



Summer 2013

# AFIRE News

The Official Voice of the Foreign Real Estate Industry

## INSIDE

2

Welcome  
New Members

4

Developing a Tax  
Strategy to Invest in  
US Real Estate

10

MIPIM 2013  
Photos

12

Americas:  
Top Deals and Players  
in Q1'13

13

Bite-Sized Reviews

14

Calendar of Events

15

2013 EXPO REAL  
Brunch Registration

16

25th Annual  
Membership Meeting  
Program

20

25th Annual  
Membership Meeting  
Registration Form

## AFIRE Hosts 25th Annual Membership Meeting

The theme of the meeting is **Live from the US: Real Estate's Time in the Sun**. The conference begins with a reception at The Ritz-Carlton on Monday evening. The keynote speaker will be Condoleezza Rice, Secretary of State, 2005–2009, who will address the conference at lunch on Tuesday. At a dinner held Tuesday evening in the historic City Hall rotunda, the dinner speaker will be the legendary former Mayor of San Francisco Willie L. Brown. The closing panel on Wednesday will focus on the growing wave of Asian investment.

Condoleezza Rice is currently the Denning Professor in Global Business and the Economy at the Graduate School of Business; the Thomas and Barbara Stephenson Senior Fellow on Public Policy at the Hoover Institution; and a professor of Political Science at Stanford University. She is also a founding partner of RiceHadleyGates LLC.

From January 2005–2009, Dr. Rice served as the 66th Secretary of State of the United States, the second woman and first African-American woman to hold the post. She also served as President George W. Bush's Assistant to the President for National Security Affairs (National Security Advisor) from January 2001–2005, the first woman to hold the position.

Dr. Rice served as Stanford University's Provost from 1993–1999, during which she was the institution's Chief Budget and Academic Officer. As Provost, she was responsible for a \$1.5 billion annual budget and the academic program involving 1,400 faculty members and 14,000 students. In 1997, she also served on the Federal Advisory Committee on Gender-Integrated Training in the Military.



*Continued on page 9*

**25TH ANNUAL MEMBERSHIP MEETING**  
**LIVE FROM THE US: REAL ESTATE'S TIME IN THE SUN**

SEPTEMBER 9-11, 2013 • THE RITZ-CARLTON • SAN FRANCISCO, CA

See the full program on pages 17–19. Register online at [www.afire.org/events](http://www.afire.org/events)  
or fill out the form on the back cover.

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**Purpose**  
AFIRE News provides its membership with information and news on legislation, issues and events impacting institutional real estate investment.

AFIRE News is published four times a year by the Association of Foreign Investors in Real Estate. The newsletter is mailed to AFIRE members at no additional cost.

**Editor**  
Lexie Miller

**Editorial Submissions**  
Articles and materials for inclusion in AFIRE News may be submitted to the AFIRE office via e-mail.

# Welcome **New** Members

## Hannover Leasing GmbH & Co. KG

As a member of the Landesbank Hessen-Thüringen Girozentrale group, Hannover Leasing GmbH & Co. KG is one of the largest initiators of closed-end funds and one of the leading leasing companies in Germany. 63,500 investors have invested €9.1 billion in capital in the group's closed-end funds. The acquisition value of its managed assets totals €15.2 billion. For more than 30 years, Hannover Leasing has proven its ability to change and recognize new challenges and opportunities time and time again. It has consistently and continuously expanded its product range to include not only domestic and foreign real estate, but other top-performing investments such as airplanes and renewable energy. ★

### Delegates

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## Lowe Enterprises Investors

Lowe Enterprises Investment Management, LLC, founded in 1990, is an independent real estate investment manager headquartered in Los Angeles with a regional office in Philadelphia. LEI is focused on value-add real estate investments (office, hotel, multi-family and other property types) in the United States that can leverage LEI's affiliation with Lowe Enterprises, Inc. ("Lowe") to produce superior risk-adjusted returns for its investors as an "investor-operator."

Formed in 1972 by Robert J. Lowe, Lowe Enterprises is a privately owned vertically-integrated real estate company headquartered in Los Angeles with regional offices located in Southern California, Northern California, Denver and Washington, DC. ★

### Delegates:

Bill Cockrum; Los Angeles, CA; 310.571.4206; [bcockrum@loweenterprises.com](mailto:bcockrum@loweenterprises.com)

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## MetLife Real Estate Investors

MetLife Real Estate Investors is a division of MetLife Investment Management, LLC, an SEC-registered investment advisor and wholly owned subsidiary of MetLife, Inc. MetLife Investment Management delivers investment advisory capabilities to institutional clients. MetLife has been an active real estate investor for over 100 years, with experience in all major property types. MetLife's professionals manage investments in real estate equity and commercial mortgages, and MetLife has over 140 dedicated real estate professionals with extensive experience and tenure. MetLife's real estate team currently manages for MetLife entities approximately \$43 billion of commercial mortgage investments and approximately \$12 billion of net equity value direct real estate investments, or a total of \$55 billion of the \$486 billion of MetLife's managed assets. MetLife maintains a client-centric focus, an uncompromising commitment to quality, with best-in-class service and execution. ★

### *Delegates:*

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## National Bank of Kuwait

NBK was established in 1952 as the first local bank and the first shareholding company in Kuwait and the Gulf region. Over the years, NBK has remained the leading financial institution in Kuwait and has successfully extended its well-established franchise throughout the Middle East. NBK currently operates through a large international network covering the world's leading financial and business centers across 16 countries.

NBK has long been recognized for its excellent and stable management team and its clear and focused strategy. NBK's strength rests on its consistent profitability, high asset quality and strong capitalization. NBK offers a full spectrum of innovative and unrivalled financial and investment services and solutions for individuals, corporate and institutional clients. NBK currently enjoys a dominant market share with a large and ever expanding local and regional client base.

NBK has consistently been awarded the highest ratings among regional banks by the major international ratings agencies: Moody's, Standard and Poor's, and Fitch Ratings. In 2011, the bank was named "Best Bank in the Middle East" by *Global Finance* and *The Banker*. ★

### *Delegates:*

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# Developing a Tax Strategy to Invest in US Real Estate

By Steven Schneider, John Grumbacher and Robert Towsner<sup>1</sup>, Goulston & Storrs, P.C.

