

Invesco

Operating for 35+ years in a global RE market

Invesco Real Estate has been in the industry for more than 35 years, operating in the United States, Asia-Pacific and Europe. What are some of the major milestones and achievements of your firm in the last decade?

Charlie Rose: Invesco has grown steadily over the years, expanding from our original US direct-investing focus to real estate securities in the late 1980s, into Europe in the 1990s and into Asia in 2006. Over the past decade, that pace of growth has accelerated, starting with the acquisition of AIG's Asian real estate platform in 2006, and more recently we have doubled assets under management from \$40 billion in 2011 to more than \$80 billion today. During that time, our team has grown from 300 to more than 500 colleagues now.

Pete Cassiano: This growth truly evidences our focus on client service and providing strong risk-adjusted performance across a breadth of strategies for our global client base. In the last decade, we have grown with our clients globally, while also focusing on offering higher returning solutions in direct real estate as well as infrastructure.

Rose: Consistent with this strategy, I joined Invesco in 2017 to focus on our direct lending programme in the US. Invesco has its original roots in the real estate direct investing business as a participating lender in the early 1980s and had a strong track record as a mezzanine lender. Our lending expertise has become one of the key drivers of growth in North America.

So, essentially Invesco Real Estate is truly a global business, but how do you ensure your team culture and vision remains consistent?

Cassiano: Each of our offices globally is populated with local teams who have in-depth knowledge of the markets in which they are investing. At the same time, it has been critically important to our leadership that the firm maintains a strong global culture. Wherever we are around the world, the team is focused first and foremost on performance. But just as importantly, we have a unified approach to collaboration that spans the globe, which allows us to come to better investment decisions through the power of our team. It is not unusual for one of our team members in Southern California to be on the phone with the team in Munich or the team in Seoul, sharing notes about shared relationships or investment themes.

Rose: Our investors are global and have a global view, and so it is important that we do as well. With boots on the ground across the US, Asia and Europe, we can quickly spot trends and collaborate in ways that help us to unlock opportunity. Furthermore, we understand the relative value across markets and strategies, and can apply that 30,000-foot view to discrete investment decisions in real time.

Invesco Real Estate has continued to remain successful even during the market downturns and market challenges we continue to see today. In your day jobs, how have you continued to differentiate yourselves from your competitors in order to continue your growth and success?

Rose: Invesco's long-term commitment to the business and investment in talent has allowed us to grow the team year in and year out throughout market cycles. It is this team and that global culture of collaboration that Pete mentioned that have differentiated Invesco from its competitors. Additionally, in the US alone, Invesco owns 127 million square feet of real estate in 55 markets [as at 30 September 2019], which gives us bottom-up, real-time information on market fundamentals. This allows us to efficiently and rapidly identify and respond to emerging and evolving opportunity sets.

Cassiano: We can translate the information from our portfolio and team to actionable investment decisions in real time. Additionally, our stable investor base and the relationships that Invesco has built over the years in the market help us to access opportunities throughout market cycles. Strong risk mitigation and the ability to access opportunity during periods of lower liquidity have allowed us to expand at times when others in the industry have contracted.

What do you think investors are seeking from real estate mandates and returns today?

Rose: Each investor has their own considerations, but there are certainly unifying themes. First, we find many investors are focused on current income and insulated strategies that are what we call 'cycle aware'. Second, it is no secret, but the compression of returns in this low-yielding environment comes at the same time many of our investors' constituents are ageing. This is driving the global hunt for yield.

Cassiano: Our team has proven ability to source investment opportunities across the risk/return spectrum, allowing us to construct portfolios that aim to achieve our investors' unique goals. Investors appreciate the breadth and depth of our platform, and the demonstrated expertise we have within each respective strategy and region.

Rose: Additionally, investors want to be able to sleep at night. They want to know that they are investing with an organisation that has all of the proper policies, procedures and controls in place, with sophisticated asset management, risk management and investment committee processes.

Cassiano: We are seeing an increased focus on environmental, social and governance (or ESG) considerations. Invesco has been a leader in sustainable investing practices, as demonstrated by our wide range of certifications and ratings, in addition to having a global sustainability policy and best practices being shared globally for the sustainable business plans of all of our properties. Far from being lip service, this drives how we make investment decisions and operational decisions on a day-to-day basis.

How are you addressing investor needs today from Southern California?

Cassiano: The western US has historically been a region of particular focus for Invesco Real Estate, with a committed base of investors and a deep performance track record in the region. The major markets in the West have outperformed the NCREIF Property Index (NPI) across all major property types and all time periods

over the past 20 years, as a result of strong organic growth in key innovation hubs, supply constraints and strong liquidity. During this time, Invesco has strategically deployed capital to benefit from these favourable trends.

