



CONVERSATIONS

Exploring the Opportunity in Alternative Real Estate

Alternative real estate sectors are gaining traction. In this Q&A, Anar Chudgar explores what's driving demand and how to underwrite these opportunities.



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Investors are increasingly focused on alternative real estate sectors. What broader themes and trends are shaping this shift across the industry?

Institutional investors are reassessing how they want real estate to function within portfolios. There is a growing recognition that traditional property types can be more tightly linked to cyclical economic growth, while many alternative sectors are underpinned by differentiated demand fundamentals—demographics, health care utilization, digital infrastructure and essential services, for example—that evolve more steadily across market environments.

Another factor is market structure. Many alternative sectors are **operationally complex and highly fragmented**, having historically been dominated by smaller owners. That fragmentation can create inefficiencies, and those inefficiencies create opportunity, particularly for experienced investors who can institutionalize operations, professionalize management and bring disciplined capital to markets.

Supply dynamics also play a central role. In areas like senior housing, data centers and manufactured housing, barriers to new development—whether regulatory, infrastructure-related or zoning-driven—often limit the pace of new supply.

For long-term investors, constrained supply paired with essential-use demand can translate into **more resilient cash flows** and **attractive risk-adjusted outcomes** over time. And we've seen firsthand how these dynamics have accelerated investor interest over time, not as niche exposures, but as meaningful complements within diversified real estate portfolios.

In your view, which alternative real estate sectors are presenting the most attractive opportunities?

Several sectors stand out over the medium to long term, particularly senior housing, manufactured housing, self storage and data centers—though each requires a distinct underwriting approach. **Senior housing** benefits from strong demographic tailwinds as the population ages, set against a supply backdrop that has remained relatively muted in recent years. Licensing, operational complexity and capital intensity can serve as meaningful barriers to entry, which can help insulate well-positioned assets.

Manufactured housing also presents a compelling opportunity in the context of a national housing shortage and relative cost. These lower-cost housing options provide an affordable entry point to home ownership and tend to exhibit strong tenant retention. Age-restricted communities, in particular, should benefit from demographic trends similar to those driving senior housing, and look well positioned to capture increasing demand.

Self storage, despite pockets of new supply in certain markets, is another sector we're monitoring. The sector continues to benefit from regulated development (supply) across most markets and historically low housing turnover, which creates significant demand. Going forward, that combination should continue to create attractive buying opportunities for patient investors.

Data centers are clearly experiencing strong structural demand driven by AI workloads, cloud adoption and the continued expansion of digital data. However, selectivity in this sector is critical as not all product types and development strategies carry the same risk profile. Power and utility access, disciplined site selection, and clarity around end-user demand are increasingly important differentiators amid rising capital deployment in the space—and will continue to separate durable platforms from those chasing momentum.

Across these sectors, we see a common thread: **durable demand, constrained supply, and meaningful barriers to entry**. For long-term, institutional capital, these characteristics tend to define enduring asset classes.

“Alternatives are not niche exposures—they are structural complements that broaden demand drivers within a portfolio and can enhance risk-adjusted returns.”

Let's take a closer look at senior housing to better understand the investment philosophy behind these sectors. What are the key drivers of demand you and your team are monitoring?

Senior housing demand is fundamentally demographic and needs-based, and it compounds overtime. The U.S. population aged 70 and older has increased meaningfully over the past several years and is projected to continue rising through the end of the decade. At the same time, new development activity slowed considerably following COVID. That combination of **rising demand and muted supply** has created a strong operating backdrop that we believe will persist for the foreseeable future.

Importantly, senior housing is not simply a demographic trade. It's an operating business layered onto real estate, where performance is heavily influenced by operator quality, asset selection, and the ability to meet the expectations of a **more discerning generation of residents**. Having been active in the sector for more than a decade—engaging across nearly 50 transactions—we recognized early on that execution and asset management depth are critical to outcomes. This is one of the key reasons why we developed a dedicated, in-house senior housing asset management team to work closely alongside operators.

Medical outpatient buildings share some of these same demographic characteristics. Health care expenditures rise materially with age, with a growing percentage of the population managing multiple chronic conditions. At the same time, advances in clinical care are shifting procedures away from inpatient hospital settings and toward outpatient facilities. That shift supports **long-term demand for well-located, purpose-built outpatient real estate**, where regulatory requirements and relocation costs tend to support tenant stickiness contributing to stability.

How do cash flow profiles in alternative sectors typically compare to traditional sectors?

They are different, and that distinction is important to understand.

Some sectors, such as **manufactured housing**, tend to generate very stable, recurring cash flows due to high tenant retention and relatively modest capex requirements that has remained true across real estate cycles. Others, like **student housing**, feature shorter leasing cycles and higher turnover, which can introduce greater leasing volatility but also create opportunities for skilled operators.

Expense profiles vary meaningfully as well. Industrial outdoor storage (IOS) may require minimal ongoing investment, whereas cold storage assets tend to have higher maintenance and equipment-related capital needs. Lease structures, including the prevalence of triple net lease (NNN) frameworks, can also influence cash flow volatility.

The key is **looking beneath headline metrics** to understand the operational drivers that ultimately shape performance.

Are traditional metrics still important in evaluating opportunities in alternative real estate sectors?

Absolutely—traditional metrics such as cap rates, occupancy, rent growth and total return remain foundational. However, they are **rarely sufficient on their own**.

Experienced investors typically supplement those metrics with sector-specific indicators, which can include measures like pre-leasing velocity in student housing, zoning and site improvements in IOS, or care-level mix and staffing considerations in senior housing.

These secondary metrics often reveal risks or opportunities that may not be evident through traditional reporting frameworks alone.

What tends to drive performance dispersion within alternative real estate sectors?

Tenant and user experience is increasingly driving performance dispersion across both residential and commercial alternatives.

In operationally intensive residential sectors like senior housing and student housing, assets need to **reflect how residents live today**—not how they lived 20 years ago. Attributes such as modern communal spaces, flexible unit layouts, and programming can materially impact leasing velocity and resident retention.

In specialized commercial sectors like cold storage or IOS, “amenities” are better thought of as functional capabilities, such as advanced refrigeration systems or site access. These features are integral to tenant operations and can **meaningfully influence pricing power and retention**. For institutional investors, the key question is whether capital invested into these capabilities creates durable competitive advantages and sustainable rent growth over time.

How do you see the role of alternative real estate evolving within institutional portfolios?

Alternative sectors are increasingly viewed as a way to broaden a portfolio’s exposure to underlying economic and demographic drivers. Over the past decade, **institutional adoption has accelerated meaningfully** as investors have sought more resilient income streams, greater diversification and exposure to long-duration demand themes.

Many of these sectors remain **fragmented and under-institutionalized**, which creates opportunities to generate value through scale, operational improvement and disciplined asset management—not simply through market beta or cap rate movement. In that sense, performance is often driven as much by execution and governance as by macro conditions.

Operational intensity is a defining feature of alternatives, and it is also where returns can meaningfully diverge. Investors with the ability to **underwrite complexity, professionalize management** and **actively engage at the asset level** are often better positioned to improve cash flows and manage risk. In many cases, incremental operational improvements can have an outsized impact on outcomes relative to more traditional property types.

As data transparency improves and benchmarks evolve, we believe alternative sectors are increasingly being **viewed within core real estate frameworks** rather than opportunistic sleeves. While transactions may close over relatively short time horizons, the judgment and expertise required to allocate capital through periods of dislocation, uncertainty and structural changes is **built over decades**. Platforms with the experience and discipline to deploy capital with precision are likely to play a meaningful role in defining the next generation of institutional real estate portfolios.

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