Manulife Investment Management

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Manulife Investment Management transforms real estate platform

Chase McWhorter, Institutional Real Estate, Inc.'s managing director, Americas, recently spoke with **Marc Feliciano,** global head of real estate for private markets, Manulife Investment Management. Following is an excerpt of that conversation.

You've had a long tenured career across the industry. What drew you to Manulife Investment Management and inspired you to take on this leadership role?

I've spent 30-some years in the industry and have been blessed working in a lot of great roles. Joining Manulife Investment Management was about the opportunities and potential in the firm, its values, and its focus on sustainability. Manulife Investment Management manages about $437 billion in assets: $66.1 billion in private market assets, with about $20.9 billion dedicated to real estate equity.[1] With the company transforming its real estate platform, from being purpose built for the general account into a third-party real estate investment manager, I was attracted to the opportunity to help steer that journey.

You've been in the role for just over a year. What goals did you set out to accomplish when you first started, and how have you progressed toward them?

One of the best ways to gain credibility is to create momentum. Our first milestone was to establish a truly global real estate leadership team, positioned for growth and to meet the evolving demands of our global clients. We did this entirely from the inside — existing investment team members and others. This was an important step in our evolution toward building an entrepreneurial culture. After that, we committed to delivering a business strategy — including one-, three- and five-year business plans, with a 10-year outlook.

As we focus on scaling and hyperscaling the business predominantly through third-party capital, we'll continue to serve the needs of our largest investor today, the general account. As a team and as a business, our collective purpose is to establish ourselves as an entrepreneurial real estate investment manager with institutional discipline centered around portfolio construction, risk management and governance, including diversity, equity and inclusion (DEI).

What do you mean by an entrepreneurial real estate investment manager?

We want to move with speed. In delivering these solutions — whether they are transaction opportunities or product offerings — we want to create an operating culture that enables us to be competitive in the market and deliver timely solutions to our clients, as quickly as possible.

We believe this new culture will help to create four sources of alpha: (1) an information advantage, (2) a process advantage, (3) an execution advantage and (4) a cultural advantage that binds it all together.

Why do you believe prioritizing culture across Manulife Investment Management's real estate business is crucial to driving overall success and helping better meet the needs of investors?

Without a strong culture, you can't create sustainable investment performance across all capital-market phases and the property-operating cycle, let alone across multiple cycles. How we treat each other, and how we treat our clients and partners, is what binds everything together. That's why prioritizing DEI is crucial to our success; investment teams have not historically been diverse, across a variety of factors, and we plan to change that. We believe having an entrepreneurial culture, rooted in diversity and thought leadership, is essential to delivering one, or all, of those four sources of alpha on behalf of our clients.

What key strategic priorities will be crucial to Manulife Investment Management's real estate business during the next one, five and 10 years?

For much of 2022, and early this year, the focus was on reinforcing the foundation, in terms of where we work together and how that is designed. That foundation has been set. How we strengthen that and expand on it is with the hiring of new talent in newly designed critical senior roles — that is the phase we're in today. Part of that includes new research and strategy capabilities that will be driven by our data and analytics engine. We're complementing our existing talent with new talent and new skill sets that will help us sharpen and expand our existing capabilities, while taking us in a new direction. We'll actively be executing on this over the summer.

The next big growth phase, during the next three to five years, involves offering these solutions in terms of new products, but also separately managed accounts. In the meantime, our business is looking at current opportunities and delivering what we think are unique off-market opportunities to not just our existing clients, but also to new clients who believe these opportunities are worth pursuing.

Data is a hot topic. Do you think data and data-driven decision making will transform the real estate industry?

I think it's inevitable. Executing a deliberate portfolio-construction process was probably the beginning of how the industry started to use data, statistics and analytics. This evolution will only continue, particularly as people capture even greater data. In terms of investment capabilities, they must be differentiated. Part of what we believe will be differentiated investment capability is creating this data engine and analytics room that drives the more traditional output called research and strategy. That means taking a fundamentally new approach to how we operate and the types of talent we require to seek to increase returns for our investors. Gone are the days of pulling lists of sales comps and putting the data in a spreadsheet; we're adapting by incorporating data-science capabilities across functions. The goal here is to get to quicker, higher-quality real estate investment decision making at the asset level, at the lease level and at the portfolio level. In a nutshell, we do that by trying to capture as much first-party and third-party data, and as much traditional and nontraditional data, as we can, including mobility patterns, demographics, spending patterns to name a few. We put that into our data and advanced analytics engine to identify micro trends in micro markets and then use it to inform our research and strategy and develop a more formal house view and house portfolio.

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Where do you see long-term thematic opportunities? How are you thinking about the alternative space?

We believe in focusing on markets, irrespective of whether we're in Asia Pacific, Canada or the United States, where there's a concentration of talent and innovation resulting in density. And in real estate, density is always good.

Thematic opportunities are where we believe there is long-term secular demand relative to long-term supply. When it comes to U.S. alternatives, inclusive of life sciences, data centers, student housing, healthcare and additional special-purpose facilities, they comprised approximately 8 percent of global transaction volumes from 2022 through the first quarter of 2023. That market share has increased slightly over the past decade from 7.8 percent, while office has dropped from 29 percent to 13 percent in 2022 through the first quarter of 2023. Industrial, on the other hand, is up from 11 percent to 19 percent. Multifamily crept up from 30 percent a decade ago to 41 percent, while retail, in the meantime, has moved down from 16 percent to 13 percent. Alternatives continues to be a growing sector.[2] Real estate credit has been hot and is still in demand. One of the advantages of Manulife being an insurance platform is our inherent credit culture. We have tied up our first construction mezzanine deal on the third-party side, and we're going to look to expand that for our existing clients, as well as for new clients, as we build out the business. We're seeing tremendous recap or secondary opportunities in industrial and residential.

[1] MFC Statistical Information Package as of March 31, 2023. AUM is in U.S. dollars. AUM includes assets internally managed by Manulife Investment Management on behalf of external clients, the Manulife general account and other affiliated businesses. The methodologies used to compile the total AUM are subject to change and may not reflect regulatory AUM as reported on certain affiliates' Form ADV. Manulife Investment Management AUMA at March 31, 2023, includes $436.87 billion assets under management and $0.95 billion assets under administration.

[2] As of March 31, 2023; JLL Research; Methodology based on global deals $5 million and greater, excluding entity-level and land deals.

CONTRIBUTOR

Marc Feliciano

Global Head of Real Estate for Private Markets

Manulife Investment Management

COMPANY OVERVIEW

Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corp. We draw on more than a century of financial stewardship and the full resources of our parent company to serve individuals, institutions and retirement plan members worldwide. Headquartered in Toronto, our leading capabilities in public and private markets are strengthened by an investment footprint that spans 19 countries and geographies. Our private markets strategies include private equity and credit, real estate, infrastructure, timber and agriculture. Responsible stewardship is integral to our business and culture, and we seek to be a global leader in creating long-term, sustainable value for our stakeholders.