

Creating a strategy framework for investor real estate management

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Abstract

Purpose – The aim of this paper is to introduce a framework that helps to identify strategic themes on which real estate investors form their strategies. A holistic approach to strategic management in real estate management has enjoyed popularity in corporate real estate research, while similar research has been lacking from the investor-based real estate management.

Design/methodology/approach – The research design consists of two main parts: 1) formulating propositions based on existing literature and 2) attempting to validate the propositions through a qualitative interview study with major real estate owners in Finland.

Findings – The main finding is that the current real estate investors reflect the transient nature of competitive advantages and assess their strategies accordingly. The companies consider the traditional profitability and revenue growth aspects of their business but also a more long-term future growth dimension. As an outcome, the investors base their strategies on eight strategic themes which are “Innovation”, “ESG”, “Marketing and sales”, “Financial management”, “Leasing management and tenant satisfaction”, “Competitive environment and portfolio management”, “Outsourcing and strategic partnerships” and “Cost and operation optimization”.

Research limitations/implications – This paper opens opportunities for future research concerning different strategies in real estate investment business and their impacts.

Practical implications – The presented framework provides support for real estate investors to create real estate management strategy or to evaluate their current strategy and to recognize operational actions and decisions that are relevant for their strategy.

Originality/value – This paper provides an extension to corporate real estate (CRE) literature by showing that the CRE theories are adaptable to real estate investment and provide value for their strategic management. This paper also contributes to real estate investment literature by providing a well-founded and empirically contested strategic management framework, the IREM framework, for identifying strategic themes on which real estate investors form their strategies.

Keywords Investor real estate management, Strategic management, Investment management, Asset management, Property management, Real estate investor

Paper type Research paper

Introduction

Real estate is an asset class that requires intensive management during the entire life cycle of the investment. Properties need, for example, technical management, leasing activities, transactions and strategic management of the whole property portfolio (Hoesli and Lekander, 2008). At the same time, the industry investment landscape is constantly changing with varying lease terms, yields and other key investment parameters (Poleg, 2020). The latest



megatrends, including ESG, energy efficiency and digitalization have further increased the demand for strategic management of the real estate assets. Due to the intensiveness of the property management and the challenge of achieving the long-term goals, the practice of strategic management can provide substantial benefits for real estate investors.

When operating properties as investment assets, the property owners and investment managers need to also decide upon an operational management strategy (McAllister, 2020). Managerial strategy and effort are needed in portfolio and investment management, but also in asset management and property management. Generally speaking, portfolio management focuses on evaluating, monitoring and reporting on the portfolio performance while investment management focuses on implementing an investment strategy by identifying opportunities, considering allocation and performing investments (Roulac, 1996). The aim of the asset management is to improve the risk-adjusted performance of the assets by modifying their legal, physical, usage, financial and occupational structures, as well as their attributes. The asset management includes tasks and functions, such as transaction execution, leasing strategy, asset marketing strategy, reporting to fund manager, co-operation and monitoring of property manager, budget control, procurement of specialist services and project management of capex (McAllister, 2020). Property management, in turn, focuses on the day-to-day property operations and maintenance, leasing and tenant relations, technical risk assessment and financial audits (Roulac, 1996). However, the boundaries between these functions are not clear or stable and the content of each function may vary depending on the country and even different companies regard them differently.

Reviewing recent literature, it seems that strategic management is a much more prominent perspective in corporate real estate (CRE) than investor-based real estate management research. The CRE and facility management (FM) research has produced several strategic management frameworks, often refereed as Corporate Real Estate Management (CREM), to help organizations improve their long-term performance and customer satisfaction (Haynes, 2012; Lindholm and Nenonen, 2006; O'Mara, 1999; Roulac, 2001; Shiem-shin Then *et al.*, 2014; Heywood and Arkesteijn, 2018). Researchers have proceeded in solving how the corporate strategy and real estate management strategy should be aligned and what the role of the real estate is in supporting the core business of the companies (Hoesli, 2016). The approach in these studies has been all-inclusive to gain a holistic understanding of strategic management in its concerned context.

The research, from the investor perspective, has mainly focused on the investment and portfolio strategies considering the diversification issues (Eichholtz *et al.*, 1995; Hoesli and Lekander, 2008; Lekander, 2015). Moreover, decision-making on outsourcing and operational management has gained a lot of attention (Palm, 2013, 2018; McAllister, 2020). Despite the research conducted on investment and portfolio strategies, the same holistic approach that has been introduced in CREM, which would also encompass all the themes that are relevant in real estate investment business, is lacking.

In this research, “investors” refers to companies operating in real estate investment business, i.e., business environment where these companies that primarily recognize themselves as real estate investor and owners, operate and compete. It refers also to companies that have other asset classes as well, but the purpose of owning real estate assets is clearly investment-oriented. This study presents the concept of Investor Real Estate Management (IREM). IREM aims to describe the investor-based view on real estate management in contrast to the corporate real estate perspective and user focus of CREM. IREM not only focuses on investment management or real estate portfolio strategy but also on the operational level of real estate management including asset and property management. The difference between the IREM and CREM concepts and viewpoints is illustrated in Figure 1, which has been adapted from Kämpf-Dern (2009).

The aim of this paper is twofold: First, this work provides an extension to CRE literature by showing that some of the most robust theories in CRE are also adaptable to real estate

investment and seem to provide value for their strategic management. Second, this paper contributes to real estate investment literature by providing a well-founded and empirically contested strategic management framework, the IREM framework, for identifying strategic themes on which real estate investors form their strategies.

The first iteration of the framework is based on the existing literature. It is validated through an interview study focusing on the senior management of real estate investment companies. The results support the framework, although some aspects are reiterated. The findings indicate that real estate investors base their strategies on eight strategic themes which are “Innovation”, “ESG”, “Marketing and sales”, “Financial management”, “Leasing management and tenant satisfaction”, “Competitive environment and portfolio management”, “Outsourcing and strategic partnerships” and “Cost and operation optimization”.

