AFIRE’s 27th Annual Membership Meeting

AFIRE is returning to Boston this year September 15–17 at The Westin Copley Place Hotel. The theme for this year’s annual conference is: The Law of Supply and Demand Has Not Been Repealed. The conference will kick off with a reception in the evening on Tuesday, September 15. The program begins on Wednesday, September 16, with an economic address by Doug Poutasse from Bentall Kennedy followed by a panel discussing the impact of capital flows into US real estate on valuations and cap rates. At lunch, US Secretary of Defense (2013–2015) and two-term United States Senator Chuck Hagel will address the attendees. After lunch, a panel will dissect the cities and regions of the US that are being most affected by the flood of capital into the market. The day’s program will end with a presentation by Dr. Edward Glaeser from Harvard University on the plight and promise of American cities. A cocktail reception and formal dinner will be held in the evening, capped off with Charlie Cook, the “Picasso of election analysis” discussing the 2016 Presidential election. On Thursday, September 17, Nate Fick, CEO of Endgame, will describe the cyber-security threat to the nation, our firms and our personal lives. The conference will wrap up with the story of the Boston seaport and its amazing transformation.

Two tours will be organized for the afternoon of September 15. One tour will follow the historic Freedom Trail as a guide leads participants to iconic locations made famous during the American Revolution, such as the Boston Massacre and the Boston Tea Party. The tour will include insights into American history that you have never heard before. How many people knew that Ho Chi Minh worked at the Parker House Hotel in Boston? The other tour will allow participants to visit the exciting new developments along Boston’s seaport, one of the most significant and coveted waterfronts along the East Coast. AFIRE members have already developed and will develop significant parcels along this waterfront. Attendees will be able to sign up for one of these tours when they register for the conference.

Please refer to the full program on pages 13 and 14 or visit www.afire.org.
Welcome New Members

Lennar International

Lennar International represents Lennar Corporation’s homebuilding flagship, other portfolio companies and partners in the global real estate investment community. Lennar International focuses on foreign direct investment in Lennar’s platform through a variety of forms, from retail sales to the investment of debt and equity and dispositions.

Founded in 1954 and based in Miami, FL, Lennar Corporation is recognized for its high standards and respected as a leader in the homebuilding industry — values that are now upheld in its growing diversified real estate ventures, including financial services, investing and managing third-party capital, investing in real estate-related mortgage loans, properties and related securities, multi-family rental and commercial platforms. Listed on the New York Stock Exchange since 1972, Lennar Corporation trades under the symbols LEN and LEN B. The Lennar brand exemplifies creativity, innovation and teamwork, nationwide.★

Delegates:
Chris Marlin; Coral Gables, FL; 305.229.6650; chris.marlin@lennar.com
Casey Davis; Aliso Viejo, CA; 949.349.8000; casey.davis@lennar.com
Rony Tamayo; Coral Gables, FL; 305.229.6400; rony.tamayo@lennar.com

OUE Limited

OUE Limited is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the US. OUE consistently grows its business by leveraging its brands and proven expertise in developing and managing landmark assets across the commercial, hospitality, retail and residential sectors. With its core strategy of investing in and enhancing a stable of distinctive properties, OUE is committed to developing a portfolio that has a strong recurrent income base, balanced with development profits, to enhance long-term shareholder value. Reflecting this commitment, OUE Limited purchased its first US asset — the US Bank Tower in downtown Los Angeles — in 2013, and since then has invested $50 million in renovation and improvements. ★

