

Invesco Real Estate

Recently, **Steve Felix**, publisher of The Institutional Real Estate Letter—Europe, spoke with **Andy Rofo** and **Simon Redman** of Invesco Real Estate. The following is an excerpt of that conversation.

Felix: *When did Invesco Real Estate first start investing cross-border in Europe?*

Rofo: We've been investing cross-border for more than 10 years. In fact, all of our funds are cross-border, with the majority being pan-European. The business has grown by investing U.K., U.S. and German capital throughout Europe to diversify exposure. Increasingly, we are tailoring products to expand that capital base and attract capital from countries in addition to these three.

Felix: *How many European funds do you manage?*

Rofo: We have 13 funds investing throughout the European Union and €7.83 billion assets under management as at the end of September 2007. The 27 countries comprising the E.U. present a wide range of opportunities and by recognising which ones make sense at the moment, we can provide varied investment solutions for diverse sources of capital.

Felix: *How do you recognise opportunities that make sense?*

Rofo: We have five offices across Europe that give us the local expertise to not only understand the opportunities that exist in the local markets but also to access those opportunities, so that we can deliver potentially attractive, risk-adjusted returns to investors. We're not only coming up with investment solutions, we're also delivering on those solutions.

Felix: *What is your fund strategy?*

Redman: We already have a well-defined product range with strategic regional funds for investors seeking diversified exposure and tactical funds concentrating on specific regions or sectors. Our aim is to have strategic funds that provide investors with regional exposure across the three main risk spectrums — core, value-added and

opportunistic — in three regions of the world — Europe, the U.S. and Asia. The tactical funds can be sector- or region-specific. For example, we run tactical funds investing in the U.K., central and southern Europe and hotel markets. In the future, we will continue to build our platform to provide solutions for regional or global investors. In the near-term, the focus is on pan-European open-ended products and tactical country specific funds.

Felix: *Are you able to get the capital committed as it is raised?*

Rofo: We are. The industry has created a lot of funds and raised a lot of capital over the past few years. But many investment managers haven't followed through in terms of actual investment and delivering what they said they could deliver. That's led to an overhang of capital in the market and, thus, some disgruntled investors. So, it's very important that managers are able to

access the markets and invest that capital. We've shown that we can do that.

Redman: To illustrate this, in 2007 we invested €1.16 billion into seven countries across Europe on behalf of 12 client mandates and saw a 39 percent increase in assets under management. We're able to place this capital because we have offices with access to local markets. It is impossible to cover European markets from a purely London base. Through our local offices we are able to properly assess local market conditions and the opportunities that specific real estate presents.

Felix: *What is Invesco Real Estate's investment style?*

Rofo: It comes down to creating no surprises for investors, delivering what we say we're going to deliver, aiming to preserve and enhance capital and to potentially provide attractive risk-adjusted

CORPORATE OVERVIEW

Invesco Real Estate has been providing real estate investment and asset management services in Europe since 1996. In Europe, it currently has offices in London, Munich, Madrid, Paris and Prague, with 65 employees who look after 64 clients invested in 179 assets across 12 countries. The Invesco Real Estate group also has offices in the U.S. and in Asia and globally has assets under management of €22.4 billion, of which the European team is responsible for €7.83 billion. *Source: Invesco Real Estate. As at 30 September 2007.*



Andy Rofo, managing director, leads the European team of Invesco Real Estate. He has over 18 years' extensive fund management experience for both U.K. and overseas institutional clients, broad real estate transaction experience across all sectors and capital markets experience in debt raising and pooled funds. Andy's professional and educational experience includes a BSc from Exeter University and Membership of the Royal Institution of Chartered Surveyors and the Investment Property Forum.



Simon Redman, head of business development, is responsible for product development, structuring, client servicing and marketing. Simon sits on both the European executive and investment committees at Invesco Real Estate. He is a chartered surveyor and holds a Land Management Degree and an MBA from the John Cass Business School specialising in corporate finance and international business.

CORPORATE CONTACT

Invesco Real Estate

Andy Rofo, Managing Director – Europe

10 Mount Row, London W1K 3SD, England

Tel: +44 20 7543 3500 • Fax: +44 20 7543 3588

andrew_rofo@ldn.invesco.com

www.invescorealestate.co.uk

returns, and to do so on the basis of a solid platform providing cross-border expertise.

