

## Spotlight on Real Estate

Abu Dhabi, UAE – 1 October 2021

Major trends influencing the future of the real estate sector have accelerated in the past 18 months, following the onset of the covid-19 pandemic. We spoke to Salem Al Darmaki, Deputy Director of ADIA's Real Estate & Infrastructure Department, to learn more about ADIA's approach to the real estate asset class and how it is adapting to this new and dynamic environment.

### **Q: How has ADIA's real estate strategy evolved during a time of such significant change in the sector?**



Our approach to real estate has always been defined by a few key characteristics: firstly, we are a long term and committed investor in the asset class; secondly, we must remain flexible and ready to move with market cycles and, finally; we judge investment proposals on a global relative value basis, giving us the ability to dynamically adjust as markets shift.

These characteristics have continued to guide our activities, during what is certainly a time of significant change for the sector. We have focused on capitalising and expanding our areas of existing strength, while studying the drivers of future performance, and accelerating work to reposition and refocus our portfolio.

In previous cycles, we were successful in building a broadly diversified and well-distributed real estate portfolio, from both a sub-sector and geographical point of view.

Over recent years, our focus has evolved. The entire asset class has been disrupted by a number of once-in-a-generation trends coming together at once, and we have responded by targeting high-conviction strategies that realign our portfolio to areas of future growth. This is a dynamic and ongoing process, and one that has seen us become more selective and focused in our activities.

### **Q: How have you developed your high-conviction approach and how is it being implemented?**

Through extensive in-house research and analysis of global trends, we identified up to seven macro thematic strategies, such as the digitalisation of society, for instance, where we see long-term opportunity. These themes will direct our investment activity over the coming years.

This top-down view is merged with bottom up high-conviction investment ideas, where our teams' geographic and sector expertise, as well as strong relationships with best-in-class partners, seek very specific pockets of value, in market-specific opportunities.

This is about aligning our investment activity more directly with our view of the future at a more granular level, while maintaining the flexibility to capitalise on market opportunities.

For instance, when public markets dropped sharply at the start of the covid-19 pandemic, we were able to move at speed and scale into listed opportunities, taking advantage of the dislocation between public and private markets, and executed a number of sizeable investments in our areas of focus.

### **Q: How has the portfolio changed over recent years, and how will it continue to evolve in the future?**

ADIA is a long term investor in real estate as an asset class. That means two things: we must direct our investment activities towards areas of future growth, and we also have the ability to

hold assets over a longer time horizon if advantageous. As a result, we are able to make changes to our portfolio gradually, over time, when market conditions are suitable.

We expect our recalibration activities to continue, as the market itself continues to evolve. Being agile and responsive to changing market conditions is a key part of our approach to scale up on high-conviction opportunities where we have strong market access.

Market access is a key point here, and we are agnostic to the best mode of access for each opportunity. We can back one of our convictions by investing in public or private equity or debt – or a combination of all four. We have no pre-allocated budgets for direct, indirect and listed investments, and instead will be led by what makes most sense in each situation, on a global relative value basis.

This is a dynamic process, and our preferred method for any individual opportunity may change, based on where we believe the best value lies at any one time.

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**Q: What does this mean for overall activity levels? Do you expect to be as active as you have been in the past?**

By focusing on our areas of existing strength and our convictions for the future, we are executing fewer and larger deals.

We have also reduced the overall number of relationships we hold while increasing position size, and this is helping to enhance market access in certain areas where we want to expand.

**Q: What are the implications for your organisational structure and capabilities? Have there been any changes to the types of real estate professional you are looking to attract to ADIA?**

Over a number of years we've built a strong, global team with deep sector experience. We have colleagues covering all markets and sub-sectors, and with capabilities to execute across all types of real estate opportunities.

To build upon our strong bench of talented professionals, we are always looking to add selectively to our team: we are interested in people with the strong technical skills and investment acumen that you'd expect, combined with a global mindset and broad view of the asset class.

No matter the seniority, we are looking for people who are keen to broaden their horizons, compare opportunities right across the spectrum, and develop a truly global understanding of the asset class.

We will be patient in identifying the right people; we have a strong team and a portfolio that is performing well, so we remain highly selective. The type of real estate investor that will prosper at ADIA is one that is curious and internationally-minded, who can combine specific sector and geographic expertise with a whole-portfolio perspective, and an ability to effectively leverage ADIA's extensive global network.

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