

## Invesco Real Estate

Recently, **Sheila Hopkins**, managing director – Europe and infrastructure with *Institutional Real Estate, Inc.*, spoke with **Max Swango**, **Simon Redman** and **Rita Ling** of Invesco Real Estate. The following is an excerpt of that conversation.

*Who and what are the Invesco “client portfolio managers”?*

**Simon Redman:** The title describes the role pretty well. The client portfolio managers, or CPMs, are the outward face of our business from a client and investor’s perspective. You have to be able to communicate effectively with clients and prospects about the business, about their investments, potential investments and what we do.

**Rita Ling:** The CPMs build relationships with our clients and maintain relationships with our clients. We all have deep backgrounds in terms of real estate investment knowledge. Our clients see us not only as a relationship person, but also as someone who is very familiar with real estate investing.

**Redman:** The whole notion and the role of CPMs in Invesco are slightly different than some other firms in that we have people who have proper, deep real estate experience interacting with clients on a daily basis.

**Max Swango:** Client portfolio managers are seasoned real estate professionals with 15 to 30 years of real estate experience. These are people who understand real estate and understand the real estate business. They are also people who understand the investor’s side of the business and how to communicate with investors about what they want and need from their real estate managers. We call them client portfolio managers because these people could be portfolio managers, they could

*Max Swango, Simon Redman and Rita Ling are Invesco Real Estate’s senior global Client Portfolio Managers, or CPMs. Together they manage a global team of 22 who focus on client relationship management.*



**Max Swango** is managing director, director of client portfolio management, based in Dallas. He has been with Invesco Real Estate since 1988. For the past 13 years he has served as Invesco Real Estate’s director of product and client portfolio management. He is a member of the Invesco Core Real Estate – USA and Value-Added Funds steering committees. He is responsible for developing and managing real estate investment strategies for Invesco Real Estate’s diverse client base as well as overseeing existing and new client and consultant relationships.



**Simon Redman** is managing director, client portfolio management – Europe, based in London. He has extensive experience in real estate fund management, capital markets, fund structuring and marketing. Prior to joining Invesco Real Estate in 2007, he was a board director of RREEF Limited, head of business development and an investment committee member of its multi-manager business. He also worked for Aberdeen Property Investors developing new funds and structuring debt.



**Rita Ling** is senior director, client portfolio manager, based in Hong Kong. She is responsible for developing and managing client relationships with a focus in Asia as well as representing Asian real estate investments to Invesco Real Estate’s diverse global client base. She has 20 years of real estate experience. Prior to joining Invesco in 2009, she worked at Buchanan Street Partners, where she was responsible for client relationships of the company’s commingled funds and separate accounts.

actually run portfolios if they chose to. These are not sales people, these are not marketing people, these are real estate people who, rather than focus on portfolios, are focused on clients and communicating with clients about their portfolios.

*I think most investment management firms have client-facing people with good communication skills, but not necessarily deep real estate skills.*

**Redman:** You need both. It is a combination of having that deep real estate experience together with the ability to communicate it effectively.

**Swango:** Ideally the way we work is the client portfolio managers at Invesco Real Estate are fortunate to have a large number of very high-

quality clients, and those clients are very demanding, as they should be. But those clients don’t want the people who are running their portfolios to spend a significant amount of their time dealing with client requests.

*What does a typical day for an Invesco CPM look like?*

**Ling:** There is no typical day. We all travel a lot because we do cover a lot of geography in terms of where clients from our markets are based, and we try to go and see them quite often.

**Swango:** Yes, it’s traveling somewhere every week. That’s one of the things that keeps the job interesting. There is really not a typical day,

because there is certainly a lot of working with existing clients, there's a lot of working with existing consultant relationships and there's also prospecting for new clients.

**Redman:** There are two key aspects to this. One is the client-facing aspect, which involves lots of travel. Of course, in order for us to be able to do that in an informed way, we also spend quite a lot of time ensuring that we are fully up to speed on real estate markets and really understanding our real estate portfolios.

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*Max, I know you were in South Korea just a few weeks ago. Why would you be in Korea and not Rita?*

**Swango:** One of the most important things for a CPM to do is to have outstanding relationships with our investors, clients, and prospects, right? And so Rita’s job is to build those relationships with all of the Asian institutional investors, and she does a great job of that. But, for example, when a Korean investor is thinking about investing in the US, most of the time they’re going to want to see someone who is based in the U.S. Rita might see them once a month, and I might see them three or four times a year. The same goes for Europe and the U.S. as we ensure our global expertise is brought to the local market.

*How much interaction is there between the global organization and what you do with your clients?*

**Ling:** As a global platform, the biggest thing we provide to our clients around the world is consistency. We provide the same fiduciary mindset regardless of where clients are, and we provide the same research process, and we have the same investment mentality regarding how we

source investments, how we review investments and how we manage investments.

*Would this be clients in your funds or separate accounts, joint ventures or everything?*

**Redman:** It depends on the nature of the mandate, really, but with funds there is a greater level of interaction in terms of first port of call than with the separate accounts, where it is more of a combined role with the portfolio manager. Part of our job is to free up the portfolio manager’s time to concentrate on performance.

