



## NORTH AMERICA

### INDUSTRY FIGURE OF THE YEAR

#### 1 Ralph Rosenberg, Kohlberg Kravis Roberts

2 Timothy Walsh, New Jersey Division of Investment

3 **Chris Merrill, Harrison Street Real Estate Capital**

After two years of building the business from scratch, the real estate platform of Kohlberg Kravis Roberts (KKR) had a very robust 2013, thanks in a large part to its leader, former Goldman Sachs executive Ralph Rosenberg. The New York-based buyout firm worked on such transactions as a REIT acquisition as well as expanding across Europe and Asia. In its greatest feat of the year, KKR wrapped up its oversubscribed debut real estate fund at \$1.5 billion, including \$1.2 billion in institutional commitments.

Behind that significant dollar figure is Rosenberg, whose dedication to alignment of interest between LPs and GPs influenced KKR to include a large co-investment vehicle alongside KKR Real Estate Partners America (REPA). The firm committed \$286 million in equity from its employees and KKR Financial Holdings, one of the firm's investment units, to accompany the fund. In putting up approximately one-fifth of the fund's overall capital, KKR clearly has shown that it aligns itself with its LPs.

In an interview with *PERE* in December, Rosenberg described KKR's co-investment as a part of its own "balance sheet strategy" as well as a way to make LPs comfortable. "From our perspective, we like having significant amounts of our own capital inside the vehicle because we like the market opportunity in its own right for the return expectation of our own balance sheet," he explained.

Now that REPA has moved on from fundraising, Rosenberg is looking abroad for transactions. Indeed, he told *PERE* that, in the future, KKR likely will create dedicated funds for Europe and Asia.



**Rosenberg:** KKR's leading man

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### FIRM OF THE YEAR

#### 1 The Carlyle Group

2 Kohlberg Kravis Roberts

3 **Harrison Street Real Estate**

In 2013, The Carlyle Group executed almost every major move a private real estate firm could make. The Washington, DC-based firm was relentless with launching new endeavors this past year—acquiring a business, launching a mammoth fund, poaching a senior member from a rival firm and partnering on a lending program—all while making big acquisitions and exits to boot.

Perhaps the biggest news of the year was Carlyle's acquisition of fund of funds firm Metropolitan Real Estate Equity Management (and its \$2.6 billion in assets under management) in September. Though not carried out by Carlyle's real estate group but rather its solutions group, it nevertheless was a significant takeover by a private equity firm of a real estate fund operation.



**Metz:** Carlyle's big hire

Carlyle demonstrated the desire to expand its global platform further with the hire of Adam Metz, a former senior advisor at rival private equity firm TPG Capital, as head of international real estate. Metz now serves as one of the top executives of the firm's property business worldwide, overseeing real estate teams in Europe and Asia.

On the transaction side, Carlyle sold 650 Madison Avenue in Midtown Manhattan for \$1.3 billion, representing the largest single-asset property deal in the US in two-and-a-half years. "This is a great outcome for our investors and validates our opportunistic approach," said Robert Stuckey, managing director and head of US real estate. The firm initially purchased the property in 2008.

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### INSTITUTIONAL INVESTOR OF THE YEAR

#### 1 California Public Employees' Retirement System

2 Teacher Retirement System of Texas

3 Public Sector Pension Investment Board

For the investment strategy of the California Public Employees' Retirement System (CalPERS), joint ventures were the name of the game this past year. The largest US pension plan had an expectedly large agenda, embarking on a massive industrial joint venture while pumping money into its multifamily and emerging manager programs.

Last March, CalPERS announced a \$3 billion separate account with commercial real estate advisor Bentall Kennedy in order to help increase the pension plan's core portfolio. The duo kicked off the partnership, named Institutional Logistics Partners, with an initial \$250 million mandate, planning to invest an average of \$500 million of equity in industrial assets each year over a five-year period.

CalPERS also expanded its multifamily platform, adding two new partners to its core apartment program, for a total investment of \$450 million. In May, the pension hired Invesco Real Estate for its Institutional Core Multifamily partnership, committing \$250 million to build a portfolio of income-generating properties focusing on target US markets in the West and Midwest. Most recently, CalPERS awarded a \$200 million mandate to Pacific Urban Residential to invest in Class B multifamily properties in the West.

CalPERS also doled out commitments to early-stage managers through the Canyon Catalyst Fund, its \$200 million emerging manager venture with Canyon Capital Realty Advisors. The pension entered into joint ventures with Rubicon Partners, Paragon Commercial Group, Pacshore Partners and Sack Properties, showing its dedication to early players in the office, retail and multifamily sectors.



