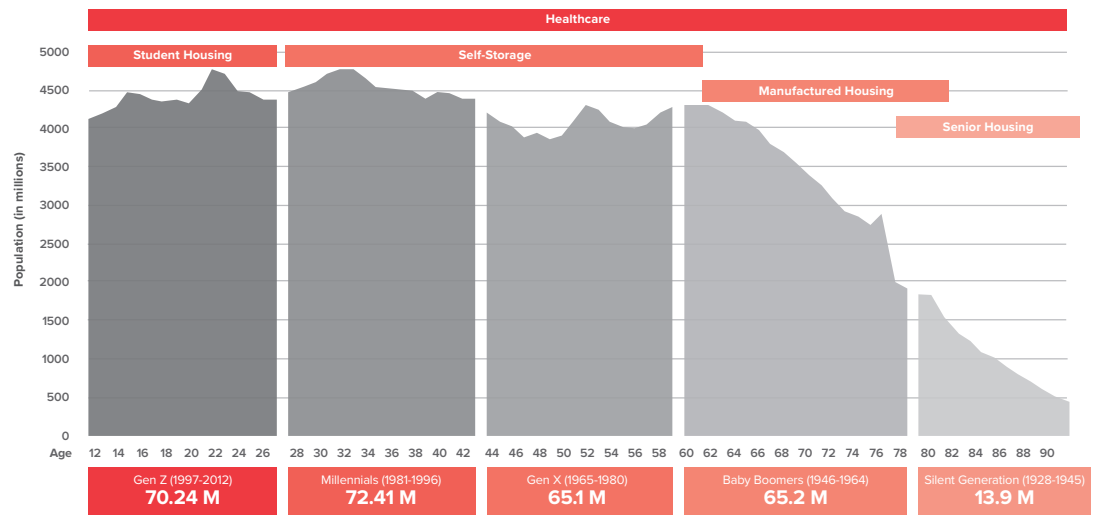


Generational life experiences may fuel sustained demand for alternative real estate sectors

Evolving lifestyle preferences and distinct life events of various age groups in the U.S. may provide a consistent demand for alternative real estate sectors. As demographic groups navigate life stages, their housing needs, preferences, and priorities undergo significant transformations. From Millennials and Gen Z embracing a work-from-home lifestyle to Baby Boomers downsizing to enjoy retirement, the dynamics of real estate are intricately intertwined with the diversity of human experiences. The interplay between population demographics and various property types highlights the sustained demand of alternative real estate sectors.

U.S. Population by Age & Generation (as of December 2023)



Horizontal bars at the top of the chart reflect potential use of each sector by the populations indicated below them.
Source: U.S. Census Bureau and Beresford Research

Non-Traditional, Alternative Real Estate

Alternative real estate sectors are less conventional and often considered “niche” by most real estate investors. Alternative real estate offers individuals a broader path to diversification and often encompasses a variety of asset types including self-storage, healthcare, student housing, data centers, manufactured housing communities, and more.

A Lifetime of Aging and Healthcare Needs

Healthcare needs cross generational lines with each cohort relying on services to address evolving medical needs. Younger generations are seeking convenient and efficient healthcare options while older generations are looking for specialized care and medical technologies designed to enhance well-being.¹ All generations, however, are placing more significance on convenient healthcare, with 79 percent of in-person appointments in 2023 taking place within 20 miles of a patient’s home.² Given these lifestyle factors, it is no wonder the average net operating income (NOI) per occupied square foot for medical outpatient buildings (MOBs) was \$23.20 as of Q3 2023.³

And as the longevity of the U.S. population continues to rise, so does the demand for senior housing communities that offer a range of community living options, including independent living, assisted living and memory care. The amenities provided by

many of these communities are intended to satisfy the diverse range of demands and healthcare needs of its residents. In fact, national occupancy rates for senior housing facilities increased to 85.1 percent in the fourth quarter 2023 and annual rent growth reached five percent for the same timeframe.⁴

The Value of Higher Education

As the job market rapidly evolves, we believe younger generations will continue to place significant emphasis on the value of higher education to acquire skills needed to excel in a dynamic workforce. In fact, higher educational attainment was associated with higher median earnings and lower unemployment⁹ – factors that have led high school graduates to realize the importance of a college degree.