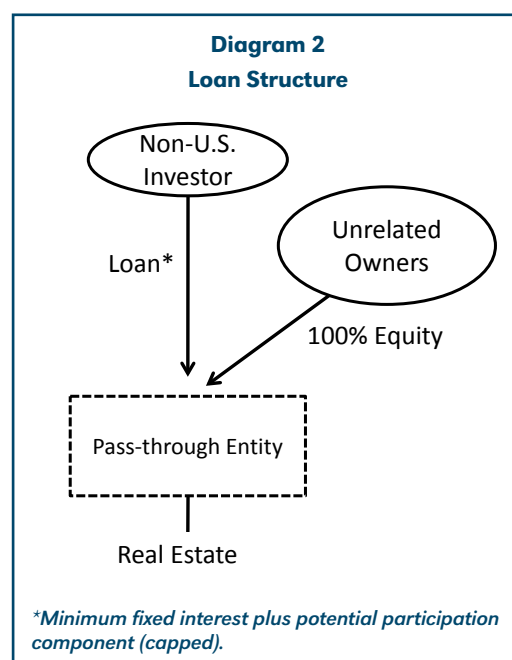
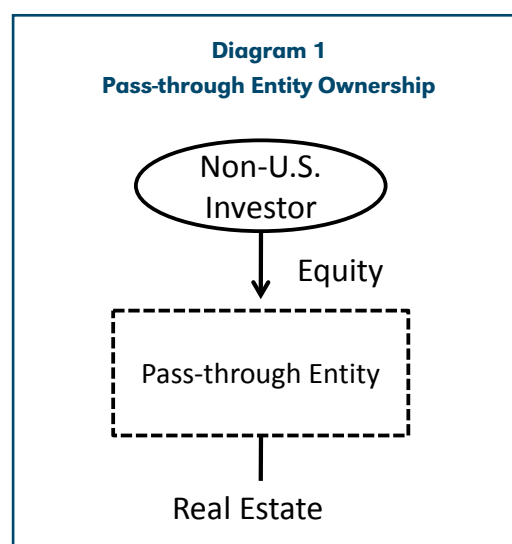
Most non-US persons do not directly invest into US real estate. Instead, both tax and non-tax considerations generally drive investments through various intervening entities, depending on the optimal tax structure for the particular investor and the investment. This article provides an introductory overview of the general US tax rules relevant for investing in US real estate and the effects those rules have on investment structures.

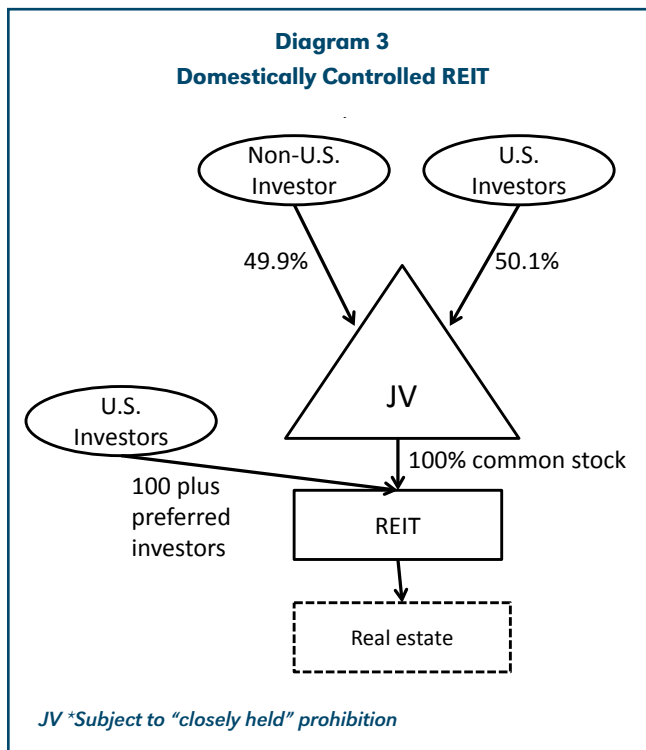
## Common Investment Structures

It is common for international investors to minimize US taxes and filing obligations through a variety of structures, which will vary significantly depending on the type of investor, real estate industry segment, type of investment (e.g., debt vs. equity and whether wholly owned or owned through a joint venture), investor's home country and the relative percentage of ownership by non-US investors. For example, an investor from a high-tax home country that allows a full credit against US taxes may choose to own the US real estate through a pass-through structure where they file personal US tax returns but receive a full offsetting home country credit for the US taxes paid (Diagram 1).<sup>2</sup> In contrast, an investor who is subject to low or no tax in their home country may instead choose to invest through (a) loans that qualify for withholding tax exemptions (or reduced rates) (Diagram 2), (b) equity investments through a closely held Real Estate Investment Trust (REIT) (Diagram 3) or (c) a combination of debt and equity held through a US "blocker" corporation (Diagram 4).

## What US Income Taxes Generally Apply to Real Estate Investments?

Typically, non-US persons are taxed at graduated rates (39.6 percent is currently the federal top marginal individual tax rate and 35 percent is the top corporate tax rate) on their net income from real estate operations.<sup>3</sup> If the real estate is held for at least one year, individuals (but not corporations) are taxed at lower capital gains rates on sale proceeds. The marginal capital gain rates are currently 25 percent for gains that reflect recapture of depreciation claimed in prior years on real property and 20 percent for any gains thereafter (in essence, the "economic" gain). State and local taxes often add between 5 and 10 percent across the board, with major

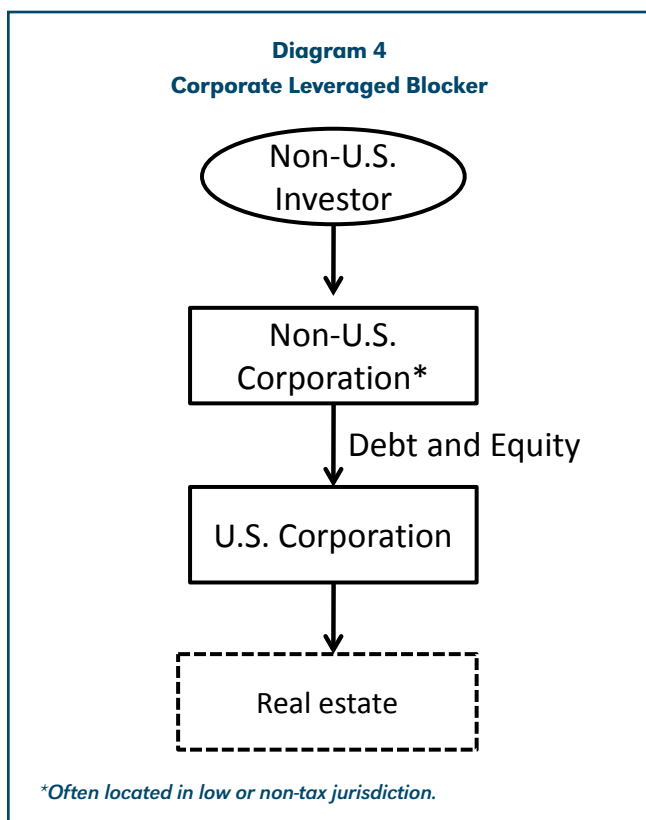




population areas on the higher side of the scale.<sup>4</sup> In addition, special “FIRPTA” rules also tax gains from the disposition of US real property or of interests in US real property holding companies.