Delegates:
Lucy Rumantir; Los Angeles, CA; 213.337.3951; lucyrumantir@oue.com.sg
Peter Johnson; Los Angeles, CA; 213.337.3951; peterjohnston@oue.com.sg
John Gamboa; Los Angeles, CA; 213.337.3951; johngamboa@oue.com.sg
QInvest
QInvest is Qatar’s leading investment bank with operations across the Middle East, Africa and Europe. QInvest has best-in-class investment and advisory capabilities, with the highest standards of governance and transparency underpinning its client-focused approach. QInvest’s three business divisions are Investment Banking, Principal Investments and Asset Management, with offices in Doha, Riyadh and Istanbul, as well as affiliates in India and the UK. Its team of investment professionals is the largest in the MENA region and provides a blend of broad international experience, regional knowledge and unparalleled relationships in Qatar. QInvest is licensed by the Qatar Financial Centre Authority and is authorized by the Qatar Financial Centre Regulatory Authority. QInvest’s shareholders include Qatar Islamic Bank and other institutional investors, as well as high-net-worth individuals. The firm has authorized capital of $1 billion and paid up capital of $750 million. QInvest real estate unit has deployed circa $4 billion of equity since 2010, with acquisitions and mezzanine financing transactions being focused into the GCC, London, the US, France and Spain to date. These investments typically focus on both funds and direct investments in the office, retail, hospitality, multi-family, scalable mixed use and residential development sectors.

Delegates:
Craig Cowie; Doha, Qatar; +974.440.56571; ccowie@qinvest.com
Vaughn Weatherdon; Doha, Qatar; +974.440.56571; vweatherdon@qinvest.com

Square Mile Capital Management LLC
Square Mile Capital Management LLC is a New York-based private investment firm that focuses on real estate and real estate-related opportunities, including both debt and equity investments on behalf of select institutional and private investors. The firm employs a bottom-up underwriting process emphasizing underlying real estate micro and macro market fundamentals. Across its platform are a wide range of investment structures that have included sole equity ownership, equity joint ventures, mezzanine debt, whole loan originations and public company privatization. Founded in 2006, Square Mile has invested in excess of $2.5 billion across its opportunistic and debt origination CRE fund strategies, together with related co-investment opportunities. Square Mile is jointly owned by its Managing Principals, Craig Solomon and Jeffrey Citrin, and USAA Real Estate Company.

Delegates:
Craig Solomon; New York, NY; 212.605.1000; csolomon@squaremilecapital.com
Jeffrey Fastov; New York, NY; 212.605.1000; jfastov@squaremilecapital.com

Thank you
AFIRE would like to thank Brad Olsen of Atlantic Partners and USAA Real Estate Company for playing an instrumental role in QInvest joining AFIRE.
2015 AFIRE European Conference

Anders Fogh Rasmussen, Secretary General of NATO (2009–2014) and Prime Minister of Denmark (2001–2009)

Werner Sohier, PGGM, and Susan Wallace, USAA Real Estate Company

Tom Arnold, ADIA; Richard Johnson, UBS Global Asset Management; Olivier Thoral, AXA Real Estate; and Jim Hime, USAA Real Estate Company
2015 AFIRE European Conference

The Breakers where the Welcome Reception was held.

Steve Hason, APG Asset Management US Inc., and Craig Solomon, Square Mile Capital Management LLC

Amilcar Grot, Blue Sky Group; Sander Veltman, Syntrus Achmea; and Indraneel Karlekar, Principal Real Estate Investors

For more photos from the European Conference, please go to the AFIRE website, www.afire.org.
In Real Estate’s Safest Harbors, the Boat Can Still Be Rocked

By Kathryn Hamilton, Hamilton Ink

By any definition, US real estate, with its improved fundamentals of transparency, liquidity, flexible labor force and stable employment, and advantages of geography and rule of law, certainly fits the definition of a “safe harbor.” But, according to the “Dropping Anchor” panel at AFIRE’s summer meeting, it is no longer the only safe port and it may face challenges in the wake of its popularity.

With real estate acquisitions some 8 percent better than its 2007 peak, panelists projected that as an annual average, foreign investors are responsible for 10–12 percent of real estate acquisition in the US. Year-to-date that number has increased to 17 percent. “If you are coming from a place that has a lot of geo-political uncertainty, the US looks pretty good even if you have to pay a bit more because of the dollar’s strength,” said Randy Mundt, chief investment officer, Principal Real Estate Investors. “On a relative basis, I think the US stands out in terms of its ability to offer investors the opportunity to live to play another day,” said Ed Casal, chief executive officer, global real estate, Aviva Investors.