Felix: *Where are you going to be focusing your activities now?*

Redman: Our aim is to provide global investment solutions so investors can access similar products all along the risk spectrum on a global basis, whether within funds or through separate accounts. This demands similar standards both in terms of investment process and platforms. We will also launch tactical funds to take advantage of sector or regional market opportunities. For example, the United Kingdom has been through some turbulent times over a very short period. We're now seeing investor demand come back into the U.K. market, so that could be a tactical-focused fund there. Similarly, the United States is also likely to be a tactical market in the future. We also will be building up more of our hotel and leisure platform to take advantage of opportunities in that space.

Felix: *Are you also looking into the central and eastern European markets?*

Rofo: Absolutely. In fact, one of our five European offices is located in Prague. We were one of the first investment managers to take capital into central Europe in 1998, where we created one of the first, if not *the* first, central European fund. We followed that up in 2004 with a second central European fund, which has just under a €1 billion to invest. We also have partnered with a St. Petersburg-based real estate company to place commitments from three sources of German capital seeking investments within the Russian market.

Felix: *How would you characterise your investments?*

Rofo: Approximately two-thirds of our assets are core, with most of the remainder being value-added. We also, for some very large clients, do development. We have just completed a large speculative development scheme in London, which was basically fully let on completion. But, generally, the funds that we are creating or have launched so far have been in the core or value-added space.

Felix: *Can you find core and value-added in the new markets?*

Rofo: You definitely can — and we have. Our 2004 central European fund is a core strategy and we have found and invested in core real estate across a number of countries. So they definitely exist, particularly in the three main sectors of logistics, offices and retail. If you push the boundaries out further — for example, if you're buying in central St. Petersburg — you can buy assets that are well let on U.S.-denominated leases, and you can access those at attractive yields.

Felix: *What does Invesco Real Estate bring to the table that few others do?*

Redman: We've grown up as a business investing cross-border as opposed to many investment managers who have grown up domestically and then decided to expand their business on a pan-European basis. Our cross-border experience is not just confined to the recent bull markets but through different cycles. Having a long-term track record and experience in all market circumstances is an increasingly important aspect to being an investment manager.

Rofo: The other key thing that's important is that we operate off a global platform. So whether it's U.S. money wanting to access real estate in Europe or Asia, or European capital wanting to access real estate across Europe or in the U.S., we can provide solutions on those levels.

Redman: We provide constancy in our approach and strategies. We adopt similar processes across the globe so that when we provide cross-border solutions to clients, they know they are getting the same standard of excellence from Invesco Real Estate no matter where they are domiciled.

Felix: *With all this investment, much of it into new markets, how do you avoid becoming one of the horror stories?*

Redman: We stay true to ourselves. We're a business based on understanding the real estate fundamentals. We haven't overstretched ourselves or sought to ride the yield curve by relying on complicated financing to make investment decisions. We are driven by real estate fundamentals to determine decision making.

Rofo: What's been very striking over the past six months has been the volatility in the market, which has largely been sentiment-driven rather than fundamentals-driven. So whilst we believe the volatility in the markets will continue into 2008, essentially we're seeing the investment markets remaining robust. Because we are research led, we have the underlying data to support that view and this is fundamental to our being able to continue to recommend real estate investments to clients in specific countries around the world.

Felix: *Where does Invesco Real Estate go from here?*

Redman: One of the trends that will continue and accelerate is the globalisation of investors. There is a big opportunity for investment managers who are able to provide similar and credible solutions on a global basis so that investors in one country or region get exactly the same service and provision of investment strategies wherever they're looking in the world.

Rofo: We are also focusing on the next developments in real estate itself. Investors are demanding strategies such as absolute return and portable alpha. We should be able to provide similar solutions in real estate as you see in other asset classes. That will require people like ourselves to use all of the resources we have in private real estate, public real estate and structured products to be able to provide more complete solutions than we have in the past and enable us to continue to provide the investment solutions that investors want.

Redman: One of Invesco Real Estate's key advantages is being able to provide all parts of the solution. If you are purely a specialised real estate investment manager in direct real estate or only focused on one region, it is impossible to embrace all the available opportunities and satisfy investor requirements. Invesco Real Estate has the ability to offer every part of these complex solutions whilst continually focusing on the delivery of attractive returns to investors, whether they are separate account investors or investing through co-mingled funds. ♦