

Lowe Enterprises Investors

Recently, **Geoffrey Dobrman**, publisher and editor-in-chief of *The Institutional Real Estate Letter* – North America, spoke with **Bradford Howe** and **Bleeker Seaman** of *Low Enterprises Investors*. The following is an excerpt of that conversation.

You have recently entered into a strategic partnership with the Guardian Life Insurance Company of America. How did that come about?

Howe: When the markets began to soften in late-2007 and early-2008, Bleeker and I made it a priority to identify and align with a strategic partner that would bolster our ability to commit capital alongside our clients and position our firm to take advantage of the distressed opportunities that we expected would come about as a result of the severe economic downturn. We knew that as we came out of the downturn, there would be significant investment opportunities for those with the capital to take advantage of them and that investors would often look to their managers to make significant investments alongside them. About two years ago we had a series of discussions with Guardian Life about investing together in value-added real estate. Those conversations evolved into discussions about a more strategic relationship and it became clear that they were a good fit with *Low Enterprises Investors* (LEI). In August, we closed on the transaction with Guardian acquiring a substantial non-controlling interest in LEI. We're now very fortunate to be in a partnership with a firm that shares our perspective on the investment opportunities ahead in U.S. real estate.

Seaman: As we move into this next cycle, clients are seeking meaningful co-investment capital from their investment managers. With Guardian as our partner, we'll be able to offer that strategic alignment, which is critical to investors. In addition to its ownership stake in LEI, Guardian intends to be an investor in our programs, investing shoulder-to-shoulder with our clients. We'll also be able to go to market with a sizeable pre-commitment of capital, which we think will give us an advantage in marketing our products.

Will the principals also commit their own capital to the firm's investment programs?

Howe. Yes. Bleeker and I have invested directly in LEI alongside *Low* and *Guardian*. So our personal capital will be invested directly alongside our new partners and our investors.

What types of investment structures will you use to access opportunities?

Howe: Historically, we've been active with separate accounts, joint ventures and funds. We have co-invested in our funds as well as in our joint venture investments. Our strategy is to continue with all three investment structures, but due to the difficult capital-raising environment, we anticipate more joint venture investment activity in the near term and expect to organize a fund targeting value-added and distressed commercial properties over the next nine to 12 months.

Seaman: Although our primary strategy is based on expanding our business along the lines of what we've



Bradford Howe is CEO of *Low Enterprises Investors* with shared responsibility for oversight and management of the firm's investment management business. He is responsible for equity capital raising, client relations, new business development, portfolio management and finance activities.



Bleeker Seaman is CEO of *Low Enterprises Investors* with shared responsibility for oversight and management of the firm's investment management business. He is chairman of LEI's investment committee and is actively involved in investment strategy, portfolio management and client servicing on behalf of the firm's clients.

CORPORATE OVERVIEW

Low Enterprises Investors provides real estate investment management services on behalf of a select list of institutional and high-net-worth clients and partners through both individually managed and commingled fund relationships. The firm has been responsible for \$6 billion in real estate assets, including commercial, hospitality and debt investments, since inception in the late 1980s. *Low Enterprises Investors* has been a leading value-added investor through multiple cycles, employing equity and structured debt in its investment strategies.

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historically done, we also intend to build upon our existing strong employee base by attracting and recruiting talented real estate professionals. We expect these people to already have strong relationships in the market. *Guardian's* financial backing gives us the ability to take advantage of the consolidation in the business that is likely to take place.

Does this mean that you are no longer going to focus on separate accounts?

Seaman: Not at all. It is important for our business and for our clients to be able to offer separate account vehicles as well as funds and joint-venture opportunities. In fact, in the current environment we see the opportunity to prudently increase our separate account activity. We will continue to focus on value-added and opportunistic strategies using whichever one of the three vehicles

is appropriate. A lot of people think of us as primarily a separate account manager, but during the past five years, our fund investment activity has grown to the point where it is now on equal footing with our separate account business, allowing us to provide clients with the type of investment structure that best fits their needs.

Does Guardian already have its own real estate investment platform and if so, how will the two platforms be integrated?

Howe: Guardian is an active real estate investor with a sizeable portfolio that includes both commercial mortgages and equity investments. Guardian shares our view that the next few years will present some compelling real estate investment opportunities and is actively increasing its investment allocation in real estate through LEI.

