



## 2023 PREA Affinity Group Program

**PREA's Affinity Group Program** is designed to maintain a small-group dynamic, even as the Association's membership grows, and allows members to discuss topics of shared interest. Open to a maximum of 40 individuals from member firms by invitation, each affinity group is devoted to a specific topic, such as innovation, international investment, and capital markets. Affinity groups meet during PREA's Spring and Fall Conferences. Members sign on for a two-year term. PREA members interested in additional program details should contact [Amy Laffargue](#), Director of Meetings and Events, at **860-785-3846**.

- Alternative Real Estate Investment
- Capital Markets—Blue Flight and Red Flight
- Defined Contribution Plans
- Development
- Innovation
- International Real Estate Investment
- Reporting & Valuation
- Research



# Alternative Real Estate Investment

**Inna Khidekel**, *Bridge Investment Group*

**Shawn Veldhouse**, *New York State Common Retirement Fund*

**The Alternative Real Estate Investment Affinity Group** is dedicated to investment strategies and vehicles that fall outside traditional parameters. Originally formed to focus on non-core property sectors, the group now considers real estate that is facing disruption by technology, demographic shifts, a post-pandemic world, and other factors. In addition, the group focuses broadly on emerging trends relevant to the real estate investment management industry, such as asset allocation, public-private partnerships, property-type repurposing, and changing dynamics between GPs and LPs.

Our sessions are designed to be highly interactive and are typically structured around one or two topics. Discussions are led by our investor and manager members as well as invited outside guests, including accomplished investors, managers, developers, and real estate researchers. Recent sessions covered topics below:

- **The Evolution of the Workplace and Its Impact on the Office Sector:** Changes occurring from the digitization of work and the intense competition to recruit and retain talent have landlords and tenants looking at office space differently. Historically a core real estate sector, office has now become opportunistic and characterized by “haves” and “have-nots,” with divergent outcomes in leasing demand and long-term viability. The panel, consisting of an owner/operator, a researcher, and an architect, discussed the characteristics of assets that will entice workers back to the office, including the latest trends in architectural build-outs, tenant layouts, and amenities. For office assets considered to be “obsolete,” we discussed to what extent alternative uses are viable.
- **It’s a Crazy World:** The Alternatives and Reporting & Valuation Affinity Groups combined to talk about valuation of public and private real estate. Since the pandemic, valuations for real estate have diverged across property-type sectors, as well as in the public and private markets. What underlying fundamentals drive valuations between a regional mall and an industrial warehouse? We explored valuation metrics, outlook for future growth, discount rates, and capital flows as well as how, when, and why the private and public markets view the investment landscape differently.
- **COVID-19’s Blow to the Hospitality Industry and Emergent Opportunities:** In comparison to other property sectors, hospitality was one of the hardest hit by the COVID-19 pandemic. We discussed how the pandemic impacted the industry and the dispersion of performance across chain scales and geographies. We debated how the pandemic will leave a permanent impact on corporate and leisure travel as well as the operations of hotels. We explored the opportunities and risks of investing in hotels going forward.
- **Retail: The New Real Estate Alternative:** Retail has been viewed for decades as a core asset class, serving as a cornerstone in many institutional portfolios. Over the past ten years, growth in e-commerce and changes in consumer behavior have forced retailers and landlords to adapt at record speed or perish. Leveraging data analytics, our invited research specialist presented retailers’ evolving omnichannel approach and discussed the quest to provide consumers with unified shopping experiences.



## Capital Markets—Blue Flight

**The Capital Markets Affinity Groups** consists of two flights, Capital Markets Blue and Red. Both groups focus on relevant domestic and global issues impacting investment activity and capital markets. Using a combination of speaker presentations and group and breakout discussions, the groups' goal is to promote an active and educational dialogue about pertinent topics impacting the real estate capital markets.

