

# Amstar Advisers

Recently, **Geoffrey Dobrmann**, editor-in-chief of The Institutional Real Estate Letter – Americas, spoke with **Rob Toomey, Jason Lucas and Tricia Noble** of Amstar Advisers. The following is an excerpt of their conversation.

*We have recently learned that Amstar has formed a new and significant relationship with another U.S. retirement system. What can you tell us about that relationship?*

**Rob Toomey:** In June 2013, Amstar was engaged by a U.S. public retirement system to invest and manage \$200 million of equity in the U.S. targeting all property types with value-add risk characteristics. This particular account is unique in that it is structured to be perpetual, or evergreen, in nature. Also, no different than how we have structured these vehicles in the past, the management team at Amstar will have significant equity co-investment, directly aligning the team's interests with those of the client.

*This new relationship sounds consistent with the one you formed a few years ago. What can you tell us about the investment activity in that account?*

**Tricia Noble:** In September 2011, Amstar formed a similarly structured separate account with another U.S. public retirement system for the purposes of investing and managing two investment strategies. The first, which we call "Restore to Core," is an office acquisition and repositioning strategy targeting high-quality office buildings that would be considered core if not for the effects of the recession. The second, which is a "Develop to Core" strategy, is targeting multifamily development opportunities through strong local development partners who have a long and successful track record in the markets they serve. Both strategies target specific research-driven markets throughout the U.S. that we identified in 2011. Subsequent to the formation of the account, the client informed us they were underweighted in industrial and asked us to add that strategy to the account. After thoroughly researching the industrial property markets, we determined the best strategy for this particular client was to target well-located and well-leased distribution properties that could produce attractive current returns. Not only did this provide the exposure to the property type the client was looking for, but it also mitigated the "J-curve" effect that was naturally occurring within the account. To date, Amstar has committed \$145 million of the \$200 million across 15 properties, representing 73 percent of the total commitment. These properties directly fit the investment strategies we identified for the client, and we expect the account to be fully invested by year-end 2013.

*How is Amstar able to invest across all property types?*

**Toomey:** That goes to the origins of the organization. When Amstar was originally formed in 1987, it was the exclusive manager to a single European-based family office client. That client's objective has always been to diversify its real estate investments across both property type and geographic location throughout the U.S. — a strategy we have successfully implemented for a very long time. As a result, we have developed extensive knowledge and experience in all property types, and therefore are able to invest our clients' capital no matter where we are in the market cycle. You really should think of Amstar as a rotational investor.

*There is a lot of talk in the industry about the popularity in forming separately managed accounts. Why have you chosen to focus on that vehicle for Amstar's U.S. investment activity?*



**Rob Toomey**, Managing Director, has been with Amstar for over 14 years and is responsible for the organizations domestic fundraising activities. Mr. Toomey also serves as the Portfolio Manager for Amstar's U.S. separate account relationships and is also responsible for all aspects of Amstar's mid-

Atlantic and Southeast office and industrial investment activity. Mr. Toomey currently serves on the company's executive and investment committees.

**Jason Lucas**, Managing Director, has been with Amstar for six years and is the portfolio manager for Amstar Global Partners' international investment funds. He is responsible for overseeing all aspects of the Amstar's investments in Turkey, Russia and India. In addition, he leads the company's international fundraising activities. Mr. Lucas currently serves on the company's executive and investment committees.



**Tricia Noble**, Senior Vice President, has been with Amstar since 2012 and focuses on all aspects of Amstar's industrial investments within the U.S. In addition, she assists with all of the company's fundraising activities. Previously, Ms. Noble was a partner with Childress Klein Properties, one of the largest industrial developers and owners in the Southeastern US located in Charlotte, N.C. Ms. Noble currently serves on the company's investment committee.

**Toomey:** Amstar was established for the purposes of investing its family office account within a perpetual format. That client has elected not to repatriate its capital but rather recycle it within Amstar for almost three decades. As a result, we have developed a long and successful relationship with that client that has been built on trust over many years. When Amstar decided to expand its capital strategy a few years ago, we concluded we should keep it simple and offer prospective clients not only the same investment strategies we have been executing for our original client, but also within the same separate account format. Our view is that this single-client, perpetual relationship structure is a terrific way for a client to get a significant amount of time and attention from their manager and a great way for a manager to stay focused on what is important: wisely investing and managing its clients' capital with a longer-term perspective.

*Tells us more about your investment management approach.*

**Noble:** Amstar is unique within the industry in that it employs a "cradle-to-grave" investment management process, where the lead investment professional sourcing investments is also responsible for closing and executing the business plan all the way through disposition.

*Having one head professional responsible for an investment from “cradle to grave” is a bit unusual. Why have you set your process up that way?*

**Noble:** We believe it is the best approach for our clients. Because we are not organized functionally, we believe our approach assures complete accountability for every decision and aligns the interests of our employees and our clients. Additionally, it keeps our teams closer to their properties and markets, allows us to develop well-rounded real estate professionals and promotes an environment that encourages stability among senior management. This approach has always emphasized quality investing rather than quantity.

