



Technology & Innovation Spend

NAREIM members outline their technology & innovation annual budgets, spend & best practices

Real estate investment management best practices and NAREIM member survey. September 2023.

Credit: iStock/Sandra Milena Valero Oriuela

KEY TAKEAWAYS:

82% of firms are increasing tech \$

Eight out of 10 real estate investment managers expect to increase their technology and innovation spend in the next 12 months between 0% to 50%. However, only 24% are dedicating that increase in the budget to specific projects compared to run the firm.

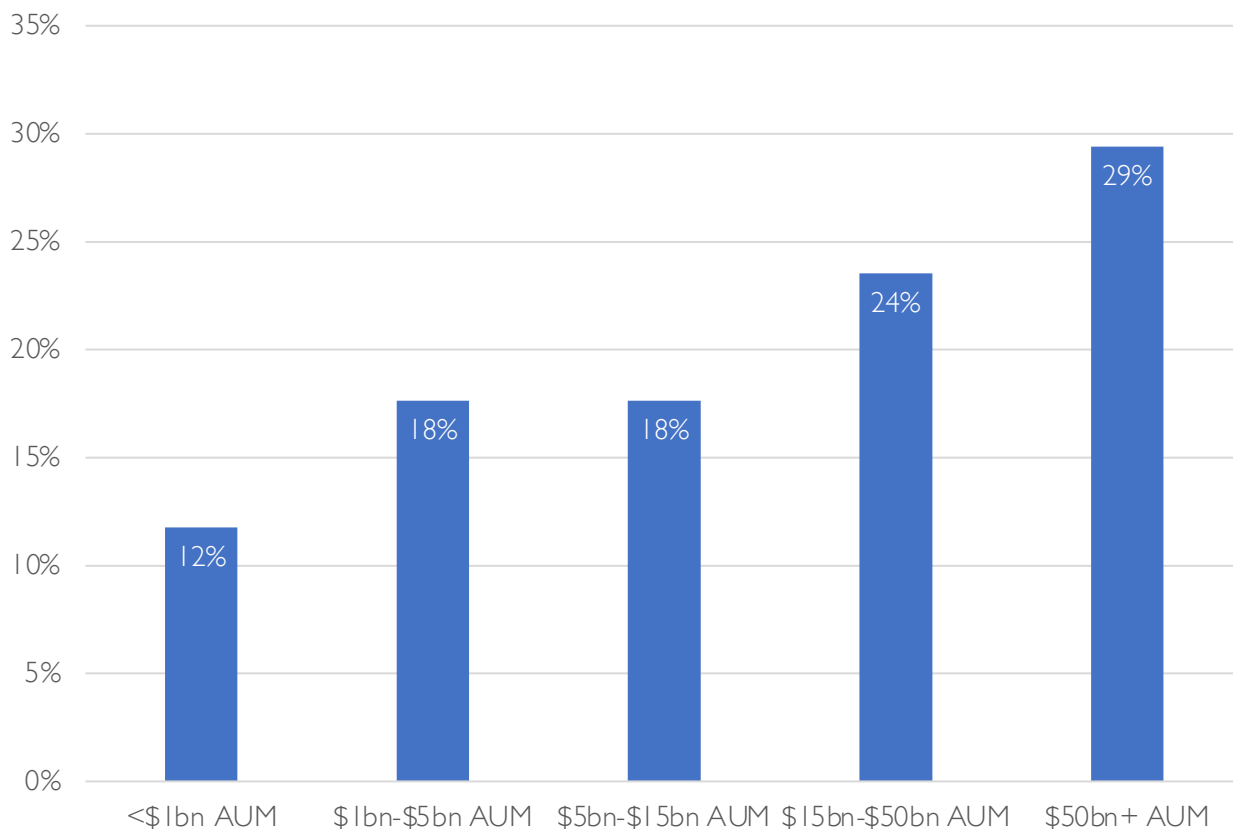
65% of firms have tech committee

Respondents noted they had either a technology/innovation or process improvement committee or both, focused on aligning IT and business strategies, holding leadership accountable for IT decisions, and the process of identifying, piloting, evaluating and recommending technologies.

Survey Demographics: AUM & Full-Time Employees

NAREIM regularly conducts member surveys to help member firms understand organizational policies and strategies of peers. A total of 17 organizations participated in the survey, conducted between May 22 and June 26, 2023. More than half of firms participating had more than \$15bn AUM; with over a quarter having \$50bn or more AUM. The majority were vertically-integrated or a multi-manager.