This research starts with literature review on strategic management and strategy related research in real estate management. The literature review is followed by a study of the publicly available documents on strategic objectives of global and national real estate investors in Finland. The empirical part was carried out as qualitative interview study of ten major real estate investors operating on the Finnish real estate markets. The data were gathered by interviewing the senior professionals in the real estate investment companies. The data gathering process included both open and thematic interviews.

Strategic management in real estate

Strategic management is a widely examined research field which has developed over time. [Jemison \(1981\)](#) defined strategic management as the process by which general managers of complex organizations develop and utilize strategy to align their organization’s competences with the opportunities and constraints present in their environment. [Kirchhoff and Kirchhoff \(1980\)](#), and [Venkatraman and Ramanujam \(1986\)](#) stated that the main objective of a corporation is to increase the wealth of the stakeholders by revenue growth as well as short-term profitability and the role of the corporate level strategies is to support this purpose. Subsequently, the strategic management research has brought broader aspects to the strategic decision-making process of the companies. Some of the organizations might still lean on the traditional resource-based views and focus on maximizing their wealth, but even a more complex set of influences, such as corporate social responsibility, can operate during the decision process ([Mintzberg et al., 2002](#)). Moreover, it is also questioned whether maximizing the wealth of the stakeholders is the only purpose of the company and whether the companies should additionally consider the interest of the society in wider perspective ([Stout, 2012](#)). Furthermore, more recent literature has challenged the traditional idea of sustained competitive advantage ([Porter, 1985](#)) stating that the competitive advantage is often transitory and short-lived. Transient competitive advantage emphasizes the need to continuously create new advantages through innovative strategies to compete in the fast-paced business world ([McGrath, 2013](#)). Further, new advantages can be found by identifying unexplored market areas, the so-called blue oceans, where a business can sustain a competitive advantage for a longer period than in the existing markets ([Kim and Mauborgne, 2014](#)).



Figure 1.
The concept of Investor
Real Estate
Management, IREM

Source(s): Adapted from Kämpf-Dern, 2009

Roulac (1996) formed the strategic framework for real estate markets and described the processes, linkages and decisions for the participants in it, including the owners of the properties, but similar encompassing approaches have been lacking. Nevertheless, holistic strategic management research has been emphasized in CREM research, which can be understood by the very nature of CREM. The primary aim of CREM is to enhance the performance of the client organization through the alignment of the corporate real estate strategy with the corporate strategy (Haynes, 2012; Lindholm and Nenonen, 2006; O'Mara, 1999; Roulac, 2001; Shiem-shin Then *et al.*, 2014; Heywood and Arkesteijn, 2017). There have been multiple attempts to model CREM alignment. Heywood and Arkesteijn (2018) analyzed 20 different CREM models and examined how completely these models consider the different elements and components of the alignment process. They noticed that the models rarely identify previous modelling efforts and that it is not widely known in the field how these models compare. Seemingly, the aim and the approach of these studies has been diverse. Haynes (2008, 2012) provided a model to explain the alignment by introducing eight elements that must be considered to ensure the alignment with business needs. The outcome of the successful alignment in this model was improved productivity and performance. Shiem-shin Then *et al.* (2014) divided the alignment to four quadrants and proposed that the alignment appears between the business needs and the facility management resources and facility management solutions and again between facility managements services and facility management resources and facility management solutions. Cooke *et al.* (2019) noticed that the process of CRE realignment should be dynamic and continual as the new business strategies require flexible resources although such flexibility does not exist.

Lindholm (Lindholm and Leväinen, 2006; Lindholm and Nenonen, 2006; Lindholm, 2008) aimed to identify and create tools for measuring the success of CREM hence creating a framework for identifying CREM strategies. Lindholm's findings have been widely referenced (Haynes, 2012; Appel-Meulenbroek and Haynes, 2014; Appel-Meulenbroek *et al.*, 2015; Appel-Meulenbroek *et al.*, 2018) as well as redeveloped and discussed in CREM and FM research. The framework was later adjusted by adding sustainability in the framework (Gibler and Lindholm, 2012; Jensen *et al.*, 2013). Gibler and Lindholm (2012) also noticed that the strategies included in the framework may need to be adjusted over time to account for changing priorities and new technological developments. Appel-Meulenbroek and Haynes (2014) further developed the model and divided the proposed CREM strategies to exchange and use value strategies. The criticism, instead, has pointed out that the framework is not all-encompassing since it does not include certain aspects of the alignment, such as strategic triggers, external business drivers and plan for alignment, although these aspects are concerned in the text of these studies (Heywood and Arkesteijn, 2017, 2018). Lindholm's framework presents maximizing shareholder wealth as the overriding objective of the business, which has been challenged since then. The shareholders are important, but a wider range of influences are present in businesses (Cooke *et al.*, 2019, 2021).

Developing the IREM framework

The IREM framework is inspired by the CRE literature. The framework is presented in Figure 2. It includes eight propositions for the strategic themes. Five of these propositions are adapted from Lindholm's CREM framework and the remaining three are new propositions based on the real estate investments literature. All eight propositions are introduced in more detail after Figure 2. The original CREM Framework also included actions for each strategy at the operational level, but they are excluded from the IREM Framework in Figure 2. Later, in the adjusted IREM framework, operational level actions are presented based on the results from the interviews.

