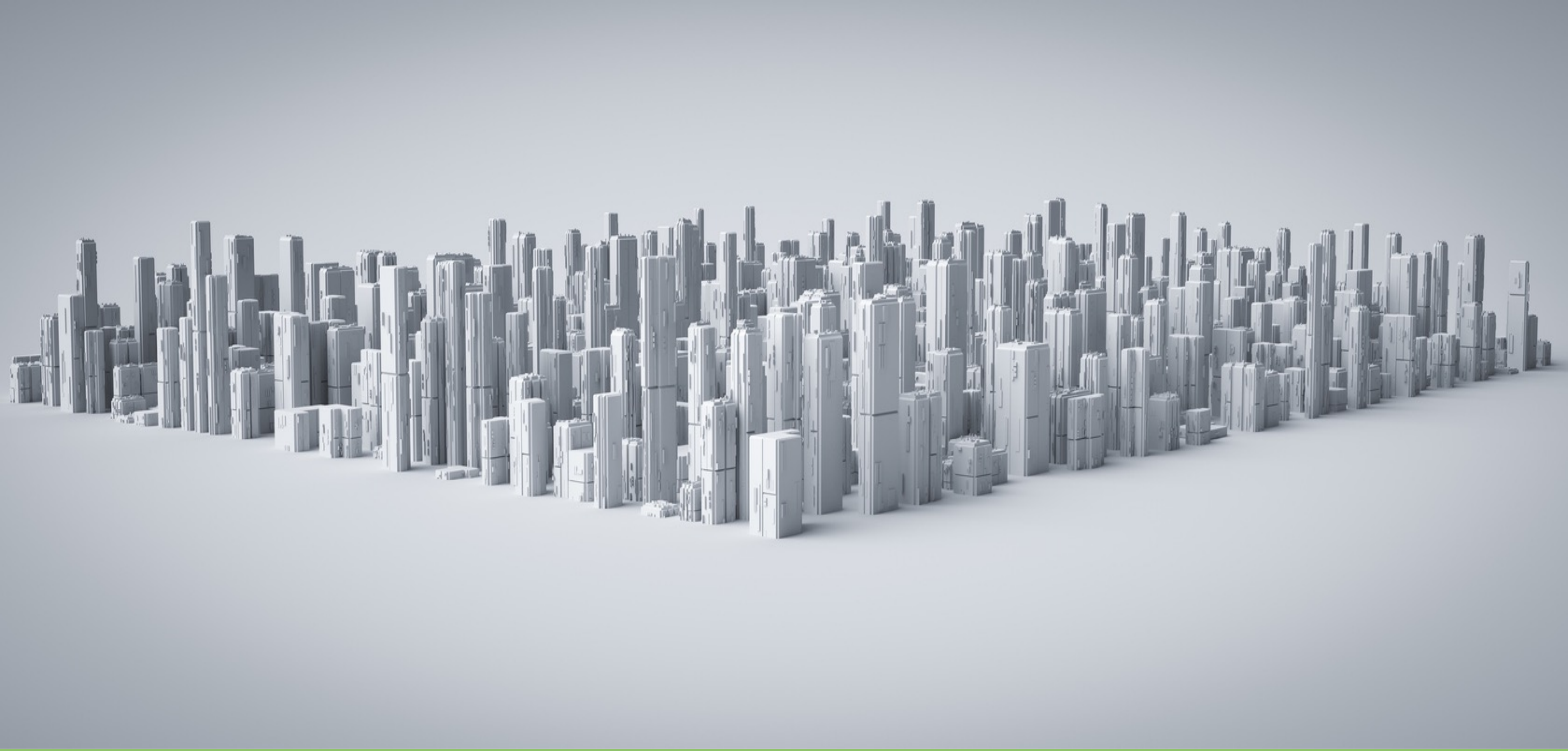


Global Management Survey

NAREIM | Ferguson Partners

2023 Executive Summary

A comprehensive study of management practices and enterprise benchmarking metrics in the real estate investment management/private equity industry

Introduction

The National Association of Real Estate Investment Managers (NAREIM) and Ferguson Partners (FP) are pleased to present the results from the 2023 Global Management Survey (GMS). This initiative, the most comprehensive global study of management practices in the industry, is designed to provide real estate investment managers (REIMs) and private equity firms with current information regarding strategic, organizational, financial and operational best practices. In particular, this report provides an in-depth view of practices across a variety of topics including capital raising, organizational structure, staffing, roles and responsibilities, financial performance, and fund/account terms.

This survey is designed to provide up-to-date information on management trends in light of both the current state of the economy and the real estate industry. Please let us know of any changes that you would find helpful for next year's edition.

We extend our sincere appreciation to all participating organizations for providing valuable information.

Survey methodology

In the first quarter of 2023, Ferguson Partners sent out a survey questionnaire for the purpose of gathering relevant market data on strategic, financial and organizational design practices for real estate investment managers and private equity firms. The survey was composed of the following six sections: General Company Information, Fund Raising Data, Assets Under Management Data, Financial Metrics, Organization Design, and Fund Terms. In 2021, we introduced a Global Supplement section to the survey allowing for regional data cuts for more granular insights.

For the 2023 survey, 83 companies provided thorough responses. Participants vary in size, strategy, and location and represent a cross section of the real estate investment management/private equity industry (see Participant Demographics for more details). FP gathered the responses, clarified information with participants as needed, and then analyzed the data to develop this summary report.

Due to company policies and/or unique aspects of their operations, not every participating company was able to provide information for every survey question. In cases where certain participants did not respond to a particular question, they were excluded from that question's reported statistics.

