TOP 150

advantage is a real distinguishing factor when we are trying to buy new assets and develop conviction to maybe step out and pay a price that gets a transaction done with a seller.

PGIM Real Estate: new CIO and a tech focus

- Position: 3
- Total real estate: €128bn

Raimondo Amabile was appointed global CIO of third-ranked PGIM Real Estate in September, adding to his existing responsibilities as head of Europe and Latin America. Asked what is top of his newly extended agenda, he says: "My main focus is really making sure that our employees understand just how fast things are evolving in the world around us, and how agile we have to be as a business to adapt to this environment. This includes adapting to toughening ESG requirements, an array of exciting technological innovations, new working practices, or the need to build expertise in new asset classes and business areas.

"I would say my number one focus is on technology. If we don't get this right, adapt, keep up with new advances and technologies, we could be completely out of the market. So I'm pushing our organisation to keep evolving our mindset on this, to focus 100% on making sure we are reacting swiftly to the world around us. We need to be ready for transformation and change and embrace new opportunities. Importantly here, technology is a critical part of us meeting the ESG agenda, so I feel these two things go hand in hand."

Amabile says: "I have a really strong focus on digital transformation, thinking about how it impacts, not only our business but real estate values and the wider investment management industry too. Technology is acting as a disruptor and my job is to make sure we co-ordinate across regions to actively monitor new advances and make smart investments in new technologies where we can use it to capture value.

"Increased adoption of all sorts of technologies is already transforming the real estate investment industry and it will continue to do so in the years to come. While many of the technologies that we are adopting and using today are focused on improving the way we store data, communicate with our clients, monitor performance and operate as a business, we want to be even more ambitious."

PGIM is focused on three aspects of technology today: AI, the role of technology in ESG and the growing universe of 'proptech'. "The first is thinking about how artificial intelligence will disrupt the real estate investment management industry," says Amabile, much in the way fintech has affected liquid financial markets. "We are exploring how we can use AI techniques to help gain an edge in understanding the world around us and spot new trends that inform strategy and investment decision-making.

"Second, it is clear that technology will play a crucial role in meeting and monitoring ESG objectives. And third, we need to make sure we don't lose sight of more traditional proptech, which is all about efficiency and maximising the value of our platform for our clients, whether at the asset-management level, by running a building as effectively as possible, or at the business level by optimising our approach to portfolio management."

Broadly speaking, Amabile is tasked with ensuring PGIM Real Estate can stay on top of trends and apply these to real estate investment. "More than ever, having a consistent global view on the major trends shaping the real estate investment landscape of today is crucial," he says. "I intend to drive our internal processes for understanding, identifying and building conviction around global themes and mega trends, working with colleagues in research and risk to assess what they mean for growth potential and returns across different sectors and geographies, and using these insights to shape the investment activity of our platform."

He adds: "Increasingly, occupiers, investors and partners have a global presence and the CIO role allows me to join the dots between different regions, leveraging the value of relationships, partnerships and expertise across our platform. This is particularly important when we think about working with some of the large global players in logistics, for example, or when we look at how a successful investment model for a growing niche sector such as data centres in one region, can be applied elsewhere in the world."

Managers need to be thinking "big picture and long-term", Amabile says. "The next cycle is going to look different to the last one. Interest rates have hit a floor, so we're not going to see the same boost to values from sustained yield compression that we saw after 2010. Instead, returns are going to be driven by the fundamentals of income and income growth – which means that we need to focus on assets with sustainable cash flows and a growth potential that can be sustained too. For this, we need to formulate high-conviction investment themes that are underpinned by structural trends and use these to identify sectors, markets and opportunities with high growth potential."

He points to four key mega-trends. "The first of these is digital transformation. Most obviously, this is impacting real estate demand through rising e-commerce. In reality, the supply-chain adjustment is really only just getting started all around the world and we are really focused on the last-mile segment as producers look at how they can deliver products to consumers in an optimal way. The pandemic demonstrated just how important durable and efficient supply chains are – which points to resilient and sustainable cash flows at the asset level – while competition for scarce space in urban areas is going to carry on driving rental growth for last-mile logistics assets," he says.