At the same time, panelists voiced concerns over the risk of pricing volatility created by competing capital. With US returns of 20 percent remaining illusive, “most of the people that we talk to are expanding the number of markets they’re looking at,” said Christopher Ludeman, global president, capital markets, CBRE. “Where it may have been one city in Germany, now it’s five. Rather than just London, it’s other cities in the UK. Driving the diversification,” he added, “is either a greater level of confidence or a perception that the fundamentals of the business, along with the weight of capital, will provide at least a reasonable rate of return. We don’t see a steep change in inbound European investment in the same way we see a steep change in investment coming in from Asia and in aggressive capital going to Europe.”

A Tsunami of Asian Investment

The regulatory changes that now allow Chinese insurance companies to invest in foreign real estate and the awareness of recent, high-profile investments are
creating a chain reaction across Asia. Panelists said they expected more of the 10 Chinese insurance companies to follow the first five. They pointed to Cathay’s recent London investment and interest in New York as a harbinger of Taiwanese investment, and said Korean investment managers “have switched from investing 70 percent of their capital in-country to moving 70 percent out of country.”

Driving Chinese investment beyond the insurance companies are the “oversized ambitions of Chinese developers” and the wave of hundreds of ultra-high-worth individuals who are investing in “not very sexy” $50 to $100 million deals and who may be willing to overpay to be taken seriously.”

**The US Markets**
Panelists debated whether markets approaching replacement costs were ripe for development. “The supply of office space seems to have been protected by condo conversions,” said Mr. Casal. He said he was “not eager to jump into ‘commodity’ real estate” and was seeking “sub-markets where [he] can have a critical mass and sit there to ride out an anticipated downturn.”

“I’m surprised at the resiliency of multi-family, which is still seeing growth, though not as steep as it had been,” said Mr. Ludeman. While he said there was no rental growth in suburban retail, both urban and “high-street” retail were experiencing rental inflation, and foreign capital was driving growth in well-located logistics. A surprise: growth in suburban office.

Mr. Mundt said investors were tapering their rent growth assumptions, accepting IRRs of seven or just below and making up for it through leverage, particularly given today’s lower interest environment. “It’s not a bad move as long as leverage doesn’t get to 65 percent LTV.”

“The question is are they going to get caught,” added Mr. Ludeman. “It’s dangerous to tie your exit cap to a strategy that assumes rental rates will continue to grow as they did when we emerged from a fiscal crisis. Some people are figuring a market correction in 2018 or 2019.”

Beyond capital preservation, he said long-term growth might be possible just owing to demographics. “Twenty-five million people (the size of the state of Texas) coming into the US every year will create an inherent demand for real estate of some type,” he said. Even if there is a correction, panelists saw the upside in US real estate. “Investors are coming for diversification. As long as you believe we are not in systemic decline like we were in 2007 or 2008, the US economy has the best chance of doing well,” said Mr. Casal. “In some ways it’s a no-brainer to come to that conclusion.”

**The FIRPTA Challenge**
FIRPTA remains a concern for investors. Although Mr. Ludeman added some perspective. “Investing around the world isn’t tax free. In other countries there are transfer taxes, real income taxes, etc. We are not in a situation of FIRPTA versus zero.” Nonetheless, panelists said most of their clients were working around it: “taking a 49 percent interest and managing the investment through a tax structure that reduces the penalty.” Participants also raised the prospect of improvement should a new political administration reduce the corporate income tax.

