

# When the Star Goes Down: Why Private Real Estate Equity Is Stepping into the Spotlight

Board Minutes from the Chairman – April 2026

Every season has its assumptions. The expected star, the proven performer, the player the game plan is built around. And sometimes, when it matters most, that star goes down—and the outcome is decided by who is ready to step up.

Michigan's NCAA basketball national title run offered a reminder of that dynamic. Yaxel Lendeborg was the star for much of the season—dominant, highly touted, and central to the narrative. But when he was sidelined with a knee injury, it was Elliot Cadeau who carried the moment. Calm, decisive, and effective when it counted most, he became the difference maker in the title game.

Private markets feel similar today.

### **Private Credit's Moment—and Its Injury**

For much of the past cycle, private credit was the star. Reliable yield, predictable distributions, and strong fundraising momentum made it the cornerstone of many portfolios. In a world of low rates and abundant liquidity, it delivered exactly what investors were seeking.

Today's headlines tell a more complicated story. Rising defaults, refinancing pressure, valuation scrutiny, and tighter lending conditions have challenged assumptions around durability and reliability. This is not an indictment of private credit as an asset class—but it is a reminder that no strategy is immune to cycles.

The star is not gone. But it is playing through an injury.

### **The Opportunity for Real Estate Equity to Step Up**

As conditions recalibrate, capital naturally gravitates toward assets where return drivers are clearer, risks are more tangible, and outcomes are shaped by execution rather than financial abstraction. This is where private real estate equity is re-entering the spotlight.

Not as a speculative substitute.

Not as a reach for yield.

But as a source of durable income with materially stronger after-tax outcomes.

### **After-Tax Yield: The Distinction That Matters**

In most income-oriented strategies, economic yield and taxable yield are the same. Interest is taxed as earned. There is little discretion over timing, character, or deferral. As rates have risen, nominal yields have improved—but so has the tax drag.

Real estate equity operates differently.

Through depreciation and other structural features of ownership, real estate allows investors to receive cash flow while deferring a meaningful portion of the associated tax liability. The result is not simply income, but tax-advantaged income—often producing tax-equivalent yields that exceed what is available in private credit today, even when headline yields appear lower.

In a high-tax environment, that distinction is consequential.

### **A Durable Gap Between Cash Flow and Taxes**

Well-structured real estate equity investments often generate a sustained gap between cash distributions and taxable income. Ordinary operating deductions, interest expense, and depreciation combine to reduce current tax exposure while cash flow remains intact.

Cost segregation and bonus depreciation can enhance this effect and is particularly powerful in the early years. The result is ownership of income-producing assets that convert gross yield into after-tax yield more efficiently than credit alternatives.

In many cases the yield real estate equity provides, when compared to after-tax, is more than the yield provided by private credit. In addition, real estate equity has advantages that private credit doesn't, including the ability to grow its yield as rents increase and to participate in long-term appreciation of principal.

This is not a temporary anomaly. It is a structural advantage.

### **Deferral, Discipline, and Control**

Tax efficiency in real estate extends beyond operations. At exit, strategies such as Section 1031 exchanges allow investors to defer capital gains and keep proceeds compounding rather than being diverted to immediate tax payments. Over longer horizons, current law also provides for a step-up in basis at death, potentially eliminating deferred taxes for future generations.

Deferral preserves capital. Control enhances compounding.

## Buchanan's Perspective

At Buchanan, we view this moment not as a shift away from opportunity, but as a rotation toward clarity. As private markets adjust, assets grounded in real income, operational execution, and thoughtful tax management are stepping back into leadership roles.

Private credit remains an important component of portfolios. But in today's environment, private real estate equity is delivering something increasingly valuable: attractive, repeatable income with after-tax yields that compete favorably with, and often exceed, credit alternatives.

## Closing Thoughts

Every championship run reveals its turning point. When circumstances change, outcomes depend on who is prepared to carry the load.

With durable cash flow, structural tax advantages, and disciplined execution, private real estate equity is stepping into its moment—quietly, effectively, and with results that matter where it counts most.

Sometimes, the difference maker is not the player with the biggest reputation, but the one delivering when investors need it most.



## Robert Brunswick

Chairman

Robert Brunswick is Co-Founder and Chairman of Buchanan Street Partners, a real estate investment management firm headquartered in Newport Beach, California. In his capacity, Robert has directed the entrepreneurial growth of Buchanan Street since its inception and continues to lead its current strategic direction. In his day-to-day activities, Robert is responsible for chairing the firm's Investment and Executive Management Committees.

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