### Are There Withholding Taxes?

If the non-US person owns US real estate through a US limited liability company (“LLC”) or partnership, the LLC or partnership is generally required to withhold tax on both its share of taxable income or gain and on any distributions. If the partner sells its LLC or partnership interest, FIRPTA withholding also applies to the sale proceeds. The general federal withholding rate on taxable income to foreign investors from real estate gains is 35 percent. If a non-US person sells real estate or an interest in a US real property holding company, the withholding tax rate generally will be 10 percent of the sales price (which will include the amount of any debt on the property at sale).<sup>5</sup> Additional state tax withholding may also apply.



### How Might the Investor’s Country of Residence Affect Choice of Structure?

How an investor is taxed in its country of residence is usually a critical factor in selecting a structure for US real estate investments. Where a non-US investor owns interests in US real estate directly (or through pass-through entities), the investor’s country of residence may exempt certain US real property income from resident country taxation or may allow a resident country tax credit (that is, a dollar-for-dollar reduction in the investor’s residence country tax liability) for the US federal and usually state income taxes paid.

How the US and non-US taxing authorities classify each entity in the chain of ownership is also critical. For example, US real estate is often owned through a US limited liability company. In the US, these companies are fiscally transparent and their equity holders are taxable on the income generated. However, many countries treat US limited liability companies as corporations taxable at the entity level and, in such cases, those countries may not give the investor credit

for the taxes already paid in the US. In some cases, investors will decide to invest in the US through an entity that is fiscally transparent in the US, such as a partnership, but which is treated as a corporation in their home country (i.e., a “reverse hybrid”).

### **What If I Only Loan Money into the US?**

The US tax rules do not impose taxes on interest income from certain real estate loans, incentivizing investment in the form of debt. If the non-US investor wishes to invest only in loans for US real estate and not retain any equity or any “participation,” the investor is generally not subject to US tax on the interest income under the “portfolio interest” exception (which is a statutory exception, not a treaty-based item) if the investor does not regularly carry on a US lending business or other business. This portfolio interest exception does not apply to any portion of the interest that is contingent on underlying revenues or profits of the borrower.<sup>6</sup> However, even if the portfolio interest exception does not apply, often a treaty between the investor’s country of tax residence and the US will reduce withholding rates on the interest to less than the 30 percent default US withholding rate for interest.<sup>7</sup>

### **What About Investing through a Real Estate Investment Trust (REIT)?**

Many non-US investors invest through REITs. The REIT does not incur an entity-level tax to the extent that it distributes out its otherwise taxable income each year. Further, REIT ordinary distributions are treated as standard dividends subject to 30 percent (or lower treaty) withholding tax.<sup>8</sup> If the non-US investor owns 5 percent or less of a publicly-traded REIT, the special FIRPTA taxes do not apply to the gain on sale of the stock by the non-US investor. Alternatively, and with proper planning, a non-US investor can sometimes achieve a similar benefit in a non-publicly traded REIT if the REIT is a domestically-controlled REIT (i.e., more than 50 percent of the REIT is treated as held by US owners).<sup>9</sup> Finally, if the REIT is not domestically controlled, there may still be an advantage to a REIT as

compared to investing directly or through a partnership/LLC, such as when a treaty applies reduced withholding rates on REIT ordinary dividends, although capital gain distributions are rarely if ever treaty reduced and are taxed under the FIRPTA rules. Investing through a REIT will also avoid the obligation for the non-US investor to file federal and state income tax returns.

### **Are There Advantages to Investing through a US Corporation That Is Not a REIT?**

A significant advantage of investing in US real estate through a “blocker” corporation is avoiding US tax filing requirements for the ultimate non-US owner. The blocker corporation will be responsible for the US federal and any state tax filings and related income taxes. Without the corporate blocker, these filing obligations fall on the investor (rather than the entity), where the real estate is held by a non-US person directly or through an LLC or partnership (in either case, which has not elected under US law to be taxed as a corporation). However, this blocker creates two levels of tax, one at the US corporate level, and one at the shareholder level via withholdings on the dividends from the corporation, although shareholder-level dividend taxes are often reduced by treaty (even if REIT dividends are subject to a higher tax rate under the same treaty).

The corporate-level tax cost of the blocker structure is often reduced by partially funding the investment with debt. The blocker corporation deducts the interest expense subject to the so-called “interest stripping” cap,<sup>10</sup> while the offsetting interest income is generally treated more favorably either under an exemption for portfolio interest or through a reduced treaty rate. Note that the portfolio interest exemption does not apply if the investor (including relatives and related entities under complex attribution rules) owns 10 percent or more of the *voting* stock of the corporate borrower. Because the portfolio interest exception is based on the vote and not the value of the stock held, an investor owning more than 10 percent of the value but less than 10 percent of the vote may still qualify.





Where the non-US lender does not satisfy the portfolio interest exemption, the maximum withholding rate on interest is 30 percent and may be materially reduced or eliminated by treaty.

The shareholder-level tax cost of the blocker structure can be substantially reduced because it can avoid the FIRPTA tax on final disposition gain. The shareholder-level FIRPTA tax is avoided if the blocker first sells all of its real estate in a taxable sale, prior to the sale/disposition of the blocker stock. If there are multiple real estate investments, each is typically held through a separate blocker in order to permit the distribution of sale proceeds to non-US investors without reduction for further FIRPTA taxes. The shareholder gain on liquidation is no longer subject to the FIRPTA tax because, after selling the real estate, the blocker is no longer a US real property holding corporation that is subject to the FIRPTA rules.