Acknowledging that there would be exceptions, panelists concurred that public markets were not likely to supplant direct foreign investment, largely owing to concerns about co-mingling and volatility. Among the issues concerning panelists: rising Treasury rates, the result of rogue Central Bank monetary policy; a too-hot, over-valued technology market; and geopolitical risk. “Real estate investing is so global today, I worry about what civil unrest could do to global investing,” concluded Mr. Ludeman. ★
AFIRE Program at REALPac Meeting in Toronto

On June 25, REALPac of Canada conducted a breakfast meeting of their members with the theme of “Canada’s Unofficial Province: What Makes US Real Estate So Attractive to Canadian Investors?”. The program for the meeting was a collaboration between AFIRE and REALPac. REALPac is Canada’s most senior influential and informative voice in the real property investment industry. REALPac brings together the industry’s Chief Executives to collectively influence public policy, to educate government and the public, to ensure stable and beneficial real estate property and capital markets, and to promote the performance of the real property sector in Canada.

Janice Stanton, Senior Managing Director, Capital Markets Group, Cushman & Wakefield

Michael Brooks, CEO, REALPac; Len O’Donnell, CEO, USAA Real Estate Company; Gary Whitelaw, CEO, Bentall Kennedy; Mark Gibson, CEO, HFF Ltd.; David Arthur, CEO, Brookfield Property Group; and Jim Fetgatter, Chief Executive, AFIRE
• 2015 is off to a great start with quarterly sales up 45 percent YOY on volume of $129b. The office sector led activity on $33.5b of sales followed closely by the apartment sector at $33.0b for the quarter. The industrial sector posted the strongest overall gains, up 95 percent YOY. Sales volume is up across all property types, though the retail and development site sectors saw growth only in the single-digits.

• Portfolio and entity-level transactions were a big component of transaction activity in Q1, accounting for just under 37 percent of all sales volume. As this publication is being written, more mega deals are in the works which, if they close, will likely continue this trend of portfolio and entity-level transactions into Q2.

• Cap rates continued to fall in Q1 across all property types. Suburban office assets posted some of the biggest year-over-year declines with cap rates down 60 bps from a year earlier to hit 6.8 percent.

• Commercial property prices as measured by the CPPI are up for the year across all property types. Not all property types have recovered to the peak levels set prior to the Global Financial Crisis (GFC), however; and Suburban Office is the furthest behind at 12.5 percent off of the previous peak. Still, the combination of growing volume and prices across all property sectors suggests that investors have an appetite for commercial real estate, though how they are placing capital is evolving.

• Again, the big story this quarter was the heavy activity in the portfolio and entity-level transactions. These sorts of transactions played an important role in the run-up of asset prices that preceded the calamitous fall into the GFC. Combine this activity with cap rates now at or below the previous low-water marks seen before the GFC and some investors are worried that we will face a similar downturn in the near future given the same signals.
This Time It’s Different
—Real Capital Analytics’ US Capital Trends, April 2015

- While portfolio and entity-level transactions were important in the last two quarters, these large deals are still a smaller portion of the market than what was seen in the last market run up. On average these deals represented 48.3 percent of all transaction volume in 2007, some quarters as much as 53 percent of volume. This figure jumped to 38 percent in Q1, but the trend over the last few quarters has been close to only 30 percent.

- Additionally, the entity-level transactions which happened into 2007 represented a generally one-way flow of capital. Just under 72 percent of all transactions involved taking public companies private in an arbitrage play on asset values in the public and private markets. In the last two quarters, the entity-level deals involve a wider array of capital flows. Additionally, recent capital flows involved foreign investors with long-term investment horizons placing a macro bet on the U.S. in a global sea of uncertainty and risk.

- Finally, underwriting standards are tighter today than they were in 2007. LTVs on commercial loans hovered close to 70 percent in the run up to 2007. In the last two quarters, however, this figure is closer to 65 percent. The market is not the same sort of highly leverage bet on future growth that was seen in 2007.

- Granted, any time somebody says, “This time it is different,” investors may want to reach for their wallets. This said, we are confident in saying that if there is some sort of shock to prices it will not be driven by the same conditions that led to the fall in prices into the GFC.

- This pace of portfolio and entity-level deals is likely to continue into Q2. The GE Capital-Blackstone-Wells Fargo deal is reported at $23.0b split between debt and equity. The KTR-Prologis deal is reported at $5.9b and with the involvement of Norges Bank, continues an important new trend of foreign capital looking to dependability over beauty in some of their U.S. commercial real estate investments.

