



TIAA Henderson Real Estate

*Geoffrey Dobrmann, president and CEO of Institutional Real Estate, Inc., recently spoke with **James Darkins** and **Thomas Garbutt** of TIAA Henderson Real Estate. The following is an excerpt of that conversation.*

Almost a year ago, you announced the formation of TIAA Henderson Real Estate (TH Real Estate), a global joint venture between TIAA-CREF and Henderson. Can you sum up the first year of the business?

James Darkins: We fit together like pieces in a jigsaw puzzle in terms of geography — TIAA-CREF had the U.S. as its home base and a small outpost in Europe while Henderson had Europe as its base and small outpost in the U.S. — and there was a great harmony in terms of work cultures and the vision for this combined business to be a truly global real estate asset management firm. Over the past year, we have been able to bring these two pieces together, to create a truly global offering for our clients; we have established specialist real estate functions that are appropriate for our business in terms of scope and size, but that are also scalable and anticipate future growth. We have become one of the largest real estate investment managers in the world and have quickly established an identity for ourselves across the industry. We have entered new markets, and geographies, launched new funds and invested alongside new clients and partners.

Thomas Garbutt: I agree that the partnership has shaped up to be just what we envisioned — we anticipated a complementary partnership that better served our goals and our investors, and that vision has come



James Darkins is the Chief Executive of TIAA Henderson Real Estate (TH Real Estate), having originally joined the business in 1998. James started his career in the United Kingdom before emigrating to New Zealand in the 1980s. Over the course of 35 years, he has worked for a number of property and building related companies.



Thomas Garbutt, Senior Managing Director and head of Global Real Estate for TIAA-CREF, is the Chairman of TH Real Estate. Tom is responsible for real estate activities in both equity and debt including transactions, joint ventures, portfolio management and strategy and research. He joined TIAA-CREF in 1982 and has 33 years of experience in the real estate finance and investment industries.

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How has the integration gone?

Darkins: We have seamlessly integrated our operational platform, comprising functions such as IT, HR, client services, finance and performance analytics. We have created a business that operates under a stable, consistent and risk aware approach, but that allows us to remain agile and nimble in doing so.

Garbutt: We have realized revenue synergies but, more importantly, know-how and expanded capabilities. The combined entity has a new value proposition to offer clients now that there is a global scope and more depth of expertise. Client needs are changing and becoming more global. Now, with global offices across 12 countries, we can address these needs and be successful in competitive markets. Whether we are investing for TIAA’s participants in the United States or on behalf of, or alongside, third-party clients, TH Real Estate significantly expands our investment opportunities by adding critical local knowledge and “feet on the street”, so we not only see the best opportunities in the markets where we invest, but also deploy capital in the smartest way possible, all around the globe.

How has the venture impacted your clients?

Darkins: We are still viewed as a trusted investment manager, and as a testament to this, clients old and

new continue to invest or reinvest across our product line. However, we are now also considered as a partner. We have the ability to co-invest alongside larger clients and have done so across a number of markets. The impact of foreign money over the past few years has been considerable. It clearly has had an impact on competition for assets and pricing, particularly for prime assets in major markets. By aligning with some of the major players from around the globe, we are able to broaden our acquisition strategy and diversify our portfolios. We are always seeking new partners that align with our values and goals. TIAA recently signed an agreement with the Korean Teachers Credit Union to form a \$1 billion joint venture to invest in commercial mortgages in the United States. Over in Europe, we have announced a strategic partnership with specialist outlet mall operator Neinver. This partnership creates an opportunity for us to further penetrate the outlet mall sector, a sector in which we are already an established player.

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Garbutt: The combined AUM makes us one of the largest real estate asset managers in the world, but I always say: partners don’t want to invest with us because we are the biggest, but rather because we are the best. We have long been a trusted player, but with better diversification and more expertise, TH Real Estate’s market and leadership position will continue to strengthen.

What are some examples of success for the new entity?



In Spain, TH Real Estate acquired Islazul Shopping Centre in Madrid from Grupo Lar and Ivanhoé Cambridge, on behalf of an Asian client and the firm’s own capital.

Darkins: Two deals that really define the year for me are our acquisition of Islazul shopping center in Spain and everything we have achieved in Australia. In Spain, we acquired Islazul Shopping Centre in Madrid from Grupo Lar and Ivanhoé Cambridge, on behalf of an Asian client and our own capital. It represented the first co-investment opportunity for TH Real Estate as well as a new third-party client in Asia. It was also a great example of various functions across the business coming together collaboratively; our French team had an existing relationship with the seller, whilst our Spanish team had a long-standing relationship with the local asset manager, which really strengthened our position in the bidding process. Upon acquisition, we also completed a €125 million financing of the asset with ING. Our longstanding and trusted relationship in place with the bank allowed the financing to be secured within an incredibly tight deadline without compromising on the investors’ needs. Over in Australia, we had identified inward investment to the region as an important part of our growth strategy. Having boosted our team on the ground, we have already established key local partnerships and invested around A\$850 million across Australian office and retail. They all involve high-quality core assets of the kind that are rarely available for

investment. We also increased our access to the most attractive investment opportunities by collaborating with partners who can leverage their capabilities or local expertise.

Where do you see compelling opportunities that TH Real Estate can help offer access?