What is your firm's AUM?



of FTEs within firm or real estate group, including affiliation with a parent company:

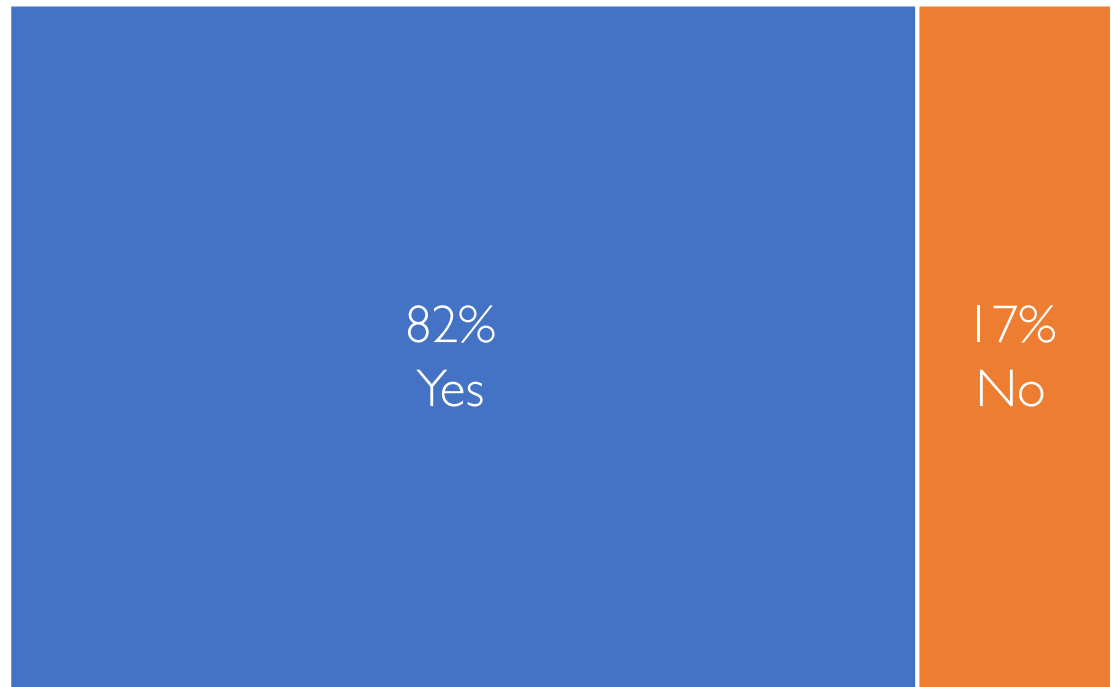
- Average FTEs: 288
- Median FTEs: 146
- Total FTEs: 4,901

Percentages may not total 100 due to rounding

Survey Demographics: Dedicated Technology & Innovation FTEs

NAREIM member responses showed an average of 288 FTEs, with an average of 31 people dedicated to technology and innovation. Those who answered no to having dedicated technology and innovation employees ranged in AUM from <\$1bn to \$5bn. Those employees ranged from a low of 1 person per firm to a high of 200, with access to a parent company.

Do you have dedicated technology/innovation personnel?



