AREF
The Association of Real Estate Funds

Fund operations of tomorrow

How CFOs and COOs are investing for future success

In partnership with

AZTEC GROUP

Autumn 2021

Contents

Sponsor's foreword

AZTEC GROUP

Welcome to our latest research initiative.

We've partnered with AREF to look at the operational issues and opportunities in European real estate investment.

You don't have to dig far below the surface to find views on some of the great issues of our time: the use of data, a drive for automation, more transparent reporting – especially on sustainability – and the fate of retail tenants.

That last point is moot. The industry is yet to reach a point where big ideas for the future of retail – and indeed cities – are being discussed openly, let alone implemented.

But there's reason to be optimistic – the real estate sector has a great track record in helping solve these macro problems. For example, in the last few years, the growth in funds focused on UK affordable housing has been remarkable and is starting to make a real difference on tackling some of the housing challenges in the UK. So perhaps the near future holds something similar for retail – and indeed the future of offices.

But the biggest operational challenges (and opportunities) for the industry, right now, are data and automation. Long overdue, the alternatives industry is now investing in the technology, skills and platforms necessary to unlock this potential.

In order to move this forward in the months in years ahead, in the same way as the banking, insurance and liquid investment sectors did 10+ years ago, the industry (and investors) will need to continue to:

- embrace standardisation of processes and data
- implement technologies that are able to cope with non-standard processes and data
- develop operating models and platforms that are able to ingest, store and analyse data from multiple sources

For example, if you think about the way you record the date in your company's systems – perhaps it's DD-MM-YY or MM-DD-YYYY – and then consider the many different ways others might do it, you start to see a tiny portion of the problem.

> You don't have to dig far below the surface to find views on some of the great issues of our time: the use of data, a drive for automation, more transparent reporting – especially on sustainability – and the fate of retail tenants.

Maturity of our data capabilities and further automation will come – probably driven by some organisations more than others, featuring data analysts and scientists brought in from outside the industry, and with investors in funds demanding change as they require quick, detailed and credible answers to ever more specific questions about allocations, exposure and sustainability.

And there's also a role for fund administrators like Aztec too, given our significant economies of scale and central role, we are investing heavily in these areas to ensure we can partner and provide solutions to clients. Watch this space!

Paul Conroy
Group Head of Real Assets,
Aztec Group

Comment by AREF's Adrian Benedict

AREF
The Association of Real Estate Funds

This report comes at a good time.

To my mind the real estate investment industry is in pretty good shape at the moment.

Investment performance has been pretty dependable; the asset class remains in demand; lessons from the financial crisis have been absorbed; and, despite distressed circumstances, real estate investment groups didn't themselves become distressed.

But that's a backward view.

And there are challenges and opportunities ahead.

That's why we've worked with AZTEC Group to bring you the thoughts of individuals at some of our industry's leading firms.

This report, based on both a survey of 29 chief operating officers and chief financial officers plus in depth interviews with specific individuals, throws up plenty of useful conclusions. And, like all good pieces of research, some confirm what you were already thinking and others confound it.

For example, in the run up to Covid we had distress with retail exposure – and the industry's over reliance on retail assets as a defensive component has been found wanting. Unsurprisingly, asset allocators will look elsewhere, not least into residential.

Conversely, you don't need me to tell you about carbon emissions from real estate assets. Everyone knows about it and everyone's trying to do something about it.

It's interesting that our survey shows that, while ESG is a major – in some cases the over-riding – priority in the coming years, it's closely wrapped up with implementation of technology and boosting transparency and accountability of reporting.

Whether I have my AREF or my Fidelity International hat on, I think that's probably about right. You disentangle ESG, technology and reporting at your peril – not least because the industry needs better data to attract and serve new generations of clients coming into the value chain.

Overall, our industry has a unique opportunity to reposition itself. It's going to need specialist capabilities and capital to deliver financial and ESG outcomes – especially if it's going to become part of a solution that redefines cities and societies for the 21st century.

COOs and CFOs are some of the prime movers in this profound industry transition.

Thank for you reading the report – and we hope you find it useful.

Adrian Benedict
Head of Real Estate Solutions, Fidelity International & Chairman of Association of Real Estate Funds

> Our industry has a unique opportunity to reposition itself. It's going to need specialist capabilities and capital to deliver financial and ESG outcomes – especially if it's going to become part of a solution that redefines cities and societies for the 21st century.

Five key findings

- Getting out of the Covid crisis is the current number one priority
- Over the next year the main operational imperative is making data and reporting more accessible to investors
- But chief operating officers believe they need to implement the technology first
- New technology and further automation are also the gateway to achieving operational efficiency
- Most providers will launch new products – with many being ESG or impact-focused

Chapter 1

An industry looking beyond the crisis

Getting past the pandemic-related crisis is top of the list right now.

Real estate fund chief operating officers could be forgiven for wondering what's coming next.

Financial crisis, Brexit, pandemic, pingdemic, climate change, supply chains, fuel crisis … it feels like an age of crises.

But, for now, Covid-related issues are the problem of the hour.

When asked about the greatest challenges facing the real estate industry, dozens of COOs and CFOs were unequivocal. The ongoing disruption to business activity from the pandemic crisis was far and away the lead response.

But it wasn't the only response. The small hours see smart minds mulling big issues: the increasingly strict requirements of ESG disclosure, investor demands for greater transparency, and the furious competition for capital.

As abrdn's Paolo Alonzi puts it, "the investment industry is good at reacting to issues as they emerge. Covid is a prime example, ESG another. Technology and digitalisation is also now a priority but with disparity in maturity and approach across public and private markets."