Finally, all monetary figures in this report are presented in USD and all space-related figures are presented in square feet.

Sincerely,

Zoe Hughes	Scott McIntosh
Chief Executive Officer	Director
NAREIM	Ferguson Partners

About NAREIM

NAREIM is the leading association for companies engaged in the real estate investment management business. NAREIM members sponsor funds and other real estate investment programs as well as develop and manage the assets in which they invest. They serve the investment goals of public and corporate pension funds, foundations, endowments, insurance companies and individuals – domestic and foreign. Collectively, NAREIM members have over $2.5 trillion of assets under management as well as billions in debt investments throughout the capital stack and around the world. NAREIM members, a variety of entrepreneurial and institutional firms, include real estate fund and separate account managers, REITs, and insurance companies.

For more information, please visit www.nareim.org.

About Ferguson Partners

Ferguson Partners is a global real assets talent management specialist and advisor with a 30+ year track record of servicing our clients' most important strategic, organizational, and human capital needs. Our 100+ person team located in major markets around the world identifies and secures top talent for real assets businesses and ensures they are onboarded, supported, and positioned for success. Through our complementary practice areas specializing in Board & Executive Search, Management Consulting, Compensation Consulting, and Leadership Consulting, we work with our clients to develop the right leadership structures, strategies, and financial and compensation foundations for success in today's intensely competitive marketplace.

Ferguson Partners' Management Consulting practice specializes in solving our clients' complex problems that require bespoke, holistic solutions. Our core service offerings often center around strategy & marketing positioning, governance & succession planning, organizational design, and operational efficiency.

For more information, please visit www.fergusonpartners.com.

Executive summary and key industry trends

Key takeaways from the 2023 Global Management Survey	
1. More efficient	Over the past six years, real estate investment managers have made significant strides in organizational efficiency. A special analysis reveals that same-store survey participants have reduced headcount by 29% across five key functional areas in the past six years alone. Capital raising professionals led the efficiency charge, closely followed by asset and portfolio management teams. It comes as managers face increased pressure on revenues and margins amid slowing AUM growth.
2. Slowing AUM growth	In 2022, the median investment management firm reported net AUM growth of 7% – a pace of growth 50% less than 2021 and 170 bps below the annual AUM growth reported over the prior five years. According to the 2023 Survey – which aggregates financial performance for the 2022 calendar year – just 68% of firms increased their net AUM year-over-year. That is down from 86% of firms reporting net AUM increases in 2021.
3. Focus on headcount	To account for slowing AUM growth and preserve the organizational efficiencies realized over the past six years, investment managers have tempered their forecasts around organizational growth. As firms consider staffing levels in 2023, 38% expected flat or reduced headcount by year-end, compared to a year ago when only 20% expected flat or decreased headcount in 2022.
4. Impact on margins	Real estate investment managers reported a slight increase in post-incentive EBITDA margins in 2022 when assessed on a same-store basis, however it was a data point tempered by the fact that almost four out of 10 firms also reported declining margins, offering a potential preview of what’s to come in 2023.

Executive Summary and Key Industry Trends

2022: Managers are becoming increasingly efficient as AUM growth slows

Real estate investment managers are becoming increasingly efficient – just as organizations look ahead to a period of slowing AUM growth.

The 2023 Global Management Survey (GMS), released by NAREIM and Ferguson Partners, highlights the growing operational efficiencies experienced within organizations, with firms who participated in both the 2017 and 2023 survey reporting a 29% reduction in headcount across five key functional areas over the past six years.

The Survey, which tracks enterprise metrics including revenues, expenses, staffing, workload and vehicle/fund terms, reveals that between 2016 and 2022 the number of FTEs per $1 billion of gross AUM (gAUM) for the five key real estate functions in a firm declined by an average of 29% for same-store participants.

It comes as net AUM growth slows significantly.

In 2022, net AUM grew by 7%, down by half that seen in 2021, and with expectations for further declines in the year ahead.

Such data is just one element tracked by the NAREIM/Ferguson Partners' Global Management Survey, the industry's only global study of management practices and enterprise benchmarking metrics.

About the data: The Global Management Survey

The GMS tracks strategic, organizational, financial, and operational best practices across a variety of areas including revenue-generation, organizational structure, staffing, roles and responsibilities, financial performance and fund terms. Ferguson Partners and NAREIM are proud to have partnered on the study for more than 12 years.

The 2023 Survey was completed by 83 companies between March 2023 and June 2023 – and reports on operational activity during 2022.

Just over 93% of firms have offices in the US, while 42% of firms are global and 31% have offices respectively in Continental Europe and Asia. The median employee count is 105 FTEs, excluding property management, while the median gross AUM is $10.6 billion. The median firm revenue is $49 million, excluding incentive fees and real estate investment income.

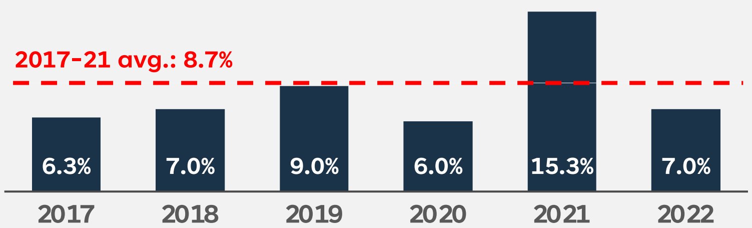
So, what's the story in 2023?

AUM growth slows, compensation levels remain elevated

In 2022, the median investment management firm reported net AUM (nAUM) growth of 7% – a pace of growth 50% less than 2021 and 170 bps below the annual AUM growth reported over the prior five years.

