



FTI Consulting/Wealth Management Real Estate Survey: More Commercial Real Estate Investors and Investment Managers Are Outsourcing Investment Administration

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Investors that Outsource Fund Administration Value Industry Knowledge, Experience and Client Service, According to Outsourcing and Commercial Real Estate Investment Findings

NEW YORK, June 29, 2021 (GLOBE NEWSWIRE) -- Interest in outsourcing certain investment administration functions is growing among real estate investors and investment managers of varying sizes, with most planning to outsource at least some of their functions, primarily due to increased pressure from their limited partners ("LPs") and rising technology-related expenses, according to a new survey conducted by [Wealth Management Real Estate](#) and Informa Engage on behalf of the [Real Estate Solutions practice](#) at FTI Consulting, Inc. (NYSE:FCN).

Half of all respondents outsource at least some business functions, and 16% have outsourced in the past, but don't currently outsource, according to [Outsourcing and Commercial Real Estate Investment](#).

[Josh Herrenkohl](#), a Senior Managing Director and Real Estate Business Transformation Services Leader at FTI Consulting, noted that outsourcing within the commercial real estate sector had been more of a cottage industry in the past decade, focused primarily on non-strategic functions, but this is changing.

"The real estate investment community's overall perception of outsourcing has slowly shifted from a commodity to more of a value-add," Mr. Herrenkohl said. "This is due, in part, to having more attractive real estate-specific service provider options today that can help investors increase efficiencies and improve processes. Today's solutions enable organizations to scale up, automate systems, and aggregate data without investing heavily in new infrastructure."

Among those that already outsource, the three most influential factors in the selection of a fund administrator are experience with funds and/or portfolios similar to theirs (47%), client service/relationship management (40%), and real estate experience (37%).

[Josh Wilcox](#), a Managing Director within the [Investment Administration and Reporting](#) service offering at FTI Consulting, added: "Managers want to realize true value from outsourcing, with access to organizations that understand real estate, have true subject-matter experts and real estate-specific technology. The emergence of the property technology — or PropTech — industry has only accelerated that desire."

Companies are now thinking about outsourcing more strategically, seeking solutions that help them better manage their investment portfolios or attract more LPs due to greater visibility into asset-level performance. For example, 80% of LP survey participants believe it is important to varying degrees for a fund manager/general partner ("GP") to use a third-party administrator. Similarly, 86% of LP respondents believe it is important to varying degrees that third-party administrators have independence from asset-level providers.

Other key findings from the *Outsourcing and Commercial Real Estate Investment* survey include:

- Of the respondents currently outsourcing, 83% believe it is beneficial for the fund administrator to deliver integrated tax services.
- 75% of respondents that currently outsource believe independent oversight of other third-party providers, particularly at the asset level, is "very important" or "critical."
- 56% of respondents that already outsource are considering outsourcing additional functions.
- The importance of their firms owning the technology stack varied among respondents, with 41% saying it was very important and 37% saying it was only somewhat important.
- Pricing (49%) was the most influential criteria among respondents that have never outsourced, followed by real estate expertise (45%), and technology solutions and capabilities (41%). Only 17% each cited integrated services, client service/relationship management, and cultural fit as the most influential criteria.

Participants who are not outsourcing any functions were asked about the quality of past outsourcing experiences and deterrents. Among those respondents, 27% said they had not found the right partner, and 25% said that management or external stakeholders believe the function is core and strategic. Of investors not currently outsourcing, 74% are considering a move to outsourcing within the next two years, reflecting a potential shift in attitude toward third-party service providers.

"With some executives hesitant to relinquish control over the performance of outsourced functions, finding a partner they can trust and consider an extension of the organization — especially those with real estate expertise and technology capabilities — can result in more positive outcomes," Mr. Wilcox said. "When outsourcing to partners experienced with various real estate fund structures and property types, it's easier for companies to trust the work that their partners complete."

Mr. Herrenkohl added: "We expect that institutional real estate investors, perhaps at the encouragement of their investors, will increasingly choose to focus on their strategic imperative of investment and asset management and leave other functions to third parties who, in turn, consider those to be their strategic imperative."

About the Survey

A range of commercial real estate investors, including institutions, pension funds, public and private REITs, sovereign wealth funds, investment managers, and private equity firms participated in the *Outsourcing and Commercial Real Estate Investment* survey from February 5 to March 4, 2021. Sixty-six percent of the 215 respondents reported total assets under management ("AUM") of at least \$1 billion, including 22% with AUM of at least

\$20 billion. Respondents were active in a variety of property type segments, most commonly office (50%), multifamily (47%) and retail (43%). For access to the *Outsourcing and Commercial Real Estate Investments* survey white paper, visit <https://www.fticonsulting.com/insights/reports/outsourcing-traction-real-estate-investment-managers>.

About the FTI Consulting Real Estate Solutions Industry Practice

FTI Consulting Real Estate Solutions professionals have the industry expertise and experience to help real estate owners, users, investors and lenders better navigate the market's complexities and manage its inherent risks. As unbiased and independent advisors, FTI Consulting represents leading public and private real estate entities and stakeholders, including REITs, financial institutions, investment banks, opportunity funds, insurance companies, hedge funds, pension advisors and owners/developers, offering real estate consulting services that help align strategy with business goals.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. With more than 6,400 employees located in 29 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities. The Company generated \$2.46 billion in revenues during fiscal year 2020. For more information, visit www.fticonsulting.com and connect with us on [Twitter \(@FTIConsulting\)](#), [Facebook](#) and [LinkedIn](#).

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