

# Bentall Kennedy

Recently, Geoffrey Dobrmann, publisher and editor-in-chief of The Institutional Real Estate Letter – Americas, spoke with **Amy Price, Douglas Poutasse** and **Michael McKee** of Bentall Kennedy. The following is an excerpt of that conversation.

*Bentall Kennedy merged its Canadian and U.S. operations in late 2010. What brought the two firms together?*

**Michael McKee:** Bentall is the largest investment and property manager in Canada, a truly best-in-class organization. In the mid-2000s, Bentall was looking for an opportunity to grow into the United States. At the same time, several founders of Kennedy Associates were focused on succession planning, so they could exit the business and retire. Bentall made an initial investment in 2006, a subsequent investment in 2008, and then the two firms formally merged on December 1, 2010. Today, the firm has about \$30 billion of AUM throughout North America.

*Everybody who merges a company says the cultures link together; but the reality is that it is always incredibly challenging to try to knit those two things together. How did that process go for you at Bentall Kennedy?*

**McKee:** Bentall and Kennedy shared a set of core values, including our reputations for fiduciary excellence and our commitment to responsible property investing, which gave us a solid foundation upon which to build and evolve. As the Kennedy partners took their retirement, we brought in new teammates, including Amy and Doug and Chuck Burd, and a number of others. The new team members embrace our high fiduciary standards and bring the same scalable mindset that made Bentall number one in Canada. Together, our senior managers across North America form a very strong and deep bench. No merger is completely smooth, but I think it is fair to say the people who are here today are really integrated into a one-firm mentality.

*Now that you are one firm, what is the current business strategy and focus for the U.S. business going forward?*

**Amy Price:** We invest exclusively in North America in real estate private equity across the four main property types. We also are very research-driven, pursuing investment strategies based on demographics and research. Because of that, we are actively pursuing a more aggressive medical office investment strategy as well as urban high-rise multifamily development. We are focused on growing our business in the United States to match the depth and breadth of our business in Canada. Our goal is to serve a broader client base through more investment structures and strategies, such as commingled funds and separate accounts.

*Before the merger, Kennedy was primarily known as the real estate adviser to the Multi-Employer Property Trust, the MEPT. How does MEPT fit into the Bentall Kennedy strategy today?*

**Doug Poutasse:** We are very proud of our 31-year involvement with MEPT. It is, and will continue to be, our U.S. flagship. MEPT has a long history as the leading fund serving Taft-Hartley investors and as an industry



chairman of its board of directors.

**Michael McKee** is CEO of Bentall Kennedy U.S., with overall responsibility for United States operations. Prior to joining the company in 2010, McKee worked in executive level positions at The Irvine Co., progressively serving as chief legal officer, vice chairman and CFO, vice chairman and COO, and, ultimately, CEO and vice



estate investing for the western United States at Morgan Stanley.

**Amy Price** is the COO at Bentall Kennedy U.S. with overall responsibility for operating and financial performance. She also serves on the Bentall Kennedy Group Management Committee, the U.S. Executive Committee and the U.S. Investment Committee. Prior to joining Bentall Kennedy U.S. in 2012, Price was a managing director and head of real



information standards Board since 2007. Previously he was chief investment strategist for AEW Capital Management.

**Douglas Poutasse** is the Executive Vice President and Head of Strategy and Research. He also serves on the Bentall Kennedy Group Management Committee, the U.S. Management Committee and the U.S. Investment Committee. Prior to joining Bentall Kennedy, he was the executive director of the National Council of Real Estate Investment Fiduciaries and chaired the Real Estate

leader in responsible property investing. We are committed to continuing to serve that traditional investor base while working with our fund management partners to diversify the investor base for the MEPT strategy.

*What are the prospects for continued growth of MEPT?*

**Poutasse:** We entered 2013 with a strong core of multi-family and office assets in dynamic primary markets, which we are focused on continuing to grow through strategic acquisitions and sustainable development. We believe this portfolio will produce strong income growth and appreciation, which will remain attractive to our institutional investor base.

*Doug, as a former head of NCREIF and a leading researcher at AEW, certainly you have built a reputation as being one of the leading researchers in the business. What is your current view of the U.S. real estate markets?*

**Poutasse:** You have to start with the economy, and in a world of seemingly never-ending political risk and uncertainty, we see demographics as one of the only truly predictable drivers. The best and brightest of the echo boom as well as new immigrants are increasingly concentrating in a handful of markets where they are creating their own opportunities. The baby boomers, the largest single economic force that the world has seen, will need more medical care and, in the not-too-distant future, senior living options.

