

# Selecting an international real estate investment manager: The 10 most important considerations

The relationship between a real estate investor and their investment manager should be a long and rewarding one. In order to avoid disappointment, and the financial implications of switching allegiances during strategic implementation, it is important to select the right manager at the outset. This paper is designed as a tool to help investors navigate a smooth manager selection process.

## 1. Your objectives



Before drawing up a shortlist of potential managers, sit down and decide what it is that you want to achieve from your real estate portfolio and how much risk you are willing to accept in pursuit of those goals. Selecting markets you want to invest in, setting a target return and deciding on broad risk tolerances will quickly discount numerous incompatible managers from your search.

## 2. Specialist manager



Once you've decided on the "where" and the "how", you're ready to move onto the next question, "who?". One of the most important selection criteria is that the manager should specialise in your chosen investment strategy. A Jack of all trades manager is interesting, however in our experience specialists have better market and occupier contacts which allow them to source better deals and keep tenants happy.

## 3. Track record



Although past performance can never guarantee future results, you will want the comfort of knowing that your investment manager has managed similar portfolios before and achieved strong returns on a consistent basis. Don't just take their word for it, be sure to challenge and interrogate any performance track record that is put in front of you and make sure it gives a *full* account of the manager's investment history!

#### 4. The team



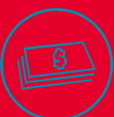
By this stage the managers you are weighing up will have a long and credible track record in your target markets implementing an investment strategy similar to the one you would like to pursue. The next stage is to meet the team and get comfortable with the people who will be managing your assets on a day to day basis. The best teams are appropriately qualified, located in the markets in which they claim to be experts, and enjoy working together. Better asset management decisions are made by managers who know their clients' properties like the back of their hands. High staff turnover statistics are bad for business!

#### 5. Consider USPs



Each manager should be able to clearly identify and explain what sets them apart from the competition; be that experience, market penetration, investment strategy or client service. Decide what's most important to you and what isn't and you will be one step closer to finding a manager who is a strategic fit with your organisation.

#### 6. AUM



When it comes to Assets Under Management some make the mistake of assuming that bigger is better. Whilst a certain level of AUM ensures that the manager is competent and experienced with a solid business, too many clients and properties to look after can mean that corners are cut and opportunities to add value are missed. Before you sign on the dotted line make sure *your* business matters to your manager.

#### 7. Cultural alignment



Your manager represents your interests and makes decisions on your behalf in the market place. They are your agent and should understand and share your core beliefs and mirror how you conduct yourself. Real estate investment can open you up to reputational risk if, for instance, tenants make money from activities you do not wish to be associated with. Look for a manager with a similar attitude to Corporate Social Responsibility as yourself.

#### 8. Corporate governance



The right manager should have a robust, and tested corporate governance structure. No matter how brilliant an individual fund manager might be, the strategic ideas should be reviewed and approved by a panel of industry experts prior to being implemented with your money. Checks and balances ensure that only appropriate risks are taken to deliver your target return. Investigate how the manager decides which client portfolio an asset is allocated to. Make sure policies and procedures are in place to guarantee you would be treated fairly in a competitive bid process alongside potentially larger clients (which could be more lucrative for the manager).

#### 9. Fees



Fees should be appropriate in the context of your manager's market and investment strategy. Choosing the cheapest man for the job may prove in the long run to be a false economy, so consider what a manager is providing for their fee and compare relative value rather than absolute fee levels. The fee you are charged should be used to incentivise the people who work on your portfolio rather than swallowed up by the corporate that they work for. Don't be afraid to ask your manager how their employees are incentivised and retained and make sure strong performance is rewarded.

#### 10. Accountability



Once you've selected an investment manager, agree a benchmark against which their performance will be judged. Benchmarks can be relative and therefore move with the market, or set at an absolute target return level, but consider the implications that different benchmarks might have on decision making. In our opinion benchmarks are most effective when they are challenging but achievable so as to not encourage disproportionate risk taking. Assess performance quarterly and seek out explanations if returns aren't up to scratch.

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