about HALO in a portfolio

HALO exposure tends to play a specific role: it provides inflation-responsive, structurally-demanded cash flow with limited exposure to the technology and tenant-preference shocks that can impair other real estate categories over a hold period. It is not a growth sleeve, and it is generally not where an allocator reaches for yield compression. It is where capital goes when the underwriting question being asked is: *will this asset still be useful, and still be in demand, in fifteen years?*

For sponsors building in the category, the discipline is the same one that defines the category: keep the physical plant simple, keep the use case structural, and let the durability of the asset do the compounding.

ABOUT LEITBOX STORAGE PARTNERS

Leitbox Storage Partners is a vertically integrated self-storage sponsor and fund manager. The firm recently launched the **Leitbox Storage Infrastructure Fund**, built around the same hard-asset, low-obsolescence thesis described above. For more information, please contact admin@leitbox.com. We *Do Storage Differently*.

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