

TIAA-CREF Asset Management

In January, **Geoffrey Dohrmann**, publisher and editor-in-chief of *The Institutional Real Estate Letter*, spoke with **Thomas Garbutt** and **David Brown**, managing directors of TIAA-CREF. The following is an excerpt of their conversation.

Dohrmann: *How did TIAA-CREF get started?*

Brown: Back in 1918, Teachers Insurance Annuity Association was formed by the Carnegie Foundation with an endowment of \$1 million from the Carnegie Corp. of New York. At the time, the mission was to provide life insurance and retirement plan investing for professors and employees of colleges and universities.

Garbutt: In 1952, TIAA launched the College Retirement Equities Fund or CREF, a variable annuity account that invests in common stocks. This was a method of managing retirement savings and income that was unusual and innovative at the time but has become common among progressive retirement systems.

Dohrmann: *How long has TIAA-CREF been investing in real estate?*

Brown: We've been investing in commercial mortgages and real estate for decades, starting in the 1930s, and we were responsible for one of the first regional mall concepts back in the 1950s. Today, we're a major player in all the major property types — office, retail, hotels, multifamily and industrial, as well as the four quadrants.

Dohrmann: *How would you describe TIAA-CREF today?*

Brown: We are a global asset management organization, which moves nimbly across sectors to find the best opportunity that provides relative value for our clients. That could be within corporate, public or private investments such as equities, fixed income, real estate equity, commercial mortgages or structured products. It could also be alternative invest-

TIAA-CREF COMBINES BREADTH AND DEPTH OF EXPERIENCE IN ALL FOUR QUADRANTS		
	PRIVATE	PUBLIC
EQUITY	\$23 Billion Real Property (\$21 Billion) Real Estate Fund Investments (\$2 Billion)	\$1 Billion Real Estate Securities
DEBT	\$20 Billion Private Commercial Mortgages	\$25 Billion Commercial Mortgage-Backed Securities and REIT Debt

TIAA-CREF real estate assets under management as of Sept. 30, 2007.

ments such as agriculture, timber, oil and gas, infrastructure projects, and the like. We're involved to some degree in all of it.

Dohrmann: *Who are your investors?*

Garbutt: While we are best known for serving the higher education market, we now offer our asset management expertise to a wide range of investors including institutional investors, financial advisors and other intermediaries.

Dohrmann: *What is the TIAA-CREF Global Real Estate platform?*

Garbutt: TIAA-CREF's global real estate platform manages \$69 billion in assets across the four quadrants. Our platform leverages the combined experience of our dedicated teams and its comprehensive infrastructure to provide a strategic foundation and tactical guide to portfolio construction and management. I am responsible for the private equity portion of the Global Real Estate platform. As head of TIAA-CREF Global Real Estate my mandate is to build a world-class direct real estate investment management group.

Brown: As head of TIAA-CREF Global Private Markets, I'm responsible for all of our global private investment activity, which includes commercial mortgages, private placements or financings, project

finance, lease finance and private equity. It also includes alternative-type equity in sectors like agriculture, timber, oil and gas, as well as some private emerging market and high-yield investing.

Dohrmann: *What types of products do you offer?*

Garbutt: The equity real estate group currently offers separate accounts as well as other investment vehicles to institutional, intermediary and individual investors.

Dohrmann: *What does the Global Private Markets group offer?*

Brown: We are capable of the whole spectrum of financial investing. Our private finance and commercial mortgages are the critical components of what we do in the global private market space. The private finance portfolio stands at \$16 billion, while the commercial mortgage portfolio totals more than \$20 billion.

Dohrmann: *What defines your investment strategy and approach?*

Garbutt: We have a very strong commitment to the top-down/bottom-up approach. I know you hear that a lot, but I think what we do is a bit different than others in that we apply the same consistent approach to all of our portfolios irrespective of style. Our investment strategy is research-driven, and we have a very robust

dedicated research group that uses proprietary models to supply great insights on where to navigate both inside and outside the U.S. We couple that with our extensive on-the-ground staff throughout the U.S. — and soon the European — markets to put together a series of well-constructed portfolios. This consistent approach has resulted in some very strong results for our clients.