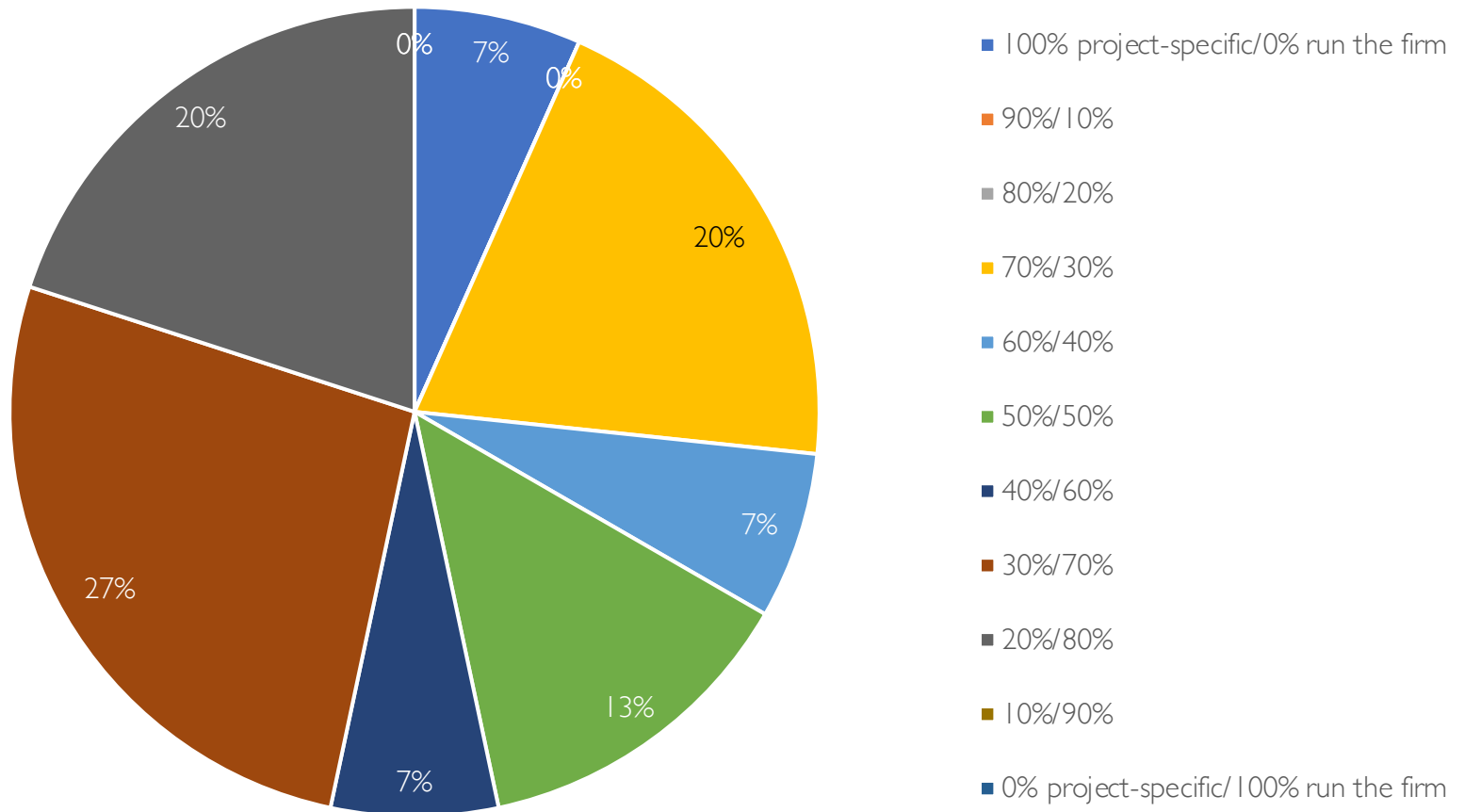
of FTEs dedicated to technology/innovation:

- Average FTEs: 31
- Median FTEs: 6.5
- Total FTEs: 439

Survey Demographics: Dedicated FTEs Responsibilities

Around 53% of those surveyed said their firms were focusing the dedicated technology and innovation staff members toward run the firm tasks instead of working on project-specific strategic changes. Of that total, the AUM of firms ranged from \$5bn to \$50bn.