Since the IREM framework is adapted from CREM framework, its foundations are on the traditional strategic management fundamentals and it includes the same strategic goals of a

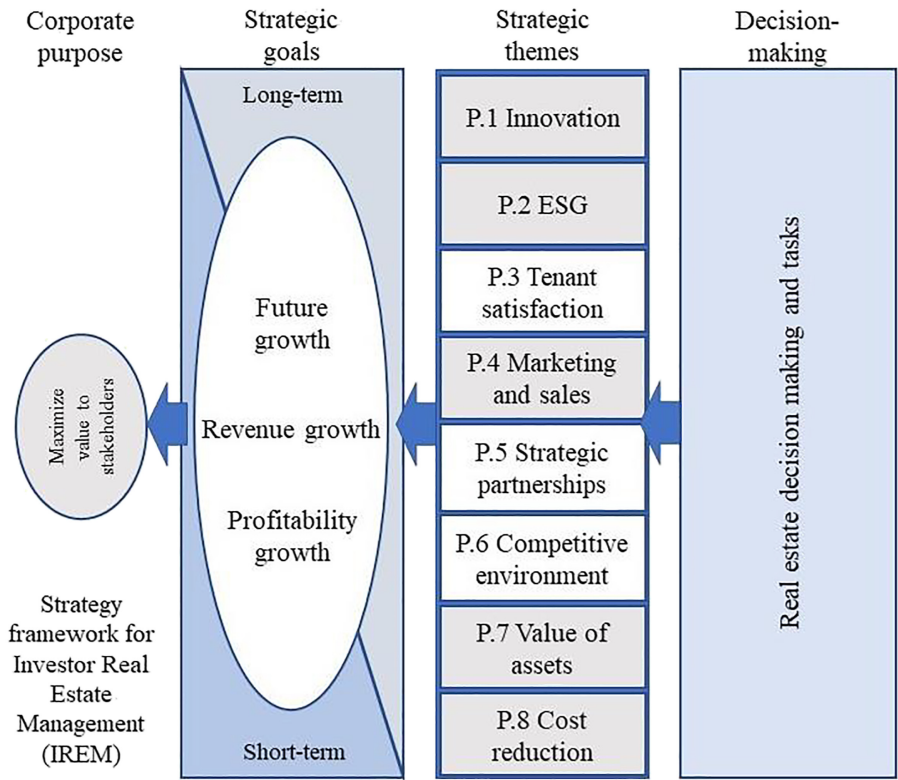


Figure 2.
The IREM framework
with eight propositions
for strategic themes

Note(s): The propositions adapted from Lindholm's CREM framework are presented with light grey background colour

Source(s): Adapted from Lindholm's research

corporation that [Kirchhoff and Kirchhoff \(1980\)](#) and [Venkatraman and Ramanujam \(1986\)](#) stated; revenue and profitability growth. However, the corporate purpose in the framework is adjusted from their view of maximizing the wealth of stakeholders to maximizing the value to the stakeholders to consider a wider range of drivers for the business. The framework also includes an additional strategic goal, future growth, to consider values and other strategic aims that organizations might have and the strategic decisions that are not linked only directly to profitability or revenue growth. These decisions could be, for example, marketing or ESG related investments and actions that aim to the competitive advantage in the future but cannot be clearly justified with financial outcomes in short or even mid-term. Sustainability business innovations can be a subcomponent of the intangible assets of the company that generate future growth ([Kajander et al., 2012](#)).

P.1 Innovation: Innovation can be defined as the process of applying an idea or invention into practice ([Tidd and Bessant, 2013](#)). For the purposes of the framework, it is equally relevant whether these ideas are new to the world, sector, or organization. While innovation as a concept encompasses everything from incremental improvements in the existing solutions to discontinuous leaps to the completely new offerings, it is the latter that is of more interest here. Discontinuous innovation is more complex and riskier, but also potentially more rewarding, and, therefore, it has been argued to be central to a company's strategy for future

growth (Tushman and Anderson, 1986; Assink, 2006). Innovation is part of the CREM framework with slight reason to doubt its relevance to IREM. In CREM, innovation is an aspect of organizational performance supported by real estate (Curvelo Magdaniel *et al.*, 2018), but in IREM it is more of a strategy to create and maintain value for investors (Kauko, 2019). The motivation for strategic consideration of innovation by investors is both internal and external. Innovation is known to create value to innovators in the real estate sector (Kajander *et al.*, 2012) but it is also required due to the pressure from new technologies (Poleg, 2020).

P.2 ESG: The ESG has gained growing attention in the real estate industry and among the investors but also in research even if not from the strategic perspective. Nevertheless, growing public awareness of the sustainability related issues, as well as governmental action worldwide, have also forced investors to change their way of thinking (Geiger *et al.*, 2013). Warren-Myers (2012a, b) studied sustainability from the real estate management perspective and stated that even though sustainability has become common in the real estate industry, sustainability was still focusing on the cost minimization strategies. They stated that the linkage between the market valuation of the properties and sustainability has been researched but the correlation has been hard to evidence. However, positive indication on value creation by the impact of renewable on-site energy production and green building certifications has been found since then (Leskinen *et al.*, 2020a, b). Furthermore, the tenants are expecting sustainability and the research from the previous decade indicates that the eco-certified properties can produce even higher rental rates (Sanderson and Edwards, 2014). The ESG, or sustainability, was one of the real estate strategies in the CREM framework and it has been researched rather widely in the field of CREM (Junnila, 2004; Ellison and Sayce, 2007; Heywood and Kenley, 2008; Masalskyte *et al.*, 2014; Collins and Junghans, 2015).

P.3 Tenant satisfaction: The investors can reach increased tenant satisfaction and higher occupancy rates focusing on the strategies that consider the requirements of the tenants on location, costs, functionality of properties, flexibility of space and lease terms, as well as the leasing process (Sanderson and Edwards, 2014). Even evidence regarding the properties with higher tenant satisfaction containing a greater total return than the sector average has been presented (Palm, 2013). Sanderson and Edwards (2014) studied tenant satisfaction and what strategies should be employed in the real estate management for the maximum benefit for the property owner. The locations were still seen as the top consideration for the tenants and, therefore, the owners must manage their portfolios accordingly; trading properties where necessary and employing property-specific strategies elsewhere. The strategic choices to improve tenant satisfaction included providing sufficient services depending on the property type, taking care of the sustainability requirements, managing properties professionally and keeping them in good condition. The CREM framework did not include tenant satisfaction as a real estate strategy, but it included employee satisfaction which can be considered understandable, while the viewpoint to the users of the properties is different in CREM and in IREM.