Rose: While I am based in Southern California, our team is spread around the country. In our debt programme, Invesco is strategically overweight the western US, but with modern technology, it is easy for our team to work closely across offices and time zones. While we can certainly be highly effective from this region, we could not do what we do without our colleagues with whom we work closely in New York, Dallas, San Francisco, etc.

Invesco Real Estate is recognised as a strong core manager, but, besides this, you also have over 35 years' experience in higher-returning strategies. What are some of the highlights of your global track record in the core and higher-returning space?

Cassiano: We are one of very few managers who today have offerings across the risk/return spectrum globally. We have active value-add programmes across our three major regions: US, Pan-Europe and Pan-Asia. Additionally, we have built a global opportunistic programme, which has an "all-weather" approach focused on best ideas. With this approach, we exploit market, asset and/or structural inefficiencies globally to target asymmetrical return profiles in the mid-to-high teens and higher.

Rose: Our decisive process with expedited approvals, solution-oriented approach and high-conviction investing in the higher-returning space has allowed the firm to consistently grow these strategies over the past 10-plus years. Additionally, this is now complemented with more niche strategies, such as the US debt space, high-yield Asian credit, European hotels and European multifamily, with each strategy designed with the aim to take advantage of a distinct and attractive opportunity set.

How is your higher-returning offering different from that of competitors? How are you differentiating yourself?

Cassiano: Given the breadth of our platform, we can always be in the market and can modulate investing activity depending on market conditions. This allows us to be patient when opportunity is scarce, but to mobilise quickly and efficiently when windows of opportunity open up. We have successfully created a model with specialists dedicated to the higher returning strategies, who work

hand in hand with the broader team. This collaborative approach across functions allows us to shift resources and identify market inefficiencies quickly and with better precision.

What are investors looking for from core strategies today? And does the same hold true for local US as well as non-US investors?

Cassiano: The core portion of a portfolio is the foundation of a diversified real estate portfolio. In our view, this is the strategy that can allow you to sleep well at night, with a conservative risk posture, durable and growing income potential, and financial flexibility aiming to take advantage of opportunities throughout cycles.

Rose: Whether domestic or global, we find our investors are seeking stable income, diversification across multi-asset portfolios, and managers who have consistently strong performance combined with industry-leading governance. Core strategies, whether debt or equity, provide for an inflation offset, current income, and exposure to high-quality real estate in liquid markets.

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

Cassiano: We have been looking at ways to offer more solutions for how people are saving and investing in today's world. Additionally, we are focusing on developing technology tools to improve our data analytics capabilities and streamline portfolio- and asset-management processes, with an eye towards performance.

Rose: The firm's current outlook is cycle aware, but at the present time real estate seems fairly valued compared with other asset classes, and fundamentals have generally held up well. We have both top-down and bottom-up approaches which, when combined, allow us to "pick our spot" efficiently and based upon actionable data from both our research team and the "boots on the ground".

Cassiano: We believe that managers dedicated to investing in real estate, but with broad platforms and a global scale, will have the potential to add real value and to serve as trusted advisers for their clients.

Rose: Although at times it seems as if, geopolitically, the world may be becoming less interconnected, we are continuing to see a more global view from our investors and within our team. We believe that this can allow us to craft optimal solutions for various risk-tolerance levels and return targets.

CONTRIBUTORS



Charlie Rose
Managing Director, Portfolio Manager

Charlie Rose is responsible for growing and managing the commercial real estate credit lines of Invesco Real Estate. In this role, he is primarily focused on the strategic and transactional side of structured credit investments related to commercial and multifamily real estate, with an immediate focus on the US.



Pete Cassiano
Managing Director, Transactions

Peter Cassiano is a managing director with Invesco Real Estate, with responsibility for overseeing IRE's investment activities in the western US. He has over two decades of real estate experience, specifically in managing investments on the West Coast.

This article presents the author's present opinions reflecting current market conditions. It has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product.

CORPORATE OVERVIEW

Invesco Real Estate

Established in 1983, Invesco Real Estate (IRE) manages global investments in direct real estate, real estate securities including equity and debt, infrastructure securities and master limited partnerships. Our real estate business is focused solely on investment management. With offices in 21 financial centres around the world, our team focuses on top-down fundamentals and bottom-up local market intelligence. Our global presence, combined with a centralised team, allows us to identify and manage the best investment opportunities in the most attractive markets.

CORPORATE CONTACT

Max Swango

Managing Director – Global Head of Client Portfolio Management
Invesco Real Estate

+1 972 715 7400 | max.swango@invesco.com