### Blue Flight:

**Bruce Cohen**, *Temerity Strategic Partners*

**Shawn Lese**, *Nuveen Real Estate*

**Capital Markets Affinity Group Blue and Red (Spring 2022):** The Blue and Red Flight groups met in one in-person session. During the first half of the session, the group heard a presentation by Zachery Aarons, Cofounder and General Partner of MetaProp, a venture capital fund that makes investments in companies that support the metaverse. Aarons discussed what the metaverse is, activities that happen in that sphere, and the risks and opportunities of investing in virtual real estate. The second half of the session involved a group discussion about the wall of capital seeking to invest in “terrestrial” real estate. Topics included which sectors will be most successful, how to maintain investment discipline, and when and how the party will end.

**Capital Markets Affinity Group Blue (Fall 2022):** The Blue Flight broke into five groups of ten, and each group was presented with two of three questions posed. The first asked what property type they would recommend selling if their CIO directed them to create liquidity. This spurred a dialogue around asset class preferences, priorities in meeting liquidity needs, exit strategies in challenging markets, and overall portfolio management. The second question related to debt and equity capital availability and whether there was a shortage or an excess of capital that would materially impact pricing and returns. Interestingly, there wasn't consensus—some thought there was a capital scarcity, and others saw continued excess. Influencing these discussions were the participants' outlook on valuations, denominator effects, and events outside of real estate that would have an as-yet-undetermined impact. Last, the group addressed issues relating to ESG, including whether it's a “need-to-have” or “want-to-have” element as markets become more challenging. The participants benefited from a robust discussion at each table, followed by presentations of key findings from table leaders and additional questions and comments from the audience. A summary of positions was then provided to the group, with an eye toward ensuring some level of takeaway from their active participation.

We look forward to continuing our group discussions in the 2023 meetings with the goal of continuing active and informative dialogue among our members.





## Capital Markets—Red Flight

**The Capital Markets Affinity Groups** consists of two flights, Capital Markets Blue and Red. Both groups focus on relevant domestic and global issues impacting investment activity and capital markets. Using a combination of speaker presentations and group and breakout discussions, the groups' goal is to promote an active and educational dialogue about pertinent topics impacting the real estate capital markets.

### Red Flight:

**Peggy DaSilva**, *Allianz Real Estate of America*

**Chris Miers**, *Prime Finance*

**Capital Markets Affinity Group Blue and Red (Spring 2022):** The two flights combined to discuss real estate in the metaverse. Zach Aarons, Cofounder and GP of MetaProp, explained the intricacies of real estate ownership in this virtual world and its potential value going forward. The discussion generated many questions and question marks! In addition, the combined flights discussed the large sums of dry powder available at that time and how investment strategies were being executed.

**Capital Markets Affinity Group Red (Fall 2022):** The Red Flight met to discuss the impact of inflation on real estate values and investment themes. Randy Zisler (Zisler Capital Associates) presented a detailed study of this topic. Following his presentation, the group also discussed investments in industrial and multifamily asset classes and the question of sustaining value given the new and rapidly evolving economic environment. Capital markets and real estate values will continue to be an important focus as we develop programs for 2023.

We look forward to continuing our group discussions in the 2023 meetings with the goal of continuing active and informative dialogue among our members.



## Defined Contribution Plans

**Jennifer Perkins**, *LaSalle*

**Ali Siby**, *Hines*

**The Defined Contribution Plans Affinity Group** focuses on the inclusion of private real estate in professionally managed investment strategies for DC plans. It facilitates discussion and information exchange about the DC market and how private real estate can serve an important role in helping DC plan participants reach their retirement savings goals.

As of 2022, according to the Defined Contribution Survey conducted by DCREC, NAREIM, and Ferguson Partners, the amount of DC capital invested in private real estate was \$79.4 billion in dedicated, nondedicated, and 403(b) vehicles. DC plan sponsors continue to evaluate the inclusion of private real estate in their multi-asset-class solutions, and many of the largest corporate and public plans have already included private real estate in their investment strategies. Inflows from new mandates into DC vehicles are increasing, and the number of dedicated DC private real estate vehicles in the market has grown from four in 2005 to 17 in 2022.

The Defined Contribution Plans Affinity Group provides a forum for real estate professionals and market leaders to gain important information to be at the forefront of the US retirement market evolution.