% of tech FTEs focused on innovation vs. run the firm

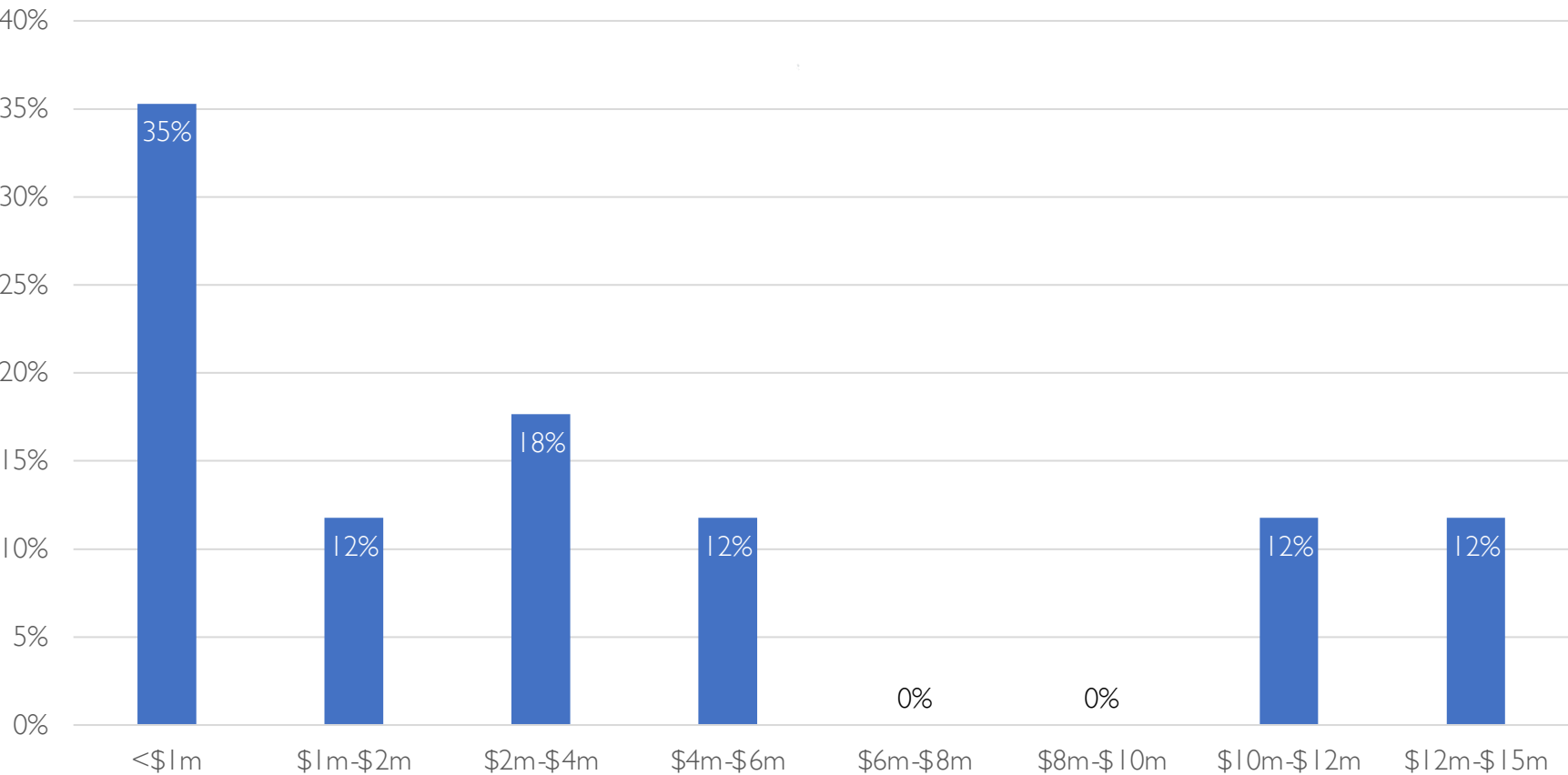


Percentages may not total 100 due to rounding

Annual Budgets & Spend: Last 12 Months

Members were asked to provide the annual technology and innovation spend from the ranges cited. Nearly a quarter of those surveyed spend more than \$10m on technology and innovation, of which three-quarters of those respondents were firms that had more than \$50bn in AUM. Technology and innovation was defined as hardware, software, personnel, outsourcing, consulting and managed services, disaster recovery and occupancy costs associated with supporting technology and innovation within the enterprise.