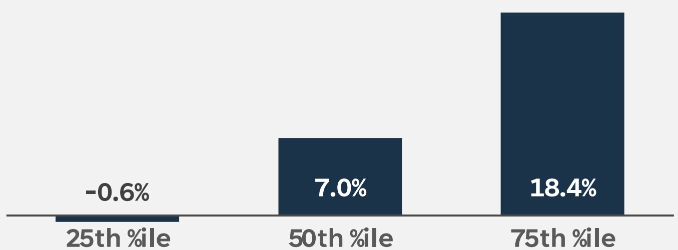
Pace of AUM slowed significantly in 2022

Real estate investment managers saw the growth in net AUM decline from its peak in 2021, with the median firm reporting an increase of just 7% in 2022. On average, the median firm has reported annual net AUM growth of 8.7% between 2017 and 2021.



Not all are seeing growth; tough times ahead

The median rate of growth in net AUM was 7% according to 2023 Survey participants. However, unlike the 2022 Survey, growth was not evenly distributed. Firms in the 25th percentile saw net AUM, year-over-year, decline slightly, while the 75th percentile firm grew net AUM by 18% year-over-year.



According to the 2023 Global Management Survey – which aggregates financial performance for the 2022 calendar year – just 68% of firms increased their nAUM year-over-year. That's down from 86% of firms reporting nAUM increases in 2021.

Of firms reporting an increase in 2022, the pace was half that of 2021, with the median firm reporting an increase in nAUM of 7% in 2022, down from 15.3% in 2021 and less than the five-year industry average annual nAUM growth of 8.7%.

A volatile investment market and challenging fundraising environment were contributing factors to the slowdown in nAUM growth, with almost six out of 10 same-store survey participants revealing capital raising fell in 2022 compared to the year prior.

Yet despite AUM growth slowdown, firms are continuing to push for greater operational efficiencies.

Evolving the organization and driving efficiencies

In a special analysis, NAREIM and Ferguson Partners can reveal that nine out of 10 same-store firms decreased their headcount per $1 billion gAUM over the six years between 2016 and 2022 for select functions – with the median firm decreasing headcount per $1B gAUM by 29%.

Assessing organizations on a same-store basis, we can see that capital raising professionals led the efficiency charge, closely followed by asset and portfolio management teams.

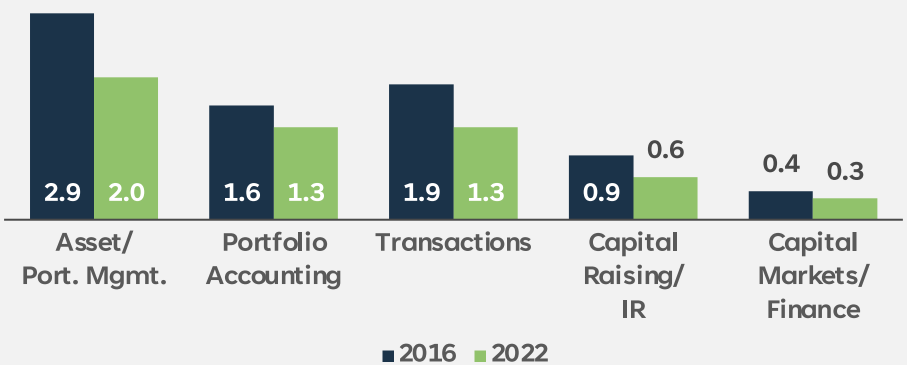
- Capital raising: The number of full-time employees (FTEs) required for capital raising roles per $1 billion gAUM fell 34% between 2016 and 2022 – declining from 0.9 FTEs to 0.6 FTEs.

- Asset and portfolio management: Fewer asset and portfolio management FTEs were needed per $1 billion gAUM between 2016 and 2022, with the median firm reporting it needed 2.9 FTEs per $1 billion gAUM in 2016. In 2022, that figure was down to 2 FTEs.
  - Note, according to the 2023 GMS, asset and portfolio management constitute the largest number of employees in real estate investment management firms, representing on average 26% of the workforce.

Firms become more efficient. Capital raising, asset/portfolio management lead the way

In a special analysis for the Global Management Survey, NAREIM and Ferguson Partners can reveal that real estate investment managers have become increasingly efficient over the past six years. Using a same-store analysis, we can reveal firms decreased headcount per $1 billion gAUM by 29% between 2016 and 2022 – with capital raising and asset/portfolio management teams leading the efficiency charge. Technology and operational process improvements are key factors in continued efficiencies. All data below is reported on a same-store basis.

Average FTEs per $B gAUM



However, are these historical efficiencies enough? With AUM growth expected to slow further in 2023 and potentially into 2024, real estate investment managers will need to capture even greater efficiencies to protect EBITDA margins.

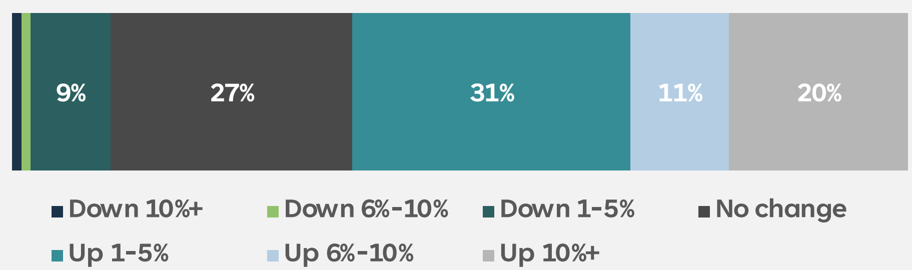
One area is headcount.

