

Wealth  
Management™ **2024**  
**Market Outlook**



# Go Niche or Go Home

## Top Private Market Segments for 2024

By Azure Erickson

### IGNITE INVESTMENTS

**It has been tough sledding** in the financial markets of late, even for the most seasoned advisors. Despite the Federal Reserve's tight monetary policy, the public markets have proven to be surprisingly resilient, but they have also served as a reminder of the importance of portfolio diversification.

Advisors hunting fresh alternative asset opportunities in 2024 won't have to look far—especially if they look in the right place. Here are three focused market segments that deserve attention, plus one time-honored classic that's currently, and we think shortsightedly, attracting skepticism of late.

#### Drive-Thru Coffee Stands

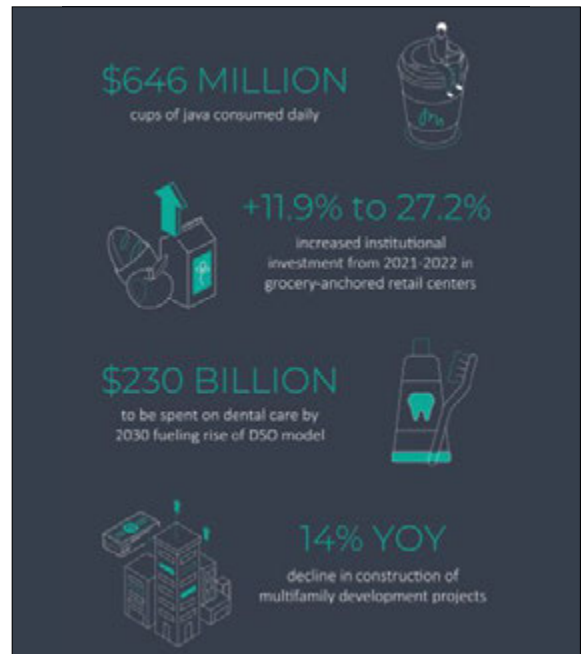
American consumers and coffee go hand in hand, with 646 million cups of java consumed daily. Drive-thru coffee stands, an asset-light model differentiated from market giants like Starbucks and Dunkin', have been scoring in the U.S., catering to consumer demands that have propelled drive-thru and app ordering up 30% since the pandemic, according to the National Coffee Association. Private funds offering exposure to stand-only franchises reporting strong cash-on-cash returns place investors on the cusp of a coffee revolution that remains in the early innings of market disruption.

#### Grocery-Anchored Retail

There are few market segments as resilient as grocery-anchored retail. Supermarkets face relatively low competition from e-commerce and typically see stronger consumption patterns relative to discretionary retailers. Private capital remains the largest player in the space attracted to stable long-term leases that offer consistent cash distributions. However, institutional investors and pension funds have recognized the stability of grocery-anchored retail and increased their share of the market from 11.9% to 27.2% between 2021 and 2022. "It's needs based, so that's the difference. Everybody needs food whether it's a good economy or bad economy," said Mike Nelson, President of Encore Commercial.

#### Dental Service Organizations

Dentistry represents another recession-resistant market segment for income-minded investors, one whose demand drivers include an aging population and a growing interest in cosmetic dentistry. Americans spent \$162 billion on dental care in 2021, up 11% from 2020, and projected to reach \$230



billion by 2030. Dental professionals are increasingly flocking to the Dental Service Organization model, as it helps to slash costs and bolster EBITDA, especially in year one, through operational and vendor support; this frees up dentists to focus on what they do best—the clinical side of the business, while providing prudent investors an opportunity for steady distributions.

#### Pinpoint Multifamily Development

We'd be remiss without mentioning multifamily development, which has stood front and center for decades but has recently found itself in the crosshairs of the capital markets and a supply wave. However, a sharp reversal is imminent, as evidenced by a 14% year-over-year decline in commercial and multifamily construction starts in H1 2023, giving today's shovel-ready projects the upper hand and investors with available capital the chance to enter the market at an opportune time. The name of the game here is location, location, location and knowing a broad submarket is not enough. Demand remains a strong driver for agile developers that target specific neighborhoods, particularly where mortgage rates are sending potential first-time homebuyers back into the rental pool. ■

*Azure Erickson is Head of Ignite Investments.*

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