- If it turns out that all the deals we know of do close and the GE Capital deal involves only $9.0b in equity, then the sum total of portfolio and entity-level transactions announced through late April are already at 45 percent of the levels hit in Q1. If these trends continue, we could be in for a record Q2.
AFIRE Calendar of Events

2015

ANNUAL MEMBERSHIP MEETING
Boston, MA
The Westin Copley Place
September 15–17, 2015

AFIRE BOOTH AT EXPO REAL
Munich, Germany
October 5–7, 2015

AFIRE BRUNCH AT EXPO REAL
Munich, Germany
Restaurant Seeblick
October 2016

2016

WINTER CONFERENCE
New York, NY
Mandarin Oriental, NY
February 10 & 11, 2016

AFIRE BRUNCH AT MIPIM
Cannes, France
Hotel Majestic
March 2016

EUROPEAN CONFERENCE
Hamburg, Germany
Hotel Atlantic Kempinski
June 15 & 16, 2016

ANNUAL MEMBERSHIP MEETING
Washington, DC
Mandarin Oriental
September 11–13, 2016

AFIRE BOOTH AT EXPO REAL
Munich, Germany
October 2016

AFIRE BRUNCH AT EXPO REAL
Munich, Germany
Restaurant Seeblick
October 2016

2017

WINTER CONFERENCE
New York, NY
Mandarin Oriental, NY
February 8-9, 2017

AFIRE BRUNCH AT MIPIM
Cannes, France
Hotel Majestic
March 2017

EUROPEAN CONFERENCE
London, England
Claridge's
June 7-8, 2017

ANNUAL MEMBERSHIP MEETING
San Francisco, CA
The Ritz-Carlton, San Francisco
September 11–13, 2017

AFIRE BOOTH AT EXPO REAL
Munich, Germany
October 2017

AFIRE BRUNCH AT EXPO REAL
Munich, Germany
Restaurant Seeblick
October 2017
YOU’RE INVITED

AFIRE AT EXPO REAL 2015
Munich, Germany

THE BRUNCH
Please join us at the
ANNUAL AFIRE BRUNCH AT EXPO REAL
TUESDAY, OCTOBER 6, 2015, FROM 9:00am TO 11:30am
Restaurant Seeblick
(First Floor — West Entrance, New Munich Trade Fair Center)

RSVP FOR AFIRE EXPO REAL BRUNCH
Please go to www.afire.org to register online. To be included on the published participant list, please register by September 25, 2015.

THE BOOTH
AFIRE, REAL ESTATE CAPITAL PARTNERS and WAFRA RESIDENTIAL VALUE INVEST / WAFRA INVESTMENT ADVISORY GROUP, INC. will co-host stand B1.510 at EXPO REAL 2015. Please plan to stop by!
ASSOCIATION OF FOREIGN INVESTORS IN REAL ESTATE
27TH ANNUAL MEMBERSHIP MEETING
SEPTEMBER 15–17, 2015

The Law of Supply and Demand Has NOT Been Repealed
The influx of new capital into the real estate market from sources both domestic and foreign could have a profound effect on property valuations in the years to come. The scramble for higher yields in “alternative” investments combined with a desire for safety and security may continue to limit the acceptable supply of products available.

TUESDAY, SEPTEMBER 15

2:30pm–4:30pm .................. Freedom Trail Walking Tour OR Boston Seaport Tour
Two tours will be organized for the afternoon of September 15. One will follow the historic Freedom Trail as a guide leads participants to iconic locations made famous during the American Revolution, such as the site of the Boston Massacre and the Boston Tea Party marker. The other tour will allow the participants to visit the exciting new developments along Boston’s Seaport, one of the most significant and coveted waterfronts along the East Coast. Attendees can sign up for one of these tours when registering for the conference online.
Tours will depart from the hotel lobby promptly at 2:30pm.