Garbutt: I see many new opportunities, including expanding our co-investing platform. While the U.S. still offers plenty of upside for real estate investors, markets in Europe and Asia have great potential. We also have relationships with large institutional investors in both equity and debt, and we will continue to refine and execute those strategies. We can offer institutional investors access to investment opportunities in markets outside of their home markets and this global approach is more in demand than ever. I also expect to see continued growth in the private wealth market as we have a long legacy of providing these clients access to real estate products.

Darkins: One of our key objectives will be to structure ways for investors to access our expertise. In Europe, for example, a major hole for investors is how they can get their capital invested across the region in the most efficient and effective way. Live

strategies include those focused on core German retail real estate, UK debt and U.S. student housing. We are also working to offer long-term institutional investors exposure to a European city-based real estate strategy, underpinned by structural trends. The focus will be on European cities that have the ability to attract talent, tourists and international tenants, based on long-term fundamentals — affluence, age profile, willingness to embrace technology and quality of life.

What are your plans for the Asia Pacific region?

Darkins: Asia Pacific will be a strong focus for the business going forward as we work to create a top regional business over the next five years, most likely via an acquisition strategy. The team already in place comprises fund management, investment, development, asset management and finance, and we are currently in the process of hiring research and distribution specialists to complement the existing team. In addition to an established presence in Singapore, we have had a Sydney office since 2012, and that is a solid foundation from which we will expand in the region.

Garbutt: The opportunities in Asia are exciting. In the long term, it is a prime growth market and we plan to commit capital to the region for capabilities and investments. TH Real Estate is already well known as a key player in the region, and the additional resources of a Hong Kong office and new hires will strengthen our position there.

What is your perspective on current market conditions?

Garbutt: The volume of this cycle has really picked up as memories of the downturn become more distant. A hallmark of the current environment is the fierce competition for high-quality assets in top markets. However, our strong relationships and reputation for executing deals ensures excellent deal flow. We continue to be one of the

most active buyers, sellers and lenders in the real estate capital markets, affording us superior connectivity to other real estate market participants. Our strong buy-side history also gives us an edge when competing against other buyers. TH Real Estate's formation has really increased deal flow in Europe and Asia, giving us opportunities to evaluate multiple deals and choose best-in-class assets for every dollar we invest. We have always been investors over the long term. Given the competitive market conditions today, it is even more important to be focused on the long term.

Darkins: Yes, positioning ourselves for tomorrow's world, rather than today's, lies at the heart of our

investment process. We are committed to capturing long-term, structural changes in both occupational demand and capital flows, to create sustainable real estate products relevant to both operators and investors, and future-proofing our clients' interests. We have invested a lot of time and research into this arena, and we look forward to developing innovative new products over the coming months that will reflect the current challenges and opportunities in the markets today.

Where will you concentrate on adding staff across the business?

Darkins: Over the past year, we have significantly boosted the global team across a number of regions and



In Australia, TH Real Estate recently invested in 101 Miller Street in Sydney (top) and Mt. Ommaney Shopping Center in Brisbane (bottom).

functions. One of the most transformational hires for our business is that of Victoria Sharpe, who has come on board as Global Head of Client Capital Group. She is responsible for the marketing, distribution and client service of TH Real Estate worldwide. We are firmly committed to our clients and are dedicating significant resources to build a best-in-class client relationship and management team. A client-focused culture is at the core of who we are and what we believe our clients expect from us.

Finally, what do you want investors and potential partners to take away when they think of TH Real Estate?

Darkins: Without a doubt, our people — they have established track records and deep expertise. Our property funds are managed by specialist teams who apply their own experience to the management and style of their portfolios. Their confidence, passion and dedication always shows through, resulting in hard work and superior investment results. Likewise, our hands-on approach to asset management and investment activity is evident in the value we are able to create. We have conviction in our own ideas, and we are not afraid to align our own interests with those of our clients. It is the excellence, professionalism and passion of our staff that make the potential future growth of our business immeasurable.

Garbutt: I agree with James that our people are our trademark, and the combination of the TIAA and Henderson teams has exponentially improved the scope and strength of our business. There really is not a weak spot in our knowledge base and skill set, and I think the industry will continue to see us do headline-making deals and bring a unique value proposition to every partner and client with whom we work. ♦



TH Real Estate has recently acquired a hybrid mall in Troisdorf, Germany, on behalf of its Core German Retail Fund.

CORPORATE OVERVIEW

TIAA Henderson Real Estate (TH Real Estate) is a global real estate asset management firm with specialization in real estate equity and debt investing worldwide. As one of the largest real estate managers in the world, TH Real Estate has the scale, capital resources and knowledge to provide creative and effective real estate investment solutions for clients. With a focus on the retail, office, logistics, debt and multifamily sectors, TH Real Estate emphasizes sustainable practices to protect assets and maximize their value.

The company is jointly owned by TIAA-CREF (60 percent) and Henderson Global Investors (40 percent) creating a combined track record of over 90 years in global real estate. Its products are managed by specialist teams, which apply their own experience to the management and style of their portfolios. Each team is supported by an experienced senior management team and integrated investment platform, including finance, debt and currency management, performance analytics, client service, fund and transaction structuring, development, sustainability and research.

Launched in April 2014, the company has a dedicated global presence with offices across Europe, North America and Asia. Combining TIAA-CREF's existing U.S. platform, with TH Real Estate's deep penetration across Europe and Asia, has created a platform in excess of \$79 billion (as of Sept. 30, 2014).

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