P.4 Marketing and sales: Promoting marketing and sales was one of the themes included already in the CREM framework and it referred to selecting locations and providing spaces that attract customer and support the business. It could be justifiable to assume that these aspects are relevant also for the real estate investors when they are trying to attract tenants to their spaces. Therefore, this strategic theme was selected to be one of the propositions also in the IREM framework. The theme was also supported by Roulac's (1996) research where marketing of the real estate funds for financiers was mentioned as one of the essential tasks for the property owner. However, the target and how it is marketed may differ depending on the investor type.

P.5 Strategic partnerships: Strategic partnerships were not included in the CREM framework but it is assumed to be a relevant theme in IREM based on the research by Palm (2013, 2017, 2018). Investors can choose to outsource or insource the different operational management functions or to adopt different solutions for different markets, sectors, or functions. These outsourcing decisions consider fund management, asset management, as well as property

management tasks and functions. In practice, most of the outsourcing decisions are hybrid, between the two extremes of fully insourced and fully outsourced operational functions. A range of different operating models for managing real estate investment portfolios are used and the solutions tend to depend on the property investor type, whether they are specialist real estate investors, multi-asset owners, or institutional investors (McAllister, 2020). Palm (2017) underlined the strategic decision considering how real estate investors organize their property management and leasing activities together with how outsourced managers should be incentivized to achieve the strategic goals of the property investor.

P.6: Competitive environment: This proposition was not included in the CREM framework, and it refers to the strategic decisions that the investors must make when they consider what property types, locations and risk reward ratios they favor and accept while performing transactions. In other words, in which market segments the investor has decided to compete and how. Several studies are available concerning the real estate portfolio strategy and investment strategies including the role of the real estate assets as a part of the total investment portfolios. Eichholtz *et al.* (1995) studied diversification by property type and region within a real estate portfolio in the UK and the USA Roulac (1996) listed the investment policy, allocation and geographic market selection as the top decisions for the real estate investor. Hoesli *et al.* (2004) studied the role of the real estate assets as a portfolio diversifier and continued their research concerning the investment and portfolio strategy by comparing direct real estate investments to real estate securities and stocks in Europe (Hoesli and Lekander, 2008). Lekander (2015) has continued this diversification research further. The investment strategies can also be understood from the risk perspective. The classification categorizes investment to classes “core”, “value add” and “opportunistic” according to its development potential and risk character (Poleg, 2020).

P.7 Value of assets: Value of assets was one the themes in the CREM framework and it is considered as one of the strategic theme propositions also to the IREM framework. The total investment returns in real estate compose from two value creation channels namely appreciation and income returns (Young *et al.*, 1995; Pivo and Fisher, 2010). Superior appreciation can be gained if incomes grow faster than previously anticipated, or if faster income growth or slower depreciation is expected in the future. Income return is the ratio of income to the property value at a given point in time and it is analogous to the capitalization rate. If the property is expected to produce higher future incomes, it could produce higher appreciation (Pivo and Fisher, 2010).

P.8 Cost reduction: Poleg (2020) stated that the investors must improve their operational effectiveness by efficient acquisitions and rethinking the finances of their portfolios. They claimed that for property management operations this effectiveness means reducing the maintenance costs and negotiating better leases with tenants. This theme was included in the CREM framework as it has a direct and immediate impact on the financial performance of the company (Lindholt *et al.*, 2006). However, there are also arguments that the perspective should be wider. Effectiveness and productivity is argued to require consideration of both outputs and inputs together with their relative change (Cooke *et al.*, 2021).

Research design and methodology

Research design

The foundation of this paper is qualitative interview study. In the qualitative interview, the interviewee provides information while the interviewer, as a representative of the study, is responsible for directing the interviewee to the topics that matter to the study. The findings of the qualitative study are supported by quotations, but the research does not need to be restricted to just one approach. Standardized items can be appended to the qualitative interview studies (Weiss, 1995). This study utilizes also standardized elements from a case

study by developing theoretical propositions to guide the data collection and analysis (Yin, 2009). In strategy and management research, this method is valuable and often used for developing and confirming theoretical propositions while it can offer concentrated inquiry into the complexity of cases (Ridder *et al.*, 2009).

This research started with an analysis of previous research and literature to form the basis for developing a theoretical framework to structure the view of the investigated phenomenon and to understand the essential elements and interactions. The theoretical propositions introduced in the framework were the assumed strategic themes for real estate investors based on the previous research. These themes were also used for categorization of the data from the interviews. The literature research was supported by the examination of the publicly available strategy documents from the interviewees' companies. These documents formed the secondary data set for this study and acted as the preparation for the interviews to gain sufficient understanding of the case companies. This framework was utilized to collect the case specific primary data set through open and thematic interviews.

The interviews were carried out anonymously to ensure that the desired candidates would participate and discuss the business sensitive topics freely. The interviews were divided into two sections. The first part was an open discussion about the strategies of the companies and their ways to pursue the competitive advantage. The aim of this section was to achieve information about the strategies of the companies and to find out what strategic themes were emphasized without guiding into the propositions. The second, thematic part of the interview, was semi-structured and started with introducing the theoretical framework. Semi-structured interviews are used to cover series of broad themes during the interview and to help direct the conversation toward the topics and issues which the researcher wants to learn (Qu and Dumay, 2011). The interviewees were asked to comment directly on the framework and raise questions if they did not agree on the structure or the content of the framework. The interviewees were asked to reflect the framework to their own company strategy, but also to comment on it at a general level.

