

National Real Estate Advisors

A Leader in Build-to-Core

Suddenly “Build-to-Core” has become a buzz-worthy real estate investment term of art and seemingly vanguard strategy for the current market. As existing core properties have become especially pricey, increasing numbers of investment managers look to access development opportunities and merchant builders tout new projects to potential institutional partners.

One company is not new to executing on build-to-core strategies — the principals at National Real Estate Advisors, LLC have worked collaboratively since 2000 undertaking only build-to-core projects while establishing a unique open-end fund to invest in these premier assets. Focusing on major U.S. urban markets, National takes a long-term view, developing and redeveloping properties, seeking always to create modern, technologically advanced assets for its portfolios, which can outperform older properties in competing for tenants.

Jeffrey J. Kanne, National’s President and CEO, says: “Build-to-core can make sense at any point in the real estate market cycle if you structure investments properly, aggressively manage project costs and exercise patience in delivering the right product at the right time. The end result will be new generation core assets that can capture higher rents and maintain higher occupancies over extended holding periods.”

Over nearly 15 years, Mr. Kanne’s team has engaged in more than \$11 billion of development projects (\$7.6 billion completed and \$3.4 billion pending), comprising more than 22 million square feet of space¹. National has invested in the development of prime assets in most property categories — office, multifamily, retail, hotel, industrial (including data centers) and complex mixed-use projects. National’s investments are located in leading 24-hour



Jeffrey J. Kanne
President and CEO



Kevin M. Verdi
Managing Director
of Investments

cities across the U.S., including New York, Boston, Chicago and Washington, D.C.; and National is directly developing major projects in downtown Los Angeles, San Francisco and Philadelphia through its subsidiary, National Real Estate Development.

HIGHLY SKILLED DEVELOPMENT EXPERTISE

An SEC registered advisor, National operates throughout the entire capital stack, investing equity or lending capital for flexible financing solutions, including preferred equity, mezzanine debt, senior debt, construction loans and credit enhancements. Enduring relationships with many leading developers give National opportunities to participate in some of the country’s most recognized projects. In addition, the company employs a highly skilled development team, which oversees and provides expertise in joint-venture investments and undertakes complex projects in-house.

For its pension fund clients, National has delivered consistent returns while its responsible contractor policy creates quality jobs for the organized trades whose skill sets help ensure projects come in on budget and on schedule.

CONSISTENT AND PROVEN STRATEGIC APPROACH

National executives have honed a specialized build-to-core strategy

to invest in premier assets located in major U.S. urban markets. The company has a long track record of creating value and growing net operating income by investing in some of the nation’s most recognized commercial and multifamily real estate development projects:

New York by Gehry: A 75-story, landmark high-rise in the Manhattan Financial District with 898 rental apartments, designed by prominent architect Frank Gehry.

The Chicagoan: A 221-unit, 38-story high-rise apartment building located one block west of Michigan Avenue, at the corner of Rush Street and Chicago Avenue in the River North submarket.

Sabey Data Centers: Ownership of a 34% stake in this national data center developer and operator, including ownership of 14 buildings and 2.5 million square feet of space in New York City, Seattle and eastern Washington.

100 Van Ness: A 320,000-square-foot, 400-unit apartment

COMPANY OVERVIEW

National Real Estate Advisors is a subsidiary of the National Electrical Benefit Fund, a major U.S. pension plan sponsor with more than \$12 billion of net assets under management.

- Headquartered in Washington, D.C., an SEC registered investment advisor
- Assets under management: \$2 billion-plus/72 investments
- Specializes in executing build-to-core strategies for an open-end fund and a separate account
- Invests in most major real estate sectors — mixed-use, apartments, office, retail, industrial, hotels and data centers
- Focuses investments on leading U.S. urban markets
- 41 employees; offices in Chicago, Los Angeles, Philadelphia and Phoenix

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complex in downtown San Francisco, scheduled for completion by mid-year 2015.

Journal Squared: An assemblage of five parcels on two acres of land next to the Journal Square PATH train station in Jersey City for development of a 2.4 million-square-foot mixed-use residential and retail complex, including 1,843 rental apartments in three towers of 53, 60 and 74 stories.

The hallmark of National's investment process involves applying these proven build-to-core guidelines²:

- Investing in leading U.S. urban markets with high barriers to entry, diversified economies, effective transportation networks, and high levels of intellectual capital;
- Identifying opportunities with leading developers or undertaking projects directly through National's in-house development group;
- Carefully evaluating predevelopment and budgeting, waiting for the right market opportunity to begin construction;
- Employing equity and debt structures to maximize investor returns, hedging risk and offering a more attractive capital source for prospective partners and borrowers;
- Overseeing developments with a skilled leadership team with decades of combined project management expertise;
- Making midcourse corrections to sustain projects and waiting out market hiccups if necessary to produce high quality projects in superior locations;
- Delivering stabilized assets which can out-compete older properties for tenants and command high rents from superior features and amenities;
- Leasing and managing to maintain high occupancies at market leading rents; and
- Looking to sell assets at peak values over time.



NATIONAL'S DEVELOPMENT SUBSIDIARY

National has established a separate unit with expertise to develop and manage its own projects as well as to provide technical expertise and oversight of joint venture developments. At present, National Real Estate Development has four major projects under way, totaling more than 1 million square feet and \$760 million in development cost.

UNIQUE OPEN-END FUND

In its open-end fund, National offers immediate investment participation in a \$1.7 billion portfolio of Class A real estate diversified by property type and geography. Its income component is supported by cash flows from well-leased core assets, and appreciation can be realized not only from the stabilized portfolio, but also from development projects. Meanwhile, measured use of equity and debt throughout the capital stack helps lower the fund risk profile and preserve capital.

MAJOR DEVELOPMENT PROJECTS UNDER WAY

East Market is a four-building complex, spanning a full block in the heart of Center City Philadelphia, just east of City Hall. The property is considered one of the city's

redevelopment sites and a fulcrum for urban renaissance in the East Market district. In transforming the block into a new city landmark, the phased project will be an exciting combination of pedestrian-oriented retail, new residential rental apartments, hotel, parking, and Times Square style digital signage.

The Bloc consists of a 32-story, 708,000-square-foot office building, an enclosed two-story 408,762-square-foot shopping mall (anchored by Macy's), a 485-room Sheraton hotel, and a six-level parking structure with 1,860 parking spaces. The downtown LA full block mixed-use project was originally built in 1973. A comprehensive redevelopment of all components will include a reconfiguration of existing space in the retail center; renovation of lobby and common areas of the office tower and renovation of all hotel guest rooms and common areas. The goal is to upgrade a Class B property into a Class A mixed-use asset and increase gross leasable area, taking advantage of downtown's re-emergence as an attractive 24-hour urban environment served by the city's expanding mass transportation systems.

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¹ Since 2000 through 12/31/2013. Includes developments from National (2010–12/31/2013) and NEBF Real Estate (2000–2010).

² National's open-end fund has generated returns since inception (10/1/2010) of 10.02% net as of 6/30/2014.