According to the 2023 GMS, three-quarters of participants increased their employee count in 2022, with firms above 50 FTEs increasing headcount by at least 8% at the median. But with compensation now accounting for 76% of all expenses, organizations will be focused on how many people they hire over the next 12 to 18 months.

Organizational growth expectations cool

To account for slowing AUM growth and preserve the organizational efficiencies realized over the past six years, investment managers have tempered their forecasts around organizational growth. As firms consider staffing levels in 2023, 38% expect flat or reduced headcount by year-end, compared to a year ago when only 20% fell into this category. Moreover, only 20% of firms said they would increase employee numbers by more than 10% through 2023. That compares to 40% of firms who expected to increase FTEs in 2022 by more than 10%.

Expected change in workforce in 2023



Indeed, the 2023 Survey reveals a significant shift in year-over-year recruitment needs:

- In 2022, 80% of Survey participants said they planned to increase staffing levels, with 40% declaring they would increase FTE count by more than 10%.
- In 2023, it's a different story: 38% of respondents expect headcount to stay flat or decrease. An additional 62% of firms expect to increase staffing numbers, but for half of those firms FTE levels won't increase by more than 5%.

The bottom line

Recruitment, operational efficiency, AUM growth, capital raising, deal flow – all have a significant impact on a firm's EBITDA margin.

And in 2022, Survey participants provided a spotlight into the key focus of C-suite executives today: How to position the organization to weather current uncertainties (and less revenue) and be ready for the opportunities ahead.

Unlike in 2021, real estate investment managers reported a slight increase in post-incentive EBITDA margins in 2022, when assessed on a same-store basis. But it was a data point tempered by the fact that almost four out of 10 firms also reported declining margins, offering a potential preview of what's to come.

Key trends C-suite and executive officers are keeping top of mind:

- While 75% of firms reported increased revenues in 2022, 72% also reported increased expenses, notably driven by compensation.
- The median post-incentive EBITDA margin remained consistent year-over-year for all Survey respondents and increased slightly for same-store participants. That said, nearly four out of 10 same-store participants reported decreasing margins.
- In 2022, the median bonus pool as a percentage of pre-incentive EBTIDA was generally consistent with 2021. However, at other points in the market range, bonuses paid as a percentage of pre-incentive EBITDA were down year-over-year.

The evolution of real estate investment management

While there is no "standard" organizational structure for a real estate investment management firm, the Global Management Survey provides guidance on how peers are shaping their organizations in 2023 and beyond. Further, it offers you a tool upon which to quantify the future organizational strategy of your firm.

As can be seen from the 2023 Survey, the slowing pace of AUM growth, coupled with pressure from compensation and an expectation of challenges to come, mean managers have to be focused on organizational efficiencies like never before.

NAREIM and the GMS Survey provide insights – and shared practices – into how the industry is doing just that.

We invite you to participate in the 2024 edition of the Global Management Survey. Please contact NAREIM for more information on how to get involved.

We hope you enjoy the report.

Scott McIntosh, Director, Ferguson Partners

Zoe Hughes, CEO, NAREIM

Metrics covered in 2023

Note, the following list of metrics and sample charts are from the 2023 GMS Survey and are provided for illustration purposes

Participant demographics

This section of the report provides summary demographic information for the survey participant group, including an overview of their size, strategy, and other characteristics.

Specific data presented includes the following:

- Breakdown by company type (e.g., independent vs. subsidiary)
- Geographic distribution of headquarters, offices, and investment regions
- Prevalence of investment vehicles, strategies, property types, and quadrants
- Distribution of company size by gross assets under management, net assets under management, number of employees, revenues, number of properties, and square footage
- Use of joint venture operating partners

There is wide variance among the survey participants across all of these dimensions; therefore, the participating companies form a relatively representative cross section of the broader real estate investment management/private equity industry.

Capital raising & assets under management

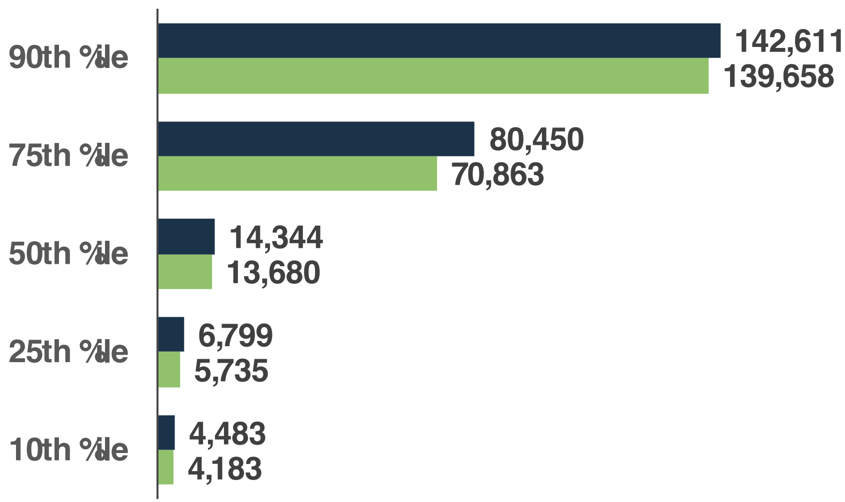
This section analyzes the capital raising activity and assets under management of participating firms in 2022; specific analyses include:

- Assets under management growth
- Concentration of AUM amongst a firm's top vehicle and top three vehicles
- Volume of new capital commitments from investors, by firm size
- Commitment growth and concentration
- Value of new commitments as a percentage of assets under management
- Breakdown of 2022 capital commitments by asset class and investor type
- Access and importance of retail capital
- Prevalence of daily-valued private real estate products
- Use and duration of subscription credit facilities
- "Dry powder" as a percentage of assets under management
- Leverage
- Concentration of AUM amongst a firm's top investor and top three investors
- Historical and projected acquisition and disposition and debt origination volumes
- Development pipeline activity

