ROTATIONAL INVESTING: A FRAMEWORK FOR NAVIGATING REAL ESTATE CYCLES

While well-established in the public equity markets, its use is uncommon in real estate

INTRODUCTION

Some of the most compelling real estate opportunities emerge not from investing in a single property type or region over long periods of time, but from recognizing when capital should rotate elsewhere before the broader market reaches the same conclusion.

Real estate markets rarely move in lockstep. Property types fall in and out of favor. Demographic migration reshapes regional demand patterns. Capital flows into certain property types while retreating from others. Financing conditions periodically create dislocations where pricing diverges from long-term intrinsic value. These shifts often unfold gradually, creating opportunities for investors capable of identifying inflection points early and repositioning capital ahead of consensus.

This concept, commonly referred to in the public equity markets as rotational investing, has long been central to Ascentris' real estate investment philosophy. Rather than maintaining static conviction around any single property type, region, or investment strategy, Ascentris seeks to identify where the next phase of relative outperformance may emerge and pivot accordingly.

For Ascentris, rotational investing is an organizational discipline embedded within the firm's investment process. Successfully identifying inflection points requires continuous market research, operating intelligence, and an investment team capable of underwriting across these categories. The firm's cradle-to-grave staffing model allows information gathered through sourcing, acquisition, development, asset management, leasing, financing, and disposition activities to continuously inform portfolio positioning as cycles evolve.

PROPERTY TYPE ROTATION

Historically, property types have exhibited varying performance leadership over time. Apartments, office, retail, industrial, hospitality, and even niche property types each experience unique cycles driven by a combination of economic growth, employment trends, demographic shifts, supply pipelines, capital market conditions, consumer behavior, and technological changes.

The NCREIF Property Index ("NPI") demonstrates that no single property type maintains leadership indefinitely. Performance leadership rotates over time, often persisting through multi-year cycles as economic conditions evolve. As seen in the table below, these rotations tend to exhibit identifiable patterns that create opportunities for disciplined investors.

NPI Annual Total Return by Property Type														
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Self Storage 18.7%	Self Storage 23.6%	Self Storage 24.0%	Senior Housing 18.6%	Self Storage 19.7%	Self Storage 17.0%	Industrial 12.8%	Industrial 14.0%	Industrial 13.3%	Data Center 12.4%	Industrial 43.1%	Self Storage 16.0%	Hotel 10.2%	Data Center 11.4%	Senior Housing 10.6%
Apartment 15.5%	Student Housing 11.9%	Medical Office 16.0%	Self Storage 18.3%	All Retail 15.2%	Senior Housing 13.1%	Senior Housing 12.3%	Self Storage 11.2%	Data Center 13.0%	Industrial 11.5%	Self Storage 32.0%	Industrial 14.5%	Data Center 3.7%	Hotel 6.6%	Self Storage 7.3%
Industrial 14.6%	All Retail 11.6%	Senior Housing 14.7%	Industrial 13.4%	Senior Housing 15.0%	Industrial 12.2%	Self Storage 9.3%	Senior Housing 9.4%	Medical Office 8.2%	Medical Office 7.3%	Apartment 19.7%	Student Housing 10.7%	Student Housing 2.4%	All Retail 5.3%	All Retail 6.8%
Office 13.8%	Apartment 11.2%	All Retail 12.9%	All Retail 13.2%	Industrial 14.9%	Student Housing 9.2%	Medical Office 8.6%	Medical Office 8.0%	Office 6.7%	Self Storage 7.3%	Data Center 17.4%	Hotel 10.1%	All Retail -0.9%	Student Housing 5.0%	Data Center 5.9%
All Retail 13.7%	Industrial 10.8%	Industrial 12.4%	Office 11.9%	Hotel 13.2%	All Retail 9.0%	Student Housing 6.3%	Hotel 7.6%	Self Storage 6.5%	Student Housing 3.1%	Medical Office 12.0%	Apartment 7.3%	Senior Housing -2.9%	Senior Housing 3.6%	Medical Office 5.7%
Student Housing 12.5%	Senior Housing 9.8%	Apartment 10.1%	Hotel 11.1%	Office 12.8%	Apartment 7.4%	Office 6.2%	Office 6.9%	Student Housing 6.3%	Apartment 1.9%	Student Housing 9.1%	Data Center 5.2%	Medical Office -3.0%	Self Storage 3.4%	Apartment 5.3%
Medical Office 11.4%	Medical Office 9.8%	Office 9.9%	Apartment 10.1%	Apartment 11.8%	Medical Office 7.1%	Apartment 6.2%	Student Housing 6.8%	Senior Housing 6.1%	Office 1.8%	Office 6.3%	Medical Office 4.5%	Self Storage -3.2%	Medical Office 2.7%	Student Housing 4.7%
Senior Housing 11.3%	Office 9.7%	Student Housing 9.2%	Medical Office 9.5%	Medical Office 9.9%	Office 6.3%	All Retail 5.6%	Apartment 5.9%	Apartment 5.5%	Senior Housing 0.6%	Hotel 5.5%	All Retail 2.5%	Industrial -4.1%	Industrial 2.6%	Industrial 4.5%
Hotel 11.1%	Hotel 8.2%	Hotel 7.7%	Student Housing 5.4%	Student Housing 7.9%	Hotel 4.8%	Hotel 4.9%	All Retail 2.2%	Hotel 3.5%	All Retail -7.5%	All Retail 4.2%	Senior Housing 2.1%	Apartment -7.1%	Apartment 1.4%	Hotel 4.0%
								All Retail 1.9%	Hotel -25.6%	Senior Housing 3.9%	Office -2.9%	Office -16.9%	Office -7.2%	Office 3.5%