But as this report shows, solutions to the sector's most pressing issues lie within the gift of real estate COOs and CFOs.

Solutions to the big challenges are possible. It's about the way organisations can absorb (and adapt to) new technology, getting and using more and better data, bring in greater efficiencies in reporting, and balance competing ESG demands and requirements.

No small list. No wonder outsourcing is so important to the COO and CFO.

Solutions to the big challenges are possible. It's about the way organisations can absorb (and adapt to) new technology, getting and using more and better data, bring in greater efficiencies in reporting, and balance competing ESG demands and requirements.

What do you believe are the greatest challenges currently facing the real estate industry in Europe?

Rank	
1	Ongoing disruption to business activity from the COVID-19 crisis
2	Increasingly strict ESG disclosure rules
3	Investor demands for greater transparency
4	Competition for capital
5	Exiting investments at high enough returns
6	Regulatory risk
7	Economic uncertainty in Europe
8	Lack of growth opportunities
9	High valuations
10	Availability of leverage

Chapter 2

Outsourcing works – but there's more to come on reporting

Reporting remains a stumbling block and respondents will outsource to overcome it ... and other issues.

In the main, investment managers outsource for five reasons. These are:

- Financial reporting/accounting
- Tax compliance
- Portfolio valuation
- Financial data collection/reporting
- Company secretariat functions

Of course, the full list of outsourced functions is far longer – as our comprehensive survey demonstrates.

COOs and CFOs do this because selecting the right partner for the right function can bring multiple benefits.

More specifically, those responding to our survey explicitly stated that successful outsourcing enables them to devote greater focus on their investments or portfolios.

It is also cost effective.

And ultimately, it gives them access to expertise and experience – which generates confidence that best practice is being applied.

In fact, so important is outsourcing that, over the next 12 months, more survey respondents say they will increase outsourcing than those who won't. In fact, increased outsourcing is a bigger priority than strengthening information security or improving the ease with which new investors are onboarded.

Those responding to our survey explicitly stated that successful outsourcing enables them to devote greater focus on their investments or portfolios.

In which areas of your business do you currently, or intend to, outsource some or all functions? (Select all that apply)

Rank	
1	Financial reporting/accounting
2	Tax compliance
3	Portfolio valuation
4	Company secretarial functions
5	Financial data collection/reporting
6	Regulatory reporting
7	ESG data collection/reporting
8	Non-financial data collection/reporting
9	Fund management and governance
10	Treasury and cash flow management
11	Fund establishment
12	Deal due diligence
13	Deal pipeline monitoring

But there's a sticking point. And this sticking point is reporting.

When asked about the operational areas their investors (or clients) are most concerned about, some 58% of respondents say reporting frequency.

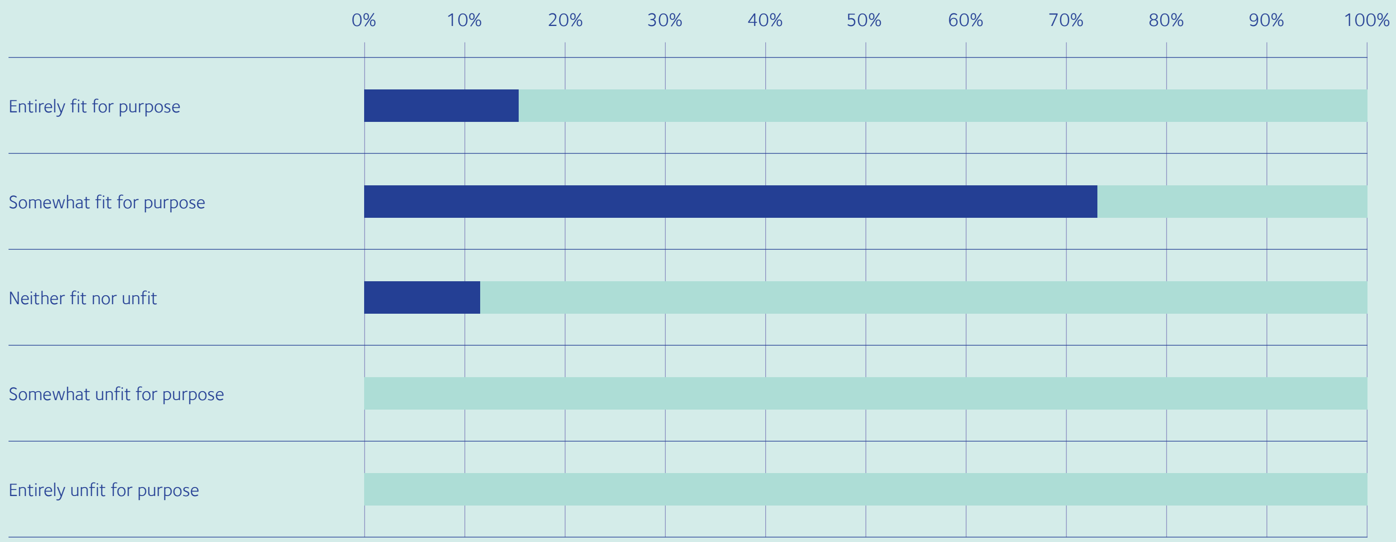
That's not all. Reporting is the area most likely to attract a 'dissatisfied' response to the question "to what extent are you satisfied with your current data management capabilities?" Unsurprisingly, it's the least likely area of operations to attract a 'satisfied' response to the same question.

This is interesting – and the challenges and opportunities associated with reporting will be a running theme through this report – because it's clear that the AREF and INREV reporting guidelines remain the industry standards.

