

IREN

INSTITUTIONAL REAL ESTATE NEWSLINE • ISSN 1945-8622 VOL. 20, NO. 26

JULY 2, 2012

TOP STORY

CalPERS Buys Ownership Interest in Bentall Kennedy

The \$228 billion California Public Employees' Retirement System (CalPERS) has invested \$100 million in Bentall Kennedy, one of North America's largest real estate investment advisers, becoming a one-third owner of the firm, which has \$28.7 billion of real estate assets under management. In addition, CalPERS will have two seats on the board.

"One of our primary goals in this relationship was to leverage their operating experience in real estate management with our own staff," says Brad Pacheco, chief

officer of public affairs at CalPERS. "This would give us the ability to learn from one of the best in the industry. Our intentions are not to try and change the strategic direction of the firm but rather be a partner in the firm's long-term strategic direction."

Crosswater Realty Advisors, a Los Angeles-based consulting firm that advises CalPERS on real estate-related matters, reportedly advised CalPERS on the transaction. Ted Leary, managing principal of Crosswater Realty Advisors, declined to confirm or comment on Crosswater's involvement.

CalPERS' ownership interest was acquired from Ivanhoé Cambridge, the real estate subsidiary of the Caisse de

dépôt et placement du Québec, which has held the stake for the past two decades. The sale was part of the Canadian investment firm's strategic process to bring more of its real estate activities in-house.

The remaining two-thirds limited partnership ownership is evenly split between the British Columbia Investment Management Corp. and Bentall Kennedy's senior management team.

"From Bentall Kennedy's perspective, we have seen a number of benefits over the years from having British Columbia Investment Management Corp. and Ivanhoé Cambridge as owners," says Gary Whitelaw, CEO of Bentall Kennedy. "We are definitely expecting to see many of those same benefits occur with CalPERS' purchase. We know the CalPERS people really well, and they know us really well. They have been clients from the United States for a number of years. It is nice when you are going into an expanded relationship with the knowledge of each other."

Whitelaw adds, "The kind of benefits we saw with the two firms is having a greater understanding of our clients because they were at the board table being active in the development of corporate strategies and having the back-and-forth communication at the senior level."

Some examples of these important discussion items include understanding specific client expectations from a fiduciary perspective; current top institutional views on

environmental, social and governance matters; generally required investment returns relative to risk assumed; and client expectations with regard to real estate's role in a multi-asset class portfolio.

"All of these items, when discussed with senior and experienced plan sponsor executives, make us a better real estate adviser — for all of our clients. It is all about developing a deeper understanding of the key client issues of the day, and responding prudently to those issues and opportunities," says Whitelaw.

Bentall Kennedy has been a real estate partner with CalPERS for more than 15 years through a number of investments. CalPERS has more than \$18 billion invested in global real estate — approximately 8 percent of the fund's \$228 billion investment portfolio.

Bentall Kennedy has two operating groups, one that handles investment management, the other real estate services. The investment management group advises public and corporate pension funds, life insurance companies, endowments, foundations and trusts, high-net-worth families, and sovereign wealth funds in Canada and the United States on their direct investments in office, industrial, retail, multifamily residential and hospitality real estate. Bentall Kennedy serves the interests of more than 500 clients across 140 million square feet of office, retail, industrial, residential and hotel properties throughout North America. *Source: Institutional Real Estate, Inc.*