"Our interest in data centres is linked to the rapidly growing need for digital infrastructure to service the needs of societies that are increasingly online. Operators are very global in this segment and the potential growth story from the expansion of cloud demand for example is huge."

The second trend revolves around the "living needs of a new generation", Amabile says. "Mobility is valued more than ever and the most recent generation are renting much more than in the past, driving the need for an institutional product offering that brings modern, high-quality affordable living spaces to the market. To balance a need for quality with affordability, assets in this segment need to feature the latest building techniques, be operated as efficiently as possible, and delivered at scale.

"A third trend links to ageing population structures, which is driving a large anticipated wave of demand for senior-living facilities in coming years. More broadly, there is an increased need for private capital to work alongside public funding programmes to cater to rapidly increasing demand for healthcare services, and this is driving a push into other parts of the healthcare spectrum, including medical offices and life sciences.

"The fourth trend I'm focused on is ESG. Already it's having a major impact on the investment landscape and we're starting to see an effect show up in the way real estate is priced. All major sectors will be affected, although for us the most immediate focus is on the office sector where the performance between ESG-compliant winners and non-compliant losers is set to be extremely wide."

BentallGreenOak: 'reverse engineering'

- Position: 23
- Total real estate: €58.3bn

BentallGreenOak was created in 2018 through the merger of Sun Life's real estate fund management business Bentall Kennedy and GreenOak Real Estate. The latter was founded by former Morgan Stanley real estate heads Sonny Kalsi and John Carrafiell in 2010. This summer, Carrafiell was appointed as co-CEO alongside Kalsi, and together with president Amy Price they formed a new global executive team.

So what is top of the agenda for the triumvirate? Carrafiell splits his answer in two. "First, given our view that the pandemic changed everything about real estate, our intense focus is on where markets will be going in the decade ahead, so that we can invest today where the future opportunities will be," he says.

"From the minute we were locked down in March of 2020, we turned our attention to what the pandemic would mean for the future of different real estate sectors and demographic markets, and immediately pivoted meaningful human and capital resources to pursue demographic and asset class opportunities in an incredibly significant and deliberate way."

The second is what Carrafiell describes as "reverse-engineering the standard approach to investment management". He explains: "Rather than crafting strategies solely around where clients

John Carrafiell: "reverse-engineering the standard approach to investment management"

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INTERVIEW

Savills and Samsung team up

Florence Chong talks to Alex Jeffrey (pictured) about the strategic tie-up between two investment management groups

South Korea's leading insurer Samsung Life and its subsidiary Samsung SRA Asset Management have invested their own capital and that of third-party clients with Savills Investment Management since 2017. Two years later, they quietly began considering ratcheting up the relationship from client to partner status.

"They approached us when I joined the firm in 2019," recalls Alex Jeffrey, CEO of Savills IM, who is based in Singapore. "When they started talking about the alliance and what they had in mind, I felt it would bring a lot of benefits for us."

Jeffrey said that, at the time, the firm's parent – UK-listed real estate agency Savills – had no intention of taking on a partner for its fund management business. "I needed to persuade our owners, to explain the importance of such a strategic relationship," he says. "The owners quickly agreed."

- Savills Investment Management
- Position: 72
- AUM: €20.8bn

- Samsung SRA Asset Management
- Position: 86
- AUM: €13.6bn

Initially, it was agreed that Samsung Life and Samsung SRA would take a 25% stake in Savills IM with a view to increasing it to 35% by 2025. The increase would be triggered once the volume of investment reached US$2bn (€1.8bn).

Separate from buying into the platform, the Koreans have also agreed to invest US$1bn over the next four years with Savills IM.

Six months after announcing the proposed equity role for Samsung, Jeffrey says: "We are awaiting regulatory approvals in nine jurisdictions where we operate, but we expect that will happen very soon. [But] we have not wasted time waiting; a lot of work has been done on the strategies that they will be investing in, with a focus on logistics, residential and debt investment in Europe and pan-Asia."

The two Korean organisations will invest in Savills' existing products, such as the flagship Asia-Pacific Income and Growth Fund, the Japan Residential Fund II, and the European Senior Debt Fund V.

"We will also be creating new products," Jeffrey says, the first of which will be launched next year. These are likely to be discretionary pooled funds that can accommodate a range of investors from different regions.