And – while COOs and CFOs believe there could be room for improvement in these two standards – support for new models of reporting, such as a bespoke approach, remains low.

When asked about the operational areas their investors (or clients) are most concerned about, some 58% of respondents say reporting frequency.

Do you consider the industry standards on reporting to be...



Most people in this industry don't want to do bespoke reporting – or are yet to be persuaded of its benefits. Perhaps this is because, as Fiera's Emma Cullen puts it, "this industry is still largely based on legacy excel spreadsheets which don't allow for sufficient flex around the creation, aggregation and visualisation of investor driven data."

So it's unsurprising to see that the number one priority for survey respondents over the next 12 months is making reporting and data more accessible to investors.

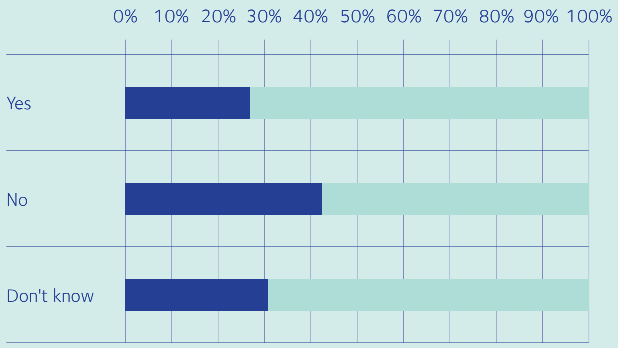
This ranks ahead of grappling with Covid and expanding into new markets – and well ahead of introducing new digital technology and reducing operating costs.

Emma Cullen at Fiera Real Estate puts it in context: "as an industry, we tend not to be that good at understanding how the tech could add value back into the business. So the way to think about it is to remember it's 80% process and 20% tech. If you focus on the process, you can get it right.

"Getting the right data and using it correctly is all about generating better value. In terms of making it happen you need buy-in and vision from the top – and then it's about sourcing the skillset, and then changing the mindset."

If COOs and CFOs make good on their plans to outsource more – and if they do it to address reporting issues and make reporting more frequent and transparent – the real estate market could see profound changes in its visible outputs over the coming years.

Would you prefer a bespoke approach to reporting?



As an industry, we tend not to be that good at understanding how the tech could add value back into the business. So the way to think about it is to remember it's 80% process and it's 20% tech. If you focus on the process, you can get it right.

Emma Cullen
Fiera Real Estate

What are the main operational imperatives facing your firm over the next 12 months?

Rank	
1	Making data and reporting more accessible to investors
2	Dealing with the ongoing impact of COVID-19
3	Expansion into more markets
4	Introducing new digital technology
5	Reducing operating costs
6	Further develop and enhance financial reporting
7	Contend with and prepare for regulatory change
8	Outsourcing more back office functions
9	Improve ease of onboarding new investors
10	Strengthening information security

Chapter 3

ESG

The client clamour for ESG – and more transparent reporting on it – is now too loud to ignore.

In the main, real estate businesses are yet to crack ESG – and their investment strategies will continue to be invested primarily for attractive returns.

But that's not to say ESG considerations are unimportant as COOs and CFOs plan ahead. Far from it. The survey ranks ESG second in the list – and well above themes that, in past years, may have assumed primary importance: getting hold of the right assets, the state of the economy, and even the state of politics.

Moreover, 54% of survey respondents are very confident they're doing all that regulators ask of them with regard to ESG.

While clearly a positive, this begs the question of what the other 46% are up to. The answer is that 29% are somewhat confident 17% aren't sure. Either way, just under half of real estate COOs and CFOs evidently have work to do on ESG compliance.

When it comes to benchmarking against ESG regulation, it's a comparable story, with comparable numbers: more can do it than can't. Perhaps worryingly, 38% of respondents simply don't know.

Given the clear and evident links between ESG and technology (and reporting) it's plausible that some survey respondents are behind the curve on everything ... simply because they're behind the curve on one thing.