### Other Taxes

Non-US individuals that own US real estate either directly or through a US corporation may also be subject to US estate taxes if they die while holding the US investment. For this reason, structuring will often involve the non-US individual first owning a foreign corporation in a low or no tax jurisdiction, and that foreign corporation will then own a US blocker corporation. Further, a number of US states impose transfer taxes on the transfer of real estate. These taxes may need to be taken into account in accurately projecting actual investment returns.

### New FATCA Rules

FATCA is the 2010 Foreign Account Tax Compliance Act, which can be thought of as the US version of the “Knowing Your Client” rules that exist in many other countries (except with more draconian costs of noncompliance). The rules are designed so that the US can determine if US taxpayers are hiding behind a foreign entity to avoid US tax. If the ultimate owners are not properly verified to be non-US, there is an automatic 30 percent withholding tax on payments

to covered non-US financial entities. The rules are amazingly complex and there are still many open questions awaiting government guidance. Although primarily directed at offshore investment funds and banks, the rules extend to any non-US entity investing in the US, including a closely held non-US “blocker” corporation. In general, the non-US entity will need certifications from its owners that the owners of the non-US entity are not US tax residents, and the non-US entity itself will be required to engage in periodic additional IRS tax compliance. The specific compliance rules are beyond the scope of this article.<sup>11</sup>

### Conclusion

There are a number of alternatives to be considered whenever a non-US investor is intending to invest in US real estate. One size does not fit all, and some customization is usually required. Critical questions for the US tax advisor include whether the investor is willing to take on US federal and state income tax filing obligations and the manner in which the investor will be taxed in their home country on the income from the operation and disposition of the real estate. Different ownership structures can be used to minimize the overall US and non-US tax cost of the proposed investment and the best choice will depend on a balancing of the factors outlined above. In any case, US and non-US tax advisors will need to work closely together to get the best results. ★

*Pursuant to IRS Circular 230, please be advised that, to the extent this communication contains any federal tax advice, it is not intended to be, was not written to be and cannot be used by any taxpayer for the purpose of (i) avoiding penalties under US federal tax law or (ii) promoting, marketing or recommending to another taxpayer any transaction or matter addressed herein.*

<sup>1</sup> Each of the authors is a director of Goulston & Storrs, P.C. with extensive experience in the structuring of complex real estate transactions, including extensive combined experience in-house and with Big-Four accounting firms.

<sup>2</sup> However, if the non-US investor is itself a corporation, this structure may be less efficient because the US imposes an additional level of “branch profits tax” to mirror the tax a US corporation would be required to withhold on distributions to its non-US shareholders. Thus, unless the investor qualifies for

treaty relief, a foreign corporation investing directly would have its economic returns reduced by both the regular US corporate income tax and this additional, dividend-equivalent branch profits tax.

<sup>3</sup> Note that the new Section 1411 3.8 percent Medicare tax on net investment income that generally applies only to individuals, trusts and estates is specifically not applicable to nonresident alien individuals. This Medicare tax has no application to corporations.

<sup>4</sup> The tax rules vary significantly by state and this article will focus only on the US federal income tax rules. Additional state-level taxes and tax planning considerations should be evaluated on an investment-by-investment basis.

<sup>5</sup> A foreign corporation may consider making an election under Section 897(i) to be taxed as a US person to avoid this withholding tax.

<sup>6</sup> For this purpose, the fact that the loan may be non-recourse does not cause the interest to be “contingent” absent some additional facts that give rise to an inference that the arrangement is different than a real loan.

<sup>7</sup> Note that the term “withholding tax” is somewhat of a misnomer in this context as the tax on interest payments is a true tax that is not creditable against other US tax obligations, which is in contrast to the FIRPTA withholding tax, which is

an advance payment against income taxes otherwise due on FIRPTA income.

<sup>8</sup> Note that treaties often have higher withholding tax rates for REIT dividends as compared to other dividends.

<sup>9</sup> For more information on investing through domestically controlled REITs, see *AFIRE News*, Grumbacher, Towsner and Schneider, A Three-Part Primer on Using Private REITs for Institutional Co-Investment with Sovereign Wealth Funds in US Real Estate (published in the March/April, May/June and July/August 2012 editions).

<sup>10</sup> The interest expense is subject to a cap of 50 percent of the net operating income for related-party debt if the debt-to-equity ratio of the corporation exceeds 1.5 to 1.0 (i.e., 60 percent loan to value). This 60 percent loan to value ratio is measured by looking through to the underlying investment. If the underlying investment already has 50 percent leverage, then additional debt at the blocker corporation will quickly reach the 60 percent amount, triggering this 50 percent deduction cap, commonly referred to as the “interest stripping” cap.

<sup>11</sup> For more information on FATCA, see the Goulston & Storrs tax blog at [www.taxlawroundup.com/2013/01/irs-issues-final-fatca-foreign-account-regulations/](http://www.taxlawroundup.com/2013/01/irs-issues-final-fatca-foreign-account-regulations/).



*Steven Schneider, a director in the tax group at Goulston & Storrs, has significant experience in a wide variety of domestic and international transactions with particular experience in the taxation of pass-through entities such as partnerships, S corporations and REITs. Mr. Schneider is also an adjunct professor at Georgetown University Law Center, teaching a course on drafting partnership and LLC agreements. He received his B.S., summa cum laude, from the University of Missouri-Columbia, his J.D., Order of the Coif, from Washington University School of Law, and his LL.M., with Distinction, in taxation, from Georgetown University Law Center. He can be reached at [sschneider@goulstonstorrs.com](mailto:sschneider@goulstonstorrs.com).*



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*Robert Towsner, a director in the tax group at Goulston & Storrs, brings to his practice over 30 years of experience, focusing on corporate, real estate and tax matters, including tax transactional and tax planning, REIT and UBTI tax planning and transactional structuring, entity restructurings, tax and non-tax aspects of partnerships and limited liability companies, and structuring and documentation of complex tax-sensitive transactions. Mr. Towsner received his B.S.E.E. from the University of Rochester and his J.D. from Georgetown University Law Center. He can be reached at [rtowsner@goulstonstorrs.com](mailto:rtowsner@goulstonstorrs.com).*



# AFIRE Hosts 25th Annual Membership Meeting

*Continued from page 1*

From 1989 through March 1991, Dr. Rice served on President George H.W. Bush's National Security Council staff. She served as Director; Senior Director of Soviet and East European Affairs; and Special Assistant to the President for National Security Affairs. In 1986, while an international affairs fellow of the Council on Foreign Relations, she also served as Special Assistant to the Director of the Joint Chiefs of Staff.