Once a market that thrived on single-asset funds, Jeffrey says the Korean mindset is changing because of competition. He says: "It is hard to keep your foot on an asset long enough while you raise the capital, [but] if you have a blind-pool discretionary fund, it means the manager can move quickly and close the deal."

Savills IM launched South Korea's first-ever blind-pool fund with Seoul-based Vesta a year ago to invest in logistics in Europe. The fund raised US$604m, which has now been invested. "It was a ground-breaking initiative because it meant Korean institutions were able to accord discretion and give confidence to well-placed local managers like ourselves to source, transact and manage deals," says Jeffrey.

Aside from investing in Samsung Life's balance sheet, he foresees Samsung SRA raising capital alongside the Savills IM team as the partnership is bedded down.

Samsung SRA already aggregates capital from Korean institutions, such as pension funds, to invest in real estate, mainly in its home market. Like Samsung Life itself, other Korean institutions are increasingly interested in allocating capital to real assets and overseas, partly to diversify their portfolios and to enhance returns.

Less than 8% of Savill IM's €20.8bn assets under management are in Asia. But 30% of its capital comes from the region. "We have a lot of capital from Korea and Malaysia and, to a lesser extent, Singapore and Japan," says Jeffrey. "Asia has been growing in importance to us… Savings pools are growing faster here than anywhere else in the world, and many institutions are unable to invest in their domestic markets."

want to invest, we work closely with investment partners and clients to share our proprietary research and analysis, identifying where we expect markets will be in the next 10 years."

BentallGreenOak has jumped seven positions in this year's Top 150 ranking, adding about €15bn in AUM. This year's acquisition of Metropolitan Real Estate Equity, which specialises in secondaries and co-investments, will likely inflate next year's numbers.

"The past year has been eventful for our firm, and while growth has certainly been a part of our story, it may come as a surprise for many to learn that it has not been where our focus resides," Carrafiell says. "We've learned from experience that chasing after growth metrics can take you down some undesirable paths that often come at the expense of performance and other fundamental drivers of client service. I would say that the growth that we have experienced to date has been a byproduct of our steadfast adherence to investing principles that have especially served us well during the course of this pandemic."

COVID-19 has "changed everything about commercial real estate", Carrafiell says. "Trends that were under way pre-pandemic – such as the shift to e-commerce and the growing demand for data centres – have been significantly accelerated and will continue to impact markets.

"Over the next five to 10 years, we see rapid growth prospects for urban logistics, specialised distribution logistics, life sciences, cold storage, data centres, and even niche sectors like film studio properties. These high-in-tenant-demand property types require important levels of specialised, technical expertise. We have built much of that expertise in-house and are equally focused on pursuing partnerships with best-in-class players in these sectors to extend our reach into these spaces and accelerate our own strong position."

As for the Metropolitan acquisition, Carrafiell says this provides more than "a position in the secondaries and co-investment space". He says: "The acquisition added a world-class team and leading capabilities in those sectors, from day one, to our overall investment platform. And the timing could not have been better.

"COVID has accelerated the acceptance of GP-led secondaries, which is creating a growth spurt in transaction volume. Where historically we might've seen $4-6bn of activity annually, we expect to see something in the $10bn range."

Newly branded, BGO Strategic Capital Partners, the platform can offer "an attractive access point into real estate transactions – whether it be through the acquisition of an LP stake, or the recapitalising of an asset or pool of assets," Carrafiell says. "On the co-investment front, our colleagues are observing increased demand as investment managers continue to look for ways to capitalise their deals when facing remote and Zoom-based fundraising challenges."

In October, BentallGreenOak announced that it had committed to achieving gender parity throughout its corporate leadership structure by 2030, working in partnership with the Paradigm for Parity coalition.

"The work we perform for our clients and investors requires strong, well-informed and diverse perspectives," Carrafiell says. "We have no doubt that the active presence of women in leadership is critical to our understanding of market movements and the relationships we cultivate with our clients.

"That's why BGO is building a roster of women in leadership that I believe will set the benchmark for excellence in gender representation in our industry… As a starting point, our leadership team must be an accurate reflection of our communities in its composition if we are to extract the fullest value in every investment we complete and every service that we offer. But we look to diversity in representation across the board in ethnic and cultural diversity, age and lived experiences."

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