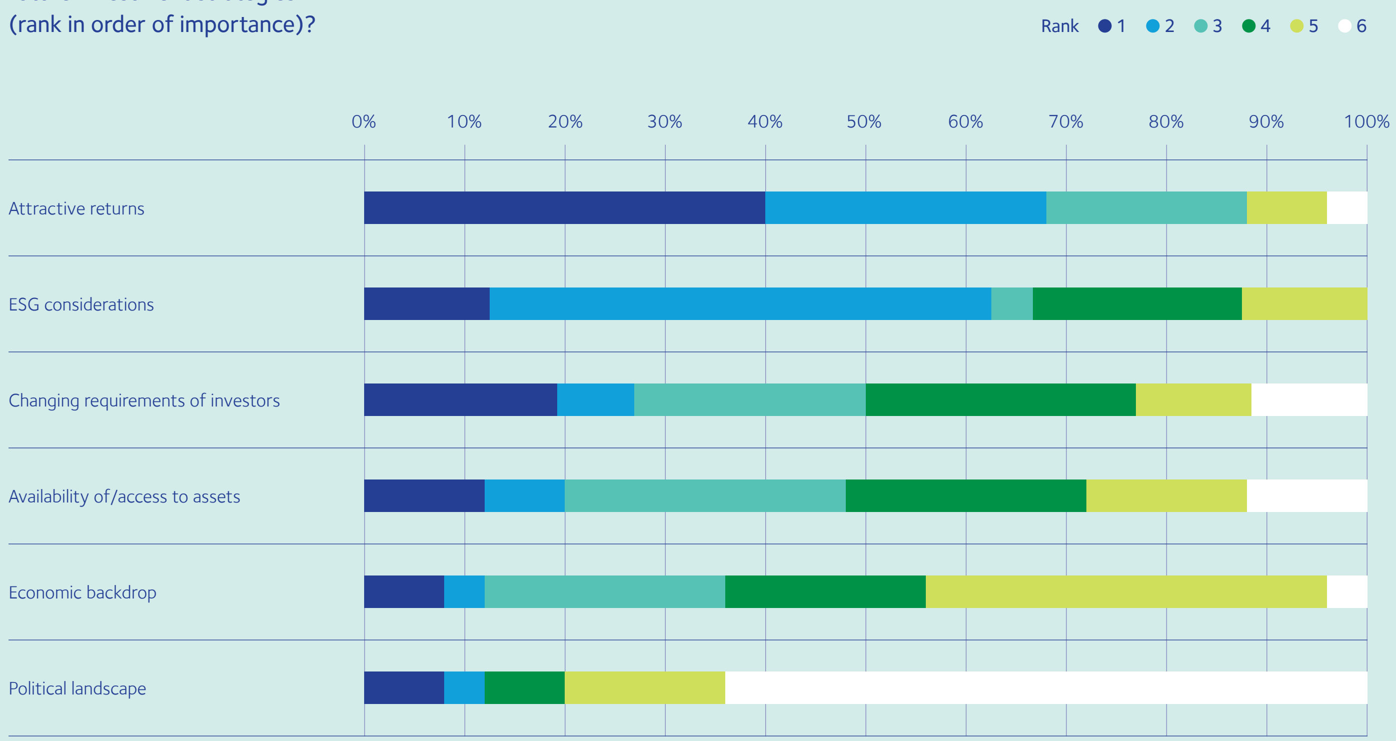
"There is a synergy between ESG and data. Delivering on your ESG strategy is only possible with data – you can't target improved performance without a baseline and you can't build baseline data without robust data collection processes," says Emma Cullen, Fiera.

"You also have to be able to present and analyse the data visually so you can demonstrate progress. Investors want to understand what you're doing and the impact that has on their portfolio. When we embarked on this journey we were clear that the digital platform had to be in place to enable the focus on ESG data."

It's likely that some real estate COOs and CFOs need to get up to speed on ESG – and fast.

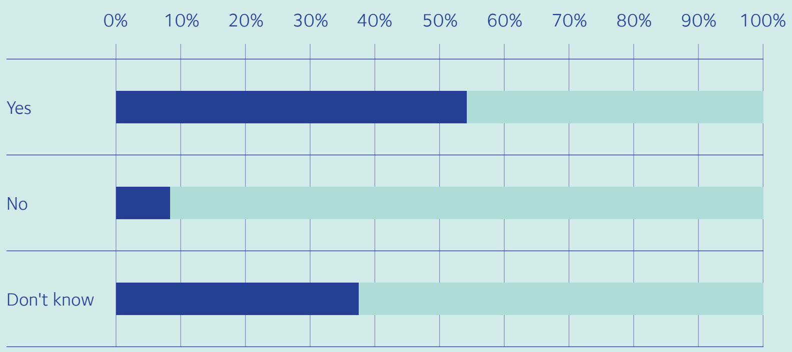
In the main, real estate businesses are yet to crack ESG – and their investment strategies will continue to be invested primarily for attractive returns.

What factors will have the greatest influence over your future investment strategies (rank in order of importance)?



ESG will be the most important factor across European real estate driving structural change at their own firm over the next three years.

Are you able to benchmark against the current ESG regulation?



So, it's safe to say that, in aggregate, ESG is rising up the 'to-do' list – as you might expect. In fact, COOs and CFOs believe ESG will be the most important factor across European real estate driving structural change at their own firm over the next three years.

"Absolutely!" Says Fidelity International's Adrian Benedict, when asked if ESG is at or near the top of the list.

"What the investment industry has done to document and audit investment performance it has to do the same for ESG. This is the big conundrum – do we have a clear definition and methodology. We must evidence to the client what we've done with their capital from an ESG standpoint.

"We should be able to define this and enable them to judge our effectiveness. So we need a consistent, industry-wide methodology so clients can compare peer funds on a like-for-like basis.

"It's a huge piece of work for us as investors and managers in making it happen."

Emma Cullen, Fiera, adds: "Existing ESG reporting frameworks are messy, complicated, overlapping and require a tonne of data that's hard to get your arms around."

The survey results are clear that investors have been an agent of change in their calls for greater consideration to be given to ESG issues. After all, asset owners and other clients certainly apply pressure on their investment managers to provide more data on, carbon, diversity and other factors. Real estate is not immune from this.

abrdn's Paolo Alonzi puts it neatly: "Investors want greener and more socially responsible opportunities – they want to do well by doing good."

They talk about this more than they do issues of domicile and even reporting frequency – a topic of such importance that COOs and CFOs mention it with great regularity.

What the investment industry has done to document and audit investment performance it has to do the same for ESG.

Adrian Benedict
Fidelity International

What do you believe will be the most important trends in European real estate driving structural change at your firm over the next three years?

Rank	
1	Increasing importance of ESG issues
2	Greater demands for transparency from investors
3	Rapid technological advancements
4	Greater competition for deals
5	Growth of new asset classes
6	Increasing use of creative deal structures
7	Rise of market disruptors
8	Tightening regulatory environment
9	Increased importance of outsourcing

In what areas of your operations have your investors been most vocal or concerned about over the past 12 months?

Rank	
1	ESG considerations
2	Fund structuring and domicile considerations
3	Reporting frequency
4	Corporate governance issues
5	Deployment of new technologies
6	Investor onboarding (due diligence/AML)
7	Information security

Increasing one's focus on a specific thing always has implications. If you do more of something with the same resources, the chances are you can do less of something else.

