Demystifying Specialty Sectors

Britteni Lupe
Assistant Vice President,
Research and Strategy
American Realty Advisors

AMERICAN
REALTY ADVISORS
INSTITUTIONAL CAPITAL MANAGEMENT



Demystifying Specialty Real Estate Sectors

Britteni Lupe
Assistant Vice President,
Research and Strategy
American Realty Advisors

AMERICAN
REALTY ADVISORS
INSTITUTIONAL CAPITAL MANAGEMENT



Every specialty sector deserves two questions:

1

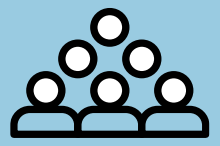
Is demand structural, or cyclical? Trending up, or down?

2

Is your manager owning the building, or operating what's going on inside?

Source: American Realty Advisors as of August 2026.

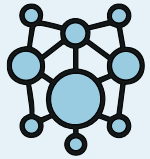
Demand Factors



People Driven



Activity Driven

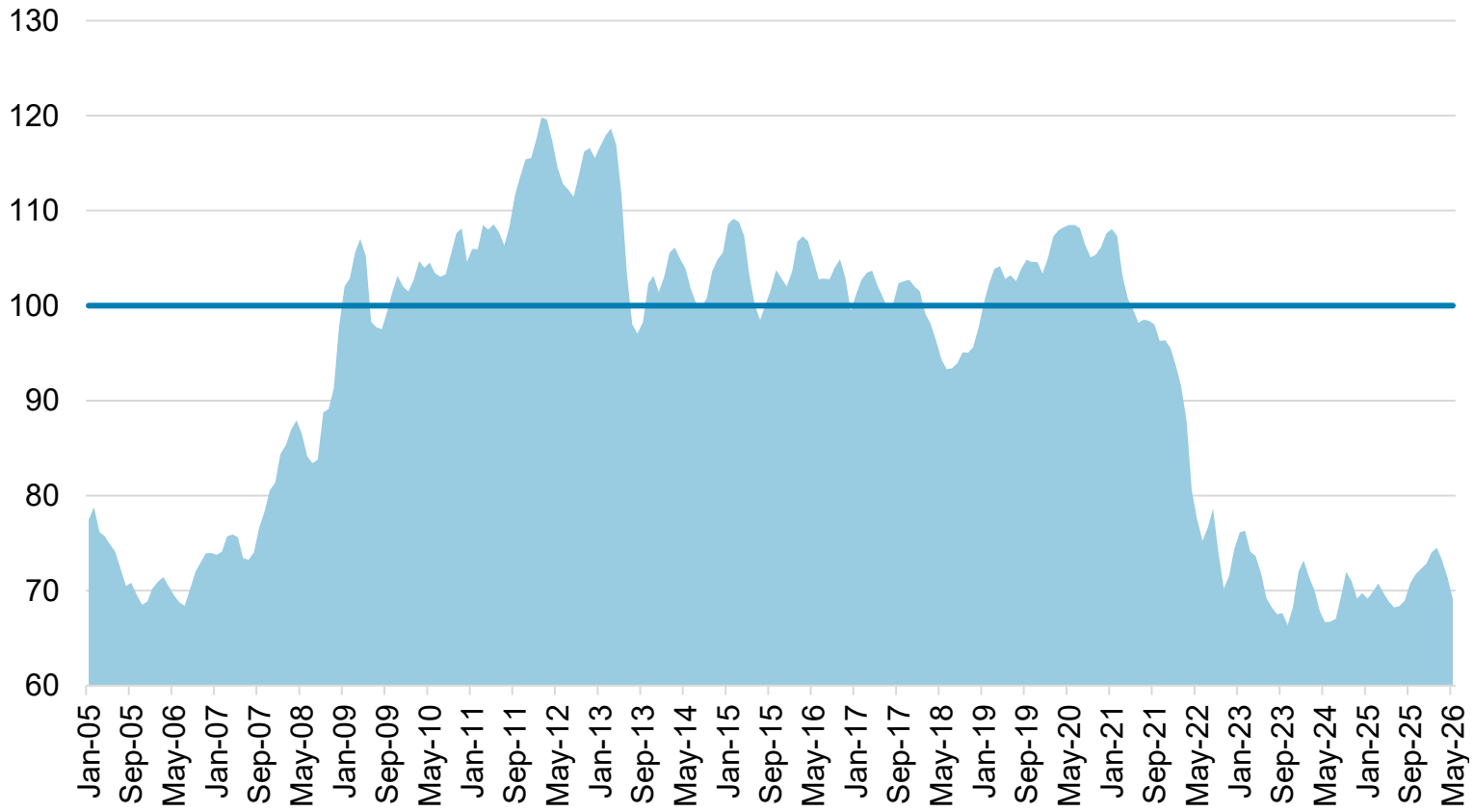


Innovation Driven

Source: American Realty Advisors as of August 2026.

Incomes vs. Housing Prices

Homeownership Affordability Monitor, January 2005 – May 2026



Note: An index value of 100 or above indicates a median-income family could afford a median-priced home; a value below 100 indicates a median-income family would not be able to afford a median-priced home given the current interest rate.
Source: American Realty Advisors based on data from Federal Reserve Bank of Atlanta as of May 2026.

Specialty Sectors:

Manuf. housing

BTR

Millennials reach milestone years



Specialty Sectors:

