

LaSalle Investment Management

Recently, **Geoffrey Dohrmann**, editor-in-chief of The Institutional Real Estate Letter – Americas, spoke with **Jason Kern**, Americas CEO of LaSalle Investment Management. The following is an excerpt of that conversation.

You joined LaSalle Investment Management as Americas CEO in July 2013. What drew you to the firm?

Well, I have been extremely loyal and very selective throughout my career, as evidenced by the fact that I stayed at my first job out of undergrad for 17 years. My criteria for choosing a real estate investment management firm where I expect to remain for the remainder of my career were quite simple. First, I want to work for an organization that is a global leader in its field, and especially one that has exciting growth potential. Second, I highly value a corporate culture based on teamwork and long-term client focus. And third, I absolutely have to work with people whom I respect and enjoy working alongside. So when the opportunity arose to join LaSalle, which I have worked with and admired as an organization for many years, all three of those boxes were strongly checked.

You have spent half your career working abroad, in Europe and most recently in Asia. What about your experiences there do you feel is relevant to your vision for the Americas business?

It comes down to industry expertise, the ability to build businesses and the global perspective. I have spent over 20 years in the business of client service, almost all of that in the real estate industry. In the past several years, I have been focused on building and growing businesses. At HSBC, for example, I founded the Real Estate & Lodging Advisory Group in Asia Pacific and grew it into the leading real estate investment banking franchise in the region. An organization's strongest asset is its people, and I would ascribe all of the success that we had at HSBC to my ability to recruit, coach and retain a very talented and experienced team of diverse individuals who do business in the right way. Finally, a global perspective is absolutely vital in our business today and especially as we look into the future. We are quickly approaching a day when the majority of the new business that we will be doing at LaSalle will be global or cross-border in some way, shape or form.

What is your vision for the Americas business at LaSalle?

Our plan is to build on our core strengths and not try to be something that we are not. LaSalle is broadly recognized in the market as having one of the longest and best investment track records for acquiring and managing core and value-add commercial real estate in the Americas, so we are not going to stray from that central vision. We will continue to focus on investment performance and unrivaled client service for our existing client relationships. We will grow by selectively raising capital for strategies about which we are passionate and where we have a market-leading team with which to generate superior investment returns for existing or new clients. Much, if not most, of that new growth will come, as mentioned before, from capital sources outside of the region. LaSalle has a strong competitive advantage, based on our global footprint,



Jason Kern is Chief Executive Officer, Americas, at LaSalle Investment Management. Kern joined LaSalle from HSBC in Hong Kong, where he was a Managing Director and head of HSBC's Asia Pacific Real Estate & Lodging Advisory Group, which he founded in 2009. Prior to this, Kern spent 17 years in various roles at JPMorgan in the U.S., Europe and Asia.

when it comes to managing cross-border mandates. We also, over the long term, intend to diversify our capital sources increasingly into the individual investor and defined contribution arenas. But, frankly, we spend most of our time focusing on how to maintain and improve strong investment performance as this is what will determine our success or failure over the long term.

What skills are embedded in the team here in the Americas?

LaSalle benefits from a long history and a great global brand, and we have some of the most experienced and knowledgeable professionals in the real estate business. Some of them have been with us for more than 30 years and have been through a variety of cycles in the real estate markets. We also have very impressive midlevel talent that we have been able to develop over the years who are encouraged to take an entrepreneurial approach and will push us into our next phase of growth. These are often people who have come up through our organization via a number of different disciplines. We are all 100 percent focused on real estate, so you could say that we are a firm composed entirely of real estate geeks, some more so than others.

Some investors are starting to move out on the risk curve, but the vast majority of investors are still very focused on core. How can investors benefit from LaSalle's expertise in core real estate investment?

We have one of the longest track records, with more than 30 years of managing core real estate in the Americas on behalf of the most sophisticated institutions around the world. Speaking of real estate geeks, one of LaSalle's fundamental strengths has always been our research and strategy group. This 30-person team helps us develop insights and strategies to take advantage of opportunities across property types and markets and through different points in the real estate cycle. Our 20-person seasoned acquisitions group, our various senior portfolio managers and our in-house due diligence and asset management teams also have significant input into formulating our strategy and then are tasked with executing that strategy as flawlessly as possible in an increasingly competitive market.

How do you see the needs of your clients changing during the next three to five years?