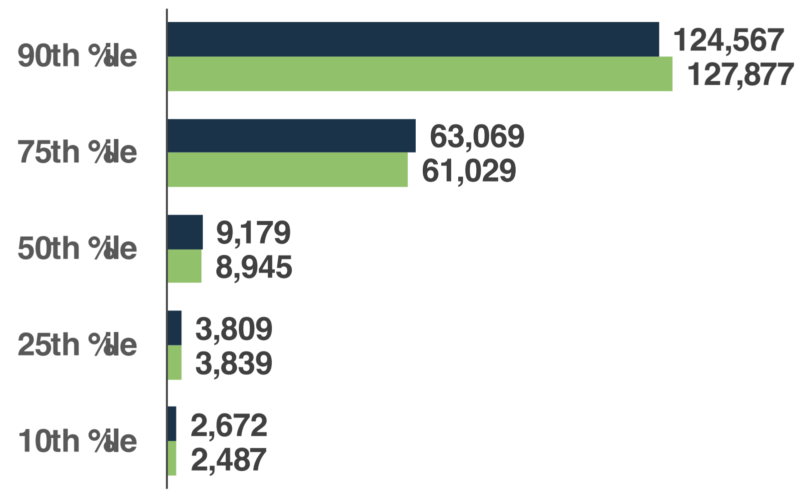
Growth in AUM – same-participants only

The charts below illustrate the distribution of respondent AUM in comparison to last year's sample, including only repeat participants. Approximately 70 percent of firms increased their gross AUM, while only 50 percent increased their net AUM in 2022.

Distribution of participant size by gross assets under management ($M)[1]



Distribution of participant size by net assets under management ($M)[2]



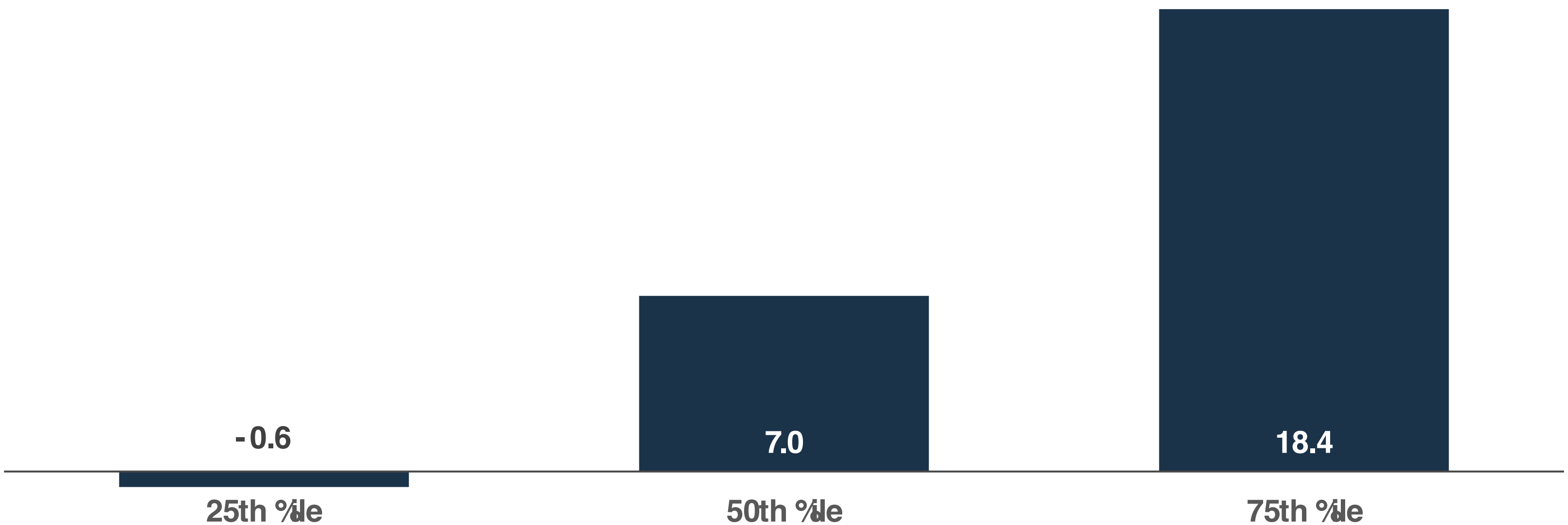
2021 2022

Notes:
1. *Gross assets under management is defined as the gross market value of invested assets (including leverage) plus "dry powder" (committed capital yet to be invested).*
2. *Net assets under management is defined as the market value of invested assets (excluding leverage) plus "dry powder" (committed capital yet to be invested).*

Growth in assets under management

This chart illustrates year-over-year growth in net AUM from 2021 to 2022 across all participants. The median firm grew net assets by 7 percent, while the 75th percentile firm grew by 18 percent. 68 percent of firms reported a year-over-year increase in net assets compared to 86 percent last year.

Distribution of participant YOY growth (%) in net AUM[1]



Note:
1. Net assets under management is defined as the market value of invested assets (excluding leverage) plus "dry powder" (committed capital yet to be invested).

