BGO

Data science drives performance in real estate private equity

Tom Parker, Institutional Real Estate, Inc.'s executive vice president and publisher, recently spoke with **John Carrafiell,** co-founder and co-CEO, and **Chris Liedtke,** chief data scientist and managing director, both with BGO. The following is an excerpt of that conversation.

What are the three or four lessons BGO has learned or is learning as the company deepens its usage of data science?

We use data science in two ways: First, to help us make investment decisions by informing market selection and buy, hold or sell positions. And second, to improve how we operate as an organization.

There are some critical top-down insights we've learned that might not be obvious at the outset. First, you need firmwide buy-in. You can study it, talk about it, write all the white papers in the world — but if there's no buy-in across the organization, people won't use it, and it dies on the vine. It sounds obvious, but it's absolutely critical — and that buy-in has to come from the top. That's why I've made it a point to be directly involved in our data science initiatives and have the team report to me.

Second, this isn't something you can do on the side of your desk. You need dedicated, exceptional talent. We've built a sizable, focused team led by Chris Liedtke, our chief data scientist. This is their full-time job. We've invested heavily — not just in hardware, software and acquiring data, but in people. Many business leaders want to see a straight line from investment in R&D in data science to revenue. With data science, the value comes through better investment performance and more efficient execution. Organizationally, it improves margin and drives results. We have full buy-in that data science is a differentiator for our business.

Third, in real estate, we tend to rely on how things have always been done — it's an apprenticeship model. That's valuable and critical to developing our investment team. But it can also reinforce bias about markets and asset types. Data science helps cut through that. It brings a dispassionate lens — it tells us what the data says, not what we think it should say. Everyone carries some bias, and in investing, that can lead you into trouble. Take the office sector or certain gateway cities — if you aren't willing to suspend your assumptions and truly look at the data, you'll miss opportunities or make bad calls.

For example, we were exploring new industrial markets and came across Las Vegas — a market we'd never invested in before. At the time, it wasn't in anyone's top 10, 40, or even 100 industrial markets. But our analytics flagged it as likely to outperform in rental growth between 2021 and 2026.

So, I got on a plane with our team to meet with our operating and development partner, NorthPoint Development. We were considering a major bet — buying 128 acres to build two 1 million-square-foot facilities that had never been built on spec in that market before. We walked the land, studied the submarket, checked comps. You still have to do the bricks-and-mortar work — data science doesn't replace that — but we wouldn't have even gotten on the plane if the analytics hadn't pointed us there.

What happened? We leased the first building before completion and the second shortly after — both at rents nearly double what we underwrote in 2021. That's not common in traditional real estate investing.

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BGO has been an aggressive early mover in the data science space. What's the true business case for this position?

It comes down to three things. First, performance. At the end of the day, our investors work with us if we can outperform. We believe using data science helps us do that — it improves how we assess risk and return.

Second, it gives us a competitive edge. We can spot market shifts early — before our peers — and just as importantly, exit markets before the signs are obvious to others. We're not simply following the herd.

Third, we invest in data centers — through our data science team, we understand what happens inside them. State-of-the-art NVIDIA GPU "computing power" is not an abstract idea for us. We actively utilize GPU technology to train our predictive models. That gives us direct insight into the infrastructure, which strengthens our conviction in the sector.

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Can you share some additional examples of where you see the application of AI and data analytics really earning its value?

One example: We were looking to add multifamily to one of our strategies and were analyzing Florida. It was clearly a growth market, but some submarkets seemed overheated. Our analytics highlighted second-tier submarkets outside of Miami as poised to surge. We made an investment in one of those areas approximately three years ago and nearly doubled NOI during our hold. Some of that came from renovations, but most of it was simply getting the market call right.

Another example involves the Inland Empire in Southern California. It's been a top industrial market for nearly two decades. Still very solid. But our data showed rental growth was going to slow, possibly stagnate or reverse. About 18 months ago, we exited a nearly $1 billion portfolio from our core fund that was heavily weighted in that market. We still liked the region, but the data told us it was time to exit. Getting out ahead of that – before others saw it – was key.

Just like being early into a market creates value, being early out can protect performance.

To what degree do investors engage with your data analytics? Does it challenge biases they might bring to investing?

Several of our U.S. investors have had a session with Chris and his team. We walk them through the model – how it works, what drives it, how we've improved it, how we back-test it. And we show how it compares to the forecasts of other major market data providers.

It's not a black box. We don't want it to feel mysterious. It's grounded in fundamental analysis – thousands of data points. We show how our future-blinded models correlate with actual rental growth and what the predictive factors are for outperformance or underperformance.

That transparency builds trust. Investors see there is real substance behind the analytics, and they see that it's working. It gives them more confidence in what we're doing.

John, how is your leadership of the firm being influenced by what you see in data science and AI today?

Everyone at BGO has passion for what they do, and we genuinely love coming into work. But data science has re-energized the team. It's exciting – and fun. It's been a four-year journey, and once people saw the impact – how it could make them better at their jobs, help them drive performance and manage risk – there was a real buzz.

In an industry where things haven't changed much in decades, data science has helped us rethink how we work – not just investing, but asset management, reporting and day-to-day operations. We're now using AI and large language models to remove mundane tasks and free people up for judgment-driven, strategic work.

I believe that's made us a better organization – and a happier one. People are spending more time on creative, value-add parts of the job. That's an unexpected benefit. It's also helped us attract and retain talent. We've built a culture that embraces innovation, and that creates energy. People want to be part of it. And finally, it's changed how we interact with investors. We're not just reporting or pitching anymore – we're sharing insights. What we're learning through data and research. It's created a more collaborative, forward-looking dialogue. It feels like a partnership.

CONTRIBUTORS

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John Carrafiell is the co-founder and co-CEO of BGO, a leading, global investment management and advisory firm. Carrafiell is a 37-year veteran of global private equity investing and investment management, M&A, corporate finance, asset-backed securitization and real estate (32 years based in London and Europe). He is a member of the board of several firms, including Lineage, Inc., the world's largest temperature-controlled logistics company, Klepierre, one of Europe's largest REITs, Sandow Lakes Ranch Venture, LLC, a 32,000-acre development project outside Austin, Texas, and an observer of on the board of Norway-based Bulk Infrastructure, a leading provider of green data centers and logistics in Europe. Carrafiell is the co-chairman of the Yale School of Architecture Dean's Council and co-chairman of the Chelsea & Westminster Hospital Foundation Trust Development Board.
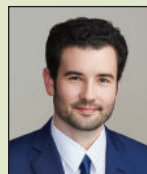
Chris Liedtke
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Chris Liedtke heads BGO's Applied Data Science Center of Excellence, which is focused on innovations that can help quickly identify opportunities and inflection points within markets.

ABOUT BGO

BGO is a leading global real estate investment management advisor, real estate lender and a globally recognized provider of real estate services. BGO serves the interests of more than 750 institutional clients, with expertise in the asset management of office, industrial, multi-residential, retail and hospitality properties across the globe. BGO has offices in 27 cities across 13 countries, with deep local knowledge, experience and extensive networks in the regions where we invest in and manage real estate assets on behalf of our clients in primary, secondary and co-investment markets. BGO is a part of SLC Management, the institutional alternatives and traditional asset management business of Sun Life. For more information, please visit **www.bgo.com.**

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