The interview sections were analyzed independently before combining the data to find support for each individual proposition. The collected data was extensive and included numerous comments that were used for developing the framework to the final version. The quotations presented in the results are those which were considered as representative and remarkable to justify the adjustments to the framework. The enhanced framework was sent, once again, to the interviewees to obtain final feedback for the framework. Finally, the findings were reflected against the existing theory and generalized to contribute to the strategic real estate management literature.

Interviewee selection

The sampling strategy is important as it reflects the logic behind the research. When creating opportunities to contribute to the theory, the interviews can be selected strategically and purposely to find manifestations of the phenomenon. By purposefully selecting information-rich cases, a deeper understanding can be gained (Ridder *et al.*, 2009). The interview selection aimed to achieve a representative as well as diverse sample from the Finnish real estate market and it consisted of ten persons in the senior management positions of different real estate investors (Table 1). The companies involved in this research have executed different hybrid solutions (McAllister, 2020) on outsourcing investment management, asset management and property management. Most of them are performing asset management as an in-house-service and, therefore, are in close contact with these functions. The interviewees were expected to have senior managerial roles in different positions of the real estate investment business in these companies. Some of the interviewees were closer to the investment and portfolio management and some to the asset management but they all had a role in the strategic decision making which helped to sufficiently cover the strategic questions of the before mentioned functions.

Table 1.
List of interviewees
involved in research

Interview	Position	Investment company category	Property types	Origin
Interview A	Real estate director	Listed private investment company	Commercial, residential, community	Domestic
Interview B	Managing director	Non-listed private investment company	Residential	Domestic
Interview C	Managing director	Non-listed private investment company/Pension and insurance fund	Commercial, residential	Domestic
Interview D	Real Estate director	Pension and insurance fund	Commercial, residential	Domestic
Interview E	Investment manager	Pension and insurance fund	Commercial	Domestic
Interview F	Director	Non-listed private real estate investment company	Commercial, residential, community, logistics	Foreign
Interview G	Senior director, head of Finland	Non-listed private real estate investment company	Commercial, residential	Foreign
Interview H	Regional manager	Non-listed private real estate investment company	Logistics	Foreign
Interview I	Investment director, head of real estate	Pension and insurance fund	Commercial, residential, community	Domestic
Interview J	Managing director	Non-listed private real estate investment company	Commercial, logistics	Domestic

Source: Author’s own creation

The selection of the companies for interviews was based on the following criteria. The companies had to be real estate investors that offer their premises to the rental markets. The owner-users were excluded from this study. Some of the companies also have other asset classes, but the purpose of owning real estate assets is clearly an investment-oriented activity in the companies. All investors own at least one significant real estate portfolio which focuses on investing in the Finnish real estate market. The investors were not limited to any specific property type. The decision about the property type is one of the strategic choices for real estate investor and, therefore, it would have narrowed the research in an impractical manner.

The target was to obtain a versatile sample (listed and non-listed, property types, ownership, domestic and foreign) from the real estate investment business and to acquire different types of real estate investors. Concentration on one specific investor type would possibly have made the observations stronger but it could also have limited the generalization of the findings.

Results and discussion

This research aimed to identify the strategic themes on which real estate investors base their strategies. The present study introduced the propositions for these strategic themes in the form of IREM framework which was, together with the propositions, based on previous research from CREM and real estate investment research. The aim of the interviews was to identify possible support for the IREM framework as a whole and for each individual proposition separately. The summary of the results for the propositions is presented in Table 2. This table illustrates the support for each strategic theme proposition in open and thematic interviews. The support is evaluated to be either low, medium, or high. The reported level of the support is based on the number of the interviews in which the theme is mentioned, as well as on an assessment of the importance interviewees give it. The table also includes examples of the tasks and decisions that were mentioned in the interviews concerning each proposition.

				Real estate management
Proposition	Support in open interview	Support in thematic interview	Decision-making findings	
P.1 Innovation	low	medium/high	Building new concepts and products Utilizing the benefits from digitalization Innovations from sustainability solutions	<div>31</div>
P.2 Sustainability	high	high	Building new business models Acquiring certificates for properties Renewable energy, thermal heat and solar energy Carbon neutrality and ESG targets Energy consumption cutting actions	
P.3 Tenant satisfaction	medium	high	Locations and spaces that attract tenants Proactiveness and quick responding Sufficient flexibility and services User-orientated approach in creating products	
P.4 Marketing and sales	low	high	Building concepts and brand Active promoting of properties and funds Suitable locations and smooth leasing processes Develop usability, flexibility, and commerce	
P.5 Strategic partnerships	medium/high	high	Close relationship, dialogue, development, and targets Construction companies are strategic partners Partner network is a strategic choice Contracts that are beneficial for both parties	
P.6 Competitive environment	high	high	Decision on locations, property type and investment size Decision on risk class (core, value add, opportunistic) Decision and balance between direct and indirect investments Property development, investing and divesting decisions	
P.7 Value of assets	N/A	N/A	"The function of this business in the end"	
P.8 Cost reduction	medium	high	Optimization of operational costs and energy improvements Qualitative but cost-efficient property maintenance Property related technical risk management Utilization of data and benchmarking	
Source(s): Author's own creation				Table 2. Summary of support for strategic theme propositions and decision-making findings in open and thematic interviews

The research design and the selection of interviewees seemed to have some impact on the appearances of the themes in the interviews. The fact that some of the interviewees did not mention a specific theme on open discussion, does not univocally mean that the theme is not relevant for the company. Similarly, it would be misleading to assume that the interviewees could list all strategic themes in the interview sessions. The time for the interview is limited and

the discussion easily concentrated on certain topics taking the focus from the other, possibly relevant, themes. Furthermore, also the position of the interviewee and the personal interests might have steered the discussion to certain topics. Next, each proposition is discussed separately in more detail and presented with descriptive quotes from the interviews.