'More' ESG comes at a cost. It is something operational leaders felt would be spread across their chief areas of interest. In other words, 'more' ESG means greater operating costs, a change to investment strategy and sector focus, and lower investment returns.

Not all of these costs – or implications – are absolute negatives. ESG attracts increased investor scrutiny, which could be an opportunity to demonstrate the greater transparency and more frequent reporting that investors clearly want.

Moreover, ESG is an opportunity to differentiate. In a crowded market with – many might say – a high degree of homogeneity any opportunity to stand out should be welcomed.

What do you believe will be the greatest impact on your business of increased focus and emphasis on ESG?

Rank	
1	Greater operating costs
2	Change in investment strategy and sector focus
3	Opportunity to differentiate
4	Increased investor scrutiny and influence
5	Lower returns

There's something else: products.

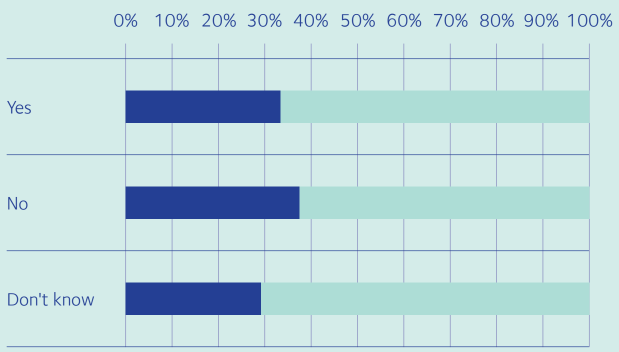
Greater investor interest in ESG can easily be interpreted, amongst other ways, as greater investor demand for ESG or impact focused real estate funds.

Some 33% of survey respondents plan to launch new products over the next 24 months to meet this demand.

In fact, the figure could be higher. This is because a further 28% of respondents are undecided about whether launching products is an optimal way to sate investor interest in ESG.

If just half of this latter category do decide to introduce new impact or ESG real estate funds, the market could see one of the biggest flurries of product launches in its long history.

Q43
Are you intending to launch a specifically 'Impact' or 'ESG' focused real estate fund over the next 24 months?



Chapter 4

Growing out of the crisis

Operational leaders believe in targeting growth but they first need to solve the data conundrum – and tackle costs.

We've seen in Chapter 1 that the real estate industry is trying – and in many cases succeeding – to manage through the Covid crisis and look towards a brighter future.

If we drill down into a COO's or CFO's 'to do' list – taking the data on page 11 as our guide – it might look something like this.

Top of the list is reporting. This really is the boil that must be lanced. More specifically, it's the need to make data reporting more accessible to investors.

Expanding into new markets is right up there too. This is a survey of real estate fund COOs and CFOs based in Europe and, for many respondents, there are no passporting or access issues. For others, there is determination and ambition.

And these are qualities that will be required when implementing other stated priorities: introducing new digital technology and reducing operating costs.

Done well, both should be mutually supporting – and ultimately creating improvements for the client.

Top of the list is reporting. This really is the boil that must be lanced. More specifically, it's the need to make data reporting more accessible to investors.

Where you have adopted new/advanced technologies, which business function has benefitted the most?

Rank	
1	Fund accounting
2	Investor relations
3	Data management
4	Regulatory reporting
5	Portfolio analysis
6	Fund management and governance
7	Deal pipeline monitoring
8	Treasury and cash flow management
9	Compliance
10	Cybersecurity
11	Competitor analysis
12	Company secretarial functions

In which areas of your business do you intend to implement new/advanced technologies over the next 12 months?

Rank	
1	Fund accounting
2	Investor relations
3	Regulatory reporting
4	Portfolio analysis
5	Treasury and cash flow management
6	Data management
7	Deal pipeline monitoring
8	Fund management and governance
9	Company secretarial functions
10	Competitor analysis
11	Compliance
12	Cybersecurity

Technology is a priority for any leading industry players, as Fidelity International's Adrian Benedict explains: "It's no coincidence the investment industry is behind the curve on tech. It's one of the most regulated parts of the economy – and rightly so. But we need to recognise that the ability to adopt tech is hard in this highly regulated environment. This explains why we are where we are.

"We're at a crossroads. If we can't harness this new tech. We'll be eclipsed by other sectors that can do it. Existential over the next 10–15 years. We need to get institutions the same flexibility and ability to transact quickly."

abrdn's Paolo Alonzi adds: "As an industry we need to embrace technology and digitalisation and focus on data – getting it right will drive operational efficiency and effectiveness across the spectrum whilst also improving the customer experience."

There's a broad hierarchy to where new technology is being implemented across business operations. According to our survey, the priority list (ranked by business areas that benefit most, in descending order) is

- Fund accounting
- Investor relations
- Data management
- Regulatory reporting
- Portfolio analysis

That's what they're doing now.

Looking ahead, when asked about where they'll implement *future* technology, survey respondents come up with a subtly different list – which *raises the priority* of reporting and *deprioritises* data management:

- Fund accounting
- Regulatory reporting
- Investor relations
- Portfolio analysis
- Data management

> **As an industry we need to embrace technology and digitalisation and focus on data – getting it right will drive operational efficiency and effectiveness across the spectrum whilst also improving the customer experience.**

Paolo Alonzi
abrdn

What benefits do you consider most important from technology?

