

Second in command:

REAL ESTATE *through the* EYES *of* *the* COO

Being COO of a real estate investment management platform is a mammoth task. It's about stitching together risk management, performance, technology, talent, administration, strategic growth, and culture into a seamless effort that drives underlying asset and portfolio performance. It's also increasingly about data. NAREIM sits down to chat with the real estate COOs of BlackRock, Intercontinental, Invesco, and Nuveen about their priorities today and how they're looking to the future.

By Zoe Hughes



PARTICIPANTS



Beth Zayicek
COO, *Invesco Real Estate*

496 employees. \$65bn AUM.

Current focus: "I'm evaluating our opportunities for future growth, as well as working on our efficiencies and data governance, and leveraging technology to improve investment performance."



Paul Nasser
CFO and COO,
Intercontinental Real Estate Corp.

107 employees. \$8.5bn AUM.

Current focus: "I am responsible for risk management, corporate finance, fund accounting, performance reporting, marketing and communications, admin, IT, HR, and investor relations. Data and cybersecurity are certainly some of the things we are focused on."



Wayne Fitzgerald
COO, *U.S. Real Assets, BlackRock*

400 employees globally.
\$48bn AUM in real assets globally.

Current focus: "I'm focused on our strategic initiatives, recruiting, developing the best talent, and building an efficient operating platform. I am also responsible for our global real assets technology strategy, which means I spend a lot of time working with our internal software development and analytics teams as well as third-party vendors."



Rahul Idnani
COO and Head of Portfolio
Management, *Nuveen Real Estate*

550 employees. \$125bn AUM.

Current focus: "I wear two hats. As global COO, I lead our corporate development and M&A efforts, and as head of U.S. portfolio management, I lead a team of ten portfolio managers managing approximately \$50 billion of AUM in the U.S. across all property sectors and risk styles."

One of the key challenges facing real estate investment management firms today is data, and how to efficiently leverage data to drive asset and portfolio performance. It sounds easy, but it's something almost all in the industry continue to grapple with — whether it's owing to challenges around aggregation of data, getting everyone in a firm to work from a single, master data set, or moving away from reporting to analysis of data to enhance performance. What are you doing?

Wayne Fitzgerald (WF): We're focusing first on improving our operating processes and creating efficiencies. Our U.S. Core Property Fund has over a 30-year track record, and as we look at how we've been doing business over the years, I've been encouraging our team to challenge legacy processes to find more efficient, technology-enabled solutions that allow us to scale. "That's how it's always been done" isn't a valid rationale for a business process.

Once you have good business processes, then organizing data becomes much easier. We are focused on gathering our data across teams in a central data warehouse and building tools that pull information and analytics from the same data set.

Vocabulary has been a key challenge. Our technology teams work to standardize vocabulary among our teams where it makes sense, but we also want teams to have the flexibility to use their own vocabulary and to build bespoke processes as necessary while keeping it in a central platform.

More efficient processes allow our investors to focus on driving investment performance.

Paul Nasser (PN): We spend a lot of time on attribution analysis and asking what has gotten us to where we are and what will maintain and, hopefully, improve on a go-forward basis as we invest in various property types and geographies. The biggest challenge we have is we're currently evaluating a number of third-party data vendors. The toughest part of that is figuring out who's going to be around six months to a year from now and trying to pick the right vendor that we can grow with and add onto and begin to mine the data in a way that helps our mission.

Beth Zayicek (BZ): Our clients are global. They want to know that, if they're receiving information from two different regions, there's a consistency in approach. So, we need to create a data structure that satisfies that demand. Further, achieving investment outperformance is the most important thing that we do. We're trying to build our data platform in a way that allows us to leverage external information with insights from our own assets to help us make strategic decisions on assets and portfolios. The ultimate goal is to help us improve performance.

Rahul Idnani (RI): I agree with what's been said. We have been more focused on mining the data on our \$125 billion portfolio of real assets globally. We have even hired a data scientist on our team to do just that. For example, our research team has been leveraging alternative data sets like Uber and NYC Taxi data to identify where millennials are going after their nights out in Manhattan to help our investment teams find vibrant live-work-play submarkets. We have even used Citi Bike data to understand ridership trends.

My portfolio managers are provided a top-down view by our research team, but we also have bottom-up data from our local investment teams sitting in 11 offices across the country. The investment teams are our boots on the ground who actually live, work, and shop in their markets whom we rely to provide some of that asymmetric information. It's been interesting to look at what research is seeing through these alternative data sets and marrying that with what our acquisition guys are seeing on the ground.