P.1 Innovation

The theme Innovation got support and was recognized as a crucial strategic theme to secure the future growth of the company and, therefore, remained in the adjusted IREM framework. The theme was not in focus in the open discussion, and it got more attention after the IREM Framework was presented. However, the meaning of innovation in this context was somewhat vague. The interviewees approached the theme through examples of actions that they conceived to concern this topic. Some of the interviewees linked it to the new business model innovations while others strongly included the commissioning of digitalization as well as building automatization and monitoring. References to [McGrath's \(2013\)](#) statement about the continuous development of the new advantages were observable in some comments (*Interview F*).

We do a lot to build innovations and these business models. We build our competitive advantage by bringing new concepts and that helps us in long-term, of course. (*Interview F*)

I strongly believe in innovations if it also concerns digitalization and automatization. You must innovate and benefit new things. It would be great to find innovations also outside this industry and implement them. (*Interview I*)

P.2 ESG

The theme ESG got strong support in both open and thematic interviews, and, therefore, it remained in the adjusted IREM framework. However, there were differences in the views and many interviewees approached the theme mainly from the operational level actions. Some of the interviewees saw that there is still a change to gain a competitive advantage by the ESG investments, while others found it hard to stand out with sustainability anymore. They claimed that ESG is now “must-do” topic and if you do not consider it, you will lose the competition. Financial benefits and opportunities were recognized which came out in comments concerning energy costs and cheaper financing for sustainable properties. Potentially lower yields on selling sustainable properties was also considered which refers to the results of [Leskinen et al. \(2020a, b\)](#). Overall, the theme was identified as future growth related and, for example, some ESG actions such as carbon neutrality road maps are clearly aiming to it. Instead, energy improvement projects can support profitability in short-term by cutting the operational costs.

We see that the environmental friendliness and ESG are the aspects that bring us competitive advantage in investor and tenant markets. We aim to be forerunner and try to bring new solutions to these challenges. It is in our values. (*Interview F*)

Well, it is must to do to keep your competitive, but you cannot gain advantage anymore. It is important to communicate that you are aboard. (*Interview J*)

P.3 Tenant satisfaction

The theme Tenant satisfaction got support in the interviews but appeared to be wider and more complicated theme than was assumed. The comments concerning tenant satisfaction were emphasizing the owners' proactiveness, quick responding, flexibility for changes in spaces, and on conditions on lease agreements. These issues were considered important to

enable long-lasting tenant relationships. It was mentioned that the tenant satisfaction is not an absolute value since the investor must balance on concerning which investments are adequate and what is an appropriate level of flexibility. In the adjusted IREM framework, the theme was renamed to “Leasing management and tenant satisfaction” to consider leasing activity under the same topic and to form a more coherent entity.

It is essential, the tenants require more flexibility, shorter lease agreements and quick changes to their spaces. *(Interview J)*

It depends how you understand customer satisfaction. Of course, you must be flexible and offer needed services until certain point. You must consider if it is profitable or not. *(Interview J)*

P.4 Marketing and sales

Marketing and sales got low support in the open interviews, but it was strongly supported in the thematic interviews and remained in the adjusted IREM Framework. The discussion approached also this theme by examples of operational action even though there were also operators that were approaching the theme from wider concepts. Interviewees mentioned the following actions as essential for marketing and sales; attractive locations, leasing activeness, branding of the properties, building concepts, investments to appearance of the properties and reputation. Marketing of the funds (Roulac, 1996) was referenced, but the conversation was more focused on the tenant aspect.

Acting as European company and under one brand is a competitive advantage when a customer can identify us from country to another. We have the same procedure and way to work. *(Interview H)*

For us branding means the branding of our funds. *(Interview B)*

We have gone further in this than many others. We have built concepts, since we see that there are not products that customers need. However, the location must always be suitable. *(Interview F)*

P.5 Strategic partnerships

The theme Strategic partnerships got strong support in the open and thematic interviews and was linked to the outsourcing decisions in several interviews. The initial framework did not include outsourcing as a strategic theme but based on the results it was combined with the theme strategic partnerships “Outsourcing and strategic partnerships”. Outsourcing was stated as essential strategic decision for the real estate investor also in Palm’s research (2013, 2017). Furthermore, it is an important theme since the investors influence the asset and property management functions through their strategic decision-making (McAllister, 2020). In the interviews, an essential reason for outsourcing was organizational flexibility when the size of the portfolio changes in transactions. The interviewees emphasized focusing on the core functions and the view that it is not efficient or possible to keep all functions inhouse. The concept of strategic partnerships seems to be wider than was expected. The asset management and property management service providers as well as construction companies and financiers are considered as strategic partners. The relationships must be close to ensure attractive investment options as well as to ensure sufficient leverage and affordable financing. The link between tenant satisfaction and strategic partnerships was recognized in two of the interviews while the service providers are those who are in contact with the tenants.

