

From DCREC, NAREIM and Ferguson Partners

Tuesday, December 7, 2021: **DC real estate AUM increases 50% in 5 years**

Appetite for real estate among Defined Contribution (DC) investors is increasing, with the median assets under management of an investment manager managing DC real estate capital increasing more than 50% over the past five years.

That's one of the key findings from the first edition of the DCREC-NAREIM-Ferguson Partners Defined Contribution [DC] Survey, released today.

The DC Survey 2021 builds on six years of reporting by DCREC (the Defined Contribution Real Estate Council) on daily-valued private real estate strategies in the DC market. In 2021, DCREC partnered with NAREIM and Ferguson Partners to help expand the metrics being tracked to provide a benchmark of DC capital flows and structuring considerations, as well as organizational and staffing best practices among DC real estate investment managers.

Key highlights include:

- **DC investors are increasingly sophisticated.** DC investors have grown more sophisticated in their knowledge of the real estate asset class and many are looking closer at asset-level and manager performance, in addition to product structure.
- **Product choice continues to expand.** A growing number of real estate managers have launched daily-valued DC investment products over the past several years, and several expect to bring additional offerings to the market in the near to medium term.
- **2020 was significant.** One key trend that was already underway by the start of 2020 was the growth in capital inflows for real estate strategies from DC investors. Between 2016 and 2020, there was a 50% increase in the median firm AUM. However, in 2020, just 16% of responding firms saw an increase in year-over-year AUM given market volatility and rebalancing activity driven by the pandemic

The DC Survey 2021 also tracks, for the first time, investor appetite for real estate as well as portfolio construction strategies and allocation intentions. Key investor highlights include:

- **Reasons for investing in real estate.** Investors cited diversification, risk-adjusted returns and inflation as the primary reasons for investing in real estate.
- **Increasing investor sophistication.** DC investors are beginning to look beyond the headline benefits of real estate and are increasingly digging into asset-level performance and performance between managers. The DC Survey 2021 showed that investors are increasingly willing to manage their own liquidity and, as they become more comfortable with the asset class, are evaluating products — and managers — for the value of the direct real estate underlying it, rather than the product structure. The Survey revealed that a third of DC investors are investing with multiple managers rather than just one.

DCREC: “DCREC is thrilled to partner with NAREIM and Ferguson to bring these valuable insights to DC investors and investment managers,” said Sara Shean, Co-President of DCREC. “As interest in private investing for DC plans continues to grow, we believe the historical benchmarking data will be helpful to those designing and investing in these solutions to improve participant outcomes.”

NAREIM: “At NAREIM, we have been tracking the growing importance of retail capital, particularly that of defined contribution plans, since 2017 and we are excited to have partnered with DCREC and Ferguson to build on that research with this DC Survey,” said Zoe Hughes, CEO of NAREIM. “As DC capital becomes an increasingly important, and larger, part of the investment management world, so too the need for benchmarking tools increases. This Survey is about helping managers and investors understand how to establish, build and execute on successful strategies for real estate investing. NAREIM is honored to be a part of that work.”

Ferguson Partners: “Defined contribution capital has the potential to reshape the real estate investment management landscape over the coming years,” said Erin Green, Managing Director of Ferguson Partners. “Understanding investor appetite, product structures and capital flows are critical inputs for any manager active in, or evaluating entry into, the space. Ferguson Partners could not be more proud to partner with DCREC and NAREIM on this important initiative.”

Survey objectives

The DC Survey 2021 builds on six years of research helping investment managers and DC investors better understand scale and execution of real estate products for DC participants. The 2021 report demonstrates that there is heightened interest from both real estate investment managers who are either actively developing their DC offerings or considering doing so, as well as from DC investors who view real estate as a valuable component of their portfolio construction.

The key objective of the DC Survey 2021 this year and in future iterations, is to benchmark that understanding. This report is the foundation of all respondents working together to share insights and best practices for the benefit of the entire industry.

An executive summary of the DC Survey 2021 is available on the DCREC and NAREIM websites. The full results are available to DCREC and NAREIM members.

For more information on the Survey or to speak to a representative at DCREC, NAREIM or Ferguson Partners, please contact:

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About the Defined Contribution Real Estate Council (DCREC)

The Defined Contribution Real Estate Council was formed in 2012 to promote the inclusion of investments in direct commercial real estate and real estate securities, including REITs, within defined contribution plans. Its goal is to improve participant outcomes by furthering education about, advocacy for, and best practices of such investments. Members include many of the leading providers of real estate investment products to the defined contribution marketplace. More information can be found at www.dcrec.org.

About NAREIM

NAREIM is the only industry association dedicated to the business and organizational strategy of real estate investment management. Founded in 1990, NAREIM today represents real estate investment management firms with combined assets under management of more than \$2 trillion. For 30 years, NAREIM has been the home of real estate investment management benchmarking and best practice education, where investment managers candidly share intelligence and learn – through peer-to-peer workshops – how to drive process and strategy, and how others in the industry are innovating their businesses, their departments - and individual roles and strategies. NAREIM benchmarking research also includes compensation, diversity, equity and inclusion and enterprise management practices. More information can be found at www.nareim.org.

About Ferguson Partners

Specializing in Board, executive recruitment, and business advisory services, Ferguson Partners delivers premier strategic solutions to the real estate, real assets, infrastructure, hospitality, and healthcare services sectors. Our global teams specializing in executive recruitment, management consulting, compensation consulting, and leadership development serve clients in our sector specialties. Our colleagues commit to understanding your business's unique needs and advancing its success. Our boutique firm has nine offices worldwide, dedicated to offering personalized client services and integrated talent management solutions. More information can be found at www.fergusonpartners.com.