Seaman: While our equity expertise and platform were important to Guardian, their tremendous track record as an investor in multiple asset classes was important to us. Over this most recent downturn, Guardian was the only major life insurance company to be upgraded by two rating agencies, in recognition of its investment and financial performance, as well as its strong risk management adherence. We will be better investors in real estate by having the linkage with a national investor with a broader investment mandate. We believe their participation at the Board level will be additive to our own investment decision-making process.

This isn't the first time that you sold a piece of the company to a financial institution. You previously had a partnership with TIAA CREF that lasted only a few years. What leads you to believe that this time around this alliance is going to work?

Seaman: TIAA CREF was a good partner in supporting and growing our business. They were an active investor in a number of our funds. After making the investment in our platform, however, they strategically decided they wanted to grow their own real estate investment business on a stand-alone basis. We still work together and they are still an investor in our funds — but we simply ended up pursuing this business separately. Guardian is different because they have prior experience in entity-level investing, which Teachers did not have, and they have targeted the real estate investment management business as an area in which they'd like to increase their investment. We view Guardian as a long-term investor in our equity real estate management platform, just as they have been elsewhere in the asset management space.

Are other acquisitions planned?

Howe: Both Lowe and Guardian are committed to the LEI platform. Through LEI we are open to looking at opportunities to acquire other real estate investment management platforms.

Does Guardian's investment change your relationship with Lowe?

Seaman: No. We retain the same kind of close relationship with Lowe that historically our investors have valued. Investors look through us to the Lowe operating platform and recognize the success that platform has achieved over a long period of time. We've simply added to that now with a financial institution that has an incredible multi-asset investment track record. Guardian sees the opportunity in the real estate space today and wants to co-invest capital through our platform alongside our clients. While the bulk of our investment

activity will be made through the Lowe operating teams who specialize at the local level, we will also look to continue to grow our relationships with operating partners in markets and properties where the operating partner has a competitive advantage. We are excited by the opportunity to grow the business and take advantage of what will be a compelling opportunity in the real estate marketplace.

How much control do you have over the capital invested?

Seaman: Guardian has allocated substantial capital for co-investment by LEI on a discretionary basis. Those co-investments will principally be driven by the opportunities we present to them.

In addition to a stronger balance sheet and broader market perspective, what other advantages does the Guardian investment give LEI's investors?

Howe: There are some governance changes that we think will add to and strengthen our investment management platform. LEI will be governed by a seven-person Board of Directors that will be comprised of two representatives from Lowe Enterprises (Bob Lowe and Mike Lowe), two from Guardian Life (Tom Sorell, Guardian's chief investment officer; and Bob O' Rourke, who runs real estate at Guardian), two members of the LEI management team (Bleecker and me), and one independent member whom we hope to announce in the coming weeks. In addition, Guardian will have a representative on the LEI investment committee.

Now that the deal has closed, what are your immediate plans?

Howe: As the market recovery begins, we want to be in a position to begin investing capital through the vehicles that we outlined earlier — the separate accounts, the joint ventures and the funds. We're fortunate enough to have a couple of existing investors that have expressed some interest in various investment strategies that we're pursuing. We know it is going to be a very difficult investment and capital-raising environment ahead of us. So we're launching a fund later this year that we hope will position us to take advantage of some of the dislocation in the market, and we anticipate it will take us nine to 12 months to raise that capital.

How have your clients reacted to the Guardian/LEI partnership?

Howe: We have met with most of our investors over the past few months and the reaction to the Guardian investment has generally been positive. Most investors have expressed their interest that the historical vertically-integrated relationship with Lowe be maintained, and we've assured them that close relationship will remain unchanged. We will continue to take advantage of Lowe's structure as a vertically-integrated operator and investor.

Seaman: Any time you see a transaction where an investor is buying into the business, clients have questions about management's focus and commitment. We're very committed to being successful with Guardian. We are at the beginning of a new cycle, which is a very opportune time to be investing in real estate. We are making a commitment of our own professional lives to maximize the opportunity for Guardian, ourselves and our clients, because for us to be successful we need to satisfy all of those constituents. We think this transaction positions us to do that. ❖