*What is important to your investors, and what steps do you take to meet investors’ expectations and requirements?*

**Redman:** Investors want greater access to the people they are investing with, greater transparency and increased communication. None of that is new to us; it is second nature for us to treat our clients as the most important people in the world, which obviously they are.

**Ling:** Absolutely! The most important thing for our clients is whether they can trust the managers they work with. Our biggest advantage is always being available to talk to our clients. We always tell them exactly what is going on. It is easy to do so when everything is going well, but quite difficult when things don’t go as well. It is important that we have our clients’ trust, and it is really a hard-earned quality. We always put their needs first, which is how we can not only develop but maintain a relationship with them for a very long time.

*What advantages does this global platform offer to your existing clients and potential investors?*

**Redman:** Many of our clients invest cross-border, so it is very important they understand that we can invest equally well anywhere around the globe. The great thing about our business is that they can have a local contact in the country where they are based, who speaks their own language and yet they can be investing many thousands of kilometers

away, knowing that there are experts on the ground who have exactly the same approach.

**Swango:** Particularly post-Global Financial Crisis (GFC), investors are looking for managers that have stability, that have a good track record, that have broad, stable platforms and are going to be around for a long time. They’re also looking for managers who can do multiple things for them well. Most investors today have very small staffs, and they really don’t want to have 15 real estate managers managing 10 percent of their total portfolio. So, if they can find a smaller number of managers that can do multiple things well for them, that’s a much better way for them to invest in the asset class.

**Ling:** Our global platform is truly unique. Some of our competitors have a global platform as well, but ours is very integrated, yet every office is managed by locals. For instance, in China we have Chinese managing the business. In Japan we have Japanese; in Germany, we have Germans. It is all managed by locals; even in the U.S. we try to do that. In New York we have New Yorkers; in California, we have Californians. Real estate is a very local business. You need locals to source and manage and execute a business well for our clients, but yet we are very integrated. It is easy to say that, but to be able to carry that out takes a lot of effort and takes intentional planning to make it happen.

**Swango:** Another strength of our organization is the depth of team that we have here; before an institutional investor in Asia or anywhere in the world makes an investment offshore, they are going to require a significant amount of due diligence, and we are fortunate that we are set up to support that level of due diligence. So, if a Korean investor needs economic, demographic or real estate-related research data, we are set up to support any research or due diligence requests they might have.

*What role does the global research team play in your business?*

**Swango:** We don’t publish a lot of research. Instead, research is

integrated into our investment process. The entire organization is involved in that research process.

**Redman:** Research underpins our investment decisions. Without the ability to understand markets from a research perspective, it is quite difficult to invest. For us, research is not a marketing function but an investment function. It forms the bedrock of our investment decisions. It is key for that to be global.

**Ling:** Right, our research process is highly valued by our clients all over the world, and the uniqueness is that it really is an integrated process. We have a strong advantage in doing that because we have offices across the globe — five in the US, six in Europe and seven now in Asia. All this on-the-ground information is integrated into our research database, and then it becomes a guide for us to make investments in all the regions. So we have a top-down framework of which markets to focus on, and then we also know from the ground up what details to gather and how to apply the research into the specific deals we are making or managing every day.

*Are people still looking globally after the financial crisis? Have they begun to poke their heads out again?*

**Swango:** Yes, investors from all over the world are looking globally at real estate. Most investors are global in their equity investments, they're global in their fixed income investments, and so it's natural for them to be global in their real estate investments as well.

*Where is this cross-border interest coming from?*

**Swango:** We're seeing an increasing number of investors looking outside

of their domestic markets, and it's happening all over the world. Asian investors are looking at the United States and Europe, U.S. investors are looking primarily at Asia right now when they're looking outside the United States, and European investors are looking at the United States and Asia.

**Redman:** The piece that has been missing in recent years is U.S. investors looking at Europe. I sense that beginning to change, particularly based on market dynamics in the U.S. and potential opportunities in Europe. We are also seeing cross-border appetites continue to increase, particularly with larger investors, and we are able to deliver those opportunities.

**Ling:** For instance, in Asia investors start in their home country and they build a very substantial portfolio, and then after that they go cross-border. For Asian investors, it seems to be that their preference when they start going across borders is to go very far. They go to the U.S. or they go to Europe, and only then will they go to the rest of Asia.

*Are you seeing more appetite for separate accounts, or is there still a growing requirement for commingled funds?*

**Swango:** We've got a very solid separate account business and a very solid commingled fund business. This is another strength because interest in separate accounts and commingled funds goes in cycles. The fact that we have solid businesses on both sides is a strength of ours, just like having a public real estate group and a private real estate group or having a core, a value-add and an opportunistic focus. We can go wherever we see the best opportunities.