Staffing metrics

This section outlines various organizational benchmark metrics, with a focus on staffing; specific analyses include:

- Year-over-year change in headcount
- 2023 headcount expectations
- Number of employees per $1B of AUM and per $10MM of revenues; overall, by firm size, and by strategy
- Employee breakdown by function and level/seniority
- Number of employees per $1B of AUM by level and function

Workload metrics

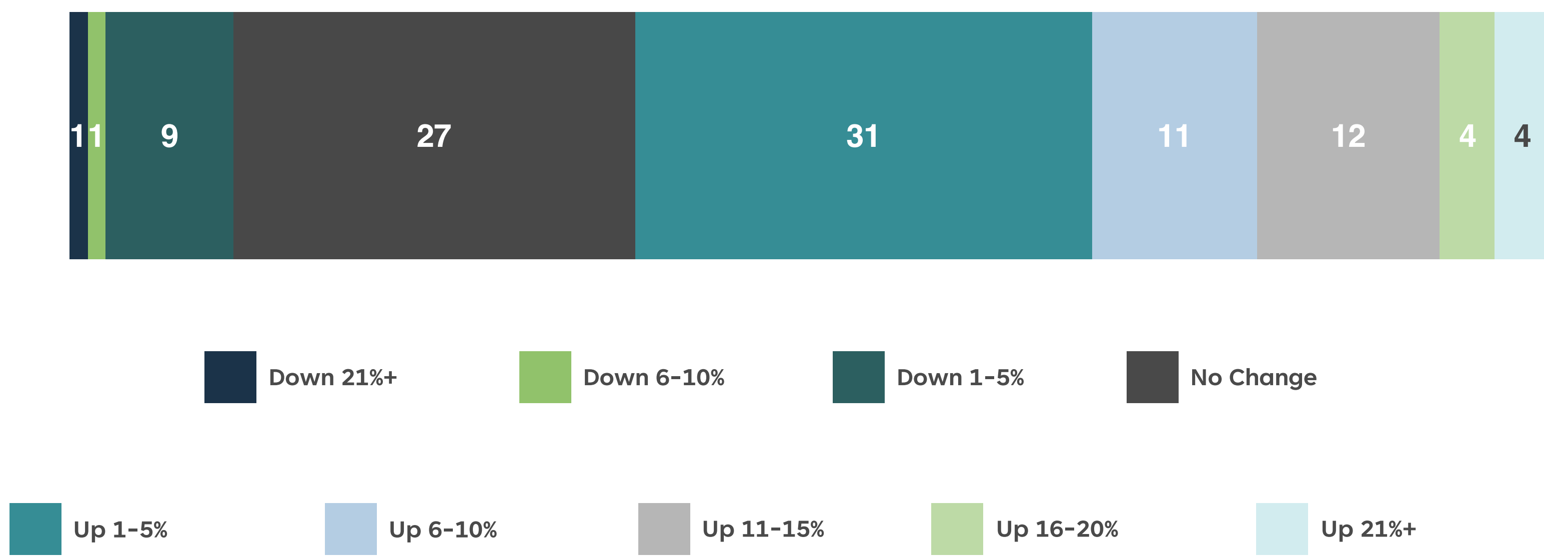
This section outlines various organizational benchmark metrics, with a focus on workloads; specific analyses include:

- Portfolio management workload (by number of accounts/funds, gross asset value, and square footage)
- Equity asset management workload (by number of properties, gross asset value, square footage, net operating income, and number of tenants)
- Debt asset management workload (by loan value and number of loans)
- Volume expectations for acquisitions officers
- Actual 2022 acquisitions volume per transactions employee

2023 headcount expectations

Looking ahead to 2023, the majority of firms (62 percent) expect to increase headcounts, while 27 percent expect no change and 11 percent forecast a decrease in staffing levels. That said, last year 80 percent of firms expected to increase headcount during the coming year. For global firms, those with operations in two or more regions, 55 percent expect to increase employee headcount in 2023, with 29 percent expecting no change and 16 percent expecting a decrease in headcount.

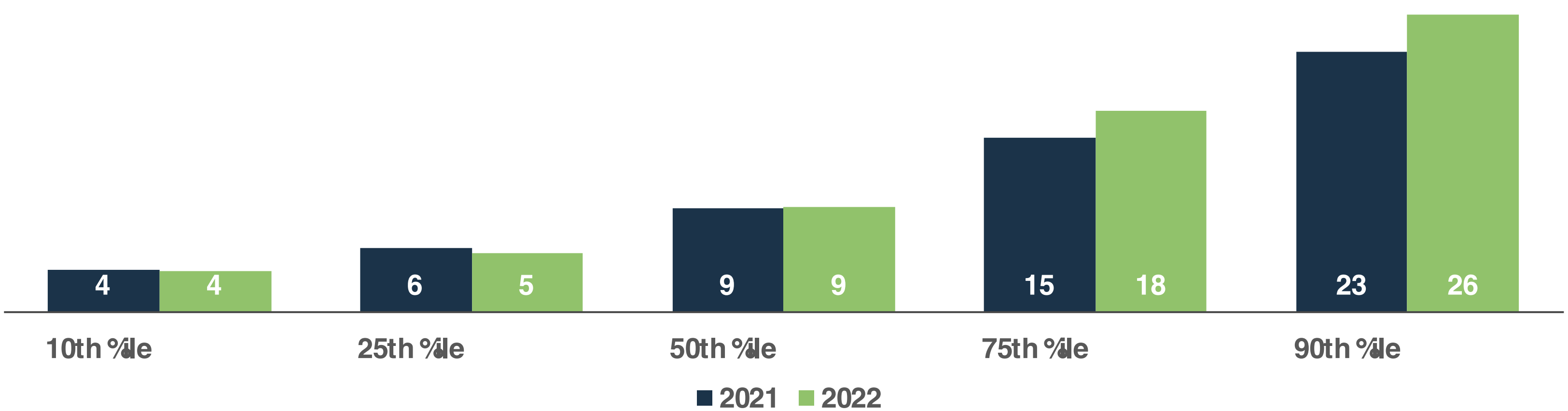
Expected change in workforce in 2023 (%)



Staffing metrics – total number of employees (per $1B gross AUM)

The chart below shows the number of employees per $1B in gross AUM. There is meaningful variation in this metric, largely due to the fact that larger firms tend to have fewer employees per billion in gross AUM as a result of economies of scale. Note that property management employees are excluded in these analyses to account for the fact that many firms choose to outsource this function and that these groups tend to be large.