### Presentations and Speakers

The affinity group hosts discussions with members and external speakers on current topics within the DC and daily-valued private real estate market. In 2023, the group will focus on key topics, including:

- Current and future trends in the DC market, including the regulatory environment
- Use case studies
- Non-US DC market

### Looking Ahead

The Defined Contribution Plans Affinity Group will continue to provide content that is relevant to all the following key constituents: DC plan sponsors considering the inclusion of private real estate within a professionally managed multi-asset-class investment strategy, DC plan sponsors already including private real estate in their DC plan investment offerings, and real estate managers offering or preparing to offer private real estate funds for DC plan investment.



# Development

**Matthew Claeys**, *Heitman*

**Kristopher Wojtecki**, *PSP Investments*

**The Development Affinity Group** is focused on best practices in product design, development financing, and project delivery strategies. Members have deep experience in the development of commercial office, retail, industrial, and residential assets, with widely distributed investments throughout major US and global markets in private equity, private debt, and highly structured investments.

## Making Assets Agnostic to Demand | Tax Policy

At the Fall 2022 PREA Conference, the group held a highly interactive presentation from Robert Seldin of Highland Square, a local DC-area developer. The group's members include developers, investors, and visionaries who have explored the opportunity and challenges of adaptive re-use in the office sector, and Seldin joined the meeting to present a thought-provoking strategy focused on the sector. Lifting historical zoning restrictions means buildings historically zoned for office could have a multitude of uses, changing the demand equation for challenged office assets and municipalities alike. An energetic discussion followed the presentation. The group was then joined by guest speaker Donald Susswein, leader of RSM's Washington National Tax group, to discuss the areas of partnerships (subchapter K) and the taxation of debt and other investments and the proposed carried interest tax.

## Members' Roundtable

Roundtables enable members to share investment philosophies on major markets and current market trends and opportunities. They are strictly confidential and fact-laden. Members discuss deal parameters, design/repositioning challenges, and expected investment returns. Several members are selected in advance to jump-start discussions with views on product design, delivery costs versus revenues, leasing strategies, and financing.

Member roundtables are designed to identify development methodologies, such as ownership structures, approvals, land and construction costs, tenant fit-out expenses, and leasing approaches. Discussions include repositioning, targeted marketing, and creative project economics, such as tax increment financing, to transform image and create value. Roundtables respect internal confidentiality and promote an extraordinary professional dialogue to share performance metrics and development hurdles with specific development case studies. We will continue the Members' Roundtable during the Spring PREA Conference session of 2023.

## Looking Ahead | Offsite Property Tour

During the Spring session, the group will continue the tradition of visiting a local development that is underway and hear from the development team, the lender, and the LP investing in the project.



# Innovation

**Laura Craft**, *Heitman*

**Nils Kok**, *Maastricht University*

**The Innovation Affinity Group** focuses on cutting-edge innovations, disruptive technologies, and ESG factors that affect real estate occupiers, investment managers, and investors. This highly engaged, dynamic group combines off-site tours of leading projects located in the host cities with guest speakers and roundtable discussions.

**With the shift to flexibility in working environments**, real estate has an increasingly important role in shaping health, driving productivity, and creating great workplaces. The impact of real estate on the health of employees and customers is rapidly becoming a key theme for real estate, and for its economic viability.

**From online retail to autonomous vehicles**, the world is changing rapidly. Innovations and new technology increasingly impact preferences on how people work, live, and play; tenants demand more from technology to automate routine tasks, increase experiences, and connect socially.

**Sustainability and green building** are must-haves in today's competitive environment. Tenants demand it, and in many cities, regulation enforces it. Energy efficiency, renewable energy, and battery storage offer buildings options to improve efficiency, lower energy costs, and reduce reliance on the grid.

**Typical discussion topics** include the next generation of smart buildings; big data applications that bridge the physical locations of assets; occupant engagement and contextual intelligence; and the increasing importance of sustainability, alternative energy options, and health and well-being in building development and operation.

