

The Family Office Advantage for RIAs

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In the last two years, registered investment advisors (RIAs) have been challenged with uncertainty and volatility while trying to protect principal and achieve returns for clients. More and more, RIAs are strategically partnering with—or allocating to—select sophisticated family office investment platforms to provide clients with more options for preserving and growing their generational wealth. By integrating family office strategies into their practices, RIAs can offer clients diversification and downside protection.

RIAs are recognizing that family offices are often institutionally rigorous like traditional investment managers but distinct in other ways that may better meet the needs of both UHNW and HNW clients. Family office platforms can be particularly suited to managing risk within a growing alternative asset class in demand for these client bases: private real estate investment.

The more sophisticated family office platforms operate with a research-driven investment strategy encompassing active asset management, incentives across joint-venture partnerships and diversification across the capital structure and risk spectrum.

The Structural Advantage

Traditional investment managers or sponsors are often constrained by fund mandates, rigid structures, misaligned incentives, or short-term capital return pressures. In contrast, with the appropriate planning and liquidity mechanisms in place, family offices can construct their private investment portfolios to retain flexibility. Allocating capital dynamically in the small-to-middle market, using institutional research and relative risk/return metrics, some family office platforms have acquired the sophistication to provide asymmetric return and downside protection.

A New Model for Private Real Estate Investment

In our experience, investing prudently in a highly selective, geographically diversified portfolio of properties, across the capital structure and risk spectrum, can enhance overall portfolio performance and provide downside protection. In the current multifamily housing market, for example, challenging debt conditions and minimal transaction volume has created a window of opportunity in which to capture

equity-like returns with debt-like risk in an asset class with durable, long-term fundamentals.

By integrating a strategy of diversification across multiple aspects of a client's real estate allocation, RIAs can provide targeted risk management and asymmetric return potential. Unlike publicly traded real estate funds, private real estate funds allow an RIA to strategically maintain a laddering strategy to invest thematically and tactically through market cycles.

RIAs and their clients benefit from a family office's significant investment of time and capital to build both an in-house institutionally experienced team and an extensive network of trusted and vetted joint venture operating partners. Stepping into an "in-place platform" enables RIAs to offer uniquely tailored exposure to certain geographies, risk profiles, or asset types to meet individual client goals under a fiduciary standard.

How RIAs Can Partner with Family Offices

Partnering with family office platforms structured as fiduciaries can help RIAs strengthen their portfolios and deliver better outcomes for their clients. Family office platforms that invest in private real estate from a total return perspective are the ones best able to achieve their goals of wealth preservation, durable income and capital growth. RIAs can follow suit to bring stability to their portfolios and reduce risk in challenging and volatile times.

Now is the time for RIAs to review their alternative asset strategies and consider how the right strategic alliances can provide accretive opportunities to manage risk and deliver compelling risk-adjusted returns in a complex investment landscape. Those who adapt will be able to better offer their clients the stability, growth and downside protection that cycle-resilient private real estate investments can provide. ■

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