Importantly, these conditions often persist long enough to make rotational investing executable. Real estate cycles move slower relative to public equity markets because of longer lease durations, development timelines, financing structures, and illiquidity. This creates a meaningful opportunity for disciplined investors to identify improving fundamentals ahead of broader institutional capital flows.

For Ascentris, property type rotation is not simply about chasing recent performance. Instead, it involves identifying where fundamentals are beginning to improve while capital markets remain cautious or under-allocated.

The timing of these inflection points matters. When a property type enters an early recovery phase, cap rates often remain elevated relative to long-term fundamentals, allowing investors to acquire properties at attractive risk-adjusted pricing. As fundamentals improve and institutional capital moves into that property type, valuations typically increase, producing outsized total returns.

Conversely, property type experiencing peak capital inflows and aggressive pricing often offers diminished forward returns. Rotational investing requires the discipline to reduce exposure to property types that have become crowded and fully priced, even when investor sentiment remains highly favorable.

REGIONAL ROTATION

Property type rotation alone does not fully capture the opportunity set as regional rotation is actionable as well.

Regional economies, demographic migration, employment growth, housing affordability, tax regimes, and supply constraints all contribute to differing regional cycles. Even within the same property type, performance can vary dramatically between regions.

Certain markets experience prolonged periods of expansion driven by favorable demographic and economic tailwinds, while others struggle with oversupply, declining population growth, or weakening employment fundamentals.

For Ascentris, regional rotation is closely tied to local market research, underwriting, and observations drawn from its current operating portfolio. The firm seeks markets where long-term demographic and economic fundamentals support durable demand growth, but where pricing has not yet fully reflected future opportunity.

Importantly, regional rotation does not necessarily require abandoning entire markets. Instead, it often involves selectively targeting submarkets, neighborhoods, or growth corridors where future demand may exceed broader regional expectations.

INVESTMENT STRATEGY ROTATION

Rotational investing also extends into investment strategy.

During the recovery and expansionary phases of an economic cycle, development strategies may offer compelling opportunities, particularly when replacement costs are equal to or below acquisition pricing.

In contrast, during periods of deceleration, acquisition and repositioning strategies may offer more attractive returns through the acquisition of existing properties and the creation of value through redevelopment and operational improvements.