## Past Building Tours (examples):

As the PREA conferences rotate across cities, building tours at each affinity group session have included some exemplary buildings, with guidance typically provided by the developer, owner, or chief engineer:

### 80M Street, Washington, DC—Columbia Property Trust

DC's first mass timber development

### Boston Seaport (Boat Tour)—ARUP

A climate risk view of Boston Seaport

### Westfield Century City Mall, Los Angeles—Westfield

Retail in the era of technology

### Old Parkland, Dallas—Crow Holdings

Repositioning of heritage assets into today's market

### 888 Boylston Street, Boston—Boston Properties

Energy efficiency and decarbonization strategies





# International Real Estate Investment

Joanne Douvas, *BentallGreenOak*

Roberta Waxman-Lenz, *State Teachers Retirement System of Ohio*

**The International Real Estate Investment Affinity Group** provides a forum for discussion of non-US investing, particularly focused on differences in strategies, markets, and property-type structures from those found in the US. The group relies on specialists in various property types, regions, and financial structures to initiate discussions, opening up conversation to members for questions and to share member perspectives on challenges faced and advantages gained through broadened geographic access. Participation by members provides for lively and informative discussions following presentations by expert panels and speakers.

## Recent Topics

### 2022 Spring: Evaluating Opportunities in Japan, South Korea, and Greater China

Our panelists, each a specialist in Asian real estate markets, provided insights on the challenges of getting deals done in these three Asian countries. CIO and Global Head of Real Estate Tom Pulley (Fortress Investment Group), CEO Asia Pacific David Schaefer (AEW Capital Management), and Managing Director Yi-Shan Huang (BentallGreenOak) addressed risks that impact selection of assets and style of execution as well as types of transactions viewed as most compelling, including comparisons of market liquidity, differing regulatory environments, and demographic trends.

### 2022 Fall: Dislocations and Opportunities in Europe: Using an Equity or Debt Approach?

European investment experts led the panel analyzing the multiple waves of dislocation hitting Europe. They provided the term “dequity” to explain the ability to access opportunities throughout the capital stack. Head of European Debt & Value-Add Strategies Michael Zerda (LaSalle Investment Management), Head of Real Estate Europe Ben Bianchi (Oak Tree Capital), and Managing Director of High Yield Debt Matthew Crowther (PGIM Real Estate) stirred up pressing questions from members about accessibility of debt, how compelling investing is possible in a low-growth environment, and the most attractive property types based on market dynamics.

## Looking Ahead

The Spring 2023 session will feature experts who explore the varied real estate markets across Asia, Europe, and the US. Global markets participants are seeking to take advantage of distress cycles and scarcity of capital. These dislocations have historically moved from one region to the next rather than impacting all simultaneously. In addition, each region—with differing regulatory and fiscal policies, supply/demand dynamics and demographics—provides unique opportunities for investors. Our discussions will address market shifts that are non-synchronous across regions and whether portfolio returns can be enhanced by geographic diversification. We will also take a look at the impact of European regulatory changes, Japan’s continued low interest rates, and the reversal of the zero COVID policy in China.

## Potential Topics for Future Sessions

- **Demystifying Myths:** “emerging markets with high GDP growth offer high returns,” “you can’t make money in no-growth Japan,” “international investment requires a return premium to enhance a portfolio.”
- **Sustainability Across Europe:** Requirements differ across countries. Investors must navigate a changing environment.





## Reporting & Valuation

**Michael Morrell**, *New York State Teachers' Retirement System*

**Candice Todd**, *Morgan Stanley*

**The Reporting & Valuation Affinity Group** has a dual focus: updates and discussions regarding industry reporting requirements and discussion on trends and current issues impacting valuation practices. The broad range of disciplines represented by its membership provides diverse perspectives that add to the quality, depth, and benefit of these discussions. Most sessions will touch on both topics by offering prepared remarks by industry experts actively involved in these areas, followed by the opportunity for open discussion and questions. Active participation in these discussions and the sharing of diverse viewpoints and experiences is the key benefit of membership in the affinity group.