This regard for higher education plays an important role in the continued demand for student housing. Based upon data tracked

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by RealPage Market Analytics, student housing occupancy rates of Core-175 Universities* remained in the mid-90's at the start of the 2023-2024 academic year. Rental rate increases hit new highs during the same period, with the Core-175 Universities averaging a 9.3 percent year-over-year rent growth.⁵ As of December 2023, pre-leasing rates for the 2024-2025 school year surpassed 40 percent and annual effective rents grew by 6.7 percent.⁶

The Travel and Work-From-Home Lifestyle

Younger generations have fully embraced a travel lifestyle with the flexibility offered by a work-from-home environment. Millennials and Gen Z value experiences over possessions, leading many to adopt a lifestyle that prioritizes exploration and diverse life experiences. These generations need self-storage space to house personal items as they travel across the globe.

The shift to a flexible workplace culture has positively impacted the self-storage sector. Self-storage has grown to more than 1.8 billion square feet of space in 2023. One fifth of Americans currently use self-storage, with another 15 percent intending to rent a storage unit in the future.⁷

Downsizing to Enjoy Retirement

As the number of Baby Boomers nearing retirement continues to rise, we anticipate so will the number of individuals opting to downsize to savor their retirement years. Embracing a more manageable and, often, more affordable housing situation allows

retirees to unburden themselves from the responsibilities and costs associated with maintaining a large home. We predict many Baby Boomers entering retirement will find themselves on a fixed income yet want to continue to live in a safe environment that offers amenities, social gatherings, and fosters a sense of community.

These factors place manufactured housing communities in a different light. Affordability is a major draw for many retirees interested in manufactured homes, with the average cost to purchase a new manufactured home in 2022 being approximately 48 percent less than a traditional, site-built home.⁸ The manufactured housing communities, the location where a manufactured home is often placed, typically offer amenities and community events to help retirees stay active and engaged, along with providing social connections and a sense of belonging.

From younger generations' renewed confidence in higher education and preference for a flexible lifestyle, to older generations' inclination towards downsizing to enhance retirement years, life events play a profound role on alternative real estate sectors. These demographic trends present an opportunity for the healthcare, student housing, self-storage, and manufactured housing communities to offer offering diverse and innovative solutions in response to the ever-changing needs of different age groups.

*The Core-175 Universities are roughly 190 investment-grade universities across the nation used by Real Page Market Analytics to determine expectations for student housing performance. In total, those 190 campuses consist of approximately 800,000 privately owned student housing beds.

¹ MDConnect. Millennials and Gen Z Are Driving Changes in Healthcare. Accessed January 2024.

² Zocdoc. Zocdoc Report 2023. What Patients Want. Accessed January 2024.

³ RevistaMed. MOB Fundamentals Remain Steady. November 2023.

⁴ NIC Map Vision. 4Q23 Market Fundamentals. Accessed January 2024.

⁵ RealPage Analytics. Final Fall 2023 Pre-Lease Rate Falls Below Last Year's Record. September 2023.

⁶ RealPage Analytics. December 2023 Pre-Lease Rate Tops 40%. January 2024.

⁷ StorageCafé. Self Storage Industry Trends. December 2023.

⁸ U.S. Census Bureau. Cost & Size Comparison. New manufactured Homes and New Single-Family Site-Built Homes 2014 – 2022. Accessed January 2024.

⁹ Bureau of Labor Statistics. More education: lower, unemployment, higher earnings. Accessed January 2023.

Disclosure

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Investments in real estate assets are subject to varying degrees of risk and are relatively illiquid. Several factors may adversely affect the financial condition, operating results and value of real estate assets. These factors include, but are not limited to:

- changes in national, regional and local economic conditions, such as inflation and interest rate fluctuations;
- local property supply and demand conditions;
- ability to collect rent from tenants;

- vacancies or ability to lease on favorable terms;
- increases in operating costs, including insurance premiums, utilities and real estate taxes;
- federal, state or local laws and regulations;
- changing market demographics;
- changes in availability and costs of financing;
- acts of nature, such as hurricanes, earthquakes, tornadoes or floods
- economic risks associated with a fluctuating U.S. and world economy, including those resulting from the novel coronavirus and resulting pandemic.

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