



OAK INVESTMENT MANAGEMENT GROUP

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Real estate investment management provides Clients with an optimal process for investment in property. In recent years the efficacy of having an independent investment manager (IM) has been highlighted over an owner or asset manager to provide a more strategic and long term outlook for Clients.

The first and foremost function of a real estate investment manager is to co-ordinate the practical functions of a commitment to real estate. This comprises the identification of projects suitable for investment according to the requirements of the Client, the due diligence and deal making process and the transition to exit and value realisation. Thus the IM can source both debt and equity: the introduction and the implementation of a financing facility and introduction of additional equity to the project. The IM sources appropriate talent for the investment: selection, appointment and supervision of an asset manager and the selection, appointment and supervision of a development manager. The IM advises the Client on suitable exit opportunities providing disposal support in terms of macro-timing and in terms of micro-deliverability.

The second function of a real estate investment manager is to maintain reporting requirements for the stakeholders in the project. This includes but is not restricted to quarterly investment management reports, arranging for legal obligations to be fulfilled, filings to be made, taxes to be paid; managerial accounts to be presented; proper estimation of future income and expenses; and consequently, the all important estimated free cash flow of the project. Having these functions performed on a continuous basis, through a long-lived investment management contract to an IM whose remuneration is actually linked to the actual performance of the asset imposes a discipline on the investment process and to the ownership period. This discipline is good for the sustainability of investments, the clarity of their performance and honesty of management *vis-à-vis* the providers of capital.

The investment manager is the representative of the providers of capital, just as the asset manager is the representative of the asset itself. There are many reasons to engage an IM, primarily because the interests of the strategic long term investment manager are more closely aligned with the owner rather than the day to day manager of the property since the IM must have regard to the strategic implications for certain initiatives with the asset itself. Secondly through industry specialisation the IM will have a better understanding of the capital markets as well as long lived relationships with best in class legal and accounting professionals. Finally the IM is independent from the owner, the providers of capital and debt and as such is independent from other incentives other than the pure risk-adjusted return over a period of time. All of these factors when combined mean that the decision to engage the services of a real estate investment management firm has a profound and positive effect on the performance of an investment in real estate.

*** Full disclosure: For obvious reasons Oak Investment Management Group has a vested interest in reminding all owners of real estate that it serves to have a professional (and we would say independent) investment manager.**