As professor of Political Science, Dr. Rice has been on the Stanford faculty since 1981 and has won two of the highest teaching honors — the 1984 Walter J. Gores Award for Excellence in Teaching and the 1993 School of Humanities and Sciences Dean's Award for Distinguished Teaching.

She has authored and co-authored numerous books, including two bestsellers, *No Higher Honor: A Memoir of My Years in Washington* (2011), and *Extraordinary, Ordinary People: A Memoir of Family* (2010); *Germany Unified and Europe Transformed: A Study in Statecraft* (1995) with Philip Zelikow; *The Gorbachev Era* (1986) with Alexander Dallin; and *Uncertain Allegiance: The Soviet Union and the Czechoslovak Army* (1984).

In 1991, Dr. Rice co-founded the Center for a New Generation, an innovative after-school academic enrichment program for students in East Palo Alto and East Menlo Park, California. In 1996, CNG merged with the Boys and Girls Club of the Peninsula (an affiliate club of the Boys and Girls Club of America), in which she remains actively involved today.



Two-term Mayor of San Francisco, legendary Speaker of the California State Assembly, and widely regarded as the most influential African-American politician of the late twentieth century, Willie L. Brown,

Jr., has been at the center of California politics, government and civic life for an astonishing four decades. His career spans the American Presidency from Lyndon Johnson to George W. Bush, and he's worked with every California Governor from Pat Brown to Arnold Schwarzenegger. From civil rights to education reform, tax policy, economic development, health care, international trade, domestic partnerships and affirmative action, he's left his imprimatur on every aspect of politics and public policy in the Golden State. As Mayor of California's most cosmopolitan city, he refurbished and rebuilt the nation's busiest transit system, pioneered the use of bond measures to build affordable housing, created a model juvenile justice system, and paved the way for a second campus of the University of California, San Francisco, to serve as the anchor of a new development that will position the city as a center for the burgeoning field of biotechnology. Today, he heads the Willie L. Brown, Jr., Institute on Politics and Public Service, where this acknowledged master of the art of politics shares his knowledge and skills with a new generation of California leaders. ★

## MIPIM 2013



**Bernd Sommer**, Metzler North America, and **Thorsten Schönenberger**, Landesbank Baden-Württemberg



**Klaus-Dieter Schmidt**, JAMESTOWN, and **Steffen Ricken**, IVG Institutional Funds



**El Rosenheim**, Profimex; **Roy Bajtel**, Union Investment Real Estate GmbH; and **Christopher Schumacher**, Union Investment Real Estate GmbH



**Susan Wallace**, USAA Real Estate Company; **Len O'Donnell**, USAA Real Estate Company; and **Steve Kohn**, Cushman & Wakefield, Equity, Debt & Structured Finance



**Jim Fetgatter**, AFIRE, and **Christoph Kahl**, JAMESTOWN US-Immobilien GmbH



**David Paine**, Standard Life Investments; **Jim Hilton**, Blake, Cassels & Graydon LLP; **John McFadden**, Bentall Kennedy (Canada) LP; and **Thomas von Hahn**, Blake, Cassels & Graydon LLP



**Chris Hughes**, Hines, and **Frank Lively**, Wafra Investment Advisory Group, Inc.



**Johannes Haug**, Pembroke Real Estate, and **Bruce Traversy**, Dundee Real Estate Asset Management



**Brad Olsen**, Atlantic Partners Ltd., and **Barbara Knoflach**, SEB Asset Management AG



# Americas: Top Deals and Players in Q1'13

—Real Capital Analytics' Global Capital Trends Q1 2013 Review

### Top 25 Americas Property Sales

Top 20 Buyers		Top 25 Americas Property Sales						
	Vol (\$M)	Property Name	Location	Price (\$M)	SF(K)/Units	PPSF/PPU	Prop Type	Buyer
Equity Residential	\$8,960.6	Sony Plaza	New York, NY	\$1,100.0	855	\$1,287	Office	Chetrit Group JV Clipper Equity
AvalonBay Communities	\$5,855.5	Green Acres Mall	Valley Stream, NY	\$500.0	1,800	\$278	Retail	Macerich
Realty Income Corp	\$2,600.7	TD Canada Trust Tower	Toronto, CAN	\$439.8†	1,210	\$727	Office	PSP Investments
Goldman Sachs	\$1,610.4	Williams Tower	Houston, TX	\$412.0	1,480	\$278	Office	Invesco RE
Greystar RE Partners	\$1,559.2	Resorts World Las Vegas	Las Vegas, NV	\$350.0	3,790	\$92	Dev Site	Genting Group
Caisse de Depot	\$1,500.0	Archstone Crystal Towers	Arlington, VA	\$322.3	914	\$352,571	Apartment	Dweck Properties Ltd
GIC (Govt of Singapore)	\$1,500.0	Standard Life Centre	Toronto, CAN	\$297.2	521	\$570	Office	Bentall Kennedy
Chetrit Group	\$1,486.0	Atlanta Marriott Marquis	Atlanta, GA	\$293.0	1,663	\$176,188	Hotel	Abu Dhabi Inv't Authority
Comcast Corp	\$1,400.0	Crystal House I & II	Arlington, VA	\$262.4	828	\$316,948	Apartment	Mack-Cali JV UBS
Clipper Equity	\$1,280.0	350 Madison Avenue	New York, NY	\$261.5	394	\$664	Office	RFR Realty
Milestone APTS REIT	\$1,100.0	Post Oak Central	Houston, TX	\$232.6	1,280	\$182	Office	Cousins Properties
Kimco	\$1,021.3	Air Rights Center	Bethesda, MD	\$205.0	688	\$298	Office	Rockpoint Group JV MRP Realty
Fibra Uno	\$908.1	Colonnade Office	Addison, TX	\$203.0	984	\$206	Office	Fortis Property Group JV Phoenix Insur-
Blackstone	\$872.7	Bacara Resort & Spa	Goleta, CA	\$200.0	358	\$558,659	Hotel	Pacific Hospitality Group LLC (PHG) JV
Heitman	\$756.1	Riverside Center	Auburndale, MA	\$197.3	495	\$398.8	Office	Hines
Invesco RE	\$697.4	Transbay Transit Tower	San Francisco, CA	\$192.0	65	\$2,938.5	Dev Site	Hines JV Boston Properties
Fairfield Residential	\$677.4	Onterie Center	Chicago, IL	\$188.0	615	\$305,691	Apartment	LaSalle
Starwood Capital Group	\$664.5	Brill Building	New York, NY	\$185.0	169	\$1,093	Office	Allied Partners JV Merchants Hospitality
Lone Star	\$635.7	Flatotel	New York, NY	\$180.0	288	\$625,000	Hotel	Chetrit Group JV Clipper Equity
UBS	\$603.6	Macy's Plaza	Los Angeles, CA	n/a	1,022	n/a	Office	Ratkovich Co
<b>Top 20 Sellers</b>		Arlington Gateway	Arlington, VA	\$175.6	325	\$541	Office	Piedmont REIT
	Vol (\$M)	616 First Avenue	New York, NY	\$172.1	65	\$2,651	Dev Site	JDS Development JV Baupost Group
Lehman Bros Holdings	\$15,428.7	Mercedes House Phase 3	New York, NY	\$170.0	162		Apartment	Invesco RE
Equity Residential	\$2,975.7	Westlake Terry	Seattle, WA	\$170.0	320	\$531	Office	Kilroy Realty
AR Capital Trust (REIT)	\$2,522.0	AMD	Austin, TX	\$164.0	812	\$202	Office	Spear Street Capital
Invesco RE	\$1,531.0							
Winthrop Realty Trust	\$1,523.2							
Paulson & Company	\$1,500.0							
General Electric	\$1,400.0							
The Milestone Group	\$1,167.0							
Sony	\$1,100.0							
GICSA	\$923.2							
Blackstone	\$923.0							
UBS	\$894.3							
OMERS	\$879.7							
Wereldhave NV	\$708.2							
Babcock & Brown	\$629.4							
AvalonBay Communities	\$540.2							
DEXUS Property Group	\$539.0							
Alexanders Inc	\$500.0							
Hines	\$499.9							
Clarion Partners	\$449.2							