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### DEAL OF THE YEAR

- 1 The Blackstone Group's \$2.4 billion multifamily purchase from GE Capital**
- 2 Starwood Capital Group's \$1.64 billion acquisition of seven malls from The Westfield Group
- 3 NorthStar Realty Finance's purchase of \$925 million in secondary interests from the New Jersey Division of Investment

With each of The Blackstone Group's recent real estate platforms, one big deal started it all. In its largest US real estate investment in the past two years, the New York-based firm acquired majority interests in about 70 apartment complexes from GE Capital. In addition, the firm has used the \$2.7 billion transaction, purchased on behalf of its \$13.3 billion Blackstone Real Estate Partners VII fund, to launch its new multifamily platform.

The GE acquisition, along with a couple thousand existing units, gave Blackstone the critical mass needed to create an apartment business similar to those it has established for other property types, such as IndCor Properties for its industrial investments and Invitation Homes for its buy-to-rent single-family strategy. "We knew that, if we could take this deal and turn it into a platform, it would create a lot of investment opportunities for us," said Frank Cohen, a partner who oversees North American acquisitions.

While multifamily currently is the smallest of the major property types in which Blackstone invests, the firm expects that to change over the next few years, especially with its \$13.3 billion opportunity fund to help fuel expansion. Indeed, the firm has called the sector a "priority" for future deals, so we can expect to see more multifamily deals from the real estate giant in 2014.

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### EXIT OF THE YEAR

- 1 The Blackstone Group's IPO of Brixmor**
- 2 The IPO of a stake in US homebuilder Taylor Morrison by TPG Capital and Oaktree Capital Management
- 3 Goldman Sachs Real Estate Principal Investment Area's sale of a 40 percent stake in New York's General Motors Building for \$1.4 billion

This year's award-winning exit is an interesting one, primarily because the winner is far from finished with its investment. The Blackstone Group's initial public offering of Brixmor Property Group may have been ubiquitous in the press last fall, but the firm has yet to realize a full exit from its massive retail property platform.

In July, Blackstone president Tony James revealed that the firm planned to exit its third-largest real estate investment, the \$9.4 billion acquisition of Brixmor, formerly Centro Properties Group US. Blackstone purchased the US assets of the Australian property company on behalf of its sixth global real estate fund in 2011.

In October, Blackstone officially spun off Brixmor, raising \$825 million for 41.25 million shares sold at \$20 apiece. The firm, however, retained a more than 70 percent ownership in the \$6 billion shopping center owner.

The exit is one of multiple instances of Blackstone moving aggressively to sell or take public its real estate assets. In September, it filed to take US hotel operator Hilton Worldwide public and also registered for an IPO of hotel chain Extended Stay America. James, however, has stressed that plans to take its real estate platforms public should not be viewed as exits in the near term. "You can't look at IPOs as exits for us," he said during an October earnings call. "You can look at it as the appetizer before the meal."



**James:** sees Brixmor's IPO as an 'appetizer'

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### CAPITAL RAISE OF THE YEAR

- 1 Kohlberg Kravis Roberts, KKR Real Estate Partners Americas**
- 2 KTR Capital Partners, KTR Industrial Fund III
- 3 **Harrison Street Real Estate Capital, Harrison Street Real Estate Partners IV**

It marks the largest first-time real estate opportunity fund to have been raised since the global financial crisis, attracting 20 percent more equity than it reportedly was chasing. Under the leadership of Ralph Rosenberg, *PERE*'s 2013 North America Industry Figure of the Year, Kohlberg Kravis Roberts (KKR) raised the most capital of any North America-focused vehicle this year.

The \$1.5 billion raised by the KKR Real Estate Partners America (REPA) fund includes \$1.2 billion of equity commitments from institutional investors along with an additional \$286 million in co-investment from KKR employees and KKR Financial Holdings. A pool of mainly US institutional investors, including state pension plans, insurance businesses, corporates and high-net-worth family offices, were the main backers of the fund, including the Teacher Retirement System of Texas, which made a \$300 million anchor commitment prior to REPA's first close in May. By December, KKR had raised the remainder of its capital, including a \$50 million commitment from the Maine Public Employees Retirement System.

During its first two years of operations, KKR's real estate platform adopted a deal-by-deal investment strategy. The firm then used many of those deals to seed the REPA fund, transferring them at cost. At first closing, nine investments were included in the fund. By the time the fund was closed to investors, that total had reached 14.