*What strategies emerge from that viewpoint?*

**Poutasse:** The first one is to provide the infrastructure for urban living and for urban workplaces. We have large apartment complexes under development in the urban cores of six primary markets for MEPT, and we are working on adding more. On the senior living/medical office front, we are targeting the acquisition and development of medical office buildings and outpatient care facilities anchored by the leading hospital groups around the country.

*Last summer, Bentall Kennedy announced that CalPERS, the California Public Employees' Retirement System, had purchased a one-third interest in Bentall Kennedy. How did that investment come about?*

**Price:** CalPERS has been a client of ours in the United States for more than 20 years. Bentall Kennedy has been owned in the same structure — one-third by management and one-third each by two institutional partners — for more than 20 years, and CalPERS is a new participant in that structure. Prior to CalPERS' ownership, we had two leading Canadian pension advisers as our partners: British Columbia Investment Management Corp. (bcIMC) and Ivanhoé Cambridge. During the past several years, the investment models of those two organizations diverged. Ivanhoé Cambridge's model evolved into an increasingly in-house approach, so the investment they held in Bentall Kennedy was no longer strategic. With the focus on growing our U.S. business, we thought having one Canadian partner and one U.S. partner would be a good fit. We began a discussion with CalPERS, and they acquired the interest in our company that had been held previously by Ivanhoé Cambridge.

Bentall Kennedy has a very successful track record of delivering long-term, strong investment performance for our clients, and that was attractive to CalPERS. I believe CalPERS recognized a couple points of distinction between Bentall Kennedy and a lot of other U.S. real estate managers that resonated with their organization, namely our governance and our commitment to sustainability.

*Let's talk about governance first. What specifically is different about the way Bentall Kennedy approaches governance that appealed to CalPERS?*

**McKee:** Bentall Kennedy is absolutely unique in that we are fully committed to public-like corporate governance. We have an 11-member board of directors, nine of whom are independent. To give you a sense of the caliber of our board, in the fourth quarter of 2012, we added three new board members: David Denison, the former CEO of the Canada Pension Plan Investment Board; Bernard Winograd, who served as the Executive Vice President and Chief Operating Officer of Prudential Financial's U.S. businesses until his retirement in 2011; and Olena Berg Lacy, former U.S. Assistant Secretary of Labor in the Clinton Administration.

*We heard you have a new investment mandate with CalPERS. How does that fit into your overall strategy moving forward?*

**Price:** The mandate from CalPERS will focus on the acquisition of core industrial facilities in major markets. CalPERS is a longstanding client, and now a partner, and this new mandate is a significant step forward for us in terms of magnitude and duration.

*What does this mean for Bentall's other clients? Does CalPERS have favored nation status?*

**McKee:** No, none of our clients have most favored nation status. But to further answer that question, you need to appreciate our deep fiduciary mindset. We try to keep overlapping mandates to a minimum, and we have a robust rotation policy for when a property becomes available in which two clients might have an interest. In practice, the mandates are defined and differentiated enough such that it does not come up very often. Our two institutional owners encourage us to reach out to multiple clients and multiple investment strategies because they believe the stronger and more diversified Bentall Kennedy is, the better service all our clients receive.

*You say you have a strong commitment to sustainability and responsible property investment principles, and that was important to CalPERS. Tell us more about your commitment in that area.*

**Price:** We believe strongly that environmental and social sustainability is an important driver of investment performance. These assets have lower operating costs and sustain their value, while providing improved work environments for tenants and employees. It creates a "virtuous circle," if you will. For the past two years, the Global Real Estate Sustainability Benchmark (GRESB) survey and report has ranked Bentall Kennedy as number one in the Americas for our environmental, social and governance practices, something of which we are very proud.

*As you look at Bentall Kennedy today, what excites you most about its future?*

**McKee:** There are a lot of different models among investment managers. Our model embraces public-like governance, fiduciary-driven client service and research-oriented investing. We think the model resonates well with clients, especially after the tumult of recent years. Our company has come through a period of exciting transition, and we continue to build on that momentum. ❖

## CORPORATE OVERVIEW

Bentall Kennedy is one of North America's largest real estate investment advisers and one of its foremost providers of real estate services. Bentall Kennedy serves the interests of more than 500 institutional clients across 142 million square feet of office, retail, industrial, hotel and apartment properties totaling \$30 billion (as at December 31, 2012) throughout Canada and the United States. Bentall Kennedy is a member of UN PRI and is a recognized global leader in Responsible Property Investing. Bentall Kennedy is privately owned by senior management and two of North America's largest institutional investors, British Columbia Investment Management Corporation (bcIMC) and the California Public Employees' Retirement System (CalPERS). Bentall Kennedy includes Bentall Kennedy (Canada) Limited Partnership and Bentall Kennedy (U.S.) Limited Partnership.

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