Annual technology/innovation spend

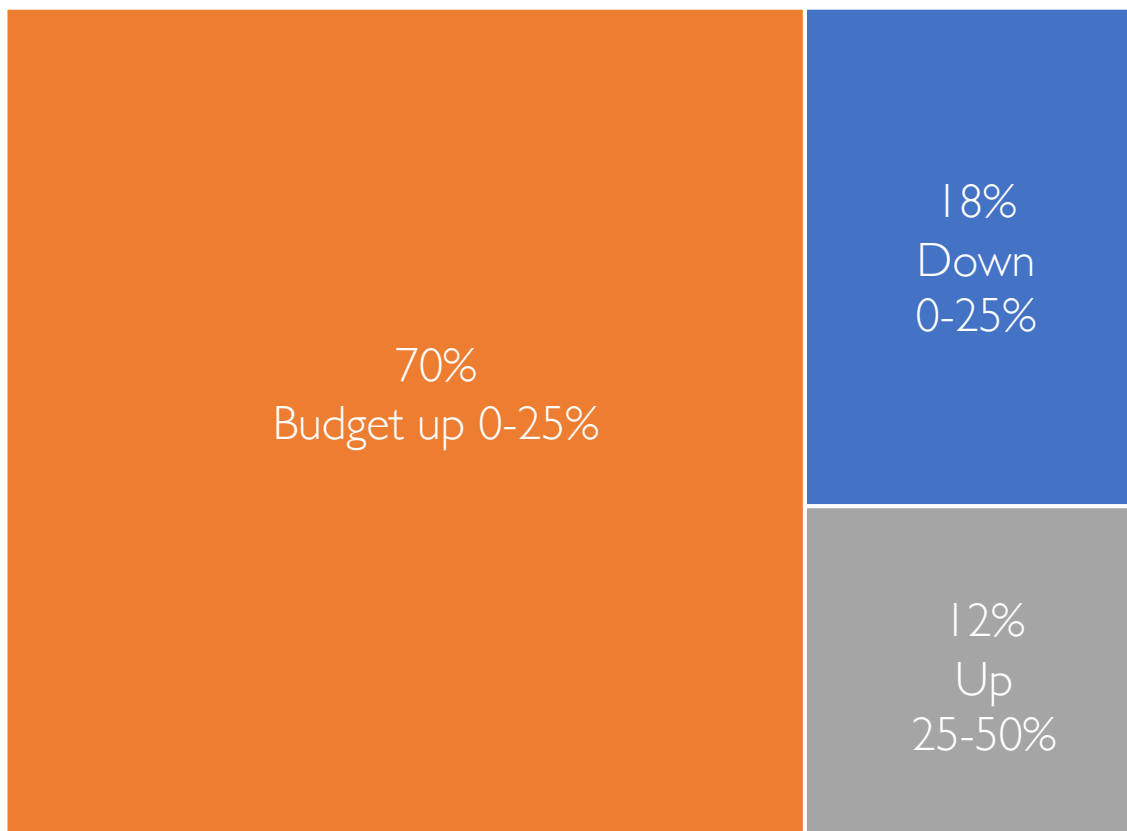


Percentages may not total 100 due to rounding

Annual Budgets & Spend: Increasing or Decreasing

Eight out of 10 real estate investment managers expect to increase their technology and innovation spend in the next 12 months anywhere from 0% to 50%. Based off responses, the median shows 75% of the technology and innovation budget going toward new initiatives, while the median of 10% of the budget increase will be for CPI/inflation increases.

Are you increasing or decreasing your tech spend?



How much of increase is going toward CPI/inflation vs. new initiatives?

