# Opportunities and challenges of user centric real estate strategies

> Focus on user centric strategies to support investment and asset management across all sectors
> They bring stronger occupier relationships, enhanced income and extend asset's economic life
> Operating margins may provide greater insight than rents and yields in isolation

Institutional investors continue to rebalance their existing portfolios dominated by office and retail sectors as their investment strategies have refocused on long-term megatrends which identify strong opportunities in economic growth sectors that are characterised by persistent, unmet demand.

Although allocations are used to rebalance portfolios, adopting a more user centric approach to asset strategies and business plans across all real estate sectors is becoming pivotal to managing performance risk and delivering returns.

Diverse occupier requirements across economic sectors, segments, scale of occupier and function of an asset within an occupational portfolio have created a spectrum of real estate solutions that vary in relevance across and within sectors.

Depending on the type of asset, target occupier market and asset strategy, real estate may be offered as a commodity, product, or hotelling service (Figure 1).

The analysis is primarily based on 18 bespoke in-depth interviews, undertaken between April and May 2021 with seven investors, nine investment managers and two multi-managers active across European markets.

The research highlights three key benefits to undertaking a user centric approach: stronger occupier relationships, enhanced income and the ability to extend the economic life of the asset.

The strength of these relationships and investor responsiveness to business requirements has the potential to drive investment strategy.

**Figure 1: Real estate solutions spectrum**


The elements can be blended to the desired risk exposure across a portfolio and/ or within an individual asset

User centric strategies also enable the owner to stay closer to the asset, and continually invest in it, which not only allows to extend the lifecycle of the asset, but also for the data and intelligence gained to be applied to the wider portfolio.

Investors and managers focus on the blended revenue/cost margin. This profit margin is the epicentre of value creation and drives returns through steering the design and concept, as a vital tool to navigate economic cycles and in realising the wider business strategy.

However, the implementation of user centric strategies presents a number of challenges. The widening gap between methodologies of investment worth and valuation assessment is one of the main challenges. User centric real estate income is an affordability model of revenues, less costs with the owner seeking to maximise the bottom line. Comparing investments by their operating margins may provide greater market insight than rents and yields in isolation.

The basis of allocations to real assets in the multi asset portfolio and the pre-direction for real estate investment strategies may present another challenge for investing in rapidly evolving real estate solutions.

As the real estate investment industry adjusts to the drivers of change, it is essential that legacy systems and structures across the industry do not act as barriers to progress.

The  findings highlight that perhaps the agility required by business and society is also a requirement for all structural pillars of the real estate industry.

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The full report is available to members at inrev.org/research

‘Investors have been engaged in understanding their occupiers’ businesses and undertaking user, and where relevant customer centric asset management including place making strategies, that support their occupiers’ businesses and protect their investments’