BZ: I'm glad you brought that up because that is something that we focus on as well. Hiring people with a data science background to be able to mine information is becoming more and more important.

RI: It goes back to us losing people to other industries. How do we get some of these really bright and technical individuals with STEM backgrounds and draw them into real estate?

WF: We've had this debate internally and historically I've been skeptical that data and artificial intelligence will drive real estate equity investment decisions; however, we found that consistently pushing our modeling and enhancing our due diligence with new data offerings have increased our conviction around potential investments.

RI: I think data adds another lens. The data sometimes isn't entirely supportive of what the boots on the ground are seeing

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and saying. At the end of the day, it's the portfolio manager and, ultimately, investment committee's call to weigh the two different data sets.

PN: We're all striving for outperformance. We want the data to allow us to maximize the value of our assets, to dig deep into various inputs that, quite honestly, we've not studied before, for example Uber or Lyft trends, and all of the things that are changing our society and therefore the way we use offices or apartments. We want to be able to access that information which will lead us to decisions that result in outperformance. That's really what we're striving for.

THE QUARTERBACK COO

Let's step back a little and ask what it means to be a COO today as you all come from different backgrounds. What are the biggest two challenges for you over the next two to three years?

BZ: It is sometimes a little hard to define because I get pulled in multiple directions. Within Invesco, a lot of how we grew over time was organic growth but also selectively through acquisitions. Part of my role is making sure we're working as one firm while keeping an eye on ways to further deliver for our clients in the future. As I mentioned, executing on our data strategy is a big part of that because our clients demand a global approach and investment outperformance.

RI: Given that my COO role is, in large part overseeing portfolio management, our key challenge is performance. We are late cycle with property cap rates at historic lows and certain property sectors like retail and office experiencing great disruption and challenging occupancy and same-store NOI growth. At this cap rate level within an already mature stage in the cycle, we view greater risk for potential cap rate expansion and operating performance deterioration. To counter that risk, our platform relies heavily on asset managers to be creative and on the offensive in the face of functional obsolescence for sectors like retail and office. They are joined at the hip with the portfolio managers in making prudent, accretive decisions at the asset level. Over the past five years, commercial real estate performance, just like the broader

market, has been strong across the board, but the next five years will be about thoughtful portfolio construction and proactive asset management.

PN: As the COO, I liken my responsibilities to the quarterback of our company. By that, one of my key responsibilities is to point everybody in the right direction to make sure that we have the resources across our platform to execute the strategy of our fund. While I may have many different reporting lines, my job is to make sure that we have the right people in each of those roles so that whenever there's an issue, I'm accustomed to assisting with solutions and bringing necessary resources, whatever they are, to execute our strategy.

WF: Paul summarizes the role well. I spend half my time responding to the day-to-day needs of the business; a COO must help connect teams and find solutions across a wide spectrum of issues. I spend the other half of my time focusing on our biggest challenges — technology and talent, which includes recruiting and retention. As we expand our business over the next few years, I am also staying very focused on culture and ensuring we fulfill BlackRock's Principles, being fiduciaries for our clients, maintaining a passion for performance, operating as One BlackRock, and driving innovation.



Most of you have undertaken significant M&A deals. What's your biggest takeaway?

WF: Once you make the significant strategic and financial commitment to an acquisition, it's all about execution and culture. The first thing, from my perspective, is to stay focused on the experience of your new colleagues. You need to understand the impact of post-merger changes and how those changes impact their day-to-day activities. It's the small stuff that can really trip you up.

We want our new colleagues to stay focused on our clients and do their jobs well, as opposed to spending lots of time trying to fix something with IT or having a vendor approved through vendor management. Once you have the day-to-day activities running smoothly, you can then focus on bringing the cultures together.

BZ: For Invesco, culture is top of mind. Ours is very simple: We take care of our clients and we take care of our people. That means having a performance-driven culture built on trust, transparency, and good communication. It is important that any acquisition target has the same values.

RI: We acquired Henderson Property Group in 2015. It was a U.K.-based asset manager with \$25 billion in AUM in Europe and Asia Pacific with over 300 institutional clients. The biggest takeaway for us as an organization was the culture. The core of the business we acquired was the client-centric and performance culture. Since the acquisition, this culture has permeated throughout the U.S. and globally. Many of our global leaders are from Henderson, including our CEO and CFO.

MANAGING THE TALENT

Which is the biggest talent challenge for you: recruitment or retention?