Phases of a Cycle	Behavioral Characteristics	Potential Strategies
Recovery	▪ Tenant demand resurfacing/increasing ▪ Supply from prior cycle gradually absorbed ▪ Recovering rent growth gaining traction amidst low supply ▪ Occupancy at trough, reaching inflection	▪ Development ▪ Develop to Core ▪ Common Equity
Expansionary	▪ Sustained tenant demand ▪ Accelerating rent growth ▪ Construction cycle ramping up ▪ Increasing, eventual peaking occupancy	▪ Development ▪ Develop to Core ▪ Common Equity
Deceleration	▪ High rates of new construction deliveries ▪ Absorption rates < construction rates ▪ Moderating rent growth ▪ Declining occupancy	▪ Restore To Core ▪ Acquisition + Rehabilitation ▪ Repositioning of underperforming properties ▪ Preferred equity
Bottoming	▪ Moderating demand and/or excess supply conditions ▪ Construction halts ▪ Flat/negative rent growth ▪ Below long-term average occupancy	▪ Distressed ▪ Special Situations ▪ Recapitalizations ▪ Takeover

During the bottoming stage, or other periods of significant market dislocation, investments become more opportunity driven. The rapid interest rate shock beginning in 2022 provides a useful example. Rather than following thematic patterns based on property type or region, Ascentris

found that the most compelling opportunities emerged through special situations caused by capital market disruption. In those environments, rotational investing becomes more about identifying opportunities where pricing is disconnected from long-term intrinsic value, regardless of property type or region.

ROTATION IN PRACTICE

When examining Ascentris' track record in more detail, rotational investment patterns quickly emerge:

Property Type Rotation

Beginning in the early 2010s, Ascentris rotated into industrial real estate as e-commerce and evolving logistics networks drove demand for modern distribution space near major population centers. Anticipating these trends ahead of broader institutional capital flows, Ascentris invested in 21 industrial properties representing approximately $240 million of gross asset value.

Regional Rotation

In the post-pandemic environment, Ascentris executed a deliberate rotation into Sun Belt and Mountain West regions benefiting from outsized demographic migration, employment expansion, and accelerating institutional capital formation. Recognizing these secular shifts early, Ascentris concentrated capital in high-growth markets such as Texas, Arizona, Florida, Colorado, and North Carolina. As a result, Ascentris invested in 18 properties representing approximately $2.0 billion of gross asset value in these regions.

Investment Strategy Rotation

Beginning in 2022, amid rising interest rates and the ensuing capital markets dislocation, Ascentris rotated toward takeover and recapitalization opportunities arising from refinancing pressure, constrained liquidity, and impaired ownership structures. Recognizing these patterns, Ascentris took over, recapitalized, or acquired eight properties representing approximately $800 million of gross asset value.

CONCLUSION

Rotational investing is rooted in the belief that real estate performance continuously evolves across property types, regions, and investment strategies. As market conditions shift, investors must be willing to reposition capital ahead of consensus rather than rely on static allocations or historical patterns. It also demands patience, conviction, and the courage to be an early mover when market sentiment diverges from underlying fundamentals.

For Ascentris, this approach requires deep market intelligence, operating insight, and organizational flexibility to act decisively as opportunities emerge. In a market increasingly shaped by volatility, demographic changes, and capital market disruption, the ability to identify inflection points early may be one of the most important drivers of long-term real estate performance.

ABOUT THE AUTHOR

Peter Savoie is a Managing Director at Ascentris, and focuses on investing and managing the company's assets and partner relationships across the Western U.S. Prior to joining Ascentris, Peter was the Chief Investment Officer for Miller Global Properties, a fund manager specializing in office and hotel investments. At Miller Global he spent over 16 years leading a team acquiring, financing, asset managing and disposing of assets across the western and southern U.S. Prior to Miller Global, Peter was with Cushman & Wakefield and its predecessor company, Cushman Realty Corporation, for over 15 years. Peter has a bachelor's degree in engineering from the University of Windsor and an MBA from the University of Western Ontario.

ABOUT ASCENTRIS

Ascentris is a Denver-based real estate private equity firm that manages a series of fully discretionary institutional investment vehicles focused on value-add, core-plus, and core strategies across major property types and markets throughout the United States. Since 2003, the Ascentris management team has followed an investment philosophy and organizational structure designed to identify opportunities ahead of the market while delivering a high-level of service, transparency, and accountability to investors. Ascentris is a privately held, management-owned, SEC-registered investment adviser* committed to putting investors' interests first.

*Registration does not imply any level of skill or training

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