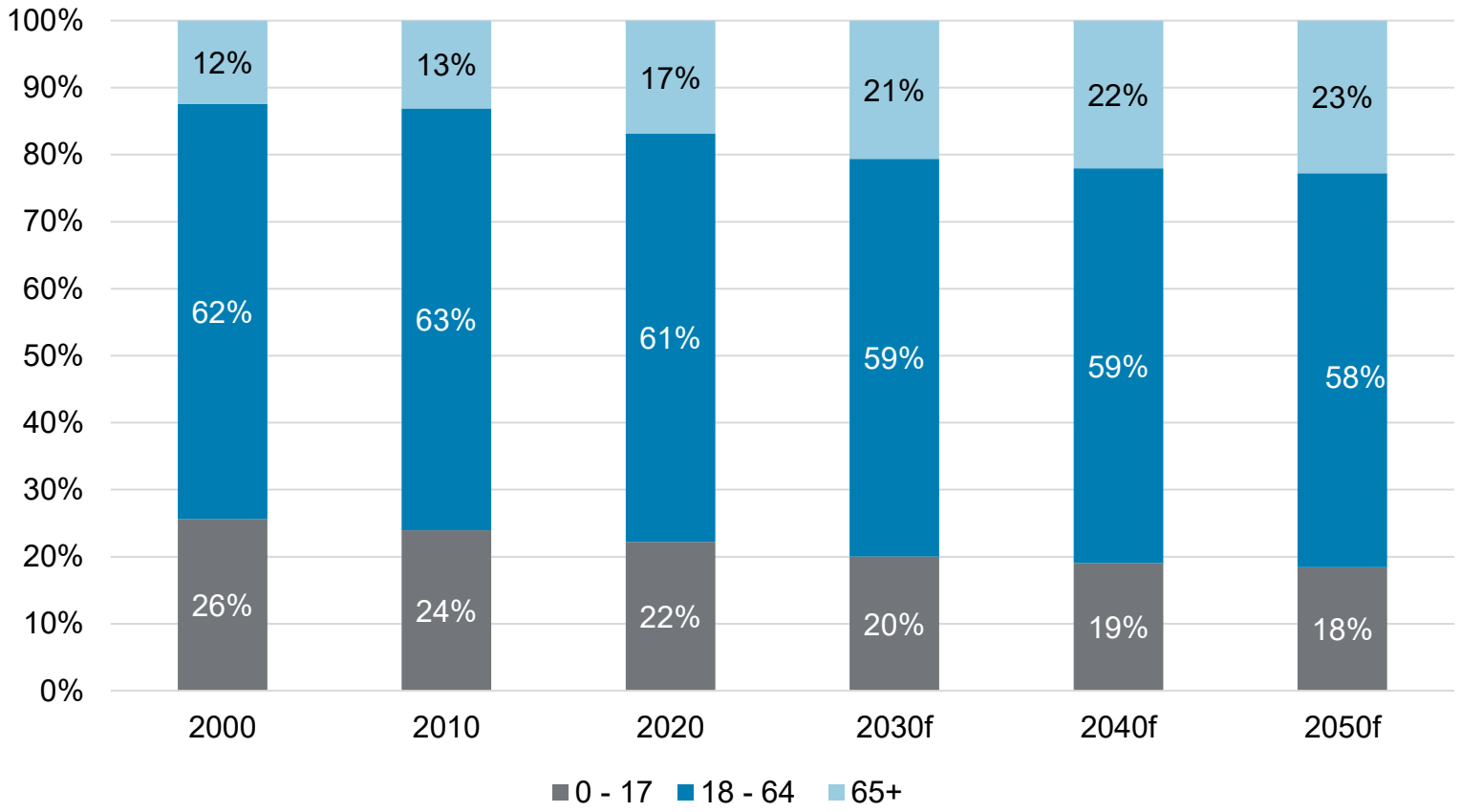
Manuf. housing

BTR

Source: American Realty Advisors as of August 2026.

Aging U.S. society

Composition of U.S. population by age category, 2000 – 2050f



Note: The last Census Bureau Population Projection occurred in 2023, thus forecast data reflects projections found in that report. f=forecast