We have considered partnerships in our strategy. We have considered what is most valuable for our business and decided to do it on our own. Then we have decided what our partners do and how to get best of it. *(Interview J)*

The companion network is strategic choice. We have outsourced technical management, invoicing, and leasehold. We concentrate on asset management, leasing, and property development. (Interview J)

P.6 Competitive environment

The theme Competitive environment was the most strongly supported theme, but it was revealed that the proposition was lacking some of the content concerning portfolio management. The basic findings on competitive environment followed expectedly the same basic principles of diversification that were mentioned in the literature including geographical location, property type, investment size and balance in direct and indirect investments (Eichholtz *et al.*, 1995; Roulac, 1996; Hoesli *et al.*, 2004). However, the approach and the justifications for decisions varied. It seemed that in this theme the differences in strategies came out the most and that the differences were related to the type and the background of the investor. Some of the investors had decided to stick strictly to certain locations and property types. In some cases, this can be understood by the fund rules. Some investors had a more open approach and considered investment options case by case based primarily on return on equity. Differences in the investment strategies were recognizable also concerning the holding periods and exit plans which can be referred again to the fund rules in some cases. Some investors emphasized that too strict investment strategies can narrow the possibilities and may even rule out attractive investment options. Many of the investors were also considering the market development and which property segments continue growth and whether attractive opportunities would open, for example, in retail segment. The investors with largest possessions also mentioned that it is not possible to focus on certain property types if you must take a remarkable piece from the available market. Joining in property development was seen as an important strategic decision and as a notable opportunity to create value. Outsourcing was also linked to the decisions of competitive environment since some interviewees saw that, for example inhouse property management would take them into a different business environment when the core business is real estate investing. The proposition was renamed to respond better to the results, "Competitive environment and portfolio management", since these themes appeared to be bound together. This adjustment was also supported by the list of the owner and manager decisions in Roulac's research (1996).

Our business model defines that we invest in certain property type in accessible locations. We focus on our own thing and that brings competitive advantage. We want to be best in what we do. (Interview H)

Our required rate of return demands that we have to invest also in higher risk cases. That is why we invest in property development. We have to be active in transactions. (Interview J)

P.7 Value of assets

During the interviews it became obvious that the proposition Value of assets was unnecessarily brought from the CREM framework. In the CREM environment, the value of assets is just one strategic theme among the others in the environment where all CRE strategic themes aim to create value by supporting the core business. From the investor's perspective, increasing the value of an asset can be seen as a primary aim of the whole real estate investment business and, therefore, it was removed from the IREM framework as a separate strategic theme.

Companies exist to maximize the value of assets or add value. That is where we aim at. This does not deserve its place as single strategy theme; it is a driver for everything. (Interview I)

I would consider this "Value of assets". It is basically to what all other strategies aim at. (Interview F)

P.8 Cost reduction

The theme Cost reduction got support in the interviews, but it was seen as one-sided and even controversial. It was recognized that reducing the cost on maintenance and services can reduce tenant satisfaction and constant tendering on services complicate the development of functioning and long-lasting strategic partnerships. Therefore, instead of reducing cost, the comments were calling for cost optimization. The properties should be in shape and repair deficit should be avoided. Some of the investors were worried about raising operational costs as well as energy prices and were considering actions to cut energy consumption. Cost awareness was recognizable, but again, the relativity that also [Cooke et al. \(2021\)](#) emphasized, was also disclosed. One of the interviewees demonstrated relativity by pointing out that it is easier to create value with efficient property development than to try to cut the maintenance costs. Based on the interview results and literature review arguments, the theme was renamed to a more balanced and comprehensive form, “Cost and operation optimization”.

It's balancing. If you cut the costs so that your service providing get weaker, it will kick back on long-term. *(Interview F)*

Cost reduce is important. However, it is relative. It is so much easier to make extra millions by developing and adding the value of assets than cut from the maintenance costs. *(Interview A)*

Finally, a theme that came up in several interviews, but was not considered in the initial IREM framework, is financing. The financier relationships and financial management were noticed important for the real estate investment business as it is essential to get sufficient financing and a desired debt ratio. This is also supported by the statements of [Poleg \(2020\)](#) underlining the importance of capital structure and financing. Some of the investors conceived the financiers as their primary customers instead of the tenants. The financiers were also considered as strategic partners. There were also concurring comments concerning the linkage of ESG and financing. The EU taxonomy will change the conditions and the effect on price and availability of financing. This theme was added to the framework as “Financial management”.

Finance is probably the biggest driver. It does not change your product but can give you a huge competitive advantage. *(Interview G)*

In any business where leverage is used, financing plays a big role. It is one of the biggest factors how you build your equity structure in your investments. *(Interview F)*

Our customer are the investors that finance us. *(Interview B)*

Interviews also pointed out that the future growth was understood and perceived as a distinct strategic goal from profitability and revenue growth. The concept was understood in all the interviews in general, but it still needs clarification. The length of the time horizon was somehow unclear and the temporal difference between the long-term and short-term perspective was hard to conceive. However, the idea of the strategic actions that target value creation in the future but cannot be measured directly in profitability or revenue was supported. It also seems that some of the strategic themes might be more long or short-term weighted than the others but the linkage to the corporate level goals occurs on operational level.

I clearly see the difference between the long term and short and mid-term growth. *(Interview H)*

I see the future growth most important of them. We invest on themes that are pointing to it. Competition is hard and there you create the revenue in future. *(Interview D)*

Overall, the strategic theme propositions and the IREM framework received moderate support in the open interviews and strong support in the thematic interviews. While the framework was met with mainly approving comments, some criticism and development ideas were also expressed:

Matches pretty well to our actions, only that the digitalization is something that should be involved in model. (Interview A)

I think this contains plenty of good matters that I already mentioned in discussion. I think it is all in there and no themes that are irrelevant. However, I would consider how the financing should be included in the model. (Interview F)

Quickly observed it seems to be logical structure although you can debate what are long term strategies and where is the surface between long and short and mid-term strategies. (Interview I)

Hard to say, since I haven't seen such a view before. You must consider all of these themes, or it rebounds in future. (Interview C)

The main finding of this study is that real estate investors base their strategies on the idea of creating profit and revenue growth but also on the more abstract future growth aspects, which is further manifested in the eight strategic themes listed in the modified version of the IREM framework presented in Figure 3. The IREM framework is modified based on the results from the interviews and supplemented with a listing of the examples of the tasks and decision processes identified in interviews to exemplify the content of each theme. The framework was adjusted only after all the interviews were conducted. The adjusted framework was sent to the interviewees giving them an opportunity to comment on it. We received three answers, which all supported the adjustments.

