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# Nuveen to shift focus to alternative real estate in 2022

Single family rentals, self-storage, and manufactured housing favoured over others

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Chicago-based investment manager [Nuveen Real Estate](#) will shift its investment focus in 2022 to focus on properties in non-traditional real estate sectors.

Speaking to *With Intelligence*, Melissa Reagen, portfolio manager for Nuveen's US Strategic Alternatives Fund, says expanding into sectors beyond office and retail will be a key focus.

"People are catching on to this, saying, hey – my book is just the traditional property types and we've got to do something different here," Reagen says. "It's certainly a growing theme and it will continue to be for the next decade, if not decades."

Nuveen has assets under management worth \$9bn in the alternatives sector, and favours single family rentals, self-storage, manufactured housing, medical office, senior housing, student housing, and life sciences.

"As per our research, alternatives tend to have higher risk-adjusted returns historically, as well as going forward," says Reagen, who served as the firm's head of US research prior to her current role.

"The sector is going to offer investors a lot of alpha relative to if they were just investing in the traditional property types."

The firm expanded into the alternatives segment in a big way in 2018, building a dedicated transactions team. Reagen's fund, the [Nuveen Real Estate US Strategic Alternatives Fund I](#) launched in June this year, and added another additional vehicle in December, as per regulatory filings.

The fund is currently equally weighted between single family rental, medical office, and self-storage.

“Single family rental has a really long runway – only about 2% of them are institutional, and that’s really small. In comparison, malls are about 85% institutional, so the opportunity is massive and there’s a long road to go,” Reagen says.

The firm is also seeing opportunities in affordable senior housing by way of manufactured housing and single-family rental, as most of the stock that’s developed is on the higher end.

Within medical office and life sciences, which investors have been turning their attention to recently, Reagen expects the goods manufacturing space to become an emerging asset class.

“That’s where you would actually manufacture the drugs in a facility,” she explains.

“A lot of it is in development because pharma companies have been doing it in-house for years, but they don’t want to do that anymore as it’s too costly for them.”

### **Leveraging digitization**

In its 2022 outlook report, Nuveen emphasised the need for leveraging digitisation and technological advancements when selecting and managing real estate.

The firm expects sustainability data to drive investment decisions in the markets and believes well prepared building owners with zero carbon business plans will benefit from higher returns.

Nuveen also believes the pandemic has accelerated the adoption of PropTech, which automates workflows and makes building operations more efficient across the lifecycle of an asset.

“Smart PropTech strategies will drive positive net operating income as new technologies enhance revenue opportunities and manage costs more effectively,” the report reads.

“Those that fall behind in technology shifts, particularly missing the switch to renewable energy networks, may find it hard to hit return targets as tenants and buyers seek state-of-the-art facilities.”

According to With Intelligence data, known investors in Nuveen’s offerings include the [Gainesville Consolidated Police Officers & Firefighters Pension Plan](#), the [State of Wisconsin Investment Board](#), and the [Detroit Police & Fire Retirement System](#), among others.

Nuveen Real Estate has assets under management worth \$142bn, and is overseen by Mike Sales, CEO of Nuveen Real Assets. Christopher McGibbon is their global head of real estate, and head of North America.

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