We have a number of separate account relationships — Custom Accounts as we call them — which are truly global in nature, so we are being mandated to execute investments for clients across the globe, and there are

not many who can credibly pull off that feat. Increasingly, our long-term clients are selecting LaSalle to be the steady-handed steward of their capital to take them into new markets. Another trend is the increasing desire for customization, and LaSalle has long been successfully tailoring investment solutions for clients. It is also increasingly common for clients to demand very high standards in terms of environmental, social responsibility and corporate governance (ESG) practices, and we are proud that LaSalle has taken a leadership role over the years in developing a robust ESG platform. These initiatives have focused on responsible investing and sustainable best practices with the assets we acquire and manage for our clients. Over the past several years, many of our assets have been awarded Energy Star, LEED and other sustainability certifications, and have achieved energy reductions that helped increase operational efficiencies as well as increase asset valuations.

How are you addressing the desire among your clients for more customization?

Roughly half of our assets under management are in the form of commingled LP fund-type structures, and the other half of our business is in Custom Accounts. Based on our name and track record, we are seeing strong demand for capital coming into both sides of those businesses, but we are seeing increasingly large pockets of capital looking to manage their own diversification and choose an investment manager that is a leading expert in a given property type in a given strategy. Therefore, many of our most recent Custom Accounts are not diversified, all property type strategies, but rather depend on a focused team of LaSalle experts in a particular property type or niche strategy. We have named a new head of that business, Karen Brennan, who fits into the category of the next wave of senior leadership in this firm with 15 years of experience through a variety of disciplines at LaSalle around the globe. She brings a great perspective and is very focused on making sure we are providing the best possible investment returns and service to our existing Custom Accounts clients, but also is very focused on new business development.

What are the strategies you are pursuing in the Americas right now?

We continue to grow our existing diversified flagship vehicles. LaSalle Property Fund, our core, open-end fund, is an evergreen vehicle, always open for new capital, and we are pleased with its index-beating investment performance and the very high-quality portfolio we have been able to build over the past several years. The other flagship vehicles are our Income & Growth series, both in the U.S. and Canada, which are value-add return strategies in closed-end fund structures. We have raised six iterations of the LaSalle Income & Growth series in the U.S., and we will be ready to raise Fund VII later this year. At the same time, our Canadian Income & Growth series is well on its way to raising a Fund IV. We are also adding new Custom Accounts for both diversified and niche strategies. Our new business development efforts are also focused on raising capital from individual investors.

Does LaSalle have a specific vehicle for that?

Yes. In October 2012 we launched JLL Income Property Trust, a daily NAV, nontraded REIT. We have created a very investor-friendly vehicle that benefits from the expertise we provide our institutional clients in terms of

building a large, diversified core, direct commercial real estate portfolio that will aim to generate strong income and total returns. The REIT is regulated by FINRA and the SEC and has a majority independent board of directors and other governance mechanisms like a public REIT, but is not traded on any exchange and instead distributed through a variety of distribution partners that range from wire houses to independent broker-dealers to registered investment advisers. Importantly, it has daily valuation from a third-party provider and is therefore not as subject to the volatility of the public markets. JLLIPT has much better liquidity provisions and much lower fees than the typical non-daily NAV, nontraded REIT.

What are you doing in the Americas outside of the U.S.?

I spoke already about the LaSalle Canadian Income & Growth value-add series. In Mexico, we are seeing some very interesting investment opportunities — I would say it is one of the most exciting areas of our entire Americas business at the moment. Mexico is benefiting from the recovering economy in the U.S., to which it is inextricably linked, and some very beneficial structural reforms have been implemented. We are seeing opportunities for investors to get higher yields than are available in the U.S. by acquiring or developing high-quality logistics and office assets that are often leased to multinational tenants on U.S. dollar-denominated leases and financed with attractive U.S. dollar debt. LaSalle recently celebrated our 10th anniversary of managing real estate investments in Mexico, and our team consists of over 20 Mexican nationals on the ground in the local markets there.

What other opportunities are you focused on?

We like medical office, where our research and strategy team has identified some very strong macro trends, driven by the aging of America as well as the Affordable Care Act. We have a team focused on medical office that has been with LaSalle for 15 years and has a great track record, so we will raise some capital around that strategy. Another example is our successful co-investment strategy that we have managed for one of the largest defined benefit pension funds in the United States, where we act as the organization's discretionary manager for their co-investment opportunities. We will look to expand that type of program to other potential clients going forward. ❖

CORPORATE OVERVIEW

LaSalle Investment Management is one of the world's leading real estate investment managers. With nearly 700 employees in 16 countries worldwide, the firm manages \$50 billion (as of March 31, 2014) of private and public property equity and debt investments. LaSalle's diverse client base includes public and private pension funds, insurance companies, governments, endowments and private individuals from across the globe. LaSalle is an independent subsidiary of Jones Lang LaSalle, one of the world's largest real estate companies.

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