Rank	
1	Accessibility to data – information on demand
2	Improve efficiencies (timeliness of outputs)
3	Security of data/information
4	Quality and accuracy of outputs
5	Reporting and analysis
6	Tailored outputs
7	Lower costs

“You have to be realistic about your capabilities when you’re scoping a digital project. We took the view that we didn’t have the skills in house to achieve our goals, so we created a dedicated role and looked outside of our industry to find the right person.

Emma Cullen
Fiera

Adrian Benedict at Fidelity International agrees. “We’re in an environment where returns are going to be lower. Clients may well stick with their investment managers but will expect them to reduce the cost base. New tech is an obvious way to reduce costs *and simultaneously* introduce better economies of scale.

“To date, the industry’s systems haven’t had to evolve very much because capital has been plentiful. But it’s a different environment now and we need to find greater efficiencies and use structured, reliable and easily accessible data to tackle reporting issues.”

So it’s back to the ‘D’ word again: data.

This is something the survey echoes, loudly, because the main benefit offered by new technology is better accessibility to data.

New technology is also useful for data security, to boost efficiencies and to improve the quality and accuracy of outputs.

This is close to Paolo Alonzi’s heart. He takes up the story: “We need to be realistic and recognise that increasingly investors, particularly retail investors of the future, will demand a tech enabled digital service. Many readers of this report will be familiar with teenagers who seem glued to their smartphones.

“But the serious point here is the industry is increasingly serving people who’ve grown up only ever knowing a high degree of technology in their lives – and expecting it as the norm. In other words, a rising proportion of our industry’s customer base is more comfortable talking to machines than humans. We need to solve this and solve it fast.”

This means automation.

So many aspects of life have been automated in recent years it’s easy to forget how far the modern society has come. But, for the real estate investment sector, there’s a far longer distance still to travel.

Some 58% of survey respondents will, to a large degree, increase the automation of their core accounting and administration activities within your business over the next five years.

A further 38% will automate to some degree.

Just 4% will do nothing on automation – and it has to be assumed that this tiny minority further breaks down into those who have already automated everything they can and those who care not a jot for automation.

Digital transformation is never an easy thing to implement.

Fiera’s Emma Cullen has been through it, and reflects, “You have to be realistic about your capabilities when you’re scoping a digital project. We took the view that we didn’t have the skills in house to achieve our goals, so we created a dedicated role and looked outside of our industry to find the right person.

“Implementing change is difficult, it requires strong communication and engagement to get the business to do things differently but once teams understand that the tech is only of value if it drives processes that makes the business more efficient and scalable, and gives teams greater transparency and insight over their data, then they buy in.”

More ESG is the primary answer of survey respondents – and second comes investor demand for transparency.

Chapter 5

Where in the world

Big changes in asset allocation and, potentially, domicile options are just the start of the brave new world for real estate funds.

We've seen above that at least 33% of real estate investment groups are planning new ESG or impact products.

But this is just part of the story.

On balance, 78% of groups will launch new investment products over the coming 12 to 18 months.

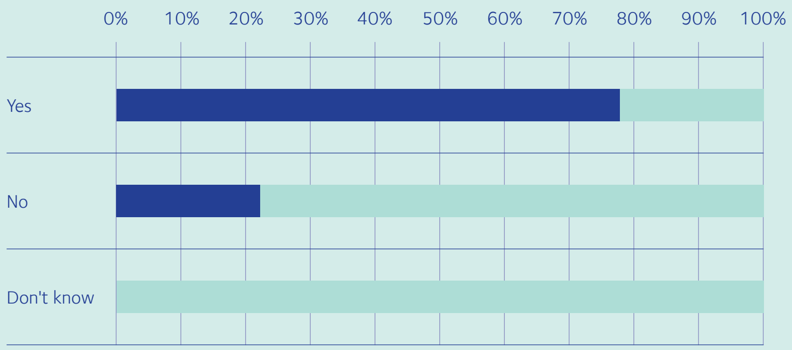
Assets raised by the industry aren't going into to the same old sectors though. The expectation is that the chief beneficiaries of new capital allocations will be

- Residential – build to rent
- Commercial – industrial
- Residential – affordable/social