Source: American Realty Advisors based on data from Our World in Data, University of Oxford and United States Census Bureau, Population Projections of the United States by Age, Sex, Race, and Hispanic Origin: 1995 to 2050 as of 2023.

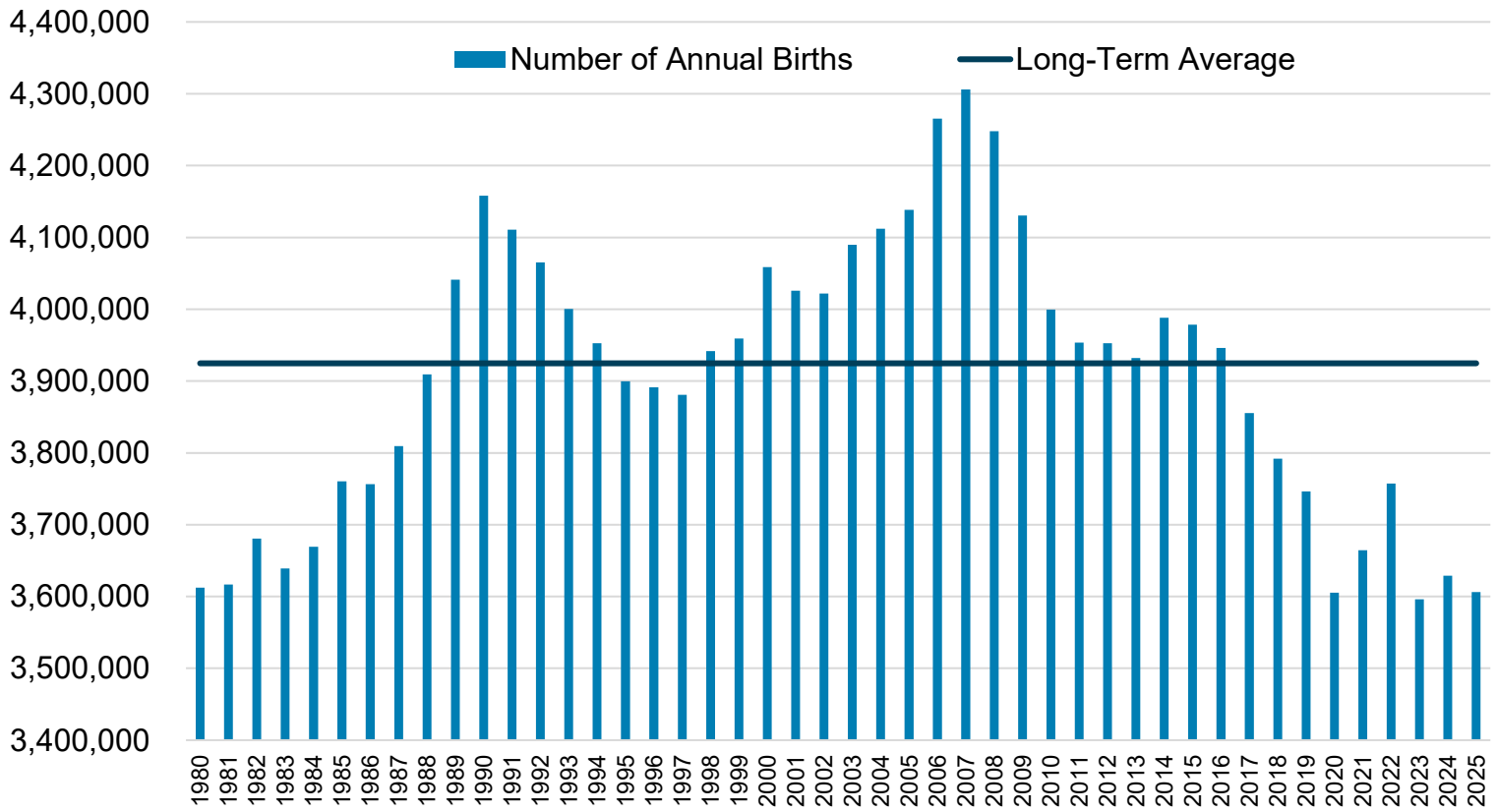
Specialty Sectors:

Manuf. housing

Senior housing

Fewer college-aged students today

Number of Babies Born in the U.S., 1980-2025

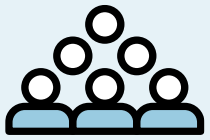


Source: American Realty Advisors based on data from U.S. Centers for Disease Control and Prevention as of September 2026.

Specialty Sectors:

Student housing

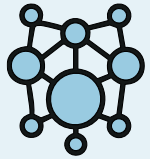
Demand Factors



People Driven



Activity Driven



Innovation Driven

Source: American Realty Advisors as of August 2026.

Demand driven by the “5 D’s”

Downsizing

Dislocation

Divorce

Death

Decluttering

Specialty Sectors:

Self-storage

Source: American Realty Advisors as of September 2026.

Lots that accommodate commercial or industrial assets

Shipping containers, trailers, forklifts, raw building materials

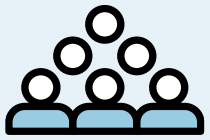


Specialty Sectors:

Outdoor storage

Source: American Realty Advisors as of August 2026.

Demand Factors



People Driven



Activity Driven

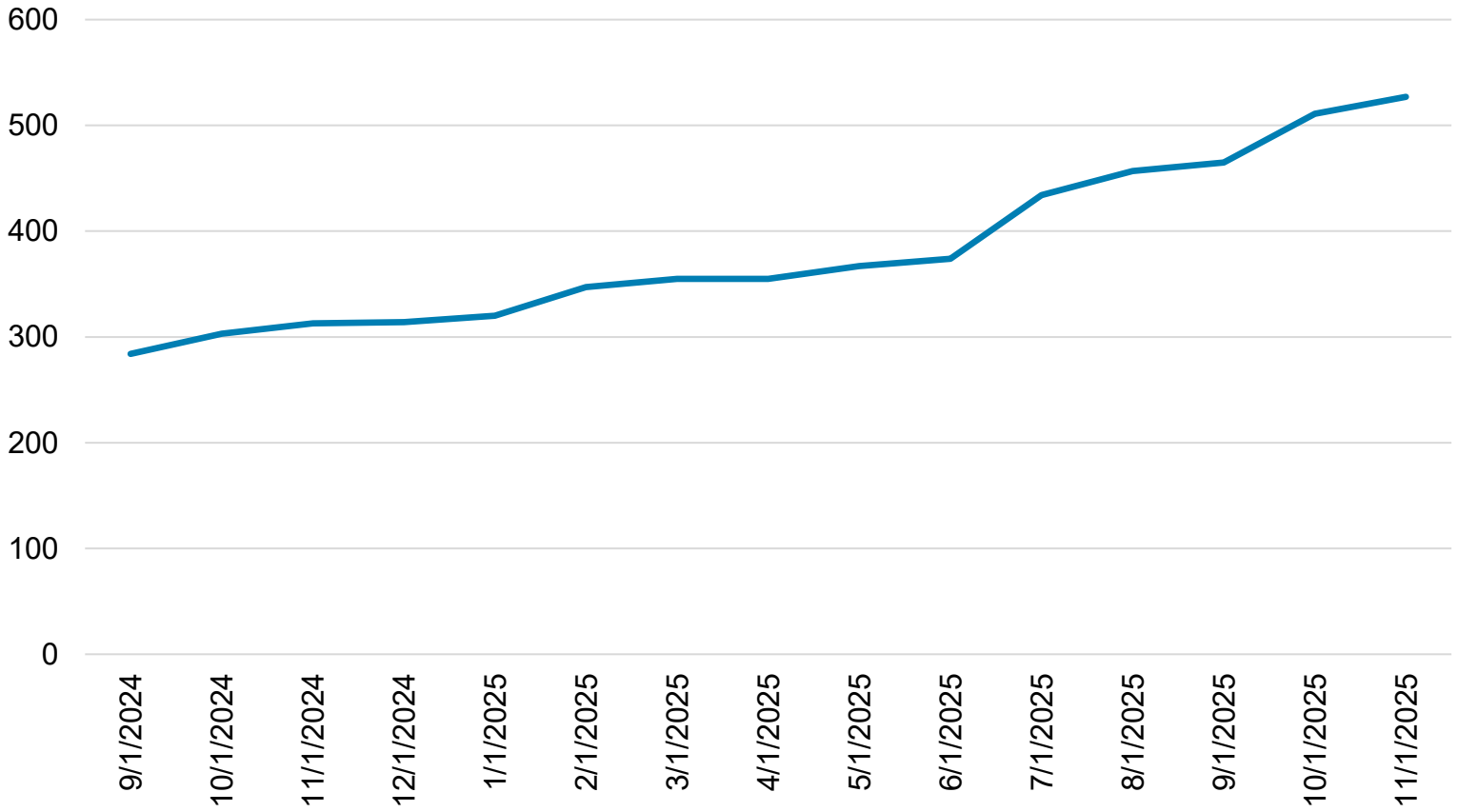


Innovation Driven

Source: American Realty Advisors as of August 2026.

Data creation, processing, and heavy investment in AI

Capex Estimates for AI Hyperscalers (Billions)



Source: American Realty Advisors based on data from FactSet, Goldman Sachs, Oxford Economics, FRB Chicago, Haver Analytics, Macrobond, the Conference Boad, the Atlanta Fed, and the Bureau of Labor Statistics as of January 2026.

Specialty Sectors:

Data centers

E-grocery and specialized pharmaceutical supply chain build-out



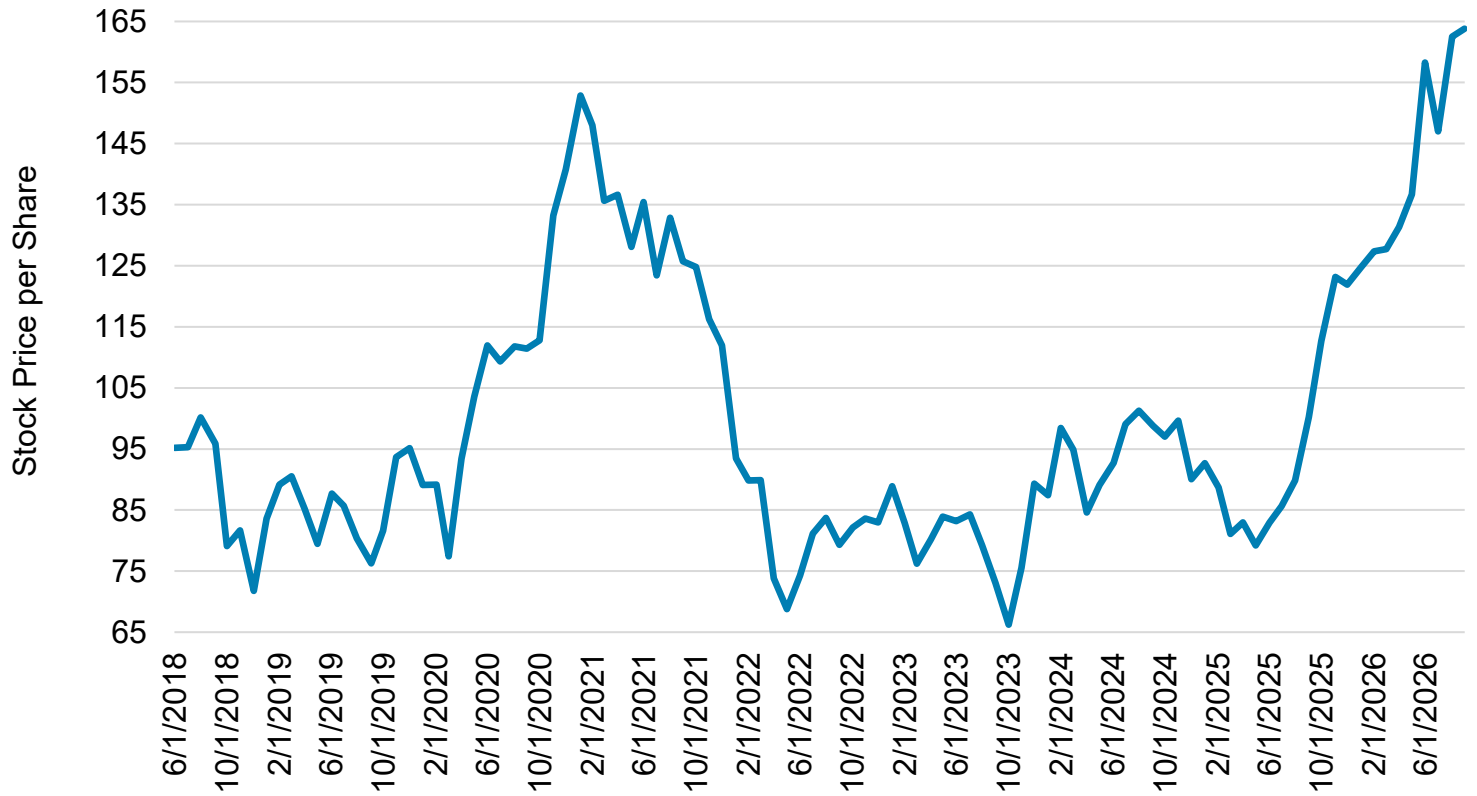
Specialty Sectors:

Cold storage

Source: American Realty Advisors as of August 2026.

Biotech and R&D funding cycles

State Street SPDR S&P Biotech ETF (XBI) Stock Price, June 2018 – September 2026



Source: American Realty Advisors based on data from TradingView through NYSE Arca as of September 4th, 2026.

Specialty Sectors:

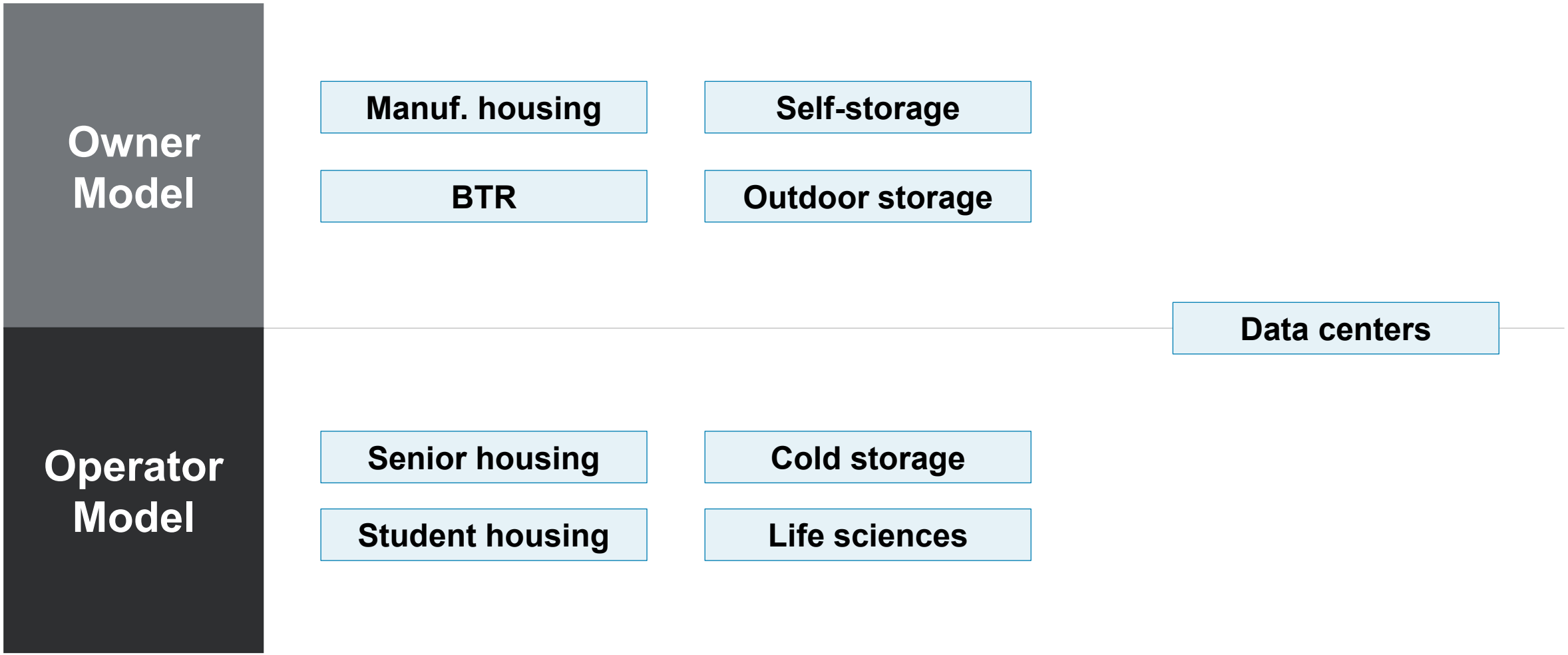
Life sciences

Specialty Sectors

Manuf. housing	Student housing	Data centers
BTR	Self-storage	Cold storage
Senior housing	Outdoor storage	Life sciences

Source: American Realty Advisors as of August 2026.

Specialty Sectors



Source: American Realty Advisors as of August 2026.

Owner vs. operator model: real estate with different cash flow chains.

Owner Model



Manager invests in property → **Tenant pays rent based on building** → **Subtract property costs** → **Net operating income** → **Distribution to pension**

Source: American Realty Advisors as of August 2026.

Owner vs. operator model: real estate with different cash flow chains.

Operator Model



Manager invests in property → **Customer pays rent based on operator** → **Subtract operator costs** → **Subtract property costs** → **Net operating income** → **Distribution to pension**

Source: American Realty Advisors as of August 2026.

The difference is in how much risk is in the cash flow, and how much of it the manager controls.

Owner model = value is the space first.



Owner model = the risks (market, pricing, leasing strategy) are the owners to manage.

Operator model = value is the service first.



Operator model = the risks lie primarily in the underlying operator conducting business within the building, with addition of the classic owner risks.

Source: American Realty Advisors as of August 2026.

Key Takeaways



Specialty is not a singular allocation in your portfolio, but a spectrum.



Demand can be categorized as people, activity, or innovation driven.