A representative from the NCREIF PREA Reporting Standards provides an update on current and future initiatives to both inform the affinity group members and to solicit input from the members' diverse experience and expertise. Past topics have included the Total Global Expense Ratio and ESG Principles of Reporting for Private Real Estate. Current projects include efforts to develop a Standardized Due Diligence Questionnaire for Private Market Investments, review of Reporting Standards for Debt Funds, and development of Asset and Investment Level Reporting Best Practices. In addition, updates will be provided on aligning Global Real Estate Reporting Standards, a collaboration between NCREIF, PREA, INREV, and ANREV.

During 2022, both investors and investment managers placed significant focus on reporting around ESG-related issues, including: governance policies and procedures, climate risk, energy usage and emissions, and diversity.

■ **Spring 2022:** The group discussed the impact of current events, such as inflation and the Russia-Ukraine conflict on property valuations and portfolios. This was an open discussion between affinity group members on the current and expected impact of these events on their portfolio valuations. We then had an informational session regarding the recently issued ESG Principles of Reporting for Private Real Estate and the related Key Performance Indicators (KPIs). The discussion was led by Marybeth Kronenwetter, NCREIF PREA Reporting Standards Director, and resulted in a lively discussion among members on the impact of ESG initiatives on their portfolios.

■ **Fall 2022:** After an update on current projects being undertaken by the NCREIF PREA Reporting Standards, we discussed the new NCREIF reporting subsectors and property-type definitions. We then continued the ESG discussion started at the Spring session by debating the value of ESG-related initiatives and whether those initiatives have a real and/or perceived conflict with fiduciary duty—certainly a lively discussion from many viewpoints.

### Looking Ahead

The Spring 2023 session will focus on current market conditions and their impact on property valuations. How do rising interest rates, unavailability of debt, and low transaction volumes impact the ability to accurately value properties?



## Research

**Mark Fitzgerald**, *USAA Real Estate*

**Gleb Nechayev**, *Berkshire Residential Investments*

**William Pattison**, *MetLife Investment Management*

The **Research Affinity Group** provides a forum for the presentation, debate, and discussion of cutting-edge research and the current trends and market factors that impact commercial real estate. The group comprises individuals representing a broad spectrum of the institutional investment community, including investment managers and advisors, data and service providers, plan sponsors, consultants, and academics. In the past, the group has addressed a wide variety of topics on real estate fundamentals and capital markets, including fund flows, demographics, tax laws and regulations, big data, disruptors, and more. Recent sessions included the following:

### Inflation Strikes Back?

Presenter: **Brian Bailey**, *Atlanta Federal Reserve, Subject Matter Expert and Senior Policy Advisor, CRE*

- Rapid shifts in economic and capital markets environment and the driver and knock-on effects of the current inflationary environment
- What might be the implications for commercial real estate and various property sectors?

### ESG Trends in Real Estate

Presenters: **Dan Carson**, *MSCI*, and **Jack Davis**, *RE Tech Advisors*

- Panel on latest ESG reporting/data in CRE
- Topics included comparisons to other asset classes, benchmarks to quantify and measure ESG performance, and impact on investment results.

### Panel: Technology, Research, & Analytics

Presenters: **David Liggitt**, *Founder and CEO, datacenterHawk*; **Webster Hughes**, *PhD, Cofounder, Managing Member, Multifamily Comps LLC*; **John Baczewski**, *CPA, CRE, Cofounder, Member, Multifamily Comps LLC*

- Growing a business to capture alternative sector data, challenges, and opportunities
- Leveraging new data sources for investment insights and decision-making

### Thought Leadership/Roundtable Discussion

Presenters: *Various Members of Research Affinity Group*

- Approximately 15 members presented on various topics in a “quick-hit” format, followed by roundtable discussion of the implication of these issues on the industry.
- Topics included inflation, supply chains, and onshoring/nearshoring opportunities; private- versus public-sector cap rates; ESG and transition risk; and leveraging mobility and social data.

Our goal for 2023 is to continue exploring and discussing the most relevant topics in our industry. We seek suggestions from our membership base and other sources.