### Top 10 Americas Portfolio Sales

Property Name	Location	Price (\$M)	SF(K)/Units	PPSF/PPU	Prop Type	Buyer
EQR Archstone Portfolio	Multiple, USA	\$8,925.1†	46,981	\$190,737	Apartment	Equity Residential
Avalon Archstone Portfolio	Multiple, USA	\$5,824.0†	22,135	\$293,653	Apartment	AvalonBay Communities
ARC Portfolio 12	Multiple, North	\$2,522.0	n/a	n/a	Mixed	Realty Income Corp
Equity Residential Apt Portfolio 13	Multiple, USA	\$1,500.0	7,788	\$192,604	Apartment	Goldman Sachs JV Greystar RE Partners
Paulson Winthrop HTL Portfolio	Multiple, USA	\$1,500.0	2,429	\$617,538	Hotel	GIC (Govt of Singapore)
NBC Universal/CNBC Offices	Multiple, USA	\$1,400.0	n/a	n/a	Office	Comcast Corp
Milestone Apt REIT Portfolio 2013	Multiple, USA	\$1,100.0	16,944	\$64,920	Apartment	Milestone APTS REIT
Morado	Multiple, MEX	\$908.1	n/a	n/a	Mixed	Fibra Uno
UBS Retail Portfolio 2013	Multiple, USA	\$861.5†	5,715	\$224	Retail	Blackstone JV Kimco
Lone Star/Wereldhave US Portfolio	Multiple, USA	\$609.7†	n/a	n/a	Mixed	Lone Star

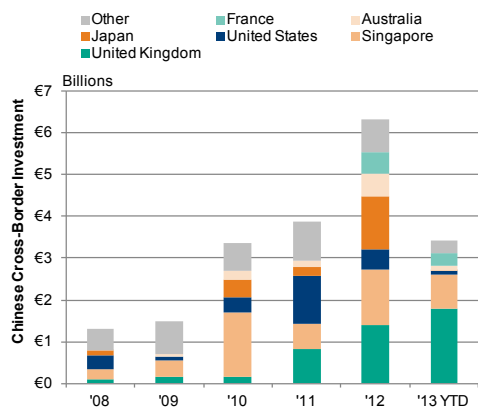
\* When prices are not known, estimated prices are used in the ranking but are not shown. In the case of partial interest deals, the pro-rated share of the property was used for the transaction price and the PPU/PPm<sup>2</sup> was based on the full 100% price.

† Partial Interest ‡ Forward Sale

# Bite-Sized Reviews

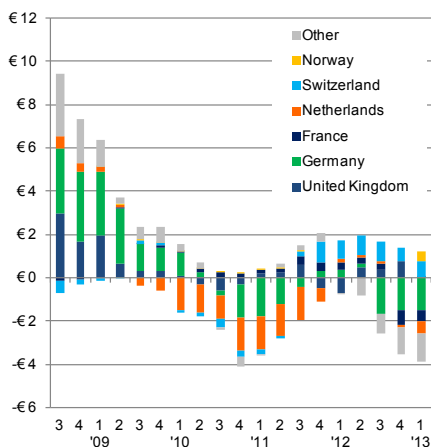
—Real Capital Analytics' Europe Capital Trends Q1 2013 Review

## The Growing Importance of Chinese Capital



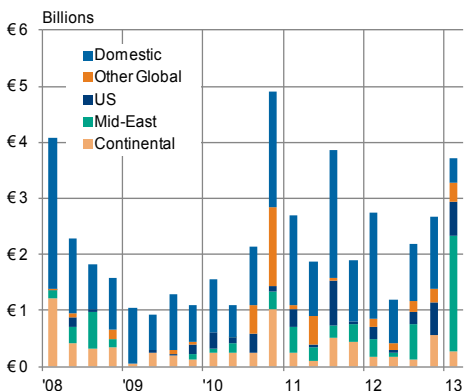
\*Investment originating from Hong Kong included