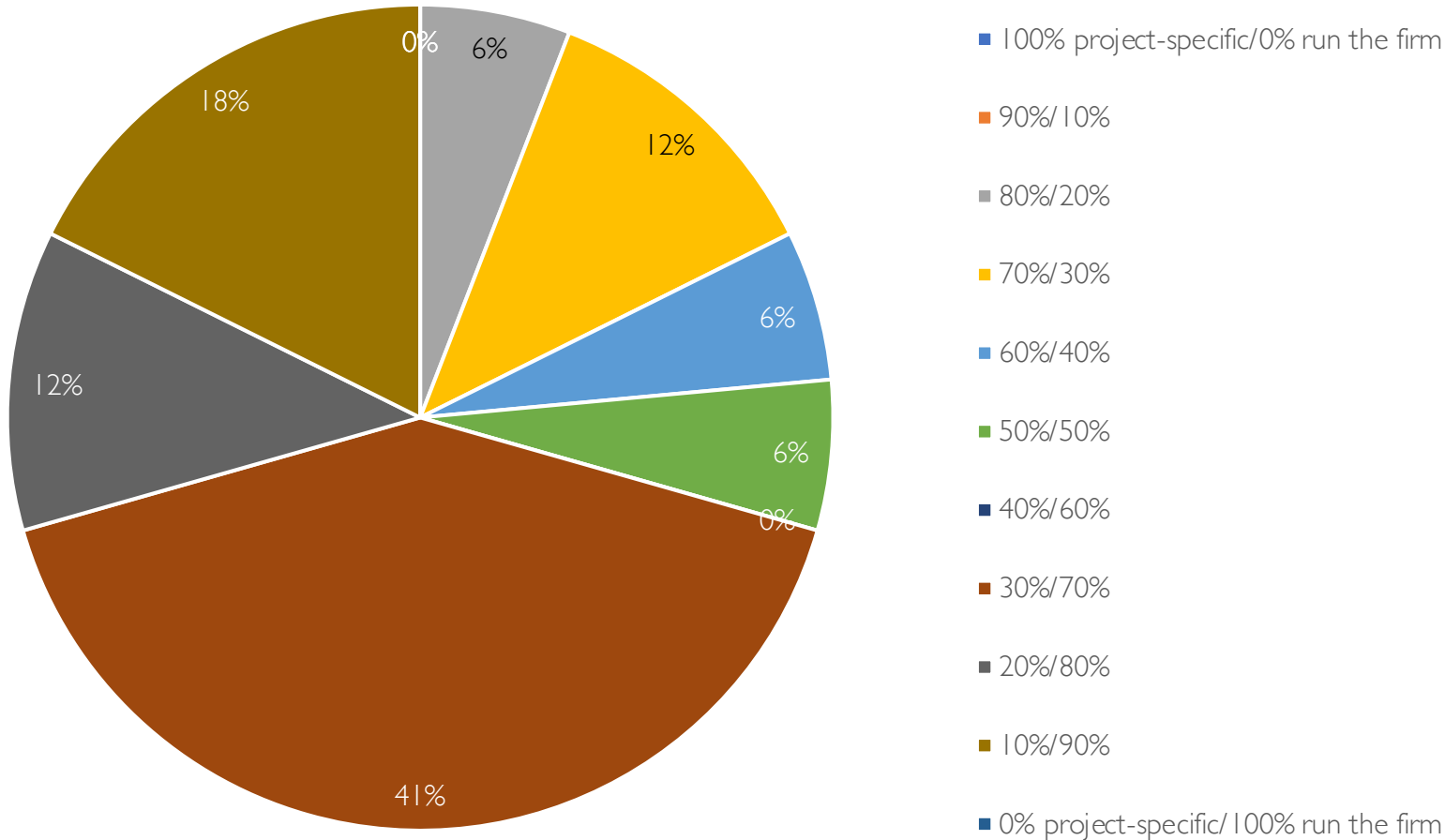
Respondents offered a significant difference in answers, ranging from 3% to 70% of the technology and innovation budget increase going toward inflation.

On the other hand, responses ranged from 10% to 90% of the budget being used for new initiatives.

Annual Budgets & Spend: Allocation to Technology & Innovation

With more than 80% of respondents saying their firm would be increasing the technology and innovation budget in the next 12 months, we wanted to know how much of that would go toward technology and innovation project-specific initiatives compared to run the firm tasks. Only 24% of real estate investment managers are dedicating that increase in the budget to specific projects.

% of budget focused on innovation vs. run the firm



Percentages may not total 100 due to rounding

MSP: Managed Service Providers

Managed service provider contracts are typically used by two-thirds of real estate investment managers – a cost often included in the annual tech budget. Members said among the services provided were cybersecurity, asset management, infrastructure services, file storage, network maintenance and more.