*Amstar is becoming increasingly known in the institutional investment community for both its U.S. and European investment activity. Tell us more about your European strategy and how it complements Amstar’s U.S. investment practice.*

**Jason Lucas:** Amstar’s European investment strategy is very different from its U.S. focus. In Europe, we prefer to identify high-growth markets where there is an undersupply of Western-quality real estate and a lack of institutional capital so we can benefit from a “first mover” advantage. A good example of this is how we entered the Turkey retail property markets in 2007 through our first fund, Amstar Global Property Fund I. We experienced so much success in Turkey that in June 2012, Amstar closed its second fund, Amstar Global Property Fund II, which raised €95 million (\$125 million) to develop three more Western-designed shopping centers with one of Turkey’s most prolific developers, Renaissance Development.

*That’s interesting. Could you give us a brief update on the progress of the Fund II shopping centers?*

**Lucas:** In March 2013, Fund II’s first shopping center, located in Samsun, Turkey, had its grand opening. The partnership constructed the 64,000-square-meter (710,000-square-foot) property in 19 months, and upon completion it was 98 percent leased with rents above our initial underwriting. The property is leased to major tenants including MediaMarkt, Decathlon, Migros, H&M, Inditex Group, including Zara, Bershka, Pull & Bear and Stradivarius, and many other prominent international and Turkish domestic tenants. Fund II’s second shopping center, located in Maras, opened in April 2013 and experienced substantial visitor traffic during the opening weekend; over 170,000 people visited the property representing approximately 13 percent of the city’s population! That property is currently 95 percent leased. It appeared that the attendees were impressed with the design, construction quality and overall execution of the property, and we believe that if they didn’t know better, they’d think the property was located in Germany or the U.S. The third and final property, located in the city of Urfa, is scheduled to be completed on time and within budget during the fourth quarter of this year and is already 85 percent pre-leased. After those openings, Amstar, together with Renaissance, will have five operational shopping centers in Turkey representing 250,000 square meters (2.7 million square feet), making the partnership one of Turkey’s largest regional shopping center owners and developers.

*Renaissance sounds like a great development partner. Tell us more about that relationship and how it got started.*

**Lucas:** Real estate is generally about “location, location, location,” but emerging markets real estate is about “partner, partner, partner.” When we initially formed our international investment strategy, we met and screened over 40 potential partners. Renaissance met all of our criteria, and with their vertically integrated development and construction platform, they have proven their execution capabilities time and time again. Successful and long-term joint venture relationships

with local partners is especially important in emerging markets, but can be difficult to achieve, which is why Amstar has continued to foster its relationship with Renaissance and made them our primary partner in both Fund I and Fund II. Renaissance’s vertical integration and local expertise, combined with Amstar’s investment fiduciary experience, financing relationships, access to transaction markets and construction and development oversight, have made this partnership mutually beneficial, and we believe this could ultimately translate to outsized returns for our investors.

*Amstar has made some significant progress in Turkey. How has the organization changed to meet the needs of that strategy?*

**Lucas:** In early 2013, I relocated to London to open an office for Amstar. A few other colleagues currently located in Denver will also be relocating to the new office. Our London office allows the team to be closer to the European property markets as well as Amstar’s European investors. This new office has already demonstrated numerous operational efficiencies.

*Amstar has accomplished a lot in the past 18 to 24 months. Where do you see the organizations future in the next 18 to 24 months?*

**Noble:** In the U.S., we will continue to focus on the same strategy that we have been executing for a very long time. We plan on forming programmatic joint ventures or separate accounts with U.S. institutional investors who value the focus, time and attention Amstar can offer. No different than what we have been doing since 1987, we intend on executing a fully diversified strategy across all property types and geographic regions throughout the U.S. with value-add risk profiles.

**Lucas:** In Turkey, we continue to see attractive opportunities to develop large-scale retail properties. In retail, tenant relationships are key, and we have built up strong relations with a significant tenant base who all trust us and have indicated interest in leasing space in future projects. We are also studying a few other emerging markets where we could duplicate the “first-mover advantage” strategy that we have executed in Turkey. It’s important we lay the appropriate groundwork in those markets well ahead of making our first investment there. ❖

#### CORPORATE OVERVIEW

Established in 1987 and headquartered in Denver, Amstar is a real estate investment manager that acquires, develops and manages office, multifamily, retail, hotel and industrial properties in select U.S. and international markets. Originally formed to invest and manage the real estate allocation of a large family office client, Amstar began expanding its capital strategy nearly a decade ago and has grown to more than \$2.4 billion in assets under management (as of March 31, 2013). Today, Amstar is proud to provide a high degree of focus and attention to its client relationships, counting among their leaders in the private and institutional investment community. Amstar’s clients originate from across the globe and include U.S. and European institutions, insurance companies, private banks, funds of funds and other family offices.

#### CORPORATE CONTACT

**Robert A. Toomey Jr.,** Managing Director  
1050 17th St., 23rd Floor | Denver, CO 80265  
Tel: +1 303-534-6322 | Fax: +1 303-534-6713  
rob.toomey@amstar.com | www.amstar.com