Dohrmann: *What competitive advantages do you bring to the table?*

Garbutt: One of our biggest competitive advantages is the sheer size of our operation. We manage about \$25 billion of direct real estate in the U.S., Canada and Europe, and we're in the forefront of all activity in the marketplace, whether it's on market or off market. We see more than 3,000 investment opportunities a year. And the reason we do is because of the size of our platform and our ability to deliver. So whether a mandate is large or small or core or value-added, what really benefits these mandates is the fact that our platform has access to all of these products. We try to find the best relative value for our investors.

Dohrmann: *How quickly can you place capital?*

Garbutt: We place capital very quickly. Our platform is disciplined, but it is also very nimble and responsive to the market. We buy \$5 billion to \$7 billion worth of high-quality real estate a year. In addition, we sell \$2 billion worth of assets. We've grown our portfolio from about \$5 billion to about \$25 billion. To achieve this type of volume year after year, you need to be quick and responsive.

Dohrmann: *What type of experience does TIAA-CREF have through the various market cycles?*

Garbutt: One of the strengths we bring to the table is our depth of experience. We bought our first equity property 60 years ago. I'm not sure how many people in this space can make that claim. In addition, we have one of the deepest senior teams in the industry in terms of duration in the business. We are an extremely

experienced manager through thick and thin in many different aspects of the marketplace.

Dohrmann: *With the upheaval in the debt markets and repricing of assets, is this the right time to be putting more capital into real estate?*

Brown: It is if you can find the best relative values, which we try to do. We're major players across the board, so we're able to see opportunities wherever they occur. So we are actively investing in the market, but we're investing prudently and very selectively.

Dohrmann: *Where do you see the opportunities today?*

Brown: We're trying to find areas and opportunities in the marketplace where we can bring our expertise, our investing knowledge and our liquidity to bear — and get paid for it. The tightening of the credit markets has given portfolio lenders

a chance to provide liquidity to the marketplace, and the transactions we've done in the second half of the year have significantly wider spreads with typically conservative loan-to-values and very favorable terms.

Dohrmann: *How do you see the Global Real Estate group evolving?*

Garbutt: Since we've opened our doors as a third-party money manager about three years ago, we have won multiple separate account mandates and launched closed- and open-end funds. We've been a big investor in the European and Canadian markets for the past 15 years and are looking to expand our global operations and gain a better global footprint. During the next five to 10 years, we expect to expand the products we already have by broadening our offerings along the risk spectrum as well as geographic focus. ❖

INTERVIEWEES



Thomas Garbutt, managing director, is head of the TIAA-CREF Global Real Estate group, which includes worldwide acquisitions, sales, portfolio and asset management, and business and product development. He has 27 years of experience in the real estate finance and investment industries.



David Brown, managing director, is head of the TIAA-CREF Global Private Markets group. Brown is responsible for overseeing the private fixed-income portfolio including commercial mortgages, which totals more than \$40 billion. He has 25 years of experience in the real estate finance and asset management industries.

CORPORATE OVERVIEW

TIAA-CREF is one of the largest institutional real estate investors in the nation, with a \$69 billion global portfolio of direct and indirect investments as of Sept. 30, 2007. Best known as a national financial services organization and provider retirement services to the academic, research, medical and cultural fields, TIAA-CREF has more than \$437 billion in combined assets under management (9/30/07). Through TIAA-CREF Asset Management, institutional investors, financial advisers and other intermediaries worldwide can access the extensive investment, research and analytical capabilities of the TIAA-CREF organization including the 60 years of real estate investment experience of the Global Real Estate group.

CORPORATE CONTACT

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