**Does your firm
retain a tech MSP?**

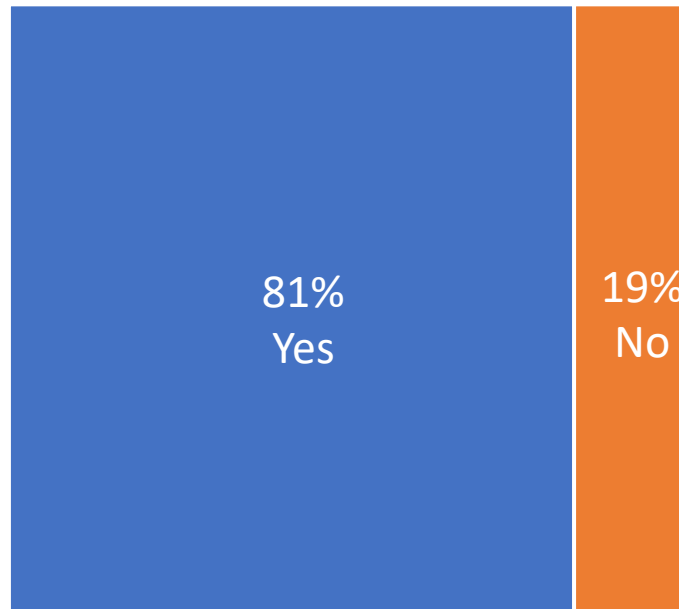
81%

Yes

19%

No

**For firms retaining an MSP, is
the cost included in your annual
technology & innovation spend?**



**What services does the
MSP cover?**

**Desktop support, hardware,
network and cybersecurity**

Asset management

**File storage, origination
transactions, cash flow
forecasting, asset accounting**

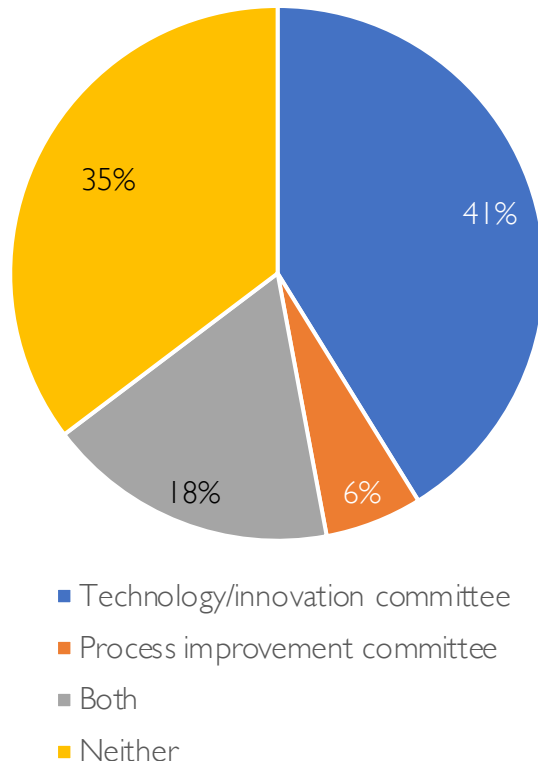
**Comprehensive IT
consulting services,
infrastructure support,
firewall and security
support, remote monitoring
and maintenance**

CRM, cloud

Committees: Reporting & 2023 Priorities

Committees are common within real estate investment management firms, aimed to keep track of the latest in innovation and aid in making investment decisions. Of the respondents, 65% stated they had either a technology/innovation or process improvement committee or both. Some of the key objectives included aligning IT and business strategies, holding leadership accountable for IT decisions, and the process of identifying, piloting, evaluating and recommending technologies.

Does your organization have the following?



If your firm has a Committee, to whom does the Committee report?

- COO
- CFO
- Senior management
- Executive Committee
- Operations Committee

What are the key objectives of the committee?

- Reveal insights that decrease risk and optimize performance
- Align IT and business strategies through prioritization and selection of projects and technology investments
- Hold leadership accountable for IT decisions
- Generate value through ongoing evaluation of technology value and performance of related services
- Enhancement of best practices
- Identify, pilot, evaluate and recommend technology



NAREIM is the industry association dedicated to the business of real estate investment management. Founded in 1990, NAREIM today represents real estate investment management firms with combined assets under management of more than \$2.8 trillion. For 30 years, NAREIM has been the home of real estate investment management benchmarking and best practices, where investment managers learn and share intelligence to drive investment returns and business performance.

NAREIM member surveys

NAREIM members often reach out to ask their peers about pressing concerns impacting their business. Budgets, especially when it comes to the subject of technology and innovation, is one such challenge facing the real estate investment management industry today and we invited members to share their best practices in this member survey, conducted between May 22 and June 26, 2023.

A total of 17 member organizations submitted data.

All survey answers are provided anonymously - to both fellow members and NAREIM. For more information on NAREIM Surveys, including the benchmarking reports highlighted below, please contact Zoe Hughes, CEO, zhughes@nareim.org

NAREIM & Ferguson Partners produce the following peer benchmarking surveys:

- **Global Management Survey:** released each July
- **Global Real Estate DEI Survey:** released biannually in January (also produced in association with AFIRE, AIA, APREA, AREF, BOMA, BPF, CFMA, CoreNet Global, CREFC, EPRA, NAIOP, NAREIM, NCREIF, OSCRE, PFA, PREA, REALPAC, RICS and ULI)
- **NAREIM Compensation Survey:** released each September/October
- **Defined Contribution Survey:** released each September (also produced in association with DCREC)