6:00pm–9:00pm .............. Dinner Reception The Westin Copley Place

WEDNESDAY, SEPTEMBER 16

8:00am–9:00am .............. Registration and Breakfast
8:00am–9:00am .............. Executive Committee Breakfast for Guests and New Members
9:00am–9:15am .............. Welcome by Thomas R. Arnold, Head of Americas Real Estate, ADIA, and AFIRE Chairman
9:15am–10:00am ............ Keynote Economic Address
Doug Poutasse, Executive Vice President and Head of Strategy, Bentall Kennedy
10:30am–11:45am .......... A Rising Tide
The impact of capital flows on valuations. Will it create distortions in the marketplace? Should the wise investor be capturing the available supply now or selling into the current demand?

12:00pm–2:00pm ............ Luncheon Address
ASSOCIATION OF FOREIGN INVESTORS IN REAL ESTATE
27TH ANNUAL MEMBERSHIP MEETING
SEPTEMBER 15–17, 2015

WEDNESDAY, SEPTEMBER 16

2:00pm–3:00pm Will the Tide Lift All the Boats?
Which cities and regions are in the path of this flow of capital? Will the impact be the same in all cities? Which product types are the most susceptible to this influx?

3:00pm–3:45pm The Triumph of US Cities
Edward L. Glaeser, PhD, Professor of Economics, Harvard University, and Author of Triumph of the City

3:45pm–5:30pm AFIRE BOARD OF DIRECTORS MEETING

6:00pm–9:00pm Reception and Dinner
The 2016 US Presidential Election
Charlie Cook, Editor and Publisher of The Cook Political Report, Columnist for the National Journal

THURSDAY, SEPTEMBER 17

8:00am–9:00am Registration and Breakfast

8:00am–9:00am Board of Directors Breakfast and Photos

9:00am–9:30am Announcements and Introduction of New Officers

9:30am–10:30am The Digital Domain: Security and Innovation
Nathaniel Fick, Chief Executive Officer, Endgame, and Author of One Bullet Away

10:30am–11:30am Deep Diving in Boston
The Boston Seaport has reached the tipping point! Why now? What is driving the investment of capital and the relocation of major firms into the seaport area?

12:00pm Meeting Adjourns

Thank You Sponsors
If you are an AFIRE Delegate, please go to www.afire.org to register or print clearly the information below and e-mail this form to AFIRE at nknight@afire.org.

Mr./Ms./Mrs. Name:

Badge Name:

Title:

Company:

Mailing Address:

City, State, ZIP, Country:

Phone: Fax:

E-mail:

Special Meals or Needs:

REGISTRATION FEE & REGULATIONS

- First & Second Institutional Member Delegates: Complimentary
- Third Institutional Member Delegate: $1,500
- Associate & Supporting Member Delegates: $1,500
- Institutional Young AFIRE Delegate: $1,000
- Non-Member Registration: $2,500

CANCELLATION POLICY

Refunds will be given for cancellations received in writing to nknight@afire.org by September 11, 2015. Substitutions may be made anytime. Please note that if you do not cancel and you do not attend, you are still responsible for payment.

PAYMENT INFORMATION (All fees and payments are in US dollars.)

Check (payable to AFIRE)

Name on Credit Card:

Account Number: Expiration Date:

Credit Card Billing Address:

Signature:

Hotel Information
The Westin Copley Place
10 Huntington Avenue
Boston, MA 02116

To make reservations, please call 1.888.627.7216 and advise that you are a part of the AFIRE Fall Conference to receive the negotiated rate of US $299.

To Register
If you are an AFIRE Delegate, please go to www.afire.org to register. If you are a member of AFIRE, but not a designated Delegate, please fill out the registration form and return to nknight@afire.org. To be included on the participant list, you must register online by August 28, 2015.

Questions
Please contact the AFIRE office at 202.312.1400 if you have any questions.

AFIRE 2015 ANNUAL MEMBERSHIP MEETING
SEPTEMBER 15–17, 2015 • THE WESTIN COPLEY PLACE • BOSTON, MA