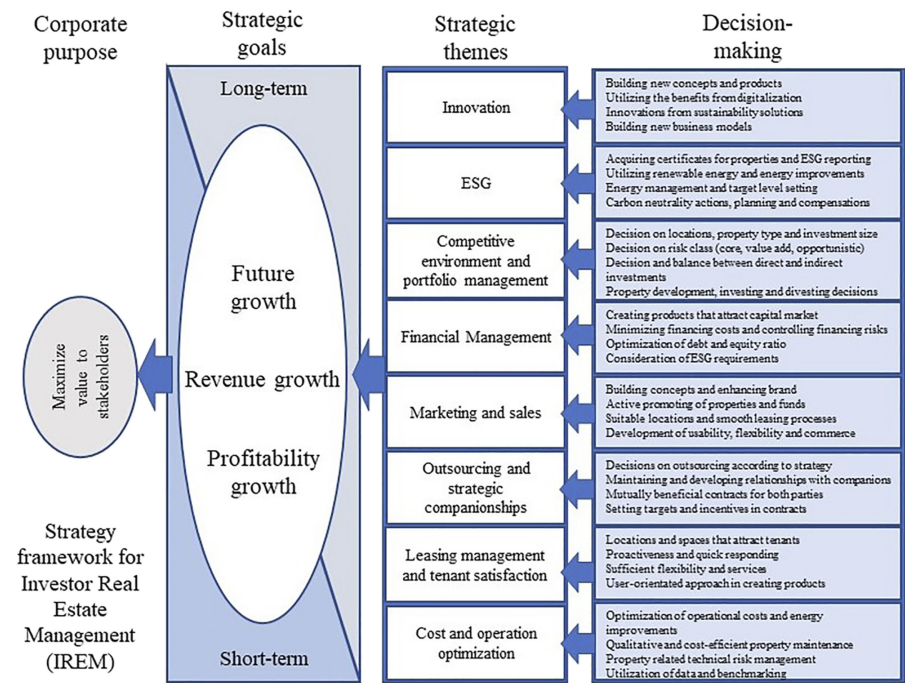


Figure 3.
The modified version of the IREM framework with a listing of examples of tasks and decision processes that were identified in interviews

Source(s): Author's own creation

Conclusions

A holistic approach to the strategic real estate management has enjoyed popularity in CREM research, while similar research has been lacking in the field of IREM. This study supports the idea of using theories and the tools from CREM research to analyze IREM activities. This approach offers an opportunity to understand the strategic management practices in IREM and extends the applicability of existing CREM theories to IREM. The advances of CREM research, especially the understanding of the transient competitive advantages in the business environment, can offer a valuable new insight for the IREM discipline and provide a more solid theoretical basis for the strategic management in the future.

The objective of this paper was to identify the strategy frame and the strategic themes on which real estate investors base their strategies. The goal was to identify the framework as well as to understand, in practice, how real estate investors consider their strategies. The research design consisted of two main parts: 1) formulating propositions based on the existing literature and 2) attempting to validate the propositions through a qualitative interview study with major real estate owners in Finland.

Real estate investors base their strategies on eight strategic themes which are “Innovation”, “ESG”, “Marketing and sales”, “Financial management”, “Leasing management and tenant satisfaction”, “Competitive environment and portfolio management”, “Outsourcing and strategic partnerships”, as well as “Cost and operation optimization”. The introduced IREM framework includes these eight strategic themes and three strategic goals, profitability growth, revenue growth and future growth. We argue that the third goal, future growth, is needed as an additional goal, since maximizing the wealth of the stakeholders is no longer sufficient to describe all the drivers that real estate investors have accelerating their strategies.

The presented IREM framework could provide a systemic basis for real estate investors to create a real estate management strategy or to evaluate their current strategy. It can help demonstrate and evaluate which strategic themes and actions matter the most to achieve their strategic goals. The framework could also benefit the strategic partners of real estate investors, e.g., property and asset managers, to understand their customers and the differences in their strategies better.

Limitations and further research

The initial framework of this research was adapted from the CREM framework that has been credited but also challenged in the literature. The IREM framework is based on the same theoretical grounds and, therefore, it would be necessary to study how the results of this study relate to the more recent strategic management theories. Sharing similar research aims, the CREM framework still offered a useful base to build on the new theory and to identify the strategies in the field of IREM. The framework was adjusted after all the interviews were conducted. An iterative process that had adjustments after each interview, could have given an opportunity to correct some of the defects on the framework instantly. It could have probably provided additional support for these corrections and for some of the other adjustments that were made in the end to the framework.

The findings in this study can be generalized to a certain level but the study has some recognized limitations. Even though the propositions got promising support in this study, it should be noticed that the list of the strategic themes might not be exhaustive. The research was only focusing on the companies in the Finnish real estate investment market, which is a rather small real estate investment environment that has become international and professional only in the last decades and it has several local characteristics. Yet, the market is well-functioning, and the sample represents a variety of national and international real estate investors and the support for the propositions was rather strong. However, additional testing of the framework in different real estate markets and environments would be needed for

further generalizability. The selected sampling aimed to find a versatile set of cases that enables sufficient generalization of the results but focusing on a specific investor type could have given stronger results within a specific real estate investor category.

This study offers several interesting opportunities for future research. It would be beneficial to examine what tasks and decisions in each strategic theme would support profitability growth, revenue growth and future growth the best. This research could also benefit from further investigation of future growth and how investors conceive the time horizon, the content and concept of future growth. This study did not aim to compare the strategies of the investors, which could open an opportunity to take this research further to analyze the differences in strategies and to understand the reasons for different strategic decisions. This research path could benefit from focusing on certain real estate investor category or comparing different investor categories. Furthermore, it would be illustrative to understand how strategic themes are linked and connected to each other on the decision-making level.

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