## European Investors Continue Global Sell-Off



\*Excludes Barclays Archstone Disposition; Includes deals under contract

## European Hotels Buoyed By Mid-East



- Chinese cross-border capital flow is fast becoming a dominant element of global flows. In 2008, Chinese capital represented 1.2 percent of global cross-border flows, while in 2013 it represented 9.4 percent. In 2012, Chinese cross-border investments totalled €6.3 billion while in Q1'13 alone the total is €3.4 billion.
- Noticeably, Chinese capital appears to have changed focus from the United States (which accounted for 30 percent in 2011, but just 8 percent in 2012) to the United Kingdom, Singapore and Australia. This trend, first seen in 2012, appears to be holding firm for the first quarter of 2013.
- Over the past 12 months, European investors purchased €9.2 billion of assets outside of Europe, however they disposed of €11.9 billion over the same period. The resulting negative flow of capital continues to be led by German dispositions, and is accentuated by negative net cross-border investment from France, Sweden and the Netherlands, with the latter resuming disposal activity witnessed through 2010.
- The only significant European countries with positive global net acquisitions at present are Switzerland and Norway. Norwegian global capital is the result of NBIM's first pending deal in the US with TIAA-CREF, acquiring a partial interest in a portfolio of East Coast office properties.
- In the first quarter of 2013, Middle-Eastern investors placed €2.1 billion in European hotels, an increase of 204 percent over full year 2012 totals. This equates to 55 percent of ytd totals, with domestic accounting for just 12 percent.
- Significant deals include the acquisition of a troubled 41 asset Marriott portfolio for £630m by the Abu Dhabi Investment Authority in February. Qatar Holding acquired four French hotels including the Paris Concorde Lafayette Hotel in February for a total of €615.1 million with a further £302m pending for the Park Lane Hotel, London.



## AFIRE Calendar of Events

### 2013

#### ANNUAL MEMBERSHIP MEETING

*The Ritz-Carlton  
San Francisco, CA  
September 9–11, 2013*

#### AFIRE BOOTH AT EXPO REAL

*Munich, Germany  
October 7–9, 2013*

#### AFIRE BRUNCH AT EXPO REAL

*Restaurant Seeblick  
Munich, Germany  
October 8, 2013*

### 2014

#### WINTER CONFERENCE

*Mandarin Oriental Hotel  
New York, NY  
February 13–14, 2013*

#### AFIRE BOOTH AT MIPIM

*Cannes, France  
March 11–14, 2014*

#### AFIRE BRUNCH AT MIPIM

*Hotel Majestic  
Cannes, France  
March 13, 2014*

#### EUROPEAN CONFERENCE

*Claridge's  
London, UK  
June 18–19, 2014*

#### ANNUAL MEMBERSHIP MEETING

*The Ritz-Carlton  
Washington, DC  
September 15–17, 2014*

*You're Invited*

## AFIRE Brunch at EXPO REAL

### The Brunch

Tuesday, October 8, 2013 | 9:00 AM -11:30 AM  
Restaurant Seeblick | Munich, Germany  
(First Floor-West Entrance, New Munich Trade Fair Center)

### RSVP for AFIRE EXPO REAL Brunch

Please visit [www.afire.org/events](http://www.afire.org/events) to register online or  
e-mail this page to [nknight@afire.org](mailto:nknight@afire.org).  
To be included on the published participant list,  
please register by September 23, 2013.

\_\_\_\_\_  
Badge Name

\_\_\_\_\_  
Company

\_\_\_\_\_  
City/State/Country

\_\_\_\_\_  
E-mail

### The Booth

AFIRE, Paramount Group, Inc. and Real Estate Capital Partners  
will co-host stand B1.510 at EXPO REAL 2013.  
Please plan to stop by!



## LIVE FROM THE US: REAL ESTATE'S TIME IN THE SUN

SEPTEMBER 9-11, 2013  
THE RITZ-CARLTON  
SAN FRANCISCO, CA

### 25<sup>TH</sup> ANNUAL MEMBERSHIP MEETING

Considering the alternatives available to investors, commercial real estate is shining brightly these days. And, considering the slow but steady recovery of the economy and the relative safety of the US market, it is indeed shining brightly in the US. But there are clouds in the sky as well. A scarcity of product coupled with plenty of liquidity puts current owners in the driver's seat. Will slow job growth support current pricing levels and projected improvements in fundamentals? How long will the Fed keep interest rates low? Would a little inflation be a good thing?



## 25TH ANNUAL MEMBERSHIP MEETING PROGRAM

### MONDAY, SEPTEMBER 9

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**6:00 PM – 9:00 PM** ..... **Dinner Reception** | The Terrace Courtyard, The Ritz-Carlton

### TUESDAY, SEPTEMBER 10

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**7:30 AM – 9:00 AM** ..... **Registration and Breakfast**

**9:00 AM – 9:15 AM** ..... **Welcome by Christoph Kahl, Chairman and Founder of JAMESTOWN, and AFIRE Chairman**

**9:15 AM – 10:15 AM** ..... **Keynote Economic Address:** Jacques Gordon, Ph.D., Global Investment Strategist, LaSalle Investment Management



Dr. Jacques Gordon is the Global Strategist for LaSalle Investment Management (LIM), a global real estate money manager with \$47 billion in assets under management. He is responsible for the macro strategy and micro research used to guide all investment decisions in 30 countries. He originated the Jones Lang LaSalle Transparency Index in 1999, which has become the world standard for understanding international real estate. Dr. Gordon received his Ph.D. from MIT, a Masters from the London School of Economics, and an undergraduate degree from the University of Pennsylvania. He currently teaches “International Real Estate” at the Kellogg School of Management of Northwestern University.

**10:45 AM – 11:45 AM** ..... **Spreading Sunshine**

A current capital market review and the value of the spread at current pricing levels. It is not déjà vu all over again.

**Moderator:** Mark Gibson, Executive Managing Director/Vice Chair of the Board, HFF

## 25TH ANNUAL MEMBERSHIP MEETING PROGRAM

### TUESDAY, SEPTEMBER 10 (Continued)

**2:00 PM – 2:00 PM** ..... **Luncheon Address:** Condoleezza Rice, US Secretary of State, 2005–2009



Condoleezza Rice is currently the Denning Professor in Global Business and the Economy at the Graduate School of Business; the Thomas and Barbara Stephenson Senior Fellow on Public Policy at the Hoover Institution; and a professor of Political Science at Stanford University. She is also a founding partner of RiceHadleyGates LLC. From January 2005–2009, Dr. Rice served as the 66th Secretary of State of the United States, the second woman and first African-American woman to hold the post. She also served as President George W. Bush's Assistant to the President for National Security Affairs (National Security Advisor) from January 2001–2005, the first woman to hold the position. From 1993–1999, Dr. Rice served as Stanford University's Provost.