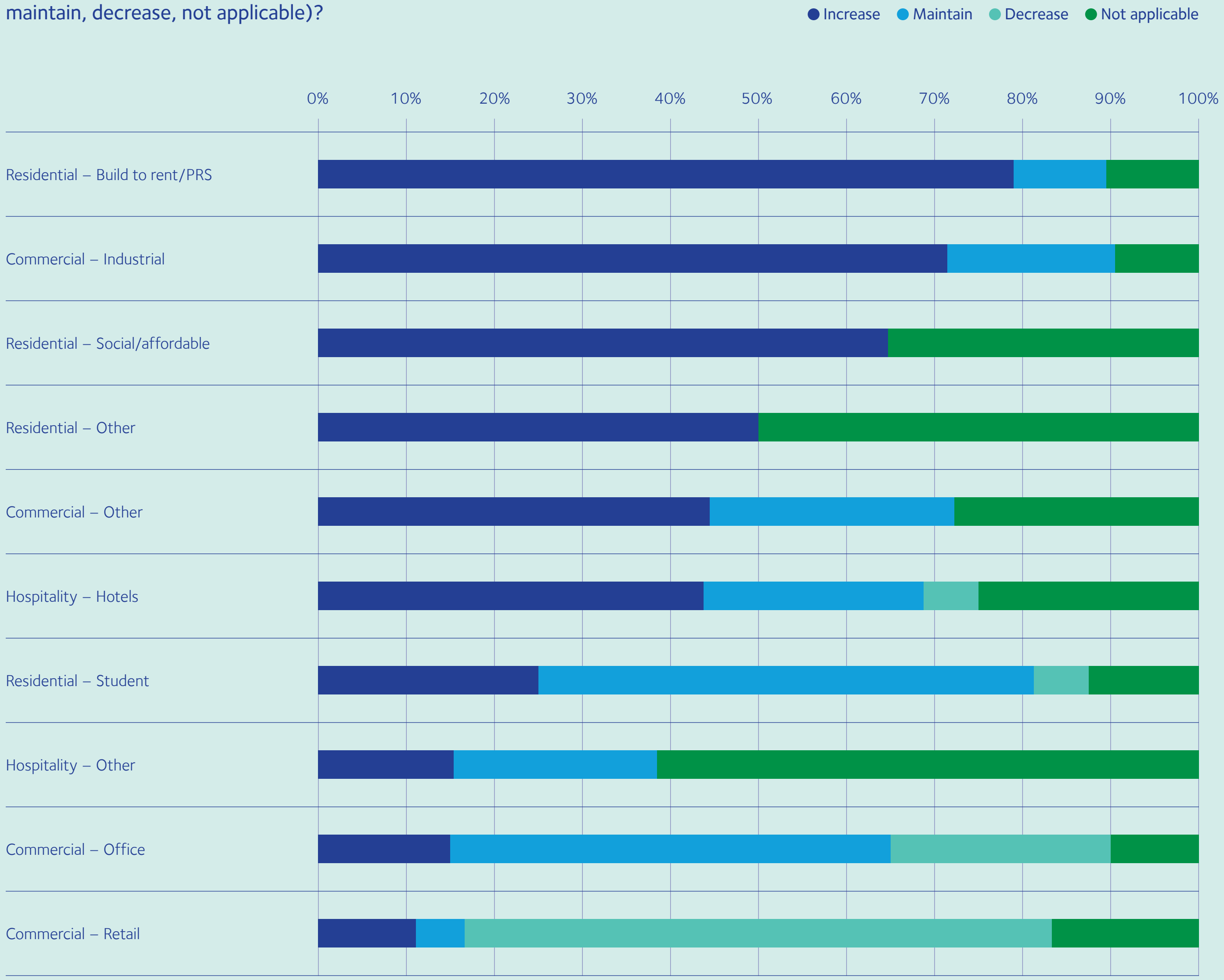
The biggest 'loser' is commercial – retail, which is hardly surprising given its structural challenges going into the pandemic and then the battering it took during it.

Paolo Alonzi, abrdn, strikes a note of caution here though: "One customer that mustn't be overlooked is the tenant, they are the lifeblood of the asset class. Covid is likely to have a lasting effect on lease negotiations and ultimately lease terms across most sectors."

Are you intending to set up a new fund (or other investment structure) in the next 12–18 months?



How do you expect your investment allocation to key sectors to change over the next five years (Increase maintain, decrease, not applicable)?



Competitive sensitivities preclude more detail about fund groups' thinking and plans for the retail sector – after all, who would show their hand before they have to?

Survey participants were more forthcoming about their plans in other business areas.

For a start there could be more closed-ended new products than open ended.

This assumption is based on the fact that 81% of survey respondents use such vehicles. In contrast, 73% use open-ended products and 65% Jersey or Guernsey unit trusts.

But will Jersey and Guernsey retain pole position?

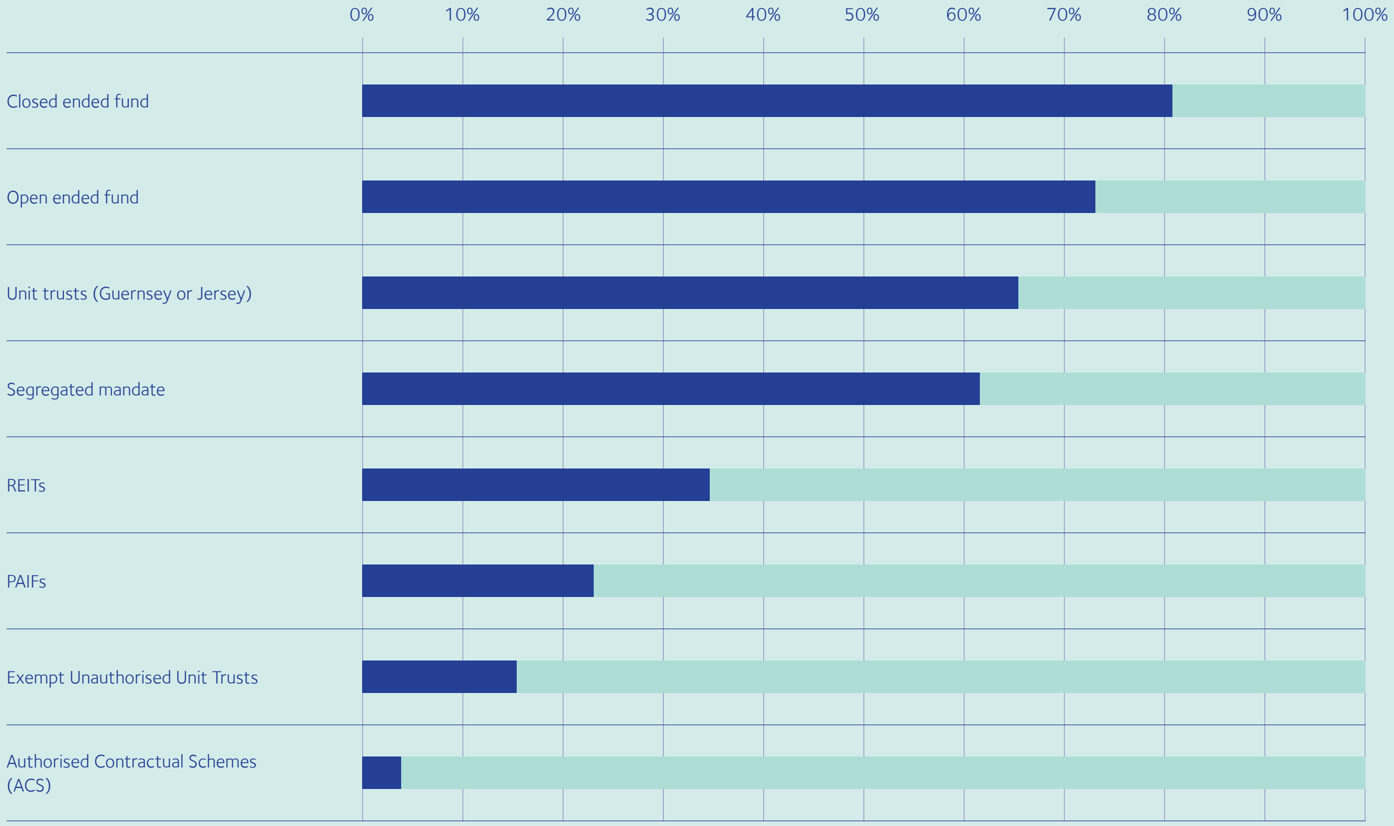
For UK-based investment groups, serving UK-based clients, the two crown dependencies have long been Pavlovian choices – and not just for tax reasons, given the development of a well-regarded and sophisticated alternative fund and corporate services sector on the islands.