PN: Finding and attracting the right people for the right role(s) so that they're set up to be highly successful is, by far, the most important thing that I face when it comes to recruitment and retention. Happy employees who are proficient at what they do only means that our clients and investors will benefit.



BZ: The best way to retain people is to make sure that they feel challenged and valued in their roles. As a management team, we review the entire employee base at least once a year. We identify individuals who may be looking for new challenges and opportunities and think about how their skill sets may apply to something different than their current role.

In addition, we're very focused on diversity. We are being much more intentional about gaining different perspectives, both for new hires and within our existing employee base. To do that, we need to ensure we are putting forth a diverse candidate pool and evaluating candidates with a diverse interview panel.

WF: Given the growth of our business, BlackRock Real Assets focuses on both retention and recruiting. We spend a lot of time on retention. We conduct a talent review with each of our investment businesses at least once a year. We review each member of the team, how they are doing in the role, how we can create stretch assignments for individuals, and whether they feel valued in the roles they're in. We've recently shifted people across teams and across regions to get them experience in new markets, help them learn new ways of doing things in other regions, and cover short-term staffing needs.

On the recruiting front, BlackRock's focus on inclusion and diversity has helped us substantially increase the number of

women and minorities on our teams. We believe that diverse teams produce better results. Beth makes a great point on making sure that interviewer slates are diverse and that we're gathering different perspectives. At BlackRock, we're also very focused on these issues. In today's environment, these considerations are paramount to running a successful business and delivering the best products and services to clients.

BALANCING THE PRESENT AND THE FUTURE

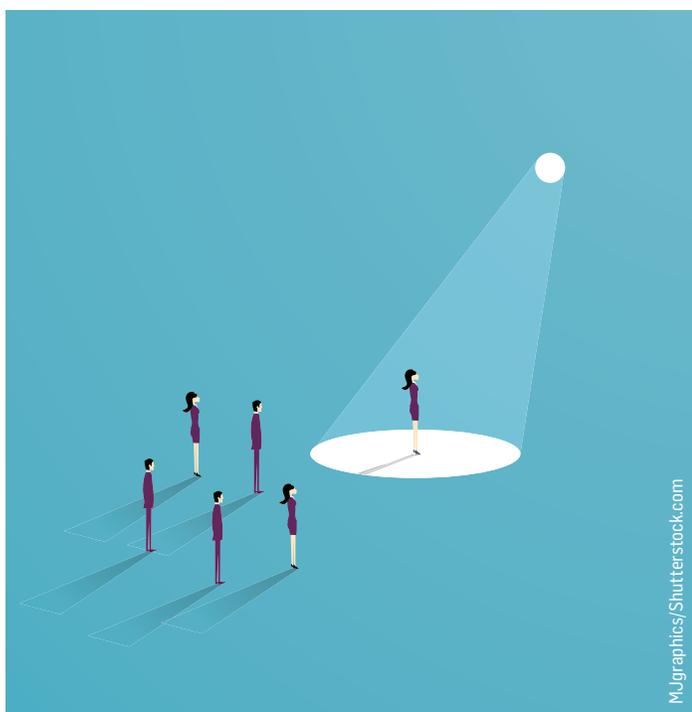
What's a piece of advice you would offer to other COOs?

BZ: As Paul said earlier, the industry is changing. It's becoming much more data driven. We are being inundated with data service providers and there is a concern around picking the winners and losers and falling behind. I think we must remember that our clients hire us to invest in real estate and deliver performance. You should use your service providers to help you do that in the best way, but you can't allow yourself to become distracted. You must focus on what you can control and on continuing to improve.

PN: As a COO, I focus on our quarterly performance and make sure our teams are on track and, hopefully, outperforming the competition. In addition, I try not to take our eyes off a forward-looking perspective. A COO has to be in the here and now yet also look to the future. It's balancing both that allows you to get your firm to the place that you ultimately want it to be.

RI: For me, it's obsolescence. In real estate, we think of economic, physical, and functional obsolescence. For a COO, it's our job to be proactive and best prepare our platform to address the challenges obsolescence brings. So it's making sure the platform works more efficiently and effectively, and ensuring we have the right data and tools to drive the best forward-looking decisions whether they're related to investment or operations.

WF: Stay focused on building diverse teams of technologically savvy people. Innovations that are disrupting other industries will transform real estate, and we need to stay focused on building teams that can embrace that technological change and continue to drive performance. Build a culture of constructive challenge and enjoy spirited discussions! ♦



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