Operator-model sectors carry an added layer of risk: more places for cash flow to leak.



If the real estate is really a business in disguise, you're underwriting management, not a property.

Disclosures

Disclaimer

The information in this newsletter is as of August 28, 2026, and is for your informational and educational purposes only, is not intended to be relied on to make any investment decisions, and is neither an offer to sell nor a solicitation of an offer to buy any securities or financial instruments in any jurisdiction. This newsletter contains a mix of (i) statements of fact and (ii) opinions, beliefs, estimates, expectations, and other forward-looking statements. Statements of fact are based on information we believe to be reliable, but we do not represent that all such information is complete or accurate in all respects. Opinions, beliefs, estimates, and forward-looking statements are inherently uncertain, are based on judgment and assumptions as of the date indicated and may change without notice. They are not guarantees of future results. Except as required by law, American Realty Advisors assumes no obligation to update any such forward-looking statements. This newsletter is proprietary to ARA and may not be copied, reproduced, republished, or posted in whole or in part, in any form and may not be circulated or redelivered to any person without the prior written consent of ARA.

Thank You

213.233.5700

515 Flower St
49th floor
Los Angeles, CA 90071

aracapital.com

AMERICAN
REALTY ADVISORS
INSTITUTIONAL CAPITAL MANAGEMENT