Number of full-time employees per $1B gross AUM[1,2]



Notes:

1. Analysis excludes property management personnel.

2. Gross assets under management is defined as the gross market value of invested assets (including leverage) plus "dry powder" (committed capital yet to be invested).

Other organizational metrics

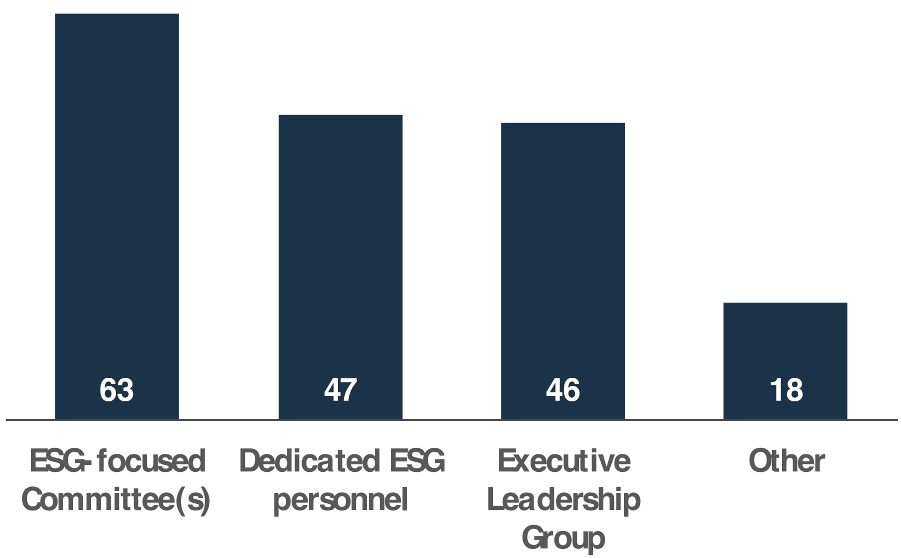
This section outlines various other organizational benchmark metrics; specific analyses include:

- Outsourcing trends
- Approach to fund administration
- Typical spans of control for management positions
- Voluntary and involuntary turnover rates
- Prevalence of layoffs
- Fundraising responsibilities
- Valuation frequencies
- Asset management distinctions
- Other functional distinctions
- Prevalence of Heads of Research
- ESG leadership
- Prevalence of Heads of Sustainability
- ESG frameworks & standards
- Technology leadership and committee prevalence

ESG Leadership

ESG-focused committees and dedicated ESG personnel teams are typically responsible for both identifying ESG priorities as well as executing on these priorities. This is followed closely by the Executive Leadership Group. "Other" personnel includes fund management, HR, and investor relations professionals, as well as third-party consultants.

Who is responsible for identifying ESG priorities at your organization? (%)

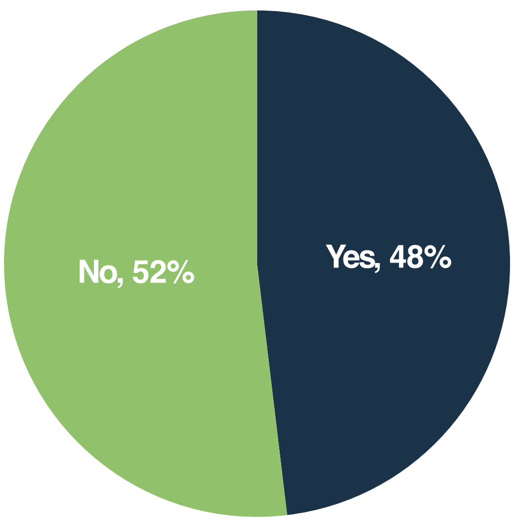


Who is responsible for executing ESG priorities at your organization? (%)

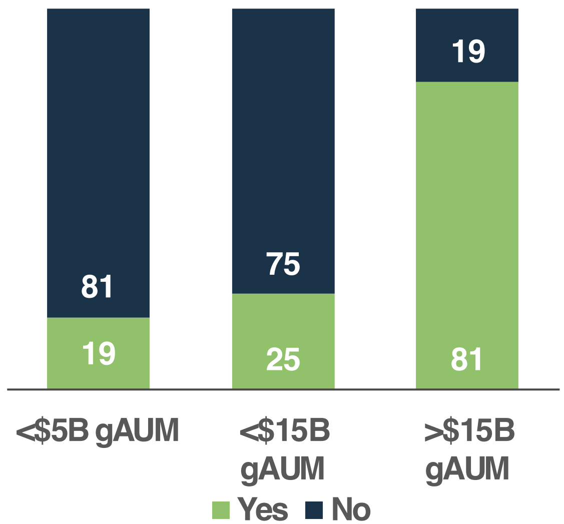
ESG Resourcing

48 percent of firms in our sample have a dedicated Head of ESG, but this number increases for larger firms. Typically, the number of dedicated ESG professionals ranges from zero to five FTEs.