**2:00 PM – 2:45 PM** ..... **You Light Up Our Lives**

CASTING A LIGHT ON CURRENT TENANT THINKING ACROSS THE SPECTRUM OF THE FOUR MAIN REAL ESTATE PRODUCT TYPES. WHERE IS THE DEMAND, WHAT DO THEY WANT AND WHEN DO THEY WANT IT?

**Moderator:** Joseph F. Azrack, Managing Partner, Real Estate, Apollo Global Management

**2:45 PM – 3:45 PM** ..... **Your Golden Sun Will Shine for Me**

THE SAN FRANCISCO AND BAY AREA REAL ESTATE MARKETS ARE PARTICULARLY BRIGHT SPOTS IN THE US ECONOMY. WHAT ARE THE DRIVERS OF THE MARKET AND WHERE IS THE GROWTH HEADED?

**Moderator:** Stuart Shiff, Principal, DivcoWest Real Estate Investments

**3:45 PM – 5:30 PM** ..... **AFIRE Board of Directors Meeting**

**6:00 PM – 9:00 PM** ..... **Reception and Dinner**

San Francisco City Hall

(Buses will depart at 5:30 PM from The Ritz-Carlton lobby.)

**Speaker:** Willie L. Brown, Former Mayor of San Francisco and Speaker of the California State Assembly



TWO-TERM MAYOR OF SAN FRANCISCO, LEGENDARY SPEAKER OF THE CALIFORNIA STATE ASSEMBLY, AND WIDELY REGARDED AS THE MOST INFLUENTIAL AFRICAN-AMERICAN POLITICIAN OF THE LATE 20TH CENTURY, WILLIE L. BROWN, JR., HAS BEEN AT THE CENTER OF CALIFORNIA POLITICS, GOVERNMENT AND CIVIC LIFE FOR AN ASTONISHING FOUR DECADES. TODAY, HE HEADS THE WILLIE L. BROWN, JR., INSTITUTE ON POLITICS AND PUBLIC SERVICE, WHERE THIS ACKNOWLEDGED MASTER OF THE ART OF POLITICS SHARES HIS KNOWLEDGE AND SKILLS WITH A NEW GENERATION OF CALIFORNIA LEADERS.

**9:00 PM – 12:00 AM** ..... **Young AFIRE Event**



## WEDNESDAY, SEPTEMBER 11

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8:00 AM – 9:00 AM ..... **Registration and Breakfast**

8:00 AM – 9:00 AM ..... **Board of Directors Breakfast and Photos**

9:00 AM – 9:30 AM ..... **Announcements and Introduction of New Officers**

9:30 AM – 10:30 AM ..... **The Global View**

David Hale, Chairman, David Hale Global Economics



David Hale is a Chicago-based global economist whose clients include asset management companies in North America, Europe and Asia. He is the Founding Chairman of David Hale Global Economics. He formerly worked as Chief Economist for Kemper Financial Services from 1977 to 1995 and Zurich Financial Services, which he joined as Chief Economist when it purchased Kemper in 1995. He writes on a broad range of economic subjects and his articles have appeared in *The Wall Street Journal*, *the Financial Times*, *The New York Times* and other publications.

11:00 AM – 12:00 PM ..... **The Sun Also Rises (From the East)**

Many people believe the next wave of foreign investment will come from Asia. The first signs of this wave are already lapping on our shore. Where is it coming from and how deep will it be?

**Moderator:** Kevin A. Crummy, Managing Director, Eastdil Secured

**Panelists:**

Goodwin Gaw, Chairman, Gaw Capital

Eiichiro Onozawa, Senior Vice President, Mitsui Fudosan

Michael Riady, Country Managing Partner, Lippo North America

12:00 PM..... **Meeting Adjourns**

## SPONSORS





# 25TH ANNUAL MEMBERSHIP MEETING

SEPTEMBER 9-11, 2013 • THE RITZ-CARLTON  
SAN FRANCISCO, CA

## Hotel Information

600 Stockton Street  
San Francisco, CA 94108  
Tel: 415.296.7465  
To call for reservations: 877.266.2050

When making your reservation, request the AFIRE group rate – \$419 per night. Reservations are dependent on availability and must be made by **Friday August 9, 2013**.

## To Register:

If you are an AFIRE Delegate, please go to [www.afire.org/events](http://www.afire.org/events) to register.

If you are a member of AFIRE, but not a designated Delegate, please have your Primary Delegate register you online.

To be included in the participant list, you must register online by **Monday, August 26, 2013**.

## Cancellation Policy:

Refunds will be given for cancellations received in writing to [nknight@afire.org](mailto:nknight@afire.org) by **Monday, August 26, 2013**. Substitutions can be made anytime. Please note that if you do not cancel and you do not attend, you are still responsible for payment.

## Questions:

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

If you are an AFIRE Delegate, please go to [www.afire.org/events](http://www.afire.org/events) to register or print clearly the information below and e-mail this form to AFIRE at [nknight@afire.org](mailto: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 FEES & REGULATIONS

- First & Second Institutional Member Delegates..... Complimentary
- Third Institutional Member Delegate..... \$1,500
- Associate & Supporting Member Delegates ..... \$1,500
- Institutional Young AFIRE Delegate..... \$750
- Non-Member Registration..... \$2,500

## SPECIAL EVENTS (You must register to attend)

- Check here if you plan to attend the Welcome Reception at The Ritz-Carlton on Monday September 9.  
Spouse/Guest Badge Name: \_\_\_\_\_
- Check here if you plan to attend the Tuesday Night Dinner at City Hall.  
Spouse/Guest Badge Name: \_\_\_\_\_

Institutional Members may send two delegates on a complimentary basis. A third delegate may attend for the member meeting registration fee. Institutional Young AFIRE delegates may attend for half the member meeting registration fee. Associate and Supporting Members may send up to two delegates who will each pay the member meeting registration fee. Academic Circle Members may send up to two attendees complimentary. Speakers attend complimentary and are not counted in the maximum number of delegates allowed to attend. Attendance at a meeting may not be split between delegates.

## PAYMENT INFORMATION (All fees and payments are in US dollars.) Please print clearly.

- Check (payable to AFIRE)
- Visa
- MasterCard
- American Express

Name on Credit Card: \_\_\_\_\_

Account Number: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Credit Card Billing Address: \_\_\_\_\_

Signature: \_\_\_\_\_