**Ling:** From a portfolio-building standpoint, Asian investors are quite strategic, which means they will have a little bit of everything. They will have funds, they will have separate accounts, and they will have some investments that they own directly. Strategy-wise, they will have everything as well. They will have core, they will have value-add, and they will have opportunistic, and a lot of them have REITs as well.

**Redman:** The investor trend in Europe is less focused on funds, and we are therefore looking at more separate accounts and more relationship-driven deals where we will transact with people we know well. If you look at our business the proportion of separate accounts versus funds under management in Europe has changed dramatically in the past few years with more separate accounts than anything else.

*Aren't separate accounts more labor intensive for the investment firm?*

**Redman:** Invesco's heritage is in separate accounts rather than funds. It is a major part of our business, and having grown up with that focus and mentality, servicing our clients is second nature.

**Swango:** We were a separate account-only firm for the first 20 years of our company, and every one of those clients has a 30-day cancelable contract. So, when you grow up in that environment, you understand the importance of good client service, good communication and full transparency. You understand that the client gets whatever the client wants when they want it. And we've kept that culture even as we've developed our commingled fund business.

*What unique offerings do you bring to investors?*

**Swango:** What we have that's unique is the ability for investors to invest globally through our strategies. So if an investor wants to invest globally in core, they can do that through our open-end core strategies. We offer such strategies already in the US and in Europe, and are building a strategy in Asia. I don't know that anyone else can do that.

## CORPORATE OVERVIEW

Invesco Real Estate (IRE) invests in direct property and publicly traded real estate securities, and has a 30-year proven investment track record. Its real estate investment management services range from fund management, structuring and finance to acquisitions, asset management and dispositions. Today, IRE is one of the largest real estate managers in the world with \$53.2 billion of assets under management across the United States, Europe and Asia, and with 18 offices, as of June 30, 2013. This global presence allows IRE to identify and manage what it believes to be some of the best investment opportunities in the most attractive markets.

**Redman:** We are fully integrated globally. There are very few global players in the first place, and there are even fewer who can show the level of interaction and stability that we have. Our competitor set as far as global, integrated, stable managers is very small indeed, and that in itself is a big competitive advantage. From a European perspective, we are known for being able to invest in core and core-plus strategies. We also have a view that it is better to have teams on the ground; that is not unique, but it is something we put significant store by. Our hotel expertise — which complements our office, retail and industrial expertise — has been a unique introduction to the European market as we have not seen other firms provide similar expertise. The other thing we are doing now is adding residential, or multifamily to use U.S. terminology, to our expertise in Europe. We think residential has a role to fill within institutional portfolios in Europe.

*Is your multifamily in Europe going to involve development?*

**Redman:** Yes. What we are doing at the moment is looking at actually creating the investment strategy, and so we have already started to create institutional strategies. We are developing the residential investment offering that we would want to hold long term and satisfy the residential leasing market today. We have the benefit of deep expertise in the U.S. and Asia to draw upon as we develop this part of the business.

*Your business has been growing since the GFC. Can you tell us why you have managed to remain successful when a lot of firms have been struggling?*

**Ling:** One of the things our clients valued a lot is our stability. We have a very strong parent company, which is an investment management only business. The only thing we do for our clients is manage their money. We are not owned by an insurance company, we are not owned by a bank or an investment bank. In fact, during the downturn

we were able to hire some very good people from competitors that were dealing with distraction issues.

**Swango:** The more niche, smaller real estate companies were becoming very popular in the 2000s, but when the GFC came, many of those single fund-focused firms could not survive. On the other end of the spectrum,

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you had a group where the parent companies caused problems for the real estate firm — you had insurance companies, investment banks that had problems during the global financial crisis, and those problems became problems of the real estate group and a lot of those companies are no longer around. In addition, we have a diversified platform — separate accounts, commingled funds, real estate securities; the United States, Europe, Asia — which is very helpful in a downturn. I think all of that adds up to a very stable environment that clients recognize.

**Ling:** That is a great point. We try to offer consistency, not only with our platform and how we operate, but how we provide strategies to our clients who want to be invested on a global basis. In each region we will have a strategy that complements and completes a global offering. For instance, we have an open-end core strategy in the U.S., and we have one in Europe as well, and we are building one in Asia that is set to be launched toward the latter part of this year. In addition we have complementary offerings in other strategies that we offer globally as

well in the value-add and opportunistic spaces, and eventually we will be able to offer that global scope on the debt side as well.

*What do you think the future holds for institutional real estate investment?*

**Ling:** The real estate industry is a very exciting industry. At Invesco Real Estate, we try to make things very simple for our clients. They know who we are, and that we work hard to keep their trust by doing what we say we will do. We see allocations to real estate being increased by pretty much all of our clients across the globe, so we believe the real estate field is going to be an ever expanding field.

**Swango:** The institutional real estate business is becoming more global, so we believe there will be more cross-border investing. I think the business is becoming more sophisticated in how it builds its real estate portfolios. More and more investors are building broader real estate portfolios. I think large sovereign wealth funds and pension funds dominating the separate accounts side of the business is a trend, while smaller and medium-size pension funds will probably continue to be best served in commingled funds. ♦

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