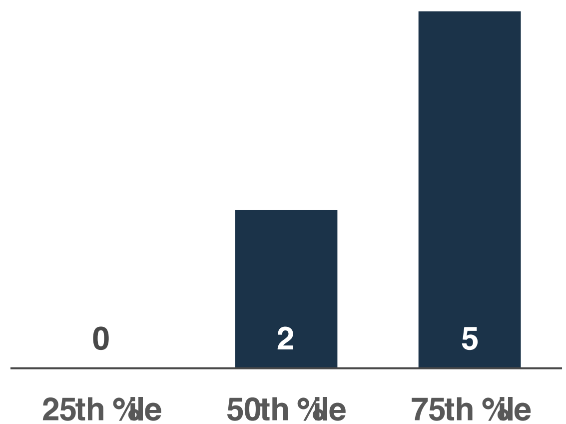
Do you have a Head of ESG?



Do you have a Head of ESG (by AUM)? (%)



Number of dedicated ESG professionals



Financial metrics

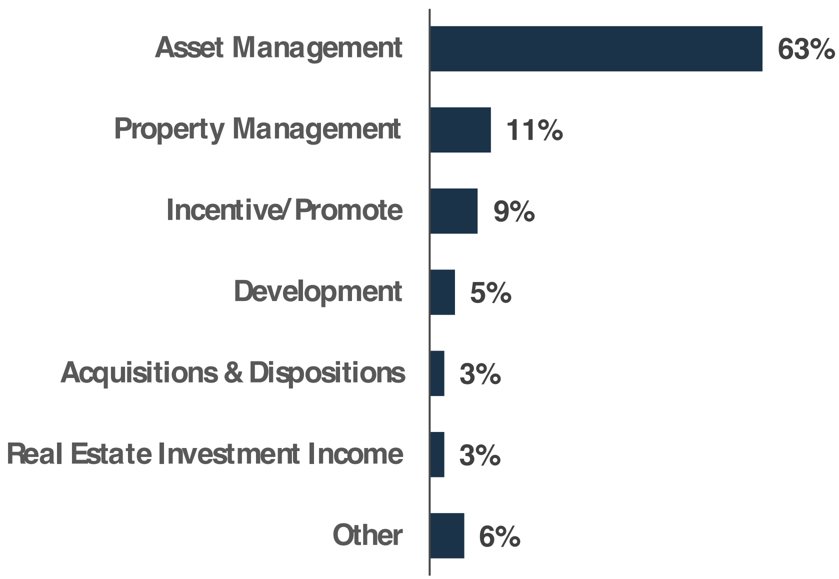
This section provides a variety of benchmark financial metrics including:

- Year-over-year financial metrics
- Year-over-year pre- and post-incentive EBITDA margins
- Bonus pool as a percentage of pre-incentive EBITDA
- Average breakdown of revenues and expenses by component
- Major expenses as a percentage of revenues
- Treatment of fund-level expenses

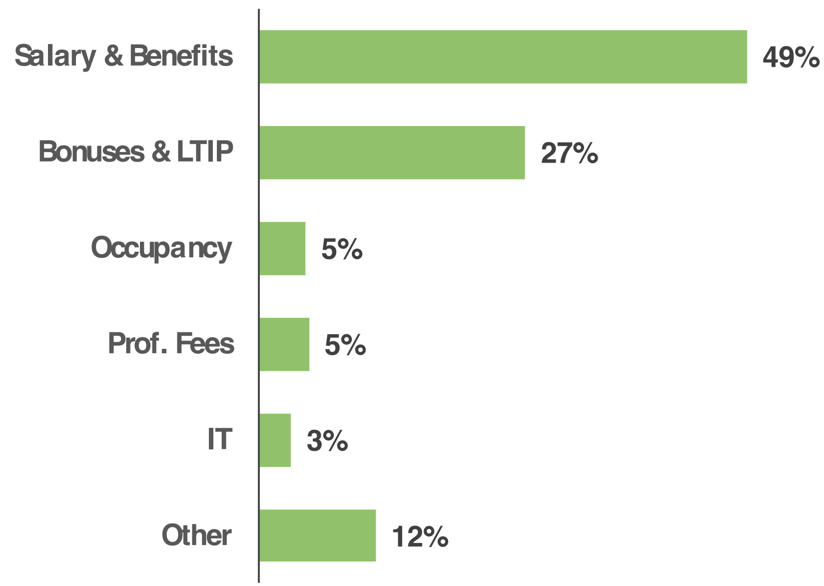
Breakdown of revenues and expenses

The breakdown of firm revenues shows that asset management fees provided a significant majority of income (accounting for 63 percent of revenues in 2022, on average). Salaries, benefits, and bonuses/LTI accounted for a combined 76 percent of firm expenses, on average.

Average breakdown of revenue fees by component (%)



Average breakdown of expenses by component (%)



Note: Other revenue includes financing fees, loan origination fees, interest income, real estate investment income (if applicable), leasing fees, and construction management fees; other expenses include T&E, insurance, placement agent, interest, depreciation, and other overhead expenses

Fund/account terms and conditions

Each firm was asked to provide information on its most recent investment vehicle, or any vehicles currently in market.

This section summarizes the fund/account data and includes:

- Fund sizes for different vehicle types and strategies
- Target returns by strategy
- Asset management fee levels and trends
- Other asset management fee terms
- Acquisition fee prevalence and magnitudes
- Disposition and financing fee prevalence
- Fee prevalence over time
- Promote/carried interest prevalence and magnitude
- Promote catch-ups
- Investor preferred returns
- General partner co-investments
- Dedicated fund employees

Ferguson Partners

Ferguson Partners is the leading talent management and strategic advisory firm for the global real assets industries.