However, while the two domiciles remain important to survey respondents, Investment groups will broaden their future business across a wider range of locations, with 65% and 50% of respondents respectively saying they will use Luxembourg and the UK to a large degree.

Fiera's Emma Cullen comments: "I can see this. There's a move to make the UK funds industry more competitive, with new vehicles coming in (LTAF/PIF). But we need to see more to make it happen. You can get an authorised fund off the ground in 36 hours in Dublin – can you do it this quickly working with the FCA in the UK? It remains to be seen."

It's likely that any future shifts will be based not just on tax but also with reference to macro factors. Real estate investment groups – keen to launch new products and expand geographically – need to be confident they are domiciles that can lever them upwards and into other markets.

What structures do you currently use to deploy capital? (please tick all that apply)



> **There's a move to make the UK funds industry more competitive, with new vehicles coming in (LTAF/PIF). But we need to see more to make it happen. You can get an authorised fund off the ground in 36 hours in Dublin – can you do it this quickly working with the FCA in the UK? It remains to be seen.**

Emma Cullen
Fiera

When deciding where to domicile a fund, what are the most significant factors that your firm considers?

Rank	
1	Tax treatment
2	Passporting/AIFMD
3	Regulation
4	Reputation
5	Cost of doing business
6	Influence of investors
7	Speed of set up times
8	Quality and availability of local talent

Chapter 6

The real estate industry is continuing to evolve

Those who innovate and invest in their technology, operating model, data and ESG will be tomorrow's leaders. The rest may just end up chasing their shadows.

COOs and CFOs have a lot of work to do if they are to lead their organisations into a position where they can invest to hit the financial and ESG targets future investors will require – *and* harvest and present the data that show how those targets were reached.

Most survey respondents do not appear to be there yet.

However, most have programmed the destinations into this strategic satnav and are working out the requirements and dependables for getting there efficiently and – most importantly – cost-effectively.

But, as we suggested in the first chapter, none of the problems facing the sector lie outside of the gift of COOs and CFOs to solve, although they will need a collective investment and effort from all stakeholders.

Moreover, they may be able to call on greater productivity to achieve it.

For example, nearly everyone (93%) who responded to the survey has adapted to a new hybrid working model, post-COVID.

For Fiera's Emma Cullen this could have significant implications for productivity: "It will never again be business as usual for the back and middle office. The way we conduct increasingly global business has changed. This hybrid way of working can deliver increased productivity whilst maintaining a work/life balance that would have been impossible to achieve pre-pandemic."

As we all adapt to a transformed way of working, the real estate investment industry will need to get used to more profound change – in multiple areas – as it readies itself to serve a 21st century client base.

About the Aztec Group

Scan the QR code to find out more about the Aztec Group

Established in 2001, the Aztec Group is an award-winning independent provider of fund, corporate and depositary services, employing over 1,200 people across Guernsey, Jersey, Luxembourg, the UK and the US.

Owner-managed, the Group specialises in alternative investments, administering more than €440 billion in assets, 450 funds and 4,500 entities for a range of clients spanning the major asset classes, including real estate, private equity, venture capital, private debt and infrastructure.

Supporting over 240 alternative investment managers, the Group prides itself on its long-term partnership approach, enhancing clients' fund operations through industry-leading expertise, technology and controls, with a dedicated relationship team by their side over the life of their funds.

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About the Association of Real Estate Funds

The Association of Real Estate Funds (AREF) is the body that represents the interests of its member funds, those firms that advise and support them, and the end customers that invest in our member funds.

Our membership includes over sixty-five funds spanning the leading real estate fund management houses in the industry, through to smaller, specialist boutiques, with a collective net asset value of around £72bn. In addition, we have more than fifty Affiliate members and a number of Associate members.

We are recognised by policy makers, regulators, tax authorities and other official organisations as the leading spokesperson for real estate funds, so through bringing all stakeholders together we have the ability to influence the way our industry evolves.

If you have any questions or would like to discuss the findings with a member of our expert real estate team, please feel free to get in touch with the contacts below.

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